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The Future is Now: Akron's Dynamic and Inclusive Economy

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THE FUTURE IS NOW

AKRON'S DYNAMIC AND INCLUSIVE ECONOMY

CLEVELAND STATE UNIVERSITY
CENTER FOR ECONOMIC DEVELOPMENT

July 24, 2019 | Akron, Ohio
Dr. Iryna V. Lendel



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College of Urban Affairs

THE GEORGE GUND FOUNDATION

INTRODUCTION

- The economic trends in Northeast Ohio (NEO) over the last 20 years are typical of the Midwest region, with a positive increase in output outpaced by the state of Ohio, and the United States
- The double recessions of 2001 and 2007-2009 show a deeper output decline in NEO than in comparable Midwest regions and the United States
- Traditionally, industries with high regional specialization that have a competitive advantage and drive regional economies are called *economic base industries*
- *Groups of Regional Industry Drivers* (GRIDs) are part of the economic base of a region



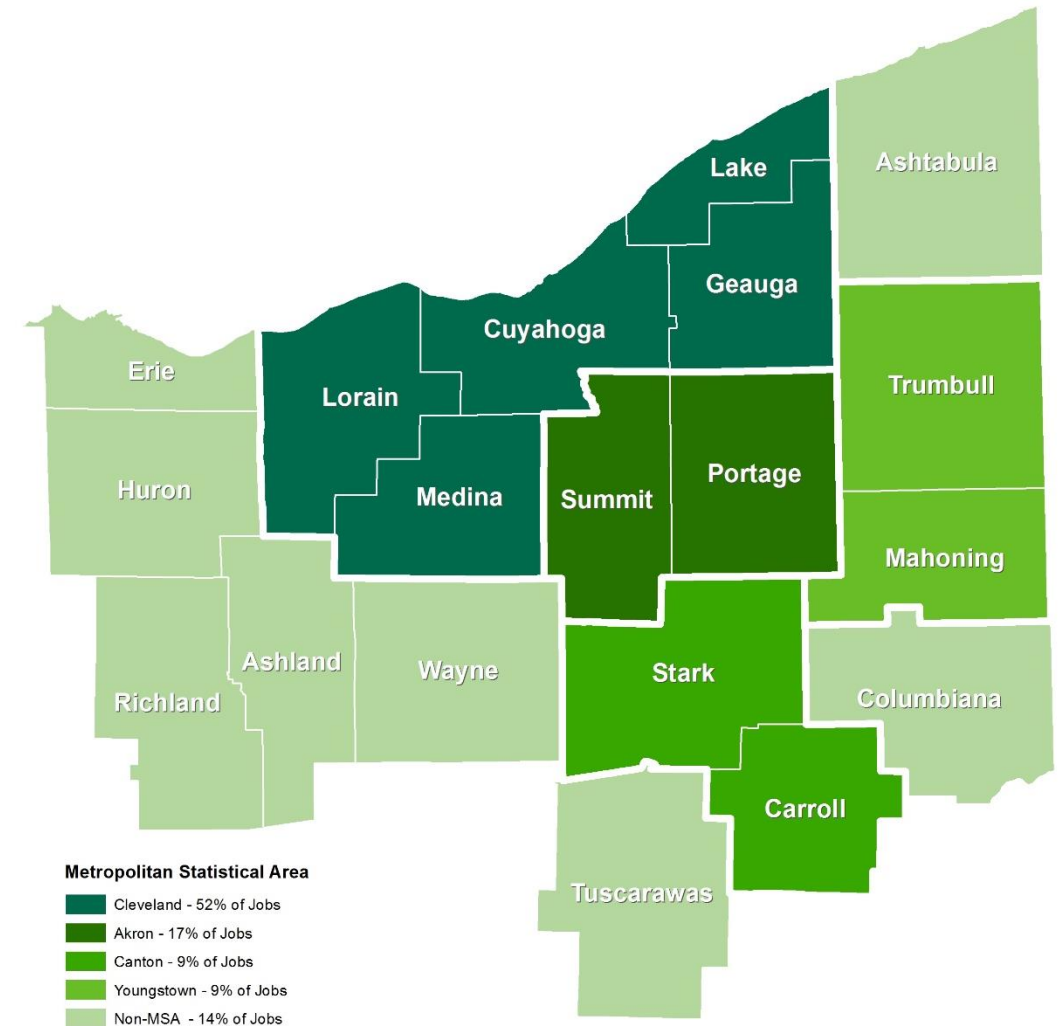
EMPLOYMENT AND OUTPUT TRENDS IN NEO

NORTHEAST OHIO MSAs

- The 18-county Northeast Ohio labor market is composed of four metropolitan areas (MSAs) and eight non-MSA counties

	2017 Employment		2017 Output	
	Jobs	% of NEO	Output	% of NEO
Cleveland MSA	1,069,941	52%	\$136.9B	59%
Akron MSA	344,321	17%	\$36.7B	16%
Non-MSA Counties	285,532	14%	\$27.3B	12%
Canton MSA	176,893	9%	\$16.4B	7%
Youngstown MSA	174,603	9%	\$16.4B	7%
NEO 18-Counties*	2,051,290	100%	\$233.7B	100%

