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Northeast Ohio Employment and Wage Trends

ECONOMIC BRIEF

This brief is the fourth 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 2007. 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).

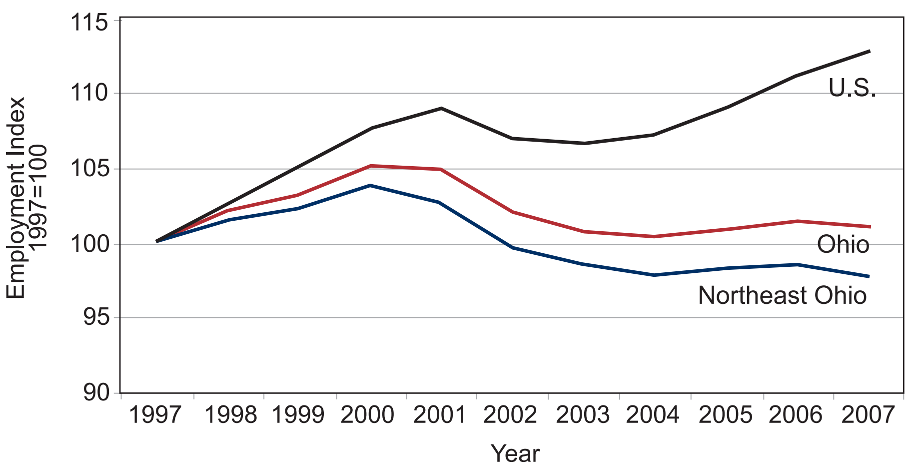
Employment Trends

During the late 1990s, the U.S. experienced substantial employment growth. Ohio and the Northeast Ohio region also added jobs during this time, although they did not grow as quickly as the nation. Between 1997 and 2000, Northeast Ohio employment increased by 3.8 percent compared to 5.1 percent statewide and 7.6 percent nationally.

As **Figure 1** illustrates, a different employment trend began to emerge among the U.S., Ohio, and Northeast Ohio after 2000. The U.S. continued to add jobs between 2000 and 2001 (1.2%) but then experienced a downturn between 2001 and 2003 (-2.1%). After 2003, national employment levels again moved upward; between 2003 and 2007, employment grew at a rate of 5.7 percent.

In contrast, Ohio and the Northeast Ohio region began to lose jobs after 2000 and did not experience a turnaround until 2004—job losses began a year earlier and recovery came a year later. Furthermore, Ohio and Northeast Ohio experienced a more severe loss and a less robust recovery. Perhaps 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 2007 (-0.3% and -0.7%, respectively), but moving in a downward direction. Neither Ohio nor Northeast Ohio have yet returned to 2000 employment levels while the U.S. has far surpassed its 2001 employment level.

Figure 1. Total Employment, 1997:Q1 to 2007:Q1



Source: Moody's Economy.com

The full impact of these differing patterns is evident in the 10-year employment trend. Between 1997 and 2007, U.S. employment grew 12.8 percent while Ohio experienced a 1.2 percent growth rate and Northeast Ohio experienced a *decline* of 2.2 percent.

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Over the short-term (2005:Q1-2007:Q1), employment levels in Northeast Ohio and the state as a whole were fairly stagnant. The region experienced a slight decline in employment (-0.6%) and the state reported very minimal growth (0.3%). The story was significantly different for the nation. During the same two-year period, U.S. job growth reached 3.5 percent **(Table 1)**.

The *Manufacturing* and the *Health Care* sectors are the largest sectors in Northeast Ohio, each accounting for approximately 15 percent of total employment. *Manufacturing* employment declined 4.5 percent between 2005 and 2007 compared to a 1.9 percent decline nationally. This continues a long-term downward trend. In contrast, Northeast Ohio's *Health Care* sector has been growing steadily for a number of years and continued to add jobs between 2005 and 2007. However, the sector grew more slowly in Northeast Ohio than across the U.S. (2.3% in Northeast Ohio versus 5.1% in the U.S.). Because the *Health Care* sector is population-serving, the slower growth in Northeast Ohio may be partially due to slower growth in population.

The *Health Care* sector accounted for a large portion of the job gains in Northeast Ohio (**Figure 2**). *Professional, Scientific and Technical Services*; *Administrative and Support Services*; and *Public Administration* also experienced sizeable increases in employment. These four sectors combined added approximately 16,300 jobs. The U.S. had a higher rate of job growth in each of these sectors except *Public Administration*.

