

THE STATE OF WORKING OHIO...

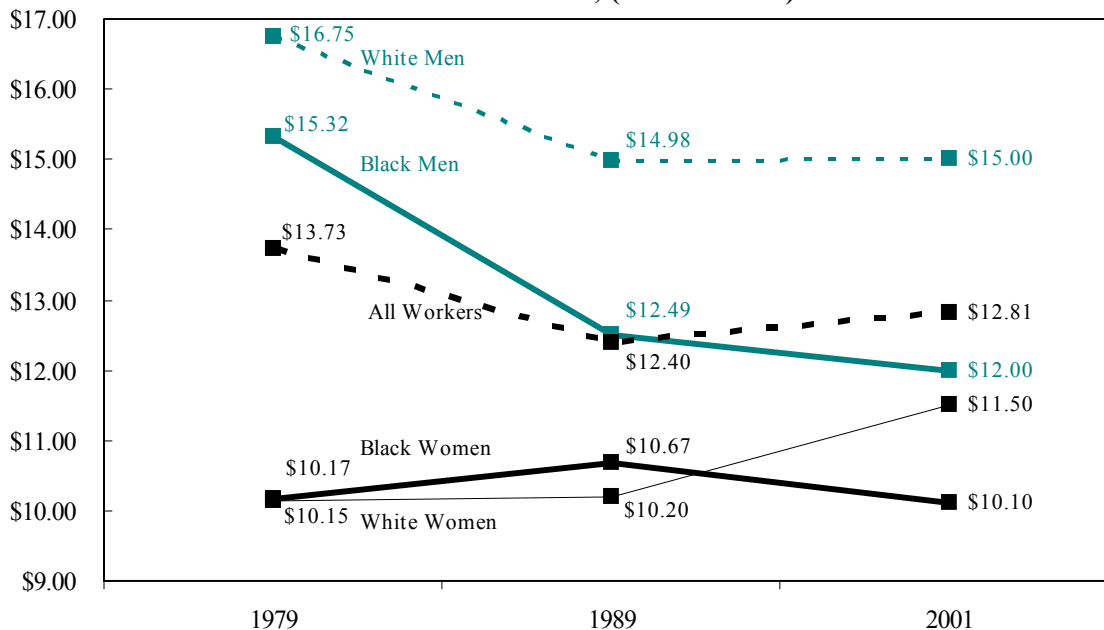
IN SHORT

Ohio's workers confronted mixed trends in the past several years and the past generation. Some of the latest trends, like wage growth for women and wage increases for low-earning workers in the late 1990s, are welcome changes in the right direction. Other variables are harder to classify: increased hours worked per household might mean more options for some families and more pressure for others. But most trends — toward heightened inequality, growing racial wage gaps, and male wage decline — are headed the wrong way.

This *State of Working Ohio, 2002... In Short* gives a general overview of how labor market shifts have affected working people. Subsequent releases throughout the fall of 2002 will zoom in to provide a clearer picture of how specific communities are faring. During odd calendar years (last year and next year), Policy Matters Ohio releases a more comprehensive *State of Working Ohio* report. All reports can be downloaded at www.policymattersohio.org.

THE TYPICAL WORKER

Figure 1
Ohio Median Hourly Wages, by Race and Gender,
1979-2001, (2001 Dollars)



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

The median hourly wage, perhaps the best measure of worker well-being, has risen since 1989 but remains below 1979 levels in inflation-adjusted dollars. The typical Ohio worker earned \$12.81 an hour in 2001, up from \$12.40 in 1989 but down from \$13.73 in 1979. Men's wages have increased slightly since 1989, to \$14.71 an hour, but remain 11.7 percent below the 1979 level of \$16.66 an hour. Women's wages, in contrast, have continued to climb and are now at \$11.17 an hour, 10.3 percent above their 1979 level of

\$10.13 an hour. Although women's wages have risen and men's have fallen, men continue to earn substantially more than women in Ohio. Female worker wages in the year 2001 were 75.9 percent of male worker wages.

White workers earn substantially more than black workers in Ohio. The decline in black worker wages has been more precipitous and more consistent than white wage decline. While white workers experienced a rebound between 1989 and 2001, black wages continued to fall, to \$10.91 an hour in 2001 — a 12.7 percent decline from a 1979 level of \$12.49 in inflation-adjusted dollars. African Americans earned 82.8 percent of what white workers earned in 2001. The contrast is starker among men — black men earned only 80 percent of what white men earned in 2001. Wage trends are depicted in Figure 1.

