# The State of Working Ohio 2008

A Report From

Policy Matters Ohio

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September, 2008

## 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.

## Acknowledgements

We are grateful to Liana Fox, Kai Filion and the Economic Policy Institute for substantial technical support. Policy Matters intern Brandon Henneman's patience, diligence and intelligence substantially enhanced the quality of this report. 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, Public Welfare, Sisters of Charity, Cleveland, and Gund Foundations for other support. Any errors in the document are the sole responsibility of the author. As we think about the need for a more equitable, sustainable and prosperous economy in Ohio, we can't help but mourn the loss of Congresswoman Stephanie Tubbs-Jones and her strong voice on behalf of those causes.

**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.

## Executive Summary

Ohio was, in most ways that matter, left out of the national economic expansion over the past six years. As the country heads back into recession, the gains for working families, nationally and especially in Ohio, have been disappointing to say the least. Some key findings from an analysis of findings related to America and Ohio's working families:

**Ohio and America: unequal and growing more so**

- Inflation-adjusted wages fell in Ohio for both low- and median-wage workers between 2000 and 2007 and between 2006 and 2007. In both cases 2007 wages are below the wages earned in 1979, although they remain above levels earned for much of the 1980s and 1990s. The 2007 median wage was $14.76 per hour.
- Since 1979, pre-tax income of the top 5 percent of households grew by more than 80 percent, while income of households in the bottom 20 percent declined, and income of households in the middle of the earnings spectrum grew only modestly. In contrast, between 1947 and 1970, pre-tax income more than doubled for most households of low and moderate incomes, similar to growth for the very wealthiest.
- Income distribution in Ohio has grown more unequal over time, but disparities are less extreme than in the U.S. as a whole. In 2006 in Ohio, the richest one percent of families captured more than 15 percent of income in the state, while the entire bottom half of the population shared less than 15 percent. Nationally, the top one percent got more than one fifth of all earnings, while the bottom half shared less than 13 percent.
- Wealth is even more concentrated than income nationally, with the top one percent of Americans owning more than one third of all wealth in the United States and the top 10 percent together owning more than 70 percent. More than 80 percent of stock ownership is concentrated among the top 10 percent and nearly 37 percent is concentrated among the top one percent. State level data is unavailable.

**Growing productivity, not widely shared**

- Between 1947 and 1973 productivity and median family income grew directly in tandem, each by about 104 percent. But between 1973 and 2005, productivity grew by more than 105 percent, while family income grew by less than 31 percent. And in the last five years of that period, 2000-2005, despite a 16.6 percent increase in productivity, median family income actually fell by 2.3 percent in the United States. Nationally, in the most recent year measured (2005), the highest earning families consumed a larger share of total pre-tax income than at any time since 1928.
- Less than six in ten black Ohioans and only slightly more than one in three Ohio adults without a high school degree were employed in 2007.
- Women have steadily increased their labor force participation since 1979, from just under half of adult women over age 16 being in the labor force to 61.7 percent participation by

2007. Male labor force participation dropped between 1979 and 2007 from nearly four in five men to nearly three out of four.

**Fewer returns to work**

- Ohio's median wage was lower than the U.S. median wage in 2007, after having briefly converged with the U.S. median last year. In general, Ohio's median wage has been slightly lower than the nation's since 2001, in contrast to the 1980s when Ohio's median worker earned substantially more than the median U.S. worker.
- In recent history, Ohio has consistently had higher wages than West Virgina and Kentucky and lower wages than in Michigan and Pennsylvania, all still true. However, until the late 1990s, Ohio's median wage was solidly above that of Indiana. In this decade, Ohio's wage has been the same as the median wage in Indiana, with Ohio creeping above in 2006 and falling back to being slightly behind in 2007,
- The male female wage gap has narrowed over the past three decades, because of a large drop in male compensation and modest growth in women's compensation. In 2007, Ohio median wages dropped for both men (to $16.10) and women (to $13.32) when compared to the previous year. Men's compensation, when adjusted for inflation, is lower than it has been at any point since 1979, yet men continue to earn 21 percent more than women at the median in Ohio
- Black worker wages dropped substantially in 2007, to $12.04 an hour at the median, lower than at any point in the last decade, and lower than throughout the entire period between 1979 and 1995 in inflation-adjusted dollars. Black workers in Ohio used to earn significantly more than black workers in the country as a whole but this has not been consistently true since the mid-1990s. In 2007, the median black worker earned $12.69 an hour nationally and $12.04 an hour in Ohio.
- Union membership fell by more than a third, from 21.3 percent of the workforce in 1989 to just 14.1 percent of the Ohio workforce by 2007.

**Education: more essential, more expensive**

- While about nine in 10 adults in Ohio have a high school degree, there is variation between demographic groups, with lower levels of diploma attainment among black adults (84.8 percent) than among white adults (88.4 percent). Young adults above the age of 25 are more likely to have completed high school (92 percent of 25-44 year olds) than their older counterparts (74 percent of those over age 65).
- Less than one quarter of adults in Ohio had completed college by 2006. Among black adults, just 16.8 percent have a college degree. While only 16.3 percent of adults over age 65 have a BA, 26.6 percent of Ohioans between the ages of 25 and 44 have completed college.
- Nationally, in just the past ten years, average tuition at public four-year institutions has increased by more than fifty percent. Although tuition in Ohio is generally higher than

in the rest of the country, additional state spending on higher education prevented Ohio tuition from rising further this year.
- Greater levels of education continued to correlate closely with higher wages in Ohio and the nation in 2007. The median worker with at least a Bachelor's degree earned $22.48 an hour in 2007, well over twice as much as the median worker with less than a high school degree, who earned just $9.30 an hour in 2007. Still, the wage of the median worker with a BA degree or more has not grown in the past eight years – the wage growth for those with college degrees took place primarily in the late 1990s.

**Out of work**
- Ohio's unemployment rate hit a fifteen-year high of 7.2 percent in July 2008. Ohio has fewer jobs than it had prior to the last recession, and has not even gained jobs during the national recovery. In terms of yearly averages, Ohio's unemployment rate increased slightly between 2006 and 2007, to a 5.6 percent yearly average last year.
- More than one in ten black labor market participants was out out of work in 2007, compared to about one of every 20 white workers. For all demographic groups in Ohio and the U.S., unemployment was higher in 2007 than it had been in 2000, although both years were considered peaks of a business cycle. For all demographic groups unemployment levels were higher in Ohio than in the U.S. as a whole.
- Unemployment levels for those with less than a high school degree in Ohio were more than 15 percent in 2007, well over two times higher than the 5.7 rate facing those with just a high school degree.
- The number of workers who saw their full-time jobs cut to part-time reached 3.7 million this summer – the highest national number for this figure in more than half a century. The overall national number for those working part-time involuntarily was 5.3 million, more than a million more than a year ago.

National policy change could revitalize Ohio, ensure that we get more out of the next economic expansion, and leave us better equipped to handle future downturns. The report ends with five things that Ohio should demand from the next president in this presidential election year. The broad areas where policy change is most needed include:
- Investing in the future, particularly in infrastructure, energy innovation and conservation, manufacturing vitality, and education from pre-kindergarten through graduate school;
- Creating more opportunity by targeting economic development, improving trade policy, and training our workforce;
- Building on-ramps to the middle-class by guaranteeing health insurance, having a fair progressive tax system, and encouraging unionization;
- Protecting assets by regulating credit nationally and assisting in the foreclosure crisis:

- Finally, retaining strong public structures by demanding excellent service and accountability, providing vigilant oversight and adequate funding, and making sure the jobs are done by qualified, well-compensated professionals.

This kind of policy in the past led to a more prosperous, educated, productive and sustainable country and state. As we enter a recession, following a recovery from which we were excluded, we should demand from those who would be president a renewed commitment to prosperity, equity, sustainability, and productivity.

# I. Introduction

Between 1979 and 2005, the output of the U.S. economy more than doubled.[1] Yet inflation-adjusted median worker wages have barely budged since that time and real median family incomes are up only slightly, despite strong increases in hours worked and far more participation of mothers in the workforce. With another presidential election bearing down on us, what should be done to improve the circumstances for Ohio's working families?

Ohio, hit hard by the foreclosure crisis and continuing to suffer the effects of three decades of deindustrialization, is in many ways struggling more than the rest of the country. As we strain to maintain manufacturing employment, the Midwest is more affected than many other regions. But many of the trends that are most distressing for Ohio are also hitting the rest of the country – more risk and less security, more inequality and less access to the middle class, more need to obtain higher education even as the costs for that education rise, more debt and less saving. The country as a whole failed to add jobs during the most recent economic expansion at anything like the rate they'd been added during previous expansions. And in Ohio, we haven't added jobs during the national recovery, and we certainly haven't recovered jobs lost during the last recession.

Some very modest policy successes have provided a bit of relief. Ohio and the nation raised their minimum wages – not to the levels that workers in the late 1970s could count on, but at least to a level that ate away at some of the erosion for workers at the bottom of the pay scale. The worst excesses of starving the government – like the disastrous Colorado measure that has weakened that state's ability to solve public problems – have been rejected, in Ohio and elsewhere. However, changes to Ohio's tax code mean that the state will have fewer resources to meet needs, and changes to the federal tax code have had the same result. This approach, which has dramatically cut what the very wealthiest contribute toward the public sector, ensures that essential needs go unmet and that investments in people and infrastructure to secure a better future are less possible.

This year's *State of Working Ohio* report looks at trends and snapshots for Ohio workers and makes recommendations for ways that leaders in Ohio and the nation can do more to restore equity, prosperity, sustainability and security to this state and this country.

# II. Ohio and America: Unequal and growing more so

Whether or not those who officially make such declarations have yet said so, in the ways that matter to Ohio workers, we are already in a recession. If so, the year 2007 constituted the peak of the most recent business cycle. The previous business cycle peak occurred in 2000. As an expansionary period, the most recent business cycle was far less generous to

[1] Greenhouse, Steven, The Big Squeeze: Tough Times for the American Worker, Alfred A. Knopf, New York, 2008, page 6.

working people than the business cycle that preceded it. Inflation-adjusted wages fell in Ohio for both low- and median wage-workers between 2000 and 2007, and in both cases 2007 wages are below the wages that workers at a similar point on the income spectrum earned in 1979, although they remain above levels earned for much of the 1980s and 1990s. Table 1 takes a snapshot of wages for the median worker (at the midpoint), the low-wage worker (earning more than 10 percent of all other workers and less than 90 percent) and the high-wage worker (earning more than 90 percent of workers).[2] For those toward the top of the earnings spectrum (earning more than 90 percent of all other workers), 2007 wages were higher than those in other years selected.

Table 1

High, median and low wages in Ohio, 1979-2007 in real 2007 dollars

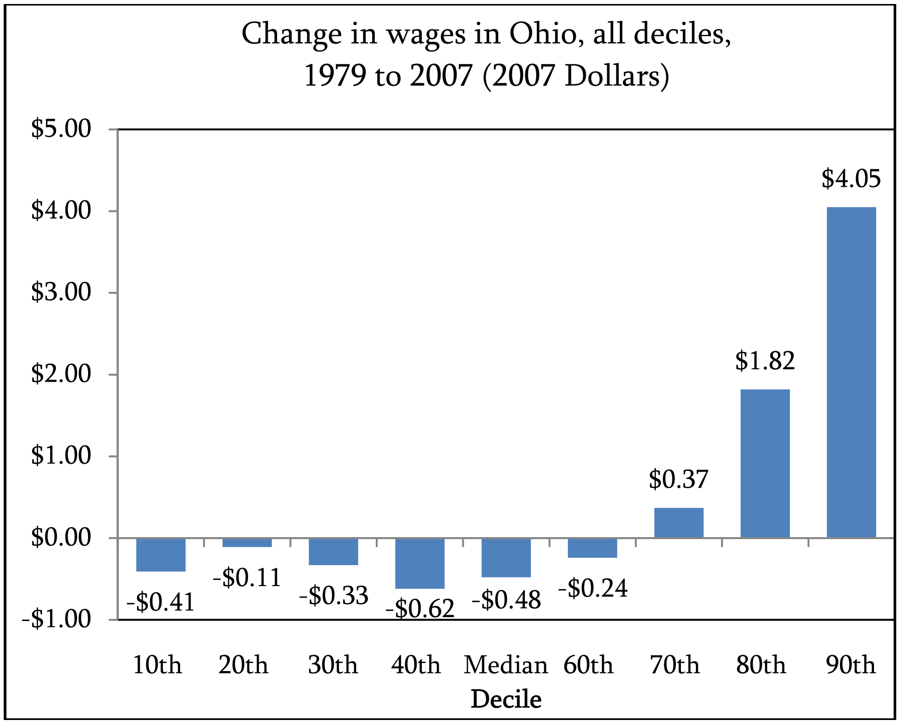
| | 1979 | 1989 | 1995 | 2000 | 2007 | Percent wage change 1979-2007 |
|---|---|---|---|---|---|---|
| 10th percentile | $7.92 | $6.63 | $6.82 | $7.77 | $7.51 | -5.46% |
| Median | $15.24 | $14.01 | $13.61 | $15.23 | $14.76 | -3.25% |
| 90th percentile | $26.74 | $27.20 | $27.65 | $30.35 | $30.79 | 15.15% |
| 90th percentile divided by 10th percentile | 3.38 | 4.1 | 4.05 | 3.91 | 4.1 | |

Source: Economic Policy Institute analysis of CPS data, using CPI-U-RS

Hourly wages fell for low-, middle, and upper-middle income workers between 1979 and 2007. Figure 1 divides the workforce into 10 equal parts and examines how workers at each point along the spectrum did between 1979 and 2007. We find that only those workers in the top 20 percent saw earnings increases of more than 40 cents an hour, and that the earnings increase was much larger for workers at the 90th percentile than for workers at the 80th percentile. The figure below looks at hourly wages only, so it understates inequality because benefits and non-wage income are even less equally distributed than wages. This data doesn't capture the extreme growth in earnings inequality for workers among the top 10 percent, which is where most of the story on inequality growth is found. For that, see the national data below this figure.

