

# **ANALYSIS OF MAY JOBS REPORT AND COVID-19 IMPACT ON LOCAL GOVERNMENT JOB LOSS**

JUNE 2020

# KEY TAKEAWAYS

## **1. Local government employment continued to decline in May, despite historic recovery of other impacted sectors.**

- Local governments lost another 487,000 jobs in May, bringing the total number of local government jobs lost to nearly 1.3 million since March. Even with this tremendous loss, the U.S. economy added a historic 2.5 million jobs across all industries in May, surpassing the previous record of monthly jobs gained in a single month from 1983.

## **2. Although most local government job loss was education related, local governments lost 523,000 non-education related jobs since March.**

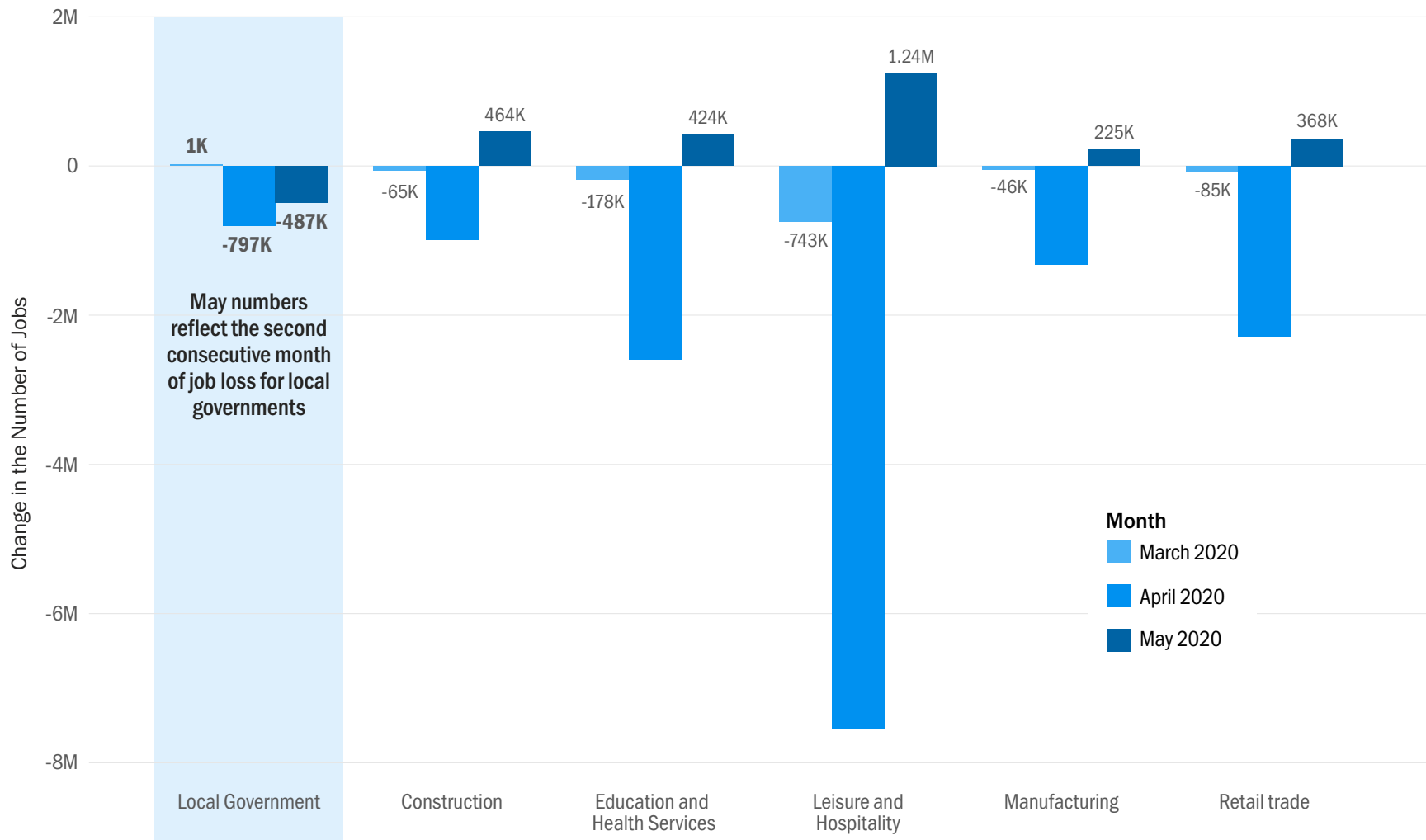
- Non-education jobs in local government include healthcare practitioners, social workers, law enforcement officers, maintenance crews and construction workers, which collectively provide essential services and resources to communities.

## **3. The pandemic has had a more devastating impact on the economy than previously estimated.**

- The U.S. Bureau of Labor Statistics (BLS) initially misclassified 4.9 million workers, which would have raised the April unemployment rate to 19.2 percent and the May unemployment rate to 16.1 percent.

