



1-1-2006

Northeast Ohio Economic Brief

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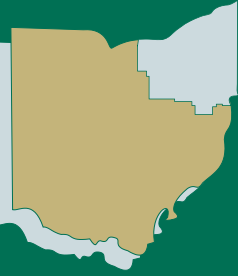
Repository Citation

Austrian, Ziona, "Northeast Ohio Economic Brief" (2006). *Urban Publications*. 0 1 2 3 671.
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Northeast Ohio Employment and Wage Trends

ECONOMIC BRIEF

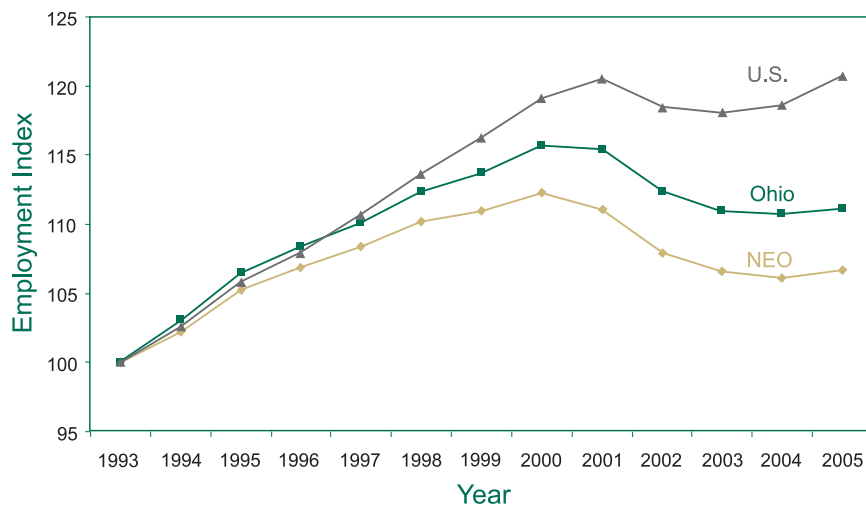


This brief is the second release of a publication that provides a broad overview of employment and wage trends for Northeast Ohio (NEO). It updates the first brief with data for the first quarters of 2004 and 2005. Its objective is to provide a quick, current, and informative report on the region's economy. NEO is defined as a 14-county area composed of four metro areas—Cleveland, Akron, Canton, and Youngstown—and three additional adjacent counties (Ashtabula, Columbiana, and Wayne). This brief begins with longer-term analysis from 1993 followed by short-term trends from the first quarter of 2003 through the first quarter of 2005.

Figure 1 reveals that although overall employment trends followed the same direction in most years between 1993 and 2005, NEO's rate of growth was much slower than that of the entire state and nation. Between the first quarter of 1993 and the first quarter of 2005, the region's employment grew by only 6.7 percent compared to 11.2 percent in Ohio and 20.7 percent in the U.S. Both Ohio and NEO began losing jobs in 2001, a year earlier than the U.S. Moreover, by the first quarter of 2005, U.S. employment levels reached their pre-recession level, while employment in both NEO and Ohio were still significantly lower than their peak 2000 employment. This is not surprising given the fact that NEO and Ohio continued to lose jobs through the first quarter of 2004; NEO's employment began to rise only in 2005. During 2000-2005, the most recent national business cycle, the U.S. experienced small job gains (1.3%), while NEO lost jobs at a higher rate (-5.0%) than Ohio (-3.9%).

NEO had 1.8 million employees in the first quarter of 2005 (**Table 1**). The two largest industrial sectors were Manufacturing with 290,000 employees (16% of NEO economy) and Health Care and Social Assistance with 267,200 jobs (14.8%). These sectors accounted for larger shares of the NEO economy than the same sectors in the Ohio and U.S. economies.

Figure 1: NEO Total Employment Index, Q1 1993 - Q1 2005
1993=100



Source: ES 202 Data

U.S. employment levels reached their pre-recession level, while employment in both NEO and Ohio were still significantly lower than their 2000 levels.



