

Workforce Board Business Outreach Report
COVID-Related Impacts on Washington Businesses and Workers
April-May 2020

The Workforce Board launched a Business Outreach Project in April focused on the COVID-19 crisis with the goal of gaining a ground-level understanding of the impacts of the pandemic on Washington businesses and workers. This was accomplished through a series of Zoom meetings and phone conversations with industry trade associations representing key sectors of Washington’s economy. Through these one-on-one interviews, Workforce Board staff discovered how businesses were responding in real time to an unprecedented pandemic, while also learning about forecast future business needs—from protective equipment for workers to new ways of delivering goods and services. These interviews included conversations about the workforce system itself, helping gauge how well businesses were plugged into this system and its training and talent resources.

Beyond learning more about the business community’s immediate response to COVID, these frank conversations also furthered the Board’s long-standing goal to increase business engagement as outlined in the state’s strategic plan for workforce development “Talent and Prosperity for All” or TAP. Forging strong and sustained partnerships with business is critical in delivering the skilled workers Washington’s economy depends on. But building this relationship has proven challenging. The Workforce Board’s Employer Survey in 2019, for example, revealed that businesses have a limited awareness of the workforce system and its resources. Connecting employers with these resources and support is more important than ever as Washington workers begin to return to work, or seek new jobs that require additional training and support.

Key questions: What does business need?

Workforce Board staff developed a focused set of questions for trade associations about the COVID-19 crisis—from immediate financial challenges to changing worker training needs as businesses begin to re-open. An underlying question: “What will it take to get your member businesses back on track?”

Interviews occurred between April 28 and May 18. During this time, “non-essential” businesses and activities went from a statewide shutdown to a phased reopening, for outdoor recreation, including fishing and golf; curbside retail; residential construction; and others. As of May 31, the state has moved to the “[Safe Start](#)” reopening plan, with most Washington counties in “Phase II,” with the notable exception of metropolitan Puget Sound. Many businesses are in the process of determining how to reopen safely, while some struggling small- and medium-sized businesses, as well as small Chambers of Commerce in less populated areas of the state, are likely to remain shuttered for good. This “snapshot in time” lays important groundwork as the state and crafts a solid economic recovery plan.

Interviews highlight common concerns

While the economic disruption was experienced differently by the various industry associations we spoke with, some common themes did emerge:

- With the exception of the Puget Sound advanced manufacturing sector, every other industry has seen drops in employment since the shutdowns began in March.
- Every sector has experienced business closures, both temporary and permanent, although at varying rates and intensities.
- Every sector anticipates that as the coronavirus fades, business will pick up and the need to hire/rehire will occur.

- The vast majority of businesses will rehire previous employees back first before looking to hire new employees.
- Most industry associations are comprised of small to medium sized businesses. The vast majority of these businesses cannot survive more than a quarter without generating revenue. There are concerns that if these businesses cannot reopen soon, they may have to close permanently.
- Because of layoffs and furloughs, there is more talent on the market at the moment, many of whom will be picked up quickly during the ramp up of the economy. This was mostly true in the technology industry where demand for particular tech skills routinely outstrips supply.
- Few businesses were looking specifically at automation as a substitute for labor. While we know this is a trend and will occur, those industry associations we spoke with were not seeing it in the immediate aftermath of the coronavirus. Advanced manufacturers commented that automation had been occurring for some time in their operations, with the results usually being that workers were retrained for new and better jobs.
- Most businesses were upgrading their own technology to serve customers better, respond to health and safety concerns and communicate better internally.
- For businesses where working from home can be done, it is likely to remain the norm in some fashion going forward.
- Few industries, outside of advanced manufacturing, take advantage of the state’s public workforce system. Most have limited knowledge of the system, were aware of various training programs but did not know which programs were effective or well vetted.

Below are key takeaways from each industry association interview:

BOMA (Building Owners and Managers Association-Puget Sound Chapter) – Commercial real estate has seen huge reductions in usage as the vast majority of office workers work from home. As of the date of the interview the financial impact on the industry had not yet been felt; unknown how much tenant revenue will drop but appears less space needed for next several years. Employment disruption has occurred mostly among junior and middle managers of properties. Upper management and building maintenance have remained mostly intact. Cleaning/disinfecting will be a higher priority for building owners. Key concerns for BOMA members as business resumes are over potential liabilities for health and safety for workers of tenants or tenant spaces. BOMA recognizes their members’ responsibility for building “common areas” used by all but do not want the duty of screening workers, for example, who do not work for the building owner but for a building tenant. The job outlook for commercial real estate will be down for the next year or two (or longer) as tenants continue a “work from home” trend, reducing their need for office space. Working remotely is likely to be a long-term trend for many knowledge (office) workers.

