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Healing but Hurting: Women Faring Worse in an Ailing Labor Market

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October 7, 2020

Half a year after the U.S. job market began to crater from the COVID-19 pandemic and ensuing lockdowns, the recovery is far from complete. The key takeaways from my deep dive:

- *Despite record monthly job growth this spring and summer, we have recovered only half of the lost jobs lost during the frenetic initial weeks of the pandemic.*
- *The jobs recovery is stalling as "temporary" furloughs convert into permanent job losses, hiring slows, new claims for unemployment remains stubbornly high, and more layoffs loom.*
- *Unlike recent economic downturns, this pandemic recession is hurting women more than men, with relatively more women suffering job losses or otherwise exiting the labor force.*
- *Together the gathering headwinds suggest that the recovery will slow further or even reverse absent another round of robust stimulus. Accordingly, a full jobs recovery will take at least until early 2022 and likely longer.*

It may seem like an eon ago, but COVID-19 took hold of our lives and livelihoods only six months ago. The number of nonfarm payroll jobs fell by more than 22 million (15%!) in just a six-week period of unparalleled economic ruin this spring *(Figure 1)*. In the months since the U.S. has regained just over half of the lost jobs. Progress, but that still leaves us with a deficit of almost 11 million jobs (7.0%) relative to the pre-pandemic peak according to the latest report from the Bureau of Labor Statistics.

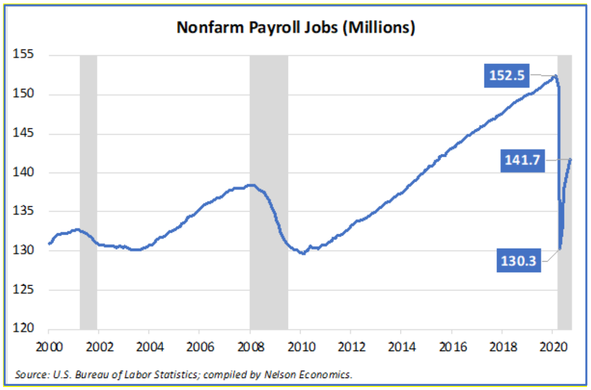

Figure 1

Unfortunately, the jobs recovery appears to be stalling, or at least slowing, and may actually soon reverse. Our economy started to add jobs in May and especially June as the lockdowns eased and life started to return to some measure of normalcy in most of the country. But job gains slowed sharply in July and have trended down since, with employment rising by only 660,000 jobs in September after gains averaging 1.6 million per month in July and August *(Figure 2)*.

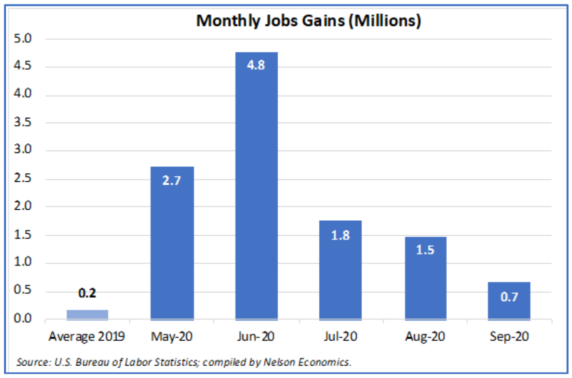

Figure 2

Some perspective is in order. These are still massive gains: Average monthly job growth during the past quarter was more than seven times greater than in the average month last year. Nonetheless, the advances have slowed significantly, with the total number of Americans working still well shy of pre-pandemic levels.

