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# **COVID-19 Economic Update for Modoc County April 22, 2020 – Webinar**

**Sponsored by:**

**Alliance for Workforce Development (AFWD)**



**Presented by: Robert Eyler, PhD**

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Professor, Economics, Sonoma State University

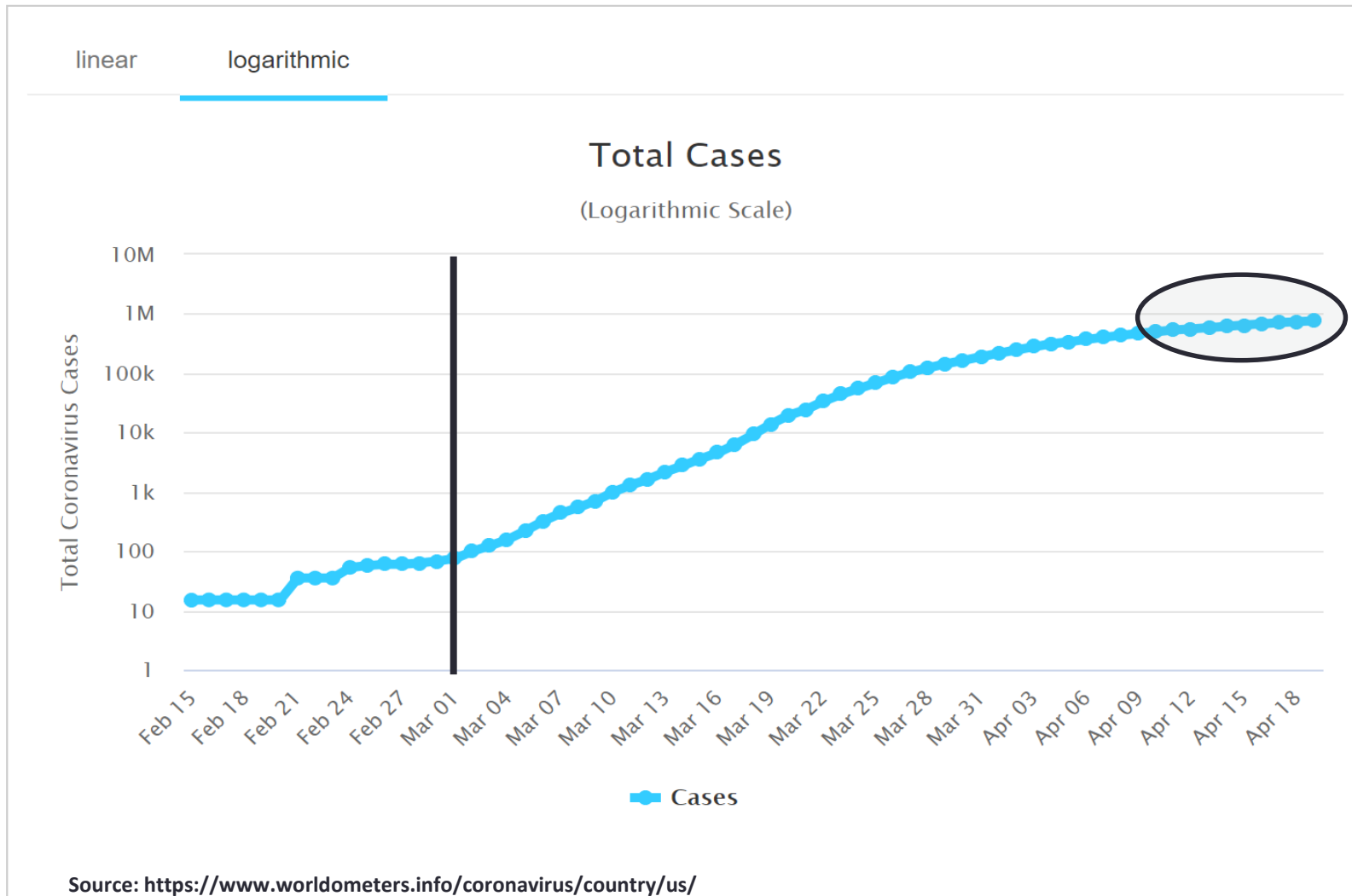
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# Agenda

- COVID-19: Dashboard
  - Watching the number of cases
  - The economy and jobs: where are we?
- California and Considerations: jobs at risk
- Modoc 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 on jobs data watch to become spending watch

