CENTRAL OHIO
COVID-19
POLICY BRIEFS

EMPLOYMENT & SMALL BUSINESS

Summary

Central Ohio experienced growth in employment that rivaled the national average in the years following the Great Recession. Strong growth overall, however, was not evenly felt across the region. Wages for employment, for instance, diverge widely across industry sectors, which meant that for some, the expense of working was not sufficiently offset by the earnings. This was especially challenging for working parents, with the high cost of childcare added to already distressed budgets.

Overall, Central Ohioans were recovering their personal finances, which translated as more spending and contributions to the economic engines that drive employment growth. Small businesses, however, were struggling to compete with large national or global chains and a growing e-commerce market.

Key Issues

The COVID-19 pandemic initiated a **historic economic collapse,** including a rapid 14% employment decline in a single month. A recovery is in progress but is only partial.

The industry sectors hit hardest by the pandemic shutdowns were primarily those with the lowest average wages. This created **financial peril for un- and underemployed** Central Ohioans, especially those with already low earnings.

At the nexus of small business and supports for workers, the pandemic impact on childcare centers has the potential to create greater workforce challenges as **childcare access and affordability** are compromised.

The COVID-19 shutdowns prompted a jarring **collapse in consumer confidence**. This, paired with reduced consumer spending, has implications on overall growth of the economy.

Decreased consumer spending and weak confidence across the board created **threats to an already weak small business environment**. Small business closures, still a threat, will leave an indelible mark on both the region’s economy and communities.

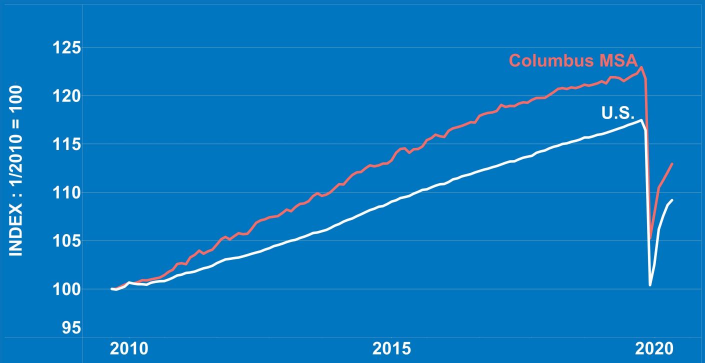
RECOVERY FROM HISTORIC EMPLOYMENT COLLAPSE

Central Ohio employment grew by 23% between December 2009 and February 2020 – totaling 214,400 jobs, nearly one-third greater than the national average. This above-average growth was driven by key sectors including construction, finance and insurance, and healthcare.

Employment in the Columbus metro suffered a historic decline during the March and April 2020 lockdown. The employment collapse brought the region a total loss of 160,300 jobs (14.2%) (Figure 1). Leading this loss was leisure and hospitality – arts, entertainment, recreation, hotels, restaurants, and other food services. This sector lost nearly half its employment over that two-month span. In the Columbus MSA, leisure and hospitality accounted for 10% of total employment in February 2020, but its loss represented more than one-third of the total employment decline (Figure 2).

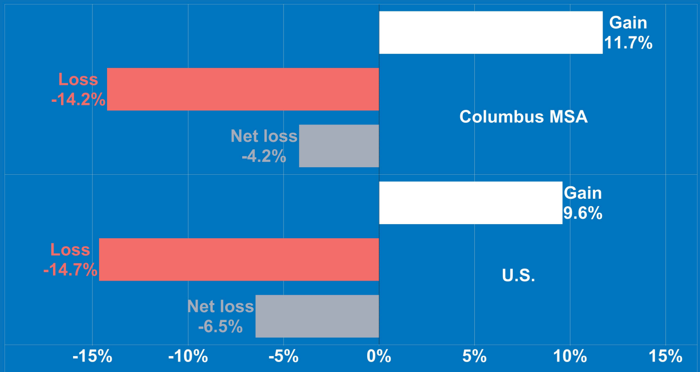
Although growth in succeeding months has been significant, employment as of January 2021 remained 47,000 (4.2%) below its February 2020 peak. While Central Ohio jobs have recovered faster than the country as a whole – U.S. employment in January 2021 remained 6.5% below February 2020 – it will still be many months before job totals return to their pre-pandemic levels.

