# The State of Working Ohio 2007

A Report From

Policy Matters Ohio

Amy Hanauer

September, 2007

## Author

Amy Hanauer is founding Executive Director of Policy Matters Ohio. In addition to running the organization, she studies work, tax policy, energy policy, gender and racial disparities and other issues for Policy Matters. Hanauer has a Master's of Public Administration from the LaFollette Institute at University of Wisconsin, Madison and a B.A. from Cornell University. She is on the board of trustees and executive committee of the national think tank Demos and on the national advisory committee to the Economic Analysis and Research Network.

## Acknowledgments

Without Liana Fox and the Economic Policy Institute, this project would not be possible. I'm also grateful to Kelly Davis at the Institute on Taxation and Economic Policy for data for the inequality section. Policy Matters intern Joshua Marcin did a phenomenal job creating most of the charts in this document, and Mark Stovell also provided able research assistance. Thanks as always to Mark, Max and Katrina Cassell for the distractions. We are extremely grateful to the Joyce Foundation for the funding that underwrites this project and to the New World, Sisters of Charity, Cleveland, and Gund Foundations for other support. Any errors in the document are the sole responsibility of the author.

Policy Matters Ohio, the publisher of this study, is a nonprofit, nonpartisan policy institute dedicated to researching an economy that works for Ohio. Policy Matters seeks to broaden debate about economic policy by doing research on issues that matter to working people and their families. With better information, we can achieve more just and efficient economic policy. Areas of inquiry for Policy Matters include work, wages, education, housing, energy, tax and budget policy, and economic development.

## Tables



## Figures

## Executive Summary

The *State of Working Ohio 2007* report from Policy Matters Ohio uses the best data available to document issues facing Ohio workers. The report found increased inequality; low job growth; rising productivity, hours and education; slight wage increases; modest progress on wage disparities; and slight unemployment declines. A summary of the findings includes:

### Finding 1: Staggering Inequality

- Over the last 18 years, households in the bottom 60 percent saw few real income gains while those in the 95th to 99th percentile posted nearly a 24 percent ($40,000) increase in annual income. The top one percent's income spiked more than 40 percent, from $698,000 in 1988 to $986,000 in 2006, rising more than seven percent just between 2005 and 2006. They earned over 26 times what middle-income households earned in 2006, on average.

### Finding 2: Stagnant Job Growth

- Ohio has 2.8 percent fewer jobs than when the recession began more than six years ago, remaining more than 158,000 jobs behind the March 2001 level. Ohio also has fewer jobs than when the recession ended. Only Massachusetts and Michigan are in the same position.
- Ohio has lost nearly 21 percent of its manufacturing jobs since the 2001 recession started.
- By this point after the beginning of the 1990 recession, Ohio had an increase of 8.7 percent in total employment, compared to the 2.8 percent decline this time. Employment has not kept up with working age population which increased by 2.9 percent since the recession began.

### Finding 3: Rising productivity, rising hours, rising educations

- American workers are more productive than ever before. Hourly output per U.S. worker, which has grown much more than compensation, rose 20 percent between 2000 and 2007.
- Ohio's gross domestic product grew 22.3 percent from 1990-97, and 13.3 percent between 1997 and 2006.
- Women's labor force participation increased from fewer than half of women over 16 in 1979 to more than 61 percent in 2006. Women are in the labor force at higher rates than ever.
- In contrast, Ohio men's labor force participation declined, from nearly 80 percent of Ohio men over the age of 16 to 73.1 percent in 2006. This was, however, an uptick over the previous year.
- Two-parent families increased their hours by 17 percent between 1979 and 2006, to 3,488 hours annually. Single-parent families are also working more.
- Of adults over age 25 in Ohio, more than 88 percent have a high school diploma and nearly a quarter of Ohio have completed their BA.
- Young adults have more formal education than older adults do. Just 73.9 percent of Ohio adults over age 65 have a high school degree, compared to more than 92 percent of younger adults, age 25 to 44. Just 16.3 percent of those age 65 and over in Ohio have a bachelor's degree compared to more than 26 percent of younger adults, age 25 to 44.

### Finding 4: Ohio wages inch up

- Ohio's median wage rose between 2005 and 2006, a contrast to the wage decline between 2000 and 2004, though still low given increased productivity. This increase brought the state back up to within pennies of the federal median wage.

### Finding 5: Unionization levels drop, but unions confer benefits

- The likelihood of being in a union declined over time in Ohio from slightly more than a quarter of workers in 1983 to just over 16 percent of the workforce in 2006.
- Black workers were more likely to be in a union: rates were more than one in five among black workers (21.3 percent) compared to less than one in six among whites (15.6 percent).
- Unions raise wages. The union premium was 28 percent for men, 42 percent for women, 34 percent for white workers and 38 percent for black workers in Ohio.

### Finding 6: Modest Progress on Wage Disparities

- Men earn more than women in Ohio. The male median wage of $16.15 an hour was more than 22 percent higher than the female median wage of $13.16 in 2006. Still, the gender gap is smaller than it has ever been in Ohio and women are earning more than they ever have.
- The wage gap between black and white workers is larger than it was a generation ago. However, median black worker wages increased between 2005 and 2006 in Ohio. Although the median racial wage gap – 17 percent – is larger than in 1979, it has narrowed from the widest point of disparity. In contrast to earlier this decade black Ohio workers earned slightly more than black U.S. workers in 2006.
- Education is associated with higher earnings. Workers with at least a four-year college degree earned $22.06 per hour in 2006, more than twice as much as workers without a high school diploma. Completing high school nets $3.00 an hour more at the median.
- The consequences of not getting education are increasing. Those without a high school diploma earned more in 1979 ($13.39) than those with one did in 2006 ($12.93).
- The wages of those with a college degree, which grew sharply in the late 1990s, have not continued to grow. Since 1999 these wages have fallen slightly.

### Finding 7: Unemployment inches down; little relief for black workers

- Ohio's official unemployment rate fell slightly to a 5.4 percent annual average in 2006, lower than between 1979 and 1995 or in the last five years, but higher than when the 2001 recession began and ended. Black Ohio 2006 unemployment was 12.5 percent, 3.5 percentage points above the national rate.

### Recommendations

Ohio must make changes in five areas where dozens of states have bypassed us. Invest in the future by putting in place universal pre-kindergarten and enacting a renewable energy portfolio standard. Create more opportunity by targeting economic development dollars wisely and getting a handle on development spending through a unified development budget. Construct on-ramps to the middle class by working with neighboring states to establish regional universal health care and giving all workers in Ohio the ability to earn paid sick days. Build and protect people's assets by blocking exploitative payday lending; restoring the non-economic damages provisions in the consumer sales practices act; and enacting a state Earned Income Tax Credit. Finally retain strong public structures, in part by restoring the income tax cuts for Ohio's most affluent taxpayers. These reforms will allow Ohio to renew its commitment to prosperity, equity, sustainability, productivity, and a better tomorrow.

## Introduction

Labor Day 2007 brings a spectacle that many Ohio workers could have predicted years ago. International financial markets are in turmoil, in large part because of a meltdown in the U.S. mortgage market – a meltdown that has been troubling families in Ohio for more than a decade, with foreclosures climbing annually.[1] Each month, more Americans find themselves unable to make their mortgage payments, as exploitative terms kick in and as relied-upon increases in home values fail to materialize. Suddenly, something that has been victimizing families from Akron to Zanesville is of national importance, because it's hurting the stock market.

Staggering inequality, stagnant wages, lack of job growth, compensation that doesn't keep up with productivity, rising work hours, overconsumption of energy and an explosion in many kinds of exploitative loans are harming Ohio families too. We should not have to wait until these issues are hurting Wall Street before we become outraged and demand change.

This report uses the best data currently available to document challenges and triumphs, and to describe some of the trends facing Ohio's economy. It also sheds light on solutions that will make Ohio's economy work better for everyone.

This year's *State of Working Ohio* brings some positive findings – the median Ohio worker wage rose for the second year in a row, Ohio women's wages are at their highest levels ever, the wages of black Ohio workers rose slightly last year, unemployment has inched downward and education levels are the highest they've ever been. But Ohio must add jobs, have workers share in productivity gains, bring about more substantial wage and income growth for those of modest means, and get a handle on the breathtaking inequality that has taken hold. The state is being bypassed by other states that are doing more to create a renewable energy economy, rein in exploitative lending, and help working families. In a way, that is good news – some of the problems facing Ohio are easily solved and have been tackled elsewhere.

There are also areas where Ohio could take the lead along with its neighbors – in providing universal health coverage, in allowing workers to earn paid sick days, in engaging our top-quality manufacturing workforce and infrastructure in a clean energy economy. Ohio has always been a place that valued working families, had on-ramps to the middle class and embraced opportunity. This year's *State of Working Ohio* is a call to put Ohio back on a path toward equity and prosperity.

## Background on Ohio work: The basics

Ohio's labor force is fairly similar to that of the U.S. as a whole. Ohio has a slightly higher percentage of women in the workforce, but in both Ohio and the U.S. a little more than half of the labor force is male. Ohio now has a slightly higher proportion of 16-24 year olds in the labor

[1] Find seven reports dating back to 2002 from Policy Matters on these issues, under "Credit and Debt" at http://www.policymattersohio.org/publications.htm.

force than the U.S. does, and a slightly lower proportion of 25-54 year olds. The Ohio labor force is significantly less diverse than that of the U.S. as a whole, primarily because there are more Hispanic and Asian workers nationwide. Now 84.3 percent of the Ohio workforce is white, 10.6 percent is black and just 3.8 percent is Hispanic or Asian combined, compared to 18.1 percent of these ethnicities nationwide. Ohio's labor force is more likely to have graduated from high school but less likely to have a bachelor's degree or more, when compared to the U.S. as a whole.[2]

**Table 1**

Labor force demographics, 2006

| **Gender** | **United States** | **Ohio** |
|---|---|---|
| Male | 53.7% | 52.2% |
| Female | 46.3% | 47.8% |
| **Age** | | |
| 16-24 yrs | 14.8% | 16.1% |
| 25-54 yrs | 68.4% | 67.2% |
| 55 yrs and older | 16.8% | 16.7% |
| **Race / ethnicity** | | |
| White | 69.1% | 84.3% |
| African-American | 11.0% | 10.6% |
| Hispanic | 13.7% | 2.6% |
| Asian/Pacific islander | 4.4% | 1.2% |
| **Education** | | |
| Less than high school | 12.3% | 9.7% |
| High school | 29.7% | 36.7% |
| Some college | 28.5% | 28.9% |
| Bachelor's or higher | 29.5% | 24.8% |

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

Labor force participation differs by gender, race, ethnicity and education levels in Ohio. Table 2, below, shows the percentage of Ohioans who are in the labor force and the percentage of the population that is employed. People are considered to be in the labor force if they are working or actively seeking employment, whereas the employment-to-population ratio describes the percentage of the population that is actually in a job. Men are more likely to be in the labor force than women and also more likely to be working. White and black workers have similar levels of labor force participation, but white labor force participants are more likely to be employed than blacks. Hispanics have the highest level of labor force participation at 70.6 percent. Asians have high labor force participation and the smallest differential between labor force participation and

[2] This table has different percentages of high school and college graduates because this table refers only to those in the labor force, of any age over 16, while the American Community Survey data discussed in detail later in the report refers to all adults over age 25, whether in or out of the labor force.

employment. Labor force participation and employment both rise sharply as education levels rise. Only slightly more than a third of those without a high school degree in Ohio are actually working, while more than three-quarters of those with a bachelor's degree are employed.

**Table 2**

| Working in Ohio, 2006 | | |
|---|---|---|
| **Gender** | **Labor force participation** | **Employment to population ratio** |
| Male | 73.1% | 68.9% |
| Female | 61.7% | 58.7% |
| **Race / ethnicity** | | |
| White | 67.3% | 64.3% |
| African-American | 66.4% | 58.1% |
| Hispanic | 70.6% | 65.5% |
| Asian/Pacific islander | 67.3% | 65.7% |
| **Education** | | |
| Less than high school | 40.5% | 35.0% |
| High school | 65.9% | 61.8% |
| Some college | 75.5% | 72.3% |
| Bachelor's or higher | 79.9% | 78.0% |

Source: Economic Policy Institute analysis of CPS data

We now turn to findings about Ohio's economy in 2007. All dollar figures throughout the report are adjusted for inflation to 2006 dollars, unless otherwise noted. We typically use medians instead of averages, to better reflect the trends facing typical workers, as averages can be deceptive, particularly in an unequal economy like ours. Inequality is the first issue we discuss.

## Finding 1: Staggering Inequality

Inequality continues to worsen in Ohio, as it does nationally. One way to begin to measure inequality is by dividing the workforce into parts and looking at how earnings compare. When we divide the workforce into one hundred equal parts, each part is known as a percentile; with ten equal parts, each part is called a decile; and with five equal parts, each segment is called a quintile. The same worker falls at the top of the 20th percentile, second decile or first quintile – in each case this employee earns more than 20 percent of her peers, and less than the other 80 percent. In the chart below, the tenth percentile worker earns more than ten percent of the workforce and less than ninety percent. The median worker earns the mid-point, with half of all workers earning more and half earning less. The 90th percentile worker earns more than ninety percent of the workforce and less than ten.

Between 1979 and 2006, the wages of those in the 90$^{th}$ percentile rose by 14.9 percent, adjusted for inflation, while the wages at the median dropped by a little less than half a percent and the wages of those at the tenth percentile fell by nearly 2 percent. By 2006, workers at the 90th percentile earned 3.95 times what those at the tenth percentile earned, up from just 3.38 times as much in 1979, as Table 3 shows.

