Policy Matters Ohio

Executive Summary
Labor Day 2014

State of Working Ohio 2014

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Executive summary

The *State of Working Ohio 2014* finds that Ohio workers have gotten more educated and more productive, but they've fallen behind in wages and income over the long term. More troubling, Ohioans continue to leave the labor market in record numbers more than five years into an official recovery.

Key findings

- Ohio productivity grew 66.9 percent since 1979 while median wages fell.
- Labor force participation was lowest in 34 years in 2013. Unemployment rate is improving slowly.
- Wages remain stuck in neutral. Most large occupational categories are low wage.
- Education has improved but we have fallen behind other states.
- Since 2005 tax cuts, Ohio lost 2.3 percent of jobs while U.S. added 3.8 percent. Ohio cut more than 7 percent of local government jobs.
- New inequality measure shows top 1 percent has income growth of 70 percent, while bottom 99 percent sees income loss since 1979.

Productivity: Ohio productivity grew by 66.9 percent while compensation of the median worker fell by 1.1 percent in inflation-adjusted terms between 1979 and 2013.

Labor Force Participation: In 2013, labor force participation fell to its lowest level since 1979 when we began tracking it. By last year just 62.9 percent of Ohio adults were in the labor force, down from 63.4 percent in 2013 and down from a peak level of 67.8 percent in 2007. Men had their lowest labor force participation since we've been tracking it last year and women's labor force participation, which had risen throughout the 1980s and '90s, is well below its peak in 2007. Only 48.3 percent of African Americans were employed as a share of the black population in 2013, lower than at any point since the early 1980s.

Wages: Ohio's median wage was just $15.81 in 2013, a hair above 2012 but well below the highs of $17.11 and $17.12 experienced in 1999 and 1979. Ohio's median wage is now nearly 90 cents less per hour than that of the median worker nationally. Gaps between the wages of men and women or black and white workers remain troubling. In almost all of Ohio's largest occupational categories, wages are too low to bring workers above 150 percent of the official poverty level (widely recognized as paltry) with full-time work.

Unemployment: The annual unemployment rate in 2013 remained high, though lower than in peak years, and black workers were twice as likely to be unemployed as whites. The unemployment rate has improved substantially in 2014, but some of that is due to workers leaving the labor market.

Education: Ohio workers have gotten more educated, but our education levels lag behind those of many other states – we rank 39th in BA attainment, with 25.2 percent of our population at that level, well below states like Massachusetts where 39.3 percent of workers have a BA. Still, the share of the workforce that has a BA has nearly doubled, from 14.7 percent to 28 percent since 1979 and the share with some college is now well over half the adult population, up from just a third of the population in 1979. More educated workers as a group have much higher wages and lower unemployment than less educated workers. However, of workers making $10 or less an hour in a recent three-year period (2009-2011), fully 43 percent had some college or a bachelor's degree, while between 1979 and 1981 under a quarter had that level of education. Clearly Ohioans' attempts to become more educated have not always paid off in higher wages.

Inequality: Wages and incomes have become far more unequal in Ohio in the past generation. If we divide the workforce into ten equal parts, the bottom 70 percent of workers have seen their wages decline in inflation-adjusted dollars compared to similar workers from 1979. Inequality within the top ten percent is even greater. In data that is new this year, we examined Ohio income changes between 1979 and 2011 among the top one percent and the bottom 99 percent. When grouped this way, in Ohio, the bottom 99 percent as a whole actually saw its income decline by 7 percent, while the top one percent experienced a 70 percent income growth.

Job Creation: Neither Ohio nor the U.S. are creating enough jobs but the state story is worse. In 2005, Ohio policymakers slashed taxes for the highest income and businesses, claiming it would generate jobs. Since the 2005 tax cuts, Ohio has lost 2.3 percent of its jobs while the nation has added 3.8 percent. This is partly because Ohio slashed public jobs since the start of the recent recession, further weakening a bad situation. We've cut more than 7 percent of our local government jobs since the start of the most recent recession and nearly 8 percent since the 2005 tax cuts.

Fixes: Unions and education are two institutions that can help raise wages. Workers who are in a union or who have more education generally earn significantly more than those who are not in a union or have less education.

Recommendations: The report finds that the biggest problem in Ohio, also true to a lesser extent nationwide, is a lack of labor demand. We recommend several policies to increase employment that would also improve our communities and make Ohio more vibrant and efficient in the future. These include rehiring laid-off public sector workers, expanding access to education from pre-K through college, and investing in building efficiency, renewable energy and transit, in part by restoring Ohio's clean energy standards. These smart investments will reduce future costs for remedial education, incarceration, unemployment and energy while increasing employment now.