

State of the County Report: Economy and Labor Market

COMMUNITY COMPASS REPORT NO. 16-4

Hamilton County, Ohio

Community
COMPASS



HAMILTON COUNTY
Regional
Planning
Commission

November 2004



The **Planning Partnership** is a collaborative initiative of the Hamilton County Regional Planning Commission. The Partnership – open to all political jurisdictions in the County and to affiliate members in the public, private and civic sectors – is an advisory board that works to harness the collective energy and vision of its members to effectively plan for the future of our county. Rather than engaging in the Planning Commission’s short-range functions such as zoning reviews, the Planning Partnership takes a long-range, comprehensive approach to planning, working to build a community that works for families, for businesses and for the region. The Partnership firmly believes that collaboration is the key to a positive, competitive and successful future for Hamilton County.

Visit planningpartnership.org and communitycompass.org for more information.

Community COMPASS (Hamilton County’s Comprehensive Master Plan and Strategies) is a long-range plan that seeks to address mutual goals related to physical, economic, and social issues among the 49 communities within Hamilton County. Through a collective shared vision for the future based on the wishes and dreams of thousands of citizens, Hamilton County now has direction to chart its course into the 21st century.

In developing a broad vision with broad support, Community COMPASS will help ensure that trends are anticipated, challenges are addressed, priorities are focused, and our collective future is planned and achieved strategically over the next 20 to 30 years. Through an in-depth analysis of all aspects of the County, the multi-year process will result in a comprehensive plan.

The **State of the County** report series outlines conditions, trends, opportunities, and key measures related to improving and sustaining quality of life in twelve major systems in our community. The individual reports lay the groundwork for an overall State of the County analysis or report card, and provide support for refining action strategies.

Abstract

Title:

State of the County Report
Economy and Labor Market
Community COMPASS
Report No. 16-4

Subject:

Current conditions and findings regarding economy and labor market in Hamilton County.

Date:

November 2004

Synopsis:

This report presents existing conditions and trends in Hamilton County related to economy and labor market in the context of the Cincinnati metropolitan region. The report identifies eight important findings as well as the importance of trends associated with each finding, and provides key indicators for measuring progress toward the Vision for Hamilton County's Future.

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Context

COMMUNITY COMPASS COMPONENTS

- 1 **Vision**
(What do we want?)
- 2 **Initiatives**
(What strategies should we consider?)
- 3 **Indicators**
(What should we measure?)
- 4 **Trends**
(Where have we been?)
- 5 **Projections**
(Where are we headed?)
- 6 **Research**
(What's the story behind the trend?)
- 7 **Partners**
(Who can help?)
- 8 **Strategic Plans**
(What can we do that works?)
- 9 **Action Plans**
(How do we make it happen?)
- 10 **Performance Measures**
(Are actions making a difference?)

This Report

STATE OF THE COUNTY REPORTS

- Civic Engagement and Social Capital
- Community Services
- Culture and Recreation
- Economy and Labor Market
- Education
- Environment
- Environmental and Social Justice
- Governance
- Health and Human Services
- Housing
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- Mobility

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ECONOMY AND LABOR MARKET**

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STATE OF THE COUNTY REPORT: ECONOMY AND LABOR MARKET

Executive Summary

Economy

FINDING 1

Increasing globalization affects local and regional economies.

- Economic globalization is increasing pressure on Hamilton County and the Cincinnati metropolitan region to be competitive.
- In the Cincinnati region, competition from Japan and (especially) Korea has affected the region's prominent machine tool industry.
- Many metropolitan regions are taking initiatives to identify business and industry clusters that exist in their region, to identify and capitalize upon their local strengths and specialities, to target industries they want to attract or grow, and to be more competitive in the national and global markets.
- The implication is that regions can encourage the kinds of industry mix, jobs and specializations they think will bring the best economic impacts.
- Residents leaving Hamilton County to work in other places cost local municipalities in earnings tax dollars. In 1990, about 11 percent of Hamilton County residents worked outside the county, rising to almost 16 percent in 2000.
- The number of businesses and industries in the county increased overall from 23,695 in 1987 to 24,703 in 2001. The high point during this period came in 1995, when 25,577 firms were operating in the county.
- Hamilton County has had an average of about 2,250 business starts and 1,945 business deaths each year since 1987. Business starts are considered an indicator of vitality in an economy.
- All size-classes of business and industry establishments added workers from 1987 to 2000, with the exception of the smallest - those employing 1-4 persons. These industries usually form the bulk of economic activity in a region.

FINDING 2

The County economy has been growing - even as population is declining.

- Contrary to popular assumptions, Hamilton County's population losses are not associated with job losses. From 1987 to 2000, the county economy added 82,905 jobs in the private sector - 25,426 of them just in 1999 and 2000.
- The current recession has affected the economy. From March 2000 to March 2001 the total number of payroll jobs in Hamilton County decreased from 556,563 to 543,407 - a loss of 13,156 jobs.
- Sales tax receipts appear to be more dependent upon the number of jobs in the county rather than the number of people.

FINDING 3

The composition of the County economy has changed: more jobs are now supplied by service sectors than by the manufacturing sector.

- Services jobs now dominate the county economy (34 percent), while manufacturing supplies about 14 percent of all employment. However, manufacturing brings in more income than services.
- Service jobs related to information; arts, entertainment and recreation; and professional, scientific and technical services pay more than the county average. All other service jobs such as retail, health care and administration pay less.

FINDING 4

Total payroll income of Hamilton County workers has increased overall, but at a slower pace than the us as a whole.

- Total payroll of Hamilton County workers grew at an annualized rate of 1.6 percent from 1987-2001. This is just under half the rate of the total US (3.7 percent).

FINDING 5

Hamilton County's share of employment, business, and industries is decreasing as adjacent counties continue to develop at the region's northern and southern boundaries.

- From 1987 to 2001, Hamilton County's share of the region's business and industry establishments dropped from 60 percent to 53 percent, due principally to growth in Warren, Clermont and Boone Counties.
- Hamilton County's share of all employment in the region declined from 68 percent to 57 percent with Clermont, Warren, Kenton and Boone Counties making the biggest gains over the period.
- The County's share has decreased due to development in the other counties of the metropolitan region. If Hamilton County starts to develop a net loss of business and industries, following the population to the suburban counties, this will have strong negative impacts on fiscal and economic viability.

Labor Market

FINDING 1

Job growth in Hamilton County outstrips the size of the resident labor force.

- The total number of jobs available in Hamilton County in recent years has far outstripped the resident civilian labor force. This means there is an inadequate number of qualified workers within Hamilton County to fill available jobs.
- Only Hamilton and Boone Counties have more jobs than labor force. In the remaining 11 counties, the labor force is larger than the number of available jobs. These workers fill the gaps in Boone and Hamilton County's labor forces.
- Because of high demand for labor, the average unemployment rate in Hamilton County has been low (less than 5 percent with only four exceptions) for the last 15 years. This indicates a tight labor market.
- Because of demographic changes, and out-migration, the tight labor market situation is likely to get worse over time unless steps are taken to retain and attract qualified workers into the region.

FINDING 2

Hamilton County and the Cincinnati region have a shortfall of workers in the "entrepreneurial" age groups.

- The metropolitan region's population is increasing, only slowly, at a rate of 0.9 percent per annum from 1990 to 2000. Hamilton County's population is decreasing.
- The region-wide decrease in the 22-34 age groups - the entrepreneurial workforce - of almost 44,000 over just 10 years directly affects the labor force and economy by depriving the region of newer, cutting-edge training and knowledge, as well as decreasing economic support for the dependent population.
- The decrease is due partly to out-migration, but also to the fact that many fewer people were born in this generation ("Baby Bust"). The small generational size is a *national* phenomenon, so the Cincinnati region will have to compete even harder to attract this age group.

FINDING 3

Educational achievement has increased, but will need to be boosted in order for Hamilton County and the region to compete with other, more attractive metropolitan areas.

- The level of educational attainment of Hamilton County residents has increased steadily over the last twenty years, although the number graduating with only a high school certificate is not dropping.
- Neither the county nor the region are keeping up with "peer" counties and regions, or with metropolitan areas that are top-ranked in college graduate or post-graduate education levels of the resident population.
- Two recent studies show that Hamilton County and the Cincinnati metropolitan region suffer from job/skill mismatches between what workers can offer and qualifications needed by employers.
- The implication is that not only does the size of the labor force need to be expanded, but education and training need to be more precisely aligned with future demand in particular sectors of the economy.

STATE OF THE COUNTY REPORT

Economy

*THE VISION FOR HAMILTON COUNTY'S FUTURE:
A globally competitive and diverse economy that provides
job opportunities for all county residents, attractions for
visitors, and makes best use of our existing communities and
resources.*

INTRODUCTION

The economy of Hamilton County is a mighty engine of growth, and is by far the major source of vitality for the entire regional economy. It is also a “diversified” economy (meaning that it has a representative mix of businesses and industries) and this helps the region to avoid the worst effects of business down-turns as well as avoiding over-dependency on one industry or another.

But diversification also means that the regional economy will likely go into recession whenever the national economy goes into recession, and is unlikely to recover fully until the national economy improves. This is what has happened to the Hamilton County economy over the past two years.

Because of the likelihood of recessions, places like Hamilton County need to cultivate and grow their own “special advantages,” as well as maintain a significant range of economic activities. In order to develop the right strategies for keeping the economic engine humming along, it is important to understand the composition of the economy and how it works.

The economy of a big city or a big urban county like Hamilton County is a very complex structure. Economic activity impacts almost every aspect of individual and community life, including the geographic spaces we live in. In turn, economic activity is shaped by community skills and values, the physical environment and rules governing the way it can be adapted for achievement of community goals, and by the capacity of communities to create needed resources such as infrastructure.

Increasingly, however, local and regional economies such as those of Hamilton County and the Cincinnati metropolitan region are influenced and constrained by a much larger network: that of the global economy.

The Vision Statement for Economy and Labor Market, a component of *The Vision for Hamilton County's Future*, is based on recommendations from 12 Community Forums in the Fall of 2001 and the Countywide Town Meeting held January 12, 2002.

The Vision for Hamilton County's Future was reviewed and approved by:

- Community COMPASS Steering Team, July 30, 2002
 - Hamilton County Planning Partnership, Dec. 3, 2002
 - Hamilton County Regional Planning Commission, Feb. 6, 2003
 - Hamilton County Board of County Commissioners, Nov. 26, 2003
-

Despite recent shocks to the global network (and especially the global finance system) caused by events such as 9-11, wars, and the outbreak of virulent diseases such as SARS, it seems unlikely that the process of globalization will significantly slow in the

long term. Regions such as ours, like many others, need strategies to maintain and expand competitive advantage in the global economy.

