Economic Brief:

Measuring the Impacts of COVID-19 on the New Jersey Economy One Year Later

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

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Measuring the Impacts of COVID-19 on the New Jersey Economy One Year Later

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 and the recent effects on the workforce as a result of the COVID-19 pandemic.

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New Jersey Department of Labor and Workforce Development, September 2021

Introduction

To borrow from the opening theme from last year's report, the economic roller coaster ride has not yet pulled into the station. While it appears that we are past the devastating losses at the onset of the COVID-19 pandemic; the past several months have offered a steady coasting toward full recovery. As of June 2021, the nation had regained approximately 70 percent of the 22 million jobs lost as a result of the pandemic. New Jersey has recovered nearly 60 percent of the more than 700,000 jobs that disappeared seemingly overnight. The unemployment rate is declining toward pre-pandemic levels, albeit slowly, and is still above the national average as are the unemployment rates of all of the northeastern states. The labor force participation rate and employment-to-population ratios remain low relative to pre-pandemic levels, but are increasing slowly as well. In short, the economy is improving from the most dramatic slide in recent times, but there is still some track ahead on this ride.

The National Bureau of Economic Research (NBER) characterizes an official recession based on three factors; depth, diffusion, and duration. While this particular economic event did not meet all of the traditional criteria, the committee at NBER determined that, due to extreme depth and widespread effects, it should be classified as a recession. Given that distinction, data shows that this was both the deepest and steepest recession in the past 70 years. Periods of recovery have lengthened in recent years compared to earlier recessions. After the most recent "Great Recession" of 2007-2009, it took more than six years (72 months) to fully recover all of the jobs that were lost. The average length of recovery time of these past ten recessions is about two and half years (30 months). If the current pace of recovery continues, New Jersey will regain all lost employment over the next two years.

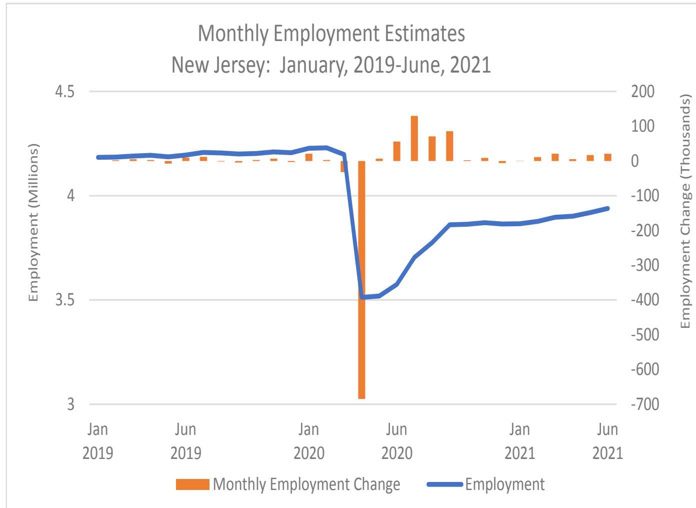
Of course, everyone was affected by this recession in different ways. Construction and manufacturing suffered early losses but have rebounded strongly. The concept of remote or hybrid work schedules pervaded into sectors that likely had not yet adopted the practice. The leisure and hospitality industry was particularly hit hard, as establishments requiring face-to-face interaction either closed or significantly limited capacity. Even when they reopened, firms in this industry experienced weak customer demand. Professional sports teams played in front of empty stadiums. Even the healthcare sector, which for at least 30 years has been recession-resistant, showed monthly employment losses especially in the outpatient care industries. The term "essential worker" was not only omnipresent in the media, but had expanded from its traditional meaning to anyone who not only heals and protects, but also teaches, serves, transports, and provides food (just to name a few).

The objective of this paper is to apply the data that has been compiled over the last year to provide a thorough analysis of the effects of this recession on the New Jersey labor market. With an additional year of information, it is also important to more concretely address the questions posed in last year's report, and then offer insights into the types of issues that may arise over the coming year.

