

September 3, 2010

## Gloomy Days, But a Ray of Hope, for Oregon Workers

Labor Day is an appropriate moment to reflect on the state of Oregon workers. This year's holiday takes place as the nation continues to struggle with the effects of the worst economic downturn since the Great Depression.

Not surprisingly, for most Oregon workers the state of affairs is a tough one. In particular,

- The wages of a typical Oregon worker last year were lower than in 1979 when adjusted for inflation. The average hourly wage for median wage workers was \$15.85 in 2009, down from \$16.09 in 2001 and lower than the 1979 level of \$16.12.
- Income inequality — the gap separating the wealthy from the rest — remains wide, despite drops in income across the wage scale. The average annual income of the wealthiest 1 percent of Oregon households dropped in 2008, falling 29 percent from the 2007 peak of a little over \$1 million. Average income for the typical (median) Oregon household fell 3 percent, from \$32,336 in 2007 to \$31,243 in 2008.
- Jobs are expected to remain scarce over the next few years, making it hard for workers to demand better wages. In 2010, Oregon is projected to have 65 jobs available for every 100 working-age Oregonians. That is well below the level of jobs available in 2000, at the peak of the economic cycle of the 1990s. Oregon will not regain the level of jobs per worker seen in 2003 — the worst year of the 2001-03 recession — until 2015.

Corporations have also felt the effects of the downturn, although they were cushioned by rapid jumps in profits and income prior to the recession. OCPP estimates that corporate profits in Oregon were about \$15 billion in 2009, essentially the same level as in 2008.

But amid this gloomy scenario, there is one ray of hope for Oregon workers: unionization appears to be holding up better in Oregon than in the nation as a whole. Last year, 17 percent of Oregon's workforce belonged to a union, the third year in a row that the state has seen an uptick in unionization rates. Recent data demonstrate that unions have played a key role in raising wages and benefits, particularly for low-income workers. And research shows that all workers, not just union members, benefit from the union gains. As Oregon workers confront the toughest economic challenges in over 70 years, they should welcome a stronger union voice.

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### Real wages of typical Oregon worker less than they were 30 years ago

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While Oregonians across the income spectrum have felt the blows of recession, it hit particularly hard on those at the lower end of the income scale. Job losses in Oregon have been concentrated at the low end of the wage scale.<sup>1</sup> Many of these families were already in a precarious financial situation, because their wages failed to keep up with inflation in the years prior to the recession, a period in which Oregon's economy as a whole experienced solid growth.

Growth in earnings slowed dramatically in Oregon in 2009, the most recent year for which data are available. Statewide average annual pay grew just 0.6 percent in 2009, down from 2.4 percent in 2008 and 3.9 percent in 2007.<sup>2</sup> Yet a closer examination shows that workers at the low end of the wage scale saw no improvement in earnings over the past decade, while high-wage workers saw wage growth.

