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State of the Economy 2015

Some Trends from Greater Portland Pulse

Institute of Portland Metropolitan Studies
www.portlandpulse.org
October, 2015



Introduction

Greater Portland Pulse was established in 2010 to provide data and context to promote informed decision making in the Portland, Oregon, metropolitan region. We aim to provide opportunities for dialogue and to educate the public on the region's goals and our progress toward them.

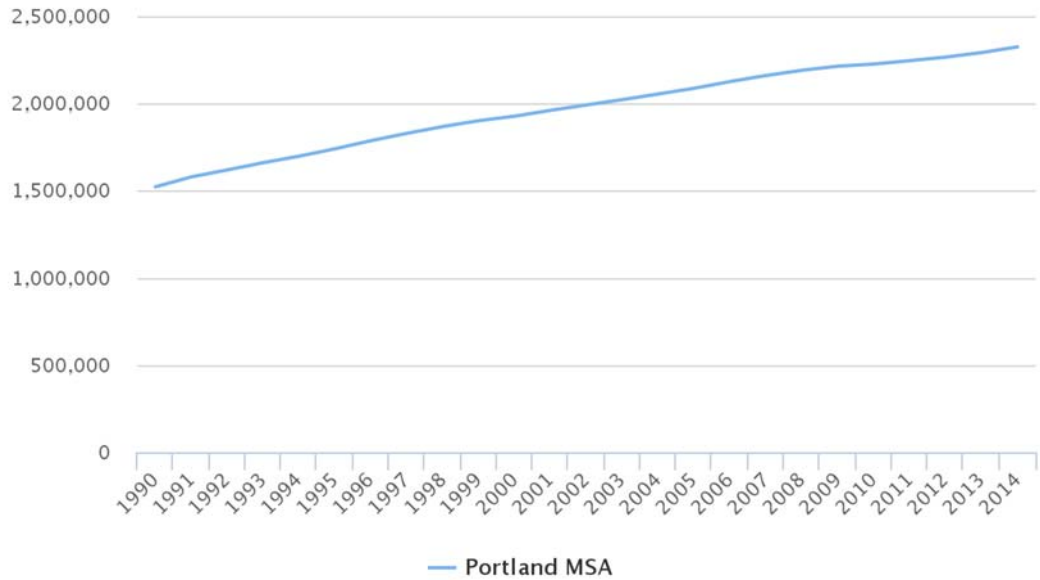
The first comprehensive report from Greater Portland Pulse was entitled *The Path to Economic Prosperity: Equity and the Education Imperative*. Published in July 2011, that report summarized the findings from the initial benchmarking of desired outcomes articulated by stakeholders and tracked on Greater Portland Pulse. The purpose of this briefing is to update some of the findings from the July 2011 report. Additional detail on these and each of the 43 indicators tracked by Greater Portland Pulse can be found at portlandpulse.org.

We define the Portland region as the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (Portland MSA). It includes seven counties: Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in Oregon, and Clark and Skamania Counties in Washington. This briefing covers several trends affecting the state of the region's economy:

- **Population** reviews population growth and age;
- **Diversity** examines how our population is becoming more diverse;
- **Income** reviews the region's per capita income over time and by racial and ethnic group;
- **Wages** reviews the average wage per job by county compared to the US and the distribution of wages;
- **Unemployment** shows how the region's unemployment rate has changed over time, and shows the differences in unemployment rates across racial and ethnic groups.
- **Job growth** shows the region's recovery of jobs since the recession and the most recent regional gains.
- **Poverty** shows how the percentage of children in poverty has changed over time, and how our region compares to the states of Oregon and Washington and to the nation.
- **High school graduation** shows the most recent data on on-time high school graduation rates for the region's school districts by socioeconomic group.

Total population, Portland MSA, 1990-2014

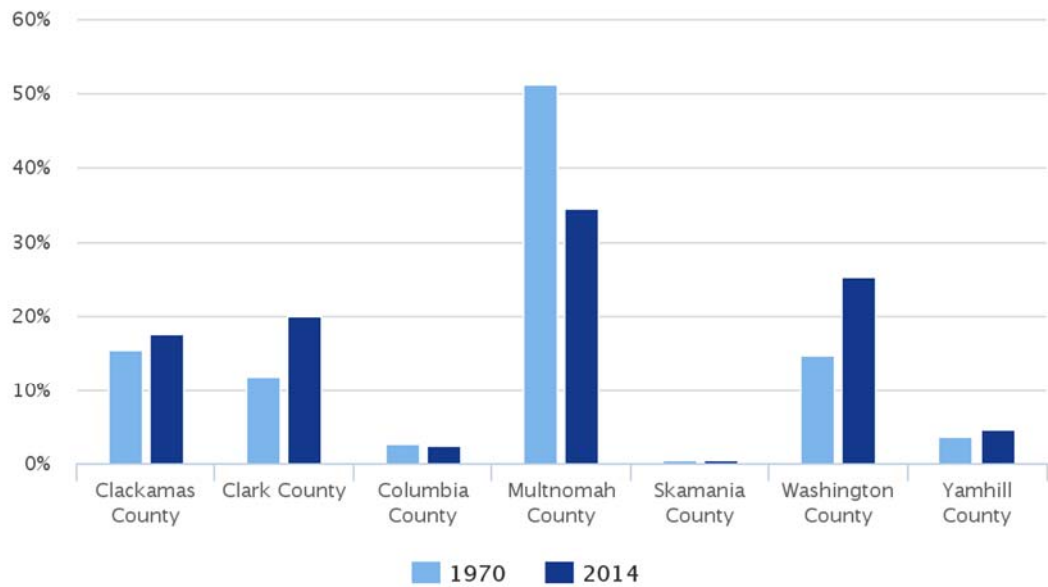
Source: Population Research Center; Washington State Office of Financial Management



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Share of population by county, Portland MSA, 1970-2014

Source: Population Research Center; Washington State Office of Financial Management



Highcharts.com

Why is this important?

