



## The Regional Outlook: South Bay

### *September 2020*

The South Bay's largest-employing industries are fueling the region's recovery, with employment in these sectors having nearly recovered to pre-pandemic levels. But as health-mandated countermeasures restrict some industries from operating at full capacity, the recovery is still closely tied to the path of the virus. Also, as concerns grow about the impact of COVID-19 on various occupations, one should consider how workers are represented among household types and what this means for potential exposure as the school year begins.

#### **Despite Leading the Pack, South Bay Recovery Is Still Tied to the Path of the Virus**

Despite the substantial impact of the COVID-19-induced recession, the South Bay economy has fared better than California's other major metro areas. From March to April, nonfarm employment in the region declined 12%, a loss of 137,000 jobs. This decline was more modest than those in San Francisco (-15%), the East Bay (-15%), and the State (-14%). Although the shock to the South Bay economy was rapid and substantial, the region hit a trough in April and began to recover, with nonfarm employment increasing 5% from April to July. "Began to recover" is appropriate, however; jobs have not recovered as quickly as they were lost. As of July, nonfarm employment remained 9% below January 2020 levels. Nevertheless, the South Bay economy has far less ground to cover to return to pre-pandemic levels than California's other metro areas, in particular those in Southern California.

Because of the region's less dramatic job losses, the South Bay's unemployment rate did not reach the same levels of other metros. After increasing 8.9 percentage points to 12.3% in April, the unemployment rate declined to 8.4% in July, below the rates in San Francisco (9.0%), the East Bay (10.4%), and the State (13.3%). The South Bay's industry makeup is primarily behind the region's labor market resiliency during the pandemic. The Prof/Sci/Tech, Manufacturing, and Health Care industries in the South Bay, which together account for nearly 43% of employment in the region, nearly recovered to pre-pandemic levels as of July.

Accommodation and Food Services recorded the largest job losses in absolute and percentage terms, losing 42,000 jobs from March to April, a decline of 50% of the sector's workforce. Because of Bay Area restrictions on Construction in the early months of the pandemic, that sector shed 15,000 jobs from March to April. But the sector regained 9,000 jobs in May and 5,000 in June. The resurgence in cases in late June and July reversed some of these gains, however; nonfarm employment growth fell to 0% from June to July, a reminder that the South Bay's recovery will be closely tied to the path of the virus.



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 150,000 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 South Bay economy added roughly 1,200 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 1,200 jobs per month, based on the 2019 trend. Following the decline in April, the South Bay economy has added 15,000 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 1,200 jobs per month over this period, based on 2019 employment figures, this means that in February 2021, the economy will still be 12,000 jobs behind trend.

