

A REPORT FROM

POLICY MATTERS OHIO

THE STATE OF
WORKING OHIO
2003

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Table of Tables

Table 2.1	Labor Force Demographics, 2002	4
Table 2.2	Working In Ohio, 2002	5
Table 2.3	Employment-to-Population Ratio, Ohio Women, 1981-2002	5
Table 3.1	Total Payroll Employment 24 Months After 1990 and 2001 Recessions	7
Table 3.2	Total Private Payroll Employment 24 Months After 1990 and 2001 Recessions	7
Table 3.3	Ohio Employment by Industry 24 Months After 2001 Recession	8
Table 3.4	Manufacturing and Health Job Shifts, Ohio and Neighboring States, March 2001-March 2003	11
Table 3.5	Gross State Product in U.S., Ohio, and Neighboring States, 1990-1991 and 2000-2001	13
Table 3.6	Per Capita Gross State Product in U.S., Ohio, and Neighboring States, 1999-2001	13
Table 3.7	Percentage Unemployment by Gender, Race, in Ohio and U.S.	14
Table 3.8	Percentage Unemployment by Gender and Race in Ohio, 2000 and 2002	15
Table 3.9	Percentage Unemployment by Education in Ohio, 2000 and 2002	16
Table 3.10	Unemployment Insurance Reciprocity and Exhaustion	16
Table 3.11	Underemployment by Gender and Race in Ohio, 2000 and 2002	17
Table 4.1	Real Wage Growth in Ohio, 1979, 1989, 2000 and 2002	18
Table 4.2	Median Wage Change, First Six Months, 2000-2003	19
Table 4.3	Median Wages by Union Representation in Ohio, 2002	21
Table 4.4	Wages Deciles, Ohio 2002	23
Table 4.5	Mean Income Received by Each Fifth and Top Five Percent of US Households	24
Table 4.6	Ohio Workers Earning Poverty Wages, 1979, 1989, 2000 and 2002	26
Table 4.7	Poverty Rates by Percentage for Ohio, Neighboring States, 1980, 1989, 1999 and 2001	27

Table of Figures

Figure 1	Average Weekly Earnings, Ohio Nonsupervisory Workers, 2001	9
Figure 2	Changes in Ohio Employment for sectors with more than 1000 jobs lost or gained, 2001-2003	10
Figure 3	Union Membership in Ohio and U.S., 1983-2002	12
Figure 4	Ohio Average Wages by Education, Gender and Race, 2002	20
Figure 5	Union Premium by Race and Sex in Ohio, 2002	22
Figure 6	Ohio Earnings by Decile, All Workers, Men and Women, 2002	23
Figure 7	Median Four-Person Family Income in Ohio, 1979-2002	25
Figure 8	Ohio Workers Earning Poverty Wages by Gender and Race, 2002	26

EXECUTIVE SUMMARY

From March to November 2001, the United States was officially in a recession, with declining economic growth. Since then, the national recession has been declared over, but many economic indicators remain troubling for Ohio and the nation. Some trends, like departing manufacturing jobs, had been taking place even during the boom years. This 2003 edition of *The State of Working Ohio* examines Ohio's economy, with particular attention to effects of the recession. Key findings include:

Employment and Gross State Product

- ◆ Payroll employment declined by 3.3 percent in Ohio and by 1.8 percent in the nation between March 2001 and 2003. Twenty-four months after the 1990-91 recession, payroll employment had declined by 0.9 percent in both Ohio and the U.S.
- ◆ Ohio's percentage payroll employment declined more than that of all but six states. In absolute numbers, the 185,000 jobs that Ohio lost ranked third behind only California and New York. After the 1990 recession, Ohio ranked twenty-first in percentage of jobs lost and eleventh in number of jobs lost.
- ◆ Between 2000 and 2001, Ohio's gross state product declined 0.9 percent, worse than in any year since 1990-91 and worse than in all but six states. The gross state product of the U.S. grew by 0.4 percent during this period. Ohio's recent decline is similar to that of the 1990-91 recession (1.0 percent), but not nearly as bad as during the 1981-1982 recession (5.5 percent).

Job Shifts

- ◆ Much of the plunge was in manufacturing. Ohio lost 118,500 manufacturing jobs between March 2001 and March 2003, more than in all other sectors combined and more than all states but California and Texas. Other sectors with big losses were Trade, Transportation and Utilities (53,900) and Professional and Business Services (25,200).
- ◆ Every state lost manufacturing jobs in the twenty-four months after March 2001, but most states gained more in other sectors. Only Education and Health Services had a meaningful job gain in Ohio.
- ◆ In 1983 more than a quarter (25.1 percent) of Ohio workers and more than one fifth (20.1 percent) of the nation's workers were in unions. In less than twenty years Ohio union density plunged more than eight percentage points to 16.7 percent and the nation's rate dropped 6.9 percentage points to just 13.2 percent of the workforce.

Unemployment

- ◆ In 2002, Ohio's unemployment rate reached the highest annual average since 1993, 5.7 percent, up from 4.1 percent in 2000. Some analysts argue that actual unemployment may be higher than this, due to survey issues. Average annual unemployment was worse in years following previous recessions -- 7.2 percent two years after the July 1990

recession began and a now unthinkable 12.5 percent one year after the July 1981 recession began.

- ◆ Unemployment rates were worse for certain demographic groups in 2002. Black men (10.6 percent) and workers without a high school degree (13.1 percent) were most affected, but joblessness climbed for every demographic group examined.
- ◆ In 2002, 35.1 percent of Ohioans and 42.4 percent of Americans exhausted state unemployment benefits before finding new jobs, the highest such Ohio rate in 19 years.

Wages, Income and Poverty

- ◆ The economic downturn has not caused dramatic wage decline. For some workers, inflation-adjusted wages rose through the end of 2002. Both low-wage (those earning more than 20 percent of workers) and high-wage (those earning more than 80 percent of workers) had modest wage growth between 2000 and 2002. Workers at the median had stagnant wages between 2000 and 2002. Preliminary results from 2003 indicate that wages have begun to drop in Ohio for all three categories, although the change is not statistically significant.
- ◆ Men earn more than women and whites earn more than blacks at every educational level in Ohio. All demographic groups see solid wage increases with additional education.
- ◆ Unions have a powerful effect on wages in Ohio, particularly for female and black workers. Workers in a union earn 30.5 percent more (\$15.95) an hour than those not in a union (\$12.22).
- ◆ In 2002, an Ohio worker at the 90th percentile earned \$27.12 an hour, more than 3.9 times what a worker at the tenth percentile earned (\$6.95). The top twenty percent of U.S. households' income was 14.4 times that of the bottom twenty percent in 2001, up from 10.5 times as much in 1979. The top five percent of households' income was more than 25 times that of the bottom twenty percent, up from 15.6 times as much in 1979.
- ◆ More than one in five workers earned less than needed to bring a family of four above the poverty line (\$18,244) with full-time, year-round work in 2002. Poverty rates in Ohio were lower in 2001 than in 1999, but higher than in 1980. More than one in ten Ohio residents were poor in 2001, the most recent data year available
- ◆ Median four-person family income dropped slightly from a high of \$66,234 in 1998 to \$65,298 in 2001 (adjusted 2002 dollars). Four-person family income is generally higher than household income because these families are more likely to have two earners.

The report concludes with suggestions on how to get the economic power back on in Ohio. Recommendations include improving long-term state fiscal policy, stimulating the economy, maintaining government spending, using innovative approaches to shelter families and communities from the recession, and demanding federal fiscal relief.

SECTION I: INTRODUCTION

The United States economy underwent what many described as the longest, strongest expansion in recorded history during the late 1990s. But even during that strong period, not all Ohio workers were sharing in the gains. The number of low-wage and service sector jobs was growing, while the number of higher-wage, manufacturing jobs was shrinking. Families were working more hours than ever before and inequality was rising rapidly.

In March 2001, our country entered a recession. While that recession was declared over by November of that year, many measures of economic health have remained extremely troubled, especially in Ohio and other manufacturing states. Other indicators have not declined as we might have expected. This edition of the *State of Working Ohio* looks at various indicators affecting working people: number of jobs, gross state product, unemployment, underemployment, and wages. We focus in particular on how things changed in the twenty-four months following the start of the recession. We also compare this recession to the recession of 1991, in an attempt to gauge the seriousness of this downturn. To the extent possible, we try to explore what results from the recession and what results from more long-term changes in the economy. We use the best and most recent economic data available. The result, we hope, provides insights into how Ohio workers are navigating the rocky economic waters of the beginning of the new millennium.

This introduction, Section I, includes a methodology box. Section II provides a brief background on the composition of the Ohio workforce in the year 2002. Section III looks at a number of indicators including total payroll employment, gross state product, unemployment and underemployment. These help measure the current recession and compare it to that of 1991. Section IV examines wages and income as of 2002, and includes one chart with preliminary data from the first six months of 2003. Finally, Section V concludes with recommendations on how Ohio can be better prepared for future recessions and can help the economy and its workers recover from this one.

METHODOLOGY AND TERMINOLOGY

This report differs from previous editions of the *State of Working Ohio* in including more information about the recession and less comparative wage data between different groups in Ohio. The data source used is listed immediately below each figure or table. All dollar figures are adjusted for inflation using the Consumer Price Index. In almost all cases, dollars are adjusted to 2002, but in a few clearly marked cases 2001 is the final year of analysis.