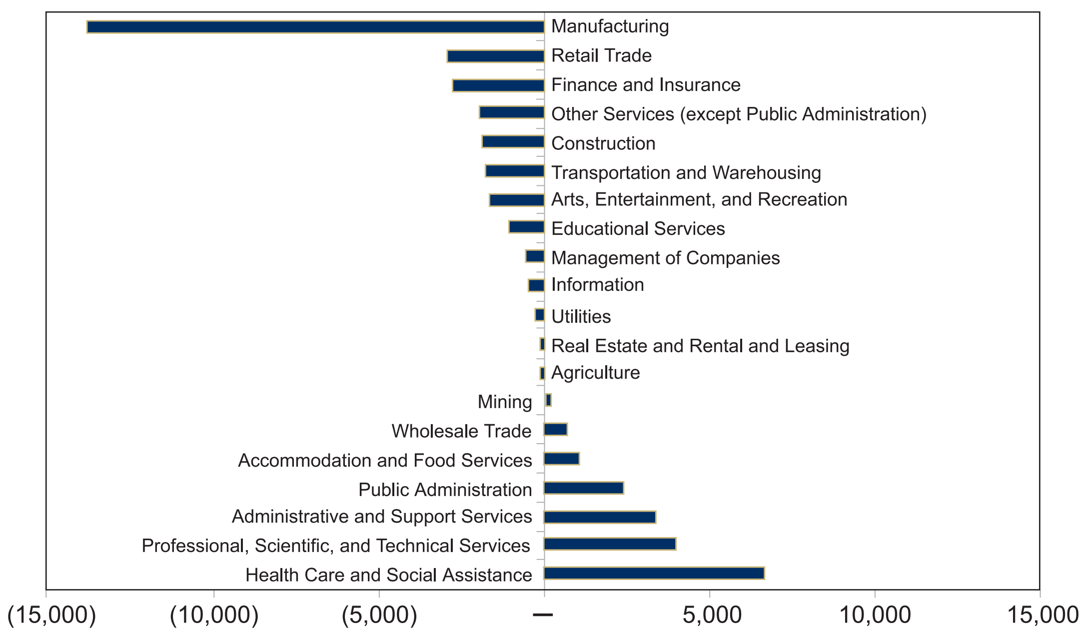
Table 1: Employment Change by Major Industry Sector, 2005:Q1 to 2007:Q1

Major Economic Sector (NAICS)	NEO		Ohio	U.S.
	2007 Employment	% Change 2005-2007		
Manufacturing	293,197	-4.5	-4.1	-1.9
Health Care and Social Assistance	290,350	2.3	3.1	5.1
Retail Trade	213,856	-1.3	-0.9	2.2
Educational Services	156,343	-0.7	-0.5	2.7
Accommodation and Food Services	146,601	0.7	1.3	5.0
Administrative and Support Services	108,320	3.2	1.6	5.8
Wholesale Trade	89,430	0.7	1.6	4.4
Professional, Scientific, and Technical Services	85,052	4.9	6.0	8.1
Finance and Insurance	80,220	-3.3	0.8	2.9
Public Administration	73,875	3.3	2.7	2.1
Construction	71,306	-2.5	-1.8	7.2
Transportation and Warehousing	67,377	-2.5	3.9	3.5
Other Services (except Public Administration)	59,552	-3.2	-1.4	2.4
Management of Companies and Enterprises	39,429	-1.3	0.4	5.7
Information	35,780	-1.4	-2.4	-1.1
Real Estate and Rental and Leasing	24,431	-0.5	-0.6	2.4
Arts, Entertainment, and Recreation	22,995	-6.7	-3.0	4.8
Utilities	10,629	-2.9	-1.5	0.0
Agriculture, Forestry, Fishing, and Hunting	3,376	-2.5	-0.5	-0.4
Mining, Quarrying, and Oil and Gas Extraction	2,560	9.5	5.4	19.4
TOTAL	1,875,375	-0.6	0.3	3.5

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 in Northeast Ohio experienced declining employment between 2005 and 2007. The *Manufacturing* sector (-13,770 jobs) accounted for nearly half of the losses (more than 8,000 jobs were lost in just two manufacturing industries—Plastics and Rubber Products and Transportation Equipment). There were also a substantial number of job losses in *Retail Trade*, *Finance and Insurance*, *Other Services*, *Construction, Transportation and Warehousing*, and *Arts and Entertainment*. Ohio also lost jobs in most of these sectors, however the rate of decline was greater in Northeast Ohio. The U.S. gained jobs in all of these sectors except *Manufacturing* (the decline was much smaller in the U.S.).

