COVID-19 AND THE CITY OF LOS ANGELES:

Transitioning from Recovery to a New Normal

LAEDC INSTITUTE FOR APPLIED ECONOMICS

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INSTITUTE FOR APPLIED ECONOMICS
444 S. Flower Street, 37th Floor
Los Angeles, CA 90071

Shannon M. Sedgwick
Arthur Girard
Max Dunsker
Alexander Specht

Special thanks to our research intern Yixiao Li

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Workforce Development Board
City of Los Angeles

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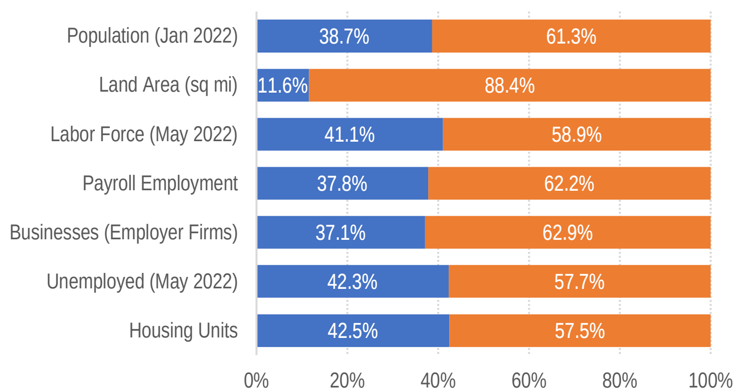
Contents

1. Introduction

The City of Los Angeles (City), like the rest of the nation, experienced an unprecedented economic shock related to the COVID-19 pandemic and the efforts taken to mitigate the spread of the virus. The City has had to react to high rates of remote work, changing consumption patterns, and even changing housing preferences. Just as the economic disruption was unprecedented, so too is the opportunity to take transformative actions towards creating a more equitable, resilient, and sustainable City of Los Angeles. This report covers the COVID-19 experience specific to the City of Los Angeles, its socioeconomic impacts, and the recovery process and transition to a new normal.

Exhibit 1-1: LA City's Share of Los Angeles County



The City of Los Angeles

The City of Los Angeles is home to more than 3.8 million residents who reside over a land area of 469.5 square miles, a population density of 8,136 residents per square mile, *nearly four times higher than the county as a whole,* which has 2,430 residents per square mile. The City of Los Angeles has a labor force of just over 2.0 million (May 2022). There are 193,791 business establishments in the City of Los Angeles employing more than 1.6 million payroll workers. As of May 2022, just over 94,000 people are unemployed in the City representing 42 percent of all reported unemployed residents in Los Angeles County.

The City of Los Angeles is by far the largest city in Los Angeles County, representing close to 40 percent of the county's population, 41 percent of the county labor force, 37 percent of all businesses in the county, and 38 percent of county employment. About 43 percent of all housing units in Los Angeles County are located in the City of Los Angeles. Throughout this report, every effort has been made to present city-specific information. In the event that data is not available for the City, we may rely upon county level data to illustrate trends that are relevant to the City.

The Arrival of COVID-19

First appearing in California in late February, the COVID-19 pandemic brought business and life to a grinding halt. On March 19, 2020, City of Los Angeles Mayor Eric Garcetti issued the Safer at Home health order, which required all individuals in the City to remain at their place of residence and prohibited all forms of public gathering. Social distancing measures were enacted and all non-essential businesses, generally defined as recreational and not critical to maintaining personal well-being, were mandated to close. The shutdown of restaurants, hair and nail salons, theaters, retail stores, and countless other non-essential institutions left these workers stuck at home without a means of providing for themselves and their families, giving rise to widespread economic hardship.

The economic impact of the COVID-19 pandemic varied significantly depending on the segment of the population and economy involved. Low-income workers experienced job losses at disproportionately high rates, small businesses struggled due to drastically decreased revenues and low levels of liquidity, and racial and ethnic minorities continued to be disproportionately impacted by the virus in terms of cases, deaths, jobs lost, and business insolvencies.

The effects of the COVID-19 pandemic on employment were seen most intensely in March and April of 2020. **Resident employment in the City of Los Angeles fell by an estimated 440,600 jobs in within those two months alone; by May, the City's unemployment rate[1] skyrocketed as a result of the virus, jumping from 4.7 percent in February to a shocking 19.1 percent in May.**

All major industry sectors saw a decline in employment as a result of the virus, with Trade, Transportation, and Utilities, which includes retail, and Leisure and Hospitality experiencing the largest negative employment shocks. **The region continues to recover jobs in the wake of the pandemic, but the extent of job loss, economic displacement, and business failure experienced at the peak of the pandemic will have continued ramifications.**

In a typical recession, the contraction may take place over several quarters or months, but the economic disruption related to COVID-19 was nearly instantaneous, impacting the economy in just a matter of days. While the pandemic is an exogenous, single event-driven economic shock, understanding the effects of the pandemic have been crucial in developing a deeper understanding on how shocks like these impact industries and their workers; this knowledge will aid the City of Los Angeles in creating a more resilient economy in the future.

The U.S., California, County of Los Angeles (County), and City of Los Angeles economies have all significantly recovered since the depths of the pandemic-induced downturn in early 2020. Nevertheless, a number of important economic indicators still remain below their pre-pandemic levels.

[1] Refers to the not seasonally adjusted employment rate

The Introduction of Vaccines

The introduction of vaccinations against COVID-19 likely muted the severity of the virus in 2021 compared to what would have otherwise occurred. However, the number of U.S. virus cases, hospitalizations, and deaths associated with the virus in 2021 were higher than those in 2020.

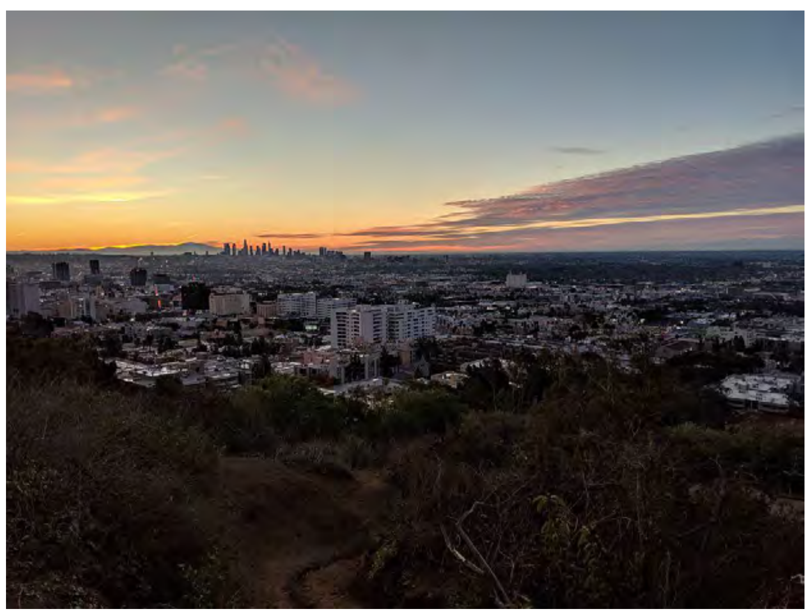
The COVID-19 vaccination process began in mid-December of 2020. As of May 29, 2022, just under 7.4 million (75.9 percent) of Los Angeles County residents aged 5 and up were fully vaccinated. The vaccination rate in the City is slightly lower than that of the County, with over 2.9 million (73.1 percent) residents aged 5 and up receiving being fully vaccinated. The FDA began authorizing booster shots beginning in the summer of 2021 to combat the decline in vaccine effectiveness. Boosters were found to provide significant protection against the Omicron variant. As of May 29, 2022, almost 4 million County residents aged five and up (40.8 percent) have received boosters, with more than 1.5 million City residents aged 5 and up (38.5 percent) having received one. Overall, the City has had a slower vaccination rate than that of the County.

Report Organization

The Los Angeles County Economic Development Corporation (LAEDC) Institute for Applied Economics (IAE) conducted a quantitative and qualitative analysis in this report, the *COVID-19 and the City of Los Angeles: Transitioning from Recovery to a New Normal*. This report, tailored to the City, aims to garner a deeper understanding of the impacts experienced by the City of Los Angeles during the COVID-19 pandemic and to articulate effective strategies to prepare for the prolonged recovery period. Therefore, this study looks deeper into industries and workers most impacted by the secondary effects of the global health crisis and the measures taken to mitigate the spread of the virus as well as where the City stands in the recovery process.

The report is organized into five broad sections:

- **Economic Overview**
- **Employment: Past, Present, & Future**
- **The City's Hardest-Hit Industries**
- **The Impact on Businesses**
- **Occupations in the City**



2. Economic Overview

Key Takeaways

- Overall, **low wage workers experienced disproportionate levels of unemployment** compared to high wage workers.
- During the latter half of 2021, in the midst of the recovery, inflation began to rise as a result of a variety of factors, most of which are connected to the COVID-19 pandemic and post-COVID-19 adjustments.
- Overall, **consumer spending has been increasing** throughout the pandemic, but the ending of stimulus payment and rising price levels will upend this trend.
- Los Angeles is a hub for international trade with connections to locations around the West Coast, and increased demand for goods has led to increased throughput at its port locations.
- **Housing demand reached historic levels during the pandemic** due to fewer homes being on the market, low interest rates, higher cash balances used for down payments, and the transition to remote work that resulted in large portions of the workforce operating from their homes.

Overall, low wage workers experienced disproportionate levels of unemployment throughout the pandemic compared to high wage workers. This development was mostly the result of the differences in the types of occupations each worker type was employed in and the occupation-specific impact of the pandemic. Similarly, some industries have performed better than others during the pandemic based on their primary activity. Small businesses in non-essential industries whose operations require high levels of personal interaction were significantly negatively affected by the pandemic. Not all of the most heavily impacted service industries have fully recovered to pre-pandemic activity levels.

The year 2021 was characterized by a significant shift towards pre-pandemic normalcy. Schools resumed in-person instruction, restaurants opened to diners, gyms resumed operations, and travel increased. However, a transition to a "new normal" has also occurred. For example, increased digitization in education and healthcare has transformed those industries and will likely remain an important feature. Furthermore, remote work shifts have taken place that are unlikely to be completely reversed and will have a variety of significant economic implications.

With this move towards pre-pandemic normalcy in 2021, the economy was characterized as being on a general path of recovery. However, **the trajectory of this recovery was repeatedly impacted by surges in the number of COVID-19**

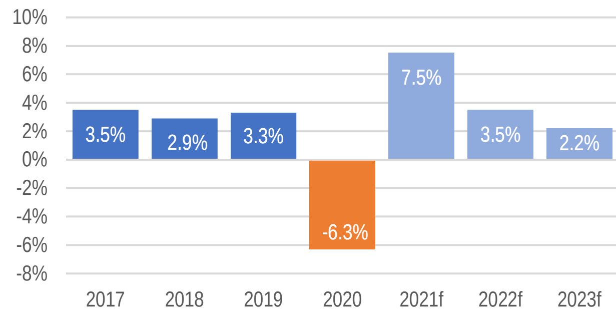
infections and the resultant avoidance behavior.

Economic Growth

The City of Los Angeles represents a significant portion of the Los Angeles County economy, which experienced a strong recovery in 2021 that offset losses from the previous year. Further growth is expected for the future.

Gross county product (GCP) is expected to have grown by 7.5 percent in 2021 and is projected to grow by another 3.5 percent in 2022. Although the rate of recovery is expected to slow over the next two years after the major rebound of 2021, there are positive signs that the county economy is getting back on track following the losses experienced in 2020 **(Exhibit 2-1)**.

Exhibit 2-1:
Los Angeles County Real GCP Growth by Year



Inflation

The latter half of 2021, in the midst of recovery, inflation began to rise as a consequence of a variety of factors, related to the COVID-19 pandemic and post-COVID-19 adjustments.

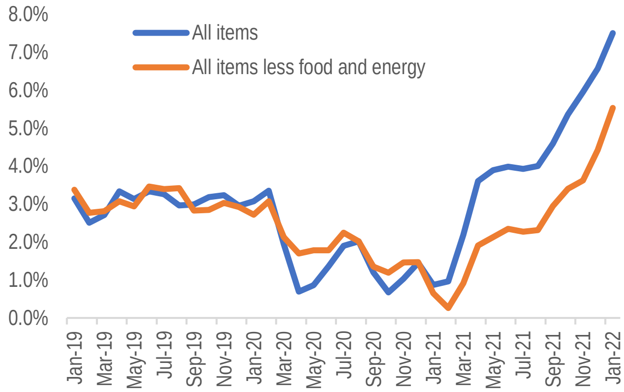
Monetary Policy

The dominant cause of every historical persisting price inflation has been an increasing money supply relative to aggregate production. The federal government's fiscal and monetary policy efforts to stimulate demand over the course of the COVID-19 pandemic have been the principal cause of the recent price inflation. For example, the American Rescue Plan of 2021 injected a significant amount money into the economy. In addition, the federal government's stimulus check policy injected hundreds of billions of dollars into the national economy, which largely resulted in higher prices as economic output did not keep pace with the increase in money supply. In terms of monetary policy, the Federal Reserve maintained a loose monetary policy environment throughout the pandemic, releasing a significant amount of money and credit into the economy.

In 2022, the Federal Reserve embarked on an ambitious plan to control inflation. This tightening of monetary policy has been conducted in the form of aggressive interest rate hikes combined with shrinking the Federal Reserve's asset portfolio. These policy actions are designed to work in tandem to control inflation by tightening financial conditions in the economy.[2] However, it remains to be seen just how quickly these policy actions will begin to reduce inflation. In addition, **the Federal Reserve's aggressive tightening increases the likelihood that an economic recession will take place within the next two years.**

[2] Boesler, M. June 1, 2022. "Fed Starts Experiment of Letting $8.9 Trillion Portfolio Shrink." *Bloomberg*. https://www.bloomberg.com/news/articles/2022-06-01/fed-starts-experiment-of-letting-8-9-trillion-portfolio-shrink

Exhibit 2-2:
Over-the-year percent change in CPI-U, LA County



Global Supply Chain Issues

Global supply chain issues and their effects on production have also impacted the supply of goods available to consumers, and thereby prices, exerting inflationary pressure. Furthermore, the general release of pent-up demand in the economy applied upward pressure on the prices for certain goods and services. Many people's cash balances rose because of a decline in various forms of spending during the pandemic, and we saw much of those accumulated cash balances being spent, leading to price increases.

This can be observed at the local level in **Exhibit 2-2**, which shows the year-over-year percent change in the Consumer Price Index (CPI) for Los Angeles County from the beginning of 2019 through January 2022.

In 2019, the CPI had remained generally steady at around a 3 percent change over the year, falling even lower at the onset of the pandemic. However, in the middle of 2021, prices began rapidly rising: from January 2021 through January 2022, the year-over-year percentage change in the CPI was 7.5 percent, by far the sharpest increase in over a decade. One of the key contributors to this inflation is energy, as prices have risen in this category by about 33 percent year-over-year in Los Angeles County. When removing food and energy from the equation, prices are not increasing nearly as dramatically, though they still show rapid growth.

While inflation impacts the entire economy, low-income individuals are often particularly negatively affected. Rapidly rising prices result in the erosion of purchasing power, though inflation does serve to decrease the real value of debts.

The Redistributive Nature of Inflation

Inflation is redistributive. Higher rates of inflation redistribute wealth in disruptive ways. For example, **workers who do not see their wages adjust along with inflation will see their real wages and standards of living decrease**. Inflation also results in a loss of purchasing power to individuals with fixed income that has not been inflation-adjusted as well as a loss in wealth to individuals who hold cash balances in the event that investments outperform the rate of inflation.

Another redistributive cost of unanticipated inflation is that it redistributes wealth from creditors to debtors. Debtors repay creditors with dollars that are worth less than anticipated at the time the creditors lent money to the debtors. As a result, inflation acts like an arbitrary tax on creditors.

Inflation-induced unpredictability over the long run reduces the willingness to lend and borrow as well as to invest, thereby reducing the flow of income into investment and growth of productive capacity, and therefore of future production.

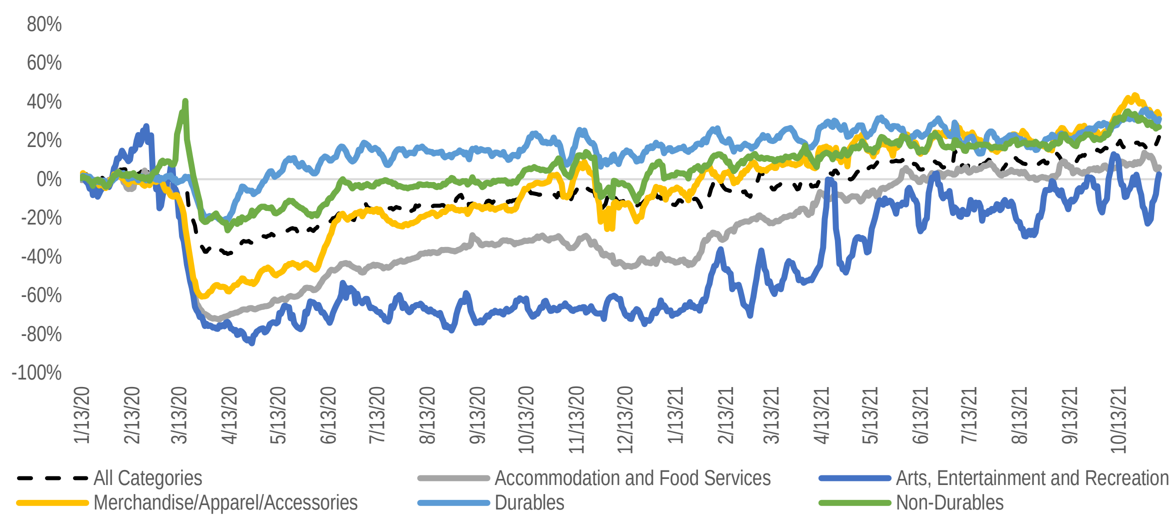
Consumer Spending

The pandemic dramatically changed normal consumer spending patterns. As residents were advised to stay at home and social gatherings and gathering places were restricted, many chose to spend their money in more relevant places. Others, fearing the extent of the economic downturn and the long-lasting impacts it could have, chose to start saving higher proportions of their incomes.

Exhibit 2-3 and **Exhibit 2-4** show the percent changes in consumer spending for Los Angeles City residents in important consumer categories. The data is broken into separate charts for increased clarity. Across all categories combined, **consumer spending in the City of Los Angeles dropped by close to 40 percent compared to January 2020 in the first couple months of the pandemic,** as fears for the future made most wary to spend. The decline in spending occurred most heavily in a couple categories during these months: Transportation and Warehousing, as the lack of open offices and closure of social spaces cleared up the Los Angeles streets in a major way; Arts, Entertainment, and Recreation, as all major venues and public gathering areas were closed off; and Accommodation and Food Services, due to in-person dining restrictions. The industries where consumer spending increased the most in these initial months were Grocery and Food Stores, which saw spending increase over 100 percent from the beginning of the year, and Nondurable Goods, as consumers stocked up for a perceived extended period of shortage.

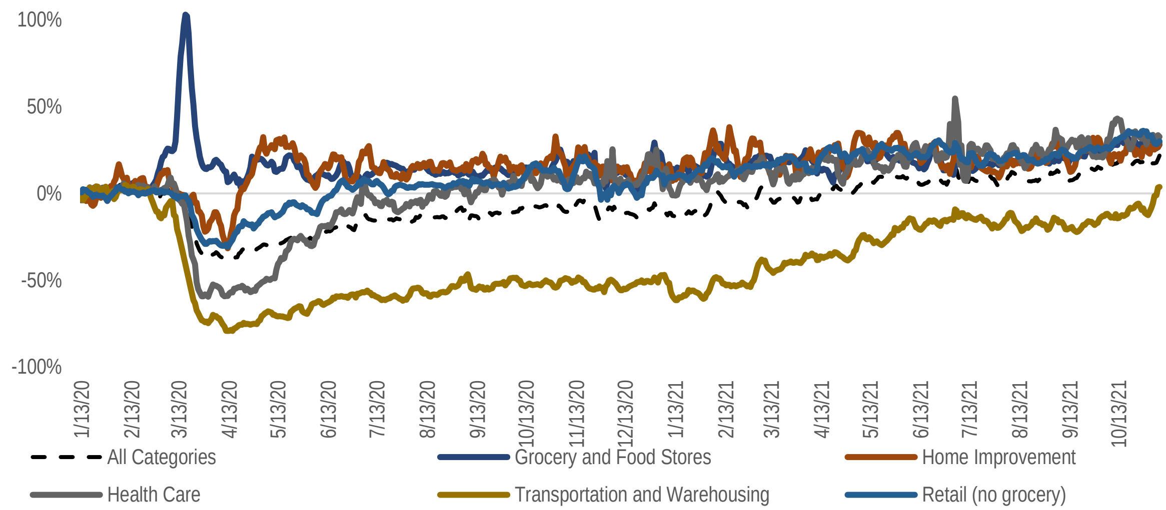
Since that point, spending has evolved differently across these categories. Overall, consumer spending has been increasing throughout the pandemic. By the end of 2021, purchases of Merchandise, Apparel, and Accessories were up nearly 40 percent from January 2020, with retail spending up about 30 percent. Spending on Home Improvement saw a sharp increase just after the initial months of the pandemic as consumers turned their incomes towards improving the living spaces where they were spending most of their time, and, in many cases, working hours.

Exhibit 2-3:
Percent Change in Consumer Spending, City of Los Angeles



Source: Opportunity Insights Economic Tracker

Exhibit 2-4:
Percent Change in Consumer Spending, City of Los Angeles



Source: Opportunity Insights Economic

The higher spending in this category remained consistent throughout 2020 and most of 2021. Spending on Durable and Nondurable Goods is also up about 30 percent from the beginning of 2020.

The categories which were most impacted at the onset of the pandemic have largely rebounded. Consumer spending on Transportation and Warehousing remained down for much of 2020 and only saw a true recovery in 2021, reaching above its January 2020 spending level for the first time in late November 2021. Arts, Entertainment, and Recreation spending shared a similar story, remaining depressed throughout 2020 but witnessing a strong recovery in the back half of 2021 as vaccinations made more events possible. Accommodation and Food Services spending recovered quicker, as restaurants were able to add extensive takeout and outdoor dining options, surpassing its January 2020 numbers by mid-2021. **As of November 2021, consumer spending in the City of Los Angeles sat at about 19 percent above the pre-pandemic baseline.**

Spending Differs by Income

According to the Bureau of Labor Statistics, on average, higher-income households spend a lower percentage of their after-tax income than lower-income households. The highest-income households spend around 65 percent of after-tax income compared the households in the bottom 20 percent of the income distribution, which spend around 190 percent of their after-tax incomes each year.[3] **Lower-**

[3] Renter, E. January 25, 2022. "Low- and Middle-Income Earners Stand to Take the Brunt of Inflation -Here's What That Really Means." *Market Watch*. https://www.msn.com/en-us/money/careersandeducation/low-and-middle-income-

income households typically spend more than they earn by dipping into savings and taking on debt.

The typical spending patterns of lower-income households are different than the spending habits of higher-income households. On average, lower-income households spend a relatively greater proportion of their incomes on necessities and less on non-essential goods[4] than higher-income households. For example, the households with the lowest incomes spend around 14 percent of total spending on food, while food accounts for 12 percent of spending among middle income households and 11 percent of highest income household spending.[5] While middle- and higher-income households do spend more on food in an absolute sense, this relationship occurs because the marginal spending on essential goods decreases with each dollar of income earned.

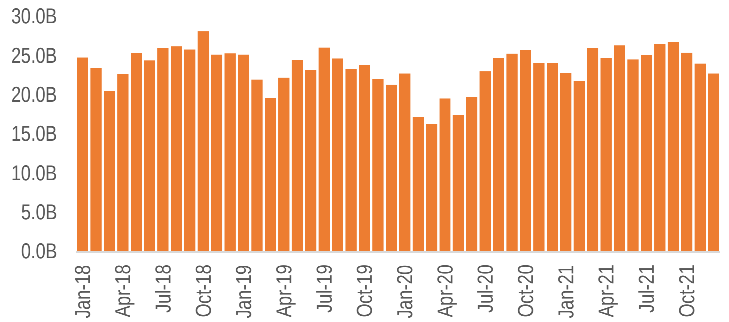
International Trade

The rise in consumer spending has impacted international trade as well. Los Angeles is a hub for international trade with connections to locations around the world; the increased demand for goods has led to increased throughput at its port and airport.

Port of Los Angeles

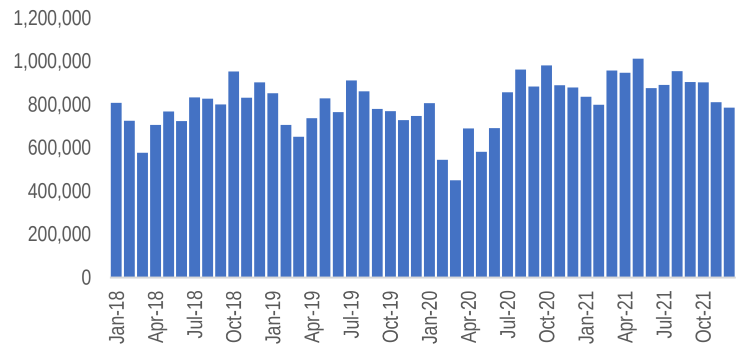
Exhibit 2-5 shows the value of two-way trade (both imports and exports) at the Port of Los Angeles, which is owned and operated by the City of Los Angeles. In the years leading up to

Exhibit 2-5:
Total Value of Two-Way Trade, Port of Los Angeles, 2018-2021



Source: USA Trade Online

Exhibit 2-6:
Total TEUs, Port of Los Angeles, 2018-2021



Source: Port of LA

the pandemic, the port averaged around $20 billion to $25 billion monthly; the value of imports far outweighed the value of exports, often at a rate of four or five to one or even higher. Two-way trade took a dip at the onset of the pandemic, reaching a low of around $16.3 billion in March 2020, but quickly recovered to normal levels. In September 2021, this value reached $26.7 billion, the highest month on record since late 2018.

In terms of total throughput, the Port of Los Angeles set new records last year. In the latter quarters of 2021, the amount of twenty-foot equivalent units (TEUs) that passed

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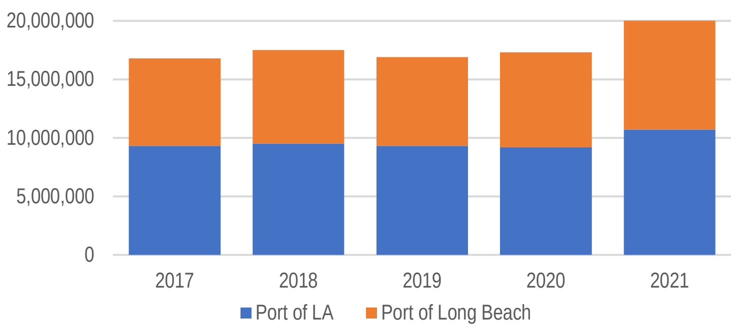
earners-stand-to-take-the-brunt-of-inflation-e2-80-94here-e2-80-99s-what-that-really-means/ar-AAT7k2H

[4] In economic terms, "non-essential goods" are characterized as having relatively high price elasticity of demand.

