The State of Working Ohio 2010

A Report From

Policy Matters Ohio

Amy Hanauer

September, 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 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.

Introduction

Ohio's working families are struggling profoundly on this Labor Day. Three decades of deindustrialization, careless deregulation of large swaths of our economy, erosion of labor unions, and the mortgage crisis have all come together to leave Ohio workers particularly vulnerable. Today's deeply troubled economy is the result of policy deferring too much to the private sector. We deregulated lending, allowed toxic financial products to be aggressively marketed to families, and looked the other way when the system encouraged irrational speculation and borrowing. The end result was a wrecking ball to housing values, retirement savings, the labor market, and tax revenues, all of which are now conspiring to dramatically destabilize our families, our homes, our communities and our public structures.

Much of this could have been anticipated and some of it was. The smartest analysts had been warning us about the growing housing bubble for years. Foreclosure and bankruptcy data in Ohio had been ominous throughout the late 1990s. Inequality had been mounting in ways that echoed the run-up to the Great Depression. But those who were certain that markets should not be regulated held sway.

It is often said that those who don't learn from history are doomed to repeat it, but history also delivers lessons that we should want to repeat. At this difficult moment for our national economy, we have the opportunity to set ourselves on a more sustainable, equitable, prosperous and inclusive path. Some of the best policies to modernize our economy, educate our citizens, and support our families were passed during hard times. Consider the unfathomable depression of the 1930s when we created Social Security, transforming old age from the most impoverished stage of life to the most secure. That era also brought unemployment compensation, which counters recessions, stabilizing communities when money would otherwise be yanked from the economy. That's also when we created much of our safety net, reformed business and banking regulation, expanded labor law and encouraged collective bargaining through unions. Following this set of innovations were forty years of growth in equity, prosperity, living standards, education levels and life spans.

But innovation didn't stop in the forties. Since then we've seen the Clean Water Act, passed in response to the burning of our own Cuyahoga River, and the Civil Rights Act, which began the still-incomplete healing from our troubled racial past. Investments in K-12 education, the GI bill and the Higher Education Act increased Ohio's high school diploma levels from just 25 percent in 1940 to 83 percent by 2000. As for college, just 5 percent of Ohioans had college degrees in 1940, quadrupling to a still-too-low 21 percent by 2000.

These transformative programs show that policy has the power to make us more educated, more productive, safer and more secure. Bad policies can do just the opposite – exacerbate inequality, harm the planet, leave communities behind.

As a country and a state, we forgot that message over the last generation. We allowed inequality to reach highs not seen since before the Depression, let manufacturing slide and watched job quality erode. We deregulated, allowing toxic mortgages, tainted food, exploitative loans and other destructive products to be marketed and sold to American families. We watched suburbs bulge ever further outward, gobbling green space and wetlands, and ballooning our appetite for polluting and often-imported fossil fuels. We encouraged cities, counties and states to enter a mutually self-destructive competition to slash taxes, starving public budgets.

This report illustrates the consequences of some of those missteps, although matters would be worse without the protections that remain intact. This report uses the best data available at the end of 2009 to explore what is happening with Ohio workers and to consider solutions. Unlike in other years, the news this time will not come as a surprise to readers. While the plight of working families is often given too little attention, this year has sometimes brought a surfeit of superlatives that can leave an inaccurate picture.

We're heard the phrase "the worst since the Great Depression" applied to a number of variables this year. And it's true that before this recession,[1] inequality had reached heights not seen since the 1920s. National long-term unemployment is at its highest level since record-keeping began in 1948. But while unemployment itself is unacceptably high, it is still lower in Ohio than it was during the early 1980s recession, and far lower than it was in the Depression, in part because of spending that was done to aid economic recovery, and in part because of counter-cyclical policies, like unemployment compensation, that are now built into our economy. The safety net that we currently have, flawed as it is, keeps resources flowing to our communities even in times of great economic contraction. It also means that need does not begin to compare to that of the Great Depression. At that time, the one-fourth of our nation's workers who had lost their jobs were not guaranteed any relief, financial or otherwise, from the federal government, although some cities did provide aid.

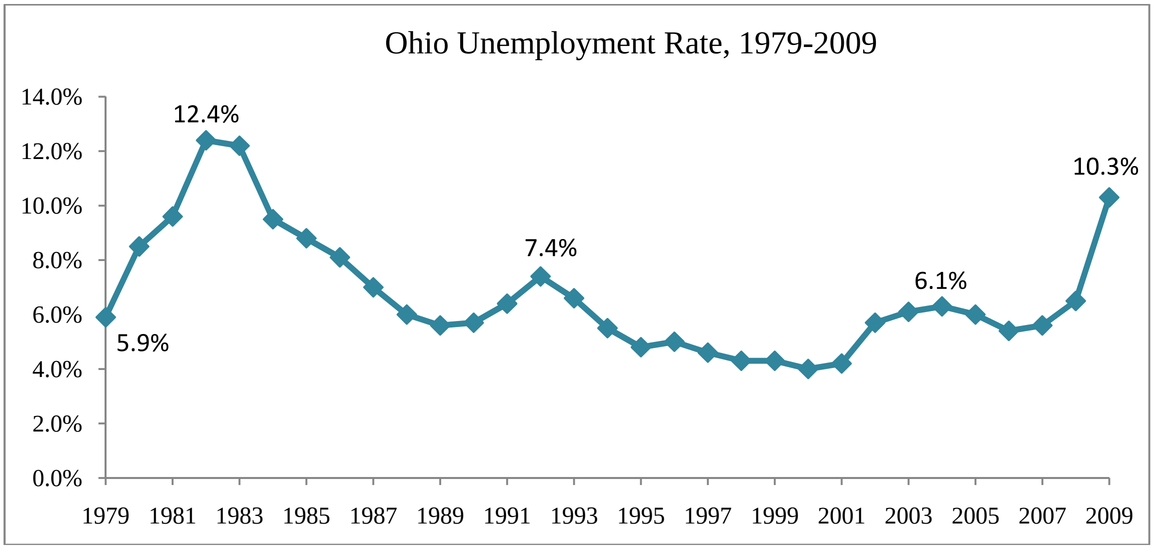
But conditions don't have to be comparable to the Depression or worse than the 80s recession to be extremely bad. And for the 614,000 Ohio workers who cannot find jobs, and the additional hundreds of thousands who have stopped looking or can find only something part-time, who have lost homes or filed for bankruptcy, this economy could not look worse. The following pages attempt to capture this complex economic reality.

Out of Work

Unfortunately, when it comes to working Ohio in 2010, lack of work is still the big story. Official annual unemployment in 2009 was the worst since 1983, with 10.3 percent overall unemployment. More than one out of every ten workers was officially unemployed. As mentioned, unemployment levels have not reached the peaks seen in the early 1980s recession. Analysts predict that the job market recovery will continue to be slow. Figure 1 depicts the overall Ohio unemployment rate through the end of 2009.

[1] Some economists believe that this recession is technically over, something that will be decided later, as such things always are. But from the perspective of the labor market we are certainly still in a recession and we use that term to describe the current economy.

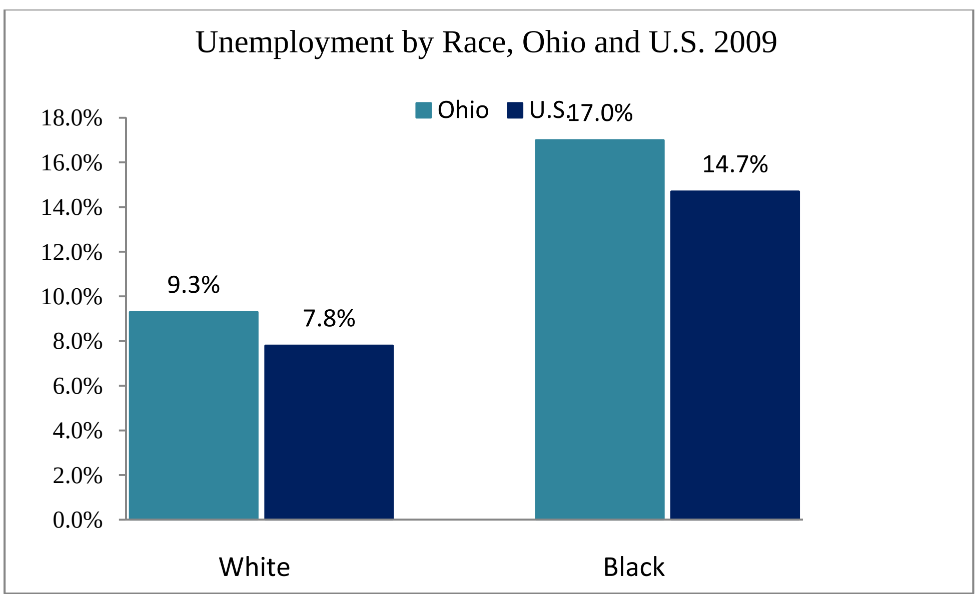
Figure 1



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

Official 2009 unemployment levels for Ohio at above ten percent are bad enough. The situation is even worse, however, for African-American workers. For the year 2009, black Ohioans had official unemployment levels of 17 percent, meaning more than one out of every six black Ohioans was actively looking for and not finding a job. This was several percentage points higher than the black unemployment rate of the country as a whole, and nearly 8 percentage points higher than the rate facing white Ohio as Figure 2 shows. White workers were also more likely to be unemployed in Ohio than nationally.

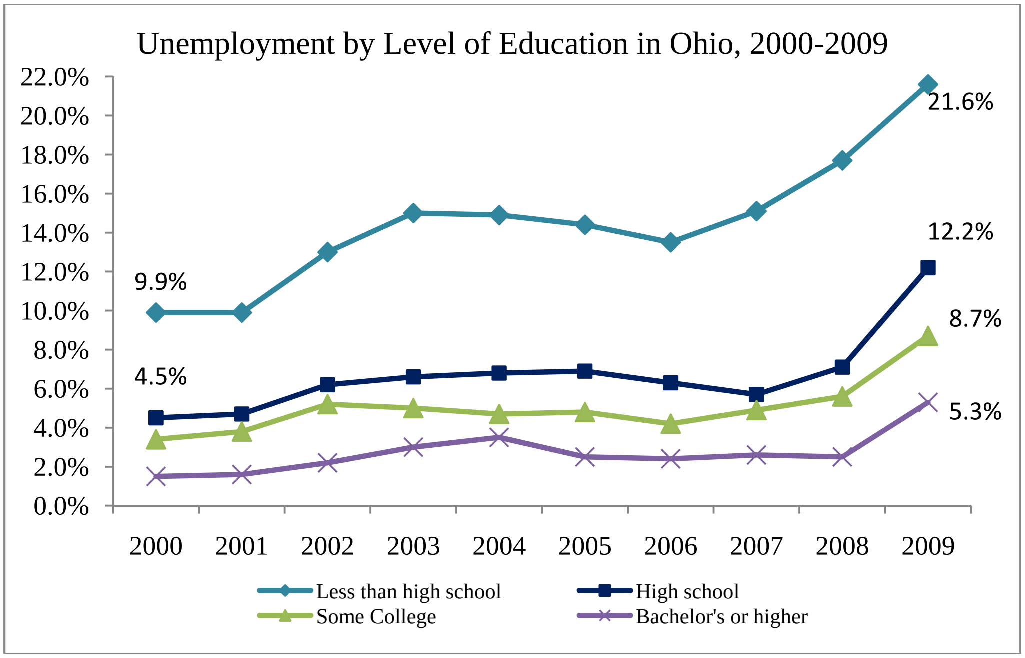
Figure 2



Source: EPI analysis of CPS data

For less educated workers, too, official unemployment levels were much higher than the overall state average in 2009, and were higher than they have been at any time this decade. In fact unemployment levels of those with less than a high school degree exceeded 21 percent in 2009, more than twice as high as they'd been back in 2000. Those who'd completed just high school fared little better with unemployment rates at 12.2 percent in 2009, nearly three times higher than they'd been in the year 2000. But even for those with some college, unemployment levels were high at 8.7 percent. Those with a bachelor's degree had unemployment levels exceeding five percent – higher than overall levels would be in a decent economy. See Figure 3 for the trend-line over this decade.

