A Report from

Policy Matters Ohio

The State of Working Ohio 2001

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Executive Summary

In the years between 1991 and the middle of 2000, Ohio and the nation experienced one of the longest, strongest economic expansions in history. Toward the end of the decade, this recovery finally began to pay off for low and middle-income workers in Ohio, as long-time negative trends were halted or reversed. Yet even in the peak year of 2000, many people lived in poverty, inequality was alarmingly high, and disturbing race and gender wage gaps endured. On almost all indicators in 2000, Ohio still lagged behind its 1979 levels. *The State of Working Ohio 2001* documents how residents of the Buckeye State have won and lost in the last two decades. Some highlights (inflation-adjusted in 2000 dollars) include:

- American worker productivity and Ohio Gross State Product have grown at a strong and steady pace over the past several decades. But median worker compensation at the national and state level have not kept pace.

- Median worker compensation in Ohio in 2000, at $12.61 an hour, was above its 1989 level but below the level from 1979. Median male compensation, at $14.64 an hour, was also above that of 1989 but below that of 1979. Women still earned substantially less ($10.80) than men, but earned more than women had in previous years.

- Ohio's median hourly compensation was higher than, and has risen faster than the national median in recent years.

- Median household income, at $39,617 in 1999, was above previous levels, due largely to increased hours worked and increased labor force participation. Between the late 1970s and the late 1990s, Ohio married families increased their work hours by more than 500 hours or more than twelve weeks a year. In Ohio, women increased their workforce participation by more than ten percentage points between 1981 and 1998.

- Taking the years 1997-99 together, workers were less likely to receive health insurance or pensions from their private sector employers than they had been in the pooled years 1979-81. More than a third of the workforce still does not receive these benefits, and women and minorities are more likely to be among those who don't.

- Although women's wages have grown, the median female worker ($10.80) still earns substantially less than the median male worker ($14.64) in Ohio.

- The median black worker ($10.90) earns less than the median white worker ($13.00) in Ohio, and the gap continues to widen dramatically.

- More educated workers, who have always earned more than less educated workers, are seeing income gains in Ohio. Less educated workers are losing ground both

relatively and absolutely. By 2000, those without a high school degree earned only $8.00 an hour in Ohio.

- Gender and race gaps endure, even when controlling for education. Nonetheless, workers receive a generous boost in earnings for completing high school, college, or graduate school, regardless of race or sex.

- Unionized workers have higher wages, more equal wages overall, and less variation between men and women, between blacks and whites, and between more- and less-educated workers.

- Sustained low unemployment and a higher federal minimum wage have finally paid off in modest gains for lower-income workers in Ohio. These workers still earn less than their 1979 counterparts did, but they earn more than such workers had in 1989. Workers across the economic spectrum have seen increases since 1989.

- Income inequality is extreme in Ohio and the nation. A worker in the 80th percentile earned 9.7 times what a worker at the 20th percentile earned in Ohio in the late 1990s. A worker in the 95th percentile brought home 16.6 times what a worker at the 20th percentile earned.

- More than one in five Ohio workers earned poverty wages (below $8.47 an hour) in 2000. Women and blacks were more likely to earn poverty wages than white men.

- More than 11 percent of Ohio residents live below the federally-defined poverty level.

- Most metropolitan areas in Ohio mirrored the trends described in the state as a whole. Cincinnati tended to do better on many indicators, while Youngstown and the non-metropolitan areas of Ohio tended to perform less well.

Ohio is not alone in the trends described here. For analysis of many of these issues on an ongoing basis, see the Economic Policy Institute's web page at http://www.epinet.org. For a downloadable copy of this report, or other research from Policy Matters Ohio, see http://www.policymattersohio.org.

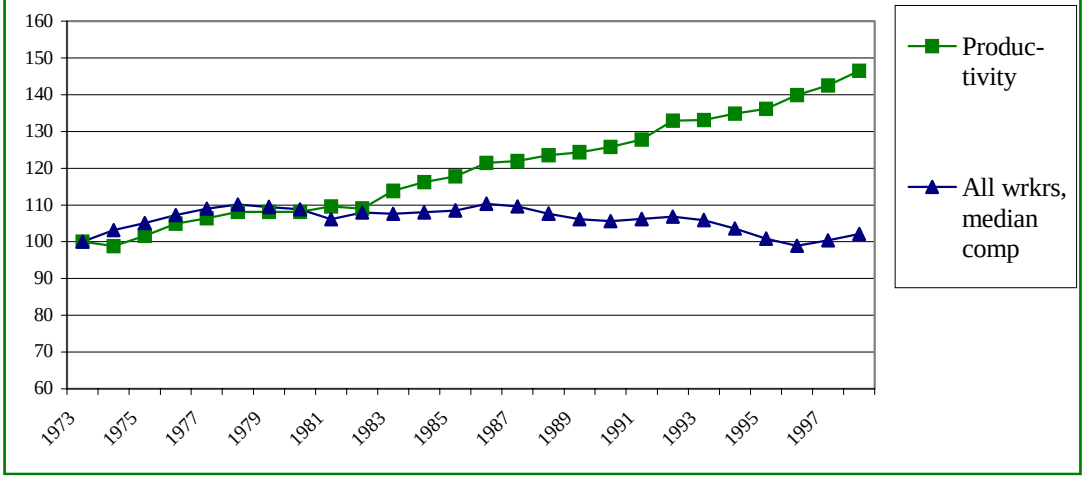
I. Introduction

Beginning in 1991, the United States experienced an economic expansion longer and stronger than any other in the country's history. However, during the early 1990s most working families were disappointed by the economic expansion. It was initially labeled a jobless recovery, characterized by low productivity growth, stagnant wages, and downsizing.

By the close of the decade, economic growth and declining unemployment rates had begun to yield a return to working families: wages and incomes had risen from their 1989 levels; new workers were being drawn into the labor force; and poverty among workers was falling. These changes in the labor market are good news for working Americans.

At the same time, most accounts suggest that the middle of the year 2000 represented the peak of the economic recovery. State-level data collected in the early months of this year indicate that trends have worsened. And despite its peak year status, in 2000 the typical American family worked more hours and took on more debt than at any time in recent history. Inequality and poverty, even among workers, remained high. Many workers lacked health care and pension coverage, and job insecurity remained high. While the late nineties brought positive economic changes that helped to erase some of the problems experienced in the 1980s, by most indicators we were still not reaching the peaks we remember from the late 1970s.

Figure 1.1
Productivity and Compensation, US, 1973-99



Source: Economic Policy Institute (EPI)

Worker productivity increased steadily over the decades described in the report, as it has ever since World War II. Unfortunately, compensation did not keep pace. As Figure 1.1 shows, U.S. worker productivity grew by nearly 50 percent between 1973 and 1999. Despite this steadily and dramatically rising productivity, the median worker's

compensation stagnated over this period. In the years between 1973 and 1979, productivity and compensation growth were fairly similar, each growing by approximately ten percent. But shortly after 1979, the two trend-lines diverged, with productivity continuing and indeed accelerating its upward trajectory, while compensation remained steady or declined.

These national trends are documented in *The State of Working America 2000-2001*, by economists Lawrence Mishel, Jared Bernstein and John Schmitt, a biennial report produced last year on Labor Day by the Economic Policy Institute in Washington DC and published by Cornell University Press.

This report updates some of EPI's research, and focuses on Ohio. We consider how Ohio workers and their families have fared during the economic expansion, and in particular, during the last five years. Did the expansion pay off in the Buckeye State? What are the wage and income trends across Ohio's cities? How equally are the fruits of growth being distributed?

Methodology and Terminology

Most of this report discusses median wages in inflation-adjusted 2000 dollars. We use the Consumer Price Index to adjust dollars to their 2000 level for comparisons with previous years. When a different year's value is used, we note that in the table or figure and in the text.

We use averages when discussing inequality because averages give equal weight to all members of the sample, including the highest and lowest. Medians are superior for discussing the typcial worker because the median wage refers to the worker at the midpoint. If the median wage is $10.00 an hour, 50 percent of those in the sample make more than this, and 50 percent make less. This avoids distortions by very high earners. Some tables use deciles, quintiles or percentiles. Deciles divide the sample into ten equal parts; quintiles into five parts; percentiles into 100.

Income is often more unequal than wages because of stocks, benefits, and other non-wage income. Family income may be more unequal than individual income because people tend to marry within their economic group.

The source for each table or figure is identified directly below the table. Our primary source is the Current Population Survey (CPS) of the U.S. Census. This summer, the Census issued new findings from its American Community Survey (ACS) which may seem to differ from the CPS. The ACS sampled more people and is therefore more accurate. However, the ACS has only one year of data, so the CPS is superior for comparisons over time. Further, the CPS asks a wider variety of questions. Other differences may be due to subtle differences in the population being looked at or the variable being examined. See the Appendix for more about methodology

The State of Working Ohio 2001 is our effort to answer these important questions. Using the best and most recent data available, we examine how Ohio's workers and families are managing in today's economy. In subsequent sections we examine income, wages, and job trends in the state and various metropolitan areas. As background to this more detailed discussion, the remainder of this section sketches an overview of the Ohio economy. We then move to a discussion of work and compensation (Section II); wage gaps and disparities (Section III); and distribution, inequality and poverty (Section IV). We recognize that Ohio is a large and geographically diverse state. We therefore present, in Section V, a detailed analysis of specific metropolitan areas in the state. We conclude with several suggestions for policies that can help improve the lives of working families in Ohio.

This report relies primarily on data through 2000, so it captures the situation at the peak of the business

cycle. In many ways then, this report portrays the best that we can hope for, given current priorities. Many observers across the political spectrum argue that the economy has worsened in this year; indeed President George W. Bush pushed through a tax cut based on that assertion. If this is true, than we have reason for grave concern.[1]

Zoom in: Background on Ohio

Ohio has many similarities to the country as a whole. Some observers have joked that the East Coast ends and the Midwest begins where the Cuyahoga River divides Cleveland. Many of Ohio's cities continue to rely heavily on manufacturing. Yet the southeastern part of the state is Appalachian in character, with a rural economy and high rates of poverty. Recent economic trends in this state have been similar to those in the nation as a whole. There has been strong growth, high productivity, low unemployment (4.1 percent in the year 2000 according to the Bureau of Labor Statistics), and high rates of labor force participation.

Ohio is the seventh largest state in the nation, with a population of 11,353,140. State population growth has lagged behind that of the nation, with Ohio experiencing a 4.7% increase between 1990 and 2000, while the total U.S. population grew by 13.1%. The state's population is less diverse than the rest of the country, with whites not of Hispanic or Latino origin comprising 84% of the population, compared to 69% in the U.S. Ohio's Hispanic population, at 1.9%, is significantly smaller than that of the nation's as a whole, which stands at 12.5%.

Like the nation, Ohio has experienced dramatic growth since 1979 as shown in Table 1.1. The per capita Gross State Product grew by nearly 40 percent between 1979 and 1998, from $21,816 to $30,350 in 1998 dollars. As the rest of the report will show, compensation growth remained stagnant or declined over this period as a whole.

