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COVID-19 Economic Update for Lassen County April 23, 2020 – Webinar

Sponsored by:

Alliance for Workforce Development (AFWD)



Presented by: Robert Eyler, PhD

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University

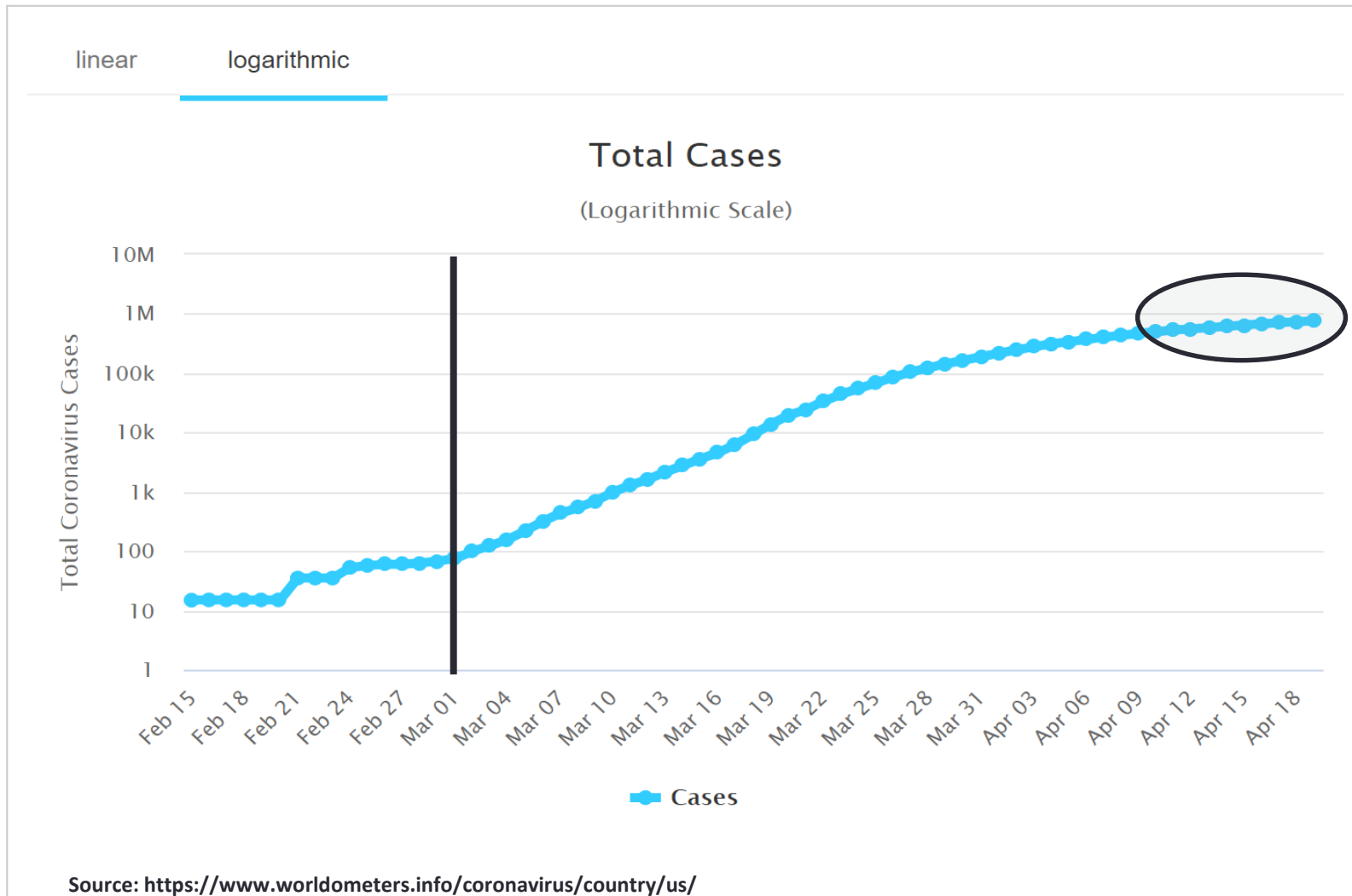
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Agenda

- COVID-19: Dashboard
 - Watching the number of cases
 - The economy and jobs: where are we?
- California and Considerations: jobs at risk
- Lassen County and Business: like 2009 again?
 - On jobs watch locally: what jobs are at risk
 - On housing market watch: will housing smoothly come out of this?
- What to watch: social policy changes and warnings in the data

