A REPORT ON OHIO WORKERS, FROM POLICY MATTERS OHIO

STATE OF WORKING OHIO 2004

…IN BRIEF

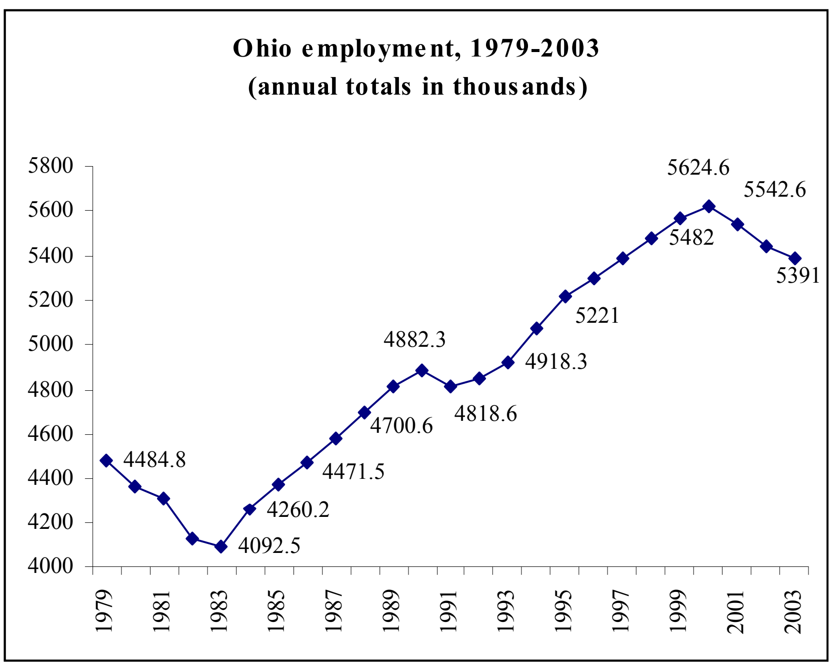
BY AMY HANAUER

Ohio's labor market faces serious challenges as we adjust to a changing economy. *The State of Working Ohio 2004* documents some of the trends facing Ohio workers. This brief version of the 2004 edition of *The State of Working Ohio* summarizes the data on Ohio's economy and its effects on employment and wages. To download the full 43-page *State of Working Ohio 2004*, go to *www.policymattersohio.org/sowo_04.htm.*

EMPLOYMENT

Ohio lost jobs during the national recession between March and November 2001, and continued to lose an alarming number of jobs during the recession's aftermath, especially in the high-paying manufacturing sector. The state lost 234,000 jobs between peak average annual employment in 2000 (5.625 million jobs) and average annual employment in 2003 (5.391 million jobs). This percentage job loss was worse than the national average, than losses in all states except for Massachusetts and Michigan, and than job losses seen after all previous recessions. Through September 2004, Ohio had still failed to post two consecutive months of job gain.

Figure 1.1



Source: U.S. Department of Labor, Bureau of Employment Statistics, Current Employment Statistics Survey

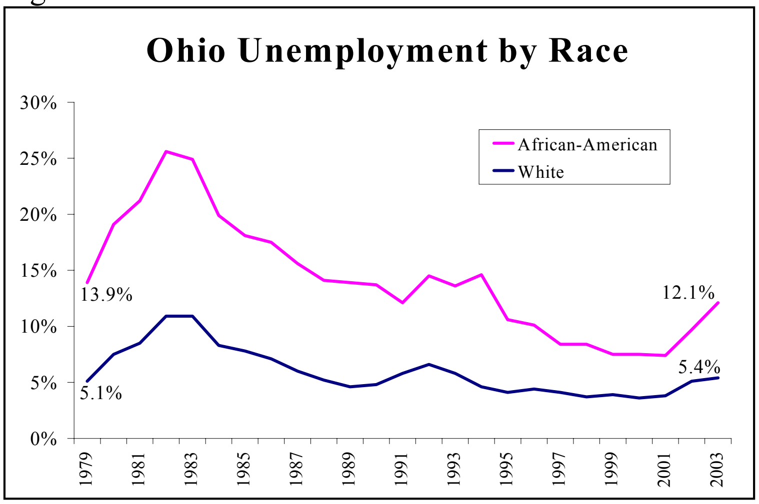
The manufacturing sector still employs nearly one in six Ohio workers but its share of the workforce has plummeted by 29 percent, from 21.7 percent of the state's jobs in 1990 to 15.4 percent by 2004. Education and health, professional and business services, and leisure and hospitality have recently gained as a share of the state's workforce. Manufacturing jobs have been lost nationwide in the last few years and the last few decades, but Ohio has failed to gain as much new employment in other sectors as some other states have.