Table 1.1
Ohio per capita Gross State Product
1979, 1989 and 1998 (1998 dollars)

1979	$ 21,816
1989	$ 25,106
1998	$ 30,350
Growth, entire period	39.12%

Source: EPI, Bureau of Economic Analysis and Census Bureau

Ohio's total non-agricultural employment grew by 24 percent between 1979 and 2000, from 4.5 million to 5.6 million workers. While we experienced a large (22.1 percent) decline in manufacturing employment in Ohio between 1979 and 2000, it remains an extremely important sector for us. With 1,085,400 people employed in manufacturing, Ohio has more manufacturing employees than all but two other states (California and Texas). Employment in services continues to grow, now encompassing 27.9% of Ohio's total employment.

[1] In the state of Ohio, for example, total earnings declined by 3.5 percent between the final quarter of 1999 and the final quarter of 2000 in inflation-adjusted dollars, according to the Center on Economic Opportunities in Greater Cleveland's analysis of ES-202 data. Unemployment claims in the first half of 2001 were substantially higher than they had been in the first half of the previous year.

Among Ohio workers, 17.3 percent were unionized in the year 2000, down from 23 percent in 1984. Despite this decline, only ten states have greater union density than Ohio.

Current educational attainment is depicted in Table 1.2. [2] Over the last decade, Ohio residents have substantially increased their educational level. In 2000, 84.4 percent of residents had graduated from high school, up from 75 percent in 1990. The percent who had completed college or more also grew, from 17 percent in 1990 to 20.7 percent in 2000. These are strong improvements for a ten-year period. Despite these gains, only about a fifth of Ohio's population completes college or graduate school, and more than half of the population (54.1%) has only a high school education or less. Ohio residents earn high school degrees (84.4 percent) at rates exceeding the national average (81.6 percent). In contrast, Ohioans are less likely (20.7 percent) to earn college degrees than residents of the nation as a whole (25.1 percent). Male and female educational attainment is fairly comparable, with slightly more women completing high school, and men more likely to have a college or advanced degree.

Table 1.2
Educational Attainment by Gender in Ohio (highest level attained), 2000

	All residents	**Men**	**Women**
Less than High School	15.6%	15.7%	15.5%
High School only	38.5%	37.5%	39.4%
1-3 years post HS	25.2%	24.0%	26.2%
College	13.8%	14.8%	13.0%
Advanced degree	6.9%	8.0%	5.8%

Source: American Community Survey (ACS), United States Census

[2] The ACS data in the table provides the best snapshot of the current population. In the text, we compare it to 1990 census data to outline general trends, despite slight differences in the surveys. Educational attainment data from the Current Population Survey also shows substantial increases in Ohio educational achievement. Respondents who indicated their highest level of schooling completed was "some college, no degree" or "associate's degree," have been combined to form the category "1-3 years post HS."

II. Work and Compensation

This section explores how wages, income, other compensation, and hours of work changed between 1979 and 2000 for the median worker in Ohio. All findings are presented in inflation-adjusted dollars for the final year of analysis of that table or figure.

Hourly Wages

Ohio's median[3] hourly wages, perhaps the key indicator of economic well-being for typical workers, reversed the downward trend that they experienced throughout the 1980s and rebounded from the stagnation they endured in the early 1990s, as shown in Table 2.1. Between 1989 and 2000, median hourly wages rose 4.6% in Ohio, a welcome reversal, and double the percentage point increase that the nation experienced. However, this key measure still remained well below its 1979 level with the recent 4.6% recovery making up for only about half of the 9.7% loss experienced in the 1980s. The 1999 Ohio median wage, $12.61 per hour, was still 5.5% below the Ohio median wage for all workers in 1979. Ohio's median wage was about 35 cents higher than the national median wage in the year 2000.

Table 2.1

Median hourly wages in Ohio and the United States, 1979-2000 (2000 dollars)

				Change		Total
	1979	1989	2000	79-89	89-00	('79-'00)
All workers						
Ohio	$13.35	$12.06	$12.61	-9.7%	4.6%	-5.5%
US	$12.30	$11.99	$12.26	-2.5%	2.3%	-0.3%
Men						
Ohio	$16.19	$14.16	$14.64	-12.5%	3.4%	-9.6%
US	$15.43	$14.03	$14.00	-9.1%	-0.2%	-9.3%
Women						
Ohio	$9.85	$10.01	$10.80	1.6%	7.9%	9.6%
US	$9.68	$10.24	$11.00	5.8%	7.4%	13.6%

Source: Authors' analysis, based on U.S. Census Bureau's Current Population Survey (CPS) data.

Nationally, men have continued to experience declining median hourly wages even during this longest and strongest economic recovery. Ohio has managed to reverse this trend, with median male wages that increased by 3.4% between 1989 and 2000. Both nationally and in Ohio, male median wages remain well below their 1979 levels. The 2000 male hourly median wage in Ohio was $14.64, 4.6 percent above the national figure of $14.00.

[3] Median wages better describe how typical workers are doing than do average wages because of distortion by a few wealthy individuals. For example, if nine workers earn $10 an hour and one worker earns $100 an hour, the average wage is $19 an hour, even though 90% of the sample earns far less than that. The median for that sample would be $10 an hour, which describes how the typical member of that sample is doing.

Workers in Ohio and the US are more educated and more productive than those of a generation ago. But even at the peak point of the recent economic expansion, all worker (men and women combined) and male worker wages remain below those of the previous generation's workers.

Ohio's female workers experienced a sharp rise in median wages over the last three years, which compensated somewhat for the stagnant wages that Ohio's working women experienced between 1979 and 1997. Recent gains for Ohio's women workers slightly exceeded the gains experienced by Ohio's male workers and by their national sisters. The 7.9 percent growth in women's median wages in Ohio between 1989 and 2000 (9.6 percent growth since 1979) brought female workers in this state to a $10.80 median wage, 1.8 percent below the $11.00 federal median women's wage, and 35.5 percent below the male median wage in Ohio.

Income Growth

As Table 2.2 shows, median household income rose by 6.9 percent between 1984 and 1999 in real dollars (no comparable data are available for the years prior to 1984 and comparable 2000 data is yet to be released). By 1999, the median Ohio household earned $39,617. This level was just slightly below the national median and was lower than Indiana and Michigan. However, it exceeded other neighboring states. Although Ohio's median income was higher than many of its neighbors, it grew more slowly than the nation as a whole, and more slowly than all neighboring states. At the beginning of the period depicted in Table 2.2, Ohio's median income exceeded that of all neighboring states and exceeded the national average.

Table 2.2
Median household income,
Ohio and neighboring states, for 1984, 1989 and 1999 (1999 dollars)

	1984	1989	1999	Growth, 1984-1999
United States	$ 35,942	$ 38,837	$ 40,816	13.6%
Indiana	$ 36,511	$ 34,795	$ 40,929	12.1%
Kentucky	$ 28,349	$ 31,282	$ 33,901	19.6%
Michigan	$ 36,824	$ 41,348	$ 46,238	25.6%
Ohio	**$ 37,077**	**$ 38,991**	**$ 39,617**	**6.9%**
Pennsylvania	$ 32,624	$ 38,546	$ 37,995	16.5%
West Virginia	$ 27,007	$ 29,124	$ 29,433	9.0%

Source: EPI, Census Bureau, Historical Income Table H-8, comparable pre-1984 data unavailable

Working More to Stay in Place

Both nationally and at the state level, families dramatically increased their hours of work over the period examined in this report. The growth in household income even as median hourly wages fell can be explained by increased work effort over the period. As shown in Table 2.3, Ohio married couple families increased their annual hours of work by 16.1 percent, from 3157 hours to 3665 hours, between 1979-81 and 1997-99 (pooled data). This increase - more than 500 hours - equates to more than twelve additional weeks of work a year, or more than ten additional hours of work a week. A full-time job involves

approximately 2000 hours of work a year (40 hours a week times 50 weeks a year, with two weeks of vacation). Even the poorest families (the first fifth), are working more than one full-time job and have increased their hours. Middle-income families (the third fifth) are now working approximately two full-time jobs and have increased their work participation by more than 25 percent since the late 1970s. Upper-middle or high-income families are working more than two full-time jobs and have continued to increase their hours worked.[4]

Table 2.3
Average annual hours worked per year by income quintile in Ohio, Married couple families 1979-81 (pooled), 1987-89(pooled) 1997-99(pooled)

	All married couple families	First fifth	Second fifth	Third fifth	Fourth fifth	Top fifth
1979-81	3,157	2,279	2,898	3,065	3,383	4,148
1987-89	3,467	2,272	3,084	3,479	3,977	4,520
1997-99	3,665	2,373	3,403	3,920	4,280	4,336
Increase: Late 1970s-Late 1990s	16.1%	4.1%	17.4%	27.9%	26.5%	4.5%

Source: EPI analysis of CPS data

Single-parent families, especially at the lower income levels, have also increased their hours of work over this period as shown in Table 2.4. The lowest-income single parent families (first fifth) have nearly doubled their hours of work, although they still are not working steadily, on average. Middle-income single-parent families slightly reduced their hours of work, and are working just less than one full-time job. Upper-income single-parent families are working more than one full-time job, in addition to raising their children.

Table 2.4
Average Annual Hours Worked per Year by Income Quintile in Ohio, Single Parent Families 1979-81 (pooled), 1987-89(pooled) 1997-99(pooled)

	All single parent families	First fifth	Second fifth	Third fifth	Fourth fifth	Top fifth
1979-81	1,576	197	1,021	1,922	1,994	2,730
1987-89	1,588	323	710	1,659	2,316	2,913
1997-99	1,738	558	1,342	1,849	2,177	2,756
Increase: Late 1970s-late 1990s	10.3%	183.9%	31.5%	-3.8%	9.2%	1.0%

Source: EPI analysis of CPS data

[4] Ohio married families work slightly fewer hours than the national average (3693), which probably explains why our median hourly wage is slightly higher than the nation's while our median household income is slightly lower.

The increase in hours worked by families was partly due to increased hours by working individuals, and partly due to increased workforce participation. In Ohio, as Table 2.5 shows, 63.5 percent of the population was in the labor force in 1998, up from 57.4 percent of the population in 1981. This 6.2 percentage point growth in labor force participation exceeded the growth in Kentucky, Pennsylvania and West Virginia, but was less than that in Michigan and Indiana.

Table 2.5
Employment-to-population ratio, all residents, Ohio and neighboring states for 1981, 1989, 1998

				Percentage point change	
	1981	**1989**	**1998**	**1981-89**	**1989-98**
Indiana	58.5%	65.1%	66.8%	6.6	1.7
Kentucky	57.1%	58.4%	60.8%	1.3	2.3
Michigan	55.7%	61.1%	64.8%	5.4	3.7
Ohio	**57.4%**	**62.0%**	**63.5%**	**4.6**	**1.6**
Pennsylvania	55.2%	59.7%	61.0%	4.5	1.3
West Virginia	48.3%	49.0%	51.4%	0.7	2.5

Source: EPI, Bureau of Labor Statistics, CES, Geographical Profile and Census Bureau

The growth was fueled by women, who experienced an 11.3 percentage-point increase in labor force participation, as shown in Table 2.6. Female labor force participation is now 57.3 percent in Ohio. Thus, residents of the country and the state are working more just to stay in place. More people have entered the labor force, and individual workers are working more hours. People are working harder and are more productive, but compensation is not growing accordingly.

