There is only one kind of shock worse than the totally unexpected: the expected for which one has refused to prepare.

– Mary Renault, “The Charioteer”
Entering 2020, the conversation in Virginia centered on a sixth consecutive year of economic growth, an unemployment rate below 3% and rising incomes. While projections varied about the pace of economic growth, there was consensus that the Commonwealth would enjoy a substantial budget surplus, raising the prospect of contentious debates about how and where the state should spend this money. While there was news about a troubling respiratory virus emerging in China, our nation had responded to similar threats before without significant disruption to the economy or society.

Looking back on these times is an exercise fraught with nostalgia. We now live in a world where our temperatures are checked, questions about our health are asked and exposure to the coronavirus means, at a minimum, a two-week quarantine. Virginia has fared better than many other states by following scientific advice on the public health response to COVID-19. Arguments, however, rage on social media and in the public square about the benefits of universal masking and the efficacy of vaccines. As a backdrop to these debates, unemployment is higher, food security is lower and Virginians are left to ponder the question of when life will return to some semblance of normality. In the midst of this pandemic, the definition of normal has changed to include mask wearing, testing and contact tracing. Even with the positive news about the efficacy of COVID-19 vaccines, a complete economic recovery will likely take years, not months, if recent economic experience is any guide.
The COVID-19 pandemic has dramatically affected how Virginians live and work. It has also thrown the fractures in our economy in sharp relief. The rapid increases in unemployment were followed by modest gains in employment as a measure of recovery took place in the Commonwealth. Yet, a disproportionate number of Black or African American Virginians have lost their jobs and face increasingly desperate financial straits. Income and wealth inequities have left Black and Hispanic households with fewer resources to cope with the ongoing economic shock. Data from the Centers for Disease Control and Prevention (CDC) show that, nationally and in the Commonwealth, Blacks and Hispanics comprise a greater proportion of COVID-19 deaths than their share of the overall population. Household survey data from the U.S. Census Bureau highlight the impact of economic and social turmoil. Black and Hispanic households are more likely to experience anxiety or depression than white or Asian households.

While there continue to be signs of recovery, we cannot gloss over the simple fact that we are witnessing an economic, social and public health shock the likes of which has not been seen in the United States since the Great Depression. The Virginia economy will contract in 2020 and the pace of growth in 2021 depends, in part, on how quickly the country can inoculate wide swaths of the population. A troubled presidential transition has not eased uncertainty. Virginia has fared better than many other states, but significant challenges remain, challenges that will take political and public will to overcome in the years ahead.

In this chapter, we examine how the Commonwealth has fared during the COVID-19 pandemic. We highlight the shock to labor markets and discuss how businesses have responded in the face of social distancing and stay-at-home orders. We explore the impacts of the coronavirus, the recession and protests on the well-being of Virginia’s residents. Lastly, we consider what a recovery might look like and how long it could take.

Gross Domestic Product: Decline And Rebound

Real gross domestic product (GDP) is one of the headline measures of economic performance, as it estimates the real (after-inflation) dollar value of final goods and services produced in an area during a given period of time. GDP is an imperfect measure in that it does not capture nonmarket transactions (barter, for example), may understate the extent of the “gig economy” and does not place a value on household production. National and state GDP data typically lag two and three months, respectively, from the end of the most recent quarter. Quarterly data are also somewhat noisy and subject to revision, especially at the state level.¹

Prior to the onset of the COVID-19 pandemic and associated social distancing measures, there was a general sense of optimism about the economic prospects for the Commonwealth in 2020 and beyond. While projections of state-level GDP growth varied, there was consensus that Virginia would grow and, more importantly, grow faster than the nation. To say the onset of the pandemic dashed these forecasts would be an understatement. Very quickly, the conversation pivoted from one of how much the Commonwealth would grow to one of how much it would contract in 2020.

Graph 1 shows that the Virginia economy grew for a record 11 straight quarters, from the second quarter of 2017 to the fourth quarter of 2019. With the onset of the pandemic, economic activity contracted by 5% on an annualized basis during the first quarter of 2020. As restrictions on economic and social activities were most stringent during the second quarter of 2020, it should be no surprise that real GDP contracted by 27% on an annualized basis during this period. To put this in perspective, the most significant quarterly contraction prior to the second quarter of 2020 was the fourth quarter of 2007, when real GDP for Virginia fell at an annualized rate of 5.4%. There was a sliver of good news in that economic activity contracted less in Virginia (-27% for 2020 Q2) than the United States (-31.4% for 2020 Q2).

¹ We revisit Graph 1 in each State of the Commonwealth Report. In the 2018 report, for example, the Bureau of Economic Analysis estimated real GDP growth in 2017 Q1 was 0.8%, but this was later revised downward to -1.0%. In 2020, the Bureau of Economic Analysis revised 2017 again, down to -1.3%, illustrating how revisions can affect the data.
GRAPH 1
ANNUALIZED PERCENTAGE CHANGE IN QUARTERLY REAL GROSS DOMESTIC PRODUCT: VIRGINIA, 2016 Q2 TO 2020 Q2

Sources: Bureau of Economic Analysis, 2020, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Table SQGDP9, real GDP by state. Millions of chained 2012 dollars.
While forecasting economic activity in 2020 may seem like an exercise in futility, we project that the Commonwealth will rebound significantly in the third and fourth quarters of this year (Table 1). As we discuss throughout the chapter, the economic environment rapidly evolved from collapse to rebound to recovery. The economic volatility of the first three quarters of 2020 should moderate in the fourth quarter of 2020 and into 2021. In other words, we should observe a surge in activity associated with the relaxation of the most stringent social distancing measures in the third quarter of 2020. After that, economic activity should increase, albeit at a slower pace and subject to the toll of the COVID-19 pandemic.

