



Road to Recovery?

A PUBLICATION
FROM THE
CENTER FOR
REGIONAL
DEVELOPMENT
AT BGSU

THE STATE OF THE REGION

Unemployment Story Time

Michael C. Carroll, Ph.D.
January 28, 2010

Here is a popular story of our economic recovery:

The recession will reach an "official" end sometime in early 2010. Most preliminary estimates show positive U.S. GDP growth for fourth quarter 2009 and first quarter 2010. With the recession nearing its end, people will begin to spend more freely, local governments can budget to meet actual needs, banks will lend based on the value of the return, and business will align workforce with product demand...

If Northwest Ohio responds as it has in the past, we will see our regional recovery begin by late summer or fall of 2011. Our region traditionally lags any national recovery by four to six quarters because of our industrial mix. Historically, our economic base included a heavy concentration of second and third tier suppliers whose demand for their product was delayed as OEMs built out of existing inventory...

Northwest Ohio understands our industrial heritage, and while not encouraged by the prospect of an additional 18 months of decline, we accept our fate and we are buoyed by finally seeing the end of our recession. After all, we are tough, we are strong, we make things, and we will prevail. Bring it on...

That was a nice little story. It is written in a classical economic genre: markets work, jobs flow from production, and

manufacturing is our strength. Sounds good but where should we shelve this story in our library? Does it belong in the fiction or nonfiction section? If the recovery occurs and jobs follow, it should probably go in the nonfiction section. Let's see if that scenario makes sense. It's time to run the numbers.



To return the economy to full employment levels (unemployment rate of 5%) Ohio needs to create 345,645 new jobs. That is roughly one new job for everyone living in the cities of Cincinnati

"To return the economy to full employment Ohio needs to create 345,645 new jobs. That is roughly one new job for everyone living in the cities of Cincinnati and Mansfield combined."

and Mansfield combined. Realistic? No, then let's lower our expectations a bit. If we wish to return to pre-recession levels (December 2007 we had a 5.8% unemployment rate) we only need to create 298,471 new jobs. Unfortunately, that is still a

CRD's Work Selected as Best in Nation

In October, the Center for Regional Development was pleased and honored to accept the University Economic Development Association (UEDA) Excellence Award in Economic Development Research. The award was for CRD's paper "Locating Aspirational Clusters: A Spatial Method for Locating Ohio's Wind Energy Cluster". The presentation was made at UEDA's annual meeting held in San Antonio, Texas. The other finalists for the award were North Carolina State University and the University of New Orleans.

UEDA is the national association of university based economic development centers and organizations that

promotes best practices and provides training opportunities for its members. The excellence award competition is held annually at the UEDA summit and provides awards in six categories. In addition to the economic development research category, there were awards presented in business assistance, workforce development, technology commercialization, community development, and partnership development. CRD hopes to utilize the study model for other emerging industrial sectors.

big number. In fact, if all of the new job recipients were given Toledo Mud Hens tickets, they alone would produce 33 consecutive sellout games. In other words, we would fill every seat in Fifth Third Field for about half the season. If you want to give them a ride to the game you will need about 6,000 fifty-passenger city buses. Keep in mind that if parked nose-to-tail, 6,000 thirty-five foot buses will form a line about 40 miles long so you may want to call ahead.

What if we reduce our expectations again and simply shoot to lower Ohio's unemployment rate by one percent? To accomplish that we will need to create 59,005 new jobs. That is roughly equivalent to the global employment of O-I, Dana, and Owens Corning combined. It is hard to believe that if we created three companies of that size, Ohio's unemployment rate would only go down one percentage point. But those are the facts. It could be worse. During the first quarter 2009, Ohio lost that many jobs every six weeks. Feel better?

Let's bring this a little closer to home to see if it gets easier. The Toledo MSA (Lucas, Wood, Fulton, and Ottawa Counties) would need to create 24,565 jobs to return to full employment. Based on our current workforce distribution and unemployment rates, this will require Ottawa County to create 2,700 new jobs; Lucas County needs to create 15,645 jobs; Fulton County will need 2,150 new jobs; and Wood County rounds it out with 4,070 new jobs. What do you think? Can we create that many jobs to just get us back to where we started?

