Oregon Center for Public Policy

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Executive Summary

Labor Day, September 1, 2003

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.

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The National Bureau of Economic Research recently declared that the national recession ended in November 2001, even though working people across the country continue to suffer high rates of joblessness.[1] The situation confronting Oregon this Labor Day is worse than in the country as a whole. Oregon's economy did begin to recover along with the rest of the country in early 2002, but it appears that Oregon's recovery has faltered. A variety of indicators suggest that Oregon's economy contracted further in the first half of 2003, raising fears that the economy is "double dipping." Oregon has suffered more than other states primarily because Oregon's economy relies more heavily on industries that were hit hardest by the 2001 recession, and because people continue to move to Oregon despite the lack of job growth.

Sluggish growth and a faltering recovery over the past two and a half years have taken their toll on Oregonians. Unemployment remains high and thousands of the long-term unemployed are exhausting their unemployment insurance benefits every week. Among those who have held on to their jobs, wages and income have declined. Health insurance coverage has plummeted to levels not seen since the implementation of the Oregon Health Plan, and personal bankruptcy has soared to record levels.

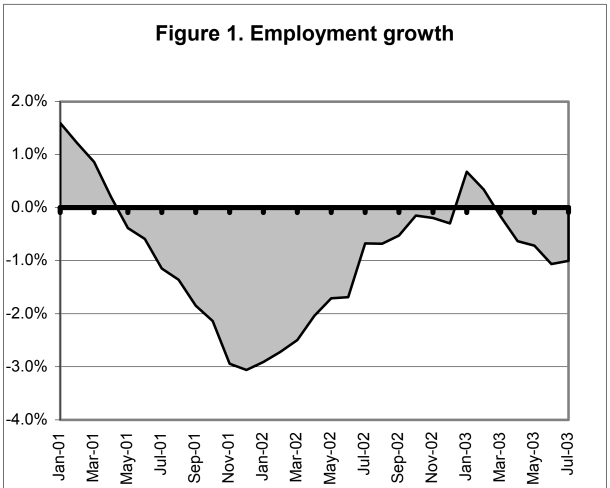
State and federal lawmakers have considered many policy options for spurring the economy. So far, however, the economic policy record is mixed. Unemployment Insurance (UI) and extended UI benefit programs have softened the impact of the recession on unemployed workers and helped sustain economic activity in hard-hit communities. Recent reductions in public employment have added to job losses in other sectors. Tax cuts at the federal level were poorly designed, and will deliver little stimulus, but generate huge and costly deficits.

Oregon's Economy 2000 to 2003

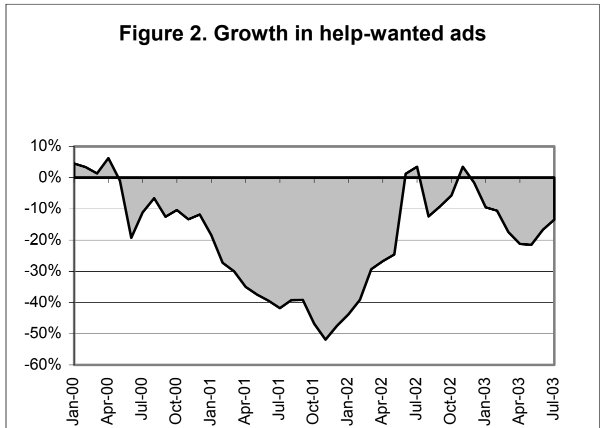
After growing rapidly in the 1990s, Oregon's economy fell into recession in early 2001. A variety of economic indicators show Oregon's economy declining steadily in 2001, but by early 2002 a mild recovery was underway. After continuing to improve during most of 2002, these indicators – including job growth, help-wanted ads, unemployment, layoffs, exports, and initial claims for Unemployment Insurance - show Oregon's economy declined again during the first half of 2003.

Job growth and loss

Steep job losses in 2001 heralded Oregon's entry into the recession (Figure 1). Between December 2000 and December 2001, Oregon's non-farm employment declined by 3.1 percent, with 50,000 jobs eliminated. The rate of job loss, though, hit bottom at the end of 2001, and most of 2002 reflected a return to positive job growth. By January 2003, employment expanded



Source: OCPP analysis of OED data. Seasonally adjusted nonfarm employment. Data through July 2003. Year over year percent change.



Source: OCPP analysis of Oregonian data. 2-month moving average. Year over year percent change. Data through July 2003.

0.7 percent compared to a year earlier. After just two months of positive growth job losses returned. Oregon's economy lost jobs in each month between March and July 2003, when employment was one percent lower than a year earlier.

Another measure of employer hiring efforts, newspaper help-wanted ads, reveal a similar pattern of growth and decline.[2] The ad count from the state's largest newspaper, *The Oregonian*, declined steadily in 2001, but showed signs of recovery over much of 2002 (Figure 2). Help-wanted ads registered three months of year-over-year growth in 2002, but in 2003 started shrinking again, declining 22 percent by May.

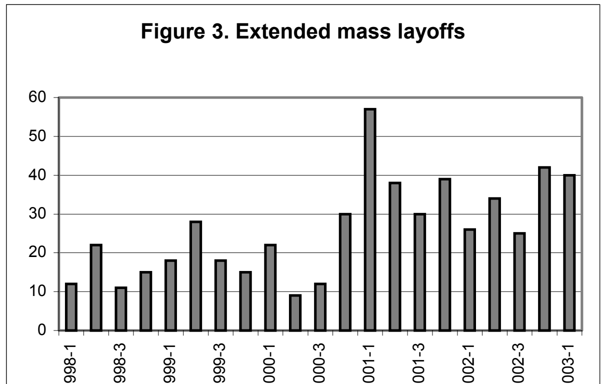
Mass layoffs

Layoffs surged in 2001 as Oregon fell into recession (Table 1). The number of mass layoffs, those involving 50 or more workers from a single establishment, rose to 192 in the first half of 2001, 35 percent higher than in 2000.[3] These 192 layoffs affected more than 25,000 workers. In the first half of 2002 mass layoffs remained high, but fell back to 169, a 12 percent decline from 2001. In the first half of 2003 mass layoffs increased again, hitting 195, 15 percent higher than in 2002.

Table 1. Mass layoffs in Oregon

	Mass Layoffs in First Half of Year	% change from previous year
1998	128	5.8%
1999	120	-6.3%
2000	142	18.3%
2001	192	35.2%
2002	169	-12.0%
2003	195	15.4%

Source: OCPP analysis of BLS data.



Source: OCPP analysis of BLS data.

The number of "extended" mass layoffs, those lasting more than 30 days, also surged in 2001 and receded in 2002 (Figure 3). There were 57 extended layoffs in the first quarter of 2001, but only 26 in the first quarter of 2002. Extended layoffs remained high in 2002, compared to the boom years of the late 1990s, but declined relative to 2001 during the first three quarters of the year. In the fourth quarter of 2002 this pattern reversed, indicating a growing number of extended layoffs. By the first quarter of 2003 the number of extended layoffs increased to 40, more than 50 percent higher than in 2002.

With layoffs continuing to rise, Oregonians will have to wait longer for a recovery in employment growth and unemployment.

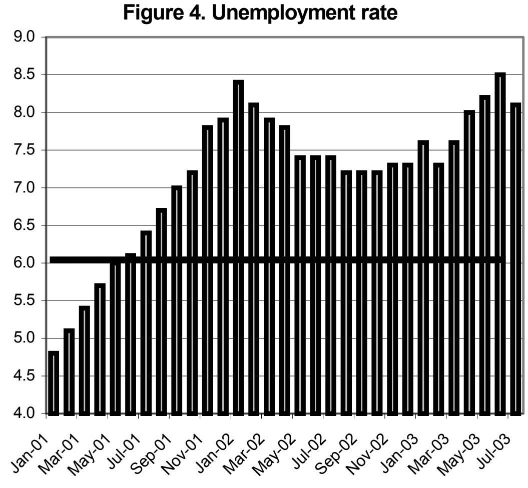
Unemployment climbs above historical recovery rate

Reflecting job losses and continued population growth, Oregon's unemployment rate climbed rapidly in 2001 (Figure 4). The unemployment rate reached 8.4 percent in January 2002, up from just 4.8 percent a year earlier. After hitting a high point in early 2002, the unemployment rate declined over most of 2002, and by August had fallen to 7.2 percent. While still high, unemployment was edging closer to the six percent level that has characterized economic expansions in Oregon since at least the early 1970s. In mid-2002, though, the unemployment rate's progress stalled, and by early 2003, the rate started climbing once again. In June 2003 Oregon's unemployment rate hit 8.5 percent, before dipping to 8.1 percent in July.

Along with the unemployment rate, the number of unemployed Oregonians surged in 2001. In January 2002, there were 172,200 unemployed Oregonians, up from 105,400 in January 2001 (Figure 5). During most of 2002, the number of unemployed declined, falling to 120,000 by September. In early 2003, however, the number of unemployed started climbing again. The number of unemployed hit 158,000 in January 2003 and remained at 146,500 by July.