U.S. Economic Development Administration

This brief is sponsored by the Ohio Urban University Program (UUP) and its Northeast Ohio Research Consortium (NEORC), Cleveland State University's Presidential Initiative for Economic Development, and the U.S. Economic Development Administration. NEORC consists of Cleveland State University, Kent State University, The University of Akron, and Youngstown State University.

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.



A critical industry to a knowledge-intensive economy—Professional, Scientific, and Technical Services—grew in NEO between 2003 and 2005 (0.7%), although at a much lower rate than in Ohio (1.2%) and the U.S. (4.8%).

Table 1 shows employment levels in Northeast Ohio in each of the major industrial sectors and compares regional employment change rates in the past two years with changes in Ohio and the nation.

Several of NEO's largest industries gained employment. These industries—Health Care and Social Assistance, Educational Services, Accommodation and Food Services, and Administrative and Support Services—also grew at the state and national levels. However, there were four industries where, despite national growth, NEO lost jobs. These include Wholesale Trade; Finance and Insurance; Other Services; and Agriculture, Forestry, Fishing, and Hunting.

NEO performed better than Ohio in seven sectors. NEO's employment in Management of Companies and Enterprises, Retail, and Mining increased slightly, while it declined in the state. Employment in the Real Estate, Rental, and Leasing sector as well as in the Arts, Entertainment, and Recreation industries grew faster in NEO than in Ohio, while the number of Administration and Support Services jobs in NEO increased at twice the rate of growth than in Ohio.

A critical industry to a knowledge-intensive economy—Professional, Scientific, and Technical Services—experienced some growth in NEO between 2003 and 2005 (0.7%), although at a much lower rate than in Ohio (1.2%) and the U.S. (4.8%).

The national economy lost jobs in only four sectors between 2003 and 2005: Manufacturing, Public Administration, Information, and Utilities. Both NEO and Ohio also lost employment in these industries. In the first three industries, the rate of decline in NEO was higher than in Ohio and the nation, while in Utilities, NEO experienced a smaller rate of decline.

An analysis of absolute changes in total employment shows that NEO employment did not change between the first quarter of 2003 and the first quarter of 2005. This no-growth scenario is the result of 12 industries adding employment and eight other industries losing jobs (**Figure 2**).

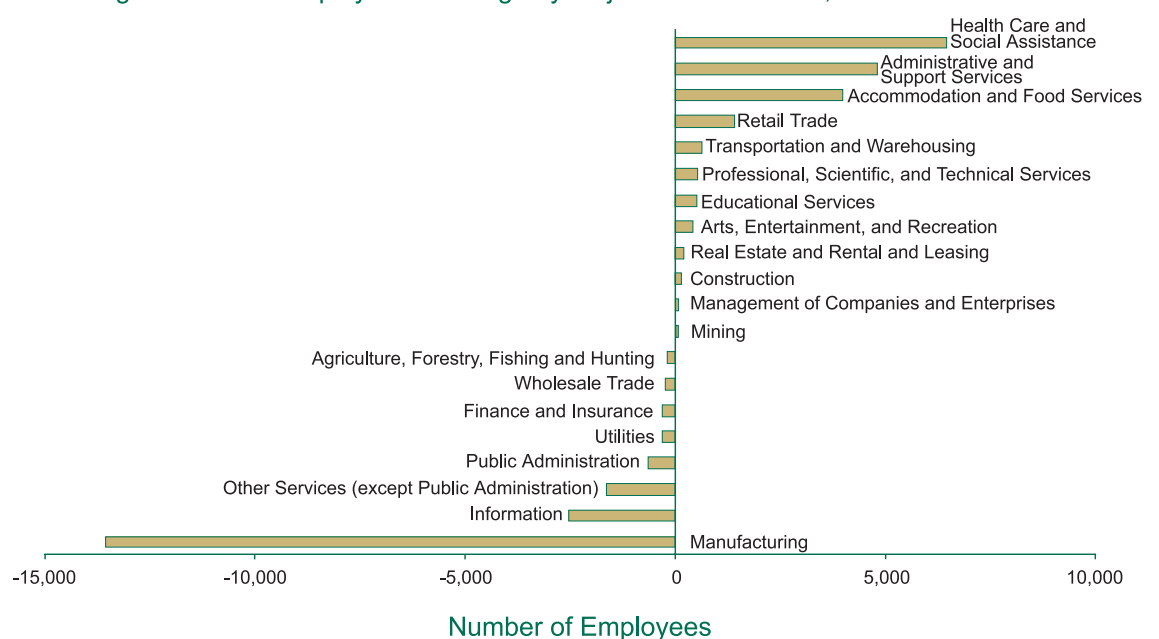
...most of the job losses occurred in higher-wage industries, while employment gains occurred mainly among industries with lower wages.

