



The Regional Outlook: East Bay

September 2020

The swift job losses from the COVID-19 pandemic have begun to reverse in the East Bay, albeit at a much more subdued pace than during their decline. Telecommuting has been an additional challenge for many, with parents grappling with a pandemic and administering their children's education.

East Bay's Largest Industries Recover... Slowly

After six months, the COVID-19 pandemic is still having a significant impact on the East Bay economy. Nonfarm employment declined 15% from March to April, on par with San Francisco (-15%) but worse than the South Bay (-12%). A stunning 177,000 jobs were lost in one month, the direct result of the health-mandated business closures. Although jobs began to return in subsequent months, their recovery has been far slower than the decline, with month-over-month gains of 1% in May and 3% in June. The increase in California's daily case rate began to accelerate in late June and July, and monthly nonfarm employment growth fell to 0% in July.

After rising 11.0 percentage points from March to April, the unemployment rate had fallen to 10.4% by July, higher than San Francisco (9.0%) and the South Bay (8.4%). The East Bay's unemployment rate in July was below the statewide average (13.3%), a rate that reflects the considerably higher unemployment in Southern California, Los Angeles County in particular.

The Accommodation and Food Services and Arts and Entertainment sectors sustained the largest employment declines in the East Bay, shedding a combined 39,000 jobs from January to July. But these industries accounted for only 10% of East Bay employment before the pandemic. The Government, Prof/Sci/Tech, Health Care, and Retail Trade industries, which dominate the East Bay labor market and account for 49% of its employment base, lost 50,000 total jobs from January to July, or 35% of all jobs lost over that period. Health Care and Retail declined the most, losing 20,000 and 17,000 jobs respectively from March to April. Although they both regained some jobs, they remained at 90% of pre-pandemic levels in July.

Given the trauma sustained by the region's economy, the key question centers on how long it will take the labor market to recover. The 177,000 lost jobs will not return to the economy overnight, even after the spread of the virus is fully contained. There are two components to the labor market recovery. First is replacing the jobs that have been lost, which would only return the labor market to where it was before the pandemic began. The second concerns the jobs the economy should have been adding over the pandemic period under normal circumstances.

In 2019, the East Bay economy added roughly 100 jobs per month on average. For each month that it takes to return to the pre-pandemic level of employment, the region is effectively losing a further 100 jobs per month, based on the 2019 trend. Following the decline in April, the East Bay economy has added 13,000 jobs on average per month from May through July. This is a positive sign, but to place things in context, if the region continues to add jobs at this rate, it will take until May 2021 to return the labor market to the position it was in February 2020. Since the labor market would have normally been adding 100 jobs per month over this period, based on 2019 employment figures, this means that in May 2021, the economy will still be 1,200 jobs behind trend.