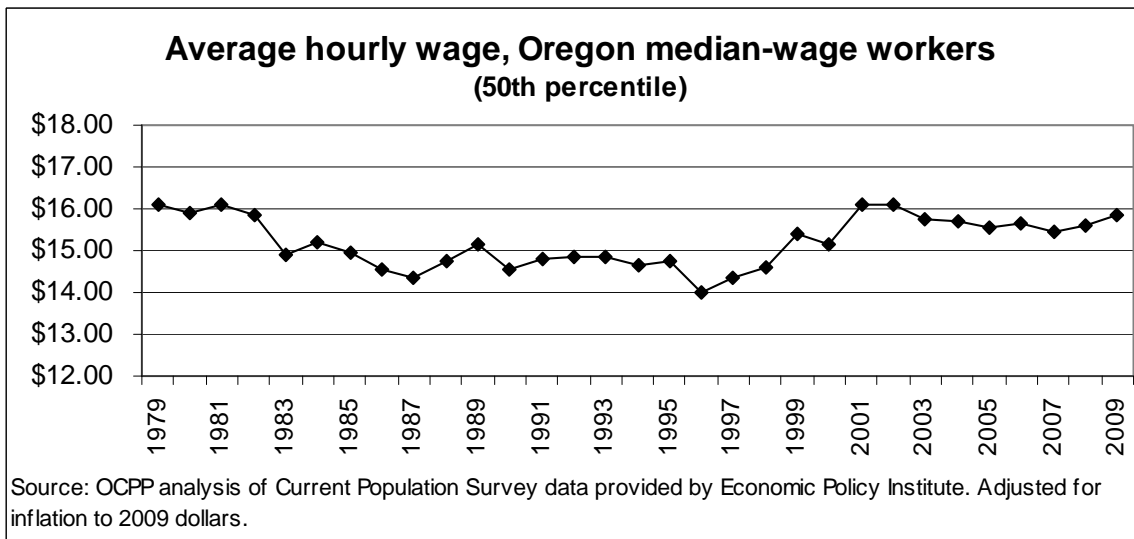
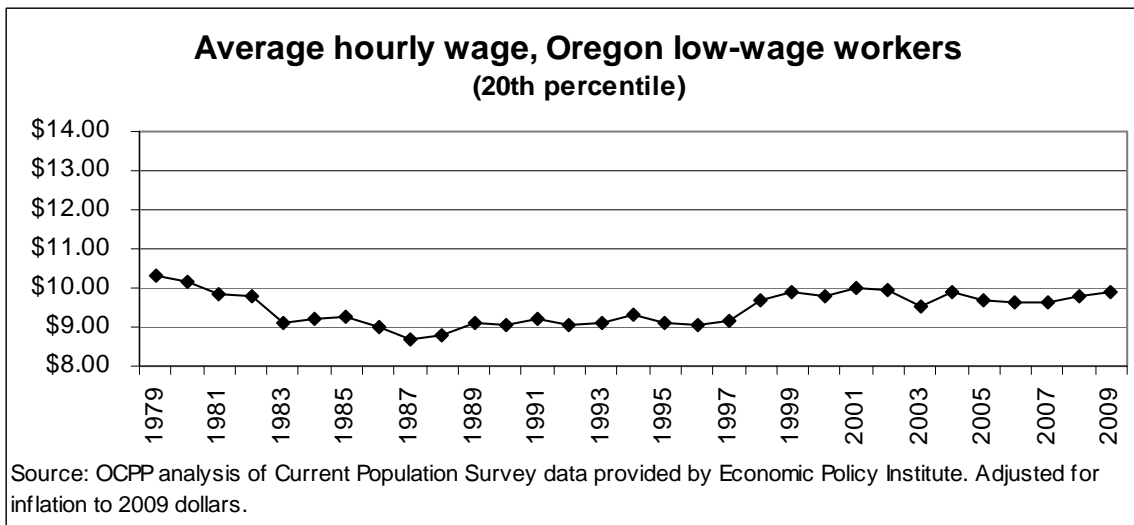
Low- and median-wage workers in Oregon — those in the 20<sup>th</sup> and 50<sup>th</sup> percentiles — have made no real progress in wage earnings over the past 30 years.<sup>3</sup> In 2009, inflation-adjusted hourly wages for both low-wage and median-wage workers in Oregon remained below what they were in 2001, at a peak just prior to the 2001-03 recession. In fact, wages for these workers remained lower than what they were in 1979, the earliest year for which comparable data are available. The average hourly