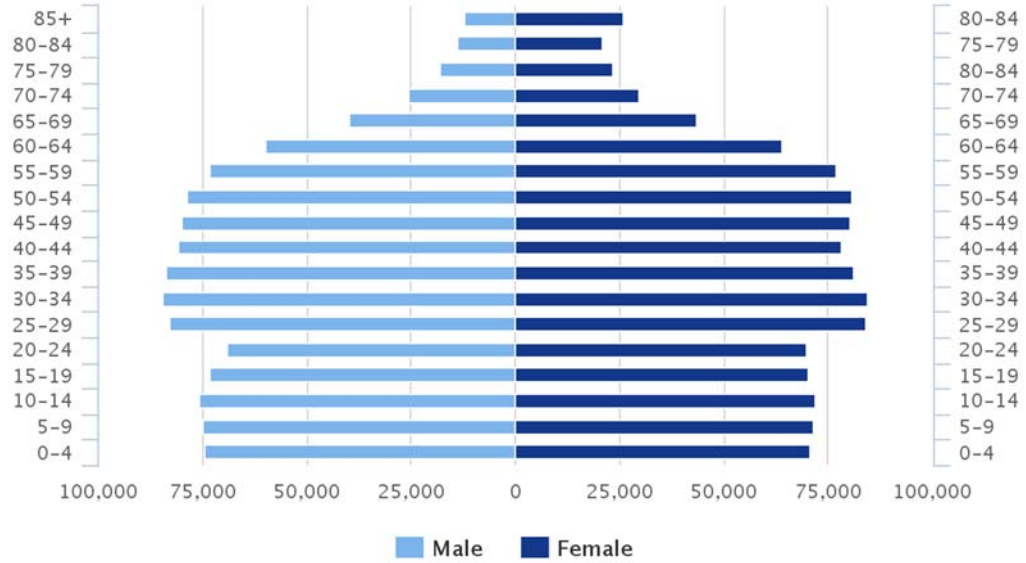
Population change is the result of three factors: migration, fertility, and mortality. (The latter two together are called “natural increase.”) Migration patterns, which can be unpredictable, can impact cultural, demographic, environmental, and economic landscapes. As such, tracking population growth is important to ensure that our region has the capacity to meet our population’s needs. Large increases in our region’s population could result in an increased need for land, whether for industry, commercial development, quality housing, or sufficient transportation and education infrastructure. It is important to track population growth, so that individual cities and our region as a whole can develop plans and policies that will ensure enough land is available to meet the projected need while still protecting our region’s valuable farmland and natural amenities.

Trends

- **Since 1990 the region’s population has grown by almost 50 percent**, from about 1.5 million to 2.3 million.
- **Since 2010, about 65 percent of our population increase has been in-migration**—one-fourth of which was international.
- **The distribution of population has shifted** from Multnomah County, which in 1970 held about 50 percent of the population, to Washington, Clark, and Clackamas counties. Today, Multnomah County has about one-third of the region’s population. Washington County holds about 25 percent, Clark has about 20 percent, and Clackamas County has about 18 percent.

Population distribution by age and sex, Portland MSA, 2010

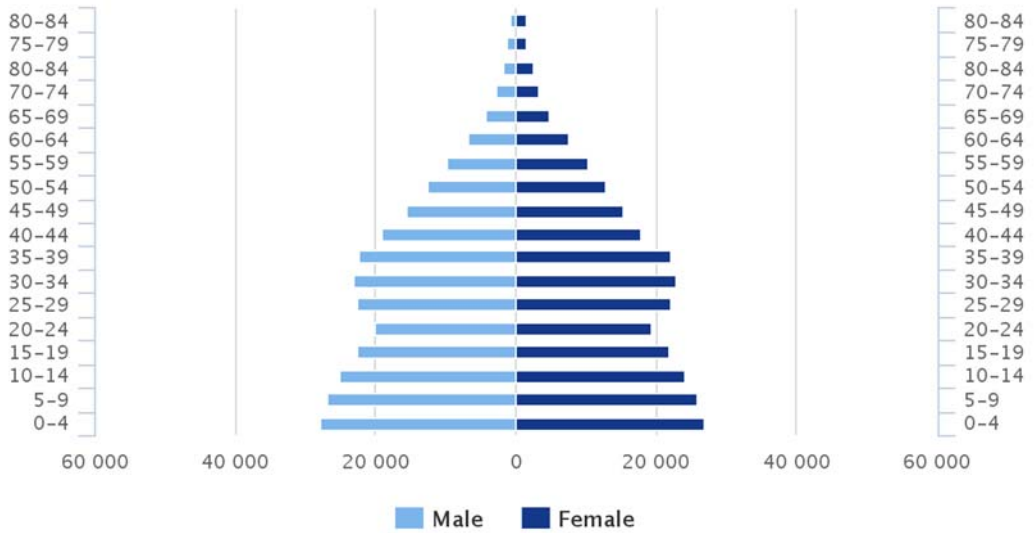
Source: US Census, Table P12



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Population distribution by age and sex, non-white population, Portland MSA, 2010

Source: US Census, Table P12; P12I



Highcharts.com

Why is this important?

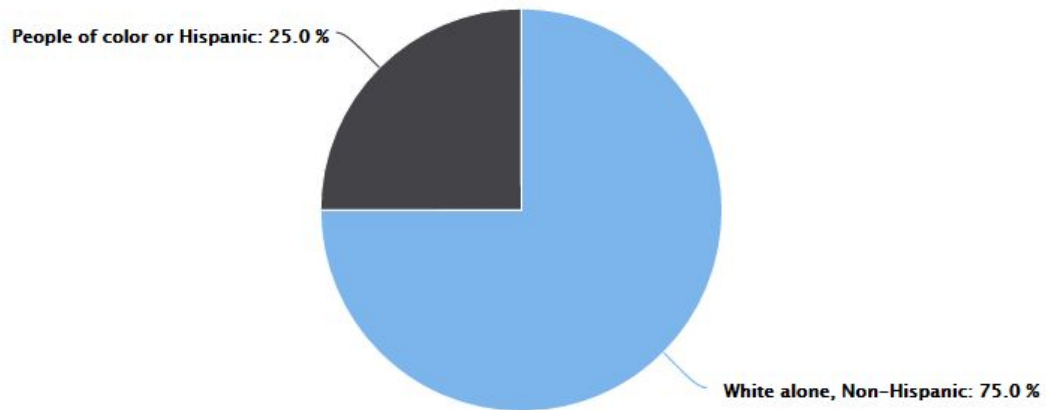
The age structure of a population can have important policy implications because it affects demand for schools, health care, recreation, entertainment, and shopping. It also affects taxable income and the supply of labor.

Trends

- **Our population is aging.** The large baby boom cohort (about age 50 to 69) has affected the distribution of our population; the impact of this cohort will continue as they live longer than previous generations.
- **The distribution of the nonwhite population is much younger.** Consequently, as baby boomers age and retire, the working population will grow more diverse.

