Staff Report

To: Summit County Council

From: Jeffrey B. Jones, AICP, Econ. Development & Housing Director

Re: COVID-19, Labor Market Impact Analysis

Type of Item: Informational

Meeting Date: Wednesday, April 1, 2020

BACKGROUND/EXISTING CONDITIONS

COVID-19 and the coronavirus that causes it are proving to be not only a public health crisis but also an economic one. With calls for social distancing, industry sectors that depend on customer-provider interactions or involve the congregation of large numbers of people have lost their jobs or are at a higher risk of losing their jobs.

While businesses in some of the higher-risk industries are trying to adapt to the new economic reality for survival – for example, restaurants moving to take-out orders and “contactless delivery” – many others, including entertainment-related businesses are presently closed, either voluntarily or due to government mandates.

Employment outcomes in retail trade, which employs 3,625 workers in Summit County, are more uncertain. While brick-and-mortar operations are at higher risk because some are closed by government mandate and shoppers are otherwise encouraged to stay home, grocers and/or electronic shopping providers may stand to benefit.

SUMMIT COUNTY’S COVID-19 ECONOMIC VULNERABILITY INDEX

Developed by Chmura Economics, the COVID-19 Vulnerability Index is a measurement of the negative impact that the coronavirus crisis can have on employment based upon a region’s mix of industries. For example, accommodation and food services are projected to lose more jobs as a result of the coronavirus compared to utilities and healthcare (with none or little expected job contraction).
An average Vulnerability Index score is 100, representing the average job loss expected in the United States. Higher scores indicate the degree to which job losses may be greater — an index of 200, for example, means the rate of job loss can be twice as large as the national average. Summit County’s COVID-19 Vulnerability Index has been calculated at 211.09.

The Vulnerability Index only measures the impact potential related to the mix of industry employment. The index does not take into account variation due to a region’s rate of virus infection, nor does it factor in local government’s policies in reaction to the virus. For example, a region with a high Vulnerability Index may have little to moderate job losses if the region has only slight infection rates and local government imposes few restrictions. On the other hand, a region with a low Vulnerability Index may still incur large employment losses if the local rate of infection is high or local government restrictions are especially stringent. Source: Chmura Economics & Analytics, JobsEQ.

PROJECTING IMPACTS

Summit County’s Economic Development office utilizes EMSI’s Multi-Regional Social Accounting Matrix (MR-SAM) input-output (I-O) model to estimate impact. EMSI’s MR-SAM modeling system is a comparative static model in the same general class as RIMS II (Bureau of Economic Analysis) and IMPLAN (Minnesota Implan Group). Models of this type estimate the ripple effects of changes in jobs, earnings, or sales in one or more industries upon other industries in a region.

I-O models have three important uses:

1. **Change** – An I-O model can be used to demonstrate the effect job loss or job creation will have on a regional economy—to what extent it will affect other jobs in the area, additional earnings and sales.

2. **Supply Chain** – An I-O model has the potential to expose the supply chain of goods via industries in a region. In particular, to what extent each industry is able to satisfy its purchasing needs in-region or out-region. This can be very helpful to economic developers who are looking to strengthen a local supply chain and increase in-region purchasing.

3. **Industry Importance** – An I-O model can be used to identify important industries in a given region—not just those with a lot of jobs, but also those which have an unusually large impact on gross regional product.

This staff report will focus primarily on Number 1 above, “Change.” Staff used the following scenarios to evaluate employment impacts:
Scenario 1: 80% employment loss in the following hospitality sectors:

- Motion Picture Theaters
- Sports and Recreation Instruction
- Skiing Facilities
- Fitness and Recreational Sports Centers
- Hotels and Motels
- Drinking Places (Alcoholic Beverages)
- Full-Service Restaurants
- Limited-Service Restaurants,
- Cafeterias, Grill Buffets and Buffets,
- Snack and Nonalcoholic Beverage Bars).