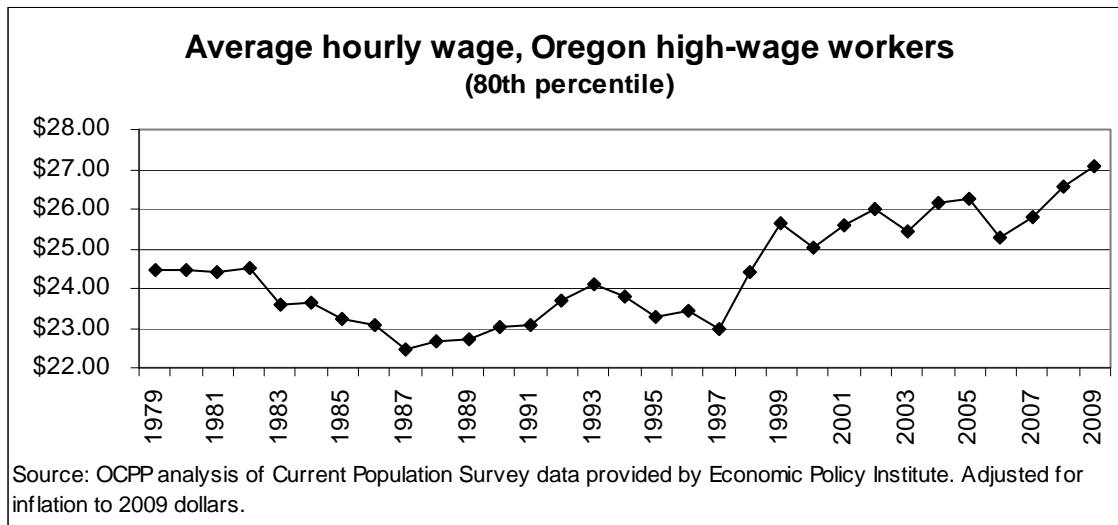
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wage for median-wage workers was \$15.85 in 2009, down from \$16.09 in 2001 and lower than the 1979 level of \$16.12.<sup>4</sup>

Change in real hourly wages for Oregon workers				
	2001 to 2007	2007 to 2009	2001 to 2009	1979 to 2009
low wage (20th percentile)	-3.5%	3.0%	-0.6%	-3.7%
median wage (50th percentile)	-3.9%	2.5%	-1.5%	-1.7%
high wage (80th percentile)	0.7%	4.9%	5.7%	10.7%

Source: OCPP analysis of Current Population Survey data provided by Economic Policy Institute. Adjusted for inflation to 2009 dollars.

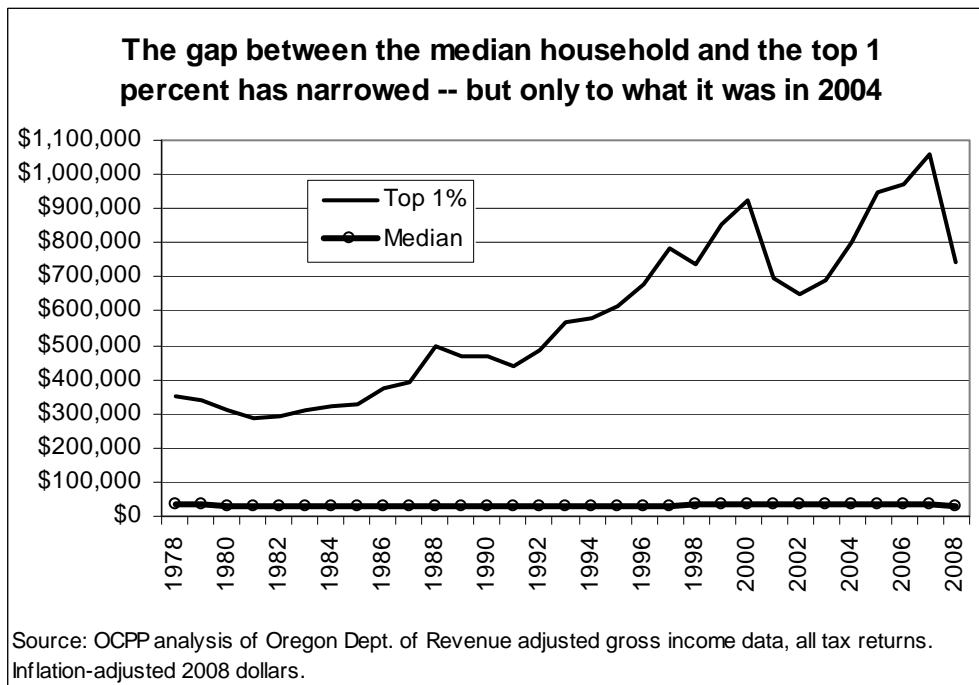




By contrast, Oregon’s high-wage workers — those in the 80<sup>th</sup> percentile — have seen their wages increase over time. Although hourly wages for Oregon workers in the 80<sup>th</sup> percentile fell during the recession of the early 1980s, they surged during the late 1990s and have since remained above the 1979 level. At \$27.07 in 2009, inflation-adjusted average hourly wages for high-wage workers in Oregon are higher than they were in 2001 (\$25.61) and in 1979 (\$24.45).<sup>5</sup>

**Income inequality remains wide**

Wages are only one component of total household income. Particularly for high-income households, total income also includes income derived from capital gains — gains from investments in stocks and real estate, for example — and dividends. When those and all sources of income are included, the picture that emerges of the past 30 years is one of growing income inequality.



