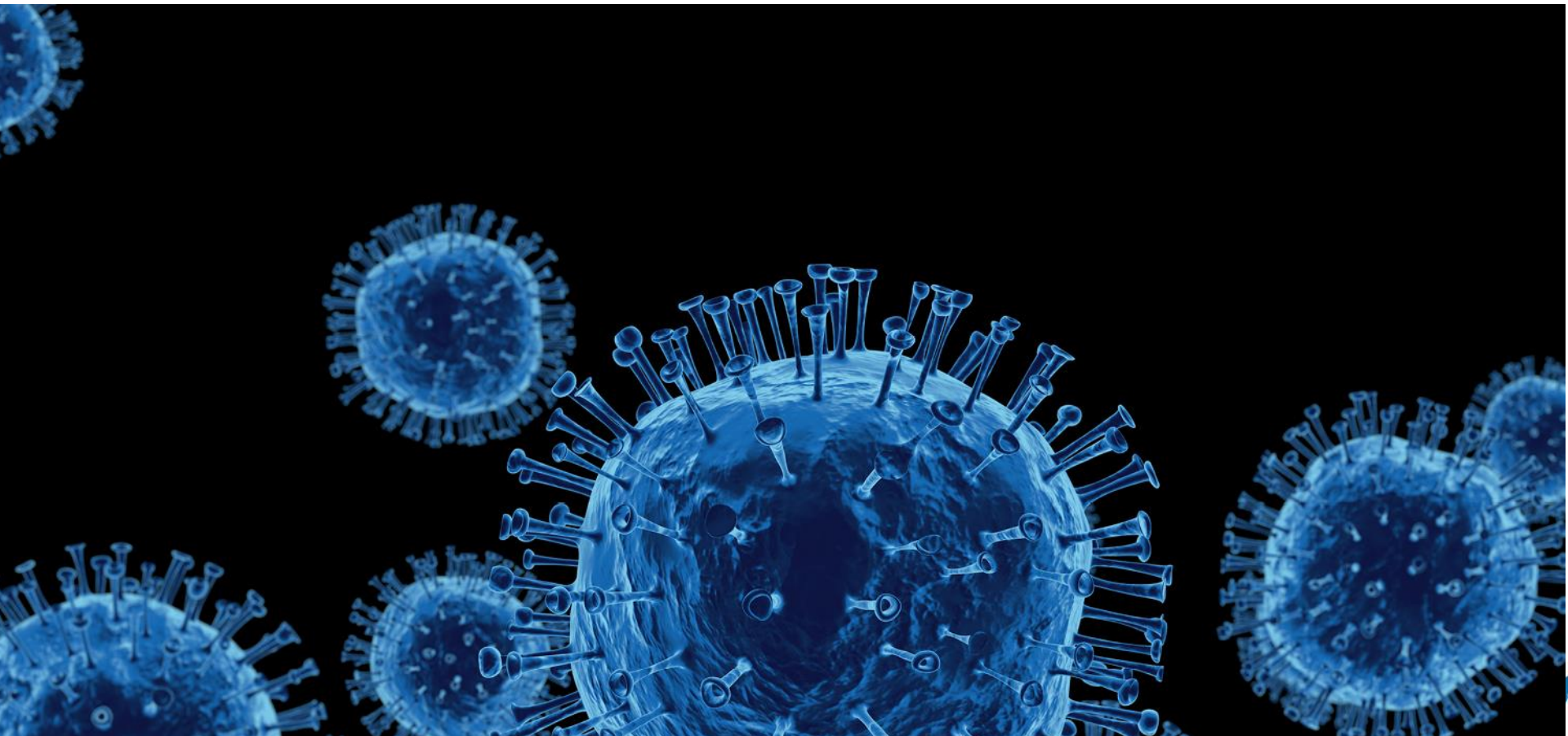


# The Conference Board Special Webcasts

The Labor Market After COVID-19  
April 23, 2020



## Some of the special questions and issues we will be addressing today

- The **economic outlook** for the US and European economies
- The latest **labor market data** and (un)employment projections for the rest of 2020
- **Retention strategies** for companies
- The **differences** between the **US and European labor markets**
- **Working from home** and for which occupations this might be easier
- Differences across **US regions and consumer categories**



## Earn Credits

- Stay online for the entire webcast
- Credit available for participation in the live webcast only

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- ✓ Type your full name, email address, and specify “HRCI” in the space provided

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### CPE (NASBA)

- ✓ Type your full name, email address, and specify “CPE” in the space provided
- ✓ Click ‘ok’ for 3 popups that occur during the program