Figure 1. Total Employment
Columbus MSA & US
2010-2020, Monthly



SOURCE : U.S. Bureau of Labor Statistics Current Employment Statistics, Seasonal adjustment of Columbus MSA employment by Regionomics

Figure 2. Employment Gain, Loss, & Net Change
Columbus MSA & US
Apr 2020-Jan 2021, Comparison



SOURCE : U.S. Bureau of Labor Statistics Current Employment Statistics, Seasonal adjustment of Columbus MSA employment by Regionomics

Nationally, no primary sector has recovered all of the jobs lost last March and April. Locally, the Regionomics® seasonally adjusted employment estimates show three sectors above their year-ago levels: construction, manufacturing, and transportation and utilities. January financial activities employment is equal to its February 2020 level. However, employment in the leisure and hospitality sector remains 26,000 (23%) lower than before the pandemic – a net loss comparable to the national average.

The Regionomics 2021 Columbus Economic Forecast predicts a year-over-year gain of 26,800 jobs (2.6%). That would be the largest gain since 2012, but it will leave December 2021 employment well below its February 2020 peak. This is consistent with national forecasts. The quarterly surveys of economists by the Federal Reserve Bank of Philadelphia and the National Association for Business Economics (NABE) both expect strengthening U.S. employment growth over the year, but neither panel expects a full employment recovery this year. Among the economists in the NABE survey, 65% do not expect this to occur until 2023 or later.

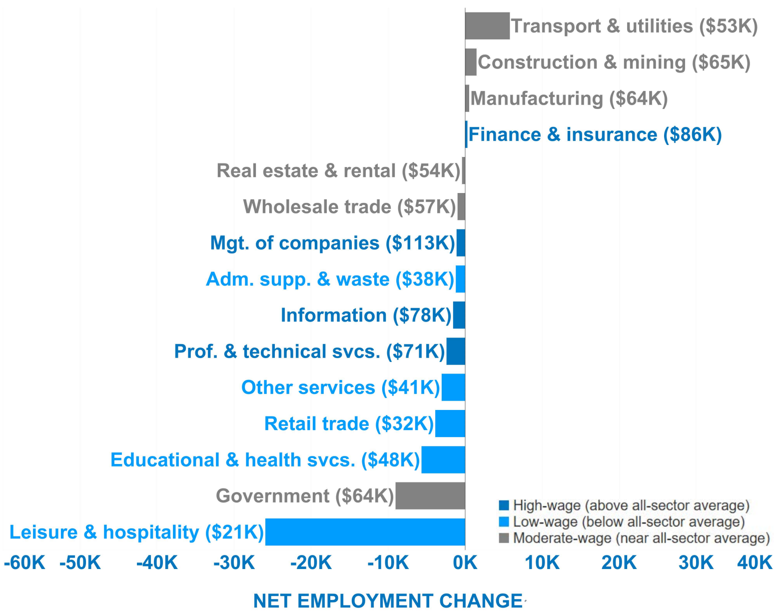
A related concern is the effect of long-term unemployment on workforce readiness and workers themselves. As discussed in a recent *Harvard Business Review* article,[1] the long-term unemployed lose skills and the contacts who could help them regain employment, and suffer a range of psychological impacts. While no local statistics measuring unemployment duration exist, the number of people nationwide unemployed for more than 27 weeks has quadrupled from its year-ago level to more than 4 million. The share of all unemployed who have been without work for 27 weeks or more is now 41.5%, more than double the share from before the pandemic. This impact has fallen disproportionally on women: the percentage of women who are in the labor force is at its lowest level since 1987. Rather than the hoped for "V-shaped" recovery the disparities in long-term unemployment point to the reality of a "K-shaped" recovery, with many in the region experiencing more lasting economic struggles.

Some of the job dislocations from the pandemic will be permanent. Two-thirds of the economists in the NABE panel expect up to 5% of jobs to disappear permanently, while one-quarter expect the impact to be even larger – up to 15%. There will be a need for significant investment in retraining to address this dislocation and return these workers to the labor force.

FINANCIAL PERIL FOR UN- & UNDEREMPLOYED

Pandemic-related job losses have disproportionately impacted workers in lower-wage industry sectors, particularly leisure and hospitality (the arts, recreation, hotels, and restaurants), and retail trade. Of the 47,100 net jobs lost through January 2021 in the Columbus MSA, 25,900 are in leisure and 4,900 are in wholesale and retail. These sectors account for two-thirds of the total jobs lost. Wages in leisure and hospitality in particular are the lowest of any sector – an average of $21,463 in the Columbus MSA in 2019. Low-wage industry sectors also include administrative support and waste services (temporary staffing is included in this sector), and other services. These are the most "at-risk industry sectors", and have suffered a combined net loss of 34,000, 72% of all jobs lost (Figure 3).

