

# THE STATE OF WORKING OHIO, 2006

## 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 40<sup>th</sup> and 60<sup>th</sup> 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 26<sup>th</sup> 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.

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## 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 90<sup>th</sup> percentile earned \$29.03 per hour in 2005, more than four times what earners at the 10<sup>th</sup> 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 60<sup>th</sup> percentile and 51 cents per hour at the 70<sup>th</sup> percentile). Large gains have been reserved for the very top, where workers at the 90<sup>th</sup> 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.

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*Policy Matters Ohio is a nonprofit, nonpartisan research institute dedicated to researching an economy that will work better for all in Ohio. Learn more about Policy Matters Ohio at [www.policymattersohio.org](http://www.policymattersohio.org).*