THE RECENT TREND

The US economy was in an official recession beginning in March 2001. Data in this report only covers the period preceding that recession. The downturn began in the first quarter of 2001, which likely explains the slight dip in wages our data captures (see Table 1). Inflation-adjusted median wages rose between 1999 and 2000, from \$12.82 to \$12.97 an hour. By the middle of the year 2001, median wages were 1.2 percent below their 2000 level and had inched a fraction below their 1999 level as well. The sluggish economy of late 2001 and early 2002 means that wage decline probably grew more severe after March 2001, our last data point.

	1999	2000	2001
All workers	\$12.82	\$12.97	\$12.81

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

INCOME GROWTH

Although individual worker wages declined in Ohio, median household income rose between 1984 and 2000, primarily because families spent more time working. Table 2 begins in 1984, the earliest year available for this indicator. Household income has risen 19.6 percent in Ohio, to \$43,897 in 2000 dollars. Ohio's median household income exceeds the US average and all neighboring states except Michigan (though Pennsylvania just barely lags Ohio).

	1984	2000	Growth 1984-2000
United States	\$ 35,568	\$ 42,151	18.5%
Ohio	\$ 36,691	\$ 43,897	19.6%

Source: Economic Policy Institute (EPI) analysis of Census Bureau data. (Historical Income Table, Households, Table H-8).

Notes: Households as of March of the following year. No comparable pre-1984 data available.

METHODOLOGY

This report relies primarily on the CPS-ORG data of the US Census, gathered through monthly surveys of 50,000 households nationwide. We also use other US Census data and data from the Office of Federal Housing Enterprise Oversight. Findings are adjusted for inflation and reported in the dollar value for the final year of analysis (usually 2001), unless otherwise noted. Wage declines from the recession that began in March 2001 are, for the most part, not captured by these numbers. Income refers to all sources of money including wages, salaries, income transfers, interest and dividends. Wages refer to hourly pay rates from a job. The median is the mid-point — half of workers earn more than the median wage, half earn less. Medians are more accurate than averages, which can be skewed upwards by very high earners. Tables 2 and 3 pool three years of data to increase sample size and accuracy. For more help deciphering economic and statistical language, see www.policymattersohio.org/saywhat1.html.

WORKING HARDER

Ohio families worked more hours than ever before during the pooled years 1998-2000. Married-couple families with children worked an average of 3,736 hours per year in 1998-2000, up from 3,157 in 1979-81 (see Table 2). This is an 18 percent increase of more than 579 hours a year, or more than 11 hours a week. Full-time, year-round work requires approximately 2000 hours a year¹, so the typical family with children now has one full-time worker and one worker putting in about 87 percent time (more than four days a week). Some families may be pleased about the increased hours (illustrating perhaps more work options for mothers), while others might be displeased (illustrating, perhaps, more pressure and less time with children). But increasingly families are deciding extra work hours are needed to maintain a standard of living that used to be possible with one wage earner. Single-parent families have also dramatically increased work hours, by 18.1 percent or 286 hours. The typical single parent now works 1,862 hours a year, nearly 36 hours a week. Families who work more hours outside the home may have greater expenses for child care, transportation, clothing and food than families with a full-time homemaker.

Table 3
Average Annual Hours Worked in Ohio Families, Head of Household Age 25-54, 1979-81 (Pooled), 1988-90 (Pooled) 1998-00 (Pooled)

Year	Married-Couple Families with Children	Single-Parent Families
1979-81	3,157	1,576
1988-90	3,512	1,587
1998-00	3,736	1,862
Increase 1979-2000	18.3%	18.1%

Source: EPI analysis of Census Bureau March CPS data.

Table 4
All Ohio Workers, Hourly Wage by Percentile, 1979-2001 (2001 Dollars)

Percentile	1979 Wage	1989 Wage	2001 Wage	Percent Change 1979-2001
10th	\$7.14	\$5.88	\$6.79	-4.9%
20th	\$8.40	\$7.40	\$8.16	-2.9%
30th	\$10.12	\$8.92	\$9.74	-3.8%
40th	\$11.92	\$10.67	\$11.10	-6.9%
50th	\$13.73	\$12.40	\$12.81	-6.7%
60th	\$15.54	\$14.35	\$14.83	-4.6%
70th	\$17.73	\$16.86	\$17.36	-2.1%
80th	\$20.15	\$19.65	\$20.88	3.6%
90th	\$24.10	\$24.10	\$26.50	10.0%

Source: Authors' analysis based on CPS data.

