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THE FRAYING OF OREGON'S MIDDLE CLASS

THE AMERICAN DREAM used to mean that if you put in a hard day's work, you could expect good wages, benefits, and a better life for your kids. Today, the kinds of jobs that can provide a solid middle-class life in return for hard work are in short supply – unemployment is high, earnings are flat, and hard-won benefits are being lost. The future of Oregon's middle class, the backbone of the state's economy for more than half a century, is at risk.

> **THE STATE OF OREGON'S MIDDLE CLASS**
>
> - Lack of good jobs
> - Shift in costs for health care and retirement from employers to employees
> - Higher costs to raise a family
> - College degree increasingly out of reach
> - Diminished economic prospects for young people

Oregon's strong and vibrant middle class didn't just happen. It was built brick by brick in the decades after World War II by hard work and workers' strength in numbers that came from the unions that represented them. Unions made sure that the state's prosperity was widely shared. As Oregon's wealth and productivity grew, so too did the income and benefits of the people who worked hard to create that wealth – wages increased and more employers provided their workers with health insurance, pensions, and paid time off. The middle class was also built by policies that invested in public infrastructure (from schools and public universities to highways), supported home-ownership and made a college education accessible to a new generation. Parents without higher education themselves were able to send their kids to college with the help of affordable tuition at state universities and financial aid.

FUTURE MIDDLE CLASS

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But Oregon's middle class is now threatened. Median income for Oregon workers is the same as it was a decade ago and only workers with a post-secondary degree earn more than their counterparts a generation ago. There's also been a dramatic shift in costs for health coverage from employers to employees as well as a rapid decline in the number of employers who even offer health insurance. Rising out-of-pocket costs mean that a family illness can lead to substantial expenses and medical debt. And as employers replace traditional pensions with 401(k)-type plans – again shifting costs and risks to employees – middle-class workers can no longer count on a secure retirement.

Unions have helped mitigate growing inequality by securing higher wages and benefits for their members as well as by working for stronger labor protections that benefit all workers. Unfortunately, job growth has predominated in the service sector, where unions are less prevalent, pay is lower, and employers are less likely to offer health and retirement benefits. Although Oregon unions have made some headway in the service sector, employment in the more heavily unionized manufacturing sector has declined by 30 percent in Oregon since the late 1990s. And the state continues to have a job gap as growth in the working-age population outstrips job growth.

Oregon's middle class has also been hit by trends outside the labor market as it has become more costly to raise a family. High-quality child care is expensive, yet parents face these costs early in their working years when their earnings are low. Housing is also more expensive relative to household income than it was decades ago. The need for most working parents to have their own vehicle and the high price of gas have further strained middle-class family budgets. The growing gap between incomes and expenses fueled skyrocketing family debt in the two decades preceding the Great Recession.

The threat to the future of Oregon's middle class can be seen most clearly in the economic prospects for the state's young people. Overall, young workers today are earning less than their parents did a generation ago, with substantial wage declines among men. Skyrocketing college costs are making it hard for middle-class students to stay in school and graduate – and 60 percent of Oregon graduates enter the labor market with student debt averaging more than $20,000. Close to a third of young workers in Oregon do not have employer-based health insurance, and most young people will pay for the lion's share of their own future retirement benefits if current trends continue.

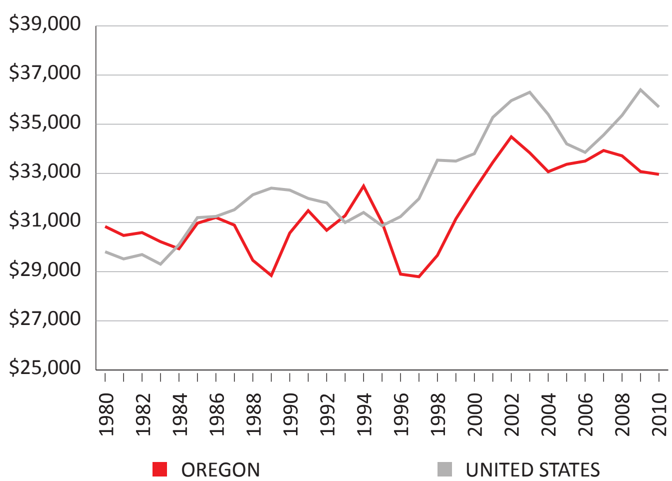
The fraying of the social contract may have predated the Great Recession, but the economic crisis has substantially increased the pressure on Oregon's middle class. As the state recovers from the economic crisis, now is the time for workers, employers, and policymakers to come together once again to rebuild pathways to the middle class, create good jobs with fair pay and decent benefits, and ensure that prosperity is broadly shared for the next generation.

