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The Impact of the Recession on Oregon's Workforce System in Region 8

Southern Oregon is a land of adventure. Composed of Jackson and Josephine counties (or workforce Region 8), the area offers the bold soul hiking, rafting, spelunking, and gorgeous vistas. Once reliant upon timber, the economy now enjoys strengths in retail trade and services. No local economy exists in isolation, however, as the latest recession proves. This article investigates the effects of the recession on Region 8, especially upon the performance of Oregon's Workforce System there.

Oregon's Workforce System helps individuals prepare for and find jobs. A few examples include: support services for child care and transportation; basic skill development in reading, writing, and computation; education and training, which can include classroom or on-the-job training; and job placement services which assist the individual in finding a job. The Performance Reporting Information System (PRISM) uses three interrelated variables to measure the effectiveness of these services. The first, job placement, shows if a workforce system customer secured employment after receiving services. The second, job retention, tracks if the customer remained employed for at least a year. The third, wage gain, measures any change in the customer's hourly wage over the course of that year.

The Winter of Discontent

Region 8 enjoyed a revival after the recession of the early 2000s. Construction employment soared to new heights; a burgeoning wine industry gained statewide attention; and an influx of retirees built demand for retail trade and health services. The seasonally adjusted unemployment rate went from 8.5 percent in the second quarter of 2003 down to a holding pattern between 5.8 and 6.0 percent for 2006 and most of 2007.

How things changed. In the fall of 2008, global financial entities reported billions of dollars in losses. Widespread mortgage defaults triggered the crisis, though the underlying causes remain a matter of debate. Fear of a financial market meltdown spread as banks stopped lending to one another. A veritable "Who's Who" of Wall Street filled the list of distressed companies, including Merrill Lynch, Lehman Brothers, and AIG. By the start of winter, the longest national recession since World War II took hold. It assumed the moniker "The Great Recession".

Blunt Force

The recession hit Region 8 like a blunt object. Strong demand for construction workers dropped; the U.S. Census count of building permits for single-family homes in the area went from 1,352 in 2007 to 550 in 2008. The annual unemployment rate went from 6.0 percent in 2007 to 8.3 percent in 2008. In 2009 it hit 13.0 percent. The Oregon Food Bank reported growing demand as food distress spread. Government entities observed a marked change in the circumstances of their customers.

The Oregon Employment Department witnessed these changes first-hand. According to Gail Gasso, manager of the WorkSource Oregon offices in Medford and Grants Pass, many job seekers moved in with friends or family to make ends meet. Some retirees found they lacked sufficient funds. Upon re-entering the job market, a deficiency in computer skills often frustrated their attempts to secure

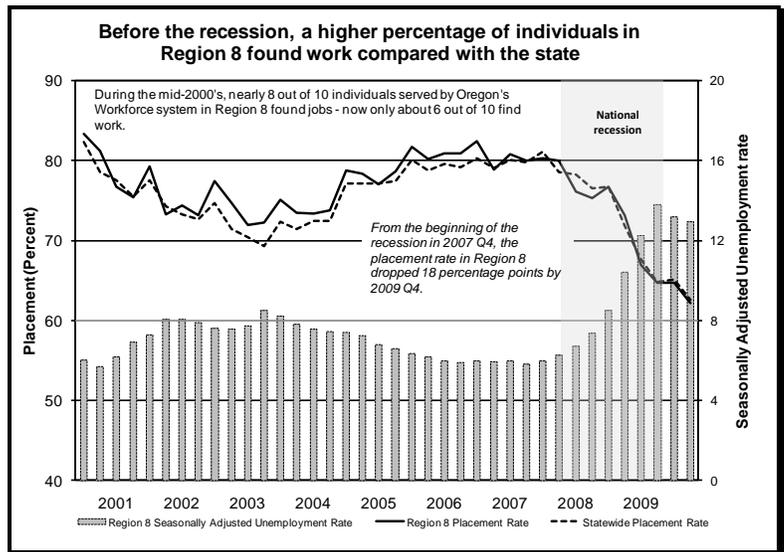
employment. Ms. Gasso spoke of clients close to exhausting their unemployment benefits, who lived just “scraping by”. With sympathy she said, “This is the not-so-fun stuff to hear about.”

Oregon Workforce System data provides another way to gauge the recession’s effect in Region 8. An analysis of the aforementioned variables (job placement, job retention, wage gain) comprises the next sections of this article.

Finding One’s Place

Before the recession, customers of the Oregon Workforce System enjoyed good prospects. In 2006 and 2007, just over 80 percent of those receiving services in Region 8 eventually found jobs. This amounted to 14,397 people placed during 2006 and 18,718 in 2007. The average statewide job placement rate was just under 80 percent for the same period.

Over the next two years, placement prospects deteriorated. By the end of 2008, only 73.2 percent of workforce service recipients secured jobs; by the end of 2009, that was down to only 62.2 percent. A clear negative relationship between job placement and the region’s unemployment rate emphasized the recession’s impact (Graph 1).