Table 1: NEO Employment Growth/Decline Rates Compared to Ohio and the U.S., Q1 2003 - Q1 2005

Major Economic Sector (NAICS)	NEO		Ohio	U.S.
	# of Employees, 2005	Percent Change, 2003-2005		
Manufacturing	289,937	-4.5	-4.3	-3.6
Health Care and Social Assistance	267,204	2.5	3.3	3.9
Retail Trade	208,696	0.7	-0.6	2.0
Educational Services	155,842	0.3	1.0	2.3
Accommodation and Food Services	139,449	2.9	3.7	5.1
Administrative and Support Services	100,632	5.0	2.2	6.2
Wholesale Trade	85,814	-0.3	0.4	1.7
Finance and Insurance	84,279	-0.4	0.0	1.8
Professional, Scientific, and Technical Services	78,834	0.7	1.2	4.8
Construction	69,861	0.2	0.5	6.8
Public Administration	68,052	-1.0	-0.6	-0.7
Transportation and Warehousing	66,412	0.9	2.2	1.2
Other Services (except Public Administration)	58,603	-2.7	-1.5	1.3
Management of Companies and Enterprises	35,347	0.1	-4.5	3.8
Information	34,666	-6.8	-6.1	-5.3
Real Estate and Rental and Leasing	24,304	0.7	0.1	3.0
Arts, Entertainment, and Recreation	23,618	1.7	0.1	3.1
Utilities	10,817	-2.9	-3.5	-3.1
Agriculture, Forestry, Fishing, and Hunting	3,300	-5.1	-3.7	0.3
Mining	2,301	1.5	-4.3	9.2
TOTAL	1,808,781	0.0	0.1	2.2

Total number of employees does not equal the summation of the categories shown due to some unclassified employees. Source: ES 202 Data

Figure 2: NEO Employment Change by Major NAICS Sectors, Q1 2003 - Q1 2005



Source: ES 202 Data

The four industries that added more than 1,000 jobs each include Health Care and Social Assistance (6,450), Administrative and Support Services (4,800), Accommodation and Food Services (3,950), and Retail Trade (1,400). Industries with the largest losses include Manufacturing (-13,500), Information (-2,540), Other Services, (-1,600), and Public Administration (-650). The list of job gainers and losers reveals that most of the job losses occurred in higher-wage industries, while employment gains occurred mainly among industries with lower wages.

NEO's gross product of all industries combined grew by 2.7% between 2003 and 2005 in comparison to 4.6% growth in Ohio and a 7.6% gain in the U.S. (Table 2).

Of NEO's \$152 billion economy, the manufacturing sector is the largest, accounting for one-fifth, or \$31.1 billion. Although NEO's manufacturing sector lost employment between 2003 and 2005, it experienced growth in gross product. In most of the industries (including manufacturing) where NEO experienced an increase in its gross product, NEO's growth rates were smaller than those of Ohio or the U.S. In contrast, gross product in the Management of Companies sector grew by 14.3% in NEO, faster than in Ohio and the U.S.; Educational Services gross product in NEO grew much faster than in Ohio, but slower than nationally. Among NEO sectors with at least \$1 billion in gross product, five experienced decline in the region while growing in the U.S.: Public Administration; Retail Trade; Information; Other Services; and Arts, Entertainment, and Recreation.

