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Northeast Ohio Economic Brief

Afia Yamoah

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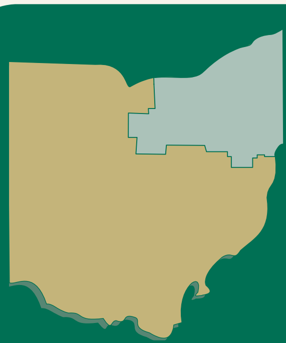
Northeast Ohio Employment and Wage Trends

ECONOMIC BRIEF



This brief continues a series that provides a broad overview of employment and wage trends for Northeast Ohio. It updates earlier editions with data for the first quarter of 2009. It is intended to provide a quick, current, and informative snapshot of the regional economy. Northeast Ohio is defined as a 16-county area that includes five metropolitan areas (Akron, Canton-Massillon, Cleveland-Elyria-Mentor, Mansfield, and Youngstown-Warren) and four non-metropolitan counties (Ashland, Ashtabula, Columbiana, and Wayne).

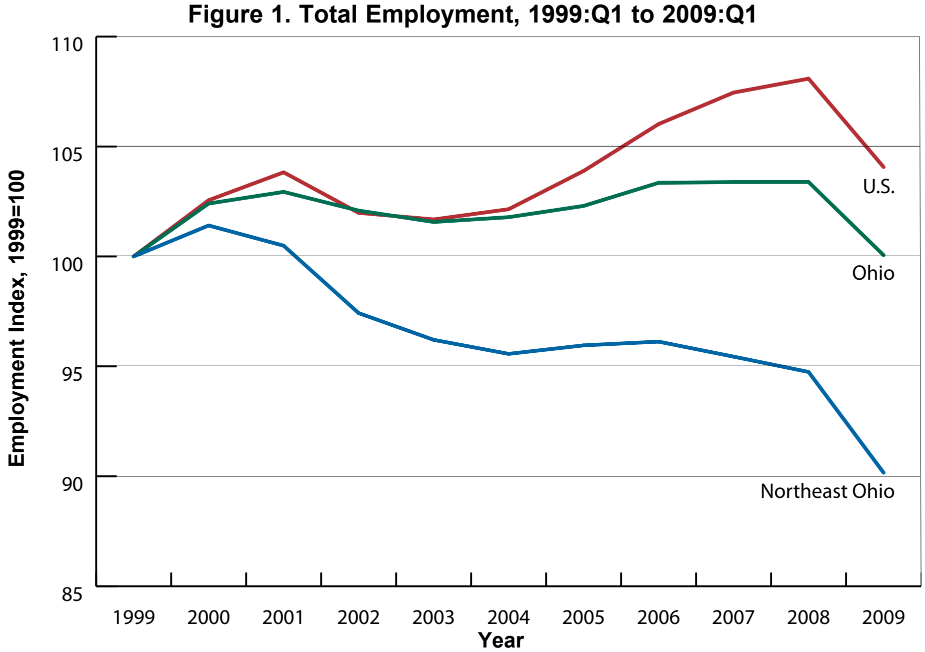
Employment Trends

10-Year Trends

Employment in Northeast Ohio grew in the late 1990s, but this growth was slower than that of Ohio and the nation. From 1999 to 2002, Northeast Ohio's employment declined by 2.6%, whereas Ohio and the nation's employment each grew by 2%.

As shown in **Figure 1**, between 1999 and 2009, employment grew in the United States and remained stable in Ohio, but declined in Northeast Ohio. Employment grew by 4.1% in the nation, remained virtually stable (growing by 0.1%) in Ohio, but declined by 9.8% in Northeast Ohio during this time period. From 1999 to 2000, employment grew in all three areas, with the nation and the state growing at faster rates than the Northeast Ohio region. The recession of the early 2000s began a year earlier and hit the Northeast Ohio region harder than the rest of the state and nation. Employment in Northeast Ohio fell for four consecutive years after it peaked in 2000; it increased slightly in 2005 and 2006 and continued to decline through 2009. Ohio and the nation's employment started to decline in 2002 and the downward employment trend lasted only through 2003. Figure 1 also shows that from 2002 to 2009, employment levels in Northeast Ohio were lower than pre-recessionary numbers in 1999. In contrast, employment in the state and nation remained the same or above 1999 levels even during the recession of the early 2000s and the beginning of the most recent recession. All three regions lost employment during the last year as a result of the latest recession.

