OREGON WORKFORCE INVESTMENT:
Results & Trends

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The Impact of the Recession on Oregon's Workforce System in Region 3

A 23-foot high Oregon Pioneer statute stands on top of Oregon's Capitol Building in Salem, 140 feet above the ground. Cast in bronze, finished in gold leaf, and weighing 8.5 tons, this heroic figure represents the spirit of the early Oregon settlers. Exciting times lay before these early settlers of the mid-1800's. With Oregon's abundance of natural resources, wagon trains filled with people and goods traveled west to the new State of Oregon in 1859 and many settled in the Willamette Valley to seek a new way of life. Although these early settlers faced many hardships, the fulfillment of hope and dreams brought excitement to the new life that lay ahead.

Fast forward 147 years. The year is 2006. Many, if not most, people in Region 3 (Marion, Polk, and Yamhill counties) were living the American dream. Most people who wanted to work were able to find a job. The region's unemployment rate during 2006 ranged from 5.3 percent to 5.6 percent (seasonally adjusted). Low unemployment rates for the region continued through 2007.

The American dream continued. Banks eased their housing loan qualifications. Families who once failed to qualify for a mortgage loan soon discovered they could buy a home. As a result of the number of increased housing loans, new homes were built in Region 3 to meet the demand. Between 2005 and 2007, almost 7,000 building permits were issued within the region for new home construction. Life was good for many people living within the region. Times were prosperous.

Remember Franklin Roosevelt's famous quote from his December 8, 1941 speech announcing Japan's attack on Pearl Harbor? The quote, "Yesterday, December 7, 1941 – a date which will live in infamy," could be altered to reflect an event that had a huge impact on the recent state of the economy. The amended headline quote might read, "October 5, 2007 – an event on this date that will change many lives forever." The date is significant because on that date Merrill Lynch dropped an information bomb and reported a $5.6 billion loss in sub-prime loans. The announcement by Merrill Lynch was the catalyst which initiated the falling domino effect by other financial institutions. The announcement was soon followed by Washington Mutual, Citigroup, Morgan Chase, Bank of America, Goldman Sachs, and Citigroup all reporting billions in mortgage losses in the United States. The housing market began to unravel, leading to a downturn in the economy.

> October 5, 2007, Merrill Lynch reported $5.6 billion loss in sub-prime loans.

Housing

Although the October 2007 announcement by Merrill Lynch, by itself, did not initiate an immediate slowdown in the economy, the released statement reinforced signs housing construction was slowing in the Willamette Valley. The number of permits issued for new residential construction in Marion County dropped from 1,228 during 2005 to 1,128 in 2007, an 8 percent decline (Table 1). And the numbers continued to drop. During 2009, 414 residential building permits were issued in Marion County,

a 66 percent decline in building permits from 2005 to 2009. Polk and Yamhill counties experienced similar reductions in the number of new permits issued from 2005 through 2009. During 2005, Polk County issued 424 permits for new residential construction. The number of permits declined to 57 by 2009, an 87 percent decline over the period. During 2005, Yamhill County issued 894 permits for new residential housing. By 2009 and the number of permits declined to 257, a 71% decline over the four-year period.

Table 1

Housing Permits by County
Single Units

	Number of Permits	Change Over One Year	Percent Change
Marion			
2005	1,228		
2006	667	-561	-45.7%
2007	1,128	461	69.1%
2008	532	-596	-52.8%
2009	414	-118	-22.2%
Polk			
2005	424		
2006	202	-222	-52.4%
2007	165	-37	-18.3%
2008	57	-108	-65.5%
2009	57	0	0.0%
Yamhill			
2005	894		
2006	706	-188	-21.0%
2007	673	-33	-4.7%
2008	298	-375	-55.7%
2009	257	-41	-13.8%

Source: U.S. Census Bureau

The shocking news from the financial industry affected all areas of the housing market. The number of home foreclosures began to rise. Foreclosure rates, the percentage of homes in foreclosure, in Marion County increased from 0.2 percent during 2007 to 1.7 percent in 2009. In January 2010, 633 homes were reported to be in foreclosure, a 1.9 percent foreclosure rate. Polk and Yamhill counties had much the same experience as Marion County. The foreclosure rate in Polk County rose from 0.1 percent during 2007 to 1.6 percent in 2009. In Yamhill County, the rate increased from 0.2 percent in 2007 to 1.8 percent during 2009. During January 2010, 147 homes in Polk County and 200 homes in Yamhill County were foreclosed.

As foreclosure rates increased during the recession, fewer homes were being sold in the region. Between 2007 and 2010, home sales in the region declined by 31 percent. During 2007, 8,400 homes were sold in the region and by 2010 the number of home sales declined to 5,800. The steepest decline in home sales occurred in Polk County. In this county, home sales during 2007 numbered 1,908 and by 2010 only 917 homes were sold, a 52 percent decline. Between 2007 and 2010, 462 fewer homes were sold in Yamhill County, a decline of 37 percent, and in Marion County home sales dropped from 5,257 during 2007 to 4,145 during 2010, a decline of 21 percent.

The Economy

The mid-Willamette Valley normally tracks fairly closely with statewide economic trends, according to Pat O'Connor, the Employment Department's economist for workforce Region 3. "Marion, Polk, and Yamhill counties combined total employment grew slightly faster than the statewide growth from 2001 to 2007. Region 3 total employment grew 10.4 percent from 2001 to 2007; statewide employment expanded only 7.8 percent over that period. Yamhill County in particular stood out with 16.4 percent growth from 2001 to 2007, more than twice as fast as statewide growth."

O'Connor says, "During the previous recession that began early in 2001 as a result of the "dot com" bubble bursting, Oregon experienced some of the worst job loss in the nation and the recovery was slow. Oregon did not return to its pre-recession employment level until December 2004. For Region 3 the recession proved to be much milder. The region did experience slight employment losses in 2001 and 2002, but employment was back to its pre-recession peak by January 2003, nearly two years before the state hit that mark. Region 3's light job loss and quick recovery provide much of the explanation as to why Region 3's employment growth outpaced Oregon from 2001 to 2007."

"Of course the recession that began in 2001 pales in comparison to the employment loss that has occurred in the U.S. economy during the past three years", said O'Connor. "Few places have escaped the economic slowing of the "great recession" and Oregon and Region 3 are no exceptions. The U.S., Oregon, and Region 3 all experienced unemployment rates in 2009 and 2010 that had not been seen since the recession in the early 1980s."

O'Connor goes on to say, "Total employment loss in Oregon from October 2007 to October 2010 was nearly 8 percent. Region 3 did not fare much better, shedding 11,500 jobs or more than 6 percent of its total employment over that period. Similar to the nation and Oregon, construction and manufacturing were the two hardest-hit industries in Region 3 during the recession. From October 2007 to October 2010 the region lost 4,000 jobs or 33 percent of its employment in the construction sector. Manufacturing shed nearly 3,700 jobs over that period to decline more than 16 percent. Health care is the only industry in the region that managed not to have declining employment during the recession, showing very slow, but positive growth."

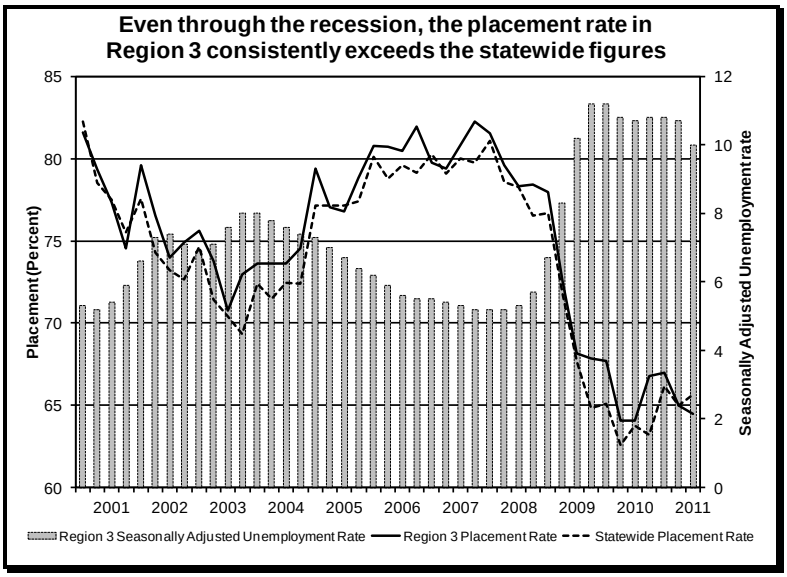
The Workforce System

Up to this stage in the article the information presented addressed with the effects of the recession on the overall economy of Region 3. However, individuals served by Oregon's workforce system were not immune to the recession and its effects.

From 2004 through 2007, workforce staff in Region 3 helped more than 105,000 individuals find a job.

