Unemployment in Ohio at the end of 2021

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INTRODUCTION

As businesses, particularly in the food service, hospitality, and entertainment sectors, have reopened, Ohio’s unemployment rate has made steady downward progress from its high of 16.4% in April 2020. However, it still has not reached its pre-pandemic level, and the figures from the most recent months reveal that there will be fluctuations in the unemployment rate, upwards and downwards, as pandemic recovery continues.

This short article discusses changes in the unemployment rate in Ohio, broken down by important categories: first, the unemployment rate over time, followed by the unemployment rate by metro versus non-metro counties in the state and then by sector nationally. Following these data-driven comparisons, there is a brief discussion of what the unemployment rate means and how it is calculated, with a particular emphasis on who is not captured by this metric. Finally, the role unemployment benefits play in keeping people unemployed has long been an open question, and the pandemic relief payments, which ended in about half the states in June or July 2021 and the other half in September 2021, provide a useful way to examine that question. This examination is presented at the end of this article.

UNEMPLOYMENT LEVELS OVER TIME

Ohio versus national unemployment rate

According to the most recent data release from the Bureau of Labor Statistics (BLS), Ohio’s unemployment rate in September 2021 was 5.1%, a 6% decrease from the previous month and a 4% decrease from the unemployment rate at the start of the year. However, this rate remains 0.4 percentage points higher than the unemployment rate in February 2020, prior to the pandemic declaration and before COVID-19 had much effect on the economy. As shown in figure 1, the unemployment rate had increased slightly during the spring and summer of 2021, beginning in April, following sustained and remarkably rapid recovery from pandemic-related peak in April 2020. This upward movement likely reflects churning in the labor market as part of the return to in-person work; churn refers to movement of workers between jobs in the labor market. As part of the larger phenomenon now widely known as the “Great Resignation,” employees are leaving jobs in record numbers; the number of available jobs exceeds the number of job seekers, and the bargaining power of workers is quite high. These factors, discussed in more detail in “Where are the workers? An agricultural and food sector labor update,” a companion article to this piece, will cause fluctuations in the unemployment rate that will be sustained until the labor market settles and good matches are made between employees and job openings.

Figure 1: Unemployment rate in Ohio and US over time; Source: CES

Figure 1 also allows for comparison of Ohio’s unemployment rate with the national one: in general, the two unemployment rates track each other. There are some notable exceptions, however, particularly related...
to the pandemic: for one, the pandemic’s unemployment impact was more severe in Ohio than the national average (Ohio’s peak unemployment was 16.4%, versus a national high of 14.4%). Despite this, employment recovery (in terms of falling unemployment rate) was faster in Ohio. In more recent months, however, the national average has continued to fall, while Ohio’s unemployment rate has ticked upward. In July 2021, the two rates were almost equal, although trending in opposite directions. As the labor market churn will likely continue for months, it is reasonable to expect increases and decreases when looking month to month; however, the trend over longer, annual periods is downward.

Ohio unemployment rate by metro vs. rural counties

Although often represented as an urban issue, figure 2 shows that the unemployment rate in Ohio’s non-metro counties was significantly higher than the rate in metro counties for the last two decades. The effects of the pandemic, however, changed that; the unemployment rate is now almost equal across metro and non-metro counties. The similarity in the rate does not imply that the path to recovery is the same in these counties. Indeed, there are important differences in how unemployment should be addressed in rural versus urban areas, particularly considering the greater geographic dispersion of workers and jobs in the former. Travel time to work is a significant cost for employees and is higher on average in rural areas.

Unemployment rate by sector

Unfortunately, data limitations prevent the analysis of sector-level unemployment rates for individual states. Figure 3 instead presents the national level unemployment rate for all industries along with two industries that contain key pieces of the food and agricultural value chain: leisure and hospitality (which includes food service) and non-durable goods manufacturing (which includes food and meat processing).

These sector-level unemployment rates make it clear that service industries, particularly leisure and hospitality, bore the brunt of the job loss during the COVID-19 pandemic and the unemployment rate in this industry, although down considerably from its all-time high, continues to remain well above both its pre-pandemic rate as well as the rate for the economy as a whole. The unemployment rate for non-durable goods manufacturing, on the other hand, has trended below the overall unemployment rate throughout the pandemic. Clearly, important differences between industries, particularly whether they are customer-facing, impact both the depth of the unemployment shock as well as the path to recovery.

COMPARING WORKFORCE COMPOSITION IN OHIO: OCTOBER 2021 AND APRIL 2017

The most recent figure available, 5.1% unemployment from October 2021, is roughly equivalent to the unemployment rate from April 2017, 4 years and 5 months ago. How does the composition of the workforce, in terms of the jobs worked, compare between these two years? Figure 4 shows the breakdown by sector of Ohio’s workforce-aged population in both years.

Comparing the workforce composition in the two years reveals important differences: some are attributable to the passage of time and nationwide growth in certain sectors, while others are more noticeably related to the COVID-19 pandemic and the subsequent disruptions to the economy. In particular, there is a distinct
difference in the percentage of people who work in accommodation and food service: the labor force is 7% smaller in October 2021 than it was in April 2017. The pandemic has certainly caused great disruption there as the industry has re-oriented itself away from dining in restaurants towards takeout and curbside pickup. Similarly, education has also contracted, experiencing a 14% decline in size between these two months. Although certain industries now represent larger slices of the “pie,” the pie in October 2021 is smaller overall: the only industry that saw an increase in the absolute number of workers between these two years was construction. This comparative analysis shows the enduring importance of some industries over time, while making it clear Ohio’s economy, like that of the country as a whole, is very service oriented.

