A Report on Ohio Workers from Policy Matters Ohio

State of Working Ohio 2005
...In Brief

By Amy Hanauer

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.

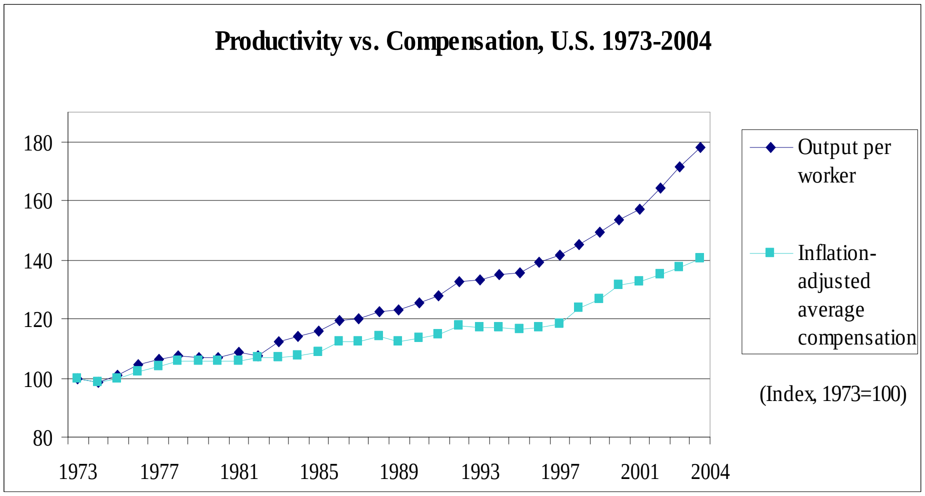
There are two ways to run an economy – a low road and a high road. On the low road, we don't invest in people, distinguish between good and bad jobs, or think long term. Workers are not trained as well as they can be, jobs are low-wage, companies are reluctant to contribute their share to the economy, 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. 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 eventually generate huge windfalls.

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 brief summarizes some of the main findings of the *State of Working Ohio 2005*, a report designed to help us better understand our diverse, promising state. For the full report, go to http://www.policymattersohio.org/.

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 median family increased its hours by 18.4 percent.

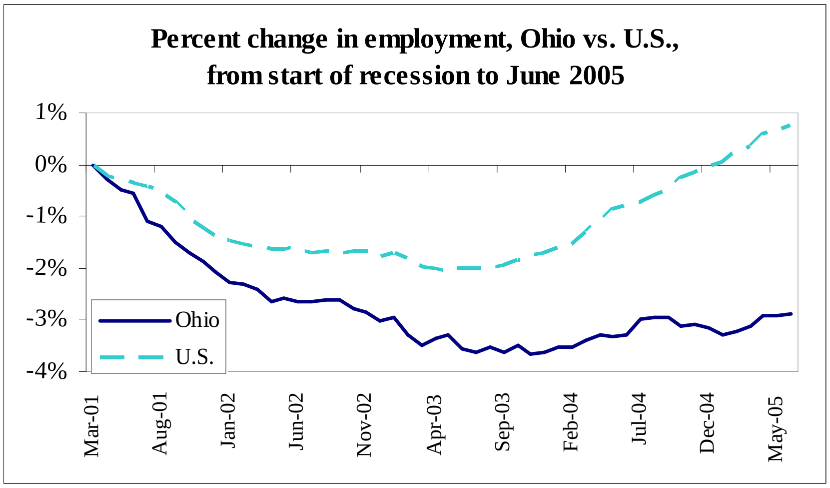
Annual hours worked by median-income families with children, 1979-2002

	1979	1989	2000	2002	Percent increase 1979-2000	Percent decrease 2000-2002
Hours worked	3069	3434	3632	3566	18.4%	-1.8%

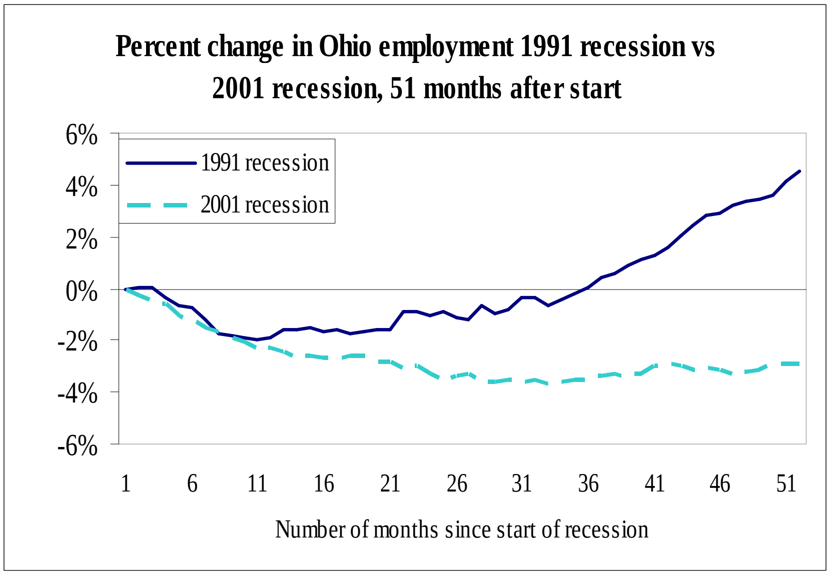
Over just fifteen years, union membership declined from 21 percent of the Ohio labor force and 16.4 percent of the American workforce in 1989 to just 15.2 percent of the Ohio labor force and 12.5 percent of U.S. workers in 2004. Unionization is associated with better wages and benefits for all demographic groups.

