

Recent Trends in Ohio Manufacturing

March 2008

Introduction

Everyone knows that manufacturing is on the decline both nationwide and in states like Ohio, right? Well, not exactly—the story is actually much more complicated.

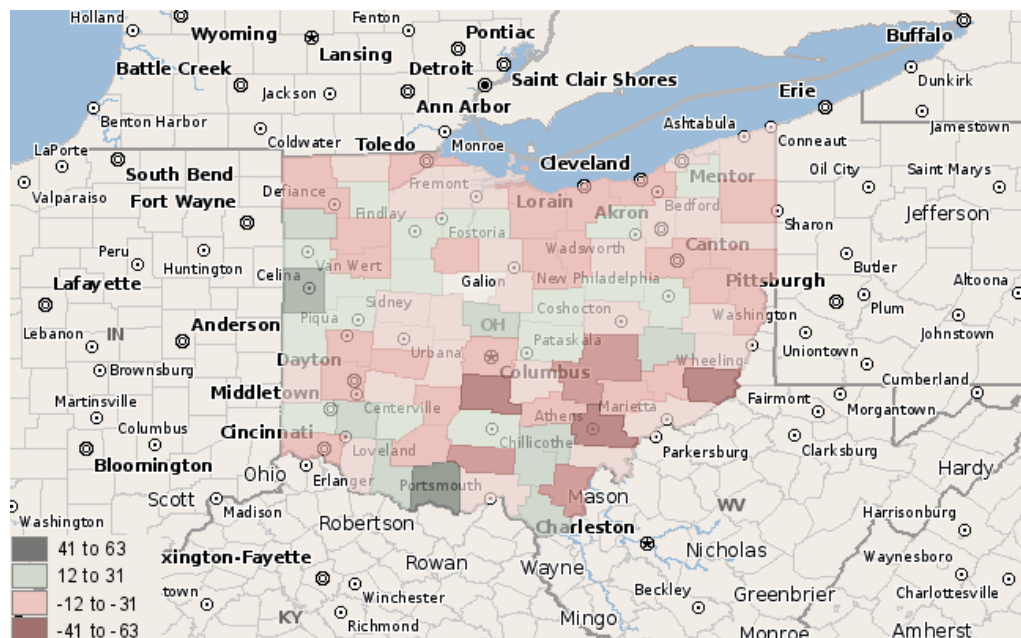
It is true that Ohio’s manufacturing sector saw a loss of some 93,000 jobs (about 10 percent) from 2002 to 2007, even as other portions of the economy were pulling out of the 2001 recession. Nationally, the manufacturing sector lost more than a million jobs, or 7 percent, over the same period. However, this does not at all mean that manufacturing should be neglected by economic development efforts. Rather, the sector is now undergoing intense restructuring that will require innovative, targeted investments. In particular, Ohio economic development professionals should be aware of four major trends in the state’s manufacturing sector:

1. The sector is actually adding new jobs in many non-urban areas.
2. The sector is becoming smaller, more productive, and higher-paying.
3. An aging workforce and rapid skill changes will tighten the sector’s job market.
4. The weak dollar will benefit manufacturers who can export products.

Read on to examine each of these trends in more detail.

1. Manufacturing employment is actually growing in many non-urban areas.

Statewide trends have obscured the fact that the manufacturing sector is either stable or adding new jobs in about one-third of Ohio’s counties. The following map shows growth or decline of the manufacturing sector in terms of *percent* job change from 2002 to 2007. The most recent published data are from Q1/Q2 2007, which we have used to estimate the 2007 annual average.



(Source: Economic Modeling Specialists Inc. (EMSI), Complete Employment Industry Data, March 2008. Unlike QCEW/ES-202 statistics, our figures include proprietors and other workers not covered by unemployment insurance. In addition, numbers include estimates for data points marked as “non-disclosed” in public data sources.)

The primary trend highlighted here is fact that growth is occurring exclusively in suburban and rural counties. This may reflect a trend called “farmshoring,” in which companies move operations to less urbanized areas (instead of overseas) to reduce costs.

The five counties experiencing the most total (not percentage) manufacturing job growth are:

County	2002 Jobs	2007 Jobs	5 Year Growth
Warren	12,179	13,836	1,657
Mercer	4,030	5,304	1,274
Delaware	4,951	6,073	1,121
Shelby	13,233	14,316	1,083
Auglaize	6,330	7,035	705

Source: EMSI Complete Employment, March 2008.

