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Jobs Recovery Stalled in December, Highlighting Importance of Further Relief and Stimulus Measures

By Chad Stone

The Emergency Coronavirus Relief Act, enacted on December 27, provides important but short-term and incomplete economic stimulus and hardship relief. It must be followed by further relief and stimulus legislation to achieve a strong and equitable economic recovery that creates jobs and raises employment and incomes for all — especially for people of color, who have experienced disproportionate hardship in the pandemic and recession, and who historically have waited longest to see the fruits of an economic recovery.[1]

The jobs recovery that began in May 2020 had run out of steam by the time the end-of-year legislation was enacted, the latest jobs report shows.[2] Private and government payrolls combined fell by 140,000 jobs in December, leaving a jobs deficit of 9.8 million jobs (6.5 percent of pre-recession employment in February 2020) and larger in percentage terms than the deficit in the worst month of the Great Recession (6.3 percent). Long-term unemployment of 27 weeks or longer again rose sharply, and racial disparities in employment outcomes remained wide. Recent data from the Census Bureau's Household Pulse Survey, which have shown persistent hardship far above pre-pandemic levels since the survey's inception in April, revealed a year-end rise in hardship, with a large and growing number of people struggling to meet basic needs and households with children in particular having trouble affording enough food.[3]

Given the current economic environment, the larger risk for the nation is not providing enough economic stimulus and hardship relief, rather than providing too much. In responding to the Great Recession, policymakers shifted to a posture of austerity before the economic recovery had fully taken hold and begun reaching broad segments of society. As a result, the recovery took far longer

[1] Chad Stone, "Robust Unemployment Insurance, Other Relief Needed to Mitigate Racial and Ethnic Unemployment Disparities," CBPP, August 5, 2020, https://www.cbpp.org/research/economy/robust-unemployment-insurance-other-relief-needed-to-mitigate-racial-and-ethnic.

[2] Bureau of Labor Statistics, "The Employment Situation — December 2020," January 8, 2021, https://www.bls.gov/news.release/pdf/empsit.pdf.

[3] Claire Zippel, "Hardship Growing as Pandemic Enters 11th Month, New Census Figures Show," CBPP, January 8, 2021, https://www.cbpp.org/blog/hardship-growing-as-pandemic-enters-11th-month-new-census-figures-show.

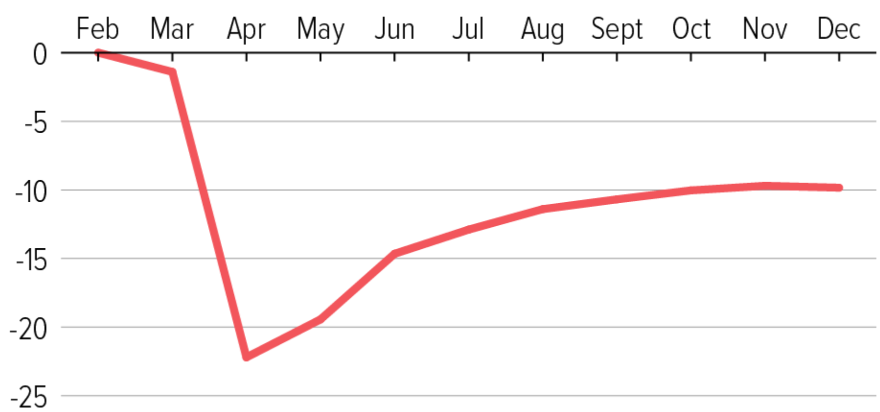
than it should have, resulting in substantial human and economic costs. Policymakers should not make the same mistake again.

Payroll employment is barely halfway back to its pre-crisis level. Nonfarm payroll employment fell in December after five straight months of shrinking job gains — and was 9.8 million jobs (6.5 percent) lower than when the recession started in February. (See Figure 1.) Private employment fell by 95,000 jobs and is also 6.5 percent below February's level. State and local government employment is 1.4 million jobs below its February level, with 1.0 million of those job losses in education. While most of these job losses occurred in the spring, they have continued in recent months as federal policymakers negotiated whether to provide more fiscal aid. In the last quarter of 2020, states and localities laid off another 177,000 workers.

FIGURE 1

Jobs Recovery Stalls in December

Change in nonfarm payroll employment since February 2020, in millions



Source: Bureau of Labor Statistics

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End-of-year relief measures gave millions in danger of running out of unemployment insurance (UI) benefits a temporary reprieve. The number of people who have been unemployed for more than 26 weeks — the maximum duration of regular state UI benefits in most states[4] — has risen from 1.1 million in February to 4.0 million in December. Two-thirds of the Labor Department's reported number of UI recipients are in temporary programs created by the March 2020 CARES Act that the end-of-year relief act prevented from expiring in late December.[5] The December act also added a federal supplement of $300 to the weekly benefit amount in all programs, which will boost the economy and relieve hardship for unemployed workers and their families. But another

[4] CBPP, "Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" updated January 4, 2021, https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available.

[5] Eli Rosenberg, "Unemployment statistics during the pandemic have been inflated by backlogs, according to GAO report," *Washington Post*, November 30, 2020, https://www.washingtonpost.com/business/2020/11/30/gao-unemployment-pua-backlogs/.

cliff looms if these measures run out in March as scheduled, well before a strong and sustainable recovery is ensured.

Large racial and ethnic disparities in employment persist. The official unemployment rate, which spiked to 14.7 percent in April, was a still-elevated 6.7 percent in December. Black and Hispanic unemployment rates, while remaining higher than white rates, fell to historically low levels in the months before the crisis began in early 2020. Unemployment rose sharply for all groups in the recession and remained high in December, but the Black and Hispanic unemployment rates (at 9.9 and 9.3 percent, respectively) were 3.9 and 4.9 percentage points higher in December than in February, while the white rate (at 6.0 percent) was a lesser 3.0 percentage points higher. These patterns have endured in recessions and recoveries alike and are rooted in this nation's history of structural racism, which curtails job opportunities for Black people through policies and practices such as unequal school funding, mass incarceration, and hiring discrimination.[6] Black workers tend to be "the last hired and first fired." High unemployment rates for Hispanic people, which also consistently exceed the white rate, reflect many of the same barriers to opportunity.

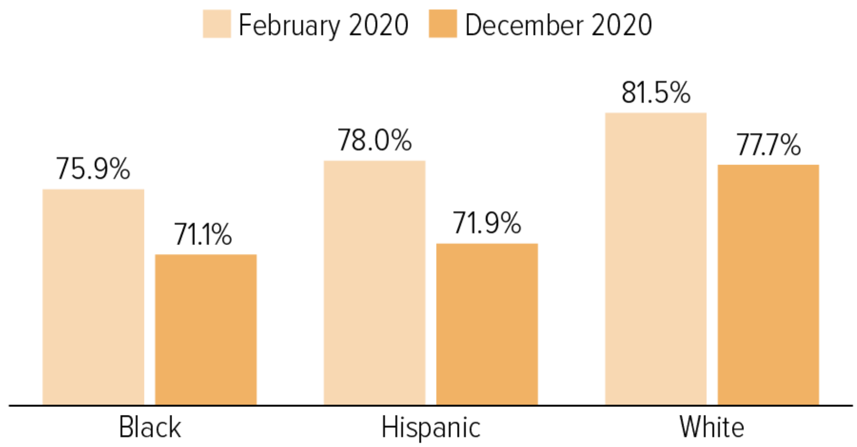
Unequal educational opportunities contribute to higher unemployment. In December, workers with a bachelor's degree or higher had an unemployment rate of 3.6 percent compared with 7.9 percent for those who only completed high school.

