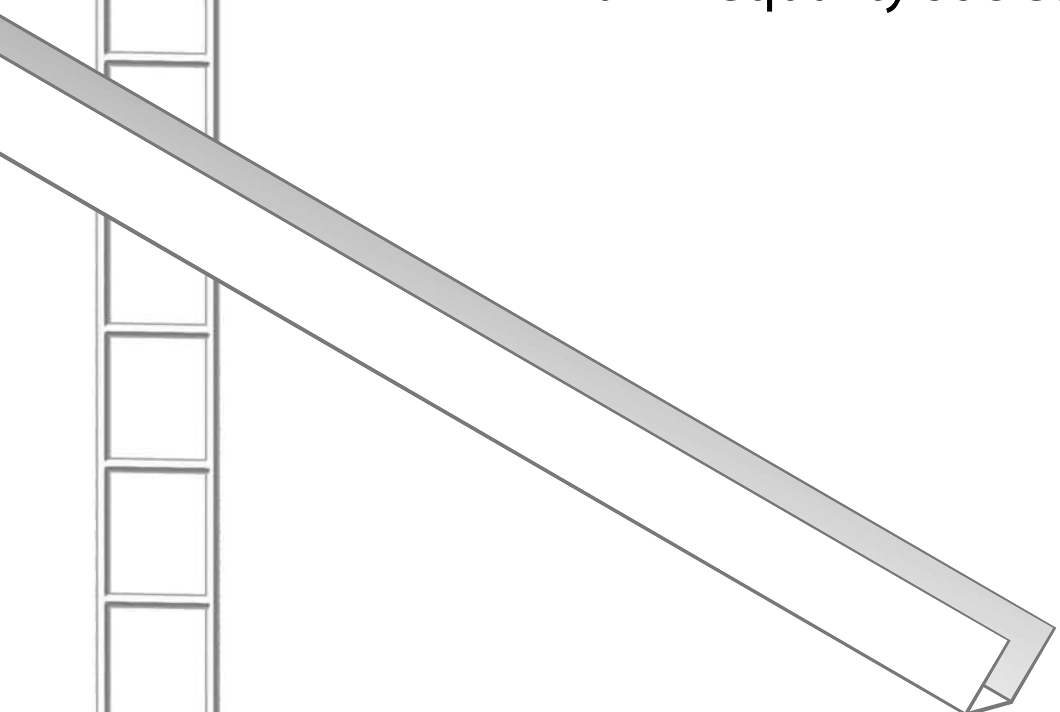
chutes *and* ladders

How economic mobility is changing in an inequality society



Economic Opportunity Institute

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The Economic Opportunity Institute is an independent, nonpartisan, non-profit public policy center using research, education and advocacy to shape public debate and advance new policy ideas that help build an economy that works – for everyone.

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Contents

Introduction: The Rise of Inequality for All

As the country continues to slowly climb its way out of the Great Recession, rising inequality and a shrinking middle class have become a growing threat to our national economy and shared quality of life. And while the American dream of prosperity, security and opportunity is still the standard by which most Americans measure success, for today's working families, that dream seems impossibly out of reach. Many question whether today's youth will ever achieve the success of their parents or will instead stagger under crushing debt and closing doors of opportunity.

One way to analyze the success of a generation is to compare economic stability with that of generations past using measures of mobility. Imagining economic standing as a ladder, mobility is a measure of an individual's position on the ladder compared to that of his or her parents. Specifically, mobility studies focus on how an individual's income compares to her parents at a particular age (*absolute mobility*), as well as a broader analysis of whether those differences in income are enough to move that individual into a different economic standing, such as an income quintile or class (*relative mobility*).[1]

The rise and fall of industries, economic booms and busts, and changing labor and education policies all shape the success of any given generation. And while a dedicated and enterprising individual might still achieve success beyond his or her wildest dreams, for many, the circumstances of birth are the main predictors of where they will land on the mobility ladder: the bad luck of being born into poverty, or having a parent lose a job, or being raised in a down-and-out neighborhood all make a difference in how likely someone is to climb to a higher rung and realize a better quality of life.

Many Washington residents seek to make a better life for themselves, pursuing and benefitting from education and other opportunities in hopes of achieving upward mobility. Regardless of individual effort, structural changes in the state's economy, along with ups and downs of the business cycle, make a difference in the financial standing of working families.

Although our economy will continue to change course, hitting both highs and lows along the way, policymakers can make intentional choices about building systems to protect and enable upward mobility for all families. Circumstances of birth will likely continue to affect one's capacity to move up the income scale, but with the right public policies in place, being born into poverty doesn't have to mean staying at the bottom of the ladder. Policy decisions determine how steep the ladder is, how far apart the rungs are, and whether basic dignity is accessible to all.

Legislative decisions made at federal, state and local levels all have bearing on the ability of Washington residents to maintain middle class standing or achieve upward mobility. The federal Head Start program ensures access to child care and early learning for the nation's most vulnerable children, providing an early path to success for millions of kids living in poverty. Social Security not only assures many seniors a basic level of dignity in retirement, but also insures families who lose a breadwinner because of death or disability. Washington state's minimum wage, the highest in the nation, has provided a more solid earnings floor for low-wage workers. Seattle's Paid Sick and Safe Leave law ensures paid time off for a majority of workers in the city to care for themselves or a loved one during illness or to deal with the effects of domestic violence.

Each of these policies, along with unemployment insurance and workers' compensation, contributes to broader platforms of security for workers and their families that help to keep people in good economic standing and prevent financial ruin in the event of a crisis. Conversely, political decisions to restrict access to and funding for these policies increase downward mobility – and make climbing back up after a setback more difficult.

Sue | Home: Auburn, WA | Age: Early 50s

Sue has worked in food service for the majority of her life, mostly in positions without benefits. In her experience, most restaurants, especially chains, provide few advancement opportunities. "It's very hard to get ahead, to become a district manager or operations manager, or any of the higher ones.

"Even if they hire from within, you're kind of stuck more often than not…there's no way to move up. You may get your quarter raise every three months, but you're not advancing into anything. *[In chain restaurants]* they cut your hours, they don't let you work full time… Corporate doesn't want to pay benefits, so they keep you at 25-35 hours per week. When you work an hourly and that's all you get, you have to live pay day to pay day. It's a shock to your system."

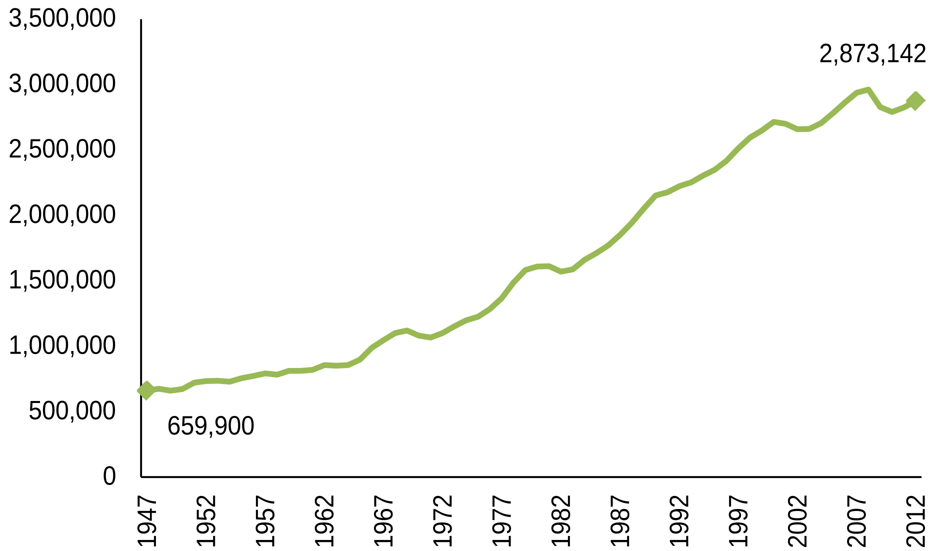
Changing Economic Landscape

Between the 1960s and the mid-1980s, the country's job market experienced significant changes, as manufacturing declined, farm work became more mechanized and the professional services industry expanded. During this time, access to higher education also increased, and a person's family background became less of a predictor of his occupational outcomes.[2] More women joined and stayed in the workforce, too, resulting in growth of household incomes. With greater economic stability, many Americans were enjoying higher incomes than any previous generation.

Today, more than four in five Americans (84%) are out-earning their parents' inflation-adjusted income at a given age, and half have wealth exceeding that of their parents.[3] Washingtonians are about as likely to experience upward mobility as Americans on average. However, the mobility of Washingtonians is likely impacted by economic factors unique to the Pacific Northwest region.

