

V. CONCLUSION AND RECOMMENDATIONS

Ohio's labor market has changed dramatically over the past few decades and is struggling to find its footing in the aftermath of the 2001 recession. We believe that work should be valued, that equality is worth striving for, that African Americans should have expanded access to education and good jobs, that our strong manufacturing tradition should evolve and survive, and that Ohio's citizens should gain the skills and education that will help them prosper in a changed economy. *The State of Working Ohio 2004* shows how we are not living up to all of those goals and values.

We've lost jobs both during the 2001 recession and during its aftermath. The job loss has been worse than in the nation as a whole – indeed worse than in all but two other states. The recovery cannot yet be described as a recovery for jobs – in fact as of July 2004 we still had more than 100,000 fewer jobs than when the recession officially ended and more than 200,000 fewer than when it began. Manufacturing continues to employ one in six Ohio workers, but the sector has lost much of its workforce. Unemployment, while not approaching levels seen in past recessions, has risen, particularly for African American workers and those with less education. Our median wage has fallen in real dollars and has dropped below the national median. Gaps between black and white worker wages have grown. One bright spot: disparities between women and men's hourly earnings continue to narrow, although they remain wide. Workers with more education earn substantially more than those with less formal schooling, and workers in unions have higher wages with smaller gaps for race and gender. But unionization levels are falling in Ohio. Ohio residents are much more likely to finish high school and college than in the past, but our college attainment lags behind the nation's. Family and household incomes have grown over the long term, but are now below peak levels before the recession. Wage and income inequality have skyrocketed in the past few decades. Employer-provided retirement and health care have declined, and poverty remains high.

If we are to have an economy that works for all Ohioans, substantial changes are needed. We could list dozens of changes – and in past years we've made different suggestions. Here, we limit ourselves to ten recommendations that would improve the health of our economy. Others might disagree with this prescription. We welcome a vigorous debate about what could best benefit workers. But continuing on our current course is not an option. The following ten points outline the approach we favor.

1. **Provide Public Goods:** Firms can profit on a high road of high wages, high productivity, high skills and high quality, or a low road that competes primarily by trying to lower labor costs, cheapen working conditions and avoid environmental standards. Government can make the high road easier to tread by maintaining adequate levels of taxation so that high-quality infrastructure and education can be maintained. A March 2004 study by economist Robert Lynch showed that having plentiful, high-quality public services contributes to economic growth and development, even if higher taxation is needed to provide it. To read the study, go to: http://www.epinet.org/content.cfm/books_rethinking_growth.
2. **Excel in Education:** The foundation of a high road is an educated workforce. Education increases wages, and in an economy that seems likely to continue to change, educated workers are more flexible. We under-invest in higher education, and our K-12 funding system has repeatedly been found unconstitutional because resources are allocated so unequally. A profound shift is needed. A blue ribbon task force is charged with determining exactly what is needed to ensure an excellent education to all students (including those with special needs or impoverished backgrounds) and provide that funding. It should embrace that charge. Early

childhood education, early intervention, professional development and smaller class sizes are proven reforms that work and must be implemented in Ohio. College must be made more affordable if we are to meet the demands of the new economy.

