A Report from

Policy Matters Ohio

The State of Working Ohio, 2006

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September, 2006

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Acknowledgements

Without Liana Fox at the Economic Policy Institute, this project would not be possible. I'm also grateful to her colleagues, Jared Bernstein and Michael Ettlinger for insights on policy and the economy. Policy Matters interns Steven Dieterle, Morgan Robinson and Greg Claus provided substantial and cheerful assistance with data gathering and analysis, and other staff at Policy Matters reviewed findings. Thanks as always to Mark, Max and Katrina Cassell for reminding me why a fairer Ohio is worth fighting for. We are extremely grateful to the Joyce Foundation for the funding that underwrites this project and to the St. Ann, Cleveland, and Gund Foundations and the Economic Policy Institute for other support. Any errors in the document are the sole responsibility of the author.

POLICY MATTERS OHIO, the publisher of this study, is a nonprofit, nonpartisan research institute dedicated to researching an economy that works for Ohio. Policy Matters seeks to broaden debate about economic policy by doing research on issues that matter to working people and their families. With better information, we can achieve more just and efficient economic policy. Areas of inquiry for Policy Matters include work, wages, education, housing, energy, tax and budget policy, and economic development.

Figures and Tables

Executive Summary

We are now nearly five years into a national economic recovery and some commentators have begun to talk about a potential downturn. For workers in Ohio, this is the recovery that wasn't. The state has fewer jobs and lower real median wages than it had in 2000, before the most recent recession. Yet in many ways the American and Ohio economies are at heights of productivity and profitability. We have the resources to create a more prosperous and fair Ohio, but the vast majority of the benefits are going to a very limited number of societal winners. Key findings of the State of Working Ohio 2006 include:

View from the nation: More productive, profitable, diligent and unequal

- American productivity rose sharply in recent years. After growing 1.4 percent a year from the mid-1970s to the mid-1990s, hourly output per worker grew 2.5 percent a year from 1995 to 2000, then leapt to 3.3 percent a year from 2000 to 2005.

- Working Americans work more than they did a generation ago with the average employee working 9.5 percent more hours in 2004 than the average worker did in 1979. More people have joined the workforce: Parents in middle-income married families with children added a combined total of 539 more work hours or more than thirteen work weeks per year. Work hours have declined since the economic peak in 2000.

- Inflation-adjusted corporate profits rose by 50 percent in just the five years between 2001 and 2005, to $931.4 billion.

- In 2004, U.S. stocks were held unequally -- more than 78 percent by the wealthiest 10 percent and more than one third by the wealthiest one percent. Middle-class families – those between the 40th and 60th percentiles -- held less than 2 percent of U.S. stocks.

Growing Gross State Product

- Ohio's inflation-adjusted gross state product grew sharply in recent years to $394.9 trillion (chained 2000 dollars) in 2005, ranking us seventh among states (the same as our population). Ohio's gross state product grew by 22.3 percent from 1990 to 1997, and then grew by an additional 12.7 percent between 1997 and 2005.

- Nationally, real GSP per worker grew 10.0 percent from 1990 to 1997 and 6.4 percent from 2001 to 2004, to end at $62,685 in 2004 (in chained 2000 dollars). In Ohio, GSP per worker grew 10.4 percent in the first period and 7.3 percent in the second period to end at $58,053 in 2004 (this equates to $65,840 in 2005). Ohio ranked 26th among states in 2004 GSP per worker.

Ohio workers

- Women have substantially increased labor force participation rates since 1979, with more than 61 percent of Ohio women over age 16 in the labor force by 2005. Although men still take part in the labor market to a greater extent than women, men's labor force participation has declined by 7.2 percentage points since 1979, from nearly 80 percent to 72.4 percent by 2005. Men's labor force participation declined during each economic downturn, but failed to fully rebound during recoveries.

- As has been the case for some time now, Ohio workers are more likely to have finished high school than their national counterparts, but less likely to have finished college. Education levels in Ohio and the nation have grown dramatically in the past generation.

Job and wage growth: the recovery that wasn't

- The national job growth during the economic expansion since the end of the 2001 recession has been weaker than job growth in any other postwar recovery period on record. Sixty-five months after the start of the 1990s recession, the country had more than 7.6 percent more jobs than had existed at the recession's start but this time the nation has added just 2.1 percent to its jobs.

- In November 1995, 65 months after the start of the 1990s recession, Ohio had added 7.2 percent to its job levels. As of July, 2006, the same point in the cycle, we remain more than 2.6 percent below our pre-recession job levels. Ohio could be faced with the daunting situation of having fewer jobs at the height of an expansion than it had before the previous recession.

- Ohio's median wage rose last year after several poor years, to $14.08 per hour in wages in 2005, less than in 1999-2002 and less than in 1979, but more than in other intervening years in inflation-adjusted dollars. The U.S. median wage was $14.28 in 2005, a decline from the previous year.

- Ohio's unemployment rate declined slightly between 2004 and 2005 for an annual rate of 6.0 percent in 2005, well below heights seen in the early 1980s but still fifty percent higher than before the start of this recession. Many men have dropped out of the labor market in recent years. If they were actively seeking employment, the unemployment rate would be significantly higher.

Distribution: A starkly unequal economy

- Ohio income inequality is not as high as that of the nation as a whole but we remain a starkly unequal economy. The top one percent of income tax returns in Ohio in 2006 (for 2005 earnings) had an average value of more than $760,000. This was 75 times what a household among the bottom twenty percent earned and twenty times what a filer in the middle twenty percent earned on average in 2005. This inequality has spiked since 1988.

- Wage inequality seems modest compared to income inequality, but is still extreme. Earners at the 90th percentile earned $29.03 per hour in 2005, more than four times what earners at the 10th percentile earned ($7.17). Middle-income workers have also not seen wage growth since 1979. Upper-middle earners have seen only small gains (24 cents an hour at the 60th percentile and 51 cents per hour at the 70th percentile). Large gains have been reserved for the very top, where workers at the 90th percentile earn $4.00 more per hour.

- Ohio women's median wages rose slightly last year but a 25 percent gender wage gap remains. At the median, men earn $15.68, compared to just $12.52 for women.

- The median black worker wage rose 3.6 percent in Ohio last year, the biggest increase since 2000. White workers earned $14.62 at the median, 17.4 percent more than the $12.45 that median black workers earned in 2005. This gap is well above the racial wage differential in the more equitable 1980s and early 1990s, but lower than in any year since 1995.

- Workers without a high school degree earn just $9.02 an hour in Ohio, while those with at least a college diploma earn $21.06 on average. Although the return to education has grown over time relative to having less education, the wages of those with a bachelor's degree have not grown since 1999. The median wage of college graduates fell in 2005. Obtaining additional education is one of the surest ways to garner higher wages. However, returns to a BA have not continued to grow in recent years.

Understanding our economy is the first step to ensuring that it becomes more fair and prosperous. The State of Working Ohio 2006 is designed to increase our understanding of the strengths that Ohio and America's economies offer, and to explore ways that those strengths can be better shared. We end with seven suggestions to make 2007 a better year for Ohio workers.

Introduction: The Recovery that Wasn't

We are now nearly five years into a national economic recovery. In recent months, some commentators have begun to argue that expansion may soon slow, with some even predicting another recession.[1] For workers in Ohio, this is the recovery that wasn't. This state has fewer jobs and lower real median wages than it had in 2000, before the most recent recession. What's at the root of the stagnant wages, lack of job growth, and other dismal outcomes for workers in Ohio?

The first part of the answer is that workers nationally haven't done very well either. Despite national productivity growth of 3.3 percent a year between 2000 and 2005 and a staggering fifty percent increase in real after-tax corporate profits, the national employment rate remains below its 2000 peak.[2] The typical family nationally had a lower real income in 2005 than it had in 2000, and national hourly median wages have also not grown much since 2000. According to the State of Working America 2006-2007 the number in poverty nationally grew by 5.4 million between 2000 and 2004, while the number without health insurance grew by six million.

Many recent trends are worse in Ohio. While the U.S. did finally climb above its 2000 employment levels in early 2005, Ohio still has not done so. While U.S. wages are below their peak levels at the start of this recession, Ohio has real wages that are both lower than at their peak earlier this decade and lower than they were at the base point in 1979. Unemployment, too, is higher in Ohio.

Of course, there are other ways in which Ohio continues to better serve workers than the U.S. Our poverty rates are lower, workers here are more likely to have health insurance and pension coverage through their employer, and inequality is not as high. Last year Ohio workers saw wage gains (after several weak years) and the gender and racial median wage gaps narrowed slightly in 2005. But the fact is that in both Ohio and the U.S., workers are not reaping the rewards they deserve, given other strengths in the economy.

Between World War II and the late 1970s, productivity grew and American incomes and equality grew along with it. Since 1979, however, productivity and income growth have diverged, with much of the gains from high productivity going only to the very wealthiest. That trend, disturbing enough between 1979 and 1999, has accelerated in this millennium.

Many commentators rightly applaud when they see productivity gains. But productivity growth alone does not guarantee better living standards for most Ohioans. To bring about those better living standards, we must have solid wage floors (the proposed minimum wage increase will help in this

[1] Brickey, Homer, Toledo Blade, "Another recession would cause pain but also yield gain", August 1, 2006; Norris, Floyd, New York Times, "A Car-Sales Indicator Suggests a Recession Is Near or Already Here", August 19, 2006

[2] The extremely high productivity growth through the end of 2005 may have begun to slow in 2006. Nonetheless, wage growth still lags far behind productivity growth, and real wages also declined in the first six months of 2006.

regard), strong collective bargaining (the erosion of union membership works against this) and good job growth.

For most of the post-New Deal 20th century, America and Ohio had a system that allowed a lot of market freedom, but that kept in place some basic public structures to protect workers. We had a reasonable – if modest – minimum wage, an unemployment insurance system that provided a buffer for many workers, a bare-bones welfare system that met the most basic needs of destitute families with children, a system of international trade in which American-made products were very competitive and a set of social norms in which many workers could expect to stay with one employer throughout their lifetimes, with a career ladder and access to health insurance and pension through that employer. Not all workers had that kind of job, but in Ohio, many working class families could reasonably expect to get a job that paid the mortgage, was secure, and would bestow raises, a pension, and health insurance for a family.

This set of public and private structures led to a fast-growing economy with rising productivity and rising living standards for most families throughout the period after World War II. The poor should have been better cared for, education could have been more equitable, race and gender barriers loomed large, we could have done more to keep our cities vital and we didn't heed early warnings to reduce dependence on foreign and high-polluting energy. But if things weren't perfect, many trends still seemed to be moving in the right direction. Formal barriers for women and minorities were being dismantled, tolerance was gradually increasing, safety nets were being woven, environmental awareness was emerging and incomes across the board were growing.

However, in recent decades, the federal government has been, as a 2003 article put it, rolling back the 20th century.[3] They've allowed the federal minimum wage to deteriorate to its lowest real value in more than fifty years. Both private employer practice and National Labor Relations Board actions substantially weakened unions, reducing workers' ability to push for better compensation.[4] The two parties collaborated to place significant limits on welfare, eliminating one source of basic support for parents who couldn't find decent jobs. Federal policymakers – again from both parties – established new trade regimes that encourage wide movement of jobs to lower-wage, less-regulated developing nations without attention to consequences to American communities or to worker and environmental well-being elsewhere.

It is past time to resume moving forward instead of moving backward. Our parents and grandparents faced challenges, and America acted to help them meet those challenges. We tackled the Great Depression, two world wars, legal segregation, entrenched racial animosity, abject poverty among the elderly, and a lack of physical infrastructure. We rose to those challenges and among the results were the minimum wage, unemployment compensation, a system to aid destitute families, a social security

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[3] Greider, William, "Rolling Back the 20th Century", *The Nation* magazine, May 12, 2003.
[4] See, for example, The Great U-Turn: Corporate Restructuring and the Polarizing of America by Bennett Harrison and Barry Bluestone, March 1990.

program, and some forms of environmental protection. With those accomplishments to look back on, we can certainly engage the challenges we face today.

We are too dependent on foreign oil, threatening us environmentally, militarily and economically. We've allowed inequality to skyrocket. We have lost some of the best jobs available, yet we've imposed trade policies that don't adequately consider ways to staunch the outflow of jobs or compensate those who've lost them. Higher education has become essential to many jobs, yet we haven't done enough to allow those of modest means to access more education.

It is not too late to begin directing our substantial resources toward creating a better educated, fairer, more prosperous Ohio. But determining where to transform policy must begin with understanding our problems. This 2006 edition of the State of Working Ohio begins to take stock of trends facing Ohio employees and their families.

Data and Definitions

Most studies examine averages. We instead focus primarily on the median, 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. 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. While wage income is important to track, looking at it alone can understate inequality, so we look at tax return data in this year's report as well.

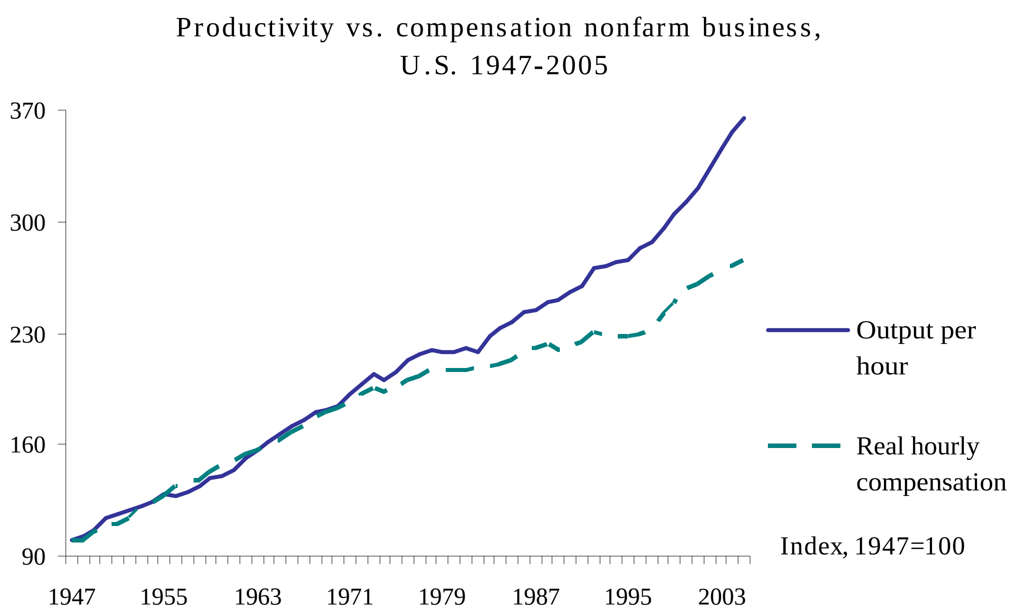
Real dollars are dollars that are adjusted for inflation. Nominal dollars are not adjusted. This report always adjusts to the most recent year (usually 2005), except for gross state product numbers which are typically expressed in chained 2000 dollars. Adjusting for inflation makes it possible to make accurate comparisons between years. We use the CPI-U-RS series to do this adjustment.

