A Report from

Policy Matters Ohio

The State of Working Ohio, 2005

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Policy Matters Ohio, the publisher of this study, is a nonprofit, nonpartisan statewide research institute dedicated to bridging the gap between research and policy in Ohio. Policy Matters seeks to broaden the debate about economic policy in Ohio, by providing quantitative and qualitative analysis of important issues facing working people in the state. Other areas of inquiry for Policy Matters have included unemployment compensation, workforce policy, wages, education, housing, energy, tax and budget policy, and economic development.

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Executive Summary

The *State of Working Ohio 2005* uses the most accurate and most recent data available to document trends facing Ohio workers. Our findings, in brief, include the following:

I. Ohio and the U.S.: More productive, more educated, working more

♦ Inflation-adjusted value of output per U.S. worker has soared by 78 percent since 1973, while average compensation has grown by only 40 percent. Ohio productivity growth is harder to measure but has also vastly exceeded compensation growth.

♦ Although our higher education levels lag the nation's, Ohio higher education levels still leapt more than 65 percent in the past 25 years. In Ohio in 1979, just 14.7 percent of adults, 7.3 percent of black adults and 11.2 percent of women had completed four years of college. By 2004, 24.6 percent of adults, 16.4 percent of black adults, and 22.7 percent of women had a four-year degree.

♦ Ohio's labor force participation fell slightly in the recession, but over the past twenty-five years it has grown, from 63.9 percent in 1979 to the current 66.6 percent rate which slightly exceeds the national rate (66.0 percent). Of Ohio women, 60.4 percent are in the labor force, a 21 percent burst in female labor force participation over the 25-year period.

♦ Between 1979 and 2002, the most recent year available, American workers increased their annual work hours from 1,703 to 1,851, an 8.7 percent jump. Two-parent families with children boosted work hours dramatically between 1979 and 2000, just before the recession started. The increase included husbands (2.9 percent at the median), wives (54.5 percent at the median), and families as a whole (18.4 percent at the median).

♦ Over just fifteen years, union membership declined from 21 percent of the Ohio labor force and 16.4 percent of the American workforce in 1989 to just 15.2 percent of the Ohio labor force and 12.5 percent of U.S. workers in 2004.

II. What Recovery? Anemic Job Growth Pummels Ohio

♦ The state lost a total of 218,000 jobs between calendar years 2000 and 2004.

♦ As of July 2005, the number of jobs in Ohio remained 156,900 jobs or 2.8 percent below where it was when the recession began in March 2001. This put Ohio among the worst four states in terms of job growth, and well behind the nation.

♦ By historic standards, this recovery has been particularly anemic. At this point (52 months) after the early 1990s recession started, 237,800 jobs had been created in Ohio, an increase of 4.9 percent in contrast to the current 2.8 percent loss.

♦ Between 2000 and 2004, Ohio lost 19.2 percent of its manufacturing jobs. For much of 2005, Ohio's manufacturing employment levels were at their lowest point in decades.

♦ Ohio and Michigan are distinguished from the nation and from other neighboring states in that they experienced net job losses between 2000 and 2004 in all non-manufacturing industries combined. Most states gained in these other sectors.

III. Falling Behind: Compensation in Ohio

♦ The typical Ohio wage has been sinking since 2000 – inflation-adjusted wages fell in each of the last four years. Our 2004 median hourly wage was $13.37, lower than at any point since 1998 and lower than in 1979, but higher than in the 1980s and early 1990s.

♦ Women's wages declined for the second straight year in 2004 and are now lower than in any year since 1999. Women's wages have grown over the past few decades while men's wages have fallen over that entire period. However, men ($15.12) continue to earn significantly (30 percent) more than women ($11.66) at the median in Ohio.

♦ Black Ohio workers have always earned significantly less than white workers, but the chasm has widened. While white workers now earn approximately the same real hourly wage that they earned in 1979, black workers remain about a dollar below their 1979 level. The median white Ohio wage is 19 percent more than the median black wage, nearly double the ten percent gap in 1979.

♦ Ohio employers are more likely than national employers to provide health insurance, but rates of insurance provision have dropped over the past 20 years. Ohio rates fell from just over 75 percent in the early 1980s, to just 60 percent in the most recent period. Uncovered employees may buy insurance or get it through a spouse or the government, but the percent of people without any health insurance has risen since the late 1980s, in Ohio and nationally. While 11.4 percent of Ohio residents lack insurance, 15.7 percent of U.S. residents do, according to new 2004 numbers released by the CPS on August 30.

♦ Just half of Ohio workers (51.4 percent) have access to any type of employer-provided retirement plan, compared to just 46.2 percent of U.S. workers, down from 58.7 percent (Ohio) and 49.8 percent (U.S.) in 1979. Pensions, 401Ks and other plans are combined in this data, so changes in quality are not reflected in the statistics.

♦ Median household income, which has risen over the long term, has recently slumped in Ohio and nationally. In Ohio, 2004 median income was below both the peak level in 2000 and the level of any year since 1997.

♦ Median four-person family income in Ohio rose from $50,667 in 1974 to $67,842 in 2003 (most recent available, 2004 dollars). However, this income level has remained stagnant for the past three years and remains below the 1998 level.

IV. Out of Work: Unemployment and Underemployment in Ohio

♦ The Ohio unemployment rate exceeded six percent in 2003 for the first time since 1993 and remained that high until the monthly rate for July 2005 (subject to future correction) dipped a bit below six percent. In 2004, the annual unemployment rate was 6.3 percent.

♦ Other measures of employment hardship are at elevated points. The share of the unemployed who have been jobless for over six months climbed again in 2004 to 21.4 percent, from a previous 20-year high.

♦ The percentage of part-time workers who were part-time for economic reasons peaked in 2003 at 13.9 percent, the highest level since the CPS began tracking it in 1994. In 2004, this measure dipped a bit, while remaining above any previous year except 2003.

♦ Unemployment insurance exhaustion rates finally fell slightly between 2003 and 2004, but they remain above the level seen in any year since 1992, with more than a third of workers still failing to find employment before running out of benefits

♦ In each of the past four years, fewer Ohio jobless have qualified for unemployment benefits. By 2004, less than one in three (30.7 percent) of those without work were still getting benefits, compared to 36.2 percent of U.S. workers.

♦ Race disparities persist with 13.2 percent of black Ohioans being unemployed, compared to 5.4 percent of white Ohioans. The black unemployment rate is now higher than the total unemployment rate was during the deep early 80s recession.

V. Inequality Grows, Poverty Persists

♦ More than 60 percent of Ohio workers earn less per hour than those at a similar point on the earnings spectrum earned in 1979. The 80th and 90th percentiles (the top 20 percent) are the only categories to have seen solid wage growth over this period.

♦ Inequality grew in Ohio and nationally, but at a faster pace and from a higher starting point nationally. The 90th percentile Ohio worker earned 3.38 times more hourly than the 10th percentile Ohio worker in 1979, but 4.18 times more by 2004, compared to 4.41 times as much nationally. While inequality skyrocketed over the long term, it also grew recently, including between 2003 and 2004.

♦ Workers at every income level have increased their wages more in the U.S. as a whole than in Ohio over the past 24 years.

♦ One in four Ohio workers earns less than $9.28 an hour, insufficient to bring a family of four above the official 2004 poverty level of $19,311 with full-time, year-round work. The rate has climbed from its recent low of 21.9 percent in 2002.

♦ The percent of Ohioans living under the official poverty line rose from 9.8 percent to 11.6 percent between 1980 and 2004. Children were more likely to be poor than adults and that indicator rose to 17.1 percent in Ohio in 2004. A four-person family was under the official poverty line in 2004 if income was less than $19,157.

♦ Twice the poverty level is a more meaningful measure of need than the exceedingly low poverty line, and 28.5 percent of all Ohioans and 36.4 percent of Ohio children were under this threshold in 2004 ($38,314 for a family of four).

In short, despite becoming more educated and more productive, and working much more than a generation ago, Ohio workers are facing job loss, median wage decline, income and benefit erosion, rising inequality and enduring poverty. The *State of Working Ohio 2005* documents these trends and makes recommendations for a stronger Ohio.

Introduction

In comparison to a generation ago, adults in Ohio are vastly more productive. Our educational levels, which have not risen quickly enough, still dwarf the educational levels of our parents and grandparents. And families are working many more hours, with more families having two working parents, and the average worker putting in more hours per year.

Despite all that, inflation-adjusted wages have been dropping for four years straight and remain below their 1979 levels, benefit provision has eroded in both the short and long term, median household income fell in 2003 and 2004, and employment levels remain a staggering 156,900 jobs below where they were when the recession began. The manufacturing share of employment has shrunk, probably permanently. Disturbing disparities endure and we've fallen behind on indicators where we used to out-perform the nation. In comparison with either history or with other states, Ohio's economy has faltered. These facts, once disputed by Ohio's establishment, have recently been used to justify policies that are sure to worsen the problems.

Ohio policy has been marked by tax cuts for the wealthiest citizens, widespread distribution of tax abatements with little accountability, policies that bloat the size of our prison population, indifference to sprawl, acceptance of profligate energy use, and insufficient resources to education. Federal policy has had many of the same elements, along with trade agreements that lack standards, a skyrocketing trade deficit and dramatically increased military expenditures. The result of this failed strategy is clear for Ohio. We've lost jobs, our wages have stagnated and shrunk, our young people struggle to get the education they need, money is wasted on foreign oil, and our infrastructure is weakened. Yet many new proposals sound like a tiresome echo of past disappointments

There are two ways to run an economy – a low road and a high road. On the low road, we don't invest in people, distinguish between good and bad jobs, or think long term. Workers are not trained as well as they can be, jobs are low-wage, companies are reluctant to contribute their share to the economy, poverty and crime are high, the environment is poorly maintained, and creative solutions are out of our budget. Ohio's approach exemplifies a low road.

There is a better way to run an economy. Create an excellent educational system that ensures that the workforce emerges well prepared and flexible. Use the tax system to reduce the impact of skyrocketing income and wealth inequality. Maintain a strong public sector that can provide the highly skilled workers, low crime rates and vibrant communities that thrive in a more competitive economy. Promote fair trade and enforce environmental and human rights standards with our trading partners. Invest in education, training, infrastructure improvements, energy efficiency, and children's development, all of which more than pay for themselves in a short amount of time and generate huge windfalls over the long term.

Ohio has strengths. While the state has under-invested in education when compared with other states,[1] we graduate more of our population from high school than the national average, and we have excellent public and private universities and colleges. Our library system is unparalleled. We have high levels of workforce participation and inequality is not as staggering here as elsewhere (in part because the wealthiest Ohioans earn less than the wealthiest Americans).

We have a thriving health care sector. And we still have some of the best manufacturing infrastructure and workforce in the world, infrastructure that is poised to capture jobs and investment if the country embraces the challenge of becoming more energy independent.

Ohio citizens are more productive, more educated and working more than those of previous generations. With a little vision, Ohio could be among the country's leaders in education levels and job growth, instead of in foreclosures and bankruptcies. But it will take a new kind of policymaking. Recognizing the problems is the first step to embracing the right solutions. This report is designed to help us better understand our diverse, promising state.

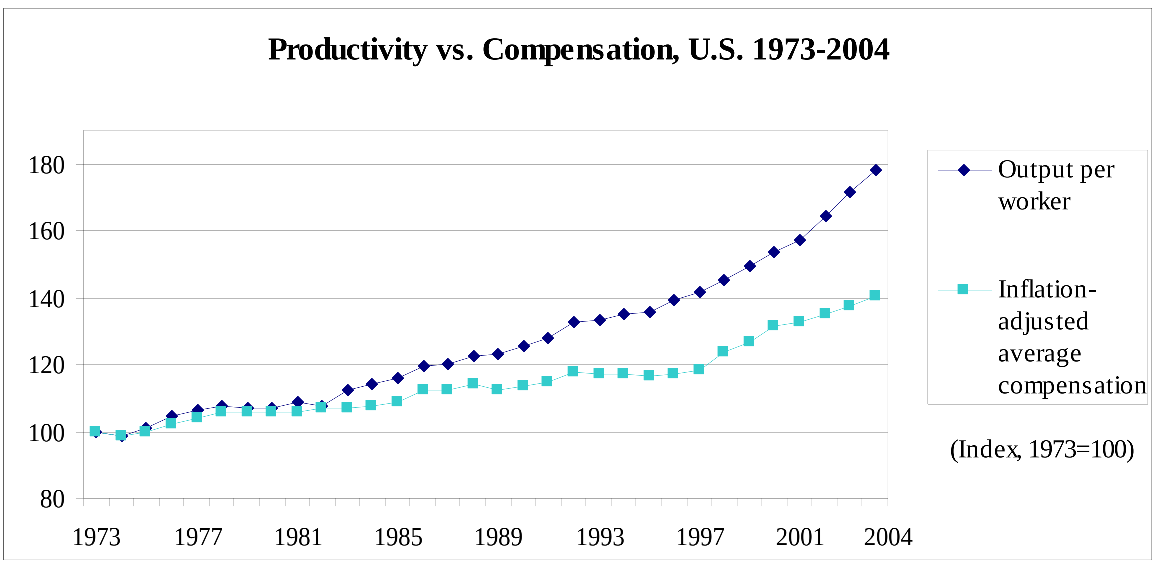
[1] See, for example, *College Bound: Taxes and Tuition in Ohio*, by Wendy Patton, Policy Matters Ohio, August 2005 or the many resources written by Lori McClung and her colleagues on the early care and education page at www.communitysolutions.com.

I. In Ohio and the U.S.: Working harder, working smarter, working more

Productivity skyrockets in past generation

American employees are vastly more productive than they were a generation ago, and productivity has been rising sharply during the past few years. During the 1970s and in previous decades, average worker compensation rose in conjunction with average worker productivity. Figure 1.1 below shows the growth in productivity and inflation-adjusted average compensation between 1973 and 2004, with all years indexed so that 1973 equals 100. As the figure shows, productivity has grown by a staggering 78 percent since 1973.[2] In contrast, inflation-adjusted average compensation has grown by only 40 percent, a dramatic departure from previous decades when productivity increases were returned to workers through wage increases. It is worth noting that average compensation includes benefits, and is substantially higher than the median compensation experienced by the typical worker. While productivity increases have consistently outpaced wage increases in the past two decades, the widening of that gap in the past four years in particular is startling. Productivity gains are being absorbed in profit increases, with working people seeing fewer of the benefits. This pattern of slow-growing wages nationally and falling wages in Ohio during a period of relatively strong growth bodes poorly for future improvements in living standards.

Figure 1.1



Source: Policy Matters analysis of Bureau of Labor Statistics data

[2] This figure begins in 1973, an earlier point than most other figures in this report, both because we had data readily available from that earlier period, and because we wanted to convey that compensation and productivity rose at the same pace in the 1970s, in contrast to more recent years.

