Study details economic distress facing Oregon workers

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The Oregon Center for Public Policy (OCPP), a liberal think tank, has published a valuable study on the conditions facing the working class and the increasing numbers of working poor in the northwestern US state of Oregon.

Released in September, the study, *In the Shadows of the Recovery: The State of Working Oregon 2004*, details the impact of the recession, and indirectly that of the policies of both Democrats and Republicans, on a broad spectrum of conditions facing workers—jobs, wages, health care, housing, prices, etc. At one point in this country's history, the level of social misery described in this study would have been a national scandal; today, it is hardly acknowledged by political figures and the media.

While the authors too optimistically cite the economic recovery, the study does make the important observation that for many of the workers who finally find employment, the bankruptcies, accumulated debt and deferred health care incurred while jobless will take many years to recover from. More realistically, the deteriorating American economy condemns an increasing number of workers in Oregon, as well as nationally, to a Charles Dickens type of existence as a permanently impoverished underclass.

Almost four years since major job losses in Oregon began prior to the end of 2000 (the recession began in early 2001), employment levels remain below their pre-recession level. In a press release this last October, the OCPP showed that with September's job losses, there were 24,200 less jobs than before the recession's start. Factoring in the increased numbers of working-age adults leaves a total of 131,500 workers needing employment. October's unemployment rate remains practically unchanged, dropping 0.1 percent to 7.2 percent.

Commenting on September's unemployment figures, Michael Leachman, a policy analyst for OCCP, said, "The jobs numbers are particularly troubling given that President Bush and his Congressional allies refused to extend unemployment benefits at the end of last year." An estimated 50,800 workers in Oregon have lost their Unemployment Insurance benefits this year.

Oregon has the ill-famed distinction of ranking among the states with the highest jobless levels in the country. During the summer of 2003, Oregon led the nation with 8.7 percent unemployment. Nationwide, the level at that time was 6.2 percent. Generally, Oregon maintains an unemployment rate 1.5 to 2 percentage points above the national average.

According to the State of Oregon web site, "Rural Oregon is seen to routinely have average unemployment rates that are two to three percentage points higher than the state as a whole." Since 2000, 8 of 25 rural counties have met or exceeded a 9 percent unemployment average. In January of 2004, Grant County reported 16.6 percent unemployment, while Lake County reported 15.2 percent.

Tracing real earnings in constant 2003 dollars over the last quarter century, the study shows stagnant earning or an actual loss. Since 1979, the median hourly wage has dropped 22 cents from $13.74 to $13.52. For the low-wage workers in the bottom 20th percentile, the hourly wage loss was more dramatic, going from $8.79 to $8.18.

These figures provide a revealing glimpse of the inability and refusal of the trade unions to counter the attacks on wages or fight for any real gains for the working class.

The election of Ronald Reagan at the beginning of the 1980s signaled an assault on working class wages that has yet to be recovered from. In 1978, the average Oregon worker earned $34,317 in 2003 dollars. Four years later, income levels had dropped by almost $3,500, to $30,862. The 2001 recession quickly erased the hard-won increases made in the latter half of the 1990s, when income rose to $35,022. By 2003, Oregon workers' average yearly earnings were $34,442, down $600 from 2000 and slightly more than $100 higher than in 1978.

The recession did not affect all workers equally. While workers in the Portland area saw a drop of 3 percent in average annual pay, in Washington County, part of the Portland metropolitan area and a center for the electronics industry, the decline in annual earnings exceeded 9 percent.

Since 1989-1991, the number of working families living below the poverty line while working full-time, year-round, has more than doubled, from 2.7 percent to 5.8 percent in 2002-2003. In other words, even with one or more members of the family working full-time, that effort was insufficient to raise their income over the poverty level. Between the mid-1990s—the period of welfare “reform”—to 2002-2003, working-poor families with children suffered a decline in income, falling from $10,091 to $9,890.

It is clear that employment by itself does not serve as a guard against poverty, but, in addition to money worries, there are also hunger worries. The report states, “[O]ne in seven working adults in Oregon lived in ‘food insecure’ households in 2002.” In the 2003-2004 fiscal years, nearly three quarters of a million people were forced to seek help from a food bank. In food-insecure homes (homes uncertain of sufficient money to purchase food), employment levels dropped from 66 percent in 2000-2001 to 56.6 percent in 2002-2003. (See: “As Oregon’s economy “recovers” hundreds of thousands go hungry”.)

The official poverty level in Oregon, which severely underestimates the actual number living in economic distress, stands at 11.7 percent. With a population of more than 3.5 million, the number of people classified as poor in 2002-2003 numbered 413,000, an increase of 93,000 from 1980-1981. The poverty rate among all families with children, excluding disabled, ill or retired, stood at 13.8 percent.

Those government programs that have traditionally assisted the poor have either been eliminated or had their funding reduced. Oregon’s primary welfare program, Temporary Assistance for Needy Families (TANF), has not increased the minimum income level required to qualify for help since 1991: $616 per month. A three-person family with one of more members working only 21 hours a week at today’s minimum wage, bringing home an income that is $10,000 below poverty level is designated as earning too much to qualify for state welfare benefits.

At such a low level of income, the percentage of recipients with earnings from work that qualify has been effectively reduced, dropping from over 11 percent a decade ago to 2 percent in 2004. In 1991, 43 percent of unemployed workers received TANF benefits; by 2003 that number had fallen to 12 percent.

A similar path has been followed by the Oregon Health Plan (OHP). Initially formed to provide health coverage to the working poor, the standard program of OHP has been progressively stripped of funding, going from 91,000 enrollees in 2002 to 54,000 in 2003. Even more of the working poor will lose health coverage, as the Democratic governor and legislature have agreed to cut the caseload to 24,000 by the summer of 2005.

During the 1990s—with Democratic President Bill Clinton presiding over the longest economic boom since World War II—the growth of inequality was particularly acute in Oregon. According to the study, “No other state saw the gap between the richest fifth of families and middle-income families grow as rapidly as Oregon.” The top 1 percent almost doubled their income, gaining an additional $383,000, or an increase of 98 percent. Meanwhile, the average family gained only 9 percent during the same time period.

Even with the impact of the recession on the stock portfolios of the wealthy, in 2002 the richest 1 percent still made as much adjusted gross income as the bottom 49 percent of Oregon taxpayers. The top 1 percent had a gross income of $544,000, while the typical income was $27,000, a multiple of 20 between the top and middle.

Only the top 20 percent improved their gross income since 1979, rising from $92,268 to $117,335. Meanwhile, the bottom 20 percent actually lost income, dropping from $4,892 to $4,282—losing $610.

All areas of a worker’s existence have been harshly affected by the combined effects of unemployment, lowered income, rising prices and cutbacks in the programs that were in place to assist those in need. Housing, health insurance, gasoline and day care costs have all increased. Higher education costs have skyrocketed. For the lowest 20th percentile (those making less than $16,000 per year), the elimination of low-income property relief along with increased cigarette taxes have resulted in an increased state and local tax burden.

This economic pressure has resulted in the proliferation of alternative lenders offering “subprime” home refinancing, payday loans, pawnshop loans, and higher-interest credit cards. The OCPP study shows that with all these lenders there has been, as in the case of subprime loans, increased foreclosures, or, with pawnshops, increased loss of pawned items.

The payday loan industry has grown substantially in the last few years, now outnumbering McDonald’s restaurants in Oregon. The growth of payday loans belies the adage of “living from paycheck to paycheck.” In reality many workers are “living” only by borrowing from their future paychecks at exorbitant rates.

The full report can be accessed at www.ocpp.org.