Figure 2: Employment Change in Northeast Ohio, 2005:Q1 to 2007:Q1



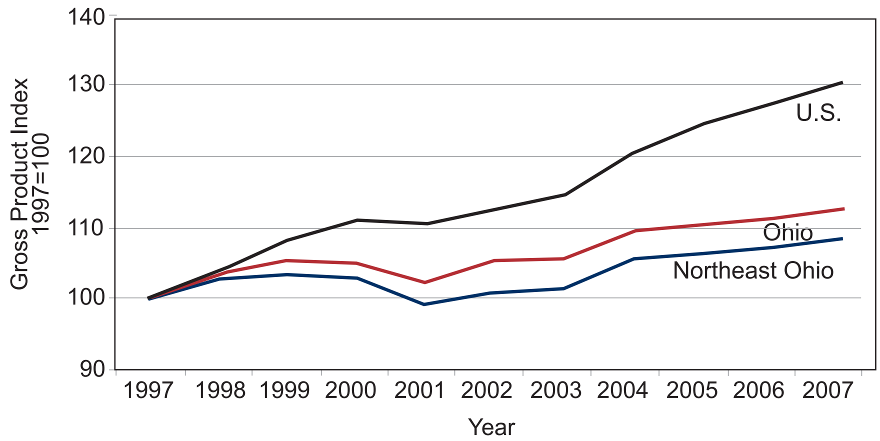
Source: Quarterly Census of Employment and Wages (ES202)

Gross Product

Gross product measures value-added output produced in a region. Although Northeast Ohio lost jobs over the last ten years (-2.2%), gross product (output) increased during this time (8.6%). However, as shown in **Figure 3**, the growth in output lagged growth across Ohio (12.7%) and significantly lagged growth in the U.S. (30.5%).

The modest job growth that Northeast Ohio experienced between 2004 and 2006 stalled by the first quarter of 2007, but output continued to grow. Between 2006 and 2007, gross product increased 1.2 percent despite the 0.7 percent decline in employment. This suggests increased productivity.

Figure 3. Gross Product, 1997:Q1 to 2007:Q1*



*Adjusted for inflation (2007$)
2007 values are estimated. Source: Moody's Economy.com

Despite a decline in employment, Northeast Ohio's gross product has increased—however, the growth rate lags the national rate.

Table 2. Change in Gross Product by Major Industry Sector, 2005:Q1 to 2007:Q1

Major Economic Sector (NAICS)	NEO		Ohio	U.S.
	2007 Gross Product (in millions $)	Percent Change, 2005-2007*		
Manufacturing	35,674	1.9%	2.3%	4.6%
Real Estate and Rental and Leasing	18,238	-0.1%	0.1%	9.5%
Public Administration	17,996	0.9%	2.5%	1.3%
Finance and Insurance	16,149	9.5%	9.0%	13.2%
Health Care and Social Assistance	14,546	1.5%	1.8%	4.5%
Wholesale Trade	11,675	-1.9%	-1.9%	3.5%
Retail Trade	11,057	-4.3%	-4.0%	0.4%
Professional, Scientific, and Technical Services	9,267	4.9%	5.5%	5.4%
Construction	6,736	0.6%	-1.3%	3.1%
Administrative and Support Services	4,796	4.1%	4.6%	4.4%
Transportation and Warehousing	4,746	7.1%	7.4%	1.9%
Management of Companies and Enterprises	4,496	1.7%	2.2%	3.7%
Information	4,319	-2.8%	-3.9%	-0.3%
Utilities	3,921	11.2%	3.5%	2.0%
Other Services (except Public Administration)	3,631	-1.9%	-2.1%	2.2%
Accommodation and Food Services	3,463	-1.8%	-0.3%	3.1%
Educational Services	1,581	3.9%	1.7%	4.4%
Arts, Entertainment, and Recreation	1,519	10.6%	6.4%	5.8%
Mining, Quarrying, and Oil and Gas Extraction	829	13.2%	6.8%	10.1%
Agriculture, Forestry, Fishing and Hunting	551	-20.7%	-20.0%	-5.0%
TOTAL	175,378	1.8%	1.8%	4.6%

*2005 values were adjusted for inflation. 2007 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

Over the most recent two-year period (2005 to 2007), Northeast Ohio's output increased 1.8 percent (**Table 2**). Ohio's output also grew 1.8 percent but the nation's output increased 4.6 percent. The national growth rate was 2.5 times greater than the regional growth rate.