[2] The years chosen – 1979, 1989, 2000 and 2007 were all national business cycle peaks. We also included 1995 to provide a comparison at the mid-point of a business cycle.

**Figure 1**

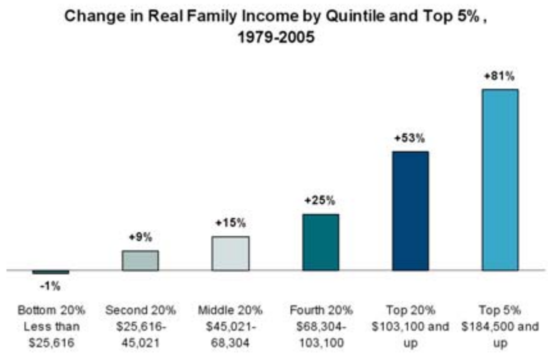


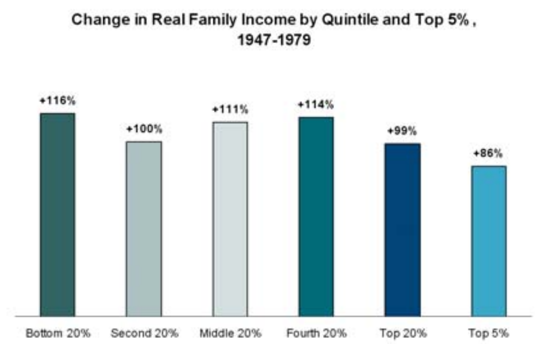

Source: Economic Policy Institute analysis of Current Population Survey data using CPI-U-RS

National comparisons of income groups reveal a similar story – growth at the top, accompanied by lack of growth at the bottom, for the period between 1979 and 2005. And because the national inequality levels are worse than those in Ohio, and because the data allows better focus on the very top, the story depicted below is one of much greater disparities. During the period since 1979, pre-tax income of the top 5 percent of households grew by more than 80 percent, while income of households in the bottom 20 percent actually declined, and incomes of households in the middle of the earnings spectrum grew only modestly. This is in stark contrast to longer-term history in the U.S. During the period between 1947 and 1970, pre-tax income more than doubled for most households of low and moderate incomes, and also nearly doubled for the very wealthiest. The pie grew much larger, everyone grew much more affluent, but the country grew together. Since 1979, the country has been growing apart. Figures 2 and 3 portray this information.

## Figure 2 and Figure 3

### U.S. Income Growth: Two Eras Compared



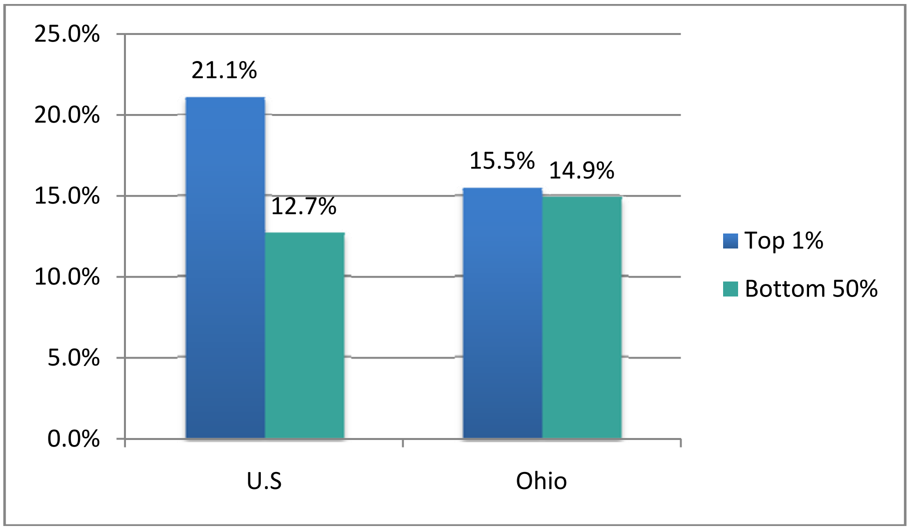

Source: Analysis of U.S. Census Bureau data in Economic Policy Institute, The State of Working America 2006-2007 (Cornell University Press, 2007).

The figures above are pre-tax – if we looked at the growth in income after taxes were assessed and tax credits were distributed, the bottom 20 percent would have seen a slight growth (six percent) in their income over the 26-year-period, but the top five percent would have seen an even greater increase (176 percent).

The distribution of income in Ohio has also grown more unequal over time. However, income inequality in Ohio is not as extreme as it is in the U.S. as a whole. In 2006 in Ohio, the richest one percent of families had more than 15 percent of all income in the state, while the entire bottom half of the population shared less than 15 percent of all of the state's income before taxes. U.S. income distribution was even more extreme, with the top one percent earning more than one fifth of the entire share of earnings in 2006, while the bottom half of the population shared less than 13 percent of all earnings. Figure 4 shows the extreme inequality in Ohio and makes clear that inequality is even starker at the national level.

**Figure 4**

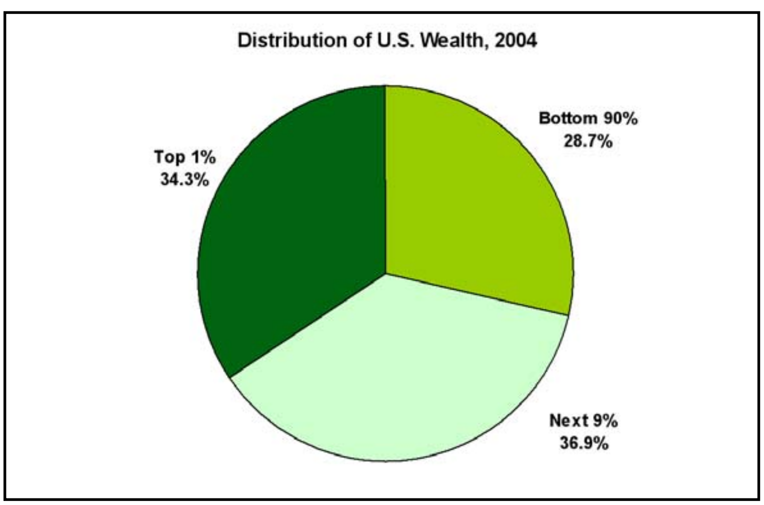
**Share of Federal Adjusted Gross Income by Income Level, Ohio and U.S.**




Source: IRS Statistics of Income, 2006, as quoted by Institute on Taxation and Economic Policy

If income is unequally distributed, wealth is even more concentrated, with the top one percent of Americans owning more than one third of all wealth in the United States and the top 10 percent together owning more than 70 percent of all wealth as Figure 5 shows. Stock ownership is still more unequal than other wealth – in that arena more than 80 percent of ownership is concentrated among the top 10 percent and nearly 37 percent is concentrated among the top 1 percent. Data on ownership of wealth and stock is not available at the state level, but we know that wealth inequality in Ohio, while immense and growing, is not as large as in the nation as a whole.

**Figure 5**



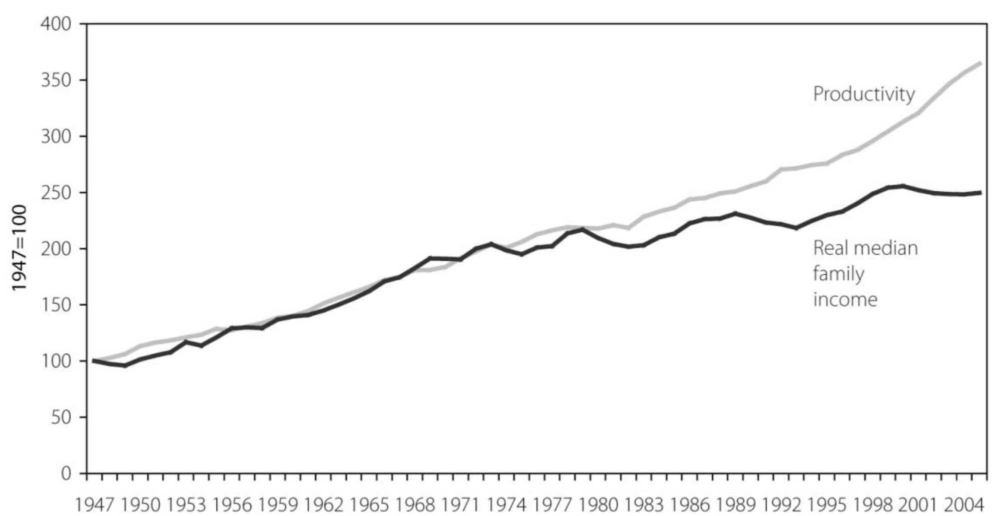

Source: Economic Policy Institute, State of Working America 2006-07, Table 5.1, citing Wolff (2006).

## III. Growing productivity, not widely shared

Economists generally argue that those who care about growth in living standards should seek growth in productivity. And for nearly 40 years after the Second World War, this formula held true, more or less. As Figure 6 shows, productivity grew sharply over this period, and with it so did median family incomes, adjusted for inflation. Between 1947 and 1973 these two variables grew directly in tandem, each by about 104 percent. But between 1973 and 2005, productivity grew by more than 105 percent, while family income grew by less than 31 percent. And in the last five years of that period, 2000-2005, despite a 16.6 percent increase in productivity, median family income actually fell by 2.3 percent in the United States.

**Figure 6**

Productivity and real median family income growth




Source: Authors' analysis of U.S. Census Bureau and U.S. Bureau of Labor Statistics data.

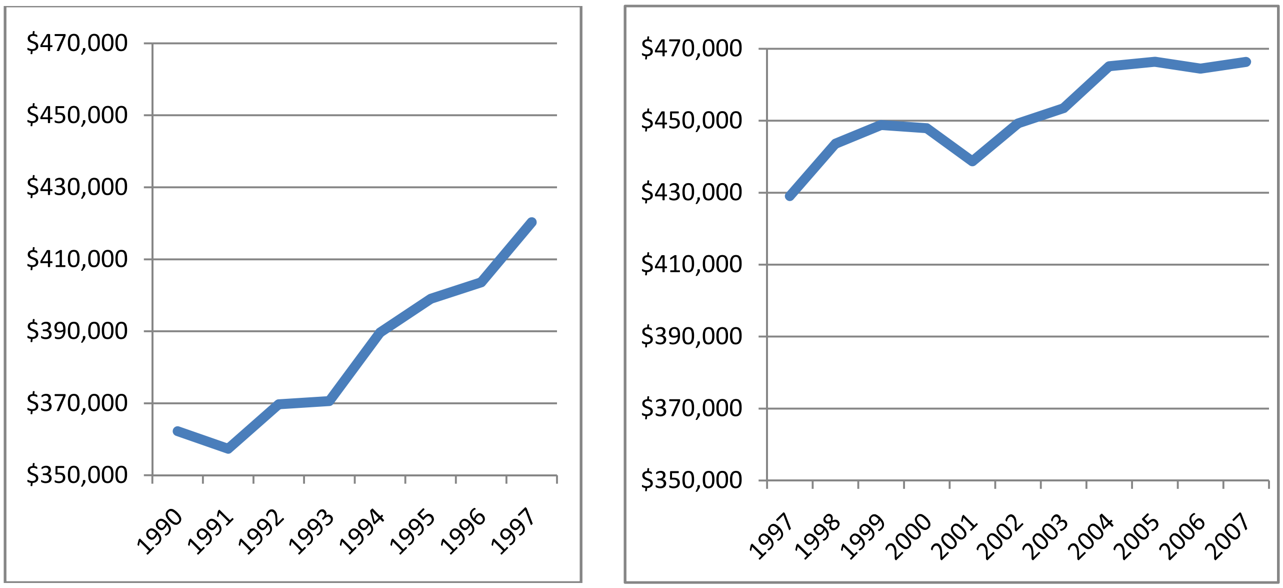
Figure 1E from: Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2006/2007*. An Economic Policy Institute Book. Ithaca, N.Y.: ILR Press, an imprint of Cornell University Press, 2007.