**Table 3**

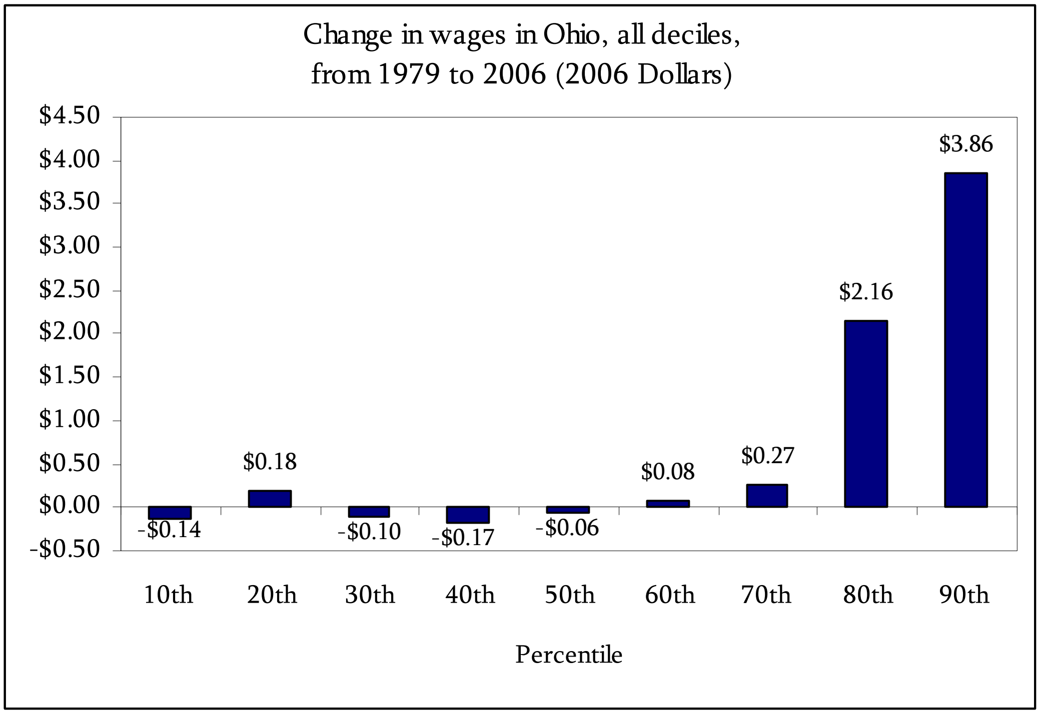
High, median and low wages in Ohio, 1979 to 2006 in real 2006 dollars

| | 1979 | 1989 | 1995 | 2000 | 2006 | Percent wage change, 1979-2006 |
|---|---|---|---|---|---|---|
| 10th percentile | $7.70 | $6.45 | $6.63 | $7.56 | $7.56 | -1.82% |
| Median | $14.82 | $13.62 | $13.24 | $14.81 | $14.76 | -0.40% |
| 90th percentile | $26.00 | $26.45 | $26.89 | $29.52 | $29.86 | +14.85 |
| 90th percentile divided by 10th percentile | 3.38 | 4.10 | 4.06 | 3.90 | 3.95 | |

Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Figure 1, below, shows in a different way that the growth in the economy was distributed very unequally between 1979 and 2006. For workers up to the median there was an actual, if slight, decline in real wages (except for the 20th percentile). Up to the seventieth percentile, there was no meaningful wage growth for workers. Only at the 80th and 90th percentiles do we see meaningful growth in hourly wages between 1979 and 2006, a period when the economy overall grew at an extremely rapid pace.

**Figure 1**




Source: EPI analysis of CPS data, using CPI-U-RS

While distribution of hourly wages, divided into ten equal parts, reveals some of the growth in inequality, it doesn't capture the whole story. Because higher-earning individuals are more likely to get a substantial portion of their earnings from non-wage sources (principally from stock market returns), more likely to be employed full-time, more likely to be married, and more likely to be married to someone who is also high earning, when we consider overall family or household income, we find much greater inequality.

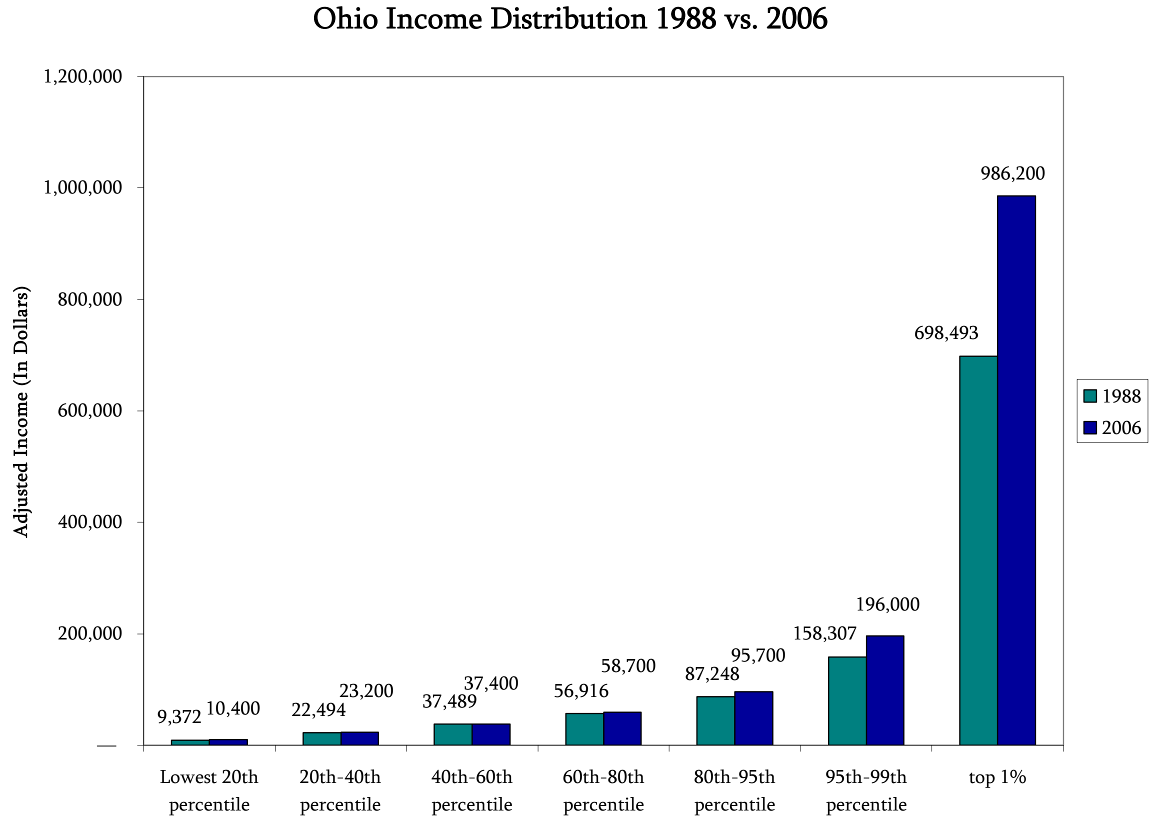
Looking only through the 90th percentile also significantly understates the growing inequity, since inequality skyrockets among the top ten percent of the earning spectrum. For all of these reasons, overall household income distribution grew vastly more unequal in Ohio between 1988 and 2006.

For middle-income, lower-middle income and low-income families, household incomes were stagnant, declined slightly, or rose only slightly.[3] Households in the bottom 60 percent of the income distribution saw their average incomes rise by very small amounts if at all over this 18

[3] These income ranges were calculated by the Institute on Taxation and Economic Policy (ITEP), based on data from the Internal Revenue Service, the CPS and the Public Use Microdata Sample of the U.S. Census. Based on these sources, the model estimates the total pretax cash income of all tax units, including both filers and non-filers and including income not reported on tax returns (such as tax-exempt interest, most transfer payments, etc.) Cash income does not include the value of non-monetary compensation, such as health insurance coverage. Transfers from the Earned Income Tax Credit are also not represented here.

year period.[4] Those in the bottom 20 percent or bottom quintile saw an average income increase of less than $1,100. The next quintile (20th to 40th percentile) saw an average decrease in their annual income, as did the middle quintile (40th to 60th percentile, whose average income was $37,400 in 2006). The upper-middle quintile (60th to 80th percentile, with incomes of about $58,700) saw a modest income increase of less than $2,000. For higher-earning families, the story was better, with the 80th-95th percentile families recording more than an $8,000 average family-income increase. But this boost was dwarfed by increases among the very wealthy – those from the 95th to 99th percentile posted nearly a $40,000 average annual increase in incomes – a 24 percent raise over the 18 years. Still, it was the richest of the rich that thrived in Ohio over this period – the top one percent of families saw their average earnings rise more than 40 percent, from $698,000 in 1988 to $986,000 in 2006. This group's income actually spiked more than seven percent just between 2005 and 2006. These extraordinarily wealthy households earned more than 26 times what middle-income households earned in 2006, on average, as Figure 2 shows.

**Figure 2**



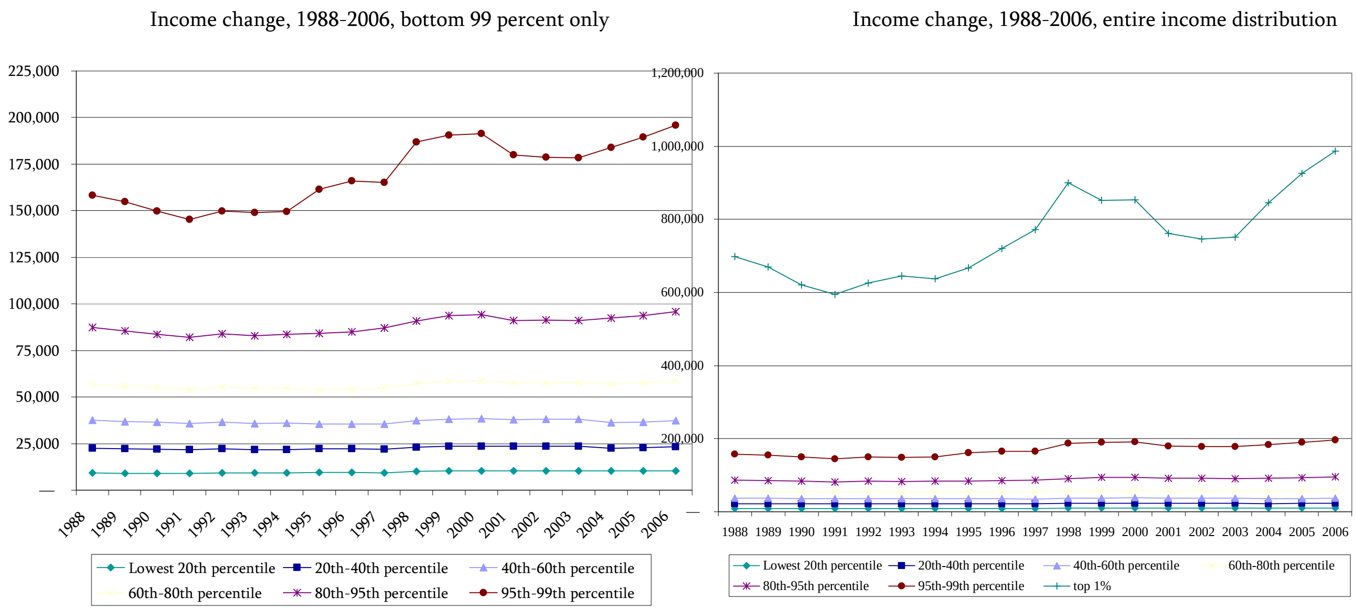

Source: Institute on Taxation and Economic Policy (ITEP) analysis of IRS and Census Bureau data, earnings for previous year

[4] 1988 was the first year for which ITEP could provide filing data – income among the very top actually went down in the early 1990s, so growth at the top could have looked more extreme if we'd used a subsequent year, but we chose to use the earliest year of data we had available.

Figure 3, the line graph below, shows how Ohio's income distributions changed over time between 1988 and 2006, demonstrating the shifts in a different way. The figure on the left shows that incomes through the 60th percentile remained essentially stagnant over the period, while income between the 80th and 95th percentile grew somewhat. On this graph, income of the 95th to 99th percentile appears to have risen sharply – and it has. But the graph on the right pulls in the income of the top one percent. When this is included, even earners through the 95th percentile seem dwarfed in comparison, and the sharp spike experienced by the very wealthiest – to almost a million dollars a year – makes all other income levels seem to be stagnating.[5] This is Ohio and America in the new millennium.

**Figure 3**

## Ohio income distribution change over time, 1988 vs. 2006

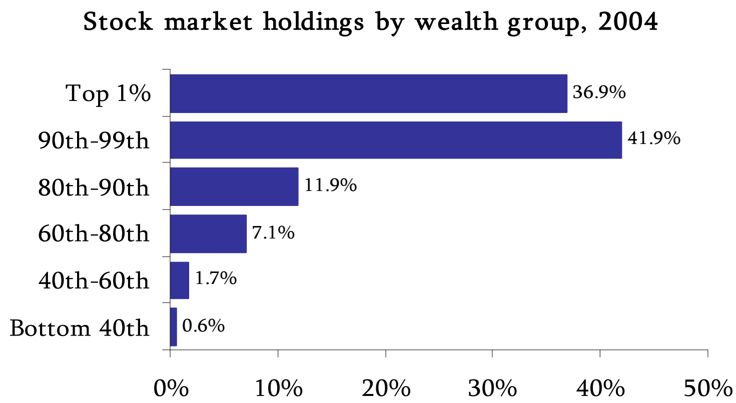



**Source:** Institute on Taxation and Economic Policy (ITEP) analysis of IRS and Census Bureau data, earnings for previous year

While income distribution is vastly unequal, wealth is even more unequally distributed in Ohio, the U.S. and the world. A 2006 study found that the richest two percent of the world population owned more than half of global household wealth in the year 2000. Data on 2004 U.S. stock market holdings reveals similarly extreme inequality, shown in Figure 4, shows that the top one percent of American households owned well over two-thirds of all stocks, and the top ten percent owned nearly 80 percent of stocks in the nation.

[5] Much of the variability in the top line in the right hand graph is due to changes in the stock market.

