

EMPLOYMENT IMPACT OF COVID-19
COACHELLA VALLEY



MAY 4, 2020



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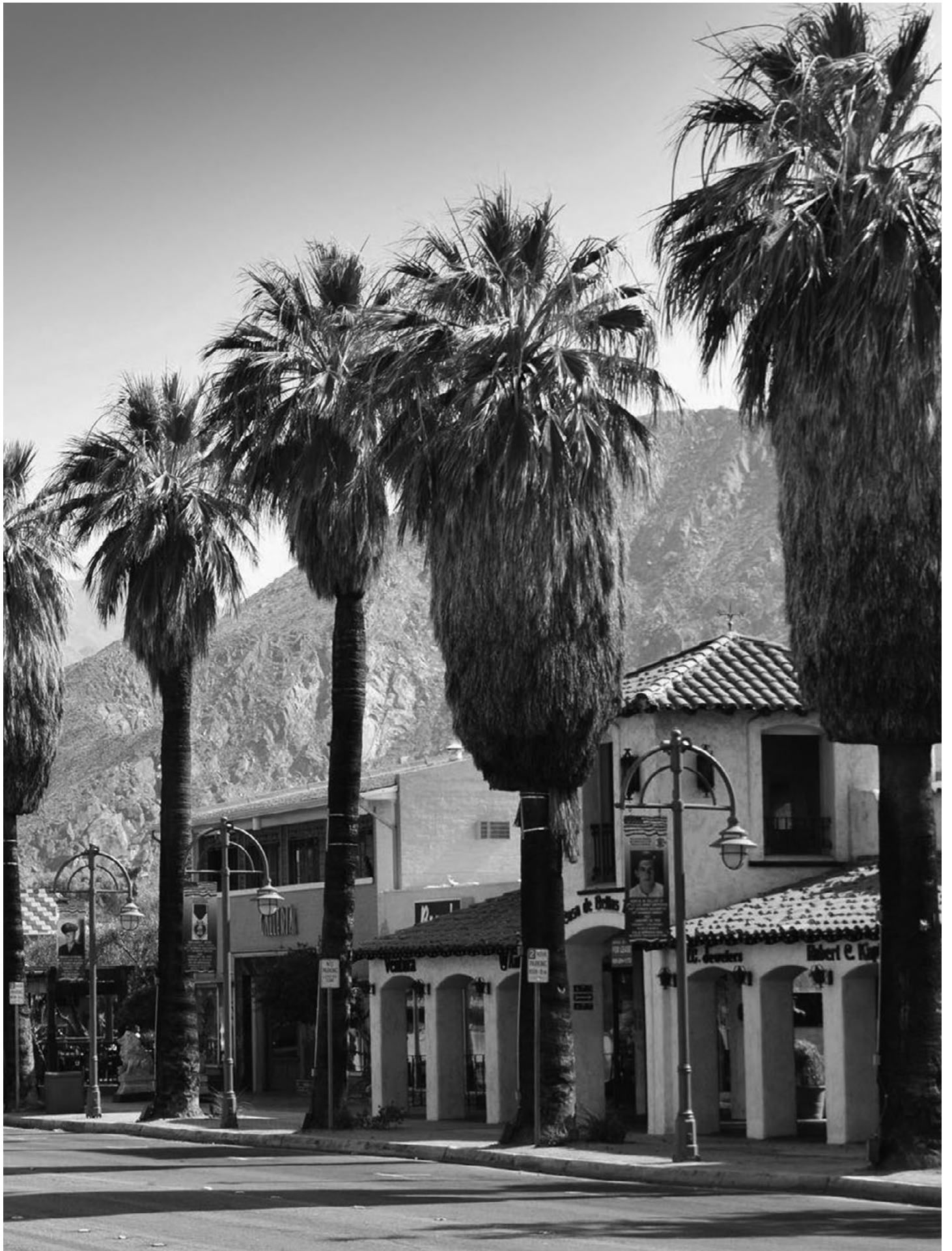
It had been brewing for weeks, and had been the cause of speculation for days, but everything finally changed for the Coachella Valley on March 8, 2020. First, the BNP Paribas Tennis Tournament was cancelled. Days later, organizers of the Coachella and Stagecoach music festivals followed suit, tentatively postponing until the fall. In a normal year, these major events are the last hoorah of “season” in the desert, providing a financial cushion to keep businesses open and people working throughout the hot, slow, summer months. Even if all other day-to-day commerce had carried on as usual from that point forward, the cancellation of these events just before summer meant hardship for businesses and workers. But the cancellation of major events was just the beginning.

