

Northeast Ohio Employment and Wage Trends

ECONOMIC BRIEF



This brief is the fifth release in 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 2008. 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

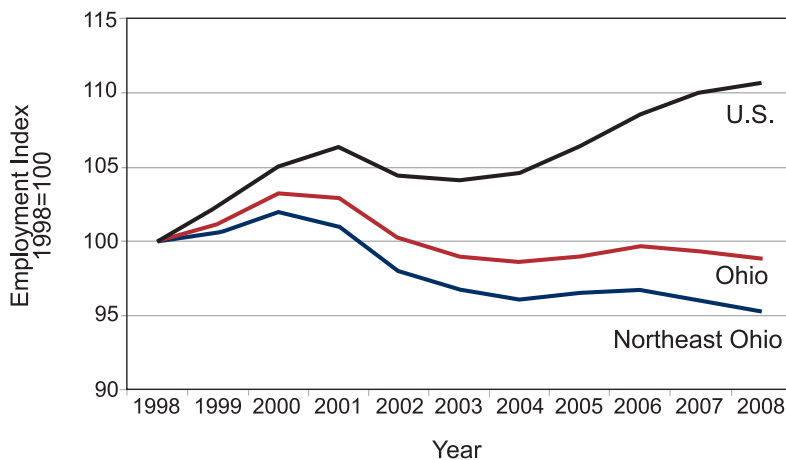
10-Year Trends

During the late 1990s, the United States experienced substantial employment growth. Although Ohio and the Northeast Ohio region also added jobs during this time, state and regional employment did not grow as much as the nation's. Between 1998 and 2000, Northeast Ohio employment increased by 2% compared to 3.2% statewide and 5% nationally.

As **Figure 1** illustrates, dissimilar employment patterns began to emerge for the United States, Ohio, and Northeast Ohio after 2000. The United States continued to add jobs between 2000 and 2001 (1.3%) but then experienced a downturn between 2001 and 2003 (-2.2%). Between 2003 and 2008, national employment levels moved upward at a rate of 6.5%. In contrast, Ohio and the Northeast Ohio region began to lose jobs after 2000 and did not experience a turnaround until 2004, with job losses beginning a year earlier than nationally and recovery coming a year later. Furthermore, Ohio and Northeast Ohio experienced a more severe loss and a less robust recovery. Perhaps even more discouraging, the modest job growth in Ohio and Northeast Ohio came to a halt after 2006 while growth continued at the national level. Ohio and Northeast Ohio employment levels were nearly flat between 2006 and 2008 (-0.8% and -1.4%, respectively), but moving in a downward direction. Neither Ohio nor Northeast Ohio has yet returned to 2000 employment levels while

the United States has far surpassed its 2001 employment level. Over the entire 10-year period, U.S. employment increased by 10.6% while Ohio lost 1.1% of its jobs, and Northeast Ohio lost 4.7%.

Figure 1. Total Employment, 1998:Q1 to 2008:Q1



Source: Quarterly Census of Employment and Wages (ES202)



This brief is sponsored by the Ohio Urban University Program (UUP), Cleveland State University's Presidential Initiative for Economic Development, and the U.S. Economic Development Administration.



U.S. Economic Development Administration

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Table 1: Employment Change by Major Industry Sector, 2006:Q1 to 2008:Q1