Figure 3. Net Employment Change by Industry
(Average Annual Wage)
Columbus MSA
Feb 2020-Jan 2021, Comparison



SOURCE : U.S. Bureau of Labor Statistics Current Employment Statistics; Quarterly Census of Employment and Wages

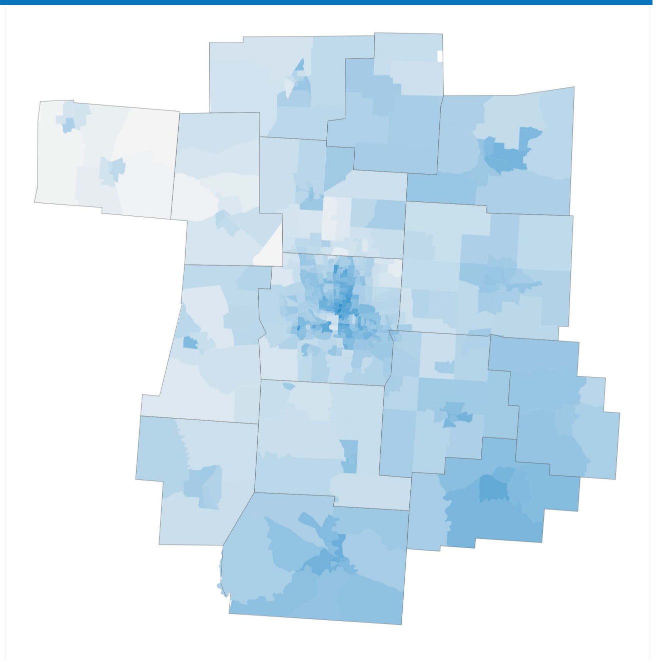
Low-income workers are more vulnerable to the impacts of job loss. A 2019 Federal Reserve study found that nearly 40% of households nationwide were not equipped to handle a sudden $400 expense – let alone sudden unemployment. Housing is a particular vulnerability. Among households earning less than $75,000 annually, 46% in 2019 met the U.S. Department of Housing and Urban Development definition for "housing cost burdened" – paying 30% or more of their income in housing costs. One in five households earning less than $75,000 a year in the Columbus MSA paid 50% or more of their income in rent or mortgages.[2,3]

In Central Ohio, low-wage workers in at-risk industry sectors live in high concentrations in many of the region's rural county seats, in parts of Appalachia where ecotourism is a dominant industry (e.g., Perry and Hocking Counties), and in areas of Franklin County with higher concentrations of Black and brown residents (Figure 4). These communities will be places to note. High-income workers have more or less rebounded employment since the start of the pandemic, but middle-income workers (10% down since January 2020), and especially low-income workers (29% down since January 2020) are still struggling to recover (Figure 5).

Augmented unemployment benefits have provided a lifeline for struggling households, but enhanced supports are only temporary and may fall short of meeting all household expenses. Discussed in greater detail in the Social Sector brief, survey data from the U.S. Census Bureau suggests that one out of every three adults in Ohio are having a somewhat or very difficult time keeping up with usual household expenses. These Ohioans are more likely to have experienced loss of employment as a major factor contributing to their difficulty keeping up with bills. They are more reliant on state-run assistance programs (e.g., Supplemental Nutritional Assistance Program), and they are more likely paying bills by borrowing money from friends and family, using credit cards or loans, using savings, or selling assets.

New claims for unemployment surged in April 2020, tapering off throughout the rest of the year, but remaining at higher rates than before the pandemic. More recently, Ohio's unemployment claims system has become the target of significant fraud. Initial claims more than tripled during the week ended February 6, 2021, to a level rivaling that during the worst of the job loss in April 2020. The need to subject all claims to greater scrutiny increases system costs and could lead to delays in the payment of legitimate claimants' benefits, which would put extra strain on households' budgets (Figure 6).

