The Regional Outlook: San Diego
September 2020

With the recovery underway in San Diego, the path back to pre-pandemic levels will be determined by the virus. The lingering effects of the pandemic will impact some households more than others; those with school-age children will struggle to continue working while managing their children's education.

Recovery Is Well Underway But Still Uncertain

The San Diego economy is still feeling the impact of the COVID-19 pandemic. After falling 14% month over month in April, nonfarm employment hit its lowest point and then posted positive monthly gains through July. Despite recovering somewhat since the historic employment declines, nonfarm employment remains 11% below January 2020 levels, resting at 1.36 million jobs in July. The massive job loss led to an unprecedented increase in the region's unemployment rate, increasing 12.4 percentage points from March to May. At 16.5% in May, the unemployment rate in San Diego was second only to Los Angeles' 21.1%, although close to rates in the Inland Empire (16.4%) and Orange County (15.7%). The moderate employment gains in the following months have led to a decline in San Diego's unemployment rate, which reached 10.8% in July. The rate does not fully reveal the extent of worker dislocation, however; the labor force declined 4% from January to July, roughly on par with the statewide average.

Much like the rest of the state and nation, the Leisure and Hospitality super-sector, which includes the Accommodation and Food Services and the Arts and Entertainment industries, has sustained the largest job losses in San Diego, with the Accommodation and Food Services sector falling 46% (-77,000 jobs) and Arts and Entertainment falling 44% (-13,000 jobs). The Accommodation and Food Services Industry began to recover in May, regaining 11,000 jobs, but Arts and Entertainment continued its decline, shedding 2,000 more jobs. The recovery in Accommodation and Food Services continued into June but faced a substantial setback as businesses were again required to shut down indoor-dining operations. The Professional, Scientific, and Technical Services sector, among the County's largest-employing industries, experienced the mildest job losses in April, falling 3% month over month, with employment at 96% of January 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 roughly 230,000 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 San Diego economy added roughly 1,800 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 1,800 jobs per month, based on the 2019 trend. Following the decline in April, the San Diego economy has added 21,000 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 March 2021 to return the labor market to the position it was in in February 2020. Since the labor market would have normally been adding 1,800 jobs per month over this period, based on 2019 employment figures, this means that in March 2021, the economy will still be 19,000 jobs behind trend.

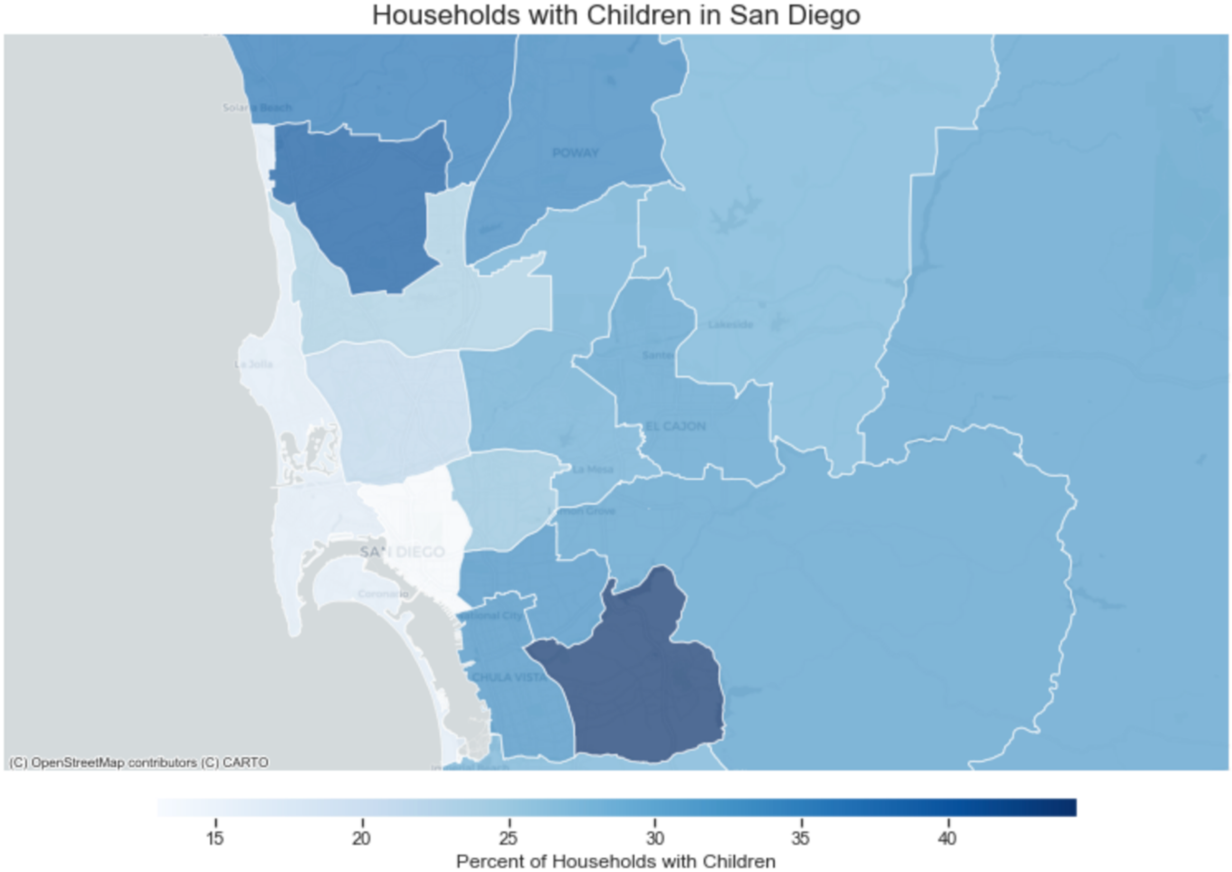
San Diego, Employment by Industry
Source: California EDD; analysis by Beacon Economics