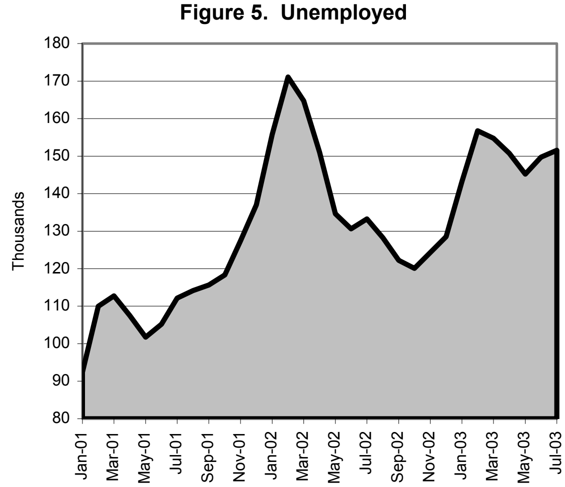
Oregon's unemployment rate is relatively high, but this measure does not fully capture the depressed labor market conditions Oregon workers face. The "underemployment" rate, which includes "discouraged" workers that have given up looking for jobs, and "involuntary" part-time workers that want full-time jobs, rose to 13.1 percent in 2002, up 4.5 percentage points from 2000 (Table 2). In contrast, the annual average unemployment rate rose 2.7 points between 2000 and 2002.

Figure 4. Unemployment rate



OCPP presentation of OED data. Seasonally adjusted unemployment. Data through July 2003.

Figure 5. Unemployed



OCPP presentation of OED data. Graph is 2-month moving average.

The increase in Oregon's unemployment has also been broad-based, impacting all types of workers. The unemployment rate among workers with bachelors' degrees or higher education increased 2.0 percentage points between 2000 and 2002, compared to 2.5 points among those with only a high school degree. Unemployment increased 2.6 points among non-Hispanic whites and 3.1 points among Hispanic workers.[4]

Table 2. Oregon underemployment and unemployment by demographic characteristic

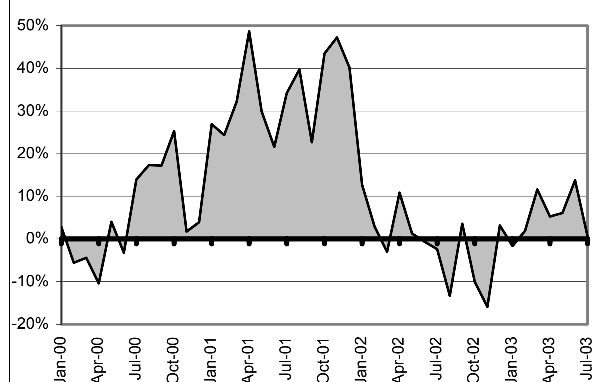
	2000	2002	Change
Underemployment	8.5%	13.1%	4.5
Unemployment	4.9%	7.5%	2.7
Unemployment by Worker Demographic Characteristic			
Gender			
Male	5.4%	8.1%	2.8
Female	4.3%	6.9%	2.6
Ethnicity			
White	4.7%	7.2%	2.6
Hispanic	7.5%	10.5%	3.1
Education			
Less than high school	11.1%	14.1%	3.1
High school	6.6%	9.1%	2.5
Some college	3.4%	6.7%	3.4
Bachelor's degree or higher	2.3%	4.3%	2.0

Source: EPI analysis of CPS.

Initial claims for Unemployment Insurance

Following the surge in layoffs, claims for Unemployment Insurance increased rapidly in Oregon (Figure 6). Initial claims for UI benefits rose between 20 and 50 percent, compared to the previous year, during each month of 2001. As the economy began to recover in 2002, the rise in initial claims ceased. The number of unemployed workers making an initial claim for UI benefits started falling, and by November 2002, initial claims were down 16 percent from the prior year. In early 2003, though, initial claims were on the rise again. In each month between February and July 2003, initial claims increased compared to the prior year. In July, though, claims were only one percent higher than in 2002.

Figure 6. Growth in UI intitial claims



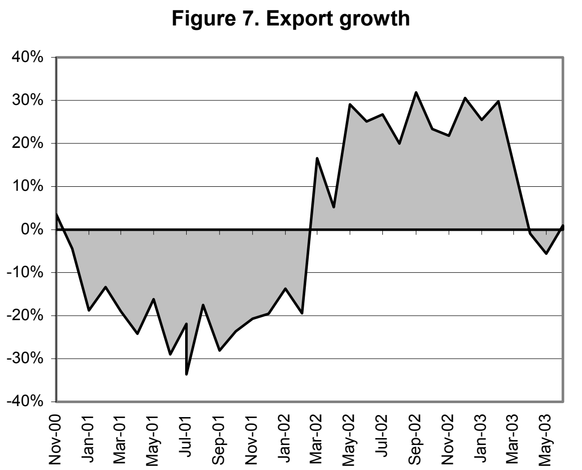
Source: OCPP analysis of OED data. Data through July 2003.

Since rising initial claims for UI benefits are often regarded as a leading economic indicator, the first half of 2003 may not bode well for the near-term future of workers in Oregon.[5]

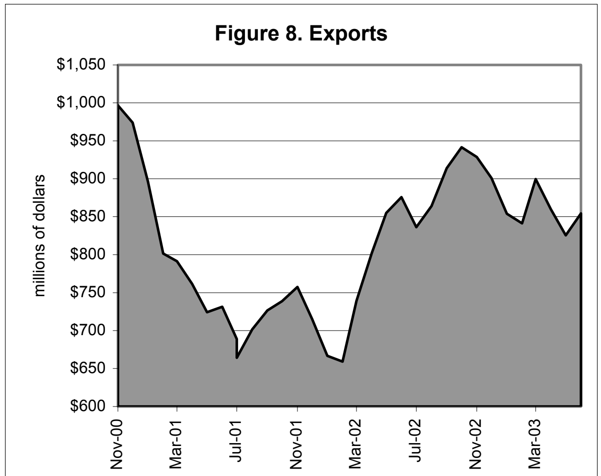
Exports did recover, but are falling again

Since many of Oregon's major companies compete in international markets, exports are an important indicator of the health of Oregon's economy. Toward the end of 2000 and throughout 2001, the value of exports from Oregon plummeted (Figures 7 and 8).[6] The value of products exported by Oregon companies fell from $997 million in November 2000 to just $664 million in July 2001. By August 2001 exports had fallen 34 percent from the previous year.

After reaching a low point in 2001, exports from Oregon rebounded in 2002. Export volume started rising early in the year and by October 2002 the value of exports reached $942 million, regaining most of the ground lost in 2001. Between May 2002 and February 2003, exports grew at least 20 percent over levels from the same period in the prior year. Early in 2003, though, export growth turned negative. In May 2003 exports were 6 percent lower than the prior year. Oregon's June 2003 exports were only $854 million.



Source: OCPP presentation of MISER data. Y/Y percent change. Through June 2003.



Source: OCPP presentation of MISER data. Two-month moving average. Current dollar value. Data through June 2003.

Comparing growth in exports from the first half of the year, as done in a recent analysis by *The Oregonian*, exports appear to recover in the first half of 2003, rising from $4.7 billion in the first half of 2002 to $5.1 billion in the first half of 2003.[7] Combining six months of exports together obscures the trend that is visible in the monthly data. Exports from Oregon *did* recover, but year-over-year decreases in recent months shows that they are declining again.

As the U.S. Goes, so Goes Oregon, Only Faster

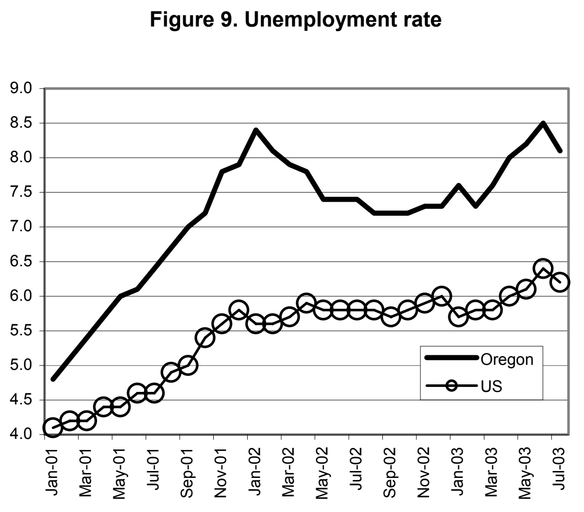
Oregon's economy has been subject to the same trends as the rest of the country, but to a greater degree. This pattern continued into the recovery period in 2002 and the return to recession in 2003.

When Oregon's economy grows, it tends to lead the nation. While the media and politicians frequently mention that Oregon's economy suffered more in the 2001 recession than other states, it is also true that during the recovery period in 2002, Oregon's economy grew faster than any other state. Oregon's economy also grew faster than the rest of the country during the 1990s expansion. Between 1995 and 2000, Oregon was *the fastest growing state*, measured by real per-capita gross state product.[8]

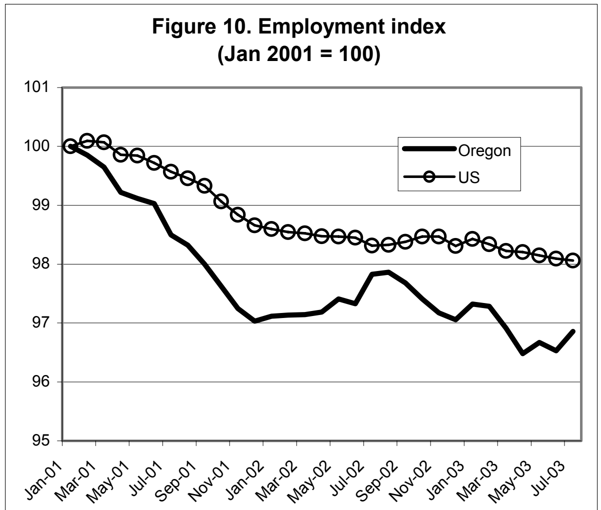
Oregon's economy grew faster and fell harder than other states because it relies more heavily on industries that grew rapidly in the expansion, but lost the most jobs in the downturn. As Robert Parry, President of the Federal Reserve Bank of San Francisco noted, Oregon's "high-tech success in the 1990s has been a mixed blessing" because it "propelled strong growth during the expansion," but left the state "more exposed to the downturn."[9] Also, Oregon's population has continued to grow considerably faster than the national average, despite weak job growth.