Population by race and Hispanic origin, Portland MSA, 2014

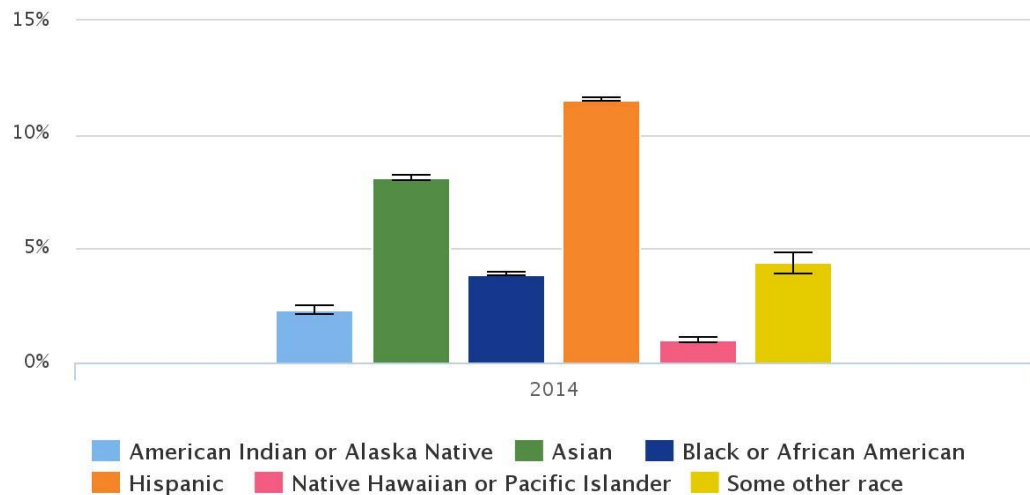
Source: US Census, American Community Survey, Table B03002



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Population by race (alone or in combination) and Hispanic origin, Portland MSA, 2014 one-year estimate

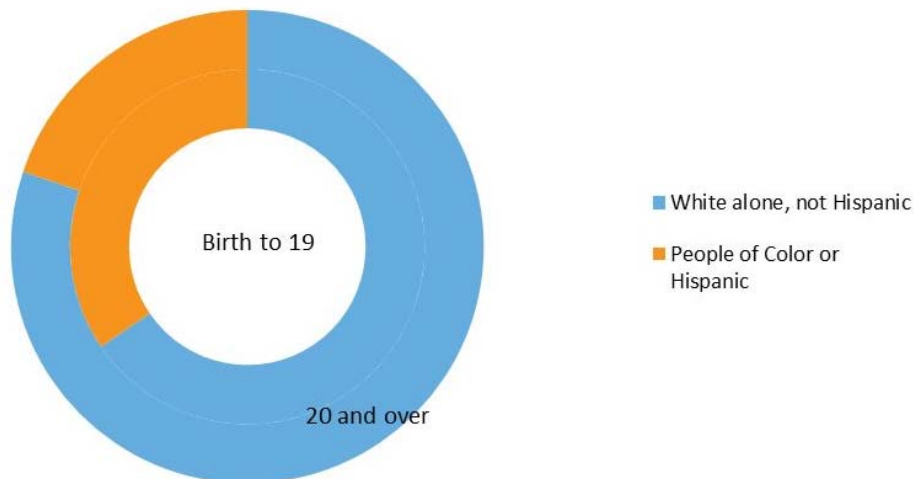
Source: US Census, American Community Survey, Table B02008, B02009, B02010, B02011, B02012, B02013, B03002



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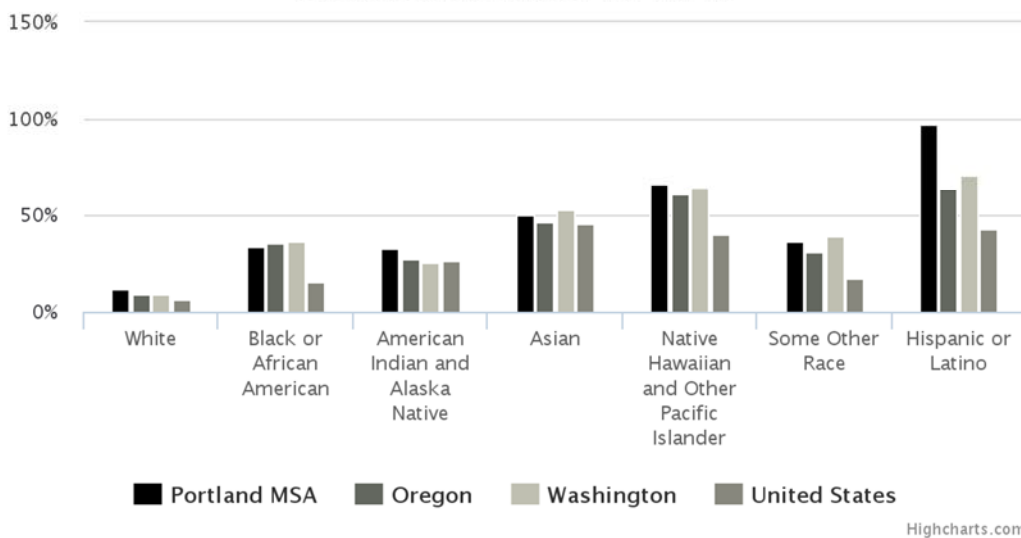
Population by age, race, and Hispanic origin, Portland MSA, 2010

Source: Source: US Census, Table P12



Change in population by race (alone or in combination with one or more races) and Hispanic origin, Portland MSA, 2000-2010

Source: US Census, Table QT-P5,P4,QT-P9



Why is this important?

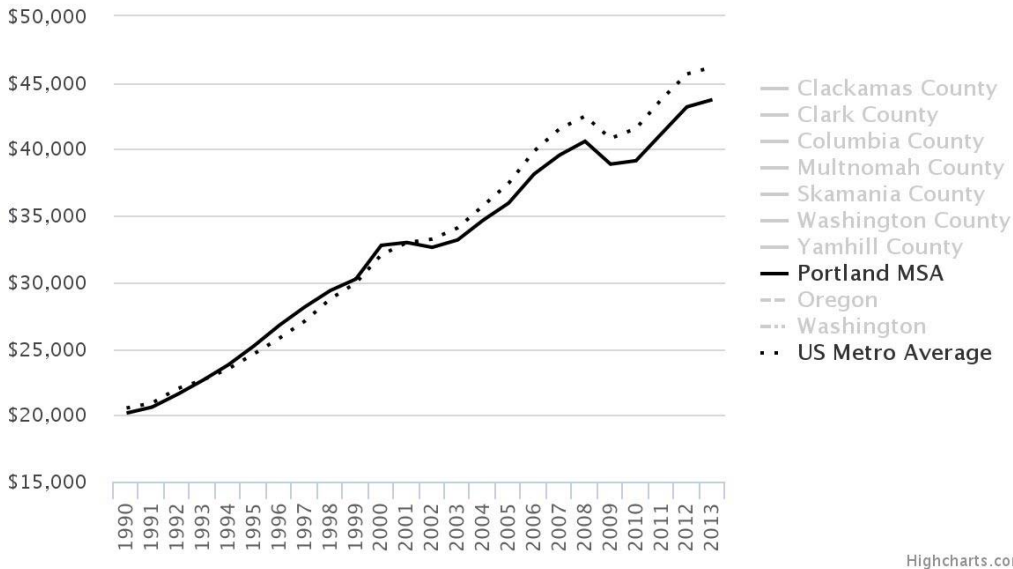
Knowledge of the racial and ethnic makeup of our region—and how such demographics are changing—is essential to understanding other indicators that utilize measurements based on race or ethnicity. Notably, the increase in racial and ethnic diversity in the metro region appears to mirror the state of the US population as a whole. In gathering the above data, the US Census asks respondents to self-identify by race and by ethnicity with two separate questions. That approach acknowledges that race and ethnicity (in this case, Hispanic origin) are independent and that any particular respondent may have any combination of the two: e.g., White and Hispanic, Black and non-Hispanic, American Indian and Hispanic, and so on.

Trends

- **The Portland region is rapidly becoming more diverse.** In 2014, about 25 percent of the region's population identified themselves as something other than just white.
- **The school-aged population is much more diverse than the older population.** The 0 to 19 population is about 35 percent nonwhite while the 20 and over population is about 20 percent nonwhite. Those being educated today are much more diverse than the people who are educating them.

Annual per capita income, by county, Portland MSA, 1990-2013

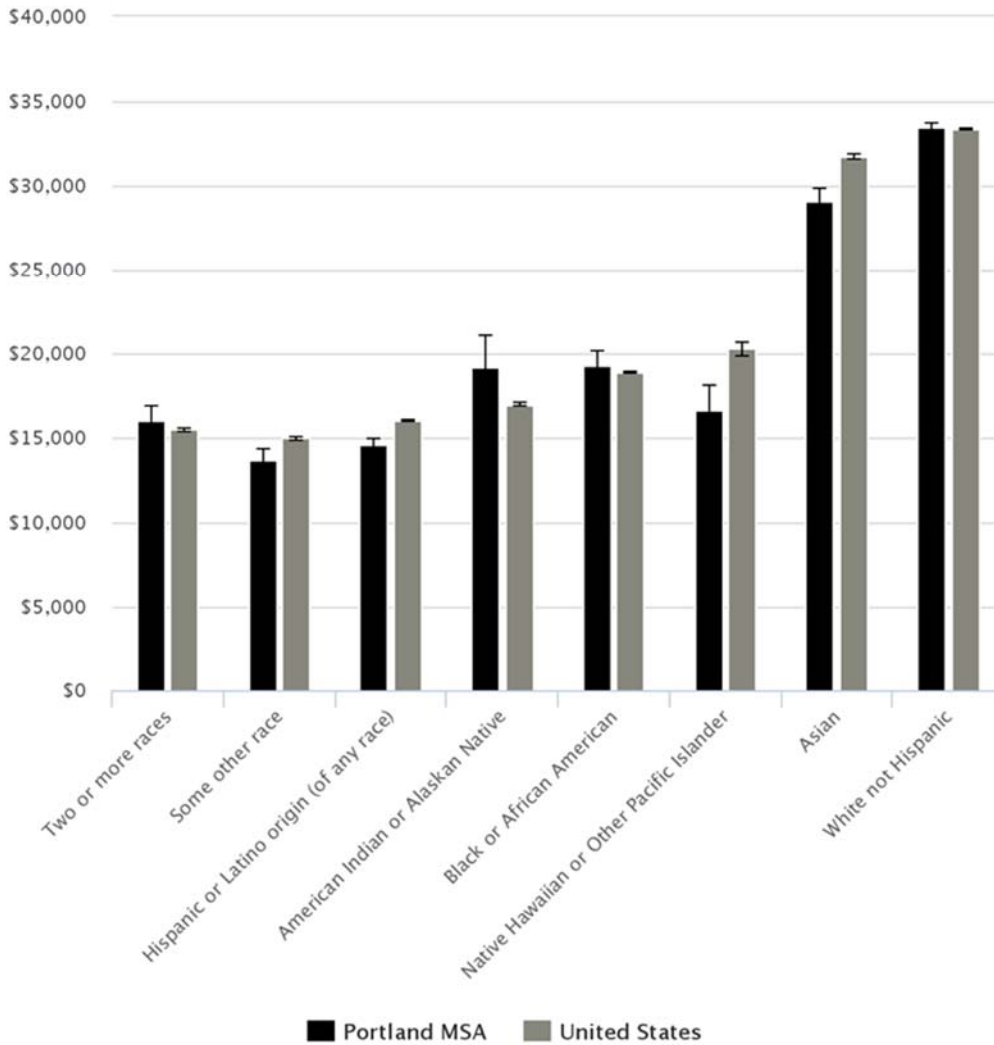
Source: Bureau of Economic Analysis, Table CA1-3 Personal income summary



Highcharts.com

Annual per capita income, by race (alone) and Hispanic origin, Portland MSA, 2009-2013 five-year estimates

Source: US Census, American Community Survey, Table B19301B-1



Highcharts.com

Why is this important?

Per capita income is an important measure of the overall economic health of the community and the financial resources of individual households. High per capita income increases a region's ability to attract and retain a highly skilled workforce.¹ Per capita income is a major factor in a community's standard of living and is regularly used as a quality-of-life indicator² Regions with high per capita incomes tend to have more educational, recreational, and entertainment opportunities. When measured across disparate populations, however, per capita income can also be used to measure inequity.

Trends

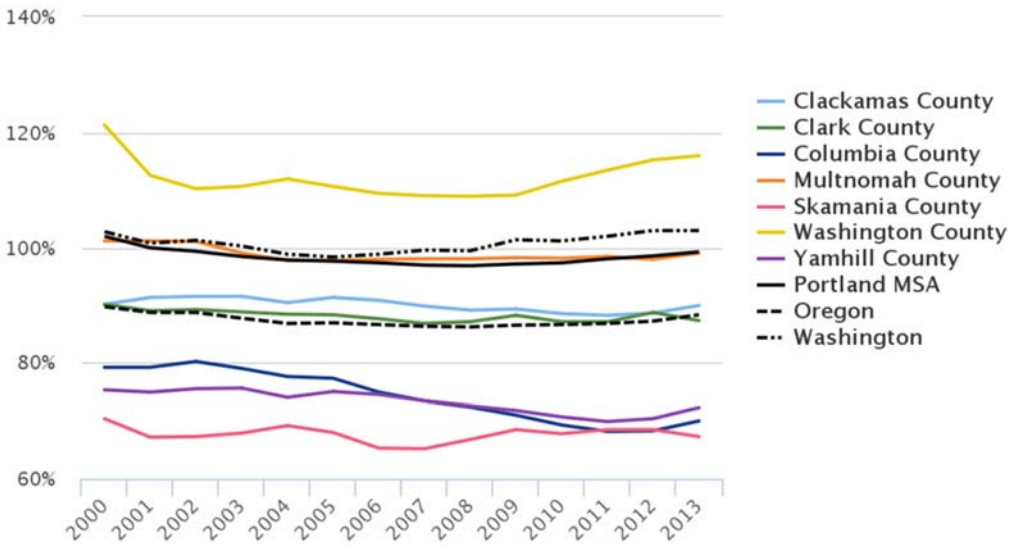
- **Until 2001, Portland's per capita income was at or above the U.S. Metro average.** Since then, the Portland Metro's per capita income has risen but has fallen below the US Metro Average. Today it stands at about 95 percent the U.S. Metro average.
- **For some nonwhite racial and ethnic groups, per capita income is much lower** than the per capita income of those who are white—as low as half.

