

# ON THE MONEY

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## COVID-19 and the Ohio Economy: Status Report

### Summary

- This article is an update of economic trends during the pandemic.
- Ohio unemployment claims have increased significantly in recent weeks, but this was due not to the economy but to tens of thousands of fraudulent claims. This has destroyed the usefulness of claims as an economic barometer.
- Because of the annual correction of labor market statistics for the past two years, Ohio and MSA estimates for January are not yet available. Ohio's unemployment rate in December was 5.5%, down from a record 17.6% in April. The December U.S. rate was 6.7%, down from April's 14.7%. Problems with Ohio's seasonal adjustment model could have depressed the state's November and December unemployment rates.
- Ohio's payroll employment declined an unprecedented 895,100 (16%) between February and April. The U.S. decline was 22 million (14.5%). Ohio recovered 60% of that loss between April and December with a gain of 537,700 jobs. The net loss from February through December was 6.4% for Ohio and 6.5% for the U.S.

### Introduction

This article is the sixth and final in a series of bimonthly updates of the economic impacts of the COVID-19 pandemic on Ohio. The third COVID vaccine, from Johnson and Johnson, is joining those from Moderna and Pfizer as authorized for distribution. Meanwhile, national and statewide infections and deaths have slowed substantially.

Nearly 14,900 new COVID-19 cases were diagnosed during the week ended February 20. That was down 83% from the record 87,700 cases during the week ended December 12. According to the Johns Hopkins Coronavirus Resource Center, Ohio's 14-day positivity rate is 8.4%, down from the December record of 21.8%. Confirmed and probable cases since the beginning of the pandemic total 959,995, and 17,045 Ohioans have died. Economic conditions have improved considerably since April, although the pace of improvement continues to slow – including a net loss of jobs nationally and in Ohio in December – and payroll employment remains below its February levels.

### Unemployment Claims

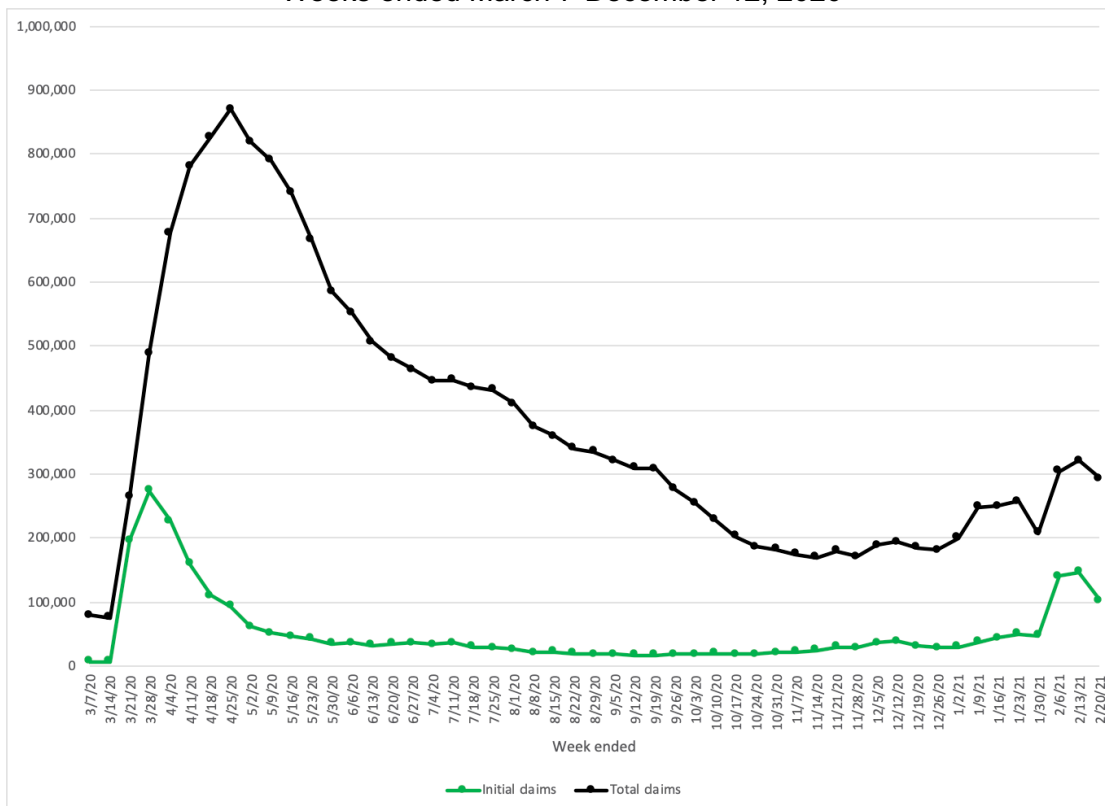
These updates have relied on the weekly count of unemployment claims as a near real-time indicator of evolving labor market conditions. However, the usefulness of this indicator has been

ruined by tens of thousands of fraudulent claims for unemployment benefits submitted to the state over the past several weeks. New claims filed during the week ended February 6 totaled 140,444, nearly triple the 47,800 filed during the previous week.

The Ohio Department of Job and Family Services (ODJFS) reported that as of February 11, 44,000 of these claims had been flagged, and it was likely that many more claims would be ruled fraudulent as well.<sup>1</sup> This has been an ongoing problem. The state issued 1.7 million IRS Forms 1099-G for unemployment benefits paid during 2020, and began receiving notifications that the individual had never filed a claim and had received nothing. Fortunately, other individuals received a letter giving a PIN to access benefits or were notified by their employer that a claim had been filed before any money was paid out. ODJFS has set up a toll-free number for individuals to report a claim fraudulently filed in their name, (833) 658-0394. Those affected can also visit [unemployment.ohio.gov](https://unemployment.ohio.gov), click on the “Report Identity Theft” button, and fill out the online form.

Figure 1 charts Ohio’s weekly initial and total claims beginning in early March, just before the effects of the pandemic began to be felt, and includes the fraud-driven increase in recent claims. The increase in total claims suggests that some fraudulent claims remain in the system.

**Figure 1**  
**Ohio Initial and Total Claims for Unemployment Insurance**  
 Weeks ended March 7-December 12, 2020

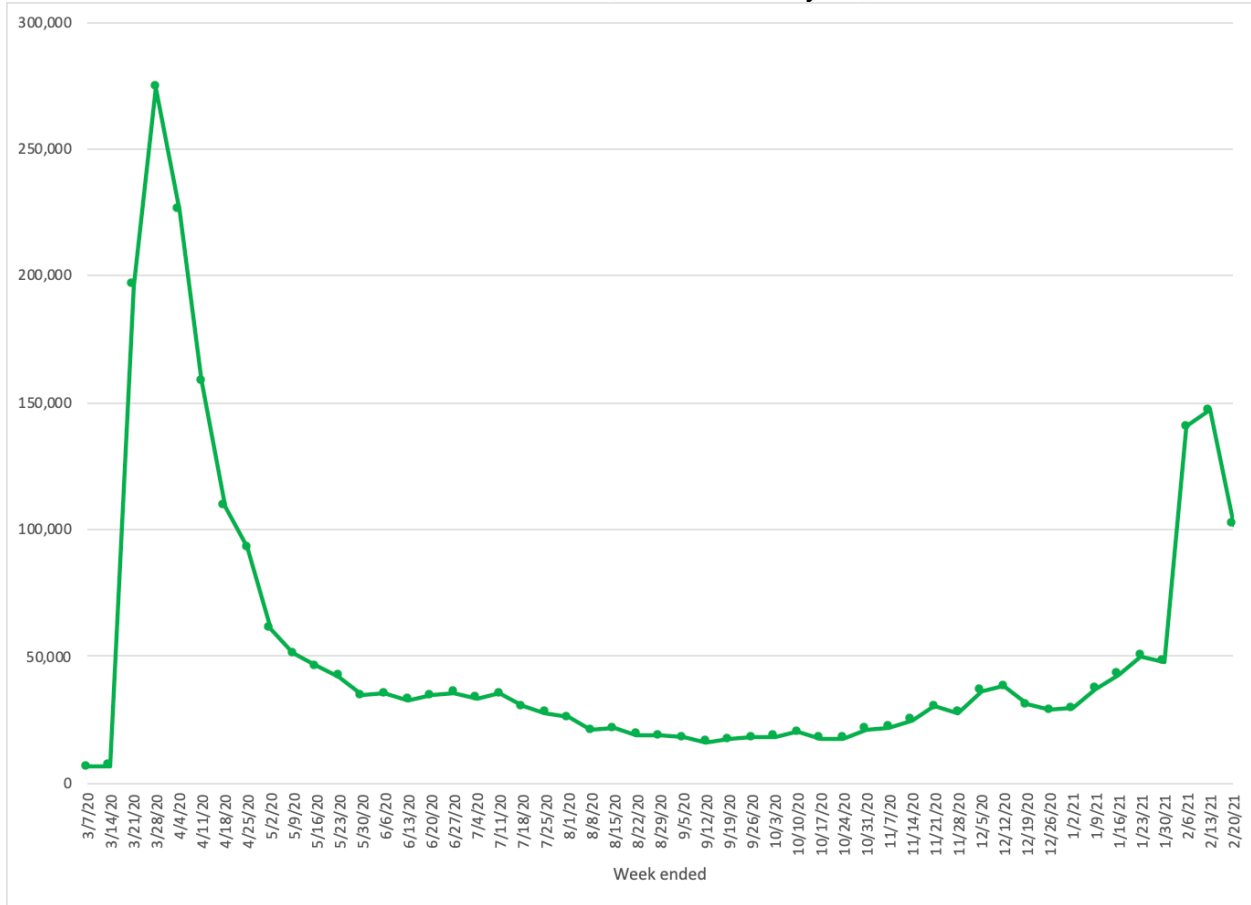


Source: Unemployment Insurance Claims, Ohio Labor Market Information Bureau.

<sup>1</sup> See Ohio Department of Job and Family Services. “ODJFS Flags Thousands of Potentially Fraudulent New Unemployment Claims,” Feb. 11, 2021. <https://jfs.ohio.gov/RELEASES/pdf/21121-ODJFS-Flags-Thousands-of-Potentially-Fraudulent-New-Unemployment-Claims.stm>

Figure 2 graphs initial claims alone to show the trend more clearly. It is quite possible that the increase in claims in the last weeks of 2020 – that was discussed with concern in the December 21 issue of *On the Money* (Vol.133, No. 148) – was also driven by fraudulent claims.

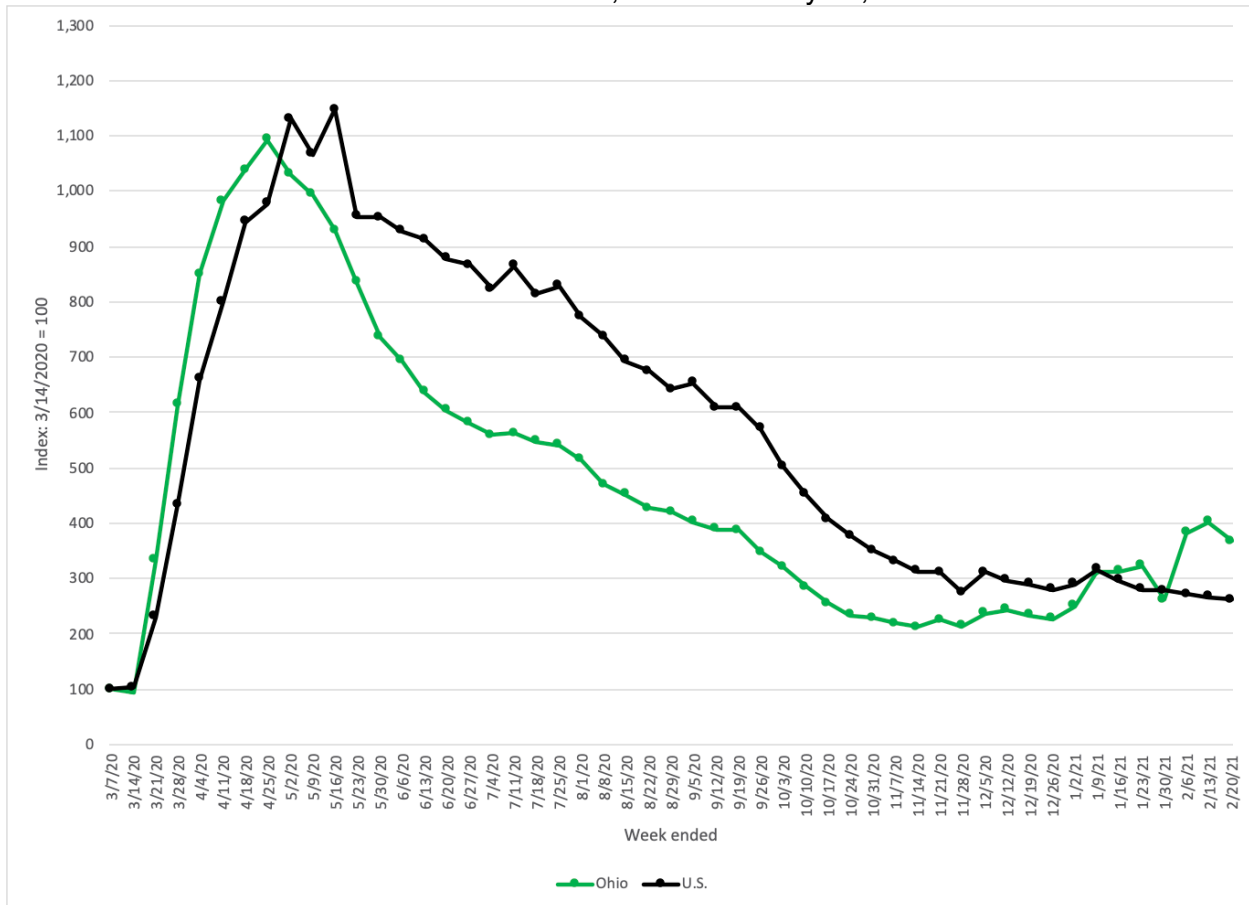
**Figure 2**  
**Ohio Initial Claims for Unemployment Insurance**  
 Weeks ended March 7, 2020-February 20, 2021



**Source:** Unemployment Insurance Claims, Ohio Labor Market Information Bureau.

Figure 3 compares the trends of total claims in Ohio and nationwide. The green Ohio total claims line replicates the black line in Figure 1. Given recent Ohio employment changes, it is conceivable that the true Ohio trend net of fraudulent claims is similar to the national trend.

**Figure 3**  
**Change in Weekly Total Unemployment Claims, Ohio and United States**  
 Weeks ended March 7, 2020-February 20, 2021



**Source:** Unemployment Insurance Claims, Ohio Labor Market Information Bureau, and Weekly Claims Reports, Employment and Training Administration, U.S. Department of Labor.

### Unemployment Claims by County and Region

The previous COVID updates have included extensive analysis of unemployment claims at the county and regional level. There is a wide disparity among recent changes in claims from county to county. It is likely that residents in some counties have been affected by fraud to a greater extent than others, but there is no way to determine the extent of the difference. Accordingly, any local analysis or ranking is likely to be misleading and is thus not included here.