Unemployment: Oregon and the U.S.

The unemployment rate increased rapidly in 2001 for Oregon and for the rest of the country (Figure 9). Oregon's unemployment rate was 4.8 percent in January 2001 and peaked at 8.4 percent one year later. The national unemployment rate rose from 4.1 percent to 5.6 percent.



Source: OCPP analysis of BLS data. Seasonally adjusted unemployment rate.



Source: OCPP analysis of BLS data. Seasonally adjusted nonfarm employment. Data through July 2003.

As the economic recovery began in 2002, unemployment fell in Oregon but continued to rise in the rest of the country. During the final month of the official recession, November 2001 according the National Bureau of Economic Research (NBER), Oregon's unemployment rate was 7.8 percent and the U.S. rate was 5.6 percent. One year later Oregon's unemployment had declined by 0.5 percent, but the U.S. rate had increased 0.3 percent.

Toward the end of 2002 the nascent recovery in the labor market appeared to grind to a halt. In 2003 the unemployment rate started rising again in both Oregon and the U.S.. True to form, unemployment in Oregon rose considerably faster than in the rest of the country. Nationally the unemployment rate rose from 5.7 percent in January 2003 to 6.4 percent by June 2003. In Oregon the rate increased from 7.6 percent to 8.5 percent.

Employment: Oregon and the U.S.

The same pattern seen in the unemployment data is also present in employment. The employment data in Figure 10 have been indexed to January 2001 to make the U.S. and Oregon figures comparable. In the U.S. and in Oregon seasonally adjusted non-farm employment declined across most of 2001, with Oregon experiencing larger losses. Between January 2001 and January 2002 the U.S. lost 1.4 percent of employment and Oregon lost 2.9 percent.

As the economy recovered in 2002 job growth returned to Oregon but not the rest of the county. By July 2002 employment in Oregon reached 97.8 percent of January 2001 levels, up from 97 percent in December 2001. Near the end of 2002, Oregon's total employment was higher than at the end of 2001. For the nation as a whole, employment continued to decline across 2002, despite being in a "recovery." The U.S. employment index was 98.8 in November 2001 and 98.5 a year later.

By early 2003 Oregon was losing jobs again. Oregon's economy has lost 6,300 additional jobs since the November 2001 end of the official recession, and 45,100 since the official start of the recession in March 2001. U.S. job losses accelerated in 2003, switching from a "jobless" recovery to what has been called a "job loss" recovery.[10] The national economy has lost more than one million more jobs since the official end of the recession, and more than 2.6 million since the recession started.

Oregon's Reliance on Volatile Industries

Although the economic downturn over the past two and a half years has been broad-based, not all industries have suffered equally. Some industries have continued to add jobs, while several industries can account for the bulk of job losses. Oregon's employment losses have been greater than the rest of the country because it has a larger share of employment in industries that have lost the most jobs, and a smaller share in industries that have experienced the most job growth since January 2001.

Over two-thirds of the net job loss in the United States since January 2001 has occurred in the durable goods manufacturing industry (Table 3). That industry provided 10.5 percent of Oregon jobs, compared to 8.2 percent nationally. Oregon also relies more heavily than the rest of the nation on the wholesale and retail trade sectors. Most of the job growth nationally has been in the education and health services sector, but that industry accounts for a smaller percentage of Oregon's employment than nationally.

Four industries drive Oregon's decline

Similar to the U.S., Oregon's job losses have been felt most heavily in the durable manufacturing industry. In fact, there are a few industries that, while they provide a relatively small share of jobs in Oregon, account for most of the jobs lost since 2001. In particular, four industries - construction, high-tech manufacturing, employment services, and nondurable manufacturing – can account for more than half of job losses since 2001, despite employing only 14 percent of Oregon's workers in January 2000 (Table 4). High-tech manufacturing, construction, and employment services, in particular, played key related roles in Oregon's economic expansion during the 1990s. Rapid growth among high-tech firms, which rely heavily on the employment services industry, attracted thousands of people to Oregon and helped fuel growth in the commercial and residential construction industry. The unraveling of Oregon's high-tech boom is the source of most of the job losses in recent years.

Table 3. Job losses by industry - U.S. and Oregon

	Share of Total U.S. Non-farm Employment Loss Jan 2001 to July 2003	Share of Non-farmEmployment in January 2001	
		U.S.	Oregon
Natural resources and mining	1.5%	0.5%	0.6%
Construction	0.4%	5.1%	5.0%
Durable goods	69.3%	8.2%	10.5%
Nondurable goods	27.7%	4.8%	3.4%
Wholesale Trade	11.8%	4.4%	4.7%
Retail trade	15.5%	11.6%	12.0%
Transportation and utilities	14.2%	3.8%	3.6%
Information	16.7%	2.8%	2.6%
Financial activities	-9.1%	5.9%	5.9%
Professional and business services	29.2%	12.7%	11.4%
Educational and health services	-44.4%	11.6%	11.0%
Leisure and hospitality	-3.4%	9.0%	8.9%
Other services	-4.5%	3.9%	3.5%
Government	-24.8%	15.7%	16.9%

Source: OCPP analysis of BLS and OED data

High-tech manufacturing and nondurable manufacturing continued to decline even during the 2002 recovery, when total employment was rising. Construction and employment services added jobs during that period, but started losing jobs again in 2003.

Health services and restaurants buck recession

The two key industries that provided nearly all of the job growth in Oregon in 2002 are health services and full-service restaurants. These two industries provided only 12 percent of employment in January 2000, but were responsible for more than three quarters of the job

Table 4. Share of total employment change - selected industries

	Jan 2000 total employment	Jan 2001 to Jan 2002 recession	Jan 2002 to Jan 2003 recovery	2003 return to recession
Key Declining Sectors Combined	**14.1%**	**50.9%**	**--**	**52.4%**
--Construction	5.0%	13.0%	14.4%	12.9%
--Computer & electronic products	2.9%	12.6%	-26.9%	18.4%
--employment services	2.6%	18.7%	17.3%	4.8%
--nondurable goods	3.5%	6.5%	-14.4%	16.3%
Key Growth Sectors Combined	**12.4%**	**--**	**76.0%**	--
--Health Services	9.3%	-12.6%	50.0%	-15.6%
--Full-service restaurants	3.1%	-1.3%	26.0%	-8.2%

Source: OCPP analysis of BLS non-farm employment data.

growth in 2002. Both health services and full-service restaurants increased employment even in 2001 and 2003. According to an analysis of the industry in the Oregon Restaurant Association's magazine, *Main Ingredient*, full service restaurants are "one of the shining stars of [Oregon's] economy, adding jobs when many sectors of the economy are experience downsizing and layoffs."[11]

Population growth alongside job losses equals high unemployment

The unemployment rate is a ratio of people to jobs. Unemployment rises, all else equal, when population grows and when jobs are lost. Oregon has seen larger increases in unemployment than the rest of the country because it has lost more jobs and gained more population. According to a recent interview with state labor economist, Art Ayre, one of the key reasons behind Oregon's high unemployment rate is the highly cyclical nature of Oregon's economy, and the other is that "people keep moving to Oregon despite a bleak economy."[12]

Since the recession officially began the labor force in Oregon has grown at least as fast in Oregon as in the rest of the country. The precise measure is sensitive to the months chosen to compare, but between March 2001 and July 2003, Oregon's labor force expanded by 2.3 percent, while the U.S. labor force grew 1.9 percent (Table 5).[13] The difference is relatively small, but combined with larger employment losses has produced larger increases in unemployment in Oregon than other states.

The "labor force" is the measure of population used in calculating the unemployment rate, but it understates the growth in the potential workforce in Oregon because many people have stopped looking for work. Oregon's labor force participation rate fell by 1.6 percent between 2000 and 2002, compared with 0.6 percent for the U.S. as a whole.