Source: Moody's Analytics

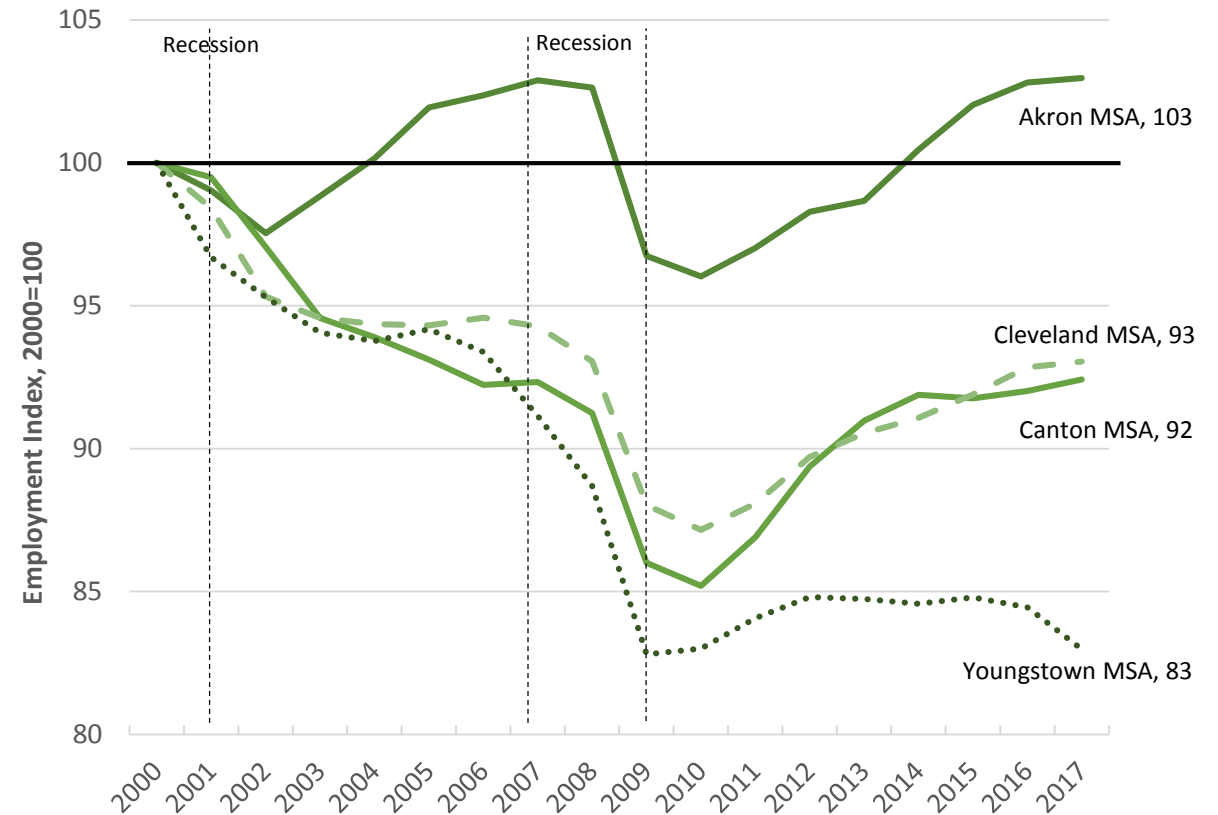


*Note: Carroll County is not included in JobsOhio's 18-county NEO definition, but is included in the Canton-Massillon MSA, and therefore used in Canton-Massillon MSA's calculations in this study.



NEO MSAs EMPLOYMENT TRENDS

- Employment trends for all four NEO MSAs show a picture of deep employment losses stemming from the last two recessions (2001 and 2007-2009)
- These recessions brought structural changes to the manufacturing sector, which is a significant employer in all MSAs, by slashing jobs while keeping output high increased the sector's productivity
- The Akron MSA is the only metro area in NEO that recovered back to 2008 employment levels – even experiencing a 3% growth since 2013