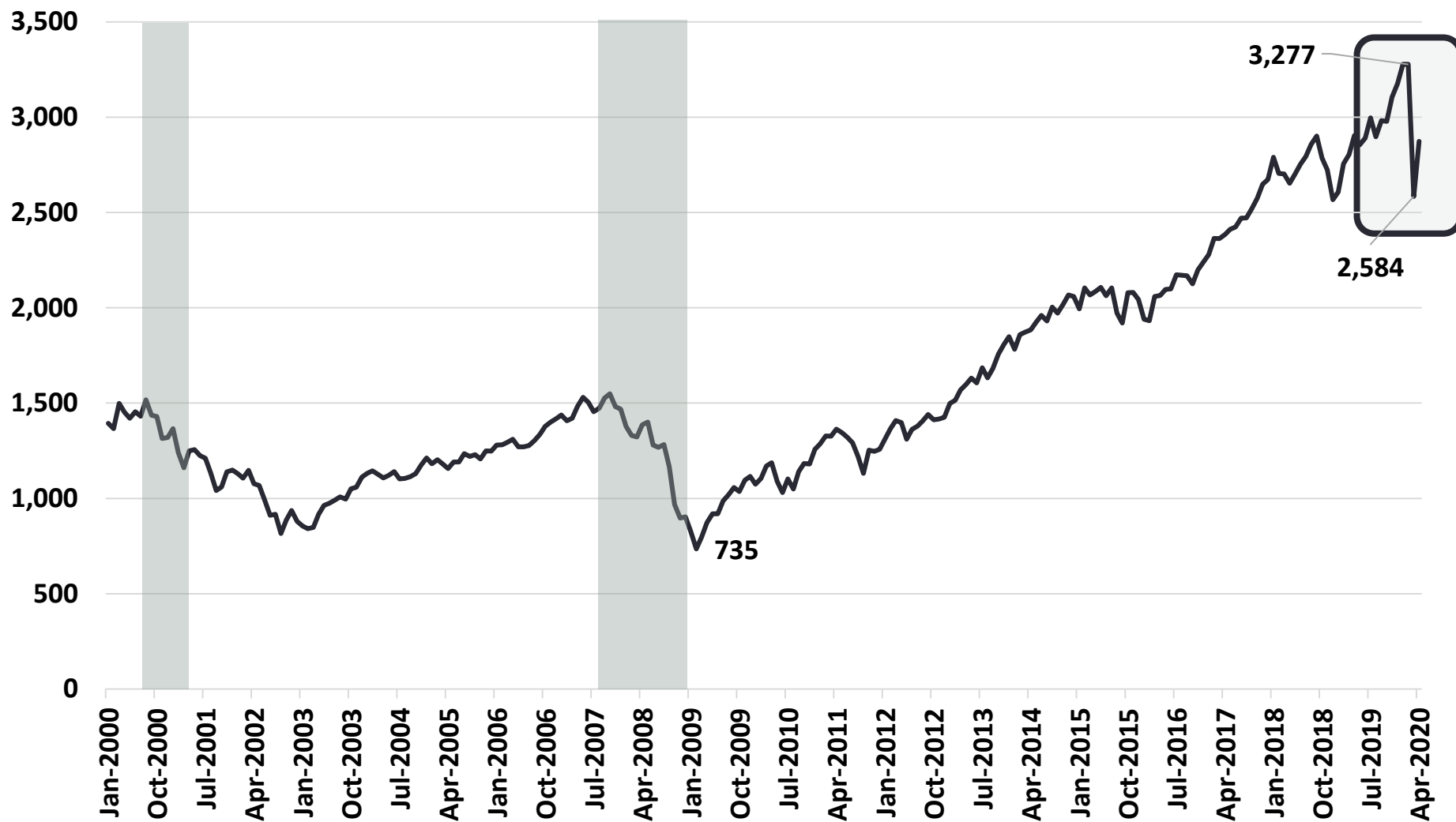
Case tracking, as of April 20, 2020

Total Coronavirus Cases in the United States

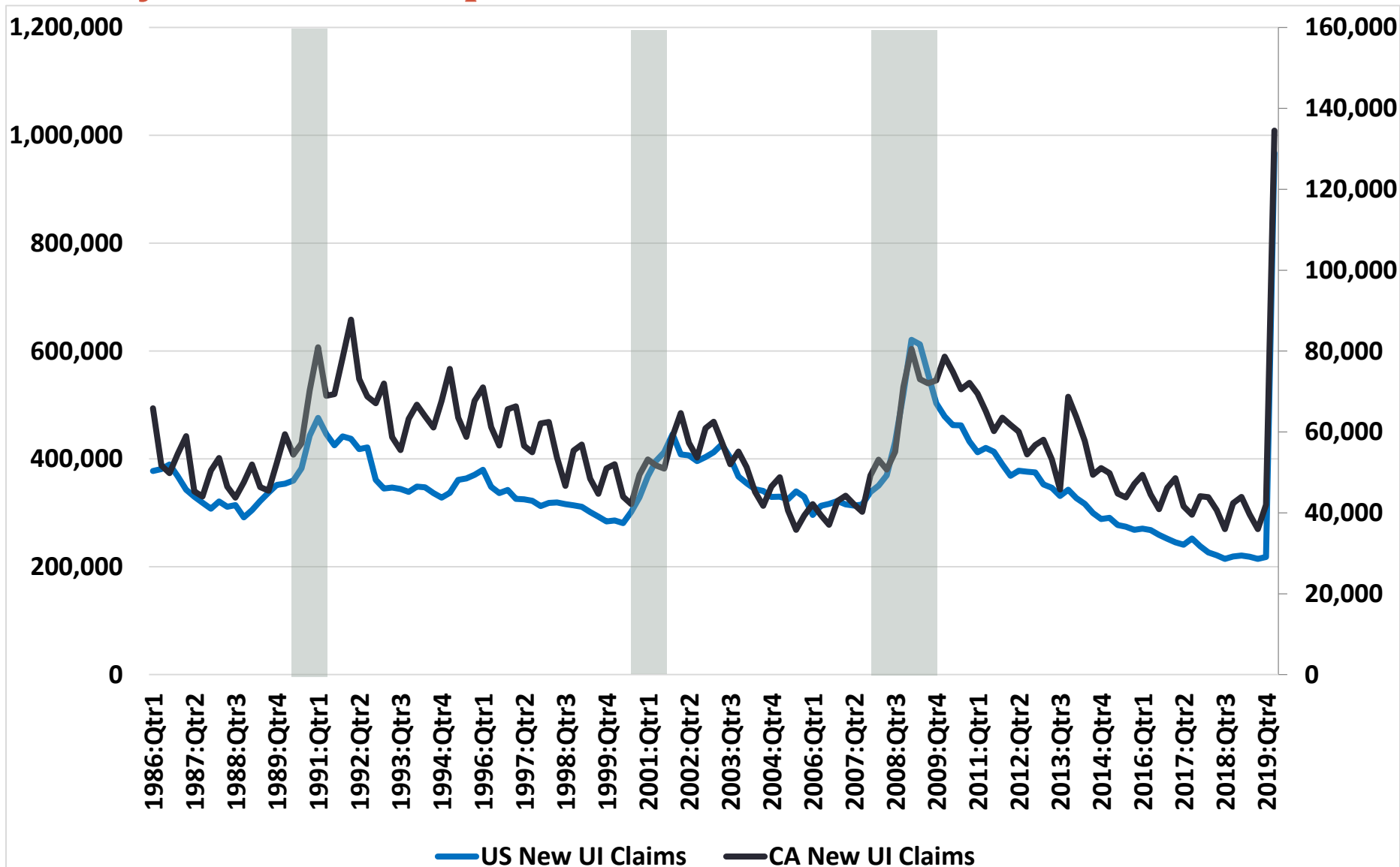


Equity Markets, S&P 500 (Index)

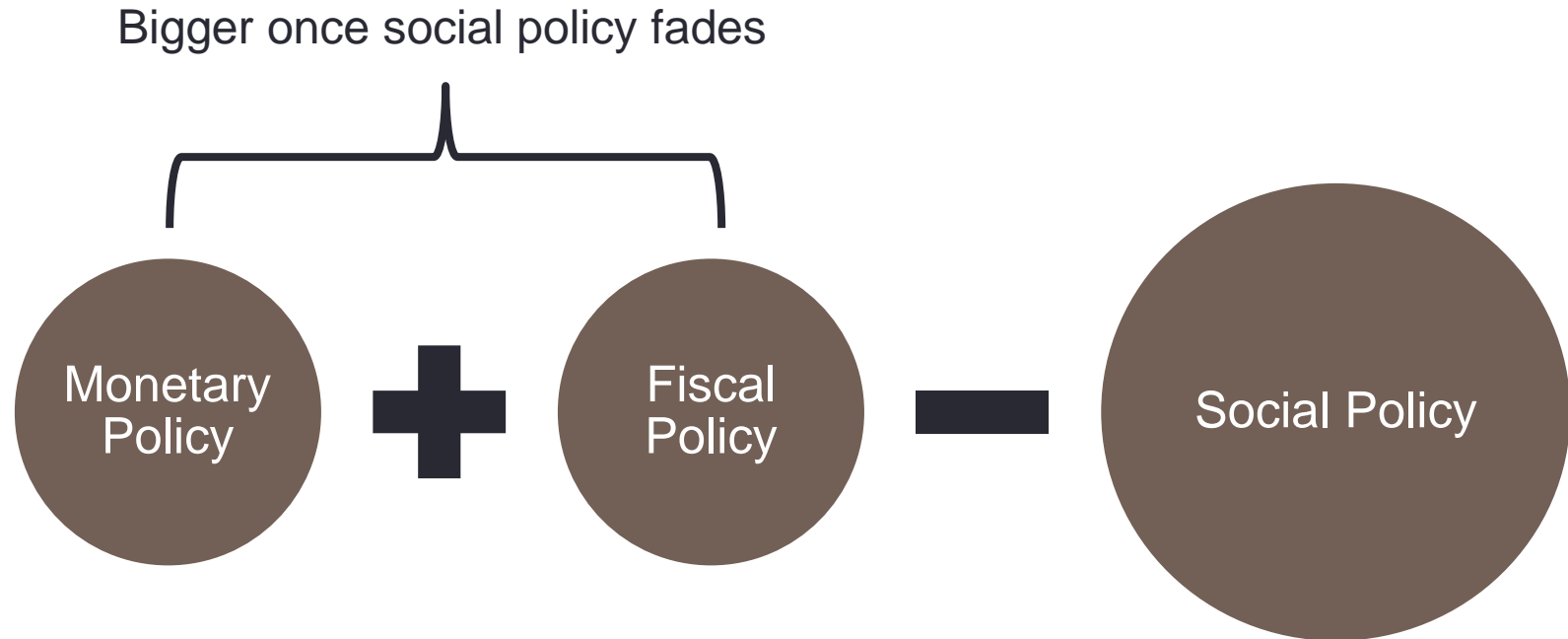
(Shaded Area = Recession), Jan 2000 to April 20, 2020



Initial Claims for Unemployment Ins, Qtr Averages of Weekly Data, 1986-April 2020, Number of Workers



Reactions: A Tale of Three Policies



Fiscal Policy: Federal Stimulus and Workers

- Eligibility to self-employed/gig workers for UI
- Extends eligibility for health and job loss for UI
- Pandemic Unemployment Assistance
 - **May make retention and re-hire tricky for lower-wage workers**
- Business “loans” available to indirectly help workers
 - Payroll Protection Program = PPP from SBA
- Hundreds of Billions to public sector also
 - May help offset expenses **and** lost revenues, goes quick.