During the mid-2000s, individuals served by Oregon's workforce system in Region 3 benefited from a booming economy. From 2004 through 2007, Region 3 workforce system staff provided services to over 133,000 individuals and 105,000 of those individuals got a job – a 79 percent placement rate. This placement rate was 1 percentage point higher than the statewide placement rate of 78 percent during the same time period.

Although the recession began in late 2007, the placement rate began a mild descent in Region 3 through the third quarter of 2008. From fourth quarter 2007 to third quarter 2008, the placement rate dropped from 79.6 percent to 78 percent, a decline of 1.6 percentage points. Then the effects of the recession took hold.



Graph 1

From third quarter 2008 to fourth quarter 2008, the placement rate took a drastic drop of 5.4 percentage points over one quarter. The drop from a placement rate of 78.0 percent to 72.6 percent was the largest single one-quarter historical decline (Graph 1). That sharp drop over a single quarter was only the beginning of a long and steep decline in placement rates over the course of the next five quarters and lasting through first quarter 2010.

The downturn in the economy continued to have an effect on individuals served by Oregon's workforce system and looking for a job. The placement rate took another sharp drop from fourth quarter 2008 to first quarter 2009. During this period the placement rate declined from 72.6 percent to 68.1 percent, a drop of 4.5 percentage points. This 9.8 percentage point drop in placement rate over the course of two quarters was unprecedented. And the decline in the placement rate continued – the placement rate plummeted over 15 percentage points from 79.6 percent during fourth quarter 2007 to an historical low of 64.1 percent during first quarter 2010.

Like the Region 3 placement rate, the statewide placement rate followed a declining pattern beginning in fourth quarter 2007. Between fourth quarter 2007 and first quarter 2010, the statewide placement rate declined from 78.6 percent to 63.7 percent, a drop of 14.8 percentage points over the period.

As the placement rate in Region 3 plummeted over the course of the recession, the seasonally adjusted unemployment rate in the region skyrocketed. The seasonally adjusted unemployment rate increased from 5.2 percent during fourth quarter 2007 to 10.7 percent during first quarter 2010, an increase of 5.5 percentage points. Historically, and not surprisingly, the placement rate almost always decreases when the unemployment rate increases. In a previous issue of Results & Trends, *External Influences Affecting the Placement Rate*, February 2009, we demonstrated that an opposite or inverse relationship exists between the unemployment rate and the placement rate. As the economy worsens and fewer jobs exist, individuals served by Oregon's workforce system have fewer opportunities to get a job which results in a declining placement rate as unemployment rates trend upward. On the other hand, as the unemployment rate trends downward over time, the placement rate increases.

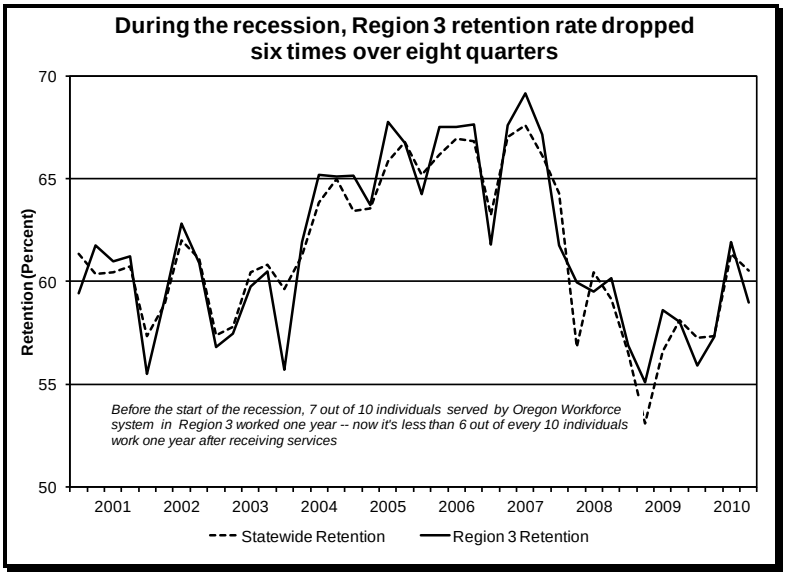
During 2006, 2007 and into mid-2008, the seasonally adjusted unemployment rate in Region 3 varied by no more than 0.4 of a percentage point each quarter during the two-and-a-half-year period. During first quarter 2006, the seasonally adjusted unemployment rate in Region 3 was 5.6 percent and by second quarter 2008, the unemployment rate was 5.7 percent. The lowest unemployment rate over the course of the two-and-one-half-year period occurred during the second through fourth quarters of 2007. During these quarters the unemployment rate was a low 5.2 percent in the region.