The state's geography – both its Pacific Rim location and a climactic position ripe for agriculture – contributes to a diverse mix of industries and occupations, including international trade, technology and software development, winemaking, aerospace manufacturing, forestry, and farming. Despite this diversity, the boom and bust nature of aerospace and high tech has resulted in Washington's economic peaks and troughs fluctuating more widely than those of the U.S. as a whole.[4]

Average annual total nonfarm employment, WA, 1947-2012



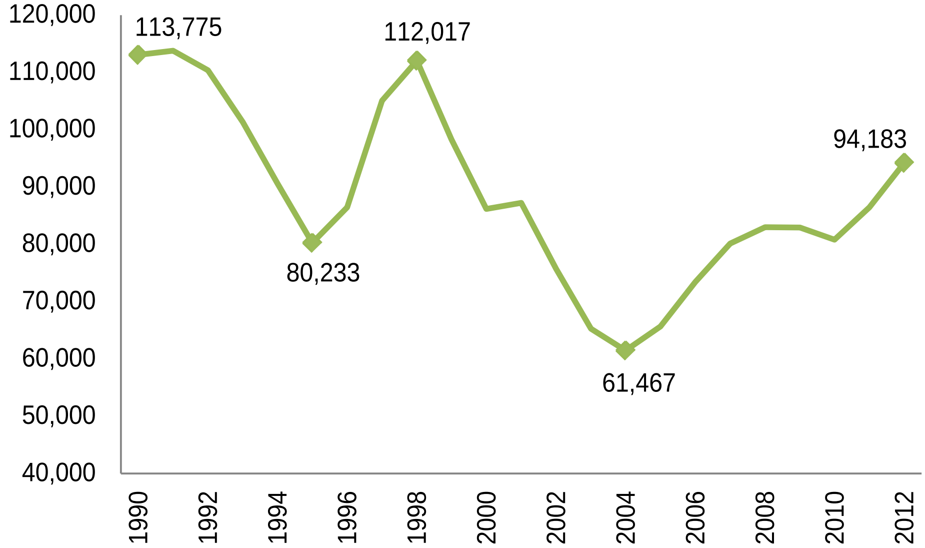
Source: Washington State Employment Security Department; Bureau of Labor Statistics[5]

Like the rest of the nation, Washington's job growth began to pick up pace in the mid-1960s. The state's population has nearly tripled since 1950 – compared to a doubling of the U.S. population.[6] A major impetus for growth was the expansion of infrastructure that occurred between the mid-1950s and mid-1970s. President Eisenhower signed the Federal Aid Highway Act in 1956, prompting construction of the Seattle-Everett-Tacoma Highway, the nearly 20-mile segment of Interstate 5 that connects the three cities.[7] Also during this time, construction for the Evergreen Point Floating Bridge was completed, an important section of State Route 520 connecting East King County with the Puget Sound corridor. Although Interstate 90 already spanned Lake Washington at the time, completion of the Evergreen Point Floating bridge spurred additional growth on the Eastside – enough to prompt Microsoft to relocate from New Mexico to East King County in 1978.[8]

The only time the state has experienced a population decline since WWII was in 1972, following the Boeing Bust. During the mid-1960s, employment in aerospace manufacturing took off with Boeing's new 747 jumbo jet. However, a cancellation of government contracts in the later phases of the Vietnam War led to a period of severe downsizing between 1968 and 1971. During this time, the industry cut nearly 65,000 jobs, affecting other sectors and prompting people to leave the state in search for jobs.[9]

Although an important industry for Washington, aerospace product and parts manufacturing has been volatile throughout most of its history in the state. While the industry regained jobs following the Boeing Bust, employment has fluctuated from a high of nearly 115,000 in the early 1990s to a low of 61,500 in the early 2000s. Despite a lag during the Great Recession, the sector has grown to more than 94,000 jobs in 2012 after Boeing won a new defense contract in early 2011 – the highest it's been in nearly 15 years. Despite its Washington origins, trained workforce, and numerous state supports, the Boeing Corporation has moved its headquarters and some manufacturing out of the state and has made clear that Boeing jobs will never again be secure.

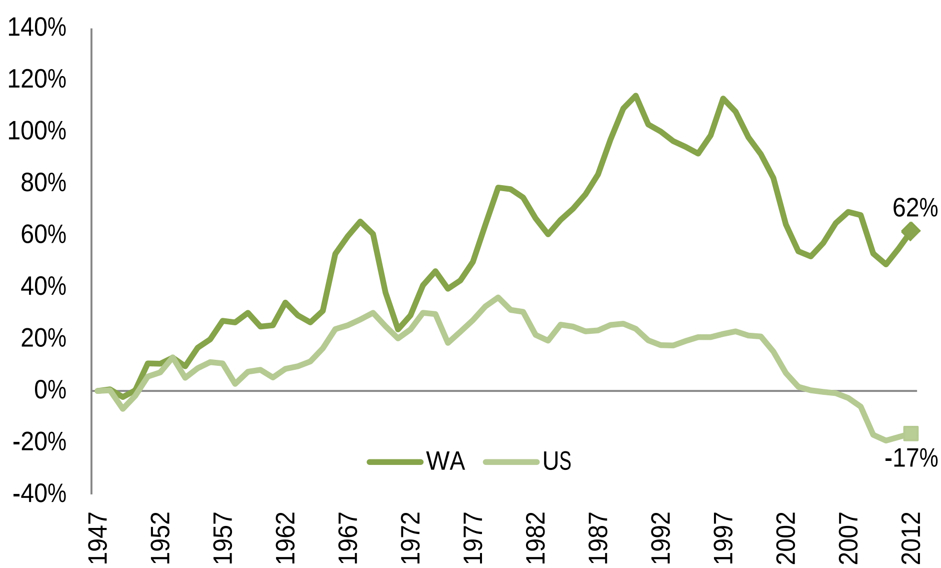
AVERAGE ANNUAL AEROSPACE PRODUCT AND PARTS MANUFACTURING EMPLOYMENT, WA, 1990-2012



Source: Washington State Employment Security Department

The larger manufacturing sector as a whole has also experienced volatility, particularly since the mid-1960s. Although the number of jobs in the sector has grown more than 60% since 1947, they have contracted by 25% since 1990, and overall, manufacturing has become a smaller portion of total nonfarm jobs for both the state and the nation.[10] However, the industry remains much stronger in Washington than the U.S. as a whole, where manufacturing growth has steadily declined over the last decade and provides fewer jobs today than in the post-war years.

PERCENT MANUFACTURING JOB GROWTH, WA VS. U.S., 1947-2012

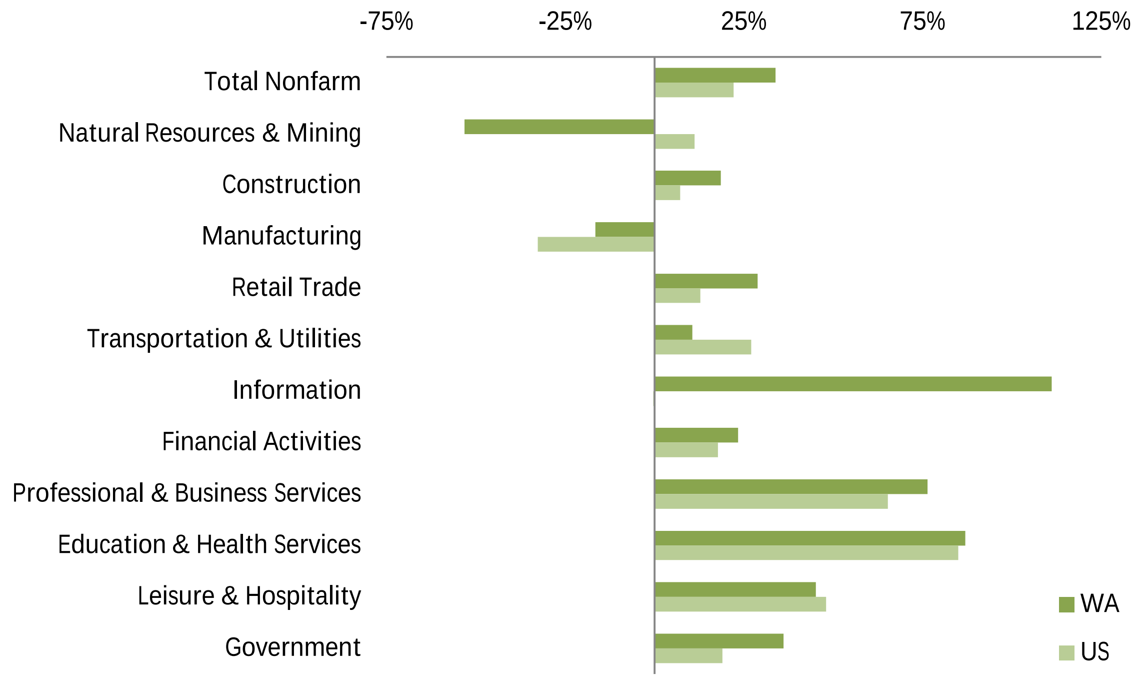


Source: Washington State Employment Security Department; Bureau of Labor Statistics

Following the Boeing Bust, the next major downturn the state faced was in the early 1980s, when the entire country was weathering a recession. During this time, the services industry experienced its first post-war contraction. With growth of the middle class, services expanded as demand increased for tourism, advertising and marketing. Between 1947 and 1981, there was a fourfold increase in the number of Washington's service jobs. This growth was temporarily halted during the downturn of the early 1980s, when the industry shed 1,300 jobs between 1981 and 1982.[11] These sectors quickly rebounded, though, and have continued to show strong growth, especially the health services sector, which currently makes up nearly 10% of the state's nonfarm job market.[12]

Over the last two decades, many of Washington's industries have seen similar growth trends to those of the U.S. as a whole. However, Washington's nonfarm jobs have grown at a faster pace, increasing by 34% between 1990 and 2012, compared to 22% for the U.S.

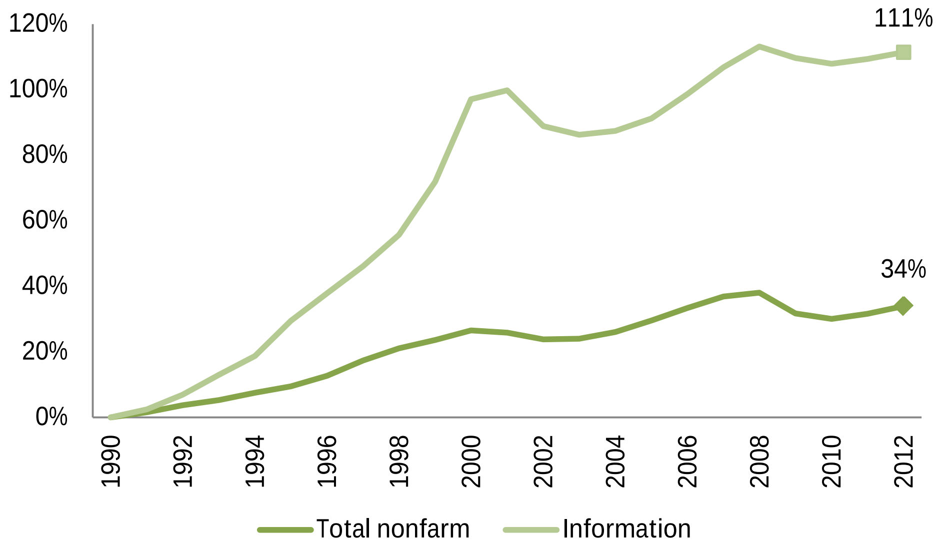
PERCENT JOB GROWTH, SELECTED INDUSTRIES, WA VS. U.S., 1990-2012



Source: Economic Policy Institute analysis of Current Population Survey data

A Washington industry that has clearly set a different pace than the national trend is the information sector. This sector exploded during the 1990s, particularly in the Seattle metropolitan area. While job growth across the state increased 111% between 1990 and 2012,[13] it has increased 174% in the Seattle area.[14] By 2012, more than four in five of the state's information jobs were in the Seattle metropolitan area, nearly half specifically in software publishing. With typical wages substantially higher than the statewide average for all jobs, this growth has provided a substantial boost for the state. In contrast, the industry has shown virtually no growth nationally since 1990 due to recessionary losses.

PERCENT JOB GROWTH, NONFARM VS. INFORMATION SECTORS, WA, 1990-2012



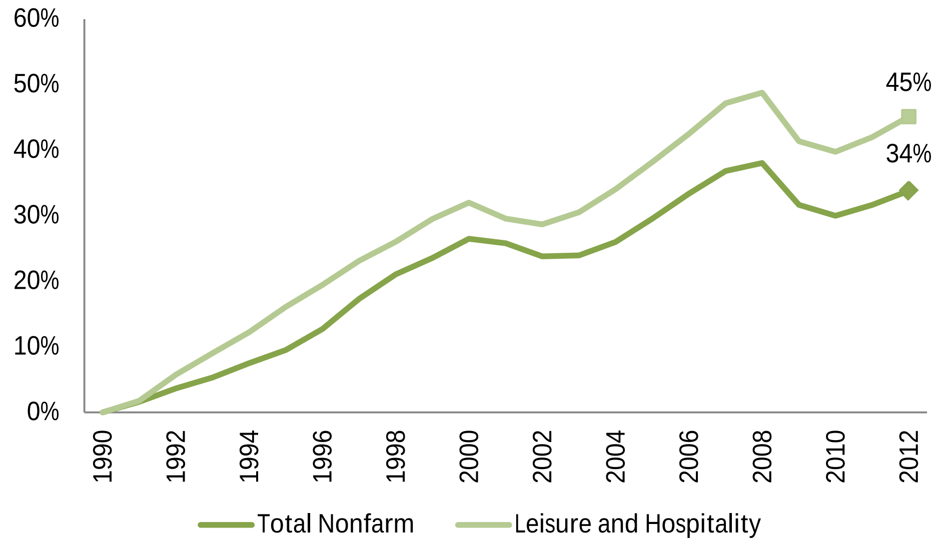
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Growth in higher wage industries, including the information sector, has likely had an impact on mobility of Washington residents. More jobs in these industries not only raises the average wage, it also increases access to important workplace benefits, such as health insurance, retirement savings, paid sick days and paid parental leave. All of these factors are important for economic stability of the labor force and contribute to the ability of parents to pass on security, opportunity and wealth to a child.

Growing Inequality

In addition to the rise of certain high-wage industries, there has also been growth in low-wage industries, such as food service and accommodations. Although leisure and hospitality sectors have followed business cycle trends, they have also been outpacing the growth of nonfarm jobs and at an increasing rate. Between 1990 and 2012, these sectors grew by 45%, compared to total nonfarm job growth of 34%. Washington's occupations are also growing more quickly at the top and the bottom of the income spectrum than in the middle. The Employment Security Department projects that among the fastest growing occupations between 2011 and 2021 are both high-wage engineers and low-wage home health aides.[15] A result of this bifurcated growth is that income disparities have grown wider over the last few generations.[16]

