

A 2002 SERIES ON OHIO WORKERS, FROM POLICY MATTERS OHIO

WHAT COLOR IS YOUR PAYCHECK? RACE AND WAGES IN OHIO¹

A STATE OF WORKING OHIO BRIEF, DECEMBER 2002

In Ohio, as in the rest of the nation, the color of your skin can influence the size of your paycheck. For every dollar the typical white worker in Ohio earns, the typical black worker earns just 83 cents.² This racial wage gap has always existed, both nationally and locally, but has worsened in recent years, especially in Ohio. Compared to white workers, black workers in Ohio are more likely to hold poverty wage jobs, more likely to be unemployed, less likely to have the education required for high wage employment, and less likely to earn wages as high as whites with similar levels of education. This *State of Working Ohio* brief tracks a growing racial wage gap over the last two decades in the Buckeye State, and points to policy that can help remedy this trend.

WORK IN BLACK AND WHITE

Both black and white workers in Ohio saw their wages decline between 1979 and 2001 in inflation-adjusted dollars. However, for black workers the decline was much steeper and more consistent over the entire period. Wages for African American workers plunged by more than 12 percent over this period. While the steepest part of the fall occurred during the troubled economic period of the 1980s, black worker wages also fell over the 1990s, even as white worker wages were recovering. Table 1 depicts median hourly wages by race and sex for Ohio workers for the years 1979, 1989 and 2001.

	Year			Percent Change		
	1979	1989	2001	1979-1989	1989-2001	Total '79-'01
White Workers	\$13.84	\$12.69	\$13.17	-8.3%	3.8%	-4.8%
White Men	\$16.75	\$14.98	\$15.00	-10.6%	0.1%	-10.5%
White Women	\$10.15	\$10.20	\$11.50	0.5%	12.8%	13.3%
Black Workers	\$12.49	\$11.14	\$10.91	-10.8%	-2.1%	-12.7%
Black Men	\$15.32	\$12.49	\$12.00	-18.5%	-3.9%	-21.7%
Black Women	\$10.17	\$10.67	\$10.10	4.9%	-5.3%	-0.7%

Source: Authors' analysis based on Current Population Survey (CPS) data.

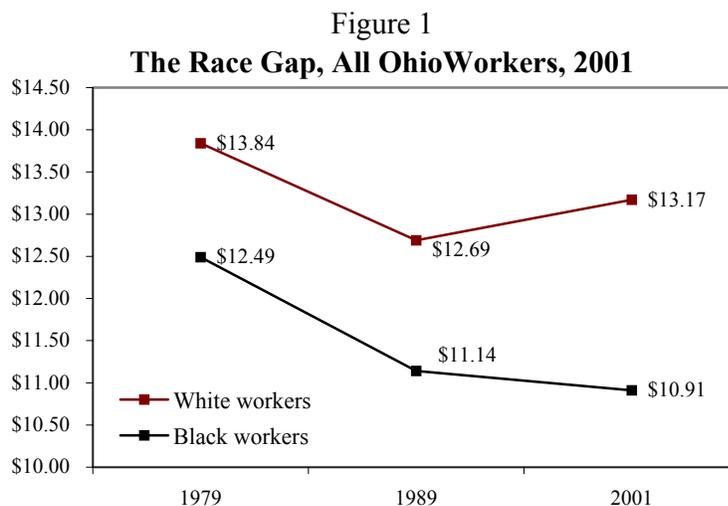
One of the reasons the Ohio wage trend looks worse than that of the nation is that in 1979, black men in Ohio earned 30 percent more per hour than black men nationwide. Black men still earn slightly more in Ohio than in the nation, but their wages here have plunged by about 22 percent in real dollars since 1979, while black men nationally saw a minuscule wage gain (from \$11.77 to \$11.84).

¹ Authors include Amy Hanauer, Leah Curran and Kent State University Assistant Professor Mark Cassell.

² Small sample sizes prevent us from examining wage data for other minorities in Ohio.

A GROWING GAP

As Figure 1 shows, the race gap grew slightly between 1979 and 1989. Both races experienced wage decline during this period, but black worker wages fell slightly more steeply and from a lower starting point. In the more recent period between 1989 and 2001, the race gap grew much more quickly, as black worker wages continued to decline at a slightly slower pace than before, while white worker wages grew moderately. Black workers



Source: Authors' analysis based on CPS data.

earned \$2.26 less per hour than white workers in 2001 in Ohio, a larger gap than in 1979, when blacks earned \$1.35 less per hour than their white counterparts.

