



Regional Profile Labor Force, Employment and Unemployment in Region 5

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Next update Fall 2005

INTRODUCTION

Oregon's labor force and unemployment data are developed through a cooperative effort between the U.S. Bureau of Labor Statistics (BLS) and the Oregon Employment Department (OED). BLS compiles statistics on the employment status of the U.S. population through the Current Population Survey (CPS), a monthly survey of about 60,000 households. The Oregon portion of the survey amounts to about 1,130 households. Survey data are combined with such information as unemployment benefit data and monthly local employment estimates to produce OED's calculation of state labor force statistics. Because of the CPS survey, we are able to estimate the number of unemployed who are not collecting unemployment benefits. The count of the unemployed, therefore, includes those who are –and are not – collecting benefits.

Lane County's economy has been described as a microcosm of the state's. As such, its labor force statistics closely follow statewide numbers. In the past, this has meant high levels of unemployment when the lumber and wood products industry went into a downturn. Over the years, like the state overall, the Lane County economy has diversified. With this diversification has come somewhat less volatility in labor force numbers and unemployment statistics.

LABOR FORCE: EMPLOYMENT AND UNEMPLOYMENT

While labor force and unemployment statistics are among the most closely watched and widely reported figures, they also are some of the most misunderstood. Before looking at the data, let's clarify what these statistics represent.

Labor Force

The labor force consists of all residents, 16 years of age and older, who are either employed or unemployed and actively seeking employment. Each person is counted only once in labor force statistics even if he or she holds more than one job. Institutionalized individuals are excluded from official labor force statistics, as are active duty personnel of the Armed Forces (which is why you often see the phrase "civilian" labor force).

Employed: A labor force participant is employed if he or she:

- worked at least one hour as a paid employee; or
- worked in his or her own business, profession, or farm; or
- worked at least 15 hours as an unpaid worker in an enterprise operated by a member of the family; or
- was temporarily absent from work because of vacation, illness, bad weather, childcare problems, parental leave, labor-management dispute, job training, or other family or personal reasons.

Unemployed: A labor force participant is unemployed if he or she:

- had no job, and
- was available for work, and
- made specific efforts to find work, or

- was waiting to be recalled to a job following a layoff, regardless of whether or not he or she was looking for other jobs.

The foregoing definition of unemployment excludes certain groups of people who are sometimes thought of as being unemployed or “underemployed.” Those who would like to work but have stopped looking (“discouraged workers”) are not counted because they are not actively seeking work. People who work part-time but would prefer full-time work are also not counted as unemployed because they are currently working, albeit fewer hours than they would like. While neither of these groups is included in unemployment figures, national data for each are gathered and published separately.

There are five major categories of the unemployed:

- **Job losers**, who are on temporary or permanent layoff
- **Job leavers**, who voluntarily terminate their employment and immediately begin to look for other employment
- **Those who complete temporary jobs** and begin to look for new jobs
- **Reentrants**, who previously worked, then left the labor force, and have begun a new job search.
- **New entrants**, who have never worked before

Unemployment Rate: The unemployment rate is simply the number of unemployed people expressed as a percentage of the labor force.

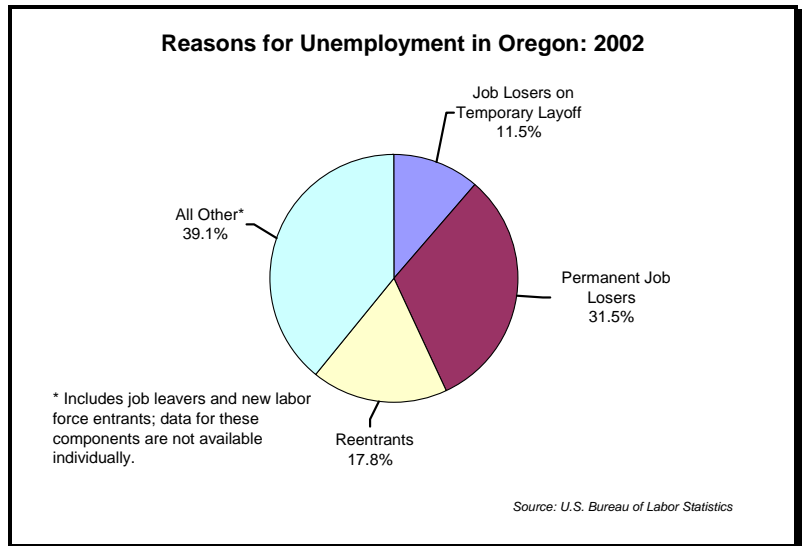
To help distinguish the causes of rising or falling unemployment rates, economists often characterize unemployment as being of the following types:

