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## Middle Class Decline in the Portland Metro Region: Exploring the Economic Causes and Effects of Shrinking Middle Wage Jobs Across the Region

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### ABSTRACT

*Middle Class Decline in the Portland Metro Region* discusses regional employment patterns and argues that most of the region's job growth since the recession has been in high and low wage jobs, with a decline in jobs with middle income wages. The paper raises the alarm that this trend will reduce the middle class in the region, and discusses potential policy responses.

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By sponsoring a series of white papers by local issue experts, CLF hopes to promote dialogue and discussion about a range of regional equity issues. The papers explore issues addressed in the Regional Equity Atlas 2.0 in greater depth, placing the Equity Atlas within a broader policy context. Proposals for papers are welcome. Interested authors should contact Scotty Ellis at [scotty@clfuture.org](mailto:scotty@clfuture.org)

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Through the middle of the 20th Century, high school graduates in the United States were able to achieve a middle class standard of living. With the decline of the manufacturing sector since the late 1970s however, a college degree has increasingly become a pre-condition for accessing middle class jobs. The result: the nation’s middle class has been shrinking for several decades.

The Great Recession of 2007-2009 wiped out many middle class jobs, accelerating the process. In the Portland metro region, the economic recovery has, so

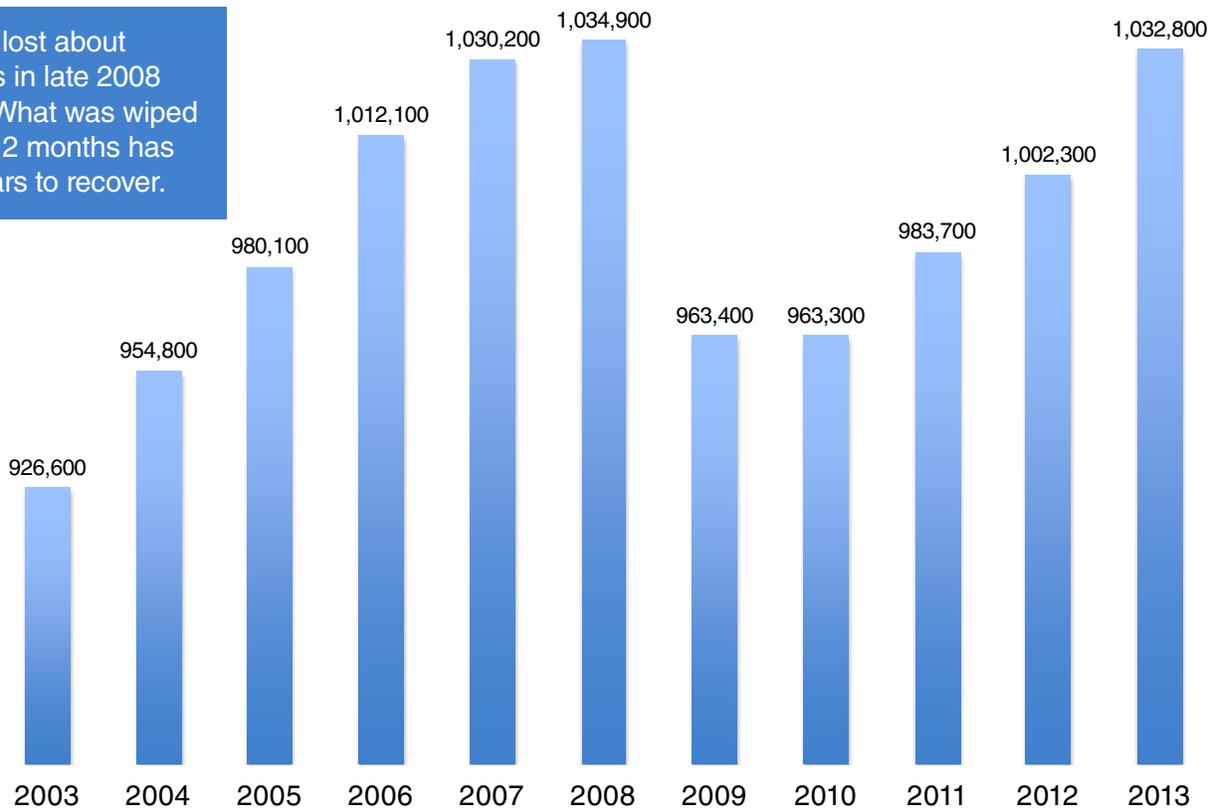
far, replaced those jobs with predominately either high wage or low wage jobs. Should this trend continue, it will accelerate wage inequality in the region. Understanding the underlying economic forces behind wage polarization is necessary before developing regional policies to manage the problem.

