

Jobs Recovery Goes Into Reverse as Pandemic Takes a New Toll

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FULL TEXT

U.S. employment fell by 140,000 in December as virus cases surged. Leisure and hospitality businesses were hit hard, but some industries showed growth.

The already sputtering economic rebound went into reverse last month as employers laid off workers amid rising coronavirus cases and delayed government aid.

U.S. employers cut 140,000 jobs in December, the Labor Department said Friday. It was the first net decline in payrolls since last spring's mass layoffs and followed five straight months in which hiring had slowed.

The report was a grim capstone to a year in which the economy lost more than nine million jobs, the worst on a percentage basis since World War II. It also means that President Trump will be the first chief executive since Herbert Hoover to leave office with a net loss of jobs, with a four-year decline of about three million.

The unemployment rate was unchanged at 6.7 percent, down sharply from its high of nearly 15 percent in April but still close to double the 3.5 percent rate in the same month a year earlier.

December's losses were heavily concentrated in the leisure and hospitality sector, which shed nearly half a million jobs as the resurgent pandemic led governors to shutter restaurants and families to cancel trips home for the holidays. Many forecasters expect those losses to continue into the new year.

"It's a really vivid demonstration that the labor market can't bounce back in any sustainable form until the pandemic is under control," said Nick Bunker, head of North American research for the career site Indeed.

At an event in Wilmington, Del., on Friday, President-elect Joseph R. Biden Jr. said the report underscored the need for more federal help for households and businesses, including another round of direct payments to most Americans.

"With the pandemic raging, people are losing work and losing hope," he said. "The bottom line is the jobs report shows we need to provide more immediate relief for working families and businesses now."

At the same time, economists said the concentrated nature of the December job losses suggested that the damage from the latest wave of coronavirus cases had not spread to the rest of the economy. That may allow for a faster rebound as vaccinations become more widespread.

Most forecasters expect the economy to remain weak and perhaps shed more jobs in early 2021. But they are becoming increasingly optimistic about the rest of the year. The \$900 billion relief package passed by Congress last month should provide an economic boost, and further federal aid could be more likely after Democrats won control of the Senate in this week's elections in Georgia. And as coronavirus vaccines become widely available, it should allow the return of activity that has been suppressed by the pandemic.

"There are a lot of rich people who've saved a lot of money and really want to spend it," said Tara Sinclair, an economist at George Washington University. "Is that going to be enough to make up for all the business that has been lost? No, but it's going to look like a faster recovery."

Industries less exposed to the pandemic, like manufacturers and construction firms, continued to add jobs in December. Retailers, which laid off millions of workers last spring, added more than 120,000 jobs last month, a sign that they have learned to adapt to the pandemic.

And many of the latest job losses were temporary furloughs, which could be reversed quickly if the pandemic

eases; permanent job losses, which had been rising, fell in December.

"You never like to see a contraction in employment in the economy," Richard Clarida, vice chairman of the Federal Reserve, said in a webcast question-and-answer session Friday morning. "That said, the job losses were really concentrated in retail and hospitality" and "it's not surprising, given the surge in new cases and hospitalizations." Robert Branca, who owns two dozen Dunkin' locations in Massachusetts, said that business picked up steadily over the summer but that it had tailed off since then. A handful of his stores have closed for good, as have some other restaurants in which he was a partner. Others are on the edge.

"I have a few on the bubble that might not make it, especially as sales have tailed down through the winter," he said.

The course of the virus in coming months will be critical, Mr. Branca said. But the vaccine rollout is even more important: Once his staff and customers feel safe interacting face to face again, he expects business to pick up. Even then, though, it will take time to rebuild from months of depressed sales.

"If you don't go out of your house today, you're not going to buy two cups of coffee tomorrow," he said. "You're never making that back up."

Mr. Branca said he welcomed the latest congressional relief package, which offered direct help to small businesses and put money in customers' pockets. It also extended unemployment benefits for millions of Americans who faced an imminent loss of income at the end of the year.

But the help came too late to save thousands of small businesses or to save many families from lasting financial harm.

"Some of the damage has already been done," said Diane Swonk, chief economist at the accounting firm Grant Thornton. "We're going to have to focus on healing, not just rebounding, from this crisis, because the wounds are deep."

Gwen Turos lost her job as a stage manager at the Oregon Shakespeare Festival in March and hasn't worked since. Her wife, who also worked for the festival, lost her job, too.

Federal aid helped the couple build some savings early on. But a \$600 weekly unemployment supplement from the federal government ended in July, and talks to revive it stalled in Congress for months. By fall, the savings were gone, and Ms. Turos was dipping into her retirement savings and selling belongings online to make ends meet. The congressional aid package should help, but it won't undo the damage. Ms. Turos, 50, said she expects to need to delay her retirement by four or five years, at a minimum. And that is assuming that aid doesn't dry up before live performances are able to begin again.

"It is difficult to figure out how to build a bridge from Point A to Point B when you don't know how far you're going," she said.

Federal aid may also be crucial in another hard-hit category: the public sector. State and local governments cut more than 50,000 jobs in December and have cut 1.4 million since February. Mr. Biden is expected to make aid for state and local governments a priority when he takes office.

The December data underscored the deep inequality that has been a defining characteristic of the economic crisis. The low-wage workers who bore the brunt of the job losses in the spring — many of them Black and Hispanic women — did so again in December. Employment rose among men last month but fell among women, particularly Black women and Latinas. The unemployment rate among Hispanics jumped to 9.3 percent, from 8.4 percent in November.

Nearly four million Americans have been unemployed for more than six months, the standard threshold for long-term unemployment. That figure almost certainly understates the problem, because it excludes most people who aren't looking for work, whether because they don't believe jobs are available or because they are caring for children or other family members.

Long-term joblessness was a hallmark of the last recession a decade ago, when millions eventually gave up looking for work, in some cases permanently. If that pattern repeats, it could have long-term consequences, particularly for people with disabilities, criminal records or other characteristics that make it hard to find jobs even

in the best of times.

“These are the kinds of workers who are really only recruited and called upon in a very tight labor market, and it may take us a long time to get back there,” said Julia Pollak, a labor economist with the hiring site ZipRecruiter. “That is the worry –that there are these groups of people who will drop out now and who will only really find good opportunities again after a sustained and lengthy expansion.”

Jeanna Smialek contributed reporting.

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