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Q1</td>
<td>$17,977,299</td>
<td>$464,824</td>
</tr>
<tr>
<td>2017 Q2</td>
<td>$18,054,052</td>
<td>$467,113</td>
</tr>
<tr>
<td>2017 Q3</td>
<td>$18,185,636</td>
<td>$468,674</td>
</tr>
<tr>
<td>2017 Q4</td>
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</tr>
<tr>
<td>2018 Q1</td>
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</tr>
<tr>
<td>2018 Q2</td>
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</tr>
<tr>
<td>2018 Q3</td>
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<td>$479,924</td>
</tr>
<tr>
<td>2018 Q4</td>
<td>$18,813,923</td>
<td>$481,443</td>
</tr>
<tr>
<td>2019 Q1</td>
<td>$18,950,347</td>
<td>$484,852</td>
</tr>
<tr>
<td>2019 Q2</td>
<td>$19,020,599</td>
<td>$485,923</td>
</tr>
<tr>
<td>2019 Q3</td>
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<td>2019 Q4</td>
<td>$19,253,959</td>
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<tr>
<td>2020 Q1</td>
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<tr>
<td>2020 Q2</td>
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<td>2020 Q3</td>
<td>$18,583,984</td>
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<tr>
<td>2020 Q4</td>
<td>$18,769,000</td>
<td>$478,860</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis, 2019, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. U.S. data from Table T10106 of the National Income and Product Accounts. Virginia data from Table SQGDP9, real GDP by state. Virginia estimate for 2020 Q3 and U.S. and Virginia estimates for 2020 Q4 represent our forecast.

COVID-19: The Impact On Small Businesses

In May 2020, the U.S. Census Bureau launched the Small Business Pulse Survey to track the impact of the pandemic on small businesses. Graph 2 illustrates how perceptions of overall conditions for small businesses in the Commonwealth changed from May 2020 to November 2020. For the week of May 2, 2020, approximately half of respondents in Virginia reported that COVID-19 had a large negative effect on overall business operations. Approximately 90% of respondents reported that the pandemic had a large or moderate negative impact on business operations.

In recent months, the survey data suggest that the impact of the COVID-19 pandemic and social distancing measures has moderated. By mid-November, the proportion of responses had shifted from a large negative impact to moderate or little impact. Approximately 30% of businesses continued to report a large negative impact, while almost 40% reported a moderate negative impact. About 1 in 4 Virginia businesses indicated that the pandemic had little or no effect by mid-November. For those businesses that survived the initial wave of economic disruption, the economic environment appears to be improving over time.

Given the significant economic shock associated with the pandemic, it should be no surprise that 1 in 4 respondents to the Small Business Survey reported a decrease in paid employees during the week of May 2, 2020 (Graph 3). Nationally, approximately 27.5% of respondents reported a decrease in the number of paid employees for this reference week, suggesting that the Commonwealth fared somewhat better in the initial stages of the pandemic. The survey data also reinforce the argument that public and economic health are two sides of the same coin. As infections increased in Virginia and the nation in November, the percentage of businesses reducing the number of paid employees increased, eroding the gains made over the summer months. By the end of November, 1 in 9 Virginia businesses responded that they had decreased the number of paid employees. Without an effective, nationally coordinated public health response, the economic recovery will remain fragile.
SMALL BUSINESS PULSE SURVEY: OVERALL IMPACT ON BUSINESS OPERATIONS: VIRGINIA, WEEK OF MAY 2, 2020 TO NOV. 29, 2020

Sources: U.S. Census Bureau, Small Business Pulse Survey, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. Phase 1 of the survey was from April 2020 to June 2020. Phase 2 of the survey was from August 2020 to October 2020. Phase 3 of the survey will be from November 2020 to January 2021.
SMALL BUSINESS PULSE SURVEY: BUSINESSES REDUCING THE NUMBER OF PAID EMPLOYEES:
UNITED STATES AND VIRGINIA, WEEK OF MAY 2, 2020 TO NOV. 29, 2020

Sources: U.S. Census Bureau, Small Business Pulse Survey, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. Phase 1 of the survey was from April 2020 to June 2020. Phase 2 of the survey was from August 2020 to October 2020. Phase 3 of the survey will be from November 2020 to January 2021.
A Shock To The Labor Force And Employment

The COVID-19 pandemic and restrictions on social and business activity significantly and negatively impacted the number of Virginians in the civilian labor force and the number of individuals employed in the Commonwealth. To say that this resulted in an unprecedented shock to labor markets would appear to be an understatement. Even now, months after the onset of the pandemic, the question of how long it will take Virginia to recover its lost jobs remains. As temporary furloughs become permanent layoffs for some workers, will the recovery be fast, or will it follow a path similar to the one after the 2007-2009 financial crisis? Let’s look at the details.

Graph 4 illustrates the impact of the COVID-19 pandemic on labor force and individual employment in the Commonwealth. The labor market is seasonal – that is, the number of people actively looking for work or gainfully employed declines in the winter and rises in the summer. In February 2020, the civilian labor force and individual employment were higher than almost every month in 2019, signaling a continued expansion in economic activity in the Commonwealth. The discussion early in 2020 focused on a shortage of skilled workers relative to the number of open positions in Virginia.

With the onset of the pandemic in March and increasing restrictions on economic activity in April, the civilian labor force and individual employment fell precipitously. From the peak of February 2020 to April 2020, the size of Virginia’s civilian labor force fell by 3.3%. Over the same period, individual employment declined by 11.8%, or approximately 513,385 people. In the span of two months, 1 in 9 Virginians moved from gainful employment to a temporary furlough or, in some cases, a permanent layoff.

