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Unbalanced Growth in Oregon: Five Quarters After the Great Recession

How did job losses during and job growth following the 2008 recession compare to that of the 2001 recession in Oregon? Were the trends of industries paying higher, middle, and lower wages different? How did Oregon's experience of the last decade's economic cycles compare with the national experience?

The National Picture

In February of this year, the National Employment Law Project (NELP) released a report, *A Year of Unbalanced Growth: Industries, Wages, and the First 12 Months of Job Growth After the Great Recession*, describing the results of analyses that strove to answer the questions above, for the nation as a whole. Two key findings of the NELP report are the following:

1. There is a significant imbalance between where private-sector job losses and subsequent job growth occurred in the 2008 recession. Higher-wage industries constituted about 40 percent of job losses, but only 14 percent of recent job growth. Lower-wage industries comprised 23 percent of job losses and nearly 50 percent of all recent job growth.
2. The recovery following the 2001 recession looked much better than the current period of recovery. After a year of job growth, nearly half of the private-sector jobs lost in the 2001 recession had been recovered; after a comparable period of time, only 14 percent of the jobs lost in 2008 and 2009 had been recovered. The recovery from the 2001 recession also saw significantly more growth in higher-wage industries.

Background

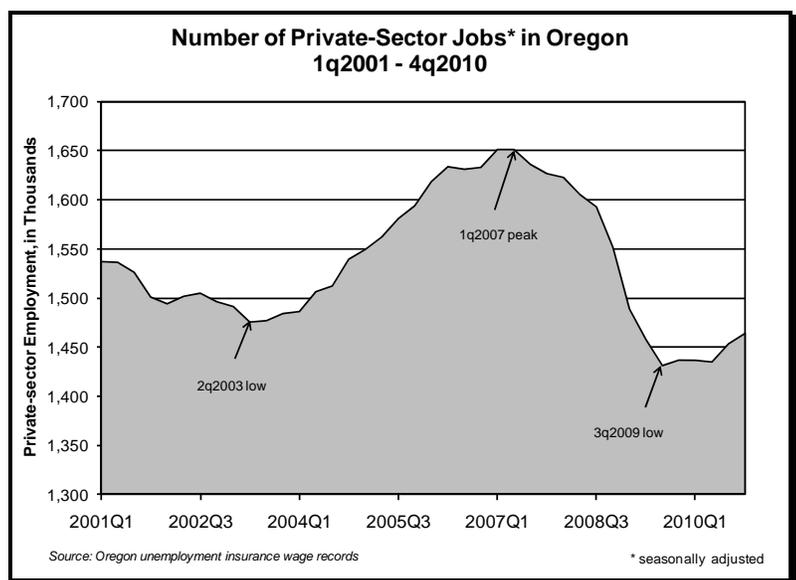
This Oregon study drew inspiration from *A Year of Unbalanced Growth*. The types of analyses used and methods of presenting results closely parallel those followed by NELP. One small difference was in the choice of time periods for pulling data for the comparative analysis. NELP used data from the low points in national employment and a point 12 months into the recoveries (February 2010 and January 2011, for the 2008 recession). Because Oregon's recent economic recovery lagged a bit behind the nation's, the Oregon study evaluates the

state's recovery five quarters after its recessionary low point. However, to make direct comparisons between the Oregon and national recoveries (based on the results of the NELP analysis), wage data from four quarters following Oregon's recessionary low points was also analyzed.

