OREGON WORKFORCE INVESTMENT:
Results & Trends

June 2012 Issue 2012-3

The Impact of the Recession on Oregon's Workforce System in Region 4

Oregon's Workforce Region 4, which includes Benton, Lincoln, and Linn counties and stretches 3,981 square miles, had an estimated population of 249,490 during 2011. Like all regions of the state, the effects of the Great Recession impacted many lives within the region through high unemployment, a slowdown in construction and manufacturing, dwindling home sales and increased foreclosure rates. In this issue of Results & Trends, we'll examine the impact the Great Recession had on Oregon's workforce system in Region 4.

Think back to 2006. Most people who wanted to work were able to find a job. The region's unemployment rate ranged from 5.6 percent to 6.1 percent (seasonally adjusted). Low unemployment rates for the region continued through 2007 when they dropped as low as 5.2 percent during December 2007.

As banks eased their housing loan qualifications, families who once did not 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 4 to meet the demand. Between 2005 and 2007, over 4,200 building permits were issued within the region for new home construction. Life was good for many people living within the region. Times were prosperous.

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

Do you remember where you were and what you were doing on October 5, 2007? Not many people remember an important event that happened on that date that changed many lives forever. The date is significant because Merrill Lynch dropped an information bomb and reported a $5.6-billion loss in sub-prime loans. This was the catalyst which initiated a falling domino effect among other financial institutions. The announcement was soon followed by Washington Mutual, 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.

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 Region 4. The number of permits issued for new residential construction in Lincoln County dropped from 396 during 2005 to 193 in 2007, a 36 percent decline (Table 1). And the numbers continued to drop. During 2009, 100 residential building permits were issued in Lincoln County, a 70 percent decline in building permits from 2005 to 2009.

Benton and Linn counties experienced similar reductions in the number of new permits issued from 2005 through 2009. During 2005, Benton County issued 320 permits for new residential construction. The number of permits declined to 96 by 2009, a 75 percent decline over the period. During 2005, Linn County issued 865 permits for new residential housing. By 2009 the number of permits declined to 236, a 73 percent decline.

Table 1

Housing Permits by County
Single Units

	Number of Permits	Change over one-year	Percent change
Benton			
2005	320		
2006	301	-19	-5.9%
2007	193	-108	-35.9%
2008	106	-87	-45.1%
2009	96	-10	-9.4%
2010	75	-21	-21.9%
Lincoln			
2005	396		
2006	401	5	1.3%
2007	364	-37	-9.2%
2008	169	-195	-53.6%
2009	100	-69	-40.8%
2010	118	18	18.0%
Linn			
2005	865		
2006	783	-82	-9.5%
2007	616	-167	-21.3%
2008	260	-356	-57.8%
2009	236	-24	-9.2%
2010	161	-75	-31.8%

Source: U.S. Census Bureau
Dataset Title: Building Permits

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 Linn County increased from 0.3 percent during 2007 to 1.0 percent in 2009. In January 2010, 255 homes were reported to be in foreclosure, a 1.9 percent foreclosure rate. Benton and Lincoln counties had much the same experience as Linn County. The foreclosure rate in Benton County rose from 0.1 percent during 2007 to 0.3 percent in 2009. In Lincoln County, the rate increased from 0.2 percent in 2007 to 1.1 percent during 2009. During January 2010, 41 homes in Benton County and 112 homes in Lincoln County were foreclosed.

As foreclosure rates increased during the recession, fewer homes were being sold. Between 2007 and 2010, home sales in the region declined by 34 percent. During 2007, 5,699 homes were sold in the region and by 2010 the number of home sales declined to 3,470. The steepest decline in home sales occurred in Linn County, where home sales during 2007 numbered 2,110 and by 2010 only 1,124 homes were sold, a 47 percent decline. Between 2007 and 2010, 386 fewer homes were sold in Lincoln County, a decline of 33 percent, and in Benton County home sales dropped from 2,401 during 2007 to 1,814 during 2010, a decline of 24 percent.

