



November 2010

Issue 2010-4

The Impact of the Recession on Oregon's Workforce System in Region 10

A scenic setting, year-round recreation activities, and a growing economy were all part of the attraction making region 10 (Crook, Deschutes, and Jefferson counties) one of the top 10 rapid growing areas in the United States during the mid-2000s. Between 2004 and 2007, the population of the region grew by 18 percent, while the state population increased by less than 5 percent.

The housing boom of the mid-2000s was a prosperous time for Region 10. Employment grew by 25 percent from June 2004 to June 2007, at a time when the statewide average was closer to 11 percent. The local unemployment rate was below 5 percent.

Then it happened! An information bomb was dropped in the United States by Merrill Lynch on October 5, 2007. Merrill Lynch reported a \$5.6-billion loss in sub-prime loans. Shortly after this news, Washington Mutual, Citigroup, Morgan Chase reported huge declines in profits, hurt by the subprime mortgage market. The mortgage meltdown continued. By the beginning of 2008, Bank of America, Goldman Sachs, and Citigroup had all announced billions in mortgage losses in the United States.

Prior to October's announcement by Merrill Lynch, the housing boom began slowing in Central Oregon. The number of permits issued for new residential construction in Deschutes County plummeted from 908 during 2006 to 479 in 2007, a 47 percent decline. And the numbers continued to drop. During 2009, 125 building permits were issued in Deschutes County for new residential construction. News from the financial industry affected every part of housing market. In Central Oregon, home and residential property sales dropped from 10,541 in 2005 to 4,950 in 2007. Foreclosures increased rapidly. Deschutes County registered 1,641 foreclosures during 2008 and 2,779 in 2009, a 69 percent increase in foreclosures over the two years.

As the national housing market began to unravel in 2007, employment growth slowed in Central Oregon. By November, Region 10 was shedding jobs. Employment losses accelerated in 2008 and the local unemployment rate rocketed into the double-digits. Year-over-year employment losses topped 10 percent for the first half of 2009. In March 2009, the unemployment rate reached a high of 17.3 percent.

The total employment loss in the region from January 2007 to January 2010 was nearly 15 percent or 12,000 jobs. Two-thirds of these lost jobs were in construction or the wood-product dominated manufacturing industry. In fact, employment in the logging, mining, and construction industries dropped by 56 percent over the three-year period. Manufacturing employment declined 42 percent. No local industries escaped the recession without job loss.

Laurel Werhane, manager of the WorkSource Oregon offices in Bend and Redmond, sees the impact of the recession each day. She says, "Every day we meet job seekers struggling to make ends meet; a woman using a potato peeler to ration her bar of soap for washing clothes and bathing. Our veterans returning to a situation they never thought they'd find themselves facing. Professionals caught up in the bubble whirlwind, now considering 'survival' jobs." Werhane goes on to say, "I can pinpoint the day the