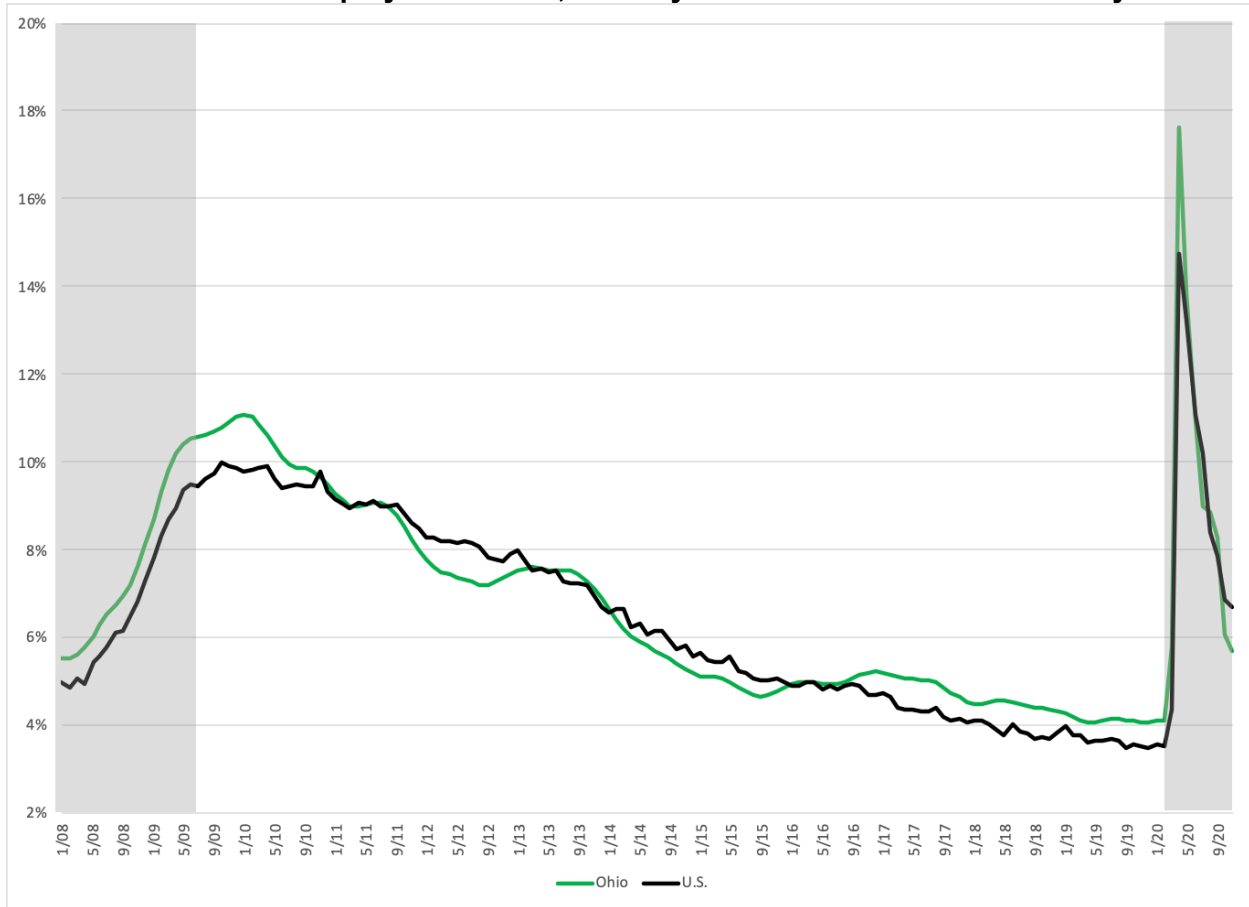
### Unemployment Rates

These reports have typically analyzed labor market and payroll estimates for the preceding month, but January statistics are the only ones that are unavailable by the end of the following month. The release for January includes corrections of the estimates for the previous two years based on more complete information, so the release is delayed. January estimates for the U.S. are out, but the Ohio Labor Market Information Bureau will release January estimates and

corrections for 2019 and 2020 on March 12. The April issue of *On the Money* will feature the traditional review of the previous year's employment trends.<sup>2</sup>

Unemployment rates continue to decline from their April 2020 levels, but the pace of decline has slowed considerably. The U.S. unemployment rate peaked at 14.7% in April, and Ohio's rate reached 17.6%, the highest rates since the Depression. The Ohio unemployment rate stood at 5.5% in December. The U.S. rate was 6.7% in December, and 6.3% in January. Figure 4 compares trends in Ohio and U.S. unemployment rates from the beginning of the 2007-2009 recession. (The shaded areas indicate that recession and the current one.)

**Figure 4**  
**Ohio and U.S. Unemployment Rates, January 2008 – December 2020/January 2021**



**Note:** Shaded area indicate recessions.

**Source:** Local Area Unemployment Statistics and Labor Force Statistics from the Current Population Survey, U.S. Bureau of Labor Statistics.

As discussed in previous articles, unemployment rates can be misleading indicators of labor market trends. To be counted as unemployed, not only must an individual not have worked, he or she must have undertaken activities that could have led directly to employment within the past four weeks. The labor force is defined as the sum of employment and unemployment.

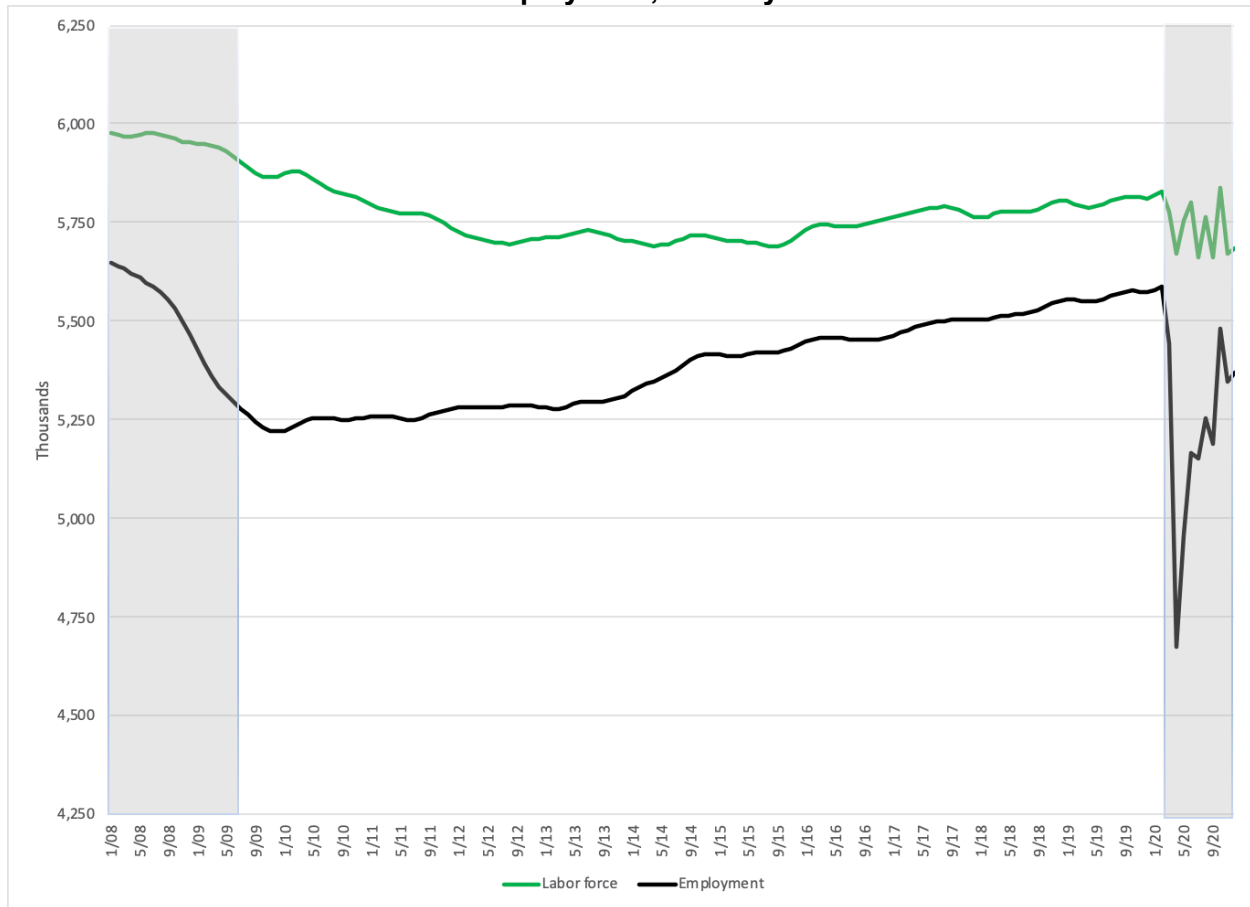
<sup>2</sup> The April article has also included updated population estimates for Ohio and its metropolitan areas and regions. These estimates will be delayed as a result of pandemic disruptions. County population estimates for 2020 will be released by the Census Bureau on May 4.