- **Seasonal unemployment**, which results from normal, repetitive fluctuations in business activity which occur as the seasons change, for example, post-holiday layoffs in the retail trade sector
- **Cyclical unemployment**, which results from a general downturn in business activity that is brought about by reduced demand for goods and services such as during a recession.
- **Structural unemployment**, which refers to a mismatch between industry needs and the skills of the local work force, typically caused by a change in the economic structure of an area or by technological change
- **Frictional unemployment**, which occurs due to the inevitable delays between starting a job search and actually finding a suitable job.

Reasons for Unemployment

“Job losers” make up the largest share of the unemployed in Oregon, accounting for 43 percent of the total in 2002. About 62 percent of the job losers have lost their jobs permanently, while the rest are on a temporary layoff (Graph 1).

The share of the unemployed who are “job leavers” typically varies with the health of the economy. During recessions, fewer people voluntarily leave their jobs since opportunities elsewhere are diminished. However, when the economy and labor demand are strong, more people are likely to quit their jobs, confident that they will soon find something better.



Graph 1

New entrants to the labor force have remained a relatively small and fairly constant fraction of the total unemployed (4% to 8%), primarily reflecting the size of the youth population. Unemployment among reentrants to the labor force, however, is larger and more variable, following a pattern similar to that of job leavers (i.e., the number of reentrants tends to fall when the economy is weak and rise when job growth is strong).

Unemployment Myths and Realities

A person does not have to be drawing unemployment insurance benefits to be counted as unemployed for statistical purposes. Tallies of unemployment insurance recipients are, indeed, one factor used in the calculation of local area unemployment rates, but several other statistical inputs are considered, too. Locally, fewer than half of the people counted as unemployed actually are receiving unemployment insurance payments. Referring back to the five types of unemployment listed earlier, it's likely that job leavers, reentrants, and new entrants, for example, would have a difficult time qualifying for unemployment benefits, even though they do count among the jobless for statistical purposes. (It should be said here that every individual's case is different when it comes to unemployment insurance benefits, so the preceding sentence was only meant to be generally illustrative.)

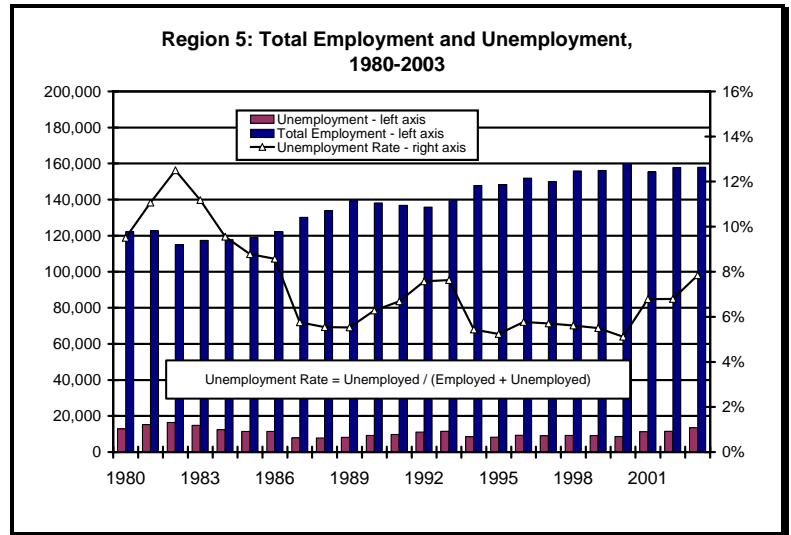
In fact, some people who draw unemployment insurance benefits are counted as employed, not unemployed. One scenario where this could happen is the case of a person who formerly worked full time but has been involuntarily cut to part-time hours and therefore qualifies for partial unemployment insurance benefits. Another example would be a person who has been completely let go by one employer but manages to work odd jobs for another employer or through self-employment. If the earnings from these odd jobs are small, partial unemployment benefits could be paid, but the fact that

this individual labors at least one hour per week means he or she is statistically employed under the labor force definitions.

UNEMPLOYMENT TRENDS: HISTORICAL AND RECENT

With an industry structure similar to the state's, many economic characteristics that affect the statewide unemployment rate also affect Region 5's. As such, the region's rate has historically followed the statewide rate.

Lane County experienced three periods of rising unemployment rates between 1980 and 2003. The first, most severe period, occurred during the early 1980s, when a nationwide recession had a disastrous effect on what was then Lane County's primary industry – wood products. From 1979 to 1982, lumber and wood products dropped 3,800 jobs. The decline in this primary industry rippled through the local economy and led to large reductions in other sectors. During this period, the annual average unemployment rate topped out at 12.5 percent in 1982 (Graph 2).



Graph 2

Although recovery from the recession of the early 1980s was slow, strong employment growth in wood products, retail trade and services over the next several years caused the economy to diversify and the unemployment rate to drop. By 1989, the annual average jobless rate was just 5.6 percent.

The second period of rising unemployment occurred during the early 1990s. Another, milder national recession again caused large job losses in the wood products industry. This time, however, other sectors of the economy did not follow suit. From 1989 to 1993, wood products lost 3,500 jobs, a number comparable to the losses of the early 1980s. Other industries remained stable while still others grew. Nonmanufacturing industries added 7,800 jobs over the period; construction (+900), retail trade (+1,400) and services (+3,800) added the most. The annual average rate only got as high as 7.6 percent in 1993.

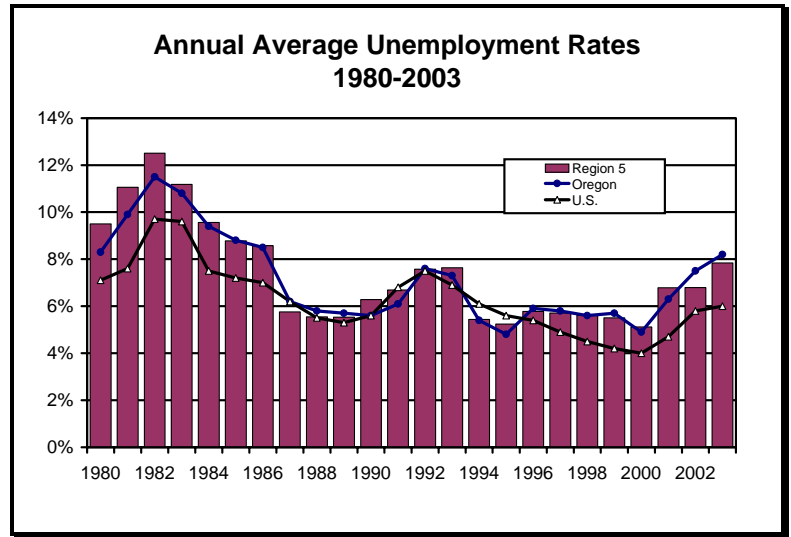
Strong employment growth in 1994 and 1995 quickly reduced the number of unemployed by 27 percent between 1993 and 1995. As a result, the county's unemployment rate fell sharply to 5.3 percent in 1995 – one of the lowest annual averages registered in more than 25 years.

Although the number of unemployed and the unemployment rate rose in 1996, this did not reflect deteriorating labor market conditions. In fact, the total number of nonfarm jobs increased by 2,100.

Rather, better job opportunities, rising wage rates and a growing population contributed to an increase in the number of persons who newly entered the labor markets in search for work.

Between 1997 and 2000, strong job growth in nonlumber manufacturing, trade and services caused the number of unemployed to drop by 700 to 8,500. The unemployment rate also dropped over this period to 5.1 percent in 2000 – the lowest Lane County rate since 1965. These numbers are even more impressive considering the labor force increased by 9,300 between 1997 and 2000, largely due to in-migration.

The third period of rising unemployment began toward the end of 2000, when employment growth began to slow. During 2001, Lane County saw many layoffs and closures – especially in manufacturing. A small rebound in 2002 was quickly doused in early 2003 with the closure of a Sony disk plant, Emporium department stores and smaller layoffs elsewhere. As measured by the unemployment rate, the most recent recession was slightly more severe than in the early 1990s. The annual average unemployment rate in 2003 was 7.8 percent (Graph 3).



