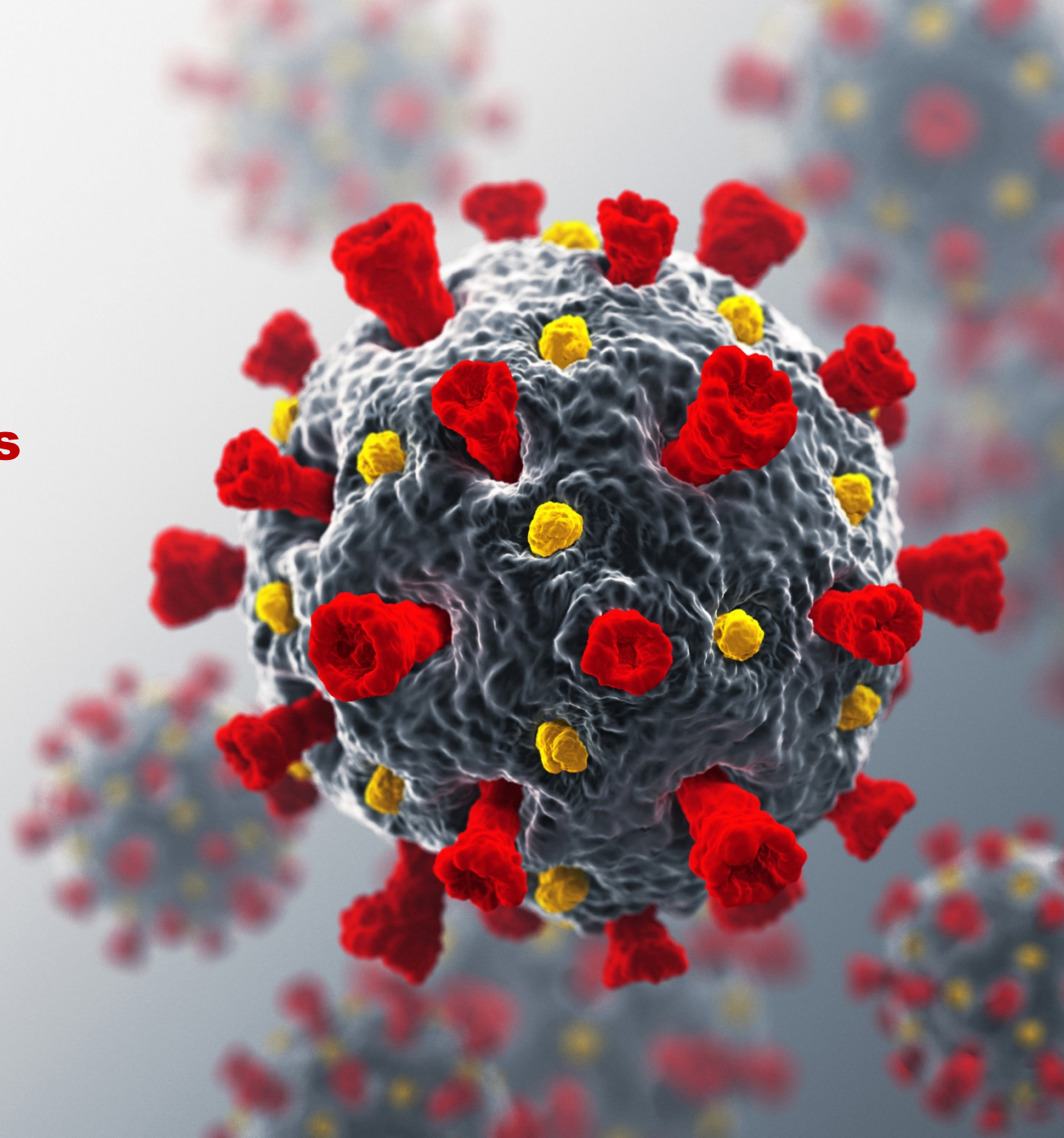


BW Research White Paper

A Post Coronavirus Reality for the World of Work

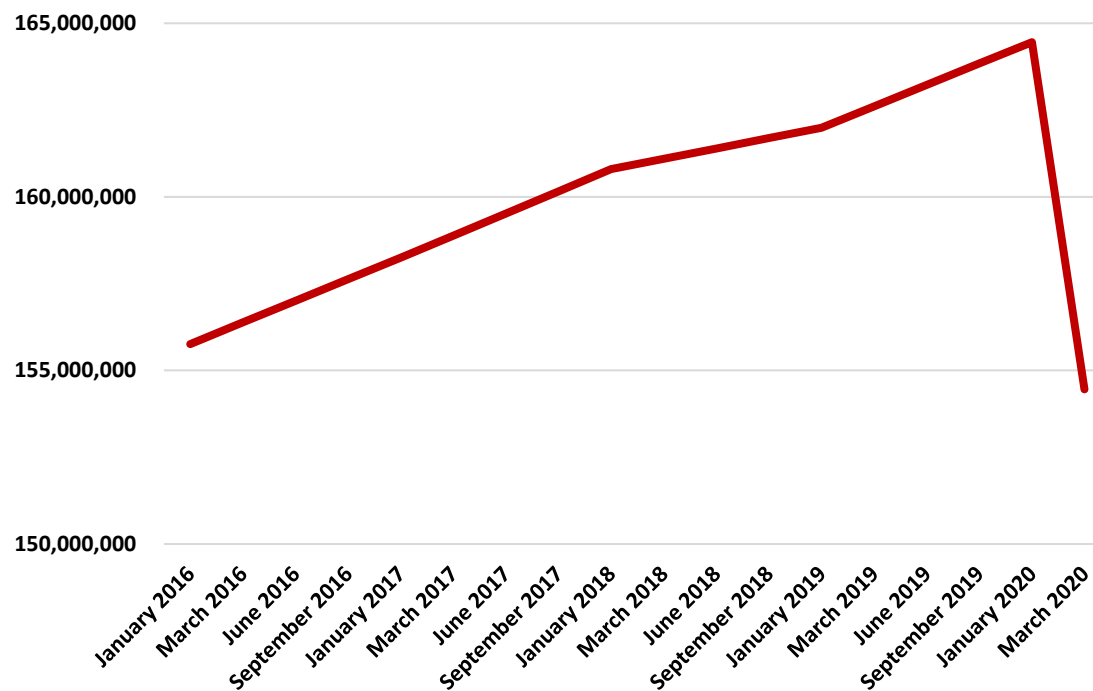
April 15, 2020



Part 1: Where Are We Today?

In just the last five weeks, the U.S. has lost more jobs than the country gained over the previous four years. From early 2016 to the beginning of 2020, the U.S. economy created 8.7 million¹ new jobs. From mid-February to the end of March, workers across the country have filed more than 10 million claims for unemployment benefits.² These unemployment figures will only increase through April. The nation has deepened physical distancing to minimize the spread of the Coronavirus (COVID-19), and losses to income will reverberate through the economy.