As the placement rate began its long steep descent by the mid-2008, the seasonally adjusted unemployment rate began to skyrocket. By the fourth quarter of 2008, one year after the start of the recession, the unemployment rate in Region 3 increased to 8.3 percent, an increase of 3.1 percentage points over one year. The steep incline in the unemployment rate did not slow. Over one quarter, between 2008 quarter 4 and 2009 quarter 1, the unemployment rate increased from 8.3 to 10.2, a one-quarter increase of 1.5 percentage points.

Danell Butler, manager of the WorkSource Oregon office in Salem, saw the impact of the recession each day. She says, "I am amazed in seeing the numbers of highly skilled professional-technical level individuals come into the Salem WorkSource Oregon office. While all industries in our area felt the effects of the recession, manufacturing, construction and trade, transportation and utilities were hit particularly hard. The customers we've seen in our offices also reflect an industry-wide impact."

Fewer Individuals Work One Year

Employers, responding to the downturn in the economy during the recession, began cutting back the number of employees on their payrolls. Like all workers in Oregon, individuals served by Oregon's workforce system were not immune to employer layoffs. Retention, which measures continued employment over one year, declined dramatically from a historical high in Region 3 during first quarter 2007 to an historical low during fourth quarter 2008. During first quarter 2007, the retention rate peaked at an historical high of 69.2 percent and by first quarter 2008, the retention rate dropped by 9.6 percentage points to 59.5 percent (Graph 2). By the end of 2008, the retention rate declined to 55 percent, a drop of 14.1 percentage points over a two-year period.

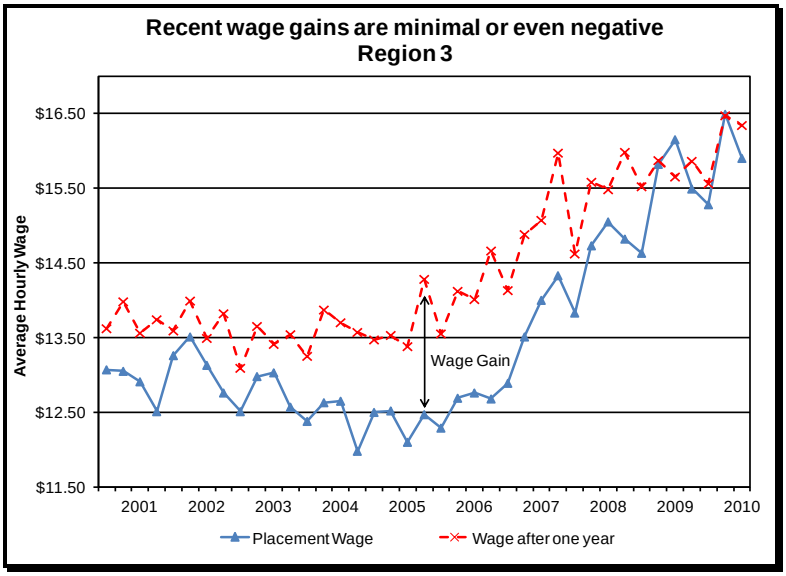


Graph 2

During the recession, declining retention rates were not unique to Region 3. Statewide retention rates declined at about the same pace as Region 3. In fact, statewide and Region 3 retention rates almost shadow one another. Similar to Region 3, the statewide retention rate reached an historical high of 67.6 percent during first quarter 2007 and by fourth quarter 2008, the retention rate decreased to an historical low of 53.1 percent, a drop of 14.5 percentage points over the two-year period.

Wage Gains Diminish During Recession

During good economic times, employers often have the luxury to provide generous wage increases to their employees. The opposite is often true during troubled economic periods. This is clearly demonstrated in Graph 3. In order to survive during downturns in the economy, employers often have to cut back expenses, including wage increases to their employees. Individuals who received workforce services and found jobs in Region 3 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, during a positive economic growth period, earned an average of $1.22 more per hour after working one year. During the recent recession, individuals who found a job and worked for one year had minimal and even negative wage gains. Between first quarter 2008 and fourth quarter 2009, individuals served by Oregon's workforce system who went to work averaged wage gains of $0.45 per hour after working one year. Individuals who received services from Region 3 and began working during first quarter 2009