**Figure 4**



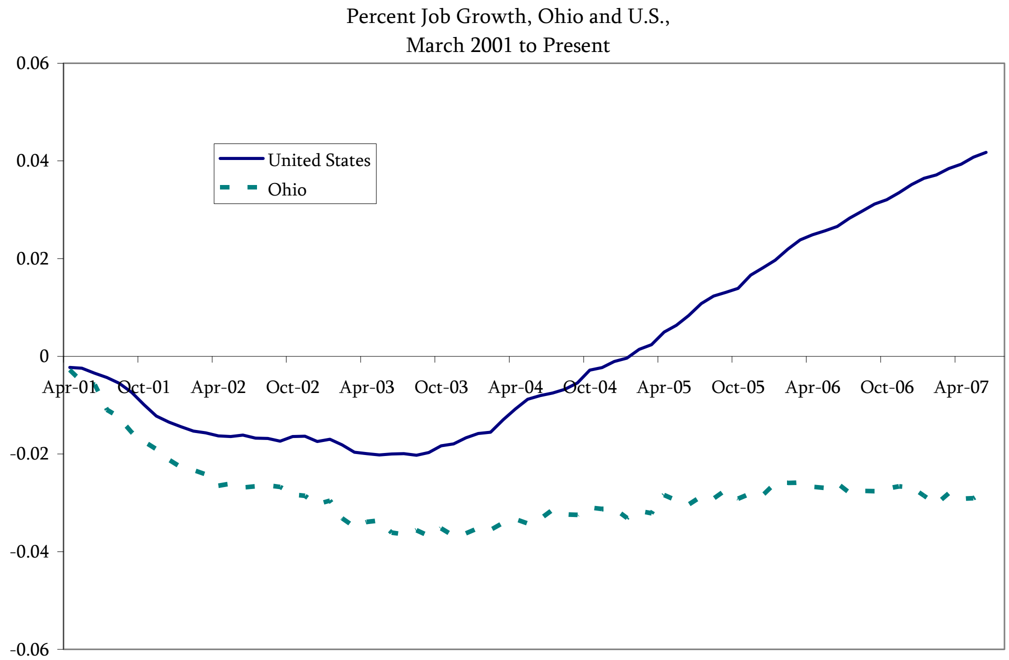

Source: Economic Policy Institute's *State of Working America 2006-2007*

## Finding 2: Stagnant Job Growth

Ohio's job growth continues to lag far behind that of the United States and behind that in past non-recessionary periods. Now, more than six years after the recession started, Ohio has 2.8 percent fewer jobs than it had when the recession began – only four other states have not caught up to their pre-recession job levels. We remain more than 158,000 jobs behind the level in March 2001. While U.S. job creation still remains low by historic standards, Ohio's lack of job creation is unprecedented during a recovery. Ohio also has fewer jobs than when the recession ended, a characteristic shared by only two other states (Massachusetts and Michigan).

The story on manufacturing employment is even more troubling – Ohio has lost nearly 21 percent of its manufacturing jobs since the 2001 recession started. While this is not quite as bad as the record in some other states (New York, Rhode Island, the Carolinas, Michigan, Maine, and Massachusetts), because manufacturing is such a vital part of our economy, and because other jobs have been slow to grow, the impact here is worse than in most places. It seems likely that Ohio will not rebound to pre-recession job levels any time soon. Figure 5 displays the trend through June 2007. Jobs fell again in July in Ohio.

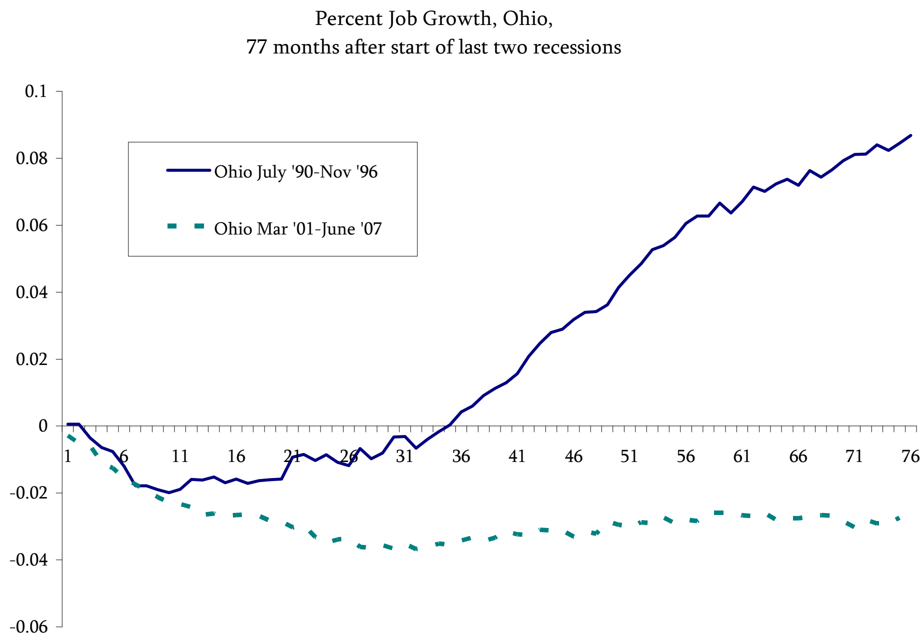
**Figure 5**




Source: Economic Policy Institute analysis of Current Employment Statistics survey data

By historic standards, Ohio's recovery has been very weak. By this point after the beginning of the 1990 recession, Ohio had seen an increase of 8.7 percent in total employment, compared to the 2.8 percent decline this time around. In addition to not growing in absolute terms, Ohio employment has not kept up with working age population growth – working age population in Ohio has increased by 2.9 percent since the recession began, while jobs have fallen. Figure 6 shows the trend through June in Ohio, but jobs fell again in July.

**Figure 6**

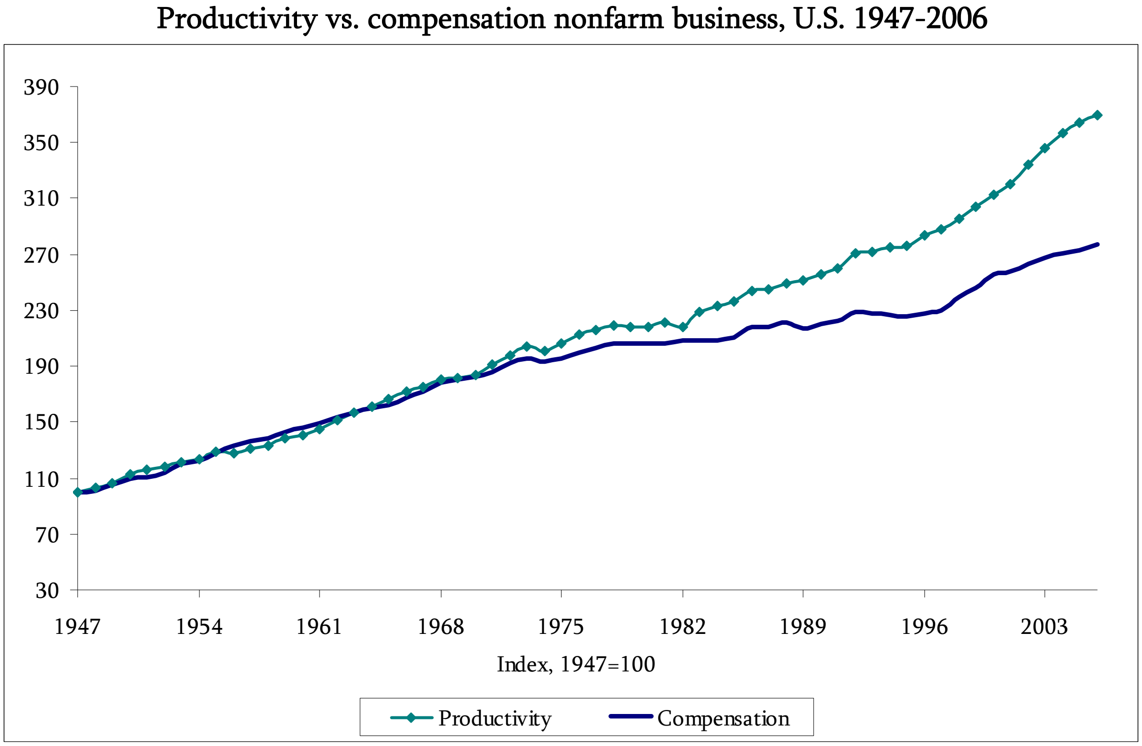



Source: Economic Policy Institute analysis of Current Employment Statistics survey data

## Finding 3: Rising productivity, rising work effort, rising education

American workers are more productive than ever before and productivity rose sharply through last year. After growing 1.4 percent a year from the mid-1970s to the mid-1990s, hourly output per worker grew 2.5 percent a year between 1995 and 2000, then leapt to 3.3 percent a year from 2000 to 2005. It has since slowed and questions have been raised about the accuracy of the measurement, but the overall trend has been strong. This rising productivity, considered an essential ingredient needed for compensation growth, hasn't resulted in the increased compensation that one might expect from American history. From the late 1940s through the late 1970s, productivity grew at a healthy pace overall, and real hourly compensation per worker grew at the same speed. But since the 1970s, hourly worker output has dramatically outpaced employee compensation. The divergence between the two trends is particularly steep in the past five years. Figure 7, below, sets both productivity and compensation at 100 in the year 1947 – the two trends have the same percentage growth rate through the mid-1970s and the lines overlap. As productivity gains begin to exceed compensation gains, the green line rises above the smooth blue line, dramatically so in recent years.

**Figure 7**




Source: Policy Matters Ohio analysis of Bureau of Labor Statistics data

Overall, nationally, productivity grew by 19.8 percent between 2000 and 2007, while median hourly wages nationally grew just 3 percent and average overall compensation grew just 5.1 percent, with much of the rise coming from our inefficient, market-driven health care system.

While there are good reasons to be concerned about Ohio's productivity growth compared to the nation's, the gross domestic product for Ohio has grown at a strong pace when adjusted for inflation, in both recent years and since the 1990s. Ohio's gross state product of $397.2 billion dollars ranked seventh among states in 2005 – the same as our rank in population. Our numbers are statewide, but a northeast Ohio business leader recently asserted in a Cleveland *Plain Dealer* column, that northeast Ohio's is more productive than it was in the past, that its total economy is 32 percent larger than it was 15 years ago, and that its output per manufacturing worker has jumped 35 percent in the last six years.[6]

Figure 8 breaks the growth in gross domestic product for Ohio into two parts because a 1997 change in data collection complicated comparisons between prior and subsequent years.[7] Ohio's

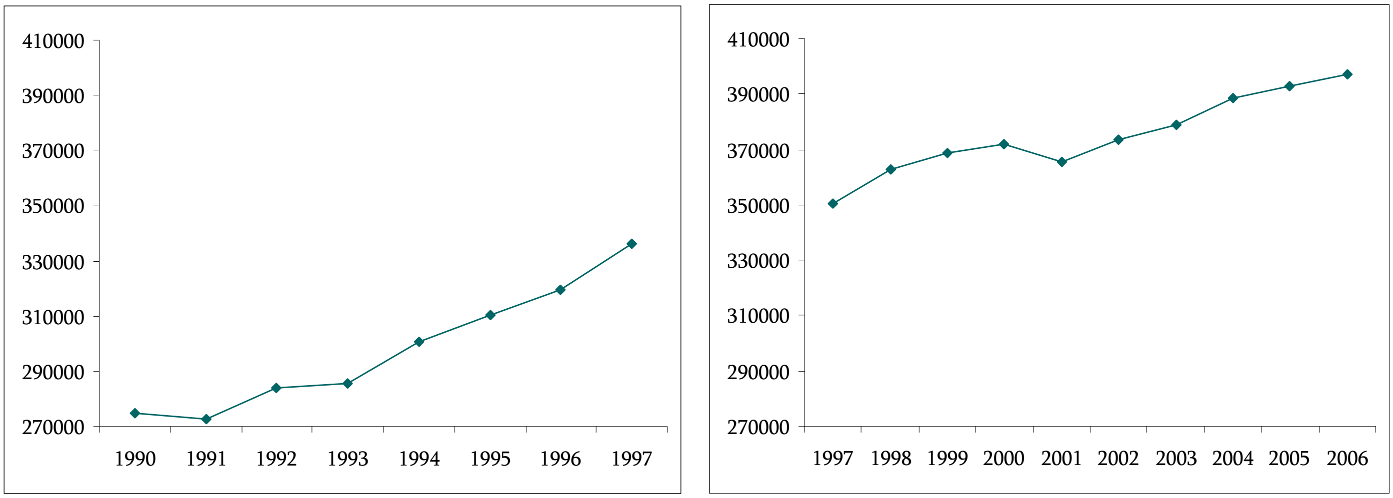
[6] Waltermire, Thomas A., "Myth No. 6: This region's economy isn't growing," Cleveland *Plain Dealer*, August 14, 2007.

[7] There is a discontinuity in the GSP time series at 1997, where the data change from SIC industry definitions to NAICS industry definitions. Users of the GSP estimates are strongly cautioned against appending the two data

gross domestic product grew 22.3 percent from 1990 to 1997, and grew an additional 13.3 percent between 1997 and 2006. This 35.6 percent growth occurred at a time when median hourly wages grew by about 7.3 percent.