Figure 4. Home Locations of Workers in Most At-Risk Industry Sectors
Central Ohio Census Tracts, 2017



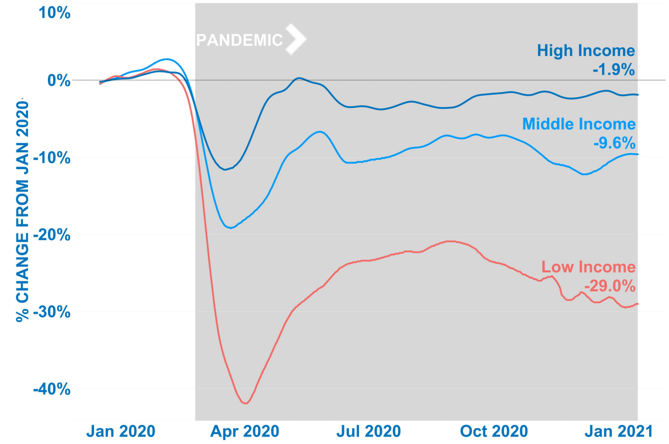
% of workers with jobs in most at-risk industry sectors*

43.3% – 70.9%

SOURCE : Center for Economic Studies LEHD Origin-Destination Employment Statistics (LODES)

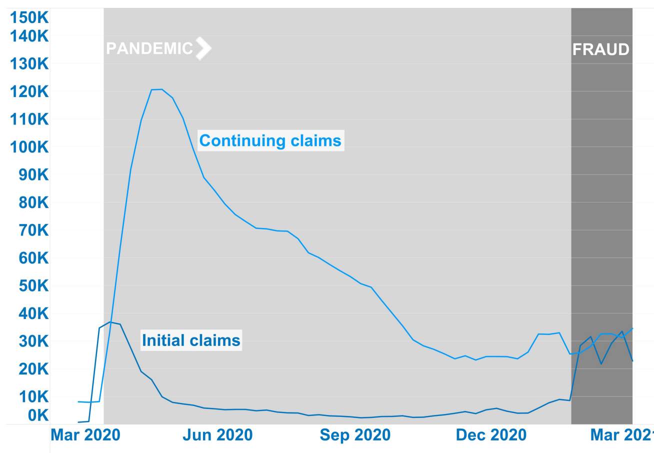
* Retail trade; Accomodation & food services; Administrative & support & waste management & remediation services; Other services; Education; and Healthcare