EARNINGS [1]

Despite substantial gains in worker productivity in recent decades, today's typical Oregon worker[2] (aged 18-64) earns just $40 more per week (after inflation) than their 1980 counterparts. Inflation-adjusted median earnings for Oregon workers have increased only 7 percent over the last 30 years compared to 20 percent nationally. These wage increases pale in comparison to the nation's overall growth over the same time period, when per-capita GDP increased 61 percent.[3]

Wages in Oregon have fluctuated with changes in the economy and public policy and have often moved against national trends. For example, state median earnings grew in the late 1980s and early 1990s while wages trended down nationally. But in the mid-1990s, median earnings in Oregon fell below the national median and have remained there. After recovering and peaking at $34,488 in 2001-2002, median annual earnings in Oregon have fallen slightly to $32,960 in 2009-2010, leaving the typical Oregon worker earning just $477 more a year than they were over 15 years ago in 1993-1994 (see Figure 1).

FIGURE 1. MEDIAN ANNUAL EARNINGS OF WORKERS IN OREGON AND THE U.S., 1980-2010 (2011 DOLLARS)



SOURCE: *Dēmos analysis of Current Population Survey data using 2-year averages*

EDUCATION

In Oregon as elsewhere, a college degree is one of the surest paths to a middle-class income. Oregon workers with at least a bachelor's degree earn nearly twice as much as those with only a high school diploma ($50,626 versus $26,180 in 2008-2010).[4] Workers with a post-secondary degree have been the only ones to experience wage gains in Oregon over the last 30 years: median wages of workers with bachelor's and associate's degrees increased by 30 and 23 percent, respectively. High school graduates saw their wages decline somewhat over the last generation. While Oregon workers who failed to complete high school experienced stagnant wages, their counterparts in other states experienced wage declines.[5] Oregon's higher than average minimum wage may account for this difference (see Figure 2).

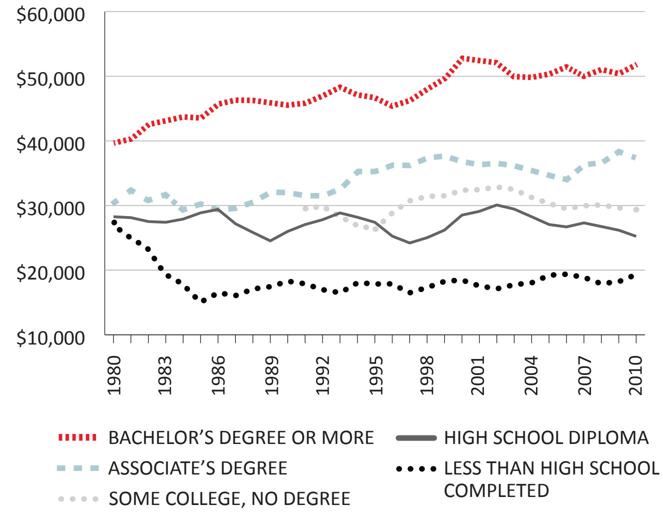
GENDER

Men typically earn more than women: in 2009-2010, median annual earnings for men were roughly $12,000 higher than those for women in Oregon ($40,180 versus $28,250 when both part- and full-time workers are included). But the gender gap has steadily narrowed over the last 30 years, in part because men's wages have stagnated. In contrast, median earnings for women have risen by 47 percent in Oregon since 1980. Oregon women now earn 70 percent of what men do.[6]