Along with medians, we sometimes divide the workforce into 100 equal parts, called percentiles. These are described in the text. We use the Current Population Survey (CPS) of the U.S. Census to gather data on wages, unemployment, and poverty. A new study finds that the CPS significantly undercounts poor, non-working adults, thereby overstating employment and understating poverty, unemployment and some disparities. The full paper is available at www.cepr.net. Despite its limitations, the CPS remains the best or only source for the measures we discuss. We use the Current Employment Statistics (CES) survey, sometimes called the establishment or employer survey, to determine levels of payroll employment, the best source for such data.

Section 1: Productivity and Profits

American workers are more productive than ever before and productivity has been rising sharply in recent years. After growing 1.4 percent a year from the mid-1970s to the mid-1990s, hourly output per worker grew 2.5 percent a year between 1995 and 2000, then leapt to 3.3 percent a year from 2000 to 2005. This rising productivity, considered an essential ingredient needed for compensation growth, hasn't resulted in the increased compensation that one might expect from American history. From the late 1940s through the late 1970s, productivity grew at a healthy pace overall, and real hourly compensation per worker grew at the same speed, as Figure 1.1 shows. But since the 1970s, worker output has dramatically outpaced employee compensation. The divergence between the two trends is particularly steep in the past five years.

Figure 1. 1



Source: Policy Matters Ohio analysis of Bureau of Labor Statistics data

In addition to producing more during hours worked, American workers are putting in more hours, measured a variety of different ways. Working Americans are putting in more hours per week, more weeks per year, and more hours per year than they did a generation ago. In fact, the average employee worked 9.5 percent more hours in 2004 than the average worker did in 1979. This overall increase is substantial, despite the fact that hours of work have declined since the economic peak in 2000, indicating that workers would be contributing even more time to the workplace if those work hours were available.

Table 1. 1

Average hours worked, individual workers, U.S. , 1979-2004			
	Hours per year	Weeks per year	Hours per week
1979	1,703	43.8	38.8
1989	1,783	45.4	39.3
1995	1,827	45.9	39.8
2000	1,876	46.9	40.0
2004	1,864	47.1	39.6
Increase, 1979 to 2004	9.45%	7.53%	2.06%

Source: Economic Policy Institute analysis of Current Population Survey data

While each worker is putting more time in, more of us are also working. For middle-income married families with children, husbands added 61 hours to their year between 1979 and 2004, while wives added 478 hours annually, for a combined total of 539 hours added to the work year for middle income families. This equates to more than thirteen more weeks of work for families. Again, both husbands and wives in middle-income families worked even more during the year 2000, at the economic peak, but there has nonetheless been a substantial increase in work being done by the median-income married family nationally.

Table 1. 2

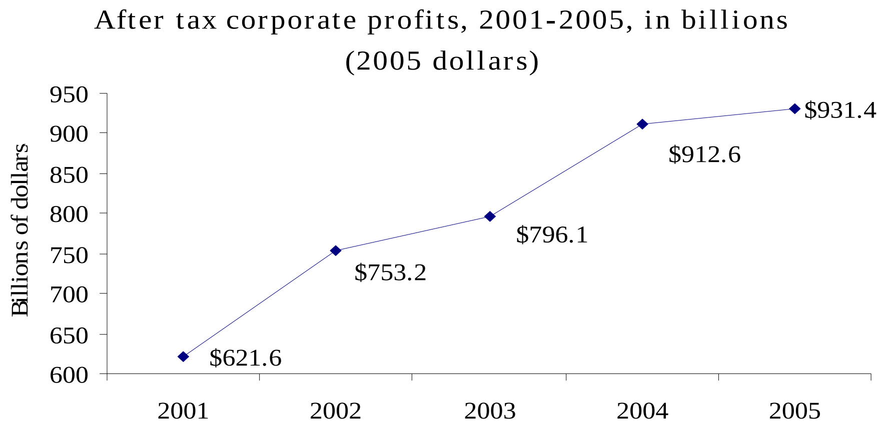
Annual hours of work, husbands and wives, 25-54, with children, middle income fifth 1979-2004			
	Husbands	Wives	Combined
1979	2,134	849	2,983
1989	2,196	1,168	3,363
2000	2,220	1,385	3,605
2004	2,195	1,327	3,522
Change 1979 to 2004	61	478	539

Source: Economic Policy Institute analysis of Current Population Survey data

As much of the rest of this booklet will document, the typical worker has not seen many of the gains of increased productivity and work hours. The next several figures provide some clues as to where those benefits have gone.

As Figure 1.2 shows, corporate profits rose by a breathtaking 50 percent in just the five years between 2001 and 2005, when adjusted for inflation. By 2005, after tax corporate profits in the United States were an astonishing $931.4 billion, up from $621.6 billion just four years earlier. This has occurred over a time frame when median wages, in both Ohio and the United States, were flat.

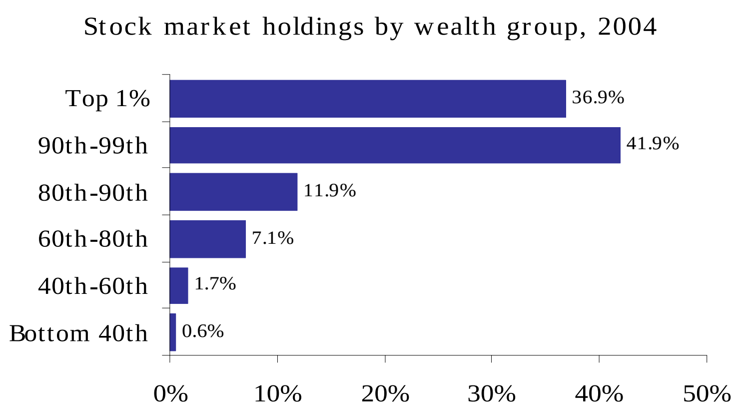
Figure 1. 2



Source: Policy Matters Ohio analysis of Bureau of Economic Analysis's National Income and Product Accounts data

When profits skyrocket as they have in the past five years, stockholders are the primary beneficiaries. Unfortunately, most Americans own little if any stock. In fact, as of 2004, more than 78 percent of stocks were owned by the wealthiest 10 percent of the American population. More than a third of stock holdings were held by the wealthiest one percent of Americans in that year. Middle-class families – those between the 40th and 60th percentiles, held less than 2 percent of stocks in the country in 2004 as Figure 1.3 shows.

Figure 1. 3



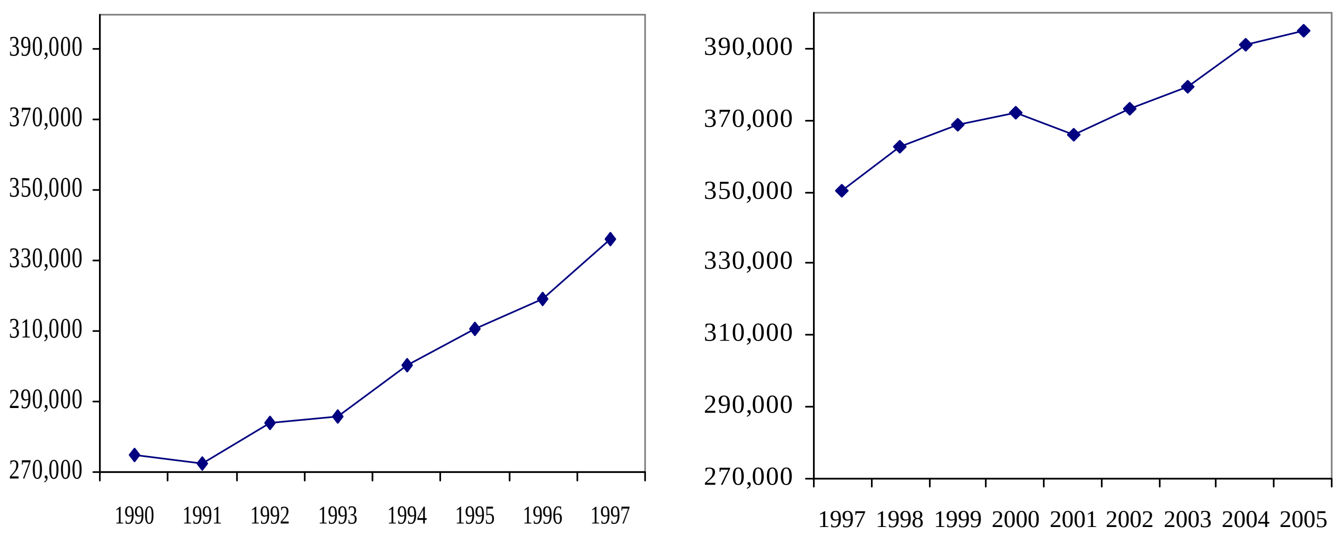
Source: Economic Policy Institute's State of Working America 2006-2007

So while it's clear that productivity, profits, and stock returns nationwide have skyrocketed, primarily benefiting the very wealthy, some might fear that Ohio has not taken part in this growth in wealth or productivity. But, in fact, despite concerns about the state economy, Ohio's gross state product has grown sharply when adjusted for inflation, in both recent years and since the 1990s. Ohio's gross state product of $394.9 trillion dollars ranked seventh among states in 2005 – the same as our rank in population.

Figure 1.4 breaks the growth in gross state product (GSP) into two parts because a 1997 change in data collection complicated comparisons between prior and subsequent years.[5] Ohio's gross state product grew 22.3 percent from 1990 to 1997, and grew an additional 12.7 percent between 1997 and 2005. This 35 percent GSP growth occurred at a time when median hourly wages grew by about 7.5 percent.

Figure 1. 4

Ohio Real Gross State Product (millions of chained 2000 dollars),
1990-1997 and 1997-2005



Source: Bureau of Economic Analysis, U.S. Department of Commerce, at www.bea.gov/bea/regional/gsp/default.cfm?series=NAICS

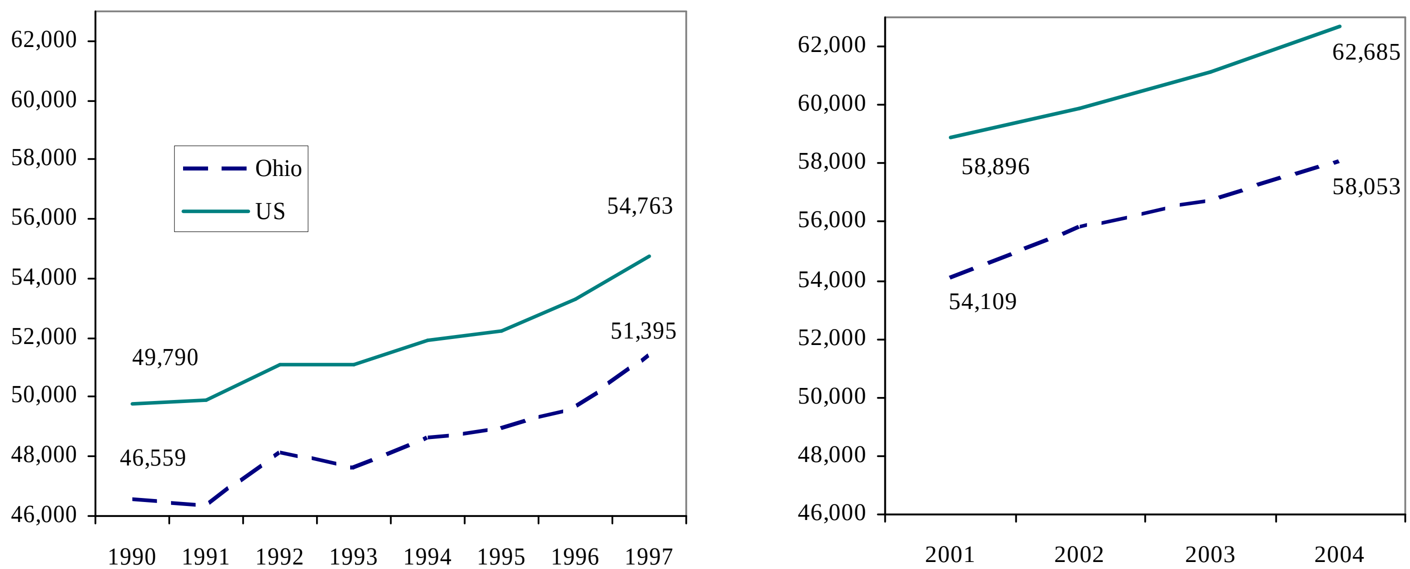
Gross State Product per worker has also grown at a healthy pace in Ohio, although from a lower starting point than national GSP per worker. Nationally, real GSP per worker grew 10.0 percent from 1990 to 1997 and 6.4 percent from 2001 to 2004, to end at $62,685 in 2004 (in chained 2000 dollars). In Ohio, GSP per worker grew 10.4 percent in the first period and 7.3 percent in the second period to end at $58,053 in 2004 (this equates to $65,840 in 2005). Ohio ranked 26th among states in GSP per worker in 2004. Per worker GSP estimates are not available for the period between 1997 and 2001.[6]

[5] There is a discontinuity in the GSP time series at 1997, where the data change from SIC industry definitions to NAICS industry definitions. Users of the GSP estimates are strongly cautioned against appending the two data series in an attempt to construct a single time series of GSP estimates for 1963 to 2005. Note that for the Ohio GSP, there are two different numbers for 1997, one as part of the first way of counting and the other as part of the second. It is valid, nonetheless, to discuss the increase within each time series, as we do here.

[6] Employment data from the Bureau of Economic Analysis are available by SIC code until 2000 and by NAICS code from 2001-2004. However, Gross State Product by SIC is only available until 1997.