Individual employment and establishment employment data attempt to measure how many people are working at a given time. These data are from two different surveys: the Current Population Survey (CPS) and the Current Establishment Survey (CES). The CPS asks the civilian noninstitutionalized population whether they are working, looking for work or not attached to the labor force. The civil labor force represents the civilian noninstitutionalized population that is either working or actively looking for work, while individual employment reflects those in the labor force who are working. The CES asks employers about their employees. There is an important difference between the CPS and CES. An individual can only be employed once in the CPS – that is, an individual either is working, unemployed or not seeking to work. In the CES, an individual can show up multiple times if he or she has different jobs with different employers. For clarity, we present the CPS data as “individual employment” and the CES data as “jobs.”
GRAPH 4
CIVILIAN LABOR FORCE AND INDIVIDUAL EMPLOYMENT:
VIRGINIA, SEPTEMBER 2019 TO OCTOBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted. October 2020 data are preliminary.
Since the nadir of the economic shock in April 2020, we have observed two distinct phenomena: a rapid recovery in employment in late spring and early summer and a slowing recovery entering the fall. The civilian labor force increased in June, July and August of 2020 but failed to return to the prepandemic peak observed in February. Individual employment rebounded from a low of approximately 3.83 million Virginians in April 2020 to 4.09 million Virginians in August 2020.

More recent data suggest that the recovery is slowing. The labor force declined in September and October. Employment declined in September and recovered slightly in October. While some of these declines can be attributed to seasonal variations in the economy, a larger concern is that we are witnessing a transition to a much slower recovery than observed in the summer months.

One possible explanation for the recent decline in the civilian labor force and individual employment is the disproportionate impact of COVID-19 on child care and primary education. Numerous surveys of public school students and their parents show that the rapid move to online instruction in the spring was largely perceived as a failure. With the school closures came increased anxiety and depression among children. Even more concerning was the disproportionate burden on lower-income children and those needing specialized instruction. Economists are increasingly concerned about the downstream impacts of keeping schools closed, which could affect up to 50 million American workers. A recent study estimated that more than 20% of health care workers encountered difficulty obtaining child care. Also, a recent World Bank paper estimated that the cost of school closures in the U.S. could approach 15% of annual GDP if one accounts for the reduction in future earnings. While there are benefits from school closures in terms of a reduced number of infections, the emerging evidence indicates that the economic and social costs far outweigh these benefits.

Data from Fairfax County Public Schools illustrate that school closures have impacted students differently. Students who performed well academically prior to the pandemic appear to have managed the transition to remote schooling. Students who struggled academically prior to the pandemic, on the other hand, have performed markedly worse. Failing grades have increased 83% for students who failed two or more classes in 2019. Failing grades are up 106% for English language learners and 111% for special education students. Reports from other school districts in Virginia and the nation suggest this is not an uncommon problem.

Graph 5 shows the impact of the pandemic on labor force participation rates in the United States. In February 2020, 69.3% of men and 57.8% of women were considered part of the civilian labor force. By April, labor force participation fell by 2.8 percentage points for men and 3.1 percentage points for women. The rapid declines in labor force participation illustrate the disruptive impact of the pandemic and the policy response on the American economy.

From April to November 2020, labor force participation rose by 1.3 percentage points and 1.2 percentage points for men and women, respectively. However, these gains largely occurred in the summer months and have moderated significantly, if not reversed somewhat in the fall. From August to November 2020, labor force participation fell by 0.3 percentage points and 0.2 percentage points for men and women, respectively. Economic and public health are tightly linked. It should be no surprise that the declines in labor force participation in the fall of 2020 coincided with rapid rises in COVID-19 infections, hospitalizations and deaths.

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GRAPH 5
LABOR FORCE PARTICIPATION RATES BY GENDER: UNITED STATES,
SEPTEMBER 2019 TO NOVEMBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted. Civilian labor force is 16 years and older. November 2020 data are preliminary.
Unemployment Rises, Falls And Rises In The Commonwealth

With the contraction in employment in March and April 2020, it should be no surprise that the headline unemployment rate in Virginia jumped from 2.6% in February 2020 to 11.2% in April 2020 (Graph 6). This was the highest unemployment rate for the Commonwealth since recording began in 1990. Since April, the unemployment rate has steadily declined, falling to 5.3% in October 2020.

Yet, the unemployment rate in October understates the true extent of unemployment in the Commonwealth. The headline unemployment rate is equal to the ratio of the number of unemployed to the civilian labor force. Exits from the labor force bias the unemployment rate downward. If these individuals had remained in the labor force as unemployed, the Commonwealth’s unemployment rate would be approximately 7.0% in October 2020, not 5.3%. Virginians leaving the labor force is a discouraging sign. We also know that individuals who depart the labor force are less likely to return to gainful employment than those who remain in the labor force. Bringing these Virginians back into the labor force is a crucial element for a sustained recovery in 2021.

Virginia’s metropolitan statistical areas (MSAs) were also adversely impacted by the pandemic, although the impact and recovery have not been equally distributed across the Commonwealth. A comparison of unemployment rates by metro area in October 2019 and October 2020 highlights these disparities in Graph 7. The Virginia Beach-Norfolk-Newport News MSA (Hampton Roads) experienced one of the more significant increases in the unemployment rate, in part due to the impact of COVID-19 on the Port of Virginia and the hospitality and tourism industry. The Richmond MSA also has been significantly affected, due to the decline in the hospitality and tourism industry and the negative impact of COVID-19 on state and local government revenues.