**Figure 8**

**Real GDP by state for Ohio (millions of chained 2000 dollars),1990-1997 and 1997-2006**




Source: Bureau of Economic Analysis, U.S. Department of Commerce, at www.bea.gov/bea/regional/gsp/default.cfm?series=NAICS

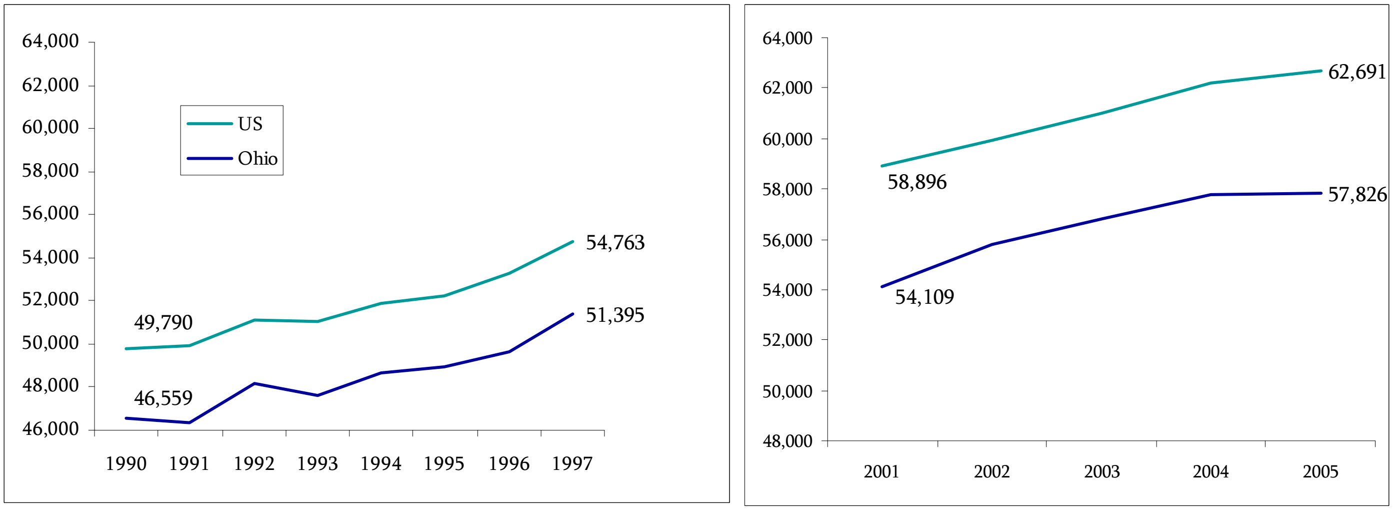
Gross Domestic Product per worker has also grown at a healthy pace in Ohio, although from a lower starting point than national GSP per worker. Nationally, real GDP per worker grew 10.0 percent from 1990 to 1997 and 13.2 percent from 1997 to 2005, to end at $62,691 in 2005 (in chained 2000 dollars). In Ohio, GDP per worker grew 10.4 percent in the first period and 7.8 percent in the second period to end at $57,826 in 2005.[8]

series in an attempt to construct a single time series of GSP estimates for 1963 to 2005. Note that for the Ohio GSP, there are two different numbers for 1997, one as part of the first way of counting and the other as part of the second. It is valid, nonetheless, to discuss the increase within each time series, as we do here.

[8] Employment data from the Bureau of Economic Analysis are available by SIC code until 2000 and by NAICS code from 2001-2004. However, Gross State Product by SIC is only available until 1997.

**Figure 9**

**Real GDP by state per worker, Ohio and U.S. (millions of chained 2000 dollars), 1990-1997 and 2001-2005**

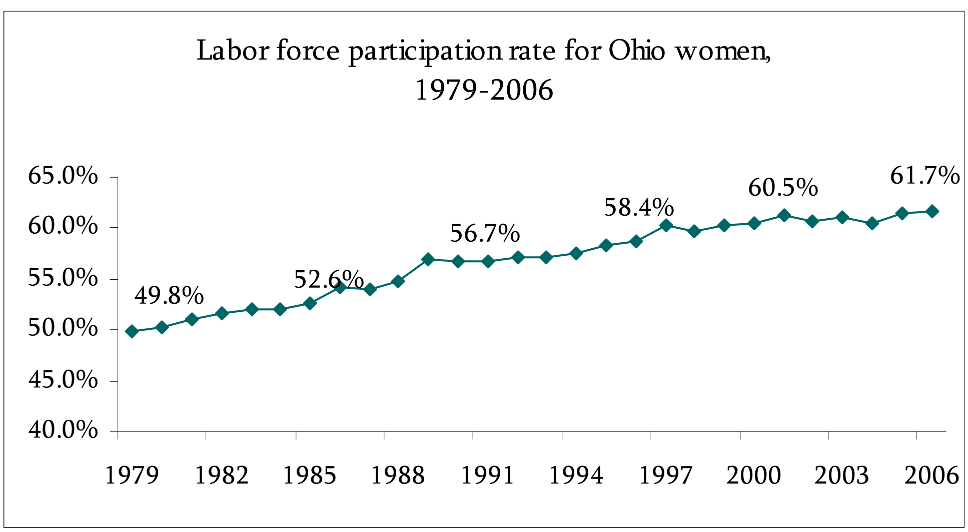



Source: Bureau of Economic Analysis, U.S. Department of Commerce

## Working More

Women's levels of labor force participation have increased steadily over the last generation. In 1979, fewer than half of Ohio women over the age of 16 were part of the labor force. By 2006, more than 61 percent of women in Ohio were in the labor force. The 2006 women's labor force participation rate represented a new peak – after the recession in 2001 some Ohio women dropped out of the labor force, but, despite the slow recovery in Ohio, women are now in the labor force at higher rates than the pre-recession peak, as Figure 10 shows. Ohio women are also in the labor force at a slightly higher level than women are nationally.

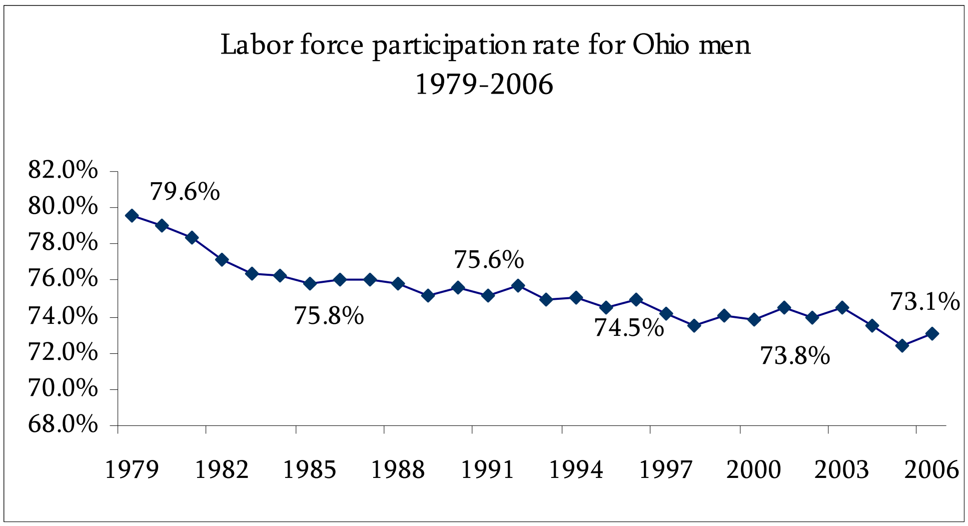
**Figure 10**




Source: EPI analysis of CPS data, includes all women over age 16

In contrast, Ohio men's labor force participation declined fairly steadily over the past generation. In 1979, nearly 80 percent of Ohio men over the age of 16 were part of the labor force. This level fell steadily, declining particularly during recessions. After each recession, men's labor force participation never quite rebounded to its pre-recession state in Ohio, as Figure 11 shows. The same trend has occurred nationally, although male labor force participation is now slightly lower in Ohio than in the nation. Between 2005 and 2006, men's labor force participation in Ohio saw an uptick from 72.4 to 73.1 percent.

**Figure 11**

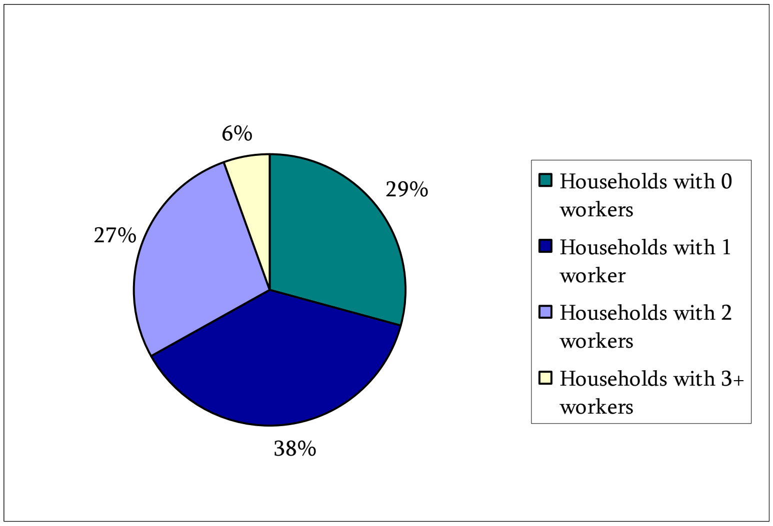



Source: EPI analysis of CPS data, includes all men over age 16

More than 70 percent of Ohio households have at least one working person, and about a third have two or more working people as Figure 12 shows. This is fairly similar to the nation as a whole.

**Figure 12**

Number of workers per Ohio household, 2005




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

Nationally, two-parent families with children have substantially increased their work hours over the past generation. Table 4 shows the median number of hours worked annually, including only parental hours, by two-parent American families with children in 1979 and 2006. Two-parent families have increased their hours by 17 percent since 1979 to 3,488 hours in 2006, which equates to one full-time, year-round job with no time off, and a second job at more than 70 percent of full-time hours. Single-parent families are also working more than they used to, with the median single-parent working more than 2,000 hours in 2006, essentially equivalent to one full-time, year-round job. [9]

**Table 4**

Average annual hours worked by median two-parent U.S. families with children, 1979 and 2006, parental hours only

| | Hours worked 1979 | Hours worked 2006 | Percent increase |
|---|---|---|---|
| Median married two-parent family | 2,983 | 3,488 | 16.9% |

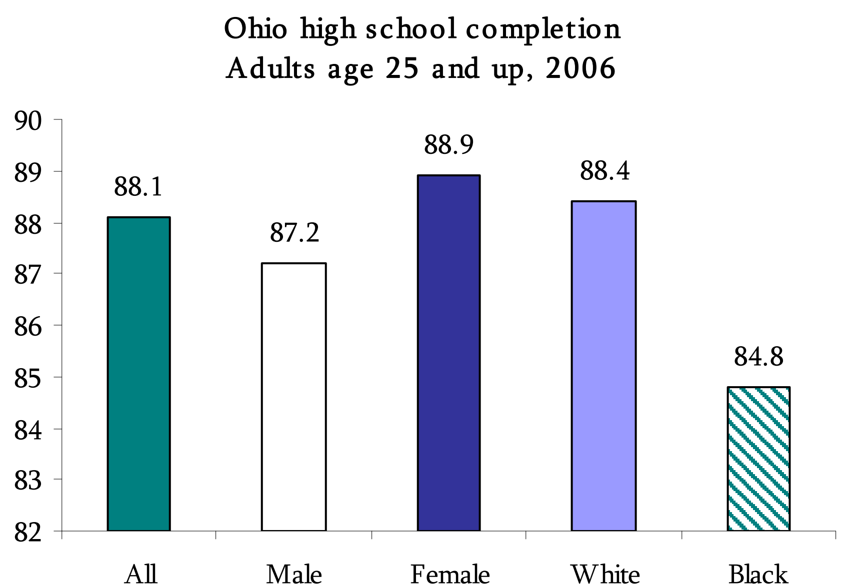
Source: Economic Policy Institute (EPI) analysis of Current Population Survey (CPS) data

[9] Forty hours a week for 52 weeks a year equates to 2,080 hours assuming no vacation days, sick days or holidays.

## More Educated

As has been the case for some time now, Ohio workers are more likely to have finished high school than their national counterparts, but less likely to have finished college. Of adults in Ohio, more than 88 percent have a high school diploma. Women are more likely to have a high school degree than men are, and white adults are more likely to have finished high school than black adults. About 85 percent of African American adults over age 25 in Ohio have completed high school, as Figure 13 shows. The next several figures look at all adults, not just labor force participants, whereas Table 1 only examines those in the labor force.

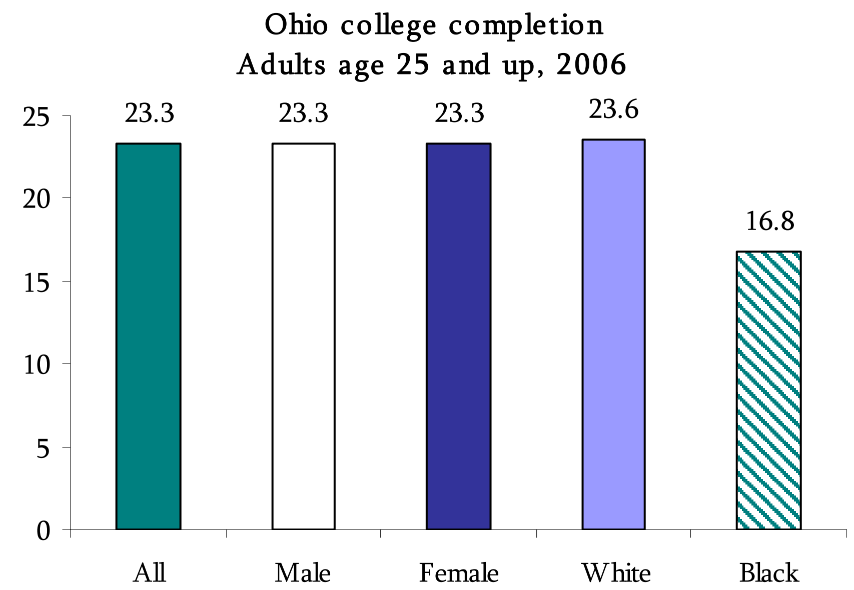
**Figure 13**




Source: American Community Survey, 2006

College completion also differs by demographic in Ohio. Nearly a quarter of Ohio adults over age 25 had completed their BA in 2006, according to the American Community Survey, with rates essentially even among women and men. Rates differed between black and white adults in Ohio, with 23.6 percent of white adults and 16.8 percent of black adults in the state having completed college. As a BA becomes a more essential credential for rising standards of living in Ohio, it is crucial that we increase our graduation rates for black and white Ohioans alike. Figure 14 displays this information.