One key reason for the slowdown: millions of supposedly "temporary" furloughs are turning into permanent job losses. Early in the downturn, many analysts expected—unrealistically—a rapid "V"-shaped recovery because most of the layoffs were planned to be short-lived, with the workers would be recalled once the lockdowns were over; government programs would tide employers over until then. But weeks have turned into months, COVID is still very much with us, and our economic activities continue to be restricted by both government mandates and fears of contracting the virus. Accordingly, businesses have been reluctant to reopen and slow to rehire, so the share of unemployed who report permanent job loss keeps mounting *(Figure 3).*

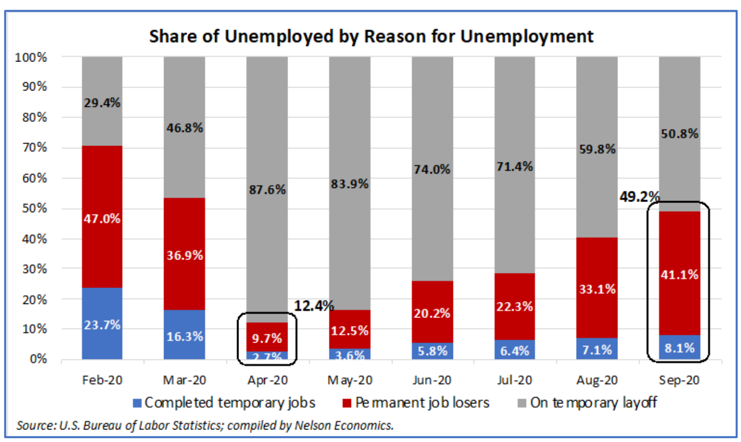

Figure 3

In fact, the number of workers classified as "permanent" is about to overtake "temporary" furloughs. That partly reflects the positive trend that many workers on furlough have already been called back to work, cutting the number of temporary layoffs significantly (-13.4 million since April). However, the number of permanent layoffs is rising (+1.9 million), and it generally takes much longer to get back to work after a layoff than a furlough, thereby slowing the pace of job recovery *(Figure 4)*.

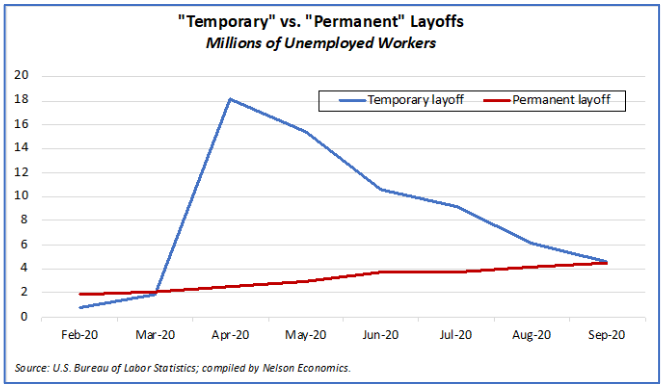

Figure 4

As a result, the average time unemployed is rising. Jobless workers typically spend between five and ten weeks out of work, though this average normally spikes during recessions as jobs are harder to come by *(Figure 5)*. Not in this recession. Because millions of workers lost their jobs almost simultaneously, and many were then soon recalled to their old jobs, the median weeks on unemployment actually fell sharply early in the pandemic to historic lows. But the average soared just as quickly—and continued climbing—and is now rapidly approaching the record levels reached during the last recession. This trend is concerning because joblessness can be reinforcing: the longer a worker is unemployed, the harder it is to find another job.

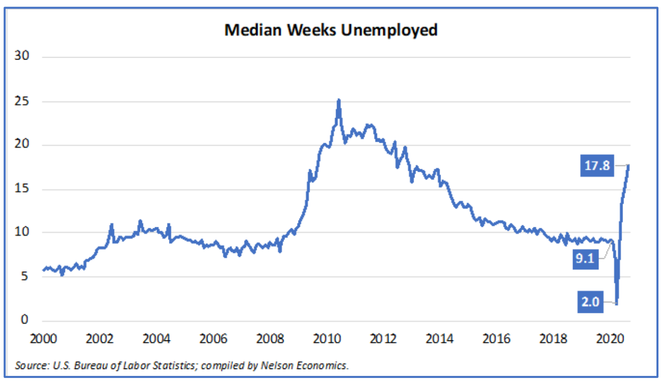

Figure 5

Also worrying: The number of job openings fell in August ([latest figures available]) after rising steadily each month from May through July and stands about 10% below average levels last year *(Figure 6, left)*. Similarly, postings on the [Indeed job site] are down 16% year-over-year. Hiring has also slowed from this spring and now is back to pre-pandemic rate—despite the extreme slack in the job market due to elevated unemployment levels *(Figure 7, right)*.