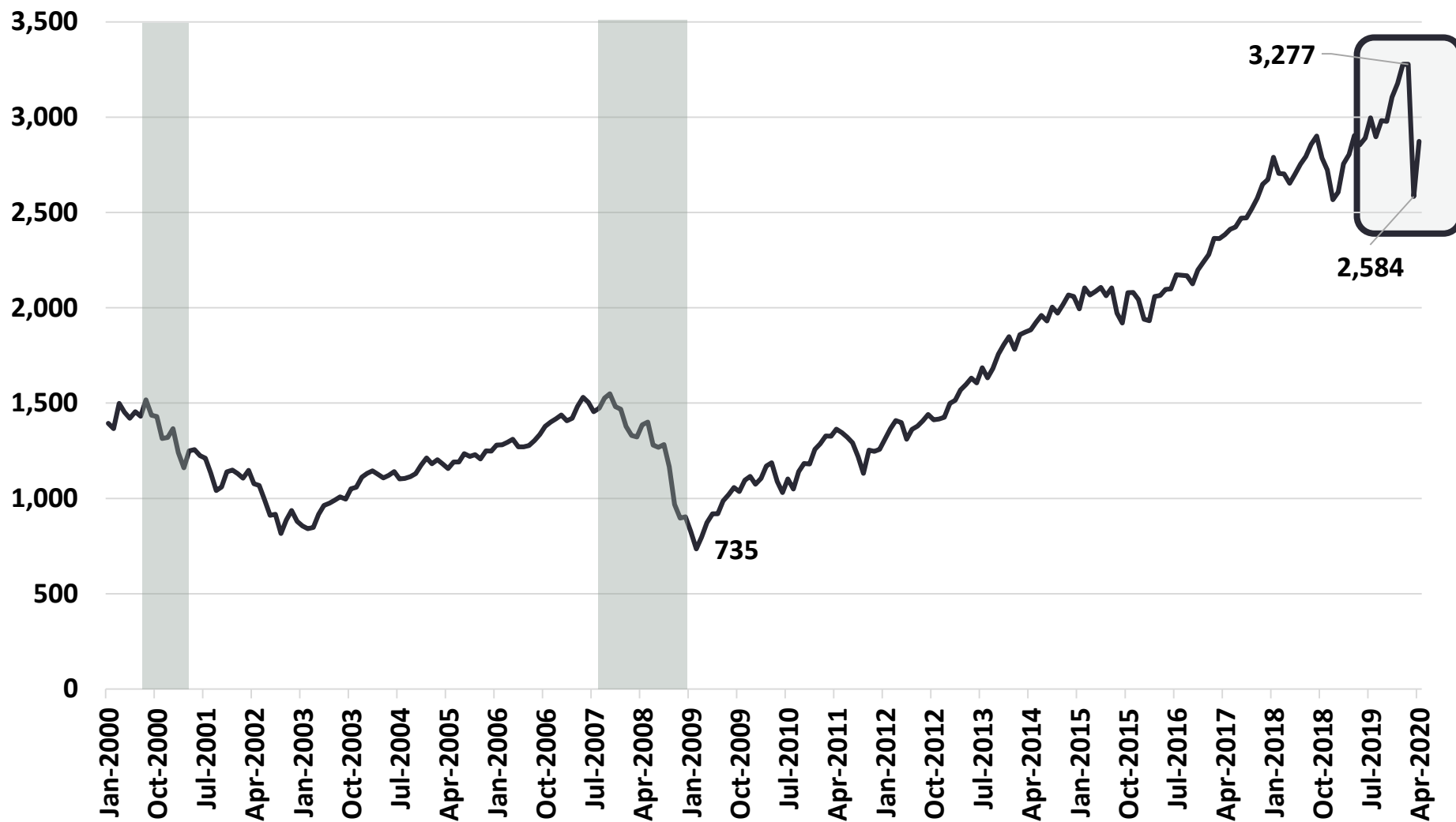
# Case tracking, as of April 20, 2020

## Total Coronavirus Cases in the United States

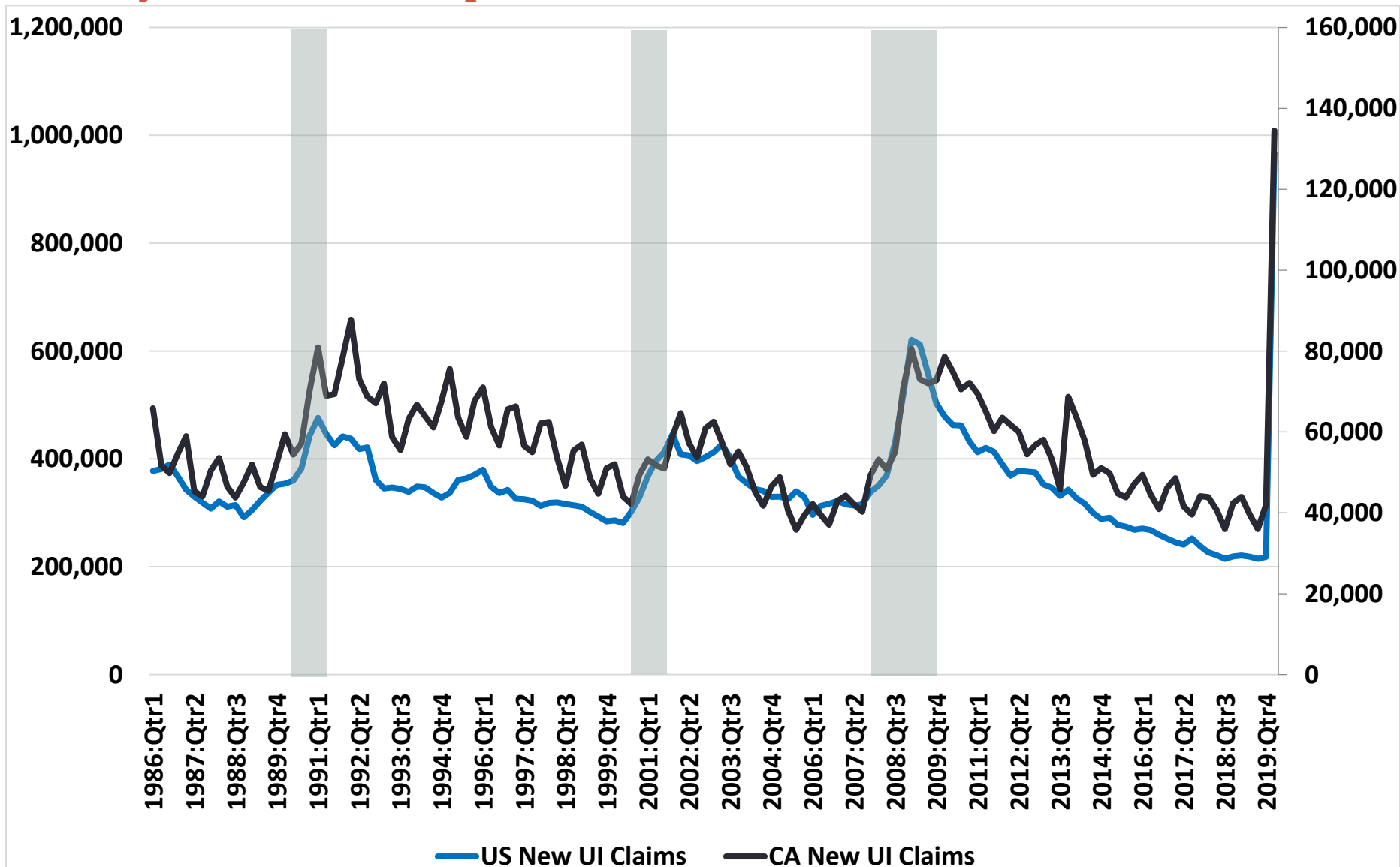


# Equity Markets, S&P 500 (Index)

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