**Figure 14**

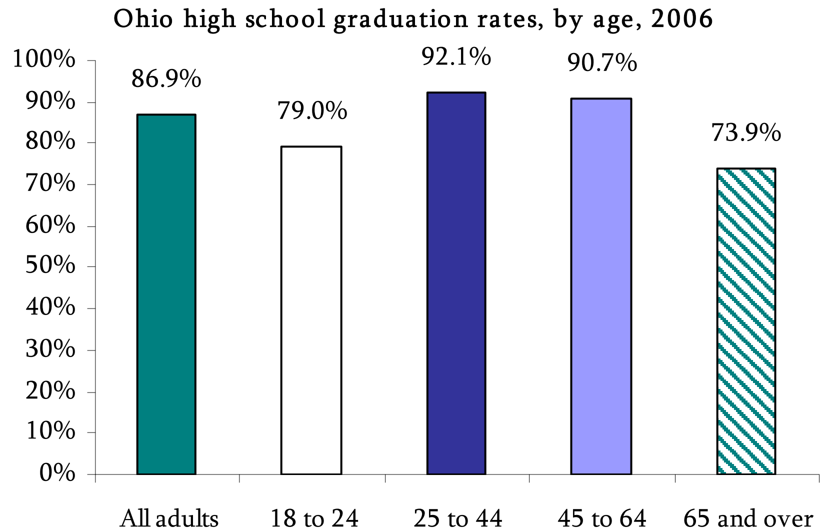



Source: American Community Survey, 2006

Education levels have grown dramatically. Comparisons are difficult because the federal government has changed the way it collects this data, but as of 1979, using Current Population Survey data, only 66.9 percent of Ohioans over age 25 had a high school degree and only 14.7 percent of Ohio adults had a college degree. Although the surveys differ, high school completion has risen dramatically, from 67 to more than 88 percent in 2006. College completion has also jumped, from under 15 to over 23 percent in Ohio in 2006.

Another way of assessing increases in education is by looking at educational attainment for different age groups within the current adult population. Young adults are more educated today than older adults are. While just 73.9 percent of Ohio adults over age 65 have a high school degree, more than 92 percent of younger adults, age 25 to 44 have a high school degree. Figure 15 displays this information.

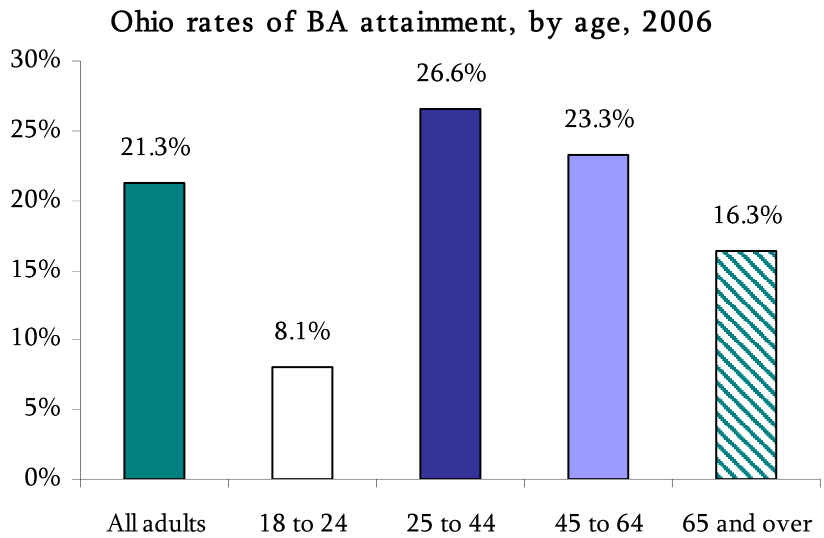
**Figure 15**




Source: American Community Survey, 2006

Young people in Ohio are also much more likely to complete college than adults used to be. While just 16.3 percent of those age 65 and over in Ohio have a Bachelor of Arts (BA) degree, more than 26 percent of younger adults, age 25 to 44 do. Getting a college degree is less affordable than it should be in Ohio and it is important that we further increase higher education levels. But it is worth noting that young people today have more formal education than their counterparts from 20 or 30 years ago, as Figure 16 shows.

**Figure 16**




Source: American Community Survey, 2006

## Finding 4: Ohio wages inch up

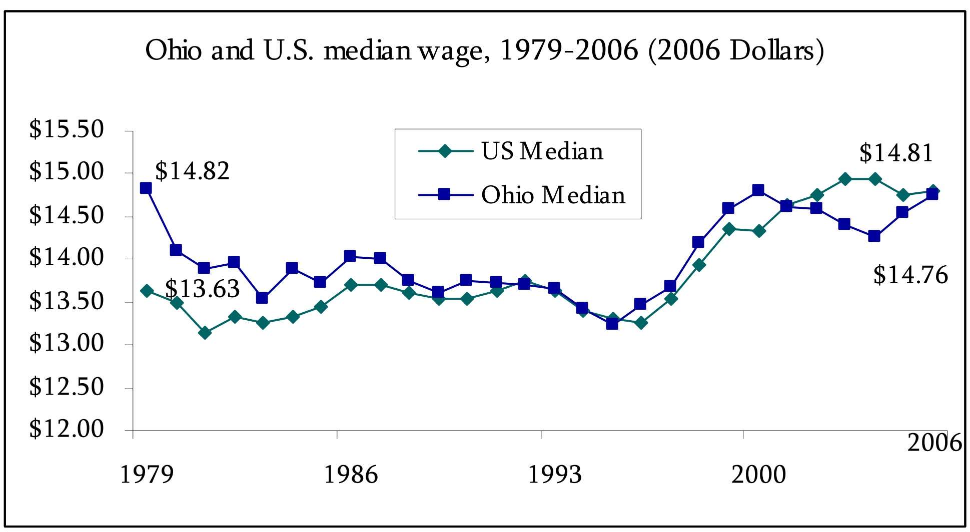
Ohio's median wage rose between 2005 and 2006 for the second year in a row. This is a positive contrast to the decline in wages that occurred between 2000 and 2004. Ohio's median wage still remains low by historic standards, particularly given the increased productivity and profits we have seen over the past generation. Nonetheless, if wages continue to increase next year, as they have in the past two, Ohio would be on pace to have wages above the pre-recession peak, and above the higher levels seen a generation ago. As of now, wages remain just below peak levels in both 1979 and 2000, but above what they were in most of the intervening years and well above the low point in the mid-1990s, as seen in Figure 17.

**Figure 17**


Source: Economic Policy Institute analysis of Current Population Survey data, Using CPI-U-RS.

Ohio's increase in wages over the past two years has brought the state back up to within pennies of the federal median wage, as Figure 18 shows. Ohio's wage had been well above that of the nation in 1979, but the deindustrialization of the early 1980s and the recessions of the 1980s and 1990s brought Ohio down to the federal level in wages. In 2001, decline in Ohio's inflation-adjusted wage, combined with a slight increase in the national inflation-adjusted wage, meant that Ohio was lagging the U.S. in wage levels for the painful years in the beginning of this decade. The growth in Ohio's median wage for the past two years may mean that the state could be poised to climb above the federal level again. Smart policy and business choices can help make this occur.

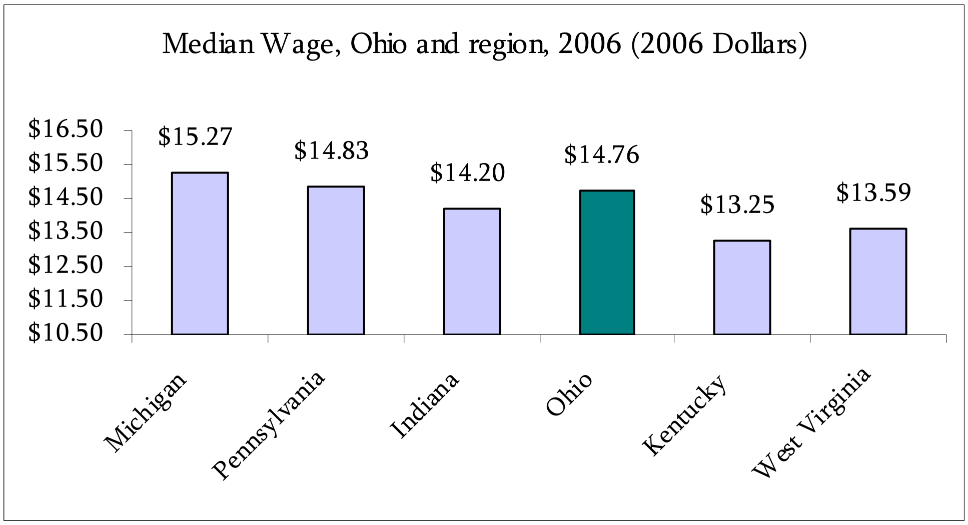
**Figure 18**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

Ohio's 2006 median wage of $14.76 was below that of Michigan, similar to that of Pennsylvania and above that of its adjacent neighbors to the south and west. Indiana's median wage had crept above that of Ohio in recent years, but in 2006 Ohio workers earned more than 50 cents more per hour than their Indiana neighbors, at the median, as Figure 19 shows.

**Figure 19**

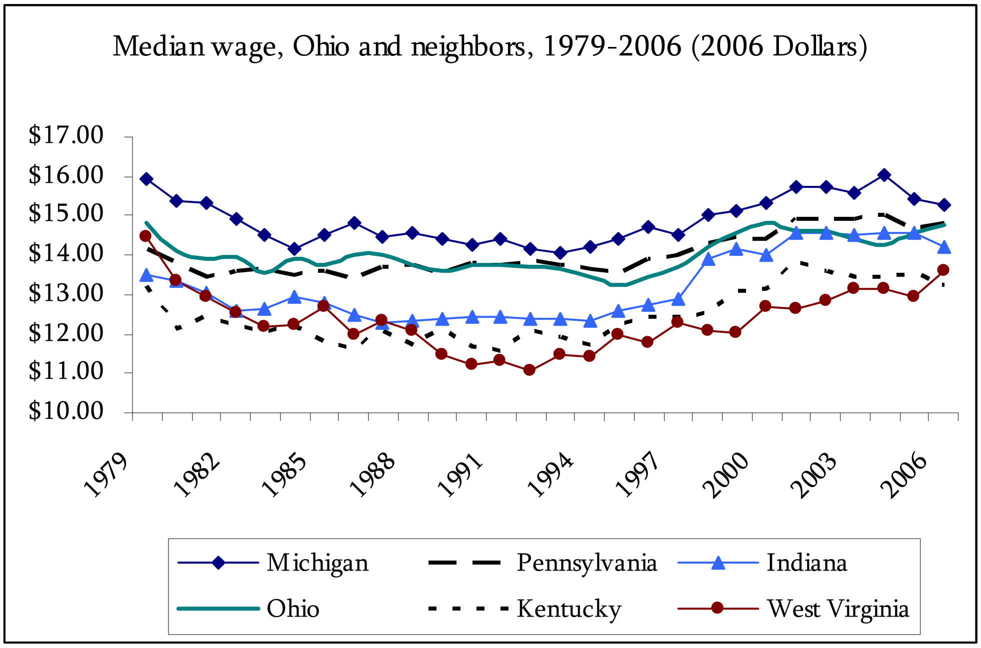



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

In the late 1970s, Michigan and Ohio had wages solidly above the wages of other states adjacent to Ohio, with West Virginia and Pennsylvania close behind. The loss of jobs in the coal, steel, rubber and auto industries, among others, meant that the whole region saw wage decline over the decade of the 1980s and early 1990s. The expansion in the late 1990s brought wages up in the whole region, particularly in Indiana which had not historically been as well compensated as Ohio, Michigan and Pennsylvania. But the recession beginning in March 2001 again hit the region hard, resulting in the lack of overall improvement by the end of the 27-year period. In the last two years, Ohio shows some signs of regaining its historic position of wages comparable to Pennsylvania and above that of the southern and western adjacent states, as Figure 20 shows.

Ohio and the states that neighbor it need to develop partnerships that will enable the region to compete together and build upon each others' strengths.

**Figure 20**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

## Finding 5: Unionization levels drop, but unions confer benefits

The likelihood of being in a union has declined over time in Ohio from slightly more than a quarter of the workers in 1983 to just over 16 percent of the workforce in 2006. In 2006, men and older workers were more likely to be in a union than were women and younger workers. Black workers were significantly more likely to be in a union than white workers, with union rates of more than one in five among black workers (21.3 percent) compared to less than one in six among white workers (15.6 percent), as Table 5 shows.

