

## **Who's Leading New Jersey's Pandemic Recovery: Private Employers, the Public Sector, Nonprofits, or the Self-Employed?**

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In the past few weeks, discussions on the “Great Resignation” and labor shortages have permeated news cycles.<sup>1,2,3</sup> These phenomena, characterized by (1) record-high levels of voluntary resignations and (2) job openings surpassing the number of unemployed workers, are being described as major “threats” to the nation’s post-pandemic economic recovery efforts. While these issues are being reported at the national level, their occurrence and severity varies across states. Northeast states,<sup>4</sup> for instance, averaged an employment quit rate of 2.2 percent in September 2021, compared to a rate of 3.3 percent in southern states.<sup>5,6</sup> In terms of labor shortages, a publication by Pew indicates that, as of August 2021, 42 states experienced this phenomenon; Nebraska led the list with a 3-to-1 jobs-to-jobless ratio.<sup>7</sup> Deviating from this general trend, New Jersey is one of eight states that has more unemployed workers than job openings—0.9 opening per worker. This finding is attributed, in part, to the state’s weak post-pandemic tourism performance. At the same time, New Jersey continues to stand out among other states for its high unemployment rates. At 7.0 percent, New Jersey’s October 2021 unemployment rate is the third highest in the nation, ranking behind California (7.3 percent) and Nevada (7.3 percent)<sup>8</sup>. The state’s unemployment rate far exceeds the national average (4.6 percent) as we continue to slowly recover from the initial effects of the pandemic.<sup>9</sup> New Jersey’s October rate decreased by 0.1 percentage point from the previous month, while the national rate declined by 0.2 percentage points.<sup>10</sup>

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<sup>1</sup> Rosalsky, G. (2021). “Why are so many Americans quitting their jobs?” *National Public Radio*. October 19, 2021. Retrieved from: <https://www.npr.org/sections/money/2021/10/19/1047032996/why-are-so-many-americans-quitting-their-jobs>

<sup>2</sup> Thompson, D. (2021). “The Great Resignation is accelerating.” *The Atlantic*. October 15, 2021. Retrieved from: <https://www.theatlantic.com/ideas/archive/2021/10/great-resignation-accelerating/620382/>

<sup>3</sup> Chaney Cambon, S. (2021). “Slow Return of Prime-Age Workers Threatens Recovery.” *The Wall Street Journal*. November 14, 2021. Retrieved from: <https://www.wsj.com/articles/slow-return-of-prime-age-workers-threatens-recovery-11636902000>

<sup>4</sup>Northeast states: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont

<sup>5</sup>Southern: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia

<sup>6</sup> BLS (2021). *Quit levels and rates by industry and region*. Job openings and labor turnover. Retrieved from: <https://www.bls.gov/news.release/jolts.t04.htm>

<sup>7</sup> Henderson, T. (2021). “There Are More Jobs Than Jobless People in 42 States”. *The Pew Charitable Trusts*, November 12, 2021. Retrieved from: <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2021/11/12/there-are-more-jobs-than-jobless-people-in-42-states>

<sup>8</sup> BLS (2021). *Unemployment rate for states*. Local area unemployment statistics. Retrieved from: <https://www.bls.gov/web/laus/laumstrk.htm>