The unemployment rate is an incomplete measure of joblessness because it only includes people who are actively looking for work (or have been laid off but are subject to recall to their former jobs). It doesn't include people who want a job but haven't been looking due to the lack of job opportunities or because school and child care closures make working difficult or impossible given their caregiving responsibilities. The prime-age employment-to-population ratio — which measures the share of the population aged 25-54 with a job — doesn't have that shortcoming, and it tells a similar story of large, continuing racial disparities. The employment-to-population ratio was lower for Black and Hispanic workers than for white workers when the recession started and has fallen more for them since. In December, the Black employment-to-population ratio was 4.8 percentage points lower than in February, the Hispanic rate was 6.1 points lower, and the white rate was 3.8 points lower. (See Figure 2.)

6 Stone, *op. cit.*

FIGURE 2

COVID-19 Crisis Widened Racial and Ethnic Disparities in Share of Prime-Age Population With a Job



Note: Figures represent the share of the civilian non-institutional population (e.g. not incarcerated or in a long-term care facility), aged 25 to 54, that is employed. Data are not seasonally adjusted.

Source: Bureau of Labor Statistics

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Another round of stimulus and relief remains necessary. While the end-of-year package was important for addressing hardship and continuing the recovery, the key unemployment insurance provisions of that package are set to expire in less than three months and expansions in food assistance are set to end this summer. At that time, the jobs deficit will still be large and unemployment elevated, especially for workers without a college degree and for workers of color. Getting the virus under control is a necessary condition for achieving a full economic recovery, but another substantial stimulus and relief package also will be needed to address ongoing hardship and ensure that a strong and sustainable recovery that includes workers without a college degree and workers of color takes root broadly. Measures like increased unemployment and SNAP benefits provide high bang-for-the-buck stimulus while also relieving hardship.

Another tried-and-true stimulus measure — fiscal relief to states so that they do not have to cut program spending or jobs to meet their balanced budget requirements — was left out of the end-of-year package entirely. This provision should be in the next package and should remain in effect until the recovery is firmly in place and reaching lower-income households, which will likely take longer to emerge from this crisis and see their earnings fully recover (and their debt burden reduced). For instance, Goldman Sachs projects that labor income of the people in the bottom 20 percent of the income distribution, such as those working in low-wage service sector jobs, will not reach pre-pandemic levels until 2022.[7] Even then, many will have substantial debt that they incurred struggling to pay their bills during the period of lost income.

The mistake of ending stimulus and relief measures prematurely in the Great Recession should not be repeated. The slowing of the economy amidst substantial hardship highlights one of the most important lessons from the Great Recession a decade ago: policymakers must not end stimulus and relief measures prematurely. Failure to ensure a robust recovery can have negative long-term effects, with high human and economic costs; children, youth, and people of color are particularly at risk if the economy does not bounce back quickly from a recession. While the Great Recession measures were substantial and prevented an even more severe recession, they ended too soon and were insufficient to promote a recovery that was rapid, robust, and broadly shared. The protracted period of high unemployment and underemployment after the economy began growing again in June 2009 continued to impose hardship and hurt long-term growth.[8] The overall unemployment rate did not drop permanently below 5.5 percent until June 2015, six years into the recovery, while the unemployment rate for Black workers that month was 9.7 percent. Similarly, the measures taken so far to combat the economic fallout from the coronavirus have been substantial and prevented worse conditions, but more will be needed to give the recovery added momentum and relieve continuing hardship.

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[7] Joseph Briggs, "Turning a K Into a V," Goldman Sachs, November 29, 2020, exhibit 8, https://publishing.gs.com/content/research/en/reports/2020/11/30/a68e9557-1c87-44c8-b2ac-c2de1f868d6b.pdf.

[8] Chad Stone, "Fiscal Stimulus Needed to Fight Recessions," CBPP, April 16, 2020, https://www.cbpp.org/research/economy/fiscal-stimulus-needed-to-fight-recessions.