Table 2.6
Employment-to-population ratio, women, Ohio and neighboring states for 1981, 1989, 1998

				Percentage point change	
	1981	**1989**	**1998**	**1981-89**	**1989-98**
Indiana	47.0%	56.5%	59.5%	9.4%	3.0%
Kentucky	45.3%	49.5%	53.5%	4.2%	4.1%
Michigan	44.1%	52.6%	57.7%	8.4%	5.1%
Ohio	**46.0%**	**53.8%**	**57.3%**	**7.8%**	**3.6%**
Pennsylvania	43.8%	50.6%	53.8%	6.8%	3.3%
West Virginia	36.3%	39.4%	45.2%	3.1%	5.8%

Source: EPI, Bureau of Labor Statistics, CES, Geographical Profile and Census Bureau

Non-Wage Compensation

Non-wage compensation fell in Ohio between 1979 and 1997. As Table 2.7 shows, private-sector employers reduced their provision of health insurance for their employees between the late 1970s and the late 1990s, from 77 percent to 65 percent. Women and minority workers were even less likely to receive insurance from their employers; just 57 percent of women workers, 59 percent of black workers, and 49 percent of Hispanic workers received this benefit.

Table 2.7
Share of Ohio private-sector workers covered by employer-provided health insurance (pooled across three years)

	1979-1981	1987-89	1997-99
All workers	77.0%	68.8%	65.0%
Male workers	85.4%	75.1%	71.0%
Female workers	63.3%	59.7%	57.0%
White workers	77.3%	69.7%	66.0%
Black workers	76.0%	60.0%	59.1%
Hispanic workers	NA	59.5%	48.9%

Source: EPI analysis of CPS

Pension coverage declined dramatically between the late 1970s and the late 1980s, but rebounded somewhat by the late 1990s, as Table 2.8 shows. Just 57.1 percent of Ohio workers are provided with pension coverage by their private-sector employers, down from 59.9 percent. Again, women and minorities are less likely to receive this benefit; just 53 percent of women workers, 49 percent of black workers and 39 percent of Hispanic workers[5] receive pension coverage from their private-sector employers. At a time when the integrity of Social Security is being threatened, it is important to recognize the inadequacy of private-sector pension provision.

Table 2.8
Share of Ohio private-sector workers covered by employer-provided pensions (pooled across three years)

	1979-1981	1987-89	1997-99
All workers	59.90%	52.20%	57.10%
Male workers	65.60%	56.70%	60.60%
Female workers	50.00%	45.60%	52.60%
White workers	60.30%	52.40%	58.50%
Black workers	56.40%	50.80%	49.40%
Hispanic workers	NA	47.30%	39.30%

Source: EPI analysis of CPS

[5] Sample sizes for Hispanic workers are insufficient unless using pooled data.

III. Wage Gaps and Disparities

Knowing about the median worker is useful, but a good snapshot of the labor force requires that we zoom in on different groups. This section looks at how male, female, black, white, unionized, non-unionized, young, old and more- and less-educated workers differ from each other in their levels of compensation. We find that disturbing disparities have endured, even at the peak of the economic expansion.

Table 3.1 portrays changes in the median wage by race and gender in Ohio. The next several pages focus on how wages differ across race, gender and educational level in Ohio. The progress that we made between 1989 and 1999 in the overall median wage masks increasing inequalities between blacks and whites, and less- and more-educated workers. Women have made up some ground, but their wages remain well below those of men.

Table 3.1
Ohio Median Hourly Wages by Race and Sex

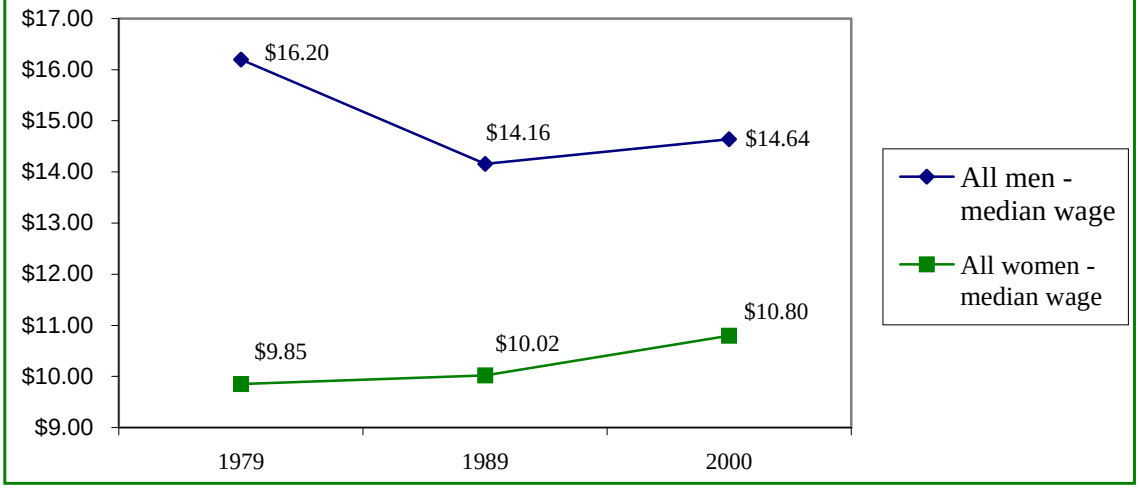
	Year			Percent Change		
	1979	1989	2000	1979-89	1989-2000	Total 1979-2000
All workers	$13.35	$12.06	$12.61	-9.7%	4.6%	-5.5%
All men	$16.20	$14.16	$14.64	-12.5%	3.4%	-9.6%
All women	$9.85	$10.02	$10.80	1.7%	7.8%	9.6%
White workers	$13.46	$12.34	$13.00	-8.3%	5.3%	-3.4%
White men	$16.29	$14.57	$15.00	-10.5%	3.0%	-7.9%
White women	$9.87	$9.92	$11.00	0.5%	10.9%	11.4%
Black workers	$12.14	$10.83	$10.90	-10.8%	.6%	10.2%
Black men	$14.89	$12.14	$11.44	-18.4%	-5.8%	-23.2%
Black women	$9.89	$10.37	$10.00	4.8%	-3.6%	1.1%

Source: Authors' analysis, based on CPS data.

The Gender Gap

Men's median wages have always been higher than women's in Ohio. That gender gap narrowed slightly between 1989 and 2000, as women's median wages rose faster than men's. Between 1979 and 1989, the gender gap had also narrowed, primarily because of declining male median wages. Since 1989, male and female median wages have rebounded. Yet male median wages remain below their 1979 peak. Together with women's wage growth, that has reduced the disparity. Still, women in Ohio are earning less than three-quarters as much as men. As Figure 3.1 shows, women's 2000 median wages, at $10.80 an hour, lag behind men's $14.64 median wage for that year.

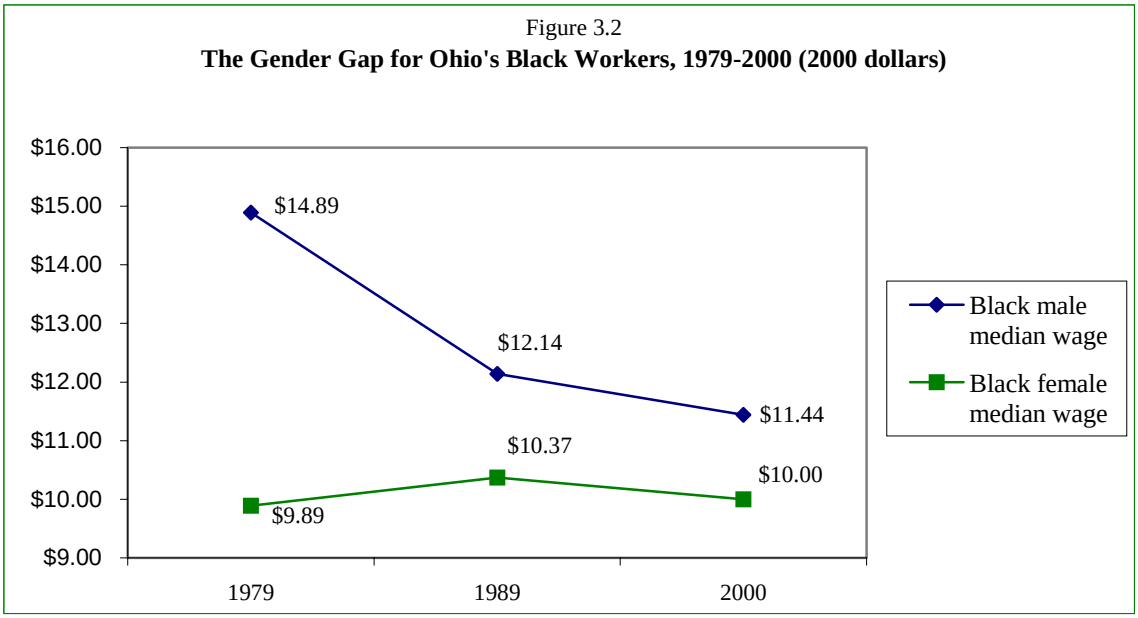
Figure 3.1
The Gender Gap in Ohio Median Wages, 1979-2000 (2000 dollars)



Source: Authors' analysis of CPS data.

The gender gap holds true for black workers as well as for whites. While white women workers saw a double-digit wage increase between 1979 and 2000, black women saw a mere one percent gain. They have narrowed the gap recently with black men, but only because their wages aren't falling as fast. As Figure 3.2 shows, despite the decline in black men's wages, black women's wages remain lower.

Figure 3.2
The Gender Gap for Ohio's Black Workers, 1979-2000 (2000 dollars)



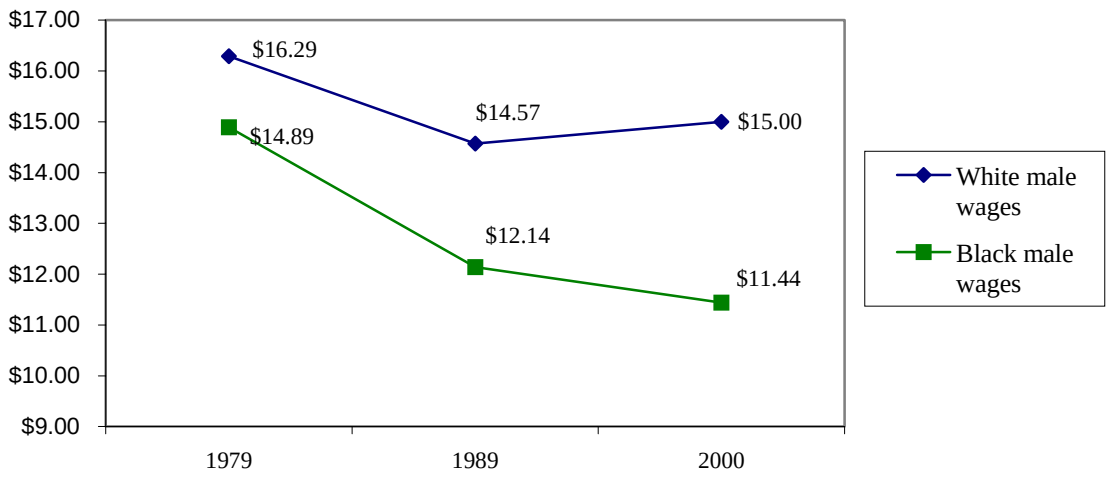
Source: Authors' analysis of CPS data.