RISING INCOME INEQUALITY

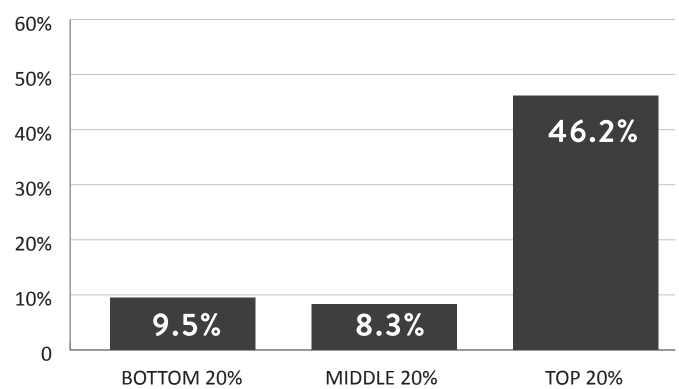
On the eve of the Great Recession, the richest 20 percent of Oregon families had average incomes 2.7 times as large as the middle 20 percent of families and 7 times as large as the poorest 20 percent of families. The very richest families – top 5 percent – had average incomes that were 12 times as large as the poorest 20 percent. The gap between the affluent and everybody else has grown over time, with the top 20 percent of Oregon families experiencing a 46 percent gain in income between the late 1980s and mid-2000s compared to an 8 percent increase for the middle quintile of families (see Figure 3). Although the gap between rich and poor in Oregon falls right in the middle of the national range – 24 states have a more equal distribution of income – the rate of growth in inequality in Oregon since the late 1980s is the 11th highest in the nation.[7] Of all the states, Oregon is expected to have the third largest rate of growth in millionaire households from 2010 to 2020.[8]

FIGURE 2. MEDIAN ANNUAL EARNINGS OF OREGON WORKERS BY EDUCATION, 1980-2010 (2011 DOLLARS)



SOURCE: *Dēmos analysis of Current Population Survey data using 3-year averages. Data not available for "Some College, No Degree" prior to 1992.*

FIGURE 3. REAL INCOME GROWTH OF OREGON FAMILIES, BY QUINTILE, LATE 1980s TO MID-2000s

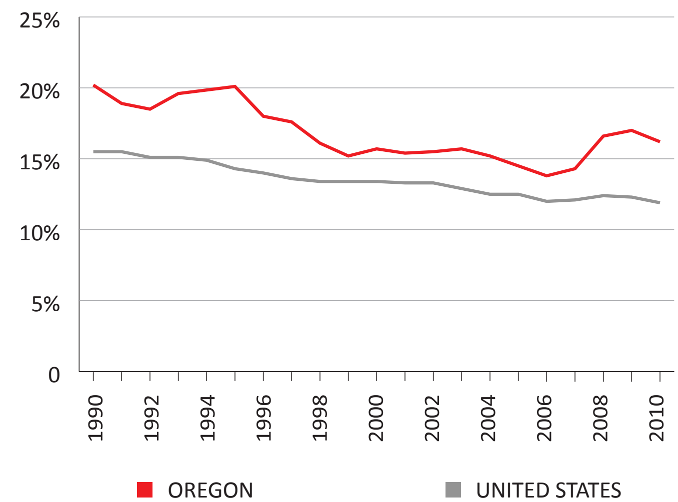


SOURCE: *Center on Budget and Policy Priorities and Economic Policy Institute, Pulling Apart: A State By State Analysis of Income Trends, 2004-2006.*

JOBS AND BENEFITS

Access to well-paying jobs with good health and retirement benefits is the cornerstone of a middle-class life. Unions play an important role in helping workers negotiate fair pay and better benefits. All workers, not just union members, benefit from union gains. Despite higher than average union strength in Oregon, workers have nonetheless been forced to absorb an increasing portion of previously-shared costs and risks for health and retirement benefits.

FIGURE 4. UNION MEMBERS AS A PERCENT OF WORKERS IN OREGON AND THE U.S., 1990-2010



SOURCE: *Bureau of Labor Statistics, U.S. Department of Labor. Includes both public- and private-sector workers.*

