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MIDWEST LABOR MARKETS SHAKE OFF COVID-19 DOWNTURN

Columbus, Ohio, and other heartland cities have among the nation's lowest unemployment rates.

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Midwest cities such as Columbus, Ohio, have had some of the most resilient job markets during the pandemic.

Indianapolis, Minneapolis and Cincinnati joined Columbus as having among the lowest unemployment rates of 51 major metro areas at the end of last year, on the unadjusted basis the Labor Department uses to rank cities. That placed the heartland cities well ahead of tech and financial powerhouses such as San Francisco and Boston.

Economists said Columbus and other Midwest cities that are faring relatively well benefited from a diverse economy that includes a larger-than-average concentration of white-collar workers who could shift to remote work during the pandemic. They also have less reliance on tourism compared with other large metro areas, relatively low population densities, and their overall Covid-19 caseloads haven't been as severe as some hardest-hit parts of the country.

"In the case of this particular crisis, the stars are aligned for these places," said Sarah Crane, an economist at Moody's Analytics. "They basically have low exposure to the most damaged parts of the economy."

Benjamin Gibbs, co-founder and chief executive of Ready Robotics, which makes software that runs robots from multiple manufacturers, moved his startup to Columbus from Baltimore three years ago, despite advice from Bay Area venture capital funds that the company needed to move to the West Coast to thrive.

"I would literally pull out a map when they said that to show them the concentration" of US factories in the Midwest, he said. Being close to customers, combined with the talent pool and affordability of Columbus, were enough to move his 15-person staff in February 2018. Now, the company, which got funding from Columbus-based Drive Capital, has nearly 40 employees and sales have been growing rapidly.

Nationally, the seasonally adjusted unemployment rate rose to 6.7 percent in December 2020, from 3.6 percent a year earlier, according to the Labor Department. Jobless rates in the four Midwest metros rose about half as much, while the rates climbed more in several coastal cities.

Columbus and Cincinnati finished last year with a seasonally adjusted 5.1 percent unemployment rate. The rate was 4.3 percent in Indianapolis and 4.7 percent in Minneapolis. The rates were higher in San Francisco, 7.3 percent, and Boston, 6.9 percent. The latter two cities had among the lowest unemployment rates among major metro areas at the end of 2019.

Columbus moved from having a near average unemployment rate in 2019 to having among the nation's lowest rates for major metro areas late last year. The region, with a population of 2.1 million people, is home to Ohio State University, a source of young talent and stability during economic downturns and the area's largest single employer. The city is also home to the state Capitol and is a major hub for JPMorgan Chase & Co., the largest private employer, with 18,000 workers.

Like many places, Columbus's restaurants and hotels were hit hard by the pandemic. But other industries fared better: By December, the professional and business services sector was almost back to its year-ago level, according to Labor Department data.

Columbus Mayor Andrew Ginther said the city's overall comeback "kind of speaks to the diversity of our economy."

Since so many large employers were able to pivot to work from home, Mr. Ginther said the city has focused the majority of the \$157 million the city received in federal stimulus dollars on supporting small businesses, particularly those that are minority- and women-owned, to try to make sure the recovery is inclusive and fair.

Unemployment data for metro areas are based on small sample sizes, limiting their value in tracking changes from one month to the next. However, the unemployment rates in Columbus, Cincinnati and Indianapolis have remained below the national average on a seasonally adjusted basis since March, suggesting a degree of resilience over the course of the pandemic.

Other Midwest metros, including Kansas City, Mo., Minneapolis and St. Louis, had unemployment rates below the national average at the end of last year, though Minneapolis also had a large decline in the size of its labor force.

Ohio State University economist Bruce Weinberg said the state government in Ohio introduced economic restrictions that were relatively effective at reducing the spread of the virus without unnecessarily limiting business activity – something he said was easier because Ohio cities aren't that densely populated. Still, he said, the metro area continues to face a long recovery.

"We may be doing better than most," Mr. Weinberg said of Columbus. "But there are a lot of people who are without work, there are a lot of people who have gotten Covid, there are a lot of businesses that are struggling."

Columbus's central location has long made it a logistics hub, with Rickenbacker Airport calling itself one of the few cargo-dedicated airports in the world. Today, there are some 80 million square feet of e-commerce space in and around the airport, said Kenny McDonald, president and CEO of One Columbus, the regional economic development group.

Logistics jobs also play a role in other Midwest cities: Indianapolis is FedEx's second-largest US hub, and Amazon Air is building a hub at the Cincinnati/Northern Kentucky International Airport.

Columbus, Cincinnati and Indianapolis have growing tech sectors, which may have helped them navigate the downturn. All three cities are less expensive and closer to industrial customers than traditional technological hubs, contributing to the sector's strength in recent years.

The Columbus region's venture capital market had its best year ever in 2020, bringing in \$671 million to startups, ranking it in the top 20 among metros over one million residents, according to a Wall Street Journal analysis of PitchBook data.

Many of JPMorgan's tech employees are based in Columbus, including the team that deals with the company's mobile app, which benefited from more people adopting mobile banking during the pandemic.

"When Covid hit some older Americans who may not have been as comfortable with using their mobile app, all of a sudden got really comfortable using it for lots of different things," said Corrine Burger, a managing director and Columbus strategic hub location leader at JPMorgan Chase.

To be sure, not all Midwest metros are showing the same patterns of relative resilience. Detroit and Chicago had some of the highest major metro area unemployment rates in December, at 10.2 percent and 8.6 percent respectively on a seasonally adjusted basis. Economists said those two cities are facing long-term, negative trends that include out-migration and, in Chicago, fiscal challenges at the state and local level.

Jeffrey Korzenik, chief investment strategist at Cincinnati-based Fifth Third Bank, said he noticed over the past year that many manufacturers in the region "really didn't miss too much of a beat" during the pandemic because they were generally considered essential industries and demand increased during the pandemic for some of their products, such as home decorations and new appliances.

"The response was, 'OK, how do we work with this?'" Mr. Korzenik said. "And I think that has been reflected in industries beyond just those deemed essential."