The Race Gap

Hidden in the good news about recent gains in overall male and female wages is extremely distressing news about declining minority wages and growing racial wage

disparities, depicted for men in Figure 3.3. While wages for men and women taken as a whole and for white men and white women rebounded during the 90s, wages for black workers of both genders fell between 1989 and 2000, even as we experienced low unemployment and a rising minimum wage. White men's wages recovered by 3 percent between 1989 and 2000 (much of that in the latter part of the decade) while black men's wages continued to fall, for a net decline in black male wages between 1979 and 2000 of 23 percent, compared to a net decline for white men over this entire period of 8 percent. This continued decline in black male wages has meant continued growth in the race gap, which now stands at 23.8 percent for men.

Figure 3.3
The Race Gap: Median male wages in Ohio, 1979-2000 (2000 dollars)



Source: Authors' analysis of CPS data.

Black women workers, who actually earned more than white women workers in 1989, reversed course by 2000 and were earning less than their white counterparts. The distressing news about trends in wages along race lines illustrates the problems with only looking at aggregate indices in the economy. Medians (or worse, averages) for all workers may give us reason to be optimistic; trends for smaller groups often offer grounds for concern.

Wage By Education

Disparities between less and more educated workers in Ohio continued to grow throughout the 1990s, with wages for anyone possessing less than a four-year college degree continuing to drop while wages for those with a college or graduate degree continued to climb. Table 3.2 provides some details.

Table 3.2
Ohio Median Hourly Wages by Education, 1979-2000 (2000 dollars)

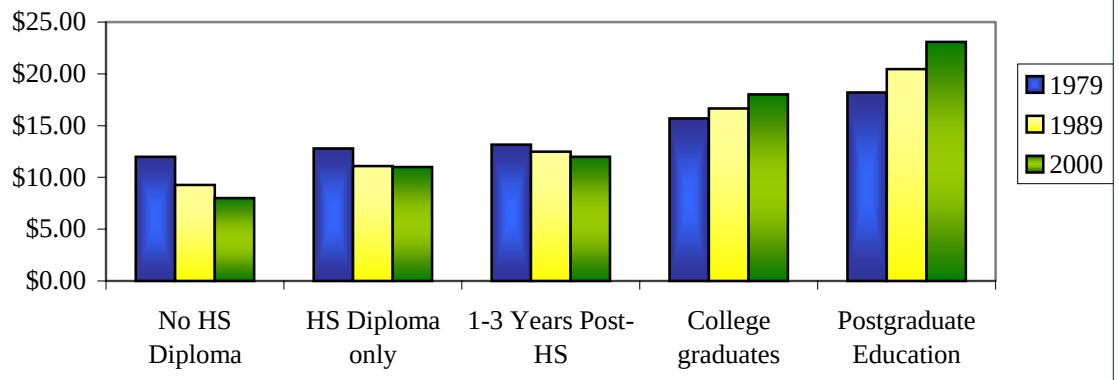
	Year			Percent Change		
	1979	1989	2000	1979-89	1989-2000	1979-2000
MEN						
No HS Diploma	$14.77	$11.12	$9.25	-24.7%	-16.8%	-37.4%
HS Diploma	$16.29	$13.53	$13.45	-16.9%	-0.6%	-17.4%
1-3 Years Post-HS	$16.03	$14.57	$13.50	-9.1%	-7.3%	-15.8%
College graduates	$19.31	$19.09	$20.06	-1.1%	5.1%	3.9%
Postgraduate Education	$20.07	$23.13	$25.77	15.2%	11.4%	28.4%
WOMEN						
No HS Diploma	$7.80	$6.95	$7.00	-11.0%	0.7%	-10.3%
HS Diploma	$9.31	$9.01	$9.35	-3.2%	3.8%	0.4%
1-3 Years Post-HS	$10.47	$10.66	$10.94	1.8%	2.6%	4.5%
College graduates	$13.29	$13.88	$15.00	4.4%	8.1%	12.9%
Postgraduate Education	$15.13	$17.34	$20.51	14.6%	18.3%	35.6%
ALL WORKERS						
No HS Diploma	$11.98	$9.28	$8.00	-22.5%	-13.8%	-33.2%
HS Diploma	$12.78	$11.10	$11.00	-13.1%	-0.9%	-13.9%
1-3 Years Post-HS	$13.15	$12.49	$12.00	-5.0%	-3.9%	-8.7%
College graduates	$15.71	$16.65	$18.00	6.0%	8.1%	14.6%
Postgraduate Education	$18.20	$20.46	$23.07	12.4%	12.8%	26.8%

Source: Authors' analysis, based on CPS data.

Workers without a high school diploma are likely to be mired in poverty in today's economy, with 2000 median wages of $8.00 an hour, 33.2 percent below their 1979 level in real dollars. Those with a high school diploma fared a little better over this period, but experienced an overall 13.9 percent decline that endured throughout the recovery. Even those with 1-3 years education beyond high school (either completing an associate, vocational or technical degree or getting part-way through college) saw their wages continue to fall throughout the '80s and '90s in real terms. Their 2000 wage, $12.00, was 8.7 percent below their 1979 wage of $13.15 an hour. College graduates and those with education beyond college escaped this downward trend, experiencing 14.6 percent and 26.8 percent growth, respectively. Those with graduate education, earning a median of $23.07 an hour, earned 2.88 times what those without a high school degree earned in 2000. Figure 3.4 illustrates how wages for less-educated workers declined over this period while wages for the most educated workers rose.

Figure 3.4

Real Wages by Education, all Ohio workers, 1979-2000 (2000 dollars)

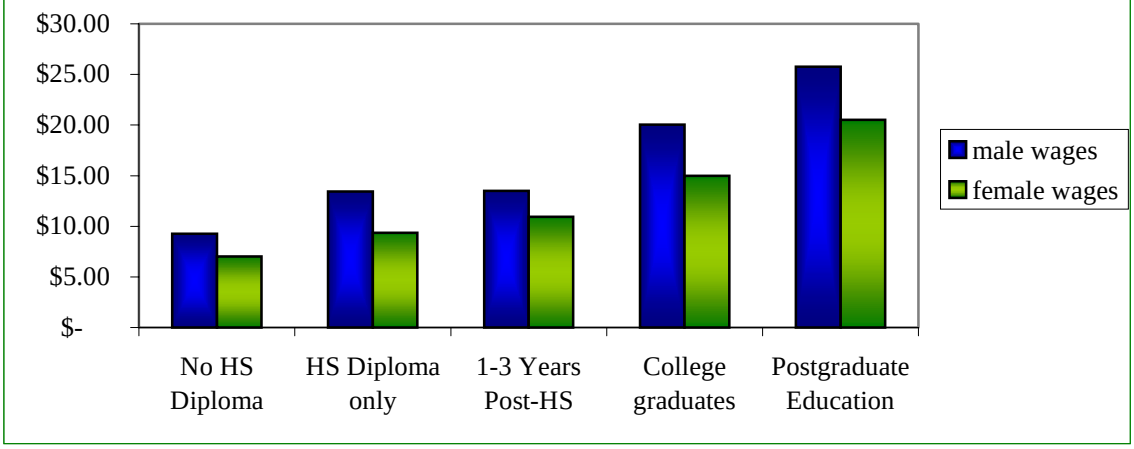


Source: Authors' analysis of CPS data.

Defenders of gender disparities in wages have argued that if you control for consecutive years in the workplace and education, much of the gender gap is eliminated. However, this data shows that the gender gap is actually quite dramatic even when controlling for education. As Figure 3.5 shows, women earn substantially less than men at every educational level in Ohio and in some cases earn less than men at the educational level below theirs. As discussed in Table 1.2, women and men have fairly comparable levels of educational achievement (slightly more women complete some education beyond college, but slightly more men complete college or graduate school).

Figure 3.5

Gender Gap by Education, Ohio 2000



Source: Authors' analysis of CPS data.

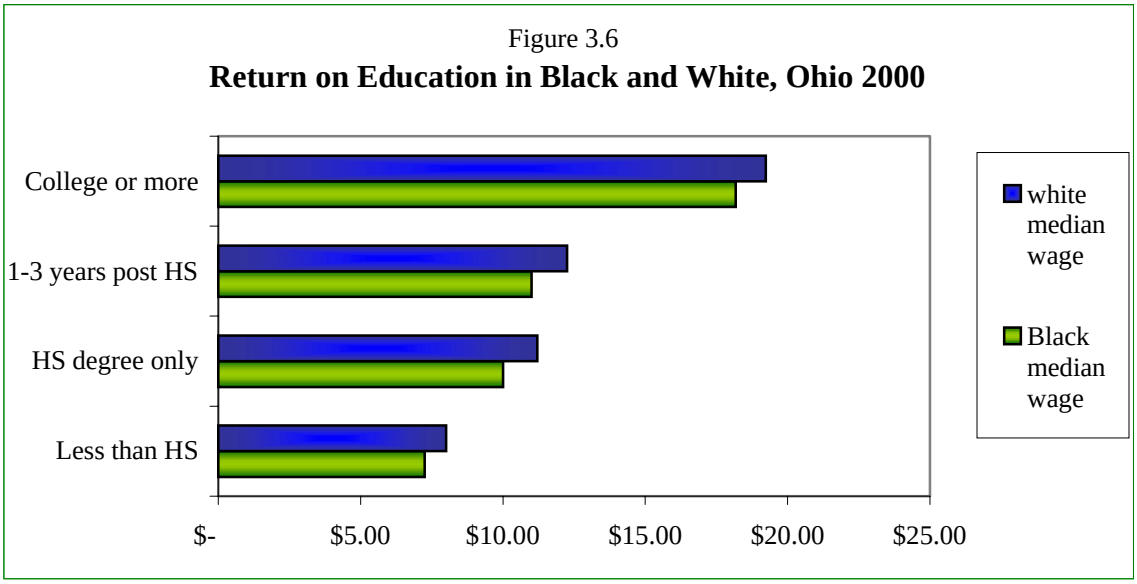
The endurance of gender disparity in wages, even when controlling for education, points to an important problem. Maintenance of previous living standards relies ever more heavily on the participation of two workers in a family, but child care is not available at an affordable rate for most working families. Women are sometimes criticized for working full-time and not devoting more time to their children. Yet, some observers argue that it is legitimate to pay women less throughout their lives, in part because they may take a few years off in the early part of their careers to raise families.

Education and Race

Blacks earn less than whites in the workplace in Ohio. One might hope that this, too, could be explained by disparities in educational attainment between the two groups. Unfortunately, as with women and men, black-white wage disparities endure even when controlling for education. Black workers earn between 5.5 and 12.1 percent less than white workers when controlling for education. Figure 3.6 displays this information.