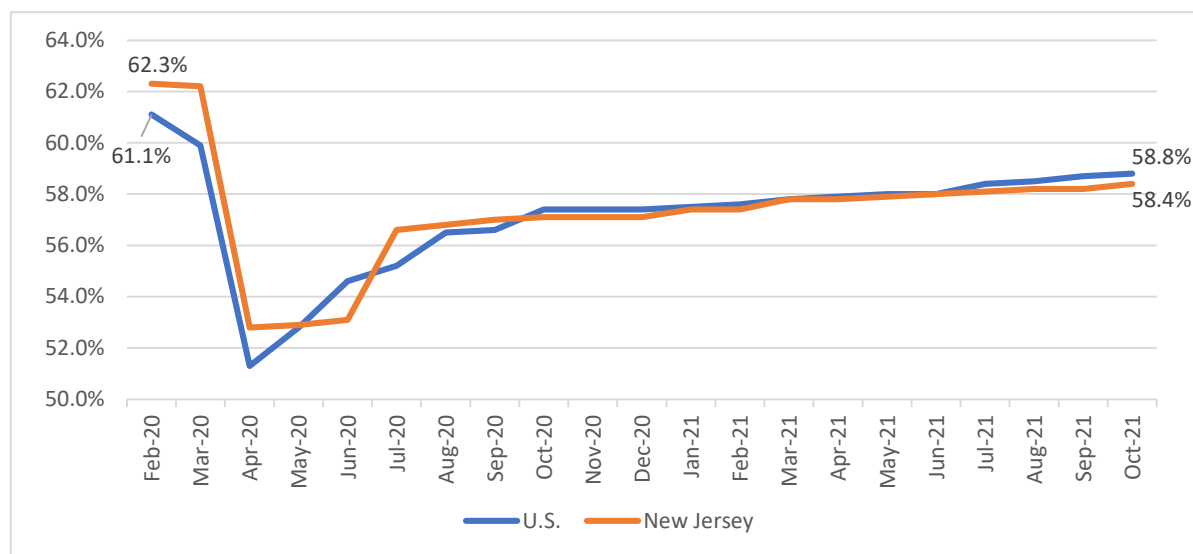
<sup>9</sup> BLS (2021). *Unemployment Rate*. Labor force statistics from the Current Population Survey. Retrieved from: <https://data.bls.gov/timeseries/LNS14000000>

<sup>10</sup> See fn 8 and 9.

Although metrics of unemployment and labor turnover are important to understanding the state’s economic landscape, it is paramount to assess other indicators of labor market conditions. Thus, this New Jersey Policy Lab report builds on our October piece on employment by income group to examine the impact of the pandemic on New Jersey’s labor force. This analysis relies upon monthly *Current Population Survey* (CPS) data from February 2020 to October 2021 and *Current Employment Statistics* (CES) data from October 2017 to October 2021.

For the past ten months, New Jersey’s employment numbers have been growing steadily. The latest U.S. Bureau of Labor Statistics estimates on seasonally adjusted nonfarm employment indicate that the state gained 20,000 jobs in October.<sup>11</sup> Overall, New Jersey’s nonfarm wage and salary employment levels increased from 3,512,400 in April 2020 to 4,025,300 in October 2021<sup>12</sup>— this means that the state recovered 512,900 jobs since the nadir of the pandemic-induced recession. Considering that these figures are affected by population changes, Figure 1 shows the employment-to-population ratio from February 2020 to October 2021 for New Jersey and the U.S. Prior to the start of the pandemic, in February 2020, New Jersey’s employment-to-population ratio exceeded the national ratio by 1.2 percentage points. The sharpest decline in employment, at both state and national levels, occurred from March to April 2020, showing the immediate impact of the pandemic and its particularly acute effects here. The trends depicted in Figure 1 suggest that New Jersey’s job growth has been closely following the nation’s, although it has been lagging since October 2020. The latest data available indicate that in October 2021 the national employment-to-population ratio surpassed New Jersey’s by 0.4 percentage points (58.8 vs. 58.4 percent) and that New Jersey is 3.9 percentage points below its pre-pandemic level.