Major Economic Sector (NAICS)	NEO		Ohio	U.S.
	2008 Employment	% Change 2006-2008		
Health Care and Social Assistance	297,781	3.3	3.3	5.8
Manufacturing	284,147	-6.9	-5.9	-3.6
Retail Trade	212,982	-0.8	-1.1	1.3
Educational Services	154,853	-1.8	-1.2	3.1
Accommodation and Food Services	144,375	-2.0	-1.3	4.1
Administrative and Support Services	107,501	0.9	0.3	-0.5
Wholesale Trade	87,299	-0.9	0.8	2.8
Professional, Scientific, and Technical Services	87,264	4.2	5.8	7.1
Finance and Insurance	75,656	-7.1	-2.7	-1.1
Public Administration	74,848	2.7	2.4	2.8
Construction	67,984	-7.4	-7.3	-2.8
Transportation and Warehousing	66,948	-2.0	1.6	2.5
Other Services (except Public Administration)	58,674	-2.8	-1.7	3.1
Management of Companies and Enterprises	40,904	2.9	2.4	6.5
Information	35,570	-1.7	-2.9	-1.0
Real Estate and Rental and Leasing	24,176	-1.9	-3.3	-0.5
Arts, Entertainment, and Recreation	22,878	-2.3	-2.3	5.4
Utilities	11,183	6.4	3.2	1.2
Agriculture, Forestry, Fishing and Hunting	3,337	-5.8	-0.2	0.1
Mining	2,662	10.2	3.6	16.3
TOTAL	1,861,022	-1.4	-0.8	2.0

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)

2-Year Trends

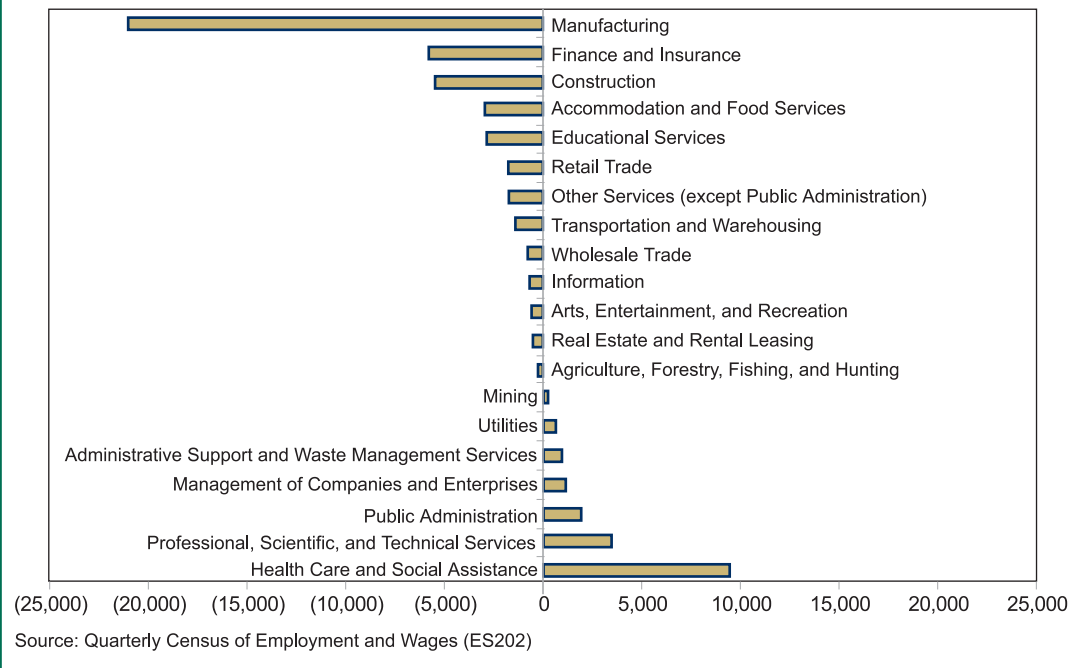
Over the short term (2006:Quarter 1-2008:Quarter 1), employment levels in Northeast Ohio and the state of Ohio as a whole have started to decline: The region experienced a 1.4% decline and the state reported a slight 0.8% decline. The story was different for the nation; during the same 2-year period, U.S. jobs rose by 2.0% (Table 1).

For this 2-year period, *Health Care and Manufacturing* are found to be the largest sectors in Northeast Ohio, each accounting for approximately 15% of total employment with the *Health Care* sector garnering the top spot for the first time. Employment in the *Manufacturing* sector declined 6.9% between 2006 and 2008 compared to a 3.6% decline nationally, continuing a long-term downward trend. Northeast Ohio's *Health Care* sector has grown steadily for a number of years and continued to add jobs between 2006 and 2008. However, the sector grew more slowly in Northeast Ohio than across the United States (3.3% in Northeast Ohio versus 5.8% in the United States). Because the *Health Care* sector is population-serving, the slower growth in Northeast Ohio may be partially due to a slight decline in population.