Figure 3.6

Return on Education in Black and White, Ohio 2000



Source: Authors' analysis of CPS data.

Despite disparities between black and white workers at different education levels, as Table 3.3 shows, both gain a substantial increase in wages (between 9.3 and 65.3 percent) for every step toward more education. For those who obtained a high school or a college or graduate degree[6], wages were boosted by more than 37.9 percent from the previous educational level in 2000. Increasing Ohio's level of educational attainment is one of the best ways to ensure increased wages for workers.

[6] College and graduate school were combined to improve the sample size.

Table 3.3
Ohio's Race Gap, by Education, 2000

	No High School Degree	High School Degree only	1-3 years education beyond HS	College or Graduate School
White Workers	$8.00	$11.21	$12.25	$19.23
Boost[7]		40.1%	9.3%	57.0%
Black Workers	$7.25	$10.00	$11.00	$18.18
Boost		37.9%	10.0%	65.3%
Percent Difference	9.38%	10.79%	10.20%	5.46%

Source: Authors' analysis, based on CPS data.

Unfortunately, 15.6 percent of Ohio's labor force still has not completed high school, and only about 20.7 percent has completed college. Our state's level of educational attainment has risen substantially, but the majority of our workers still have little education beyond high school (see Table 1.2). Our policies should do more to assist people in finishing high school and college, but should also include strategies to help those who are not college-bound.

Wage by Age

When we examine wages of workers broken down by age in Table 3.4, we get to the crux of the frustration that many workers feel in today's labor market. In 2000, young workers earned considerably (8 to 22 percent) less than their counterparts did in 1979 in real dollars. For black workers, the declines were severe. White workers of all age groups earned less (one to 16 percent) than their counterparts of twenty years ago in inflation-adjusted dollars. Hardest hit were those between 18 and 25. Only one group of black workers, those between 46 and 55, experienced a gain in real wages between 1979 and 2000. In all age groups, white workers earned more than black workers in 2000.

Table 3.4
Wages by Age and Race, 1979-2000 (2000 dollars)

	1979		**1989**		**2000**				
Age	**White**	**Black**	**White**	**Black**	**White**	**Black**	**Disparity by race, 2000**	**White wage disparity 1979-2000**	**Black wage disparity 1979-2000**
18-25	$9.54	$9.20	$7.78	$6.59	$8.00	$7.53	5.88%	-16.14%	-18.15%
26-35	$14.55	$13.95	$12.50	$9.72	$13.42	$10.90	18.78%	-7.77%	-21.86%
36-45	$15.71	$14.40	$14.64	$12.50	$14.65	$13.45	8.19%	-6.75%	-6.60%
46-55	$15.20	$12.14	$13.88	$15.27	$15.00	$14.00	6.67%	-1.32%	15.32%
56-65	$14.42	$12.89	$13.82	$12.50	$13.75	$10.15	26.18%	-4.65%	-21.26%

Source: Authors' analysis, based on CPS data.

The Union Premium

As we have seen, there is much wage disparity in the Ohio labor market. Women earn substantially less than men, blacks earn substantially less than whites, and those with less

[7] The "boost" refers to the percent earnings increase from the previous educational category.

education lag far behind those with more. However, in workplaces with collective bargaining agreements in place - unionized workplaces - these disparities are much smaller, and overall wages are higher. The next three tables document differences in wages between those who are covered by collective bargaining agreements (primarily unionized workers), and those who aren't.

Table 3.5
The Union Premium, for Women and Men:
Earnings Differentials from Collective Bargaining Agreements, 2000

	Men	Women	Percent Difference: Men and women
Non-union Workers[8]	$14.00	$10.25	26.8%
Union Workers	$16.00	$13.46	15.9%
Percent Difference: Union and non-union	12.5%	23.8%	

Source: Authors' analysis, based on CPS data.

As Table 3.5 shows, men who were covered by collective bargaining agreements earned $16.00 per hour, 12.5 percent more than the $14.00 earned by those who weren't covered by such agreements in 2000. For women, the difference was even greater, with unionized women earning $13.46 per hour, 23.8 percent more than what non-unionized women earned. Having a unionized workplace substantially reduced the wage gap between men and women, while raising the wages of both genders.

Similar effects can be seen for black and white workers in Table 3.6. Again, unions served to increase wages for both races, to increase black worker wages even more than they increase white worker wages, and to reduce wage differences between the two racial groups. White workers who were in a union earned $15.00 an hour in 2000, 18 percent more than the $12.30 earned by non-union white workers that year. Black workers who were in a union earned $14.71 an hour at the median in 2000, a dramatic 32 percent more than their non-union counterparts. Black workers in unions earned more than white workers who were not in unions. While a race gap remained, even among those in unions, it was reduced to a tiny 1.9 percent, a fraction of the race gap faced by non-unionized workers (18.7 percent).

[8] Throughout this section and this report, 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.

Table 3.6
The Union Premium, in Black and White:
Earnings Differentials from Collective Bargaining Agreements, 2000

	White Workers	Black Workers	Percent Difference: White and black workers
Non-union	$12.30	$10.00	18.7%
Union	$15.00	$14.71	1.9%
Percent Difference: Union and non-union	18.0%	32.0%	

Source: Authors' analysis, based on CPS data.

Finally, unions reduce the differentials between less and more-educated workers, primarily by helping less educated workers gain higher wages (Table 3.7). Workers without a high school degree who were in unions earned $10.50 an hour in 2000; high school dropouts who were not in unions earned a poverty-wage[9] of $7.50 an hour, or 28.6 percent less. As we move up the educational spectrum, unions continued to confer advantages on their members, with high school graduates in unions gaining a 26.6 percent wage premium, and those with some college gaining a 22.4 percent premium. For college graduates and those with education beyond college, unions no longer bring about an advantage. In fact, at these educational levels, workers in unions earn slightly less than their non-unionized counterparts (2.3 percent and 6 percent respectively).

Table 3.7
The Union Premium, by Education:
Earnings Differentials from Collective Bargaining Agreements, 2000

	No HS Degree	HS diploma	1-3 years beyond HS	College Degree	Beyond College	Percent Difference low/high
Non-union	$7.50	$10.28	$11.50	$18.00	$23.85	68.6%
Union	$10.50	$14.00	$14.82	$17.60	$22.50	53.3%
Percent Difference: Union and non-union	28.6%	26.6%	22.4%	-2.3%	-6.0%	

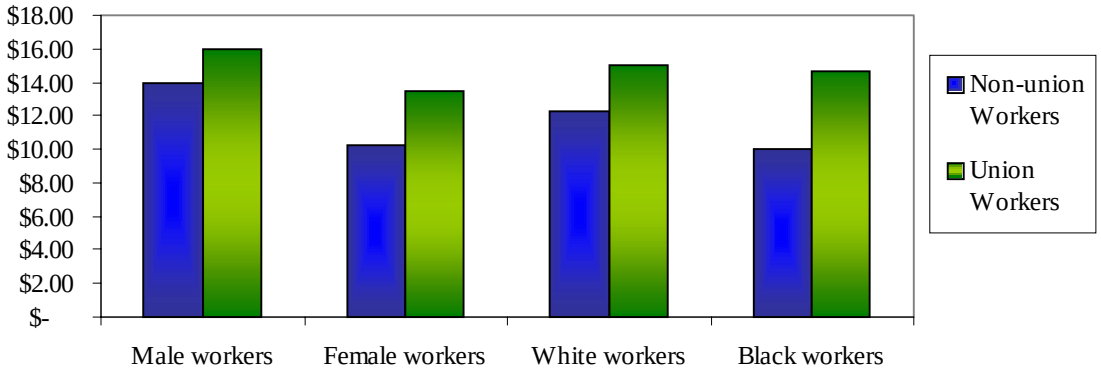
Source: Authors' analysis, based on CPS data.

[9] A poverty wage is an hourly wage that would not bring a family of four above the federally-defined poverty rate with full-time, year-round work, valued at $8.47 in 2000.

In sum, then, unions tend to reduce inequality, raise wages at the bottom, and slightly reduce wages for those at the very top of the earnings spectrum. This is similar to their effect over time: unionized workers experience much smaller decreases in income during economic downturns, and can experience slightly smaller boosts in income during economic booms. Thus the differences between unionized and non-unionized worker wages were larger in 1997, when economic times were harder than in 2000. While unionized workers still earned more than their non-union counterparts in 2000, they had not experienced the spike in wages at the end of the decade that some other workers saw during this peak of the recovery. In general, collective bargaining agreements tend to steady wages, especially during periods of economic volatility. Figure 3.7 provides a picture of the union premium for black, white, male and female workers.

Figure 3.7

Ohio's Union Premium, by race and gender, 2000



Source: Authors' analysis, based on CPS data.

IV. Distribution, Inequality and Poverty

Just as we should care about how wages differ across race, gender and age categories, we want to understand how wages are distributed. This section discusses distribution in Ohio and provides insight on who is winning and who is losing in the Ohio economy. We also concentrate on poverty here, looking at changes in poverty wage jobs and in the overall poverty level in the Buckeye State.

Growth at the Bottom

Economic news throughout the 1980s and early 1990s was uniformly negative when it came to distribution, equality and poverty. A very small number of workers saw wage increases during this period, and it was almost exclusively those at the very top of the earning spectrum. Earnings dropped for workers across the bottom 80 percent of the income spectrum, and the closer they were to the bottom the more their earnings dropped.

The changes in earnings distribution that took place at the end of the 1990s were more complicated. Thankfully, the trend toward unrelentingly increasing inequality slowed. As the Economic Policy Institute points out, during this period the shape of inequality in the nation changed, with the top continuing to pull away from the middle, but with some growth at both the middle and the bottom, in stark contrast to the stagnation and decline that these parts of the labor market had experienced previously.

There are two probable causes for the growth in income between 1997 and 2000 at the bottom of the labor market. One is the sustained low unemployment that we experienced in Ohio and in the nation between 1996 and 2000. Though unemployment began to increase late in 2000, the national unemployment rate was below 5.5 percent for four years. Not since 1970 has there been even a two-year stretch of such low rates. The other is the series of increases in the federal minimum wage which took place in 1990, 1991, 1996 and 1997.

It is important not to be too sanguine about this trend. Inequality has still increased dramatically, and those at the bottom of the labor market still earn less than they did in the late 1970s. Inequality in this country still vastly exceeds that of other affluent nations. But the trend showed some signs of beginning to reverse at the end of the 1990s, a welcome change. Continuing to promote minimum wage increases and low unemployment are two ways to ensure that this trend continues in the right direction.

Wage Distribution

Table 4.1 describes the distribution of hourly earnings in Ohio by decile. That is, the table divides the labor market into ten equal parts, with the bottom ten percent of earners constituting the 10th percentile or the lowest decile, the next ten constituting the 20th percentile or 2nd decile and so on. The wages listed for 1979, 1989 and 2000 are for the top of each decile.