The results presented in this report are based entirely on the analysis of private-sector Oregon Unemployment Insurance (UI) wage records. In contrast, the NELP study drew on two sources of private-sector U.S. Bureau of Labor Statistics (BLS) data: Current Employment Statistics (CES) survey data for seasonally adjusted monthly payroll employment, and Occupational Employment Statistics (OES) survey data for occupational wage and employment data by North American Industry Classification System (NAICS) industry. There are four important differences between UI wage data and the BLS-derived statistics. The survey data elements of the latter are essentially point-in-time measures (e.g., the number of workers employed by a firm during a single payroll period). The Oregon UI wage records include all workers employed by a firm during a quarter. The greater the amount of churn as workers come and go during a quarter, the more the number of wage record jobs will exceed the estimate of the BLS surveys. Because employers that pay low wages may experience more job churn than employers that pay higher wages, the UI wage data "amplification" of employment will likely be more pronounced for low-wage employers. A second difference is that although both BLS and UI wage data represent non-farm employment, the CES and OES also include non-covered employment such as real estate, railroad workers, and university student employment. Thirdly, CES and OES estimates are reported by month, whereas Oregon UI wage data is reported by quarter; any within-quarter volatility observable in the CES and OES data would effectively be smoothed and hidden by quarterly reporting. Finally, CES and OES data are survey-based estimates and as such, are subject to sampling and non-sampling error. The Oregon UI-covered wages database, on the other hand, consists of the wage records (workers' wages and hours each quarter) of all UI-covered employers in Oregon.

Recession and Recovery: Job Loss and Growth in Oregon

The 2008 recession in Oregon, from the peak number of jobs in the first quarter of 2007 to the low in the third quarter of 2009, brought a seasonally adjusted loss of more than 220,000 private-sector jobs (Graph 1). Between the third quarter of 2009 and the fourth quarter of 2010, the private sector experienced a net gain of about 33,000 jobs. The fourth quarter 2010 total private-sector job count in Oregon was 1.46 million, 11.4 percent lower than the first quarter 2007 peak of 1.65 million jobs. In contrast, total job losses during the 2001 recession (measured between the first quarter of 2001 and the second quarter of 2003)



Graph 1

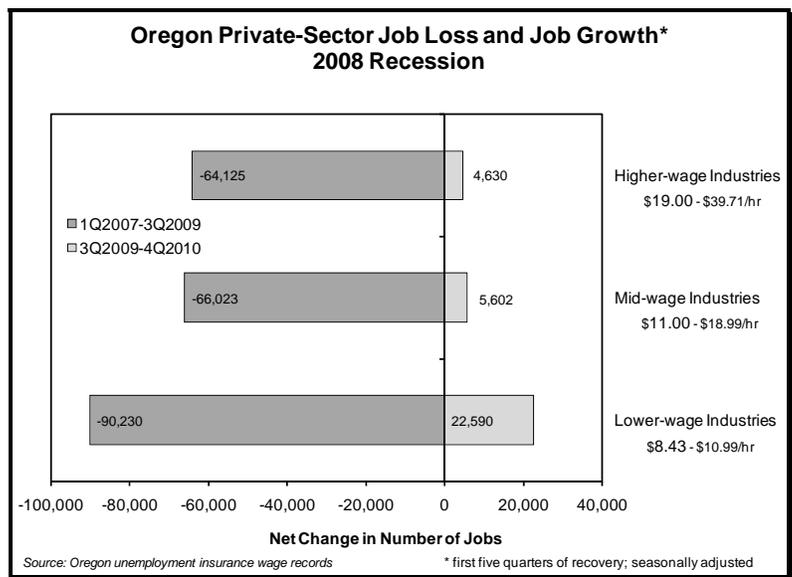
numbered only about 62,000; nearly 37,000 jobs were gained during the first five quarters of subsequent expansion.

Which industries have been recovering after the 2008 recession and what are the wages they pay? How do the job loss and growth patterns of the recession earlier this decade compare to the 2008 recession? To answer these questions, the first quarter 2007 median hourly wage (inflation adjusted to 2010, using the Consumer Price Index) and seasonally adjusted number of jobs by quarter (first quarter 2001 – fourth quarter 2010) were determined for each of 84 detailed industries (3-digit NAICS). The industries were sorted by median wage and divided into three groups (lower-wage, mid-wage, and higher-wage) so that each group had roughly the same total number of jobs. The job losses and job growth for each of these groups were then calculated and tracked over time.