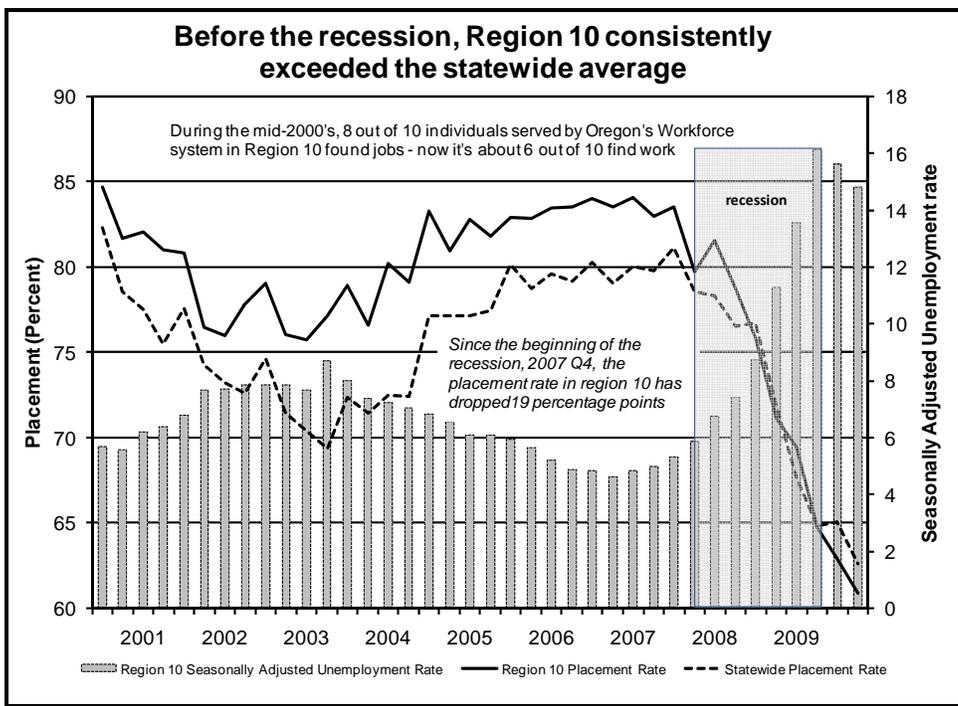
recession hit Central Oregon. I'll never forget it...that day we tripled the number of customers in our offices. And it hasn't slowed down since. Central Oregon had several glory years of riding high on the construction wave and there was a time when we were considered fully employed. We struggled to find qualified candidates to fill our listings. Now we have a full database of qualified candidates for every occupation you can possibly think of, but very few jobs.”

Remember the Good Ol’ Days?

During the mid-2000s, individuals served by Oregon’s workforce system in Region 10 benefited from a booming economy. From 2004 through 2007, Region 10 workforce system staff provided services to almost 63,000 individuals and 52,000 of those individuals got a job – an 82 percent placement rate. This placement rate was 4 percentage points higher than the statewide placement rate of 78 percent, and Region 10 had the highest placement rate among the 15 workforce regions between 2004 and 2007.

From 2004 through 2007, workforce staff in Region 10 helped more than 52,000 individuals find a job.

With the downturn of the housing market and unemployment rate beginning to climb, late 2007 saw the beginning of a long, steep decline in the placement rate in Region 10. As the recession began in December 2007, the placement rate in Region 10 had just dipped below 80 percent for the first time since the second quarter of 2004 (Graph 1). This 79.7 placement rate was 4 percentage points below the year-ago rate of 84.1.



Graph 1

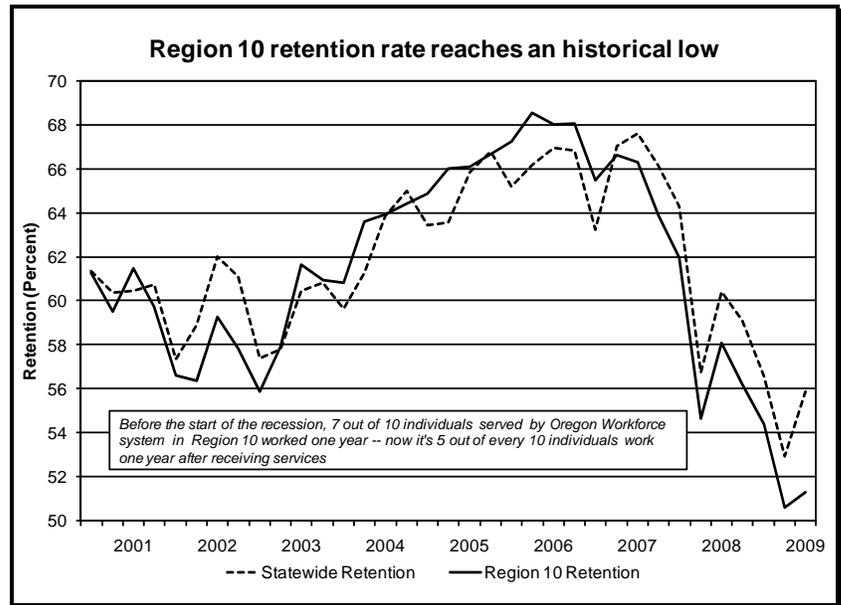
The seasonally adjusted unemployment rate had climbed to 5.9 percent during the fourth quarter of 2007 – 1 percentage point higher than the year-ago unemployment rate of 4.9 percent. By the fourth quarter of 2008, one year after the start of the recession, the unemployment rate in Region 10 skyrocketed to 11.3 percent. As the unemployment rate began its upward trek, the placement rate continued to plummet in the region. The placement rate fell to 60.9 during the fourth quarter of 2009, nearly 19 percentage points below the placement rate at the start of the recession.