WITA (Washington Independent Telecommunications Association) – WITA members are considered “essential” businesses as they provide local phone service and internet to mostly small and rural communities across Washington. Most have remained open and busy but have adjusted mostly customer operations due to the virus. In one particular instance, 2 of 5 employees of WITA member, including the owner, were sidelined for over a week with COVID, delaying certain jobs for customers until their return. Some employees are doing different jobs based on need and to adjust to virus related protocols. The job outlook is stable for this part of

the telecommunication and broadband industry. IT and installer positions will be needed over time as new technology is developed and comes online. WITA emphasized that in order to make broadband available everywhere there needs to be a policy change to serve the truly “unserved”, not the “underserved”. The cost of building out new services is much higher than upgrading existing broadband.

WSFB (Washington State Farm Bureau) – The coronavirus effects on agriculture have been mixed. Those who supply restaurants and hospitality were hit hard immediately, with highly developed supply chains that cannot easily be repurposed. School closures are impacting workers in the agriculture industry more than anything else as workers have to tend to their school age children, making getting to work more difficult, impacting operations. A major labor-management issue is farmworker housing and rules for social distancing. If housing is not supplied for 30,000 workers, crops will rot. Yet workers have concerns about social distancing in these close quarters. Health care capacity was not strained in rural parts of the state at the time of the interview. (Yakima County subsequently saw a spike in cases but unknown how the local health care system was managing). WSFB members want to restart as soon as possible, especially if other states move ahead. There was a competitive advantage concern if other states’ agriculture and food processing sectors were doing business while Washington’s was not. The job outlook for agriculture remains largely stable. There is still a substantial demand for migrant labor during harvest seasons. Picking fruits and vegetables has not been easily automated and still requires manual dexterity, situational awareness, and collaboration, even as both farm owners and workers realize these are still difficult physical jobs. The costs of recruitment, housing and regulatory compliance are high, adding friction to the process of finding workers for specific periods of time.

One worrisome area for the agriculture industry is for workers who provide skilled field work picking, sorting, and processing fruits and vegetables. Some of these workers had been furloughed or laid off and had concerns about applying for unemployment insurance and putting at risk their ability to remain in the United States to work.

WRA (Washington Retail Association) – For Washington retailers, the pandemic has created a “Tale of Two Cities”, so to speak. Large, well-capitalized retailers offering basic commodities, groceries and home related goods, such as Amazon, Costco, Home Depot and Kroger have done really well during the shutdown period, while countless “non-essential” businesses struggle and thousands close forever. WRA wants to see policies focus on “safe”, not “essential”, meaning that if a business can operate safely, it should be able to. The designation of “essential” has rankled many small retailers. Many furloughed employees will not return to work. Retailers are in a constant state of flux so they are always adapting. Many will go more online from physical due to the coronavirus. The biggest concern for retailers is the 2020 holiday season. If it is anything but robust, more retailers will close their doors. The job outlook for retail is down, even as some, like Amazon and grocery continue to hire. Automation was becoming more common in retail and that trend will continue. The role of physical stores will change. A number of well-known national retailers are closing stores or filing bankruptcy, like Penney’s and Neiman Marcus.

WCCE (Washington Chamber of Commerce Executives) – Chambers of Commerce saw an immediate impact as dues from business members dried up. Events and programs, which occur in person, have been cancelled. Few have reserves beyond a quarter. There is some resentment among Chamber members over seeing big box stores allowed to operate while “Main Street” businesses are forced to close. Supporting and growing Main Street businesses is their mission as well as their bread and butter. Many chambers are doing what they can to marshal resources for local businesses, whether they are chamber members or not. For Chambers of Commerce themselves, many small chambers are likely to disappear. The job outlook for chambers is down for the next year or two as small chambers close or get absorbed into larger ones. “Regional” chambers may form, as occurred during and after the Great Recession. As 501c6’s, they are ineligible for any federal financial assistance to help survive the pandemic.

WPPA (Washington Public Ports Association) – Ports are unique quasi-public entities that operate airports, marinas, docks, shipping terminals and host a wide range of other businesses from data centers to small retailers. Impacts of the virus have slowed virtually everything, but at different intensities. SeaTac Airport’s drop in passenger traffic is much more severe than any potential virus-related issues at the data centers housed at the Port of Quincy. Ports are working with their tenants on rental cost reductions and other ways to help. Ports can pay to extend available broadband onto port property, but for rural ports the issue is getting connection up to Port property. Ports are finding a need to upgrade their own internal IT and internet infrastructure. Port related employment projections are stable. Ports themselves do not employ large numbers, as most who work at Ports are employed by shippers or related port businesses. Revenues can vary depending on the mix of commercial activities on any given port property.

