

September 1, 2020
Special to the Salem Reporter
Pamela Ferrara
Willamette Workforce Partnership

The Salem area unemployment rate came down by a bit more than a percentage point from June to July, a smaller drop than the three points from May to June. As a result, three thousand people found jobs or went back to work, which is good news.

More than 18,000 people are still unemployed in the Salem area this July, however. And, the most unique aspect of this economic downturn is that most job losses are in low-wage service industry occupations.

Salem area workers left unemployed by the shutdown worked for low pay and few benefits, some with limited English skills, some single moms juggling low-wage jobs and day care, and most with lower levels of education. Many are young, and worked part-time, but their paychecks contributed substantially to their family's income. An extra \$400 in their unemployment checks (if they are collecting unemployment) is not going to be anything but a temporary fix to their situation.

Several historical trends have helped to create the low-wage economy that has been decimated over the last few months. The first is that there has been a slow, decades-long shift in the way many workers earn a living, from working in goods-producing industries (such as manufacturing) to service-producing industries. A related trend is that there are more low-paying jobs in both goods-producing and service industries, and good paying jobs now require extensive skills and education to enter.

A related economic trend has to do with how average all-industry wages vary by geography (see graph). Average all-industry wages are wages earned by all workers in a year, divided by the number working.

This average does mask a lot of significant detail. Wages differ by industry – the average manufacturing wage is higher than the retail sales wage. And they vary by occupation – attorneys earn more than medical assistants. Still, how the average all-industry wage has or hasn't increased in real value over the years, in other words taking inflation into account, tells a story.

Here is Salem's story. Salem's average wages kept up with inflation, and in fact were 16 percent ahead in 2019 of where they were in 1975. But average wages in Oregon and the US have outpaced them. And average wages in 2019 mask differences in Oregon's counties. The most dramatic is that between Washington County, with wages ahead of inflation since 1975 by 63 percent, and Coos County, lagging behind by 13 percent.

Why is this important? When we say we want to "get ahead" what we usually mean is that we want our paychecks to stay ahead of inflation, so that the buying power of our

dollar is increased and we can buy more stuff. On average, Washington County residents' paychecks are way ahead of inflation, and those of Coos County, behind. Average wages in Salem have kept up, but lag behind Oregon and the US.

Why has this happened? The short explanation is that Oregon's resource-dependent economy (timber) boomed through the late 1970s. It was then depleted and replaced by low-wage jobs in tourism and recreation industries, (in Coos County for example, casinos), and the growth of hi-tech manufacturing in Washington County, beginning in the 1980s.

The longer story is more complex and involves the increasing importance of education and skills in the job market; the decline of private sector unions; the impact of liberalized trade on global labor supply; a growing immigrant labor pool; and gains in productivity through automation.

These historic trends have produced wage and income inequalities over the years which no doubt will be made worse by the current economic situation. What should be done?

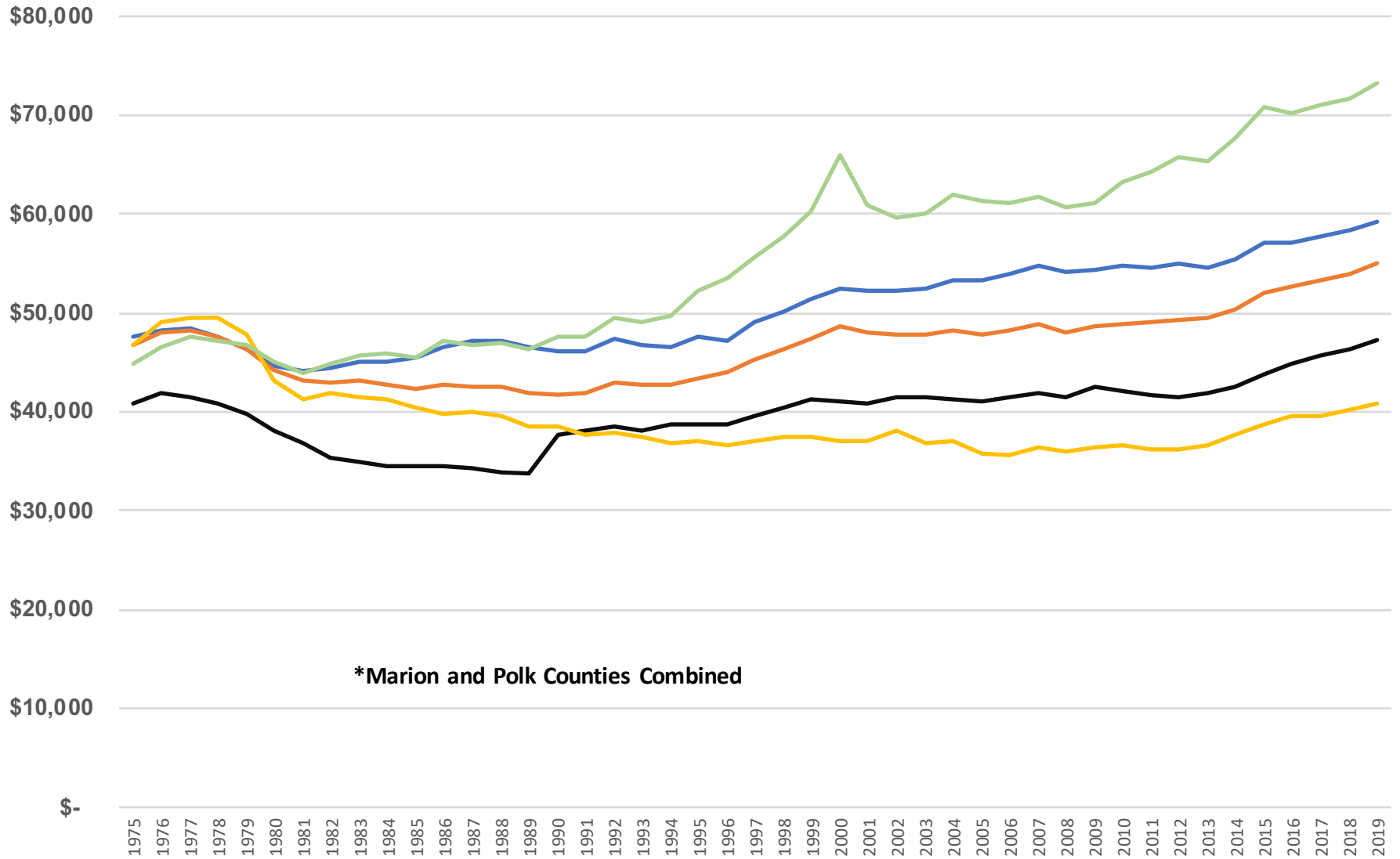
The list of solutions being currently discussed by government policy-makers, think-tank gurus, and economists is long. It includes worker training; raising the minimum wage; making health insurance, health care, day care and housing more affordable; making more workers eligible for the earned income tax credit; and some type of guaranteed minimum income.

We will continue to track and analyze the consequences of this most unusual economy caused by the pandemic-related shutdown, and feature discussion of some of the public policy ideas listed above in future columns.

Pam Ferrara may be contacted at: pferrara@willwp.org

Pam Ferrara of the Willamette Workforce Partnership continues a regular column examining local economic issues. She may be contacted at pferrara@willwp.org

Average Annual All-Industry Wages 1975 to 2019: US, Oregon, Salem MSA*, Coos and Washinton Counties



*Marion and Polk Counties Combined

Source: Bureau of Labor Statistics

— US — Oregon — Salem MSA — Coos County — Washington County