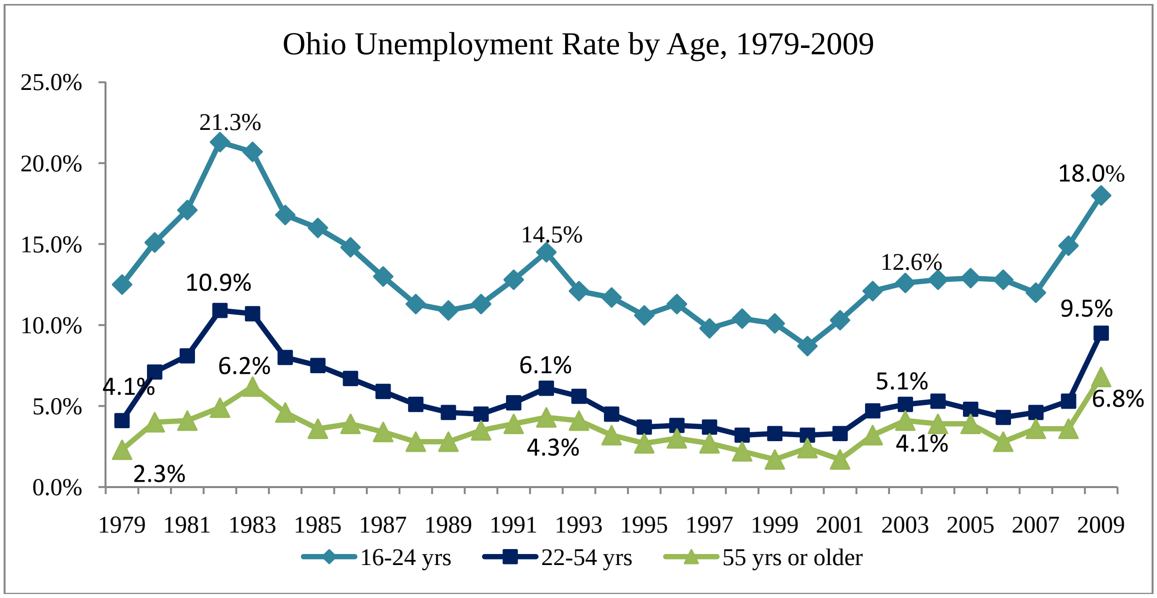
Figure 3



Source: EPI analysis of CPS data

Unemployment rates are nearly twice as high for younger Ohioans as for those in prime working years, as Figure 4 shows. But unemployment rates have risen for every age group in Ohio and are at their highest levels since the early 80s recession, at 18 percent for those age 16-24, at 9.5 percent for those between 22 and 54 years of age, and at 6.8 percent for those aged 55 or older. The unemployment rate is substantially worse than during the early 1990s or 2001 recessions.

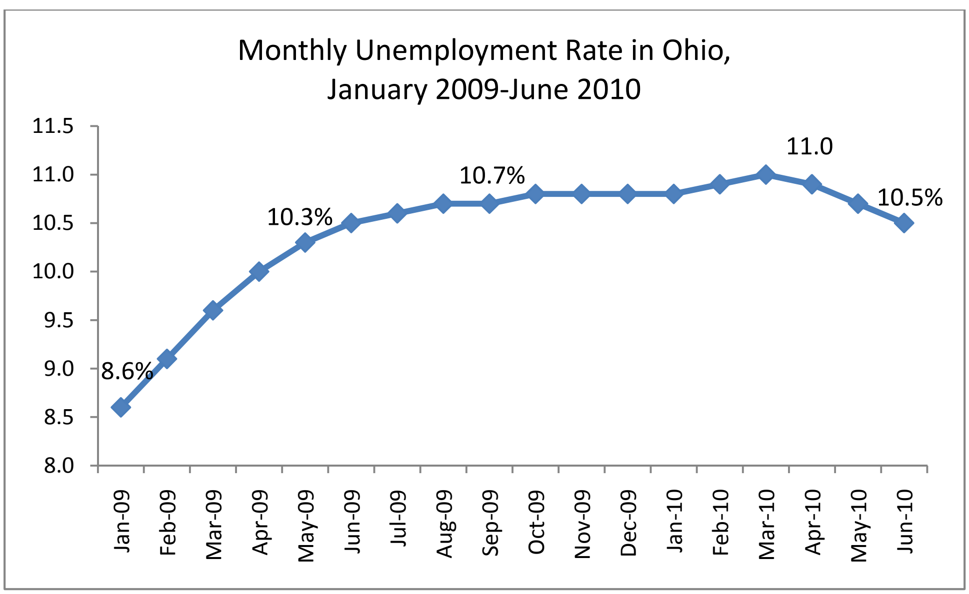
Figure 4



Source: EPI analysis of CPS data

Earlier this year some sought to portray the country as beginning to emerge from the recession. More recently, that has been questioned. Over the course of 2010, unemployment rates in Ohio have remained high. 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. Figure 5 shows monthly unemployment rates in Ohio since January 2009.

Figure 5

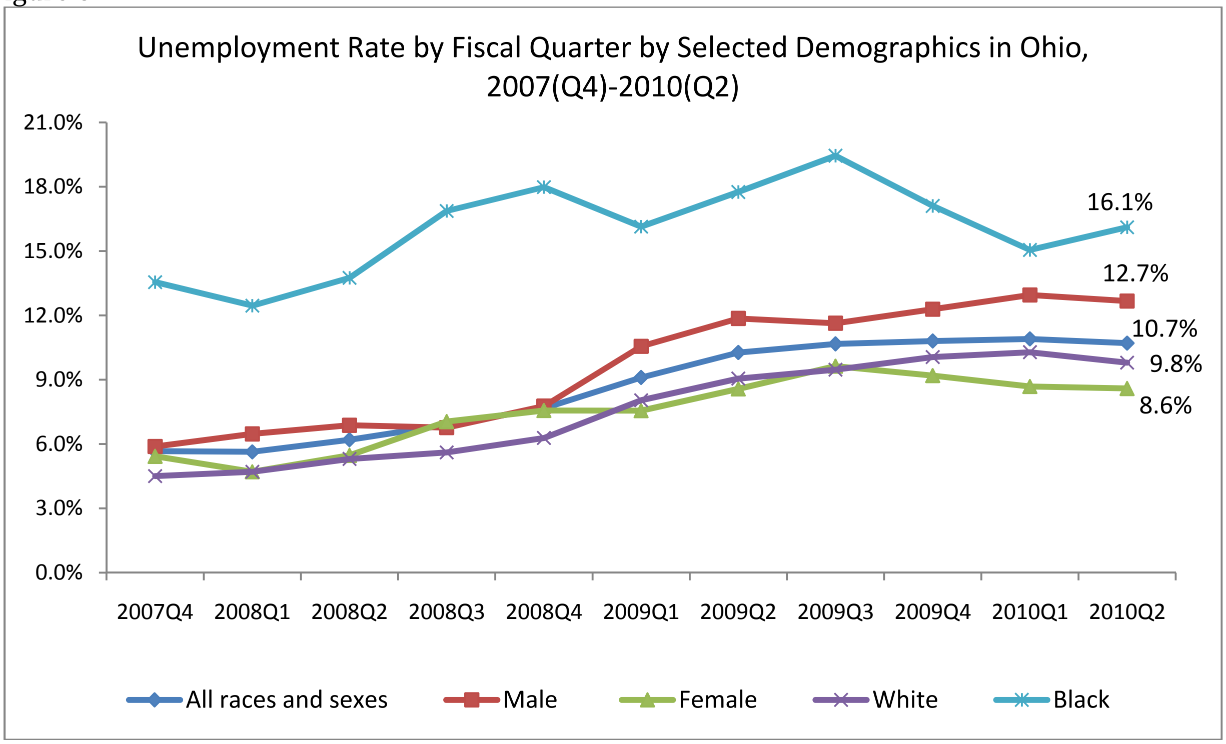


Source: Bureau of Labor Statistics (BLS), figure for June 2010 is preliminary
http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LASST39000003

While month-by-month data cannot be broken down to the same degree as annual year-end data can, it is possible to get a sense of how workers of different demographics have fared this calendar year as we try to climb toward recovery. All workers combined had an unemployment rate of 10.7

percent in Ohio at the end of the second quarter. Black worker unemployment, the worst among the demographic groups examined, rose to 16.1 percent by the end of the second quarter of 2010 while white worker unemployment was at 9.8 percent, a very slight drop from the first quarter. Male unemployment was at 12.7 percent at the end of the second quarter, while female unemployment was at 8.6 percent, slightly down from its high point. Unemployment can be slightly deceptive because some people drop out of the labor force altogether – they stop looking for a job because they don't think they can get one. These individuals are no longer considered to be unemployed. The chart below shows unemployment rates from the fourth quarter of 2007 through the second quarter of 2010. It depicts overall rising rates, with slight fluctuations, and deep racial disparities.

