OPINION



EDITORIAL

Get ready

The wait appears to be over.

Unfortunately, the thing we've been waiting for is a recession, and there was ample evidence last week that it's coming.

Job openings, a key measure of labor demand, were down 632,000 to 9.9 million at the end of February, the lowest level since May 2021, according to the Job Openings and Labor Turnover Survey (JOLTS) released Tuesday, April 4. The number of openings has fallen by 1.3 million in the first two months of this year. Note that timing: The drop occurred before the recent financial market and banking turmoil, which has led to tighter credit conditions.

The decrease in vacancies suggests the Federal Reserve's rate hikes to tame inflation are yielding results. In a little more than a year, the Fed has raised its benchmark rate from near-zero to the current 4.75%-5% range.

In an event last Tuesday in New York, Loretta Mester, president of the Federal Reserve Bank of Cleveland, said that to get inflation back to the Fed's 2% target, monetary policy needs to move "further into restrictive territory this year, with the fed funds rate moving above 5% and the real fed funds rate staying in positive territory for some time." Translation: If you're looking for interest rate relief this year, it's not coming.

It's a tough balancing act of raising rates to fight inflation without sending the economy into a tailspin. As Christopher Rupkey, chief economist at FWDBONDS in New York, told Reuters, "The labor market was starting to lose steam even before the banking crisis hit the economy in March and this sets up a dangerous situation where tighter credit conditions could prompt actual layoffs in the months ahead as corporations struggle to get costs under control."

A day after the JOLTS report, payroll processor ADP reported that private employers added fewer jobs (145,000) than expected last month and that they started to scale back on wage increases. Finance, professional services and manufacturing were particularly weak, ADP found, as layoffs have started to expand beyond two industries — technology and housing — that so far in 2023 have produced most of them.

One big-picture data point — the Labor Department's monthly jobs report for March, released Friday morning, April

7 — still held up fairly well. Payroll employment rose by 236,000 in March, though that was down from revised gains of 472,000 in January and 326,000 in February. The March figure ensures the Fed will maintain its current interest-rate strategy.

Recessions are defined by economic data, but there's a psychological component to them, too. That was underscored last Monday, April 3, when the most

That was underscored last Monday, April 3, when the most prominent software company in Northeast Ohio, Hyland, announced it was laying off 1,000 employees, or 20% of its workforce. Hyland has transformed itself into a cloud-based company and, as president and CEO Bill Priemer said in a letter to employees, "we did not anticipate the degree to which inflation, rising interest rates and wage increases would impact our expenses." He added the "challenging economic climate we currently face is prompting many organizations to pull back on their technology expenditures." Even billion-plus revenue companies in high-growth in-

Even billion-plus revenue companies in high-growth in dustries aren't immune from setbacks.

This freshly recessionary environment creates significant new challenges for business owners and managers.

In a pandemic era marked by labor shortages across a variety of industries, companies considering layoffs will face the tough choice of losing some of the talent they worked hard to acquire or preserving profitability and the long-term health of the business.

Even before that, the growing drumbeat of layoff announcements has "made many employees fearful of a contagion effect," The Wall Street Journal noted. It cited a recent survey of 35,000 workers by staffing firm Randstad that showed more than 25% of U.S. respondents said they feared they would be laid off.

Meanwhile, owners and managers in many cases are in the early stages of assessing the impact of recessionary conditions on their business and staffing needs, and they don't yet have firm answers.

If a key part of managing people is inspiring confidence, it's tricky these days. One coaching firm executive told the Journal that the general message to employees right now should be this: "There are changes coming down the pike, but they are still being formed." Be ready.

PERSONAL VIEW

City's safety strategy should include hiring more officers

BY JAMES M. TRUTKO

Cleveland Mayor Justin Bibb recently stated that public safety is the first responsibility of government: "If you can't feel safe to start a business, start a family and live, it's not good for the city." While many other political, community and business leaders and the public would agree, Cleveland lacks a sound strategy and the political will to achieve public safety. Because of the city's importance to the region's economy and culture, this failure has consequences for Cleveland residents, as well as for all who live in the area.