PULLING APART: INEQUALITY GROWS

Wages have grown more unequal in Ohio since 1979, with the bottom 79 percent of wages dropping while the top 20 percent of wages grew. Table 3 lists wages earned by each tenth of Ohio's workforce. Ten percent of earners earn less than the tenth percentile, ninety percent earn less than the ninetieth, and the fiftieth percentile equals the median. Recently, the trend toward increased inequality has slowed — between the end of the 1990s and the year 2001 the bottom 40 percent of jobs had modest wage growth while the top had moderate wage decline. The bottom 10 percent in particular experienced an encouraging 4.8 percent wage growth between 1999 and 2001. The reversal was not enough to change the overall trend toward increased inequality, and wage growth at the bottom probably did not continue into the 2002 slowdown. But after decades of inequality growth, even modest equalizing is a welcome trend.

Inequality is still high. A worker at the ninetieth percentile earned nearly four times what a worker at the tenth percentile earned, and a worker at the 95th percentile earned 15.6 times what a worker at the twentieth percentile earned in 2001. Wealth is distributed even more unequally than wages. Nationally as of 1998, the top one percent of households controlled 38.1 percent of the nation's net worth, while the bottom 90 percent combined controlled just 29 percent of net worth.

POVERTY WAGE JOBS

In 2001, nearly one-fourth of all workers in Ohio still earned less than what would be required to bring a family of four above the federally-defined poverty line (\$8.63 per hour) with full-time year-round work. Although the economic expansion of the late 1990s brought wage growth at the bottom of the earnings spectrum, only slightly fewer workers (23.5 percent) were in poverty wage jobs in 2001 than in 1979 (23.9 percent). However, the distribution of poverty wage jobs shifted significantly over these years (see Figure 2). Male workers had more than a 50 percent growth in poverty wage employment, from 10.5 percent to 16.7 percent. Black workers, who had started at the high rate of 25.4 percent in poverty wage jobs, saw that percentage grow to 28.8 percent. The percentage of whites in poverty wage jobs grew only slightly over this period from 21.2 percent to 21.9 percent. In an encouraging development, the percent of women holding poverty wage jobs declined substantially during this time, from 37.0 percent to 29.7 percent. Despite the negative trend for men and the positive one for women, female workers remain twice as likely to be in poverty wage jobs as male workers. Given the increasing emphasis on work as a route out of poverty for single mothers, policymakers must remain aware that nearly one-fourth of all jobs and nearly one-third of all jobs typically held by women are inadequate to support a family.

Because many poverty-wage workers had more than one job or more than one worker in their family, the poverty rate is lower than the percent of poverty-wage jobs. For the pooled years 1999-2000, Ohio's poverty rate was 11 percent, down from 11.5 percent in 1989-90. The trend is in the right direction, but the rate remains unacceptably high. The federal poverty line is widely considered to be too low to cover basic necessities². More than one in ten Ohioans and about one in seven Ohio children (14.4 percent according to the 2000 census) live below this bare minimum.

Figure 2
Percentage of Ohio Workers Earning Poverty Wages,
By Race and Gender, 1979 and 2001

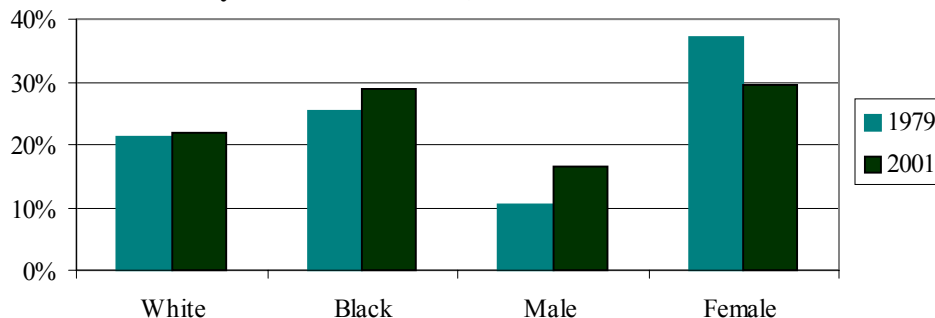
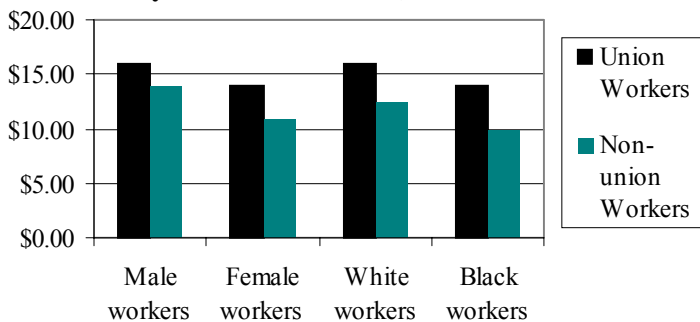


Figure 3
Ohio's Union Premium
By Race and Gender, 2001



Source on Figures 2 and 3: Authors' analysis based on CPS data.

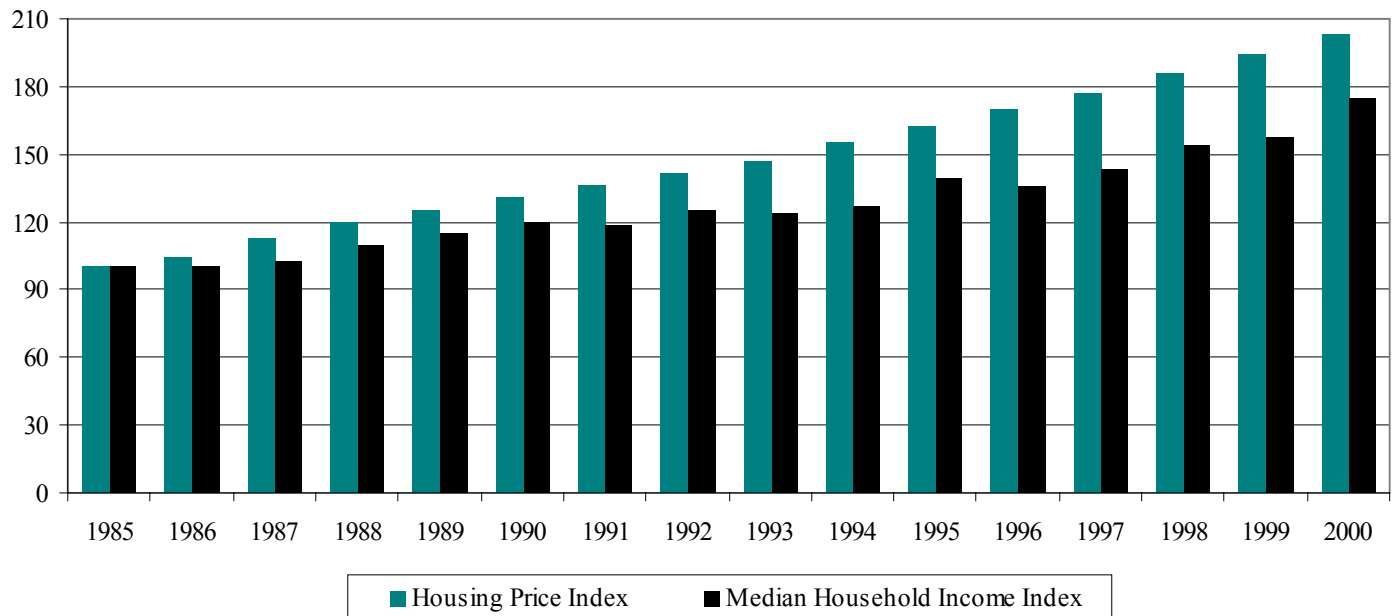
THE UNION PREMIUM

Ohio's unionized workers³ earned substantially more than non-union workers in the year 2001 (see Figure 3). While all workers benefited from being in unions, black and female workers saw especially dramatic gains. The gender gap between male and female workers narrowed from 23.2 percent for non-union workers to 12.5 percent for unionized workers. Union women earned as much as non-union men. The race gap between black and white workers narrowed from 20.0 percent to 12.5 percent when a union entered the picture, and blacks in unions earned more than non-unionized whites. Union women saw a 23.2 percent boost in their wages and blacks saw a stunning 40 percent wage boost. Although unions are helpful to workers, the percent of Ohioans represented by unions has been steadily declining, from 23 percent in 1984 to 17.7 percent in 2001. Reversing this decline would help raise and equalize wages. Unions raise wages for all workers and reduce disparities between workers.

HOUSING AFFORDABILITY

Median family income has not kept pace with the rapidly growing average price of single-family homes in Ohio, as shown in Figure 4. Median income, in unadjusted dollars, grew by 74 percent between 1985 and 2000 (13 percent in adjusted dollars over this period). Average housing prices, in contrast, grew by 115 percent in unadjusted dollars (20.2 percent in adjusted dollars)⁴. This steep growth in an essential expense has meant that families need larger incomes to manage the same basic expenses⁵. The high cost of housing is a problem for many working Ohioans.