This report presents existing conditions and trends in Hamilton County related to

our economy. This report identifies five important findings as well as the importance of trends associated with each finding, and provides key indicators for measuring progress toward the Vision for Hamilton County's Future.

FINDING 1

INCREASING GLOBALIZATION AFFECTS LOCAL AND REGIONAL ECONOMIES.

When economists talk of “globalization,” what they are mainly referring to is the enormous expansion and integration of the system of trading relationships between nations and regions since the end of the 1970s.¹

Advances in technology, particularly communications, information and transportation, have made possible the increasing internationalization and globalization of industries. Financial capital and advanced technologies are increasingly easy to transmit around the globe; products can be quickly and cheaply transported between nations.

Political changes have also aided the process of the globalization of industry. The disintegration of the Soviet system has had the effect of making several communist or socialist countries more open to international trade – China and India are good

examples. This occurrence presents US firms with enormous new markets and more opportunities to export US goods, but at the same time creates competition against US goods as these countries seek to develop and export their own products.

Changes in political alignments between nations have made possible new and restructured trade boundaries and agreements (NAFTA, the North American Free Trade Association, for example). Because of NAFTA, trade routes are shifting between Mexico, the US and Canada; and large numbers of industries have relocated to border areas, to take advantage of cheaper labor and other production costs.

Finally, the nature of the global economy itself is affected by the efforts and successes of other nations to develop their industries and compete in

the global arena. In some cases, competition from industrializing nations has resulted in shifting a large share of certain industries overseas, leaving some regions – especially those in the Northeast and Midwest - struggling to replace their basic industries and to diversify.

This has happened in the case of the steel and automotive industries, affecting cities and regions such as Cleveland, Detroit and Pittsburgh which were heavily dependent upon those activities for earnings. In the Cincinnati region, competition from Japan and (especially) Korea has affected the region's prominent machine tool industry.

Why Is This Important?

The conjunction of technology, transportation and communications advances with the loosening of bar-

riers to international trade has presented firms with unique opportunities.

Specifically, it has enabled firms to transfer capital and technologies to foreign locations where the other costs of production – especially skilled and semi-skilled labor – are much cheaper than in the US. This process is most clearly seen in the operations of so-called “multi-national” firms, which have operations in several different countries. Both home-grown and foreign multinational firms are located in the Cincinnati region.

Clearly, such shifts in the location of productive activities can impact jobs in US regions, and also the amount of property and business tax revenues that are received by state and local governments. Economic sectors in the US that have been hit particularly hard by off-shore production include apparel, shoes, textiles and steel.

More recently, US businesses have begun shifting some services to foreign locations. As the cost of telecommunications has dropped, it has become more profitable to shift activities such as customer service, telemarketing and even computer programming overseas. For example, the city of Bangalore is well known as India’s “Silicon Valley,”

and the technologically skilled population provides a cheap and ready source of labor for these types of jobs. Skilled “knowledge” workforces in China, Malaysia and Singapore also increasingly compete with US workers for jobs that can be “outsourced.”

All of the above factors can, and have, had an effect on local and regional economies. Most importantly, they have caused an increase in competition, and a growing emphasis on the competitiveness not just of businesses and industries – but also of regions. Regions are seen as competing with each other for trade and industry, and “quality of life” factors, and population - both domestically and internationally.

Today’s decision-makers and planners face a radically different environment when planning for future stability and prosperity in their regions. To stay competitive and up-to-date, they must be extremely well-informed, prepared to become players on the international stage, have, or develop the capacity to use the new tools of the information age, and be prepared to take advantage of new and rapidly evolving opportunities and practices.

Success in our global economy requires a competitive economy. A competitive economy requires connec-

tions between economic development, land-use and community planning. It requires a holistic, rather than compartmentalized, approach to regional and local development - one that recognizes interdependencies at the local and regional levels.

Today, perhaps more than ever before, it is important for citizens and policy makers to understand the workings of the economy if they wish to sustain and improve quality of life and attain community goals.

Key Indicator:

- *Total dollar value of exports annually*

THE COUNTY ECONOMY HAS BEEN GROWING - EVEN AS POPULATION IS DECLINING.

Although Hamilton County's resident population is decreasing, the number of jobs, businesses and industries in the county actually increased overall from 1987² to 2001. This trend reflects both the robust growth in the US economy in the late 1990s, and some special strengths in Hamilton County. As shown in Figure 1, the current recession has caused a downturn in employment, and in the number of business and industry establishments (which had enjoyed a slight increase in 2000).

According to the US Census Bureau, the number of business and industry establishments in Hamilton County increased from 23,695 in 1987 to 25,577 in 1995. The number of establishments then began to drop, decreasing to 24,703 by the onset of the recession in March 2001. Between 1987 and 2001, Hamilton County gained

a net 1,008 business and industry establishments.

Although growth in numbers of establishments slowed, strong job growth increased the size of existing businesses and industries up until 2000. From 1987 to 2000, the county economy added 82,905 jobs in the private sector - 25,426 of them just in 1999 and 2000. From March 2000 to March 2001, however, the total number of payroll jobs in Hamilton County decreased from 556,563 to 543,407 - a loss of 13,156 according to Census Bureau County Business Patterns data. When all wage and salary jobs are factored in, however, to include the military and state, local and federal government, the net loss of jobs falls to 7,746 from 2000 to 2001.³

As shown in Figure 2, all size-classes of business and industry establishments

added workers from 1987 to 2000, with the exception of the smallest - those employing 1-4 persons. In fact, that group lost 460 or 4 percent of small businesses between 1987 and 2000. From March 2000, to March 2001, a further 132 small businesses were lost according to the Census Bureau.

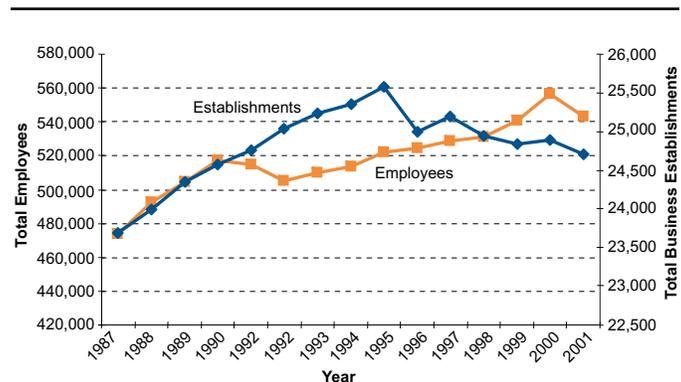
In most regional economies, and in the national economy, small businesses account for the bulk of economic activity. In Hamilton County, businesses with 1-4 employees made up 45 percent of all establishments in 2001. In the US, the proportion was 54 percent. Small businesses are evidently very important in the overall economic picture. Therefore, a drop in small business establishments merits further examination to determine any threat to the viability of the county economy.

Why Is This Important?

Loss of jobs and business or industry establishments is a cause for concern at any time - although it is to be expected during a recession. The current recession has so far been slightly less severe in its consequences than the 1990-91 recession, when

Figure 1
TRENDS IN TOTAL BUSINESS ESTABLISHMENTS AND TOTAL EMPLOYMENT, HAMILTON COUNTY, 1987-2001

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns



average unemployment in Hamilton County reached 5.6 percent. As of April 2003, the unemployment rate for the county stood at 4.6 percent.

Of even greater concern is the potential for decrease in small businesses to become a trend. Even though most small business start-ups eventually fail, the trend in Hamilton County has been a net gain of businesses through an excess of start-ups over deaths.⁴

Large numbers of business starts are an indicator of dynamism in a local economy, and Hamilton County has had an average of about 2,250 business starts and 1,945 business deaths each year since 1987.

However, the finding that jobs and business establishments have increased over the long haul in Hamilton County, while the population continues to decrease is intriguing. Places with decreasing population are often thought of as presenting a negative image, as unattractive to potential newcomer industries and businesses. Clearly, this is not the case in Hamilton County, as job growth has been strong.

The economic impact of population loss has other aspects, though. When people leave the county there is potential for loss of tax revenues: property and income tax revenues may decline.

Impacts on income tax revenues can be a complex calculation. Only municipalities are allowed to impose income taxes. Counties and townships do not collect this revenue. Income tax is paid to the jurisdiction where the employment is located, so if a person lives in one Hamilton County municipality and works in another, he will pay taxes wherever he works. A complex and unstandardized system of earnings taxes upon individuals who live in one municipality and work in another exists within Hamilton County.

Within this system, one fact is clear: residents leaving Hamilton County to work in other places costs local municipalities in tax dollars. In 1990, about 11 percent of Hamilton County workers worked outside the county. This figure had risen to almost 16 percent in 2000.

Property tax revenues may also be affected by population loss. However, even when properties are vacant

they are still subject to property tax. If properties become less valuable because of falling sales prices, or even through being abandoned and becoming derelict, then tax collections will go down. This will apply to both commercial and residential types of properties.

Sales taxes are another source of revenue that is thought to be negatively affected by population loss. However, statistical research conducted by the Hamilton County Regional Planning Commission indicates that the county's population loss is not the primary cause of diminishing sales tax revenues. Sales tax receipts are more likely to vary with an increase or decrease in the number of jobs in the County.

These findings raise the question of whether the central county and its jurisdictions can continue to function well fiscally without additional population. The answer is currently unclear, and merits further policy analysis.

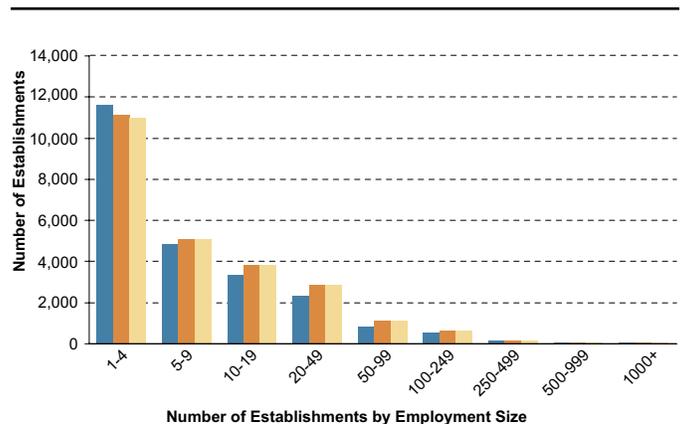


Figure 2
TOTAL NUMBER OF BUSINESS AND INDUSTRY ESTABLISHMENTS BY NUMBER OF EMPLOYEES, HAMILTON COUNTY, 1987, 2000 AND 2001

Legend:
 1987 (Blue)
 2000 (Orange)
 2001 (Yellow)

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

Key Indicators:

- *Growth trends in jobs and number of business and industry establishments (Figure 1)*
- *Trends in business start ups and deaths*
- *Growth trends in selected revenue collections (e.g. sales tax, property tax, income tax)*
- *Population trends*

FINDING 3

THE COMPOSITION OF THE COUNTY ECONOMY HAS CHANGED: MORE JOBS ARE NOW SUPPLIED BY SERVICE SECTORS THAN BY THE MANUFACTURING SECTOR.