¹ C. Berry and E. Glaeser, "The Divergence of Human Capital Levels across Cities," *Regional Science* 84, no. 3 (2005): 407-444.

² K. Schuessler and G. Fisher, "Quality of Life Research and Sociology," *Annual Review of Sociology* 11 (1985): 129-149.

Portland MSA average wage as a percent of US metro average wage, 2001-2013

Sources: Bureau of Economic Analysis, Table CA34



Highcharts.com

Ratio of wage for 90 percentile wage to 10 percentile wage, 2005-2014

Source: Bureau of Labor Statistics, Occupational Employment Statistics Wage Survey



Highcharts.com

Why is this important?

Wages from employment are the primary source of income for most people.³ Wages for a particular region should be compared to a reliable measure of the cost of living (see [Self-Sufficiency Wage](#)). Low-wage jobs have significant effects on the ability of individuals and households to meet basic needs. Low wages also increase the likelihood that a household will be dependent on social services and programs that provide rent or food assistance. Higher average wages might reflect a favorable occupation-and-skills mix, higher productivity, a higher cost of living, or simply greater demand for labor.⁴ Relatively low wages can reflect an unfavorable occupation-and-skills mix, relatively low productivity, a lower cost of living, or inadequate demand for labor. Increasing skills and knowledge of the workforce and increasing the number of high-skill, high-wage jobs can increase the average wage. Increases in wages are correlated with increased productivity, which is beneficial to business prosperity in general.⁵

The ratio of wages for the 90th percentile wage to the 10th percentile shows the magnitude of the gap in income inequality between wages for those at the top of the income distribution (earning more than 90 percent of other workers) compared to those at the bottom (earning more than the bottom 10 percent of other workers). If a large percentage of jobs pay wages that are low relative to living costs, families cannot meet their basic needs without multiple jobs. Without access to sufficient wages, individuals and families may be unable to afford stable, quality housing, or may be forced to move farther away from their jobs in order to find affordable housing. This in turn can increase transportation costs, further reducing the budget available for items such as food or health care and possibly leading to increased stress and poor health outcomes.⁶

Trends

- **Wages have been mostly flat.** As a percentage of US metro wages, our wages are largely flat, and just slightly below the US metro average. Washington County is leading wages in our region at about 116 percent of the US Metro average.
- **Wages have become more unequal.** Since 2005, the ratio of the wage for the 90th-percentile wage (that is, the wage at which 90 percent of the wage earners earn less) to the 10th-percentile wage (the wage at which 10 percent of wage earners earn less) has been rising. In the Portland MSA, that ratio stands below that of the nation as a whole, implying that, compared with the US as a whole, our wages are more evenly distributed. However, we are closing the gap with the U.S.

³ Katy Hull, "Understanding the Relationship between Economic Growth, Employment and Poverty Reduction," *Organization for Economic Cooperation and Development*.

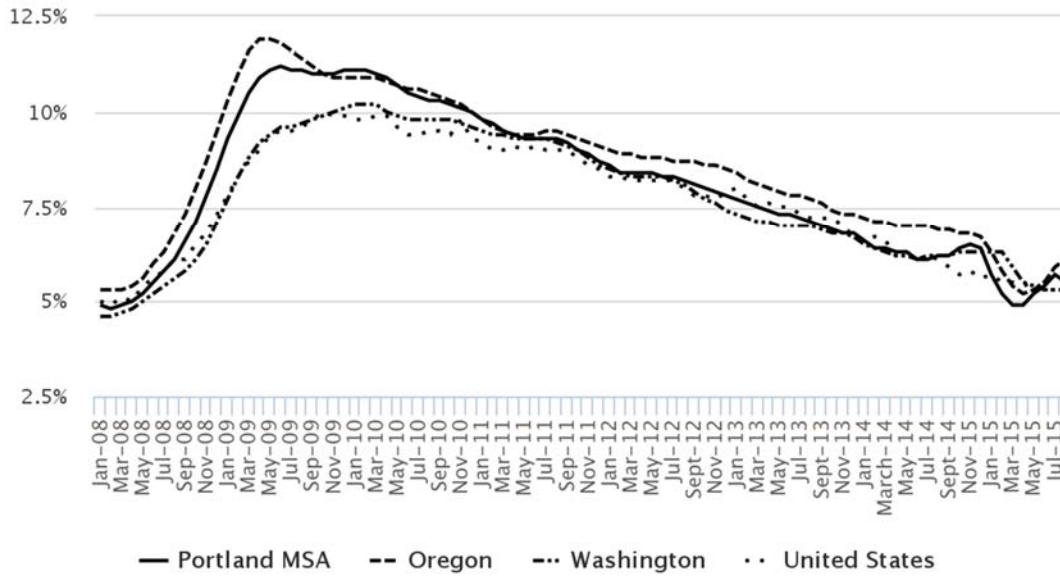
⁴ Michael Kremer and Eric Maskin, "Wage Inequality and Segregation by Skill," *National Bureau of Economic Research Working Paper Series*, no.5718 (1996).

⁵ David Levine, "Can Wage Increases Pay For Themselves? Tests with a Productive Function," *The Economic Journal* 102, no. 414 (1992): 1102-1115.

⁶ K. Murphy, C. Juhun, and B. Pierce, "Wage Inequality and the Rise in Returns to Skill," *Journal of Political Economy* 101, no. 3 (1993).