The Economy

Region 4 normally follows the statewide business cycle in terms of its ups and downs, but it has experienced slower growth than Oregon over the past decade, according to Pat O'Connor, the Employment Department's economist for workforce Region 4. "From 2001 to 2007, Linn, Benton, and Lincoln counties' combined total employment grew 5.3 percent, significantly slower than Oregon's economy, which expanded employment 7.8 percent over that time. Benton

County in particular stood out with only 3.0 percent growth from 2001 to 2007, less than half 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 4 the recession was milder than the state experienced. However, the region did experience employment losses in 2001, 2002, and 2003, and like the state, it was 2004 before the region was back to its pre-recession employment level."

"Of course the recession that began in 2001 pales in comparison with the employment loss that has occurred in the U.S. economy since 2008," said O'Connor. "Few places have escaped the economic slowing of the Great Recession and Oregon and Region 4 are no exceptions. The U.S., Oregon, and Region 4 all experienced unemployment rates from 2009 through 2011 that had not been seen since the recession in the early 1980s."

O'Connor goes on to say, "Total employment loss in Oregon from 2007 to 2011 was 6.5 percent. Region 4 did not fare much better, shedding 5,870 jobs or nearly 6 percent of its total employment over that period. Region 4 was not alone in terms of the industries where job loss occurred. Similar to the nation and Oregon, construction and manufacturing were the two hardest-hit industries in Region 4 during the recession. From 2007 to 2011 the region lost 1,740 jobs or 29 percent of its employment in the construction sector. Manufacturing shed nearly 3,000 jobs over that period to decline 21 percent. Health care is the only private industry in the region that managed growth during the recession; expanding employment 10.3 percent from 2007 to 2011. In Benton County, record enrollment levels at Oregon State University led to state government employment growing nearly 12 percent from 2007 to 2011, adding more than 1,000 jobs. The high number of students enrolled at Oregon State University also helped stabilize employment in Benton County's non-traded industries in the private sector."

Table 2

Employment by County
Annual Averages

	Number of Businesses	Number of Empoyees	Average Pay
	Benton		
2007	2,339	35,199	$41,972
2008	2,337	35,275	$42,311
2009	2,311	33,831	$42,683
	Lincoln		
	Number of Businesses	**Number of Empoyees**	**Average Pay**
2007	1,859	18,432	$28,384
2008	1,834	18,339	$29,310
2009	1,814	17,456	$29,665
	Linn		
	Number of Businesses	**Number of Empoyees**	**Average Pay**
2007	3,029	43,421	$34,704
2008	2,995	43,792	$35,170
2009	2,964	40,328	$34,826

Source: Oregon Employment Department, Covered Employment and Wages

Between 2007 and 2009, the number of businesses and the level of employment declined in each of the three counties (Table 2). Linn County had the largest decline in employment over the three-year period, with employment down from 43,421 during 2007 to 40,328 during 2009, a loss of 3,093 jobs (-7.1%). Employment declined in Benton and Lincoln counties over the three-year period by 1,368 jobs (-3.9%) and 976 jobs (-5.3%), respectively.

The Workforce System

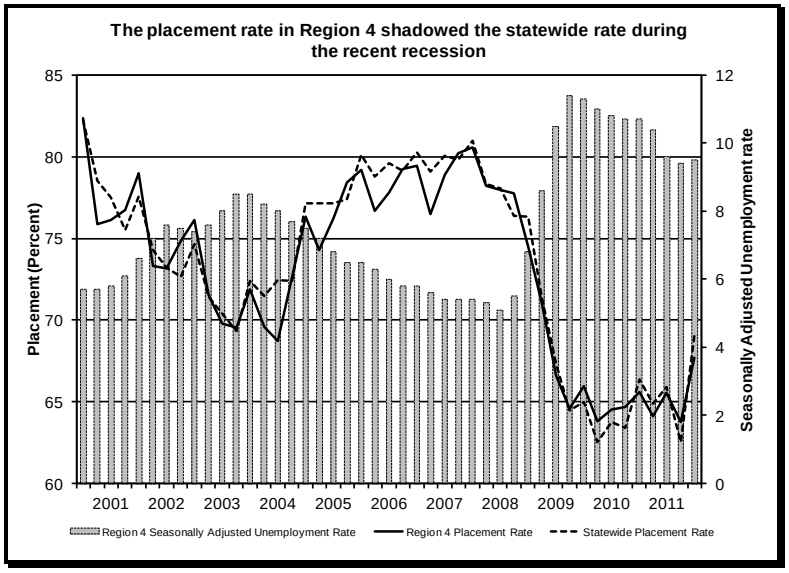
Up to this stage, this article has addressed the effects of the recession on the overall economy of Region 4. However, individuals served by Oregon's workforce system were not immune to the recession and its effects. Placement, retention and wage gain outcome data, from Oregon's Performance Reporting Information System (PRISM), reflect the economic patterns and trends of the overall economy in Region 4. 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.