## ***Gloomy Days, But a Ray of Hope, for Oregon Workers***

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Although the recession did not spare the highest-income Oregonians, the income gap between the wealthiest 1 percent and the typical Oregonian remains wide. The average annual income of the wealthiest 1 percent of Oregon households dropped in 2008, falling 29 percent from the 2007 peak of a little over \$1 million.<sup>6</sup> Average income for the typical (median) Oregon household fell 3 percent, from \$32,336 in 2007 to \$31,243 in 2008. As a result, the gap between Oregon's wealthiest households and the typical household narrowed in 2008, the first year of the Great Recession and the most recent year for which total household income data are available. Even so, the inflation-adjusted average income for the wealthiest 1 percent remains higher than it was in 2002, at the low point of the previous recession.<sup>7</sup>

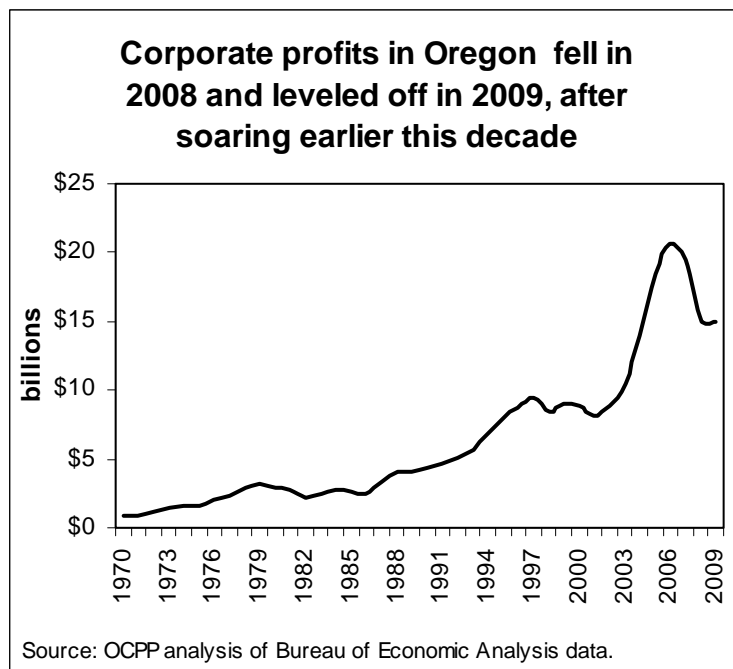
Over the economic cycle that preceded the Great Recession, the wealthiest 1 percent saw income gains over inflation while the typical (median) Oregon household fell behind. Income for households at the median *fell* by 0.5 percent per year on average between 2000 and 2007, after adjusting for inflation. The wealthiest 1 percent, by contrast, saw average income *growth* of 1.9 percent over inflation during the same period.<sup>8</sup>

Over the longer term, the typical household in Oregon has seen income stagnation while the wealthiest 1 percent have enjoyed income growth. Median household income in 2008 was 1.5 percent lower than it was in 1980, after adjusting for inflation. Average inflation-adjusted income among the wealthiest 1 percent in Oregon was 138 percent higher in 2008 than it was in 1980.<sup>9</sup>

### **Corporations remain profitable and top CEOs continue making fortunes**

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Corporations have also felt the effects of the downturn, although they were cushioned by rapid jumps in profits and income prior to the recession. OCPP estimates that corporate profits in Oregon were about \$15 billion in 2009, essentially the same level as in 2008. While that figure is down from the peak of \$20.6 billion in 2006, corporate profits soared so high during the 2000s that profits remain well above the 1999 level of \$9.1 billion. Moreover estimates based on current economic projections show corporate profits rebounding in 2010.<sup>10</sup>