Table 5. Faster population growth in Oregon

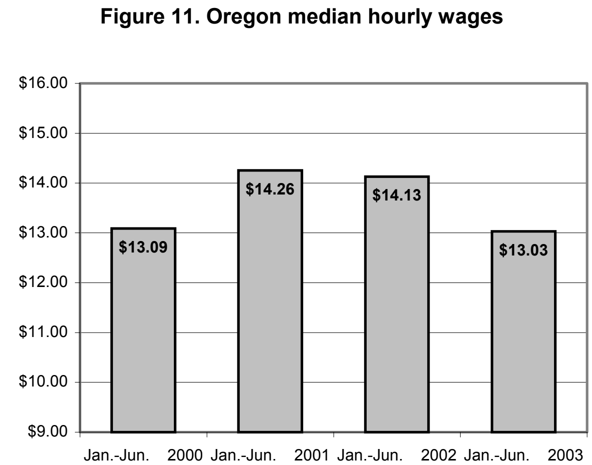
	Oregon	U.S.
Labor Force (thousands)		
Mar-01	1,806	143,871
Jul-03	1,848	146,540
change	2.3%	1.9%
Labor Force Participation		
2000	69.1%	67.2%
2002	67.6%	66.6%
change	-1.6%	-0.6%
Population Growth 2000 to 2002		
Population Under 65	2.9%	2.3%
(rank)	11th	-

Source: OCPP analysis of BLS and Census data and EPI analysis of CPS.

Oregon's total population grew faster than the rest of the country between 2000 and 2002, but growth was particularly rapid among the under 65 population. Among the under 65 population, Oregon grew faster than all but 10 other states, increasing 2.9 percent, compared to 2.3 percent for the nation as a whole.[14]

Working People Suffer the Consequences of Economic Decline

In addition to high unemployment, the dismal economic performance of the past several years has led to falling hourly wages and annual



Source: EPI analysis of CPS data. First half 2003 dollars, adjusted for inflation with CPI-U RS.

Table 6. Hourly wages by percentile (first half of year)

	20th Percentile	50th Percentile	80th Percentile
2000	$8.40	$13.09	$20.61
2001	$8.53	$14.26	$21.87
2002	$8.54	$14.13	$22.72
2003	$8.09	$13.03	$21.56
% change			
2002 to 2003	-5.4%	-7.8%	-5.1%

Source: Economic Policy Institute analysis of CPS. First half 2003 dollars, adjusted for inflation with CPI-U-RS.

earnings for a broad range of workers. Health insurance coverage has also declined and bankruptcy filings have increased dramatically.

Hourly wages decline, again

Workers' hourly wages were slow to respond to the shift in economic fortunes brought by the new century, but are now declining across the board. Most measures of workers' hourly wages continued to rise in 2001, but stagnated and began to decline in 2002 and 2003. One reason for the slow response is that the shifting conditions in the general labor market do not affect wages of employed workers immediately. Another reason for the slow response has to do with the calculation of hourly or weekly wages: workers who lose their jobs are removed entirely from the wage calculation and do not necessarily push wages down.[15]

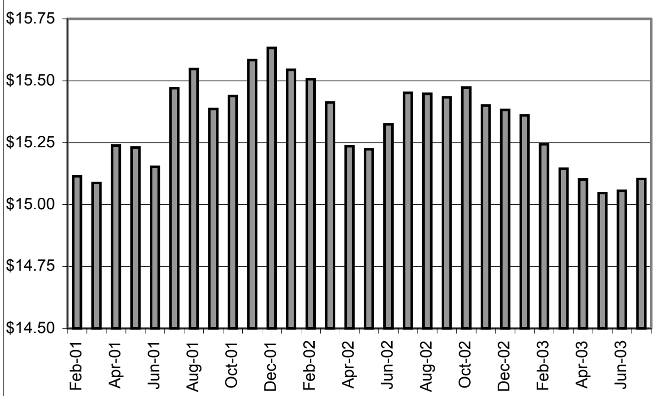
The median hourly wage, earned by the "typical" worker in the middle of the wage distribution, rose to $14.26 in the first half of 2001 and then started to decline (Figure 11).[16] By the first half of 2003, the median hourly wage had fallen to $13.03, almost 8 percent less than in 2002 and slightly lower than in the same period in 2000.

Wages of high and low-paid workers in Oregon increased in 2001 and 2002, and declined in the first half of 2003 (Table 6). For workers at the 20th percentile of the wage distribution, hourly wages increased slightly in the first half of 2002, and fell to $8.09 in the first half of 2003, a 5.4 percent drop from the prior year. Workers at the 80th percentile of the wage distribution experienced steady hourly wage gains in both 2001 and 2002, reaching $22.72 in the first half of 2002. In the first half of 2003 wages at the 80th percentile fell 5.1 percent to $21.56.

Manufacturing wages decline as well

Average hourly wage data are available for each month for certain manufacturing industries. Wages for workers in manufacturing rose in 2001, started falling in 2002, and continued falling in 2003. In durable manufacturing, the real average hourly wage of production workers peaked at $15.63 in December 2001 and fell to $15.10 by July 2003 (Figure 12). Among workers in the computer and electronic products manufacturing industry, which includes Oregon's semi-conductor producing firms, wages peaked at $17.78 in February 2002, and dropped to $15.84 by July 2003.

Figure 12. Durable manufacturing - average hourly wage



Source: OCPP analysis of OED data. 2-month moving average, 2002$ with US CPI-U.

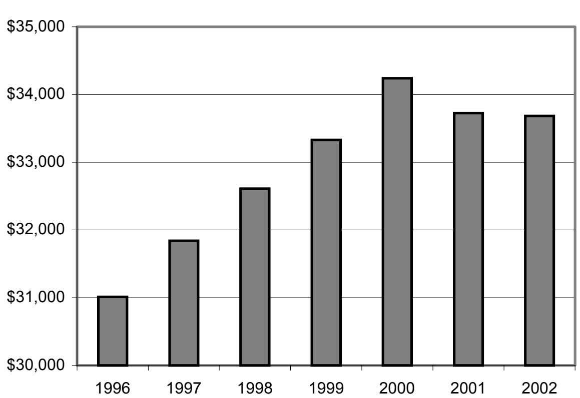
Annual earnings decline, again

When Oregon's economy was booming in the late 1990s, workers' annual earnings increased rapidly. Average annual wages rose from $31,000 in 1996 to $34,200 by the peak of the business cycle in 2000 (Figure 13).[17] The rise in earnings is also captured by an alternative, more complete measure of earnings, based on the Unemployment Insurance wage records. The UI wage record data include *all* covered workers, rather than the number employed at a particular point during the month as in the standard measure of earnings, and can be used to show annual earning for full-year workers and for workers at different wage levels. The average earnings of *all* workers increased from $23,000 in 1995 to $26,700 in 2002 (Figure 14).[18] Among those workers that worked full-year, the increase in earnings was similar, rising from $32,800 to $36,500.

Since 2000 annual earnings have been slowly declining for both measures. Between 2000 and 2002 the standard measure of average annual earnings fell 1.6 percent to $33,700. For all workers, earnings fell 1.5 percent, to $26,300, and among full-year workers earnings dropped 1.7 percent to $35,900.

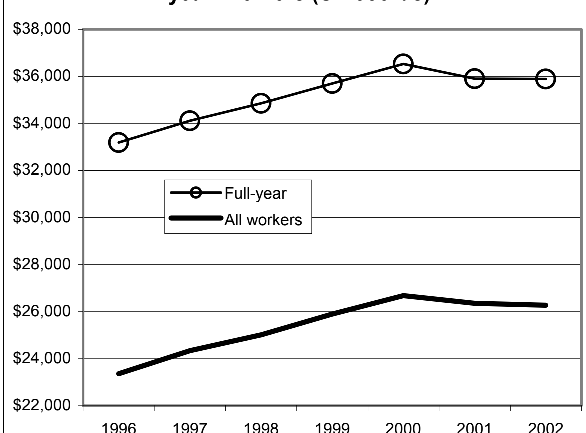
The slow-down in annual earnings is broad-based. Low, middle, and high-paid workers have all lost the wage gains experienced in the late 1990s. Low-paid and high-paid workers have lost ground since 2000, while workers in the middle have barely kept up with inflation (Table 7). Average earnings of the lowest-paid fifth of full-year workers declined to $8,720 in 2002, losing 0.2 percent annually since the start of the recession. The highest-paid fifth of workers lost 1.1 percent, dropping to an average of $83,013 in 2002. The middle fifth of workers fared better,

Figure 13. Oregon average annual earnings (standard measure)



Source: OCPP analysis of OED data. Inflation-adjusted 2002 dollars with US CPI-U.

Figure 14. Average earnings of all and full-year workers (UI records)



Souce: OCPP analysis of OED UI wage records. Adjusted for inflation with US CPI-U, 2002 dollars.

Table 7. Real average earnings trends for Oregon's low, middle, and high-paid full-year workers

	Bottom Fifth	Middle Fifth	Top Fifth
1990	$7,752	$26,026	$68,027
1996	$7,850	$26,437	$76,359
2000	$8,782	$28,105	$86,706
2002	$8,720	$28,288	$83,013
Average Annual Rate of Growth			
1990-1996	0.2%	0.3%	2.0%
1996-2000	5.9%	3.2%	6.8%
2000-2002	-0.2%	0.2%	-1.1%

Source: OCPP analysis of OED UI wage records. Adjusted for inflation with U.S. CPI-U in 2002 dollars.

getting small earnings increases, of 0.2 percent. These increases, though, are close to zero, and considerably smaller than the annual increases of 3.2 percent experienced by the middle fifth of workers during the strong growth years of the late 1990s.

Despite losses since 2000, annual earnings remained $15,000 higher than in 1990 for the highest-paid fifth of full-year workers, $1,000 higher for the lowest-paid workers, and $2,300 higher for workers in the middle.

