

New Jersey Department of Labor and Workforce Development
Office of Research and Information
Division of Economic and Demographic Research

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Economic Brief:

New Jersey's Changing Economy and the Recent Impact of the COVID-19 Pandemic

This report prepared by the New Jersey Department of Labor and Workforce Development , Division of Economic and Demographic Research highlights the economic changes in the state over the past three decades, how the industry mix had changed during that time, and the more recent effects on the workforce as a result of measures taken during the COVID-19 pandemic.

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Introduction

The economic roller coaster ride of 2020, propelled by the COVID-19 pandemic, has distorted the scales of most indicators and broken many records. Within a span of just two months, the United States shattered records: declining by 20 million jobs in April and gaining nearly five million jobs in June, making nearly all other historical monthly data points appear flat. The official unemployment rate soared to nearly 15 percent seemingly overnight, a level not seen since the Great Depression almost a century ago. While it seems that the national economy is in the early stages of recovery, the current uncertainty makes it difficult to forecast the months and years ahead.

Prior to March 2020, the United States was in the longest expansion in recent history. It had been nearly 11 years since the end of the Great Recession (June 2009) that had done so much widespread damage to the economy. At that time, it was the deepest economic downturn since the Great Depression and the recovery lasted nearly twice as long as any preceding recession in recent history. While the recovery was prolonged, the nation added more than two million jobs per year during the recovery. The gains were widespread with employment increases in nearly every industry sector.

In March 2020, the expansion came to a historically abrupt halt as the COVID-19 pandemic wreaked havoc on the economy. Many states, some earlier than others, were forced into a near complete shutdown with only essential businesses and services remaining open. Many restaurants closed or were forced into take-out only menus. Airline traffic remained grounded due to lack of demand for travel. The personal services sector, including barbershops and nail salons, where close human interaction was necessary, was ground to a halt. Even in healthcare, which in the past has been recession-proof, there were widespread losses among non-emergency establishments like dentist's offices and diagnostic laboratories.

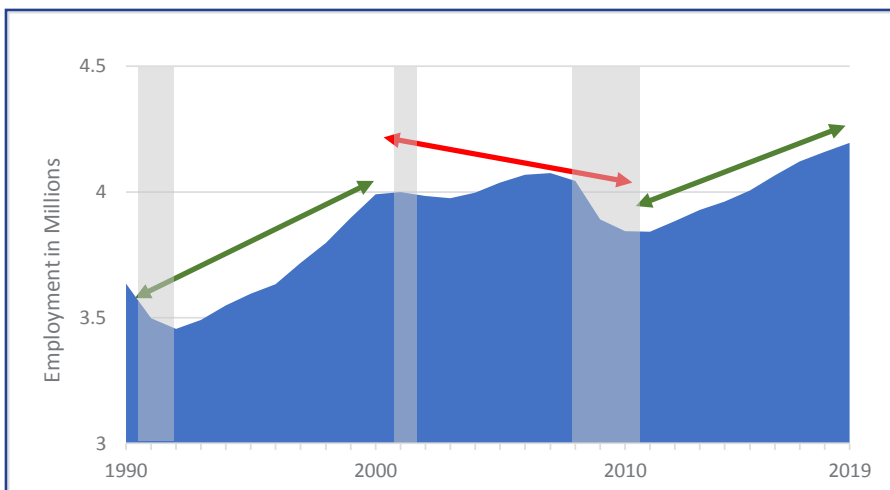
As health restrictions eased, some areas of the economy like construction and professional and business services have bounced back relatively quickly. According to the United States Bureau of Labor Statistics (BLS), the nation has regained nearly eight million jobs in the past two months of the 22 million that were lost at the height of the outbreak. Truly, there is still a long road ahead to full recovery.

The objective of this paper is to review the impact of the events of the past several months on the New Jersey labor market and to apply any available data to highlight the successes of this past expansion, the effects of COVID-19 on the economy, and what can reasonably be expected during the recovery. *Which sectors performed better or worse during the expansion and how did this change the industry mix and outlook for employment opportunities? How has New Jersey performed in relation to the nation? Who was affected most by the recent downturn and what might be the long-term effects on the workforce?* Please note that the data in this report reflects the most current available through July 2020.