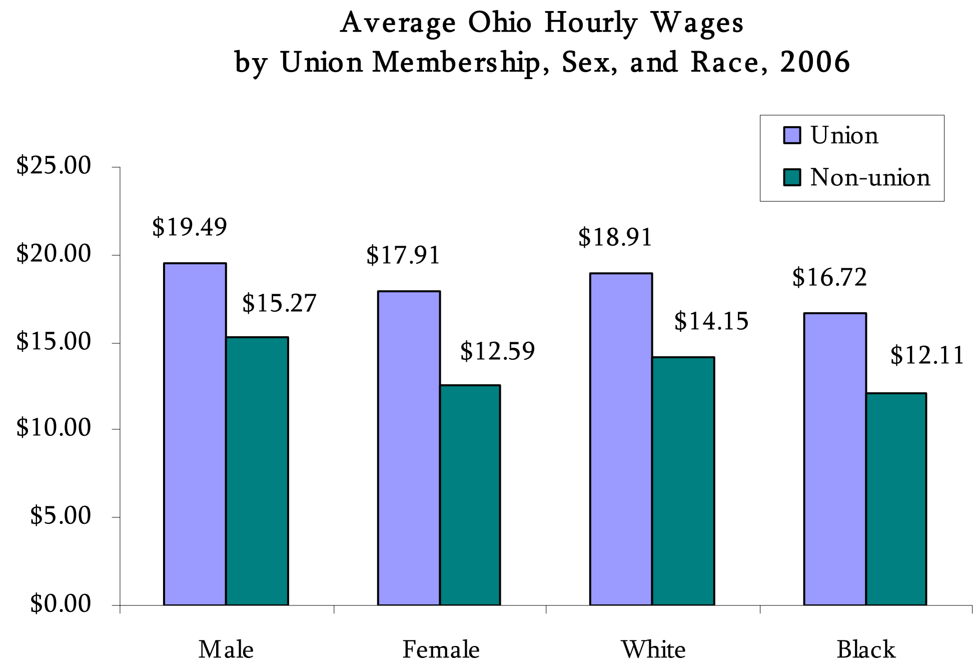
**Table 5**

| Union Membership, 2006 | |
|---|---|
| Demographic | Percent of workers in unions |
| All workers | 16.1% |
| **Gender** | |
| Male | 18.0% |
| Female | 13.8% |
| **Age** | |
| 18-24 | 5.3% |
| 25-54 | 17.3% |
| 55 and up | 19.8% |
| **Race** | |
| White | 15.6% |
| Black | 21.3% |

Source: Economic Policy Institute analysis of CPS data

Those who were in a union earned substantially more than non-union workers in median hourly wages in 2006, a trend that cut across demographic lines. Ohio men in a union earned $19.49, which was 28 percent more than the $15.27 that men who were not in a union earned. Women in unions earned $17.91, an extremely impressive 42 percent more than the $12.59 earned by their non-union counterparts. White union workers earned $18.91 an hour, 34 percent more than the $14.15 that whites not in a union earned. African-American workers in Ohio earned $16.72 when in a union at the median, and only $12.11 when not in a union, a 38 percent union premium. In addition to raising wages of all demographic groups, union membership reduces inter-group differentials – while unionized white workers and men still earn more than unionized black workers and women, the differential is smaller than it is among non-unionized workers of the same demographic groups. See Figure 21 for a picture of these trends.

**Figure 21**

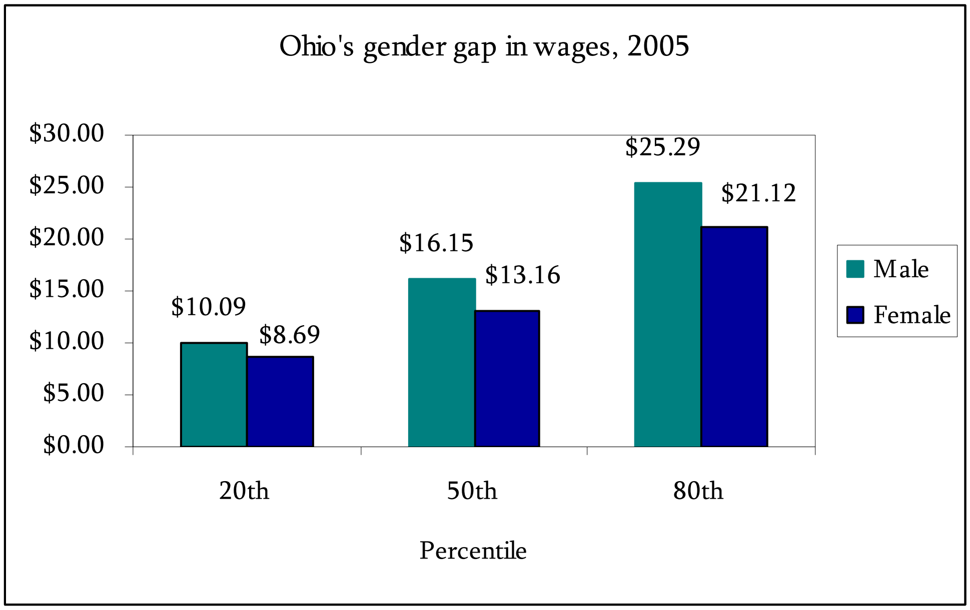



Source: EPI analysis of CPS data

## Finding 6: Modest Progress on Disparities

Men earn more than women in Ohio at the median, and among low-earning and high-earning workers. The male median wage of $16.15 was more than 22 percent higher than the female median wage of $13.16 in 2006. Toward the top of the earnings spectrum, differentials between men and women grown larger. While low-income (20th percentile) men earn $1.40 more per hour than 20th percentile women, median men earn $3.00 an hour more than median women, and 80th percentile men earn more than $4.00 more per hour than 80th percentile women, as Figure 22 shows.

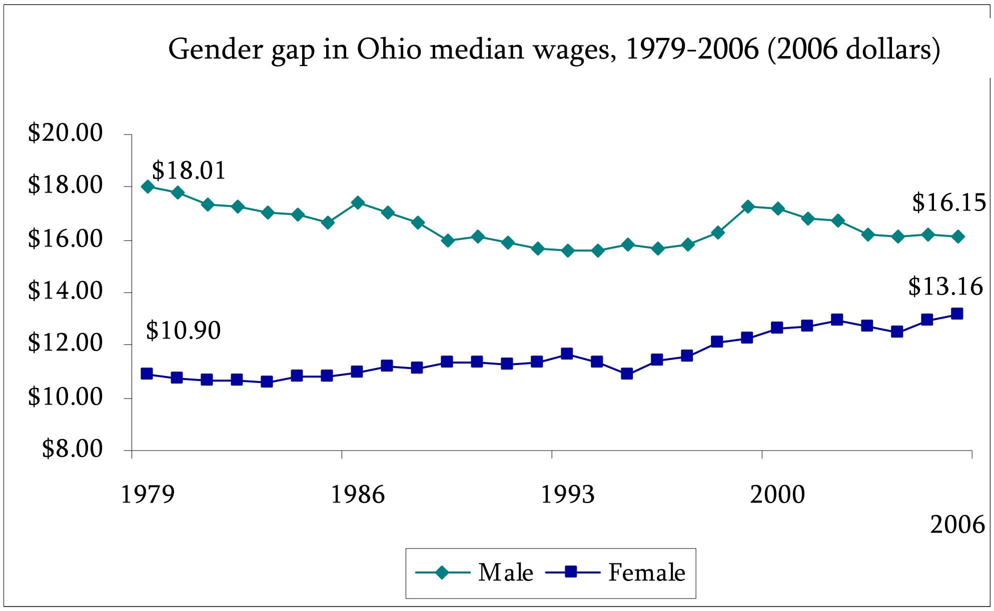
**Figure 22**




Source: Economic Policy Institute analysis of Current Population Survey data.

Although men still earn more than women, the gender gap in wages narrowed between 1979 and 2006, both because men's wages declined when adjusted for inflation and because women's wages grew. Women's wages increased more than twenty percent over this period, from $10.90 to $13.16. Ohio women's median hourly wages are now above their pre-recession peak and above any previous level. Men's median wages fell from $18.01 in 1979 to $16.15 in 2006, a more than ten percent decline. Men's wages also fell slightly last year, indicating that the modest increase in overall hourly wages between 2005 and 2006 was primarily due to improvements in women's wages at the median. Despite the growth in women's wages and the decline in men's over the past generation, men still earn substantially more than women at the median in Ohio. Nonetheless, the gender gap is smaller than it has ever been in Ohio and women are earning more than they ever have before. The trend is shown in Figure 23.

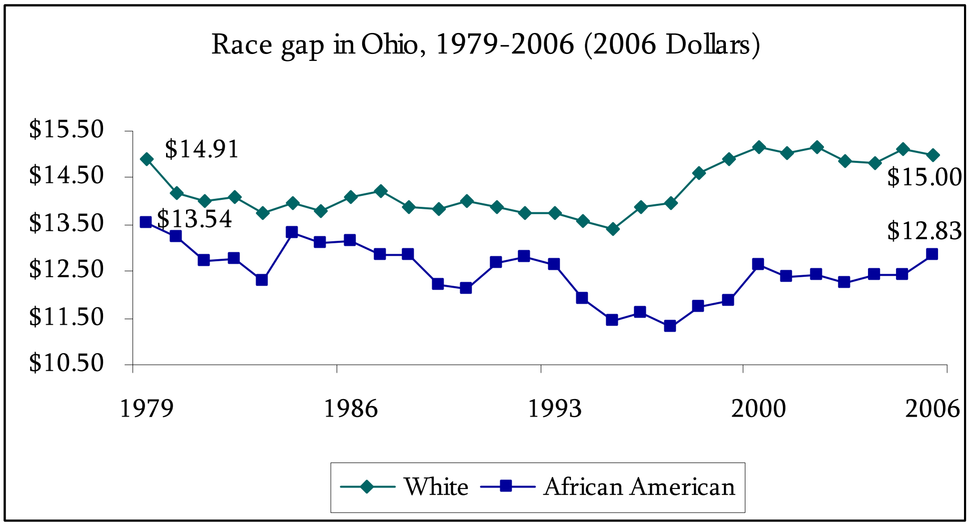
**Figure 23**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Wages of black and white workers are quite unequal at the median in Ohio, and the gap is larger than it was a generation ago. However, median black worker wages increased between 2005 and 2006 in Ohio, while median white worker wages stayed about the same. White workers in Ohio at the median make about what they did in 1979 when adjusted for inflation (ten cents more per hour). African American workers in Ohio make fully 75 cents less per hour than they did a generation ago when adjusted for inflation. The median white wage of $15.00 an hour is about seventeen percent more than the median black worker wage of $12.83. Although the racial wage gap is significantly larger than it was in 1979, it has narrowed somewhat from the widest point of disparity as shown in Figure 24. The race gap in wages was highest in 1999 when black workers earned 79 percent of what white workers earned, $3.01 per hour less.

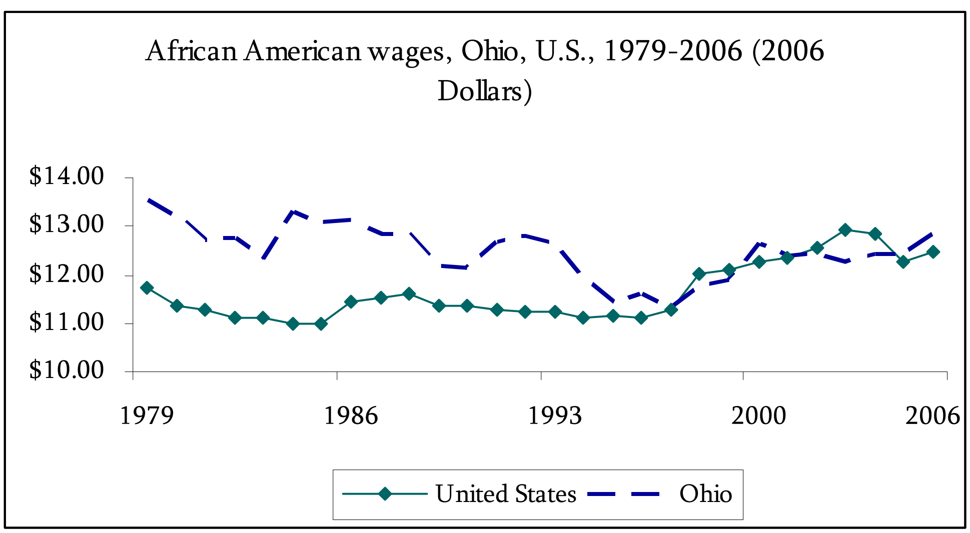
**Figure 24**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

A generation ago, for black workers, Ohio was a significantly better place to try to earn a living than it was for African Americans in the country as a whole. Thanks in large part to the de-industrialization that occurred in the period since then, this is no longer the case. However, African-American workers in Ohio earned slightly more than black workers did nationally in 2006, a departure from some of the data points earlier this decade. The median African-American worker in Ohio and the nation now earns essentially the same hourly wage, a little less than 13 dollars an hour, as Figure 25 shows.

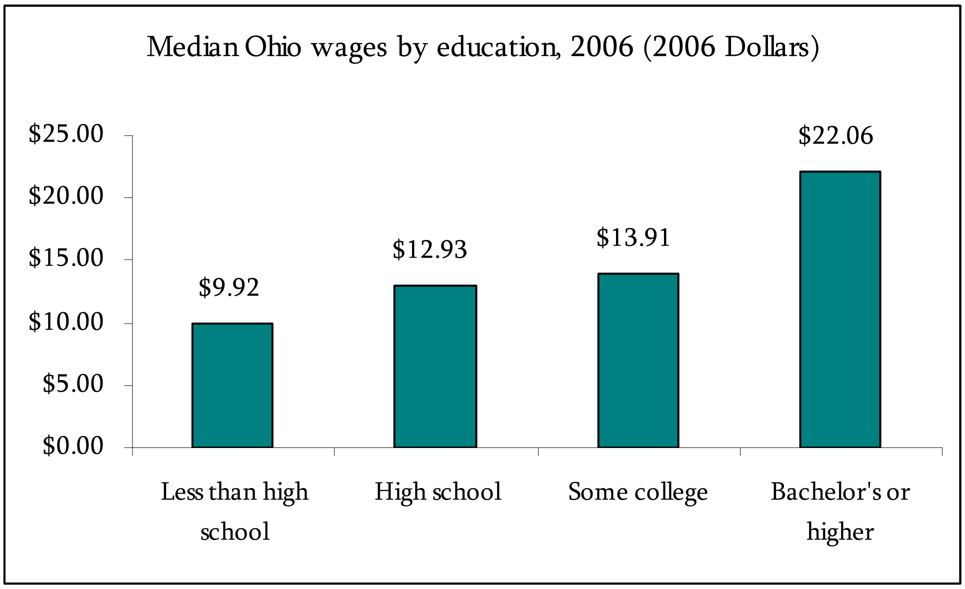
**Figure 25**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

Higher levels of education are strongly associated with higher earnings in Ohio, as elsewhere as Figure 26 shows. Workers with at least a four-year college degree earned $22.06 per hour at the median in 2006, more than twice as much as median workers with less than a high school diploma, who earned less than ten dollars an hour. High school graduates earn three dollars an hour more than those who don't complete high school at the median, and finishing some college (either obtaining a two-year degree or completing part of a BA) confers an additional dollar-an-hour wage advantage at the median. Completing a four-year degree results in a much more substantial earnings boost at the median.