Individuals who have neither worked nor actively searched for work are not included in the labor force or the unemployment rate, even if they are available for work and want a job.

This definition of the labor force causes it to rise and fall over time. Correctly analyzing trends in the unemployment rate requires breaking the rate apart into its employment and labor force components and comparing changes in each to determine the reason for the unemployment rate change.

This comparison is shown in Figure 5, which graphs total Ohio labor force and employment monthly from January 2008. The distance between the two lines is the number defined as unemployed. There is an unusual oscillation in the seasonally adjusted labor force in recent months, rising and falling by around 3% from one month to the next. Although labor force statistics in general have become less reliable in recent months because of smaller sample sizes, this pattern clearly suggests problems with the state's model that removes recurring seasonal impacts from the observed labor force estimates, and calls into question the reported Ohio unemployment rates in recent months. Specifically, the November rate that is a full percentage point below the national average may be understated. The same is true of the December rate, given that labor force changed little from its November low point.

**Figure 5**  
**Ohio Labor Force and Employment, January 2008 – December 2020**



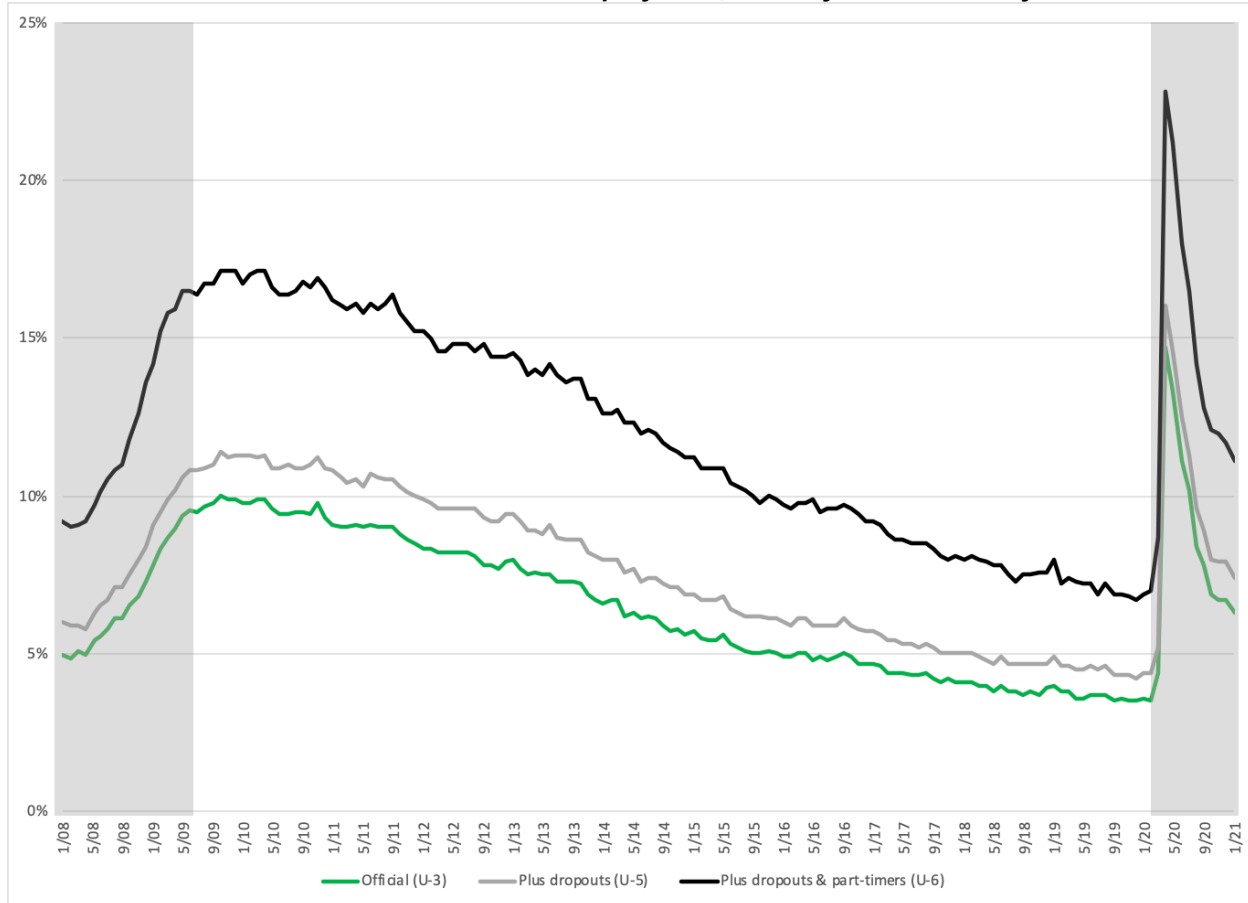
**Note:** Shaded areas indicate recessions.