Figure 1: Total Employment in the U.S. - 2016 - March 2020³



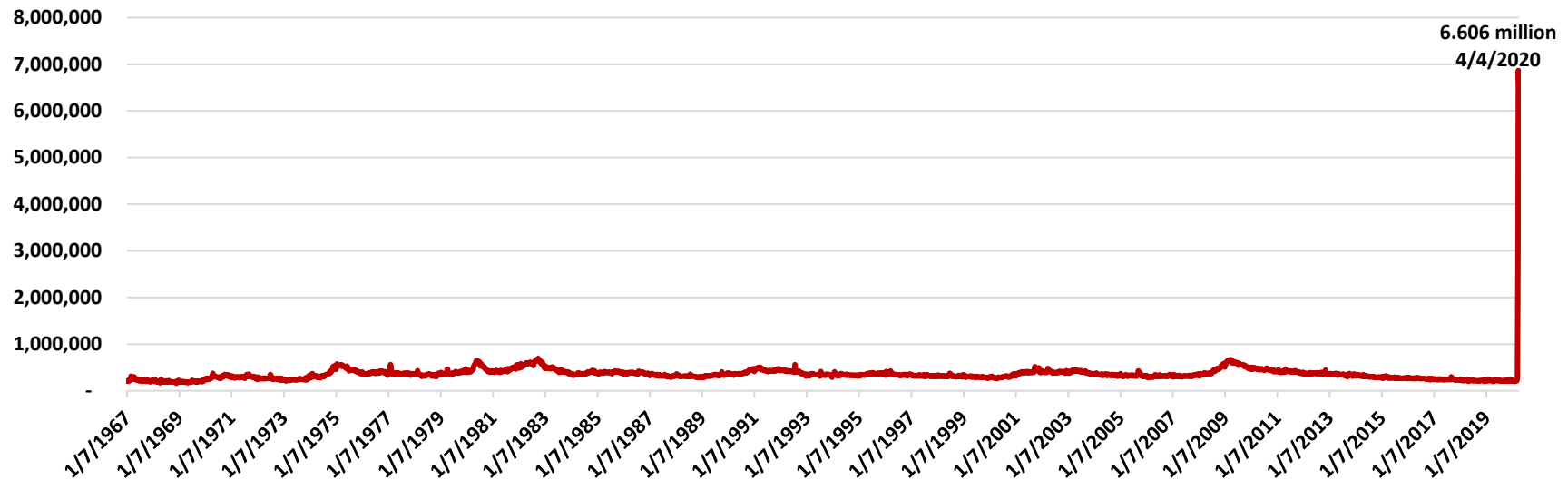
Seemingly overnight, the country has gone from a tight labor market with historically low unemployment (below four percent), to a remarkably loose labor market that many economists predict will result in unemployment rates that are higher than any since the Great Depression. The speed and magnitude of the changes in our national workforce will quickly roll down to the state and local level and will require a new approach to examining labor markets. Data as recent as six months old – let alone several years – will no longer be helpful to understand local employment conditions. A new approach is necessary to examine state, regional, and local economies.

¹ Source: Economic Modeling Specialists, Intl. (EMSI) 2020.1, 2016 to 2020, Total for 16 Industry Cluster employment employees and self-employed.

² Source: United States Department of Labor (DOL), Unemployment Insurance Weekly Claims Data, 2020.

³ Source: Economic Modeling Specialists, Intl. (EMSI) 2020.1, 2016 to 2020, Total for 16 Industry Cluster employment employees and self-employed.

Figure 2: Initial Unemployment Claims (Seasonally Adjusted) - 1/7/1967 – 4/4/2020⁴



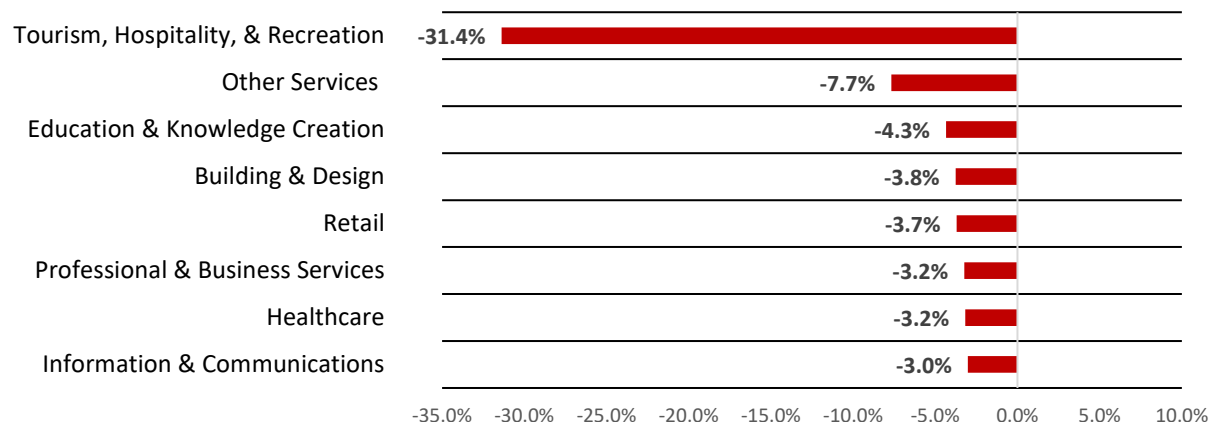
One of the first essential steps in understanding the change in our national and regional employment landscape requires examining the rapid and recent changes in industry employment. BW Research has developed 16 standard industry clusters that account for over 98 percent of the nation's non-military employment⁵ and are built around shared talent and supply chains. While the magnitude of employment declines will certainly increase as social distancing and isolation is maintained to stop the spread of COVID-19, the following charts provide an initial measure of how employment across the country has changed through March 2020 in these key industry employment clusters.