In 2005, the three highest paying industries in NEO were Management of Companies and Enterprises (\$80,800), Utilities (\$66,300), and Finance and Insurance (\$61,900) (Figure 3). However, these three sectors combined lost 600 jobs and accounted for only 7.2% of all employees. In contrast, Manufacturing is an industrial sector that is both large and pays relatively high wages (\$48,700). Health Care and Social Assistance, the second largest industrial sector, paid an average wage of \$33,600 in 2005.

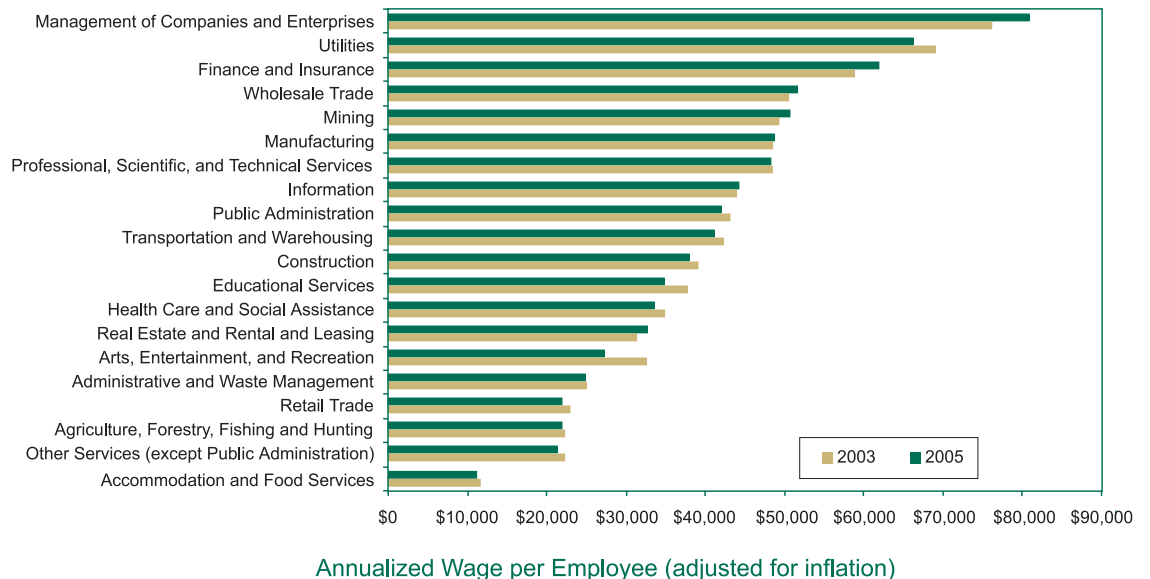
Table 2: NEO Gross Product Growth/Decline Rates Compared to Ohio and the U.S., 2003-2005

Major Economic Sector (NAICS)	NEO		Ohio	U.S.
	Gross Product (in Million \$), 2005	Percent Change, 2003-2005		
Manufacturing	31,093	5.3	7.5	9.5
Real Estate and Rental and Leasing	17,226	4.6	7.1	8.7
Public Administration	14,493	-2.4	-3.4	2.3
Finance and Insurance	12,317	3.1	3.7	7.2
Health Care and Social Assistance	12,557	0.8	4.8	7.8
Retail Trade	10,723	-2.8	-0.3	4.7
Wholesale Trade	10,312	5.8	6.6	8.5
Professional, Scientific, and Technical Services	8,124	3.4	5.5	8.4
Construction	6,146	7.1	8.4	10.5
Administrative and Support Services	3,857	0.2	3.2	7.5
Information	3,966	-0.9	7.7	8.5
Other Services (except Public Administration)	3,626	-3.9	-1.0	2.5
Transportation and Warehousing	3,694	0.9	3.1	8.8
Accommodation and Food Services	3,268	3.3	4.9	9.2
Management of Companies and Enterprises	3,822	14.3	11.9	13.8
Utilities	3,257	8.9	9.8	11.1
Arts, Entertainment, and Recreation	1,145	-6.7	7.6	9.0
Educational Services	1,273	4.2	1.3	5.3
Agriculture, Forestry, Fishing, and Hunting	767	-5.0	-3.3	4.3
Mining	364	-1.9	9.2	15.1
TOTAL	152,030	2.7	4.6	7.6

Gross product measures value-added output.
Source: Economy.com

NEO's gross product grew by 2.7%, slower than the state (4.6%) and the nation (7.6%).

