Oregon is a land of disparities
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Imagine three Oregon families in the late 1970s, one poor, one middle class and one upper income.

The poor family makes $14,580 a year. The middle-class family makes $44,030 a year. The upper-income family makes $93,170 a year.

Now fast-forward to 2000, the tail end of one of Oregon's biggest economic booms.

The poor family's income has dropped $430 a year, a 3 percent decline. The middle-class family has gained a mere $4,370 in annual income, a 9.9 percent increase.

And the wealthiest family? Its yearly pay raise amounts to $48,260, a 51.8 percent rise.

The result: Oregon ranks among the 10 states with the greatest disparities between its highest-earning families and its middle-income and poor families, according to a study released Tuesday by two Washington, D.C., think tanks that focus on issues affecting low- and moderate-income Americans.

"The benefits of this economic growth have not been evenly distributed," said Elizabeth McNichol, director of the State Fiscal Project for the Center on Budget and Policy Priorities and a co-author of the report.

The report, issued by McNichol's organization and the Economic Policy Institute, is based on an annual analysis of U.S. Census Bureau income data.

During the past two decades, Oregon's income disparity has grown faster than any state other than New York, the study said. In Oregon and 44 other states, the gap widened during the past two decades between the incomes of the richest 20 percent of families and the poorest 20 percent. Only in Alaska did the poorest 20 percent see their incomes go up faster than the wealthiest 20 percent.

The policy institute and other advocacy groups are using the report to urge state legislatures to weigh in with policy decisions they say will reduce the income gap -- policies on a variety of issues such as labor union formation, unemployment insurance and state minimum wages.

The groups have raised alarms about income inequality for years, but the debate has picked up new voices in the wake of the recession and difficult state budget decisions. Experts on different sides of the issue offer competing conclusions, but few argue that the highest-income families were richly rewarded in the '90s.

Oregon had the eighth-largest gap between the top 20 percent and the middle 20 percent on the income ladder and the 11th-largest between the top and bottom fifth.

The report identified several causes of income inequality, most notably the growth in upper-income wage scales. (Income from nonwage sources, such as capital gains and interest income, was not included in the study.) Wages at the bottom and middle of the wage scale, in contrast, have stagnated or declined for much of the past two decades, the study said.

Another big factor, according to the study, has been the decline in well-compensated unionized manufacturing jobs and the resulting rise in low-wage service jobs. Also contributing are an influx of immigrants into low-wage jobs and the failure of minimum wages to keep pace.

The study noted that the bottom 20 percent of families saw real wage gains in the late 1990s, thanks to low unemployment, an increase in the federal minimum wage to $5.15 and fast productivity growth. But the gains have been insufficient to overcome the two-decade slide toward greater income inequality.

"The problem is that the prosperity has not been shared by the majority of Oregonians," said Charles Sheketoff, executive director of the Silverton-based Oregon Center for Public Policy.

Jeff Thompson, policy analyst with the center, pinpointed the decline in manufacturing jobs as the culprit. He said 16 percent of Oregon's jobs were in durable goods manufacturing in 1979. By 2000, that figure had declined to 11 percent.

"Those are high-paying jobs," Thompson said.
Oregon's manufacturing jobs suffered, Thompson contended, because other countries were able to compete for the jobs with lower-paid labor and because federal monetary policy kept the value of the U.S. dollar high, putting U.S. durable goods exports at a competitive disadvantage. Moreover, he said, the decline in union representation among Oregon factory workers kept wages down. An estimated 15 percent of Oregon workers are members of a labor union now, down from 25 percent to 28 percent in the late 1970s.

Oregon's libertarian think tank, the Cascade Policy Institute, doesn't necessarily buy the study's conclusions. For example, Steve Buckstein, the institute's president, pointed to Oregon's minimum wage, the nation's third highest, at $6.50 an hour. Rather than helping raise the pay of the poorest Oregonians, he said, the minimum wage has forced small businesses to eliminate jobs. Buckstein added that the large gap between high-paying and low-paying jobs suggests that workers have more opportunity to move up from one income classification to a higher one, especially as new industries emerge.

"There's a lot of opportunity in America," he said. Buckstein also said that union demands may have forced the flight of some manufacturing jobs. Leslie Christian, president of Progressive Investment Management, a money manager with three offices in the Northwest, said the loss of manufacturing and the rise of low-wage service jobs was a problem. But she said the heart of the wage problem was that executives have too much incentive to put profit above employee welfare.

"A corporation's legal mandate is to maximize wealth for its shareholders," said Christian, who specializes in so-called socially responsible investments. "When you think about what that means, it automatically pits the shareholder against the employee. (Executives) have an incentive to cut the highest expenses: payroll."

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