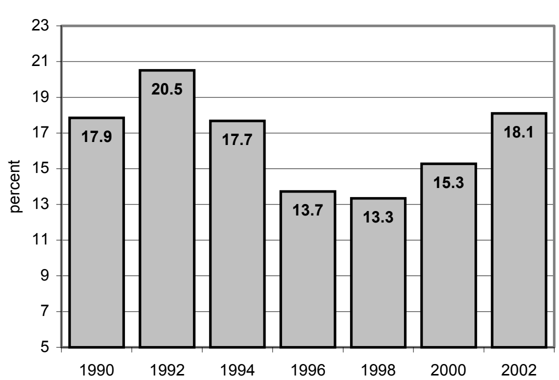
Health insurance declines

Job losses, rising health care costs, and retrenchment in the Oregon Health Plan have all combined in the last several years to drive down the share of working-age Oregonians with health insurance. In 2002 more than 18 percent of Oregonians 18 to 64 lacked health insurance (Figure 15).[19] Recent losses in health insurance coverage take uninsurance back to levels experienced before the introduction of the Oregon Health Plan in 1994.

In addition to thousands of jobs being lost over the last several years, costs are on the rise. Employer-based insurance premiums increased by 11 percent in 2001 and 12.7 percent in 2002, the highest levels in more than a decade.[20] Among those with health insurance, the share of all Oregonians with employer-provided coverage fell to 65 percent in 2002, the lowest point in at least a decade and considerably below 1998, when it was over 71 percent.[21]

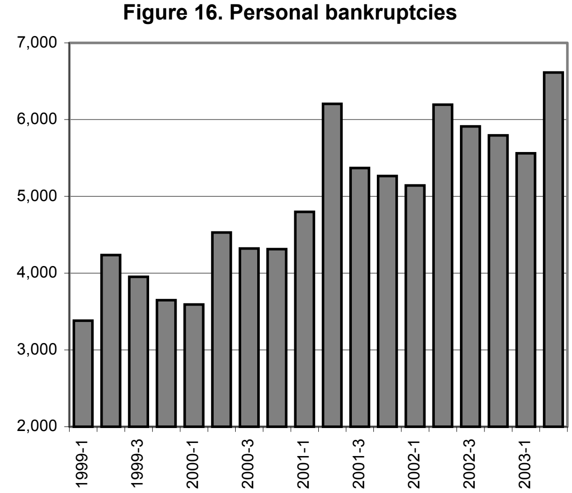
In part a response to the economic downturn, enrollment in the Oregon Health Plan increased in 2001 and 2002. Following the adoption of increased fees and a two-tiered benefit structure in 2003, OHP enrollment declined precipitously. Continued job losses in 2003, along with decreased enrollment in the Oregon Health Plan, suggest the health insurance coverage will continue to decline in coming years.

Figure 15. Working age Oregonians without health insurance



Source: OCPP analysis of OPS, percent of 18 to 64 year olds without health insurance.

Figure 16. Personal bankruptcies



Source: OCPP analysis of ABI data.

Bankruptcy surges

Unable to pay bills due to job loss, reduced hours, or lower wages, thousands of Oregon households have been plunged into bankruptcy over the past two and a half years. The number of households filing for bankruptcy surged to 6,205 in the second quarter of 2001 and has remained above 5,000 in each quarter since (Figure 16).[22] Personal bankruptcies in the first two quarters of 2001 increased 2,900 over the previous year. The most recent data show that bankruptcy filings continue to grow, rising to 6,613 in the second quarter of 2003, breaking a record set just two years earlier.

The Policy Response – For Better or for Worse?

Facing serious job losses and continued high unemployment, policy makers in Oregon have devoted considerable energy over the past two and a half years to finding ways to boost the economy. In reality, state governments are limited in their ability to counter the effects of a recession. Oregon's economy is relatively small – representing just one percent of the U.S. economy – and is subject to national and international economic trends that it cannot control.[23] Oregon policy makers also lack key economic policy tools, notably the ability to run budget deficits or influence interest rates.

Even with limited economic policy options it is still possible for state policy makers to help soften the blow of a recession. It is also possible for them to make it worse. The following sections address the impacts on Oregon's economy from state and federal economic stimulus policy since 2001. The key policies addressed include Unemployment Insurance, the level of government employment, and tax cuts.

The record of these policies has been mixed. Unemployment Insurance (UI) and extended UI benefit programs have softened the impact of the recession on unemployed workers and helped sustain economic activity in hard-hit communities. Recent reductions in public employment have added to job losses in other sectors. Tax cuts at the federal level were poorly designed, and will deliver little stimulus but generate huge and costly deficits.

Unemployment Insurance

Unemployment Insurance benefits are an automatic economic stabilizer that act as stimulus by providing temporary partial wage replacement benefits for laid-off workers. When unemployment grows in a recession UI payments increase, injecting purchasing power into distressed communities. UI benefits help families avoid the worst aspects of unemployment and sustain demand for goods and services provided by local businesses.

The Unemployment Insurance system has been largely successful as a counter-recessionary economic stimulus tool, replacing the wages of tens of thousands of laid off workers and pumping billions of dollars into Oregon's economy by drawing down a trust fund accumulated during the 1990s. As unemployment spells have lengthened, the federal government and Oregon have funded several extensions of the UI program that have benefited Oregon workers.

There have been problems with the UI program, as well. Most extended UI benefits will likely expire at the end of 2003 even if unemployment remains high. Moreover, it is almost certain that Oregon will no longer qualify for additional "high unemployment" benefits even if the program is extended again at the national level. The extended benefits have also failed to help many workers because many are not eligible. This is also a problem with the regular UI program, which leaves many workers ineligible for benefits despite having an established work history.

The Unemployment Insurance record in Oregon

When recession hit Oregon, the Unemployment Insurance system responded. Trailing initial claims by several months, the number of unemployed receiving benefits surged in late 2001 (Figure 17). In January 2001 there were 56,000 Oregonians receiving UI benefits, and by January 2002 there were 95,000 recipients of both regular and extended benefits.[24] Over most of 2002 the number of recipients of regular UI declined. As losses fell off and job growth returned, there were fewer initial claims for UI benefits. Also, many recipients of the regular UI program exhausted their benefits and began receiving extended benefits. In 2003 enrollment in the regular UI program surged as job losses returned, and extended benefit soared as the program was extended and long-term joblessness lingered.

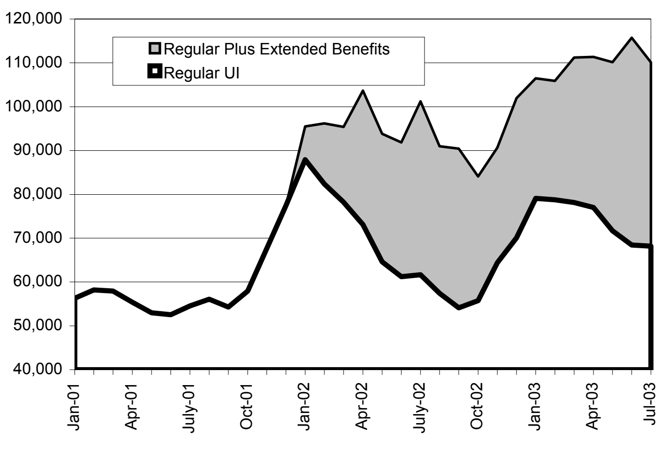
Unemployment Insurance – the quintessential economic stimulus

Unemployment Insurance is the "quintessential" economic stimulus because it responds quickly to economic downturns and is well targeted.[25] Since UI payments only go to unemployed workers, the payments are almost certain to be spent on basic needs.[26] A recent survey of unemployed workers in Washington State showed that workers receiving unemployment insurance spent all of their income, and even went further into debt to meet expenses.[27] Other research shows that Unemployment Insurance helps workers avoid hardships such as hunger and having to sell their homes to make ends meet.[28]

Historically, UI has proved to be effective in limiting the damage from recessions. Extensive research by the U.S. Department of Labor shows that over the past five U.S. recessions economic activity would have declined 15 percent more if the UI system had not been in place.[29] By sustaining consumer spending, UI has been able to save hundreds of thousands of jobs in previous recessions. Each dollar of UI benefits has been shown to boost Gross Domestic Product by $2.15.[30]

Total Unemployment Insurance benefits paid to unemployed Oregonians were $705 million in 2001 and nearly $1.2 billion in 2002.[31] In the first seven months of 2003 UI benefits reached $776 million. Had this resource not been available to workers in Oregon, the recession would have been even worse.

Figure 17. UI recipients



Source: OCPP analysis of OED data. Data through July 2003.

Because UI payments are drawing down a trust fund accumulated in good economic times, as well as drawing on increased federal assistance, they are one of the only effective counter-cyclical economic policies available to state policy makers.