NFIB (National Federation of Independent Business) – The pandemic and subsequent measures have hit many NFIB members hard. Many have closed permanently; many are struggling. The CARES Act was helpful when accessible; it was difficult to access at first, as the fund pool was over-run. Small businesses have concerns over PPP provisions requiring the percentage of workers to keep for grant status, when they may not be able to operate or revenue generation is greatly diminished. As of the date of interview, a number of businesses were reopening. Businesses are concerned with social distancing, keeping employees and customers safe. There are strong signals that the construction supply chain will get active again.

The pre-COVID need for good workers across all small businesses has dropped dramatically as many businesses have closed or slowed down. Those reopening and possibly expanding will bring back their best workers first; some will hire new workers. There are a lot of resources from government and education but it is overwhelming for a small business to know which to access, which training programs are vetted and reputable. NFIB members represent the cross section of small business, from agriculture to IT to manufacturing and retail, with the vast majority of members under 50 employees. The last couple years of new, complex and expensive regulations was already a drag on business, even for those doing well before the pandemic. Most NFIB members do not need college graduates, those with STEM degrees or even accredited certificates. What NFIB businesses need most are people who show up on time, sober, friendly, situationally aware, customer focused, can perform basic math and are coachable. NFIB members routinely report on the lack of these skills among those under 25 in particular.

CAMPS (Center for Advanced Manufacturing-Puget Sound) – The pandemic has barely affected CAMPS members, who are advanced manufacturers in the Auburn-Kent Valley. There are a few that are dependent upon Boeing and aerospace and have furloughed or shut down but it is a small minority. Most of these manufacturers took safety precautions for employees early on, reduced transmission risk and social distanced. Many were not operationally risky for the virus to begin with so it has not been a major issue. Since members stayed open, none needed to access CARES Act programs. No knowledge if the few that did close applied for the Economic Injury Disaster Loan, Paycheck Protection Program, or others, but workers received unemployment benefits. Advanced manufacturing has been highly technical and automated for some time. Workers generally are skilled and/or certificated from a local community or technical college. Bates, Clover Park and Green River were specifically cited as turning out well-qualified students for advanced manufacturing jobs. The military has also yielded a solid pool of candidates. Demand for skilled workers will remain steady. These manufacturers also often need to upskill their incumbent workers, to keep up with technology and new workplace practices. CAMPS and its members are familiar with and utilize the state’s Job Skills and Customized Training Programs primarily through the state’s CTC’s. CAMPS members report generally high levels of satisfaction with JSP and CTP as they have input and relationships with the programs directly. Without some level of state subsidy, training would not otherwise occur, or be much smaller in scope.

WTIA (Washington Technology Industry Association) – The pandemic has caused mixed results for the technology industry. Demand for technical talent has not abated for a decade. This was true right up until the

coronavirus outbreak and remains so, but the chronically low supply of tech workers has stabilized a bit as laid off tech workers fill openings that might otherwise have sat vacant. The tech industry “lags” other industries during slowdowns as the tech industry feels the effects of an economic slowdown after their customers do. WTIA had just completed a survey of their members and shared with us that 25% of Seattle area tech companies of 100 or fewer employees have 60 days or less of operating capital, while 45% of tech companies of all sizes, excepting the largest, have at least 12 months of runway to operate. Pre-COVID, the tech industry had been investing in improving access to jobs for under-represented populations. Efforts to recruit and train non-traditional candidates into tech have slowed as more experienced people are available. They recommend greater funding for the Job Skills Program and other publicly subsidized training to encourage tech companies to find new workers through alternative pathways instead of relying on the traditional STEM degree path from a four- year university. WTIA’s Apprenti program has been very successful at recruiting and preparing non-traditional employees for the tech industry. Apprenti participants have seen an average increase in earnings five times pre-program levels. Apprenti effectively screens the candidates for companies, who can select from among a large pool to train and hire. There are some technical regulatory hurdles Apprenti would like to see removed at the federal level so that candidates could qualify for federal aid, which would alleviate the burden on employers. Under this scenario, more companies could bear the cost of an apprentice if cost of training was subsidized.

Interview Summary

Uneven Impact

The impact of the coronavirus pandemic on Washington businesses, industries and workers has been decidedly mixed. Clearly, some industries and businesses have been severely and negatively harmed. Events, hospitality, restaurants, retail and many small businesses considered “non-essential” have closed, either temporarily or permanently. Others, such as grocery stores, and hardware and home improvement retailers, have thrived because they were deemed “essential” and remained open. Still others have been indirectly squeezed gradually as economic impacts effect customer groups, suppliers and vendors.