Sudden Decline and Subsequent Recovery

The employment decline from February 2020 through April 2020 was unprecedented in recent history and scale-breaking in nature. Over the course of two months, New Jersey lost nearly 720,000 jobs as businesses were forced to close their doors and state residents entered a period of quarantine to contain the continued spread of COVID-19. This sudden halt of business activity forced the closure of schools, emptied the state's typically busy roads, and generally disrupted a previously healthy economy. While losses were widespread, more than half of the decline was concentrated in three major industry sectors; leisure and hospitality (-201,000 jobs), retail trade (-104,000 jobs), and healthcare (-101,000 jobs).

Figure 1: New Jersey Employment and Employment Change: January, 2019 through June, 2021

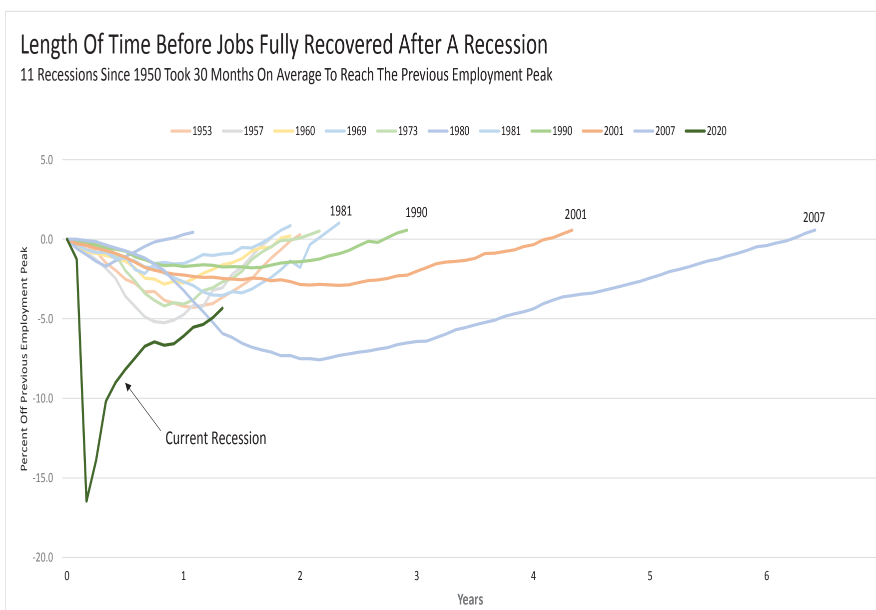


As restrictions began to ease in the early summer, New Jersey employment came roaring back. The employment gains in each of the four months from June through September were the highest over the last 30-plus years since these records have been maintained. In total, there were more than 340,000 jobs regained, or nearly half of all of those that were lost. The three sectors listed above each recovered more than half of their respective employment declines. Figure 1 illustrates the depth of the losses and subsequent recovery in the following months.

While the pace of the economic recovery has slowed from the robust gains during the Summer of 2020, it has maintained steady improvement. On average, New Jersey added nearly 10,000 jobs per month from September, 2020 through June, 2021, or an annualized rate of growth of 120,000 jobs. If maintained, this would rank as the third best year in terms of employment growth dating back to 1950 (after 1984 and 1978), and has propelled the economy out of its deepest recession in the last 70 years.

Figure 2 shows the depth of each recession and subsequent recovery in the U.S. since 1950. The chart shows how different the COVID-19 recession is from

Figure 2: Length of Past Recession to Full Recovery



all previous recessions in the last 70 years. First, the initial decline was much steeper than at any point since the Great Depression as more than 15 percent (more than 22 million jobs) of all jobs were lost over the course of two months. This drop was not caused by a typical correction in the economic business cycle, but instead was the result of the attempts to prevent the continued spread of the Corona virus along with fears of the disease itself. The early effects were devastating both for employees and business owners whose incomes suffered greatly and abruptly, but likely necessary to maintain the health of the population.

Second, the pace of the national recovery has been much faster than the previous ten recessions. Over the past 40 years, the length of time to recovery has grown progressively longer. The recession of 1981 took roughly two years to reach new employment highs. The Great Recession from 2007-2009 was markedly slower, far more gradual in its gains, and took more than six years to fully recover. If the current pace of employment increases continues, a new employment high will occur much more quickly, at some point over the next 18 months.