The *Health Care* sector accounted for a large portion of job gains (9,500 jobs) in Northeast Ohio (Figure 2). Within the *Health Care* sector, several industries added jobs: Hospitals had a growth rate of 1.4%, Ambulatory Health Care Services had a growth rate of 2.9%, and Nursing and Residential Care Facilities had a growth rate of 3.3% (these data are not in Figure 2). *Professional, Scientific and Technical Services* and *Public Administration* also experienced sizeable increases in employment (*Public Administration* increases were led by increases in federal government employment). These two sectors combined added approximately 5,450 jobs. The United States had a higher rate of job growth than Northeast Ohio in each of these sectors.

Several sectors in Northeast Ohio experienced declining employment between 2006 and 2008. The *Manufacturing* sector (-21,000 jobs) accounted for nearly half of the losses (automotive-related industries—*Transportation Equipment, Primary Metals, and Plastics and Rubber Products*—accounted for nearly 75% of the manufacturing job declines). There were also substantial declines in *Finance and Insurance; Construction; Accommodation and Food Services; Educational Services; and Retail Trade*—a reflection of a broad decline in the regional economy. Ohio also lost jobs in most of these sectors, however the rate of decline was greater in Northeast Ohio. The United States gained jobs in most of these sectors except *Manufacturing, Finance and Insurance, and Construction*. The U.S. trends represent the beginning of the current national recession (Table 1).

Figure 2: Employment Change in Northeast Ohio, 2006:Q1 to 2008:Q1



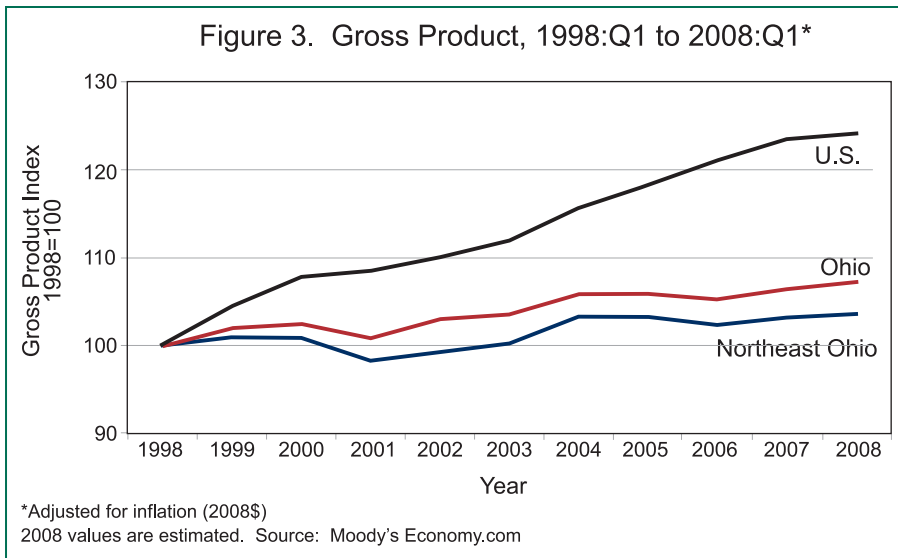


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Gross Product

Gross product is a measure of value-added output produced in a region. Although Northeast Ohio lost jobs over the last 10 years, gross product (output) increased during this time (3.6%). However, as shown in **Figure 3**, the growth in output lagged growth across Ohio (7.2%) and significantly lagged growth in the United States (24.1%).

The modest job growth that Northeast Ohio experienced between 2004 and 2006 was accompanied by a small decrease in gross product. Between 2006 and 2007, gross product increased by 0.9%. Between 2007 and 2008, gross product increased by 0.4%. Although these increases were small, pairing them with the employment decline in the same time period indicates that overall productivity continued to increase.



Manufacturing remained the largest overall sector with 20% of regional gross product while *Health Care* was the fifth largest in the region with 8.4% of total output. However, *Health Care* supplanted *Manufacturing* as the largest regional employer in 2008.