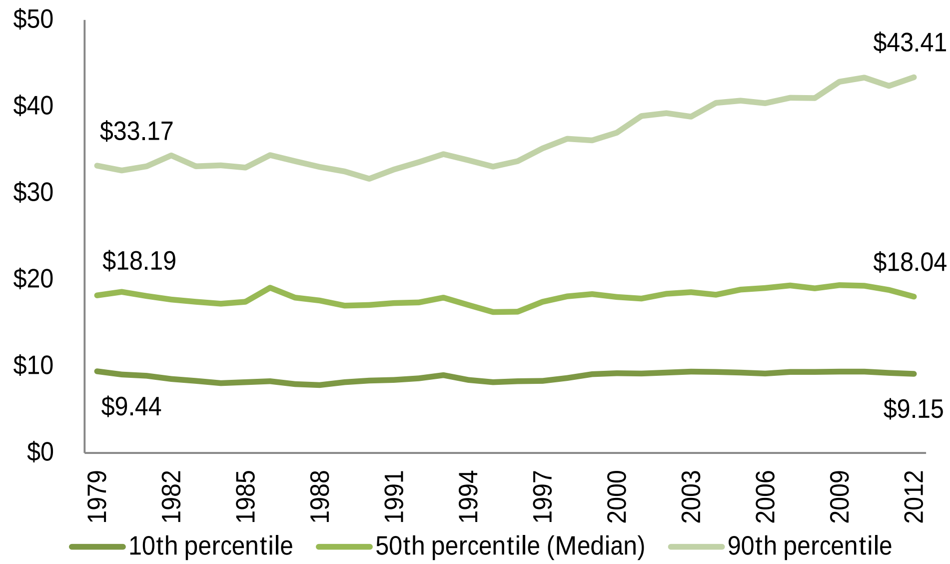
PERCENT JOB GROWTH, NONFARM VS. LEISURE AND HOSPITALITY SECTORS, WA, 1990-2012



Source: Economic Policy Institute analysis of Current Population Survey data

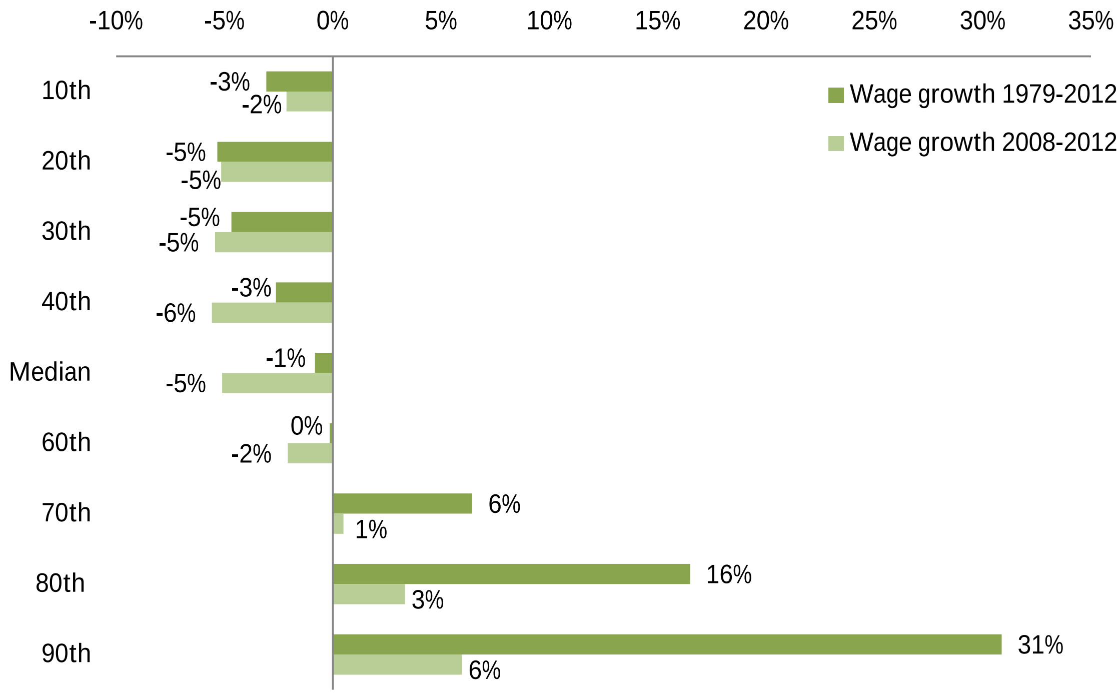
Only Washingtonians in the top three deciles of the hourly earnings scale have seen their wages increase over the last several decades, with those at the top seeing the largest increases. Since 1979, those in the top 10% have experienced a 31% increase in hourly wages, while wages of those at the median or below have remained stagnant for more than three decades.[17] Further, the top 20% are the only workers that have experienced increased wages since the start of the Great Recession.

HOURLY WAGES BY SELECTED DECILE, WA, 1979-2012 (2012 DOLLARS)



Source: Economic Policy Institute analysis of Current Population Survey data

HOURLY WAGE GROWTH BY DECILE, WA, 1979-2012 VS. 2008-2012 (2012 DOLLARS)



Source: Economic Policy Institute analysis of Current Population Survey data

Income disparities tend to increase over generations. Inherited wealth puts families in better neighborhoods, increases access to better education, and provides access to contacts and experiences that strengthen opportunities for the next generation. On the other hand, financial emergencies hit the poor the hardest, as they have fewer resources to overcome a crisis. As a result, income inequality in one generation persists in the next generation. Research indicates the current disparities will take many years to be moderated, and only if economic growth is focused on people with middle and lower incomes. When economic growth is strong, people become more mobile, but only if the benefits are widespread and provide a boost for everyone.[18]

Today, only one-third of Americans experience upward mobility, surpassing both their parents' income and relative position on the economic ladder. Another third experience downward mobility, earning less income than their parents while also failing to move to a higher income bracket.[19] Specifically, more than two in five children born into the bottom quintile of the income scale remain there as adults, and a full 84% end up in the middle or below. Among those born at the top, more than three in five stay above the middle as adults. The notion of pulling oneself up by the bootstraps is a powerful one – but the fact is that just 6% of those born into the bottom quintile make it to the top and only 17% make it above the middle.[20]

While residents of the Evergreen state are equally likely to move up the income ladder as the average American, they are more likely to be downwardly mobile. Recent research indicates about 28% of Americans experience downward mobility, compared to 32% of Washingtonians. [21] The state's income disparities may be increasing the risk of falling to a lower rung on the ladder for those who are unable to access higher education or secure union representation, two factors that are important in protecting against downward mobility.

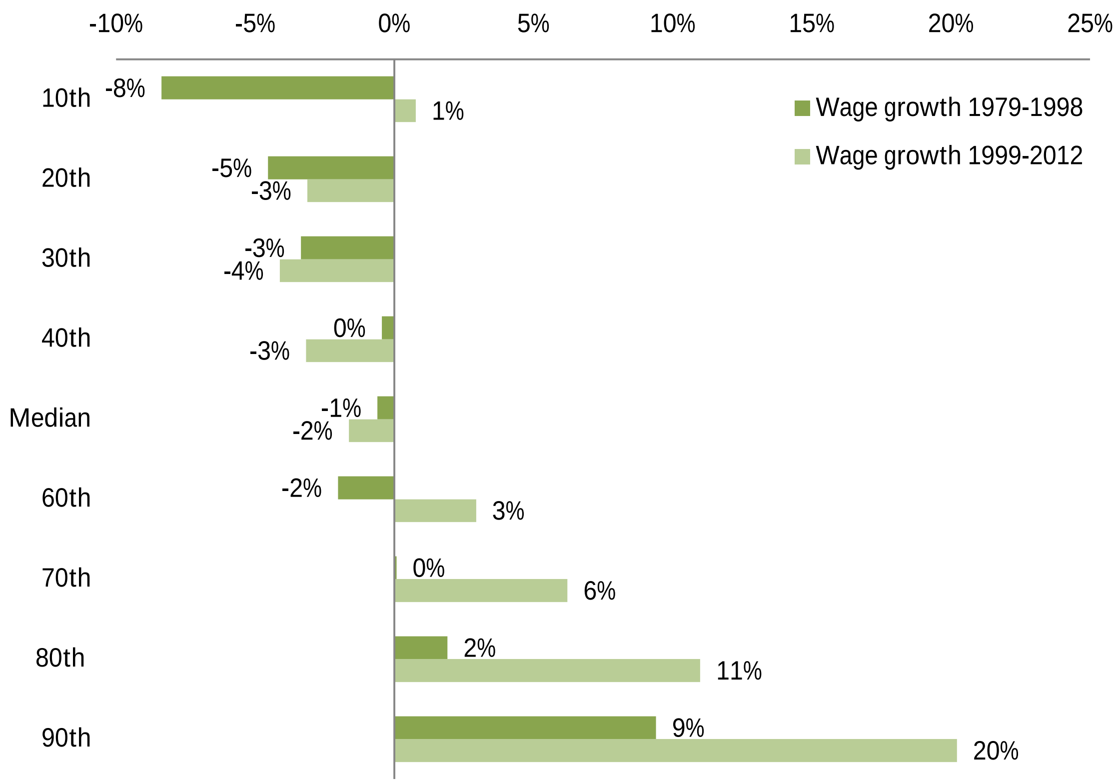
Across the country there has been renewed attention on raising the minimum wage. In the Puget Sound region, the 2013 elections have indicated support for a higher wage standard, with passage of a $15 per hour minimum wage for transportation and hospitality workers in the airport city of SeaTac and the election of Kshama Sawant to Seattle City Council, who ran on a $15 per hour minimum wage platform. Nationally in 2013, New Jersey, New York and Connecticut approved increases to their state minimum wages, and California passed a law to increase its minimum wage to $10 per hour by 2016.

Washington's Minimum Wage

Washington currently has the highest statewide minimum wage in the country, reaching $9.32 in 2014. In 1998, voters passed Initiative 688, which increased the minimum wage from $4.90 to $5.70 in 1999 and $6.50 in 2000[22] and linked increases thereafter to inflation.[23] This law has kept the wage floor constant relative to overall economic growth, especially in comparison to the federal minimum wage, which has remained at $7.25 since 2009, and now stands nearly $3.00 an hour below the inflation-adjusted level of the late 1960s.