In spite of the continuing effects of the Great Recession, fortunes continue to be made by CEOs. Average compensation among the 40 highest-paid CEOs of Oregon-based public companies in 2009 was \$1.9 million.<sup>11</sup> That's nearly 40 times the average annual earnings of Oregon workers generally.<sup>12</sup> The highest paid Oregon CEO in 2009, Mark Parker of Nike, saw his compensation increase 84 percent from 2008 to 2009. In 2009, Parker's compensation was \$13.1 million — 340 times the earnings of the typical (median) Oregon worker.<sup>13</sup>

### Jobs are expected to remain scarce in years to come

The Great Recession struck a big hole in Oregon's job market, from which the state will not recover any time soon. In July 2010, Oregon had almost 120,000 fewer jobs than it had in July 2007, and the number of working-age Oregonians has grown over that period.<sup>14</sup> Hiring is not projected to pick up until 2011, so it will take a long time to make up for both jobs lost and population growth.

As a result, jobs are expected to remain scarce in Oregon for years. In 2010, Oregon is projected to have 65 jobs available for every 100 working-age Oregonians.<sup>15</sup> That is well below the level of jobs available in 2000, at the peak of the economic cycle of the 1990s. Oregon will not regain the level of jobs per worker seen in 2003 — the worst year of the 2001-03 recession— until 2015.



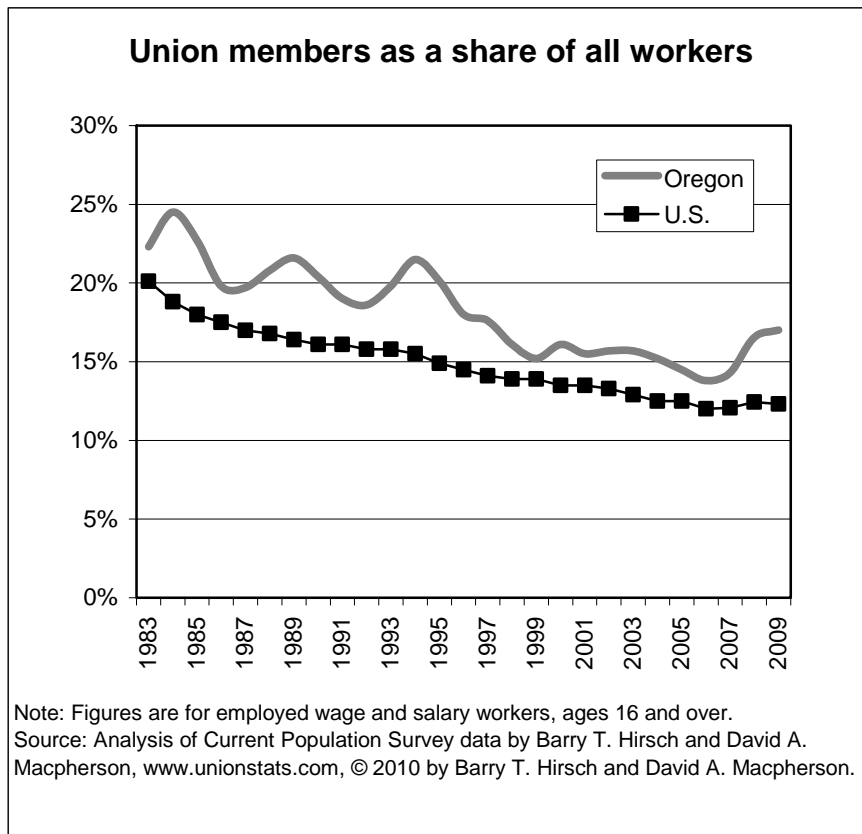
When the number of people wanting jobs exceeds the number of jobs available, employers face little pressure to raise wages or improve benefit packages to attract workers, because workers are not in a position to be picky. That makes it tough for workers to bargain for better wages and working conditions.

### Bright spot: unionization holds up and increases wages and benefits

A slow recovery will make it difficult for working families to improve their opportunities over the next few years. That means the right to organize in order to bargain collectively for fair wages and safe working conditions is more critical than ever for Oregon's workers this Labor Day. Fortunately, it is in this area that there is good news for Oregon workers.