UNION MEMBERSHIP

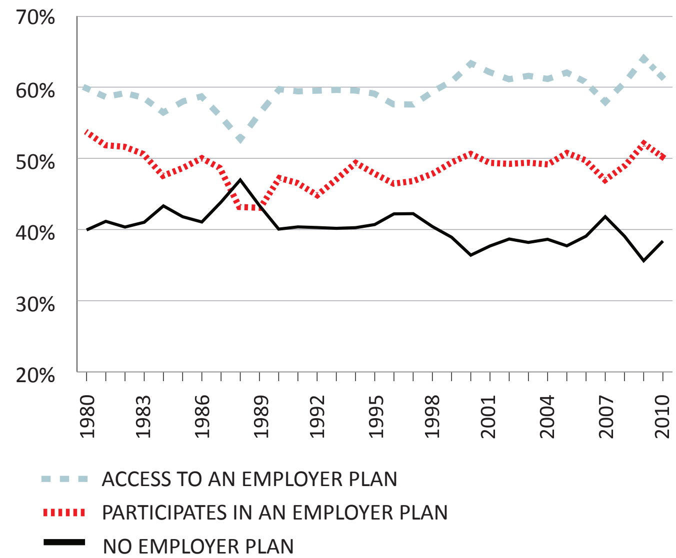
Oregon historically has had – and continues to have – high union participation rates compared with the rest of the nation. Roughly one in six Oregon workers is a union member, 16.2 percent in 2010 compared to 11.9 percent nationwide (see Figure 4). Nationally, 36 percent of public-sector workers (7.6 million) are union members compared to only 7 percent of private-sector workers (7.1 million).[9] Contrary to national trends, Oregon has experienced an uptick in union membership after reaching a low in 2006. Oregon unions have successfully reached out to workers in new industries, organizing workers in retail trade, home health care and social services in recent years and winning collective bargaining rights for new groups of workers.[10]

Research demonstrates the key role unions play in raising wages and benefits, particularly for low-income workers. Data for 2003-2007 show that the typical worker in Oregon got a wage boost of nearly 17 percent by being in a union, while the lowest-paid workers got a 21 percent wage gain.[11] But research also shows that higher rates of unionization benefit non-union workers as well and are associated with stronger state workers' compensation and unemployment insurance programs.[12]

HEALTH INSURANCE

High out-of-pocket medical expenses are one of the primary causes of bankruptcy among the middle class, underscoring the importance of health insurance coverage.[13] The proportion of Oregon workers lacking health insurance is 16 percent, comparable to the national rate of nearly 17 percent. Although employer-sponsored health coverage has declined in Oregon, the state has not experienced the steady erosion of employer coverage seen nationally. The proportion of Oregon workers who lack access to health insurance through an employer increased from 21 percent in 1995-1996 to 26 percent a decade later but has since come down to 23 percent.[14] But even for workers who are covered through their employers, cost shifting to employees has decreased disposable income. Workers' contributions for family health insurance coverage increased almost 150 percent nationally between 2000 and 2010 to close to $4,000. Over half of employees pay more than 25 percent of the total cost of their insurance premiums.[15]

FIGURE 5. OREGON WORKERS' ACCESS TO AND PARTICIPATION IN EMPLOYER-SPONSORED RETIREMENT PLANS, 1980-2010



SOURCE: *Dēmos analysis of Current Population Survey data, using 2-year averages.*

RETIREMENT BENEFITS

Several factors threaten the ability of Oregon workers to look forward to a secure retirement. In a rate that has changed little over the past 30 years, only 62 percent of the state's workers currently have access to a retirement plan at work.[16] But such plans have gradually shifted from pensions – whose costs and financial risks are borne almost exclusively by employers – to 401(k)-type plans that rely on worker contributions and expose individuals to the vagaries of the stock market and high fees, which eat away at returns. Nationally, roughly 63 percent of all employer-sponsored retirement plans are now 401(k)s or similar individual retirement plans.[17] More than 11 percent of Oregon workers don't participate in their employer-sponsored plan either because they can't afford to contribute or fail to opt in (see Figure 5).

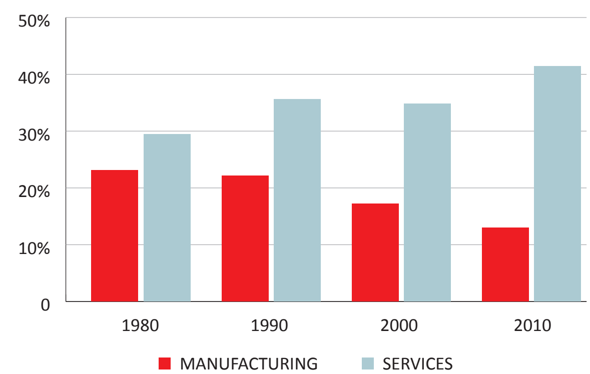
UNEMPLOYMENT

As with other states, Oregon's job market is still recovering from the effects of the Great Recession. Oregon's unemployment rate peaked at 11.6 percent in May 2009 but by July 2011 it stood at 9.5 percent, close to – and not statistically significantly different from – the national rate of 9.1 percent.[18] For the past several decades, Oregon's unemployment rate has followed the same general pattern as unemployment nationally, although Oregon's rate has typically been somewhat higher. The state has a lot of seasonal jobs in agriculture, natural resources, tourism, and construction, which increase the overall unemployment rate. But in contrast to some states with higher than average unemployment, Oregon's labor force is growing, having expanded over 2 percent since the start of the recession.[19]