It is difficult to assess productivity growth at the state level and to compare it to national growth. Nonetheless, despite our economic problems, Ohio's economy has grown over the past 18 years, as Figure 7 shows. There are a number of different ways to measure state GDP and a number of different inflation adjusters could be used, but for simplicity's sake we simply provide the information in 2007 dollars, adjusted using the CPI-U. This shows Ohio's economy having grown from $362.2 billion in 1990 (in inflation-adjusted 2007 dollars) to $420.3 billion in 1997, and again from $429.1 billion to $466.3 billion between 1997 and 2007, in inflation adjusted 2007 dollars. This is a 16 percent growth followed by an 8.7

percent growth. Because of a change in the data series, these two periods have to be considered separately.

**Figure 7**

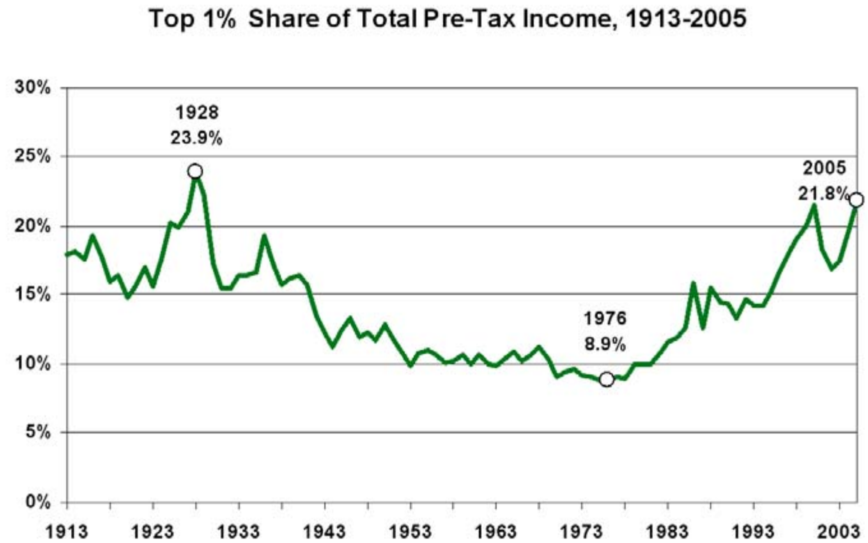
**Real GDP by state for Ohio (millions of 2007 dollars), 1990-97 and 1997-2007**




Source: Bureau of Economic Analysis, U.S. Department of Commerce and Consumer Price Index

While a growing economy used to lead to growth in the living standards for everyone, the recent trend toward concentration of wealth means that most of the increase in the size of the pie just gets added to the plates of those who already have the biggest piece. For example, according to the Economic Policy Institute, all of the income gains in the year 2005 went to the top ten percent of families, while the bottom 90 percent saw declines. Nationally, in the most recent year measured (2005), the highest earning families consumed a larger share of total pre-tax income than at any time since 1928, as Figure 8 shows. The figure below does not include capital gains income, which is even more unequally distributed and would reveal a still higher level of inequality.

**Figure 8**




Source: Thomas Piketty and Emmanuel Saez analysis of tax return data, at http://elsa.berkeley.edu/~saez/

## IV. Fewer returns to work

Much of the reason that families are not getting their share of the growing economic pie is that most moderate and middle-income families get the vast majority of their income from work compensation. For the bottom four fifths of families combined, more than 70 percent of income comes from wages and salaries and just over seven percent comes from business or capital income. Among the top one percent by contrast, more than half of income comes from business or capital income. The only way for most families, who don't have big stock portfolios, to grow their incomes is to increase their work effort. Until the current downturn, that is what many families tried to do. Nationally, middle-income, two-parent families increased their work hours by 18 percent between 1979 and 2004.

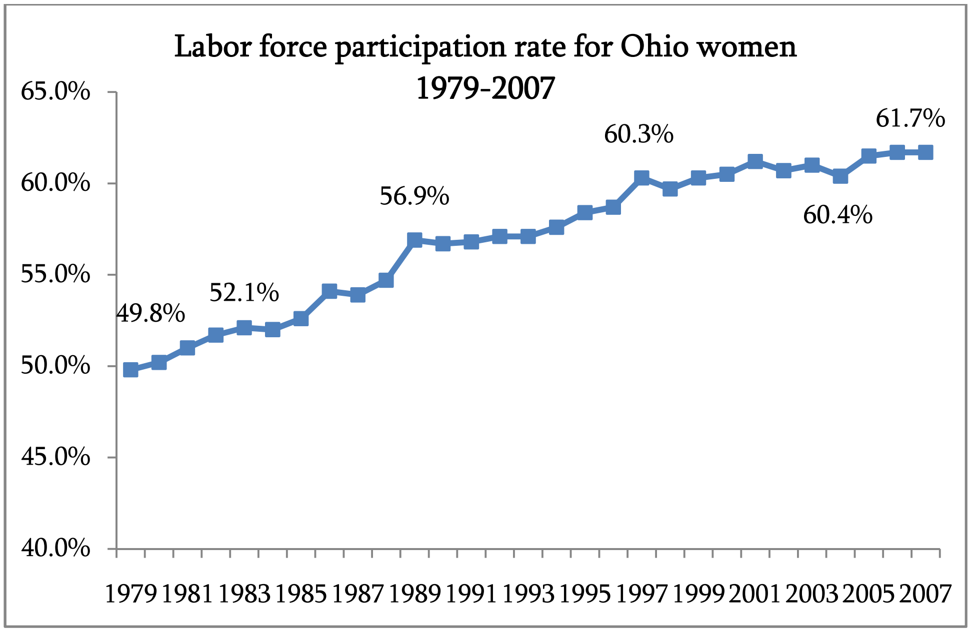
Men are still more likely to be in the labor force –whether employed or unemployed – than women in Ohio. People are defined as being in the labor force if they are working or actively seeking work. About three quarters of men are in the labor force in Ohio, compared to less than two thirds of women. When looking by race and ethnicity, white Ohioans are somewhat more likely to be in the labor force (68.1 percent) than black Ohioans (65.2 percent), and significantly more likely to actually be working (64.9 percent compared to 57.5 percent), because of higher rates of unemployment in the black community. Those with a BA are much more likely to be in the labor force (81.3 percent) than those with lower levels of education – labor force participation rates are more than twice as high for those with BA degrees than for those with less than a high school degree. Employment to population ratio takes a look at what percent of the population is actually employed, as opposed to just in the labor market. Since those who are actively looking for work are considered to be in the labor market, as unemployment goes up, the disparity between the employment to population ratio and labor force participation increases. In 2007, black Ohioans in particular saw an increase in disparity between those indicators – less than six in ten black Ohioans were employed in 2007. More alarmingly, only slightly more than one in three adults without a high school degree were employed in 2007.

| Table 2 | | |
|---|---|---|
| Working in Ohio, 2007 | | |
| **Gender** | **Labor force participation** | **Employment to population ratio** |
| Male | 74.40% | 69.90% |
| Female | 61.70% | 58.60% |
| **Race / ethnicity** | | |
| White | 68.10% | 64.90% |
| African-American | 65.20% | 57.50% |
| Hispanic | 66.60% | 60.80% |
| Asian/Pacific islander | 74.50% | 72.20% |
| **Education** | | |
| Less than high school | 40.40% | 34.30% |
| High school | 66.50% | 62.60% |
| Some college | 75.30% | 71.60% |
| Bachelor's or higher | 81.30% | 79.20% |

Source: Economic Policy Institute analysis of CPS data

In Ohio, women have steadily increased their labor force participation since 1979, from just under half of adult women over age 16 being in the labor force to 61.7 percent participation by 2007. Increases in women's labor force participation have slowed in the past few years due to the weak economy, but current levels of female labor force participation nonetheless remain higher than at any point in history.

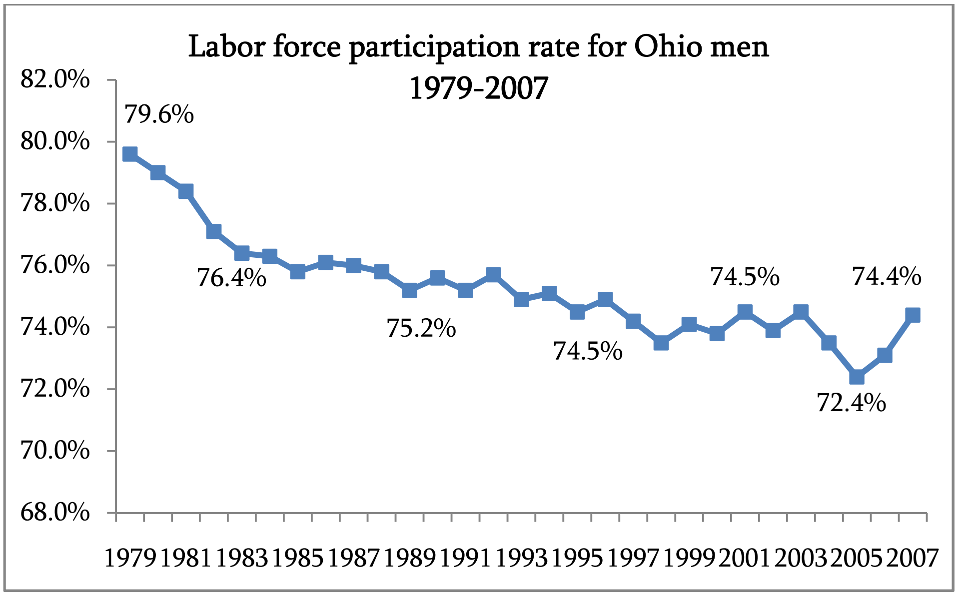
**Figure 9**




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

Male labor force participation dropped between 1979 and 2007 from nearly four in five men over age 16 being in the labor force to nearly three out of four. Figure 10's vertical axis is compressed in comparison to that of Figure 9, so the drop in male labor force participation has not been as steep as the rise in female participation. Also worth noting is that male labor force participation climbed in Ohio in each of the last two years from a deeper trough after the end of the national recession in 2001. Although Ohio still has not regained the jobs it had prior to the recession at the beginning of this decade, labor force participation had recovered slightly for men in Ohio by the end of 2007. Recent large layoffs may mean that this trend does not continue into and beyond 2008.

