Oregon Center for Public Policy
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Executive Summary

September 5, 2005

Losing Ground:
Workers slipping back as the economy expands

by Michael Leachman

Oregon's economy is improving, but thousands of Oregon workers are still losing ground as the incomes of more fortunate Oregonians improve.

- Jobs have not caught up with population growth. While there were 32,100 more jobs in Oregon in July 2005 than in November 2000, the peak jobs month before the recession, there were also 161,400 more working-age Oregonians.

- In July 2005, there were 74 jobs for every 100 working-age Oregonians, compared to 79 jobs for every 100 working-age Oregonians in November 2000.

- The share of working-age Oregonians working or actively looking for work declined sharply last year, even as the economy picked up steam.

- One in five part-time workers in Oregon want full-time work but can't find it. This is the highest rate of any state in the country.

- Among Oregonians working a substantial number of hours as the economy recovered in 2004, nearly all the earnings growth went to the highest paid workers. Low-pay workers lost $93, mid-pay workers lost $79, and high-pay workers gained $1,261.

- In 2003-04, 22 percent of all Oregonians of working-age went without health insurance for a full year, up from 15.6 percent in 2000-01.

- The share of Oregon adults living in a home where someone went hungry at times is climbing even as the economy improves.

- As Oregon's economy grew, near-record levels of Oregonians filed for bankruptcy.

- The top one percent saw their real incomes increase by $32,500 in 2003, while the real income of the typical household slipped back, losing another $170.

- In every Oregon county but two the incomes of the top one percent of households at least doubled between 1980 and 2003, even after adjusting for inflation. In 14 Oregon counties, the top one percent saw their real average income more than triple.

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Oregon's economy is improving, but thousands of Oregon workers are still losing ground as the incomes of more fortunate Oregonians improve.

The latest economic data indicate that while Oregon's economy is growing, the benefits of growth are not reaching a large share of workers. A year after the OCPP released *In the Shadows of the Recovery*, our latest biennial report on Oregon's economy from the perspective of workers, the evidence shows that many Oregon workers and their families are missing out on the benefits of economic recovery.

A broad range of economic indicators shows that Oregon's economy is improving. For instance, the state has been adding jobs for most of the last two years.

However, real earnings for low- and mid-pay workers employed for substantial numbers of hours are actually declining, rather than improving with the economy. Partly as a result, the typical Oregon household has been losing income.

Oregon has not yet produced enough jobs to tighten the labor market sufficiently for employers to raise wages for most workers. Thousands of working-age Oregonians remain out of the labor force in part because the labor market is not as tight as before the downturn.

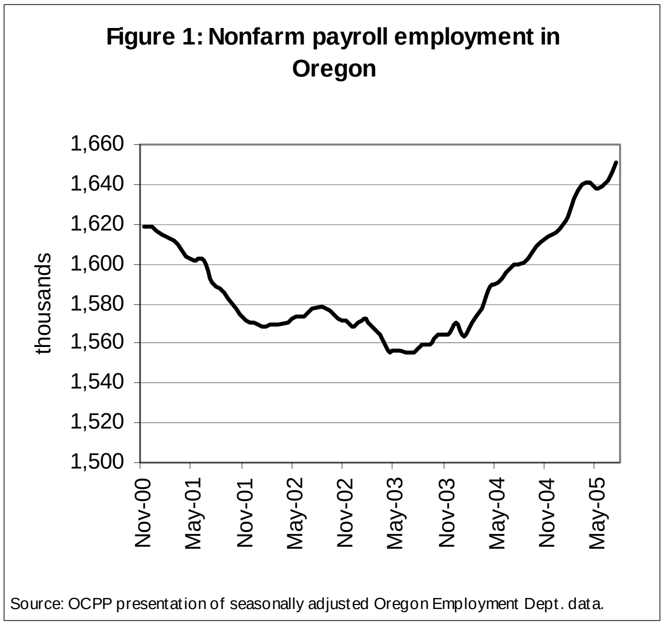
Of the jobs that are being created too many are part-time, a problem that has become particularly acute recently. Oregon leads the nation in the share of part-time workers who want full-time work, but cannot find it.

Many Oregon workers are losing ground as the economy expands. The share of Oregon adults living in homes with hunger is rising – even as the economy grows - and poverty has not budged. Oregonians continued to file for bankruptcy in droves through the first half of this year. Plus, the share of working-age Oregonians going without health insurance for a full year is rising.

The super-wealthy, by contrast, are again seeing their incomes expand more rapidly than those in all other income categories, as has been happening for most of the last generation. Since 1980, the gap between the richest one percent and middle-income families has widened - often by a lot - in every Oregon county but two.

Oregon's economy has been adding jobs the last two years

Over the last two years, jobs have finally returned to Oregon after three years of decline and stagnation.



