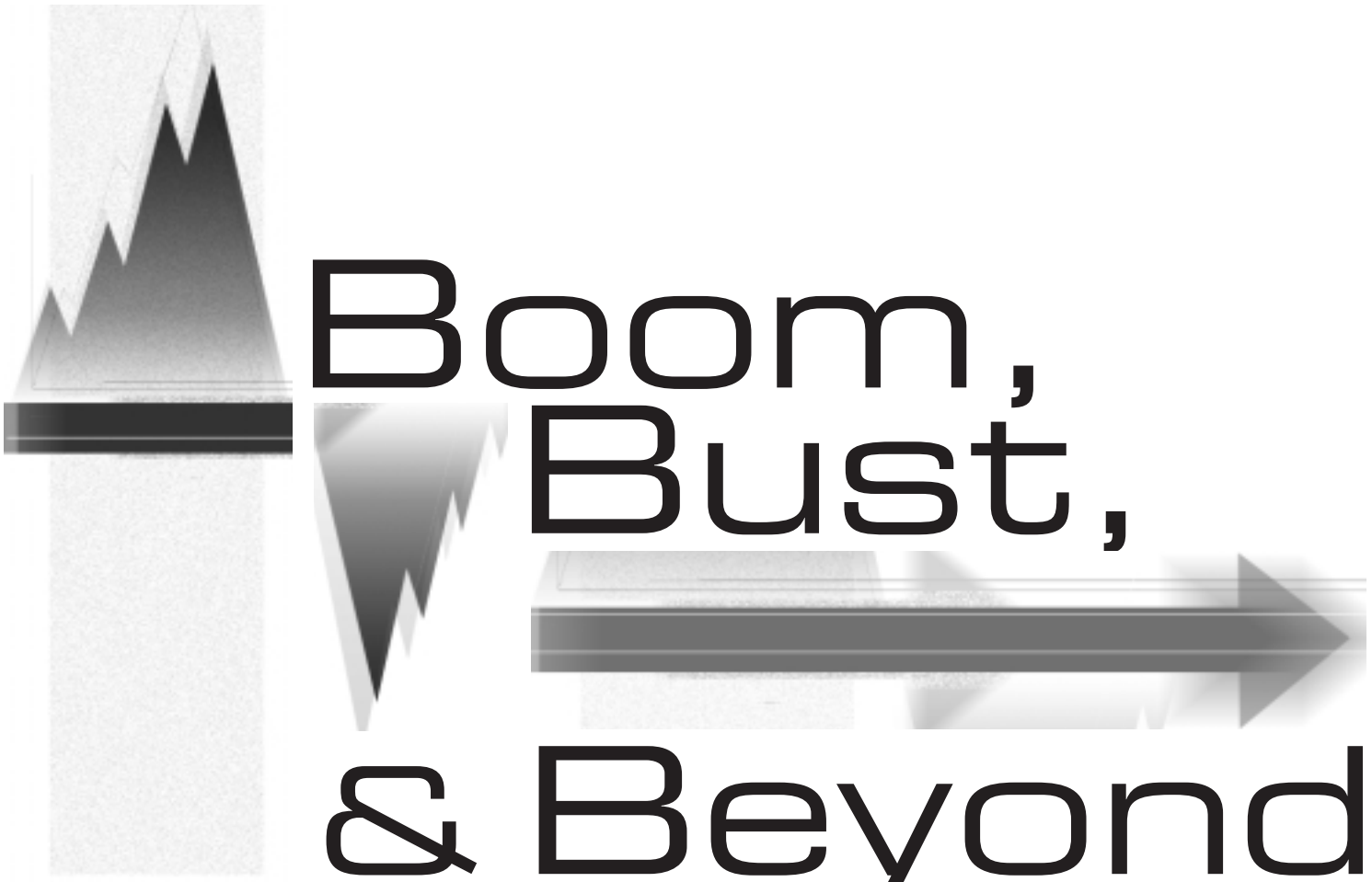
Oregon Center for Public Policy

Boom, Bust, & Beyond

The State of Working Oregon 2002



Boom, Bust, & Beyond

The State of Working Oregon 2002

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CHAPTER 1

Executive Summary

Following the strong expansion of the 1990s, Oregon's economy fell into recession in 2001. While the 2001 recession was relatively brief, the recovery in 2002 has been weak. Whether the economy slides back into a "double dip" recession or continues a "jobless" recovery, the near future for working families in Oregon does not look bright. The long-term trends of widening income inequality, growth in low-paying jobs, and declining unionization will likely shape Oregon's economy in the years to come.

Using a wide range of economic data, **Boom, Bust, and Beyond: The State of Working Oregon 2002** evaluates Oregon's economy from the perspective of its workers. It shows how workers in Oregon fared during the 1990s boom and in the recent recession. The report also discusses what workers can expect in the coming years, based on lessons from the economic recovery in the early 1990s and on long-term economic trends.

Over the last decade, Oregon has experienced boom and bust, followed by a tentative and uncertain recovery. This report finds key lessons in each period of Oregon's recent economic history:

Limits of the Boom

Despite broad based gains during the late 1990s, the benefits of Oregon's expansion were distributed very unequally. Earnings, wages, and income all grew in the late 1990s, but the distribution of gains was highly unequal. The adjusted gross income of the richest one percent of Oregonians grew 98 percent between 1989 and 2000, while the typical Oregonians' income rose just 9 percent. By the late 1990s Oregon had one of the most unequal distributions of income in the country. To achieve their income gains, the typical family worked 330 more hours per year in the late 1990s than in the late 1980s. Poverty among working families with children rose to 11 percent in 1999-2000, up from 8 percent in the late 1980s.

Impacts of the Bust

While brief, the 2001 recession had real impacts on Oregon workers. Heavily dependent on high-tech manufacturing, Oregon's economy sank into recession when that industry fell on hard times. Unemployment rose, giving Oregon the highest rate in the nation for much of 2001 and 2002. After rising for a decade, the average annual earnings of Oregon workers declined 1.5 percent in 2001. The number and rate of bankruptcies in Oregon broke records, and mortgage delinquencies and foreclosures rose to levels not seen since the mid-1980s. Late-in-the-decade improvements in poverty have been halted by the recession.

And Beyond...

Growth has returned to Oregon's economy, but it appears slow and similar to the recovery of the early 1990s. Whether Oregon falls back into a "double dip recession" or stumbles along in a "jobless recovery," the economy should not be expected to generate earnings or income gains for workers. Oregon's economy was growing in the early 1990s, and job growth was strong by the mid-1990s, but earnings and income did not see real growth until late in the decade. It took a massive infusion of high-tech investment and an extended period of low unemployment to boost earnings and incomes in the 1990s. These factors will not return soon.

Over the long-term, trends towards widening inequality, lower-paying jobs, and declining union coverage will likely dominate the well-being of Oregon's workers. If these structural factors in Oregon's economy are not addressed, the long-term outlook for workers in Oregon will not be bright.

Boom, Bust, and Beyond: The State of Working Oregon 2002 also contains a great deal of data on other issues that are important to the well-being of Oregon workers:

- After improving in the mid-1990s, health insurance coverage of working-age Oregonians faltered in the second half of the decade. Uninsurance worsened among poor and non-poor working-age Oregonians alike. The increase in uninsurance among Oregon's fastest growing population – Hispanics – is particularly troubling.
- Rapid inflation in home prices over the 1990s transformed Oregon into one of the least affordable states in the country. Housing inflation settled down in the last years of the decade, raising the prospect that affordability might improve in coming years.
- Food insecurity and hunger among Oregon households was high in 2001. Fourteen percent of working adults in Oregon lived in households uncertain of their ability to meet their food needs, and five percent were in homes where at least one person went hungry at times during the previous year. Thirty percent of unemployed adults were in food insecure households, and more than one in eight unemployed adults lived in homes with hunger.

Boom, Bust, and Beyond: The State of Working Oregon 2002 is a detailed story about how the changing economy over the last decade has impacted working people and their families. It is designed to stimulate public discussion and to encourage the reader to take action and to make informed decisions. As Oregon voters consider their choices in the coming years, and as legislators consider policies during the 2003 legislative session, **Boom, Bust, and Beyond: The State of Working Oregon 2002** will be a useful resource to inform a variety of public policy debates.

CHAPTER 2

Boom, Bust, and Beyond: How Oregon's Roller-Coaster Economy has Impacted Working People

With the economic boom of the 1990s officially over, and the current recovery struggling, Oregon's economy is faced with considerable uncertainty. The 2001 recession appears to have ended, but the expansion in 2002 has been relatively weak. Nationally, the recovery has been branded a "jobless recovery" by some economists and there is growing talk of a "double-dip recession." Gains in earnings and income, and poverty reduction experienced during the final years of the 1990s boom will likely not return for some time.

The 2001 recession appears to have ended, but the expansion in 2002 has been relatively weak.

2001 was a sobering time for Oregon and the rest of the country. Not only was the nation stunned by a horrifying terrorist attack that claimed more than 3,000 lives, but the longest-ever economic expansion also ground to a halt. Economic dislocation triggered by the attacks, particularly in the transportation and tourism industries, made the situation worse, but the 2001 recession had already set in well before September 11th.

Oregon's economy showed signs of slowing by the end of 2000. Along with job losses and rising unemployment, the earnings and income gains enjoyed by most working Oregonians through the 1990s ceased or even reversed as Oregon entered 2001. Oregon's economy was likely in recession by early 2001, although state and national economists did not officially declare a recession until the fall of 2001. The start date of the national recession was set at March 2001.[1]

The 2001 recession, while deep, was brief. By the time the political frenzy over Oregon's "highest in the nation" unemployment rate hit full steam, the recession actually appeared to be over. Oregon's economy showed signs of recovery in early 2002, and as the year progressed it became clear that job growth had returned and unemployment was falling.

Just because the economy is growing again, workers in Oregon are not guaranteed to benefit much from the recovery.

Just because the economy is growing again, workers in Oregon are not guaranteed to benefit much from the recovery. So far the recovery has been timid, and unemployment remains relatively high. The September 2002 economic forecast for Oregon suggests that employment growth will remain relatively low for some time.

Slow employment growth alongside steady population growth will keep labor markets slack, denying workers the leverage they need to increase their earnings and fully recover from the recession.[2]

Continuing corporate scandals, weak stock market performance, and a series of disappointing economic reports through the summer raised fears that the budding recovery would unravel and the economy would return to recession. Whether the economy slides back into a "double dip" recession or continues a "slow-growth" or "jobless" recovery, the near future for working families in Oregon does not look bright.

Whether the economy slides back into a "double dip" recession or continues a "slow-growth" or "jobless" recovery, the near future for working families in Oregon does not look bright.

Over the last several years Oregon's economy has experienced a roller-coaster ride. Growing fastest during the boom and falling farthest in the recession, Oregon's economy has often been characterized in a dramatic and simplistic fashion that impedes a clear understanding of how working people have fared. This report examines the record of the economic boom of the 1990s and the 2001 recession, showing how the changing economy impacted working people in Oregon. Drawing lessons from previous economic expansions, this report also describes what Oregon workers might expect from the period of growth the state is entering.

A. Behind the Boom

The record of growth in the 1990s

After dribbling along in the "jobless recovery" of the early 1990s, Oregon's economy exploded mid-decade. In the "as good as it gets" 1990s, Oregon was among the top performing states. With a mushrooming high-tech sector, Oregon was one of the fastest growing states for Gross State Product, for population, and for employment.

In the "as good as it gets" 1990s, Oregon was among the top performing states.

- Oregon's Gross State Product growth outpaced the nation each year beginning in 1988. Between 1995 and 2000, Oregon was the fastest growing state for GSP **(Chapter 4-A)**.
- In the 1990s, Oregon's economy created 385,000 jobs, averaging 2.8 percent growth annually, making it the 10th fastest growing state for employment in the country **(Chapter 4-B)**.
- Over the 1990s, Oregon's population grew more than 20 percent, 11th fastest among the states, and reached 3.4 million by 2000 **(Chapter 3-F)**.
- During the seven years between 1994 and 2000, the unemployment rate remained lower than six percent, (the low water mark of Oregon's last four expansions) **(Chapter 4-C)**.

Real Gains for Workers

Rapid changes aside, the most remarkable aspect of Oregon's economy of the late 1990s is that, contrary to the experience of the previous decade, economic growth

delivered real gains to working Oregonians. High-paying jobs were created in the emerging high-tech manufacturing industry, and tight labor markets and a rising minimum wage pushed wages up across-the-board. High-tech manufacturing and retail trade establishments alike scrambled to find workers, offering higher wages, more generous benefits, and better working conditions to attract them.

The most remarkable aspect of Oregon's economy of the late 1990s is that, contrary to the experience of the previous decade, economic growth delivered real gains to working Oregonians.

A 2000 survey of Oregon employers found that almost 90 percent had increased wages in an effort to attract or retain workers.[3] In the second half of the 1990s, real wages and incomes rose, unemployment remained low, and the poverty rate even started to fall at the end of the decade.

- The real average annual earnings of Oregon workers grew 2.5 percent per year between 1995 and 2000, reaching the highest point in a generation at $33,709 **(Chapter 4-D)**.
- Earnings gains in the late 1990s were broad-based. Between 1996 and 2000, annual earnings grew in every region of the state. At the same time, workers' average hourly wages grew in every industry **(Chapter 4-D)**.
- Between 1989 and 1999, median family income rose 12 percent to $48,680 and median household income rose 12 percent to $40,916. Median family income increased in 33 of Oregon's 36 counties **(Chapter 4-D)**.
- In the final years of the expansion, Oregon's poverty rate declined, falling from 13.8 percent in 1998-99 to 11.8 percent in 1999-2000 **(Chapter 7)**.
- The share of Oregon workers holding more than one job declined from 13 percent in 1989 to 6 percent in 2000, falling in-line with the national average **(Chapter 4-F)**.
- After declining across the 1980s, the share of private-sector workers in Oregon with employer-provided pensions rose during the 1990s, climbing to 47 percent by 1998-2000 **(Chapter 4-G)**.

The Limits of the 1990s Boom

The 1990s economy delivered real gains that were almost uniformly absent during the previous decade of growth. A critical review of economic performance in the 1990s, however, reveals a number of shortcomings. For example, because inequality rose across the decade, those at the top captured most of the gains. Annual earnings grew, but most of the gains were limited to the Portland area.

The gap between the rich and everyone else grew dramatically in the 1990s.

- The gap between the rich and everyone else grew dramatically in the 1990s. The average adjusted gross income of the richest one-percent of households grew 98 percent between 1989 and 2000, rising to $741,000, while the median income grew just 9 percent, reaching $26,700 **(Chapter 3-D)**.
- Over the 1980s and 1990s, inequality grew in wages, earnings, and income. While Oregon's income distribution had been one of the most equal in the

late 1970s, by the late 1990s Oregon had become one of the most unequal states in the country **(Chapter 3-D)**.

- By 2000, the statewide average of annual earnings made up lost ground and returned to levels not seen since before the 1980s recession. On this count, however, the statewide average is deceiving. While the Portland area surpassed its 1979 level, the rest of the state remained well below earnings levels from twenty years ago **(Chapter 4-D)**.
- Average hourly wages for most industries remain well below levels reached in the early 1970s **(Chapter 4-D)**.

Despite declining in the late 1990s, Oregon's poverty rate was little different than the late 1980s. Poverty among working families climbed sharply.

Similarly, despite declining in the late 1990s, Oregon's poverty rate was little different than the late 1980s. Poverty among working families climbed sharply.

- Oregon's poverty rate registered 12.4 percent in 1989 and 11.6 percent in 1999, an insignificant difference **(Chapter 7)**.
- Poverty among working families with children increased rapidly following welfare reform in the mid-1990s and remains double the rate of the late 1970s. Five percent of working families with children were poor in 1978-80; by 1999-2000 the figure was 11 percent **(Chapter 7)**.

Earnings and income grew in the late 1990s, but many non-wage indicators of well-being suffered. Families worked longer hours, housing affordability worsened, and health insurance coverage declined.

- Oregon families worked many more hours during the 1990s. By the late 1990s, middle-income families with children worked 330 more hours per year than in the late 1980s, more than eight additional weeks **(Chapter 4-E)**.
- While pension and other employer-sponsored retirement savings plan coverage increased over the 1990s, it still remained below levels from the late 1970s **(Chapter 4-G)**.
- After rising in the first half of the 1990s, health insurance coverage failed to spread in the second half. Oregon's rate of uninsurance of the working-age population rose from 13.7 percent in 1996 to 15.3 percent in 2000 **(Chapter 5)**.
- Once an affordable state, home prices rose dramatically in the 1990s, making it more difficult for the typical Oregonian to purchase a home. After rising rapidly in the first half of the decade, outstripping income growth, home price inflation settled down toward the end of the decade, falling back in line with national trends **(Chapter 6)**.

The best economic times in a generation delivered meager gains for many Oregonians.

The best economic times in a generation delivered meager gains for many Oregonians. This is an unsettling reminder of the limits of economic growth alone in delivering benefits for working families. Families at the top of the economic ladder worked less and experienced rapidly rising incomes. Families in the middle worked more, but saw few gains. Families at the bottom worked more, but their

incomes continued to fall.

B. Perspective on the Recession

When the economy turned to recession in 2001 the gains from the 1990s boom began to disappear. Reversing a decade of employment growth, Oregon lost 43,000 jobs between December 2000 and December 2001. Over that same period, unemployment rose from 4.7 percent to 7.8 percent, and the number of unemployed grew from 79,000 to 134,000. Mass layoffs nearly doubled in 2001, and those lasting over thirty days more than doubled.

Reversing a decade of employment growth, Oregon lost 43,000 jobs between December 2000 and December 2001.

The impact on workers

Hardships from the recession can be documented in terms other than job loss.[4] Workers losing their jobs experience hardship, including depression, losing their homes, going bankrupt, and more. Some had to leave the state in search of work, harkening back to the recession from the early 1980s.[5] Many workers finding new jobs had to take wage cuts and settle for fewer benefits. With high unemployment, even those who held onto their jobs cannot expect the regular raises seen in the late 1990s.

- After rising for more than a decade, average annual earnings for workers in Oregon declined in 2001, falling 1.5 percent to $33,187 **(Chapter 4-D)**.
- A record number of Oregonians filed for bankruptcy. In 2001 the bankruptcy rate rose to 8.2, with nearly one in every 100 Oregon adults filing **(Chapter 4-H)**.
- Median household income grew in the late 1990s, but stopped in the recession, as it fell from $43,400 in 1999-00 to $42,500 in 2000-01 **(Chapter 4-D).**
- Roughly one-third of unemployed adults in 2001 lived in homes where people struggled to find enough money to eat **(Chapter 7)**.
- The share of mortgages that were delinquent and the number of mortgages going into foreclosure both rose in 2001, climbing to levels not seen since the mid-1980s **(Chapter 4-H)**.

Unemployment is the most visible sign of the impact of a recession on workers. Over much of 2001 and 2002 Oregon had the highest unemployment rate in the country.[6] This unfortunate fact proved compelling for the media and politicians alike, and featured prominently in stories on the economy and in legislative deliberations.

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The "highest unemployment in the nation" story quickly took center stage, and was held up as justification for a broad range of policy proposals. Unemployment over seven percent was presented as a sign of deep and fundamental problems with Oregon's economy by proponents of causes ranging from weakening the state's land

use planning laws to giving substantial tax cuts to corporations.[7]

The same economy that supposedly needed a complete overhaul in 2001, however, had been the third fastest growing in 2000, based on per-capita Gross State Product. Most of the calls for "economic stimulus" during the recession ignored the prominent role that Oregon's high-tech sector played in fueling the depth of the downturn. As Robert Parry, President of the Federal Reserve Bank of San Francisco noted, Oregon's "high-tech success in the 1990s has been a mixed blessing," because it "propelled strong growth during the expansion," but left the state "more exposed to the downturn."[8]

Oregon's economy entered the recession sooner than the rest of the country and fell further, chiefly because the state had become so dependent on high-tech manufacturing employment.

Oregon's economy entered the recession sooner than the rest of the country and fell further, chiefly because the state had become so dependent on high-tech manufacturing employment. According to reports from the Bureau of Labor Statistics, no mass layoffs in Oregon were attributable to the September 11th terrorist attacks.[9]

During the 1990s, legislators praised high-tech companies for helping make Oregon's economy grow so rapidly. When volatile international demand and industry overcapacity drove down high-tech employment during 2001, however, the culprits of choice for Oregon legislators were taxes, environmental regulation, and the minimum wage.[10]

C. Expectations for the Recovery

The economic pain from the recession was real and lasting, but the downturn itself was short-lived. Data available as of March 2002 prompted the *Statesman Journal* to suggest the recovery might have already started.[11] By mid-2002 it became clear that this early call was accurate.

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- Unemployment, which peaked in January 2002 at 8.1 percent declined steadily over the rest of 2002, dropping to 6.8 percent by September **(Chapter 4-C)**.
- Help-wanted ads began to increase again by mid-2002 after steep declines across 2001. Year-over-year change in *The Oregonian*'s help-wanted ad count bottomed out in November 2001, and registered growth by mid-2002 **(Chapter 4-B)**.
- Initial claims filed for Unemployment Insurance benefits soared during 2001, but had begun to recede in early 2002 **(Chapter 4-C)**.
- Employment losses bottomed out in December 2001, and the trend since has been back toward growth **(Chapter 4-B)**.
- After falling during most of 2001, exports from Oregon began to climb again in 2002 **(Chapter 4-A)**.

Fiscal Stimulus and Oregon's High Unemployment

While most of the calls for anti-recession economic policy during the 2001 regular legislative session used Oregon's high rate of unemployment as a major justification, there is very little that the Legislature can do to lower unemployment. Because of fast population growth, high levels of employment in seasonal industries, and a number of other factors, Oregon tends to have relatively high rates of unemployment in good economic times and in bad. In only four of the last thirty years has Oregon's unemployment rate fallen below the US average (See Chapter 4-C).

Oregon is simply too small and lacks the appropriate policy tools to be able to have much impact against a recession. Nothing state or local government could do would reverse the national and international economic trends that drove Oregon into recession. With its balanced budget requirement, the state cannot engage in expansionary deficit spending. Public works and construction projects may meet important public needs, but most of these types of expenditures will take place after the recession has ended. A "rainy day" fund, providing that it is properly constructed and sufficiently funded, could help prevent significant budget cuts and maintain state spending during the next recession, but it is too late to help the budget or the economy in 2002 or 2003. No such fund has been established.

The two potentially effective policy responses available at the state level were either already in place or rejected out of hand by the Legislature. The Unemployment Insurance system, which shields workers from the worst of a recession and maintains spending in the local community, responded as designed in the 2001 recession. When unemployment rose, the number of jobless workers receiving temporary wage replacement from UI climbed (See Chapter 4-C). With unemployment remaining high, workers from Oregon tapped into extended benefits financed by the state and the federal government.

The other policy response, one recommended by 2001 Nobel Prize winning economist Joseph Stiglitz, is for states to maintain spending by taxing high-income households. Downturns are worsened by reduced spending, both public and private. States can maintain spending levels without reducing consumer spending by levying temporary taxes on those households that don't spend everything they earn, chiefly upper-income households. Because of strong ideological opposition, however, raising taxes on high-income households became the road not taken.

A recession results from the cumulative effects of declining demand. In the recent recession, businesses stopped spending because of reduced international demand for consumer and capital goods, the bursting of the twin new-economy and stock market bubbles, and over-capacity in many industries. Proposals to "create jobs" in Oregon by offering tax cuts or reducing regulations address none of these causes. Firms will gladly accept tax cuts and may appreciate regulatory relaxation, but these do not underlie their investment and production decisions.

A Slow Recovery...

A variety of data indicate that Oregon's economy was in recovery mode by mid-2002, but the pace remained slow. Responding to tepid employment growth at the national level, many commentators suggested that the economy had "slipped into a jobless recovery that resembles the slow growth of the early 1990s."[12] Data on utilization of industrial capacity at the nation level reflect this: a recovery has begun, but progress is slow and well below boom-time levels. While capacity utilization had climbed to 76 percent in August 2002, up from its 74 percent low in December 2001, it was still significantly below the 83 percent utilization rate from June 2000.[13]

In Oregon, there were many signs of improvement in employment and unemployment by mid-2002. Still, the pace was relatively slow, many workers remained jobless, and mass layoffs continued.

- Employment growth recovered from its December 2001 low point, but by the middle of 2002, total employment remained below 2001 levels **(Chapter 4-B).**
- Mass layoffs and extended mass layoffs each declined from their 2001 high-points by mid-2002, but remained considerably higher than levels seen in the 1990s expansion **(Chapter 4-C)**.
- While initial claims for and receipt of regular Unemployment Insurance (UI) benefits declined in 2002, the number of unemployed workers receiving extended benefits increased dramatically. Total UI receipt, including regular and extended benefits, surpassed 90,000 in early 2002, and remained at that high level through the middle of 2002 **(Chapter 4-C)**.

...Or a "Double Dip?"

The recovery during the first half of 2002 was less than impressive, and by August 2002 a series of reports led analysts to suspect that the recovery was stalling. At the national level, amidst downward revisions in GDP and productivity growth, weak growth in employment, buoyant unemployment, and a faltering index of leading indicators, fears emerged that the economy might be headed into a "double-dip" recession.[14]

Household expectations of the future of the economy also declined as the corporate accounting scandal unfolded, revealing its depth and extent. The collapse and continued weakness of the stock market raised concerns for many families about their ability to retire and their well-being in retirement. Since consumer spending had remained the key strength in the economy, analysts feared flagging confidence would drive the nascent recovery back into recession.

Events in Oregon also raised fears that the recovery would be cut short. In July 2002 Intel, the state's largest employer, announced that it would be cutting 4,000 jobs

worldwide.[15] While the number of layoffs in Oregon was not disclosed, the concern was palpable. Other indicators combined to give the impression that Oregon's recovery was sputtering:

- Oregon's unemployment rate fell steadily in early 2002, going from 8.1 percent in January to 7.2 percent in May. By mid-2002, though, progress dried up. In September 2002 unemployment remained at 6.8 percent **(Chapter 4-C)**.
- The number of workers exhausting their regular UI benefits peaked at 9,200 in April 2002, and declined in the following months. By September, however, exhaustions remained relatively high at 6,200, suggesting that the job market remained unfriendly to workers **(Chapter 4-C)**.
- The number of bankruptcies in Oregon peaked in the second quarter of 2001 at 6,200, and declined steadily over the following three quarters, falling to 5,100 in the first quarter of 2002. In the second quarter of 2002, however, the number of bankruptcies rocketed back up to 6,200 **(Chapter 4-H)**.

It remains uncertain whether Oregon's fate is the dreaded "double-dip recession," or merely a so-called "jobless" recovery. Either way, it is unlikely that the tight job markets from the late 1990s and the accompanying broad based gains for workers will return any time soon.

Given the mixed economic data by mid-2002, it remains highly uncertain whether Oregon's fate is the dreaded "double-dip recession," or merely a so-called "jobless" recovery. Either way, it is unlikely that the tight job markets from the late 1990s and the accompanying broad-based gains for workers will return any time soon. As the expansion during the first half of the 1990s demonstrated, growth alone does not generate wage and income gains. While Oregon had rapid GSP growth starting in the early 1990s and employment growth in the mid-1990s, workers did not see wage or income gains until the late 1990s.

Continued recession will mean additional job losses and prolonged unemployment. A slow recovery will produce jobs, but leave unemployment high, and deliver few wage or income gains. Either way, unemployment will likely remain relatively high for some time.

Over the long term, the structural economic shifts toward low-paying jobs, widening inequality, and declining unionization will likely continue. Oregon's boom and bust economy will take workers on more roller coaster rides, but the long-term track will spiral downward unless Oregon acts affirmatively to alter the state's long-term course. Oregonians face serious choices: they can raise the minimum wage; they can invest resources in education and job training to create a more diverse array of high-wage jobs; they can organize to bargain collectively with their employers. If Oregonians choose otherwise, the future for workers may be bleak.

Oregonians face serious choices: they can raise the minimum wage; they can invest resources in education and job training to create a more diverse array of high-wage jobs; they can organize to bargain collectively with their employers.

D. Summary of Findings

This report evaluates Oregon's economy from the perspective of its workers. It shows how workers in Oregon fared during the 1990s boom and in the recent recession. Based on lessons from the economic recovery in the early 1990s and

long-term economic trends, the report also discusses what workers can expect in coming years.

Over the last decade, Oregon has experienced boom and bust, followed by a tentative and uncertain recovery. This report finds key lessons in each period of Oregon's recent economic history:

Boom

Most workers made gains during the 1990s economic boom, but even at the boom's peak many working families were left out. Workers saw their incomes rise and jobs were plentiful during the boom. The boom, however, disproportionately benefited wealthy Oregonians, and inequality widened rapidly during the 1990s. Oregon families had to work more hours to keep their incomes up, and the relative costs of housing and health care rose. The number of poor Oregonians increased, and some full-time working families could not earn enough to escape poverty.

Bust

Oregon's economy, heavily dependent on high-tech, delivered an especially powerful boom in the late 1990s, but also delivered an especially deep recession when high-tech collapsed. Unemployment rose, earnings declined, and bankruptcies and mortgage foreclosures increased.

And Beyond . . .

Growth has returned to Oregon's economy, but it appears slow and similar to the recovery of the early 1990s. A period of slow growth will not produce much in the way of job or earnings gains for workers. Over the longer term, the structural flaws in Oregon's economy need to be addressed. The long-term trend in Oregon is toward low-paying jobs, widening inequality, and declining power for organized labor.

Earnings, Wages, and Income

Earnings, income, and wages rose during the second half of the 1990s expansion and data suggest that they declined in the 2001 recession. Data on wages are mixed, with some measures registering growth even during the recession, but available evidence suggests, on balance, that the upward pressure on wages is disappearing. The Portland area captured the greatest earnings and income gains, with the rest of the state remaining well below historic highs by 2000. Annual earnings of male workers employed full-time, full-year grew just 1.3 percent between 1989 and 1999, while female full-time, full-year workers saw their earnings rise nearly 14 percent **(Chapter 4-D)**.

Inequality

Inequality increased steadily during the 1990s, making Oregon one of the most unequal states in the country. Fueled by rapid expansion of the incomes of the richest one percent, growth in "average" incomes outstripped the gains experienced by the typical Oregonian. Trends toward greater inequality were evident in income, earnings, and wage data. Between the late 1980s and the late 1990s the average income of the highest-income fifth of families grew 34 percent, the middle fifth of families grew only 7.1 percent, and the lowest-income fifth declined 6.5 percent **(Chapter 3-D)**.

Hours Worked

The long-term trend for families to work more hours continued. In the 1980s the typical Oregon family saw its income decline despite putting in more hours each year. In the 1990s, income growth returned, but families still had to put in more hours. Between the late 1980s and late 1990s, middle-income married-couple families increased their hours of work by 330 hours per year. This was true in spite of the tight labor markets and rising wages in the late 1990s which made it feasible for more Oregonians to work just one job, with the rate of "multiple job-holding" falling back in line with the national average **(Chapters 4-E and 4-F)**.

Health Insurance

After improving in the first half of the decade, health insurance coverage registered no improvement in the second half of the 1990s. At the end of the 1990s, the rate of uninsurance among working-age Oregonians rose. Despite the tight labor market of the late 1990s, employer-sponsored insurance did not increase in Oregon. While data are not yet available, the 2001 recession and the following period of slow growth have likely worsened the problems of uninsurance. The return of large increases in health insurance premiums raises serious concerns for the future of

health insurance coverage in Oregon **(Chapter 5)**.

Housing Affordability

Rapid housing price inflation between the late 1980s and mid-1990s transformed Oregon from a relatively affordable state to one of the least affordable in the nation. Inflation in rents was less severe than in home prices, but available evidence indicates growing problems in renters' ability to afford housing as well. The return of more normal home price inflation in the late 1990s raises the prospect that affordability might improve in coming years **(Chapter 6)**.

Retirement Security

Tight labor markets and the spread of 401(k) accounts led to expanded coverage of employer-provided pension plans across the 1990s. Corporate accounting scandals and the stock market collapse at the national level have led to fears about the adequacy of retirement savings. Inequality in stock holdings, combined with reductions in employer contributions to employee retirement plans, have led to a growing share of households with insufficient income for retirement **(Chapter 4-G)**.

Bankruptcy and Mortgage Foreclosures

Oregon's 2001 recession led to a huge upsurge in bankruptcy filings and also precipitated growth in mortgage delinquency and foreclosure. The number and rate of bankruptcies have hit historic highs. Mortgage delinquency and foreclosure are at their highest points since the mid-1980s **(Chapter 4-H)**.

Unionization

Unions bring higher wages and better benefits to their members and the rest of the workforce. Oregon unions gained in number and share in 2000, and managed to hold on to most of those gains in 2001, but the long-term decline in their strength and numbers continues **(Chapter 3-E)**.

Poverty

While poverty dipped down at the end of the 1990s expansion, the poverty rate remained almost as high as it was in the late 1980s, and the number of poor Oregonians was higher than ever. Poverty among working families with children expanded dramatically over the last two decades, rising from just five percent in the late 1970s to 13.5 percent in 1997-98. The tight labor markets of the late 1990s helped drive the working-family poverty rate down to 11 percent by the end of the

decade, but these and other gains in poverty have almost certainly been erased in the 2001 recession and the slow-growth recovery **(Chapter 7)**.

[1] See National Bureau of Economic Research Business Cycle Dating Committee for US recession dates. Available at http://www.nber.org.

[2] The Office of Economic Analysis forecasted in September 2002 that average earnings growth will return to steady growth by 2004. Based on Oregon's experience in the early 1990s, this forecast seems optimistic.

[3] *Workforce 2000: An Oregon Employer Perspective*, Oregon Employment Department, September 27, 2000.

[4] The *Oregonian* started a special series in January 2002 "Following workers who have lost their jobs in Oregon's worst recession in 20 years." The "Prosperity Lost" series is available at http://www.oregonlive.com/special/prosperity/index.ssf/special/prosperity/archive.

[5] Hill, Gail Kinsey, "Moving On," *The Oregonian*, August 8, 2002.

[6] The Bureau of Labor Statistics' (BLS) press release on regional and state employment and unemployment for July 2002 reported: "For the 12th consecutive month, Oregon and Washington recorded the highest unemployment rates among states." Available at http://www.bls.gov/schedule/archives/laus_nr.htm.

[7] One forum that captured a range of economic policy responses, many of which had little or nothing to do with the actual causes of Oregon's economic downturn, was the January 2002 final report of the Oregon Senate Special Committee on Economic and Job Stimulus. The report is available at http://www.leg.state.or.us/comm/commsrvs/int_sen_econ_finalreport.pdf.

[8] Speech by Robert Parry on August 2, 2002, at Embassy Suites in Portland. Text available at http://www.frbsf.org/news/speeches/index.html. See also Tripp, Julie, "Double dip not on menu, Federal Reserve Bank CEO says," *The Oregonian*, 8/5/2002.

[9] BLS release of extended mass layoff data. Available at http://www.bls.gov/news.release/archives/mslo_05162002.pdf.

[10] Baker, Dean, *The New Economy Recession: Economic Scorecard 2001*, Center for Economic Policy Research, December 20, 2001. Baker writes "Firms are not likely to feel a need to expand their capacity any time soon. This is especially the case in the tech sector where there continues to be enormous overcapacity in the semi-conductor and computer industries." Available at http://www.cepr.net.

[11] Rorem, Shawna, "Oregon's Economy is Bouncing Back: Business Trends Indicate the State's Recession is Reversing," *Statesman Journal*, March 10, 2002.

[12] Leonhardt, David, "Jobless rate edges higher in June," *The Oregonian*, July 6, 2002.

[13] Federal Reserve data for total industrial capacity utilization available at http://research.stlouisfed.org/fred/data/business/tcu.

[14] Altman, David, "Is Economic Double Dip Lurking on the Horizon?" *New York Times*, July 29, 2002.

[15] Kosseff, Jeffrey, "Intel cuts at a vulnerable time: layoffs will unleash more unemployed workers on glutted tech job market," *The Oregonian*, July 17, 2002.

CHAPTER 3

Long-term Economic Change and Oregon's New Boom and Bust Cycle

Earnings, income, and other elements of the economic well being of working people are influenced by short-term cyclical factors and long-term economic shifts. Over the 1990s business cycle, the primary economic factors influencing earnings, income, and employment in Oregon were the high-tech driven expansion and the tight labor markets late in the decade. The same factors responsible for Oregon's strong economy in the 1990s were also behind the relatively deep recession of 2001. In the boom, not only were growth industries creating relatively high-paying jobs, but workers were scarce and wages rose for most. In the recession, high-paying jobs disappeared, and generalized job losses began to wring wage pressures out of the labor market.

The labor-market experience of workers in Oregon has also been shaped by long-term factors whose origins can be traced back thirty years or more. Wages, income, and employment have been influenced by continued growth in low-paying jobs, rising inequality, and declining unionization.

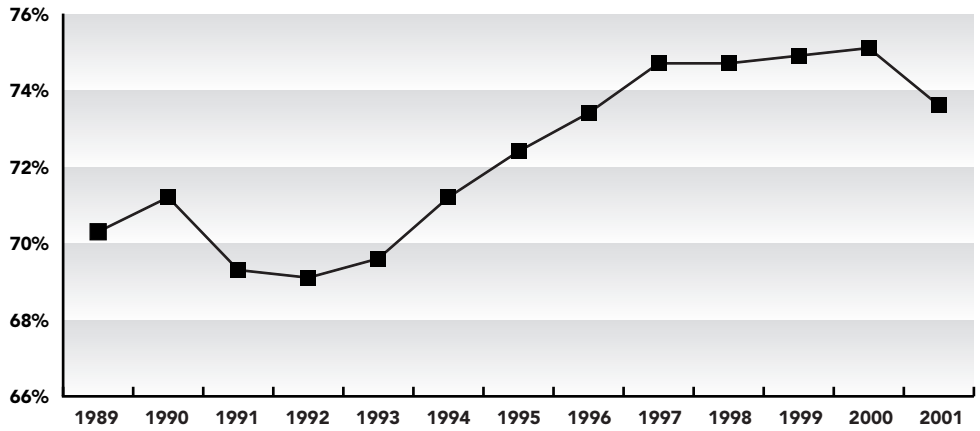
Despite the positive developments for workers in the 1990s, these long-term trends continue. Growth in the share of jobs with low wages slowed, but did not reverse. Inequality continues to climb, with high-income families reaping most of the benefits of economic growth. The organizations that fight for improvements in wages and benefits for working people continue to decline.

This chapter explores the factors that made the business cycle of the 1990s unique, and revisits the long-term economic trends impacting workers in Oregon.

A. The Benefits of Full Employment

One of the factors making the 1990s expansion unique, compared with the three previous expansions, was not just how low the unemployment rate fell, but how long it stayed low. From 1994 through 2000 average annual unemployment stayed below six percent, the low-water mark of Oregon's recent expansions, with lows of 4.9 percent in 1995 and 2000. Low unemployment over an extended period helped generate upward wage pressures that benefited Oregon workers.

FIGURE 3.1 **Working-age employment-to-population ratio in Oregon**



Source: OCPP analysis of OED data.

In 2000, the ratio of jobs to the working-age population (18-64) hit a high point of 75.1 percent. As the 2001 recession set in, it dropped to 73.6 percent.

Another way to express how tight the labor market became in the late 1990s is by looking at the number of working-age adults per job. All else equal, the larger the working-age population relative to the number of jobs, the easier it is for employers to fill their jobs. When the working-age population shrinks relative to the number of jobs, it becomes more difficult for employers to fill those jobs.

Using this measure shows that Oregon labor markets fell slack during the recession in the early 1990s and tightened across the rest of the decade.[1] The ratio of jobs to working-age Oregonians fell from 71.2 percent in 1990 to 69.1 percent in 1992 **(Figure 3.1)**.

The ratio of jobs to working-age population rose quickly in the mid-1990s and continued to climb late in the decade. In 2000, the ratio hit a high-point of 75.1 percent, and, as the 2001 recession set in, it dropped to 73.6 percent.

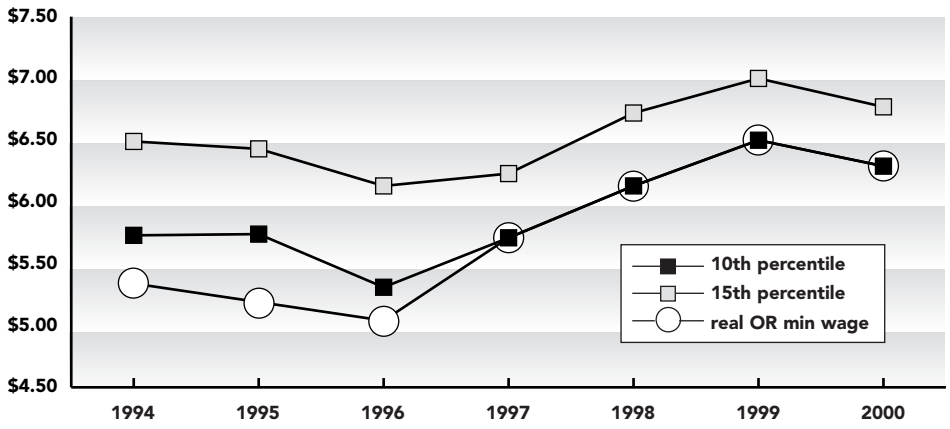
The peak level of the employment to working-age population ratio corresponds closely with the wage and income growth of the late 1990s. By 1999 and 2000 the media were saturated with reports of the difficulties employers faced in hiring and keeping workers. Regular reports by the Oregon Employment Department listed jobs ranging from nurses to truck drivers and dishwashers as being "hard-to-fill" across the state. One newspaper story at the end of 1999 reported: "If Oregon restaurants collectively craved one thing, they would clasp their hands in prayer for a few good workers to staff bustling kitchens and serve jam-packed dining rooms."[2] A 2000 survey of employers by the Oregon Employment Department showed that 90 percent of establishments raised wages in the previous year in order to attract or retain workers. All industries reported raising wages, including manufacturing, services, retail trade, and others.[3]

Employment in Oregon grew rapidly in the mid-1990s, but the working-age population also grew rapidly, allowing employers to fill those jobs without needing

Oregon's Minimum Wage

Particularly beneficial to low-wage workers around the state were several increases in the state's minimum wage. As a result of citizen initiative, Oregon's minimum wage was increased in three stages from $4.75 in 1996 to $6.50 in January 1999. Those increases in the minimum wage corresponded closely to rising wages among the lowest-paid workers.

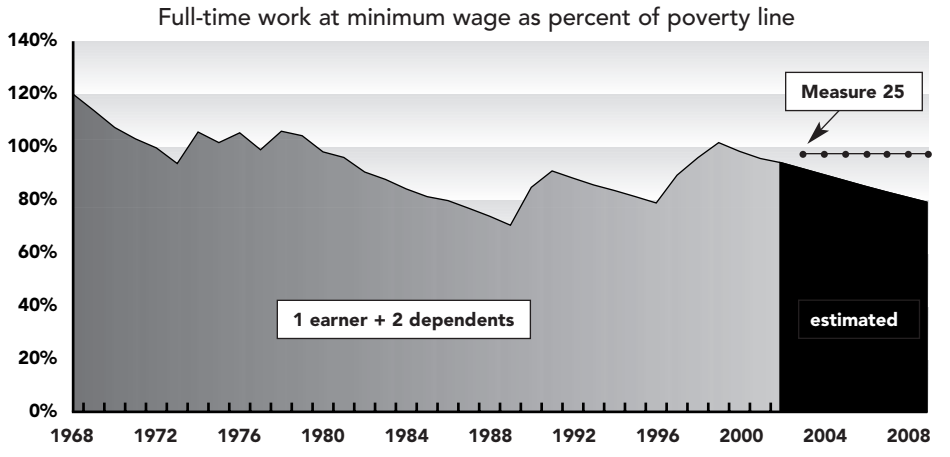
Low-end pay and the Oregon minimum wage



Source: OCPP analysis of Census Current Population Survey. 1999 dollars adjusted for inflation with US CPI-U.

After stagnating and declining in the mid-1990s, wages of the lowest-paid workers in Oregon increased along with the minimum wage. Workers at the 10th percentile of the wage distribution (only 10 percent made less per hour and 90 percent made more) saw their wages rise each year with the minimum wage. Wages for workers at

Minimum wage and poverty in Oregon 1968-2009*



Source: OCPP. Full time work is 40 hrs per week for 52 weeks. Federal Poverty Levels from Census/DHS.
*2002-09 poverty thresholds estimated by OCPP.

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the 15th percentile also rose each year in the late 1990s, likely reflecting some spillover from the minimum wage increase to those earning slightly above it. In 2000, when the minimum wage was not increased, and its inflation-adjusted value fell, so did the hourly wages of Oregon's low-paid workers.

By 1999, the final phase of the increase brought the purchasing power of Oregon's minimum wage above the poverty level. Full-time work at the minimum brought annual earnings of $13,520, just above poverty for a single parent with two dependents in 1999. The three-staged increase reversed 16 years of declines in the value of the minimum wage. Starting in 2000, when the minimum wage stopped rising, another period of gradual decay set in.

By 2000 full-time work at the minimum wage once again left families below the poverty line.

For more details on the impacts of recent minimum wage increases in Oregon, see Thompson, Jeff and Charles Sheketoff, "Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform," Oregon Center for Public Policy, March 12, 2001. Available at http://www.ocpp.org/2001/es010312.htm.

to raise wages very much. In the late 1990s the rate of employment growth slowed, but growth in the working-age population slowed even more. Even though fewer jobs were being created in the late 1990s than were being created mid-decade, it was relatively harder for employers to fill them. This labor market tightness generated upward pressure on wages, benefiting workers across the board.

The Ebb and Flow of Workers from California

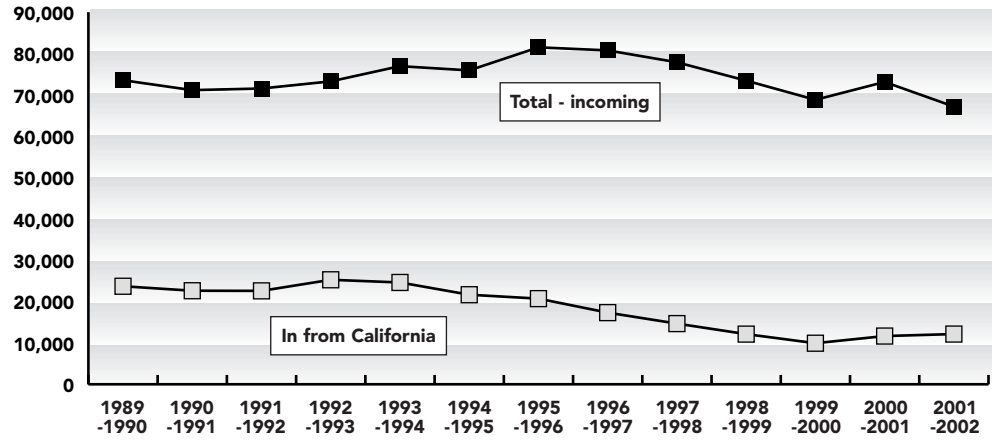
A major reason for the slower labor force growth in the late 1990s was the recovery of California's economy. In the mid-1990s California was still mired in recession, with unemployment averaging 7.9 percent between 1994 and 1996. Surveys conducted by the Oregon Employment Department (OED) show that in 1992, 43 percent of migration to Oregon was from California.[4]

Data tracking the surrender of drivers' licenses by people moving into and out of Oregon show that over the first half of the 1990s, roughly 30,000 people moved to Oregon from California each year **(Figure 3.2)**.[5]

As California's economy recovered during the second half of the decade, with unemployment dropping to 5.8 percent between 1997 and 1999, the population flow to Oregon slowed. The total inflow from California dropped to around 20,000 in 1998-99 and stayed there through 2001-02. The OED survey showed that in 1998 only 33 percent of people moving to Oregon were from California.

The influx of workers from California made Oregon's mid-1990s rapid employment growth possible, but also provided a steady flow of new workers that kept labor markets looser than the unemployment rate from the mid-1990s suggests. When the in-flow of workers from California slowed, Oregon employers had a tougher time finding and retaining workers, and were forced to raise wages.

FIGURE 3.2 **In-migration from driver's license data**



Source: Oregon DMV. Year, July through June.

The influx of workers from California made Oregon's mid-1990s rapid employment growth possible, but also provided a steady flow of new workers.

B. Oregon's New Business Cycle

Business cycles are like snowflakes: no two are exactly alike. There are, however, common themes that characterize periods of economic growth and decline. In an expansion, employment grows and unemployment declines. With new jobs, additional work hours, and tighter labor markets, wages and income also typically rise. In a downturn, employment growth stops or turns negative, and unemployment rises. With slack labor markets and reduced hours, earnings growth comes to a halt.

The extent of changes in unemployment, the number of jobs lost, and the rate at which inflation-adjusted earnings decline make each recession different. Business cycles are also shaped by the same broad factors that influence the long-run direction of the economy, including decades-long demographic changes and the rise and decline of industries.

The chief economic shift that defined Oregon's economic expansion of the 1990s and the ensuing recession has been the emergence of the high-tech manufacturing sector.

The chief economic shift that defined Oregon's economic expansion of the 1990s and the ensuing recession has been the emergence of the high-tech manufacturing sector. Also important was the related growth in employment in the construction and business services industries.

Rapid expansion of high-tech manufacturing firms in the mid-1990s attracted thousands of workers and their families to Oregon. New and expanded high-tech facilities, along with a surging demand for housing, spurred increased commercial and residential construction. The high-tech industry's heavy utilization of temporary staffing firms, alongside more general utilization of these firms by other industries, also fueled rapid expansion in the business services sector.[6]

These three industries (high-tech, construction, and business services) account for a disproportionate share of output and employment growth in the 1990s and most of

High-tech in Oregon: The Silicon Forest

The phrase "high-tech" means many different things. High-tech in Oregon, however, is not "a random cross section of U.S. high technology." The term "Silicon Forest" has been used to describe the high-tech firms clustered around the Portland area, the region with most of the state's high-tech employment. Silicon Forest firms specialize in "microprocessor design, silicon wafer making, wafer fabrication, semiconductor test and measurement equipment, electronic design automation software, display technology, and high frequency, mixed signal integrated circuits."

Along with the state's largest employer, Intel, most high-tech employment in Oregon is engaged in the design and manufacture of semiconductors. Government employment statistics track these jobs under the category "electronic and electric equipment manufacturing."

Based on Cortright, Joseph and Haike Mayer, "The Ecology of the Silicon Forest," Impresa Consulting, 2000. Available at http://www.upa.pdx.edu/IMS/currentprojects/neopdfs/Forest.PDF.

As high-tech surged in the 1990s, it brought the rest of the state along with it. When high-tech stumbled, it dragged the state into the deepest recession in two decades.

the employment decline during the recent recession. As high-tech surged in the 1990s, it brought these industries and the rest of the state along with it. When high-tech stumbled, it dragged the state into the deepest recession in two decades. Population growth and construction and business services employment plunged along with high-tech jobs.

High-tech's Ascent

In 1989, high-tech manufacturers in Oregon employed just 16,000 workers and contributed only two percent of the Gross State Product (GSP). As the high-tech sector blossomed in the mid-1990s, Oregon's economy sprang to life. The previous recession had been brief, officially ending in March 1991, but job growth limped along until 1994. The mid-1990s expansion in the high-tech sector kicked off a period of low unemployment and rapid employment growth.

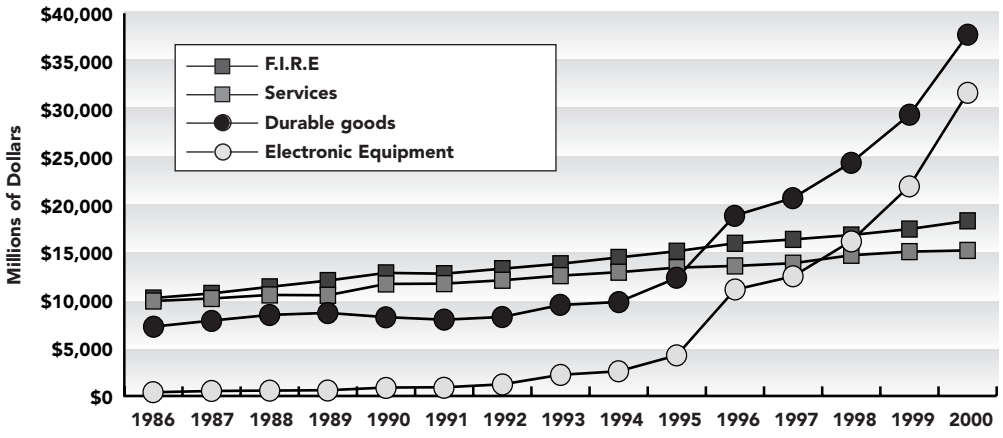
Through the mid-1990s, durable manufacturing had lower output than the other major industry groupings. In 1994, durable manufacturing GSP was just $9.8 billion, less than services, Finance, Insurance, and Real Estate (FIRE), or even the government sector **(Figure 3.3)**. Six years later, durable manufacturing GSP was nearly four times larger, $37.7 billion in 2000, and the largest industry sector by far.

Electronic equipment manufacturing, chiefly semiconductors, was responsible for all of the growth in durable manufacturing GSP between 1990 and 2000.

Declining inflation-adjusted output in transportation equipment manufacturing and lumber wood products balanced out small gains in other durable manufacturing industries, so that electronic equipment manufacturing, chiefly semiconductors, was responsible for all of the growth in durable manufacturing GSP between 1990 and 2000.

As a share of the state's total output, electronic equipment manufacturing grew from

FIGURE 3.3 **Oregon real GSP - major industry breakout**



Source: OCPP presentation of BEA data.

As the high-tech sector blossomed in the mid-1990s, Oregon's economy sprang to life.

TABLE 3.1 **Oregon industries – share of total GSP**

				Change	
	1989	1992	2000	1992 to 2000	1989 to 2000
Electronic equipment	2%	3%	15%	+12%	+13%
Business services	3%	3%	4%	+1%	+1%
Construction	4%	4%	5%	+1%	+1%
Agriculture, forest, fish	4%	3%	3%	-1%	-1%
Nondurable manufacturing	6%	5%	4%	-1%	-2%
Wholesale trade	8%	8%	7%	-1%	-1%
Retail trade	9%	9%	8%	-1%	-1%
Health services	6%	6%	5%	-1%	0%
Transportation & utilities	9%	9%	7%	-2%	-2%
F.I.R.E.	15%	16%	14%	-2%	-1%
Government	13%	14%	12%	-2%	-2%
Lumber & wood	8%	5%	2%	-3%	-5%

Source: OCPP analysis of BEA data

While overshadowed by high-tech, construction and business services grew as a share of total output.

just three percent of Oregon's output in 1992, to 15 percent by 2000 **(Table 3.1)**.

While overshadowed by high-tech, two other industries also grew as a share of total output: construction and business services. Construction provided four percent of Oregon's total output in 1992 and five percent in 2000. Business services expanded from three percent to four percent. All other industries grew at a slower rate than

TABLE 3.2 **Industry contribution to employment growth and decline**

	Dec. 1990 jobs	Dec. 2000 jobs	Dec. 2001 jobs	12/90 to 12/00 job gain	12/00 to 12/01 job loss
Electronic & other electric equip	17,700	42,200	39,100	24,500	-3,100
Construction	52,000	85,200	72,800	33,200	-12,400
Business Services	51,200	107,400	98,900	56,200	-8,500
▸GROUP TOTAL	120,900	234,800	210,800	113,900	-24,000
Total non-farm employment	1,257,900	1,634,000	1,591,400	376,100	-42,600
SHARE OF GROWTH					
Electronic & other electric equip	1.4%	2.6%	2.5%	6.5%	7.3%
Construction	4.1%	5.2%	4.6%	8.8%	29.1%
Business Services	4.1%	6.6%	6.2%	14.9%	20.0%
▸GROUP SHARE OF TOTAL	9.6%	14.4%	13.2%	30.3%	56.3%

Source: OCPP analysis of OED data.

High-tech, construction, and business services provided nearly one third of the job growth in the 1990s and more than one-half of job losses in 2001.

the total output between 1992 and 2000. Lumber and wood products declined from 8 percent of Oregon's GSP in 1989 to just 2 percent by 2000.

In 1989, electronic equipment manufacturing, business services, and construction accounted for just 9 percent of Oregon's gross state product. Over the following decade these three industries contributed 66 percent of Oregon's GSP growth.[7]

Job Gains, Job Losses

High-tech, construction, and business services provided a majority of GSP growth during the 1990s expansion, and also contributed a disproportionate share of employment growth. High-tech employment more than doubled in the 1990s, growing from 17,700 in December 1990 to 42,200 in December 2000.

Accounting for just 1.4 percent of Oregon's employment in December 1990, the high-tech sector provided 6.5 percent of the state's employment growth over the 1990s **(Table 3.2)**. The related industries of construction and business services also experienced rapid growth across the decade. Construction provided 4.1 percent of employment in December 1990, but 8.8 percent of growth in the 1990s. Business services accounted for 4.1 percent of jobs in December 1990, but 14.9 percent of 1990s growth.

These three industries had a disproportionate impact on employment growth during the expansion. High-tech, construction, and business services accounted for less

Impact on Exports

The influence of high-tech was not felt just in employment, but also in exports. Oregon's export boom in the 1990s was led by the high-tech manufacturing sector, and the 2001 decline was also high-tech driven. As the state's Office of Economic Analysis wrote in its June 2002 Forecast, "weakness in exports was consistent throughout 2001, largely due to shrinking trade volume in high-tech products." Computer and electronic products exports from Oregon dropped nearly a third in 2001, falling from $5.6 billion in 2000 to just $3.8 billion in 2001.

than 10 percent of employment at the start of the decade, but provided nearly one third of the job growth in the 1990s.

These industries had a disproportionate impact on Oregon's downturn, as well. In December 2001, Oregon's recession hit a low point, with employment falling 2.6 percent from a year earlier. At that time, the high-tech sector accounted for 7.3 percent of the decline, while construction accounted for 29.1 percent, and business services 20 percent.[8] Combined, these industries, which employed 14.4 percent of Oregon's workers in December 2000, accounted for over 56 percent of recession-related job losses.

Other industries contributed to the boom and decline, but none stand out so clearly as these three. Transportation equipment manufacturing and the wholesale trade industry each registered steep employment declines in the recession. Job losses at Freightliner and other companies have added to the total, but these industries did not experience extraordinary growth in the 1990s boom, only growing along with or even less than their share of employment in 1990.

Other major industries, including health services, retail trade, and state and local government, provided 25 percent of the job growth over the 1990s. In December 1990, however, these industries already accounted for 29 percent of jobs in the state, so their expansion lagged the rest of the economy across the decade.

A Push to Good Jobs and Some Not-so-good Jobs

In addition to driving up total employment during the 1990s, and tearing it back down in 2001, growth in high-tech, construction, and business services drove the growth of "good" and "bad" jobs over the cycle.

Each industry contains a range of jobs that are considered "good" or "bad." High-tech manufacturers employ highly paid engineers and sales staff, but 18 percent of high-tech jobs are semi-conductor processors, who averaged $26,600 in 2001.[9] Over 40 percent of business services employment is in "help supply services," also known as "temporary workers," which paid average earnings of just $19,500 in 2000. At

TABLE 3.3 Average annual earnings - key industries

				Change	
	1989	2000	2001	1989 to 2000	2000 to 2001
Electric & electronic equipment	$41,087	$85,261	$68,944	107.5%	-19.1%
Construction	$34,176	$39,306	$39,266	15.0%	-0.1%
Business Services	$23,894	$32,203	$32,638	34.8%	1.4%
All Industries	$28,979	$33,709	$33,187	16.3%	-1.5%
PERCENT OF STATE-WIDE AVERAGE					
Electric & electronic equipment	142%	253%	208%		
Construction	118%	117%	118%		
Business Services	82%	96%	98%		

Source: OCPP analysis of OED data. Inflation adjusted 2001$ with US CPI-U.

As key industries expanded their employment share, they brought the average earnings of all industries up. When they declined, they dragged the statewide average down.

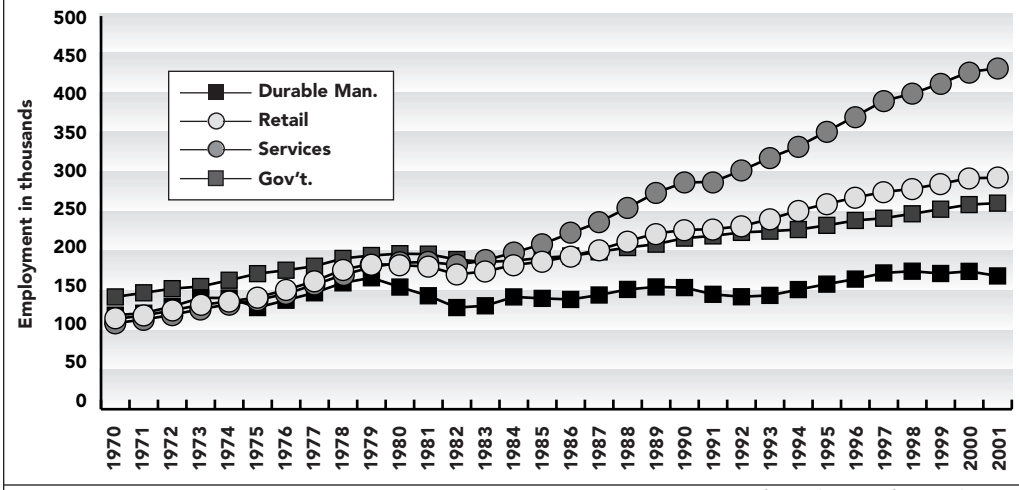
the same time, however, "business services" includes computer-programming, software, and database design services which all pay high average annual earnings. Even the help supply firms employ numerous highly paid professionals, including accountants, with average earnings of $47,500 in 2000.

Despite some low-paying occupations, on balance these three key industries paid above-average earnings **(Table 3.3)**. While they were only 42 percent higher than the statewide average in 1989, earnings in the high-tech sector were 153 percent higher than the statewide average by 2000. As the industry grew, there were more high-tech jobs and better-paying high-tech jobs.

Workers in the business services industry also experienced improved earnings. Employing thousands of "temp" workers, the industry paid 82 percent of the statewide average annual earnings in 1989. By 2000, however, most of the gap had disappeared, and business services paid just two percent less than the statewide average.[10] One reason for the improved earnings in the business services sector was the growing trend for high-tech companies to use staffing services for their employment needs.

As these key industries expanded their employment share, they brought the average earnings of all industries up. When they declined, they dragged the statewide average down. Average annual earnings in the high-tech sector fell by 19 percent between 2000 and 2001. Earnings in the construction sector dropped by 0.1 percent, and the statewide average fell 1.5 percent.

FIGURE 3.4 **Oregon employment by major industry**



Source: OCPP presentation of OED data. Non-farm employment.

The long-term employment trends in Oregon are toward services and retail trade and away from manufacturing and government.

C. The Long-term Trend in Job Quality

Electronic equipment manufacturing, business services, and construction played the starring roles in the expansion of the 1990s and the 2001 recession. These industries have dominated the employment picture in recent years, but other long-term trends are determining the direction of the quality of jobs in Oregon. Looking back across the past thirty years, the long-term employment trends in Oregon are toward services and retail trade and away from manufacturing and government **(Figure 3.4)**. Services was the single largest industry group, employing 445,000 in 2001, followed by retail trade at 302,000.

Combined government employment (state, federal, and local), the largest industry group during the 1970s, has fallen well below the retail trade and service sectors. By 2001, total government employment in Oregon was 269,000.

An important implication for the changing quality of jobs in Oregon is that the industries that have emerged as dominant and growing, services and retail, tend to have below-average earnings, while the declining sectors, manufacturing and government, have above-average pay **(Table 3.4)**.

Despite rapid growth in the high-tech sector during the 1990s, durable manufacturing employment continues to decline as a share of employment. Durable manufacturing, which fell from 17.8 percent of employment in 1969 to just 10.8 percent in 2000, had average earnings of $49,700.

Workers in government employment had earnings equal to the average of all industries in 2000, but their share of employment dropped from 20.4 percent in 1969 to just 16.1 percent in 2000. Between 1979 and 2000, when Oregon's population expanded by 25 percent, state government employment rose by just 500 jobs. Local government employment maintained its share of the workforce,

Workers in government employment had earnings equal to the average of all industries in 2000.

TABLE 3.4 Non-farm employment and earnings in Oregon

	Share of employment				Average Wage and Salary
	1969	1979	1989	2000	2000
Agriculture, forestry, and fishing	0.6%	0.9%	1.3%	1.6%	$21,026
Mining	0.2%	0.2%	0.1%	0.1%	$37,563
Construction	4.5%	5.0%	3.8%	5.3%	$38,210
Durable Manufacturing	17.8%	15.8%	12.9%	10.8%	$49,675
Nondurable Manufacturing	6.7%	5.2%	4.7%	3.8%	$34,601
Transportation and public utilities	6.6%	5.5%	5.1%	4.8%	$42,371
Wholesale trade	5.8%	6.2%	6.3%	5.7%	$45,397
Retail trade	16.0%	17.8%	18.9%	18.5%	$18,979
Finance, insurance, and real estate	4.6%	5.5%	5.1%	5.2%	$39,111
Services	16.8%	18.7%	23.7%	28.1%	$28,361
Government	20.4%	19.2%	18.2%	16.1%	$31,948
TOTAL					$32,372

Source: OCPP analysis of BEA data.

The industries that have emerged as dominant, services and retail, tend to have below-average earnings.

accounting for 11 percent of jobs in 1979 and 2000. Most of the increase in local government employment has been in education.

Retail trade employment expanded from 16 percent of the total in 1969 to 18.5 percent in 2000. At $19,000, retail trade pay is considerably less than the statewide average. The service industry now employs 28 percent of workers; up from 17 percent in 1969, with earnings $4,000 lower than the Oregon average.

Despite the tech-driven expansion of the 1990s, the long-term employment trend in Oregon is away from higher-paying jobs and toward lower-paying ones.

Pay Versus Poverty

Another way to track the changing quality of jobs is to compare sector earnings to the poverty level. Here "low-pay" jobs are those with average annual earnings less than $25,575 (150 percent of poverty for a four-person family), "medium-pay" jobs have earnings between $25,575 and $42,625 (250 percent of poverty), and "high-pay" jobs have earnings over $42,625.[11]

The general impact of job growth in the 1990s was growth in high-pay jobs and a decline in the share of medium-pay and low-pay jobs. The number of high-pay jobs, which shriveled in the 1980s, blossomed in the 1990s, growing by more than 243,000 between 1989 and 1999 **(Table 3.5)**.

TABLE 3.5 Oregon jobs by earnings level

	1976	1989	1999	2000	2001
TOTAL EMPLOYMENT					
low pay	180,825	407,666	474,346	478,910	488,613
med pay	553,202	749,086	823,790	844,733	830,629
high pay	96,525	35,561	279,107	283,957	275,848
▸TOTAL	830,552	1,192,313	1,577,243	1,607,600	1,595,089
EMPLOYMENT SHARE					
low pay	21.8%	34.2%	30.1%	29.8%	30.6%
med pay	66.6%	62.8%	52.2%	52.5%	52.1%
high pay	11.6%	3.0%	17.7%	17.7%	17.3%
	76 to 89	**89 to 99**	**79 to 99**	**00 to 01**	
# EMPLOYMENT CHANGE					
low pay	226,841	66,680	293,521	9,703	
med pay	195,884	74,704	270,588	-14,104	
high pay	-60,964	243,546	182,582	-8,109	
▸TOTAL	361,761	384,930	746,691	-12,511	
% EMPLOYMENT CHANGE					
low pay	125.4%	16.4%	162.3%	2.0%	
med pay	35.4%	10.0%	48.9%	-1.7%	
high pay	-63.2%	684.9%	189.2%	-2.9%	
▸TOTAL	43.6%	32.3%	89.9%	-0.8%	

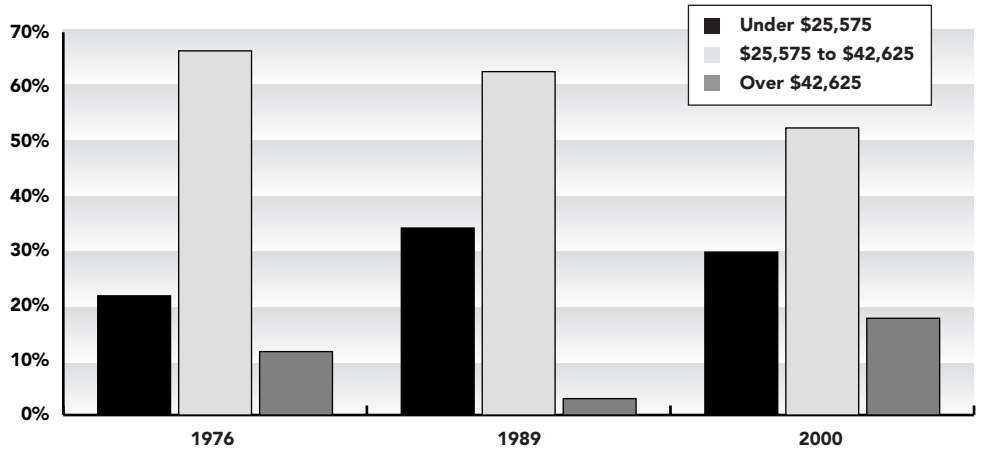
Source: OCPP analysis of OED data. Inflation-adjusted 2000 dollars using US CPI-U.

The general impact of job growth in the 1990s was growth in high-pay jobs and a decline in the share of medium-pay and low-pay jobs.

Job losses during the 2001 recession, on the other hand, were concentrated in higher-paying jobs. Between 2000 and 2001, the number of high-paying jobs declined by 2.9 percent, while low-paying jobs grew 2 percent. The number of high-paying jobs dropped by 8,100 between 2000 and 2001, while the number of low-paying jobs increased 9,700.

Despite the growth of high-paying jobs in the 1990s expansion, the long-term trends toward more low-wage jobs and fewer middle-wage jobs remain intact. In 1976, 66.6 percent of jobs were medium-paying jobs and 21.8 percent were low-paying **(Figure 3.5)**. By 2000, 52.5 percent of jobs paid medium wages and 29.8 percent paid low wages.

FIGURE 3.5 **Oregon employment by earnings level**



Source: OCPP analysis of OED data.

Despite the growth of high-paying jobs in the 1990s, the long-term trend toward more low-wage and fewer middle-wage jobs remain intact.

The economic trends in the 1990s did create many high-paying jobs and boosted wages across the board. These economic trends, however, did not make a dent in the share of jobs paying low wages. Instead of boosting the earnings of low-paid workers, much of the economic development in the 1990s added a layer of new, high-paying jobs, many of which were filled by workers recruited to Oregon from other states.[12]

The creation of more low-paying and high-paying jobs, alongside the decline of medium-paying jobs, is one of the factors contributing to the growth of inequality in Oregon.

D. Growing Inequality

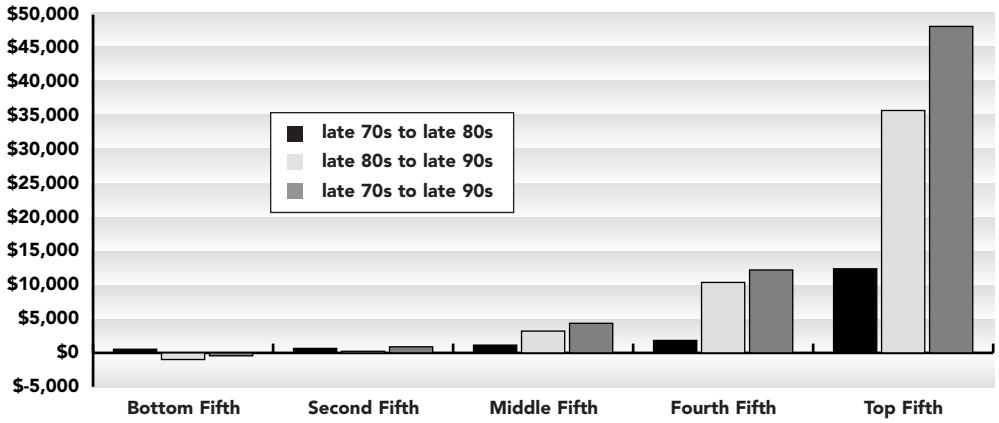
While the 1990s expansion generated economic growth that benefited most working Oregonians, the benefits of that growth were not shared equally. A variety of measures of inequality, covering income and earnings and using different data sources, indicate that inequality grew in Oregon across the last two decades.

Family Income by Fifth

The richest fifth of families in Oregon prospered over the last two decades, while the rest saw minimal or no gains.

Census Bureau data analyzed by the Economic Policy Institute and the Center on Budget and Policy Priorities show that the richest fifth of families in Oregon prospered over the last two decades, while the rest saw minimal or no gains. Between the late 1970s and the late 1990s the average income of the richest fifth of families rose 52 percent, climbing from $93,000 in 1978-80 to $141,000 in 1998-2000.[13] Over this period the poorest fifth saw basically no change in income.[14] The middle fifth grew $4,400, or less than 10 percent **(Figure 3.6, Table 3.6)**. The

FIGURE 3.6 **Change in average family income by fifth**



Source: OCPP presentation of EPI/CBPP analysis of Census March CPS.

The richest fifth of families in Oregon prospered over the last two decades, while the rest saw minimal or no gains.

TABLE 3.6 **Oregon family income distribution, average income by fifth**

	Bottom Fifth	Second Fifth	Middle Fifth	Fourth Fifth	Top Fifth
1978-80	$14,582	$31,165	$44,026	$58,205	$93,165
1988-90	$15,126	$31,828	$45,175	$60,045	$105,595
1998-00	$14,148	$32,071	$48,399	$70,463	$141,428
$ CHANGE					
late 70s to late 80s	$544	$663	$1,150	$1,839	$12,430
late 80s to late 90s	($978)	$243	$3,224	$10,419	$35,833
late 70s to late 90s	($434)	$906	$4,374	$12,258	$48,263
% CHANGE					
late 70s to late 80s	3.7%	2.1%	2.6%	3.2%	13.3%
late 80s to late 90s	-6.5%	0.8%	7.1%	17.4%	33.9%
late 70s to late 90s	-3.0%	2.9%	9.9%	21.1%	51.8%

	Top - Bottom	Middle - Bottom	Top - Middle
INCOME RATIOS			
1978-80	6.4	3.0	2.1
1988-90	7.0	3.0	2.3
1998-00	10.0	3.4	2.9

Source: Economic Policy Institute and Center on Budget and Policy Priorities.
Inflation-adjusted 1999 dollars. Analysis of data from the U.S. Census Bureau's Current Population Survey.

The gap between the rich and everybody else grew in Oregon over the last two decades.

Five Equal Parts

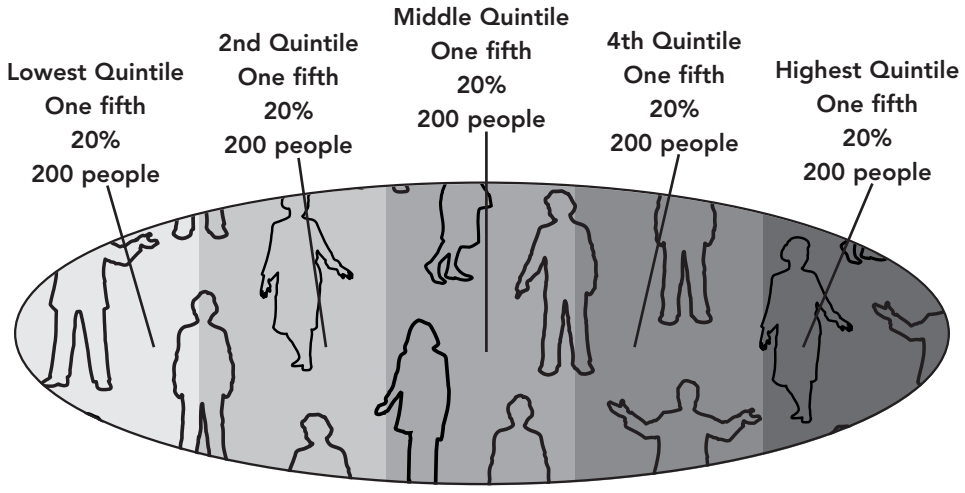
When someone says "low income," "middle income," or "high income," what do they mean? Sometimes people try to attach a dollar figure to these terms, but such attachments can be arbitrary. In this report you will see references to x% of the population, to quintiles, and to fifths.

PERCENTAGE. When we say the "top 1% of income" we mean 1% of the population. For example, in a population of 1000, the "top 1% of income" would be the 10 people with the highest incomes.

QUINTILES and FIFTHS. These terms are interchangeable. They both refer to a method that cuts the population into five equal parts for analysis. To extend the example above, if we were to rank our population of 1000 by income, we could create "income quintiles" by setting dividing lines at every 200th person. Thus we would have five parts, each with the same number of people (200) in it.

When we compare the "highest income fifth" with the "lowest income fifth," you know we are comparing two equal portions of the population.

Our Hypothetical Village: Total Population 1000



growth in the average income of the middle fifth of families is equivalent to $219 per year over twenty years.

The average income of the bottom fifth of families declined over this period, dropping from $14,582 in the late 1970s to $14,148 in the late 1990s. The second quintile saw little change.

With income rising at the top of the distribution, declining at the bottom, and stagnating in the middle, the gap between the rich and everybody else grew in

TABLE 3.7	Oregon income inequality - Gini index						
					Percent Change		
	1969	1979	1989	*1999	69 to 79	79 to 89	89 to 99
Household	-	.394	.421	.43	-	7%	2%
Family	.345	.353	.390	-	2%	10%	-

Source: OCPP presentation of US Census Bureau data. *1999 Gini calculated by Associated Press.

Inequality grew slightly across the 1970s, but expanded dramatically in the 1980s.

Oregon over the last two decades. In the late 1970s, the average income of the top fifth of Oregon families was 6.4 times as large as the bottom fifth **(Table 3.6)**. By the late 1990s, the top fifth had an average income ten times as large as the bottom fifth.

The gap between the top fifth and the middle fifth of families also grew. In the late 1970s the top fifth made twice as much as the middle fifth of families. By the late 1990s, the top fifth made three times as much.

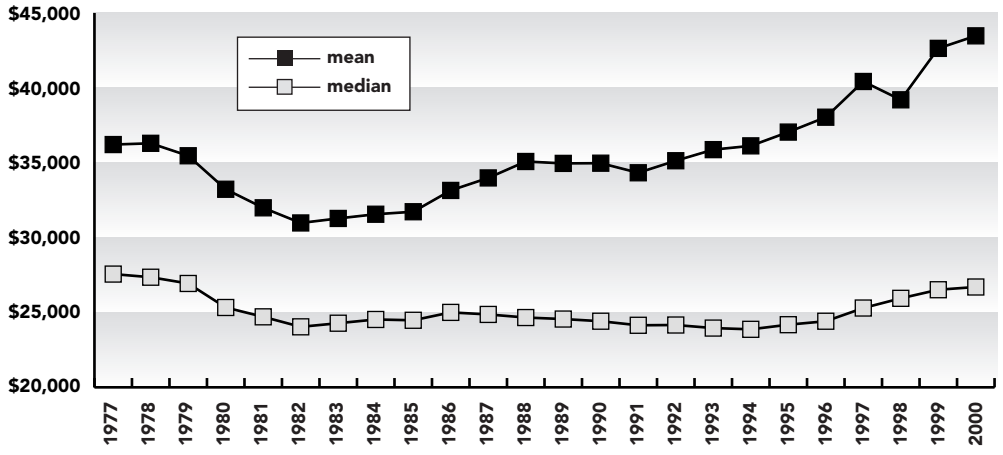
Slower Growth in Inequality?

Census Bureau data for the nation have been used to argue that, while it grew sharply in the 1980s, inequality growth halted in the 1990s.[15] Data in Table 3.6 show that this is not the case for Oregon. Inequality among families in Oregon appears to have grown faster in the 1990s than in the 1980s.

Recently released data from the Decennial Census, however, show that one measure of inequality growth among Oregon households, which include families as well as single individuals, did grow slower in the 1990s. To measure inequality, the Census Bureau uses the "Gini" index, which measures the degree of concentration across the distribution of income, and ranges from zero (indicating perfect equality) to one (indicating absolute inequality.) In 1999, the Gini for Oregon households was .43, two percent higher than in 1989 **(Table 3.7)**.[16] Household inequality growth during the 1990s was slower than in the 1980s, when the Gini index rose 7 percent. Growth in the Gini index for Oregon families shows that inequality grew slightly across the 1970s, but expanded dramatically in the 1980s.

One reason that inequality appears to have grown more slowly in the 1990s is that the Census data do not include an important source of income that is highly concentrated among the richest families: capital gains income. Using data that include capital gains income, inequality at the national level rose dramatically in the 1990s, particularly between the richest one percent and the rest of the population.[17]

FIGURE 3.7 **Median and mean income (AGI) in Oregon**



Source: OCPP analysis of DOR data. Income by all tax returns. Inflation-adjusted 2000 dollars with US CPI-U.

Growth in average (mean) income is due to the increases reaped by the richest one percent of households, whose income pulled away from the rest of Oregonians.

Income Tax Data Show Growth in Incomes of the Richest of Oregonians

Income tax data for Oregon, which include capital gains income, show that inequality among households continued to grow across the 1990s.[18] Income of the "average" (mean) Oregon household steadily outstripped growth in the income of the "typical" (median) Oregon household. Growth in the average is due to the huge increases reaped by the richest one percent of households, whose incomes pulled away from the rest of Oregonians.

The Adjusted Gross Income (AGI) of the average Oregon household grew $8,569 between 1989 and 2000 **(Figure 3.7)**.[19] By 2000, the income of the average household rose to $43,600 and had surpassed levels from the late 1980s and the late 1970s. The typical household, the one in the middle of the income distribution, did not rise nearly as much. Median income grew just $2,153 between 1989 and 2000. Reaching $26,700, the median income remained below levels from the late 1970s.[20]

Median income was more than 75 percent of mean income from 1977 through 1986. Beginning in the late 1980s, however, growth in the average income accelerated, leaving the median income behind. By 2000, the median income was just 61 percent of the average **(Table 3.8)**.

Average income grew much faster than median income because income inequality grew across this period. Rapid growth in the incomes at the top of the income distribution influences the mean (average), but leaves the median unchanged.

The dramatic growth in inequality is evident in a comparison of the incomes of the typical and the richest Oregonians **(Figure 3.8)**. Between 1989 and 2000, the richest one-percent of Oregon taxpayers saw their average real income grow 98

TABLE 3.8 **Income growth - mean, median, and top one-percent**

				Growth		
	1979	1989	2000	1979 to 89	1989 to 2000	1979 to 2000
INCOME						
Mean	$35,558	$35,046	$43,615	-1.4%	24.4%	22.7%
Median	$26,978	$24,588	$26,741	-8.9%	8.8%	-0.9%
Top 1%	$272,915	$373,902	$740,767	37.0%	98.1%	171.4%
RATIO						
Median/Mean	76%	70%	61%			
Median/Top 1%	10%	7%	4%			

Source: OCPP analysis of OED tax data. Inflation-adjusted 2000 dollars with US CPI-U. Includes negative returns.

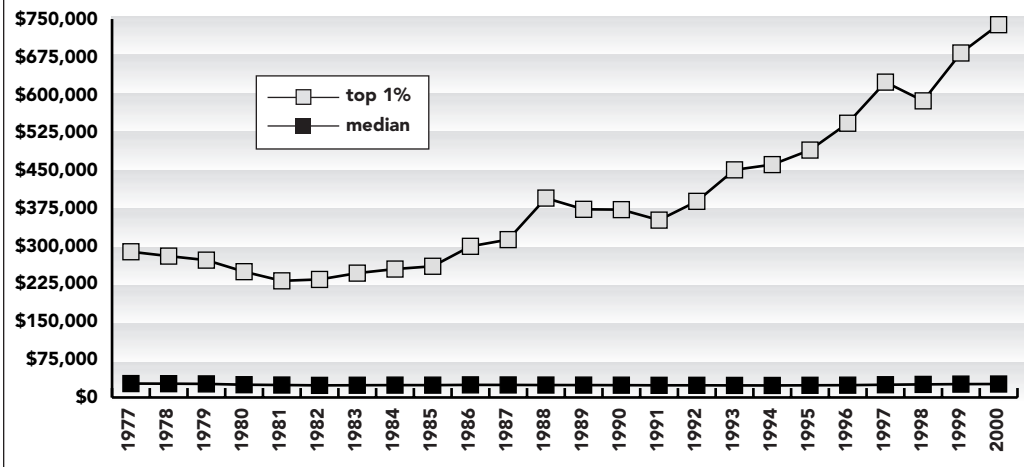
Between 1989 and 2000, typical Oregonians saw their incomes rise just 9 percent.

percent, rising from $374,000 to $741,000. Over this same period, typical Oregonians, median income taxpayers, saw their incomes rise just 9 percent **(Table 3.8)**.[21] Since 1979, the income of the richest one percent has risen 171 percent. The median household saw no growth over this period, declining by nearly one percent. Incremental gains in the 1990s balanced out losses from the 1980s.

The gap between the richest Oregonians and typical Oregonians has not always been as great as it is now. In 1989, the richest one percent had incomes that were 15 times the typical income. By 2000, the richest one percent had incomes that were 28 times the typical Oregonian's income.

By 2000, the richest one percent of Oregonians captured 17 percent of all income in Oregon, up from 7.7 percent in 1979 **(Table 3.9)**. Over the last twenty years, the

FIGURE 3.8 **Median and top one percent income (AGI) in Oregon**



Source: OCPP analysis of ODR data. Income by all tax returns, inflation-adjusted 2000 dollars with US CPI-U.

Between 1989 and 2000, the richest one percent of Oregonians saw their average real income grow 98 percent.

TABLE 3.9 Income distribution in Oregon

	Share of adjusted gross income by quintile					
	Bottom fifth	Second fifth	Middle fifth	Fourth fifth	Top fifth	Top 1%
1979	1.7%	7.8%	15.3%	25.5%	49.7%	7.7%
1989	0.8%	7.4%	14.1%	23.9%	53.8%	10.7%
2000	0.6%	6.5%	12.3%	21.3%	59.3%	17.0%

Source: OCPP analysis of ODR tax tables.- Includes negative returns

Over the last twenty years, the richest one percent more than doubled their share of the state's income.

richest one percent more than doubled their share of the state's income.

Middle-income families, those in the middle fifth, saw their share of income drop from 15.3 percent in 1979 to just 12.3 percent in 2000. The lowest-income fifth had 1.7 percent of Oregon's income in 1979, but just 0.6 percent by 2000.

Oregon: One of the Most Unequal States

During the 1990s, Oregon experienced one of the fastest growth rates in income inequality in the country. Between the late 1980s and the late 1990s, the gap between the top fifth and bottom fifth of Oregon families grew more than in all but one other state **(Table 3.10)**.[22] The gap between the top fifth and the middle fifth of families grew more than every other state. Oregon also ranks worst in the growth of this inequality gap between the late 1970s and late 1990s.

This dramatic growth in inequality took Oregon from a relatively equal state to one of the most unequal in the country. In the late 1970s, thirty-eight of the 50 states had larger gaps between the richest and the poorest families. By the late 1990s, though, the situation was reversed. In 1998-2000, Oregon was ranked high for

TABLE 3.10 Oregon's rank among states for inequality

Growth in inequality between...		
	Top fifth and bottom fifth	Top fifth and middle fifth
Late 1970s to Late 1990s	2nd	1st
Late 1980s to Late 1990s	2nd	1st

Degree of inequality between...		
	Top fifth and bottom fifth	Top fifth and middle fifth
Late 1990s	11th	8th
Late 1980s	41st	39th
Late 1970s	39th	46th

Source: OCPP analysis of EPI/CBPP data.

During the 1990s, Oregon experienced one of the fastest growth rates in income inequality in the country.

Understanding Inequality

In the 1990s, growing income inequality generated a considerable amount of attention. While few dispute that income inequality has increased, some downplay the significance of the findings, suggesting the increase is the result of benign demographic trends.

The bulk of the research on inequality suggests that demographic factors, such as the aging of the population and educational attainment, have actually slowed the slide toward inequality. In a recent review of the national data on income inequality, the Economic Policy Institute showed that:

- **Demographic changes, like education and the growth of single-parent families, cannot account for changes in family income inequality; demographic shifts were stronger when inequality was growing more slowly, and when inequality was growing most, demographic changes were less prevalent.**
- **The decline in average family size does not decrease the importance of income inequality; inequality has grown even after adjusting for family size.**
- **Income mobility can offset income inequality, but only if mobility is growing at the same rate as inequality; there is no evidence that income mobility has increased during the time that inequality has grown.**

Income inequality has grown among households, all families, and families with children; across genders, age groups, education levels, and more. While not all researchers agree on the exact causes of inequality growth, they generally agree that its roots are in a number of important economic changes – the decline of high-paying manufacturing jobs, the increase in globalization, the onset of "skill-biased" technological change, declining union representation, and a falling minimum wage - that can not be reduced to demographic changes.

See Mishel, Lawrence, Jared Bernstein and Heather Boushey, *State of Working America 2002-03*; Auerback, James A., and Richard S. Belous, eds., *The Inequality Paradox: Growth of Income Disparity*; Hyclak, Thomas, *Rising Wage Inequality in Urban Labor Markets.*

inequality, and only 10 of the 50 states had larger gaps between the richest and poorest.

Growth in the gap between Oregon's highest-income and middle-income families was just as dramatic. In the late 1970s, only four other states had smaller gaps between their middle-income and high-income families. By the late 1990s, this ranking was reversed. In 1998-2000, Oregon ranked high for inequality, and had the 8th largest gap between the top and the middle fifths.

Inequality of Wages

Oregon has experienced growing inequality in the distribution of wages as well as income. Because wages are the largest source of income for most working people, wage inequality drives trends in income inequality to a large degree.[23]

TABLE 3.11 **Oregon wage inequality - Gini index measure**

				Percent change		
	1979-80	1988-89	1997-98	79-80 to 88-89	88-89 to 97-98	79-80 to 97-98
Male Workers, Age 19-64	.280	.335	.435	19.6%	29.9%	55.4%
Female Workers, Age 19-64	.297	.323	.390	8.8%	20.7%	31.3%
Male Workers, Age 30-59 some college or more	.240	.291	.423	21.3%	45.4%	76.3%
Female Workers, Age 30-59 some college or more	.284	.297	.347	4.6%	16.8%	22.2%

Source: OCPP analysis of March CPS data provided by EPI.

Oregon had high inequality, even among the more experienced and the highly educated.

Oregon's record of income inequality growth is matched in wage inequality. Economists from Dartmouth College and the Census Bureau showed that Oregon experienced the nation's greatest growth in wage inequality between 1969 and 1989.[24] Between 1969 and 1989, the wage gap between workers at the 90th and 10th percentiles grew 24.5 percent, more than any other state.

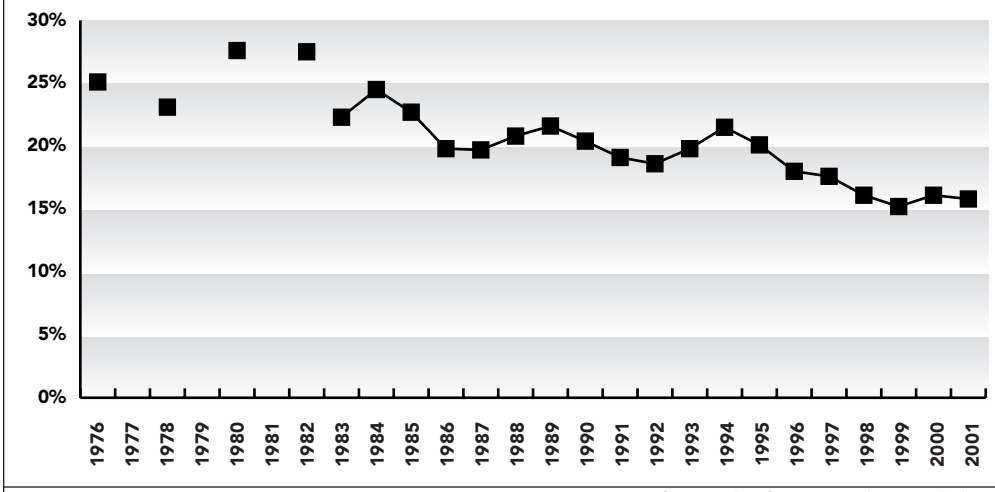
One important implication of the study is that a shortage of college-educated workers is not to blame for the growth in wage inequality during this period. Wage inequality grew 24.5 percent, even after statistically controlling for the impacts of differences in education, work experience, race and other factors.[25] The gap between workers at the 90th and 10th percentiles grew despite the fact that the "pay-off" for additional education was nearly identical in both years. The wages of college-educated workers were 33.6 percent higher than those with only a high school degree in 1969 and 33.9 percent higher in 1989.[26] The college "wage premium" remained the same in both years, and is not responsible for the growth in wage inequality in those years.

Gini Index of Wage Inequality

Over the last two expansions, the Gini index for wages grew in Oregon, indicating greater inequality **(Table 3.11)**. In 1979-80 the Gini index was .280 for male workers between the ages of 19 and 64 and .297 for females.[27] By 1997-98, the Gini index for males had risen 55 percent to .435, and for females it had increased 31 percent to .390.

The inequality record was no better among the more experienced and highly educated. Males between the ages of 30 and 59 with at least some college education saw their Gini figure rise 76 percent between 1979-80 and 1997-98, going from .240 to .423. Highly educated females experienced a 22 percent increase in wage inequality, with their Gini rising from .284 to .347. For each group of workers the wage inequality grew more during the 1990s than the 1980s.

FIGURE 3.9 **Union members as share of total workforce in Oregon**



Source: OCPP presentation of Census data from BNA and Statistical Abstracts.

In 1980, more than one in four Oregon workers belonged to a labor union. By 2001, roughly one in seven were union members.

E. Organized Labor in Oregon

Unionized workers have historically been able to increase wages and benefits and improve working conditions through collective bargaining with employers. During the 1980s and 1990s, however, the share of workers organized in unions declined **(Figure 3.9)**. In 1980, more than one in four Oregon workers belonged to a labor union.[28] By 2001, roughly one in seven were union members.

Oregon's workforce has faced two distinct periods of declining union representation. The union share fell in the early 1980s, as heavily unionized sectors lost employment. It also fell between 1994 and 1999, when employment growth was concentrated in areas with lower union coverage.

The number of union members has stayed roughly the same (approximately 230,000 members in 1985 and in 2001), with gains from organizing apparently being offset by attrition elsewhere. In recent years, unions have stepped up their organizing efforts. National and state labor leaders have committed additional resources for organizing.

Unions in Oregon have worked to organize retail trade, home health care aides, and social service agencies, all areas traditionally not represented by unions. In 2001, 12,000 home health care aides in Oregon won a major organizing victory when they voted to unionize.[29] Though there was one organizing victory at the Xerox plant in Wilsonville in 2000, attempts at organizing workers in the high-tech sector have been limited.[30]

The national drive to organize more workers started to pay off at the end of the decade. In 1999 there were enough new union members added to maintain a steady share of the workforce.[31] Nationally, the union share of the workforce dipped again in 2000, though.

Oregon unions increased the number of covered workers in 2000, climbing from 216,000 in 1999 to 234,000, and their share of the workforce, rising from 15.2 percent to 16.1. Despite heavy job losses in the rest of the economy in 2001, unions maintained their share of jobs.

The Union Advantage

Workers organized in unions have higher wages. Nationally, according to the Economic Policy Institute, union workers' wages were 11.5 percent higher than non-union workers in 2001, even after controlling for differences in work experience, education, region of the country, industry, occupation, and marital status.[32]

Unions are also effective at obtaining important benefits for their members. One recent study found that when benefits such as 401(k), pension, and health benefits are included with wages, the compensation union members receive nationally is 39 percent higher than their non-union counterparts.[33] Union members receive 82 percent better benefits packages than other workers, even when mitigating factors are taken into account.

Employees in unionized firms were 20 percent more likely to be offered health insurance, and participating workers paid a lower share of their health insurance premiums. In 1999, the health insurance take-up rate in union firms was 7.4 percent higher and the employee share of premium was 43.6 percent lower.[34]

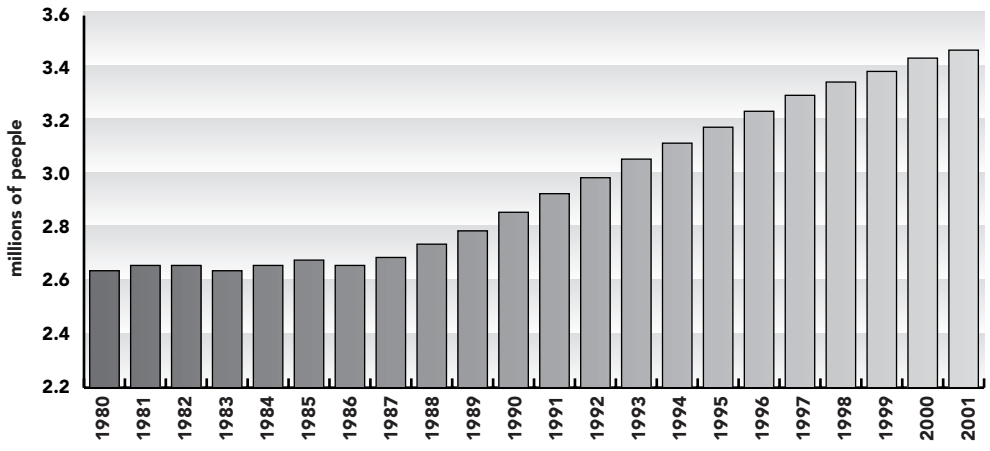
Unions' impact on health care benefits is so important that the declining rate of unionization alone explains between 20-35 percent of the loss of employer-sponsored health insurance in the private sector between 1983 and 1997.[35] The union advantage in health insurance coverage continues into retirement. National data indicate that retired union members are 8 to 25 percent (depending on firm and employee characteristics) more likely to have a retirement plan that includes health insurance.[36]

As explained in a 1997 *Oregonian* article, "From a pocketbook perspective, workers are absolutely better off joining a union. Economists across the spectrum agree: Turning a nonunion job into a union job probably will have a bigger effect on lifetime finances than all the advice employees ever will read about investing their 401(k) plans, buying a home or otherwise making more of what they earn."[37] Now that the stock market bubble has burst, this may be more true today than it was in 1997.

Turning a nonunion job into a union job probably will have a bigger effect on lifetime finances than all the advice employees ever will read about investing their 401(k) plans, buying a home or otherwise making more of what they earn.

The long-term decline in unions has implications for non-union workers, as well. With the declining likelihood of successful union organizing, the pressure on non-union employers to maintain or raise wages is decreased. The "threat effect" of unions outside of the unionized workforce has weakened as the rate of unionization has fallen.[38]

FIGURE 3.10 **Oregon's total population**



Source: OCPP analysis of DAS data

Rapid population growth of the 1990s stands in contrast to the stagnation that characterized most of the 1980s.

F. Population Growth and Change

Oregon's population grew rapidly and became more diverse across the 1990s. Between 1990 and 2000, the state added 579,000 new people, its population expanding from 2.8 million to 3.4 million, growth of more than 20 percent. In 2000, Oregon was the 28th largest state, but its rate of growth in the 1990s was 11th fastest and its total population increase was 16th fastest among the states.

The rapid growth of the 1990s stands in contrast to the stagnation that characterized most of the 1980s **(Figure 3.10)**. Oregon's population was 2.64 million in 1980 and 2.66 million by 1986, 0.8 percent growth over six years. Following the deep recession of the early 1980s many people left the state. In 1983 and 1986 Oregon registered negative population growth.

In the late 1980s, though, population growth returned. In 1988 Oregon's population grew 1.9 percent. During each year between 1990 and 1996 the population grew by two percent or more.

Changing Face of Oregon

During the 1990s, Oregon's population not only grew larger, but it also became more racially and ethnically diverse. In 1990, just 4 percent of Oregonians were Hispanic, but by 2000, the share had doubled to 8 percent **(Table 3.12)**. The percentage of Asians in Oregon also increased, from 2.4 percent to 3.1 percent. While white non-Hispanics declined as a share of the total population, falling from 90.8 percent to 83.5 percent, the state remains predominantly white.

Oregon's population also grew more middle-aged and more educated. Since 1990, the percentage of working-age adults (aged 18 to 64) increased from 60.8 percent of

TABLE 3.12 Oregon population 1990 & 2000

	1990	2000
Total population	2,842,321	3,421,399
AGE		
Less than 18	25.5%	24.7%
18-64	60.8%	62.5%
65 and older	13.8%	12.8%
RACE*		
Hispanic	4.0%	8.0%
Non-Hispanic White	90.8%	83.5%
Non-Hispanic Black	1.6%	1.6%
Non-Hispanic Asian	2.4%	3.1%
Non-Hispanic Native American	1.3%	1.2%
Other	0.1%	2.6%
EDUCATIONAL ATTAINMENT, persons aged 25 and over		
Less than high school	18.5%	14.9%
High school grad	54.0%	53.4%
Associate's degree	6.9%	6.6%
Bachelor's degree	13.6%	16.4%
Graduate degree	7.0%	8.7%

Source: OCPP analysis of 2000 Census data.
* The 2000 Census was the first decennial census to allow respondents to choose more than one race. For this reason, 1990 and 2000 Census data on race are not precisely comparable. The "other" category in 2000 contains all those non-Hispanics who chose more than one racial category.

During the 1990s Oregon's population became more racially and ethnically diverse.

the total population to 62.5 percent. The percentages of elderly Oregonians and children both declined slightly. At the same time, the percentage of Oregonians over age 25 with a bachelor's degree or higher grew markedly, from 20.6 percent in 1990 to 25.1 percent in 2000.

Oregon's Workers

Oregon's workforce, those between the ages of 18 and 65 and working one or more hour per week, reflects these demographic changes as well. Compared to the late 1970s, workers in Oregon are less white, less male, older, and more educated. Workers in Oregon are more racially and ethnically diverse than 20 years earlier, but

TABLE 3.13 Oregon's changing workforce

	1979-1981	1988-1990	1999-2001
RACE			
White non-hispanic	94.0%	93.0%	87.4%
Non-white, non-hispanic	4.3%	4.2%	5.6%
Hispanic	1.7%	2.8%	7.0%
GENDER			
Male*	62.2%	60.4%	57.3%
Female	37.8%	39.6%	42.7%
AGE			
Median Age	34	36	40
Mean Age	36.5	37.3	39.6
EDUCATIONAL ATTAINMENT			
Less than HS degree	13.9%	10.5%	10.3%
HS or GED only	36.3%	34.4%	27.3%
Some college, two year degree	26.6%	29.2%	31.6%
Bachelor's degree and higher	23.2%	25.9%	30.7%

Source: OCPP analysis of March CPS.
Workforce is Oregonians between 18 and 65 working one or more hours per week.
* Gender distribution is among those working 30 or more hours per week.

Workers in Oregon are more racially and ethnically diverse than 20 years earlier.

most of this took place over the last decade. In the late 1980s, 93 percent of the workforce was non-Hispanic white **(Table 3.13)**. By the turn of the Century, only 87.4 percent was non-Hispanic white.

In the late 1980s, 2.8 percent of workers were Hispanic and 4.2 percent were non-white and non-Hispanic. The non-white, non-Hispanic share of the workforce grew steadily across the decade, rising to 5.6 percent by 1999-01. The Hispanic population saw very rapid growth, more than doubling its share of the workforce, accounting for 7.0 percent by 1999-01.

Females make up a greater share of the workforce than they did two decades ago, rising from 38 percent in the late 1970s to 43 percent in the late 1990s. Also, the workforce has aged. The median age of Oregon workers rose from 34 in the late 1970s to 40 in the late 1990s. Workers also have more education now than ever before. In the late 1970s 14 percent of workers had less than a high-school degree and 23 percent had a bachelor's degree or higher. By 1999-01 just 10 percent of workers were high-school dropouts and nearly 31 percent had a bachelor's degree or higher.

[1] Covered employment data from the Oregon Employment Department. 2001 data are preliminary.

[2] "Hungry for Help," *The Oregonian*, December 17, 1999.

[3] *Workforce 2002: An Employer Perspective*, Oregon Employment Department, 2000, page 49.

[4] *1999 Oregon In-Migration Study,* Oregon Employment Department.

[5] Drivers license data made available by the Oregon Office of Economic Analysis.

[6] See Ey, Craig, "Feasting on Part-time," *Baltimore Business Journal*, October 6, 1997. Also, Feit, Josh, "One Path to Intel," *Willamette Week*, July 8, 1998. Available at http://www.wweek.com/html/business070898.html.

[7] OCPP analysis of BEA data.

[8] Help supply services accounted for more than a third of employment in the business services sector in 2000 and 2001. Employment in help services firms was crucial during the 1990s boom, accounting for almost half of business services growth. Help supply firms accounted for an even greater share of losses in the recession, contributing three-quarters of job losses between December 2000 and December 2001. While employing only 1.2 percent of Oregon's workers in December 1990, help supply firms accounted for 7.1 percent the state's employment growth in the 1990s and 15.5 percent of job losses in 2001.

[9] Employment share of semi-conductor processors is based on 6,850 (semiconductor processor average employment in 2000 – OED occupational projections publication) divided by 39,000 (2000 average annual employment in electronic and other electric equipment manufacture – OED data). Average annual earnings for 2001 are based on occupational wage information from the OED's *Oregon Wage Information 2001* publication, and are estimates from first quarter data. Available at http://www.qualityinfo.org/pubs/owi/pdf/owi.pdf.

[10] Help supply firms provided 30 percent of business services employment in December 1990 (15,278 jobs) and 39 percent in December 2000 (41,794 jobs).

[11] OCPP analysis of OED data. Covered employment and payrolls by 2-digit SIC code. This measure of "high," "medium," and "low" paying jobs is different from others used by OCPP in the past. Previously OCPP followed the Oregon Employment Department and used $25,000 and $35,000 per year as the dividing points for annual earnings for job quality. The OED has changed its measure and now uses $28,000 and $38,000 as the dividing lines between low, middle, and high-paying jobs.

[12] In 1998, Oregon member companies in the American Electronics Association were able to fill 94 percent of newly-hired clerical and office positions with workers from Oregon, but only 54 percent of the highly paid sales jobs and 68 percent of hardware engineer positions. American Electronics Association, *1998 Oregon Technology Benchmarks*, page 28.

[13] The Census data were analyzed by the Economic Policy Institute and the Center on Budget and Policy Priorities. See *Pulling Apart: A State-by-state Analysis of Income Trends,* Center on Budget and Policy Priorities, Economic Policy Institute, April 2002. Available at http://www.cbpp.org/4-23-02sfp.htm.

[14] The income data from the Census Bureau are from the March Current Population Survey. Census' definition of income includes earnings, interest, dividends, pension income, rental income, and cash assistance, but does not include capital gains or non-cash public assistance.

[15] These findings are discussed in Shapiro, Isaac, Robert Greenstein, and Wendell Primus, "Pathbreaking CBO Study Shows Dramatic Increases in Income Disparities in 1980s and 1990s," Center on Budget and Policy Priorities, May 31, 2001.

[16] The 1999 Gini for Oregon households was reported in Kramer, Andrew, "Wealthy pull further ahead of Oregon poor," *The Oregonian*, August 21, 2001.

[17] Shapiro, Greenstein, and Primus, May 2001.

[18] As opposed to the Census Bureau's measure of income, Adjusted Gross Income (AGI) does include capital gains income. AGI is income from all sources minus exempt income (including non-taxable social security income, welfare payments and IRA interest earnings) and adjustments (including IRA contributions, moving expenses and a portion of self-employment tax).

[19] AGI data are based on tax-filing units. Filing units are neither families nor individuals, but include both. Closer to the Census definition of "household," this is the term adopted here. AGI data for Oregon is made available by the Oregon Department of Revenue in its annual Personal Income Tax Statistics publication. AGI is a calculated field used in tax returns. Shifts in the distribution can be affected by changes in tax laws in addition to trends in income inequality. One relevant portion of the law defines who has to file an Oregon income tax return. Because the cut-off for filers rose considerably (going from $500 to over $2,000), the number of extremely low-income households filing state tax returns likely fell. All else equal, a drop in the number of extremely low-income filers would decrease the share of income held by upper-income filers. Because of this change, it is possible that changes in income distribution are understated.

[20] Median income in figures 3.7 and 3.8, as well as the income quintiles in table 3.9 were calculated from Oregon Department of Revenue publications using a method adopted from the Portland State University Institute for Metropolitan Studies. See *Progress of a Region: the Metropolitan Portland Economy in the 1990s: Technical Report of the Regional Connection Project*, Portland State University, April 1999, page 2.34.

[21] With 1.63 million tax returns filed, the richest one-percent of Oregonians include the highest-income 16,300 income tax returns.

[22] *Pulling Apart.*

[23] Earnings constituted 73 percent of Oregon's total personal income in 2000, while wage and salary payments were 58 percent of personal income. OCPP analysis of BEA data.

[24] Bernard, Andrew and J. Bradford Jensen, "Understanding Increasing and Decreasing Wage Inequality," *International Trade and Wages*, 1999.

[25] *ibid.*

[26] *ibid.*

[27] These figures are based on OCPP analysis of March Current Population Survey for Oregon, made available by the Economic Policy Institute. Gini indexes were calculated for inflation-adjusted hourly wages in 1998 dollars using the Portland CPI-U. Weekly wages were converted to hourly wages.

[28] Data on union coverage are from the Current Population Survey. Data for 2000 and 2001 are available at http://www.bls.gov/news.release/union2.t05.htm. Data for 1983-1999 were made available by the AFL-CIO research department, Bureau of National Affairs data book. Data for earlier years from *Statistical Abstracts*, various years.

[29] Barnett, Erin Hoover, "In-home care union moves closer," *The Oregonian*, August 18, 2002.

[30] McMillan, Dan, "Union Gets Welcome Mat at Xerox; high-tech next?" *Portland Business Journal*, April 28, 2000.

[31] "Unions Draw More Members in '99," *Oregonian*, January 20, 2000.

[32] The union wage premium is for 2001 hourly wages, *State of Working America 2002-03*, pp. 188-90. The union wage premium appears considerably larger when factors such as age and industry are not controlled. BLS data show that in 1998, union workers nationally had weekly earnings 34 percent higher than non-union workers. The union wage premium is evident across gender, age, industry and more. Data presented in *The Union Difference: Fast Facts on Union Membership and Pay 1998*, AFL-CIO.

[33] Fichtenbaum, R. and P. Olson, "The Impact of Unionization on Health Insurance Benefits," *Journal of Economic Issues*, 36. 2 June 2002, pages 323-330.

[34] OCPP analysis of 1999 MEPS data.

[35] Fichtenbaum and Olson, 2002.

[36] Buchmueller, T., J. DiNardo, and R. Valletta. "Union Effects on Health Insurance Provision and Coverage in the United States." *Industrial & Labor Relations Review*, July 2002, Vol. 55 Issue 4, pages 610-628.

[37] "Union Members Have the Edge on Payday," *Oregonian*, August 31, 1997.

[38] *State of Working America 2002-03*, page 187.

CHAPTER 4

The State of Working Oregon 2002

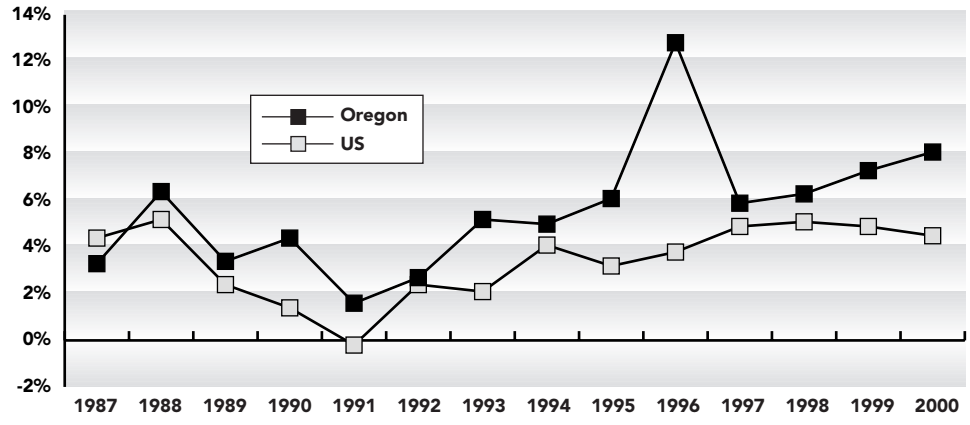
A. Economic Growth

Oregon's economy grew steadily across the 1990s. Gross State Product (GSP) data, which are available through 2000, show that Oregon was one of the fastest growing states in the country over much of the decade. In 2001, however, the economy sank into recession. One indicator of the recession, and subsequent recovery, is the volume of exports from Oregon companies. After declining in 2001, exports returned to growth in 2002.

Gross State Product Shows Oregon's Hot Economy

Prior to the 2001 recession, Oregon had one of the fastest growing economies in the country. According to the Bureau of Economic Analysis (BEA), Oregon's Gross State Product (GSP), the combined value of all goods and services produced in the state, grew faster than the US average every year from 1988 to 2000 **(Figure 4.1)**.[1] Even in the 1991 recession, Oregon GSP grew by nearly two percent. Some of that growth, however, was due to a growing population.

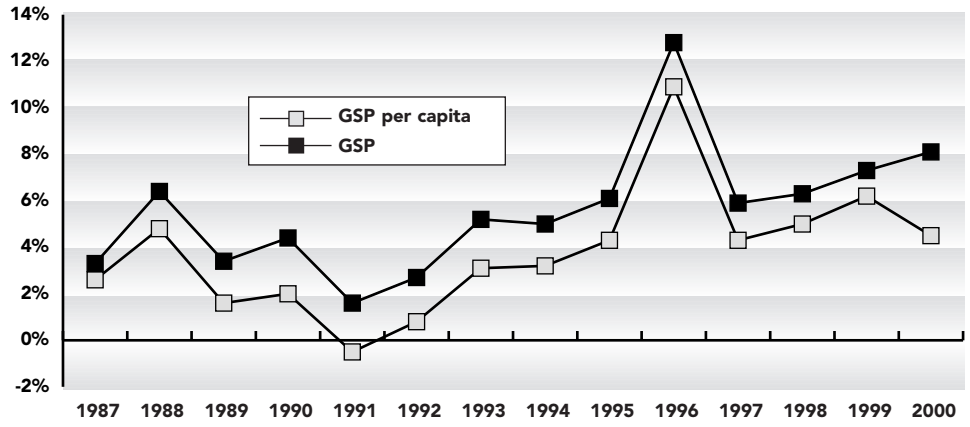
FIGURE 4.1 **Real GSP growth - Oregon vs. US**



Source: OCPP analysis of BEA data.

Oregon's Gross State Product grew faster than the US Average every year from 1988 to 2000.

FIGURE 4.2 **Real GSP growth in Oregon**



Source: OCPP analysis of BEA data.

After accounting for population growth, Oregon still experienced rapid growth in economic output. Oregon's per-capita Gross State Product grew 4.5 percent in 2000.

After accounting for the impacts of rapid population growth, Oregon still experienced rapid growth in economic output **(Figure 4.2)**. On a per-capita basis, Oregon still grew faster than most other states. Oregon's per-capita Gross State Product grew 4.5 percent in 2000.

Based on per-capita GSP, Oregon was the second fastest-growing state in the country in 2000. Between 1989 and 2000 Oregon's real per-capita economic output expanded by 53 percent, making it the second fastest growing state economy **(Table 4.1)**. Between 1995 and 2000, Oregon was the fastest growing state.

Gross State Product growth in Oregon was the third fastest among the states in 2000.[2] Between 1989 and 2000 Oregon's growth was fourth fastest.[3]

TABLE 4.1 **Oregon's GSP Growth and Rank**

	Gross State Product		Per-capita GSP	
	growth	rank	growth	rank
1989-2000	88%	4	53%	2
1995-2000	47%	1	35%	1
1997-2000	23%	4	17%	5

Source: OCPP analysis of BEA data.

Between 1995 and 2000 Oregon was the fastest growing state.

FIGURE 4.3 **Oregon Export Growth**

Source: OCPP presentation of MISER data. Year over year percent change. Data through August 2002.

Exports fell sharply in early 2001, but began to rebound in 2002.

Exports Fall in Recession but Rise in 2002

The value of foreign exports from Oregon rose across the 1990s, peaking at just over $1 billion per month in late 1999 and early 2000.[4] By mid-2001, export volume had fallen below $700 million per month.[5] In its economic and revenue forecast released at the end of August, 2001, Oregon's Office of Economic Analysis documented how the decline was "led by a sharp drop in computer and electronics products exports... consistent with the drop in high-tech exports throughout the US."[6]

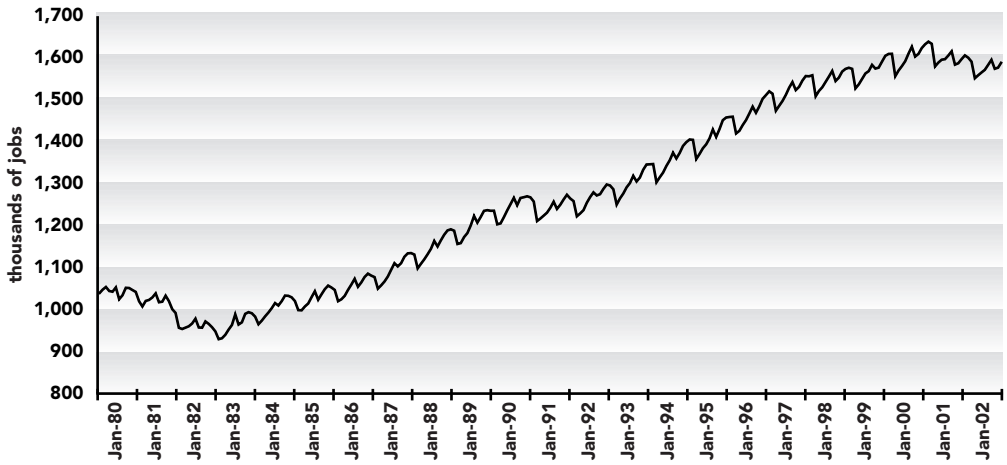
Exports continued to grow through mid-2000 and then fell sharply in early 2001 **(Figure 4.3)**. Export volume remained down for the rest of 2001, but began to rebound in early 2002. In mid-2002, exports were more than 20 percent higher than levels from the previous year.

By August 2002 Oregon's monthly export volume had risen to $887 million, higher than during much of the expansion of the 1990s. With an improved outlook for the economies of Oregon's major trading partners, the forecast for exports and the general health of manufacturing was looking up by mid-2002.

The Office of Economic Analysis concluded in its June 2002 forecast, "After the sharp drop in exports in 2001, Oregon is expected to see some improvement this year. A rebound in the global economy will spur demand for Oregon's manufacturing and agricultural products, particularly in the second half of 2002. A turnaround in the export sector bodes well for Oregon's manufacturing industry."

While growing once again, exports from Oregon remain 15 percent below peak levels from 1999-2000.

FIGURE 4.4 **Employment in Oregon**



Source: OCPP analysis of OED data. Nonfarm payroll employment. Through September 2002.

Since the early 1980s employment in Oregon has expanded by more than 70 percent, growing from 940,000 jobs to 1.6 million in 17 years.

B. Employment

During the 1990s expansion, Oregon experienced rapid employment growth. Between December 1989 and December 2000 non-farm employment grew by 385,000 jobs, or an average annual growth of 2.8 percent, the tenth fastest in the nation.[7] While employment growth in the 1990s was particularly strong, it was merely an extension of a period of long-term growth for Oregon. Since the state emerged from the deep recession of the early 1980s, employment in Oregon has expanded by more than 70 percent, growing from 940,000 jobs to 1.6 million in 17 years **(Figure 4.4)**.

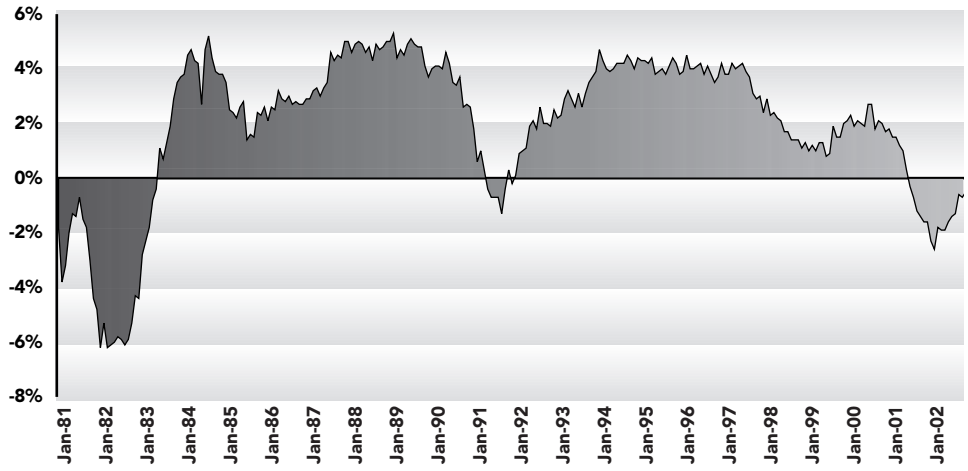
This long-term trend for employment growth was interrupted in 2001. As the state sank into recession, Oregon lost 42,600 jobs between December 2000 and December 2001. Employment losses in this most recent recession surpass those from the early 1990s, but were much smaller than the devastating recession of the early 1980s **(Figure 4.5)**.

Non-farm employment hit bottom in December 2001, when employment was 2.6 percent lower than a year before. Since that time, employment has steadily recovered, so that by September 2002 employment was only 0.5 percent below the September 2001 level.

The September 2002 state economic forecast anticipated that employment will return to positive territory by the fourth quarter, expanding by 0.9 percent **(Figure 4.6)**.

State economists do not expect employment growth to rise higher than two percent until the end of 2003. Even then, their current projections anticipate a relatively modest rate of growth, particularly compared to the rapid growth from the mid-1990s. Unless the labor force grows relatively slowly, this level of employment

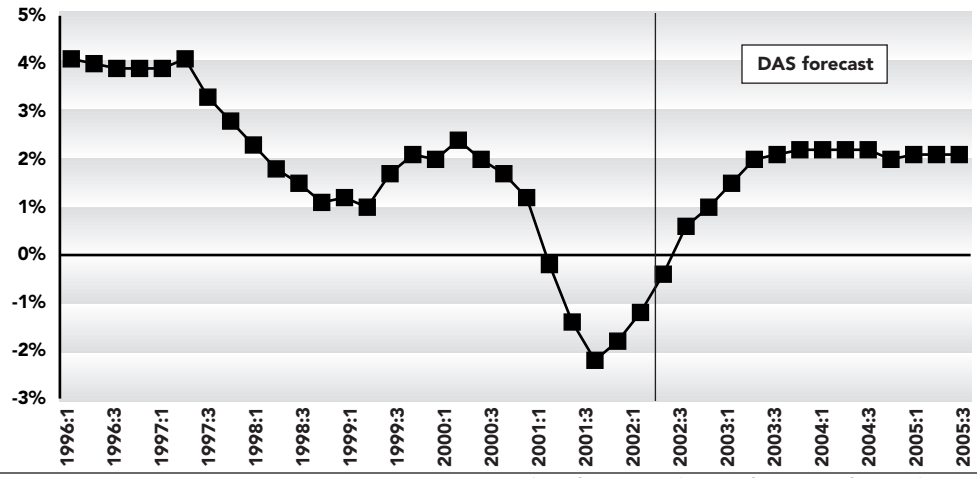
FIGURE 4.5 **Employment Growth in Oregon**



Source: OCPP analysis of OED data. Seasonally adjusted nonfarm employment. Data through September 2002. Year over year percent change.

Employment hit bottom in December 2001, when employment was 2.6 percent lower than a year before.

FIGURE 4.6 **Forecasted employment growth in Oregon**



Source: OCPP analysis of DAS September 2002 forecast. Nonfarm employment.

State economists do not expect employment growth to rise higher than two percent until the end of 2003.

growth should not be expected to generate significant upward wage pressure that benefits Oregon workers.

Employment by Region

Employment trends over the last several decades have been generally similar across the different regions of Oregon **(Table 4.2)**.[8] Most of the regions of the state saw low rates of employment growth across the 1980s and during the early 1990s, which included a recession and was followed by relatively slow growth.

In the 1990s expansion, employment picked up in all parts of the state. On the Oregon Coast employment grew at just 0.5 percent annually across the 1980s, but

TABLE 4.2 Oregon employment by region

	Oregon Coast	Willamette Valley	Southern Oregon	Central Oregon	Eastern Oregon	Portland Area
1979	55,743	243,061	89,857	67,570	52,613	511,171
1990	58,914	285,640	105,985	82,181	55,518	637,619
1993	60,901	299,012	108,042	88,333	58,625	670,194
2000	68,050	358,107	133,735	113,312	68,292	849,075
*2001	67,238	355,488	133,649	112,153	67,462	844,712
AVERAGE ANNUAL RATE OF GROWTH						
1979-90	0.5%	1.6%	1.6%	2.0%	0.5%	2.2%
1990-93	1.1%	1.6%	0.6%	2.5%	1.9%	1.7%
1993-2000	1.7%	2.8%	3.4%	4.0%	2.4%	3.8%
2000-01	-1.2%	-0.7%	-0.1%	-1.0%	-1.2%	-0.5

Source: OCPP analysis of OED data. *2001 data are preliminary.

In the 1990s expansion, employment grew in all parts of the state.

expanded at 1.7 percent per year during the 1990s expansion. Eastern Oregon witnessed a similar up-tick in employment growth. Compared to other parts of the state, the Portland area and Central Oregon (including Bend) saw the most rapid employment growth over most of the last twenty years.

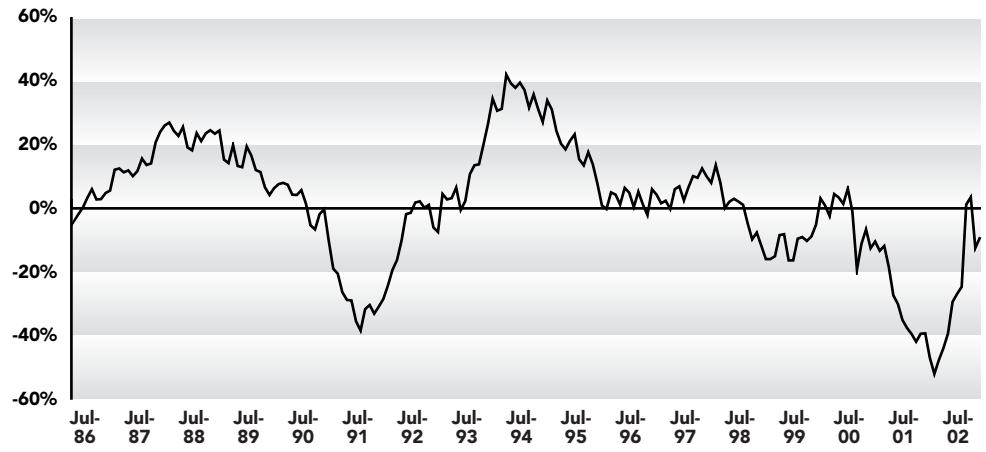
All regions of the state lost jobs between 2000 and 2001. Job loss ranged from –0.5 percent in the Portland area to –1.2 percent on the Coast and in Eastern Oregon.

Help Wanted Ads

Each month employers use the help-wanted section of *The Oregonian*, the state's largest newspaper, to advertise job openings.[9] Fluctuations in the number of help-wanted ads are a partial reflection of the state of the labor market and of seasonal fluctuations. In August 1997, as temperatures soared and the economy was hot, *The Oregonian* ran 57,500 help-wanted ads. In December 2001, when temperatures dropped and the labor market was cooling off, the paper ran just 14,000 help-wanted ads.

During the economic expansion years of 1994 through 2000, *The Oregonian* averaged between 37,000 and 46,000 help-wanted ads per month. The number of ads surged in the mid-1990s and remained high throughout the remainder of the decade. The year-over-year growth rate peaked in January 1994 at 42 percent, with steady growth through 1995. Between 1996 and 2000, the number of ads registered minor fluctuations, but remained at relatively high levels. The number of ads dipped slightly in 1998 and in early 2000, but these were small changes around an extended high plateau.

FIGURE 4.7 **Percent change in help-wanted ads**



Source: Oregonian newspaper. Year over year percent change in number of monthly ads. 2 month moving average. Data through September 2002.

At the end of 2000 help-wanted ad placements started a steady slide that lasted through the end of 2001. In October 2000 there were 40,300 ads, but a year later there were just 18,700.

At the end of 2000, however, help-wanted ad placements started a steady slide that lasted through the end of 2001. In October 2000, there were 40,300 ads, but a year later, in October 2001, there were just 18,700. In October-November 2001 the number of ads was down 52 percent from the previous year **(Figure 4.7)**.

Although the downturn in ads was steeper than the early-1990s recession, it was brief. In early 2002, the number of help-wanted ads started to rebound. Coming up from the December 2001 low of 14,000 ads, by September 2002 the paper ran 22,000 ads. The June-July 2002 count rebounded above the level from the prior year, following a six-month climb from the December-January low point, before dropping back to negative nine percent in August-September 2002.

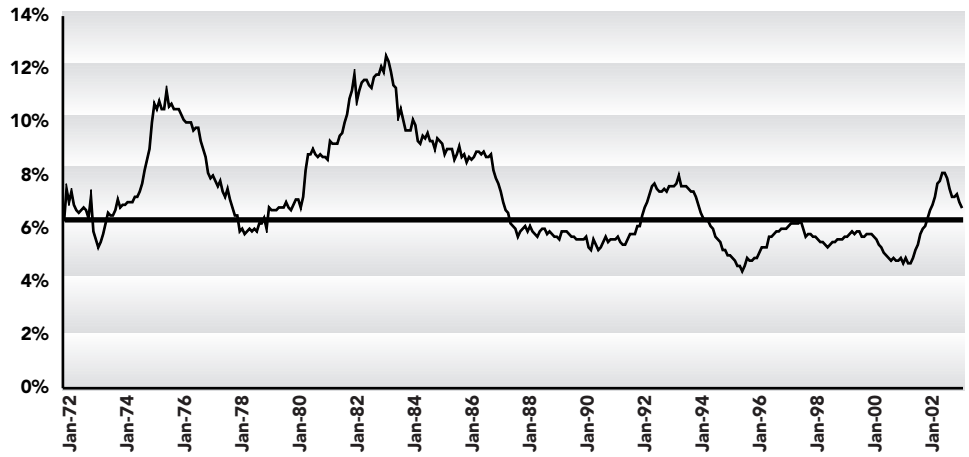
C. Unemployment

While the recession of the early 1990s was brief, lasting just 8 months at the national level, relatively high levels of joblessness plagued Oregon workers for almost two years. It was not until mid-1994 that the unemployment rate dropped below six percent, the hallmark of the last four of Oregon's expansions **(Figure 4.8)**.

What made the 1990s expansion unique, compared with the three previous expansions, was not just how low the unemployment rate fell, but how long it stayed relatively low. From 1994 through 2000 average annual unemployment stayed below six percent, with lows of 4.9 percent in 1995 and 2000.

Starting in January 2001, Oregon's unemployment rate began a steady 13-month climb. By January 2002, Oregon's unemployment rate hit a seasonally adjusted high of 8.1 percent. In that month there were 162,000 unemployed Oregonians, up from 105,000 one year earlier **(Figure 4.9)**. The January unemployment rate was nearly double the lowest rate seen in the 1990s boom (4.2 percent in September 1995 and

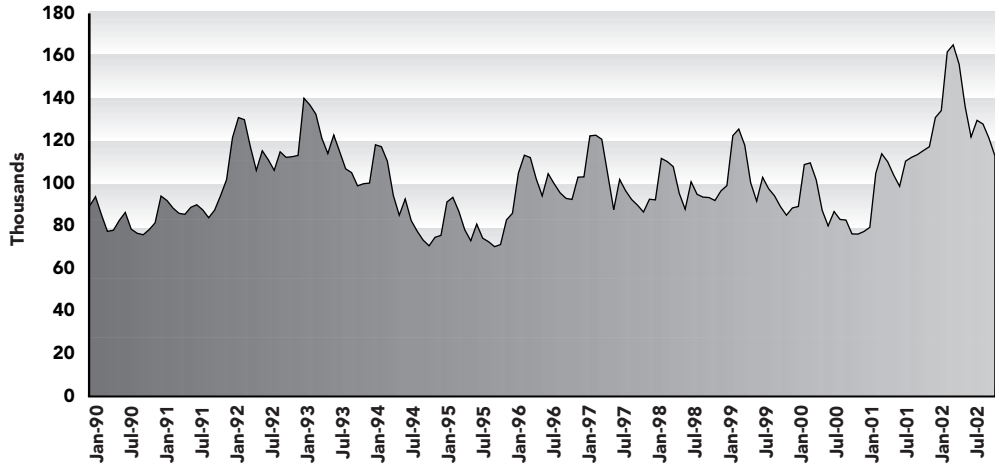
FIGURE 4.8 **Oregon Monthly Unemployment Rate**



Source: OCPP presentation of OED data. Seasonally adjusted unemployment. Data through September 2002.

What made the 1990s expansion unique, compared with the three previous expansions, was not just how low the unemployment rate fell, but how long it stayed relatively low.

FIGURE 4.9 **Oregon Unemployed**



Source: OCPP presentation of OED data. Data through September 2002.

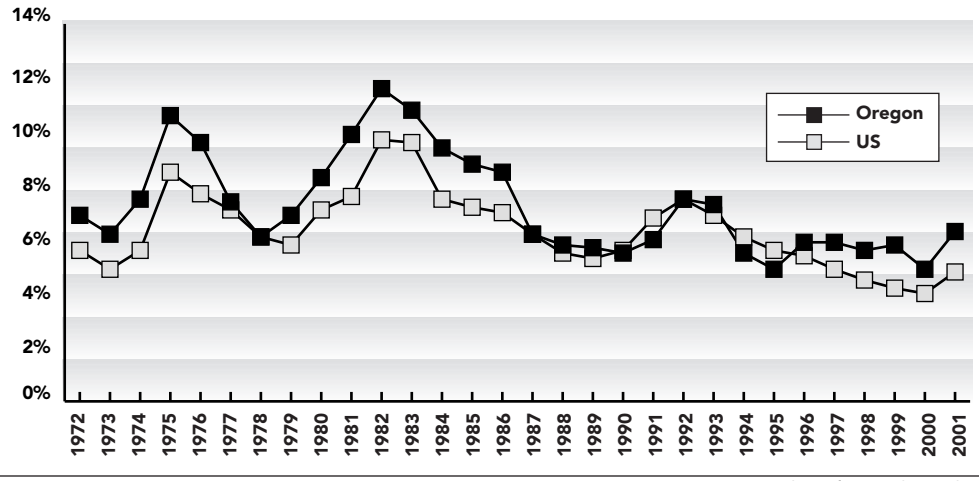
In January 2002 there were 162,000 unemployed Oregonians. By September the number had fallen to 113,000.

2000), but remained much lower than the 12.3 percent peak in the early 1980s recession, or the 11.2 percent rate seen in the mid-1970s.

In early 2002, the labor market began to improve. In March, seasonally adjusted unemployment dropped to 7.9 percent, and by September it was at 6.8 percent. In September the number of unemployed Oregonians had fallen to 113,000.

The number of unemployed dropped steadily across 2002, but by September still remained 28 percent higher than the average number of unemployed during that month of the expansion years of 1996 though 2000.

FIGURE 4.10 **Unemployment in Oregon and the US**



Source: OCPP analysis of BLS and OED data.

Because of its employment composition and its population growth, Oregon tends to have relatively high rates of unemployment compared to the rest of the country, even while experiencing rapid growth in GSP. During the economic boom of the 1990s, Oregon's unemployment rate dropped below the US average during only two years.

Understanding Oregon's "Highest-in-the-nation" Unemployment Rate

Over the second half of 2001 and the first half of 2002, Oregon's unemployment rate was higher than any other state. Even in mid-2002, with a range of economic indicators suggesting the economy was recovering from the 2001 recession, the state still had the highest unemployment rate in the nation.

One obvious reason behind Oregon's high unemployment ranking is the recession. Oregon grew faster during the 1990s expansion, and fell further during the 2001 recession. High-tech expansion in Oregon played a major role in the big economic swings. As Robert Parry, President of the Federal Reserve Bank of San Francisco, noted: Oregon's "high-tech success in the 1990s has been a mixed blessing," because it "propelled strong growth during the expansion," but left the state "more exposed to the downturn."[10]

Also key to Oregon's high unemployment ranking are factors that have nothing to due with the recession. Because of its employment composition and its population growth, Oregon tends to have relatively high rates of unemployment compared to the rest of the country, even while experiencing the most rapid growth in GSP. During the economic boom of the 1990s, Oregon's unemployment rate dropped below the US average during only two years **(Figure 4.10)**. Oregon's unemployment was lower than the rest of the country in 1994 and 1995 chiefly because high-tech led a recovery that pulled the state out of the slow-growth period in the early 1990s more quickly than occurred in most other states.

As the expansion spread to the rest of the country, the US unemployment rate once again dropped below Oregon's. Oregon's unemployment rate has been lower than the national average in only four of the last 30 years.

Oregon's unemployment rate has been lower than the national average in only four of the last 30 years.

TABLE 4.3	Unemployment rate by region					
	Oregon Coast	Willamette Valley	Southern Oregon	Central Oregon	Eastern Oregon	Portland Area
1989	7.5%	5.7%	7.3%	7.4%	8.9%	4.7%
1993	8.9%	7.3%	9.9%	9.6%	9.4%	6.0%
1996	7.8%	5.6%	8.7%	8.9%	9.2%	4.5%
2000	6.0%	5.2%	6.3%	6.5%	7.3%	4.0%
2001	6.7%	6.4%	7.4%	8.1%	8.2%	5.9%
% CHANGE						
1993-2000	-2.9%	-2.1%	-3.7%	-3.1%	-2.1%	-2.0%
2000-2001	0.7%	1.2%	1.1%	1.5%	0.9%	1.9%

Source: OCPP analysis of OED data.

The 1990s boom caused unemployment to shrink in all parts of Oregon.

According to the Oregon Employment Department, "[t]here are several key reasons why Oregon's unemployment rate is likely to be consistently higher than that of the United States as a whole. These include rapid in-migration, significant rural economic and geographic isolation, high dependence on seasonal industries, reliance on some industries which tend to be more impacted by economic cycles, and the long-term decline of some traditional industries."[11]

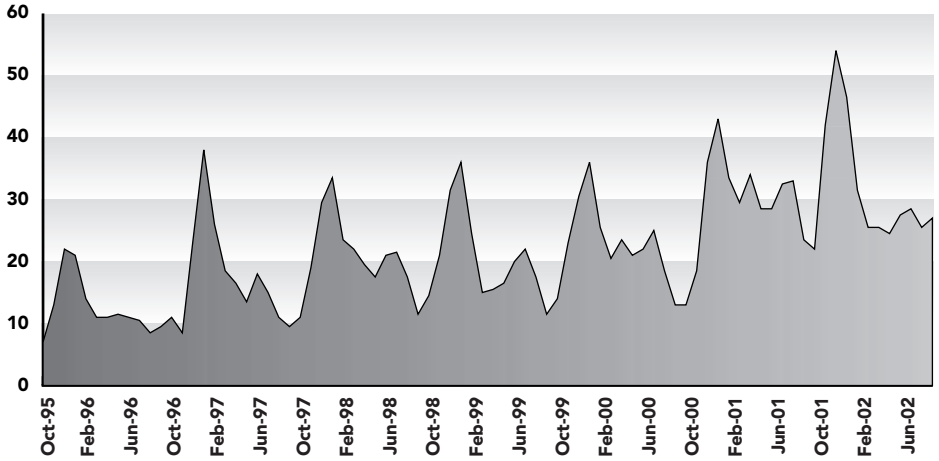
The Employment Department highlighted that states with the lowest unemployment rates had lower population growth than Oregon throughout the 1990s. With more people coming to and wanting to remain in Oregon than in many other states, particularly in the Midwest, Oregon maintains a relatively high rate in good and bad economic times.[12]

The Department concluded: "The primary reasons why some states have weathered the current recession better than Oregon include the presence of energy- or defense-related industries; little growth during the 1990s, few jobs to lose during the recession; little or no population growth; and heavy dependence on ... industries not impacted by the current recession. These are all factors that are either impossible to duplicate here or that many Oregonians would find ... undesirable to replicate."[13]

Unemployment by Region

The 1990s boom caused unemployment to shrink in all parts of the state. Unemployment averaged 8.9 percent on the Oregon Coast in 1993, when the state was still mired in a period of slow growth **(Table 4.3)**. By 2000, however, unemployment on the Coast had dropped to just 6 percent. Between 1993 and 2000, the unemployment rate declined 3.7 percentage points in Southern Oregon, 3.1 points in Central Oregon, and 2.0 points in the Portland area.[14] Similarly, as the

FIGURE 4.11 **Mass layoffs in Oregon**



Source: OCPP analysis of BLS data. 2-month moving average. Data through September 2002.

Starting in 2001 and 2002, the number of mass layoffs climbed.

economy fell into recession in 2001, all parts of the state were affected. The unemployment rate rose 1.2 points in the Willamette Valley, and 1.5 points in Central Oregon.

The 2001 recession hit the Portland area particularly hard. Rising from 4.0 percent in 2000 to 5.9 percent in 2001, the Portland area unemployment rate rose by 1.9 points, or 48 percent. Portland was hit harder than other parts of the state because it has a higher concentration of the industries impacted most by the recession: high-tech, construction, and business services.

Despite being hit harder during the recession, unemployment in the Portland area continues to be lower than in other parts of the state. In 2001, the unemployment rate rose above 8 percent in Central and Eastern Oregon. For individual counties in these regions, unemployment rose higher still. The unemployment rate in Harney county rose to 14.1 percent in 2001, and in Sherman County it was 11 percent.[15]

Layoffs

Even in the best economic times some companies fail and others lay off workers. Oregon's relatively large seasonal sector results in a surge in layoffs each winter. "Mass" layoffs involve 50 or more workers from a single establishment who file for Unemployment Insurance benefits in a consecutive five-week period. Each year over the last half of the 1990s, Oregon averaged 32 mass layoffs in December/January **(Figure 4.11)**.[16]

Starting in 2001 and 2002, however, the number of layoffs climbed. Mass layoffs increased in the usually high winter months as well as in other months. June of 2001 and 2002, for example, averaged 31 mass layoffs, compared to an average of

TABLE 4.4 **Mass layoffs in first half of year in Oregon**

	Mass layoffs in first half of year	% change from previous year
1998	128	6%
1999	120	-6%
2000	142	18%
2001	192	35%
2002	169	-12%

Source: OCPP analysis of BLS data.

In the first half of 2002 the number of mass layoffs dropped 12 percent, falling to 169.

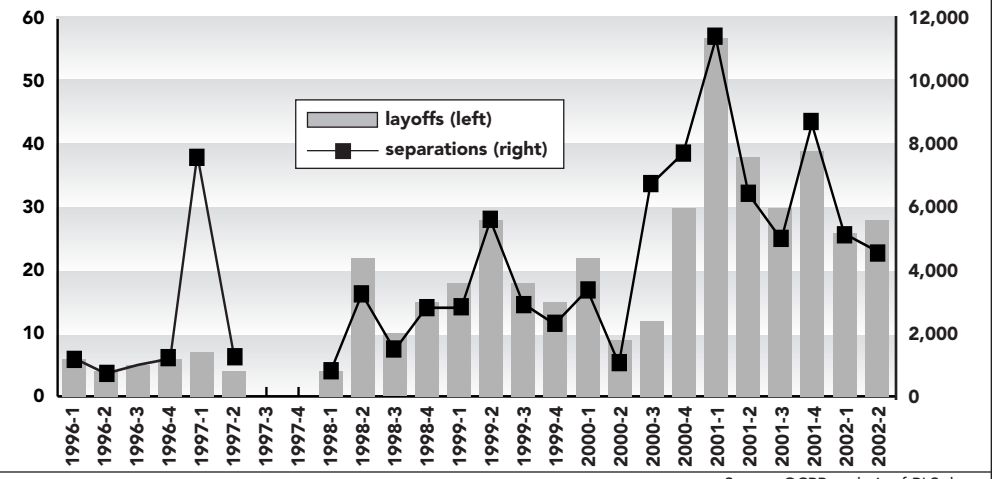
17.5 between 1996 and 1999. There were 224 mass layoffs in 1997, 244 in 1999, and 277 in 2000. In 2001, the total number of mass layoffs rose to 410.

Data for 2002 suggest that the number of mass layoffs has dropped since 2001, but remains high. In the first half of 2001, there were 192 mass layoffs, up from 142 in 2000 **(Table 4.4)**. But in the first half of 2002, the number of mass layoffs dropped 12 percent compared to 2001, falling to 169.

Extended Mass Layoffs and Separations

The number of mass layoffs lasting beyond thirty days followed a similar pattern. There were fewer than 10 extended layoffs during each quarter in 1996 and 1997 **(Figure 4.12)**.[17] Between 1998 and 2000, there was an average of 17 extended layoffs per quarter. In 2001, the number of extended layoffs hit 164, more than double the amount from either 1999 or 2000, which had 79 and 73 extended layoffs, respectively. While the number of mass layoffs remained relatively high, they began to recede in 2002. In the first quarter of 2002, there were 26 extended

FIGURE 4.12 **Extended mass layoffs and separations**



Source: OCPP analysis of BLS data.

While the number of mass layoffs remained relatively high, they began to recede in 2002.

layoffs, down 54 percent from the previous year. The second-quarter 2002 number of extended layoffs was 21 percent below the 2001 level.

The number of individual workers being laid off, or "separated" from employment, due to extended layoffs has fluctuated with the number of extended layoffs. The number of separations rose to 30,000 in 2001, up from 13,000 in 1999 and 18,000 in 2000. The first two quarters of 2002, however, showed declines in the number of separations compared to 2001. While the number of extended mass layoffs and separations remain relatively high compared to levels from the 1990s expansion, the falling numbers are evidence of the state's economic recovery.

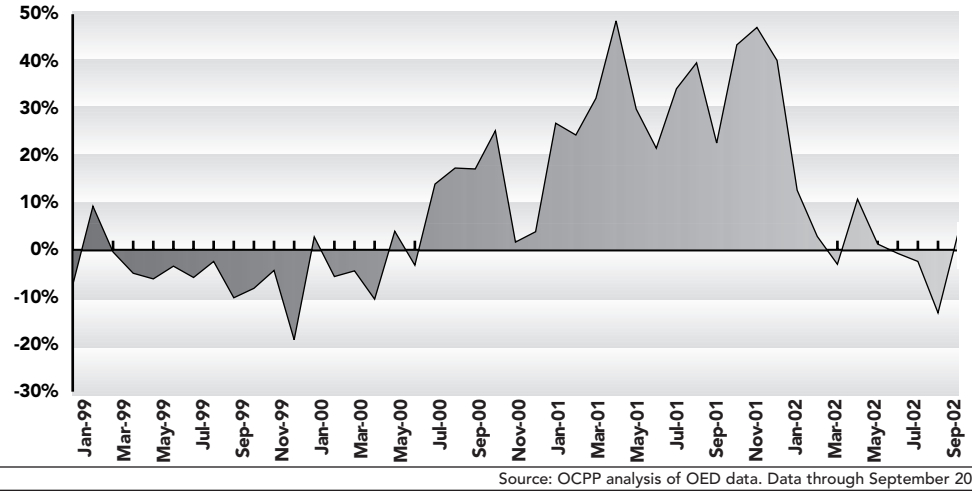
Unemployment Insurance

Designed to provide temporary wage replacement for most workers unemployed through no fault of their own, Unemployment Insurance (UI) takes on greater importance during a recession. During the expansion, workers receiving UI benefits are typically those laid off from seasonal industries covered by the UI system and those who lose their jobs due to long-term structural adjustment of entire industries. In a recession, though, the UI system provides support to workers whose industries implement layoffs due to insufficient demand for their products.

In a recession the UI system provides support to workers whose industries implement layoffs due to insufficient demand for their products.

Across the expansion of the 1990s, the number of workers receiving unemployment insurance benefits in Oregon fluctuated between 30,000 during summer months, and 55,000 during winter months. Initial claims for UI fluctuated similarly, rising above 40,000 in the winter and dropping down near 20,000 in the summer. Aside from seasonal fluctuations, there was little change in initial claims during the 1990s expansion **(Figure 4.13)**.

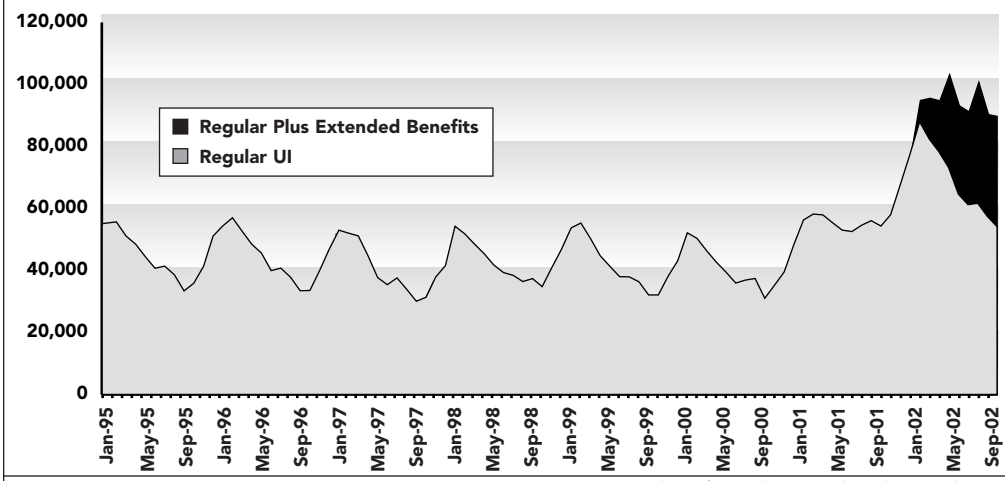
FIGURE 4.13 **Oregon: year-over-year changes in initial claims for regular UI**



Source: OCPP analysis of OED data. Data through September 2002.

In early 2001 the number of unemployed workers applying for UI benefits skyrocketed. Initial claims grew by 49 percent in April 2001 over the previous year.

FIGURE 4.14 **Unemployment insurance recipients-regular benefits plus extensions**



Source: OCPP analysis of OED data. Data through September 2002.

The number receiving regular or extended benefits rose above 90,000 in January 2002, and remained that high through September.

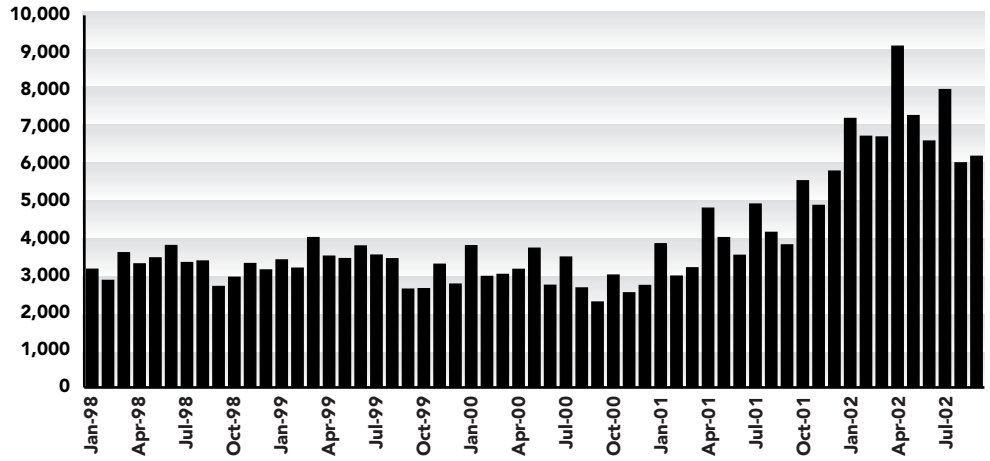
As the recession began in early 2001, the number of unemployed workers applying for UI benefits skyrocketed. Initial claims grew by 49 percent in April 2001 over the previous year. In April 2000, there were 25,000 initial claims for UI benefits. By April 2001, initial claims had climbed to 37,000. Growth in initial claims remained strong across 2001.

In early 2002, growth in initial claims ceased. With the unemployment rate falling, the number of initial claims for UI dropped to 31,000 in September 2002, well below the December 2001 peak of 57,000. The disappearance of growth in initial claims is an indication of improved labor market health. Declining unemployment, however, has not been enough to absorb the thousands of workers who lost their jobs in 2001. There has been no further monthly net job loss, but many workers remain unemployed.

The number of unemployed workers receiving regular UI benefits rose throughout 2001 and peaked at 88,000 in January 2002. Across 2002, the number of UI recipients declined, dropping back to 54,000 by September 2002. Some of this decline reflects the nascent economic recovery. Much of the decline, however, reflects claimants exhausting regular benefits because they are unable to find a job. Since UI benefits are time-limited, if workers have not found work at the end of 26 weeks, they are issued a "final payment" and then cut off.

Most workers exhausting their regular UI benefits in 2002 were not left empty-handed. Starting in early 2002, following enabling state and federal legislation, Oregon workers who had exhausted their regular UI benefits began receiving Extended Benefits (EB), and then benefits under a Temporary Extension of Unemployment Compensation (TEUC).[18] The EB program, which provides 13 additional weeks of benefits for unemployed workers, splitting costs between state and federal governments, was triggered in Oregon in January.[19] The newly enacted

FIGURE 4.15 **Unemployment insurance exhaustions in Oregon**



Source: OCPP analysis of OED data. Data through September 2002.

UI exhaustions peaked at 9,200 in April 2002.

TEUC, which provides between 13 and 26 additional weeks of federally-funded benefits for workers exhausting regular UI, was triggered in Oregon in March 2002.[20] By July 2002, Oregon was one of two states eligible for the full 26 weeks of additional benefits.[21]

The number of workers receiving regular UI benefits fell during 2002, but the number getting extended benefits, first EB and then TEUC, rose **(Figure 4.14)**.[22] The number of unemployed receiving either regular or extended benefits averaged 41,300 per month in 2000 and 58,400 in 2001. The total number receiving benefits rose above 90,000 by January 2002, and remained that high through September 2002.

The total number of UI recipients has remained high because those exhausting their regular benefits have continued to receive extended benefits.[23] The number of unemployed exhausting their regular benefits averaged 3,500 per month across the boom years of the 1990s **(Figure 4.15)**. In the best economic times, there will still be workers running out of their UI benefits. Structural economic changes during boom times leave many workers with obsolete skills and difficulty finding work, even when unemployment is low.

By mid-2001, six months after the onset of the recession, the number of exhaustions began to climb. In June 2001 there were 3,500 final payments. The number of exhaustions peaked in April 2002, at 9,200, and then started to recede. By September 2002, the number of workers exhausting their UI benefits had dropped to 6,000.

Between July 2001 and September 2002, there were 41,000 exhaustions of regular UI benefits, above and beyond the 3,500 average monthly exhaustions seen across the 1990s. By September 2002, approximately 36,000 unemployed workers were receiving extended UI benefits, chiefly TEUC benefits. It appears that most workers

exhausting regular UI benefits have been helped by the extended benefit programs, but their future remains uncertain. The federal TEUC program was designed to sunset at the end of December 2002, and by mid-2002 it did not appear as if the program would be extended.

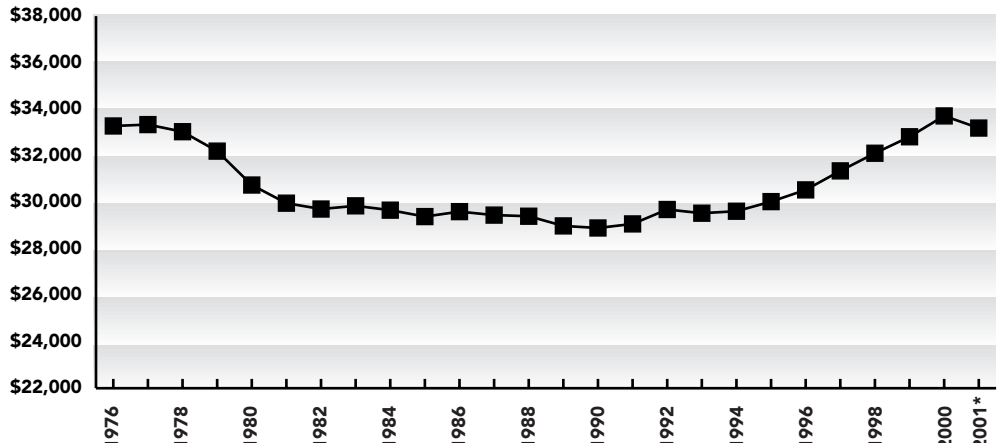
In September 2002 the state-funded Extended Benefits program started enrolling thousands of unemployed workers, who began exhausting TEUC benefits in large numbers.

Even if the TEUC benefits are extended, the program is unlikely to provide help to the unemployed in Oregon for much longer. When Oregon's Insured Unemployment Rate (IUR) falls below 4.35 (the state's TEUC trigger), unemployed workers will no longer be eligible for the TEUC benefits, even if the IUR rises back above the trigger at a later point.[24] Even as the economy recovers, there will be additional disruption in workers' lives when Oregon loses access to extended UI benefits. Significant job creation will have to occur before these unemployed Oregonians are re-absorbed into the workforce.

D. Earnings, Incomes, and Wages

Most Oregon workers experienced real gains in the 1990s. Although earnings and income did not rise until the second half of the decade, most measures show that an extended period of low unemployment helped workers catch up to or even surpass levels from before the previous recession. With the onset of the 2001 recession, these gains are now in danger of disappearing. Even during the expansion, though, the benefits of the 1990s boom time were not distributed evenly. Portland experienced rapid earnings growth while other parts of the state remain far below historic highs. Inequality in earnings grew as highly paid workers reaped most of the gains.

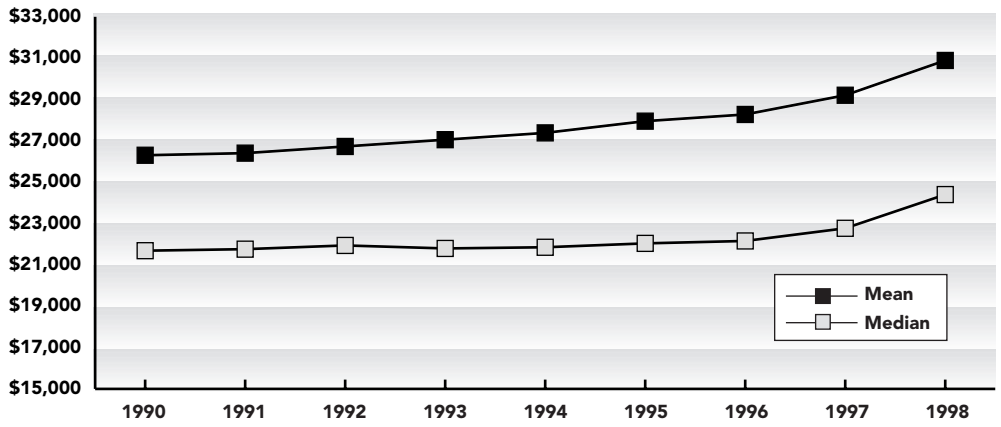
FIGURE 4.16 **Oregon real average earnings**



Source: OCPP analysis of OED data. *2001 data are preliminary. Inflation-adjusted 2001 dollars with US CPI-U.

As unemployment rose in 2001, the earnings of the average worker declined by 1.5 percent, to $33,187.

FIGURE 4.17 **Median and mean annual earnings of year-round workers**



Source: OCPP presentation of OED data. 2000 dollars, adjusted for inflation with US CPI-U.

Average earnings were 27 percent higher than median earnings in 1998, but only 21 percent higher in 1990, indicating growing inequality.

Average Annual Earnings

One important way that the economic expansion of the 1990s differed from the 1980s was its impact on workers' earnings. While the average annual earnings of workers in Oregon continued a long slide throughout the 1980s expansion, growth returned in the 1990s. Between 1995 and 2000, average earnings grew 2.5 percent annually. By 2000, average earnings reached $33,709, returning to levels not seen since the late-1970s.

Preliminary data for 2001, however, show the impact of the economic slow-down on average earnings. As employment declined and unemployment rose in 2001, the earnings of the average worker declined by 1.5 percent, to $33,187 **(Figure 4.16)**.[25]

Earnings of Year-Round Workers

Because of the very high earnings of those at the top, "average earnings" overstate what a typical worker actually makes. Earnings data for workers employed year-round (in all four quarters) show that in 1998, the latest year for which the data are available, the typical or median Oregonian earned $24,401.[26] Average annual earnings, however, were $30,889, nearly 27 percent higher than the median **(Figure 4.17)**.

Between 1990 and 1996, average annual earnings grew by 1.2 percent per year, while median earnings grew less than one-half of one percent per year. Median earnings growth of year-round Oregon workers was slow over most of the 1990s, but it began to increase rapidly in 1997 and 1998. Median annual earnings grew by 5 percent per year and average annual earnings grew by 4.5 percent per year during 1997 and 1998. Average earnings were 27 percent higher than median earnings in 1998, but only 21 percent higher in 1990, indicating growing inequality.

TABLE 4.5 Median earnings for full-time year-round workers in Oregon

	1989	1999	$ change	% change
Male	$36,126	$36,588	$462	1.3%
Female	$23,758	$26,980	$3,222	13.6%
Female Earnings as % of male	66%	74%		

Source: OCPP analysis of Census data. Inflation-adjusted 1999 dollars

Earning of full-time, year round male workers grew just 1.3 percent between 1989 and 1999.

Over the 1990s the typical female worker saw a significant increase in annual earnings, while the typical male worker did not. Data from the Decennial Census show that the earnings of full-time, year-round male workers grew just 1.3 percent between 1989 and 1999 **(Table 4.5)**.[27] Female full-time, year-round workers saw their earnings rise 13.6 percent, or 1.4 percent per year.

Annual earnings of the typical full-time, year-round female rose from 66 percent of male earnings in 1989 to 74 percent by 1999.

Earnings by Sub-region

Throughout the 1980s, annual earnings declined in every region of Oregon. Between 1979 and 1989, real average annual earnings dropped 1.8 percent per year on the Coast, 1.6 percent in Southern Oregon, and 1.7 percent in Eastern Oregon **(Table 4.6)**. Although the rate of decline was slower in the Portland area, earnings declined nonetheless, falling 0.7 percent per year across the 1980s.[28]

In the first half of the 1990s, annual earnings in most parts of Oregon continued to stagnate. Between 1989 and 1996, earnings fell by 0.6 percent annually on the Oregon Coast and 0.2 percent annually in Southern Oregon. There was no change in Central or Eastern Oregon. Earnings in Portland, however, started to grow, reversing a long decline. In each year between 1989 and 1996, annual earnings in the Portland area grew 1.1 percent on average. The Portland area benefited from being home to most of the new jobs in high-tech manufacturing that fueled the 1990s boom.

When a tight labor market put pressure on wages in the late 1990s, Portland workers' incomes experienced rapid growth, with earnings rising 3.3 percent per year above inflation. Tight labor markets benefited workers in every other part of Oregon, but not as much. Between 1996 and 2000, average annual earnings rose 2.1 percent per year in Eastern Oregon and 0.8 percent annually on the Coast.

The recession of 2001 impacted earnings in most, but not all, of Oregon. Annual earnings fell everywhere but in Central and Eastern Oregon between 2000 and 2001. The impact of the recession hit hardest in the Portland area, where annual earnings fell 2.6 percent between 2000 and 2001.

TABLE 4.6 Average earnings by region

	Oregon Coast	Willamette Valley	Southern Oregon	Central Oregon	Eastern Oregon	Portland Area	Portland Share of State-wide Average
1979	$30,700	$30,891	$30,715	$29,225	$27,940	$33,984	106%
1989	$25,155	$27,008	$25,900	$25,156	$23,163	$31,722	110%
1996	$24,042	$27,883	$25,540	$25,077	$23,209	$34,262	112%
2000	$24,798	$29,386	$26,760	$26,209	$25,150	$38,795	116%
2001*	$24,677	$29,356	$26,709	$26,396	$25,271	$37,803	114%
AVERAGE ANNUAL GROWTH							
1979 to 1989	-1.8%	-1.3%	-1.6%	-1.4%	-1.7%	-0.7%	
1989 to 1996	-0.6%	0.5%	-0.2%	0.0%	0.0%	1.1%	
1996 to 2000	0.8%	1.3%	1.2%	1.1%	2.1%	3.3%	
2000 to 2001	-0.5%	-0.1%	-0.2%	0.7%	0.5%	-2.6%	
OVERALL CHANGE							
1979 to 2000	-19.2%	-4.9%	-12.9%	-10.3%	-10.0%	14.2%	

Source: OCPP analysis of OED data. Inflation-adjusted 2001$ with US CPI-U. *2001 data are preliminary.

In the late 1990s tight labor markets benefited workers in every part of Oregon, but earnings in Portland grew the most.

The hard economic times ushered in by 2001 did restore some balance between the earning of workers in the Portland area and the rest of the state. Falling less in the tough times of the 1980s and gaining more from the 1990s boom, average earnings in the Portland area grew from 106 percent of the state-wide average in 1979 to 116 percent by 2000. In 2001, Portland's share of the statewide average slipped to 114 percent.

Only in Portland have average earnings regained levels from the late 1970s. In 2001, earnings in the Portland area were 14 percent higher than in 1979, while average annual earnings were 20 percent lower on the Oregon Coast and 13 percent lower in Southern Oregon. Despite the booming economy of the late 1990s, most of the state is far from regaining ground lost to the hard times and economic restructuring of the last several decades.

Hourly Wages by Industry

Data on the average hourly earnings of production and non-supervisory workers illustrate both the strong wage growth in the 1990s expansion and the disappointing long-term trend in wages **(Table 4.7)**. Between 1996 and 2000, each of the major industry groups registered average hourly wage growth of more than one percent.[29] Real wages for workers in durable manufacturing and construction grew nearly six

TABLE 4.7 **Oregon average hourly wages for production / non-supervisory workers**

	1970	1979	1989	1996	2000	2001
Durable Manufacturing	$18.48	$20.43	$16.09	$15.19	$16.04	$16.39
Non-durable Manufacturing	$16.50	$18.04	$15.31	$14.93	$15.80	$15.67
Construction	$27.92	$29.90	$22.17	$22.54	$23.66	$23.03
Communications and Utilities	$18.85	$20.90	$19.61	$21.05	$22.13	$22.61
Wholesale Trade	$18.00	$18.94	$16.36	$14.88	$16.43	$17.12
Retail Trade	$14.29	$14.77	$11.83	$10.03	$10.94	$11.03

	Percent Change			
	1996-2000	2000-2001	1989-2000	1970-2001
Durable Manufacturing	5.5%	2.2%	-0.3%	-11%
Non-durable Manufacturing	5.9%	-0.9%	3.2%	-5%
Construction	5.0%	-2.7%	6.7%	-18%
Communications and Utilities	5.1%	2.2%	12.8%	20%
Wholesale Trade	10.4%	4.2%	0.4%	-5%
Retail Trade	9.1%	0.8%	-7.5%	-23%

Source: OCPP analysis of OED data, 2001 dollars deflated with US CPI-U.

Viewed over the long term, the average hourly earnings of workers in most industries remain below levels reached thirty years ago.

percent between 1996 and 2000. Aided by a significant increase in the minimum wage, average hourly wages in retail trade rose 9.1 percent in those years.

By 2000, average hourly earnings had surpassed levels from before the early 1990s recession for workers in most industries (durable manufacturing and retail trade were the exceptions). This trend stands in contrast to the 1980s expansion. In 1989, average hourly earnings were below 1979 levels in every major industry group.

Viewed over a longer term, the average hourly earnings of workers in most industries remain below levels reached thirty years ago. By 2001, average wages in the retail trade industry were still 23 percent lower than in 1970. Only workers in the communication and utilities sector experienced real wage growth, rising 20 percent between 1970 and 2001.

The data on average hourly earning by industry reveal a mixed picture for the 2001 recession. Non-durable manufacturing and construction witnessed falling real wages in 2001. Wages in other industries, however, grew. For example, wholesale trade grew by 4.2 percent and retail trade grew by 0.8 percent.

TABLE 4.8	Oregon median hourly wages by demographic group
	2000-01
GENDER	
Male	$14.27
Female	$11.13
RACE	
White	$12.98
Non-White	$11.13
ETHNICITY	
Hispanic	$8.86
Non-Hispanic	$13.16
HIGHEST EDUCATION	
More than Bachelor	$22.19
4 Year Degree	$17.65
Some Col./2 Year	$12.57
Diploma GED	$11.13
Less Than HS	$8.10

Source: OCPP Analysis of Census Monthly CPS. Inflation-adjusted 2001 Dollars with U.S. CPI-U

White workers had a median wage of $12.98; the typical non-white worker made $11.13.

Hourly Wage by Demographic Group

Wages vary not just by industry, but also by demographic characteristics. As in the rest of the nation, men have higher wages than women, whites have higher wages than non-whites, and more educated workers have higher wages than less educated workers **(Table 4.8)**. In 2000-01, male workers between the ages of 18 and 64 had a median hourly wage of $14.27.[30] Female workers made $11.13, 78 percent of men's median hourly wage.

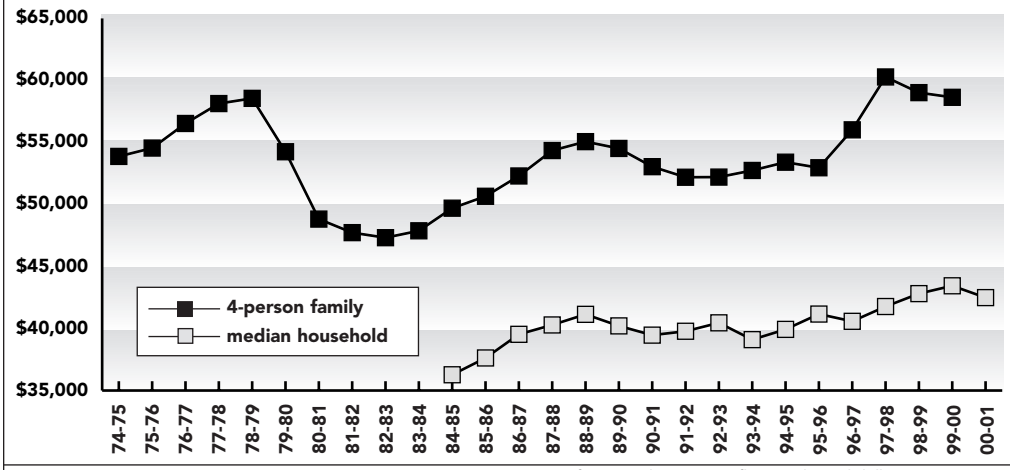
White workers had a median wage of $12.98 and the typical non-white worker made $11.13. College graduates typically earned $17.65 per hour, 59 percent higher than those with only a high school diploma. High school graduates made 38 percent more per hour than those with less than a high school degree.

Wage Data Present Mixed Picture of Recession

Although the impact of the recession on wages varied by industry, the median

hourly wage of Oregon workers grew in 2001. Using monthly Current Population Survey data, the Economic Policy Institute calculated that between the second half of 2000 and the first half of 2001, the median hourly wage grew by $1.20, an increase of nearly 10 percent.[31] While this increase is improbably large, given rising unemployment and job losses taking place between 2000 and 2001, and should be viewed cautiously, it does suggest that wage pressures did not immediately vanish with the onset of the recession. As the Oregon Employment Department indicated in a 2002 survey of regional office staff, "even though the recent economic recession has forced many Oregonians to look for new jobs, the hard-to-fill job list remains quite similar to what we saw during the tighter labor market of the recent past."[32] Despite the downturn, some jobs remain hard to fill because they require skills that are scarce even with higher unemployment (health services, for example), or because the industry was not affected by the downturn and continues to need workers.

FIGURE 4.18 **Oregon Median Income**



Source: OCPP presentation of Census data. 2001 inflation-adjusted dollars using US CPI-U.

The 2001 recession appears to have snuffed out the growth in median household income. In 2000-01 median household income fell to $42,500.

Median Income

In the 1990s economic expansion, the incomes of both households and families rose faster than inflation. Data from the Census Bureau show that for all kinds of households and four-person families, median income grew enough in the late-1990s to reach or surpass levels achieved at the previous business cycle peak in 1989.[33] In 1999-00 the median income of four-person families in Oregon was $58,600, compared to $55,000 in 1988-89. For all households, the median income was $43,400 in 1999-00 and just $41,100 in 1988-89 **(Figure 4.18)**. The 2001 recession appears to have snuffed out the growth in median household income. In 2000-01 median household income fell to $42,500.

TABLE 4.9 Oregon median income from decennial Census

	1959	1969	1979	1989	1999
Family	$31,064	$40,116	$45,088	$43,445	$48,680
Household	-	$35,079	$37,778	$36,612	$40,916
$ CHANGE FROM PREVIOUS CENSUS					
Family	-	$9,051	$4,972	-$1,643	$5,235
Household	-	-	$2,699	-$1,166	$4,304
% CHANGE FROM PREVIOUS CENSUS					
Family	-	29.1%	12.4%	-3.6%	12.0%
Household	-	-	7.7%	-3.1%	11.8%

Source: OCPP presentation of Decennial Census data. Inflation-adjusted 1999 dollars with US CPI-U.

After declining across the 1980s, median family and household incomes grew in the 1990s expansion.

Rising income during the 1990s expansion stands in contrast to the 1980s, when the economic expansion did not return income to levels achieved before the recession. Median family income did rise in the late 1980s, but not enough to overcome losses from the deep recession earlier in the decade.

While median income for households and four-person families had returned to pre-recession highs by the late 1990s, the record of growth was not uniformly impressive. Over the first half of the 1990s, median income declined or stagnated. When income growth resumed in the late 1990s, it took several years of sustained growth to rise above levels seen before the previous (relatively minor) recession.

Data gathered during the most recent Decennial Census show a similar pattern. After declining across the 1980s, median family and household incomes grew in the 1990s expansion. Between 1979 and 1989, median household income declined by 3.1 percent and median family income fell by 3.6 percent. Growth returned in the 1990s, and by 1999, median household income was $4,304 higher than ten years earlier and median family income was $5,235 higher **(Table 4.9)**.

While the return to positive growth was a welcome result of the 1990s boom, the rate of growth still remains relatively small when compared to earlier decades. In the 1960s median family income in Oregon grew 29 percent, compared to 12 percent in the 1990s.

Median Family Income by County

Census data demonstrate the broad-based nature of income growth in the 1990s. Thirty-three of Oregon's 36 counties experienced real growth in median family income. High-income counties tended to grow more rapidly; the median income

TABLE 4.10 **Median family income by county**

	1989	1999	1999 Rank	% change	$ change
Oregon	$43,445	$48,680		12.0%	$5,235
Washington	$55,662	$61,499	1	10.5%	$5,837
Clackamas	$53,847	$60,791	2	12.9%	$6,944
Benton	$47,775	$56,319	3	17.9%	$8,544
Columbia	$46,225	$51,381	4	11.2%	$5,156
Multnomah	$45,012	$51,118	5	13.6%	$6,106
Polk	$42,511	$50,483	6	18.8%	$7,972
Yamhill	$43,262	$50,336	7	16.4%	$7,074
Deschutes	$41,771	$48,403	8	15.9%	$6,632
Marion	$42,208	$46,202	9	9.5%	$3,994
Lane	$41,332	$45,111	10	9.1%	$3,779
Clatsop	$42,068	$44,575	11	6.0%	$2,507
Linn	$39,529	$44,188	12	11.8%	$4,659
Jackson	$40,038	$43,675	13	9.1%	$3,637
Sherman	$40,680	$42,562	14	4.6%	$1,882
Wasco	$40,081	$42,412	15	5.8%	$2,331
Umatilla	$36,892	$41,850	16	13.4%	$4,958
Gilliam	$38,035	$41,477	17	9.1%	$3,442
Hood River	$38,975	$41,422	18	6.3%	$2,447
Crook	$35,979	$40,746	19	13.2%	$4,767
Morrow	$36,041	$40,731	20	13.0%	$4,690
Union	$37,768	$40,520	21	7.3%	$2,752
Tillamook	$34,810	$40,197	22	15.5%	$5,387
Lincoln	$36,577	$39,403	23	7.7%	$2,826
Douglas	$35,788	$39,364	24	10.0%	$3,576
Jefferson	$35,118	$39,151	25	11.5%	$4,033
Wallowa	$34,756	$38,682	26	11.3%	$3,926
Klamath	$37,204	$38,171	27	2.6%	$967
Coos	$35,456	$38,040	28	7.3%	$2,584
Grant	$38,558	$37,159	29	-3.6%	-$1,399
Harney	$35,716	$36,917	30	3.4%	$1,201
Josephine	$33,715	$36,894	31	9.4%	$3,179
Lake	$37,261	$36,182	32	-2.9%	-$1,079
Baker	$35,611	$36,106	33	1.4%	$495
Malheur	$33,280	$35,672	34	7.2%	$2,392
Curry	$35,888	$35,627	35	-0.7%	-$261
Wheeler	$26,119	$34,048	36	30.4%	$7,929

Source: OCPP analysis of Decennial Census data. Inflation-adjusted 1999 dollars with US CPI-U.

Thirty-three of Oregon's 36 counties experienced real growth in median family income between 1989 and 1999.

TABLE 4.11	Oregon families average annual hours worked by income quintile						
Families with Children, Head of Household Aged 25-54							
	Married Couple Families						*Single Parent Families
	All	Bottom fifth	Second fifth	Middle fifth	Fourth fifth	Top fifth	
1979-81	3,094	2,513	2,659	2,993	3,427	3,871	1,435
1988-90	3,507	2,787	3,277	3,524	3,995	3,945	1,532
1998-00	3,584	2,904	3,303	3,854	4,045	3,812	1,743
CHANGE							
late 70s to late 80s	413	274	618	531	568	74	97
late 80s to late 90s	78	116	26	330	50	-133	211
late 70s to late 90s	491	391	644	861	617	-59	308

Source: EPI analysis of Census Bureau March Current Population Survey data.
Average Annual Hours Worked per Year by Income Quintile, 1979-81 (pooled), 1988-90(pooled) 1998-00(pooled).
*Late 1990s data for single parent families is for 1997-99.

The typical married-couple family increased its annual hours of work by 330 hours in the 1990s.

rose more than 10 percent in the top eight counties **(Table 4.10)**. Lower-income counties were also more likely to see real declines in median family income. However, several low-income counties did experience considerable growth. Wheeler, Josephine, and Wallowa counties, for example, all had relatively low median family income in 1999, but registered strong growth across the decade.

E. Hours Worked

Falling wages and incomes across the 1980s dominated the working experience of most Oregonians. Adding insult to injury, most working families were putting in additional hours of work for a reduced income. Though incomes did not decline across the 1990s, working families continued to increase their work effort, putting in more hours each year.

There has been considerable debate among economists over whether *individual* workers are putting in more hours each week.[34] There is little doubt, though, that *households* are working more.[35] More household members are going to work, and those who are working are putting in longer hours and are working more of the year. During the 1980s, all married-couple families with children increased their annual hours of work by more than 400 hours per year on average **(Table 4.11)**. Middle-income married-couple families put in more than 530 additional hours.