Productivity in Ohio

Productivity in Ohio is harder to measure because we cannot measure output per hour as we do at the federal level. One way to attempt to measure it is to look at the ratio of non-farm gross state product to overall employment, as the Federal Reserve Bank of Cleveland recently did.[3] That research found that between 1977 and 2000, Ohio lagged the nation in productivity growth, with .8% growth per year compared to 1.1 percent average annual growth among all states combined. However, between 2000 and 2004, Ohio was among the top fifteen states, with annual productivity growth of 3.7 percent compared to a 2.3 percent average. The growth occurred in large part because employment shrunk so dramatically in the state. In any case, whether during the 23-year period that Ohio productivity growth lagged the nation or during the recent four-year period when productivity growth exceeded the nation, productivity growth has dramatically outpaced wage growth.

Ohio education levels climb, but not high enough

Education levels have climbed in comparison to previous generations in both Ohio and the United States. Nonetheless, too many Americans and Ohioans lack the high school and college degrees that are essential in today's labor market. The vast majority (86 percent) of Ohio adults have finished high school and more than a fourth have completed a college degree of some kind. Ohio adults were slightly more likely than adults in the country as a whole to have graduated from high school in 2003 – while 16.4% of U.S. residents lacked a diploma, just 14% of Ohioans hadn't finished high school, as Table 1.1 shows. However, Ohioans are less likely to have attended or completed education beyond high school – 53.8% of U.S. adults have more than a year of education beyond high school, while only 48.7% of Ohio adults have that much education. We should note that the college degree category combines several levels – of the 29.7 percent in that group, 6.7 percent had just an associate's degree, 14.8 percent had just a 4-year college degree, and 8.1 percent had both a 4-year degree and a graduate degree of some kind.

Table 1.1

Educational attainment, U.S. and Ohio residents age 25 and over, By race and sex (2003)

	All US residents	All Ohio residents	Ohio men	Ohio women	White Ohioans	Black Ohioans
Less than high school	16.4%	14.0%	14.2%	13.8%	13.3%	19.6%
High school diploma only	29.8%	37.3%	36.6%	38.0%	38.0%	35.7%
Some college	20.3%	19.0%	19.0%	19.0%	18.5%	23.6%
Associate, BA or more	33.5%	29.7%	30.2%	29.2%	30.1%	21.1%

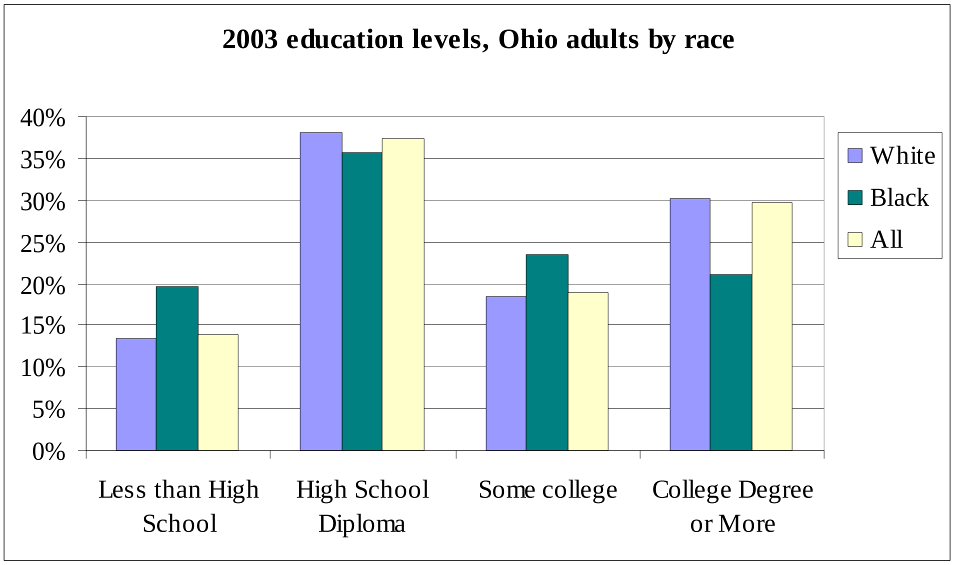
Source: ACS 2003 Detailed Tables

In addition to lagging the U.S. in college attendance and college degree attainment, disparities persist between black and white Ohioans, with one in five black adults in Ohio lacking a high school degree compared to 13.3 percent of white adults, and only 21

[3] Bauer, Paul and Yoonsoo Lee, *Labor Productivity Growth across States*, Federal Reserve Bank of Cleveland Economic Commentary, June 2005.

percent of black adults having a college degree, compared to 30 percent of white adults. There is almost no difference in educational attainment between women and men in Ohio. Figure 1.2 shows the disparities and also makes clear that more than half of Ohioans lack education beyond high school and less than a third have actually obtained a college degree.

Figure 1.2

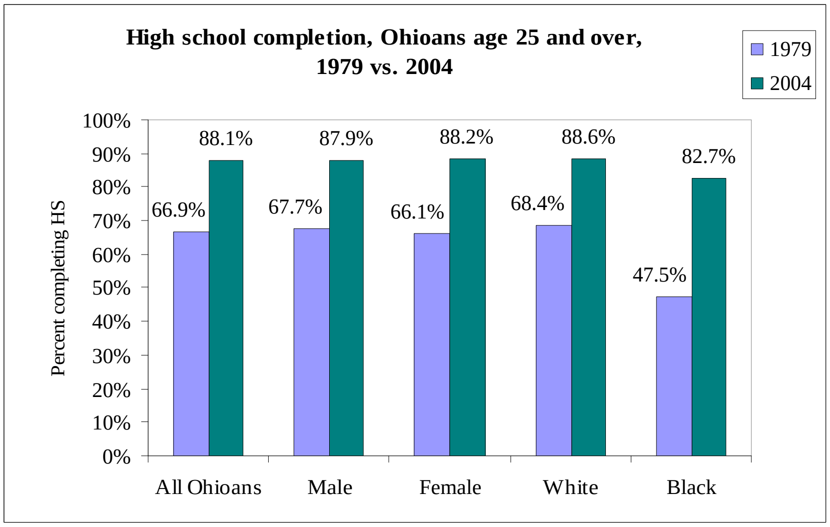


Source: Economic Policy Institute (EPI) analysis of Current Population Survey (CPS) data

Our higher educational attainment lags that of the nation and troubling disparities remain. Yet, Ohioans have dramatically increased their education levels over the past generation. As of 1979 just 66.9 percent of Ohioans age 25 and above had a high school degree – nearly a third of adults in the state had no high school degree.[4] Racial disparities in education persist and rightly garner much attention, but progress should not be ignored. In 1979, just 47.5 percent of black adults had completed high school. We still have much to do, but the state, like the country, has made dramatic progress in a short time toward improving our educational levels as Figure 1.3 shows.

[4] Census Educational Attainment Table 8, Years of school completed, 15 largest states, March 1979, at: http://www.census.gov/population/socdemo/education/p20-356/tab-08.pdf, accessed July 2005.

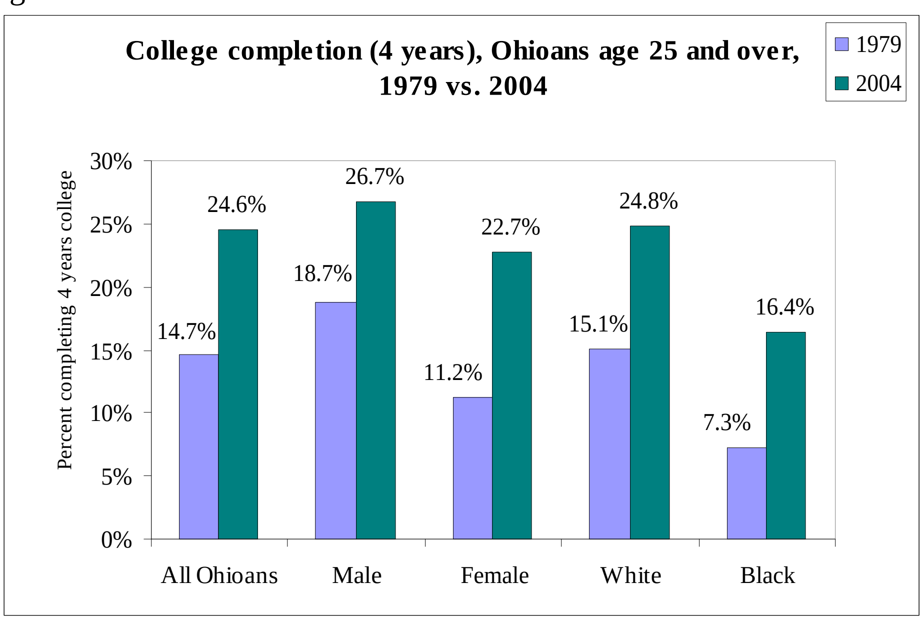
Figure 1.3



Source: U.S. Census educational attainment tables from CPS

As of 1979, just 14.6 percent of those 25 and over had completed four years of college. Racial disparities, still deeply concerning, were even more profound at that time, when just 7.3 percent of African American adults in the state had a four-year college degree, and just 11.2 percent of the state's women had that distinction. Rates of college completion have grown dramatically for all categories. Note that the college category in Figure 1.4 below includes only four-year college degrees – unlike in Figure 1.2 above where the higher education category includes associate's degree holders.

Figure 1.4



Source: U.S. Census educational attainment tables from CPS

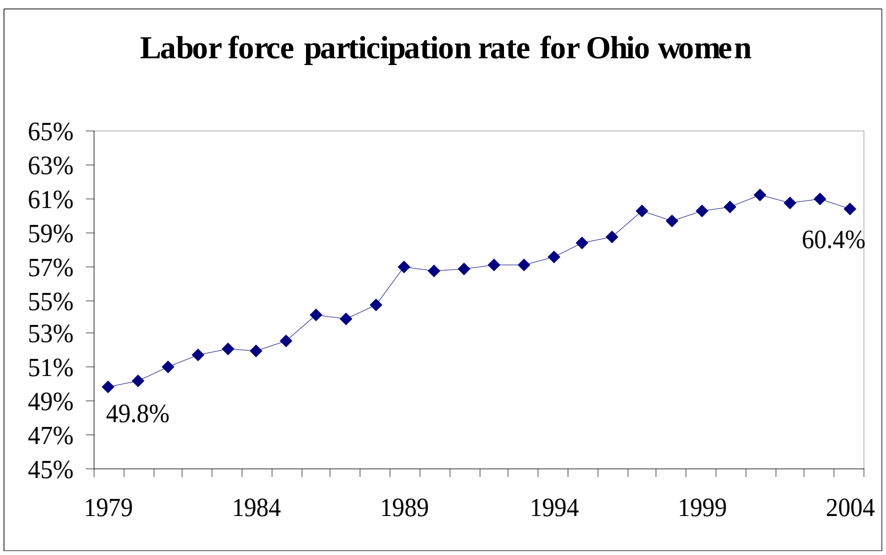
In sum, it is important to capture the complexities when discussing educational attainment. In Ohio and the U.S., we've done much in just a generation, as individuals and through policy choices, to increase educational attainment. At the same time, the labor market has become impenetrable for those without a high school degree, and has drastically reduced options for those without some degree beyond high school. Other states have done more to encourage students to go on to college.[5] As a result, Ohio's higher educational levels lag behind those of the nation.

Working More

Ohio's labor force participation rate has grown, from 63.9 percent in 1979 to the current 66.6 percent rate. In the weak labor market of the past few years, some workers have dropped out of the labor force, but the long-term trend is clearly upward. Our current labor force participation exceeds that of the nation (66.0 percent) to a very slight degree.

Unsurprisingly, women's labor force participation grew more steeply until the start of the recession, both nationally and in Ohio. Women are very slightly more likely to work in Ohio than in the nation as a whole. As Figure 1.5 shows, 60.4 percent of Ohio women are in the labor force (compared to 59.2 percent nationally). This represents a 21 percent growth in female labor force participation over the 25-year period, despite the slight drop during the last few years of the weak economy.

Figure 1.5



Source: EPI analysis of CPS data

As mentioned, Ohio's rates of labor force participation very slightly exceed those of the nation. There are several related variables for which we can only gather national data. One of these measures hours that each employed person is working. Employed people

[5] Ohio ranks 49th in affordability of college, 46th in state operating appropriations per student for higher education, 37th in level of increase in higher education spending between 2000 and 2005, and 40th in percent of people over age 25 with a four-year bachelor's degree, according to College Bound, available at www.policymattersohio.org.

have increased the number of hours they work each year. Between 1979 and 2002, the most recent year available, American workers increased the number of hours that they worked annually from 1,703 to 1,851, an 8.7 percent increase. This has coincided with the 21 percent increase in female labor force participation over the same period. As with other variables of employment, annual hours per worker peaked prior to the recent recession and has fallen slightly since, although our most recent data is from 2002.

Table 1.2

Hours worked per U.S. worker	
Year	Annual hours worked
1979	1,703
1989	1,783
1995	1,827
2000	1,876
2002	1,851
Percent increase	8.7%

Source: EPI, State of Working America, 2004-05

The table above describes the increase in hours worked for each working person. Another way of measuring hour increases is to look at changes in families with more than one adult. The table on the next page divides families into five equal parts or quintiles, to understand how families at different income levels have changed their work hours. The median family is the one that earns exactly in the middle – fifty percent of families earn more and fifty percent earn less.

Two-parent families with children increased their annual work hours dramatically between 1979 and 2000, just before the recession started. The increase affected husbands (2.9 percent at the median), wives (54.5 percent at the median), and families as a whole (18.4 percent at the median).[6] Other income groups showed similar large increases in work hours over this period. Husbands, wives, and the two categories combined increased their work hours for every income quintile between 1979 and 2000, but all of those groups saw a slight drop in work hours between 2000 and 2002 as demand for labor weakened nationally. Still, both parents in a household are more likely to be working than a generation ago, and each working person is contributing more hours and weeks of work. This substantially increased work effort has not always paid off in substantially higher standards of living.

[6] We've also previously reported an 18 percent increase in work hours of single-parent families between 1979 and 2000 for which we do not currently have updated data (See State of Working Ohio 2002 available at www.policymattersohio.org).