Figure 3: NEO Annual Average Wage by Major NAICS Sectors, Q1 2003 and Q1 2005



Source: ES 202 Data



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This brief will be updated with data for the first quarter of 2006 as they become available. Please share your comments with **Dr. Ziona Austrian: ziona@urban.csuohio.edu**. Electronic versions of both briefs (in PDF format) are available on the Center for Economic Development website <http://urban.csuohio.edu/economicdevelopment>.

Overall average wages in NEO declined by 1.9 percent from \$37,634 in 2003 to \$36,910 in 2005, after adjusting for inflation. Nine industries experienced declining average wages of more than \$1,000, while average wages grew by more than \$1,000 in only four industries. The Finance and Insurance sector, which has over 84,000 employees and an average wage of \$61,900, experienced an increase in average wages of \$3,150 (or 5.4%). Management of Companies and Enterprises experienced an even larger wage gain (\$4,600 or 6%), but it is a smaller industry with only 35,300 employees. Additional industries that increased average wages include Wholesale Trade, Information, and Manufacturing. Large industries with more than 50,000 employees that experienced reduced average wages of more than \$1,000 include Educational Services, Health Care and Social Assistance, Transportation and Warehousing, Construction, Other Services, Retail Trade, and Public Administration.

Employment performance varies among metropolitan areas and counties (**Table 3**). The Akron metropolitan area was the only NEO metro area to gain employment (3.5%) during the 2003-2005 time period; both of its counties—Portage and Summit—added jobs, with Summit County adding close to 8,700, more than any other county in NEO. Moreover, this healthy performance offset the declines in the other metro areas, resulting in no employment change in Northeast Ohio as a whole. Job losses in the Cleveland metropolitan area (-0.6%) all occurred in Cuyahoga County (-2.0%). Geauga, Lake, and Medina Counties each added between 2,000 and 3,000 jobs; Lorain County also added some employment. Since Cuyahoga County accounts for 40 percent of Northeast Ohio employment, its economic performance not only affects the Cleveland metropolitan area, but the entire region.

Akron's employment grew by 3.5% between 2003 and 2005; it was the only metro area in NEO that added jobs.

Table 3: NEO Total Employment by Region and County, Q1 2003 - Q1 2005

	Q1 2003	Q1 2005	Change	% Change
Ohio	5,192,313	5,195,014	2,702	0.1
NE Ohio	1,808,602	1,808,781	179	0.0
Cleveland-Lorain-Mentor MSA	1,030,549	1,024,202	-6,346	-0.6
Cuyahoga	752,267	737,358	-14,908	-2.0
Gauga	31,136	33,210	2,074	6.7
Lake	94,653	97,457	2,804	3.0
Lorain	98,298	99,033	735	0.7
Medina	54,194	57,144	2,950	5.4
Akron PMSA	306,540	317,223	10,683	3.5
Portage	50,107	52,103	1,996	4.0
Summit	256,433	265,120	8,687	3.4
Canton-Massillon MSA	170,385	169,279	-1,106	-0.6
Carroll	5,353	5,400	47	0.9
Stark	165,032	163,879	-1,153	-0.7
Youngstown-Warren MSA	188,111	185,482	-2,629	-1.4
Mahoning	102,726	103,665	940	0.9
Trumbull	85,385	81,817	-3,568	-4.2
Rural Counties	113,017	112,594	-423	-0.4
Ashtabula	32,753	33,156	403	1.2
Columbiana	32,869	31,925	-944	-2.9
Wayne	47,394	47,513	118	0.2

Source: ES 202 Data