



ISSUE BRIEF

August 27th, 2008

Earnings, Poverty & Income Inequality in the Puget Sound Region

Analysis of regional data from the US Census Bureau
2007 American Community Survey

Key Findings

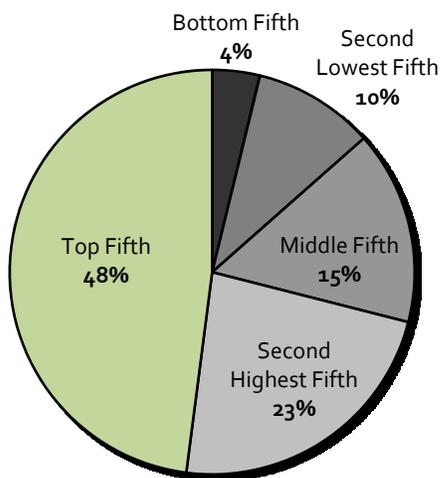
- Despite substantial job growth and low unemployment in the three-county Puget Sound region¹ between 2006 and 2007, median household *income* remained flat or fell slightly, after adjusting for inflation.
 - The region generated 52,167 more jobs in 2007 than in 2006. Unemployment rose slightly from 4% to 4.2%, but this was still considerably below the recession rate of 6.8% in 2003.
 - Yet median income across all households stayed the same at \$63,895, an insignificant change from \$63,017 in 2006.
- Inflation eroded median *earnings* gains for male and female workers between 2006 and 2007 while earnings gaps grew in the labor market for men.
 - After adjusting for inflation, median earnings for all full-time, year-round male workers stayed the same.
 - Median earnings for full time, year-round female workers fell a surprising 2% (statistically significant).
 - The Finance sector saw a significant increase (+9%) for male earners while the Leisure and Hospitality sector saw a significant decrease in earnings of (-9%). Each provides more than 100,000 jobs in the region.
- Households in the Puget Sound Region share unevenly in the economy's benefits. Nearly half (48%) of all income goes to the top 20% of households while only one twentieth (4%) goes to the bottom 20%.
- Although more families in *poverty* had working adults in 2007 than 2006, poverty remained flat in the region, changing insignificantly from 9.6% to 9.8%.
 - One in six (17%) families living in poverty has a full time worker. Over two-thirds (69%) have at least one worker, full-time or part-time, an increase of 7.4 percentage points since 2006.
 - Of the four biggest cities in the region, Everett had the highest poverty rate at 16.8% and Bellevue had the lowest at 6.7%
- Substantial disparities in poverty plague the region.
 - A quarter (24.9%) of black persons or African Americans and a fifth (19.1%) of Hispanics or Latinos had incomes below the Federal poverty threshold.
 - Poverty among white persons was 7.3% and among Asian persons was 10.5%
- A large earnings gap between race and ethnic groups indicates that a slowing economy and rising inflation will hurt these workers the most.

¹ For this brief, we use the Seattle-Tacoma-Bellevue metropolitan statistical area (MSA). The Census defines this region as three counties – King, Snohomish and Pierce.

Income in the Puget Sound Region

After adjusting for inflation, median household income – the level at which half of all incomes are below or above – remained flat between \$63,017 (inflation-adjusted) in 2006 and \$63,895 in 2007. A large proportion of households in the region (38.4%) make less than what a family needs to survive (\$50,151) without government assistance. As fuel, food and rent costs continue to escalate in the region and the economy slows, these households will face even more challenges.