UNEMPLOYMENT

Unemployment and underemployment have risen in Ohio, particularly for African Americans and workers with less education. The unemployment rate for Ohio workers was 6.1 percent in 2003, up from historic lows in the late 1990s, but not as high as levels seen after previous recessions. Underemployment describes those who are unemployed (looked for a job in previous month), 'part-time for economic reasons' (want to work full time but can only obtain part time work), 'discouraged' (looked for a job in previous year but not in previous month because they lack prospects), or 'conditionally interested' (want work but face a barrier such as child care or transportation). Ohio's 2003 underemployment rate was 10.4%, the highest since the statistic began being measured, and up from a low of 6.8% in 2000.

Of unemployed workers, 20.9 percent were idled for 26 weeks or more, the highest level in more than a decade. African-American unemployment in Ohio saw a startling 63% increase in two years, from 7.4% in 2001 to 12.1% in 2003, and was twice the level facing white workers (5.4 percent).

Figure 2.1



Source: Economic Policy Institute analysis of CPS data

WAGES

Ohio's median wage fell in 2003 and is now below the national level. In 2003, Ohio's year-end median wage was $13.14 an hour, lower than any of the previous four years and lower than the real wage of $13.44 in 1979, when Ohio workers were making over $1.00 per hour more than the average national wage. Current median wages are higher than real wage levels seen between 1980 and 1998. A full-time, year-round worker at this wage would earn $27,300. The median wage peaked at $13.51 in 2000.

Men continue to out-earn women in Ohio. The 2003 median hourly women's wage of $11.57 was 78.3 percent of the men's wage of $14.78. Hourly wage rates understate the difference between male and female earnings because men work more hours while women are more likely to work part-time or take time off for childbearing and parenting. The current wage gap shows an improvement from 1979, when women's earnings were just 60.5 percent of their male counterparts'. The narrowing gap is due in part to the 9.6 percent drop in men's inflation-adjusted median wage and in part to the 17 percent increase in women's wages.

Figure 3.1

Ohio Median Wages by Gender and Race, 2003			
	White worker wage	Black worker wage	Black wage as percent of white wage
All workers	$13.58	$11.18	82.3%
Men	$15.18	$11.52	75.9%
Women	$11.80	$11.04	93.6%
Median woman's wage as a percent of man's wage	77.7%	95.8%	

Source: EPI analysis of CPS data

Race and Wages

Although gaps between women and men have declined since the 1980s, disparities between black and white workers have grown. The median white worker made $13.58 an hour in 2003 while the median black worker earned $11.18 an hour, about 82.3 percent as much. For men, the disparity was greater, with black men earning $11.52 an hour, just 75.9 percent of what white men earned ($15.18). Black women earned $11.04 an hour, 93.6 percent of what white women earned.

Education

While Ohioans were more likely than others in the nation to have high school diplomas in 2002 (84.7 percent of Ohio adults compared to 82.7 percent of U.S. adults have a high school diploma), we lagged in college graduation rates (28.6 percent of Ohio adults versus 32.7 percent of U.S. adults have at least a community college degree), at a time when higher education is increasingly necessary to ensure family supporting wages. Taking race into account, white Ohio residents are over 50 percent more likely to have completed a degree beyond high school than black residents.

Education increases wages, regardless of race and gender. White high school graduates earned 29 percent more than dropouts while black graduates earned 23.8 percent more than dropouts. White and black college graduates earned 131.7 and 123.8 percent more respectively than those who hadn't finished high school.

Table 4.1

Learning and earning: Ohio wages by education and gender, 2003					
	No H.S. Diploma	High School only	Some College	College Graduate	Percent boost H.S. dropout vs. college or more
Male	$ 9.88	$ 13.23	$ 14.13	$ 22.89	
Boost from previous educational category		33.9%	6.8%	62.0%	131.7%
Female	$ 8.23	$ 10.03	$ 11.75	$ 19.11	
Boost from previous educational category		21.9%	17.2%	62.6%	132.2%

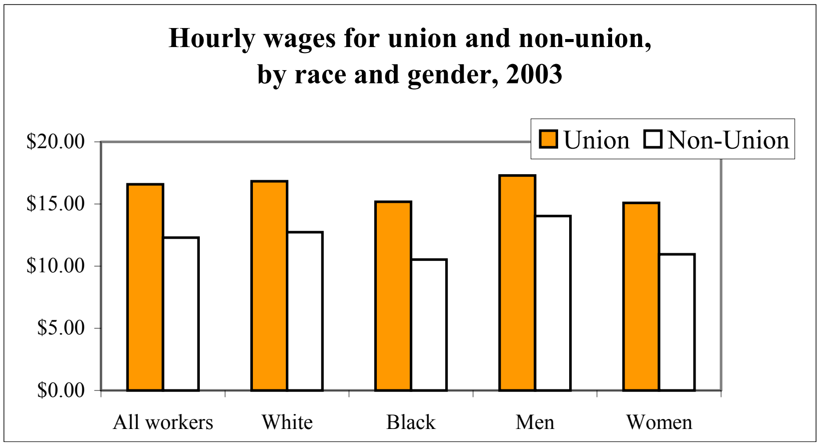
Source: Center on Wisconsin Strategy (COWS) analysis of CPS data

Both men and women benefit from increased education – college graduates of both genders earned 132 percent more than high school dropouts. However, even controlling for education, disparities between men and women's hourly earnings persist, as do disparities between black and white worker earnings. Women with a high school diploma ($10.03) earned only slightly more per hour than male high school dropouts ($9.88). Women with some college earned $11.75, $2.38 less per hour than men with the same education, and less even than men with just a high school degree. Women college graduates earned $19.11, $3.78 less than men at the same education level.

UNIONIZATION

Workers in unions have higher wages with fewer gender and race disparities. Non-unionized workers made less than three-fourths of what unionized workers earned hourly in 2003. For African Americans and women, benefits of unionization were even greater. Black workers not in a union earned 69.4 percent of what unionized black workers earned hourly. Non-unionized women earned 72.6 percent of what unionized women earned. While being in a union helps equalize wages, union membership has plunged in Ohio and the nation over the past twenty years. In 2003, just one in six of Ohio's workers were unionized (16.7 percent), down from one in four (25.1 percent) in 1983. Ohio's unionization rates were still well above the national average of one in five in 1983 and one in eight (12.9 percent) in 2003.

Figure 4.1



Source: COWS analysis of CPS data

INCOME, INEQUALITY, POVERTY AND BENEFITS

Ohio's median household and family income rose in the 1990s and has declined since the year 2000. In 2003, more than one in ten Ohioans (10.9 percent) and about one in six Ohio children (16.5 percent) were below an official poverty line that many consider too low for subsistence. In 2004, the poverty line for a family of three is $15,260 and for a family of four is $18,850.

Rates of health insurance coverage and employer-provided retirement have declined. Nearly one in eight Ohio residents (12.1 percent) was without health insurance at some point in 2003, the highest level since this percentage was first tracked in 1987. The percentage of employees receiving retirement benefits from their workplace slid in Ohio between the three years around 1980 and the three years around 1990. Since then, retirement benefits have stabilized, with 53.1 percent of Ohio workers receiving such coverage, down from 58.7 percent around 1980.

Ohio wages grew more unequal between 1979 and 2003, with workers in the bottom 60 percent seeing stagnant or eroding wages. Workers at the tenth percentile earned $6.99 an hour in 1979 and $6.91 an hour in 2003. Earnings growth remained essentially non-existent through the 60th percentile worker, who earned $15.20 per hour in 1979 and $15.37 per hour in 2003. In contrast, the 90th percentile wage grew from $23.59 an hour in 1979 to $28.05 an hour in 2003. Wages at the 90th percentile are over four times greater than wages at the 10th percentile, up from 3.4 times greater in 1979. Wages at the 90th percentile are now more than twice those at the median.

There is even greater inequity among the top ten percent (only national data available). In 2003, the top five percent of households earned an average of $253,239, more than $100,000 more per year on average than the top 20 percent (which includes the top five percent). Disparities have spiked in the past thirty years. The top five percent of households earned more than 25 times as much as the bottom 20 percent in 2003 on average, up from 15.7 times as much in 1973.

*Policy Matters Ohio is a non-profit, non-partisan policy research institute, on the web at www.policymattersohio.org. The 43-page **State of Working Ohio 2004**, from which this brief was derived, is available at that site, as are more than 50 other reports on issues facing working families.*

The appendix of the full report describes data sources and methodology. A few brief notes: Most studies examine averages. We focus primarily on the median or midpoint of a sample, which is more meaningful because the average can be distorted dramatically upward by a few high earners. Along with medians, we sometimes divide the workforce into ten or 100 equal parts, called deciles or percentiles. A worker at the tenth percentile earns more than ten percent of all workers. This is a good way to examine equity and inequity. There are many ways to look at earnings. We focus on hourly wages, because annual income can include substantial non-wage earnings, and is thus a measure of things other than job quality. Also, income fluctuates with hours worked – if a second parent gets a job, family income may double even if nobody got a raise. While wage income is important, looking at it alone can understate inequality. Wealthier families have more non-wage income from investments, and investment income is more unequally distributed than wage income.

Real dollars are adjusted for inflation. We adjust all dollar values in this brief to 2003 dollars, which makes it much easier to make accurate comparisons between years and describes what real change has been. We use the CPI-U-RS series to do this adjustment, as described in the appendix.

We use the Current Population Survey of the U.S. Census for data on wages, unemployment, and poverty. This is the best and most recent source available for these measures. We use the Current Employment Statistics (CES) survey, sometimes called the establishment survey, to determine levels of payroll employment. The CPS asks about employment, but surveys a fraction of the workers covered by the CES, and is less reliable for that statistic. For more on differences between them, see the Appendix.

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CONCLUSION AND RECOMMENDATIONS

Ohio's labor market has changed dramatically over the past few decades and is struggling to find its footing in the aftermath of the 2001 recession. We believe that work should be valued, equality is worth striving for, race should not determine economic status, our strong manufacturing tradition should evolve and survive, and Ohio's citizens should gain the skills and education that will help them prosper in a changed economy. *The State of Working Ohio 2004* exposes that we are not living up to all of those goals and values.

If we are to have an economy that works for all Ohioans, substantial changes are needed. We could list dozens of changes – and in past years we've made different suggestions. On the next page, we provide ten recommendations that would improve the health of our economy. Others might disagree with this prescription. We welcome a vigorous debate about what could best benefit workers. But continuing on our current course is not an option. The following ten points outline the approach we favor.

Recommendations

1. Provide Public Goods: Firms can profit on a high road of high wages, productivity, skills and quality, or a low road that competes by trying to lower labor costs, cheapen working conditions and avoid environmental standards. Government can make the high road more accessible by maintaining adequate taxes to support strong infrastructure.

2. Excel in Education: Education increases wages, and in an economy that will keep changing, educated workers are more flexible. We under-invest in higher education, and our K-12 funding system has repeatedly been found unconstitutional because resources are allocated so unequally. A profound shift is needed. College must be made more affordable if we are to meet the demands of the new economy.

3. Raise the Floor: We can close off the low road. How? Make it harder for firms to compete by paying the lowest possible wages, not providing benefits, and pushing off some of their costs on to the public sector. A first step is increasing the state minimum wage, as thirteen other states and the District of Columbia have done.

4. Target Development: We should be smart with limited economic development dollars, reserving subsidies for high-road companies that pay higher wages than others in their sector; provide employer-paid health and retirement plans; have unions or vow not to fight unionization; maintain strong environmental standards; and train, retain and promote staff.

5. Maintain Manufacturing: Manufacturing is Ohio's historic strength and still employs one in six workers here. Maintaining manufacturing is crucial to our region's vitality.

6. Trade Fairly: Changes in trade policy are responsible for a big chunk of the manufacturing job loss we're experiencing. We must fix existing trade agreements and write new ones in ways that increase worker prosperity here and with our trading partners.

7. Support Other Sectors: In other sectors, particularly the growing service sectors, we should encourage higher skills, higher productivity and higher wages.

8. A Healthy Economy: The current health system is bad for our health and our economy. Federal and state government should be pushed to adopt universal health care systems that lower the cost of hiring new workers and guarantee citizens access to basic health care.

9. Tax Fairly: Wages at the top of the earnings spectrum have increased in recent years, while those at the bottom have stagnated or declined. Yet lower-income households pay a larger share of their income toward state and local taxes. We need a fair federal tax policy, and must ensure that Ohio families claim all the tax credits for which they're eligible.

10. Stop Sprawl: Suburban sprawl depletes resources from the central city and requires more overall resources, as infrastructure needs to be put in places that don't currently have it. Supporting infrastructure in cities is more efficient and helps urban workers thrive.

These ideas point to one approach to greater prosperity for all Ohio families. Others may have different ideas, but no solution can be found without a lively debate. Start the discussion by inviting us to present this data to your organization or group. Contact Policy Matters at 216-931-9922.

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