Table 1.3

Annual hours worked by U.S. husbands and wives, age 25-54, Families with children only, by income group, 1979-2002						
Quintile of income	1979	1989	2000	2002	Percent increase 1979-2000	Percent decrease 2000-2002
Husbands						
Bottom fifth	1722	1722	1827	1732	6.1%	-5.2%
Second fifth	2069	2137	2117	2070	2.3%	-2.2%
Middle fifth	2150	2198	2212	2181	2.9%	-1.4%
Fourth fifth	2194	2257	2291	2241	4.4%	-2.2%
Top fifth	2314	2387	2379	2332	2.8%	-2.0%
Wives						
Bottom fifth	523	712	842	758	61.1%	-9.9%
Second fifth	741	1042	1256	1206	69.5%	-3.9%
Middle fifth	919	1236	1420	1385	54.5%	-2.5%
Fourth fifth	1109	1363	1475	1439	33.1%	-2.5%
Top fifth	1071	1310	1401	1385	30.8%	-1.1%
Combined						
Bottom fifth	2245	2434	2669	2490	18.9%	-6.7%
Second fifth	2810	3179	3372	3276	20.0%	-2.9%
Middle fifth	3069	3434	3632	3566	18.4%	-1.8%
Fourth fifth	3303	3620	3766	3680	14.0%	-2.3%
Top fifth	3384	3697	3780	3717	11.7%	-1.7%

Source: EPI, State of Working America, 2004-05

Workers who are employed or seeking employment are considered to be participating in the labor force, while those who are in prison or another institution, have stopped actively looking for work (sometimes called discouraged workers), full-time students, retirees, at-home parents, and others who are neither employed nor seeking employment outside the home are not considered part of the labor force. About two-thirds of Ohio adults participate in the paid labor force and 62.5 percent of adults are employed in Ohio.

Labor force participation and employment are substantially higher for men than for women – 73.5 percent of men are in the labor force and 68.6 percent are working, while only 60.4 percent of women are in the labor force and 56.8 percent are working. Labor force participation varies only very slightly by race in Ohio, with white workers (66.5 percent) slightly more likely to be in the labor force than black workers (64.7 percent). Employment levels differ to a greater degree with 62.9 percent of whites being employed, compared to 56.1 percent of blacks. Hispanics and Asians are considerably more likely than whites or blacks both to be in the labor force and to be working. Not surprisingly, those between the ages of 25 and 54 are far more likely to be in the labor force and employed than those above and below those ages.

Far more than any other demographic variable, education affects labor force participation. Those with some college (70.1 percent) or a college degree (77.3 percent) are both about twice as likely to be working as those without a high school degree (36.7 percent). Ensuring that students complete high school and making college accessible are the two most certain ways to increase labor force participation and employment.

Table 1.4

Employment by demographic group, Ohio 2004			
	Labor force participation rate	Employment to population ratio	Part time workers share
All adults	66.6%	62.5%	25.9%
Gender			
Male	73.5%	68.6%	18.2%
Female	60.4%	56.8%	34.5%
Age			
16-24 yrs	67.0%	58.4%	50.4%
25-54 yrs	83.3%	78.9%	19.6%
55 yrs and older	36.2%	34.8%	29.7%
Race / ethnicity			
White	66.5%	62.9%	26.2%
African American	64.7%	56.1%	25.0%
Hispanic	75.7%	71.4%	19.6%
Asian/Pacific islander	72.5%	68.8%	22.1%
Education			
Less than high school	43.1%	36.7%	47.7%
High school	64.9%	60.5%	23.9%
Some college	73.5%	70.1%	27.9%
Bachelor's or higher	80.1%	77.3%	18.5%

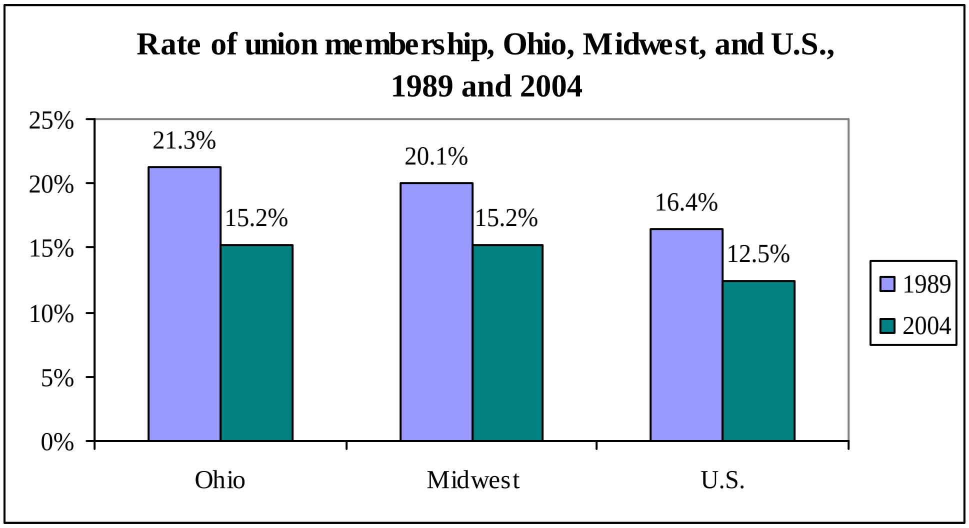
Source: EPI analysis of CPS data

Union Membership

Part of the reason that workers may be gaining less from productivity, education and hour increases is that the percent of workers who are in unions has declined dramatically in the U.S. and in Ohio, reducing employees' power to secure higher compensation.

Over just fifteen years, union membership declined from 16.4 percent of the American workforce in 1989 to just 12.5 percent in 2004. In Ohio and the Midwest, starting points were higher at 21 and 20 percent respectively but membership also plunged sharply to 15.2 percent in both places by 2004. This decline in union membership, portrayed in Figure 1.6, has coincided with reduced wages, particularly when compared to productivity.

Figure 1.6



Source: EPI analysis of CPS data

Say what? Defining some terms

*Most studies examine averages. We instead focus primarily on the **median**, which is the midpoint in a sample. In a group of 101 workers, the median earns more than 50 of the workers and less than 50 of them. Medians are useful because averages can be distorted dramatically upward by a few high earners. As the joke goes, when Bill Gates walks into a bar, the average income increases exponentially, but the typical drinker hasn't gained a penny. For more on differences between averages and medians go to: http://www.policymattersohio.org/saywhat1.html.*

*We devote much of the report to studying **hourly wages**, instead of income, because income can include substantial non-wage earnings, and is thus a measure of things other than job quality. Also, income fluctuates along with hours worked. Understanding what is happening to hourly wages is a good way of assessing how people putting in the same number of hours are doing over time. While wage income is important to track, 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 dollars that are adjusted for inflation. Nominal dollars are not adjusted. We adjust all values to 2004 dollars. Adjusting for inflation makes it possible to make accurate comparisons between years. We use the **CPI-U-RS** series to do this adjustment. Along with medians, we have several tables and figures that divide the workforce into five, ten or 100 equal parts, called **quintiles, deciles or percentiles**. These are described in the text. Terms related to **unemployment and underemployment** are defined in the text. We use the **Current Population Survey** (CPS) of the U.S. Census to gather data on wages, unemployment, and poverty. This is the best 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 does ask about employment, but it surveys a fraction of the workers covered by the CES, and is more volatile and less reliable for that statistic.*

II. What Recovery? Anemic Job Growth Pummels Ohio

Job growth in Ohio has been abysmal when compared to past recoveries, most other states, or the nation as a whole.

By the end of 2004, U.S. employment remained slightly below the employment level in both 2000 and 2001, although monthly job growth has been more robust in 2005. Ohio's employment growth has lagged the nation consistently for much of the past two decades – employment in Ohio by the end of 2004 was still well below levels seen in 2000 and 2001. The state lost a total of 218,000 jobs between 2000 and 2004. All of Ohio's neighbors also experienced employment declines, but Ohio and Michigan were harder hit, and the decline has continued for a longer period.

Table 2.1 shows employment levels in the United States, Ohio, and states adjacent to Ohio for several snapshot points over the past 25 years. The annual data-points are 1979 (peak of the 1970s business cycle), 1989 (high point of 1980s business cycle, prior to 1990s recession), 1995 (after 1990s recession but prior to the growth in the late 1990s), 2000 (peak of business cycle, prior to 2001 recession), and 2004 (most recent).

Table 2.1

Non-farm payroll employment, U.S., Ohio and neighboring states, 1979-2004 (in thousands)

						Average annual percentage change			
	1979	1989	1995	2000	2004	1979-1989	1989-2000	1995-2000	2000-2004
U.S.	**89,932**	**108,014**	**117,298**	**131,785**	**131,480**	**1.85**	**1.82**	**2.36**	**-0.06**
MI	3,637	3,922	4,274	4,674	4,390	0.76	1.61	1.81	-1.55
OH	**4,485**	**4,818**	**5,221**	**5,625**	**5,407**	**0.72**	**1.42**	**1.50**	**-0.98**
IN	2,236	2,479	2,787	3,000	2,929	1.04	1.75	1.48	-0.59
KY	1,245	1,433	1,643	1,825	1,796	1.42	2.22	2.12	-0.40
PA	4,806	5,139	5,253	5,691	5,639	0.67	0.93	1.61	-0.23
WV	659	615	688	736	736	-0.69	1.65	1.36	0.01

Source: EPI analysis of Current Employment Statistics (CES) data

As Table 2.1 shows, net annual employment growth between 2000 and 2004 was stagnant for the nation as a whole. The country finally achieved pre-recession employment levels in July 2004, although year-end numbers for 2004 remained slightly below annual numbers for 2000 and 2001. Ohio and nearly all of its neighbors lag behind the nation as a whole, with larger annual losses over that period. This is in contrast to the last recovery in the late 1990s when Ohio, all of its neighbors and the U.S. as a whole experienced positive employment growth rates of more than 1.47 percent annually.

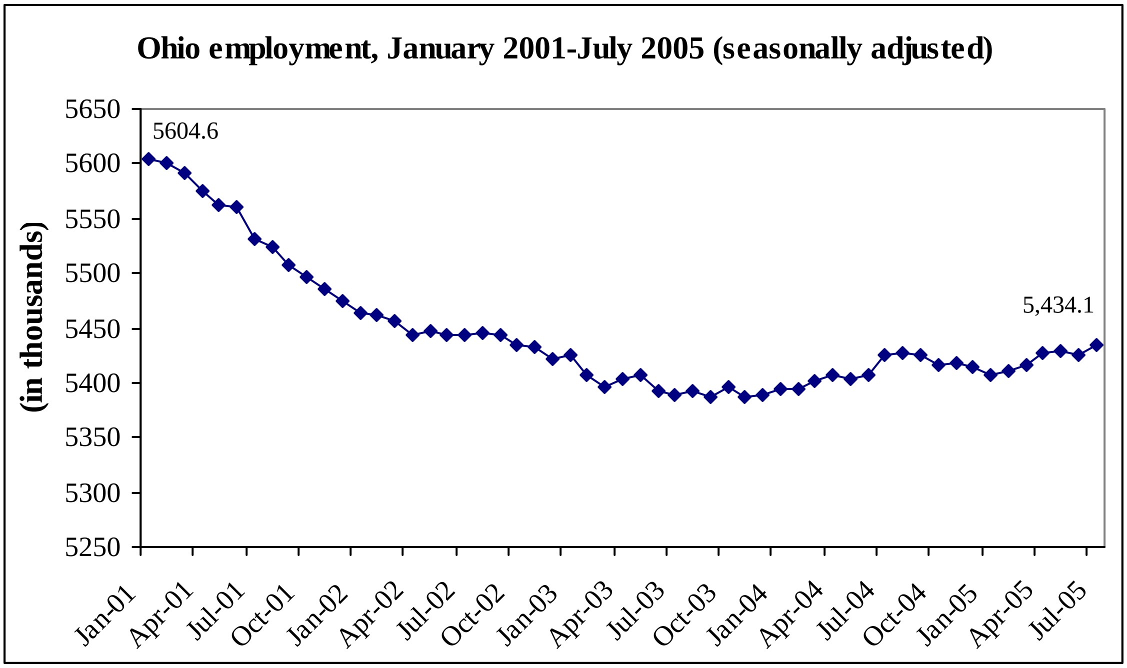
Monthly trends

As of July 2005, the number of jobs in Ohio still remained well below where it was when the recession officially ended in November 2001, and 156,900 or 2.8 percent below where it was when the recession began in March of that year. This dismal situation put

Ohio among the worst states in terms of job growth, and well behind the nation. Ohio is one of 15 states (including the District of Columbia) that have had a net loss in jobs since the recession began, and ranks behind only Michigan, Massachusetts and Illinois in relative job losses over that period.

By historic standards, this recovery has been particularly anemic. At this point (52 months) after the early 1990s recession started, 237,800 jobs had been created in Ohio, an increase of 4.9 percent. Figure 2.1 shows the job loss and weak growth since January 2001.

Figure 2.1

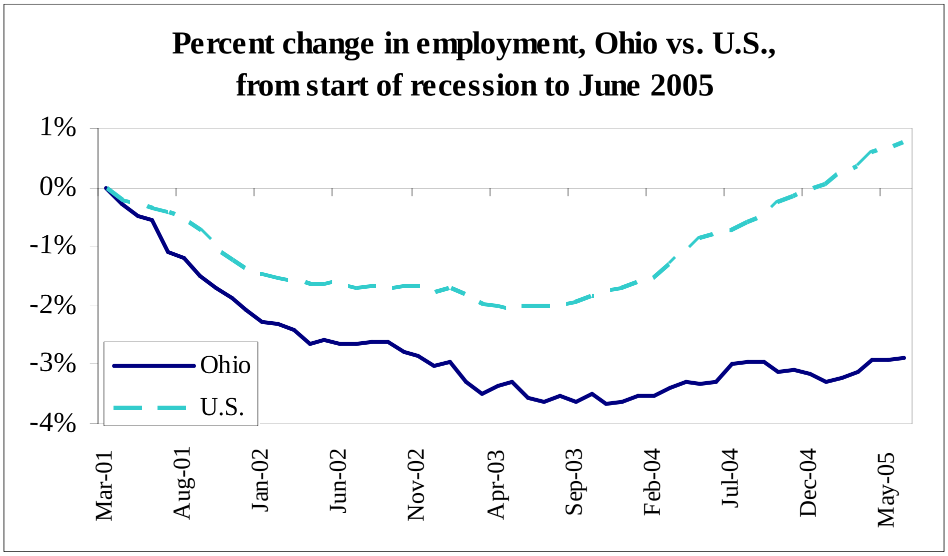


Source: EPI analysis of CES data

Ohio recovery in perspective

The recovery from the 2001 recession has been weak nationally and extremely weak in Ohio. It wasn't until 40 months after the start of the recession (July 2004) that U.S. full-time employment reached its pre-recession levels. In Ohio, that break-even date remains in the distant future. Figure 2.2 below compares Ohio's performance since the start of the recession to that of the U.S. and shows clearly that even as U.S. employment began to stabilize, Ohio's continued to fall, and as U.S. employment began slowly to climb out of its trench, Ohio's continued to stagnate.

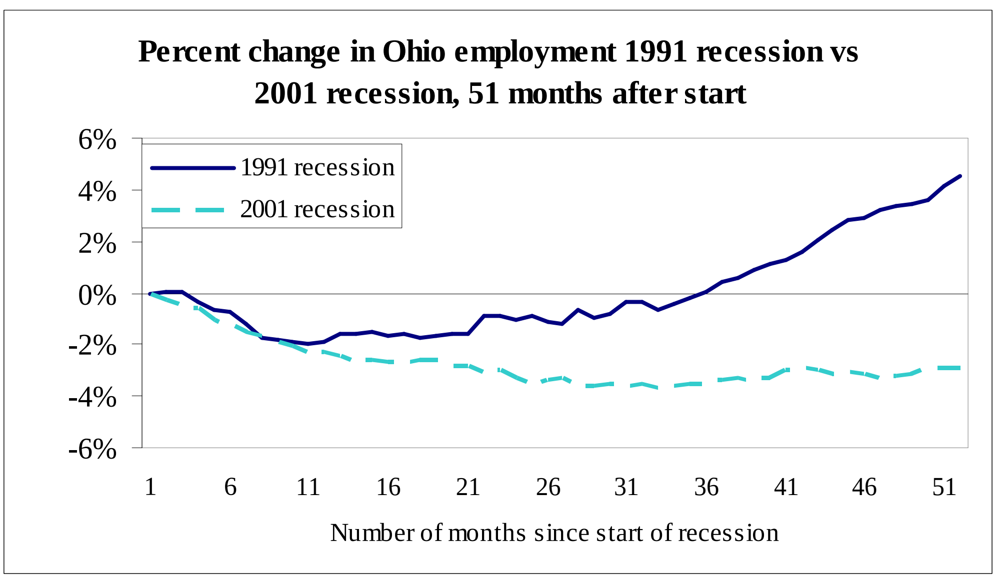
Figure 2.2



Source: EPI analysis of CES data

If Ohio's recovery compares unfavorably to the weak U.S. recovery, it also looks bad compared to this state's past performance. Fifty-one months after the start of the 1991 recession, the aftermath of which was tagged at the time as a "jobless recovery," Ohio had seen job growth of 4.5 percent. In contrast, by June 2005, fifty-one months after the start of the 2001 recession, Ohio still lagged its pre-recession job level by about 2.9 percent. It should be noted that the scales differ on the chart above and the chart below – because this recovery has been so weak, the chart above ends at one percent growth, while the figure that portrays the 1990s recovery has a top growth rate of six percent.

Figure 2.3



Source: EPI analysis of CES data

Manufacturing jobs have been particularly hard-hit in Ohio, among its neighbors and nationally. Between 2000 and 2004, Ohio lost 19.2 percent of its manufacturing jobs. Michigan and Pennsylvania lost even greater percentages of their manufacturing employment over this period, and the U.S. as a whole lost 17 percent of its manufacturing jobs over that cycle. As of May 2005, Ohio's manufacturing employment levels were at their lowest point in decades. Because manufacturing is a larger part of the overall employment picture in Ohio and among many of its neighbors, these losses more negatively affected states in this part of the country. As Table 2.2 shows, while manufacturing comprised only 13.1 percent of jobs nationally in 2000, it made up more than 18 percent of the jobs in Ohio, Michigan and Indiana and more than 15 percent of the jobs in Pennsylvania and Kentucky. The percentage of employment that is in manufacturing fell sharply in the nation and in all of Ohio's neighboring states – nationally just slightly more than one in ten jobs are now in manufacturing.

Manufacturing job loss is undoubtedly a huge problem for states like Ohio. However, Ohio and Michigan are distinguished from the nation and from other neighboring states in that they experienced net job losses between 2000 and 2004 in all other industries combined. Many states were able to compensate to some degree for some of their manufacturing loss by increasing employment in other sectors, although that employment was often lower-paying. Ohio failed to generate as much growth in other sectors. This is in part because, with our manufacturing-focused economy, much of our business service sector is also dependent on manufacturing jobs and their high multiplier effect.

Table 2.2

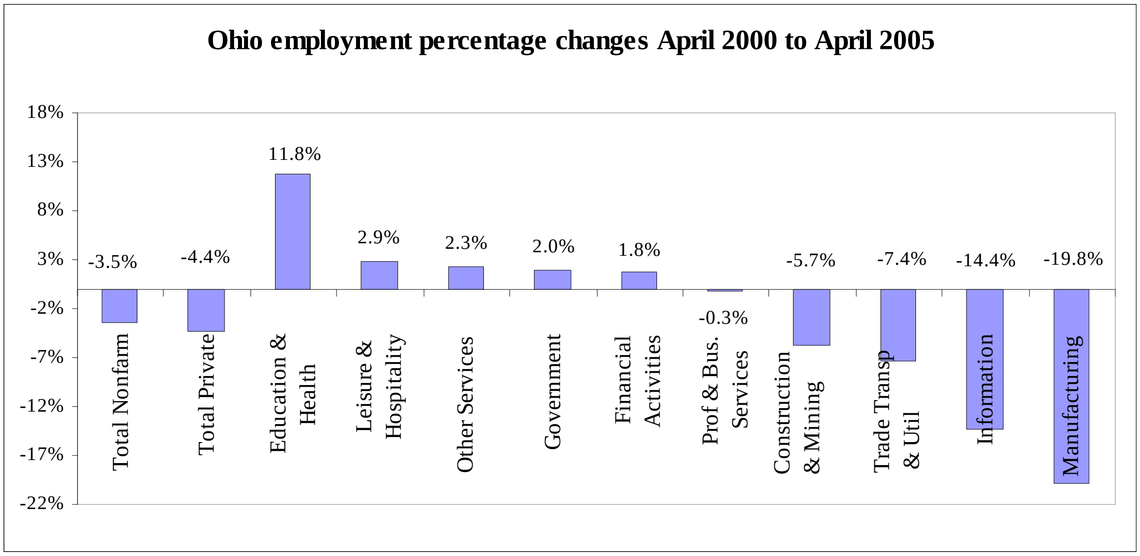
Job growth 2000-2004, manufacturing and other industries, Ohio and neighboring states

	Manufacturing share of total payroll employment		Change in payroll employment, 2000-2004		
	2000	2004	Manufacturing	All other industries	Total
U.S.	**13.1%**	**10.9%**	**-17.0%**	**2.3%**	**-0.2%**
Indiana	22.1%	19.5%	-13.8%	0.9%	-2.3%
Kentucky	17.0%	14.7%	-15.0%	1.2%	-1.5%
Michigan	19.2%	15.8%	-22.4%	-2.2%	-6.1%
Ohio	**18.2%**	**15.2%**	**-19.2%**	**-0.4%**	**-3.9%**
Pennsylvania	15.2%	12.3%	-19.8%	2.5%	-0.9%
West Virginia	10.3%	8.6%	-17.0%	2.0%	0.0%

Source: EPI analysis of CPS data

As Figure 2.4 shows, several sectors lost more than five percent of their positions in Ohio in the short period between April 2000 and April 2005, including Construction and Mining; Trade, Transportation and Utilities; Information; and Manufacturing. One sector, Education and Health, had significant job gains during this period, though some other areas had modest growth. In all, the state lost 3.5 percent of its employment and 4.4 percent of its private sector employment. The strong job growth in Ohio's education and health sector was one very positive mitigating factor – without it, Ohio's weak job growth would have been far worse. Ohio's health sector is slightly larger as a percentage of employment than the health sector nationally, and this sector grew both locally and in the nation during this recovery, though national growth was slightly higher.

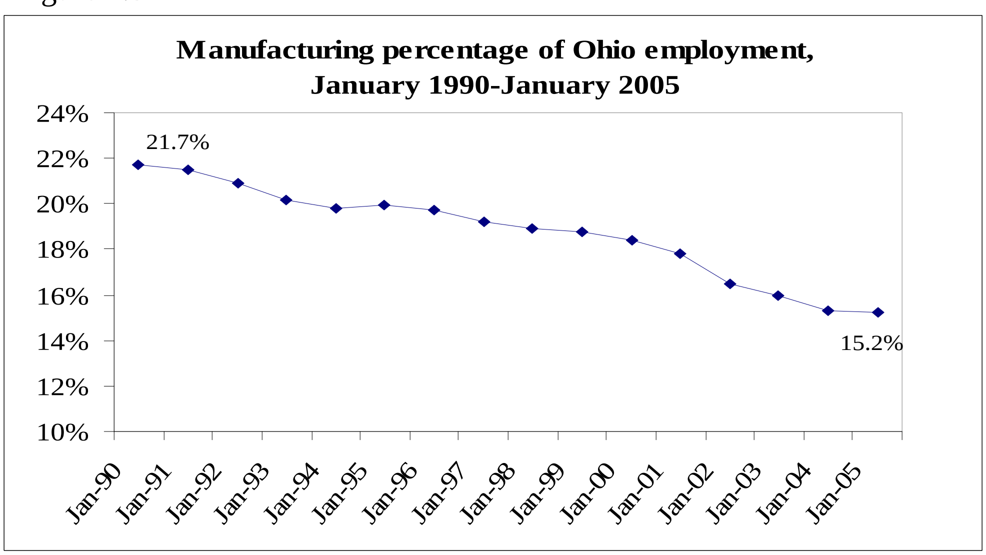
Figure 2.4



Source: EPI analysis of CES data

Manufacturing remains a crucial sector in Ohio, but the plunge in manufacturing employment over the past fifteen years is unambiguous. As recently as January 1990, one in five Ohio employees still worked in this sector. By January 2005, less than one in six Ohio workers were in this sector. Manufacturing job loss matters because the average wage of an Ohio manufacturing job in 2004 was $914 compared to $701 a week for all jobs combined, according to the Bureau of Economic Analysis. Figure 2.5 shows the plunge in manufacturing employment over the past fifteen years.

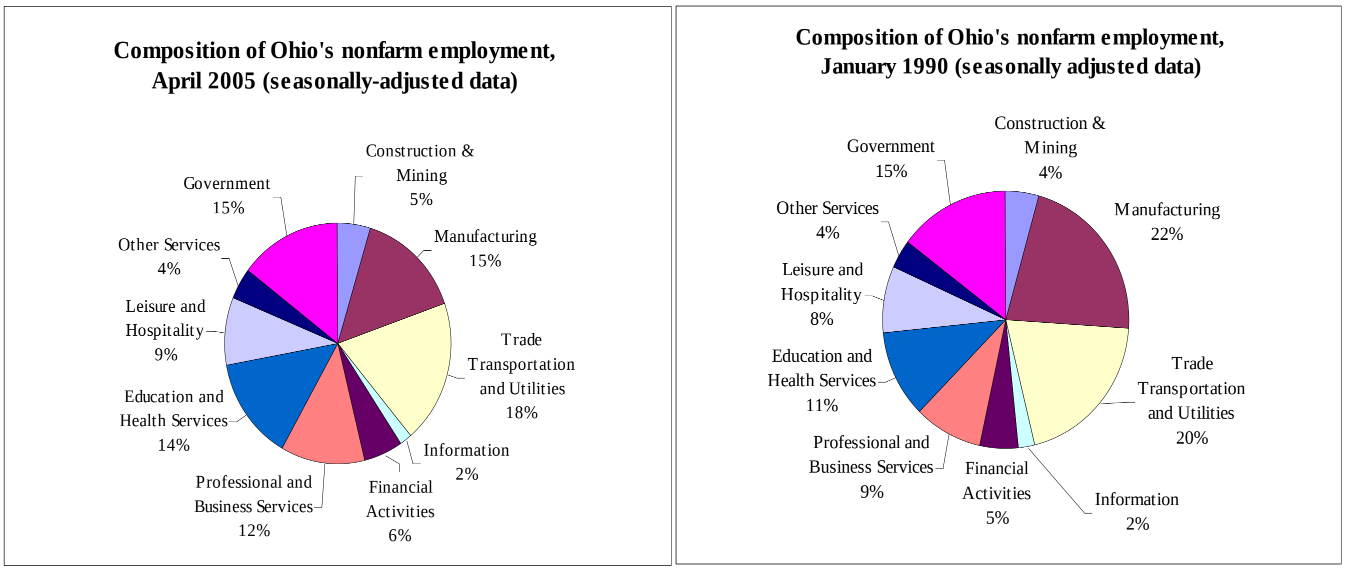
Figure 2.5



Source: EPI analysis of CES data

Figures 2.6 and 2.7, below, show how the composition of Ohio employment has changed in the last fifteen years. In addition to manufacturing declining, the share devoted to Trade, Transportation and Utilities dropped from 20 to 18 percent. Professional and Business Services and Education and Health Services have each grown by three percentage points as a share of Ohio employment. However, as the April 2005 chart below shows, the four sectors mentioned, along with government, continue to employ large numbers of Ohio workers. While many manufacturing jobs have left permanently, and more may continue to leave, heavy industry still provides a large minority of Ohio jobs, and many of our service sector jobs depend on manufacturing's large multipliers. Figuring out how to transition to other types of jobs is crucial. But figuring out how to secure investment and new jobs in manufacturing is also important. Producing component parts for wind turbines and other sources of sustainable energy may be one avenue to explore.

Figure 2.6 and 2.7



Source: EPI analysis of CES data

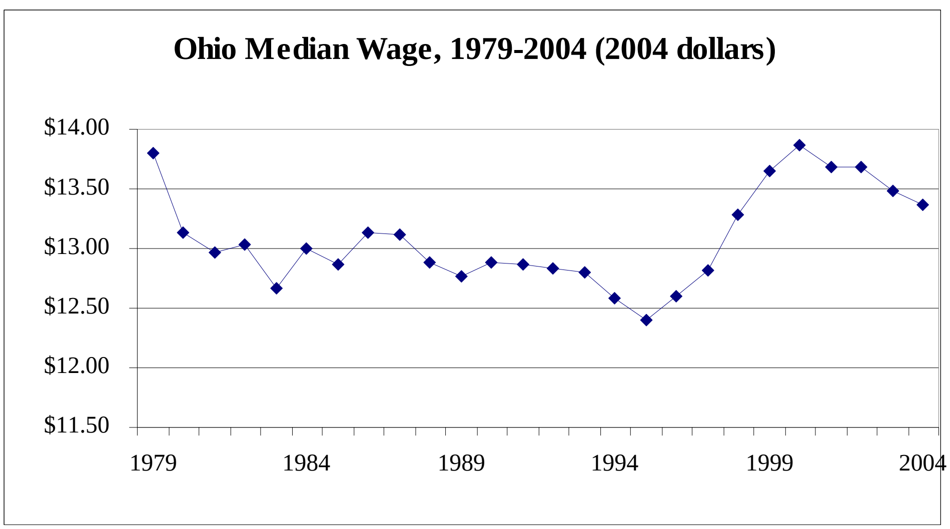
III. Falling Behind: Compensation in Ohio

As we've documented, this generation of American and Ohio workers has higher rates of education, productivity, labor force participation and hours of work. But wages have not risen at a comparable pace. In fact, over the past few years Ohio workers have actually seen their median wages fall.

The typical Ohio worker has been losing ground since the year 2000, with wages dropping during each of the last four years when adjusted for inflation. As of 2004, Ohio's median hourly wage was $13.37, lower in value than at any point since 1998 and lower than the 1979 level, though higher than the wage earned during all of the 1980s and the beginning of the 1990s.

By historical standards, this inflation-adjusted median wage decline is deep and sustained. It is also deeply troubling given the productivity and education gains described earlier. Workers' living standards are declining slightly, even in a growing economy. This bodes very poorly for future economic downturns. Figure 3.1 shows the change in median wages between 1979 and 2004.

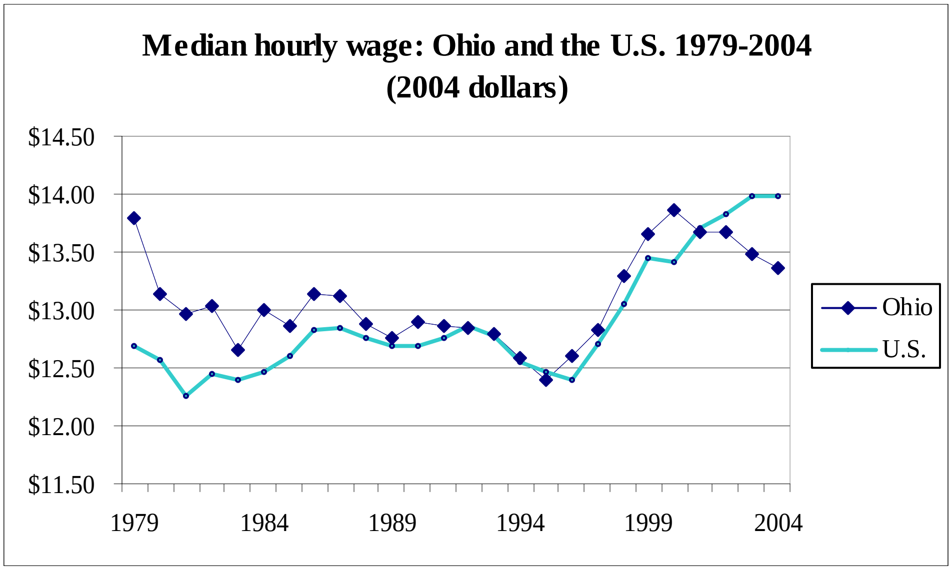
Figure 3.1



Source: EPI analysis of CPS data

Ohio's median wage now remains consistently below that of the nation as a whole, in contrast to earlier decades. In 2004 Ohio's median wage was $13.37 while the nation's median was $13.99. Since 2001, the median worker nationally has experienced modest wage growth, while the comparable Ohio worker has seen a fairly steady decline. In contrast to the late 1970s and early 1980s when the Ohio wage was reliably above that of the nation, the experience in this century is one of Ohio falling further behind each year. Figure 3.2 shows the two wage trends side by side.

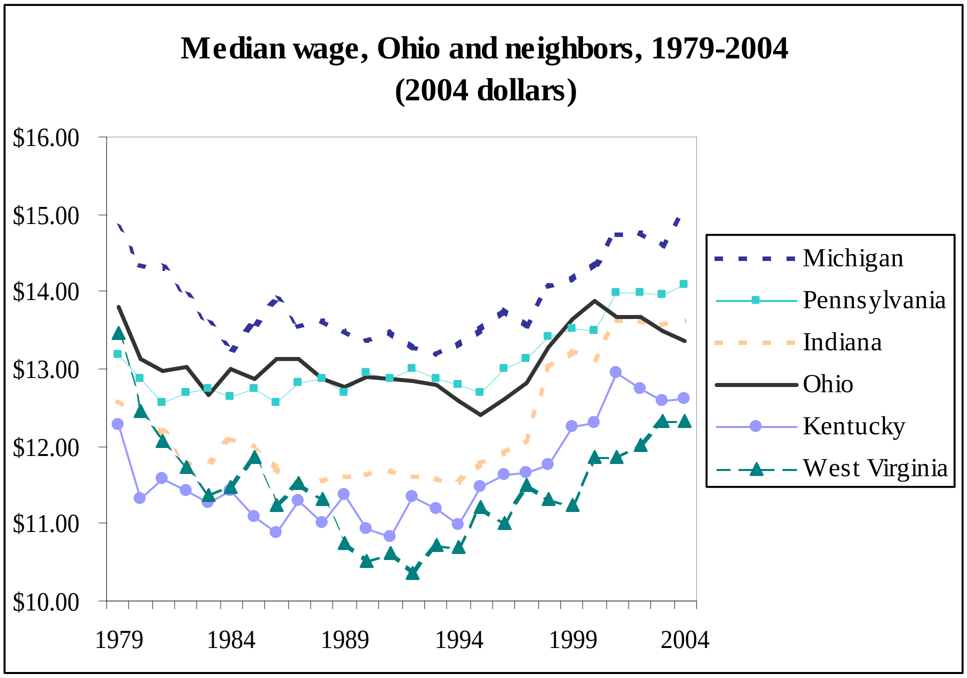
Figure 3.2



Source: EPI analysis of CPS data.

Figure 3.3 shows how Ohio's median wage has fared in contrast to its neighbors' wages. Ohio's median wage remains, as it always has, behind Michigan's ($15.04), but has now fallen behind Pennsylvania ($14.08) and Indiana ($13.37). Ohio's wage for the typical worker remains above that of Kentucky ($12.62) and West Virginia ($12.33), as it historically has been, although the difference has lessened during the new millennium. The relationship with neighboring Indiana is startling – in the 1970s and 1980s, Ohio's wage was well above Indiana's. In the late 1990s, the two states' median wages converged, with Indiana moving ahead in the past two years, albeit slightly.

Figure 3.3



EPI analysis of CPS data

Lower-wage workers in Ohio – those who earn more than twenty percent of workers and less than eighty percent – are in a similar position. They earn less ($8.44) than their counterparts in the nation as a whole ($8.65) and less than those in Michigan, Pennsylvania and Indiana, but more than those in Kentucky and West Virginia, as Table 3.1 shows. The pattern is similar for those toward the top of the earnings scale – those earning more than 80 percent of all workers. Ohio workers at that level earn $22.24, less than the nation as a whole and than Michigan and Pennsylvania, but more than those in Kentucky and West Virginia. These upper-income workers in Ohio also fare better than their counterparts in Indiana, unlike the median and lower-wage workers here.

Table 3.1

Low, Median, and High Wage, U.S., Ohio and neighboring states (2004)

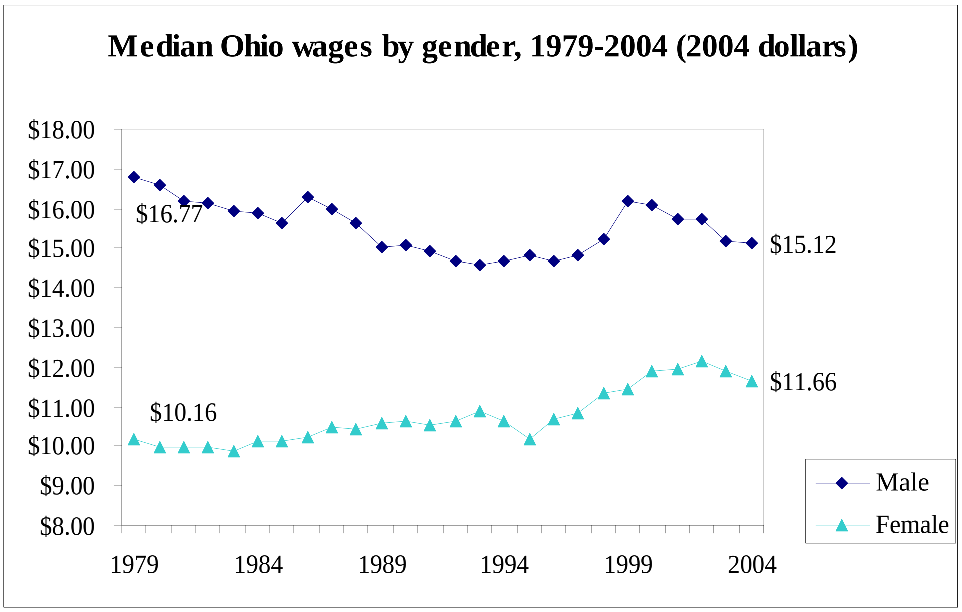
	20th percentile	50th percentile (Median)	80th percentile
U.S.	$8.65	$13.99	$23.84
Michigan	$9.13	$15.04	$25.21
Pennsylvania	$8.80	$14.08	$23.02
Indiana	$9.01	$13.62	$21.87
Ohio	**$8.44**	**$13.37**	**$22.24**
Kentucky	$8.16	$12.62	$20.31
West Virginia	$7.69	$12.33	$20.17

Source: EPI analysis of CPS data

Women's Wages

Women's wages have grown over the past few decades while men's wages have fallen over that period as a whole. However, men ($15.12) continue to earn significantly more than women ($11.66) at the median in Ohio. Both men's and women's wages have remained stagnant for the past few years, and both sexes have wages that are currently below their peak levels of a few years ago. However, men's hourly wages remain $1.65 or 9.8 percent below their 1979 peak while women's lower wages are still 14.8 percent or $1.50 above their 1979 level. Since women started from such a lower level, men still earn about 30 percent more per hour than women do, at the median.

Figure 3.4

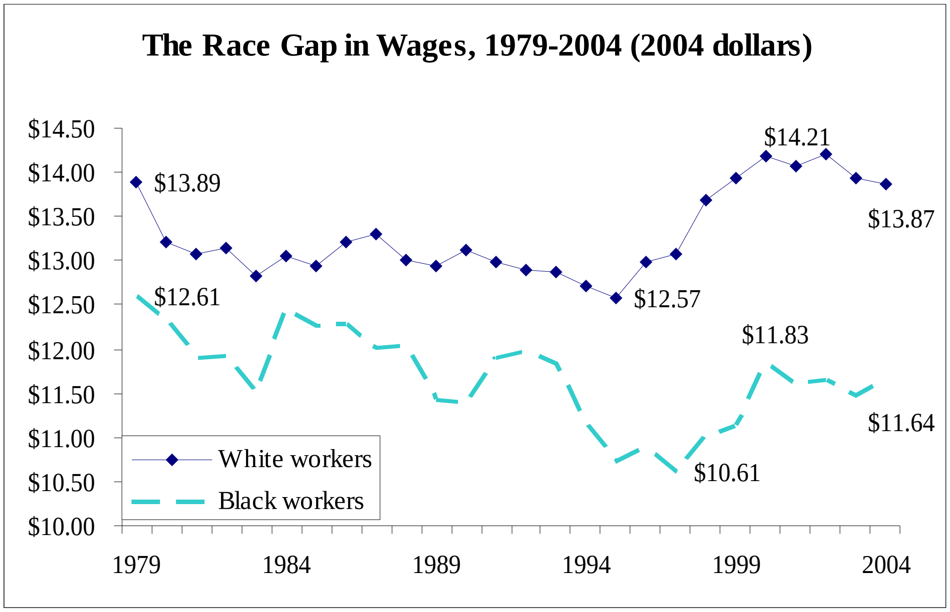


Source: EPI analysis of CPS data

The Race Gap

Black workers in Ohio have always earned significantly less than white workers in the state, but the gap has widened since the early 1990s. While white workers now earn approximately the same hourly wage when adjusted for inflation that they earned in 1979, black worker wages remain about a dollar below their 1979 level. Both black and white workers' wages have risen substantially since their recent low point in the mid 1990s, but both races have seen wages fall since a high point near the start of the 2001 recession. For black workers, the recent rate has never reached levels from 25 years ago. The median white worker earns 19 percent more than the median black worker in Ohio, nearly double the ten percent gap that existed in 1979. The persistence and widening of the black-white wage gap in Ohio reflects an enduring disparity, as Figure 3.5 shows.

Figure 3.5

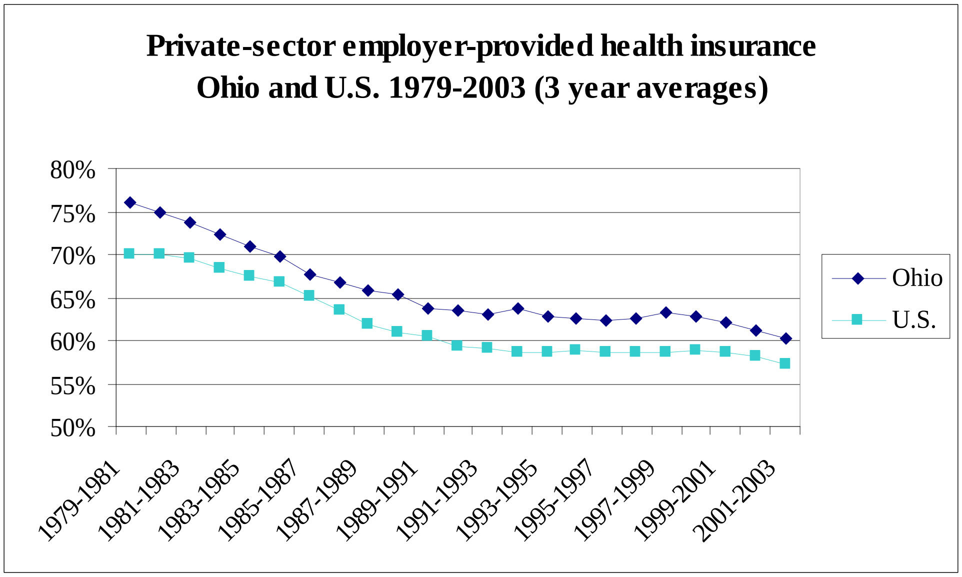


Source: EPI analysis of CPS data

Who's Benefiting from Benefits?

Ohio employers are more likely to provide health insurance than are employers nationally, but the rates of health insurance provision have been dropping sharply over the past two decades. Figure 3.6, which provides three-year averages to increase accuracy, shows the steep decline in insurance provision, from rates that slightly exceeded 75 percent in Ohio in the early 1980s, to rates of just 60 percent in the most recent period. U.S. rates have also dropped sharply and remain below Ohio rates.

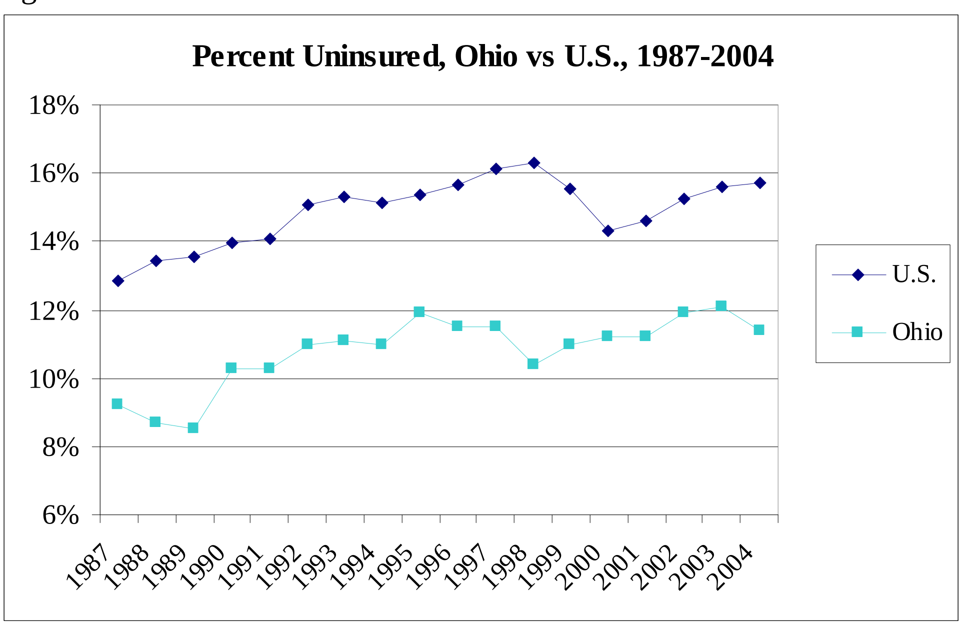
Figure 3.6



Source: EPI analysis of CPS data

Some of those who don't get insurance from employers purchase it, obtain it through a spouse's employer, or qualify for a government program that provides it, such as Medicaid. However, rates of those lacking any insurance rose since the late 1980s in the state and the nation, as Figure 3.7 shows. While 11.4 percent of Ohio residents lack insurance, 15.7 percent of U.S. residents do. In 2004, Ohio rates of un-insurance fell slightly from 2003, which had the highest recorded rate since the first year of analysis in 1987.

