



Are the Michigan and Ohio Employment Revivals as Good as the Unemployment Rates Indicate?
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The most recent recession began in December 2007. In January 2008, the U.S. Bureau of Labor Statistics (BLS) listed Michigan's and Ohio's unemployment rates at a low 4.1 percent and 5.7 percent, respectively.¹ BLS reported Michigan's and Ohio's unemployment rates in May 2012 at 8.5 percent and 7.3 percent. These figures are 5.7 points less than the high reached in August 2009 when Michigan's unemployment rate came in at 14.2 percent and 3.3 points less than the high reached in July 2009 when Ohio's unemployment rate stood at 10.6 percent. These turnarounds are quite impressive.

But, are these revival stories true? Though both states have seen marked improvements, the current unemployment rates overstate the recoveries in Michigan and Ohio because those rates fail to account for everyone.

In January 2008, according to BLS, Michigan employed 4.647 million workers.² In July 2009, Michigan possessed just 4.151 million workers. By May 2012, Michigan's job market had added 118,000 workers, hitting 4.269 million workers. That means Michigan needs to add another 378,000 jobs before "fully recovering" from the recession.

In January 2008, Ohio employed 5.614 million workers.³ In July 2009, Ohio possessed just 5.310 million workers. By May 2012, Ohio's job market had added 76,097 workers, hitting 5.386 million workers. That means Ohio needs to add another 228,000 jobs before "fully recovering" from the recession.

How did the unemployment rates improve so much? The answer is a shrinking labor force. For example, in 2009, the unemployment rate in Ohio stood at 10.6 percent from July to December despite employing nearly 50,000 fewer Ohioans simply because the labor force declined by almost 60,000 people, with the number of unemployed only decreasing by 6,000 Ohioans. The tables below details the facts:

Michigan

Date	Labor Force	Employed (All)	Unemployed	Unemployment Rate
January 2008	5,001,165	4,647,133	354,032	7.1%
August 2009	4,836,608 (-3.3%)	4,151,433	685,175	14.2%
May 2012	4,664,035 (-6.7%)	4,268,673	395,362	8.5%

¹ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Michigan & Ohio Statewide, <http://www.bls.gov/eag/eag.mi.htm> & <http://www.bls.gov/eag/eag.OH.htm>, accessed July 31, 2012.

² U.S. Bureau of Labor Statistics, Economy at a Glance, Michigan Statewide Employment, <http://www.bls.gov/eag/eag.MI.htm> (accessed on July 31, 2012).

³ U.S. Bureau of Labor Statistics, Economy at a Glance, Ohio Statewide Employment, <http://www.bls.gov/eag/eag.OH.htm> (accessed on July 31, 2012).

Ohio

Date	Labor Force	Employed (All)	Unemployed	Unemployment Rate
January 2008	5,950,610	5,614,143	336,467	5.7%
July 2009	5,937,966 (-0.2%)	5,309,648	628,318	10.6%
May 2012	5,811,647 (-2.3%)	5,385,745	425,902	7.3%

Because Michigan's and Ohio's labor forces have dropped by 6.7 percent and 2.3 percent, the BLS unemployment rates make those job markets look healthier than they really are.

As Michigan has only employed 117,240 more people since August 2009, the ranks of the unemployed have dropped by 291,813. For Ohio, as it has only employed 76,097 more people since July 2009, the ranks of the unemployed dropped by 202,416. The reality is that many residents of Michigan and Ohio have taken themselves out of the job market because they stopped looking for work. Another unquantifiable factor of labor force shrinkage is the small portion of residents who have left those states to join the labor forces in other states.

Out of all 50 states and the District of Columbia, Michigan and Ohio are the only states where the labor force decline exceeded the increase in the number of unemployed workers from January 2008 to May 2012.⁴ Not coincidentally, Michigan and Ohio experienced the worst private sector job market losses from 2000 to 2010.

Where Did Those Workers Go?

State	Labor Force Decline 2008-2012	Increase in Number of Unemployed 2008-2012	Unaccounted for Workers
Michigan	-337,130	41,330	295,800
Ohio	-138,963	89,435	49,528

These two data points matter because neither the current labor force nor the current number of unemployed capture those individuals who used to be in the labor force. There are 295,800 workers in Michigan and 49,528 workers in Ohio who remain unaccounted for in the current unemployment rates.

To properly account for those missing former workers, the unemployment rate calculation must include them. The BLS U4 unemployment rate measures "total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers."⁵ See the table below for how the U4 rate misses the mark for both Michigan and Ohio.

U4 Rate Misses the Mark

State	U4 Labor Force	U4 Rate	U4 Raw Number	Officially Unemployed	U4 Discouraged Workers	Unaccounted for Workers	Where Are They?
Michigan	4,759,035	10.3%	490,362	395,362	95,000	295,800	200,800
Ohio	5,871,647	8.3%	485,902	425,902	60,000	49,528	-10,472

⁴ Only 17 states experienced labor force declines from January 2008 to May 2012.

⁵ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Alternative Measures of Labor Underutilization for States, <http://www.bls.gov/lau/stalt.htm> (accessed on July 31, 2012).

For Michigan, the U4 rate understates the real unemployment situation because it ignores 200,800 people. For Ohio, the U4 rate is very close to the real unemployment situation, but slightly overstates the problem because it adds roughly 10,472 non-existent people to the rolls. Here is what the numbers look like when the unaccounted for workers become the U4 Discouraged Workers:

Revised U4 Rate Just About Right

State	U4 Labor Force	U4 Raw Number	Officially Unemployed	U4 Discouraged Workers/ Unaccounted for Workers	True Unemployment Rate
Michigan	4,959,835	691,162	395,362	295,800	13.9%
Ohio	5,861,175	475,430	425,902	49,528	8.1%

Admittedly, this method likely overstates the unemployment rate in Michigan because some of those unaccounted for workers have moved to other states. From 2008 to 2011, roughly 127,000 people left Michigan (Ohio gained 59,000 people). Individuals under 18 years of age comprise 23.2 percent of Michigan's population, meaning about 98,000 of those who left were working age adults or seniors citizens.⁶ Taking those people out of the unaccounted for workers figure would reduce Michigan's true unemployment rate to 12.2 percent.

The punch line is that the true unemployment rates in Michigan and Ohio are most likely 12.2 percent and 8.1 percent, respectively. This means that the current unemployment rate for Michigan is off by 3.7 percentage points, with Ohio's unemployment rate off by 0.8 percentage points.

More to the point, if the true unemployment rate in Michigan is 12.2 percent, then Michigan's jobs recovery is grossly exaggerated, as the unemployment rate likely only has dropped 2.0 percentage points. In Ohio, the recovery from the 10.6 percent unemployment rate is much closer to what proponents are claiming, but not nearly as strong as advertised.

Without a doubt, Michigan and Ohio have added jobs over the last few years. The labor forces in those states, however, have declined since April 2009. Failing to account for all the unemployed workers misrepresents how Michigan and Ohio really are doing. That false narrative may serve elected officials well, but it does little to help Michiganders and Ohioans make decisions about their futures. We must make important choices in November on a wide range of issues—from who will be our President and our U.S. Senators to what local tax increases to support. Thus, having a clear picture of how Michigan and Ohio really are doing economically is critical.

⁶ U.S. Census Bureau, State & County QuickFacts, Michigan, <http://quickfacts.census.gov/qfd/states/26000.html> (accessed on August 2, 2012).