# LOCAL GOVERNMENT EMPLOYMENT CONTINUES TO DECLINE DESPITE REBOUND OF OTHER IMPACTED INDUSTRIES

Change in the number of jobs by selected industries, March through May 2020



Source: NACo Analysis of U.S. Bureau of Labor Statistics Jobs Report Published 06/05/2020



# LOCAL GOVERNMENT JOBS CONTINUE TO DECLINE FOR SECOND CONSECUTIVE MONTH DESPITE RISING EMPLOYMENT IN OTHER SECTORS

The U.S. Bureau of Labor Statistics' (BLS) jobs report for May revealed a dramatic change of course in labor market conditions, but not for local governments. On top of approximately 800,000 local government jobs lost in April, **local governments lost another 487,000 jobs in May.** This additional loss brings **the total number of local government jobs lost in just these two months to nearly 1.3 million jobs**, revealing the massive financial challenges of county governments across the nation.

Counties are faced with unprecedented challenges because of the economic strain from efforts to alleviate the spread of the pandemic.

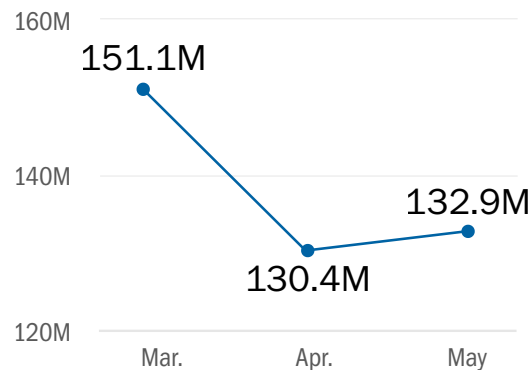
Much of the decline in local government employment occurred in education systems, with nearly 310,000 education-related jobs lost to local governments in May. However, another 177,000 jobs were non-education jobs such as healthcare practitioners, social workers, law enforcement officers, maintenance crews and construction workers. Overall, since March, **local governments experienced a decline of more than 523,000 non-education jobs.** Individuals in these jobs are directly responsible for providing essential services and resources to counties, many of which are amid the ongoing public health crisis, subsequent economic hardship and civil unrest.

Counties are faced with unprecedented challenges because of the economic strain from efforts to alleviate the spread of the pandemic — such as business closures and stay-at-home orders — including a **\$114 billion loss of revenue through the end of FY2021 and an estimated \$30 billion financial cost in the form of pandemic response efforts.** In response to these fiscal challenges, counties are furloughing workers, pausing nonessential capital projects and reworking depleted budgets while providing critical services to residents. **So far, NACo has tracked 120 counties which have been forced to furlough or lay off a share of the county workforce** due to COVID-19 budget impacts, though many more counties are expected to have enacted similar measures.

# LABOR MARKET ON HISTORIC REBOUND, BUT UNEMPLOYMENT RATE REMAINS HIGH AND RECOVERY IS UNEVEN

The continued hardship of county and city governments comes at a time when other industries are experiencing a historic reversal: overall, the unemployment rate decreased to 13.3 percent and 2.5 million job were gained across industries in May, surpassing the previous record of monthly jobs gained in a single month from 1983.

U.S. Nonfarm Employment, 2020



Job market recovery is on track for several industries, but local government is not yet one of those industries, as illustrated by its continued decline in employment.

Employment increased substantially in May for some of the hardest-hit industries such as leisure and hospitality (+1.2 million jobs), construction (+464,000 jobs), education and health services (+424,000 jobs), retail trade (+368,000 jobs) and manufacturing (+225,000 jobs). The jobs recovery across industries signals good news as revenue streams for counties will begin to grind back to life; unfortunately, this upturn will likely not cover local government revenue losses sustained in recent months.

**At the issuance of the BLS jobs survey, 23 states had initiated reopening and Paycheck Protection Program (PPP) funds had been distributed.** An initial \$349 billion of PPP funding was distributed in early April and another \$310 billion was made available soon after, though \$130 billion of