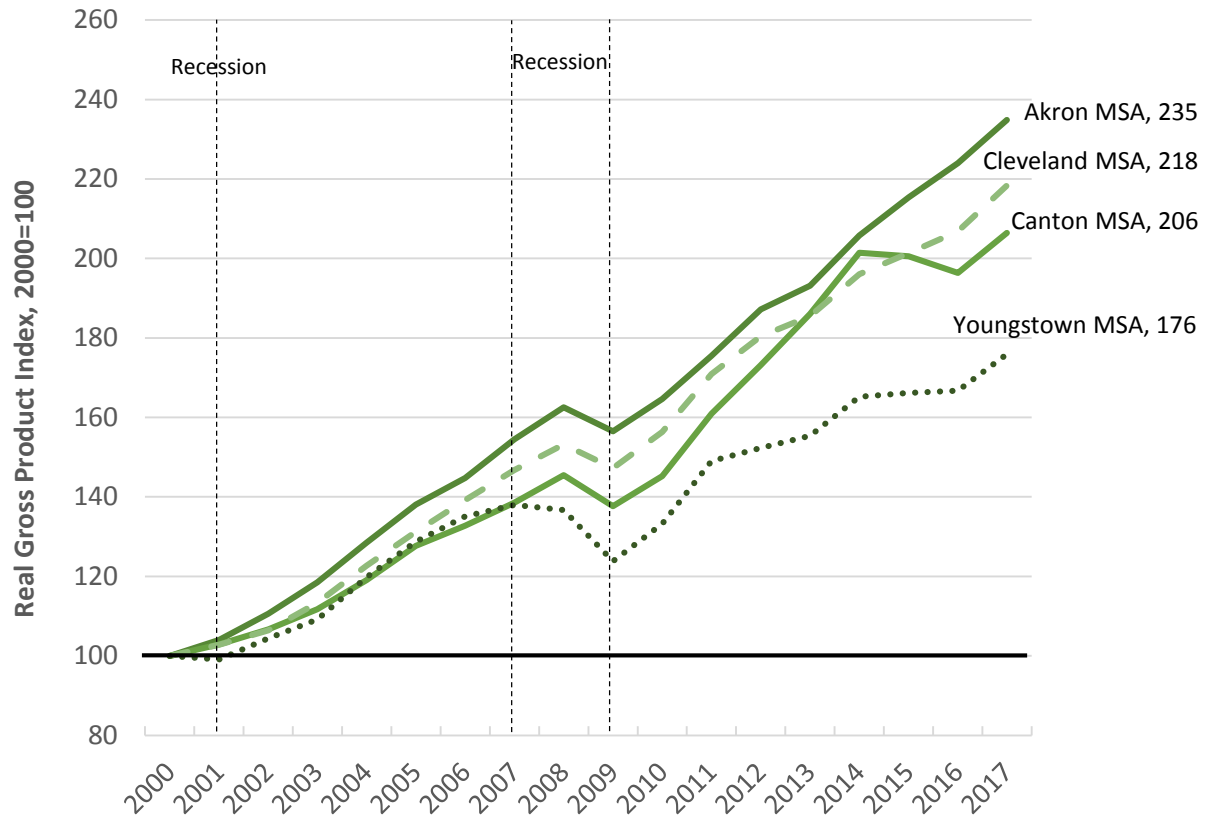


Source: Moody's Analytics



NEO MSAs OUTPUT TRENDS

- Despite considerable job losses, real output of NEO MSAs have shown an upward trend since 2000
- Output dove in 2008 due to the Great Recession but recovered relatively quickly within two years of the Recession's onset
- Although output growth in the Youngstown MSA was positive, it remained significantly behind other metropolitan areas in NEO



Source: Moody's Analytics



GROWING REGIONAL INDUSTRY DRIVERS (GRIDs)

DATA AND METHODOLOGY

- Using the wealth-creation variables of industries, we conducted statistical analyses to form, identify, and analyze the characteristics of industry groups to discern GRIDs
- Variables used in the model examined:
 - **competitiveness** of industries (change in wages, output, and productivity)
 - **importance to the regional economy** (share and concentration of output, wages, and employment in the regional economy)
 - **regional competitive advantage** (local competitiveness component of a shift-share analysis using output and employment)
- Variables are measured by the levels in 2017 or changes over the five-year period (2013 to 2017)



GROWING REGIONAL INDUSTRY DRIVERS (GRIDs)

- *Groups of Regional Industry Drivers* (GRIDs) are groups of industries with strong or increasing regional specialization and competitiveness, and growing output and productivity
- Some GRIDs combine labor intensive service industries and some are capital intensive and do not employ many people
- However, these industries contribute to the regional economy by paying high wages and creating jobs in companies of their supply chain
- The capital-intensive industries fuel population-serving industries due to people having higher disposable income
- Region of study – 18-County Northeast Ohio region