# Today's Presenters



**Elizabeth Crofoot**  
Senior Economist,  
Labor Markets  
***The Conference Board***



**Frank Steemers**  
Economist,  
Labor Markets  
***The Conference Board***



**Gad Levanon, Ph.D.**  
Head,  
Labor Markets Institute  
***The Conference Board***



**Ilaria Maselli**  
Senior Economist,  
Europe  
***The Conference Board***



# The Catalyst: Industries Impacted by Social Distancing

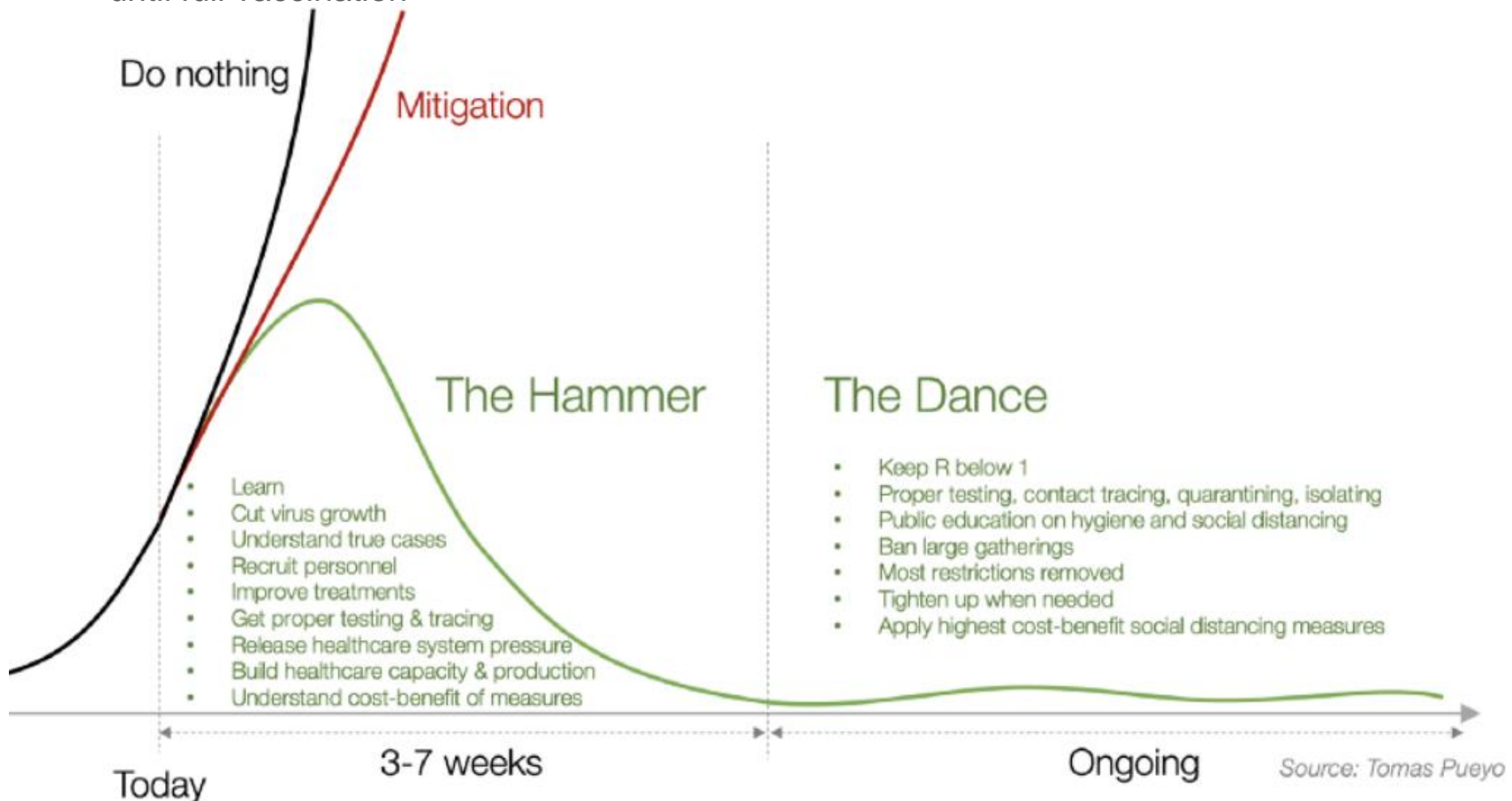
# The impact of COVID-19 on the economy

- Deepest recession since the Great Depression
- The core of the outlook is the impact on consumption categories affected by social distancing
- Economic activity partly depends on what governments decide to shut down. But it also depends on consumer fear
- Which consumption groups would be most impacted? Depends on the risk of being infected. But also by how discretionary they are
- Many industries will not fully recover until full vaccination
- Second round effects will impact many more industries, especially the cyclical ones like manufacturing and construction



# The impact of COVID-19 on the economy will depend on policy choices and keeping contagion under control

The Hammer – the period until initial containment. The Dance – after the Hammer and until full vaccination



Source: Tomas Pueyo on [Medium](#) (March 2020)



# Consumption categories most impacted by social distancing

		How Infectious		
		Least	Somewhat	Most
<b>How discretionary, or could be replaced from home</b>	<b>Most</b>	Jewelry shopping	Full service restaurant	Concert
			Remodeling	Sports event
				Movie Theatre
				Casino
				Cruise
				Amusement Park
	<b>Somewhat</b>	Clothes shopping	Nail Salon	Moving to a nursing home
		Gardening service	Fast food restaurant	Gym
			Staying in an Hotel driving distance	
			Hair cut	
			Housekeeping services	
			Grocery shopping	
	<b>Least</b>	car repair	Moving to a new home	Hospital operation
		Appliance repair	Physician's services	Child care
			Dental services	

Source: The Conference Board





# Older people are at more risk and will cut back on spending

- Older people are more at risk and will experience more severe social distancing
- They are likely to cut back on spending
- Older people spend more than young ones on:
  - ✓ Travel and lodging
  - ✓ Full-service restaurants
  - ✓ Repair, remodeling and other activities that will require strangers to enter their homes
- Read our latest blog: [The Drop in the Spending of Older Americans and Its Regional Impact](#)
- Metro areas with large shares of older people will suffer more



# The Labor Market After COVID-19

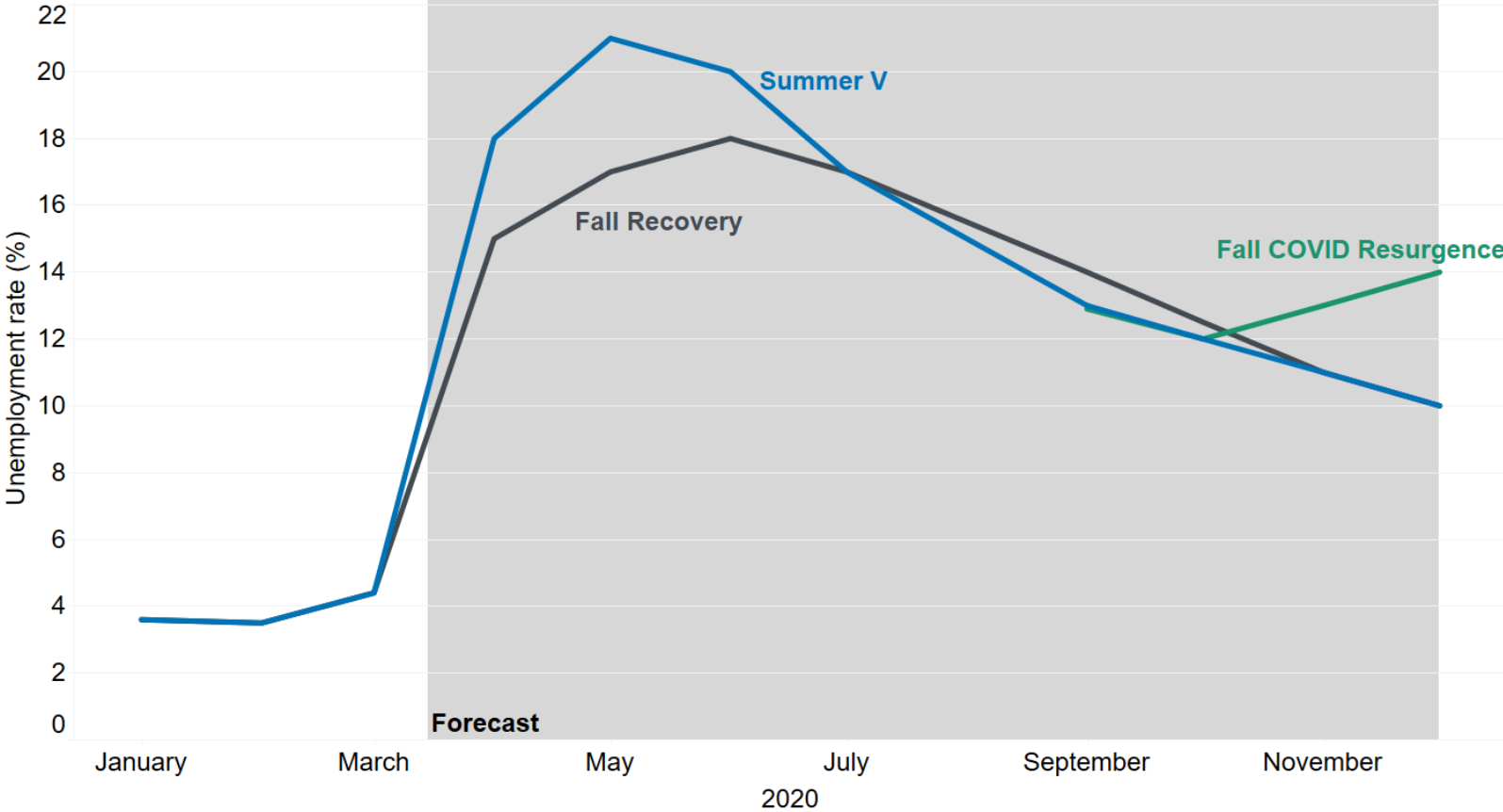
# The impact of COVID-19 on the US labor market

- Millions of jobs lost in the most impacted industries, many jobs will be lost in other industries later
- The unemployment rate in the US could reach 15-20 percent in April-May and remain in double digits for the rest of 2020
- What are the characteristics of laid off workers?
  - ✓ Most are in manual services: food services, building and grounds cleaning, maintenance and personal care and service occupations
  - ✓ But also in more cyclical jobs like manufacturing and construction
  - ✓ They have lower educational attainment
  - ✓ They earn lower wages
  - ✓ A higher share of women, younger people, part-time workers, and black and Hispanics workers, especially Hispanic women