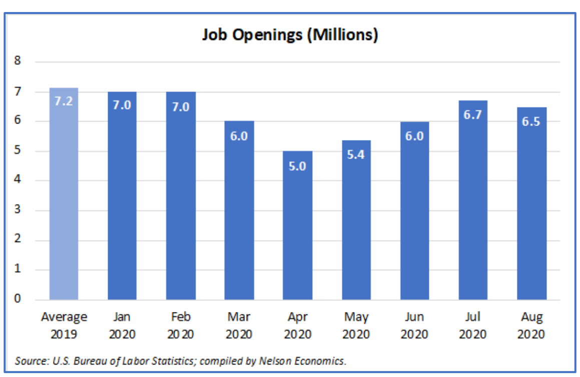

Figure 6

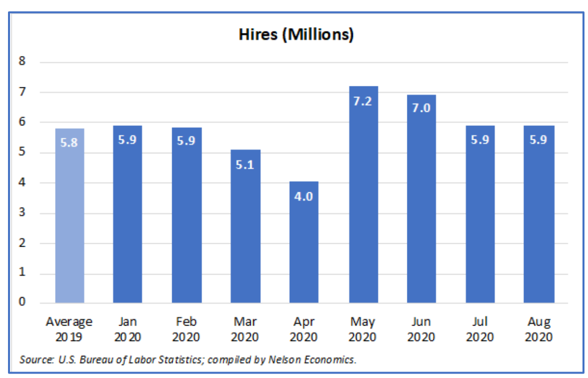

Figure 7

Unemployment Claims Persist and Layoffs Are Bound to Rise

Other trends also point to a decelerating rate of improvement. Notably, employers continue to shed workers, and layoffs may even be poised to rise again. Though down from their epic levels this spring, initial claims for unemployment are still significantly above normal levels *(Figure 8)*. "Regular" claims covering conventional employees, have been averaging more than 850,000 per week over the past two months, twice the rate in a typical recession. In addition, the "Coronavirus Aid, Relief, and Economic Security" (CARES) Act provides income-loss benefits for "gig" and contract workers; initial weekly claims for this "Pandemic Unemployment Assistance" (PUA) have been averaging over 650,000. In total, some 1.5 million Americans are still filing new unemployment claims—every week—and neither the regular nor PUA claims show any signs of easing.

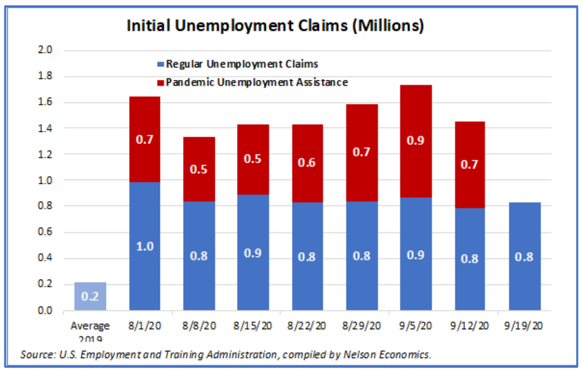

Figure 8

And recent indications point to another surge in layoffs. The Payroll Protection Program (PPP)—which kept countless small businesses afloat and enabled them to retain their workers—ended in August. The expiration of this program is certain to trigger numerous more layoffs and convert millions of "temporary" furloughs into permanent job losses. Further, the special bailout program for airlines expired at the end of September, and already several leading carriers have commenced major layoffs. We can also expect significantly more layoffs by state and local governments whose finances have been severely stressed by the pandemic.