FEMALE WORKERS, IN BLACK AND WHITE

Black and white women earned essentially equal wages in 1979, and both earned substantially less than their male counterparts. Both black and white women enjoyed very modest wage gains between 1979 and 1989, during a period when both black and white men suffered dramatic wage loss. However, the experience of black and white women workers diverged substantially between 1989 and 2001, when white women's wages began to finally grow slightly, while black women saw their wages erode back to just under the 1979 level, in inflation-adjusted dollars. Over the entire period, then, white women saw a 13.3 percent wage gain, while black women's wages essentially stagnated³. White women now earn \$1.40 more per hour than black women earn in Ohio.

THIS SERIES

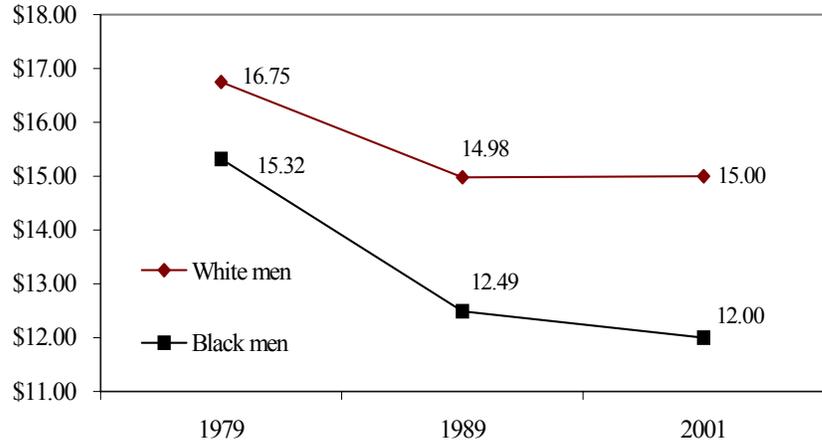
This is the third in a series of 2002 releases on Ohio workers. The first, released on Labor Day, gave a general overview of Ohio wage and employment trends. The second, *Pink Collar Work*, focused on gender and wages. During odd calendar years, Policy Matters releases a more comprehensive report called *The State of Working Ohio*. All reports can be downloaded at www.policymattersohio.org. The Economic Policy Institute's (EPI) *State of Working America* provided inspiration and some of the data for these reports. The Oregon Center for Public Policy gets credit for the title. The George Gund Foundation provides generous operational support to Policy Matters Ohio. The St. Ann Foundation provides special funding for public presentations on this series. Contact us at 216-931-9922 if you are interested in hosting a discussion.

³ Changes in welfare policy may have had a disproportionate effect on black women's wages.

RACE GAPS FOR MEN

Between 1979 and 2001, both black and white men suffered substantial wage erosion in Ohio. However, when the era is broken into two periods, substantially different experiences emerge. White men saw a 10.6 percent wage plunge between 1979 and 1989. Since 1989, white male wages rebounded slightly (much of this in the late 1990s). In contrast, black men's wages in Ohio continued to free-fall, albeit at a slightly slower pace. Between 1979 and 2001, black men's wages plunged by 21.7 percent in Ohio. Figure 2 depicts the growing disparity. Black males made 91.5 percent of what white males made in 1979, but now earn only 80 percent of white male wages.

Figure 2
The Race Gap: Median Male Wages in Ohio, 1979-2001 (2001 Dollars)



Source: Authors' analysis based on CPS data.

	White Workers	Black Workers
1979	21.2%	25.4%
1989	27.7%	31.7%
2001	21.9%	28.8%

Source: Authors' analysis based on CPS data.

WORKING, BUT POOR

Poverty wages are hourly wages that would place a family of four below the federally defined poverty line with full-time, year-round work. This level was \$8.63 an hour in 2001. (This poverty line is widely considered too low to cover basic necessities.) Black workers have always been more likely to earn poverty wages than white workers in Ohio. However, the percentage of poverty wage workers of both races rose dramatically between 1979 and 1989, and

declined between 1989 and 2001. By 2001, slightly more than one in five white workers (21.9 percent) earned poverty wages, only very slightly above the level in 1979. More than one in four black workers (28.8 percent) earned these sub-par wages, a higher percentage than in 1979, and a substantially higher proportion than white workers who earned poverty wages. Blacks also have higher unemployment rates. Over the last three years, official Ohio unemployment rates for blacks have averaged 1.9 times rates for whites and 1.74 times the overall rate. At the end of 2001, the rate was 3.9 percent for whites and 7.4 percent for blacks. By August 2002, Ohio's overall unemployment rate was 5.5 percent.