The basic structure and composition of the Hamilton County economy has been changing. Back in the 1960s, manufacturing supplied 35 percent of all jobs, and services supplied about 17 percent. By 1987, manufacturing industries in Hamilton County dropped to 20 percent of all jobs, and service industries rose to about 28 percent. Now manufacturing supplies about 14 percent of all employment, while services have come to dominate, supplying 34 percent of jobs. The same trend can be seen in the US as a whole. However, it is important to note that manufacturing jobs still bring in a greater income, on average, than do service jobs. In 2000, manufacturing jobs sup-

plied 22 percent of Hamilton County's earnings even though they represented only 14 percent of all employment. Services, on the other hand, supplied 31 percent of earnings, while supplying 34 percent of jobs. Likewise, the value-added by manufacturing jobs is greater than that of service jobs in Hamilton County, according to the Ohio State University Data Center.

Figure 4 shows the Hamilton County economy divided by total earnings of employees in broad industry sectors according to the Standard Industrial Classification (SIC) codes.

Until 1997, the kinds of businesses that were counted as "service" businesses

included a very wide range – from window-washing to computer programming and software development; from automobile parking to motion picture production; and from repair shops to doctors' offices. Clearly, there is a wide variation in pay for jobs like these. As the US economy shifted, or restructured from a primary manufacturing base to a service base, fears arose that the majority of new jobs in the service economy would be of the low-paying kind.

In Figure 5, "new" service sectors created by the switch to the North American Industrial Classification System (NAICS) are highlighted together with their average annual payroll per capita

It is clear there are large payroll differentials between the types of service activities defined by NAICS. Only three of the broad service sectors in fact have average payroll incomes higher than the overall county average.

Why Is This Important?

The economic success of an area or region depends very largely upon its mix of businesses and industries, and upon its own particular strengths and specializations. These are important factors influencing competitiveness in the national and global arenas, and prosperity in the home region.

It was formerly almost a truism that service jobs brought in lower wages, and that service industries were not “traded” across regional borders, as they

served only the local population and economy. Manufactures, however, were sold not only locally,

but could be exported for sale outside the region – this process brought new, additional money

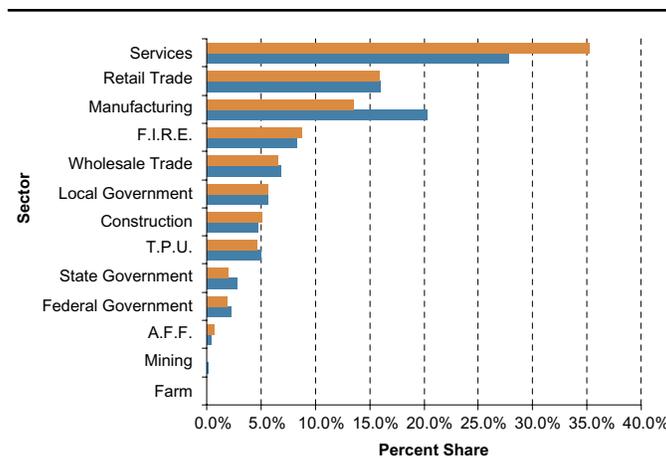


Figure 3
EMPLOYMENT: PERCENT SHARE BY SECTOR, HAMILTON COUNTY, 1987 AND 2000

Source: Hamilton County Regional Planning Commission, BEA, Regional Economic Information System

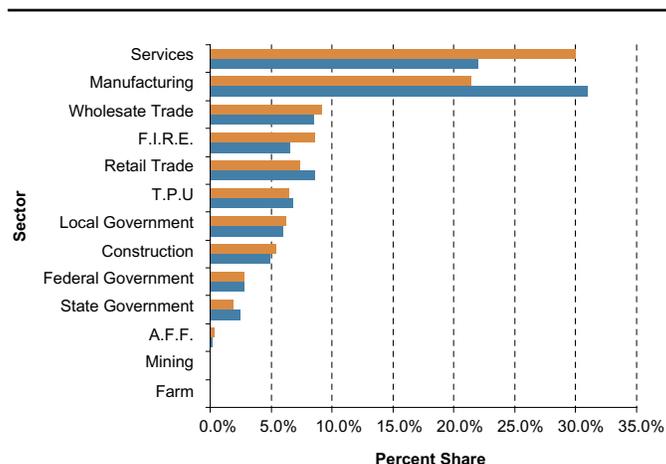


Figure 4
EARNINGS: PERCENT SHARE BY SECTOR, HAMILTON COUNTY, 1987 AND 2000

Source: Hamilton County Regional Planning Commission, BEA, Regional Economic Information System

Figure 5
CHANGE IN EMPLOYMENT AND PAYROLL, US AND HAMILTON COUNTY, 1998-2001

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

North American Industrial Classification System (NAICS) Sector Codes and Names	Total Mid-March Employees Hamilton County 2001	Change in Total Employees Hamilton County 1998-2001	Average Annual Payroll per Capita (\$), Hamilton County 2001	Average Annual Payroll per Capita (\$), United States 2001	Percent Change in Annual Payroll per Capita, Hamilton County 1998-2001 (adjusted for inflation)
Total	543,407	12,279	36,405	34,669	1.7%
Sectors with Above Average County Payroll Incomes per Capita					
55 Management of Companies & Enterprises	21,421	1,398	68,146	74,021	-3.4%
51 Information	17,168	-1,064	51,872	55,164	5.6%
52 Finance & Insurance	32,122	2,429	51,349	59,786	9.7%
54 Professional, Scientific & Technical Services	37,324	3,213	48,947	52,317	0.3%
31 Manufacturing	72,796	-1,288	45,948	38,726	1.3%
42 Wholesale Trade	38,134	1,541	43,241	44,919	2.0%
71 Arts, Entertainment & Recreation	6,570	515	41,992	25,912	9.3%
23 Construction	24,914	1,079	40,430	38,079	-1.0%
Sectors with Below Average County Payroll Incomes per Capita					
48 Transportation & Warehousing	15,381	511	35,376	34,529	8.5%
62 Health Care & Social Assistance	74,352	3,970	33,800	32,041	-0.7%
53 Real Estate, Rental, Leasing	8,948	654	32,192	31,787	2.1%
56 Administration, Support, Waste Mgt., Remediation Services	45,798	-70	24,252	24,430	-1.0%
61 Educational Services	10,506	1,481	22,805	25,684	-1.3%
81 Other Services (except public adm.)	22,690	546	21,681	21,454	4.1%
44 Retail Trade	59,875	537	19,735	21,138	7.6%
72 Accommodation & Food Services	41,955	1,763	11,693	12,901	-0.4%

into the region and was the true source of increased wealth. Manufacturing jobs were highly paid.

Technological advances and the process of globalization have changed this picture: now there are new kinds of services that have very high added value and can be “traded.” A prime example of this is, of course, information services – as are specialized, knowledge-intensive services such as engineering design, consulting and so on.

Manufacturing, too, has changed from the old heavy industry model to newer, more flexible, specialized and high-technology types of activities and products. As these are high value-added activities, manufacturing generally accounts for a greater portion of the gross regional product than services.

In the current situation of economic globalization, many regions have found it to their advantage to make special efforts to understand their regional economies, and to identify and capitalize upon their local strengths and specialties. Many metropolitan regions are now undertaking initiatives to identify business and industry clusters that exist in their region, and to target industries that they want to attract or grow. The implication is that regions

can to some extent choose to encourage the kinds of industry mix, jobs and specializations they think will benefit their areas the most. Many metropolitan regions are already pursuing this path, among them Louisville, Pittsburgh, Cleveland, Minneapolis, St. Louis, Tucson, Portland, OR, and San Diego to mention just a few.

Key Indicator:

- *Number and strength of existing and emerging industry clusters*

FINDING 4

TOTAL PAYROLL INCOME OF HAMILTON COUNTY WORKERS HAS INCREASED OVERALL, BUT AT A SLOWER PACE THAN THE US AS A WHOLE.

Hamilton County workers received a total payroll of \$19.8 billion in 2001. This represented an increase of 22.8 percent over payroll received in 1987 (adjusted for inflation), or an annualized rate of 1.6 percent. During the same period, the US total payroll increased by 49.8 percent for an annualized rate of 3.6 percent. While Hamilton County workers' real payroll income increased, it increased at a rate of just under half as much as the total US.

In most of the other counties of the Cincinnati metropolitan region, payroll income grew at a faster pace than either Hamilton County or the US. Only Hamilton, Butler and Brown Counties lagged

the US in payroll growth over the entire period from 1987-2001.

By contrast, Kenton, Boone, Grant, Gallatin, Ohio and Warren Counties' payrolls doubled or tripled in real terms over the fourteen years, while in two rural counties (Ohio, IN and Gallatin, KY) payrolls grew at an amazing pace. This is mostly explained by the fact that these counties began the period with a much smaller and lower base of payroll income than Hamilton County.

Nevertheless, when aggregate payroll growth for the region is compared to US growth over the period 1987-2001, the Cincinnati metropolitan region lagged the nation by 7.6 percent.

The question of why local payrolls should lag national levels is important. One commonly given reason is that wages in the Midwest Region are in general lower than wages in the Northeast and Southwest, where demand for living space is high, and where high-paying businesses and industries tend to cluster (such as the financial sector in New York, and the information technology sector in the San Francisco Bay area). Another reason that is quoted is that the cost of living is lower in the Cincinnati metropolitan region than in many other areas. However, neither of these factors is a good reason to abandon the goal of increasing payroll (and therefore household) incomes.

U.S., State and County	Total Payroll 1987 (in \$'000s adjusted for inflation)	Total Payroll 2001 (in \$'000s)	Change in Total Payroll, 1987-2001 (in \$'000s, adjusted for inflation)	Percent Change Individual Counties 1987-2001	Annualized Percent Growth Rate 1987-2001
Hamilton, OH	16,114,970	19,782,483	3,667,513	22.8%	1.6%
Butler, OH	2,491,300	3,483,194	991,894	39.8%	2.8%
Kenton, KY	937,604	2,066,465	1,128,861	120.4%	8.6%
Warren, OH	564,534	1,886,871	1,322,337	234.2%	16.7%
Boone, KY	668,572	1,773,753	1,105,181	165.3%	11.8%
Clermont, OH	816,090	1,565,032	748,942	91.8%	6.6%
Campbell, KY	380,832	624,595	243,763	64.0%	4.6%
Dearborn, IN	235,911	354,897	118,986	50.4%	3.6%
Brown, OH	129,148	137,924	8,776	6.8%	0.5%
Grant, KY	46,769	96,421	49,652	106.2%	7.6%
Ohio, IN	5,765	38,687	32,922	571.1%	40.8%
Pendleton, KY	19,271	37,129	17,858	92.7%	6.6%
Gallatin, KY	4,816	25,860	21,044	436.9%	31.2%
Total CMSA	22,415,582	31,873,311	9,457,729	42.2%	3.0%
Total US	2,662,391,862	3,989,086,323	1,326,694,461	49.8%	3.6%

Figure 6
CHANGE IN PAYROLL INCOME BY COUNTY, CINCINNATI CMSA, 1987-2001

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

The size of Hamilton County’s payroll is far greater than the payroll incomes of all the other Cincinnati metropolitan region counties combined. Hamilton County workers received over 62 percent of the total regional payroll in 2001. Because of the number of jobs concentrated in Hamilton County, workers from surrounding counties are also able to benefit from economic prosperity in Hamilton County (Figure 7).