Over the most recent 2-year period (2006 to 2008), Northeast Ohio's output increased 1.3% (see **Table 2**). Ohio's output grew 1.9% but the nation's output increased 3.1%. The national growth rate was 2.4 times greater than the regional growth rate.

Agriculture, Forestry, Fishing and Hunting; Utilities; Information; Educational Services; and Professional, Scientific, and Technical Services were among the sectors with the highest growth in output between 2006 and 2008, although these sectors are small relative to other sectors. Moreover, several sectors, including *Public Administration, Utilities, and Agriculture* increased output at a higher rate in Northeast Ohio than in the United States. Output increased between 2006 and 2008 in both *Manufacturing* and *Health Care*, the largest sectors in terms of employment. *Manufacturing* output grew despite a decline in employment, although in both sectors, the national growth rate exceeded the regional growth rate. *Manufacturing* remained the largest overall sector with 20% of regional gross product while *Health Care* was the fifth largest in the region with 8.4% of total output.

A number of industry sectors in Northeast Ohio experienced declining output, including *Construction, Finance and Insurance, Wholesale Trade, Retail Trade, and Management of Companies and Enterprises*. In these industries, trends were similar for the State of Ohio, but only *Construction* declined nationwide.

Table 2. Gross Product Change by Major Industry Sector, 2006:Q1 to 2008:Q1

Major Economic Sector (NAICS)	NEO	Ohio	U.S.	
	2008 Gross Product (Thousands\$)	Percent Change, 2006-2008*		
Manufacturing	34,565,933	3.1	2.7	3.6
Real Estate and Rental and Leasing	19,520,335	2.8	4.6	4.8
Public Administration	17,984,132	3.8	4.2	3.3
Finance and Insurance	15,280,834	-2.3	-3.1	0.5
Health Care and Social Assistance	14,828,506	1.7	3.1	5.6
Wholesale Trade	11,470,258	-2.2	-1.2	2.0
Retail Trade	10,710,322	-1.9	-1.5	0.2
Professional, Scientific, and Technical Services	9,398,054	4.3	6.8	7.1
Construction	5,076,649	-21.2	-22.1	-20.4
Transportation and Warehousing	4,878,725	4.4	6.2	4.3
Administrative and Support Services	4,876,205	0.0	2.5	3.0
Information	4,846,958	8.5	8.0	11.7
Management of Companies and Enterprises	4,522,943	-2.0	0.5	3.9
Utilities	4,262,727	16.3	9.5	10.6
Other Services (except Public Administration)	3,681,757	-1.0	0.2	2.3
Accommodation and Food Services	3,585,720	-0.2	2.9	4.0
Educational Services	1,715,660	6.6	3.3	7.5
Arts, Entertainment, and Recreation	1,462,310	-1.1	-0.7	1.6
Agriculture, Forestry, Fishing and Hunting	1,216,557	37.1	39.0	17.7
Mining, Quarrying, and Oil and Gas Extraction	863,062	1.7	1.5	2.5
TOTAL	175,524,982	1.3	1.9	3.1

*2006 values were adjusted for inflation. 2008 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