Initial unemployment claims represent the number of people who have filed a request for benefits after separation from an employer. Continuing claims, or what is known as insured unemployment, reflect those who have already filed their initial claims, had the claims accepted by the government and continue to file claims to receive benefits for the current week of unemployment. In other words, continuing claims show the number of insured unemployed individuals, while initial claims reflect the number of initial requests for unemployment benefits in each week.
GRAPH 6
HEADLINE UNEMPLOYMENT RATE (U3):
VIRGINIA, SEPTEMBER 2019 TO OCTOBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted. October 2020 data are preliminary.
HEADLINE UNEMPLOYMENT RATE (U3):
VIRGINIA METROPOLITAN AREAS, OCTOBER 2019 AND OCTOBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.
Unemployment Claims Remain At Historic Levels

The use of the adjectives “historic” or “unprecedented” to describe the scale of layoffs resulting from the emergence of COVID-19 and the ensuing restrictions on economic activity soon became an exercise in repetition in March and April 2020. Initial and continuing unemployment claims shattered existing records and, at points, appeared to overwhelm the unemployment insurance system in Virginia and other states. Even now, nearing the end of 2020, continuing unemployment claims remain persistently high, signaling an increase in permanent layoffs in Virginia and the United States.

Graphs 8 and 9 illustrate the rise in monthly initial unemployment claims – for example, from 9,214 claims in February 2020 to 371,411 claims in April 2020. To place this in perspective, the highest level of monthly initial claims during the Great Recession of 2007-2009 was 58,560. In other words, the initial unemployment claims peak in 2020 was 6.3 times higher than the peak during the Great Recession. The massive increase in unemployment claims reflected the turmoil in labor markets in Virginia and the United States. Even more, months after the onset of the pandemic, the level of unemployment claims would have been considered historic in any other recorded recession.

Since the peak of April 2020, filings of initial unemployment claims have moderated in the Commonwealth. In October, 88,814 Virginians filed an initial claim for unemployment benefits. While this was a marked decline from the peak of April, it is also a signal of how far Virginia has to go to recover from the economic shock of the pandemic. As we move from fall into winter, initial claims may increase due to the seasonal downturn in the tourism and hospitality industries as well as the prospect of increased coronavirus cases in Virginia and other states.

Initial unemployment claims are one part of the story. Temporary furloughs may not remain on the unemployment rolls for an extended period of time, as workers are recalled to work when economic conditions improve. If layoffs become permanent, however, workers may claim unemployment for an extended duration. Graph 10 illustrates monthly continuing unemployment claims in Virginia from September 2007 to October 2020.

Prior to 2020, the record for continuing unemployment claims in Virginia was 93,828 for March 2009, near the official end of the Great Recession. In May 2020, there were 394,851 continuing unemployment claims, 4.2 times higher than the peak observed during the Great Recession (Graph 11). While continuing claims have declined in the Commonwealth from this peak, there were still 131,923 continuing claims in October 2020. The level of continuing claims in October was 1.4 times higher than the previous record of 93,828 observed in March 2009. The lingering effects of the economic shock suggest that a recovery will last well into 2021, if not into 2022.

Table 2 presents initial unemployment claims for each of Virginia’s MSAs and the share of each metro area in Virginia’s initial unemployment claims. Comparing October 2019 to October 2020 provides insight into the magnitude of the continuing economic shock across Virginia’s metro areas. With the exception of the Blacksburg metro area, initial unemployment claims are significantly higher in 2020 than for the same period in 2019.

It is important to note that three metro areas – Hampton Roads, Northern Virginia, and Richmond – account for 73.1% of the labor force in the Commonwealth. However, in October 2020, these metros accounted for only about 63% of initial unemployment claims in the state. Broadening our analysis, all the metro areas in the Commonwealth comprised 89% of the labor force but only 72.7% of initial claims in October. Nonmetro areas, which were approximately 11% of the labor force, comprised 27.3% of initial claims.

The disproportionate level of initial claims in nonmetro areas of the Commonwealth is illustrative of the growing urban-rural divide. The unanswered question is whether these jobs will return in the future, or whether we are witnessing a further reallocation of employment to more populated areas of Virginia. Working to address this divide is one of the Commonwealth’s most significant policy challenges of the coming decade.
## TABLE 2
MONTHLY INITIAL UNEMPLOYMENT CLAIMS:
VIRGINIA METROPOLITAN AND NONMETROPOLITAN AREAS, OCTOBER 2019 AND OCTOBER 2020

<table>
<thead>
<tr>
<th>Metro Areas</th>
<th>October 2019 Initial Claims</th>
<th>October 2020 Initial Claims</th>
<th>Percentage Change</th>
<th>Labor Force as Percent of Virginia Labor Force</th>
<th>Share of Virginia’s October 2020 Initial Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blacksburg-Christiansburg-Radford</td>
<td>1,201</td>
<td>906</td>
<td>-25%</td>
<td>2.1%</td>
<td>1.0%</td>
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<tr>
<td>Charlottesville</td>
<td>126</td>
<td>1,548</td>
<td>1,129%</td>
<td>2.8%</td>
<td>1.7%</td>
</tr>
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<td>Harrisonburg</td>
<td>51</td>
<td>492</td>
<td>865%</td>
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<td>0.6%</td>
</tr>
<tr>
<td>Lynchburg</td>
<td>237</td>
<td>1,783</td>
<td>652%</td>
<td>2.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Richmond</td>
<td>1,676</td>
<td>13,768</td>
<td>721%</td>
<td>15.6%</td>
<td>15.5%</td>
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<tr>
<td>Roanoke</td>
<td>329</td>
<td>2,579</td>
<td>684%</td>
<td>3.6%</td>
<td>2.9%</td>
</tr>
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<td>Staunton-Waynesboro</td>
<td>99</td>
<td>698</td>
<td>605%</td>
<td>1.4%</td>
<td>0.8%</td>
</tr>
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<td>Virginia Beach-Norfolk-Newport News</td>
<td>2,166</td>
<td>18,869</td>
<td>771%</td>
<td>19.5%</td>
<td>21.2%</td>
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<td>Washington-Arlington-Alexandria</td>
<td>1,825</td>
<td>23,275</td>
<td>1,175%</td>
<td>38.0%</td>
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<td>Winchester</td>
<td>112</td>
<td>707</td>
<td>531%</td>
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<td>0.8%</td>
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<td>Metropolitan Areas in Virginia</td>
<td>7,822</td>
<td>64,625</td>
<td>726%</td>
<td>89.0%</td>
<td>72.7%</td>
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<td>Nonmetropolitan Areas in Virginia</td>
<td>3,311</td>
<td>24,189</td>
<td>631%</td>
<td>11.0%</td>
<td>27.3%</td>
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<td>Virginia</td>
<td>11,133</td>
<td>88,814</td>
<td>698%</td>
<td>-</td>
<td>-</td>
</tr>
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</table>

Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. Virginia portion of each metropolitan area. Metropolitan area labor force as a percentage of Virginia's total labor force estimated using 2019 annual averages.
GRAPH 8
MONTHLY INITIAL UNEMPLOYMENT CLAIMS:
VIRGINIA, OCTOBER 2007 TO OCTOBER 2020

Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.
MONTHLY INITIAL UNEMPLOYMENT CLAIMS:
VIRGINIA, JANUARY 2019 TO OCTOBER 2020

Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.
Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. The average number of weekly continuing claims in each month based on the week-ending month.
GRAPH 11

AVERAGE MONTHLY CONTINUING UNEMPLOYMENT CLAIMS:
VIRGINIA, JANUARY 2019 TO OCTOBER 2020

Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. The average number of weekly continuing claims in each month based on the week-ending month.
Jobs: A Sharp Drop, Rapid Recovery And Slowing Growth

The COVID-19 pandemic and associated social distancing measures wiped out nearly a decade of job gains in Virginia in two months. From the trough after the Great Recession in February 2010, Virginia added approximately 502,000 jobs by February 2020 (Graph 12). By April 2020, about 438,000 jobs were temporarily furloughed or permanently laid off. Since April, a significant number of jobs had returned, signaling that these layoffs were temporary. By October 2020, Virginia had recovered about 199,900 jobs from the April 2020 trough. Of concern is the moderation in job growth in September and October of 2020. Slowing job growth potentially signals a much longer recovery than initially expected in the summer of 2020.

We see a similar story across Virginia’s metropolitan areas. Table 3 shows the number of metro-area jobs in the Commonwealth prior to the pandemic, in the depths of the pandemic and more recently from the latest data available. In February 2020, MSAs in Virginia had accumulated thousands of jobs since the trough of the job market following the Great Recession. By the trough of the current economic shock, four metro areas – Blacksburg, Hampton Roads, Lynchburg and Roanoke – had seen temporary furloughs wipe out the job gains of the last decade. There has been a recovery since the depths of spring 2020, but no MSA has had jobs return to the levels seen in February 2020.

The impact of the pandemic is also apparent when we compare job growth over the last year. Graph 13 shows the percentage change in jobs between October 2019 and October 2020. Staunton has outperformed all other Virginia metro areas and the nation as the only area with more jobs in October 2020 compared to a year ago. Winchester, which added more jobs over 2010-2019 than any other Virginia metro area and the nation, had the largest decline in jobs in September 2020 compared to 2019. One out of every 13 jobs in the Winchester metro area had yet to return by October 2020. One should caveat, however, that Winchester accounts for less than 2% of all jobs in Virginia. Three metro areas – Northern Virginia, Hampton Roads and Richmond – accounted for nearly 70% of all jobs in the Commonwealth. The recovery in these metros has been stronger than that of the nation.

| TABLE 3 |
| CUMULATIVE GROWTH IN NONFARM PAYROLLS (JOBS): UNITED STATES, VIRGINIA AND VIRGINIA METROPOLITAN AREAS, FEBRUARY 2010 TO OCTOBER 2020 (THOUSANDS OF JOBS) |

<table>
<thead>
<tr>
<th>Metro Areas</th>
<th>Cumulative Job Growth from Great Recession Trough to February 2020</th>
<th>Cumulative Job Growth from Great Recession Trough to COVID-19 Trough</th>
<th>Cumulative Job Growth from Great Recession Trough to October 2020</th>
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</thead>
<tbody>
<tr>
<td>Blacksburg-Christiansburg</td>
<td>8.2</td>
<td>-3.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Charlottesville</td>
<td>21.4</td>
<td>9.8</td>
<td>15.5</td>
</tr>
<tr>
<td>Harrisonburg</td>
<td>9.8</td>
<td>1.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Lynchburg</td>
<td>3.5</td>
<td>-6.7</td>
<td>-2.7</td>
</tr>
<tr>
<td>Richmond</td>
<td>111</td>
<td>34.2</td>
<td>69.8</td>
</tr>
<tr>
<td>Roanoke</td>
<td>9.1</td>
<td>-6.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Staunton</td>
<td>5</td>
<td>3</td>
<td>5.8</td>
</tr>
<tr>
<td>Virginia Beach-Norfolk-News</td>
<td>65.1</td>
<td>-22.3</td>
<td>38.6</td>
</tr>
<tr>
<td>Winchester</td>
<td>13.5</td>
<td>5.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Northern Virginia</td>
<td>242.1</td>
<td>86.4</td>
<td>169.7</td>
</tr>
<tr>
<td>Virginia</td>
<td>502.3</td>
<td>64.2</td>
<td>301.2</td>
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<tr>
<td>United States</td>
<td>22,765</td>
<td>605</td>
<td>12,675</td>
</tr>
</tbody>
</table>