Furloughs and layoffs have been concentrated among industries with forced closures. In industries less directly or immediately affected by the coronavirus shutdown, the effect on jobs is mixed. Many workers have been furloughed or laid off across sectors, although not nearly to the extent in events, hospitality, restaurant or retail. Workers with IT and technology expertise are likely to have been reabsorbed into the economy, while others are more likely to require training and education to find access to available jobs.

Safety is first priority

For many of the groups interviewed, the issue for their business members was how to continue operating safely for employees, customers and vendors, with many interesting and innovative “workarounds” being deployed across industries. In some cases, employees and workers had been furloughed, had hours reduced or were assigned to new or different tasks. Where working from home was feasible, it was happening.

Among some trade associations, there has been little to no impact to their business members, nor any distinct disruptions by workers getting sick. Many of these businesses can operate safely with social distancing and have done so since late March or early April.

Businesses, workers, and customers face a “new normal”

As the dangers of the virus recede and economic activity resumes, all interviewees believe there is no likelihood of going back to “normal.” Many organizations see the current situation as similar to 9/11 in that many new security measures were instituted in the aftermath of the attacks. Similarly, there is widespread recognition that new and likely permanent measures to screen for health or requiring social distance will be required.

For small businesses that have closed permanently, their workers will have to find new jobs. For some furloughed workers, they will be called back to their same job, often with a new set of safety measures in place. For some workers, their jobs will be gone or substantially changed but they will have the opportunity to remain employed in a different capacity.

In some industries or segments thereof, hiring demand is high. Grocery, warehouse, e-commerce, some health care, some technology have seen big spikes in need for workers of all educational and skill levels.

Access to financial resources varies

Use of, ease of accessing and efficacy of various aid programs, notably the federal Coronavirus Aid, Relief and Economic Security (CARES) Act was mixed. Thousands of businesses qualified under the Act's provisions but accessing applications and funds was difficult for many. Many large corporations received CARES Act funds relatively quickly, creating resentment among some small- and medium-size business owners who found it difficult to apply, qualify and receive funding.

Some employers voiced concerns about the requirements of the financial support programs, particularly the federal Paycheck Protection Program (PPP), that required businesses to re-employ 75% of their workforce to achieve "grant" status, compared to "loan" status. The Economic Injury Disaster Loan program reportedly was easier and less onerous to access but the grants were much smaller and there was less money available.

Some organizations and industries were not covered at all under the first round of federal funding. Those filing schedule F (farming) were excluded, as were certain non-profit organizations, such as Chambers of Commerce. Farming was included in the second round of government funding but chambers were not.

Record unemployment insurance assistance helps many workers

In some cases, workers were better protected from the downturn than many of their employers. Record numbers of Americans applied for and received unemployment benefits, temporary income that has helped replace lost earnings and cover bills, as they wait for businesses to re-open. Not only were more people filing for unemployment benefits, a much larger group was included among beneficiaries. Those working as independent contractors, "gig" workers, and sole proprietors qualified for temporary income support for the first time. This financial support has been helpful, if not vital, to many workers in Washington, and across the nation. The federal government also provided an additional \$600 per week in unemployment benefits, boosting incomes and helping many wait out state-imposed shut downs aimed at "flattening the curve" of the pandemic.

Analysis and conclusions from this preliminary report

With massive unemployment across industries and sectors, and in entertainment, events, hospitality, restaurants and retail in particular, there is unlikely to be a return to "normal" in the near future, if ever. The number of jobs in the most affected industries is likely to be down for some time. It is possible and even likely that automation and robots will be doing more tasks in these sectors going forward, particularly where social distancing becomes the on-going standard.

A pressing issue for policymakers is how to educate, train, and upskill a significant segment of the working age population that is generally less educated and skilled than those in the less impacted industries of health care, manufacturing and technology. This was a challenge pre-COVID; it is now the issue of the day. The challenge is exacerbated by the predicted state tax revenue shortfalls over the coming biennium. Policymakers, elected officials and community leaders may need to reframe the issue of "lifelong learning" among adult workers. Less costly options that engage employers as co-investors should be explored and encouraged. Shorter term routes to meaningful credentials should also be considered, with an eye towards long-term employment

security. Stackable credentials, “Guided pathways” and apprenticeships, for example, provide both educational and economic momentum for adult workers. Now more than ever, there is also a need to re-imagine credential pathways, to recognize and value all forms of learning, regardless of the modality. Skills, competencies, and experiences attained, regardless of how, are a launch pad for further learning and economic mobility.