**HOW ARE UNEMPLOYMENT RATES CALCULATED?**

The unemployment rate is calculated specifically to capture people who are both available to work (excluding those who are temporarily ill) and who have made a deliberate effort to find work at least once in the four weeks prior to being surveyed. It is, therefore, a measure of people who can and want to work. The unemployment rate is not a measure of the number of people who are not employed. The most important fact to remember when looking at an unemployment rate is that it does not capture people who have left the labor market entirely. These individuals are a significant group, and although they are not employed in the traditional sense (in that they are not working), they are not captured by the unemployment rate. One example of a person who would be in this group is a stay-at-home parent.

The challenges brought about by the pandemic, particularly around childcare, education, and health care, may have pushed an increasing number of people out of the labor market entirely. Fortunately, data are available that allow us to examine how the size of the population that has left the labor market has changed, albeit for the entire country, rather than for Ohio alone.

As figure 5 shows, the pandemic caused a sizable shift in the number of people who have exited the labor market. The number of people not in the labor force has been roughly stable since coming down from the peak during the pandemic, indicating that this new level of non-participation may be part of the “new normal.” This change is certainly a key contributing factor to the labor supply issues reported by businesses. Further analysis shows that most people who have left the labor market are those who do not currently want a job, rather than those who want a job but are what is
referred to as “marginally attached” to the labor force. Someone is marginally attached if they looked for work in the last 12 months, but not in the last four weeks. The people have left the labor market and do not want a job: for example, they are early retirees, or, as mentioned, stay-at-home parents. For the latter example, the decision to become a single-income household is likely financially prudent, given the rising costs and declining availability of childcare, along with concerns about education and healthcare. In addition, high average savings rates for households and the availability of one-off or “gig” style jobs to provide supplemental income also lend themselves to easing formal labor market exit.

WHAT ROLE DO UNEMPLOYMENT BENEFITS PLAY?

Ohio, along with 25 other states, elected to end the additional, pandemic-related unemployment payments early, in June or July 2021. The remaining 24 states chose to keep these additional payments in place until September 6, their official end date. These benefits were of an additional $300 a week were available to a broader set of workers who do not usually qualify for unemployment assistance, like the self-employed and gig workers. When a fixed amount is added to unemployment insurance (UI), this affects low wage workers more, since it represents a larger share of their standard unemployment insurance benefits (which is based on their wage).

For some of these low wage workers, we know the additional payments added to standard unemployment insurance payments provided during the pandemic were large enough for low wage workers to make more money from unemployment insurance than from wages in the position they had been employed in. Accounting for non-wage benefits provided by employers and differential taxation of wage income and unemployment insurance, 69% of unemployed people who were eligible for unemployment insurance between April and July 2020 received more in unemployment insurance than from wages in the position they had been employed in. Accounting for non-wage benefits provided by employers and differential taxation of wage income and unemployment insurance, 69% of unemployed people who were eligible for unemployment insurance between April and July 2020 received more in unemployment insurance than from wages in the position they had been employed in. While these numbers have led many people to wonder whether unemployment insurance benefits were and are keeping people from going back to work, the evidence does not support this.

Through a variety of sources, there is significant evidence that the role unemployment benefits play is relatively small in impacting the decision to return to work. One way to examine the impact of unemployment payments on workers’ employment status is to look at how the unemployment rate differs between states that did and states that did not end the payments early. When we do so, we see that employment actually declined by 0.9% from the month benefits ended to the present in states that ended payments early; states that kept benefits saw an increase of 2.3% for the same period. The growth rate in shifts worked by hourly workers in states that kept benefits was almost double (4.1%) the same rate in states that stopped benefits (2.1%) (Iacurci 2021).

Multiples studies conducted by economists in 2020, when additional unemployment payments went into effect, found that people who received these benefits were not more likely to be unemployed after the benefits went into effect (Altonji et al. 2020, Bartik et al. 2020, Boone et al. 2021) and returned to work at similar rates as workers who did not receive these benefits (Altonji et al. 2020). In addition, although such surveys are imperfect, workers surveyed by the Indeed Hiring Lab ranked UI benefits last in their list of reasons for not feeling the urgent need to return to work (Bunker 2021).

CONCLUSION

Despite the presence of significant churn in the labor market, the unemployment rate is trending downwards and moving back towards its pre-pandemic levels, both in Ohio and nationally. There do remain major differences between sectors, however, with evidence to suggest that customer-facing industries like food service are continuing to struggle to replace workers. Recovery efforts and incentives to return to the labor market must therefore be industry-specific, as well as accounting for other differences, such as differences between urban and rural parts of the state.

The unemployment rate is just one measure of the health of the economy, and it often does not tell the complete story about the availability of workers. People who have left the labor force entirely, or who work in the informal economy (e.g., getting paid “under the table”), are not captured by the unemployment rate. As the COVID-19 pandemic changed at-home responsibilities, often dramatically, it is especially important to consider the changes in the labor market participation rate when evaluating the supply of labor. Labor shortages in fields like childcare and food service are going to continue to cycle through the economy, delaying and in some cases completely stopping the return to work for a significant subset of workers. Continued attention on unemployment insurance and other forms of assistance serves to re-direct attention away from these more accurate underlying causes of the changes in labor supply experienced during the pandemic.
REFERENCES


