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Iryna Demko

Cleveland State University, i.demko@csuohio.edu

Iryna V. Lendel

Cleveland State University, i.lendel@csuohio.edu

Merissa Piazza

Cleveland State University, m.c.piazza83@csuohio.edu

Georgina Figueroa

Matthew Ellerbrock

Cleveland State University, m.ellerbrock@csuohio.edu

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Youngstown Economy: Recession and Path to Recovery

The Youngstown region (Mahoning and Trumbull counties) accounts for nearly 10% of Northeast Ohio's economy.¹ Historically and to this day, the region has relied on legacy manufacturing for a large portion of its regional economic output, particularly steel and automobile manufacturing. Due to uncompetitive business practices in these legacy manufacturing industries, many good-paying jobs have been offshored or relocated to cheaper labor markets. This shift in employment has caused residents to either move for these jobs or take lower-wage service sector jobs. In 2019, the region's retailers provided almost 4,000 more jobs than manufacturing companies. This reveals a sizeable average wage differential with manufacturing paying \$72,350 per year versus \$27,600 in retail sector jobs (**Figure 1**).

Adding to this the Coronavirus pandemic that forced businesses to close, the economy of the Mahoning Valley has been one of the worst-hit in Northeast Ohio. The already dire economic situation in the region has become even more pressing, with 40% of previously employed residents filing for unemployment since March 2020 (**Figure 2**).

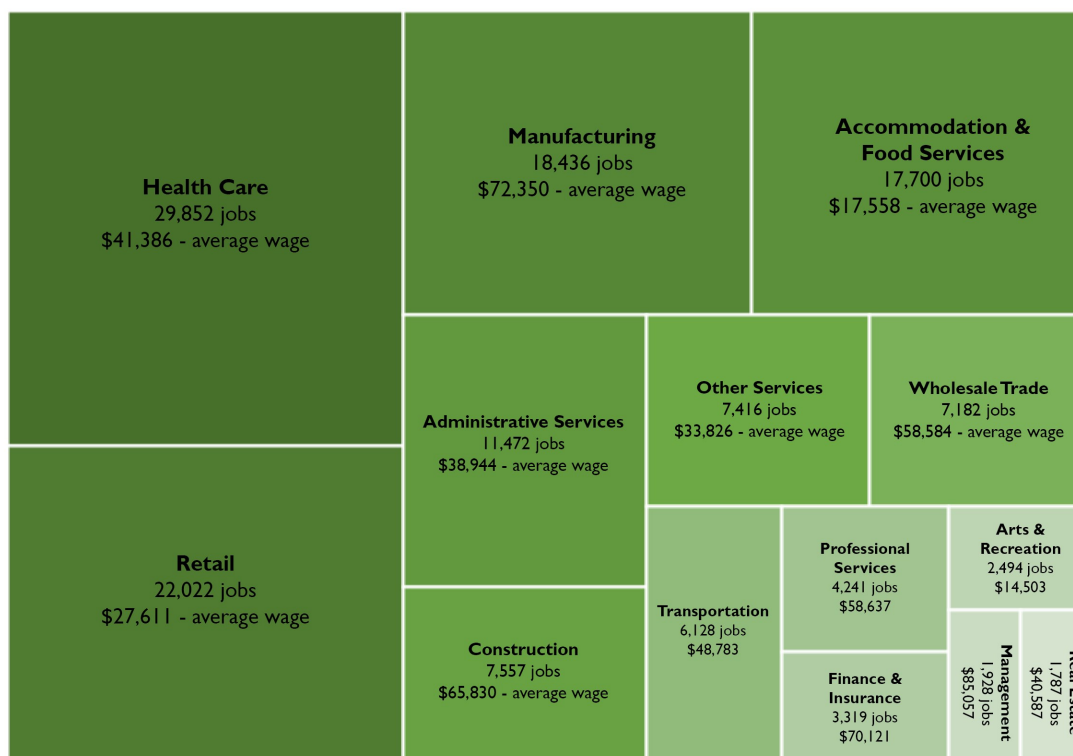
This brief seeks to identify opportunities for the Youngstown economy to recover from the COVID-induced economic recession.