On January 26, 2020, the COVID-19 pandemic’s first case was confirmed in California. More than thirteen weeks have passed since the discovery of that first case, and business activity across the State of California has been brought to a stop with the exception of some businesses deemed to be essential. As of the time of writing, the Coachella Valley has 682 confirmed cases and 25 deaths attributed to COVID-19. Riverside County has over 4,000 cases and has suffered 149 deaths. California Governor Gavin Newsom issued a shelter-in-place order on March 19, which includes strict social distancing measures for necessary trips outside of the home, and a ban on gatherings of any size. Only now are some businesses beginning to reopen with strict safety guidelines.

Businesses in the Coachella Valley have missed significant revenue opportunities due to the cancellation of every major sports and entertainment event normally held during this time of year.

Beyond the BNP Paribas Tennis Tournament and the Stagecoach and Coachella Music Festivals, other cancelled major events include the White Party in

Palm Springs, the ANA Inspiration women’s golf tournament, and The Dinah Shore Weekend. These cancellations alone have deprived Coachella Valley businesses of roughly \$2 billion in revenue¹ and caused approximately 600,000 visiting tourists to abort their plans. The bulk of these festivals have been tentatively rescheduled for the fall of 2020. While rescheduled events seem more encouraging than cancelled ones, there is no guarantee that they will actually be held. Governor Newsom’s criteria of herd immunity AND the availability of a vaccine prior to allowing these types of large events in the State of California certainly jeopardizes the probability of such events occurring anytime in 2020. The disruption of these events, which have become vital to the prosperity of many of the Coachella Valley’s small businesses, is expected to have far-reaching negative effects on employment.





The COVID-19 pandemic is having dramatic effects on employment nationwide, but particularly among the nine cities, four tribal nations, and numerous unincorporated communities that make up the Coachella Valley. Pivoting to meet the region's most urgent needs, CVEP has directed its focus in two distinct areas: quantifying the impacts to the region's businesses, and assisting our business base in maximizing access to relief funds available from federal, state and local governments. In December of 2019 the Coachella Valley had a total of 187,218 payroll-based jobs in 15,840 registered businesses. Most of the Coachella Valley's businesses are considered by the United States Small Business Administration (SBA) to be small businesses with less than 500 employees.

Approximately 1 in 4 jobs of jobs in the Coachella Valley depend on tourism and hospitality². Many other job sectors such as retail, food service, arts, and entertainment are dependent on tourists and part-time winter residents (known as snowbirds) for a substantial part of their revenue. Current disruptions in air travel and tourism mean that the visitor-dependent Coachella Valley is among the most negatively impacted places on the planet.

The estimates provided in this report are just that: estimates. Data, guidelines, and information all change rapidly in the era of COVID-19. Governmental responses and mandates, as well as information about the coronavirus and its effects on the human body, are ever-evolving. These and many other factors will impact actual outcomes.

The projected job losses in the various occupational groups are amounts assumed on a national level and applied locally. Because the Coachella Valley has a much higher dependence on festivals and tourism, the projected losses contained in this report may be considered to be conservative.

It is understandable to be alarmed at the economic and business impact projections presented here, particularly for those who work to support, build, and grow businesses as a part of their daily routine. To see such devastating impacts on employment is disconcerting. With that said, CVEP does not presume to be qualified to make public health recommendations, and discourages the use of this report to justify modifications to current public health guidelines.