NEO GRIDS: GROUPS OF REGIONAL INDUSTRIAL DRIVERS

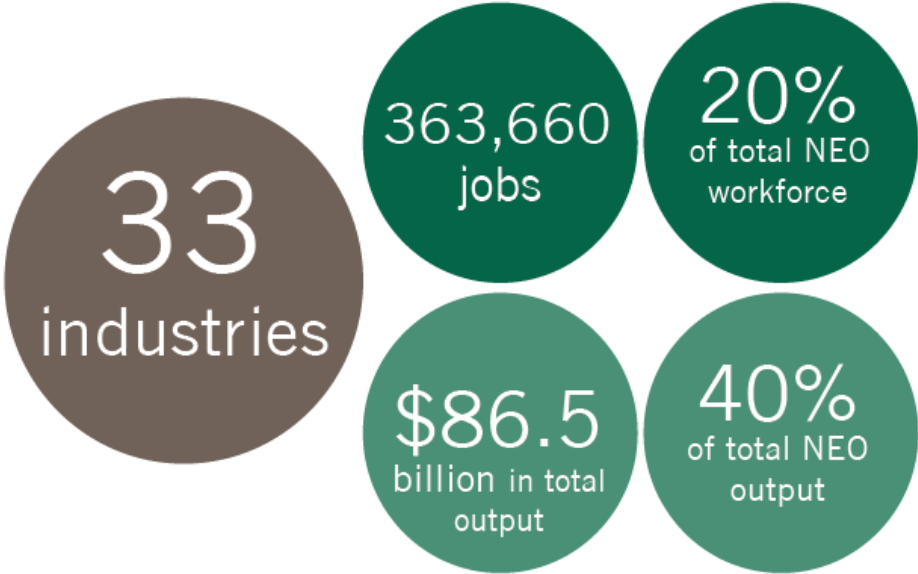
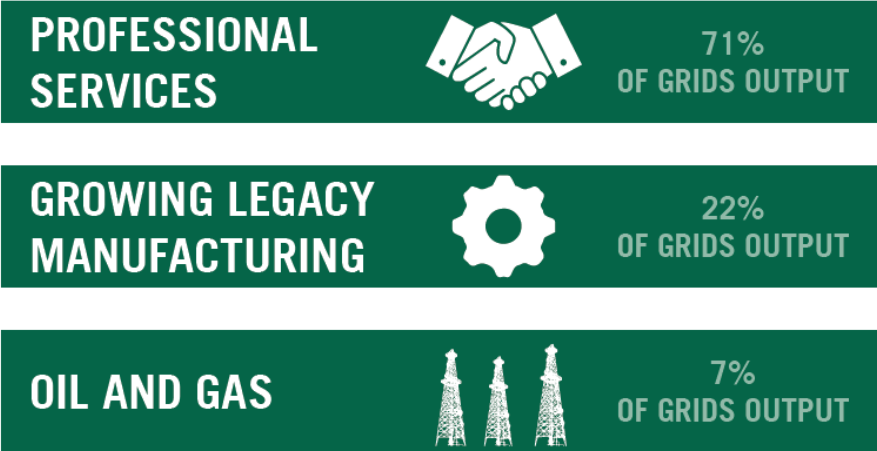
- NEO is re-balancing its economic structure to be less concentrated in manufacturing, which can better protect it from recessionary pressures in the manufacturing sector
- Services GRID is led by finance, insurance and medical industries; it does not include R&D and has lower than the national productivity

Sector	Employment Share		Share of GDP		Productivity (GDP/Employee)	
	U.S.	NEO	U.S.	NEO	U.S.	NEO
Manufacturing	9%	13%	13%	19%	\$183,104	\$161,375
Service	89%	86%	87%	81%	\$121,539	\$105,947
Agriculture	2%	1%	1%	0.3%	\$47,746	\$25,098

NORTHEAST OHIO FRONT RUNNERS: GROUPS OF REGIONAL INDUSTRY DRIVERS (GRIDS)

Regional benchmarking initiative to identify growing and competitive industry groups in Northeast Ohio 18-Counties

NEO GROUPS OF REGIONAL INDUSTRY DRIVERS (GRIDS)



Full Report - https://engagedscholarship.csuohio.edu/urban_facpub/1585/

Research Brief- https://engagedscholarship.csuohio.edu/urban_facpub/1594/



LOCAL FRONT RUNNERS: GRIDs IN THE 4 NORTHEAST OHIO METROPOLITAN AREAS

- Professional Services GRID provided highest output and most employment in both Cleveland and Akron MSAs
 - Cleveland MSA: \$44.9B (77%) of GRIDs output; 164K (74%) of GRIDs employment
 - Akron MSA: \$8.5B (57%) of GRIDs output; 61K (75%) of GRIDs employment
- Growing Legacy Manufacturing GRID shows upward trend in all 4 MSAs (Cleveland, Akron, Youngstown, and Canton)
 - Due to restructuring since the recession
 - Cleveland MSA contributed to over ½ of all employment and output to general NEO economy
 - Akron MSA: \$2.9B (19%) of GRIDs output; 18K (22%) of GRIDs employment
- The Oil and Gas GRID has high growth in output and productivity
 - Akron MSA: industries seeing double-digit (26%) growth in output in 5 years
 - Akron MSA: \$3.6B (24%) of GRIDs output; 2,400 (3%) of GRIDs employment
 - Oil and Gas Extraction industry doubled productivity in 5 years
- Full Report - https://engagedscholarship.csuohio.edu/urban_facpub/1609/

Good Jobs: Employment and Wages in Groups of Regional Industry Drivers (GRIDs) (forthcoming)



