



The Regional Outlook: San Francisco

September 2020

San Francisco's more adaptable industries have weathered COVID-19 far better than most. Nonetheless, the region's labor market has significant ground to cover before returning to its pre-pandemic trend. Despite its having a smaller representation of households with kids than other metros in California, concerns remain for households in San Francisco that must both telecommute and administer children's education as they enter the fall school season.

Challenges to Recovery

The Bay Area was among the first regions in the nation to enact stay-at-home orders, in mid-March, as confirmed COVID-19 cases surged. As such, total nonfarm employment in San Francisco declined 2% month over month in March as much of the region's economy shut down. What followed was among the largest month-over-month employment declines on record, with the region shedding 176,000 jobs from March to April, a 15% decline. Leisure and Hospitality led, losing 78,000 jobs over the period, or roughly 44% of all jobs lost in April. Construction (-30%, or 13,000 jobs), Other Services (-24%, or 10,000 jobs), Health Care (-16%, or 19,000 jobs), and Retail Trade (-15%, or 12,000 jobs) contributed to the substantial downturn. The massive job loss resulted in a 10.1-percentage-point increase in the unemployment rate, which peaked at 12.9% in May. But job gains after April led to a modest decline in the unemployment rate, which fell to 9.0% in July. In fact, San Francisco's unemployment rate is the second-lowest among California's major metros, beaten only by the South Bay's 8.4%.

Not all industries were hit equally; those whose workers could telecommute have fared better. The Finance and Insurance sector and Real Estate sector have nearly recovered to February levels, with employment down 3% and 2% respectively as of July. The region's largest-employing sector, Professional, Scientific, and Technical Services, has also remained relatively healthy, albeit stagnant. After employment declined 4% month over month in April (-9,000 jobs), the industry recorded no job gains or losses in the following months. A likely explanation is that firms that shed jobs early in the pandemic adapted and learned they could be just as efficient with a smaller staff.

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 190,000 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 Francisco economy added roughly 2,800 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 2,800 jobs per month, based on the 2019 trend. Following the decline in April, the San Francisco economy has added 17,000 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 2,800 jobs per month over this period, based on 2019 employment figures, this means that in March 2021, the economy will still be 32,000 jobs behind trend.

San Francisco MD, Employment by Industry

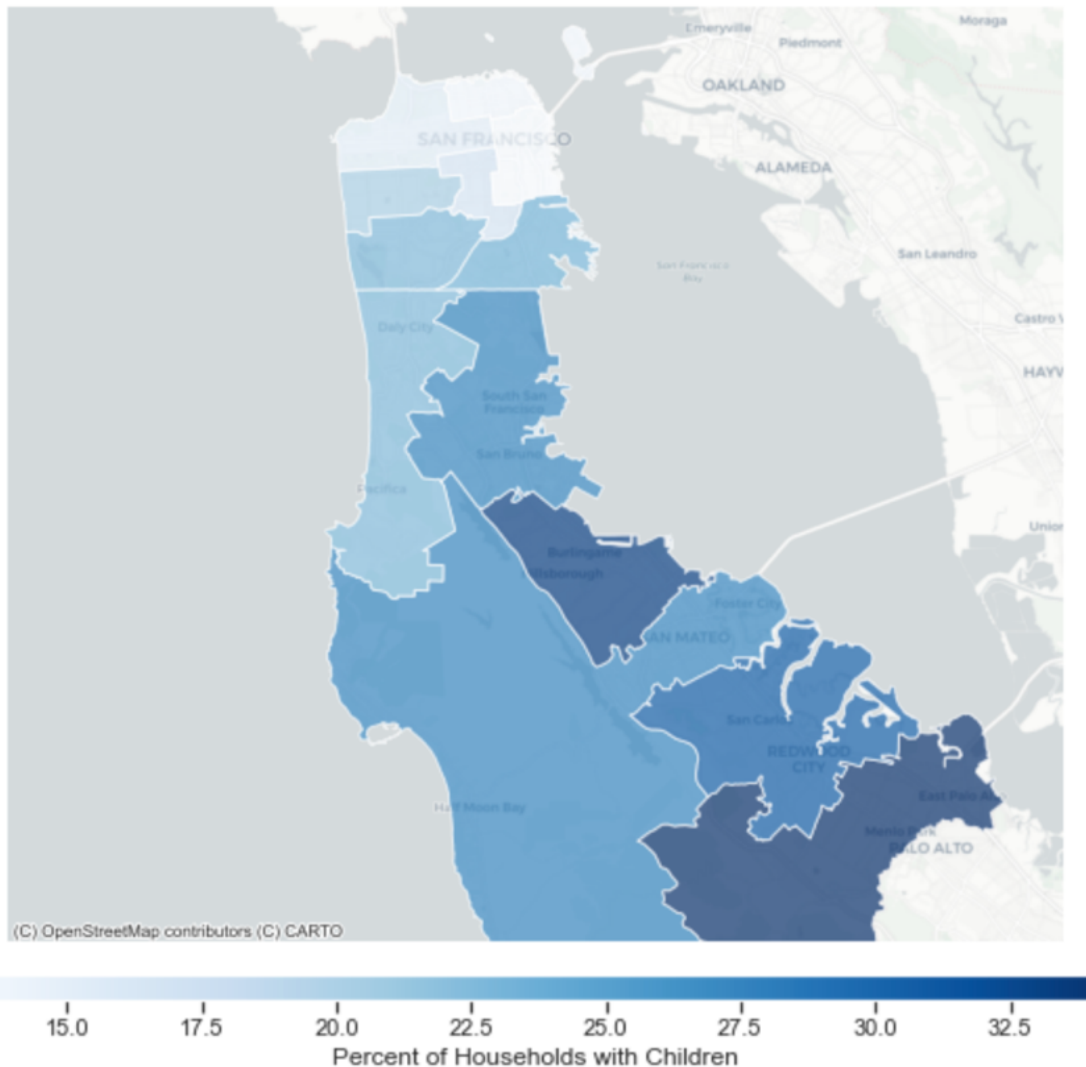
Source: California EDD; analysis by Beacon Economics