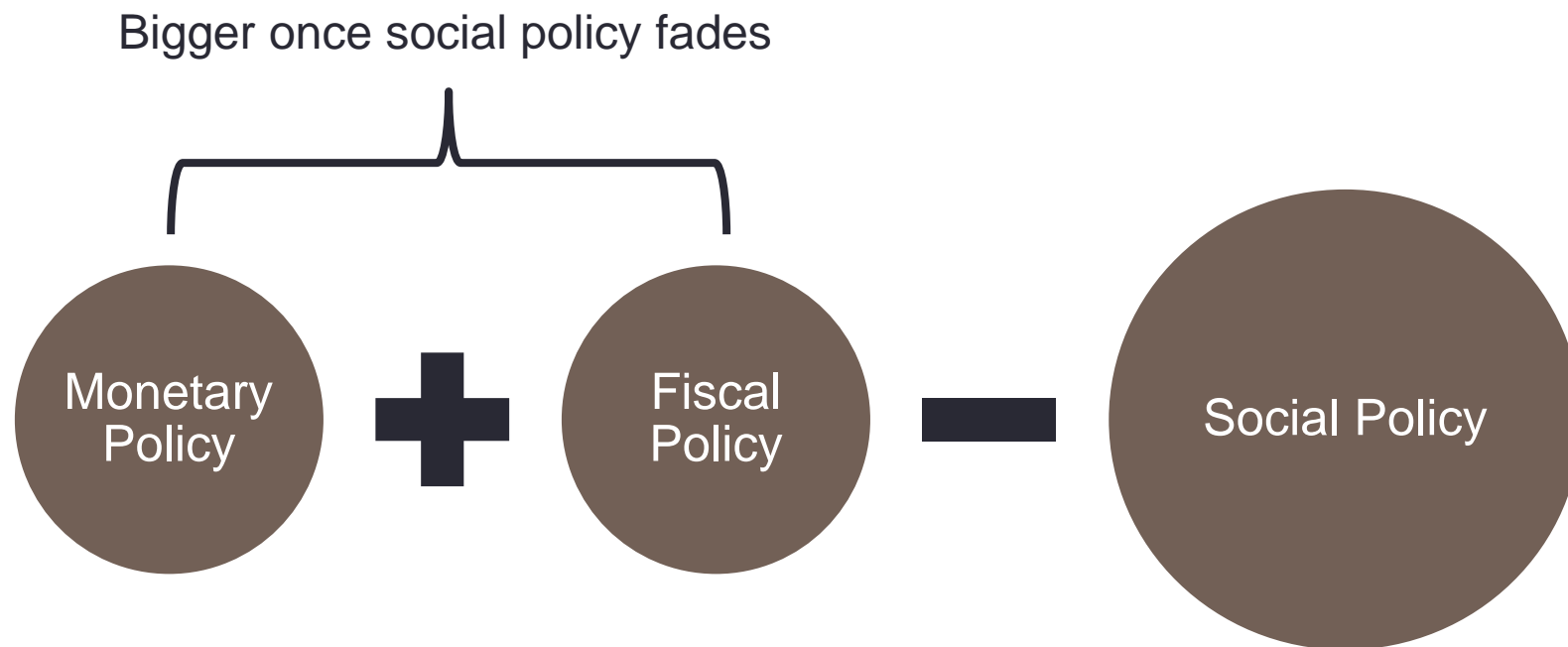


# Initial Claims for Unemployment Ins, Qtr Averages of Weekly Data, 1986-April 2020, Number of Workers





# 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
  - **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/lost revenues, goes quick.



