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Northeast Ohio Economic Brief

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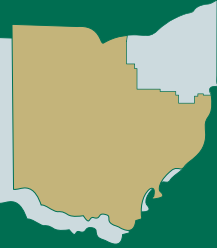
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Northeast Ohio Employment and Wage Trends

ECONOMIC BRIEF

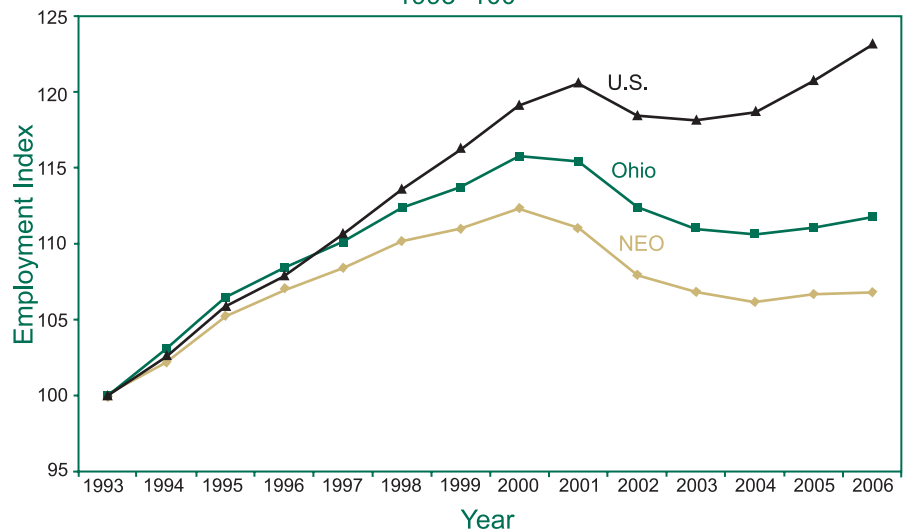


This brief is the third release of a publication that provides a broad overview of employment and wage trends for Northeast Ohio (NEO). It updates the second brief with data for the first quarter of 2006. Its objective is to provide a quick, current, and informative report on the region's jobs and wages. NEO is defined as a 14-county area composed of four metro areas—Cleveland, Akron, Canton, and Youngstown—and three non-metropolitan counties (Ashtabula, Columbiana, and Wayne). This brief begins with longer-term analysis from 1993 to 2006, followed by short-term trends from the first quarter of 2004 through the first quarter of 2006, when NEO started to recover from the recession. The trend from 2005 to 2006 is also noted.

Figure 1 shows that employment trends for NEO, Ohio, and the U.S. have been similar since 1993, but NEO and Ohio employment growth has been consistently below that of the U.S. except from 1993 to 1996 when Ohio's employment growth was higher than the nation's. Long-term trends reveal NEO's employment has always grown at a slower rate compared to Ohio. From 1993 to 2006, NEO's employment grew at a modest rate of 6.8 percent compared to higher growth rates in Ohio (11.7%) and the U.S. (23.1%). During the latest business cycle, employment levels started to decline in 2001 for NEO and Ohio, and in 2002 for the U.S. As the U.S. recovered from the recent recession, NEO and Ohio still lagged behind. Furthermore, NEO and Ohio's slow recovery started a year later than that of the U.S. As NEO and Ohio struggle to regain 2000 employment levels, the U.S. has not only reached its 2001 peak level but has surpassed it by 2.7 percent. Although NEO's employment is increasing, it still has a long way to go. Between 2005 and 2006, NEO's employment growth (0.1%) seemed to taper off.

From 1993 to 2006, NEO's employment grew at a modest rate of 6.8 percent compared to higher growth rates in Ohio (11.7%) and the U.S. (23.1%).

Figure 1: NEO Total Employment Index, Q1 1993 - Q1 2006
1993=100



Source: Quarterly Census of Employment and Wages (ES202)

UUP

The Ohio Urban University Program



U.S. Economic
Development Administration

Cleveland State University
Presidential Initiative for
Economic Development

Northeast Ohio
Research Consortium
(NEORC)

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The brief is produced by the Center for Economic Development at Cleveland State University's Maxine Goodman Levin College of Urban Affairs. To contact the Center for Economic Development, call (216) 687-6947.



Although there were shifts in the employment composition of several industries in NEO, total employment in the region remained almost stagnant between the first quarter of 2004 and the first quarter of 2006 (Table 1). NEO's employment grew at 0.6 percent (11,150 jobs) compared to growth rates of one percent (53,450 jobs) in Ohio and nearly four percent (4,777,150 jobs) in the U.S. From 2005 to 2006, NEO continued with a weaker overall performance compared to the previous year.

The Manufacturing sector, with nearly 285,800 employees, remained the largest industry in NEO followed closely by the Health Care and Social Assistance and Retail Trade sectors. Between the first quarter in 2004 and the first quarter in 2006, 12 industries in NEO lost jobs compared to nine in Ohio and three in the U.S. In all three regions, the Manufacturing, Information, and Utilities sectors lost jobs. For these three sectors, NEO's rates of decline were higher than that of the nation. The widening gap between NEO and the nation is also due to the fact that as NEO lost jobs in nine other sectors, the U.S. increased employment in those sectors. The main sectors contributing to this gap are Retail Trade, Educational Services, Finance and Insurance, and Construction. NEO fared worse than Ohio in 14 sectors.

In NEO, Administrative and Support Services grew at the fastest rate (9.2%) followed by Professional, Scientific and Technical Services (6.5%) and Health Care and Social Assistance (3.5%). NEO grew faster than the state but slower than the U.S. in the Professional, Scientific, and Technical Services sector, an important sector in a region seeking to transition to a technology-based economy.

Between 2005 and 2006, nine sectors in NEO accelerated their job growth compared to the previous year. Important sectors that moved from a negative to a positive growth rate within this time period include Educational Services, Information, and Management of Companies and Enterprises.

Figure 2 shows the changes in employment in NEO's major industrial sectors from the first quarter of 2004 to the first quarter of 2006. Six sectors added more than 1,000 jobs each over the two-year period. The three sectors that added the highest number of jobs were Health Care and Social Assistance (9,200 jobs), Administrative and Support Services (8,500), and Professional, Scientific, and Technical Services (4,900). The Manufacturing and Retail Trade sectors lost the highest number of jobs with each losing more than 3,000 jobs. The rate of decline in the Manufacturing sector has slowed over the last two years.

Only seven sectors lost jobs in NEO from 2005 to 2006 compared to 12 from 2004 to 2005.

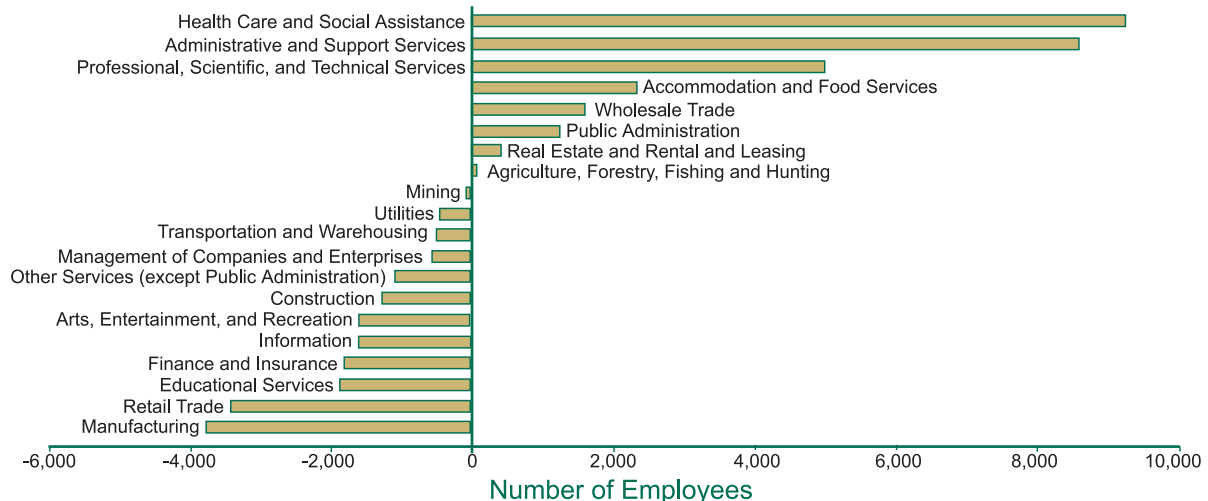
Table 1: NEO Employment Growth/Decline Rates Compared to Ohio and the U.S., Q1 2004 - Q1 2006

Major Economic Sector (NAICS)	NEO		Ohio	U.S.
	# of Employees, 2006	Percent Change, 2004-2006		
Manufacturing	285,793	-1.3	-2.0	-0.5
Health Care and Social Assistance	271,577	3.5	4.3	4.5
Retail Trade	206,110	-1.6	-1.3	2.5
Educational Services	156,090	-1.2	0.0	2.7
Accommodation and Food Services	140,826	1.7	2.3	5.2
Administrative and Support Services	102,472	9.2	4.8	7.4
Wholesale Trade	85,721	1.9	2.4	4.3
Finance and Insurance	83,260	-2.1	0.0	3.4
Professional, Scientific, and Technical Services	81,769	6.5	5.2	8.7
Construction	70,454	-1.7	0.3	11.9
Public Administration	69,435	1.8	0.5	1.3
Transportation and Warehousing	65,396	-0.7	5.3	3.5
Other Services (except Public Administration)	58,177	-1.8	-0.5	1.5
Management of Companies and Enterprises	36,830	-1.4	-0.1	5.1
Information	34,952	-4.4	-3.6	-2.4
Real Estate and Rental and Leasing	24,222	1.8	0.5	4.0
Arts, Entertainment, and Recreation	22,450	-6.6	-4.2	3.0
Utilities	10,293	-4.0	-1.8	-2.4
Agriculture, Forestry, Fishing, and Hunting	3,418	1.9	-0.5	1.1
Mining	2,389	-2.5	-2.2	17.0
TOTAL	1,812,432	0.6	1.0	3.8

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)

Employment in NEO grew faster than the state but slower than the U.S. in the Professional, Scientific, and Technical Services sector, an important sector in a region seeking to transition to a technology-based economy.

Figure 2: NEO Employment Change by Major NAICS Sectors, Q1 2004 - Q1 2006



Source: Quarterly Census of Employment and Wages (ES202)

NEO and Ohio industries followed a similar trend: all industries with increased gross product in NEO also had increased gross product in Ohio (**Table 2**). The same is true for industries that experienced a decrease in gross product, with the exception of the Educational Services sector, which decreased by 0.7 percent in NEO but increased by 5.1 percent in Ohio. From 2004 to 2006, gross product declined in eight sectors in NEO, seven sectors in Ohio, and only one sector in the nation; thus it is not surprising that NEO's 1.4 percent increase in gross product is lower than that of Ohio (2.1%) and considerably lower than that of the U.S. (5.9%). However, NEO grew faster than the U.S. in several sectors, including Finance and Insurance; Professional, Scientific, and Technical Services; Information; and Transportation and Warehousing. In contrast, seven sectors in the U.S. (including Manufacturing, Retail Trade, and Educational Services) that had considerable increases in gross product experienced declines in NEO. The fastest growing sectors in NEO with at least \$4 billion in gross product were Transportation and Warehousing (16%), Professional, Scientific, and Technical Services (10%), and Information (8%).

Several sectors in NEO increased their gross product but lost employment from 2004 to 2006, suggesting increased productivity in these industries. Four sectors that lost more than 1,000 workers but increased their gross product are Finance and Insurance; Information; Arts, Entertainment and Recreation; and Other Services. The Manufacturing sector, with nearly \$31 billion in gross product, accounted for 19.1 percent of NEO's total gross product despite a 1.7 percent decrease. The three largest contributors to NEO's 2006 gross product of \$161 billion were Manufacturing (19.1%), Real Estate and Rental and Leasing (11.1%), and Public Administration (9.9%). These three industries are also the largest three in Ohio and the U.S.

NEO's gross product grew faster than the nation in Finance and Insurance; Professional, Scientific, and Technical Services; Information; and Transportation and Warehousing.

Table 2: NEO Gross Metropolitan Product Growth/Decline Rates Compared to Ohio and the U.S. 2004–2006

Major Economic Sector (NAICS)	NEO	Ohio	U.S.	
	Gross Product (in million \$), 2006	Percent Change, 2004-2006		
Manufacturing	30,944	-1.7	-2.0	5.1
Real Estate and Rental and Leasing	18,010	-1.5	-1.5	5.5
Public Administration	15,942	-2.1	-0.1	4.5
Health Care and Social Assistance	14,002	6.9	7.5	6.2
Finance and Insurance	13,156	6.1	6.9	4.1
Retail Trade	11,070	-1.3	-0.1	5.1
Wholesale Trade	10,814	2.5	2.4	7.6
Professional, Scientific, and Technical Services	8,799	10.1	8.7	8.3
Construction	5,817	-2.5	-0.1	12.6
Management of Companies and Enterprises	4,801	4.5	4.5	6.9
Information	4,683	7.9	8.4	4.6
Administrative and Support Services	4,520	5.0	4.6	7.8
Transportation and Warehousing	4,516	16.4	15.2	4.1
Other Services (except Public Administration)	3,844	2.8	1.6	3.2
Accommodation and Food Services	3,507	4.2	4.0	5.2
Utilities	2,628	-17.7	-2.3	5.1
Educational Services	1,348	-0.7	5.1	6.6
Arts, Entertainment, and Recreation	1,252	3.1	6.5	2.6
Mining	942	14.5	17.1	35.1
Agriculture, Forestry, Fishing and Hunting	609	-29.4	-27.7	-13.6
TOTAL	161,761	1.4	2.1	5.9

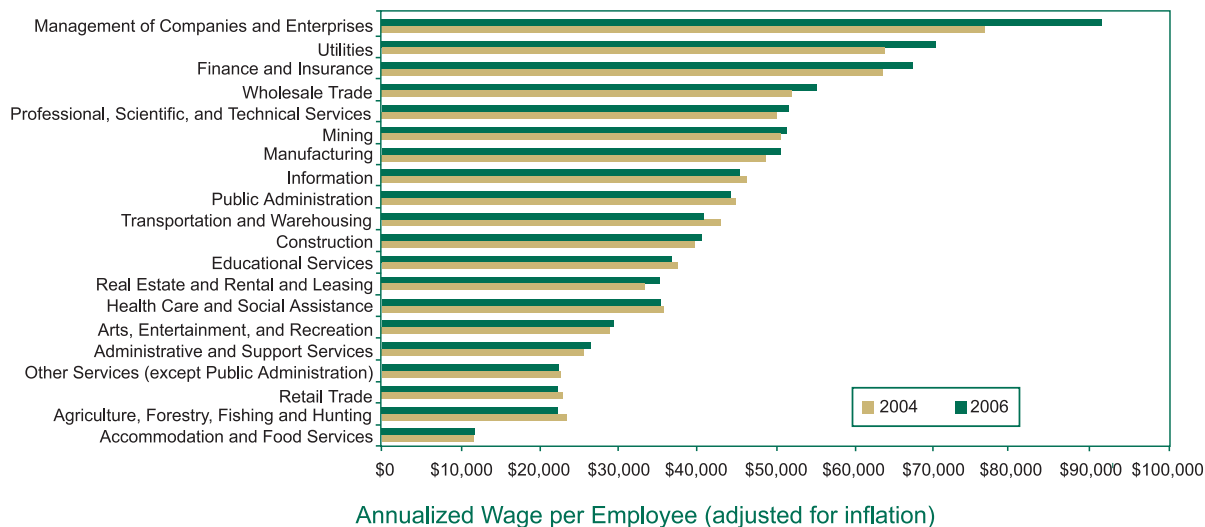
Gross product measures value added output. Total gross product is greater than the summation of the categories above due to some omitted categories. Source: Moody's Economy.com

Figure 3 illustrates average wages for the first quarter of 2004 and the first quarter of 2006 for the major industrial sectors in NEO. In 2006, the highest-paying sector was Management of Companies and Enterprises with an average wage of \$91,600 (up \$14,700 from 2004) and total employment of more than 36,800. The high wage is not surprising as employees in this sector are highly skilled and have high levels of education. The other two sectors included in the top three are Utilities (\$70,500) with nearly 10,300 employees and Finance and Insurance (\$67,500) with more than 83,000 employees.