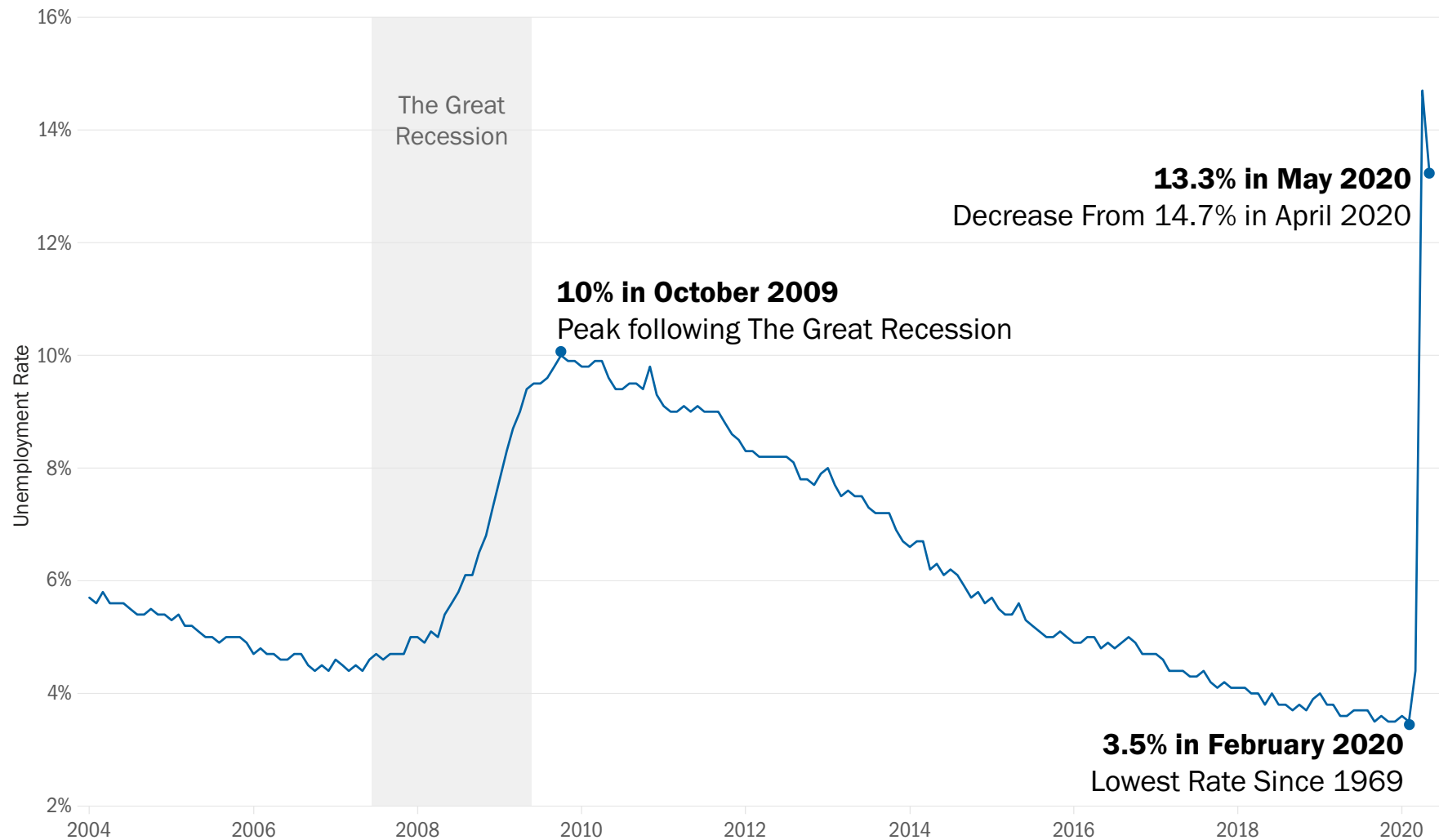
that second amount still remains unused (as of June 12). **The federal funding for small business paychecks paired with increased business activity has helped stimulate job growth in these impacted industries, bringing back to life major job sectors.**

The uneven recovery of the labor market is especially evident when examining demographic data. Unemployment rates for minority workers persisted higher than the national rate of 13.3 percent. The unemployment rate for Hispanic workers dropped from 18.9 to 17.6 percent in May, but remained the highest of any racial group. On the other hand, African American workers and Asian workers both experienced slight increases in the unemployment rate (16.7 to 16.8 percent and 14.5 to 15 percent, respectively).

Source: NACo Analysis of U.S. Bureau of Labor Statistics Jobs Report Published 06/05/2020

# UNEMPLOYMENT RATE BEGINS TO DECREASE; REMAINS HIGHER THAN PEAK OF GREAT RECESSION

U.S. Unemployment Rate, 2004 - 2020



Source: NACo Analysis of U.S. Bureau of Labor Statistics Jobs Report Published 06/05/2020

# LOOKING AHEAD: COUNTY GOVERNMENTS STILL REELING FROM COVID-19 IMPACTS AND THE ROAD TO RECOVERY IS LONG AND UNCERTAIN

The COVID-19 pandemic and efforts to mitigate its spread have impacted every sector of the labor market, causing a loss of more than 20 million jobs and an unemployment rate of 14.7 percent in April – the highest rate since the Great Depression. Furthermore, BLS reported that misclassification errors impacted labor force measures, deflating the reported figures for April and May. In fact, **4.9 million workers were misclassified as “employed but not at work” instead of “unemployed on temporary layoff.”** Thus, the April unemployment rate would have been 19.2 percent instead of 14.7 percent, and the unemployment rate in May would be 16.1 percent as opposed to 13.3 percent. The overall trend remains unchanged, however, still representing the devastating toll of COVID-19 on the economy.

Although the May jobs report from BLS presents a national job market trending towards recovery, **county governments are still reeling from the economic strain created by the pandemic.** Counties are on the frontline of the COVID-19 response and have lost significant revenue because of efforts to contain the pandemic. The continued decline in local government employment reflects the ongoing manifestation of those impacts at the local government level. Faced with major budget shortfalls, counties continue to work towards balancing support for the adversely affected members of the community and facilitating the reopening of local economies with reduced county staff levels.



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