



## The Regional Outlook: Los Angeles

### *September 2020*

As the COVID-19 pandemic continues to hurt the California economy, the recovery in Los Angeles has faltered, trailing every major metro in the state. Additionally, the region will face unique challenges this fall as online learning impacts households with schoolchildren.

#### **L.A.'s Recovery Lags Others**

As the pandemic rages on, evidence continues to grow that California's major metro areas have not been impacted equally. In fact, by many labor market metrics, the Los Angeles economy has fared worse than many other metros in the nation. With a heavy reliance on tourism and the Leisure and Hospitality Industry, Los Angeles has failed to match the average recovery nationally. In July, nonfarm employment in Los Angeles was 10% below January levels despite job gains in the three months following April's historic employment decline. The unemployment rate remained stubbornly high at 17.5% in July, down 3.6 percentage points from the peak in May. The Los Angeles unemployment rate is well above Orange County's 10.5%, San Diego's 10.8%, and the Inland Empire's 11.5%. Additionally, the region's labor force has declined steadily since March, indicating that the unemployment rate, even though historically high, is probably understating the true extent of worker dislocation, because many have given up looking for work and are no longer counted among the labor market.

The industries that took the largest hit in April were Arts and Entertainment, and Accommodation and Food Services. Despite their strong employment gains in subsequent months, these industries remain well below pre-pandemic levels, with July employment at 69% of January levels in both sectors. The Information sector, which in many California metros has had increased demand, has been a headwind for growth in Los Angeles. After recording a 17% month-over-month decline in April, resulting in a loss of 37,000 jobs, Information recovered little ground moving into July. The primary reason has been the Motion Picture and Video subsector, which dominates the Los Angeles Information Industry and has had to grapple with mandated closures and extensive restrictions on business.

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 roughly 730,000 lost jobs will not return to the economy over night, 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 Los Angeles economy added roughly 4,000 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 4,000 jobs per month, based on the 2019 trend. Following the decline in April, the Los Angeles economy has added 78,000 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 February 2021 to return the labor market to the position it was in in February 2020. Since the labor market would have normally been adding 4,000 jobs per month over this period, based on 2019 employment figures, this means that in February 2021, the economy will still be 38,000 jobs behind trend.

### Los Angeles MD, Employment by Industry

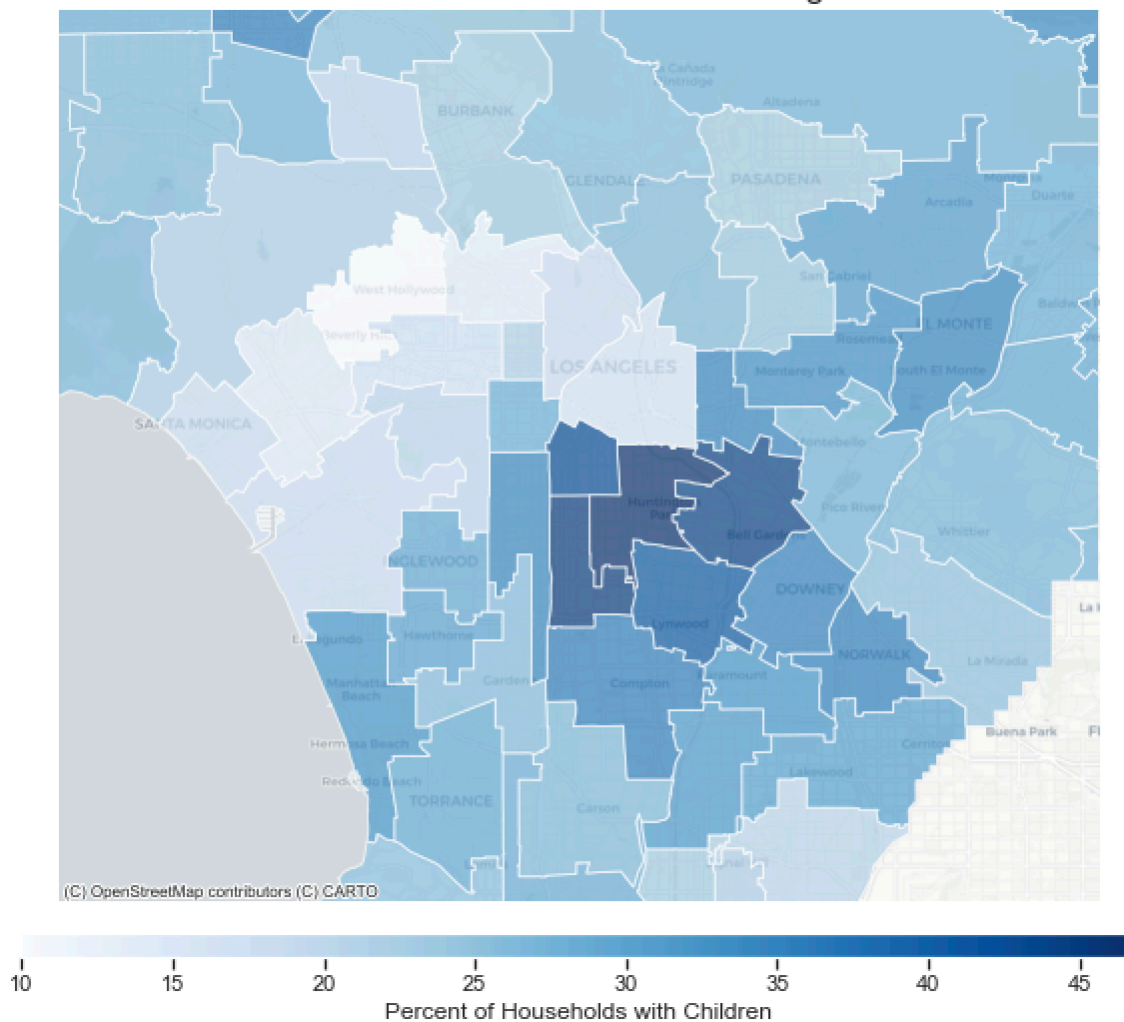
Source: California EDD; Analysis by Beacon Economics