Over the last two years, jobs have finally returned to Oregon after two and a half years of decline (Figure 1). In 2004, Oregon added 58,200 jobs, a pace that – at 2.9 percent – equaled the fourth most rapid percentage growth in the country last year. In 2005, the economy has continued to grow, although it hit a slow patch in the spring. Through July, Oregon has added 35,100 jobs in 2005, a 2.2 percent rate of growth compared to the 2.9 percent growth Oregon posted in 2004. Oregon employers added jobs at a strong clip in the first quarter, stalled out in the second quarter, and then posted solid gains in July.

Other measures of Oregon's economy also indicate improvement. Oregon's unemployment rate has fallen from 8.5 percent in July 2003 to 6.6 percent in July 2005.[1] Through the first seven months of 2005, mass layoffs involving 50 or more workers filing for unemployment for five straight weeks are down 25 percent compared to the same months last year. Help wanted ads in *The Oregonian* are up 22 percent in July 2005 compared to a year earlier. Gross State Product grew 6.8 percent in 2004, outpacing national economic output growth for the first time since 2000, the last year of the boom.

Although Oregon's economy is now growing, the length of the downturn was notable. In January 2005, the number of jobs in Oregon finally exceeded the number in November 2000, the peak of the boom years. That means it took 50 months, more than four years, for Oregon to restore the jobs lost to the downturn. The slow jobs recovery was more than twice as long as during the previous recession of the early 1990s, when it took just 20 months for Oregon to restore jobs lost to the downturn.

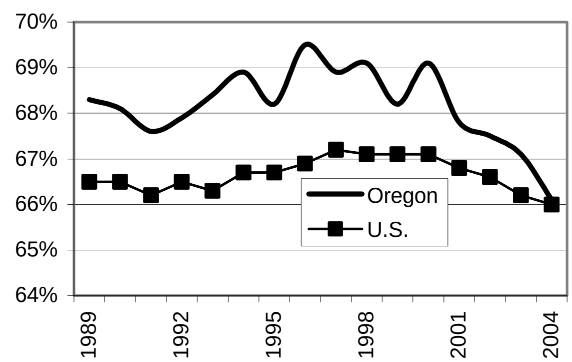
Oregon has yet to restore enough jobs to keep pace with the state's growing working-age population, even though the state has finally surpassed the number of jobs it had at the beginning of the jobs slide. While there were 32,100 more jobs in Oregon in July 2005 than in November 2000, when jobs began their decline, there were also 161,400 more working-age Oregonians. In November 2000, there were almost 79 jobs for every 100 working-age Oregonians, after adjusting for seasonal variations. In July 2005, there were just over 74 seasonally-adjusted jobs for every 100 working-age Oregonians.

Many Oregon workers remain out of the labor force

In 2004, even as Oregon added jobs more quickly than most other states, labor force participation in Oregon declined sharply.

Partly because Oregon's working-age population has grown more rapidly than jobs, many working-age Oregonians remain out of the labor force. These are students, stay-at-home parents, and other Oregonians who are unemployed but not looking for work.

Figure 2: Labor Force Participation Rate, Oregon v. US



Source: Economic Policy Institute analysis of Current Population Survey data.

Over the 1990s, Oregon's "labor force participation rate," the share of working-age Oregonians working or actively looking for work, consistently ran higher than the national rate. In 2000, the last year of the economic boom, 69 percent of working-age Oregonians were in the labor market, compared to 67 percent nationally.

Oregon's Unemployment Rate in Perspective

Oregon's unemployment rate in July 2005 – 6.6 percent – remained above the national rate of 5.0 percent. In fact, Oregon's rate has been above the national rate throughout the last five years. Workers in Oregon are having a harder time finding work than their counterparts nationally.

Oregon's annual average unemployment rate has been lower than the national rate in just five of the last 33 years. Oregon's relatively high rate is driven largely by factors that have little to do with how well the state economy is doing.[2]

One reason the state unemployment rate tends to be high is because Oregon's job base includes more seasonal jobs than the nation generally. Jobs in natural resources, agriculture, tourism, and construction all tend to be seasonal, leaving workers seeking employment during the off-season. Oregon has a higher share of these sorts of jobs than the nation generally, driving up the state's relative unemployment rate.

In addition, Oregon has tended to attract relatively large numbers of newcomers. Working-age people moving to Oregon need jobs, pushing up the relative unemployment rate.

Also, because it is a large state in size with many small isolated communities distant from population centers, Oregon's rural workers may have a harder time finding work than rural workers in smaller states with more concentrated populations.

Oregon's economy has also undergone substantial structural change in shifting its base from natural resources and manufacturing to high-tech and services.