# Decisions on Re-Opening: Costs/Benefits

## Costs

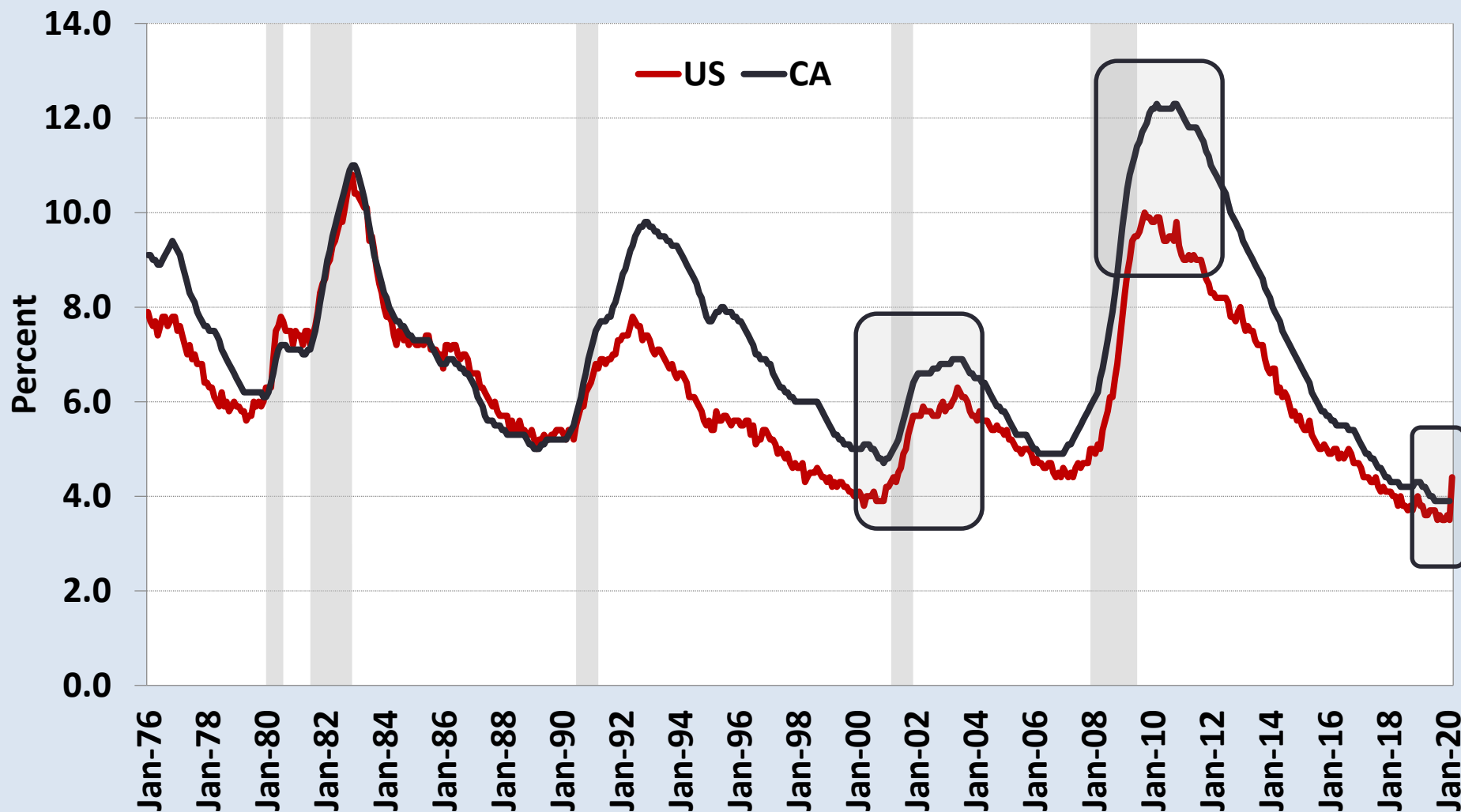
- Short-term
  - Risk of re-infection, health care system overload
- Medium-term
  - Shut down again, more economic impacts
- Long-term
  - Change in the cost of doing business, probably for some time