Figure 1. 5

Real Gross State Product per worker, Ohio and U.S.
1990-1997 and 2001-2004 (chained 2000 dollars)



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Section 2: Ohio Workers

The Ohio labor force differs somewhat from that of the U.S. as a whole in racial and educational composition, but only slightly in gender and age composition, as Table 2.1 shows. Women make up a bit more of the Ohio labor force (48 percent compared to 46.4 percent nationally). The age composition of the Ohio and U.S. labor force is similar, with close to 70 percent of workers falling between the ages of 25 and 54, although Ohio has a slightly higher proportion of workers under age 24 and a slightly higher percentage in the older two age categories. While black workers comprise a similar proportion in the state and the nation (about 11 percent), Hispanic and Asian workers make up a significantly greater part of the national labor force (18 percent combined) than they comprise in Ohio (just under four percent). However, Ohio's small Asian and Hispanic population base is, like the nation's, growing rapidly – the Asian population increased by 35.6 percent between 2000 and 2005, and the Hispanic population increased by 19.5 percent. As in the past, Ohio workers are more likely to have finished high school but less likely to have finished college than workers nationally.

Table 2. 1

Labor force demographics, 2005

Gender	United States	Ohio
Male	53.6%	52.0%
Female	46.4%	48.0%
Age		
16-24 yrs	14.9%	16.2%
25-54 yrs	68.8%	67.4%
55 yrs and older	16.2%	16.4%
Race / ethnicity		
White	69.6%	84.4%
African-American	11.0%	10.5%
Hispanic	13.3%	2.4%
Asian/Pacific islander	4.3%	1.2%
Education		
Less than high school	12.4%	9.8%
High school	30.1%	37.6%
Some college	28.6%	28.2%
Bachelor's or higher	28.9%	24.3%

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

Men, Hispanic and Asian adults, and those with more education have higher rates of labor force participation than other demographic groups in Ohio. Levels of workforce participation are shown in Table 2.2, alongside employment to population ratios. People are considered to be participating in the labor force if they are either employed, or unemployed (actively seeking work), but not if they are in school full-time, caring for children, retired, or discouraged and no longer seeking work. Labor force participation is measured as a percent of all individuals over age 16, so if a growing share of a population is of retirement age, labor force participation rates can decline even if an equal percent of people between 16 and 65 are employed. In the key working age demographic of 25 to 54, 83.8 percent of Ohioans are employed, but as Table 2.2 shows, rates are lower when examining all Ohioans over age 16, as these measures do. Black workers have comparable levels of labor force participation to white workers, but are quite a bit less likely to be employed (57.1 percent employment, compared to 63.2 percent for whites)

Table 2. 2

Working in Ohio, 2005

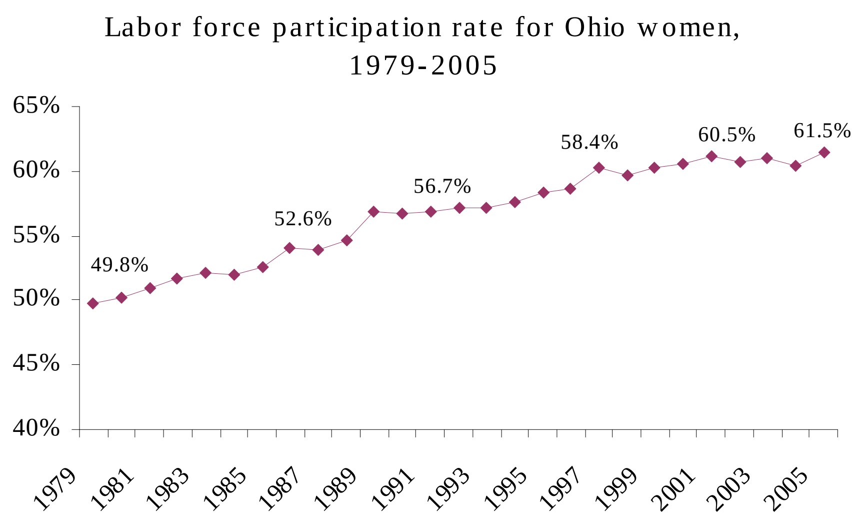
Gender	Labor force participation	Employment to population ratio
Male	72.4%	67.9%
Female	61.5%	58.0%
Race / ethnicity		
White	66.6%	63.2%
African-American	65.6%	57.1%
Hispanic	75.2%	68.6%
Asian/Pacific islander	69.6%	67.1%
Education		
Less than high school	40.2%	34.4%
High school	66.3%	61.8%
Some college	73.7%	70.2%
Bachelor’s or higher	80.0%	78.0%

Source: Economic Policy Institute analysis of CPS data

Women have substantially increased their labor force participation rate since 1979, with more than 61 percent of Ohio women over age 16 in the labor force by 2005, compared to just under 50 percent in 1979. Of course, 50 percent still reflects substantial workforce participation, particularly when one remembers that older teenagers and retirement-age adults are represented in the population being considered. Some women, particularly from lower-income, single-parent, or minority families have always worked. However, it is more the norm today than in the past.

The national media has made much of declines in women’s labor force participation during the early 2000s, asking whether it signaled a permanent shift. However, it seems more likely that women left the labor force during the most recent recession for the same reasons that men’s labor force participation always declines during recessions – some of those who lose jobs and don’t expect to find comparable replacement positions choose to return to school, take care of family responsibilities, or just wait out the bad job market. This is one reason why the unemployment rate can fail to fully reflect problems in the labor market – some of those who drop out of the labor force would clearly work if they thought work were available – and when job growth begins to pick up, they tend to re-enter the labor market, as women in Ohio have in the last year. Ohio women's labor force participation has now increased again and is slightly above its pre-recession levels, as Figure 2.1 shows, which is similar to national trends.

Figure 2. 1

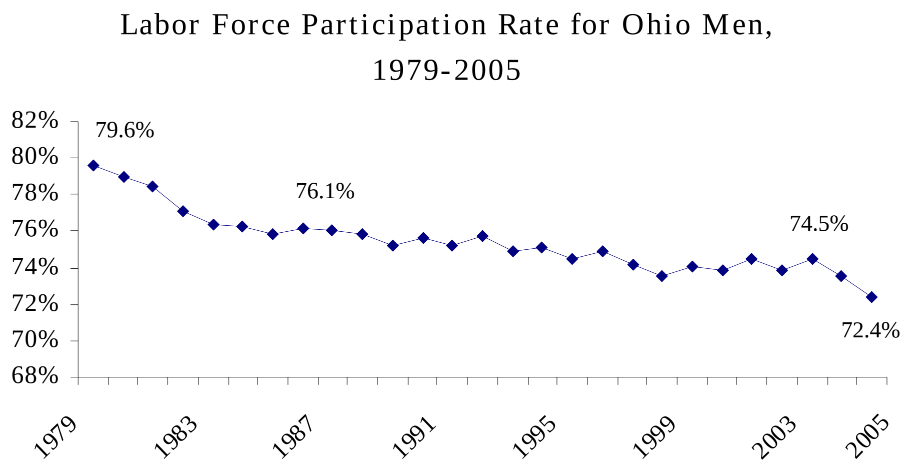


Source: EPI analysis of CPS data, includes all women over age 16

While the labor force participation rate of Ohio women has risen (by 11.7 percentage points since 1979), it has declined for Ohio men (by 7.2 percentage points) as Figure 2.2 shows. Note, however, that the axes are different on the charts above and below – men still take part in the labor market to a significantly higher degree than women in Ohio and men's participation has not fallen as much as women's has risen. Nearly 80 percent of Ohio men over 16 were in the labor force in 1979, which had fallen to 72.4 percent by 2005. Men's labor force participation declined during each economic downturn (in the early 1980s, early 1990s and early 2000s) as manufacturing jobs left Ohio. But in the wake of each recession, male labor force participation in Ohio did not rebound to its previous levels. As the book The Disposable American by Louis Uchitelle chronicled, men who have lost higher-paying jobs may have great difficulty re-entering the workforce at jobs that are much less well-compensated.[7] For the typical family, having a man leave the workforce and a woman enter does not result in an economically neutral outcome, as the median man is much better compensated than the median woman. Men's labor force participation rate continued to decline in 2005, even as women's participation increased. This may be a reflection of continued poor growth in manufacturing employment and other male-dominated fields. Men's labor force participation is at an historic low in 2005, a reflection that some workers who are not counted in the official unemployment rate would likely be working if good jobs were available.

[7] Uchitelle, Louis, *The Disposable American*, Knopf, March, 2006.

Figure 2. 2



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

As has been the case for some time now, Ohio workers are more likely to have finished high school than their national counterparts, but less likely to have finished college. While 27.2 percent of adults nationally have at least a bachelor’s degree, only 23.3 percent of Ohio adults have at least a four-year degree. Table 2.3 takes a detailed look at educational attainment in Ohio and the U.S.

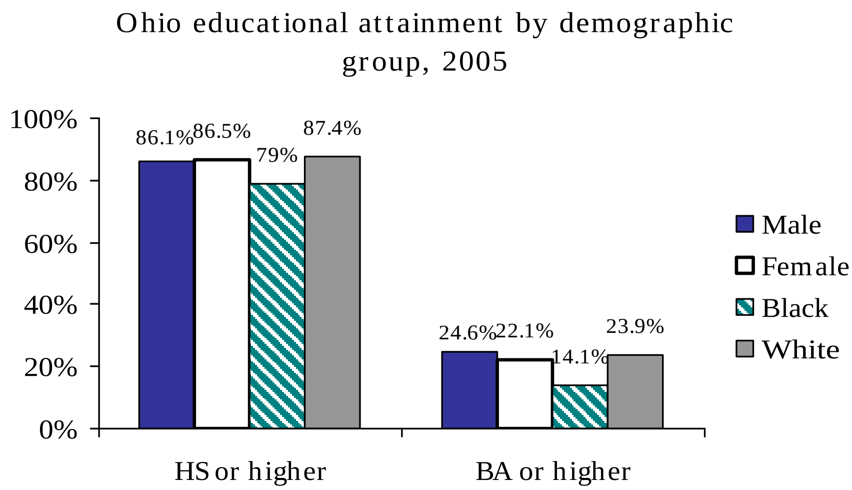
Table 2. 3

Educational attainment, residents age 25 and older, 2005		
	United States	Ohio
Less than high school	15.8%	13.7%
High school diploma only	29.6%	36.7%
Some college	20.1%	19.4%
Associate's degree	7.4%	7.0%
Bachelor's degree	17.2%	14.8%
Graduate or professional degree	10.0%	8.5%

Source: U.S. Census Bureau, 2005 American Community Survey

Educational attainment differs by demographic in Ohio with black adults having substantially less high school and college completion than white adults. Male workers are also more likely to have a bachelor’s degree than female workers in Ohio. While the rate of high school and college completion remains much lower than it should be, particularly for African Americans, it is important to recognize that education levels have grown dramatically in the past generation. Comparisons are difficult because the federal government has changed the way it collects this data, but as of 1979, using Current Population Survey data, only 66.9 percent of Ohioans over age 25 had a high school degree and only 14.7 percent of Ohio adults had a college degree. Although the surveys differ, it is clear that high school completion has risen dramatically, from 67 to more than 86 percent, and that college completion has also jumped, from under 15 to over 23 percent in Ohio. Figure 2.3 compares educational attainment by demographic for 2005.

Figure 2. 3

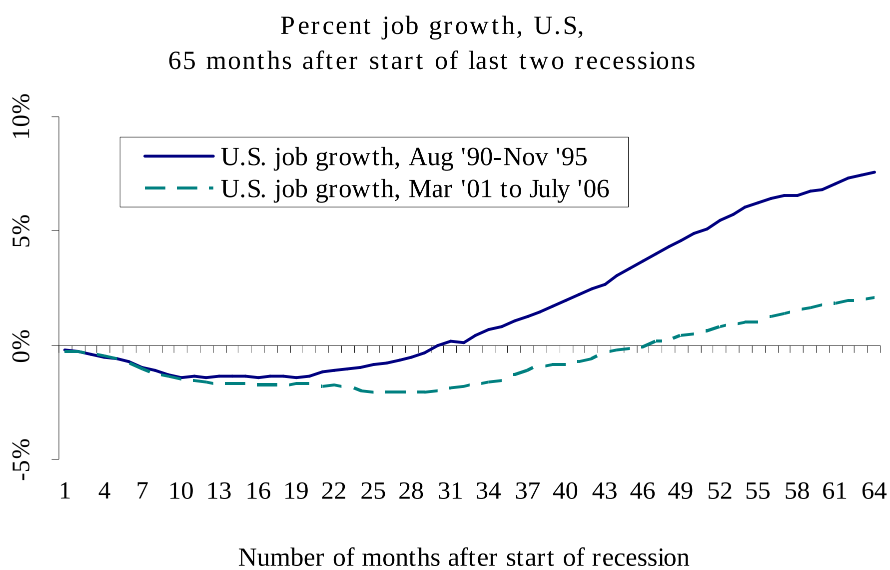


Source: American Community Survey 2005

Section 3: Where are the Jobs?

Although we are nearly five years into an economic expansion nationally, the nation is not adding jobs at a rate that is comparable to historic job growth levels during expansions. The national job growth during the economic expansion since the end of the 2001 recession has been weaker than job growth in any other postwar recovery period on record. The expansion of the 1990s, dubbed at the time as a "jobless recovery" added many more jobs at a much faster and more robust rate than the national job market has done during this expansion. Figure 3.1 shows U.S. job growth 65 months after the start of the 1990s recession, compared to job growth as of July 2006, which was 65 months after the start of the 2001 recession. As the figure shows, the nation began adding jobs sooner, returned to its pre-recession job level sooner, and had added far more jobs by the time five years and five months had passed. At that point after the 1990s recession, the country had more than 7.6 percent more jobs than had existed at the recession's start. This time the nation has added just 2.1 percent to its jobs. Recoveries prior to the 1990s had much better job growth, on average, than either of the last two recoveries.

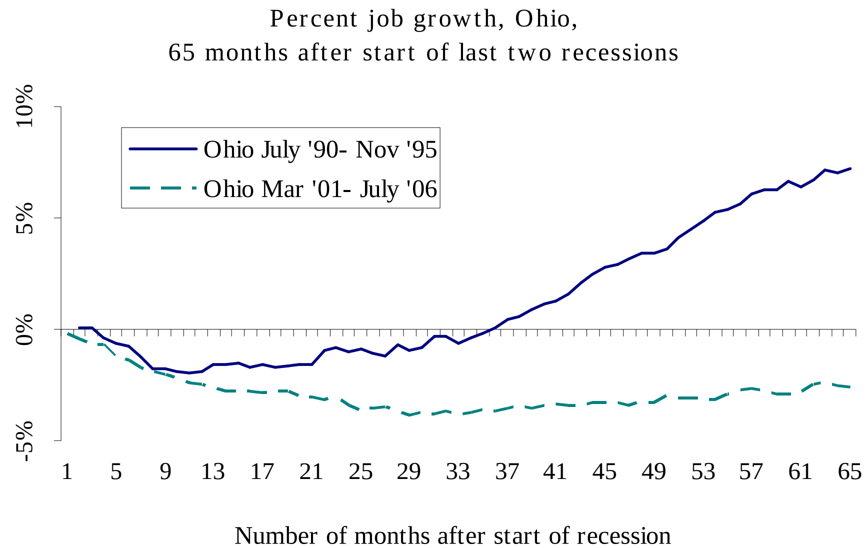
Figure 3. 1



Source: EPI analysis of Employer Survey, U.S. Department of Labor

Although some parts of the job market stayed weak in the 1990s, Ohio job growth still recovered from the 1990s recession much more quickly and with more strength than it has during this expansion as Figure 3.2 shows. In November 1995, 65 months after the start of the 1990s recession, Ohio had added 7.2 percent to its job levels – still slightly below the nation but dramatically better than in this expansion, when we remain more than 2.6 percent below our pre-recession job levels.