> From 2004 through 2007, workforce staff in Region 4 helped more than 74,000 individuals find a job.

During the mid-2000s, individuals served by Oregon's workforce system in Region 4 benefited from a booming economy. From 2004 through 2007, Region 4 workforce system staff provided services to over 96,000 individuals and 74,000 of those individuals got a job – a 77 percent placement rate. This placement rate was 1 percentage point lower than the statewide placement rate of 78 percent during the same time period.

The recession began in late 2007. From fourth quarter 2007 to second quarter 2008, the Region 4 placement rate dropped from 78.2 percent to 77.8 percent, a decline of 0.4 percentage point. Then the effects of the recession took hold.

Between the second and third quarters of 2008, the placement rate took a dive of 3.3 percentage points over one quarter. The drop from a placement rate of 77.8 percent to 74.5 percent was just the beginning of a long steep decline (Graph 1). In fact, by first quarter 2009 the placement rate had fallen another 7.8 percentage points over two quarters – an unprecedented drop in so short a time.



Graph 1

In total, the placement rate plummeted over 14.4 percentage points from 78.2 percent during fourth quarter 2007 to a low of 63.8 percent during fourth quarter 2009.

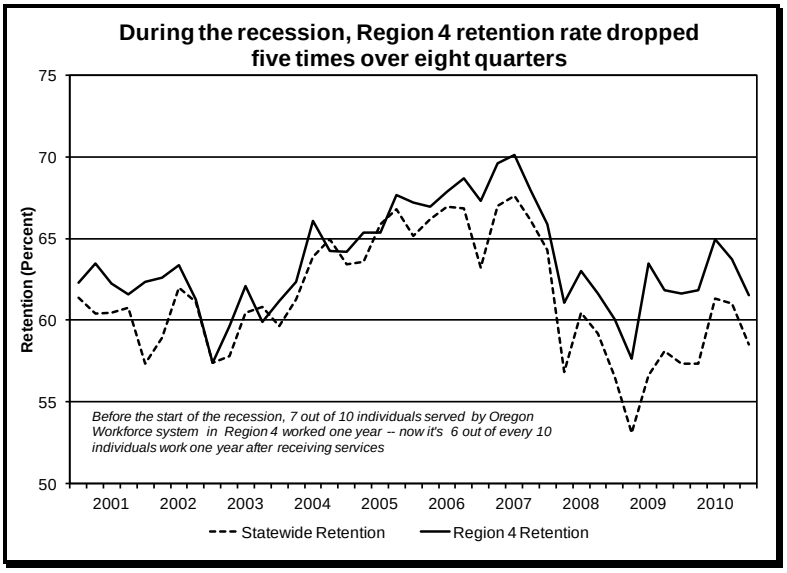
Like the Region 4 placement rate, the statewide placement rate followed a declining pattern beginning in fourth quarter 2007. Between fourth quarter 2007 and first quarter 2010, the statewide placement rate declined from 78.3 percent to 63.8 percent, a drop of 14.5 percentage points over the period.

As the placement rate in Region 4 plummeted over the course of the recession, the seasonally adjusted unemployment rate in the region skyrocketed. The seasonally adjusted unemployment rate increased from 5.3 percent during fourth quarter 2007 to 10.8 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.

As the placement rate began its long steep descent by 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 4 increased to 8.6 percent, an increase of 3.3 percentage points over one year. The steep incline in the unemployment rate did not slow. Over one quarter, between fourth quarter 2008 and first quarter 2009, the unemployment rate increased from 8.6 percent to 10.5 percent, a one-quarter increase of 1.9 percentage points.