Of course, the economic effects of the pandemic have not been felt evenly in different parts of the country. Figure 3 on the follwing page shows the pre-pandemic employment peak (February 2020), subsequent decline (April 2020), and recovery through June 2021 broken out by state and region. By far, the hardest hit region in the country has been the Northeast Region with seven of the nine states ranking in the top 10 in terms of the percentage of total jobs lost. In total, nearly 5.2 million jobs were lost in two months, or roughly 18.7 percent of all employment. While both the Midwest and Western Regions declined by approximately the same number of jobs, their share of total employment lost was much lower, 15% and 14.3% respectively. The Southern Region, on the other hand, declined by a much lower percentage (12.6%), but lost nearly 7 million jobs. Clearly, the effects were widespread and no part of the country was immune to the devastating economic issues during the late Spring of 2020.

This tri-state area was one of the parts of the country where COVID-19 had its earliest effects, and so quarantines and lockdowns both started a bit earlier and also ended a bit later than other parts of the country. New Jersey, New York, and Pennsylvania accounted for more than 20 million jobs in February 2020. These three states lost a combined 3.8 million jobs in the next two months. In terms of percentage, New Jersey fared the best in this area shedding 17 percent of all jobs versus New York and Pennsylvania which lost 20.2 percent and 18.5 percent, respectively.

The only other states to rank in the top 10 by percentage of jobs lost were actually the top 3, and for some different reasons. Michigan lost nearly one-quarter of all employment due largely to its reliance on supply chain issues that were initially changed globally and then statewide. Hawaii and Nevada, each predominantly dependent on both an airline industry and resulting leisure and hospitality sector, rounded out the top 3 and lost roughly 23 percent of all employment.

The recovery in the Northeast has also been slower than in other parts of the country. While the nation as a whole has recuperated nearly 70 percent of all jobs lost (16 million of the 22 million lost), the nine Northeast states have only regained 59 percent. New Jersey added 423,000 jobs through June 2021, or 59.2 percent of the employment loss. The only state in the region to recover a fewer percentage of their jobs lost was New York, which added over 1 million jobs but that only accounts for 52.6 percent of the total loss.

Through June 2021, only two states have fully regained all of the jobs that were lost: Idaho and Utah. The Western Region is home to not only the top four states in terms of employment recovery, but

Figure 3: Employment Effects of COVID-19 by State and Region

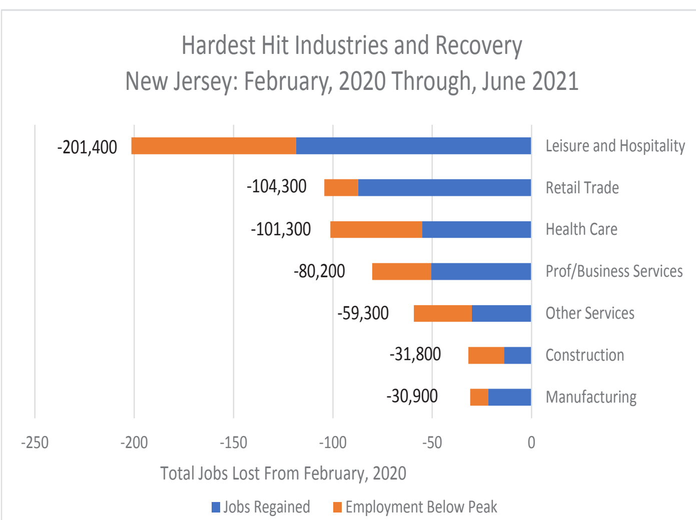
Seasonally Adjusted Nonfarm Coronavirus Effect Comparison: By State and Region
The Fifty States and District of Columbia Ranking (in thousands)