COVID-19 Realities in the Youngstown Region

Social distancing measures and restrictions due to the pandemic had a severe negative effect on the Youngstown economy. Since March, almost 70,000 workers in Mahoning and Trumbull counties have filed for first-time unemployment benefits. Weekly unemployment claims reached a record high of 10,987 as a result of a stay-at-home order requiring all but essential businesses in Ohio to cease activities (**Figure 3**). Unemployment claims have begun to fall back down as businesses reopen and mass layoffs subside. However, in the first week of September 2020, the Ohio Department of Job and Family Services recorded 629 new unemployment claims in the area compared to 217 claims during the same week last year.

While all industries have been affected by the COVID-19 pandemic, some bear the brunt of the downturn much more than others. Monthly employment in the Leisure

Figure 1. Employment Composition in the Youngstown's Economy with Average Wages



Source: 2019 Moody's Analytics; Industries listed cover 96% of the workforce in Mahoning and Trumbull counties

¹ Northeast Ohio consists of an 18-county region of Ashland, Ashtabula, Columbiana, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne counties.

and Hospitality industry in the Youngstown-Warren-Boardman MSA dropped by 41%, from 22,900 in March to 13,500 in April.² Accommodation and food services accounted for the most layoffs recorded through the Worker Adjustment and Retraining Notification (WARN) Act notices. Two steel companies (**Ohio Star Forge Company** and **ArcelorMittal Warren LLC**) in Trumbull County reported temporary layoffs affecting 90 employees.

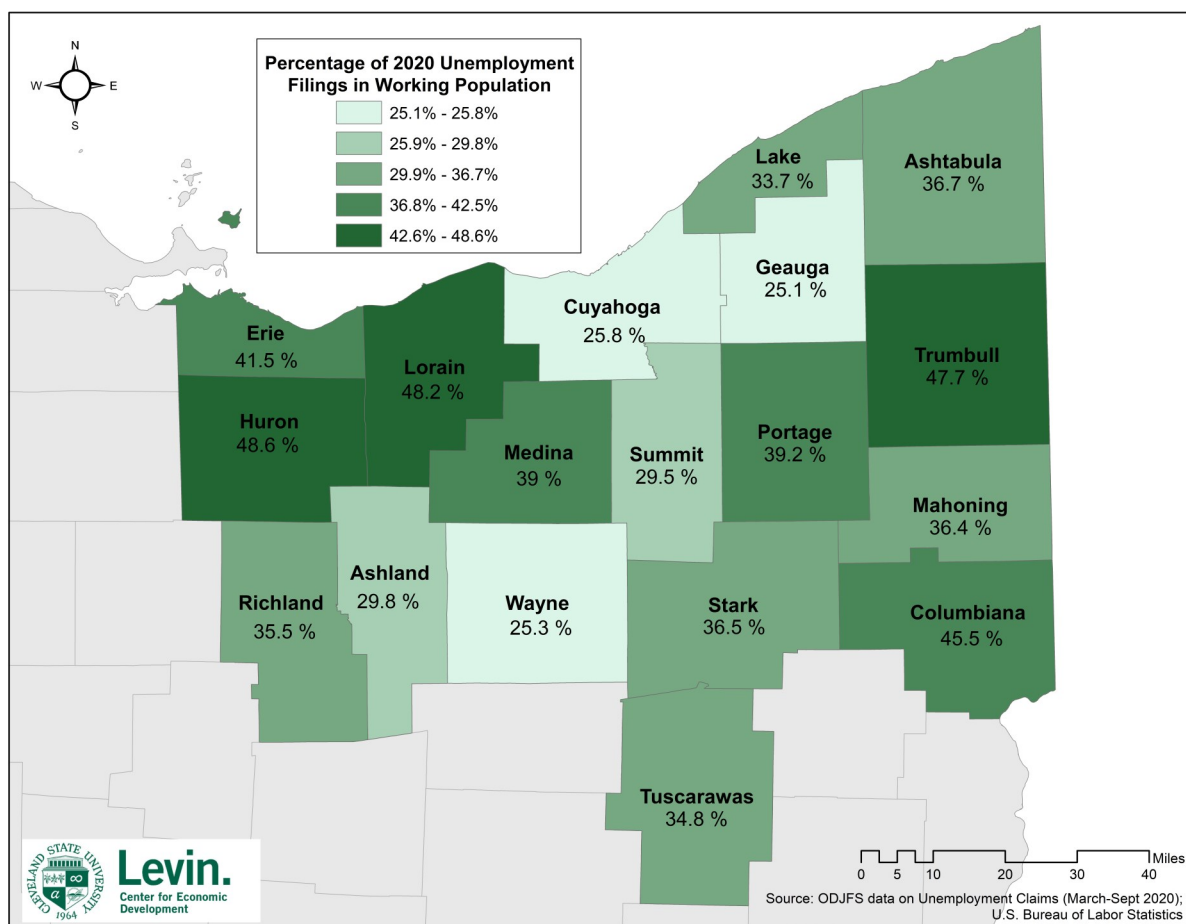
The health care sector provides the largest number of jobs in the Mahoning Valley, employing nearly 30,000 people, or 17% of the workforce (**Figure 1**). The American Hospital Association speaks of the financial crisis for hospitals and health systems from cancelled hospital services and elective surgeries during stay-at-home orders.³ In 2020, patients' volume is not anticipated to return to pre-pandemic levels because people avoid in-person care. Primary care practices will lose \$67,774 in fee-for-service revenue per full-time doctor.⁴ Hospitals experience increased wage and labor costs, many implemented bonus pay to compensate workers.