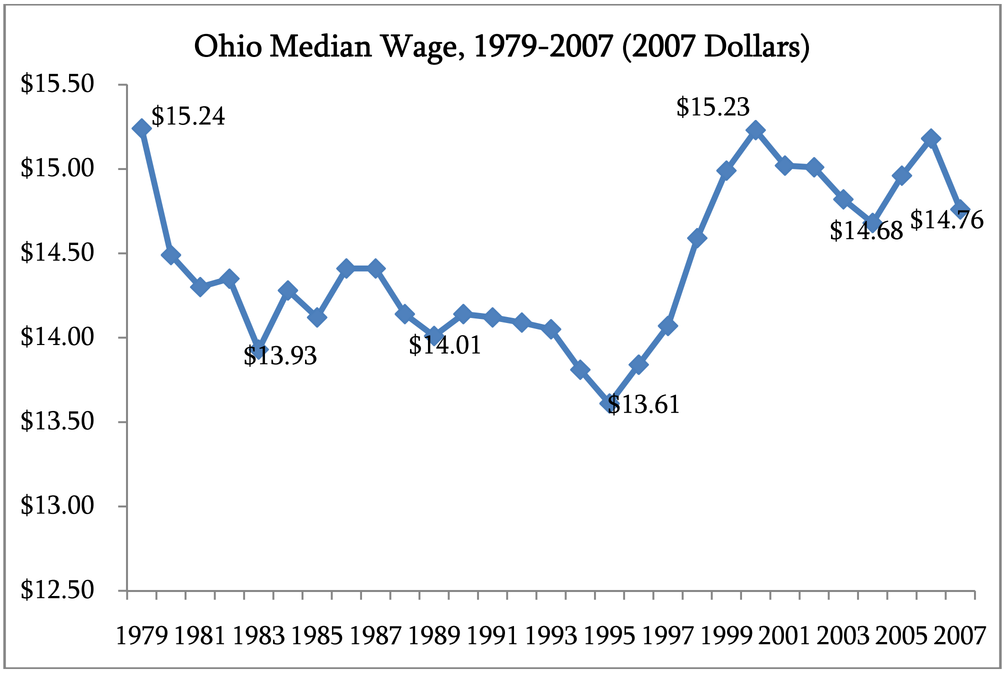
**Figure 10**




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

Ohio's median hourly wage, the wage earned by the worker at the mid-point, declined between 2006 and 2007 in Ohio. The 2007 median wage, $14.76 per hour, was lower in inflation-adjusted terms than the wage earned at the beginning of the period we are examining, 1979, as well as being lower than it was in all but one year since 1998. The current median wage is higher than it was in the 1980s and early- and mid-1990s. As we head into a recession, wage growth did not occur in Ohio over the course of what was, nationally, an economic expansion, as Figure 11 shows.

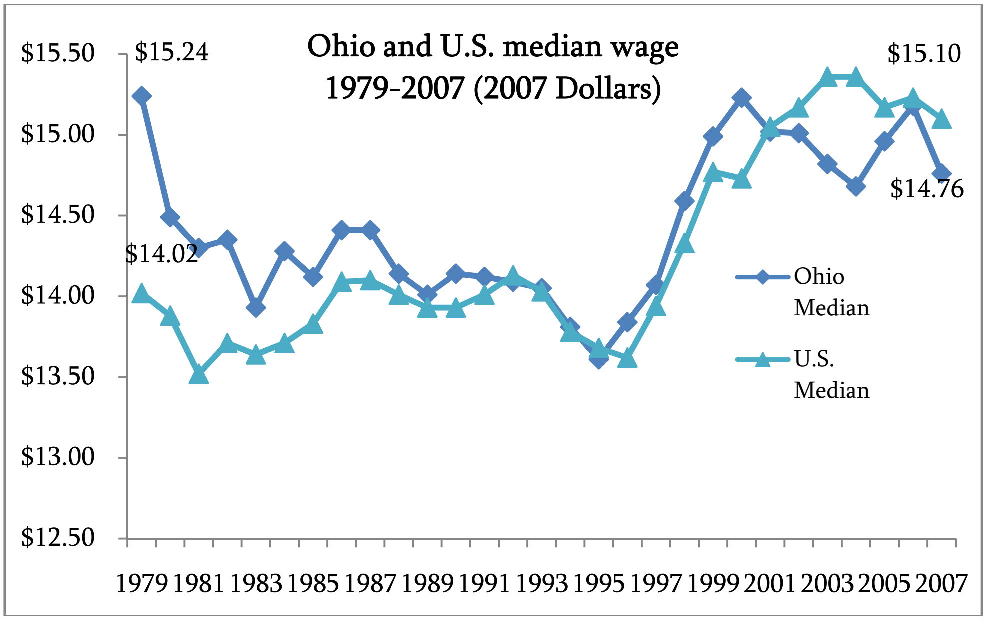
**Figure 11**




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

Ohio's median wage was lower than the U.S. median wage in 2007, after having briefly converged with the U.S. median last year. In general, Ohio's median wage has been slightly lower than the nation's since 2001, in contrast to the 1980s when Ohio's median worker earned substantially more than the median U.S. worker. As Figure 12 shows, this expansion did not result in substantial national wage growth either, in contrast to the period over the late 1990s.

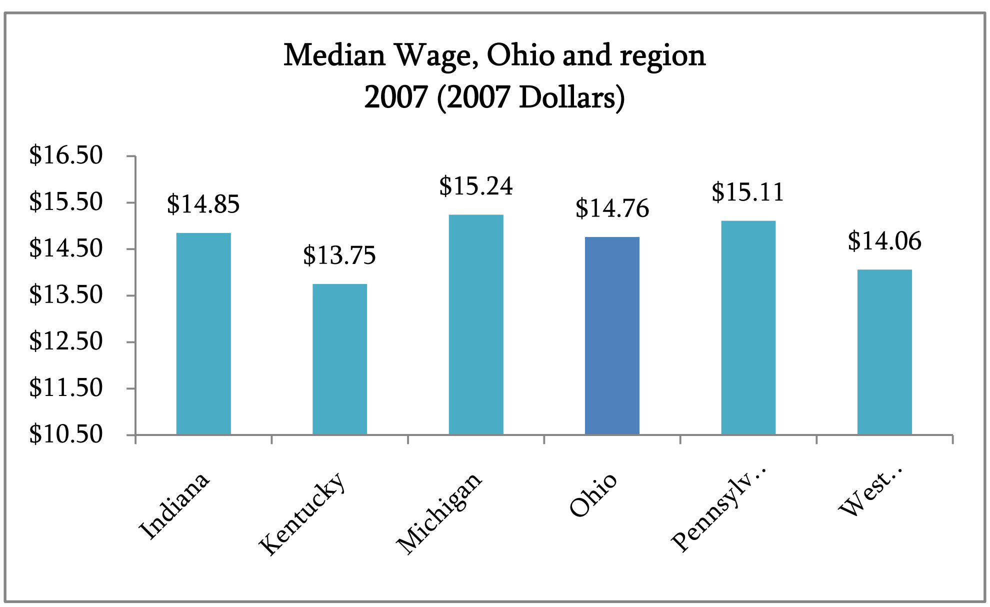
Figure 12




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

In comparison with adjacent states, Ohio's median wage in 2007 was lower than that of Michigan, Pennsylvania and Indiana and higher than that in West Virginia and Kentucky. Michigan's wage is highest among states neighboring Ohio, although that state has also seen more job loss than other states.

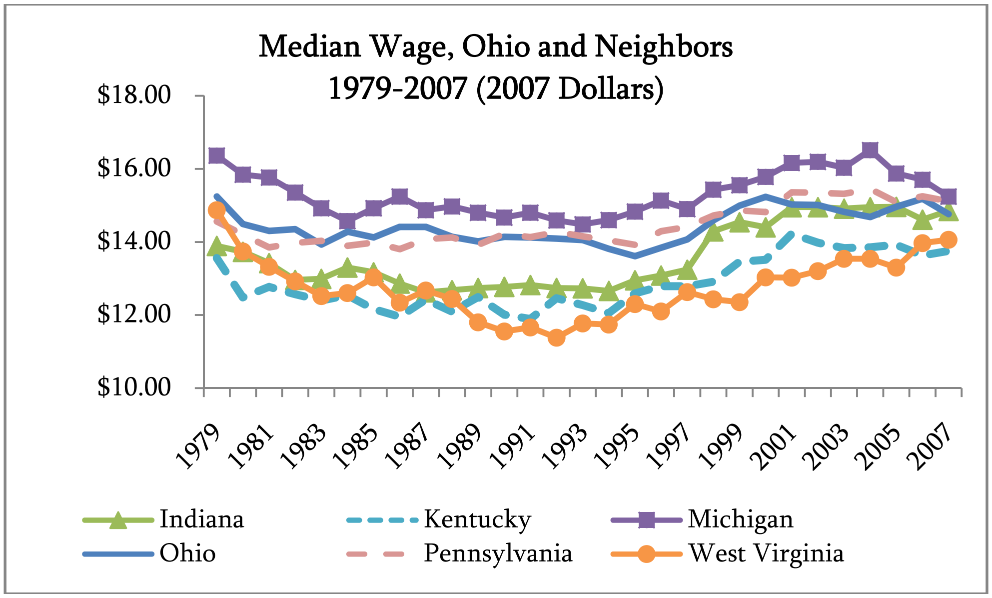
Figure 13




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

In recent history, Ohio has consistently had higher wages than West Virgina and Kentucky and lower wages than in Michigan and Pennsylvania. These patterns have not changed. However, in the 1970s, 1980s, and most of the 1990s, Ohio also had a median wage that was solidly above that of Indiana. In this decade, Ohio's wage has basically been the same as the median wage in Indiana, with Ohio creeping above its neighbor in 2006 and falling back to being slightly behind in 2007, as Figure 14 shows.

**Figure 14**

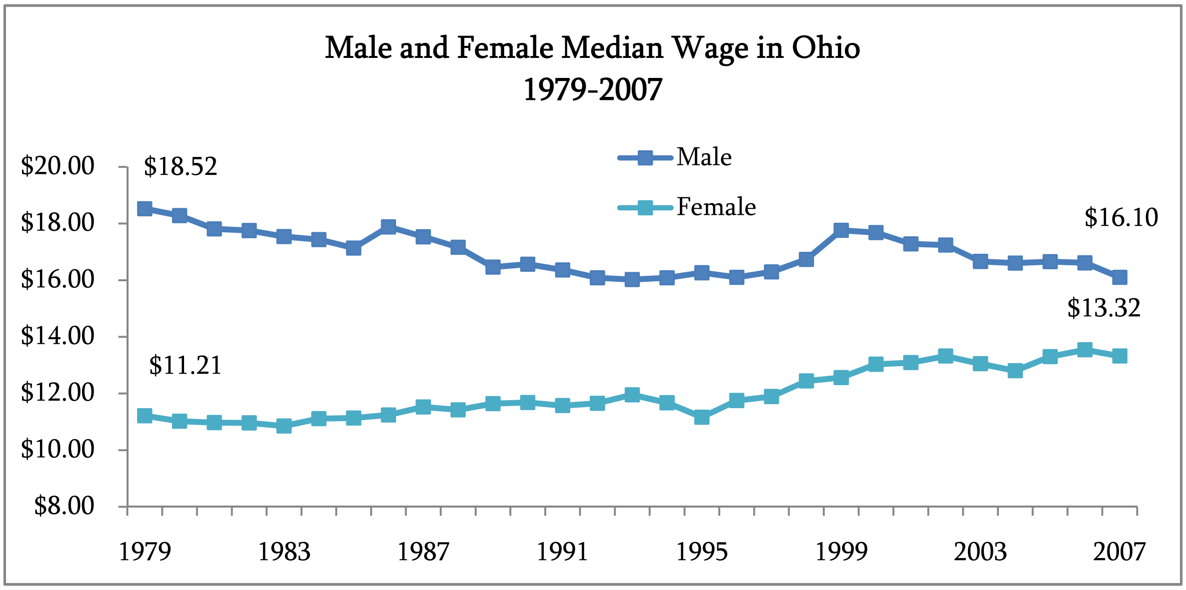



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

As men and women's labor force participation and experience has converged, trends are affecting the sexes more similarly than in the past. For the past several decades, deindustrialization reduced the degree to which historically male-dominated jobs, particularly for those with less education, conferred a wage advantage. The loss of manufacturing jobs contributed heavily to male wage decline. At the same time, actions by the women's movement to end discrimination, increases in women's education levels, and family needs among families where male wages had declined all contributed to increase women's credentials, increase their workforce participation, and increase their wages relative to men's. And as women moved into less traditionally-female jobs (like teaching and nursing), their jobs often became more subject to the business cycle, so that women's labor force participation, like men's, now is more likely to decline in an economic downturn.

Men continue to earn more than women across the income spectrum. At the median, men earn nearly $3.00 an hour more than women. Among workers at the 20th percentile, men earn $10.03 to just $8.49 for women. And at the 80th percentile men earn more than $4.00 an hour more than women at a similar point on the earnings spectrum. As Figure 15 shows, for the median worker, the male female wage gap has narrowed over the past three decades, in part because of modest growth in women's compensation, but in larger part because of a drop in men's compensation. In 2007, Ohio wages dropped for both men and women when compared to the previous year, to $16.10 an hour for men and to $13.32 for women. Men's compensation, when adjusted for inflation, is lower than it has been at any point since 1979. Nonetheless, men continue to earn 21 percent more than women at the median in Ohio.