[5] Renter, E. January 25, 2022. "Low- and Middle-Income Earners Stand to Take the Brunt of Inflation -Here's What That Really Means." *Market Watch*. https://www.msn.com/en-us/money/careersandeducation/low-and-middle-income-earners-stand-to-take-the-brunt-of-inflation-e2-80-94here-e2-80-99s-what-that-really-means/ar-AAT7k2H

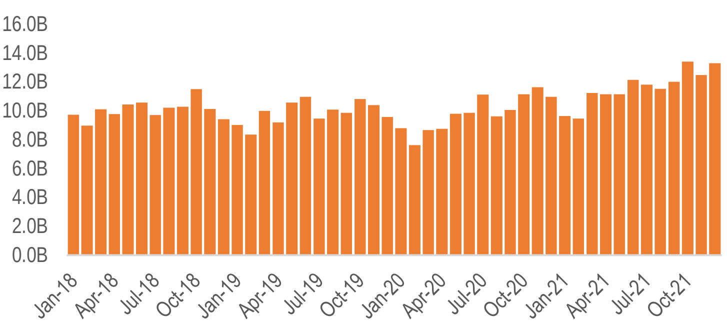
through the port was frequently above 900,000 per month. In pre-pandemic years, this had often averaged just 700,000 to 800,000 TEUs per month, having fallen to as low as 578,000 TEUs in March of 2018. The immediate impact of the COVID-19 pandemic was a steep drop in throughput, with it plummeting to 450,000 TEUs in March of 2020, having only moved 544,000 TEUs in the month prior. However, the port has been busy over the course of the economic recovery: **in May 2021, the Port of Los Angeles recorded over one million TEUs in a month for the first time.**

Exhibit 2-7: Total TEUs by Year, San Pedro Bay Ports



Source: Port of LA, Port of Long Beach

Exhibit 2-8:
Total Value of Two-Way Trade, Los Angeles International Airport, 2018-2021



Source: USA Trade Online

The increase in demand and resulting higher volumes of cargo has not come without its own challenges, as both the Port of Los Angeles and the Port of Long Beach dealt with severe bottlenecks in 2021. One of the most visible results of these bottlenecks were the ships that were forced to wait weeks to unload their cargo: Gene Seroka, the Executive Director of the Port of LA, said in October 2021 that almost 200,000 containers remained off the coast of the Port of Los Angeles.[6] This was caused by a variety of complications, from warehouse crunches inland leading to insufficient off-dock storage space for containers, to a scarcity of trucks to move containers off the docks, resulting in longer dwell times for containers and more vessels being forced to wait extended periods for their chance to unload their cargo.

It was estimated that between January 2020 and August of 2021, the transit time for shipping goods from China to Los Angeles doubled from thirty days to over sixty.[7] Meanwhile, the costs of shipping containers across the Pacific have also increased due to the higher consumer demand for imports. Unfortunately, **this rise in demand occurred at a period when there were not enough transportation workers, with both pandemic restrictions and struggling infrastructure exacerbating supply chain issues.** This created a massive backlog that officials said would take many months to untangle.

[6] Meeks, A., Isidore, C., Yurkevich, V. (2021 October 19). *North America's biggest container port faces record backlog.* CNN. Retrieved from https://www.cnn.com/2021/10/18/business/container-port-record-backlog/index.html?utm_content=2021-10-19T05%3A14%3A21&utm_term=link&utm_medium=social&utm_source=twCNN

[7] Saravia, A., & Murray, B. (2021, November 22). *Every Step of the Global Supply Chain Is Going Wrong — All at Once.* Bloomberg.com. Retrieved from https://www.bloomberg.com/graphics/2021-congestion-at-americas-busiest-port-strains-global-supply-chain/

Los Angeles International Airport

Los Angeles International Airport (LAX) is another important trade and logistics hub in the City, for which the value of two-way trade is shown in **Exhibit 2-8. Since the beginning of the pandemic, trade value has steadily increased**, led by a noticeable rise in the value of air freight imported through the airport. Imports through LAX, which averaged about $5.3 billion in monthly value in 2019, averaged $6.9 billion in 2021 and reached nearly $8.5 billion in December 2021.

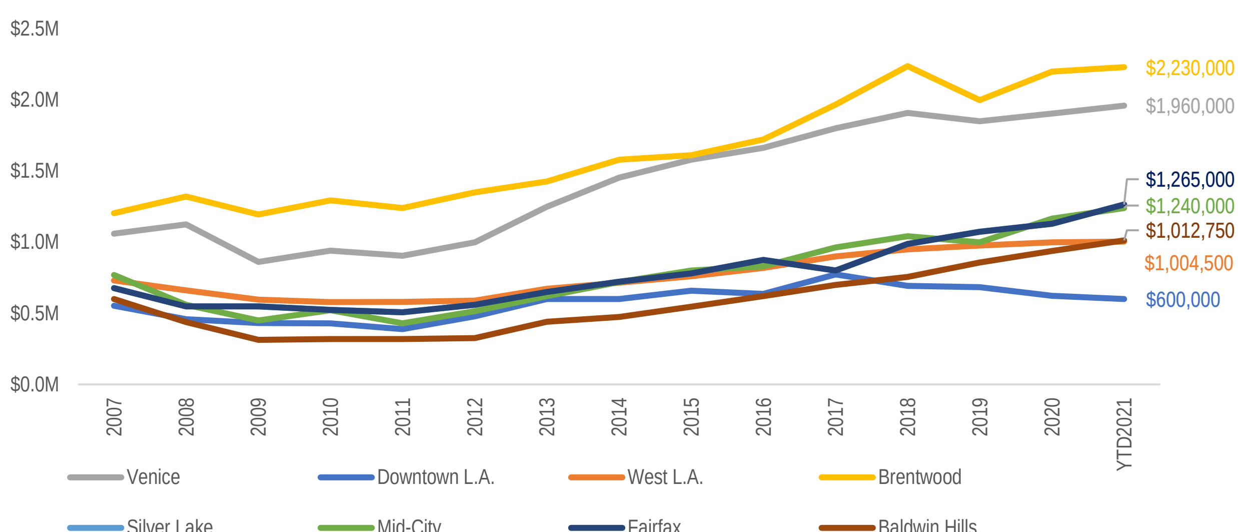
Real Estate

Another challenge currently facing the City of Los Angeles is the state of the housing market, an issue that exists across the entire County. **Housing demand reached historic levels during the pandemic due to fewer homes being on the market, low interest rates, higher cash balances used for down payments, and the transition to remote work that resulted in large portions of the workforce operating from their homes.** Even as the economy began to recover, pent-up demand translated into rapidly rising real estate prices.

This has been reflected in the growth in median housing prices in the City of Los Angeles. Select neighborhoods of the City are shown in **Exhibit 2-9**. The median home prices in neighborhoods such as Silver Lake, Fairfax, West L.A, and Mid-City have climbed into the millions in the past couple of years. Meanwhile, previously expensive neighborhoods have seen a rapid rise in median prices: a prime example is Brentwood, which saw its median housing price reach over $2.2 million in 2021. Even neighborhoods like Baldwin Hills, where just five years ago the median home price was slightly above $650,000, have had median prices rise over $1 million in 2021.

As a result, **housing affordability has declined dramatically. Exhibit 2-10** displays the CAR housing affordability index (HAI) for both the state of California and Los Angeles County over the past fourteen years. The HAI

Exhibit 2-9:
Median Housing Prices, LA City Neighborhoods, 2007-2021

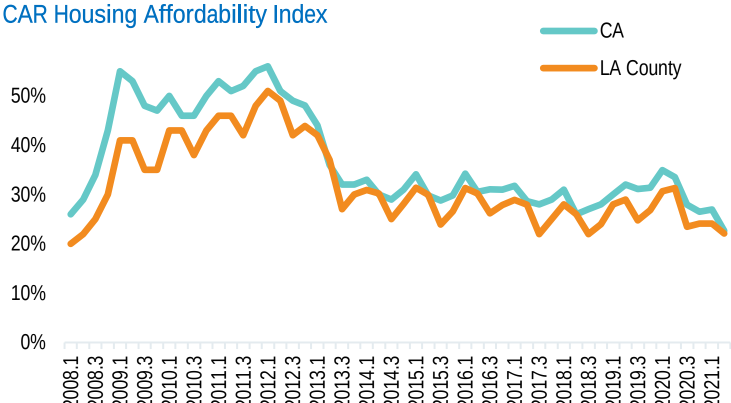


Source: DQ News

in Los Angeles County peaked at 56 percent in 2012, meaning that more than half of the households in the County could afford to buy a median priced home. However, much of this spike in affordability was due to plunging real estate prices in the aftermath of the national housing bubble that burst in 2008.

Since that point, the HAI in both the County and the state of California as a whole dropped to roughly 30 percent throughout most of the last decade. Affordability in Los Angeles County reached somewhat of a peak at the start of 2020, as a HAI of 31 percent represented its highest point since 2016. Since then, however, the metric has fallen, staying consistently below 25 percent since the third quarter of 2020. **In the third quarter of 2021, only 19 percent of households could afford a median priced home, the worst period for affordability since the beginning of 2008**. At a time when City residents were dealing with the economic effects of layoffs and unemployment, rapidly rising housing prices and the lack of affordable housing made the financial situation even more dire for households.

Exhibit 2-10:
CAR Housing Affordability Index



It remains to be seen whether the market will begin to cool down in the near future, or if these housing prices will become another new normal in the City of Los Angeles. **If prices continue to remain high, it is likely that out-migration to more affordable states, which has already begun in California, will increase its pace.** This would in turn lower demand and exert downward pressure on housing prices.

In 2022, the Federal Reserve's tightening of financial conditions in the economy led mortgage interest rates to climb quickly and significantly. All else equal, these higher mortgage rates will reduce the demand for home purchases and therefore reduce housing prices below what they would have been had lower rates been in place. There will likely be a slowdown in the increase in housing prices in Los Angeles as a result. In addition, it is possible that a reversal in median housing prices could take place in 2022 or 2023 as a result of tighter financial conditions in the housing market as well as if an economic downturn takes place. However, different parts of the City will likely experience different relative changes in housing demand and therefore price changes over the next two years.

The overall decrease in demand for home purchases resulting from higher mortgage interest rates will most likely result in a slowdown in home sales. In addition, homeowners who financed their home purchases with low interest rates may be reluctant to sell their homes and to purchase new homes which will need to be financed at higher rates.[8]

[8] Wolfson, A. June 22, 2022. "I'm the COO of a mortgage company that's funded more than $100 billion in loans. Here are the 3 things you need to know about the housing market now." *MarketWatch.* https://www.marketwatch.com/picks/im-the-coo-of-a-mortgage-company-thats-funded-more-than-100-

On a smaller geographic scale, another potential new normal of the post-pandemic economy, remote and hybrid work arrangements, may also result in median home prices falling in certain areas of Los Angeles. As commuters place less of an emphasis on living close to their place of employment, areas with a higher percentage of skilled workers, those most often able to work remotely, who chose live close to their offices will see a corresponding drop in demand. This decrease in demand places downward pressure on home prices in these neighborhoods. This can be observed in **Exhibit 2-9,** as **Downtown L.A. was the only neighborhood featured which saw a decrease in median housing prices between 2020 and 2021**. While this phenomenon will not correct the housing market in the City, it is a potential change that could persist after the recovery.

billion-in-loans-here-are-the-3-things-you-need-to-know-about-the-housing-market-now-01655833731

3. Employment: Past, Present, & Future

Key Takeaways

- Between January 2020 and January 2021, the **City of Los Angeles lost almost 52,000 residents, representing the largest total population decline among all cities in California**. To get a relative idea of the magnitude of the population fall, the City's population decrease represents over half of the population decrease for the entire County of Los Angeles (although it makes up around 39% of the county population) and around 28 percent of California's total population decrease (although it makes up around 10 percent of the state's population) during the period.

- During the pandemic, housing affordability and availability issues, combined with the significant negative economic effects of COVID-19, encouraged a record high number of Los Angeles residents to move out of the City in search of more affordable places to live. With a high number of City residents employed in the types of industries that were most negatively affected by the pandemic, **a significant number of residents left the City in search of lower cost of living areas with potentially more attractive employment prospects** during the pandemic period.

- The pandemic led to a **sudden and significant decline in the City's labor force that has been slow to recover**. An incomplete recovery in the labor force has the potential to permanently change the City's economic landscape. For example, if the labor force decline is particularly affecting certain industries, this will decrease the relative proportion of economic activity attributed to these negatively affected sectors resulting in fewer establishments and employees in those industries.

- Overall, the **structure of the Los Angeles City economy is characterized by a relatively high prevalence of the types of industries (and their accompanying workforce) that were most hard-hit by the pandemic.** The landscape of employment in the City of Los Angeles has changed due to the pandemic. While the top two sectors have remained unchanged, **the Accommodation and Food Services industry has dropped from the third largest in 2019 to the fifth largest in 2021.**

- **Job recovery in 2021 and 2022 is projected for most industries** with some of 2020's hardest hit components of the Leisure and Hospitality sector exhibiting significant growth.

- Over the period from 2021 to 2023, all sectors except for the government sector, are expected to add jobs. **Leisure and Hospitality sector's Food Services and Drinking Places component is expected to add more jobs than any other industry sector.** The Education and Health Services and Professional and Business Services sectors are also projected to add a significant number of jobs between 2021 and 2023.

Population Changes during the Pandemic

According to the Demographic Research Unit of the California Department of Finance, between January 2020 and January 2021, the City of Los Angeles lost almost 52,000 residents, representing the largest total population decline among all cities in California. Furthermore, this overall decrease in the City's population for the 2020 period exceeded the population decline experienced by every California county apart from Los Angeles County. To get an idea of the magnitude of the population fall over this period, **the City's population decrease represents over half of the population decrease for the entire County of Los Angeles** (despite the City making up around 39 percent of the County's population) and around 28 percent of California's total population decrease (although it makes up around 10 percent of the state's population). Altogether, the 2020 decrease in City of Los Angeles residents represents a 1.3 percent decrease in the City's population, which was the third largest percentage decrease among cities in Los Angeles County.

Causes of Population Decline

During the pandemic, housing affordability and availability issues, combined with the significant negative economic effects of the COVID-19 pandemic, encouraged a record high number of Los Angeles residents to move out of the City in search of more affordable places to live. With a high number of City residents employed in the types of industries that were most negatively affected by the pandemic, a significant number of residents left the City in search of areas with a lower cost of living and more attractive employment opportunities during the pandemic period.

In addition, remote work effects took place during the pandemic that served to encourage some Los Angeles residents to move away from their places of work in search of more desirable living situations. Remote work reduces the need for employees to remain in a specific jurisdiction for work. This has resulted in population shifts as people chose places to live that more closely match their preferences without having to find a new job.

Potential Consequences of Population Decline

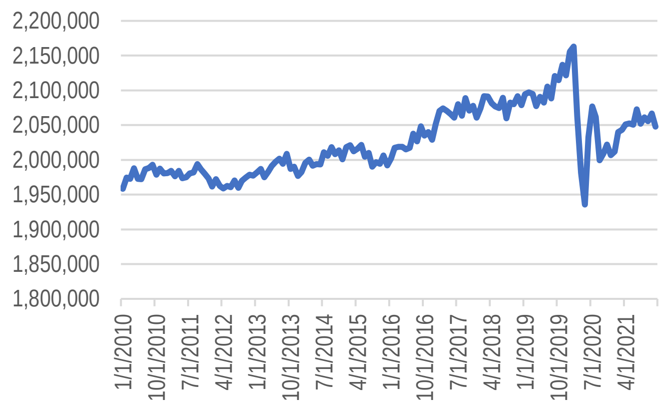
The migration of City residents to other jurisdictions affects property values, business location decisions, and local government tax revenues. As certain areas of the City experience an outflow of population, corresponding changes in real estate demand, prices, and future supply in those areas may take place. For example, office real estate may experience a significant change in value if businesses no longer have to rent space for their workers. Furthermore, businesses such as retail stores and restaurants previously located near traditional places of work may experience a corresponding fall in consumer demand that will impact current business survival rates and future location choices. **This shift in demand for office real estate can therefore result in asset value changes for retail and restaurant real estate as well.**

Finally, a long-lasting decrease in population and the resulting effect on businesses will also impact local tax revenues. **As people and businesses leave the City, Los Angeles may experience a decline in tax revenues,** while jurisdictions that attract employees and businesses away from the City will experience an associated increase in tax revenues.

Recommendation:

The City of Los Angeles's significant population decline during the pandemic is due in large part to housing affordability issues in the City. As a result, **encouraging the construction of additional housing should remain a City priority**, as additional supply will exert downward pressure on prices. The City can positively affect the housing supply by revisiting and revising zoning laws in a manner that will result in an increased supply of housing units.

Exhibit 3-1: City of Los Angeles Labor Force



The Decline of the City's Labor Force

The supply side of the City of Los Angeles's labor market was significantly negatively impacted by the effects of the COVID-19 pandemic. Prior to the pandemic, the City's labor market had been experiencing a steady increase, peaking right before the pandemic hit. **The pandemic led to a sudden and sizable decline in the labor force that has been slow to recover.** The City's labor force fell from 2,089,700 in 2019 to 2,009,700 in 2020, representing an approximate fall of 3.8 percent. Although 2021 was characterized by a slight recovery in the labor force, it is still far from the pre-pandemic level. **It remains to be seen whether this shock to the labor market will leave a permanent mark** on the trajectory of the growth of the City's labor force or whether the labor force will recover and approach levels consistent with the pre-pandemic trend.

The City's labor force has been slow to recover for a number of reasons. One reason is directly connected to the population decline discussed in the section above. Workers left the City in record numbers soon after the pandemic hit and the migration of workers into the City during this period was unable to make up for this out-migration. Many of these City exits were residents that worked in industry sectors that were particularly hard-hit during the pandemic, such as the Leisure and Hospitality sector, which have yet to recover to their pre-pandemic employment levels. However, the percentage decline in the labor force did outpace that of the population over the same period, so there must be other factors at play. Another such reason is the "Great Resignation" that took place during the pandemic, which resulted in a significant number of workers quitting their jobs.

The decrease in the labor force has many economic implications for the City. For example, the labor force decline has negatively impacted many businesses, particularly small businesses. According to a recent Goldman Sachs survey, 97 percent of small business owners answered that difficulty hiring is negatively affecting their bottom line.[9] **An incomplete recovery in the labor force has the potential to permanently change the City's economic landscape**: if the labor force decline particularly affects certain industries, it will decrease the relative proportion of economic activity attributed to these negatively-affected industries, thereby resulting in fewer establishments and employees in those industries. The City's hardest hit industry sector, the Leisure and Hospitality sector, has been slow to recover jobs lost during the pandemic. While this may be due to factors such as an incomplete recovery of tourism in the City, it is also likely that the industry's inability to attract and hire workers is negatively impacting the sector's recovery.

The labor force will be a key metric to watch going forward and will be an important determinant of the recovery and overall economic performance of the Los Angeles City economy.

Recommendations:

Workforce development has an important role to play in bringing workers back into the labor force. Many workers may have decided not to return to the labor force because they are discouraged by the mismatch between the skills they possess and the skills employers demand for the types of jobs they are interested in, leaving only relatively low wage/low skill jobs available.[10] Workforce development efforts can serve to close this skills gap and attract workers back into the labor force.

The City should consider implementing policy changes that reduce barriers to hiring new labor force entrants. Arizona State University's *Doing Business in North America 2021 Report* gave Los Angeles the third lowest rank of any U.S. city in the study when it comes to employing workers.[11] The rank was determined by accounting for a number of variables related to the ease and cost of employing workers in each city. These variables specifically focus on the areas of hiring, working hours, laying off workers, and worker leave. **Reducing barriers to new hiring will encourage already established**

[9] Goldman Sachs. January 2022. "Survey: Small Businesses on the Brink - New Survey Data Shows Omicron Hurting Main Street, Leading Small Business Owners to Overwhelmingly Support Congress Passing Additional Aid."

[10] Brent Orrell, Harry J. Holzer, & Robert Doar, "Getting men back to work: Solutions from the right and left," American Enterprise Institute, April 20, 2017, http://www.aei.org/publication/getting-men-back-to-work-solutions-from-the-right-and-left/.

[11] Arizona State University. (2021). Doing Business in North America 2021 Report. https://dbna.asu.edu/

City businesses to hire entrants to the labor force coming from both within and outside of the City and may also encourage new business startups and relocations to the City from other jurisdictions.

The City's Economic Base

From the end of the Great Recession to the start of the COVID-19 pandemic, the economy of the City of Los Angeles had been growing, with improvement across many key metrics. Poverty and unemployment rates were declining as incomes were rising, and the City showed strong employment growth across most industry sectors.

The economic base within a geographic area is the distribution of employment by industry. The pre-pandemic employment base in the City is shown in **Exhibit 3-2**. Total employment numbered just over 1,750,000 in 2019, with an annual average wage of about $73,200 – well above the average wage of $63,400 for Los Angeles County overall. Government accounted for the largest share of employment in the City with large concentrations of workers at the local, state, and federal levels.

The City of Los Angeles has many economic strengths. Among these are the Health Care and Social Assistance industry, with nearly 280,000 workers, and the Leisure and Hospitality industry, which is supported by high amounts of both domestic and international tourism. The Retail Trade and the Professional, Scientific, and Technical Services industries also commanded significant shares of City employment.

Overall, the structure of the City of Los Angeles economy is characterized by a relatively high prevalence of the types of industries (and their accompanying workforce) that were the hardest hit by the pandemic. These industries require a high degree on in-person interaction, and include sectors focused on entertainment, particularly the film and television industry, and the types of businesses that cater to tourists, such as restaurants and hotels. As a result, **the City was particularly impacted by the pandemic-induced changes to the economy**

Exhibit 3-2: Pre-pandemic Employment Base, LA City 2019

NAICS	Industry Name	Employment	Average Annual Wage
92	Government	314,609	$ 86,260
62	Health Care & Social Assistance	278,373	44,857
72	Accommodation & Food Services	169,196	29,293
44-45	Retail Trade	136,259	40,584
54	Prof'l, Scientific & Technical Services	131,711	119,759
56	Admin, Support & Waste Srvcs	96,546	51,641
48-49	Transportation & Warehousing	80,421	73,121
31-33	Manufacturing	80,377	65,179
51	Information	75,816	147,814
81	Other Services	66,680	42,928
42	Wholesale Trade	63,429	67,433
52	Finance & Insurance	60,555	159,906
61	Educational Services	52,155	76,022
23	Construction	48,805	65,116
71	Arts, Entertainment & Recreation	40,211	138,504
53	Real Estate and Rental & Leasing	38,131	76,506
55	Mgmt of Companies & Enterprises	19,070	129,994
21-22	Mining/Quarrying/Oil & Gas/Utilities	2,902	129,824
11	Agriculture, Forestry, Fishing & Hunting	1,234	45,340
	Total	1,756,480	$ 73,192

Source: BLS QCEW

compared to California or the nation as a whole.

Over the past decade, the economy grew in most areas, supported by strong job expansion in key sectors: health care innovation and service; port-based trade and logistics; media-based entertainment; and travel and tourism. Job growth since 2009 is displayed in **Exhibit 3-3**. The Health Care and Social Assistance industry more than doubled its employment over the span of a decade, while many other industries also showcased rapid growth. The Manufacturing sector stood out for its marked decline in employment, reflecting the experiences of many other cities, counties, and states as certain jobs became automated and the outsourcing of domestic manufacturing became more commonplace. **Overall, the City added just over 350,000 jobs between 2009 and 2019, with total employment growth in the period reaching 25 percent.**

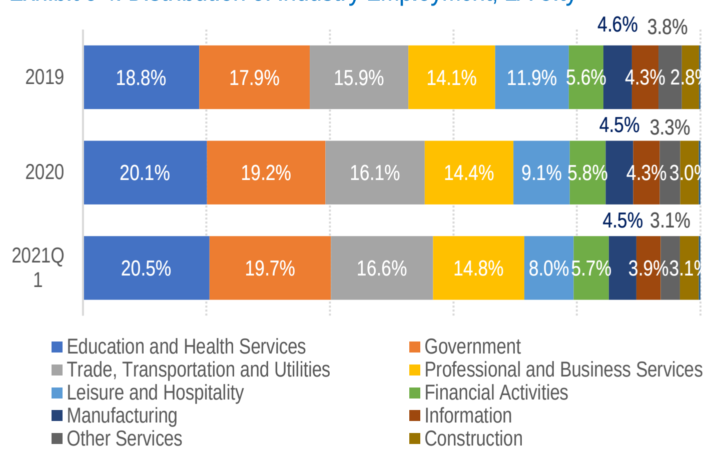
The change in the distribution of City employment across all industry supersectors throughout the pandemic is displayed in **Exhibit 3-4**. Between 2019 and the first quarter of 2021, employment in Leisure and Hospitality and Other Services declined dramatically, while the employment level in the City's largest three industries increased.

Exhibit 3-3: LA City Job Growth

Employment by Industry, 2009 to 2019

Source: CA EDD

Exhibit 3-4: Distribution of Industry Employment, LA City



COVID-19's Impact on Employment

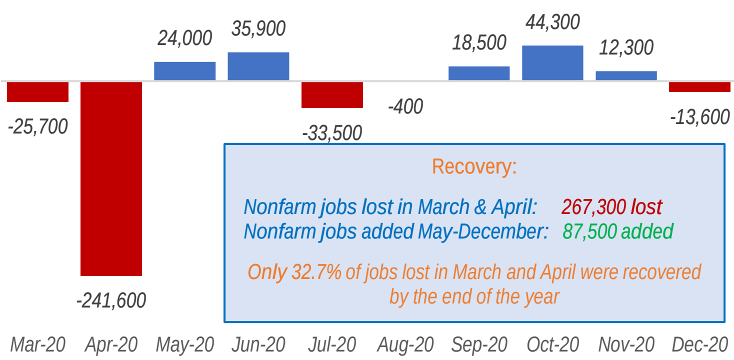
Just as employment levels in Los Angeles County and California as a whole suffered dramatically at the onset of the COVID-19 pandemic, the City of Los Angeles was similarly impacted.

With the introduction of the initial Safer at Home orders across Los Angeles County in mid-March 2020, all non-essential businesses were closed to the public to prevent the spread of the novel coronavirus. Restaurants were allowed open only for take-out, and the remaining establishments overlooked by the order, such as grocery stores, healthcare operators, and transportation services, were forced to institute strict social distancing practices.

These business restrictions had an immediate effect on employment in the City. As shown in **Exhibit 3-5**, in the months of March and April 2020, **over 267,000 nonfarm jobs were lost**

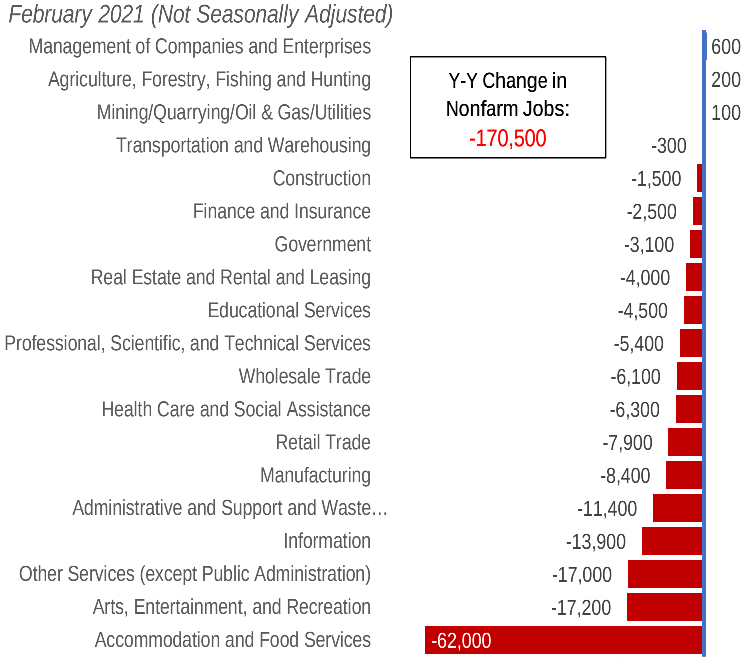
as employers were forced to lay off their workers as they had no hope of resuming their operations in the foreseeable future. Some of these jobs started being recovered in May and June 2020, but another surge in cases over the summer months lead once again to a decline in total employment. There was encouraging growth in the latter months of 2020, but by the end of the year the results were grim: of the 267,000 jobs lost in those initial two months of the pandemic, only 87,500 had returned, with close to 70 percent of the lost employment yet to be recovered heading into 2021.