WHERE THE JOBS ARE

The past 30 years have brought important changes to Oregon's job market. One of the most significant of these changes is the relative position in the state's economy accounted for by employment in the manufacturing and service sectors. Manufacturing jobs have provided generations of Oregon families with a consistent route to middle class jobs, providing decent wages, benefits and economic stability. But manufacturing employment declined from about 23 percent in 1979-1980 to about 13 percent in 2009-2010, while service employment increased from 29 percent to 41 percent (see Figure 6). Manufacturing jobs are far more likely than service jobs to be unionized, pay decent wages, and offer middle-class benefits.

FIGURE 6. OREGON EMPLOYMENT IN MANUFACTURING AND SERVICES AS A PERCENT OF THE LABOR FORCE



SOURCE: *Dēmos analysis of Current Population Survey data, using 2-year averages.*

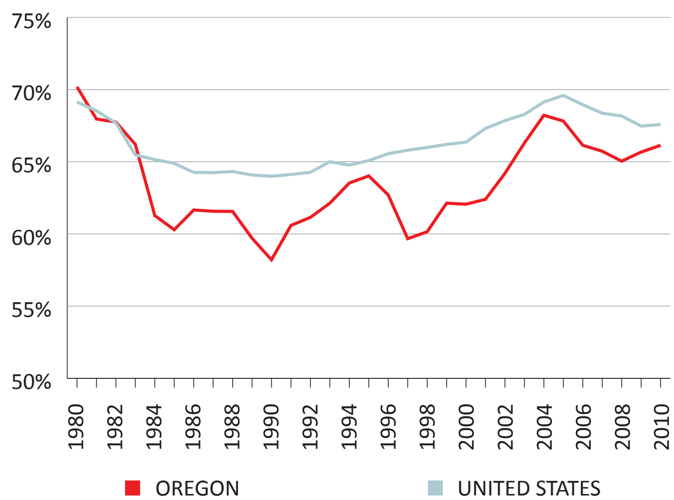
RAISING A FAMILY

Oregonians pride themselves on being able to pass on a better life to their children, but over the last generation, this dream has become increasingly out of reach. Even with two parents in the labor force, Oregon families struggle to meet the high costs of housing and child care, let alone save for a rainy day or invest in the future.

HOMEOWNERSHIP

Over the last generation, home ownership among Oregon workers declined from a high of 70 percent and then stayed within a few percentage points of 60 percent from the mid-1980s through the 1990s before trending upward again. The rate peaked at 68 percent in 2003-2004, prior to the height of the housing bubble nationally. After falling to 65 percent, homeownership among Oregon workers is increasing again (see Figure 7). Many Oregonians are devoting a large share of their income to housing costs: in 2008, two in five Oregon homeowners (41 percent) spent 30 percent or more of their income on housing.[20]

FIGURE 7. HOMEOWNERSHIP AMONG OREGON WORKERS, 1980-2010



SOURCE: *Dēmos analysis of Current Population Survey data using 2-year averages*

CHILD CARE

Child care can be one of the largest expenses families face, in some cases equaling or exceeding housing costs. On average, full-time care in a family child care home in Oregon costs $6,000 a year for an infant and $5,400 for a four-year-old. Center-based care costs considerably more (see Figure 8). For two preschool-age children (an infant and a four-year-old), center care averages $19,020 a year or about 29 percent of family income for a couple earning median wages.