Figure 1. Total Employment, 1999:Q1 to 2009:Q1



Source: Quarterly Census of Employment and Wages (ES202)

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Table 1. Employment Change by Major Industry Sector, 2007:Q1 to 2009:Q1

	Northeast Ohio		Ohio	U.S.
	2009 Employment	Percent Change, 2007-2009		
Health Care and Social Assistance	302,864	4.1	3.9	5.2
Manufacturing	249,721	-14.8	-4.5	-11.3
Retail Trade	201,520	-5.4	-6.1	-4.9
Educational Services	157,177	0.6	0.7	2.8
Accommodation and Food Services	137,580	-6.4	-5.0	-1.2
Administrative and Support Services	95,985	-11.4	-11.7	-12.5
Professional, Scientific, and Technical Services	83,018	-3.3	-0.6	1.3
Wholesale Trade	82,511	-7.4	-4.2	-4.2
Public Administration	73,703	0.4	-0.5	2.5
Finance and Insurance	72,149	-9.8	-6.3	-5.2
Transportation and Warehousing	62,764	-8.8	-8.2	-3.7
Construction	60,340	-15.6	-14.8	-16.7
Other Services (except Public Administration)	56,001	-5.0	-5.1	-0.2
Management of Companies and Enterprises	40,635	2.3	1.6	3.3
Information	33,659	-5.1	-4.5	-4.3
Real Estate and Rental and Leasing	23,048	-5.5	-7.8	-6.7
Arts, Entertainment, and Recreation	21,784	-6.7	-6.2	0.3
Utilities	11,301	5.7	4.5	2.1
Agriculture, Forestry, Fishing and Hunting	3,227	-2.9	0.6	-1.3
Mining	2,603	0.9	3.0	7.1
TOTAL	1,772,102	-5.5	-3.2	-3.2

The total number of employees is greater than the summation of the categories above due to some unclassified employees. Source: Quarterly Census of Employment and Wages (ES202)

Several sectors lost jobs in Northeast Ohio in the last 2 years. Three of these experienced double-digit declines in Northeast Ohio: *Manufacturing, Administrative and Support Services,* and *Construction*. The *Manufacturing* sector, which is still a major employer, saw a considerably higher decline in employment in Northeast Ohio (-14.8%) when compared to the nation (-11.3%) and most notably when compared to the state, which declined at less than one third the rate of Northeast Ohio (-4.5%). The rate of Northeast Ohio's employment loss in the *Retail Trade* and *Construction* sectors was in between that for the state and the nation.

Despite overall employment losses, five sectors weathered the recessionary storm and added approximately 14,700 new jobs in Northeast Ohio.

Five sectors weathered the recessionary storm and added approximately 14,700 new jobs in Northeast Ohio **(Figure 2)**. The *Health Care and Social Assistance* sector added the highest number of jobs from 2007 to 2009, increasing by more than 11,800 new jobs in Northeast Ohio. It was followed by the *Educational Services* sector with approximately 1,000 new jobs. Within the *Health Care and Social Assistance* sector, the Social Assistance industry had the fastest growth rate at 7.6%, adding approximately 2,100 jobs in this time period, whereas Hospitals grew at 4.3% adding more than 4,000 jobs.

2-Year Trends

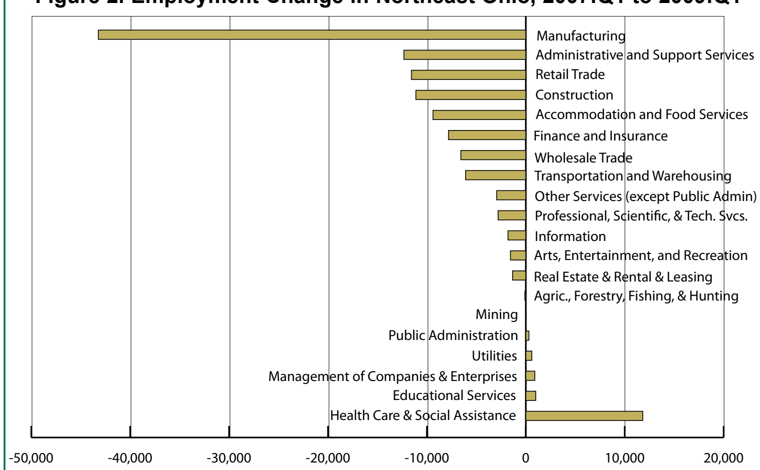
Employment trends in Northeast Ohio have continued to decline from 2007 to 2009 primarily because of declines in the second year. The nation's employment, on the other hand, grew in the first year but declined in the second year. Over the 2-year period, the rate of job loss in Northeast Ohio has been 2.3 percentage points higher than Ohio and the United States **(Table 1)**.

For the second year in a row, *Health Care and Social Assistance* is the largest sector in Northeast Ohio followed by *Manufacturing*. Moreover, the gap between the two sectors increased; while they were similar in size in 2008, the *Health Care* sector was more than 20% larger than the *Manufacturing* sector in 2009. The *Health Care* sector accounted for 17.1% of total employment in Northeast Ohio, while *Manufacturing* accounted for 14.1%.

Table 1 shows that the *Heath Care and Social Assistance* sector continues to grow across the region, state, and nation with Northeast Ohio growing faster than the state but slower than the nation. The *Educational Services* sector, with 8.9% of Northeast Ohio's total employment, was the second largest employer; it showed a slight increase in jobs during the 2-year period. Other sectors that grew in Northeast Ohio include the *Utilities* sector, which grew at the fastest rate (5.7%), *Management of Companies and Enterprises* (2.3%), *Mining* (0.9%), and *Public Administration* (0.4%).

For the second year in a row, *Health Care and Social Assistance* is the largest sector in Northeast Ohio followed by *Manufacturing*.

Figure 2. Employment Change in Northeast Ohio, 2007:Q1 to 2009:Q1

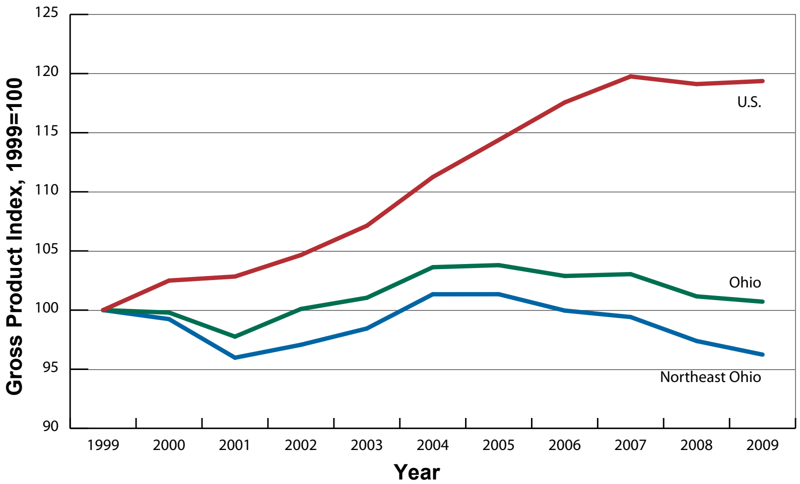


Source: Quarterly Census of Employment and Wages (ES202)

The recession resulted in employment loss in several sectors in Northeast Ohio during the last 2 years (2007 to 2009). The *Manufacturing* sector lost approximately 43,200 jobs, a higher loss than the next three sectors combined; *Administrative and Support Services, Retail Trade*, and *Construction* which together lost 35,000 jobs with each sector losing more than 11,000 jobs (Figure 2). Ten additional sectors lost employment during the 2-year period. These losses in employment reflect the recent recession and the restructuring of the automotive industry. The losses in the *Manufacturing* sector were predominantly in three industries: Fabricated Metal Product and Transportation Equipment, each of which lost more than 11,000 jobs, and Primary Metal Manufacturing, which lost 7,785 jobs (not shown on graph). Within the *Construction* sector, Specialty Trade Contractors lost more than 10,000 jobs (the highest number of lost jobs in this sector). Motor Vehicle and Parts Dealers and Miscellaneous Store Retailers were the hardest hit industries in the *Retail Trade* sector.

Gross Product

Figure 3. Gross Product, 1999 to 2009*



*Adjusted for inflation (2009 dollars)
2009 values are estimated. Source: Moody's Economy.com

Gross Product is a measure of value-added output produced in a region. Northeast Ohio's gross product was $168.4 billion in 2009. It started to decline in the early 2000s, picked up in 2004 to 2005 and declined again from 2006 onward **(Figure 3)**. By 2009 the gross product was 3.8% lower than in 1999. Gross product for Ohio followed a similar trend as Northeast Ohio; it however, experienced a minimal growth rate of less than 1% between 1999 and 2009. The United States showed a different pattern in gross product growth. The national gross product grew steadily from 1999 to 2007, but started to decline thereafter. Despite the recent decline over the past 2 years, U.S. gross product grew by 19.4% between 1999 and 2009.

Declines in employment in Northeast Ohio have been accompanied by declines in gross product over the 10-year period. However, the rate of decline in gross product (-3.8%) was less than half the rate of decline in employment (-9.8%), suggesting increased productivity. Ohio's employment remained steady over this time period but experienced a small increase in gross product. Only the nation grew in both employment and gross product with employment growing at a significantly slower rate (4.1%) than gross product (19.4%) during the 1999 to 2009 period, also suggesting increased productivity.

The rate of decline in gross product (-3.8%) in Northeast Ohio was less than half the rate of decline in employment (-9.8%), suggesting increased productivity.

Over the short term (2007 to 2009), gross product declined across the board as a result of the most recent severe recession **(Table 2)**. Moreover, Northeast Ohio's output declined faster than the state and nation; the loss in Northeast Ohio was 10 times faster than the nation and 1.4 times faster than Ohio. Nine sectors, however, experienced increasing output over the 2-year period. *Utilities* and *Public Administration* grew the fastest with the *Utilities* sector's output growing faster than the output of Ohio and the United States. Two other sectors experienced relatively high output growth rates: the *Health Care and Social Assistance* sector which grew faster in Northeast Ohio than in Ohio and the *Educational Services* sector. The *Pubic Administration* sector added the highest amount of gross product ($2.1 billion) followed by the *Health Care and Social Assistance* sector ($1.3 billion).

Table 2. Gross Product Change by Major Industry Sector, 2007 to 2009

Major Economic Sector (NAICS)	Northeast Ohio 2009 Gross Product ($Million)	Northeast Ohio Percent Change 2007-2009*	Ohio Percent Change 2007-2009*	U.S. Percent Change 2007-2009*
Manufacturing	$29,420	-12.8	-10.0	-7.1
Public Administration	20,334	11.3	11.3	12.3
Real Estate and Rental and Leasing	18,186	0.6	-4.9	-0.1
Health Care and Social Assistance	16,217	9.0	8.2	10.2
Wholesale Trade	12,679	1.0	4.2	-4.4
Finance and Insurance	11,634	-14.7	-12.9	-9.0
Retail Trade	10,322	-10.9	-8.5	-6.0
Professional, Scientific, and Technical Services	9,613	3.9	4.6	7.2
Management of Companies and Enterprises	5,254	-1.3	1.7	-1.3
Administrative and Support Services	4,789	-9.4	-7.6	-5.6
Construction	4,568	-25.2	-24.7	-21.5
Transportation and Warehousing	4,352	-9.9	-7.2	-6.6
Information	4,267	-2.9	1.6	2.8
Utilities	4,088	21.2	19.7	13.9
Other Services (except Public Administration)	3,787	-0.6	-1.1	3.1
Accommodation and Food Services	3,738	-1.1	0.4	2.8
Educational Services	1,708	9.5	10.3	11.6
Arts, Entertainment, and Recreation	1,506	3.4	2.1	0.4
Agriculture, Forestry, Fishing and Hunting	1,123	0.0	3.2	-10.5
Mining	621	-20.5	-17.6	-2.3
Total	$168,442	-3.2	-2.3	-0.3

* 2007 values were adjusted for inflation. 2009 values are estimated.