By the end of the 1990s the typical Oregonian's income had risen above the levels reached before the early 1990s recession. Part of that gain was due to increased work effort. The typical married-couple family increased its annual hours of work by 330 hours between the late 1980s and the late 1990s. Single-parent families also

increased their work effort considerably, putting in 211 more hours of work in the late 1990s than in the late 1980s.

Over the last twenty years, the increase in work effort of typical Oregon families was tremendous. The typical married-couple family boosted its work effort by 861 hours between the late 1970s and the late 1990s, equivalent to 5.5 additional months of full-time work, or almost one half-time worker. The highest-income fifth of married-couple families, on the other hand, decreased their work hours by 133 hours during the 1990s and by 59 hours since the late 1970s.

Households are putting in more hours of work, but the rate of increase is slowing. Over the 1980s, the average married couple boosted their work effort by 413 hours, but by only 78 hours in the 1990s. Middle-income married-couple families worked 531 more hours in the 1980s, and 330 more in the 1990s. With nearly two full-time, full-year workers per household, the available time to work additional hours is shrinking and the ability of Oregon's working families to maintain their incomes by working more hours is vanishing.

Most working families have had to face additional stress and pressure, working many more hours to achieve the same income levels as they had in the late 1970s.

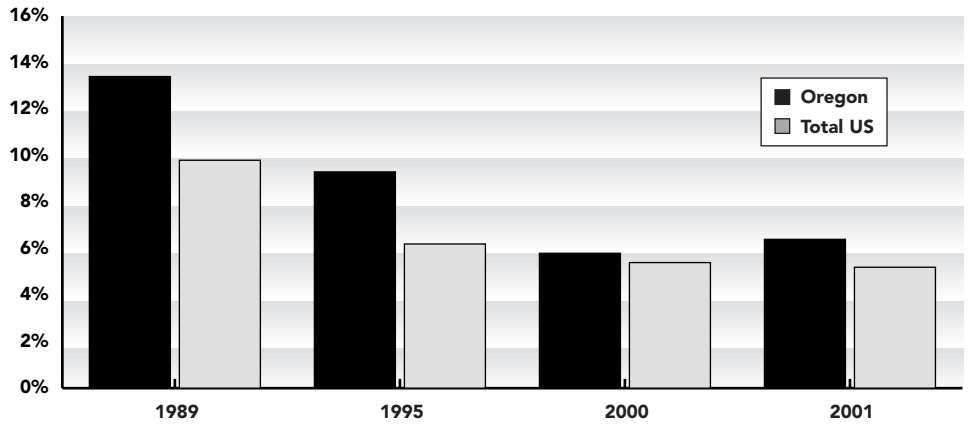
Most working families have had to face additional stress and pressure, working many more hours to achieve the same income levels as they had in the late 1970s. In contrast, most of the benefits of economic growth going to upper-income families, well-off Oregonians have enjoyed higher standards of living and less work.

F. Multiple Job-holding

While the typical household put in more hours in the 1990s, the share of workers with more than one job fell considerably. In 1989, more than 13 percent of Oregon workers held more than one job, but only 5.8 percent did by the business cycle peak in 2000 **(Figure 4.19)**. By 2000 the rate of multiple job holding in Oregon had

In 1989 more than 13 percent of Oregon workers held more than one job, but only 5.8 percent did by the business cycle peak in 2000.

FIGURE 4.19 **Percent of workers with multiple jobs**



Source: EPI analysis of March CPS. Share of workers age 16+ with more than one job.

fallen in line with the national average.

Part of the reduction in multiple job holding is likely due to increased wages and earnings, making it easier for workers to meet their needs with just one job. In the late 1990s, tight labor markets made it difficult for employers to find and keep the workers they needed. In addition to offering better wages and benefits, many employers took steps to improve working conditions. A 2000 survey of Oregon employers showed that more than 20 percent of employers increased paid vacations and holidays, and also offered flexible schedules and telecommuting for workers in an attempt to attract and retain workers.[36] Improved working conditions, wages, and earnings made it easier for workers to meet their desired standard of living by working only one job.

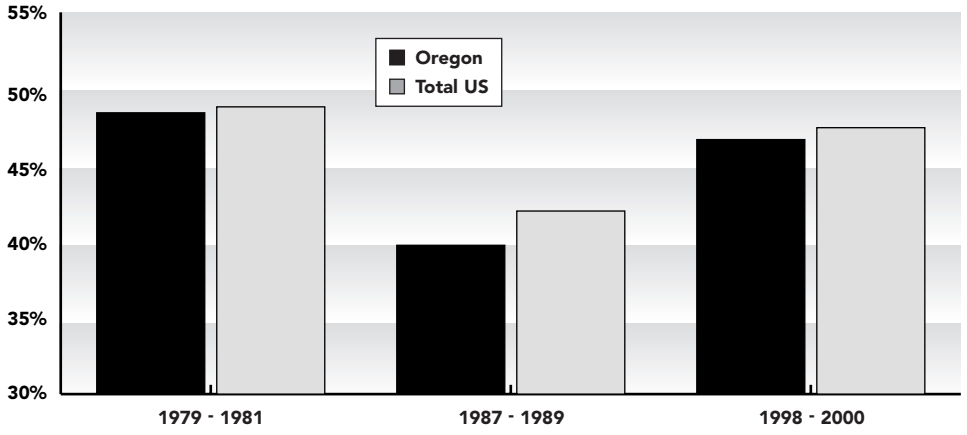
This steady reduction in multiple job holding came to a halt in 2001. The share of workers with more than one job rose to 6.4 percent. Facing job losses and falling earnings, Oregon workers scrambled to find replacement and back-up jobs to support themselves and their families.

G. Pensions and Retirement Security

Workers in their retirement years primarily depend on income from employer-sponsored pensions and social security benefits. Unlike the near-universal coverage of Social Security, however, private-sector retirement plans reached fewer than half (47 percent) of working Oregonians in 1998-2000 **(Figure 4.20)**.[37]

In the late 1990s, workers in Oregon were more likely to have pensions than ten years earlier, but less likely than they were 20 years earlier. After facing steady erosion due to the rise of employment in low-paying service-sector jobs and the loss of unionized manufacturing jobs in the 1980s, pension coverage partially recovered

FIGURE 4.20 **Share of private-sector workers with employer-provided pension**



Source: OCPP presentation of EPI analysis of Current Population Survey.

Private sector retirement plans reached 47 percent of working Oregonians in 1998-2000. After facing steady erosion in the 1980s, pension coverage partially recovered in the 1990s.

in the 1990s. The strong economy and the spread of 401(k)s and other "defined contribution" retirement plans helped push the pension coverage rate up among Oregon's private-sector workers.

Oregon followed the national trend. National data show that while just 11 percent of households had a defined contribution pension account in 1983, 24 percent had an account by 1989, and 49 percent did by 1998.[38] The spread of defined-contribution plans partially reversed the erosion in pension "coverage," but this may be a hollow victory for workers. Many employers have used the shift to defined contribution plans as an excuse to reduce payments in employee retirement plans. One study found that "401(k)s allowed employers to reduce pension costs by almost one third."[39] Firms adopting defined contribution plans in the 1980s and 1990s reduced their per-person pension costs by about 20 percent.[40]

The shift away from defined-benefit pensions brought with it the benefits of portability and greater flexibility, but it also brought a great deal of risk. In defined contribution plans, a workers' retirement income depends on his or her success in investing these funds, and investment risks are borne by the employee rather than the employer.[41] Defined contribution retirement plans, especially where the majority of the plan is stock in just one company (often the employer), can be dangerous. To recognize the danger in the trend, one needs to look no further than Enron's collapse, which affected hundreds of Oregonians working for its Oregon subsidiary, Portland General Electric (PGE).

Unlike defined-benefit pensions, defined-contribution plans are not guaranteed by the federal government. The Pension Benefit Guarantee Corporation ensures that workers with traditional pensions still receive a pension even if the company goes bankrupt or is bought out, but it does not cover defined contribution plans, such as 401(k)s.[42]

After the over-valued stock market bubble burst, and after the revelation of corporate accounting designed to artificially inflate stock prices, relying on the market no longer seems so attractive.

When the stock market was booming, 401(k)s emphasizing stock holdings seemed like a great deal. After the over-valued stock market bubble burst, and after the revelation of corporate accounting designed to artificially inflate stock prices, relying on the market no longer seems so attractive. Some workers had amassed large retirement nest eggs on paper only to see them vanish in a few short months.

Inequality in Stock Ownership and Gains

Even before the crash, the stock market boom was not on track to provide workers with a secure retirement. The chief reason is that the distribution of stock market wealth is highly unequal: most households do not own any stocks. In 1998, the most recent year for which data are available, only 48 percent of American households had any stock holdings, including 401(k)s and other retirement plans.[43] Sixty-four percent of all households had $5,000 or less (including $0) in any form of stock. For the bottom 90 percent of households, the principal asset is still equity in their homes,

which represented 69 percent of these households' net worth in 1998.[44]

Stocks boomed in the 1990s, but most of the gains were captured by those who were already wealthy. The top one-percent of American households reaped nearly 35 percent of the increase in stock value between 1989 and 1998. The top ten percent of households garnered 73 percent of stock gains.[45]

One recent analysis of retirement income at the national level suggests that the prospects for secure retirement had soured before the stock market crash. In 1998, 43 percent of American households with household heads nearing retirement could expect retirement incomes less than half of their current annual income.[46] In 1989, only 30 percent were projected to have retirement incomes less than half of their pre-retirement income. Despite substantial growth during the expansion, more Americans will have less retirement security than a decade ago.

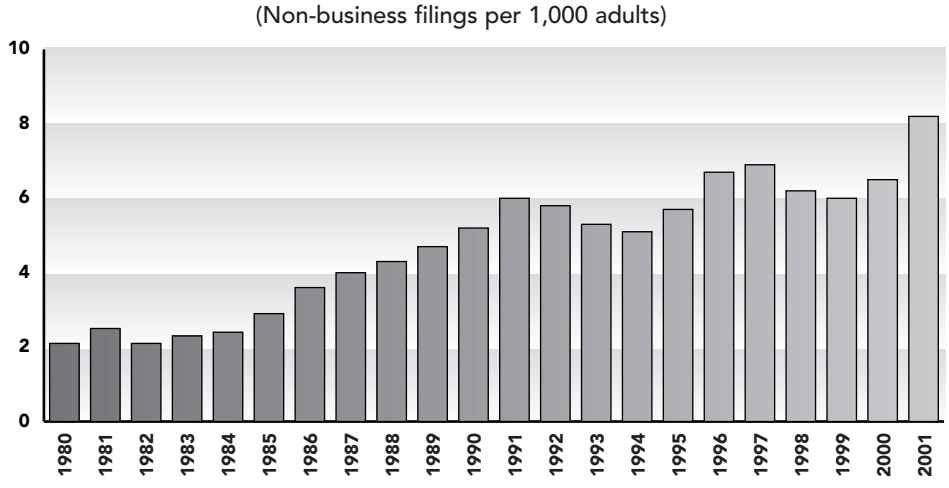
H. Bankruptcy and Foreclosure

Rising Bankruptcy

The onset of hard economic times pushed many Oregonians into bankruptcy. In 2001, 21,649 Oregonians filed for bankruptcy, up from 16,774 in 2000, a 30 percent increase. After rising steadily in the second-half of the 1980s, the personal bankruptcy rate changed little across the 1990s **(Figure 4.21)**.[47] Bankruptcies rose in the mid-1990s and declined later in the decade, but by 1999 Oregon personal bankruptcies as a share of the adult population were no different than in 1991.

In 2001, however, the personal bankruptcy rate grew dramatically, jumping to 8.2 from 6.5 in 2000. Nearly one out every 100 Oregon adults filed for bankruptcy in 2001. Hit hard by job losses, but with little relief from credit card or mortgage debt, Oregonians sought protection from creditors in record numbers.

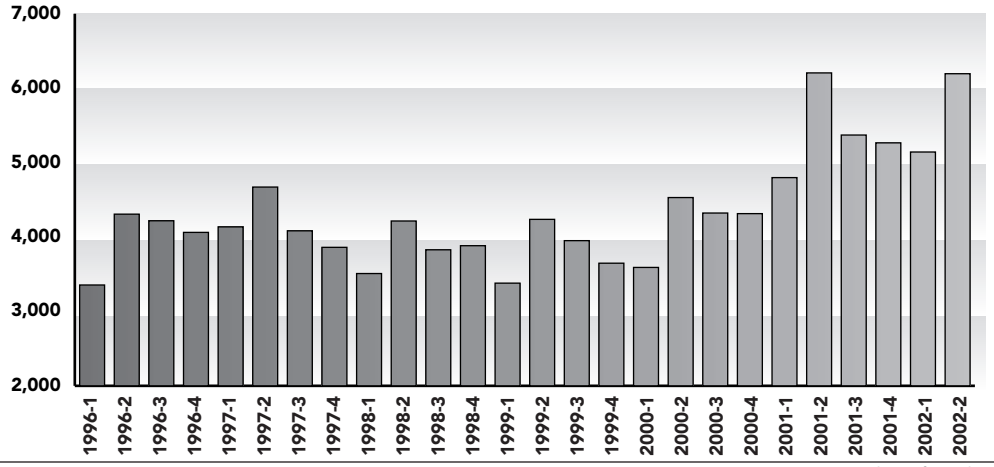
FIGURE 4.21 **Oregon personal bankruptcy rate**



Source: OCPP analysis of American Bankruptcy Institute data.

In 2001 the personal bankruptcy rate grew dramatically, jumping to 8.2 from 6.5 in 2000.

FIGURE 4.22 **Oregon quarterly personal bankruptcies**



Source: OCPP analysis of ABI data.

The marked increase in bankruptcy during the second quarter of 2002 reflects some of the economic stress that working people have experienced over the last two years.

As economic prospects recovered in 2002, it appeared that the bankruptcy situation also started to improve. After rising to 6,250 in the second quarter of 2001, total non-business bankruptcies filed in Oregon declined over the following three quarters **(Figure 4.22)**.

The second quarter 2002 data from the American Bankruptcy Institute, however, reflected large increases in bankruptcy filings in Oregon and around the nation. Nationally, bankruptcies filed in the second quarter of 2002 are the highest on record.[48]

Although bankruptcy is a lagging economic indicator, the marked increase in the second quarter of 2002 reflects some of the economic stress that working people are still experiencing. High levels of debt and job loss raise doubts that the American consumer will be able to keep the 2002 recovery alive.[49]

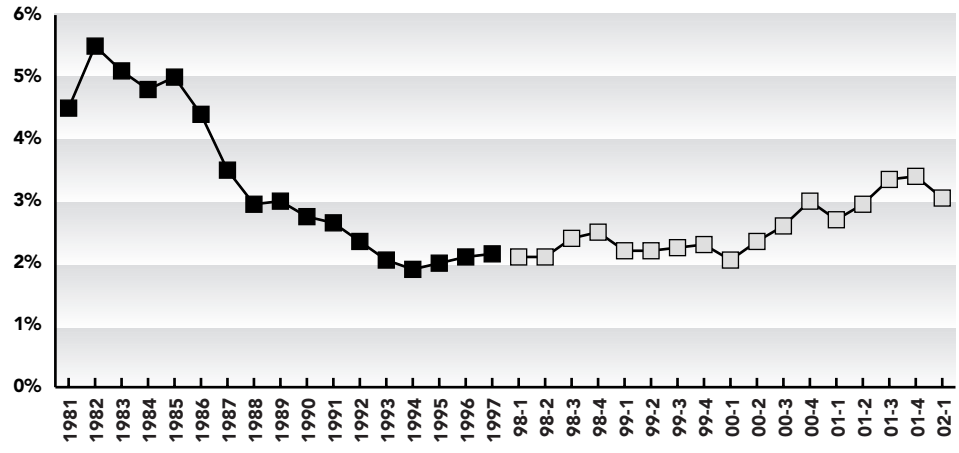
Mortgage Delinquency and Foreclosure

In addition to declaring bankruptcy, families falling on hard times also run into problems keeping up with their home mortgage payments. As Oregon slid into recession in 2001, and many Oregonians lost their jobs, the mortgage delinquency and foreclosure rates climbed. Recovering from the deep recession in the early 1980s, Oregon's mortgage delinquency rate declined steadily in the late 1980s and then hovered around two percent for most of the 1990s **(Figure 4.23)**.[50]

In mid-2000, however, the delinquency rate began to climb once again. By the fourth quarter of 2001 nearly 3.5 percent of mortgages were delinquent, up from two percent in first quarter of 2000.

Along with mortgage delinquencies, the number of foreclosures initiated on

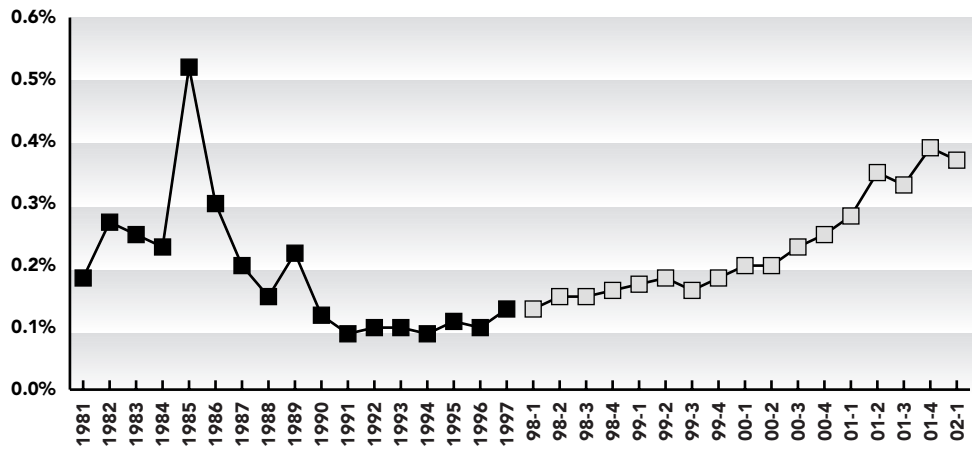
FIGURE 4.23 **Oregon total mortgage delinquencies**



Source: OCPP presentation of FDIC data. (Note: shift in graph represents change in quarter period.)

By the fourth quarter of 2001 nearly 3.5 percent of mortgages were delinquent, up from two percent in the first quarter of 2000.

FIGURE 4.24 **Total foreclosures initiated in Oregon**



Source: OCPP presentation of FDIC data. (Note: shift in graph represents change in quarter period.)

By the fourth quarter of 2001 nearly 0.4 percent of mortgages were in foreclosure, up from just 0.2 percent in the second quarter of 2000.

delinquent mortgages has also risen. Remaining below 0.2 percent of mortgages during the 1990s, growth in mortgage foreclosures accelerated in the second half of 2000 **(Figure 4.24)**.[51]

By the fourth quarter of 2001, nearly 0.4 percent of mortgages were in foreclosure, up from just 0.2 percent in the second quarter of 2000. This is the highest level since 1986, when the number of foreclosures were catching up with the bad economic times and population losses of the early 1980s.

[1] The Bureau of Economic Analysis (BEA) defines Gross State Product (GSP) as "the value added in production by the labor and property

located in a state. GSP for a state is derived as the sum of the GSP originating in all industries in the state."

[2] BEA press release announcing release of 2000 GSP data. Available at http://www.bea.gov/bea/newsrel/gspnewsrelease.htm.

[3] OCPP analysis of BEA data.

[4] Export data from the Census Bureau, Foreign Trade Division, as tabulated by the Massachusetts Institute for Social and Economic Research (MISER). Available at http://www1.miser.umass.edu/trade/. Export data are the "origin of movement" series, based on Census "Shippers Export Declaration." According to MISER, the SED asks for "the state where the product began its journey to the point of export." That state, MISER elaborates, "is not necessarily the state of manufacture or where the product was grown or mined. It may in some cases be the state of a broker or wholesaler or the state of consolidation of shipments. This issue results in some inflation of exports for the major port states and understatement of exports for other states… The problem is the most acute for agricultural shipments and less so for manufactured exports. Despite its limitations, the adjusted MISER origin of movement data is generally acknowledged as the best available on state exports."

[5] Export data are in current dollars, not adjusted for inflation.

[6] *Oregon Economic and Revenue Forecast*, Department of Administrative Services, September 2001, page 17.

[7] OCPP analysis of BLS Current Employment Statistics data. Available at http://www.bls.gov/sae/home.htm.

[8] Regional definitions used in this chapter are adopted from *Oregon: A State of Diversity*, Oregon Employment Department. The Oregon Coast includes Clatsop, Coos, Curry, Lincoln, and Tillamook counties. The Willamette Valley includes Benton, Lane, Linn, Marion, and Polk counties. Southern Oregon includes Douglas, Jackson and Josephine counties. Central Oregon includes Crook, Deschutes, Gilliam, Hood River, Jefferson, Klamath, Lake, Sherman, Wasco, and Wheeler counties. Eastern Oregon includes Baker, Grant, Harney, Malheur, Morrow, Umatilla, Union, and Wallowa counties. The Portland area includes Clackamas, Columbia, Multnomah, Washington, and Yamhill counties.

[9] Despite the rise in the use of the internet to attract employees, and the fact that many businesses find workers through "word of mouth," the newspaper want ads remain popular in attracting workers. Many positions filled based on internet correspondence or on referrals from other employees are also advertised in the newspaper.

[10] Speech by Robert Parry on August 2, 2002, at Embassy Suites in Portland. Text available at http://www.frbsf.org/news/speeches/index.html.

[11] Slater, Graham, Art Ayre, and Steve Williams, "The Impact of Recession 2001: A Comparison of Oregon & Selected Other States," *Oregon Labor Trends*, July 2002. Available at http://www.qualityinfo.org/olmisj/OlmisZine.

[12] *ibid.*

[13] *ibid*, page 7.

[14] Regional definitions are adopted from *Oregon: A State of Diversity*, Oregon Employment Department. Unemployment for the Portland area includes Clackamas, Columbia, Multnomah, Washington, and Yamhill counties as well as Clark County in Vancouver, Washington. See note 8.

[15] Oregon Employment Department. Available at http://www.qualityinfo.org/pubs/single/annualrates.pdf.

[16] Mass layoff and extended mass layoff data are gathered by the Bureau of Labor Statistics (BLS). Data available at http://www.bls.gov/mls.

[17] Values are missing for two quarters in 1997 because they did not meet data reporting standards of the BLS.

[18] Author's electronic correspondence with Rick Hawes of OED, August 6, 2002. Extended Benefits (EB) were triggered January 6, 2002, and Temporary Emergency Unemployment Compensation (TEUC) was triggered December 12, 2001 (under retroactive provisions of law that took effect on March 10, 2002).

[19] Extended Benefits are triggered when a state's Insured Unemployment Rate (IUR) rises above five percent. IUR measures the percent of workers collecting regular state unemployment benefits compared with all workers covered by the UI program.

[20] Thirteen additional weeks of TEUC benefits are triggered in states where the IUR rises above four percent. Oregon is one of two states eligible for up to 26 weeks of TEUC benefits. Emsellum, Maurice and Jeffrey Wenger, *Time to Fix the Federal Unemployment Benefits Program: Long-term joblessness rising beyond the recession*, Economic Policy Institute and National Employment Law Project, July 2002. Available at http://www.nelp.org.

[21] *ibid.*

[22] The count of regular UI recipients is a monthly figure presented by OED in ETA report # 5159. The data for EB and TEUC receipt is based on numbers of payments and is presented in ETA report # 5159. Since payments are made weekly, the number of payments is divided by four to arrive at an estimate of number of monthly recipients. Because some recipients do not receive four payments in a given month, this will underestimate slightly the number of recipients each month.

[23] UI final payments data are reported monthly by OED in ETA report 5159 (page 1, line 303, column 27) and are available at http://findit.emp.state.or.us/ui/reports/monthly_reports.htm.

[24] Emsellum and Wenger, page 8.

[25] Earnings data for 2001 are preliminary, made available by Ken Lux of the Oregon Employment Department.

[26] Data on year-round workers are from the Oregon Employment Department and have been tabulated from Unemployment Insurance Tax records. Data made available to authors by Dwayne Stevenson, OED.

[27] Census data for 1989 are for median income, while 1999 data are for median earnings. With the release of the 1999 data, Census provided a note informing users that in 1999 median income for full-time, year-round male workers was 3 percent higher than earnings, and for females it was 4 percent higher. OCPP used these figures to adjust Census data to make them comparable for earnings between 1989 and 1999.

[28] Regional definitions are adopted from *Oregon: A State of Diversity*, Oregon Employment Department. See note 8.

[29] In 1970 the OED average hourly wage data covered 58 percent of all nonfarm employees, and in 2001 the data covered 49 percent.

[30] The method for calculating median hourly wages follows the method of *State of Working America*, EPI, Appendix B, and includes workers ages 18 to 64, excludes outlier responses, and excludes the wages of the unincorporated self-employed. Because of sample size constraints, and the fact that only seven percent of Oregonians are non-white, neither the Monthly Current Population Survey nor the Oregon Population Survey yield reliable wage figures for racial groups using a single year of data.

[31] Median hourly wage data made available to OCPP by Economic Policy Institute. Inflation-adjusted 2001 dollars using CPI-U RS.

[32] O'Connor, Patrick, "Does a recession affect Oregon's hard-to-fill jobs?" *Oregon Labor Trends*, June 2002.

[33] Median four-person family income statistics are created by the Census Bureau. Available at www.census.gov/hhes/income/4person.html. These are composite figures that combine factors from the March Current Population Survey (CPS) and the decennial census of population conducted by the Bureau of the Census; as well as per capita personal income estimates produced by the Bureau of Economic Analysis.

[34] The debate over hours per week is reviewed in *The Report on the American Workforce*, Department of Labor, 1999; and in Bluestone, Barry and Stephen Rose, "Overworked and Underemployed: Unraveling an Economic Enigma," *American Prospect*, March-April 1997.

[35] The rise in annual hours worked among families is documented extensively in *The State of Working America 2002-03*.

[36] *Workforce 2000: An Oregon Employer Perspective*, Oregon Employment Department, page 48.

[37] EPI analysis of Current Population Survey.

[38] Wolff, Ed, *Retirement Insecurity: The Income Shortfall Awaiting the Soon-to-Retire*, Economic Policy Institute, Washington DC, 2002, page 75.

[39] Ghillarducci, Nyce, and Sun, 2001. Contained in February 7, 2002 testimony to House Committee on Education and the Workforce. Available at http://edworkforce.house.gov/hearings/107th/fc/enrontwo2702/ghilarducci.htm.

[40] *ibid.*

[41] *State of Working America 2002-03*, page 145.

[42] See Hoffman, Ellen "Keeping Your 401(k) Flameout Retardant," *Business Week*, April 11, 2002.

[43] *State of Working America 2002-03*, page 287.

[44] Calculations from Survey on Consumer Finances (SCF) data presented in Kennickel, Arthur, *An Examination of Changes in the Distribution of Wealth from 1989 to 1998: Evidence from the Survey of Consumer Finances*, Jerome Levy Economics Institute, July 2000.

[45] *State of Working America 2002-03*, page 289.

[46] Wolff, *Retirement Insecurity*.

[47] Bankruptcy data for Oregon and other states is from the American Bankruptcy Institute, available at http://www.abiworld.org.

[48] ABI press release for August 14, 2002. Available at http://www.abiworld.org/media/newmediafront.html.

[49] Hitting 7.9 percent of disposable income in mid-2002, Federal Reserve data on household debt service payments rose to their highest levels in 14 years. Available at http://www.federalreserve.gov/releases/housedebt.

[50] The mortgage delinquency rate is the total number of mortgages that are delinquent divided by the total number of mortgages. Mortgage delinquency and foreclosure data are from the Federal Deposit Insurance Corporation (FDIC) and are available on its Regional Economic Conditions website, http://www2.fdic.gov/recon. FDIC gets its data from the Mortgage Bankers Association of America.

[51] The foreclosure rate is the number of mortgages on which the foreclosure process has begun, divided by the total number of mortgage loans.

CHAPTER 5

Health Insurance

Health insurance coverage is an important measure of the well-being of working families in Oregon. Health insurance provides workers and their families with regular access to health care providers and protection against economic ruin in case of illness or injury. The lack of health insurance is strongly correlated with poor health.[1] Uninsured working-age adults often do not get the health care they need, frequently get needed care too late, and get sicker and die sooner than if they had health insurance.[2] Poor health also makes employees less productive and impacts their ability to work and to earn a living.[3]

Oregonians understand the importance of access to health care coverage, and have supported efforts to expand health care coverage.[4] In a 2001 survey, the Oregon Office of Health Plan Policy and Research (OHPPR) found that 87 percent of Oregonians agree that access to health care should be a basic right, and a majority of Oregonians indicated willingness to pay higher taxes or premiums to expand coverage.[5]

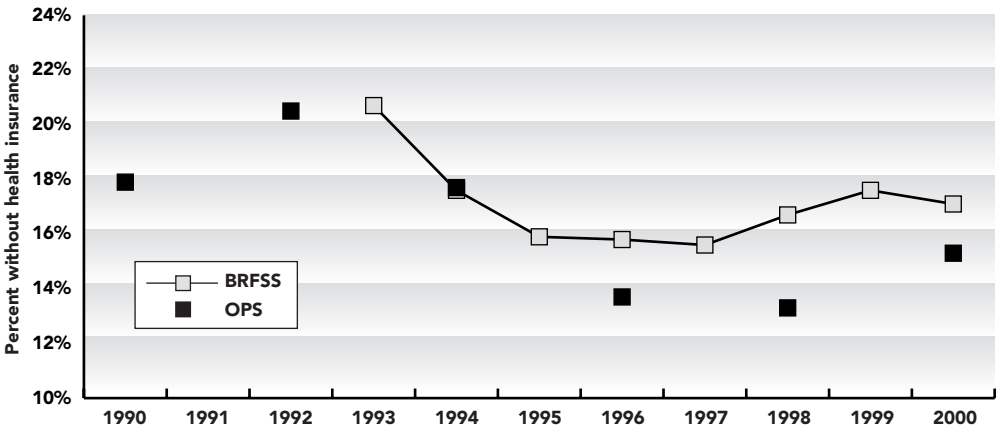
Coverage and costs of health insurance remain issues of concern for working people and policy makers alike. After showing improvement in the mid-1990s, health insurance coverage and costs began to worsen toward the end of the decade. Trends toward declining coverage and higher costs appear to have returned. Heavy job losses and a weaker labor market make it likely that trends measured through 2000 continued into 2001 and will be present for years to come.

A. Uninsurance in Oregon

Health care insurance coverage for working-age Oregonians fluctuated across the 1990s. Accompanying job losses from the recession, the percent of Oregonians without insurance rose in the early 1990s **(Figure 5.1)**. Data from the Oregon Population Survey (OPS) show that the share of working-age Oregonians without health insurance climbed from 17.9 percent in 1990 to 20.5 percent in 1992.[6]

As the economy began to recover and the state implemented the Oregon Health Plan (OHP), insurance coverage increased. By 1994, the share of working-age adults without insurance fell to 17.7 percent. Data from the Centers for Disease Control's

FIGURE 5.1 **Working-Age (18-64) uninsured in Oregon – different data sources**



Source: OCPP presentation of BRFSS and OPS data. BRFSS is two year average.

Health care insurance coverage for working-age Oregonians fluctuated across the 1990s.

Behavioral Risk Factor Surveillance System (BRFSS) confirm the decline.[7] According to the BRFSS data, the share of working-age Oregonians without health insurance declined from 20.7 percent in 1993 to 15.9 percent in 1995.[8]

Following these gains early in the decade, Oregon failed to make further progress toward reducing the share of uninsured working-age Oregonians. With a steadily rising population, small increases in the uninsurance rate actually led to a sizeable increase in the number of uninsured Oregonians. In 1996 there were 273,600 uninsured Oregonians between the ages of 18 and 64. By 2000 there were 327,000, an increase of 54,000, or 20 percent.[9]

The economic boom period in the late 1990s did not lead to improved health insurance coverage for Oregonians. As measured by the BRFSS, 17.1 percent of working-age Oregonians lacked health insurance in 2000, up from 15.8 percent in 1996. Data from the Oregon Population Survey also show that health insurance coverage dropped in the late 1990s. In 2000, 15.3 percent of the 18 to 64 year old population was uninsured, up from 13.7 percent in 1996.

Health insurance trends at the national level followed a similar, though not identical, path. From 1994 to 2000, the national rate of uninsurance remained unchanged despite the economic prosperity.[10] Increases in employer-provided coverage were offset by decreases in other types of insurance, resulting in a flat overall trend.

Tight labor markets in the late 1990s did lead some Oregon employers to improve their health insurance benefits.[11] In a 2000 Oregon Employment Department survey, nearly 30 percent of Oregon employers indicated that they had increased company investments in health insurance during the previous year in an effort to attract and retain workers.[12] Increased efforts by some employers served only to slow the decline in insurance coverage, however, and did not lead to increased rates of health coverage.

Health Insurance Coverage by Race and Ethnicity

The lack of health insurance in Oregon is felt more acutely among some ethnic and racial groups than others. Specifically, Oregon has the ominous distinction of providing the lowest rates of health insurance to its fastest growing population group—Hispanics.

The difference in health insurance coverage between all groups and those identifying as Hispanic is stark and alarming. The rate of uninsurance among Hispanics is almost double that of any racial group, and the Hispanic population is growing faster than any other group. In 1996, Hispanics contributed 0.8 points to the overall working-age uninsurance rate of 13.7 percent. By 2000, Hispanics contributed 2.8 points of the 15.3 percent working-age uninsurance rate. Over this period, the growing and increasingly uninsured Hispanic population accounted for all of the increase in uninsurance among working-age Oregonians.

Lack of health insurance for 18-64 year olds

	Uninsured
RACE	
▸White	14.5%
▸Black	16.3%
▸American Indian	16.6%
▸Asian/Pacific Islander	13.1%
▸Others	11.2%
HISPANIC ETHNICITY	
▸Non-Hispanic	13.6%
▸Hispanic	29.0%

Source: OCPP Analysis of 2000 Oregon Population Survey

Employed Hispanics are more likely to have jobs without health insurance. The three jobs most commonly held by Hispanics (laborers and cleaners, agricultural workers, and food and health service workers) provide health insurance for only 53 percent of workers. The top three jobs for non-Hispanics (managers, professional and technical workers, and clerical workers) provided health insurance for 94 percent of workers. The lower-wage service industries, small businesses, and farms in which Hispanic workers are concentrated are much less likely than other employers to provide insurance. Considering the poor opportunities for insurance for Hispanic families, it is not surprising that Hispanic respondents to a 2001 State Survey on Health Care were almost 5 times more likely than others to support state subsidies to help small employers provide health insurance.

Source: OCPP analysis of OPS data, MEPS data, and Statewide Household Survey on Health Care.

TABLE 5.1 Source of health insurance

	1994	1996	1998	2000
TOTAL EMPLOYER	**69***	**71.8**	**71.4**	**68.8**
Own Employer	-	33.4	35.3	35.6
Spouse's Employer	-	15.5	14.4	12.3
Parent's Employer	-	22.9	21.7	20.9
TOTAL GOVERNMENT	**20.7**	**17.1**	**17.6**	**21.3**
Medicare	-	9.8	9.8	10.6
Medicaid (Oregon Health Plan)	-	7.3	7.0	7.1
Other Gov't	-		0.8	3.3
SELF	**10.4**	**9.2**	**8.4**	**7.3**
OTHER	-	**1.5**	**2.1**	**2.3**

*Because of question changes, 1994 employer-provided insurance includes insurance provided by another family member.
Source: OCPP Analysis of Oregon Population Survey

Of those Oregonians with health insurance, the most common source of coverage was an employer.

Source of Coverage

Of those Oregonians with health insurance, the most common source of coverage was an employer. Whether it was through their own employer or that of a relative, roughly 70 percent of insured Oregonians received their insurance through an employer across the second half of the 1990s. Between 1996 and 2000 there was a slight decline in the share of coverage attributable to employer-sponsored insurance, as well as minor shifts among the varying sources of employer-provided health insurance. Small decreases in the share of Oregonians with employer-sponsored coverage through a spouse's or parent's employer more than offset a small increase in "own employer" coverage **(Table 5.1)**.

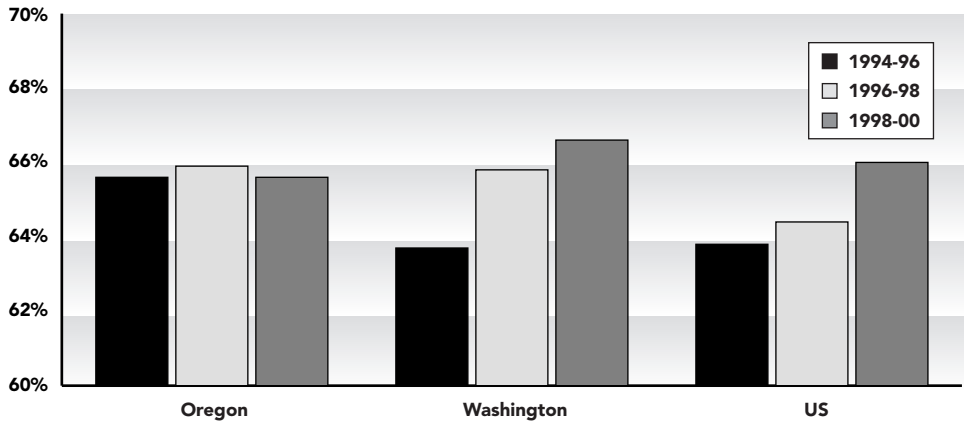
Between 1996 and 2000 there were also small declines in the share of covered Oregonians purchasing their own insurance and an increase in the share with government provided health insurance.

Coverage of Workers and Their Families

Census data show that across the second half of the 1990s, the share of non-elderly Oregonians covered by employer-provided coverage remained unchanged.[13] Two-thirds of non-elderly Oregonians, including workers and their families, were covered by employer-provided benefits in 1998-2000, no different from in 1994-96 **(Figure 5.2)**.[14]

Other states and the US as a whole, however, did see improvements in employer-

FIGURE 5.2 **Non-elderly population covered by employer-provided health insurance**



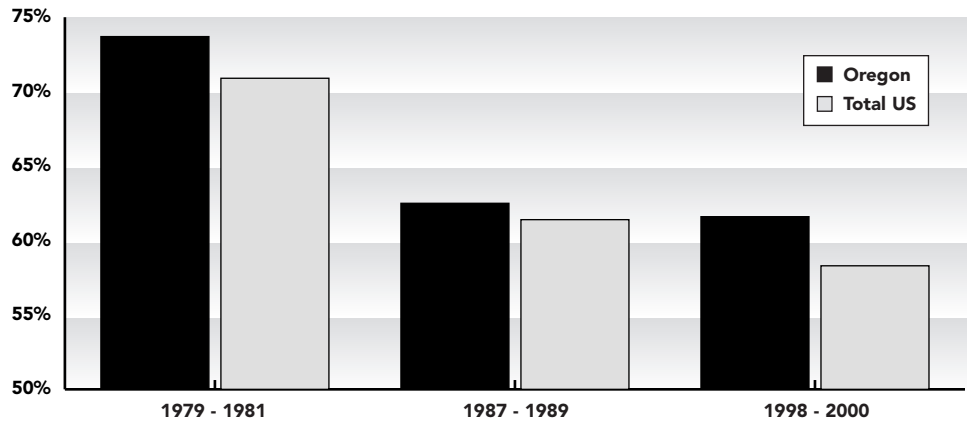
Source: OCPP presentation of EBRI analysis of census data.

Two-thirds of non-elderly Oregonians, including workers and their families, were covered by employer-provided benefits in 1998-2000, no different from 1994-96.

provided health care coverage. In 1998-00, 66 percent of the US population was covered by employer-provided coverage, up from 63.8 percent in 1994-96. Washington also registered a significant increase in employer-provided care, climbing three percentage points.

While the economic benefits of the late 1990s did not result in expanded coverage for working-age Oregonians, it does appear that the long-term slide in employer-provided coverage has paused. Over the 1980s workers in Oregon and in the rest of the country experienced rapid loss of health benefits. In 1979-81, 73.7 percent of Oregon private sector workers had employer-provided health insurance **(Figure 5.3)**. By 1987-89, however, employer-provided coverage dropped to 62.5 percent. Workers nationwide experienced a similar loss of coverage.

FIGURE 5.3 **Employer-provided health insurance for private-sector workers - Oregon and the US**



Source: OCPP presentation of EPI analysis of CPS.

Over the 1980s workers in Oregon and in the rest of the country experienced rapid loss of health benefits.

Over the 1990s, though, employer-provided coverage did not decline further. In 1998-2000, 61.6 percent of Oregon workers had employer-provided health insurance, essentially the same as in the late 1980s.

Employer-provided health coverage managed to pull out of its free-fall, partially due to tight labor markets in the late 1990s and a lapse in the long-term price pressures on health premiums in the mid-1990s. Worker-starved employers were forced to upgrade benefits packages to attract employees.[15] Both of these factors were temporary. When labor markets went slack and health insurance costs started to rise again in late 2000 and 2001, employers likely started to withdraw, or offer less attractive, health care coverage. Complete uninsurance data for 2001 will not be available until late 2002 and 2003.

Impact of the Recession on Health Insurance Coverage

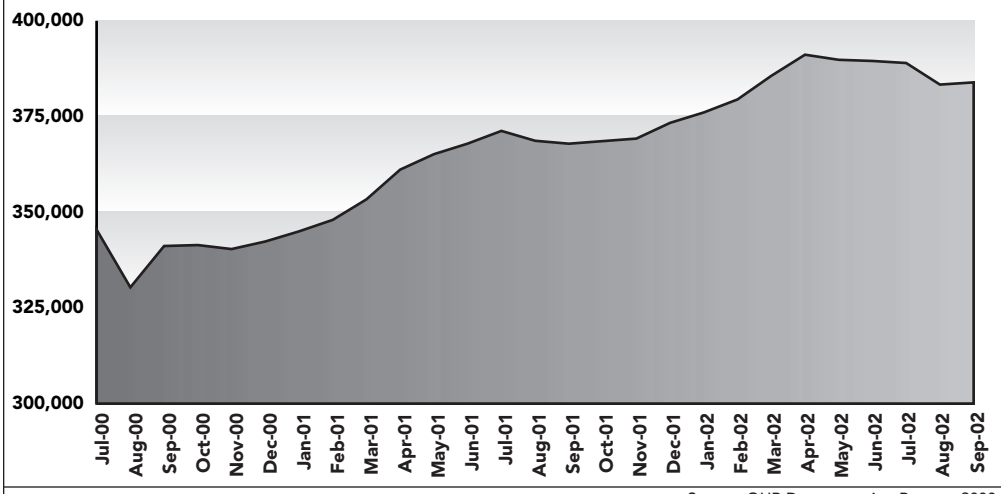
Uninsurance among working-age Oregonians likely has worsened in the 2001 recession and the ensuing slow-growth recovery. Job loss likely caused thousands of Oregonians to lose health care coverage, although some ultimately became eligible for and enrolled in the publicly-financed Oregon Health Plan. One recent study estimates that over two million Americans lost their health care coverage in 2001 due to the recession.[16] With Oregon accounting for 2.4 percent of job losses nationwide, as many as 54,000 Oregonians may have lost their health insurance during this period.[17]

Impacts from Loss of Coverage

As insurance coverage expanded across the 1990s, the share of Oregonians not seeking medical treatment because of limited funds also declined.[18] In 1992, 16 percent of Oregon adults said that they needed to see a doctor but did not because they could not pay. By 1998, this figure dropped to 9 percent. As insurance coverage started to slip toward the end of the decade, those needing care but not pursuing it rose once again. By 2000, nearly 13 percent of Oregon adults said they needed to see a doctor but did not go because they could not afford it.

Low-income Oregonians are particularly vulnerable to missing needed medical care because of financial constraints. In 2000, the share of adults with incomes under $15,000 not seeking needed care was 27 percent, compared to 24 percent for those with incomes between $15,000 and $25,000, and less than 3 percent for those with incomes $50,000 and over.

FIGURE 5.4 **Oregon Health Plan enrollment**



Source: OHP Demonstration Reports 2000-02.

Enrollment in Oregon's Medicaid program, the Oregon Health Plan, climbed as a result of the recession.

The Role of Medicaid/The Oregon Health Plan

The tide of uninsurance triggered by job losses was mitigated in part by an increase in publicly-provided benefits in Oregon and nationally. Researchers at the Urban Institute estimated in late 2001 that a one percent increase in unemployment would lead to 400,000 additional non-disabled adults enrolling in Medicaid nationwide.[19]

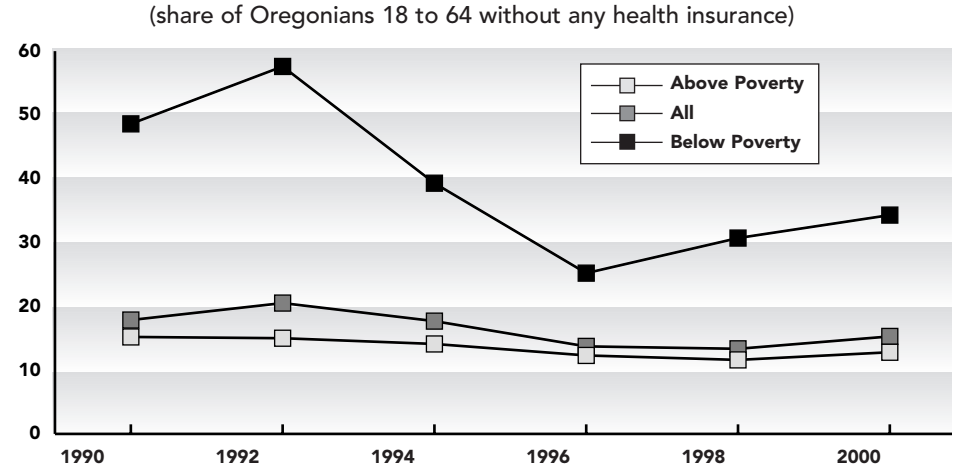
As anticipated, enrollment in Oregon's Medicaid program, the Oregon Health Plan (OHP), climbed as a result of the recession. OHP provides Medicaid coverage to "categorically" eligible Oregonians: the aged, blind, or disabled, and recipients of cash assistance. Under the Medicaid expansion begun in 1994, the Oregon Health Plan also provides Medicaid to poor and other low-income Oregonians, called "non-categorical" or "new" eligibles, who lack health insurance and meet the income and financial resources restrictions of the program. In March of 2001, the start of the national recession, total OHP enrollment was at 353,365 **(Figure 5.4)**. By September 2002, OHP enrollment had risen by 30,551 to 383,916, an increase of 9 percent.[20]

Climbing OHP enrollment in 2001 played an important role in providing insurance benefits to low-income Oregonians during the 2001 recession.

When it was first implemented, the OHP helped drive an impressive reduction in the rate of uninsured. Before implementation, 57.6 percent of working-age Oregonians below the poverty level lacked health insurance coverage **(Figure 5.5)**. Following the 1994 implementation of the OHP, the rate of uninsurance among poor working-age Oregonians was cut by more than half, falling to 25 percent in 1996.

Uninsurance among non-poor Oregonians also declined during this period, but the decline was not as great. The share of non-poor working-age Oregonians lacking health insurance dropped from 15 percent in 1992 to 12.3 percent in 1996.

FIGURE 5.5 **Uninsured working-age in Oregon**



Source: OCPP analysis of Oregon Population Survey.

Following the implementation of the OHP, the rate of uninsurance among poor, working-age Oregonians was cut by more than half.

After 1996, however, the role of the Oregon Health Plan in reducing the uninsurance rate ground to a halt. The "employer mandate" portion of the original design was never implemented (and eventually repealed), and starting in 1995 the Legislature passed and the Governor signed a series of measures limiting access to the Health Plan.[21] While the uninsurance rate dropped slightly for non-poor Oregonians to 11.6 percent in 1998, uninsurance among poor Oregonians worsened. By 1998, the uninsurance rate among poor Oregonians climbed back up to 30.7 percent. Between 1998 and 2000, the rate of uninsured climbed to 12.8 percent for the non-poor and to 34.3 percent for the poor.

The 2001 Legislature passed a series of measures that started a process for expanding the Oregon Health Plan to insure more low-income Oregonians. The expanded income guidelines in the plan are offset by reduced benefit levels for some participants and a variety of new costs for participants. It remains to be seen whether the expansion will work to significantly reduce uninsurance generally and among low income working-age Oregonians in particular.

Cost of Health Insurance

The uninsurance rate among workers is driven in part by rising costs for health insurance. Increases in premium costs, in the share of premiums borne by employees, and in the amount employees pay for health care (e.g., co-payments) work together to limit health insurance coverage.

TABLE 5.2	Annual increase in employer-based insurance premiums - US		
	All Firms	Large Firms	Small Firms
1991	-	11.5%	-
1992	-	10.9%	-
1993	8.5%	8.0%	-
1994	-	4.8%	-
1995	-	2.1%	-
1996	0.8%	0.5%	2.1%
1997	-	2.1%	-
1998	3.7%	3.3%	5.2%
1999	4.8%	4.1%	6.9%
2000	8.3%	7.5%	10.3%
2001	11.0%	10.2%	12.5%

Note: Large Firms have 200 or more workers. Small Firms have between 3 and 99 workers.
Source: Center for Studying Health System Change and Employee Benefit Research Institute.

Workers have had to pay more for their health insurance benefits, in part, because the costs to employers have increased.

Rising Premiums

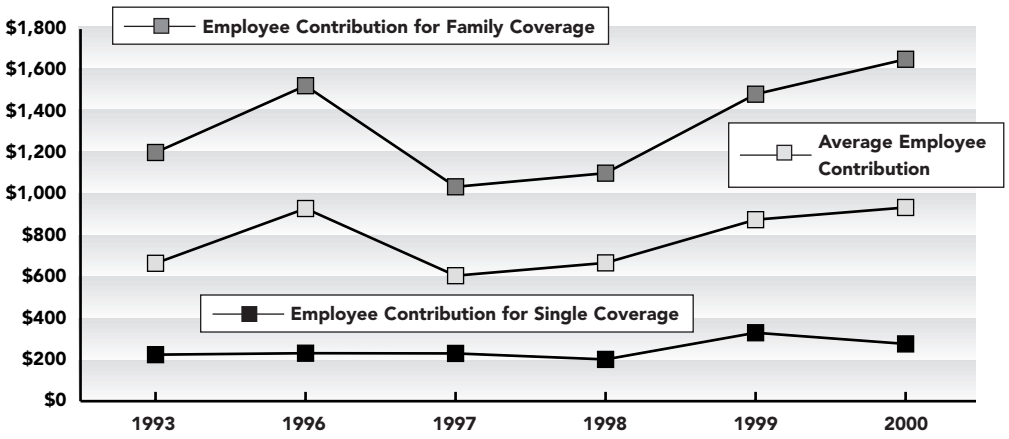
Workers have had to pay more for their health insurance benefits, in part, because the costs faced by their employers have increased steeply. National data show that premiums for employer-based insurance increased little in the mid-1990s, but grew more than 8 percent in 2000 **(Table 5.2)**.[22] Premiums for large firms (200 or more employees) rose 7.5 percent in 2000, while those at small firms (3 to 99 employees) increased more than 10 percent.

In 2001, premiums at all firms rose by 11 percent and small firm premiums increased 12.5 percent.[23] Many health care analysts predict that the return to double-digit increases will continue.[24]

Workers are Required to Pay More

Over the last twenty years employer-provided insurance has become much less of a benefit. More workers are paying for their "employer-provided" health insurance, and those that pay are paying more. Nationally, only 26 percent of workers in medium and large companies had to pay anything for single-person health insurance coverage in 1980, but by 1997 69 percent had to pay.[25] Eighty percent of workers in these companies were required to pay for family coverage in 1997, up from 46 percent in 1980.[26] Full coverage continued to disappear up through 1999, when 75 percent of workers had to pay for single coverage and 85 percent for family coverage.[27]

FIGURE 5.6 **Total average employee contributions to health care premiums**



Source: OCPP analysis of MEPS data. Adjusted to 1999 dollars using US CPI-U.

Between 1997 and 2000, the employee contribution to health care premiums for family coverage rose 69 percent in Oregon. Overall consumer prices rose just 8.5 percent.

The steep trend toward greater employee contribution for health care benefits leveled off in 2000. In that year only 70 percent of workers paid for single coverage and 80 percent for family coverage. Tight labor markets and low unemployment likely pressured employers to improve benefit packages, including health insurance, despite the premium increases noted above.[28]

Employee Share of Premium

By 2000, the average Oregonian with employer-provided family coverage paid $1,657 toward the premium annually, while the average premium payment for single coverage was $286 **(Figure 5.6)**. Oregon workers' premium costs changed little in 1997 and 1998, but started rising rapidly at the end of the decade.

Between 1997 and 2000, the employee contribution rose 66 percent for family coverage and 29 percent for single coverage. Over this same period, overall consumer prices rose just 8.5 percent.

Rising premiums lead to fewer insured workers

Recent publications examining the long-term erosion in employer-provided health coverage at the national level show that many employers responded to increasing insurance costs by raising premium and other costs for workers, ceasing coverage altogether, and making some workers ineligible for coverage.[30] Many workers responded by declining the coverage offered by their employers.

The National Coalition on Health Care calculated that a one percent increase in the average health insurance premium would result in 0.1 to 0.4 percent decline in the number with health insurance coverage.[31] Similarly, Oregon data show that as the

Cost of Health Care as a Share of Income

Health care costs consume a much larger share of income for those at the bottom of the income scale. Data from the national Consumer Expenditure Survey (CES) show that the poorest fifth of households spend seven times more of their income on health care needs than those in the top fifth.[29] High-income households spend more on health care than the poorest households, $2,864 versus $1,470, but those dollars absorb a much smaller share of their income. The highest income households spent 46 percent more than middle-income households on health care, but the average income of the top fifth was 235 percent larger, making their share of income spent on health care substantially lower.

The CES data also make clear that health care spending is not limited to health insurance premiums, but also includes out-of-pocket spending on drugs and medical supplies and services. Spending on health insurance accounts for just half of all medical expenses.

Out-of-pocket medical expenses as portion of income, by income quintile, 2000 - US

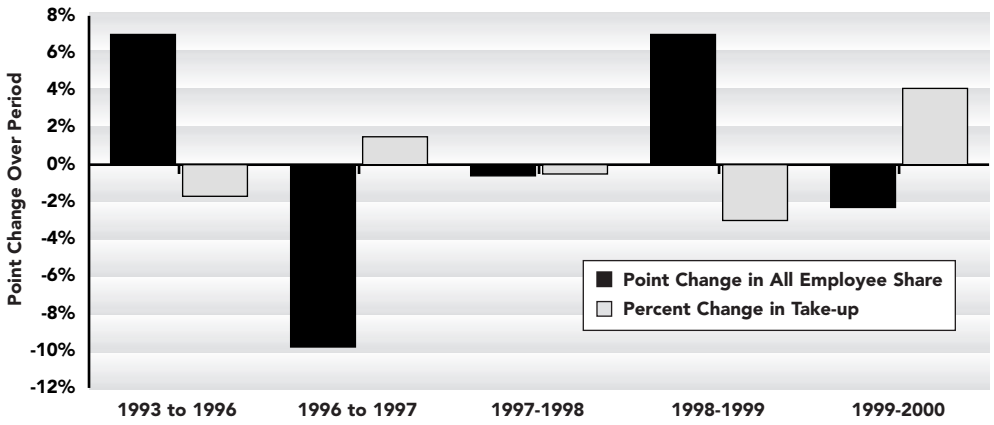
	Lowest income	Lower middle	Middle income	Upper middle	Highest income
INCOME	$7,683	$19,071	$32,910	$53,295	$110,118
ALL MEDICAL EXPENSES	$1,470	$1,988	$1,964	$2,312	$2,864
PORTION OF INCOME	19%	10%	6%	4%	3%
▸Health Insurance	$690	$945	$943	$1,090	$1,254
as % Income	9%	5%	3%	2%	1%
▸Drugs and Supplies	$381	$534	$412	$438	$470
as % Income	5%	3%	1%	1%	0%
▸Medical Supplies	$60	$85	$85	$125	$172
as % Income	1%	0%	0%	0%	0%
▸Services	$339	$424	$524	$659	$968
as % Income	4%	2%	2%	1%	1%

Source: OCPP analysis of Bureau of Labor Statistics Consumer Expenditures Survey 2000

employee share of health insurance premiums rise, more employees decline coverage **(Figure 5.7)**.[32] As cost-sharing increases, employees are less likely to take-up employer offers of insurance.[33]

Increases in the employee's share of health insurance premiums have been associated with declining take-up rates (the share of eligible workers enrolled in an employer-sponsored plan). When the employee share has declined, take-up rates have risen.

FIGURE 5.7 **Change in employee share of premiums and take-up rates in Oregon**



Source: Medical Expenditure Panel Survey 1996-2000 and National Employer Health Insurance Survey in 1993.

As the employee share of health insurance premiums rise, more employees decline coverage.

Analysts are projecting double-digit increases in health insurance premiums for the foreseeable future, and the forces that combined to keep health care inflation down in the mid-1990s appear to be exhausted. Unfortunately, the trend toward greater employee cost sharing should also be expected to continue.[34] Instead of representing a viable long-term cost-containment strategy, the drop in medical costs due to the shift to managed care may have been a one-time downward shift, and is over now that more than 90 percent of covered workers are enrolled in managed care plans.[35]

[1] *No Health Insurance? It's Enough to Make You Sick - Scientific Research Linking the Lack of Health Coverage to Poor Health,* American College of Physicians and the American Society of Internal Medicine. Available at http://www.acponline.org/uninsured/lack-contents.htm. One recent study by researchers at Dartmouth College made headlines when it found that increased utilization of health care services did not lead to better health care outcomes. See Kolata, Gina, "Research Suggests More Health Care May Not Be Better," *New York Times*, July 21, 2002. This finding, however, is based on the authors' examination of Medicare recipients, who, by definition, have health insurance. The issue of differential health outcomes between typical health care services and high level of health care services is different from health care outcomes associated with extraordinarily low utilization of health care services due to lack of insurance. When the Dartmouth study did look at health care outcomes of low-birth-weight babies, it found that access to care had a significant impact on infant health in the poorest areas.

[2] In *Care Without Coverage: Too Little, Too Late*, Institute of Medicine researchers reviewed hundreds of studies looking at the impact of health insurance coverage on adults ages 18 to 64. Available at http://www.iom.edu.

[3] In *Sicker and Poorer: The Consequences of Being Uninsured*, Kaiser Commission on Medicaid and the Uninsured, May 2002, Jack Hadley analyzed 90 studies on the link between health insurance coverage and health care outcomes. Hadley reports that "the research generally concludes that poor health reduces annual earnings from work, primarily through reduced labor force participation and work effort in conjunction with a small effect on productivity as measured by wage rates." Available at http://www.kff.org/content/2002/20020510.

[4] In 1996 Oregon voters enacted a tobacco tax increase to maintain and expand the Oregon Health Plan.

[5] "Statewide Household Survey on Health Care," Office of Health Plan Policy and Research, 2001. Available at http://www.ohpr.org/hrsa/OriginalResearch/3-StatewideHouseholdSurveyonHealthCarefull.pdf. This survey was conducted in April 2001, sampling 709 Oregon residents' attitudes and concerns regarding health care and health insurance. Fifty-six percent of respondents said that they would be "willing to pay any extra money – either in higher health insurance premiums or in higher taxes – in order to increase the number of Oregon residents with access to medical care."

[6] The Oregon Population Survey (OPS) is conducted every other year primarily during summer months and reaches approximately 5,000 households. OPS documentation and data are available at http://www.econ.state.or.us/opb/opsinex.htm.

[7] The Behavioral Risk Factor Surveillance System (BRFSS) is an annual survey of the population that reaches approximately 2,000 Oregon adult householders each year. The survey is administered across the entire year. Summary data from the BRFSS can be found at http://www.cdc.gov/brfss. The working-age uninsurance rate excludes Oregonians 65 and over as well as those under 18.

[8] While there are slight differences between the surveys, the health insurance coverage questions asked in the BRFSS and the OPS are comparable. Both ask about current health insurance coverage. The key difference between the two is at what point during the year they are asked. The BRFSS is conducted through the year, while the OPS is typically conducted during a period in the spring and summer months. Relatively high levels of seasonal employment in Oregon could lead to systematic differences in the responses to the BRFSS and OPS data. Both surveys suffer from being telephone-only surveys.

[9] Number of uninsured calculated by OCPP. Uninsurance rate from OPS is multiplied by DAS state population estimates of the 18 to 64 year old population.

[10] See Holahan, John and Mary Beth Pohl, "Changes in Insurance Coverage: 1994-2000 and Beyond," *Health Affairs*, April 2002.

[11] Discussed in *Oregon Labor Trends*, July 2000.

[12] *Workforce 2000: An Oregon Employer Perspective*, Oregon Employment Department, page 48.

[13] The health insurance question asked by the Census Bureau in its March Current Population Survey asks about health care coverage over the previous year.

[14] Data from Employee Benefits Research Institute (EBRI) annual analysis of March CPS data.

[15] *Oregon Labor Trends*, July 2000.

[16] Families USA projected that 1.1 million newly unemployed workers lost their health insurance. Including their dependents, Families USA projected that 2.2 million people lost health care coverage in 2001. Available at http://www.familiesusa.org/media/press/2002/insurance_loss.htm.

[17] Between December 2000 and December 2001, the number of unemployed in the US grew from 5.7 million to 8.3 million. Unemployment in Oregon rose from 71,100 to 134,300. Oregon's share of the increase in unemployment over this period was 2.4 percent. Applying Oregon's share of job loss to the Families USA estimates for insurance loss, leaves Oregon with 53,700 losing health care coverage in 2001.

[18] OCPP analysis of BRFSS various years.

[19] Holahan, John and Bowen Garrett, *Rising Unemployment and Medicaid,* Urban Institute, October 16, 2001. Several studies covering the 1990s found that the unemployment rate elasticity of Medicaid enrollment for non-disabled adults was approximately 0.2. In other words, all else equal, a one percent increase (not percentage point) in the unemployment rate will result in a 0.2 percent change in Medicaid enrollment.

[20] Almost 12,000 of the increase are attributable to "new eligibles," those poor and low income individuals who are not aged, blind or disabled, and do not receive cash assistance. "New eligibles" made up 85,698 of the OHP cases in March 2001, and 97,511 of the cases in July 2002. As discussed in Leachman, Michael and Charles Sheketoff, *Oregon's Shrinking Safety Net: Welfare's Decreasing Role in Meeting the Needs of Families With Dependent Children During Recessions*, OCPP, 2002. Available at http://www.ocpp.org/2002/es020429.htm. Oregon's cash assistance system has not responded well to the recession and layoffs. To the extent it has responded, the families receiving cash assistance also receive Medicaid because they are "categorically eligible", i.e. they are not counted as "new eligibles."

[21] These measures are discussed in greater detail in OCPP, *Prosperity in Perspective*, September 2000, page 21. Available at http://www.ocpp.org/2000/es20000904.htm.

[22] Annual Increases in Employer-based Insurance Premiums for all and large firms are from the Center for Studying Health System Change, Data Bulletin Number 21 Revised, September 2001, available at http://www.hschange.org. Increases for small firms are from the Employee Benefit Research Institute Issue Brief 240, "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2001 Current Population Survey," by Paul Fronstin, December 2001.

[23] Gabel, J., et.al. "Job-Based Health Insurance In 2001: Inflation Hits Double Digits, Managed Care Retreats." *Health Affairs*. 20. 5 (September/October 2001), pages 180-186.

[24] See, e.g., Trude, S, et. al. "Employer-Sponsored Health Insurance: Pressing Problems, Incremental Changes." *Health Affairs*. 21. 1 (January/February 2002), pages 66-75.

[25] Employee contribution requirements for workers in large and medium companies is from the Bureau of Labor Statistics Employee Benefits Survey, available at http://www.bls.gov/ncs/ebs/.

[26] Many workers have to pay for the entire amount of their "employer-sponsored" health insurance. Research presented in the *New England Journal of Medicine* showed that in 1996, nearly 8 percent of Americans receiving health insurance through a private-sector employer paid for the entire amount, with no support from the employer. O. Carrasquillo, O. et. al., "A Reappraisal of Private Employers' Role in Providing Health Insurance," *New England Journal of Medicine, January 14, 1999.*

[27] Results of 1999 National Compensation Survey. Available at http://www.bls.gov/ncs/ebs/.

[28] Results of 2000 National Compensation Survey. Available at http://www.bls.gov/ncs/ebs/.

[29] The Consumer Expenditure Survey (CES) is conducted by the Bureau of Labor Statistics. Results are available at http://www.bls.gov/cex/. "Households" in the CES data are actually "consumer units" which includes individuals, households, and families.

[30] Thorpe, Kenneth and Curtis Florence, "Why are Workers Uninsured?" March/April, 1999; Budetti et. al. "Can't Afford to Get Sick: A Reality for Millions of Working Americans," Commonwealth Fund, September 1999.

[31] Findlay, Steven and Joel Miller, *Down a Dangerous Path: The Erosion of Health Insurance Coverage in the United States*, May 1999, National Coalition on Health Care. Available at http://www.nchc.org/1999PolicyStudies/DownADangerousPath.html. Page 20, Note 54.

[32] The employer-sponsored insurance take-up is thought to be somewhat price inelastic (resistant to changing with prices) to premium changes in the short-term. Employees will generally absorb much of the increase in premium share from year to year, however, an increase in premium share does tend to keep more vulnerable employees from taking-up employer offers of health insurance. Sustained cost increases will force employees and employers to find less expensive, less comprehensive, alternatives or drop insurance altogether.

[33] Data from the National Employer Health Insurance Survey (NEHIS) from 1993 is available at http://www.cdc.gov/nchs/products/pubs/pubd/other/miscpub/nehisrev.htm. Data from the Medical Expenditure Panel Survey, Health Insurance Component (MEPS) is available at http://www.meps.ahrq.gov.

[34] Heffler, S., et. al., "Inflation Spurs Health Spending In 2000." *Health Affairs*. 21.1. Jan/Feb 2002.

[35] Heffler, S., et. al.., "Health Spending Growth up in 1999; Faster Growth Expected in the Future." *Health Affairs*. 20.2. March/April 2001. As the cost effectiveness of managed care became apparent, more and more employees were enrolled in managed care plans. Moving employees from high cost plans to lower cost plans slowed the overall growth in spending on health care. Now however, the national rate of managed care enrollment reached 93%. The cost control effect of shifting employees to managed care plans has stopped because most employees are already in the lower cost plans. Supporting data can be found at http://www.kff.org/content/2002/3161/marketplace2002_finalc.pdf.

CHAPTER 6

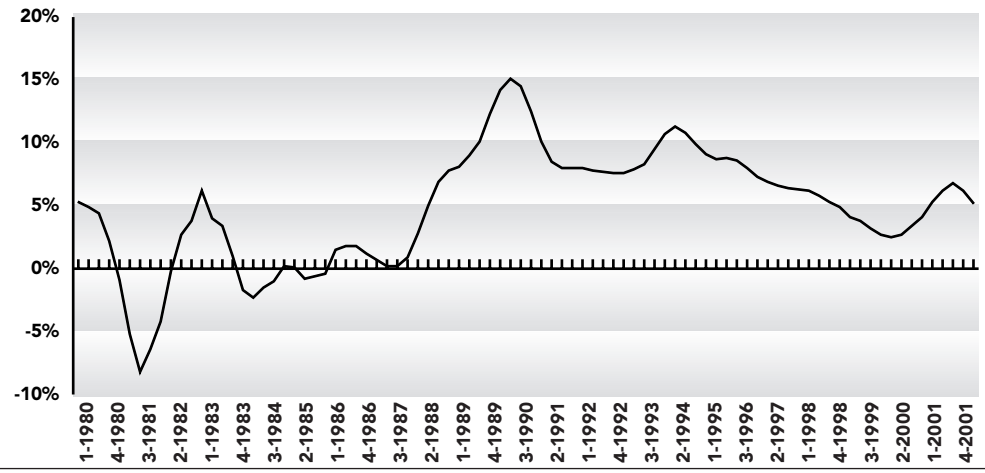
Housing

Housing affordability is an important barometer of workers' well-being. Unfortunately for working people in Oregon, homeownership grew less affordable over the 1990s, as home prices increased more rapidly than incomes. Although rents rose less rapidly than single-family home prices, the portion of renters in Oregon who were heavily burdened by housing costs grew over the decade.

Single-Family Home Prices

Home prices in Oregon were stagnant over most of the 1980s, hit hard by the early-1980s' recession and the ensuing population loss **(Figure 6.1)**.[1] This situation began to change by the late 1980s. Economic expansion and rapid population growth drove up property values. While Oregon's economy slowed only briefly during the recession of the early 1990s, California experienced hard times associated with cutbacks in the defense industry. California's continued recession and Oregon's mid-1990s high-tech boom brought a flood of relatively affluent job seekers to the state. This rapid in-flux of homebuyers pushed home prices higher.[2]

FIGURE 6.1 **Oregon single-family home price change** (3-quarter moving average)



Source: OCPP analysis of OFHEO data. Price change is percent change in OFHEO Housing Price index from same quarter in previous year.

Annual price appreciation for single-family homes went as high as 15 percent and hovered around 10 percent during the first half of the 1990s.

TABLE 6.1 Median sale price of existing single-family homes

					Average annual % change		
	1990	1996	1999	2001	90-96	96-99	99-01
United States	$95,500	$118,200	$133,300	$147,800	4%	4%	5%
Western Region	$139,600	$152,900	$173,900	$194,500	2%	4%	6%
Eugene/Springfield	$66,600	$116,200	$129,500	$134,600	10%	4%	2%
Portland	$79,500	$141,500	$165,000	$172,300	10%	5%	2%
Portland as share of US	83%	120%	124%	117%			
Eugene as share of US	70%	98%	97%	91%			

Source: OCPP analysis of NAR data.

The median sale price of single-family homes in both the Portland and Eugene areas grew dramatically between 1990 and 1996.

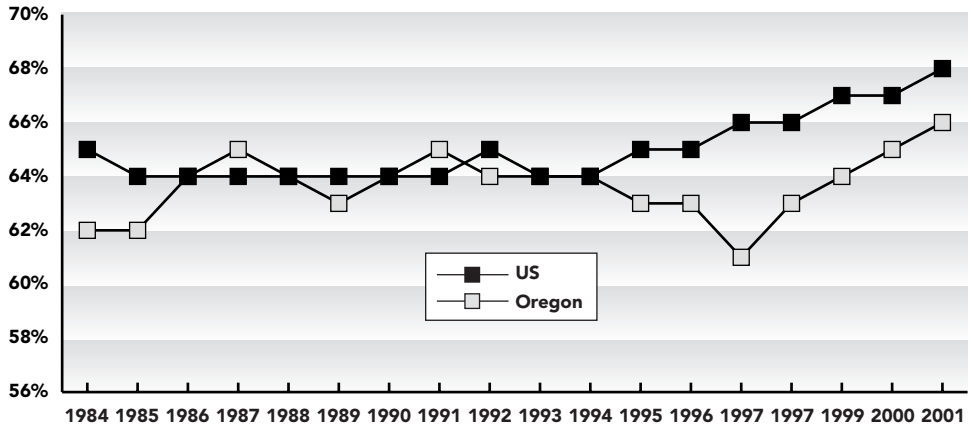
To the dismay of many potential home buyers and the joy of home sellers, annual price appreciation for single-family homes went as high as 15 percent and hovered around 10 percent during the first half of the 1990s. Over the last several years, home price inflation began to slow, although it still rose six percent in 2001. Data collected by the National Association of Realtors (NAR) confirm that this trend can be seen in different housing markets within Oregon.[3]

The median sale price of single-family homes in both the Portland and Eugene areas grew dramatically between 1990 and 1996 **(Table 6.1)**.[4] The Portland-area median single-family home sale price was under $80,000 in 1990, but rose to more than $141,000 by 1996, a 78 percent increase. Over the same period, home prices in the Eugene area grew by 74 percent. These increases outpaced both the rest of the country and the combined Western states. In 1990, the typical existing single-family home in Portland sold for 83 percent of the US median. By 1996, the typical Portland home sold for 120 percent of the US median.

