

Unemployment in Hard-Hit States: Michigan, Ohio & Oregon

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National Overview

Lawrence Mishel, President, Economic Policy Institute

Contact: Nancy Coleman, Media Relations Director: 202-331-5546, news@epi.org

On June 5, when the Bureau of Labor statistics released national unemployment and jobs data for May, everyone was relieved that the loss of 345,000 jobs was not as severe as in previous months. Many commentators suggested that the worst may be behind us, and these numbers signal the beginning of a turnaround in the labor market. While their optimism is certainly admirable (After all, who doesn't want things to start getting better?) our long experience at EPI tracking the trends and dynamics in the labor market tell us that it is very premature.

It's important to look at the key facts in context:

- The loss of 345,000 jobs – 0.3% of total employment – is an improvement only if you just started paying attention in December 2007, at the start of this recession. Leaving aside the current period, the loss of jobs in May was larger than all but one month over the prior two recessions. The economy has shed 6 million jobs so far in this recession, but even that number understates the problem. The labor market expands continuously as population grows – that means we needed to be adding jobs (2.2 million of them, to be precise) just to keep even. That means we are short not by 6 million jobs but by 8.2 million jobs to keep employment rates steady.
- It is premature to be discussing when the recession will “end.” In technical economic terms, the recession ends when the economy (as measured by GDP growth) stops shrinking. But even when that happens, this will not look like the end of the recession to people, since we will continue to see employment losses – even with slow economic growth, and unemployment will continue rising until job growth reaches at least 127,000 jobs each month.
- The recession will adversely affect incomes for a long while as wage growth subsides. We have seen wage growth implode this year. For the first year of the recession, wage growth remained relatively strong; nominal (non-inflation adjusted) hourly wages for production/nonsupervisory workers (who comprise over 80% of payroll employment) grew 3.9% from December 2007 to December 2008. Since then, however, wage growth has slowed abruptly; in May 2009, wages grew at a 1.3% annualized rate, one-third the earlier pace.

- Unemployment is still rising, and we expect to see national unemployment rates in the double digits before we begin to turn the corner.

The other very important fact to remember is that the national unemployment rate is an *average* – and many states are faced with unemployment that is much higher.

Experts from three of those states – Michigan, Ohio, and Oregon – are on this call to give you an overview of what’s happening in their states’ economies, and what double-digit unemployment looks like to people who are already forced to cope with it.

Michigan

Peter Ruark, Planning Research Associate, and Judy Putnam, Communications Director, Michigan League for Human Services

Contact: Judy Putnam, 517- 487-5436, jputnam@michleagueforhumansvs.org

Michigan’s unemployment rate reached 14.1 percent in May 2009, up from 12.9 in April. This is the highest since July 1983. Michigan has had the highest unemployment of any state for 25 of the last 26 months. Bankruptcies of Chrysler and GM are accelerating the jobless problem. Michigan has lost more than 800,000 jobs since June 2000, about one in every six jobs. More than half of those are in manufacturing.

The League’s major concern is that many workers will exhaust their benefits in the coming months – nearly 90,000 are expected to run out later this year. After that, some can receive food assistance, health care coverage for children through MICHild (SCHIP), and possibly Medicaid.

The League believes most are unlikely to qualify for cash assistance (TANF), at least initially, because families must be well below poverty to qualify. In Michigan, the cash assistance program has been weakened to the point that only a third of poor children receive it, and a family must be 44 percent below the poverty threshold to be eligible. Also,

- If you count marginally attached workers, discouraged workers, and workers employed part time for economic reasons, the “true” unemployment rate is much higher -- 17.2 percent in the past year in Michigan, according to the Bureau of Labor Statistics.
- The share of workers who are “part-time for economic reasons” has gone from 9.4 percent in 2000 to 22.2 percent in 2008.
- Among those still employed, four out of the six highest-paying jobs will not lift a family of four out of poverty.

Unemployment Insurance (UI) is an important safety net for the workers who lose their jobs. Initial claims for Unemployment Insurance in April are 125 percent higher than three years ago. However, many workers are not covered by UI; bills that extend UI to part-time workers and those receiving training have been passed in the House but are languishing in the Senate. Michigan stands to gain \$139 million in federal American Recovery and Reinvestment Act monies by adopting these modernizations.

