



Lane County Industry Mix Changes and Community Impacts

by [Brian Rooney](#)

Published May-4-2004

Beginning in 2001, the system for industry coding was changed from the Standard Industrial Classification (SIC) to the North American Industrial Classification System (NAICS). NAICS can better track the economy in greater detail with industry classifications that reflect new technologies. Unfortunately, the change in coding systems makes comparing industry data before and after 2001 almost impossible. So we'll analyze the historic industry trends in Lane County using SIC data and then look at the current industry mix using NAICS data.

Historic Industry Mix Changes

Since the late 1970s when the wood products industry drove the local economy, Lane County has gone through periods of relative prosperity and wrenching economic downturns. Today's economy still is somewhat dependent on the wood products industry but has diversified with rapid growth in the services and retail industries. How the county responded to the well publicized downturn in the lumber and wood products industry has largely to do with what was available from an economic development standpoint and, to some extent, on national trends in employment practices.

Lane County has seen a relative drop in the manufacturing sector and increase in the services sector over the last two decades. Some of this change was part of a national trend toward increased use of temporary and staffing agencies, which caused an industry classification shift toward business services. Still, much of how the county went through this transformation is unique.

In Lane County, manufacturing's share of industry mix over the last 22 years has gone from 21,250 jobs and 22 percent of total employment in 1978 to 23,660 jobs and 17 percent in 2000 (Graph 1). Over the same period, the services industry has increased its share of industry mix from 17 percent to 27 percent.

The reasons for the drop in manufacturing's share of industry mix are much the same for Lane County as they are for the rest of the state, but the outcome is somewhat different. Manufacturing in Lane County followed the fortunes of the lumber and wood products industry until the early 1990s. The sector decreased during the recession of the early 1980s, rebounded late in the decade and then dropped again in the early 1990s. The most recent employment downturn was caused by a milder recession, supply cutbacks for environmental reasons and greater efficiency at the mills, which made the industry less labor intensive. As a result of the two downturns, lumber and wood products employment fell between 1978 and 2000 by 7,172 jobs – that's almost 50 percent. Overall though, by 2000, manufacturing was able to rebound to employment levels comparable to the late '70s because of several new and expanding high-technology manufacturing firms and the surprising expansion of the transportation equipment manufacturing sector (see article in this issue).

Due largely to such amenities as transportation and communications infrastructure and a major university associated with the Eugene/Springfield metro area, Lane County manufacturing has been able to diversify by attracting such high-tech firms as Hyundai semiconductor (now Hynix). Other local high-

tech firms including PSC Scanning expanded during this period. High-tech manufacturing grew from 1,034 in 1990 to 4,270 in 2000.

Spurred by a rapid run up in the stock market and increasing levels of retirement, the demand for luxury motor coaches jumped in the late 1990s. In an effort to grab market share, such Lane County companies as Marathon and Country Coach expanded rapidly. The transportation equipment manufacturing sector added 2,600 jobs in the county between 1990 and 2000.

With manufacturing able to rebound to employment levels similar to those of 22 years ago, the industry mix change in Lane County can be attributed to rapid growth in the services sector during the '90s. Following a national trend, business services increased rapidly as staffing agencies became more popular. Help supply companies added 1,550 from 1990 to 2000 for a 79 percent increase. Another portion of business services, computer-related services, also had a healthy increase of 1,024 – better than three times the number employed at the beginning of the decade.

Responding to an increasing and aging population, residential care employment increased by 1,241. Also in response to this demographic shift, health services increased – particularly at hospitals. The health services industry is up by 2,854 from 1990 to 2000. Other industries where employment gains are driven by population growth include religious organizations, guard services, dentists and business and economic research services.

Retail trade has maintained its share of the industry mix at about 22 percent for the past 22 years. In 2000, the employment level for retail was 28,758.

Government employment, which includes University of Oregon, increased by 3,571 from 1978 to 2000 but its share of the industry mix has decreased from 19 percent to 16 percent.