## Gloomy Days, But a Ray of Hope, for Oregon Workers

Last year was the third year in a row that the share of Oregon workers who are union members has risen. Union members made up 17.0 percent of Oregon's workforce in 2009, up from the low point of 13.8 percent in 2006.<sup>16</sup>



The uptick in 2009 is related to loss of jobs in the recession, but union resiliency in Oregon over the longer term may also reflect unions' success in reaching out to workers in new industries.<sup>17</sup> Oregon unions have organized workers in retail trade, home health care and social services in recent years, and in 2007 they won collective bargaining rights for child care and adult foster care providers.<sup>18</sup>

More important than the rate of unionization, however, are the benefits unions bring for workers and the broader economy. It is clear that unions substantially boost wages and benefits for workers they represent. The improvement is more substantial for low-wage workers. In Oregon, data for 2003-07 show that the typical worker — one at the median or 50<sup>th</sup> percentile — got a 16.5 percent wage boost by being in a union, while the lowest-paid workers saw a wage gain of 21.1 percent.<sup>19</sup>

Unions' effect on benefits is even larger. Based on data for 2003-09, Oregon workers who belong to unions are 31 percent more likely to have health insurance benefits and 51 percent more likely to have retirement benefits than non-union workers, even after controlling for differences in workers' age, education, gender and industry of employment.<sup>20</sup>

The benefits of unionization also spill over to non-union workers and the larger economy. In industries with a strong union presence, even non-unionized workers receive higher wages than similar workers in less unionized industries. Workers' compensation and unemployment insurance programs tend to be stronger and more inclusive in state with a strong union presence, and unions

help maintain standards for safety and rights for all workers on the job. Unionization also benefits businesses through increased productivity and lower worker turnover.<sup>21</sup>

### Conclusion

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It's not surprising that the continuing effects of the Great Recession make for a bleak Labor Day from the perspective of most Oregon workers. Stagnant wages and income inequality remain a serious problem. If these corrosive dynamics are to change, the voice of organized labor will need to become stronger. And on that front, Oregon workers can celebrate a bit of hopeful news.

### Endnotes

<sup>1</sup> The Oregon Employment Department reports that 83.8 percent of jobs lost between the first quarter of 2008 and the first quarter of 2009 paid less than \$15 per hour (about \$31,000 annually for a full-time worker) and 53.4 percent paid less than \$9 per hour (about \$18,700). Oregon Employment Department, UI Wage File Reports, "First Quarter 2009: Recessionary Job Losses Concentrated in Low Wage Jobs," October 13, 2009, available at [www.qualityinfo.org/pubs/wage/qwage2009\\_1.pdf](http://www.qualityinfo.org/pubs/wage/qwage2009_1.pdf).

<sup>2</sup> OCPP analysis of Bureau of Labor Statistics data.

<sup>3</sup> Data are average hourly wage rates by decile. That is, wage data are grouped into equal shares, each representing 10 percent of the total workforce. For example, low-wage workers here are the one-tenth of the workforce that earned between the 10<sup>th</sup> percentile and the 20<sup>th</sup> percentile wage. The median is the 50<sup>th</sup> percentile.

<sup>4</sup> OCPP analysis of Current Population Survey data provided by Economic Policy Institute. All figures inflation-adjusted to 2009 dollars.

<sup>5</sup> OCPP analysis of Current Population Survey data provided by Economic Policy Institute. All figures inflation-adjusted to 2009 dollars.

<sup>6</sup> OCPP analysis of Oregon Dept. of Revenue adjusted gross income data, all tax returns, inflation-adjusted to 2008 dollars. Average income of the top 1 percent dropped from \$1,056,665 in 2007 to \$745,152 in 2008.

<sup>7</sup> Average income of the top 1 percent was \$745,152 in 2008 and \$650,435 in 2002.

<sup>8</sup> OCPP analysis of Oregon Dept. of Revenue adjusted gross income data, all tax returns, inflation-adjusted to 2008 dollars. Measure is average annual percentage change.

<sup>9</sup> OCPP analysis of Oregon Dept. of Revenue adjusted gross income data, all tax returns, inflation-adjusted to 2008 dollars. Median income was \$31,243 in 2008 and \$31,711 in 1980. Average income among the wealthiest 1 percent was \$745,152 in 2008 and \$312,535 in 1980.

