

Unemployment Rates Don't Tell the Whole Story

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All things being equal, it is better to live in a state with a lower unemployment rate than one with a higher unemployment rate. Ohio's unemployment rate stands at 8.8 percent. Florida comes in above the national average at 10.6 percent. Ohio must be a jobs machine compared to Florida, right?

Unfortunately, that assessment is true only if you believe unemployment rates tell the whole story. They don't.

Let's look at the bigger picture. In January 1990, Ohio possessed 4.1 million private-sector (nonfarm, nongovernment) jobs. Florida had 4.5 million private-sector jobs. Today, Ohio has 4.3 million private-sector jobs, an increase of 215,400 in 21 years. That works out to 10,019 net private-sector jobs per year, or a net increase of just 5.2 percent. That is pathetic.

In contrast, Florida has 6.1 million private-sector jobs, an increase of 1.6 million jobs during that same period of time. That translates to 74,619 net private-sector jobs per year, even after the horrible housing and construction losses over the past three years. Florida's net private-sector jobs growth is up 35 percent from January 1990. That means Florida netted on average seven times more private-sector jobs each year over the past 21 years. Florida now possesses 41 percent more private-sector jobs than Ohio, up from 10 percent more in 1990.

Ohio hit its peak number of private-sector jobs in March 2000 when it had 4.85 million jobs. Florida didn't hit its peak until March 2007 when it reached 6.95 million jobs. Both states are down roughly 11 percent from their peaks.

So, where would you rather live?

Florida does have a higher unemployment rate, but it also created substantially more jobs since January 1990. Florida went from having just 403,400 more private-sector workers than Ohio in 1990 to now having 1.8 million more private-sector workers.

Florida's higher unemployment rate has more to do population growth over the past two decades. An influx of people means that a recession likely will result in higher unemployment. Ohio was home to 10.9 million people in 1990. By 2010, Ohio's population had grown by 6.2 percent to 11.5 million.

In contrast, Florida didn't surpass Ohio's population total until late in 1983 and housed 13 million people by 1990. That figure exploded by more than 44 percent over the next 20 years, hitting 18.8 million in 2010.

This population shift is vividly demonstrated by the Electoral College system. In 1988, Ohio possessed 23 electoral votes, two more than Florida. By next year, Ohio will be down to 18 electoral votes, as Florida will jump to 29 electoral votes.

Although many factors affect a state's ability to spur job creation, taxes and economic freedom are two big ones. As I noted earlier this year in the report "Six Principles for Fixing Ohio," "The combination of both a heavy tax burden and forced unionization is deadly when it comes to job growth, as 11 of the 15 worst-performing states are ranked in the top 20 for high tax burdens."

Whereas Ohio has a heavy state and local tax burden and it forces its workers to join a labor union to get a job, Florida's state and local tax burden is one of the nation's lowest and its workers are free to choose when it comes to joining a labor union.

One big fix this year will help Ohio level the playing field with Florida and other low tax, economically free states. Senate Bill 5 contains important reforms that restore our right to efficient government. Our analysis shows Senate Bill 5 will save taxpayers nearly \$1.4 billion per year. As government costs come down, taxes should come down, too, thereby making Ohio more competitive.

If Big Labor succeeds at overturning Senate Bill 5, it also will win the fight over erasing upcoming local government deficits with higher taxes. For example, by 2015, Ohio's 613 school districts collectively will hit a \$7.6 billion deficit, with 96 percent of taxes going to compensation packages. With Senate Bill 5, school districts can make cuts to realign compensation packages to taxes. Without Senate Bill 5, taxes will have to be increased. The same goes for cities, counties, townships and villages across Ohio.

Don't get me wrong, unemployment rates matter, but they only serve as snapshots in time. The bigger picture contains a lot more detail.

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