The Portland metro region has created 70,000 jobs over the past three years, replacing the jobs that were wiped out during the Great Recession. But few of the newly created jobs provide opportunities for workers without

**Chart 1**

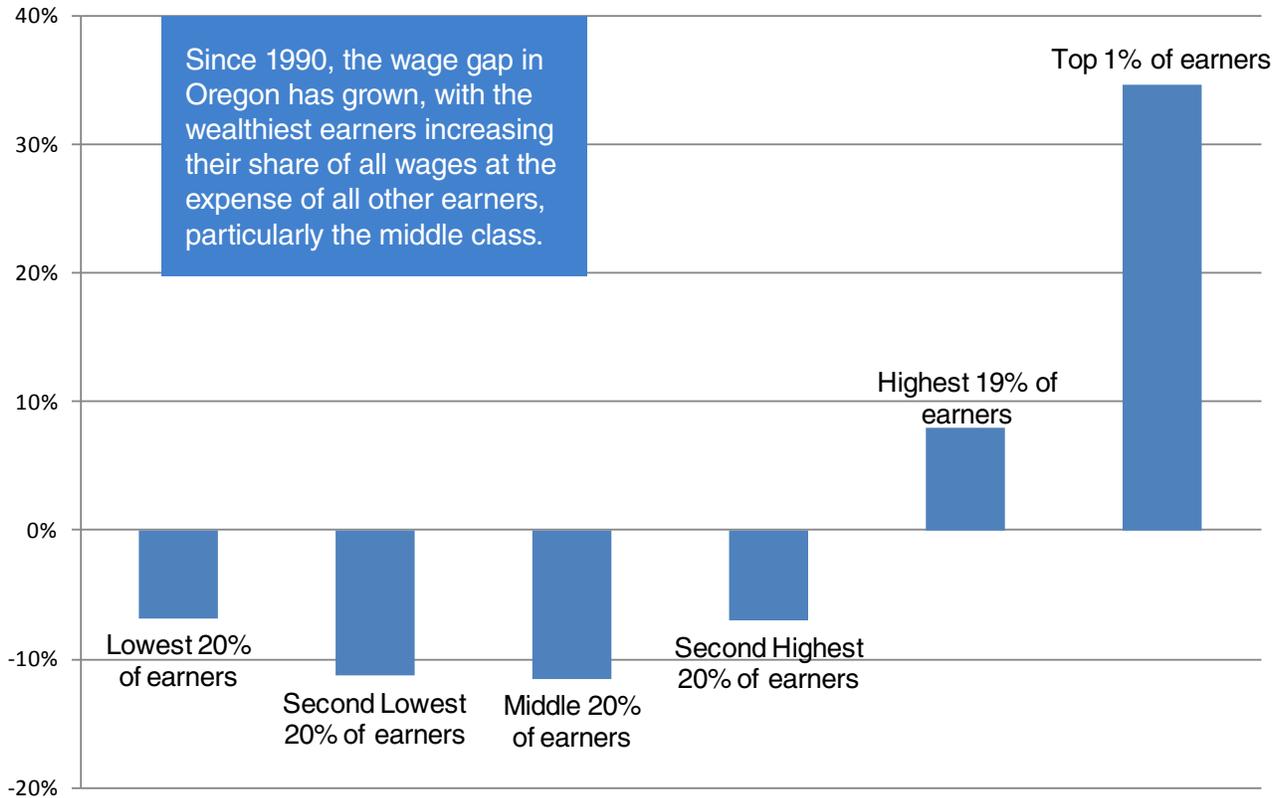
**Portland Metro Area Employment, 2003-2013**

The region lost about 70,000 jobs in late 2008 and 2009. What was wiped out in just 12 months has taken 4 years to recover.



## Wage Growth by Income Level : 1990 to 2010

### Chart 2



a college education to earn a living wage. The jobs are either high wage jobs requiring a college education or they are low wage, low skill jobs that don't provide sufficient wages to allow working families to escape poverty.

### Recession and Recovery

The Great Recession disproportionately destroyed jobs in middle wage industry sectors, particularly manufacturing and construction. These industries offer predominantly middle wage jobs that typically don't require a college degree. Every private industry suffered some degree of job loss in the recession, but lower wage and higher wage industries were less affected by the recession than middle wage industries. For example, the Construction industry lost more jobs during the recession than any other; it shed 30 percent of its workforce, much of which was employed in middle class jobs. Similarly, Manufacturing, another middle class industry, shed 15 percent of jobs in the recession. In contrast, in the low paying Retail industry, employment

only shrank by 7 percent, while the high paying Software Publishing industry only declined by 5 percent.

The economic recovery in the Portland metro region has been uneven across different industries. The same general pattern of relative weakness among middle wage industries we saw during the recession has continued through the recovery. To put it another way, those industries that employ the most middle class workers tend to have lost the most jobs in the recession and are now doing relatively poorly at creating new jobs in the economic recovery.

Since 2010, the majority of new jobs have been created in either low wage or high wage industries, with little middle class job growth. Low wage industries such as retail, food service, nursing homes and temp employment have dominated the economic recovery. High wage industries such as software, finance, engineering and wholesale trade have also seen strong growth.

	Industry	Average Wage	Job Growth Since 2010	% Job Growth	% of New Jobs	% of All Jobs
High Wage	Wholesale Trade	\$78,000	17,800	11%	26%	18%
	Information	\$75,000				
	High Tech Manufacturing	\$74,000				
	Professional and Technical	\$72,000				
Middle Wage	Financial Activities	\$64,000	7,200	4%	19%	37%
	Ambulatory Health Care	\$63,000				
	Construction	\$57,000				
	Manufacturing (non High Tech)	\$53,000				
	Government	\$52,000				
Low Wage	Employment Services	\$31,000	24,300	10%	35%	26%
	Retail Trade	\$28,000				
	Nursing and Residential Care	\$25,000				
	Leisure and Hospitality	\$20,000				

### High Wage Growth

Four major industries in the Portland metro region represent the bulk of the high wage job growth since the recession: Wholesale Trade, Information, High Tech Manufacturing and Professional and Technical Services. Combined, these industries represent 18 percent of all the non-farm jobs in the Portland metro area. However, the 17,800 jobs created in these industries represent a disproportionately large 26 percent of all new jobs created over the past three years. Each of these industries pays, on average, over \$70,000 a year, well over the \$51,000 average for all jobs.

The Wholesale Trade industry includes well known companies such as Nike, Columbia Sportswear and Adidas. The industry created 5,000 jobs in the last three years with average wages of \$78,000, 53 percent above the region's average.

The Information sector includes a wide range of companies that relate to processing and distributing information. This sector includes both traditional media companies like print and radio, and newer internet portals, telecommunications and software publishing businesses. High wages and moderately strong job growth since the recession make this a small but key industry in the region.

The Professional and Technical Services sector covers a wide range of skilled services that typically require highly trained workers. Examples include law firms, accounting firms, architects, engineers, advertising, consulting and computer system development. This is the fastest growing major industry that offers above-average wages in the Portland region.

Manufacturing is well known for offering high wages and, after experiencing job losses at the height of the recession, for creating lots of jobs in the last few years. However, the Manufacturing industry is made up of a diverse range of companies. About one-third of the region's Manufacturing industry is high tech. The High Tech sector of manufacturing pays extraordinarily high wages, averaging \$120,000 a year, while the rest of the industry pays middle class wages averaging \$53,000. High Tech manufacturing was particularly hard hit in the recession. Recent job growth is impressive, but has only partially recovered large job losses in 2008 and 2009. The long term trend for almost 15 years, both in the Portland metro region and nationally, has been for continual decline in High Tech manufacturing employment. This is bleak news for the high wage workers who make up the majority in High Tech manufacturing.

### Low Wage Growth

More than a third of all new jobs created in the economic recovery came from just four low wage industries: Retail, Leisure and Hospitality, Employment Services, and Nursing and Residential Care. All pay average wages of \$31,000 a year or less, significantly lower than the average wage in the region.

Retail trade represents about one in ten jobs in the region, while paying \$28,000 a year. It's a large industry that has lost and regained jobs through the recession, with a rate of recovery that is very close to the overall rate for the economy as a whole. Its recent moderate job growth is likely being held back by increasing competition from internet sales.

Leisure and Hospitality pays the lowest wage of any major industry at \$20,000 a year. Restaurants, bars and hotels that require mostly low skill workers dominate the industry. The low wages are partially explained by the large numbers of part-time workers in the service industry. These businesses have grown jobs at almost twice the rate of the rest of the economy over the past three years, representing almost one in five of all the new jobs created in the region.

Nursing and Residential Care is one of the few "recession proof" industries in the region. It was largely unaffected by the last two recessions and continues to create jobs even now. Though economically durable, the industry pays wages of \$25,000, about half that of the regional average salary.

The fastest growing industry of all is Employment Services. Commonly referred to as "temp agencies", this small industry grew at three times the pace of the rest of the economy. The 4,800 new jobs created in this industry over the last three years are on par with the number created by the retail industry, which is more than four times larger. Wages in this industry vary widely as temporary employees are placed throughout every sector of the economy. However, the average wage of only \$31,000 is about 40 percent less than the all-industry average.

### Middle Wage Growth

Four large middle wage industries represent almost one-third of the Portland region's jobs. These industries -- Financial Activities, Ambulatory Health Care, Construction and Government -- all pay wages that average between \$50,000 and \$65,000 a year and as a group are creating jobs much more slowly than the rest of the economy.

The Financial Activities industry includes a wide range of businesses from banking to real estate to insurance. The average wage of about \$64,000 a year is above the average wage for the region. This sector was especially hard hit in the recession, losing about 8,000 jobs. Over the last three years, only a little more than a thousand jobs have been regained.

Ambulatory Health Care includes dentist offices, doctor's offices, outpatient care and diagnostic laboratories. Though the sector employs many high wage physicians, the bulk of the employees are middle skill support staff such as medical assistants, nurses and medical secretaries. The average wage is about \$63,000 a year. This industry was almost unaffected by the recession and continues to grow at a moderate pace.

Government is the only sector of the regional economy that has shed jobs over the last three years, losing more than 5,000 jobs. With an average wage of \$52,000, this sector is a major employer of middle class workers. The sector employs 14 percent of the region's workers, the same percentage as it did in 2002, before the recession.

The Construction industry lost 20,000 jobs during the recession. Over the last three years, the industry has only recovered about one third of those 20,000 jobs. But analysts predict most of the lost jobs will eventually be recovered, which is good news for the thousands of workers earning an average salary of \$57,000 a year in this industry.