Like a Submarine Diving

Since the beginning of the recession, the retention rate, which measures continued employment, has acted like a submarine responding to the captain’s “Dive!” command, rapidly descending to great depths.

During the first quarter of 2007, 66.3 percent of individuals who got a job after receiving workforce services stayed employed for one year. During first quarter 2009, the percentage of individuals remaining employed for one year was 51.3, a decline of 15 percentage points over the two-year period (Graph 2).

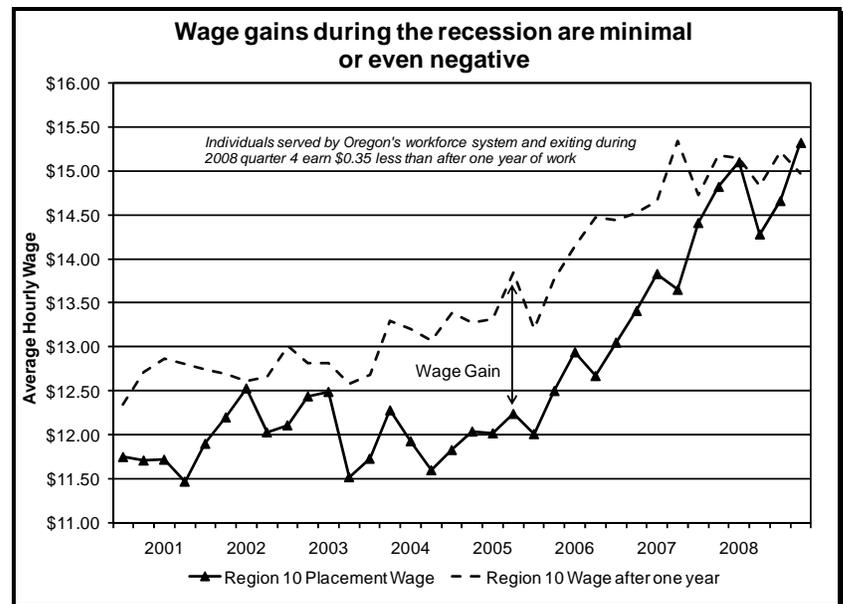
During the booming economy of the mid-2000s, the majority of individuals served by Oregon's workforce system in Region 10 were able to get and keep jobs. Historically, except during recessionary periods, retention rates in Region 10 have traditionally been higher than the statewide retention rates. Since fourth quarter 2006, retention rates in Region 10 have fallen below the statewide retention rates and remain at an historical low. Region 10's first quarter 2009 retention rate of 51.3 percent was well below the 55.9 percent retention rate statewide. This 4.6 percentage point difference is partially attributed to Region 10's large number of seasonal and temporary jobs, particularly in agriculture and manufacturing.



Graph 2

Wage Gains Diminish During Recession

Individuals who received workforce services and found jobs during non-recessionary periods have greater wage gains compared to those finding jobs during the recent recession. Individuals who found a job after receiving workforce services between first quarter 2003 and third quarter 2007 earned an average of \$1.19 more per hour after working one year compared to individuals who found a job and worked during the recession. These individuals had average wage gains of \$0.23 per hour after working one year (Graph 3). Individuals exiting during fourth quarter 2008 and finding a job actually averaged wage losses after one year. These individuals started working earning at an average hourly wage of \$15.31 and after one year of work earned an average hourly wage of \$14.97, a loss of \$0.35.