Projections for the Economy in 2020

Based on an industry analysis of social distancing impacts, the Mahoning and Trumbull region will lose 10% of its annual output (-\$1.7 billion) and 16% of total employment (-27,640 jobs) in 2020. Tax revenue will decline by an estimated 20% from 2019 levels (-\$408 million).

The Oil and Gas Extraction industry will see the most considerable negative impact on employment (-42%) attributed to COVID-19's impact on the oil, gas, and petrochemical sectors. A sudden drop in oil prices and the COVID-19 pandemic forced the temporary closure of **Ultra Premium Services LLC**, a pipe company operating in Brookfield since 2010. Oil companies are reducing capital spending until market conditions improve. A final investment decision on a proposed \$6 billion petrochemical plant in Belmont County, Ohio, has been postponed too.⁵

Figure 2. 2020 Unemployment Filings in Northeast Ohio



² Including for Mercer County in Pennsylvania

³ Hospitals and health systems face unprecedented financial pressures due to COVID-19. *American Hospital Association*. May 2020.

⁴ Goldberg, S. (2020, July 13). COVID could trigger a big change in how health care is delivered and paid for. *CRAIN's Chicago Business*.

⁵ PTTGC America. Project Facts. <http://pttgcbelmontcountyoh.com/project-facts/>

CARES Act and Community Response

The Paycheck Protection Program in the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided nearly \$720 million in forgivable loans to small businesses in Youngstown to cover payroll expenses, interest on mortgages, rent, and utilities. These loans will help retain almost 80,000 jobs in the area. Nearly half of the loans received fell within manufacturing (\$127 million to retain 2,400 jobs), health care (\$107 million to keep 13,000 jobs), accommodation and food services (\$99 million to retain 16,300 jobs).