Average per capita payroll income in Hamilton County is the highest of all thirteen counties in the metro region, followed by Clermont, Kenton and Warren Counties (Figure 8).

Compared to “peer” metropolitan regions in the Midwest, Cincinnati metropolitan region workers earn the third highest average annual payroll income per employee, and have the highest average payroll incomes amongst comparable Ohio metro-

politan regions. However, average payroll income per employee in *all* Ohio metros are lower than the US average payroll income per employee (Figure 9).

The Indianapolis metropolitan region has the highest average annual payroll per employee – with fewer workers. Its regional economy has a greater proportion of high-paying jobs than the others. The St. Louis region has adopted the business and industry cluster approach to economic development, and has had considerable success in developing a biotechnology sector: these efforts may partially account for the high average income of workers in that region’s central county.

Why Is This Important?

While people who work in Hamilton County enjoy an average payroll income that is higher than the other individual counties of the

Cincinnati metropolitan region, higher than comparable counties in the State of Ohio, and higher than the national average, this payroll is growing at a slower pace than the nation.

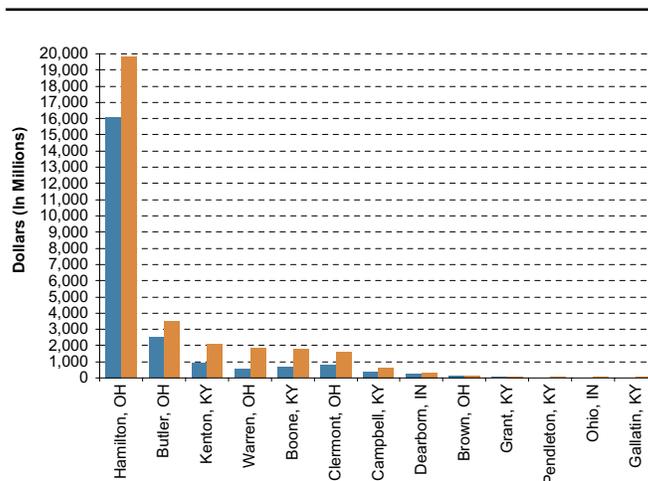
As seen in Figure 5, when total average per capita payroll is broken down by broad sector, it is found that several important sectors pay significantly less than the national average. Management, Information, Finance and Insurance, Professional, Scientific and Technical services, Wholesale Trade, Educational Services, Retail Trade and Accommodation and Food Services all pay less than the national average. By contrast, sectors such as Manufacturing, Construction, Transportation and Warehousing, Health Care and Social Assistance, and (strikingly) Arts, Entertainment and Recreation, all pay significantly more than the national average.

Having lower, and slower-growing average real payroll expenditures than the nation as a whole can be seen as a competitive advantage when the county and the region are trying to attract new businesses and industries. However, lower than average incomes that are slow to increase may result in migration of the labor force to other, higher-paying regions in the country. This migration may be selective, resulting in more highly-skilled “new econo-

Figure 7
**TOTAL PAYROLL
 (ADJUSTED FOR
 INFLATION),
 CINCINNATI CMSA
 COUNTIES, 1987 AND
 2001**

■ 1987
 ■ 2001

Source: Hamilton County Regional Planning Commission, US Bureau of Census,



my” workers departing for more pay elsewhere.

Higher disposable household incomes tend to attract certain kinds of businesses and services to an area (for example, specialized and higher-end retail, entertainment and services). This results in raising the quality of life and standard of living, thereby increasing the attractiveness of the area.

Higher incomes generate a greater local tax revenue flow, enabling local governments to provide a higher level of public services (cleaner streets, better parks and recreation, improved road maintenance, better emergency services and so on) again raising the quality of life and increasing attraction to the area.

Additionally, research has confirmed that increasing educational attainment in an area is directly related to increasing income. A higher standard of edu-

cational attainment (especially investment in higher education) in the Cincinnati region will pay off if it is matched with strategically targeted business and industry clusters.

Key Indicator:

- *Average per capita payroll income by industry*

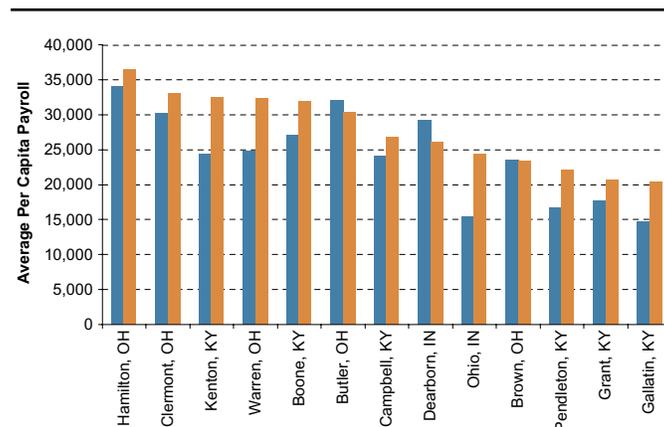


Figure 8
AVERAGE PAYROLL PER EMPLOYEE (ADJUSTED FOR INFLATION), CINCINNATI CMSA COUNTIES, 1987 AND 2001

■ Per Capita Payroll, 1987 (adjusted)
■ Per Capita Payroll, 2001

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

Metropolitan Area	Number of Employees for week including March 12, 2001	Annual Payroll 2001 (in \$'000s)	Total Establishments 2001	Average Annual Payroll per Employee, 2001 (Metro Region)	Average Annual Payroll per Employee, 2001 (Central County)
Indianapolis, IN MSA	813,465	28,494,782	41,894	35,029	37,166
St. Louis, MO-IL MSA	1,220,621	42,122,831	66,213	34,509	37,775
Cincinnati-Hamilton, OH-KY-IN CMSA	934,953	31,873,311	46,690	34,091	36,405
Columbus, OH MSA	773,508	26,172,933	37,873	33,837	34,972
Pittsburgh, PA MSA	1,038,732	34,501,350	59,175	33,215	35,711
Cleveland-Akron, OH CMSA	1,376,321	45,593,928	76,641	33,127	35,516
Louisville, KY-IN MSA	516,026	16,379,094	27,027	31,741	33,350
Dayton-Springfield, OH MSA	418,645	13,160,254	20,840	31,435	33,415
Total US	115,061,184	3,989,086,323	7,095,302	34,669	---

Figure 9
CINCINNATI METRO REGION EMPLOYEES, PAYROLL AND ESTABLISHMENTS, COMPARED TO OTHER METROPOLITAN REGIONS, 2001

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

FINDING 5

HAMILTON COUNTY'S SHARE OF EMPLOYMENT, BUSINESS, AND INDUSTRIES IS DECREASING AS ADJACENT COUNTIES CONTINUE TO DEVELOP AT THE REGION'S NORTHERN AND SOUTHERN BOUNDARIES.

Since the founding days of the City of Cincinnati, economic activities have been spreading outwards from the central core. From the late 1800s, the first industrial corridors spread along the Ohio River, and grew in a northeasterly direction

following the Mill Creek valley, and then later the highways and Interstates 75 and 71. The coming of the I-275 Beltway enabled new centers and cores to form and grow, providing convenient sites for transportation-related industries

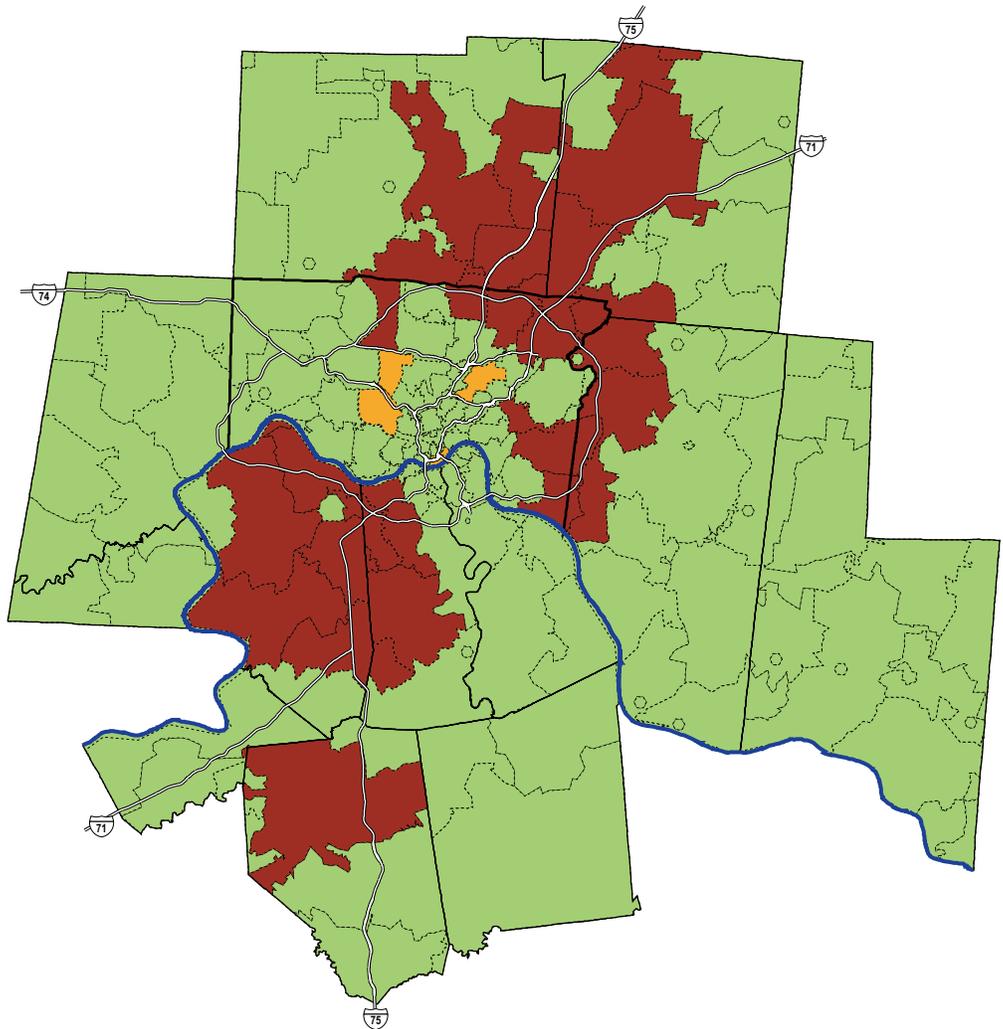
such as wholesale trade, trucking, and warehousing.

