OREGON CENTER FOR PUBLIC POLICY

ISSUE BRIEF

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Oregon's Long Climb Back for Jobs

By Jeff Thompson

Employment figures released today by the Oregon Employment Department confirm that job growth has returned to Oregon's economy but full recovery from the recession is more than a year away. Analysis of industry growth trends suggests that the lack of health insurance will continue to plague Oregon in the months and years ahead.

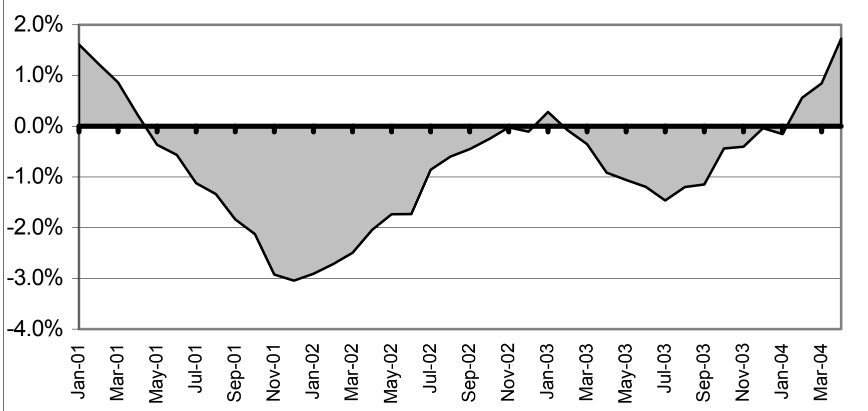
Seasonally adjusted employment increased 8,600 between March and April, following earlier job gains in February and March. Unemployment also declined to 6.7 percent in April, considerably lower than the 8.6 percent unemployment rate from April 2003.

The current jobs expansion appears stronger than the short-lived one in early 2003, but projections show that it will take another 14 months for employment gains to replace jobs lost during the 2001 recession. It will take even longer to provide jobs for the growing working-age population, which has expanded by 99,000 since early 2001.

Though the 2001 recession ended up having a larger and longer-lasting impact on jobs than the 1991 recession, it was not as bad as the combined effect of the two recessions in the early 1980s (in 1980 and in 1981). With recovery expected to take four and a half years (55 months) from the pre-recession job peak, Oregon's current employment recovery is expected to take almost as long to restore lost jobs as occurred following the 1981 recession (59 months). Furthermore, the jobs the economy has added are lower paying and less likely to provide health insurance than those that have disappeared since 2001.

Will job growth continue?

Figure 1. Oregon employment growth

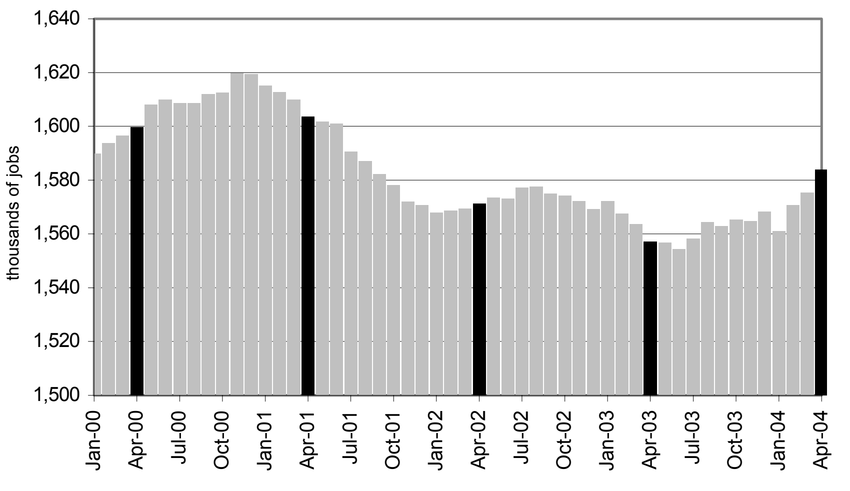


Source: OCPP analysis of OED data. Nonfarm employment. Data through April 2004. Year over year percent change.