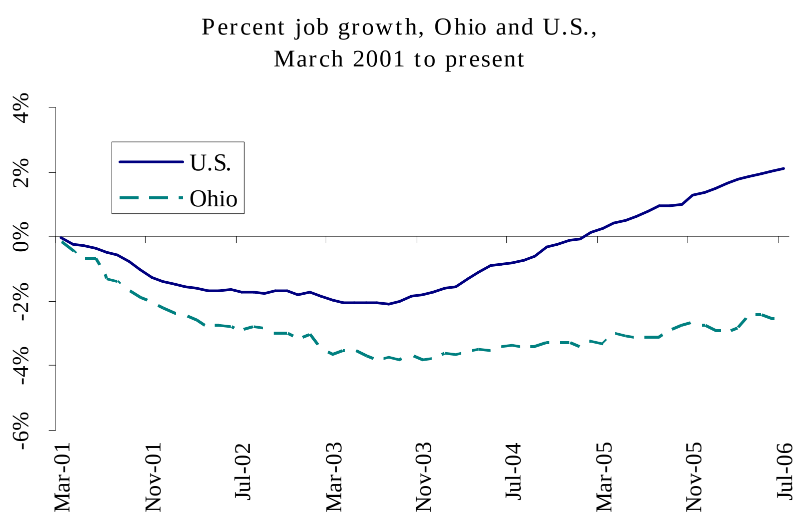
Figure 3. 2



Source: EPI analysis of Employer Survey, U.S. Department of Labor

While national job growth performance during this recovery has been dismal by historic standards, Ohio nonetheless lags far behind the nation, as Figure 3.3 shows. The 2.1 percent U.S. job growth since the start of the most recent recession is weak and helps explain other poor results for national worker well-being. But Ohio, with its 2.6 percent decline in job numbers since the recession's start, is in a different situation altogether. For Ohio workers, recovery, if defined as reaching the previous peak, is not yet complete. Expansion, if defined as surpassing past performance, has not yet begun. As some national commentators begin to talk about a possible economic slowdown, Ohio could be faced with the daunting situation of having fewer jobs at the height of an expansion than it had before the previous recession.

Figure 3. 3

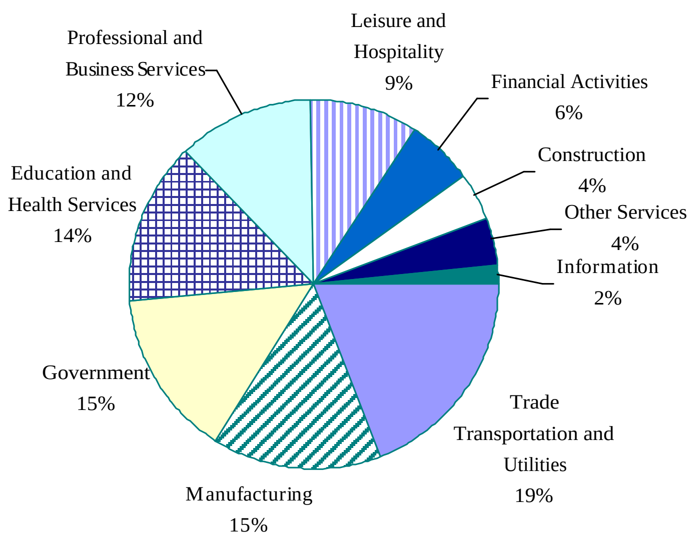


Source: EPI analysis of Employer Survey, U.S. Department of Labor

The country's indifference to our manufacturing sector is at the root of many of Ohio's problems. Nationally and in Ohio, the manufacturing sector has lost employment, in part because products once produced here are now often made in very low-wage, developing nations. The biggest sector of Ohio employment now is Trade, Transportation and Utilities, with 19% of Ohio employment. Manufacturing remains tied for the second largest sector (if service subsectors are now considered separately, which they are), with 15 percent of the state's employment, the same as the government sector. Education and Health Services has grown to 14 percent of Ohio employment, and Professional and Business Services now make up 12 percent of Ohio's jobs. All other sectors comprise less than 10 percent of the state's employment, with the Information sector making up just two percent of Ohio jobs. Figure 3.4 shows the breakdown of Ohio employment as of June 2006.

Figure 3. 4

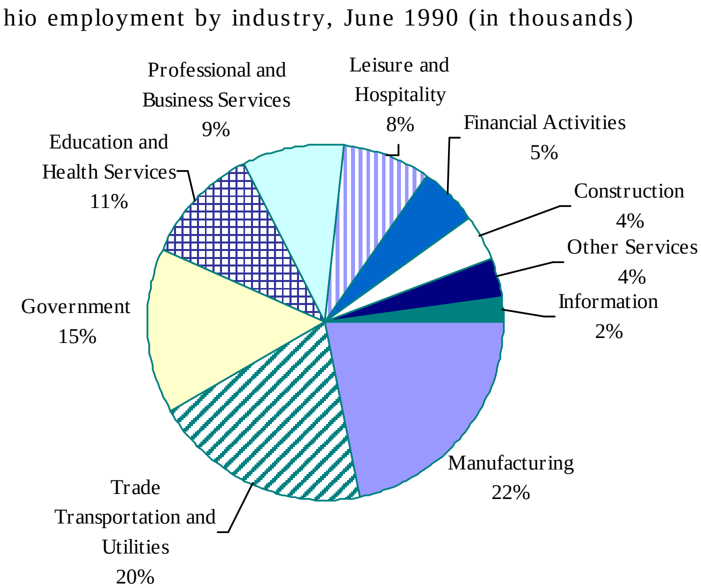
Ohio employment by industry, June 2006 (in thousands)



Source: EPI analysis of Employer Survey, U.S. Department of Labor

Employment in Ohio has changed in the last 16 years, as Figure 3.5, from 1990, makes clear. Most notably, as many commentators have pointed out, Manufacturing has plunged from 22 percent of the state's employment to 15 percent. Trade, Transportation and Utilities has also declined slightly as a share of employment, from 20 to 19 percent. The government sector has remained the same size, at 15 percent of state employment, while service employment has grown – Education and Health Services expanded from 11 percent of state jobs to 14 percent. Professional and Business Services also grew from nine to 12 percent. Other industries remain at roughly comparable portions of Ohio employment, with the information sector making up the smallest portion in the chart, at two percent (other sectors, such as mining, make up less than one percent of Ohio employment).

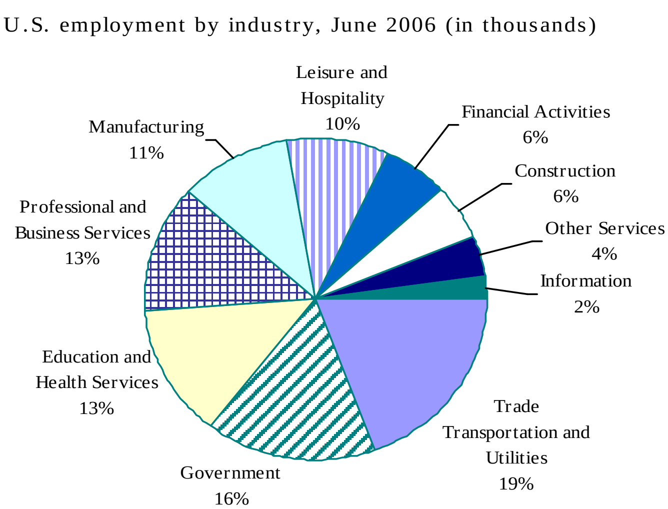
Figure 3. 5



Source: EPI analysis of Employer Survey, U.S. Department of Labor

Figures 3.4 and 3.6 reveal differences in Ohio and national employment. Ohio employs much more of its population in Manufacturing (15 percent compared to 11 percent) and slightly more in Education and Health Services (14 percent vs. 13 percent). Smaller percentages of the Ohio population work in Leisure and Hospitality, Government, and Professional and Business Services (all one percent differences) and Construction (two percent difference).

Figure 3. 6



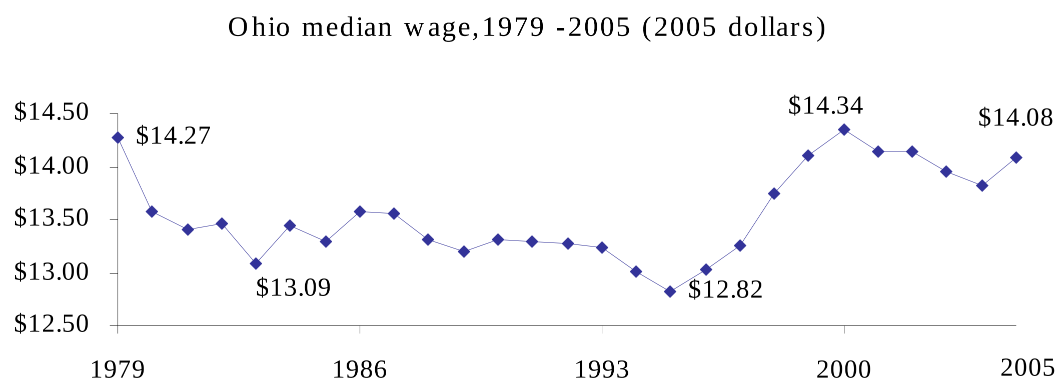
Source: EPI analysis of Employer Survey, U.S. Department of Labor

Section 4: Wages Stuck in Neutral

Productivity, corporate profits and returns to stockholders are all at new heights. In contrast, the typical worker in the U.S. and Ohio has not shared in the growth of this expansion. In fact, the median worker in Ohio has not enjoyed real wage growth in the past generation: real median wages in 2005 lag behind median wage levels from 1979.

The most recent year was a stronger one for wage growth in Ohio, particularly when compared to recent history. Ohio 2005 wages climbed above their levels from 2004, in a year when U.S. worker wages fell, although early evidence from the first half of 2006 indicates that wages have fallen slightly at both the federal and state level. The gain in 2005 was not enough to make up for declines over the previous four years. The typical Ohio worker earned $14.08 per hour in wages in 2005, less than in 1999-2002 and less than in 1979, but more than in other intervening years in inflation-adjusted dollars.

Figure 4. 1

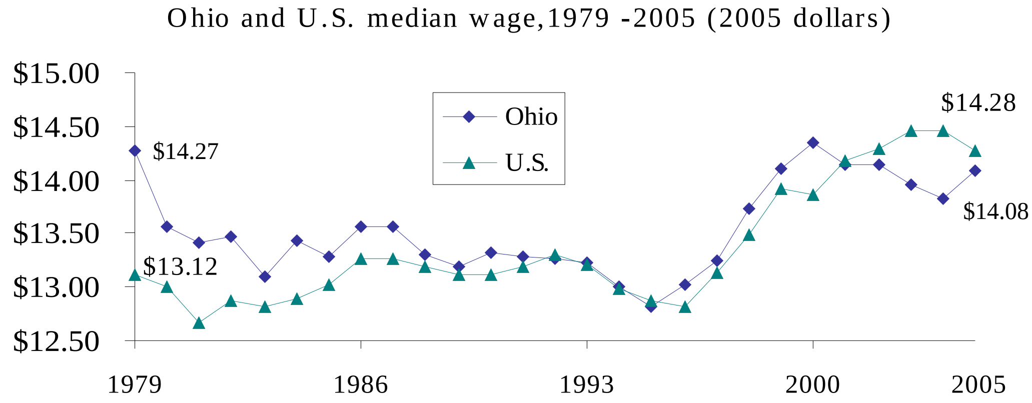


Source: Economic Policy Institute analysis of Current Population Survey data, Using CPI-U-RS.

Prior to the early 1990s, Ohio consistently had median wages that exceeded the national average – in the 1970s and early 1980s that difference was sometimes five percent or more. By the mid-1990s, however, Ohio's wages were typically no better than those of the nation – a victim of the lost manufacturing jobs that had once kept this region more prosperous. In this recession, which hit Ohio harder than the nation, Ohio wages actually fell behind the nation, and as the U.S. began to slowly climb out of this recession, that difference grew larger. However, U.S. wages fell last year and Ohio saw slight wage growth. In 2005, U.S. wages were just 20 cents above those of Ohio for the median worker, as Figure 4.2 shows. If growth in Ohio wages can be sustained, that would bode well for the state's future.[8]

[8] Unfortunately, data from the first half of 2006 indicates that median wages during fiscal year 2005-2006 (from July 1, 2005 to July 1, 2006) showed real wages dropping slightly at both the state and federal level, though the federal drop is slightly greater. In 2006 dollars, Ohio's median wage fell from $14.28 between July 2004 and July 2005 to $14.22 between July 2005 and July 2006. Federal median wages fell from $14.69 to $14.51 over the same period, in 2006 dollars.

Figure 4. 2

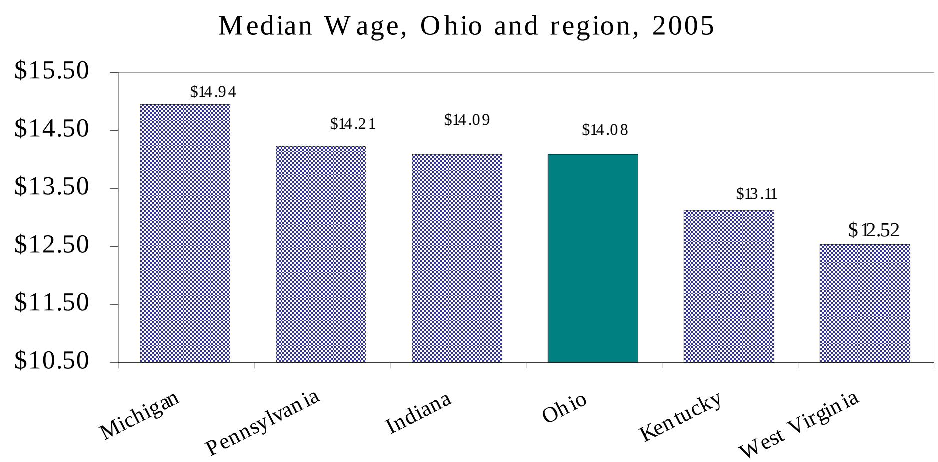


Source: Economic Policy Institute analysis of Current Population Survey data, Using CPI-U-RS.