As the figure below illustrates, Tourism, Hospitality, and Recreation lost nearly a third of its employment in March; those figures likely exceed 50 percent by the time of this release. Other Services, which includes employers in beauty salons, dry cleaners, and automotive repair, are also experiencing considerable declines, with more expected. The decline in Healthcare may be surprising to some as hospitals face surging demand for emergency services. Still large portions of non-essential healthcare services, such as dentists, chiropractors, optometrists, and many primary care and other specialists, feel the pain of closures or significant limitations on how they do business.

⁴ Source: United States Department of Labor (DOL), Unemployment Insurance Weekly Claims Data, 1967-2020.

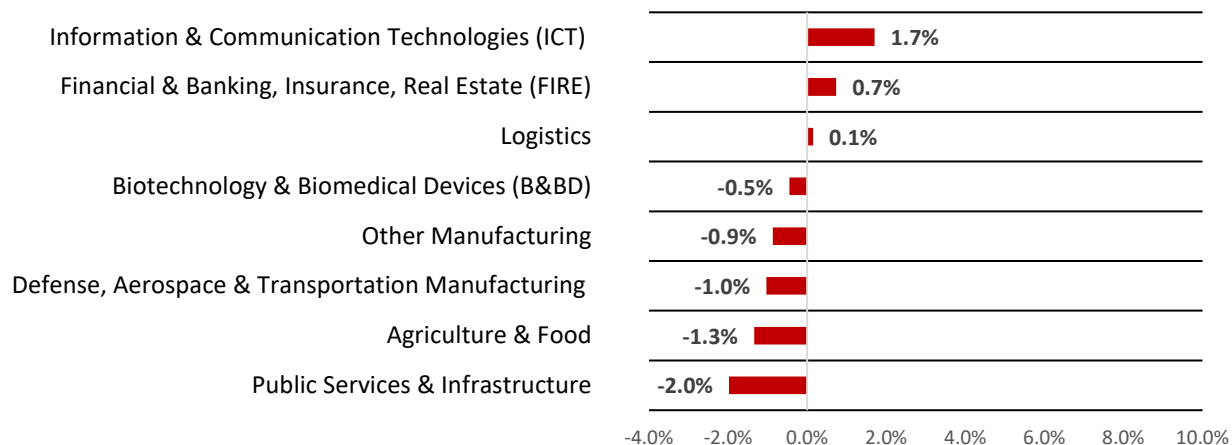
⁵ These employment metrics are based on employees and the self-employed.

Figure 3: Major Employment Impacts - Industry Clusters (U.S.) - Jan 2020 - March 2020⁶



Not all industry clusters have experienced considerable employment declines to date. Some have, in fact, added jobs. Information & Communication Technologies (ICT), Finance, Insurance & Real Estate (FIRE), and Logistics have all seen employment gains through the first three months of 2020. Other industry clusters, such as Biotechnology & Biomedical Devices, Other Manufacturing, and Defense, Aerospace & Transportation Manufacturing, have experienced relatively small employment declines.

Figure 4: Smaller Employment Impacts - Industry Clusters (U.S.) - Jan 2020 - March 2020⁷



⁶ Source: BW Research extrapolations based on the Bureau of Labor Statistics (BLS) Current Population Survey (CPS) Table B-1. Employees on nonfarm payrolls by industry sector and selected industry detail (April 3, 2020 release) and EMSI Industry Cluster employment data.

⁷ Source: BW Research extrapolations based on the Bureau of Labor Statistics (BLS) Current Population Survey (CPS) Table B-1. Employees on nonfarm payrolls by industry sector and selected industry detail (April 3, 2020 release) and EMSI Industry Cluster employment data.

Part 2: What does Post-COVID-19 Reality Mean for the New World of Work?