Figure 6

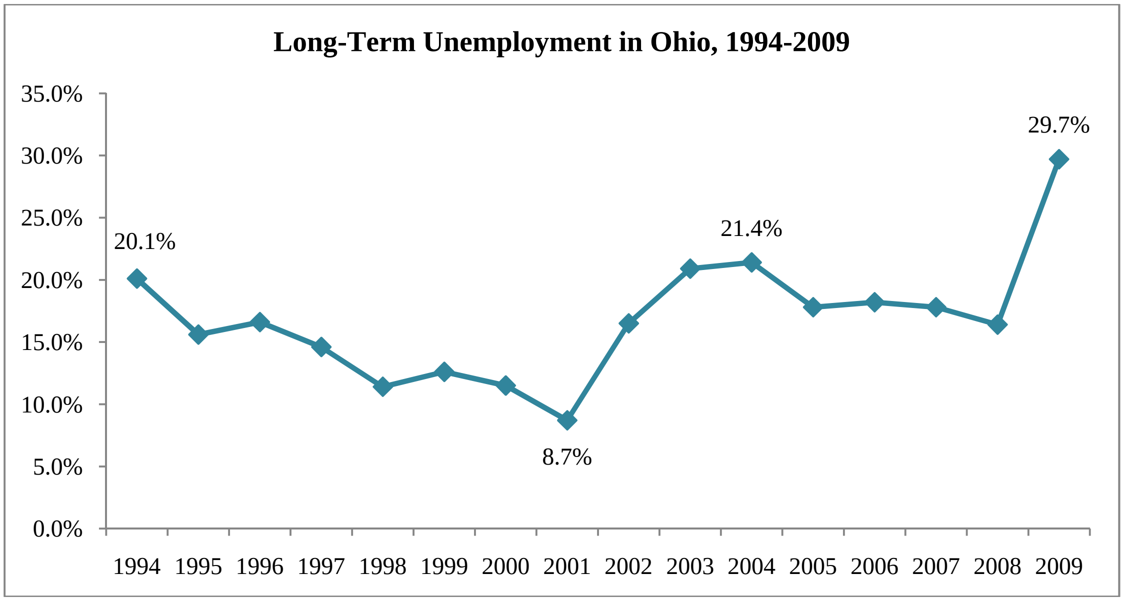


Source: EPI estimates based on Bureau of Labor Statistics and CPS data

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, long-term unemployment has not reached this height in more than 60 years of record-keeping. This is problematic for a variety of reasons – naturally, individuals and families begin to struggle financially, emotionally and in other ways after half a year out of work. However, it is made more significant because unemployment benefits only last for 26 weeks unless the federal government takes action to secure an extension. In mid-July, after seemingly-endless fights over this issue, the U.S. Senate finally acted to extend unemployment benefits, a basic benefit that is usually enacted with bipartisan support during a recession. In this case, the vote could only take place after Carte Goodwin, a West Virginia Democrat, was sworn in to replace Robert Byrd, who died before he could vote for passage of this bill. Additional extensions may be even more difficult to secure. There has been recent press attention to the "99ers", workers who have now been jobless for more than 99 weeks and are therefore no longer eligible for even extended benefits. The *Plain*

Dealer reported in August that more than 15,000 Ohioans were in this position.[2] Figure 7 shows long-term unemployment from 1994 through 2009.

Figure 7

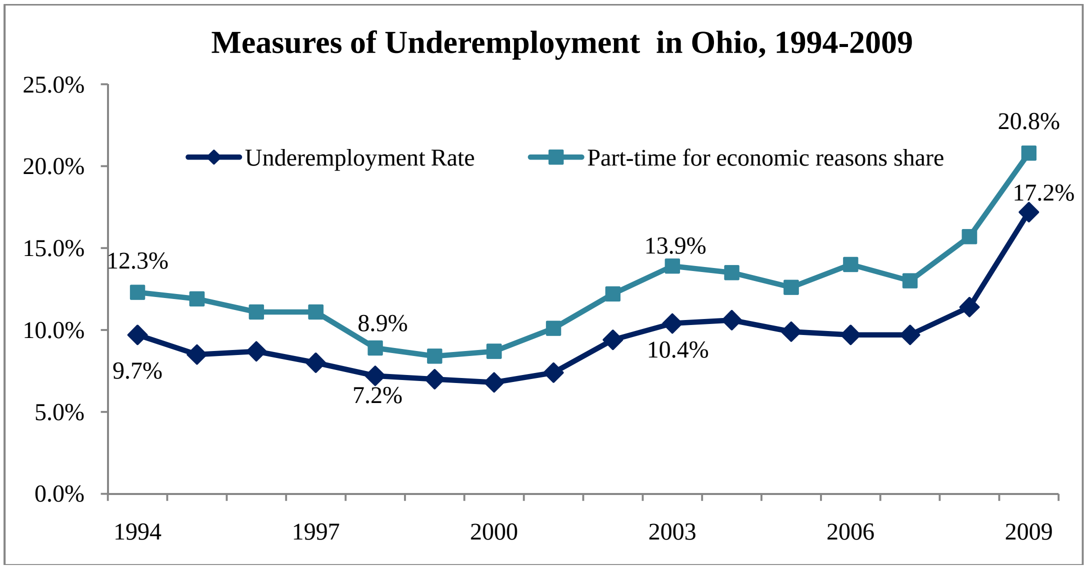


Source: EPI analysis of CPS data

While official unemployment is at its highest level since the early 1980s in Ohio and the nation, this statistic dramatically understates the weakness in the job market. That's because in addition to the officially unemployed – those out of work and actively seeking new jobs – there are people in the economy who are working part-time but seeking full-time work, "discouraged workers" who are out of work but have stopped looking for new jobs because they are convinced they won't find anything, and people who would like full-time work, but have barriers, like a need for transportation or child care, that take them out of the labor market. When these categories of workers are included, "underemployment", an official government measure that includes these workers, spikes at a discouraging 17.2 percent. This means that more than one out of six Ohioans is either out of work, "discouraged", employed part-time for economic reasons, or unable to work despite wanting to, because of barriers to employment. The lines on the chart below have different denominators – the lower line is what percent of all workers are underemployed. The higher line indicates the percent of part-timers who are part-time for economic reasons. An economy that offers part-time work can be a good thing, particularly for some parents, students, or retirees who may only want to work part-time. But when more than one in five part-time workers would rather be full time, as is now the case, it indicates that lack of opportunity, not flexibility, is at the root of the part-time economy. These indicators are the worst since the government started keeping records in the mid 1990s, but it is possible that some of these indicators were worse in the severe 1980s recession when overall unemployment was worse. By July 2010, underemployment had risen to 18.4 percent nationally, so there is no reason to think that this problem is abating.

[2] http://www.cleveland.com/business/index.ssf/2010/08/theyre_known_as_the_99ers_and.html

Figure 8

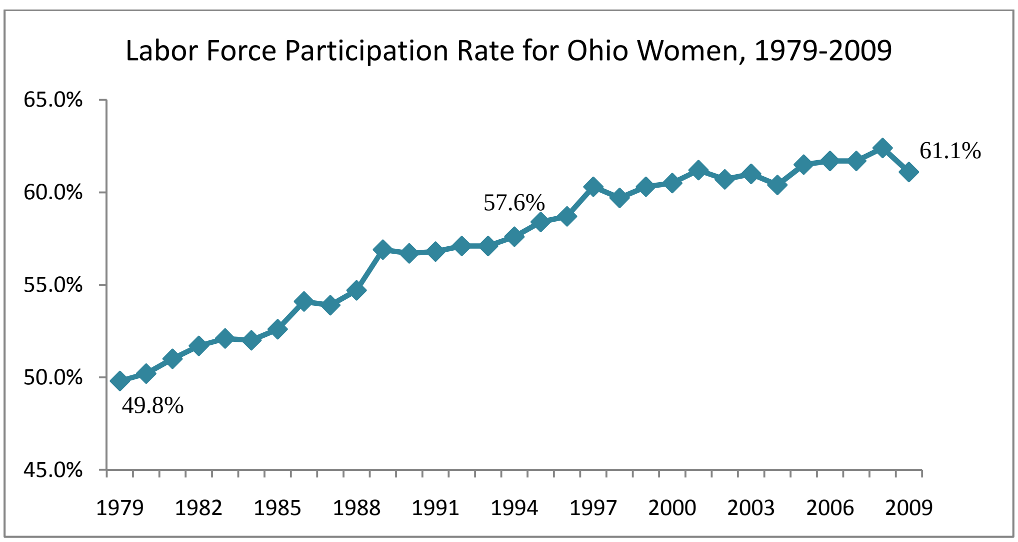


Source: EPI analysis of CPS data

Working in Ohio

Unemployment tells us a lot about those who have been most harmed by the economy. Another measure of the economy's weakness can be found in women's labor force participation, which had risen nearly every year since 1979, except during recessions. Women have not been as badly harmed by this economy as men have but by 2009 conditions were grim enough that women were also driven out of the labor market. Still, women's labor force participation, which fell to 61.1 percent in 2009, remains higher than in all years prior to 2005. Those who are actively seeking work are considered to be in the labor market, while those who have stopped seeking a job are officially not part of the labor market. In deep recessions, it can be hard to distinguish between those who do not want to work and those who want to but don't believe they will find employment

Figure 9



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

Although women's labor force participation has risen steadily with just a few downward blips since 1979, while men's rates have fallen, men are still more likely to be in the labor market than women are, with 71.3 percent of men in the labor market in 2009. This is down from 79.6 percent of the male population in 1979. Young people's (under age 24) labor force participation has declined sharply in this recession, from near 70 percent levels in 1999, 1989 and 1979, to just 63.4 percent last year. Because women's labor force participation rose so sharply since the 70s, the overall levels of prime working-age adults are fairly steady in each of the points selected. Those over 55 are working at higher percentage levels in 2009 than in any of the previous three decades. This can reflect both a positive – that older workers are healthier, living longer, and able to be in the labor force, and a negative – that workers may feel unable to retire due to declines in retirement income.

Of Hispanics 70 percent are in the labor market, trailed by whites at 66.8 percent and blacks at 61.3 percent. Likelihood of labor market participation generally rises with education levels, with the college educated having nearly an eight in ten chance of being in the labor market, compared to just a 40 percent chance for those without a high school diploma. Table 1 below shows labor force participation of working age adults by demographic for 1979, 1989, 1999 and 2009. The early 1980s, when some of these indicators would have been worse, is not depicted on this chart.

