

**PPIC****PUBLIC POLICY
INSTITUTE OF CALIFORNIA**

Informing and improving public policy through independent, objective, nonpartisan research

SIGN UP 

Six Months of Economic Crisis: What Is Next?

SARAH BOHN, MARISOL CUELLAR MEJIA, JULIEN LAFORTUNE SEPTEMBER 24, 2020



California is now six months into the COVID-19 economic crisis. Between February and April, the state lost over 2.6 million nonfarm jobs, largely erasing gains from a decade of continuous job growth. Although growth quickened in May and June, it slowed again in July and August. California's unemployment rate has now fallen to 11.4%, a rate that masks a sizable **number of underemployed workers**.

What should we expect of the next six months? Or six years? Over the summer, PPIC convened two workshops of economists and labor market researchers to provide insights into California's economic challenges. Participants offered a consensus that repercussions will be long-lasting.

With 1.73 million fewer jobs than in February—a 9.8% decline—the situation in California is worse on all major labor market indicators (employment, unemployment, and labor force participation) than six months into any economic crisis of the past three decades.

Our workshop participants identified key issues that will shape California's recession and recovery:

- **The recession in California will likely be worse than in other states:** Our economy often swings more widely than other states, and many expect the same in this recession. Driving factors include greater declines in local spending with higher shares of people working from home, the high cost of living as an incentive to relocate, and larger initial job and business losses.
- **Inequality is likely to grow:** Low-wage sectors and workers have been hit the hardest and may never fully recover. This may widen inequality in labor market opportunity.
- **Falling labor force participation is a concern:** Many workers have left the labor force and many older workers may be forced to retire early. Young workers may struggle to enter a labor market when job openings are scarce.
- **Federal policy plays an outsized role:** Federal expansions to unemployment insurance, economic stimulus, and business protections have been a critical backstop so far. Future efforts may also be needed, especially for state and local governments facing lower revenues and higher demand for public services in coming months.
- **Many sectors are fast-forwarding to the future:** This recession could shift patterns in some sectors permanently, as service delivery shifts away from in-person and toward online. Business models for sectors most impacted by the crisis—retail, leisure and hospitality, tourism, and personal services—may shift most.

Workshop participants also emphasized the outsized impact COVID-19 has on economic activity, especially in the hardest-hit sectors that rely on in-person interactions. Recent labor market data from August reflect this consensus: recovery in the hardest-hit sectors has stalled the past two months, with employment levels still 30% lower than they were in February.

Also concerning is that medium- and least-affected industries saw only modest gains in recent months, possibly indicating permanent layoffs. Participants expressed worry that prolonged job losses across the economy could signal a more “standard recession,” where reduced economic activity spreads beyond those sectors initially impacted.

Throughout the next six months, state policymakers must monitor economic developments in these areas, although it will be difficult to extrapolate from short-term trends until the virus abates. PPIC will continue to analyze economic trends and incorporate input from experts to provide perspectives on areas of most concern—and also those showing the most promise—in California’s labor market recovery.

[CORONAVIRUS](#) [COVID-19](#) [ECONOMY](#) [EMPLOYMENT](#) [JOBS](#) [RECESSION](#)
[UNDEREMPLOYMENT](#) [UNEMPLOYMENT](#) [ALL BLOG POSTS](#)

[LEARN MORE](#)

[More Uncertainty Ahead for California’s Unemployed](#)

[The Summer of Un- and Underemployment](#)

NEVER MISS AN UPDATE!

Sign up for our blog alerts to receive insights from PPIC by email.

[SUBSCRIBE](#)

SHARE