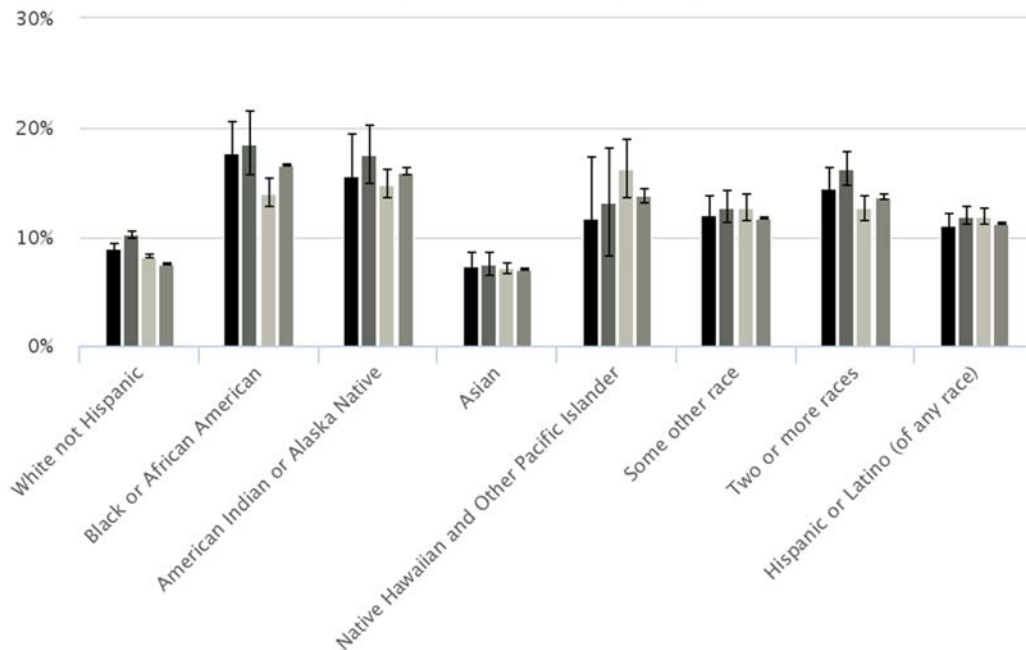
Unemployment, Portland MSA, 2008-2015

Source: Oregon Employment Department; Employment Security Department of Washington State



Unemployment by race (alone) and Hispanic origin, Portland MSA, 2011-2013 three-year estimates

Source: US Census, American Community Survey, Table S2301



Why is this important?

Unemployment statistics count those adults who are actively looking for work but unable to find employment.⁷ A high unemployment rate can demonstrate a lack of available jobs or a mismatch between the skills of the workforce and the requirements of employers. Healthy economies correct these imbalances and maintain a low unemployment rate. Unfortunately, unemployment disproportionately affects minorities, the young and the less educated.⁸ To make matters worse, unemployment can affect both mental and physical health, triggering anxiety or depression.⁹ And what's more, too many unemployed residents and not enough job openings increases employment competition and therefore lowers wages.¹⁰ This can result in a further increase in inequities for already low-income populations.

Unemployment data come from two sources: the American Community Survey (ACS) and the Local Area Unemployment Statistics (LAUS). Employment and unemployment estimates from the ACS and LAUS can differ because the surveys use different questions, samples, and collection methods. To learn more about each source, visit the Unemployment section of our [Metadata](#) page.

Trends

- **Recovery from the recession means more people who want jobs can find them.** Since the recession, the region's unemployment rate has fallen rapidly. In August, 2015, the unemployment rate stood at 5.5 percent, just a bit higher than the nation.
- **Some people of color still face barriers to employment.** Unemployment is typically much higher for people of color than for white people. For example, the African American unemployment rate was almost twice that of whites during the period of 2011–2013.

⁷ Oregon Employment Department

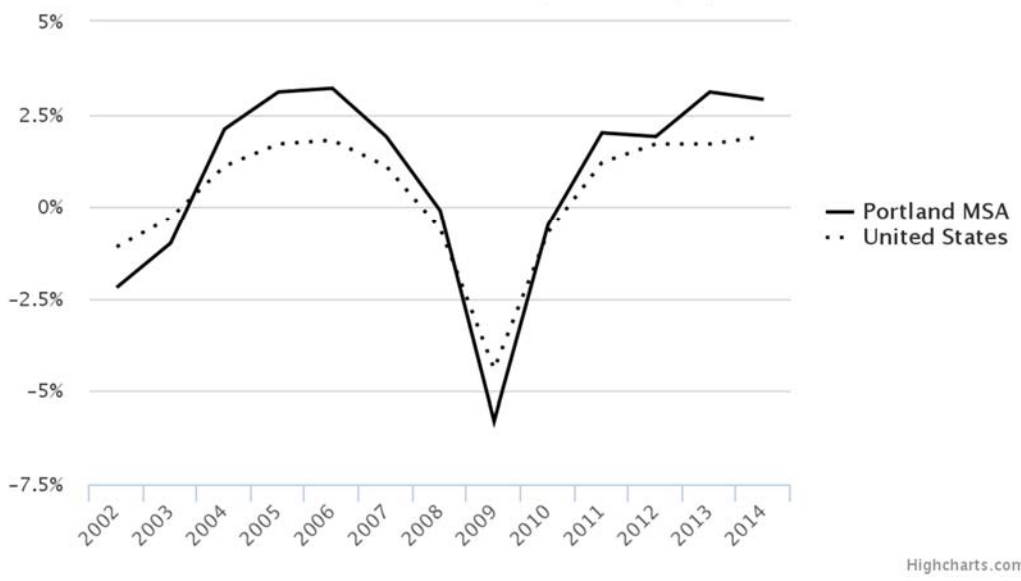
⁸ H. Levin, 1983. "Youth Unemployment and its Educational Consequences," *Education Policy and Analysis* 5, no. 2 (1983): 231-247.

⁹ J. Turner, "Economic Context and the Health Effects of Unemployment," *Journal of Health and Social Behavior* 36, no. 3 (1995): 213-229.

¹⁰ Harry Holtze, "The Spatial Mismatch Hypothesis: What has the Evidence Shown?" *Urban Studies* 28 (1991).

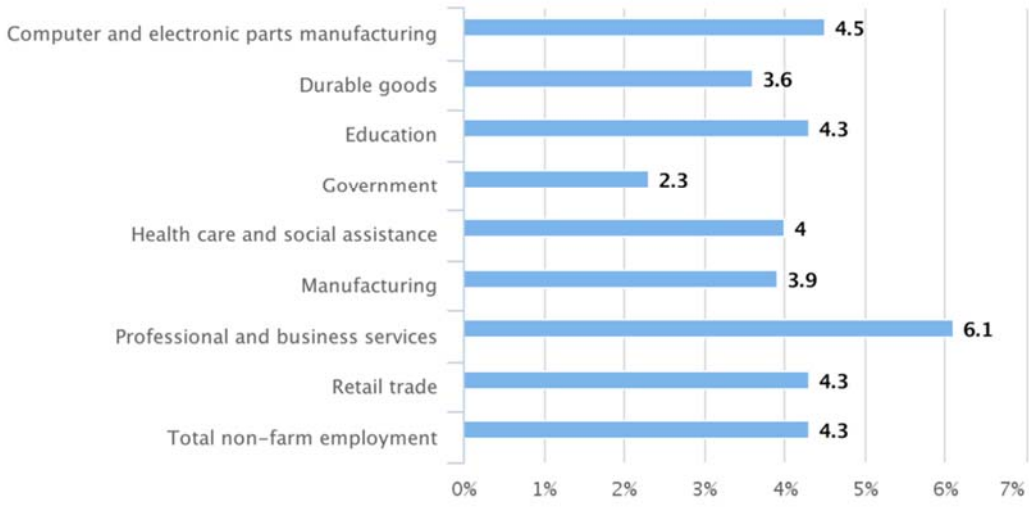
Percentage change in annual average employment, Portland MSA, 2002-2014*

Source: US Bureau of Labor Statistics, Current Employment Statistics



Percentage annual change in total employment by industry, Portland MSA, August 2014 - August 2015*

Source: Oregon Employment Department, Current Employment Statistics



JOB GROWTH

Why is this important?

