****

**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE: June Employment Report**

**Prepared by:**

**John Anderson**

**Department of Agricultural Economics and Agribusiness**

**July 2, 2020**

On Thursday, the U.S. Bureau of Labor Statistics released the latest monthly Employment Situation Summary, covering employment figures for the month of June. The report was considerably more positive than most pre-report estimates anticipated, suggesting that the recovery in June from COVID-related shutdowns was stronger than expected.

The headline number from the report was an increase in total non-farm payroll employment of 4.8 million persons. This follows an increase of 2.7 million in May. This two-month gain in employment of 7.5 million people is unprecedented in the employment data for the entire post-war period. Unfortunately, it follows a two-month March-April period in which an-also-unprecedented 22.2 million people lost their jobs. Thus, employment remains well below its pre-COVID level; but it has, nonetheless, recovered considerably more rapidly than most observers expected. Figure 1 shows the month-to-month changes in non-farm payroll employment for the past 50 years, illustrating just how dramatic the events of 2020 have been in terms of their impact on the job market.

Data Source: USDA Bureau of Labor Statistics through St. Louis Federal Reserve Bank, FRED Database

**Figure 1.** Monthly Change in Employment: Total Non-Farm Payroll

Basically, a monthly swing in employment of more than a quarter million or so people is a big deal. For the last four months, employment has gyrated by the millions. Given the employment ground remaining to be made up, the next few months are likely to also include historically large employment gains. In fact, if that is not the case, it will suggest that the recovery from COVID impacts is stalling out.

The gain in employment for June translated into a drop of 2.2 percentage points in the unemployment rate, which stands now at 11.1%. While this represents an unexpectedly significant improvement over April and May, it is still a historically high rate of unemployment – higher than any normal recession-induced unemployment rate of the post-war period. For the record, the closest unemployment rate to the current one in the post-war record was in December 1982 at 10.8%.

The unemployment rate only considers people who are actively looking for work. When someone drops out of the job market entirely, they are no longer considered unemployed. Thus, it is helpful to consider the labor force participation rate in order to identify what proportion of the eligible work force (i.e., the non-institutionalized, working-age population) is actually working or trying to work. Here, again, the employment report has some positive news. The labor force participation rate for June increased by 0.7 percentage points from the prior month to 61.5%. While moving in a positive direction, this is still almost 2% lower than in February, before the effects of the COVID pandemic hit the market.

In summary, the June Employment Report included some genuinely encouraging news about the pace of economic recovery from COVID. On the other hand, it also highlighted the fact that a return to pre-COVID normal is still a considerable way off. Looking ahead, it will be interesting to see if the pace of the employment recovery holds up in the face of the recent proliferation of COVID cases in a number of large states. If it does, this will bode very well for the overall economic recovery. If not, it will diminish hopes for the best-case-scenario V-shaped recovery.

 The University of Arkansas System Division of Agriculture offers all its Extension and Research programs and services without regard to race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer.