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The Interpretation of Dreams : Aspirations and Opportunity in the Region

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The Interpretation of Dreams

Aspirations and Opportunity in the Region

by Janet Hammer

The American Dream is a story of opportunity and equity where anyone, regardless of station or starting point, can fulfill his or her potential. It promises that if you work hard and play by the rules, not only will your basic needs be met, but you can advance. Opportunity is about having a shot regardless of gender, race, or class, and equity is about fairness, not about sameness.

Equity and opportunity play a pivotal role in the American Dream. Nationally, however, people seem to be working harder but falling behind. Opportunities to succeed are not equally available. What is the state of the American Dream here in the metroscape?

MEASURES OF THE DREAM

While the American Dream is commonly understood to include equal access to opportunity and reward for effort, more specific attributes have come to include the desire for a home, a job that pays enough to support a family, upward mobility, a secure retirement, and opportunities for your children (the next generation) to succeed. How are we, in the metroscape, doing on those measures?

A Place to Call Home

Home is where our dreams begin. Perhaps the most iconic image of the American Dream, home represents stability and, with ownership, the opportunity to build wealth through equity. In the Portland metropolitan region, there are a number of indications that this most basic element of the American Dream is in jeopardy.

Housing cost burdens are high and growing. Typically, 30% is considered to be a reasonable expenditure for housing (including taxes, insurance, and utilities). Rates beyond that are considered to be an excessive cost burden by most government accounts. Yet nearly four of ten home mortgage holders in the region are spending more than 30% of their income on basic homeownership costs. This figure rises to nearly 50% for households below the median income for homeowners. Considering housing affordability relative to wages, a similar picture of burden appears: the ratio of median house price to median household income rose from 3.3 to 5.0 between 1994 and 2005.

For some the dream of ownership is out of reach. Yet, ironically, renters in the region experience even higher housing cost burdens. Almost one-half of renters are paying over 30% of their income to housing costs. Further, according to the Oregon Progress Board, more than 80% of Oregon renters with household incomes below the median for renters exceed the housing cost burden of 30% of income. For some, the cost of owning or renting a home is too much. The lost dream of a home is reflected in Oregon's rising rate of homelessness from 19 per 10,000 in 1995 to 31 per 10,000 in 2006.

Photograph by jekemp at flickr.com

Another break in the American Dream story pertains to an increasing gap in homeownership rates between minorities and whites in the region, as identified by the innovative Regional Equity Atlas produced by the Coalition for a Livable Future in partnership with Portland State University's Institute of Portland Metropolitan Studies. Their analysis of gentrification-related displacement and discriminatory loan practices raise fundamental questions about equity and opportunity. [*Excerpts from the Equity Atlas can be found in this issue's Atlas section.* —ed.]

Making Ends Meet

An important cornerstone of the American Dream is the notion that hard work will be reasonably rewarded. In this measure of the Dream a person can find a job that pays decently and provides for his or her family. In reality, we have a situation where more jobs are being created in low wage sectors than in other sectors and where wages are not keeping up with increases in the cost of living.

Low wage jobs (defined as having annual wages

20% or less than the statewide average wage) accounted for nearly half of Oregon's job growth between 1990 and 2006 according to state Employment Department figures. According to the Oregon Progress Board, roughly two-thirds of Oregon workers earn less than 150% of the federal poverty level for a family of four ($29,025 in 2005). Considered from a household rather than individual level, 17% of Oregon households and 13% of Washington households with at least one person working had combined incomes less than or equal to 150% of the poverty level, as calculated by the Center on Budget and Policy Priorities using U.S. Census Data.

As reported by the 2007 NW Jobs Gap Study, average private sector job wages grew by 9% in Oregon and 12% in Washington between 2000 and 2006; however, these gains were outpaced by price increases for such essentials as housing and health care. Indeed, a number of workers aren't making enough to get by on. A recent Oregon Food Bank survey found that of clients seeking food assistance, 22% had a full-time job and 15% a part-time job.

While many workers struggle to make ends meet, even a low wage job is an elusive dream for a significant portion of the population. The official unemployment rate – representing persons aged 16 and older not currently working but available for and seeking work – is currently about 5% in the Portland metro region. This rate represents nearly 43,000 people who are unable to find work. The figure goes up when also accounting for "discouraged workers" (those that have given up on looking), "marginally attached workers" (those not currently looking due to constraints such as child care or transportation), and "involuntary" part-time workers (those that are working part-time because a full-time job cannot be found).

Though some people are barely scraping by, others are soaring ever higher. A number of studies indicate that nationally and in the region, while productivity gains (measured as the output of goods and services per hour of work) have been made, the rewards of that productivity are disproportionately accruing to high-income households. For example, analysis by the Oregon Center for Public Policy found that 97% of income gains between 2002 and 2005 went to the richest one percent of households (figure 1).

Any discussion about poverty requires an examination of the term. Developed in the 1960s by an economist in the Social Security Administration, the poverty threshold was set at three times a conservatively defined USDA food budget. This figure was determined based on a 1955 USDA study indicating that about one-third of a household budget was spent on food. Thus, a government-defined basic diet budget was multiplied by three to arrive at the poverty threshold. Today, although the dollar amount has changed over time to account for inflation, the formula for determining the threshold is essentially the same. Controversy surrounds the figure, as it clearly does not represent the realities of today's household budget.

A number of attempts have been made to step beyond the poverty threshold and define a "living wage." Living wage studies calculate wages necessary to sustain modest, realistic budgets for food, housing and utilities, health care, transportation, childcare, savings, state and federal taxes, and household, clothing, and personal items. Both Penn State University and the Northwest Federation of Community Organizations calculated the living wage in Oregon and Washington to be over $11.50 for a single adult living alone and over $20 per hour ($40,000 per year) for a family of four.

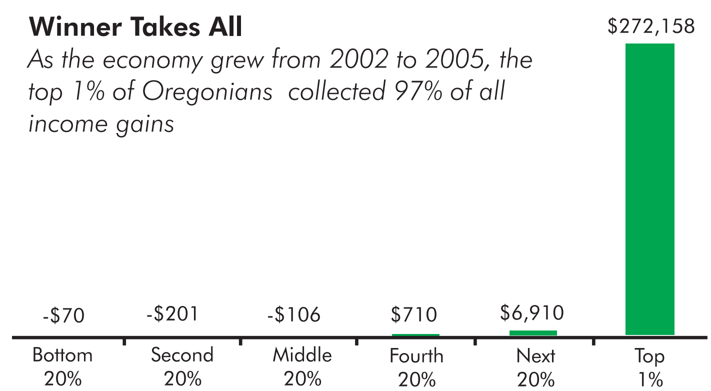

Figure 1. Source: Oregon Center for Public Policy analysis of Oregon Dept. of Revenue data. Oregon Center for Public Policy, 2007, Snapshots of Growing Income Inequality in Oregon.

Moving Up

Can anybody join the high-income ranks? An examination of income mobility sheds light on the American Dream notion that anyone can get ahead no matter their starting point. What we find is that families today are more likely to stay in the same economic quintile than they were thirty years ago. Related to this is an expansion in inequality unseen in America since pre-Depression era days (figure 2). Distribution of wealth appears to be widening in the region as well. Households in lower brackets tended to see income remain flat or decline while households in higher brackets saw incomes climb (figure 3). The gap extends beyond the very poor into the middle class. An Oregon Center for Public Policy analysis of Oregon Department of Revenue data shows that the income ratio of the top 1% of households to the middle fifth (20%) rose dramatically since 1980, with some leveling off or declines since 2000 (table 1). The five Portland Metro counties saw some of the largest increases.

One common measure of inequality, the Gini coefficient, tells us how equally income is distributed. A coefficient score of 1 represents perfect inequality, with one person having all of the income; a coefficient score of 0 represents perfect equality. Though direct comparisons at an international level are difficult to make due to differences in method and year of data collection, similarities are sufficiently strong, so the Gini coefficient remains a useful exercise for getting a sense of the order of magnitude of difference. Globally, Gini coefficients range from a low of 0.247 in Denmark to a high of 0.743 in Namibia. The U.S. coefficient in 2001 was 0.466. U.S. Census Bureau data indicate that the Gini coefficient has been increasing in Oregon, Washington, and the United States. For households,

An Oregon Economy for the Few

From 1979 to 2005, the average real adjusted gross income of the top fifth of Oregon households grew 47% but it stagnated or dropped for all other income groups

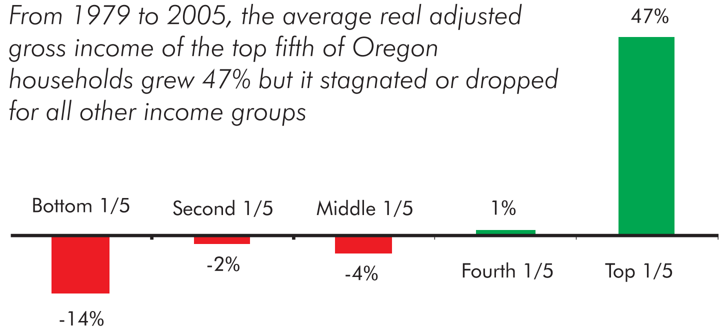

Figure 3. Note: Households refers to tax filers with positive adjusted gross incomes. Excludes negative returns from bottom fifth. Adjusted for inflation using 2005 dollars with CPI-U. Source: Oregon Center for Public Policy analysis of Oregon Dept. of Revenue data.
Oregon Center for Public Policy, 2007, Snapshots of Growing Income Inequality in Oregon.

County	1980	1990	2000	2004	% Change	Rank in State (1=most unequal)
Clackamas	9.5	16.3	26.9	26.3	1.8	3
Columbia	5.6	8.3	9.9	10.3	0.8	32
Multnomah	12.9	17.3	30.3	26.8	1.1	2
Washington	9	13.6	33.2	21.8	1.4	10
Yamhill	9.1	13.3	27.3	24.5	1.7	5

Table 1. Income ratio: average adjusted gross income of top one percent of households to middle fifth. Data from Oregon Center For Public Policy, 2006, *Who's Getting Ahead*, Table 2-2, p. 33.

Top 1% Share of Total Pre-Tax Income, 1913-2005

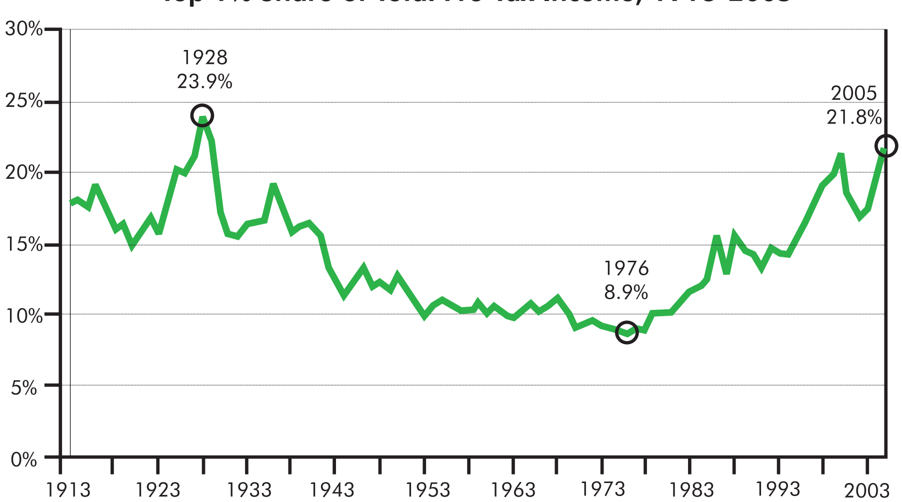

Figure 2. Courtesy of Inequality.org, a project of the Institute for Policy Studies and Demos. Sourced from Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," Quarterly Journal of Economics, 118(1), 2003. Updated to 2005 at http://emlab.berkeley.edu/users/saez.

the figure rose from 0.394 to 0.438 in Oregon between 1979 to 1999, 0.388 to 0.436 in Washington, and 0.404 to 0.457 in the United States. Figures for the six-county region tell a similar story.

The Golden Years

Americans dream of enjoying their golden years, living comfortably and contributing in non-wage related ways to their family and community. An important source of retirement income is an employer-based retirement plan. Nationally, according to the Employee Benefit Research Institute, fewer full-time, full-year wage and salary workers age 21-64 work for an employer that sponsors a retirement plan (sponsorship dropped from 66.6% in 1987 to 60.5% in 2006, and participation rates decreased from 58.4% to 52.7%). In Oregon, approximately 55% of full-time, full-year wage and salary workers age 21-64 participate in an employment-based retirement plan. The figure is slightly higher in Washington, at 59%. Dramatic differences exist between the private and public sectors, with participation rates at 41% and 81%, respectively, in Oregon and 45% and 71%, respectively, in Washington.

Perhaps one of the most significant trends affecting the dream of retirement is the shift in risk surrounding retirement savings management. Prior to the 1980s, it was more common for private pension plans to provide defined benefits (guaranteed income pegged to work history) rather than defined contributions (contributions are made to a 401(k) or similar account and returns depend upon how the fund is managed). A study by the Center for Retirement Research shows that approximately 60% of private sector workers had defined benefit plans and 17% had defined contribution plans in 1980; by 2004 a reverse had occurred, with 61% having defined contribution plans and 11% having defined benefit plans (figure 4).

Photograph courtesy of the Portland Development Commission

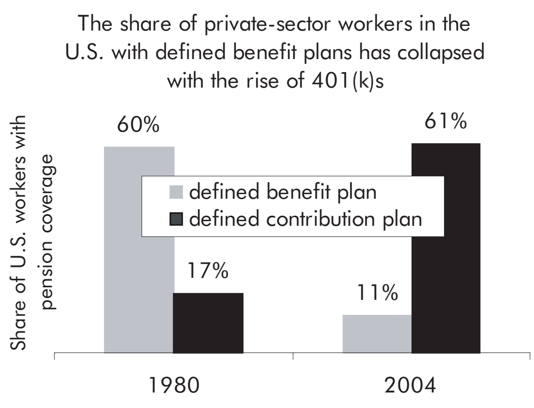

Figure 4. Source: Oregon Center for Public Policy, 2006, Who's Getting Ahead? Opportunity in a Growing Economy. Data sourced from Alicia H. Munnell and Pamela Perun, An Update on Private Pensions. Chestnut Hill, MA, Center for Retirement Research at Boston College, Figures 9 and 10.

PATHWAYS AND LADDERS

Key factors that influence achievement of the American Dream include access to education, quality health care, availability of childcare, and investments in children.

Educational Attainment

Education has long been associated with achievement on a host of measures. For example, educational attainment levels are correlated with income and health outcomes. Although the Portland metro region has a fairly well educated workforce, rates of high school completion, and attainment of associate's degree, occupation-related credential, and bachelor's degree fall short of Oregon Benchmark goals.

College education is important for regional competitiveness and personal advancement, but the cost is increasingly burdensome to families in Oregon and Washington. According to the National Center for Public Policy and Higher Education College, tuition for public four-year colleges and universities increased 28% in Oregon and 34% in Washington since 1999, more than double the rate of inflation. College costs became less affordable between 1992 and 2005 to all income classes, though middle and low income families were hardest hit.

Stark equity and opportunity questions arise when examining rates of college entry and completion by income status and test score. Perhaps more than anywhere else, the deck appears stacked in this category against equity and opportunity. Not only are students from top income brackets tracked to top universities at much higher rates than are lower income students, but low achieving, high income children are equally or more likely to complete college than high achieving, low income children (figure 5).

College Completion by Income Status and Test Scores

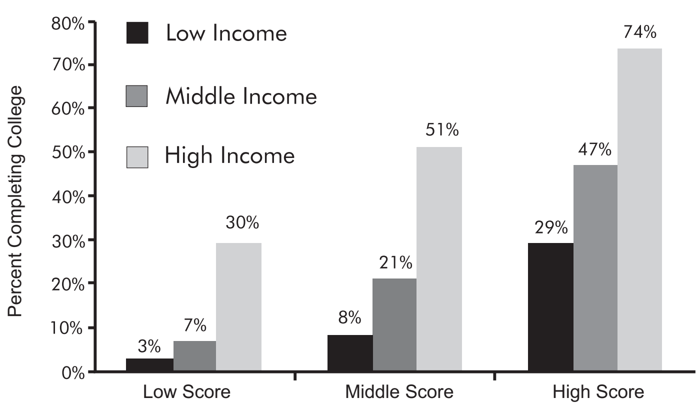

Figure 5. Economic Policy Institute, 2007, State of Working America 2006/2007. Data sourced from Mary Ann Fox, Brooke A. Connolly, and Thomas D. Snyder, Youth Indicators 2005: Trends in the Well-Being of American Youth. Washington, D.C., U.S. Department of Education. National Center for Education Statistics. Table 21.

Advantages and handicaps begin at an early age, with well-documented gaps in such achievement enhancers as access to early childhood education and quality schools. For example, enrollment rates for Head Start are approximately 60% of eligible children, far from the 100% Oregon Benchmarks goal (though access will increase in Oregon due to funding allocations made in the 2007 legislature). Further, as detailed in the *Regional Equity Atlas,* schools with more disadvantaged populations tend to have teachers with lower levels of training and experience.

Quality Health Care

The dream of a long and healthy life is supported by access to quality health care. Individuals without health insurance are less likely to receive recommended preventive care screenings and are more likely to suffer illness and poor long-term health outcomes. Further, lack of health care coverage can devastate personal finances when illness results in lost wages and higher medical debt. Society at large also suffers when community members are uninsured, as workforce contributions are reduced due to illness and health care costs are shifted to others.

Employment is less and less a guarantor of health insurance coverage. Nationally, more than 70% of uninsured persons belong to a family with one or more full-time workers, and another 11% belong to families with a part-time worker, according to a study by the Kaiser Commission on Medicaid and the Uninsured. At the individual level, over 57% of uninsured working age adults (18-64) in Oregon are working for pay or are self-employed, according to the Office for Oregon Health Policy and Research. The share of employees covered by employer-sponsored insurance has been decreasing. In Oregon, the percentage of private-sector workers age 18-64 with employer-provided insurance declined from over 70% in 1980 to 57% in 2004, and in Washington the figure declined from about 70% in 1980 to 61% in 2005. Including all workers under 65, the rate stands at roughly 62% in Oregon and 67% in Washington according to the Economic Policy Institute. This shedding of employer-sponsored insurance is attributed to reductions in eligibility, as well as offers of coverage being declined due to high employee contribution costs. The Kaiser Commission notes that low and moderate income families have been the most severely affected, with 55% of employees from poor families lacking access to employer-sponsored insurance through their own or a family member's job compared to 13% for moderate income families and 4% for higher income families.

The health care crisis is one that extends beyond the region. However, regional dynamics do come into play. For example, the types and size of firms locating in the region, the composition of full-time, part-time, and self-employed jobs, and state and local policy all influence the rate of health insurance coverage. Further, regional design and health promotion policies can profoundly influence the rate and type of health care needed.

Taking Care of the Kids

For many families the pathway to progress includes access to quality, affordable childcare. This access is a prerequisite for working outside the home, yet is increasingly unavailable and unaffordable. Childcare availability has declined in the region, and the supply falls short of Oregon Benchmark goals. Further, the cost burden is tremendous. The National Association of Child Care Resource and Referral Agencies identifies Oregon and Washington as among the least affordable states for infant and pre-school care. Care costs for just one child average 12% to 16% of median income for a two-parent family and 35% to 48% of median income for a single-parent family. These rates seem even more remarkable given the low average wage for childcare providers ($9.18 per hour, $19, 090 per year). Defining childcare affordability as spending less than 10% of household income on childcare, Oregon Benchmarks determined that childcare was unaffordable for over 50% of families with income below the state median.

KEEPING THE DREAM ALIVE

Central to the American Dream is the belief that our children will be as well off, if not better off, than we are. For a number of generations that was the case. Opportunities for current and future generations may be diminishing. Data on a number of measures suggest that equity and opportunity are generally on the decline in this region. The American Dream is increasingly that: a dream, elusive and fading. More of us are having trouble making ends meet and access to basic elements of the American Dream—a home, education, and health care–are slipping out of reach.

Photograph courtesy of the Portland Schools Foundation

	Average annual cost of full-time care	Percentage of median **single parent** family income	Percentage of median **two parent** family income	Average annual cost of **four-year college** tuition and fees
Infant Center				
Oregon	$8,988	45.9%	14.3%	$5,576
Washington	$11,388	48.0%	15.8%	$5,617
Pre-school Center				
Oregon	$9,012	46.1%	14.3%	n/a
Washington	$8,364	35.2%	11.6%	n/a

Table 2. Cost of Child Care. Source: NACCRRA, *2007 Parents and the High Price of Child Care*.

Photograph courtesy of the Housing Authority of Portland

Photograph courtesy of the Portland Schools Foundation

Social structures shape the patterns of access and accumulation we are experiencing. They are not the result of some natural law, but of cultural norms and policies that can and do change with time. The programs and policies we pass today will shape the level of equity and opportunity we experience in the future. Will we ensure that pathways and ladders to advancement are available and that playing by the rules yields rewards?

People in the region, and across the country, sense that something is amiss. A 2007 survey by Lake Research Partners found that 70% of respondents think the American Dream is becoming harder to attain. Similarly, a 2004 survey commissioned by the National League of Cities found that two-thirds of Americans believe that "the American Dream is becoming more difficult for the average person to obtain." There is an understanding that failure to achieve the Dream is not solely dependent upon individual initiative. In Portland, an October 2007 survey by Davis, Hibbitts, and Midghall found that 80% of respondents disagree with the statement that "people who are poor have mostly themselves to blame." Sixty-eight percent agreed that the government needs to do more to help poor people succeed; similarly, the National League of Cities found that 72% of respondents agree "government should actively work to help Americans achieve the American Dream."

Meaningful conversation about equity and opportunity in the region requires closer examination of the issue and collection of quantitative and qualitative information that clearly captures how people's lives are being affected. It also requires us to engage in a dialogue about what we aspire to. Data can help us understand the situation, but if we find that access to opportunity, as well as social benefits and burdens, is not fairly and productively distributed, what actions will we take? This region, which prides itself on being a leader in sustainability and a good place to live, will never reach its true promise unless we bring our passion and ingenuity to the equity issue. M

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