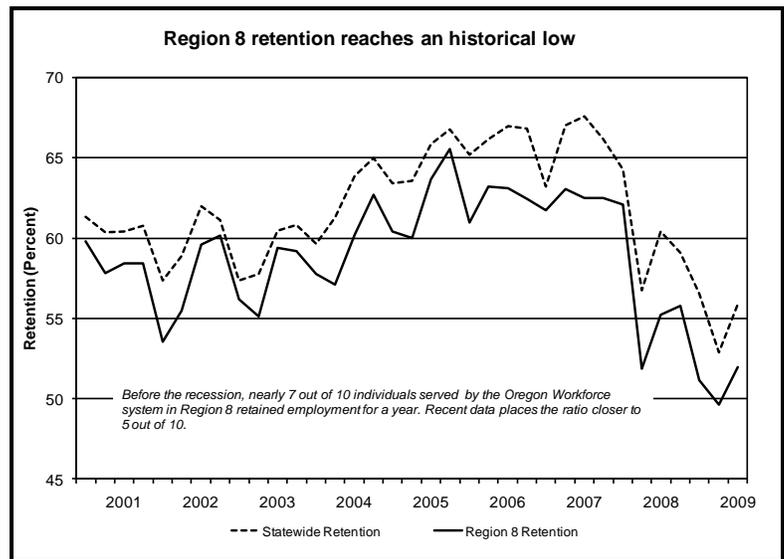


Graph 1

Holding Down a Job

If you used the term “recession” in a word association game, the response “layoffs” would be a good bet. This mentality shows itself in the saying, “When your neighbor loses his job, it’s a recession. When you lose your job, it’s a depression.” Information on job retention allows one to see the long-term effectiveness of the Oregon Workforce System. Like other areas of the state, Region 8 data paints a picture of struggle.

Job retention refers to the percentage of clients who receive Workforce System services; land a job; and stay employed for a year. This measure reached 65.6 percent in the second quarter of 2005 (Graph 2). Things turned for the worse, however, in the fourth quarter of 2007.



Graph 2

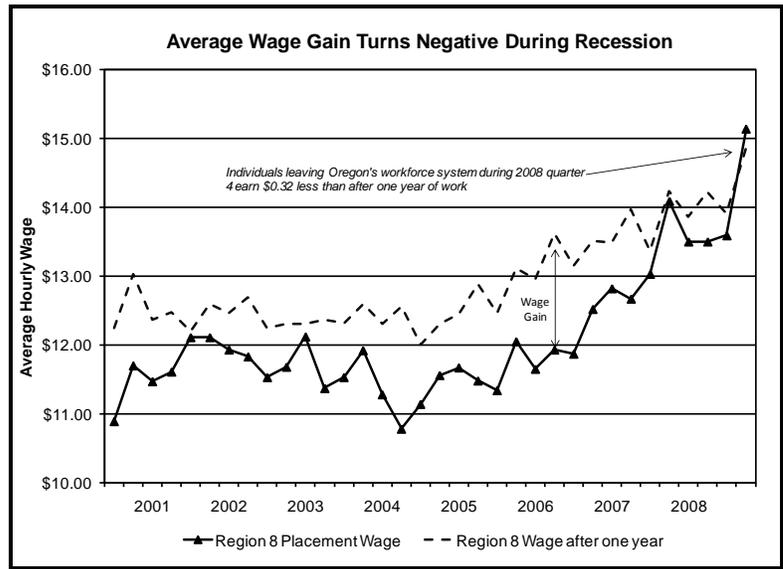
The ratio of retention dropped to five out of ten clients, at the *start* of the recession. By the fourth quarter of 2008 retention fell to just below 50 percent. Retention improved at the start of 2009; future data will reveal how this played out.

Wage Growth Struggles

Most people must work to maintain a living. This makes wage gain a particular concern of the Oregon Workforce System. If a former customer's wages rise over time, his or her chances at a better quality of life also increase. Wage gain data measures the change in hourly earnings over a one-year period.

Average wage gain followed a predictable pattern in Region 8 (Graph 3). Modest, yet consistent, average one-year gains existed prior to the recession: \$1.10 for 2004; \$1.09 for 2005; and \$1.32 for 2006.

As with placement and retention, things broke down in late 2007. Wage gain went from \$1.30 in the second quarter of 2007 to \$0.14 in the fourth quarter. Just one year later, in the fourth quarter of 2008, wage gain entered negative territory. On average, people earned \$0.32 less than one year prior.