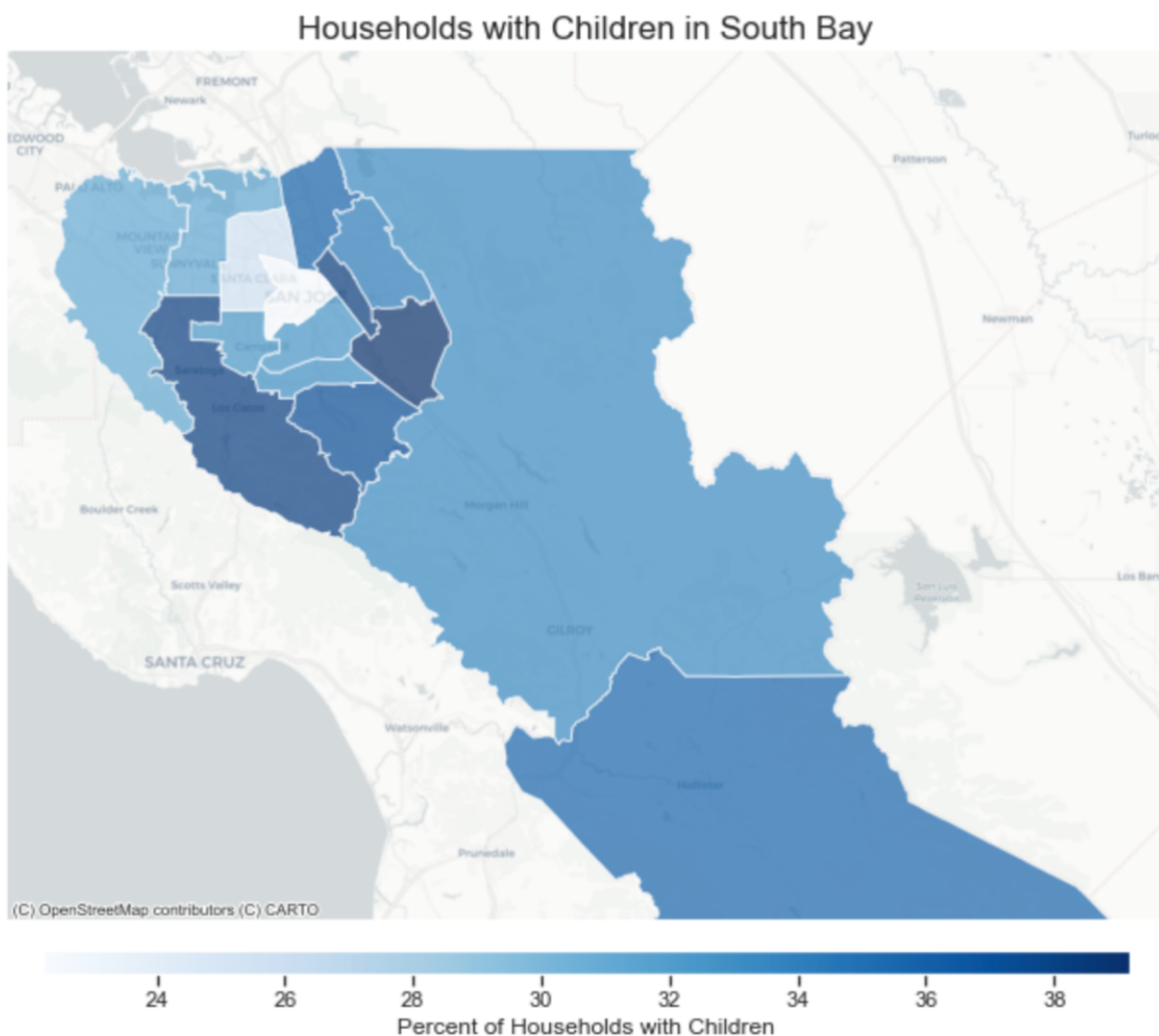
### South Bay, Employment by Industry

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	-12.0	1,007	1.0	1,017	3.2	1,049	0.4	1,054
Government	-2.4	94	-3.8	91	-0.2	91	2.7	93
Management	-3.1	14	-1.5	14	1.0	14	-0.5	14
Prof Sci and Tech	-3.6	161	-0.2	161	-0.1	160	-0.1	160
Finance and Insurance	-4.0	21	-1.2	21	-0.5	21	1.0	21
Educational Services	-4.5	43	-1.5	43	1.8	43	4.4	45
Manufacturing	-8.0	161	1.0	163	0.8	164	0.3	165
Health Care	-8.4	121	-0.2	121	2.8	124	-0.5	123
Admin Support	-8.4	58	-1.2	57	3.5	59	1.9	61
Information	-9.0	95	-0.9	95	-0.5	94	-3.9	90
Real Estate	-9.1	15	1.5	15	0.2	15	-0.5	15
Wholesale Trade	-10.0	28	0.6	28	0.4	28	1.3	29
Transport, Warehouse, Util.	-11.6	15	7.7	16	1.0	16	0.6	16
Retail Trade	-14.9	71	-2.4	70	5.2	73	1.8	75
Arts and Entertainment	-16.3	11	4.0	12	5.1	12	-3.5	12
Other Services	-26.1	19	2.8	20	15.6	23	4.5	24
Construction	-30.0	36	26.4	45	11.1	50	-1.9	49
Accommodation and Food	-50.3	42	11.7	47	27.4	59	2.2	61

## Households Face Unique Challenges

Families will face unique challenges as they head into the new school year amid the pandemic. Juggling the global health crisis, an economic downturn, and the back-to-school season all at once will test the roughly 220,000 South Bay households with children, which make up just over a quarter of all households in the region. Of these households, one can expect an especially difficult time for the single-parent households, which make up 16% of households with children. Just over half of households with children have two parents who both work, and 27% have two parents with only one worker.



Of these household types in the South Bay, those in which both parents work have the highest median income, \$200,100 per year. This is more than twice the \$72,000 median income of those households with only a single parent who works. This disparity can lead to 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 income of \$145,000 per year.

As in San Francisco, a plurality of South Bay households are headed by someone who works in Professional Services. About 22% of the heads of households work in that industry; this number is relatively consistent across each household type and reflects the fact that Professional Services is one of the region's largest-employing sectors. One distinction from San Francisco is that the second-largest sector employing heads of family households is manufacturing, which is also representative of the South Bay region as a whole: 18.3% of all workers are in the Manufacturing sector. Moreover, although single fathers largely work in Professional Services (about 24%), only 14% of households headed by single mothers work in that industry, and in fact, the largest work sector for these households is Health Services (about 22%). As concerns grow about the impact of COVID-19 on 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 South Bay 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 South Bay 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.