Figure 5. Employment by Income
Columbus MSA
Jan 2020-Feb 2021, Daily

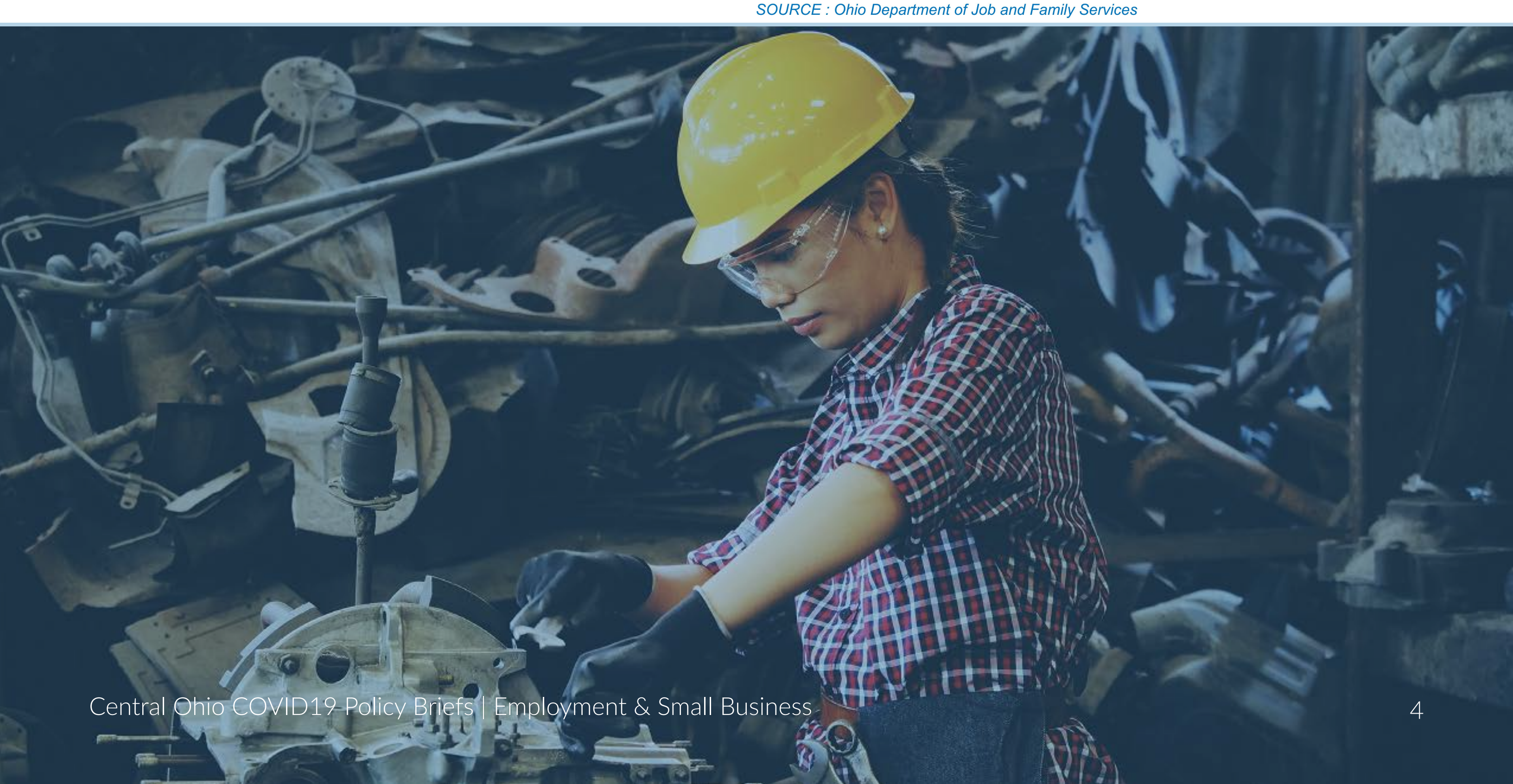


SOURCE : Earnin, Intuit, Kronos, Paychex (via Economic Tracker)

Figure 6. Unemployment Claims
Columbus MSA
Mar 2020-Mar 2021, Weekly



SOURCE : Ohio Department of Job and Family Services



CHILDCARE ACCESS & AFFORDABILITY

Affordability of childcare poses a difficult challenge for families. The Massachusetts Institute of Technology's Living Wage Calculator estimates the unsubsidized annual cost of childcare at $9,714 per year per child.[4] These costs are sometimes subsidized for lower-income households, but childcare costs can be a substantial burden even for households with moderate income.

A related problem is the benefits cliff: the fact that the childcare subsidy disappears at a certain household income level that is often well below what is needed to afford the unsubsidized cost. This can cause a worker facing the loss of the childcare benefit to make the economically rational decision to forgo a promotion or additional work hours. Childcare access and affordability would remove a key barrier to entry into the labor force and help to stabilize household finances for many Central Ohio families.

Childcare access is also challenging due to supply limitations—childcare centers are a business model that operates on tight margins. The cost of operating a childcare facility and the ability of clients to pay, including their access to subsidies, lead to different service levels, which manifests an inequity in quality of early learning experiences. Slots in accredited, highly rated early childhood education centers, as rated by Ohio's Step Up to Quality program, are both expensive and in high demand. These inequities were already present before the pandemic, but the increased costs and revenue losses created by COVID-19 are expected to intensify these disparities.

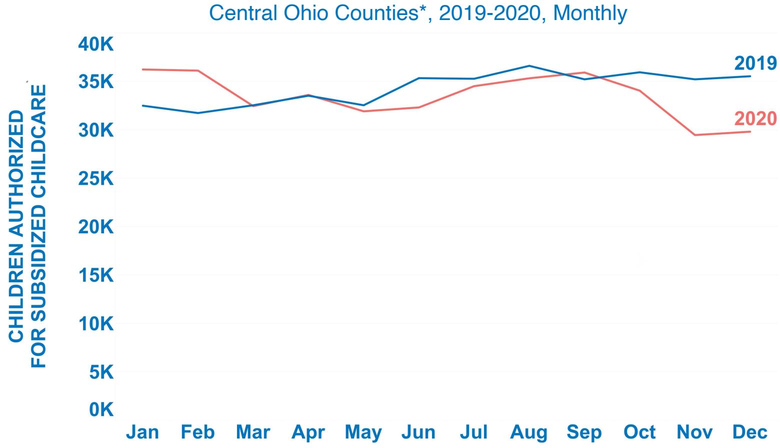
One year after the pandemic shutdowns began, 6% of unemployed workers nationally reported that their primary reason for not working was caring for children who were not in school or daycare.[5] Locally, the number of children authorized for childcare subsidies has remained consistently lower than 2019 numbers since the pandemic shutdowns began in March 2020 (Figure 7). Neither the national nor local data tell a complete story about the reasons why families have some workers focused on childcare responsibilities in lieu of work. For some families, there is a likely connection to childcare centers scaling back enrollment or closing entirely, or families' concerns about health or inability to find work.