**Figure 1. Employment-to-population ratio, U.S. and New Jersey  
February 2020-October 2021**



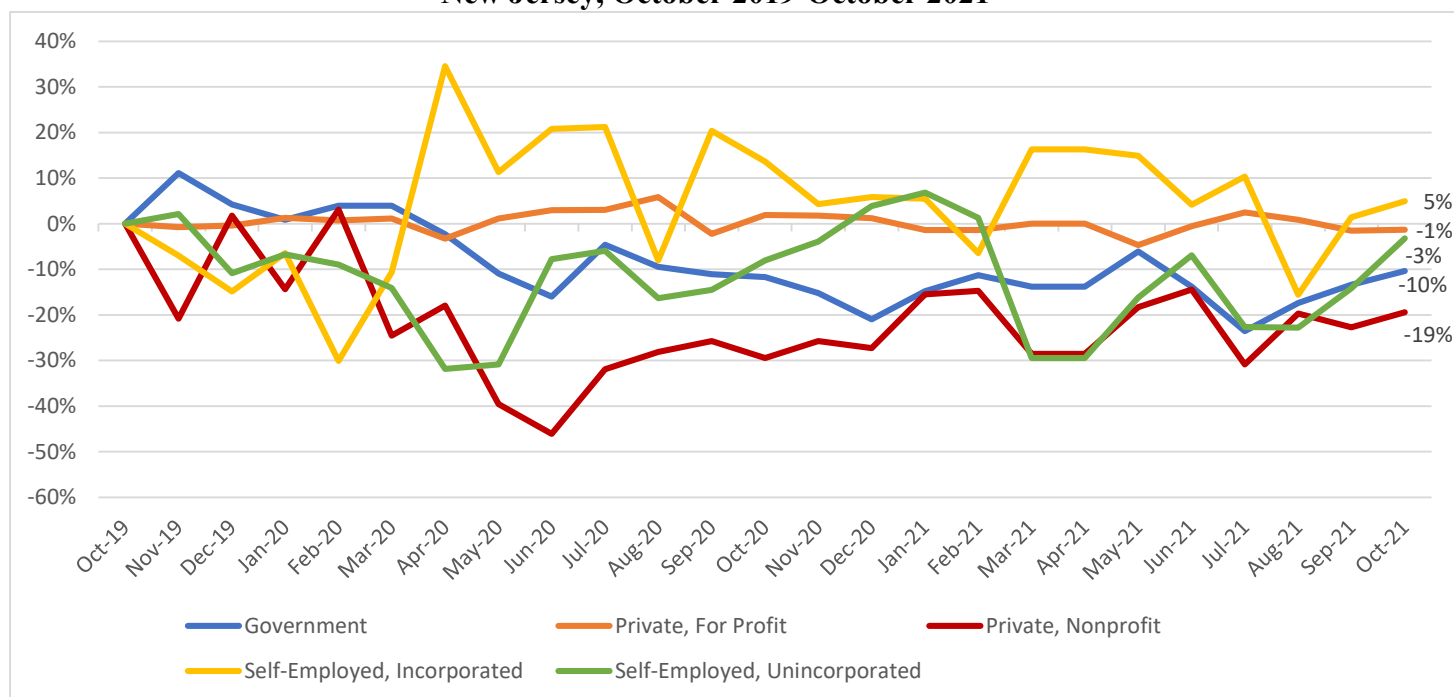
Source: Own calculations of the *Current Employment Statistics* seasonally adjusted national and state employment estimates

<sup>11</sup> BLS (2021). *State and area employment*. Labor force statistics from the Current Population Survey. Retrieved from: <https://data.bls.gov/pdq/SurveyOutputServlet>

<sup>12</sup> Ibid.

While the effects of the pandemic on employment levels have been widespread at both national and state levels, not all sectors were affected with the same degree of severity. Tourism, for instance, was one of the most hard-hit industries, experiencing major leisure and hospitality job losses throughout the country.<sup>13</sup> Moreover, as the national economy recovers from the pandemic’s initial hit, some sectors have been regaining their job positions at a faster pace than others.<sup>14</sup> To better understand the pandemic’s impact on employment and economy recovery in New Jersey, Figure 2 illustrates the changes in labor force by sector, relative to pre-pandemic levels (October 2019)— note that these numbers include people seeking employment and are not seasonally adjusted, which is why our analysis focuses on a single month (October) across 2019, 2020, and 2021.

**Figure 2. Labor force changes\* by class of worker since prior to COVID-19 outbreak  
New Jersey, October 2019-October 2021**



\*Not seasonally adjusted

Source: Own calculations of the *Current Population Survey* non-seasonally adjusted state labor force estimates