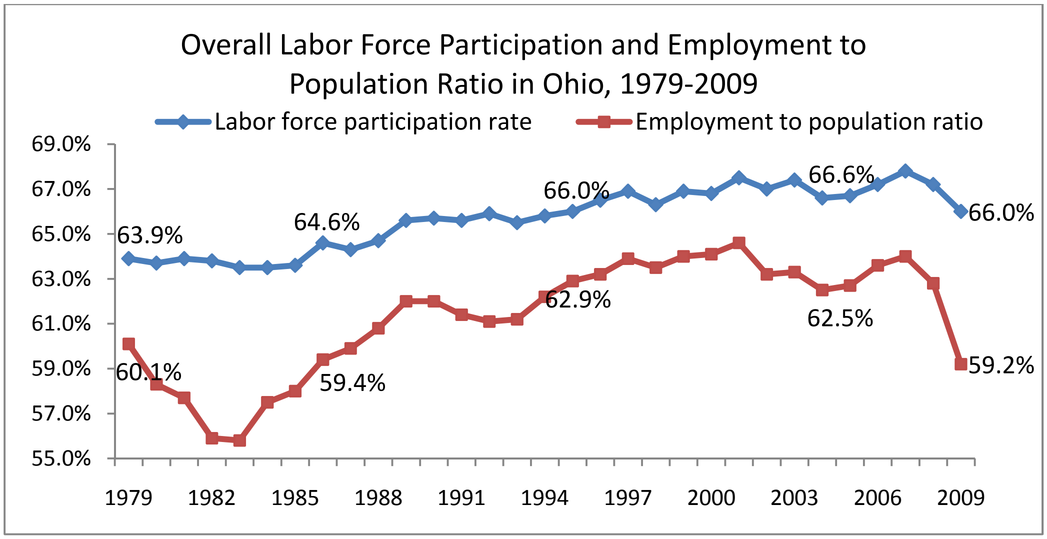
Table 1: Labor force participation rate by demographic by year in Ohio

					Percentage-point change		
	1979	**1989**	**1999**	**2009**	**1979-89**	**1989-99**	**1999-09**
Gender							
Male	79.6%	75.2%	74.1%	71.3%	*-4.4%*	*1.1%*	*-2.8%*
Female	49.8%	56.9%	60.3%	61.1%	*7.1%*	*3.4%*	*0.8%*
Age							
16-24 yrs	71.1%	69.5%	70.3%	63.4%	*-1.6%*	*0.8%*	*-6.9%*
25-54 yrs	76.8%	82.6%	84.7%	82.7%	*5.8%*	*2.1%*	*-2.0%*
55 yrs and older	34.3%	28.8%	29.0%	39.7%	*-5.5%*	*0.2%*	*10.7%*
Race / ethnicity							
White	63.9%	66.2%	67.1%	66.8%	*2.3%*	*0.9%*	*-0.3%*
African-American	62.6%	60.9%	64.4%	61.3%	*-1.7%*	*3.5%*	*-3.1%*
Hispanic	73.6%	67.4%	72.4%	70.0%	*-6.2%*	*5.0%*	*-2.4%*
Asian/Pacific islander	NA	61.8%	68.4%	56.8%	-	*6.6%*	*11.6%*
Education							
Less than high school	45.3%	41.5%	42.2%	40.2%	*-3.8%*	*0.7%*	*-2.0%*
High school	69.0%	69.1%	66.1%	63.9%	*0.1%*	*3.0%*	*-2.2%*
Some college	72.1%	75.2%	73.5%	72.6%	*3.1%*	*1.7%*	*-0.9%*
Bachelor's or higher	79.1%	82.9%	81.7%	79.4%	*3.8%*	*1.2%*	*-2.3%*

Source: EPI analysis of CPS data, NA indicates data not available in sufficient sample sizes

Employment-to-population (E-Pop) ratio goes beyond measuring labor force participation to assess how many working-age adults are actually finding work. Unemployed workers are jobless, but still in the labor force. E-Pop levels have fallen more steeply than labor force participation, which reflects that people are staying in the labor market, seeking but not finding work. Overall employment was at just 59.2 percent of 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. Labor force participation was also lower than in the late 1990s and 2000s, but higher than in the 1970s and 1980s.

Figure 10



Source: EPI analysis of CPS data

By 2009, only 62.9 percent of men and 55.8 percent of women were employed, down from higher levels for both groups ten years ago. African Americans are struggling, with only half of the black working age population employed, down from 60 percent in 1999. For those without a high school degree, under a third are employed, well below levels seen in each of the past three decade-ending years. It is clear that, for these most disadvantaged members of our communities, this labor market is completely dysfunctional. Employment levels have dropped for every category since 1999, with the exception of seniors, some of whom are clinging to their jobs instead of retiring. The table below shows only decade-ending years – as mentioned earlier, this leaves out the early 1980s when Ohio's labor market was more troubled.

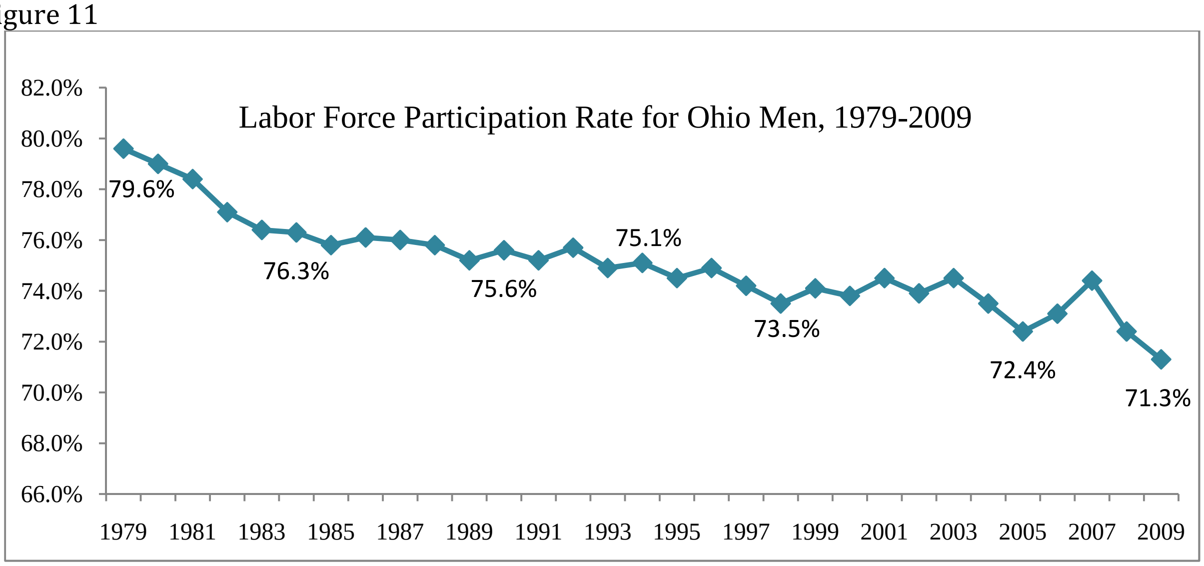
Table 2: Employment to population ratio by Demographic by Year in Ohio

	1979	1989	1999	2009
Gender				
Male	75.7%	70.9%	71.0%	62.9%
Female	46.2%	53.8%	57.7%	55.8%
Age				
16-24 yrs	62.3%	61.9%	63.2%	52.0%
25-54 yrs	73.6%	78.9%	82.0%	74.9%
55 yrs and older	33.5%	28.0%	28.5%	37.0%
Race / ethnicity				
White	60.7%	63.1%	64.5%	60.6%
African-American	53.9%	52.5%	59.6%	50.9%
Education				
Less than high school	40.6%	36.5%	37.0%	31.5%
High school	65.0%	65.2%	63.3%	56.1%
Some college	69.3%	72.3%	71.1%	66.2%
Bachelor's or higher	77.2%	80.8%	80.4%	75.2%

Source: EPI analysis of CPS data. Asian and Hispanic excluded because sample size was insufficient.

Men's labor force participation has generally declined during recessions of the past three decades, then stabilized but not recovered during times of growth. This reflects a number of trends. Deindustrialization during recessions causes large-scale job loss, and some of those workers never re-enter the labor market. As life spans increase, men have more years of retirement when they are not working. And as women have entered the labor market in greater numbers, men's employment has become less flexible – a family that might have moved a generation ago to ensure that the displaced father could be re-employed might today face a more complicated calculation as to whether to move and lose the mother's job in the process. That's one reason why advocates encourage unemployment insurance systems to cover a "trailing spouse" – a husband or wife who has to leave a job because the spouse has gotten a better position elsewhere.[3] Whatever the reason, Ohio men were in the labor market at the lowest rates in more than a generation by the end of 2009, with just 71.3 percent of men in the labor force, down more than ten percent since 1979, when nearly 80 percent of men were in the labor force.

Figure 11



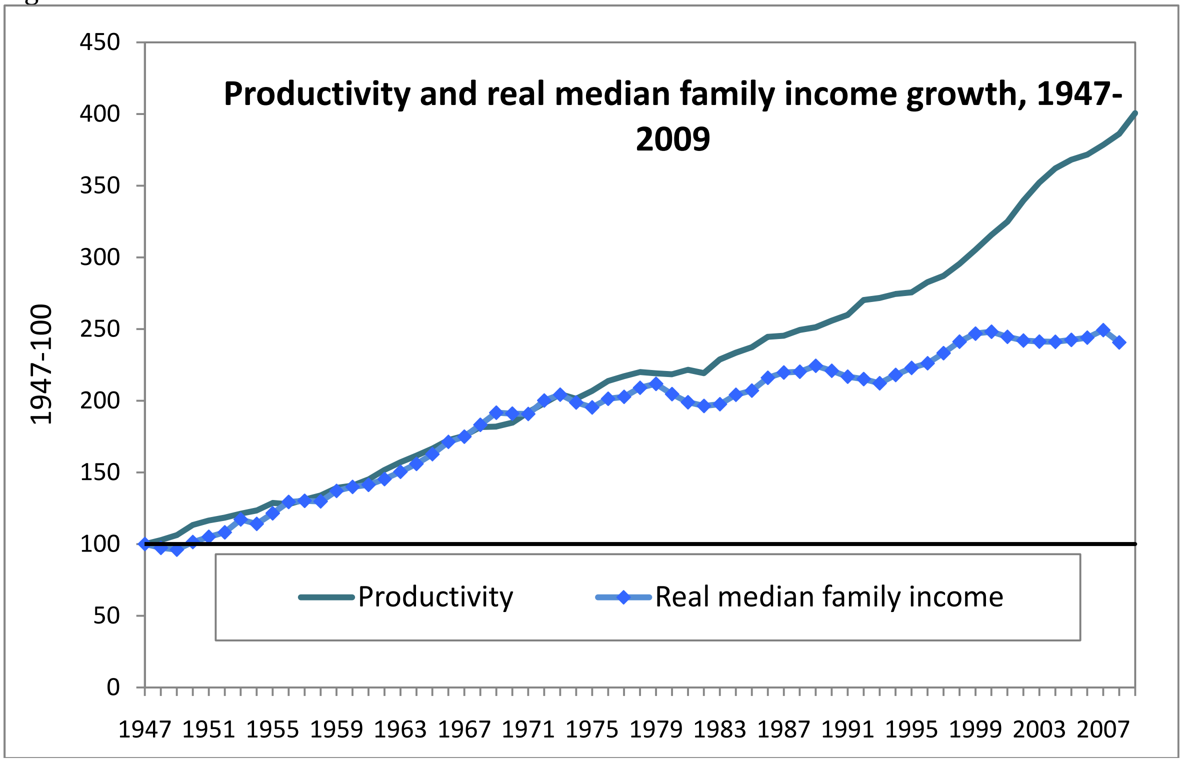
Source: EPI analysis of CPS data, includes all men over age 16

Productivity, Wages and Income

Someone following most economic debate might reasonably conclude that almost nothing has gotten better in the past few years. But, in fact, worker productivity, measured here as output per hour in non-farm businesses, continues to increase most years and has risen sharply in the past few years, although it has fallen slightly in the past quarter. It is this growth in worker productivity, when contrasted with falling family income, that gets at the core of what is wrong with the U.S. economy. Working people are not sharing in the economic growth that they are helping to produce, even during these troubled economic times. But this disparity – family incomes growing slowly, stagnating, or declining, while worker productivity rises sharply, has been an ongoing feature of our economy during expansions and recessions since about the early 1970s. This is a stark contrast to the post-war period, when productivity and family income grew in parallel. The chart below equalizes productivity and family income both at a value of 100 units in the year 1947, then looks at how each has changed. Both grew solidly through the 1950s and 1960s, before they began to sharply diverge. This disparity contributes to inequality and instability.

[3] Twenty-six states now provide such benefits, and the U.S. is encouraging states to do so. See http://www.policymattersohio.org/pdf/UCRelease2010_08.pdf p. 2

Figure 12

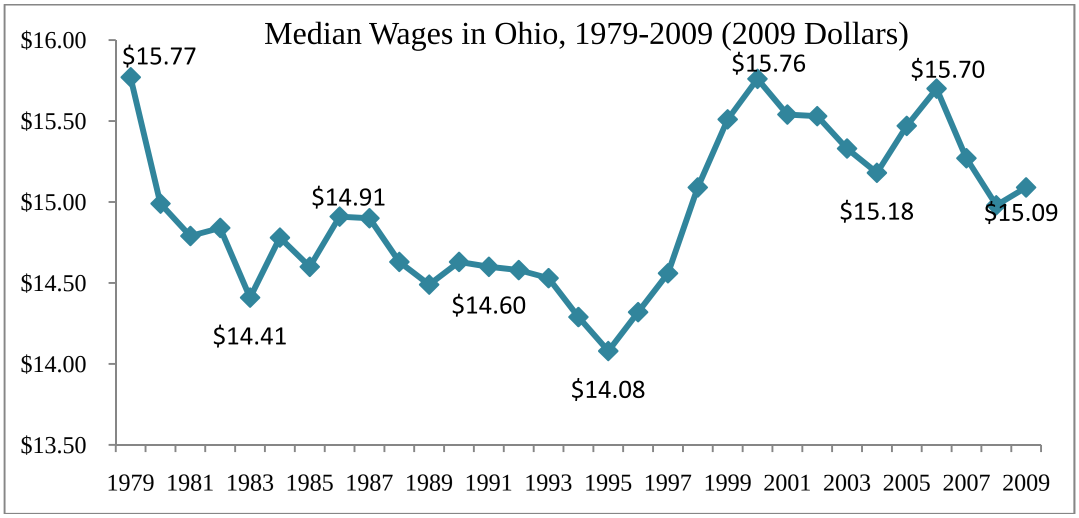


Source: EPI analysis of U.S. Census Bureau and U.S. BLS data, productivity defined as output per hour worked

Median wages of those who were working in 2009 actually crept up very slightly over 2008 levels. This is cold comfort as it likely reflects higher job loss among the lowest paid jobs.[4] In any event, the very slight rise still left wages below what they'd been in 1979 and throughout every year since 1998 except the previous year. 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 in terms of wage growth.

[4] Young workers, workers with lower levels of education, and racial and ethnic minorities, all of whom have lower wages on average, have faced disproportionate job loss. Since these groups have lower wages, it is evidence that the lowest-wage workers are playing a smaller role in the wage data.

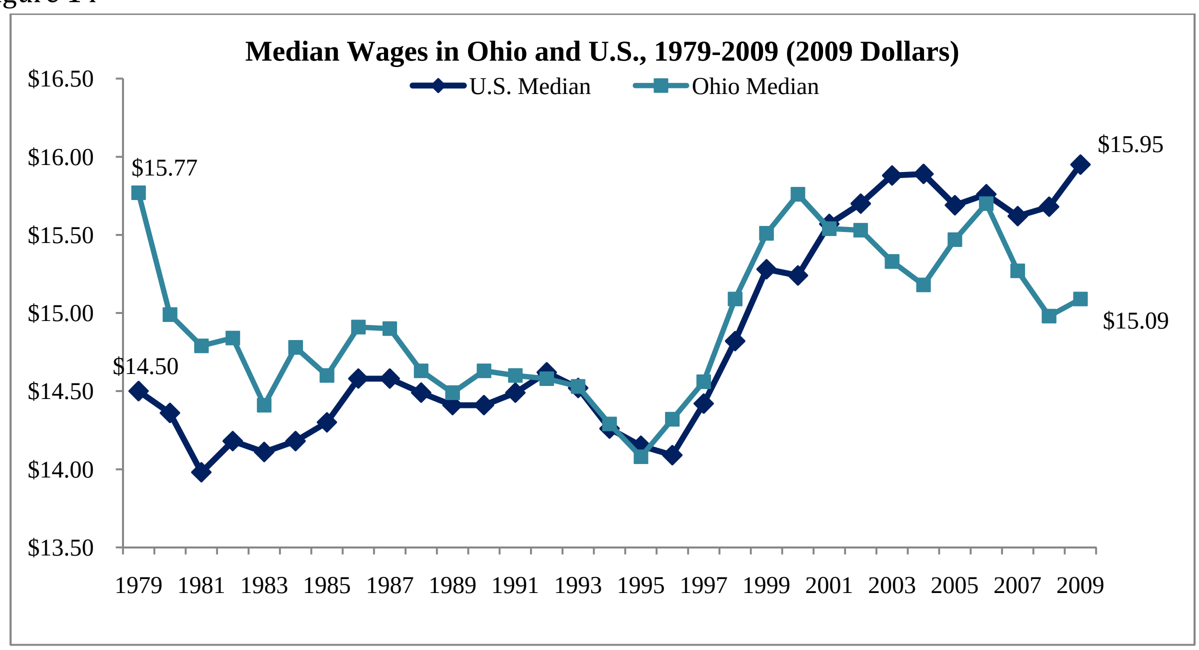
Figure 13



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

Ohio's median wage is now more than 85 cents below the median wage in the nation as a whole, the largest gap yet seen, although our per capita income improved more than the nation's did in 2009. The wage data is show below. Prior to 2001, Ohio's median wage exceeded or was the same as the national median. Both in Ohio and nationally, median wages are higher than in the 1980s and early '90s.

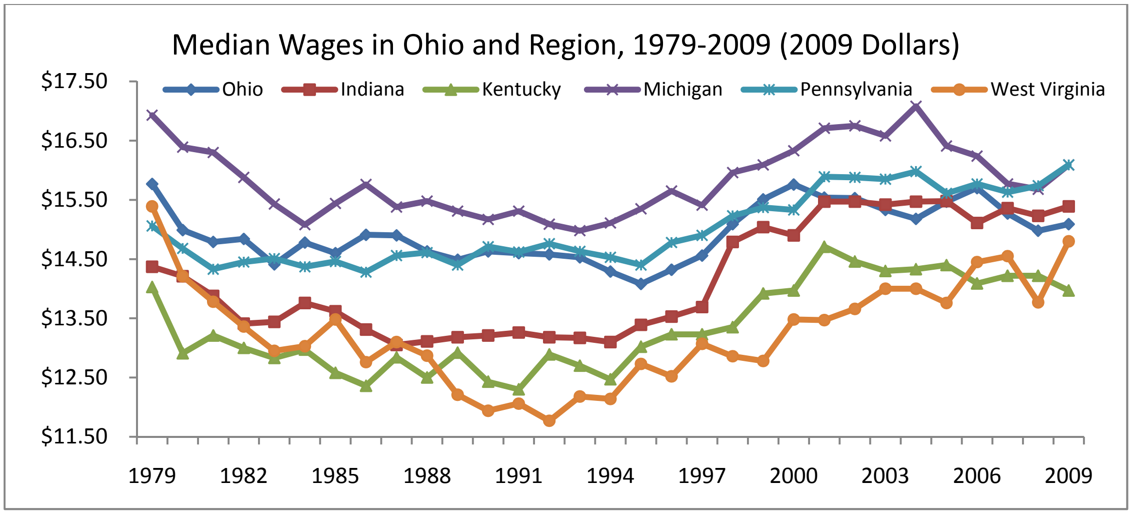
Figure 14



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

When compared to other nearby states, Ohio, depicted in Figure 13 by the darker blue line with the diamonds, is now essentially tracking Indiana in median wages, as in the middle compared to surrounding states. Pennsylvania's wages have risen the most among neighbors over the past few years, and are now the same as Michigan's, which had recently been falling until last year. Kentucky was the only state to see a drop in median wage between 2008 and 2009, while West Virginia showed a one-year spike in 2009, after a sharper drop than other states in 2008.

Figure 15



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

Inequality

Although many might assume that suffering has occurred across the board, in fact, for relatively affluent Ohioans, wage growth has been far more robust than for low- and middle-income Ohioans. Adjusted for inflation, lower-wage Ohioans earn less than they did in 1979, but more than they earned in 1989 or 1995. Overall, they've seen a five percent wage decline since the late 1970s. Median workers have seen a 4.3 percent wage decline, from $15.77 at the beginning of this period to $15.09 in 2009, which was nonetheless higher than in many of the intervening years. But if we divide the workforce into ten equal parts (1st decile or tenth percentile, on up to 9th decile or 90th percentile), we can learn how workers at different income levels fared in our economy. 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. These workers now earn four times as much as the tenth percentile workers, slightly down from peak inequality levels because of the growth of the wages at the bottom. Remember, however, that the wage growth at the bottom likely results at least partly from the very lowest-wage workers losing their jobs altogether.

Table 3

Wages by Decile by Year in Ohio (In 2009 dollars)**

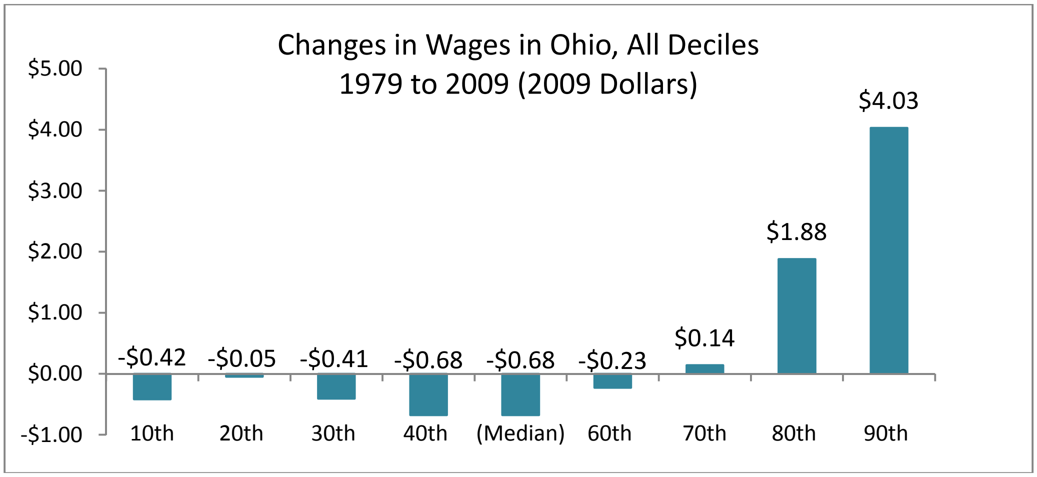
	1979	1989	1995	2009	Percent wage change, 1979-09
10th percentile	$8.19	$6.86	$7.05	$7.77	-5.13%
50th percentile (Median)	$15.77	$14.49	$14.08	$15.09	-4.31%
90th percentile	$27.66	$28.14	$28.61	$31.69	14.57%
Ratio: 90th to 10th percentile	3.4	4.1	4.1	4.0	

Source: EPI analysis of CPS data

Over the last thirty years, middle and low-income workers, separated by decile, have all seen a modest decline in their hourly wages. But workers at the 90th percentile, those earning more than

90 percent of all other workers earn, have actually seen more than a $4.00 an hour increase in their hourly wages since 1979, and of course this was from a much higher base. Those at the 80th percentile have also seen solid growth, of nearly $2.00 an hour as Figure 14 shows.

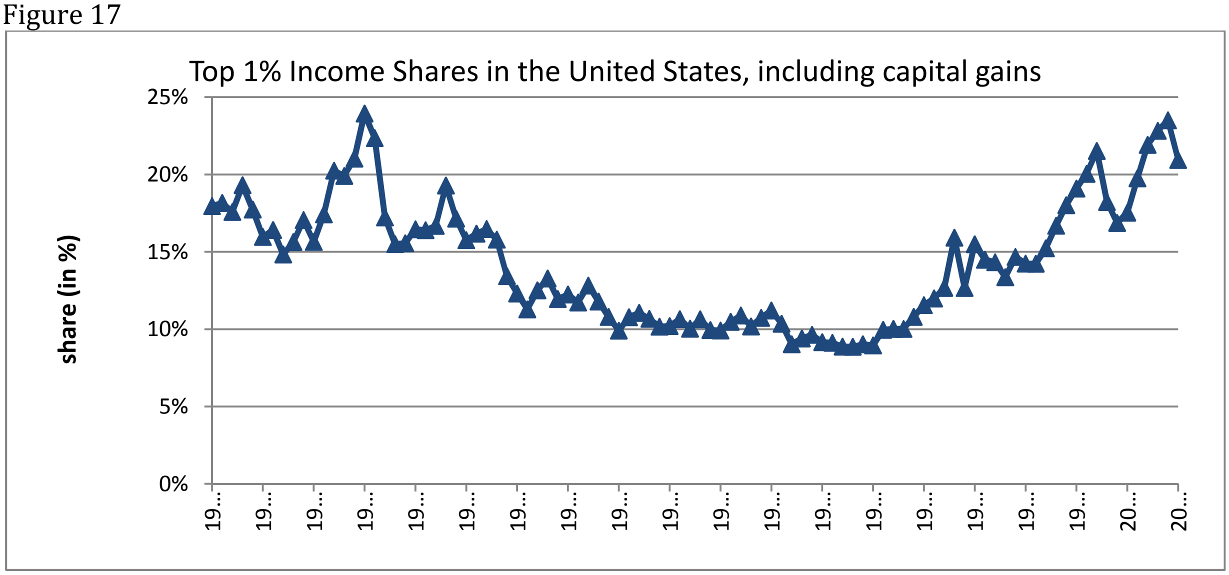
Figure 16



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

At the state level, it is difficult to get a sense of inequality beyond the top ten percent, but the disparity between the 90th and 10th percentiles tells only a fraction of the story. That's because in our incredibly unequal society, most of the inequality comes at the very top. In 2008, the last year for which data was updated, inequality experts Thomas Picketty and Emmanuel Saez found that the top one percent of earners in the United States had more than 20 percent of the nation's income, as Figure 15 shows. That was actually lower than it had been during the three previous years, but still higher than all but one other year since the 1920s. This obscene growth in inequality contributed to the instable, overly-leveraged conditions that led to the deep recession we are now in.

Figure 17

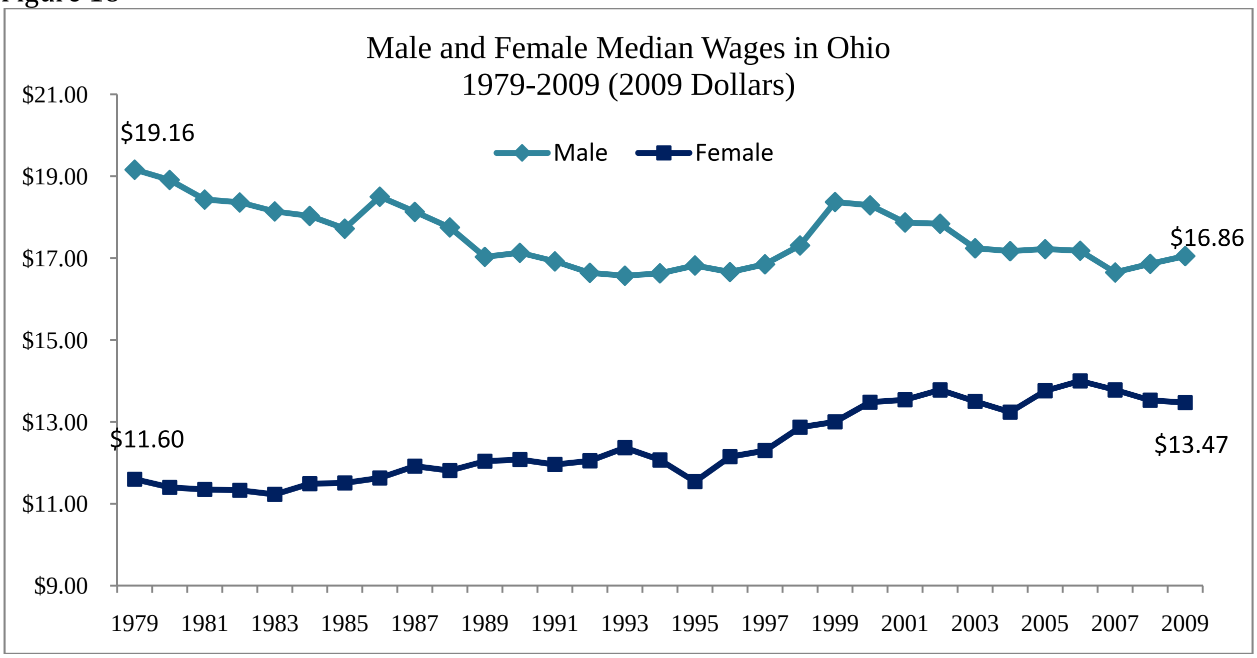


Source: Thomas Picketty and Emmanuel Saez at http://elsa.berkeley.edu/~saez/

Disparities

Men continue to earn more than women in Ohio, but the gap has narrowed over the long term. Women earned 60.5 percent of what men earned in 1979 ($11.60 to $19.16). But as men's wages had dropped starkly and women's wages had risen modestly in the 80s and 90s, women now earn nearly 80 percent of what men earn per hour at the median ($13.47 to $16.86). Both men and women have seen their 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. Men's wages have, however, climbed for each of the last two years, although disappearance of the lowest-wage positions may play a role in that. Figure 16 shows the trendline over the past thirty years.

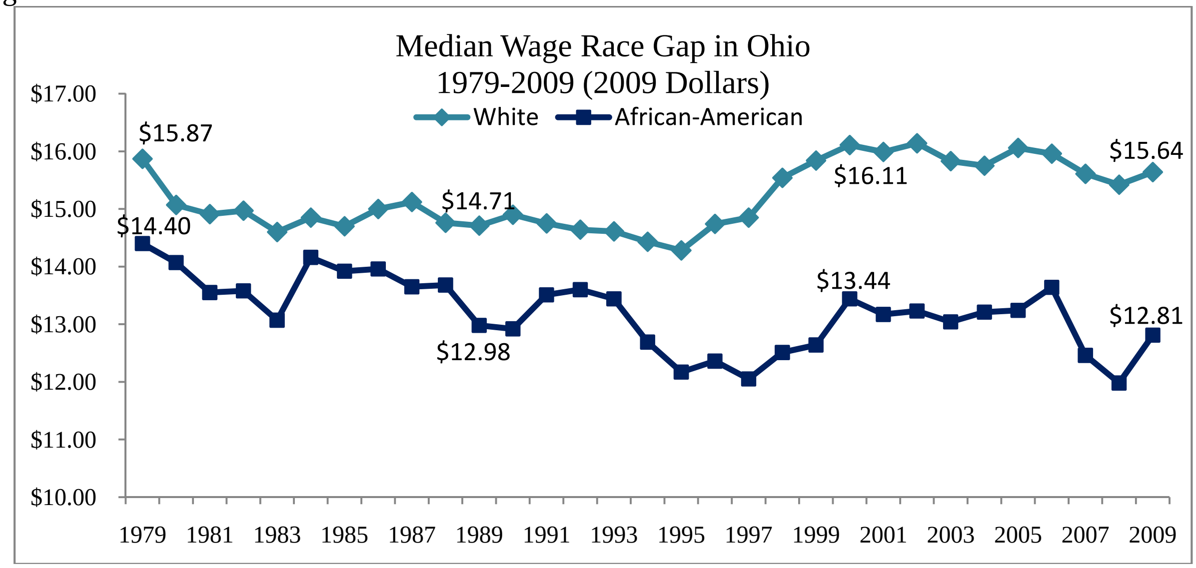
Figure 18



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

The race gap in Ohio is wide and generally widening, although black workers saw a healthy one-year jump in wages between 2008 and 2009, probably as much due to job loss among the lowest-paid black workers as to any actual growth. Blacks now earn $12.81 per hour in Ohio, down from $14.40 in 1979, and down from levels seen earlier this decade. White workers earned $15.64 in 2009, down from $15.87 in 1979 and lower than the $16.14 rate seen in 2002 at the end of the late 1990s expansion. The current differential leaves Ohio's black workers earning just 82 percent of what white workers earn at the median in Ohio.

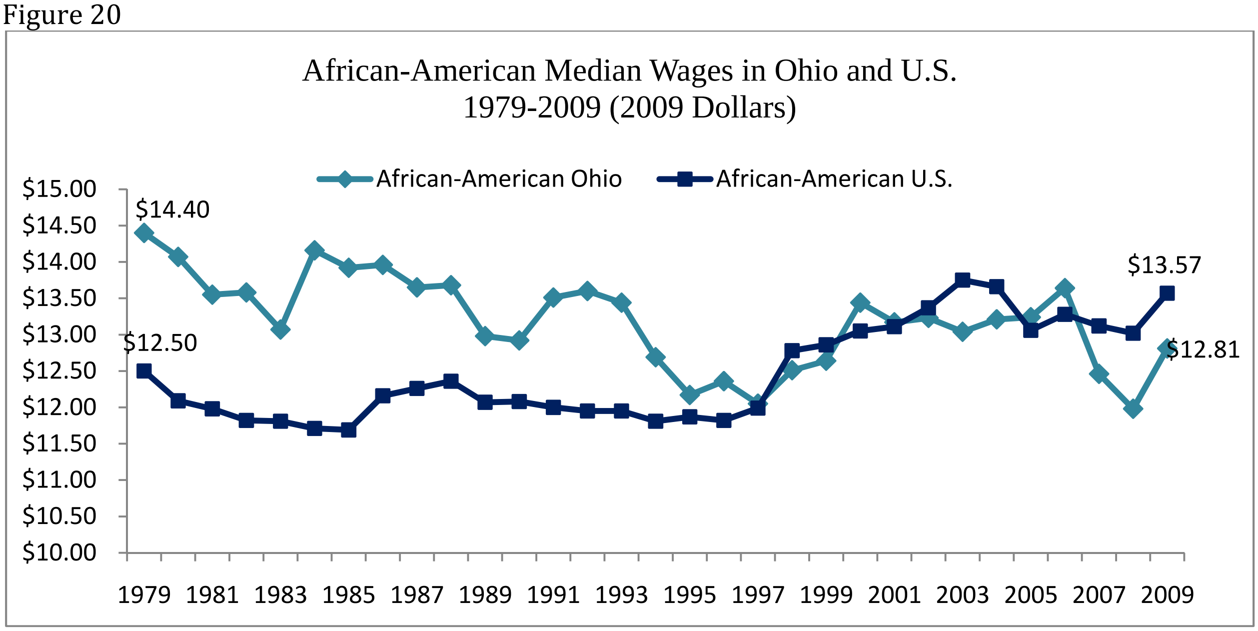
Figure 19



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

Black workers in Ohio used to fare much better than their counterparts in the rest of the country, in part because of the highly-paid manufacturing sector that has lost so much ground in Ohio. By the late 1990s, black workers nationally had caught up in wages to their counterparts here in Ohio, and throughout this decade, Ohio's black workers have generally trailed black workers nationally in wage levels. By 2009, there was nearly an 80-cent gap in hourly pay between black workers in Ohio and those in the country as a whole, as Figure 18 shows.

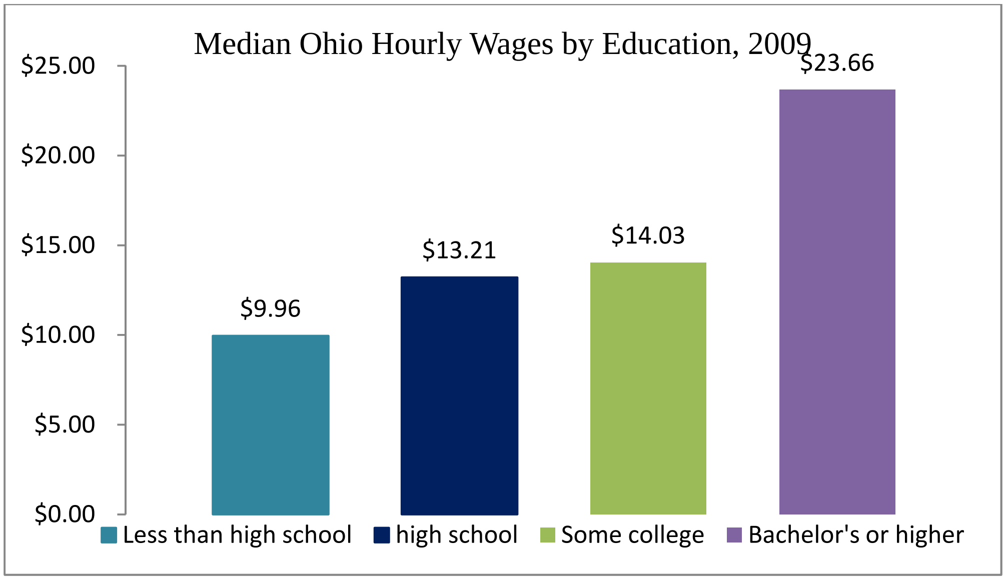
Figure 20



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

Education pays. Workers with a BA or more earn more than twice as much as workers without a high school degree. In Ohio in 2009, those with at least a four-year degree earned $23.66 an hour at the median, while those with only a high school degree earned just $13.21 an hour, and those without such a degree earned even less. Those with at least a BA degree earned more than twice as much per hour as those with only a high school degree. Assuming full-time, year-round work, those with a BA can expect to earn about $28,000 more each year than those with less than a high school degree. This does not even consider disparities in likelihood of unemployment, health coverage and retirement benefits. Figure 19 shows the hourly wage at different education levels.

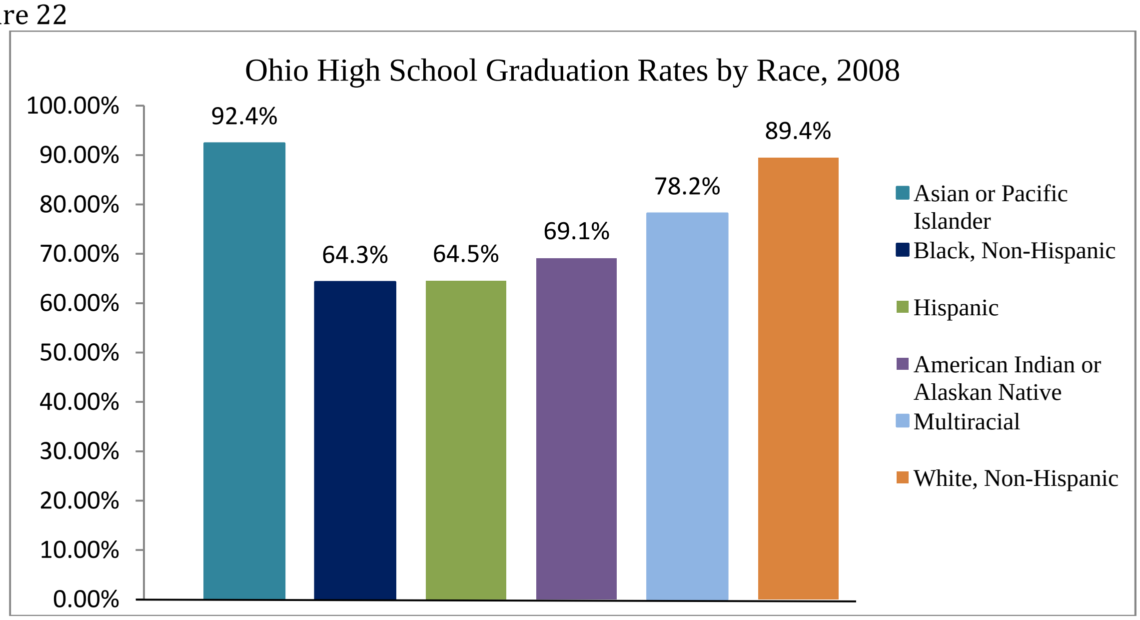
Figure 21



Source: EPI analysis of CPS data

High school graduation rates differ dramatically by race in Ohio, as in a rest of a country, with Asian and Pacific Islander students posting the highest rates, at over 92 percent, followed closely by white, non-Hispanics, with an 89 percent graduation rate. Black and Latino students are least likely to graduate from high school, each group averages a 64 percent high school graduation rate.

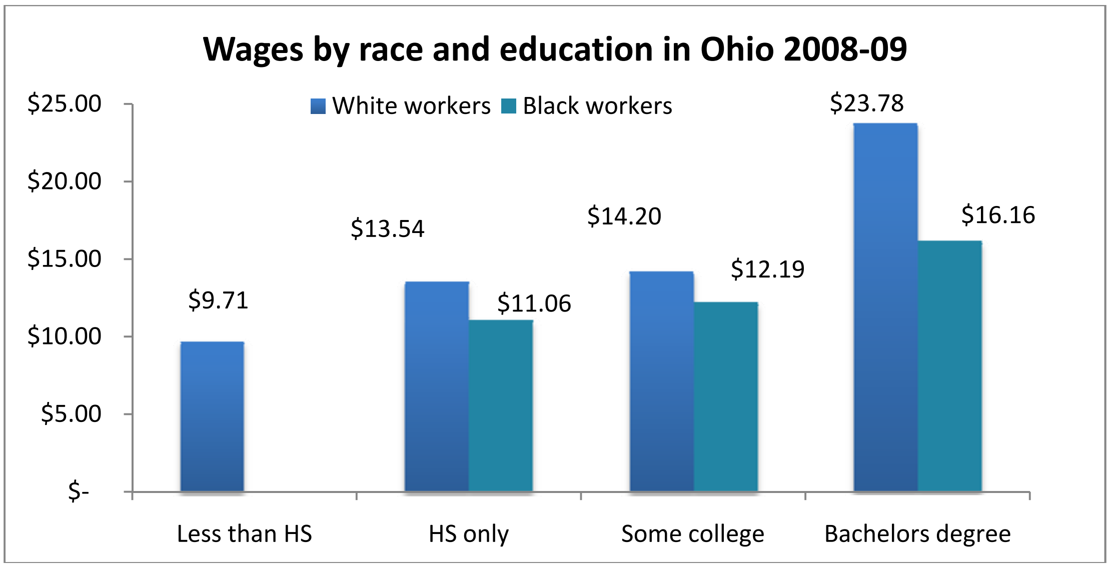
Figure 22



Source: American Community Survey 2008

Racial and gender wage disparities in Ohio persist even when controlling for education. It is true that black workers are less likely to complete high school and college in Ohio. But even if you only compare black college graduates to white college graduates, there is a disparity in earnings at the median. Data wasn't available on African American high school dropouts, but in 2008-2009 (years combined to increase sample size), white high school graduates and whites with some college each earned more than $2.00 an hour more than African American workers with the same education levels. At the median, white workers with a bachelor's degree earned more than $7.00 more per hour, more than $15,500 more per year with a full-time, year-round job, than black workers with a BA degree.