Utilities; Arts and Entertainment; Finance and Insurance; Transportation and Warehousing; and *Professional, Scientific, and Technical Services* were among the sectors with the highest growth in output between 2005 and 2007. Several sectors increased output at a higher rate in Northeast Ohio than in the U.S. Both *Manufacturing* and *Health Care*, the largest sectors in terms of employment, increased output between 2005 and 2007. Manufacturing output grew despite a decline in employment, although in both sectors, the national growth rate exceeded the regional growth rate.

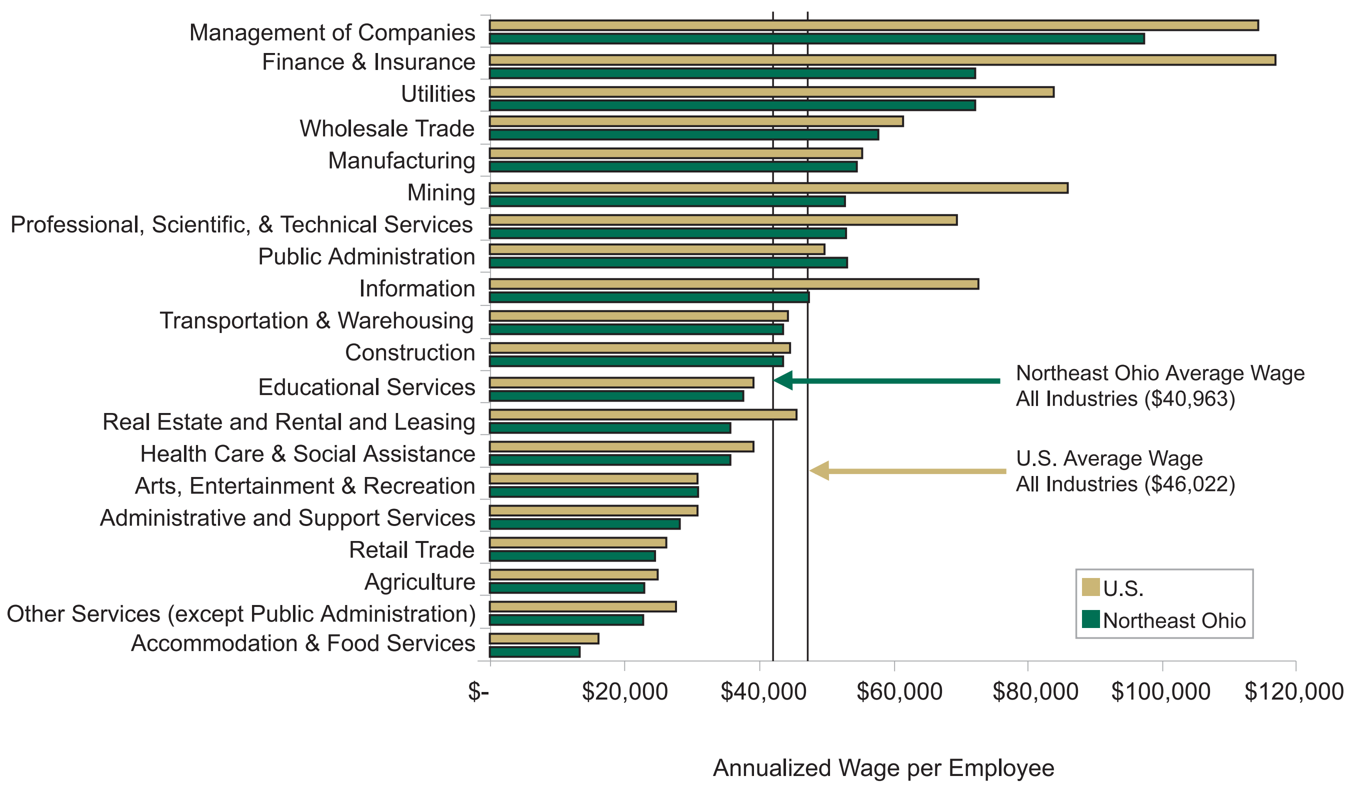
A number of industry sectors in Northeast Ohio experienced declining output, including *Retail Trade*, *Information*, *Other Services, Accommodation and Food Services*, and *Wholesale Trade*. *Agriculture* and *Information* were the only sectors to experience a loss in output nationally (the *Information* sector experienced a very minimal decline).