Starting in the mid-1990s, however, single-family home price appreciation slowed, falling back in line with the rest of the country and with other Western states. A 2002 study by economist Anthony Downs demonstrates that Portland's housing price growth exceeded gains in other metropolitan areas only from 1990 into 1994 or 1996.[5]

The average annual price increase between 1996 and 1999 was five percent in Portland and four percent in Eugene, equal to the annual growth rates of the region and the country as a whole. Between 1999 and 2001, inflation in the price of single-family homes in Portland and Eugene fell below the US and Western states' levels. Existing single-family home prices rose by 2 percent per year in Portland and Eugene, compared to five percent for the rest of the country. Despite very rapid growth in the 1990s, Oregon's single-family home prices remain below the average of Western states.

FIGURE 6.2 **Homeownership rates, Oregon vs US**



Source: OCPP presentation of US Census Bureau data.

Starting in 1995, Oregon's home ownership rate slipped behind the national average.

Affordability of Single-family Homes

The cost of housing remains a problem for many working Oregonians, particularly those in lower-income households. While residential real estate price appreciation may have fallen back to "normal" levels, housing inflation between the late-1980s and mid-1990s drove a wedge between income and housing prices that significantly altered housing affordability in Oregon.[6]

In 1989, housing in Oregon was relatively affordable, with a median single-family home price that was 2.1 times the state's median household income. At the time, Oregon was approximately the nation's 11th most affordable state. By the late 1990s, though, Oregon had fallen to about the nation's 42nd most affordable state, with home prices at 3.1 times the median income. Only 8 other states were less affordable than Oregon in 1997-99. Over the 1990s, no other state saw a more rapid decline in housing affordability than Oregon.

The rapid run-up in housing prices translated into more wealth for Oregon homeowners, while pushing some potential homebuyers out of the market. From the mid-1980s to the early 1990s, Oregon's homeownership rate held closely to the national rate **(Fig. 6.2)**. Starting in 1995, Oregon's rate slipped behind. The largest gap was seen in 1997 when 61 percent of Oregon households were owners, compared to a national rate of 66 percent. While the gap has closed somewhat since 1997, Oregon households still appear slightly less likely to own their homes than those in the US as a whole.

The rising costs of homeownership in Oregon are reflected in the growing percentage of homeowners whose incomes are squeezed by their mortgages and other home costs. In 1989, 13 percent of Oregon homeowners paid more than 35 percent of their monthly income in mortgage payments, taxes, insurance, utilities,

TABLE 6.2 **Median household income as a percent of median single family home value**

State	Median household income, 1999	Median home value, 2000	Income as a percent of home value
CA	$47,493	$211,500	22%
OR	$40,916	$152,100	27%
WA	$45,776	$168,300	27%
CO	$47,203	$166,600	28%
UT	$45,726	$146,100	31%
NV	$44,581	$142,000	31%
MT	$33,024	$99,500	33%
ID	$37,572	$106,300	35%

Source: OCPP analysis of 2000 Census data.

Despite the rising costs of homeownership, Oregon's single-family home affordability is in line with other Western states.

and fees.[7] Ten years later, 18 percent of homeowners were paying more than 35 percent of their income in home costs.

Despite the rising costs of homeownership, Oregon's single-family home affordability is in line with other Western states. Even after a decade of rapid housing price growth in Oregon, California remained much less affordable. California's median household income in 1999 was 22 percent of its median single-family home price in 2000. The corresponding figure for Oregon was 27 percent, the same as Washington's. Colorado's situation is very similar, with incomes at 28 percent of home values. Other inland Western states are somewhat more affordable **(Table 6.2)**.

Rental Housing Affordability

Rents rose over the 1990s in Oregon, but not as rapidly as housing prices. Oregon's median rent grew from $408 in 1990 to $620 in 2000 (not adjusted for inflation), a 52 percent increase.[8] Home values, by contrast, rose 128 percent over the same period.[9]

Oregon's rental market benefited from rapid rental housing construction in Portland's outer suburbs, especially in Washington County, and in the Bend area. Over the 1990s, Washington County added more than 20,000 rental units, an increase of 44 percent **(Table 6.3)**. In Deschutes County, where Bend is located, the number of rental units increased by 51 percent over the decade.

In other parts of the state, the supply of rental units did not grow as quickly or even declined. The city of Portland added 13 percent more rental units over the 1990s, slower than the statewide figure of 18 percent, while the suburbs closest to the city

TABLE 6.3 **Percent change in rental units, by region in Oregon, 1990 to 2000**

Region	Percent change
Portland area	21%
City of Portland	13%
Multnomah County, excluding Portland	-9%
Multnomah County, including Portland	9%
Washington County	44%
Clackamas County	28%
Oregon Coast	12%
Willamette Valley	16%
Southern Oregon	19%
Central Oregon	23%
Eastern Oregon	7%

Source: OCPP analysis of Decennial Census data.

Oregon's rental market benefited from rapid rental housing construction in Washington County and in the Bend area.

saw a decline in the number of rental units. The number of rental units in Multnomah County, excluding Portland, declined nine percent.[10] When Portland is included in Multnomah County, the gain was a modest 9 percent. Four sparsely populated counties in Eastern and Central Oregon – Grant, Harney, Sherman, and Wasco – also saw declines in rental units, though no decline in these counties was more than two percent.

Although rents increased less rapidly than home values over the 1990s, housing costs are more likely to squeeze the budgets of renters than homeowners. According to the 2000 Census, 34 percent of renters in Oregon pay more than 35 percent of their income in rent. By contrast, 18 percent of homeowners pay basic ownership costs that high compared to their incomes.

Renters in some parts of the state are especially likely to be stretched by the cost of housing. Renters in the Willamette Valley are most likely to face high rents relative to their incomes, while renters in Eastern Oregon are least likely **(Table 6.4)**.

A remarkable 44 percent of all renters in Benton County pay more than 35 percent of their income to rent. The percentage of renters paying high portions of their income to rent in Lane County is 41 percent, and it's 39 percent in Linn and Josephine counties.

Statewide, the percentage of renters paying high portions of their income to rent grew over the 1990s, from 31 to 34 percent. For some 150,000 Oregon renters in 2000, the basic cost of shelter absorbed over 35 percent of their income.

TABLE 6.4 **Percent of renters paying more than 35 percent of their income in rent**

Region	Percent, 1990	Percent, 2000	Change in percent
Portland area	29%	32%	10%
Multnomah County	19%	34%	84%
Washington County	34%	29%	-15%
Oregon Coast	30%	35%	15%
Willamette Valley	35%	38%	8%
Southern Oregon	34%	36%	6%
Central Oregon	29%	33%	14%
Eastern Oregon	27%	28%	4%

Source: OCPP analysis of 1990 and 2000 Census data.
Note: Income data is for previous year (1989 & 1999), while rent data is for 1990 & 2000.

For some 150,000 Oregon renters in 2000, the basic cost of shelter absorbed over 35 percent of their income.

The portion of renters paying high portions of their income in rent grew in every Oregon region. Along the Oregon Coast, the percentage of renters facing high rents relative to their incomes rose over the decade by 15 percent, the most rapid increase of any region. Clatsop County saw a particularly rapid growth in its percentage of cost-burdened renters, from 16 percent in 1990 to 35 percent in 2000. The percentage also rose rapidly in Coos and Lincoln counties. Similarly, renters in Central Oregon, especially those in Sherman, Klamath, Gilliam, and Deschutes counties, were increasingly more likely to be rent-burdened over the 1990s.

In Multnomah County, the percentage of renters paying more than 35 percent of their income in rent nearly doubled, from 19 percent in 1990 to 34 percent in 2000, as the number of rental units grew slowly and neighborhoods near Portland's downtown gentrified. On the other hand, Washington County's rapid rental housing construction helped produce a decline in the percentage of renters in the county paying more than 35 percent of their income to rent, from 34 percent to 29 percent.

Within the Portland region, median rents grew most rapidly on the region's outer fringes. Columbia County's median rent rose 66 percent over the 1990s, while Yamhill County's median rent grew 60 percent, faster than the more populous metropolitan counties of Multnomah (56 percent), Clackamas (49 percent), and Washington (47 percent).[11] The fringe counties also added expensive rental property more rapidly than the populous metro counties. The number of rental units in Yamhill County renting for $1,000 or more grew by 991 percent (nearly 10 times) over the 1990s **(Table 6.5)**. Columbia County had no rental units renting for $1,000 or more in 1990, but 241 a decade later. The growth in expensive rentals was also strong in Multnomah County.

TABLE 6.5 **Change in the number of rental units from 1990 to 2000, by rent amount, Portland area counties**

	Change in number of rental units			Percentage change		
County	**Less than $500**	**$500-$1000**	**$1000+**	**Less than $500**	**$500-$1000**	**$1000+**
Clackamas	-11,128	13,925	4,670	-70%	130%	472%
Columbia	-1,552	1,648	241	-56%	425%	Increase from zero
Multnomah	-51,490	48,270	11,577	-66%	181%	958%
Washington	-18,859	29,307	9,065	-78%	150%	633%
Yamhill	-3,238	4,197	565	-63%	340%	991%
▸REGION	**-86,267**	**97,347**	**26,118**	**-69%**	**166%**	**709%**

Source: OCPP analysis of 1990 and 2000 Decennial Census data.

As rents rose, all counties in the Portland region lost substantial numbers of units renting for under $500.

As rents rose, all counties in the Portland region lost substantial numbers of units renting for under $500. In total, the region lost over 86,000 units renting under $500, a 69 percent decline. Of course, incomes also rose over the decade, helping offset rising rents.

For some families in Oregon, rent burdens are extreme. The Oregon office of the federal Department of Housing and Urban Development (HUD) reported a substantial growth in "unmet housing needs" across the 1990s.[12] HUD estimates that in 1990 there were 63,556 Oregon households, representing over five percent of the state's population, with "extreme housing needs," paying more than 50 percent of their income in rent.[13] By 1999, 78,207 households were paying more than 50 percent of their income in rent. While Oregon's population grew by 16 percent between 1990 and 1999, the number of households paying more than half of their income for housing expanded by 23 percent, indicating a growing share of households with extreme housing needs.[14]

Although single-family home prices grew less affordable over the decade, and rents burdened a higher portion of renters, there is some evidence that the future of housing affordability may not be so bleak. The forces that fueled rapid real estate inflation in the 1990s, rapid population growth and a strong dose of housing speculation, seem to have played themselves out.[15] Population growth and housing inflation in Oregon both slowed toward the end of the 1990s. If Oregon can rise to the post-recession challenge and produce incomes that make up some lost ground, housing will become more affordable for Oregon's working families.

[1] Housing price data are from the Office of Federal Housing Enterprise Oversight (OFHEO). Prices are calculated from the FANNIE/FREDDIE database of home sales/refinancing. The OFHEO database includes over 12.5 million transactions, making it the most comprehensive source for housing price changes. The OFHEO price index, however, covers only conventional mortgages, excluding HFA and VA financed mortgages. The index also covers only "conforming" mortgages, which means that it excludes expensive homes. The conforming limit, which changes regularly, was $300,700 for single-family homes in 2002. OFHEO housing price data available at http://www.ofheo.gov/house/.

[2] *1999 Oregon In-Migrant Study*, Oregon Employment Department (OED). The OED estimates that 43 percent of in-migrants to Oregon were from California in 1992. By 1998, 33 percent of in-migrants were Californians.

[3] National Association of Realtors data available at www.nar.org. NAR data are for the median sale price of listed homes. Homes that do not sell through brokers are not included. *Oregon Housing Costs Study,* commissioned by the Committee to Study Housing Affordability, conducted by the consulting firm Bay Area Economics and available from the Oregon Building Industry Association.

[4] 1990 is the first year for this data series.

[5] Downs, Anthony. "Have Housing Prices Risen Faster in Portland than Elsewhere?" *Housing Policy Debate,* Volume 13, Issue 1.

[6] OCPP analysis of 1990 Decennial Census, OFHEO, and March Current Population Survey data.

[7] Decennial Census data for Oregon.

[8] Rent data are from the 1990 and 2000 Census.

[9] According to the 1990 Census, the median home value in 1990 was $66,600. By 2000, according to the 2000 Census, Oregon's median home was valued at $152,100.

[10] The county, excluding Portland, lost 1,800 rental units. OCPP analysis of 1990 and 2000 Decennial Census data for Oregon.

[11] Decennial Census data for Oregon.

[12] *Unmet Rental Housing Need*, Housing and Urban Development (Portland Office), 2000.

[13] According to the Portland HUD, the average household is assumed to have 2.4 persons. Number of households is multiplied by average persons per household and then divided by the total state population to obtain the "share of state population with extreme housing needs."

[14] According to the Center for Population Research at Portland State University, Oregon's population was 2,842,321 in 1990 and 3,300,800 in 1999.

[15] Goodstein, Eban and Justin Phillips, "Growth Management and Housing Prices: the Case of Portland, Oregon," *Contemporary Economic Policy*, July 2000.

CHAPTER 7

Poverty and Hunger Despite Work

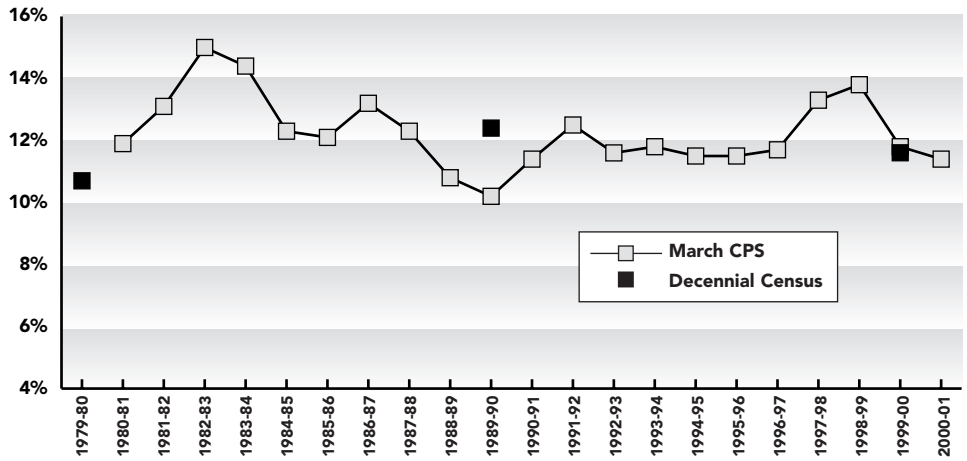
Many people assume that those who work are not poor, and that the poor do not work. Neither of these assumptions is true. Even at the peak of Oregon's economic expansion, thousands of working families remained poor, and Oregon had more poor than ever in its history. While poverty declined in the final years of the expansion, it ended the decade only slightly lower than the level from the late 1980s. The 2001 recession and ensuing period of slow growth can only be expected to worsen poverty in the state.

Poverty in Oregon

The economic boom of the 1990s did not affect poverty much in Oregon, nor did the landmark welfare reform begun mid-decade.

The economic boom of the 1990s did not affect poverty much in Oregon, nor did the landmark welfare reform begun mid-decade. In 1999, Oregon's poverty rate was 11.6 percent, down only slightly from the 12.4 percent rate in 1989, and still above the 10.7 percent rate of 1979 **(Figure 7.1)**. Decennial census data suggest that 31 other states saw declines in their poverty rates from 1979 to 1999. After the early 1980s recession ended in Oregon, poverty rates fluctuated between 10 and 14

FIGURE 7.1 **Poverty rate in Oregon**



Note: Decennial Census data provide poverty rates for 1979, 1989, and 1999. March Current Population Survey (CPS) data are 2-year averages.

TABLE 7.1 Oregon poverty rates by region

	Poverty rate	Poverty rate - persons under 18
▸STATEWIDE	11.6%	14.7%
Portland area	9.5%	11.6%
Oregon Coast	13.6%	18.8%
Willamette Valley	13.5%	16.7%
Southern Oregon	13.2%	18.1%
Central Oregon	12.5%	16.6%
Eastern Oregon	14.2%	18.8%

Source: OCPP analysis of 2000 Census data

In 1999 Eastern Oregon had the state's highest regional poverty rate, at 14.2 percent. The poverty rate is lowest in the Portland area at 9.5 percent.

percent up through the end of the 1990s expansion.

The improvement in poverty at the tail end of the last decade, when poverty declined from 13.8 percent in 1998-99 to 11.8 percent in 1999-00, appears to have been halted by the 2001 recession. The most recent Census Bureau data show that poverty in Oregon was 11.4 percent in 2000-01, unchanged from 1999-00.

Regional differences

Oregonians living in certain parts of the state are more likely to be poor than those living in other regions. In 1999, Eastern Oregon had the state's highest regional poverty rate, at 14.2 percent **(Table 7.1)**. Malheur County, in the state's southeastern corner, holds the highest poverty rate among counties in Oregon, at nearly 19 percent **(Table 7.2)**. The overall poverty rate is also high (above 15 percent) in counties scattered around Central and Southern Oregon and the Oregon Coast – in Klamath, Lake, Wheeler, Coos, and Josephine counties.

The poverty rate is lowest in the Portland area at 9.5 percent, but is substantially higher in Multnomah County (12.7 percent), which includes Portland, than in the suburban counties. Clackamas County, in the southern part of the Portland metro region, had the state's lowest poverty rate in 1999 at 6.6 percent. Even in Clackamas County, though, one in twelve children are poor.

Highest number of poor in history

While Oregon's statewide poverty rate did not improve much over the 1990s, the state's population grew rapidly. As a result, the total number of poor Oregonians increased over the decade. There were 389,000 poor Oregonians in 1999, a jump of 44,000 from ten years earlier **(Figure 7.2)**. Hence, at the end of a decade of rapid economic growth, more Oregonians could not meet their most basic needs. The

TABLE 7.2 **Oregon poverty rate by county, 1999**

County	Total population	Number of poor	Poverty rate
Baker	16,741	2,407	14.7%
Benton	78,153	10,665	14.6%
Clackamas	338,391	21,969	6.6%
Clatsop	35,630	4,625	13.2%
Columbia	43,560	3,910	9.1%
Coos	62,779	9,257	15.0%
Crook	19,182	2,128	11.3%
Curry	21,137	2,554	12.2%
Deschutes	115,367	10,613	9.3%
Douglas	100,399	12,999	13.1%
Gilliam	1,915	173	9.1%
Grant	7,935	1,069	13.7%
Harney	7,609	875	11.8%
Hood River	20,411	2,845	14.2%
Jackson	181,269	22,269	12.5%
Jefferson	19,009	2,747	14.6%
Josephine	75,726	11,193	15.0%
Klamath	63,775	10,515	16.8%
Lake	7,422	1,184	16.1%
Lane	322,959	45,423	14.4%
Lincoln	44,479	6,084	13.9%
Linn	103,069	11,618	11.4%
Malheur	31,615	5,265	18.6%
Marion	284,834	37,104	13.5%
Morrow	10,995	1,617	14.8%
Multnomah	660,486	81,711	12.7%
Polk	62,380	6,943	11.5%
Sherman	1,934	280	14.6%
Tillamook	24,262	2,718	11.4%
Umatilla	70,548	8,524	12.7%
Union	24,530	3,281	13.8%
Wallowa	7,226	1,002	14.0%
Wasco	23,791	3,023	12.9%
Washington	445,342	32,575	7.4%
Wheeler	1,547	239	15.6%
Yamhill	84,992	7,336	9.2%
Oregon	3,421,399	388,740	11.6%

Source: OCPP presentation of 2000 Census data.
Note: The poverty rate is calculated based on the total number of people for whom poverty status was determined by the Census Bureau. In all counties, this number is slightly smaller than the total population. For this reason, one cannot divide the total population figures above by the total number of poor people to get the poverty rate.

What is the "poverty line"?

When people talk about the "federal poverty level," or "federal poverty line," they are usually referring to the "federal poverty income guidelines" issued by the U.S. Department of Health and Human Services early each year. The guidelines establish the poverty level by family size, are adjusted annually for inflation, and are the same for the 48 contiguous states and the District of Columbia. State and federal agencies use the guidelines to establish eligibility limits for a variety of government programs for poor and low income Oregonians, including the Oregon Health Plan (Medicaid).

Researchers, including the OCPP, generally use the more detailed "poverty thresholds" established by the Census Bureau at the end of each year. In this report, each family's income in a given year is compared with the poverty threshold for that year for a family of that size.

Some critics point out that the poverty guidelines and thresholds do not include the value of in-kind government benefits such as food stamps, or the effect of taxes, such as payroll taxes or the Earned Income Credit, on family incomes. They argue that many low-income people receive these benefits and thus the federal poverty line overstates the amount of poverty. However, the federal poverty line is based on out-of-date assumptions about the costs of living that cause the measure to underestimate poverty overall.

The original poverty threshold was formulated in the 1960s using a survey conducted of American families in 1955. Most survey respondents at the time had one wage-earner and a spouse who did not work for pay. These families were spending about one-third of their income on food, so researchers set the poverty line at three times the cost of a minimal food budget. Forty-five years later, spending patterns have

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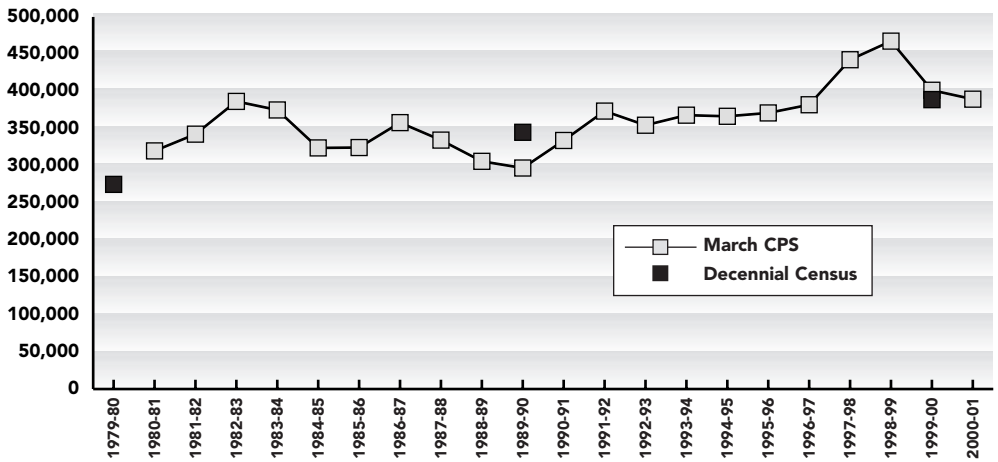
FIGURE 7.2 **Number of Poor Oregonians**



Note: Decennial Census data provide poverty rates for 1979, 1989, and 1999. March Current Population Survey (CPS) data are 2-year averages.

There were 389,000 poor Oregonians in 1999, a jump of 44,000 from ten years earlier.

▶ continued from previous page

Federal poverty income guidelines for 2002 for the 48 contiguous states and the District of Columbia

Number in family	Gross yearly income	Gross monthly income
1	$8,860	$738
2	$11,940	$995
3	$15,020	$1,252
4	$18,100	$1,508
5	$21,180	$1,765
6	$24,260	$2,022
7	$27,340	$2,278
8	$30,420	$2,535
Over 8 add for each child	+$3,080	+$257

Source: Federal Register v.67 n.31, 2/14/2000, pages 6931-6933.
Monthly data calculated by the OCPP and is rounded to the nearest dollar.

changed in America. Families no longer spend one-third of their income on food and two-thirds on other basic needs. Furthermore, expenses most families now regard as crucial elements of their household budget are simply excluded from consideration in the poverty calculation. The increased costs of child care, commuting, housing, and work-related expenses have a greater impact on family budgets than was true in 1955. These additional basic expenses mean that more money is required to maintain the same standard of living in today's world. The poverty measure ignores these factors, and underestimates poverty as a result.

state's anti-poverty efforts, dominated by a welfare program that was "reformed" mid-decade, failed to deliver during the best of economic times. The recession put upward pressure on the number of poor, further testing Oregon's weakened safety net.[1]

Poverty Despite Work

Work is not enough for thousands of Oregon families to escape poverty. Over the last 20 years, working families with children in Oregon have become more likely to find themselves working but still poor. In 1999-00, there were 57,200 poor families with children in Oregon. In 82 percent of these families, the parents worked more than 13 weeks during the previous year **(Table 7.3)**. On average, the parents in these families worked 44 weeks of the previous year, but still did not make enough income to rise above the poverty line.

Some working families fall into poverty each year because they lose their jobs during the year or are unable to find enough, or adequately paid, work. Others,

TABLE 7.3 **Poverty despite work among Oregon families with children, 1999-00**

	Number	Number who were poor	Percent who were poor*
Families (with children) working more than 13 weeks per year	421,900	46,800	11%
Full-time working families with children	248,000	16,800	7%

	Number	Percent*
Poor families with children	57,200	-
Working more than 13 weeks per year	46,800	82%
Working full-time, year-round	16,800	29%

Source: OCPP analysis of CPS data.
* Percentages are based on actual figures, while numbers in this table have been rounded.
Note: The annual work effort of both parents in two-parent families is added to determine the family's annual work effort. Families in which all adults were ill, disabled, or retired were not included in the analysis.

In 1999-00, seven percent of full-time working families in Oregon – one in fourteen – were poor, despite their full-time work effort.

though, work full-time, year-round and still cannot earn enough to escape poverty. In 1999-00, seven percent of full-time working families with children in Oregon – one out of fourteen – were poor, despite their full-time work effort.[2]

Welfare Reform and Poverty Despite Work

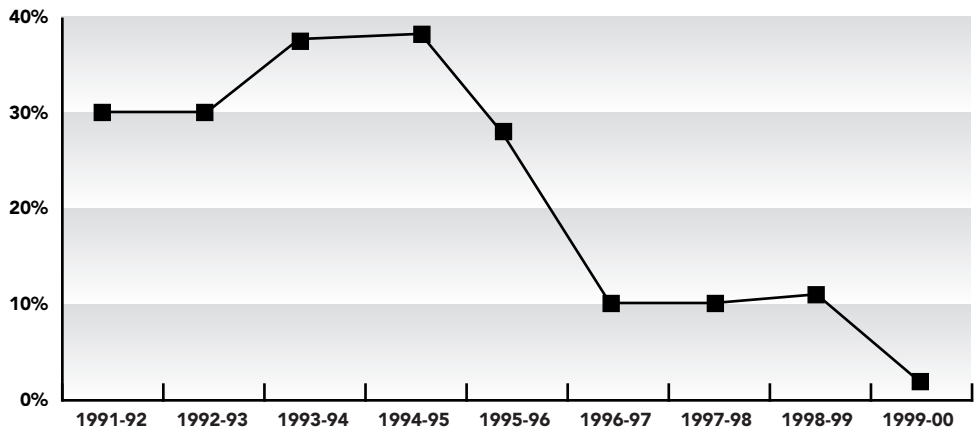
Poor families are often stereotyped as recipients of welfare and other public assistance. In truth, very few of Oregon's poor families with children get most of their annual income from public cash benefits. In 1999-00, just 3.6 percent of poor families with children in Oregon received the majority of their income from public assistance.[3] Compared to their counterparts nationally, Oregon's poor families with children are particularly unlikely to get most of their income from public cash supports. Nationally, in 1997-99, the figure was 17 percent.[4]

Welfare reform in Oregon undoubtedly had an impact on the number of families who receive most of their income from public assistance. Even before welfare reform, only 36.7 percent of poor families with children in Oregon received the majority of their income from public assistance. After welfare reform, however, the percentage plummeted, reaching 3.6 percent in 1999-00 **(Figure 7.3)**.

There has been a significant decline in the number of Oregonians receiving cash assistance from the welfare program, Temporary Assistance for Needy Families (TANF). By June 2002, a year and a half into Oregon's current economic downturn, the welfare caseloads remained down 64 percent from June 1993, prior to welfare reform.[5]

Oregon families have to be deeper in poverty today than ten years ago to receive TANF. In July 1991, the "gross income limit" (the limit before allowable deductions and exemptions) for a three-person family to receive TANF in Oregon was set at

FIGURE 7.3 **Percentage of poor Oregon families with children receiving the majority of their income in public assistance**



Source: OCPP analysis of March CPS data.

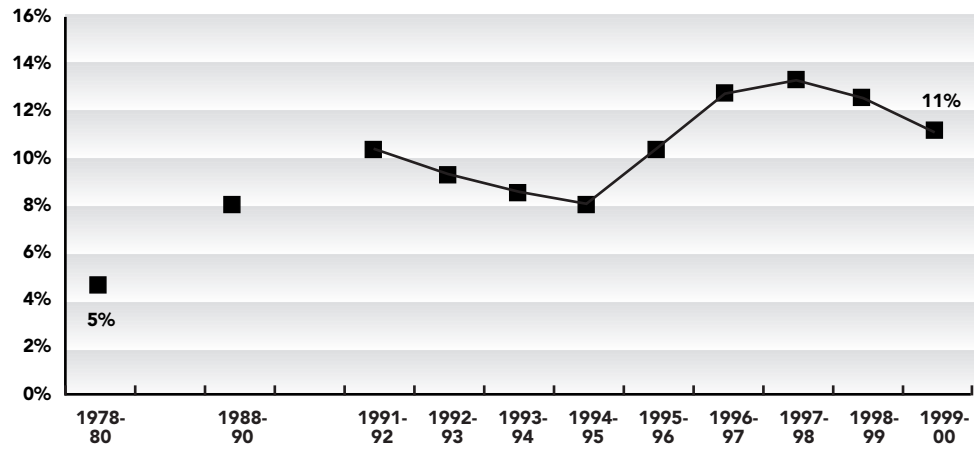
The percentage of poor families who receive most of their income from public assistance plummeted following welfare reform in the mid-1990s, reaching 3.6 percent in 1999-00.

$616 per month. This means that a three-person working family with income above 62 percent of the federal poverty guideline ($928 per month in 1991), or working 30 hours at minimum wage, was not eligible for welfare in 1991. Due in large part to budget constraints and priorities, and the related effort to reduce welfare caseloads under the rhetoric of welfare reform, the state has refused to raise the income limit since 1991. As a result, today a family has to be poorer and work fewer hours at minimum wage to be eligible for TANF. By 2002, the freeze shrank eligibility to 49 percent of the federal poverty level. Due to increases in the state's minimum wage, a three-person family working 22 hours at minimum wage is ineligible in 2002. Not surprisingly, given this fact, less than three percent of TANF cases have income from work.[6]

Oregon's welfare reform experiment has focused on pushing recipients into the workforce, allowing few opportunities for job training or education that would lead to better paying jobs. This approach reduces the caseload, but it does not necessarily improve the general well-being of Oregon's poor families with children. Since the late 1970s, Oregon's poverty rate among working families with children more than doubled, rising from 5 percent in 1978-80 to 11 percent in 1999-00 **(Figure 7.4)**.[7] Much of the growth in this rate occurred in the mid-1990s, following welfare reform. The poverty rate among working families with children peaked in 1997-98 at 13.5 percent, and declined in the last years of the expansion.

With the onset of the 2001 recession, the recent declines in poverty among working families with kids are likely to stall, or to resume their long-term upward trend. National data suggest that woman-headed families were hard hit by the economic downturn of 2001, after making gains in the late 1990s. An increasing percentage of these women found work in the good economy of the late 1990s following welfare reform. Employment rates among women who maintain families jumped

FIGURE 7.4 | **Poverty rate among working families with children in Oregon**



Source: OCPP analysis of CPS. Data for 1978-80 and 1988-90 are from the Center on Budget and Policy Priorities.

Oregon's poverty rate among working families with children more than doubled, rising from 5 percent in 1978-80 to 11 percent in 1999-00.

from 59 percent in January 1996 to 66 percent in January 2000, and were still high in the spring of 2001. Then, employment rates plummeted as the recession hit, declining to less than 63 percent by September 2001.[8]

Nationally, former welfare recipients who entered the workforce were likely to be employed in industries that were particularly affected by the recession. For instance, personnel supply services and hotels lost substantial numbers of jobs between June and October 2001.[9] In addition, former welfare recipients were more likely to be among the first laid-off and less able to land a replacement job than during the booming economy of the 1990s.[10]

Hunger and Food Insecurity Among Workers and the Unemployed

When jobs disappeared during the recession, more of Oregon's poor were unable to find work. Some of these Oregonians were forced to go hungry at times because they did not have enough money for food. In 2001, the first year of the recession, at least 30 percent of Oregon's unemployed adults lived in homes considered "food insecure," meaning the household could not be sure it would meet its food needs without relying on emergency sources like food pantries.[11] During the first year of the recession, more than one in eight unemployed adults lived in homes where at least one person was forced to go hungry at times because there was not enough money for food.

Work is not necessarily a ticket to avoid food insecurity and hunger. Some Oregon adults who were working during the recession also struggled to eat at times. Among those adults who were employed when the survey was taken, at least 14 percent were living in food insecure households, and at least five percent were in homes where at

TABLE 7.4	Percent of Oregon adults living in food insecure households, or living in households with members going hungry, 2001	
	Employed	**Unemployed**
Food Insecure	**13.9%**	**30.2%**
Households with members going hungry	**4.7%**	**11.9%**

Note: "Employed" and "Unemployed reflects the adult's status at the time the survey was taken.
Source: OCPP analysis of 2001 BRFSS – Survey B.

Fourteen percent of employed adults were living in food insecure households in 2001.

least one person went hungry at times during the previous year **(Table 7.4)**.

The 1990s economic boom left too many workers still in poverty, hungry, and food insecure; prosperity passed them by. Oregon's strategy of promoting low-wage work through its welfare program assured that thousands of low-income Oregon parents could not take advantage of meaningful training or education that might have led to better paying employment. At the peak of the economic expansion in 1998-00, Oregon's hunger rate was likely the highest in the country. As Oregon exits the recession it will need an anti-poverty strategy as part of its economic development plan if these trends are to be reversed.

[1] As noted in Leachman, Michael and Charles Sheketoff, *Oregon's Shrinking Safety Net: Welfare's Decreasing Role in Meeting the Needs of Families With Dependent Children During Recessions*, Oregon Center for Public Policy, 2002. Available at http://www.ocpp.org/2002/es020429.htm, early indications are that the state's welfare program is failing to meet the recession's demands.

[2] As defined by the Census Bureau, full-time, year-round work means 50 or more weeks of work in a year for at least 35 hours per week. The figures mentioned here count married-couple families in which the combined work of both parents totaled 50 or more weeks at an average of 35 or more hours per week as having worked full-time, year-round.

[3] "Public assistance" is defined by the Census Bureau to include benefits from the Temporary Assistance for Needy Families program (formerly Aid to Families with Dependent Children), Supplemental Security Income, and General Assistance. In Oregon, General Assistance is not provided to families with children.

[4] Tenny, Daniel and Bob Zahradnik. *The Poverty Despite Work Handbook*, Third Edition. Center on Budget and Policy Priorities, August 2001, page 29. The corresponding figure for Oregon in 1997-99 was 9 percent.

[5] See discussion of the caseload reduction in Leachman, Michael and Charles Sheketoff, *op.cit.*.

[6] Monthly data on the number of TANF cases with earnings can be found in the most current Department of Human Services Public Assistance Data Charts available at http://www.afs.hr.state.or.us/papage.html.

[7] "Working" families with children are those in which parents worked a combined total of more than 13 weeks in the year. Some previous OCPP estimates have considered "working" families to be those who worked at least some during the year (including those who worked less than 13 weeks). In 1999-00, the poverty rate among families (with children) working at least some during the year was 11.6 percent.

[8] Bernstein, Jared. "Employment Rates of Women who Maintain Families, 1996-Sept 01," a chart provided to OCPP by the author.

[9] Boushey, Heather. *Last Hired, First Fired: Job Losses Plague Former TANF Recipients*, Economic Policy Institute Issue Brief 171, December 2001, pages 1-3.

[10] *ibid.*

[11] Figures are based on OCPP analysis of the Behavioral Risk Factors Surveillance System (BRFSS). The figures are "at least" as high as listed because the survey is known to underestimate the amount of food insecurity and hunger.

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