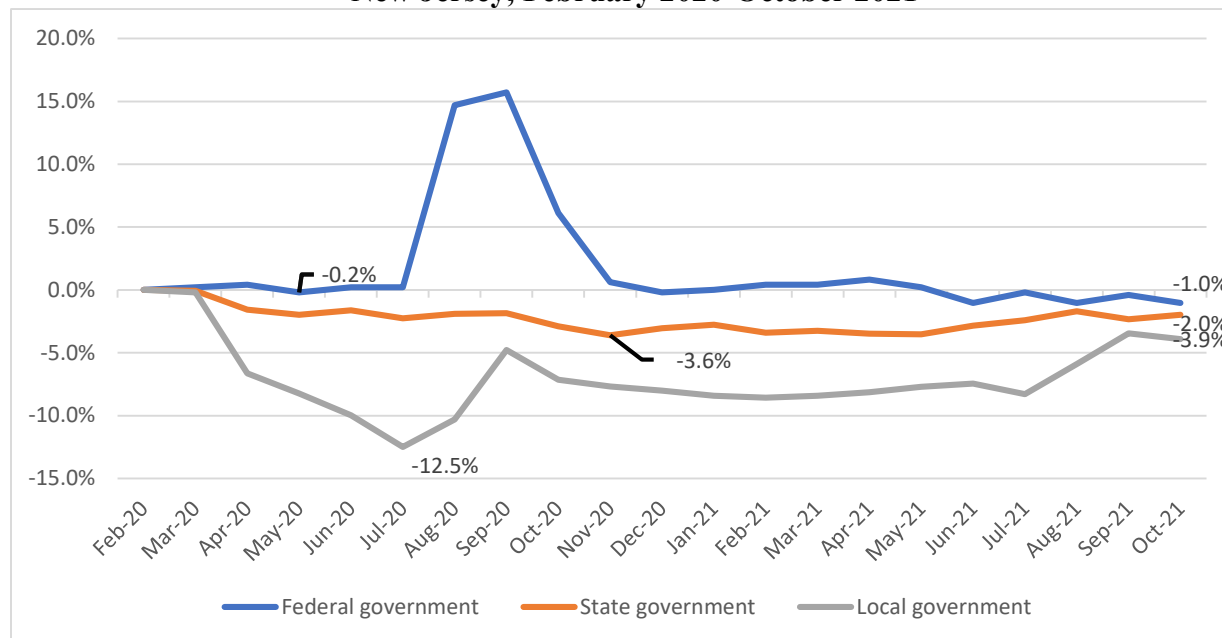
The private, non-profit sector has experienced the greatest reduction in labor force in New Jersey; as of October 2021, the nonprofit workforce was down 19 percent from pre-pandemic levels. It is important to note, however, that this sector only represented five percent of New Jersey’s workforce in October 2019, therefore the impact on overall employment is minor.

<sup>13</sup> Rosewicz, B. & Maciag, M. (2020). “Pandemic-driven declines in tourism take toll on many states’ revenues.” *The Pew Charitable Trusts*, October 14, 2020. Retrieved from: <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/10/14/pandemic-driven-declines-in-tourism-take-toll-on-many-states-revenues>

<sup>14</sup> Rosewicz, B. & Maciag, M. (2021). “State and local government job growth lags as economy recovers.” *The Pew Charitable Trusts*, September 14, 2021. Retrieved from: <https://www.pewtrusts.org/en/research-and-analysis/articles/2021/09/14/state-and-local-government-job-growth-lags-as-economy-recovers>

Some sectors that have fully or nearly fully recovered their pre-pandemic workforce levels include the self-employed (incorporated) and private, for profit. The latter represented 73 percent of the state’s workforce before the pandemic (i.e., the largest sector), thus, its rebound translates to a significant contribution to the state’s overall job recovery. The growth of self-employed workers observed in New Jersey comports with national trends,<sup>15</sup> suggesting that people are favoring jobs that provide time flexibility and the possibility to work remotely, amongst other benefits.

**Figure 3. Government employment changes\* since prior to COVID-19 outbreak, New Jersey, February 2020-October 2021**



\*Seasonally adjusted.

Note that sharp increase and fall in federal government jobs in 2020 corresponds to Decennial Census hiring. This trend is consistent with those observed in 2000 and 2010.

Source: Own calculations of the *Current Employment Statistics* seasonally adjusted state employment estimates.

Workforce growth in the public sector –the second-largest super sector, representing 14 percent of the workforce in October 2019– continues to lag as the state’s economy recovers. As of October 2021, this sector was down 10 percent from pre-pandemic workforce levels (see Figure 2). Again, these findings mirror national trends;<sup>16</sup> specifically, national data suggest that local government employment has been the most affected by the pandemic. To assess New Jersey’s job growth trends in the public sector, Figure 3 shows the federal, state, and local government employment changes; note that these figures are seasonally adjusted and only include employed individuals, thus displaying less fluctuations than those presented in Figure 2.