THE AKRON MSA GRIDS

THE AKRON ECONOMY

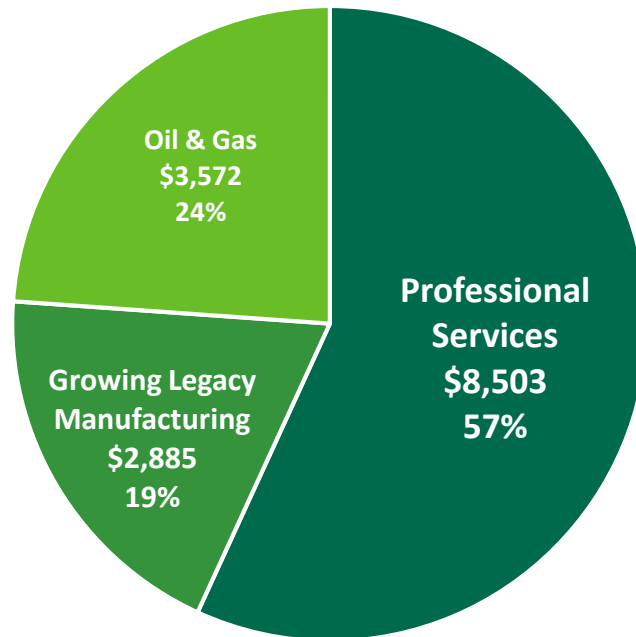
- 2nd largest contributor to NEO's regional economy
- Totals \$37 billion (16% of regional output)
- Rich history with major employers in rubber and polymer manufacturing (Goodyear and Firestone)
- Infrastructure assets include:
 - Akron-Canton Regional Airport
 - University of Akron



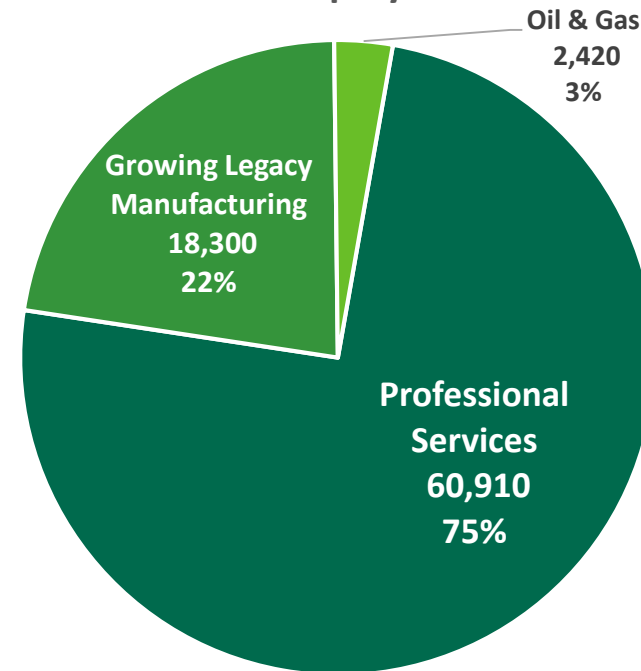
THE AKRON MSA GRIDS – BY THE NUMBERS

- Professional Services GRID: \$8.5B (57%) of GRIDs output; 61K (75%) of GRIDs employment
- Growing Legacy Manufacturing GRID: \$2.9B (19%) of GRIDs output; 18K (22%) of GRIDs employment
- The Oil and Gas GRID: \$3.6B (24%) of GRIDs output; 2,400 (3%) of GRIDs employment