The steady expansion of the Greater Cincinnati International Airport in Boone County, especially since the establishment of

Figure 10
CHANGE IN ESTABLISHMENTS, CINCINNATI METROPOLITAN REGION, 1994-2000

- Increase in Establishments
- Loss of Establishments
- No Change / Minimal Change (0% - 0.1%)

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns Zip Code Data



Delta Airline's hub in the 1980s, has also provided a focus for new growth. The airport has attracted industries that depend on fast movement of freight via road or air, plus many jobs directly related to the air transportation industry itself. Around these focal points have come new housing, new residents, new communities and the retail and services that provide for their needs.

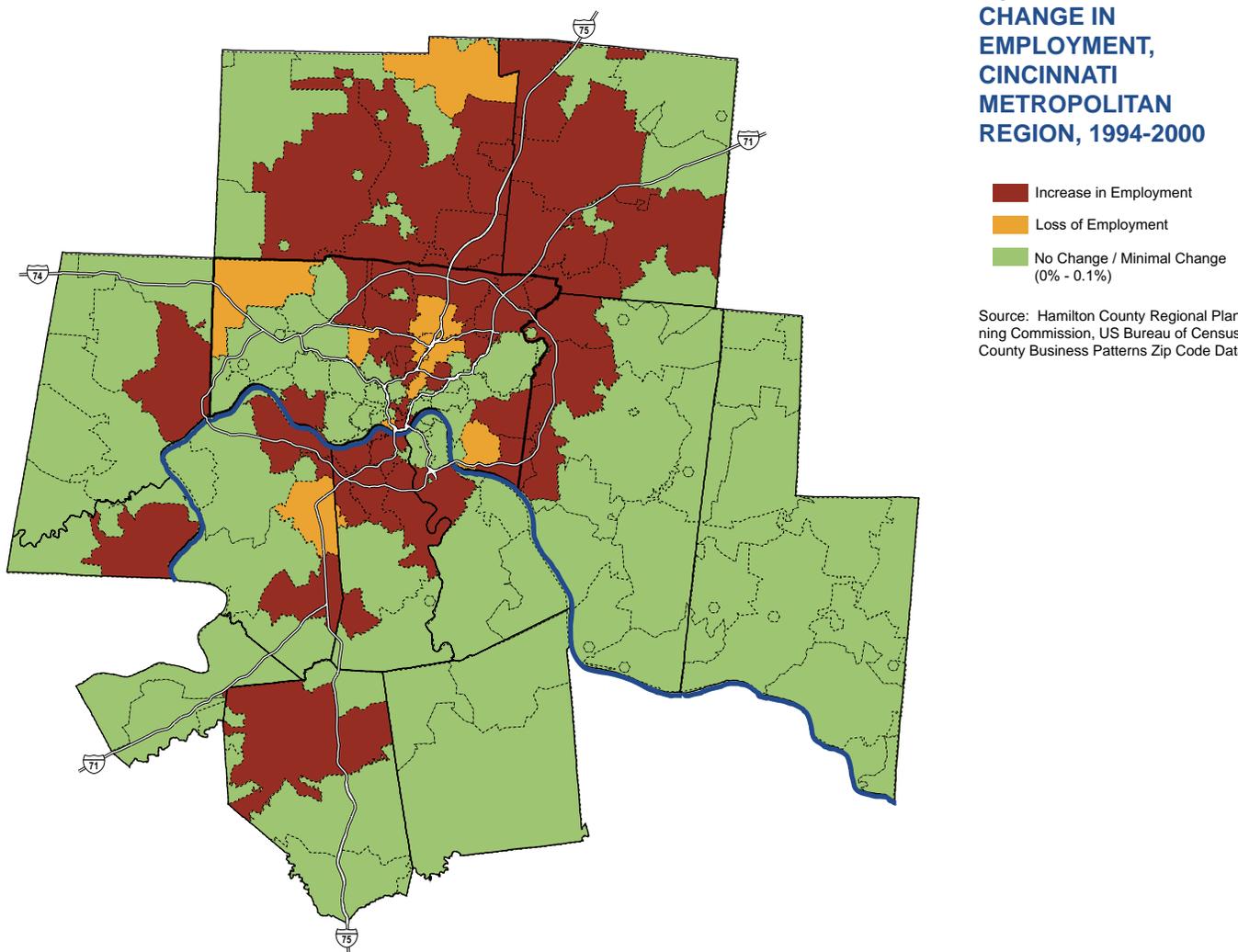
Recent research by the Hamilton County Region-

al Planning Commission shows the evolving pattern of business and industry growth and decline in the Cincinnati metropolitan region. Economic activity is forming in a southwesterly to northeasterly direction, following (generally) the corridor formed by Interstates 71 and 75, with new points of concentration of economic activity located particularly at the intersections of Interstate 275 with I-71 and I-75 (Figure 10).

In 1987, Hamilton County was home to almost 60 percent of the metropolitan region's business and industry establishments. Butler County held the next highest share of businesses and industries at 12.5 percent. By the year 2001, Hamilton County's share had decreased to 53 percent, due principally to growth in Warren, Clermont and Boone Counties.

Similarly, in 1987, Hamilton County's share of all the employees in the met-

Figure 11
**CHANGE IN
 EMPLOYMENT,
 CINCINNATI
 METROPOLITAN
 REGION, 1994-2000**



Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns Zip Code Data

ropolitan region totaled almost 68 percent. This had declined to just over 58 percent by 2001, with Clermont, Warren, Kenton and Boone Counties making the biggest gains over the period (Figure 11).

Nevertheless, as shown in Figure 12, economic development is highly centralized in the region, and concentrated in Hamilton County.

A fairly recent research project⁵ has detailed the

movements of businesses and industries into and out of the major metropolitan regions of Ohio for the period 1994-1997. In describing inter-county business relocation trends, the authors conclude that:

- Suburban counties had the most net gains in number of business establishments and jobs, due to inter-county relocations;
- Central counties had the greatest net losses

in business establishments and jobs;

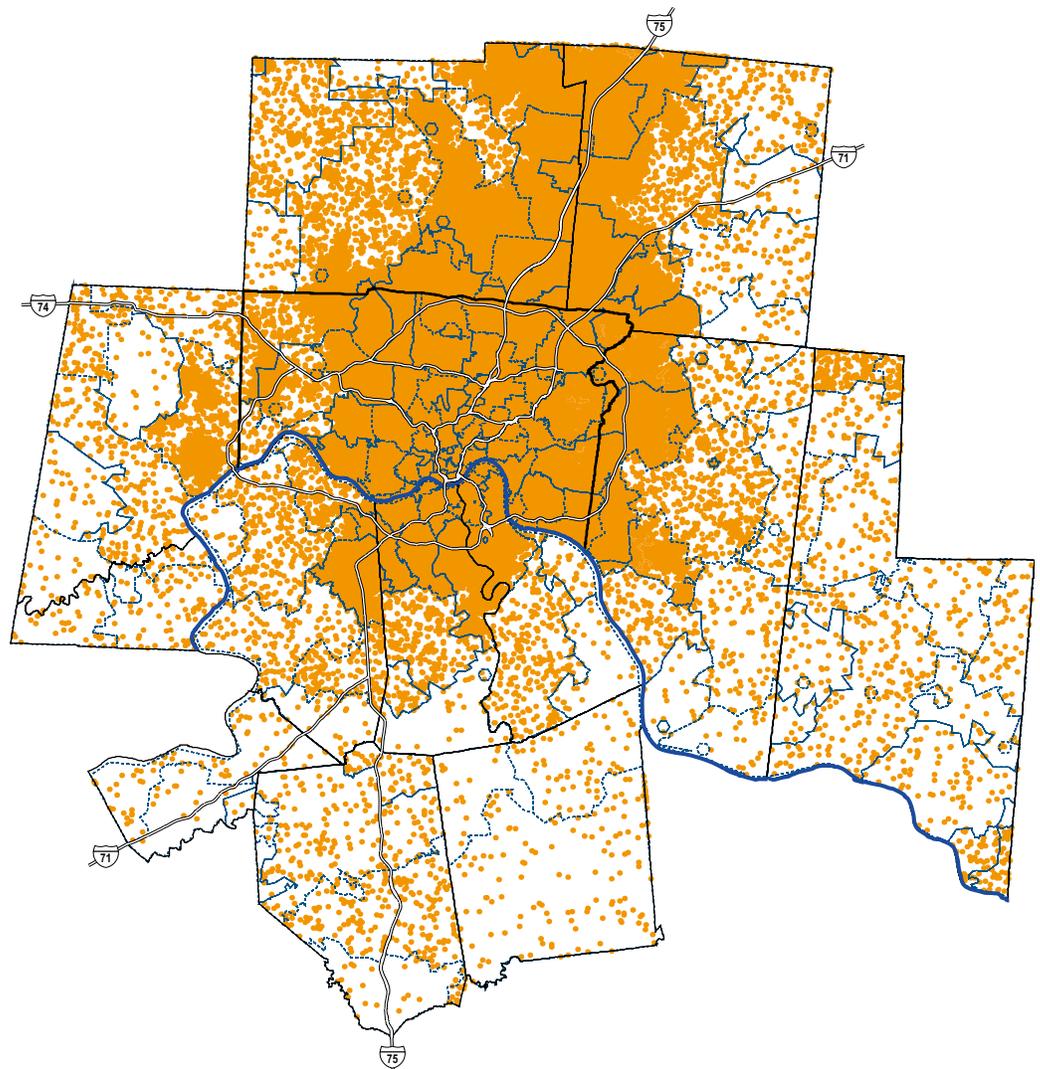
- The majority of business movements occur between counties located next to each other

In fact, the research showed that Ohio counties in the Cincinnati CMSA have indeed benefited from the strength and growth of Hamilton County's economy. From 1994 to 1997, 102 relocating business establishments moved

Figure 12
TOTAL BUSINESS AND INDUSTRY ESTABLISHMENTS BY ZIP CODE, CINCINNATI METROPOLITAN REGION, 2000

- 1 Business Establishment
- Zip Code Boundary

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns Zip Code Data
 Note: Dots are randomly distributed



from Hamilton County to other Ohio counties, while 37 moved in. Of those moving out, 86 (84 percent) went to Butler, Warren or Clermont counties, taking with them 2,401 jobs.