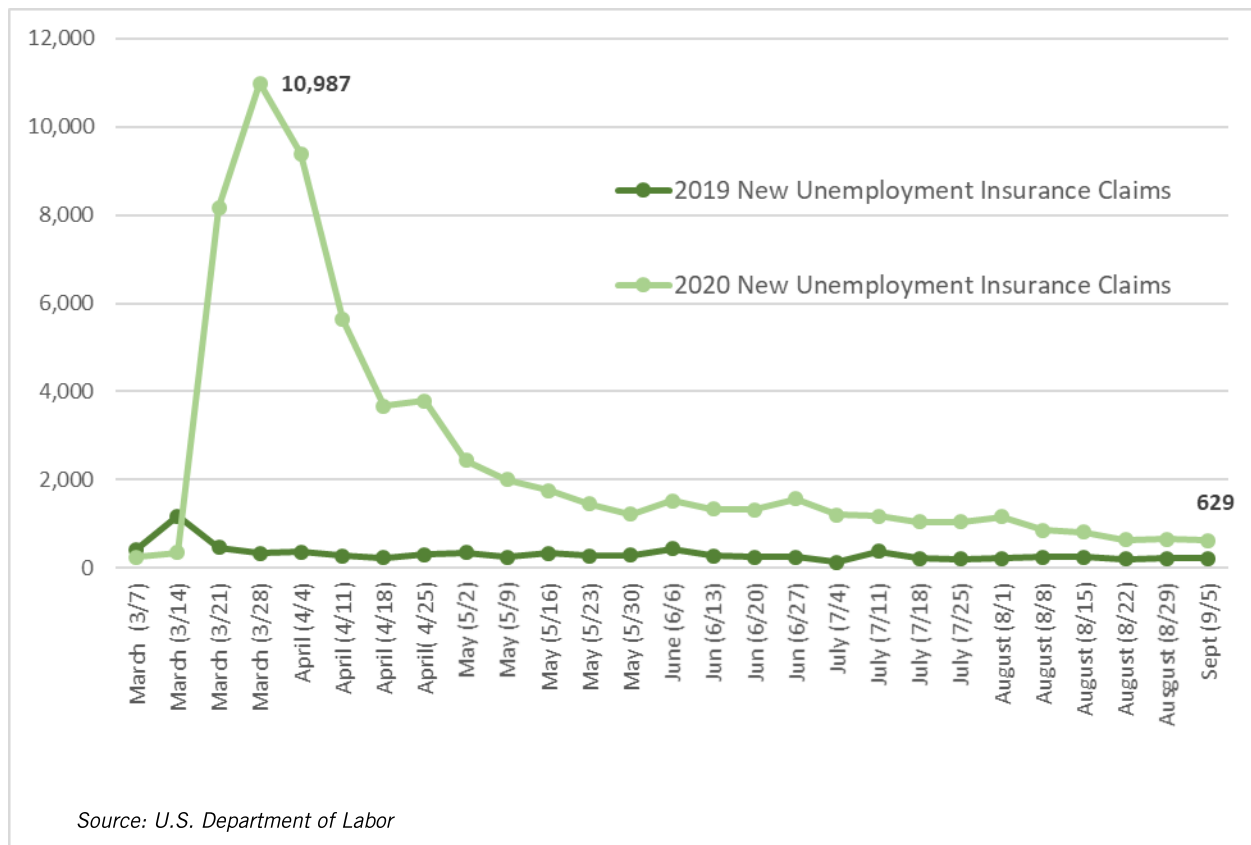
Medical providers in Mahoning and Trumbull counties received nearly \$11 million from the CARES Act to cover COVID-19 expenses including enhancing telehealth services.⁶ **Mercy Health**, Mahoning Valley's largest hospital system with three hospitals in the area, expanded virtual medical visit options during the pandemic to provide individualized care for established and new patients from the comfort of a patient's own home. Patients can receive an online diagnosis through a video chat with their provider, instead of a traditional in-office visit. Virtual options are convenient during this time when staying at home is encouraged. In addition, virtual visit capabilities will increase operational and technological efficiency within the health services industry.

The **Mahoning Valley Community Response Fund** joined programming efforts of The Community Foundation of the Mahoning Valley, the Raymond John Wean Foundation, and the Youngstown Foundation to support local organizations providing services to residents struggling financially due to the pandemic. Collectively, the Fund granted over \$877,000 to 50 nonprofits.⁷ **Youngstown Neighborhood Development Corporation** received \$125,000 to support a mortgage payment program for Youngstown residents. **Mahoning County Public Health** was awarded \$75,000 to support the health, wellness, and access to care needs of Mahoning County families, including on-demand transportation to medical appointments, food, and cleaning supplies. **Trumbull County Planning Commission** received \$70,000 for acquisition of Personal Protective Equipment (PPE) and COVID-19 tests for over 75 home health, hospice, long term care providers, hospitals and first responders who care for the County's most vulnerable populations.

Path to Recovery

In 2021 and 2022, two companies in Youngstown are expected to create jobs with similar wages to those previously earned by GM employees. **Lordstown Motors Corporation** which now occupies the recently vacated GM Lordstown plant, is expected to hire around 400 employees to

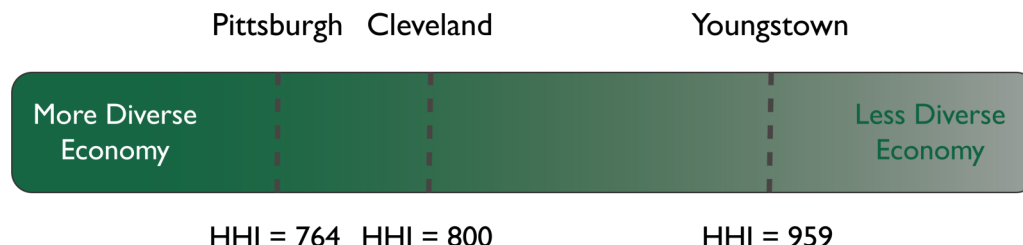
Figure 3. Unemployment Claims in Mahoning and Trumbull Counties