Area	Feb-20	Apr-20	Loss	Pct of Feb-20 Lost	Rank	Jun-21	Gain	Pct. of Loss Regained	Rank	100% Recovery Month
Maine	640.0	545.4	94.6	14.8%	16	614.9	69.5	73.5%	17	
New Hampshire	689.0	572.6	116.4	16.9%	11	655.9	83.3	71.6%	18	
Vermont	314.5	251.0	63.5	20.2%	5	295.3	44.3	69.8%	21	
Rhode Island	507.2	399.2	108.0	21.3%	4	471.0	71.8	66.5%	30	
Pennsylvania	6,092.6	4,962.9	1,129.7	18.5%	7	5,696.9	734.0	65.0%	32	
Connecticut	1,696.3	1,403.9	292.4	17.2%	9	1,592.9	189.0	64.6%	33	
Massachusetts	3,733.4	3,041.5	691.9	18.5%	8	3,457.5	416.0	60.1%	36	
New Jersey	4,229.6	3,512.4	717.2	17.0%	10	3,935.6	423.2	59.0%	40	
New York	9,835.1	7,852.4	1,982.7	20.2%	6	8,896.2	1,043.8	52.6%	44	
Northeast Region	**27,737.7**	**22,541.3**	**5,196.4**	**18.7%**	**N/A**	**25,616.2**	**3,074.9**	**59.2%**	**N/A**	
South Dakota	442.8	398.4	44.4	10.0%	46	435.8	37.4	84.2%	5	
Indiana	3,163.8	2,664.5	499.3	15.8%	13	3,052.6	388.1	77.7%	10	
Nebraska	1,032.4	937.0	95.4	9.2%	49	1,009.3	72.3	75.8%	13	
Missouri	2,926.6	2,569.4	357.2	12.2%	34	2,823.4	254.0	71.1%	19	
Michigan	4,452.9	3,397.6	1,055.3	23.7%	1	4,131.3	733.7	69.5%	22	
Wisconsin	2,997.8	2,590.0	407.8	13.6%	26	2,871.5	281.5	69.0%	24	
Kansas	1,428.8	1,270.8	158.0	11.1%	43	1,378.3	107.5	68.0%	27	
Ohio	5,609.9	4,721.4	888.5	15.8%	12	5,320.8	599.4	67.5%	29	
Iowa	1,590.9	1,412.5	178.4	11.2%	40	1,522.7	110.2	61.8%	35	
Minnesota	2,996.3	2,580.0	416.3	13.9%	24	2,825.8	245.8	59.0%	38	
North Dakota	440.3	386.0	54.3	12.3%	33	415.5	29.5	54.3%	42	
Illinois	6,142.8	5,318.6	824.2	13.4%	27	5,745.1	426.5	51.7%	45	
Midwest Region	**33,225.3**	**28,246.2**	**4,979.1**	**15.0%**	**N/A**	**31,532.1**	**3,285.9**	**66.0%**	**N/A**	
Tennessee	3,153.7	2,773.9	379.8	12.0%	35	3,089.0	315.1	83.0%	6	
Mississippi	1,163.2	1,012.0	151.2	13.0%	30	1,132.6	120.6	79.8%	7	
Arkansas	1,292.4	1,165.2	127.2	9.8%	47	1,265.1	99.9	78.5%	8	
North Carolina	4,626.6	4,051.4	575.2	12.4%	32	4,502.4	451.0	78.4%	9	
Texas	12,970.0	11,517.4	1,452.6	11.2%	41	12,624.3	1,106.9	76.2%	11	
Georgia	4,666.5	4,057.0	609.5	13.1%	29	4,521.0	464.0	76.1%	12	
South Carolina	2,196.4	1,888.6	307.8	14.0%	22	2,118.8	230.2	74.8%	14	
Alabama	2,086.5	1,839.7	246.8	11.8%	37	2,022.5	182.8	74.1%	15	
Florida	9,072.1	7,802.9	1,269.2	14.0%	23	8,698.2	895.3	70.5%	20	
Kentucky	1,957.0	1,662.1	294.9	15.1%	15	1,866.9	204.8	69.4%	23	
Delaware	468.0	399.3	68.7	14.7%	17	446.5	47.2	68.7%	25	
West Virginia	718.7	617.7	101.0	14.1%	21	686.7	69.0	68.3%	26	
Maryland	2,779.0	2,379.0	400.0	14.4%	19	2,634.3	255.3	63.8%	34	
Oklahoma	1,701.7	1,535.1	166.6	9.8%	48	1,634.5	99.4	59.7%	37	
Virginia	4,091.0	3,611.0	480.0	11.7%	38	3,894.2	283.2	59.0%	41	
Louisiana	1,993.5	1,709.6	283.9	14.2%	20	1,838.9	129.3	45.5%	46	
District of Columbia	803.4	720.8	82.6	10.3%	45	745.2	24.4	29.5%	51	
South Region	**55,739.7**	**48,742.7**	**6,997.0**	**12.6%**	**N/A**	**53,721.1**	**4,978.4**	**71.2%**	**N/A**	
Idaho	773.4	693.8	79.6	10.3%	44	789.7	95.9	120.5%	1	Dec-20
Utah	1,572.2	1,432.2	140.0	8.9%	51	1,599.1	166.9	119.2%	2	Feb-21
Arizona	2,993.1	2,661.6	331.5	11.1%	42	2,948.6	287.0	86.6%	3	
Montana	488.0	425.8	62.2	12.7%	31	479.1	53.3	85.7%	4	
Colorado	2,819.0	2,443.2	375.8	13.3%	28	2,719.6	276.4	73.5%	16	
Nevada	1,442.8	1,112.4	330.4	22.9%	3	1,336.0	223.6	67.7%	28	
Washington	3,513.1	3,101.2	411.9	11.7%	39	3,374.9	273.7	66.4%	31	
Oregon	1,973.0	1,687.5	285.5	14.5%	18	1,856.0	168.5	59.0%	39	
California	17,660.9	14,946.1	2,714.8	15.4%	14	16,416.6	1,470.5	54.2%	43	
New Mexico	861.9	758.3	103.6	12.0%	36	799.5	41.2	39.8%	47	
Alaska	329.8	284.5	45.3	13.7%	25	302.2	17.7	39.1%	48	
Hawaii	662.3	509.8	152.5	23.0%	2	568.8	59.0	38.7%	49	
Wyoming	288.6	262.8	25.8	8.9%	50	272.0	9.2	35.7%	50	
West Region	**35,378.1**	**30,319.2**	**5,058.9**	**14.3%**	**N/A**	**33,462.1**	**3,142.9**	**62.1%**	**N/A**	
UNITED STATES	**152,523.0**	**130,161.0**	**22,362.0**	**14.7%**	**N/A**	**145,759.0**	**15,598.0**	**69.8%**	**N/A**	