## 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

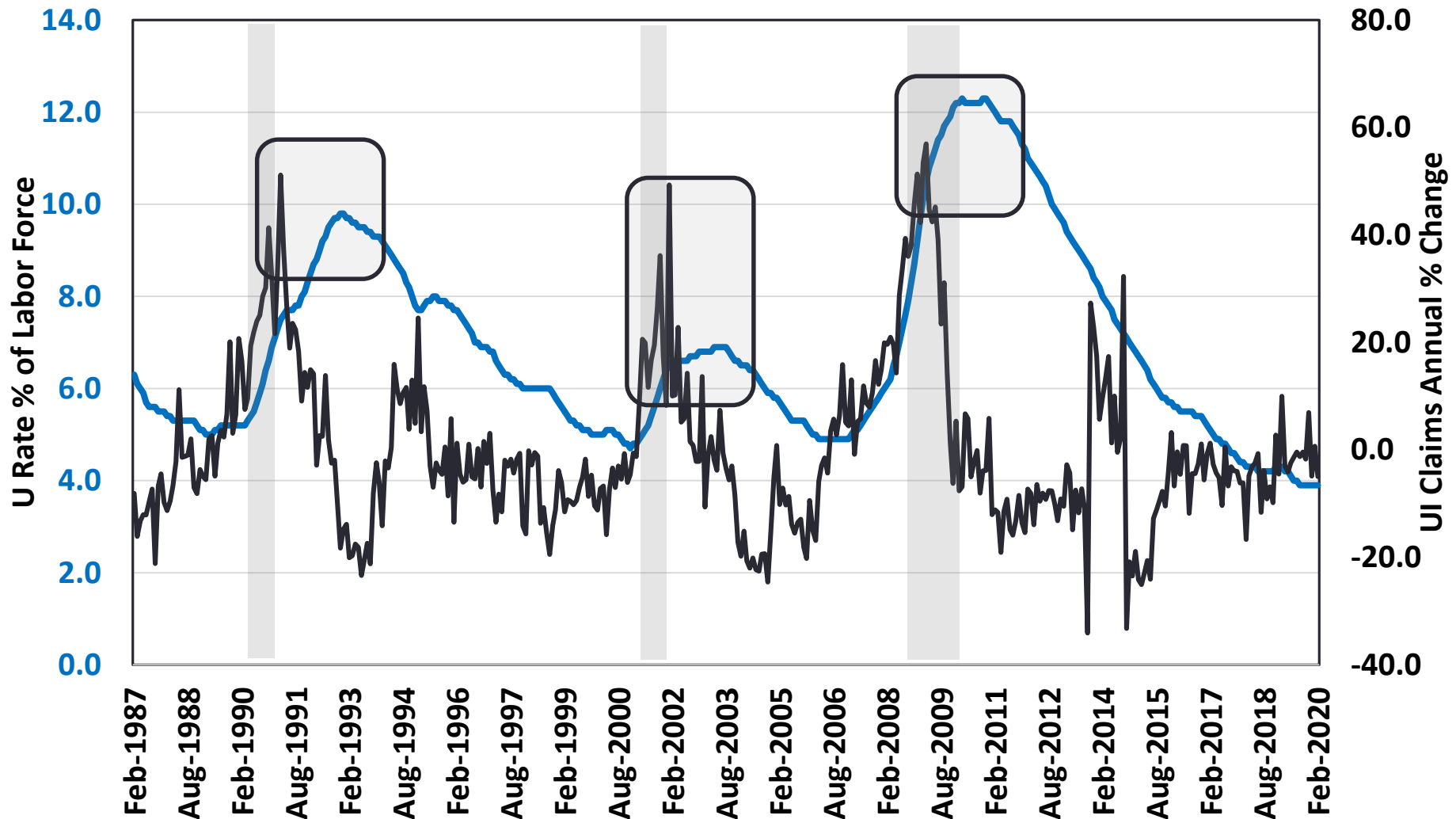
# Depth and Duration

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

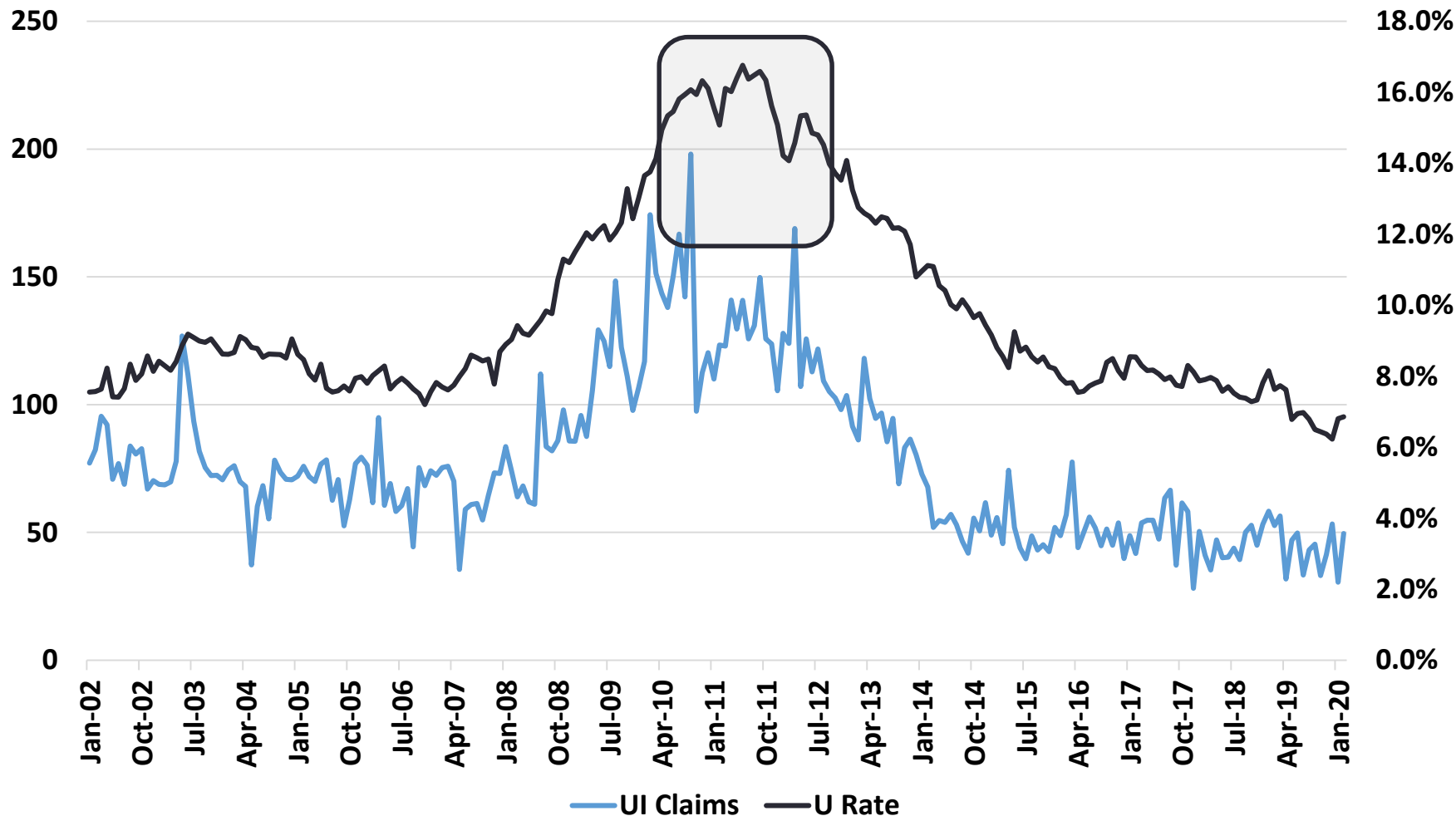


Source: U.S. Bureau of Labor Statistics/FRED

# California UI Claims and U Rate, 1987-2020, Peak to Peak, 20-24 months



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



# Factors of vulnerability

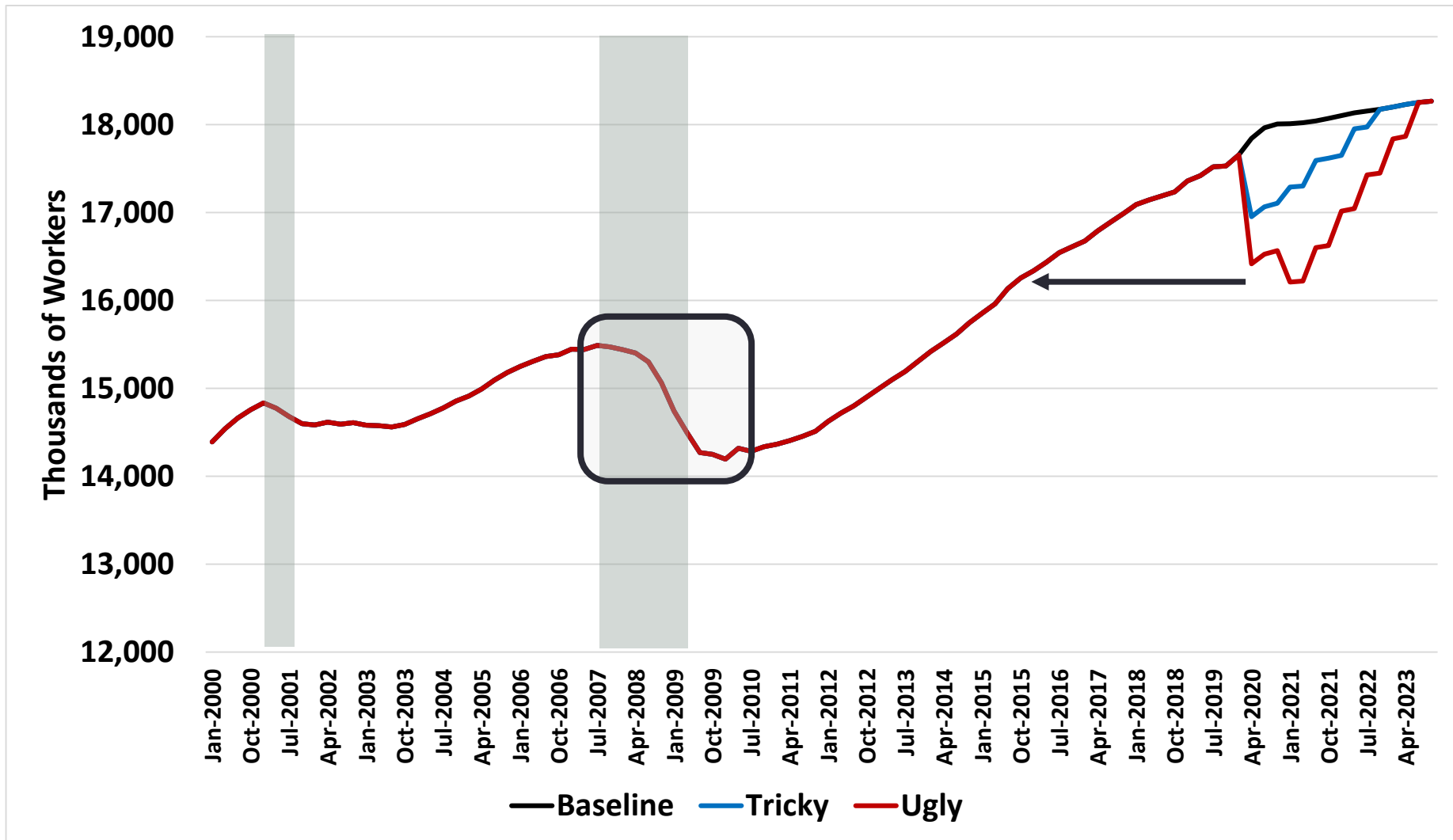
- Ok for now: **essential business, businesses close to customers**
- Biggest: Travel-related
  - Subsequent economic impacts, including summer residents
- Health care shifts depends on specialty: not all good
  - Surgeries and outpatient work slow
- Government: admin leave and potential furloughs
- 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, workers are furloughed or laid off, and then slowly rehired
  - Business losses do not create long-term capacity loss
- Ugly Scenario
  - Situation is general: jobs losses rise and move from seasonal to structural
  - Restart slow, especially in tourism/casinos/air travel
  - Some structural change: capacity loss in short-term
  - Businesses concerned about revenues and profits into 2021 and a second episode