Gross product measures value added output. Total gross product is greater than the summation of the categories above due to some omitted categories. Source: Moody's Economy.com

All other sectors experienced declines in output. The highest rates of decline in gross product were experienced by *Construction, Mining,* and *Finance and Insurance*. These sectors also lost gross product in Ohio and the United States. The *Manufacturing* sector, with $29.4 billion in output in 2009, declined at a considerably faster rate (-12.8%) when compared to the state (-10%) and nation (-7.1%). Four sectors grew in both employment and gross product: *Utilities, Health Care and Social Assistance, Educational Services,* and *Public Administration*; output outgrew employment in the four sectors. Despite a decrease in output of $4.3 billion in the last 2 years, *Manufacturing* remains the sector with the largest output accounting for 17.5% of total output in Northeast Ohio in 2009. The share of *Manufacturing* in Northeast Ohio's total output has declined from 20.3% in 2007 to 17.5% in 2009. Three other sectors–*Finance and Insurance, Construction,* and *Retail Trade*–each lost more than $1.3 billion in output. The decline in employment and gross product reflects the recent downturn in the national and regional economies in the United States.

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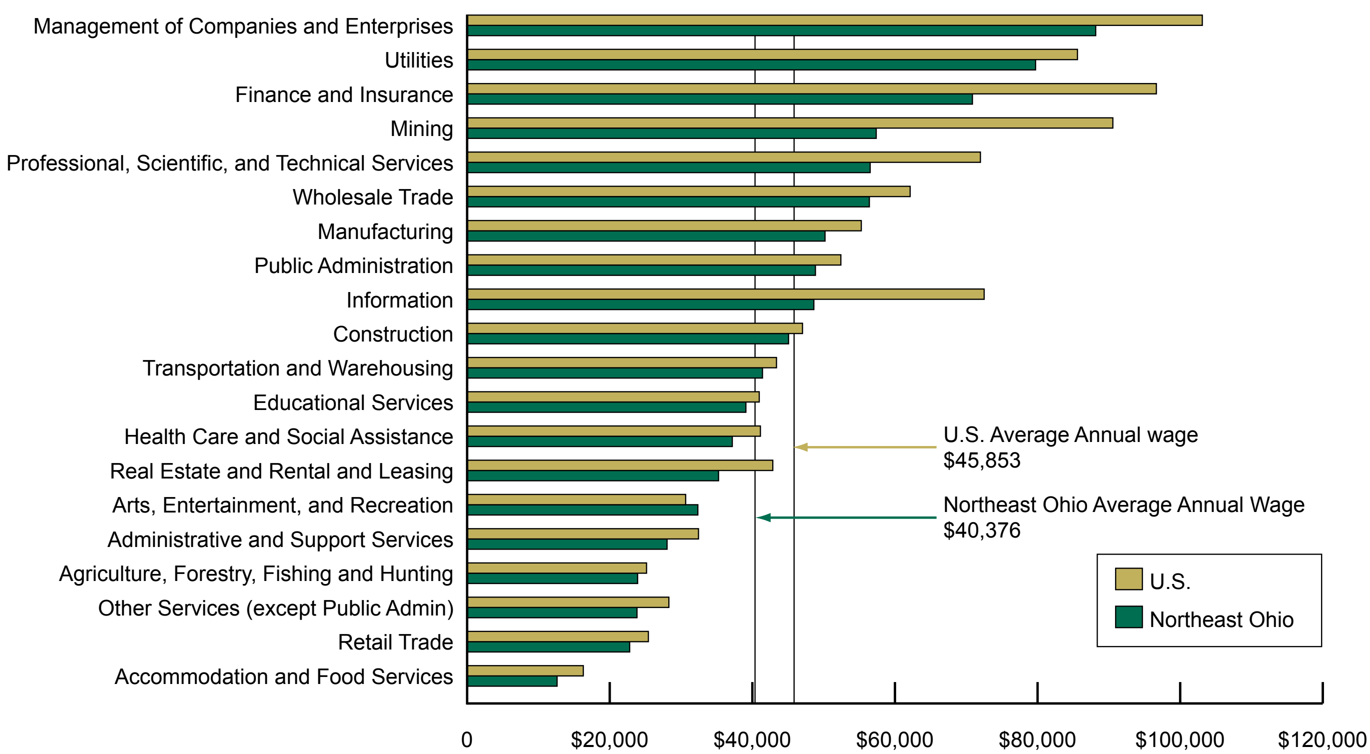
Average Wages