During the same period, however, Hamilton County gained over 15,200 new jobs and an increase of \$2.3 billion in total payroll – largely through the expansion of existing business and industry.

Why Is This Important?

It must be emphasized that the decrease in Hamilton County’s share of businesses and jobs is (at present) only a *relative* decrease. That is, it does not result from an absolute loss of jobs, but rather from a loss of share relative to the other counties of the CMSA. As seen earlier, jobs and business establishments in Hamilton County increased overall from 1987 to 2001. The County’s percent share has decreased principally because jobs and businesses have been increasing in the other counties of the metropolitan region.

If, however, Hamilton County starts to develop a net loss of business and industries because they are moving out to the suburban counties (like the population), then this would likely have strong negative impacts on the fiscal

and economic viability of Hamilton County.

The evolving geographic pattern of economic activity has implications for traffic and commuting patterns, transportation systems (including roads), environ-

mental quality, and shifts in the distribution of amenities, housing, services and household income. While some under-developed areas will benefit, others that have been developed for a long time may suffer decline. A more desirable

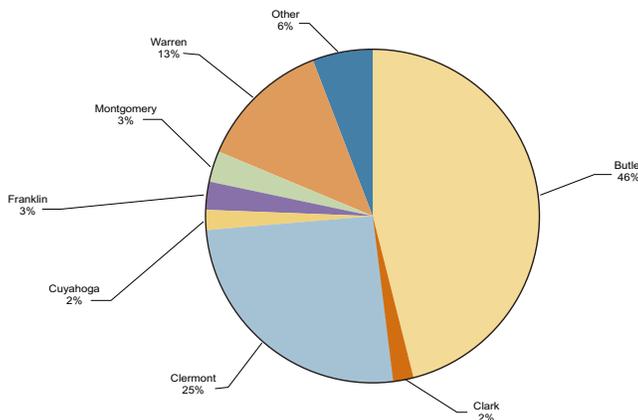


Figure 13
DESTINATIONS OF 102 BUSINESS AND INDUSTRY FIRMS RELOCATING FROM HAMILTON COUNTY TO OTHER OHIO COUNTIES, 1994-1997

Source: Austrian, Ziona and Swirsky, Adina - *Ohio Business Establishments Inter-County Relocation Trends During the 1994-1997 Period*
Note: "Other" indicates all counties with one (1) firm relocation

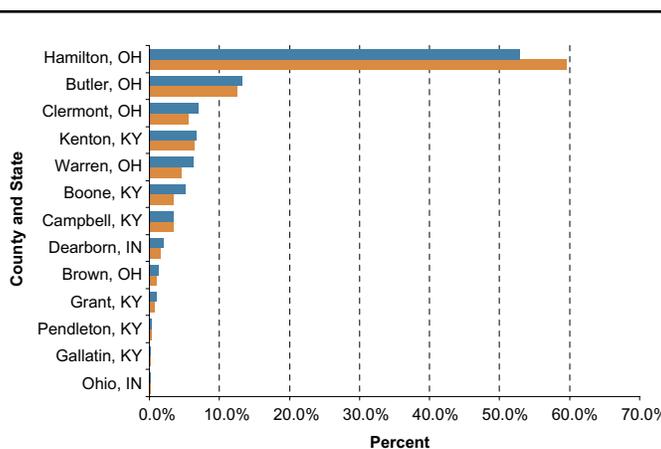


Figure 14
PERCENT SHARE OF ALL BUSINESS AND INDUSTRY ESTABLISHMENTS, CINCINNATI CMSA COUNTIES, 1987 AND 2001

2001
1987

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

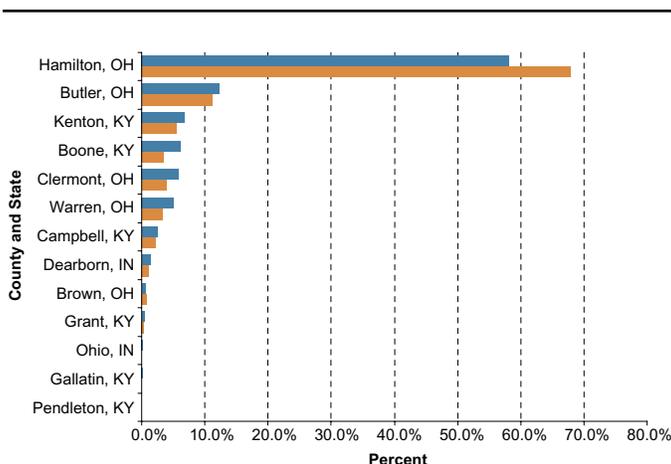


Figure 15
PERCENT SHARE OF ALL EMPLOYMENT, CINCINNATI CMSA COUNTIES, 1987 AND 2001

2001
1987

Source: Hamilton County Regional Planning Commission, US Bureau of Census, County Business Patterns

pattern would be region-wide growth, without a net loss of businesses and industries from Hamilton County.

Relocation of business and industries is a normal part of economic activity, and migration of businesses and industries outward from Hamilton County to the surrounding counties has been occurring for some time. Certain types of businesses, most notably retail and service businesses, are well-known to follow the movements of the population.

Retention and expansion of existing business and industry is a key factor in maintaining a healthy economy. The challenge to come will be for the central county to maintain its rich, dense network of businesses and industries. This “critical mass” is what enables the county economy to remain vigorous, and large enough to engender business and industry expansion, as well as business start-ups, sufficient to offset business deaths and relocations.

Key Indicators:

- *Number of business and industry establishments (Figure 1)*
- *Number of employees of business and industry establishments by size class of industry (Figure 2)*

STATE OF THE COUNTY REPORT

Labor Market

INTRODUCTION

The concept of a Labor Market includes a geographic aspect - it is an area within which people find jobs and travel to work. In the United States, the definition of Metropolitan Statistical Regions like the Cincinnati CMSA is partly based upon the size and intensity of commuting patterns between places in the area. This defines the “labor market area.”

Secondly, the labor market also includes a jobs or employment aspect. Business and industry firms⁶ are the “buyers” in the labor market. They need to purchase the time and effort of employees to help them make their product, sell it, and run their businesses. Obviously, the presence of a sufficient number of well-educated and/or sufficiently skilled workers is an essential factor for businesses or industries in making a decision to open a business and to start or maintain an industry in the region.

The residents of a region form the third (and perhaps most important) part of the labor market. They are the “sellers” in the labor market. Within the labor force there are those who have already made a successful sale to an employer (they are employed) and those who wish to sell their labor and are looking for a job (these are the unemployed). Very often, the most successful sellers are those who have been willing to become and remain knowledgeable about the market for their services along with updating or improving their skills to meet changes in the marketplace.

In the United States today, many “newcomer” business firms, industries and people are choosing to locate outside of central cities and central counties. At the same time, established businesses, industries and residents are also moving outwards from central cities and counties. Hamilton County has not escaped this trend. However, as was shown in the previous section, even as residents and some firms are moving to the suburbs, the total number of business establishments and jobs in the County expanded from 1987 to 2001.

The challenge over the next decades will be to grow and maintain jobs and business and industry establishments in the central county. This challenge can only be met by increasing the size, skills and qualifications of the labor force, as well as developing policies and plans to attract and retain business and industries.

This report presents existing conditions and trends in Hamilton County related to our labor market. This report identifies three important findings as well as the importance of trends associated with each finding, and provides key indicators for measuring progress.

FINDING 1

JOB GROWTH IN HAMILTON COUNTY OUTSTRIPS THE SIZE OF THE RESIDENT LABOR FORCE.

The total number of jobs available in Hamilton County in recent years has far outstripped the resident civilian labor force. This means there is an inadequate number of qualified workers to fill available jobs. The labor force consists of all civilians 16 years of age and over who are working or seeking work – that is, the sum of employment and unemployment at a given time. It excludes military personnel, persons in in-

stitutions, those studying or keeping house full-time, persons who are retired or unable to work, and volunteer workers.

With the onset of the current recession in March 2001, the gap between total county labor force and total county employment has narrowed from a peak of 176,831 in 1998 to 158,522 in 2001. An increase of more than 10,000 in the size of the available labor force since 1998 has also contributed to nar-

rowing this gap. Increasing numbers in the labor force can occur despite decreasing population because of new segments of the population reach working age every day. In addition, when there is an economic downturn, and jobs are lost, more than one household member may start to look for work in an effort to replace the lost income.

Jobs that are not filled by Hamilton County residents are filled by workers from the surrounding counties of the metropolitan region, linking all the counties of the Cincinnati metropolitan region in a common labor market.

Both Boone and Hamilton Counties depend upon the other counties of the region to supply labor. In 2001, Boone County needed to import 26,080 workers to fill available jobs. Hamilton County needed an extra 158,522 workers to fill available jobs. However, between them, the remaining metropolitan counties needed an extra 188,576 jobs for their available workers, emphasizing the degree to which they depend upon the economic health of Hamilton County.

Figure 1
TOTAL LABOR FORCE COMPARED TO TOTAL JOBS, HAMILTON COUNTY, 1987-2001

Source: Hamilton County Regional Planning Commission, Ohio Department of Jobs and Family Services, BEA, Regional Economic Information System (REIS)

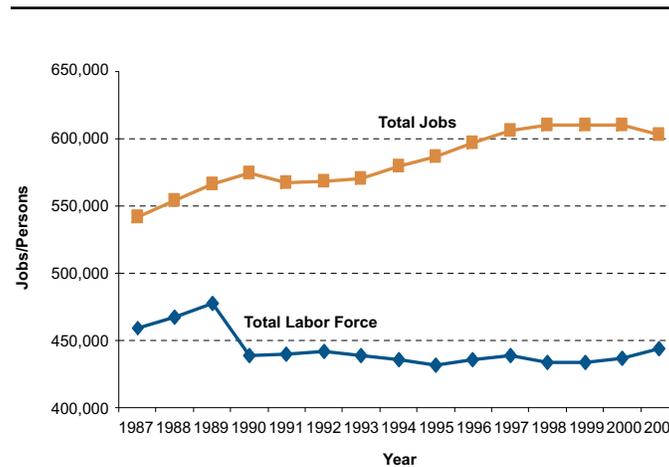


Figure 2
TOTAL LABOR FORCE VS. TOTAL JOBS, CINCINNATI CMSA COUNTIES, 2001

Legend:
■ Total Jobs
■ Total Labor Force

Source: Hamilton County Regional Planning Commission, Ohio Department of Jobs and Family Services, BEA, Regional Economic Information System (REIS)

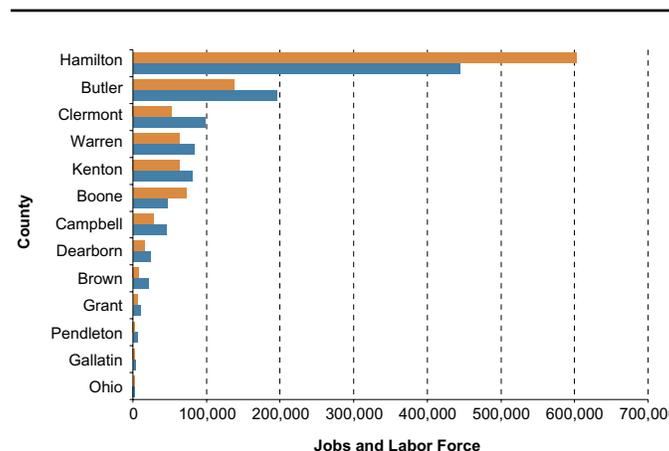


Figure 2 shows clearly the gaps that existed in 2001 between the size of the available labor force in each county of the Cincinnati metropolitan region, and the total number of full and part-time wage and salary jobs. In only two of the region's counties – Hamilton and Boone – does the number of jobs outstrip the labor force. In all the remaining eleven counties, there are fewer jobs than people to fill them. This clearly underscores the role played by Hamilton County in providing work for the entire metropolitan population.