# US unemployment rate may reach historic highs

## US unemployment rate scenarios

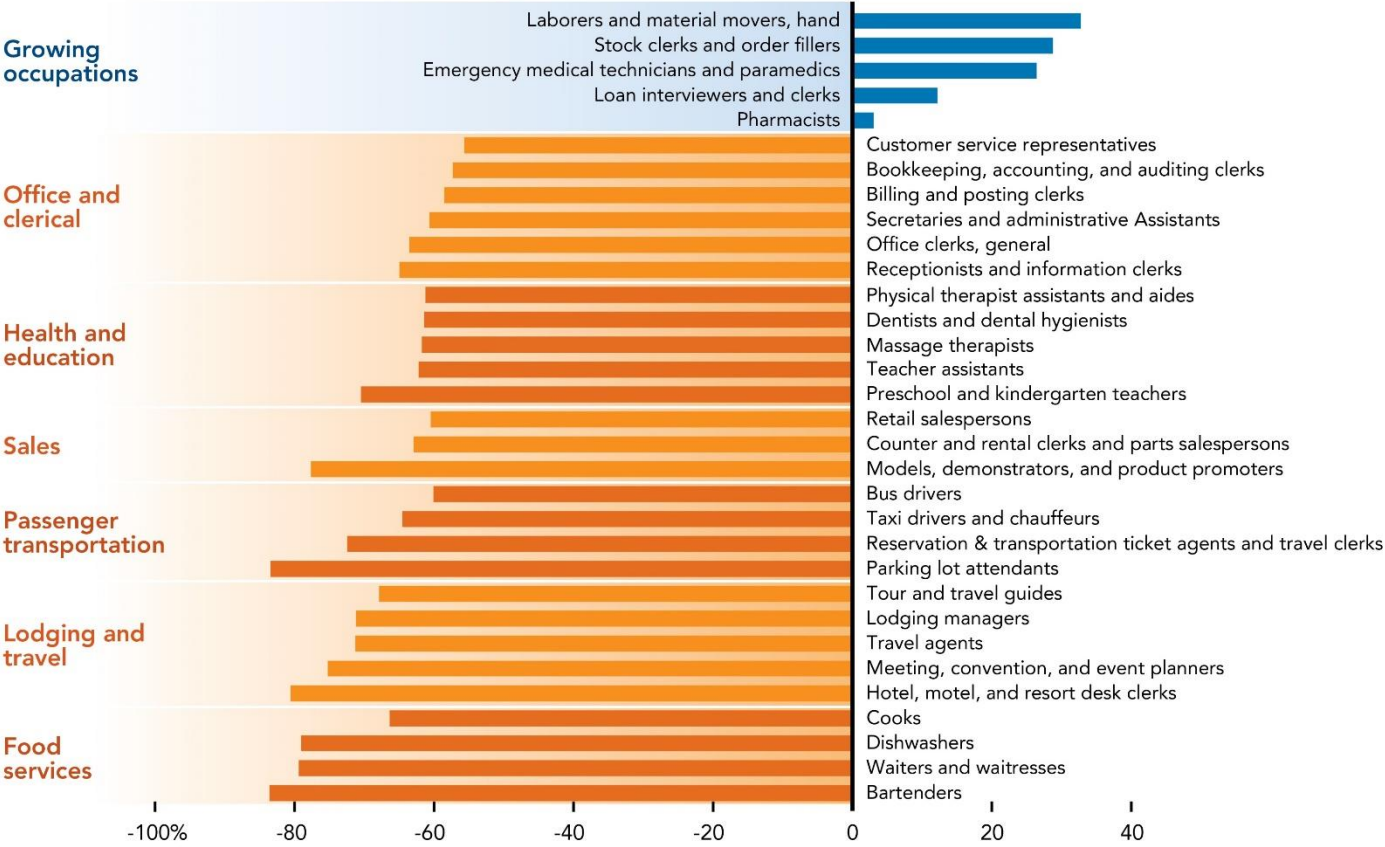


Note: For The Conference Board scenarios of US economic growth, read more [here](#).  
Source: The Conference Board calculations



# Large drop in job ads across wide range of occupations

**Percent change in average daily Help Wanted Online ads**  
(March 29 - April 11 versus February)



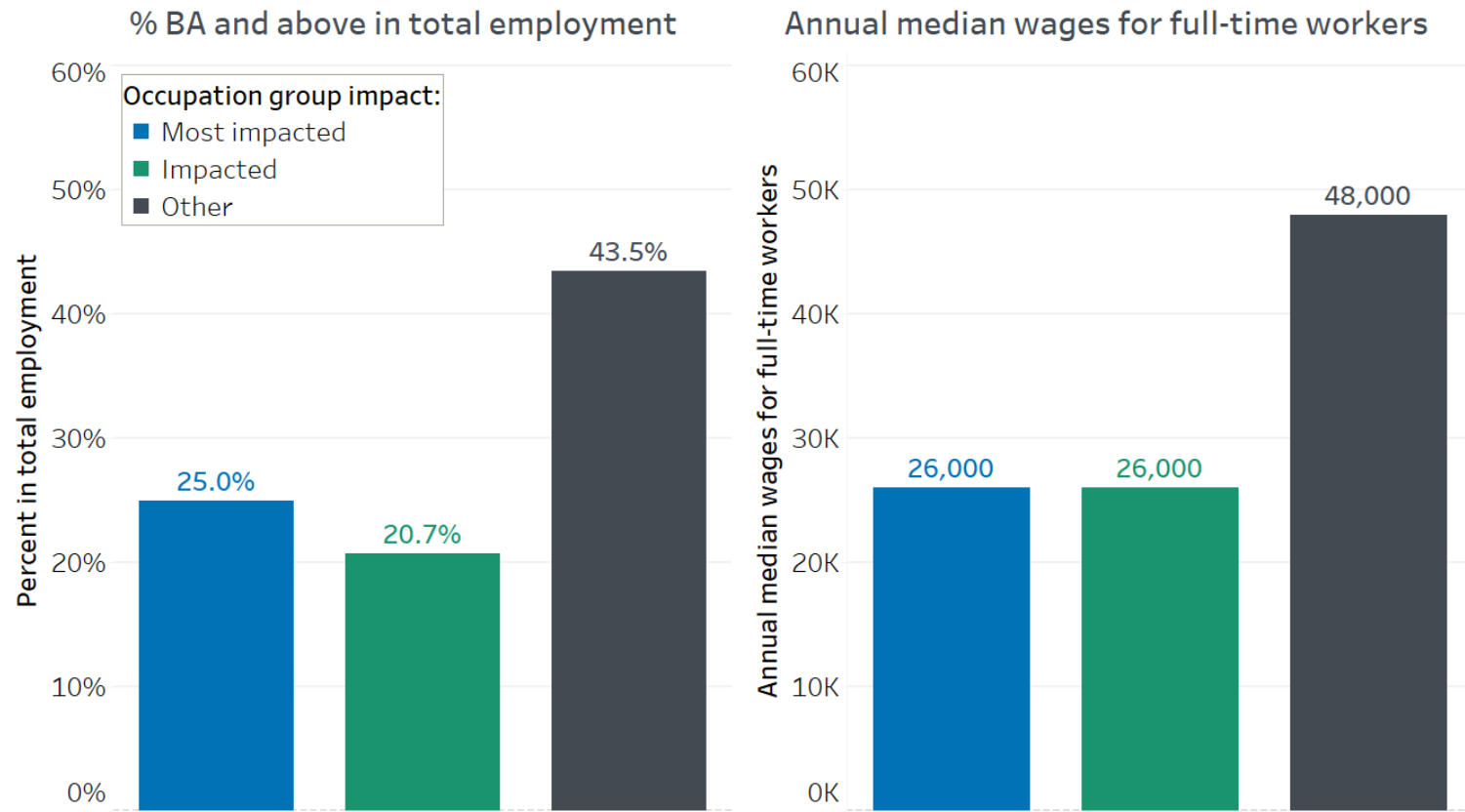
[conference-board.org/covid-19](https://conference-board.org/covid-19)

Source: The Conference Board®-Burning Glass® Help Wanted OnLine™ (HWOL) data series collects millions of online job ads for the US in real time and classifies them by occupation, industry, and location.



