

## Is The Ongoing Mortgage Crisis Harming Our Manufacturing Skills Crisis?

AJ Sweatt

I'm not going to get into who or what caused the housing and mortgage crisis in this country. There's plenty of blame to go around for that.

And I'm not gonna offer any recommendations on what we could be doing to fix it. Again, you could waltz across Texas on the opinions offered up every day.

What has me curious is why we're not seeing more concern in manufacturing about its impact on hiring and the lack of talent to grow manufacturing and accelerate reshoring & innovation in the U.S.

The reality is that with so many houses underwater, so many homeowners tied to them, and so many potential employers in manufacturing ready but unable to hire, the mortgage crisis must be included in any discussions about what's causing our lack of manufacturing talent and how to help relieve that deficit.

Off the bat, let's all agree that while there have been some [modestly optimistic numbers](#) [1] on the mortgage front lately, the fact is that [interest rates for mortgages continue to drop to historic lows](#) [2]. You don't have to be Alan Greenspan to know that after the hit we've taken, 'modestly optimistic' coupled with dropping interest rates [says a lot about a market's health](#) [3], especially after the hit our economy took 4 years ago.

What does the continued mortgage and housing malaise have to do with manufacturing and our lack of skilled workers? Plenty, if we just apply some common sense to it.

First, let's look at Ohio as a poster child for this condition. Not only is Ohio in the top 5 of states with negative equity (underwater) mortgages, its legacy and reputation as a U.S. manufacturing powerhouse is without question.

In a recent [in-depth study of the housing market](#) [4] in the 15-county Cincinnati area that includes parts of Kentucky, Indiana & Ohio, the Cincinnati Enquirer presented 2 particularly sobering conditions there:

Over 25 percent (25.2 percent) of homeowners owe lenders more than their homes are worth

Many owners of negative equity properties "... who get offers of jobs in other cities ... can't move unless they take the loss - or walk away from their home and into foreclosure ..."

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Take the 4-hour drive up I-71 to Cleveland, and [things aren't any better](#) [5], where nearly 1/3 of mortgages are estimated to be underwater.

Now, who might we suppose make up the lion's share of these folks sitting on a \$76,000 house that they owe \$160,000 for? According to the Cincinnati Enquirer, it's " ... people who didn't make mistakes, who bought homes that were reasonable for the salaries that they were making ..."

This is where the common sense comes into play. In a state with a large proportion of manufacturing talent, only marginal improvement is being seen in the housing markets, 48 months down the road. These (former or underemployed) manufacturing employees likely make up a large proportion of those underwater that didn't overextend themselves.

Most wouldn't think about walking away from a mortgage or their homes without a fight. But they're stuck. They can't move - even if a great job in Illinois, Pennsylvania or Florida or California was offered, they couldn't move to take it. Not without taking a huge hit to savings, retirement, or pride.

So, they're stuck. They can't sell their homes and move to take those new jobs. They're shackled, and this prevents the natural flow of employment and growth in emerging areas looking to grow based on demand or opportunity.

This predicament isn't new. One year ago, U.S. News & World Report published '[How The Crippled Housing Market Affects Job Seekers](#) [6].' In it, Colleen Donovan, a senior economist at Freddie Mac, called the condition when an underwater homeowner can't move to take a job the 'lock-in effect.'

But what IS 'new' is how this condition is contributing to [the critical manufacturing skills shortage](#) [7], where it's estimated that over 600,000 manufacturing positions in the U.S. exist but go unfilled. Looking at the numbers, any injection of skilled workers could have measurable, immediate impact on companies expanding employment.

Skilled manufacturers in Ohio aren't alone, are they? Look around your cities and regions - is it getting better where you are? I mean, REALLY better?

Oh, and one last thing - of the top 20 U.S. states with the most underwater mortgages, many are (or were) manufacturing Juggernauts, including Illinois, Pennsylvania or Florida, California, Ohio, Michigan, Texas, North Carolina, and Tennessee. I can tell you from first-hand experience that those states are STILL homes to a lot of manufacturing professionals with a lot to offer an employer looking for skilled, experienced talent.

How likely is it that underwater mortgages are preventing skilled talent from moving to fill our open manufacturing capacity? Very.

This continuing housing crisis is having an impact on our abilities to ramp up our production base, our national competitive posture, and, ultimately, our abilities to

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train our experienced workforce in tomorrow's manufacturing technologies.

To me, that's serious harm. And we should be discussing it for what it is.

See the original blog post [here](#) [8].

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### Links:

[1] <http://online.wsj.com/article/BT-CO-20120712-707943.html>

[2] [http://articles.chicagotribune.com/2012-06-15/classified/sns-201206072000--tms--realestmctnig-a20120615-20120615\\_1\\_top-foreclosure-mortgage-lenders-home-values](http://articles.chicagotribune.com/2012-06-15/classified/sns-201206072000--tms--realestmctnig-a20120615-20120615_1_top-foreclosure-mortgage-lenders-home-values)

[3] <http://www.forbes.com/sites/afontevvecchia/2012/06/26/10-million-underwater-mortgages-and-shadow-inventory-worth-246b-mean-housing-trouble/>

[4] <http://news.cincinnati.com/article/20120613/BIZ/306130136&Ref=AR>

[5] [http://www.cleveland.com/business/index.ssf/2012/07/ohio\\_ranks\\_near\\_top\\_with\\_under.html](http://www.cleveland.com/business/index.ssf/2012/07/ohio_ranks_near_top_with_under.html)

[6] <http://money.usnews.com/money/careers/articles/2011/07/05/how-the-crippled-housing-market-affects-job-seekers>

[7] <http://online.wsj.com/article/SB10001424052970204880404577230870671588412.html>

[8] <http://ajsweatt.com/is-the-ongoing-mortgage-crisis-harming-our-manufacturing-skills-crisis/>