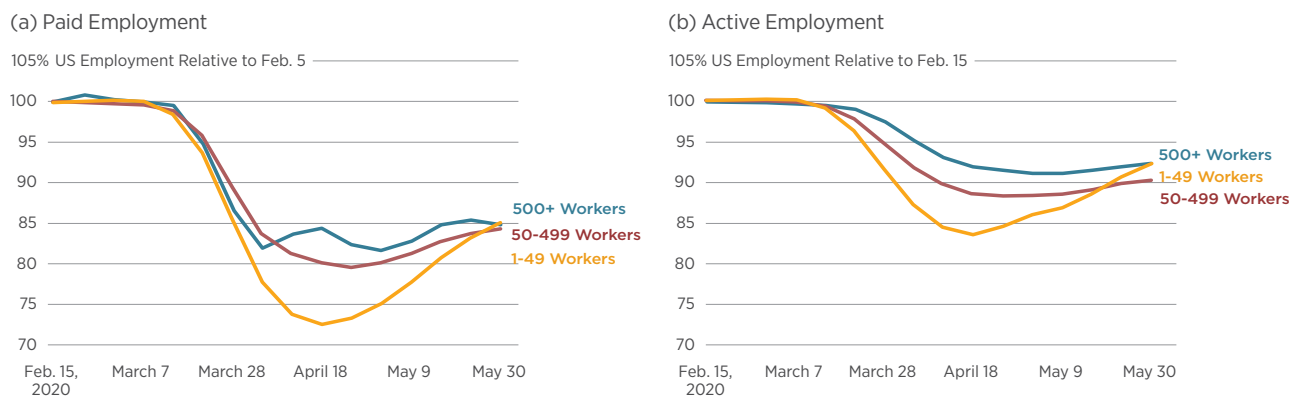


ECONOMIC FINDING

Business Size and Type are Key Factors in Terms of Pandemic Recession Effects

Tomaz Cajner, Group Manager, Federal Reserve Board; Leland Crane, Senior Economist, Federal Reserve Board; Ryan A. Decker, Senior Economist, Federal Reserve Board; John Grigsby, Ph.D. Student, UChicago’s Kenneth C. Griffin Department of Economics; Adrian Hamins-Puertolas, Federal Reserve Board, Erik Hurst, Frank P. and Marianne R. Diassi Distinguished Service Professor of Economics and John E. Jeuck Faculty Fellow, Chicago Booth; Christopher J. Kurz, Chief, Federal Reserve Board; Ahu Yildirmaz, Head of Labor Market Research, ADP Research Institute

Figure 1 - Employment Change By Business Size



Notes: Figure shows employment changes relative to February 1st within the ADP business-level sample at the weekly frequency with two-week trailing moving averages. Panel A shows the trend in payroll employment for each size grouping. Panel B shows the same patterns for active employment.

Employment declines were highest among businesses with fewer than 50 employees, with business closures occurring more frequently among interpersonal businesses.

Employment declines during the Pandemic Recession were much larger for businesses with fewer than 50 employees, with closures playing an even larger role for this size group. Businesses with fewer than 50 employees saw paid employment declines of more than 25 percent through April 18, while those with between 50 and 500 employees and those with more than 500 employees, respectively, saw declines of 15-20 percent during that same period, and reached troughs a week or two later than the smallest businesses.

The largest declines in employment were in sectors that require substantive interpersonal interactions. Through late-April, paid employment in the “arts, entertainment and recreation” and “accommodation and food services” sectors (i.e., leisure and hospitality) both fell by more than 45 percent while employment in “retail trade” fell by almost 30%. Businesses like laundromats and hair stylists also saw employment declines of nearly 30%. Despite a boom in emergency care treatment within hospitals, the “health care and social assistance” industry experienced a 16.5% decline in employment through late April.

Figure 2 - Paid Employment Changes by 2-Digit Industry

Industry	Feb 15- April 25	Feb 15- May 30
Arts, Entertainment and Recreation	-50.7%	-41.5%
Accommodation and Food Services	-45.5	-34.1
Retail Trade	-28.7	-18.5
Other Services	-25	-17.1
Transportation and Warehousing	-21.7	-23.2
Real Estate, Rental and Leasing	-20.9	-19.6
Information Services	-18.2	-4
Wholesale Trade	-17.6	-12.3
Administrative and Support	-17	-17.1
Educational Services	-16.6	-17.5
Health Care and Social Assistance	-16.5	-8.8
Construction	-13.5	-4.5
Manufacturing	-12.4	-8.6
Professional, Scientific, and Tech Services	-12.1	-9.1
Finance and Insurance	-1.3	-0.7

Notes: Table shows total (i.e., inclusive of shutdowns) decline in paid employment through April 25th, 2020 (column 1) and through May 30th, 2020 (column 2) for all firms in each two-digit NAICS industry. All changes are relative to February 15th 2020. Data from the business-level sample.