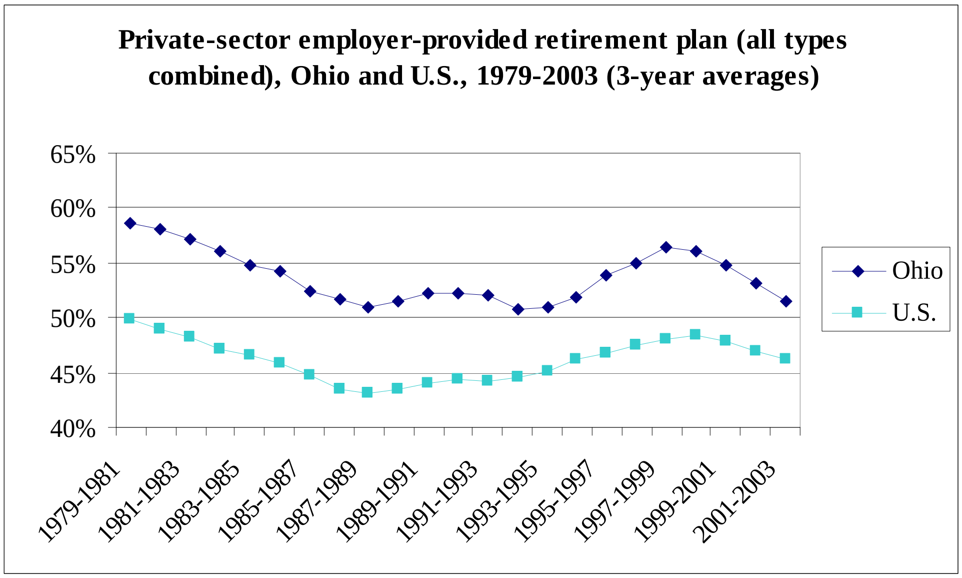
Figure 3.7



Source: Current Population Survey, reflects changes released on August 30, 2005

Another benefit that used to be more widely available in the workplace is employer pensions. Unfortunately, data on pensions is somewhat flawed as high-level guaranteed-benefit arrangements are lumped together with 401Ks that may provide a very modest employer contribution. Nonetheless, workers in Ohio are more likely to receive retirement benefits from their employers than are workers in the country as a whole, although coverage levels have declined both locally and nationally. Just half of Ohio workers (51.4 percent) have access to any type of employer-provided retirement plan, compared to just 46.2 percent of U.S. workers. These coverage rates are down from an Ohio rate of 58.7 percent and a U.S. rate of 49.8 percent in 1979, as Figure 3.8 shows.

Figure 3.8



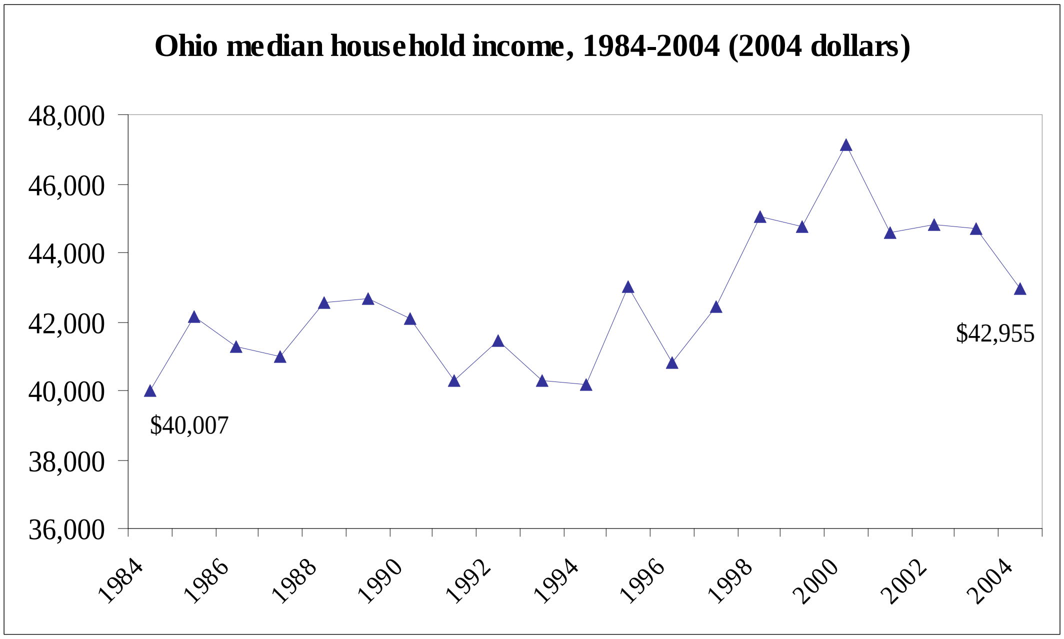
Source: EPI analysis of CPS data

Income

Ohio's median household income has been very similar to that of the country as a whole for all of the last twenty years. In 1984, median Ohio household income was $40,007, compared to $38,782 for the country as a whole (in 2004 dollars). In 1994, the two levels were practically identical, just above $40,000, and in 2004, the level is about $42,955 in Ohio and $44,389 in the U.S.

For the past several years, median household income has not risen nationally. In Ohio, 2004 median income dropped somewhat sharply, was below both the peak level in 2000 and was below the level of any year since 1997. Income has risen over the past twenty years in part because of wage growth, but in part because of increased work hours by families. Figure 3.9 below shows the change in Ohio household income over the past twenty years, and the recent decline in that indicator.

Figure 3.9

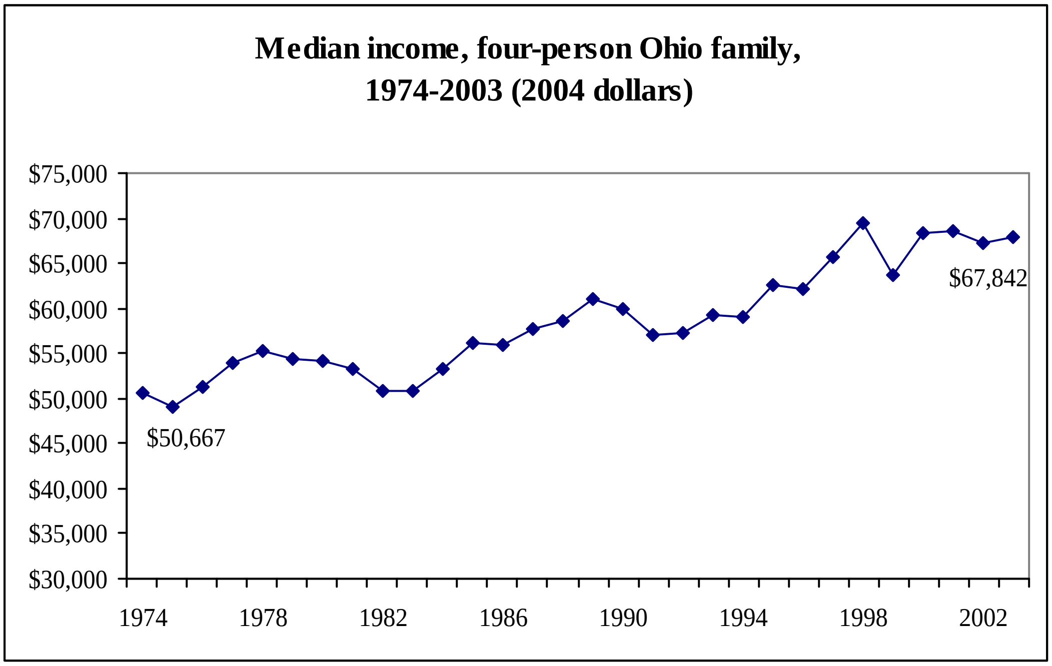


Source: U.S. Census Historical Income data (from CPS)

As discussed earlier, households have already increased work hours dramatically over the past decade, primarily by increasing the degree to which all adults in the household are working. There is a limit on this method to increasing living standards and it comes with clear costs in reduced parental time with children and increased household expenses for child care and transportation, among other things. Unless wages begin rising again, median household income will not be able to grow as it historically has. This is part of the story in the last few years, as both hourly wages and labor force participation have dropped.

Median income for a four-person Ohio family has also largely mirrored that of the country, usually remaining slightly above the national level. This indicator reflects the situation of most two-parent families (although it can include single parents with three children and other four-person arrangements). In both 1974 and 2003 (most recent available at press time), the median four-person Ohio family income was about $1,000 above the national in inflation-adjusted 2004 dollars. Four-person family income has risen steadily, by 33.8 percent, over the past 29 years. That has occurred in large part because of increased work participation – both more hours being worked by the principal earner in a family, and more workforce participation by the second parent in a family. Figure 3.10 shows the growth in the income of the four-person family.

Figure 3.10



Source: U.S. Census Historical Income Tables

In short, four-person family income in Ohio remains at the level from six years ago. Over a generational time horizon, this indicator has grown, in large part because of dramatically increased work effort. This trend is not sustainable.

IV. Out of Work: Unemployment and Underemployment in Ohio

The unemployment rate in Ohio climbed above six percent in 2003 for the first time since 1993 and remained at that elevated rate until the monthly rate for July 2005 (subject to future correction) dipped a bit below six percent. In 2004, the annual unemployment rate was 6.3 percent. Official unemployment rates reached much higher levels during previous recessions, such as in the early-1980s when rates climbed above 12 percent. However, the unemployment rate of the last few years is substantially above that of the late 1990s, when workers at last began to see real wage gains. Our economy operates most efficiently when we employ a larger percentage of workers than we are employing today. Figure 4.1 shows the Ohio unemployment rate between 1979 and 2004.

Figure 4.1

Source: EPI analysis of CPS data

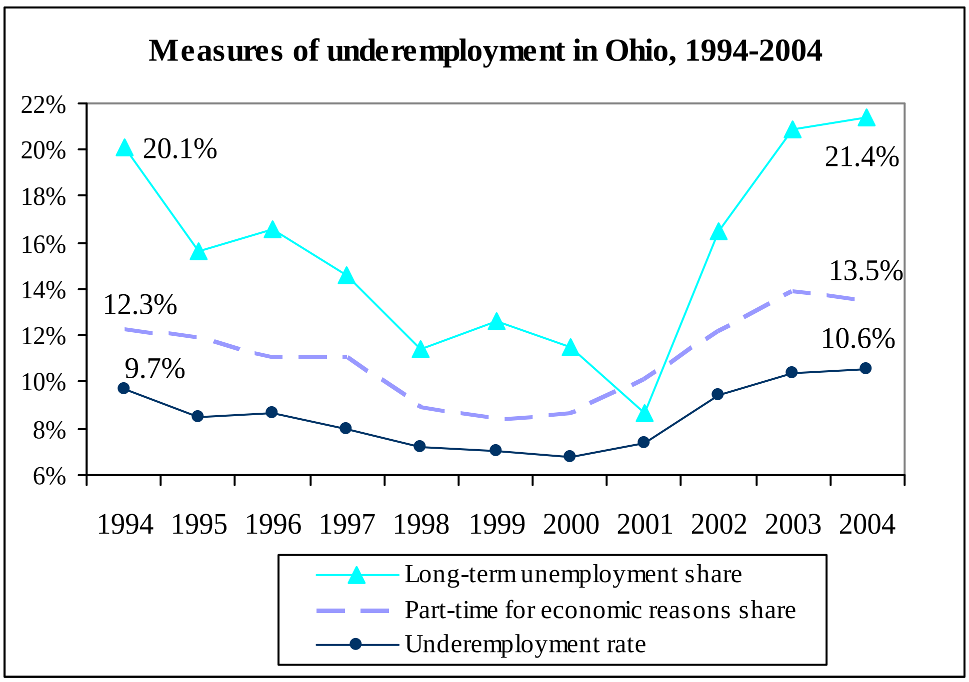
While the official unemployment rate is not as high as it has been during some previous economic downturns, many commentators have suggested that large numbers of workers have left the labor force due to discouragement. If this “missing labor force” were included in the unemployment rate, levels would be much higher.[7]

Some other measures of worker well-being also reflect higher negatives. Underemployment includes those who are unemployed, those working part time but

[7] The July 30th 2005 edition of *The Economist* magazine, headlines an article “Are 5.1 million Americans missing from the unemployment figures?” It cites a study by Katharine Bradbury of the Federal Reserve Bank of Boston, which argues that, because of high rates of discouraged workers, the true federal unemployment rate might be over eight percent, not five percent, and the true number of jobless 12.6 million, not 7.5 million. The Economic Policy Institute’s Jared Bernstein has previously argued much the same thing.

wanting full time employment, and those not currently looking for work but who are either discouraged from looking or have looked for work within the past year. This indicator is only available since 1994 when the Current Population Survey began asking these questions. Underemployment is at the highest level since it became measurable in 1994, with more than one in ten Ohio residents being categorized this way. Because the earliest data point is after the 1990s recession, we cannot compare the depth of the two recessions. However, one indicator of the weakness of this recovery in Ohio is that underemployment remains higher than it was in 1994, nearly the same length of time after the earlier recession. Figure 4.2 portrays three measures of hardship for workers: the percent of the unemployed who have been unemployed for more than six months, the percent of part-time workers who would prefer to be working full time, and the underemployment rate.[8] Two of these variables are at their highest recorded level and one is only exceeded by last year's rate.

Figure 4.2



Source: EPI analysis of CPS data

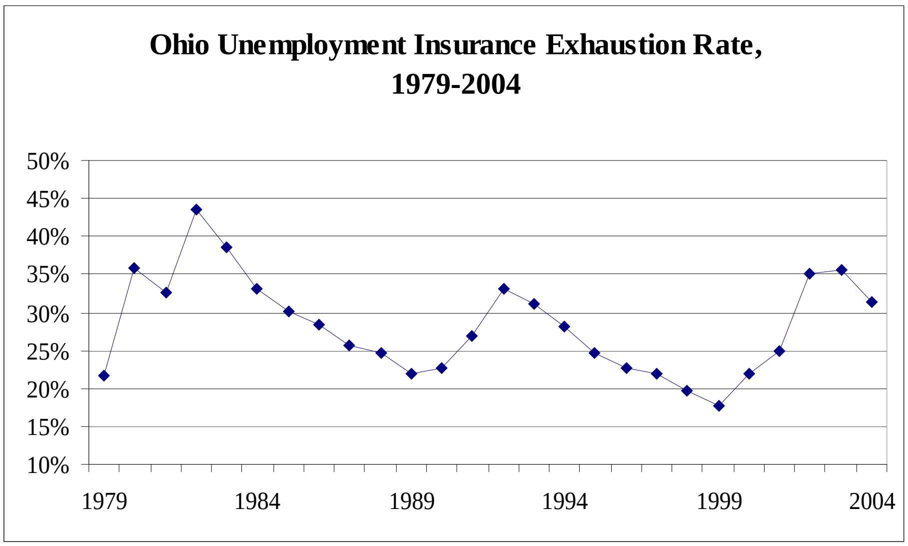
The share of unemployed workers who have been unemployed for more than six months climbed again in 2004, from a previous 20-year high. By year-end in 2004, 21.4 percent of the unemployed had been out of work for more than six months. As time goes on, such workers are more likely to experience extreme hardship such as foreclosure or bankruptcy, and if they find work, to end up in jobs that are of substantially lower quality than their previous positions.

[8] We put these three variables in one figure to consolidate information, although they have three different denominators – one is the percent of all workers who are underemployed, one the percent of part-time workers who would prefer full time work, and one the percent of the unemployed who have been out of work for at least half a year.

The percentage of part time workers who were part time for economic reasons peaked in 2003 at 13.9 percent, the highest level since the CPS began tracking this variable in 1994. In 2004, this measure declined slightly, while still remaining at levels that exceeded any previous year except 2003.

Unemployment insurance pays benefits to Ohio workers for up to 26 weeks. During relatively stronger economic periods, up to 80 percent of workers find or are called back to employment prior to exhausting their benefits and about 20 percent of workers exhaust their benefits before finding work. When job creation is weak, exhaustion rates climb. Ohio's unemployment insurance exhaustion rates are typically better than those of the nation, in part because manufacturing workers often have temporary layoffs and are recalled to their former positions. While unemployment exhaustion rates are lower in Ohio than in the U.S., they fluctuate dramatically with the business cycle. After climbing for four consecutive years, exhaustion rates finally fell slightly between 2003 and 2004, but they remain above the level seen in any year since 1992, with more than a third of workers still failing to find employment before running out of benefits, as Figure 4.3 shows.

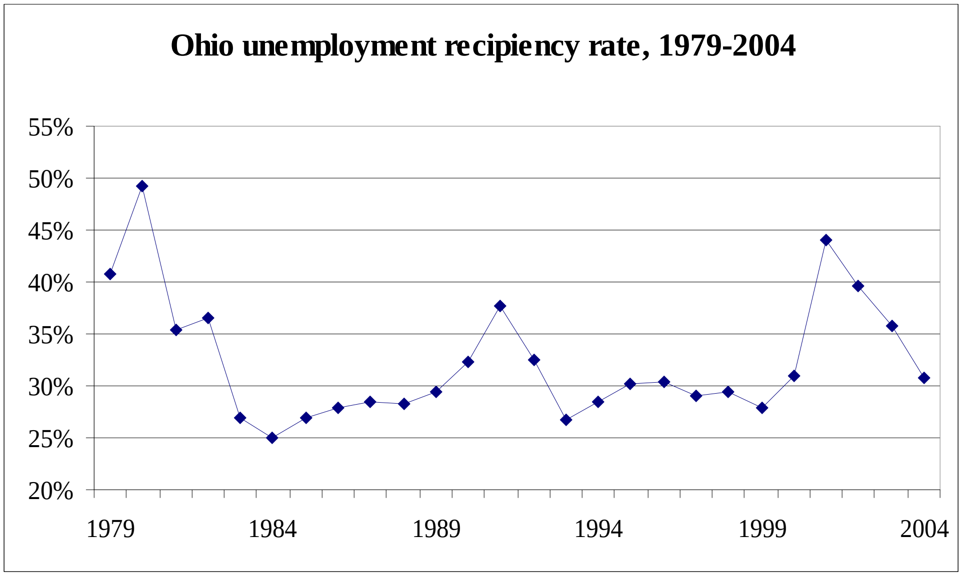
Figure 4.3



Source: Ohio Department of Job and Family Services, Bureau of Labor Market Information

Most people who are out of work are not eligible for unemployment benefits, and Ohio persistently has a higher percentage of jobless people who do not qualify. One reason is eligibility standards that are among the strictest in the nation. In each of the past four years, fewer of those without work have qualified for benefits. By 2004, less than one in three (30.7 percent) of those without work in Ohio were still getting unemployment benefits, compared to slightly more than one in three U.S. workers (36.2 percent). Figure 4.4 shows recipiency rates over the past twenty-five years.

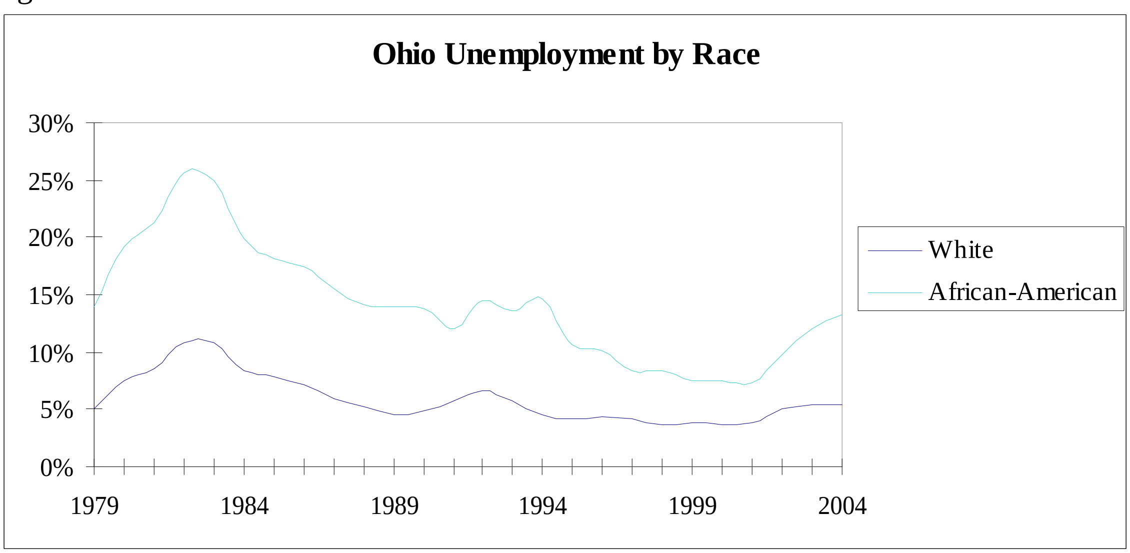
Figure 4.4



Source: EPI analysis of CPS data

Variable such as unemployment are far worse in certain communities than in the state as a whole. For example, African American workers are consistently about twice as likely as white workers to be unemployed, as Figure 4.5 shows. The disparity tends to heighten during economic downturns. By 2004, 13.2 percent of black Ohioans were unemployed, compared to 5.4 percent of white Ohioans. This high rate in the black community exceeds the overall rate of unemployment found in the state during some of the worst recent economic history – the black unemployment rate is now higher than the total unemployment rate was during the deep early 80s recession.

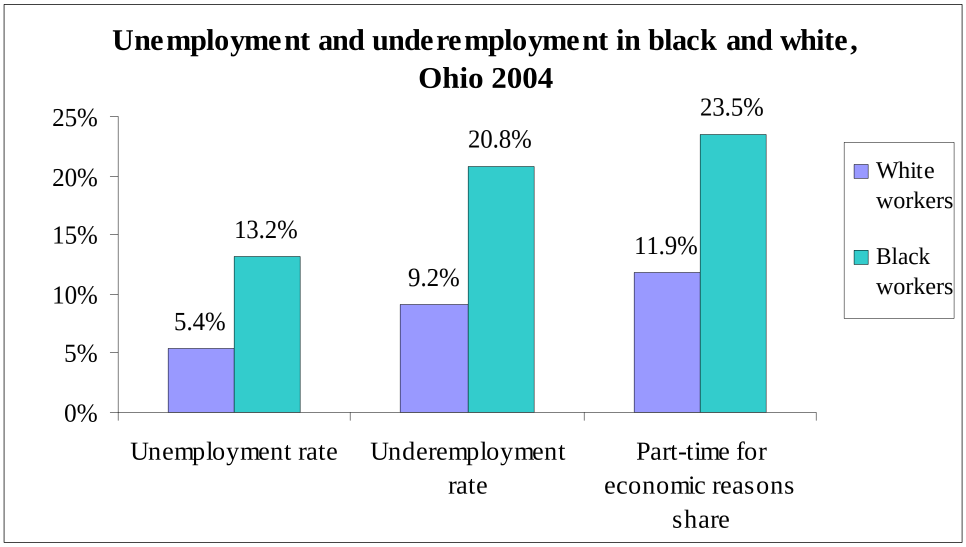
Figure 4.5



Source: EPI analysis of CPS data

Just as unemployment is higher for black workers, rates of underemployment and of involuntary part-time employment are significantly higher in the black community – in both cases more than twice as high. While 9.2 percent of white Ohioans are underemployed,[9] 20.8 percent of black Ohioans are in that position. While 11.9 percent of white part-timers are part-time for economic reasons, more than 23 percent of black part-timers would prefer full-time work, as Figure 4.6 shows.

Figure 4.6



Source: EPI analysis of CPS data

Other disparities also persist for Ohio workers. Table 4.1 below shows various measures of labor market hardship for different demographic groups in Ohio. In comparison to women, men experience higher rates of unemployment, long-term unemployment, underemployment and of being part-time for economic reasons. This may be in part because women tend to leave the labor force when they experience any of these conditions. Because women still do more of the parenting and caring for their own older parents or in-laws, when they lose a job, they may choose to do work outside of the labor market for a time, until the labor market improves.

As the table shows, unemployment and underemployment are higher for younger workers. More of those in their prime career years are experiencing long-term unemployment, perhaps because those under age 24 choose to return to school when out of work for a long period, or to take a poor job. As in the figures above, the long-term unemployment share is a percentage of the unemployed, not of the workforce as a whole, and the part-time share is a percentage of part-timers, not of all workers.

[9] As previously mentioned, this includes the unemployed, those working part time but desiring full-time work, and those who have looked in the past year but stopped looking because they do not think they can find work.

Table 4.1

Unemployment, underemployment and other hardship measures, By demographic group, Ohio 2004				
	Unemployment rate	**Long-term unemployment share**	**Underemployment rate**	**Part-time for economic reasons share**
All	6.3%	21.4%	10.6%	13.5%
Gender				
Male workers	6.6%	23.5%	10.8%	19.0%
Female workers	5.9%	18.8%	10.5%	10.3%
Age				
16-24 yrs	12.8%	12.5%	20.7%	13.1%
25-54 yrs	5.3%	26.3%	9.2%	16.6%
55 yrs and older	3.9%	Not available	6.4%	5.8%
Race / ethnicity				
White	5.4%	22.3%	9.2%	11.9%
African American	13.2%	20.5%	20.8%	23.5%
Education				
Less than high school	14.9%	16.7%	23.5%	13.8%
High school	6.8%	22.9%	11.9%	18.2%
Some college	4.7%	24.3%	8.6%	11.2%
Bachelor's or higher	3.5%	Not available	5.4%	8.4%

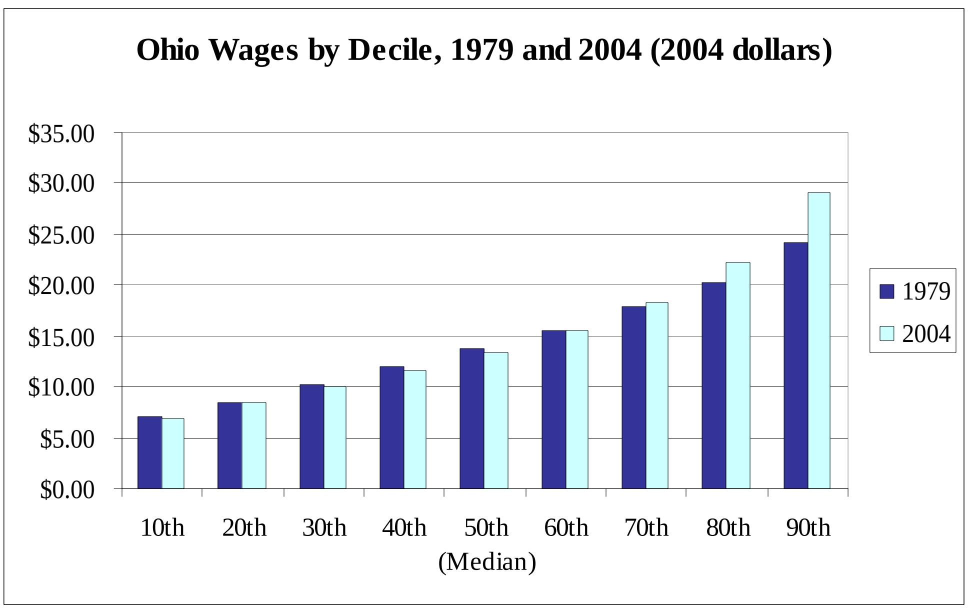
Source: EPI analysis of CPS data

V. Inequality Grows, Poverty Persists

Inequality has grown dramatically in the past generation in Ohio and poverty has endured. The ninetieth percentile worker earns more than four times what the tenth percentile worker earns. More than one in four Ohio workers is not paid enough to pull a small family out of poverty with full-time work. This section describes how the economy has changed for those at the bottom of the earnings spectrum.

When we divide Ohio into ten equal parts we get different deciles of earners. The first decile or tenth percentile includes those workers who earn more than ten percent of Ohio workers earn, but less than the other ninety percent earn. Those at the twentieth percentile or second decile earn more than twenty percent of workers in the state, but less than eighty percent. Dividing the workforce in this way gives us a sense of not just how those in the middle or at the top are doing, but of how workers across the spectrum are seeing their earning power rise or fall. When looked at this way, more than sixty percent of Ohio workers are earning less per hour than those at a similar point on the earnings spectrum earned in 1979. Workers at the seventieth percentile earn slightly more than those in that position 24 years ago. Those in the eightieth and ninetieth percentiles are the only categories to have seen fairly substantial wage growth over this period, as Figure 5.1, below, shows. The drop in earnings for those below and slightly above the median is responsible for the growing inequality in Ohio – wages have stagnated for middle, lower-middle and low-earning Ohio workers.

