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# POLICY MATTERS OHIO

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## “Recovery that wasn’t” yields few gains for Ohio workers

State of Working Ohio finds high productivity, profits, but little job or wage growth

U.S. corporate profits, Ohio gross state product, average worker productivity and incomes of the very richest Ohio earners have all grown steeply during this recovery, but Ohio and U.S. median wages have remained stagnant since 2001, according to The State of Working Ohio 2006, a new report from Policy Matters Ohio, embargoed for Sunday September 3, the day before Labor Day.

“Although profits and productivity have spiked, poor job growth and stagnant median wages in Ohio and the U.S. make this the recovery that wasn’t,” said Amy Hanauer, Policy Matters Executive Director and report author. “We have the resources to create a more prosperous and fair Ohio.” Key findings of the State of Working Ohio 2006 include:

- 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.
- Inflation-adjusted corporate profits rose by 50 percent in just the five years between 2001 and 2005, to \$931.4 billion.
- Ohio’s inflation-adjusted gross state product (GSP) 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 GSP grew 22.3 percent from 1990 to 1997, and an additional 12.7 percent between 1997 and 2005 (data issues require a break in 1997).
- Real GSP per U.S. worker grew 10.0 percent from 1990-97 and 6.4 percent from 2001-04, to end at \$62,685 in 2004 (chained 2000 dollars). In Ohio, GSP per worker grew 10.4 percent (1990-97) and 7.3 percent (2001-04) to end at \$58,053 in 2004 (equals \$65,840 in 2005). Ohio ranked 26<sup>th</sup> among states in 2004 GSP per worker.
- National job growth since the start of the 2001 recession has been weaker than job growth in any postwar recovery period. 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 job base.

- 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. If the economy slows, Ohio might have 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 2005. This was lower than in 2000 or 1979, but higher than in many intervening years. 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. Many men have left the labor market; if they were looking for work, the unemployment rate would be higher. Women over age 16 have substantially increased their labor force participation to more than 61 percent by 2005. Men's labor force participation declined by 7.2 percentage points since 1979, from nearly 80 percent to 72.4 percent in 2005.
- 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 grown since 1988.
- Wage inequality seems modest compared to income inequality, but is still extreme. Earners at the ninetieth percentile earned \$29.03 per hour in 2005, more than four times what earners at the tenth percentile earned (\$7.17). This disparity has increased since 1979.
- Median female and black workers saw modest wage gains in 2005, slightly reducing the gender and racial wage gaps that have plagued Ohio. Median men earned \$15.68, compared to \$12.52 for women, a 25 percent difference, down from a 65 percent gap in 1979. Median black workers earned \$12.45, compared to \$14.62 for white workers in 2005, a 17.4 percent wage gap, which is smaller than in recent years but larger than in the 1980s and early 1990s.

Understanding our economy is the first step to ensuring that it becomes more fair and prosperous. The State of Working Ohio 2006 ends with seven suggestions to make 2007 the year we begin creating a more vibrant and equitable Ohio.

Policy Matters Ohio is a non-profit, non-partisan policy research institute on the web at [www.policymattersohio.org](http://www.policymattersohio.org).