Trutko is a local economist and market research professional. He is a lifelong Cuyahoga County resident and lives in

Rocky River.

It does not need to be so. As data demonstrate, the cost of strengthening public safety and deterring crime is more than outweighed by the solution: to hire and properly train an adequate number of police.

A safety strategy should focus on deterring career criminals with an adequate number of professionally trained police. Once an adequate force is in place, there is room to debate their deployment, along with social policies to reduce recidivism or discourage non-career criminals.

The focus on police deterrence is essential because a disproportionate amount of serious crime is committed by career criminals. Career criminals are smart, calculating and indifferent to society's rules; they want to satisfy their own needs and don't care how they do so. Career criminals are deterred when the costs of getting caught and punished are seen as greater than the prospective gain.

In contrast, the policies being adopted in Cleveland seem to be based on a view of crime as a social phenomenon. Criminals are seen as victims driven by grievance, poverty, envy, racism or passion to commit crimes. Criminal activity is seen not as a personal moral failing, but as a failure of society. While personal passions, poverty and social problems may contribute to creating criminal behavior on the margin, social policies without deterrence will fail.

Deterrence requires maintaining police staffing levels and the active recruitment of new police. Unfair criticism of police, budget cuts that reduce staffing levels, de-incarceration trends and giving excessive authority to the Cleveland Community Police Commission to impose disciplinary action are all steps in the wrong direction.

A related cause of poor public safety policy in Cleveland is a failure to quantify the true cost of crime to victims and society. Because neither policymakers nor the public grasps the magnitude of the cost of crime and its frequency, public safety policies are driven by personal experience, political bias or the latest sensational news story. Quantifying the costs of crime makes it possible to rationally compare and evaluate specific policies.

Despite the importance of crime and public safety, no Cleveland organization appears to have tried to quantify the extent of crime in Cleveland, estimate the costs imposed on victims and society and develop rational cost benefit-based policies to improve public safety.

For example, the data below shows the criminal activity in the city of Cleveland for the past four years. (One caveat: Many people don't report crimes for various reasons, so the reported totals underestimate the problem.)

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CRAIN'S CLEVELAND BUSINESS

Executive Editor: Elizabeth McIntyre (emcintyre@crain.com) Managing Editor: Scott Suttell (ssuttell@crain.com) Contact Crain's: 216-522-1383 Read Crain's online: crainscleveland.com Write us: Crain's welcomes responses from readers. Letters should be as brief as possible and may be edited. Send letters to Crain's Cleveland Business, 700 West St. Clair Ave., Suite 310, Cleveland, OH 44113, or by emailing ClevEdit@crain.com. Please include your complete name and city from which you are writing, and a telephone number for fact-checking purposes.

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OPINION

Ideal Multi-Tenant/Office Building

SAFETY From Page 6

In an "average" year, Cleveland had a total of 26,098 major reported crimes. Over a four-year period, Cleveland averaged 6,600 violent crimes (murders, rapes, robberies and aggravated assaults) and 19,500 property crimes (burglaries, larcenies and motor vehicle thefts). There were many other crimes and illegal activities that also contributed to an unsafe environment.

Another way to look at the data is to compare relative crime rates per 10,000 residents. In 2020, Cleveland's crime rate was 677 per 10,000 residents vs. a crime rate of 157 per 10,000 for the rest of Cuyahoga County and approximately 300 for the state. In other words, Cleveland had 31% of the county's population and 66% of the major crime; it had 6% of the state's population and over 13% of the crime. The data show that Cleveland's crime rate is four times that of the rest of Cuyahoga County, twice the rate of Ohio's cities. Cleveland ranks in the top 20 most crime-ridden cities of the U.S. year after year.

Crime estimates and crime rates do not fully reveal the true burden of crime on victims and society. Over the past 25 years, several social scientists have studied and tried to quantify the cost of crime. Approaches vary, but estimates of the tangible and intangible costs of crime have been developed for the different types of crime. The estimates include the costs to victims (medical, property and productivity losses), police, court and incarceration costs, loss of perpetrator income due to a life of crime, and community quality-of-life impacts.