JOB LOSS PROJECTIONS

In the Coachella Valley, the initial projections for job losses from December 2019 to May 2020 are 53,795 which constitutes a decline of 28.7%. This leaves only 133,423 people actively reporting for work or working from home on a daily basis in a region with a permanent population of roughly 463,000. The unemployment rate in the Coachella Valley was approximately 7.2% (this includes rural and unincorporated areas of our region) before COVID-19, and is projected to be 31.9% in May of 2020. This projection may exclude many entrepreneurs, small business owners and 1099 contractors not included in numbers from the Bureau of Labor Statistics, who may also have lost their ability to earn a living. There are many such entities in the Coachella Valley.



BUSINESS LOSS PROJECTIONS

The president of the Hayek Institute has projected that 30% of all businesses will not survive the economic disruptions caused by COVID-19³. Applying this figure to the Coachella Valley, the region could see the closure of 4,752 businesses as a result of this crisis. Because many of the businesses in the Coachella Valley exist to serve the tourism industry it is not unreasonable to expect that the casualty rate among small businesses here will be even higher than state, national and international estimates.

NUMBERS OF JOBS LOST

Sales and Sales-Related jobs are projected to absorb the highest number of job losses with 14,523 losses expected. The second largest impact is projected to be in Food Preparation and Serving-Related jobs at 11,787.

With respect to the number of jobs lost, the third highest impact is projected to be in the Personal Care and Service sector with 7,550 expected losses. These three sectors, which make up much of the Coachella Valley's workforce, are projected to endure a total of 33,860 job losses: nearly 63% of the total jobs estimated to be lost in the valley.

The least-impacted job sectors in the Coachella Valley are projected to be Life, Physical and Social Sciences, Computer and Mathematical, Architecture and Engineering. The total expected job losses from these largely STEM (Science, Technology, Engineering, and Math) business sectors is 169 jobs, constituting only 0.3% of the total jobs lost. The ratio of job losses in the highest three sectors to the losses in the lowest three sectors is 200 to 1.

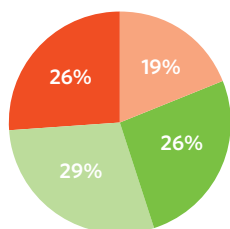
JOB IMPACTS BY OCCUPATION GROUP

OCCUPATION	DEC 2019 EMP	MAY 2020 PROJECTION	PROJECTED JOB LOSS	% CHANGE
Sales and Sales Related	24,045	9,522	14,523	-60.4%
Food Preparation and Serving Related	17,208	5,421	11,787	-68.5%
Personal Care and Service	10,589	3,039	7,550	-71.3%
Office and Administrative Support	20,049	16,661	3,388	-16.9%
Construction and Extraction	10,434	8,128	2,306	-22.1%
Educational Instruction and Library	8,313	6,509	1,804	-21.7%
Community and Social Service	2,832	1,178	1,654	-58.4%
Arts, Design, Entertainment, Sports and Media	3,161	1,546	1,615	-51.1%
Installation, Maintenance, and Repair	7,459	6,094	1,365	-18.3%
Transportation and Material Moving	7,408	6,089	1,319	-17.8%
Healthcare Support	4,583	3,369	1,214	-26.5%
Production	5,878	4,879	999	-17.0%
Building and Grounds Cleaning and Maintenance	17,126	16,167	959	-5.6%
Business and Financial Operations	5,478	4,673	805	-14.7%
Management	15,582	14,803	779	-5.0%
Healthcare Practitioners and Technical	8,192	7,471	721	-8.8%
Farming, Fishing, and Forestry	9,230	8,898	332	-3.6%
Protective Service	4,133	3,831	302	-7.3%
Legal	1,814	1,611	203	-11.2%
Architecture and Engineering	1,433	1,361	72	-5.0%
Computer and Mathematical	1,663	1,596	67	-4.0%
Life, Physical, and Social Sciences	608	578	30	-5.0%
TOTAL	187,218	133,423	53,795	28.7%