Fewer Individuals Work One Year

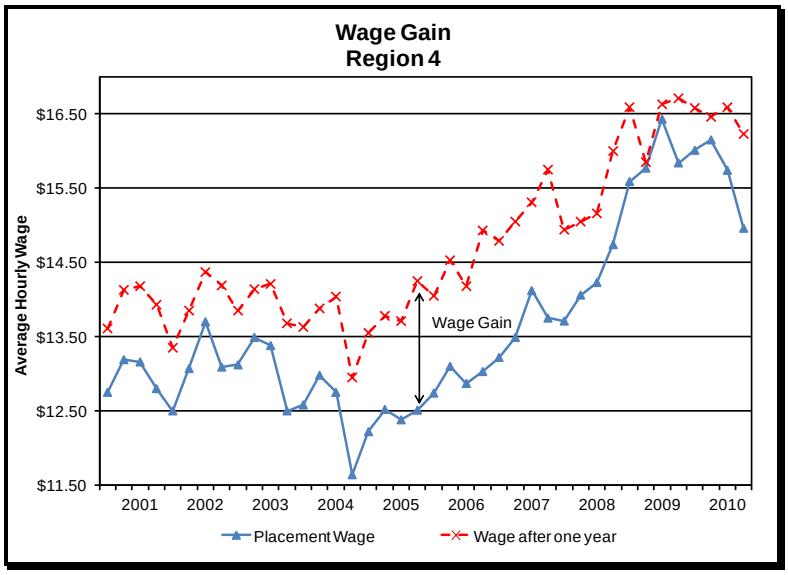
Employers, responding to the downturn in the economy during the recession, began cutting back the number of employees on their payrolls. Like all workers in Oregon, individuals served by Oregon's workforce system were not immune to employer layoffs. Retention, which measures continued employment over one year, declined dramatically from a historical high in Region 4 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 70.1 percent and by first quarter 2008, the retention rate dropped by 7.1 percentage points to 63 percent (Graph 2). By the end of 2008, the retention rate declined to 57.7 percent, a drop of 12.4 percentage points over a two-year period.



Graph 2

During the recession, declining retention rates were not unique to Region 4. Statewide retention rates declined at about the same pace as Region 4. In fact, statewide and Region 4 retention rates almost shadow one another. Similar to Region 4, 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

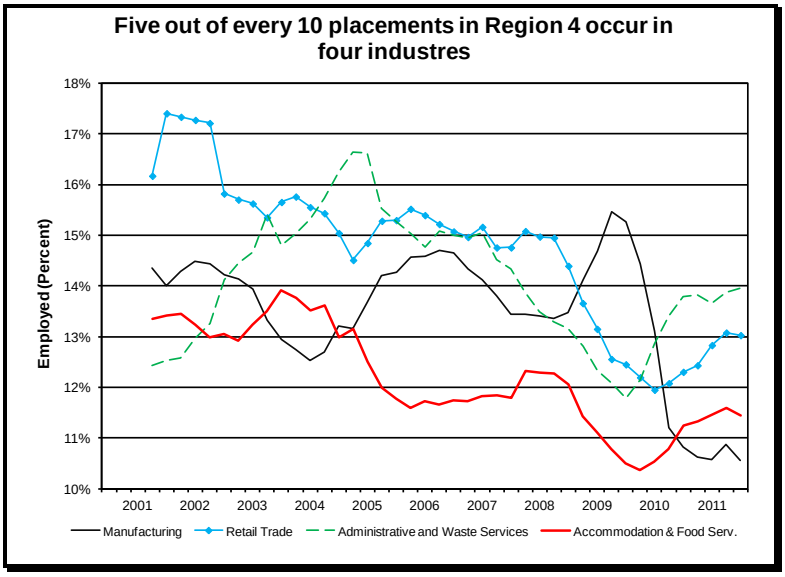


Graph 3

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 4. 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 4 during non-recessionary periods have greater wage gains compared with 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 $1.35 more per hour after working one year. During the recent recession, individuals who found a job and worked for one year had minimal 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 $0.65 per hour after working one year.