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	-14.4	3,906	0.9	3,940	3.9	4,093	1.2	4,140
Finance and Insurance	2.0	140	-0.8	139	0.0	139	1.1	140
NR/Mining	-0.9	2	-0.3	2	-0.3	2	1.0	2
Government	-2.7	585	-2.5	570	-1.6	561	0.6	564
Educational Services	-6.6	130	-0.2	130	5.3	137	-1.5	135
Management	-7.1	59	-1.6	58	0.4	58	2.7	59
Transport, Warehouse, Util.	-8.9	198	-1.9	195	2.9	201	2.0	204
Health Care	-9.9	642	1.3	651	3.0	670	1.1	678
Wholesale Trade	-10.0	195	2.0	199	3.4	206	0.1	206
Manufacturing	-11.3	291	3.3	301	3.9	313	0.4	314
Prof Sci and Tech	-11.5	273	1.2	276	2.9	284	-0.5	282
Construction	-13.1	131	8.1	141	2.6	145	-0.6	144
Admin Support	-14.5	236	3.1	244	1.8	248	1.1	251
Real Estate	-15.7	76	1.2	77	1.0	78	3.1	80
Information	-16.5	188	-3.7	181	1.6	184	3.7	190
Retail Trade	-18.0	344	2.3	352	6.5	375	1.7	381
Other Services	-22.0	118	-4.2	113	4.6	119	7.2	127
Arts and Entertainment	-40.6	55	-4.7	53	18.8	63	10.3	69
Accommodation and Food	-44.1	241	7.4	259	20.5	312	0.0	312

## Pandemic Uncertainty Lingers

Families will face unique challenges as they head into the new school year. Juggling the global health crisis, an economic downturn, and the back-to-school season all at once — which will be conducted entirely online for L.A. County students for the foreseeable future — will test the 900,000-plus households with children, which make up just over a quarter of all households in the region. Of these households with children, one can expect an especially difficult time for the single-parent households, which make up 27% of households with children. Meanwhile, 41% of the households with children have two parents who both work, largely with heads of households who work in Professional Services, Health Care, or Manufacturing. A quarter of households with children have one parent who works and one who doesn't, and will have an easier time managing the work-life balance because one can care for their children while they attend school online.

### Households with Children in Los Angeles



Of these household types in Los Angeles, two-parent households in which both work have the highest median income, \$111,000 per year. This is more than twice the \$52,000 median income of single-parent households. This disparity can lead to broader inequities in food insecurity, housing stability, and internet access, the last of which is perhaps more important now than ever. Two-parent households in which only one works have a median household income of \$65,000 per year, meaning adequate resources for schoolchildren could be unaffordable.

Two-parent households in which only one parent works might be at greater risk of both the COVID-19 crisis and the economic insecurity that has come to follow it. About a quarter of these households have a head of household who works in the Construction and Manufacturing industries, where telecommuting is impossible and working in proximity with others is inevitable. Most such households are headed by men who are likely to work in these industries. Just over a quarter of the two-parent families in which only the mother works have a higher representation in the Health Care and Education sectors. This high representation in the Construction and Health Care industries also holds true for single-parent households.

All in all, the COVID-19 crisis has revealed sharp economic disparities in race, class, and gender in California’s cities, including Los Angeles. As policymakers consider the proper way to assist those with greater needs, addressing these disparities in households with children should be of utmost importance as the school year begins.