Extended UI benefits

Extended UI benefits, which are only available during periods of high unemployment, have been particularly important in limiting the economic hardship unemployed workers and their families face. Regular UI benefits only cover 26 weeks of unemployment, but

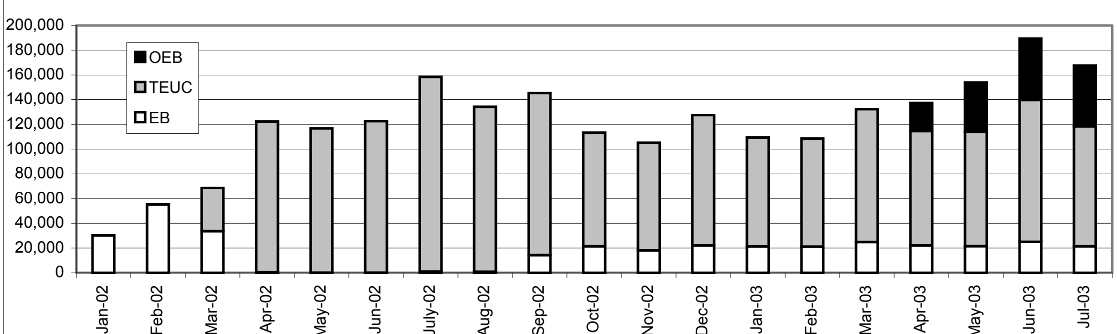
Oregon has had high unemployment for more than two years. One study showed that extended benefits limited poverty among unemployed workers during the early 1990s recession.[32] Without extended benefits 77 percent of unemployed workers applying to the program would have fallen into poverty. With extended benefits in place, only 41 percent ended up below the poverty level. Some unemployed workers fall into poverty because they exhaust even their extended benefits and are unable to find jobs or because low UI benefits leave them below the poverty line.

Extended benefits were first triggered in Oregon in January 2002. The number of extended benefit payments has been above 100,000 per month (benefits are paid weekly) since April 2002, rising to 189,000 in June 2003 (Figure 18).

The permanent Extended Benefits (EB) program, jointly financed by the state and the federal government, was triggered in Oregon in January 2002. After Congress approved the Temporary Extended Unemployment Compensation (TEUC) program in March 2002, unemployed workers were transferred into that program, which is funded by the federal government. Oregon is one of only three "high unemployment" states to qualify for 26 weeks of TEUC benefits as of the middle of August 2003.[33] Oregon is also one of three states currently eligible for benefits under the EB program, and the only state eligible for seven additional weeks of EB payments, due to extraordinarily high unemployment.

Many workers exhausting their TEUC benefits in 2002 were able to receive benefits under the EB program. By the end of 2002, though, thousands of unemployed workers were exhausting both TEUC and EB benefits. As benefit exhaustions mounted – 18,700 exhausted TEUC and 6,400 exhausted EB in the last four months of 2002 – Oregon policy makers responded by creating a state-financed extended benefits program, the Oregon Extended Benefits program (OEB). The OEB program provides up to 19 weeks of extended benefits for workers exhausting federal extended benefits, and made 49,000 payments in July 2003.

Figure 18. Extended benefits payments



Source: OCPP analysis of OED data.

Extended benefits are running out

In July 2003 more than 40,000 workers were receiving extended UI benefits, having previously exhausted their regular UI benefits. By the end of 2003, the programs covering most of these unemployed workers will most likely no longer be available. Oregon may decide to extend the OEB program past September 2003, but it is likely that the TEUC program will end.[34] Congress extended the TEUC in January 2003, and it is currently slated to expire at the end of

December 2003.[35] Even if the TEUC program is extended again, however, Oregon will likely not remain eligible for the 26 weeks of extended benefits.

For workers to be eligible Oregon's unemployment rate must remain above 6.5 percent *and* be ten percent higher than either of the previous two years.[36] Even if the unemployment rate remains as high as 8.0 percent by January 2004, Oregon will still lose eligibility because it will no longer be 10 percent higher than the same period in the previous two years.[37] For the same reason, Oregon will likely no longer qualify for the EB program – neither the regular nor the seven weeks of additional "high unemployment" benefits. Both EB and TEUC high unemployment benefits require that unemployment continue to rise over time in order for workers to continue to receive benefits.

If the OEB program, financed entirely by Oregon, is not extended, tens of thousands of Oregon workers will be stranded, unemployed and without benefits.

Weaknesses in the Unemployment Insurance program

The "threshold" eligibility rules will likely restrict extended benefits in Oregon before unemployment has a chance to fall much, but there are other problems with the regular and extended UI programs that have already limited their effectiveness for unemployed workers. Even before the EB and TEUC programs expire, thousands of unemployed workers have already lost their benefits. Between July 2002 and July 2003, 40,000 workers in Oregon exhausted their UI benefits (both regular and extended) without having found work.[38]

One reason that workers have exhausted extended benefits is that the TEUC program is quite limited, especially when compared with the temporary federal extended benefits program from the early 1990s. In the early 1990s the temporary program provided 26 weeks of basic benefits, compared to 13 weeks under TEUC, and the "high unemployment" states were eligible for 20 additional weeks of benefits, compared to 13 weeks under TEUC.[39] Even though the TEUC program was extended by Congress, it did not provide any additional benefits to workers that had already exhausted TEUC.

Because of other features of the UI and extended UI program, many workers were never eligible for benefits in the first place. Workers seeking part-time jobs, to meet family obligations or for any reasons, are ineligible for benefits in Oregon. Also, since wages earned in the most recent quarter of employment do not count toward UI eligibility, some workers do not receive benefits despite that fact that they have worked. By not qualifying for regular UI benefits, these workers are ineligible for any extended benefits programs.

Because of Oregon's high rate of unemployment compared to other states, workers in Oregon have had better access to extended benefits than those in any other state. Losing extended UI benefits despite continued job losses, unemployed Oregonians may soon be left without any benefits.

Government Employment – Adding to the Job Losses in 2003

Governments are major employers in Oregon. Combined federal, state, and local governments provided over 17 percent of employment in Oregon, or 276,000 jobs in the first half of 2003.[40] Like other industries, when governments lay off workers or reduce their workforce through attrition, the economy suffers. When employment from any source shrinks, there is less demand for goods and services. Public employees who lose their jobs can be expected to decrease their spending on Oregon goods and services. If governments can resist layoffs during a recession, they can help maintain employment and purchasing power in communities.

Table 8. Government employment In Oregon (first half of year)

	Total Government	Federal	State	Local	local gov - education
2000	273,200	31,583	60,517	181,100	105,283
2001	274,883	29,317	61,350	184,217	106,717
2002	279,283	28,933	62,217	188,133	110,367
2003	276,400	29,483	62,033	184,883	107,767
# change					
2000 to 2001	1,683	-2,267	833	3,117	1,433
2001 to 2002	4,400	-383	867	3,917	3,650
2002 to 2003	-2,883	550	-183	-3,250	-2,600
2000 to 2003	3,200	-2,100	1,517	3,783	2,483
% change					
2000 to 2001	0.6%	-7.2%	1.4%	1.7%	1.4%
2001 to 2002	1.6%	-1.3%	1.4%	2.1%	3.4%
2002 to 2003	-1.0%	1.9%	-0.3%	-1.7%	-2.4%
2000 to 2003	1.2%	-6.6%	2.5%	2.1%	2.4%

Source: OCPP analysis of OED data.

Since 2000 government employment practices have had a mixed impact on total employment in Oregon. In 2001 and 2002 state and local governments in Oregon added jobs, but at a slow rate (Table 8). In 2003, however, state and local governments reduced employment. State employment fell by less than 200 jobs in the first half of 2003, but local governments reduced payrolls by 3,250 jobs compared to 2002. Most of the decline in local government employment came in education services. These public sector job losses added to losses in other industries. Federal employment in Oregon, on the other hand, contracted in 2001 and 2002, but rose slightly in 2003. On the whole, employment contracted in the government sector in 2003, declining by nearly 2,900 jobs.

By the first half of 2003, the federal government employed 29,500 Oregonians, down almost 7 percent since 2000. Employment by state government increased 2.5 percent between 2000 and 2003, and local government employment expanded 2.1 percent. Overall public-sector employment growth has been positive since 2000, but relatively small, lagging population growth, which rose an estimated three percent.[41] Public-sector job losses in 2003, though, have turned this sector into one that is now contributing to Oregon's job losses.

Tax Cuts – A Major Missed Opportunity that Will Cost Us Dearly

A series of federal tax cuts since 2001 have been packaged as economic "stimulus," but likely have had only a limited impact on Oregon's economy. The overall size of federal tax cuts has been massive, but poorly targeted and "back-loaded." The tax cuts will produce massive long-term federal deficits and little short-term stimulus. The failure to implement a well-targeted, short-term federal tax cut to boost the economy is a major missed opportunity that will have long-term consequences.

Why federal tax cuts – but not state tax cuts - can provide stimulus

Tax cuts can stimulate economic activity in a recession by spurring demand for goods and services.[42] Tax cuts are an important policy option at the federal level because short-term tax cuts that are not offset by reduced spending can generate employment and investment growth in an economy plagued by excess capacity. Increased consumer spending combined with short-term federal deficits boosts net economic activity in an economic downturn.

Only the federal government can successfully lower taxes without decreasing spending because of the federal government's ability to maintain budget deficit. Since state governments cannot run deficits, lower state taxes result in less public spending, which produces no net increase in economic activity.[43] In fact, the details of public finance and tax law make it almost certain that reduced state spending reduces overall economic activity. Since a considerable amount of state spending is matched by federal spending, state spending brings even more money into Oregon. This is especially true for human services spending: the tens of millions in state spending on nursing homes and other health care programs, for example, are matched at roughly two dollars from the federal government for each dollar spent by the state.[44] Reduced state spending, following a state tax cut, attracts fewer federal dollars to Oregon.