Employment growth is a general indicator of a region's economic vibrancy. Region-wide averages of job growth, however, sometimes fail to identify specific challenges and problems because job growth does not occur evenly across industry sectors. Job growth is a coincident or lagging indicator of the state of the economy because workers are hired as and after the economy improves and are laid off as and after the economy deteriorates. In addition, not all sectors of the economy lose or gain employment at the same rate. Some industries are, by nature, more cyclical than others, some are countercyclical, and some recessions disproportionately affect certain populations or certain sectors (like the dot-com bust in 2001–2003).¹¹ In the past, the economies of both the Portland MSA and Oregon have been very cyclical. Attracting and growing diverse sectors can stabilize the economy,¹² and targeted investments in education and training can help prepare the public to enter growing employment sectors.¹³

Trends

- **Jobs are growing.** Since the recession, the region's businesses have been adding many jobs—we've more than recovered all the jobs lost during the recession. The 2014 employment growth rate was almost 3 percent.
- **High tech and business services are particularly strong.** Year-over-year growth from August 2014 to August 2015 was 4.5 percent in computer and electronic products and 6.1 percent in professional and business services.

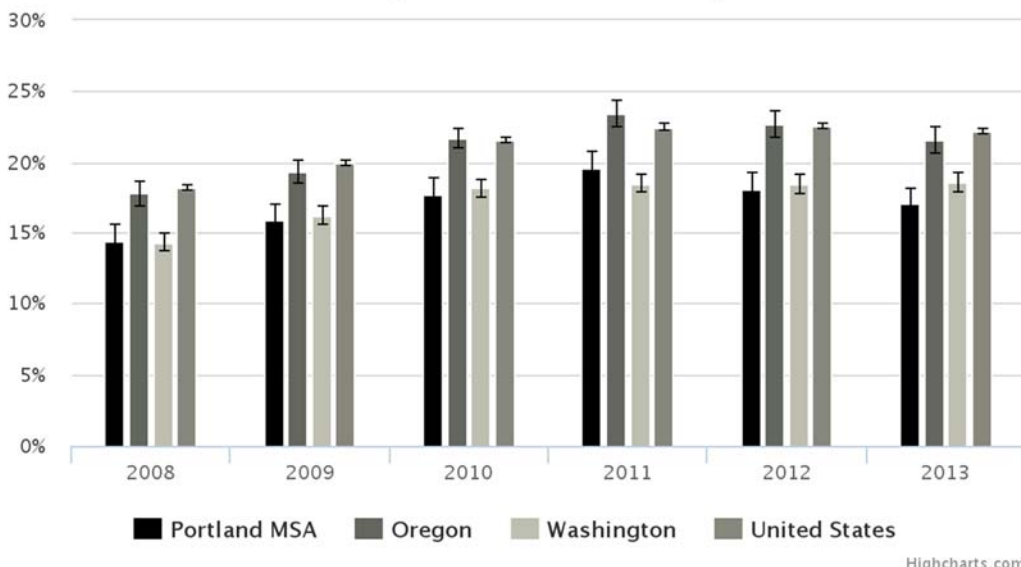
¹¹ R. Javalgi, P. Todd, and R. Scherer, "The Dynamics of Global E-Commerce: An Organizational Ecology Perspective," *International Marketing Review* 22, no. 4 (2005): 420-435.

¹² E. Malizia and K. Shanzi, "The Influence of Economic Diversity on Unemployment and Stability," *Journal of Regional Science* 33, no. 2 (1993): 221-235

¹³ R. Blundell, L. Dearden, C. Meghir, and B. Sianesi, "Human Capital Investment: The Returns from Education and Training to the Individual, the Firm and the Economy," *Fiscal Studies* 20, no. 1 (1999): 1-23.

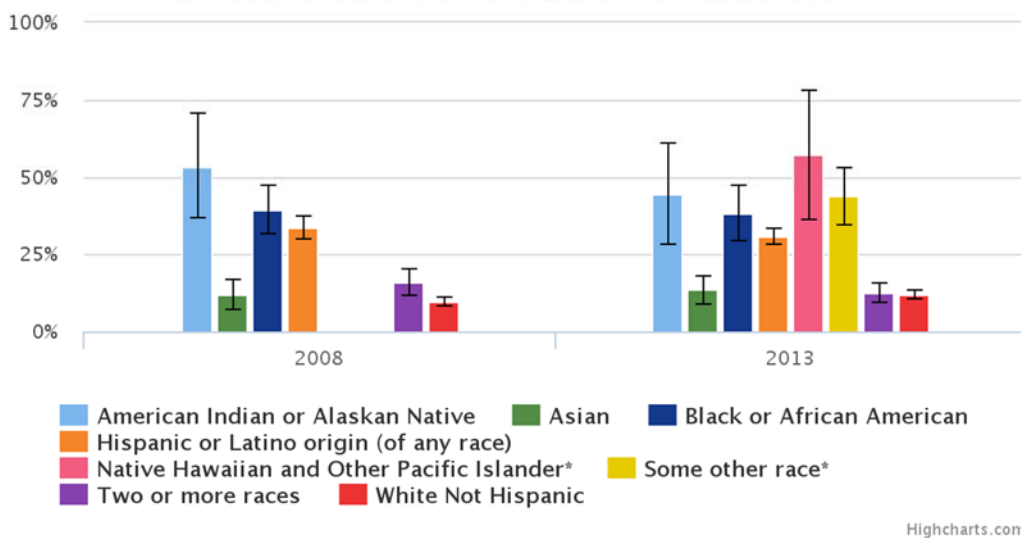
Percentage of children in poverty, Portland MSA, 2008-2013 estimates

Source: US Census, Small Area Income and Poverty Estimates



Percentage of children in poverty, by race (alone) and Hispanic origin, Portland MSA, 2008 and 2013 one-year estimates

Source: US Census, American Community Survey, Table C17001B-I



Why is this important?