Table 4.1
All Ohio workers, hourly wage by percentile, 1979-2000 (2000 dollars)

	1979 wage	1989 wage	2000 wage	Percent Change 1979-2000
10th percentile	$6.94	$5.72	$6.44	-7.2%
20th percentile	$8.17	$7.20	$7.94	-2.8%
30th percentile	$9.84	$8.67	$9.32	-5.3%
40th percentile	$11.59	$10.37	$10.88	-6.1%
50th percentile	$13.35	$12.06	$12.61	-5.5%
60th percentile	$15.11	$13.95	$14.58	-3.5%
70th percentile	$17.24	$16.39	$17.18	-0.3%
80th percentile	$19.59	$19.11	$20.19	3.1%
90th percentile	$23.44	$23.43	$25.21	7.6%

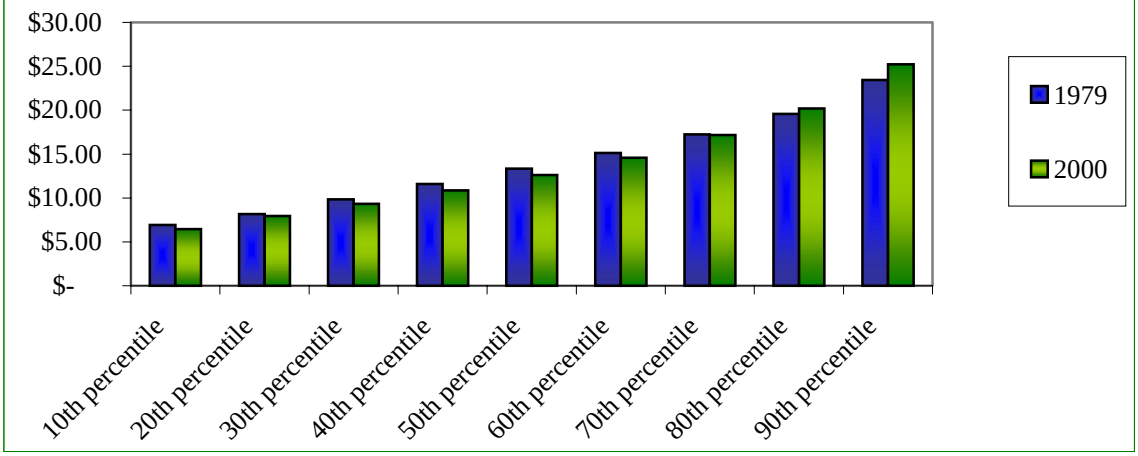
Source: Author's analysis, based on CPS data

As the table shows, across the earnings spectrum until the 8th decile or 80th percentile, workers continued to earn less than they did in 1979 in inflation-adjusted dollars. While the lowest-paid workers experienced the biggest drop over this entire period, for most of the bottom 60 percent of earners the drop was comparable - between 3 and 7 percent. During the latter half of this period, workers at the bottom actually experienced the greatest percentage increase in wages (12.6 percent and 10.3 percent). This long overdue improvement did not change the overall trend over the entire twenty-one year period toward greater inequality.

At every earnings category, workers earned at least slightly more than they had in 1989, another heartening, though recent trend. The across-the-board increase in wages between 1989 and 2000 is especially significant because it was not true at any wage category (except the very lowest and very highest) in 1997, the final year of analysis in the last edition of *The State of Working Ohio*. Thus, any wage growth experienced since 1989 took place in the last three years, between 1997 and 2000. While the wage growth, between 5 and 13 percent, is often not that significant for an entire decade of recovery, it is a sharp spike for a three-year period. It remains to be seen whether this improvement, particularly at the bottom, can continue now that the economy is weaker than it was during the final years of analysis of this report.

Inequality remained extremely high in 2000, with the worker at the 90th percentile earning nearly four times what the worker at the 10th percentile earned. This data, which divides the work force evenly, also masks the more extreme inequality at the top of the earnings spectrum. Figure 4.1 illustrates the way wages have stagnated or declined in the lower deciles and grown at the top between 1979 and 2000.

Figure 4.1
Hourly Wage by Percentile, all Ohio workers, 1979 and 2000 (2000 dollars)



Source: Authors' analysis, based on CPS data.

Lower, middle, and upper-middle earning male workers in Ohio experienced a decline in wages between 1979 and 2000, as shown in Table 4.2. For men at and below the median, this decline ranged between approximately 9 and approximately 15 percent. Twentieth and thirtieth percentile - lower middle-earning workers - were the hardest hit, with drops of about fifteen percent for both groups. The tenth, fortieth and fiftieth percentile workers had declines closer to the ten percent range.

Table 4.2
Ohio male workers, hourly wage by percentile, 1979-2000 (2000 dollars)

	1979 wage	1989 wage	2000 wage	Percent Change 1979-2000
10th percentile	$8.25	$6.70	$7.50	-9.1%
20th percentile	$10.90	$8.58	$9.22	-15.4%
30th percentile	$12.70	$10.53	$10.91	-14.1%
40th percentile	$14.35	$12.50	$12.78	-10.9%
50th percentile	$16.20	$14.16	$14.64	-9.6%
60th percentile	$17.85	$16.50	$17.00	-4.8%
70th percentile	$19.57	$18.54	$19.26	-1.6%
80th percentile	$21.97	$21.41	$23.01	4.7%
90th percentile	$26.53	$26.69	$29.41	10.9%

Source: Author's analysis, based on CPS data

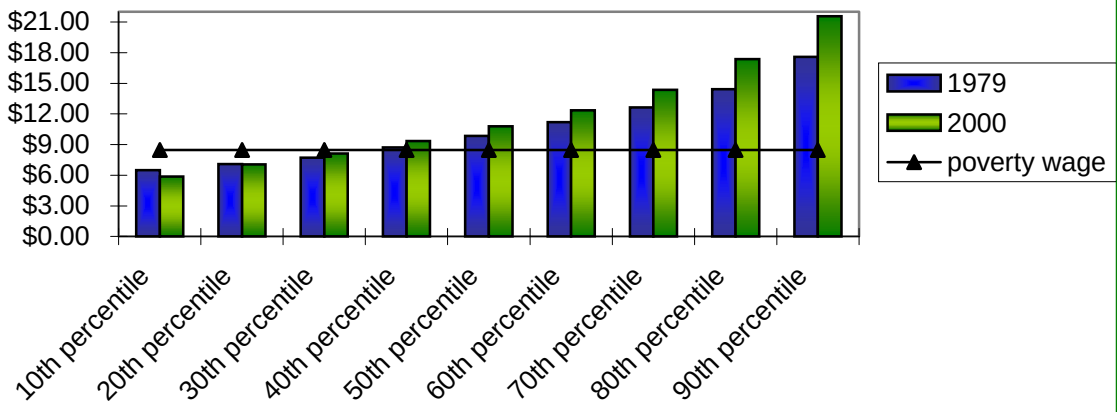
When we study the latter half of this period only, the time between 1989 and 2000, we see that men across the earnings spectrum experienced a slight increase in wages. For this period alone, the increase was U-shaped, with men at the bottom and top of the earnings spectrum experiencing bigger earnings increases than men in the middle. However, because the earnings changes had been so inequality-increasing during the decade

between 1979 and 1989, the overall change for the entire period retained this shape for the most part, with income gains going to those at the top only, and income losses going to those at the middle and bottom.

Turning to data on female workers, we find perhaps the best news in this whole report. For lower-middle earning women and those above that level, wages increased between 1979 and 2000, the only group for whom this was true. Lower-earning women were not included in this happy trend, described in more detail below. The clear gains for middle and higher-earning women are seen most clearly in Figure 4.2.

Figure 4.2

Hourly Wages by percentile, Ohio women workers, 1979 and 2000 (2000 data)



Source: Authors' analysis, based on CPS data.

Female workers had a very different shaped change in earnings distribution over the period of 1979-2000, shown in Table 4.3. Like men, they experienced increased inequality during the first half of this era, with women below the median experiencing wage loss while women at and above the median experienced wage gains. And like men, women across the earnings spectrum saw their hourly wages increase between 1989 and 2000, with much of that gain coming in the last few years of that period. But across the board, women raised their wages by 7.8 percent or more during the 11-year period, a level not matched by any men except those at the very top and bottom. The net effect for women was more positive than that for men over the entire period of 1979-2000, although it still served to increase inequality. The bottom twenty percent of female earners experienced a net loss in income between 1979 and 2000. This loss pummeled in particular the bottom ten percent of earners. These workers earn at most only $5.87 an hour and their wage loss came to nearly ten percent. For women in the thirtieth percentile and above, the last three years of the period compensated for losses over the previous eighteen years, to bring about net earnings gains which increased more for higher-earning women.

Table 4.3
Ohio female workers, hourly wage by percentile, 1979-2000 (2000 dollars)

	1979 wage	1989 wage	2000 wage	Percent Change 1979-2000
10th percentile	$6.51	$5.30	$5.87	-9.8%
20th percentile	$7.08	$6.45	$7.06	-0.3%
30th percentile	$7.71	$7.48	$8.11	5.2%
40th percentile	$8.71	$8.59	$9.34	7.2%
50th percentile	$9.85	$10.02	$10.80	9.6%
60th percentile	$11.20	$11.43	$12.36	10.4%
70th percentile	$12.64	$13.32	$14.36	13.6%
80th percentile	$14.41	$15.48	$17.38	20.6%
90th percentile	$17.58	$19.29	$21.56	22.6%

Source: Author's analysis, based on CPS data

Although many women increased their earnings over this period, those toward the bottom were still losing ground, and more than thirty percent of female workers still earned what we call "poverty-level wages" - wages which could not bring a family of four above the federally-defined poverty line with full-time year-round work, valued at $8.47 an hour in 2000 dollars. Furthermore, income inequality among women grew, with women toward the top of the earnings spectrum (90th percentile), who lagged far behind top-earning men, earning 3.7 times what women toward the bottom (10th percentile) earned in 1999. Finally, as discussed in the previous section, women still earned less than men across the earnings spectrum in 1999.

Income Inequality

Family income inequality[10] as opposed to simple wage inequality continued to increase rapidly over this period in Ohio and nationally. The income tables here measure averages as opposed to medians in order to capture the highest-income families. The top twenty percent of Ohio families earned, on average, 9.7 times what the bottom twenty percent of families earned in the late 1990s, more than a three-point growth since the late 1970s. Ohio's income inequality exceeds and has grown more than Pennsylvania's, Michigan's, and Indiana's. Kentucky and West Virginia have more and faster growing inequality than Ohio has. Compared to the nation as a whole, we have less family income inequality, but the disparity is growing slightly more quickly here.

[10] Family income inequality tends to be more extreme than individual wage inequality for several reasons. First, non-wage income (such as earnings from stock) is highly concentrated. Second, high-wage individuals tend to have higher-wage spouses than do low-wage individuals. Third, higher-wage workers work more and steadier hours than lower wage workers. Finally, high wage workers are more likely to receive pensions, health insurance, and other benefits.

Table 4.4
Income Inequality by State:
Average Income of Top 20% Relative to Bottom 20%
Ohio and neighboring states, for 1978-80, 1988-90 and 1996-98

	Income ratio, (top 20%/lowest 20%)			Percentage Point Change (top 20%/lowest 20%)	
	1978-80	1988-90	1996-98	Late 1970s-late 1980s	Late 1980s-Late 1990s
Total U.S.	7.4	9.3	10.6	1.9	1.3
Indiana	5.8	7.9	7.3	2.1	-0.5
Kentucky	7.1	9.1	11.1	1.9	2.0
Michigan	6.6	8.9	9.2	2.3	0.3
Ohio	**6.4**	**8.3**	**9.7**	**1.9**	**1.4**
Pennsylvania	6.4	7.9	9.4	1.5	1.6
West Virginia	6.5	8.8	10.4	2.4	1.6

Source: EPI/Center on Budget and Policy Priorities' analysis of data from the CPS.