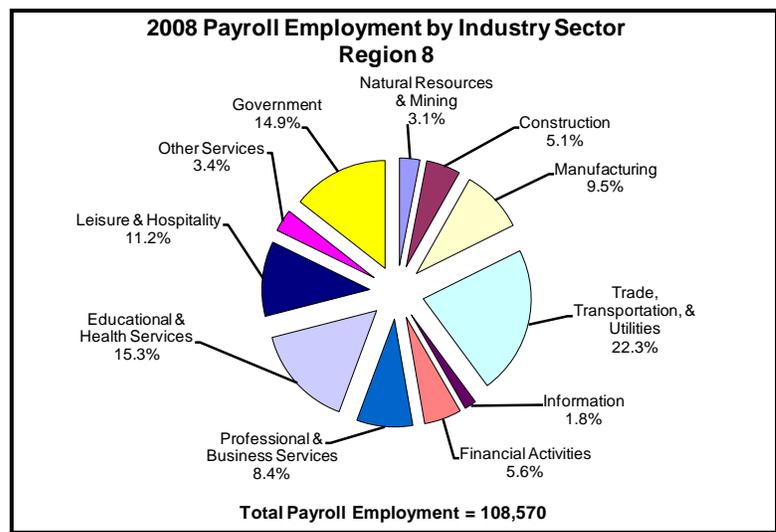


Graph 3

Unemployment and Industry Composition

Since fourth quarter 2007, Region 8 unemployment rates have remained some of the highest among all regions within the state. During December 2010, Josephine County's seasonally adjusted unemployment rate of 13.9 percent ranked 8th among Oregon's 36 counties. Jackson County ranked 13th, with a rate of 12.5 percent. Josephine County's unemployment rate remained 3.3 percentage points higher than the statewide unemployment rate of 10.6 percent, and Jackson County's rate was 1.9 points higher.

In 2008, almost one-half (48.4%) of employment in Region 8 was divided between three industries: trade, transportation, and utilities; educational and health services; and leisure and hospitality (Graph 4).



Graph 4

Trade, transportation and utilities, and leisure and hospitality industries often show less resilience during recessions. With one-third of its workforce employed in these two industries, the region was especially vulnerable to the recession.

Future Prospects

One should not abandon hope for Region 8. Recent data reveals some growth, as this section explains.

Guy Tauer, the Oregon Employment Department regional economist for Jackson and Josephine counties, suggests that retail trade may have had a “slightly better” holiday season than last year. Job creation at chain stores is one example. In October 2010, a Toys-R-Us Express opened in the Rogue Valley Mall. In addition, a Harry and David location hired 2,400 temporary employees. No evidence points to a “rising tide” for retail trade as a whole, however. According to Mr. Tauer, “Those showing the largest holiday seasonal hiring impacts include clothing and accessory stores, sporting goods, hobby, book and music stores, and general merchandise stores. The holiday seasonal hiring trend is not evident in food and beverage stores, automotive parts and dealers, furniture and home furnishing stores, and building material and garden supply stores”.

Jackson and Josephine counties show different signs of possible strengthening. In Jackson County, “After almost three consecutive years of job losses... employment showed a very slight increase between October 2009 and October 2010” explains Mr. Tauer. In Josephine County, “After nearly four years of declining employment, over-the-year job losses are moderating.... Currently, the 12-month change is less the 25 percent of what it was during the deepest part of the county’s employment downturn”. Mr. Tauer elaborates that, “While ‘less bad’ is by no means good, it’s still improvement and trending toward eventual job gains.”

Industry projections support a prognosis of growth. Made in 2008, they forecast a 10 percent increase in total employment by 2018 (Table 1). This amounts to 11,220 jobs. Mr. Tauer cautions that these projections may be too bold, however, given the course of the recession since they were calculated.

Some assessments can be reasonably made. Past strengths will be future strengths; health care and education stand to gain the most jobs, followed by trade, transportation, and utilities. Other industries look less promising such as natural resources and mining, and information.

Summary

The Oregon Workforce System not only helps people find work, it measures how well they do in the workforce. This data, coupled with other analysis, shows that the recession deeply affected Region 8. At the same time, recent data shows possible signs of recovery.

Additional Information

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

Region 8 PRISM Placement, Retention, Wage Gain reports, www.oregon.gov/PRISM/performance_reports.shtml#Regional

More Region 8 industry and occupation projection data, www.qualityinfo.org/pubs/glance/r8.pdf

Table 1

Employment Projections by Industry, 2008-2018 Region 8				
Industry	2008	2018	Change	Percent Change
Total Payroll Employment	108,570	119,790	11,220	10%
Natural Resources & Mining	3,320	3,380	60	2%
Construction	5,550	5,870	320	6%
Manufacturing	10,290	10,510	220	2%
Trade, Transportation, & Utilities	24,160	26,350	2,190	9%
Information	1,930	1,920	-10	-1%
Financial Activities	6,070	6,520	450	7%
Professional & Business Services	9,100	10,470	1,370	15%
Educational & Health Services	16,660	20,150	3,490	21%
Leisure & Hospitality	12,200	13,880	1,680	14%
Other Services	3,640	3,910	270	7%
Government	15,650	16,830	1,180	8%

Source: Oregon Employment Department