Within New Jersey’s public sector, local governments have experienced the greatest pandemic-driven reduction in jobs. As of October 2021, this subsector was down 3.9 percent

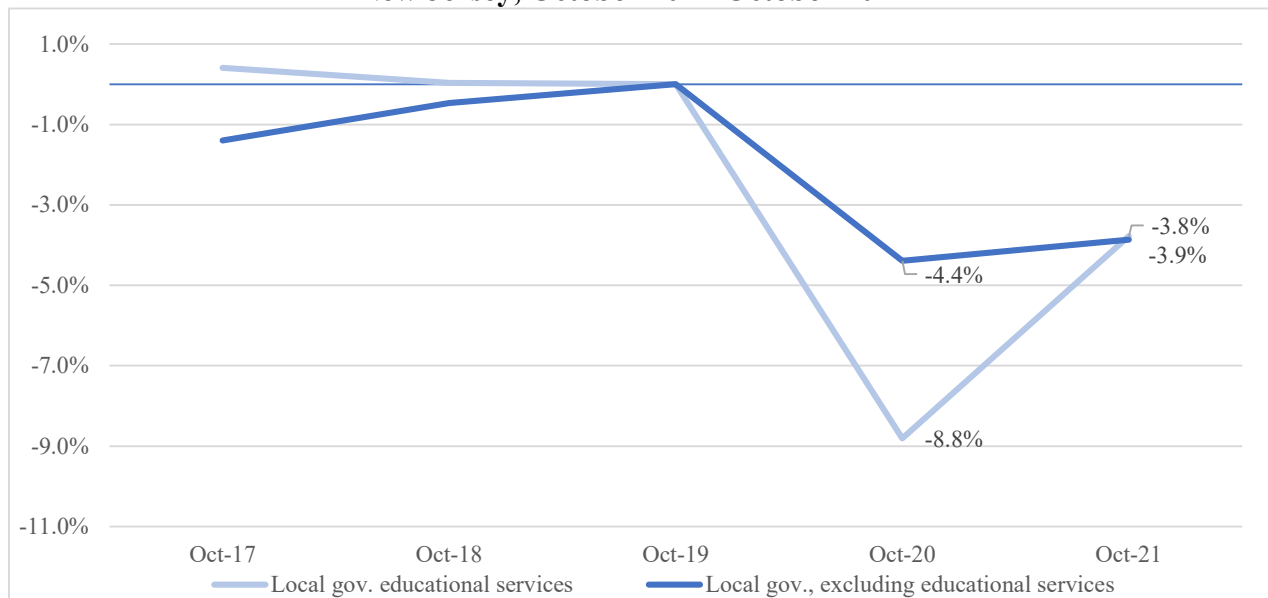
<sup>15</sup> Kochhar, R. (2021). “The self-employed are back at work in pre-covid 19 numbers but their businesses have smaller payrolls.” *The Pew Charitable Trusts*, November 3, 2021. <https://www.pewresearch.org/fact-tank/2021/11/03/the-self-employed-are-back-at-work-in-pre-covid-19-numbers-but-their-businesses-have-smaller-payrolls/>

<sup>16</sup> See fn 10.

from pre-pandemic employment levels. The lagging recovery of these jobs is extremely significant to the overall public sector job recovery, considering that local governments employed 69 percent of all public sector workers in New Jersey (as of February 2021). On a positive note, local government employment reached a nadir of 12.5 percent job losses in July 2020 and has been the fastest-growing public subsector since (see Figure 3).

To help better understand those areas of local government that are struggling to recover from the pandemic, Figure 4 breaks down changes in employment by education and non-education local jobs in New Jersey. Note that the local employment data, gleaned from Current Employment Statistics (CES), is not seasonally adjusted; thus, given the fluctuations that characterize employment in the educational sector, Figure 4 uses October 2019 as a baseline, and includes data from October 2017 and October 2018 to show the minor variations in employment levels that existed before the pandemic.

**Figure 4. Local government employment changes\* since prior to COVID-19 outbreak, New Jersey, October 2017-October 2021**



\*Not seasonally adjusted

Source: Own calculations of the *Current Employment Statistics* non-seasonally adjusted state employment estimates

As of October 2021, education and non-education local employment was down from pre-pandemic levels by virtually the same amount, at 3.8 and 3.9 percent, respectively. As one would expect, education jobs faced a sharp decline when in-person schooling was brought to a halt and employment was down 8.8 percent (October 2020). With public school systems resuming normal (or quasi normal) operations, education jobs have been regaining positions at a fast rate. In comparison, employment levels in the non-education sector of the local government have been growing rather slowly. Some factors contributing to the lagging recovery of the non-education, local government sector include a continuation of scaled back operations (i.e., hiring freezes and layoffs), labor turnover, and early retirements.