Decisions on Re-Opening: Costs/Benefits

Costs

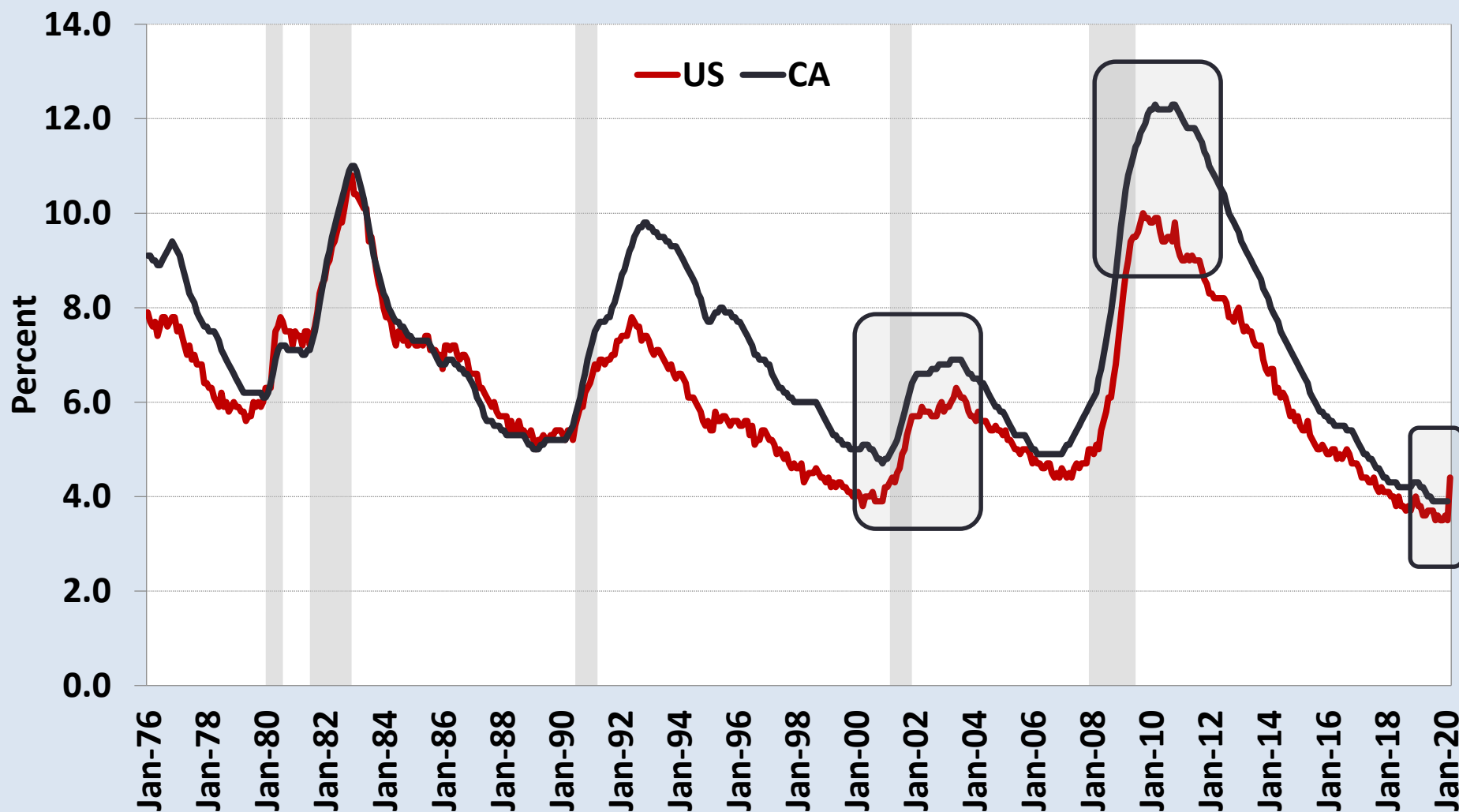
- Short-term
 - Risk of re-infection, health care system overload
- Medium-term
 - Shut down again, more economic impacts
- Long-term
 - Change in the cost of doing business, probably for some time

Benefits

- Short-term
 - Jobs and spending start
 - Tax revenue flowing
- Medium-term
 - Bet on no repeat of virus, continue toward baseline
- Long-term
 - Adaptation and innovation help reduce the long-term costs

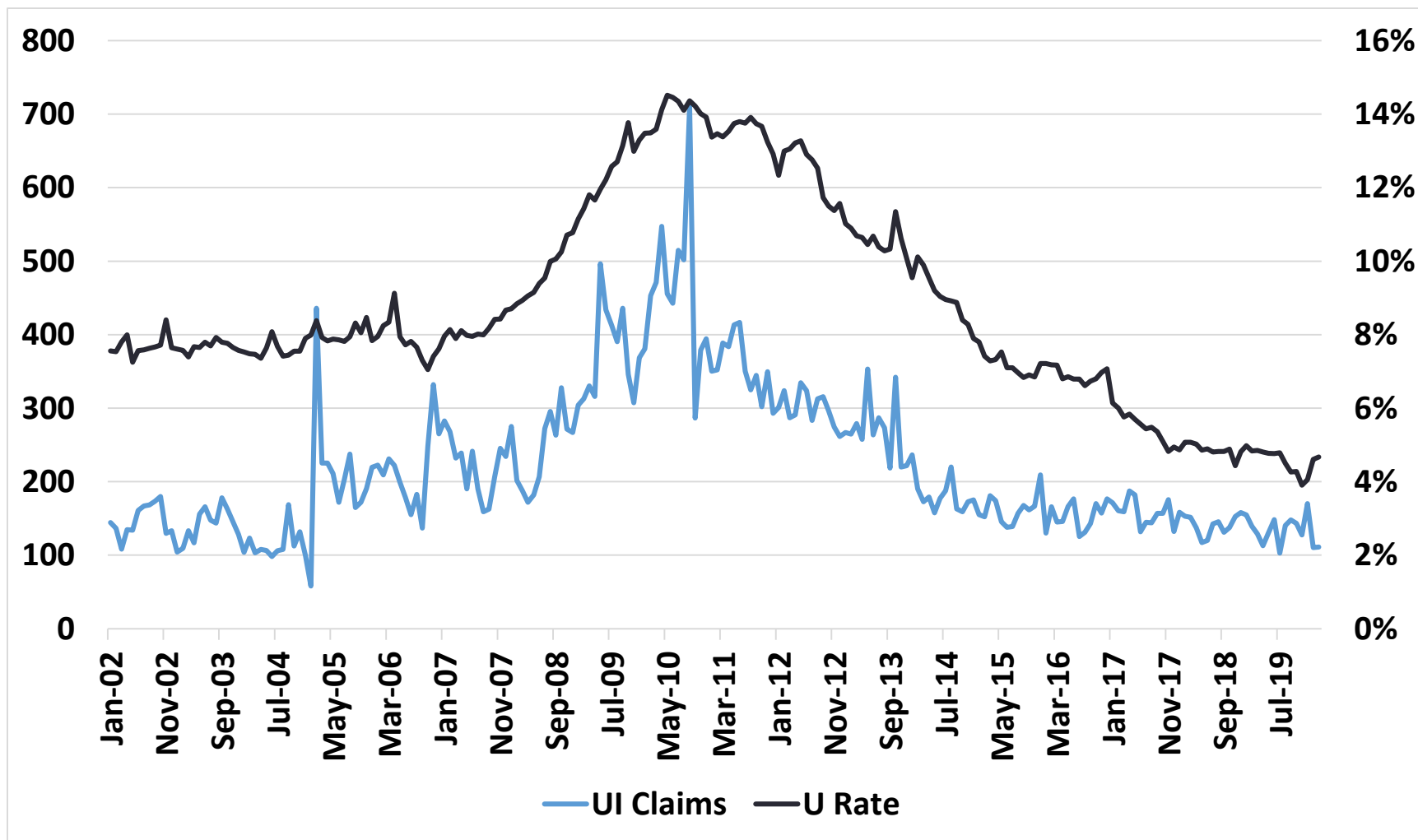
Depth and Duration

Unemployment Rates, 1976-2020 Monthly, US and CA, % of Labor Force



Source: U.S. Bureau of Labor Statistics/FRED

Lassen County UI Claims and U Rate, 2002-2020, Peak to Peak, 9 months



Factors of vulnerability

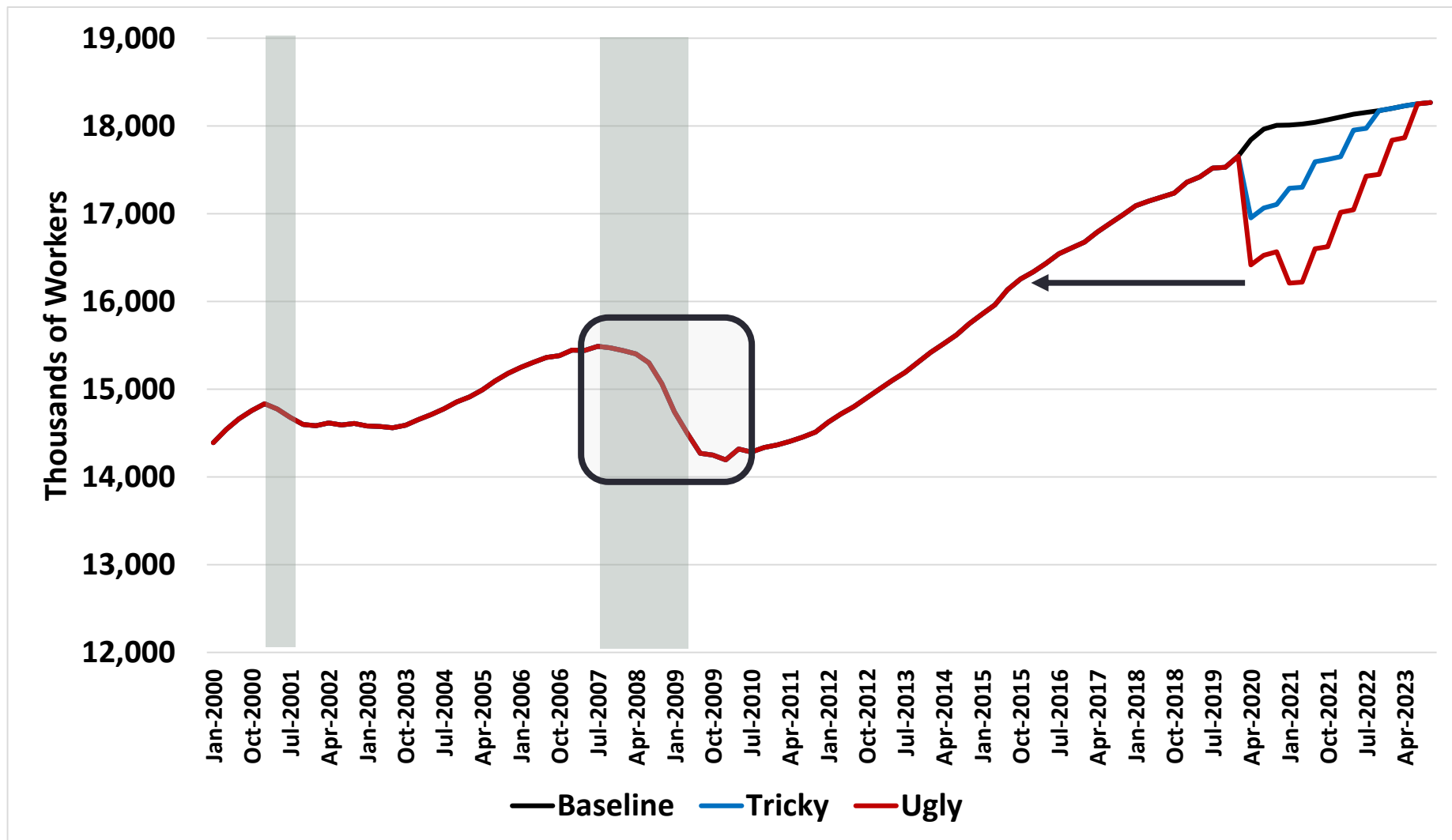
- Ok for now: **essential business, businesses close to customers**
- Biggest: Airlines/travel and hotels: subsequent economic impacts
- Health care shifts depends on specialty: not all good
 - Surgeries and outpatient work slow
- Government: admin leave and potential furloughs
- Worker side: Low-wage jobs main vulnerable
 - UI does not solve hunger or rent