**Share of the Pie:
Distribution of Aggregate Income by Quintile**

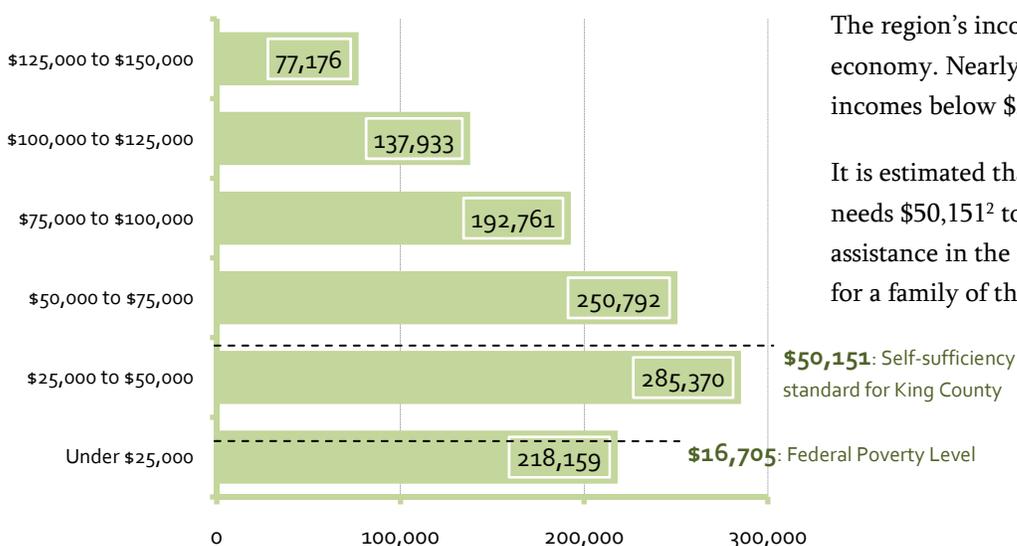


Share of Total Income

Distribution of income among households in the region was dramatically uneven in 2007. In the Puget Sound region, the 20% of households with the highest incomes took home half (48%) of all income in the region, while the lowest 20% of households took home only 4%. (These income figures do not include capital gains from stocks.) This distribution is mirrored on the national level as well.

Households in the top 5% of income made one fifth of all regional income (21%).

Household Income Distribution (Below \$150,000)³



Income Distribution

The region's income distribution shows a "teardrop" economy. Nearly two in five households (38.4%) have incomes below \$50,000.

It is estimated that a family of three, with one worker, needs \$50,151² to make ends meet without government assistance in the region. The poverty threshold is \$16,705 for a family of three and \$20,650 for a family of four.

² Self-sufficiency standard from Pearce, Diana M., *The Self-Sufficiency Standard for Washington State*, prepared for The Workforce Development Council of Seattle-King County, June 2007.

³ Income bands above \$150,000 are not comparable in \$25,000 increments. The total number of households making \$150,000 or more is 147,474.

Poverty in the Puget Sound Region

Across the region, 317,938 people were living below the Federal poverty level in 2007, or 9.8% of the total population. This proportion remained statistically unchanged from 9.6% the previous year. Of these, 95,984 were children (12.7% rate).

The Federal poverty level is widely acknowledged to be far less than the real poverty level, especially in high-cost areas such as the Puget Sound. Another measure of economic hardship often used is 200% of the federal poverty level; in the three-county region, over one fifth (21.9%) of individuals lived below this threshold. The 2006 proportion was 23.5%. (Note: it is not possible to determine if this was a significant change.)

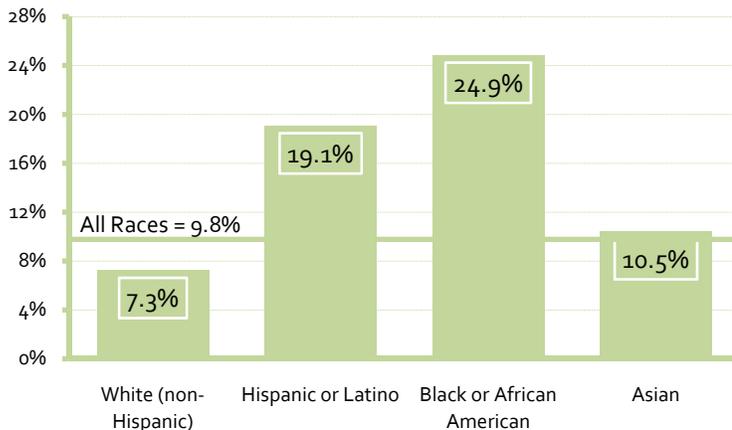
Families in Poverty with Workers

	2006	2007	Change
Families in poverty with at least one full-time worker	17.0%	17.0%	0%
Families in poverty with at least one worker	61.2%	68.6%	+7.4%