Figure 5.1



Source: EPI analysis of CPS data

Table 5.1, below, shows how inequality has grown both in Ohio and nationally. Inequality grew from a higher starting point and at a faster pace nationally. The 90th percentile Ohio worker earned 3.38 times more hourly than the 10th percentile Ohio worker in 1979, but more than four times more by 2004. Inequality is even higher nationally, with the ninetieth percentile worker earning 4.41 times as much as the tenth percentile worker. While inequality has grown over the long term, it has also grown over the short term, including between 2003 and 2004.

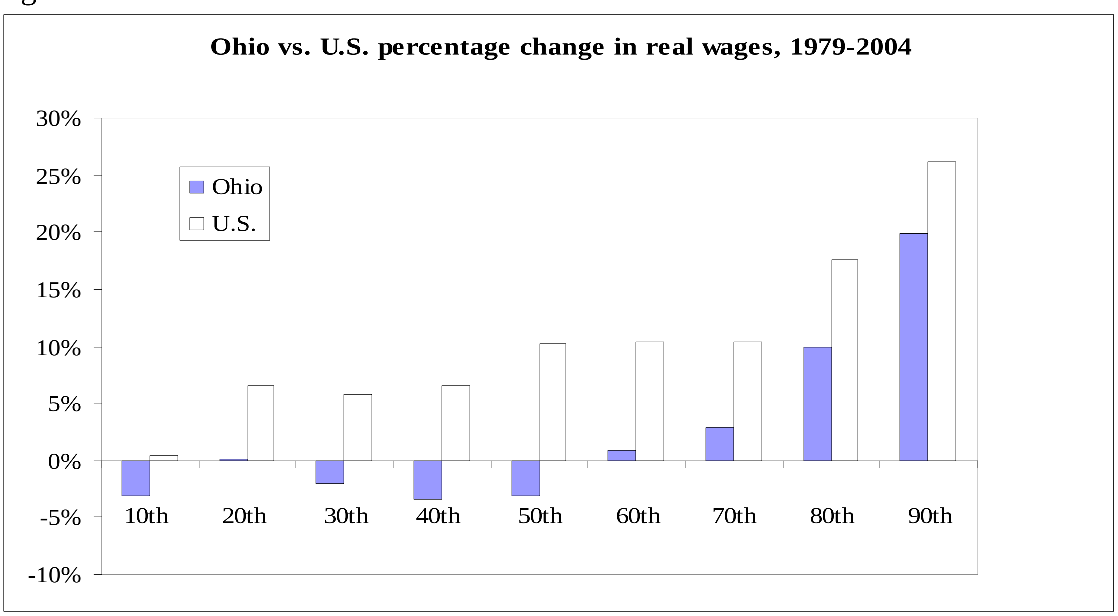
Table 5.1

Inequality in Ohio and the U.S., 1979-2004		
80th percentile wage divided by 20th percentile wage	OH	U.S
1979	2.40	2.50
1999	2.63	2.71
2003	2.62	2.73
2004	2.64	2.76
90th percentile wage divided by 10th percentile wage		
1979	3.38	3.48
1999	4.08	4.30
2003	4.06	4.39
2004	4.18	4.41

Source: EPI analysis of CPS data

Figure 5.2 illustrates the degree to which workers at every income level have fared better in the U.S. as a whole than in Ohio over the past 25 years. Wages have declined for all Ohio workers from the median down, while they've grown modestly for U.S. workers at and below the median. For workers above the median, growth has been at a healthy pace nationally, while it's been quite modest for all but those at the very top of the earnings spectrum in Ohio.

Figure 5.2

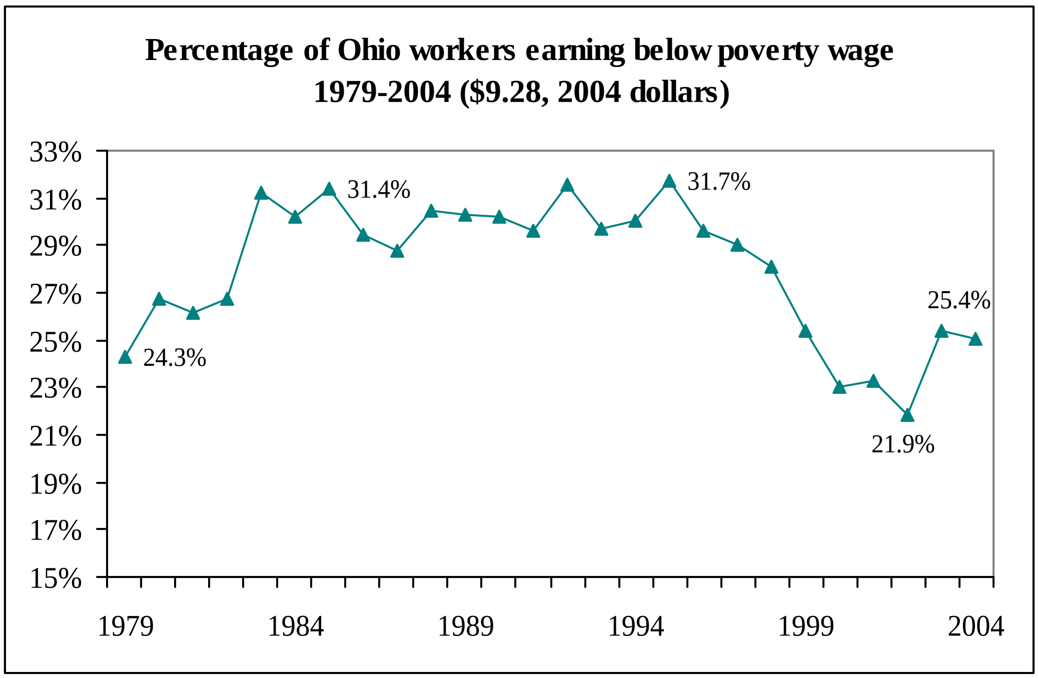


Source: EPI analysis of CPS data

Poverty endures, grows from recent low point

While we should rightly be concerned about those in the middle in Ohio, it is important to understand how the most vulnerable among us are surviving. We have not made the progress we might have hoped for in this regard. Approximately one in four Ohio workers earns less than $9.28 an hour, insufficient to bring a family of four above the official 2004 poverty level of $19,311 with full-time, year-round work. The percentage of Ohio workers earning poverty wages is persistently quite high although never significantly different from that of the nation as a whole. The 2004 level, 25.4 percent, is comparable to levels in the early 1980s but substantially below the nearly one in three levels seen in the late 1980s and early 1990s. The rate has climbed from its recent low of 21.9 percent in 2002. Figure 5.3 shows the percentage of Ohio workers earning this low wage over time.

Figure 5.3



Source: EPI analysis of CPS data

Despite tremendous growth in the economy and its productivity in the U.S. over the past several decades, poverty remains persistently high, particularly for children, although Ohio generally does slightly better than the nation in terms of poverty levels. The percent of people living under the official poverty line fell less than half a percentage point between 1980 and 2004 in the U.S., to 12.7 percent, while it rose in Ohio, from 9.8 percent to 11.6 percent. Children were more likely to be poor than adults and that indicator rose at a steeper rate for Ohio children, to 17.1 percent in 2004, compared to 17.8 percent for the nation. Poverty levels vary with family sizes, but a family was considered to be under the official poverty line in 2004 if their income was less than $15,219 for a family of three, or $19,157 for a family of four.

It is widely accepted that the official poverty thresholds generated by the Census Bureau are woefully inaccurate measures of the amount of money needed to make ends meet. Twice the poverty level tends to be a more accurate level in many areas, including Ohio. In both Ohio and the U.S., slightly less than a third of the population lives below twice the poverty level, though Ohio has a smaller share (28.5 percent) in this position than the country as a whole (31.2 percent). Children are also more likely to be at this income level, with 37.9 percent of U.S. children falling under this threshold, and 36.4 percent of Ohio children at this level. Twice the poverty level would be about $30,438 for a family of three and about $38,314 for a family of four. Table 5.2 provides poverty information.

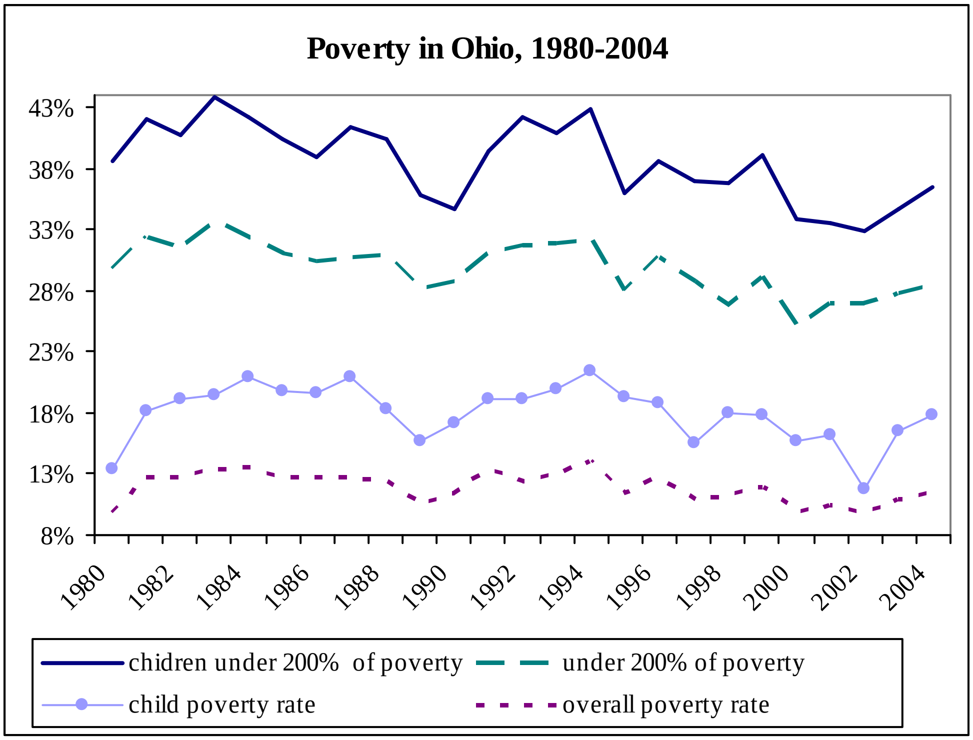
Table 5.2

Poverty indicators, U.S. and Ohio, 1980 and 2004		
	1980	2004
Below poverty		
U.S.	13.0%	12.7%
Ohio	9.8%	11.6%
Children below poverty		
U.S.	18.4%	17.8%
Ohio	13.5%	17.1%
Below 200% poverty		
U.S.	33.9%	31.2%
Ohio	29.8%	28.5%
Children below 200% poverty		
U.S.	42.4%	37.9%
Ohio	38.6%	36.4%

Source: Historical Poverty Tables, U.S. Census

The line graphs for Ohio, below show that poverty levels rose during and after the 1980s recession and again after the 1990s recession. Although these indicators have remained high, all are lower than at their peak levels over the past 24 years, which typically occurred in the early 1990s.

Figure 5.4



Source: Historical poverty tables, U.S. Census, based on CPS

Conclusion

While the United States is not gaining jobs as rapidly as in previous recoveries, Ohio still has fewer jobs than when the recession ended and than when it began. While the country is losing manufacturing jobs and gaining jobs in lower-paying sectors, Ohio is losing manufacturing jobs and failing to gain the same levels of employment in other areas. While the nation is seeing very slow wage growth, Ohio's median wage has actually declined for four straight years.

Changes are needed in both state and national policy if we are to foster an economy that does more for working people and their families.

Policymakers in Washington and Columbus have pursued destructive ideas. These include slashing taxes for the wealthiest; stifling the domestic public sector while growing the military budget and the deficit; distributing economic development largesse with little regard for outcomes; promoting trade agreements that lack basic standards for our trading partners; eliminating environmental standards and promoting sprawl; and failing to invest in the future. These approaches exemplify what we call a low road in public policy.

We conclude with just three bold ideas that would put us on a high road.

I. **Excellent Education**: Many economists have begun to understand what educators have long known. Initial investments in children's development lead to lifetime gains that more than pay for themselves. We should provide universal high quality pre-kindergarten education to all American children; support excellent public schools in both low- and high-income communities; make college affordable for all students who qualify; and offer lifelong learning opportunities that people can access while in their careers. To learn more, click on education at www.epinet.org.

II. **Efficient Energy**: Our short-sighted energy policy makes us dependent on foreign oil; pollutes the environment; hurts our urban centers; eats up our precious green space; sucks resources out of the domestic economy; and steers our foreign policy. Instead, we should embrace the ideas of the new Apollo Alliance, a bold plan to invigorate our economy and free us from dependence on foreign oil within a generation. It would diversify our energy sources by having state and local government purchase from renewable sources like wind, solar, biomass, and geothermal energy. Ohio, with our world-class manufacturing infrastructure and workforce, is poised to be a lead beneficiary from this approach. We can also require that all buildings with any public financing are constructed in ways that will guarantee low energy use and high performance, generating high-skill construction employment in the short term and huge energy savings in the long term. Finally we can reduce sprawl by imposing smart growth policies that revitalize our cities, reduce automobile use, create jobs, preserve the countryside, and make communities more vibrant. To learn more, go to: www.apolloalliance.org.

III. **Equitable and Adequate Taxes**: At both the state and federal level, we have slashed taxes for the wealthiest, shifted taxes from corporations to individuals, and offered profligate tax abatements with little regard to accountability or outcomes. Instead of the mish-mash of state and local taxes that now take a higher share of a middle- or low-income family's paycheck than of a millionaire's, we suggest the five R's. Restore a federal estate tax with a state component. Resist the misguided tax and expenditure limitation that Secretary of State Ken Blackwell now threatens to put on the 2006 ballot. Require localities to limit tax abatements, which have little effect on site location decisions. Reduce reliance on sales, excise and property taxes which take higher shares from modest-income families. Rely instead on income taxes which draw more from those most able to pay. For more, check out the Institute on Taxation and Economic Policy's guide to fair taxes, at http://www.itepnet.org/guide.htm.

Working people and their families in Ohio and America deserve more reasons to celebrate on Labor Day and every day. Embracing these creative solutions is smart policy and good policy, and it's long overdue.

COMMUNITY SHARES

Policy Matters Ohio is a non-profit research institute dedicated to bridging the gap between research and policy in Ohio. Policy Matters seeks to broaden debate about economic policy by providing quantitative and qualitative analysis of issues important to Ohio's working people. Other areas of inquiry for Policy Matters include work, wages, and benefits; education; basic needs; privatization; economic development; energy policy; and tax policy. Generous funding for this project comes from the Joyce Foundation. The St. Ann foundation supports a popular education project conducted in conjunction with this report. We are also grateful to the Gund, Cleveland, and Nord Family Foundations for underwriting other parts of Policy Matters Ohio's work.

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