GRAPH 12

CUMULATIVE GROWTH IN NONFARM PAYROLLS (JOBS):
VIRGINIA, FEBRUARY 2010 TO OCTOBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted.
GRAPH 13

PERCENTAGE CHANGE IN NET NEW CIVILIAN JOBS:
UNITED STATES, VIRGINIA AND SELECTED METROPOLITAN AREAS, OCTOBER 2019 TO OCTOBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.
Real Estate Weathers The Pandemic (So Far)

The single-family housing market struggled in past recessions. A downturn in economic activity usually causes people to hold off on purchasing a home. An economic downturn that leads to increased layoffs can also cause some to fall behind on mortgage payments, resulting in a rising number of foreclosures. The Great Recession significantly impacted Virginia’s real estate market. In 2011, following the recession, the number of building permits for single-family residential homes had fallen by more than half when compared to prerecessionary levels observed in 2005.

The real estate market in the COVID-19 recession, however, has not experienced (so far) a downturn, as was the case in previous recessions. Single-family housing, in fact, has been a bright spot. Residential construction typically falls during a recession, so it should be no surprise that single-family residential building permits declined in April 2020 (Graph 14). Yet, the decline was short lived, with building permits rising rapidly in Virginia and peaking in July 2020. Developers have continued to apply for permits, with levels in August, September and October 2020 well above those observed during the same months in 2019.

The value of the single-family building permits also recovered swiftly from the onset of the pandemic (Graph 15). While the monthly value of building permits dipped in April and May 2020, the recovery in the summer erased these declines. It appears that developers may have paused for a short period during the spring and resumed apace in the summer of 2020.

One reason we continue to observe strong activity in single-family home construction is the steady rise in single-family house prices in the Commonwealth (Graph 16). In January 2012, the median value of a single-family home was $226,653 in Virginia. By February 2020, the median value had risen to $287,166. Even in the depths of restrictions on economic and social activity, median home values in the Commonwealth continued to rise. By October 2020, the median single-family home value had climbed to $299,164, an increase of 4.5% from January 2020.

There are several possible reasons why home sales and prices have not fallen (yet) in the face of the COVID-19 recession. First, layoffs appear to be concentrated in relatively low-wage industries and many homeowners may have been able to work remotely. Second, increased unemployment benefits through the Pandemic Unemployment Assistance (PUA) program may have allowed unemployed homeowners to meet their mortgage obligations. Third, interest rates have fallen and are likely to remain historically low over the coming year (if not two). Lower interest rates for residential mortgages lower the cost of borrowing, increasing the demand for single-family housing. Fourth, the supply of single-family housing has fallen over time, leading to an increasing number of buyers competing for a smaller number of houses. These conditions are likely to continue through most of 2021 unless there is another significant economic shock.
NUMBER OF ONE-UNIT SINGLE-FAMILY RESIDENTIAL BUILDING PERMITS:
VIRGINIA, JANUARY 2019 TO OCTOBER 2020

Source: U.S. Census Bureau, New Private Housing Units Authorized by Building Permits: 1-Unit Structures for Virginia [VABP1FH], retrieved from FRED, Federal Reserve Bank of St. Louis. Data are not seasonally adjusted.
GRAPH 15
VALUE OF SINGLE-FAMILY BUILDING PERMITS:
VIRGINIA, NOVEMBER 2019 TO OCTOBER 2020

Sources: U.S. Census Bureau and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. New Privately-Owned Housing Units Authorized Valuation, 1-unit structures. Valuation in current month.
GRAPH 16

ZILLOW HOME VALUE INDEX OF SINGLE-FAMILY RESIDENTIAL HOMES:
UNITED STATES AND VIRGINIA, OCTOBER 2010 TO OCTOBER 2020

Sources: Zillow (2020) and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Zillow Home Value Index (ZHVI) for single-family residence.

Nominal Dollars
COVID-19’s Unequal Burden

Both in terms of the recession and the virus itself, COVID-19 has had a disproportionate impact on the Black or African American population. In 2019, the U.S. Census Bureau estimated that people who identified as Black or African American comprised 12.5% of the U.S. population. By Nov. 28, 2020, the CDC, using death certificate data, estimated that Black or African American residents accounted for nearly 18.7% of COVID-19 deaths in the nation. People who identified as Black or African American accounted for 19.1% of the Commonwealth’s population in 2019. At the end of November 2020, Black or African American residents comprised 27.0% of COVID-19 deaths in Virginia (Graph 17).\(^8\)

At the end of February 2020, the headline unemployment rate had declined significantly from the highs observed after the Great Recession. The Black or African American unemployment rate was at 6.2%, while the Hispanic or Latino unemployment rate was at 4.8% (Graph 18). With the emergence of the pandemic, unemployment rates increased for all the racial groups, reaching double-digit highs in April and May. The Hispanic or Latino unemployment rate peaked at 18.5% in April, while the Black or African American rate peaked at 16.6% in May 2020. Since then, we have observed a marked recovery in unemployment rates. We must caveat this observation on the fact that the civilian labor force is smaller, so the headline unemployment rates are biased downward. Even so, Black or African American unemployment is twice that of whites and approximately 1.5 percentage points higher than that of Hispanics or Latinos.