By the way, the estimates above assume that no Ohioan has become discouraged and dropped out of the workforce. If we wish to account for discouraged workers or workers who are underemployed we will need to increase our estimates.

Okay, go back up and read the story again. Keep in mind that our recovery described above is based on a regional history with a strong "Big Three." It is a history of a manufacturing supply chain that existed since the 1980s. It assumes a high-school education is good enough and universities should only provide an education. After all, in this region "we make things."

Where are you going to shelve the story of our recovery, fiction or nonfiction? It is for you to decide.

CRD Welcomes New Faculty

Xinyue Ye

CRD is pleased to welcome Xinyue Ye as our newest resident scholar. Xinyue joined CRD in August 2009 and also holds a tenure track position in BGSU's School of Earth, Environment and Society (SEES). His research interests focus on space-time analysis, regional science, and economic development.

In 2008, Xinyue received the Doctoral Dissertation Research Improvement Award (DDRI) from the National Science Foundation for his dissertation proposal Comparative Space-Time Dynamics. Xinyue has also served as a reviewer for nine international journals, ranging from economic geography to land use modeling.

Xinyue's work has appeared in a number of leading international journals such as *International Journal of Geographical Information Science*, *International Regional Science Review*, *Regional Studies*, *Eurasian Geography and Economics*, and *Tijdschrift voor Economische en Sociale Geografie (TESG: Journal of Economic and Social Geography)*. He is a highly collaborative researcher working on more than a dozen cooperative projects sponsored by the U.S. National Science Foundation, U.S. Department of Commerce, U.S. National Geographic Society, Wisconsin and Michigan State/Local agencies, China National Science Foundation and Zhejiang Province, and local agencies in China.

Xinyue has been an urban planner, economic consultant, software programmer, and GIS specialist. He earned a B.S. in Urban Planning from Zhejiang University, M.A. in economic geography from University of Wisconsin-Milwaukee, and M.S. in GIS from Eastern Michigan University. His Ph.D. is expected this spring from the joint program between San Diego State University and the University of California, Santa Barbara.

From the Director

By every measure, 2009 has been an economic challenge. 2009 saw unprecedented increases in unemployment in most of our region with many of our counties above 15%. The decline of domestic automotive production caused multiple dislocations as it rippled through the local supply chain. These economic challenges led to many changes in the state budget.

In July, the State of Ohio cut the Rural and Urban University Programs out of their budget. This eliminated funding for university centers that provide economic development services across the state. Locally, this includes BGSU's Center for Regional Development and UT's Urban Affairs Center. The loss of state funds has allowed us to refocus our efforts at CRD. Most of the service projects we previously completed at no cost to the community have been eliminated. It does not mean that CRD will no longer be active in our region. It simply

means that for us to operate, the project must be grant funded. For example, we recently completed an economic feasibility study for the NASA Plum Brook facility that was funded by an Ohio Department of Development Collaboration Grant. That study estimated the economic consequence of high technology clustering associated with an increase in testing at the NASA facility.

2010 will continue to bring economic challenges to our region. Fundamental changes are necessary as local manufactures respond to global market forces. Product lines will be revised and marginal firms will be forced into partnerships or close their doors. However, with such a transition comes a real opportunity to make the necessary changes to lead our region to prosperity. CRD is committed to provide the targeted research and service advice to help shape this successful transformation.



CENTER FOR REGIONAL DEVELOPMENT

Staff

Michael C. Carroll, *Director*
Will M. Burns, *Assistant Director*
Pat Sherman, *Administrative Secretary*
Xinyue Ye, *Resident Scholar*
Mark Zeller, *Resident Scholar*

Visiting Scholars

John P. Blair, *Wright State University*
John Bryson, *University of Birmingham*
Richard Le Heron, *University of Auckland*
J. R. Stanfield, *Colorado State University*
Michael Taylor, *University of Birmingham*

BGSU Research Fellows

Peter VanderHart, *Economics*
Joseph Frizado, *Geology*
Bruce W. Smith, *Geography, Emeritus*

Research Assistants

Xiaokang Geng
Tina Gionis
Andrea Haas
Hari Kandel