also the four states who have recovered the lowest percentage of employment lost; Wyoming, Hawaii, Alaska, and New Mexico. South Dakota ranks fifth in total jobs recovered.

Every industry sector in New Jersey declined by at least some margin from February through April 2020. Figure 4 shows seven industries that each lost more than 30,000 jobs during these two months. The leisure and hospitality sector, which includes restaurants and casinos, lost nearly twice as many as any other sector, and accounted for 28 percent of all jobs lost during that time. Employment levels in the retail trade and health care sectors each declined by more than 100,000 jobs. Most of the decline in health care was due to temporary closures and limited capacity of ambulatory care services such as dentist's offices and other outpatient care centers. There were smaller, yet still significant declines in professional and business services and the other services industry, which includes personal services like beauty salons. The one thing that all of these industries has in common is the requirement of personal interaction as a primary part of regular business.

Figure 4: Employment Declines and Recovery by Industry in New Jersey



While each of the declines was extraordinarily steep, the recoveries were relatively strong in most cases. Retail trade has recovered 84 percent of the jobs that were lost and is nearing its pre-recession peak. Manufacturing and professional and business services have also regained approximately two-thirds of the employment loss. Employment recovery in the leisure and hospitality and other services sectors will take more time to develop. Most of the employers in these sectors are considered small businesses, many who either did not survive the impact of COVID-19 or had to significantly reduce payrolls to make ends meet.