The Long Recovery

The past thirty years in New Jersey can be most simply summarized by two long periods of jobs prosperity with a near decade of employment stagnation ending in recession in the middle. During the booming 1990s and ending with the bursting of the dot-com bubble in 2000, New Jersey was adding nearly 70,000 jobs per year. In total, there were more than a half million jobs added to the economy during this period. The first decade of the 2000s brought a relatively mild recession, followed by a so-called jobless recovery. In total, New Jersey added only 75,000 jobs over a six-year period (2000–2006) over its previous peak. Although the Great Recession did not affect New Jersey as harshly as some other states, the state still lost nearly a quarter-million jobs. As a result, the first decade of the 2000s, bookended by two recessions, was the first time on record that New Jersey exited a decade with fewer jobs than it started. While the ensuing expansion did not surpass the rapid pace of the 1990s (40,000 jobs per year vs 70,000 in the 1990s), the length of the expansion had been record-breaking. As stated before, it was steady and prolonged. Figure 1 below shows this 30-year employment trend.

Figure 1: New Jersey Employment from 1990 to 2019:



The Industry Mix Has Changed Significantly

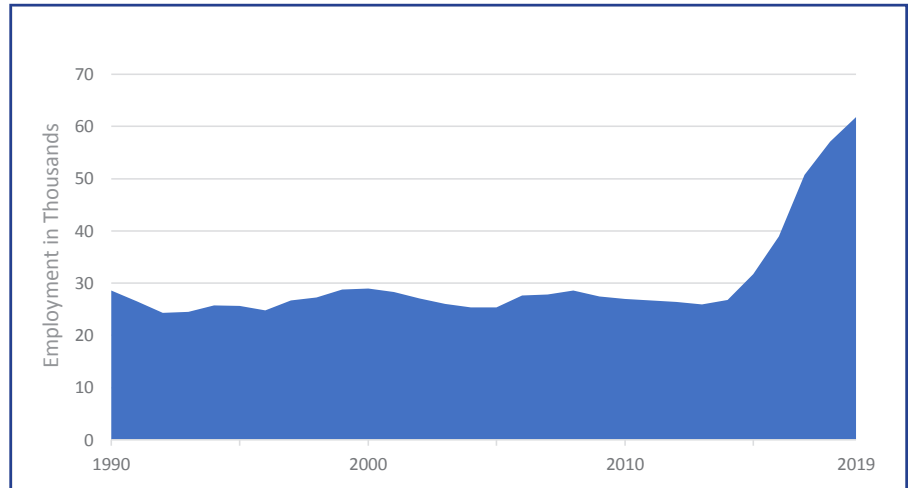
Reflecting a nationwide trend, the New Jersey economy has trended toward more of a service-providing blend of industries from one based on the production of goods. By 2020 in New Jersey, more than 90 percent of all employment was found in service-providing industries. This fact may have exacerbated the deep losses felt in spring when social distancing became of paramount importance, as these are the types of jobs where close human interaction is a critical part of one's job responsibilities.

Employment in construction tends to be cyclical by nature, both due to seasonal factors and economic conditions. It increases during economic expansions and contracts during recessionary periods. Over the past 30 years, annual estimates have ebbed and flowed within a fairly narrow range. While construction employment took a significant hit during the COVID-19 shutdown, it was also very quick to rebound. Data shows that nearly 40,000 jobs were lost in April, and nearly all of them had been recovered by July.

Employment in the manufacturing industry had been in a steady pattern of decline since at least 1990. In fact, total employment had been more than halved from over a half million jobs in 1990 through the first decade of the 2000s. However, there has been a slight resurgence over the past decade as more than 10,000 jobs have been added. Fabricated metal and computer and electronic production have steadily added jobs over the past few years. Food manufacturing has led the way, however, adding more than 6,000 jobs over the past five years. New Jersey's geographic location in the middle of the most populous area

of the country and highly educated workforce should ensure that the Garden State will continue to be an excellent place for local and global manufacturers to call home. Again, there was a significant decline in employment during the height of the shutdown, but employment is nearly back to pre-COVID-19 levels. Similar to what happened to employment in the construction sector during this period, roughly 35,000 jobs were lost in April and data shows that 25,000 of them had been recovered by July.

