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Democracy Dies in Darkness

Opinion | The job numbers are horrible. But there's more to this story.

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The scale of job losses over the past two months has been unimaginable, and the data probably understate the bleak reality that many are currently facing. At the same time, there is some small basis for optimism. The latest numbers don't yet represent permanent job loss. We still have time to make choices to ensure that as many people as possible have jobs to return to once it's safe for them to do so.

To see why this moment is so unusual, consider a typical recession. Job losses in those circumstances accumulate over many months as businesses slowly realize that demand for their products is waning. Peak unemployment happens long after a recession has begun. In the 2008 recession, total non-farm payrolls declined each month for two years, hitting a low point in February 2010, when nearly 9 million jobs had been lost. Most of those jobs had been permanently destroyed. The recovery that followed was driven by existing businesses hiring new workers and new businesses getting off the ground. This is a time-consuming process, and non-farm payrolls grew slowly, only returning to pre-recession highs in 2014.

Our current situation is different. States ordered all but essential businesses to send employees home for their own safety. The businesses that closed did so with the intention of bringing their workers back. The result? The Bureau of Labor Statistics reported on Friday that 18.1 million people said that they were on temporary layoff and another 11.5 million were employed, but absent from work. Those jobs were lost for a time, but not necessarily destroyed. The destruction of jobs will only happen as employers realize that they won't need some of those workers to return and as some businesses fail to stay afloat.

The next employment report will capture how many people are on employers' payrolls next week. It may show that we have started to recover. States have started relaxing rules, and while many businesses are staying closed for now, furloughs have likely slowed. If more workers are brought back from furlough by next week than were laid off in the second half of April and early May, then non-farm payrolls could even start to climb. This shouldn't be surprising: Workers such as dental hygienists, nurses, hairdressers, and even some restaurant and hotel workers may not be essential to fighting a pandemic in the short term, but the demand for their old jobs has not vanished and the business model behind them has not failed.

But we shouldn't over-interpret any short-term improvements, either, just as we shouldn't assume the horrible jobs numbers of the last few months are permanent. Job reports will show non-farm jobs growing at first as workers are recalled to their old jobs, but these recalls will eventually slow. And they will slow long before the 21.4 million people who have been dropped from employer payrolls since February are added back.

The first few months in which the data show job growth, we'll simply be learning which jobs were never really lost in the first place. It's then that we'll be able to see which industries have shrunk, which businesses reduced their output or shuttered entirely, and which workers need to find new employers or a different kind of work.

We still have time to minimize the permanent job destruction wrought by covid-19. How many jobs ultimately survive will depend on how we help support incomes and businesses and how we handle the pandemic.

States that force an opening now despite public health warnings to the contrary may stem the measured job loss in May and June, but ultimately lead to a rise in permanent job loss. Surveys show that many are worried that states are reopening too soon or that proper safety precautions are not being taken. Those who are worried will be less inclined to venture back into businesses even as they open. If businesses that open see only a handful of customers return then they will likely conclude that they need fewer employees, ultimately leading to more permanent job destruction.

If, instead, states wait to reopen until they have built better public health plans that inspire more confidence, businesses will likely see a sharper increase in demand when they ultimately reopen.

Managing job loss in the pandemic requires three things: supporting people's incomes, helping businesses stay afloat and a public-health plan that people believe means that they can safely return to normal economic activity. We must continue on these three fronts to prevent our staggering job losses from becoming permanent.

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