Graph 3

As of mid-2004, Lane County's economy was experiencing an upturn. High prices in the wood products market are helping to keep employment stable to slightly growing in that industry. Transportation equipment manufacturing has seen strong job growth in recent months as recreational vehicle manufacturers ramp up production to keep up with demand. Due to low interest rates and new bank branches, the financial activities industry also has seen strong employment growth. With business investment strong as indicated by the national Gross Domestic Product numbers and several large planned construction projects locally, this recovery seems to be more sustained than in 2002.

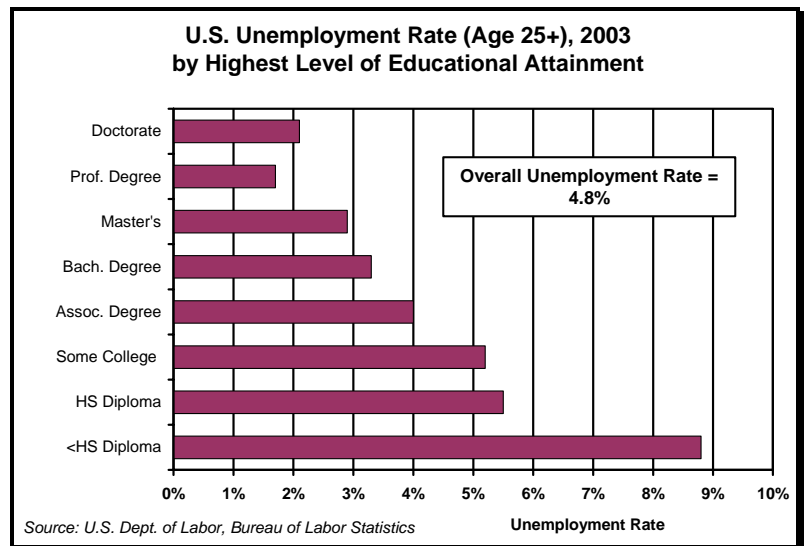
How Many are Unemployed?

On average, about 13,438 individuals last year were unemployed in Region 5. Keep in mind that this is the average number of unemployed within the region at any given time in the year. The number of people in the region who experience unemployment at some point during any given year is considerably higher. For example, statewide, it has been estimated that, while the average number unemployed in 2000 was 87,700, there were roughly 201,700 Oregonians unemployed at some time during that year.

LABOR FORCE TRENDS AND CHARACTERISTICS

The nation's labor force participation rates – the percentage of the population age 16 or older working or looking for work – was about 59 percent in 1964. It climbed for many years as women increasingly entered the paid labor force and the baby-boom generation moved out of high school and college and into the workplace. Oregon's rate rose from about 62 percent in 1975 – about one point above the U.S. rate in that year – and hit a peak of about 69 percent in 1996. Since then, it has drifted down slightly, bouncing between 68 percent and 69 percent except in the recession year of 2002, when it dropped to 67.5 percent.

On average, workers with higher levels of formal education are less likely to be unemployed (Graph 4). National data for 2003 indicate that, as a group, workers 25 or older with a first professional degree (e.g., a law or medical degree) had an unemployment rate of only 1.7 percent, while those with a doctorate had an unemployment rate of 2.1 percent. At the other end of the scale, those who had not completed high school had an unemployment rate of 8.8 percent. The unemployment rates of groups between these two extremes were systematically related to the groups' educational attainment levels, with higher levels of education corresponding to lower unemployment rates. Although comparable Oregon data are not available, it is reasonable to assume this pattern occurs in Oregon just as it does in the nation as a whole.



Graph 4

Slightly more than one of five workers in Oregon works part time. Since at least 1978, the percentage of Oregonians working part time has varied from as low as 18.5 percent to as high as 24.4 percent, but in most years it is very close to 22 percent. In 2002, about nine of 10 part-time workers in Oregon indicated they worked part time voluntarily (e.g., to accommodate their other activities such as school or family life) while one in 10 worked involuntarily (e.g., due to their inability to find full-time work). Over the past decade, as few as one in 20 said they worked part time involuntarily.