The figure above shows the longer-term trend, but it also highlights a short-term trend. Honing in on Ohio's performance in the past few years, the state has been slow to climb out of the most recent recession. The typical worker in Ohio is still earning less, in real dollars than the typical worker earned at the peak year in 2000. Nonetheless, wages saw strong growth between 2004 and 2005 – higher in percentage terms (+1.88%) than any year since 1999 (+2.69%).

Ohio wages are in the middle among neighboring states – Michigan and Pennsylvania enjoy higher median wages, Indiana's are essentially the same, and Kentucky and West Virginia have wages that are quite a bit lower than Ohio's.

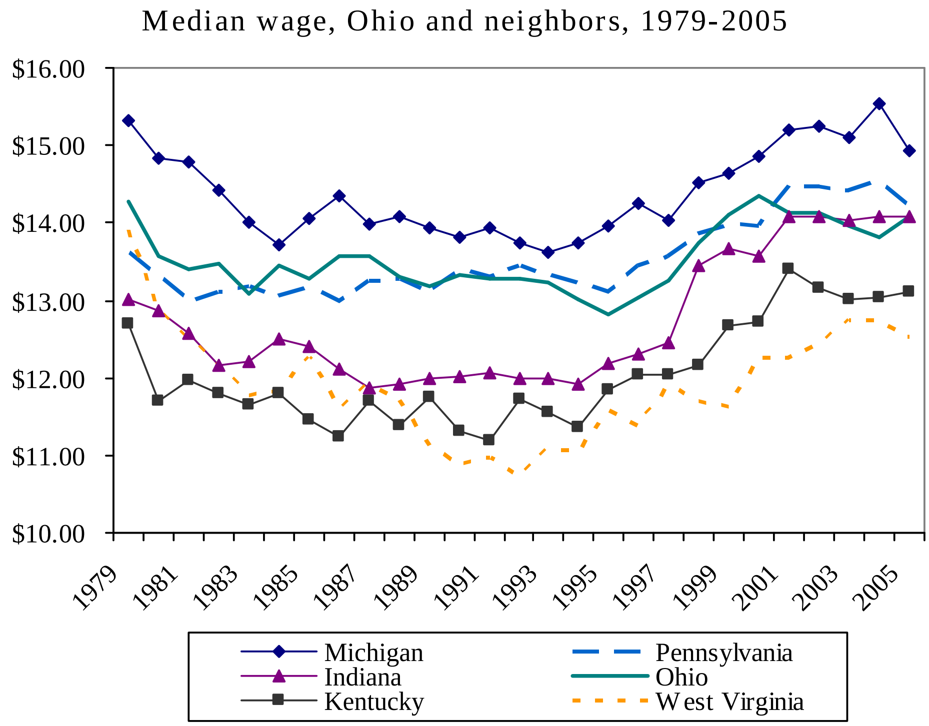
Figure 4. 3



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Ohio's median wage has changed in comparison to its neighbors over the past generation, as a look at wages in neighboring states shows. In 1979, only Michigan had higher median wages than Ohio. By 2005, Pennsylvania's wages were above Ohio's, while Indiana's, which had been much lower, were comparable. Indiana's median wage remained flat since the beginning of the most recent recession, while Ohio's median wage declined in the beginning and rose last year, putting the two wage levels on par with each other in 2005. In Figure 4.4, Ohio's wage is indicated by the thick, solid green line. Indiana, the purple line with triangle markers, has climbed from well below to occasionally above Ohio.

Figure 4. 4



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Section 5: Growing Apart: Inequality

Ohio policy should strive to create a more prosperous and fair Ohio. The state's income distribution is starkly unequal and has grown has grown less equal in the past generation. Our income inequality is not as high as that of the nation as a whole (primarily because our top earners don't earn as much as the nation's top but also in part because our lowest earners are not as deprived as the nation's lowest earners, on average). However, we are less equal than we were a generation ago, and nearly all of the benefits of growth have gone to high earners instead of middle or low-income earners.

There are several different ways of measuring inequality. Table 5.1 looks at median hourly wage differences between very high hourly wage earners (who earn more than 90 percent of all other workers) and very low hourly wage earners (who earn more than just ten percent of workers). Earners at the ninetieth percentile earned $29.03 per hour in 2005, which was more than four times the amount that earners at the tenth percentile earned that year ($7.17). Earners at the tenth percentile are now earning less per hour than those at the same point on the earnings spectrum earned in 1979 or in 2000, when adjusted for inflation. In contrast, those at the ninetieth percentile are earning about 16 percent more than they earned in 1979, and are also outpacing their hourly wage from the year 2000. However, inequality between the ninetieth and tenth percentiles was higher in the late 1980s than in 2005.

Table 5. 1

High, median, and low wages in Ohio, 1979 to 2005 in real 2005 dollars

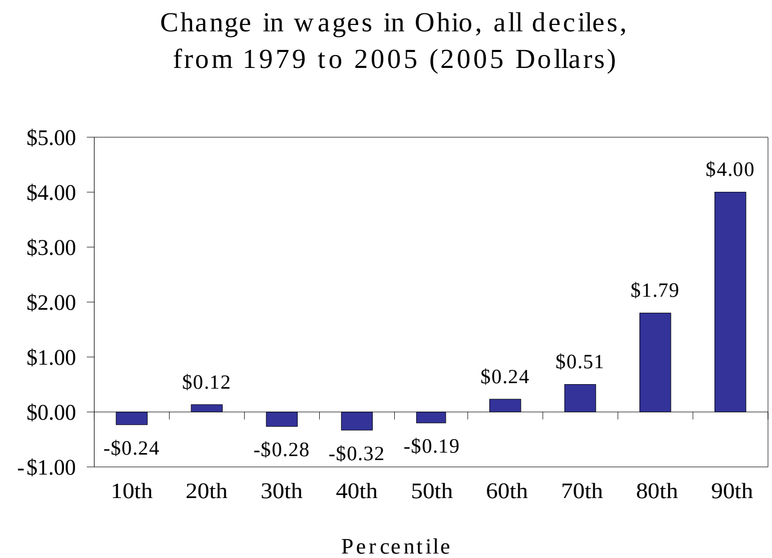
	1979	1989	1995	2000	2005	Percent wage change, 1979-2005
10th percentile	$7.41	$6.25	$6.42	$7.32	$7.17	-3.24%
50th percentile (Median)	$14.27	$13.19	$12.82	$14.34	$14.08	-1.33%
90th percentile	$25.03	$25.61	$26.04	$28.58	$29.03	+15.98%
90th percentile divided by 10th percentile	3.38	4.10	4.06	3.90	4.05	

Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Looking at earnings changes across the income spectrum from 1979 to 2005 we see that workers far up the income spectrum have reason to be frustrated with the lack of growth they have experienced. Despite huge gains in productivity over this era, employees through the fiftieth percentile are effectively earning the same or less than they earned more than a quarter century ago (with the negligible exception of the twentieth percentile, where workers are earning a paltry 12 cents an hour more than they earned in 1979).

While low and middle-income earners have seen decline, upper middle-class earners have little to celebrate in terms of economic gains over this period. Those at the sixtieth percentile (earning more than 60 percent of workers) have seen only a 24 cent gain in hourly wages, and workers at the seventieth percentile have just a 51 cent gain to report. Only workers in the top twenty percent of earners have seen substantial wage gains – and these gains are much higher at the ninetieth percentile ($4.00 per hour) than at the eightieth ($1.79 per hour), as Figure 5.1 shows.

Figure 5. 1



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

Hourly wage numbers portray some of the inequality story of the past generation, but they don't begin to capture the whole situation. While wages have grown much more unequal, the inequality of distribution of all household income, both from salary and other sources, dwarfs that of wage income. Furthermore, the extreme returns to those above the ninetieth percentile (who earn more than 90 percent of all tax filers) are jarring when compared to the non-existent or paltry gains to those among the bottom 80 percent. Tax return data from 2006 (based on earnings from 2005) provides a partial glimpse into the degree to which we have grown apart in the last decade.[9] The top one percent of income tax returns in Ohio in 2006 had an average value of more than $760,000, which was more than twenty times what middle-income taxpayers earned, and 75 times what low-income filers (in the bottom 20 percent) earned on average. A glimpse at the distribution of earnings reveals the extremity of our divergence as a state – the lowest-income twenty percent of filers earned just over $10,000 a year in 2005, a mere $1,444 increase over what filers at that level had earned eighteen years ago. Middle-income filers earned just under $40,000 a year, a $2,967 increase over their 1988 filings (based on 1987

[9] These income ranges were calculated by the Institute on Taxation and Economic Policy, based on data from the Internal Revenue Service, the CPS and the Public Use Microdata Sample of the U.S. Census. Based on these sources, the model estimates the total pretax cash income of all tax units, including both filers and non-filers and including income not reported on tax returns (such as tax-exempt interest, most transfer payments, etc.) Cash income does not include the value of non-monetary compensation, such as health insurance coverage. Transfers from the Earned Income Tax Credit are also not represented here.

earnings).[10] The upper income (95th to 99th percentiles) brought in more than \$181,000, a full \$33,741 increase over their earnings in the first year examined. Yet even these very privileged earners have reason to be shocked at the extreme returns that the economy has bestowed on the top one percent in Ohio – with incomes averaging more than \$760,000, these wealthy households have added \$109,733 to their annual earnings since 1988 (for 1987 earnings) – in fact, the degree to which their income has increased annually exceeds the entire average annual income of nearly all earners in the bottom 95 percent of the spectrum. These findings are summarized in Table 5.2

Table 5. 2

Average Income of Ohio Tax Returns before taxes, 1988 vs. 2006
(2006 dollars)

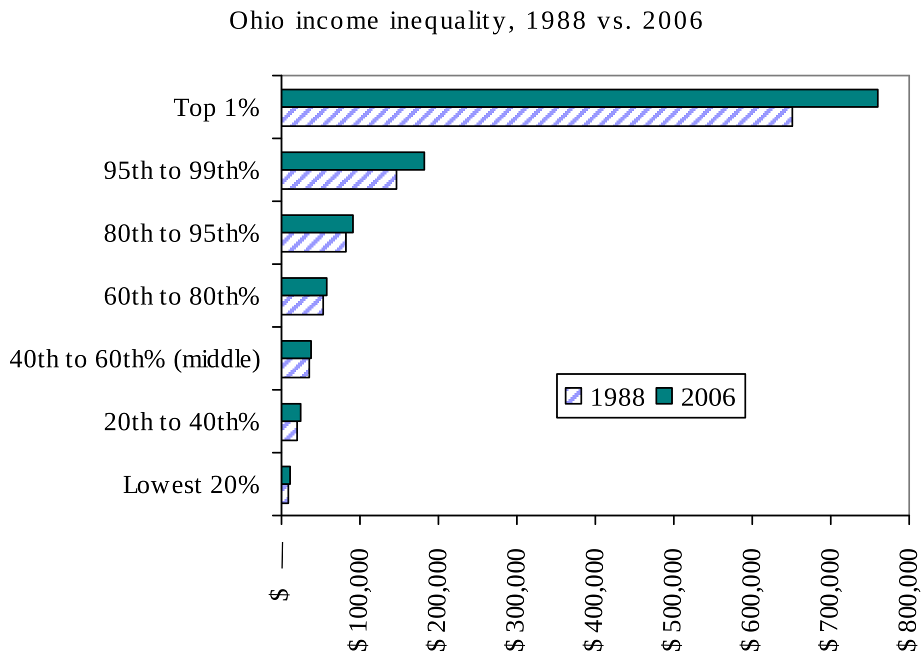
	1988	2006	Growth
Low-income (lowest 20%)	\$8,730	\$10,174	\$1,444
Lower middle-income (20th to 40th %)	\$20,952	\$23,353	\$2,400
Middle income (40th to 60th %)	\$34,921	\$37,888	\$2,967
Upper middle-income (60th to 80th %)	\$53,016	\$57,655	\$4,639
Upper income (80th to 95th %)	\$81,270	\$91,667	\$10,397
Very high income (95th to 99th %)	\$147,460	\$181,202	\$33,741
Top 1%	\$650,635	\$760,368	\$109,733

Source: Institute on Taxation and Economic Policy (ITEP) analysis of IRS and Census Bureau data, earnings for previous year

The difference may be easier to see graphically – filings in 2006 are depicted with the solid green bar, while filings from 1988 are shown by the striped light blue bar. Just the increase enjoyed by the top one percent since 1988 is larger than the income of most other categories.

[10] 1988 was the first year for which ITEP could provide filing data – income among the very top actually went down in the early 1990s, so growth at the top could have looked more extreme if we'd used a subsequent year, but we chose to use the earliest year of data we had available.

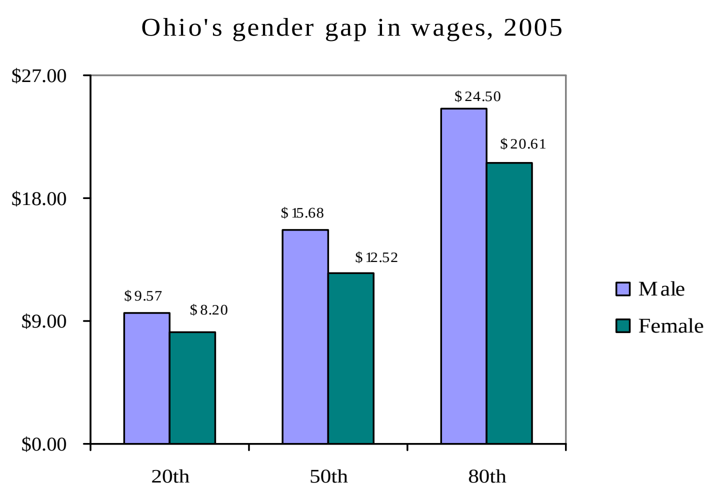
Figure 5. 2



Source: ITEP analysis of IRS and Census Bureau data on the prior year's pre-tax earnings.

