ECONOMIC VIEWPOINTS

Looking at the Pandemic's Effects on State Labor Markets

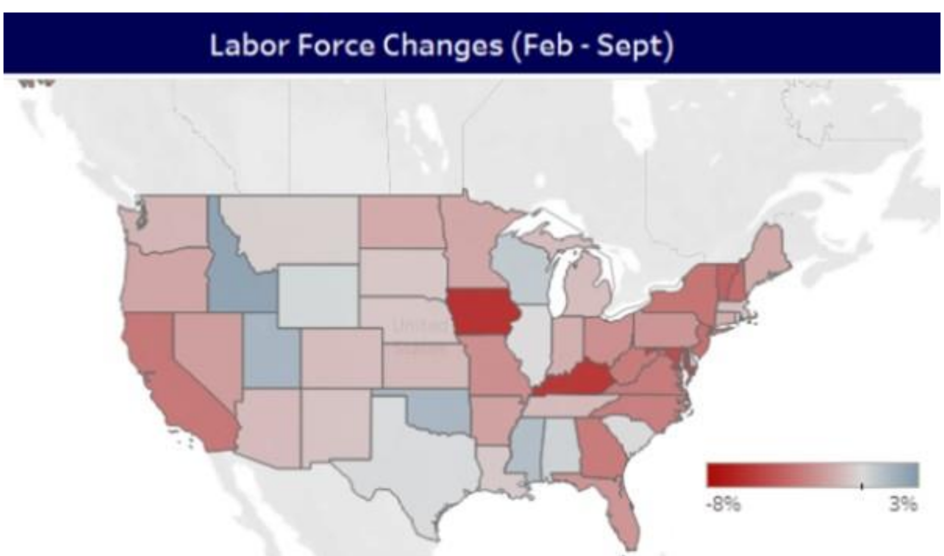
The COVID-19 pandemic has wreaked havoc on the labor market. Employment is still down almost 11 million workers compared to February nationwide, despite five consecutive months of record-setting job gains. It will take many more months of strong job gains for the number of workers in the economy to return to pre-pandemic levels.

Digging deeper: Looking at the numbers on a state level tells a more nuanced story. Some states have seen their labor forces shrink substantially since February, before COVID-19 hit. Other states have seen their labor forces grow.

Labor force is a different measure than employment. It includes those people working *plus* those looking for work. It is the denominator of the unemployment rate. It does not include those that are unemployed *but are not actively looking* for *a* job. Changes in the labor force over time will reflect those that have dropped out of the labor force.

In the current pandemic-stricken labor market, the workers leaving the market include those that have lost jobs and have stopped looking because they have not been able to secure a position, plus those that do not want to work because they feel it is unsafe because of the virus, plus those that want to work but are unable to because they have other commitments that keep them from working, such as doing distance learning with their children.

Big declines: California, not surprisingly given its size, has seen its labor force fall the most since February. It has dropped almost 840,000 workers. New York has lost more than 417,000 workers, Florida lost 312,000, and New Jersey lost 215,00.



On the flip side are the 10 states that have added workers to their labor force. Oklahoma, Utah, Wisconsin, Idaho, and Mississippi have added the most.

The number of workers falling out of the labor force is skewed by the size of the state. Looking at the percent change as a share of the state’s labor force in February shows Hawaii (8 .4%), Iowa (8%), and Kentucky (7.6%) have seen their labor forces decline the most.

Why it matters: An important lesson learned from the Great Recession (2007-2009) is that it is important to keep these workers that have left the labor force attached to it to the best of our ability. The longer they are outside the labor force, the more their skills atrophy and their networks deteriorate. This makes it harder for them to return to work when the time comes.

A Phase 4 COVID-19 relief bill should therefore contain provisions targeted to help these workers. Especially important are job training programs that help the unemployed change occupations and industries so that they can take advantage of new job opportunities.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce