

THE STATE OF WORKING OHIO 2010

Executive Summary

Ohio's working families are struggling profoundly on this Labor Day. Three decades of deindustrialization, deregulation of large swaths of our economy, erosion of labor unions, and the mortgage crisis all leave Ohio workers particularly vulnerable. At this difficult moment, we can choose a more sustainable, equitable, prosperous and inclusive path. Some of the smartest policies to modernize our economy, educate our citizens, and support our families were passed during hard times. This report uses the best data available at the end of 2009 to explore what is happening with Ohio workers and to consider solutions.

Unemployment is the biggest issue facing the Ohio economy. Official annual unemployment in 2009 was the worst since 1983, with 10.3 percent overall unemployment. Of those who were unemployed in Ohio in 2009, nearly a third (29.7 percent) had been unemployed for 26 weeks or longer, a rate dramatically higher than anything seen in the last fifteen years. Nationally and in Ohio, by this summer long-term unemployment has not reached this height in more than 60 years of record-keeping. Other aspects of unemployment are bad for this generation, but still not as bad as what we saw in the early 1980s.

In 2009, black Ohioans had official unemployment levels of 17 percent, nearly 8 percentage points higher than white Ohioans. Unemployment of those with less than a high school degree exceeded 21 percent in 2009, more than twice as high as in 2000. Unemployment was also elevated for more educated workers. Unemployment rates for every age group in Ohio are at their highest levels since the early 80s recession, at 18 percent for those age 16-24, 9.5 percent for age 22 to 54, and 6.8 percent for those aged 55 or older. Nationally, there are five jobseekers for each opening in the economy. It seems unlikely that the job market will improve any time soon without more vigorous policy to combat it.

"Underemployment" is an official government measure that includes the unemployed, those who have stopped looking for work because they think they won't find a job, those employed part-time who are seeking full-time work, and those who have barriers like transportation or child care needs that make them unable to work. Underemployment was 17.2 percent in 2009, encompassing more than one out of six Ohioans.

Employment-to-population ratios measure who is working. Overall employment was at just 59.2 percent of working-age population by the end of 2009, lower than at any point in the last two decades, but still not as low as in the early to mid-1980s. By 2009, only 62.9 percent of men and 55.8 percent of women were employed, both down from ten years ago. African Americans are struggling, with only half of the black population employed, down from 60 percent in 1999. For those without a high school degree, under a third are employed, well below levels in 1979, 1989 and 1999. Employment levels have dropped for every category since 1999, with the exception of those over 55, many of whom are clinging to jobs instead of retiring.

Worker productivity, measured here as output per hour in non-farm businesses, continues to increase most years, sometimes dramatically. Growing worker productivity no longer equates as it once did to growing family incomes – until the 1970s family income grew at the same pace as productivity but the two variables now diverge widely, with stagnant or slow-growing income contrasting with steady productivity gains.

Inflation-adjusted median wages in 2009 crept up slightly over 2008 levels. This likely reflects higher job loss among the lowest-paid jobs. The very slight rise still left wages below

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3631 PERKINS AVENUE SUITE 4C-EAST, CLEVELAND, OH 44114 • 216/361-9801 • FAX: 216/361-9810
300 EAST BROAD STREET, SUITE 490, COLUMBUS, OH 43215 • 614/221-4505 • FAX: 614/224-8132

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300 EAST BROAD STREET, SUITE 490, COLUMBUS, OH 43215 • 614/221-4505 • FAX: 614/224-8132

what they'd been in 1979 and throughout every year since 1998 except 2008. The 2009 median wage in Ohio of \$15.09 was higher than during much of the 1980s and early '90s but still reflects a lost generation for wage growth. Ohio's median wage is now more than 85 cents below that of the nation as a whole, the largest gap yet seen.

Adjusted for inflation, lower- and median-wage Ohioans earn less than they did in 1979, while high-wage individuals at the 90th percentile have seen steady growth and are now earning more than \$31 an hour, nearly 15 percent more than they earned in 1979 and four times as much as the tenth percentile workers. Most inequality, though, is at the very top: In 2008, the top one percent of earners in the United States had more than 20 percent of the nation's income, a tremendous growth in recent years.

Men continue to earn more than women in Ohio at the median, but the gap has narrowed. Women's wages were 60.5 percent of men's in 1979 (\$11.60 to \$19.16) but are now nearly 80 percent of men's (\$13.47 to \$16.86). Both have seen wages drop for most of the 2000s from \$13.78 for women in 2002 and from \$18.37 for men in 1999, as recent high points.

Blacks now earn \$12.81 per hour at the median in Ohio, down from \$14.40 in 1979, and down from earlier this decade. White workers earned \$15.64 in 2009, down from \$15.87 in 1979 and from \$16.14 in 2002. The differential leaves Ohio's black workers' wages at 82 percent of white hourly wages. By 2009, there was nearly an 80-cent gap in hourly pay between black workers in Ohio and those in the nation as a whole.

Workers with a BA or more earn more than twice as much as those without a high school degree in Ohio in 2009. Those with a BA earned \$23.66 an hour at the median, while those with only a high school degree earned just \$13.21. Assuming full-time, year-round work, BA holders earn about \$28,000 more a year than those without a high school degree.

Controlling for education does not eliminate racial and gender disparities: at every education level whites earn more than black workers. At the median, white BA holders earned more than \$7.00 more per hour than black BA holders. Men earn substantially more than women at every education level, usually between \$3.00 and \$4.50 more per hour. In fact, women with a high school degree earn less than men without one, and women with some college earn less than men with just a high school diploma at the median in Ohio.

Controlling for demographics, men, women, black workers and white workers in a union can each expect to earn at least \$4.00 more per hour than their non-union counterparts. Unionized black workers in 2008-09 (years combined to increase sample size) earned more than white workers who were not in a union, and unionized women earned more than non-unionized men. Union membership fell sharply in the 1990s but has held steady for four years at 14.2 percent of the Ohio workforce.

This troubled labor market requires an infusion of federal support. The federal government should provide aid to states and localities to prevent damage to our public structures and should hire additional unemployed workers in a public jobs program that can improve our communities. Options to finance this include a financial speculation tax, taxing capital gains at the same rate as worker earnings, or letting the Bush tax cuts expire. America and Ohio have lived through difficult times before, have made hard choices, and have emerged stronger. Now again we should reinvest in the people and places that made Ohio great. The dividends will pay off for generations to come.

Policy Matters Ohio is a nonprofit, nonpartisan research institute dedicated to researching an economy that will work better for all in Ohio. Learn more about Policy Matters Ohio at www.policymattersohio.org.