**Source:** Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics.

There are six increasingly less restrictive measures of U.S. unemployment that attempt to tackle the measurement problems discussed above. The headline unemployment rate is U-3, the third most restrictive. Figure 6 graphs this rate along with U-5, the second least restrictive, and U-6, the least restrictive. U-5 includes the unemployed as defined above plus “marginally attached” individuals who are available for and want work, but are not defined as unemployed because they did not actively search for a job during the last 30 days for whatever reason. U-6 includes the unemployed, the marginally attached, as well as those who are working part-time because they cannot find full-time employment.

As shown in Figure 6, all three measures of unemployment had been trending downward prior to the pandemic, and were at or slightly below their levels at the end of the 1990s boom. The rates soared in April, with U-6 reaching a record 22.8%. All three rates have declined significantly since then. As stated above, U-3 was 6.3% in January. Meanwhile, U-5 was 7.4% and U-6 was 11.1%. U-3 and U-5 are now at levels comparable to those in mid-2014, while U-6 has reached levels equal to those at the beginning of 2015.

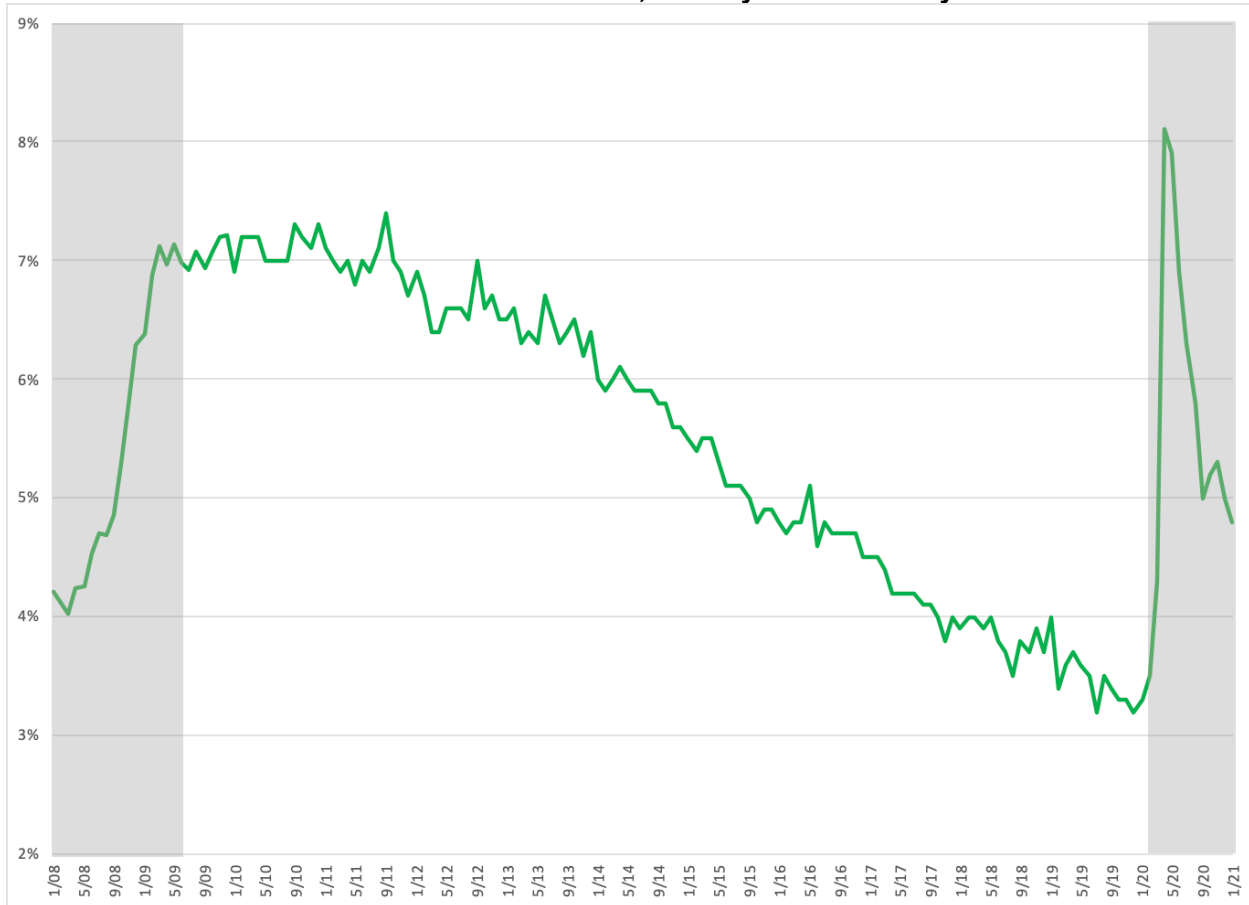
**Figure 6**  
**Alternative Measures of U.S. Unemployment, January 2008 – January 2021**



**Source:** Labor Force Statistics from the Current Population Survey, U.S. Bureau of Labor Statistics.

A useful gauge of underemployment and the extent to which the headline unemployment rate understates true unemployment is the difference between U-6 and U-3. As graphed in Figure 7, the spread in April rose to an all-time high of 8.1 percentage points. It now stands at 4.8 percentage points, where it stood in the summer of 2016.

