



PRESS RELEASE

EMBARGOED UNTIL:
Tuesday, December 1st, 12:01 a.m.

CONTACT:
Marilyn Watkins
Policy Director
(206) 529-6370

Aaron Keating
Communications Director
(206) 529-6371

A Tale of Two Recessions: Wealth grows for a few as low- and middle-income families struggle – how will state leaders respond?

Seattle, WA – A new analysis of Washington’s economy reveals that many hallmarks of middle-class life – owning a home, sending the kids to college, having health care, and building a retirement nest egg – have become increasingly unattainable for local families:

- **Owning a home:** Falling home prices are good news for people looking to buy – but not for recent purchasers who now owe more than their home is worth. And the typical home is still far more expensive relative to family incomes than 20 years ago. In 1990 the median home value in Washington was 3 times the median household income. By 2008, a home cost 5 years of median income.
- **Sending the kids to college:** Between 1991 and 2008, tuition and fees at the University of Washington increased from 6.3% to 11.5% of median annual household income. At the more affordable community colleges, required expenses rose nearly as fast, from 2.7% to 4.7% of state median income. Even with financial aid, low- and middle-income students are graduating with significantly higher debt levels – and the effects of “sticker shock” can keep students from ever applying to college in the first place.
- **Getting health care:** Health care is eating up more of family budgets. Worker contributions to employer-sponsored family health insurance premiums have increased from 3.4% to 5.8% of median household income between 1999 and 2008. Out-of-pocket expenses have also shot up, particularly for workers approaching an in middle age – from \$724 in 1996 to \$1,118 in 2006 (in 2006 dollars).
- **Building a nest egg:** Only about half of private sector workers in Washington have access to a retirement plan at work. Today’s defined contribution plans, like 401(k)s and 403(b)s, make retirement income far more dependent on the ups and downs of the economy and the stock market than the defined benefit plans they replaced, which guaranteed workers income based on years of service and earnings. With the collapse of the stock market in 2008, workers who had consistently contributed to 401(k) accounts since 2003 lost nearly one-fourth of their account values.

Even as costs have increased, today’s households and workers have less income than was the norm just a decade ago. Worse yet, most middle-income Washington families hadn’t even dug out of the economic hole created by the last recession before the “Great Recession” of 2008-09:

- **Household and family income:** Median household income peaked in Washington in 1998 at \$62,500 (in 2008 dollars), then dropped sharply. Despite a partial recovery by 2007, it fell again to just \$56,600 in 2008. In similarly comparable dollars, men earned \$19.98 in 2008 and \$19.55 in 1999, while women earned \$15.60 and \$15.00, respectively. By contrast, high-income households have continued to pull away from everyone else on the economic ladder.

- **Job benefits:** Washington workers are increasingly unlikely to have workplace benefits – vacation, health insurance, sick leave or a retirement plan. Since Washington’s State’s Employment Security Department began conducting an annual survey of employer benefits in 2002, the percentage of employers providing every kind of workplace benefit has declined.

State budget cuts have fed a downward spiral of job loss, falling incomes and declining investment in public structures including education, health care, the social safety net and public sector jobs. On a more positive note, Washington did use its strong unemployment insurance system to augment checks to unemployed workers – precisely the kind of counter-cyclical stimulus the system was designed to provide.

Looking ahead, state lawmakers can either take action to position the state and its people for future economic growth, or pursue strategies that will exacerbate and extend economic difficulties. A state agenda for shared prosperity includes:

- **Expanding investments** in education, including expanding quality early learning programs, accelerating implementation of full-day kindergarten, fully funding basic education, expanding access to higher education and rolling back excessive tuition increases.
- **Responding to the decline** in work-place benefits by restoring the Basic Health Plan, creating job-portable retirement options for small businesses, setting a new workplace standard for employer provided paid sick days, and both funding and expanding the family and medical leave insurance program.
- **Growing the state tax base** to provide immediate new revenues, including new taxes on candy, gum, and bakery goods; pop syrup, soft drinks, and bottled water; and selected services – and then taking the first steps toward creating a fairer and more stable tax structure.

###

*The **State of Working Washington 2009** is available online at www.eoionline.org. The Economic Opportunity Institute, founded in 1998 and based in Seattle, WA, is an independent, nonprofit, nonpartisan, public policy center advancing new ideas to make Washington a better place to live, work and do business.*