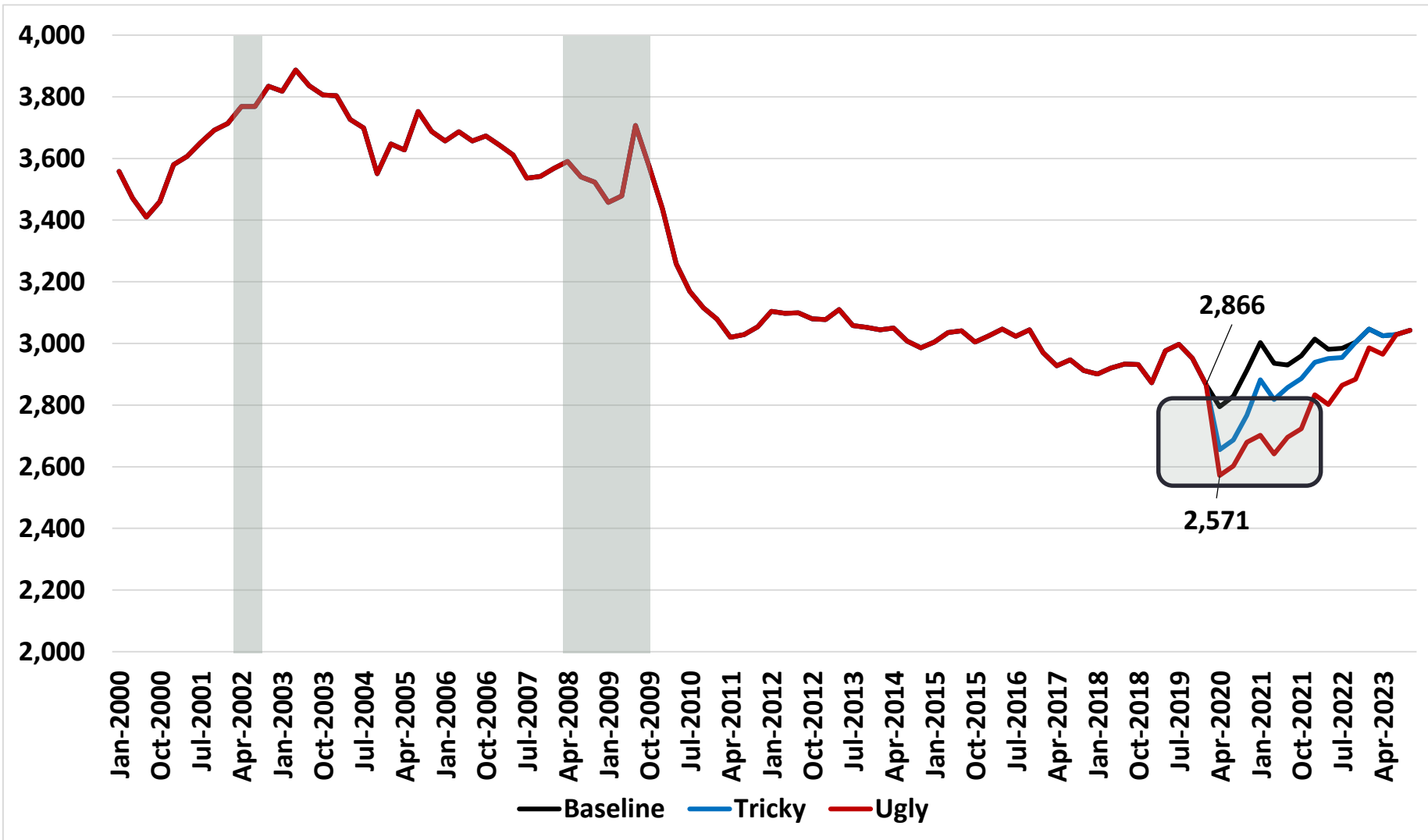
# Scenarios: Jobs in CA, 2000-23

## Thousands of Workers, Seas Adj





# Possible Scenarios: Jobs in Modoc County, Number of Workers, 2000-2023



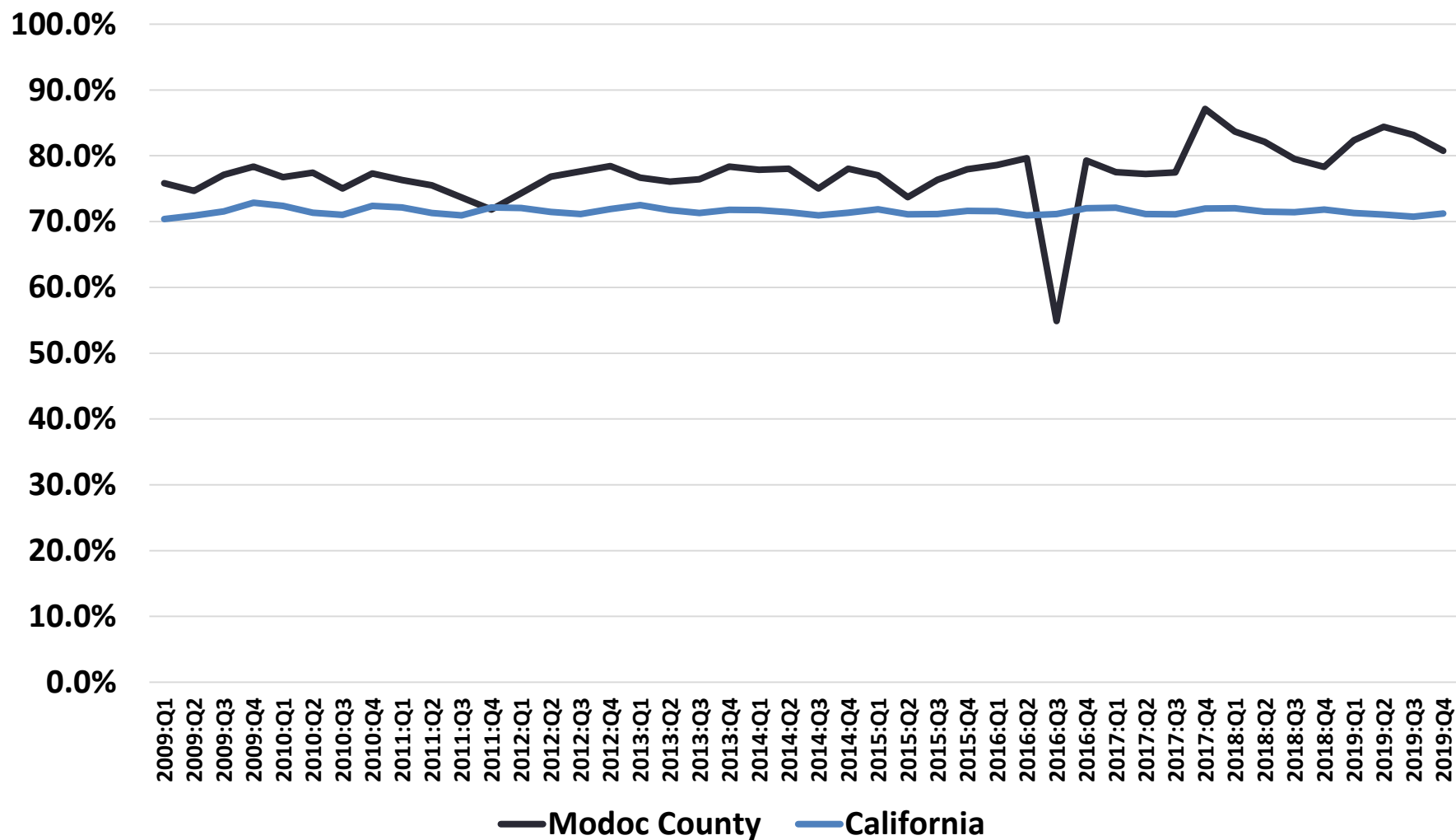
# Economic Development Triage

- 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

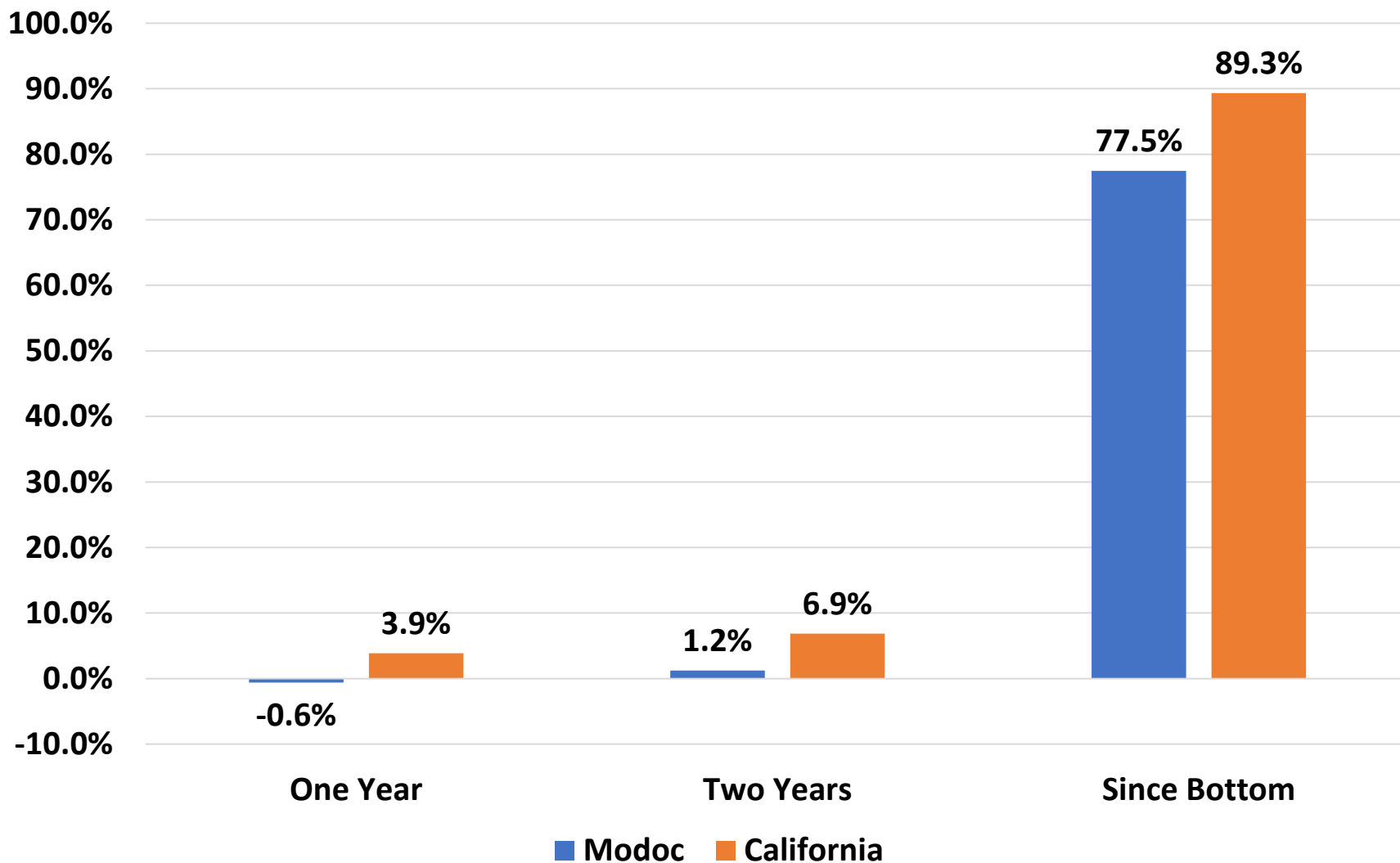
# Municipal Concerns

- 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

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



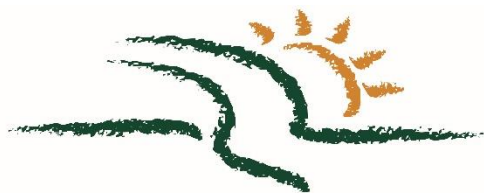
# Housing Market Data: Price Dynamics Modoc County and CA, Since 2010



# 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 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.