In the two decades leading up to Washington's minimum wage policy change, the bottom 10% of income earners, who earn near or at the minimum wage, experienced an 8% decline in real earnings. However, since implementation of I-688, that decline has been reversed, underscoring the importance of a solid wage floor. Without a minimum wage indexed to inflation, the bottom 10% surely would have continued to see decline in constant dollar wages, just as each decile at the median and below has since the minimum was law was enacted.

HOURLY WAGE GROWTH BY DECILE, WA, 1979-1998 VS. 1999-2012 (2012 DOLLARS)



Source: Economic Policy Institute analysis of Current Population Survey data

Tara | Home: Spokane, WA | Age: Early 30s

Tara is a pre-school teacher who is also in school, working toward her Bachelor's degree. Although her job is stable, she must work side jobs to make ends meet. "I'm no longer receiving financial aid and I'm paying tuition to get a little bit better degree and it's hard. I'm really just spending money I don't have because I just need to do this right now both to keep my job and to get my family where I want it to be. I honestly don't know how I'll make it, but I can see the long-term goal so it just keeps me working harder. To be fighting for my education every quarter has gotten really tiring."

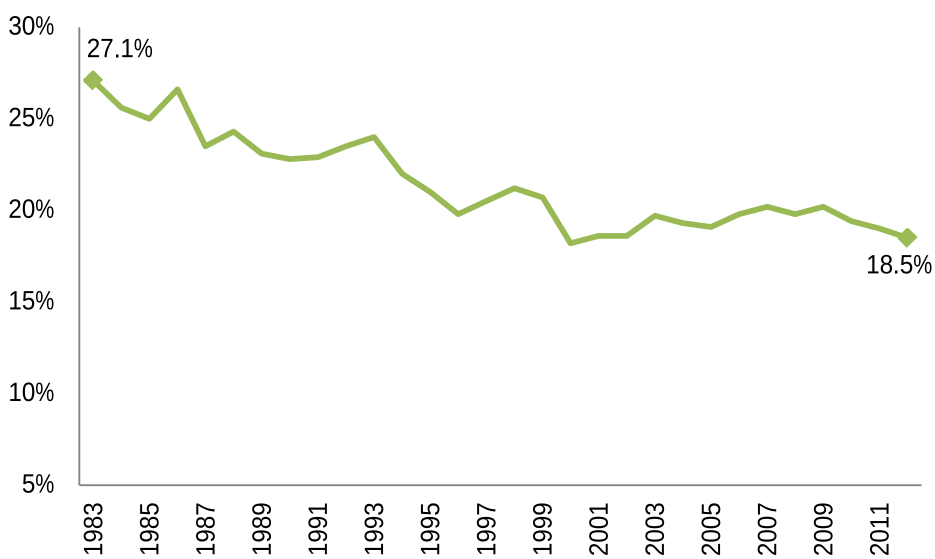
Tara does not receive workplace benefits. She has been without health insurance for over two years and is unable to save for retirement. "The center I work at now is the first one that offers benefits, but the position I work in isn't eligible for them. I know people that have worked in the same position in the same center for years and not gotten more than a twenty-five cent raise. For what we do, it's almost at the point where it's intolerable, but we love what we do and we know the kids need us, so we keep doing it."

Factors Affecting Mobility

Union Membership

Union membership is often associated with higher wages, better benefits and greater job security. Nationally, about 11% of the U.S. workforce were members of a union in 2012. Just nine states have rates of unionization above 15%, including Washington, in which 18.5% of wage and salary workers are unionized. However, mirroring the national trend, the state's rate of union affiliation has declined over the last decade, from 19.7% in 2003 and a high of 20.2% as recently as 2009.[24]

PERCENT UNION MEMBERSHIP AMONG LABOR FORCE, WA, 1983-2012



Source: Bureau of Labor Statistics, Current Population Survey

Washington's unions continue to be threatened by a business culture that devalues a worker's right to organize. In the fall of 2013, Boeing proposed to eliminate pensions and cut health care benefits for its aerospace machinists, members of the International Association of Machinists (IAM) union. IAM members voted in November to reject Boeing's offer, inciting a series of bids from other states to take over some future airplane manufacturing and assembly work, which would effectively eliminate thousands of jobs currently held by Washingtonians. In January 2014, members narrowly approved an eight year contract extension that freezes pensions and prevents members from having the choice to strike until 2024.

High union membership has been correlated with greater mobility. The ten states with the highest rates of unionization, including Washington, rank higher than the ten states with the lowest rates on measures of economic mobility, including growth in earnings. Analysis by the Center for American Progress finds that a 10% increase in union membership would be correlated with a nearly 4% increase in proportion of state population that experiences upward mobility.[25] Although Washington boasts a higher than average rate of unionization, the recent decline may increase downward mobility among middle and low-wage workers.

Ashley | Home: Seattle, WA | Age: Late 20s

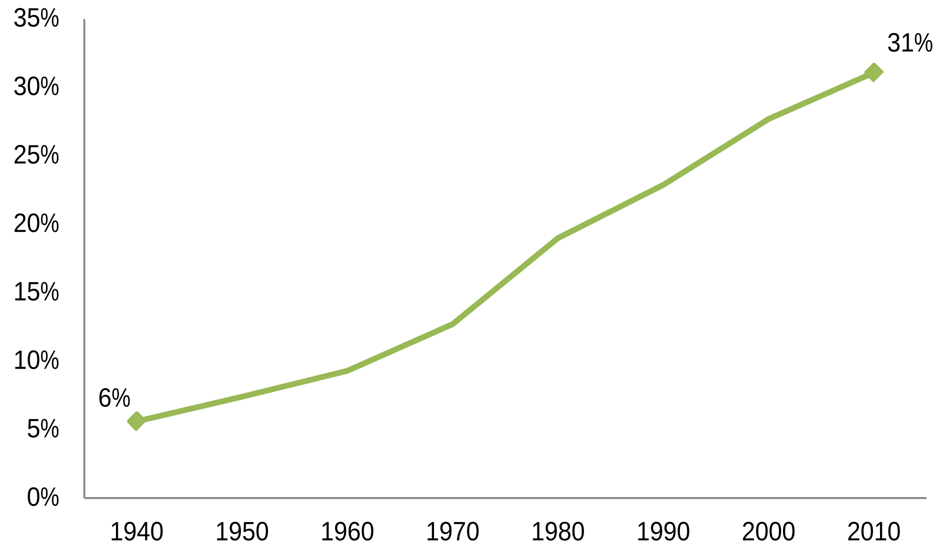
Ashley is a mother of four young children, struggling to find work. She believes a job with union representation will help her to achieve economic stability and support her dual roles as family caregiver and breadwinner. "Nowadays, I'm looking for something with benefits, something that's going to support me and my kids. If they don't have great benefits, I can't work for them because I'm looking for those type of benefits…I'm looking for something with a union, a 401 K, dental and health insurance plan. Pretty much the whole nine yards. I have a friend who works with a union and she says it's so great. She had a baby and was on maternity leave, then she came back to work and everything was okay. When you have another job [*that's not a union job],* they're not always so supportive like that. When you're with the union I believe, they really have your back."

Education

Level of education is one of the biggest predictors of upward mobility, especially among low-income persons. Achieving a higher level of education significantly increases the likelihood of an individual born into poverty moving up the income ladder. Further, it serves to protect those born at the top from moving down the ladder.[26]

Nationally, enrollment in degree-granting institutions (both two-year and four-year) increased by nearly 400% between 1959 and 2007, increasing six times faster than population growth.[27] In Washington, the proportion of adults aged 25 and older with a bachelor's degree increased fivefold between 1940 and 2010. Today, nearly a third of the state's population holds a college degree – many of whom migrated to the state to fill gaps in higher wage jobs not met by the state's own graduates.[28]

PERCENT OF POPULATION WITH A BACHELOR'S DEGREE, AGED 25 AND OLDER, WA, 1940-2010

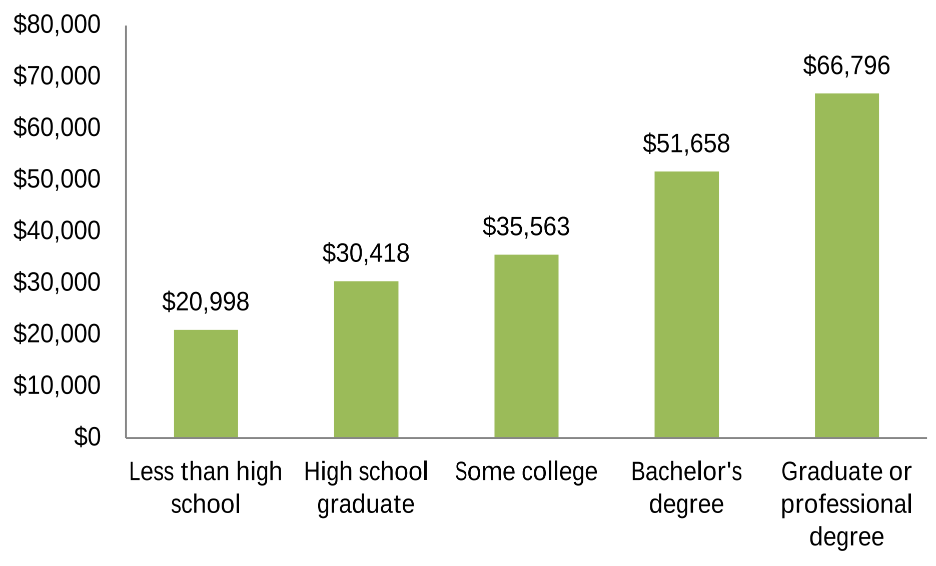


Source: U.S. Census Bureau, Decennial Census of Population

An important factor in the rise of college degrees has been the Serviceman's Readjustment Act of 1944, more commonly known as the G.I. bill. This legislation provides benefits to men and women returning from service, including monetary supports for education and training. Within a few years of the bill's passage, veterans made up nearly half of all college admissions.[29] Also of importance is the Higher Education Act of 1965. This legislation increased federal financial aid to students and institutions for postsecondary education, enhancing access to college primarily through low-interest loans.[30]

A wealth of data shows education pays off. Achieving a higher level of education leads to a greater income, with Washington residents holding a graduate degree earning more than twice the income of those with a high school diploma in 2012.[31] Further, median wages for those without a college degree have only declined, while those with a bachelor's degree have seen median wages increase by nearly $5.00 per hour over the last three decades.

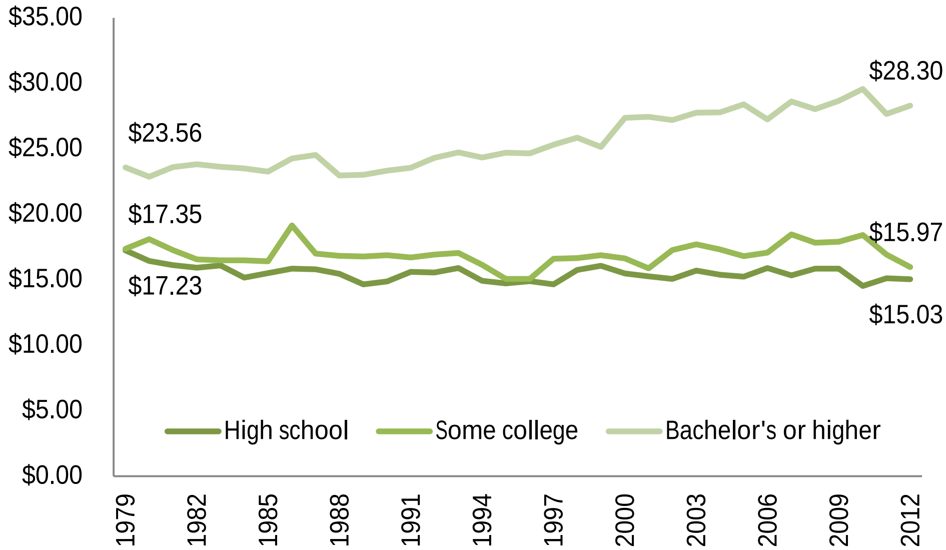
MEDIAN INCOME BY EDUCATION LEVEL, WA, 2012



Source: U.S. Census Bureau, 2012 American Community Survey

Those with only a high school degree have experienced a more than $2.00 per hour loss in wages since 1979.[32] Not surprisingly, those with a higher education are also less likely to experience poverty – just 4% of Washingtonians with a college degree aged 25 and older lived in poverty in 2012, compared to 13% of those with a high school diploma and 26% of those who did not complete high school.[33]

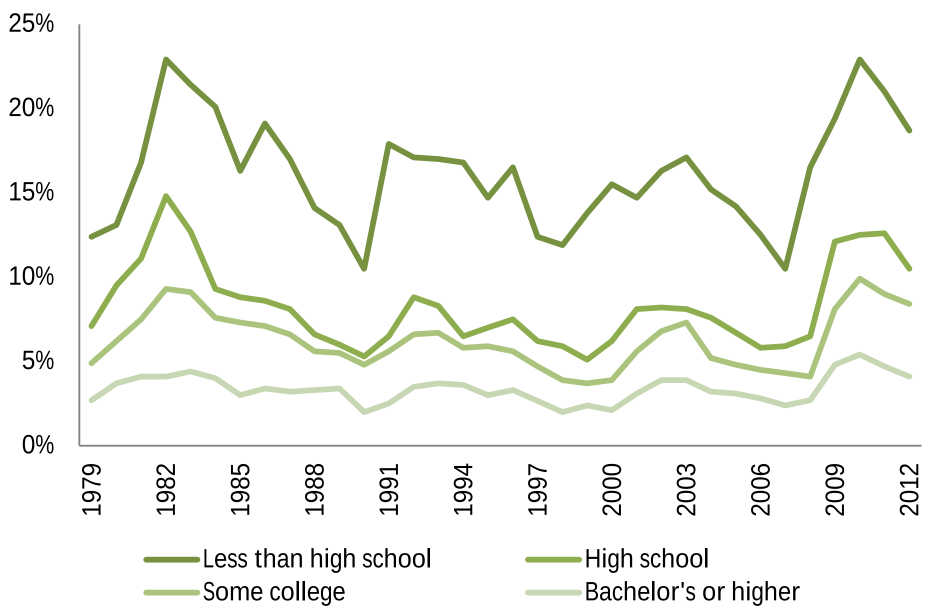
MEDIAN WAGES BY EDUCATION LEVEL, WA, 1979-2012 (2012 DOLLARS)



Source: Economic Policy Institute analysis of Current Population Survey data

Additionally, unemployment rates are consistently lower for those with a college degree or higher. In 2012, the rate of unemployment for Washingtonians with a bachelor's degree or higher was 4.1%. Those with some college education experienced unemployment at more than twice that rate – 8.4%. Joblessness is highest among the least educated, at nearly 19% for those without a high school diploma in 2012.

UNEMPLOYMENT RATE BY EDUCATION LEVEL, WA, 1979-2012



Source: Economic Policy Institute analysis of Current Population Survey data[34]

This holds true even during economic declines, and those with greater education levels fared better in the most recent recession. Nationally, college-educated adults aged 21 to 24 were less likely to lose a job between 2007 and 2011; those with a 4-year degree experienced a 7% loss in employment, compared with a 16% loss among those with a high school diploma. Recessionary declines in wages were also lower among those with a college degree, a 5% loss versus a 10% loss for high school graduates.[35]

National research shows a college degree has a profound impact on whether an individual is more economically successful than her parents. Nearly one in five individuals raised in the bottom quintile who go on to earn a college degree end up in the top 20% of the income scale. However, just one in 20 of those who start in the bottom quintile make it to the top without a college degree.[36]

While upward mobility is more likely with a college degree, downward mobility is more likely without one. Less than a quarter (23%) of those who are raised at the top income quintile stay there without a college degree, compared to more than half (54%) with a college degree.[37]

Status At Birth

The odds of achieving a college education are not determined in a vacuum; parental income still matters. Research shows children from low income households are less likely to attend and graduate from college, and those from two-generation low income households are even less likely to do so. On the other hand, being raised in a middle or high income household increases the likelihood of attending college.[38] About 40% of individuals who grow up in two-generation middle or high income households graduate from college, compared to just 5% of those who are raised in two-generation low income households.[39]

Even the brightest students' chances of attending college are diminished as family income level drops. One study found that among students with top math scores, just 68% from the bottom income quartile enrolled in 4-year institutions, compared with 84% of those from the top quartile.[40] A research study of tenth-graders in Chicago found some of the barriers to college enrollment for low income students of color who plan to attend college include the college application process and the application for federal financial aid (FAFSA).[41]

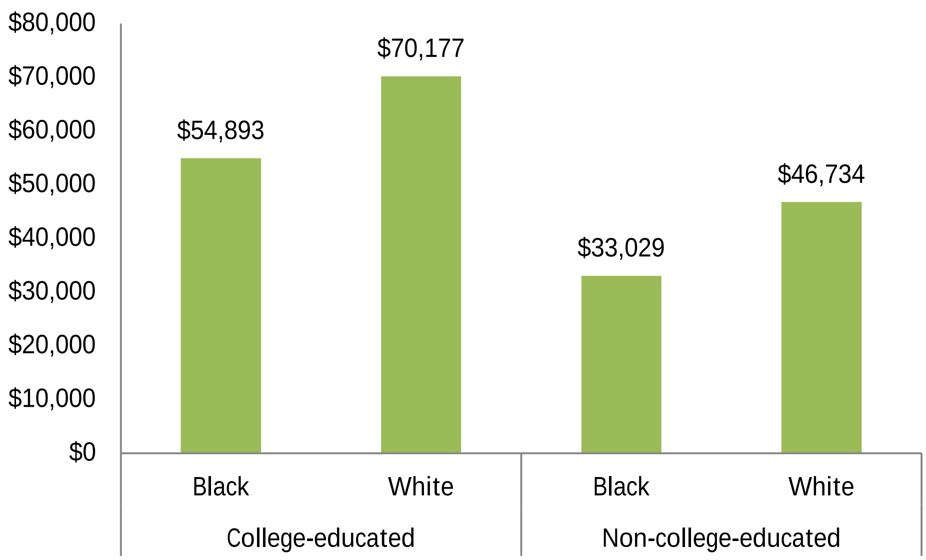
A related factor is housing wealth. Increases in home equity are associated with increases in college enrollment and graduation, especially for students from lower income families. According to Pew estimates, the rise in home prices during the recent housing boom led to a 24% increase in college enrollment for low and middle income students. Further, when home prices increased, students were more likely to attend higher quality schools. However, with the housing bust came reduced likelihood of attending college for these students – the decline in housing wealth led to an estimated 30% drop in college enrollment among students from families with household income below $70,000.[42]

Race

African Americans are more likely to be born into the bottom rungs of the income scale and are less likely to experience upward mobility than their white counterparts. Nationally, nearly two-thirds of blacks are raised in the bottom quintile, compared to just 11% of whites. African Americans are also less likely to exceed the income of their parents – just 66% of blacks out-earn their parents, compared with 89% of whites.[43, 44]

Higher education has significant impacts for blacks, especially single mothers. Nearly all black single moms with a college degree out-earn their parents (upward *absolute mobility*), and more than four in five move to a higher rung on the income ladder (upward *relative mobility*). However, even college-educated blacks earn significantly less than their white counterparts. Research shows that among college-educated couples with children, the median income for white families is $70,177 and $54,893 for black families.[45] Latinos and Native Americans also earn less than whites, with Washington's Latino households earning 67% and Native American households earning 62% of white households in 2012.[46] Ultimately, race matters, even after controlling for education, health, parental background, and other factors.[47]

MEDIAN HOUSEHOLD INCOME AMONG COUPLES WITH CHILDREN,
BY RACE AND COLLEGE EDUCATION, U.S., 2009



Source: Pew Charitable Trusts, Economic Mobility Project

Jessie | Home: Tacoma, WA | Age: Early 30s

Jessie spent most of his childhood in Washington, and is now studying for a Master's degree. He is currently employed, but feels burdened by student debt. "I always wanted to go to college… The barriers for me came partially through discrimination, but also partly the transition of going to college. Financially, I think that was a struggle, transportation, understanding how I was going to take care of myself. All of those things were a concern. You feel like you want to become an adult, live on your own, leave your parents, go to work, go to school, but financially, that's really not possible. There's no way to financially sustain yourself without a degree. And so, I think I found myself in that reality…"

"Being a black man, staying in school isn't relevant to you. It doesn't include you as a participant. There are a lot of things that try to incorporate us, but I feel like the system still outs us… I think I owe like $60,000 right now for a public school education. But with the interest rates and a couple of defaults, my loans just ballooned to an outrageous amount, almost double the cost of what they should be. When I finish it'll be another 60, so it'll probably be about $120,000 total. I'm starting to feel like I'm back in the low-income *[class]*, because I can't financially take care of all my responsibilities with the amount of money I make. I can't have all the debt. I can't sustain myself well, so in that sense, that's not the middle class."

Impacts of the Great Recession

The Great Recession has had profound impacts on workers and families across the county. Despite indications of economic recovery, many families are still barely making ends meet. One third of American families experienced a period of unemployment between 1999 and 2009. Fourteen percent of families experienced periods of unemployment for six months or more. Families of color, in particular, were most likely to experience unemployment;, approximately one quarter of blacks (23%) and Latinos (27%) experienced long-term unemployment. [48]

Families at every income level were affected; however capacity to recover from financial hardship has varied. Qualitative interviews of individuals experiencing job loss in recent years show those without savings often had to use money from a child's education fund or retirement account.[49] Spending down from these accounts affects a family's capacity to regain long-term economic security and retire with dignity, and may have negative consequences for the next generation.

What inequality means for the new workforce: Millennials

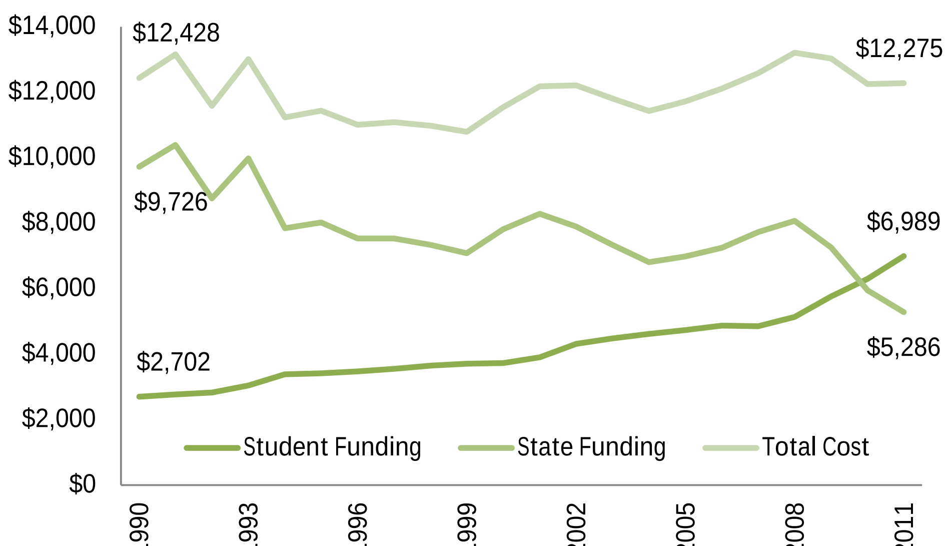
Workers who are unemployed as young adults earn less in the long-term, due to loss of work experience and skill building. In 2012, there were 5.6 million American 18-34 year olds actively looking for work and another 4.7 million experiencing underemployment.[50] Analysis by the Center for American Progress determined a young person who is unemployed for six months will lose about $22,000 in earnings over the next decade. This means young Americans will lose $20 billion in earnings as a result of unemployment experienced during the Great Recession.[51]

Nationally, young adults are more likely to be employed in low-wage sectors, including retail, leisure and hospitality, and health care and social assistance. The retail and food service sectors hire the greatest number of younger adults, with one in five 18-24 year olds working in retail and another one in five working in food and accommodation. The majority of minimum wage earners are concentrated in these sectors, as well, and oftentimes these positions don't provide long-term or stable career prospects. [52] For some workers, these jobs are temporary positions that offer flexibility while attending college or taking part in other opportunities. However, for others, these jobs mark the first in a series of low-wage jobs that limit advancement and degrade economic security.