Measuring disparities between the top and bottom twenty percent does not begin to capture the extreme inequality that can be found when we look at a smaller subset of the highest income families. For example, extreme family inequality, as depicted in Table 4.5, portrays the ratio of average earnings among the top five percent of families, as compared to the bottom twenty. Nationally, the top five percent of families earn 18.3 times what the bottom twenty percent earn; in Ohio the ratio is 16.6. This differential has grown extremely rapidly, with ratios nearly doubling between the late 1970s and the late 1990s[11].

Table 4.5
Extreme family income inequality ratio:
Top 5% to Bottom 20%,
Ohio and US for 1978-80, 1988-90 and 1996-98

	Top 5% / Lowest 20%			Percentage Point change (top 5%/lowest 20%)
	1978-80 pooled	1988-90 pooled	1996-98 pooled	
Ohio	9.4	12.8	16.6	7.2
United States	11.0	14.5	18.3	7.3

Source: EPI/Center on Budget and Policy Priorities' analysis of data from the CPS

Low-Wage Workers

At the twentieth percentile are workers who earn less than eight out of ten workers. This is a good measure of how lower-wage workers are doing in the labor market. Of course there are many workers (twenty percent) who earn less than these individuals, but it is a reliable indicator of how those toward the bottom of the earnings spectrum are faring. By the year 2000, wages for these workers had climbed from their 1989 level (and from the level in the late 1990s, not depicted here). However, wages were still 2.8 percent lower than they'd been in 1979. At $7.94 an hour, these workers still earned significantly less than would have been required to pull a family out of poverty ($8.47 in 2000 dollars).

[11] Comparable income data is not yet available for 2000. Wage data alone show some modest declines in inequality by 2000, as seen in Tables 4.1-4.3.

Despite falling short of the poverty wage, Ohio's lower-income workers were doing better than 20th percentile workers in the country as a whole, and better than those in Kentucky, Pennsylvania and West Virginia. These Ohio workers earned less than those in Indiana and Michigan. For details, see Table 4.6.

Table 4.6
Hourly Wages for low-wage (20th percentile) workers, 1979-2000 (2000 dollars)

	1979	1989	2000	Percent change 1979-2000
US	$ 7.86	$ 7.20	$ 7.77	-1.1%
Indiana	$ 7.86	$ 6.82	$ 8.17	3.9%
Kentucky	$ 7.53	$ 6.23	$ 7.32	-2.8%
Michigan	$ 8.73	$ 7.24	$ 8.21	-6.0%
Ohio	**$ 8.17**	**$ 7.20**	**$ 7.94**	-2.8%
Pennsylvania	$ 8.21	$ 7.44	$ 7.74	-5.7%
West Virginia	$ 7.73	$ 5.80	$ 6.67	-13.7%

Source: EPI analysis of CPS-ORG data.

Poverty Wages

Nearly one-fourth of all workers in Ohio still earned less than what would be required to bring a family of four above the federally-defined poverty line with full-time year-round work in 2000 (Table 4.7). This was below its 1989 peak of 28.4 percent of workers, but was still extremely high, particularly for a year which was an economic high point.

Table 4.7
Ohio Workers Earning Poverty Wages (less than $ 8.47/hour, inflation-adjusted 2000 dollars), 1979-2000

1979	21.4%
1989	28.4%
2000	22.4%

Source: Authors' analysis, based on CPS data.

Several political trends make the high percentage of poverty wage jobs worth noting. First, former welfare recipients have been increasingly told that they need to support their families through work. Secondly, mothers who work outside the home are still frequently criticized for doing so. But what this data makes clear is that more than one-fifth of workers could not provide even the most basic of needs for a family. In these families, having two earners or some government assistance is essential, if children are to escape poverty.

Women and workers of color were far more likely to earn poverty wages than men were in the state of Ohio in 2000. As Table 4.8 shows, about three in ten black and female workers earned a poverty wage in 1999 in Ohio. This was actually an improvement for women workers, more than one in three of whom had earned a poverty wage in 1979. But the rate worsened for black workers over this period.

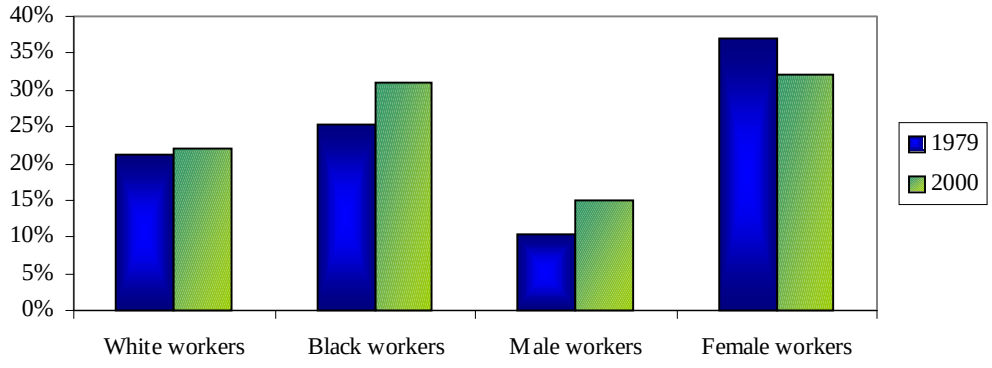
Table 4.8
Workers earning poverty wages (less than $8.47, 2000 dollars) by race and sex, state of Ohio, 1979, 1989 and 2000

	White workers	Black workers	Men	Women
1979	21.23%	25.38%	10.46%	37.02%
1989	27.65%	31.65%	19.01%	38.33%
2000	22.91%	30.91%	14.97%	32.05%

Source: Authors' analysis of CPS data.

Critics of minimum wage and living wage policies often argue that most low-wage workers are young, part-time student-workers or others for whom high wages are not so important. In fact, the majority of Ohio's poverty-wage workers in 1999 (61.3 percent) were working full time. Part-time workers were more likely to be poor, with more than half of part-time workers earning less than the poverty wage. But nearly 18 percent of full-time workers also earned less than the poverty level. Poverty wages by demographic characteristics are portrayed graphically in Figure 4.3.
Source: Authors' analysis, based on CPS data.

Figure 4.3
Percent of workers earning poverty wages (<$8.47, 2000 dollars), by race and gender, 1979-2000



Poverty Rates

It is important to distinguish poverty wages from actual poverty rates. Someone earning a poverty wage may not actually be in poverty, because she may be working more than forty hours a week, or may live in a smaller-than-average family or one with more than one earner. Others may earn more than the poverty wage, but because they are supporting a family with more than four members, may still be in poverty. More than one in ten Ohio residents live below the poverty line, slightly less than the national average. Table 4.9 shows the poverty rate in Ohio and the US during three periods in the early 1980s, late 1980s and late 1990s. The table uses pooled data to increase reliability. We were unable to obtain comparable figures for the late 1970s or for the year 2000 at the time of publication (the 2000 figures will be released in September 2001).

Table 4.9
Poverty Rate, Ohio and United States, 1980-82, 1987-89 and 1997-99 (pooled data)

	1980-82	1987-89	1997-99
Ohio	11.8%	11.9%	11.4%
United States	14.0%	13.1%	12.6%

U.S. Census Bureau, Demographic Surveys Division

Many researchers have argued that the federal poverty line does not accurately measure hardship. A recent EPI study[12] demonstrated the inadequacy of the official poverty measure. The study found that the minimum budget necessary for a family to maintain a safe, decent standard of living was generally about twice the official poverty level.

[12] See *Hardships in America: The Real Story of Working Families*, by Heather Boushey, Chauna Brocht, Bethney Gundersen, and Jared Bernstein).

V. State of the Cities

Ohio is a large, diverse state with large rural areas and densely populated urban industrial cities. While many of our cities suffered tremendous de-industrialization during the 1980s, some civic leaders have argued that their cities have recovered in recent years. This section looks at how wages differ by area in Ohio. When looking at localities, it is important to also examine other data sources than the Current Population Survey (CPS), the large national sampling on which this report relies. New data from the American Community Survey will be available this autumn. Several of the smaller Metropolitan Statistical Areas (MSAs) in Ohio were not included in the CPS sampling in the early years of this report. Thus, the time trend charts only include the larger MSAs.

In most metropolitan statistical areas in Ohio, 2000 median wages remained well below their 1979 highs, as shown in Table 5.1. Cincinnati was the one exception to the declining trend between the late '70s and the late '90s -- there the median hourly wage was $14.00 in 2000, up 6.5 percent from the 1979 level. In all other major cities in Ohio, wages declined over the two decades. Akron was hardest hit, with a 14.9 percent drop in wages between 1979 and 2000. These declines were despite the fact that wages were generally higher in metropolitan areas than in more rural parts of the state.

Table 5.1
Median Wage by Metropolitan Area, 1979-2000 (2000 dollars)

Metro Area	1979	1989	2000	Change 1979-2000
Entire State	$13.35	$12.06	$12.61	-5.5%
Akron	$13.65	$12.14	$11.61	-14.9%
Cincinnati	$13.15	$12.69	$14.00	6.5%
Cleveland	$13.95	$12.50	$13.45	-3.6%
Columbus	$13.08	$11.98	$13.00	-0.6%

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

At the tenth percentile in all large Ohio MSAs, wages increased between 1989 and 2000 as shown in Table 5.2. Much of the increase in these metropolitan areas took place in a sharp wage spike between 1997 and 2000. However, in all large MSAs except Cincinnati and Columbus, tenth percentile wages had declined from their 1979 levels. Akron experienced the steepest decline in tenth percentile wage over the 1979-2000 period.

Table 5.2
10th Percentile Wage by Metropolitan Area, 1979-2000 (2000 dollars)

Metro Area	1979	1989	1997	2000	Change 1979-2000
Akron	$6.99	$5.55	$5.90	$6.45	-7.7%
Cincinnati	$6.98	$6.22	$6.17	$7.00	0.3%
Cleveland	$7.18	$6.05	$6.11	$6.75	-6.0%
Columbus	$6.98	$6.23	$6.12	$7.00	0.3%
Entire state	$6.94	$5.72	$5.75	$6.44	-7.3%

Source: Authors' analysis, based on CPS data.
In smaller MSAs for which 1979 and 1989 data is unavailable, it is nonetheless useful to look at 2000 wages for low-wage (tenth percentile), median wage, and high wage (90th percentile) workers, as Table 5.3 does. For tenth percentile workers, Youngstown has the dubious distinction of having the lowest wages, at $5.75 an hour, well below the poverty wage. Youngstown also had the lowest wages for median workers, at $11.00 an hour. The highest tenth percentile wages are in Canton, Cincinnati, Columbus and Hamilton-Middletown at $7.00 an hour, also below the poverty wage. Median workers in Cleveland and Cincinnati had the highest wage, at $13.45 and $14.00 respectively. Finally, the highest wage for the high-wage (90th percentile) worker was in Cincinnati, at $33.17 an hour. The greatest inequality between 90th and 10th percentile workers was also in Cincinnati, where the 90th percentile worker earned 4.74 times what his or her low-wage neighbors brought home. In all metropolitan areas examined, the higher-paid earned between three and a half and five times what their lower-paid counterparts earned.