EMPLOYMENT & UNEMPLOYMENT PROJECTIONS FOR MAY

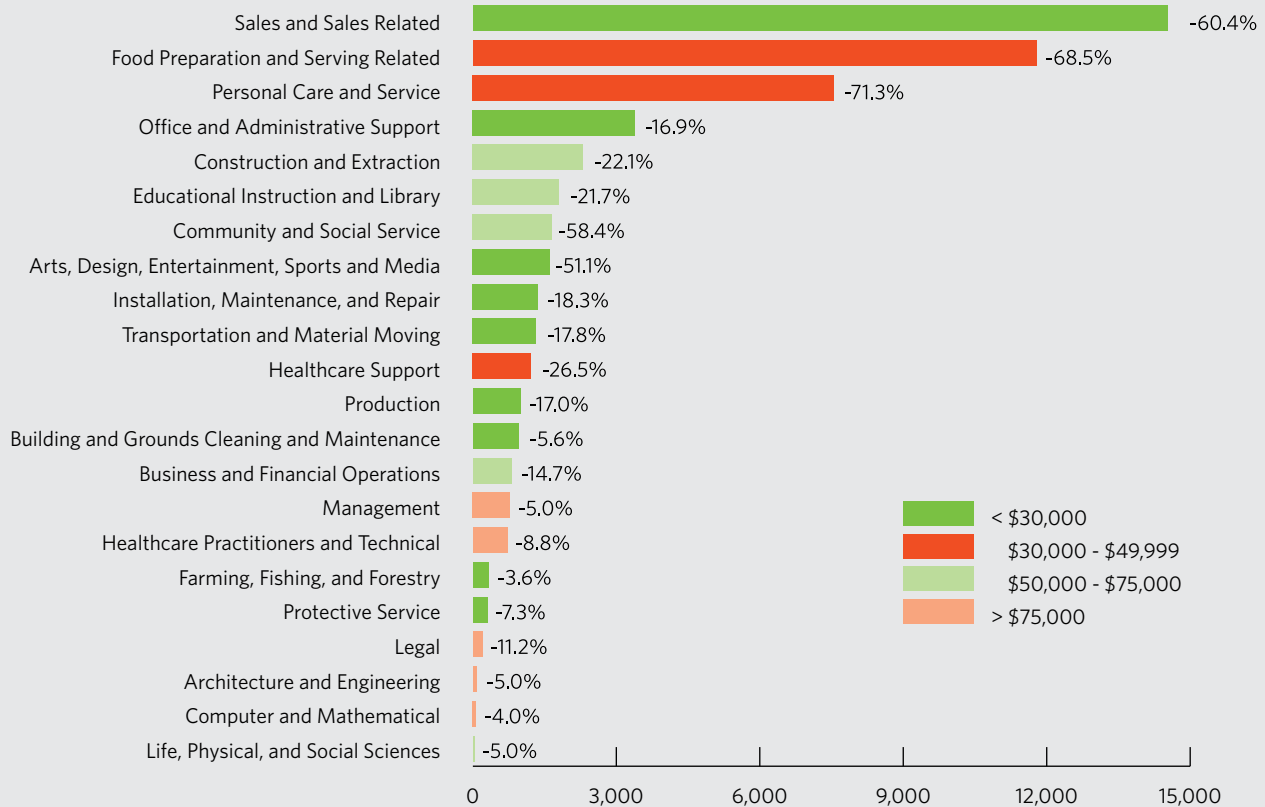
	DEC. 2019	MAY PROJECTIONS
Employment	187,219	133,423
Unemployment Rate	7.2% *	31.9%

*INCLUDES ESTIMATES FOR RURAL AND UNINCORPORATED AREAS OF THE COACHELLA VALLEY



Educational Attainment	%
No High School Diploma	19%
High School Graduate	26%
Some College/Associate	29%
Bachelor's or Advanced Degree	26%

PROJECTED JOBS LOST BY OCCUPATIONAL GROUP, MAY 2020



In their study Employment Impact of COVID-19: Southern California, the Los Angeles County Economic Development Corporation (LAEDC) estimates 31.9% unemployment in May 2020 for the Riverside-San Bernardino-Ontario metropolitan statistical areas (MSA), comprising Riverside and San Bernardino Counties. Applying this unemployment estimate to the Coachella Valley, a projected 53,795 (-28.7%) jobs will be lost.

The occupations with the largest total losses are predicted to be Sales and Sales Related jobs, Food Preparation and Service-Related jobs, and Personal

Care and Service jobs. Personal Care and Service jobs are project to have the largest percentage loss of -71.3%.