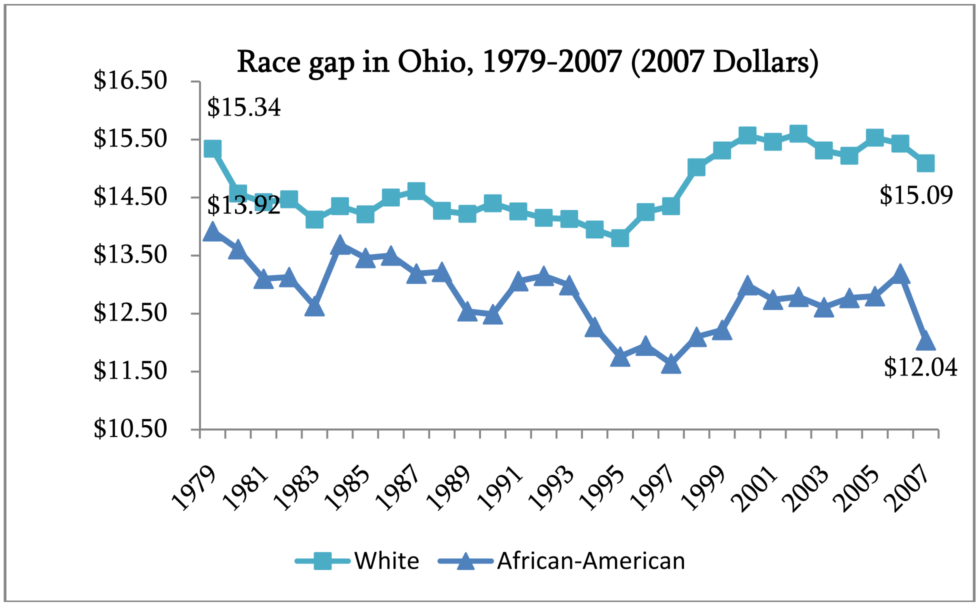
**Figure 15**




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

One of few bright spots in the 2006 economic data was an increase in African American worker wages in Ohio. However, we always caution against making too much about a one-year change, and indeed, black worker wages dropped substantially in 2007, to $12.04 an hour at the median, lower than they have been at any point in the last decade, and lower than they were throughout the entire period between 1979 and 1995 in inflation-adjusted dollars. Figure 16 shows this trendline. As our economy heads back into a recession, there is reason to be very concerned that black workers at the median may continue to be left behind.

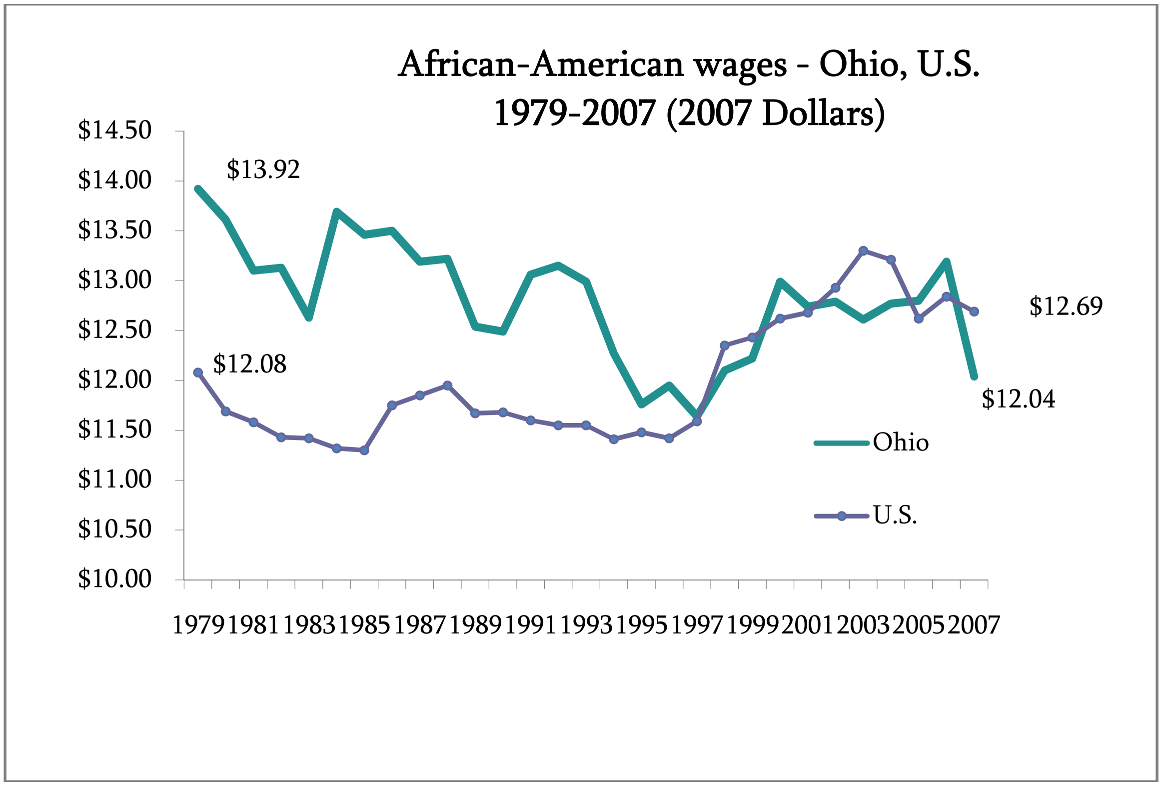
**Figure 16**




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

Black workers in Ohio used to earn significantly more than black workers in the country as a whole. This has not been consistently true since the mid-1990s. In 2007, black workers nationally earned $12.69 an hour at the median, while in Ohio the median black worker earned $12.04. Despite this disturbing finding in the most recent year, it is important to note that throughout most of this decade, the median black worker in Ohio and the nation have had roughly similar wages.

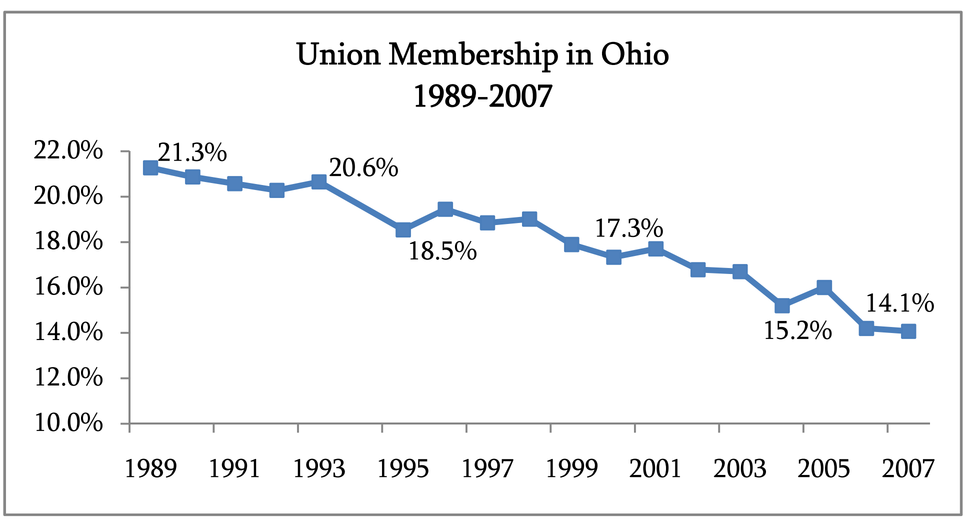
**Figure 17**




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

Union membership has declined dramatically in Ohio since 1989, which plays a big role in explaining the decline in job quality. Union membership fell by more than a third, from 21.3 percent of the workforce in 1989 to just 14.1 percent of the Ohio workforce by 2007, as Figure 18 shows.

**Figure 18**

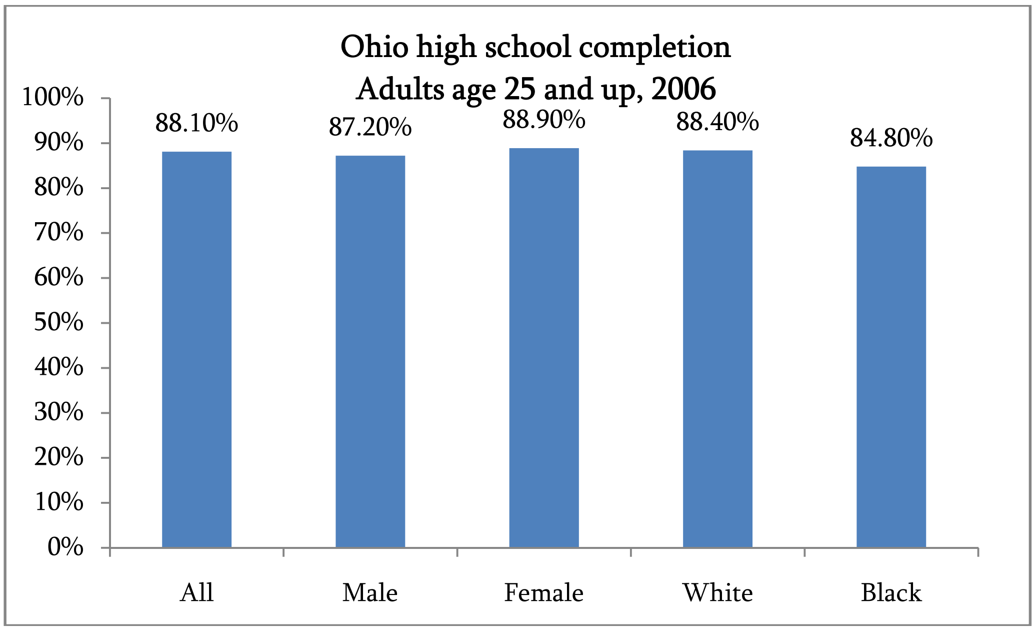



Source: http://www.bls.gov/news.release/union2.t05.htm, Table 5: Unions, employed wage and salary workers

## V. Education: more essential, more expensive

While about nine in 10 adults in Ohio have a high school degree, there is variation between demographic groups, with lower levels of diploma attainment among black adults (84.8 percent) than among white adults (88.4 percent). Women are also slightly more likely to have graduated from high school than men in Ohio as Figure 19 shows.

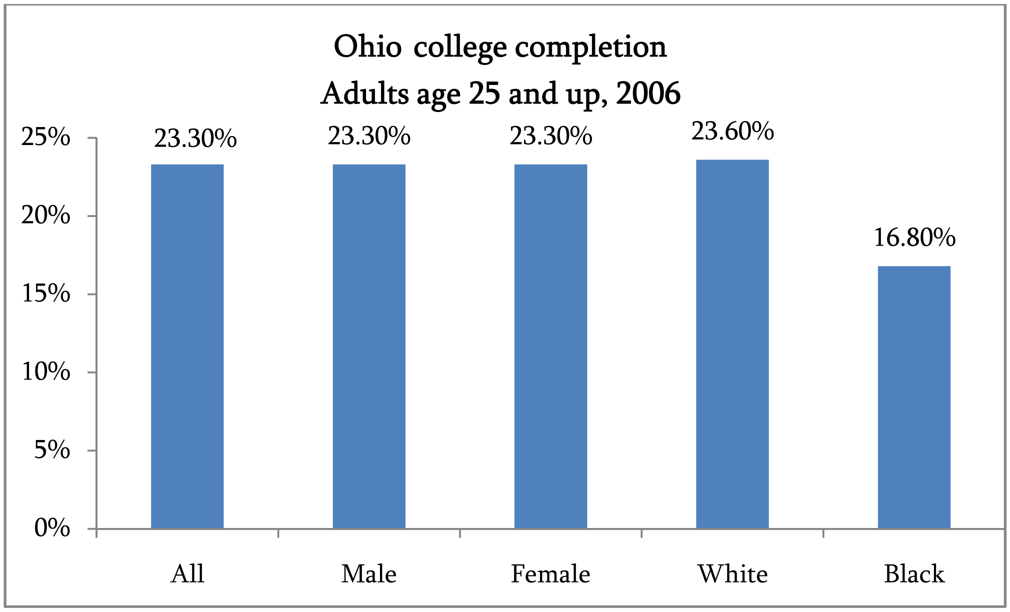
**Figure 19**




Source: American Community Survey, 2006

Less than one quarter of adults in Ohio had completed college as of 2006. This is problematic because wages are declining in Ohio and the nation for anyone with just a high school degree. For African-American adults in Ohio, college completion rates are lower, with just 16.8 percent of black adults having a college degree.