Because of high overall demand for labor (the gap between the labor force and total employment), the average unemployment rate in Hamilton County has been low for several years. In only 4 years during the decade and a half since 1987 has Hamilton County's unemployment rate gone above 5 percent, and it has remained below the national average the entire time. This is an indication of a tight labor market.

Because of demographic changes, and out-migration, the tight labor market situation is likely to get worse over time unless steps are taken to retain and attract workers into the region. Competitive pay rates, "quality of life" factors, and increasing the skills level of workers will be crucial in this effort.

Why Is This Important?

In terms of the gap between the size of the labor force and the demands of the job market, it can be seen that this is a tight situation – even during recession. The labor force in Hamilton County is not sufficient to supply the needs of the economy. It must be (and is) supplemented by workers from the surrounding counties.

Due to the shortage of qualified workers, regional businesses and industries will have to somehow maintain themselves or else grow while making do with less labor. For example, increasing productivity and/or using new technologies, could result in less labor-intensive needs. In general, though, Hamilton County and the other metropolitan counties of the Cincinnati region will need to consider policies to retain and attract workforce talent to increase the size of the labor force. However, it will not be sufficient simply to bring

in workers: there must be a match between the skills and education of the workers with the needs of businesses and industries.

Key Indicators:

- *Total jobs and total labor force (Figures 1 and 2)*
- *Unemployment rates (Figure 3)*

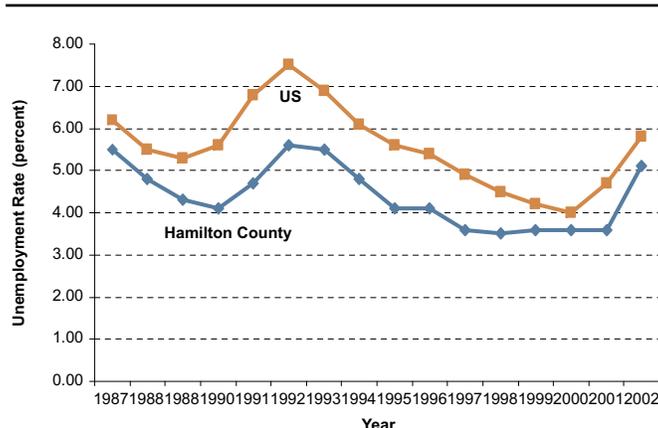


Figure 3
UNEMPLOYMENT RATES, US AND HAMILTON COUNTY, 1987-2002

Source: Hamilton County Regional Planning Commission, Ohio Department of Job and Family Services

HAMILTON COUNTY AND THE CINCINNATI REGION HAVE A SHORTFALL OF WORKERS IN THE “ENTREPRENEURIAL” AGE GROUPS.

While the population of the metropolitan region as a whole is increasing, it is increasing only slowly – at a rate of 0.9 percent per annum from 1990 to 2000. Hamilton County’s population is actually decreasing.

When the population is analyzed by age group (“cohorts”), however, we see that population decrease is selective: three groups in particular have decreased in large numbers between 1990 and 2000. These are the under-five years age group, the 22-34 years age groups and the 60-69 years age groups, as shown in Figure 4.

The age cohorts from 22-34 years are considered very important in contributing towards the economic prosperity of places and regions. These cohorts have been called the “entrepre-

neurial cohorts” because it is thought that of all age groups, these are the ones most likely to take risks and start new ventures. Additionally, this group will contain most of the newly graduated “talent” and “knowledge” workers in an area – those whose recent training is on the cutting edge of new technology and science skills and practices.

The explanation most often offered for decreases in this age group is that they have left the region for cities and regions considered to offer a more exciting and vibrant life-style with more opportunities for high-tech and high-skilled jobs. Some examples are the San Francisco Bay Area, New York, Washington DC, Austin, Portland, Seattle and Boston where high-skilled jobs have been plentiful, where

there is great diversity and where many kinds of entertainment and recreational activities are available.

However, this is in fact only part of the explanation. The other major factor is demographic: that is, the number of people born in each age cohort varies over time. The classic example is the huge “Baby Boom” generation - people who were born after the end of the Second World War, from 1946-1964. As can be seen in Figure 4, the “Baby Boom” was followed by the so-called “Baby Bust,” when the first waves of Boomers produced fewer children than their parents. Later, the younger, following waves of the Baby Boomers began having more children, producing the “Echo Boom.”

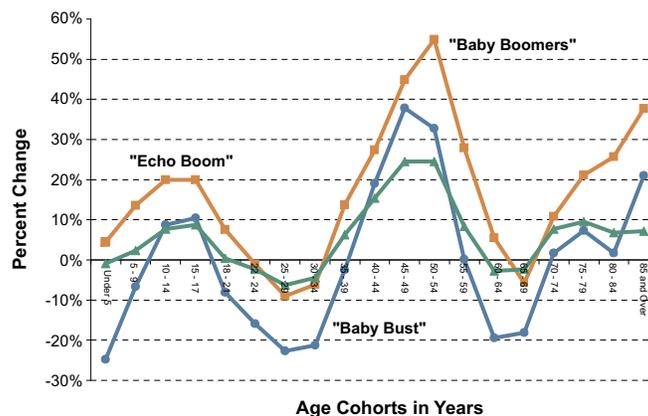
But Figure 4 also shows that the percent shrinkage in Hamilton County’s age cohorts is substantially larger than that of the nation as a whole. This gives credence to the idea that a large part of the decrease is due to out-migration.

Not every county in the Cincinnati metropolitan region has suffered decreases in the 22-34 year age cate-

Figure 4
PERCENT POPULATION GAIN/LOSS BY AGE COHORT, US, CINCINNATI CMSA AND HAMILTON COUNTY, 1990-2000

● Hamilton County
■ US
▲ Cincinnati CMSA

Source: Hamilton County Regional Planning Commission, US Bureau of Census



gories. However, as shown in Figure 5, only Boone and Warren Counties can show any substantial increases. In the Cincinnati region as a whole, the number of people in these age cohorts has decreased by 43,824 from 1990 to 2000.

In the case of Hamilton County and the Cincinnati region, part of the loss in the 60-69 age cohorts is explained by people moving away for retirement. The losses in the under fives age cohorts may be partially explained by the losses in the 22-34 age groups who are the most likely age groups to be having young families.

Why Is This Important?

Clearly, there is cause for concern in a region that is experiencing a tight labor market when there is a deficit in younger workers. Since the shortage of younger workers is a national phenomenon, however, this means that the Cincinnati region will have to compete even harder against regions that are more attractive to these age groups. The region-wide decrease of almost 44,000 over just 10 years in the 22-34 age groups has potentially very serious implications for our future economic health.

For example, there is a large gap in size between

the Baby Boomer section of Hamilton County’s population (those aged 35 to 54 years in 2000) and the next four age cohorts (15 to 34 years in 2000) that will replace them as they retire. This means that there will be fewer workers to support services needed by the community, particularly children and seniors.

Hamilton County and the Cincinnati metropolitan region are not the only areas suffering from these types of population losses. For example, the Pittsburgh metropolitan region has experienced the same phenomenon. Pittsburgh and the State of Pennsylvania have become sufficiently concerned that they have instituted programs aimed at recruiting and retaining younger workers – and in particular, those who are highly educated or highly skilled.

Finally, the declines in the 0-5 and 5-9 age cohorts means that there may (if population growth does not occur) be a surplus of

elementary school facilities in the County and region five to ten years down the road, when the “Echo Boom” children and teenagers have moved into their college and young worker years.

Key Indicators:

- *Population change by age cohort (Figures 4 and 5)*

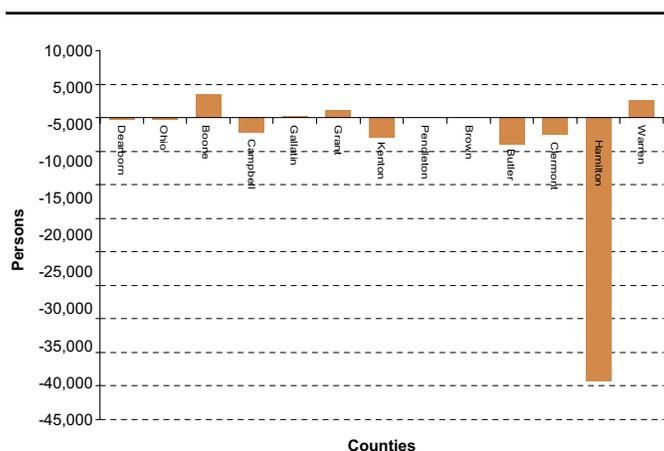


Figure 5
POPULATION CHANGE IN THE 22-34 YEARS AGE COHORTS, CINCINNATI CMSA COUNTIES, 1990-2000

Source: Hamilton County Regional Planning Commission, US Bureau of Census

FINDING 3

EDUCATIONAL ACHIEVEMENT HAS INCREASED, BUT WILL NEED TO BE BOOSTED IN ORDER FOR HAMILTON COUNTY AND THE REGION TO COMPETE WITH OTHER, MORE ATTRACTIVE METROPOLITAN AREAS.

The level of education attainment of Hamilton County residents has increased steadily over the last twenty years, apart from some stagnation at the high school graduate level (Figure 6).

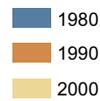
While this is a very positive development, there is much room for improvement. Neither the county nor the region are keeping up with “peer” counties and regions, or with metropolitan areas that are top-ranked in the education levels of the

resident population.

As shown in Figure 7, Hamilton County sits squarely in the middle of a group of seven peer metropolitan regions, with their central counties and cities. The percentage of 18-24 year olds enrolled in college or graduate school in Hamilton County, at 36.4 percent, is far outranked by Allegheny County and the Pittsburgh metropolitan region. Columbus and Dayton also enroll a greater proportion of their young adults in college and graduate school.

