How the Economy Is Actually Doing

**By**[**Ella Koeze**](https://www.nytimes.com/by/ella-koeze)**, New York Times Dec. 17, 2020**

Nearly a year after the coronavirus outbreak, the full impact of the pandemic on the U.S. economy and labor force remains unclear. Some of the most obvious indicators are in conflict: As some [companies report enormous profits](https://www.nytimes.com/2020/10/29/technology/apple-alphabet-facebook-amazon-google-earnings.html), nearly 10 million more Americans are now unemployed compared with last February, and over one million filed new state and federal unemployment claims last week.

Are we still in the early stages of a long recession, or will the rollout of vaccines mean we’ll soon see the end of a short-term crisis? How much are people suffering now, and for how long will the effects of the past 10 months persist?

We asked economists and experts with a variety of backgrounds how they would measure the state of the economy and labor market now and what indicators they thought were often overlooked. Here are eight measures they suggested.

**People have left the work force altogether — and have not come back.**

More than four million people left the work force entirely from February to November, meaning they are neither working nor actively seeking a job. (To be counted as unemployed, a person must have looked for a job in the last four weeks or be on a temporary layoff.) Several of the economists we spoke to mentioned the dip in labor force participation as a cause for concern — and a factor that can contribute to a falling unemployment rate, without people actually finding work.

Eliza Forsythe, a labor economist at the University of Illinois at Urbana-Champaign:

Many jobs carry substantial risk of contracting Covid-19, so individuals with health concerns may be sitting out of the labor market. And with many schools operating remotely and childcare closed, many parents are forced to choose between a paycheck and supervising their kids.

More women than men are leaving the work force, [research](https://www.nytimes.com/2020/10/29/upshot/mothers-leaving-jobs-pandemic.html) has shown, often because of additional child care and household obligations that emerged during the pandemic. This can have long-term [ramifications](https://www.nytimes.com/2020/11/17/business/economy/women-jobs-economy-recession.html) on women’s careers and earning potential.

Janelle Jones, a labor economist at Groundwork Collaborative, an economic policy center focused on addressing inequality:

The caregiving crisis intensified by the pandemic has forced women to choose between employment and care work. And all of this is particularly pressing for Black women. A large majority of Black mothers are contributing significantly to keeping their households afloat. Women of color are more likely to be single parents than white women, meaning the decision between caregiving in the home and entering the labor market is more likely to fall on them.

**The number of people who have been out of work long-term continues to rise.**

(Long-term = The share of unemployed workers who have been unemployed 27 weeks or more)

Though many workers who were temporarily laid off in the spring have returned to work, a growing subset has been unable to find new jobs despite actively looking. Among Americans who are still in the labor force but are unemployed, the share who have been out of work for more than six months has been increasing since April.

Alix Gould-Werth, a sociologist at the Washington Center for Equitable Growth, a nonpartisan, left-leaning think tank:

When the long-term unemployment rate increases and workers leave the labor market, it is an indicator of a very serious problem in connecting people who are able to produce needed goods and services with the opportunity to do so.

**Unemployment has fallen from the worst months, but gaps among demographic groups have widened.**

Several of the experts surveyed were concerned that the pandemic recession was widening economic gaps among different demographics.

Kathryn Edwards, a labor economist at the RAND corporation:

Policy responses to recession are never perfect; they always err on the side of something. But we’ve learned in the past, erring on the side of stingy recovery and assistance can scar individuals, families and communities for years.

People of color were already more likely to be unemployed before Covid-19, and the current crisis has had a particularly negative, persistent impact on employment for Black men.

Janelle Jones, a labor economist who focuses on inequality:

Black men are facing an unemployment rate of 11.3 percent, over five percentage points higher than the rate facing white men. For context, never during the Great Recession did overall unemployment rates surpass 10 percent.

**More families are unable to meet their basic needs.**

Both Ms. Edwards, the labor economist, and Ms. Gould-Werth, the sociologist, noted that measures of material hardship are less readily available than many other statistics. This means that political decision makers have the least information about the people who are undergoing the most hardship in a crisis.

Kathryn Edwards:

I worry about the things we don’t measure. We don’t have indicators of the economic well-being of workers and families that are reliable, comparable and timely. The same detail with which we have unemployment and labor force numbers — monthly estimates by age, race, sex, education, occupation, industry and state — should be produced to measure poverty; food access and hunger; housing security, eviction, and homelessness; and health access and use, among others.

Alix Gould-Werth:

Long-term unemployment rate, stock of discouraged workers and measures of material hardship are all extremely underexamined in comparison to indicators like stock market indexes and the unemployment rate. Indeed, until the Household Pulse survey started tracking food and housing insecurity, we lacked real-time measures of material hardship.