Working Families in Poverty

Approximately 54,726 families in the region (6.7%) had income below the federal poverty level in 2007. Of these, over two-thirds (68.6%) had at least one worker, full- or part-time. Since 2006, the proportion of families in poverty with at least one worker has risen by 7.4 percentage points.

Poverty Rate by Race/Ethnicity



Racial/Ethnic Disparities

Throughout the region, a quarter (24.9%) of black persons or African Americans and a fifth (19.1%) of Hispanics or Latinos had incomes below the Federal poverty threshold. People in these two groups were significantly more likely to be in poverty than either white (7.3%) or Asian (10.5%) individuals.

(Note: poverty rates for Native Americans, Pacific Islanders and Native Alaskans require larger geography, such as the state level, to accurately compare.)

Poverty Rates by County

	# in poverty	% in poverty
King County	181,288	9.9%
Pierce County	83,390	11.1%
Snohomish County	53,260	8.0%

Poverty Rates by City

	# in poverty	% in poverty
Bellevue	8,057	6.7%
Everett	16,605	16.8%
Seattle	73,325	13.1%
Tacoma	27,682	14.8%

Employment and Earnings in the Puget Sound Region

Between 2006 and 2007, median male earnings for full-time, year-round workers did not change significantly, while female earnings decreased by 1.8%.

This belies strong employment growth and low unemployment. Between 2006 and 2007, the region's industries grew by 52,167 jobs, continuing a steady growth trend since 2004. Unemployment ticked up from 4.0% to 4.2% in the same time period, but remained well below the recession high of 6.8% in 2003.

Male Median Earnings by Industry

	2006 Earnings	2007 Earnings	Change
Financial Activities	64,005	70,023	9.4%
Educational and Health Services	53,229	55,691	4.6%
Professional and Business Services	67,748	70,746	4.4%
Construction	52,464	50,765	-3.2%
Other Services	41,298	37,810	-8.4%
Leisure and Hospitality	33,780	30,890	-8.6%

Male Earnings

Male earnings in some industries changed significantly. Higher-skilled workers in the Financial Activities sector were rewarded with an increase of 9.4% in median earnings. Meanwhile, lower-skilled workers in the Leisure and Hospitality sectors saw a decrease of over 8%. The only major industry with significant changes in median earnings for females was a loss of 4% in the Financial Activities sector.⁴

Median Earnings by Industry by Gender

	Male	Female	Gap	Regional Jobs (2007)
Educational and Health Services	55,691	40,235	38%	1,508
Construction	50,765	41,488	22%	124,358
Government	65,137	52,633	24%	187,475
Professional and Business Services	70,746	47,466	49%	83,042
Leisure and Hospitality	30,890	26,821	15%	178,933
Information	77,789	56,694	37%	63,225
Other Services	37,810	32,190	17%	85,350
Financial Activities	70,023	45,954	52%	104,058
Wholesale Trade	52,083	40,267	29%	238,967
Retail Trade	43,027	33,519	28%	192,092
Transportation, Warehousing, and Utilities	51,839	46,713	11%	162,583
Natural Resources and Mining	41,854	41,205	2%	63,000
Manufacturing	62,080	50,019	24%	255,050