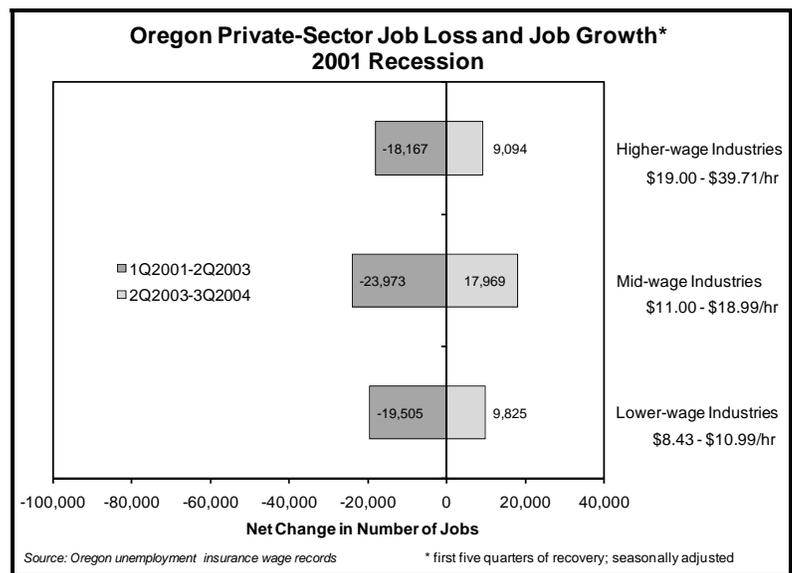
Graph 2 reveals that higher- and mid-wage industries accounted for nearly 60 percent of total job losses in the 2008 recession, but little more than 31 percent of job growth in the first five quarters of the recovery. Lower-wage industries constituted 41 percent of the job losses and 69 percent of the growth in jobs. From another perspective, job gains represented 25 percent, 9 percent, and 7 percent, respectively, of the recessionary job losses in lower-, mid-, and higher-wage industries.

The ratios of job losses to subsequent job growth are striking. Among higher-wage industries, 14 jobs were lost to the recession for every one gained back in the subsequent five quarters of recovery. The mid-wage industry ratio was 12 to one. At the lower-wage end of the spectrum, the ratio was four to one.

In comparison, job growth following the 2001 recession (Graph 3) was more in balance with job losses. Roughly half the number of jobs lost in higher- and lower-wage industries were gained in the first five quarters after the low point of



Graph 2



Graph 3

the recession. Fully three-quarters of mid-wage jobs lost were recovered. Sixty-eight percent of all job losses and 73 percent of all job gains were in mid- and higher-wage industries.

Professional and business services constituted almost half (44%) of net job growth following the 2008 recession (Table 1). Seventy percent of the jobs it added were in the administrative and support services industry (median wage \$10.99/hr), which includes temporary help services. Retail trade, leisure and hospitality, and nondurable manufacturing also experienced job growth, but the number of jobs in the fourth quarter of 2010 for all four of these industries remained well below the peak numbers in the first quarter of 2007. Educational services and health services saw growth in the number of jobs both during and following the 2008 recession. In fact, these broad industries are the only two that experienced job growth between the first quarter of 2007 and the fourth quarter of 2010.