Exhibit 3-5:
Monthly Change in LA City Payroll Employment
Month-over-month change in nonfarm employment



Source: CA EDD

Exhibit 3-6:
Year-Over-Year Change in Jobs by Industry
February 2021 (Not Seasonally Adjusted)



Source: CA EDD

Exhibit 3-6 shows the breakdown of year-over-year job changes in the City of Los Angeles by industry sector. Year-over-year comparisons allow us to identify trends in time series data, such as monthly employment. **Total nonfarm jobs decreased by 9.5 percent between February 2020 (the pre-pandemic baseline) and February 2021**, **a decline of 170,500 jobs**. Of these, the hardest hit industry in terms of total jobs lost was Accommodation and Food Services, which declined by 62,000 jobs.

Arts, Entertainment, and Recreation lost over 17,000 jobs as venues like concert halls, sports stadiums, and museums all closed for extended periods of time; this represented a decline of over 40 percent in employment within the industry. Other Services, which includes Personal Care and Laundry Services, also lost about 17,000 jobs as social distancing requirements prevented the in-person interactions on which these businesses depended. The Information sector declined by nearly 14,000 jobs, a, employment decrease of 18 percent, with the Motion Picture and Sound Recording industries accounting for nearly 12,000 of these. The Administrative and Support and Waste Management industry also lost over 11,000 workers with the transition to remote work making many of these jobs unnecessary.

Some industries were better able to weather the storm than others. Construction was deemed an essential industry at the start of the pandemic, and as such did not suffer from the layoffs of other industries. Finance and Insurance and Professional, Scientific, and Technical Services, two industries that were best suited for a remote transition, were also among the least affected in the City. These industries only lost about 4 percent of employment each. Health Care and Social Assistance, a critical sector of the economy as case numbers and hospitalizations rose, lost just 2 percent of total employment.

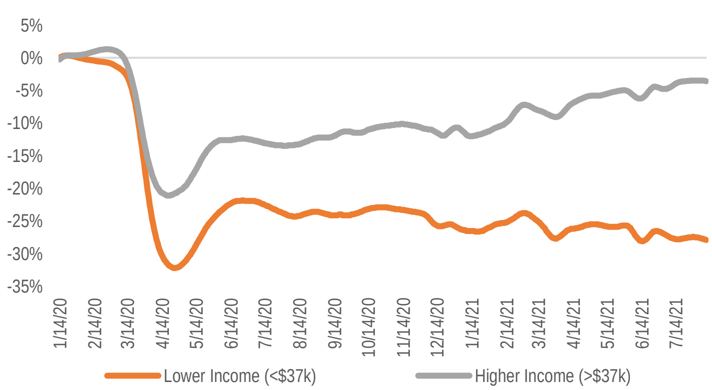
Employment Disparities

It is important to note that the employment impacts of the pandemic have not been equally distributed among the residents of Los Angeles. **The economic downturn had a much greater negative effect on lower-income workers in the City, those who were already struggling the most, while higher-income workers remained insulated from the layoffs and business closures.**

Exhibit 3-7 shows the percent change in employment by income bracket in the City of Los Angeles, benchmarked from the start of January 2020.

We can see that in the initial months of the pandemic, both lower income residents, those making less than $37,000 annually, and higher-income residents making above this mark saw dramatic declines in employment, but at differing degrees. **As the pandemic progressed, higher-income employment made a steady comeback,** adding jobs gradually and reaching less than 5 percent below the January 2020 level by the middle of 2021. However, the story has been very different for lower-income residents. Despite an initial resurgence in mid-2020, employment in this income bracket has struggled to recover and has slightly declined over the course of 2020 and 2021. In early August 2021, these residents were still nearly 30 percent below the pre-pandemic employment level.

Exhibit 3-7:
Percent Change in Employment by Income Bracket, LA City



Source: Opportunity Insights Economic Tracker

One explanation for this disparity is that the pandemic has had a large impact on certain industries that employ higher amounts of lower-skilled, lower-paying jobs while being the effects have been much milder for higher-skilled, higher-paying industries. Many of the occupations paying low wages in the City of Los Angeles exist in the Food Services and Drinking Places, Retail Trade, and Administrative and Support Work industries and similar sectors where labor can be hired and replaced more easily. These industries have been affected most by closures as they rely on a higher degree of in-person interaction. On the other hand, **many of the higher-income sectors in the City are knowledge-based and have been able to transition online, protecting these workers from being laid off.**

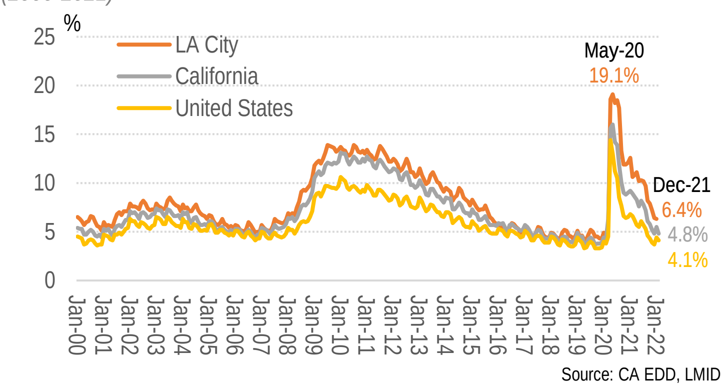
Unemployment

The unemployment rate measures the number of individuals who are unemployed and actively seeking work as a share of the total labor force.

Unemployment spiked in the City of Los Angeles due to the pandemic restrictions, as shown in **Exhibit 3-8**.

Initially below 5 percent at the onset of 2020, it rose to a peak of 19.1 percent in May 2020 as the full weight of the closures hit workers and businesses.[12] Although this rate began to fall in the latter stages of the year with vaccinations and a gradual reopening of the economy, the unemployment rate was still at 12.6 percent in the City for January 2021. February 's unemployment rate declined two percentage points, reflecting the loosening of restrictions when the Regional Stay at Home Order was rescinded statewide on January 25. The unemployment rate in August was below 10 percent for the first time since the pandemic struck. By November, the unemployment rate had fallen to around 7 percent. By December 2021, unemployment fallen to just 6.4 percent – still above the pre-pandemic baseline, but well below its heights in 2020.

Exhibit 3-8:
Unemployment Rate in the City of Los Angeles
(2000-2021)



During the pandemic, unemployment reached a much higher level than it did in the last major recession, the Great Recession in 2009. In that instance, the unemployment rate never rose above 14 percent in the City of Los Angeles. The major difference is that **after the Great Recession, it took unemployment several years to gradually decline, while unemployment has fallen rapidly after the beginning of the pandemic.** This speaks to the differences between the two recessions and their underlying causes.

Unemployment Insurance Claims in the City

Unemployment insurance (UI) claims filing data acted as an early indicator of the magnitude of COVID-19's labor market impacts and showed how different types of workers felt these effects. From the middle of March to the end of September 2020, 1,624,000 initial regular unemployment insurance claims were filed in the City. A further 565,000 pandemic unemployment assistance (PUA) claims were filed in this timespan.

Exhibit 3-9:
Weekly Unemployment Insurance Claims, LA City

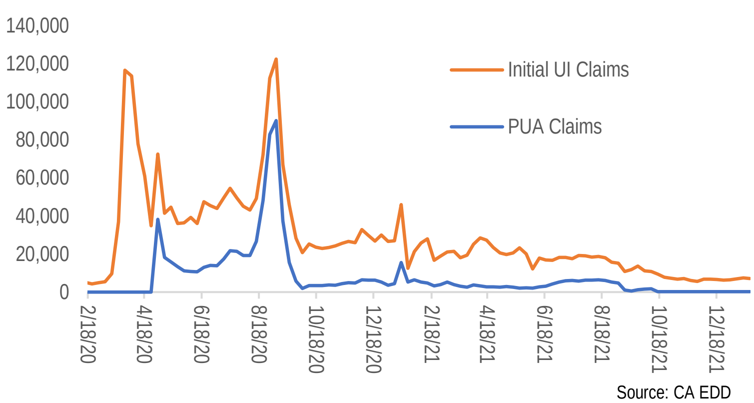


Exhibit 3-9 shows the weekly number of both initial unemployment insurance claims and PUA claims filed. In the last week of March and the first week of April 2020, over 230,000

[12] Percentages refer to the not seasonally adjusted employment rate

initial UI claims were filed in Los Angeles. This weekly rate remained above 40,000 for much of the summer. The PUA program began at the end of April and immediately received 38,000 claims in its first week alone. There was another major spike in claims at the end of August, where 235,000 initial UI claims and 173,000 PUA claims were filed in a single two-week span. **Throughout the majority of 2021, the rate of initial UI claims filed remained elevated well above pre-pandemic norms, though this decreased over time as more and more residents surpassed their benefits year.** The PUA program was also phased out over time and ended in September 2021.

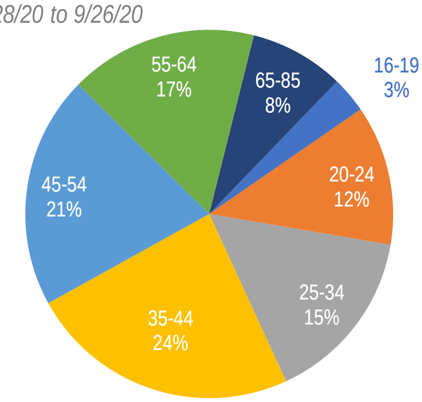
At the end of 2021, it was estimated that over 2.8 million initial unemployment insurance claims had been filed in the City, along with nearly 800,000 pandemic unemployment assistance claims.

Characteristics of Those Filing UI Claims

Breaking down these unemployment insurance claims by demographic groups gives an indication of how different subsets of the City population fared during the pandemic, and which have been hit the hardest by unemployment. As in the County as a whole, certain groups have been disproportionately impacted.

By age, combined initial UI claims and PUA claims are distributed relatively evenly from mid-March to the end of September, with the most claims originating from workers in the 35-44 age range followed by those in the 45-54 age range (**Exhibit 3-10**). This is **a slight departure from what was observed at the county level, where UI claims were largely generated by younger workers** in the county. But while workers in the City of Los Angeles aged 20-24 filed just 12 percent of claims in this period, the number of claims filed corresponded to roughly 79 percent of the City's population in that age bracket. This was well higher than any other age group, giving us a hint that **when measuring by proportion, young workers in the City were still heavily affected.**

Exhibit 3-10
Initial UI Claims and PUA Claims by Age, LA City
Week ending 3/28/20 to 9/26/20



Source: CA EDD

Exhibit 3-11 breaks down unemployment insurance claims by educational attainment and shows that **workers with lower levels of education have been massively affected by unemployment. In the first six months of the pandemic, City residents with just a high school diploma or less education filed 535,000 initial unemployment insurance**

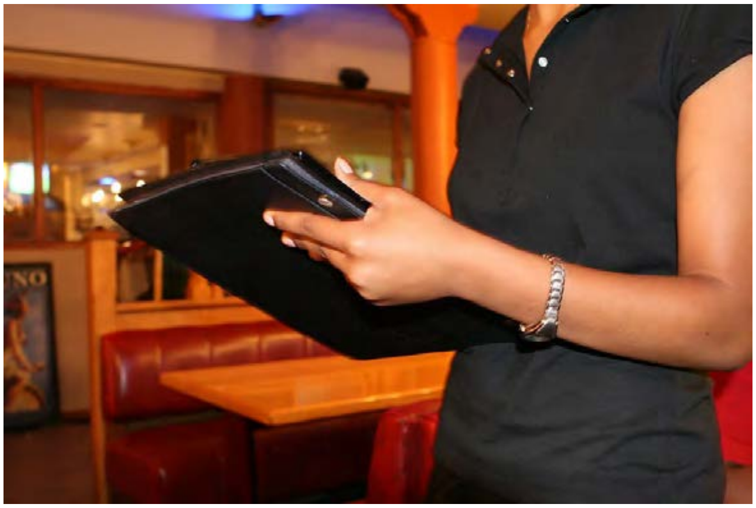
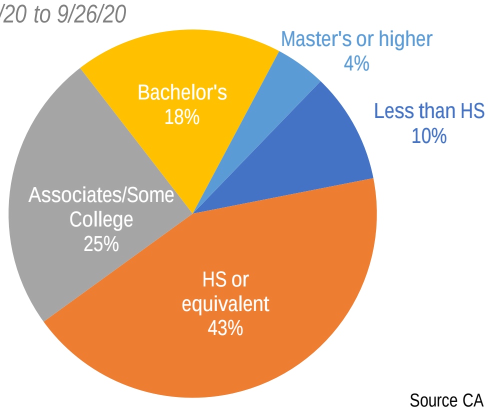
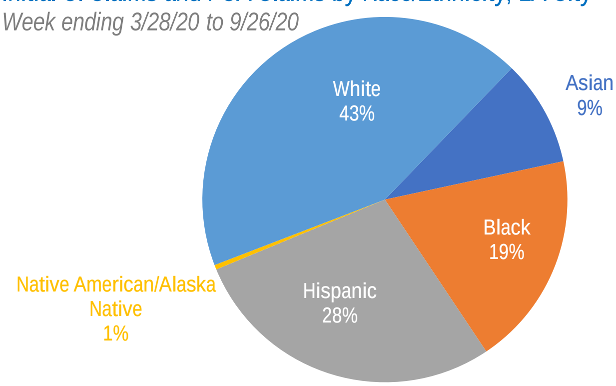


Exhibit 3-11
Initial UI Claims by Educational Attainment, LA City
Week ending 3/28/20 to 9/26/20



Source CA EDD

Exhibit 3-12
Initial UI Claims and PUA Claims by Race/Ethnicity, LA City
Week ending 3/28/20 to 9/26/20



Source: CA EDD

claims. This corresponded to 53 percent of claims filed where educational attainment was provided. Meanwhile, workers with some college experience or an associate degree accounted for a further 25 percent of initial UI claims. Those in the City with a bachelor's degree or higher were responsible for only 22 percent of claims.

This is consistent with the report's understanding of how the pandemic affected employment and industries in the City and County. Many of the occupations most heavily impacted were lower-skilled jobs in service-related industries where in-person interactions were important and employee turnover was already high. When these service industries such as Accommodation and Food Services and Retail Trade became unable to operate, employees in these occupations were quickly laid off, and with few available opportunities to find jobs in higher-skilled industries or quickly retrain, many turned to unemployment insurance to keep themselves afloat.

By race/ethnicity, we can see that white residents have filed the most unemployment insurance claims between mid-March and the end of September 2020, with about 43 percent of total claims where race/ethnicity was provided (**Exhibit 3-12**). Hispanic residents accounted for 28 percent, while Black and Asian residents filed 19 percent and 9 percent of claims, respectively. **At the onset of the pandemic, Hispanic workers accounted for the greatest number of UI claims filed; however, in August and September we saw a demographic shift in the racial composition of claimants at both the City and state level.** There were increasing amounts of older, white claimants applying for

PUA, but other demographic groups did not match this increase. Male workers were responsible for about 54 percent of claims in this timespan.

Current Industry Composition and Looking Ahead

The landscape of employment in the City of Los Angeles has changed due to the pandemic. Exhibit 3-13 shows the employment level of each industry in early 2021, along with its year-over-year change in employment. While the top two sectors have remained unchanged with minimal decreases in employment, **the Accommodation and Food Services industry has dropped from the third largest in 2019 to the fifth largest in 2021, with a year-over-year employment decline of over 37 percent.** Several other industries are also well below their employment levels from a year prior, including Arts, Entertainment, and Recreation, Other Services, and Information.

The forecast for employment in the City of Los Angeles is shown in **Exhibit 3-14** and **Exhibit 3-15**. **Job recovery is projected in 2021 for most industries with some of 2020's hardest hit components of the Leisure and Hospitality sector exhibiting significant growth**. Employment in both Arts, Entertainment, and Recreation, and Food Services and Drinking Places is expected to have grown well over 9 percent in 2021. However, Accommodation is expected to have lost even more jobs in 2021. Another sector expected to have grown significantly in 2021 is the Information sector, with expected growth job growth of over 10 percent, as the Motion Picture and Sound Recording industries worked through the production backlog when they were put on hold in 2020.

Exhibit 3-13: Economic Employment Base, LA City 2021

NAICS	Industry Name	Employment	Year-Over-Year Change
92	Government	316,697	-0.9%
62	Health Care and Social Assistance	280,577	-2.1%
54	Professional, Scientific, and Technical Services	131,689	-2.3%
44-45	Retail Trade	128,396	-5.8%
72	Accommodation and Food Services	104,853	-37.2%
56	Administrative, Support and Waste Srvcs	85,928	-11.9%
48-49	Transportation and Warehousing	81,337	-1.5%
31-33	Manufacturing	71,720	-9.8%
51	Information	62,819	-16.2%
52	Finance and Insurance	57,574	4.3%
42	Wholesale Trade	56,771	-8.9%
81	Other Services	50,167	-24.9%
23	Construction	49,357	-2.5%
61	Educational Services	48,973	-7.3%
53	Real Estate and Rental and Leasing	34,867	-10.0%
71	Arts, Entertainment, and Recreation	23,765	-40.7%
55	Management of Companies and Enterprises	20,113	4.1%
21-22	Mining/Quarrying/Oil & Gas/Utilities	3,127	5.1%
11	Agriculture, Forestry, Fishing and Hunting	1,353	13.3%
	Total	1,610,083	-9.3%

Source: BLS QCEW

Exhibit 3-14: 2021-2023 Industry Employment Growth,
City of Los Angeles

Over the period from 2021 to 2023, all sectors except for the Government sector, are expected to add jobs. Leisure and Hospitality sector's Food Services and Drinking Places component is expected to add more jobs than any other industry sector. The Education and Health Services and Professional and Business Services sectors are also projected to add a significant number of jobs between 2021 and 2023.

The City of Los Angeles' economic recovery in the years to come will depend on a variety of factors, especially including the future trajectory of the COVID-19 pandemic. Some industries crucial to the City's economic base provide important services that require high degrees of in-person interaction. As a result, the economic performance of many of these industries will be inextricably linked with the state of the pandemic.

Exhibit 3-15: Employment Growth Projections by Industry Sector

Employment Growth by Sector	2019	2020	2021f	2022f	2023f
Construction	48,805	0.4%	2.9%	2.0%	-1.0%
Manufacturing	80,377	-9.2%	-0.7%	1.0%	0.4%
Wholesale Trade	63,429	-11.0%	1.0%	3.0%	0.9%
Retail Trade	136,259	-8.2%	5.6%	2.2%	0%
Transportation and Warehousing	80,421	-1.8%	3.3%	2.3%	1.2%
Information	75,816	-8.6%	10.9%	3.6%	0.8%
Financial Activities	98,686	-4.4%	-0.3%	1.1%	0.6%
Professional and Business Services	247,327	-5.6%	6.1%	0%	0.1%
Education and Health Services	330,528	-1.6%	2.3%	2.6%	0.5%
Arts, Entertainment, and Recreation	40,211	-28.8%	9.4%	5.0%	2.7%
Accommodation	19,528	-39.8%	-2.4%	11.8%	4.6%
Food Services and Drinking Places	149,668	-28.5%	9.9%	5.0%	8.6%
Other Services	66,680	-19.5%	5.6%	7.2%	3.1%
Government	314,609	-1.1%	-3.0%	2.2%	-0.4%

Los Angeles Compared to Other U.S. Cities During the Pandemic

This section provides a relative total employment comparison between the City of Los Angeles and 55 large U.S. cities.[13] In order to gauge the relative impact of the COVID-19 pandemic on City employment compared to other cities, an employment figure comparison was made between April 2020 employment and the employment figures for January 2020. In addition, the analysis compares the rates of employment recovery by city from April 2020 to February 2022. Finally, the analysis compares each city's percentage change in employment for the period January 2020 to February 2022.

Exhibit 3-16 below lists all cities included in the analysis along with their rates of employment decline from January 2020 to April 2020. In addition, the table lists each city's employment growth rate from April 2020 to February 2022 and from January 2020 to February 2022.

Exhibit 3-16: City Employment Breakdown

City	January 2020 - April 2020	April 2020 - Feb 2022	January 2020 - February 2022
Birmingham	-11.6%	15.0%	1.6%
Phoenix	-11.3%	13.7%	0.8%
Anaheim	-16.4%	18.7%	-0.8%
Long Beach	-21.5%	22.6%	-3.7%
Los Angeles	-21.5%	24.5%	-2.3%
Oakland	-16.0%	15.2%	-3.2%
Riverside	-14.7%	19.9%	2.3%
Sacramento	-13.3%	16.4%	0.9%
San Bernardino	-14.6%	21.1%	3.4%
San Diego	-16.5%	19.8%	0.1%
San Francisco	-15.6%	15.1%	-2.8%
San Jose	-13.4%	14.6%	-0.8%
Denver	-14.7%	19.0%	1.5%
Hartford	-8.1%	4.7%	-3.8%
Washington DC	-10.0%	5.2%	-5.3%
Jacksonville, FL	-14.7%	20.4%	2.7%
Miami	-20.9%	23.8%	-2.1%
Orlando	-18.2%	21.3%	-0.7%
Tampa	-15.2%	21.8%	3.2%
Atlanta	-14.1%	19.8%	2.9%
Chicago	-17.7%	25.4%	3.2%
Indianapolis	-15.7%	20.1%	1.3%

[13] Data used in the analysis was retrieved from the U.S. Bureau of Labor Statistics Local Area Unemployment Statistics dataset for cities and towns above 25,000 population. https://data.bls.gov/PDQWeb/la

Exhibit 3-16: City Employment Breakdown (cont'd)

City	January 2020 - April 2020	April 2020 - Feb 2022	January 2020 - February 2022
Kansas City, KS	-11.8%	14.4%	0.9%
Louisville	-12.8%	14.8%	0.1%
New Orleans	-16.6%	15.1%	-4.1%
Baltimore	-10.8%	6.9%	-4.6%
Boston	-21.3%	26.1%	-0.8%
Detroit	-28.9%	39.1%	-1.2%
Minneapolis	-10.4%	11.6%	0.1%
Kansas City, MO	-13.7%	15.0%	-0.7%
St. Louis	-13.5%	14.3%	-1.2%
Las Vegas	-34.4%	41.1%	-7.5%
Newark	-14.7%	17.4%	0.2%
Buffalo	-19.9%	22.7%	-1.6%
New York	-18.6%	10.4%	-10.1%
Charlotte	-17.3%	21.2%	0.2%
Raleigh	-17.0%	20.6%	0.2%
Cincinnati	-15.7%	18.8%	0.1%
Cleveland	-22.8%	21.0%	-6.5%
Columbus	-15.1%	19.9%	1.8%
Portland	-12.9%	19.1%	3.7%
Philadelphia	-13.8%	13.0%	-2.6%
Pittsburgh	-15.5%	13.4%	-4.2%
Providence	-17.1%	23.0%	2.0%
Memphis	-14.8%	18.7%	1.1%
Nashville	-18.4%	26.0%	2.9%
Austin	-15.8%	24.4%	4.8%
Dallas	-14.9%	20.6%	2.6%
Houston	-15.0%	15.9%	-1.5%
San Antonio	-15.9%	20.2%	1.1%
Salt Lake City	-9.2%	15.3%	4.8%
Richmond	-10.1%	6.1%	-4.6%
Virginia Beach	-10.8%	6.7%	-4.8%
Seattle	-16.2%	23.0%	3.1%
Milwaukee	-13.3%	16.0%	0.6%

Only Cleveland, Detroit, and Las Vegas experienced greater percentage employment declines, -22.8 percent, -28.9 percent, and -34.4 percent respectively, than the City of Los Angeles (which tied with the City of Long Beach at -21.5 percent) did from January 2020 to April 2020. Other cities that experienced significant percentage declines in employment include the Buffalo, Miami, and Boston.

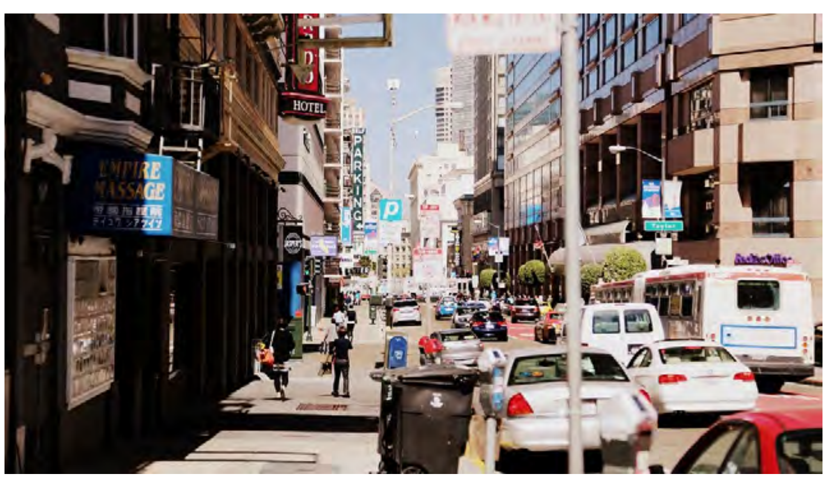
In terms of employment recovery and growth, in general, those areas that experienced the most significant declines in total employment have also experienced the fastest growth in employment since the depths of the pandemic. Detroit and Las Vegas experienced the greatest growth in total employment from April 2020 to February 2022, 39.1 percent and 41.1 percent respectively. The City of Los Angeles posted a job growth rate of 24.5 percent during the period. **Compared to other cities in the analysis, the City of Los Angeles ranked sixth in terms of employment growth for the April 2020 to February 2022** period. The top-ranking cities in terms of April 2020 to February 2022 employment growth are shaded blue in **Exhibit 3-16**.

The third column compares each city's percentage change in employment for the period January 2020 to February 2022. Around 45 percent (25) of the 55 cities on the list had negative employment growth for the period January 2020 to February 2022 indicating that employment recovery since the pandemic has been incomplete. The City of Los Angeles has not fully recovered the jobs lost in April 2020 and was included in this group with February 2022 employment 2.3 percent below what held in January 2020. **Overall, 14 cities posted more negative percentage differences in employment for the January 2020 to February 2022 period than did Los Angeles.** New York City's February 2022 employment was 10.1 percent below the January 2020 level, representing the most significant percentage decline in employment during the period. On the other hand, Austin and Salt Lake City tied for the highest employment growth during the period at 4.8 percent.

Exhibit 3-17 shows the ease of doing business ranking for the ten U.S. cities in the United States with populations over one million. A lower rank indicates that it is easier to do business in that city. Houston is ranked best in the group with a rank of 20 followed by San Antonio at 26 and Phoenix at 36. New York City is ranked worst with a rank of 76 while Los Angeles is the second-worst ranked city in the group at 71. This suggests that during the recovery process, improving the ease of doing business in the City of Los Angeles should remain a priority.

Exhibit 3-17: Ease of Doing Business Rank for U.S. Cities with Pop. Over 1 Million

City	Population	Ease of Doing Business Rank
New York	8,804,190	76
Los Angeles	3,898,747	71
Chicago	2,746,388	43
Houston	2,304,580	20
Phoenix	1,608,139	36
Philadelphia	1,603,797	60
San Antonio	1,434,625	26
San Diego	1,386,932	66
Dallas	1,304,379	56
San Jose	1,013,240	67



4. The City's Hardest-Hit Industries

Key Takeaways

- In the City of Los Angeles, industries were more severely impacted than others based on the nature of their work and their ability to continue conducting business during the pandemic.
  The most severely impacted industries included:
  - **Food Services and Drinking Places**
  - **Accommodation**
  - **Motion Pictures and Sound Recording**
  - **Administrative and Support Services**
  - **Personal Care and Laundry Services**

- The **Hospitality sector has been by far the hardest hit** by the pandemic in the City of Los Angeles. Within this sector, the worst employment losses have come in Food Services and Drinking Places.

In the City of Los Angeles, industries were more severely impacted than others based on the nature of their work and their ability to continue conducting business during the pandemic. Analysis of employment impacts over the course of the pandemic highlights five industries that have been the hardest hit during the pandemic. This examines how each has been impacted and the status of their recovery.

