Policy Matters Ohio

JobWatch
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Empty promises

Ohio job growth trails nation since 2005 tax overhaul

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Nearly eight years ago, the Ohio General Assembly passed large tax cuts, justified on the promise that they would boost the state's struggling economy and grow jobs. This promise has not panned out.

Since the 2005 tax cuts were implemented, Ohio lost ground compared to the nation in total job growth. From June 2005 to March 2013, Ohio lost 4.4 percent of its jobs, while the U.S. added 1.2 percent. Since the phase-in began, Ohio has the fourth worst job growth among states, losing 238,000 jobs.

Not a single sector in Ohio outpaced national performance. Even the state's top performing sector – education and healthcare, which gained 115,000 jobs – failed to top national performance. Public sector jobs produced small gains nationally but Ohio lost 50,500 public jobs during this time, weakening the recovery.

Key findings

Since Ohio's 2005 tax cuts:

- The U.S. saw 1.2 percent job growth while Ohio jobs fell by 4.4 percent.
- Not a single sector in Ohio outpaced national performance.
- Ohio has had the fourth worst rate of job growth among states.

Ohio's elevated unemployment rate means Ohioans can once again get expanded federal benefits.

Ohio's unemployment rate is better than the nation's because more people have left the Ohio labor market, not because more have found work.

Labor force weakness

Ohio's unemployment rate fell to a post-recession low of 6.7 percent in December 2012 and has plateaued around 7 percent since. March's 7.1 percent rate was the third month in a row at 7 percent or higher, triggering additional federal benefits for the long-term unemployed. Even with the increase, Ohio's unemployment rate is lower than the nation's and has been since November 2010. The number of unemployed has also dropped faster in Ohio. Unfortunately, the unemployment rate is low more because people have left the labor force than because they've gained jobs.

According to the Current Population Survey, the data source behind the unemployment rate, our unemployment rate is lower than the U.S. rate, even though employment growth in Ohio has been slower than the nation's, because people are leaving the labor force. The national labor force grew by 0.9 percent between October 2010 and March 2013; Ohio's shrank by 1.5 percent. The state has 153,288 fewer people unemployed but only 65,914 more in jobs, according to the CPS. The labor force decline of 87,374 accounts for the remaining drop in the unemployment rate.

The 2005 tax overhaul reduced state revenue on the promise of creating jobs but Ohio job growth did not keep pace with the nation since. State economies are complicated and there are many reasons why Ohio job growth is lagging. However, it is clear that the 2005 tax cuts did not bring about the promised job growth. There is no reason to think that further tax cuts will, either.