Scenario 2: 80% employment loss in the following hospitality sectors and 30% loss in the specific retail sectors:

- Furniture Stores
- All Other Specialty Food Stores
- Men's Clothing Stores
- Women's Clothing Stores
- Children's and Infants' Clothing Stores
- Family Clothing Stores
- Clothing Accessories Stores
- Other Clothing Stores
- Shoe Stores
- Sporting Goods Stores
- Art Dealers
- Tobacco Stores
- All Other Miscellaneous Store Retailers (except Tobacco Stores)
- Motion Picture Theaters (except Drive-Ins)
- Recreational Goods Rental
- Sports and Recreation Instruction
- Sports Teams and Clubs
- Museums
- Skiing Facilities
- Fitness and Recreational Sports Centers
- Hotels (except Casino Hotels) and Motels
- Drinking Places (Alcoholic Beverages)
- Full-Service Restaurants
- Limited-Service Restaurants
- Cafeterias, Grill Buffets, and Buffets
- Snack and Nonalcoholic Beverage Bars
- All Other Personal Services
- Civic and Social Organizations
Scenario 3: 90% employment loss in the following hospitality sectors and 30% loss in the specific retail sectors:

- Furniture Stores
- All Other Specialty Food Stores
- Men's Clothing Stores
- Women's Clothing Stores
- Children's and Infants' Clothing Stores
- Family Clothing Stores
- Clothing Accessories Stores
- Other Clothing Stores
- Shoe Stores
- Sporting Goods Stores
- Art Dealers
- Tobacco Stores
- All Other Miscellaneous Store Retailers (except Tobacco Stores)
- Motion Picture Theaters (except Drive-Ins)
- Recreational Goods Rental
- Sports and Recreation Instruction
- Sports Teams and Clubs
- Museums
- Skiing Facilities
- Fitness and Recreational Sports Centers
- Hotels (except Casino Hotels) and Motels
- Drinking Places (Alcoholic Beverages)
- Full-Service Restaurants
- Limited-Service Restaurants
- Cafeterias, Grill Buffets, and Buffets
- Snack and Nonalcoholic Beverage Bars
- All Other Personal Services
- Civic and Social Organizations

**SCENARIO 1: 80% HOSPITALITY JOB LOSS**

<table>
<thead>
<tr>
<th>Normal Seasonal Job Loss</th>
<th>Base Job Loss</th>
<th>Direct, Indirect and Induced losses (1.29 Multiplier)</th>
<th>Change in Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>-4,800/-5,100</td>
<td>-7,334</td>
<td>-9,455</td>
<td>- $368,936,333</td>
</tr>
</tbody>
</table>

**SCENARIO 2: 80% HOSPITALITY JOB LOSS; 30% RETAIL LOSS**
| Normal Seasonal Job Loss | Base Job Loss | Direct, Indirect and Induced losses (1.29 Multiplier) | Change in Earnings  
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<tbody>
<tr>
<td>-4,800/-5,100</td>
<td>-7,871</td>
<td>-10,218</td>
<td>-395,659,177</td>
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</tbody>
</table>

SCENARIO 3: 90% HOSPITALITY JOB LOSS; 30% RETAIL LOSS

| Normal Seasonal Job Loss | Base Job Loss | Direct, Indirect and Induced losses (1.29 Multiplier) | Change in Earnings  
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<tbody>
<tr>
<td>-4,800/-5,100</td>
<td>-8,866</td>
<td>-11,407</td>
<td>- $442,250,046</td>
</tr>
</tbody>
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GROSS REGIONAL PRODUCT (GRP)

Gross Regional Product (GRP) measures the final market value of all goods and services produced in a specific region. Summit County’s 2019 GRP was estimated at $3,594,342,998. GRP is the sum of earnings + property income + taxes on production & imports and profits, less subsidies. In 2019, Summit County earnings ($2,109,342,198), accounted for 58.7% of the County’s GRP. Based on the three scenarios above, earnings would drop to 2014/2015 levels and total GRP would also drop to 2016/2017 levels.

Revenue flowing to county and municipal governments could also see a major drop as the coronavirus outbreak continues to shutter businesses and keep residents at home.

ATTACHMENT: PowerPoint Presentation