# Occupations impacted by social distancing have fewer workers with a BA and earn lower wages...

Occupations grouped by the impact of social distancing

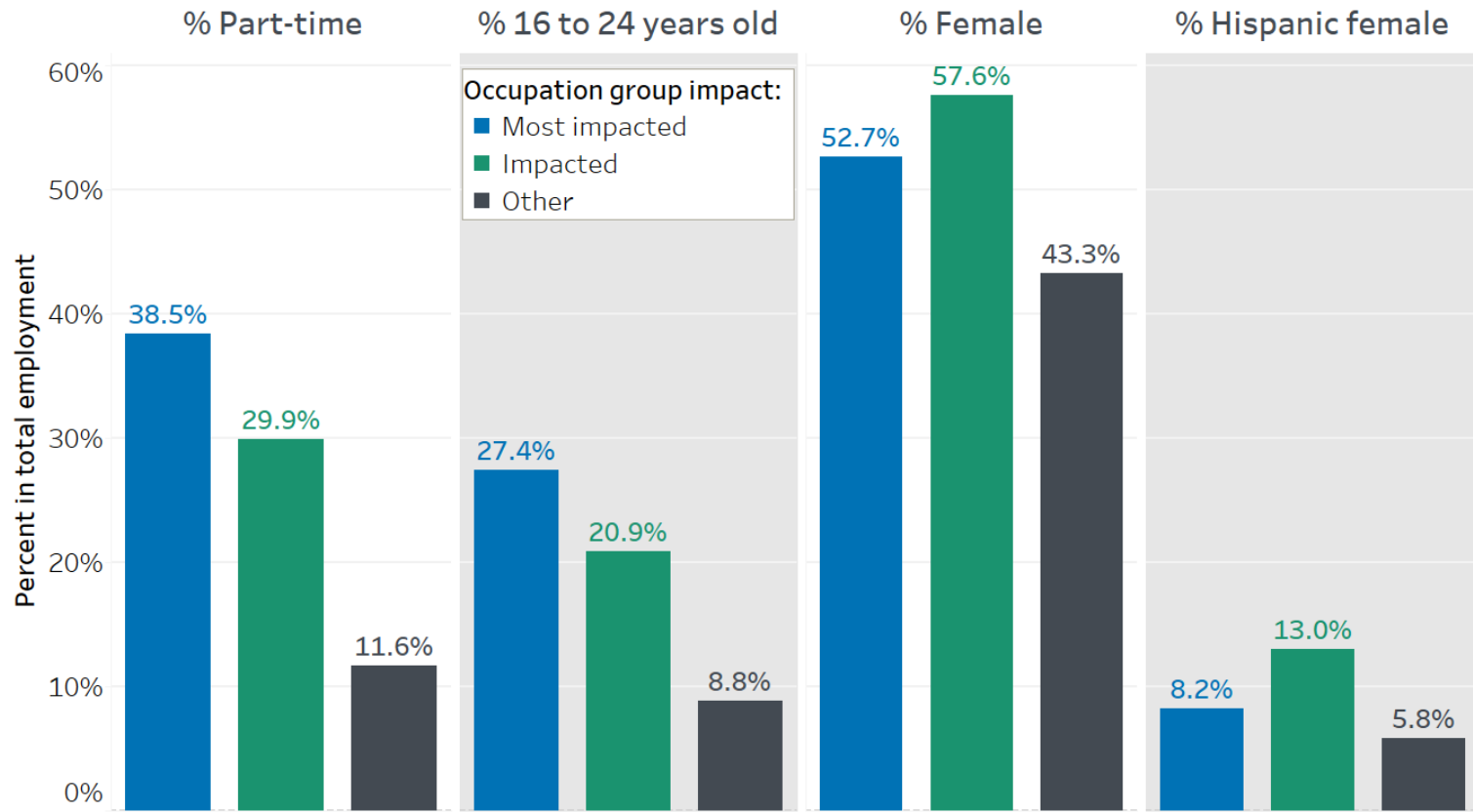


Sources: The Conference Board calculations; IPUMS-CPS, IPUMS-ACS, University of Minnesota



# ...And more part-time workers, young people, and women, especially Hispanic women

Occupations grouped by the impact of social distancing



Sources: The Conference Board calculations; IPUMS-CPS, University of Minnesota



# Certain industries will benefit from changes in consumer behavior

- Retail
  - ✓ Grocery stores and warehouse clubs (Walmart, Kroger, Costco)
  - ✓ Pharmacies (CVS, Walgreens)
  - ✓ Home improvement (Home Depot, Lowes)
- Manufacturing
  - ✓ Sanitary paper and cleaning product manufacturers (Kimberly-Clark, P&G)
  - ✓ Certain medical equipment manufacturers, especially for respirators, disposable protective wear, and diagnostic consumables (3M, Honeywell)
- IT Industry
  - ✓ Online food ordering and delivery platforms (Instacart)
  - ✓ Video conferencing and collaboration (Zoom, Slack)
  - ✓ Ecommerce (Amazon)
  - ✓ Cloud computing (Amazon Web Services)
  - ✓ Electronic payments (Visa, Mastercard)
  - ✓ Streaming, gaming, and video content platforms (Netflix, YouTube)
  - ✓ Online learning and telehealth platforms (Teladoc)





# Second round effects will impact many more industries

Industry category	Industries less impacted by recessions	Industries more impacted by recessions
<b>Goods producing industries</b>	Mining	Construction
	Utilities	Most of manufacturing
	Food and health related manufacturing	
<b>Retail</b>	Food and beverage	Automobile
	warehouse clubs and supercenters	Furniture
	Women's clothing	
<b>Transportation</b>	transit and ground passenger	warehousing and storage
		truck transportation
		air transportation
<b>Finance</b>	commercial banking	securities brokerage
	insurance carriers	consumer lending
		mortgage and nonmortgage loan brokers
<b>Business services</b>	scientific research and development	advertising and related services
	legal services	human resource consulting services
	office administrative services	computer systems design and related services
	facilities support services	employment placement and executive search
		temporary help services
<b>Other services</b>	health care	landscaping services
	educational services	travel agencies
	personal care services	passenger car rental and leasing
	recreational and vacation camps	gambling industries
	government	architectural services

Source: The Conference Board





# The View from Europe

## As countries enter into the “Dance” phase, differences in recovery paths may emerge between Europe and the U.S.

### Government programs are built around:

- Guarantees for companies (large sums)
- Actual expenditure, dedicated mostly to:
  - ✓ Short-time working programs
  - ✓ Unemployment benefits and other income-support schemes
  - ✓ Financial help to companies, especially SMEs
  - ✓ Some sort of tax holidays for companies

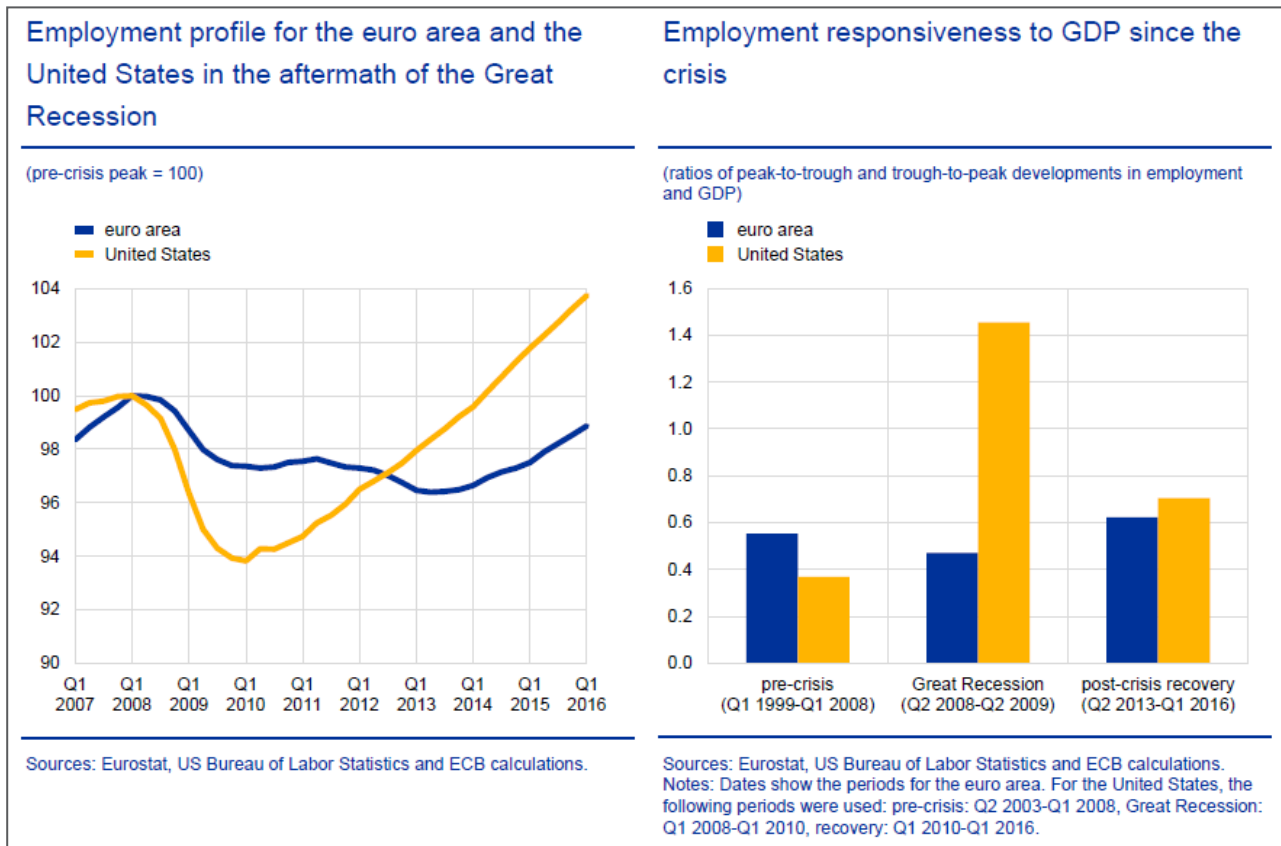
### What the U.S. envies to Europeans: short-time working-type of schemes