Industry	March-April Growth (%)	April 2020 (000s)	April-May Growth (%)	May 2020 (000s)	May-June Growth (%)	June 2020 (000s)	June-July Growth (%0	July 2020 (000s)
Total Nonfarm	-13.7	1,292	0.5	1,299	4.1	1,352	0.3	1,356
Prof Sci and Tech	-1.8	144	0.6	145	0.3	146	-0.7	145
Government	-3.3	241	-3.3	233	-1.4	230	1.3	233
NR/Mining	-4.6	0	-3.3	0	-6.2	0	-0.8	0
Finance and Insurance	-4.7	44	1.3	45	0.5	45	-1.4	44
Admin Support	-7.3	82	-1.2	81	4.6	85	-1.6	84
Management	-7.7	22	0.2	22	1.3	23	-1.7	22
Construction	-8.1	74	4.3	78	3.8	81	-2.6	78
Real Estate	-8.3	28	-1.7	28	2.1	28	-0.7	28
Manufacturing	-8.8	107	-0.6	106	1.1	108	-0.4	107
Educational Services	-10.1	27	-1.6	26	-1.2	26	2.0	26
Wholesale Trade	-10.1	39	-0.2	38	2.9	40	-0.1	40
Health Care	-11.7	166	1.6	169	3.1	174	1.9	178
Retail Trade	-14.7	123	-0.4	123	5.2	129	2.1	132
Information	-14.9	20	-1.9	19	2.0	20	-1.5	20
Transport,Warehouse,Util.	-15.2	30	4.2	31	3.2	32	5.1	33
Other Services	-28.4	38	1.6	39	5.8	41	3.8	43
Arts and Entertainment	-44.4	16	-15.2	14	23.2	17	-0.2	17
Accommodation and Food	-46.2	90	12.1	101	27.6	129	-1.6	127

Single-Parent Households Adversely Impacted as the School Year Begins

Families will face unique challenges as they head into the new school year amid the COVID-19 pandemic. Numbering 325,000 households as of 2018, the most recent data available, those with children make up just over a quarter of all households in San Diego. Of these households with children, single-parent households, which make up 24% of those with children, must continue to work while administering their children's education. Meanwhile, 45.9% of households with children have parents who both work, largely with heads of households who work in the Professional, Health Care, or Manufacturing sectors. About 25% 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 San Diego



Of these household types in San Diego, those in which both parents work have the highest median household income, $130,000 per year. This is more than twice the $52,010 income of households with a single parent who works. This sharp 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. The median income of households in San Diego without internet access is only $28,400 per year, compared with $81,000 for those with internet access. Additionally, households with two parents in which only one works have a median income of $71,900 per year, implying a similar concern in securing adequate resources for schoolchildren but a greater chance that these children could be cared for during the school day.

In each of these San Diego household types, a plurality, 16.4%, is headed by someone who works in Professional Services. Representation across the other sectors of the economy is also fairly homogenous across each of these household types. A notable exception is those households in which only one parent works; about 10% are headed by someone who works in Construction. This is much higher than the 5.8% representation of workers in Construction in San Diego's overall economy.

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