Also, since state income taxes are deductible when calculating federal taxable income, any time income taxes are cut in Oregon there is an automatic increase in federal taxes. The size of this offset is nearly 20 percent from an across-the-board cut, so for every million dollars in reduced state income taxes, federal taxes paid by Oregonians increase by $200,000.[45] If state spending declines $1 million, total economic activity in Oregon drops, despite some level of increased consumer spending.

Because it attracts federal dollars to Oregon and is partially offset by lower federal income taxes, the recent temporary income tax surcharge approved by the legislature will likely boost economic activity in Oregon.[46]

The recent federal tax cuts

Since 2001 the Bush administration has successfully pushed three major tax cuts through Congress.[47] The 2001 tax cut reduced income tax rates, expanded the child credit and the Earned Income Credit, and reduced and ultimately will repeal the estate tax.[48] The 2003 tax cut reduced capital gains and dividend taxes, adopted “bonus depreciation,” and sped up the implementation of many of the provisions of the 2001 law.[49] The 2002 tax cut was much smaller and included primarily corporate tax breaks.[50]

Combined, these changes in law reduced federal taxes paid by Oregonians by $4.9 billion between 2001 and 2003 (Table 9). In 2001 the federal tax cuts reduced Oregonians’ federal taxes by $665 million, primarily through the tax rebate mailed to taxpayers in the summer of 2001. Between 2004 and 2006 the tax cuts will reduce Oregonians’ federal taxes by another $6.3 billion.

Table 9. Size of total 2001-2003 federal tax cuts (millions)

	Total Size of Tax Cuts	Households with income less than $129,000 (bottom 95%)	Households with income less than $71,000 (bottom 80%)	Unemployment Insurance Benefits
2001	-$665	-$569	-$400	$705
2002	-$1,558	-$984	-$615	$1,153
2003	-$2,668	-$1,668	-$942	$776 (to 7/03)
2004	-$2,893	-$1,784	-$998	
2005	-$1,717	-$1,073	-$625	
2006	-$1,672	-$1,026	-$640	
2001-2006 combined	-$11,173	-$7,105	-$4,220	

Source: ITEP

Because they are targeted to the income tax and include cuts in dividend and capital gains income, the federal tax cuts primarily benefit affluent households. In 2002, for example, less than 40 percent of the federal tax cuts, $615 million, went the lowest 80 percent of households, those with incomes below $71,000. This compares with nearly $1.2 billion in Unemployment Insurance benefits paid in Oregon that year. While UI benefits are targeted to those that have lost their jobs, the federal tax cuts were primarily focused on upper-income households, regardless of their employment status.

Table 10. Combined 2001-2003 Federal Tax Cuts for Oregon

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	up to $15,600	$15,600 to $27,000	$27,000 to $43,000	$43,000 to $71,000	$71,000 to $129,000	$129,000 to $265,000	above $265,000
Ave 2003 Income	$9,600	$21,100	$34,000	$55,600	$91,000	$177,000	$710,000
	Disbribution of Cuts						
2001	2.7%	11.1%	18.1%	28.3%	25.4%	8.8%	5.6%
2002	2.0%	6.9%	11.6%	19.0%	23.7%	13.1%	23.6%
2003	1.3%	5.1%	10.3%	18.5%	27.2%	15.0%	22.4%
2004	1.3%	5.1%	10.0%	18.1%	27.2%	15.0%	23.4%
2005	1.5%	6.2%	10.5%	18.2%	26.1%	12.4%	25.1%
2006	1.6%	6.5%	11.1%	19.2%	23.1%	9.4%	29.2%
2001-2006 combined	1.5%	6.1%	11.0%	19.1%	25.8%	13.1%	23.3%
	Average cut						
2001	-$57	-$232	-$376	-$588	-$705	-$911	-$2,345
2002	-$96	-$332	-$560	-$912	-$1,520	-$3,159	-$22,765
2003	-$106	-$419	-$844	-$1,506	-$2,963	-$6,127	-$36,500
2004	-$112	-$440	-$884	-$1,579	-$3,168	-$6,543	-$40,834
2005	-$77	-$318	-$544	-$928	-$1,791	-$3,184	-$25,792
2006	-$78	-$320	-$556	-$939	-$1,525	-$2,332	-$28,972
2001-2006 Average	-$88	-$343	-$627	-$1,075	-$1,945	-$3,709	-$26,201

Source: ITEP

Detailed analysis of the distribution of the federal tax cuts shows that most households will receive very little. In 2003 federal taxes will decline $106 for low-income households, $844 for middle-income households, and $36,500 for the most affluent one-percent. Between 2001 and 2006, the richest five percent of Oregon households will receive over 36 percent of the tax cut, while the bottom 60 percent of households will get only 19 percent (Table 10). The only year in which the federal tax cut is broad-based is 2001, when the new 10 percent rate was implemented. For every other year, most of the benefits of the federal tax cuts flow to upper-income households. By 2006, the richest one percent of Oregonians will receive 29 percent of the tax cut.

The tax cuts are weak stimulus

The sheer size of the combined tax cuts guarantees that they will boost spending in Oregon to some degree, but their distribution make is likely that they will have limited economic impacts. Affluent households get most the tax cut, but these households tend to save considerable portions of their income and are less likely to spend the full tax cut.[51] The households least likely to save the tax cut were the least likely to receive any tax cut at all. Less than half of U.S. households with incomes under $20,000 received a federal tax rebate from the 2001 tax cut, even though most of them paid payroll, sales, property, and other taxes.[52] More than half of all Oregon households received less than $100 in 2003 from the 2003 tax cut.[53] By 2005, 76 percent of Oregon households will receive less than $100 from the 2003 tax cut.

The Congressional Budget Office (CBO) concluded that many of the provisions included in the 2003 tax cut would have little "bang for the buck," generating relatively little economic growth compared to the amount of lost tax revenue.[54] In fact, the policy singled out by the CBO as being the *least* effective, reducing taxes on capital gains income, was one of the largest parts of the final 2003 tax cut. Similarly, economists at the Federal Reserve Board concluded that a proposal similar to the 2001 federal tax would increase economic output by less than 50 cents per dollar of tax reduction in the short-run.[55]

The federal tax cuts provide little short-term stimulus compared to the size of the tax cut in part because they were "back-loaded." Between 2001 and 2012, the 2001 and 2003 tax cuts combined will reduce federal taxes by more than $1.7 trillion.[56] More than 70 percent of the tax cuts will come in 2005 and later, long after the end of the recession. Only 17 percent of the total tax cut fell between 2001 and 2003.[57] The impacts of these tax cuts would appear even more heavily back-loaded if the cost of increased debt financing, and more realistic treatment of "sunsets," and other provisions were included in the official scoring.[58]

The Brookings Institution concluded that the 2003 federal tax cut "will have little or no discernable effect on economic growth in the short run and will plausibly reduce the size of the economy in the long-term."[59] Several studies by economists in business, academia, and government have concluded that the 2001 and 2003 tax cuts would likely reduce economic growth over the long-term by increasing deficits over the long term, reducing national savings, and driving up long-term interest rates.[60] The most recent CBO projections show that the federal deficit will be over $400 billion in 2003 and will total more than $4 trillion between 2004 and 2013.[61]

Early in 2001 federal policy makers had the option of pursuing well-targeted short-term tax cuts that would have been more effective in stimulating the economy without incurring long-term deficits. Instead the administration opted to pursue tax cuts that the 2001 Nobel Prize-winning economist George Akerloff has called "irresponsible" and the product of "the worst government the U.S. has ever had in its more than 200 years of history."[62] As Akerloff indicated, we will pay a serious price within a decade for foolish economic policy.

Conclusion

In early 2003 Oregon's nascent economic recovery faltered. Unemployment in Oregon remains high, and working people are experiencing falling wages, record bankruptcy, and loss of health insurance. Until the national economy recovers, Oregon cannot realistically expect to experience significant economic growth.

Policy makers in Oregon can support unemployed workers and prevent the economic downturn from spreading further by continuing extended Unemployment Insurance benefits and maintaining levels of public employment. The misguided federal tax cuts of the last several years should be over-turned, and any new tax cuts need to be made short-term and focused on the low and middle-income families who need them and who would spend them.

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Endnotes.

[1] The report explaining the NBER Business Cycle Dating Committee's decision is located at http://release.nber.org/recessions.pdf.

[2] The small declines in the ad count that occurred in the second half of 2000 appears to reflect a leveling-off in ads from the period of extraordinarily rapid hiring that took place in the mid and late-1990s. The entry into recession is better signaled by the steep declines in help-wanted ads in early 2001.

[3] To qualify as a "mass layoff" 50 or more workers from a single establishment must file for Unemployment Insurance benefits in a consecutive five week period.

[4] Due to sample size restrictions, the data on unemployment by race in Oregon is not reliable for a single year and is not presented.

[5] Vroman, Wayne, "Unemployment Insurance Primer: Understanding What's at Stake as Congress Reopens Stimulus Package Debate," Urban Institute, January 2002.

[6] Export data from the Census Bureau Foreign Trade Division, as tabulated by the Massachusetts Institute for Social and Economic Research (MISER), available at http://www1.miser.umass.edu/trade/. Export data are the "origin of movement" series, based on Census "Shippers Export Declaration." According to MISER, the SED asks for "the state where the product began its journey to the point of export." That state, MISER elaborates, "is not necessarily the state of manufacture or where the product was grown or mined. It may in some cases be the state of a broker or wholesaler or the state of consolidation of shipments. This issue results in some inflation of exports for the major port states and understatement of exports for other states… The problem is the most acute for agricultural shipments and less so for manufactured exports. Despite its limitations, the adjusted MISER origin of movement data is generally acknowledged as the best available on state exports."

