Percent Below Pre-Recession Employment

The October employment release from the Bureau of Labor Statistics shows that all states remain below pre-recession employment levels. The weighted average for percent below pre-recession employment (PBPRE) came in at -7.0% for the 50 states plus DC. Hawaii (-18.9%) and New York (-11.5%) are currently the farthest away from pre-recession levels. On the other side of the spectrum, Idaho (-1.4%) and Utah (-2.0%) are the closest to pre-recession employment.

Employment Level Below Pre-Recession and Location Quotients
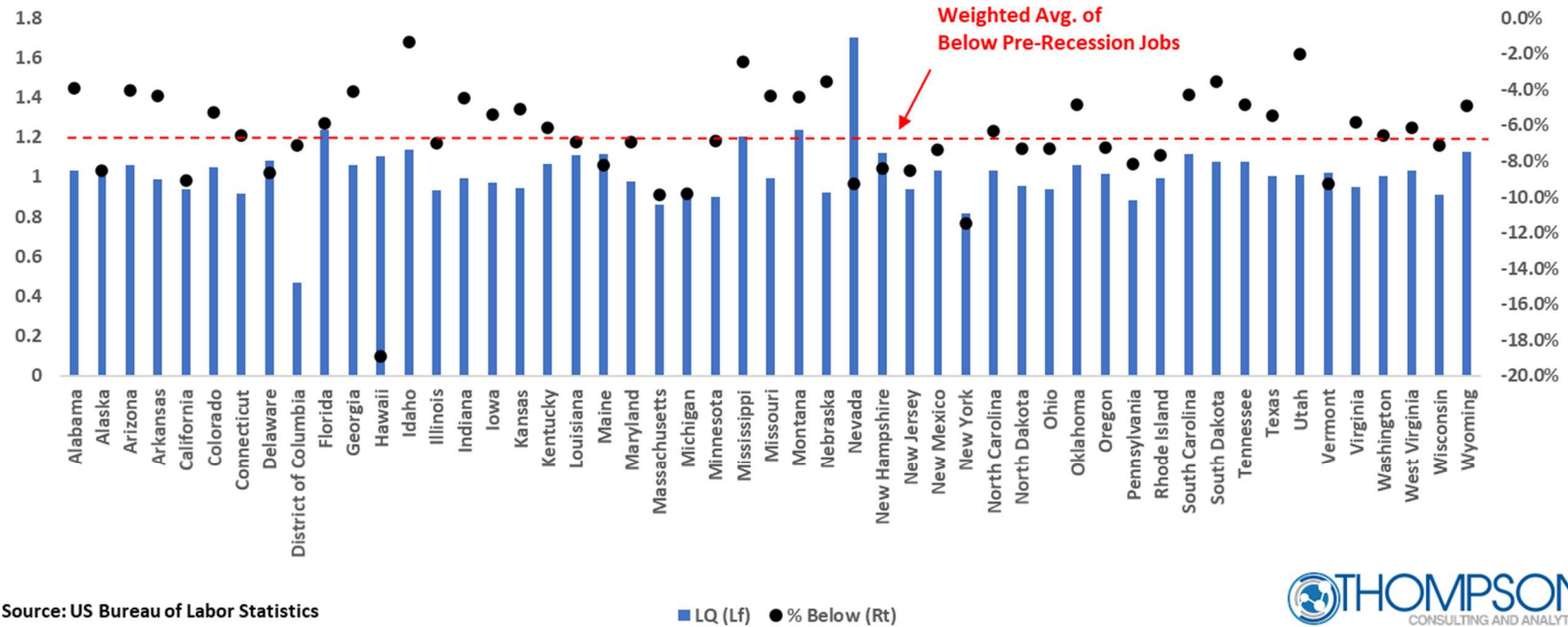
Source: US Bureau of Labor Statistics

Location quotient (LQ) is an index that shows the concentration of an employment sector relative to the national average. An LQ of less that 1 means that the area has less than the national average share of an employment sector. Conversely, an LQ of greater than 1 indicates that the area has a greater than average share of an employment sector. The higher the LQ is over 1, the greater the employment sector's concentration of the area's economy. The graph above shows each state's total employment PBPRE and the state's composite LQ for retail and leisure and hospitality employment. We aggregated the two sectors as they were the sectors most notably under siege by COVID.

The data yields some interesting insights:

- There is no correlation between the LQ and PBPRE at this point.
- With the exceptions of Nevada and New Mexico, Sunbelt states with LQs above 1 have fared better than average in PBPRE.
- Florida, Montana, Mississippi, Idaho, and Wyoming have the five highest LQs and PBPREs that are above weighted average.

While states with higher LQs were not necessarily disproportionately struggling with employment growth, we expect that employment recoveries in states with higher LQ's might be relatively more protracted. Upon reopening, states with higher LQ's saw a spike in retail and leisure and hospitality jobs returning. However, not all of those jobs returned. Moreover, not all of those jobs WILL return. Between the reduced capacity caused by social distancing (which affects retail and leisure and hospitality) and the acceleration of e-commerce (which has a huge impact on retail), employment in those sectors will have an elevated degree of difficulty reaching pre-recession levels. Moreover, there was a national labor shortage before the recession that hampered employment growth. This labor shortage was structural in nature (a mismatch between the requirements of employers and the qualifications of jobseekers). This same structural issue exists and will cause headwinds on employment growth going forward. Once states reach saturation in the LQ industries, workers in those industries will need to get retrained in order to effectively find new positions. This structural unemployment factor will be a huge factor in the drawn-out employment recovery that we expect in high LQ states.