**Figure 1**

**Educational Attainment:  
Percent Population Age 25  
and Over with Bachelor's  
Degree or Higher**

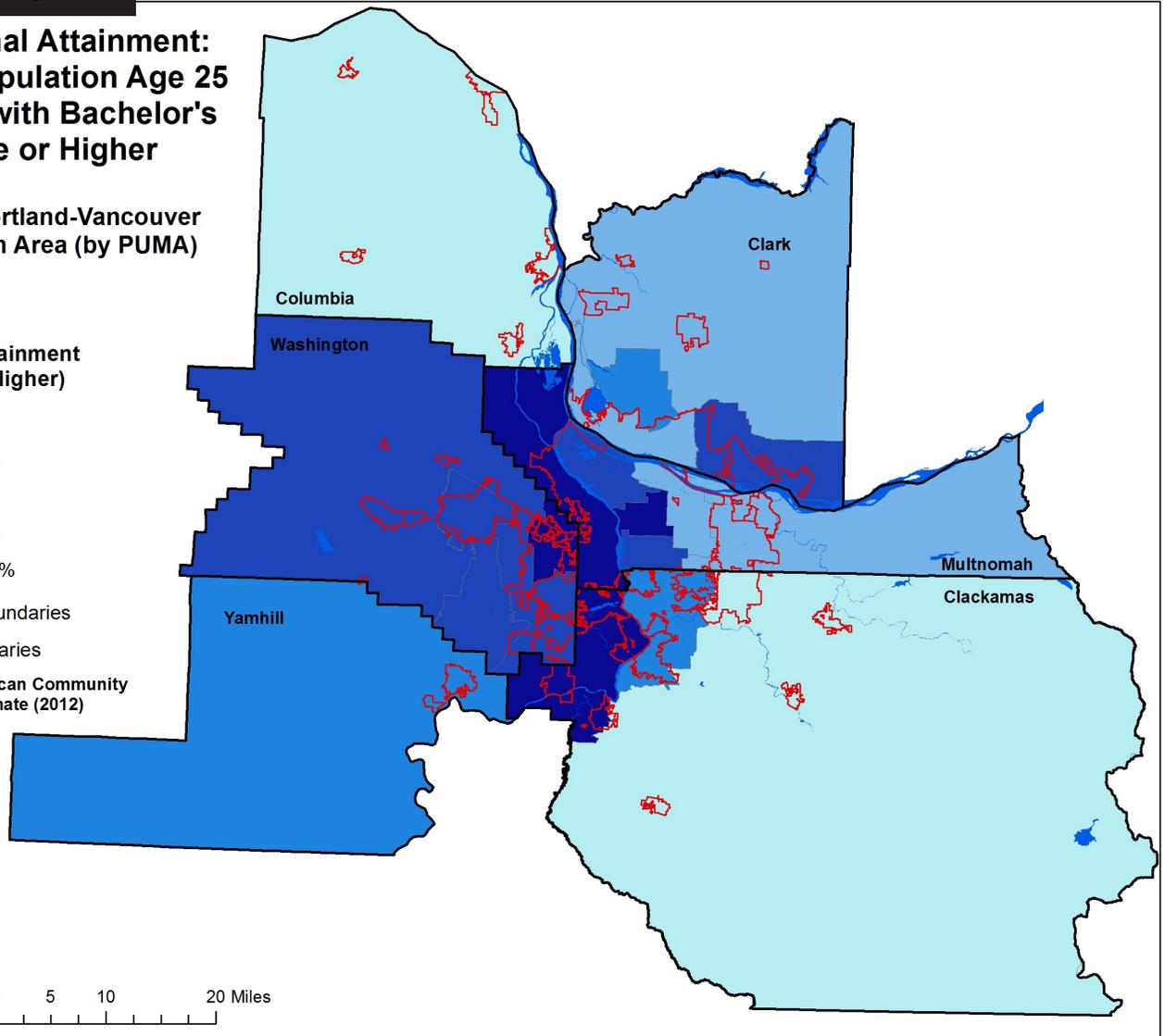
**6-County Portland-Vancouver  
Metropolitan Area (by PUMA)**

**Educational Attainment  
(Bachelor's or Higher)**

- 18.6 - 20%
- 20.1 - 25%
- 25.1 - 30%
- 30.1 - 45%
- 45.1 - 65.4%

- County Boundaries
- City Boundaries

Data Source: American Community  
Survey 1-Year Estimate (2012)



**Education and Wages**

The educational attainment of the region's workforce has increased dramatically in recent decades. Today, one-third of the region's population has a four year college degree or more. In the city of Portland, half of the workforce has at least a Bachelor's degree. Given the high unemployment rates of the recession, businesses with job openings had their choice of skilled workers. Employers began requiring college degrees simply as a screening mechanism. Even for positions involving no college-related skills, companies began requiring a college degree simply to limit the number of applicants they had to interview. This pattern has created a situation in which middle wage occupations increasingly require a college

degree, despite not requiring college skills for the position. This is an alarming trend because the vast majority of lower wage and middle wage workers do not have college degrees. With unemployment rates remaining stubbornly high, it is likely that this trend will continue. For lower wage workers without college degrees, upward mobility into a middle class job seems unlikely. For middle wage workers without college degrees, many are just one layoff away from being pushed out of an income level they may not be able to get back.