In 2009, Northeast Ohio's average annual wage was $40,376, 12% lower than that of the nation **(Figure 4)**. The cost of living in Northeast Ohio is lower than the national average, which may help explain the lower average annual wage in Northeast Ohio. For instance, the cost of living index for 2008 for the Cleveland-Elyria-Mentor MSA was 86.97 compared to 100 for the United States. The cost of living in the other metro areas and counties in Northeast Ohio was even lower than in the Cleveland MSA. The average annual wage in Northeast Ohio was higher than that of the nation in the *Arts, Entertainment, and Recreation* sector only; it was lower than national levels in all remaining sectors. *Management of Companies and Enterprises* had the highest average annual wage in both the United States ($103,103) and Northeast Ohio ($88,152). Other high-paying sectors in Northeast Ohio include *Utilities* ($79,722) and *Finance and Insurance* ($70,865). These three top-paying sectors are, however, small sectors in terms of employment in Northeast Ohio. Of the five largest sectors in Northeast Ohio with more than 100,000 employees in 2009, only one, the *Manufacturing* sector, pays wages ($55,277) that are higher than the average annual wage in Northeast Ohio. The other sectors, *Health Care and Social Assistance, Retail Trade, Educational Services,* and *Accommodation and Food Services*, pay average annual wages lower than $40,000.

High-paying sectors in 2009 that showed increased employment from 2007 to 2009 include *Management of Companies and Enterprises* (which grew in employment by 2.3%), *Utilities* (5.7%), *Mining* (0.9%), and *Public Administration* (0.4%).

Figure 4. Average Annual Wage, 2009:Q1



Source: Quarterly Census of Employment and Wages (ES202)

Sub-Regional Employment Trends

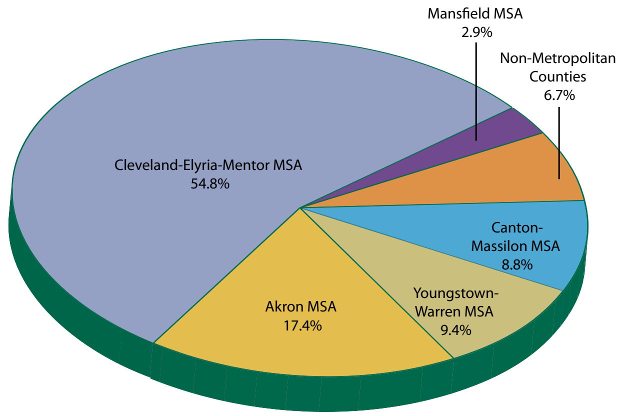
The Cleveland-Elyria-Mentor MSA continues to account for more than half of total employment in the Northeast Ohio region, accounting for 54.8% of jobs in 2009 **(Figure 5)**. In comparison to 2 years earlier, the Cleveland and Canton-Massillon MSAs remained the same. While the share of the Akron MSA increased slightly, the shares of Youngstown-Warren and Mansfield MSAs declined slightly.