METHODOLOGY

This report relies primarily on the CPS-ORG data of the US Census, gathered through monthly surveys of 50,000 households nationwide. Findings are adjusted for inflation and reported in 2001 dollars. Wage declines from the recession that began nationally in March 2001 (and perhaps slightly earlier in Ohio) are, for the most part, not captured by these numbers. For more help deciphering economic and statistical language, see www.policymattersohio.org/saywhat1.html.

LEARNING AND EARNING

Both black and white worker wages jump dramatically with higher levels of education. Unfortunately, black adults (age 25 and older) are less likely to have completed high school or college than their white counterparts. While 84 percent of white men and 85 percent of white women have completed high school in Ohio, only 73 percent of black men and 75 percent of black women have done so.

Twenty-four percent of white men and 21 percent of white women, compared to 12 percent of black men and women have a bachelor's degree or more.⁴ Ohio schools attended primarily by black students have fewer resources than schools attended primarily by white students. The Ohio Supreme Court's 1997 DeRolph decision declared the school funding system unconstitutional because of disparities between districts and inadequate funding to poorer districts. Furthermore, rising college tuitions are making higher education even more inaccessible to working families.⁵ Increased higher education spending and enforcement of the DeRolph decision by equalizing and raising K-12 school spending could significantly narrow the education gap described here.

	Black Men	White Men	Black Women	White Women
Less than HS	27 %	16 %	25 %	15 %
HS Only	35 %	36 %	31 %	38 %
1-3 Years Post HS	27 %	25 %	32 %	26 %
BA Only	8 %	15 %	8 %	14 %
Graduate Degree	4 %	9 %	4 %	7 %

Source: Census 2000 SF 3 Sample Data.

	No HS Degree	High School Only	1-3 Years Beyond HS	College or More
White Workers	\$8.00	\$12.00	\$12.46	\$20.00
Boost		50.0%	3.8%	60.5%
Black Workers	\$8.32	\$10.00	\$11.54	\$16.00
Boost		20.2%	15.4%	38.6%
Disparity	-4.0%	16.7%	7.4%	25.0%

Source: Authors' analysis based on CPS data.

Yet differences in educational attainment fail to explain the entire race gap. Even at similar educational levels, black workers typically earn less than white workers in Ohio. Blacks in this sample who had not completed high school earned slightly more than whites at the same level (32 cents an hour, or four percent). But at other educational levels, white

workers earned substantially (7 to 25 percent) more than their black counterparts. White high school graduates earned two dollars an hour more than black high school graduates, and whites with a college degree earned four dollars an hour more than blacks with the same level of education. Educational disparities may explain some of the racial wage gap, but differences persist, even with similar education levels.

⁴ Note that current college completion rates exceed higher educational attainment in the general population (depicted in Table 3), because younger people of all races are more likely to complete college than previous generations.

⁵ A recent *Wall Street Journal* article described a Kent State student who was working two jobs to pay for college, noting that as tuition has risen and the minimum wage has eroded, totals of working undergraduates, hours they work, and debt have all increased. It argued that working more hours can lower grades and raise dropout rates. (Tomsho, Robert. "Students Work Overtime Amidst Squeeze in Economy." *Wall Street Journal*. 11/5/03.)

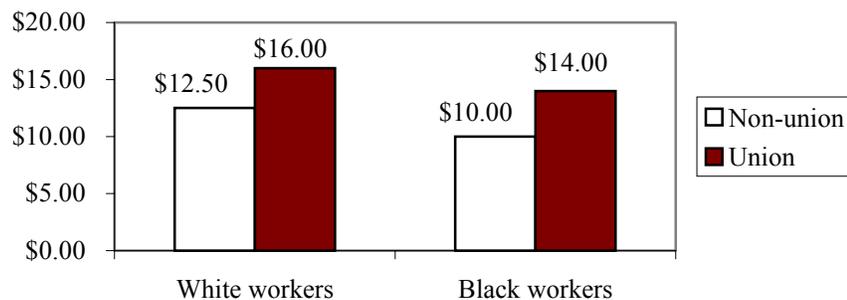
MOVING ON UP

Disparities aside, education pays, for workers of any race. In 2001, white workers with just a high school degree earned a dramatic 50 percent more than white workers who did not complete high school. Getting a college education or more conferred an even larger 60.5 percent benefit for white workers. Black workers also saw a substantial return for additional education. African Americans (who earned slightly more than whites when neither had a high school degree) enjoyed a 20 percent wage boost for completing high school, a 15 percent wage boost for securing 1-3 years education beyond high school, and an additional 39 percent raise for completing college or graduate school.