Graph 3

Similar to those individuals served by Oregon's workforce system, average wage gains for all Deschutes County workers declined considerably between 2008 and 2009. From 2007 to 2008, the average wage in

Deschutes County increased from \$34,315 to \$35,047, a gain of \$732. Between 2008 and 2009 average wages increased by \$260, from \$35,047 to \$35,307.

Average wages in Crook County decreased considerably between 2008 and 2009. During 2008, Crook County workers earned an average wage of \$34,729. In 2009 average wages dropped to \$31,193, a loss of \$3,536.

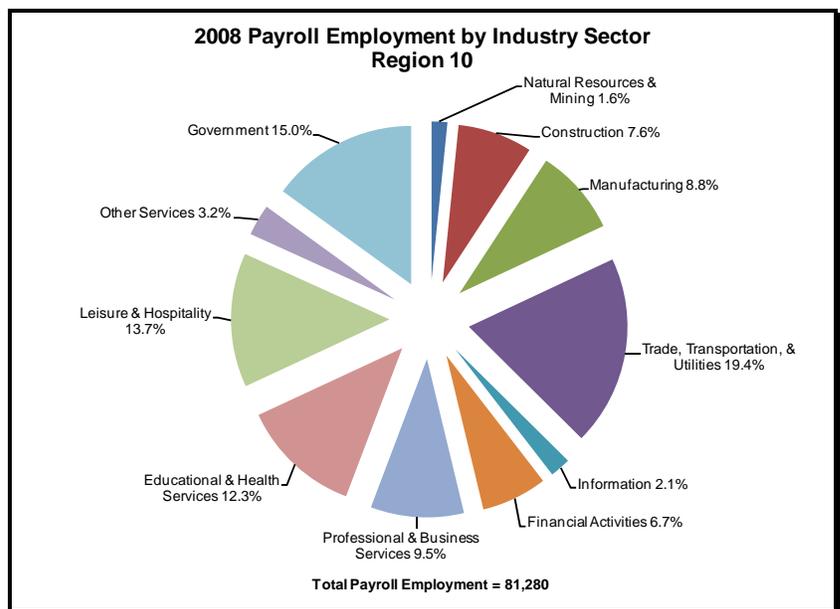
In Jefferson County, average pay per worker increased steadily even as employment declined. During 2007, the average pay was \$30,554. Two years later the average pay was \$32,347, a wage increase of 5.9 percent between 2007 and 2009.

Industry Mix Means Less Resiliency

Since fourth quarter 2007, Region 10 unemployment rates have been higher than in most of the state. During August 2010, Crook County's 17.5 percent unemployment rate (seasonally adjusted) was the highest rate among all counties in the state and 6.9 percentage points higher than the statewide unemployment rate of 10.6 percent. In both Jefferson and Deschutes counties the unemployment rate was 15.0 percent in August 2010.

As a result of the rapid population growth within the region during the early to mid-2000s, employment in the construction and manufacturing industries blossomed as new homes and offices were being built, and new roads were added along with other infrastructure to support the growing population. Limitless recreational opportunities throughout the year invited tourism. New motels and restaurants opened to support tourism in the region. The booming economy meant low unemployment rates in the region.

In 2008, almost one-third (30.1%) of employment in the region was divided between three industries: construction, manufacturing, and leisure and hospitality. Leisure and hospitality employed 13.7 percent of Region 10 workers (Graph 4), manufacturing employed 8.8 percent, and construction 7.6 percent. These three industries tend to be less resilient to downturns during recessions. With almost one-third of the workforce in Region 10 employed in these three industries, the region has experienced the full impact of the recession with high unemployment.