[7] Sleeth, Peter, "Oregon Exports Begin to Rally," *The Oregonian*, August 25, 2003.

[8] For further discussion of trends in gross state product: Thompson, Jeff and Michael Leachman, *Boom, Bust, and Beyond: The State of Working Oregon 2002*, Oregon Center for Public Policy, November 2002.

[9] Speech by Robert Parry on August 2, 2002, at Embassy Suites in Portland. Text available at http://www.frbsf.org/news/speeches/index.html. See also Tripp, Julie, "Double dip not on menu, Federal Reserve Bank CEO says," *The Oregonian*, August 5, 2002.

[10] Krugman, Paul, "Twilight Zone Economics," *New York Times*, August 15, 2003.

[11] Tauer, Guy, "Employment Trends in Oregon's 'New' Restaurant Industry," *Main Ingredient*, April 2003.

[12] Bellotti, Mary, "Art Ayre," *Portland Tribune*, August 19, 2003.

[13] OCPP analysis of BLS data.

[14] Oregon's total population grew 2.6 percent between 2000 and 2002, faster than all but 16 other states, compared to 2.2 percent growth for the U.S.

[15] How or whether the removal of a worker impacts the outcome of the wage calculation depends on where they are in the distribution of wages. All else equal, removing a highly paid worker from the calculation will tend to decrease the average hourly wage of those employed, while removing a low-paid worker will increase the average hourly wage. So, the impact of job losses on wage calculations depends on the distribution of job losses across the wage scale.

[16] Hourly wage by percentile data were calculated by the Economic Policy Institute. EPI used the Consumer Price Index "Research Series" to adjust for inflation.

[17] OCPP analysis of OED average annual earnings data. 2002 dollars adjusted for inflation with US CPI-U.

[18] OCPP analysis of OED UI wage record data. 2002 dollars adjusted for inflation with US CPI-U.

[19] OCPP analysis of the Oregon Population Survey, various years.

[20] Center for Studying Health System Change, "Tracking Health Care Costs," Data Bulletin No. 22, September 2002.

[21] OCPP analysis of Oregon Population Survey data. Figures are for all Oregonians with health insurance, and coverage includes "own employer," "spouse or partner's employer," and "parent's employer." See

Thompson, Jeff & Michael Leachman, *Boom, Bust, and Beyond: The State of Working Oregon 2002*, Oregon Center for Public Policy, November 11, 2002, page 86. Available at www.ocpp.org/2002/nr021103.htm.

[22] OCPP analysis of data from the American Bankruptcy Institute, available at www.abiworld.org.

[23] OCPP analysis of BEA and BLS data. A variety of economic indicators show that the Oregon economy is just one percent of the national economy. Oregon's Gross State Product in 2001 was just 1.2 percent of US GSP. Oregon's non-farm employment was just 1.2 percent of the US in June 2003.

[24] OCPP calculations based on OED data. Number of extended benefit recipients is calculated by dividing total extended benefit payments by four.

[25] Kruger, Alan, "Fix Unemployment Insurance First," Comments at NELP Briefing, November 1, 2001.

[26] Orszag, Peter, *Strengthening Unemployment Benefits would be much more effective in saving jobs that most corporate tax cuts,* Center on Budget and Policy Priorities, November 14, 2001("Because the spending needs of these families typically exceed their income following the loss of a job, the families are likely to spend a high percentage of any additional income they receive during their period of unemployment").

[27] Stettner, Andrew and Maurice Emsellum, *Unemployment Insurance is Vital to Workers, Employers, and the Struggling Economy,* NELP December 5, 2002.

[28] Research by MIT economist Jonathan Gruber, reviewed in Stettner and Emsellum.

[29] Chimerene, Lawrence, Theodore Black, and Lester Coffey, "Unemployment Insurance as an Economic Stabilizer: Evidence of Effectiveness Over Three Decades," Department of Labor, *Unemployment Insurance Occasional Paper* 99-8, 1999. The measure of economic activity in the DOL paper is real Gross Domestic Product.

[30] ibid.

[31] OCPP analysis of OED data.

[32] The study, conducted by Mathematica Policy Research, is discussed in Emsellum, Maurice and Jeffrey Wenger, "Time to Fix the Federal Unemployment Benefits Program," Economic Policy Institute and National Employment Law Project, July 2002.

[33] DOL TEUC Trigger Notice No. 73 for August 17, 2003. Available at www.workforcesecurity.doleta.gov/unemploy/teuc/teuc83.html.

[34] OED press release, July 22, 2003.

[35] National Employment Law Project, June 11, 2003.

[36] There are three ways to qualify for TEUC and TEUC-X (extended) benefits, and Oregon qualifies under the easiest set of rules. The other eligibility formulas require the "insured unemployment rate" to be above four percent or six percent. For Oregon, the unemployment rate must be above 6.5 percent for the average of the most recent three months. For eligibility details, see www.nelp.org.

[37] OCPP analysis of OED data. Oregon's three-month average unemployment rate was 8.0 percent in January 2001 and 7.4 percent in January 2002. To remain eligible for 26 weeks of TEUC benefits, Oregon's unemployment rate would have to be 8.1 percent in January 2004 and continue to rise after that.

[38] OCPP analysis of OED data. Calculation is total final payments in regular and extended benefits less initial claims for all extended benefit programs.

[39] Goldberg, Jessica and Isaac Shapiro, *Looking Back and Looking Forward: An Assessment of the Temporary Federal Unemployment Benefits Program and the Needs of the Long-term Unemployed,* Center on Budget and Policy Priorities, March 5, 2003.

[40] OCPP analysis of BLS employment data for June 2003. Figures are not seasonally adjusted.

[41] OCPP analysis of DAS economic and revenue forecast data. Figure is the percent change between the 2003 annual average projection for total population and the 2000 estimate of the annual average for total population.

[42] Congressional Budget Office, "Economic Stimulus: Evaluating Proposed Changes in Tax Policy," January 2002.

[43] Vermont is the only state not required to maintain a balanced budget.

[44] See Thompson, Jeff, *A Step in the Right Direction: Measure 28 and Oregon's Economy,* Oregon Center for Public Policy, December 19, 2002.

[45] Institute for Taxation and Economic Policy.

[46] For more detailed analysis of the economic impacts of this type of tax increase, see Thompson, Jeff, *A Step in the Right Direction: Measure 28 and Oregon's Economy,* Oregon Center for Public Policy, December 19, 2002.

[47] These cuts include the Economic Growth and Tax Relief Reconciliation Act of 2001(EGTRRA), the Jobs and Growth Tax Relief Reconciliation Act of 2003, and 2002 .

[48] Several other provisions of the EGTRRA include reduction of the marriage penalty, increased subsidies for education and retirement savings, limited relief from the Alternative Minimum Tax, and repeal of limitations on itemized deduction and phase-outs of personal exemptions. See Gale and Potter, "The Bush Tax Cut: One Year Later," Brookings Institute, June 2002 for more details.

[49] The "Jobs and Growth" act also includes fiscal relief for states. See the Brookings-Urban Tax Policy Center http://www.taxpolicycenter.org/commentary/congress/x-54-03.pdf for a full description of the provisions of the 2003 tax cut bill.

[50] Institute for Taxation and Economic Policy, "Corporate Loophole Lobbying Conquers House Misdirected House "Stimulus" Bill Gives Corporate Tax Avoiders $8 for Every Dollar Going to Unemployed Workers," March 7, 2002.

[51] Analysis of the rebate from the 2001 federal tax cut shows that 33 percent of households with incomes above $75,000 saved the rebate, compared to 21 percent of low-income households, those with incomes below $20,000. OCPP analysis of data presented by Shapiro, Matthew and Joel Slemrod, "Consumer Response to Tax Rebates," NBER Working Paper, November 20, 2001.See table 2.

[52] Ibid.

[53] Institute for Taxation and Economic Policy, "Most Taxpayers Get Little Help from Latest Bush Tax Plan," May 30, 2003.

[54] CBO, January 2002, page 27.

[55] David Elmendorf and David Reifschneider, quoted in Kogan, Richard *Will the Administration's Tax Cuts Generate Substantial Economic Growth?* Center on Budget and Policy Priorities, March 3, 2003.

[56] The cost of the 2002 economic stimulus tax cut is excluded here because it costs impact depends on unprecedented expiration of corporate tax cuts. Few expect that these provisions will actually expire, making the official estimates seriously underestimate their actual cost. Source: ITEP.

[57] OCPP analysis of ITEP and JCT data.

[58] Greenstein, Robert, Richard Kogan and Joel Friedman, *New Tax Cut Law Used Gimmicks to Mask costs: Ultimate Price Tag Likely to be $800 Billion to $1 Trillion,* Center on Budget and Policy Priorities, June 1, 2003..

[59] Gale, William and Samara Potter, "The Bush Tax Cut: One Year Later," Brookings Institution, June 2002.

[60] Ibid.

[61] Kogan, Richard, "$401 Billion Vs $455 Billion: Good News, Bad News, or No News?," Center on Budget and Policy Priorities, August 13, 2003.

[62] Interview with George Akerloff in *Der Spiegel*, July 29, 2003.