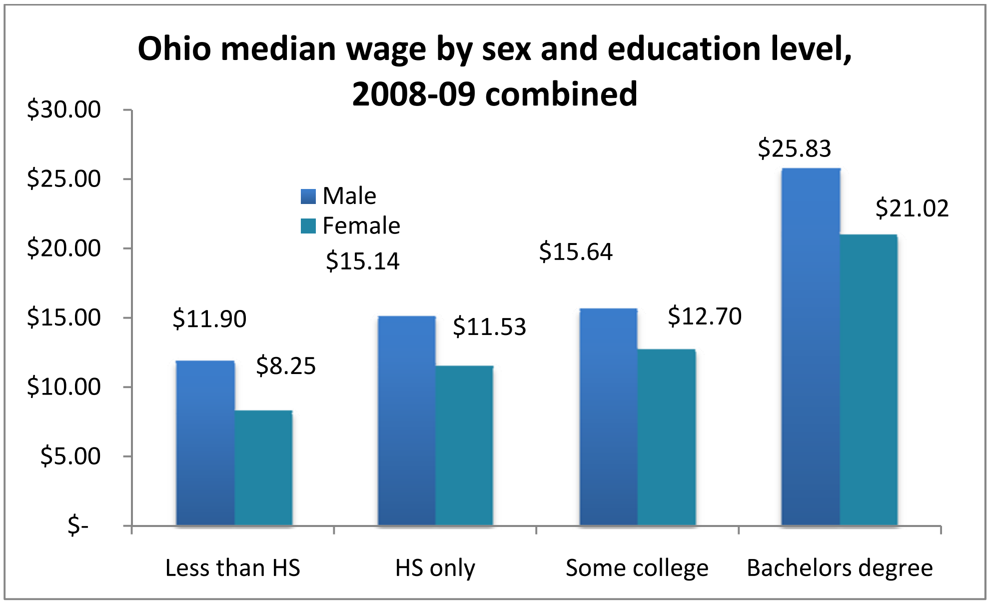
Figure 23



Source: EPI analysis of CPS data, years combined to increase sample size, insufficient data for black workers without a HS degree, 2009 dollars

Although there has been much attention in recent years to the ways that schools are failing boys, men still out-earn women, despite women's higher educational completion levels. When controlling for education, men earn substantially more than women at every 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 still earn less than men with just a high school diploma at the median in Ohio, as Figure 22 shows.

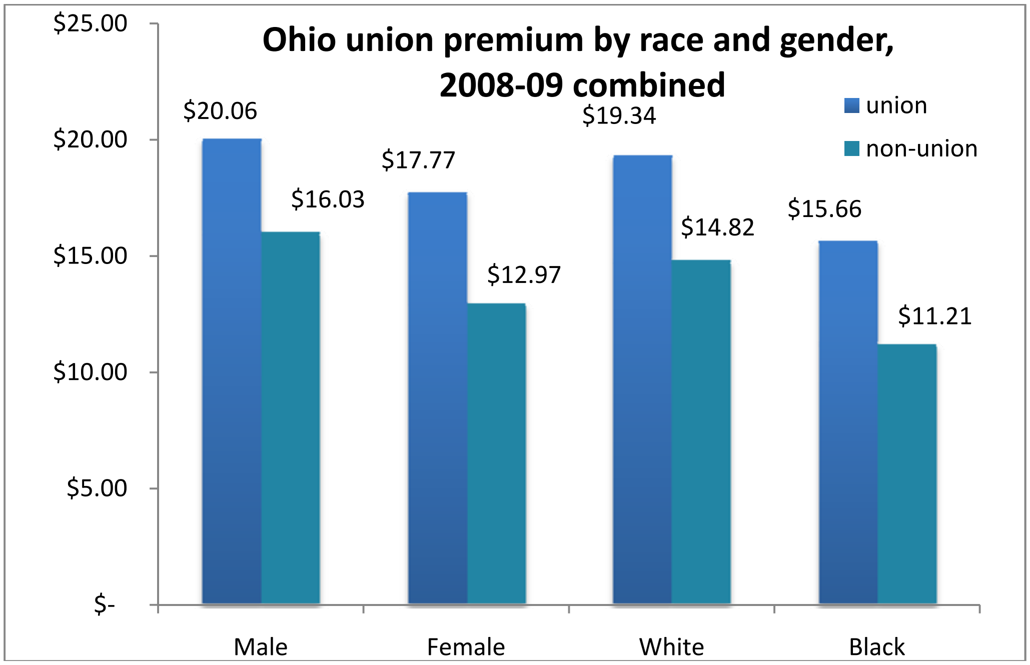
Figure 24



Source: EPI analysis of CPS data, years combined to increase sample size, uses 2009 dollars

In addition to seeking more education, another way that workers can increase their wages is by seeking a union job or by organizing their workplaces. Unions raise wages substantially for workers. Controlling for demographics, men, women, black workers and white workers can each expect to earn at least $4.00 more per hour than their non-union counterparts. Black workers who were in a union in 2008-09 (years combined to increase sample size) earned more than white workers who were not in a union, and women in a union earned more than men who were not unionized. While gender and race disparities were not erased by the presence of unions (when considering all occupations together), unions had a substantial equalizing effect, as the figure below shows.

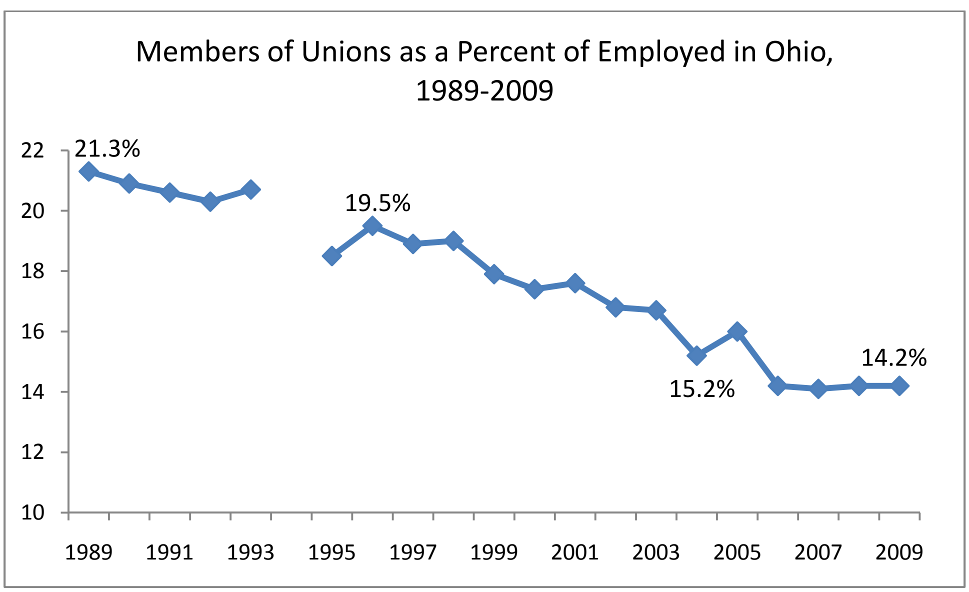
Figure 25



Source: EPI analysis of CPS data, years combined to increase sample size

Unions represent a declining share of the workforce, both nationally and in Ohio, although that share has held steady for the past four calendar years. At 14.2 percent of the Ohio workforce, unions still remain one of the largest collective voices of any kind in the state, although they are not as large as two decades ago. In the private sector in Ohio, unions now represent 8.9 percent of the workforce, although shares are much higher in construction and manufacturing.

Figure 26



Source: EPI analysis of CPS data, data not available for 1994

Conclusion and Recommendations

We've seen a series of deeply troubling economic indicators: Painstakingly high unemployment levels; long-term unemployment as high as any on record; extraordinarily high levels of inequality; median wage stagnation over the thirty-year period despite year-to-year fluctuations; diminishing returns to higher education; and enduring disparities in employment and wages.

Yet a cover piece in the *Week in Review* section of the August 29 *New York Times*, argued, "a sense has taken hold that government policy makers cannot deliver meaningful intervention." Nonsense. In fact, not everything has been tried at all. Twenty years of deferring to private sector demands led to deregulation, excessive inequality, high levels of borrowing, working families being unable to make ends meet, and an upside-down tax system in which the wealthiest families and corporations paid an ever-declining share. The result was a devastating recession that sucked at least $1.3 trillion out of our economy. Given that great dismantling, it will take bold action to restore the balance.

Many progressive economists warned that the Recovery Act needed to be much larger and less focused on tax cuts. With $1.3 trillion pulled out of the economy, a recovery package of about $300 billion[5] was destined not to do the whole job. Despite those concessions, the Recovery Act reduced unemployment by 1.5 percentage points, added more than 2.7 million jobs nationally, helped states and localities maintain services, and renovated houses, buildings, roads, bridges, and schools in every corner of Ohio. Without it, Ohio's already-intolerable 10.3 percent unemployment rate could be north of 12 percent, with more than 100,000 added to Ohio's 614,000 jobless. Further recovery and stimulus funding, combined with reasonable regulation, will get us back on track.

We do know what is needed and it's not rocket science. The following three steps could restore prosperity in the United States and Ohio, and could set us on a course to avoid future crises of this sort.

1. Provide substantial federal aid to state and local governments to ensure that public services can remain intact at this difficult time, and to avoid adding more to the unemployment lines and deepening the downturn. State and local governments rely on a variety of funding sources, all of which have been hurt by the recession. The public structures that we built and maintained throughout economic ups and downs are what enabled creation of our strong middle class in the United States. We've weakened those structures in the past generation, and it contributed to the crisis. If we allow this recession and its aftermath to further dismantle these structures, we will permanently erode the entry points to the middle class. Instead, we need to re-invest in our schools, safety nets and communities, so that individuals and families have a strong launching pad for a stable future.

2. Use additional federal resources to temporarily employ other unemployed workers doing work that would enrich our communities. Among the tasks needed in Ohio: insulating inefficient buildings, repairing our under-maintained infrastructure, razing vacant and abandoned properties, installing solar panels, updating our outdated electrical grid, and providing early child care and education, after-school enrichment, and exercise and recreation programs to kids. All of these activities would not only reduce unemployment and inject resources back into our economy, they would also make Ohio more efficient and prosperous for years to come by reducing what we need to spend on energy, educational remediation, health and welfare.

[5] http://www.cepr.net/index.php/op-eds-&-columns/op-eds-&-columns/the-budget-deficit-crisis-crisis/

3. Pay for both of the above. Here are a number of ways that could work:[6]

   a. A financial speculation tax would allow those on Wall Street to help pay for the economic freefall they created and a side benefit would be to make our economy less speculative. A very small fee of just .25 percent on each trade could raise $150 billion annually for investments in Ohio and elsewhere.

   b. It has never made sense that capital gains are taxed at a lower rate than worker earnings. Taxing income from trading the same way we tax income made through work would raise $96 billion a year.

   c. The wealthiest have benefited the most from our increasingly unequal economy, and they benefited most from our rescuing of the financial system. Letting the Bush tax cuts expire will generate $40 billion in additional revenue next year alone, most of it from people who have gained disproportionately over the past generation and who can most afford to pay.

   d. Closing corporate loopholes on foreign earnings could raise an estimated $50 billion a year and a five percent surtax on millionaire incomes could raise $53 billion a year. Re-establishing the estate tax would raise $28 billion a year.

These are difficult times, particularly for states. But 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.

[6] From *Making the Case for Federal Aid to the States*, by Demos (www.demos.org), paper at http://bit.ly/bxWAYW

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 Ford, Joyce, Gund, Cleveland, Public Welfare, Annie E. Casey, Sisters of Charity and W.K. Kellogg Foundations, the Economic Policy Institute, and Greater Cleveland Community Shares. To those who want a more fair and prosperous economy... Policy Matters.

Main Office: 3631 Perkins Avenue, Suite 4C-E • Cleveland, Ohio 44114

Columbus: 300 E. Broad Street, Suite 490 • Columbus, Ohio 43215

http://www.policymattersohio.org/