

The New Jersey and National Economy and COVID-19

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Topics

- U.S. and New Jersey Economy / Labor Markets
- The Pandemic-Driven Recession and the Great Recession
- What Happens Next?
- Questions and Comments

Job and Health Care Insurance Losses in the NJ Economy

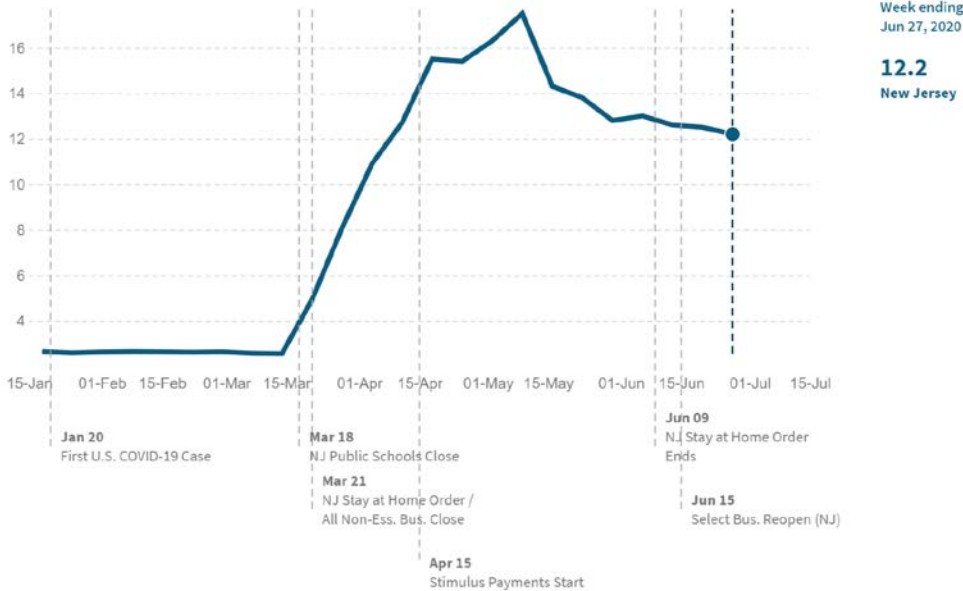
- From March 15 to June 27, there were **1.3 million applicants for unemployment insurance in New Jersey, or 27% of the state labor force**
- **Private Sector Employment in May 2020 declined by 660,000 (18.5%) compared to June 2019**
 - Leisure and Hospitality – 218K (55.4%)
 - Health Care and Social Assistance –93K (16.5%)
 - Retail –78K (17.3%)
 - Other Services –54K (30.9%)
 - Transportation, Warehouse, etc. –32K (14.5%)
- 124k non-elderly adults lost health insurance compared to 2018
- 25% of NJ businesses planning to cut employee benefits will reduce health insurance

Unemployment Claims in NJ Per 100 People – January to June 2020



Current Unemployment Claims per 100 People*

In **New Jersey**, as of June 27, 2020, there were **12.2** initial and continued unemployment claims per 100 people in the labor force.



*Number of unemployment benefit claims filed with state unemployment offices per 100 people in the labor force. This series is based on data published by the Department of Labor.
 last updated: July 14, 2020 next update expected: July 17, 2020

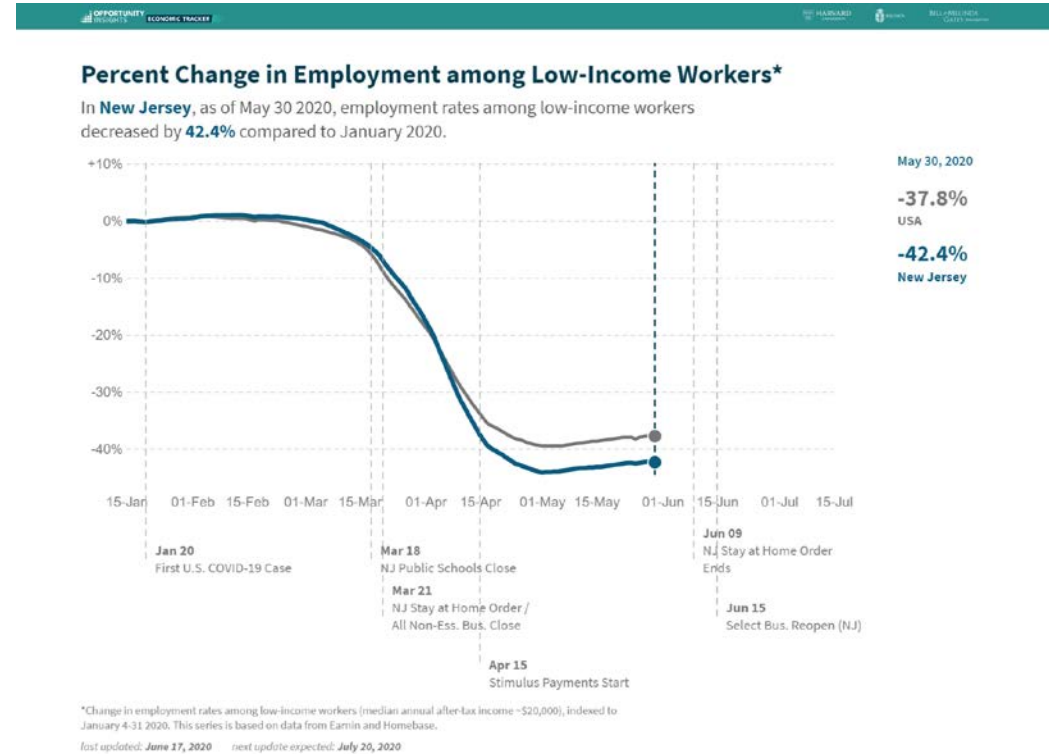
Source: Tracktherecovery.org; Accessed July 15, 2020