- Objective to provide relief to a company in case of demand shock & and protect jobs
- How it works: the government (or an insurance) intervenes to pay a portion of the salary of workers in case of shock. As demand increases, job goes back to normal
- System is flexible

*Chômage partiel* in France and Belgium, *Kurzarbeit* in Germany, *Cassa Integrazione* in Italy



# The adjustment to the shock is happening again via a reduction in hours worked in Europe and via jobs in the U.S.



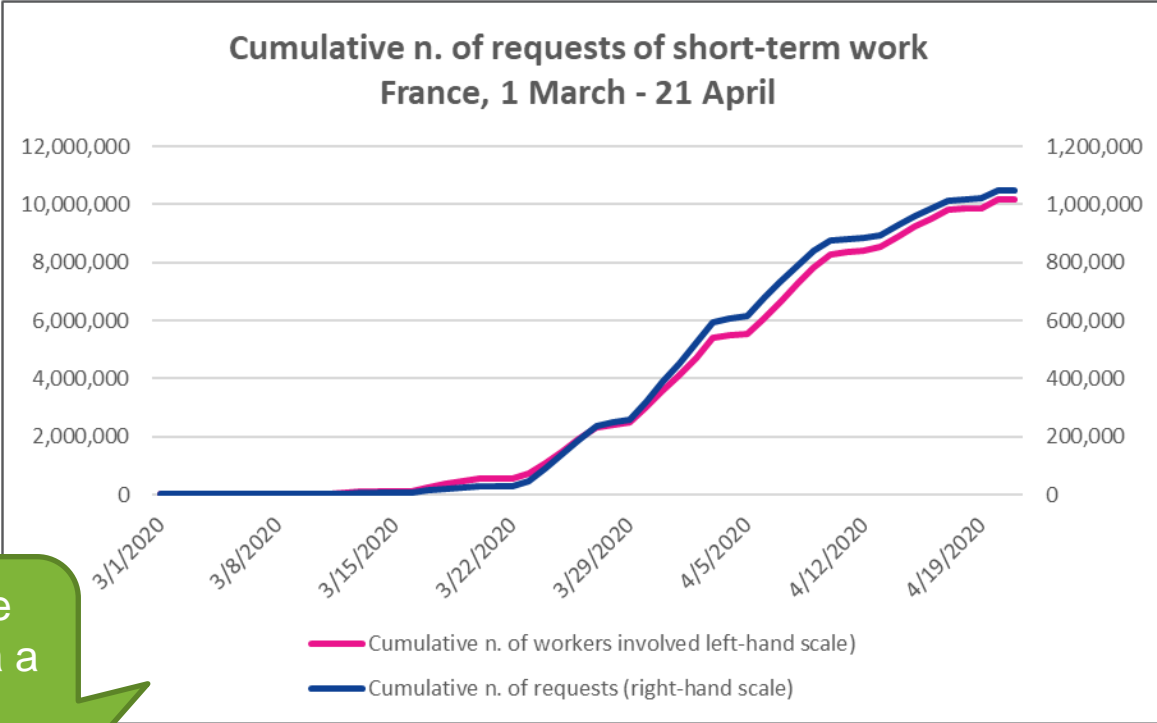
Source: ECB Economic Bulletin, Issue 6 / 2016, "The employment-GDP relationship since the crisis"



# Currently 10.2 million workers in France are benefiting from short-term, 36 percent of all workers

If companies laid off only half of those workers instead of temporarily furloughing them, the current unemployment rate would be 26 percent.

The adjustment to the shock is happening via a reduction in hours worked, rather than jobs



Source: French Ministry of Labour, The Conference Board



## France is not the only country where companies are recurring massively to short-term work schemes

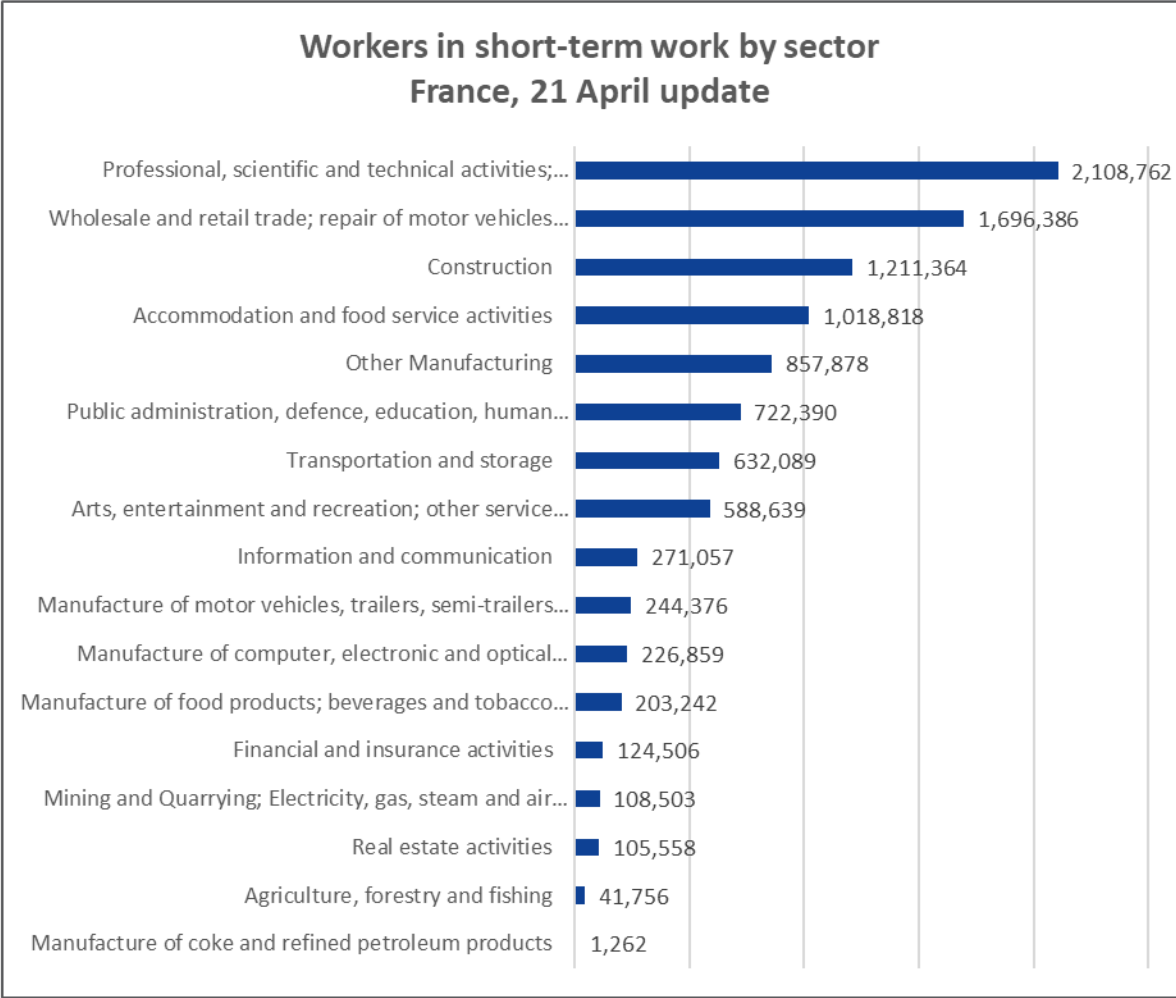
	Number of workers concerned	Share of 2019Q4 total employment	Number of companies concerned	Latest update
France	10.2m	31%	821,000	April 21
Germany	n.a.	n.a.	725,000	April 13
Italy	4.6m	18%	298,800	April 10
Belgium	1,3m	26%	n.a.	April 8