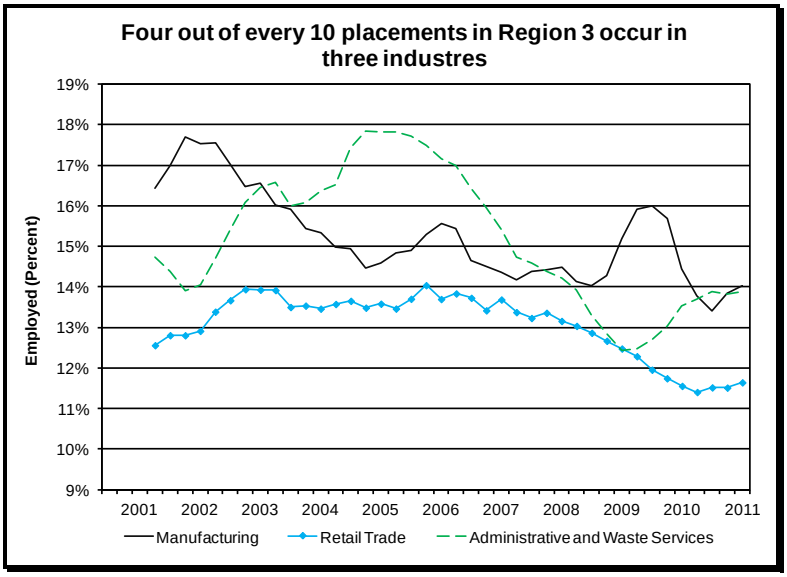
Graph 3

earned an average of $0.50 less per hour after one year of work. These individuals earned an average starting wage of $16.15 and after one year or work earned an average hourly wage of $15.65.

Industry Mix, Less Resiliency

During the early to mid-2000s, the chances of getting a job were good for individuals who received services from Oregon's workforce system in Region 3 and were looking for work. During the mid-2000s with a booming economy, every eight out of 10 individuals served by the workforce system in Region 3 found jobs.

As the grip of the great recession began to take hold in the region, the rapid decline in the placement rate by more than 15 percentage points, from fourth quarter 2007 to fourth quarter 2009, was influenced by the region's industry mix. During 2008, four out of ten individuals served by Oregon's workforce system in Region 3 who got a job went to work in either manufacturing, retail trade, or administrative and support services (Graph 4). Between 2007 and 2009, these three industries were notably impacted by the recession. Over the three-year period, Region 3 lost 6,570 jobs between manufacturing, administrative and support services, and retail trade. The drop of 15 percentage points in placement rate within the region during the recession was facilitated by the lack of availability of jobs in these industries. Those individuals who received services from Oregon's workforce system and were looking for work in any of the three industries had fewer opportunities to find work.



Graph 4

Historically, manufacturing played an important role for those served by Oregon's workforce system in Region 3. Between 2000 and 2010, more than 54,000 individuals served by Oregon's workforce system went to work in manufacturing, representing 15.2 percent of the total placements – more than any other industry. The percentage of individuals getting jobs in manufacturing fluctuated over the past 10 years. The percentage of those individuals finding jobs in manufacturing after receiving services in Region 3 has been as high as 17.7 percent during fourth quarter 2001, and recently as low as 13.4 percent during third quarter 2010.

Administrative and waste services has employed over 52,000 individuals served by Oregon's workforce system in Region 3 since July 1, 2000. Between fourth quarter 2004 and first quarter 2009, the placement rate in this industry was on a steady decline. The long steep decline in placement rate between 2004 and 2009, a drop of 5.4 percent percentage points, is partially due to the type of employment within this industry. The administrative and support services industry includes temporary help which, during a downturn in the economy, is normally one of the first industries to shed jobs. In an attempt to cut costs, employers will often lay off temporary workers as a first line of defense against a struggling economy. On the flip side, this industry is usually the first to begin adding jobs as the economy begins to improve.

Since July 1, 2000, the retail trade industry employed over 45,000 individuals after receiving workforce services in Region 3. Since early 2007, the percentage of individuals finding a job in retail after receiving workforce services has been steadily declining. During 2007 quarter 1, 13.7 percent of the individuals

receiving workforce services in Region 3 went to work in retail trade. During first quarter 2011, the percentage of individuals finding jobs in retail trade declined to 11.6 percent of those individuals getting jobs after receiving workforce services. The decline in the percentage of individuals going to work in retail after receiving workforce services follows the pattern of the overall workforce in Region 3. During 2007, 21,430 people worked in retail industry in Region 3, and by the end of 2009 the number of people working in the industry declined to 19,500 (-9%).