2017 Output (in \$ Billions)



2017 Employment



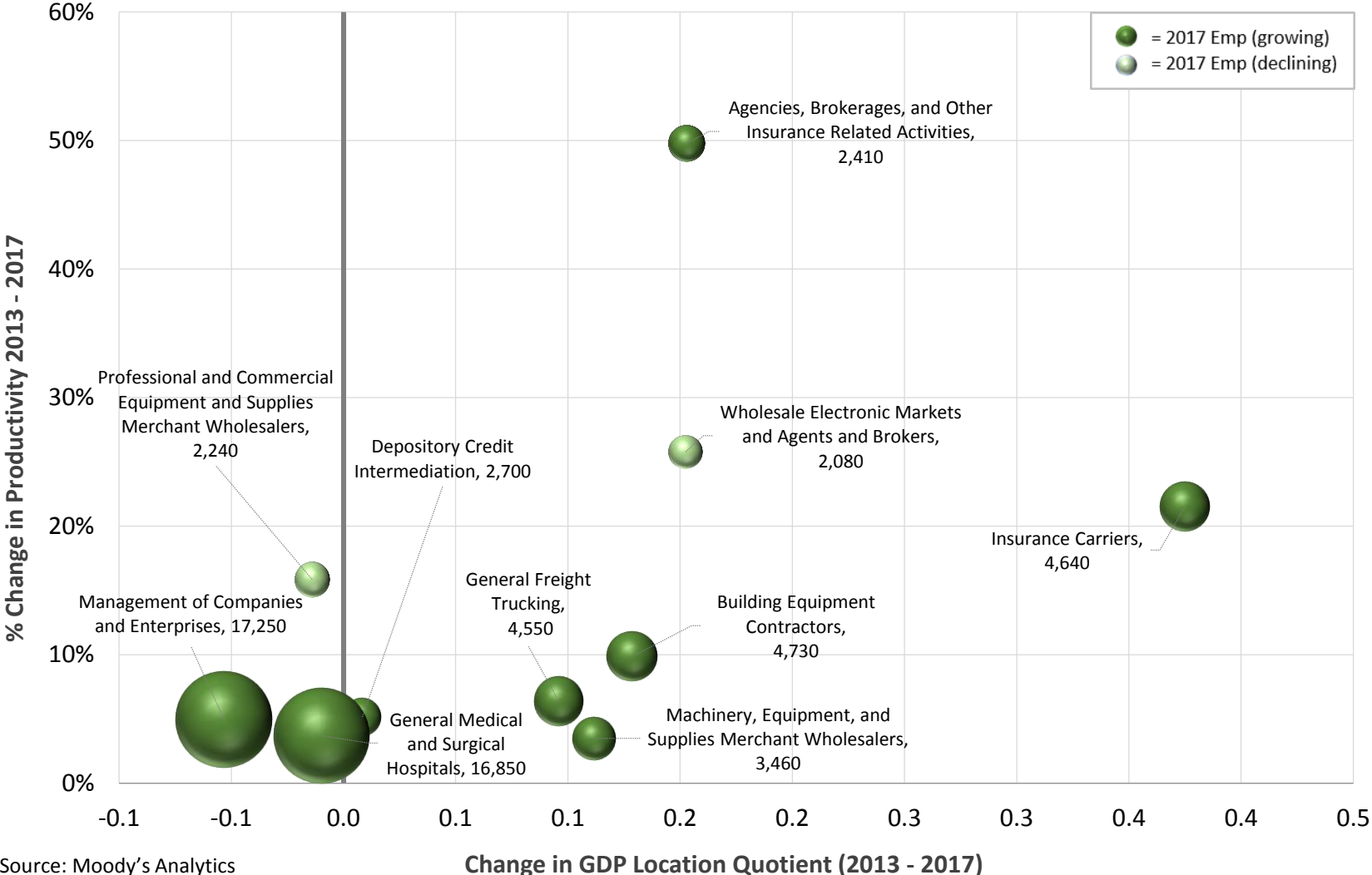
PROFESSIONAL SERVICES GRID

- Accounts for 23% of output & 20% employment in MSA
- This GRID is associated with increased productivity and share of regional output

Industries in the Akron MSA Professional Services GRID

NAICS	Industry	2017 Output	2017 Emp
2382	Building Equipment Contractors	\$624 M	4,730
4234	Professional and Commercial Equipment & Supplies Merchant Wholesalers	\$549 M	2,240
4238	Machinery, Equipment, and Supplies Merchant Wholesalers	\$403 M	3,460
4251	Wholesale Electronic Markets and Agents and Brokers	\$669 M	2,080
4841	General Freight Trucking	\$500 M	4,550
5221	Depository Credit Intermediation	\$578 M	2,700
5241	Insurance Carriers	\$893 M	4,640
5242	Agencies, Brokerages, and Other Insurance Related Activities	\$507 M	2,410
5511	Management of Companies and Enterprises	\$2,465 M	17,250
6221	General Medical and Surgical Hospitals	\$1,315 M	16,850
TOTAL		\$8,503 M	60,910