FOOD SERVICES AND DRINKING PLACES

EMPLOYMENT FEB. 2020**: 149,700** EMPLOYMENT FEB. 2021**: 99,700** ↓ **33%**

50,000 JOBS LOST YEAR OVER YEAR

*Jobs Lost March/April 2020: **71,500** (30.1% Recovered from May 2020 – Feb 2021)*

ACCOMMODATION

EMPLOYMENT FEB. 2020**: 19,900** EMPLOYMENT FEB. 2021: **7,800** ↓ **61%**

12,000 JOBS LOST YEAR OVER YEAR

*Jobs Lost March/April 2020: **11,200** (0% Recovered from May 2020 – Feb 2021)*

MOTION PICTURE AND SOUND RECORDING

EMPLOYMENT FEB. 2020**: 37,400** EMPLOYMENT FEB. 2021**: 25,900** ↓ **31%**

11,600 JOBS LOST YEAR OVER YEAR

*Jobs Lost March/April 2020: **8,300** (0% Recovered from May 2020 – Feb 2021)*

ADMINISTRATIVE AND SUPPORT SERVICES

EMPLOYMENT FEB. 2020: **95,300** EMPLOYMENT FEB. 2021: **83,800** ↓ **12%**

11,500 JOBS LOST YEAR OVER YEAR

Jobs Lost March/April 2020: ***18,000*** *(36.0% Recovered from May 2020 – Feb 2021)*

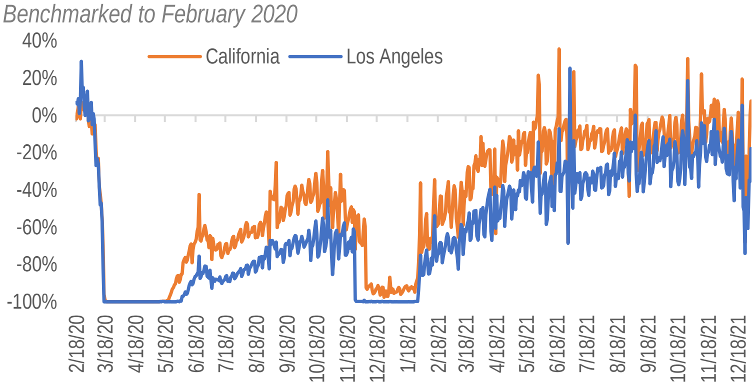
PERSONAL CARE AND LAUNDRY SERVICES

EMPLOYMENT FEB. 2020: **26,100** EMPLOYMENT FEB. 2021: **15,900** ↓ **39%**

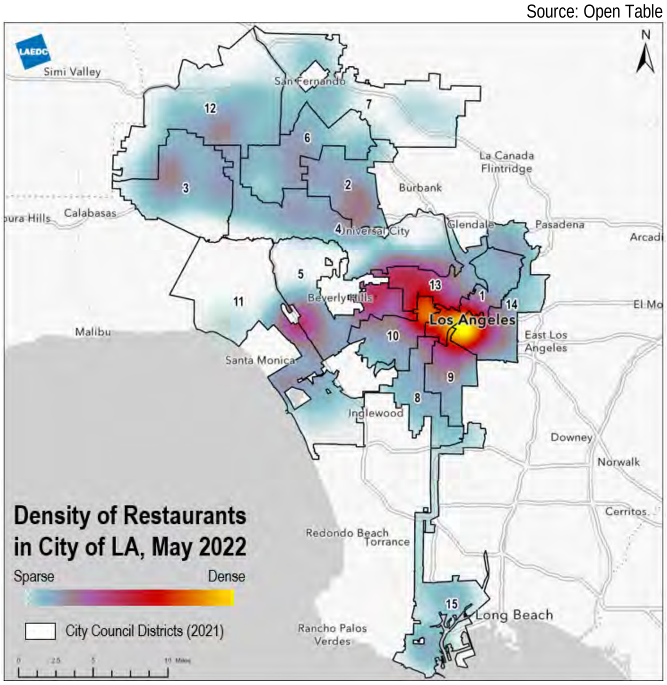
10,200 JOBS LOST YEAR OVER YEAR

Jobs Lost March/April 2020: ***12,900*** *(20.4% Recovered from May 2020 – Feb 2021)*

Exhibit 4-1:
Restaurant Reservations: Percent Change of Seated Diners
Benchmarked to February 2020



Source: Open Table



Food Services and Drinking Places

The hospitality industry has been by far the hardest hit by the pandemic in the City of Los Angeles. Within this sector, the worst employment losses have come in Food Services and Drinking Places, which employed close to 150,000 employees in the City before the beginning of the recessionary period. **Exhibit 4-1** shows the percent change in seated diners in Los Angeles from the beginning of 2020 to the end of 2021. For the initial months of the pandemic, there were no seated diners, and while there was some recovery in the summer months, this bottomed out again with the second surge in cases in December 2020 and January 2021. Throughout 2021, the number of seated diners compared to pre-pandemic 2019 began to rebound, though this figure has yet to recover fully.

Exhibit 4-2 shows the concentration of food services and drinking establishments across the City of Los Angeles.

Exhibit 4-3 shows the monthly change in jobs from February 2020 through February 2021. The initial business restrictions prevented indoor dining and forced restaurants to operate as takeout-only. This put a wide range of jobs in jeopardy, including waiters and waitresses, cooks, and food preparation workers. **In March and April of 2020, about 71,500 Food Services and Drinking Places workers lost their jobs in the City.** As businesses reopened and integrated outdoor dining into their operations, some of these jobs were regained, but many were lost again in the winter.

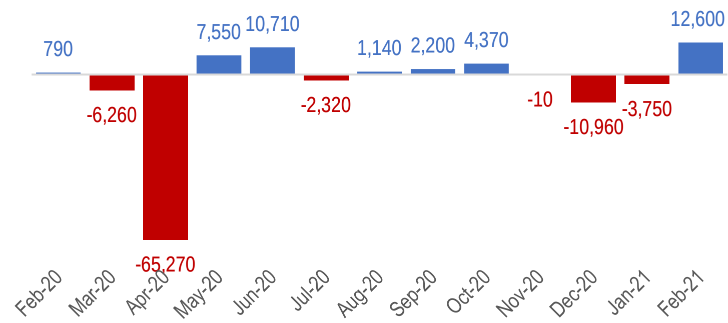
As **Exhibit 4-4** shows, of the 71,530 jobs lost in this industry during the first two months of the pandemic, just 21,530 had been recouped by February 2021. This accounted for just 30.1 percent of the initial job losses. Employment declined by 50,000 jobs year-over-year from the pre-pandemic baseline of February 2020, when the industry employed 149,700 workers.

Demographics and Wages

The demographic characteristics of the industry are shown in **Exhibits 4-5 through 4-8**. Compared to the average across all industries in the City of Los Angeles. We can see that many workers in Food Services and Drinking Places have **lower levels of educational attainment** and that the **workforce is extremely young,** with 31.5 percent below the age of 24 and nearly 70 percent of all workers below the age of 40.

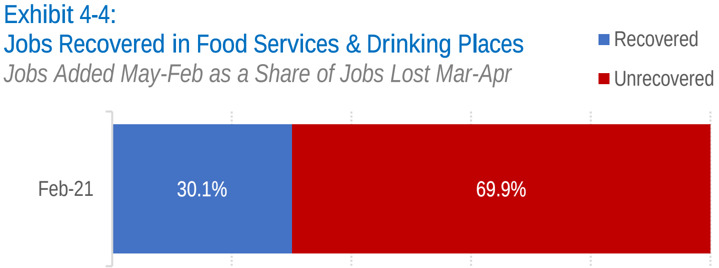
There is also a **notably high representation of Hispanic and Latino workers** in the industry. These demographic cohorts were among the most likely to file claims for

Exhibit 4-3:
Monthly Change in Jobs: Food Services & Drinking Places
February 2020 - February 2021



Source: CA EDD, LMID

Exhibit 4-4:
Jobs Recovered in Food Services & Drinking Places
Jobs Added May-Feb as a Share of Jobs Lost Mar-Apr



Jobs lost in March and April 2020: 71,530
Jobs added May 2020 to February 2021: 21,530 *(30.1% returned)*

Source: CA EDD, LMID

Exhibit 4-5:
Age of Workers, 2019

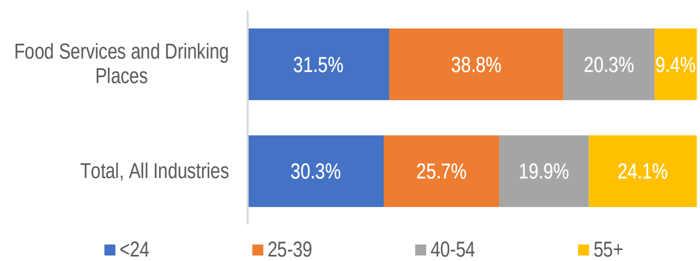
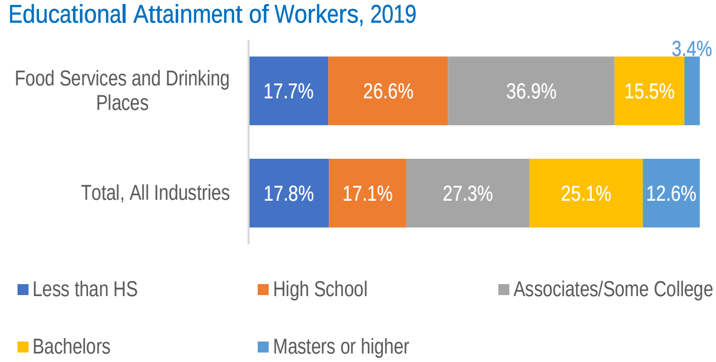


Exhibit 4-6:
Educational Attainment of Workers, 2019



unemployment insurance at the onset of the pandemic.

There are a large number of lower-skilled jobs in this industry, and this combined with the high degree of layoffs and closures led many to become unemployed without the possibility of quickly finding new career opportunities. In 2019, the annual average wage in this industry was $27,300 in the City of Los Angeles, meaning that many of these workers were already earning below a living wage, considered to be at least $45,000 throughout Los Angeles County.[14]

Exhibit 4-7:
Race of Workers, 2019

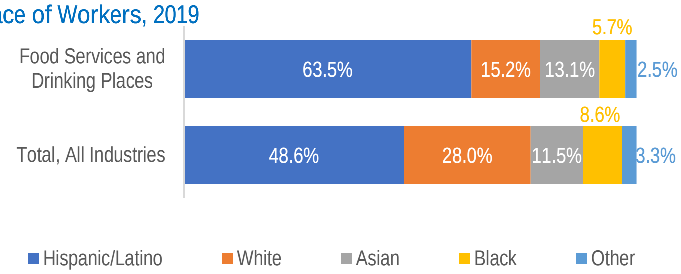
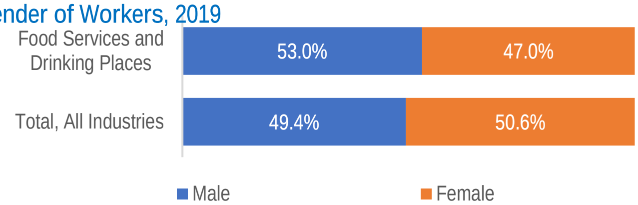


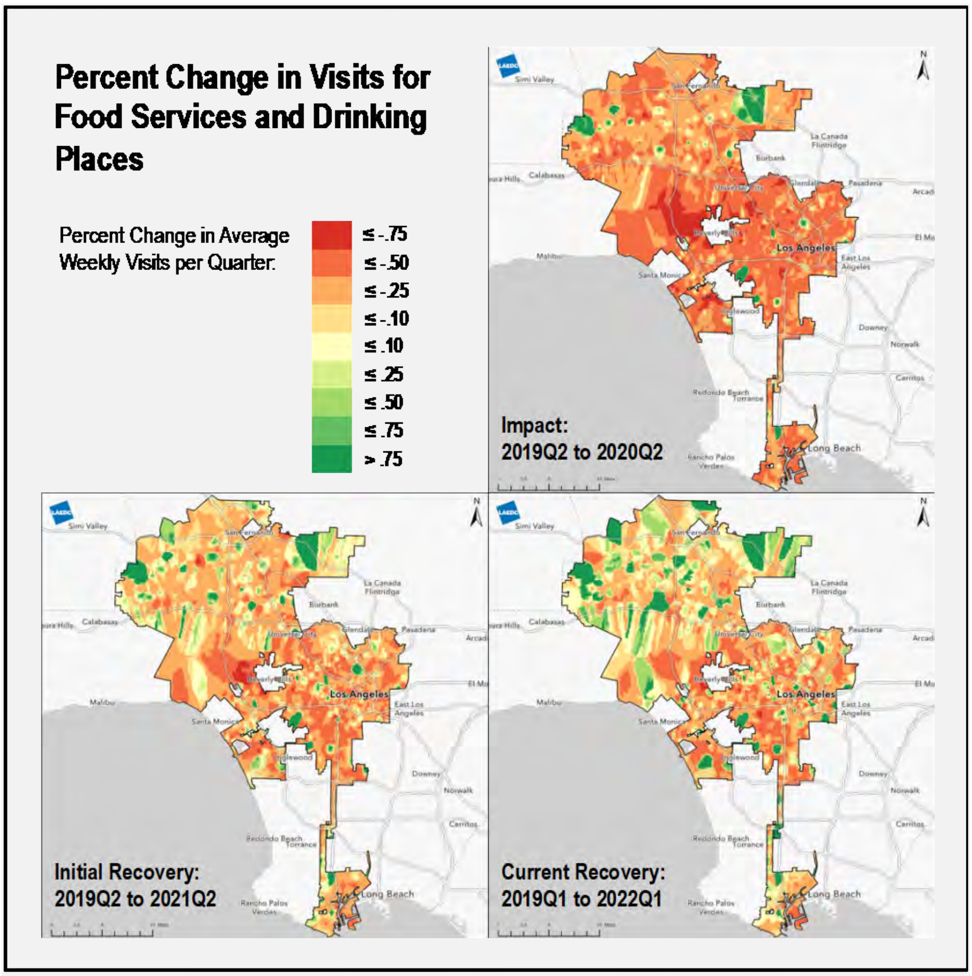
Exhibit 4-8:
Gender of Workers, 2019



Foot Traffic

For most of the City, **the initial stages of the pandemic saw a halving of visits to Food Services and Drinking Places compared to a year prior**. There were some areas that experienced an increase in visits, however these were generally localized and may have been due to new establishments starting during the first year of the pandemic, as the general trend was overwhelmingly negative. However, by Q2 of 2021, there were more establishments that observed an increase in traffic from their pre-pandemic level, while

Exhibit 4-9:



Source: SafeGraph

[14] Nadeau, C. A., & Moser, S. (2022, May 10). Living wage calculator. Living Wage Calculator. Retrieved June 6, 2022, from https://livingwage.mit.edu/

most of the City was approaching its pre-pandemic level of visits to these establishments.

Accommodation

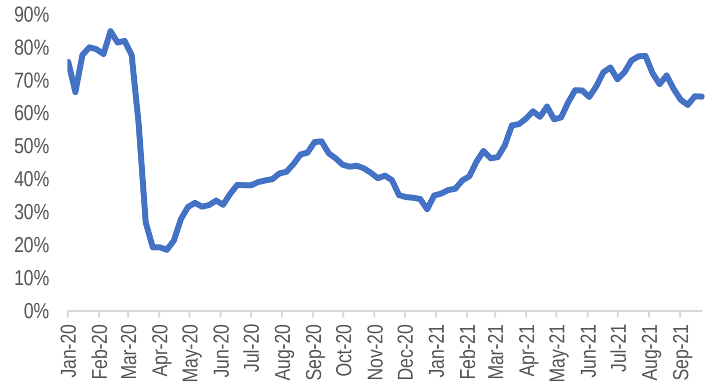
The second part of the hospitality sector is Accommodation, and while this sub-industry is not as large as Food Services and Drinking Places, it is particularly important as Los Angeles remains a prime destination for domestic and international travel and tourism. However, **the stringent travel restrictions at the onset of the pandemic prevented nearly all leisure travel for months. Even after the recovery process began, travelers remained wary of contracting the virus, suppressing tourism in the City for an extended period of time.**

This is demonstrated in the hotel occupancy rates for the City, shown in **Exhibit 4-10**. While occupancy rate was quite high in the early months of the year, the onset of the pandemic caused the rate to decline to around 20 percent of rooms occupied. **It took until the end of 2021 for occupancy rates to recover to around their pre-pandemic baseline, and even then volumes remained slightly suppressed.**

Exhibit 4-11 shows the monthly change in jobs in the Accommodation industry for the City of Los Angeles. In February 2020, the industry employed about 19,900 workers, but over 12,000 of those jobs were lost in March and April as the pandemic hit. This decrease represented a staggering **61 percent of pre-pandemic employment lost in just two months**. Accommodation businesses recovered minimally throughout the year, not to the extent seen in Food Services and Drinking Places and lost a further 2,700 jobs between November 2020 and January 2021.

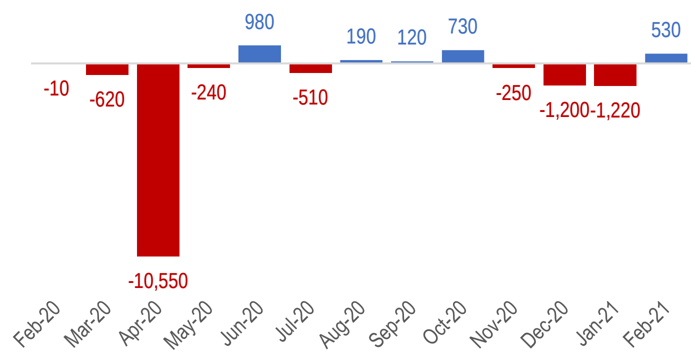
As such, **as of the first quarter of 2021, the Accommodation industry's employment**

Exhibit 4-10:
Weekly Hotel Occupancy Rate, LA City



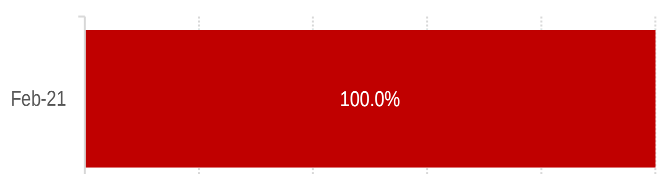
Source: LA Tourism

Exhibit 4-11:
Monthly Change in Jobs: Accommodation
February 2020 - February 2021



Source: CA EDD, LMID

Exhibit 4-12:
Jobs Recovered in Accommodation
Jobs Added May-Feb as a Share of Jobs Lost Mar-Apr



Jobs lost in March and April 2020: 12,040
Jobs lost May 2020 to February 2021: 870 (0% *returned)*

Source: CA EDD, LMID

level was actually lower than it had been at the very start of the pandemic, where the job losses were greatest. With further waves of the virus hitting, **domestic tourists remained wary of traveling and international visitors were largely unable to enter the country.** This has contributed to the ongoing struggles of businesses in this industry.

Demographics and Wages

The demographic characteristics of the Accommodation industry are presented in **Exhibits 4-13 through 4-16**, compared to the average across all industries in the City of Los Angeles. The industry is **slightly older than average**, with roughly 60 percent of workers between the ages of 25 and 54 years old. There are very few workers with a graduate degree, and **relatively high proportions of workers with just a high school education or some college**. Once again, we can see that **Hispanic workers make up a large percentage of the workforce, with a higher proportion of Asian workers** than we see across all industries in the City.

The average wage for the accommodation industry in Los Angeles was about $44,500 in 2019.

Exhibit 4-13:
Age of Workers, 2019

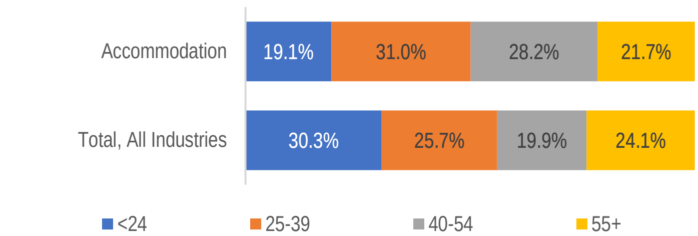


Exhibit 4-14:
Educational Attainment of Workers, 2019

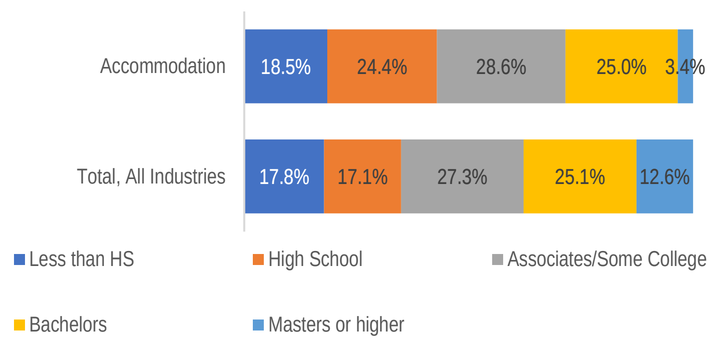


Exhibit 4-15:
Race of Workers, 2019

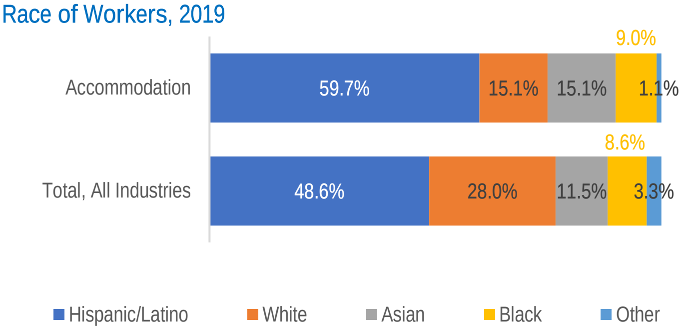
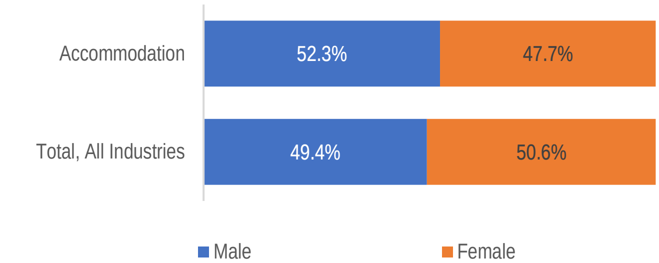


Exhibit 4-16:
Gender of Workers, 2019



Foot Traffic

Compared to a year prior, the full first quarter of the pandemic, Q2 of 2020, saw a precipitous fall in visits to businesses in the accommodations industry, especially around areas of Downtown LA, surrounding Beverly Hills, and by the airport in El Segundo. The recovery has been gradual: areas of the San Fernando Valley and Topanga began seeing foot traffic volumes to businesses in Accommodations higher than that of the pre-pandemic level by Q2 of 2021, possibly due to the opening of new businesses. By Q1 of 2022, more spots had improved upon their pre-pandemic average weekly visits, however much of the City's Accommodations businesses were still seeing foot traffic below the pre-pandemic level.

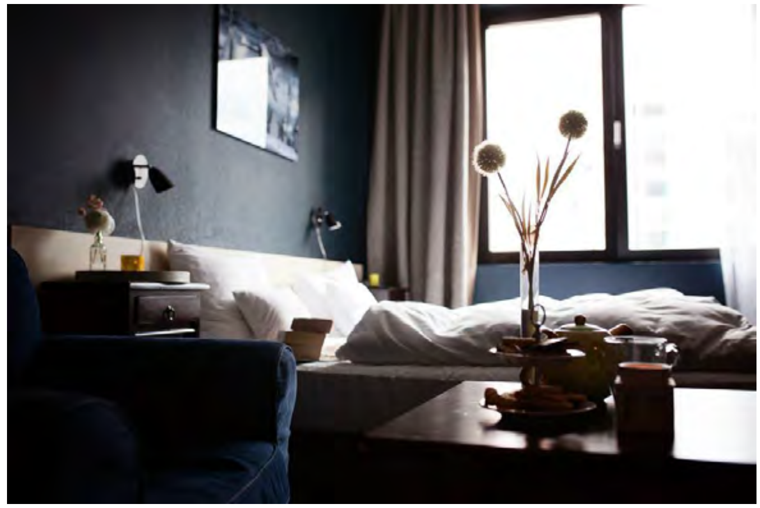
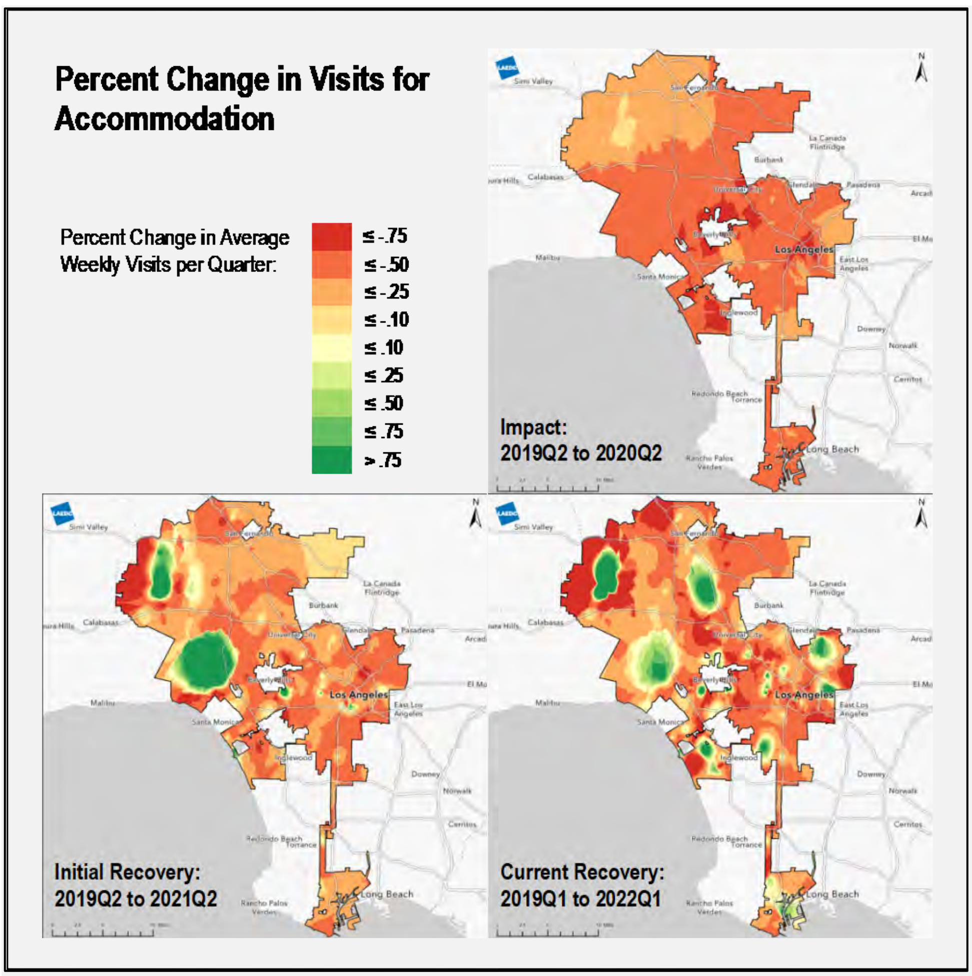


Exhibit 4-17:



Source: SafeGraph

Motion Picture and Sound Recording

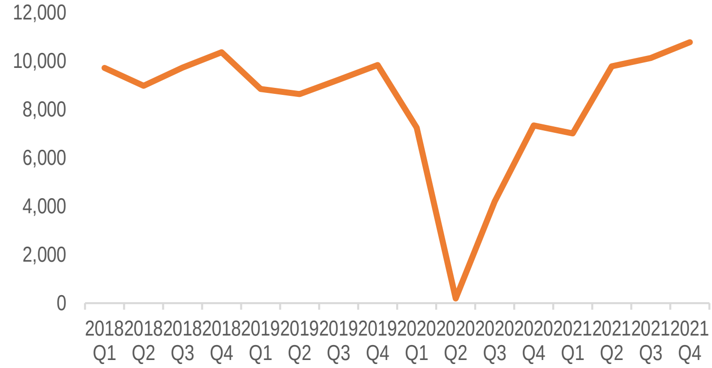
The City of Los Angeles is well-known for being a nexus of film and television production, but the Motion Picture and Sound Recording industries struggled mightily in the face of the pandemic. **At the onset of the pandemic, filming was suspended for months** and extended negotiations between studios and unions about the safest approach to resuming production left many out of jobs for an extended period of time. The post-holiday surge at the end of 2020 put production on a voluntary hiatus to begin the new year, but **shoot days increased as case numbers declined,** as shown in **Exhibit 4-18.**

Overall, the Los Angeles area reached about 37,700 shoot days in 2021, which fell below the totals from 2016 to 2018, but **surpassed the pre-pandemic year of 2019, indicating a major improvement from the first year of the pandemic**. Scripted and unscripted television productions accounted for the most shoot days, while feature films struggled.