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	-14.9	1,004	0.9	1,013	3.4	1,047	0.8	1,056
NR/Mining	-0.3	0	0.1	0	0.4	0	-0.2	0
Finance and Insurance	-2.4	62	-0.2	62	1.2	63	-0.6	62
Government	-2.8	129	-3.6	124	-1.5	122	-0.8	121
Management	-3.1	26	-1.5	25	-0.2	25	-0.5	25
Real Estate	-3.3	23	0.0	23	0.1	23	-0.4	23
Prof Sci and Tech	-4.3	203	-0.1	202	-0.1	202	-0.1	202
Wholesale Trade	-7.7	24	-1.1	24	-1.6	23	-7.2	22
Information	-8.9	91	-0.8	90	-0.2	90	0.1	90
Educational Services	-9.2	29	-0.8	29	2.6	30	-0.7	30
Manufacturing	-10.5	35	1.2	35	1.1	36	0.3	36
Transport, Warehouse, Util.	-11.2	44	-4.3	42	-0.1	42	3.4	43
Admin Support	-11.4	52	6.9	55	1.9	56	0.0	56
Retail Trade	-15.1	65	-0.9	65	5.8	68	3.8	71
Health Care	-16.0	98	2.1	100	6.0	106	3.7	109
Other Services	-24.3	31	-3.7	30	5.3	31	8.0	34
Construction	-29.6	30	29.2	39	4.7	41	-2.3	40
Arts and Entertainment	-41.5	11	-1.5	11	25.9	14	2.3	14
Accommodation and Food	-57.3	52	9.3	56	31.9	75	2.9	77

San Francisco Is Better Positioned Than Most as School Year Begins

The Bay Area has a lower percentage of households with children than most other metro regions in California. Those 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 all at once will test the roughly 135,000 households with children in San Francisco, which make up one-fifth of all households in the region. Single-parent households, which make up 18% of the households with children, will have an especially difficult autumn. Meanwhile, 58% of the households with children have two parents who both work, largely with heads of households who work in Professional Services. Twenty percent 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 Francisco



Of these household types in San Francisco, two-parent households in which both work have the highest median income, \$223,000 per year. This is more than twice the \$92,000 income of single-parent households. 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 Francisco without internet access is only \$23,300 per year, compared with \$126,800 per year for those with internet access. Two-parent households in which only one works have a median income of \$133,000 per year.

In each of these household types, a plurality are headed by someone who works in Professional Services. Roughly 25% of the heads of households work in that industry. 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 3.8% representation of workers in Construction in San Francisco’s overall economy.

All in all, although the COVID-19 crisis has revealed sharp economic disparities in race, class, and gender in California’s cities, San Francisco 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 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.