The source for employment numbers is the Current Employment Statistics survey, a monthly survey of over 300,000 businesses. For more information, see <http://www.bls.gov/ces/>. Other data sources show more job loss than depicted here, but this source allowed for the best comparisons over time and between states. We use the new North American Industrial Classification System (NAICS) to show job change by sector. The NAICS differs substantially from the old Standard Industrial Classification (SIC) system, which we use to describe wages by industry. NAICS was established to account for changes in the economy resulting from growth in information and service and decline in manufacturing. The change impedes comparison over time and complicates analysis in other ways. For more on SIC and NAICS, see <http://www.bls.gov/bls/naics.htm>.

The source for labor force statistics is Economic Policy Institute analysis of the Current Population Survey (CPS), a monthly survey of over 60,000 households. For more information, see <http://www.bls.gov/cps>. We use medians whenever possible and means or averages when warranted. The median wage is that earned by the worker at a midpoint of a sample, and is a better measure of how the typical person is doing than an average. As the joke goes, when Bill Gates walks into a crowded bar, the average income might quadruple, but the median income will not change drastically. When measuring inequality we often use averages, which better capture differences. We also use averages when sample sizes are too small for accurate medians.

SECTION II: BACKGROUND ON WORKING OHIO

Table 2.1 provides background information on composition of the Ohio and United States workforce. Slightly more than half of the workforce in Ohio and nationally is male and slightly less is female. Ohio differs from the nation in having a greater percentage of its workforce that is white (84.7 percent vs. 72.5 percent) and a smaller percentage that is Hispanic or Asian/Pacific Islander. Blacks make up between 11 and 12 percent of the workforce in both Ohio and the nation.

More of Ohio's workforce has just a high school degree, while more workers nationally have a BA or education beyond college. About 47 percent of Ohio's workforce has a high school education or less. Slightly more than a fourth of Ohio's workers have completed college or graduate school. Table 2.1 also depicts information on age composition of the workforce.

	Ohio	United States
Gender		
Male	52.5%	53.4%
Female	47.5%	46.6%
Race / Ethnicity		
White	84.7%	72.5%
Black	11.5%	11.4%
Hispanic	2.2%	11.3%
Asian / Pacific Islander	1.5%	4.0%
Education		
Less than high school	11.1%	12.8%
High school	36.1%	30.8%
Some college	27.7%	28.5%
Bachelor's degree	16.8%	18.8%
Advanced degree	8.4%	9.1%
Age		
16-19	4.3%	3.6%
20-24	12.3%	12.2%
25-34	21.0%	21.6%
35-44	25.7%	26.0%
45-54	22.6%	22.5%
55-64	11.1%	11.1%
65+	3.1%	3.1%

Source: Economic Policy Institute (EPI) analysis of Current Population Survey (CPS) data

While Table 2.1 above shows composition of Ohio's labor force, Table 2.2 below divides working age adults by gender, race, and education level, and displays the percentage of each

group that is in the labor force and that is actually working. Labor force participation includes those who work or are actively looking for employment. The employment-to-population ratio compares those who are actually working to working-age adults from that group. In 2002, 73.9 percent of men were in the labor force, and 69.4 percent were actually working. Of women, 61 percent were in the labor force and 57.8 percent were employed. Of white workers, 67.1 percent were in the labor force and 63.7 percent were employed. Finally, 65.3 percent of black workers were in the labor force and 58.9 percent were employed. The bottom section of the table breaks down workers by level of educational attainment. As education increases, labor force participation and levels of employment increase as well. While it is not shown here, the employment-to-population ratio has declined since 2000 for every category of workers depicted. This is likely due to unemployed workers who have not found jobs becoming "discouraged" and dropping out of the labor force.

Table 2.2 Working in Ohio, 2002		
	Labor Force Participation 2002	Employment-to-Population Ratio 2002
Men	73.9%	69.4%
Women	61.0%	57.8%
White	67.2%	63.7%
Black	65.3%	58.9%
Less Than High School	44.4%	38.6%
High School	65.4%	61.4%
Some College	73.5%	69.7%
Bachelor's Degree or Higher	80.9%	79.1%

Source: EPI analysis of CPS data

Since 1981, there has been a steady upward trend in percent of the female population that is working in Ohio. However, probably due to the slow economy, the percentage of women who are employed declined slightly from 58.3 percent in 2000 to 57.8 percent in 2002. This can result from voluntary or involuntary decisions by female workers, but it is common for employment-to-population ratios to decline during slow economic periods. Table 2.3 shows this slight drop in female employment in Ohio.

Table 2.3 Employment-to-Population Ratio Ohio Women 1981-2002, Selected Years	
1981	46.0%
1989	53.8%
1998	57.3%
2000	58.3%
2002	57.8%

Source: EPI analysis of CPS data.

SECTION III: THE 2001 RECESSION

Experts considered the country to be in a recession between the months of March and November 2001. The standard definition of a recession is two consecutive quarters of decline in gross national product. But to many people, a recession simply means bad times. While the recession may have been declared over in November 2001,¹ Ohio's economy has remained troubled according to many indicators.

A basic measure of how the economy is doing is number of jobs. Total payroll employment is the number of part-time and full-time payroll jobs at any given time.² When it declines, fewer people have jobs, families have lower incomes, and people have less money to spend on goods and services. When the number of jobs increases, the economy gets a boost. Job loss can fuel further job loss in a downward spiral, because when one person loses a job, she may pull her child out of child care, avoid buying a new car, stop going out to dinner, and make other choices that reduce the need for other workers.

Comparing payroll employment data from the current recession to that for the recession beginning in July 1990 confirms that Ohio's economy is suffering more than it did eleven years ago. In the twenty-four months following March 2001, Ohio had a substantially larger drop in employment than in the early 1990s. Employment declined by 3.3 percent, more than tripling the percentage decline that occurred from July 1990 to July 1992 (see Table 3.1).

In terms of job loss, this recession has been worse for the nation than the one that began in July 1990, but it has been significantly worse for Ohio. Eleven years ago, both Ohio and the United States experienced the same employment decline, losing 0.9 percent of jobs in the twenty-four months after the start of the recession. Ohio's recent job decline of 3.3 percent exceeded that of the U.S., which lost 1.8 percent of its payroll employment.

In addition to exceeding the nation's job loss, Ohio's employment declined more than that of nearly every other state, with only six states losing a higher percentage of jobs. In absolute numbers, the 185,000 jobs that Ohio lost ranked third behind only California and New York, despite the fact that Ohio is the seventh largest state in population. Twenty-four months after the start of the 1990 recession, Ohio ranked twenty-first in percentage of employment lost and eleventh in total number of jobs lost.

¹ According to the National Bureau of Economic Research.

² The Current Employment Statistics (CES) definition of payroll employment is "the total number of persons on establishment payrolls employed full or part time who received pay for any part of the pay period which includes the 12th day of the month." It does not include self-employed people.

		Start of Recession	24 Months Later	Payroll Change	Percentage Change
Ohio	1990 Recession	4,895,700	4,851,200	-44,500	-0.9%
	2001 Recession	5,532,200	5,347,200	-185,000	-3.3%
U.S.	1990 Recession	109,529,000	108,537,000	-992,000	-0.9%
	2001 Recession	131,690,000	129,270,000	-2,420,000	-1.8%

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics (BLS-CES) data.

While overall employment has declined dramatically in this recession, particularly in Ohio, the numbers are softened because of the impact of public sector employment, which doesn't respond as quickly to a recession. Table 3.2 examines only private sector employment in Ohio and the U.S., twenty-four months after the start of the 1990 and 2001 recessions. As the table shows, once public sector jobs are omitted, there has been a full four percent decline in Ohio employment and a 2.7 percent decline in overall U.S. employment. The existence of public sector jobs provides a buffer to the economic downturn as well as providing services for which there is often an enhanced need during recessions. Without these jobs, the downward spiral could have been more severe.

		Start of Recession	24 Months Later	Payroll Change	Percentage Change
Ohio	1990 Recession	4,215,700	4,163,500	-52,200	-1.2%
	2001 Recession	4,724,200	4,535,100	-189,100	-4.0%
U.S.	1990 Recession	91,969,000	90,704,000	-1,265,000	-1.4%
	2001 Recession	110,351,000	107,329,000	-3,022,000	-2.7%

Source: EPI analysis of BLS-CES data.

MANUFACTURING HIT HARDEST, TRADE AND PROFESSIONAL SERVICES ALSO SUFFER

Ohio's economic situation has always been closely tied to its manufacturing industry, and recessions typically take a heavy toll on manufacturing jobs. Much of the job loss since the beginning of the recession can be explained by changes in the manufacturing sector, which was already losing jobs before the recession started. Ohio lost 118,500 manufacturing jobs between March 2001 and March 2003, more than in all other sectors combined. In 2001, of all Ohio employees separated from their jobs due to mass layoffs (establishment closings), 39 percent worked in the steel industry; in 2002, 40 percent of jobs lost due to closures occurred in the manufacturing sector generally.³ Table 3.3 displays job loss by sector in Ohio, using new

³ Ohio Department of Job and Family Services Labor Market Information, Mass Layoff Statistics.

industrial classifications known as the North American Industry Classification System (NAICS). The NAICS is quite different from the previous Standard Industrial Classification (SIC) system, making comparisons over time difficult. The new system was designed to better capture modern employment sectors, although some analysts are quite critical of the change.⁴

Table 3.3
Ohio Employment by Industry 24 Months After the Start of the 2001 Recession

	March 2001	March 2003	Change	
			Number	Percent
Manufacturing	981,400	862,900	-118,500	-12.1%
Trade, Transportation and Utilities	1,091,800	1,037,900	-53,900	-4.9%
Professional and Business Services	628,000	602,800	-25,200	-4.0%
Information	108,000	96,800	-11,200	-10.4%
Construction	221,400	211,100	-10,300	-4.7%
Natural Resources and Mining	12,700	11,800	-900	-7.1%
Financial Activities	304,900	304,500	-400	-0.1%
Leisure and Hospitality	458,500	459,400	900	0.2%
Other Services	225,800	227,100	1,300	0.6%
Public Administration	808,000	812,100	4,100	0.5%
Education and Health Services	691,700	720,800	29,100	4.2%

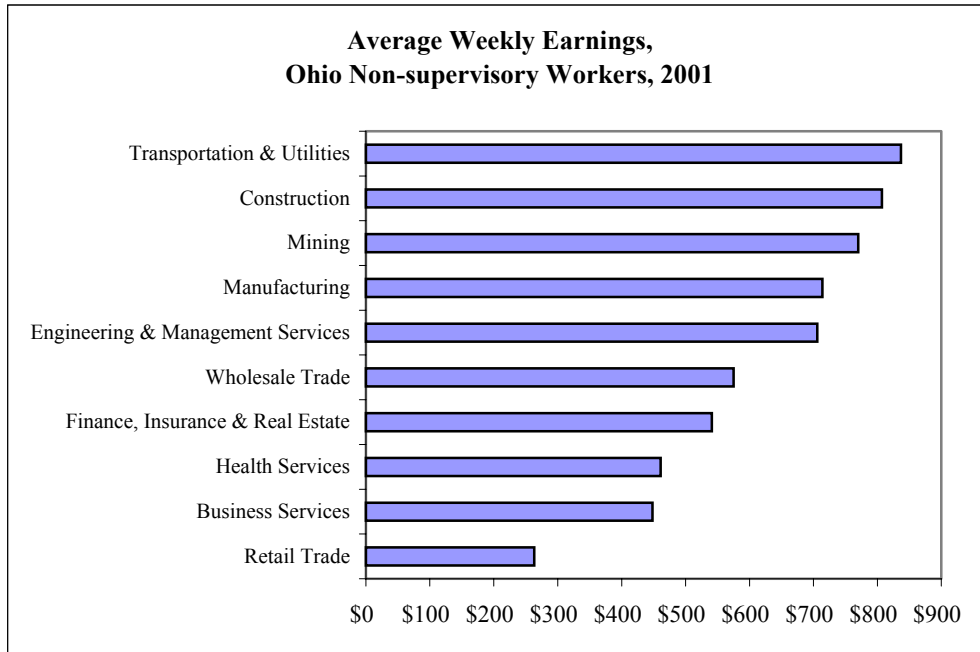
Source: EPI analysis of CPS data.

As Table 3.3 shows, between March 2001 and March 2003 Ohio lost 12.1 percent of its manufacturing jobs, ranking it twenty-third among states. Yet because manufacturing makes up a larger percentage of total jobs in Ohio (only six states had a higher percentage of manufacturing jobs in 2001) and due to its large population, a 12.1 percent loss meant that Ohio lost more manufacturing jobs than all but two states. Only California, with a population nearly three times that of Ohio, and Texas, whose population is nearly double Ohio's had more job decline in this sector. Manufacturing job loss is particularly problematic, because non-supervisory workers in manufacturing are much better compensated than production workers in many other sectors, especially those with large numbers of workers.⁵ Detailed wage data on non-supervisory workers is only available using the old Standard Industrial Classification (SIC) codes, rather than the new NAICS. Although the categories differ, Figure 1 shows the degree to which manufacturing jobs have higher wages.

⁴ Recent developments in information services, new forms of health care provision, expansion of services, and high tech manufacturing are examples of industrial changes that cannot be studied under the SIC system.

⁵ Of the sectors with higher wages in 2001 using the old SIC codes, Transportation and Public Utilities employed 239,000 people, Mining employed 13,000 and Construction employed 246,000 in 2000 in Ohio, while Manufacturing employed 1,080,000 that year, according to the Ohio Bureau of Labor Market Information.

Figure 1



Source: Bureau of Labor Market Information, Ohio Department of Jobs and Family Services

Ohio also lost significant numbers of jobs in two other sectors. Trade, transportation and utilities, consisting largely of the wholesale and retail trade industries, lost 53,900 jobs. Professional and business services, made up of professionals like lawyers, accountants, architects, engineers and advertisers, lost 25,200 jobs. Despite losses in these sectors, more Ohio manufacturing jobs were lost than in all other sectors combined.

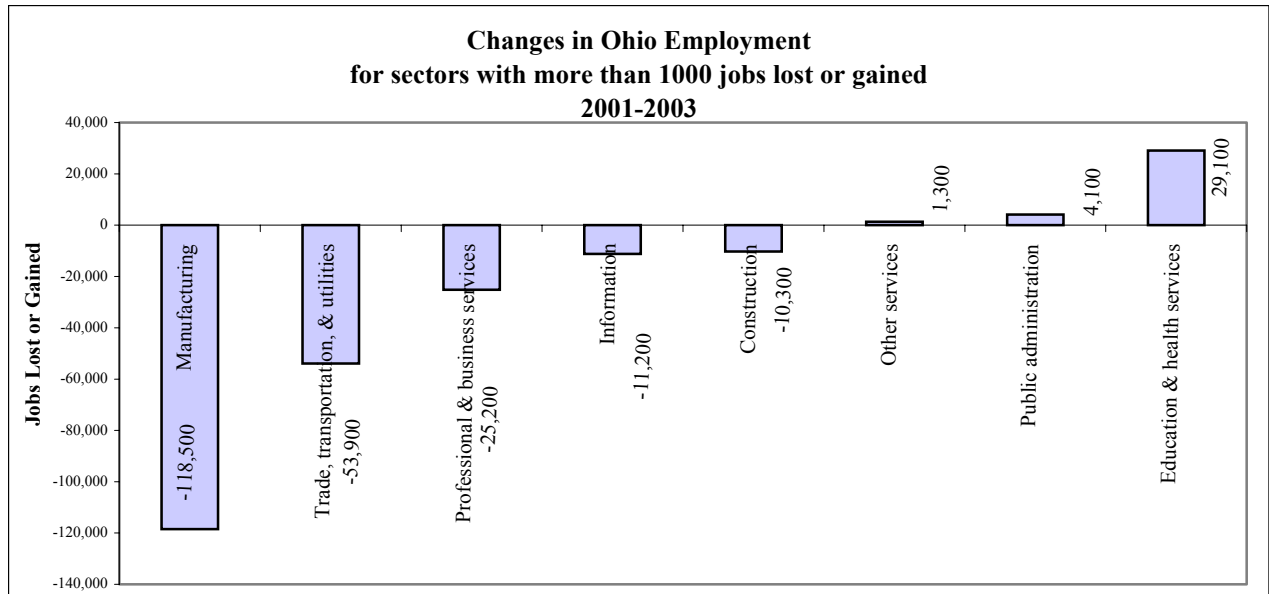
During the twenty-four month period following March 2001, Ohio did not make significant gains in other sectors to compensate for the sizeable gap left in manufacturing. Notably, every single state suffered net losses of manufacturing jobs in the twenty-four months since March 2001, but most states experienced more positive gains in other sectors to help make up for the manufacturing losses. Ohio saw gains in four major sectors—Education and Health Services, Leisure and Hospitality, Other Services, and Public Administration. However, most states saw growth in a greater number of sectors and only eight states saw growth in fewer sectors.⁶ Furthermore, the gains in Leisure and Hospitality and Other Services were slim - totaling just 2,200 jobs. Together, the four growing sectors added just 35,400 jobs, which amounted to just 16 percent of the 220,400 jobs lost among the seven sectors with negative growth.

Figure 2 shows sectors with a change of more than 1000 jobs between 2001 and 2003 in Ohio, using the new NAICS codes. Downward-facing bars depict sectors that experienced job loss while the three small upward facing bars depict sectors that ended the period with a greater number of jobs. As is clear, manufacturing job loss more than doubled the loss in any other sector, and the losses in manufacturing; trade, transportation and utilities; professional and

⁶ Ohio and thirteen other states saw growth in four of the eleven major sectors.

business services and information dwarf the gains in education and health services, the only sector to experience meaningful job growth.

Figure 2



Source: EPI analysis of CPS data.

Nearly all of the jobs Ohio gained were in the Education and Health Services sector, a sector in which thirty-four other states also experienced their highest percentage job growth. In the twenty-four months following March 2001, education and health jobs in Ohio increased by 29,100, a gain of 4.2 percent. Yet thirty-nine states had higher percentage gains in this sector, and Ohio's numerical gain ranked it eleventh, despite being the seventh largest state.

Ohio's neighboring states fared poorly in the months following the 2001 recession as well (see Table 3.4). Like Ohio, Pennsylvania saw job growth in four sectors, while Indiana and Michigan had job growth in only three. Kentucky and West Virginia did the best, experiencing job growth in five and seven of the eleven sectors respectively. Pennsylvania and Michigan each lost a higher percentage of manufacturing jobs, but their total losses were not as high as those in Ohio. Indiana's gain in the education and health services sector ranked below even Ohio, and forty-fourth in the nation.

Table 3.4
**Manufacturing and Health Job Shifts, Ohio and Neighboring States,
 March 2001-March 2003**

	Percent Manufacturing Jobs Lost	Number of Manufacturing Jobs Lost	Percent Education/ Health Jobs Gained	Number of Education/ Health Jobs Gained	Number of Sectors with Job Growth
Indiana	-7.5%	-47,000	3.9%	13,400	3
Kentucky	-9.1%	-27,100	8.1%	17,100	5
Michigan	-12.6%	-106,500	7.0%	35,700	3
Ohio	-12.1%	-118,500	4.2%	29,100	4
Pennsylvania	-13.3%	-111,800	5.3%	50,200	4
West Virginia	-10.4%	-7,600	5.2%	5,300	7

Source: EPI analysis of CPS data.

The shifting employment sectors in Ohio helps explain the continued loss of union membership as a percentage of the workforce, because manufacturing jobs are more likely to be unionized than other positions. As the state lost manufacturing jobs, the percentage of its workforce comprised of union members grew smaller.

With the exception of Louisiana and Alaska, no state had growth in its percentage of union membership over the last decade, and in the last two decades, union membership declined in every single state.⁷ Ohio and its neighboring industrial states, Michigan and Pennsylvania, have seen union membership plummet during the last twenty years, bringing them ever closer to the national average, itself on the decline. As Figure 3 shows, in 1983 more than a quarter (25.1 percent) of Ohio workers and more than one fifth (20.1 percent) of the nation's workers were in unions. The decline has been steady and steep - in less than twenty years the percent of Ohio's workforce that is unionized has plunged more than eight percentage points to 16.7 percent. The nation has seen a similar 6.9 percentage point drop to a paltry 13.2 percent of the workforce. Now a gap of just 3.5 percentage points separates Ohio's union density from that of the nation.

⁷ Data from 1989 on from EPI. Earlier data from Barry T. Hirsch and David A. Macpherson, "Union Membership and Coverage Database from the Current Population Survey: Note," *Industrial and Labor Relations Review*, Vol. 56, No. 2, January 2003, pp. 349-54 (available on the web at www.unionstats.com).

Figure 3



Source: EPI analysis of CPS data; Hirsch and Macpherson.

GROSS STATE PRODUCT

The effect of Ohio's lost manufacturing jobs can also be seen in its gross state product, which measures the market value of goods and services produced in Ohio. Between 2000 and 2001, Ohio's gross state product (GSP) fell 0.9 percent, the first time since 1990-1991 that it failed to grow, while all of the states' gross state products added together grew by 0.4 percent (see Table 3.5). Ohio's recent decline is very similar to the one that occurred during the last recession, between 1990 and 1991, when GSP declined by 1.0 percent, but is not nearly as bad as during the 1981-1982 recession, where the decline was 5.5 percent.

Ohio's decline relative to other states was somewhat worse between 2000 and 2001 than it was at the time of the 1990 recession. Ohio ranked seventh among the states in the percent decline in GSP between 2000 and 2001.⁸ Seventeen states experienced some drop during this period. Of the six states that fared worse than Ohio, two were Michigan and Indiana, reflecting the poor economic conditions of the manufacturing states in the Great Lakes region. This was the only geographic region to face a declining average GSP from 2000 to 2001.

⁸ States doing worse were New Hampshire, Indiana, Michigan, North Carolina, Mississippi, and Alaska.

Table 3.5
**Gross State Product in United States, Ohio, and Neighboring States,
1990-1991 and 2000-2001 (in Millions of Dollars)**

	1990	1991	Percentage Change	2000	2001	Percentage Change
Indiana	135,313	134,943	-0.3%	193,498	189,919	-1.8%
Kentucky	84,699	85,065	0.4%	119,679	120,266	0.5%
Michigan	242,463	236,806	-2.3%	330,125	320,470	-2.9%
Ohio	284,501	281,524	-1.0%	377,263	373,708	-0.9%
Pennsylvania	317,843	319,473	0.5%	407,841	408,373	0.1%
West Virginia	34,485	34,770	0.8%	41,991	42,368	0.9%
United States	7,200,235	7,183,887	-0.2%	10,096,825	10,137,190	0.4%

EPI analysis of Bureau of Economic Analysis (BEA) data.

Because states differ so much in size, per capita numbers can be more meaningful than overall numbers. Table 3.6 looks at per capita GSP for Ohio, neighboring states, and the U.S. Ohio's per capita GSP exceeds that of all neighboring states except Pennsylvania. However, it is lower than the national per capita GSP.⁹ Between 2000 and 2001, Ohio's per capita GSP declined more than that of the nation, West Virginia, Kentucky, or Pennsylvania, but less than that of Indiana and Michigan.

Table 3.6
Per Capita Gross State Product in United States, Ohio, and Neighboring States, 1999-2001

	1999	2000	2001	Percentage Change, 1999-2000	Percentage Change, 2000-2001
Indiana	31,457	31,763	30,998	1.0%	-2.4%
Kentucky	29,403	29,559	29,558	0.5%	0.0%
Michigan	32,713	33,158	32,027	1.4%	-3.4%
Ohio	32,783	33,199	32,811	1.3%	-1.2%
Pennsylvania	32,960	33,195	33,193	0.7%	0.0%
West Virginia	23,507	23,234	23,525	-1.2%	1.3%
United States	35,372	35,776	35,529	1.1%	-0.7%

Source: EPI analysis of BEA data.

UNEMPLOYMENT

Signs of economic problems in Ohio are also evident in recent levels of unemployment. Workers are considered unemployed if they do not work and are actively seeking new jobs. In 2002, Ohio's annual unemployment rate reached 5.7 percent, up from 4.1 percent in 2000, and its highest annual average since 1993 (see Table 3.7).¹⁰ This upward trend has continued, with monthly unemployment reaching 6.3 percent in June 2003 and 6.2 percent in July 2003.¹¹ It should be noted, however, that Ohio's current recorded rates of unemployment are still better than they were in the years following previous recessions. The average annual unemployment rate in 1991, the year after the July 1990 recession began, was 6.4 percent, and had risen to 7.2

⁹ All gross state products added together, divided by the population of all states added together.

¹⁰ Bureau of Labor Statistics (BLS) not-seasonally-adjusted data.

¹¹ BLS seasonally adjusted. The not-seasonally-adjusted data is 6.5 percent.

percent by 1992. In 1982, a year after the July 1981 recession began, average annual unemployment was a now-unthinkable rate of 12.5 percent, although it dropped slightly, to 12.2 percent, in 1983, according to BLS not-seasonally-adjusted data.¹² Many analysts argue that the unemployment rate gathered by the CPS is inaccurate, and other data sources would tend to support that conclusion. For example, new claims for unemployment insurance were 68.8 percent higher in the third week of August 2003 than in the third week of August 1999. Unfortunately, there is not a good alternate measure of unemployment.

Ohio's reported unemployment rate for white workers and male workers was slightly worse than the national average in 2002. Women in Ohio were slightly less likely to be unemployed than women nationally, and were less likely to be unemployed than men in Ohio. However in Ohio and nationally, a smaller percentage of women than men are in the labor force.

Table 3.7
Percentage Unemployment by Gender and Race in Ohio and the United States, 2000 and 2002

			Percentage Point Change
	2000	2002	2000-2002
All Workers			
Ohio	4.1%	5.7%	1.6
U.S.	4.0%	5.8%	1.8
Men			
Ohio	4.0%	6.0%	2.1*
U.S.	3.9%	5.9%	2.0
Women			
Ohio	4.2%	5.4%	1.1
U.S.	4.1%	5.6%	1.5
White			
Ohio	3.7%	5.1%	1.5
U.S.	3.2%	4.8%	1.6
Black			
Ohio	7.5%	9.8%	2.3
U.S.	7.7%	10.3%	2.6

* Some numbers do not add up because of rounding differences.
Source: EPI analysis of CPS data.

¹² The job loss data presented at the beginning of this section describes a more troubled economy than this unemployment data would imply. It seems unlikely that Ohio's payroll employment dropped 3.3 percent while the unemployment rate rose only 1.6 percent. The payroll employment data comes from a survey of establishments (workplaces), which is considered more reliable than unemployment data from the Current Population Survey (CPS), a survey of individuals. Critics have argued that the CPS consistently undercounts unemployed individuals. A front-page *Wall Street Journal* article from June 4, 2001 argued that the CPS may undercount manufacturing employment and distressed Appalachian communities, both of which would make the unemployment rate (as well as other variables) look better than reality. Despite these very real concerns, the CPS is the best and most recent data available on unemployment nationally and statewide.

Unemployment for Ohio's black population continued to be worse than unemployment for whites, increasing to 9.8 percent in 2002 compared to 5.1 percent for white Ohioans. The gap between whites and blacks increased as well. In 2000, the percentage-point difference between unemployment for blacks and whites was 3.8, but in 2002 the difference increased to 4.7 percentage points. Despite this, the overall unemployment rate for black Ohioans was slightly better than that for blacks in the nation as a whole, for whom unemployment rose to 10.3 percent in 2002. Although Ohio's black unemployment rate has worsened, all of Ohio's neighboring states except Kentucky had even higher levels of African American unemployment in 2002.

The situation for black men was worse than that for any other group, including black women. In 2002 the unemployment rate for black men was higher than the rates for black women, white women and white men, rising from 6.4 percent in 2000 to 10.6 percent in 2002 (see Table 3.8).¹³ The sharp rise in unemployment for black men brought black male unemployment significantly above that of black women as well as above that of white men and women. Ohio compared favorably to those neighboring states with measurable unemployment rates for black men. Indiana, Pennsylvania, and Michigan all had higher rates. Yet Ohio and its neighboring states do not make up a region that can be proud of its record of unemployment among black men. Of the thirty-three states with measurable numbers of unemployment for black men in 2002, Michigan ranked first at 14.4 percent, Pennsylvania was sixth at 13.2 percent, and Indiana was ninth at 12.4 percent. Ohio's 10.6 percent put it at number seventeen.

Table 3.8
**Percentage Unemployment by Gender and Race in Ohio,
2000 and 2002**

			Percentage Point Change
	2000	2002	2000-2002
White Men	3.7%	5.5%	1.8
White Women	3.6%	4.8%	1.2
Black Men	6.4%	10.6%	4.2
Black Women	8.5%	9.0%	0.5

Source: EPI analysis of CPS data.

Unemployment jumped for workers at all educational levels in Ohio between 2000 and 2002, but those with less education were struggling more to begin with and had higher percentage-point growth. Workers who lacked high school degrees had a bigger hike in unemployment over the period and were more than twice as likely as those with high school educations to be unemployed in 2002, as Table 3.9 shows. These workers had a 13.1 percent unemployment rate in 2002, compared to a 6.2 percent rate for workers with a high school diploma.

¹³ Bureau of Labor Statistics.

			Percentage Point Change
Education level	2000	2002	2000-2002
Less than HS	10.0%	13.1%	3.1%
HS only	4.5%	6.2%	1.7%
Some college	3.4%	5.2%	1.8%
BA or more	1.5%	2.3%	0.7%

Source: EPI analysis of CPS data.

UNEMPLOYED WITH NO BENEFITS LONG-TERM JOBLESSNESS

The unemployment reciprocity rate compares workers receiving unemployment insurance to the overall number of unemployed workers. To be considered unemployed, working-age adults must be actively seeking employment. Fewer of Ohio's unemployed workers receive unemployment insurance than in the Midwest or the nation. This is in part because Ohio has one of the strictest eligibility standards in the nation to qualify for unemployment.¹⁴ However, in both Ohio and nationally the reciprocity rate climbs during recessions, because there tend to be more newly jobless people who qualify and more mass layoffs, where workers are assisted in their applications. In the year 2002, 40 percent of Ohio's unemployed workers received unemployment insurance, as shown in Table 3.10. Unemployed workers who do not receive benefits may have voluntarily quit, been fired for just cause, been out of work for longer than unemployment benefits last, been in a job that didn't qualify, be entering the labor market for the first time, or may not have filed. The reciprocity rate is the most widely accepted measure of the number of unemployed who get benefits.

	1989	1991	2000	2002
Ohio				
Reciprocity rates	28.7%	37.8%	30.7%	40.0%
Exhaustion rates	22.0%	27.0%	22.0%	35.1%
Midwest¹⁵				
Reciprocity rates	30.9%	36.9%	37.5%	44.3%
Exhaustion rates	27.4%	30.5%	25.6%	36.3%
United States				
Reciprocity rates	32.4%	38.1%	36.2%	42.0%
Exhaustion rates	27.7%	34.5%	31.5%	42.4%

Source: EPI analysis of Bureau of Labor Statistics data.

¹⁴ See *Unemployment Isn't Working: A Proposal to Better Insure Ohio's Workers*, a 2001 Policy Matters Ohio report by Zach Schiller for more on this issue.

¹⁵ Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas.

Table 3.10 above also depicts exhaustion rates – people who remain out of work when their state unemployment benefits run out. These too spike during a recession. Because of the high numbers of people failing to find work before their benefits ran out, activists and analysts succeeded in getting the federal government to extend unemployment benefits on three different occasions in 2002 and 2003, as is common in the wake of a recession. These extended benefits were not as generous as those in the last recession, but they did provide some relief to longer-term unemployed workers. Ohio’s exhaustion rates were lower than the nation’s at all data points examined and lower than most states. In 2002, 35.1 percent of Ohioans and 42.4 percent of Americans exhausted state benefits before finding new jobs. Although Ohio's exhaustion rate is low compared to other parts of the country, the rate is the highest it's been in Ohio since 1983.

UNDEREMPLOYMENT

Some working-age adults without jobs are not considered unemployed. Many are truly not unemployed - students, full-time parents, early retirees, homemakers, or people with an income source other than work. Others in this category are discouraged workers, who have stopped actively looking for a job or think that they are unqualified. Underemployment, which measures the percentage of discouraged workers, involuntary part-time workers and those who face barriers to employment,¹⁶ grew substantially from 2000 to 2002. The percent of adults considered underemployed increased from 6.9 percent to 9.4 percent in Ohio. Underemployment was particularly high for blacks (15.6 percent), those with less than a high school education (20.0 percent) and those with only a high school education (10.6 percent).¹⁷ Table 3.11 depicts underemployment for various demographic groups in Ohio in 2000 and 2002.

Table 3.11 Underemployment by Gender and Race in Ohio, 2000 and 2002			
	2000	2002	Percentage Point Change 2000-2002
All Workers	6.9%	9.4%	2.5
Men	6.6%	9.8%	3.2
Women	7.2%	9.0%	1.8
White	6.3%	8.5%	2.3
Black	12.0%	15.6%	3.6
Education			
Less than high school	16.5%	20.0%	3.5
High school only	7.7%	10.6%	2.9
Some college	5.6%	8.6%	3.0
Bachelor’s degree or more	2.6%	3.9%	1.3

Source: EPI analysis of CPS data.

¹⁶ This BLS concept includes the unemployed, discouraged workers (people who looked for work at some point over the past year, but have given up due to lack of prospects), involuntary part-timers (part-time workers who would prefer full-time work), and a smaller group of people who want to work but face a barrier such as lack of transportation or child care. The numbers in Table 3.11 are annual averages

¹⁷ One variable that underemployment does not consider is incarcerated working age adults. Because of this country's high incarceration rate, percentages of idled workers would be much higher if this group were included. For black men, who make up a disproportionate share of this country's prisoners, the difference would be quite large. In the year 2000, 5.7 percent of black men over eighteen in Ohio were in prison, according to calculations using numbers from the U.S. Census.

SECTION IV. WAGES AND POVERTY

Section III examined numbers of jobs lost, percentage of unemployment and underemployment, and changes in gross state product. This section examines how those who have remained employed are faring during this recession. This recession has so far had a bigger effect on number of jobs and unemployment rates than on wages. The good news about the economic downturn is that it has not resulted in dramatic wage decline, and for some workers, wages have continued to rise modestly. Table 4.1 examines low-wage workers (those earning more than twenty percent of all workers), median-wage workers (those at the midpoint of all worker earnings) and high-wage workers (those earning more than eighty percent of workers). Workers at the 20th and 80th percentiles saw modest inflation-adjusted wage growth between 1979 and 2002, and between 2000 and 2002. Workers at the median, or midpoint, had stagnant wages between 1979 and 2002, and between 2000 and 2002. Twentieth percentile workers earned \$8.43 an hour by the end of this period, median workers earned \$13.01 and eightieth percentile workers earned \$21.39.

	Wages				Annual Average Percentage Change
	1979	1989	2000	2002	1979-2002
20 th Percentile	\$8.02	\$7.26	\$8.28	\$8.43	0.2%
Median	\$13.14	\$12.15	\$13.16	\$13.01	0.0%
80 th Percentile	\$19.27	\$19.25	\$21.08	\$21.39	0.5%

Source: EPI analysis of CPS data.

WAGES: THE RECENT TREND

As this publication went to print, we were able to determine preliminary results from the first six months of 2003. These results showed a wage decline for the twentieth-percentile, median and eightieth-percentile worker in Ohio and the Midwest, and a decline in median wages for the nation. Because there were only six months of data, the sample size for this group was cut in half. Consequently, this wage decline was not statistically significant.¹⁸ Median wage numbers in Table 4.2 differ from those in 4.1 because they are adjusted for inflation to the first half of the year 2003, instead of for 2002, and because they include only half a year of wages for each of the years described. Because the declines are not statistically significant, they should be used with

¹⁸ A change is considered statistically significant if there is less than a one in five possibility that it could have occurred by chance. When we take a mid-sized sample of a large population and find a certain median wage, there is a 'standard deviation' surrounding that wage, meaning that the actual median for the whole group could deviate by some amount around the median found. So with a small sample for which the median wage is \$13.17, it may be that for the whole population, the actual median is anywhere from \$13.05 to \$13.29. The larger the sample, the smaller the standard deviation, so for a larger sample with the same \$13.17 median, we may be certain that the median for the whole population is between \$13.14 and \$13.20. The larger the sample size, the more certain we are that a result is precise. In this case, the sample size was too small to say for certain that the change between the first six months of 2002 and the first six months of 2003 would actually hold for the entire population.

caution, but because the median wage showed a decline at the state, regional and national level and indicated a reversal of previous trends, we wanted to include them.

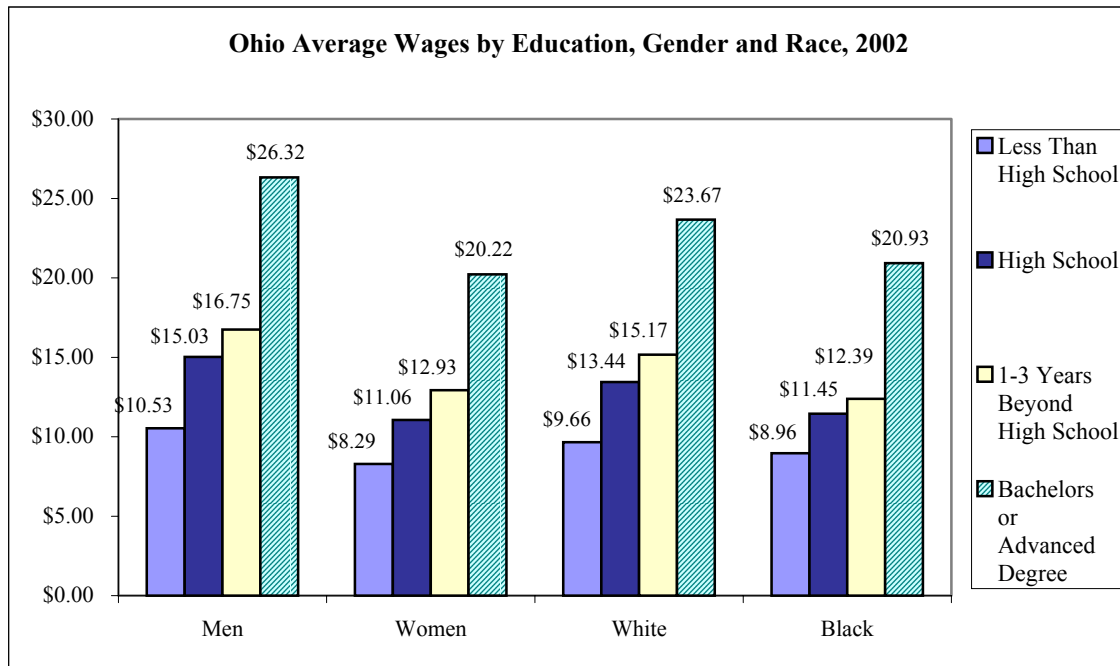
	Jan.-Jun. 2000	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2003
Ohio Median Wage	\$13.48	\$13.20	\$13.33	\$13.17
U.S. Median Wage	\$13.02	\$13.23	\$13.47	\$13.46

Source: Economic Policy Institute analysis of CPS data.

EDUCATION AND WAGES

Average wages differ dramatically by education level in Ohio and elsewhere. Figure 3 shows the mean or average wage of male, female, white, and black workers in Ohio in 2002. Unlike much of this report, this section looks at averages instead of medians, because a smaller sample size is required to calculate an accurate average than to calculate an accurate median. For every demographic group, increased education led to increased wages in Ohio. Men without a high school diploma earned \$10.53 an hour on average in 2002, while men with a BA or more earned \$26.32, nearly 2.5 times as much. Women without a high school degree earned just \$8.29 in 2002, while women with a BA or more earned \$20.22. For white workers, the range was from \$9.66 for those without a high school degree to \$23.67 for those with a BA or more. And for black workers, the range was from \$8.96 for those who didn't finish high school to \$20.93 for those with a Bachelors or advanced degree. As Figure 4 shows, men earn more than women and whites earn more than blacks at every educational level. In fact, men with just a high school degree earn more than women with one to three years of education beyond high school, and whites with just a high school degree earn more than blacks with one to three years beyond high school. Nonetheless, all demographic groups can expect wage increases if they obtain additional education.

Figure 4



Source: EPI analysis of CPS data.

UNION PREMIUM

Unions continue to have a powerful effect on wages in Ohio, particularly for female and black workers. As Table 4.3 shows, workers earn 30.5 percent more when they are in a union (\$15.95) than when they are not in a union (\$12.22). The difference between unionized and non-unionized women (29.7 percent) is greater than that for men (17.6 percent). Furthermore, the gap in wages between women and men (29.1 percent) differs less when unions enter the picture (17.6 percent). Women in a union earn the same median hourly wage as men who are not in a union.

When breaking down median wages by race and unions, we also find that workers experience a significant increase in hourly wages regardless of race. White workers in this sample saw a 29.7 percent wage jump when they joined a union, while black workers saw a similar 27.4 percent jump. Black workers who were in a union earned more (\$13.24) than white workers who were not in a union (\$12.65), and substantially more than non-unionized black workers (\$10.39).

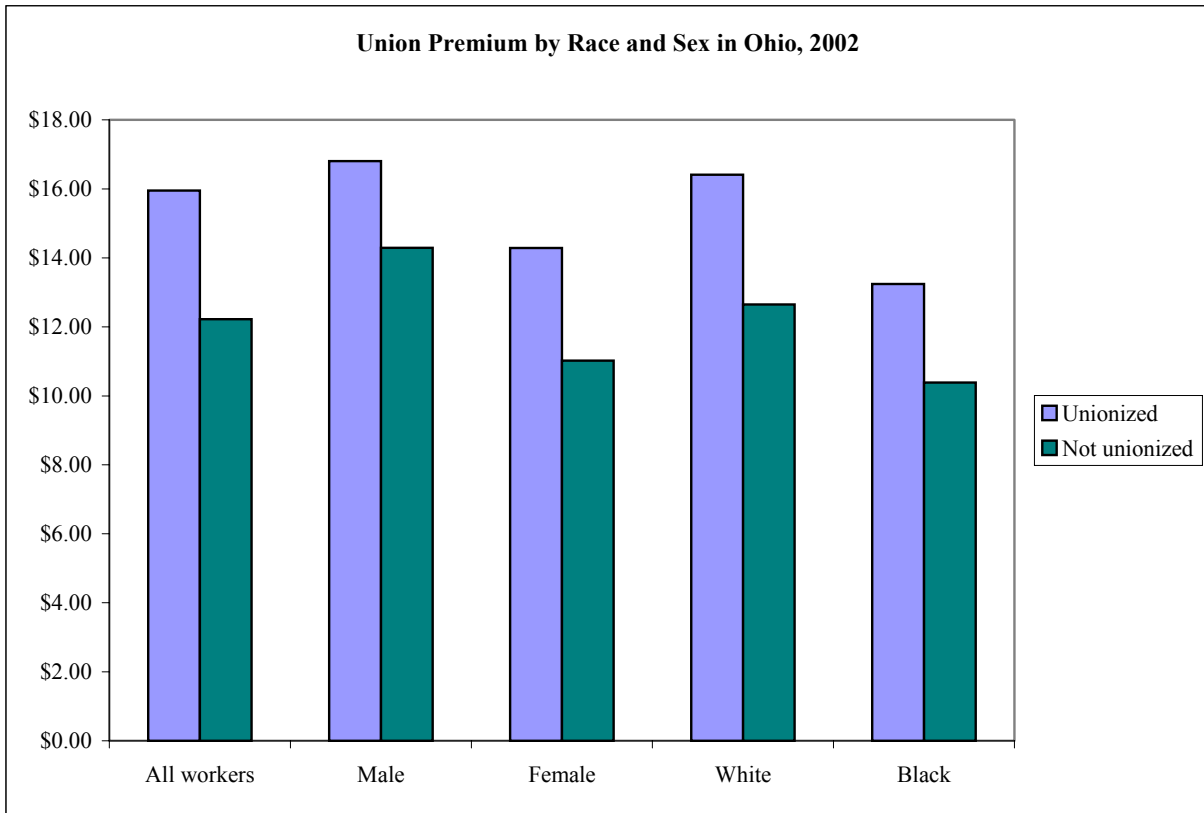
Table 4.3
Median Wages by Union Representation in Ohio, 2002

	All workers	In a union	Not in a union	Percent difference
All workers	\$13.01	\$15.95	\$12.22	30.5%
By gender				
Male	\$14.98	\$16.81	\$14.29	17.6%
Female	\$11.60	\$14.29	\$11.02	29.7%
Percent difference	29.1%	17.6%	29.7%	
By race				
White	\$13.33	\$16.41	\$12.65	29.7%
Black	\$11.01	\$13.24	\$10.39	27.4%
Percent difference	21.1%	23.9%	21.8%	

Source: Economic Policy Institute analysis of CPS data.

Figure 5 shows graphically that, whether considering all workers, just men, just women, just black workers, or just white workers, unions convey a significant wage increase. It should be noted that this analysis combines all jobs and all education levels. Naturally, if we were able to divide the data differently, we might find some different outcomes. Non-unionized female doctors, for example, would certainly earn more than unionized female manufacturing employees. However, when taken as a whole, we can see that unions still have an upward effect on wages in Ohio.

Figure 5



Source: EPI analysis of CPS data.