Sales and Sales Related jobs, and Food Preparation and Serving Related jobs, are the largest occupation groups in the Coachella Valley, accounting for 22% of all employment in the valley. These sectors have the second and third highest estimated percentage job losses, at 60.4% and 68.5% respectively and an estimated loss of 26,311 jobs. The top five employment sectors are estimated to lose nearly 40,000 jobs.



It should also be noted that the top business sectors for job losses are three of lowest-paying job sectors in the Coachella Valley, while the three least-impacted sectors are some of the highest-paying sectors. The most vulnerable members of society are bearing the highest burden of job losses.

The timing of the COVID-19 crisis has been lethal. Businesses with a high concentration of jobs in tourism, hospitality and food have missed their busiest season. Lack of a typical peak season in the spring has created a situation in which the slow summer season effectively started in March, creating a 6-month summer for Coachella Valley businesses that often close or reduce hours in the summer anyway.

PERCENTAGE OF JOBS LOST

The occupational groups projected to lose the largest number of jobs as a percentage of employment are Personal Care and Service with a 71% contraction expected, Food Preparing and Serving-Related Occupations at 69%, and Sales and Sales-Related at 61% of jobs. These are some of the largest employment groups in the Coachella Valley and few of these occupations have been deemed to be essential. Even among those that are considered to be essential, such as some Food Preparing and Serving jobs, dramatic changes in the types of permitted operations have substantially reduced employment.

The Coachella Valley is home to a significant retail sales industry with 24,045 people employed. These stores are dependent on tourists who visit the region and shop. Since online retailing has become increasingly ubiquitous in recent years, brick-and-mortar retailers have struggled to keep up. Those

that have been unable to adopt successful omni-channel strategies incorporating online sales as well as physical locations began faltering long before the COVID-19 crisis.

Current projections nationwide show a 60% displacement of retail workers in the short term, though major retailers like Macy's are preparing to reopen in other parts of the country as operating restrictions begin to relax⁴. With many brick-and-mortar retail stores on life support, the brick-and-mortar retail industry's future as a viable source of jobs is made increasingly vulnerable by the ease with which online shopping has filled the gap during the shelter-in-place order.

Before the COVID-19 crisis, over 17,000 people were employed in restaurants, bars, and other dining establishments in the Coachella Valley. Only those employees working to serve the business at restaurants offering take-out remain on payroll, and this group is therefore expected to see nearly 69% job loss.

The Coachella Valley is home to five casinos owned by four Native American tribes. All of these casinos are currently closed, with only maintenance crews remaining on staff. This parallels the large number of layoffs that have occurred in Las Vegas. Coming changes in the behavior of casino customers is yet to be defined, but with shelter-in-place orders and bans on large crowds, the casino gaming industry will be challenged until governmental orders are relaxed.

Construction has played a large role as an employer in the Coachella Valley's history. The pre COVID-19 employment in construction was just over 10,000,





with only 22% expected to suffer a job loss. There have been a number of major construction projects in the pipeline to serve an expanding tourism industry including two hotels in Palm Springs, a casino in Cathedral City, an arena in downtown Palm Springs, and SilverRock Resort in La Quinta. It is expected that all of these projects plus the planned BlackRock residential development in Palm Desert will need to re-establish potential profitability before they proceed.

The Coachella Valley's cannabis industry, prevalent in the Coachella Valley since recreational legalization by the State of California, has struggled to compete with illegal growers. Having been deemed an essential business by the State of California, cannabis dispensaries (retail outlets) and cannabis growers have continued to do business during the shelter-in-place order. Many sources report that both cannabis and alcohol consumption have increased as an apparent result of the pandemic. Impacts on employment in the cannabis industry are not readily available, as there is no cannabis-specific federal jobs classification⁵.

Less prone to disruption are jobs which can be easily migrated to a work-at-home model. These jobs range widely, but include many high-skill jobs in business, finance, engineering, technology, and other sciences, as well as other professions such as law and architecture. While historically difficult to count, it is generally accepted that there are a growing number of telecommuters in the Coachella Valley who work for companies headquartered elsewhere. These workers may be at a slight advantage because their employers have not had to make sudden adjustments in order to adapt to a remote workforce.