**Rent and home prices have risen over the course of the pandemic.**

Rising housing costs put strain on low-income renters. In a Pew [study](https://www.pewsocialtrends.org/2020/09/24/economic-fallout-from-covid-19-continues-to-hit-lower-income-americans-the-hardest/) published in September, lower-income respondents were more likely to have lost their job since February and to have had problems paying their rent or mortgage. In July, [52 percent](https://www.pewresearch.org/fact-tank/2020/09/04/a-majority-of-young-adults-in-the-u-s-live-with-their-parents-for-the-first-time-since-the-great-depression/) of 18- to 29-year-olds were living with at least one parent, the highest level since the Great Depression. Home prices have also risen, which is good news for homeowners but not for lower-income people who want to buy homes.

Susan Wachter, a real estate economist at the University of Pennsylvania:

It is inequality which is, to my mind, the major challenge to the economy going forward, exacerbated by the impact on housing markets, with rents up, wages down and housing prices increasingly unaffordable and mortgages increasingly difficult to access for first time homebuyers. Renters faced with higher rents cannot save and cannot access the major way of wealth-building for America’s families: homeownership.

The rise in housing prices is being driven by a large [increase in new home sales](https://www.businessinsider.com/how-2020-broke-the-housing-market-inventory-could-run-out-2020-9) as people are spending more time at home and mortgage rates have fallen to record lows. Though these high prices make buying a home increasingly unaffordable for many, the spate of home-buying may stimulate the economy.

Tim Duy, a professor of macroeconomics at the University of Oregon:

The housing numbers for new home sales are at levels last seen during the housing bubble. This is typically associated with strong economic growth.

**Wages and salaries have bounced back quickly.**

Despite all these warning signs, there is evidence that we are on track for a rapid recovery, several experts we spoke to said. One promising development is that productivity, which measures how much the economy can produce with the amount of labor and resources that go into it, is [still growing](https://www.cnbc.com/2020/11/05/us-productivity-increases-solidly-in-third-quarter.html). Growth in productivity is [linked](https://www.economist.com/finance-and-economics/2020/12/08/the-pandemic-could-give-way-to-an-era-of-rapid-productivity-growth) to increases in living standards. The [V-shaped recovery](https://en.wikipedia.org/wiki/Recession_shapes) of wages and salaries is a positive sign, too.

Tim Duy:

It reveals to me that the underlying economy is more resilient and less dependent on fiscal stimulus than commonly believed. Moreover, it is another contrast with the last recession — it took years to recover from the drop of wages and salaries that occurred then.

**The economy has been able to shift from services toward goods.**

Though the pandemic has altered Americans’ day-to-day lives, it hasn’t halted their spending as much as some feared it would. Rather, consumption has shifted toward goods over services — buying alcohol from stores instead of from bars, for example — bucking a generational trend toward a service economy.

Michael Gapen, the head of U.S. Economic Research at Barclays:

I think the economy showed a tremendous resilience and I think that the degree to which households shifted their behavior and spending patterns and then the degree to which how quickly the economy turned on a dime to be able to satisfy that — there’s a lot of flexibility that was shown by businesses and households during the pandemic.

**New business applications are way up over last year.**

Countless businesses have been forced to close over the course of the pandemic. However, a sign that the economy may be adapting rather than totally halting is the increase over last year in new business applications.

Steven Hamilton, an economics professor at George Washington University:

One of the few bright spots during the pandemic has been a surge in new business formations, reflecting those laid off taking up self-employment, but more significantly the strength of household balance sheets built up through the crisis putting them in a position to start new businesses. While these are nowhere near as large as the closures, we kind of have to take what we can get in a crisis of this scale.

**A resilient but increasingly unequal economy.**

Alone, none of these metrics can tell a complete story of the pandemic economic crisis. Taken together, they show that, more than 10 years after the Great Recession, the economy has proved itself adaptable to extreme circumstances.

But almost all the economists we surveyed, even the most optimistic, agreed on the need for swift fiscal policy to alleviate short-term suffering and prevent long-term harm. Several stimulus programs are [set to expire](https://www.nytimes.com/2020/11/11/business/economy/unemployment-benefits-cutoff.html) at the end of December, and any new legislation Congress passes now to replace them is likely to take weeks to implement. Ms. Jones, the labor economist who focuses on racial disparities, called for Congress to act boldly: “The fact is that the risks of doing too little to help the economy are enormous,” she said, “while the risks of doing too much are tiny.”

These indicators also show that some people are already getting left behind in an uneven recovery as others feel few impacts, or even flourish. The pandemic crisis “has drawn a tremendously bright and vivid line between the affected and the not affected,” Mr. Gapen said. “If you’re in the pool of the affected, I think it’s been just an awful year.”