**AFTERWORD:**

# An Uncertain Future

> "On every journey you take, you are met with options. At every fork in the road, you make a choice."
>
> *—Governor Mike DeWine*

## Mike DeWine, 2019–

**DEWINE ADMINISTRATION VISION FOR OHIO'S FUTURE**

- Creating high-paying jobs through increased skill training, innovation, research, and investment, and eliminating burdensome regulations
- Overcoming the drug epidemic through a multi-faceted approach of law enforcement, community outreach, and education
- Keeping the Medicaid expansion and protecting coverage for people with pre-existing conditions
- Prioritizing early childhood development education
- Lessening educational testing and making higher education more affordable

Despite some truly significant advances during the administration of Governor John Kasich, Mike DeWine took office in January 2019 facing both near and long-term challenges. Two underlying issues confronting Governor DeWine, and quite likely his successors in office no matter how successful his administration, are the changing nature of the Ohio economy and the state's demographics.

## A Changing Economy

Ohio reached an all-time high in state employment in September 2018 of 5,638,900. This was a level not seen in the Buckeye State in more than 18 years. The recession that followed the next year in 2001 and the Great Recession later in the decade were significantly worse than that experienced in most of the rest of the nation. So, too, was the recovery during the intervening years of 2003 to 2007 when employment in the state grew by an abysmal 0.5 percent, less than one-tenth of the national average. During the decade following the Great Recession, job prospects in Ohio have been much stronger. Yet, until 2018, Alabama, Connecticut, Illinois, Michigan, Mississippi were the only other states in which employment trailed the levels experienced at the start of the 21st century.[1]

The nature of work in Ohio has changed even more dramatically than the size of its workforce. Between 2000 and 2010, manufacturing employment plummeted by 39.3 percent, a drop of more than

400,000. By the end of the Great Recession, manufacturing, the historic driver of the Ohio economy, would generate only 17 percent of the gross state product with durable manufacturing accounting for a less than 10 percent share. The state's economy had become increasingly dependent on service jobs. While these trends have plagued Ohio and much of the industrial Midwest for decades, they have been exacerbated by recent developments. See Chapter 2 for additional information on this subject.

The state has struggled to transition its economic base from legacy industries to the knowledge-based economy. By 2017, a "Best States" survey conducted by McKinsey & Company for *U.S. News & World Report* would rank Ohio's economic strength at only 31st among all states, placing it in the fourth quintile.[2] Of even greater concern were the sub-rankings that it gave for the state's business environment, 44th, and most particularly, for entrepreneurship, where Ohio ranked dead last, 50th. This lack of "dynamism" is evidenced in Ohio's comparatively low rate of new business formations.[3]

A bright spot in the Ohio economy was the state's support for technology and innovation, as evidenced in its long-time support of the Third Frontier initiative. Ohio ranked 15th among the states in technology and innovation, according to a CNBC survey on top states for business.[4] It achieved the same ranking in its concentration of advanced industries as a share of its total employment in a February 2015 Brookings study.[5] However, no Ohio metropolitan area ranked in the top 20 nationally. Dayton had the greatest concentration of advanced industries in Ohio, ranking 22nd in the nation, although the Cleveland-Elyria metro area, ranked 40th in the survey, had the largest employment in these fields at 94,400.

A related concern is the ability of the state to transform its workforce to match the jobs of the new economy. Governor John Kasich spoke to the challenges and opportunities that technology will provide to the Ohio economy moving forward in his penultimate State of the State Address in April 2017. The governor warned that not only blue-collar jobs, but insurance adjusters, stockbrokers, and many other occupations will be impacted. Some jobs will change, while others will disappear entirely; yet, others will emerge. A 2013 University of Oxford study on "The Future of Employment" supports Governor Kasich's analysis. It found that 2.5 million of Ohio's 5.5 million total jobs are at risk of being automated at some point in the future.[6] The world is changing, and Ohio must stay ahead of those changes. To do so, the governor added, the state must take risks, whether it is investing in artificial intelligence, such as driverless vehicles and drones, or making difficult decisions on taxes.[7]

Embracing innovation will be no easy matter, given the adherence to the status quo by individuals and institutions alike, especially in the education community. This challenge will be particularly great for Ohio, as not enough of the state's residents have the education and skill set to fill the jobs that will be available. Ohio scored poorly on education metrics as measured in the *U.S. News* "Best States" survey. The state's education effort ranked only 38th overall, and its higher education system was rated even lower, 43rd. Ohio ranked 36th among the states in tuition and fees, and 38th in both student debt and educational attainment.