Table 1

Net Growth and Net Loss Broad Industries, 3q2009 - 4q2010						
Net Growth Industries	Change in Number		Number of Jobs ¹ 4q2010	Number of 4q2010 Jobs ¹ Relative to 1q2007	1q2007 Median Hourly Wage ²	
	1q2007 - 3q2009	3q2009 - 4q2010				
Professional and Business Services	-41,125	17,790	198,434	-10.5%	13.85	
Retail Trade	-41,210	6,642	204,240	-14.5%	11.02	
Health Services	11,732	6,099	215,787	9.0%	17.12	
Leisure and Hospitality	-22,110	3,424	186,517	-9.1%	9.40	
Nondurable Manufacturing	-7,919	2,436	54,452	-9.1%	10.87	
Educational Services	1,248	1,834	30,312	11.3%	17.38	
Durable Manufacturing	-44,477	713	121,588	-26.5%	19.90	
Other Services	-4,889	696	60,161	-6.5%	13.61	
Agriculture, Forestry, Fishing and Hunting, and Mining	-4,680	667	64,839	-5.8%	10.72	
Net Loss Industries						
Wholesale Trade	-7,232	-115	77,974	-8.6%	20.25	
Utilities	64	-211	7,430	-1.9%	39.71	
Transportation and Warehousing	-5,682	-432	43,634	-12.3%	18.07	
Information	-5,679	-678	33,364	-16.0%	23.72	
Finance and Real Estate	-10,370	-2,189	85,901	-12.8%	18.58	
Construction	-38,049	-3,854	79,298	-34.6%	19.63	
All Broad Industries	-220,378	32,822	1,463,931	-11.4%	15.10	

¹ Seasonally adjusted
² Inflation-adjusted to 2010

Source: Oregon unemployment insurance wage records

Portraits of the Recession: Oregon Versus the Nation

As the nation experienced, there is a significant imbalance between where the job losses of Oregon's 2008 recession and subsequent recovery occurred. Nationally, higher-wage industries accounted for 40 percent of job losses during the recession and 14 percent of job gains in the first year of job growth. In Oregon, higher-wage industries, which constituted about 30 percent of total job losses, were even slower to add jobs. They accounted for only 1 percent of job gains in the first year and 14 percent after five quarters. Lower-wage jobs comprised 23

percent of all job losses and nearly half of all job gains in the nation. In Oregon, larger percentages of both job losses (41%) and subsequent job gains (65%) in the first year were in lower-wage industries. After five quarters of growth, nearly 70 percent of all job gains in Oregon were in lower-wage industries. Compared with the 2001 recession, recovery from the 2008 recession was much more tepid in both Oregon and the nation as a whole. During the first year after the end of the 2001 recession, about half the jobs lost nationwide were recovered; the same was true for Oregon. After one year of growth following the 2008 recession, the nation recovered only about 14 percent of the jobs that had been lost. Oregon recovered an even smaller percentage of the jobs it lost: 10 percent in the first year. After five quarters, 14 percent of the state's job losses had been recovered.

After the low point of the 2008 recession in Oregon and nationwide, some broad industries continued to experience job losses, even as others added jobs. The distribution of job losses and gains among industries in Oregon was similar to that of the nation as a whole. Forty-four percent of all these losses (-3,854) in Oregon were in the higher-wage construction industry, compared with 38 percent nationwide. In the fourth quarter of 2010, the number of Oregon's construction jobs remained 35 percent below its first quarter 2007 peak. Thirty percent of the job losses in Oregon were in finance and insurance, a mid-wage broad industry, compared to only 10 percent observed nationally. While the nation experienced an overall loss of nondurable manufacturing jobs, Oregon gained 1,387 jobs in this industry. A greater percentage of job losses in the nation were in information (16%); for Oregon, the losses in this higher-wage industry represented only about 9 percent of all post-recession losses.

Nationally, a significant percentage (21%) of job growth was in administrative and support services. In Oregon, this industry, which is part of the professional and business services sector, accounted for 28 percent of the first year's growth in jobs and 31 percent of the first five quarters of job growth. Durable manufacturing added jobs (13% of all job growth) nationwide; in Oregon, this higher-wage industry did not begin to add jobs until five quarters after the end of the recession. Jobs were also added in ambulatory health care services, retail trade, and other services, both in Oregon and nationwide. In Oregon, they constituted about 8 percent, 15 percent, and 4 percent, respectively, of all first-year job growth; nationally, these industries comprised 10, 6, and 7 percent, respectively, of all post-recession job gains.