



Average Isn't Enough

Advancing
Working Families
to Create an
Outstanding Ohio
Economy

November 2004

This report, produced by Community Research Partners, is part of the Working Poor Families Project, a national initiative supported by the Annie E. Casey Foundation, the Ford Foundation, and the Rockefeller Foundation. The project involves 15 states to date and supports local organizations that assess state policies and programs to improve the economic circumstances of working families. The project is managed by Brandon Roberts + Associates and consists of a team of Brandon Roberts, Andrew Reamer, and Steve Ressler. Much of the data included in this report were made available through federal sources such as the Department of Labor and the Bureau of the Census. The Population Reference Bureau was contracted to analyze census surveys, particularly the American Community Survey and the Current Population Survey. Kerri Rivers and Jean D'Amico of the Population Reference Bureau conducted the analysis of U.S. Census data.

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The John Glenn Institute for Public Service and Public Policy has three related missions: to promote civic engagement among citizens of all ages, to enhance the quality of public service, and to create and disseminate the highest quality policy research. The Institute maintains more than two dozen programs fostering its three missions. In addition, the Institute strives to build connections among its missions, seeking to link civic education for youth, public service training for elected officials, policy research, and other programs.

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KnowledgeWorks Foundation is Ohio's largest public education philanthropy. KnowledgeWorks Foundation provides funding and leadership for education initiatives throughout the state and is focused on creating and improving educational opportunities. The Foundation is committed to sharing knowledge gained and lessons learned with others in Ohio and across the nation to help inform public policy.

Average Isn't Enough

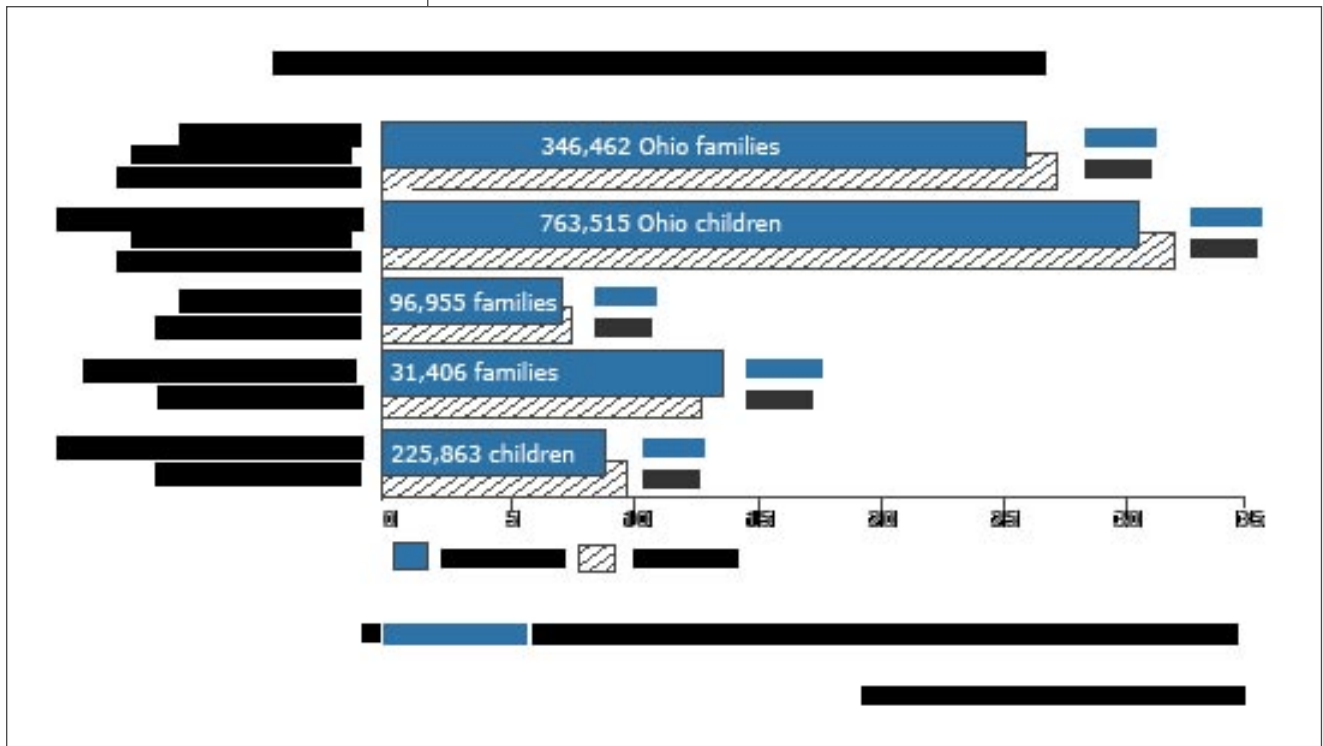
ADVANCING WORKING FAMILIES TO CREATE AN OUTSTANDING OHIO ECONOMY

Ohio is often described as an average “middle America” state, a microcosm of the nation as a whole. But is average really good enough, in the face of sweeping economic and cultural changes? Or does it mean that Ohio risks falling behind other states in important areas like the education of our residents or the growth of our economy?

A key to Ohio becoming a national leader is using our human and economic assets wisely while building up new ones. One of our strongest assets is the large number of hardworking families: over five million Ohioans contribute to the state’s economy. But over one million of those workers are in jobs that pay wages below the poverty level.

Ohio families who do the right thing by working hard should not have incomes that are too low to reach a level of self-sufficiency (200 percent of poverty). But that is the case for Ohio’s nearly 350,000 low-income working families with children. Of these, about 100,000 have incomes so low that they are living below the federal poverty level. Some of the fastest growing sectors of the economy are industries with low-wage occupations. Ohio’s low-income workers are often employed in occupations that do not provide the benefits that higher-income families take for granted, such as health insurance, paid time off, and retirement benefits.

The state plays an important role in assuring that families throughout Ohio who work hard do not experience hardships related to the basic necessities of life: housing, food, transportation, clothing, health care and child care. *Average Isn't Enough: Advancing Working Families to Create an Outstanding Ohio Economy* examines the assets that Ohio brings to this effort, as well as opportunities for change – those policies and program areas that could better serve the state’s low-income working families.



The Ohio Working Poor Families Project

The Ohio Working Poor Families Project is part of a three-year old project funded by the Annie E. Casey, Ford and Rockefeller Foundations to assess state policies and programs to improve the economic circumstances of low-income working families with children. The Ohio project team of Community Research Partners, the Center for Community Solutions, and the John Glenn Institute at the Ohio State University reviewed a panel of indicators provided by the national project manager, Brandon Roberts + Associates, and collected additional data from state agencies and initiatives, advocacy groups, and other research. With input from state agencies and other stakeholder groups, Community Research Partners prepared this report with the goal of encouraging a dialogue among policymakers and developing an action agenda for how Ohio can become a leader in education and training, economic development, human services, and wage and tax policies and programs that enable low-income working families to achieve self-sufficiency.

A **LOW-INCOME WORKING FAMILY WITH CHILDREN** is a married couple or a single parent with at least one child under age 18 that has a combined family income that is less than 200% of the federal poverty rate, the income that is necessary for a family to avoid serious hardships. In 2002, this was \$36,784 for a family of four.

Vision for an Outstanding Ohio

Ohio is the seventh largest state economy in the nation, yet the income of one out of four working families with children does not meet basic family needs. The premise is simple: We will create an outstanding Ohio economy through our working families' economic independence.

This report provides information about Ohio's low-income working families with children and state policies that can provide assistance to them as they work to succeed.

Chapter 1: Working but Not Getting By

▲ **Vision for the future: Ohio's working families are economically self-sufficient.**

In 2002, 346,462 Ohio working families with children had incomes that placed them below 200 percent of the federal poverty level—about \$17.68 an hour or \$36,784 a year for a family of four. Research has found that families need to be at twice the official poverty level to avoid hardships related to their basic needs. Even more troubling, 96,955 Ohio working families with children had incomes that placed them below the poverty level in 2002. Poverty level for a family of four in 2002 was set by the federal government at \$18,392 a year, or about \$8.84 an hour for full-time work.

From the 1970s to the 1990s, Ohio's per capita annual income has fallen compared to the national average, and Ohio's personal income growth from 2002 to 2003 ranked the state last among all 50 states. The economic conditions of the state greatly affect low-income working families with

DID YOU KNOW?

- ▼ 1 out of 4 Ohio working families with children—346,462 families—is low-income.
- ▼ About 100,000 of Ohio's low-income families with children have incomes that put them below the poverty level.
- ▼ Three-quarters of a million Ohio children live in low-income working families.
- ▼ Minority working families with children in Ohio are twice as likely to be low-income or poor.
- ▼ 19 states are doing better than Ohio in the percent of working families with children that are low-income.

DID YOU KNOW?

- ▼ 1 out of 8 Ohioans age 18-64—about 870,000 adults—does not have a high school diploma or equivalent.
- ▼ Over 20% of low-income working families with children—74,261 families—have at least one parent without a high school diploma or GED.
- ▼ Nearly half of Ohioans age 16 and over are estimated to have poor literacy skills.
- ▼ Ohio adults with only a high school diploma have annual earnings \$14,000 less than those with a bachelors degree.
- ▼ 35 states are doing better than Ohio in the percent of 18 to 34 year olds enrolled in postsecondary education.

children. The income of the top-earning fifth of all households is 9.7 times as large as the bottom-earning fifth, and this gap has grown. State programs and policies that address education and training, economic development, and family supports can help to decrease this inequality.

Chapter 2: Educating for Exceptional Workers

▲ **Vision for adult education and training: Ohio's working adults will be financially secure in the new economy because they are educated and skilled.**

Ohio's 21st century economy depends more on knowledge and ideas than on natural resources and heavy machines, and educational requirements are increasing for all levels of employment. But Ohio is falling behind the nation in the number of adults enrolled in postsecondary education and adults with bachelors degrees. Education and training beyond high school is a fundamental pathway to better jobs with higher incomes for low-income workers.

STATE POLICIES AND PERFORMANCE: ADULT EDUCATION AND TRAINING

State programs and policies play an important role in the ability of low-income working families to access the education and training needed to compete for stable, higher wage jobs. This includes two-year and four-year higher education degree programs; career-technical education and training; training programs targeted to low-income, unemployed and disadvantaged adults; and adult basic and literacy education.

ASSETS TO BUILD ON: ADULT EDUCATION AND TRAINING

- ▲ Ohio's Jobs Challenge program provides funding to the state's two-year community and technical colleges as an incentive to provide training services to local employers.
- ▲ Ohio has recently undertaken several multi-stakeholder policy initiatives to improve the state's education and training systems.
- ▲ 77% of Ohio participants in Perkins-funded adult postsecondary career-technical programs achieved a degree or certified credential.
- ▲ Of Ohio's unemployed adults exiting the Workforce Investment Act (WIA) program, two-thirds received training, above the U.S. figure of 40.5%.
- ▲ 14% of Ohio's Temporary Assistance to Needy Families (TANF) recipients were placed in education and training activities, double the U.S. figure.
- ▲ 69% of Ohio's inmate population was enrolled in vocational and educational programs.

OPPORTUNITIES FOR CHANGE: ADULT EDUCATION AND TRAINING

- ▼ Ohio does not provide financial aid for adults seeking short-term career training in non-degree classes.
- ▼ Ohio ranks 19th in the nation in need-based financial aid, providing only 31 cents in financial aid for each dollar in federal Pell Grant resources for low-income college students.

- ▼ Only 18% of Ohio’s federal Perkins career-technical educational funding is allocated to adult postsecondary education programs.
- ▼ Ohio ranks 35th among all states in indicators for adult basic and literacy education spending.
- ▼ Decentralized WIA and TANF policymaking results in wide variation across the state in access to adult education and training services.
- ▼ Ohio’s postsecondary, targeted training, and adult education resources touch only a small fraction of those who may be in need of those services.

Chapter 3: Generating First-Rate Economic Growth

▲ **Vision for Ohio’s economic development: Good jobs, with above-average wages and important benefits, will exist in Ohio through the state’s economic development efforts.**

Ohio is an economically diverse state, with six large metropolitan areas, many small cities, and rural areas and a wide geographic variance in income, jobs, and unemployment. Ohio’s economy has been hard hit by the recent recession and is undergoing a shift from manufacturing to service-sector jobs. The state’s fastest-growing occupations over the next ten years fall into two distinct groups: low-wage jobs with low educational requirements and high-wage technology jobs requiring a college degree.

STATE POLICIES AND PERFORMANCE: ECONOMIC DEVELOPMENT

The state can play an important role in assuring that Ohio’s businesses not only help to build an outstanding economy but also to create jobs that pay a living wage for all working families. Ohio business assistance programs and policies to encourage job creation and retention and worker training include tax credits, tax exemptions, grants, and loans.

ASSETS TO BUILD ON: ECONOMIC DEVELOPMENT

- ▲ The Ohio Job Creation Tax Credit Program requires an average wage for new, full-time jobs of at least 150% of the federal minimum wage.
- ▲ Ohio targets several business assistance programs to Priority Investment Areas – cities and counties with high levels of economic distress or unemployment.
- ▲ Ohio is undertaking sectoral development initiatives to provide skilled workers to meet the needs of the high-tech research, health care, manufacturing, and education industries.
- ▲ Ohio tracks and reports on average wage rates of jobs created through the Job Creation Tax Credit and Ohio Investment in Training Program.

OPPORTUNITIES FOR CHANGE: ECONOMIC DEVELOPMENT

- ▼ Ohio’s primary state-funded business assistance programs do not have provisions that jobs created or retained, or training provided, will benefit entry-level or low-income workers.

DID YOU KNOW?

- ▼ Ohio lost 183,500 manufacturing jobs between 1999 and 2003.
- ▼ One in five Ohio jobs is in an occupation in which the average wage is below the poverty level.
- ▼ Nearly 350,000 Ohioans hold more than one job.
- ▼ One out of ten Ohio adults—576,475—is not fully employed.
- ▼ Ohio is doing worse than 34 states in the percent of adult workers who are not fully employed.

- ▼ An estimated 10-15 percent of unemployed Ohioans were served by the state's One-Stop system in 2003.

Chapter 4: Reinforcing Self-Sufficiency

▲ **Vision for supporting working families: The state will bolster stability for working Ohio families with cost-effective reinforcements.**

Workers who fill important but low-wage positions in service, retail, health care, and other occupations should not suffer hardship for working to support their families. Low-wage jobs cause instability for working families, create costly worker turnover for employers, and transfer costs to the state in lost tax revenue and increased costs for supportive services.

STATE POLICIES AND PERFORMANCE: FAMILY REINFORCEMENTS

Until such time as employers pay all workers family-supporting wages and benefits, these families will need safety net programs to get by. Addressing the needs of low-income working families with children requires collaboration among the public, private, and non-profit sectors. But the state has the ability to most directly and broadly impact their quality of life. One way is by providing a safety net of services to ensure that the basic needs of working families are met. A second way is to enact policies that allow families to keep more of the income that they earn and to see them through periods of unemployment.

ASSETS TO BUILD ON: FAMILY REINFORCEMENTS

- ▲ Ohio provides Medicaid insurance coverage to working adults who earn up to 100% of the federal poverty level.
- ▲ The Ohio Housing Trust Fund provides dedicated state funding for housing programs and projects for low- and moderate-income families and individuals.
- ▲ Ohio is working with counties to enroll more eligible families leaving public assistance in the food stamps program.
- ▲ Ohio enrolled 90.6% of eligible individuals leaving TANF in the Medicaid/State Child Health Insurance Program.
- ▲ All Ohio families who are eligible for and who request child care subsidies receive them.

OPPORTUNITIES FOR CHANGE: REINFORCEMENTS

- ▼ Ohio is one of only two states in which the state minimum wage is lower than the federal minimum wage.
- ▼ Ohio has not enacted a state Earned Income Tax Credit for low- and moderate-income workers.
- ▼ Ohio taxes families with incomes below the poverty level.
- ▼ Adults who are above poverty level but below the self-sufficiency level (200% of poverty) are not eligible for Medicaid assistance.

DID YOU KNOW?

- ▼ Over 1.1 million adult workers in Ohio are in jobs with below poverty level wages.
- ▼ More than 1 out of 4 low-income working families in Ohio has a parent without health insurance.
- ▼ About half of low-income working families with children in Ohio spend over one-third of their income for housing.
- ▼ Almost 3 million Ohio households visited food pantries in 2003.
- ▼ Families with incomes below the poverty level pay Ohio income tax.
- ▼ Ohio ranks 27th among all states in weekly unemployment benefit levels.

- ▼ Ohio reduced eligibility for subsidized child care assistance from 185% to 150% of the poverty level in 2003.
- ▼ A minimum wage worker working 35 hours a week is ineligible for unemployment benefits in Ohio.

Recommendations: Moving Ahead

There is an unacceptably high cost to families, employers, and the state of Ohio when one of four working families with children does not have enough income to achieve self-sufficiency. Although Ohio may be average when compared to the U.S. in a number of the indicators included in this research, we can and should do better.

This report focuses on a particular group of Ohioans – low-income working families with children – and the recommendations identify a number of ways that state policies, programs and initiatives can be used to improve the income, living conditions, and self-sufficiency of this group. It is understood that there are other important issues, for example K-12 education, that are prominent on the state’s agenda. The goal of this research is to outline a broad and ambitious agenda for action, from which state leaders can choose opportunities for action within the current environment.

Clearly, addressing these issues is a complex, long-term process. It requires the involvement of employers, local communities, service providers, educators, and working families themselves. However, state agencies and elected officials can play a key role in focusing these partners on an agenda for change to build an excellent Ohio workforce and economy. The assets to build on and the opportunities for change found in this report suggest the following components of a policy agenda for the state of Ohio.

Addressing State Budget Constraints

The scope of this project did not include researching the cost of recommendations, and persistent state budget shortfalls and the many competing demands on state resources create challenges to implementation. However, some of the recommendations may be accomplished through policy changes that shift how existing resources are allocated. Recommendations to increase the disposable income of low-income families will pump more money into the Ohio economy, expanding the tax base and boosting state revenues. In other cases, research has identified specific sources of revenue to implement policy change.

It is important to understand the long-term financial benefit of investing in the “human capital” represented by Ohio’s low-wage working families. The state grows economically as a result of the increased purchasing power of working families. A highly skilled and educated workforce is attractive to employers looking to create new jobs in Ohio. Working families who achieve economic self-sufficiency draw less on state and local resources. Ohio grows not by being average but by being exceptional in its long-term vision for a future of prosperity for all its residents. ▲

Recommendations: Moving Ahead in Ohio

Strategy A

Focus State Policies and Programs on Low-Income Working Families

- 1. Establish a performance measurement system that sets goals and reports on the impact of state investments on Ohio's low-income and poor working families.**
- 2. Target workforce development and family support resources to Priority Investment Areas.**
- 3. Leverage existing workforce development policy initiatives.**
- 4. Encourage and support effective local partnerships and programs to serve low-income working families.**
 - a. Document what is happening at the local level and disseminate successful models.**
 - b. Work to remove regulatory barriers to effective local programs and partnerships.**

Strategy B

Build the Education and Skills of Low-Income Working Adults

- 1. Increase state resources to enable more low-income and working adults to afford and access adult education and training.**
- 2. Create a more effective adult career-technical education and training system.**
- 3. Assure that effective WIA- and TANF-funded adult education and training services are available throughout the state.**

Strategy C

Increase the Income of Low-Wage Working Families

- 1. Create a fairer state income tax structure.**
 - a. Enact a state Earned Income Tax Credit.**
 - b. Reduce the tax burden on low-income taxpayers.**
- 2. Pass a state minimum wage law that exceeds the federal minimum wage.**
- 3. More directly link state business incentives to creating family-supporting jobs for low-income workers.**

Strategy D

Mitigate Hardships for Low-Income Working Families

- 1. At a minimum, maintain Medicaid coverage for working adults with incomes up to 100 percent of the poverty level.**
- 2. Restore subsidized child care cuts.**
- 3. Expand eligibility for unemployment compensation to include minimum-wage, part-time workers.**

Building a Firm Foundation for Ohio's Working Families

VISION: WE WILL CREATE AN OUTSTANDING OHIO ECONOMY THROUGH OUR WORKING FAMILIES' ECONOMIC INDEPENDENCE

Ohio is the seventh largest state economy in the nation, yet one out of four working families with children have incomes that do not meet their basic needs.

"The good news is that Ohio is average. The bad news is that Ohio is average."

— Governor's Commission on Higher Education and the Economy

Ohio is often described as an average "middle America" state, a microcosm of the nation as a whole. But is average really good enough, in the face of sweeping economic and cultural changes? Or does it mean that Ohio risks falling behind other states in important areas like the education of our residents or the growth of our economy?

A key to Ohio becoming a national leader is using our human and economic assets wisely while building up new ones. One of our strongest assets is the large number of hardworking families: over five million Ohioans contribute to the state's economy. But over one million of those workers are in jobs that pay wages below the federal poverty level.

Ohio families who do the right thing by working hard should not have incomes that are too low to reach a level of self-sufficiency (200 percent of poverty). But that is the case for Ohio's nearly 350,000 low-income working families with children. Of these, nearly 100,000 have incomes so low that they are living below the federal poverty level. Some of the fastest growing sectors of the economy are industries with low-wage occupations. Ohio's low-income workers are often employed in occupations that do not provide the benefits that higher-income families take for granted, such as health insurance, paid time off, and retirement benefits.

The state plays an important role in assuring that families throughout Ohio who work hard do not experience hardships related to the basic necessities of life: housing, food, transportation, clothing, health care, and child care. In addition, the state can also enact policies and provide resources so that its residents have available a range of accessible opportunities to improve their lives. Promoting these policies supports Ohio's chance to be a leader in the nation rather than an average contender.

The Ohio Working Poor Families Project

The report *Average Isn't Enough: Advancing Working Families to Create an Outstanding Ohio Economy* was produced by Community Research Partners, in collaboration with the Center for Community Solutions and the John Glenn Institute for Public Service and Public Policy at The Ohio State University. It describes Ohio's low-income working families, what they need to become financially stable, and opportunities to strengthen or alter state programs and policies to better support these families. It also demonstrates how the state's economy and businesses benefit when hardworking families are able to have an income adequate to meet their basic needs.

DATA SOURCES

The Ohio Working Poor Families Project is part of the three-year old national Working Poor Families Project, funded by the Annie E. Casey, Ford, and Rockefeller foundations. Additional Ohio funding was provided by the John Glenn Institute and KnowledgeWorks Foundation. The report is based on a framework of population, policy, and performance indicators collected by the national project manager, Brandon Roberts+Associates. These indicators include special data runs from the U.S. Census Bureau Current Population Survey and American Community Survey provided for this project.

For more information about the national Working Poor Families project, please visit www.aecf.org/initiatives/jobsinitiative/workingpoor.htm

The Ohio research team augmented the national data with its own policy research as well as information provided by state agencies and policy advocacy groups, publications and data from state agencies, and additional literature review and policy research. We also made use of the analysis and recommendations of recent state initiatives that have examined in depth, and prepared recommendations on, topics covered in this report, including the Governor's Commission on Higher Education and the Economy, the Ohio Workforce Policy Board's AdvanceOhio plan, the Ohio Bridges to Opportunity Initiative, the Committee to Study State and Local Taxes, and the NGA Pathways to Advancement Policy Academy.

PROJECT PARTICIPANTS

Representatives of key state agencies – Education, Development, Job and Family Services, and Board of Regents – were given the opportunity to review and comment on the indicators and help us “fill in the blanks.” The indicators were also reviewed by two statewide advocacy groups – Have a Heart Ohio and the Coalition for Ohio's Workforce – and the NGA Pathways to Advancement Policy Academy. Representatives from

WHAT DO WE MEAN WHEN WE SAY “LOW-INCOME WORKING FAMILIES WITH CHILDREN”?

A **FAMILY** is a married couple or a single parent **WITH AT LEAST ONE CHILD** under age 18.

In a **WORKING FAMILY WITH CHILDREN**, all family members (persons related by blood, marriage, or adoption) over age 15 have a combined work effort of 39 or more weeks in the last 12 months, or they have 26 more weeks' combined work with one unemployed parent looking for full-time work.

A **LOW-INCOME WORKING FAMILY WITH CHILDREN** has a combined family income that is less than 200% of the federal poverty rate, the income that is necessary for a family to avoid serious hardships. In 2002, this was \$36,784 for a family of four. Family income includes other cash sources in addition to wages, such as interest and dividend income, Supplemental Security Income (SSI), direct public assistance, or child support.

these agencies and groups, as well as from Policy Matters Ohio and the Ohio Association of Community Colleges, provided feedback on the draft report.

Understanding constraints facing state policymakers

The research was undertaken with a full understanding of the constraints on policy and program change in Ohio. The indicators provided by the national project focus on how state-level policy can better support low-income working families. Ohio, however, has a long history of permitting the diverse array of local governments and program providers throughout the state to develop policies that address unique local conditions and needs. The project did not include inventorying local policies but does highlight several local projects identified by state agencies as demonstrating models and best practices. There was also a clear understanding that the state budget continues to be tight, reducing flexibility to undertake new initiatives. The recommendations in this report take into account and address these constraints.

Taking the next step

Average Isn't Enough: Advancing Working Families to Create an Outstanding Ohio Economy highlights the need for Ohio to focus on low-income working families in order to bolster the state economy as a whole. The report aims to:

- ▲ Draw attention to the conditions and needs of working families in Ohio;
- ▲ Demonstrate how bolstering working families' self-sufficiency benefits the economy of Ohio;
- ▲ Encourage a dialogue among state agencies, elected officials, statewide interests groups, advocates for low-income populations, businesses, and the public at large; and
- ▲ Stimulate innovative solutions that bring together the best practices in education and training, workforce development, human services, wage and tax policy, and economic development.

Contents of the report

The report organizes the story of Ohio's low-income working families around the following four topics and the state policies and programs that impact them:

Chapter 1, Working but Not Getting By—the number and characteristics of Ohio's working families, with a focus on low-income families with children, those with incomes below 200 percent of the poverty level.

Chapter 2, Educating for Exceptional Workers—the educational attainment of Ohioans and low-income working adults and the availability of education and skills training to help them move ahead.

Chapter 3, Generating First-Rate Economic Growth—Ohio’s economy, economic trends and labor force characteristics and the extent to which state business assistance programs and initiatives benefit the state’s low-income workers.

Chapter 4, Reinforcing Self-Sufficiency—the availability of safety net programs—health care, child care, affordable housing and unemployment insurance—for low-income working families and the extent to which state wage and tax policies help these families meet basic needs.

Chapters 2-4 contain a concluding table which summarizes the Assets to Build On and the Opportunities for Change in the conditions of low-income working families and state policies and performance. The report concludes by offering recommendations—both new in this report and contained in other recent statewide studies—of ways to make Ohio better than average both in the status of low-income working families and the state’s overall economic growth. ▲

Not taking the easy way out....

NEW LEXINGTON, Ohio — Nine years ago, Mary Meade left the welfare rolls to work as an aide at a group home for mentally disabled adults. She’s had the same job since, but steady work has not brought self-sufficiency — the stated goal of welfare reform — to the 38-year-old mother of three teens.

At \$7.68 an hour, Meade’s annual salary is about \$16,000 — \$2,850 less than the federal poverty rate for a family of four.

She is a month behind on her mobile-home payment, and her water was shut off last month because she didn’t pay the bill.

“I need to make sure I pay the electric bill this month, because I didn’t pay it last,” said Meade, a high-school graduate who completed two semesters at Hocking College in Nelsonville. “I rob Peter to pay Paul. Really.”

Meade stretches her paycheck to pay as many bills as possible, while relying on \$83 a month in food stamps and the nearby food pantry to feed her family. By the end of the month, her refrigerator is empty, the cupboards bare.

Meade’s husband, Ben, is forced to live in a camper parked beside her mobile home. When the couple separated a few years back, Meade took him off her health insurance. They reunited, but a pre-existing ailment — he’s had three heart attacks and is on dialysis — prevents her from putting him back on her insurance policy.

Because of government red tape, the only way he could get health insurance is for the couple to live apart — even if it’s only 25 feet.

Meade said a caseworker told them it didn’t matter that they are still married: He has to maintain a separate address to qualify for Medicaid, the state-federal health-care program, because she earns too much.

Her 54-year-old husband worked 15 years at a funeral home but said his employer never paid his Social Security or workers’ compensation, and he has no retirement.

—*Columbus Dispatch* series “Lines of Despair,” June 7, 2004

Working But Not Getting By

**VISION: OHIO'S
WORKING FAMILIES ARE
ECONOMICALLY
SELF-SUFFICIENT**

This new poverty shows its face in Springfield, where a family of four eats popcorn and water for dinner – with peanut butter if they're lucky; in Athens County, where a husband and wife work six jobs between them trying to make ends meet; and in Westerville, where a young mother repeatedly glues her own shoes together so she has enough money to buy new shoes for her two children.

– Columbus Dispatch series “Lines of Despair,” June 7, 2004

In Ohio’s new economy, one out of four working families with children never sees the rewards of their hard work. Their income places them below accepted measures of self-sufficiency. This figure is about average for the U.S., but 19 other states are doing better than Ohio in the percentage of their working families that are low-income.¹

Ohio has always honored and valued hard work. We believe in an honest wage for an honest day’s labor. But the manufacturing jobs that once enabled an Ohioan with a high school diploma to move into the middle class are decreasing across the state. Many jobs in the growing service sector do not pay wages that give working families

economic stability. Of the ten occupations in Ohio with the most projected annual job openings, only one has an average wage high enough put a full-time worker above low-income status (Figure 8, page 36). These jobs often do not provide benefits that many Ohioans take for granted, such as health insurance, paid leave, or retirement plans.

We see these workers every day. They are our neighbors, friends, or family members. They care for our children in daycare centers and our aging parents in nursing homes. They provide us with service in restaurants, grocery stores, and shopping centers. They clean our homes and offices. They are a key part of our lives and of Ohio’s economy.

How many Ohio working families are low-income?

According to the Census Bureau, in 2002 a family of four required an annual income of more than \$18,392 a year to stay out of poverty – about \$8.84 an hour for full-time, year-round work. However, many families, while above the poverty level, do not have enough income to pay for basic family needs. For a family to avoid serious hardships related

to basic needs, experts have found that they need an income of at least twice the poverty level – \$36,784 in 2002. This is the amount used to define “low-income” in this report (Figure 1).

In 2002, there were 346,462 low-income working families in Ohio, with 763,515 children under age 18. Low-income families made up 26.2 percent of all working families in the state. Of these low-income working families, 96,955 families had an income that put them below the poverty level. These poor families were 7.3 percent of Ohio’s working families with children in 2002.²

DID YOU KNOW?

- ▼ 1 out of 4 working families with children in Ohio – nearly 350,000 families – is low-income.
- ▼ Three-quarters of a million Ohio children live in low-income working families.
- ▼ About 100,000 of Ohio’s low-income working families with children have incomes that put them below the poverty level.
- ▼ Minority working families with children in Ohio are about twice as likely to be low-income or poor.
- ▼ 19 states are doing better than Ohio in the percent of working families with children that are low-income.

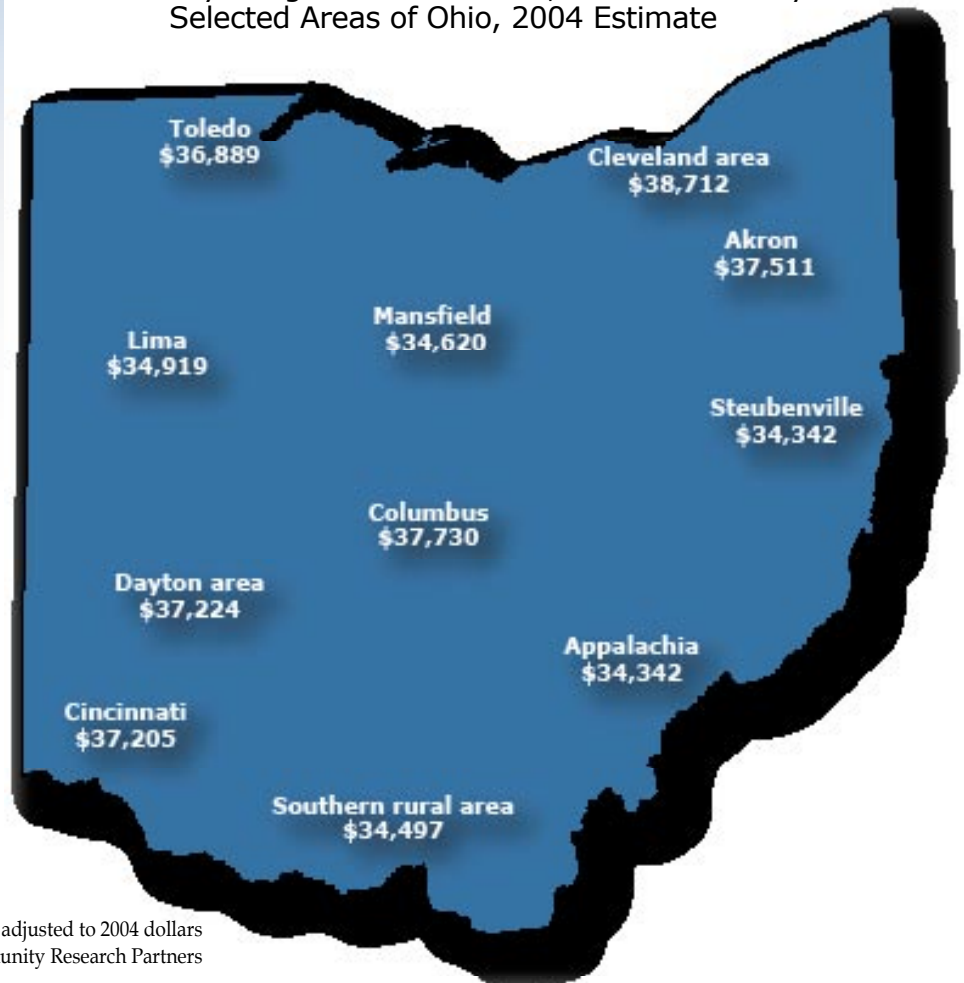
The Real Cost of Living in Ohio

Many economic analysts believe that a basic family budget—the income needed by a family to have a safe and decent standard of living and avoid serious hardships in food, health care, housing, and child care—is about twice the poverty level.

The figures on the map below for estimated basic family budgets in 2004 show truly basic budgets. For example, in Columbus, the budget for a two-parent, two-child family allows \$620 for housing, \$571 for food, \$776 for child care, \$269 for transportation, \$229 for health care, \$369 for other necessities, and \$310 for taxes each month.

The basic budget includes no savings, no restaurant meals, and no funds for emergencies.³ One serious illness, job loss, or divorce can push families earning these incomes into poverty.

FIGURE 1
Annual Income Needed for a
Basic Family Budget for Two-Parent, Two-Child Family in
Selected Areas of Ohio, 2004 Estimate



Source: Economic Policy Institute 1999 data adjusted to 2004 dollars
by Community Research Partners

Ohio's minority working families – those with at least one non-white or Hispanic parent – are about twice as likely to be low-income or poor. In 2002, 41.2 percent had incomes below 200 percent of the poverty level, while 13.9 percent were below the poverty level. This compares to 23.2 percent and 5.9 percent for non-minority working families in Ohio.⁴

OHIO'S LOW-INCOME WORKERS LIVE IN ALL AREAS OF THE STATE

The location of Ohio families that file for the federal Earned Income Tax Credit (EITC) is a good indicator of the location of low-income workers. Workers are generally eligible for the tax credit if they earn less than 200 percent of the federal poverty level, but most benefits go to workers below the poverty level.

In Ohio, EITC filers live in all areas of the state. The largest percentage (40.3 percent) of these filers live in the suburbs of the state's large metropolitan areas, while 28.9 percent live in the central cities of these large urban areas. Rural areas are the locations of 18.9 percent of the state's filers, and 11.9 percent live in small metropolitan areas.⁵

Below average income and a growing income gap

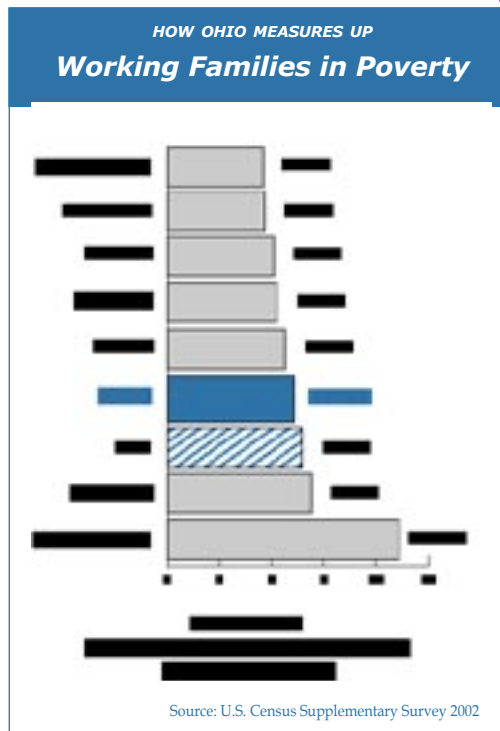
Income trends in Ohio are not helping the situation of low-income working Ohioans. Ohio's per capita income has fallen compared to the nation since the 1970s, when it was above the national average. Ohio ranked 26th among all states in per capita income in 2003.⁶ From 2002-2003, Ohio's personal income growth ranked last among the 50 states.⁷

At the same time, the gap between the highest and lowest income households in Ohio is growing wider. In the late 1970s, the income of the top-earning fifth of Ohio households was 6.4 times as large as those in the bottom-earning fifth. By the late 1990s, the ratio had grown to 9.7. This increase in inequality was the fifth highest in the nation. During the period from the late 1970s to the late 1990s, Ohio households in the bottom fifth saw their average income actually decrease by over five percent, while the income of those in the top fifth increased by over 40 percent (Figure 2).⁸

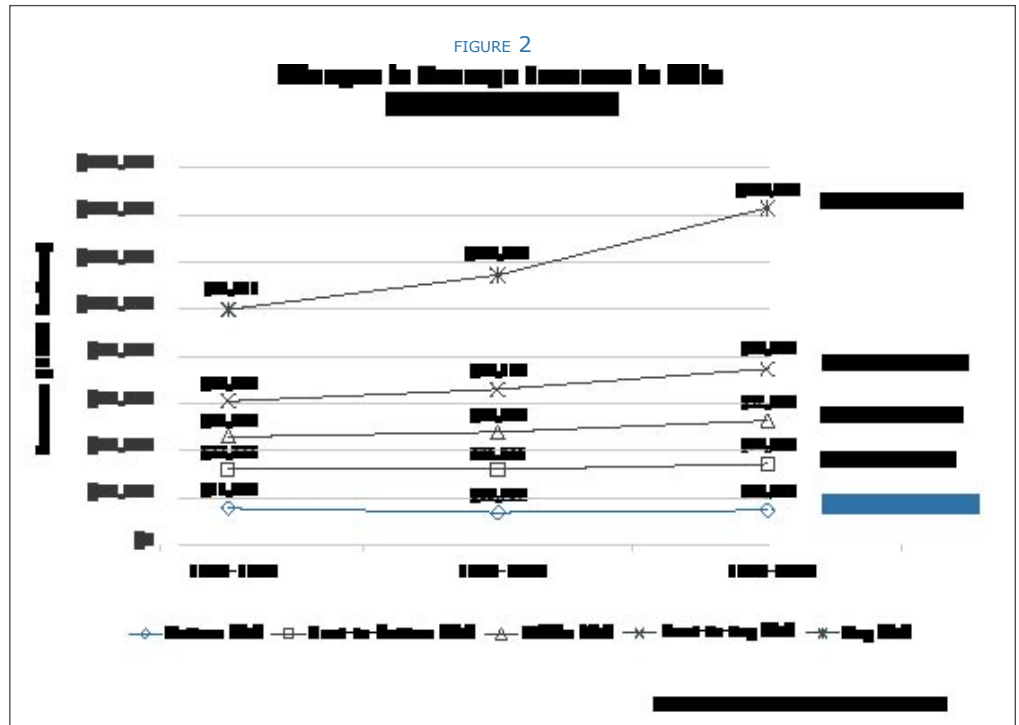
Can low-income working families work themselves into higher incomes?

The income gap faced by Ohio's low-income working families cannot be solved simply by the passage of time or by working harder. The parents in these families are typically not young adults who will "age out" of their low-income situation. Eighty-one percent of Ohio's low-income and poor working families have a parent in the prime working age range of 25-54 years old.⁹

Ohio's poor and low-income working families are already working hard. The report of the national Working Poor Families Project,



Working Hard, Falling Short, found that in the average low-income family in the U.S., the total work effort is 2,500 hours a year. This is equivalent to 1.2 full-time jobs in the household. Nationwide, in low-income working families headed by single females, the average annual work effort is 2,050 hours, equivalent to one full-time job. In half of the low-income working families headed by married couples, both spouses worked in the past year.¹⁰ And contrary to common perceptions, in nearly half of Ohio's poor families with children (43.1 percent), there is at least one family member who works.¹¹



Linking people to Ohio's policies and programs

Identifying the needs of Ohio's low-income working families with children focuses on state policies and programs that can help move these families to self-sufficiency. To create an outstanding Ohio, we need education and training directed toward low-income workers and their families, state economic development policies that bolster wages for the lowest wage workers, and policies that support and reinforce families with working members who take on important but low-wage work. Ohio has the opportunity to move above average and to become a national leader by adopting policies and programs that improve the chances for advancement for all Ohio working families. ▲

ISSUES FACED BY OHIO'S LOW-INCOME WORKING FAMILIES

Ohio's low-income working families face many issues as they struggle to get ahead. These include:

- ▼ Low educational attainment
- ▼ Low-wage employment
- ▼ Lack of health insurance
- ▼ Unaffordable housing
- ▼ Lack of affordable child care

CHAPTER TWO

Educating for Exceptional Workers

VISION: OHIO'S WORKING ADULTS WILL BE FINANCIALLY SECURE IN THE NEW ECONOMY BECAUSE THEY ARE EDUCATED AND SKILLED

DID YOU KNOW?

- ▼ One out of 8 Ohioans age 18-64 – about 870,000 adults – does not have a high school diploma or equivalent.
- ▼ Over 20 percent of low-income working families with children have at least one parent without a high school diploma or GED.
- ▼ Nearly half of Ohioans age 16 and over are estimated to have poor literacy skills.
- ▼ Ohio adults with only a high school diploma have annual earnings \$14,000 less than those with a bachelors degree.
- ▼ 35 states are doing better than Ohio in the percent of 18 to 34 year olds enrolled in postsecondary education.
- ▼ 38 states are doing better than Ohio in the percent of adults with a bachelors degree.

Simply put, in an economy that is increasingly dependent on knowledge and skill, Ohio is becoming relatively less educated and, therefore, less competitive.

– Governor's Commission on Higher Education and the Economy

Ohio's 21st century economy depends more on knowledge and ideas than on natural resources and heavy machines. Success for Ohio in this new knowledge economy requires well-educated, highly skilled workers who value learning and are able to learn new skills throughout their careers.¹ Education is not only an important issue for our children and those of college age but also for Ohio adults currently in the workforce.

Educational requirements are increasing for all levels of employment.

Even workers in lower-skilled occupations require some postsecondary education or training just to keep up with changing job requirements and new technology. The Educational Testing Service reports that 70 percent of the new jobs created from 1998 to 2008 will require at least some postsecondary education.²

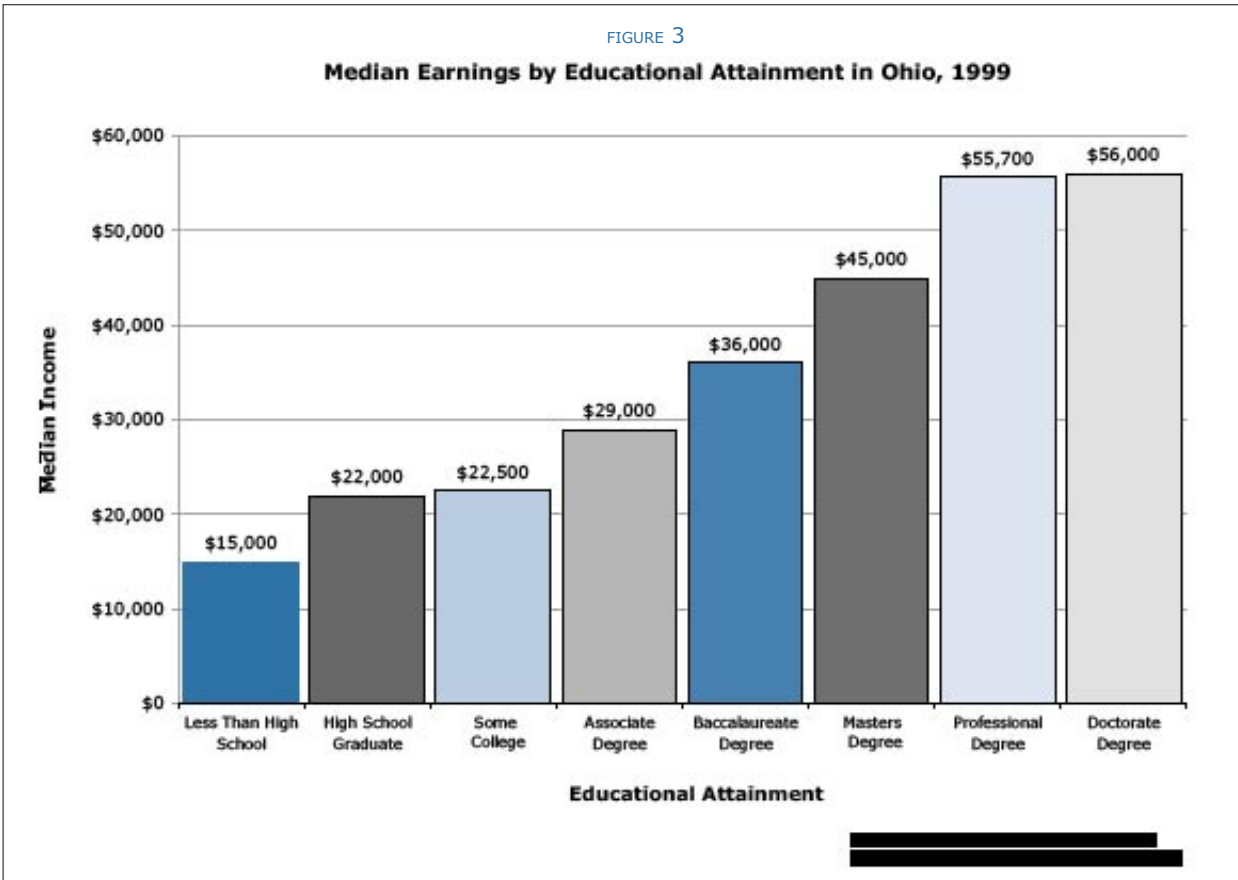
Governor Bob Taft cited the relationship between the state's below-average educational levels and Ohio's falling per capita income compared to the nation's as a fundamental reason for forming the Governor's Commission on Higher Education and the Economy. The Commission estimated that in 2002, the \$1,500 gap between Ohio and national per capita incomes reflected an aggregate cost to the state of \$17.5 billion in total lost personal income.³

The Commission also found that although the state's high school graduation rate exceeds the national average, Ohio's postsecondary enrollment and degree attainment rates are below the national average. In 2000, Ohio ranked 36th among states in the percentage of its population age 18-34 enrolled in some type of postsecondary education and ranked 39th in the percent of its population with a bachelors degree (21.1 percent). In addition, there are racial disparities in educational attainment. In 2002, 20.9 percent of black or African American and 20.2 percent of Hispanic adults age 25-54 had an associate degree or higher, compared to 35.0 percent of Ohio's white adults.⁴

Despite Ohio's above average high school graduation rate, there are many Ohio adults, particularly older adults, lacking fundamental literacy skills. Data from the 1992 Ohio Adult Literacy Survey indicate that from 44 to 49 percent of Ohioans age 16 and older (1.3 to 1.5 million Ohioans in 1992) have poor literacy skills that pose barriers to functioning in today's society (Figure 4). The survey found that only 36 percent of those at Level 1 – the lowest literacy level – had completed high school or earned a GED.⁵

FIGURE 3

Median Earnings by Educational Attainment in Ohio, 1999



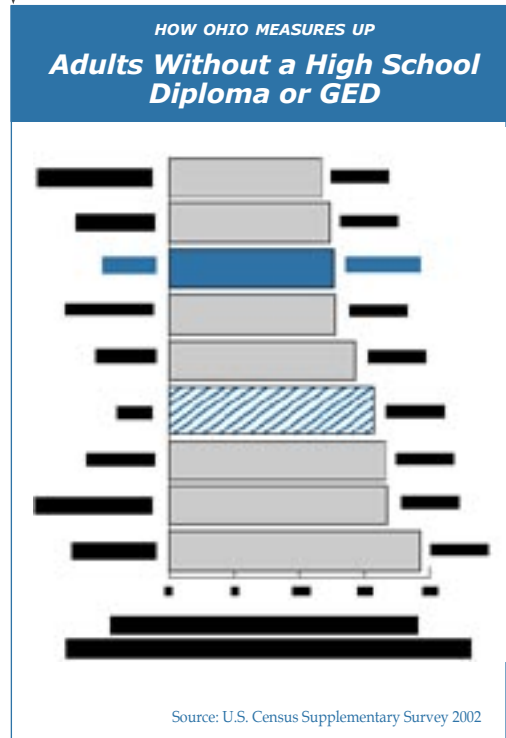
Education levels of Ohio’s low-income working families

Education and training beyond high school is a fundamental pathway to better jobs with higher incomes for low-income working families.⁶ But the educational picture of Ohio’s low-income working families with children is a mixed one. As might be expected, low-income families are more likely to have at least one parent who had not completed high school—21.4 percent of these parents, compared to 12.7 percent of all Ohio adults ages 18 to 64, lack a diploma or GED. In 2002, there were 74,261 low-income working families in which at least one parent did not have a high school degree or GED. However, 42.1 percent of low-income working families have a parent with at least some postsecondary education.⁷

There is also a mixed picture when measuring Ohio against other states in the educational attainment of low-income working families. Compared to other states, more of these Ohio families have achieved the goal of attaining a high school diploma or GED—only eleven states rank above Ohio. But Ohio ranks 36th in the percent of its low-income working families with an adult with some postsecondary education experience.⁸

INVESTING IN POSTSECONDARY EDUCATION AND TRAINING PAYS OFF FOR FAMILIES

While providing education and training to Ohio’s working families does not automatically create those jobs requiring higher level skills,



it is clear that higher levels of education do lead to higher earnings (Figure 3). In 2000, the average income of an Ohio high school graduate was \$22,000, compared to \$29,000 for a person with an associate degree, and \$36,000 for a person with a bachelors degree.⁹

Ohio's per capita income has fallen and risen at the same rate as the percentage of the state's population with a bachelors degree. Thirty years ago, having a parent with a high school diploma meant that an Ohio family had every chance to move into the middle class. But changes in the economy mean that average wages have dropped for people without postsecondary education. Persons with only a high school diploma earned 4 percent less in real dollars in 2001 compared to 1973.¹⁰

For some low-income working adults, it may not be possible to juggle work and make steady progress toward obtaining a college degree or a GED. However, research has shown that even short-term, non-degree training builds career and vocational skills needed by employers and can increase the earnings of workers, particularly those with low levels of educational attainment.¹¹

The state's role in adult education and training

Ohio's policies for the allocation and use of state and federal resources have a major impact on the ability of Ohio's low-income working families to access postsecondary education and training. Postsecondary education and training includes a wide range of long-term and short-term programs: traditional two-year and four-year higher education degree programs; career-technical education and training; training programs targeted to low-income, unemployed, and disadvantaged adults; and adult basic and literacy education.

TWO-YEAR AND FOUR-YEAR COLLEGES AND UNIVERSITIES

Ohio ranks seventh in both population and in the number of students enrolled in higher education. In 2002-03, nearly 600,000 students attended Ohio's 125 public and private universities and colleges.

Postsecondary institutions in Ohio include 13 public university main campuses, 24 university regional campuses, 2 free-standing medical colleges, 23 public community and technical colleges, and 63 independent colleges and universities.¹²

ADULT CAREER-TECHNICAL PROGRAMS

Career-technical programs that serve adults are provided through Ohio's community and technical colleges and a network of 40 Adult Workforce Education Centers. These programs are funded with federal Carl D. Perkins Vocational and

Programs to Watch: Access to Education

▲ Kent State University GED Scholars Initiative

Although many colleges and universities offer services to adult learners, few provide programs designed specifically for students who have earned a general education diploma. Kent State University is one of the few. Its GED Scholars Initiative recently received funding from the U.S. Department of Education to identify and address the needs of GED graduates enrolled in college. The project is receiving acclaim from students because of the connections it forges between GED scholars to create support systems and between students and the college as a whole. GED steering committee members are from a wide variety of departments and the process has also increased their understanding of adult education as well as help them make connections to the adult education or ABE community.

Technical Education Act funds, as well as state funds. Adult career-technical programs provide skills training designed to meet individual and employer needs. This includes supplemental, full- and part-time, and customized training for business and industry, agencies, and other organizations.¹³

WORKFORCE INVESTMENT ACT (WIA)

The federal Workforce Investment Act (WIA) targets dollars for dislocated workers, low-income adults, and disadvantaged youth to access a range of employment services, including job placement, training, and labor market information. In Ohio, funds are administered by 20 local Workforce Investment Boards (WIB), with services provided through the One-Stop service system.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)/OHIO WORKS FIRST

Temporary Assistance to Needy Families (TANF) is the welfare-reform program enacted by Congress in 1996. It sets a five-year limit on cash receipts and requires parents (mostly mothers) to work as a condition of their receipt of TANF funds.¹⁴ The Ohio TANF program, Ohio Works First, limits cash assistance for most persons to only three years. As a result, Ohio’s caseload declined by 54 percent between 1998 and January 2004. Human services policy analysts indicate that many of these former cash assistance recipients are among Ohio’s low-income working families.¹⁵ TANF funds may be used by counties for education and training to transition recipients from public assistance to employment. In Ohio, these activities are funded through the Prevention, Retention, and Contingency (PRC) component of the program.

ADULT BASIC AND LITERACY EDUCATION (ABLE)

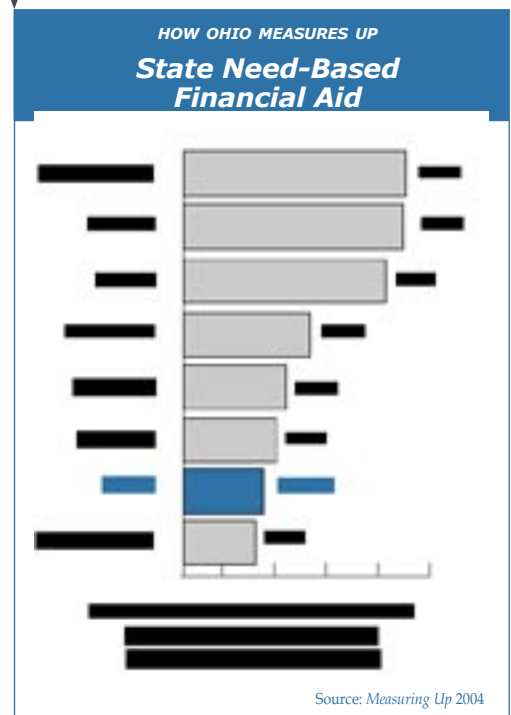
Ohio’s Adult Basic and Literacy Education (ABLE) program uses federal and state funds for programs that assist adults to become literate and to obtain the skills necessary for employment and self-sufficiency. The 132 local ABLE programs include basic literacy, GED preparation, English for speakers of other languages, family literacy, and workplace literacy.

EDUCATION AND TRAINING FOR INCARCERATED ADULTS

The Ohio Department of Rehabilitation and Corrections offers vocational, apprenticeship, and academic programs for inmates in the state prison system. In fiscal year 2003, 69.3 percent of the inmate population was enrolled in vocational and educational programs. The department’s Ohio Central School System awarded a total of 8,207 certificates, which included literacy/ ABLE, high school diplomas, pre-GED and GED, career-technical, advanced job training, and apprenticeship certificates.¹⁶

Affordability of postsecondary education for low-income adults and families

Ohio workers and families who most need postsecondary education are those who are least able to afford it. There are financial barriers not only to accessing two-year and four-year degree programs but also to obtaining non-credit career training.



THE COST OF HIGHER EDUCATION IN OHIO

The cost of college in Ohio places higher education out of the reach of most of Ohio's low-income working families. In 2004, Ohio families with the lowest incomes would have to pay 41 percent of their annual income for tuition, room, and board at a community college in Ohio, or 53 percent of their income for a public four-year college, even with financial aid.¹⁷

The Ohio Board of Regents reports that Ohio has a mix of higher education funding that relies heavily on tuition revenues. In state fiscal year 2002, Ohio ranked 44th among the states in appropriations per student. Ohio's appropriation per student was \$4,086, compared to \$2,773 for the U.S. The Board of Regents calculated the student and family share of higher education funding at 48 percent in Ohio, compared with 31 percent in the U.S.¹⁸

Programs to Watch: Workforce Training Partnerships

▲ Sinclair Community College and the Ohio Valley Construction Education Foundation Apprenticeship Programs

Sinclair Community College and The Ohio Valley Construction Education Foundation (OVCEF) offer apprenticeship programs in electrical construction, heating and ventilation, sheet metal, and construction technology both on campus and at off-site training facilities that service OVCEF member companies. Nearly 250 member company employees enroll in these programs. Apprentices work full-time throughout the year and also attend classes. After 576 hours of classroom instruction and 8000 hours of on-the-job training, students will receive a Certificate of Completion as a qualified journeyman from the Ohio State Apprenticeship Council.

Ohio's two-year community and technical colleges are lower-priced options for students seeking postsecondary education. Increasing enrollment in these institutions, as suggested by the Governor's Commission on Higher Education and the Economy, is one strategy to provide low-income working adults with more affordable postsecondary education that targets the workforce needs of employers. In 2002, however, only 47 percent of Ohio's postsecondary students were enrolled in two-year or technical colleges, compared to 60 percent nationally.¹⁹

Low-income Ohio students can access federal need-based financial aid through the Pell Grant program. Forty-four states, including Ohio, also provide state funds for need-based financial aid. In 2003-04, the total amount of the Ohio Instructional Grant, Ohio's need-based financial aid program, amounted to only 31 percent of the total federal Pell Grants received by Ohio students. Ohio lags behind 20 other states in its support for needy students.²⁰

THE COST OF NON-CREDIT CAREER CLASSES

Ohio does not offer financial support directly to low-income students for non-credit career classes taken at two-year community and technical colleges as it does for students entering higher education degree programs directly from high school. Five states provide financial aid for adults taking short-term, non-degree classes for which traditional financial aid, such as Pell grants, are not generally available.²¹

Ohio provides support for non-credit programs through the Jobs Challenge, funded at \$9.3 million in state fiscal year 2004. Two-year colleges can earn an incentive grant based on their revenue from services to local employers for non-credit training programs. However, the Ohio Association of Community Colleges indicates that for most two-year colleges this limited funding does not have a significant impact on costs to students for non-credit career classes.²²

Targeting resources to adult education and training

In Ohio, both state and local policy determine the extent to which state and federal funds are used for education and training programs for low-income adults. For example, state policy governs the allocation of federal Perkins career-technical funds between secondary and adult postsecondary programs. However, counties and local Workforce Investment Boards have discretion in the extent to which WIA and TANF funds are used for education and training for adults.

USE OF PERKINS CAREER-TECHNICAL FUNDS FOR ADULT POSTSECONDARY PROGRAMS

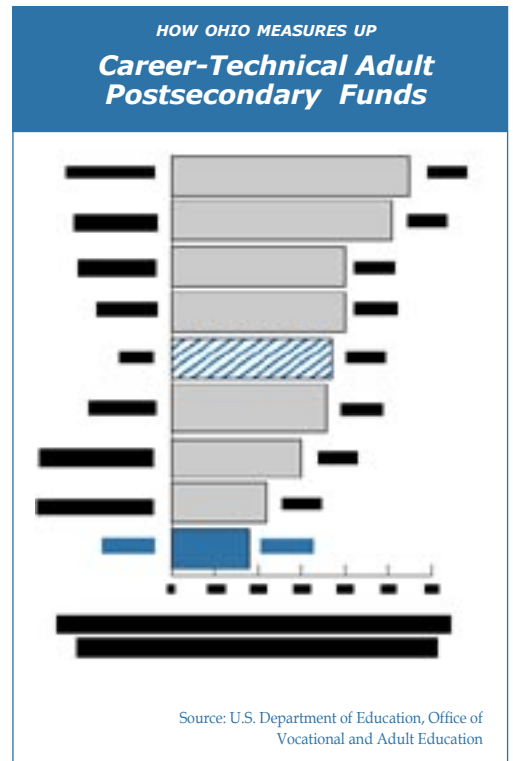
In fiscal year 2004, Ohio allocated approximately \$7 million in Perkins funds, out of a total of \$46 million, for adult postsecondary career-technical programs. Community colleges received about \$3.2 million of these funds, with the remainder going to Adult Workforce Education Centers.²³ In addition, Ohio provided \$20 million in state general revenue funds for postsecondary adult career-technical education programs for out-of-school youth and adults.²⁴ In 2004, the Ohio Department of Education reported that programs funded with Perkins and state funds served 132,137 adults, including 119,969 in short-term career enhancement programs and 12,168 in long-term career development programs.²⁵ In the 2002-2003 program year, Ohio reported that 77.2 percent of Perkins postsecondary participants achieved a degree or certified credential.²⁶

States have discretion in the split of Perkins funding between secondary and postsecondary programs. Historically, Ohio has invested the majority of its Perkins career-technical program resources in high school vocational education programs. In the 2001-02 program year, Ohio allocated only 18 percent of its Perkins funds for postsecondary education, half the nationwide figure of 37 percent. Twelve states allocated more than 50 percent for postsecondary programs.²⁷ The impact of Ohio's limited Perkins funds for adult programs may be further reduced because they are allocated through two separate systems – to Adult Workforce Education Centers through the Ohio Department of Education and to community colleges through the Ohio Board of Regents.

USE OF WIA FUNDS FOR ADULT EDUCATION AND TRAINING SERVICES

Ohio reported in its 2002 WIA Performance Report that it spent a total of \$89 million in WIA funds. Of this amount, 40.5 percent was spent on adult programs, which served 17,111 people.²⁸ Of the 5,677 unemployed WIA adults who exited the program in the 2002 program year, 66.5 percent received training services. Ohio's performance exceeded the U.S. figure of 40.5 percent but fell short of the percentages for 17 other states.²⁹

Although coordinated at the state level by the Governor's Workforce Policy Board, much of Ohio's WIA policy is made by local Workforce Investment Boards. As a result, the percent of WIA funds used for adult training varies across the state. There is limited statewide information on Ohio's WIA training activities. Ohio does not report on how many WIA adults served annually receive training services and does not track or report on the type of training services provided or the percent of WIA dollars spent on adult training.³⁰



Human service and workforce advocacy groups question the outcomes of local training programs for unemployed and low-wage workers. Because the effectiveness of the One-Stops varies throughout the state, the Coalition for Ohio's Workforce has advocated for state-level performance measures to ensure universal access throughout the state to a seamless set of workforce development services that provide the means to achieve a family-sustaining wage.³¹

USE OF TANF FUNDS FOR ADULT EDUCATION AND TRAINING

In addition to WIA training funds, TANF funds can also be used for education and training. In fiscal year 2001, 14.3 percent of Ohio's TANF recipients were placed in education and training activities, including job training, vocational education, skills training and education related to employment. This percentage is more than double the figure for the U.S. and places Ohio in the top three or four states nationally in participation in education and training activities.³²

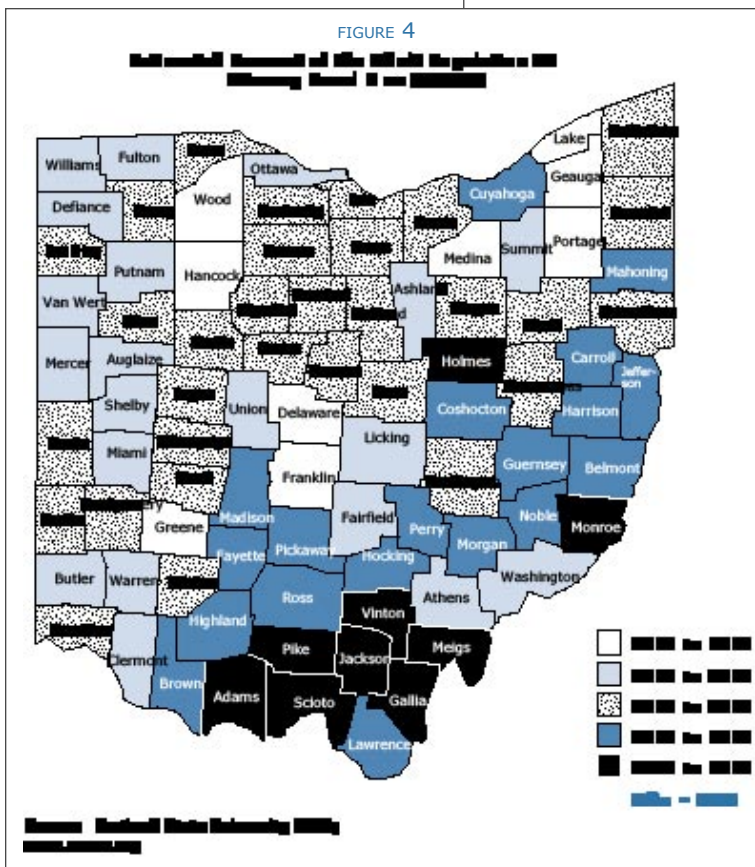
In fiscal year 2002, Ohio's 88 counties spent \$10.9 million on education and training activities, serving an average of 2,700 participants per month. This expenditure, however, represented only one percent of Ohio's \$1.062 billion in federal, state and local TANF expenditures.³³

Ohio is one of six states that permit postsecondary education and training to satisfy TANF work requirements for 12 months or less. However, each county can determine to what extent it takes advantage of this option. Ohio counties can continue education and training for a participant for more than 12 months, but unlike in 14 other states, an Ohio county cannot count this additional training toward

its TANF participation rate. In Ohio, as in most other states, participating in education and training does not stop the TANF "time clock" (maximum benefit award period) for recipients. Seven states allow the time clock to stop for education and training.³⁴

RESOURCES FOR ADULT BASIC AND LITERACY EDUCATION

In fiscal year 2002, the Ohio Adult Basic and Literacy Education (ABLE) program included \$19.1 million in federal funds and \$8.6 million in state funds. The program targets services to adults who are most educationally and economically disadvantaged. In program year 2002, 61,522 adults were enrolled in Ohio's 132 local ABLE programs, and 11,399 started at a beginning literacy or basic education level. Of the total participants, 64.4 percent were enrolled in Adult Basic Education and 20.6 percent were enrolled in Adult Secondary Education.³⁵ In addition, Ohio requires that all prison inmates without a high school diploma or GED or with low test scores receive basic education and skills training.³⁶



Compared to other states, Ohio's state funding for adult basic and literacy education is low in relationship to the number of adults who may potentially need these services. An analysis of state ABE funds in fiscal year 2002 found that Ohio allocated \$13.07 per Ohio adult without a high school diploma or GED, while states in the top one-third nationally allocated \$37.17 or more.³⁷

The unmet need for adult education and training in Ohio

Ohio's postsecondary, targeted training, and adult education resources serve thousands of Ohioans annually but touch only a small fraction of those who may be in need of these services.