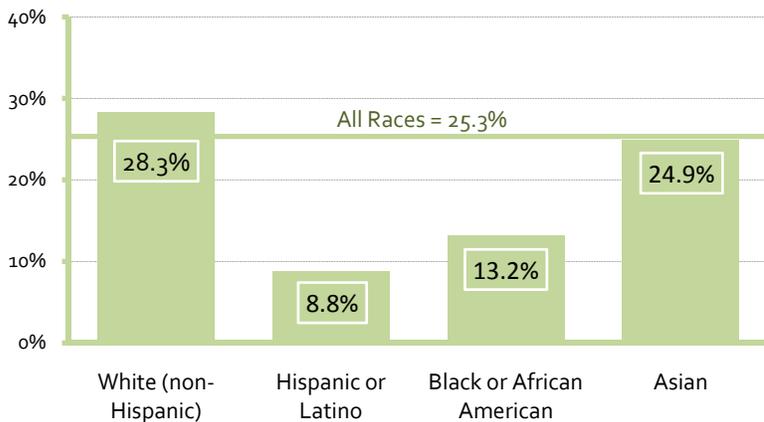
Earnings by Gender

Among the region's 1,120,837 full-time, year-round workers, the median annual earnings for men were \$54,735. Annual earnings for comparable women workers were \$41,558, a difference of 32%.

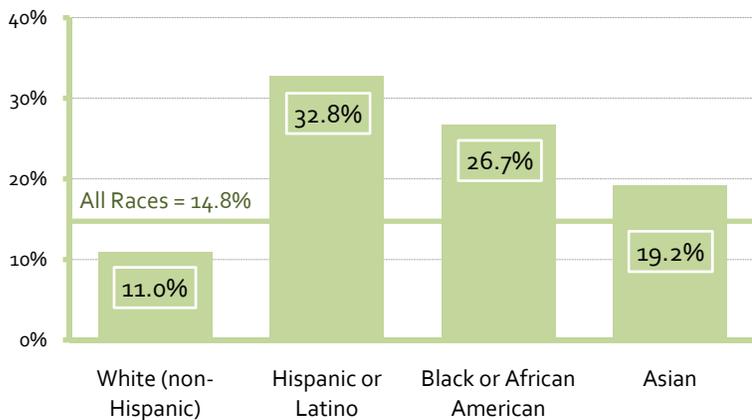
The table to the left shows substantial gaps exist between men in women in some industries, notably Financial Activities (52%), Professional and Business Services (49%) and Educational and Health Services (38%).

⁴ Changes in earnings can reflect either lower wages and salaries or fewer hours worked. The American Community Survey release by the Census Bureau used for this brief does not provide usual hours worked.

Earnings above \$75,000 by Race/Ethnicity



Earnings below \$25,000 by Race/Ethnicity



Earnings Gap by Race and Ethnicity

The disparities seen in poverty rates among different racial and ethnic groups appear again when considering earnings. A disproportionate number of Hispanic or Latino and Black or African American individuals earn less than \$25,000, while these two groups are far less likely than their white and Asian counterparts to make over \$75,000.

As the economy slows in the next year these disparities are likely to be exacerbated. Rising inflation, already up to 5.8% as of June compared to 4.2% last year, will likely erode earnings faster in the coming year. Groups already facing higher poverty and lower earnings are typically hurt “first and worst” by economic downturns and inflationary pressures.

Other Data

The Census Bureau’s initial release of American Community Survey poverty, income and earnings data can reveal short-term trends and provide a local snapshot, but also leave questions unanswered. Sage will publish more analysis of the regional economy and trends affecting workers over the next 12 months. Also, for a more detailed understanding of earnings and wage trends over time, see the annual *State of Working Washington* published by the Economic Opportunity Institute (http://www.eoionline.org/state_economy/state_economy_papers_briefs.html) and the annual *State of Working America* published by the Economic Policy Institute (www.epi.org).



Puget Sound Sage brings together labor, faith and community to make the region's economy work for working people. We improve the lives of working families by raising job standards, upholding workers' rights and growing communities where all families thrive.

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