While we are still learning about how employment is going to change in the post-COVID-19 reality, several key priorities should be considered as we rebuild communities, regions, and the nation.

Identify industries that are less impacted or growing during the crisis and those that will rebound most quickly.

The key to rapid economic recovery is getting people back to work as quickly as possible when physical distancing measures are relaxed. It is critical to track whether industries such as ICT, FIRE, and Logistics continue to hold steady or grow in the short-term. Just as important is to identify the industries and occupations poised for a quick bounce back – with a particular focus on those jobs that can be accomplished while maintaining some physical distancing measures.

Strengthen current, potential, and future workers' ability to learn new skills, technologies, and responsibilities.

The world of work is experiencing transformative change. Jobseekers will be moving into an employment landscape that is likely chaotic and volatile as employers look for people that can learn quickly and respond to changing supply chains and customer behaviors. Foundational skills in reading comprehension, quantitative analysis, and the ability to use new technology applications effectively will be increasingly needed as current, and potential workers adapt to this new environment. Jobseekers will also likely need to sharpen and enhance their career navigation skills as they search for new employment opportunities and demonstrate their skills and abilities to potential employers.

Develop new opportunities for acquiring entry-level, non-technical employment skills for the next generation of workers.

The Tourism, Hospitality, and Recreation cluster not only employed over 19 million Americans at the end of 2019, it also provided a valuable opportunity for younger and less experienced workers to find employment and develop work experience while acquiring non-technical employment skills. These non-technical employment skills include the ability to work with a diversity of customers, collaborating and problem-solving as part of a team, as well as showing up for work punctually and being dressed and groomed appropriately. The diminished employment opportunities in Tourism, Hospitality, and Recreation will have both short-term and long-term employment impacts on younger workers, students, and lower-income populations.

Empower healthier employment transitions.

Recent economic downturns, including the Great Recession (2007 to 2009) and the period after September 11th (2001 to 2003), were particularly hard on a sizeable segment of workers. These workers, who were making healthy, livable wages before the downturns, re-entered the workforce and found that their employment options had been diminished and were only able to find new employment at considerably lower pay and oftentimes with little to no opportunity for advancement. These employment disruptions are likely to occur again as consumer behavior, supply chains, and investment priorities all undergo considerable change. To better respond to this upheaval in the world of work, employers, policymakers, and educators need to consider strategies to support workers and jobseekers who are transitioning in this new employment environment and acquiring new skills, moving onto different career pathways, and taking on new responsibilities.

Part 3: What Comes Next?

BW Research is focused on continually examining and developing new ways to understand better and assess the changes to the world of work. The following key questions demonstrate the firm's approach to finding solutions in these volatile times:

How is the world of work changing in your community?

The national employment picture is only the first step in understanding the relevant economic impacts in regions across the country. Regional leaders from the private sector, education, and government need to understand their industry mix and how their business communities will be impacted and can respond to these national trends.

How do we identify economic distress in our business and residential communities, and what does this mean for focusing targeted assistance and getting communities back to work?

Not all businesses and not all households are being impacted equally by COVID-19. What are the ways we can identify which aspects of our regional economy and our communities are suffering most and require immediate attention?

What are the immediate impacts of COVID-19 on your employment landscape, and how will different recovery scenarios change those impacts over the next 12 to 36 months?

The analysis included in this white paper reflects the initial impacts of the first phase (isolation and physical distancing) of our post-COVID-19 reality. Still, it will not be the last phase in our response to this pandemic. The country and our communities will need to recover and learn to thrive again in this new environment.

What indicators should we develop and track to learn from as our communities are impacted by the changing world of work?

Now more than ever, regional leaders need to think about the information and data that will help them learn and better understand how their communities are changing.



BW Research is developing insights and tools to help your community understand and recover from COVID-19. Please contact us at BW Research if we can help with any of your analytical or strategic planning efforts.

www.bwresearch.com | info@bwresearch.com

West Coast Office

6120 Paseo Del Norte, Suite D-2, Carlsbad, CA 92011
(760) 730-9325

East Coast Office

19 Kendrick Street, Wrentham, MA 02093
(508) 384-2471