Economic Impact of the Deepwater Horizon Oil Spill on South Mississippi: Initial Findings on Employment

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Summary: The impact of the Deepwater Horizon oil spill on employment has the potential to be significant on the Mississippi coastal communities. We estimate the employment losses to be measurable but less significant than potential revenue shortfalls would indicate.

Background: Starting on May, 13, 2010, the research team began interviews with business owners and operators in the seafood and tourism sectors in south Mississippi. Since that time over 70 interviews have been conducted with the aim of trying to understand what, if any, economic impact the oil spill had on employment. We follow up with each interviewee every three weeks to determine how they are adapting to the unfolding economic events related to the oil spill including the addition of new employees, laying off existing employees or the delayed hire of employees. Typical businesses examined include hotels, restaurants, charter and head boats, casinos and casino hotels, seafood processors and suppliers to the seafood industry. All interviews are anonymous, were recorded for transcription, and the interview instrument was tested and then approved by the university’s institutional review board.

Data: Publicly available unemployment data primarily come from one of two sources. The Bureau of Labor Statistics (BLS) produces a monthly unemployment rate figure that is based upon a household survey collected throughout the United States. US Department of Labor through the Employment and Training Administration also collects data on initial and continuing claims for unemployment insurance. In Mississippi these data are collected by the Mississippi Department of Employment Security (MDES). Because BLS unemployment data are produced less frequently, the only publicly available unemployment data are those from unemployment insurance claims and these are the data used in the rest of this paper.

Initial Unemployment Claims Year-over-Year: Unemployment in the three coastal counties of Mississippi, Hancock, Harrison and Jackson were examined from March, April, May and June 2009 and compared to the same time frame in 2010. March and April of 2010 showed a decline in initial unemployment claims or just a slight increase in each of the counties mirroring the overall economic
recovery in early 2010. In May that trend reversed in Hancock and Harrison counties with increases in initial unemployment claims filed compared to the same time the previous year. Jackson County saw a slight increase in initial claims year-over-year in May. In June 2010, the data is mixed with Hancock and Jackson Counties showing increased year-over-year initial unemployment claims and Harrison County with a slight decrease (see Figure 1).

Continued Unemployment Claims Year-over-Year: Continued unemployment claims from the three coastal counties of Mississippi, Hancock, Harrison and Jackson were examined from March, April, May and June 2009 and compared to the same time frame in 2010. March and April of 2010 showed a decline of continued unemployment claims in each of three counties mirroring the overall economic recovery in early 2010. In May that trend reversed in Harrison and Jackson counties with increases in continued unemployment claims compared to the same time the previous year. Hancock County saw a slight increase in continued claims year-over-year in May. In June 2010, the data goes back to the trend with all three counties showing lower numbers year-over-year (see Figure 2).

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Impact: At the present time, the impact on employment from the oil spill appears to be indirect and partial. To date there are fewer than 30 initial unemployment claims that have been verified as directly related to the oil spill. Many of the people who are directly impacted by the oil spill, such as self-employed boat owners, do not qualify for unemployment benefits. It appears that certain businesses and sectors have cut back on employees, construction, restaurants, accommodations, and retail due more to the shortage of tourists rather than directly to oil on the beaches. Another confounding issue is that people are filing loss claims with BP, and also working for BP or a contractor for clean-up work or as a vessel of opportunity (VoO), potentially skipping unemployment claims process with this new found revenue source.

Limitations: It is not possible to determine what the unemployment picture for the three coastal counties or the rest of Mississippi would have been without the impact of the oil spill. While the Insured Unemployment rate in Mississippi fell to 3.11 percent in the week ending May 15, it has since continued...
to rise. While this may be partially due to the impact of the coastal counties, areas in metropolitan Jackson and Meridian also experienced a rise in continuing claims in May and a sharp decrease in June, implying that there may be no noticeable difference in the aggregate unemployment picture between the Mississippi Gulf Coast and the rest of the state. Finally, unemployment is a lagging indicator of economic activity, so the full impact of the oil spill on employment may not be seen for some time.

**Past Releases:** We released two additional white papers on the economic impact of the oil spill with a focus on revenue and taxes on June 14, 2010, and June 21, 2010, respectively. These first white papers can be downloaded at the following URLs respectively


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