- ▼ Only 3.2% of Ohio's 4.8 million working-age adults (age 25-49) are enrolled part-time in any type of postsecondary education, a 14% decline over the past decade.³⁸
- ▼ Perkins-supported postsecondary programs are serving only 5.4% of the 3.4 million persons ages 18-64 in Ohio without postsecondary education.³⁹
- ▼ In 2002-03, the persons served by the WIA Adult program represented only 3.0% of the 567,475 Ohioans age 18-64 who were not fully employed.⁴⁰
- ▼ In 2002-2003, adult basic and literacy education programs served only 6.86% of the 869,971 Ohio adults who lack a high school diploma or GED.⁴¹

Barriers to educational advancement

A number of barriers, in addition to cost, prevent low-income working adults from moving through the postsecondary education system.⁴² Several Ohio initiatives are focusing on identifying and removing these barriers, including the Ohio Bridges to Opportunity Initiative, the NGA Pathways to Advancement Policy Academy, and the Governor's Commission on Higher Education and the Economy.

In addition to the personal barriers that low-income working adults face—job responsibilities, transportation, child care, and cost—barriers in the educational system can also frustrate their progress. The current disjunction between the requirements and curricula of Ohio's adult basic education, workforce development, and two- and four-year college systems means that adults cannot easily move between programs as their interests evolve and their skills develop. Smoother connections between remedial/developmental education and degree-credit, between degree-track and employment-track, and between credit and non-credit programs can assist adults in gaining all the education they need. Developing instructional and support services and adjusting typical academic daytime class schedules with working adults in mind can also keep adults in the educational system.⁴³

Programs to Watch: Partnerships for Education and Training

▲ Ohio Bridges to Opportunity Initiative Career Pathways Planning Grants

Through the Ohio Bridges to Opportunity Initiative, KnowledgeWorks Foundation awarded planning grants to 12 regional partnerships to create pilot strategies for developing career pathways in their region. The pathways are intended to help low-income Ohioans obtain postsecondary education credentials—credentials that will help them move up the economic ladder while assisting Ohio employers to recruit and retain qualified workers. The pilot strategies include creating career pathways maps, building and funding partnerships to support pathways, reorganizing programs and services, and engaging the community in the project. Follow-up implementation grants will be awarded in early 2005.

Tracking the impact of education and training on economic self-sufficiency

Education and training are fundamental building blocks to economic self-sufficiency. It is important that the state measure the performance of these programs in helping low-income working families achieve this goal.

Ohio has a number of data collection systems to track program impact. The Ohio Board of Regents Higher Education Information System and the ODJFS Report of Earnings of Former OWF Participants track the wage records of students/graduates or program exiters using records from Ohio employers who pay into the state Unemployment Insurance system. However, there are limitations to the wage matching system, which ODJFS estimates is missing the wage records of about 25 percent of persons living in Hamilton County and working outside of Ohio and about 16 percent of persons statewide. Not included is income from sources other than wages, such as transfer payments. Currently reports prepared from these data present average income or wage rates for a program group. In addition, the ODJFS report does not separate out TANF exiters who received education and training services.

State agencies in Ohio do not track and report on the extent to which education and training programs are benefiting the population cohorts that are the focus of this report – persons with incomes below 100 percent and 200 percent of the poverty level. Such information could include the type and percent of program resources that are used to benefit these groups as well as their employment and income outcomes as a result of program participation. Several state programs, however, indicated that it might be possible to do special data runs to compile this information.

Moving from average to excellence in education and training

Compared to other states, fewer Ohio adults are without a high school diploma or GED, but Ohio falls short in adult enrollment in postsecondary education and higher education degree attainment. Ohio provides less in the way of financial aid for low-income college students than many other states and does not help adults with the cost of short-term career training. The pathways through the adult postsecondary education and training systems are fragmented and pose barriers for adult workers. Education and training programs targeted to unemployed and disadvantaged adults are not uniformly available throughout the state, and Ohio's adult postsecondary resources are serving only a fraction of those who may need these services. However, the state is undertaking a number of initiatives to address these education and workforce development issues. The following page outlines assets upon which Ohio can build an excellent adult education and training system as well as opportunities to change policies and program performance to better serve Ohio's low-income working families. ▲

ADULT EDUCATION & TRAINING

Assets to Build On

People

High School Graduates Ohio has a relatively small percentage of adults age 25-54 without a high school diploma or GED—10.2% compared to 13.6% for the U.S. *Source: U.S. Census 2002 Supplementary Survey*

Policies

State Support for Career Classes The Jobs Challenge program provides funding to community and technical colleges as an incentive to provide training services to local employers. *Source: Ohio Board of Regents*

Education Policy Initiatives Ohio has undertaken policy initiatives to improve the state's education and training systems, including the Governor's Commission on Higher Education and the Economy, Ohio Bridges to Opportunity Initiative, and NGA Pathways to Advancement Policy Academy.

Training as TANF Work Requirement Ohio is one of only six states to permit education and training to satisfy TANF work requirements for up to 12 months. *Source: Center for Law and Social Policy*

Performance

Career-Technical Programs In the 2002-03 program year, 77.2% of Ohio participants in Perkins-funded postsecondary career-technical programs completed their program through the achievement of a degree or a certified credential. *Source: 2002-2003 Annual Perkins Report, Population Reference Bureau*

WIA Training Services Two-thirds (66.5%) of Ohio's unemployed WIA adults who exited the program received training services, well above the U.S. figure of 40.5%. *Source: Ohio Department of Job and Family Services*

TANF Training Services In fiscal year 2002, 14.3% of Ohio's TANF recipients were placed in education and training activities, double the national average of 6.3% in fiscal year 2002. *Source: Ohio Dept. of Job and Family Services*

Inmate Population Education and Training In fiscal year 2003, 69.3% of the Ohio Department of Rehabilitation and Corrections' inmate population was enrolled in vocational and educational programs, and a total of 8,207 certificates were awarded. *Source: Ohio Department of Rehabilitation and Corrections*

Opportunities for Change

People

Educational Attainment of Adults in Low-Income Working Families In 2002, nearly 1 in 4 low-income working families with children (22,852 families) included a parent who lacks a high school diploma or the equivalent. *Source: U.S. Census 2002 Supplementary Survey*

Policies

Financial Aid for Non-Degree Career Classes The state of Ohio does not provide financial aid for adults seeking short-term career training in non-degree career classes. *Source: FutureWorks*

State Need-Based Financial Aid In 2002, need based financial aid provided by the state of Ohio was only 31% of federal Pell Grant resources provided to the state's low-income college students. Ohio ranked 19th in the nation in need-based financial aid. *Source: National Center for Public Policy and Higher Education*

Career-Technical Resources for Adult Postsecondary Education Ohio allocates only 18% of its federal Perkins career-technical resources to adult postsecondary education, well below the nationwide average of 38%. *Source: Community College Policy Center*

Adult Basic Education Spending Ohio ranks 35th among the states in its expenditures for adult basic education, spending only \$13.07 for every adult in the state without a high school diploma or GED. States in the top one-third nationally allocated \$37.17 or more. *Sources: Working Poor Families Project Staff; Census 2002 Supplementary Survey*

Decentralized WIA and TANF Policymaking Ohio permits local control over WIA and TANF policy, resulting in a wide variation in access to education and training services for the state's low-income working adults.

Performance

Income of Targeted Training Participants Ohio does not set goals for or track the percent of WIA and TANF exiters and ABE and postsecondary graduates who earn above the poverty level and above 200% of poverty one year after placement in employment. *Source: Ohio Department of Job and Family Services*

Unmet Need for Education and Training Ohio's postsecondary, targeted training, and adult education resources serve thousands of Ohioans but touch only a small fraction of those who may be in need of these services.

Generating First-Rate Economic Growth

VISION: GOOD JOBS, WITH ABOVE-AVERAGE WAGES AND IMPORTANT BENEFITS, WILL EXIST IN OHIO THROUGH THE STATE'S ECONOMIC DEVELOPMENT EFFORTS

DID YOU KNOW?

- ▼ Ohio lost 183,500 manufacturing jobs between 1999 and 2003.
- ▼ One in five Ohio jobs is in an occupation in which the average wage is below the poverty level.
- ▼ Nearly 350,000 Ohioans hold more than one job.
- ▼ One out of ten Ohio adults – 576,475 workers – is not fully employed.
- ▼ Ohio is doing worse than 34 states in the percent of adult workers who are not fully employed.

Ohio has seen a greater loss in jobs, a higher increase in unemployment, a bigger decline in the share of the working-age population in jobs, and a bigger increase in the loss of "long-tenure" jobs, than the economy as a whole. By the summer of 2004, all four of these key indicators stood worse in Ohio than they did nationally.

– Center for Economic and Policy Research 2004

The Ohio economy

Ohio is the seventh largest state economy in the U.S with a gross state product of \$385 billion in 2003.¹ State employment projections had forecast that Ohio would gain nearly 660,000 new jobs between 2000 and 2010, but the state has been hard hit by the recent recession. As of July 2004, the state still had 217,000 fewer jobs than it had when the recession began in March 2001, according to the Current Employment Statistics (CES) survey.² In August 2004, Ohio's seasonally adjusted unemployment rate was 6.3 percent, compared to a national figure of 5.4 percent.³ This represented 368,000 unemployed Ohioans.

Despite the loss of 183,500 manufacturing jobs during the period from 1999-2003, manufacturing remains the largest of the state's ten major sectors, making up 21.3 percent of gross state product in 2003, and 15.4 percent of wage and salary employment in 2004. Ohio has the third largest manufacturing gross state product in the United States. Service-producing sectors – financial, real estate, retail, transportation, and other services – produced 73 percent of the state's gross domestic product in 2003.⁴

OHIO'S DIVERSE LOCAL ECONOMIES: FROM BIG CITIES TO APPALACHIA

Ohio is an economically diverse state, with six large metropolitan areas, many small cities, and rural areas, including some that are part of the Appalachian region. Not all areas of Ohio share equally in the state's economic and employment growth. The 2001 per capita income for persons in Delaware, Geauga, Hamilton, Cuyahoga, and Franklin counties (over \$32,000) was nearly double that of Noble, Perry, Meigs, and Adams counties (under \$19,000) (Figure 7). The average annual number of jobs – both full- and part-time – also varies widely, from less than 4,000 jobs in 2002 in counties such as Vinton, Morgan, and Noble to more than 500,000 jobs in Cuyahoga, Franklin, and Hamilton counties.⁵

Unemployment rates also reflect a geographic disparity. Hardest hit is the Appalachian area, where six counties had double-digit unemployment rates in August 2004. In contrast, seven counties in central and western Ohio had rates of 4.0 percent or less.⁶

OHIO'S TOP EMPLOYERS

Ohio's top employers are clustered in retail, manufacturing, health, and government/education sectors (Figure 5). Wal-Mart Stores, employing about 37,000 Ohioans, was the state's leading employer in 2003, followed by the Kroger Company. Three of Ohio's top employers – representing 56,000 jobs – were automobile

manufacturers, an historically large but declining employment sector.

JOBS OF THE FUTURE: A MIX OF LOW-WAGE AND HIGH EDUCATION

Nearly all of Ohio’s new jobs – 98 percent – are projected to be in service-producing industries, led by health and business services. Manufacturing – the source of Ohio jobs that pay higher wages in relationship to education requirements – is projected to continue to lose jobs. Ohio’s fastest growing occupations over the next ten years fall into two groups: low-wage jobs with low education requirements and high-wage technology jobs requiring a college degree (Figure 6).⁷

LOW-WAGE JOBS HURT THE OHIO ECONOMY

While there are many good, high-paying jobs in Ohio, nearly one in five jobs is in an occupation where average wages are below the poverty level (\$8.84 an hour for a full-time job in 2002). Only one of Ohio’s ten occupations with the most projected job openings has an average hourly wage that would move a four-person family above 200 percent of the poverty level (Figure 8).

Working families are not the only group that experiences hardships from Ohio’s low-wage jobs. Low wages reduce the economic growth of the state and its communities by limiting the purchasing power of working families. More than two-thirds of America’s gross domestic product is based on personal consumption, and 85 percent of that consumption is in consumable goods and services.⁸ Declining personal consumption affects the overall economic growth of Ohio, especially as the retail and service sectors of the economy gain importance.

FIGURE 5

Ohio’s Top Ten Employers 2003

Employer	Estimated Headcount
1. Wal-Mart Stores*	37,000
2. Kroger Company*	29,000
3. Cleveland Clinic Health System	23,700
4. Wright-Patterson Air Force Base ⁽¹⁾	22,000
5. General Motors Corporation	21,350
6. Delphi Automotive	20,300
7. General Electric Company	17,800
8. Ford Motor Company	17,070
9. University Hospitals Health System (Cleveland)	17,000
10. Ohio State University*	15,400

Source: Ohio Department of Development, Office of Strategic Research, May 2003

*Includes part-time employees; (1) civilian and military on base

FIGURE 6

Ohio’s Fastest Growing Occupations, 2000-2010 Projections

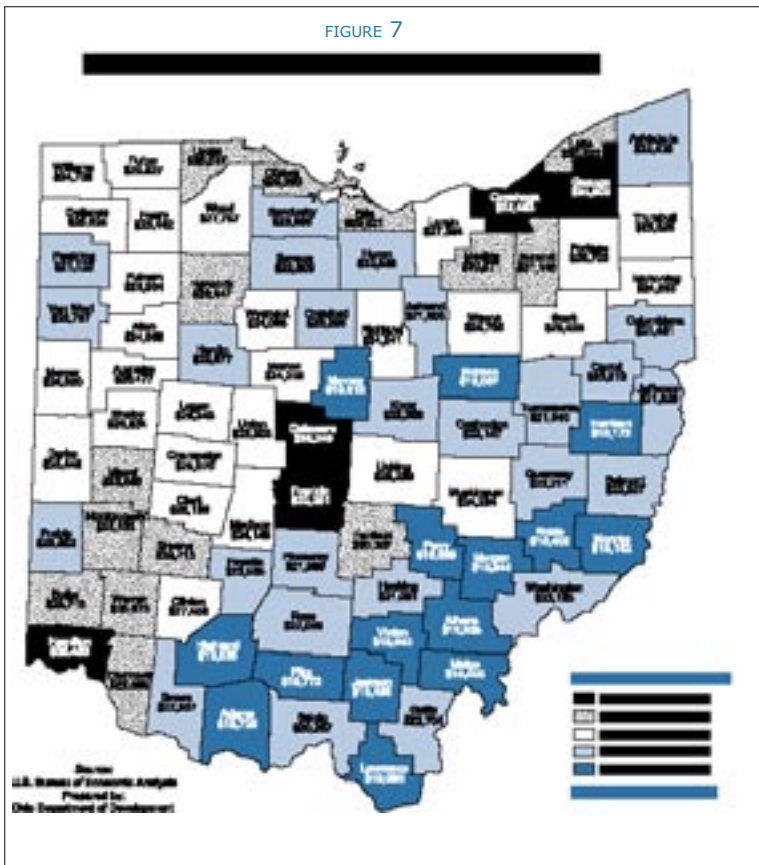
(Annual growth rate 30 percent or more **and** annual openings 500 or more for the projection period)

Occupation	Average Wage 2001	Education/Training Level
1. Computer Support Specialists	\$19.96	Associate Degree
2. Computer Software Engineers, Applications	\$30.70	Bachelors Degree
3. Network & Computer Systems Administrators	\$25.09	Bachelors Degree
4. Personal & Home Care Aides	\$ 8.47	Short-Term OJT
5. Social & Human Services Assistants	\$11.45	Moderate-Term OJT
6. Medical Assistants	\$11.07	Moderate-Term OJT
7. Computer Systems Analysts	\$28.67	Bachelors Degree
8. Home Health Aides	\$ 8.37	Short-Term OJT
9. Computer & Information Systems Managers	\$34.54	Work Experience and Degree
10. Pharmacy Technicians	\$ 9.70	Moderate-Term OJT

Source: Ohio Department of Job and Family Services, Bureau of Labor Market Information, Oct. 2002

OJT=On-the-job training

FIGURE 7



Ohio's workforce

In 2002, 5,828,000 persons age 16 and over participated in the labor force in Ohio. Ohio has a labor force participation rate of 67.0 percent, about average for the nation. Nearly half—47.6 percent—of the Ohio labor force is female and 13.4 percent are black and Hispanic workers.

Important social changes are affecting the face of the Ohio workforce. The workforce is aging, and about two-thirds of new job openings will result from the need to replace existing workers leaving the labor force. In the future, there will continue to be more women in the labor force, and the workforce will continue to become more racially and ethnically diverse.⁹

WORKERS LOOKING FOR A STABLE JOB

Over 1.1 million Ohio adults are employed in jobs that pay poverty-level wages. There are also many adults who are unemployed or not fully employed. These are workers who want a stable, full-time job but are unable to find it. Data from 2003 indicate that 10.1 percent of Ohioans age 18 to 64—567,475 persons—were not fully employed.

This group includes people who are unemployed, marginally attached to the labor force (looked for a work in the past 12 months and want to work), or employed part-time due to economic reasons (could not find a full-time job). In 2003, 341,672 Ohioans (6.3 percent) held more than one job.¹⁰

The state's role in assisting businesses to create and retain jobs

The state can play an important role in assuring that Ohio's businesses not only help build an outstanding economy but also create jobs that pay a living wage for all working families. Ohio has a wide array of programs to assist communities and businesses to create and retain jobs in Ohio. The state does this by lowering the cost associated with a company's location and expansion plans. Ohio's core business assistance programming is in the form of tax credits, tax exemptions, grants, and loans. In its 2004-05 budget, the state of Ohio appropriated over \$230 million for the Ohio Department of Development's economic development loan and grant business assistance programs.¹¹ In addition, the state provides tax credits and bond financing for businesses.

OHIO JOB CREATION TAX CREDIT

The Ohio Job Creation Tax Credit—refundable state franchise or income tax credits—is one of the state's primary business assistance vehicles, and ODOD staff indicate that it is a part of most business financing packages. In 2003, the Ohio Tax Credit Authority approved 107 projects, obtaining commitments from companies to create a total of 8,764 new jobs, retain 24,226 existing full-time positions, and invest \$897.8 million

in fixed assets. In 2003, \$37.1 million in refundable tax credits were issued.¹²

SMALL CITIES CDBG ECONOMIC DEVELOPMENT PROGRAM

Because of federal requirements for low- and moderate-income benefit, the state program that most directly targets low-income workers is the Small Cities Community Development Block Grant Economic Development Program. In FY 2003, the program awarded \$5.3 million for 18 projects. These projects included commitments to create or retain 951 jobs.¹³

WORKER TRAINING PROGRAMS

There are two principal programs that provide Ohio employers with financial assistance for training existing and new employees. The Ohio Investment in Training Program (OITP) reimburses employers for up to 50 percent of training costs. In state fiscal year 2003, the state provided \$12.3 million in training funds for 297 projects that were projected to create 15,426 jobs and retain 46,079 jobs.¹⁴

The Ohio Training Tax Credit Program, administered by the Ohio Department of Job and Family Services, provides businesses with a credit of up to \$100,000 to provide training for existing Ohio workers who are at risk of being displaced because of skill deficiencies or the inability to use new technologies that will enable them to perform other jobs for their current employer. Each year, \$20 million in tax credits are allocated.¹⁵

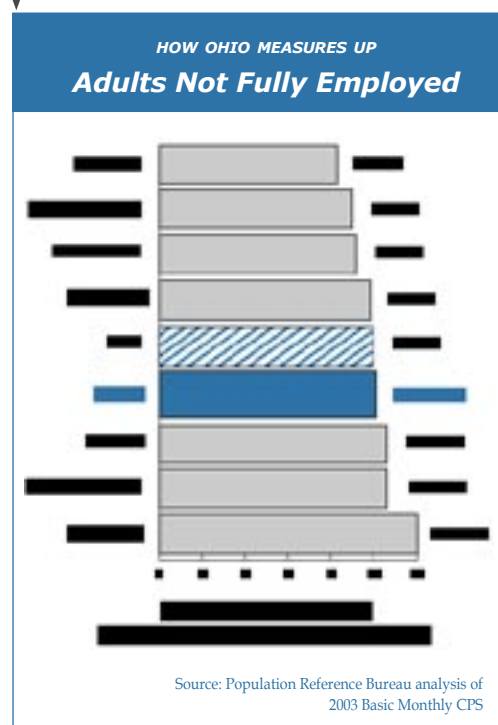
Do Ohio's business assistance programs help low-income workers become self-sufficient?

A priority for most state economic development programs is to create and retain good jobs, which are often defined as jobs with high wages. However, states also can use business incentives to target employment opportunities to disadvantaged populations. In order to assure that their investment in business assistance incentives helps low-income workers to become self-sufficient, states can establish specific requirements regarding the workers who benefit from these programs.

The Ohio Department of Development uses a single application form for all business financial assistance programs. The applicant must identify the number of full-time jobs that will be added or retained, and the average hourly base wage and hourly benefits for new full-time jobs that will be created. There are no wage targets for retained jobs. There are required population targets (disadvantaged, minority, women) depending on the specific assistance being requested. However, as is the case with most states, Ohio does not require businesses to set targets for, or report on, the extent to which these projects assist low-income workers (below 200 percent of the poverty level) to increase their income.¹⁶

WHO BENEFITS FROM THE JOB CREATION TAX CREDIT?

In order to be eligible for the Job Creation Tax Credit, a company must create 25 new full-time jobs with an average hourly base wage, excluding benefits, of at least 150 percent of the federal minimum



Programs to Watch: Investing in the Future Workforce

▲ Middletown Regional Health System Personal Development Plan

The Middletown Regional Health System (MRHS) found that, with the shortage of healthcare workers, the best way to meet its future workforce needs is to provide education and training for its entry-level employees. The goal of the training is to equip the employees with the knowledge and skills to advance into hard-to-fill jobs, providing openings for new entry-level workers. Personal Development Plans is an initiative of MRHS, the Butler-Warren Workforce Policy Board and Warren County Career Center to provide education and training for the entry-level employees of MRHS with income levels of \$12,376 to \$29,952. Funded with an Ohio Department of Development Incumbent Worker Training and Education Grant, the program sends these employees through a series of steps including assessment sessions, counseling and remedial work. MRHS provides constant support for the workers, who enroll in two to four year career center programs.

wage (\$7.73 per hour). Greater benefits are provided to projects that commit to hiring more than 10 percent of new hires from disadvantaged or minority groups. There is also an incentive for creating higher paying jobs. In special circumstances a company can create as few as 10 jobs if it pays at least 400 percent of the minimum wage (\$20.60 per hour). Companies must fulfill their job creation, job retention, and fixed asset obligations for a year prior to receiving the tax credit.¹⁷ For projects approved for the tax credit in 2002, the average wage commitment for new jobs was \$19.38 an hour.¹⁸

WHO BENEFITS FROM THE COMMUNITY DEVELOPMENT BLOCK GRANT ECONOMIC DEVELOPMENT PROGRAM?

The HUD-funded CDBG program has federal regulations that require at least 51 percent of all jobs created and retained

by businesses assisted with CDBG funds be held by persons from a low- or moderate-income household. In fiscal year 2003, 61.8 percent of all jobs benefited a low- or moderate-income household.¹⁹ In Ohio in 2004, the HUD moderate-income level for a family of four, which is set at the county level, ranged from \$37,300 to \$51,450, with all but a few counties above \$40,500.²⁰ In most counties, this maximum income is well above 200 percent of the poverty level. It would, therefore, be possible for businesses to meet the HUD income requirements without hiring workers from low-income households.

REQUIREMENTS FOR STATE PREVAILING WAGE

Several Ohio business assistance programs that fund capital projects include requirements to apply state prevailing wage for labor in construction activities. These include the Ohio Enterprise Bond Fund, the 166 Direct and Regional Loan Program, and the Minority Direct Loan Program.²¹

Tracking the impact of state business incentive programs

The Ohio Job Creation Tax Credit (JCTC) Program Annual Report provides data on the job creation/retention commitments, and the performance against these commitments, of employers that receive the state tax credit. According to the national Working Poor Families Project, Ohio is one of the only states in the nation that undertakes this type of detailed tracking and reporting. The JCTC report includes data on average wages of jobs created and retained. However, the state does not track the characteristics of the employees who fill these jobs or the extent to which the state's business incentives increase the income of low-income and entry-level employees.²²

The state is required to track and monitor compliance with HUD income requirements by businesses assisted with CDBG funds and to report this data in the Consolidated Annual Performance and Evaluation Report. The report includes the percent of jobs created or retained that were filled by persons from low- or moderate-income households. However, there is no further breakdown by employee income group. The report does not include data on the impact of the CDBG economic development program on the income of low-income and entry-level employees.²³

The impact of worker training incentives

Ohio Investment in Training Program (OITP) resources can be used to train any employee, regardless of experience or skill level. The OITP Annual Report for Fiscal Year 2003 indicated that average hourly wage rate commitment for 15,426 new jobs was \$15.53, ranging from a minimum of \$8.00 to a maximum of \$34.00.

The Ohio Training Tax Credit Program, administered by the Ohio Department of Job and Family Services, excludes executive and management training but does not target any specific employee group such as entry-level or low-income wage earners. Ohio does not set targets for or track the impact of its training programs on individual employees and does not report on the impact of the training on the income of employees.

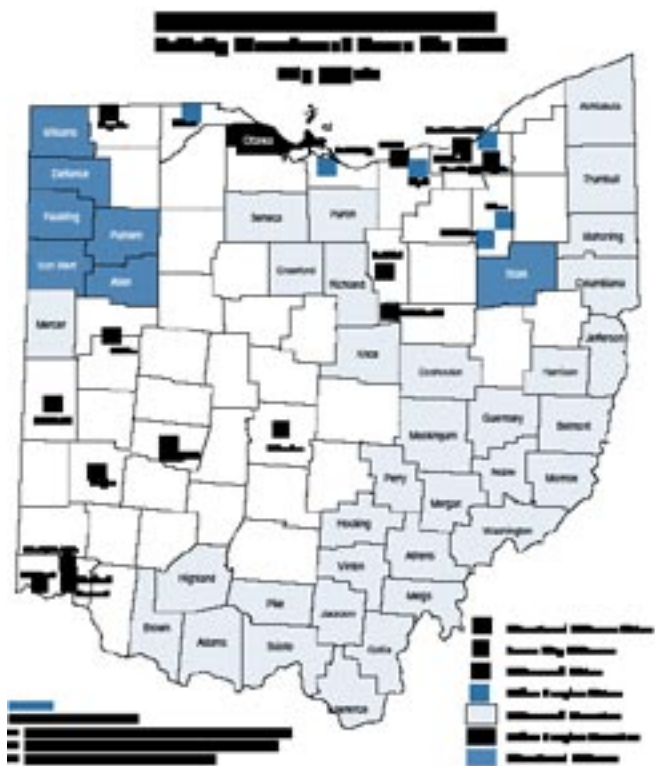
Targeting business assistance to locations of greatest need

The state targets a number of its business assistance programs to distressed areas of the state. The Ohio Department of Development publishes a map that identifies Priority Investment Areas. These include cities, inner city areas, and counties with high unemployment, low per capita income, or high poverty, and areas that have experienced a major business closing or downsizing. The map is updated regularly as economic conditions in the state change. A number of ODOD programs provide special incentives for job creation and retention and worker training in these areas.²⁴ In addition, the state’s Fund for Appalachian Industrial Retraining (FAIR) program matches state OITP funds with funds from the Appalachian Regional Commission to pay for customized training for manufacturers located in Appalachian Ohio.²⁵

Linking unemployed and low-wage workers with better jobs

The most direct link between the state’s business assistance and workforce development efforts

Programs to Watch: Investing in Areas of Distress



is the Governor's Workforce Policy Board (WPB), which is housed at and staffed by the Ohio Department of Development. The WPB sets policy for the state WIA program and One-Stop system and has adopted *Advance Ohio*, a strategic plan focused on linking the needs of Ohio's workforce with that of employers.²⁶ Ohio's local One-Stop partners include the state Unemployment Insurance Program, Employment Services, and Trade Adjustment Assistance to serve unemployed workers as well as various education, training, and supportive services. The state's Office of Workforce Development estimates that about 10-15 percent of all unemployed Ohioans were serviced by the One-Stop system in 2003.²⁷

SECTORAL DEVELOPMENT INITIATIVES

Ohio state agencies that provide business assistance and workforce development services are collaborating on several interagency sectoral development initiatives. The largest is the Third Frontier Program, a 10-year, \$1.1 billion initiative to expand Ohio's high-tech research capabilities and promote innovation and company formation to provide high-paying jobs. Only a small component of this program – grants to One-Stops or other community partners for college internships with companies in the knowledge economy – appears to be directed at low-income or entry-level workers.²⁹

Other sectoral development initiatives are more directly targeting low-wage jobs. The Ohio Access Cabinet, which works to meet the demand for skilled workers in health care fields, includes specific goals to recruit and train direct support health care workers and to develop a statewide certification program that allows credentials to be recognized across systems.³⁰ The Ohio Workforce Policy Board is developing industry advisory boards for 12 employment sectors to provide information on employment opportunities, career paths, and employee training needs. Boards have been formed for the health care, manufacturing, and education sectors.³¹

Moving from average to excellence in economic development

Ohio's labor force is an important asset, but too many Ohio workers are in jobs that pay poverty level wages or are not fully employed. The shift from a manufacturing to a knowledge and service economy is leaving many Ohio workers unable to compete for good paying jobs. The state's business assistance programs provide incentives for employers to create and retain jobs and to train their workforce. The state provides additional incentives to businesses in distressed geographic areas and tracks the average wages of new jobs created by its business incentives. But the state does not require business to demonstrate that these incentives are benefiting entry level and low-wage workers by providing them with job opportunities and increasing incomes to family sustaining levels. The following page outlines assets upon which Ohio can build to change business assistance policies and program performance to better serve low-income working families while building a strong economy with good jobs. ▲

ECONOMIC DEVELOPMENT

Assets to Build On

People

Ohio Labor Force In 2002, nearly 2.8 million women and 3.1 million men ages 16 and over participated in the Ohio labor force. Women had a labor force participation rate of 60.7%, while the rate for men was 73.9%.
Source: Bureau of Labor Statistics

Policies

Job Creation Wage Targets The Ohio Job Creation Tax Credit Program requires an average hourly wage rates for new, full-time jobs of at least 150% of the federal minimum wage. *Source: Ohio Department of Development*

Geographic Targeting of Business Assistance The Ohio Department of Development targets some of its business assistance programs to Priority Investment Areas – cities and counties throughout the state with high rates of unemployment, low per capita income, high poverty, or a surplus of labor. The FAIR program targets Ohio industrial training funds to Appalachian Ohio. *Source: Ohio Department of Development*

Performance

Sectoral Development Initiatives Ohio’s sectoral development initiatives include the Third Frontier Project to expand high-tech research capabilities; the manufacturing, education and health advisory boards of the Ohio Workforce Policy Board; and the Ohio Access Cabinet, which is developing strategies to provide skilled workers in health care fields.
Source: Ohio Department of Development

Reporting on Jobs Created through Business Assistance Ohio tracks the average wage rate of jobs created by companies that receive the Job Creation Tax Credit and Ohio Investment in Training Program grants. The CDBG economic development program tracks the number of jobs filled by workers from low- and moderate-income households.
Source: Ohio Department of Development

Opportunities for Change

People

Wage Rates In 2002, one out of every five jobs in Ohio (19.5%) was in an occupation that paid wages below the poverty level (about \$8.84 per hour for full-time work). *Source: Bureau of Labor Statistics*

Workers Not Fully Employed One out of 10 Ohioans (567,475 persons ages 18-64) were not fully employed in 2002. Ohio ranks 35th in the nation for the percent of adults not fully employed. This includes people who are unemployed, marginally attached to the labor force (looked for work in the past 12 months and could not find it), or employed part-time because they could not find a full-time job. *Source: Current Population Survey, Basic Monthly Survey 2003*

Policies

Geographic Disparity in Unemployment Unemployment rates vary widely across Ohio, ranging from over ten percent in six Appalachian counties to four percent or less in seven counties in central and western Ohio. *Source: Ohio Department of Job and Family Services, Bureau of Labor Market Information August 2004*

Employment Targeting of Business Assistance Programs The primary state-funded business assistance programs do not have provisions that jobs created or retained, or training provided, will benefit a specific number or percentage of entry-level or low-income workers. *Source: Ohio Department of Development*

Performance

Low-Income Workers Benefiting From Business Assistance Programs The state does not track or regularly report on the number of low-income workers benefiting from the state’s business assistance programs, or the extent to which the income of low-income workers increase as a result of these incentives. *Source: Ohio Department of Development*

Unemployed Workers Served by One-Stops It is estimated that only about 10-15 percent of unemployed Ohioans were served by the state’s One-Stops in 2003. *Source: Ohio Department of Development*

Reinforcing Self-Sufficiency

VISION: WE WILL BOLSTER STABILITY FOR WORKING OHIO FAMILIES WITH COST-EFFECTIVE REINFORCEMENTS

A broad array of protections that [American] families once depended on to shield them from economic turmoil – stable jobs, widely available health coverage, guaranteed pensions, short unemployment spells, long-lasting unemployment benefits and well-funded job training programs – have been scaled back or have vanished altogether.

– Los Angeles Times “The New Deal,” October 9, 2004

In a shift from goods-producing to a service-producing economy, the average wages of workers decrease substantially. In Ohio, the average annual salary for all goods-producing occupations in 2002 was \$42,638 while the average of all service-producing occupations was \$30,716.¹ Low-wage service sector jobs are projected to be a significant and growing part of Ohio’s economy for the foreseeable future. In 2003, nearly one out of four workers over age 18 – 1,125,446 Ohio adults – was in a job that pays below poverty level wages.

These workers are doing important jobs in our economy but are not making enough for their families to escape hardship. The jobs that they fill are less likely to offer benefits such as health insurance coverage, paid leave, or employer-provided pensions. The state of Ohio can bolster the economic sufficiency of low-income working families with children with policies that provide safety nets for low-wage workers.

The conditions of low-wage jobs

The impact of the working conditions of Ohio’s large, low-wage workforce can be felt not only by the workers and their families but also by Ohio businesses and government.

THE COST TO BUSINESSES OF EMPLOYEE TURNOVER

One of the reasons that there is a large number of openings in low-wage jobs in Ohio is because these industries have high turnover rates (Figure 8). Research has found that in the U.S. fewer than one out of six cashier jobs will represent new job openings – the rest will be turnover.² Workers may voluntarily leave in search of a better job opportunity or be forced to leave because their fragile web of housing, transportation, health, and child care has broken.

The cost to employers of this turnover is high. Human resource experts have calculated the separation and replacement cost of employee turnover for low-skill, hourly workers at about 30 percent of an employee’s annual wage, or about \$5,500 for each job at a poverty level wage.³ The voluntary annual turnover rate is 29.3 percent in the retail trade industry, 43.8 percent in the leisure and hospitality industry, and 46.5 percent in the accommodation and food services industry.⁴

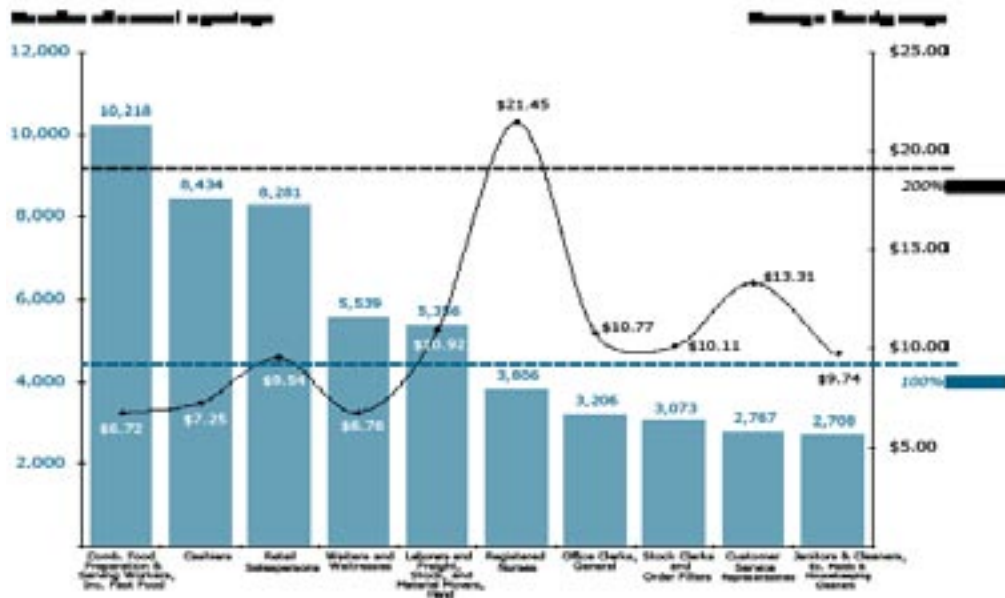
THE COST TO THE STATE OF BUSINESSES THAT PAY LOW WAGES

Low wages and high turnover are a part of the business model for some companies. But businesses that pay low wages to their workers are essentially transferring costs to government. These workers have less purchasing power and pay less in taxes. At the same time, they are more reliant on public services. A recent California study of the state’s 44,000

DID YOU KNOW?

- ▼ Over 1.1 million adult workers in Ohio are in jobs with below poverty level wages.
- ▼ More than 1 out of 4 low-income working families in Ohio has a parent without health insurance.
- ▼ About half of Ohio’s low-income working families with children spend over one-third of their income for housing.
- ▼ Almost 3 million Ohio households visited food pantries in 2003.
- ▼ Families with incomes below the poverty level pay Ohio income tax.
- ▼ Ohio ranks 27th among all states in weekly unemployment benefit levels.

FIGURE 8



Source: Ohio Department of Job and Family Services, Bureau of Labor Market Information, October 2002

employees of Wal-Mart – Ohio’s largest employer – found that, compared to all large retail employees, Wal-Mart employees use an estimated 38-40 percent more of taxpayer-funded assistance programs, such as health care, food stamps, and subsidized housing, at an annual cost to the state of \$86 million.⁵

How strong is the safety net for Ohio’s low-income working families?

Addressing the needs of the state’s low-income working families with children requires the collaboration of the public, private, and non-profit sectors. But until such time as employers pay all workers family-supporting wages and benefits, these families will need safety net programs to get by (Figure 9). It is the state that has the ability to most directly and broadly impact the quality of life for these workers and their families, who represent one-quarter of the Ohio adult workforce. A wide range of state programs, policies, and laws plays a role in creating a stable life for low-income working families.

Low-income working families work in jobs that typically do not offer benefits such as health insurance, pensions, and paid leave. Recent research shows that creating a level playing field for families that work hard at low-wage jobs benefits employers and workers. It increases job retention and reduces turnover, reduces family violence, and improves education outcomes among elementary-aged students.⁶

FOOD AND SHELTER

More Ohioans are using food assistance programs to feed their families when wages don’t stretch to the end of the month. The number of

household visits to Ohio's 3,000 food pantries increased from 1.9 million in 2001 to 2.7 million in 2003.⁷

Use of food stamps is also up. In state fiscal year 2003, an average of 366,454 assistance groups (usually families) received food stamps, a 27.9 percent increase over 2001. At the same time, the number of Ohio Works First assistance groups dropped by 3.8 percent, indicating that much of the increase can be attributed to the need for food assistance by working families.⁸ The Ohio Department of Job and Family Services has been working with counties to enroll more eligible families with children that leave public assistance in the food stamps program. Ohio's ranking among states in the percent of eligible families enrolled has improved from 24th to 18th over the past two years.⁹

Housing is considered affordable if it costs no more than one-third of household income. In Ohio in 2002, there were 158,390 low-income working families (46.9 percent) spending over 30 percent of their income on housing, including 71.6 percent of working families in poverty.¹⁰ The Ohio Housing Trust Fund was established by the state legislature to help address the state's affordable housing needs. In state fiscal year 2004, the state allocated \$44 million to non-profit and for-profit organizations and local governments for housing and homeless projects and related community and supportive services to benefit low- and moderate-income Ohioans throughout the state.¹¹

HEALTH INSURANCE

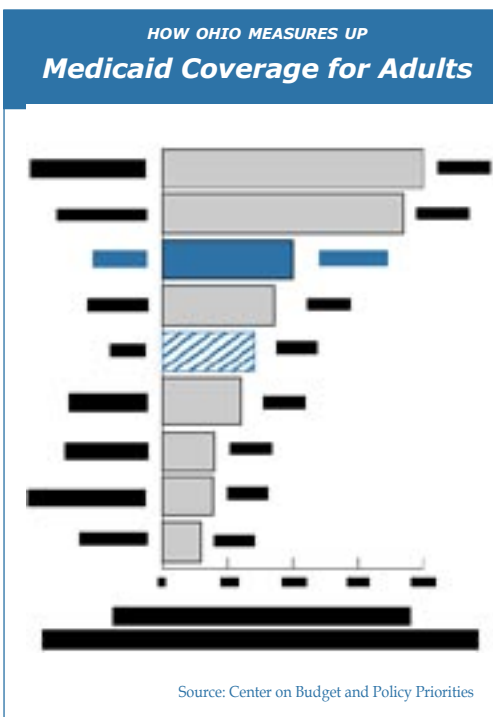
In 2003, there were 809,408 Ohio workers age 18 to 64 without health insurance. This represented 14.2 percent of all workers in this age group.¹² Ohio's low-wage working families are even more likely to be without health insurance: 27.5 percent (85,646 families) have a parent who lacks health insurance coverage. Ohio ranks 14th in the nation in the percent of low-income working families that contain at least one parent without health insurance.¹³

For low-income families, the state Medicaid program is often the only option for health insurance coverage. However, Medicaid is absorbing an ever greater percentage of state budgets and has been a target of cuts to address state budget shortfalls. Despite these budget problems, in 2000 Ohio increased Medicaid coverage for working adults earning from 75 percent of the poverty level to the current 100 percent threshold. However, in 2002, 15 states provided coverage for households above 100 percent of poverty, with five covering adults at 200 percent of poverty or above.¹⁴

Ohio provides Medicaid coverage for a high percentage of families leaving public assistance. For the 2003 program year, Ohio ranked fourth in the nation for enrolling 90.6 percent of eligible individuals leaving TANF in the Medicaid/State Children's Health Insurance Programs (SCHIP).¹⁵

CHILD CARE

Many low-income families are headed by single mothers, and affordable child care is essential to their stable employment. In 2003, Ohio reduced the eligibility for subsidized child care from 185 percent



of the federal poverty level to 150 percent of the federal poverty level, removing an estimated 18,500 children from child care subsidies.¹⁶ These changes also included an increase in the co-payment that families were required to pay from an estimated \$59 a month to an average of \$91 a month.¹⁷ However, in Ohio, all families that are eligible and apply for child care assistance receive it. While 15 other states have waiting lists for eligible families, Ohio does not maintain such a list.¹⁸

How does Ohio increase the income of low-wage working families?

In addition to providing services to ensure a safety net for working families, many states have policies related to wages, taxes, and unemployment insurance that enable families to keep more of the income they earn and to see them through periods of unemployment. These policies provide income for Ohio families and also put disposable income into the state economy. Ohio, however, falls short in a number of these areas.

STATE MINIMUM WAGE

The current federal minimum wage of \$5.15 an hour has not been increased since 1997 and is losing purchasing power every year. Today, the minimum wage is worth only one-third of the average hourly wage, down from 50 percent in the early 1980s.¹⁹ Twelve states have adopted a state minimum wage that is higher than the federal minimum. Ohio, however, is one of only two states that has set its state minimum wage lower than the federal minimum wage. Ohio's minimum ranges from \$2.80 to \$4.25 an hour depending on the size of the employer.²⁰

STATE INCOME TAX BURDEN

Ohio is one of a few states that taxes families with incomes below the poverty level. Families in Ohio earning as low as \$13,000 a year are assessed income taxes.²¹ According to the Report of the Committee to Study State and Local Taxes in Ohio, created as a result of legislation, only 1.7 percent of state income tax receipts are generated from taxpayers with annual incomes below \$20,000 – but this group represents 35.6 percent of the total number of Ohio taxpayers.²²

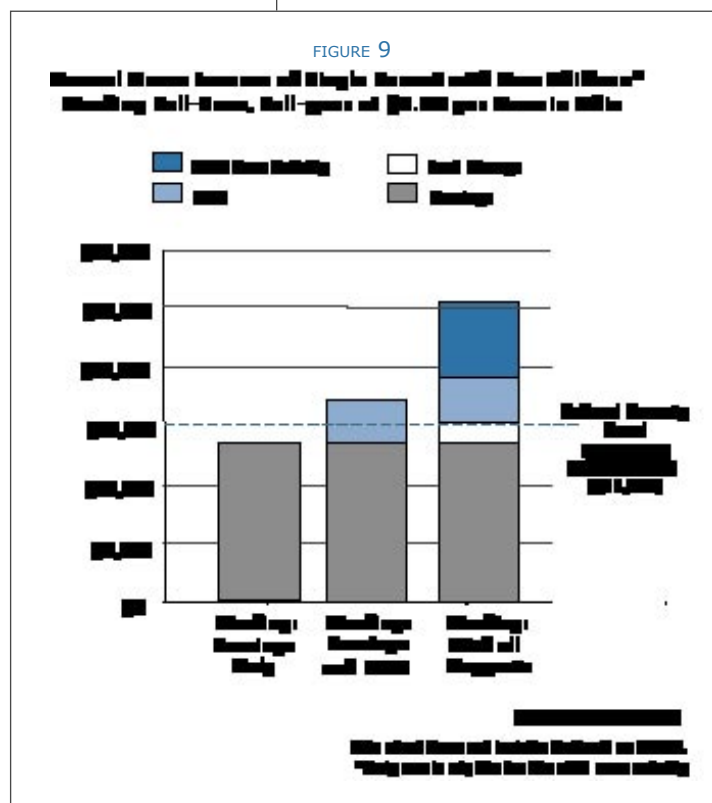
STATE EARNED INCOME TAX CREDIT

The federal Earned Income Tax Credit (EITC) is a refundable income tax credit available to families who work but generally earn less than 200 percent of the federal poverty level, although the majority

Programs to Watch: State Commitment to Affordable Housing

▲ The Ohio Housing Trust Fund

The Ohio Housing Trust Fund, created in 1992 by Ohio House Bill 339, provides housing and housing assistance to Ohio's low- and moderate-income families and individuals. Initially funded by biennial budget appropriations, in 2003 Ohio House Bill 95 doubled the real estate recordation fees to create a permanent and dedicated funding source of \$50 million a year for the HTF and fold in state funds for emergency shelters, transitional housing, and community development corporations. The HTF is unique compared to other state and local housing programs in that a majority of the funds are targeted to Ohio's neediest residents—those at or below 50 percent of the county median income. In 2004, the HTF repaired 1,760 homes, constructed 2,071 rental units and 154 homeownership units, and prevented homelessness for 12,490 Ohio households.



of its benefits go to families with incomes below the poverty level. The EITC benefits low-income working families by reducing poverty, promoting work, and reducing income inequality.²³ Unlike 16 other states in the U.S., Ohio has not enacted its own earned income tax credit for low- and moderate-income workers.

UNEMPLOYMENT COMPENSATION

Low-wage workers have shorter job tenure and a greater number of jobless spells than other workers. Research has found that the difference between poor and non-poor workers is that poor workers are employed for roughly the same number of hours per week but for 20 percent fewer weeks per year. Less-educated, less-tenured workers are easier for employers to shed and rehire, so they are often the first to be laid off during a downturn or restructuring.²⁴ Unemployment insurance is intended to be a safety net to assist workers who lose their job through no fault of their own.