Not only have layoffs disproportionately fallen on Black or African American and Hispanic or Latino workers, but these workers also exited the labor force at a greater rate compared to white workers. As illustrated in Graph 19, from February 2020 to November 2020, the labor force participation rate for white workers fell by 1.5 percentage points. For Black or African American and Hispanic or Latino workers, the labor force participation rate declined approximately 2.2 and 2.3 percentage points, respectively, over the same period. Even small differences in labor force participation have significant impacts at the national level.

In February 2020, there were approximately 73.8 million whites, 13.3 million Blacks or African Americans, and almost 14 million Hispanics or Latinos who were characterized as not in the labor force. By November 2020, even with the partial recovery in labor markets, an additional 3.8 million whites, 1 million Blacks or African Americans, and 1.4 million Hispanics or Latinos were not in the labor force. While those not in the labor force increased by 5.2% for whites, it increased by 8.5% for Blacks or African Americans, and 10.3% for Hispanics or Latinos.

The disproportionate impact of the COVID-19 recession is also apparent in the Commonwealth. Table 4 presents the distribution of continuing unemployment claims in October 2019 and 2020 across different demographic categories. Blacks or African Americans comprised 39.1% of all continuing claims for unemployment insurance in October 2020, over two times higher than their share of the population.

If we examine continuing unemployment claims by gender, it appears that women have borne a more significant share of continuing unemployment in Virginia. Women comprised 50.8% of the Virginia population in 2019. In October 2019, 50.8% of continuing unemployment claims were women. In October 2020, women accounted for 54.3% of all continuing claims for unemployment insurance. One possible explanation for the unequal impact on women is their overrepresentation in the sectors (accommodation and food services, retail trade, health care and social assistance) most affected by COVID-19 and associated social distancing measures. It stands to reason that women, being more adversely impacted by unemployment and bearing a greater share of the responsibilities for child care, would be more likely to exit the labor force than men in 2020.

\(^8\) We use the 2019 Population Estimates from the U.S. Census Bureau and the provisional death certificate data from the CDC to make these estimates.
GRAPH 17

SARS-COV-2 (COVID-19) DEATHS BY RACE:
VIRGINIA, FEB. 1, 2020 TO NOV. 28, 2020

Source: Centers for Disease Control and Prevention, Provisional Death Counts by Race, through Nov. 28, 2020
Graph 18

Unemployment Rate by Race and Ethnicity:
United States, February 2020 to November 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

- **White**:
  - February: 3.0%
  - March: 5.1%
  - April: 6.2%
  - May: 4.8%
  - November: 12.8%
- **Black or African American**:
  - February: 12.8%
  - March: 5.1%
  - April: 6.2%
  - May: 9.8%
  - November: 16.6%
- **Hispanic or Latino**:
  - February: 18.5%
  - March: 8.3%
  - April: 8.3%
  - May: 8.3%
  - November: 8.3%
GRAPH 19

LABOR FORCE PARTICIPATION RATE BY RACE:
UNITED STATES, FEBRUARY 2020 TO NOVEMBER 2020

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. Civilian labor force is 16 years and older.
<table>
<thead>
<tr>
<th>Demographic Category</th>
<th>Percent of the Population in 2019</th>
<th>October 2019 Continuing Claims</th>
<th>October 2020 Continuing Claims</th>
<th>Percent of October 2020 Continuing Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RACE/ETHNICITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>61.2%</td>
<td>9,557</td>
<td>55,165</td>
<td>43.7%</td>
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<tr>
<td>Black or African American</td>
<td>19.1%</td>
<td>7,434</td>
<td>51,524</td>
<td>40.8%</td>
</tr>
<tr>
<td>American Indian and Alaska Native</td>
<td>0.3%</td>
<td>94</td>
<td>602</td>
<td>0.5%</td>
</tr>
<tr>
<td>Asian</td>
<td>6.8%</td>
<td>517</td>
<td>7,476</td>
<td>5.9%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>9.8%</td>
<td>168</td>
<td>613</td>
<td>0.5%</td>
</tr>
<tr>
<td>Other Races</td>
<td>2.8%</td>
<td>1,328</td>
<td>10,945</td>
<td>8.7%</td>
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<tr>
<td><strong>AGE</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 22 years</td>
<td>7.8%</td>
<td>234</td>
<td>6,661</td>
<td>5.3%</td>
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<tr>
<td>22 to 24 years</td>
<td>4.0%</td>
<td>537</td>
<td>8,423</td>
<td>6.7%</td>
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<tr>
<td>25 to 34 years</td>
<td>13.9%</td>
<td>4,001</td>
<td>33,810</td>
<td>26.8%</td>
</tr>
<tr>
<td>35 to 44 years</td>
<td>13.0%</td>
<td>4,448</td>
<td>27,042</td>
<td>21.4%</td>
</tr>
<tr>
<td>45 to 54 years</td>
<td>12.9%</td>
<td>4,678</td>
<td>22,367</td>
<td>17.7%</td>
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<tr>
<td>55 to 64 years</td>
<td>13.1%</td>
<td>4,194</td>
<td>19,529</td>
<td>15.5%</td>
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<td>65 years and over</td>
<td>15.9%</td>
<td>1,006</td>
<td>8,493</td>
<td>6.7%</td>
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<tr>
<td><strong>GENDER</strong></td>
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</tr>
<tr>
<td>Male</td>
<td>49.2%</td>
<td>9,676</td>
<td>57,791</td>
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<tr>
<td>Female</td>
<td>50.8%</td>
<td>9,422</td>
<td>68,534</td>
<td>54.3%</td>
</tr>
</tbody>
</table>

Sources: Virginia Employment Commission and the Draqas Center for Economic Analysis and Policy, Old Dominion University. Continuing claims for October cover 100% of total continuing claims. U.S. Census Bureau (2019), Sex by Age American Community Survey 1-year estimates.
Signs Of Anxiety And Depression

In response to the economic and social turmoil caused by the COVID-19 pandemic, the U.S. Census Bureau launched two emergency surveys in the spring of 2020. The Household Pulse Survey tracked the impact of the pandemic on households, and included questions about finances and mental health. In 2019, the U.S. Census estimated that approximately 11% of American adults 18 and older exhibited signs of anxiety or depression.