PROFESSIONAL SERVICES GRID: INDUSTRY DYNAMICS, PRODUCTIVITY, AND SPECIALIZATION



Source: Moody's Analytics

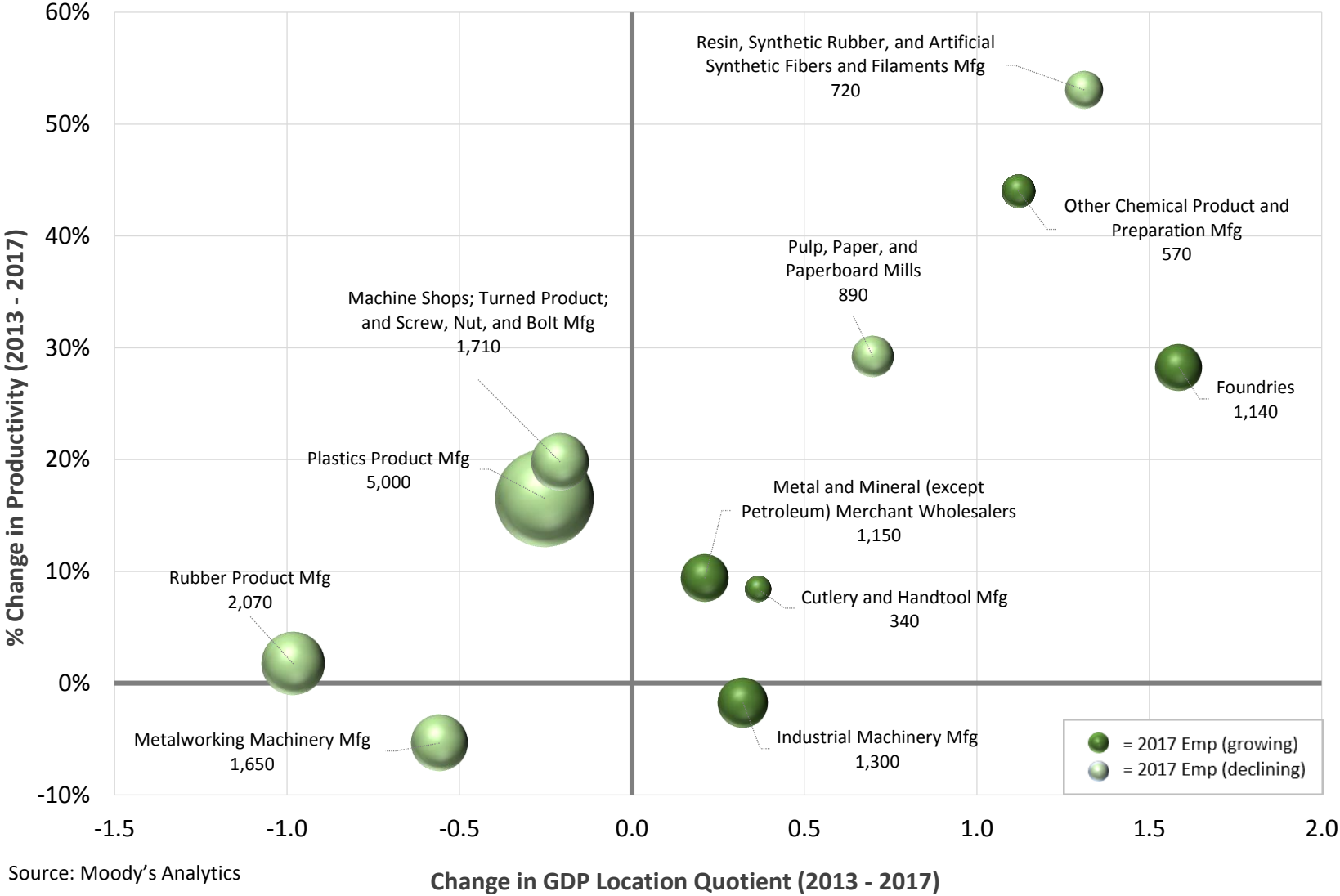
GROWING LEGACY MANUFACTURING GRID

- Almost all industries in this GRID displayed an increase in productivity (9 of 11)
 - signaling these industries are on their way to recovery from the recession

Industries in the Akron MSA Growing Legacy Manufacturing GRID

NAICS	Industry	2017 Output	2017 Emp
3221	Pulp, Paper, and Paperboard Mills	\$130 M	890
3252	Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	\$319 M	720
3259	Other Chemical Product and Preparation Manufacturing	\$156 M	570
3261	Plastics Product Manufacturing	\$627 M	5,000
3262	Rubber Product Manufacturing	\$234 M	2,070
3315	Foundries	\$155 M	1,140
3322	Cutlery and Handtool Manufacturing	\$40 M	340
3327	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	\$232 M	1,710
3332	Industrial Machinery Manufacturing	\$159 M	1,300
3335	Metalworking Machinery Manufacturing	\$135 M	1,650
4235	Metal and Mineral (except Petroleum) Merchant Wholesalers	\$167 M	1,150
TOTAL		\$2,885 M	18,300