Source: French Ministry of Labour, INPS, RTBF info, Arbeitsagentur, The Conference Board



# Hospitality not the only sector recurring to short-term work

Professional services, retail trade, manufacturing and construction are the largest users of the scheme, each accounting for over 1 million employees



Source: French Ministry of Labour, The Conference Board



# To layoff or not to layoff

- Layoff decision will depend on
  - ✓ **Expected depth and length of downturn** – the harsher and longer the drop in demand, the more reason for initiating layoffs
  - ✓ **Occupation / ability to work from home** – e.g. food service worker vs IT professional
  - ✓ **Ease of replacing workers** – the more skills and institutional knowledge employees have, the more difficult to replace
- Some organizations that have laid off employees will have a harder time rebounding as they try to rehire employees
  - ✓ Managers can **overestimate savings** and **underestimate disruptions**
    - **Pitfalls of layoffs** include loss of skills, learning, productivity, and innovation; low employee morale; brand reputational risks
  - ✓ Managers are **less prepared for recovery** – their focus will be on recruitment and retention rather than on attracting business as demand picks up





# Strategies to mitigate job losses and retain talent

- Selectively terminate employees
- Freeze nonessential hiring
- Reduce all nonessential costs
- Encourage employees to use paid time off benefits while demand is low
- Encourage unpaid voluntary leave or early retirement
- Defer merit pay raises, promotions, and discretionary compensation and benefits
  - ✓ e.g. bonuses, commissions, retirement matches
- Consider other sources of worker pay
  - ✓ CARES Act loans – can be forgiven if employers use funds for payroll expenses and don't layoff
  - ✓ Government-funded work-sharing programs – employers cut the hours worked for employees while workers receive unemployment benefits in proportion to the hours lost
- Consider other job sharing or reductions in hours worked
  - ✓ e.g. converting full-time to part-time
- Reduce pay
- Furlough with benefits and interim-employment assistance
  - ✓ e.g. Hilton partnering with hiring companies (Amazon, 3M, medical suppliers, grocery stores)
- Keep talent pipelines open
  - ✓ Maintain relationships with colleges and trade schools to develop internships, apprenticeships, and influence technical curricula



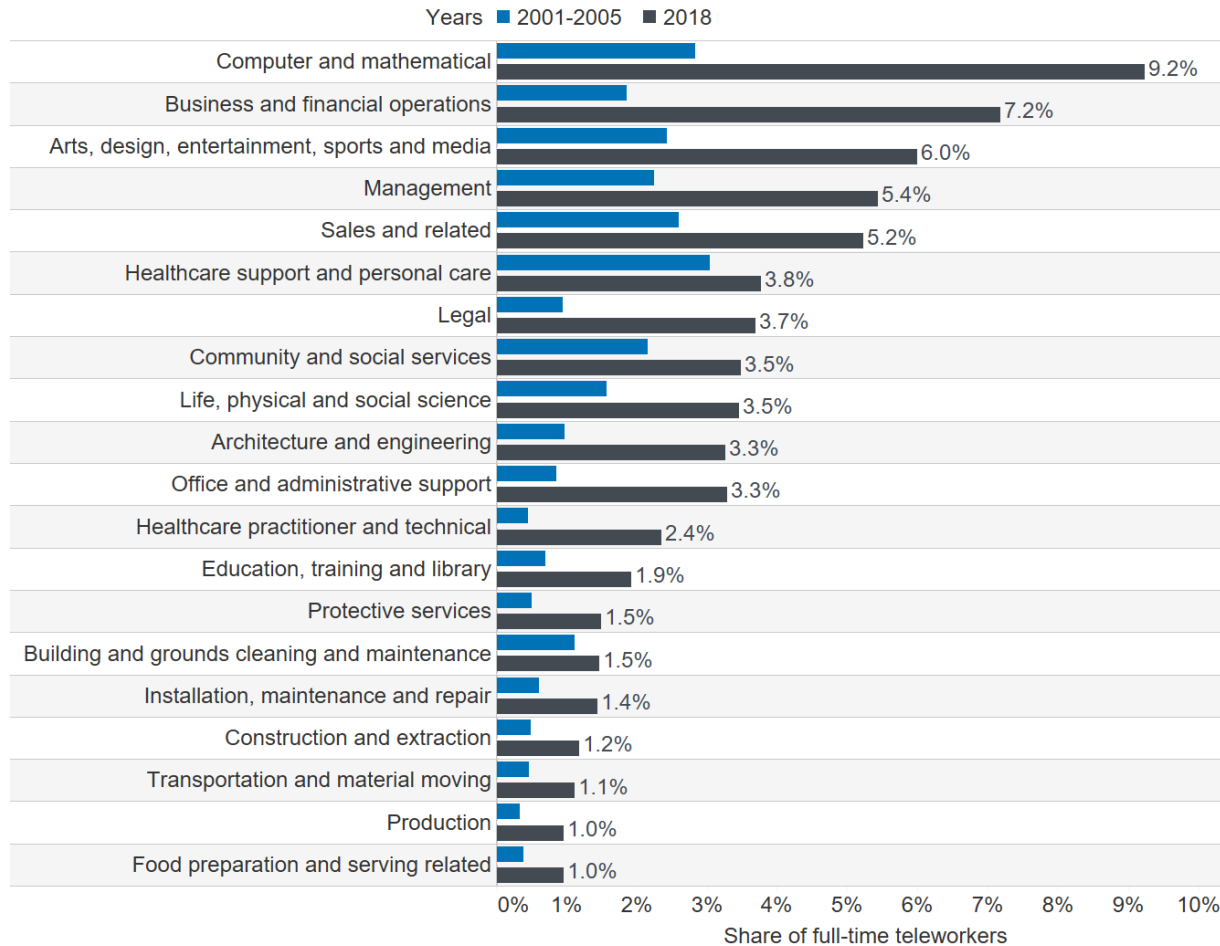
## Other labor market implications

- The opposite of labor shortages. It will be **easy to recruit and retain**.
- **Wage growth** is likely to slow down, especially for less educated workers and primarily in manual services occupations
- **Labor force participation** will drop again
- **Wage inequality** is likely to rise again
- Slowdown in **immigration**
- Employers less impacted by the crisis could use the weak labor market to **upskill** and **hire less expensive workers**
- Huge increase in **teleworking**. Some of it may be permanent
  - ✓ Read our latest blog: [The Rise of Telework and the Decline of City Centers](#)