Finally, with COVID cases persisting at 40,000+ cases a day nationally and rising in many places, more state and local governments are delaying or reversing reopening plans. The longer social mobility is restricted—whether due to either citizen fears or government mandates—the more businesses that will fail, adding to the number of Americans out of work. Though Washington seems increasingly dysfunctional in this hyper-partisan election season, the economy and especially the job recovery, remain at great risk of falling backward unless a new round of robust stimulus measures is enacted.

Economic Well-Being: Women vs. Men

Jobs are the single most important metric of a country's economic vitality. They provide consumers with the means and the confidence to spend, which collectively accounts for over two-thirds of GDP, and jobs correlate strongly with many direct measures of individual economic well-being: income, wealth, spending, even mental health. The unemployment rate matters too, but more as an imperfect gauge of labor market conditions. Unemployment soared from its lowest level in over 50 years (3.5%) to its highest level since the late 1940s (14.7%) in just two months. Over the past six months, the unemployment rate has fallen back to under 8%, shedding over 60% of the pandemic surge *(Figure 9)*.

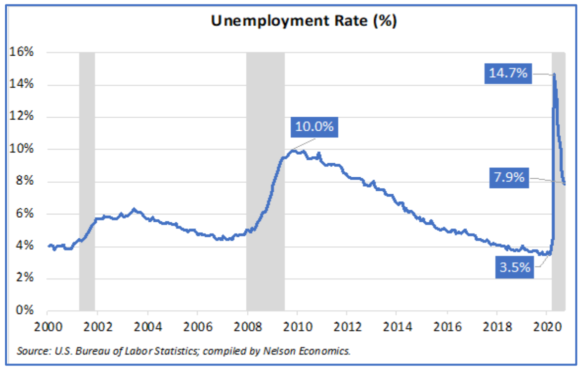

Figure 9

Economic downturns tend to have disproportionate impacts on lower-income and less-educated workers, as well as on ethnic minority households, and this COVID recession is no different. For example, about 46% of people surveyed by the Census Bureau during the first two weeks of September reported that they or a household member has experienced a loss of employment income since the pandemic began. But this share varies widely by pre-recession income, ranging from 32% of people in households making at least $200,000 a year to 55% of people in households making less than $35,000 annually *(Figure 10)*. Again, similar patterns are seen in every recession.

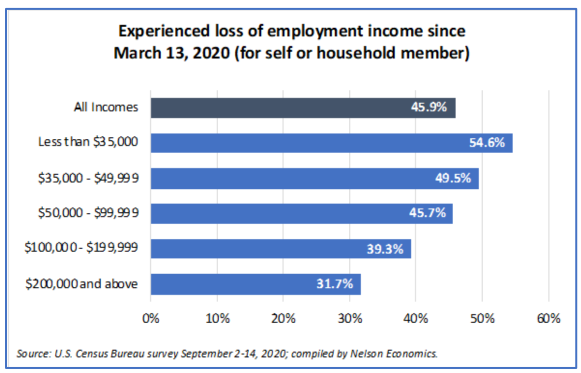

Figure 10

However, this recession's impact is most unusual in one key respect: a disproportionate impact on women, who have lost relatively more jobs than have men. The overall employment/population ratio—that is, the share of people working—dropped sharply in March and April, followed by a modest partial recovery that stalled out this summer. The overall ratio for all workers is still down 7 percentage points since February, equal to the 7% shortfall in jobs compared to before the recession. But the rate fell further for women than for men, and this disparity has endured: The share of women working is down 8.4% this year, while the share of men working is down 6.6% *(Figure 11)*.