Of course, not all types of manufacturing firms are hiring. Among only those Ohio counties with positive job growth in manufacturing overall, the fastest-growing specific sectors are:

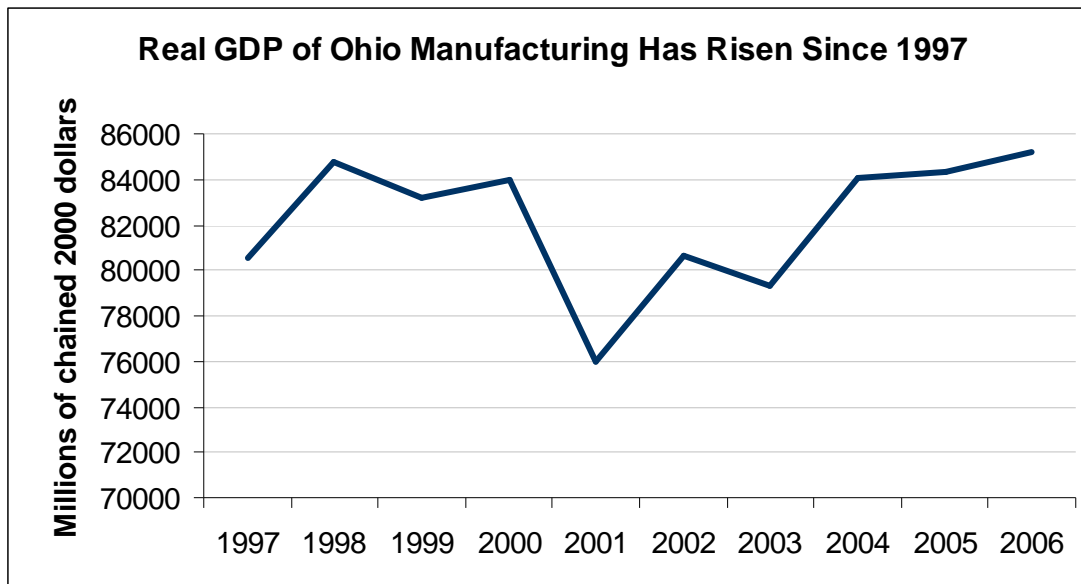
Industry	2002 Jobs	2007 Jobs	5 Year Growth
Transportation equipment manufacturing	24,428	28,264	3,836
Machinery manufacturing	17,684	20,495	2,811
Food manufacturing	11,128	12,952	1,824
Fabricated metal product manufacturing	17,580	19,394	1,815
Chemical manufacturing	5,274	6,387	1,113

Source: EMSI Complete Employment, March 2008. Job numbers are aggregated from only those counties experiencing growth in the manufacturing sector overall.

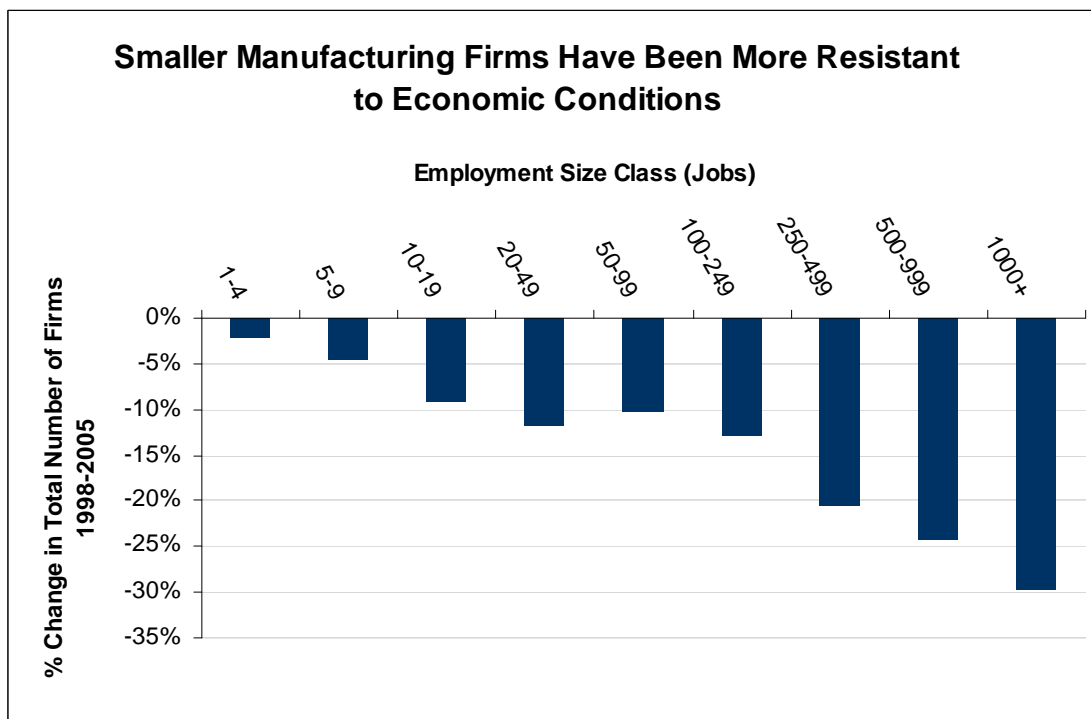
Again, statewide totals can mask what is actually happening—at the state level, employment in all these industries is declining, even as it grows in some selected counties. Granular local data helps tease out the specific trends.