SOLIDARITY AND PROSPERITY: UNIONS HELP BLACK AND WHITE WORKERS

For both black and white workers, unions provide a route to higher wages. White union members enjoyed a 21.9 percent premium over white workers who were not unionized in 2001. Black workers saw an even bigger boost when they were able to secure unionized positions; black union

Figure 3
The Union Premium, in Black and White



members made 28.6 percent more than their counterparts who were not in unions. The gap in wages between black and white workers was cut nearly in half when unions entered the picture — a 20 percent gap narrowed to 12.5 percent, when unionized workers of both races were compared to each other. As Figure 3 shows, unions have an equalizing effect: they raise wages for all workers, but raise them more for African Americans.

WHY THE DROP AND WHY THE GAP?

Anyone concerned about equity should be worried that the wage gap has widened and black worker wages have declined during a time when many hope we have moved forward in race relations. There are several reasons for declining black wages and the growing race gap. We label some of the leading ones "The Five Ds":

- De-industrialization, loss of manufacturing jobs, takes a particularly strong toll on black men;
- De-unionization hurts African Americans more than whites, because unions boost all worker wages, but raise wages of minorities and women more than they raise white men's wages;
- De-urbanization — movement of jobs and business out of cities — has meant that black communities, concentrated in cities, have less access to employment;
- Disparities in education mean that black children often attend schools that are less well-funded than those attended primarily by white children; and finally
- Discrimination persists, and still must be fought with vigor.

PROSPERITY FOR OHIO WORKERS OF ALL RACES

No matter what the reasons for the growing race gap, there is much that Ohio can do to help workers of all races thrive in the work place.

EDUCATION: Both black and white workers enjoy big wage gains when they complete more school. Our K-12 education system does not spend as much on schools in lower-income areas as it does on schools in higher-income communities. This perpetuates existing inequalities. Improving schools at all levels, increasing high school graduation rates and making higher education accessible to more people in Ohio is crucial. We have the tenth highest university tuition in the country, and rank 39th in the proportion of the population with a Bachelor's Degree.⁶ Both black and white workers get a tremendous raise if they graduate from college. The Buckeye State should make sure that more students are qualified to go to college, and that all qualified students have that chance.

UNIONIZATION: Unions bring about substantial wage gains for both blacks and whites, and they reduce the race gap in wages. Yet Ohio's unionization rate dropped from 23 percent in 1984 to 17.7 percent in 2001. We can encourage a union-friendly climate by awarding contracts and government aid only to companies that agree not to fight unions. We can also promote union-employer collaborations to solve workforce problems.

STOPPING SPRAWL: We must encourage business development in urban centers and discourage flight to the suburbs and beyond. Smarter economic development policies can narrow the race gap by revitalizing cities, where blacks disproportionately live. While helping the environment, stopping sprawl will also increase equity.

SHARED PROSPERITY: Altered welfare policy means that families are increasingly expected to escape poverty through work. But many jobs do not pay enough to make a family self-sufficient. Given more restrictive welfare policies, we must repair other parts of the safety net, providing Medicaid and economic support to low-income working families and Unemployment Insurance to those who lose jobs.

FAIR TAX POLICY: Income is distributed unequally in Ohio, and our tax system makes it worse. The share of taxes paid by corporations and higher income households has declined in recent years, while the share paid by moderate and low-income families has grown. We should enact refundable Child Care and Earned Income Tax Credits, and restore the vitality of the corporate franchise tax. This will make our tax system less regressive and more fair.

These ideas are part of Policy Matters' vision for an economy that helps workers of all races thrive. Other groups may endorse a different approach, but no solution can be found without a good understanding of how our economy has treated all participants, and a lively debate about how to bring equity and prosperity to Ohio. Help start the discussion by inviting us to present this data to your organization or group. Contact Policy Matters at 216-931-9922.

⁶ Ohio Board of Regents Factbook. (<http://www.regents.state.oh.us/mainpages/Factbook.pdf>)