GROWING LEGACY MANUFACTURING GRID: INDUSTRY DYNAMICS, PRODUCTIVITY, AND SPECIALIZATION



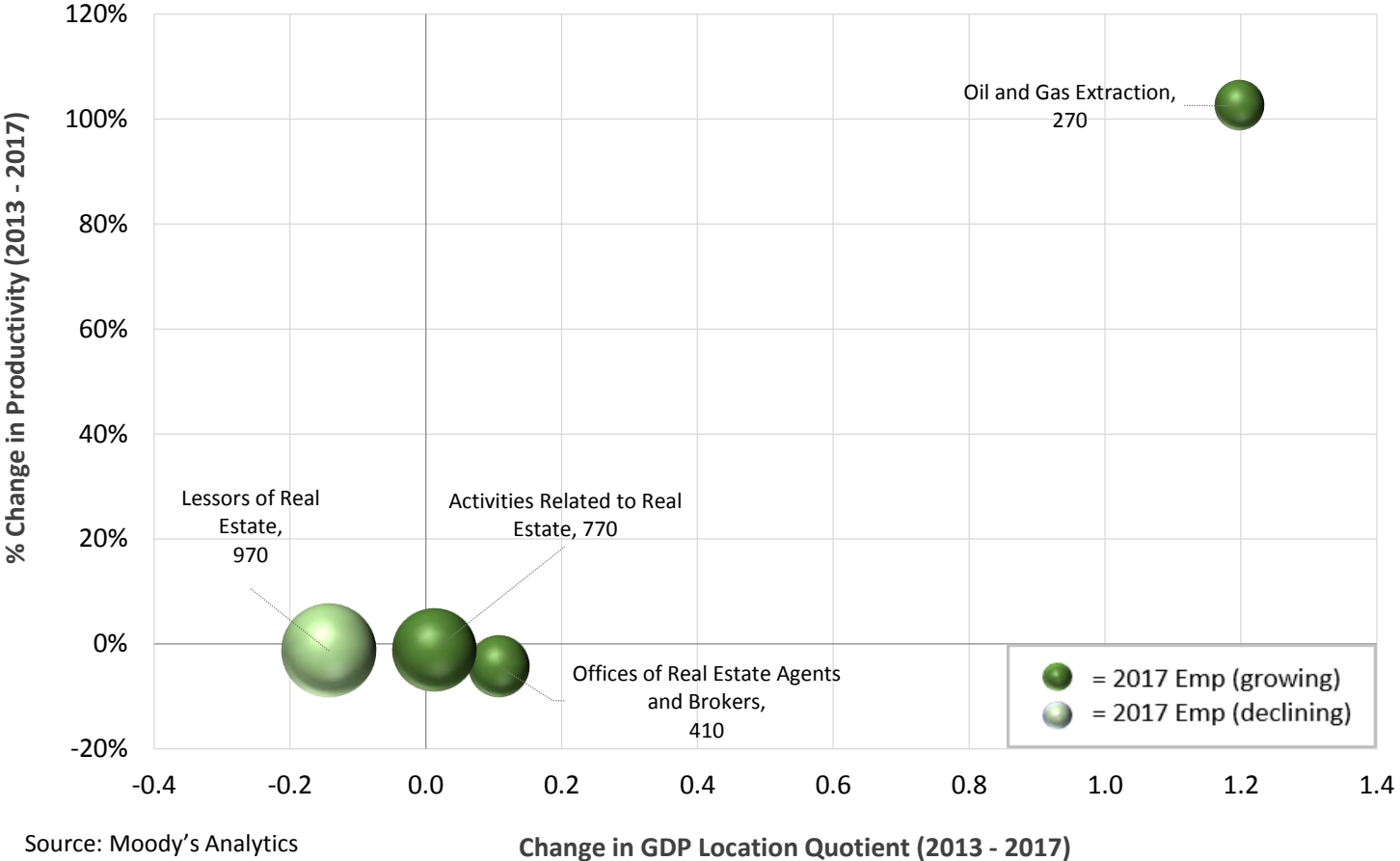
Source: Moody's Analytics

OIL & GAS GRID

- **Fast-growing, emerging economic base:** Double-digit growth in output (26% from 2013 to 2017) & growing specialization
- Needs to increase in size and scale to impact overall regional performance
- One of the highest employment multipliers – supply chain; high wages in the supply chain companies – chemical and steel

Industries in the Akron MSA Oil & Gas GRID

NAICS	Industry	2017 Output	2017 Emp
2111	Oil and Gas Extraction	\$557 M	270
5311	Lessors of Real Estate	\$1,231 M	970
5312	Offices of Real Estate Agents & Brokers	\$703 M	410
5313	Activities Related to Real Estate	\$1,081 M	770
TOTAL		\$3,572 M	2,420



Source: Moody's Analytics

TAKEAWAYS

- Our economy is re-balancing its structure to be less concentrated in manufacturing, which can better protect it from recessionary pressures in the manufacturing sector
 - In 2017, manufacturing was only 13% in NEO (down from 1/3 in 1970)
 - NEO still had 4% more manufacturing employment than the U.S.: 13% vs. 9%
 - U.S. had 12% higher productivity in manufacturing than NEO
 - The gap is three times smaller if measured without Computer and Electronic Product Manufacturing sectors
- Services GRID is led by finance, insurance and medical industries; it does not include R&D and has lower than the national productivity



DOMESTIC AND INTERNATIONAL TRADE POLICY

- Summer 2018 saw growing rhetoric from U.S. government officials about increasing tariffs on many foreign-produced products
- Based on this threat, retaliatory tariffs from China, the European Union, and Canada were announced which may significantly impact manufacturing industries in NEO
- While global and national policies are outside of local control, it is essential for regional economic development strategies to be responsive to global influences and risks



MONITORING REGIONAL GROWTH PORTFOLIO STRATEGIES

Northeast Ohio Front Runners: Groups of Regional Industry Drivers (GRIDs)

- Full Report - https://engagedscholarship.csuohio.edu/urban_facpub/1585/
- Research Brief- https://engagedscholarship.csuohio.edu/urban_facpub/1594/

Local Front Runners: Local Front Runners: GRIDs in the 4 Northeast Ohio Metropolitan Areas

- Full Report - https://engagedscholarship.csuohio.edu/urban_facpub/1609/

Good Jobs: Employment and Wages in GRIDs

- Coming Soon

Other Publications:

https://engagedscholarship.csuohio.edu/urban_cecde/



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