Payroll and Wages

The biggest effect on the local economy from the change in industry mix for the county is in the form of payroll. Payroll is the largest portion of total income that is spent in communities in the county at all levels of the economy. Graph 2 shows that in the past, total inflation adjusted payroll in Lane County followed the losses in manufacturing during the recessions of the early 1980s and to a lesser extent in the early '90s. Since the early '90s, though, manufacturing has diversified and stabilized. During this period, total inflation-adjusted payroll in the county increased. The increase can be attributed mostly to the rapid growth experienced in the nonmanufacturing sectors – particularly services.

Not all jobs in the service sector are low paying, but the majority pay less than those in manufacturing. The result of the industry mix change in Lane County is that there are more people working in lower-wage industries. Graph 3 takes a look at inflation adjusted annual average payroll for Lane County compared with the United States and Oregon. Note that this figure is simply the annual payroll divided by the annual average number of workers. The impact of a higher percentage of people working in the lower paying service sector is apparent. In 1978, annual average wages were \$32,830 in Lane County. By 2002, inflation adjusted wages had reached \$29,450 after bottoming out in 1990 at \$26,950.

Impact on Communities

The total impact on communities of the industry mix change is hard to ascertain. On one hand, total payroll in the county is as much as it has ever been. On the other hand, worker's annual average wages are less than in the past. If consumption patterns for families and households remain the same, then the

impact is small. But, if a greater portion of residents switch to less expensive items, the impact can be large. For example, the drop in annual average wages may mean that a given household is more likely to purchase a used car than a new car, or rent rather than purchase a home. Additionally, possible social effects include underemployment and an increase of two income families. This also raises child care issues in the community. At the national level, the Department of Labor reports that the share of married couple families where both parents work has gone from 35 percent in 1973 to 51 percent in 2003. A similar scenario is likely in Lane County. All else being equal however, lower average wages are more likely to harm a local economy, at least in comparison with the high-wage alternative.

Current Situation

The overall industry mix of Lane County in 2002 is relatively the same as it was in 2000. There have, however, been a few significant additions and losses in several industries.

Manufacturing lost 918 jobs between 2001 and 2002 due to layoffs and closures at several firms. Some of the largest included a temporary layoff at Hynix and the closure of Komag, a computer disk manufacturer. The wood products industry also lost employment during the period.

Employment in education and health services continued to grow due mostly to increases in health care, which added 270 jobs between 2000 and 2001.

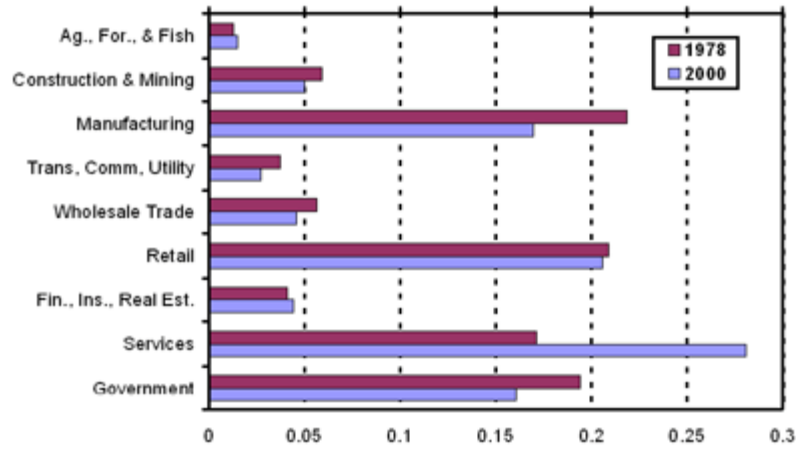
Business and professional services also grew between 2000 and 2001 due to growth in temporary employee and software support firms. The industry grew by 1,140 between 2001 and 2002.

