The Midwest traditionally has been a manufacturing-intensive region. Indeed, although the manufacturing sector’s proportion of the region’s economic activity has declined in recent decades, the Midwest is still more manufacturing intensive than other parts of the country. In the Fourth Federal Reserve District, for example, manufacturing employment accounts for about 16% of the workforce; the comparable figure for the country is about 11%.

Workers’ earnings also show how much more the Fourth District depends on the manufacturing sector. Roughly three-quarters of the District’s counties derive a higher proportion of corporate earnings from manufacturing than the nation as a whole. Within the District, these earnings are especially concentrated in the area that stretches northwest from Pittsburgh to Cleveland—that is, from the headwaters of the Ohio River to Lake Erie. In fact, the cities in this area have a high concentration of manufacturing firms partly because they are near the waterways that were critical to the development of manufacturing in the early stages of the nation’s growth.

The period of three and a half years that ended in January marked the nation’s longest string of month-to-month net job losses in U.S. manufacturing since World War II and the most pronounced percentage reduction in manufacturing employment.

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for any postwar period of that length. Ohio has lost a substantial number of manufacturing jobs—the sector’s rate of employment loss since the business cycle peak has been about the same for the state and the U.S.: Each has lost roughly 15% of its manufacturing workforce.

Not surprisingly, the sharp nationwide decline in manufacturing employment over the last several years had an outsized impact on the industrial Midwest. The Fourth Federal Reserve District, the part of the region that relies most heavily on manufacturing, bore the brunt of these losses.

Perhaps surprisingly, the District’s employment performance in the service sector has been weaker than the nation’s. Since the business cycle peak, Ohio has lost roughly 1% of its service sector jobs, while the U.S. has added about 1%

These developments have combined to limit employment growth in the District during the recovery. The trajectory of employment gains for the District and nation, once roughly similar, are now markedly different. The same applies to labor force growth: Whereas they formerly rose at roughly equal rates, since the recession, labor force growth in the District has diverged from the nation’s.

The District’s less robust labor market is also evident in state-by-state comparisons. Since the business cycle peak, two District states, Ohio and West Virginia, have posted no employment growth. Although
The District’s population has followed a path similar to that of its employment and labor force. Since 1990, its population has been growing steadily, but at a rate much slower than the U.S. as a whole (4.3% versus 16.5%).

Population growth within the District has varied widely. For example, the Columbus and the Lexington metropolitan areas have posted double-digit population gains since 1990, while seven of the District’s 19 metropolitan have lost residents.

A breakdown by county presents a more detailed picture. Rural areas, such as the eastern border of Kentucky and the northern tip of West Virginia, suffered large population declines. In some instances, counties that contain a major urban area, such as Lucas (Toledo), Cuyahoga (Cleveland), Hamilton (Cincinnati), and Allegheny (Pittsburgh), experienced population declines while the surrounding suburbs flourished. This did not occur in Franklin (Columbus), Fayette (Lexington), or Summit (Akron) counties.

An examination of population by city further pinpoints continued declines on urban areas. In fact, with the exception of Cincinnati, Columbus, and Lexington, population decreased in every District city where the population exceeded 100,000 in 2000.