**Figure 20**

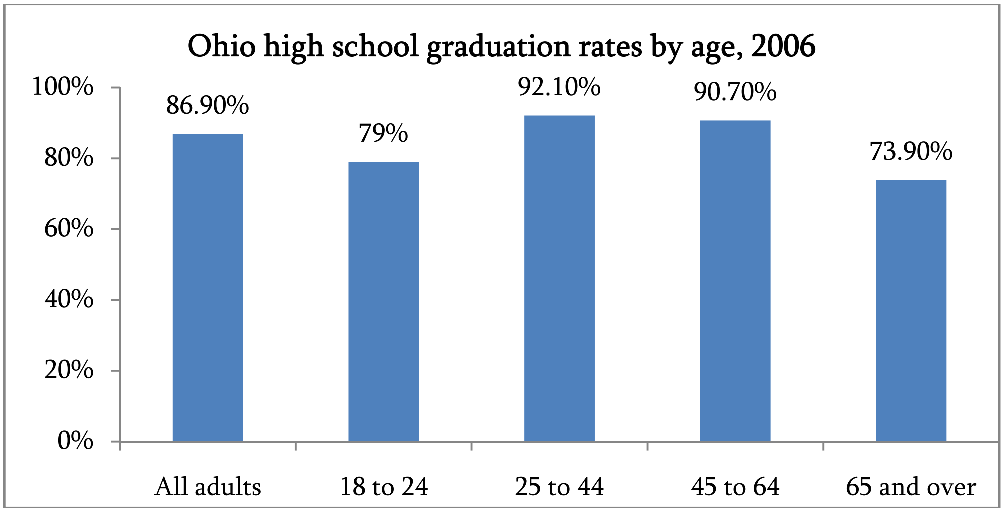



Source: American Community Survey, 2006

Young adults above the age of 25 are more likely to have completed high school than their older counterparts. While only about 74 percent of adults over age 65 have completed high school, 92 percent of those between the ages of 25 and 44 have done so. Although it is important that we do more to increase high school graduation, this increase in high school completion over the past two generations represents a modest policy success. However, University of Chicago economist James Heckman and his co-researcher Paul LaFontaine find that, nationally, the high school graduation rate has declined, which they argue explains part of the recent slowdown in college attendence.[3]

[3] Heckman, James J and Paul A. LaFontaine, The American High School Graduation Rate: Trends and Levels, downloaded August 2008 at http://ideas.repec.org/p/iza/izadps/dp3216.html

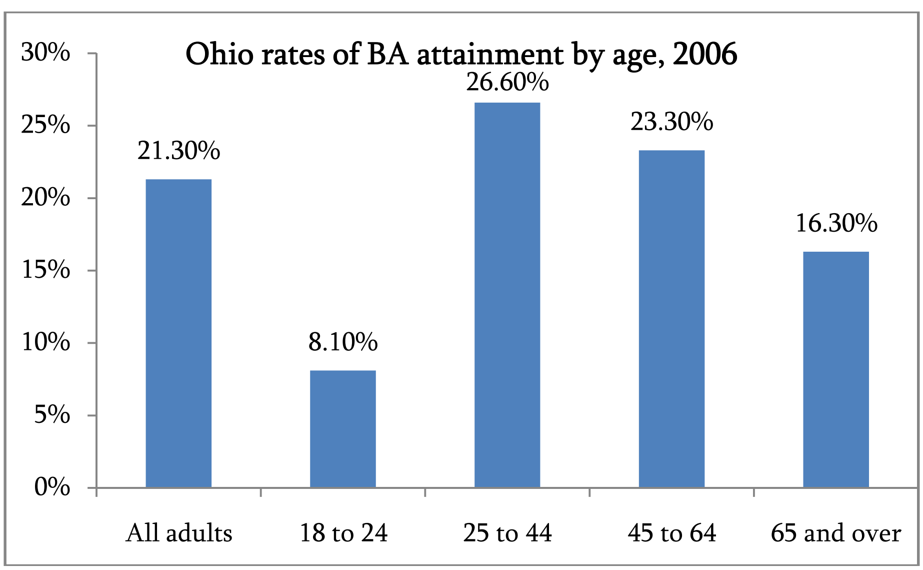
Figure 21




Source: American Community Survey, 2006

Young Ohioans have also increased their four-year college degree attainment in comparison to previous generations. While only 16.3 percent of adults over age 65 have a BA, 26.6 percent of Ohioans between the ages of 25 and 44 have completed college. Again, the declining wages of those who have not completed college make it important that we increase college completion rates. Younger Ohioans have raised their college completion rates despite the fact that college is significantly more expensive than it was a generation ago and that grants to students are less plentiful. However, an economy that continues to neglect those without a college degree is leaving behind more than three out of four adults in Ohio.

Figure 22

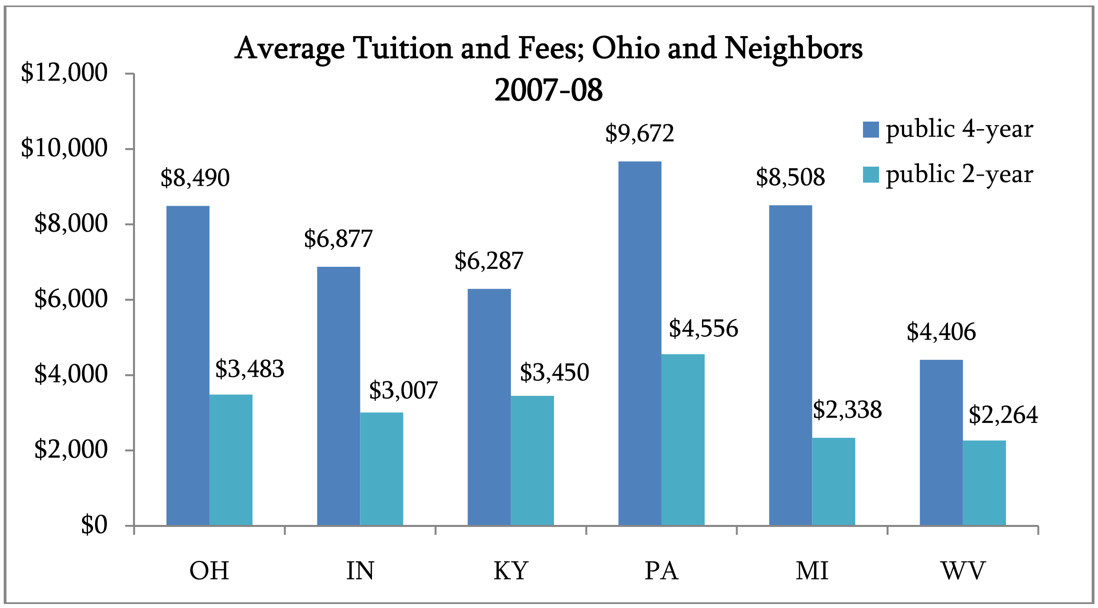



Source: American Community Survey, 2006

Education costs have risen sharply. In just the past ten years, average tuition at public four-year institutions has increased by more than fifty percent, from $4,022 to $6,185.[4] Private tuition is more than four times as high, above $23,000 in 2007.

Ohio tuition rates are higher than tuition in neighboring states. Tuition for four-year public universities in Ohio was more than $8,400 in 2007 in Ohio on average. As Figure 23 shows, this was higher than in many neighboring states. Additional state spending on higher education prevented Ohio tuition from rising further this year, which is a solid step in the right direction for a state that must encourage its working and middle income families to pursue higher education.

**Figure 23**

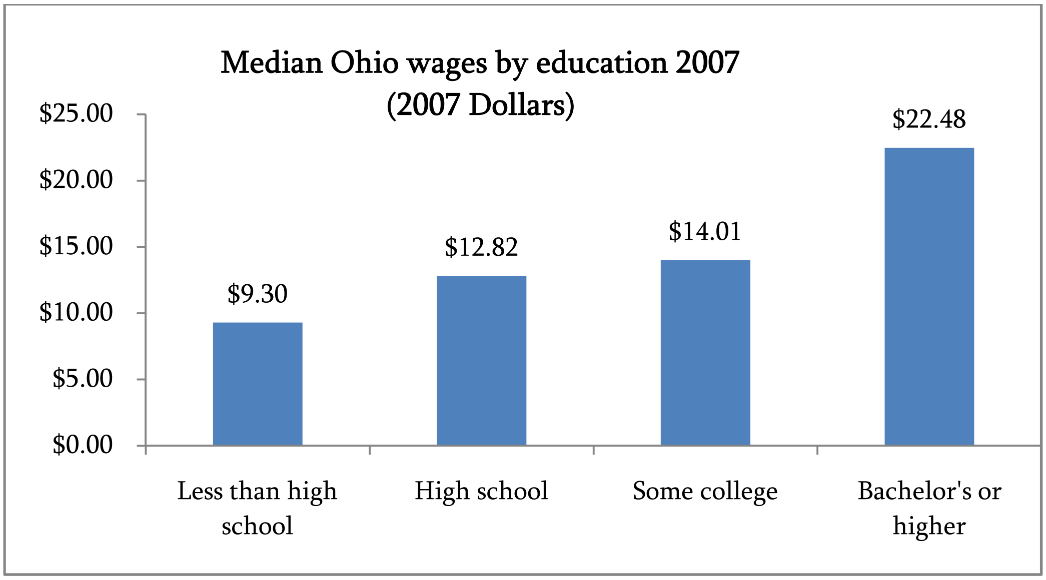



Source: The College Board, 2007. *"Trends in College Pricing."* *Tuition figures are enrollment weighted.

It is important to make higher education more affordable for Ohioans because greater levels of education continued to correlate closely with higher wages in Ohio and the nation in 2007. The median worker with at least a Bachelor's degree earned $22.48 an hour in 2007, well over twice as much as the median worker with less than a high school degree, who earned just $9.30 an hour in 2007.

[4] College Board, Trends in College Prices, 2007, downloaded August 2008 from http://www.collegeboard.com/prod_downloads/about/news_info/trends/trends_pricing_07.pdf

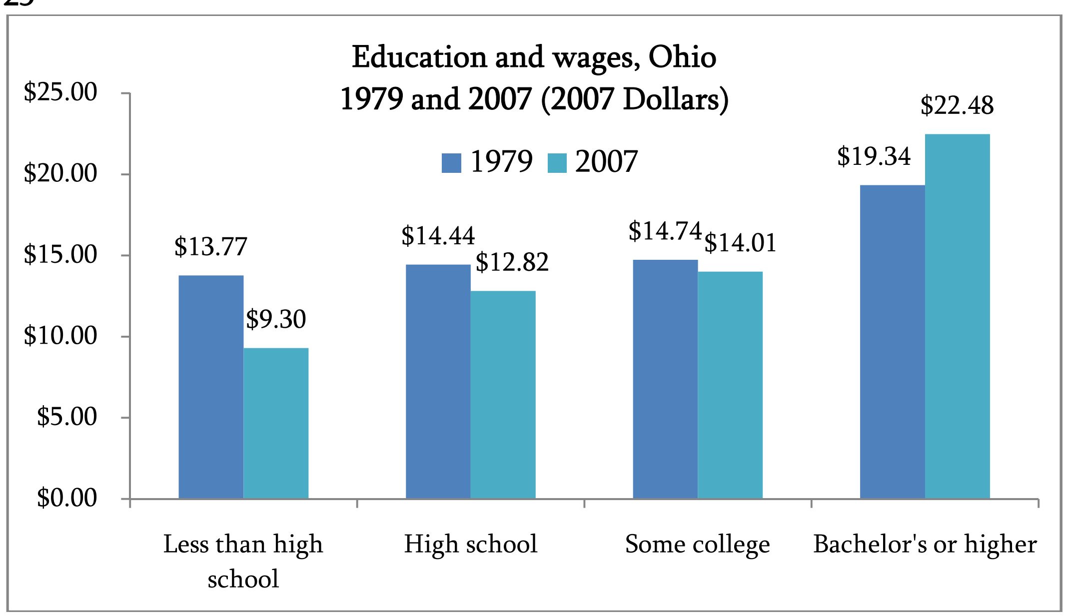
**Figure 24**




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

The wage disparity between less and more educated workers has grown much more extreme in Ohio in the past 28 years. In 1979, workers with a BA earned $19.34 at the median – a little less than $5.50 more each hour than their counterparts without a high school degree, when adjusted for inflation. By last year, the disparity between the worker with a BA and the one without a high school degree was more than $13.00 per hour, with more educated workers earning well over twice as much each hour as less educated workers as Figure 25 shows.