Preliminary data for 2003 indicates an employment loss of about 1,000 compared with 2002. The losses can be attributed to a variety of industries. In wood products manufacturing, there were several small layoffs. Retail trade incurred losses from the closure of the Emporium department stores, information suffered from the closure of a Sony disk manufacturing plant and local school employment was hurt by budget cuts. These losses were countered somewhat by gains in financial services from low interest rates and state education where the University of Oregon has been experiencing high enrollments.

Recent developments bode well for Lane County's economy. Highway construction, including bridge replacement on Interstate 5 and new runways at the airport, will help maintain local infrastructure. Construction of a new federal courthouse complex near downtown Eugene will help create jobs. A new casino in Florence will also help create jobs in the county's coastal area. The forecast for Lane County calls for slow growth over the next several years as the national and local economies rebound from recession.

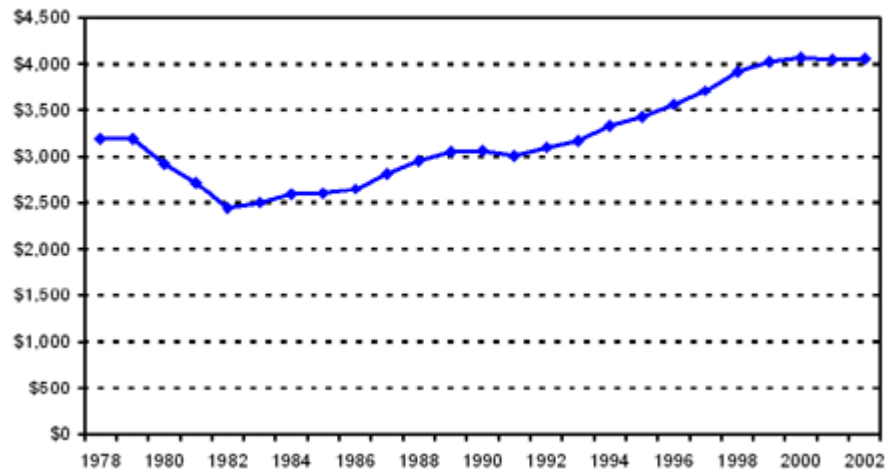
Graph 1

**Lane County Historic Industry Mix Change
(SIC based)**

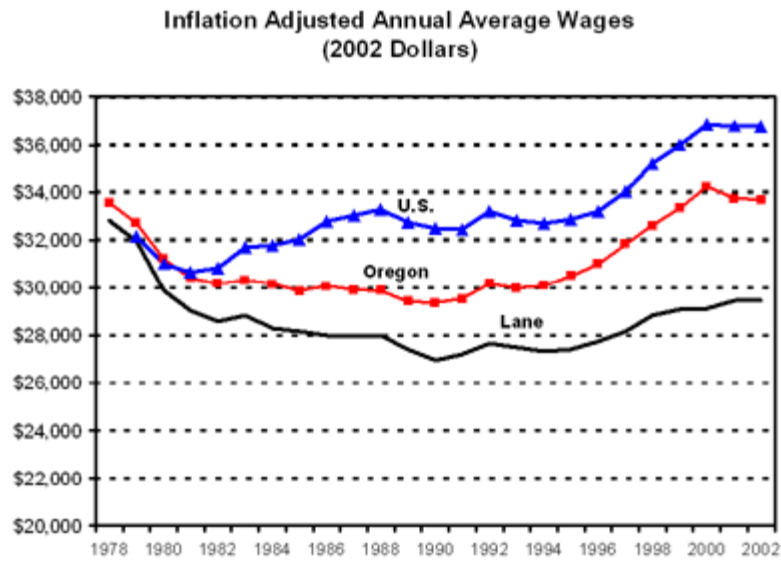


Graph 2

**Lane County Inflation Adjusted Payroll
(millions of 2002 Dollars)**



Graph 3



Graph 4

Employment by Industry, Region 5, 2002