For those who are able to earn a wage while working toward a degree, many face crushing debt upon graduation. The average debt among Washington students graduating from 4-year public institutions in 2011 was over $20,000.[53] Nationally, more than 13% of student loan borrowers have defaulted and another 26% are delinquent.[54]

Skyrocketing college tuition over the last decade, and particularly since the Great Recession, is a major factor in the rise of student debt. Several decades ago, postsecondary education was considered by policymakers to be a public good, and the state funded a significant portion of the cost for a college degree. Today, while the overall cost of higher education has remained relatively stable, the state's contribution has dwindled – leaving students to make up shortfall.[55]

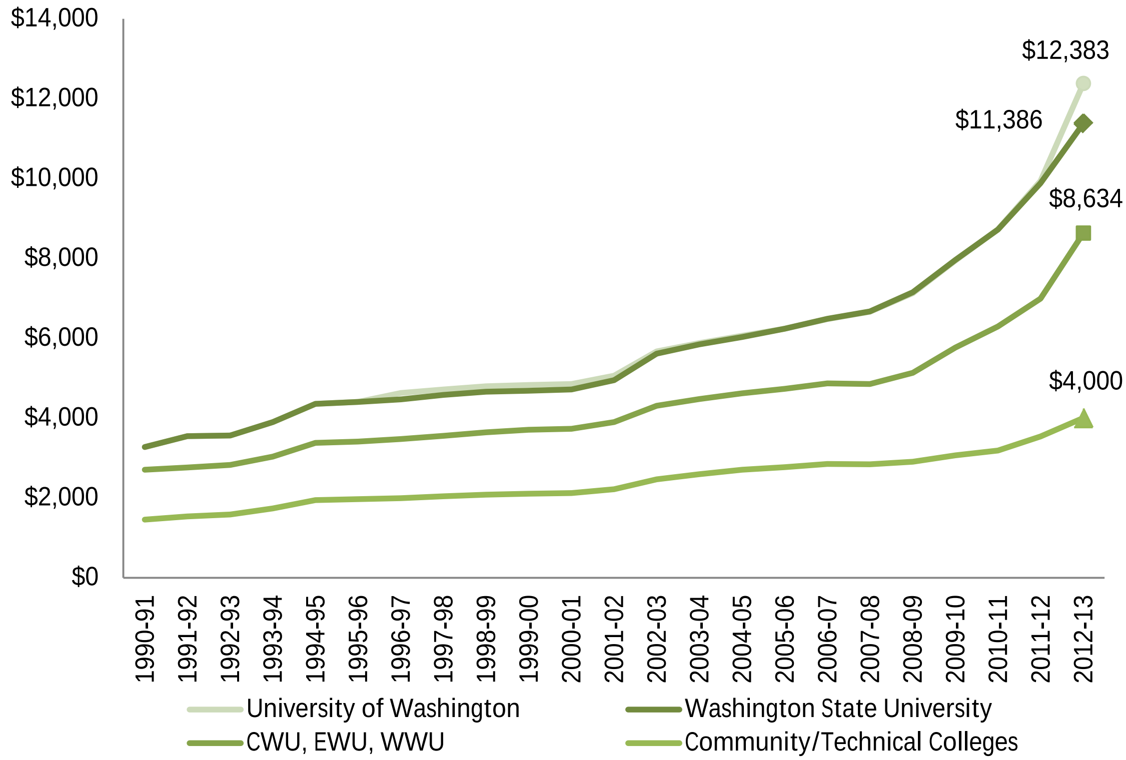
Share of State vs. Student Funding for Regional Public Institutions: Central, Eastern and Western Washington Universities, 1990-2011 (2011 dollars)



Source: Legislative Evaluation and Accountability Program Committee; Washington Student Achievement Council[56]

Average (weighted) tuition and fees across Washington's three regional universities – Central, Eastern and Western Washington Universities – have doubled since 2002 and more than tripled since 1990, after adjusting for inflation. Student cost to attend the University of Washington (UW) has nearly quadrupled since the mid-1980s.[57] In 2012, tuition and fees at the UW Seattle campus was $12,383, or 22% of median household income.[58]

TUITION AND FEES, WASHINGTON STATE COLLEGES AND UNIVERSITIES, 1990-2012 (2012 DOLLARS)



Source: Washington Student Achievement Council

"Working your way through college" was a viable possibility for many of the parents and grandparents of today's students, but is far less possible today. As tuition has climbed, and household incomes have stagnated, students have been forced to take on more debt. Research shows the number of undergraduates taking out federal student loans increased 18% between 2004 and 2012. Further, the dollar amount of single-year loans increased, from $5,400 in 2004 to nearly $7,800 in 2012.

Today, only three in five student borrowers are making loan re-payments on time; the other two in five are in "deferment, forbearance, or default."[59] For students graduating from the University of Washington, the highest rates of debt are among those with the lowest household incomes – undergraduates from families earning less than $25,000 per year graduated with average debt of $21,256 in 2011, compared with $18,789 for students from families earning $75,000 or more in annual income.[60]

In conjunction with the rise in student debt, household debt has soared over the last six decades – increasing nearly 300% since the post-war era baby boom. High debt-to-income ratios are more common among the lowest income families, but not because people are overspending on consumer goods. The biggest debt families take on is the purchase of a home, with consumer goods and services making up only 6% of household debt in 2005. Further, fewer than half of American families hold any credit card debt.[61]

Although most Americans are still earning more than their parents at a given age, overall living standards are declining. In fact, baby boomers were the last generation to gain a higher standard of living than the preceding generation.[62] Young Americans are now less likely to own homes than their parents and have little in retirement savings.[63]

High debt, low-wage jobs lacking benefits and little to no savings or retirement funds create a recipe for stagnating mobility and lifelong economic insecurity. Facing wage inequality and a frayed safety net, millennials are in a precarious position on the income ladder. Unless policies are put in place that more evenly distribute the benefits of a strong economy and enable families to weather a down economy or financial crisis, income disparities will continue to widen and dampen the opportunity for upward mobility for generations to come.

Amanda | Home: Tacoma, WA | Age: Mid 20s

Amanda recently graduated from college and has achieved a higher level of education than both of her parents. She consistently works more than one job, one always in retail, but struggles to make ends meet. She hopes to earn her Master's degree someday and feels education is important for economic security.

"My mom… was a single mother. She hasn't gone to college. I don't think my mom really intended for me to go to college. And honestly I didn't really want to go. It just seemed like the better option than working right away. So I applied to community college because I wasn't really sure that I wanted to do it all. At community college, I found something that I loved, and I transferred to the University of Washington. I'm still paying for college. For my community college, I paid out-of-pocket. I worked two jobs and paid off my AA *[degree]*. But for my Bachelor's degree, which I'm still paying off, I had to take out student loans."

"Ever since I turned 16, I've had a job. I've always had at least 2 jobs, so when I lost one, I had another to fall back on until I found another job… I'm so sick of having to work two part-time jobs. I've been doing that for 10 years now that I think about it. I'm finding that it's a lot harder to find work if you don't have a college degree. I do not like doing retail. And even with my degree it's still hard to find a job. I'm still a sales associate. I'm not even getting 20 hours a week. I'm lucky if I get 10, maybe 15. I just settled for a job that I wasn't really happy with. And I'm still there because it's really hard to find a job, especially when I was in school.

"I think it's harder for people my age to find one full-time job. I don't think it's realistic any more. I just don't think people are hiring for full-time jobs anymore because they don't want to pay for the benefits. A lot of people aren't flexible... I've only been finding temporary positions because it's hard even with your BA *[degree].* If you don't have experience, no one wants to hire you."

"It's really hard for me. I'm barely making it, to be honest... I'm just working about 40 hours a week *[total]* and that's still not enough. If I calculated it all, with all my student loans, groceries, I'd basically come out flat. I'm pretty much living on my savings right now because my paycheck only covers so much. Like I said, I come out flat, so if I need anything extra, it comes out of my savings."

Conclusion

Through the middle part of the 20th century, as the American economy grew and workers became more productive, working families up and down the economic ladder benefitted with rising standards of living. The United States became a largely middle-class nation – owning a home, sending one's kids to college, enjoying time with family and in community activities, and securing a comfortable retirement seemed possible for almost everyone. While there were clear disparities of income, class, and race, the slope of the ladder was not too steep, with plenty of room on the middle rungs.

That prosperous middle grew as the result of policy choices. The tax code, which included much higher rates than now on wealthy individuals and corporations, allowed investments in the public good that generated broadly shared prosperity: infrastructure projects and basic scientific research spurred growth and new technologies; subsidized child care programs increased access to early education; and direct support for institutions, and grants and low-cost loans to students, assured an educated workforce and citizenry. Social insurance programs, including Social Security, Medicare and unemployment insurance, helped protect people against economic crises, stabilize the economy during downturns, and nearly eliminated poverty among seniors.

However, in recent years, working Americans have faced an erosion of access to opportunity, with benefits of economic growth shifting to those born at the top of the income scale. No longer is it the case that each generation does better than the last, and for millennials, it has become all but impossible to fully realize the American dream. Economic mobility is influenced by a number of factors, but equitable distribution of public goods offers more stable footing for all workers and their families, guarding against downward mobility. Without investments in the workforce, including policies to ensure a living wage, paid leave and ability to save for retirement, Americans face the threat of immobility – stripping future generations of the chance to achieve upward mobility.

Notes

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