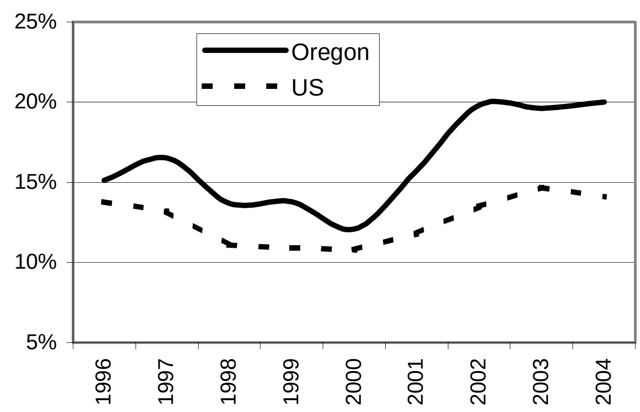
Oregon voters and policy makers should work to lower Oregon's unemployment rate. However, it is important to understand the context and reasons why Oregon's unemployment rate is high before making policy choices.

After the downturn hit, Oregon's labor force participation rate fell more sharply than the overall national rate. In 2004, even as Oregon added jobs more quickly than most other states, labor force participation in Oregon declined sharply. For the first time in at least fifteen years, Oregon's labor force participation rate only managed to equal the national rate of 66 percent (Figure 2).

Too many Oregon jobs are part-time

In 2004, a fifth of part-time workers in Oregon wanted full-time work but couldn't find it. This was the highest rate of any state in the country in 2004.

Figure 3: Percentage of part-time workers who want full-time work but can't find it



Source: OCPP analysis of Economic Policy Institute data.
Note: Universe is private-sector wage and salary workers age 18-64, who worked at least 20 hours per week and 26 weeks per year.

Oregon workers face a job market that contains too many part-time jobs. For at least the last decade, part-time jobs constituted a larger share of Oregon's jobs than of jobs nationally. Since the recession hit, though, the problem has become particularly acute.

Every year since at least 1994 (the first year for which comparable data are available), Oregon's workforce has included a larger portion of part-time workers than the nation generally. In 2004, 26 percent of Oregon workers were working part-time, while nationally the figure was 23 percent.

Oregon's part-time workforce also typically contains a higher share of workers who want to be working full-time, but are not able to find full-time employment. In the last half of the 1990s, the share of Oregon's part-time workforce working "involuntarily" part-time consistently hovered just above the national figure. Then, when the downturn struck in 2001, the figure shot up in Oregon, where it remained through 2004 despite the return of jobs that year. In 2004, one in five part-time workers in Oregon wanted full-time work but couldn't find it (Figure 3). This was the highest rate of any state in the country in 2004.

Jobs lacking health benefits more likely

The likelihood that Oregon workers will find jobs that offer health insurance has also been declining. After improving slightly during the economic boom of the 1990s, the share of Oregon workers with employer-provided health coverage declined sharply after the downturn hit amidst rapidly rising health care costs.

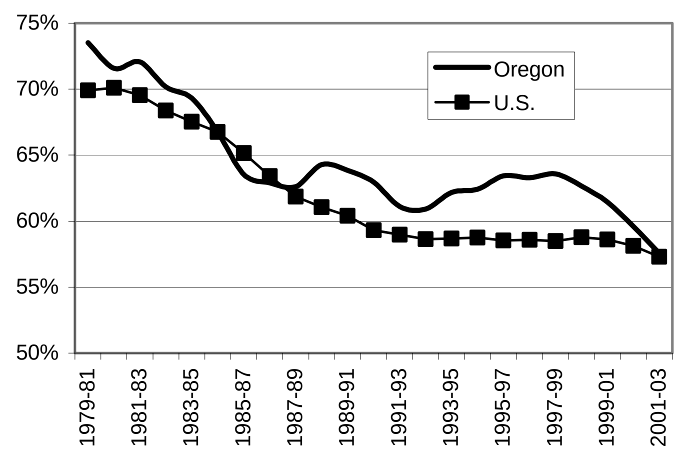
In Oregon and nationally, employers have been scaling back on health coverage for a generation. In 1979-81, nearly 73.5 percent of Oregon workers had health insurance from their employers. By 2001-03, just 57.6 percent of workers had employer-provided health coverage.

The decline in Oregon has been particularly marked. Over the 1990s, Oregon workers were more likely than their national counterparts to have employer coverage. After the downturn hit in 2001, though, Oregon employers eliminated health coverage (or made it prohibitively expensive) for a larger share of workers than did employers nationally. As a result, the chances that Oregon workers had coverage through their employers in 2001-03 were about equal to the chances of workers nationally (Figure 4).

In Oregon and nationally, employers have been scaling back on health coverage for a generation.

Because Oregon employers reduced health insurance benefits in the last few years, and because Oregon sharply reduced access to the Oregon Health Plan, the share of Oregonians going without insurance for a full year is up sharply. A record 602,000 Oregonians, most of them working-age adults, lacked health coverage for a full year in 2003-04. That is, 16.9 percent of Oregonians went without health coverage for a full year in 2003-04, up from 12.8 percent in 2000-01. This 4.1 percentage point gain was the largest increase in the nation. Oregon's health insurance problem is getting worse more quickly than any other state.

