



DEMYSTIFYING OREGON'S HIGH JOBLESS RANK

The good, the bad and the not Michigan

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In the heyday of the U.S. auto industry, Michigan's economy hummed like a well-oiled engine. But as the recent bankruptcies of General Motors and Chrysler attest, the engine has cracked. Today, Michigan stands as the nation's poster child of economic decay.

So Oregon's proximity to Michigan was once again a topic of discussion last month after federal officials announced unemployment rates across the country.

The latest data showed that Oregon's unemployment rate jumped more than the rate in every state except Michigan from June 2008 to June 2009. Michigan once again registered the nation's highest monthly unemployment rate, followed by Rhode Island, which slipped ahead of Oregon in state rankings. We had held the number two slot behind Michigan in the prior three months.

Politicians and others have wondered aloud, "Why is Oregon's unemployment rate high like Michigan's? Have our economic wheels also gotten wobbly?"

Both states have suffered particularly big job losses in manufacturing, but beyond that similarity, it's unfair to lump Oregon with Michigan. A closer look at Oregon's high unemployment rate reveals important differences from Michigan and points to how Oregon lawmakers can best respond.

WE'RE NOT TURNING INTO WOLVERINES

There's no denying that Oregon's current unemployment numbers are bleak, yet placing our woes on the same plane as those of the Wolverine State distorts reality. While both Oregon and Michigan have been hit hard by job losses in manufacturing, the similarities largely end there. In fact, one factor behind Oregon's high unemployment level — the growth of its labor force — is

mostly a good thing.

During recessions, consumers and businesses delay purchasing durable goods, items that will be useful for at least a few years and often come with a higher price tag. In the case of Michigan, those durable goods are the Buicks and Cadillacs now gathering dust in dealer lots. Here in Oregon, it's things like wood products, transportation equipment, computers and electronics.

The nose-dive of manufacturing, particularly manufacturing of durable goods, best explains why Oregon has been riding in the rows just behind Michigan on the unemployment bus. Since December 2007, durable goods manufacturing employment in Michigan and Oregon has declined 32 percent and 22 percent, respectively.

Oregon and Michigan depend on durable goods manufacturing employment more than the nation as a whole. Our manufacturing sector, however, isn't as concentrated on a single industry as is Michigan's with the auto industry.

Indeed, when it comes to unemployment, the Wolverine State appears to be a different animal from much of the nation. While the country as a whole saw job growth — albeit weak job growth — following the 2001-03 recession, Michigan continued to bleed jobs. Michigan has led the nation in unemployment almost continuously since 2006.

Oregon, by contrast, saw its job growth outpace that of the nation as a whole following the 2001-03 recession.

The trajectories of the two states diverge further when considering more recent data. In recent months, Michigan's unemployment rate shot further ahead of other states, reaching 14.1 percent in May and 15.2 percent in June. Over the same period, Oregon's rate held steady at 12.2 percent. The national rate was 9.5 percent in June.

But even if our unemployment level

doesn't claw to the level of the Wolverine State, doesn't the fact that Oregon's unemployment rate — in both good and bad times — is typically higher than the national rate indicate that something is very wrong? Not necessarily.

It's true that Oregon's unemployment rate has exceeded the national unemployment rate in all but five of the last 32 years. But the major underlying causes are not as insidious as one might think, or at least are not indicative of an economy in decay.

First, Oregon's job market includes a large number of seasonal jobs in industries such as agriculture and natural resources, tourism and construction. That seasonality means that a relatively larger share of workers is not working part of the year, which pushes up our overall unemployment rate.

Second, Oregon has many isolated rural communities, far from where jobs are more likely to be found. While that's not a good thing for Oregonians in those isolated communities, it doesn't mean that the state's economy has gone awry.

Finally, Oregon's labor force is growing.

THE OREGON TRAIL STILL BECKONS

Since the start of the recession, Oregon's labor force has expanded by 2.3 percent. Some of these people are Oregonians who have decided to reenter the workforce, while others are newcomers to the state.

Part of the boost to Oregon's labor force during this recession is undoubtedly due to Oregon's attractiveness — the fact that we live in a darn nice corner of the planet.

People move to Oregon even if they don't have jobs waiting for them. And many already in the state who have lost their jobs stay put rather than look elsewhere for work.

This is a key difference from Michigan and places like North Dakota, which registered the nation's lowest unemployment rate in June. As Joe Cortright, chair of the Governor's Council of Economic Advisors, said during testimony to the Legislature this past May, "If our labor market looked like North Dakota's, we would have substantially lower unemployment rates, because people don't stick around if there aren't jobs."

While it has the effect of boosting Oregon's unemployment rate, the growth of our labor force contributes to our economic vitality in the long run. A pool of talented workers appeals to employers, so Oregon bolsters its economy by attracting new workers, particularly if it provides training and education opportunities to develop a highly skilled workforce.

That Oregon's attractiveness partly explains our high unemployment rate is surely no comfort for the Oregonian unable to find a job. Behind the cold unemployment statistics stands the flesh and bone of human suffering. Job losses add stress to the lives of laid-off workers and their families and can lead to lost health care coverage, bankruptcy and even homelessness.

Is there anything we can do to bring down our unemployment rate in the near term?

SAY 'YES' TO SMART, FISCALLY RESPONSIBLE POLICIES

Oregon's economy accounts for 1 percent of the national economy. So as long as the worst recession in generations continues to choke the U.S. and much of the world, Oregon won't be breathing easily.

But that doesn't mean we are hopeless and helpless. Above all, the state should take as much advantage as possible of the federal recovery package. Those federal dollars flowing into Oregon mean jobs — and not just in the public sector. Federal funds flow from the public sector to create or preserve private sector jobs on road projects, in weatherization programs and in the health care industry, for example.

Smart state policies also matter. Anyone who cares about Oregon's economy and unemployment should support the Legislature's modest tax fairness measures that target revenue from large, profitable corporations and high-income Oregonians — those individuals and corporations still doing well, despite the recession.

Those revenue measures are vital steps toward helping stabilize and rebuild our economy. First, some of that new revenue will support state services, which in turn will bring more matching federal dollars into the state economy through programs such as Medicaid. Second, at least in the case of high-income Oregonians, the modest tax increase ensures that some money that wealthy Oregonians might otherwise save, send to Wall Street or splurge on an out-of-state vacation is spent right here in Oregon.

Another positive feature of the revenue measures is that they lower the taxes on unemployment benefits. That helps stabilize not just laid-off workers trying to survive on unemployment benefits but also local economies by keeping some extra money in the pockets of Oregonians likely to spend it quickly.

That's why it's important that Oregonians turn a deaf ear to those who hope to undo the Legislature's efforts. By avoiding more

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