FIGURE 8. AVERAGE ANNUAL PRICE OF FULL-TIME CHILD CARE IN OREGON

	CHILD CARE CENTER	FAMILY CHILD CARE HOME
Infant, full-time	$10,740	$6,000
4 year old, full-time	$8,280	$5,400

SOURCE: *National Association of Child Care Resource and Referral Agencies, "2011 Child Care in the State of: Oregon."*

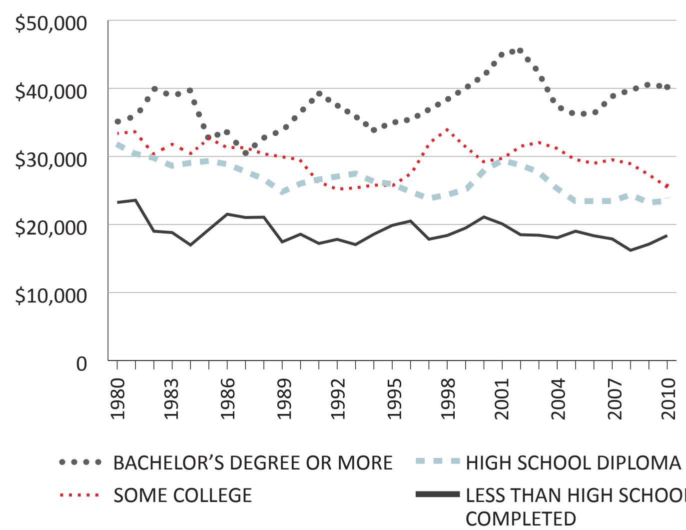
THE FUTURE MIDDLE CLASS: A LOOK AT YOUNG PEOPLE

The trends facing young Oregonians seeking to build and maintain a middle-class life are worrisome. Over the last generation, wages have been stagnant or have declined for all young workers in Oregon. While a college degree provides higher earnings and greater protection against unemployment, college tuition costs have soared and students are accumulating greater amounts of debt.

LABOR MARKET

In 2008-10, median earnings for workers aged 25-34 with at least a bachelor's degree were $40,802 in Oregon – 74 percent higher than the earnings of a typical high school graduate in the same age range ($23,426). While earning more, college graduates in Oregon have experienced weak earnings gains over the last generation. After peaking in the early part of the decade, median earnings (adjusted for inflation) for college graduates have declined, and a typical young college worker with a bachelor's degree or higher now earns just a couple hundred dollars more than their counterpart a generation ago ($40,802 in 2008-2010 vs. $40,174 in 1981-1983). But workers with less education have actually lost ground. Median earnings for those with some college are 24 percent less compared to 30 years ago and earnings for high school graduates are 26 percent less (see Figure 9). These data suggest that young Oregonians may not be able to match the earning power of their parents.

FIGURE 9. MEDIAN EARNINGS OF OREGON WORKERS AGED 25-34 BY EDUCATION, 1980-2010 (2011 DOLLARS)



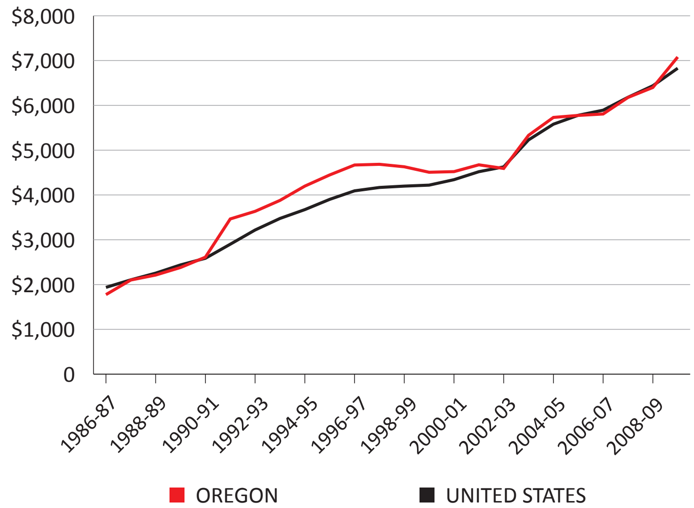
SOURCE: *Dēmos analysis of Current Population Survey data, using 3-year averages. Data for "Some College" not broken down by degree status due to sample size.*

Although state-level data are not available, we know that in 2010 the national unemployment rate for workers under age 25 and not enrolled in school was 18.4 percent -- nearly double the overall U.S. unemployment rate of 9.6 percent. Unemployment among young high school graduates nationally is more than double that of young college graduates— 22.5 percent in 2010 compared to 9.3 percent among young workers with a four-year college degree.[21]

COLLEGE TUITION AND FEES

In-state tuition at Oregon's colleges and universities was $7,080 for 2009-2010. For the last decade, these costs have closely mirrored in-state tuition for the nation as a whole.[22] Like the rest of the country, tuition costs have increased steadily in Oregon with the exception of the late 1990s and the first few years of the 2000s. Since 1986-87, tuition costs in Oregon have increased nearly 300 percent (see Figure 10). (Note that these figures refer to tuition and fees and do not include room and board.)