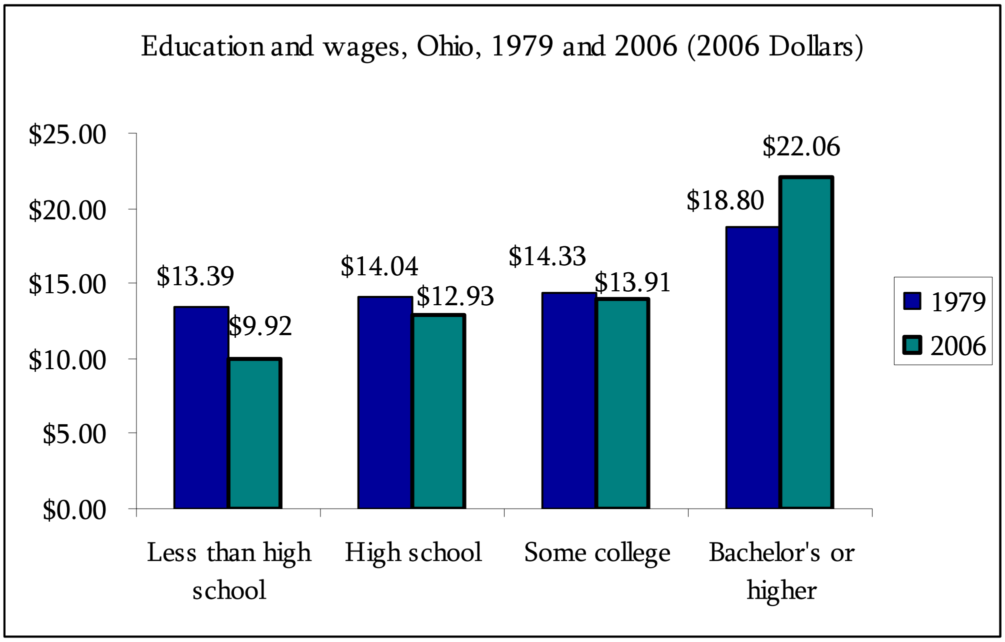
**Figure 26**




Source: Economic Policy Institute analysis of Current Population Survey data

Workers with more education always did better in Ohio, but the consequences of not getting a higher degree have increased in Ohio. Workers without a high school diploma earned more at the median in 1979 ($13.39) than workers **with** a high school diploma earned in 2006 ($12.93). In fact, high school graduates and even those with some college earn significantly less than comparable workers a generation ago. Wages of high school graduates have fallen more than a dollar an hour. However, those with at least a four-year degree earn much more than they did a generation ago – more than $3.00 more per hour. College graduates earned about five and a half dollars more per hour than those without a high school degree in 1979. By 2006, that gap was more than twelve dollars an hour both because wages of less-educated workers fell, and those of more-educated workers rose. See Figure 27 for comparisons of wages by education level between 1979 and 2006.

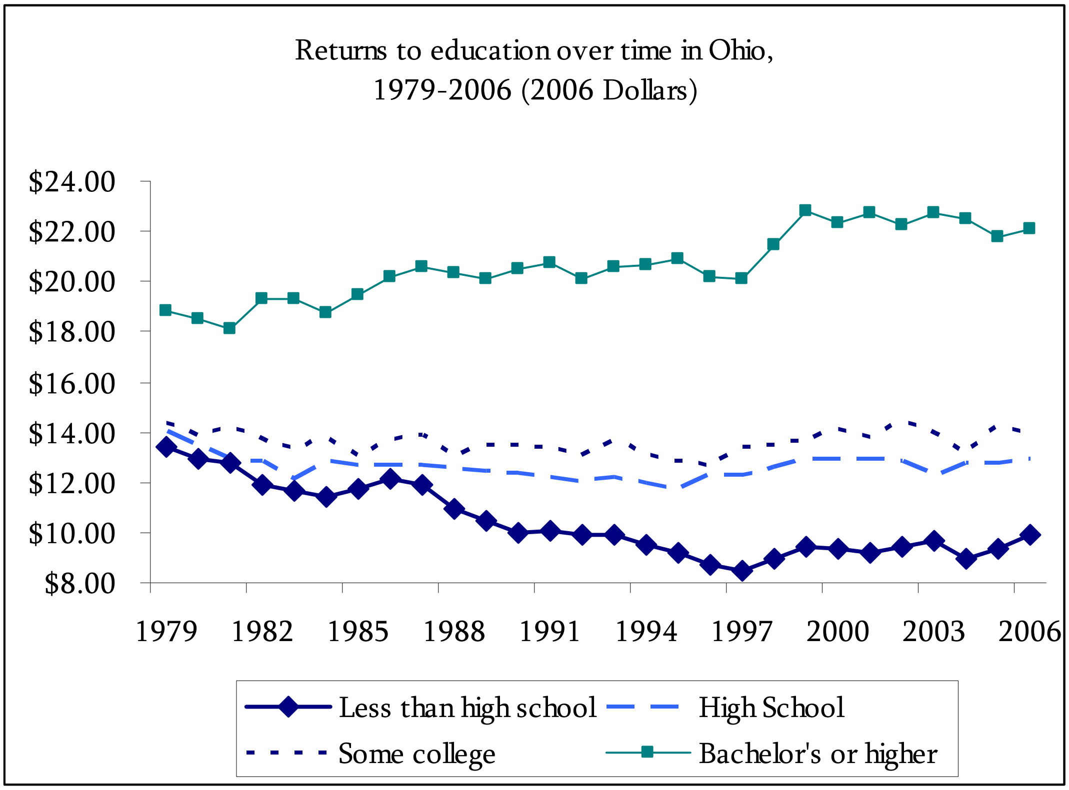
**Figure 27**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Figure 28, which shows the return to education over time in Ohio, illustrates the falling wages for those with less than a college degree – those without a high school diploma saw a particularly sharp drop over the course of the late 1980s and early 1990s. However, the figure also illustrates that the wages of those **with** a college degree, which grew sharply in the late 1990s, have not continued to grow. Since 1999 these wages have fallen slightly.

**Figure 28**




Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

## Finding 7: Unemployment inches down; little relief for black workers

Ohio's official unemployment rate fell slightly in 2006 and was at 5.4 percent as an annual 2006 average, lower than it was at any point between 1979 and 1995, and lower than it has been in any of the last five years. That said, Ohio has a higher official unemployment rate than it had when the recession of 2001 began and when it ended as Figure 29 shows. Low unemployment is one of the factors needed for shared prosperity. In the late 1990s, unemployment reached as low as four percent, which was part of what led to wage growth at the bottom of the earnings spectrum.

**Figure 29**


Source: Economic Policy Institute analysis of Current Population Survey data

Ohio's unemployment rate was higher than the nation's in 2006, and both rates were above that in the peak economic year of 2000. Male unemployment was a full percentage point higher than female unemployment in Ohio in 2006, while nationally there was no gender divide in unemployment, another indication of the degree to which the manufacturing losses are still affecting Ohio workers, particularly men. African-American workers in Ohio face a much tougher labor market than they did a few years ago, or than black workers face nationally. Black unemployment had dropped to 7.5 percent in 2000 in Ohio, a sliver lower than the U.S. rate of 7.6 percent. But by 2006, unemployment for African-Americans hard reached 12.5 percent in Ohio, 3.5 percentage points above the national rate, as Table 6 shows.

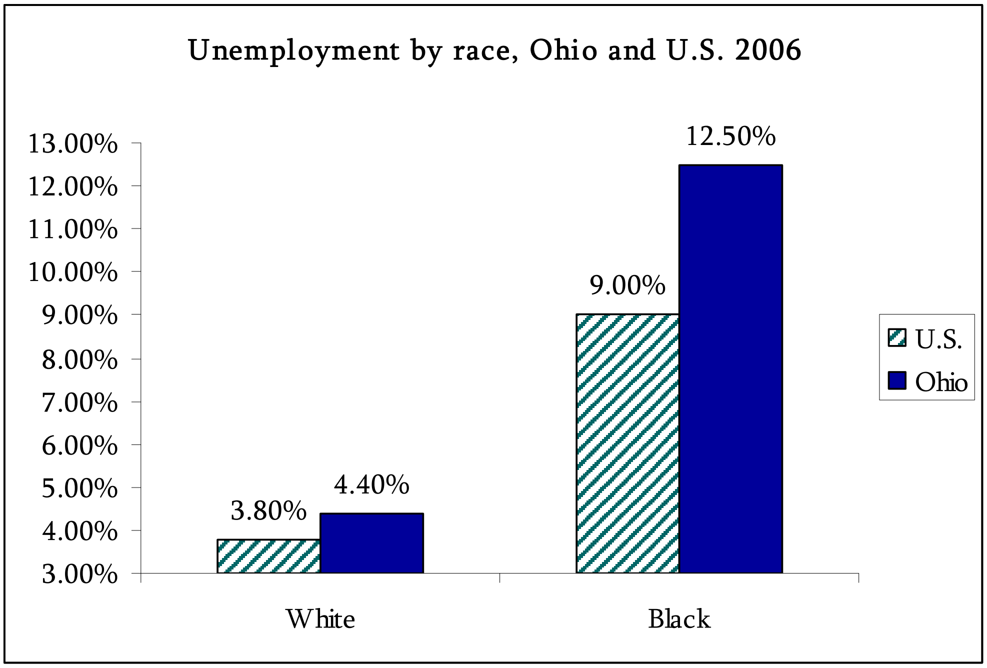
**Table 6**

| Unemployment rates by gender and race, Ohio and United States, 2000-2006 | | | |
|---|---|---|---|
| **All Workers** | **2000** | **2006** | **Percentage point change 2000-2006** |
| Ohio | 4.0% | 5.4% | 1.4% |
| U.S. | 4.0% | 4.6% | 0.6% |
| **Men** | | | |
| Ohio | 3.9% | 5.9% | 2.0% |
| U.S. | 3.9% | 4.6% | 0.7% |
| **Women** | | | |
| Ohio | 4.2% | 4.9% | 0.7% |
| U.S. | 4.1% | 4.6% | 0.5% |
| **White** | | | |
| Ohio | 3.6% | 4.4% | 0.8% |
| U.S. | 3.1% | 3.8% | 0.7% |
| **African-American** | | | |
| Ohio | 7.5% | 12.5% | 5.0% |
| U.S. | 7.6% | 9.0% | 1.4% |

Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment is worse in Ohio than it is nationally for white workers, but is significantly worse for African Americans. One out of every eight African Americans in Ohio is unemployed and looking for work, compared to one out of 11 nationally. Black workers are also nearly three times more likely to be unemployed than white workers in Ohio. Black workers are also more likely than white workers to be unemployed nationally, but the disparity is worse in Ohio, as Figure 30 shows.

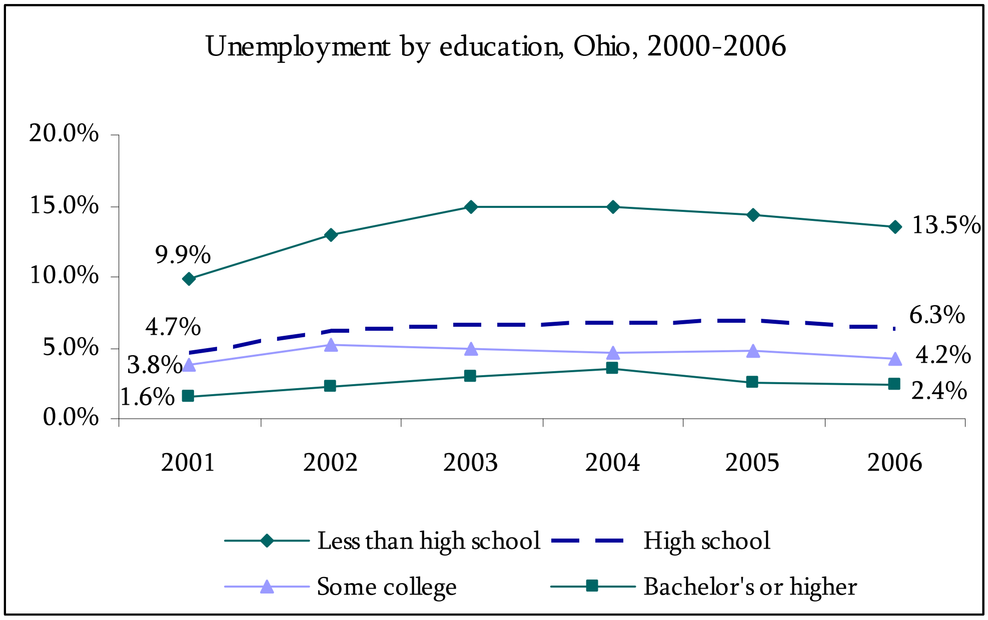
**Figure 30**




Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment rates were higher for every educational category in 2006 than they were in 2001 in Ohio, including those with a bachelor's degree. Nonetheless, the more education a worker had, the less likely she was to be involuntarily without a job in 2006 (and in every other year). Workers with less than a high school degree have a 13.5 percent unemployment rate, while college graduates face a 2.4 percent rate (Figure 31).

**Figure 31**

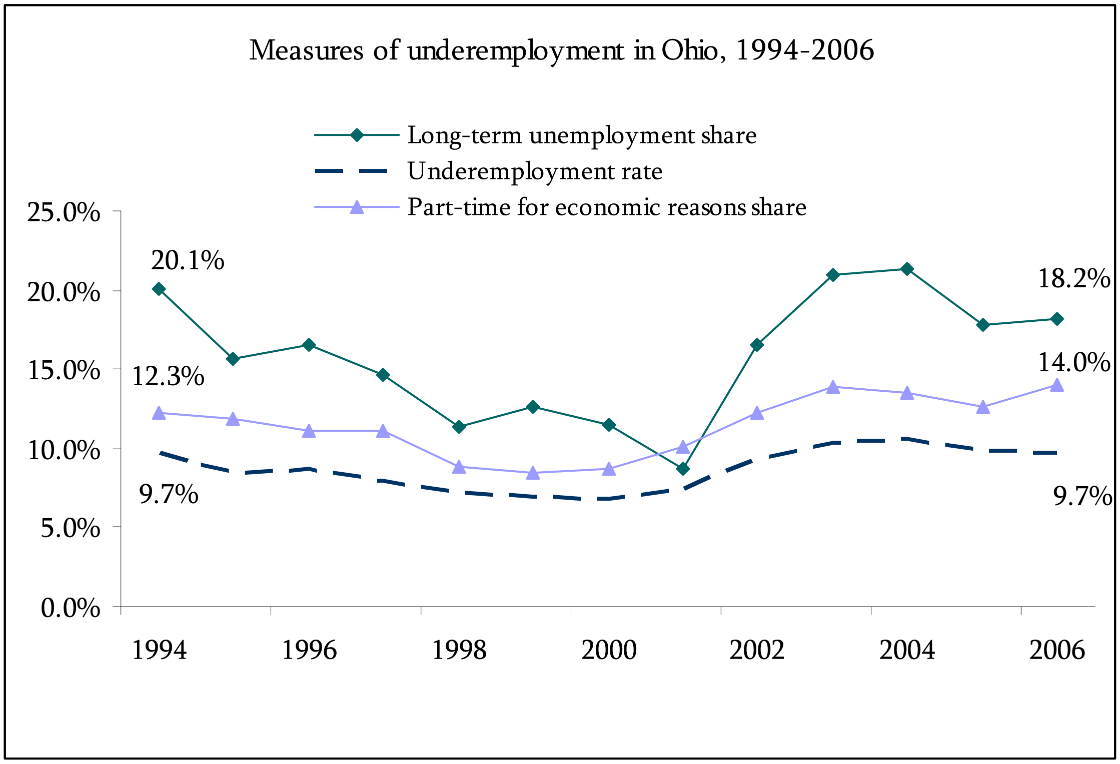



Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment rates do not capture the whole story on those who are without work, because in order to be considered unemployed, people have to be actively seeking employment. Workers who lose a job, try for six months to find a new one, and then become discouraged, return to school, or become stay-at-home parents are not considered unemployed, even if they'd rather be working. That's why, somewhat counter intuitively, when the job market improves slightly, unemployment sometimes goes up as more people think it's worthwhile to begin looking for work again. Similarly, when the job market is very bad, unemployment sometimes goes down as job-seekers become certain that looking will be fruitless. For all of these reasons, the U.S. government began tracking underemployment, which encompasses several categories of people who are not fully employed.

Underemployed refers to those who are unemployed, are employed part-time because they can't find full-time work, are not actively looking for work despite wanting a job because of doubts about job availability, or are not actively looking for work because a barrier such as lack of transportation makes it impossible to accept employment. In Ohio, 9.7 percent of workers were underemployed in 2006. The share of part-time workers who were part-time for economic reasons rose in Ohio to 14 percent of part-time workers, higher than it has been since the government started tracking this trend. The figure below also shows the share of the unemployed population that has been out of work for longer than 26 weeks and therefore no longer qualifies for unemployment compensation. This indicator rose slightly to 18.2 percent in 2006, lower than recent highs, but still higher than at any point during the years 1995-2001.

**Figure 32**




Source: Economic Policy Institute analysis of Current Population Survey data

Underemployment of all kinds is consistently higher for men than it is for women, higher for black workers than it is for white workers, and higher for those with less education. Of Ohio men, 10.1 percent were underemployed in 2006, which represented a 3.5 percentage-point growth from the year 2000. Of women, 9.3 percent were underemployed in 2006, up from 7.1 percent in 2000. Black workers were more than twice as likely as white workers to be underemployed, with nearly one out of five so categorized in 2006. More than one in five of those with less than a high school degree were underemployed in 2006, and more than one in ten of those with just a high school degree were also in this category. Although underemployment in Ohio was substantially higher than before the recession, it was lower than in 2003, as Table 7 shows.

**Table 7**

| Underemployment by gender, race, and education in Ohio, 2000-2006 | 2000 | 2003 | 2006 | Percentage point growth 2000-2006 |
|---|---|---|---|---|
| All Workers | 6.8% | 10.4% | 9.7% | 2.9 |
| Male | 6.5% | 10.7% | 10.1% | 3.5 |
| Female | 7.1% | 10.1% | 9.3% | 2.2 |
| White | 6.2% | 9.2% | 8.3% | 2.1 |
| African-American | 11.9% | 19.0% | 19.6% | 7.7 |
| Less than high school | 16.3% | 22.6% | 20.9% | 4.6 |
| High school | 7.6% | 11.6% | 11.6% | 4.0 |
| Some college | 5.6% | 8.7% | 8.1% | 2.5 |
| Bachelor's or higher | 2.5% | 5.2% | 4.3% | 1.8 |

Source: Economic Policy Institute analysis of Current Population Survey data

## Recommendations and Conclusion

Ohio elected a new set of statewide leaders last year. This has meant that policy reforms that were off the table for the better part of two decades are now open to debate. When Governor Strickland took office, Policy Matters released an economic plan that made recommendations in five areas: investing in the future; creating more opportunity; ensuring that new generations can join the middle class; protecting the assets that Ohioans have worked so hard to build; and keeping strong public structures in Ohio.[10] For this report we stick to those five broad themes, but instead of offering a range of suggestions in each area, we offer just a few concrete ideas that seem attainable or essential right now in Ohio.

**Invest in the Future:** First, the state should invest in the future: in education, infrastructure and energy, so that we're prepared to meet current and future needs. The findings in this report demonstrate that we continue to need our manufacturing base strengthened, our education levels increased, and the waste in our economy reined in. To better invest and prepare for tomorrow, we recommend:

1. Ohio should enact a renewable portfolio standard as 25 states including the District of Columbia have now done. Such a standard would insist that 20 percent of Ohio's energy come from renewable sources by the year 2020. That approach would strengthen Ohio's manufacturing base as we ramp up parts production for renewable energy equipment. There are dozens of ways that Ohio can strengthen its renewable energy economy and ensure that Ohio is at the center of a new green economy, but they all start with the demand for renewables that a Renewable Portfolio Standard will help create.
2. Ohio should make a high-quality preschool education available to all four-year-olds through neighborhood public schools and should offer full-day kindergarten to all

[10] Find the economic plan at http://www.policymattersohio.org/AnEconomyThatWorks2007.htm.

families who want it, as called for by the Groundwork campaign.[11] The governor and legislature increased early childhood funding last year, a significant step in the right direction. But investing more in early childhood will pay off dramatically in the long run for our children and for our public budgets.[12] Smart states are moving toward universal pre-kindergarten and their children will be more likely to thrive through high school, college and beyond, as a result.

**Create more Opportunity:** Second, we must create more opportunity in Ohio, by being strategic about economic development, setting high standards, and ensuring that all Ohioans have the chance to contribute to the economy. Being strategic about economic development means ensuring that we know what a subsidy will cost and how it will benefit us; targeting incentives where most needed and to good, career-ladder jobs; directing development dollars toward firms that are anchored in Ohio; considering sprawl, density and urban vitality in allotting aid; and integrating workforce and economic development. The first and key step is putting in place a unified development budget, as Governor Strickland argued during his campaign last year. A unified development budget would list all state aid to private companies, including tax expenditures, in one document that is electronically accessible to the public. This would help the state to have a clear vision of economic development goals, a transparent understanding of spending toward those goals, and a head start on monitoring progress on those goals. Quite simply, it will enable Ohio to know how much is being spent, what outcomes are anticipated, and what to do if outcomes are not met. We expect this kind of accountability from entities doing business with the state.

**On-ramps to the Middle Class:** Ohio has been a place where new generations could join the middle class. We need to ensure that hard-working people can continue to do so, by making necessities like child care and health care affordable and having a fair, progressive tax system. Three bold reforms would help in this area:

1. Governor Strickland should convene a bipartisan summit of the leadership in New York, Pennsylvania, Ohio, Michigan, Illinois, Indiana and Wisconsin to consider pooled health care coverage. If this consortium of states could offer employers a system of universal coverage, firms would have a dramatic incentive to locate in this region. Unlike most of the other reforms in this recommendation list, this is not easily attainable, but it is essential to Ohio and its economy.
2. In 2005, the General Assembly reduced income-tax rates across the board by 21 percent over five years. Besides costing the state $2 billion in annual revenue, much of this reduction will go to Ohio's most affluent taxpayers. Fully 23 percent will go to the top one percent – those making over $274,000 a year – while the lowest three-fifths will get

[11] Learn more at www.groundworkohio.org.

[12] Bartik, Timothy, *Preschool and Economic Development*, October 2006, Upjohn Institute Employment Research Volume 13, Number 4.

just 14 percent.[13] Even before the 2005 tax changes, low- and middle-income Ohioans paid a greater share of their income in taxes than wealthier Ohioans. Restoring the personal income tax on the affluent would make the tax system fairer and generate needed revenue for investments in education and other critical needs.

3. A third reform, far more modest in cost but important nonetheless, is that all Ohio employers should allow workers to earn paid sick days. Under current law, many employees cannot stay home when they or their children are sick without losing pay or even risking their jobs. National research and a forthcoming study in Ohio will show that allowing employees to earn paid sick days gives people an ability to take better care of themselves and their families, reduces the spread of disease, and saves more than it costs. It is already in place in most other countries and already an assumption for many professional and union workers.

**Build and Protect People's Assets:** Fourth, as a state, we also need to protect the assets that Ohioans have worked so hard to build. We can do so by reining in the exploitative forms of credit that have grown out of control in Ohio. A number of statewide leaders have embraced the need to make reforms in this area. We recommend three modest, attainable reforms to allow Ohio families to build and protect their assets:

1. The number of payday lenders has grown more than fourteen-fold in the past decade in Ohio. Fourteen states have acted to block exploitative payday lending. A national law will protect military families from exploitative lending, capping interest rates to military families at 36 percent. Georgia's path-breaking 2004 legislation now caps small loans at 60 percent APR, has strong penalties, and bars lenders from partnering with outside entities to circumvent state law.[14] The Ohio legislature should cap interest rates at 36 percent for all borrowers, and incorporate similar reforms to those passed in Georgia.
2. To encourage responsible behavior toward consumers, the Ohio legislature should restore the 30-year-old ability to sue for non-economic damages, eliminated during the lame duck session and pushed through by the courts despite Governor Strickland's veto. This would also make reforms passed to prevent predatory lending more meaningful. To stave off further devastation from the foreclosure wave engulfing Ohio communities, financial institutions should modify the terms of unaffordable, deceptive mortgage loans and allow borrowers to stay in their homes.
3. Ohio should enact a state Earned Income Tax Credit as 24 states including the District of Columbia have now done. This provides a tax credit to working families of modest incomes, helps make work pay, reduces child poverty, and stimulates the economy. It is a common sense way to assist working families.

---

[13] Schiller, Zach and David Ellis *Wealthiest Ohioans Gain Most from Proposed Tax Changes; Low- and Middle-Income Families, on Average, Save Little or Nothing*, Policy Matters Ohio, Center for Community Solutions and Institute on Taxation and Economic Policy, March 7, 2005. See http://www.policymattersohio.org/Wealthiest_Ohioans_Gain_Most.htm.

[14] Ibid.

Retain Strong Public Structures: Finally, we need to retain strong public structures in this state, structures that undergird a more successful Ohio. The private sector can do a good job of delivering private goods, especially if good laws are in place to monitor product safety, environmental compliance, consumer protection and labor practices. But experiments in privatizing public goods and services rarely result in the promised cost savings and efficiency gains. In fact, the need for profits often makes the privatized service more expensive and less efficient. Employees are often paid less, reducing the economic development potential of whatever spending is being done, and concentrating benefits to a privileged few.

Instead of toying with privatization schemes in pursuit of elusive savings, Ohio should recommit to its public institutions – demanding the highest levels of service and accountability, and providing strong oversight, adequate funding, and good support. All laws – labor laws, environmental standards, consumer protection, tax assessments – should be vigorously enforced. This ensures a level playing field, sends the signal that compliance with the law is expected, ensures more adequate resources for the public sector, and protects Ohioans as they work, shop, eat, drink, breathe and go about their lives.

As we said in our economic plan, Ohio has historically been a state that invested in education and infrastructure, provided opportunity, constructed on-ramps to the middle class, built and protected its citizens' wealth and provided strong public structures. These investments –made when we had fewer resources and more uncertainty – led to a more prosperous, better educated, more productive and more sustainable Ohio. We've lost sight of some of that vision, but we know that it remains our tradition. This year's *State of Working Ohio* picks some concrete, sensible changes in each of these areas – things that are being done in other states or countries, and things to which some Ohio leaders have already committed. They are compatible with a thriving economy, and they do much to strengthen that kind of economy. These ideas will help our state return to principles that have steered us for decades. It is time for Ohio to renew its commitment to prosperity, equity, sustainability, productivity, and a better tomorrow.

Policy Matters Ohio is a non-profit, non-partisan research institute dedicated to researching an economy that works for all in Ohio. Policy Matters seeks to broaden debate about economic policy by providing research on issues that matter to Ohio's working people and their families. Areas of inquiry for Policy Matters include work, wages, and benefits; education; economic development; energy policy; and tax policy. Generous funding comes from the Joyce, Gund, Cleveland and Sisters of Charity Foundations and the Economic Policy Institute. To those who want a more fair and prosperous economy... Policy Matters.

3631 Perkins Avenue, Suite 4C - East • Cleveland, Ohio 44114 • 216/361-9801

Columbus: 1372 Grandview Ave, Suite 242 • Columbus, Ohio 43212 • 614/486-4601

http://www.policymattersohio.org/