In terms of employment, the effects were wide-ranging, with monthly changes in employment shown in **Exhibit 4-19**. As the **Motion Picture and Sound Recording industries have a large number of freelancers, self-employed workers, and gig workers, many were left relying on the Pandemic Unemployment Assistance (PUA) benefits program to support themselves.** Overall, the industries lost nearly 8,300 jobs in the City of Los Angeles between March and April of 2020. These job losses continued with a further decline in employment of 5,500 workers in June and July. As shoot days picked up, there were signs of strong recovery, but the extensive losses in December and January due to the resumed hiatus on filming jeopardized those hopes.

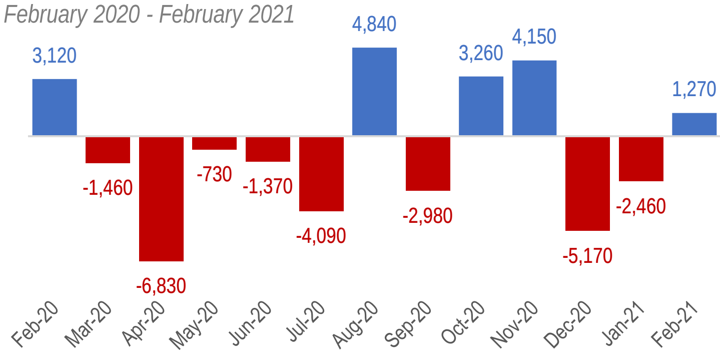
As a result, the industries, which had employed 37,400 in February of 2020, had just 25,900 workers a year later, a loss of 11,600 jobs. As **Exhibit 4-20** conveys, none of the jobs

Exhibit 4-18:
Shoot Days by Quarter, Los Angeles



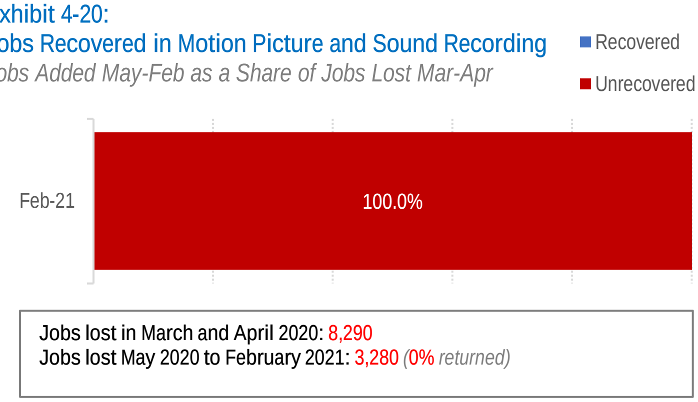
Source: FilmLA

Exhibit 4-19:
Monthly Change in Jobs: Motion Picture and Sound Recording
February 2020 - February 2021



Source: CA EDD, LMID

Exhibit 4-20:
Jobs Recovered in Motion Picture and Sound Recording
Jobs Added May-Feb as a Share of Jobs Lost Mar-Apr



Source: CA EDD, LMID

lost during the pandemic's worst period have been recovered. **At a 31 percent employment decline, this was among the hardest hit industries in the entire city. However, as films and television shows resumed production in the later quarters of 2021, it is anticipated that employment numbers began to climb rapidly again.**

Demographics and Wages

When examining the demographics of the industrial workforce, it is readily apparent that this is a **high-skill industry** with stricter educational requirements, as **62 percent of workers have a bachelor's degree and another 14 percent have a masters degree;** less than 6 percent of employees have no college experience at all. **Workers are overwhelmingly white** at 70 percent of all employees, in contrast to the City workforce which is predominantly Hispanic. Almost 80 percent of workers are between the ages of 25 and 54, with **fewer young and old employees** in the City. Furthermore, the workforce is notably **skewed towards being male**.

The demographics associated with the Motion Picture and Sound Recording industries do not align with the demographic cohorts that struggled the most with unemployment, with more educated and white workers making up the majority of this workforce. However, stopping filming affected everyone from the lower-level workers to the directors and actors, but not at the scale to skew overall unemployment demographics. There is also a high number of gig workers and independent contractors in the industry, many of which have filed for unemployment benefits.

Exhibit 4-21:
Age of Workers, 2019

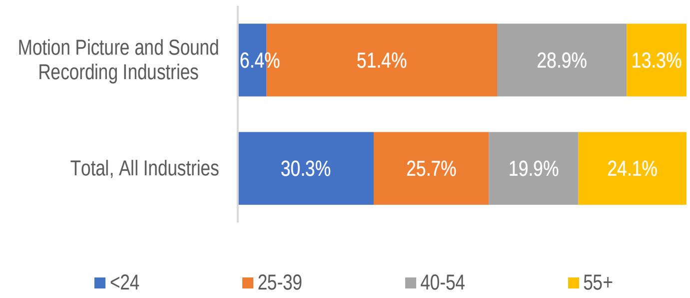


Exhibit 4-22:
Educational Attainment of Workers, 2019

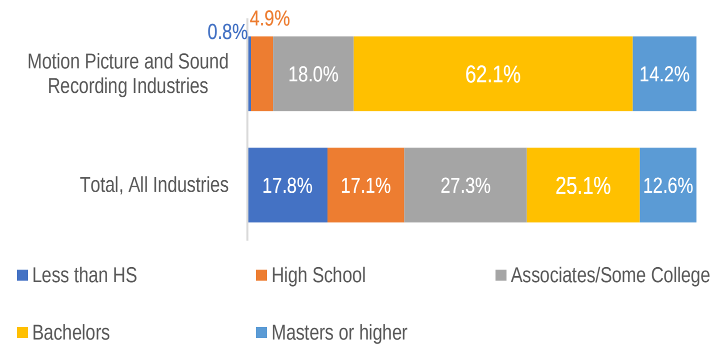


Exhibit 4-23:
Race of Workers, 2019

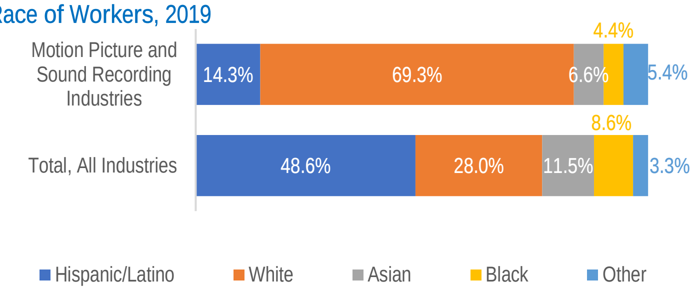
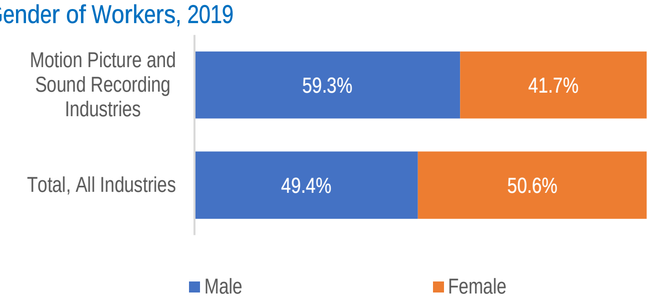


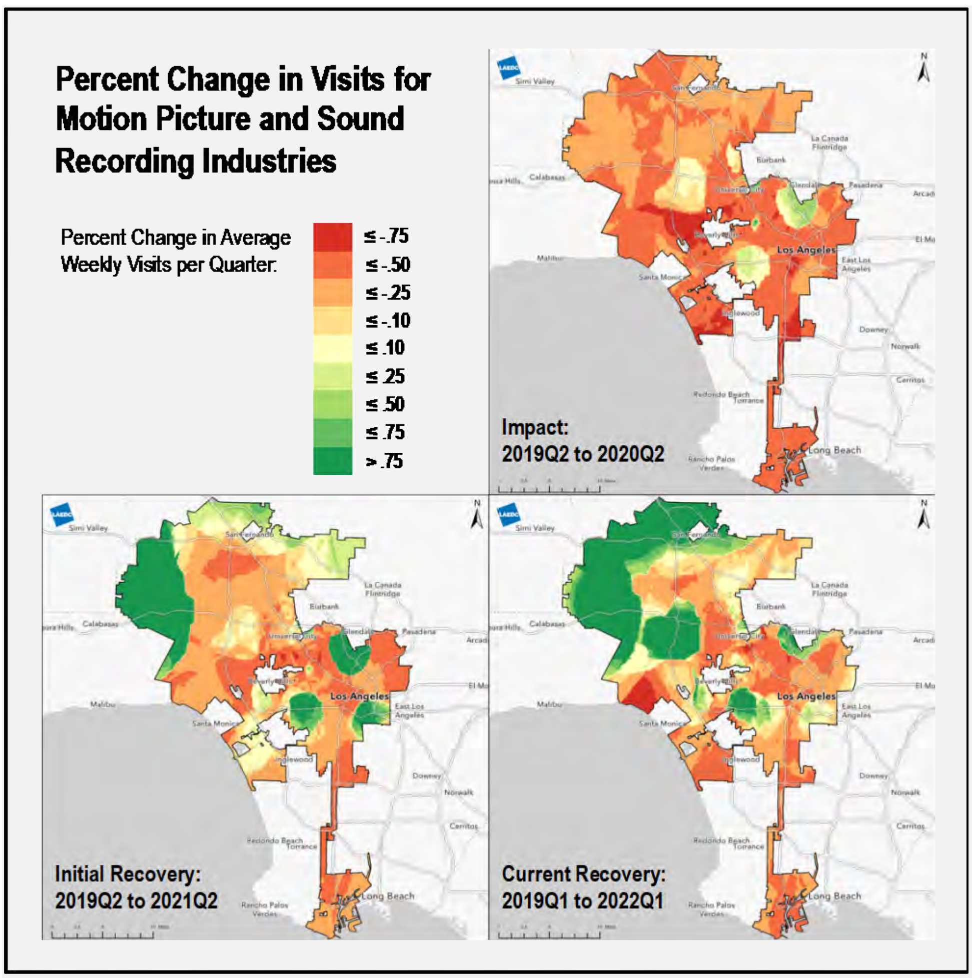
Exhibit 4-24:
Gender of Workers, 2019



Foot Traffic

In the initial stages of the pandemic, foot traffic to establishments in Motion Picture and Sound Recording industries was below the 2019 level for most of the City. Areas adjacent to Watts, Downtown, and El Segundo were most impacted, as well as a swath between Westwood and Beverly Hills, all seeing less than 25 percent of the foot traffic observed a year prior. In Q2 of 2021, the situation across the City had improved, with most areas seeing between 50 and 90 percent of the foot traffic to Motion Picture and Sound Recording industries businesses prior to the pandemic. Currently, the areas that showed initial improvement have continued to post higher numbers than in 2019, while the rest of the City remained in a similar or slightly improved percentage of pre-pandemic foot traffic in this industry than seen in the initial recovery.

Exhibit 4-25:



Source: SafeGraph

Administrative and Support Services

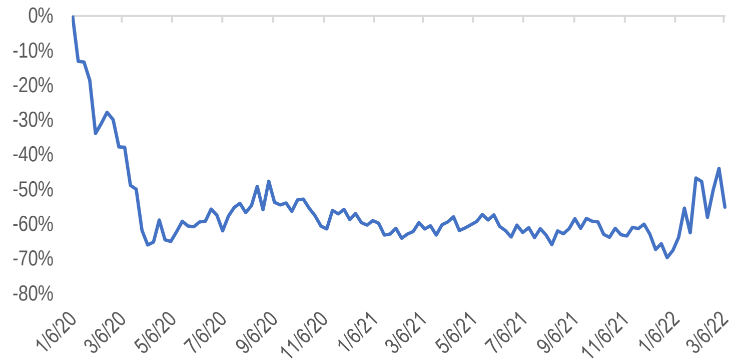
The Administrative and Support Services industry is one of the largest in the City of Los Angeles, employing over 95,000 workers before the pandemic. As a major west coast hub for business, there is no shortage of companies that choose to locate in Los Angeles, leading to a constant demand for office administrative support. However, **the pandemic led to unprecedented changes as firms took their office-based operations remote to help prevent the spread of the virus.** Some workers were let go in order to help companies cut costs, and some because they were simply not required for telework.

In **Exhibit 4-26**, the percent change in weekly visits for the industry, as measured by SafeGraph, is shown. **Visits declined rapidly at the beginning of the pandemic and remained suppressed until some recovery in the early months of 2022.**

Exhibit 4-27 shows the impact of these employment declines on the City workforce in Administrative and Support Services. In March and April of 2020 as business restrictions took full effect, over 18,000 jobs were lost in this industry. Over the course of the year, a modest recovery was made, though more than half of this progress was wiped away during the surge in post-holiday virus cases that led to another round of closures and restrictions.

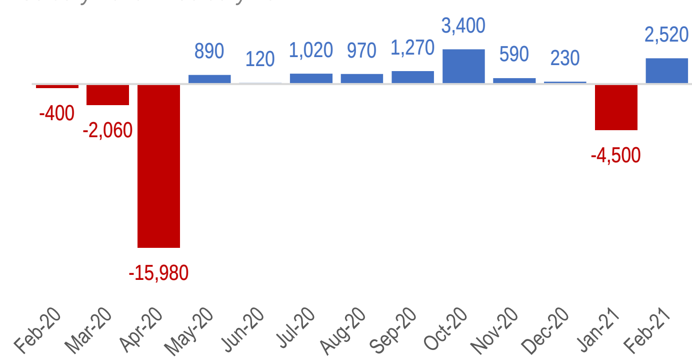
As of February 2021, just 6,500 of the jobs lost during the previous March and April had been recovered, leaving the City about 11,500 workers below the pre-pandemic baseline. The more serious question for the future is whether some of these lost jobs will ever return in the changing landscape of work and business in the City of Los Angeles. **With more and more workers pressing for flexible schedules and the ability to work from home even after the pandemic, companies have begun to take into consideration their revised office and staffing needs in a more remote-friendly work environment.** With

Exhibit 4-26:
Percent Change in Weekly Visits, LA City: Admin and Support Services
January 2020 - March 2022



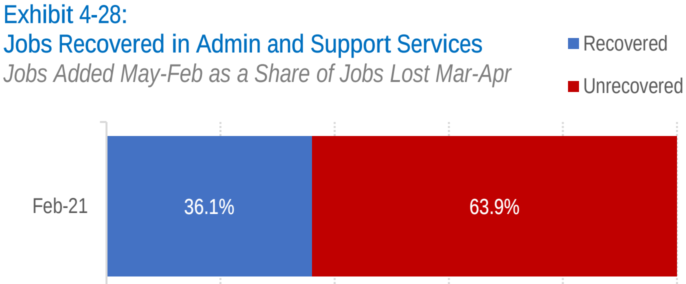
Source: SafeGraph

Exhibit 4-27:
Monthly Change in Jobs: Admin and Support Services
February 2020 - February 2021



Source: CA EDD, LMID

Exhibit 4-28:
Jobs Recovered in Admin and Support Services
Jobs Added May-Feb as a Share of Jobs Lost Mar-Apr



Jobs lost in March and April 2020: 18,040
Jobs added May 2020 to February 2021: 6,510 (36.1% *returned*)

Source: CA EDD, LMID

the decline of traditional offices, a similar decline in certain office occupations that have become obsolete may occur, forcing workers into new roles and responsibilities.

Demographics and Wages

A demographic breakdown of the Administrative and Support Services industry in the City of Los Angeles is given in **Exhibits 4-29 through 4-32**. There is a **fairly wide distribution in the ages of workers**, with representation from both recent entrants and those have presumably been in the workforce for decades. In terms of educational attainment, **employees tend on average to have slightly lower levels of education** as the overall City workforce, with about **46 percent of workers with a high school education or less** and just 4 percent holding a masters' degree.

About 63 percent of the workforce is Hispanic, one of the cohorts that struggled the most with unemployment at the onset of the pandemic. As workers in this industry are on average slightly lower-skilled and younger, they were prime targets for being laid off as companies looked to downsize and cut down on their costs. The average wage in the Administrative and Support Services industry was around $51,000 in 2019, meaning that **while workers were generally not up against the poverty line, their finances would have been significantly strained by the layoffs.**

Exhibit 4-29:
Age of Workers, 2019

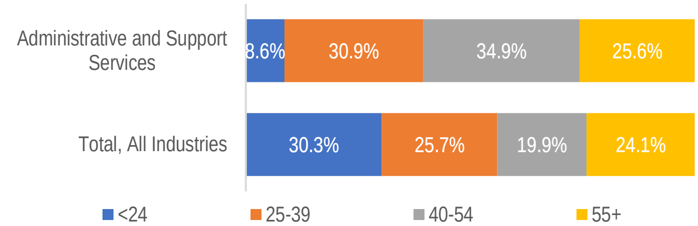


Exhibit 4-30:
Educational Attainment of Workers, 2019

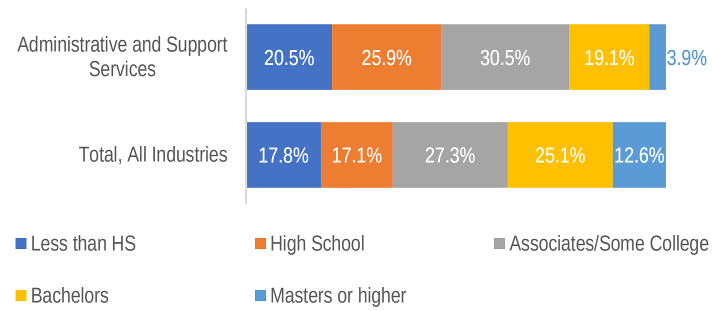


Exhibit 4-31:
Race of Workers, 2019

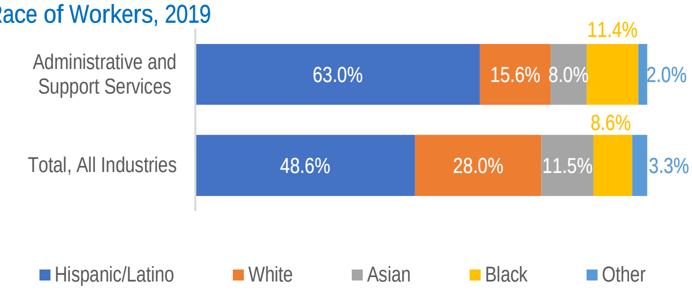
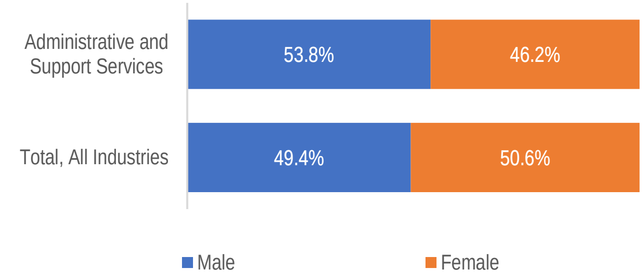


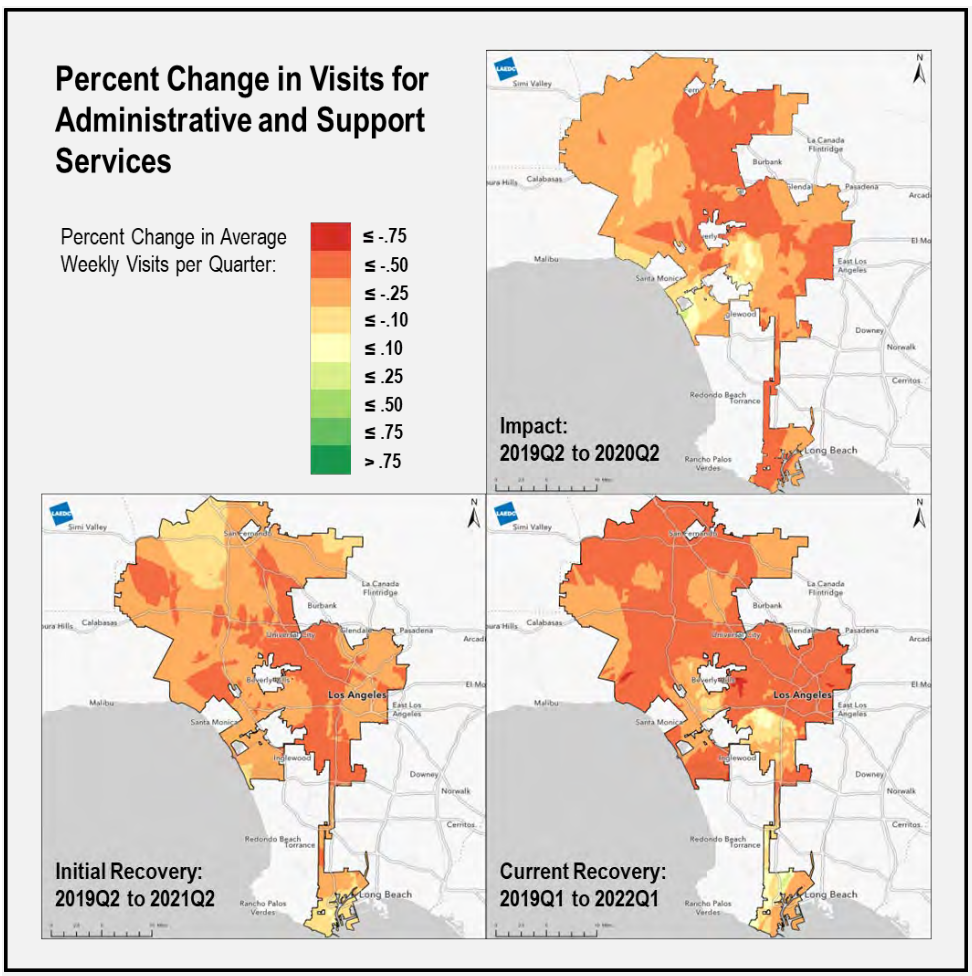
Exhibit 4-32:
Gender of Workers, 2019



Foot Traffic

Foot traffic to businesses in the Administrative and Support Services industries has been and **continues to be lower than pre-pandemic levels across the City of Los Angeles**. Initial impacts saw a year-over-year drop of 25 to 50 percent of foot traffic, with only areas around the east and west of Culver City showing foot traffic close to the pre-pandemic level. However, visits to these businesses did not recover, with the current stage of recovery showing most of the City having around half the prior levels foot traffic for these businesses. There are a couple of exceptions, notably the harbor area and South Los Angeles, which have close to the pre-pandemic level of foot traffic for these businesses.

Exhibit 4-33:



Source: SafeGraph

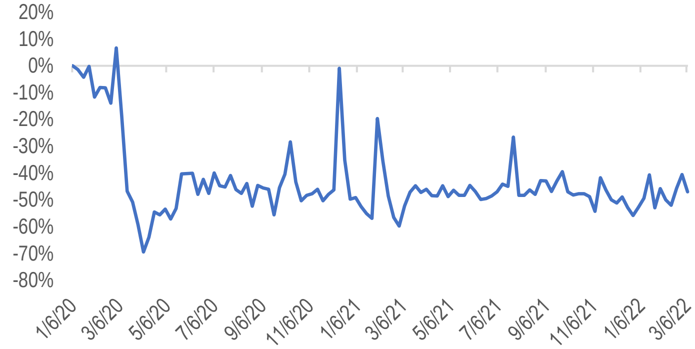
Personal and Laundry Services

The Personal and Laundry Services industry in the City of Los Angeles encompasses as wide range of businesses such as estheticians, skin care and cosmetology services, tattoo parlors, nail salons, hair salons and barbershops, massage therapy, and more. In February 2020, this industry employed about 26,100 workers in the City.

Due to the close proximity required between customers and employees in the vast majority of these activities and the fact that most of them are performed indoors, the Personal Care Services industry has faced strict restrictions on operation since the pandemic became widespread in early 2020. Businesses were only allowed to operate outdoors for most of the year, and the maximum occupancy for Personal Care establishments was capped at 25 percent of capacity. As vaccinations became more widespread, eventually indoor operations were able to resume, but not before **businesses had been heavily restricted for a long period of time. For some business, this period proved too long and too challenging to recover from.**

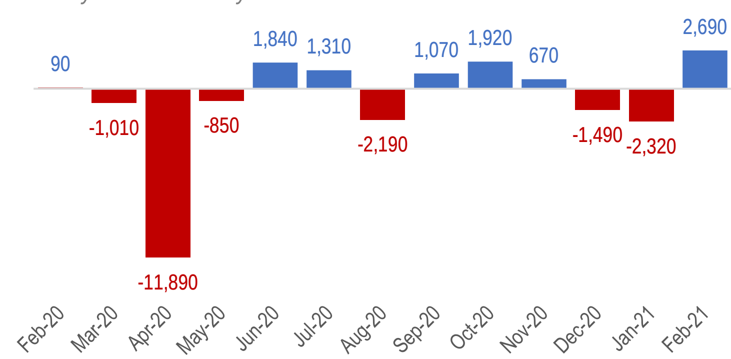
The industry lost 12,900 jobs in March and April 2020 as there were no safe ways for many workers to perform their jobs. **By May, employment in Personal and Laundry Services was less than half of what it had been three months prior**. Job gains throughout the year were offset with similar losses that hindered a smooth recovery, as new surges in virus cases prevented full reopening of operations indoors. As of February 2021, only 2,650 of the jobs lost in the first two months of the pandemic had returned, leaving just under 80 percent unrecovered.

Exhibit 4-34:
Percent Change in Weekly Visits, LA City: Personal and Laundry Services



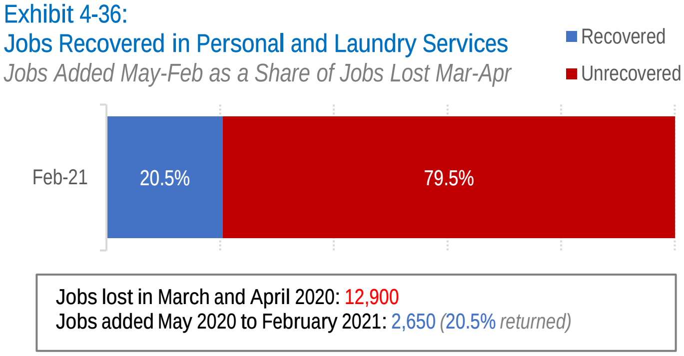
Source: SafeGraph

Exhibit 4-35:
Monthly Change in Jobs: Personal and Laundry Services
February 2020 - February 2021



Source: CA EDD, LMID

Exhibit 4-36:
Jobs Recovered in Personal and Laundry Services
Jobs Added May-Feb as a Share of Jobs Lost Mar-Apr



Source: CA EDD, LMID

Demographics and Wages

The Personal and Laundry Services industry has a **high proportion of workers with lower levels of educational attainment**, with just 26 percent of the workforce holding a bachelor's degree or higher. This made workers in this industry especially vulnerable to unemployment during the pandemic. **Workers in this industry are more likely to be female** as well, who have had a higher rate of unemployment than men. **Asian workers are also more greatly represented** in Personal Care Services than on average in the City workforce. The industry also skews towards more female workers.