While few things are potentially more valuable than an education, an education that offers limited job prospects is an opportunity lost to both the individual and that individual's potential employer. Without better alignment of primary and its secondary education and higher education institutions, the state will continue to be unprepared for the workforce tsunami it will inevitably face. However, with the correct support provided to its research and educational institutions, the state can succeed. Governor Kasich strongly argued that both K–12 and colleges and universities must adapt their educational product and workforce training efforts to work more closely with business leaders. He felt it imperative that they teach the skills students need to succeed in an increasingly complex, technology-driven world. His proposed merger of the departments of Education and Higher Education and the Governor's Office of Workforce Transformation into a unified cabinet agency fully under the governor's direction could have been an important step in helping to bridge this gap. However, while such an action may have provided the organizational alignment necessary for meaningful reform, it would have meant little if state leaders did not also address years of inadequate financial support for Ohio's educational delivery system and those whom it serves.

## Changing Demographics

Demographics are indeed destiny. Ohio's population was already older than the national average in 2010, when a little less than one-fifth of the state's population was age 60 or over. The percentage of Ohio seniors is expected to soar to nearly 29 percent by 2030, according to Miami University's Scripps Gerontology Center. The oldest of this population, those aged 85 and over, is growing at an even faster rate, and significantly so. The state's population over age 85 is expected to increase by nearly 50 percent during this period from 230,419 to an estimated 336,664.[8]

Health care costs tend to increase with age, and quite dramatically for those in the latter stages of their lifetimes. One of the fastest rising diseases, with equally fast-rising associated treatment costs, is Alzheimer's and other forms of dementia. Nearly a third, or 32 percent, of all seniors over age 85 will be touched by this disease. While Alzheimer's impacts only 3 percent of those aged 65 to 74, the number affected by this disease increases steadily with age. Eighty-two percent of all Alzheimer's patients are over age 75 with nearly half of these being age 85 or greater. The human and budgetary costs of Alzheimer's are enormous. Medicaid costs for Ohioans 65 years and older living with Alzheimer's or other dementia was $2.24 billion in 2017. This amount is expected to rise by 27.2 percent by 2025 to $2.85 billion, according to the Alzheimer's Association.[9] Health care costs are expected to rise more generally as well, including those for other Ohioans who may require either institutional or home- and community-based long-term care. Despite the state's continuing laudable efforts to control expenditures in ways that do not hinder quality and service provision, Medicaid costs can be expected to rise significantly over time.

An aging population not only impacts health care costs, it also affects the ability of the state to meet that obligation and other budgetary challenges that it will face. Ohio's working population, ages 25 to 64, is expected to decline by an estimated 10 percent between 2010 and 2035. Wage and salary earnings over the same period will likely decrease by an even greater percentage, 21 percent, which will reduce the income-adjusted income tax base by 13.5 percent in real terms. Moreover, since senior-headed households spend less than younger individuals on taxable expenditures, estimated Ohio sales tax receipts, the largest source of state revenue, will likely remain largely stagnant through 2035.[10]

As Baby Boomers age, there will become greater the need for increased expenditures in health care. Taxes cannot continue to be reduced without regard to long-term trends, the state's health care needs, and other critical policy areas.[11] While a national problem as well, the test will be particularly acute in states with older populations, such as Ohio. The budgetary choices will be daunting, and the willingness of younger Ohioans to bear this burden remains to be seen. Transformational changes in the role of state government will be required if this obligation is to be effectively met.