The U.S. Census Household Pulse Survey provides estimates of the percentage of adults who report symptoms of anxiety or depression that have been shown to be associated with diagnoses of generalized anxiety disorder or major depressive disorder. The data illustrate a troubling deterioration in the mental health of American adults (Graph 20). At the height of the racial justice protests in the summer of 2020, almost 41% of respondents reported signs of anxiety or depression. While there was some moderation in late summer and early fall, the presidential election and increasing COVID infections undoubtedly contributed to 41.4% of adults reporting signs of anxiety or depression for the week of Nov. 9, 2020. Virginia has fared somewhat better, but the latest data from the U.S. Census report that 36.7% of Virginians exhibited signs of anxiety or depression in November 2020 (Graph 21).

As we discuss late in this report, the toll of the pandemic on mental health is a challenge that is likely to echo across the decade. Youth mental health has also deteriorated as schools have closed, social events have disappeared and athletic events are few and far between. The burdens of the pandemic are likely to be with us for years to come.

Hispanic or Latino and Black or African American adults were more likely to exhibit signs of anxiety or depression than their white or Asian counterparts (Graph 22). Adults reported increasing stress in the summer of 2020, coinciding with protests of police brutality. While there appears to have been some respite in late summer, the latest data show record levels of anxiety or depression among Hispanic or Latino and Black or African American households. In November, 48% of Hispanic or Latino adults and 45% of Black or African American adults reported signs of anxiety or depression. Higher unemployment, social unrest and a pandemic have come together to place extraordinary stress on adults in America. We must recognize the burdens of this extraordinary time are not equally borne by people of the same race or income. If anything, the pandemic has thrown the fractures of our society into sharp relief.
INDICATORS OF ANXIETY OR DEPRESSION IN THE LAST WEEK:
UNITED STATES, MAY 5, 2020 TO NOV. 9, 2020

Sources: U.S. Census Bureau Household Pulse Survey and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Responses indicated symptoms of either anxiety or depression. During January-June 2019, 11% of adults 18 and older had symptoms of anxiety disorder or depressive disorder. Phase II responses started the week of Aug. 31, 2020. Phase III responses started the week of Nov. 9, 2020.
Sources: U.S. Census Bureau Household Pulse Survey and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Responses indicated symptoms of either anxiety or depression. During January-June 2019, 11% of adults 18 and older had symptoms of anxiety disorder or depressive disorder. Phase 2 responses started the week of Aug. 31, 2020. Phase 3 responses started the week of Nov. 9, 2020.
GRAPH 22

INDICATORS OF ANXIETY OR DEPRESSION BY RACE:
UNITED STATES, MAY 5, 2020 TO NOV. 9, 2020

Final Thoughts

The COVID-19 pandemic and recession will test the mettle of state and nation like no other crisis in recent memory. We already have observed historic levels of initial unemployment claims and continuing unemployment claims. Permanent unemployment is rising faster than during the Great Recession, suggesting that a recovery may take years, not months. Even the relatively quick approval of a safe and effective vaccine in late 2020 would not bring about the necessary improvements in acquired immunity for economic and social life to return to normal until late 2021.

The combination of the pandemic and recession has illuminated the racial inequities in Virginia and the United States. Hispanic or Latino and Black or African American individuals are more likely to become infected, hospitalized and die from COVID-19 relative to their share of the population. Inequalities in household wealth have meant that Hispanic and Black or African American households have been less able, on average, to cope with the economic shock of the pandemic. Emerging evidence also suggests that Hispanic and Black or African American schoolchildren are more adversely impacted by remote schooling than their white or Asian counterparts. To improve opportunities for all Virginians, we must confront these facts with open, frank and transparent discussion.

It took the United States and Virginia more than 70 months to recover all the jobs lost during the Great Recession. Undoubtedly, the COVID-19 economic shock has exceeded that of the Great Recession. The lackluster federal response to the pandemic has only deepened the economic shock and led to significant policy heterogeneity across states. We must temper our expectations and accept that a recovery will be neither quick nor smooth. In all likelihood, we should not expect a full recovery in jobs and economic activity until at least 2022, although we would be happy to be proven wrong on this point. More critically, we must reimage what recovery will look like in a changed world. How can Virginia adapt and thrive in a new normal that, for the time being, is characterized by masks, temperature checks and social distancing?

In an era of increased political polarization, Virginians must set aside their differences for the Commonwealth to succeed in its goal of ensuring economic stability for all its citizens. Our traditional recommendations continue to hold: invest wisely in K-12 education, improve access to broadband and other forms of infrastructure across the Commonwealth and reform the tax system to meet the needs of the new decade. We must also be willing to examine past policies that have disproportionately harmed the economic livelihoods of Virginians on the basis of race. Improving the homeownership rates of Black or African American and Hispanic or Latino Virginians, for example, can help address the impact of zoning decisions made in decades past and provides an avenue for the accumulation of household wealth. Frankly discussing why Black or African American Virginians were more likely to die from COVID-19 can lead to policies to address persistent health inequalities across the Commonwealth. Finding solutions to these problems is not only the right thing to do, but also economically sound, as there is no economic rationale for public policy to discriminate on the basis of race. In crisis, there is opportunity. Perhaps now we can agree to work on reducing these inequities in order to improve the lives of all who call the Commonwealth home.