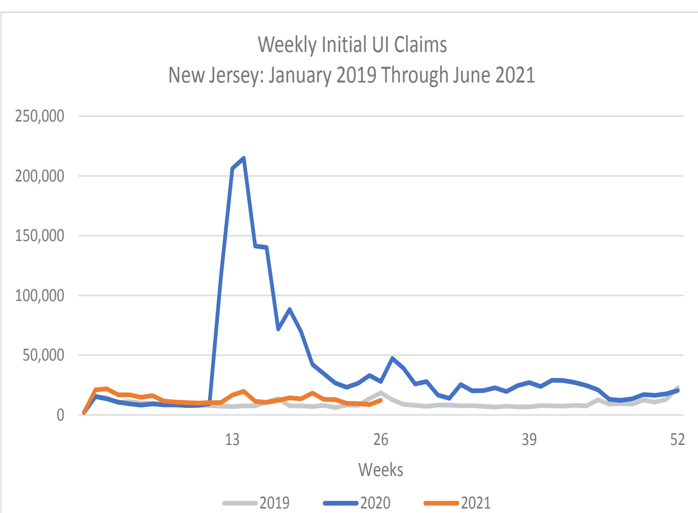
Another key factor in measuring the health of the economy is the level of Gross Domestic Product (GDP), as tracked by the United States Bureau of Economic Analysis. The nation had experienced steady quarterly growth for the past decade through 2019. Data shows that there was a relatively small decline in the first quarter of 2020 as the number of COVID-19 cases started to escalate in some parts of the country in January and February. As infections spread in the following months, many preventative measures were taken and the economy suffered greatly. Estimates showed that the economy shrank at an annual rate of 31 percent in the second quarter alone after a five percent drop in the first quarter.

In terms of GDP, this recession was the deepest of the modern era, surpassing even the Great Depression when the decline was approximately 27 percent from peak to trough. The recovery, however, was also the fastest on record as it took less than one year to fully exceed the pre-recession peak. Data shows that the nation reached a new high of 22 trillion dollars in the first quarter of 2021. Nearly all fifty states have followed a similar trajectory. All but eight states, including New Jersey, have set new highs of economic output, and all of those that have not are on pace to reach that level in the second quarter.

Issues Impacting the Current Labor Market

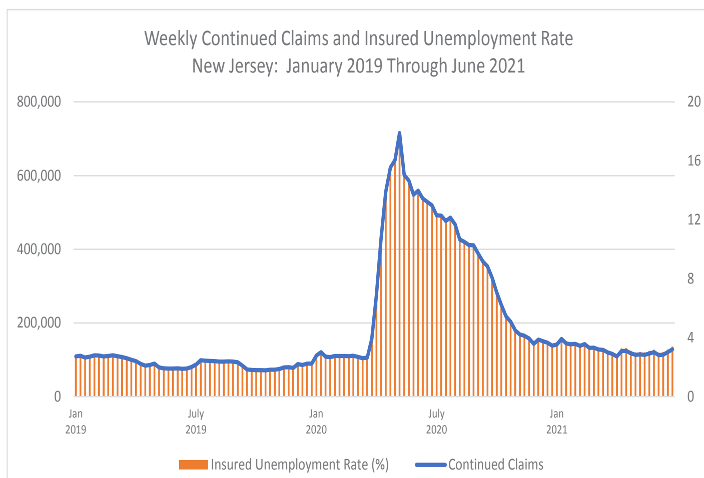
The Employment and Training Administration within the United States Department of Labor (USDOLETA) collects data on unemployment insurance claims for all fifty states on a weekly basis. These estimates are yet another tool to measure the health of the economy. Figure 5 below shows the number of initial claims filed for unemployment insurance since the beginning of 2019 in New Jersey. The gray line shows the baseline of weekly claims in a healthy economy. The blue line shows the dramatic effects of timing from the pandemic, as the number of claimants spiked by more than 1,200 percent in late March. For five consecutive weeks, there were more than 100,000 initial claims including a two-week stretch where the number peaked at more than 200,000 claims. The ensuing weeks showed a steady decline, but the level remained significantly elevated compared to the previous year. By the end of 2020 and continuing into the new year, the number of weekly claims began to approach the pre-pandemic levels, although they still remain nearly double their corresponding 2019 levels.