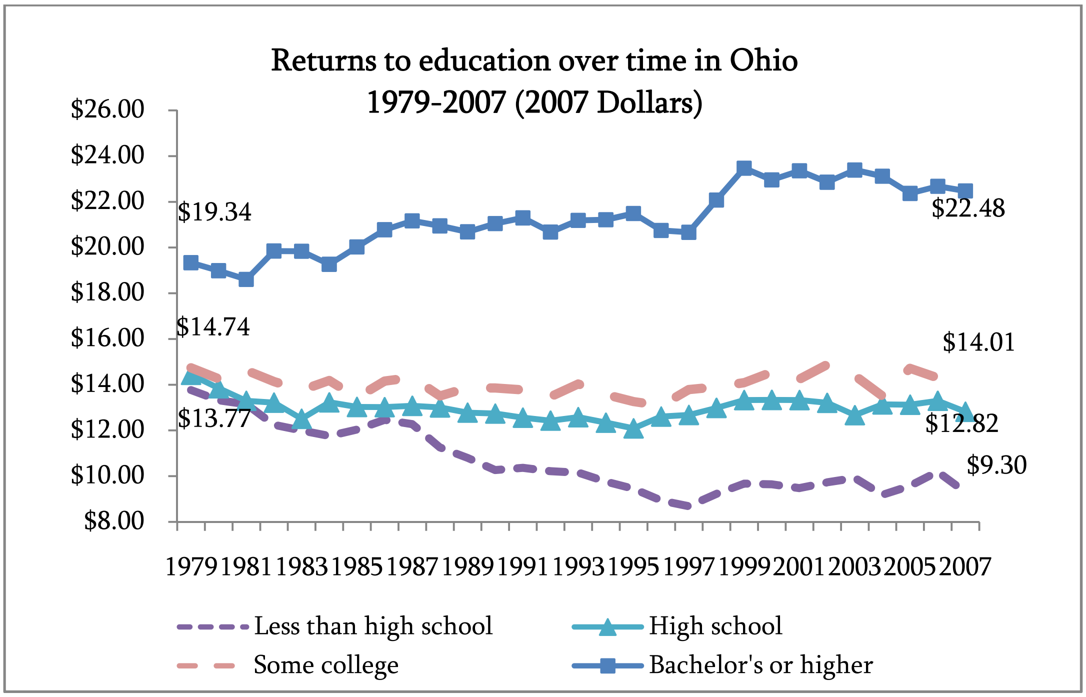
**Figure 25**




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

Although the disparity between less and more educated workers has grown over time in Ohio, the wage of the median worker with a BA degree or more has not grown in the past eight years – the growth in compensation for those with college degrees took place primarily in the late 1990s. All education levels below a BA – that is workers with no high school degree, those with a high school degree only, and those with an associate's degree or less than four years of college – have lost ground since 1979, but none more so than the worker who lacks a diploma, as Figure 26 shows.

**Figure 26**



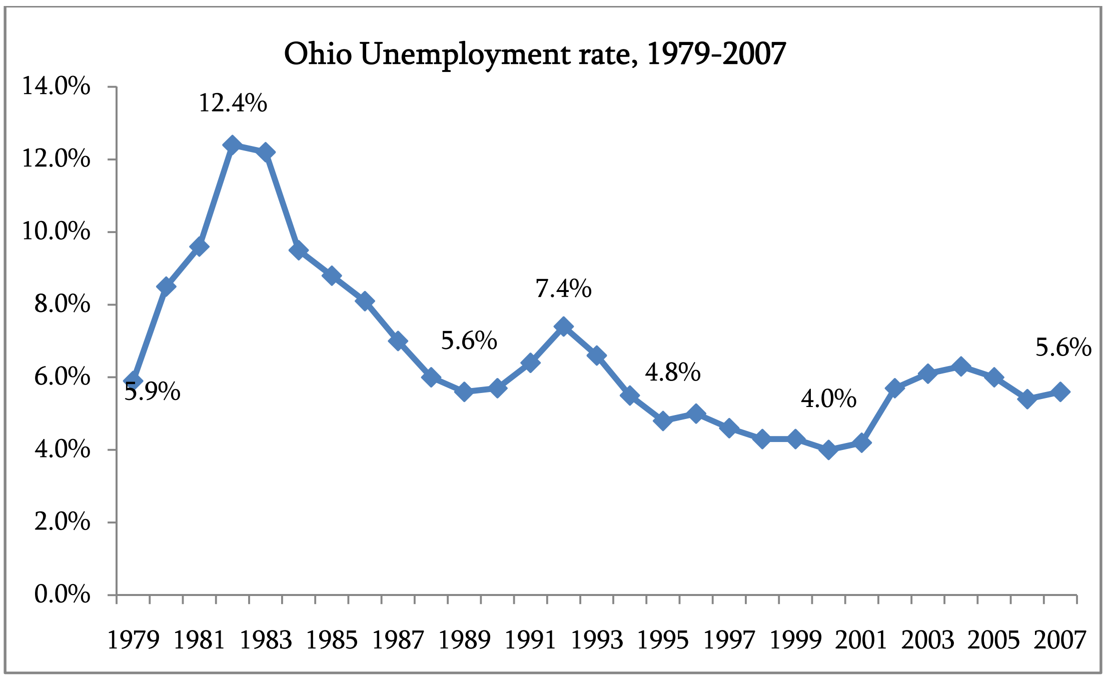

Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

## VI. Out of work

Ohio's unemployment rate hit a fifteen-year high of 7.2 percent in July 2008. Monthly averages can be volatile, but this is one among many pieces of evidence pointing to a recession in Ohio. Even prior to this steeper downturn, Ohio still had fewer jobs than it had prior to the last recession.

In terms of yearly averages, Ohio's unemployment rate increased slightly between 2006 and 2007, to a 5.6 percent yearly average last year. As a yearly average, this still remains significantly better than unemployment rates faced in 1979, throughout the 1980s, and in the early 1990s recession. However, it is more than a point and a half higher than the low point in the late 1990s, when unemployment got low enough to generate wage increases for workers toward the bottom of the earnings spectrum. Further, initial unemployment claims in recent months indicate that a deeper downturn is underway in Ohio, ominous for a state that has yet to recover the jobs it had prior to the last recession or to add jobs during the national recovery. With the exception of February, initial unemployment claims have been higher in every month of 2008 than they were in 2007, often by double digits. Continued unemployment claims have also been higher in every month since October 2007, when compared to the comparable point a year before. While some of this growth reflects workers reapplying in order to receive extended benefits, it is nonetheless a sign of a troubled economy.

**Figure 27**




Source: Economic Policy Institute analysis of Current Population Survey data

Workers are less likely now than in the past to receive unemployment benefits. For much of the 1950s, more than half of those who were out of work received benefits. Since the early 1980s, it has hovered closer to the 35 percent mark nationally, and recipiency rates are lower in Ohio.. Furthermore, federal funding for the main retraining program has been slashed by more than $10 billion in the last 25 years, even though more workers need retraining than ever before.[5]

Different demographic groups in Ohio have different levels of unemployment with men's unemployment outpacing that of women and black worker unemployment being well over twice that of white Ohio workers. More than one in ten black labor market participants was

[5] Greenhouse, page 9.

out out of work in 2007, compared to about one of every 20 white workers. For all demographic groups in Ohio and the U.S., unemployment was higher in 2007 than it had been in 2000, although both years were considered peaks of a business cycle. For all demographic groups unemployment levels were higher in Ohio than in the U.S. as a whole. That said, numbers available so far indicate that Ohio's job losses since the end of last year haven't quite matched those of the nation, in relative terms. However, month-to-month employment data are volatile and subject to revision, and Ohio claims for unemployment are picking up significantly. Overall, Ohio has lost jobs while every other state except Michigan was gaining them since the end of the recession. Male unemployment levels increased by more than 2 percentage points between 2000 and 2007.

Table 3

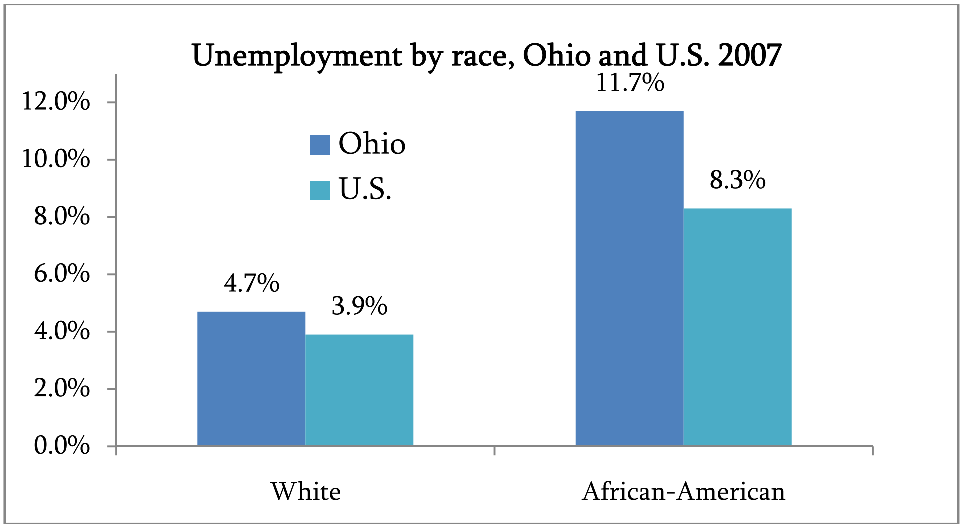
Unemployment rates by gender and race
Ohio and United States – 2000, 2007

| All Workers | 2000 | 2007 | Percentage point change 2000-2007 |
|---|---|---|---|
| Ohio | 4.00% | 5.60% | 1.60% |
| U.S. | 4.00% | 4.60% | 0.60% |
| **Men** | | | |
| Ohio | 3.90% | 6.00% | 2.10% |
| U.S. | 3.90% | 4.70% | 0.80% |
| **Women** | | | |
| Ohio | 4.20% | 5.10% | 0.90% |
| U.S. | 4.10% | 4.50% | 0.40% |
| **White** | | | |
| Ohio | 3.60% | 4.70% | 1.10% |
| U.S. | 3.10% | 3.90% | 0.80% |
| **African- American** | | | |
| Ohio | 7.50% | 11.70% | 4.20% |
| U.S. | 7.60% | 8.30% | 0.70% |

Source: Economic Policy Institute analysis of Current Population Survey data

As Figure 28 shows, the high black unemployment rate in Ohio in 2007 is considerably greater than that of white workers, and is also substantially greater than that facing black workers nationally.

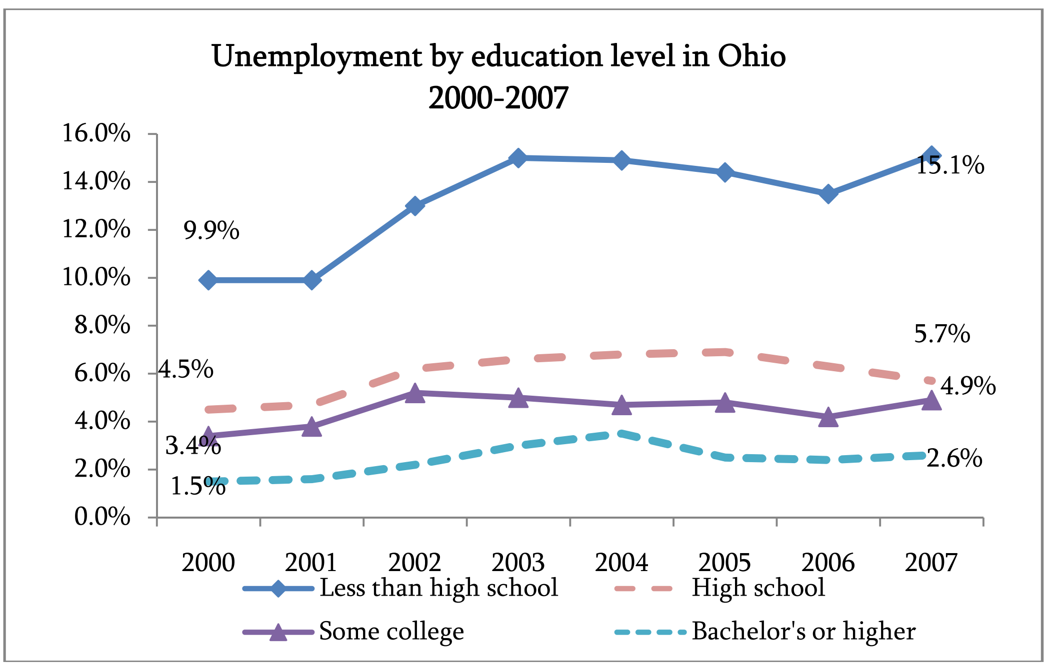
Figure 28




Source: Economic Policy Institute analysis of Current Population Survey data

Those with less education have significantly higher levels of unemployment than those with more education, and unemployment rates for less educated workers spike more quickly during downturns. Unemployment levels for those with less than a high school degree in Ohio were more than 15 percent in 2007, well over two times higher than the 5.7 rate facing those with just a high school degree. These levels, and the disparity between them, has likely worsened substantially in 2008.