Details: Potential Forecasts on Jobs

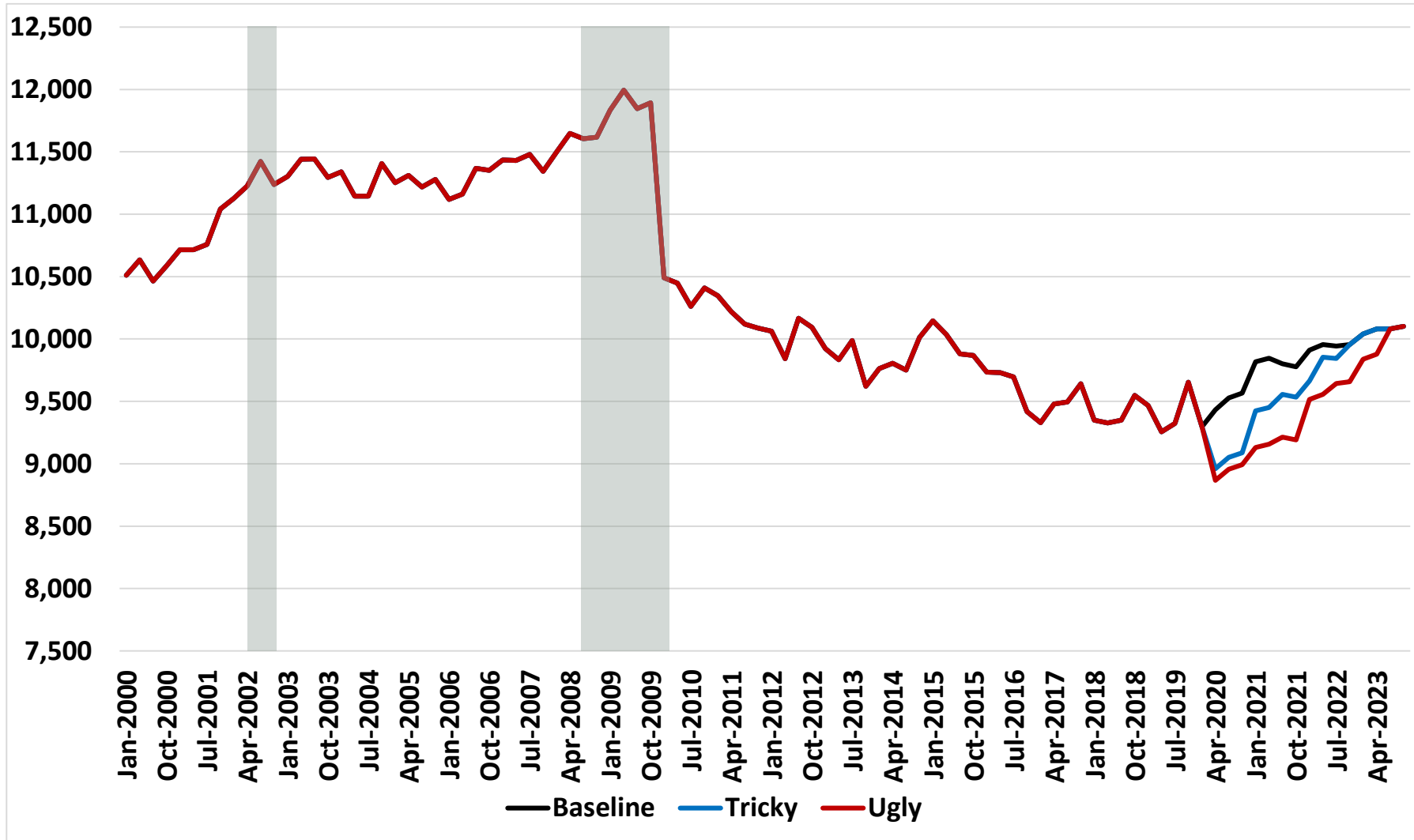
- Tricky Scenario
 - CA economy employs similar measures to China, shorter timeframe and impacts
 - Short recession, some workers are furloughed or laid off
- Ugly Scenario
 - Situation is general: jobs losses rise and move from seasonal to structural
 - Restart slow, especially in tourism/casinos/air travel
 - Wealth effects become jobs losses
 - Businesses concerned about revenues and profits into 2021 and a second episode