Construction, health care, and accommodation and food services industries employ an additional 29 percent of the individuals served by Oregon's workforce system in Region 3. During first quarter 2010, 8 percent were employed in construction after receiving services from Oregon's workforce system, while an additional 12 percent of total placements went to work in health care and 9 percent in the accommodation and food services industry.

Employment in Region 3 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 3. In a strong 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 the decline in PRISM placement and retention rates, the overall employment in Region 3 began to slow down during 2007 and continued a downward trend through 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). Polk County had the largest decline in employment over the three-year period, with employment down from 18,616 during 2007 to 17,250 during 2009, a loss of 1,366 jobs (-7.3%). Employment declined in Marion and Yamhill counties over the three-year period by 6,259 jobs (-4.5%) and 2,116 jobs (-6.5%), 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 easy. The decline in employment in the three counties definitely had an impact on the drop of over 15 percentage points in the PRISM placement rate in Region 3 from fourth quarter 2007 through fourth quarter 2009.

Table 2

Employment by County
Annual Averages

	Marion		
	Number of Businesses	**Number of Empoyees**	**Average Pay**
2007	9,408	140,248	$34,608
2008	9,262	140,899	$35,519
2009	9,098	133,989	$36,422
			Polk
	Number of Businesses	**Number of Empoyees**	**Average Pay**
2007	1,601	18,616	$29,239
2008	1,578	18,344	$29,866
2009	1,573	17,250	$29,891
			Yamhill
	Number of Businesses	**Number of Empoyees**	**Average Pay**
2007	2,690	32,650	$33,927
2008	2,673	32,465	$34,280
2009	2,658	30,534	$33,927

Source: Oregon Employment Department, Covered Employment and Wages

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 from 2010 to 2020, except for information which is expected to remain flat. Total employment in the region is expected to grow by 30,200 jobs, a 16 percent increase over the 10 years (Table 3). Professional and business services is expected to be the fastest growing industry between 2010 and 2020.The professional and business services industry, which includes employment in temporary agencies, will gain an estimated 4,000 (+30%) jobs.

The education and health services industry is expected to add the most jobs over the ten years, gaining 8,100 jobs (+29%).

Table 3

Employment Projections by Industry, 2010-2020 Region 3				
Industry	**2010**	**2020**	**Change**	**Percent Change**
Total Payroll Employment	185,100	215,300	30,200	16%
Natural Resources & Mining	14,100	15,800	1,700	12%
Construction	7,700	9,300	1,600	21%
Manufacturing	17,400	20,000	2,600	15%
Trade, Transportation, & Utilities	27,500	31,600	4,100	15%
Information	1,400	1,400	0	0%
Financial Activities	8,000	9,000	1,000	13%
Professional & Business Services	13,200	17,200	4,000	30%
Educational & Health Services	27,800	35,900	8,100	29%
Leisure & Hospitality	14,600	17,500	2,900	20%
Other Services	6,300	7,300	1,000	16%
Government	47,000	50,300	3,300	7%

Construction and manufacturing, industries greatly impacted by negative job loss during the great recession, are both expected to show job gains by 2020. Construction is expected to grow by 21 percent, adding 1,600 jobs and manufacturing is expected to add 2,600 jobs (+15%) between 2010 and 2020. This good news of job growth is over-shadowed by the estimates that both industries are not expected to regain their pre-recession employment by 2020.

Information and government are expected to be the slowest-growing industries over the decade in Region 3. Between 2010 and 2020, the information industry in the region is estimated to remain flat with 1,400 jobs (0%). Government sector job growth is expected to be weak. Government is estimated to gain 3,300 jobs, a seven percent increase over the decade.

Summary

During the early to mid-2000s, the economy in Region 3 was booming. Unemployment was low and business was good in the region.

Not unlike the early Oregon settlers, today many people in Region 3 face difficult conditions. These hardships may not be like those faced by the early settlers, but they are illustrated in the high unemployment and job loss in the region over the past four years. The region lost 11,500 jobs, or more than 6 percent of its total employment over a three-year period, and many people lost their homes due to the unraveling of the financial markets. This job loss definitely had an effect on the rapid decline to an historical low in the placement rate in the region.

But there is good news. Job growth is estimated to occur through 2020, 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 3.

Additional Information

For more information about PRISM click here
Region 3 PRISM Placement, Retention, Wage Gain reports
More Region 3 industry and occupation projection data
Foreclosure data provided by Oregon Housing & Community Services
Permit data provided by the Oregon State Library via the U.S. Census Bureau, Building permits