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Salem's unemployment rate declined in September to 7.8%, closely tracking Oregon and U.S. unemployment rates (see graph).

These rates track closely because the mix of industries is similar in all three. States still experiencing double digit unemployment rates have an unusual industry mix, for example Hawaii where tourism is king and California, capital of the entertainment industry – tourism and entertainment have been hard hit by the policy efforts to contain Covid-19.

Although industry mix in Salem and the state overall is similar, employment in the Salem area is down by 10 percent (17,800 jobs), from September of 2019 to September of 2020, and in the state by six percent (130,000 jobs). Let's examine employment in Salem area industries over the months of the pandemic, see where Salem's trends are different from the state's, and try to explain the differences.

Government is Salem's largest industry, with state government and local government comprising nearly a quarter of all employment.

State government employment has been stable over the last seven months, and here's why. According to state economic analysts, tax collections (that pay for everything in state government including state workers) are holding up well and will likely do so into the next budget cycle, for at least two reasons.

The first is that higher income workers who pay a lot of taxes have not suffered the job losses experienced by lower wage workers who don't pay as much - lower wage workers have borne the brunt of the pandemic-related business shutdown. A second reason is federal and state aid to workers and businesses over the last months – more on this later in the column. It is possible that state government employment will be affected eventually, say the analysts, but that situation could be a few years away.

School employment, part of local government, is a different story. It's down 23 percent in Salem, and 14 percent in Oregon.

Josh Lehner of the Oregon Office of Economic Analysis offers an explanation in his October 19th blog - schools are using far fewer substitute teachers than they normally would. Lehner explains "...with online school, teachers feeling under the weather can better manage a few live meetings with their classes or send additional work remotely, whereas standing in front of the room all day is more challenging."

There's also a possible technical explanation for Salem's large drop. July, August and September employment is estimated by federal labor department economists from a

sample of 342 of the Salem area's 13,000 businesses. "Estimating from such a small sample has been made even more challenging by the uniqueness of this economic downturn..." says Pat O'Connor, Oregon Employment Department economist for the Salem area. Therefore, the small sample size may not fully capture what is going on. The sample for the entire state is much larger, 2,420 businesses, and as a consequence is more reliable.

Clarity is coming however. All Oregon businesses report their employment and payroll every quarter to the Oregon Employment Department. When this information is available a few months from now employment numbers for the third quarter of 2020 will be solid.

Other Salem industries have recovered normal job levels to varying degrees:

- Retail trade, 11 percent of employment, reached normal levels in September, both in Oregon and in Salem;
- Health Care and Social Assistance, 17 percent of employment, is down nine percent and only two percent in the state as a whole; the small sample size may be the reason for the disparity;
- Construction, eight percent of employment, is recovered from a year ago; likely the \$600 million school construction levy passed by area voters in May is a factor;
- Professional and Business Services (lawyers, computer engineers, accountants, and the like), eight percent of employment, is down by 16 percent, and only six percent in the state; again, Salem's small sample size may be to blame for the disparity;
- Staffing agency employment, part of Professional and Business Services, is down only two percent versus eight percent in the state; Salem's healthy construction industry may be helping to boost employment in this sector;
- Food manufacturing is down 26 percent, undoubtedly affected by last year's NORPAC closure;
- Leisure and Hospitality is still struggling with huge job losses, down 34 percent in the Salem area and 24 percent in the state.

The contribution of state and federal aid dollars to the economy has been significant. These programs injected \$5.2 billion dollars into the pockets of the unemployed, self-employed, and business owners in Oregon from mid-March through mid-October. Salem's share is estimated to be \$383 million. It's likely that Salem's economy would have been in worse shape without the aid.

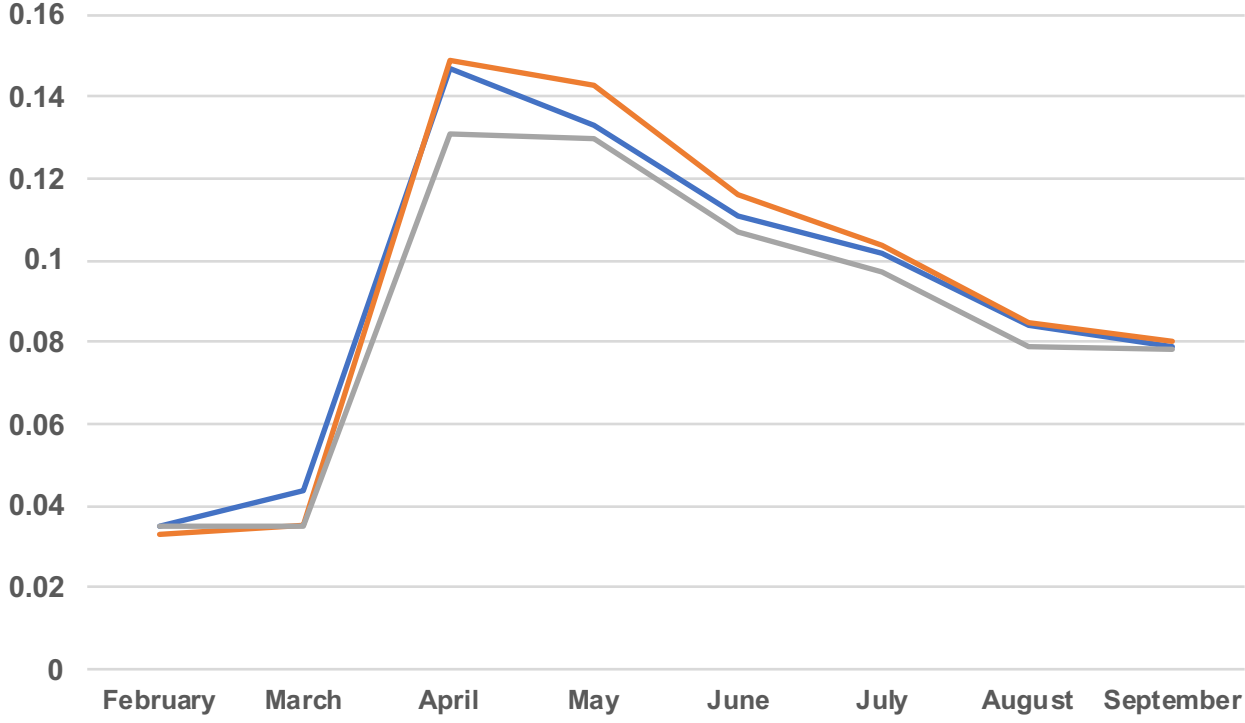
Here's what we can conclude:

- There are still some big holes in local government and health care and social assistance employment, possibly the result of estimating recent employment numbers from a small sample;
- Construction and staffing employment are doing well, and state government employment is stable for now;
- Leisure and Hospitality industry employment, paying the lowest wages of any of Salem's industries, is still down about a third of normal; it likely won't recover fully until pandemic case numbers decrease and the activities this industry represents can function normally again.

One additional note: The October unemployment rate for the U.S. was just published, at 6.9 percent, one point lower than September. Watch for the Oregon and Salem rates, which will be published later this month, to see if they continue to track the U.S. rate.

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

Salem MSA, Oregon and U.S. Unemployment Rates - February 2020 to September 2020



Source: Oregon

— U.S. — Oregon — Salem MSA