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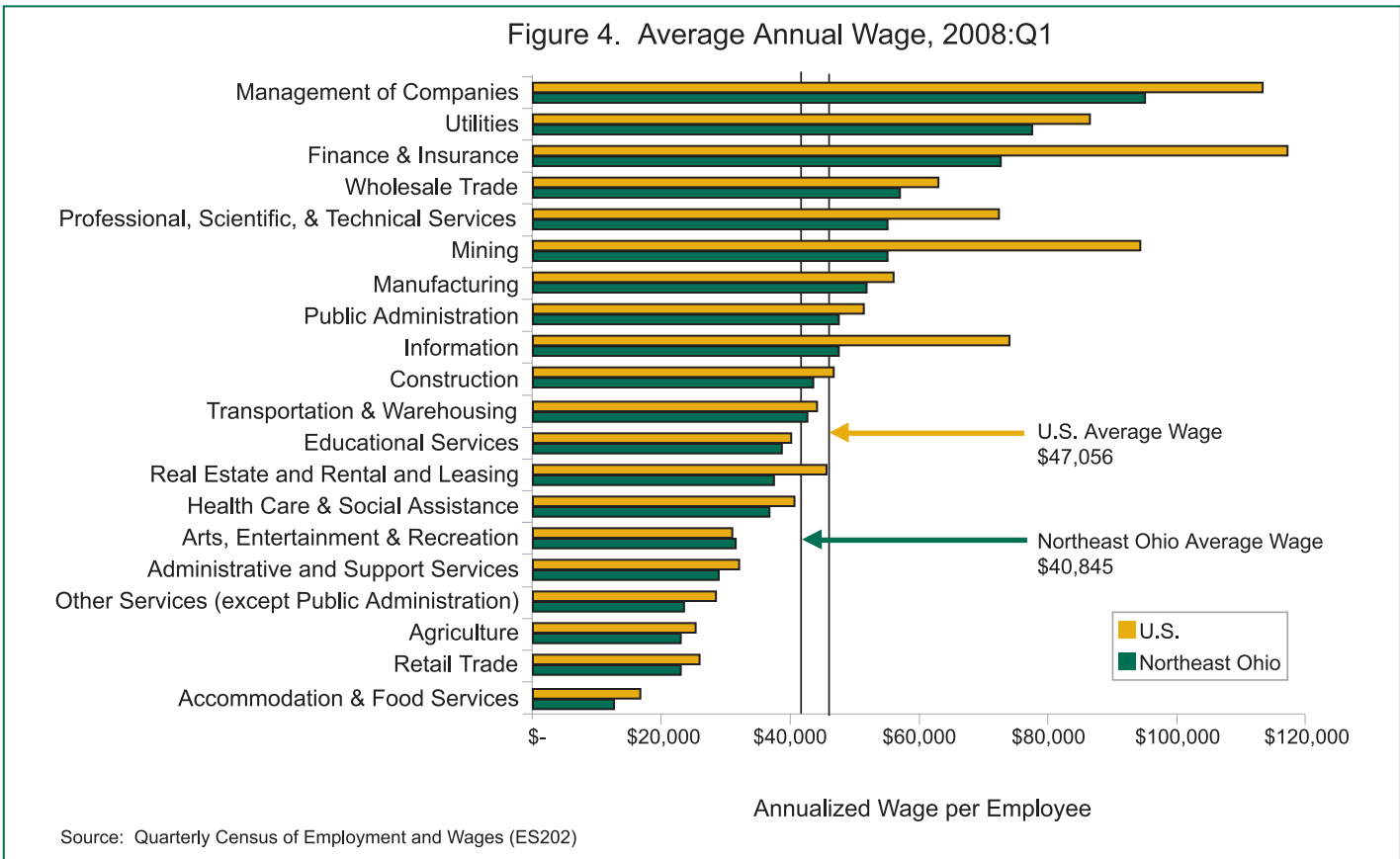
Average Wages

The 2008 average annual wage for Northeast Ohio workers was \$40,845. This was slightly below the statewide average (\$41,513) and well below the national average wage (\$47,056). The wage gap increased in recent years; the average wage in Northeast Ohio increased 0.2% between 2006 and 2008 compared to 1.3% across Ohio and 2.4% in the United States (after adjusting for inflation).

Wage gaps between Northeast Ohio and the United States were highest in *Finance and Insurance*; *Mining*; *Information*; *Management of Companies and Enterprises*; and *Professional, Scientific, and Technical Services*, and

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Technical Services—with the exception of *Mining*, these sectors comprise a substantial share of the professional services industries (**Figure 4**). The wage gap in *Finance and Insurance* was the largest at more than \$44,000 (primarily due to differences in securities and investment-related industries). The wage gap in *Manufacturing* (\$4,094) between Northeast Ohio and the United States has increased in recent years due to the continued loss of high wage manufacturing jobs in Northeast Ohio relative to the nation. Northeast Ohio's *Health Care* sector continues to lag the U.S. average by approximately \$3,766.