2. Manufacturing is becoming smaller, more productive, higher-tech, and higher-paying.

Despite steady job loss, the total inflation-adjusted value of goods produced by Ohio manufacturers was 6% higher in 2006 compared to 1997—a real increase of \$4.7 billion in total output despite the steep decline in 2001 (Source: U.S. Bureau of Economic Analysis).



In addition, smaller firms are weathering the conditions much better than larger firms. From 1998 to 2005, Ohio experienced a net loss of 170 manufacturing firms (or 23%) having 250 or more employees, while during the same period, among firms having 1-4 and 5-9 employees there was a net loss of only 2.3% and 4.6%, respectively. And firms with fewer than 10 employees totaled 29.3% of all firms in 2005, up from 27.6% in 1998 (Source: Census, County Business Patterns).



Meanwhile, from 2001 to 2006, inflation-adjusted average annual pay in Ohio manufacturing jobs rose by nearly 3% to over \$50,000 (Source: U.S. Bureau of Labor Statistics)—a sign that demand for the right workers remains strong. The low-skilled jobs are leaving, while the jobs that remain are both higher-

skilled and high-paying. Anecdotal evidence suggests that manufacturing employers can't find enough good workers (see, for example, [this article from the Cleveland Plain Dealer](#)).

3. An aging workforce and rapidly changing skill requirements will tighten the job market.

In 2000, nearly 40% of Ohio's manufacturing workers were age 45 or older, and the number is likely much higher now in 2008. Their retirements, combined with a general lack of interest in manufacturing shown by younger workers (see, for example, [this recent story on CBS](#)) as well as new high-tech skill requirements, will leave a large number of job openings left unfilled over the next decade. Just for the 5 most common manufacturing occupations in Ohio earning more than \$15 per hour, EMSI estimates that there will be nearly 47,000 job openings from 2008 to 2018.

4. The weak dollar is benefiting manufacturers who export products.

The weak dollar has made headlines for several months now, and it means that U.S. manufactured goods are now much cheaper for foreign buyers. This is a short- to mid-term boon for domestic manufacturing firms that are able to export a significant portion of their goods. Firms that are currently focused on the domestic market may well consider expanding their operations to foreign markets. At the same time, the weak dollar makes imports of manufactured goods more expensive and offshoring of jobs somewhat less cost-effective, which could lead to more retention of manufacturing jobs here in the U.S.

Conclusion

Manufacturing in Ohio is not going away—it is merely undergoing a profound change in how business gets done. Opportunities abound for entrepreneurial firms that can be agile, low-impact, and highly productive, and for the regions that are able to recruit and retain them.

About EMSI

Economic Modeling Specialists Inc. (EMSI) is a professional services firm that offers integrated regional data, web-based analysis tools, data-driven reports, and customized consulting services. EMSI has served thousands of workforce, education, economic development, and other policy professionals in the U.S., Canada, and the United Kingdom, and the company's web-based [Strategic Advantage research and analysis suite](#) is used by over 2,500 professionals across the U.S. For more information, call (866) 999-3674 or visit www.economicmodeling.com.