In Personal and Laundry Services, the average wage was about $33,300, which is quite low compared to other industries in the City. With earnings right around the living wage, **it is likely that many employees were already struggling with money before the pandemic, and business closures and layoffs brought on even more financial stress.**

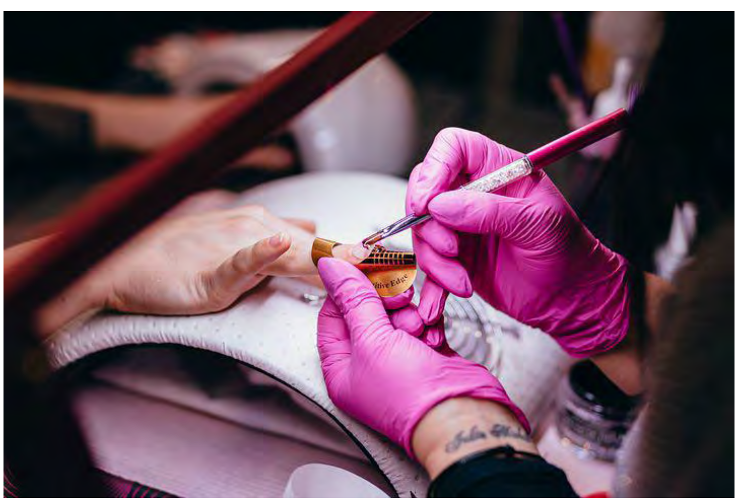


Exhibit 4-37:
Age of Workers, 2019

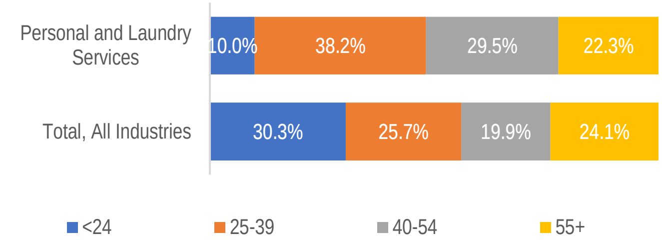


Exhibit 4-38:
Educational Attainment of Workers, 2019

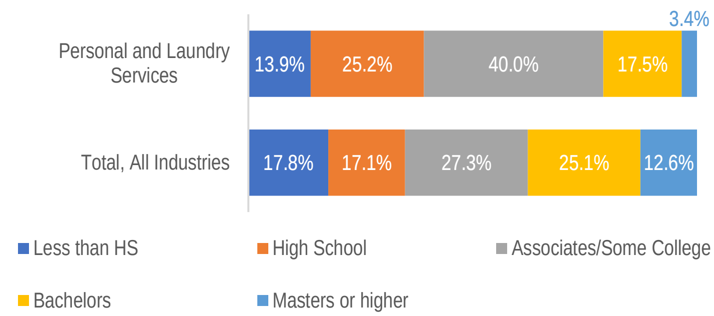


Exhibit 4-39:
Race of Workers, 2019

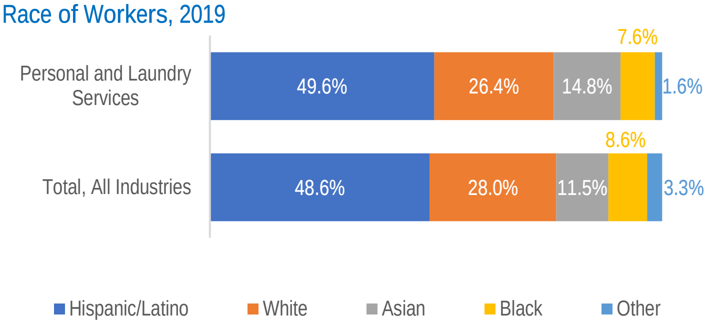
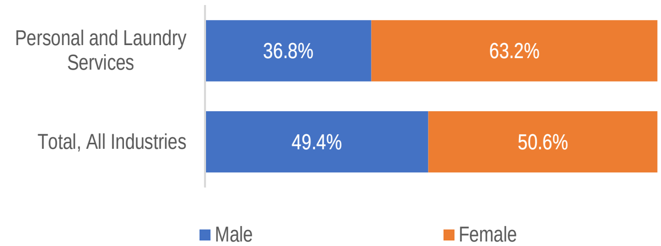
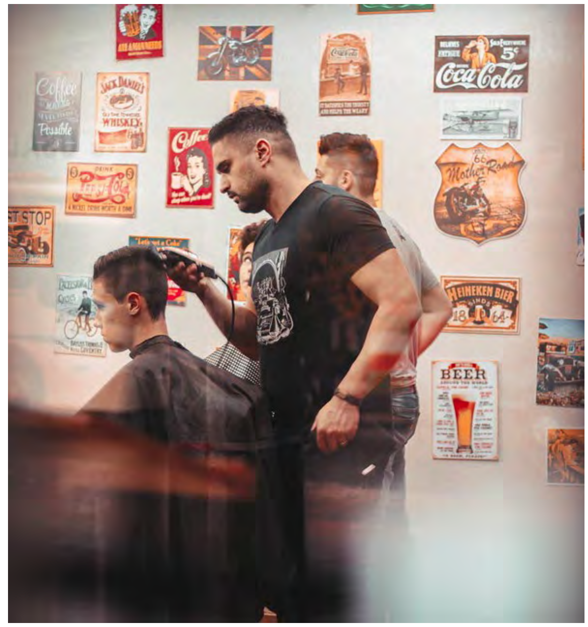


Exhibit 4-40:
Gender of Workers 2019

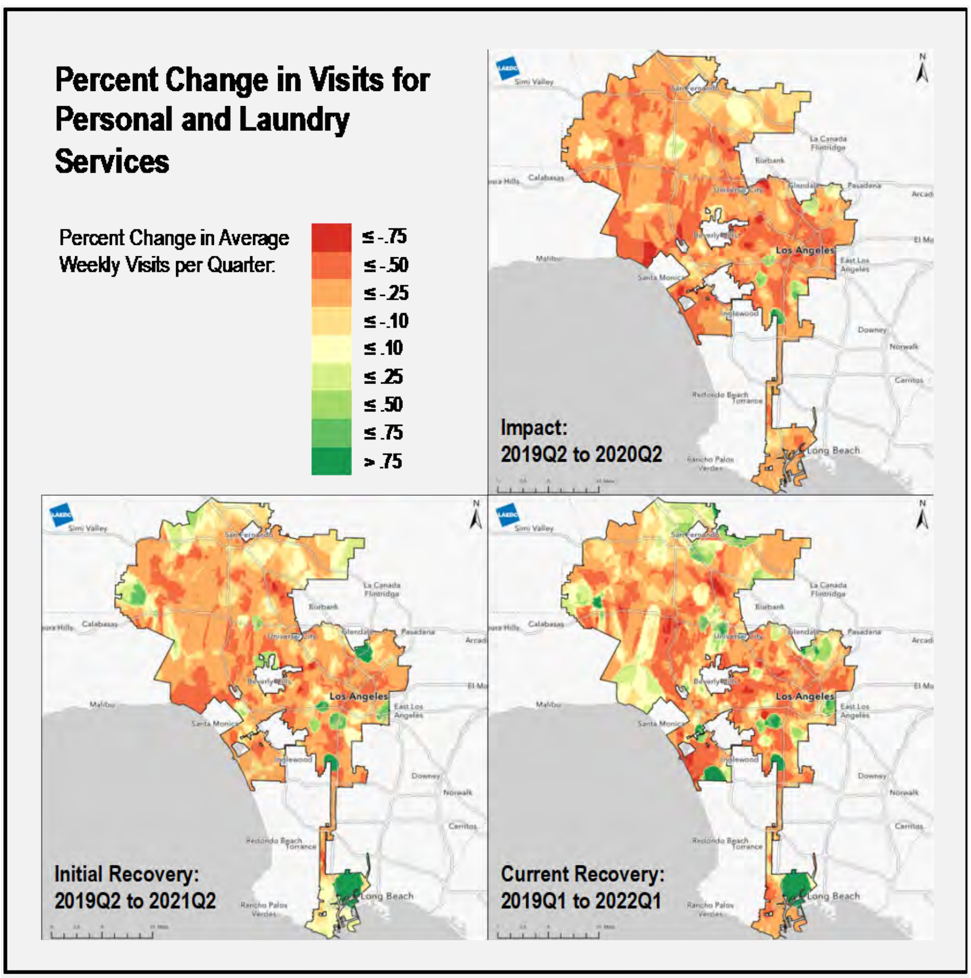


Foot Traffic



Except for a handful of establishments in South Los Angeles, businesses in the Personal and Laundry Services sector saw a large difference, between 25 and 75 percent, between pandemic and pre-pandemic foot traffic. As the recovery progressed, the general level of foot traffic approached between 25 and 50 percent of the pre-pandemic normal for most of the City and the number of establishments with visits higher than their pre-pandemic level increased, appearing in Northeast Los Angeles, the harbor, and elsewhere. **Currently, there are more locations around the City exceeding their pre-pandemic level of visits, but overall most of the City is still below.**

Exhibit 4-41:



Source: SafeGraph

Industries that Showed Stability in the City of Los Angeles

There were also industries that were able to weather the storm of the pandemic more easily than others in its first year, as the economic impacts were not distributed evenly. Some showed stability in employment rates, while others actually grew due to the changing landscape of business in the City.

COURIERS AND MESSENGERS

EMPLOYMENT FEB. 2020**: 16,900** EMPLOYMENT FEB. 2021**: 28,600** ↑ **69%**

11,700 JOBS GAINED YEAR OVER YEAR

GENERAL INFORMATION STORES

EMPLOYMENT FEB. 2020**: 17,100** EMPLOYMENT FEB. 2021: **18,400** ↑ **8%**

1,300 JOBS GAINED YEAR OVER YEAR

OTHER INFORMATION SERVICES

EMPLOYMENT FEB. 2020**: 6,700** EMPLOYMENT FEB. 2021**: 7,500** ↑ **11%**

800 JOBS GAINED YEAR OVER YEAR

HEAVY AND CIVIL ENGINEERING CONSTRUCTION

EMPLOYMENT FEB. 2020**: 3,600** EMPLOYMENT FEB. 2021**: 4,300** ↑ **18%**

700 JOBS GAINED YEAR OVER YEAR

BUILDING MATERIAL & GARDEN EQUIPMENT/SUPPLIES DEALERS

EMPLOYMENT FEB. 2020**: 8,000** EMPLOYMENT FEB. 2021**: 8,600** ↑ **8%**

600 JOBS GAINED YEAR OVER YEAR

Couriers and Messengers

Couriers and Messengers is the industry that provide intercity or local delivery of parcels and documents without operating under a universal service obligation. These deliveries are those that may be handled by one person without using special equipment, which allows collection, pick-up, and delivery operations to be done with limited labor costs and minimal equipment. Sorting and transportation activities, where necessary, are generally mechanized. In the City of Los Angeles, **this encompasses workers under the banner of companies like UberEats, GrubHub, DoorDash, and others that provide local delivery services from businesses (primarily restaurants and eating places) to consumers in their homes.**

As the Safer At Home orders were put in place, the ability of Los Angeles residents to shop in-person was severely constrained and most restaurants were limited to delivery and takeout options for several months. Delivery drivers became essential for allowing these businesses to continue providing goods to their customers, and many introduced options such as no-contact delivery to make this approach as safe as possible. **Couriers and Messengers became one of the most accessible industries for those who had been laid off, as its only important requirements were a method of transportation.** Thus, it saw extreme growth with **nearly 11,700 jobs added in the City of Los Angeles during the first year of the pandemic.**

General Merchandise Stores

General Merchandise Stores refer to establishments that retail new general

merchandise from fixed point-of-sale locations. These establishments are unique in that they have the equipment and staff capable of retailing a large variety of goods from a single location. Warehouse stores such as Costco and Sam's Club are included in this category. They include a variety of display equipment and staff trained to provide information on many lines of products.

These stores were not immune to the business closures put in place in March 2020, losing about 3,300 jobs in the City during the first two months of the pandemic. However, the industry showed strong recovery and employment rose above the pre-pandemic level by November 2020. As shown in the consumer spending section, **spending on general merchandise and retail expanded during the pandemic in Los Angeles, and the businesses in this industry were some of the major beneficiaries.**

Other Information Services

Other Information Services is comprised of establishments supplying information, storing and providing access to information, searching and retrieving information, operating Web sites that use search engines to allow for searching information on the Internet, or publishing and/or broadcasting content exclusively on the Internet. The main components of the subsector are news syndicates, libraries, archives, exclusive Internet publishing and/or broadcasting, and Web Search Portals. The sector added 800 jobs year-over-year, a growth rate of 11 percent.

Heavy and Civil Engineering Construction

Heavy and Civil Engineering Construction has establishments that are engaged in the construction of entire engineering projects, like highways and dams. Building trades in Los Angeles pushed to keep infrastructure running due to its essential nature, so this industry was not as impacted by the shutdowns. **Because of budget shortfalls, many non-critical infrastructure and capital projects were deferred to the future but not cancelled, which led to less short-term payroll falloff for workers.** As a result, the Heavy and Civil Engineering Construction industry did not see any employment losses in the City of Los Angeles at the start of the pandemic. Instead, **jobs were slowly but consistently added throughout the year, providing a measure of stability for the City's construction employees.**

Building Material and Garden Equipment and Supplies Dealers

Building Material and Garden Equipment and Supplies Dealers is an industry that also benefitted from the pandemic. As residents of the City were forced to spend more time at home, there was a consumer shift towards improving their immediate surroundings and living spaces. As a result, **by May 2020, home improvement spending in Los Angeles was up 27 percent from the beginning of the year and remained elevated throughout the pandemic**. There was very little employment falloff in this industry during the first two months of the business closures; by May, employment was above the pre-pandemic level and it continued to grow throughout the year.

5. The Impact on Businesses

Key Takeaways

- The City of Los Angeles has been heavily impacted by business closures due to the pandemic and its resulting restrictions. Between March and September of 2020, the **Los Angeles metropolitan area had the most business closures of any metro in the country**.

- The proportion of small businesses in the Los Angeles metro area is relatively high compared to other major metro areas. The 2018 U.S. Census Bureau's Annual Business Survey found that there were over **254,000 local small business enterprises in the Los Angeles region, making up 96 percent of all businesses**.

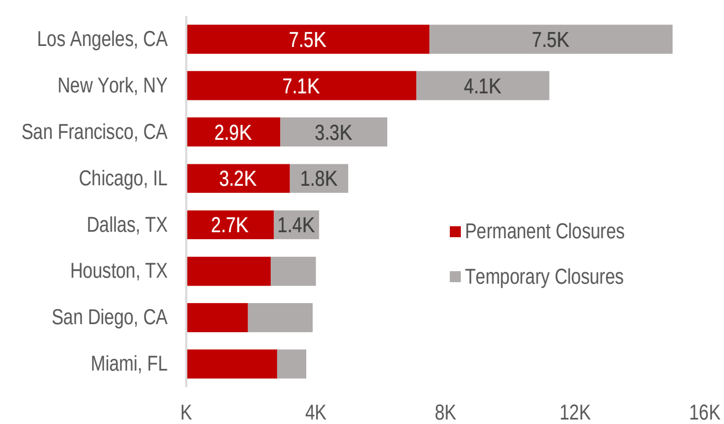
- The Los Angeles region has a relatively **high proportion of businesses that require significant degrees of in-person interaction** to provide their goods and services.

- While the state of California and Los Angeles County have both experienced record numbers of new business startups during the pandemic, data suggests that the business startup picture was significantly different for the City of Los Angeles. **The City recorded 28,020 new business starts in 2021, which represented a 14 percent decrease from the previous year**. In 2020, the City also experienced a decline of over 6 percent in newly registered businesses from the 34,831 new businesses that were registered in 2019.

Business Closures

The City of Los Angeles has been heavily impacted by business closures due to the pandemic and its resulting restrictions. As shown in **Exhibit 5-1**, **between March and September of 2020 the Los Angeles metropolitan area had the most business closures of any metro in the country**, with an estimated 7,500 permanent business closures and a further 7,500 temporary closures.

Exhibit 5-1:
Business Closures by U.S. Metro, March 2020-September 2020

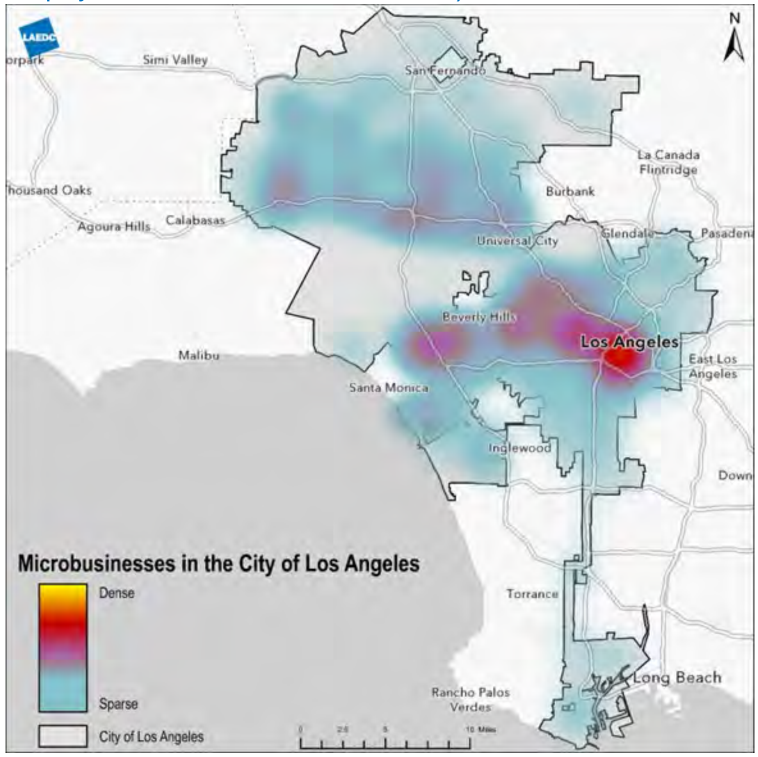


Source: Yelp Local Economic Impact Report

The region's high number of business closures is largely due to the fact that Los Angeles is the second largest metro area in the nation. However, the Los Angeles metro area lost more businesses during the first year of the pandemic than New York, whose population was significantly higher.

When adjusting the number of business closures by total number of businesses, the Los Angeles metro area was the seventh hardest-hit metro area in the nation.

Exhibit 5-2: Microbusiness Locations (those with fewer than 10 employees and $1,000,000 in sales volume)



Sources: esri; GIS analysis by LAEDC

The main reason that Los Angeles suffered a significant number of pandemic-related business closures can be explained by region's business landscape. First, **the proportion of small businesses in the Los Angeles metro area is relatively high compared to other major metro areas**. The 2018 U.S. Census Bureau's Annual Business Survey found that there were over 254,000 local small business enterprises in the Los Angeles region, making up 96 percent of all businesses.[15] In general, **smaller businesses were disproportionately negatively affected by the pandemic due to these businesses tending to have fewer financial resources available to help them weather economic downturns.**

In addition, minority-owned businesses make up a significant portion of small businesses in the Los Angeles region. **Around 37 percent of small businesses in the Los Angeles region are owned by minorities.** Minority-owned businesses were particularly impacted during the pandemic due to a reduced ability to access financial resources that would allow them to endure the pandemic-induced downturn.

Moreover, the Los Angeles region **has a relatively high proportion of businesses that require significant degrees of in-person interaction to provide their goods and services**. Many of these business types, such as hair salons, massage therapists, and bars and restaurants, are also disproportionally made up of small businesses. Furthermore, **many of these businesses rely heavily on tourism**. As tourism all but dried up during the pandemic, many of these businesses experienced a significant decline in business activity.

In mid-April 2020, in response to the initial wave of pandemic restrictions, the number of small businesses open in the City of Los Angeles had declined by 47.5 percent from the beginning of the year. This number saw modest recovery in the summer months, but

[15] US Census Bureau (2018). 2018 Annual Business Survey. https://data.census.gov/cedsci/table?d=ECNSVY%20Annual%20Business%20Survey%20Annual%20Business%20Survey&tid=ABSCS2018.AB1800CSA04

then declined once again to over 30 percent below the beginning of the year. **At the beginning of 2021, the number of small businesses in Los Angeles had declined 38 percent year-over year.**

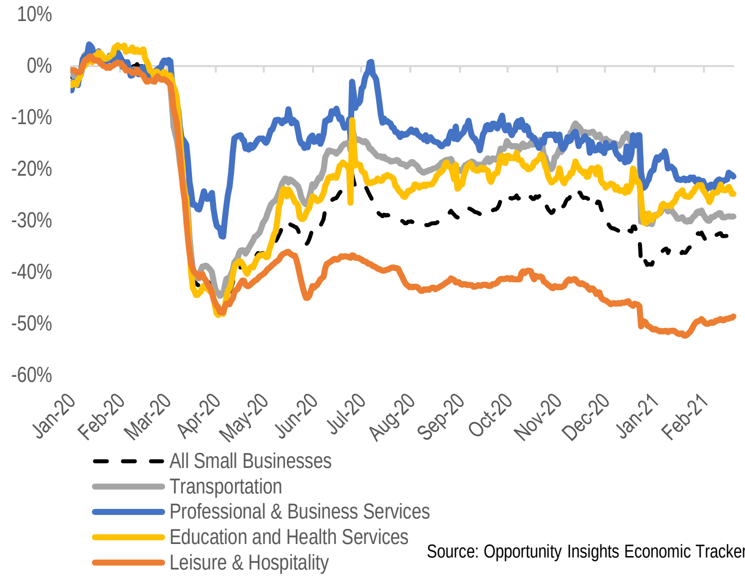
At that point, certain types of small businesses were faring better than others, which is demonstrated in **Exhibit 5-3**. Leisure and Hospitality businesses were performing extremely poorly, with a decrease of over 50 percent from January 2020 to January 2021. Small businesses in the Professional and Business Services industry had been performing fairly well throughout 2020, as the number open had declined by around 15 percent for much of the year, but at the onset of 2021 this had fallen to 20 percent. **Small businesses in Transportation had declined by 30 percent year-over-year and small businesses in the private Education and Health sector by 25 percent.**

Small businesses in Personal Care Services, such as nail salons, hair salons, and massage therapy establishments all struggled mightily as well, as the in-person interactions that they depended on were restricted for many months.

Small Business Pulse Survey

The Small Business Pulse Survey has measured the effects of the changing business conditions during the pandemic on small businesses around the country since early 2020. As a result, it is a good indicator about how these establishments in the City are faring, though the data is only available for both Los Angeles and Orange counties. Phase One of the survey, which ran from April to June 2020 (**Exhibit 5-4**), demonstrates that small businesses in the Los Angeles metro area were struggling due to the restrictions. In the first week of the survey, nearly 80 percent of businesses responded that they had seen decreased revenues in the past week, while almost 60 percent answered that the pandemic had had a "large negative" effect on their business. Almost half of respondent businesses had been temporarily closed for at least a day in the past week, with 75 percent having requested assistance from the government's Paycheck Protection Program (PPP). Over the course of the next month,

Exhibit 5-3:
Percent Change in Small Businesses Open, LA City



Source: Opportunity Insights Economic Tracker

Exhibit 5-4: Responses of Small Businesses in LA Metro Area

Percentage of businesses responding "Yes"

Week	4/26/2020	5/17/2020	6/7/2020
The pandemic has had a large negative effect on this business.	57.80%	54.10%	46.70%
This business has experienced a decrease in operating revenues.	78.30%	64.80%	52.60%
This business temporarily closed for at least 1 day in the last week.	46.70%	40.00%	29.50%
This business has requested assistance from PPP since March 13th, 2020.	74.60%	75.70%	73.30%

Source: Small Business Pulse Survey, Phase 1 these figures slightly decreased as some businesses were able to adjust and receive financial assistance.

Exhibit 5-5: Estimated Time Before Business Returns to Normal

Week of May 7, 2021

Already returned to normal or operations not affected	2-3 months	4-6 months	6+ months	Never
27.1%	6.3%	18.0%	37.8%	7.7%

Source: Small Business Pulse Survey, Phase 5

By the middle of 2021, fortunes were looking slightly better for small businesses in Los Angeles. The Small Business Pulse Survey, then in its fifth data collection phase, found that just 29 percent of small businesses in the region said the pandemic had had a large negative effect, with only 23 percent noting decreased revenues in the past week. However, businesses responded that over 70 percent had sought further financial assistance since the end of December 2020, 31 percent as new PPP applicants and 40 percent as second-time applicants. 46 percent of responding businesses had received assistance from the Paycheck Protection Program since December 2020 and 33 percent had been assisted by the PPP Loan Forgiveness program, while 12.4 percent had received an Economic Injury Disaster Loan and 5.1 percent had been helped by state or local government programs.

Expectations for the future were still divided, as shown in **Exhibit 5-5.** Almost 40 percent of businesses estimated that it would take them over six months to return to normal operations. A further 7.7 percent believed that their small business would never be able to return to normal operations.

In January 2022, the Small Business Pulse Survey queried small business owners about their expectations for future needs (**Exhibit 5-6**). In Los Angeles, **20.3 percent of small business owners answered that they would need to obtain financial assistance or further capital in the next six months,** while 30.8 percent said they would need to increase marketing or sales, and 34.7 said they would need to hire new employees. However, **of the respondents that had attempted to hire new employees, 54 percent answered that they were having difficulties hiring,** alluding to the shortages of labor and hiring challenges that businesses across the nation have been facing as they adapt to a work environment where employees are increasingly looking for better pay and remote options.

Exhibit 5-6: Estimated Future Needs of Businesses

Week of Jan 9, 2022

Obtain financial assistance	Increase marketing or sales	Identify and hire new employees	Identify new supply chain operations	Make a capital expenditure
20.3%	30.8%	34.7%	17.9%	12.9%

Source: Small Business Pulse Survey, Phase 7

Loans for Businesses in the City of Los Angeles

Businesses in the City had a few different options for economic assistance during the pandemic. The Paycheck Protection Program (PPP) was established federally through the CARES Act to allow entities to apply for low-interest private loans up to two million dollars that would support payroll and other costs like rent, utilities, and interest. If businesses met certain criteria – allocating at least sixty percent of the loan towards payroll and the remaining funds for eligible uses while maintaining employment and compensation levels – the loan would be fully forgiven. This provided firms with a means to stay operational during the worst months of the pandemic without placing themselves deeply into debt in the future.