3. **Raise the Floor:** We can close off the low road by making it harder for firms to compete by paying the lowest possible wages, not providing benefits, and pushing off some of their costs on to the public sector. A first step is increasing the state minimum wage, as thirteen other states and the District of Columbia have done. The federal level of \$5.15 applies in Ohio – a hopelessly inadequate wage that would leave most families well below the poverty level even with a full-time, year-round worker.
4. **Target Development:** To help pave the high road we should be smart with limited economic development dollars. Development subsidies should be reserved for high-road companies: those that pay higher wages than others in their sector; provide employer-paid health insurance and retirement plans; have unions or at least vow not to fight unionization; maintain strong environmental standards; and train, retain and promote their workers. Local governments should join together to create “no-poaching” agreements, to reduce the likelihood that companies can force municipalities to compete to lower their taxes.
5. **Maintain Manufacturing:** Manufacturing is this region’s historic strength and still employs one in six Ohio workers. Maintaining manufacturing is crucial to our region’s economic vitality. The firms most likely to stay in the U.S. and in Ohio produce innovative, customized, specialized products that need to be produced close to markets and that require more highly skilled, highly trained, productive workers. To promote this approach, we should encourage collaboration between firms, government, unions and community colleges. One concrete suggestion: push the federal government to restore funding for the Manufacturing Extension Partnership, which provides management consulting to help small and medium-sized manufacturers produce innovative, high-quality products while minimizing environmental problems. The Bush administration moved to eliminate funding, which Congress partially restored at less than one-third of previous levels. The funding should be restored. State and local governments should also recognize that many of the new market needs in our economy will involve increasing our energy efficiency. Understanding how Ohio production capacity and Ohio workers can be converted to clean energy is a way that we can create jobs while increasing our nation’s energy independence.
6. **Trade Fairly:** Changes in trade policy are responsible for a significant portion of the manufacturing job loss we’ve experienced since 1995. In our international trade agreements, many environmental, labor, human rights, health and safety standards were relegated to side agreements and poorly enforced. Side agreements should be fully enforced and strengthened. New agreements must place these standards at the forefront. Finally, we must acknowledge the extent to which some workers and communities are damaged by trade agreements, and take steps to assist those workers in transitioning to new employment and those communities in maintaining jobs and infrastructure.
7. **Support other Sectors:** In other sectors, particularly the growing service sectors, we should encourage higher skills, higher productivity and higher wages. Some methods: ensure that all government-supported projects use prevailing wage standards in construction, help employers figure out how to create career ladders between lower-paying and higher-paying positions, and understand and be prepared for the occupational changes that will result from technological change in our economy.

8. **A Healthy Economy:** Our privatized system of health insurance impedes hiring because employers are reluctant to bear the health insurance costs of new employees. At the same time, it relegates many people to a precarious life with no insurance coverage. It impedes risk-taking as workers with pre-existing conditions hesitate to seek new jobs because they worry about coverage denial. And it costs more than systems in other countries that guarantee coverage as part of citizenship. In short, the system is bad for our health and bad for our economy. Both federal and state government should be pressured to adopt universal health care systems that will lower the cost of hiring new workers and guarantee that citizens have access to basic health care.
9. **Tax Fairly:** Wages at the top of the earnings spectrum have increased in recent years, while those at the bottom have stagnated or declined. Yet lower-income households pay a larger share of their income toward state and local taxes. Ohio should implement a state Earned Income Tax Credit to compensate for this, and should put in place efforts to ensure that more eligible Ohio families claim the federal Earned Income Tax Credit. This existing credit helps equalize the relative tax burden between lower and higher-income households with children.
10. **Stop Sprawl:** Suburban sprawl is a problem for the economy for several reasons. It depletes resources from the central city and ends up requiring more overall resources, as infrastructure needs to be put in places that don't currently have it. It wastes land in the city, which is left idle while greenfields are developed. It hurts the environment, reducing greenspace, wetlands and other natural areas essential to a healthy ecosystem. It wastes energy, requiring people to drive greater distance and making public transportation impossible. Government policy promotes sprawl in many ways – by allowing and even subsidizing building on greenfields, by failing to remediate brownfields, by neglecting public transportation and subsidizing ever-widening roads and highways, by having school funding priorities that make cities and inner ring suburbs less appealing to parents, and by not doing more to maintain central city infrastructure. A thorough review and reform of these policies is in order.

Ohio can take advantage of a changing economy, or let that economy take advantage of us. De-industrialization in the 1980s, expanded trade policies in the 1990s, the recession in 2001 and the very weak recovery since then have all taken their toll on Ohio. Neither the business nor the political leadership of the state has reacted in ways that strengthen Ohio's economy and help Ohio workers prosper. It is time to change course.