

THE IMPACT OF IMPACT:

CREATING JOBS IN OHIO

Executive Summary

Climate legislation to stem global warming could direct substantial investment into domestic manufacturing plants and create new markets, laying the groundwork for growth in manufacturing jobs. In this report, Policy Matters Ohio looks at an investment proposal: "Investments for Manufacturing Progress and Clean Technology Act of 2009" (IMPACT). This program, which would establish state-level revolving loan funds to support new investment in industry, could create over 52,000 new jobs in Ohio over ten years.

IMPACT would provide capital for manufacturing firms with 500 employees or fewer. The capital could be used to invest in energy efficiency or to retool to produce for clean energy markets. A revolving loan fund, the program would lend out the money again as loans are repaid. This study, which relies on an economic assessment tool called input-output analysis, finds that this investment in the base of Ohio's industrial infrastructure could create up to 52,214 new manufacturing jobs in Ohio over the first ten years of the program. The University of Massachusetts's Political Economy Research Institute (PERI) conducted the analysis.

We do not, in this paper, look at the complex issues around job gain and job loss due to the pricing of carbon over time. We look at what a sustained investment targeted to Ohio's small- and medium-sized manufacturers could do for employment in Ohio. IMPACT would boost funding for the nation's Manufacturing Extension Partnerships (MEPs) as well, allowing them to expand services by almost 20 percent to help client firms invest in energy efficiency and expand into production for advanced energy markets. It is anticipated this will allow the MEPs to serve an additional 10,000 companies, strengthening the job base in Ohio and across the nation.

The manufacturing sector remains critical to the American economy. It accounts for the bulk of U.S. exports, is key for innovation, and provides many high-wage jobs, especially for less educated workers. It is the economic lifeblood of much of the Great Lakes region. Average weekly wages were 21.1 percent higher than in other private sector industries in 2009. Yet the U.S. has lost manufacturing jobs for the last three decades, and its manufacturing

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POLICY MATTERS OHIO

3631 PERKINS AVENUE SUITE 4C-EAST, CLEVELAND, OH 44114 • 216/361-9801 • FAX: 216/361-9810
1372 GRANDVIEW AVENUE SUITE 242, COLUMBUS, OH 43212 • 614/486-4601 • FAX: 614/486-4603

POLICY MATTERS OHIO

3631 PERKINS AVENUE SUITE 4C-EAST, CLEVELAND, OH 44114 • 216/361-9801 • FAX: 216/361-9810
1372 GRANDVIEW AVENUE SUITE 242, COLUMBUS, OH 43212 • 614/486-4601 • FAX: 614/486-4603

output has grown more slowly than GDP. This has had a great effect on Ohio's economy, where the decline of manufacturing employment has contributed to stagnation of wages for middle-income workers.

IMPACT is designed specifically to reverse declines in manufacturing. It would prioritize awards to states impacted by the collapse of the domestic automotive industry. Moreover, it is targeted to small- and medium-sized manufacturing firms, which comprise a larger share of Ohio's industrial base than is typical for the nation. The job creation estimates in this report are based on an assumption that Ohio would qualify for the maximum award amount of \$500 million in 2010 and again in 2011, with a 20% match from non-federal sources.

The jobs IMPACT would support would not fully replace the manufacturing job loss we have seen in the past 12 months. Nor would it prevent change in the economic base: some sectors will grow and others will shrink as the markets for energy change. But change is upon us, whether climate legislation moves forward or not. For example, the average American household pays \$1,100 more, annually, for oil, gas and electricity than a decade ago. Whether we do something, or do nothing, change is upon us.

This paper explores how one specific measure to help firms prepare for climate legislation, IMPACT, may affect the labor market in Ohio. The report examines the Ohio economy, describes the IMPACT program, and walks the reader through the analysis of our job projections. We conclude that for a state like Ohio, with dense supply chains of small- and medium-sized manufacturers, IMPACT presents an excellent economic opportunity. When was the last time Ohio saw a sustained, structural effort to revitalize our ravaged industrial landscape? This type of investment program provides a good start to rebuilding our manufacturing base.

Policy Matters Ohio is a nonprofit, nonpartisan research institute dedicated to researching an economy that will work better for all in Ohio. Learn more about Policy Matters Ohio at www.policymattersohio.org.