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. The figure on the next page shows employment growth in Ohio and the nation between March 2001 when the recession started, and June 2005.



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, as the figure below shows.

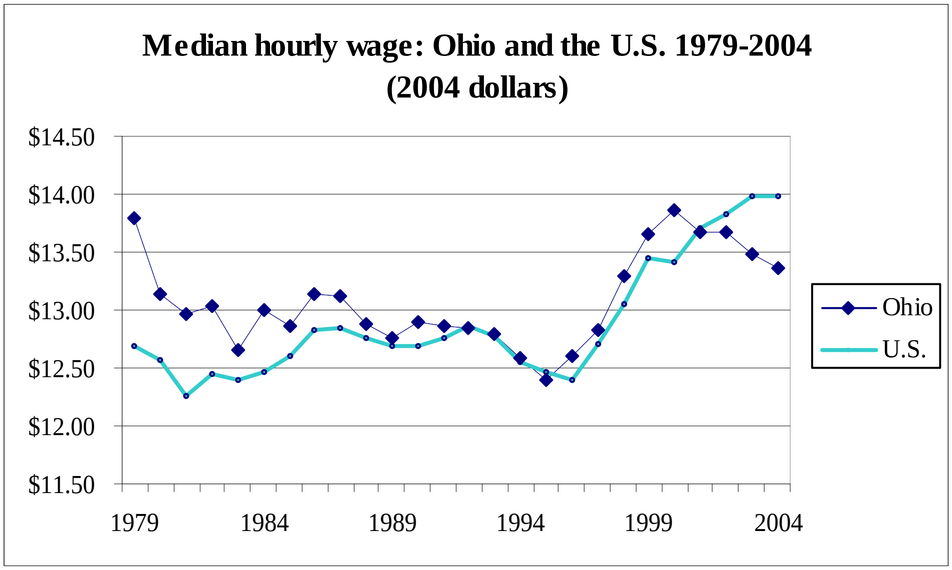


Between 2000 and 2004, Ohio lost 19.2 percent of its manufacturing jobs. For much of 2005, Ohio's manufacturing employment levels were at their lowest point in decades. Ohio and Michigan are distinguished from the nation and from other neighboring states in that they experienced net job losses between 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. 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.

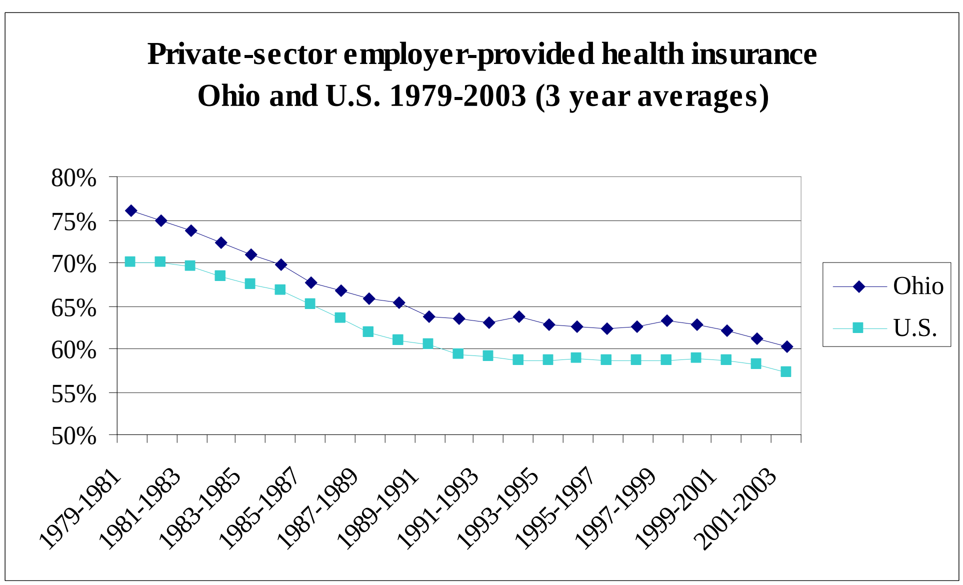
Ohio's median wage now remains consistently below that of the nation as a whole, in contrast to earlier decades. In 2004 Ohio's median wage was $13.37 while the nation's median was $13.99. Since 2001, the median worker nationally has experienced modest wage growth, while the comparable Ohio worker has 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. The figure on the next page shows the two wage trends side by side.



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,as the figure below shows. 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.



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. Unemployment Endures, Inequality Grows, Poverty Persists

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.

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.

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.

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).

Conclusion

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. These approaches exemplify what we call a low road in public policy.

RECOMMENDATIONS

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**: We could create jobs in Ohio while also solving another crucial policy problem. 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 provide the workers that would fuel this initiative. We can also require that all buildings with any public financing are constructed in ways that 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 than they've gotten. Embracing these creative solutions is smart policy and good policy, and it's long overdue.

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