While it is impossible to know whether the jobs recovery will reverse itself later, the current expansion does appear stronger than the brief period of growth in early 2003 (Figure 1). Year-over-year job losses bottomed out in December 2001, with the rate of job loss slowing thereafter. By January 2003, Oregon posted positive growth, expanding 0.3 percent. After just one month of growth, however, job losses returned. Oregon continued to post job losses for the rest of 2003, but by February 2004 job growth returned. Since February, employment has grown 0.9 percent on average each month compared to the same period in the prior year.

How many jobs are still needed?

Figure 2. Employment in Oregon



Source: OCPP analysis of OED data. Seasonally adjusted nonfarm payroll employment. Through April 2004.

Oregon's economy lost 65,000 jobs between November 2000 and June 2003 (Figure 2). The 7,700 jobs added each month on average since February 2004 are heading in the right direction, but there is a long way to go before employment returns to levels seen before the 2001 recession. April's employment level of 1,584,000 is still 35,700 below the November 2000 peak.

An even greater number of jobs are needed to employ the growing working-age population. Since last April, employment has expanded by 26,800, but the working-age population has grown by 29,580 (Table 1). Oregon remains almost 20,000 jobs down from April 2001, and the working-age population has expanded by 99,000, leaving a gap of 118,000 jobs needed to employ job losers as well as the expanding working-age population.

Table 1. Gap Between Working-age Population and Jobs

	Employment	Working-age population*	
Apr - 01	1,603,700	2,070,860	
Apr - 03	1,557,200	2,139,970	
Apr - 04	1,584,000	2,169,550	
change			Total Gap in Employment
Apr 03 to Apr 04	26,800	29,580	2,780
Apr 01 to Apr 04	-19,700	98,690	118,390

*working-age population is from second quarter of each year.
Source: OCPP analysis of OED and economy.com data.

How does the 2001 recession compare to previous recessions?

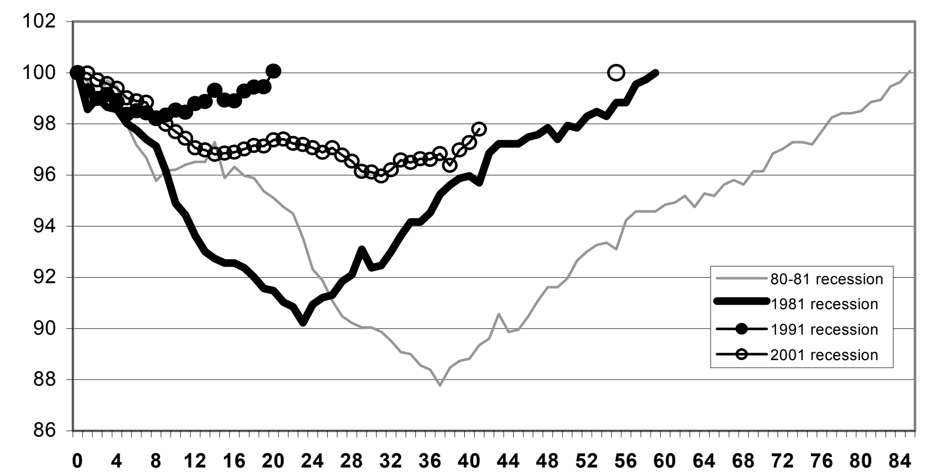
In April 2004, 41 months after falling into recession, employment in Oregon remains 2.2 percent below pre-recession levels (Figure 3). Following the early 1990s recession it only took Oregon 24 months to restore lost jobs. The 2001 recession was worse than the early 1990s recession by almost any measure, but it probably won't turn out to be as bad as the combined impact of the 1980 and 1981 recessions.