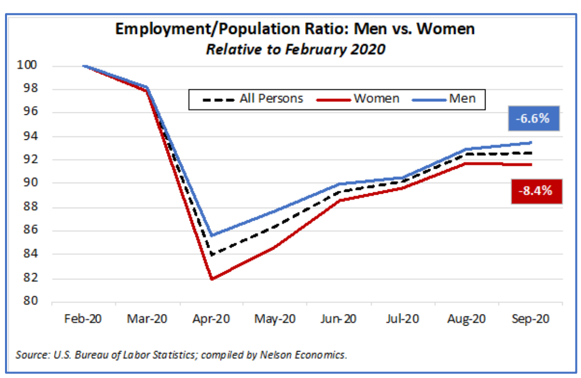

Figure 11

One reason is the unusual nature of this downturn. A typical recession hits the goods-producing sectors (like factories and mines) while services endure shorter, less severe cuts. In the last recession, for example, almost 20% of goods-producing jobs were lost compared to only 4% of service-providing jobs *(Figure 12, left)*. This pattern has been reversed in the COVID recession, however, as the pandemic has sharply limited the social interacting fundamental to most service provision. Thus, services jobs are down more than goods-producing jobs *(Figure 12, right)*. Women tend to hold relatively more service-sector jobs than men, and so their job prospects have been hit harder.

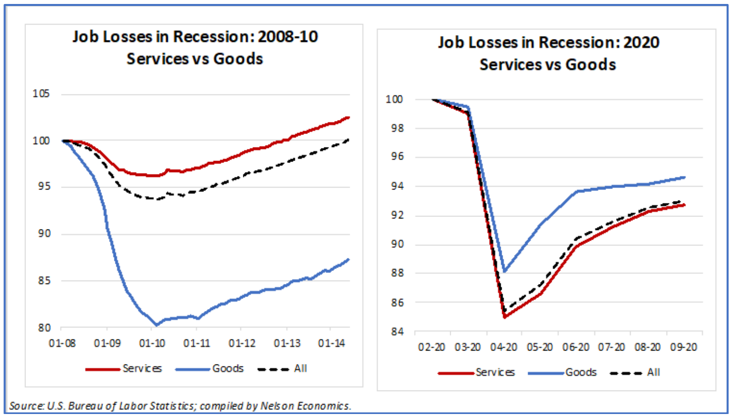

Figure 12

Another likely factor is revealed by the disparate decline in labor force participation rates. Since February on the eve of the pandemic, 3.8% of women have dropped out of the labor force—that is, neither working nor looking for work—compared to only 2.5% of men *(Figure 13)*. Surveys and other anecdotal evidence suggest that many women have been forced to choose between working and caring for their children, as both schools and child-care facilities are closed.

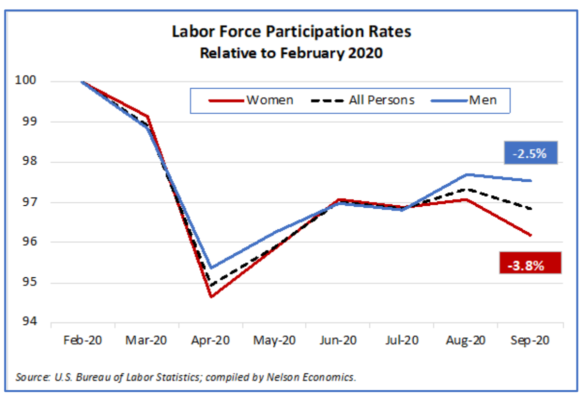

Figure 13

The COVID-19 Recession is unprecedented in so many ways: the ferocity and speed of the downturn, the strength of the initial recovery, the disruptions to our normal lives. To these overall impacts, add the greater impacts on women, the opposite of the typical pattern in a recession. Relatively more women have lost their jobs because this recession, unusually, has hit services jobs harder than good-producing jobs. And more women are dropping out of the labor force altogether to care for their children as schools and day-care remain shuttered in much of the country.

It has become abundantly clear that our nation cannot fully heal, and the economy cannot get back to pre-pandemic levels, until it is safe for people to work, shop, socialize, and recreate as they did before. Much of the nation's productive capacity will remain idle or underutilized until we have effective COVID-19 treatments and/or vaccines.

Even if the extraordinary August job gains were maintained going forward—which would be highly improbable given the slowing job growth and gathering headwinds I discussed here—we wouldn't regain all the lost jobs until early 2022. Most likely, it will take considerably longer. In the meantime, women will bear a disproportionate share of the economic pain.