Cincinnati, Dayton economies differ in key growth areas

Posted: 5:39 p.m. Monday, March 11, 2013

http://www.mydaytondailynews.com/news/news/cincinnati-dayton-economies-differ-in-key-growth-a/nWpMF/

By Chelsey Levingston - Staff Writer

The economies of Cincinnati and Dayton, two metro areas near each other along Interstate 75, are traveling in very different directions, an analysis of labor data shows.

While the Cincinnati metropolitan area added thousands of jobs in 2012, the Dayton metro had the weakest growth of the state's largest metros — Akron, Cincinnati, Columbus, Cleveland, Dayton and Toledo, according to employment figures from Ohio Department of Job and Family Services' Labor Market Information.

Cincinnati's 15-county area added 4,700 jobs last year; Dayton's four-county area lost about 300 jobs, according to revised state estimates of employment released March 8.

Local economists say the Cincinnati and Dayton economies differ in key industries impacting job growth.

"These two economies do share a lot in common, but they're also dissimilar in critical ways, which is why we're seeing different outcomes," said LaVaughn Henry, vice president of the Cincinnati branch of the Federal Reserve Bank of Cleveland. "Where the jobs are growing, they're growing in sectors that tend to be more dependent on higher educated workers."

- Interactive charts: Dayton and Cincinnati job sectors

One high growth industry nationally is the professional and business services sector. Dayton is not seeing the same growth in this industry that other parts of the country, including Cincinnati, are seeing, said Tom Traynor, chair of Wright State University's economics department.

The professional and business services sector is composed of companies that serve other businesses, such as accountants, attorneys, waste management services, consultants and data management services.

Over the past 15 years, the industry grew 25 percent nationally, 13 percent statewide and about 30 percent in the Cincinnati market, according to U.S. Bureau of Labor Statistics. In Dayton during that time, the sector shrank 4 percent, Traynor said.

“I view it as important because it’s been a big growth sector nationally, it’s been a big growth sector in Cincinnati. So, it has the potential to be an important part of the economic base here. It just hasn’t been,” Traynor said.

“We’ve also had headwinds against that industry,” he said.

Dayton’s manufacturing industry over the same time period dropped nearly 50 percent, losing almost 40,000 jobs.

“We just haven’t had a different industry that’s grown in place of those losses,” Traynor said. “We need some businesses or an industry in this area to successfully grow into the national or international market. Selling products or services outside the region provides an inflow of income.”

Traynor identified key potential reasons professional business services has not become the high growth Dayton industry he thought it would be: the businesses in this industry had manufacturing as a key client base, and manufacturing declines hurt growth; Dayton has some big companies in this sector, but some of these firms have matured in existing markets and have trouble gaining footholds in new markets; and perhaps Dayton has less entrepreneurship in this area than other communities.

One newcomer in this sector is Total Quality Logistics, a fast-growing Cincinnati-area freight brokerage firm in that was founded by University of Dayton graduates and has several regional offices, including one in Centerville.

The company began in 2009 a national expansion to serve more of the domestic full truckload market. It plans to hire about 200 new employees in Centerville and West Chester Twp. over the next several years.

Timothy Downs, deputy director of Dayton economic development, said a factor hurting Dayton’s growth is stigma. The city is trying to fight bad perceptions about the urban core by focusing on entrepreneurial development, Downs said.

“I think because we’ve had loss, because we have the Air Force base and because primarily what we’ve been forever is a manufacturing base, sometimes we don’t get a second look for other sectors,” Downs said. “The stigma is that people have this assumption about us that we don’t have a lot to offer.”

Henry, of the Federal Reserve, said Cincinnati’s economy is invested in the right areas to grow.

As of the end of 2012, employment in professional and business services was about 16 percent of Cincinnati’s economy, and 13 percent of Dayton’s, according to Ohio labor figures.

Financial activities such as banking are now 6 percent of Cincinnati’s economy, compared to 4.6 percent of Dayton’s.

The bright spot for Dayton is educational and health services, which now accounts for 18.6 percent of Dayton's total employment, versus 15 percent in Cincinnati.

"The sectors in the economy that started picking up first, Cincinnati is already heavily invested (in)," Henry said.

At first glance, Cincinnati and Dayton's economies seem to have the same manufacturing base, about 10 percent of the total of both economies. But by breaking that down further, Henry said Dayton's economy is more exposed to durable manufacturing than Cincinnati's more advanced manufacturing growth.

Durable manufacturing of products such as refrigerators and cars is growing slower, he said.

The small percentage differences in the share one industry sector has in Cincinnati compared to Dayton adds up to thousands of jobs, Henry said. And one of the most pronounced differences between the markets is government.

Government employment makes up nearly 17 percent of Dayton's economy. It is 12.5 percent in Cincinnati.

U.S. defense spending cuts present a challenge for Dayton's recovery, Traynor and Henry said.

Defense, a critical Dayton industry, spurred growth in Greene County. The eastern portion of the Dayton metro area was seen as the most stable part of area economy. Unemployment in Greene County is 6.3 percent, compared to 6.7 percent for the whole metro.

But activity in Greene County has all but come to a halt, said Ed Blake, Miller-Valentine Group chief financial officer and chief executive officer of commercial business.

"It is just dead," Blake said. "Up until this point for the Dayton market that had been the resounding success story."

Miller-Valentine, a developer, property manager and construction company, has main offices in Cincinnati and Dayton.

"The difference to me is Cincinnati is just bigger, deeper and more diverse and doesn't have a bigger engine that's in total recession," Blake said. "And in Dayton one of the bigger engines in the market has just shut down."