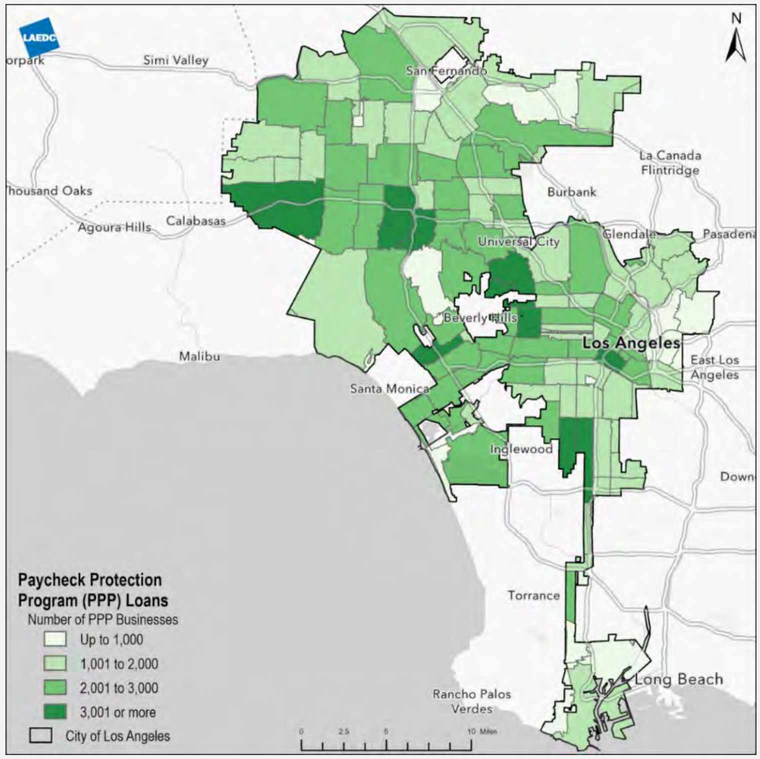
Many Los Angeles businesses applied for and received a PPP loan, which is demonstrated in **Exhibit 5-7** where we can see the number of loans received by City businesses in each zip code. There were several areas of the City where numerous firms were able to attain assistance from the Paycheck Protection Program, particularly in the business-heavy downtown and Hollywood areas. **Throughout the duration of the PPP program, there were 191,754 loans given out in the City of Los Angeles, representing about 44 percent of the total PPP loans in Los Angeles County.**

Another Small Business Administration program that provided support was the Economic Injury Disaster Loan (EIDL) Program, which was authorized to provide up to two million dollars in financial assistance to small businesses or private non-profits that suffered substantial economic injury from the pandemic. The number of firms that received an EIDL loan in the City of Los Angeles by zip code is shown in **Exhibit 5-8**. These were not nearly as numerous as PPP loans, but there were still **105,587 EIDL loans acquired in the City, 48 percent of the County total.**

There has been a debate over the effectiveness of the Paycheck Protection Program. A report by the Brookings Institute found that because the program relied on

Exhibit 5-7: Businesses Receiving PPP Loans in the City of Los Angeles

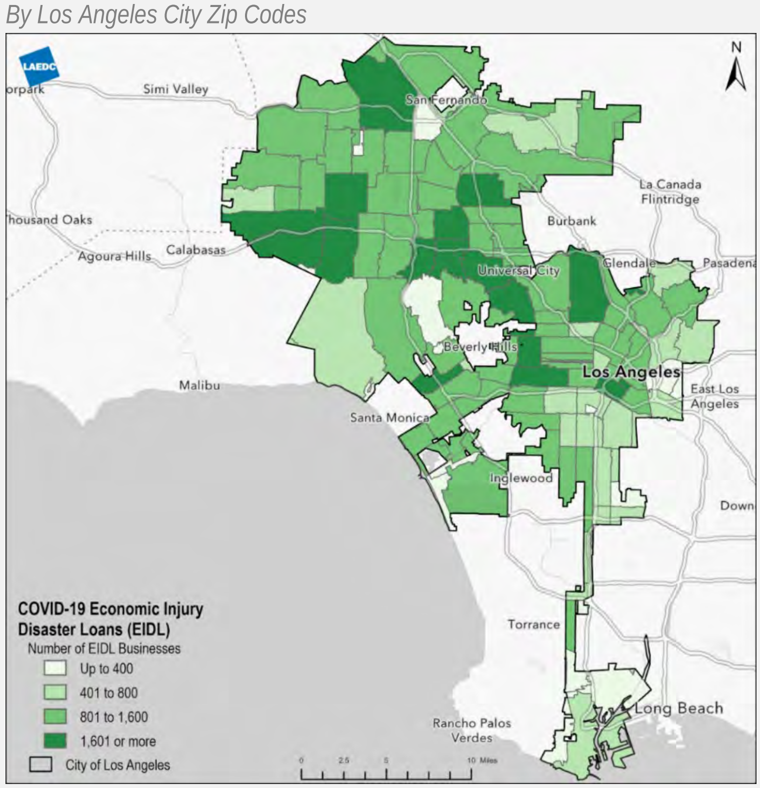
By Los Angeles City Zip Codes



Source: CA EDD

:Exhibit 5-8: Businesses Receiving EIDL Loans in the City of Los Angeles

By Los Angeles City Zip Codes

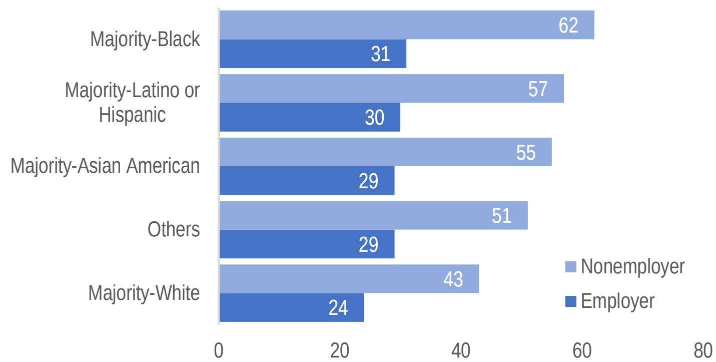


Source: CA EDD

traditional banks to deliver loans initially, **existing larger customers at these large banks were favored over microbusinesses**; as a result, funds were often not allocated to those that needed assistance the absolute most.[16]

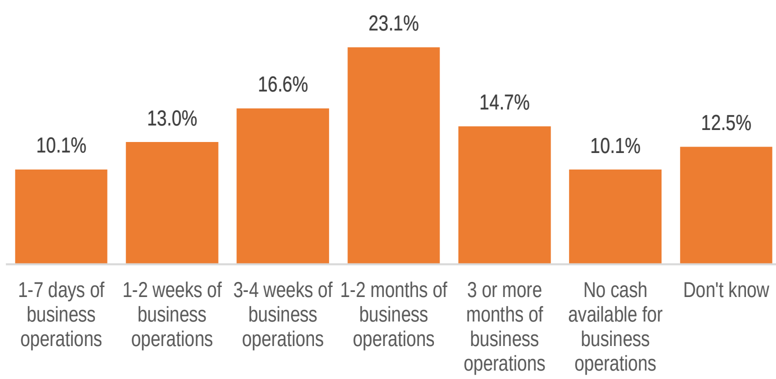
Furthermore, **minority-owned businesses struggled the most to receive loans in a timely fashion**. As businesses in communities of color were found to be less likely to have existing relationships with large banks, but at the same time to be the most cash-constrained, they were put in a challenging situation. Brookings' data at the national level showed that it took an average of 31 days for employer firms in majority-black neighborhoods to receive PPP loans and 30 days for firms in majority-Hispanic or Latino neighborhoods, compared with 24 days for businesses in majority-white areas.[17] For non-employer firms, the gap widened to 62 days for majority-black firms and 43 days for majority-white.

Exhibit 5-9:
Average Days Since PPP Application Started to Loan Approval



Source: Brookings Institute

Exhibit 5-10:
Current Availability of Cash on Hand, LA Metro Businesses
Week of 4/26/20 - 5/2/20



Source: Small Business Pulse Survey

This is notable in the City of Los Angeles because of the number of small businesses and microbusinesses that operate within its boundaries, as well as the number of Hispanic and Black employers in the City. In the first week of the Small Business Pulse Survey, about 40 percent of respondent businesses in the Los Angeles metro area stated that they had cash on hand for 3-4 weeks of business operations or less. The degree of lag in response time from the PPP program could have led to many firms exhausting their cash buffers before receiving loans to keep operations afloat, particularly smaller and minority-owned businesses in the City.

New Business Startups and the Business Environment

The number of newly registered businesses serves as an important indicator of a geographic area's recovery from an economic downturn and therefore that area's future economic performance. In the U.S., new business registrations increased significantly

[16] Liu, Sifan, and Joseph Parilla. "New Data Shows Small Businesses in Communities of Color Had Unequal Access to Federal Covid-19 Relief." Brookings, Brookings, 9 Mar. 2022, https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/.
[17] Ibid.

in 2020 growing around 12 percent from December 2019 to December 2020.

While new business registrations fell dramatically in April 2020 after the pandemic hit, business applications recovered quickly in the following month. From that point forward, new businesses were added at a record pace in 2021. According to the U.S. Census Bureau,[18] a record 5.4 million new business applications were filed in 2021, which exceeded the 4.4 million filed in 2020 by over 20 percent. Consistent with the national trend, California experienced a record number of new business applications during the pandemic. After experiencing an almost 20 percent increase in business applications in 2020, California saw a 28 percent increase in business applications from December 2020 to December 2021. Los Angeles County also experienced a significant increase in new business activity during the pandemic. The most recent data for Los Angeles County indicates that business applications increased around 23 percent during 2020. However, data suggests that the business startup picture was significantly different for the City of Los Angeles.[19] **The City recorded 28,020 new business starts in 2021, which represented a 14 percent decrease from the previous year. In 2020, the City also experienced a decline of over 6 percent in newly registered businesses from the 34,831 new businesses that were registered in 2019.**

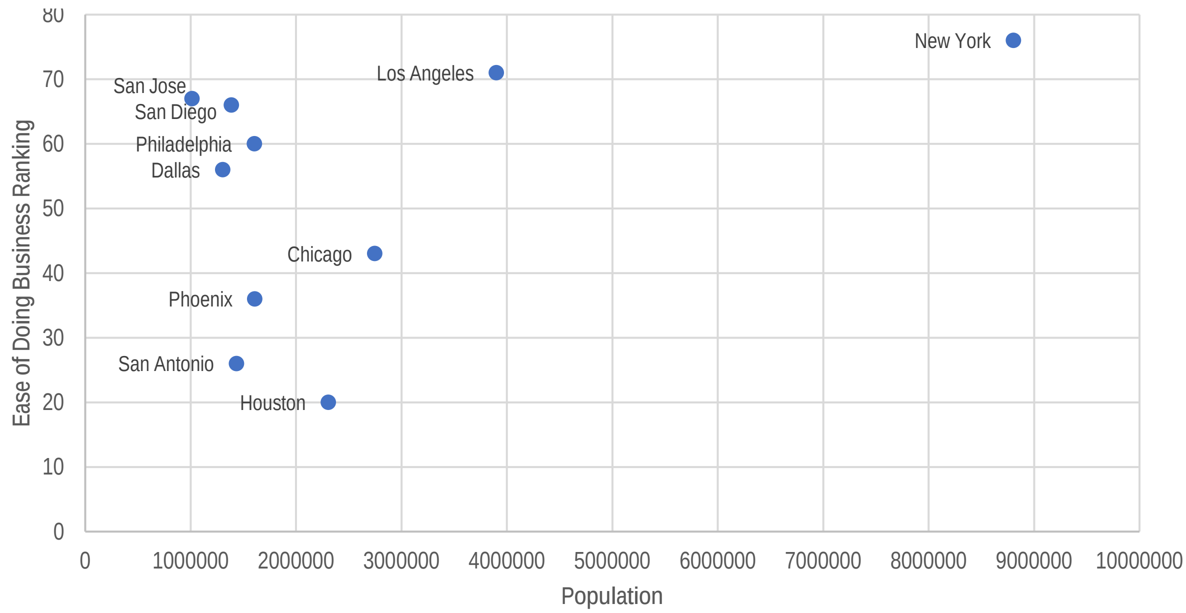
Of the 28,020 new businesses that registered with the City in 2021, 1,739 were listed under the category of personal services. In addition, single-family housing construction firms (896), writing and performing freelancers (883), and home healthcare services (486) were business categories that experienced a relatively high number of new business registrations. In 2021, the City set a record high for new business startups in limited-service restaurants (435), women's clothing stores (167), and personal care services categories (106). These categories represent many of the industry sectors that were hardest hit during the pandemic. With consumers going back to purchasing services that they largely stopped using during the pandemic, businesses in these industries began opening their doors once again.[20]

Bringing businesses, particularly small businesses, back to Los Angeles will be essential to the City's post-pandemic economic recovery.

One potential contributing factor serving as a barrier to new business registration is the City's regulatory environment, which can be relatively burdensome for small businesses. Arizona State University's *Doing Business in North America 2021 Report* provides relative ranking for 84 U.S. cities, focusing on regulatory burdens faced during the average lifespan of small and medium sized businesses.[21] Amongst U.S. cities, Los Angeles ranks 71st in terms of overall ease of doing business with California cities such as San Jose, San Diego and San Francisco scoring higher. No California city scored lower and only 12 U.S. cities were ranked below Los Angeles. The City's relative ranking in particular categories highlights some of the top challenges faced by new business startups. **Exhibit 5-11** shows

[18] U.S Census Bureau (2022). Business Formation Statistics. https://www.census.gov/econ/bfs/index.html
[19] Yeung, N. March 15, 2022. "Is Los Angeles back in business?" *Crosstown*. https://xtown.la/2022/03/15/los-angeles-economic-recovery-covid/
[20] Ibid.
[21] Arizona State University. (2021). Doing Business in North America 2021 Report. https://dbna.asu.edu/reports

Exhibit 5-11:
U.S. Cities Ranking of Overall Ease of Doing Business



Source: Arizona State University's Doing Business in North America 2021 Report

the ease of doing business rank for the ten U.S. cities in the United States with populations over 1 million. Houston is ranked highest in the group with a rank of 20 followed by San Antonio at 26 and Phoenix at 36. New York City is ranked lowest with a rank of 76 while Los Angeles is the second lowest ranked city in the group at 71.

In terms of ease of starting a business, Los Angeles was the lowest-ranking California city in the report with only 13 U.S. cities scoring lower. Furthermore, Los Angeles' employing workers rank received the third lowest score of any U.S. city.

Regulations and taxes can represent significant barriers to potential new businesses, particularly to small businesses, and are taken into consideration when making locational business startup decisions. Small businesses are particularly deterred from starting up in cities with relatively burdensome regulations and high taxes in place. These businesses often do not have the knowledge and resources necessary to comply with complex regulations unlike larger businesses that may have dedicated staff that can deal with municipal regulatory compliance. Small businesses that are trying to successfully start up and survive are also less able to afford to pay regulatory fees and taxes.

A number of competing cities in the region offer business environments that are less burdensome to small business startups than Los Angeles. It is likely that a number of the Los Angeles businesses that closed down in 2020 at the height of the pandemic decided to relocate to neighboring cities that are more business friendly when they reopened, bringing their jobs and tax revenues with them. These types of **reopening behavioral choices may partly explain the pandemic-era disparity in new business registrations between Los Angeles and most other cities in the nation.**

Small businesses represent a significant portion of new business startups and are an essential piece of the City's economy that will be crucial to the post-COVID recovery. Small businesses in the City are engines of job growth, increased household income, and investment in the local economy. For example, **small businesses in the Los Angeles region create more jobs for every dollar in sales revenue than do other businesses.**[22] For every $1 million in average yearly sales revenue, small businesses in the region create an average of 4.2 jobs compared to 2.8 jobs for larger businesses. Furthermore, **small businesses spend a higher percentage of their capital on payroll than do other types of businesses.**[23] On average, small businesses spend approximately 19 cents on worker pay for every dollar in sales revenue compared to other businesses that spend approximately 17 cents per dollar on payroll.

Recommendations:

The City should develop a strategy to make the business environment more small-business friendly in order to attract these businesses to the City. Measures that improve the business environment for small enterprises should be long-lasting instead of temporary. Temporary measures such as one-time tax breaks, subsidies, or regulatory waivers will have a limited impact on attracting small businesses and encouraging new startups. **Owners of potential businesses are forward-looking and will consider what the expected future business environment will look like when**

making locational choices. Temporary measures designed to make the business environment more attractive that will later disappear will do little to attract potential businesses that consider the long-run business picture.

The City should review the impact of regulations on small business operations and consider regulatory changes that will serve to attract and retain small businesses. Regulatory authorities should periodically study the impact that their regulations have on small businesses and consider regulatory changes that will improve the City's business environment. **In addition, future proposed regulations should be designed with reducing the negative impact on small businesses as one of the key regulatory goals.**

When analyzing the economic impact of removing or reducing particular regulations, fees, and taxes on small businesses, the City should incorporate the added direct, indirect, and induced impact on economic activity and the City's fiscal picture resulting from retained and newly attracted small businesses.

[22] Elizondo, A. (2021). *The State of Procurement Equity in Los Angeles County*. UCLA Luskin School of Public Affairs. https://luskin.ucla.edu/urban-planning/student-projects/capstone-project-database
[23] Ibid.

6. Occupations in the City

Key Takeaways

- The **most negatively impacted individual occupations** in the City, based on the total amount of jobs lost in each occupation include:
  - **Fast Food and Counter Workers**
  - **Waiters and Waitresses**
  - **Restaurant Cooks**

- The **top occupations that employers have posted for** in Los Angeles from September 2021 to the end of February 2022 include:
  - **Software Developers of Applications**
  - **Managers**
  - **Sales Representatives for Wholesale Goods and Manufacturing**
  - **Registered Nurses**

- The most demanded skill cluster from September 2021 to February 2022 was basic customer service, as **firms are looking to add jobs that can perform customer and client support roles**. A bachelor's degree was the most requested level of education.

Occupational Overview

Exhibit 6-1 shows a breakdown of City employment by occupational groupings pre-pandemic in 2019. Management had the largest percentage of workers, followed by sales occupations and office and administrative support occupations. Entertainment-related occupations also had a significant proportion of employment, due to the City's importance as a hub for media and entertainment.

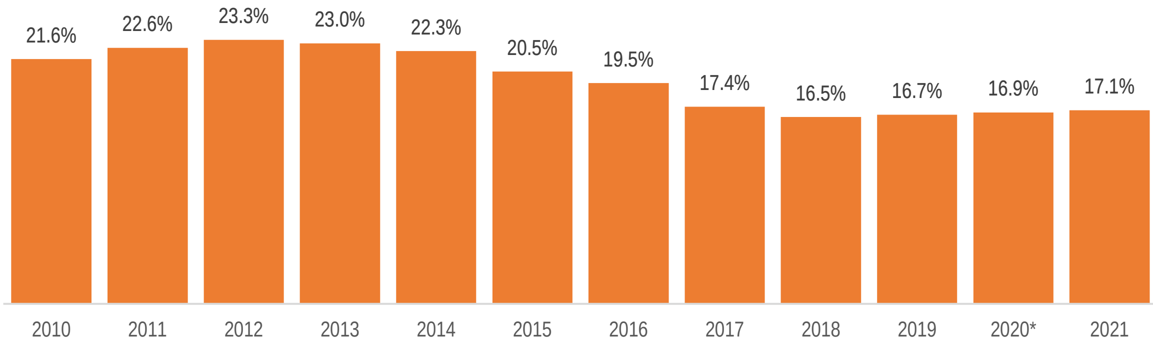
As employment grew, the City economy was improving by other metrics as well. The unemployment rate, which had been hovering around 13 percent a decade prior, experienced a steady decline over the years to reach just 4.6 percent in 2019. **The poverty rate rose to a peak in 2012 at 23.3 percent, but had since steadily declined to about 16.7**

Exhibit 6-1: Occupations in LA City 2019

Occupational Group	% of City Employment
Management	10.4%
Sales and related	9.6%
Office and administrative support	9.5%
Arts, design, entertainment, sports and media	7.3%
Transportation and material moving	6.9%
Food preparation and serving	6.6%
Construction and extraction	5.5%
Building and grounds cleaning and maintenance	5.5%
Business and financial operations	5.3%
Education and library	5.0%
Production	4.9%
Healthcare practitioners and technical	4.6%
Healthcare support	3.9%
Personal care and service	3.2%
Computer and mathematical	2.5%
Installation, maintenance and repair	2.0%
Legal	1.8%
Protective service	1.5%
Architecture and engineering	1.5%
Community and social service	1.5%
Life, physical and social science	0.8%
Farming, fishing and forestry	0.3%

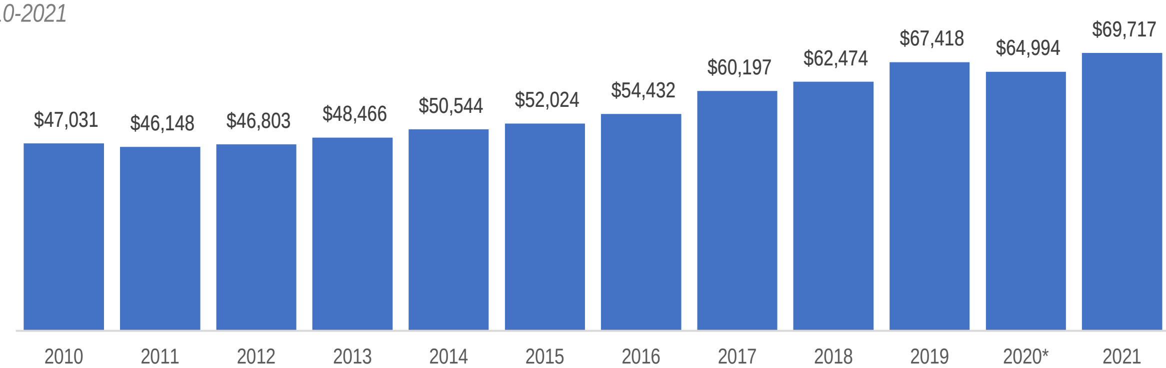
Source: BLS QCEW

Exhibit 6-2:
Percent of Individuals Below Poverty Level, LA City
2010-2021



Source: ACS 1-year estimates, * indicates 5-year estimates

Exhibit 6-3:
Median Household Income, LA City
2010-2021



Source: ACS 1-year estimates, * indicates 5-year estimates

percent in 2019, as shown in **Exhibit 6-2**. Accordingly, **the median household income of City residents was quickly rising, increasing from $47,000 to over $67,400 in a ten-year span.** In 2010, 52.5 percent of households in the City were making less than $50,000 annually; by 2019, this proportion was just 38.4 percent.

Most Impacted Occupations

Just as certain industries struggled more than others, occupations in the City of Los Angeles each faced a different set of challenges when dealing with the pandemic and its effect on business. **Exhibit 6-4** shows the estimates for the most impacted individual occupations in the City, based on the total amount of jobs lost in each occupation.

Occupations in the hardest-hit industry of Food Services and Drinking Places have suffered the most, with fast food and counter workers declining in employment by over 12,000, waiters and waitresses by over 7,600 and restaurant cooks by 5,000 in 2020. **These occupations all added jobs back in 2021 and are forecasted to continue their recovery, but they will still be well below their pre-pandemic level in 2023**. All these jobs paid extremely low average annual wages around $35,000 to $37,000, meaning that workers in these occupations likely had less of a financial buffer to fall back on when layoffs began.

Retail occupations were also affected, such as cashiers losing close to 4,200 jobs and retail salespersons losing over 2,600. General laborers and material movers lost over 2,200 jobs in the City, while maids and housekeeping cleaners lost close to 1,800. General and operations managers was a high-paying job on average and saw a decline of over 2,000 in employment; however, close to 75 percent of these jobs are expected to return by 2023.

Next, at a few of the most impacted occupations are examined in detail, looking at skills, demographics, and more.

Exhibit 6-4: Most Impacted Occupations, LA City

SOC Code	Occupation	2019-2020 Job Change	2020-2021 Job Change	2021-2023 Projected Job Change	2021 Mean Annual Wage
35-3023	Fast Food & Counter Workers	-12,060	2,600	4,400	$37,370
35-3031	Waiters & Waitresses	-7,610	1,580	2,710	$35,330
35-2014	Cooks, Restaurant	-5,000	1,030	1,790	$35,230
41-2011	Cashiers	-4,170	1,900	1,260	$33,720
35-2011	Cooks, Fast Food	-3,980	820	1,450	$31,880
41-2031	Retail Salespersons	-2,640	1,520	700	$38,710
35-1012	First-Line Supervisors of Food Preparation & Serving Workers	-2,570	540	940	$44,140
35-2021	Food Preparation Workers	-2,570	550	950	$32,610
53-7062	Laborers & Freight, Stock, Material Movers, Hand	-2,220	1,360	890	$37,310
35-9021	Dishwashers	-2,070	440	750	$31,690
11-1021	General and Operations Managers	-2,060	810	720	$142,240
35-9011	Dining Room and Cafeteria Attendants & Bartender Helpers	-2,000	420	720	$33,040
35-3011	Bartenders	-1,760	370	620	$34,240
37-2012	Maids & Housekeeping Cleaners	-1,750	460	670	$35,930
15-1256	Software Developers & Quality Assurance Analysts & Testers	-1,750	1,370	460	$122,100

Source: CA EDD, Estimates by LAEDC

Fast Food and Counter Workers

Fast food and counter workers were the most impacted occupation in the City by far, with an estimated 12,060 jobs lost in the first year of the pandemic. With restaurants and food places forced to limit their dining options to takeout and delivery only, these types of workers faced heavy layoffs. Although jobs are projected to be added through 2023, it will take time for full recovery.

Workers in this occupation make low wages on average, due to the extremely low educational requirements and level of skills needed for employment. Training is usually on-the-job and short-term. Employees are overwhelmingly younger, and most don't have a bachelor's degree. There are a wide variety of employers in the City of Los Angeles hiring for this occupation, including fast-food chains like Little Caesar's and Chipotle and grocery stores such as Whole Foods.

Employment Changes

Jobs Lost in 2020: -12,060

Jobs Added in 2021: 2,600

Projected Jobs Added 2021-2023: 4,400

Occupational Info

Average Annual Wage 2021: $37,370

Educational Requirements:

- No formal education required.

Necessary Skills:

- Customer and Personal Service
- Food Production
- Sales and Marketing
- Public Safety and Security

Top Employers in City of Los Angeles:
(By Job Postings, Last Six Months)

- Boston Market
- Little Caesar's
- Jersey Mike's
- Whole Foods Market

Exhibit 6-5:
Age of Workers, 2019

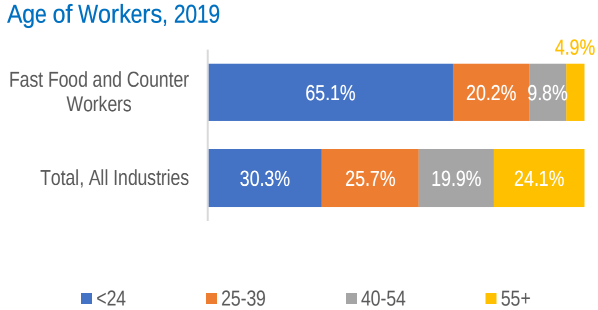


Exhibit 6-6:
Educational Attainment of Workers, 2019

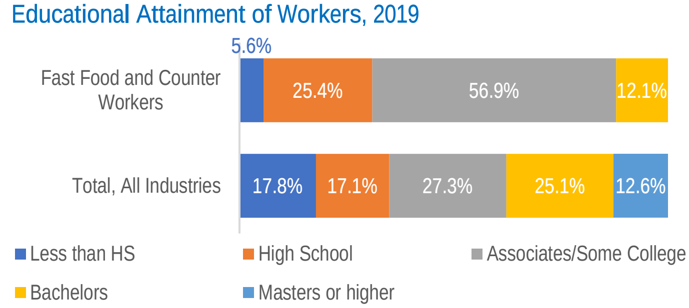


Exhibit 6-7:
Race of Workers, 2019

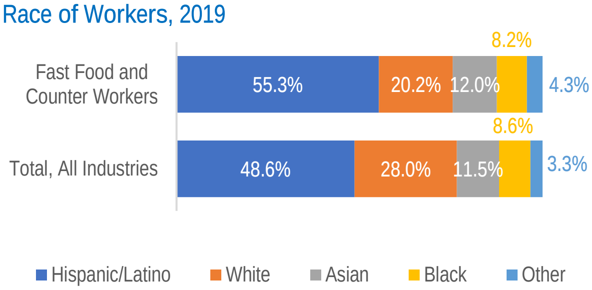
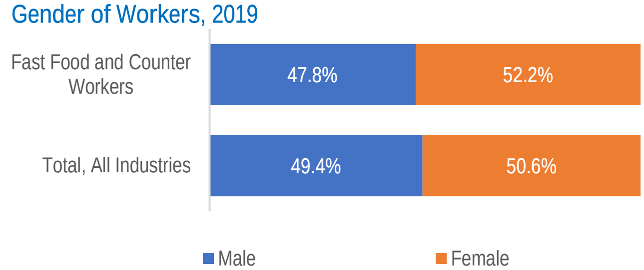


Exhibit 6-8:
Gender of Workers, 2019



Waiters and Waitresses

Waiters and waitresses in the City of Los Angeles lost over 7,600 jobs in 2020. Like fast food and counter workers, the inability to interact with customers in the traditional fashion led to a high degree of layoffs. However, jobs have been slowly added back as the restaurant industry recovers.