# There has been a strong surge in the share of full-time teleworkers, especially in computer occupations

Percentage of full-time employees primarily working from home



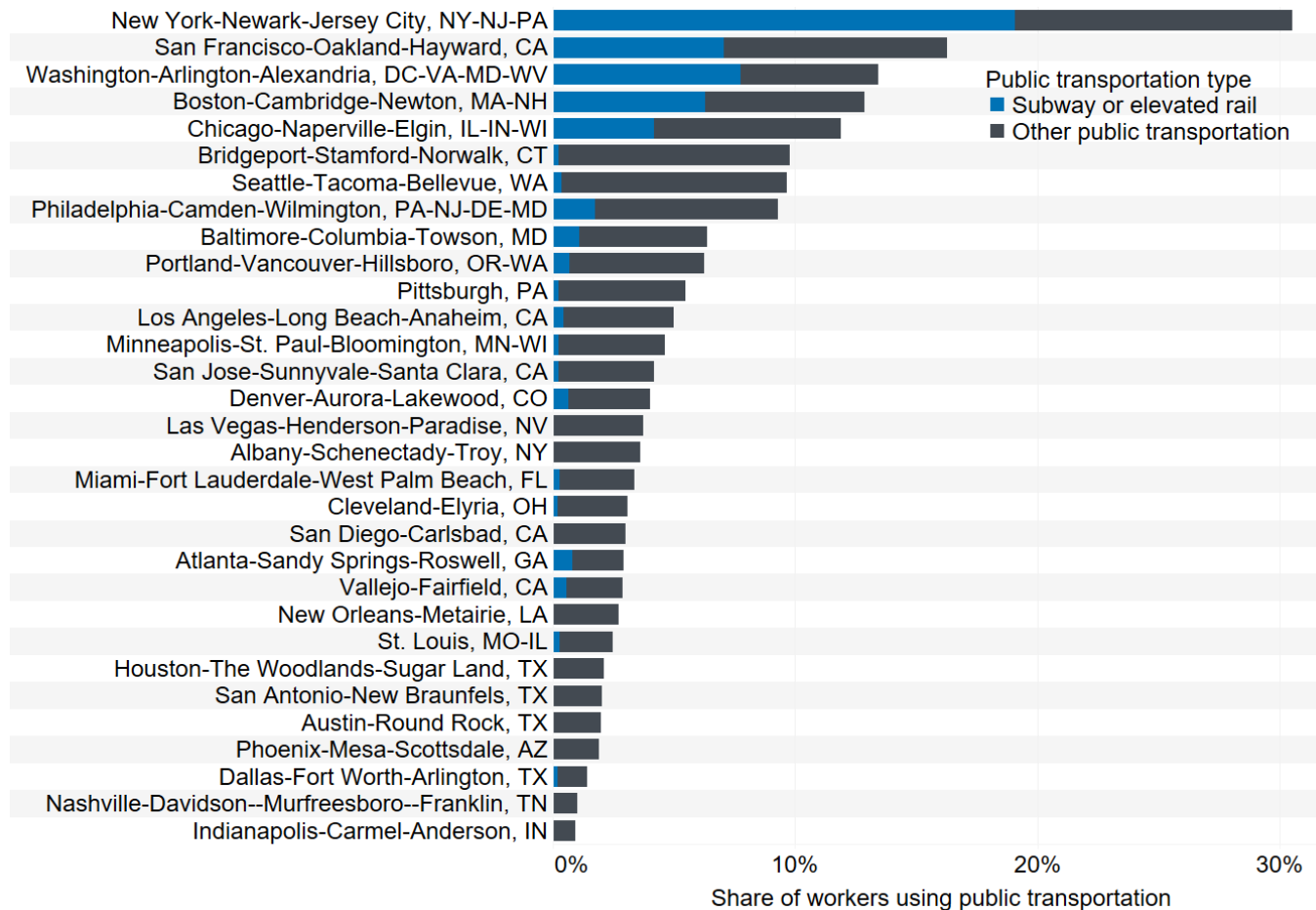
Source: The Conference Board using microdata from IPUMS-ACS, University of Minnesota



# Regional Differences in the US

# It might take longer to return to work in metro areas with high shares of workers using public transportation

The share of workers commuting to work using public transportation, 2018

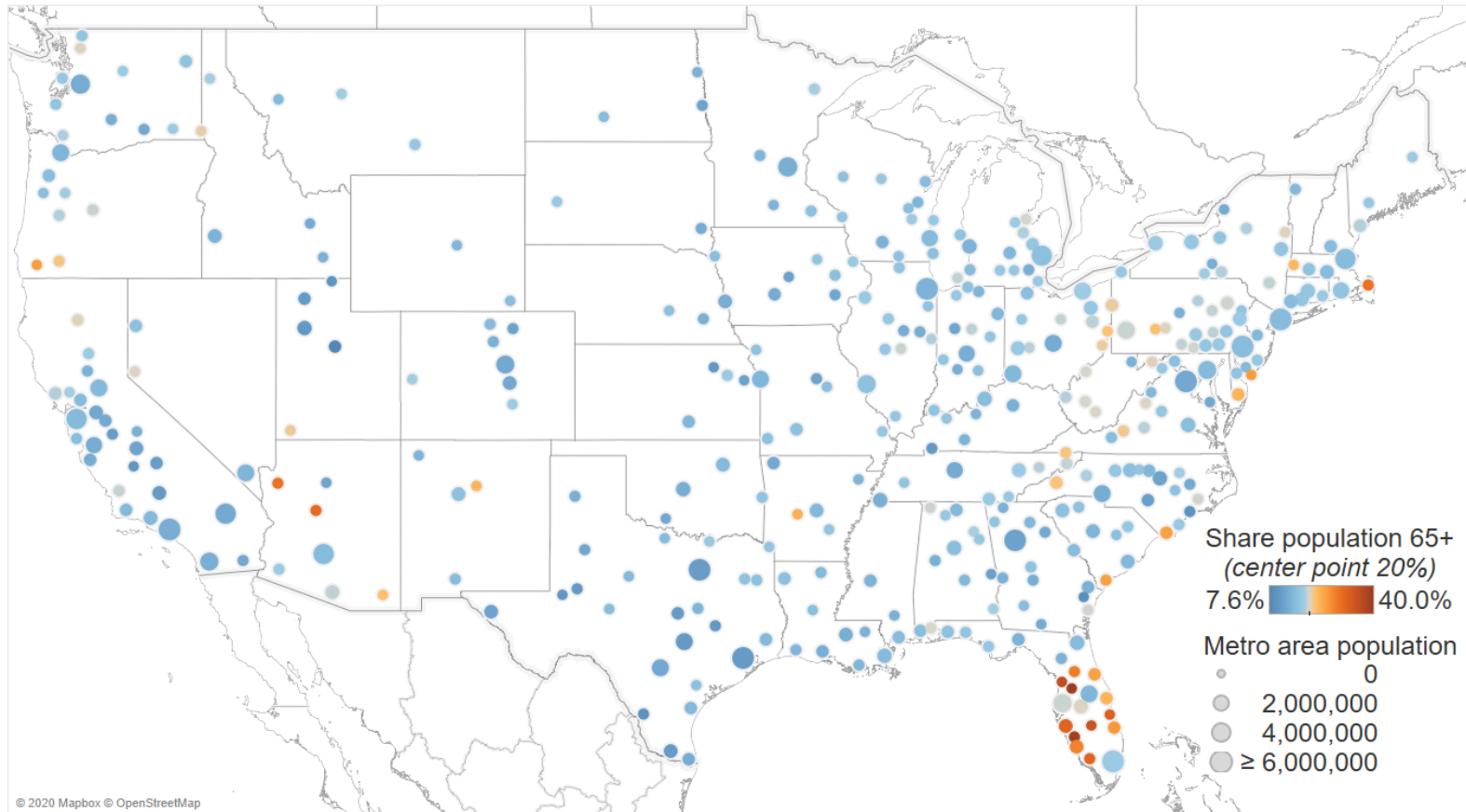


Source: The Conference Board using microdata from IPUMS-ACS, University of Minnesota