Figure 29




Source: Economic Policy Institute analysis of Current Population Survey data

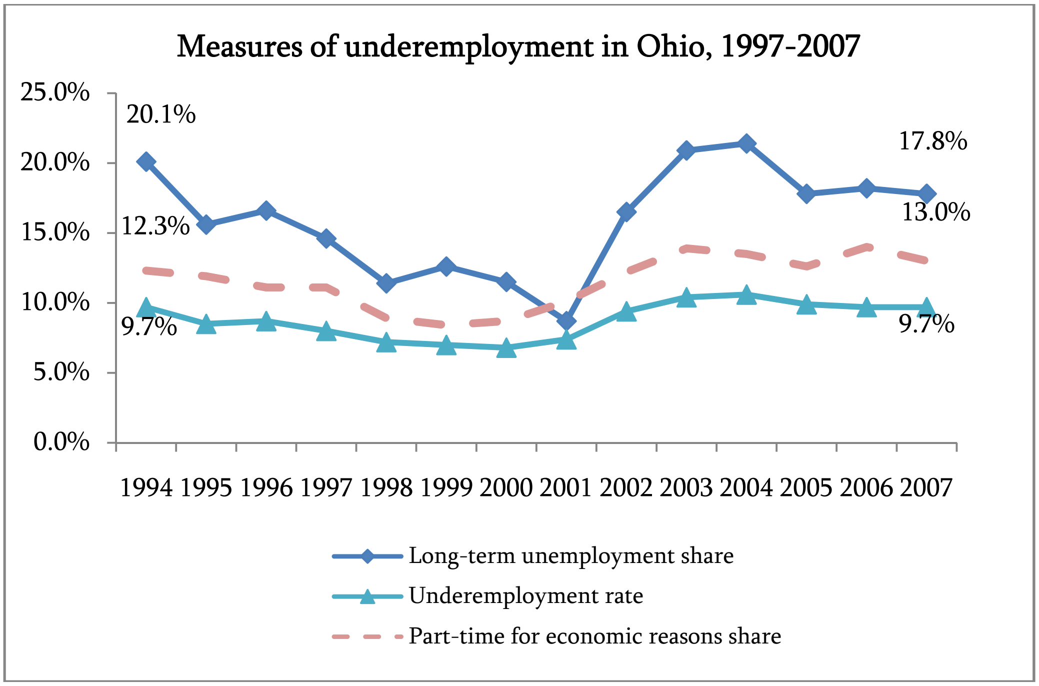
While losing a job is obviously one of the worst employment challenges that people face during downturns, the federal government recognizes that the unemployment rate alone doesn't capture all the strengths and weaknesses in the labor market. For that reason, beginning in 1997, the government started measuring several other trends, depicted in Figure 30.

Underemployment measures 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 at year end in each of the last two years.

Of part-time workers, 13 percent in Ohio were part-time for economic reasons at the end of 2007, meaning that they told interviewers that they would rather be working full time but could only find part-time work. This number has risen steeply nationally during this calendar year. In a July 31, 2008 piece called "The Hidden Toll on Employment: Cut to Part Time", *The New York Times* reported that the number of workers who saw their full-time jobs cut to part-time reached 3.7 million this summer – the highest national number for this figure in more than half a century, and the overall national number for those working part-time involuntarily was 5.3 million, more than a million more than a year ago. Workers who are part-time, in addition to earning less in wages overall, are far less likely to receive health or retirement benefits.

The long-term unemployment share looks only at those who are officially unemployed and asks what portion of them has been unemployed for 26 weeks or more. At the beginning of a downturn, when lots of people have been newly laid off, this rate is low, and when the economy is flowing smoothly so that people get rehired fairly quickly, this rate is also low. As a downturn drags out, this rate increases. In 2007, 17.8 percent of those who were actively seeking work and not finding it had been in that position for at least 26 weeks. While this is below recessionary highs, it is well above the lows reached earlier. The federal government recently extended unemployment benefits for an additional 13 weeks, which will allow more jobless Ohioans to have some income while they seek work. This is a helpful move, although the first President Bush, like other presidents during downturns, had extended benefits for a more reasonable 26 weeks, so this administration may need to make further extensions.

Figure 30




Source: Economic Policy Institute analysis of Current Population Survey data

As with unemployment, overall rates of underemployment mask disparities within our labor market in which black workers have more than twice as much underemployment as white workers, and those without a high school degree have more than twice as much underemployment as those with a high school degree and nearly five times more than those with at least a bachelor's degree. For every single category of Ohio worker – male, female, black, white, and at each education level, underemployment rose steeply between 2000 and 2007, by more than two percentage points in each category. More than 18 percent of black workers were underemployed in Ohio in 2007, up from 11.9 percent in the year 2000.

| Table 4 | | | | |
|---|---|---|---|---|
| Underemployment by gender, race, and education level in Ohio, 2000-2007 | | | | |
| | 2000 | 2003 | 2007 | Percentage point growth 2000-2007 |
| All Workers | 6.80% | 10.40% | 9.70% | 2.90% |
| Male | 6.50% | 10.70% | 9.80% | 3.30% |
| Female | 7.10% | 10.10% | 9.70% | 2.60% |
| White | 6.20% | 9.20% | 8.40% | 2.20% |
| African-American | 11.90% | 19.00% | 18.60% | 6.70% |
| Less than high school | 16.30% | 22.60% | 22.60% | 5.30% |
| High school | 7.60% | 11.60% | 10.90% | 3.30% |
| Some college | 5.60% | 8.70% | 8.40% | 2.80% |
| Bachelor's or higher | 2.50% | 5.20% | 4.70% | 2.20% |

Source: Economic Policy Institute analysis of Current Population Survey data

## VII. Conclusion

In this presidential election year, it is difficult to find notes of optimism in a review of Ohio's economy. Nationally, job growth has been weak but in Ohio we have not even regained the job levels we had prior to the last recession, an unprecedented situation. Even worse, we've lost jobs during the national recovery, also unprecedented. Unemployment is starting to spike sharply and all indicators point to a new recession bearing down. The foreclosure crisis has been particularly tough on Ohio, and we continue to stagger from the effects of a generation of deindustrialization. Other years we've pointed to wage growth for women or African-Americans – such glimmers are not to be found in this year's data. In the past we've spoken enthusiastically of the potential that green jobs offer for Ohio's economy, and it remains true that the need to reduce consumption of foreign and polluting forms of energy offers possibilities for Ohio, with its strength in producing insulation, its dominance in component part manufacturing, and its proximity to much of the nation's population. Indeed, there are exciting signs of progress in this area. But, promising as this potential is, it will replace just a fraction of the jobs that have vanished in the past thirty years.

However, candidates will be vying for votes in Ohio, and good policy change could revitalize this state, ensure that we get more out of the next economic expansion, and leave us better equipped to handle future downturns. Five things that federal candidates should be saying if they want Ohio's precious electoral votes:

**1. Invest in the future:** Instead of incurring debt for ill-conceived wars, the next president should invest in infrastructure and energy, so that we're prepared to meet current and future needs. The country depends on a strong manufacturing base. Ohio can continue to grow in its ability to provide it by making insulation and parts for wind turbines, solar panels, and high performance appliances and cars – but only if federal policy ensures investment in domestic manufacturing capacity. We need a federal renewable energy standard and a system to limit carbon use and raise money from carbon emitters. But the standard must help manufacturing states transition to cleaner ways of producing what America needs. And we need to repair sagging infrastructure, especially in the beautiful older cities that are so much a part of Ohio's landscape.

Investing in education will also pay off dramatically for our children and our public budgets. The U.S. should make high-quality preschool available to all four-year-olds, staffed by well-compensated, credentialed professionals. Local leaders, like the mayor of Akron, shouldn't have to propose selling off public assets to help kids foot college bills. Instead, the nation should offer all eighth graders a "Contract for College" that unifies grants, loans and work study into one package to help students pay for college without excessive debt. This will ensure that Americans from all backgrounds can get the education that is increasingly a prerequisite to a secure life.

**2. Create more opportunity**: Federal policy encourages states to compete by slashing corporate taxes. This leaves public structures underfunded and less able to provide the quality education and infrastructure that businesses need to thrive. The President should encourage Congress to eliminate such "race to the bottom" competition. We'd rather compete by having better education levels, business clusters, infrastructure and supply chains.

Trade policy has relegated environmental and labor standards to afterthoughts. Partly as a result, states like Ohio still have fewer jobs than when George Bush took office. The new president should rewrite trade agreements to put workers and the environment first and make sure that new agreements bring standards up instead of driving them down. Trade adjustment assistance should be expanded to cover all affected workers, including service sector workers and those up and down the supply chain who are harmed by trade. Fair trade policy should ensure that those hurt by outsourcing are made whole – by retooling factories for new domestic production, retraining workers for growing fields, and renewing communities that have lost their job base.

3. **On-ramps to the middle class:** Ohio has been a place where new generations could join the middle class. We need to reconstruct those on-ramps, by guaranteeing health insurance, ensuring that workers can take care of their families, and having a fair, progressive tax system. Ohio can't do this alone.

The new president should work with Congress to enact national, universal health care and paid sick days. Employers will be glad for the reduction in one of their biggest costs, and employees will be glad to be better able to take care of themselves and their families.

When more workers were in unions, prosperity was more broadly shared. The new president should also promote the Employee Free Choice Act, so that workers can more easily join unions and get their share of the rising productivity they help fuel. And the nation must return to what President Ronald Reagan and Congress did in 1986, taxing capital gains at the same level as the top income tax rate. Working people shouldn't pay a higher tax rate on wage earnings than hedge fund managers pay on capital gains.

**4. Build and protect assets:** America used to protect the assets that people worked to build but deregulation has let exploitative credit grow out of control. Ohio did the right thing, capping payday loan interest rates at 28 percent, and federal law protects military families, capping interest rates to them at 36 percent. Why not extend such protections to all borrowers in all states?

Ohio is ground zero for the foreclosure crisis. Enact a plan to let foreclosed-upon families stay in their homes as renters, forbid predatory practices, allow bankruptcy judges to modify the terms of existing loans, and infuse affected communities with cash to clean up abandoned properties and retrofit inefficient homes, making sure neighborhood residents are tapped for the jobs.

**5. Retain strong public structures:** The private sector is a great tool, especially if forceful laws are in place to monitor product safety, environmental compliance and labor practices. But for education, sewers, health care, roads, policing and other essentials, the public sector is best. As president, recommit to public institutions – demanding excellent service and accountability, providing strong oversight and adequate funding, and making sure the jobs are done by qualified, well-compensated professionals. Labor, environmental and consumer laws should be strengthened when necessary and vigorously enforced, ensuring adequate resources for the public sector, and protecting us as we work, shop, eat, drink and breathe.

Investing in education and infrastructure, providing opportunity, building on-ramps to the middle class, protecting assets and providing strong public structures led to a more prosperous, educated, productive and sustainable country and state. The president should renew a commitment to prosperity, equity, sustainability, and productivity. The result will be a better Ohio and a better America. Learn more at www.policymattersohio.org.

## Appendix: Some basics about Ohio workers

Ohio's labor force demographics are somewhat similar to those of the nation. A slightly larger percentage of our workforce is female than in the country as a whole. We also have significantly lower percentages of Hispanic and Asian workers than the nation as a whole.

| Labor force demographics, 2007 | | |
|---|---|---|
| **Gender** | **United States** | **Ohio** |
| Male | 53.60% | 52.70% |
| Female | 46.40% | 47.30% |
| **Age** | | |
| 16-24 yrs | 14.50% | 15.60% |
| 25-54 yrs | 68.10% | 67.00% |
| 55 yrs and older | 17.30% | 17.40% |
| **Race / ethnicity** | | |
| White | 68.50% | 85.00% |
| African-American | 11.00% | 10.40% |
| Hispanic | 14.10% | 2.20% |
| Asian/Pacific islander | 4.50% | 1.20% |
| **Education** | | |
| Less than high school | 11.70% | 9.50% |
| High school | 29.50% | 36.00% |
| Some college | 28.50% | 28.70% |
| Bachelor's or higher | 30.30% | 25.80% |

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

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, Public Welfare, KnowledgeWorks, New World, Annie E. Casey and Sisters of Charity Foundations, the Economic Policy Institute, and Greater Cleveland Community Shares. To those who want a more fair and prosperous economy... Policy Matters.

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