Figure 4: Percentage of Oregon workers with employer-provided health care coverage



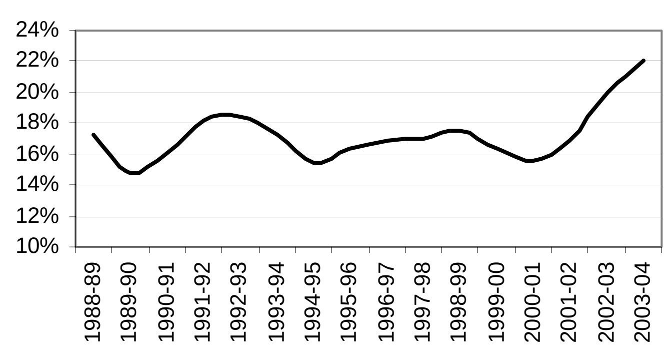
Source: Economic Policy Institute
Note: Universe is private-sector wage and salary workers age 18-64, who worked at least 20 hours per week and 26 weeks per year.

Oregonians of working age make up most of the long-term uninsured. In 2003-04, 499,000 Oregonians between the ages of 18 and 65 went without insurance for a full year. That's 22 percent of all Oregonians of working-age, up from 15.6 percent in 2000-01 (Figure 5).

In 2003-04, 22 percent of all working-age Oregonians went without health insurance for a full year, up from 15.6 percent in 2000-01.

In 2003-04, Oregon had 150,000 more working-age Oregonians going without insurance for a full year than in 1992-93, the period just before the Oregon Health Plan was implemented. Moreover, Oregon is continuing to cut the Oregon Health Plan in 2005. The average monthly caseload in 2005 in the OHP Standard program, the "expanded" Medicaid

Figure 5: Percentage of working-age (18-64) Oregonians without health insurance coverage for full year



Source: OCPP analysis of Current Population Survey data.

program for those not receiving public assistance, is just 58 percent its size in 2003-04, and down to one-third of the caseload in 2002.

High-wage workers make most of the earnings gains

As the economy improved during 2004, employers gave larger raises to higher-wage employees. Among Oregonians working a substantial number of hours, nearly all the earnings growth that happened as the economy recovered in 2004 went to the highest paid fifth of workers.[3] These workers, averaging annualized earnings of $97,529, saw earnings gains of 1.3 percent in 2004, after accounting for inflation. In real dollar terms, in 2004 these workers earned $1,261 more than in 2003 (Table 1).

Nearly all the earnings growth that happened as the economy recovered in 2004 went to the highest paid fifth of workers.

Table 1: Change in real average annualized earnings for Oregon workers employed for a substantial number of hours

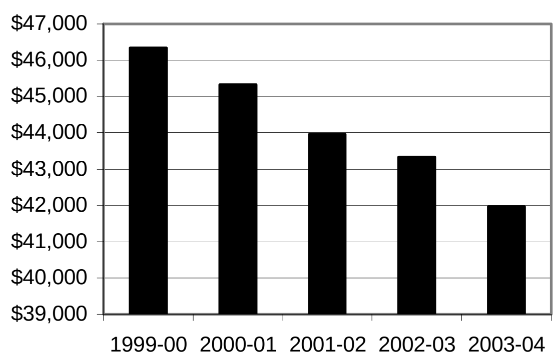
Quintile	2003 earnings	2004 earnings	Change	Percent change
Lowest	$15,703	$15,610	-$93	-0.6%
Second	$24,687	$24,556	-$130	-0.5%
Middle	$33,870	$33,791	-$79	-0.2%
Fourth	$46,793	$46,843	$50	0.1%
Highest	$96,268	$97,529	$1,261	1.3%

Source: OCPP analysis of Oregon Employment Dept. data.
Note: Data is annualized from quarterly earnings reports and includes all workers whose employer filed an Unemployment Insurance wage file report. "Workers employed for a substantial number of hours" means workers working at least 350 hours a quarter (26.9 hours per week for those employed throughout the quarter). Inflation-adjusted to 2004 dollars with US CPI-U.

By contrast, the lowest paid three-fifths of workers employed for substantial hours saw their average real earnings decline in 2004, despite the economic recovery. The lowest paid fifth - with annualized earnings averaging $15,610 - saw the steepest declines, losing 0.6 percent of their real annualized earnings on average. In real dollar terms, these workers lost $93 in 2004. The middle fifth of workers also lost ground, losing 0.2 percent of their real earnings, a decline of $79. Economic growth did not mean earnings growth for these workers and their families.

Since before the downturn in 1999-00, the typical Oregon household has lost $4,365.

Figure 6: Oregon median household income



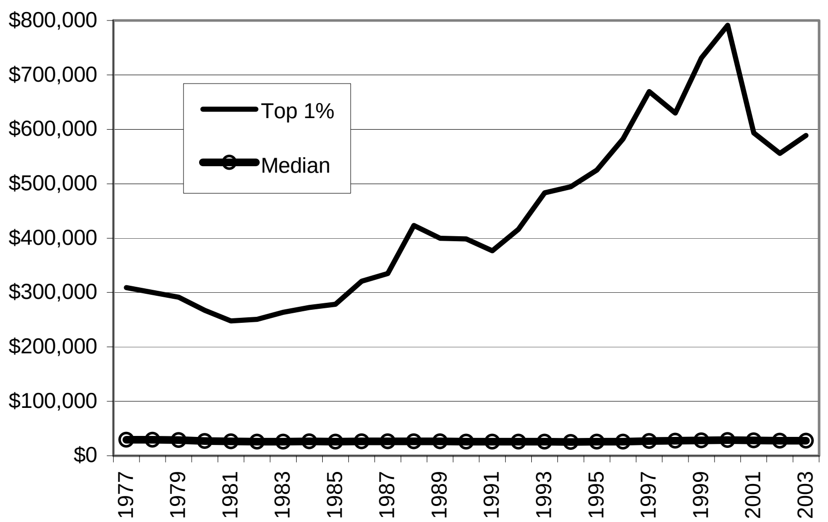
Source: U.S. Bureau of the Census.

The earnings decline for low- and mid-pay workers last year helped pushed down household incomes despite economic growth. In 2003-04, the typical household in Oregon made $41,971, a decline of $1,362 in real terms compared to 2002-03. Oregon was one of only eight states to see declines in median household income as the economy improved between 2002-03 and 2003-04. Since before the downturn in 1999-00, the typical Oregon household has lost $4,365 (Figure 6).

Top one percent again outpacing other income groups

The skewed distribution of earnings gains in 2004 is in line with the trend towards increasing inequality over the last generation. Since the late 1970s, households at the very top of the income scale have seen extraordinary gains. Households in the top one percent of income earners in Oregon came pretty close to tripling their real adjusted gross incomes between 1979 and 2000, the last year before the recession hit. To be precise, their incomes rose 171 percent, after adjusting for inflation. In dollar terms, these households added a half million dollars ($499,798) on average to their real incomes during the 1979-2000 period. By contrast, households earning the median adjusted gross income in Oregon lost $253 over the same period, declining from $28,820 in 1979 to $28,567 in 2000, after adjusting for inflation (Figure 7).

Figure 7: Median and top one percent income (AGI), Oregon



Source: OCPP analysis of DOR data. Income by all tax returns. Inflation-adjusted 2003 dollars with US CPI-U.

In 2003, the real median income slipped back again, losing another $170, while the top one percent saw their real incomes increase by $32,500.

When the stock market bubble burst and capital gains income declined in 2001 and 2002, the incomes of the top one percent of income earners in Oregon slipped back. These households saw their real incomes decline from $791,000 on average in 2000 to $556,000 in 2002. Median incomes also slipped back, losing another $731. Because incomes at the top declined more in percentage terms than median incomes, the gap between the rich and the middle tightened somewhat. The median income equaled five percent of the income of the top one percent in 2002, up from 3.6 percent in 2000 (but still well below the level of ten percent in the late 1970s and early 1980s).

Then, in 2003, the gap began to widen again. That year, the real median income slipped back again, losing another $170, while the top one percent saw their real incomes increase by $32,500. Detailed adjusted gross income figures for 2004 are not yet available, but the disproportionate distribution of earnings growth that year suggest inequality continued to widen.

Across Oregon, inequality is higher than a generation ago

In every Oregon county but two - Morrow and Lake - the adjusted gross incomes of the top one percent of households at least doubled between 1980 and 2003, even after adjusting for inflation. Even in Morrow and Lake counties, the real incomes of the top one percent *nearly* doubled. In 14 Oregon counties, the top one percent saw their real adjusted gross incomes more than triple between 1980 and 2003.

Because middle-class incomes did not keep pace with income growth among the most well-off households, inequality widened across Oregon. Only Morrow and Lake counties saw the gap between the top one percent and the middle fifth shrink between 1980 and 2003.

In 1980, Multnomah County was the state's most unequal, with average adjusted gross incomes among the top one percent equaling 12.9 times the average income of the middle fifth of households. In 2003, more than two-thirds of Oregon counties met or exceeded the 12.9 ratio. In seven counties - Curry, Lane, Multnomah, Clackamas, Yamhill, Jackson, and Deschutes - the ratio exceeded twenty, meaning the income of the top one percent was more than twenty times the income of the middle fifth (Table 2). Curry County held the top spot in 2003 as the state's most unequal county. In small counties like Curry, sudden increases in income among a small number of well-off taxpayers can temporarily increase inequality. The gap between the highest earners and middle-income taxpayers, however, has been relatively high for some time in Curry County, though this appears to be the first time Curry has held the top spot.