How well the current recovery compares to previous recoveries depends not only on future job growth, but also how the "early 1980s" recession is defined. In the early 1980s the US economy officially went through two back-to-back recessions, one lasting from January 1980 to July 1980 and the other lasting from July 1981 to November 1982.[1] Between these two recessions (the 1980 recession and the 1981 recession), the US economy added jobs. Oregon's economic contraction in the early 1980s did not follow the exact timing of the US economy, but also suffered back-to-back recessions, while adding jobs between the two.

When measured against job losses during the 1981 recession, following Oregon's employment peak in January 1981, the 2001 recession was not as deep, but is on track to take as long to recover.[2] Twenty months into the 1981 recession, employment had fallen nearly 10 percent. It took 59 months, or just short of six years, to replace all of the jobs lost in the 1981 recession. At the worst-point in the recovery from the 2001 recession – at 31 months –employment was down only four percent, but at 41 weeks employment was still 2.2 percent below levels from the previous peak. At 41 weeks into the 1981 recession employment was still four percent below the prior peak.

Oregon's Office of Economic Analysis projects that Oregon's quarterly employment, which peaked in the fourth quarter of 2000, will regain peak levels in the second quarter of 2005. If employment growth continues as projected, it will take 55 months for Oregon to regain jobs lost in the 2001 recession, falling just four months short of the 59 months needed for recovery from the 1981 recession.[3]

Figure 3. How many months to replace lost jobs?
Employment Index = 100 at peak of previous expansion



Source: OCPP analysis of OED data. Projection for 2001 recession based on OCPP analysis of OEA forecast.

Despite the official designation of two separate recessions in the early 1980s, it is common to refer to this entire period as one long "double-dip" recession. In the case of Oregon this makes even more sense than at the national level, as the jobs recovery period between the two recessions was shorter and weaker than nationally. Employment had not fully recovered from the 1980 recession by the time the 1981 recession started. Measured against the combined "double-dip" 1980 and 1981 recessions, Oregon's current recovery does not look nearly as bad. The 1980-81 recession hit bottom after 37 months, losing 12 percent of jobs from the November 1979 peak. The lost jobs were not restored until 85 months after the peak. After forty-one weeks of the 1980-81 recession, employment was still 11 percent below peak levels. Fifty-five weeks into the 1980-81 recession, employment in Oregon was still seven percent below peak levels.

What kind of jobs is the economy adding?

Job growth is returning to Oregon's economy, but there is reason to be concerned with the quality of those jobs, in terms of pay and benefits. State-level analysis of industry growth trends since early 2001 show that low-paying jobs that are less likely to have health insurance have expanded, while high-paying jobs with benefits have declined. [4] Oregon industries losing employment between March 2001 and March 2004 have average earnings of $41,600, while those adding jobs paid just $30,700 on average. Declining industries provided health insurance for 66 percent of their workers, while expanding industries provided insurance for only 53 percent of their workers.

Endnotes:

[1] Official recession dates are determined by the Business Cycle Dating Committee at the National Bureau of Economic Research, available online at http://www.nber.org/cycles.html.

[2] The index for employment in the early 1980s is based on the Oregon Employment Department's Nonfarm Payroll Employment Index. Oregon's employment peak in the 1980 recession was November 1979, and it was January 1981 in the 1981 recession, August 1990 in the 1991 recession, and November 2000 in the 2001 recession. The employment index for the 1991 and 2001 recessions are based on OED seasonally adjusted employment figures.

[3] OEA data show that that employment peaked in the fourth quarter of 2000 at 1,616,500, and will reach 1,618,200 in the second quarter of 2005. The projection of 55 months to replace jobs lost during the 2001 recession assumes that the peak is reached in middle month of the second quarter during 2005.

[4] Economic Policy Institute, Economic Snapshot for May 12, 2004, available at www.epinet.org/content.cfm/webfeatures_snapshots_05122004.

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