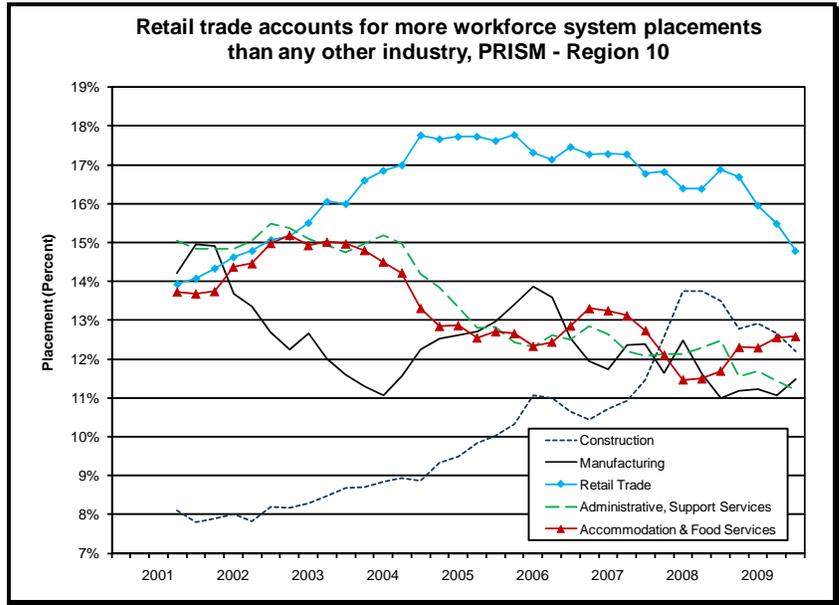


Graph 4

PRISM Placements by Industry

During the early to mid-2000s, the chances of finding a job were good for individuals who received services from Oregon's workforce system and were looking for work in the construction, manufacturing, or accommodation and food services industries. The rapid decline of the placement rate by almost 19 percentage points since the start of the recession was highly influenced by the region's industry mix. During 2008, over one-third (36.3%) of individuals served by Oregon's workforce system in Region 10 went to work in accommodation and food services, manufacturing, or construction – industries which have been highly affected by the recession in the region.

From 2001 through 2008 the percentage of individuals receiving workforce services and finding employment in construction rapidly increased. Demand likely exceeded supply for businesses looking for workers in the construction industry. During 2001, 8 percent of individuals receiving workforce services went to work in construction. By 2008, almost 14 percent of all placements were in construction (Graph 5). The most recent data shows about 12 percent of individuals get placed in construction after receiving workforce services.



Graph 5

The percentage of individuals served by Oregon’s workforce system and getting a job in manufacturing rose substantially from 11 percent at the beginning of 2004 to a high of 13.9 percent at the beginning of 2006. Recent data shows that during 2009 manufacturing placements in the region were back to about 11 percent.

After receiving workforce services, a higher percentage of individuals go to work in the retail trade industry in Region 10 than in any other industry. Between 2001 and 2004, the percentage of individuals getting a job in the retail trade industry rapidly increased. In 2001, 14 percent of individuals receiving workforce services went to work in retail trade. Only two industries – manufacturing; and administrative, support, waste management and remediation services – had a higher percentage of individuals finding jobs during 2001. Since 2003, after receiving workforce services more individuals went to work in retail trade than any other industry.

Forecast – Job Growth Expected

There is good news for the region. The latest forecast from the Oregon Employment Department’s Workforce and Economic Research Division anticipates job growth in all industries, except for information, from 2008 to 2018. Total employment in the region is expected to grow by over 11,000 jobs, a 14 percent increase over the 10 years (Table 1). Jobs in education and health services are expected to have the most growth, gaining 2,920 jobs (+29%). Professional and business services, which includes employment in temporary agencies, will gain an estimated 1,400 (+18%) jobs.

Table 1

Employment Projections by Industry, 2008-2018 Region 10				
Industry	2008	2018	Change	Percent Change
Total Payroll Employment	81,280	92,340	11,060	14%
Natural Resources & Mining	1,320	1,400	80	6%
Construction	6,160	6,250	90	1%
Manufacturing	7,190	7,870	680	9%
Trade, Transportation, & Utilities	15,770	17,720	1,950	12%
Information	1,670	1,660	-10	-1%
Financial Activities	5,420	5,920	500	9%
Professional & Business Services	7,750	9,150	1,400	18%
Educational & Health Services	10,010	12,930	2,920	29%
Leisure & Hospitality	11,160	12,690	1,530	14%
Other Services	2,630	2,960	330	13%
Government	12,200	13,790	1,590	13%

Modest growth is expected to occur in manufacturing. Between 2008 and 2018, manufacturing in Region 10 is estimated to increase from 7,190 jobs in 2008 to 7,870 jobs in 2018, an increase of 680 (+9%) jobs.