Childcare centers' financial stability relies on full enrollment, which has been prohibited during the pandemic. The initial stay-at-home order closed all centers in the spring, which was a large blow to financial viability. Some workers who were allowed to work from home provided their own childcare, and others relied on informal arrangements.

Estimates of the impact of these stresses on the number and employment of childcare centers in the Columbus MSA are not yet available, but a survey of local centers in March 2020 by Action for Children paints a dire picture.[6] One in six childcare centers remained closed at that time, as a result of sustained low enrollment and increased costs for personal protective equipment (PPE) and cleaning. At the time, 30% of still-open providers anticipated closing within three months without immediate support, and half of providers reported closing within 6 months (Figure 8). The loss of even a fraction of these at-risk providers, especially those rated as high-quality, will create limitations on the number of available slots that will continue after the pandemic. Furthermore, 49% of respondents in the Action for Children survey had already or planned to increase tuition. With the already high cost of childcare, this places additional strain on Central Ohio families, especially those with lower incomes.

Figure 7. Subsidized Childcare

Central Ohio Counties*, 2019-2020, Monthly

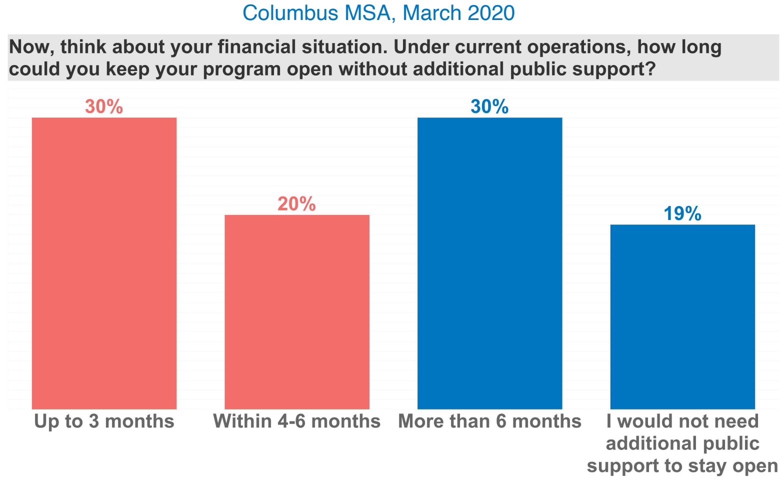


SOURCE : Ohio Department of Job and Family Services

** Delaware, Faifield, Fayette, Franklin, Knox, Licking, Logan, Madison, Marion, Morrow, Perry, Pickaway & Union counties*

Figure 8. Childcare Center Survey

Columbus MSA, March 2020



SOURCE : Action for Children

COLLAPSE IN CONSUMER CONFIDENCE

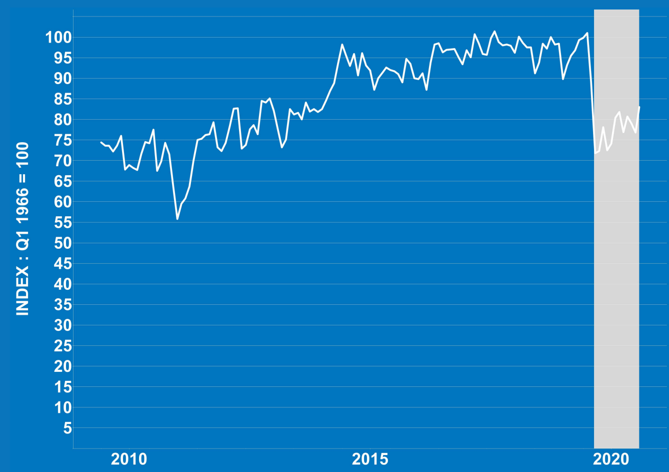
Strong consumer confidence is essential for strong, sustained growth in the economy. Consumer spending comprises 70% of gross domestic product (GDP), if consumers lack confidence, they will not spend, and GDP growth will be severely limited. The University of Michigan's Consumer Sentiment Index, which had been at 20-year highs before the pandemic, fell to levels rivaling those immediately following the 2007-2009 recession as the pandemic took hold (Figure 9). Although the reopening of the economy and the emergence of therapies and vaccines has had a positive impact on the index, it remains depressed.