After examining these extreme measures of income inequality, wage inequality seems less shocking. But enduring disparities in wages remain worth understanding. Men continue to earn more than women in Ohio. At the median, men earn $15.68, compared to just $12.52 for women, a 25 percent difference. Lower-wage men – those at the twentieth percentile – earn more than women at the twentieth percentile, and higher-wage men – at the eightieth percentile – earn more than women at a similar place on the spectrum, as Figure 5.3 shows.

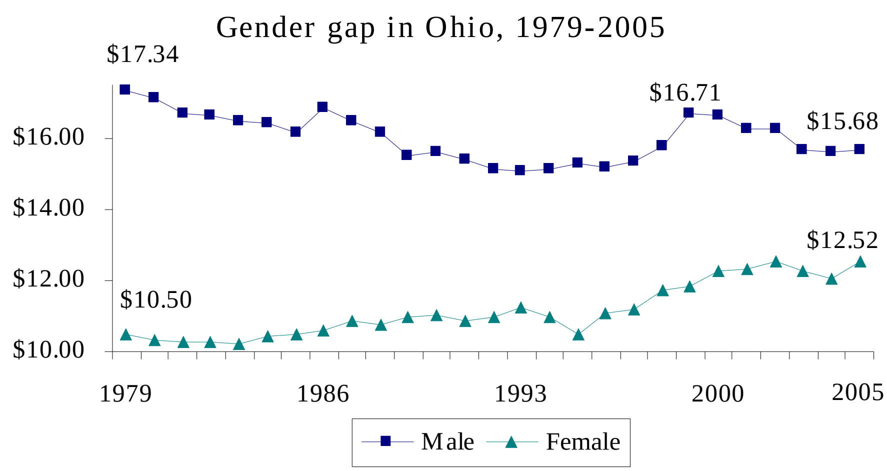
Figure 5. 3



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

While the gender gap remains disturbingly wide at the median, it is substantially smaller than it was a generation ago, in part because men's wages have declined in that time period, but also because women's wages have risen. In 1979, the median man earned $17.34 – more than 65 percent more than the median woman, who earned just $10.50. That gap has shrunk to 25 percent. The increase in women's wages between 2004 and 2005 marked continued modest progress toward closing the gender gap, as Figure 5.4 shows.

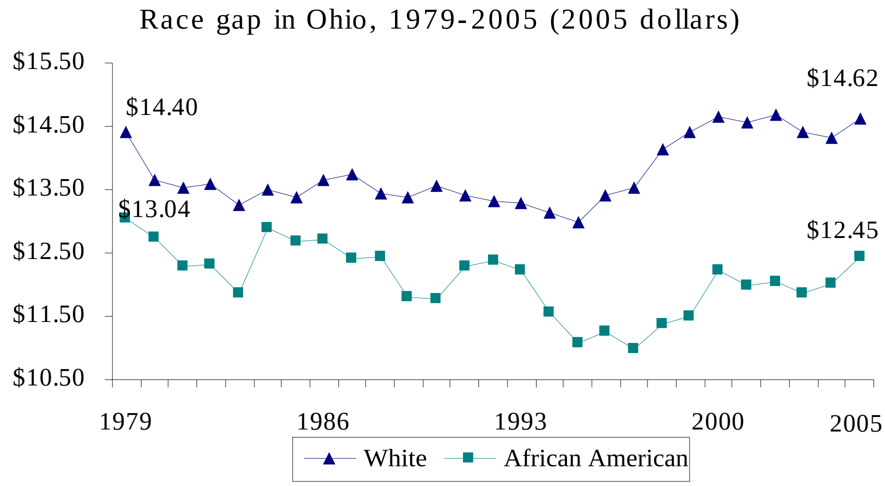
Figure 5. 4



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

White workers earn more than black workers at the median in Ohio and that gap grew, as black workers fell behind their past earnings in the 1980s and 1990s. Since the most recent recession, both black and white workers had relatively stagnant wages until the most recent year, as Figure 5.5 shows. In 2005, black Ohio workers earned $12.45 per hour, a 3.6 percent wage increase, the biggest increase since 2000 and slightly larger than the increase that white workers saw. This led to an encouraging drop in the racial wage gap in 2005. White workers earned 17.4 percent more than black workers in 2005, still well above the racial wage differential in the more equitable 1980s and early 1990s, but lower than in any year since 1995.

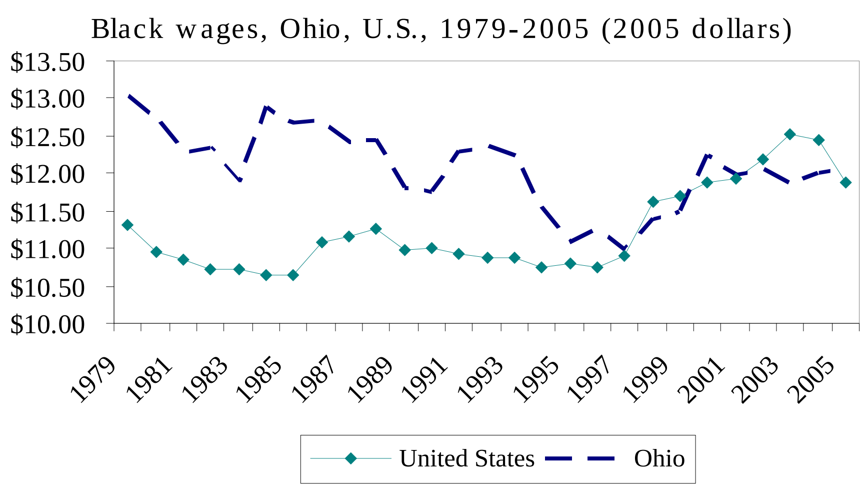
Figure 5. 5



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

Black workers in Ohio, buoyed by the strong manufacturing industry, once earned well above what black workers earned nationally, at the median, as Figure 5.6 shows. In recent years, that trend had reversed itself, as Ohio's black workers saw wage stagnation since the last recession. However, in 2005, black worker wages fell nationally while rising in Ohio, so the two groups are again on par with each other in wage levels. Both nationally and here in Ohio, black wages lag far behind white wages.

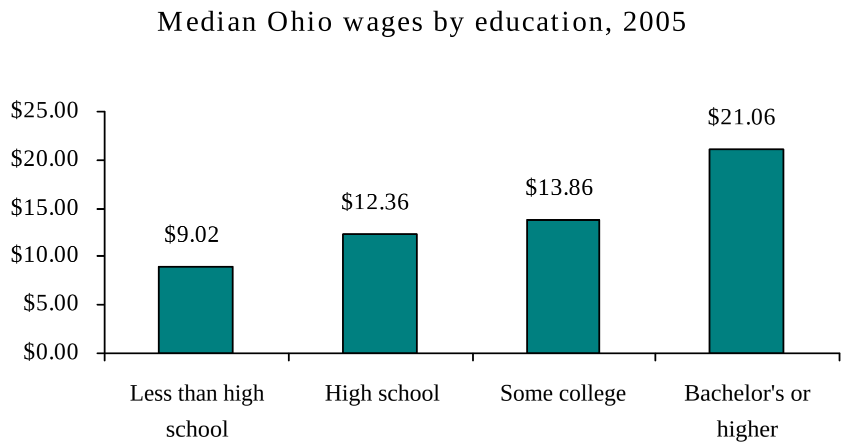
Figure 5. 6



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS.

Those with more education do better in Ohio and the difference has grown greater. Workers with a bachelor's degree or more now earn more than twice as much per hour as those without a high school degree, on average. Workers without a high school degree earn just $9.02 an hour in Ohio, while those with at least a college diploma earn $21.06 on average.

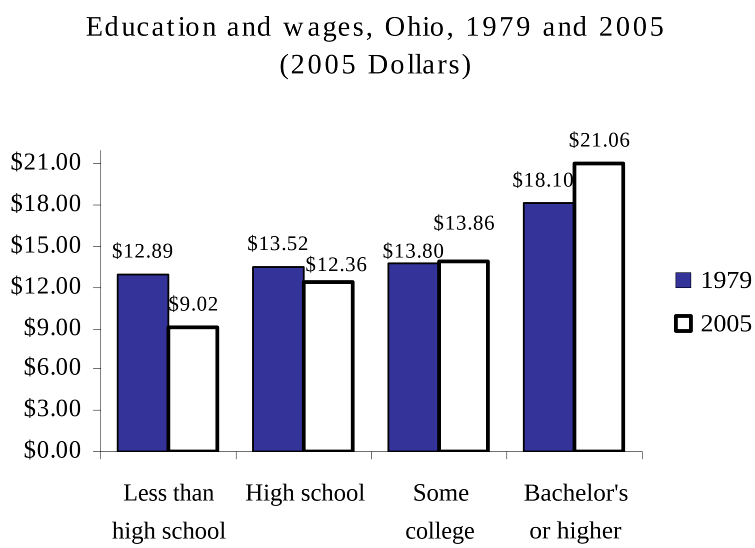
Figure 5. 7



Source: Economic Policy Institute analysis of Current Population Survey data

The differential in earnings between those with less education and those with more has grown since 1979. In that year, high school dropouts and high school graduates earned considerably more than similarly-educated adults today. Those with an associate's degree or some college earned about the same amount as they currently do, and those with a college degree did not earn as much as today's college graduates, as Figure 5.8 shows.

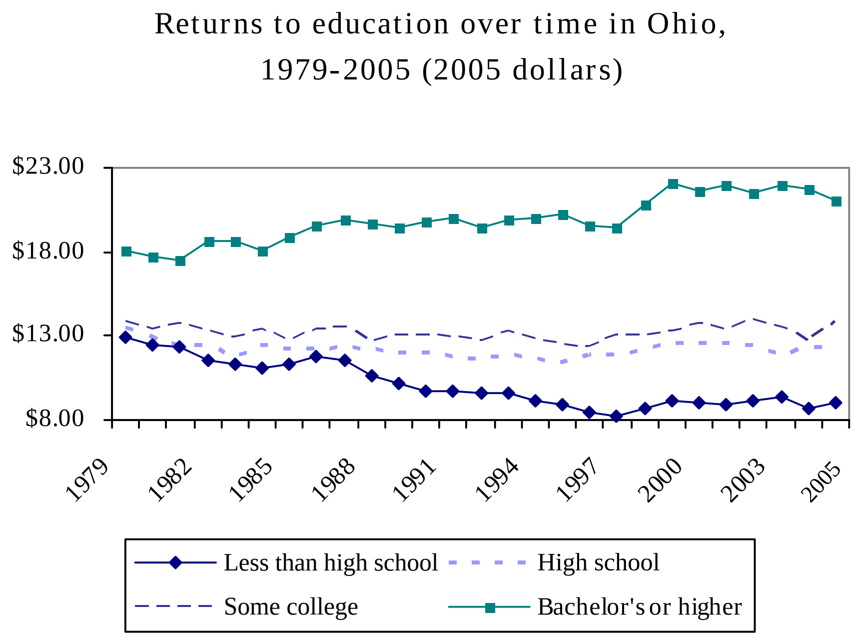
Figure 5. 8



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Although the return to education has grown over time relative to having less education, the wages of those with a bachelor's degree have not grown during the last several years. The return to a college education shot up in the late 1990s, but has remained relatively stagnant since 1999. The median wage of college graduates fell in 2005 and is now slightly below its level in any year since 1998. For any individual worker, obtaining additional education is one of the surest ways to garner higher wages. However, returns to a BA have not continued to grow in recent years, as Figure 5.9 shows.

Figure 5. 9

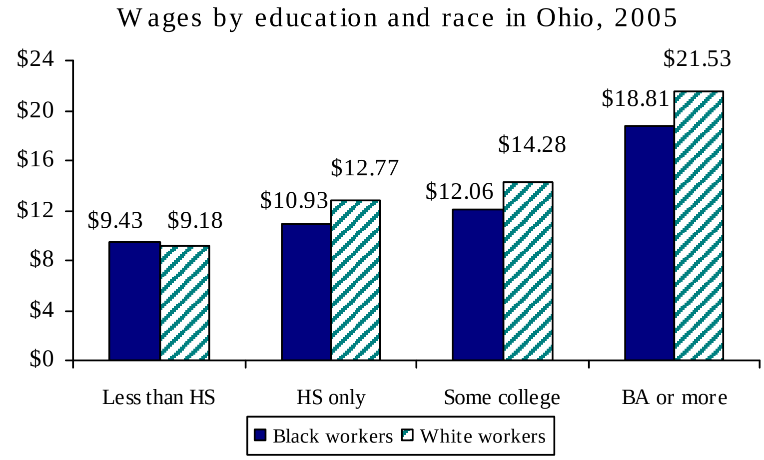


Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

It is sometimes tempting to attribute the racial gap in wages to differences in educational attainment. And, indeed, white Ohioans are more likely to have finished high school and college, as we learned in Figure 2.3. However, at most educational levels black workers earn less, on average, than white workers with comparable education in Ohio. The exception is those without a high school degree, where black workers average $9.43 an hour, 25 cents more than what whites without a high school degree earn. At every other level, however, white workers earn close to or more than $2.00 an hour more than similarly-educated black workers, as Figure 5.10 shows.[11] For full-time, year-round workers, this equates to about $2,000 more annually.

[11] These are aggregate figures on individuals with these education levels. It is possible that white college graduates are more likely to have attended elite institutions (we know this to be true, on the whole), and more likely to have majored in subjects that are associated with higher earnings.

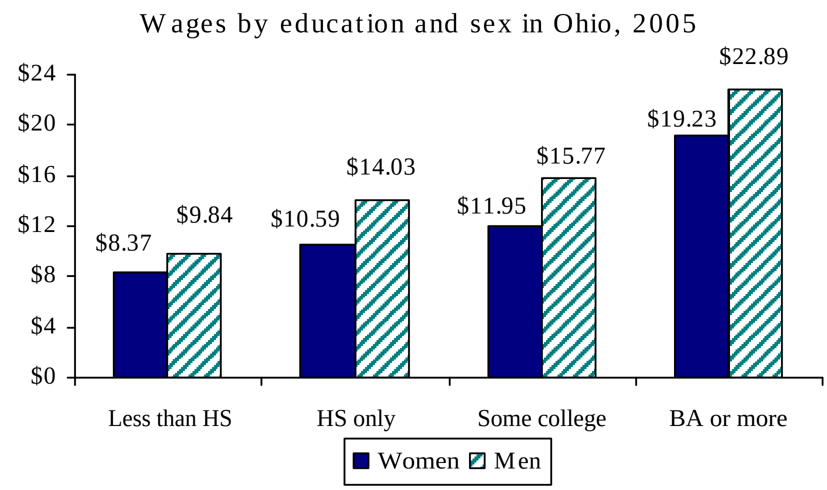
Figure 5. 10



Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

Similarly, men earn more than women at every educational level – nearly $1.50 for men with no high school degree, nearly $3.50 with just a high school degree, more than $3.80 more with some college, and more than $3.60 more for those with a bachelor's degree. For those with at least a high school degree then, men would average more than $7,000 more per year than comparably educated women with full-time, year-round work. Recent media stories[12] have raised great concerns about girls surpassing boys in educational accomplishment but it is important to put such hand-wringing in perspective – on average women still don't earn what men earn, even when they are as well educated, as Figure 5.11 shows. In fact, sometimes women don't earn as much even when better educated – women with some college in Ohio earn significantly less, on average, as men with just a high school degree ($2.08 less hourly).