Table 2: Income of top one percent as multiple of average income of middle fifth, by Oregon county

	Average income of the top one percent				Income ratio: top one percent to middle fifth				Rank 2003
	1980	1990	2000	2003	1980	1990	2000	2003	
BAKER	$170,321	$208,920	$321,016	$332,281	9.0	10.5	13.8	15.6	15
BENTON	$241,471	$346,268	$724,499	$506,726	11.4	14.2	23.7	17.7	10
CLACKAMAS	$298,812	$505,196	$976,478	$798,848	9.5	16.3	26.9	22	4
CLATSOP	$204,633	$266,158	$430,203	$380,543	9.8	12.3	16.4	15.1	18
COLUMBIA	$173,420	$246,796	$364,232	$291,182	5.6	8.3	9.9	8.1	32
COOS	$202,322	$345,959	$525,699	$346,682	9.2	16.4	21.4	14.8	19
CROOK	$228,491	$285,864	$497,907	$470,507	10.4	11.6	18.3	17.5	11
CURRY	$187,381	$314,519	$546,355	$594,108	9.3	15.2	23.5	26.7	1
DESCHUTES	$252,169	$426,844	$750,006	$591,724	11.4	17.1	26.0	20.9	7
DOUGLAS	$210,004	$273,897	$527,528	$390,764	8.4	11.4	20.2	15.4	17
GILLIAM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GRANT	$193,795	$250,307	$298,561	$335,567	9.4	10.5	12.4	14.5	20
HARNEY	$182,010	$172,892	$216,362	$193,679	8.6	8.1	9.8	9.2	31
HOOD RIVER	$222,233	$321,316	$390,671	$322,279	9.3	15.6	15.1	12.9	23
JACKSON	$248,276	$377,101	$566,646	$540,373	11.8	16.8	21.7	21	6
JEFFERSON	$202,832	$301,742	$491,606	$293,228	9.8	13.2	18.8	11.6	27
JOSEPHINE	$216,811	$291,702	$493,893	$443,765	12.2	15.1	21.2	19.5	8
KLAMATH	$237,258	$289,405	$347,560	$418,263	10.1	13.5	14.2	17.3	12
LAKE	$229,575	$198,010	$208,879	$209,214	10.7	9.2	9.4	9.8	30
LANE	$263,019	$400,735	$601,568	$665,982	11.7	17.1	21.9	25.1	2
LINCOLN	$198,693	$260,536	$403,459	$374,718	10.9	12.8	16.2	15.5	16
LINN	$185,871	$273,087	$422,527	$317,982	7.7	11.5	14.1	10.9	29
MALHEUR	$197,184	$258,304	$323,154	$284,642	10.3	14.5	14.4	12.7	24
MARION	$218,589	$334,492	$645,997	$457,593	9.7	14.0	22.4	16.3	13
MORROW	$222,489	$238,121	$200,199	$211,053	8.7	9.8	7.2	7.7	33
MULTNOMAH	$309,511	$444,510	$948,301	$649,074	12.9	17.3	30.3	22.2	3
POLK	$209,610	$303,330	$404,771	$439,806	9.3	12.9	12.9	14.1	21
SHERMAN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TILLAMOOK	$187,818	$244,788	$460,942	$384,282	8.9	11.8	18.2	15.7	14
UMATILLA	$212,416	$276,541	$307,990	$297,218	9.2	12.8	11.7	11.2	28
UNION	$171,753	$236,644	$375,257	$329,690	7.5	10.1	14.5	13	22
WALLOWA	$172,368	$201,193	$436,268	$273,033	9.0	9.4	18.6	12.2	26
WASCO	$212,831	$365,106	$358,778	$307,802	8.4	16.1	13.5	12.5	25
WASHINGTON	$295,138	$445,165	$1,321,581	$699,927	9.0	13.6	33.2	18.5	9
WHEELER	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
YAMHILL	$224,886	$327,497	$852,568	$637,024	9.1	13.3	27.3	21.1	5

Source: OCPP analysis of Oregon Dept. of Revenue data, adjusted for inflation to 2003 dollars.
Note: The Oregon Dept. of Revenue did not make public the average incomes of the top one percent in Gilliam, Sherman, or Wheeler counties to protect the confidentiality of the highest income taxpayers in these sparsely populated counties.

In every Oregon county but two - Morrow and Lake - the adjusted gross incomes of the top one percent of households at least doubled between 1980 and 2003, even after adjusting for inflation.

Economic growth has not improved Oregon's poverty or debt problems

While the most well-off Oregonians are faring well as the economy emerges from recession, many less fortunate families are struggling. The economy's strong growth has not notably improved the lives of Oregonians struggling with hunger, poverty, and debt.

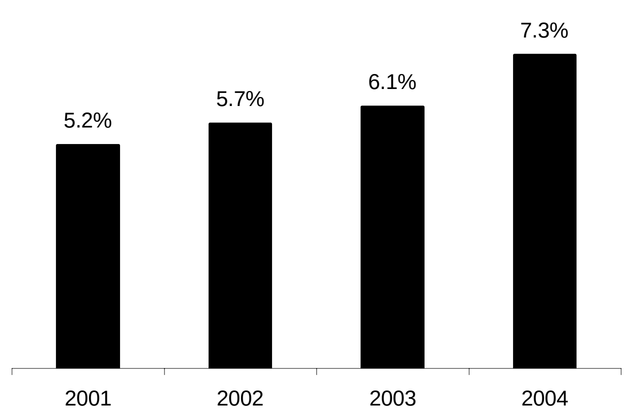
Hunger rates rose, despite growth

Even as Oregon was adding jobs at a relatively rapid clip in 2004, the share of adults living in a home where someone went hungry at times was climbing. In 2004, 7.3 percent of Oregon adults lived in a home where someone went hungry at times because there wasn't enough money for food. This rate was up substantially from 5.2 percent in 2001, the first year of Oregon's economic downturn (Figure 8).

