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. I'd like to first tell you about the results of the statistical analysis in the High Cost of Low Wages report, and then discuss how low wage work fits into the larger context of Oregon's economy.

We focused on three major programs: the Supplemental Nutrition Assistance Program (SNAP, formerly called food stamps), the Oregon Health Plan, and Employment Related Day Care. Many clients are enrolled in more than one program. We found that the total annual cost of providing assistance to working families through these programs is over **$1.7 billion per year**.

The goal of the analysis was to quantify the costs of providing safety net assistance to working families in Oregon, and find out where adults receiving services are working. Over 1 million Oregonians were served by SNAP in 2013, and 829,000 were served by medical assistance programs.

The analytic methods are described in detail in the published report. Briefly, we got summary data from the state on how many adults receiving SNAP worked in each industry. Many people receive assistance through more than one program at a time. Using statistics on concurrent program use, we were able to start from the SNAP data and estimate use of other programs too. 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.

The state provided data on nearly 197,000 adults who received SNAP in January 2014 and had been working the previous year in jobs covered by unemployment insurance. The average wage of these workers was $12.36/hour. Roughly 400,000 Oregonians make less than $12/hour -- about 25% of the state's workforce. We combined these data with other statistics to generate cost estimates associated with each industry for workers and their families.

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. 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. 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.

By many measures, Oregon's economy is doing well. Our gross state product has grown three times faster than the gross domestic product, a sign that Oregon's economy is growing and that we're producing a lot of valuable stuff. But how do we reconcile this economic growth with the reality that most Oregon families are worse off than they used to be? According to data from the Oregon Department of Revenue, the bottom ¾ of Oregon's income distribution saw real incomes decline between 2002 and 2012, while income gains have been limited just to the top of the income distribution?

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. 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 U.S.-based fortune 500 companies have nearly $2 trillion stashed in offshore subsidiaries, reducing their state and federal tax bills by billions of dollars. 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.

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.