<sup>10</sup> OCPP analysis of U.S. Bureau of Economic Analysis data, using the methodology employed by the Oregon Office of Economic Analysis (OEA) for developing state revenue projections. Corporate profits includes profits by both C-corporations and S-corporations. Based on projections in Oregon Office of Economic Analysis, *Oregon Economic and Revenue Forecast*, September 2010, available at [www.oregon.gov/DAS/OEA/docs/economic/forecast0910.pdf](http://www.oregon.gov/DAS/OEA/docs/economic/forecast0910.pdf), corporate profits are estimated to be \$20.8 billion in 2010.

<sup>11</sup> Brandon Sawyer, "Highest-paid Oregon CEOs Earn Less: Bonuses Plummet and Pay Slides for the Highest-paid Public Company CEOs," *Oregon Business*, September 2010. Total compensation includes salary, bonus, stock and option awards, incentive plan, change in pension value, and other compensation.

<sup>12</sup> Average annual wages for workers employed 350 or more hours in 2009 were \$50,444. OCPP analysis of Oregon Employment Department data.

<sup>13</sup> Median annual wages for workers employed 350 or more hours in 2009 were \$38,406. OCPP analysis of Oregon Employment Department data.

<sup>14</sup> Oregon had 119,600 fewer jobs in July 2010 than it had in July 2007. OCPP analysis of Oregon Employment Department data.

<sup>15</sup> OCPP analysis of Oregon Employment Department data and Oregon Office of Economic Analysis, *Oregon Economic and Revenue Forecast*, September 2010, available at [www.oregon.gov/DAS/OEA/docs/economic/forecast0910.pdf](http://www.oregon.gov/DAS/OEA/docs/economic/forecast0910.pdf).

<sup>16</sup> Analysis of Current Population Survey data by Barry T. Hirsch and David A. Macpherson, [www.unionstats.com](http://www.unionstats.com).

<sup>17</sup> Both total employment and the number of union members were lower in 2009 than in 2008, in Oregon as well as in the United States as a whole. In Oregon, the decline in union membership was smaller than the decline in jobs, resulting in an increase in the share of workers who were union members. In the nation as a whole, the decline in union members was greater than job losses, resulting in a small decrease in the unionization rate (from 12.4 to 12.3 percent).

<sup>18</sup> See Michael Leachman and Joy Margheim, *Rolling Up Our Sleeves: Building an Oregon That Works for Working Families*, Oregon Center for Public Policy, December 2008, p. 27.

<sup>19</sup> Estimates are hourly wage premium for union workers age 16-64 in 2003-07. John Schmitt, *The Union Wage Advantage for Low-Wage Workers*, Center for Economic and Policy Research, May 2008, available at [www.cepr.net/index.php/publications/reports/the-union-wage-advantage-for-low-wage-workers/](http://www.cepr.net/index.php/publications/reports/the-union-wage-advantage-for-low-wage-workers/).



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<sup>20</sup> Estimates are based on data for 2003-09. John Schmitt, *The Unions of the States*, Center for Economic and Policy Research, February 2010, available at [www.cepr.net/index.php/publications/reports/the-unions-of-the-states/](http://www.cepr.net/index.php/publications/reports/the-unions-of-the-states/).

<sup>21</sup> Lawrence Mishel and Matthew Walters, *How Unions Help All Workers*, EPI briefing paper 143, Economic Policy Institute, August 2003, available at [www.epi.org/content.cfm/briefingpapers\\_bp143](http://www.epi.org/content.cfm/briefingpapers_bp143); Harley Shaiken, *The High Road to a Competitive Economy: A Labor Law Strategy*, Center for American Progress, June 25, 2004, available at [www.americanprogress.org/kf/unionpaper.pdf](http://www.americanprogress.org/kf/unionpaper.pdf); Ross Eisenbrey, *Strong Unions, Strong Productivity*, Economic Snapshot, Economic Policy Institute, June 20, 2007, available at [www.epi.org/content.cfm/webfeatures\\_snapshots\\_20070620](http://www.epi.org/content.cfm/webfeatures_snapshots_20070620).

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