In some cases, every adult in these households was forced to go hungry at times. In other cases, just one adult sometimes went hungry. No Oregonian starved to death, but on average these households likely were forced to go hungry at times in most months of the year. On average nationally, households with hunger include at least one member going hungry at times in 8 or 9 months of the year.[4]

Even as Oregon was adding jobs at a relatively rapid clip in 2004, the share of adults living in a home where someone went hungry at times was climbing.

Figure 8: Percent of Oregon adults living in homes with hunger



Source: OCPP analysis of Behavioral Risk Factors Surveillance System data.

In addition to the 7.3 percent of Oregon adults living in homes with hunger in 2004, another 9.3 percent of adults lived in homes where no one went hungry but where it was not certain through the year that there would be enough food. In total, 16.6 percent of Oregon adults – one in six - lived in homes considered "food insecure" by nutrition researchers.

Young adults in Oregon are most likely to face food insecurity and hunger. In 2004, nearly a third (31 percent) of adults aged 18 to 24 lived in a food insecure home. About one in eight young adults in Oregon lived in a home in which at least one member went hungry at times during 2004.

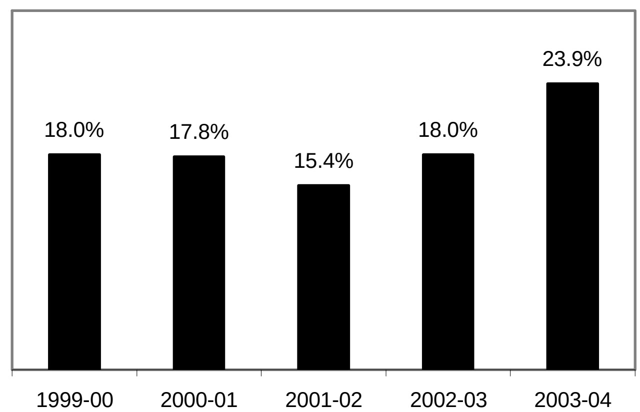
Poverty did not decline

As Oregon's economy emerged from the downturn, poverty did not decline. In 2003-04, 12.1 percent of Oregonians statewide were poor, a rate that has held essentially flat over the last decade. Nearly 433,000 Oregonians were poor in 2003-04.

While the poverty rate has not changed from a decade ago, the total number of poor Oregonians has increased. In 2003-04, there were 64,500 more Oregonians living in poverty than in 1993-94.

Child poverty statewide also did not improve with the economy. In 2003-04, 17.9 percent of Oregon children lived in poverty, essentially the same rate as a decade ago.

Figure 9: Child poverty in Multnomah County



Source: OCPP presentation of American Community Survey

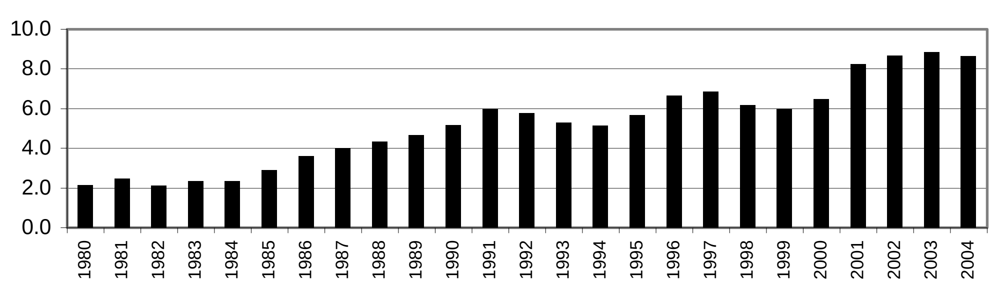
In 2003-04, nearly one in four Multnomah County children was poor (23.9 percent), a sharp jump from 18.0 percent in 2002-03.

In Multnomah County, though, the share of children in poverty is surging. In 2003-04, nearly one in four Multnomah County children was poor (23.9 percent), a sharp jump from 18.0 percent in 2002-03 (Figure 9).[5] Overall poverty in Multnomah County was 16.7 percent, not up significantly from 2002-03, but significantly higher than the county's 12.8 percent poverty rate in 1999-00.[6]

Bankruptcy filings still near record levels despite growth

As Oregon's economy grew, near-record levels of Oregonians filed for bankruptcy. In the first half of 2005, total Oregon bankruptcy filings (including business and personal bankruptcy filings) surged to 13,394 over the first half of 2005, the strongest pace for the first half of a year on record. The surge was particularly strong in the second quarter of 2005, as Oregonians with severe credit problems rushed to file before the nation's bankruptcy laws were rewritten. This surge mirrored trends in the U.S. as a whole. In the second quarter of 2005, the number of bankruptcy filings nationally surged to the highest level ever.[7]

Figure 10: Oregon Personal Bankruptcy Rate
Non-business filings per 1,000 Adults



Source: OCPP analysis of American Bankruptcy Institute data.