The lack of confidence is evident in the personal savings rate, which rose to historic highs, spiking to 33.7% during the lockdown. By the fall of 2020, as consumer spending began to slowly increase and overseas production and logistics challenges subsided, the savings rate fell to the mid-teens, a rate that still rivaled levels last seen in the early 1970s. In January 2021, the rate again increased to 20.5% as economic stimulus payments were hitting households' bank accounts (Figure 10). These savings represent amounts that households are not devoting to consumption, which negatively impacts GDP growth. Consumer confidence must improve before the savings rate can return to pre-pandemic levels.

Discussed in more detail in the Economic and Community Development brief, data obtained from Opportunity Insights' Economic Tracker shows a clear divergence in consumer spending by income.[7] Lower income households are keeping up with normal spending patterns, for the most part, as their budgets tend to have fewer discretionary items that can be eliminated; they are also less likely to be working from home, which makes it difficult to eliminate some consumer spending needs. Middle- and high-income households saw the greatest spending reductions, suggesting that these earners are enjoying increased personal savings, while making fewer contributions to GDP growth.

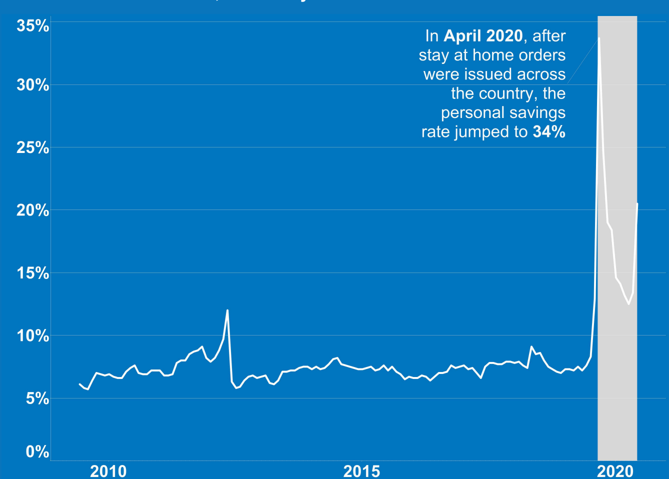
The economy and public health are linked in unprecedented ways, and the course of the virus and vaccinations is critically important to the return of confidence. The flow of positive news about the declining virus positivity rate, the increasing number of vaccinations, and the responsible reopening of sports and entertainment venues to a limited number of patrons will have a positive impact. However, there is an unknown number of individuals who are hesitant to return to these venues. Perhaps being vaccinated will reduce their concerns and thus making vaccinations widely and easily available will help restore confidence. Pent up demand for travel and tourism (discussed in the Transportation brief) will also have positive effects on GDP growth. The successful return of these economic engines will be contingent on the publicizing of and adherence to public health guidelines, which will reduce the positivity rate and keep the economy reopening.

Figure 9. Consumer Sentiment
United States
Jan 2010-Jan 2021, Monthly



SOURCE : University of Michigan Surveys of Consumers

Figure 10. Personal Savings Rate
United States
Jan 2010-Jan 2021, Monthly



SOURCE : U.S. Bureau of Economic Analysis

THREATS TO AN ALREADY WEAK SMALL BUSINESS ENVIRONMENT

Central Ohio's rate of self-employment, and concentration and growth of small businesses has been far below average for years (Figure 11). Among the 100 largest MSAs in the U.S., Columbus in 2019 ranked 82nd in the percentage of workers who are self-employed. Other statistics are available less regularly, but the rankings are stable. Columbus ranked 86th in the share of all businesses that are small (fewer than 20 employees) in 2015 and 74th in the small business birthrate that year.

Statistics on the loss of small businesses resulting from the economic stresses of the pandemic are not yet available, but evidence suggests that a large number of small businesses are failing, or near failure. Discussed further in the Economic and Community Development brief, these challenges are felt more acutely by businesses owned by people of color. A national survey of small businesses suggests that "the share of firms that experienced financial challenges in the prior 12 months rose from 66% to 80% between 2019 and 2020." [8] Furthermore, 90% of firms surveyed used some form of emergency financial relief, predominately from the Paycheck Protection Program (PPP). Of the 64% of small businesses that said they would apply for more financial support if available, 39% said their business would not survive unless business returned to pre-pandemic levels, or more relief became available.