The top three highest-paying sectors lost employment and also accounted for a small share of total employment (7.2%). Of the five lowest-paying sectors in NEO, three employed more than 100,000 workers each. Also, these five sectors had a net increase in employment of more than 6,000 employees. This is more than half of the total employment growth in NEO from 2004 to 2006. Therefore, from 2004 to 2006 more than half of the new jobs in NEO were found in low-paying sectors.

Twelve sectors increased their real average wage between 2004 and 2006, with four increasing wages by more than \$3,000 per employee. Eighteen of the 20 sectors in NEO increased their average wages from 2005 to 2006. The sectors with the highest growth rates in employment, Administrative and Support Services and Professional, Scientific, and Technical Services, pay average wages of \$26,500 and \$51,700, respectively.

Figure 3: NEO Annual Average Wage by Major NAICS Sectors, Q1 2004 and Q1 2006



Source: Quarterly Census of Employment and Wages (ES202)

This brief will be updated with data for the first quarter of 2007 as they become available. Please share your comments with **Dr. Ziona Austrian: ziona@urban.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>

Manufacturing, the largest sector, has a high average wage of \$50,600. Though the average wage increased in this sector, total employment decreased, indicating improved productivity. The next two largest sectors, in terms of employment, pay lower wages; Health Care and Social Assistance pays \$35,300 and Retail Trade pays \$22,500.

Although the region as a whole had a very small employment growth from 2004 to 2006, comparing metropolitan areas and counties in NEO reveals differences among the individual regions (**Table 3**). The Akron metro area had the highest employment growth rate (2.8%) while the Cleveland metro area had the lowest (-0.1%). The net decline in employment witnessed in the Cleveland metro area was solely due to job losses in Cuyahoga County (9,200 jobs). Between 2004 and 2006, all other counties in the Cleveland metro area experienced employment growth.

Akron had the highest employment growth rate among NEO's metro areas.

The decline in employment in the Cleveland metro area is solely due to job losses in Cuyahoga County.

Table 3: NEO Total Employment by Region and County, Q1 2004 - Q1 2006

	Q1 2004	Q1 2006	Change	% Change
Ohio	5,175,012	5,228,480	53,468	1.0
NE Ohio	1,801,264	1,812,432	11,168	0.6
Cleveland-Elyria-Mentor MSA	1,085,588	1,084,100	-1,488	-0.1
Cuyahoga	779,722	770,436	-9,286	-1.2
Geauga	35,364	37,237	1,873	5.3
Lake	103,291	105,363	2,072	2.0
Lorain	106,732	107,270	538	0.5
Medina	60,479	63,794	3,315	5.5
Akron MSA	335,371	344,804	9,433	2.8
Portage	56,923	57,784	861	1.5
Summit	278,448	287,020	8,572	3.1
Canton-Massillon MSA	179,923	180,715	792	0.4
Carroll	6,772	6,761	-11	-0.2
Stark	173,151	173,954	803	0.5
Youngstown-Warren MSA	198,081	199,154	1,073	0.5
Mahoning	110,204	111,311	1,107	1.0
Trumbull	87,877	87,843	-34	-0.0
Non-Metropolitan Counties	124,097	125,050	953	0.8
Ashtabula	36,306	36,656	350	1.0
Columbiana	35,354	35,165	-189	-0.5
Wayne	52,437	53,229	792	1.5

Source: Quarterly Census of Employment and Wages (ES202)

Both counties in the Akron metro area added jobs from 2004 to 2006. The Canton and Youngstown metro areas had a similar percentage increase in total employment. In the Canton area, the job growth occurred in Stark County, and Mahoning County was the source of growth in the Youngstown area. In the non-metropolitan counties, employment growth was less than one percent. Between 2005 and 2006, growth rates increased for the Cleveland metro area (0.03%) and decreased for Canton (-0.05%) and Youngstown (-0.04%).

As a region, NEO continued to lag behind the state and nation in employment growth. Total employment did not change significantly in NEO from 2004 to 2006, however, several sectors saw an increase in employment, wages, gross product, or productivity. Moreover, during the same time period, four sectors in NEO gained in all three measures of employment, wages, and gross product: Professional, Scientific, and Technical Services; Accommodation and Food Services; Administrative and Support Services; and Wholesale Trade.