Figure 5: Weekly Initial UI Claimants in New Jersey Since 2019



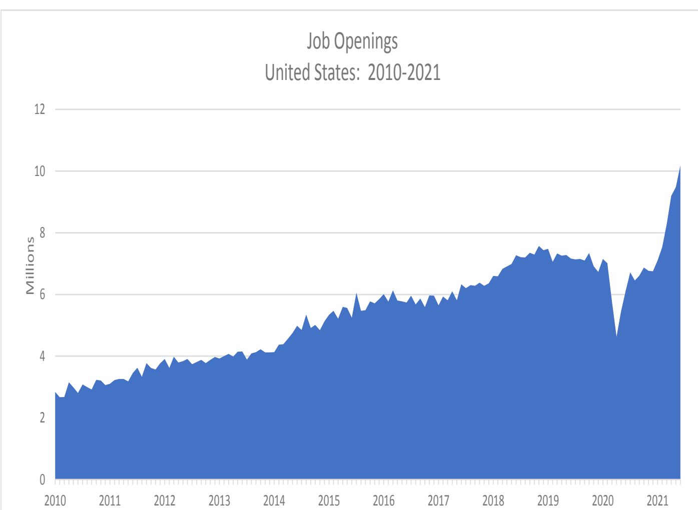
The other measure using unemployment insurance claims are a total count of individuals who continue to collect their benefits each week. Figure 6 below shows both this estimate and the insured unemployment rate in New Jersey since 2019. The number of weekly continued claims in the healthy economy ranged between 70,000 and 100,000. As weekly initial claims accumulated, this number spiked to greater than 700,000 by the middle of May 2020. As transmission rates subsided, and consumers' fears and public health precautions eased over the summer and into the fall, the number of claimants decreased, albeit at a gradual pace compared to the spike. The rate of decline slowed dramatically at the beginning of 2021 and the number of claimants has remained significantly above pre-pandemic levels.

Figure 6: Weekly Continued Claims and Insured Unemployment Rate in New Jersey Since 2019



The United States Bureau of Labor Statistics (USBLS) also collects monthly estimates of job openings through its Job Openings and Labor Turnover Survey (JOLTS). Figure 7 below illustrates the steady, increasing trend of national jobs openings dating back to 2010 indicating an economy on the path to recovery from the recession of 2007-2009. In early 2020, however, the pattern reversed with a 2.5 million drop in the number of job openings between February and April 2020. The story that the data was showing made sense. As consumer demand weakened and preventive measures were enacted, two things happened: employers were not actively looking to hire and employees were forced from their jobs and started collecting unemployment insurance benefits. The recovery over the summer showed a sharp increase in job openings along with a significant decline in unemployment claimants. Then, starting in the beginning a 2021, a disconnect in the relationship between job openings and unemployment rate, as illustrated by the Beveridge Curve, had become more prominent. While the number of claimants has stabilized at a rate that is still above that of a healthy economy, the number of job postings has increased by almost 50 percent. In June 2021, there were still more than 3 million people collecting unemployment benefits nationally despite the fact that there were more than 10 million job openings nationwide. The economy and its employers are trying to reopen, but are currently unable to find workers to fill the jobs necessary to do so.

Figure 7: Monthly Estimates of National Job Openings From 2010 Through June 2021



Summary

Because of the prolonged recovery and the blow to the economy caused by the newly discovered Delta Variant of COVID-19, the effects of the pandemic have stretched into a second year. While improvements to everyday life have been made, there still remains some time before things return to a state that resembles "normal." On a positive front, schools have largely reopened to in-person learning, stadiums are once again open for entertainment (for vaccinated customers), and most other parts of the economy are ramping up their activity. On the other end, there are still many people contracting the Coronavirus every day, supply chain shortages continue, and time will tell what the lasting effects of the pandemic will be. In short, there is still some uncertainty in the short-term future.

Employment in New Jersey and the nation has rebounded well from the deepest recession in modern history. However, a drive around most towns will still reveal many empty storefronts and once busy restaurants. Help wanted signs are ubiquitous as employers seek to add help. Many restaurants have to operate at limited capacity because of weak demand, staffing issues, or both, limiting their return to full operations. There are a number of potential roadblocks that may be keeping workers from filling these positions. Chief among these reasons are lack of access to affordable, high-quality childcare and hesitancy to a return to a workplace where they risk exposure to COVID-19. Research does not suggest, however, that enhanced unemployment benefits have played a role in deterring workers from returning to work.

New Jersey has, once again, endured a tragedy and, based on historical evidence from previous recessions, is expected to come out stronger on the other side. In this recession, the state suffered record losses only to follow them with equally unprecedented gains, and is on track to recover faster from pandemic-related losses than from any downturn in the last 40 years. This pandemic affected everyone differently, but the strengths of the state persist. New Jersey is still home to one of the most educated workforces in the country, and is located in a prime location between many large metropolitan areas. As the next year unfolds, the data will continue to tell the story and guide policymakers to make the best decisions for the future of the state.