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 4 and were looking for work. During the mid-2000s with a booming economy, eight out of 10 individuals served by the workforce system in Region 4 found jobs.



Graph 4

As the grip of the Great Recession began to take hold in the region, the rapid decline in the placement rate by more than 14.4 percentage points, from fourth quarter 2007 to fourth quarter 2009, was influenced by the region's industry mix. During 2008, five out of 10 individuals served by Oregon's workforce system in Region 4 who got a job went to work in either manufacturing, retail trade, administrative and support services, or accommodation and food services (Graph 4). Between 2007 and 2009, these four industries were notably impacted by

the recession. Over the three-year period, Region 4 lost over 4,200 jobs between manufacturing, administrative and support services, retail trade, and accommodation and food services. The drop of 14.4 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 four industries had fewer opportunities to find work.

Historically, retail trade played an important role for those served by Oregon's workforce system in Region 4. Between 2000 and 2010, more than 32,000 individuals served by Oregon's workforce system went to work in retail trade, representing 14.5 percent of the total placements – more than any other industry. The percentage of individuals getting jobs in retail trade fluctuated over the past 10 years. The percentage of those individuals finding jobs in retail trade after receiving services in Region 4 has been as high as 17.4 percent during second quarter 2002, and recently as low as 11.9 percent during first quarter 2010.

Administrative and waste services is another industry that has played an important role for those served by Oregon's workforce system. Examples of employment in administrative and waste services include temporary help, employment placement agencies, and telephone call centers. Over 30,600 individuals went to work in administrative and waste services since July 2000 in Region 4. Between fourth quarter 2004 and third quarter 2009, the percentage of individuals working in administrative and waste services was on a steady decline. The long steep decline in placement rate between 2007 and 2009, a drop of 15.1 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 one of the first to begin adding jobs as the economy begins to improve.

The percentage of individuals getting jobs in manufacturing after receiving workforce services in Region 4 has fluctuated over the past 10 years. The percentage of individuals working in manufacturing ranged as high as 15.5 percent of total placements during second quarter 2009, and as low as 10.6 percent of total placements during first quarter 2011 in Region 4.

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. Total employment in the region is expected to grow by 15,910 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 2,420 (+32%) jobs.

Table 3

Employment Projections by Industry, 2010-2020
Region 4

Industry	2010	2020	Change	Percent Change
Total Payroll Employment	97,670	113,580	15,910	16%
Natural Resources & Mining	3,600	4,080	480	13%
Construction	3,390	4,320	930	27%
Manufacturing	10,960	12,220	1,260	11%
Trade, Transportation, & Utilities	15,860	18,290	2,430	15%
Information	1,410	1,510	100	7%
Financial Activities	3,430	3,880	450	13%
Professional & Business Services	7,590	10,010	2,420	32%
Educational & Health Services	12,260	15,560	3,300	27%
Leisure & Hospitality	10,460	12,430	1,970	19%
Other Services	3,090	3,590	500	16%
Government	25,620	27,680	2,060	8%

The education and health services industry is expected to add the most jobs over the 10 years, gaining 3,300 jobs (+27%).

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 27 percent, adding 930 jobs and manufacturing is expected to add 1,260 jobs (+11%) between 2010 and 2020. However, in spite of these job gains, neither of these industries will return to their pre-recession employment levels 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 projected to add 100 jobs (+7%). Government is projected to gain 2,060 jobs, an 8 percent increase over the decade.

Summary

During the early to mid-2000s, the economy in Region 4 was booming. Unemployment was low and business was good in the region.

Today many people in Region 4 face difficult conditions. These hardships are illustrated in the high unemployment and job loss in the region over the past four years. The region lost 5,870 jobs, almost 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 4.

Additional Information

For more information about PRISM click here
Region 4 PRISM Placement, Retention, Wage Gain reports
More Region 4 industry and occupation projection data
Foreclosure data, Oregon Housing & Community Services
Building permits, U.S. Census Bureau
Population, Portland State University, Population Research Center, 2011 population estimates
The Impact of the Recession on Oregon's Workforce System in Region 10
The Impact of the Recession on Oregon's Workforce System in Region 8
The Impact of the Recession on Oregon's Workforce System in Region 3