It is important to note that the cost of living in Northeast Ohio is below the national average and may partially explain the lower average wages. The Cleveland-Elyria-Mentor MSA has the highest cost of living index in Northeast Ohio (89.10), but it is still low relative to the nation (U.S.=100) (based on 2007 data from Moody's Economy.com). The same combined cost of living measure for all four MSAs in Northeast Ohio is 86.4. This difference is similar to the average wage gap between Northeast Ohio and the United States (the regional average wage is 13.2% lower than the national average wage).

The highest paying sectors in Northeast Ohio are *Management of Companies and Enterprises* (\$95,193), *Utilities* (\$77,551), and *Finance and Insurance* (\$72,757). These are also among the top-paying sectors in Ohio and the United States. Two of the three sectors also experienced job growth between 2006 and 2008 (*Utilities* and *Management of Companies and Enterprises*) while two also experienced wage growth (*Utilities* and *Finance and Insurance*). Local wage growth in these three sectors outpaced state rates but lagged nationally in two of the industries—*Finance and Insurance* and *Management of Companies and Enterprises*.

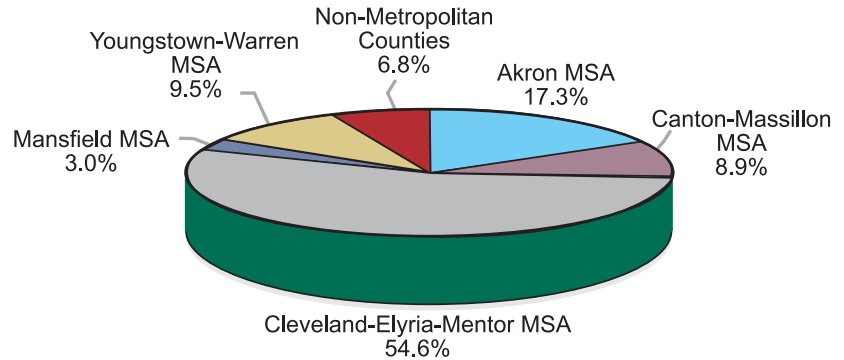


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Sub-Regional Employment Trends

The Cleveland-Elyria-Mentor MSA accounts for more than half (54.6%) of total employment in the larger Northeast Ohio region. Akron, the second-largest MSA, accounts for 17.3%; the Youngstown MSA captures 9.5%; the Canton MSA, 8.9%; and the Mansfield MSA, 3.0%. The non-metro counties combined account for the remaining 6.8% of Northeast Ohio employment (**Figure 5**).

Figure 5. Employment Share by Sub-Region



Source: Quarterly Census of Employment and Wages (ES202)

Akron was the only metropolitan area in Northeast Ohio to experience job growth between 2006 and 2008 (1.0%). Both Summit and Portage Counties added jobs during this time period.

As **Table 3** illustrates, Akron was the only metropolitan area in Northeast Ohio to experience job growth between 2006 and 2008 (1.0%). Both Summit and Portage Counties added jobs during this time period. Cuyahoga County holds the overwhelming majority of jobs in the Cleveland MSA (71%) and therefore losses in the central county (13,092 jobs) have a large effect on the metro area, but Lorain County and Geauga County lost jobs as well (-1.8% in Cuyahoga, -2.7% in Lorain, and -2.5% in Geauga). Lake and Medina Counties each added jobs, with Lake County growing the fastest. In the Canton-Massillon MSA, Carroll County experienced a small increase in employment (1.2%) but it was not enough to offset losses in the much larger Stark County (-0.4%).

The Youngstown MSA suffered the highest rate of job loss among the metro areas (-4.9%). Employment in Mahoning County was stable but Trumbull County experienced the second-highest job loss of any county in Northeast Ohio (8,676 jobs or -10.3%, second only to Cuyahoga County in terms of total job losses). Many of the job losses were due to cutbacks by companies in two industries—Primary Metal Manufacturing and Transportation Equipment Manufacturing.