Table 3. Total Employment by Region and County, 2007:Q1 to 2009:Q1

Area	2007:Q1	2009:Q1	Change	% Change
U.S.	**133,311,681**	**129,111,722**	**-4,199,959**	**-3.2**
Ohio	**4,201,707**	**4,066,616**	**-135,091**	**-3.2**
Northeast Ohio	**1,875,800**	**1,772,102**	**-103,698**	**-5.5**
Akron MSA	**321,167**	**308,135**	**-13,032**	**-4.1**
Portage	51,980	49,362	-2,618	-5.0
Summit	269,188	258,773	-10,415	-3.9
Canton-Massillon MSA	**165,471**	**156,588**	**-8,883**	**-5.4**
Carroll	6,026	5,373	-653	-10.8
Stark	159,445	151,215	-8,229	-5.2
Cleveland-Elyria-Mentor MSA	**1,027,110**	**971,883**	**-55,227**	**-5.4**
Cuyahoga	736,852	697,255	-39,597	-5.4
Geauga	33,303	31,465	-1,838	-5.5
Lake	98,507	94,548	-3,958	-4.0
Lorain	99,222	92,508	-6,714	-6.8
Medina	59,226	56,107	-3,119	-5.3
Mansfield MSA	**56,005**	**51,657**	**-4,348**	**-7.8**
Richland	56,005	51,657	-4,348	-7.8
Youngstown-Warren MSA	**180,854**	**165,844**	**-15,010**	**-8.3**
Mahoning	101,388	96,503	-4,885	-4.8
Trumbull	79,466	69,341	-10,125	-12.7
Non-Metropolitan Counties	**125,194**	**117,995**	**-7,199**	**-5.7**
Ashland	18,006	16,988	-1,018	-5.7
Ashtabula	31,631	29,197	-2,434	-7.7
Columbiana	30,994	29,086	-1,908	-6.2
Wayne	44,562	42,724	-1,839	-4.1

Source: Quarterly Census of Employment and Wages (ES202)

Figure 5. Employment Share by Sub-Region



Source: Quarterly Census of Employment and Wages (ES202)

All metropolitan areas in Northeast Ohio lost jobs from 2007 to 2009. The smaller metropolitan areas were hit harder than the larger ones; the Youngstown and Mansfield MSAs declined at the fastest rates at 8.3% and 7.8%, respectively **(Table 3)**. Most of the decline in the Youngstown MSA occurred in Trumbull County. The Akron MSA had the lowest rate of decline at 4.1% accounting for the loss of 13,000 jobs. In the Cleveland MSA, although Lorain County declined at the fastest rate (-6.8%), Cuyahoga County lost the largest number of jobs declining by 39,600 jobs during the recent 2-year period. Of the 135,090 jobs lost in Ohio, 76.8% were in Northeast Ohio.

Of the job losses in Ohio between 2007 and 2009, nearly 77% were in Northeast Ohio.

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Economic Restructuring in Northeast Ohio Continues

Northeast Ohio was hit hard by the recent recession. As a result, the region lost many jobs in all metropolitan areas and counties. Many sectors lost jobs in the last 2 years; a few sectors, however, increased in employment including *Health Care and Social Assistance*, the largest sector in terms of employment, *Educational Services,* and *Management of Companies and Enterprises*. Likewise, the region suffered in terms of output with overall output declining over the 10-year and 2-year periods. Nine sectors, however, added gross product; the greatest increases were made by the *Public Administration and Health Care and Social Assistance sectors*. In order to continue to revitalize the Northeast Ohio economy, policy makers need to continue to focus on increasing overall employment and growing the high-wage sectors and high-tech manufacturing sector. In addition, for long-term economic growth, the region needs to continue to focus on initiatives that promote innovation and entrepreneurship.

The Heath Care and Social Assistance sector continues to grow across the region, state, and nation adding more than 11,800 jobs in Northeast Ohio; it grew faster than the state but slower than the nation.

This brief will be updated with data for the first quarter of 2010 as they become available. Please share your comments with Dr. Ziona Austrian: z.austrian@csuohio.edu. An electronic version of this brief (in PDF format) is available via Cleveland State University's Center for Economic Development website: http://urban.csuohio.edu/economicdevelopment.