Child poverty is a strong indicator of a family's economic conditions and negatively affects health, educational outcomes, and the future earning potential of our region's children.¹⁴ Children who live in poverty are much more likely to experience marginalization from society than are their wealthier peers, whether due to unemployment, incarceration, low educational attainment, or early childbearing. They are at a higher risk of being violent and of experiencing health problems as adults.¹⁵ Poverty has a strong impact on children's long-term achievement, which impacts economic mobility.¹⁶ Demographic populations with higher rates of child poverty bear a disproportionate share of this burden.¹⁷ In addition, concentrated neighborhood poverty can affect educational attainment and future earnings. For example, high school graduates are less likely to get a job after school if they come from a neighborhood with high poverty.¹⁸ Students enrolled in schools with higher socioeconomic status are more likely to attend college, further increasing the likelihood that these children will earn self-sufficient wages as adults and be able to contribute to the prosperity of our region.¹⁹

Trends

- **Child poverty increased during the recession.** The Portland region systematically has had a lower child poverty rate than either the state as a whole or the US. But during the recession the rate of child poverty increased significantly, reaching 20 percent in the Portland region in 2011.
- **Poverty is highest among children of color.** The Portland region, illustrated by black bars in the chart, systematically has had a lower child poverty rate than either the state of Oregon as a whole or the United States. But during the recession we saw a big increase in the rate of child poverty which peaked in the Portland region at almost 20 percent in 2011, falling to 17 percent by 2013.

¹⁴ J. Brooks-Gunn, and G. Duncan, "The Effects of Poverty on Children," *The Future of Children* 7, no. 2 (1997): 55-71

¹⁵ Helen Epstein, "Enough to make you Sick?," *The New York Times Magazine*, October 2003. "Youth and violence: A report of the Surgeon General," (2001).

¹⁶ M. Corcoran, "Rags to Rags: Poverty and Mobility in the United States," *Annual Review of Sociology* 21 (1995): 237-267.

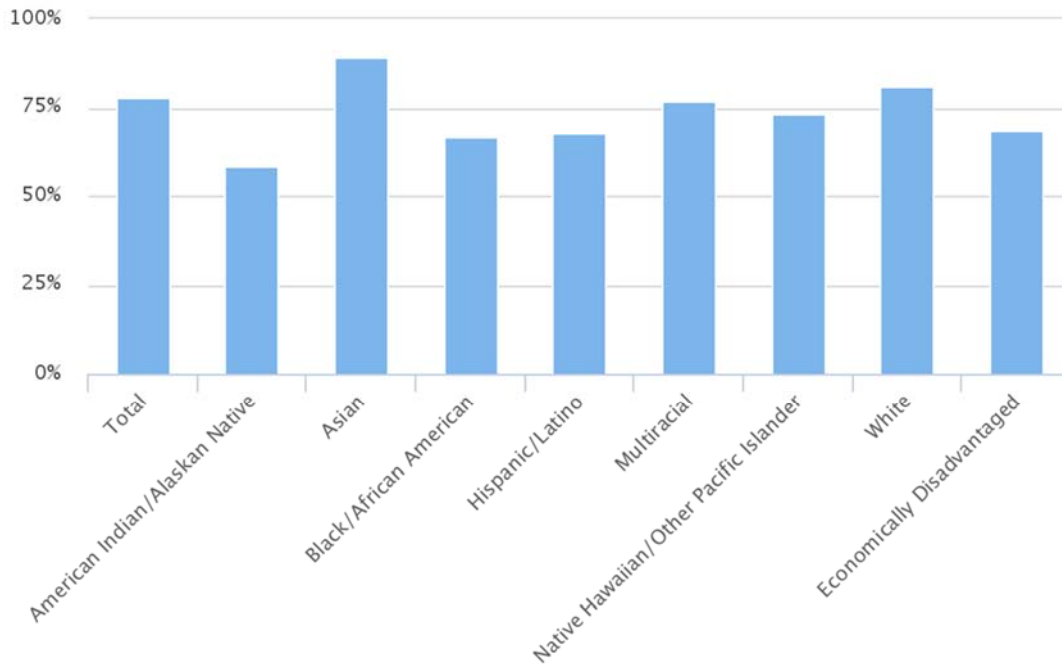
¹⁷ L. Anderson, C. Shinn, M. Fullilove, S. Scrimshaw, J. Fielding, J. Normand, and V. Carande-Kulis, "The Effectiveness of Early Childhood Development Programs: A Systematic Review," *The American Journal of Preventative Medicine* 24, no. 3S (2003): 31-45.

¹⁸ M. A. Turner and D. Acevedo-Garcia, "Why housing mobility? The research evidence today," *Poverty & Race Research Action Council Newsletter* (2005).

¹⁹ G. Orfield and C. Lee, "Brown at 50: King's dream or Plessy's nightmare?" *Cambridge, MA: The Civil Rights Project*, Harvard University (2004).

Four year cohort graduation rate, Portland MSA 2013–2014

Source: Oregon Department of Education and Washington Office of Superintendent of Public Instruction



Why is this important?

High school graduates have higher lifetime earning capabilities than their less-educated peers. Studies suggest that each additional year completed in high school is correlated with 10–14 percent higher lifetime earnings.²⁰ In addition to lost earnings, high dropout rates represent societal costs, including billions of dollars in lost revenues, welfare programs, unemployment programs, and crime prevention and prosecution.²¹ High school completion is also strongly correlated with civic participation later in life, especially voting.²² The Oregon Department of Education has set a target of reaching 100 percent high school graduation by 2024–2025. To meet this goal, the department establishes graduation targets each year, based on graduation rates in previous years, and these targets vary across population groups.²³

²⁰ P. Oreopoulos, "Do dropouts drop out too soon? Wealth, health, and happiness from compulsory schooling," *Journal of Public Economics* 91, no. 11 (2007): 2213-2229

²¹ S. Christenson and M. Thurlow, "School dropouts: Prevention considerations, interventions, and challenges," *Current Directions in Psychological Science* 13, no. 1 (2004): 36-39.

²² K. Milligan, E. Moretti, and P. Oreopoulos, "Does education improve citizenship? Evidence from the United States and the United Kingdom," *Journal of Public Economics* 88, no. 9 (2004): 1667-1695.

²³ Oregon Department of Education. *Statewide Report Card: An Annual Report to the Legislature on Oregon Public Schools* (2013).

Trends

- **The overall on-time graduation rate for the region is about 78 percent.** There is a great deal of variation in the four-year cohort rate—from 28 to 95 percent.
- **Children of color, economically disadvantaged children, and boys typically have lower graduation rates.** Their success varies a great deal by school district.