The Pandemic-Driven Recession Wiped Out Millions of Jobs Gained during the last decade

- By late May 2020, the U.S. labor market had shed ~40 million jobs, far greater than all of the jobs gained in the last decade.
- The initial depth of the economic and workforce damage from COVID-19 is far greater than during the Great Recession.
- In just four months, the top-line unemployment rate jumped from 3.5 percent (February 2020) to 14.7 percent (May 2020), exceeding the 10 percent level reached in 2009 during the Great Recession.

The Pandemic-Driven Recession is Causing More Harm to Minorities and Low-Wage Earners

- In parallel with the Great Recession, the groups of workers suffering the greatest economic harm in the current crisis are minorities, low-wage earners, and individuals with lower education levels.
- More than half of all job losses come from the low-paid group of industries in the service sector.



Source: Tracktherecovery.org; Accessed July 15, 2020

Will Modest Improvements in the US Economy in June Continue?

- **Green shoots are apparent in the data** as more areas of the economy reopen. Recent evidence shows firms are bringing back furloughed workers.
- **U.S. employment added ~5.4 million jobs from May to June (ADP).**
- **Roughly 70% of small businesses (<500 employees) received Payment Protection Program funds**, providing most firms with 1-2 months of additional cash (U.S. Small Business Administration).

Full Economic Recovery will take years

- **The economic recovery is expected to be sluggish.** The recovery from the Great Recession took nearly a decade. Full recovery from COVID-19 recession could take as long or longer.
- **The Congressional Budget Office projects that the U.S. unemployment rate will remain above 8% through 2022** and GDP will not return to its pre-COVID trajectory for several years.
- **The Federal Reserve estimates that the US labor market will not significantly recover until 2022 at the earliest.**

Fiscal and Monetary Policy Responses to the Pandemic-Driven Recession

- Initial federal government fiscal and monetary policy response **was enormous and bipartisan.**
 - Four bills allocated over \$3 trillion with all but a few dissenting votes, **more than 2x the fiscal assistance provided during the Great Recession.**
- **Initial policy actions by Congress and the Federal Reserve to the crises alone were similar in many respects.**
- In response to COVID-19:
 - The Federal Reserve added the Main Street Lending Program and a Term-Asset Backed Securities Loan Facility.
 - Congress provided enhanced UI, funds for “gig workers” not previously eligible for assistance, and direct payments to most families with earnings <\$100K.
 - Congress did not provide funding to purchase troubled assets/shore up financial institutions, in contrast to the Great Recession, but did provide loans and direct assistance to several industries, including airlines.

What Happens Next?

- **Traditional post-crisis economic strategies** deployed during the Great Recession and in previous recessions – investments, extended unemployment insurance, tax credits and tax cuts, regulatory reforms – **may not be sufficient** to turn the current economy around.
- **Large numbers of Americans are reluctant to return to previously common activities**, such as eating in restaurants, traveling by air and rail, staying in hotels, and going to events.
- Many businesses that thrived pre-COVID-19 **will not recover their customers in time** to avoid bankruptcy.
- **Timing accurate and responsive policies** to support workers and firms affected is incredibly difficult until there are proven health remedies to treat and prevent the virus.

Congress and the White House?

- House and Senate **bipartisan working majorities** powered the **rapid and unprecedented responses** to the Great Recession and COVID-19.
- The **bipartisan approach to respond to COVID-19 is beginning to crumble and will be further strained during the 2020 elections.**
- After the elections, **elected leaders need to find a way to mitigate the economic depression.**
- If they fail to do so, the U.S. is condemned to repeat the policy shortcomings of the Great Recession, **only this time it could be far worse.**

For additional information, see:

Can Lessons from the Great Recession Guide Policy Responses to the Pandemic-Driven Economic Crisis?

By Jane Oates and Carl Van Horn
Federal Reserve Bank of Atlanta
June 16, 2020

<https://www.frbatlanta.org/-/media/documents/cweo/workforce-currents/2020/06/16/can-lessons-from-the-great-recession-guide-policy-responses-to-the-pandemic-driven-economic-crisis/can-lessons-from-the-great-recession-guide-policy-responses-to-the-pandemic-driven-economic-crisis.pdf>

COVID-19 Business and Non-Profit Reopening Survey Final Topline Results

By Carl Van Horn and Jessica Starace
Heldrich Center for Workforce Development
June 12, 2020

<https://www.heldrich.rutgers.edu/newsroom/assessing-financial-impact-pandemic-new-jersey-businesses-and-nonprofits>