Scenarios: Jobs in CA, 2000-23

Thousands of Workers, Seas Adj



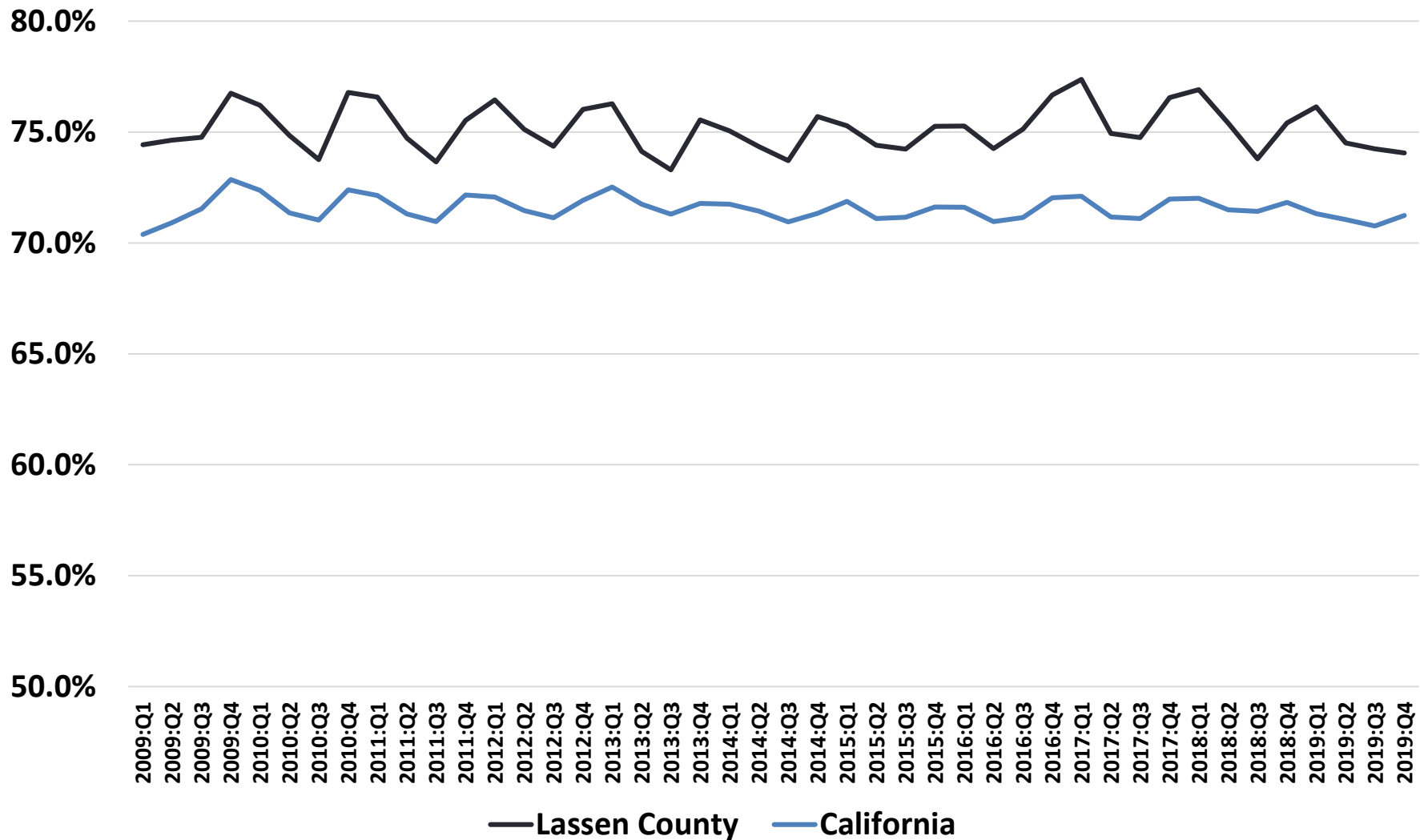
Possible Scenarios: Jobs in Lassen County, Number of Workers (61% of jobs govt)