Figure 2: Warehousing Employment from 1990 to 2019:



Among service-providing industries, the healthcare sector has shown to be a consistent source of employment for many people at all levels of education. Employment has nearly doubled since 1990 to more than 600,000 jobs in 2019, making it the largest private sector industry in New Jersey. Over these 30 years, this sector has never failed to add jobs on a year-to-year basis, even despite the impacts of three recessions. The increase can be attributed to the aging of the huge baby boom population in the state and how their need for medical services has increased as they age. During this expansion, the model of healthcare service delivery shifted from acute care to ambulatory care in an effort to minimize healthcare costs. In doing so, the health care sector has increased its share of the industry mix from 8.4 percent to 14.4 percent of all jobs, or roughly one of every seven jobs in the state.

There is another, more recent sector standout that anyone who has driven along the New Jersey Turnpike has noticed; the warehousing industry. As noted before, New Jersey has always been an ideal location in the supply chain due to its central location and also access to high value highways, railways, airports, and seaports. The rise of e-commerce has led to an explosion in the number and capacity of

warehouses in the Garden State. As shown in Figure 2, this sector supported relatively steady employment of between 25,000 and 30,000 workers for at least 25 years. Employment has grown tremendously since 2014, more than doubling its workforce to more than 60,000 in just five years.

COVID-19 Impact on the Workforce

The COVID-19 pandemic brought an abrupt end to the longest economic expansion in modern U.S. history. It had been nearly eleven years since the official end of the Great Recession in 2009, and more than 20 million jobs were added during that time. In New Jersey alone, the economic expansion resulted in more than 350,000 jobs. Then, seemingly overnight, everything stopped. Schools, restaurants, casinos, and many other businesses were forced to close their doors in an effort to contain the spread of the virus. Airlines were forced to trim payrolls due to lack of demand for air travel. When retail trade reopened from a complete shutdown, store owners had to quickly transition to a curbside pickup model to remain open. In just one month, more than all of the gains in employment over the past decade were

erased. Data shows that New Jersey lost more than 750,000 jobs in April alone.

Figure 3 illustrates how the dramatic decline in employment has distorted the scale of monthly employment change. The chart goes back 20 years to show the gradual increase in employment since the turn of the 21st Century. The monthly gains and

losses, even during the Great Recession, are relatively flat compared to the record-breaking last few months.

Figure 4 highlights only the months toward the right of Figure 3. The first few months show pre-pandemic, "normal" levels of activity before the precipitous drops in March and April, as nearly a million jobs were lost, followed by a recovery as businesses reopened. Each of the last five months would have set a record for monthly employment change compared to all activity prior to 2020.

Figure 3: Employment and Monthly Employment Change from 2000-2020:

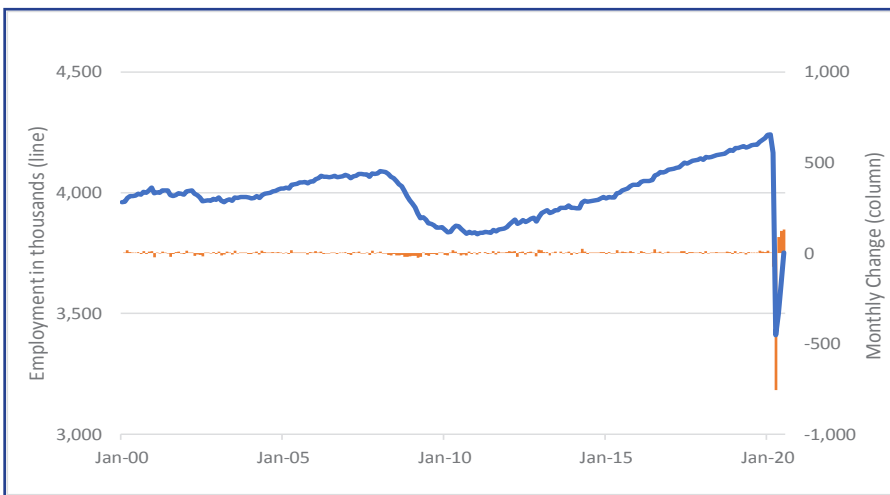
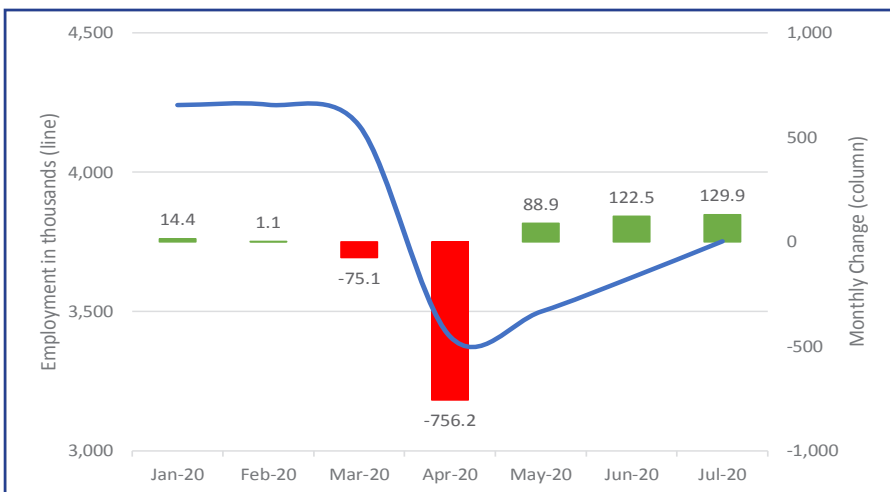
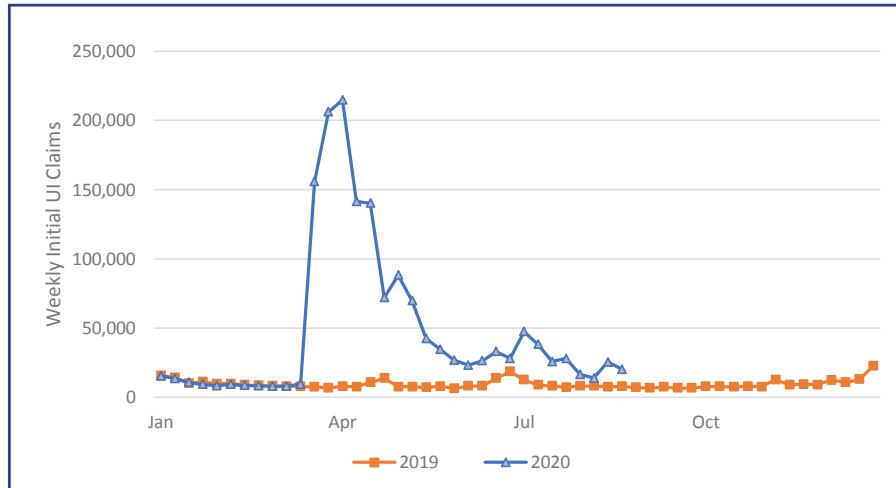


Figure 4: Highlight of Employment and Monthly Employment Change Since January 2020



Barring a second wave of the virus in New Jersey or its adjoining states, and as restrictions continue to ease, this upward trend should continue into the fall months as more businesses are able to reopen and expand their operations. Limited indoor dining and gyms opened in a limited capacity in early September allowing employers to recall some of the workers that have been on the sidelines for much of the summer, and continue to build back from the deep losses experienced in March and April. Of course, this is all contingent on the public health policies that have been in place over the past several months remaining effective. While it is encouraging that we have already recovered more than 40 percent of the jobs lost, the uncertainty in the state and nation around future COVID-19 transmission and the availability of an effective vaccine makes it difficult to forecast what things will look like in the months ahead.

Figure 5: Weekly Initial UI Claims for 2019 and 2020



Initial Unemployment Insurance (UI) Claims Analysis

By tracking the weekly activity in initial UI claims, it is possible to get an idea of the magnitude of employment losses as they occur. These claims figures are a good indicator of the health of the labor market in real-time. Figure 5 shows these weekly trends back to the beginning of 2019. The orange line shows “normal” levels of weekly claims in a healthy labor market. While there are smaller, likely seasonal bumps in claims, the pattern remained relatively flat.

The blue line, representing initial UI claims in 2020, began the year following the same pattern. Then, as a result of businesses shutting down to prevent further spread of the virus, there was a massive spike in the number of claims. For five consecutive weeks, more than 100,000 jobless claims were filed. In two of those weeks, the number surpassed 200,000, representing an increase of nearly 3,000 percent over the same week in 2019. While the number of weekly claims has been trending down since the height of the shutdown, there are still significantly more people each week filing for UI benefits than the same week in 2019.

A deeper dive into this data set is possible using the self-reported characteristics of the claimant. While not all fields are required, many are populated to allow a fuller analysis of the people who have been most affected by job displacement during the time of the pandemic. The characteristics available are illustrated in Figure 6 below.