For more information, see these publications from the Michigan League for Human Services:

[Michigan Needs to Modernize Its Employment System](#) (June 2009)

[Economic Security Bulletin](#) (June 2009)

[Walking the Tightrope Without a Net: Help Eludes Many Victims of the Current Recession](#)
(February 2009)

Ohio

Zach Schiller, Research Director, Policy Matters Ohio

Contact: Zach Schiller 216 361 9801, zschiller@policymattersohio.org

Ohio's unemployment rate rose to 10.8 percent last month, compared to 6.3 percent a year ago. The number of unemployed has grown by 268,000, to 646,000, in that time.

Ohio never regained all the jobs it lost in the last recession before this one began. In the last year, Ohio had lost one in six manufacturing jobs, or more than 120,000 overall. The state had close to 1 million manufacturing jobs as recently as 2000, and as of May had only 622,000. Durable-goods makers in particular have cut back, as employment is down by 100,000 or nearly 20 percent over the past year.

As in Michigan, the auto industry is at the heart of Ohio's troubles. The number of auto and auto-parts jobs declined by more than 23,000, or nearly a quarter, according to non-seasonally adjusted data for the year ended in April. Some of these are jobs at the Detroit auto makers and more closings have been announced, such as GM and Chrysler stamping plants in Mansfield and Twinsburg, respectively, that have not yet taken place. However, most of the auto jobs lost in Ohio have been in the parts industry. American Axle, Johnson Controls and Shiloh Industries are among the auto-related companies that have recently announced layoffs. Arcelor Mittal has indefinitely shut its steel mill in Cleveland.

Other industries like construction and trucking, as well as employment services, have been hard hit. Nearly every category of wholesale and retail trade has seen job losses in the year ended in April. Sales tax collections have declined along with income taxes, straining the state budget (although income-tax declines also reflect state tax cuts). The educational and health services sector is the only major bright spot over the past year, while the leisure and hospitality industry has gained modestly.

Initial unemployment claims in Ohio have continued to grow in the past few weeks by 70 percent or more compared to a year earlier. More than 100,000 Ohioans are now receiving extended unemployment compensation benefits because of the stimulus act approved by Congress.

Oregon

Joy Margheim, Policy Analyst, Oregon Center for Public Policy

Contact: Juan Carlos Ordóñez, Communications Director, 503-873-1201,
jcordonez@ocpp.org

Oregon's unemployment rate rose to 12.4 percent (seasonally adjusted) in May, an increase of more than 7 percentage points since the recession began in December 2007. Even more

troubling, however, are projections of slow job market recovery. Jobs are expected to remain scarce in Oregon for the next six years.

Oregon's unemployment rate has now surpassed records set during the recessions of the early 1980s, reaching the highest level since 1976, when the current data series began.

Unemployment typically runs slightly higher in Oregon than in the nation as a whole (for all but five of the past 33 years) for reasons unrelated to the performance of the state's economy. The state's employment base includes a relatively large number of seasonal jobs, in industries such as agriculture and natural resources, tourism and construction. Oregon also tends to attract newcomers, bolstering the labor supply, and it has many isolated rural communities. Recent high unemployment rates have been driven both by growth in the labor supply, as more people have been looking for jobs, as well as by job losses.

May jobs figures released in Oregon earlier this week indicate that Oregon's employment situation may be moderating, although it is too soon to be sure. Nonfarm payroll employment declined by only 100 jobs in May (seasonally adjusted), by far the smallest monthly job loss since July 2008.

Even if Oregon's job market were probing bottom, the longer-term concern is that it will stay down for a long time. The Oregon Center for Public Policy estimates that there are now about 67 jobs for every 100 working-age Oregonians, fewer than in the worst year of the previous recession, 2003, when there were 70 jobs per 100 working-age Oregonians. Based on the most recent state economic forecast, the ratio of jobs to workers will not exceed the 2003 recession level until 2015. (See Oregon Center for Public Policy, "[Jobs in Oregon Will Remain Scarce Well Into Next Decade](http://www.ocpp.org/cgi-bin/display.cgi?page=nr20090518JobsNu)," May 18, 2009. (If link does not work, copy and paste this address into your browser: <http://www.ocpp.org/cgi-bin/display.cgi?page=nr20090518JobsNu>)