Waiters and waitresses make very low wages on average. This occupation is easier to get into, as there are no formal education requirements. Training is usually on-the-job and short-term. This occupation is young on average, with 78 percent of workers under the age of 39; otherwise, it is demographically representative of the City workforce overall. Top employers hiring waiters and waitresses include Marriott International, The Compass Group, and the University of California school system.

Employment Changes

Jobs Lost in 2020: -7,610

Jobs Added in 2021: 1,580

Projected Jobs Added 2021-2023: 2,710

Occupational Info

Average Annual Wage 2021: $35,330

Educational Requirements:

- No formal education required.

Necessary Skills:

- Customer and Personal Service
- Food Production
- Sales and Marketing

Top Employers in City of Los Angeles:
(By Job Postings, Last Six Months)

- Marriott International
- Compass Group
- Yardbird Los Angeles
- University of California

Exhibit 6-9:
Age of Workers, 2019

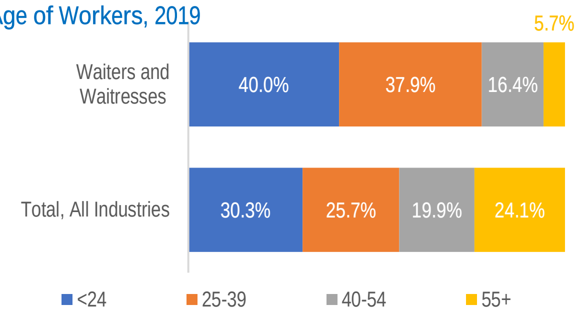


Exhibit 6-10:
Educational Attainment of Workers, 2019

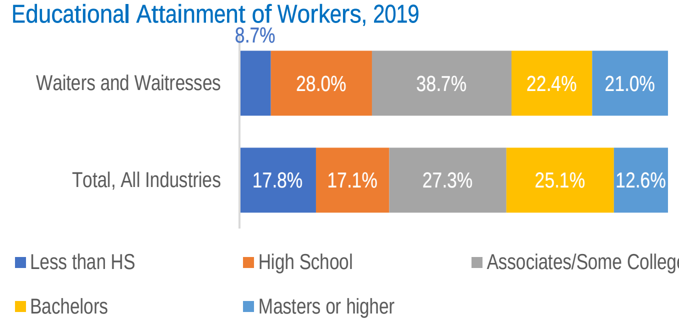


Exhibit 6-11:
Race of Workers, 2019

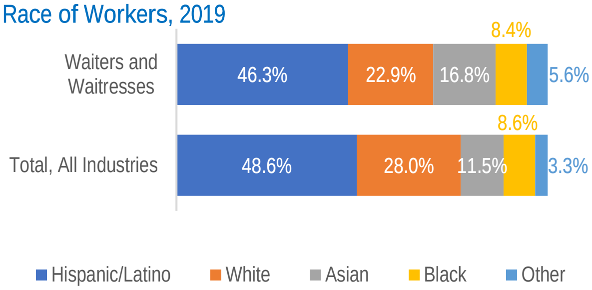
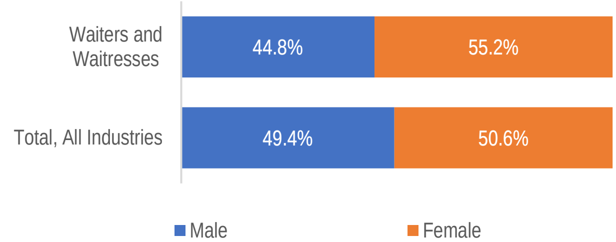


Exhibit 6-12:
Gender of Workers, 2019



Cooks, Restaurant

Restaurant cooks were another casualty of the damage done in the Food Services and Drinking Places industry, with 5,000 jobs lost in the City of Los Angeles. About 1,000 of these jobs returned in 2021, with another 1,800 projected to be recovered in the near future as the industry continues to grow.

Restaurant cooks make very low wages on average, at about $35,230 annually. There are no formal education requirements, but training is usually moderate-term on-the-job. The demographic composition of the occupation is heavily skewed towards being Hispanic, while workers are generally less educated, male, and younger. The top employers for restaurant cooks in the City of Los Angeles include Marriott, Compass Group, Delaware North, and Sweetgreen.

Employment Changes

Jobs Lost in 2020: -5,000

Jobs Added in 2021: 1,030

Projected Jobs Added 2021-2023: 1,790

Occupational Info

Average Annual Wage 2021: $35,230

Educational Requirements:

- No formal education required.

Necessary Skills:

- Customer and Personal Service
- Food Production
- Production and Processing

Top Employers in City of Los Angeles:
(By Job Postings, Last Six Months)

- Marriott International
- Compass Group
- Delaware North
- Sweetgreen

Exhibit 6-13:
Age of Workers, 2019

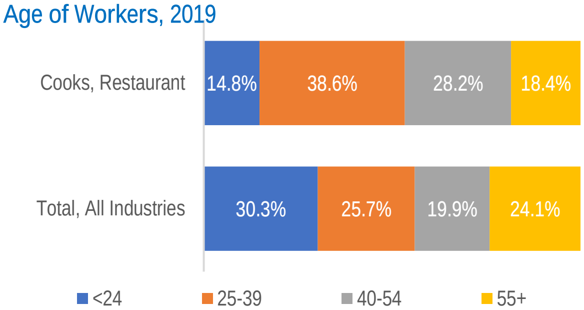


Exhibit 6-14:
Educational Attainment of Workers, 2019

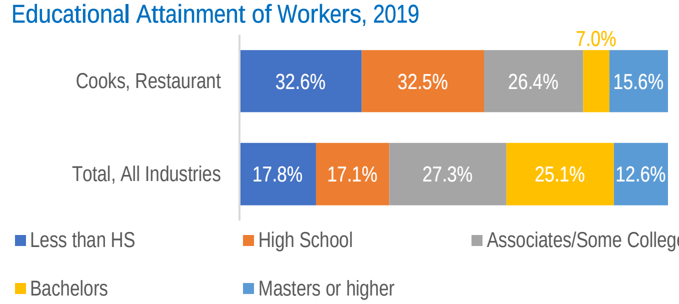


Exhibit 6-15:
Race of Workers, 2019

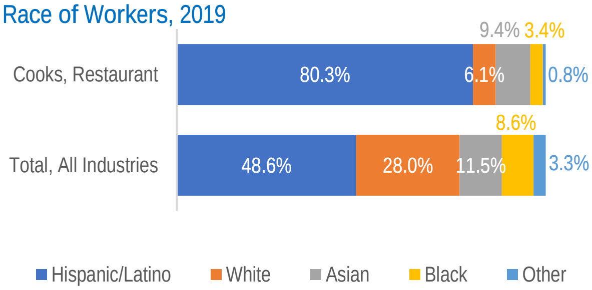
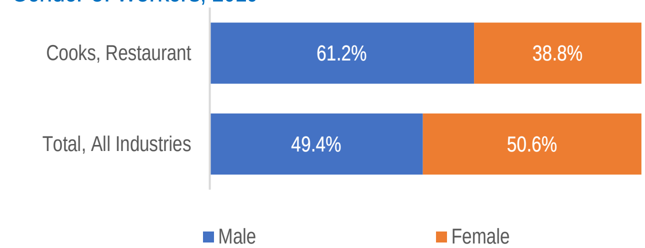


Exhibit 6-16:
Gender of Workers, 2019



Real-Time Labor Demand

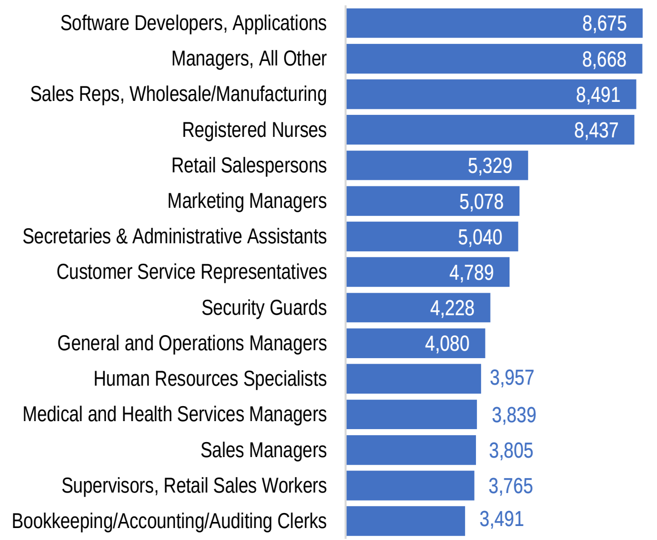
Job postings data from Emsi Burning Glass is one way to analyze which occupations and industries are growing in the City of Los Angeles, based on real time employer demand. This section looks at different metrics for job postings in the City from the past six months.

Exhibit 6-17 shows the top occupations that employers have posted for in Los Angeles from September 2021 to the end of February 2022. **Software developers of applications were the most in demand occupation with nearly 8,700 job postings, followed by managers. Sales representatives for wholesale goods and manufacturing and registered nurses were also in high demand**. Sales occupations are highly represented on this list, with retail salespersons, customer service representatives, sales managers, and supervisors of retail sales workers all in the top fifteen occupations.

There is also demand for office and administrative support occupations, as secretaries and administrative assistants and bookkeeping, accounting, and auditing clerks are also in demand. The demand for these occupations is promising due to the extent that they were impacted by the onset of the COVID-19 pandemic.

Exhibit 6-17: Top Occupations by Job Postings, LA City

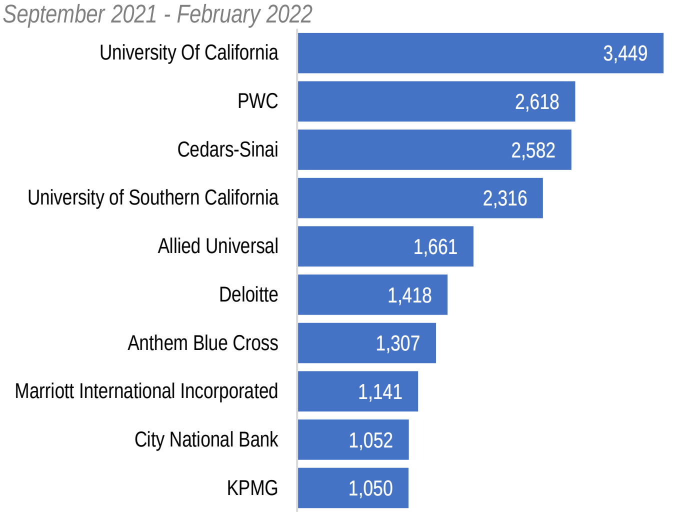
September 2021 - February 2022



Source: Burning Glass

Exhibit 6-18: Top Employers by Job Postings, LA City

September 2021 - February 2022



Source: Burning Glass

In **Exhibit 6-18**, the top ten employers in the City by number of job postings are displayed. The University of California system is the leading employer with just under 3,500 job postings in the last six months. The most in-demand occupations at this employer are secretaries and administrative assistants, managers, and registered nurses. The major consulting firm PricewaterhouseCoopers (PWC) is second with over 2,600 postings; the top two in demand occupations here are auditors and branch or department financial managers. Close behind is Cedars-Sinai, a world-renowned nonprofit healthcare organization that has a strong foothold in the Los Angeles area. Its most demanded occupations are medical scientists, registered nurses, patient representatives, and secretaries and administrative assistants.

Job postings data can also be used as an indicator of which industries are growing currently. The top industries by job postings are shown in **Exhibit 6-19**. **Professional, Scientific, and Technical Services has accounted for the greatest share of job postings** by far, with close to 22,000 in the past six months, demonstrating the continued growth of business in the City of Los Angeles despite the challenges of the pandemic. Within this industry, legal occupations such as lawyers and paralegals and legal assistants are in the highest demand by employers.

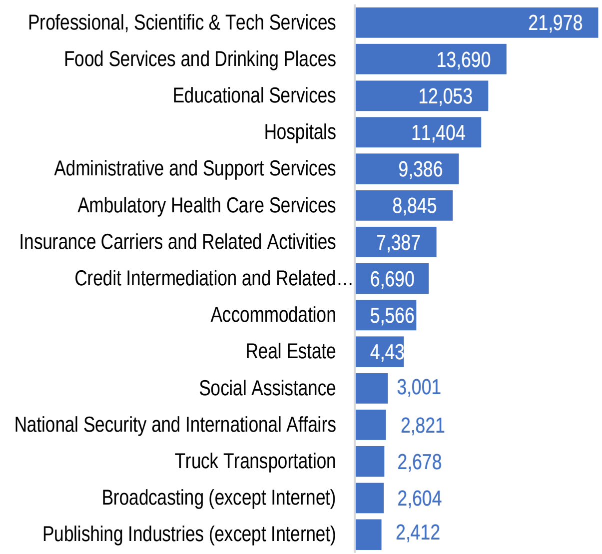
Food Services and Drinking Places are second on the list with about 13,700 job postings, an encouraging sign for how the industry has rebounded since the beginning of the pandemic-induced recession. The occupations which were hit the hardest by layoffs, namely waiters and waitresses, restaurant cooks, and food service managers, are all in the highest demand as restaurants have looked to re-acquire staff. Meanwhile, **Educational Services, Hospitals, and Administrative and Support Services are all looking to add a high number of jobs as well**.

In-Demand Skills and Experience

As jobs are added back to the economy in the City of Los Angeles, there are certain groups of skills that are more in-demand from employers. **Exhibit 6-20** shows the most in-demand skill clusters from September 2021 to February 2022, with the bars representing the number of job postings that listed these skills. Skill clusters represent groups of related skills in a single category, which can be analyzed to determine in-demand occupations and facilitate the development of targeted curriculum that can give workers the tools they need to succeed in the regional economy.

Exhibit 6-19: Top Industries by Job Postings, LA City

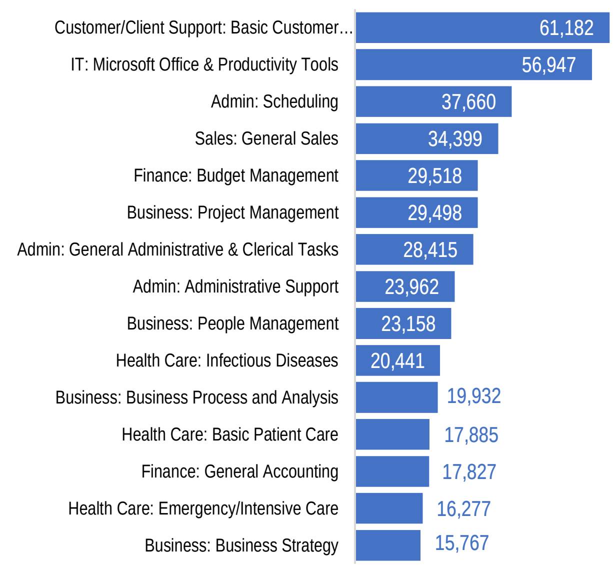
September 2021 - February 2022



Source: Burning Glass

Exhibit 6-20: In-Demand Skill Clusters, LA City

September 2021 - February 2022



Source: Burning Glass

The most demanded skill cluster was basic customer service, as firms are looking to add jobs that can perform customer and client support roles. General sales is the fourth-most demanded cluster, which demonstrates the continued importance of interpersonal interactions for many employers in the City.

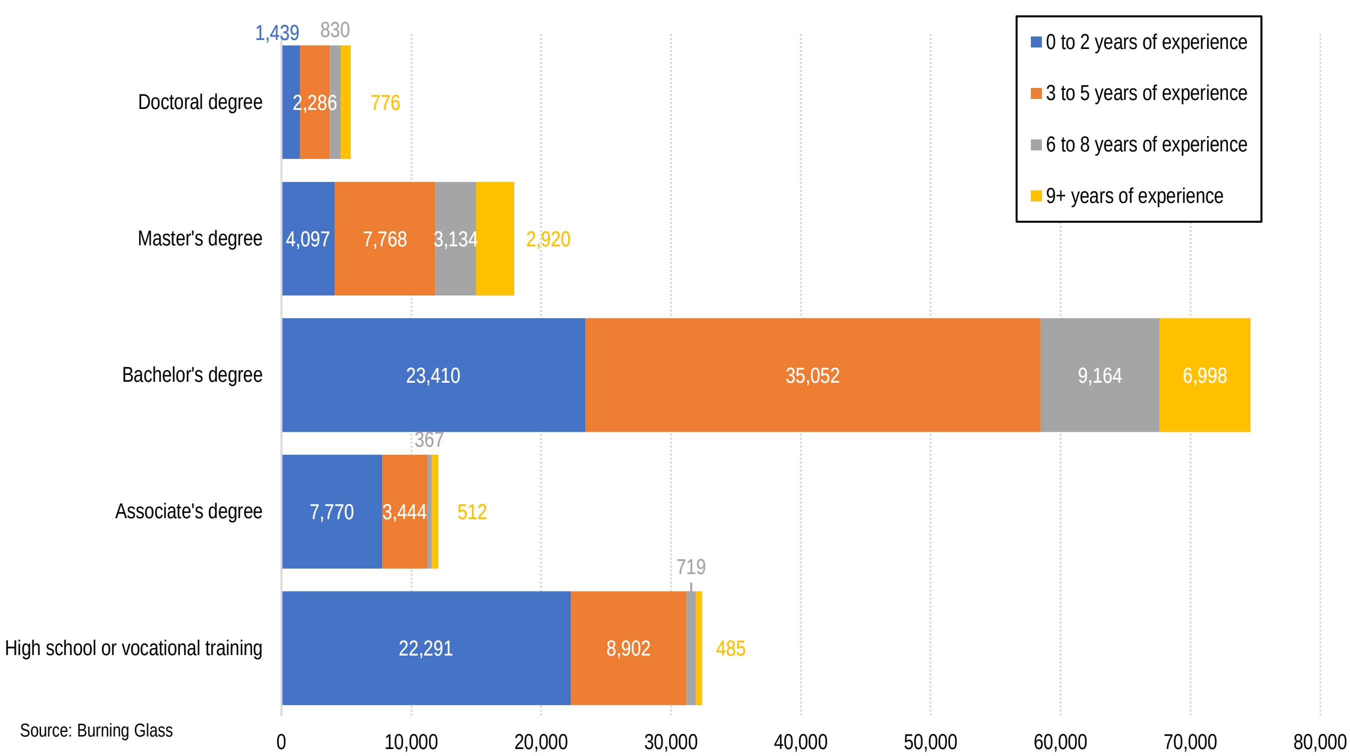
Another major skill grouping that is in demand is basic administrative tasks, which includes responsibilities such as scheduling, administrative and clerical tasks, and administrative support. As administrative and support services was one of the hardest hit industries in the City, many workers proficient with administrative skills were laid off, and firms are working to reacquire experience in these occupations. Business skills such as the management of products and people, as well as business strategy, are also sought after currently. In the field of Health Care, in-demand skill clusters are infectious diseases, basic patient care, and emergency/intensive care.

Of the 291,000 job postings in the City over the last six months, about 140,000 listed both a requested level of education and a specified number of years of experience. **Exhibit 6-21** breaks down these postings by both metrics.

A bachelor's degree was the most requested level of education, with over 70,000 job postings. Of these, about 23,400 required less than two years of prior experience, but the remaining **70 percent asked for at least three years, making it much more difficult for new or transitioning employees to qualify**. There were also a **high number of job postings that required only a high school diploma, with the majority asking for lower levels of prior experience. These opportunities represent easy targets for workers looking to quickly re-enter the labor force, but due to their low educational and experience requirements it is likely that the majority are low-paying opportunities in the service sectors of the economy**.

Exhibit 6-21: Requested Education and Experience in Job Postings, LA City

September 2021 - February 2022



Source: Burning Glass

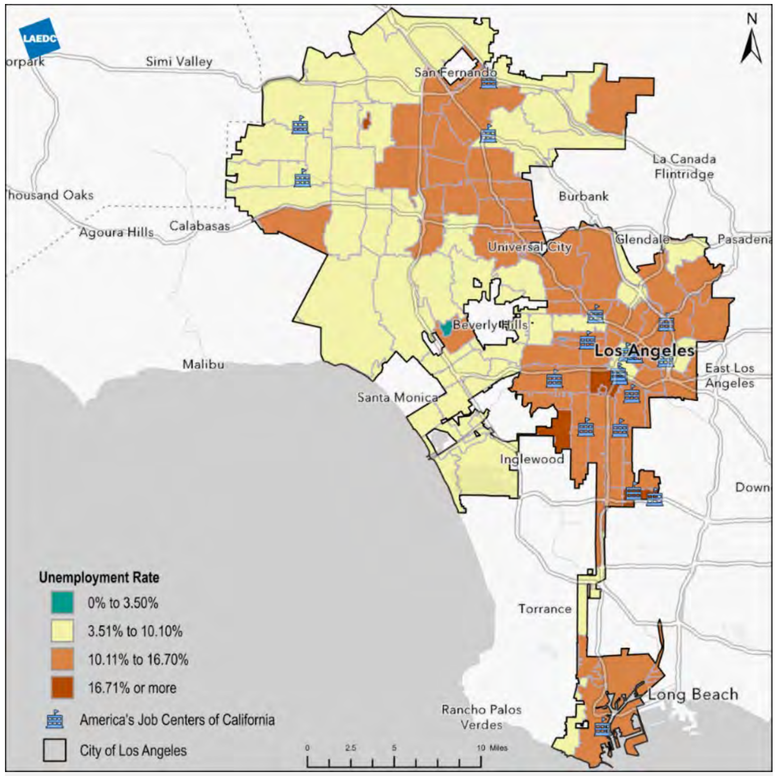
Training Programs Available

Through the pandemic, workers in the City of Los Angeles with higher levels of educational attainment have suffered less from unemployment and layoffs than those with lower levels. **Having education and skills that will be relevant in the new economic landscape of the City and County will be an important determinant of which workers find new and better job opportunities during the ongoing economic recovery process**. Through the local community colleges, America's Job Centers of California (AJCCs), and training centers located throughout Los Angeles County, displaced workers have the opportunity to upskill or train for skills needed in identified high-growth industries.

As shown in **Exhibit 6-22, many of these training centers are located in the areas of the City with the highest unemployment rates, primarily around the downtown and South Los Angeles neighborhoods**.

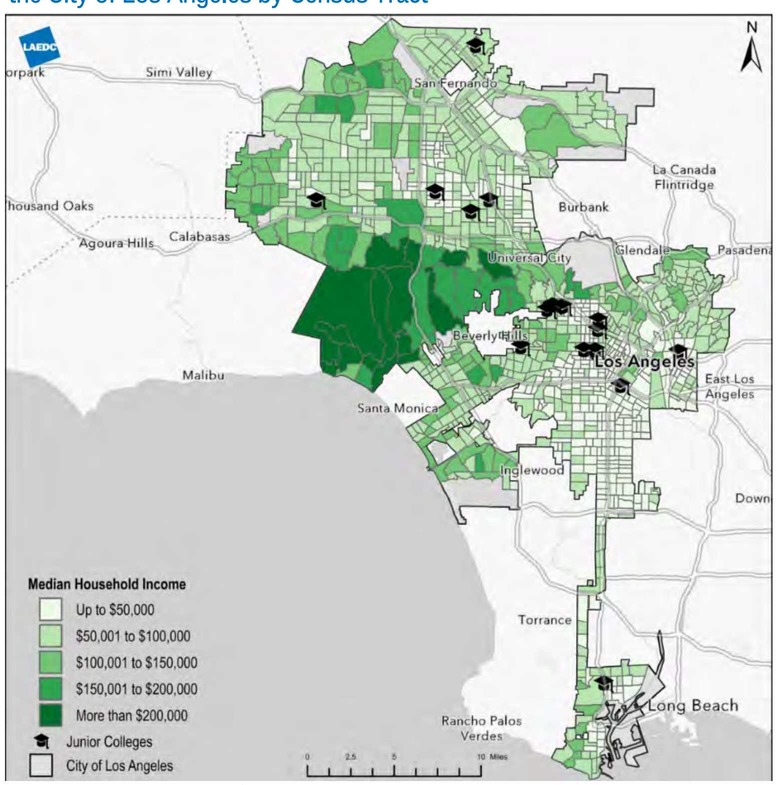
Exhibit 6-23 displays the distribution of junior colleges in the City on top of the median household income by census tract. The **junior colleges are primarily located in areas where median household income is below $50,000 annually**. From these maps, it is clear that the City has comprehensive coverage for these

Exhibit 6-22: AJCCs in Relation to Unemployment in the City of Los Angeles by Zip Code



Source: ESRI

Exhibit 6-23: Junior Colleges in Relation to Median Household Income in the City of Los Angeles by Census Tract



Source: ACS 2015-2019 5-year estimates

services in the areas where they are most needed, with many of its training centers located in low employment or low-income areas. Workers in these areas are the ones who will benefit most from upskilling, which leads to greater knowledge and proficiency with in-demand skills, better job opportunities, and eventually raised incomes.

The critical challenge moving forward will be to guide workforce entrants into the right programs to provide them with the tools they will need to navigate the City's changing job market and access career pathways that can improve future financial stability and prosperity.

7. Recommendations

From the research conducted for this report and its key findings, a set of recommendations has been identified to continue to support the City of Los Angeles' post-pandemic recovery and subsequent economic growth.

Housing Affordability Recommendations

- The City of Los Angeles' significant population decline during the pandemic is due in large part to housing affordability issues in the City. As a result, **encouraging the construction of additional housing should remain a City priority**. The City can positively affect the housing supply by revisiting and revising zoning laws in a manner that will result in an increased supply of housing units.

Labor Force Recommendations

- **Workforce development has an important role to play in bringing workers back into the labor force**. Many workers may have decided not to return to the labor force because they are discouraged by the mismatch between the skills they possess and the skills employers demand for the types of jobs they are interested in, leaving only relatively low wage/low skill jobs available.[24] Workforce development efforts can serve to close this skills gap and attract workers back into the labor force.

- **The City should consider implementing policy changes that reduce barriers to hiring new labor force entrants**. Arizona State University's *Doing Business in North America 2021 Report* gave Los Angeles the third lowest rank of any U.S. city in the study when it comes to employing workers.[25] The rank was determined by accounting for a number of variables related to the ease and cost of employing workers in each city. These variables specifically focus on the areas of hiring, working hours, laying off workers, and worker leave. Reducing barriers to new hiring will encourage already established City businesses to hire entrants to the labor force coming from both within and outside of the City and may also encourage new business startups and relocations to the City from other jurisdictions.

Small Business Attraction and Retention Recommendations

- **The City should develop a strategy to make the business environment more small-business friendly in order to attract these businesses to the City**. Measures that improve the business environment for small enterprises should be long-lasting instead of temporary. Temporary measures such as one-time tax breaks, subsidies, or regulatory waivers will have

[24] Brent Orrell, Harry J. Holzer, & Robert Doar, "Getting men back to work: Solutions from the right and left," American Enterprise Institute, April 20, 2017, http://www.aei.org/publication/getting-men-back-to-work-solutions-from-the-right-and-left/.
[25] Arizona State University. (2021). Doing Business in North America 2021 Report. https://dbna.asu.edu/

a limited impact on attracting small businesses and encouraging new startups. Owners of potential businesses are forward-looking and will consider what the expected future business environment will look like when making locational choices. Temporary measures designed to make the business environment more attractive that will later disappear will do little to attract potential businesses that consider the long-run business picture.

- **The City should review the impact of regulations on small business operations and consider regulatory changes that will serve to attract and retain small businesses.** Regulatory authorities should periodically study the impact that their regulations have on small businesses and consider regulatory changes that will improve the City's business environment. In addition, future proposed regulations should be designed with reducing the negative impact on small businesses as one of the key regulatory goals.

- **When analyzing the economic impact of removing or reducing particular regulations, fees and taxes on small businesses, the City should incorporate the added direct, indirect, and induced impact on economic activity and the City's fiscal picture** resulting from retained and newly attracted small businesses.

Los Angeles County Economic Development Corporation
444 S. Flower Street, 37th Floor
Los Angeles, CA 90071