Executive Summary

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Recovery Lost:
Oregon's Faltering Economy Brings More Bad News for Workers

By Jeff Thompson

Oregon's economy on Labor Day 2003 is not good for working people. The economy was recovering slowly in 2002, but faltered in the first half of 2003. Unemployment increased, layoffs surged, and exports from Oregon firms declined.

The trends in early 2003 suggest that Oregon's economy will remain inhospitable to working people for the foreseeable future. Since falling into recession in early 2001, the economy has produced disappointing results for workers in Oregon, including:

- 45,000 jobs in Oregon have been lost since the start of the recession and 6,300 more have been lost since the national recession was officially declared over;
- The "underemployment" rate, which includes "discouraged" workers and involuntary part-time workers, rose from 8.5 percent in 2000 to 13.1 percent in 2002;
- The hourly wage of the typical worker declined 7.8 percent in the first half of 2003;
- Average annual earnings of full-year workers fell 1.7 percent between 2000 and 2002;
- The share of working-age Oregonians without health insurance rose to 18.1 percent in 2002, the highest level since before the implementation of the Oregon Health Plan.

Due to its small size, Oregon's economic trends are largely determined by the national economy. Oregon has suffered more job losses and increased unemployment than other states because of heavy reliance on the industries that lost most jobs in the recession and because Oregon's population continues to grow rapidly despite a lack of jobs.

While there are limited options for policymakers, some actions could aid unemployed workers and help prevent the economy from sinking further:

- Unemployment Insurance benefits have been a vital support for tens of thousands of laid-off workers and the communities they live in. Extended benefits programs for the long-term unemployed will likely begin to expire in a few months and should be continued until unemployment falls to lower levels.
- Public sector employers started reducing their payrolls in 2003, adding to job losses in other industries. To avoid exacerbating the downturn, state and local governments need to maintain employment.
- Federal tax cuts since 2001 have been poorly targeted and back-loaded, providing little stimulus to Oregon's economy. By generating massive long-term federal deficits these tax cuts will end up shrinking the economy.