Data shows that more than 1.5 million claims were filed for unemployment insurance in the 24 weeks ending August 29, 2020. While not an exact comparison due to the way that data is collected, this represents nearly 40 percent of the total workforce of New Jersey. The following observations illustrate which populations were most affected, or at least disproportionately affected by job displacement over the past six months.

- Nearly 54 percent of all claimants were women, compared to less than 52 percent of the total workforce. This is likely due to the higher proportion of women working in service-based occupations such as hairdressers, food servers, or dental hygienists.
- By race and ethnicity, people classified as Black or Latinx were slightly more likely to have filed

Figure 6: Characteristics of Initial UI Claimants from Late March until Late August

Gender		Age Group	
Female	54%	Less Than 25	15%
Male	46%	25-34	22%
		35-44	18%
		45-54	18%
		55-64	18%
		65+	8%
Race		Education	
White	59%	Less than High School	15%
Black	16%	High School or Equivalent	34%
Asian	8%	Some College, Less than Bachelor's Degree	25%
Other	1%	Bachelor's Degree	14%
Chose not to answer	17%	More than a Bachelor's Degree	11%
Ethnicity		Industry Sector	
Hispanic	23%	Accommodation and Food Services	10%
Not Hispanic	68%	Health Care and Social Assistance	10%
Chose not to answer	10%	Retail Trade	10%
		Administrative and Support	6%
		Transportation and Warehousing	4%
		Other Services (except Public Administration)	4%
		Manufacturing	4%
		Construction	4%
		Educational Services	3%
		Wholesale Trade	3%
		Professional, Scientific, and Technical Services	3%
		Public Administration	2%
		Arts, Entertainment, and Recreation	2%
		Real Estate Rental and Leasing	1%
		Information	1%
		Finance and Insurance	1%
		Management of Companies and Enterprises	1%
		Agriculture, Forestry, Fishing and Hunting	0%
		Utilities	0%
		Mining	0%
		Chose not to answer	34%
Occupational Group			
Office & Administrative	13%		
Sales	12%		
Transportation & Material Moving	10%		
Food Services	10%		
Personal Services	8%		
Management	7%		
Production	6%		
Education	5%		
Construction	5%		
Healthcare	4%		
Healthcare Support	3%		
Maintenance & Repair	3%		
Arts & Entertainment	3%		
Building & Grounds Maintenance	3%		
Business & Financial	3%		
Protective Services	2%		
Computer & Math	2%		
Social Sciences	1%		
Engineering	1%		
Legal	1%		
Life Sciences	1%		

for unemployment insurance mirroring a nationwide trend.

- Five occupational groups accounted for more than half of all claimants. They were office and administrative, sales, transportation, food services, and personal services. Again, the common denominator for most of these types of jobs is that close human interaction is a routine element of the job putting these workers at higher risk when they are at work.
- Three industry sectors are also among the largest in total employment: accommodation and food services, retail, and healthcare. Many restaurants, outpatient health care offices, and retail stores were forced to shut down during the height of the pandemic, and these numbers reinforce that fact.

Summary

The COVID-19 pandemic and resulting measures taken to slow its spread caused an unprecedented decline in employment in New Jersey, ending the longest expansion since records have been kept. Businesses were blindsided by its impact and were forced to react, which triggered the two largest monthly declines in employment in the state's history. The "normal" way of life, both for businesses and individuals, quickly turned into times of uncertainty as schools, stores, restaurants, and salons were forced to shut their doors.

While the summer employment rebound has been encouraging, there remains a long road ahead before the population and labor market truly recovers. Employment is still nearly a half-million jobs short from the previous peak. In order to fully recover, there would have to be several more months of record-breaking employment gains. If the rate of job growth slows, there could be deeper impacts for many as unemployment benefits expire. There also remains the possibility of another wave of COVID-19, which would likely result in a rollback of many of the industry openings that have occurred. This recession is especially difficult, because of the inherent uncertainty of the COVID-19 crisis and the unparalleled magnitude.

Although New Jersey was among the most infected and affected states by the pandemic, its economy has endured. The deep losses in the spring were followed by the three largest monthly gains in employment in state history. Employment in manufacturing has been strong and the importance of the state's position on the eastern seaboard in the middle of the largest population center in the country cannot be underestimated. New Jersey still boasts one of the most highly educated workforces in the United States. The question remains; when will uncertainty yield to what most remember as normalcy? Until there are answers to that and related questions, the continued analysis of the indicators in this paper will continue to tell the story as it unfolds.