Occupations in healthcare and protective services are a strong source of well-paying jobs in the Coachella Valley. The effort by medical providers and particularly the hospitals to mobilize to treat the projected large number of COVID-19 patients has been admirable. Hospitals have been required to delay non-essential procedures to hold bed space available for the expected waves of COVID-19 patients that never materialized. Some of the medical providers in the Coachella Valley and in other areas that experienced lower levels of COVID-19 patients have incurred financial hardship and have resorted to furloughs and benefit deferrals. While this sector has been a source of job growth for years, the sector is currently projected to lay off 8.8% of its workforce. Healthcare, unlike tourism, is expected to return to normal employment levels as the ability to perform non-emergency and elective procedures is established.

PROJECTED IMPACT MAY 2020

The nine cities and the unincorporated parts of Riverside County are projected to experience job losses of 53,795 and have an unemployment rate of nearly 32% in May 2020.

The occupations that provide most of the jobs in the Coachella Valley such as tourism, food services, and retail will absorb losses of from 60% to over 70% of the pre COVID-19 workforce.

CVEP will continue to monitor the situation with respect to relaxation of shelter-in-place orders and restarting non-essential business sectors. As external actions change the projected impacts, we will issue updates to this report as necessary.

METHODOLOGY

The employment projections in this report were based on the findings of a study prepared by the Los Angeles County Economic Development Corporation's (LAEDC) Institute for Applied Economics (IAE) titled the Employment Impact of COVID-19: Southern California:

“Projections included in this report use a bottom-up approach based on the latest, May 2019, Occupational Employment Statistics (OES) data from each of 10 metro areas included in the Southern California Region. The methodology used is based upon similar nationwide occupational job loss estimates recently produced by economists at the St. Louis Federal Reserve Bank, which used “high-risk” of job

loss and estimates of the required physical proximity of work to produce unemployment rates and job loss. The LAEDC estimated probable job loss across occupational categories and applied those to OES data to generate estimated probable job loss and unemployment rates for each MSA in Southern California.”

CVEP utilized Esri's Business Analyst Online to aggregate these data for the Coachella Valley. Original LAEDC data was derived from the Bureau of Labor Statistics, the U.S. Department of Labor, and the U.S. Census Bureau. Occupational data (employment and wages) were obtained from the Occupational Employment Statistics program. Workforce demographic data was from the Quarterly Workforce Indicators dataset.

FOOTNOTES:

¹ On March 11, 2020, Rolling Stone reported that the anticipated profit of the Coachella and Stagecoach music festivals in 2019 had been about \$1.4B, with the bulk of that being returned to the local economy. Similarly, the BNP Tournament generates in excess of a \$400M contribution to the local economy annually. Multiple smaller events and day-trips to attractions such as the Palm Springs Aerial Tramway generate millions in local economic activity annually. See the 2017 Report on the Economic Impact of Tourism by the Greater Palm Springs Convention and Visitors Bureau.

² According to the 2017 Report on the Economic Impact of Tourism by the Greater Palm Springs Convention and Visitors Bureau.

³ Barbara Kolm is president of the Hayek Institute, and president of the European Center for Economic Growth. When discussing the potential damage caused by even

relatively short lockdowns, Ms. Kolm stated that by May 2, she expected 30% of businesses to be closed. History News Network, George Washington University Columbian College of Arts & Sciences.

⁴ As reported by the Wall Street Journal on Thursday, April 30, Macy's intends to reopen all of its stores within the next 6 weeks if public health orders and safety guidelines permit. Some Macy's stores in Georgia, South Carolina, Oklahoma, Texas and Tennessee will open as soon as Monday, May 4, 2020.

⁵ According to cannabis industry magazine High Times, cannabis sales saw significant increases during the month of March in states with legal cannabis markets. University of Utah Health reports that alcohol sales are up 55% compared to the same time last year, presumably as individuals self-medicate to relieve anxiety and stress related to COVID-19.



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