⁶Tracking Accountability in Government Grants System (TAGGS)

⁷ Grant Recipients. Rounds 1-10. Mahoning Valley Community Response Fund. <https://www.cfmv.org/response-fund/>

Figure 4. Economic Diversity Measured with The Herfindahl-Hirschman (HHI) Index



Source: Center for Economic Development based on 2019 Moody's Analytics Employment Data

start producing an all-electric pickup truck. Lordstown Motors has already received 20,000 pre-orders for the \$52,200 vehicle to fulfill its full year of production capacity.⁸ The company will become a publicly traded company merged with **DiamondPeak Holdings Corp.** by the end of 2020.⁹ In addition, in January 2020, **General Motors** and **LG Chem** announced a plan to build an electric vehicle battery plant that will employ around 1,500 people and open in 2022.¹⁰

Youngstown is located approximately 65 miles southeast of Cleveland and 60 miles northwest of Pittsburgh and is often included in regional supply chains of both Northeast Ohio and the Greater Pittsburgh region due to these proximities. An analysis of employment data in 24 major sectors of the economy shows that the economy of Pittsburgh and Cleveland is more diversified than in Youngstown (**Figure 4**). The highest levels of economic diversity correspond to the lowest values of the Herfindahl-Hirschman index (HHI), when all industries are equally represented in a region.

Although manufacturing continues to play a significant role in the Youngstown economy, the region has local competitive advantages in the Management of Companies and Enterprises industry. A number of companies with locations throughout the country are headquartered in the Youngstown-Warren area, e.g., **Schwebel Baking**, **Handel Homemade Ice Cream**, **BJ Alan Co Inc.**—fireworks distributor.¹¹

In addition, Information (Software Publishers; and Data Processing, Hosting and Related Services) and related industries (Business, Computer and Management Training; and Computer Systems Design and Related Services) may develop local competitive advantages in this area.

The pandemic presents opportunities for **Perishable Shipping Solutions**, an e-commerce company in Youngstown, providing delivery services of perishable cold foods anywhere in the country. The company has been ranked #315 on the 2020 Inc. 500 list of fastest-growing private companies in America as its revenue grew 1,445% since 2016. The company has raised \$8.7 million to add new fulfillment centers and personnel in several states.¹²

In 2019, the Medical Equipment and Supplies Manufacturing industry in Youngstown was growing at a rate higher than the national average for this industry. This industry has high growth potential due to a regional competitive advantage, especially after the CARES Act prioritized development and enhancement of U.S.-based manufacturing capabilities to produce necessary medical supplies to respond to the coronavirus. Strategies that localize critical industries and their supply chains not only boost employment but also provide economic development opportunities for U.S. regions with the economic fundamentals conducive to advanced manufacturing.¹³

All levels of government support are needed for connecting people who have lost their jobs to new and better employment opportunities during the recovery. Only 58% of workers are likely to return to their previous jobs as the economy reopens after COVID-19 lockdowns.¹⁴ If that is the case for the 70,000 workers in Youngstown who have filed an initial claim for unemployment insurance since mid-March, it will leave almost 30,000 people searching for a new job. If they want to find a quality job, many of them will need help with skills training that meet the needs of employers seeking to fill in-demand jobs.

September 2020

⁸ Gastelu, G. (2020, June 26). Lordstown Motors reveals electric Endurance pickup with revolutionary in-wheel motors. *FoxNews*.

⁹ Deter., A. (2020, August 8). Lordstown Motors IPO: new EV company going public via SPAC. *Investment Opportunities*.

¹⁰ Wood, A. (2020, Jan 14). GM, LG Chem select site for joint venture battery plant. *The Business Journal*.

¹¹ Youngstown-Warren Area Largest Employers. *Youngstown/Warren Regional Chamber*.

¹² Kinka, K. (2020, September 23). Perishable shipping solutions announces \$8.7M series funding. *CISION PRWeb*.

¹³ Fish, A. & Spillane, H. (2020, July). Reshoring advanced manufacturing supply chains to generate good jobs. *The Brookings Institution*.

¹⁴ Goger, A. (2020, July). Turning COVID-19's mass layoffs into opportunities for quality jobs. *The Brookings Institution*.

Please share your comments with Dr. Iryna Demko at i.demko@csuohio.edu