The Impacts of COVID-19 on the California Economy

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Background

- Obtaining up-to-date and accurate information on the effects of the pandemic has been extremely difficult.
- I have spent the past year compiling and analyzing data to investigate what happened to small business owners, especially minority business owners.
- Most of my research has focused on the nation as a whole, but I have calculated estimates for California using the latest data.
- More recently, I have analyzed data on the impacts on community colleges in California.
I have focused my research on three main questions.

1. First, what happened to small business owners? Did the pandemic disproportionately close minority-owned businesses?

2. Second, how much did businesses lose in sales during the early stages of the pandemic? What types of businesses were hit the hardest?

3. Third, what were the impacts of the pandemic on spring and fall 2020 enrollment and student outcomes in California community colleges?
Timeline of Pandemic and Closures

• March 16, 2020: San Francisco Bay Area imposed shelter-in-place restrictions
• March 19, 2020: State of California
• March 20, 2020: New York State
• By early April: most states imposed social distancing restrictions
Number of Active Business Owners in the United States (January 2005 - April 2020)
Number of Active Business Owners before and after COVID-19 (Racial Minority Groups)

- African-American: -41%
- Latinx: -32%
- Asian: -26%
Has There been a Rebound since April?
Figure 1
Number of Active Business Owners in the United States (Jan. 2019 - Oct. 2020)
Number of Active Business Owners by Race/Ethnicity before and after COVID-19
Figure 1

October 2020
January 2021
What Happened in California?
Figure 1
Business Owner Activity Losses Relative to February 2020

- California
- United States

- Apr. 2020: -22%
- May 2020: -15%
- June 2020: -17%
- July 2020: -15%
- Aug. 2020: -13%
- Sept. 2020: -7%
- Oct. 2020: -2%
- Nov. 2020: -3%
- Dec. 2020: -3%
- Jan. 2021: -6%
Number of Active Business Owners in California by Race/Ethnicity before and after COVID-19
Sales Losses in California

• It has been especially difficult to figure out how much businesses have lost in sales and revenues in the pandemic.
• We suspect that losses have been great but data on actual losses in sales are very difficult to find.
• Using taxable sales data from the California Department of Tax and Fee Administration, we examined average sales losses in the second quarter of 2020.
California State Taxable Sales (Annual Change) 2018 Q1 to 2020 Q3
Sales Growth Percent (2019Q2 to 2020Q2)
Selected Business Types with Large Losses and Gains

- Accommodation
- Full-Service Restaurants
- Drinking Places (Alcoholic)
- Arts, Entertainment, and Rec
- Gift, Novelty, and Souvenir
- Book Stores and News Dealers
- Gasoline Stations
- Clothing Stores
- Supermarkets and Other Grocery
- Lawn and Garden Equipment
- Pharmacies and Drug Stores
- Beer, Wine, and Liquor
- Building Material and Supplies
- Agric., Forestry, Fish and Hunt
- Nonstore Retailers
Community Colleges

• The University of California and California State University systems recently reported that total undergraduate enrollment increased slightly from fall 2019 to fall 2020.

• The effects of the COVID-19 pandemic, however, on enrollment in the California Community College system are not known.

• Community colleges serve different student populations, are less selective, and could experience very different effects.

• Might have caused community college students to not enroll given the more tenuous enrollment pattern of these students and the emphasis on hands-on technical training in some programs.

• On the other hand, given the extremely weak labor market during the pandemic, young adults might have been attracted to open-enrollment and relatively inexpensive community colleges.
Figure 2: California State University and University of California System Fall Student Enrollment
Figure 1: California Community College System Student Enrollment by Semester

- **Student Enrollment**
- **All Community Colleges**
- **Community Colleges with 2020 Data**
Appendix Figure 1: Year-Over-Year Changes in Student Enrollment
Figure 3: Year-Over-Year Change in Enrollment by Race, California Community College System

African-American  Hispanic  Asian  White Non-Hispanic
Table 1: Enrollment Changes by Type of Student

<table>
<thead>
<tr>
<th>Student Type</th>
<th>Fall 2019</th>
<th>Fall 2020</th>
<th>Change</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing Student</td>
<td>856,323</td>
<td>754,317</td>
<td>-102,006</td>
<td>-12%</td>
</tr>
<tr>
<td>First-Time Student</td>
<td>241,913</td>
<td>188,817</td>
<td>-53,096</td>
<td>-22%</td>
</tr>
<tr>
<td>First-Time Transfer Student</td>
<td>107,787</td>
<td>91,285</td>
<td>-16,502</td>
<td>-15%</td>
</tr>
<tr>
<td>Returning Student</td>
<td>171,417</td>
<td>140,603</td>
<td>-30,814</td>
<td>-18%</td>
</tr>
<tr>
<td>Special Admit Student</td>
<td>103,722</td>
<td>102,979</td>
<td>-743</td>
<td>-1%</td>
</tr>
</tbody>
</table>

Notes: Calculated from administrative data from the California Community College system. The total number of students enrolled of each type is reported. Enrollment is for all colleges except four colleges that did not report enrollment data in fall 2020. See text for more details.
Figure 4: Year-Over-Year Changes in Course Enrollments by Type of Course (Fall 2020)
Figure 6: Change in Course Enrollment in Fall 2020 by Pre-Pandemic Online Course Percentage across Colleges
Figure 7: California Community College System Course Completion Rates
<table>
<thead>
<tr>
<th>Grade</th>
<th>Spring 2019</th>
<th>Spring 2020</th>
<th>Fall 2019</th>
<th>Fall 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Courses</td>
<td>Share</td>
<td>Courses</td>
<td>Share</td>
</tr>
<tr>
<td>Grade A</td>
<td>1,258,314</td>
<td>40%</td>
<td>1,368,272</td>
<td>50%</td>
</tr>
<tr>
<td>Grade B</td>
<td>738,512</td>
<td>24%</td>
<td>617,801</td>
<td>22%</td>
</tr>
<tr>
<td>Grade C</td>
<td>457,591</td>
<td>15%</td>
<td>322,876</td>
<td>12%</td>
</tr>
<tr>
<td>Pass (No Letter)</td>
<td>156,094</td>
<td>5%</td>
<td>144,501</td>
<td>5%</td>
</tr>
<tr>
<td>Fail</td>
<td>497,184</td>
<td>16%</td>
<td>303,330</td>
<td>11%</td>
</tr>
</tbody>
</table>

Notes: Calculated from administrative data from the California Community College system. The total number of courses with each grade is reported.
What Can We Do to Move Forward?

1. Consumers need to feel safe again. The number one priority for helping small businesses is to get the vaccine out faster. People are anxious to get back to restaurants and shops.

2. We need to slow down the extensive shift to online shopping which was happening prior to the pandemic.

3. Small businesses need to have more of an online presence. Aid in the form of web page assistance could be useful.

4. Search engines could prioritize local small businesses instead of online retailers and big box stores.

5. Community colleges might need one- or two-time emergency funds to offset losses.
References


Ongoing Small Business Activity Tracking: [https://people.ucsc.edu/~rfairlie/recent/](https://people.ucsc.edu/~rfairlie/recent/)