Figure 4
Affordability of Single-Family Homes, 1985-2000



Source: Author's analysis based on data from the U.S. Census and the Office of Federal Housing Enterprise Oversight.

BENEFITING FROM BENEFITS

The share of private sector Ohio employees receiving health insurance and pensions from their employers declined dramatically between the pooled years 1979-81 and the pooled years 1998-2000 (see Table 3). Health insurance coverage declined from 77 percent to 62.2 percent, a steep 14.8 percent drop. Pensions declined from 58.4 percent to 54.9 percent, a 3.4 percent drop. These low rates of coverage for basic benefits are troubling, particularly since they coincided with wage declines. Families are put in the difficult position of going without basic health care or spending a large amount of their declining wages on this necessity⁶.

Table 5
Share of Private Sector Ohio Employees
Receiving Employer-Provided
Health Insurance and Pensions
(Pooled Across Three Years)

	1979- 1981	1998- 2000	Percent Change
Health Insurance	77.0%	62.2%	-14.8%
Pensions	58.4%	54.9%	-3.4%

Source: EPI analysis of CPS data.

ACKNOWLEDGEMENTS

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TOWARD A MORE INCLUSIVE ECONOMY

Ohio's families are working more than ever, but wages have declined in the last generation. Inequality and race gaps between black and white workers have grown. Rising home prices and declining rates of health and pension coverage mean that basic necessities are eluding many of our working families. Nearly one-third of jobs held by women trap a family in poverty. The typical single parent works 36 hours a week but 14.4 percent of Ohio children are officially poor. Ohio's working people deserve better. Policy changes in Ohio, focused on improving jobs, supporting families and increasing equity will help return our state to prosperity:

JOBS

- Join America's most progressive states by setting a minimum wage above the federal rate of \$5.15 an hour.
- Target corporate assistance to companies that provide career-track, family-supporting jobs.
- Support unionization, a sure path to higher wages.
- Continue to lead the way in supporting employee ownership.
- Improve worker skills by investing in workforce development and training.

FAMILIES

- Provide public support to the child care infrastructure. Join the growing number of states that have enacted refundable Child Care and Earned Income Tax Credits.
- Increase funding for community health centers, retain Medicaid for those currently eligible and expand Medicaid coverage to parents up to 150 percent of poverty.
- Provide economic support on a sliding scale to working families until they reach 200 percent of poverty. Provide basic benefits to non-working families.
- Expand unemployment insurance eligibility, particularly for low-wage and part-time workers. Extend the length of unemployment benefits during periods of high unemployment.

EQUITY

- Make our tax system less regressive to reduce the effects of income and wealth inequality.
- Enforce and strengthen anti-discrimination legislation to combat disturbing race and gender gaps.
- Equalize funding between school districts to help urban and poor schools.
- Discourage suburban sprawl, support mass transit, and encourage job development in central cities to promote regional equity.

These recommendations are part of Policy Matters' vision for a better economy in Ohio. Other groups may endorse a different approach, but no solution can be found without a good understanding of who has been left out of our economy and a lively debate about how to bring equity and prosperity to the Buckeye State. Help us start the discussion by scheduling a presentation on this data to your group. Contact Policy Matters at (216) 931-9922 if you are interested in such a presentation.

ENDNOTES

¹ Full-time is usually 37 hours a week for 52 weeks (1,924 hours) or 40 hours for 52 weeks (2,080 hours).

² Several studies have attempted to set new alternative poverty lines that can cover basic needs, most recently EPI's *Hardships in America*. Visit www.policymattersohio.org/povertylinebrief.pdf for more detail.

³ Union members are defined here as those who are covered by a collective bargaining agreement.

⁴ The average housing price excludes homes above \$370,000, making it a reasonable comparison with the median family income. The housing price index is unadjusted, so we used unadjusted household income data for consistency.

⁵ Some of this may be due to increases in house sizes — American homes built in the year 2000 are 34 percent larger, on average, than those built in the year 1975 according to www.knowledgeplex.org. But because only 8.8 percent of Americans (Ohio data unavailable) live in homes built after 1995, growth in the size of new homes cannot account for the entire difference. The median owner-occupied home was built in 1970, according to 1999 housing data gathered by the US Census.

⁶ For lower-income families, health insurance is prohibitively expensive to purchase individually. For the most basic plan for a healthy, non-smoking family of three in Ohio, health insurance costs ranged from \$100 a month with a \$5000 annual deductible to \$557 a month with a \$250 deductible (www.ehealthinsurance.com). For a family with one median-wage, full-time worker, this cost would consume more than one-fifth of family income.