# Metro areas with a larger share of people aged 65 and above may face a deeper decline in consumption activity

The percent of people aged 65 and above by metro area, 2017



Source: The Conference Board using data from the US Census Bureau



# Large variation in labor market conditions across cities and states

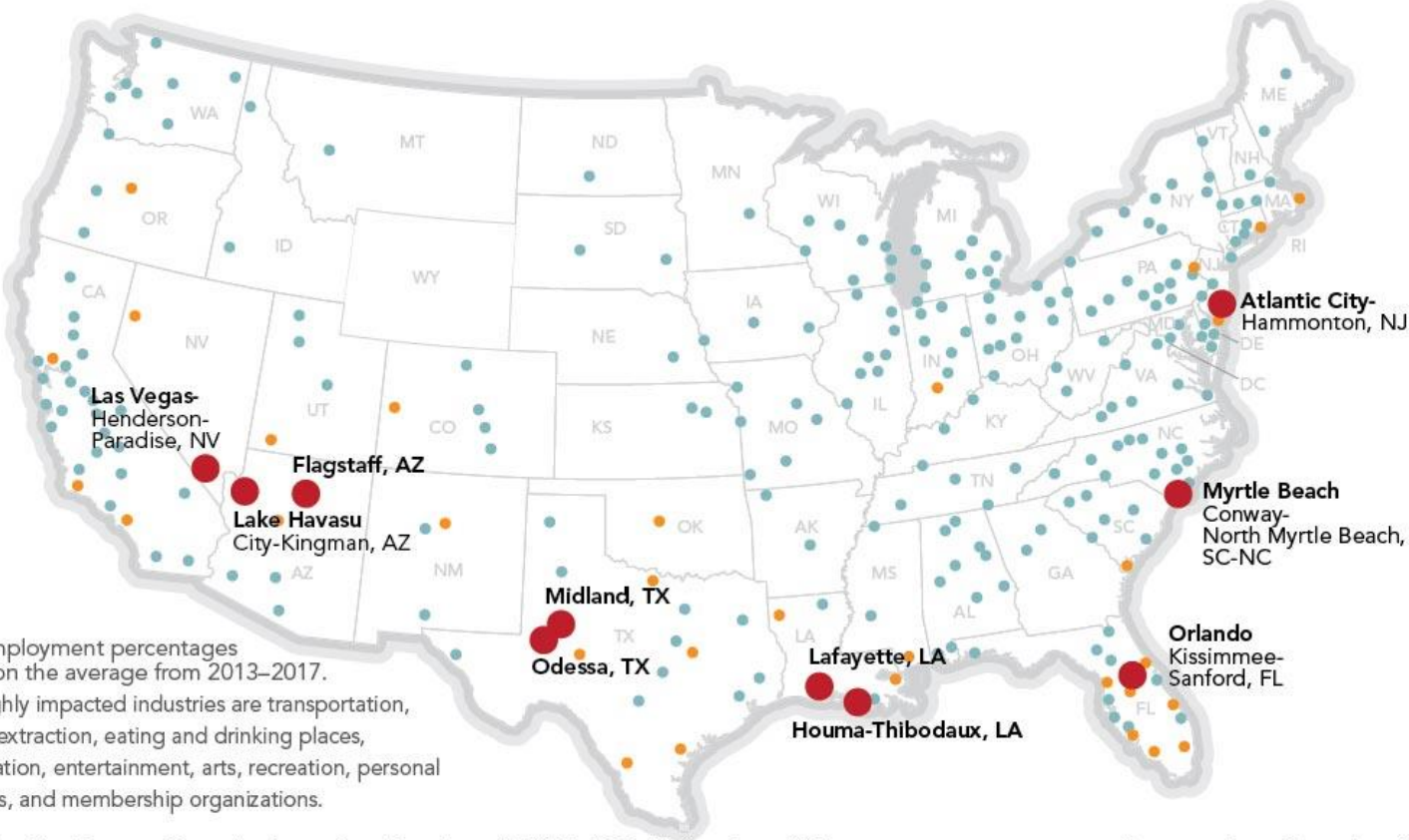
- Cities and states will be **impacted differently** depending on:
  - ✓ How much they **rely on the most impacted** industries.
    - Las Vegas, Orlando
  - ✓ How much they **rely on oil prices**.
    - Texas, Louisiana, Oklahoma, North Dakota, Wyoming
  - ✓ The **current spread** of COVID-19
    - NYC, Northeast, New Orleans, Michigan.
  - ✓ How **difficult would it be to contain** the spread. Depends on population density, reliance on public transportation, maybe weather.
    - NYC above all other places
  - ✓ The share of **older population**
    - Florida, Arizona



# Metro areas at high risk of losing jobs

## Metro areas by percent of jobs in highly impacted industries

- Most impacted metro areas** ● 22–34% of total employment is in highly impacted industries
- Very impacted metro areas** ● 16–22% of total employment is in highly impacted industries
- Impacted metro areas** ● 9–16% of total employment is in highly impacted industries



Note 1: Employment percentages are based on the average from 2013–2017.

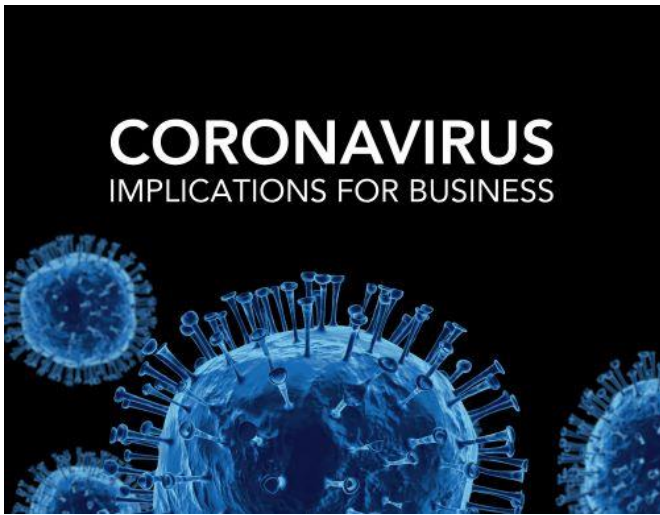
Note 2: Highly impacted industries are transportation, oil and gas extraction, eating and drinking places, accommodation, entertainment, arts, recreation, personal care services, and membership organizations.

Source: The Conference Board using microdata from IPUMS-ACS, University of Minnesota

[conference-board.org/covid-19](https://www.conference-board.org/covid-19)







## HR Leaders - We Need Your Input!

We are requesting your input to our 10-minute survey on recruitment, retention, and human capital practices in the US.

## Impact of COVID-19 on Recruitment, Retention, and Human Capital Practices in the US

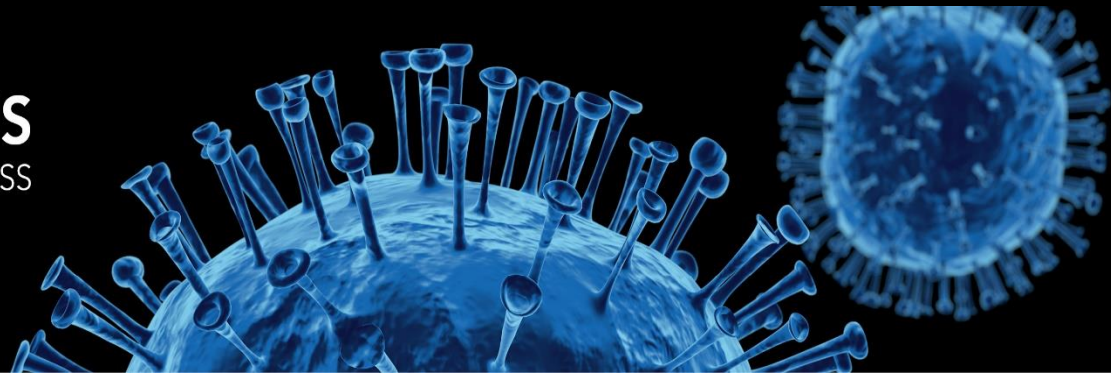
*Business and government leaders need a clearer understanding of how the COVID-19 pandemic will impact the workforce in the US.*

**[Click HERE](#) to complete the survey**

*As an HR leader, your unique insights are vital in keeping both the business community and government leaders apprised of a rapidly changing business environment.*



COVID-19  
**CORONAVIRUS**  
IMPLICATIONS FOR BUSINESS



## Want to hear more about this topic and how the spread of COVID-19 will impact business and the global economy?

The Conference Board has gathered insights and learnings from our thought leaders and member network which we hope will be helpful as you formulate, implement and manage your own crisis response.

Explore all of these resources on our website at <https://www.conference-board.org/COVID-19>.