Rather than trying to pick the single best method, it's possible to approximate the cost of crime to Cleveland victims and the community simply by using the average cost per crime from the top 13 studies repeatedly cited by experts. Based on the four-year average number of crimes in Cleveland, the average annual cost of crime to Cleveland is \$1.6 billion or \$4,322 per capita.

With better quantitative data on the number of crimes and the cost of crimes, it's possible to examine the alternatives to reduce crime and improve public safety using rational, cost-benefit analysis. The most direct and historically proven way of increasing crime deterrence and improving public safety is to increase the number of properly trained police.

Social scientists have studied the relationship between police levels and crime. Rand Corporation constructed an initial model a decade ago which can be updated by using a recent meta-study compiling data from hundreds of cities over 50 years on "elasticity" (sensitivity) of crime to a 1% increase in police.

The results show that increasing Cleveland police

Cleveland crime rates per 10,000 residents

staff by 130 officers (10%) reduces crime by about 480 incidents and the net cost of crime by \$63 million after adjusting for the cost of additional officers. If the number of officers were increased to the full police staffing level, 325 officers (25%), the number of crimes would go down by 1,200 and the net cost of crime would be reduced by an estimated \$157 million. Each additional officer results in nearly one-half million dollars in net crime cost savings.

The precise savings from additional police can be debated, but adding more officers as a deterrent to career criminals is the most direct and historically proven way of reducing crime. In contrast, the mixture of adopted social programs has no historical proof of success and their adoption is driven largely by ideologically driven critiques of police, political agendas and academic studies.

All political and community leaders should focus on reducing crime and violence because community safety is a precondition for achieving so many other community goals. A high rate of crime and violence results in extensive geographical areas effectively rendered off-limits for investment, fuels community resentments and racism, scars crime victims and makes it difficult for rehabilitated felons to get real jobs and participate in society.

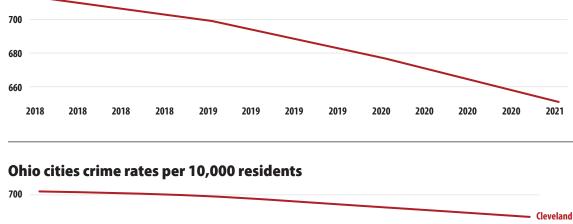
Persistent levels of crime compromise the delivery of educational and community services, which further reduces economic opportunity and increases poverty.

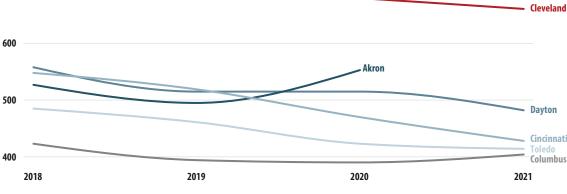
These intangible costs of crime are an especially heavy burden on the poor who are unable to escape them.

For the vast majority of Cleveland residents, the most direct and immediate approach to improving their lives is to reduce crime by adopting policies that make it easier and faster to hire and properly train police.

After more police are hired, other social programs directed at crime reduction should be evaluated with a cost benefit and crime impact analysis. Because public safety is so important to the community, an independent organization should be created to develop quantitative metrics, monitor progress, and ensure accountability of police and other social programs. The organization should conduct surveys on community perceptions of safety, analyze when and where violent crimes occur, measure progress toward stated goals, and research best practices and applicable technologies.

Such a program will increase public awareness of crime and allow Cleveland to make steady progress toward a safer environment for all residents. To rephrase Mayor Bibb, "It'll be good for the city if people feel safe to start a business, start a family and live", but Cleveland won't reach that goal unless public safety policies are substantially changed.





SOURCE: CJS, OIBRS AND CITY OF CLEVELAND 2021 AUDIT. POPULATION ESTIMATED AT 381,000



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CRAIN'S CLEVELAND BUSINESS GRAPHIC

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