Bankruptcies soared when the economy tanked in 2001, and have remained high ever since.

Even last year - before the bankruptcy changes were imminent but after the economy had begun picking up steam - Oregonians filed 23,603 bankruptcies, just off the record number of 23,779 in 2003. Bankruptcies soared when the economy tanked in 2001, and have remained high ever since. In 2004, Oregon added jobs more quickly than all but three other states, but the state's bankruptcy rate held firm at the nation's 13th worst, the same ranking as in 2003.[8]

Oregon's personal bankruptcy rate in 2004 easily surpasses the rate during economic downturns in the past. During the steep, back-to-back recessions of the early 1980s, annual bankruptcy filings stood at only about two for every 1,000 adult Oregonians. In the milder recession of the early 1990s, the bankruptcy filing rate stood at about 6 per 1,000 adults. In 2004, by contrast, the rate held at nearly nine per 1,000 adults (Figure 10). That is, the personal bankruptcy filing rate in 2004 was four times the rate during the downturn of the early 1980s.

Conclusion

Oregon's economic growth is leaving too many workers and their families behind, facing declining wages and incomes, and less health coverage. As a result, hunger and bankruptcies are up, and poverty is flat, despite the economy's recovery.

By contrast, highly paid employees, and the richest one percent of Oregon households, are faring very well coming out of the downturn. The gap between the richest Oregonians and the rest of us is widening again.

It is not inevitable that Oregon's economic growth leave workers and their families behind. It is a choice. "Who should benefit from economic growth in Oregon?" is a policy question for both employers and elected government officials.

In the last generation, employers nationally have raised executive pay much more rapidly than worker pay. Elected government officials, meanwhile, have largely ignored the rising inequality around them. Instead, they have added insult to injury by rewarding the richest with a disproportionate share of tax breaks. State and local taxes in Oregon increased as a share of income for the lowest-income Oregonians between 1989 and 2002, stayed about the same for middle-income families, and were cut for the richest.[9]

Widening income inequality is harmful in many ways. It reflects less money in the pockets of middle- and lower-income Oregonians, reducing their ability to invest productively or purchase necessities and participate fully in the economy. It also distorts democratic decision-making by putting the capacity for extraordinary influence in the hands of a small number of people.

Oregon can and must do better.

Endnotes

[1] All of the improvement happened in 2004. This year, the unemployment rate has hovered between 6.1 percent and 6.6 percent.

[2] For a more thorough discussion of the factors mentioned here, see Ayre, Art. *Why Does Oregon Have a High Unemployment Rate*, Oregon Employment Department, April 27, 2005. Available at http://www.qualityinfo.org/olmisj/ArticleReader?p_search=ayre&searchtech=1&itemid=00002350

[3] Workers working a "substantial number of hours" means those working at least 350 hours a quarter (26.9 hours per week for those employed throughout the quarter).

[4] Nord, Mark, Margaret Andrews, and Steven Carlson. *Household Food Security in the United States, 2003*, U.S. Department of Agriculture, Food Assistance and Nutrition Research Report No. FANRR42, October 2004, p. 7. Available at http://www.ers.usda.gov/publications/fanrr42/.

[5] These figures are from the American Community Survey, and therefore are not comparable to the statewide child poverty and poverty figures presented earlier in this section, which are from the Current Population Survey. The comparable statewide poverty figure from the American Community Survey for 2003-04 is 14.1 percent, and the comparable statewide child poverty figure for 2003-04 is 19.1 percent.

[6] Ibid.

[7] American Bankruptcy Institute. Headline appearing on institute's web site at http://www.abiworld.org on August 25, 2003 stated, "Bankruptcies Set Record: The number of bankruptcies in the United States surged to an all-time high in the second quarter of this year as financially troubled consumers scrambled to file before a rewrite of bankruptcy laws."

[8] To determine this ranking, OCPP divided total non-business filings in 2003 and 2004 by the total populations of each state in those same years. Population estimates from U.S. Bureau of the Census, for July 1 of each year.

[9] Institute on Taxation and Economic Policy, *Who Pays? A Distributional Analysis of the Tax System in All 50 States*, 2nd Edition, January 2003. Available at http://www.itepnet.org/whopays.htm. For a discussion of the reasons behind this trend, and for more information on tax trends by income group in Oregon, see Leachman, Michael. *In the Shadows of the Recovery: The State of Working Oregon 2004*, Oregon Center for Public Policy, September 2004, pp. 42-45. Available at http://www.ocpp.org/2004/nr040905.htm.

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