Ashland County was the only non-metro county to gain employment (0.8%). Ashtabula and Wayne Counties experienced substantial job losses (-4.3% and -3.0%, respectively).

Table 3. Total Employment by Region and County, 2006:Q1 to 2008:Q1

Area	2006:Q1	2008:Q1	Change	% Change
U.S.	131,534,435	134,103,683	2,569,248	2.0
Ohio	5,228,479	5,186,962	(41,517)	-0.8
Northeast Ohio	1,888,684	1,861,393	(27,290)	-1.4
Akron MSA	319,056	322,326	3,271	1.0
Portage	51,950	52,301	352	0.7
Summit	267,106	270,025	2,919	1.1
Canton-Massillon MSA	165,702	165,118	(583)	-0.4
Carroll	5,872	5,944	71	1.2
Stark	159,830	159,175	(655)	-0.4
Cleveland-Elyria-Mentor MSA	1,032,086	1,016,193	(15,894)	-1.5
Cuyahoga	740,946	727,854	(13,092)	-1.8
Geauga	34,755	33,886	(870)	-2.5
Lake	98,123	98,646	524	0.5
Lorain	99,761	97,100	(2,661)	-2.7
Medina	58,501	58,707	205	0.4
Mansfield MSA	56,934	55,044	(1,890)	-3.3
Richland	56,934	55,044	(1,890)	-3.3
Youngstown-Warren MSA	185,898	176,784	(9,115)	-4.9
Mahoning	101,286	100,847	(439)	-0.4
Trumbull	84,612	75,936	(8,676)	-10.3
Non-Metropolitan Counties	129,007	125,929	(3,079)	-2.4
Ashland	17,981	18,118	137	0.8
Ashtabula	32,579	31,168	(1,411)	-4.3
Columbiana	31,536	31,158	(378)	-1.2
Wayne	46,912	45,486	(1,427)	-3.0

Source: Quarterly Census of Employment and Wages (ES202)



Ashland Ashtabula Carroll Columbiana Cuyahoga Geauga Lake Lorain
Mahoning Medina Portage Richland Stark Summit Trumbull Wayne

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Economic Restructuring in Northeast Ohio Continues

The economic downturn that occurred nationally during the early part of the decade affected Northeast Ohio more adversely than the nation; it hit the region sooner and lasted longer. With the national recession in full swing, negative economic forces, which were already affecting Northeast Ohio's traditional manufacturing base, increased. Data from the first quarter of 2008 indicate that the national economy has joined Greater Cleveland and many other Midwestern industrial regions in experiencing the effects of economic stagnation. It is very likely that future data releases will continue to show this trend. The years 2006 to 2008 show how two large economic forces—continued manufacturing decline including drastic changes in the automotive sector and the collapse of the national finance sector emanating from the mortgage speculation boom—have had a greater impact on regions such as Northeast Ohio. In 2008, for the first time, employment in the *Health Care* sector was larger than in the *Manufacturing* sector.

Few sectors in Northeast Ohio experienced job growth between 2006 and 2008 and even in cases where some growth occurred (e.g., *Health Care* and *Professional, Scientific, and Technical Services*) they generally lagged national industry growth. In addition, industries in Northeast Ohio that experienced job losses generally had deeper declines than the same industries in the United States. Northeast Ohio, which was already struggling to emerge from a long period of economic restructuring, now faces the additional forces of the national recession. As Northeast Ohio continues to lose manufacturing jobs and adds jobs in growth sectors like *Health Care* and *Professional, Scientific, and Technical Services*, the region's greater dependence on manufacturing lessons. There is hope that economic development efforts related to these two sectors, along with continued efforts to retool and restructure traditional industrial manufacturing sectors (which still comprise 20% of the gross product of the regional economy) will lead to a revival of Northeast Ohio's economy. The areas of green energy and biomedical devices are potential growth industries for the region. Efforts that have been made by the private, public, and nonprofits sectors within Northeast Ohio during the past few years may be successful in pointing Northeast Ohio in that direction.

This brief will be updated with data for the first quarter of 2009 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>