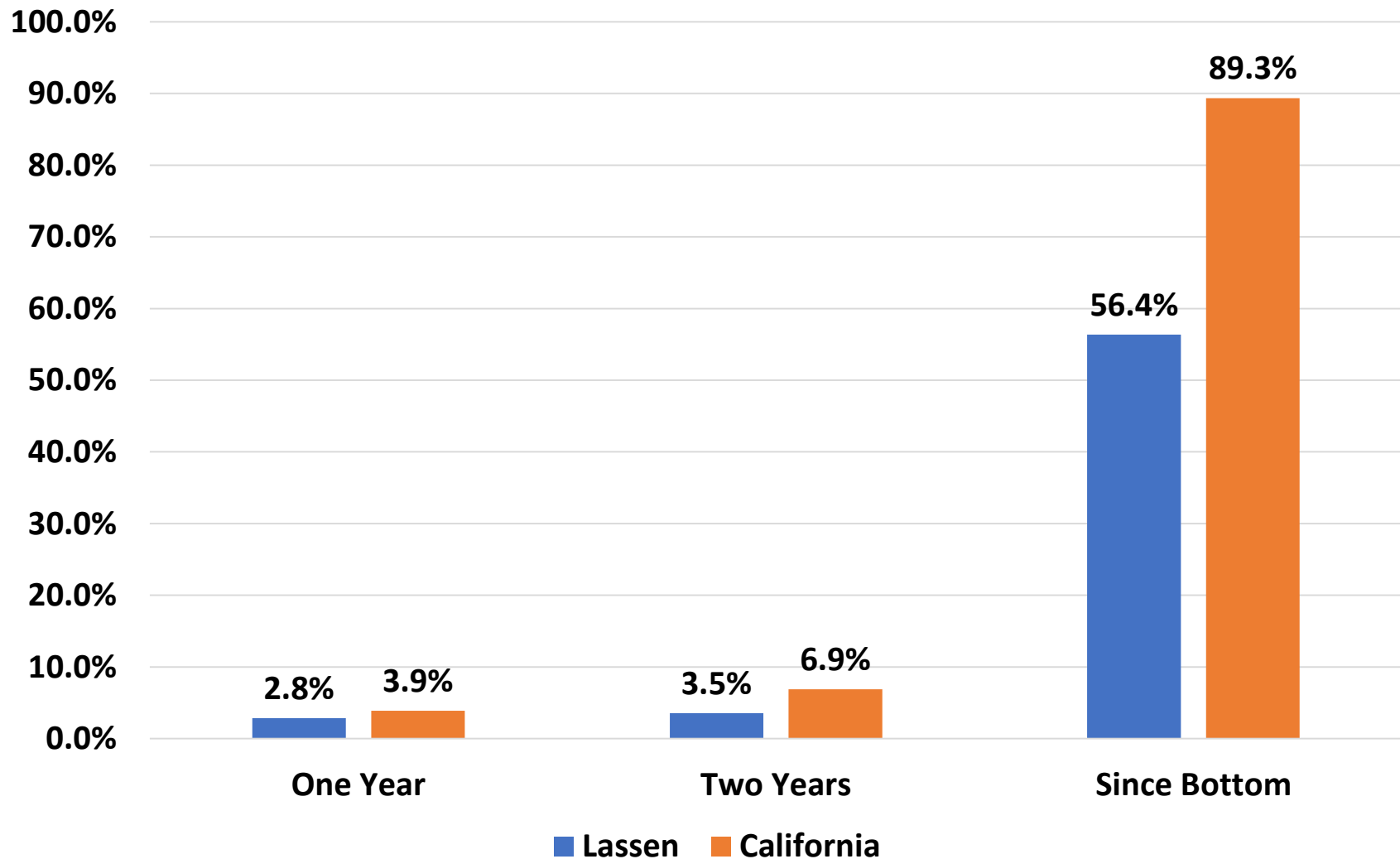
Economic Development Triage

- Initial turn still in the shadow cast
- Tourism
 - Local hotels to rely on state and regional audience
 - Movement of people likely to be very competitive
- Downtowns
 - Local retailers and restaurants: tied to flow of people
 - Local retailers and restaurants: tied to residential income
- Housing and Commercial Construction
 - Support here has short-term benefits for jobs and income creation
- Prison and its economic impacts
 - Likely to be some medium-term concerns about lower employment levels: is diversification possible?

Taxable Sales Exposure, % Retail and Restaurants of Total Taxable Sales, 2009-2019



Housing Market Data: Price Dynamics Lassen County and CA, Since 2010



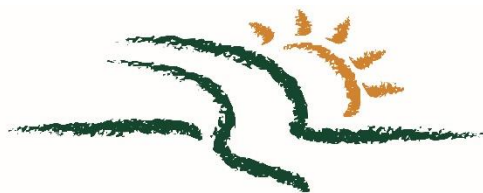
Municipal Concerns

- Taxable sales fall
 - Visitor flow reduction (Bed Tax/TOT basically a sales tax on hotel rooms)
 - General reduction in non-essential retail (consumer durables)
- Construction slowdown?
- Watching for property tax shock
- Costs on social assistance side likely to rise
 - Public safety and also unrest may come
- Unfunded liabilities becoming true liabilities?
 - Retirements, delays and equity markets

Short-term Indicators of Change

- Labor market changes: national
 - Initial claims for unemployment insurance
 - **Now at 22 million people in US in last four weeks**
 - **Approximately 2.8 million people in California**
 - Job openings and actual employed
 - Average hours worked
- Local: how will the summer go?
- Epidemiology: what we need to see
 - General peak across US: **duration and depth**
- Policy: more social now than anything

Questions?
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AFWD provides workforce development services to the businesses and job seekers in six northern California counties – Modoc, Lassen, Plumas, Sierra, Nevada and Butte Counties.

During these challenging times, AFWD offers job seekers information, assistance filing for unemployment insurance and assist to businesses through difficult layoff decisions and accessing resources.