A Report from the

World Class Region Initiative

The State of Working Ohio

A project of the Northeast Ohio Research Consortium

The State of Working Ohio

Mark Cassell
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The Northeast Ohio Research Consortium provides research and analysis and facilitates regional networking among institutions and organizations. The Consortium's World Class Region Initiative explores the critical path to global economic competitiveness. For more information, contact: Kevin O'Brien, Coordinator, Northeast Ohio Research Consortium, 1737 Euclid Avenue, Cleveland, Ohio 44115. phone: (216) 687-2134. fax: (216) 687-9291.

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Executive Summary

Conventional wisdom says that the economy is booming. And it is true that inflation and unemployment are low and the stock market and corporate profits are high. However, 80 percent of Ohio's workers and 70 percent of the nation's make less money in real dollars[1] per hour than comparable workers did twenty years ago. The poor have gotten poorer, but so has the middle class, and both lie further than ever from the wealthy. In this state, as in the rest of the country, men in general, black men in particular, high school dropouts, and those earning less than the median have seen especially dramatic wage erosion. Vast inequalities remain, with women lagging behind men (despite male wage decline), minorities lagging behind whites, and those with education beyond high school lagging behind those with post-collegiate education. This quantitative assessment of wages and employment since 1979 is designed to deepen our understanding of how recent economic changes are affecting Ohio's workers. All values are inflation-adjusted and expressed in 1997 dollars. For further methodology information, see Appendix A.

- **Number of Jobs Grows; Unemployment falls:** Ohio added 1,273,000 jobs between 1973 and 1997, for a total of 5,386,000 nonfarm jobs by the end of the period. This increase in employment has triggered an encouraging decline in Ohio's unemployment that mirrors the national decline. As of early 1999, Ohio's 4.6 percent unemployment rate was slightly lower than the national 4.9 percent.

- **Median Wage Drops:** Unfortunately, lower unemployment has not translated into increases in real income for most workers. In fact, real wages have dropped for the typical worker in Ohio from $12.47 per hour in 1979 to $10.94 in 1997, a 12 percent fall. While the drop was steeper during the 1980s, the median wage has continued to erode during the 1990s, despite other elements of a strong economy.

- **Gender Gap Persists:** Women still earn considerably less than men in Ohio and in the nation. The gender gap has narrowed over the last twenty years, but the narrowing in this state is primarily due to a drop in men's wages, rather than an increase in women's. Women's median wages, in real terms, have continued to hover just above $9.00 an hour since 1979. Men's median wages, which were more than $15.00 an hour in 1979, have since fallen to just $12.69, a significant drop, but still 37 percent above what women earn.

- **Black Male Wages Drop; Race Gap Widens:** Minority workers in Ohio, as in the rest of the country, also get by on a substantially lower wage. Ohio's black male workers have been hardest hit by wage erosion, with a 28 percent plunge in their real median hourly wage, from $13.88 to $10.00. Because of this dramatic decline, a race gap continues to exist and indeed to widen in Ohio, despite drops in white male wages. Further, while white women have seen a very slight increase in their median wages, black women's real wages have declined since 1979.

- **Education Gap Widens, But Even College-educated Lose Ground in 1990s:** While there has always been a significant economic penalty for not completing school, the penalty has grown stiffer in the 80s and 90s. Workers without high school diplomas – a full 24.3 percent of Ohio's over-25 population in 1990 – have seen their real median wages plunge from $11.17 an hour in 1979 to a dismal $6.75 in 1997, a 40 percent total drop. Though dropouts struggled most, workers in almost every educational category lost earning power between 1979 and 1997. Only those with graduate degrees substantially increased their inflation-adjusted earnings – by 12 percent between 1979 and 1997.

- **Unions: Higher Wages and More Equality:** Unionized workers – those covered by collective bargaining agreements — have higher wages, more equal wages overall, and less variation in wages between men and women,

between blacks and whites, and between less- and more-educated workers. Across the board, workers benefit from being covered by collective bargaining agreements. Amid a flurry of statistics in which poverty-wage jobs and wage inequality are growing and race and gender disparities remain entrenched, the potential gains from unionization provide possibilities for reversal of these trends.

¨ **Distribution: Unequal and Growing More So:** Wage inequality has grown in Ohio over the last two decades. Although real wages have eroded for workers across almost the entire income spectrum, those who were already earning less have had steeper declines. The very lowest earning ten percent of workers had the largest drop in median wages, 17 percent, from $6.47 to $5.36. This was followed by the next four deciles (the 20th through 50th percentiles), all of which dropped between 12 percent and 14 percent. Only the top two deciles kept pace over the eighteen-year period, with the 8th decile (80th percentile) of workers seeing only a 2 percent drop in wages, and the 9th decile (90th percentile) seeing a one percent gain, from $21.85 to $22.01 per hour.

¨ **Rich Splitting Off from Shrinking Middle-Class:** In 1979, an earner at the 90th percentile earned 1.75 times as much as someone at the 50th percentile. By 1997, that gap had widened considerably, with the 90th percentile worker earning a salary that was nearly double what the median worker was paid. Further, despite a painful 12 percent drop in real earnings at the median, differences between the poor and the middle widened as well, with the ratio between median and "low-wage" (10th percentile)[2] workers' earnings growing from 1.92 to 2.04 between 1979 and 1997. The middle dropped, the poor dropped further, and many of those who had been closer to the middle sunk to poverty-level wages.

¨ **More Poor and Poorer Poor:** Increasingly, in Ohio and in the rest of the country, full-time work can not bring a family out of poverty.[3] The number of Ohio workers earning sub-poverty wages grew dramatically between 1979 and 1989, and has edged only slightly downward during the nineties. Furthermore, the gap between the wage of those in poverty and the poverty line is growing. That is, not only are more workers earning less than the $7.90 needed to pull a family out of poverty, but these workers are earning less in real dollars than sub-poverty workers did in the past. In 1979, the 21.4 percent of workers in poverty would have needed an average pay increase of $1.60 to reach poverty-level wages. Now the 28.4 percent of workers under the poverty line would need a larger increase, of $2.01, to reach this subsistence wage.

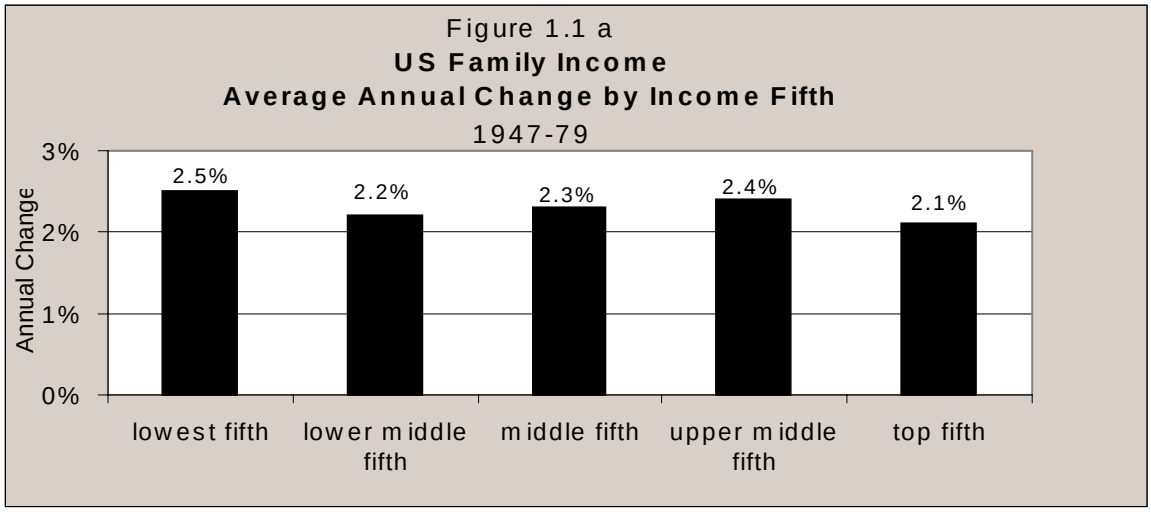
* * * * *

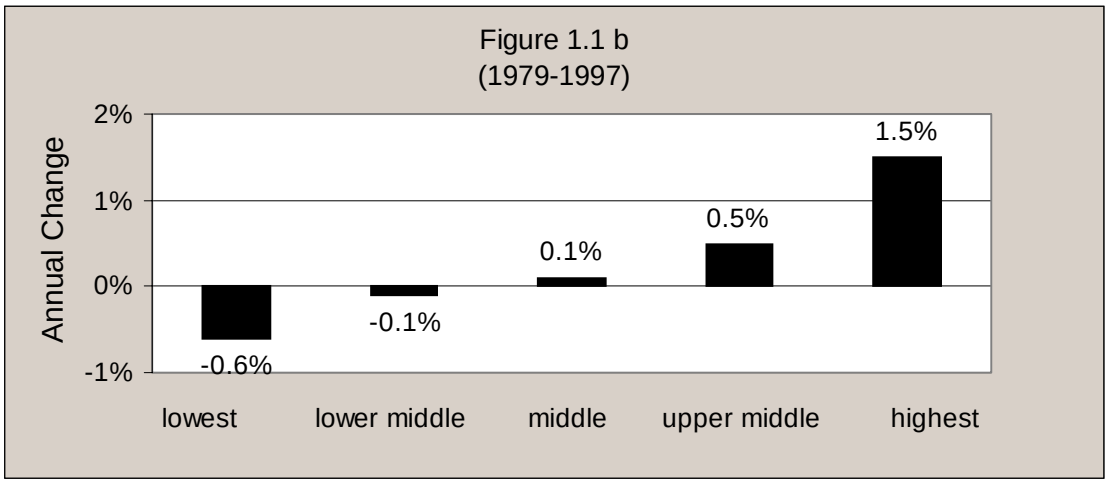
Ohio is not alone in the trends described here. For a comprehensive analysis of these issues on a national level, see the Economic Policy Institute's (EPI) *State of Working America 1998-99* by Lawrence Mishel, Jared Bernstein, and John Schmitt, available from Cornell University Press or visit EPI's web site at <www.epinet.org.>

1. Introduction

Ohio and the rest of the United States are currently experiencing one of the longest periods of economic expansion since the Second World War. Unemployment rates in Ohio and nationwide are below five percent. Over a million jobs have been added to the state since 1973. Inflation remains below two percent throughout the country. Corporate profits are at an all-time high and the Dow Jones recently topped the 11,000 mark. These macro-indicators suggest that all news is good news when it comes to the state and national economy. This study presents statistical evidence that such rosy perspectives are not entirely warranted. The economic expansion since 1989 has done very little to improve the position of Ohio workers and their families.

These are troubling economic times for working people across the country and in Ohio. Americans are working more than ever before with among the highest rates of labor force participation and the longest average working year in the advanced industrialized world. Productivity is among the highest in the world, and 30 percent higher than it was 25 years ago. Yet since 1973, real wages have been falling across the country. In Ohio, median hourly wages have declined for nearly 80 percent of the workforce. Moreover, the income gap in Ohio between rich and poor and black and white has grown dramatically in the past two decades, matching national trends. To put the matter in clear and direct terms: most workers and their families are not sharing as they once did in the benefits of





Source: Economic Policy Institute, *State of Working America, 1998-99*, page 52.

economic growth and expansion.

These negative trends are relatively new in the United States. Up until the mid-1970s, as national income and productivity grew, family income grew at roughly the same pace across all economic groups. But in a sharp break with the past, the growth in real income from 1979 to 1994 went almost entirely (99 percent) to the top five percent (see Figures 1.1 a and b). As the figures show, during each year between 1947 and 1979, families across the income spectrum saw their incomes grow between two and two and a half percent. However, during each year since 1979, on average, families below the middle have suffered real-dollar losses while families at or above the middle enjoyed gains. To abuse a cliché: the rising tide has not only failed to lift all boats, but it has left most Americans kicking harder than ever just to stay afloat.

The State of Working Ohio, 1999 asks whether Ohio's economy is really working for workers. We look at how median wages have changed overall; the degree to which women's earnings differ from men's; whether Ohio workers are earning more or less than in neighboring states; and how today's manufacturing employees compare to yesterday's. To answer these questions, we draw on a variety of data on family incomes, wages, taxes, and unemployment. The central purpose of the study is simply to provide the public with accurate information about the health of Ohio's economy in terms that count: namely, how working individuals and families living in the state are doing economically. Before addressing the question of wages, we briefly describe some basic demographic features of the state.

* * * * *

Ohio in Perspective

More than 11 million people live in Ohio (11,209,493 according to 1998 Census Bureau estimates), making it the seventh most populous state in the country, with four of the country's fifty largest cities. While it shares characteristics with both its more densely populated eastern neighbors and its more rural midwestern counterparts, Ohio also differs from national norms in many ways. Less racially diverse than the nation, 87.8 percent of Ohio's residents are white, compared to 80 percent nationally. Ohio has comparable numbers of African Americans (10.6 percent compared to 12 percent nationally), but many fewer Hispanics (1.2 percent compared to 9 percent nationally) and many fewer citizens from other ethnic groups (about half a percent in Ohio compared to 3.7 percent nationally). As elsewhere in the country, the number of minorities living in Ohio is growing.

> ***Sue Beltrami on the economy:***
> *"The economy according to Wall Street is doing fine, but I haven't seen it among workers. There's a gap between the rich and poor, and its growing … lots of people are working for less. You tell me how you could live on $6 an hour. People are trying to live on those wages. A really pretty picture has been painted by those with the power and the money to paint pictures. But how many poor people do you know who are artists?"*

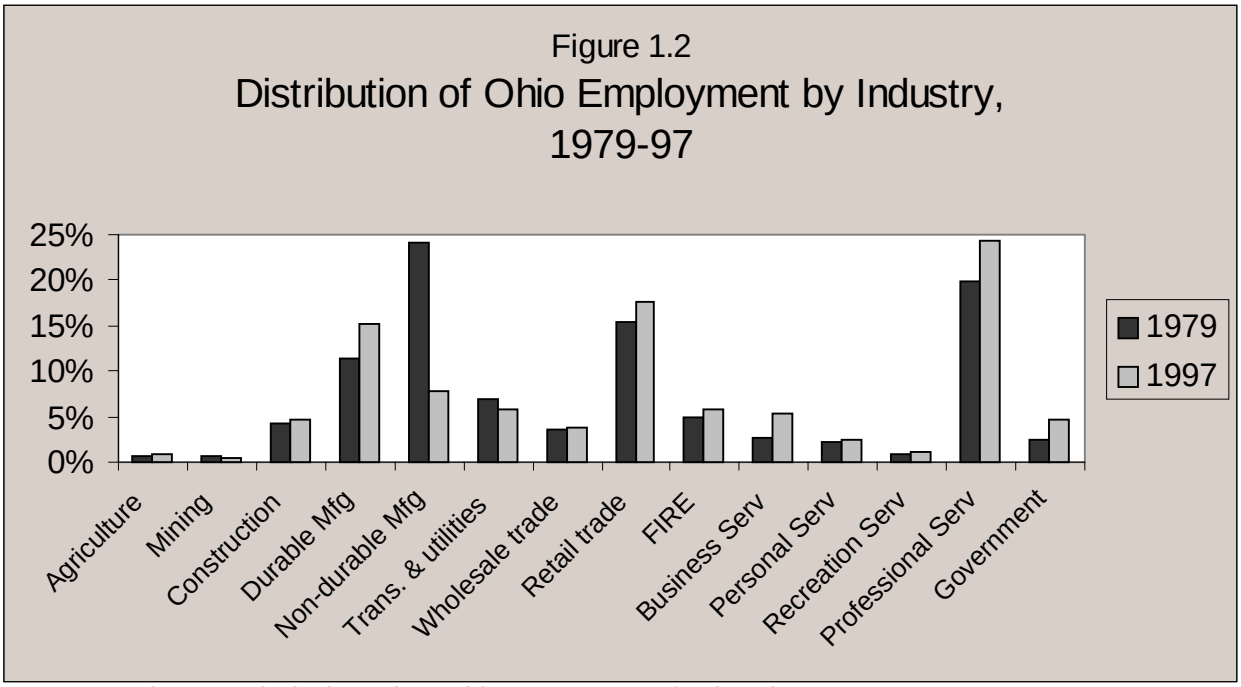
Employment Information

The number of jobs in Ohio has grown by 17 percent since 1973, as compared to nationwide job growth of 27 percent. Ohio added 1,273,000 jobs between 1973 and 1997, for a total of 5,386,000 non-farm jobs by the end of the period. With more jobs available, the unemployment rate has declined. As of February 1999, the state's official unemployment rate of 4.2 percent was slightly lower than the national 4.4 percent.[4] This is the good news about Ohio's economy.

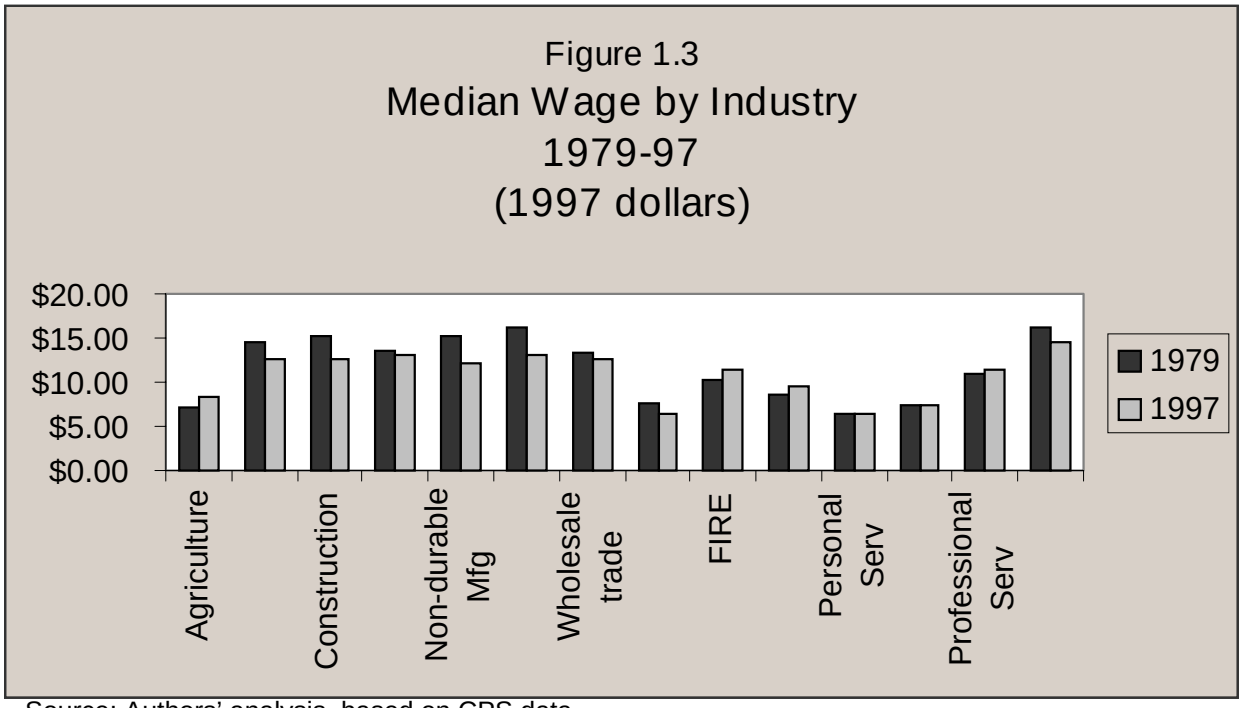
Although unemployment is low for workers as a whole, for some minorities and those who have not completed high school, the unem-

ployment rates remain alarmingly high, according to analysis of CPS data. As of 1997, black workers had an unemployment rate nearly double that of white workers, at 7.9 percent. Further, workers without a high school diploma had an unemployment rate of nearly 12.6 percent — one out of eight of these workers was unable to find a job despite actively looking in 1997.

Slightly more than one fourth of non-farm payroll employment[5] in Ohio is in services (26.2 percent), including such varied positions as home health care aides, restaurant workers, and some office workers. Another fourth is in the wholesale and retail sector (25.4 percent) – sales clerks, store managers, some warehouse employees, and others. Slightly more than one-fifth (21.5 percent) of non-farm payroll employees work in manufacturing. The share working in manufacturing has shrunk



Source: Authors' analysis, based on Ohio Department of Labor data.



Source: Authors' analysis, based on CPS data.

substantially (by 11.2 percentage points) since 1979, while the share employed in the service industry has grown substantially (by nine percentage points). As Figure 1.2 shows, non-durable manufacturing has seen the most dramatic job share decline. About 12 percent of all workers are in the public sector, and between four and six percent of workers work in each of the industrial categories of construction, transportation and utilities, and finance, insurance and real estate (FIRE), numbers which have not changed significantly in the past two decades. This area is referred to as the industrial heartland for a reason: Ohio's distribution of workers differs from the national distribution in that we have about six percentage points more employment in manufacturing and about four percentage points less employ ment in the service industry and public administration. Other sectors are fairly similar to national averages. These broad classifications provide only limited insight into how workers are employed – each sector includes highly-paid and highly-educated managerial employees, and each sector has workers hovering near the $5.15 federal minimum wage.

Many observers are familiar with the shifts in employment shares over the past two decades and might be tempted to attribute some of the daunting news about wages found in subsequent sections of this report to that shift. But as Figure 1.3 shows, only some of the wage shifts are due to, say, highly-paid factory workers being retrained as retail employees, to use one example. Indeed, of the 14 industrial divisions listed in Figure 1.3, real wages have risen in only four. In most categories of employment, real wages have fallen. So even those who've stayed in factories are likely to be earning less than people with their experience would have in the past. To remedy overall wage decline then, policy-makers must concentrate not only on strengthening our state's ability to employ workers in high-wage sectors, but also on halting wage decline within sectors.

* * * * *

Outline of the Report

The bulk of the report focuses on wages, poverty, and economic equality among Ohio's workers. Section 2 looks at wage and income trends in the state, describing changes in the median wage over time by race, gender, education, and union membership. This section also compares Ohio to neighboring states and the national median. Section 3 addresses inequality and poverty in the state, describing how income and wages are distributed in Ohio and how poverty rates have changed. Again, we make some comparisons to neighboring states and national figures. Section 4 summarizes the report and suggests some of the implications that stem from the findings. Methodology is discussed briefly below and in detail in the appendix.

* * * * *

Workers' Voices

Throughout the *State of Working Ohio 1999*, we include quotes from interviews conducted in February and March of 1999 with seven workers from around the state who gave eloquent personal testimony to some of the trends discussed in the data. These workers were contacted through jobs programs, universities, unions, community groups, and places of employment. Here we briefly introduce you to these workers:

Toia Warren of Akron is a 31-year-old, single African American woman with one nine-year-old daughter. Toia earns $13.14 an hour plus benefits, base rate, as a Juvenile Correctional Officer for the State of Ohio, supervising teenage boys who have been involved in drug violations. She receives a shift premium when she works nights and time and a half when she works overtime. Toia has a bachelor's degree, and is partway through a master's degree in urban policy.

Herm Schmidt of Elmont is a 46-year-old, married white man with three children. Herm earns $18.00 an hour plus benefits as a roof bolter in a coal mine. Herm was laid off for 15 years, during which time he worked as an auto

mechanic, before being called back to work in the mines in southeast Ohio. He is a high school graduate with 12 years mining experience and 15 years experience as a mechanic.

Carmen Woody of Cleveland is a 41-year old, married Hispanic woman with two sons, ages 14 and 10. Carmen immigrated from Venezuela in 1983 and is married to an American citizen. She earns $23,000 a year plus benefits as a Teacher's Assistant for Tremont Elementary, part of the Cleveland Public Schools. Carmen has a high school diploma and an associate's degree, has worked for the school system for six years, and has had many other jobs, several of which involved working with children.

Amy Miller of Jacobsburg is a 36-year old, married white woman. Amy earns $12.59 an hour plus benefits working as a Registered Respiratory Therapist for Barnesville Hospital. Amy has a high school diploma and an associate's degree. She is certified and registered, and has 18 years experience in the field, including 10 years with her current employer.

LaVont Wilson of Cleveland is a 37-year old, married black man with five children. LaVont earns $5.30 an hour with no benefits working as a Play Director (sports coordinator) for the City of Cleveland. He is a high school graduate with three years experience in this position and previous experience as a lifeguard, volunteer coach, and van driver.

Sue Beltrami of Alliance is a 47-year-old, married white woman with four grown children and stepchildren. She earns $13.30 an hour plus benefits as a Licensed Practical Nurse (LPN) working for Integrated Health Services. She has a GED and an LPN degree from a technical college, as well as seven years experience as an LPN. She is married to Ron Beltrami, whom we also interviewed.

Ron Beltrami of Alliance is a 59-year-old, married white man with four grown children and step-children. Ron was laid off in November 1998 from his job driving a lugger truck for Kulka Steel, after 37 years on and off of truckdriving. He made $11.21 an hour plus benefits at the time he was laid off and was waiting to hear about being hired

Ron Beltrami on public policy: *"I'd like to see the minimum wage go up, but I'd also like to see them put a stop to hiring kids for 20-30 hours a week and calling them part time, giving them no benefits, no pension, nothing. Those kids are gonna get old one day and then where will they be? And a lot of places are doing that now. It's gotta stop."*

A Note on Methodology

This document discusses how wages changed between 1979 and 1997. Occasionally we use the present tense or the words "now" or "current" and in most of these cases we are referring to the final reporting year, 1997. We almost always refer to dollar figures in 1997 inflation-adjusted dollars. A few tables comparing Ohio to neighboring states and the nation use 1996 dollars, in which case this is explicitly noted. We almost always use median rather than average wages, except when explicitly noted. This avoids distortion by outliers. When we discuss wage change, we use the earlier year as the base. Thus, when we say that median wages have declined by 12.1 percent for all workers in Ohio since 1979, we mean that the 1997 wage was 12.1 percent lower than the 1979 wage, not that the earlier wage was 12.1 percent higher. Similarly when comparing wages of different groups, we express the higher wage as a percentage of the lower wage. Thus, when we say that women in unions have a median wage that is 41 percent higher than that of women who are not in unions, we mean that the difference between $12.00 and $8.50 ($3.50) is 41 percent of the lower wage, $8.50. Finally, when we discuss poverty wages, we are referring to the wage needed to pull a family of four above the federally defined poverty line with one full-time, year-round worker. In 1997, this wage was calculated as $7.90 per hour. For more information on methodology, see Appendix A.

elsewhere at the time that we spoke to him.

2. Wages and Income

This section examines the simple question: How have people's wages changed since 1979? We examine inflation-adjusted median wages and income for all Ohio workers, then separate workers by race, gender, education, and union membership to see how the typical worker in any given group is doing. The discussion of median wages examines wage changes for different groups over time, and how the wages of one group compare to another.

> ***Carmen Woody on working a second job:*** *"I feel like sometimes you can't pay for necessities. We can pay for the house note, but not a lot of extras. You start thinking about how to make a little extra money, but that's hard with children. I've taken classes off and on and tried to get a part-time jobs, but I felt like my own kids were suffering. Even though we needed a little extra money, I left the second job because you end up failing in one thing if you try to do too much."*

Typical Ohio Worker Sees Real Wages Erode

Ohio's median worker has experienced a decline in real hourly wages that exceeds that of the nation's median worker and that of all neighboring states[6] except Michigan and West Virginia. Table 2.1 shows that the median hourly wage in Ohio fell sharply between 1979 and 1997, although the drop was less severe during the nineties than it had been during the eighties. The median wage of all workers in the state in 1979 was $12.45 (in 1997 dollars), nearly a dollar above the national median. By 1997, Ohio's real wages had declined more than 12 percent to $10.94 per hour, just slightly above the national median. Ohio's drop in median wages, while similar to the national drop for men, was more than twice as steep for all workers. This is primarily because women's median wages grew somewhat on a national level but failed to grow significantly in Ohio. Ohio women earned more than the national median in 1979 but earned 57

Table 2.1
Median Hourly Wages in Ohio and the United States 1979-1997 (1997 dollars)

				Change		
	1979	**1989**	**1997**	79-89	89-97	Total
All workers						
Ohio	$12.45	$11.24	$10.94	-9.7%	-2.6%	-12.1%
US	$11.46	$11.18	$10.82	-2.4%	-3.2%	- 5.6%
Men						
Ohio	$15.09	$13.20	$12.69	-12.5%	-3.3%	-15.9%
US	$14.38	$13.07	$12.19	-9.1%	-6.7%	-15.2%
Women						
Ohio	$9.18	$9.33	$9.26	1.6%	0%	0.9%
US	$9.03	$9.55	$9.63	5.7%	.8%	6.6%

Source: Authors' analysis, based on CPS data.

cents less than median women nationwide by 1997.

> ***LaVont Wilson on living off of his salary:*** *"It's hard but I gotta do what I gotta do. We make ends meet. We just purchased a home. I also sell sports collectibles out of my home, so that earns us some extra money."*

Real Family Income Down Slightly Since 1989[7]

Four-person family income, after rising by just under ten percent in Ohio between 1979 and 1989, dropped slightly between 1989 and 1996. Ohio was one of twenty-one states that experienced this type of decline. Of neighboring states, Pennsylvania, Indiana and Kentucky experienced more robust family income growth, while Michigan and West Virginia lagged behind Ohio. The national changes in family income were similar to Ohio's fluctuations. The recent drop — and the previous boost — occurred in spite of any increase in hours worked.

Table 2.2
Median Income for Four-Person Families 1974-96 (1996 dollars)

	1979	1989	1996	Growth: 1979-1996
Ohio	**$47,765**	**$52,472**	**$51,835**	**9%**
Pennsylvania	$47,312	$51,124	$53,814	14%
Michigan	$51,781	$54,187	$56,174	8%
Indiana	$47,948	$48,337	$52,962	10%
Kentucky	$40,578	$43,514	$44,932	11%
West Virginia	$40,022	$40,251	$41,293	3%
United States	$47,483	$51,578	$51,518	8%

Source: Economic Policy Institute, *State of Working America, 1998-99*, p. 318-19.

Working More to Stay in Place

It may seem puzzling that while real wages have dropped so much over this period, family income has not changed substantially. The reason is that many four-person families switched from one wage-earner to two during this period, and many of those workers put in more paid overtime.[8] While we were unable to estimate the increase in hours worked for Ohio, the Economic Policy Institute's national data in the *State of Working America 1998-99* give us some insight. Between 1979 and 1996 nationally, the average husband increased his hours of work by 46 hours a year, from 2,104 to 2,150 hours per year. Meanwhile, the average wife increased her hours of work by 354 hours from 969 hours to 1,323 hours per year, a 34.7 percent increase. Together, then, the average two-parent family increased its hours of work by 400 hours, or ten weeks. This 13 percent increase in hours worked translated to only an eight percent increase in income for both Ohio and the nation. Had parents not increased their hours worked, family income would have fallen over both periods. This is distressing because time is limited. Families can not continue indefinitely to increase their hours worked in order to tread water economically. Indeed, on a national level the increase in hours worked by mothers slowed dramatically in

Table 2.3

Ohio Median Hourly Wages by Race and Gender 1979-97 (1997 dollars)

	Year			Percent Change		
	1979	1989	1997	1979-89	1989-97	1979-97
All workers	$12.45	$11.24	$10.94	-9.7%	-2.4%	-12.1%
All men	$15.09	$13.20	$12.69	-12.5%	-3.4%	-15.9%
All women	$9.18	$9.34	$9.26	1.7%	-0.9%	0.9%
White workers	$12.54	$11.50	$11.11	-8.3%	-3.1%	-11.4%
White Men	$15.18	$13.58	$13.00	-10.5%	-3.8%	-14.4%
White Women	$9.20	$9.25	$9.42	0.5%	1.8%	2.4%
Black workers	$11.32	$10.10	$9.00	-10.8%	-9.7%	-20.5%
Black Men	$13.88	$11.32	$10.00	-18.4%	-9.5%	-28.0%
Black Women	$ 9.22	$ 9.66	$8.25	4.8%	-15.3%	-10.5%

Source: Authors' analysis, based on CPS data.

the 1990s (although it was still increasing), and family income, both nationally and in Ohio, began to decline slightly.[9]

Wages by Group

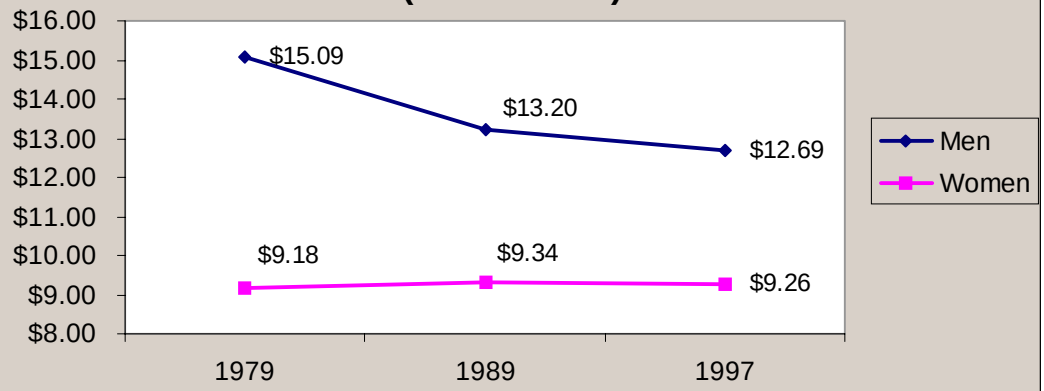
Table 2.3 portrays changes in the median wage for various categories of workers in Ohio and reveals lingering and, in some cases increasing, inequalities. The next two pages provide information on earnings of male, female, black, and white workers for 1979, 1989, and 1997. We focus on those parts of the data that illustrate disparities in earnings between these groups.

The Gender Gap

Women still earn considerably less than men in Ohio, despite the fact that men's wages have been dropping dramatically. This problem crosses race, with women of all races earning less than men of all races at the median. The gender gap has narrowed somewhat over the last twenty years, but the narrowing is primarily due to a drop in men's wages, rather than an increase in women's. As Figure 2.1 shows, women's median wages have continued to hover just above $9.00 an hour in real dollars since 1979. Men's real me-

Figure 2.1

The Gender Gap in Ohio Median Wages (1997 dollars)



Source: Authors' analysis, based on CPS data.

dian wages, which were more than $15.00 an hour in 1979, have since fallen to just $12.66, a significant drop, but still 37 percent above women's lower wage.[10]

The Race Gap

Minority workers in Ohio also get by at a substantially lower wage – the starkest difference is between black and white male workers. Low sample sizes prevent us from discussing Hispanics, Asians, Native Americans, and other minorities in Ohio. However, African Americans, who comprise 10.6 percent of the state population, earn 81 percent of what white workers earn at the median. Ohio's black male workers have been hardest hit by the wage plunge of the past two decades; they've seen more than a 28 percent drop in their real median hourly wage, from $13.88 to $10.00.

> ***Herm Schmidt on women in mining:*** *"If my son wanted to work in the mine, I'd say sure, if that's what he wanted. If my daughter wanted to, well, I'd probably say no about that. It'd be harder for a woman with the language down there and everything else. No, I wouldn't want my daughter down there."*

Because of the dramatic drop in black male wages, a racial gap continues to exist and indeed to widen in Ohio, despite falling white male wages. While white men's real median hourly wages have dropped from a high of over $15.00 in 1979 to just $13.00 in 1997, black men's wages have plunged from the lower starting point of $13.88 to just $10.00. As Figure 2.2 shows, the gap is widening. Refer back to Table 2.3 to compare black and white women's wage shifts – black women actually earned more than white women in 1979 and 1989 but now earn significantly less, as white women's wages have increased slightly while those of African American women fell.

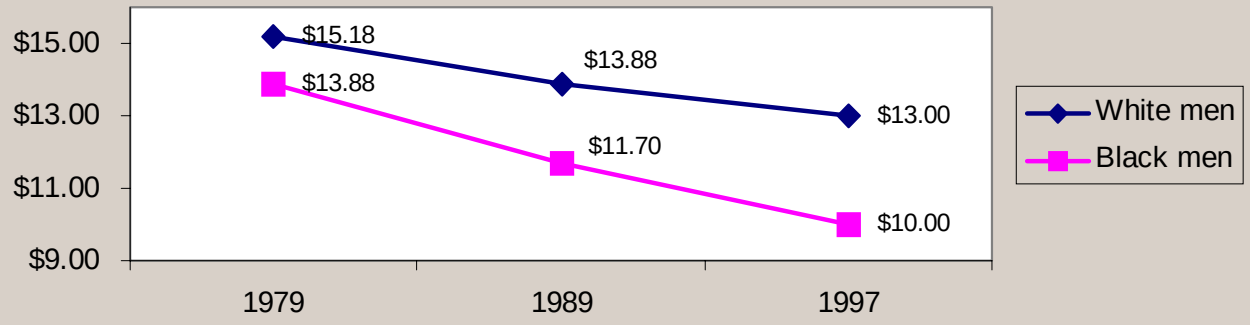
The Education Gap

At the same time that the economy is getting harder for almost all workers to navigate, it is becoming even tougher for groups that were already disadvantaged. While there has always been a significant return on education and an economic penalty for not completing school, that penalty has grown stiffer in the 80s and 90s. Workers without high school diplomas – a full 24.3 percent of Ohio's over-25 population in 1990 – struggle more than ever in the new economy.[11] In fact, the median worker without a diploma plunged from a real median hourly wage of $11.17 in 1979 to a dismal $6.75 in 1997, a 40 percent free-fall. These workers now earn well below what would be required to bring a family of four to the poverty level with full-time, year-round work.

High school graduates earn significantly more, but have still seen 16 percent wage erosion since 1979. Those with education beyond high school but no bachelor's degree earn only

Figure 2.2

The Race Gap:
Median Male Wages in Ohio, 1979-97 (1997 dollars)



Source: Authors' analysis, based on CPS data.

slightly more than high school graduates and have had real wage declines of 13 percent since 1979. College graduates earned 50 percent more than high school graduates in 1997 and were the first category to experience a small wage boost – of two percent – between 1979 and 1997. However, like their less-educated counterparts, college graduates experienced real wage decline between 1989 and 1997. Finally, those with graduate education increased their earnings by 13 percent between 1979 and 1997.

The new economy is frequently described as one in which gaining skills yields returns. But this is now true only at the most elite level. The nearly 80 percent of workers with no college degree are earning lower wages than their counterparts did twenty years ago. Only the 5.6 percent of workers with graduate degrees have seen a sizable wage increase. See Figure 2.3 for visual depiction of this information.

> ***Sue Beltrami on wage erosion:*** *"You know in 1979 I was making $10 an hour in a factory, and thirteen years later in 1992 I started as a nurse at $9.32, after working all those years and going to school. I took a pay cut! I couldn't believe it, that I went to school and started lower."*

Returns on Education: Education and Gender

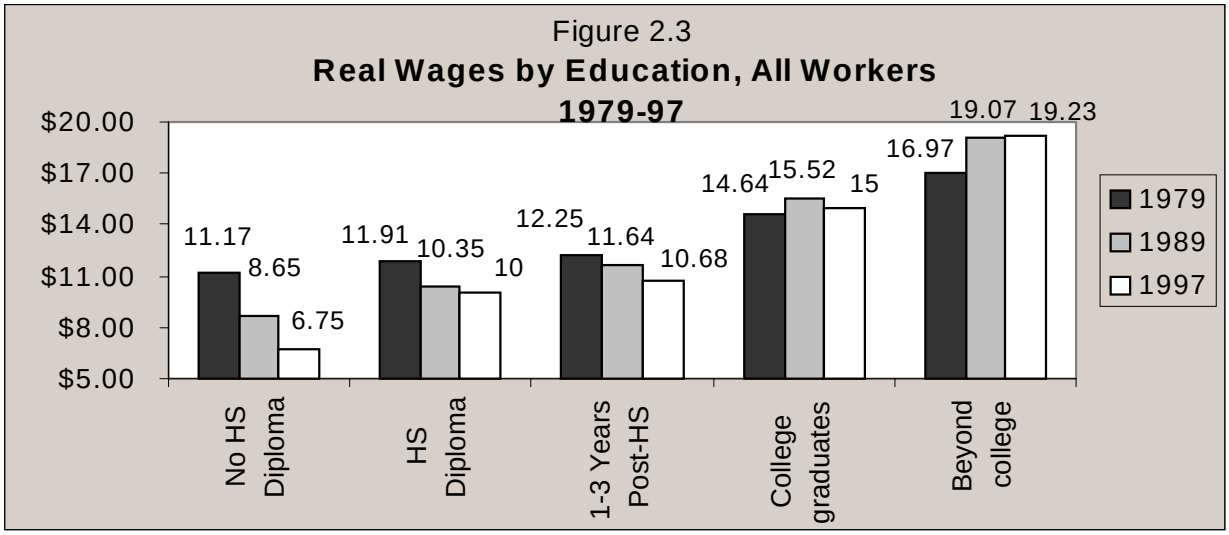
A more careful glance at the education information in Table 2.4 reveals that women with more education can often expect to earn less than men who have completed less school. For example, women who finish high school earn only as much as men who have dropped out ($8.00 an hour). Women with one to three years education beyond high school actually earn less than men with only a high school degree ($9.48 compared to $12.00). And while female college

Table 2.4

Ohio Median Hourly Wages by Education, 1979-97 (1997 dollars)

	Year			Percent Change		
	1979	1989	1997	1979-1989	1989-1997	1979-1997
All Workers						
No HS Diploma	$11.17	$ 8.65	$ 6.75	-23%	-22%	-40%
HS Diploma	$11.91	$10.35	$10.00	-13%	-3%	-16%
1-3 Years Post-HS	$12.25	$11.64	$10.68	-5%	-8%	-13%
College Diploma	$14.64	$15.52	$15.00	6%	-3%	2%
Beyond College	$16.97	$19.07	$19.23	12%	1%	13%
Men						
No HS Diploma	$13.77	$10.37	$ 8.00	-25%	-23%	-42%
HS Diploma	$15.18	$12.61	$12.00	-17%	-5%	-21%
1-3 Years Post-HS	$14.94	$13.58	$12.02	-9%	-11%	-20%
College Diploma	$18.00	$17.79	$16.54	-1%	-7%	-8%
Beyond College	$18.71	$21.56	$21.54	15%	0%	15%
Women						
No HS Diploma	$ 7.27	$ 6.47	$ 6.00	-11%	-7%	-17%
HS Diploma	$ 8.68	$ 8.40	$ 8.00	-3%	-5%	-8%
1-3 Years Post-HS	$ 9.76	$ 9.93	$ 9.48	2%	-5%	-3%
College Diploma	$12.39	$12.94	$13.20	4%	2%	7%
Beyond College	$14.10	$16.17	$16.92	13%	4%	20%

Source: Authors' analysis, based on CPS data.



Source: Authors' analysis, based on CPS data.

graduates do earn more than male high school graduates ($13.20 compared to $12.00), they earn $3.24 less per hour than their male college graduate counterparts. This is, to be sure, a vast improvement over 1979, when even women who graduated from college could have expected to earn less per hour ($12.39) than men who had dropped out of high school ($13.77). But it is worth noting that in inflation-adjusted terms, today's women at any education level below a graduate degree and today's men at any level below a bachelor's degree still earn less in real dollar terms than yesterday's male high school dropouts.

Education and Race

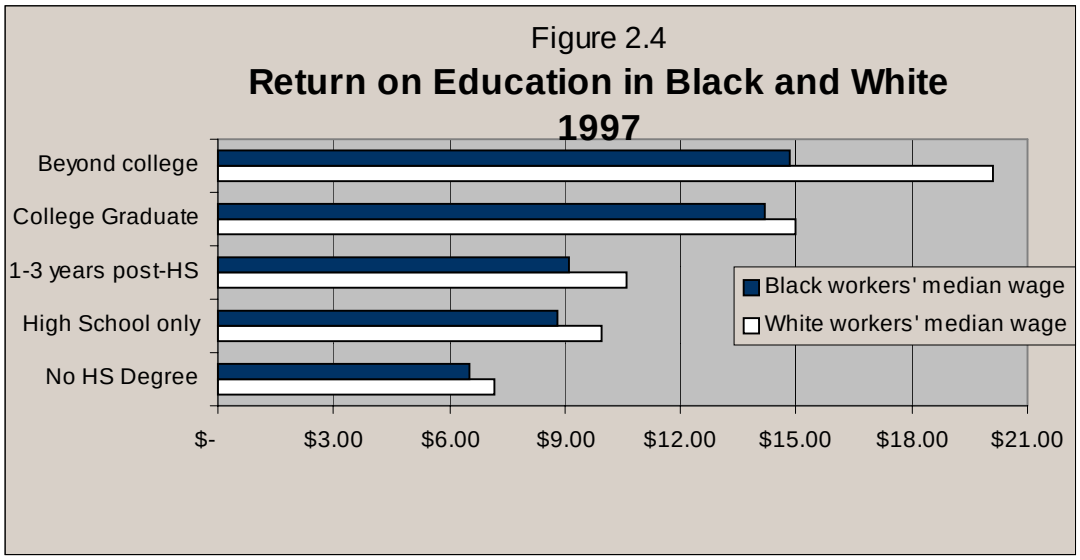
As Table 2.5 shows, additional education yields substantial wage gains at all stages for both blacks and whites. However, black workers still earn less than white workers at all educational levels. We elaborate first on the wage boosts experienced by both races. The 75 percent of workers who complete high school see more than a 35 percent boost in their wages, with whites gaining slightly more. Completing 1-3 years beyond high school yields a smaller 4-7 percent wage hike, again with whites gaining slightly more. Completing college is a boon for workers

Table 2.5
The Race Gap by Education
1995-97 pooled data
(1997 dollars)

	No High School Degree	High School Degree only	1-3 years education beyond HS	Bachelor's Degree	Graduate degree
White Workers	$7.16	$9.97 (39% boost)*	$10.62 (7% boost)	$15.00 (41% boost)	$20.11 (34% boost)
Black Workers	$6.50	$8.80 (35% boost)	$9.11 (4% boost)	$14.18 (56% boost)	$14.83 (5% boost)
Difference (white vs. black)	9.2%	13.2%	16.6%	5.8%	35.6%

Source: Authors' analysis, based on CPS data.
*The "boost" refers to the percent earnings increase from the previous educational category.

of both races — a 41 percent boost for white workers and a leap of 56 percent for African Americans. Finally, studying beyond a four-year degree yields additional gains of 34 percent for whites and 5 percent for blacks. Education pays for both races at all levels, and gaining a high school or a college degree is particularly lucrative.[12]



Source: Author's analysis, based on CPS data.

Despite the wage gains to both black and white workers for educational advancement, blacks with comparable education receive lower compensation than whites, as Table 2.5 demonstrates. In fact, at every level of education, blacks are paid less than whites. Further, blacks with 1-3 years of education beyond high school earned less than whites with only a high school diploma in 1995-97. Blacks with education beyond college not only earned 35.6 percent less than their white counterparts with post-collegiate education, but also earned less than whites with only a bachelor's degree. In short, blacks still earn lower wages, even when they have comparable, and at times superior, education, as Figure 2.4 shows graphically.

> ***Toia Warren on education:*** *"I did cashiering, retail, nursing home care, worked at McDonalds….But I never made more than six bucks an hour until I got my college degree."*

Wage by Age: Earning Less Than Our Parents Did

Workers who suspect that they are earning less than their parents did at their age may be right; real wages have dropped for nearly ev-

Table 2.6
Wages by Age and Race
1979-97
(1997 dollars)

	1979		1989		1997	
Age	**White**	**Black**	**White**	**Black**	**White**	**Black**
18-25	$8.89	$8.57	$7.25	$6.15	$6.93	$6.00
26-35	$13.56	$13.01	$11.65	$9.06	$11.53	$8.50
36-45	$14.64	$13.42	$13.64	$11.65	$12.98	$10.00
46-55	$14.17	$11.32	$12.94	$14.23	$13.50	$12.00
56-65	$13.44	$12.01	$12.88	$11.65	$11.53	$10.97

Source: Authors' analysis, based on CPS data.

ery age category in the last twenty years. The results are most alarming for young workers, for whom median wages now linger below poverty. The only group of workers that has seen a modest wage increase is African Americans between ages 46 and 55. All age categories of white workers and all other age categories of black workers are earning less than their counterparts of 1979, often substantially so. See Table 2.6 for the breakdown.

Amy Miller on equality: *"They say the economy is good, but well, we haven't had any big raises. What I don't understand is why pro ball players and some others get paid so much more. Why are they worth so much more than those of us who save lives? I'm not really into politics, but I do think it needs to be fairer for women, Our hospital is still very male oriented, and men will get positions that women should have, just because they're men. "*

UNIONS: HIGHER WAGES, MORE EQUALITY

The previous section revealed that wages have dropped for most workers and dropped faster for minorities and less educated workers. Subsequent sections will show that wages have fallen further at lower income levels and have become more unequal. However, there is one set of workers for whom this is not true. Unionized workers — those covered by collective bargaining agreements — have higher wages, more equal wages overall, and less variation in wages between men and women, and between blacks and whites.[13] Across the board, workers benefit from being covered by collective bargaining agreements.

Table 2.7
The Union Premium, for Women and Men: Differences in Median Hourly Wages with Collective Bargaining Agreements 1997

	Men	Women	Difference: Women vs. Men
Non-union Workers	$11.80	$8.50	38.8%
Union Workers	$14.33	$12.00	19.4%
Difference: Union vs. non-union	21.4%	41.0%	

Source: Authors' analysis, based on CPS data.

Wages and levels of unionization are related in several ways. Unions tend to raise wages, unions tend to cover higher-skilled workers who tend to have higher wages, and higher-wage industries tend to be unionized. It is sometimes difficult to separate the cause from the effect in these areas: unions often initially targeted high-wage industries, but industries that became unionized also tended to become higher-wage

Table 2.8
The Union Premium in Black and White: Differences in Median Hourly Wages with Collective Bargaining Agreements 1997

	White Workers	Black Workers	Difference: White vs. Black
Non-union	$10.23	$ 8.00	27.9%
Union	$13.69	$12.29	11.4%
Difference: Union vs non-union	33.8%	53.6%	

Source: Authors' analysis, based on CPS data.

industries. Unions have also increasingly begun to target lower-wage and part-time workers, as in the widely covered UPS strike and in the health care, service, and textile industries. The next three tables discuss differences in wages between those workers who are covered by a collective bargaining agreement and those who aren't. Low sample sizes prevent us from separating this data by industry and unionization – from comparing, for example, black manufacturing workers who are in unions to those who aren't. Extending the comparison in this way would almost certainly reduce some of the variations we have found, since industries with high levels of unionization often have higher wages. Nonetheless the following tables demonstrate the strong correlation between being represented by a collective bargaining agreement and having higher earnings and more equal wages across groups. Throughout the following section, we define non-union workers as those not covered by collective bargaining agreements and union workers as those who are covered by collective bargaining agreements.

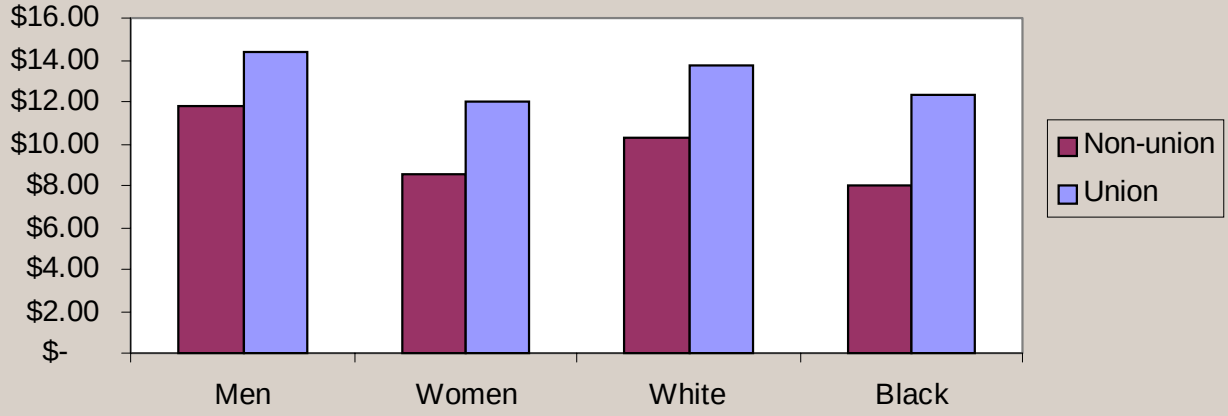
Ron Beltrami on the future: *"We're all out of work, and they haven't told any of us anything. Through United Steelworkers we're affiliated with another company, so the union is trying to work with them to get us all jobs. I sure hope it works out, because I'm gonna have a rough time getting a job at my age. The union is fighting for back wages...basically doing all they can. If there were no union, we wouldn't have a chance at nothing. If this country didn't have unions right now, I strongly believe we'd all be making six bucks an hour and no benefits. It's the only way to fight the big guys."*

As Table 2.7 shows, both men and women benefit substantially from being in a union. Furthermore, while union men still earn more than union women, the median wages are less unequal than for workers not covered by collective bargaining agreements. Women in unionized jobs have wages that are nearly a third higher than women in non-unionized jobs, and while they still lag 19.4 percent behind men on average, the difference is substantially smaller than the 38.8 percent wage gap that exists between non-unionized women and men. Unionized women also earn more than non-unionized men.

Similar benefits are gained by black workers who are covered by a collective bargaining agreement, as Table 2.8 shows. While non-union blacks lag nearly 28 percent behind non-unionized white workers in median wages, black work-

Figure 2.5

The Union Premium by Race and Gender 1997



Source: Authors' analysis, based on CPS data.

Table 2.9
The Union Premium by Education:
Differences in Median Hourly Wages with Collective Bargaining Agreements
1997

	No HS Degree	HS diploma	1-3 years beyond HS	College Degree	Beyond College	Difference low/high
Non-union	$6.50	$8.75	$9.87	$14.83	$19.23	195.8%
Union	$11.20	$12.79	$13.30	$14.75	$20.00	78.6%
Difference	72.3%	46.0%	34.8%	-0.5%	4.0%	

Source: Authors' analysis, based on CPS data.

ers who are covered by a collective bargaining agreement lag only 11.4 percent behind unionized whites. Furthermore, both black and white workers earn significantly more when they are unionized — blacks gain a median wage boost of more than half (53.6 percent) and whites gain a boost of more than a third (33.8 percent). Unions benefit all workers, and equalize differences between the races. African Americans who are in a union earn more than whites who are not. See Figure 2.5 for a quick snapshot portraying how unions alter wages by gender and race.

Finally, unions yield similar results for workers with less education, as displayed in Table 2.9. Workers who have a college degree or more education do not gain or lose substantially from being in a unionized job. But the three-fourths of workers who have not completed college are substantially helped by collective bargaining agreements. For workers who did not finish high school, the difference is 72 percent. Those with a high school diploma earn 46 percent more than their non-unionized counterparts. And even those with technical college degrees or less than four years of college can expect a wage boost of

more than one-third if they are in a unionized job. Those with bachelor degrees or education beyond college are neither substantially hurt nor substantially helped by being in a union. Again, however, the collective bargaining agreement serves to increase wages across the board and to reduce differences between groups. Without a collective bargaining agreement, the median earner in the most educated category earns nearly three times as much as the least well-educated counterpart. With such agreements additional education always results in greater pay, but the disparities, while still substantial, are far less extreme.

Distribution: Unequal and Growing More So

Wage inequality has grown in Ohio over the last two decades. Although workers across almost the entire income spectrum have seen their wages fall, those who were already earning less have had their wages drop more steeply. As the data in Table 3.1 show, the very lowest earning ten percent of workers had the largest drop, of 17 percent (to $5.36 an hour), followed by the next four deciles (the 20th through 50th percentiles), all of which dropped between 12 percent and 14 percent. Only the top two deciles were able to tread water over the eighteen-year period, with the 80th percentile of workers seeing only a two percent drop in wages, and the 90th percentile seeing a one percent gain (to $22.01 an hour).

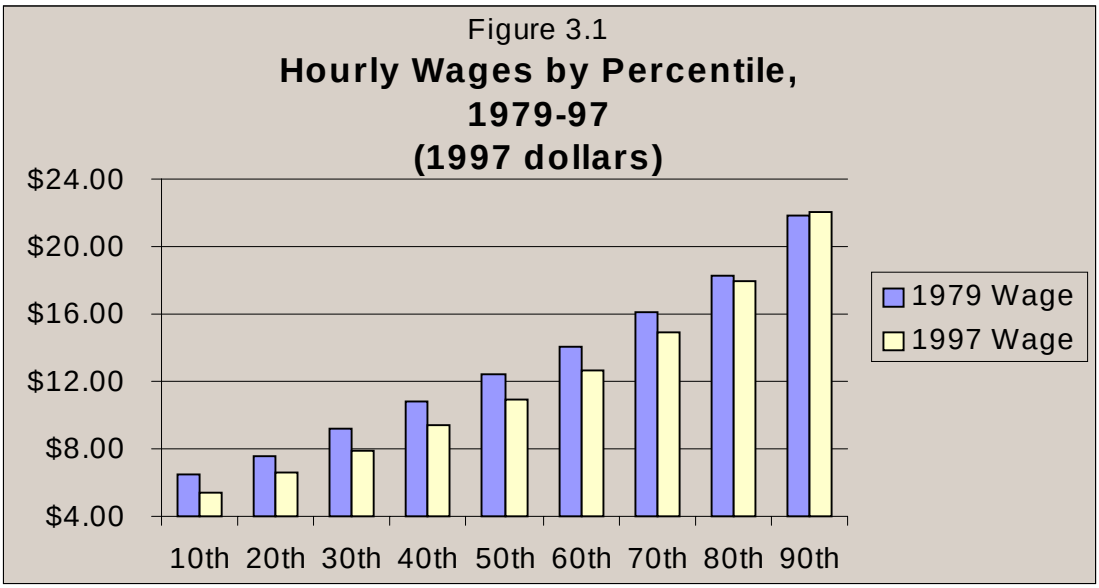
The poor and middle class in Ohio are losing ground, both absolutely and relatively. That is, they earn less than middle class and low-income workers earned in the past and they are further behind higher-income workers than they used to be. Figure 3.1 shows graphically what has happened in Ohio, with real wages for the entire bottom 80 percent of the population declining – falling more dramatically for those below the median and most steeply for those at the 10th percentile. Only the top three deciles experienced more moderate changes in real wages, with only the top two essentially keeping pace over the period. The worker at the 90th percentile now earns more than four times what the worker at the 10th percentile earns.

Table 3.1
All Ohio Workers
Median Hourly Wages by Percentile
1979-1997 (1997 dollars)

Percentile	1979 Wage	1989 Wage	1997 Wage	% Change, 1979-1997
10th	$6.47	$5.32	$5.36	-17%
20th	$7.61	$6.71	$6.61	-13%
30th	$9.17	$8.07	$7.91	-14%
40th	$10.80	$9.66	$9.37	-13%
50th	$12.45	$11.24	$10.94	-12%
60th	$14.08	$13.00	$12.62	-10%
70th	$16.07	$15.28	$14.90	-7%
80th	$18.25	$17.81	$17.95	-2%
90th	$21.85	$21.84	$22.01	1%

Source: Authors' analysis, based on CPS data.

Sue Beltrami on credit: *"Ten years ago we had to file bankruptcy on $12,000 worth of debt. That's not so much money, but when you don't have it, it might as well be a million dollars. For years we'd been honest, bill-paying citizens, but creditors don't care. After we filed for bankruptcy, we needed credit again to get a car so I could get to work. I walked in to the bank president at one of the banks in town and said "I need a car and somebody has to take a chance on me." She said – and thank god it was a woman – "I'm going to take a chance on you". So we got a $3,000 loan, and that's what helped get us started again."*



Source: Authors' analysis, based on CPS data.

3. Inequality and Poverty

By looking at how real earnings have changed for workers at various points along the income spectrum, we can get a sense not only of how typical workers are doing, but of how lower and higher income earners are being affected by the new economy. This section provides insight into changes in the distribution of income, by separating the CPS samples into ten categories each consisting of a tenth of the workers in the sample.[14] *We also separate this data by gender to learn more about how wages are distributed for male and female earners.*

Rich Splitting Off From Shrinking Middle-Class

That inequality between the rich and the poor has grown in the 80s and 90s is hardly news anymore. However, a more disturbing trend can also be found in the income-by-decile data. In 1979, a worker at the 90th percentile earned 1.75 times as much as a worker at the 50th percentile. By 1997, that gap had widened considerably, with the 90th percentile worker earning more than twice what a worker at the 50th percentile was paid. Further, despite a 12 percent drop in the earnings of the median worker, differences between the poor and the middle widened as well, with the ratio between the median (50th percentile) and low-wage (10th percentile) worker widening from 1.92 to 2.04 between 1979 and 1997. The middle dropped, the poor dropped further, and many of those who had been closer to the middle sank to poverty wages.

> ***LaVont Wilson on the future:*** *"I'll stay for a while and see if I can go full time. If not, I guess I'll move on. I'd always be interested in making more money, but I really like working with kids."*

Men At All Deciles Earning Less

Changes in the earnings distribution described in Table 3.1 did not affect all workers equally. In fact, all of the growth at the top of the distribution was due to increases in women's earnings; men at all income levels saw their earnings decline between the late 1970s and the mid-1990s, though to a much greater extent at the bottom of the earnings distribution. See Tables

Table 3.2 a

Ohio Male Workers
Median Hourly Wages by Percentile
1979-1997 (1997 dollars)

Percentile	1979 Wage	1989 Wage	1997 Wage	% Change, 1979-1997
10th	$7.69	$6.24	$6.05	-21%
20th	$10.16	$8.00	$7.76	-24%
30th	$11.84	$9.81	$9.34	-21%
40th	$13.38	$11.65	$11.02	-18%
50th	$15.09	$13.20	$12.69	-16%
60th	$16.64	$15.37	$14.73	-11%
70th	$18.24	$17.28	$17.13	-6%
80th	$20.48	$19.95	$19.88	-3%
90th	$24.73	$24.88	$24.61	0%

Table 3.2 b

Ohio Female Workers
Median Hourly Wages by Percentile
1979-1997 (1997 dollars)

Percentile	1979 Wage	1989 Wage	1997 Wage	% Change, 1979-1997
10th	$6.07	$4.94	$5.04	-17%
20th	$6.60	$6.01	$5.95	-10%
30th	$7.19	$6.98	$6.88	-4%
40th	$8.12	$8.01	$7.97	-2%
50th	$9.18	$9.34	$9.26	1%
60th	$10.45	$10.66	$10.73	3%
70th	$11.78	$12.42	$12.41	5%
80th	$13.43	$14.43	$14.98	12%
90th	$16.38	$17.98	$18.96	16%

Source: Authors' analysis, based on CPS data.

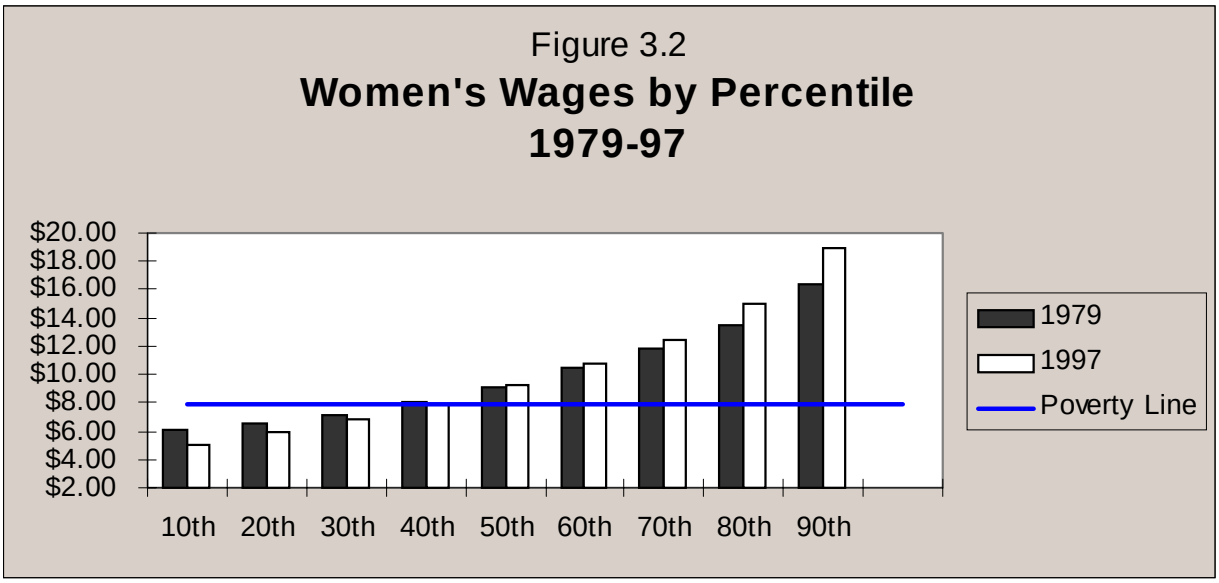
3.2 a and b for the breakdown.

Slight Cracks In The Glass Ceiling

There is one bright piece of news in the earnings distribution data which is apparent in the gender-separated data. Women at the top of the income distribution have increased their earnings in the last 18 years. In fact, all female earners from the 50th percentile upward have increased their wages during this period, though the women who had earned more in 1979 saw their wages grow by a larger amount.

Mud Floor Deepens: Low-Earning Women Sink Lower

Unfortunately, this trend did not carry down to the lower percentiles of female earners. If the glass ceiling is beginning to have slight fissures, the mud floor is growing ever deeper. All women below the 50th percentile saw their real wages drop, and for those below the 40th percentile, that drop was significant. In fact, fully 40 percent of women earn too little to bring a family



*Poverty line refers to the wage needed to bring a family of four above the federally-defined poverty line with one full-time, year-round worker.
Source: Authors' analysis, based on CPS data.

of four out of poverty with a full-time, year-round job. The 10th percentile of female earners had a jarring 17 percent drop in real wages from an already low $6.07 per hour. These workers now earn only $5.04[15] an hour, nearly 40 percent less than is needed to bring a family out of poverty. Workers in the 20th percentile also had a 10 percent wage drop from the below-poverty wage of $6.60 to $5.95, still deeper in poverty. Those in the 30th percentile were also already earning poverty wages, but their poverty gap has since grown. Finally, those in the 40th percentile now hover below the official poverty line as well. Only when we reach the median female worker do we find a wage that is capable of pulling a family out of poverty, and this wage – $9.26 an hour – brings a family only just above the poverty level. Indeed, only the top 20 percent of female earners could bring a family up to 200 percent of the poverty level on their own. Figure 3.2 shows women's wages by percentile in

Table 3.3*

FAMILY INCOME INEQUALITY BY STATE (TOP 20%/BOTTOM 20%) LATE 1970S TO MID 1990S

	1978-79	1988-90	1994-96
Ohio	**6.7**	**8.5**	**9.4**
Pennsylvania	6.6	8.0	9.2
Michigan	6.8	8.9	9.5
Indiana	5.9	7.9	8.0
Kentucky	7.3	9.0	10.6
West Virginia	6.5	8.9	10.2
United States	7.7	9.5	10.7

Source: Economic Policy Institute, *State of Working America, 1998-99,* Table 6.3, p.322.
* Tables 3.3 and 3.4 use pooled data for several years combined, to increase sample size.

1979 and 1997 – notice how even the 40th percentile earner had dropped below a poverty wage by 1997.

This news regarding women's earnings is particularly distressing given recent changes in welfare policy. National and state-level policy increasingly emphasizes the importance of work as a route out of poverty for poor families. But 40 percent of women earners in Ohio would be unable to pull themselves and three children out of poverty with job earnings alone, even if they worked full-time, year-round. Unless work-based welfare policies are accompanied by pressure to increase wages for most women below the median, we can expect to see increased child poverty.[16]

FAMILY INCOME INEQUALITY CLIMBS IN OHIO AND NATIONALLY

Although median family income is not dropping as steeply as individual worker wages are, inequality is increasing more dramatically when measured by families rather than individuals. The growth in family income inequality can be seen in Table 3.3, which compares Ohio to neighboring states, looking at the income of the top and bottom 20 percent of families. We divide the income of the top 20 percent by the income of the bottom 20 percent to arrive at a ratio that measures overall inequality. The top 20 percent of families already brought in more than six and a half times what the bottom 20 percent earned in 1978-79. By 1994-96 income inequality had

Table 3.4*

Extreme Family Income Inequality (Top 5%/Bottom 20%) Late 1970s to Mid-1990s

	1978-80	1988-90	1994-96
Ohio	10.4	13.3	15.2
United States	12.1	15.3	18.5

Source: Economic Policy Institute, *State of Working America, 1998-99* page 324.

grown until families in the top 20 percent were earning nearly nine and a half times what their lowest-earning counterparts brought in – a stunning increase for such a short time period.

When we look at an even wealthier subset of Ohio families, the top five percent, our level of inequality is more striking still. As Table 3.4 shows, the average family among the highest-earning five percent earned more than fifteen times what the average family in the lowest-earning 20 percent earned. The inequality between these two groups has been steadily increasing since the late 1970s, although it has not increased as rapidly as in the country as a whole, nor is it as extreme as on the national level.

Poverty in Ohio

Just as inequality has increased since 1979, poverty-wage jobs have become more prevalent. The number of jobs paying wages that could not bring a family of four to the federally defined poverty line with full-time year-round work has grown dramatically, both here and elsewhere. The number of individuals and families in poverty has grown less dramatically because of increased work effort among families. The next several tables and figures elaborate on poverty in Ohio.

Wages: More Poor and Poorer Poor

Not only are more Ohio workers earning sub-poverty wages, but the gap between the average wage of poverty-wage workers and the poverty line is growing. In other words, not only are more workers earning less than the $7.90 needed to pull a family out of poverty, but those workers are also earning less than sub-poverty-wage workers did in the past. In 1979, the 21.4 percent of workers earning poverty level wages would have had to get an average increase of $1.60 an hour in 1997 dollars to reach the poverty level. Now, the 28.4 percent of workers with wages under the poverty line would need an increase of $2.01 an hour to reach that subsis-

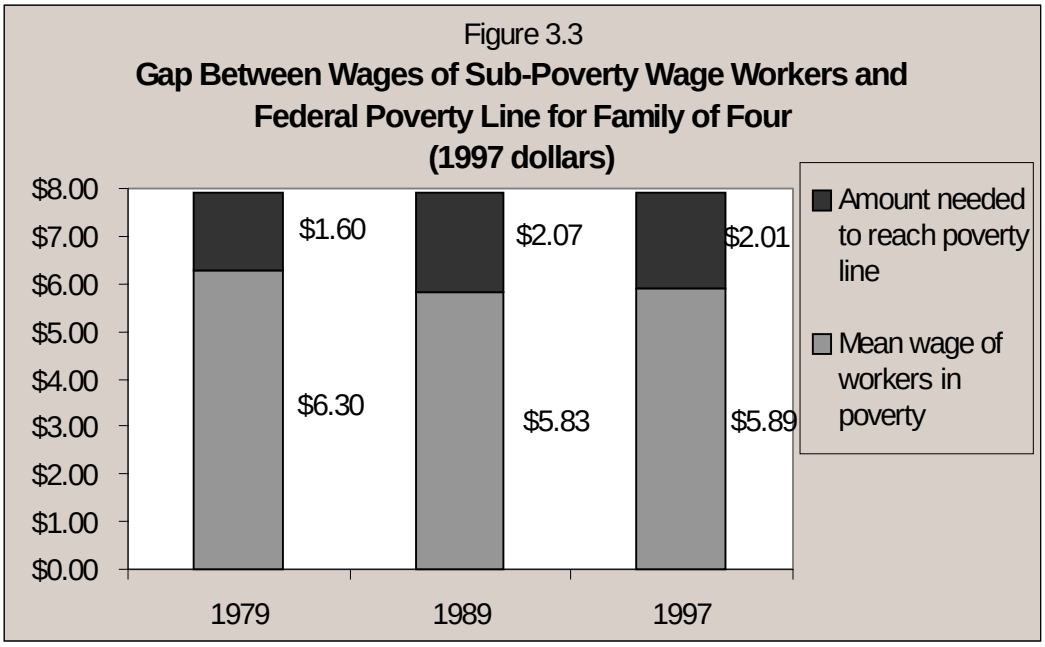
Nearly One-Third of Ohio's Workers Earn Poverty Wages

Increasingly in Ohio, full-time work can not bring a family out of poverty. The number of workers earning sub-poverty wages grew dramatically between 1979 and 1989, and has edged only slightly downward during the recovery of the nineties. As Table 3.5 shows, 28.4 percent of Ohio's workers now earn less than $7.90 an hour, too little to support a family at the federally-defined poverty level. This is more than a fourth of the workforce, up from just over a fifth of the 1979 workforce. Ohio has a higher percentage of poverty-wage jobs than all of its western and eastern neighbors, a slightly higher percentage of such jobs than the nation as a whole, and a lower percentage of poverty jobs than Kentucky or West Virginia.

Table 3.5
Ohio Workers Earning Poverty Wages* 1979-97

1979	21.4%
1989	29.0%
1997	28.4%

*Poverty wage is a wage equal or below the amount needed to bring a family of four to the federally-defined poverty level with one full-time, year-round worker, calculated as $7.90 an hour in 1997.
Source: Authors' analysis, based on CPS data.



Source: Authors' analysis, based on CPS data.

tence-level wage. This gap has dropped by six cents since 1989, perhaps because of the minimum wage increase in 1997, so the trend may be beginning to reverse. Figure 3.3 illustrates this information.

This trend is distressing not only because it means that more wage change is needed to bring families out of poverty, but because of what it says about how those with poverty-wage jobs are living. If the poverty line measures basic subsistence, each dollar below that line is a dollar that is unavailable for necessities. Poverty-wage workers who would have needed $3,200 additional dollars to climb to a basic subsistence level in 1979 would now require $4,020 to reach the same federally defined poverty line.

Increased Work Effort Finally Pushes Actual Poverty Rates Down Slightly[17]

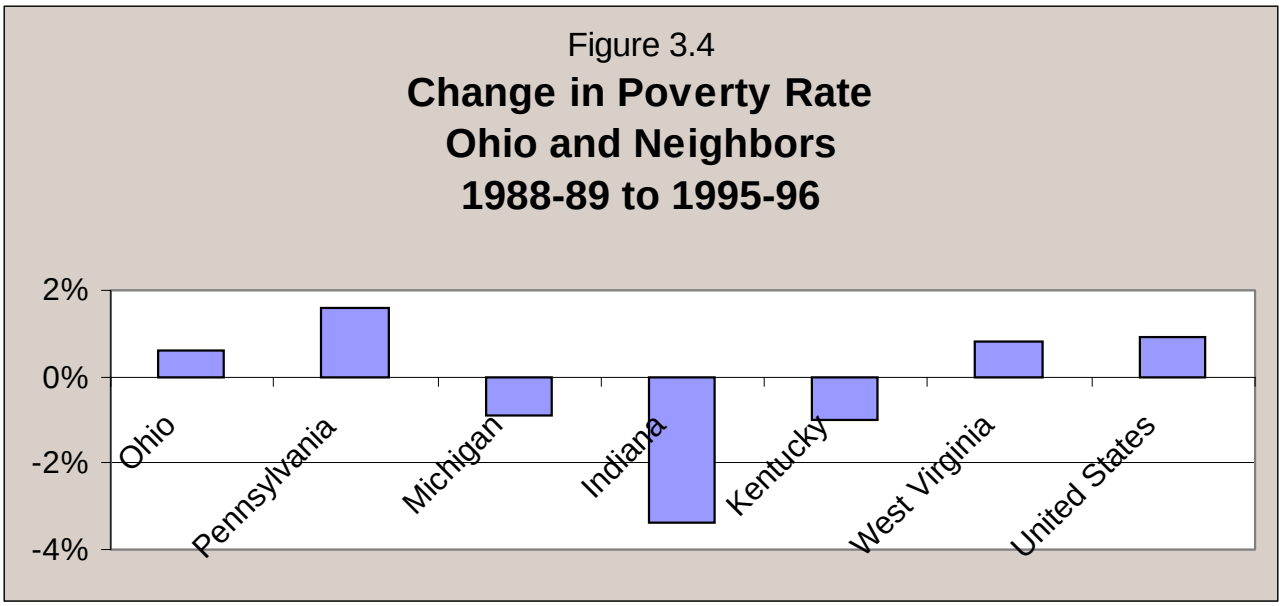
After increasing or remaining stagnant for each of the previous three two-year periods, poverty rates finally started to inch downward in Ohio, from 12.8 percent in 1994-95 to 12.1 percent in 1995-96.[18] However, this rate remains nearly two full percentage points above the 1979 rate of 10.3 percent.[19]

Slightly fewer than one in eight Ohio residents now subsist below the poverty line. In this respect, as Table 3.6 shows, we fare better than the nation and substantially better than West Vir-

Table 3.6
Poverty Rates
1989-96
Two-year Averages

	1988-89	1990-91	1992-93	1994-95	1995-96	% Point Change 88/89 to 95/96
Ohio	**11.5%**	**12.5%**	**12.8%**	**12.8%**	**12.1%**	**0.6%**
Pennsylvania	10.4%	11.0%	12.6%	12.4%	11.9%	1.6%
Michigan	12.7%	14.2%	14.5%	13.2%	11.7%	-0.9%
Indiana	11.9%	14.4%	12.0%	11.7%	8.6%	-3.4%
Kentucky	16.9%	18.1%	20.1%	16.6%	15.9%	-1.0%
West Virginia	16.8%	18.0%	22.3%	17.7%	17.6%	0.8%
United States	12.9%	13.9%	15.0%	14.2%	13.8%	0.9%

Source: Economic Policy Institute, *State of Working America 1998-99*, p.348-9.



ginia and Kentucky, though slightly worse than Pennsylvania, Michigan, and Indiana. Much of the decline in poverty can be attributed to increased hours worked by families – since hourly wages have dropped, particularly at the lower ends of the spectrum, a drop in poverty was possible only with greater work effort. Poverty rates are measured after all transfers, so any drop in poverty from welfare payments or tax credits is reflected here.

Even factoring in the last period's reduction, poverty rates have still risen in both Ohio and the nation since 1988. Some of our neighbors have managed a better poverty rate reduction, as Figure 3.4 shows. While the poverty rate has declined since 1988-89 in Michigan, Indiana and Kentucky, it has risen in Ohio.

Toia Warren on government: *"I was on AFDC when I went back to school — and in subsidized housing. I figured out how to go to school and keep the benefits. It doesn't make any sense not to let people go to school. I never depended on AFDC – I used it as a way to get where I needed to be, and it helped me through."*

Child Poverty

Ohio's poverty rates vary dramatically with race, region and age. Rates are higher for children, higher in the southeast part of the state, and dramatically higher for African Americans. As discussed earlier, children are more likely than adults to be poor, both in Ohio and nationally. Nearly one in five of Ohio's under-18 population was living in poverty in 1995-96.

Twenty-eight states have lower child poverty rates than Ohio's 19 percent, but Ohio's child poverty rate was slightly better than the national 21 percent average. This number was essentially unchanged from the mid-1980s, despite increases in workforce participation. More than half of these children (10 percent of all children) lived in extreme poverty, with incomes below 50 percent of the poverty line, which is slightly more than the national rate of nine percent.

Children whose families can not provide them with basic needs are less likely to succeed in school and more likely to be unemployed and poorly employed when they enter the labor market themselves. These and other issues facing children in Ohio are discussed in the national *Kids Count 1998 Databook* and in various reports by the Children's Defense Fund of Ohio.[20]

4. Conclusion

The aim of this report was to tell a story that is rarely heard amid the excitement about stock market peaks and corporate profits. The story is about how working people and their families are doing in Ohio, and the plot is clear and simple: despite Ohio's remarkable growth and record low unemployment, workers are falling behind, families are treading water, and inequality has increased dramatically. The hope is that this is not the end of the story but a prelude that raises the question: How can we begin to restore some measure of economic well-being and shared prosperity to all of Ohio's working families?

There is no single solution that will magically change the plot line of this tale any more than there was a single cause. This is not the place for a detailed set of reforms, listing what needs to be done in myriad areas of public policy and private practices. Still, in general terms, there are a few steps that could begin to reverse the trends we've described. Here are five suggestions[21]:

LaVont Wilson on recreation centers: *"I always liked recreation – I wanted to be a coach and help young guys. I like working with kids – I used to go to a rec center myself as a kid and I think it was good – it kept me off the streets."*

Close Off the Low Road

Many firms in Ohio and the country make good money by paying poor wages. We call these "low-road" firms and low-road practices. By paying poorly, failing to train workers, and failing to concentrate on worker longevity, these companies depress all wages and can afford to produce more at less cost to themselves. Low-road firms also pass on social costs – such as health insurance for their employees and environmental damage – to be shared by the rest of society. This hurts "high-road" firms, making it hard for them to invest time and money in equipment, good environmental practices, strong work organization, training, friendly workplaces, diverse workforces, and decent wages. As long as low-roading is permitted, it will often dominate. To foster the development of high-road firms, Ohio must close off the low-road option. There are several ways to do so and we list only some possibilities. First, we could raise mandatory wages – by increasing the state's minimum wage or requiring provision of health insurance, for example. A second, less direct, way would be to eliminate barriers to unionization and to encourage stronger collective bargaining, especially among poorer workers.[22] And finally, state and local governments could remove existing subsidies to low-wage firms, such as transportation policies that encourage location in low-wage areas serving higher-wage markets; tax abatements and subsidies that encourage "sprawl"; and government contracts with firms paying below-average wages.[23] Despite the low unemployment of the 1990s, wages have not been "naturally" driven up as some economists might argue they would be. More deliberate intervention is needed.

Help Pave the High Road

In addition to reducing competition from low-road firms, we must help firms get what they need to stay on the high road. While a good survey of Ohio's best employers would probably

reveal other needs, minimally they require good education and training institutions to produce skilled workers and services to facilitate best practice learning among companies. These are basically "public goods," which collective action problems prevent from occurring naturally. While it is in the interest of all Ohio employers collectively to have well-trained workers and access to the best production techniques, it makes little sense for any one firm to make the investment to provide them on its own (even if one firm had the capacity to do so). Instead, groups of firms, unions, and workers must get help in organizing to provide them. Before this can happen, cooperation has to be clarified and institutionalized among companies and workers and between the private sector and the state.[24] Once the majority of firms in a sector are organized, worries about competitors stealing their trained workers or their production techniques will begin to dispel and cooperation that benefits all participants can flourish.

We can also, as touched on earlier, reserve government assistance – in the forms of tax abatements, health care cost sharing, and other benefits – for those firms that are indeed "high road." This includes companies that have strong records of equal pay for equal work across race and gender; provide training and advancement opportunities to workers; pay above-average wages; have sound environmental practices; and are family-friendly, making it easier for parents to adequately meet both their professional and familial obligations. We can do more to encourage firm location in heavily populated areas and to discourage sprawl and development of farmland.

Broaden Ownership

Inequalities in wealth exceed even the vast income inequalities described here, with the top 20 percent of households owning 84.3 percent of the nation's net worth[26] in 1997, and the top one percent owning a shocking 39.1 percent of this wealth.[27] This inequality in wealth also exacerbates the wage inequalities we described, because of the huge inequalities it creates in income from capital.

Broadening ownership of productive assets offers a way to simultaneously reduce wealth and income inequality. This can be done by supporting small business development, minority- and women-owned business development, and employee ownership. The federal government, the Ohio Department of Development, and local economic development programs have all created good incentives to increase minority, women's and small business development, although improved coordination among these programs would improve their effectiveness. These programs could also be augmented with additional supports for minority successorship and loan programs for new immigrants interested in establishing businesses.

Because employee-owned firms anchor capital and jobs in Ohio communities, ensuring high levels of reinvestment and future employment, we also support expansion of programming to encourage this approach. The federal tax incentives for employee Stock Ownership Plans (ESOPs) are one effective example. Popularizing this option, especially in closely-held businesses, would broaden ownership. Broadening ownership in this state will ultimately lead to a more equitable Ohio.

Build Career Ladders for Ohio Workers

> ***Toia Warren on overtime:*** *"I work evenings at my regular rate and I usually do about 16 hours of overtime a week. I can pay for what I need, but the overtime is what got me this house."*

Career ladders provide information to workers about the steps needed to "get to the next level" and assurance that a specified set of skills qualifies them for promotion. Historically, this has been an important way for less-skilled workers to access entry level jobs that were connected to a career track. At the same time, career ladders conveyed reliable information to employers about the skills, experience, and qualifications of employees. Today, upward paths are much murkier. Of all the questions asked of the workers who are quoted throughout this book, the hardest one for people to answer was "where do you see yourself in five years?" Many good jobs have high

human capital requirements (like graduate school) and movement across them is increasingly driven by workers demonstrating specific, unique skills, rather than fulfilling mutually understood qualifications. Promotion is more likely to be based on vague assets like "communication skills" than on concrete mastery of tasks. The result is increased inequality, higher turnover, less certainty about the future, and a more intimidating system for labor market entrants.

Make Taxes Progressive

Tax distribution in Ohio is regressive, with the highest-paid one percent of workers paying only 6.3 percent of their income to state and local taxes, while the lowest-paid 20 percent spend 11.6 percent of their incomes on these taxes. At the same time, services provided locally are less adequate in poorer communities, where they are arguably more needed. This worsens the already intolerable inequalities described here. One solution would be to pay for schools through progressive income taxes rather than property taxes, another would be to equalize school spending statewide. Table 4.1 portrays the distribution of tax burdens by income groups in Ohio and neighboring states. This distribution is regressive in all states, including Ohio.

* * * * *

Table 4.1
State And Local Tax Rates By Income
1997

	Lowest 20%	**Second 20%**	**Middle 20%**	**Fourth 20%**	Next 15%	**Top 20%** Next 4%	Top 1%
Ohio	**11.6%**	**10.0%**	**9.6%**	**9.1%**	**8.1%**	**7.2%**	**6.3%**
Pennsylvania	13.2%	10.7%	9.8%	8.9%	7.7%	6.2%	4.5%
Michigan	13.2%	11.4%	10.2%	9.1%	7.8%	6.5%	5.0%
Indiana	12.6%	10.3%	9.4%	8.3%	7.3%	6.0%	4.9%
Kentucky	10.4%	10.5%	10.2%	9.9%	8.7%	7.4%	5.7%
West Virginia	10.6%	9.4%	8.6%	8.2%	7.8%	6.9%	5.7%
US average	12.4%	10.3%	9.4%	8.6%	7.7%	6.5%	5.8%

Source: Economic Policy Institute, *State of Working America, 1998-99,* p.352-3.

These five steps provide one list of changes that could help reverse the trends described in this report. Other researchers could devise a completely different list that might also be effective. Less important than a set of policy ideas is that this report sheds some light on the problems in wage trends in Ohio. As this analysis makes clear, wages are declining for 80 percent of Ohio workers, declining faster for the poor, and becoming more unequal. More people are working for vastly inadequate wages. Women still lag behind men, blacks are falling further behind whites, communities are suffering, and we all are losing. Hopefully, this report will get readers talking about these very real problems and coming up with their own lists of solutions.

A natural solution is to construct a modern version of the conventional job ladder, but one that responds to new economic realities, using an industry or regional labor-market basis. Employers and employees should map out desired skill sets across industries and markets, make current workers and new applicants aware of these maps, use the maps for hiring and promotion, and provide workers and applicants with opportunities for gaining these skills. This should be accompanied by more relevant preparation in high schools and better school-to-work transition programs. If done systematically, employers should gain a better-trained workforce and reduced search costs for new employees. Labor market entrants should get clear signals on how to get started and how to progress. And finally, current workers should gain greater opportunity and job security.

Appendix A:

Data Sources & Methodology

The State of Working Ohio, 1999 relies on a range of data sources. The particular source or sources relied on for any given table or figure are identified with them, with notation as described in the table and figure notes which follow this appendix.

Current Population Survey & Decennial Census

Our primary source is the annual U.S Bureau of the Census compilations of the Current Population Survey (CPS). We chose to base our analysis on CPS-Outgoing Rotation Group (ORG) data because we believe it is the best source for analyzing state and national level wage trends. Unlike the "average wage" series produced by the U.S. Department of Labor, CPS data permit calculation of individual hourly earnings and the linkage of earnings to demographic characteristics such as race, gender and employment situation, and permit comparison between Ohio workers and those elsewhere. The sample used in our analysis for wage calculations includes all wage- and salary-workers with valid wage and hourly data. We include all respondents between 18 and 64. We exclude individuals with hourly earnings less than $0.50 per hour and more than $100 per hour. CPS weights were applied to make the sample representative of the population. All of this is standard in CPS analysis.

In 1994, the CPS altered its categorization for education. Up until then, CPS respondents were asked their highest grade completed. Since then, they have been asked the highest degree received. While these two schemes are not perfectly comparable, they provide reasonable consistency, especially given the broad education groups on which this analysis is based. Here we group individuals into five education categories: high school dropouts, high school graduates, 1-3 years of post-high school, college graduates, and graduate work. In the years before 1994 we assign individuals with less than 12 years of school to the first category, those with 12 years into the second, those with 13-15 into the third, those with 16 into the fourth, and those with 17 or more to the fifth. For years after 1994, the assignment of those reporting high school, college, or post-college degrees is straightforward. Those who report no degree are classed as dropouts, and those reporting any technical or associate degrees are classed in the "1-3 years of post-high school" category, as are those who report having begun college but not completing it.

> ***Amy Miller on paychecks:*** *"We get paid overtime but to be honest I couldn't describe the policy. I can't ever figure out my pay stub. Sometimes I think they purposely make it confusing so you never quite know. You have to just hope that they're paying you right."*

Real Median Wages

In general, we present trends in real median hourly wages. Unless indicated otherwise, "real" means wages are adjusted to 1997 dollars

using the Consumer Price Index (CPI-U_X1). "Median" means the center of a distribution, above which half the distribution lies and below which half lies.

Another way to express wage trends is in terms of an actual average, or "mean," calculated simply by taking all wages for a population and dividing by its number of members. Straight averages are misleading, however, because of outliers in the distribution. A few very high earners can distort the mean dramatically upwards, even if the vast majority of people in the sample are earning less than the mean.

In the CPS, respondents can answer the question regarding wages in one of two ways. If they are paid an hourly wage, they simply report that wage, which is then used in the analysis. If they are paid on a salary basis, they report their weekly earnings and their usual hours of work in a given week. To estimate their hourly wage, earnings are divided by usual hours reported.

Two Factors That May Distort Wage Information

Two important factors may distort wage information presented in this report. The first factor is the omission of benefits. Wages presented here do not include benefits such as health insurance. Benefits are more likely to be paid to median- and high-wage earners than low-wage earners. The result is that this study underestimates two important statistics. First, it underestimates the overall earnings of those receiving benefits. Although these amenities are not in the form of cash in a paycheck, they clearly benefit workers and constitute additional earnings. Not including benefits also underestimates inequality. If we factored in the value of these goods to those who earned them, the earnings of those without benefits, who usually earn less in wages as well, would be even worse by comparison.

A second factor that underestimates the data on poverty and unemployment is the increase in prison incarceration during the past two decades. According to a recent *New York Times* article (2/28/99, p. A1), the prison population in the US has grown 130 percent since 1985. The sharp rise in the prison population matters when comparing populations over time since prisoners are not included in either wage, poverty, or unemployment statistics. To put it simply, 1979 data on wages and employment includes a population that 20 years later are not factored into the calculations. If the increase in the prison population were spread equally across the population, the effect would be neutral. However, the growth in the Ohio prisons is disproportionately drawn from poor and minority populations: precisely those groups whose wages are the lowest and who are more likely to be unemployed. Removing this population from the pool, therefore, underestimates the decline in wages and growth in the number of poverty-level wage-earners.

* * * * *

Interviews

The worker quotes in this report were derived from telephone interviews conducted in February and March 1999. These profiles are not meant to be representative of anything other than the experiences, in their own words, of these particular workers. These workers were contacted through jobs programs, universities, unions, community groups, and places of employment to obtain contact information, and only those who consented to be interviewed were interviewed. We did not use all of the interviews that we conducted. We also did not fact-check their versions of events or check with their employers to get a different perspective. While we spoke with people in a range of occupations with diverse backgrounds, this is by no means a representative sample. In fact, the workers with whom we spoke are, on average, older, more likely to be female, better paid, more likely to be unionized, and more racially varied than the state as a whole. We simply felt that some individual stories might give personal voice to the statistical trends we found.

ENDNOTES

[1] Real dollars are adjusted to 1997 dollars using the Consumer Price Index. Thus when we say that Ohio's median male wage in 1979 was $15.09, we mean that was equivalent to what $15.09 was worth in 1997.

[2] This definition of low-wage is somewhat arbitrary since workers at the 20th percentile also earn below poverty-level wages. However, dividing the 90th by the 10th percentile is a common way to measure inequality.

[3] We define poverty-level wages as wages below the level needed to bring a family of four above the federally-defined poverty level ($15,800), with one full-time, year-round worker. This was calculated as $7.90 an hour in 1997. All earlier-year dollar values are adjusted to 1997 dollars.

[4] The official unemployment rate reports on those who are actively looking for work and are not working. It thus excludes "discouraged workers" who have stopped looking because they have repeatedly failed to find jobs or because they lack child care or transportation, and "underemployed workers" who are working in undesirable or part-time jobs while they seek other employment. See the S*tate of Working America 1998-99* for estimates on how many discouraged and underemployed workers there are in Ohio.

[5] The standard employment data used is based on payrolls and excludes self-employed workers.

[6] Whenever we discuss neighboring states, we refer to those with borders contiguous to Ohio: Pennsylvania, Michigan, Indiana, Kentucky, and West Virginia.

[7] We define family as four related people living together. We control for family size to address the argument by some analysts that since family size has declined over time, income trends overstate recent income losses.

[8] Nearly a quarter (23.4%) of Ohio workers put in more than forty hours a week, according to our calculations, based on CPS data.

[9] It is worth noting that changes in hours worked also affects unpaid work done in the home. When both parents work full-time, neither parent is available to do the work that was previously done by the stay-at-home parent during working hours. Thus families must pay to have this work (primarily child care) done by others, must steal leisure time or time from their children to do this work (cooking and cleaning for example) during their shrinking hours at home, or must leave this work undone.

[10] Much of the gender gap is due to occupational segregation (jobs traditionally held by women, such as child care, pay less than jobs traditionally held by men, such as construction work). The fact that women are more likely to be part-time workers also negatively affects women's wages and benefits.

[11] According to analysis of CPS data, of Ohio residents over age 25, 24.3%, or about one-fourth, had no high school diploma. Another 36.3% held a high school diploma only and an additional 17% had education beyond high school but had not completed college. In all, 77.6% of residents had no college degree. In Ohio, 16.4% of residents had a four-year college degree, and another 5.9% also had a graduate degree. According to the *Cleveland Plain Dealer,* throughout most of the 1990s, the high school graduation rate has been approximately 75%, although it rose to 79% in 1997 (3/10/99, p. 6-A).

[12] Note that these figures only measure changes in education and do not control for age and experience. Blacks with higher education may be younger or less experienced on average than whites with such degrees, explaining some of the difference.

[13] Approximately one in five Ohio workers (20.8%) is in a union or covered by a collective bargaining agreement.

[14] The lowest earning tenth we call the first decile or the 10th percentile, the second lowest tenth is the second decile or 20th percentile and so on. The wage at the 10th percentile is not the wage that everyone at that percentile earns. Rather it is the top wage in the category. Workers can move across these percentiles when their wages change, or when the wages of other workers change, so the person at the 10th percentile in 1979 is not the same as the earner at the 10th percentile in 1997.

[15] The wage at the 10th percentile is actually below the federal minimum wage, which changed from $4.75 per hour to $5.15 per hour in August 1997, halfway through the final year of analysis included in this report. Workers not covered by the federal minimum wage, such as tipped employees and some agricultural employees, are also included in this analysis, which might help to explain this sub-minimum wage.

[16] The average family receiving welfare consists of three people – usually a woman and two children – while our standard family includes four members.

[17] Just as income statistics differ from wage statistics, poverty rates differ from the rates of workers earning poverty wages. If a family of four has two wage-earners, each earning $7.00 an hour, those two earners are both earning sub-poverty wages, but the family itself is pulled out of poverty. They would be included in Table 3.5 – workers earning poverty wages – but left out of Figure 3.4 on poverty rates. In contrast, if a family of six has one wage-earner, earning $8.00 an hour, they would not be counted as having sub-poverty wages, since the earner could bring the typical family out of poverty, but they would be part of the poverty rate chart, since this larger family would be subsisting below the poverty level for a family of six.

[18] Note that unlike most tables in this document, because of data availability this looks at only a seven-year trend, not an eighteen-year trend.

[19] The 1979 rate is from the US Bureau of the Census poverty web site.

[20] For any of several recommended reports on child well-being, including a forthcoming publication on child poverty, contact Children's Defense Fund-Ohio at (614) 221-2244 or the Annie E. Casey Foundation at (410) 223-2890 or www.aecf.org.

[21] This section borrows heavily from "The State of Working Wisconsin, 1998" by the Center on Wisconsin Strategy in Madison Wisconsin, and "The State of Working Pennsylvania, 1998" by the Keystone Research Institute, based in Harrisburg, Pennsylvania.

[22] One such proposal would require that firms which receive government assistance remain neutral during union drives.

[23] There is at least one movement in the state to do this – an attempt to institute a "living wage" ordinance in Cleveland, which would ensure that all city employees are paid a minimum of $8.92 per hour and would make wages of $8.92 an hour a requirement for receiving city contracts or city economic development assistance. This is several dollars above the $5.15 federal minimum wage and is the wage needed to pull a family of four to 110% of the federal poverty level with one full-time, year-round worker. Such ordinances have been successful in other cities. See *The Living Wage: Building a Fair Economy*, by Robert Pollin and Stephanie Luce for more information on living wage ordinances.

[24] The Wisconsin Regional Training Partnership, a labor-management partnership centered in Milwaukee, provides a good model for beginning this process.

[25] This is defined as financial assets plus equity in home, minus debt, and does not include consumer durables.

The Northeast Ohio Research Consortium was formed in 1979 to provide research and analysis and to facilitate regional networking among institutions and organizations. The Consortium's World Class Region Initiative explores the critical path to global economic competitiveness. Its research seeks to catalyze effective regional responses by identifying the region's industry clusters and drivers, benchmarking the region's emerging workforce needs, and anticipating economic challenges. For more information call (216) 687-2134.

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