The new emergency relief package, however, offers much less aid to small businesses than previous rounds -- $50 billion of the $1.9 trillion plan, or only 2%. Of that total, $29 billion is targeted to aid hard-hit restaurants and bars, and $1.25 billion is designated for live-event operators.[8] Still, the economic stimulus provided to households will benefit surviving businesses as confidence improves.

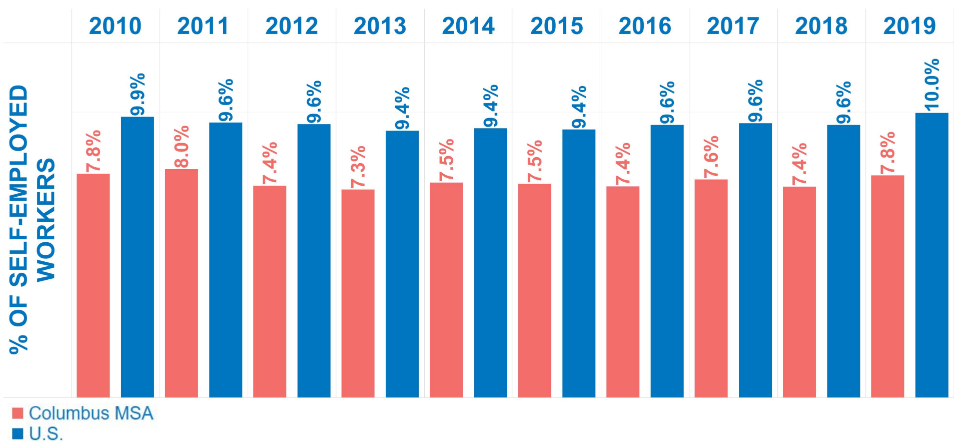
A March 2021 survey conducted by the U.S. Census Bureau of existing small businesses suggests that some Columbus metro firms are still operating below capacity and anticipating a long, slow recovery. Although the extent is unknown, by March 2021, some small businesses had already shuttered their operations, and would therefore be excluded from the Census survey. Thirty percent of area small businesses are still operating within a 50% reduction of capacity, and an estimated 40% of small businesses expect the "return to normal" will take at least 6 months. Still, some are anticipating a ramp up of operations, by increasing staffing (40%), increasing marketing (30%), or making a capital expenditure (20%) in the next 6 months. The size of firms and the nature of business matters, but this is unclear in these data.

Local businesses add unique elements to the community. Further, locally owned, locally serving businesses trap spending that flows from chains to distant headquarters, so the spillover benefits of local businesses are greater. Civic Economics has found that locally owned retailers trap an average of $0.48 of every sales dollar for at least one additional round of spending, compared to $0.14 for the typical chain. The Columbus economy's low concentration of small, local businesses already has negative impacts on the economic impact of consumer spending, and the loss of these businesses reduces the impact further.

Figure 11. Self-Employment

Columbus MSA & US

2010-2019, Annual



SOURCE : U.S. Census Bureau American Community Survey

Local governments can provide aid to these businesses to the extent possible by aggressively promoting the benefits of shopping locally and shopping small, and by reviewing their own bidding and bid selection processes. In some cases, government bid preparation requirements are complex, lengthy, and may shut out small firms. Some governments in the region explicitly award points to bidders within their own jurisdiction, but given the regional benefit of keeping spending local, all governments within the region should consider establishing preferences for local bidders and ensure that bidding requirements are as straightforward as possible.

The same preferences for local purchasing can be adopted by private employers, particularly large anchor institutions. Trade associations and chambers of commerce could work with these companies to find local suppliers that could effectively meet the needs for goods and services that are currently being met by suppliers based outside of the area.

The region's civic technology community is connecting volunteers and local businesses. Can't Stop Columbus has created initiatives that help local businesses launch sites for e-commerce, and help residents find local restaurant options[9] or other small business retailers.[10] There has been a significant shift to online shopping in recent years – a trend that has accelerated during the pandemic. This trend threatens to leave behind businesses that do not have an online presence. In addition to promoting buying locally, local governments should consider supplying resources and funding to assist small businesses, perhaps via the civic technology volunteer community, to develop e-commerce options.

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