Figure 5. 11



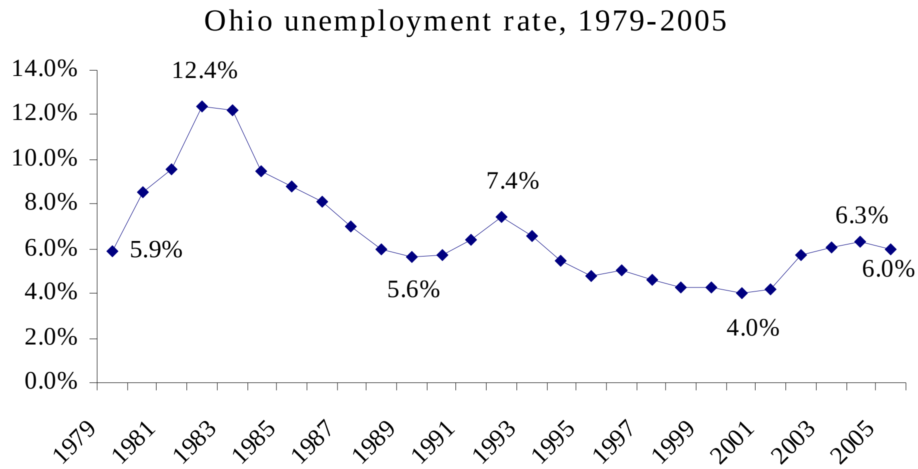
Source: Economic Policy Institute analysis of Current Population Survey data, using CPI-U-RS

[12] Lewin, Tamar, "At Colleges, Women Are Leaving Men in the Dust", New York Times, July 9, 2006, Tierney, John "Let The Guys Win One", New York Times, July 11, 2006

Section 6: Out of Work

The Ohio unemployment rate declined slightly between 2004 and 2005 for an annual rate of 6.0 percent in 2005. This is well below the high levels of unemployment seen in the early 1980s, when it peaked at 12.4 percent in 1982. However, it is still fifty percent higher than before the start of this recession, when unemployment reached a historic low of just 4.0 percent in 2000.

Figure 6. 1



Source: Economic Policy Institute analysis of Current Population Survey data

The unemployment rate should be considered along with employment participation rates described on pages 12 and 13. Many men, in particular, have dropped out of the labor market in recent years. Labor force participation is 2.1 percentage points lower for Ohio men than it was just two years ago, and is 7.2 percentage points lower than it was in 1979. If these male workers were actively seeking work, the unemployment rate would be significantly higher. As a recent New York Times article pointed out, in describing national jobless numbers, "Despite their great numbers, many of the men not working are missing from the nation's best-known statistic on unemployment… because they have stopped looking for work and are therefore not considered officially unemployed. That makes the unemployment rate a far less useful measure of the country's well-being than it once was."[13]

The unemployment rate is higher for men than it is for women in Ohio. Black workers in Ohio had a 13.0 percent unemployment rate in 2005, up from 7.5 percent in 2000. For every demographic group examined, unemployment was at least half a percentage point higher in Ohio than in the U.S. Unemployment rates also remain well above their historic lows from 2000 for every demographic group, as Table 6.1. shows.

[13] Uchitelle, Louis and David Leonhardt, "Men Not Working, and Not Wanting Just Any Job", *The New York Times*, July 31, 2006.

Table 6. 1

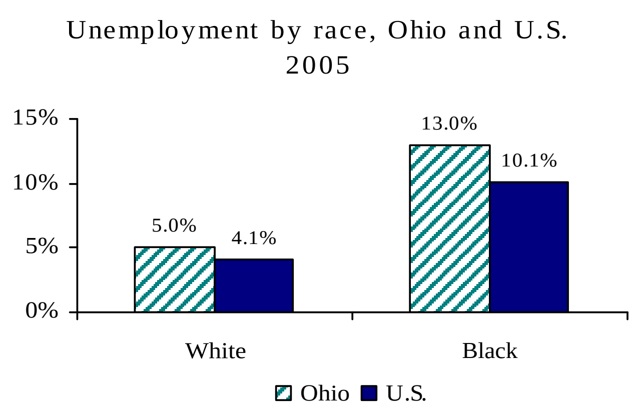
Unemployment by gender and race, Ohio and United States, 2000-2005

	2000	2005	Percentage point change 2000-2005
All Workers			
Ohio	4.0%	6.0%	2.0%
U.S.	4.0%	5.1%	0.9%
Men			
Ohio	3.9%	6.2%	2.3%
U.S.	3.9%	5.1%	1.2%
Women			
Ohio	4.2%	5.7%	1.5%
U.S.	4.1%	5.1%	1.0%
White			
Ohio	3.6%	5.0%	1.4%
U.S.	3.1%	4.1%	1.0%
African-American			
Ohio	7.5%	13.0%	5.5%
U.S.	7.6%	10.1%	2.5%

Source: Economic Policy Institute analysis of Current Population Survey data

Black workers have substantially higher rates of unemployment both in Ohio and the United States, as Figure 6.2 shows. African Americans have more than double the rate of unemployment of white workers. In Ohio, black unemployment is particularly high at 13 percent, nearly three percentage points above the 10 percent rate faced by black labor force participants nationally.

Figure 6. 2



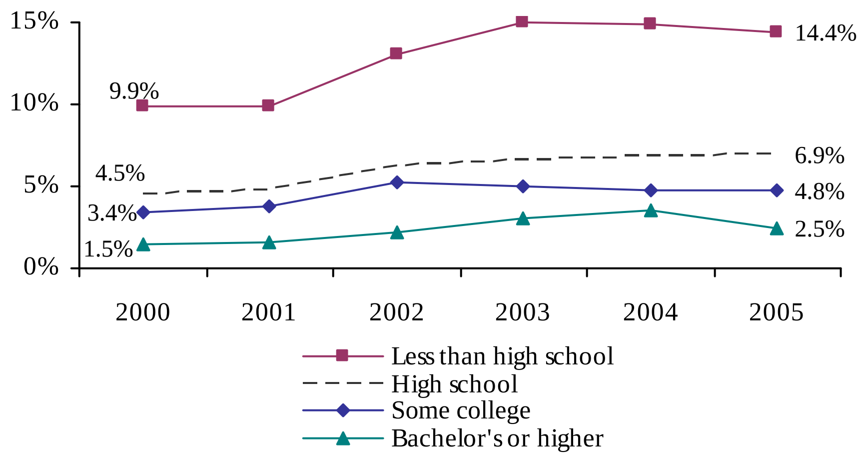
Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment also varies by education level in Ohio, with less-educated workers facing much higher rates of unemployment than more-educated workers. Less-educated workers also get hit harder during recessions – unemployment rates for those without a high school degree were an already-high 9.9

percent in 2000, but are now 4.5 percentage points above their pre-recession levels (although down very slightly from their peak levels in 2003). Unemployment also rose for more-educated workers, but even high school graduates have less than half the unemployment rate that those without a diploma face. Those with at least a bachelor's degree saw their unemployment levels rise from 1.5 percent in 2000 to 2.5 percent in 2005, a mere fraction of the levels faced by those with less education. Figure 6.3 shows unemployment trends by education in this recession and expansion.

Figure 6. 3

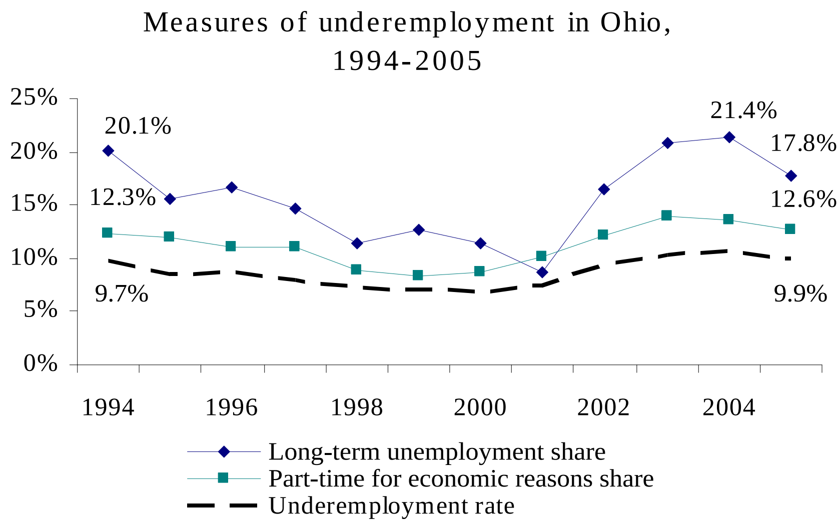
Unemployment by education, Ohio, 2000-2005



Source: Economic Policy Institute analysis of Current Population Survey data

In addition to unemployment, the federal government measures underemployment, which it defines as either unemployed; working part-time because of inability to find a full-time job; not actively looking for work despite wanting a job because of doubts about job availability; or not actively looking for work because a barrier such as lack of transportation makes it difficult to accept employment. The underemployment rate was 9.9 percent in Ohio in 2005, up from 9.7 percent when the government began measuring this indicator in 1994. Figure 6.4 also shows the percent of part-time workers in Ohio who say they would prefer a full-time job but can not find one, which was 12.6 percent in 2005. Below we also portray the trend in the share of the unemployed population that has been out of work for more than 26 weeks and therefore no longer qualifies for unemployment compensation. This indicator dropped in 2005 but remains at 17.8 percent of the unemployed population, higher than at any point during the years 1995 through 2001.

Figure 6. 4:



Source: Economic Policy Institute analysis of Current Population Survey data

As with other measures of economic hardship, underemployment differs by demographic group with black workers and those with less education experiencing substantially more underemployment than more advantaged groups. Underemployment was above 20 percent for African-American workers in 2005 and above 23 percent for workers without a high school degree. With those two notable exceptions, underemployment has declined slightly for most groups since 2003, but every group remains above its underemployment level at the start of the recession as Table 6.2 shows.

Table 6. 2

Underemployment by gender, race, and education in Ohio, 2000-2005

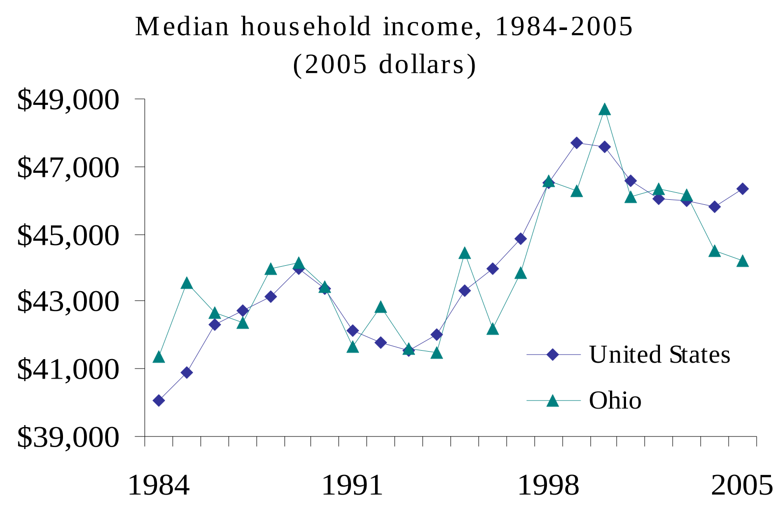
	2000	2003	2005	Percentage point growth 2000-2005
All Workers	6.8%	10.4%	9.9%	1.5
Male	6.5%	10.7%	10.2%	2.8
Female	7.1%	10.1%	9.6%	2.2
White	6.2%	9.2%	8.4%	2.2
African-American	11.9%	19.0%	20.2%	7.5
Less than high school	16.3%	22.6%	23.2%	5.8
High school	7.6%	11.6%	11.4%	2.8
Some college	5.6%	8.7%	8.0%	1.6
Bachelor's or higher	2.5%	5.2%	4.3%	1.6

Source: Economic Policy Institute analysis of Current Population Survey data

Section 7: Income, Poverty and Insurance

Median household income declined slightly in Ohio last year to $42,206 and increased slightly in the United States to $43,967 according to the historical income tables of the U.S. Census Bureau. The American Community Survey found slightly higher household income levels in both the state and nation, but has only four years of data so we prefer to use the data with a longer historical record, portrayed in Figure 7.1.[14]

Figure 7. 1

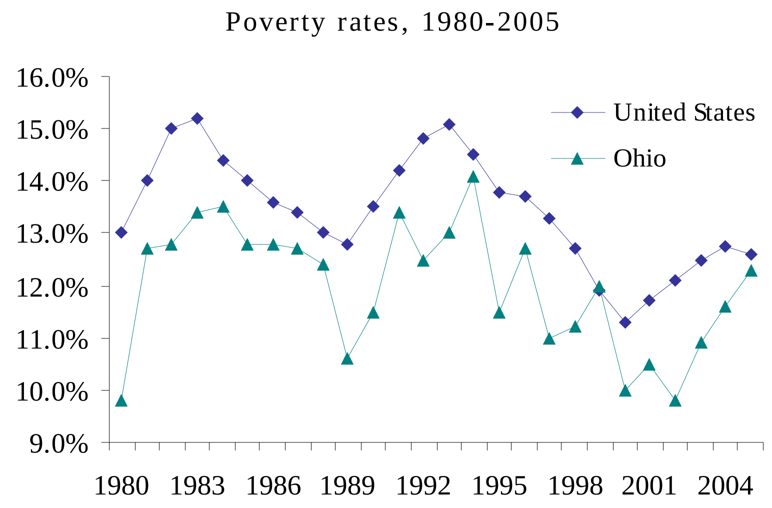


Source: Historical income tables, U.S. Census

The poverty rate increased in Ohio to 12.3 percent and remained about the same in the U.S. at 12.6 percent between 2004 and 2005 according to the historical poverty tables of the U.S. Census Bureau. The Amercian Community Survey showed higher poverty rates of 13.3 percent nationally and 13.0 percent in Ohio in 2005, but because that survey has only four years of data, we prefer to use the longer trend available in the historical poverty tables, shown in Figure 7.2.