**Figure 7**  
**Difference between U-6 and U-3, January 2008 – January 2021**



**Source:** Labor Force Statistics from the Current Population Survey, U.S. Bureau of Labor Statistics.

### Payroll Employment

As discussed in previous articles, two separate surveys feed the labor force estimates. A survey of households generates unemployment rates, while a survey of employers' payroll positions provides estimates of employment by industry sector. Note the implied difference in the definition of employment. The household survey measures the number of employed Ohio residents, who may or may not work in Ohio. The payroll survey measures the number of jobs within Ohio, which may or may not be filled by Ohio residents.

Table 1 compares numerical and percentage changes in the number of jobs within the U.S., Ohio, and the eight largest MSAs. This analysis can only be meaningfully undertaken for the larger MSAs because of the rounding of reported employment totals to the nearest hundred. This rounding can produce misleading results when total employment is only 40,000 or 50,000, as it is in Lima, Mansfield, Springfield, and Steubenville-Weirton. The table features estimates for February (the employment peak), April (the employment trough), and December (the most recent month). Performance of the Cincinnati and Dayton MSAs is notably better than that elsewhere. Cincinnati employment in December was down only 4.6% from its pre-pandemic peak, while Dayton was down 5%. Both these net losses are far smaller than the national and statewide averages. Weakness continues in Cleveland and Youngstown, however, with net employment losses of 8.4% in Cleveland and 10% in Youngstown.



**Table 1**  
**Payroll Employment and Change, U.S., Ohio, and MSAs, Feb. 2020 – Dec. 2020**

Area	Employment (thousands)			Numerical change		Pct.chng.
	Feb. 2020	Apr. 2020	Dec. 2020	Feb.-Apr.	Apr.-Dec.	Feb.-Dec.
<b>United States</b>	<b>152,463</b>	<b>130,303</b>	<b>142,624</b>	<b>-22,160</b>	<b>12,321</b>	<b>-6.5%</b>
<b>Ohio</b>	<b>5,599.1</b>	<b>4,704.0</b>	<b>5,241.7</b>	<b>-895.1</b>	<b>537.7</b>	<b>-6.4%</b>
Akron MSA	336.9	284.8	313.5	-52.1	28.7	-6.9%
Canton MSA	172.7	147.8	162.4	-24.9	14.6	-6.0%
Cincinnati MSA	1,122.2	949.5	1,070.7	-172.7	121.2	-4.6%
Cleveland MSA	1,079.2	895.8	988.5	-183.4	92.7	-8.4%
Columbus MSA	1,123.2	961.7	1,047.4	-161.5	85.7	-6.7%
Dayton MSA	390.8	343.9	371.1	-46.9	27.2	-5.0%
Toledo MSA	309.5	253.7	288.8	-55.8	35.1	-6.7%
Youngstown MSA	213.8	178.3	192.4	-35.5	14.1	-10.0%

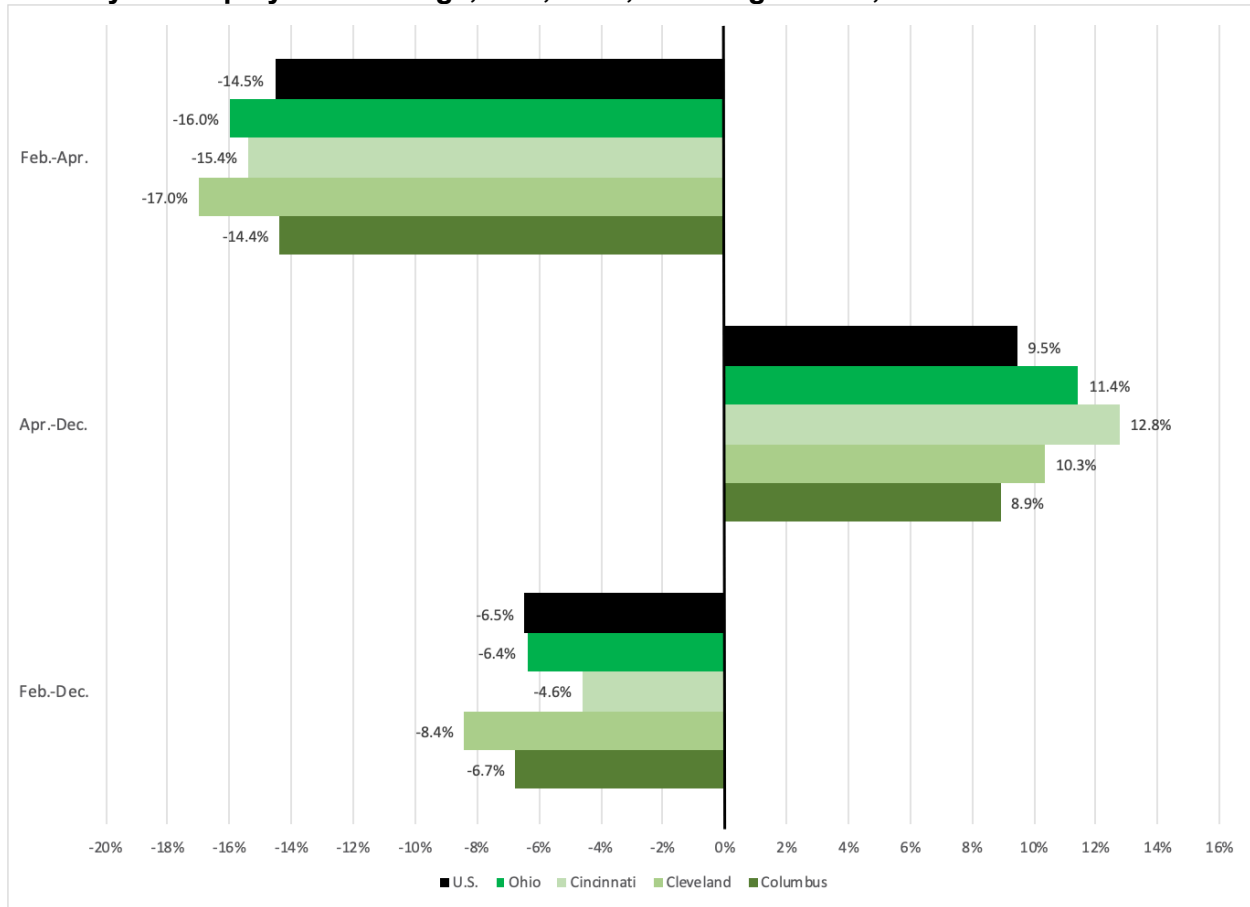
**Source:** Current Employment Statistics, U.S. Bureau of Labor Statistics.