FIGURE 10. ANNUAL IN-STATE COLLEGE TUITION IN OREGON AND THE U.S.



SOURCE: *Digest of Education Statistics.*

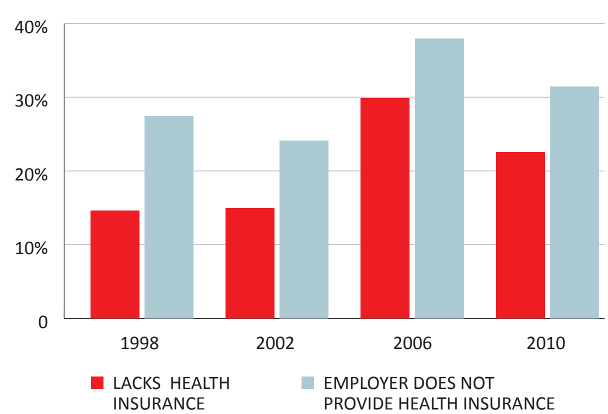
STUDENT DEBT

Three out of five college graduates in Oregon entered the labor force with student debt in 2009, and their average debt – $22,417 – was 21st highest in the nation.[23] Perhaps more alarming is the fact that growing numbers of students are accumulating debt without completing a degree, putting them on a shaky path to the future.[24]

HEALTH AND RETIREMENT BENEFITS

Young workers aged 25-34 are more likely than other workers in Oregon to lack health insurance coverage -- 23 percent are currently uninsured – and nearly a third (31 percent) of young workers lack access to health insurance coverage through their employer. Both figures increased substantially since the late 1990s, although the situation has improved in recent years (see Figure 11). A generation ago, young workers aged 25-34 were more likely to have access to a retirement plan at work than all workers regardless of age, but now the opposite is true. Only 52 percent of Oregon's young workers have access to an employer-sponsored retirement plan and even fewer (41 percent) actually participate.[25] And most of these plans are risky 401(k)-type plans rather than traditional pensions.

FIGURE 11. HEALTH INSURANCE ACCESS AMONG OREGON WORKERS AGED 25-34



SOURCE: *Dēmos analysis of the Current Population Survey (CPS), using 2-year averages.*

CONCLUSION

THE AMERICAN DREAM came to life in Oregon in the form of a strong and vibrant middle class that sustained the state's economy for decades. But for the first time in generations, more people are falling out of the middle class than joining its ranks. The economy is still productive, but the gains are accruing primarily to the top.

Workers are going to have to fight to get their fair share. Just as the post-war middle class was built, it is possible to rebuild it and strengthen it for the next generation. That will require the strength of workers coming together to reclaim the American Dream and demanding that our elected officials work for workers.

ENDNOTES

1. All earnings data cited in this brief are from Dēmos analysis of the Current Population Survey (CPS). To compensate for small sample sizes, data have been averaged over two or three years; see subsequent notes for specifics. Note that sample sizes are too small to report earnings data by race/ethnicity for Oregon.
2. The term "worker" refers in this brief to employed Oregonians aged 18 to 64, unless otherwise noted.
3. The World Bank, World Development Indicators, "GDP per capita (constant 2000 US$)," http://data.worldbank.org/indicator/NY.GDP.PCAP.KD?page=5
4. Dēmos analysis of Current Population Survey data using 3-year averages. For example, the year 1990 on the graph represents the three-year average of earnings data from 1989 through 1991.
5. See Demos' other briefs on the middle class in other states for comparison.
6. Dēmos analysis of Current Population Survey data using 2-year averages.
7. Center on Budget and Policy Priorities and Economic Policy Institute, "Pulling Apart: A State By State Analysis of Income Trends", April 2008. http://www.cbpp.org/files/4-9-08sfp-fact-or.pdf
8. Chuck Sheketoff, "Oregon's Mushrooming Millionaires," Oregon Center on Public Policy, June 2011, http://www.ocpp.org/2011/06/02/oregons-mushrooming-millionaires/
9. Economic News Release, Bureau of Labor Statistics, U.S. Department of Labor, January 21, 2011. http://www.bls.gov/news.release/union2.nr0.htm
10. Unions won collective bargaining rights for child care and adult foster care providers in 2007. Oregon Center for Public Policy, "Gloomy Days, But a Ray of Hope, for Oregon Workers", September 2010. http://www.ocpp.org/2010/rpt20100903LaborDay_fnl.pdf
11. John Schmitt, "The Union Wage Advantage for Low-Wage Workers", Center for Economic and Policy Research, May 2008.http://www.ocpp.org/2008/200805UnionWageAdvantageCEPRreport.pdf
12. Oregon Center for Public Policy, Gloomy Days, But a Ray of Hope, for Oregon Workers, September 2010. http://www.ocpp.org/2010/rpt20100903LaborDay_fnl.pdf
13. David Himmelstein, Deborah Thorne, Elizabeth Warren and Steffie Woolhandler. "Medical Bankruptcy in the United States, 2007: Results of a National Study, American Journal of Medicine", 2007. http://www.washingtonpost.com/wp-srv/politics/documents/american_journal_of_medicine_09.pdf
14. Dēmos analysis of the Current Population Survey (CPS) using 2-year averages.
15. The Kaiser Family Foundation, "Employer Health Benefits: 2010 Summary of Findings," 2010, http://ehbs.kff.org/pdf/2010/8086.pdf
16. Dēmos analysis of the Current Population Survey (CPS) using 2-year averages. For example, the year 1990 on the graph represents the two-year average of benefit data from 1989 and 1990.
17. Alicia H. Munnell, Francesca Golub-Sass, and Dan Muldoon, "An Update on 401(k) Plans: Insights from the 2007 SCF", Center for Retirement Research, 2009.
18. Bureau of Labor Statistics, U.S. Department of Labor.
19. Joy Margheim and Juan Carlos Ordóñez, "Demystifying Oregon's High Jobless Rank: The Good, the Bad and the Not Michigan", August 6, 2009. http://www.eugeneweekly.com/2009/08/06/coverstory.html
20. Data compiled by the U.S. Census Bureau from the 2008 American Community Survey, "Table 991. Owner-Occupied Housing Units—Value and Costs by State: 2008."
21. Heidi Shierholz and Kathryn Anne Edwards, "The Class of 2011: Young Workers Face a Dire Labor Market Without a Safety Net", Economic Policy Institute, April 2011. http://epi.3cdn.net/c7d6ec52122ea9c188_rbm6bc14a.pdf
22. Digest of Education Statistics, "Average undergraduate tuition and fees and room and board rates paid by full-time-equivalent students in degree-granting institutions by control of institution and by state."
23. The Project on Student Debt, "Student Debt and the Class of 2009", October 2010. http://projectonstudentdebt.org/files/pub/classof2009.pdf
24. Lawrence Gladieux and Laura Perna. "Borrowers Who Drop Out: A Neglected Aspect of the College Student Loan Trend," The National Center for Public Policy and Higher Education, 2005, http://www.highereducation.org/reports/borrowing/
25. Dēmos analysis of the Current Population Survey (CPS).

ABOUT DĒMOS

Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, Dēmos works with advocates and policymakers around the country in pursuit of four overarching goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world. Dēmos was founded in 2000.

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ABOUT THE OREGON CENTER FOR PUBLIC POLICY

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.

CONTACT

Dēmos

DĒMOS
220 Fifth Avenue, 5th Floor
New York, New York 10001
Phone: (212) 633-1405
Fax: (212) 633-2015
info@dēmos.org

DĒMOS MEDIA
Tim Rusch,
Communications Director
trusch@dēmos.org
(212)-389-1407

OCPP OREGON CENTER for PUBLIC POLICY
Because facts matter.

OREGON CENTER FOR PUBLIC POLICY
PO Box 7
Silverton, OR 97381-0007
(503) 873-1201
info@ocpp.org

OCPP MEDIA
Juan Carlos Ordóñez
Communications Director
jcordonez@ocpp.org
(503) 873-1201