Undoubtedly, some of the difference can be explained by the number, size and

Figure 6
EDUCATION LEVELS OF RESIDENTS AGED 25 YEARS AND OVER, HAMILTON COUNTY, 1980-2000



Source: Hamilton County Regional Planning Commission, US Bureau of Census

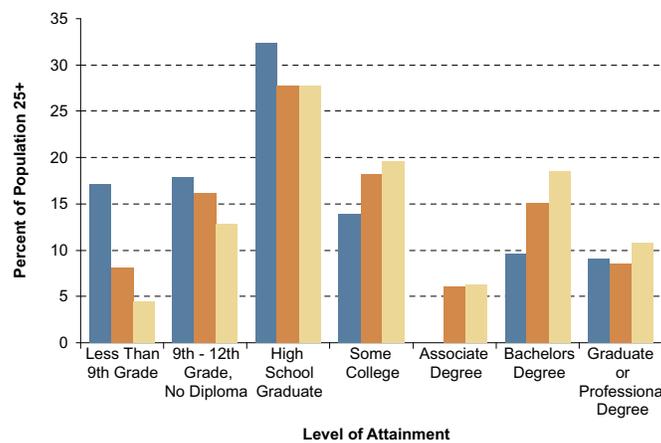


Figure 7
PERCENT POPULATION 18-24 YEARS ENROLLED IN COLLEGE OR GRADUATE SCHOOL IN "PEER" REGIONS, 2000

Source: Hamilton County Regional Planning Commission, US Bureau of Census

Metro Area		Central County		Central City	
Pittsburgh, PA MSA	40.3	Allegheny County, PA	45.7	Pittsburgh City, PA	60.0
Columbus, OH MSA	39.7	Franklin County, OH	43.3	Columbus City, OH	45.4
Dayton - Springfield, OH MSA	39.9	Montgomery County, OH	37.6	Dayton City, OH	47.9
Cincinnati - Hamilton, OH - KY - IN CMSA	34.3	Hamilton County, OH	36.4	Cincinnati City, OH	40.7
Cleveland - Akron, OH CMSA	31.8	Cuyahoga County, OH	30.2	Cleveland City, OH	22.6
Louisville, KY - IN MSA	27.7	Jefferson County, KY	29.9	Louisville City, KY	33.3
Indianapolis, IN MSA	24.2	Marion County, IN	24.6	Indianapolis City, IN (balance)	24.7

quality of the universities and colleges in each area. The Pittsburgh area is particularly rich in colleges and universities, and the Columbus area is home to Ohio State University, the largest university in the state system. Nevertheless, these factors do not adequately explain the differences in propensity to enroll in higher education.

Likewise, when the Cincinnati CMSA is compared to the top 5 large metropolitan regions in the US for population with undergraduate or graduate degrees, the difference is striking. In the San Francisco Bay area, over 37 percent of the population aged 25 years or more has a bachelors degree or higher. It is noteworthy that all of these five top metropolitan regions shown below are well known for their strengths in the new economy “knowledge” industries and businesses (Figure 8).

Why Is This Important?

In Ohio, state funding for higher education has been cut every year for at least the past three years. Voters have often refused to increase property taxes to fund improvements in the public schools.

However, the importance of education and training in the workforce and future workforce cannot be overstated due to the nature of the “new economy,” which demands technical skills and “knowledge.” Although this does not necessarily mean that every high school graduate needs a bachelor’s degree, the message is clear that strong educational performance, along with specialized training, is becoming more and more necessary.

Today’s manufacturing jobs, for example, frequently demand a far higher degree of techni-

cal literacy than in the past – most manufacturing today is in fact “high tech.” A 1999 study by the Economics Research Group at the University of Cincinnati⁷ detailed the gap between the likely future demand by manufacturing and metalworking industries and the likely supply of appropriately trained workers to fill projected jobs. A 2003 labor market supply and demand study, commissioned by the Regional Technology Workforce Alliance, reinforced the reality that advanced manufacturers need experienced, post secondary educated workers.

The 1999 study forecasted that demand in metal working and manufacturing industries would exceed supply by a ratio of 17 jobs to 1 appropriately trained worker through 2002, with gaps projected at every level of skill. The study also found gaps (or “mismatch”) between the types

Figure 8
LEVEL OF EDUCATION ATTAINMENT IN THE TOP FIVE US CONSOLIDATED METROPOLITAN STATISTICAL REGIONS, COMPARED TO THE CINCINNATI CMSA, 2000

Source: Hamilton County Regional Planning Commission, US Bureau of Census

Top 5 CMSAs for Educational Attainment	Population 25 to 34 years, Percent with Bachelors Degree or Higher	Population 25 years and over; Percent with Bachelors Degree or Higher
San Francisco - Oakland - San Jose, CA CMSA	41.3	37.3
Washington - Baltimore, DC MD - VA - WV CMSA	40.9	37.1
Denver - Boulder - Greeley, CO CMSA	38.1	35.5
Boston - Worcester - Lawrence, MA - NH - ME - CT CMSA	43.2	34.4
Seattle - Tacoma - Bremerton, WA CMSA	34.2	32.0
Cincinnati - Hamilton, OH - KY - IN CMSA	30.6	25.0

of skilled labor needed and the amount available in the fields of computer science, education, and skilled trades.

In other fields, such as business and administration, nursing and therapy, and services, mismatches were found between the future demand for lower-level, less skilled workers and the likely future supply of such workers. In summary, Hamilton County and the Cincinnati metropolitan region suffer from both high-skill and low-skill mismatches between labor supply and labor demand.

The implication, clearly, is that not only does the size of the labor force need to be expanded, but education and training need to be more precisely aligned with future demand in particular sectors of the economy.

Additionally, and of equal importance, the new “knowledge economy” requires a new paradigm - that of work plus continuous learning. The economy has changed, and the old assumption that there are those who “will go to work and don’t need much education” and “there are those who will need education” is now obsolete. The “knowledge economy” requires an educated workforce that is willing to continuously learn and upgrade its skills.

Key Indicators:

- *Level of education attainment of Hamilton County residents aged 25 years and over (Figure 6)*
- *Percent of Hamilton County population aged 18-24 years enrolled in college or graduate school (Figure 7)*
- *Percent of population 25-34 years with bachelors degree or higher (Figure 8)*
- *Levels of funding for public education*

Appendix A

Endnotes

- 1 Markusen, Ann R. et al (eds), *Trading Industries, Trading Regions*, New York, Guilford Press, 1993.
- 2 1987 has been used as the base year for measurement of trends in this study as it is an Economic Census year.
- 3 U.S. Department of Commerce. Bureau of Economic Analysis. Regional Accounts Data Table CA 34, "Wage and Salary Employment."
- 4 Ohio Department of Development. Office of Strategic Research. April 2003.
- 5 Austrian, Ziona and Adina Swirsky. *Ohio Business Establishments Inter-County Relocation Trends During the 1994-1997 Period*. The Ohio Economic Development Study Advisory Committee, 8 July 1998. Economic Development Program, The Urban Center, Levin College of Urban Affairs. Cleveland State University.
- 6 In this report, the term "industry first" is intended to mean those firms that manufacture products. By contrast, a "business firm" is an enterprise that may have a product (e.g. insurance policies), but it is not a manufactured product.
- 7 *Greater Cincinnati Labor Market Study: Characteristics of the Labor Supply in Greater Cincinnati*. Economics Research Group. University of Cincinnati Center for Economic Education. January 1999.

Appendix B

Community COMPASS Publications

The following Community COMPASS reports are components of Hamilton County's Comprehensive Master Plan and Strategies. The reports are available at the Hamilton County Regional Planning Commission and can be downloaded at www.communitycompass.org.

1. Project Design -- Scope and Process (Oct. 2001)
2. The Community Values Survey (Jan. 2001)
3. Special Research Reports
 - 3-1. Inventory of Research (2002)
 - 3-2. Conflicting Views on Suburbanization (Sept. 1999)
 - 3-3. Spreading Out: The March to the Suburbs (Oct. 1999; revised 2003)
 - 3-4. Summary Report -- Spreading Out: The March to the Suburbs (Oct. 1999; revised 2003)
 - 3-5. The Use of Public Deliberation Techniques for Building Consensus on Community Plans: Hamilton County Perspectives on Governance (A Guide for Public Deliberation) (Dec. 2002)
 - 3-6. Hamilton County's Comparative and Competitive Advantages: Business and Industry Clusters (Oct. 2003)
 - 3-7. Census 2000 Community Profiles: Political Jurisdictions of Hamilton County
 - 3-8. Community Revitalization Initiative Strategic Plan (Aug. 2003)
4. The Report of the Community Forums --Ideas, Treasures, and Challenges (Nov. 2001)
5. The Report of the Goal Writing Workshop (2001)
6. The Countywide Town Meeting Participant Guide (Jan. 2002)
7. Hamilton County Data Book (Feb. 2002)
8. A Vision for Hamilton County's Future --The Report of the Countywide Town Meeting (Jan. 2002)
9. The CAT's Tale: The Report of the Community COMPASS Action Teams (June 2002)
10. Steering Team Recommendations on The Vision for Hamilton County's Future (Jan. 2002)
11. Planning Partnership Recommendations on The Vision for Hamilton County's Future (Jan. 2003)
12. The Vision for Hamilton County's Future (Brochure) (Feb. 2003)
13. Initiatives and Strategies
 - 13-1. Steering Team Recommendations on Community COMPASS Initiatives and Strategies (2002)
 - 13-2. Steering Team Prioritization of Initiatives -- Methodology and Recommendations (Aug. 2002)
 - 13-3. Planning Partnership Recommendations on Community COMPASS Initiatives and Strategies (revisions, findings and reservations) (Dec. 2002)
 - 13-4. Community COMPASS Initiatives and Strategies -- Hamilton County Regional Planning Commission Recommendations (Jul. 2003)
14. External Influences: The Impact of National Trends on Hamilton County's Future (Mar. 2003)
15. Population
 - 15-1 Summary Report (Nov. 2004)
 - 15-2 Atlas / comprehensive report (2005)
16. State of the County Reports (Key trends, Issues, and Community Indicators) (Nov. 2004)
 - 16-1 Civic Engagement and Social Capital
 - 16-2 Community Services
 - 16-3 Culture and Recreation
 - 16-4 Economy and Labor Market
 - 16-5 Education
 - 16-6 Environment
 - 16-7 Environmental and Social Justice
 - 16-8 Governance
 - 16-9 Health and Human Services
 - 16-10 Housing
 - 16-11 Land Use and Development Framework
 - 16-12 Mobility
 - 16-13 Executive Summary
17. 2030 Plan and Implementation Framework (Nov. 2004)

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