Figure 8 charts differences in decline, recovery, and net change among the U.S., Ohio, and the three largest MSAs. The graph shows February through April percentage declines, April through December percentage recoveries, and net changes for the total period. The springtime declines in Ohio, Cincinnati, and Cleveland were all greater than the national average, while the decline in Columbus matched the average.

Ohio and Cincinnati enjoyed recoveries far greater than average, leading to Ohio's net loss equaling the national average and Cincinnati's better-than-average standing. Although Cleveland's gain since May has been greater than the national average, the recovery was less than that statewide, and insufficient to overcome the large March and April losses to the same extent as elsewhere.

As stated earlier, the employment decline in Columbus was equal to the national average, but the employment recovery has been somewhat disappointing. As a result, the net February through December loss in Columbus was slightly more than the U.S. and Ohio net losses, and much more than the Cincinnati loss. Recall, though, that with the upcoming employment revisions, these stories could change.

**Figure 8**  
**Payroll Employment Change, U.S., Ohio, and Large MSAs, Feb. 2020 – Dec. 2020**



**Source:** Current Employment Statistics, U.S. Bureau of Labor Statistics.

Table 2 analyzes Ohio employment and employment changes by industry sector. There has been considerable improvement from the April trough in most cases. Finance and insurance has recovered all of its losses in Ohio, and is slightly above its February level nationwide. Retail trade in Ohio is only slightly below its level a year ago, recovering to a far greater extent than elsewhere in the U.S.

Other sectors equaling or outperforming their U.S. counterparts include the critical manufacturing sector, transportation and utilities, information, management of companies and enterprises, administrative support and waste services, healthcare, and social assistance, other services, and local government. Conversely, real estate and rental services, professional and technical services, private education, and federal and state government are significantly lagging.

But the most severe net losses remain in arts and entertainment, and accommodation and food services. These two sectors together accounted for slightly more than 10% of total February employment, but one-third of the 895,000-job loss. Arts and entertainment lost 53% of its employment in those two months; accommodation and food services lost 60%. Both sectors have made up considerable ground since then, but arts and entertainment is still down 26% from February, and accommodation and food services are down almost 23%. With venues, sports facilities, and restaurants reopening and travel resuming, both sectors should continue to improve in 2021.

**Table 2**  
**Ohio Employment by Industry Sector, February 2020 – December 2020**

Area	Employment (thousands)			Numerical change		Pct.chng. Feb.-Dec.	
	Feb.	Apr.	Dec.	Feb.-Apr.	Apr.-Dec.	Ohio	U.S.
<b>Total</b>	<b>5,599.1</b>	<b>4,704.0</b>	<b>5,241.7</b>	<b>-895.1</b>	<b>537.7</b>	<b>-6.4%</b>	<b>-6.5%</b>
Construction and mining	240.7	198.7	226.3	-42.0	27.6	-6.0%	-4.4%
Manufacturing	700.2	602.9	667.6	-97.3	64.7	-4.7%	-4.7%
Wholesale trade	233.7	212.5	217.3	-21.2	4.8	-7.0%	-4.7%
Retail trade	549.9	470.6	547.9	-79.3	77.3	-0.4%	-3.5%
Transportation and utilities	243.2	217.4	238.8	-25.8	21.4	-1.8%	-2.1%
Information	70.0	64.5	65.5	-5.5	1.0	-6.4%	-9.7%
Finance/insurance	241.1	237.7	241.0	-3.4	3.3	0.0%	0.3%
Real estate/rental	66.2	55.8	59.5	-10.4	3.7	-10.1%	-5.6%
Professional and tech. svcs.	273.2	246.7	258.3	-26.5	11.6	-5.5%	-2.8%
Mgt. of companies	140.1	134.8	136.3	-5.3	1.5	-2.7%	-3.8%
Administrative & waste svcs.	319.3	250.1	300.1	-69.2	50.0	-6.0%	-7.4%
Private education services	117.0	94.2	96.0	-22.8	1.8	-17.9%	-10.2%
Healthcare & soc. assistance	831.4	737.1	809.1	-94.3	72.0	-2.7%	-4.2%
Arts, entertainment & recreation	83.2	40.0	61.4	-43.2	21.4	-26.2%	-27.9%
Accommodation & food svcs.	494.7	238.6	382.6	-256.1	144.0	-22.7%	-19.2%
Other services	212.9	162.5	204.9	-50.4	42.4	-3.8%	-7.3%
Federal govt.	79.8	79.6	78.7	-0.2	-0.9	-1.4%	1.2%
State government	172.2	165.8	151.2	-6.4	-14.6	-12.2%	-6.6%
Local government	530.3	494.5	499.2	-35.8	4.7	-5.9%	-6.8%

**Source:** Current Employment Statistics, U.S. Bureau of Labor Statistics.

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