Average Wages

The 2007 average annual wage for Northeast Ohio workers was $40,963. This was slightly below the statewide average ($41,224) and well below the national average wage ($46,022). The wage gap increased in recent years; the average wage in Northeast Ohio increased 5.1 percent between 2005 and 2007 compared to 5.8 percent across Ohio and 7.5 percent in the U.S (after adjusting for inflation).

Two of Northeast Ohio's growing industries pay above average wages—*Professional, Scientific, and Technical Services* and *Public Administration*.

Figure 4. Average Annual Wage, 2007:Q1



Source: Quarterly Census of Employment and Wages (ES202)

Wage gaps between Northeast Ohio and the U.S. were among the highest in *Finance and Insurance*; *Information*; *Management of Companies*; *Professional, Scientific, and Technical Services*; and *Real Estate and Rental and Leasing*—the sectors that 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 average wage in *Manufacturing* is very similar between Northeast Ohio and the U.S. In Northeast Ohio's *Health Care* sector the average wage lags the U.S. average by approximately $3,350.

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 (88.05), but it is still low relative to the nation (U.S.=100) (based on 2006 data from Moody's Economy.com). This difference is similar to the average wage gap between Northeast Ohio and the U.S. (the regional average wage is 12% lower than the national average wage).

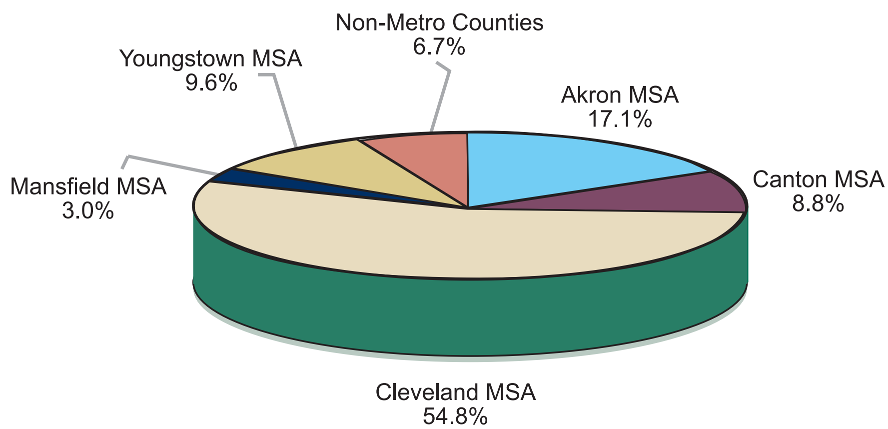
The highest paying industries in Northeast Ohio are *Management of Companies and Enterprises* ($97,336), *Finance and Insurance* ($72,293), and *Utilities* ($72,190). These are also among the top-paying industries in Ohio and the U.S. All three industries experienced declining employment in Northeast Ohio between 2005 and 2007 but the *Management* sector and the *Finance and Insurance* sector experienced high wage growth during this time (14.6% and 11.4% respectively). The rate of increase for both sectors was higher than the rate of increase statewide but average wages in *Finance and Insurance* increased at a higher rate in the U.S. Two of Northeast Ohio's growing industries pay above averages wages—*Professional, Scientific, and Technical Services* and *Public Administration*.

Sub-Regional Employment Trends

The Cleveland-Elyria-Mentor MSA accounts for more than half (54.8%) of total employment in the larger Northeast Ohio region. Akron, the second-largest MSA, accounts for 17.1 percent; the Youngstown MSA captures 9.6 percent; the Canton MSA, 8.8 percent; and the Mansfield MSA, 3.0 percent. The non-metro counties combined account for the remaining 6.7 percent of Northeast Ohio employment (**Figure 5**).