INEQUALITY

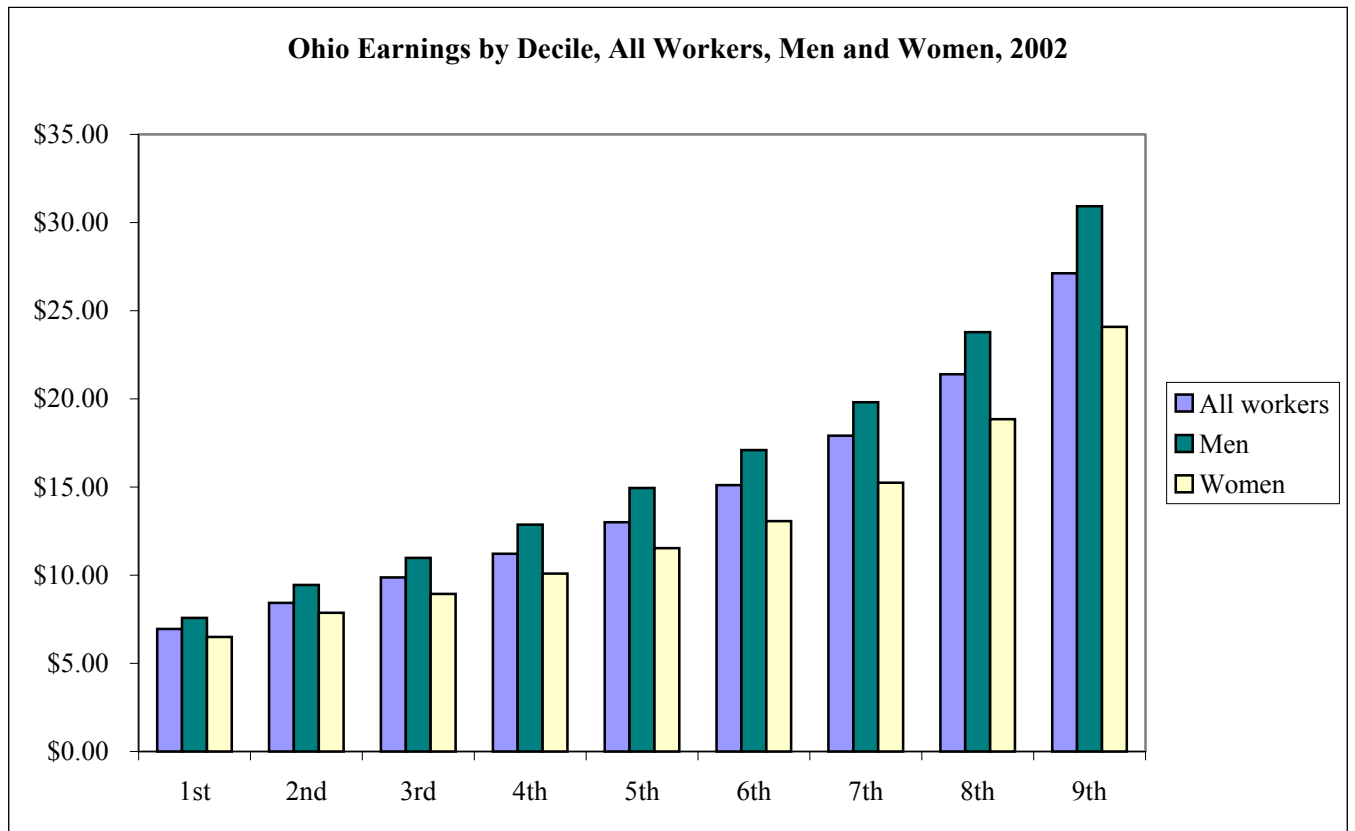
Individual wage inequality is not growing as it was in the late 1990s, but it remains high for both men and women in Ohio. Table 4.4 divides the workforce into ten equal parts or deciles. The wage at the first decile is the wage of that worker who earns more than ten percent of all other workers. The second-decile wage is that of the worker earning more than twenty percent of workers. This continues until the ninth decile, which is the wage of that worker who earns more than 90 percent of other workers. The fifth decile is the same as the median. In 2002, a woman at the 90th percentile earned \$24.08, more than 3.7 times what women at the tenth percentile earned (\$6.50). Men at the 90th percentile earned \$30.92, about 4.1 times what men at the tenth percentile earned (\$7.58). Table 4.4 displays hourly wages for all workers, men and women, by decile.

Decile	All	Men	Women
1	\$6.95	\$7.58	\$6.50
2	\$8.43	\$9.45	\$7.87
3	\$9.88	\$10.98	\$8.94
4	\$11.22	\$12.87	\$10.09
5	\$13.01	\$14.95	\$11.54
6	\$15.11	\$17.10	\$13.07
7	\$17.92	\$19.81	\$15.25
8	\$21.39	\$23.78	\$18.84
9	\$27.12	\$30.92	\$24.08

Source: Economic Policy Institute analysis of CPS data.

Figure 6 illustrates graphically the information from Table 4.4. As is obvious at a glance, men earn more than women at every decile. As is also clear, bars for both men and women at the top of the earnings spectrum are three to four times as tall as bars for earners toward the bottom.

Figure 6



Source: EPI analysis of CPS data.

These figures substantially underestimate societal inequality in several ways. First, while the 90th percentile and the 10th percentile differ quite a bit, there are also extreme differences within the

top ten percent, with the wage of the 99th percentile earner dramatically exceeding that of the 95th percentile earner. Secondly, because these figures measure only wage inequality, they do not consider non-wage income, such as capital gains, which tends to be much more unequal than wage income, and to go primarily toward the wealthiest. Third, these figures do not consider benefits, such as health insurance and pension payments, which are unequally distributed and go primarily toward those with higher wages. Finally, because this measures individual hourly wages, as opposed to family income, it does not account for the fact that people tend to marry others of similar race, education, and family background. High-earning women often have high-earning husbands, and low-earning women and men are more likely to be married to each other and also more likely to be unmarried with children. However, because this information was available for the state of Ohio, we wanted to include it.

To provide more insight on inequality generally, table 4.5 divides U.S. households into five equal parts or quintiles and also separates out the top earning five percent of households. The table shows average income for each category. Because work hours have increased since 1979, households were earning more at every fifth in 2001 than they had earned in 1979. However, for each quintile except the top, mean household income declined slightly between 1999 and 2001. Mean household income grew over these two years for both the top quintile and the top five percent of U.S. households. When comparing the top quintile or the top five percent to the bottom quintile, inequality increased in the U.S. over the last 22 years and over the last two years. The top twenty percent earned 14.4 times what the bottom twenty percent earned in 2001, up from 10.5 times as much in 1979. The top five percent of households earned more than 25 times what the bottom twenty percent earned, up from 15.6 times as much in 1979.

Year	Lowest Fifth	Lower-Middle Fifth	Middle Fifth	Upper-Middle Fifth	Highest Fifth	Top 5 Percent	Income Ratio	
							Top 20% / lowest 20%	Top 5% / lowest 20%
1979	\$9,295	\$22,642	\$37,269	\$54,662	\$97,133	\$145,048	10.5	15.6
1989	\$9,679	\$23,989	\$39,876	\$60,318	\$117,911	\$190,503	12.2	19.7
1999	\$10,558	\$25,956	\$43,422	\$67,509	\$143,825	\$250,037	13.6	23.7
2001	\$10,136	\$25,468	\$42,629	\$66,839	\$145,970	\$260,464	14.4	25.7

Source: Historic Income Tables, U.S. Census

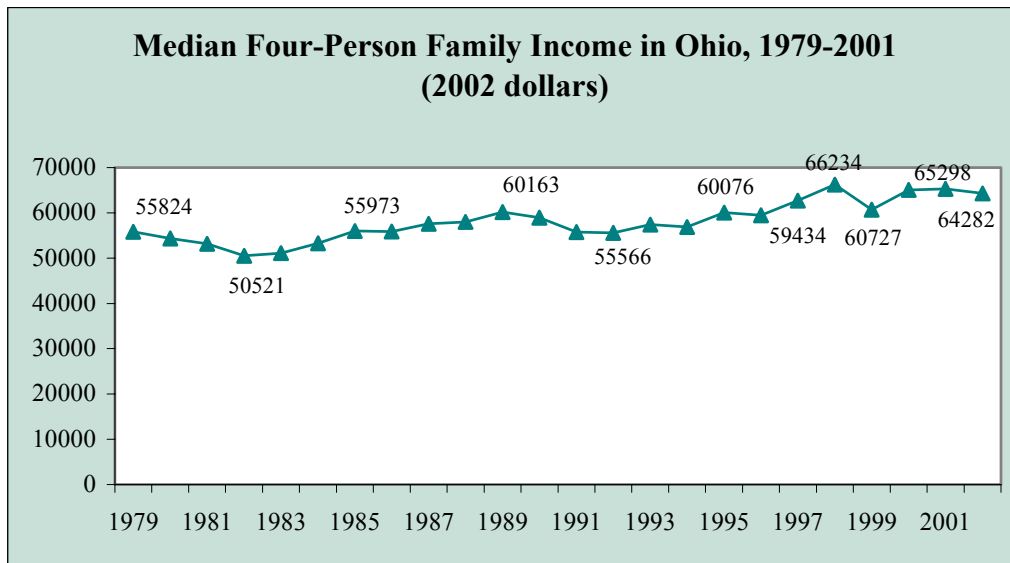
INCOME

Four-person family income in Ohio has risen since 1979 when adjusted for inflation, primarily because families have been working more hours during that period.¹⁹ Figure 7 is a line graph of four-person family income for every year between 1979 and 2001. These families were earning \$55,824 in 1979. After dipping somewhat to a low of \$50,521 in 1982, four-person family income climbed slowly through the 1980s to a high of \$60,163, as families increased their work hours. Income dropped again after the 1990-91 recession to a low of \$55,566 in 1992. The figure

¹⁹ Married couple families, which correlates fairly closely to four-person families, increased their hours of work by 579 hours a year or 18.3 percent between the three year periods ending in 1981 and 2000.

climbed again throughout the expansion in the mid- to late-1990s, to a high of \$66,234. Since then, four-person family income dropped to \$65,035 in 2000 and remained stagnant at \$65,298 in 2001. Four-person family income is a good variable to examine during a recession, because it should capture some of the effects of job loss in a way that wages alone do not. However, this variable can give an inflated sense of well-being, because it almost always involves two-parent families with children, who tend to be the highest-earning types of households, often with two earners. That explains why these numbers are higher than those in Table 4.5 above, which includes smaller households.

Figure 7



Source: U.S. Census Historical Income data, adjusted with BLS inflation calculator

POVERTY

The percentage of Ohio workers earning poverty wages continued to decline, even during this difficult economy, as Table 4.6 shows. In 2002, fewer workers earned a poverty wage than at any of our previous data points: 1979, 1989, or 2000. However, the decline between 2000 and 2002 was not statistically significant. More than one in five workers earned less than was needed to bring a family of four out of poverty in 2002 with full-time, year-round work (40 hours a week for 52 weeks a year). The 2002 poverty threshold for a family this size, according to the U.S. Census Bureau, was \$18,244.

Table 4.6
Ohio Workers Earning Poverty Wages**
(less than \$8.77/hour,
inflation-adjusted 2002 dollars),
1979, 1989, 2000 and 2002

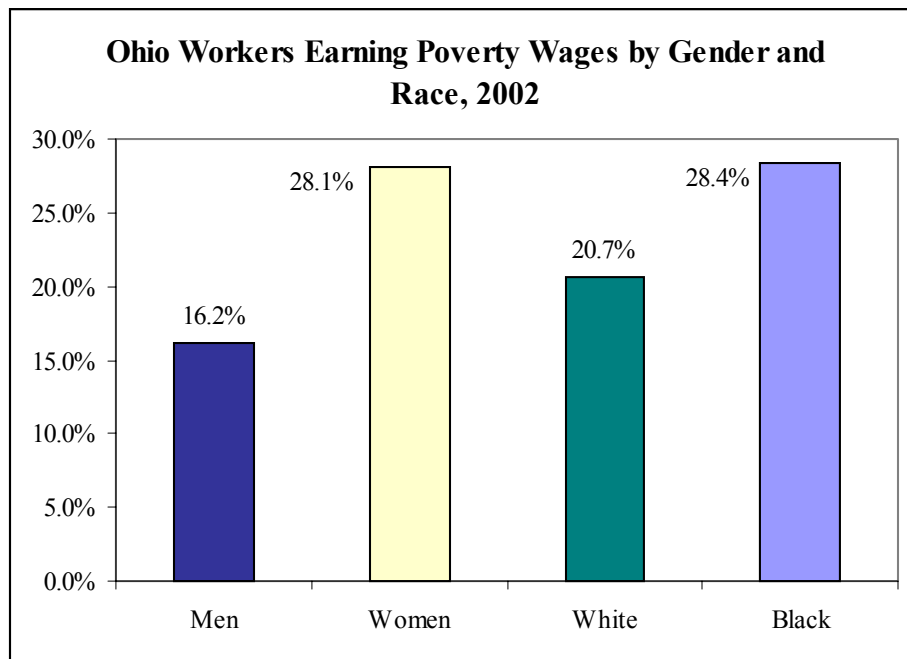
1979	24.3%
1989	30.3%
2000	23.2%
2002	22.0%

Source: Economic Policy Institute analysis of CPS data.

** Wage required to bring a family of four above official 2002 poverty level (\$18,244) with full-time year round work.

While it is encouraging to see that the percent of poverty-wage workers continued to decline, some groups remain much more likely to be in poverty-wage jobs. As Figure 8 shows, more than 28 percent of both female and black workers are in these substandard jobs. Given the new emphasis on work as a route out of poverty for single mothers, it is important to note that more than one in four single mothers in four-person families could not escape poverty through work alone.

Figure 8



Source: EPI analysis of CPS data

Poverty wages depicted above measure the number of people in jobs that don't bring a family out of poverty. Poverty rates measure the actual number of people living in poverty. The measures differ because families may be larger or smaller, or have more than one worker. Poverty rates in Ohio were lower in 2001 than they had been in 1999, but higher than they had been in 1980. More than one in ten Ohio residents were poor in 2001, the most recent data year available. As

Table 4.7 shows, Ohio's 2001 poverty rate exceeded that of Indiana, Michigan, and Pennsylvania, but was lower than that in Kentucky, West Virginia, and the U.S.

Table 4.7 Poverty Rates by Percentage for Ohio and Neighboring States, 1980, 1989, 1999 and 2001					
					Percentage Point Change
	1980	1989	1999	2001	1980-2001
United States	13.0%	12.8%	11.8%	11.7%	-1.3
Indiana	11.8%	13.7%	6.7%	8.5%	-3.3
Kentucky	19.3%	16.1%	12.1%	12.6%	-6.7
Michigan	12.9%	13.2%	9.7%	9.4%	-3.5
Ohio	9.8%	10.6%	12.0%	10.5%	0.7
Pennsylvania	9.8%	10.4%	9.4%	9.6%	-0.2
West Virginia	15.2%	15.7%	15.7%	16.4%	1.2

Source: Census Bureau, Historical Poverty Tables by State, Table 21.

CONCLUSION AND RECOMMENDATIONS

This report shows that in the twenty-four months following the start of the 2001 recession, Ohio lost 3.3 percent of its overall employment and 12 percent of its manufacturing jobs. Unemployment has risen, and while wages had not fallen by the end of 2002, family income had. Ohio's job loss is worse than the nation's and worse than that following the 1990-91 recession. How can Ohio speed recovery and avoid such lingering lethargy in the future?

Just as northern Ohio residents could be better equipped for future blackouts, the state must be more prepared for future economic power outages. In the heady 1990s, we cut taxes, slashed unemployment fees paid by employers, and failed to build a sufficient rainy day fund or invest enough in educational equity, higher education and worker training. When the recession hit and jobs began hemorrhaging while needs climbed, we were caught with few savings and big expenses. This is a case study in how not to prepare for a downturn.

Since 2001, we've taken many steps that can deepen a recession. We cut some spending, which makes the economy contract. We raised regressive taxes and while tax revenue was sorely needed, progressive taxation does less economic damage. We laid off state workers, leaving people without jobs and with less money to spend in their communities. Ohio needs to light the candles that will get us through this power outage and invest in batteries, flashlights and other essentials to get us through the next one. Here are five ways to start:

1. **Improve Long-Term State Fiscal Policy** - Ohio should restore its shrinking corporate franchise tax, increase the rate paid on the top income tax bracket, and, as Governor Taft proposed, extend the sales tax to cover services. These funds should be used to fund important programs and, as the economy recovers, build a deep rainy day fund, giving the state resources for economic stimulus when the economy gets sluggish. We should not use increased revenues in good times as an excuse to slash taxes. Revenue sources that spike during booms should be tapped, but not in a way that leaves us stranded when they disappear. So starting now, and when the recovery really happens, we need to change long-term fiscal policies.
2. **Stimulate the Economy When it Gets Sluggish** - A recession and its wake is a great time to invest in capital spending projects, for which the state is permitted to borrow money. Interest rates are low, borrowing is cheap, and construction projects can get people working and provide consumers with cash to be re-spent in their communities. Ohio is doing some of this already with its school facilities renovations. But a recession is a good time to expand brownfield remediation, construct energy-efficient housing, and ensure that sufficient private investment is being made in the electrical power grid.
3. **Maintain Government Spending** - Ohio, like states around the nation, sliced parts of its budget when state tax revenues began dropping. But cutting spending has a "pro-cyclical effect" - it depresses the economy right when it needs stimulus and can make the recession worse. Cutting public spending means laying off workers and shrinking services that may be needed more than ever in the downturn. Of course, if a state has raided its rainy day fund during good times, then it has to either raise taxes or cut spending when the economy loses

speed. Neither is desirable at those times, but cutting government spending curtails the economy much more than a progressive tax increase.

4. Expand Supports for Those in Need - Lost jobs, lowered incomes, unpayable mortgages, and too many debts all become more common in a recession and its wake. Providing supports for those hit by these hardships helps families weather the hard times and keeps money flowing to stimulate local economies. There are proven examples and new innovations to help people survive slumps. Here are four Ohio should embrace:
 - a. Expand Unemployment Insurance. UI is often referred to as the "first line of defense" in a recession, both for providing income support to laid off workers who need assistance, and for boosting and stabilizing the economy. A recent study commissioned by the U.S. Department of Labor concluded that in the last five recessions, without UI, 15 percent more GDP and 131,000 more jobs would have been lost, nationally. The study also found that \$1.00 in UI boosts GDP by \$2.15.²⁰
 - b. Ensure that Ohioans are Claiming Existing Federal Assistance. With little cost to the state, we could make certain that the Earned Income Tax Credit is filed for, food stamps are claimed, Medicaid is utilized, and other federal sources are fully tapped to bring needed money to Ohio families and communities.
 - c. Innovate to Prevent Recession-related Catastrophes. Foreclosure prevention funds in Pennsylvania allow the government to lend a strapped borrower money for six months to maintain mortgage payments.²¹ Massachusetts has subsidized COBRA payments to maintain health insurance for laid-off workers. Such innovations can avert family disasters and keep communities solvent.
 - d. Invest in Human Capital. A recession is a good time to return to school or training. Students can ride out the time when jobs are scarce and be better prepared for future openings. College enrollment has increased in Ohio, but higher education funding has not kept pace. The state system for training displaced worker is lacking. Investing in education and training for Ohio workers will put the state in position to recover from the downturn.
5. Demand Federal Fiscal Relief - During a recession, the U.S. government should provide federal fiscal relief to the states. While national policy should have been focused on assisting those who had lost their jobs or seen incomes drop, it was instead centered on tax cuts for the wealthy. Such breaks do little to stimulate the economy and nothing to relieve need. Now is a time when federal resources should be used to get the power back on around the nation.

²⁰ "Unemployment Insurance as an Economic Stabilizer: Evidence of Effectiveness Over Three Decades", by Lawrence Chimerine et al.

²¹ For more on PA's program, see www.phfa.org/programs/HEMAP. For more on the federal Home Emergency Loan Program (HELP), instituted in the 1991 recession, see www.financialpolicy.org. For more on MA's medical security act, look under publications at www.detma.org.

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