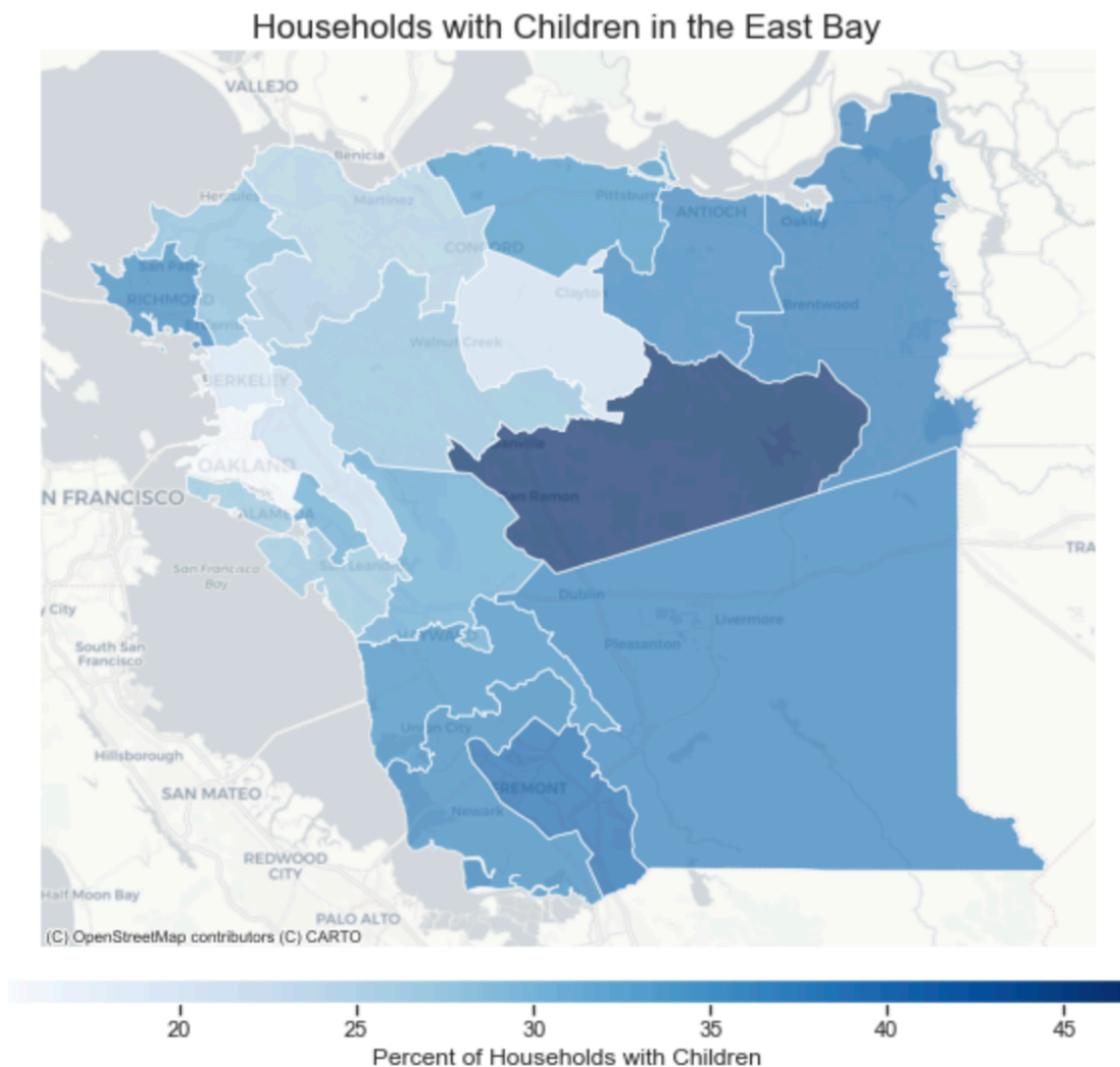
East Bay, Employment by Industry

Source: California EDD; analysis by Beacon Economics

Industry	March-April Growth (%)	April 2020 (000s)	April-May Growth (%)	May 2020 (000s)	May-June Growth (%)	June 2020 (000s)	June-July Growth (%)	July 2020 (000s)
Total Nonfarm	-15.0	1,002	1.4	1,016	2.5	1,042	0.2	1,044
NR/Mining	-0.8	0	-0.6	0	-0.8	0	-0.6	0
Real Estate	-2.9	17	-1.7	17	4.0	18	-1.9	17
Finance and Insurance	-3.1	36	1.3	37	-0.3	36	-0.3	36
Information	-3.4	27	-2.2	26	0.0	26	-0.7	26
Management	-3.8	24	0.6	25	1.0	25	-1.2	25
Government	-4.3	168	-4.1	161	-0.5	160	-0.1	160
Prof Sci and Tech	-7.5	93	2.5	96	-0.3	95	-1.3	94
Educational Services	-9.2	22	-3.7	21	0.6	21	1.1	21
Transport, Warehouse, Util.	-9.4	38	3.5	40	2.6	41	0.3	41
Wholesale Trade	-11.2	40	0.8	41	4.4	42	0.7	43
Health Care	-11.7	154	2.8	158	0.0	158	0.1	158
Admin Support	-14.9	55	1.6	56	2.7	57	1.4	58
Retail Trade	-15.4	94	1.0	95	3.5	99	2.3	101
Manufacturing	-16.9	83	0.6	83	1.5	84	0.0	84
Construction	-25.9	56	11.3	63	6.6	67	-2.3	65
Other Services	-28.2	28	7.6	31	5.8	32	-0.4	32
Accommodation and Food	-43.5	55	6.7	59	17.8	69	0.8	70
Arts and Entertainment	-50.9	10	-6.7	9	8.5	10	12.0	11

Parents Face Dual Role Now More Than Ever

Families will face unique challenges as they begin the new school year. Juggling the global health crisis, an economic downturn, and the back-to-school season will test the roughly 300,000 households with children in the East Bay, which make up just over a quarter of households in the region. Single-parent households, which make up 19% of the households with children in the East Bay, will have an especially difficult fall. Just over half of households with children have two parents who both work, largely with heads of households in the Professional, Health Care, and Manufacturing sectors. One quarter are two-parent households in which only one works. As such, these households will have an easier time managing the work-life balance because one can stay home and care for their children while they attend school online.



Of these household types in the East Bay, the two-parent households in which both work have the highest median household income, \$182,000 per year. This is more than twice the \$72,000 of single-parent households. This disparity in household incomes can translate to inequities in food insecurity, housing stability, and internet access, the last of which is perhaps more important now than ever. The median income of East Bay households without internet access is only \$27,100 per year, compared with \$107,000 for those with internet access. Households with two parents in which only one works have a median income of \$119,800 per year.

Like the rest of the Bay Area, a plurality, 20%, of East Bay households are headed by someone who works in Professional Services. This is the largest group for each of the household types in the region, but some disparities exist. For instance, although 20.8% of households with two parents who both work are headed by someone who works in Professional Services, the same is true for only 12.9% of households headed by a single parent. Additionally, although workers in the Construction Industry represent only 5.9% of workers in the East Bay, about 11.3% of two-parent households with only one who works are headed by someone in Construction. As concerns grow about the impact of COVID-19 in various lines of work, one should consider how these household types are represented in the economy and what this means for potential exposure.

All in all, although the COVID-19 crisis has revealed sharp economic disparities in race, class, and gender in California's cities, the East Bay region is in a relatively better place to deal with the economic fallout. Its high representation of workers in Technology and Professional Services has helped the city maintain a solid footing amid economic uncertainty. Nonetheless, disparities persist, and addressing these disparities in households with children should be of utmost importance as the school year begins.