Akron was the only metropolitan area in Northeast Ohio to experience job growth between 2005 and 2007 (1.4%). Both Summit and Portage Counties added jobs during this time period (**Table 3**). Cuyahoga County holds the overwhelming majority of jobs in the Cleveland MSA (72%) and therefore losses in the central county have a large effect on the metro area, but Lorain County lost jobs at a similar rate (-0.5% in Cuyahoga and -0.6% in Lorain). Geauga, Lake, and Medina each added jobs, with Medina growing the fastest. In the Canton-Massillon MSA, Carroll County experienced a substantial increase in employment (12.1%) but it was not enough to offset losses in the much larger Stark County (-2.8%).

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 2005 and 2007.

Table 3. Total Employment by Region and County, 2005:Q1 to 2007:Q1

	2005:Q1	2007:Q1	Change	% Change
Ohio	**5,195,014**	**5,211,403**	**16,390**	**0.3%**
Northeast Ohio	**1,885,911**	**1,875,375**	**(10,536)**	**-0.6%**
Akron MSA	**315,756**	**320,333**	**4,577**	**1.4%**
Portage	51,566	52,037	471	0.9%
Summit	264,190	268,296	4,106	1.6%
Canton-Massillon MSA	**169,073**	**165,158**	**(3,915)**	**-2.3%**
Carroll	5,375	6,026	651	12.1%
Stark	163,698	159,132	(4,566)	-2.8%
Cleveland-Elyria-Mentor MSA	**1,028,626**	**1,026,949**	**(1,678)**	**-0.2%**
Cuyahoga	741,493	738,150	(3,342)	-0.5%
Geauga	33,092	33,178	86	0.3%
Lake	97,966	98,238	272	0.3%
Lorain	99,059	98,432	(627)	-0.6%
Medina	57,016	58,950	1,934	3.4%
Mansfield MSA	**56,918**	**55,975**	**(943)**	**-1.7%**
Richland	56,918	55,975	(943)	-1.7%
Youngstown-Warren MSA	**185,622**	**180,535**	**(5,087)**	**-2.7%**
Mahoning	101,470	101,518	48	0.0%
Trumbull	84,152	79,017	(5,136)	-6.1%
Non-Metropolitan Counties	**129,916**	**126,425**	**(3,491)**	**-2.7%**
Ashland	17,631	18,081	450	2.6%
Ashtabula	33,161	31,547	(1,614)	-4.9%
Columbiana	31,516	31,137	(379)	-1.2%
Wayne	47,608	45,661	(1,947)	-4.1%

Source: Quarterly Census of Employment and Wages (ES202)

The Youngstown MSA suffered the highest rate of job loss among the metro areas (-2.7%). Employment in Mahoning County was stable but Trumbull experienced the highest job loss of any county in Northeast Ohio (5,136 jobs or -6.1%). Many of the job losses were due to cutbacks by companies in two industries—Primary Metal Manufacturing and Transportation Equipment Manufacturing. Although much smaller, Trumbull and Stark Counties each lost more jobs than Cuyahoga.

Ashland was the only non-metro county to gain employment (2.6%). Ashtabula and Wayne experienced substantial job losses (-4.9% and -4.1%, respectively).

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This brief will be updated with data for the first quarter of 2008 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**

Economic Restructuring in Northeast Ohio Continues

The Northeast Ohio economy continues to struggle as job growth stalls and growth in output and wages fails to keep pace with the nation.

The national economic slowdown that occurred during the early part of the decade more adversely affected Northeast Ohio; it hit the region sooner and lasted longer. It appears that this pattern may be materializing once again. At the national level, employment continued to grow through the first quarter of 2007. In Northeast Ohio, however, employment declined between 2006 and 2007. This followed two years of growth, albeit very minimal. Northeast Ohio's gross product has continued to grow despite the recent job loss but the growth is modest and lags Ohio and the U.S.

The small downturn in the Northeast Ohio economy was felt across many industry sectors. Few experienced job growth between 2005 and 2007 and even in such cases, growth generally lagged industry growth in the U.S. Likewise, industries that experienced job losses generally experienced deeper declines than the same industries in the U.S. In addition, slower wage growth in Northeast Ohio is increasing the wage gap between the region and the U.S.

Northeast Ohio is still struggling to emerge from a long period of economic restructuring. Like Ohio and the rest of the nation, Northeast Ohio continues to lose manufacturing jobs while adding jobs in *Health Care*; *Professional, Scientific, and Technical Services*; and *Administrative and Support Services*. However, the region's greater dependence on manufacturing means that the changes affecting the nation's manufacturing base are having a deeper and longer-term impact on Northeast Ohio.