[14] The ACS found that the U.S. median household income increased from $46,178 to $46,242 and that the Ohio median household income declined from $43,653 to $43,493 between 2004 and 2005 but the series goes back only to 2002 (since which both Ohio and the U.S. have seen declines.

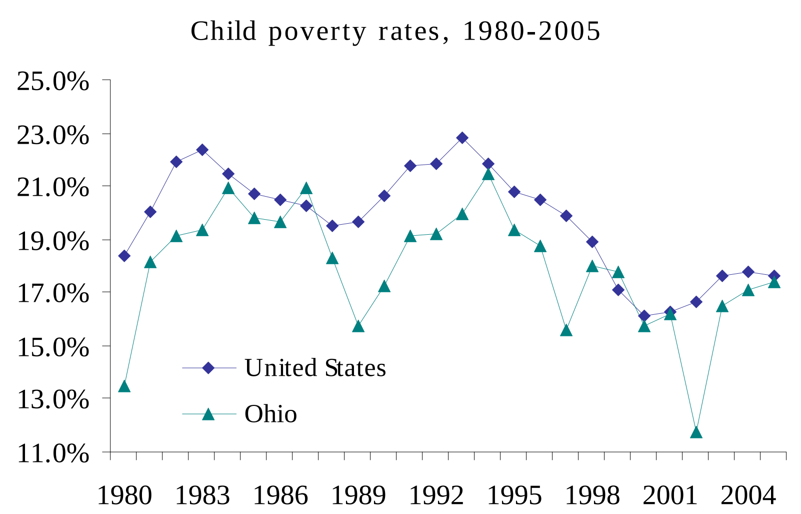
Figure 7. 2



Source: Historical poverty tables, U.S. Census

Child poverty rates increased in Ohio and stayed about the same in the U.S. for a child poverty rate of more than seventeen percent at both the state and federal level in 2005 according to the historical poverty tables of the U.S. Census. Child poverty rates were higher in the American Community Survey – more than 18 percent at both the state and federal level, but we prefer to use the historical series with their longer time frame, shown in Figure 7.3.

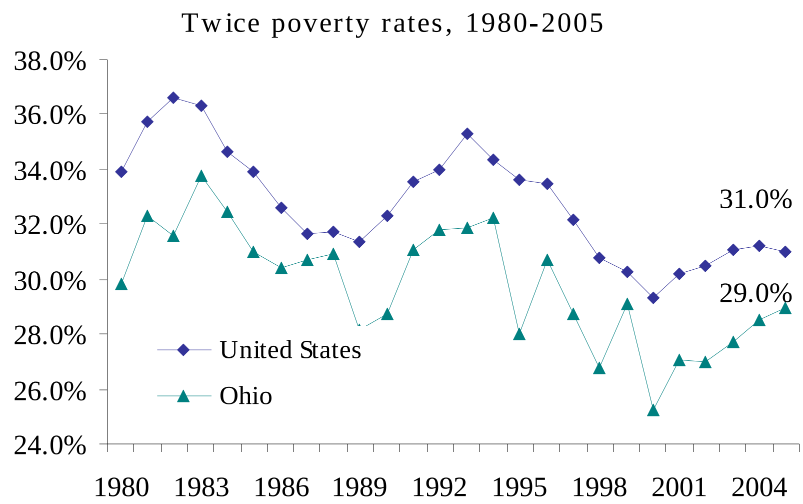
Figure 7. 3



Source: Historical poverty tables, U.S. Census

Because the poverty rate is widely considered to be an inadequate measure of levels of need, many analysts like to track the percent of the population living under twice the poverty level, which is closer to the minimum needed for basic budgets. Nearly a third of the U.S. population (31 percent) and slightly less of the Ohio population (29 percent) was living under twice the poverty level in 2005, as Figure 7.4 shows

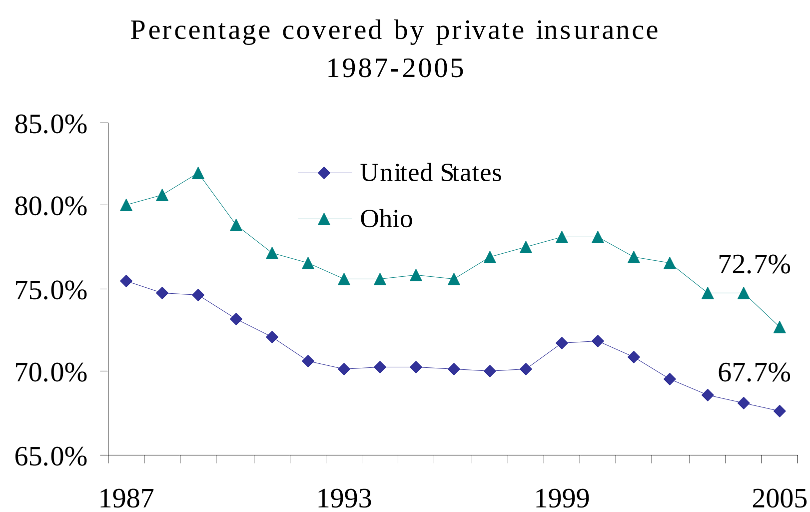
Figure 7. 4



Source: Historical poverty tables, U.S. Census

The percentage of people covered by private health insurance has continued to decline in Ohio and the U.S., to a low of 72.7 percent in Ohio and 67.7 percent in the U.S. in 2005 as Figure 7.5 shows.

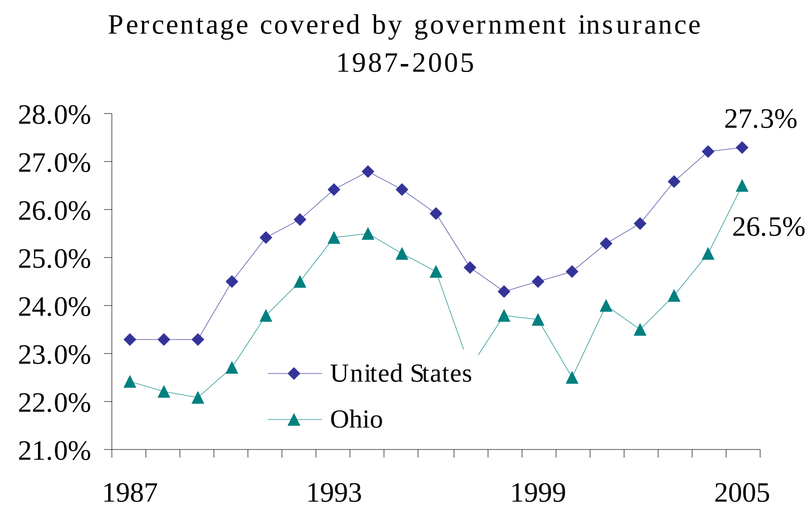
Figure 7. 5



Source: EPI analysis of CPS

As percentages covered by private insurance continue to drop, more people turn to government insurance. In 2005, 26.5 percent of Ohioans and 27.3 percent in the U.S. relied on the public sector to provide their health insurance, both higher levels than recorded before.

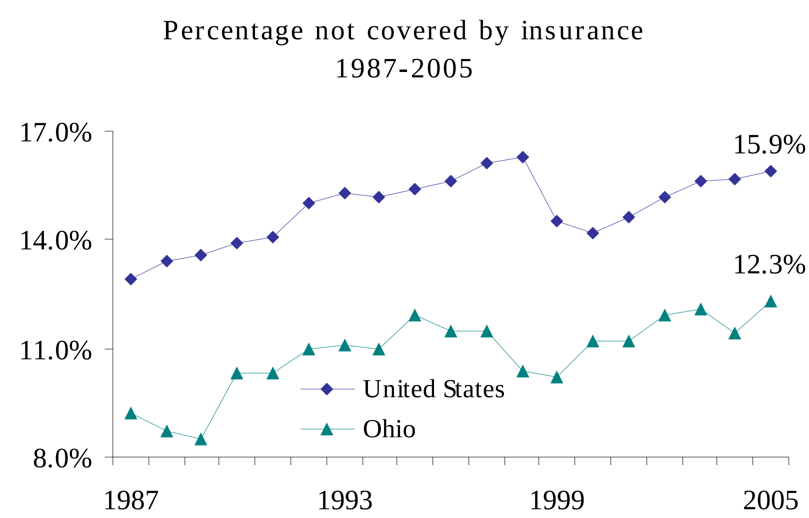
Figure 7. 6



Source: EPI analysis of CPS

Despite increases in government coverage, the percent of people with no insurance has continued to rise. In Ohio, this measure reached its highest point yet, at 12.3 percent of the population in 2005. This is not as bad as the level of uninsured nationally, which was 15.9 percent in 2005, higher than at most other points, but not as high as it was in the late 1990s, as Figure 7.7 shows.

Figure 7. 7



Source: EPI analysis of CPS

Conclusion and Recommendations

Creating a more fair, prosperous and sustainable Ohio requires thinking big. Of course, simply having wage and benefit standards is the first step, and we start with those basic recommendations. But if we truly want to transform Ohio, we have to get beyond the basics. Below are seven policies that would make 2007 the year we begin creating an economy that works in Ohio.

1. Raise the minimum wage

For 68 years in America, the minimum wage has been an important part of an economy that works better for all. But the federal government has allowed that wage to deteriorate to its lowest point in more than 50 years. Research shows that the proposal to raise Ohio's minimum wage to $6.85 would increase the wages of more than 700,000 workers, many of whom are the sole earner in their household. States with higher minimum wages have had more job growth than Ohio and other low-minimum wage states. Raising the minimum wage helps low-wage workers and is consistent with a thriving economy. For more, see "Good for Business" and "Who Needs a Raise" at www.policymattersohio.org.

2. Enact a state earned income tax credit

The earned income tax credit (EITC) provides refunds to working families earning less than about $38,000 a year. Ohio should join the 20 states that have added a state EITC to the federal credit, and should continue to build on the network of free tax preparation services that help eligible families claim what they earned. For more, see www.stateeitc.com.

3. Solve the health care crisis

Too many people are trapped in jobs that don't provide health insurance coverage, and too many Ohio employers are struggling to do what's right, while knowing that other workplaces aren't rising to this responsibility. Costs are soaring and coverage is declining. Premiums spiked 73 percent in just the past five years.[15] This leads people into crises – bankruptcy stems, half the time, from being overwhelmed by medical costs.[16] Eighty percent of uninsured Americans live in working families. Our economy is profitable enough to make sure that families have health insurance. One creative idea is to provide a "pay or play" option for employers, which requires businesses to provide workers with health insurance coverage or pay into a government fund that will do it for them. We could also expand the scope of coverage of Medicaid and SCHIP (State Children's Health Insurance Program), so that more working people could access them. This could be paid for through a progressive income tax and a fee for employers that don't provide coverage. For more information on health insurance issues in Ohio, go to www.uhcanohio.org or www.spanohio.org.

4. Educate or stagnate

Studies of outcomes from investments in early childhood education find that it more than pays for itself, particularly for lower-income children. Ohio can lead the nation by providing every four-year old with

[15] "If it's Broke, Fix It: A Progressive Response to Americans' Demand for Major Health Care Reform." Americans for Health Care & Center for American Progress. Survey Report, November 15-22, 2005.

[16] Physicians for a National Health Program. http://www.pnhp.org/news/2005/february/bankruptcy_study_hig.php

a year of pre-kindergarten education, so that our kids start kindergarten ready to learn. For more, see the Early Care and Education resources at www.communitysolutions.com.

Ohio's unconstitutional K-12 school funding system must be repaired to ensure an excellent education for all Ohio students. Under the current system, poor districts have less to spend, and many schools simply don't spend enough to give students what they need to succeed in our economy. For more on how to fix Ohio's school finance system, go to www.ohiofairschools.org.

At a time when higher education has become more essential to good employment, we have made it more difficult for Ohio students to afford college, and our state is falling behind as a result. For more, read Below the Curve: Higher Education Opportunity in Ohio at www.policymattersohio.org.

Male labor force participation has dropped dramatically in the past generation, in part because workers who lose jobs often can't find adequate replacements. Adult workers who are pushed out of jobs need skills training, designed to connect them to real opportunities. This will help meet the skill needs that so many employers say they have, while ensuring that we employ the talented resources of our communities. For more, read about the Ohio Bridges to Opportunity Initiative on the Knowledgworks website at www.kwfdn.org.

5. Invest in Infrastructure

Our friends at Greater Ohio have pointed out how failure to maintain our urban centers and inner ring suburbs has encouraged outward sprawl, with negative consequences for energy use, air and water quality, equity and community. Reinvesting in our core areas, fixing existing roads before building new ones, prioritizing core areas for water and sewer maintenance and doing more to plan will result in a better Ohio – more efficient, more equal, and more prepared for the future. Learn more at www.greaterohio.org.

6. Energy

We are too dependent on foreign energy, with negative results for our economy, our environment, and our foreign policy. Investing in renewable energy and retrofitting public buildings to be more energy efficient would reduce oil and gas usage, keep money in our local economy, create Ohio jobs, and make us all healthier. It's so obvious that it's hard to figure out why it isn't already being done. For more, see www.apolloalliance.org.

7. Target development spending

Economic development subsidies should be reserved for companies that pay high wages, maintain high standards, pledge not to oppose unions, and are committed to their workforce and their community. Local governments should join together to create "no-poaching" agreements, to reduce the likelihood that companies can force municipalities to compete to lower their taxes. Companies that maintain training programs for their workforce are particularly deserving of public support because they're adding value and increasing their commitment to the region – happily, they're also more likely to be successful. For more, see www.goodjobsfirst.org.

Policy Matters Ohio is a non-profit, non-partisan research institute dedicated to researching an economy that works for all in Ohio. Policy Matters seeks to broaden debate about economic policy by providing research on issues that matter to Ohio's working people and their families. Areas of inquiry for Policy Matters include work, wages, and benefits; education; economic development; energy policy; and tax policy. Generous funding for this project comes from the Joyce Foundation. We are also grateful to the Gund, Cleveland and St. Ann Foundations and the Economic Policy Institute for underwriting other parts of Policy Matters Ohio's work. To those who want a more fair and prosperous economy.... Policy Matters.

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