



The High Cost of Low Wages

I am Dr. Daniel Morris. I am the research director for Our Oregon and have a faculty appointment at Portland State University School of Community Health. Our Oregon represents organizations and individuals who care about many issues, from preserving funding for our schools and critical services to protecting the environment. I conduct research on a range of issues including public assistance, government finances, education and public health.

Based on data on 197,000 working adults receiving food stamps, I estimate that the total annual cost of providing public assistance to working families in Oregon is over **\$1.7 billion per year**. I'd like to first tell you a little more about how I got to that number, then try to put those findings in the context of Oregon's economy.

For this study the state provided summary data on how many adults receiving SNAP worked in each industry. We didn't get any business names, but the industry categories are very specific, so for example we can compare fast food restaurants with other sit-down restaurants. In 2013 these workers averaged \$12.36/hour in wages.

Over 1 million Oregonians were served by SNAP in 2013. Many clients are enrolled in more than one program at a time: 78% of SNAP recipients also get medical assistance through the state. Because the state publishes data on concurrent use of programs, we can use the SNAP data to estimate usage of other programs too. We focused on three major programs: SNAP, the Oregon Health Plan, and Employment Related Day Care.

Of the \$1.7 billion It wasn't surprising to find that that over 60% of these costs go to support workers in four major industry sectors.

Accommodation and Food Services -- \$ 327M in public assistance per year

Most of the workers receiving assistance in this sector work at restaurants—13,000 in fast food and 12,000 in other kinds of restaurants. Nationally, public assistance to fast food workers is around \$7 billion per year. Hotels and motels also employed over 5,000 adults receiving assistance.

Retail Trade -- \$315M in public assistance per year

In the retail trade sector, supermarkets and other grocery stores employed the greater number of adults receiving assistance, followed closely by big box stores like Walmart. Across the country, public assistance to Walmart workers tops \$6 billion per year. Gas stations also employed more than 4,000 workers receiving assistance.

Health Care and Social Assistance - \$266M in public assistance per year

The greatest numbers of the low-wage workers in this sector help the elderly, providing services for individuals (5,784) or at retirement, nursing and assisted living facilities (8,096). Thousands more work at hospitals or providing child care.

Administrative and Support Services -- \$221M in public assistance per year

This sector covers temp agencies, and other business support companies, like call centers, janitorial services and landscaping.



With that quick review of the study's findings, I'd like to switch gears and talk about the economy. By many measures, Oregon's economy is doing well—our economy has been growing three times faster than the national economy. But at the same time, most Oregon families are worse off than they used to be. According to data from the Oregon Department of Revenue, the bottom $\frac{3}{4}$ of Oregon's income distribution saw real incomes decline between 2002 and 2012, while income gains have been limited just to top of the distribution. But really, the biggest gains have gone to the top 1%.

Based on data from DOR we know that for the taxpayers with the highest incomes, most of that income is in the form of capital gains, stock dividends and interest. As corporate profits soar to record highs, the top 1% get richer and richer while most families see their incomes declined. And while economic gains are increasingly going to boost corporate profits, the share of economic gains going to working families has declined.

There are a few long-term trends that explain what's going on here. First, big corporations in the U.S. have outsourced millions of jobs over the past few decades. For the most part these aren't jobs that were made obsolete by technology. These are jobs that were moved to another country where workers are paid less. The manufacturing sector has been the hardest hit by outsourcing. So with millions of good middle-class jobs gone, there's more competition for the jobs that remain and corporations can get away with paying workers less, offering fewer benefits, and relying more on part-time workers instead of hiring people full-time. The result is that many people are working hard but still not making enough to support their families so taxpayer-funded net programs are making up the difference.

Another way that corporations boost their profits is by avoiding paying taxes. While safety net programs are subsidizing the workforce of profitable corporations, companies are very good at hiding their profits from taxation. Bloomberg News reports that major U.S. corporations have \$2 trillion stashed in offshore subsidiaries, reducing their state and federal tax bills by billions of dollars each year.

Two recent independent reports found that Oregon has the country's lowest effective business taxes, so not only are taxpayers supporting the workforce of profitable companies, but the assistance Oregon is able to offer is limited because the state collects relatively little in taxes from businesses. Over time, as Oregon's population and economy has grown, the amount of personal income taxes collected have increased while corporate income taxes have stayed flat.

Thank you for your interest in our research. I hope that these findings can support your work in the Legislature to help Oregon's economy grow and thrive. Please let me know if I can be any further assistance.