Unemployed Ohio workers are less likely to receive unemployment compensation – only 36 percent of Ohio’s jobless workers received unemployment compensation in 2003, compared to 41 percent nationally and over 50 percent in some states. In addition, workers in Ohio must earn 27.5 percent of the state’s average weekly wage to be eligible for unemployment compensation. This amounts to \$181 a week in 2004. As a result, a minimum wage worker working 35 hours a week is ineligible for benefits in Ohio. Ohio also denies benefits to most part-time workers, which disproportionately affects low-income families.²⁵

In 2003, 125,000 Ohio workers exhausted their maximum state unemployment benefits. Ohio’s 2003 average weekly benefit amount of \$252 was above the federal poverty level but \$10 below the national average. Ohio ranks 27th among all states in weekly unemployment benefit levels.²⁶

Moving from average to excellence in support for working families

Compared to other states, Ohio falls short in providing an adequate safety net of programs and services that would assist low-income working families with children to maintain steady employment and reap benefits from full-time work. In recent years, Ohio has made progress in some aspects of its safety net programs – state funding for affordable housing, Medicaid eligibility levels, and food stamp participation rates. But the state also contributes to the precarious situation of these families through policies that keep the minimum wage low and the tax burden high. There are significant gaps in the safety net for families who are not eligible for Medicaid, subsidized child care, and unemployment compensation. The following page summarizes Ohio’s assets to build on and opportunities to change policies and program performance to better serve these families.▲

Programs to Watch: Investment in Child Care

▲ Franklin County funds child care subsidy

In 2004, Franklin County commissioners voted to use up to \$1.98 million in federal bonus money to offset state child care cuts that affected more than 2,000 children in the county. Franklin County assists low-income working families already receiving child care subsidies who were affected by the state’s change in eligibility standards. Although the stricter state standards apply to families seeking child care assistance for the first time, the commissioners’ decision expands eligibility to families at 200 percent of poverty if they have already received assistance.

FAMILY REINFORCEMENTS

Assets to Build On

Policies

Medicaid Eligibility Ohio provides Medicaid coverage to working adults who earn up to 100% of poverty, an increase from the previous eligibility level of 75% of poverty. *Source: Ohio Department of Job and Family Services*



Affordable Housing In 2003, the state approved a dedicated revenue source for the Ohio Housing Trust Fund. The trust fund provides funding for housing and housing assistance programs and projects for Ohio's low- and moderate-income families and individuals. *Source: Ohio Department of Development*



Unemployment Compensation Benefit Levels An unemployed Ohio worker with two dependents meeting all eligibility requirements receives a maximum weekly benefit of \$392, which is sufficient to prevent the family from living in poverty (\$285 a week in 2003). *Source: Ohio Department of Job and Family Services*

Performance

Child Care Assistance Waiting List Unlike one-third of all states, all Ohio families who are eligible for and request child care assistance subsidies receive them. Ohio families are not placed on waiting lists or turned away. *Source: Children's Defense Fund*



Food Stamp Enrollment Ohio is working with counties to enroll more families leaving public assistance in the food stamps program. In program year 2003, 39.7% of eligible families were enrolled, improving Ohio's ranking among states from 24th to 18th. *Source: Administration for Children and Families, U.S. Health and Human Services*



Medicaid/SCHIP Enrollment For the 2003 program year, Ohio enrolled 90.6% of eligible individuals leaving TANF into the Medicaid/SCHIP program, ranking Ohio fourth among states in this performance measure. *Source: Administration for Children and Families, U.S. Health and Human Services*

Opportunities for Change

People

Health Insurance Coverage In 2002, 27.5% of low-income working families – 85,646 families – had at least one parent without health insurance. Among all Ohio workers, 14.2% (809,408) were without health insurance in 2003. *Source: Annual Demographic Survey, Current Population Survey, 2001-2003*



Food Pantries The number of Ohio households using food pantries increased from 1.9 million in 2001 to 2.7 million in 2003. *Source: Ohio Association of Second Harvest Foodbanks*

State Minimum Wage Ohio does not have a minimum wage law that exceeds the federal minimum wage of \$5.15 an hour. Ohio is one of only two states with such laws that has set the state minimum wage lower than the federal minimum wage. *Source: U.S. Department of Labor*



State Earned Income Tax Credit Ohio has not enacted a state earned income tax credit for low-income workers. Sixteen states have a state EITC. *Source: Center on Budget and Policy Priorities*



State Income Tax Families in Ohio are taxed at a lower income level than families in all but five states. Ohio levies income taxes on families of three who earn as little as \$13,000 a year and is one of only 15 states that levies taxes on families with incomes below the poverty level. *Source: Policy Matters Ohio*



Medicaid Coverage Adults whose income is over 100% of poverty, but less than the self-sufficiency level of 200% of poverty, are not eligible for Medicaid assistance in Ohio. *Source: Ohio Department of Jobs and Family Services*



Subsidized Child Care In 2003, Ohio reduced eligibility for publicly-funded child care and Head Start from 185% of the poverty level to 150% of poverty, leaving behind an estimated 18,500 Ohio children. *Source: The Center for Community Solutions*



Unemployment Compensation In Ohio, a minimum wage worker working 35 hours weekly is ineligible for unemployment benefits. For every 100 jobless workers in Ohio, only 36 received unemployment compensation in 2003, compared to 41 of every 100 jobless workers nationally. *Source: Policy Matters Ohio and the National Employment Law Project*

Policies

Moving Ahead in Ohio

SUMMARY OF STRATEGIES AND RECOMMENDATIONS

As *Average Isn't Enough: Advancing Working Families to Create an Outstanding Ohio Economy* has made clear, there is an unacceptably high cost to families, employers, and the state of Ohio when one of four working families with children does not have enough income to achieve self-sufficiency. Although Ohio may be average when compared to the U.S. in a number of the indicators included in this research, we can and should do better.

This report focuses on a particular group of Ohioans—low-income working families with children—and the recommendations identify a number of ways that state policies, programs and initiatives can be used to improve the income, living conditions and self-sufficiency of this group. It is understood that there are other important issues, for example K-12 education, that are prominent on the state's agenda. The goal of this research is to outline a broad and ambitious agenda for action, from which state leaders can choose opportunities for action within the current environment.

Clearly, addressing these issues is a complex, long-term process. It requires the involvement of employers, local communities, service providers, educators, and working families themselves. However, state agencies and elected officials can play a key role in focusing these partners on an agenda for change to build an excellent Ohio workforce and economy. The assets to build on and the opportunities for change found in this report suggest the following components of a policy agenda for the state of Ohio.

Strategy A: Focus State Policies and Programs on Low-Income Working Families

State programs have not established explicit goals—either for the state or local communities—to improve the income and condition of low-income working families. It is less likely that state programs and policies will serve to benefit these families if this is not a stated goal against which performance is regularly measured and reported. The following strategies can help the state move in this direction:

1. Establish a state performance measurement system that sets goals and reports on the impact of state investments on Ohio's low-income and poor working families.

Ohio's existing information systems that use wage records to track the employment status and income of program exiters/graduates over time represent an important first step in tracking program impact. The state should take the next step to develop a coordinated system that reports on the extent to which specific low-income groups (below poverty level and 100-199 percent of poverty) are benefiting from state resource investments and attaining incomes adequate for self-sufficiency. A focal point for implementation could be the Governor's Workforce Policy Board, which has a goal to develop a comprehensive system that monitors and publishes report cards on the performance and impact of Ohio's workforce development system.

2. Target workforce development and family support resources to Priority Investment Areas. The Ohio Department of Development regularly prepares maps that identify Priority

What may be average for the nation is not acceptable for Ohio.

Investment Areas, which are used to geographically target business assistance programs to distressed communities and labor surplus areas. The state may be able to have a greater impact on low-income working families in these areas if state agencies that allocate resources for workforce development and family supports collaborated with ODOD to target resources to the Priority Investment Areas.

3. Leverage existing workforce development policy initiatives.

Ohio has underway or has recently completed a number of significant multi-agency initiatives addressing workforce development, education, and economic development issues. To varying degrees, these support and augment the findings of this report. The visibility and credibility provided by these initiatives should be used by state agencies and other key stakeholders to focus policies and programs on the needs of Ohio's low-income working families.

4. Encourage and support effective local partnerships and programs to serve low-income working families. Ohio is a strong home rule state, with a long history of decentralized policymaking. In this environment of local control, there is a great deal of variability throughout the state in program policy and implementation. The following are ways that the state can effect policy change by local communities and program providers:

a. Document what is happening at the local level and disseminate successful models. Some state agencies do not have a comprehensive picture of local policies and program design. The state can collect this information and use it as a basis for disseminating best practices and encouraging local policy change.

b. Work to remove regulatory barriers to effective local programs and partnerships. Ohio has been making strides in state-level interagency cooperation, especially in the workforce development arena, but barriers remain to operationalizing partnerships at the local level. State agencies can work together to remove state program barriers—and advocate for change in federal policies and regulations—that pose obstacles to the success of local and regional programs and partnerships in benefiting low-income working families.

Strategy B: Build the Education and Skills of Low-Income Working Adults

Education is key to increasing the income of low-income families, but Ohio's education and training system touches only a fraction of those who may be in need of these services. Barriers to improving Ohio's educational participation and attainment indicators include the cost of postsecondary education and training, lack of alignment among systems and inadequate targeting of resources. The following strategies can help low-income working families succeed in education and training:

1. Increase state resources to enable more low-income and working adults to afford and access education and training.

Compared to many other states, Ohio provides less in state funds for low-income students seeking adult and postsecondary education and training.

The following are areas where increased or redirected state resources could directly benefit the state's low-income working families and have significant return on investment for Ohio employers and the state economy: a) increased need-based financial aid for higher education, b) financial aid to individuals for short-term, non-degree classes, and c) additional state funding for adult basic and literacy education programs.

2. Create a more effective adult career-technical education and training system. Ohio's system of adult career-technical programming suffers from fragmentation and limited funding. For example, Ohio has invested less than 20 percent of its federal Perkins career-technical program resources in adult postsecondary programs, and this funding is split between community colleges and Adult Workforce Education Centers. The state should bring these two systems together to create a more coherent system and assure that resources for adult career-technical programs are being used effectively to meet the needs of Ohio's low-income adult workers.

3. Assure that effective WIA- and TANF-funded adult education and training services are available throughout the state.

Because of Ohio's decentralized approach to establishing policy for the WIA and TANF programs, there is wide variation across the state in the amount of these funds used for adult education and training activities. In addition, there is not a good statewide picture of the types of local adult education and training activities or the effectiveness of various approaches to programming in achieving increased income for participants. The state should document current use of WIA and TANF funds by counties and WIBs for adult education and training and take steps to assure that effective programs directed at marketable workforce skills are available more uniformly throughout the state. One method of accomplishing this would be to establish a minimum threshold for all counties and WIBs for the amount of TANF and WIA funds used for adult education and training activities.

Strategy C: Increase the Income of Low-Income Working Families

There are many ways that states can increase the income and self-sufficiency of low-income families. In addition to funding programs and services, the state can also examine the structure of its tax and wage policies. In addition, state business assistance programs can be used to encourage employers to increase wages and benefits of low-income workers. Currently, Ohio falls behind many other states in establishing policies that enable working families to earn self-sufficient wages and keep more of the income they earn. The following are strategies to improve the equity of Ohio's policies:

1. Create a fairer state income tax structure. The report *The State of Working Ohio 2004* notes that in Ohio, "Wages at the top of the earnings spectrum have increased in recent years, while those at the bottom have stagnated or declined. Yet lower-income households pay a large share of their income toward state and local taxes."² It is recommended that Ohio implement the following state tax reforms:

a. Enact a state Earned Income Tax Credit. This credit for low-income working families with children has been enacted in 12 states nationwide. A state EITC set at 20 percent of the federal EITC would lift

8,000 Ohio children above the poverty line and benefit low-income tax filers in urban and rural areas of the state.³

b. Reduce the tax burden on low-income taxpayers.

Ohio now has the sixth lowest income threshold for state income tax liability and is one of only 15 states that levies taxes on families with incomes below the poverty level. Ohio's bipartisan Committee to Study State and Local Taxes has recommended that state income tax brackets be adjusted to increase the number of low-income taxpayers who have no tax liability.⁴

2. Pass a state minimum wage law that exceeds the federal minimum wage. Twelve other states have already enacted such laws. Ohio is currently one of only two states in the nation with a state minimum wage that is lower than the federal minimum wage.

3. More directly link state business incentives to creating family-supporting jobs for low-income workers. Ohio, like all states, has potentially conflicting goals in its economic development programs—create good, high-paying jobs and provide jobs for disadvantaged populations. Most of Ohio's state-funded business assistance programs provide incentives for creating and retaining jobs for distressed locations and populations and have average wage requirements for new jobs. These programs do not, however, have incentives focused on increasing the income of low-income workers, particularly those that are part of the incumbent workforce. Ohio should take steps to assure that financial incentives for employers leverage job opportunities and family-supporting wages and benefits for entry-level, low-income, and displaced workers.

Strategy D: Mitigate Hardships for Low-Income Working Families

The reality of Ohio's economy and job forecasts is that a significant portion of the state's labor force will be employed in jobs that do not provide wages and benefits that are adequate to prevent working families from suffering hardships with regard to the basic necessities of life. The following are ways that state policies and programs can help to provide a safety net for the 25 percent of working families with children who are low-income or poor:

1. At a minimum, maintain Medicaid coverage for working adults with incomes up to 100 percent of the poverty level. In 2000, Ohio increased eligibility for Medicaid coverage for adults from 75 percent to 100 percent of the poverty level, providing important stability for this segment of Ohio's workforce. The state has also made good progress in assuring that eligible families moving from public assistance have Medicaid coverage. It is important that this progress not be rolled back in light of continuing state budget problems. As the state budget improves, the state should consider increasing eligibility for this important safety net to adults above 100 percent of the poverty level, as is the policy in 15 other states.

2. Restore subsidized child care cuts. In 2003 Ohio reduced eligibility for publicly-funded child care and Head Start, impacting an estimated 18,500 children and their parents. The state should pursue the recommendations outlined in the report *Ohio's Early Care and Education System Falls Short: What's Wrong and How We Can Fix It* to restore this vital support system for Ohio's low-income working parents.⁶

3. Expand eligibility for unemployment compensation to include minimum-wage, part-time workers. Unemployment compensation helps workers and the state economy by providing disposable income to involuntarily jobless workers. A recent report on Ohio's unemployment compensation system found that those most in need of the safety net provided by unemployment compensation – part-time, low-wage workers – are not eligible for benefits.⁵ The *Unemployment Compensation in Ohio* report recommends that the state expand eligibility for unemployment compensation by covering workers who have worked at least 20 weeks and earned at least \$100 a week (approximately minimum wage), as is the case in 42 other states. In 2002, this would have provided unemployment compensation for an additional 352,000 laid-off workers.

Addressing State Budget Constraints

The scope of this project did not include researching the cost of recommendations, and persistent state budget shortfalls and the many competing demands on state resources will create challenges to implementation. However, some of the recommendations may be accomplished through policy changes that shift how existing resources are allocated. Recommendations to increase the disposable income of low-income families will pump more money into the Ohio economy over the long run, expanding the tax base and boosting state revenues.

But even in this budget environment, there are ways to provide more funds to support low-income working families. A recent policy paper by the Center for Community Solutions identified Ohio's unobligated TANF reserve, which had reached over \$400 million as of June 2004, as a source of funding for increased child care subsidies and a state earned income tax credit.⁷ The *Unemployment Compensation in Ohio* report recommends changes in the taxable wage base as a way to fund benefits for part-time, low-income workers.

It is also important to understand the long-term financial benefit of investing in Ohio's low-income working families. Many of the recommendations in this report represent investment in the state's "human capital." Research has found that these investments may have greater long-term economic returns to the state than the traditional state investments in business incentives for economic development. A study of the economic return on investments in education noted: "Investment in human capital breeds economic success not only for those being educated, but also for the overall economy."⁸ Ohio grows not by being average but by being exceptional in its long-term vision for a future of prosperity for all its residents.▲

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An average of one out of every 5 jobs in Ohio pays wages that are below the federal poverty level. And one out of every four working families with children earn incomes that grant them only the basic necessities of life. *Average Isn't Enough: Advancing Working Families to Create an Outstanding Ohio Economy* aims to demonstrate that bolstering Ohio's low-income families benefits the Ohio economy and all state residents. In this report, we describe the situation of low-income families and the role that the state can play in assuring their economic independence.



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