Construction, which employed 6,160 people during 2008, is estimated to remain flat through 2018. Estimates show jobs in this industry will increase by 1 percent, or 90 jobs from 2008 to 2018.

Employment in Region 10 Impacts Outcomes of Oregon’s Workforce System

In this issue we’ve demonstrated how the PRISM placement, retention and wage gain outcome data reflect the economic patterns and trends of the overall economy in Region 10. In a good economy and when the unemployment rate is low, results for individuals served by Oregon’s workforce system include more job opportunities (increased PRISM placement rates), greater chances of continued employment (higher PRISM retention rates), and increased wages (higher PRISM wage gains). As the economy begins to slow and we enter a recession, the results are falling PRISM placement rates and retention rates and wages that tend to remain flat (or even decline) over time.

Not unlike PRISM outcome data, the economy in Region 10 began slowing during 2007 and continued to slow into 2009. As businesses began to fail as a result of the slowing of the economy, these losses had a huge impact on the number of people employed in the region. Between 2007 and 2009, the number of businesses and the level of employment declined in each of the three counties (Table 2). Crook County had the largest decline in employment over the three-year period, with employment down from 7,051 during 2007 to 5,192 during 2009, a loss of 1,859 jobs (-24.6%). Employment declined in Deschutes and Jefferson counties over the three-year period by 8,763 jobs (-12.6%) and 734 jobs (-11.4%), respectively. As a result of the downsizing by employers during the recession, individuals served by Oregon’s workforce system and attempting to enter the workforce discovered finding a job in the region was not going to be as easy. This double-digit decline in employment in the three counties definitely had an impact on the drop of nearly 19 percentage points in the PRISM placement rate in Region 10 from fourth quarter 2007 to fourth quarter 2009.

Table 2

Employment by County Annual Averages			
Crook			
	Number of Businesses	Number of Employees	Average Pay
2007	649	7,051	\$33,812
2008	605	6,696	\$34,729
2009	577	5,192	\$31,193
Deschutes			
	Number of Businesses	Number of Employees	Average Pay
2007	6,917	69,327	\$34,315
2008	6,620	66,362	\$35,047
2009	6,288	60,564	\$35,307
Jefferson			
	Number of Businesses	Number of Employees	Average Pay
2007	496	6,459	\$30,554
2008	473	5,996	\$31,295
2009	468	5,725	\$32,347

Source: Oregon Employment Department, Covered Employment and Wages

Summary

During the early to mid-2000s, the economy in Region 10 was booming. New homes and businesses were springing up to support the in-migration of people moving to the area to enjoy the quality of life the region offers. But the recession changed all that. New housing slowed, businesses laid off workers, unemployment rates skyrocketed. Staff of Oregon’s workforce system who once had trouble filling job orders from employers prior to the recession, now have more than enough qualified candidates to fill almost any job. There is some good news. Job growth is expected to occur by 2018, but depending on the lingering effects of the recession, the job growth can’t come quickly enough for people receiving services from Oregon’s workforce system in Region 10.

Additional Information

For more information about PRISM, visit the website at www.oregon.gov/PRISM/

Region 10 PRISM Placement, Retention, Wage Gain reports, www.oregon.gov/PRISM/performance_reports.shtml#Regional

More Region 10 industry and occupation projection data, www.qualityinfo.org/pubs/glance/r10.pdf

Foreclosure data – Deschutes County Clerk’s Office

Permit data – Deschutes County Community Development Department

Oregon Business, May 2008, Ben Jacklet, *The Party’s Over*