Table 5.3
10th, 50th and 90th percentile wage, by metropolitan area, 2000

Metro Area	10th percentile	Median	90th Percentile	Inequality ratio: 90th/10th
Akron	$6.45	$11.61	$25.00	3.88
Canton	$7.00	$12.00	$24.04	3.43
Cincinnati	$7.00	$14.00	$33.17	4.74
Cleveland	$6.75	$13.45	$26.44	3.92
Columbus	$7.00	$13.00	$25.60	3.66
Dayton	$6.50	$13.00	$25.77	3.96
Hamilton-Middletown	$7.00	$12.88	$25.00	3.57
Toledo	$6.75	$12.82	$26.04	3.86
Youngstown-Warren	$5.75	$11.00	$23.06	4.01
No metro area	$6.00	$11.20	$22.00	3.67

Source: Authors' analysis, based on CPS data.

VI. Conclusion: A Better Deal for Working Ohio

The picture of Ohio's workers at the start of a new millennium is a complicated one. For some groups - particularly middle and upper-middle earning women - wages have never been better. For other groups, like the average worker or the average working man, a free-fall from the late 1970s was finally halted and recovery has begun. But for some groups, particularly those toward the bottom, trends have not improved. Poverty is unacceptably high, poverty among workers has increased, inequality has grown and disparities endure. The year 2000 marked the high point of what most people agree was the longest, strongest economic recovery in history. In certain ways we squandered this recovery by failing to bring all workers with us into the good times. If we indeed enter a recessionary period now, as some analysts argue we already have, we will have even more cause for regret at not having done more during the good times to protect our workers. But the trends described in this report present us with an opportunity as well. It is the opportunity to realize that even in the best economic times, smart public policies are needed to ensure prosperity for all. This section points to ways to ensure that everyone in the Ohio economy can benefit in good economic times, and that everyone can be protected in more troubled times.

Improve Job Quality

The most important way to help workers is to improve job quality. Raising minimum wages, enacting living wage ordinances, supporting unions and worker-management collaboration, building career ladders, better targeting corporate assistance and increasing employee ownership are some proven ways to improve the jobs in the Buckeye State.

Raise and Index the Minimum Wage

Ohio is one of only four states with minimum wage laws that are lower than the federal requirement (most states have no state law). Fortunately, the federal law applies here for most workers. However, it is time we joined the ten states that have opted to set minimum wage rates above the federal level. The federal level, $5.15, leaves workers deep in poverty and is so low that few workers are even paid at this level. When the federal minimum wage was raised in the late 1990s, lower income workers finally began to reap some returns from the economic recovery. By setting our minimum wage at $6.50, we would mark Ohio as a state that cares about workers and that is determined to help increase worker productivity and compensation.

Enact Living Wage Ordinances

Last year, Cleveland and Toledo joined the growing number of cities across the country that have enacted living wage ordinances. Such laws ensure that an adequate wage is paid to city workers and employees of companies receiving city contracts or city economic development assistance. Columbus, which has an active living wage campaign, should join its northern neighbors in passing this ordinance. Other Ohio cities, or the state as a whole, should also consider this progressive new idea.

Support Unions and Worker-Management Collaboration
Ohio is historically a strong union state, and this legacy has helped us to be a place where workers have prospered. But in recent years our level of unionization has declined, and with it so has worker well-being. Cities and states are increasingly requiring companies who receive contracts or development assistance to have good labor-management relations. Living wage ordinances can be written to include positive labor practices as well. Project Labor Agreements between contractors and building trades unions, which set the terms of employment and help avoid strikes, are another good policy to support. The state should reinstate the requirement that public school construction be subject to prevailing wage requirements. And we should support projects where unions and firms work together to solve workforce problems, like the Communications Apprenticeship and Training center which involves the Communication Workers of America and telecommunications companies working together to provide training to telecommunications workers. The city and county recently helped to secure federal funding for this training.

Build Career Ladders
While some Ohio workers are stuck in low-wage jobs, some Ohio employers are struggling to find workers for more lucrative work. By working with workers, unions, employers and educational institutions, we can promote career ladders which help low-wage workers connect to higher-wage positions. Workforce Investment Boards around the state should carefully monitor the spending of workforce training funds to ensure that they are targeted toward jobs connected to career ladders.

Target Corporate Assistance
Ohio spends tens of millions of dollars annually in economic development assistance. Yet we require little in the way of reporting, and we do little or nothing if firms fail to come through on job creation or retention promises. Corporate assistance should be targeted to companies that provide career track, family-supporting jobs. When assistance is provided, goals and standards should be made clear. If those goals and standards are not upheld, companies should be forced to repay the assistance. Minnesota and Maine have led the way with reporting requirements. We should replicate the greater accountability required in those states.

Increase Employee Ownership
While income inequalities are extreme, inequalities of wealth are even more excessive. By broadening ownership of productive assets, we can reduce both wealth and income inequality. Employee-owned firms are more committed to anchoring jobs and capital in our communities and have been proven to provide higher pay and benefits to their worker-owners. Ohio is fortunate to have the Ohio Employee Ownership Center at Kent State University, one of the country's top resources for promoting employee ownership. The Ohio DOD should continue supporting the OEOC as it has in the past. And Ohio should continue to lead the way in supporting employee ownership, employee stock ownership plans and worker cooperatives.

Support Working Families
Above we focus on how to improve jobs themselves. But there is much that government can do, apart from improving jobs, to help working families. Creating a state Earned Income Tax Credit, increasing access to child care and health care, and making the state's taxes more progressive are three important examples.

Create a state-level Earned Income Tax Credit
Ohio should join the fifteen states that offer state Earned Income Tax Credits. State EITCs have been shown to reduce poverty among working families, reduce child poverty, support work, and complement welfare reform. By enacting a state-level EITC, Ohio could be a leader in promoting and supporting working families.

Improve Child Care and Increase Access
Working parents are torn between their concerns about the quality of child care and their need to support their families. For low-income working families, child care can eat up half or more of their paycheck. Public programs that do exist, like Head Start, are often difficult to coordinate with work, because they cover only part of the day. We must support public investment in Head Start, child care, and after school care. Quality child care is crucial to child well-being and to parental peace of mind.

Extend Health Insurance
Only 65 percent of private sector workers are covered by employer-provided health insurance. For women and minorities, coverage is even lower. For all groups, coverage declined between 1979 and 2000. This is the wrong direction for an important trend. Our policy-makers should work to make health insurance available to all those who need it.

Reduce State Tax Regressivity
Lower income Ohioans pay a greater percentage of their income in state and local taxes than do higher-income Ohio taxpayers. In 1997, the top one percent of workers paid just 6.3 percent of their income to state and local taxes, while the bottom 20 percent paid 11.6 percent of their income to such taxes. This regressivity worsens the inequalities described in this report. State and local lawmakers should work to reverse this trend.

Improve Schools Statewide
Lingering inequalities between suburban and urban areas, and between black and white workers, have many causes. But the burden placed on urban school systems - to do more with less - exacerbates these problems. Low-income, minority and urban students deserve the same quality in their schooling that affluent suburban communities enjoy. Funding between districts should be equalized. At the same time, we should ensure that non-college bound students are assisted toward work with decent pay and career options.

Reduce Discrimination
Gender and race gaps endure in wages in Ohio, even when controlling for education. This points to the need to vigilantly enforce and expand upon anti-discrimination laws. During the last legislative session, Senate Bill 133 proposed to eliminate discriminatory wage practices based on sex, race or national origin. The bill addressed both discrimination

within the same job, and differential pay for historically female-dominated positions. Ohio will benefit if this bill is re-introduced and passed during the next legislative session.

***

These are some ideas for taking advantage of positive trends and helping to reverse negative trends described in this report. We hope that the data in The State of Working Ohio 2001 helps spawn a dialogue on these and other potential solutions. Even in the midst of recovery, racial and gender disparities endure, poverty remains high, more people are working more hours, and inequality has grown. The Buckeye State can and should do better by its working people.

Appendix

Data Sources & Methodology

The State of Working Ohio, 2001 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. Interested readers should also see the Appendix A and B in the State of Working America 2000-01 for further methodology information.

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 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 comparison between Ohio workers and those in other states, calculation of individual hourly earnings, and linking of earnings to demographic characteristics such as race, gender and employment situation. The sample used in our analysis for wage calculations includes all wage- and salary-workers with valid wage and hour 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 in 1989 dollars. CPS weights were applied to make the sample representative of the population. All of this is standard in CPS analysis.

The Census Bureau recently issued initial findings from the American Community Survey (ACS) and will continue to issue new information from this source. This will become an ever more important source for comparisons within and between states. The ACS surveys a larger sample than the CPS so will be an improvement for the variables that it studies. The CPS asks a wider variety of questions and is superior for historical comparisons.

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 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.

Real Median Wages

In general, we present trends in real median hourly wages. Unless indicated otherwise, "real" means wages are adjusted to 2000 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. Averages are good to use when you want to incorporate the earnings of the highest-paid, as when you are assessing inequality.

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.

Concerns about these data

The wage data 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 the overall earnings of those receiving benefits and underestimates inequality. We do present separate data in Tables 2.5 and 2.6 on the percentage of private sector workers receiving employer-provided health and pension benefits.

A second factor that underestimates the data on poverty and unemployment is the increase in prison incarceration during the past two decades. The prison population in the US grew by 130 percent between 1985 and 1999. If inmates were included in these statistics, poverty and unemployment would be higher and inequities across race and geographic area would also be higher.

There is a delay in reporting on the CPS which means that the most recent year we are able to discuss in most of this report was 2000. We can not incorporate labor market trends of the past eight months.

Concerns have also been raised about the usefulness of the CPS for localities. Because it is a nationwide sample of 50,000 households, the number of people sampled in a given city might be fairly low. We have eliminated any area for which we feel that the population is not large enough to draw conclusions. That explains why we don't discuss wages of Hispanic and Asian workers statewide, wage by race in localities, or why we pool data in certain years. We appreciate these concerns. Nonetheless, this is the best data source on wages available.

Finally, as with any survey, low-income and poor people tend to be under-represented because of greater difficulty contacting and staying in contact with a population that is less likely to have a telephone and more likely to move frequently.

The CPS remains the best source for national wage data and for comparison of such data over time. In the future, we are likely to rely more heavily on the American Community Survey.

Policy Matters Ohio is a non-profit research institute dedicated to bridging the gap between research and policy in Ohio. Policy Matters seeks to broaden the debate about economic policy by providing quantitative and qualitative analysis of important issues facing working people in the state. Other areas of inquiry for Policy Matters have included women and work, tax policy, family budgets, unemployment compensation and privatization of public services. Generous funding has been provided by the George Gund Foundation.

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