**Geography of High / Middle / Low Wage Jobs**

The region's lower wage jobs are generally low skill service jobs, such as those in retail, restaurants, and

Figure 2



nursing homes, and are relatively evenly distributed around the region. Middle skill jobs tend to be slightly more suburban in nature, as manufacturing, transportation and warehousing are land intensive. Companies in land intensive industries tend to locate where real estate costs are low but access to transportation nodes and a skilled workforce are high. High skill, high wage jobs, such as programmers, engineers, lawyers, and doctors tend to be more prevalent in urban cores with office towers and suburban campuses.

Increased wage polarization is having a noticeable effect on the demographics of the region. Communities that offer middle and high wage job opportunities are growing in college graduates and average household

incomes while seeing poverty rates decline. Meanwhile, communities with fewer high wage jobs fail to attract college graduates and are seeing poverty rates increase.

The city of Portland is experiencing record population growth. For the first time in 70 years, the city has grown faster than nearby suburban communities. Since 2007, the city of Portland has grown twice as fast as Washington and Clark Counties and five times faster than Clackamas County. The driving force behind this demographic shift is the large numbers of young adults with college degrees moving to the city of Portland. In 2012, the majority of newcomers to the city of Portland had Bachelor's degrees while most new residents of suburban communities in the Portland metro region did not have college degrees.

Much of the reason young, educated workers are relocating to the city of Portland, while actively avoiding the suburbs, is probably related to quality of life issues, but there's an economic driver behind this trend as well. The city of Portland has the highest concentration of high wage industries in the region, including professional and technical businesses and software and wholesale trade. Younger, well educated workers have the financial means to choose where they live, and they are increasingly choosing to live closer to the job opportunities in the urban core.

This new geographic sorting by young adults moving to the region has created winners and losers in the race to attract a skilled workforce. Over the past 12 years, the percentage of the city of Portland's population with a college degree has increased from 33 percent to 45 percent, giving it the best educated workforce in the region. In stark contrast, Gresham has seen no increase in the ratio of adults with a college degree. While the majority of new residents to the city of Portland have a college degree, only about ten percent of new Gresham residents have that level of education.

These patterns have significant implications for the region's geography of opportunity. Areas with higher percentages of college educated residents typically have higher median incomes and lower poverty levels. As the Coalition for a Livable Future's Regional Equity Atlas demonstrates, higher income areas tend to offer better access to resources and opportunities such as good schools, transit, walkable neighborhoods, parks, and other amenities. This contributes to a self-perpetuating cycle: well educated residents will continue to be attracted to the parts of the region with the best access to high paying jobs and the quality of life amenities they desire, and higher paying industries will continue to locate in those areas because they provide the best access to a highly educated workforce. Meanwhile, the areas of the region without a significant number of high paying jobs or well educated residents will find themselves caught in cycle of economic stagnation, with declining tax bases, inadequate infrastructure and too few skilled workers to attract middle or high wage businesses.

## **Conclusion**

A generation ago (1947 to 1977), the US went from having one-third of its population with a high school diploma to two-thirds of its population with a high school diploma. Today, one-third of the population has a college degree. It is easy to imagine a technical, high skilled service economy requiring many more college graduates over the next generation.

As a college degree has become nearly required to reach the middle class, the middle class is now out of reach for a significant portion of the Portland metro region's population. To address this problem, we must develop strategies for expanding access to higher education, particularly for low-income residents. However, even if all the region's residents were able to attain the necessary credentials to compete for middle and high wage jobs, the reality is that much of the region's job growth is in low skill, low wage service jobs. The growth in these jobs is likely to continue into the future. Therefore, in addition to increasing access to higher education, we must develop policies to ensure that people in these jobs are able to escape poverty for themselves and their children. Such policies could include adjustments to the minimum wage, the Earned Income Tax Credit, increases in job supports such as day care, and expanded access to early childhood education and other programs that expand children's access to opportunity.

Finally, we should prepare to address a future in which the region is likely to become increasingly income segregated geographically. Certain communities in the region may find themselves caught in cycle of economic stagnation, with a decline in high wage industries resulting in fewer high wage workers; this in turn will contribute to a declining tax base, ultimately leaving the community with inadequate infrastructure to attract middle or high wage businesses. If we are committed to creating a more equitable and sustainable region, we will need to adapt to these new economic realities and develop innovative strategies specific to each community's unique economic structure in order to ensure access to jobs and opportunity for all the region's residents.