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At the beginning of this new year, let's look back at the Salem economy over the months of the pandemic, then look ahead to see how and when a return to normal might arrive in the months and years to come.

Before March of 2020, the economy of the Salem area, like Oregon and the U.S., was in good shape, with the lowest unemployment rate on record. Workers at all wage levels were beginning to see wage increases, which had stalled for many lower- and middle-income workers for decades.

Then the pandemic hit, and by May of 2020 the unemployment rate in the Salem area was 13.9 percent, its highest on record. The number of unemployed had increased from 7,000 to 26,000 in two months. During the 2008 recession the number of unemployed in the Salem area took 17 months to increase from 10,000 to 22,000.

The April unemployment rate was unusual in other respects. A person is unemployed in normal times because: a person's skills aren't what employers want; one is employed in a seasonal job and the season ends; one is between jobs; or technology has put one out of a job. The 13.9 percent unemployment rate was different. It was the result of government decisions to shut down parts of the economy for the purpose of slowing the spread of the virus.

Another unusual aspect of the high unemployment rate was its composition. Ninety percent of the unemployed had worked in the lowest paid service industries of the economy (mainly retail, and leisure and hospitality) and only ten percent in goods-producing (construction and manufacturing). This is in contrast to the '08 recession when half the unemployed had worked in service industries and half in goods producing industries.

Usually in recessions, state tax collections take a hit and state workers are laid off due to budget cuts. This time most of the unemployed were low-paid workers who hadn't paid much in the way of taxes. Higher income workers were still employed and paying taxes, so state government revenues stayed stable as did state employment. This is important to Salem because half of all state workers are located here, and are a sizeable portion of the workforce.

After April and May, the worst months of the pandemic in terms of unemployment, strict shut-downs were eased. The unemployment rate declined considerably over the summer as some people went back to work.

By November the rate had dropped to just under six percent. It wasn't all good news however as some of the decline was due to shrinkage in the labor force. In the Salem area, there were nearly 4,000 fewer labor force participants in November 2020 than in November 2019.

The lower unemployment rate in November (the latest information for the Salem area) meant that 10,000 people were still without jobs, laid off from industries hardest hit by governmental restrictions; retail, staffing agencies, health care and social assistance, leisure and hospitality, and local government education. Although total employment was down by seven percent year-over-year, these industries had double digit job losses and accounted for most of the loss. (see graph).

The Census began a monthly survey last June to capture in real time the magnitude of problems being experienced by U.S. and Oregon households due to the pandemic economy. In early December, according to the survey, 29 percent of all Oregon renters were not confident or only slightly confident about making their next month's rent. Fourteen percent of homeowners weren't confident about making their next mortgage payment. This translates into approximately 15,000 renter households, and 11,000 homeowner households in Marion County worried about making housing payments.

Then in December, unemployment benefits began to run out for some 5,000 Salem area recipients, and federal programs from the stimulus package of early spring were winding down. A one-day special session of the Oregon legislature in late December extended the eviction moratorium for homeowners and renters for another six months, and provided a fund to help reimburse landlords for delinquent rent. Congress has just passed, and the President has signed a new stimulus bill which includes payments to individuals, unemployment benefit extensions, and extension of the program aimed at helping the self-employed.

So how long will it take the economy to recover? It depends.

There could be a quick and complete recovery, once the vaccine is in wide circulation, if consumers spend the money they've been saving during the pandemic and buy goods and services that help bring the economy back to full employment; if the new federal stimulus relief bill helps stave off mortgage foreclosures and evictions and helps the unemployed and small business owners hang on a bit longer; and if a new administration in D.C. enacts policies that get the economy back to full speed, including aid to state and local governments.

Local government is especially vulnerable as this is where most of the services vital to daily life, such as education, police, fire, and sewer and water, are delivered. The city of Salem, for example, is projecting that revenues will not meet expenditures into the foreseeable future.

There could be a slower and more uneven recovery if the new federal stimulus doesn't go far enough; if labor force dropouts and the unemployed don't get the substantial help

they will need to become re-employed; and if the lack of affordable day care and the high cost of housing aren't addressed in some meaningful way. These last two were problems for low- and middle-income families before the pandemic. Housing and day care affordability have been made worse over the course of the downturn. Addressing them in a meaningful way will not be easy or cheap.

A big question mark, besides which of the two scenarios above is the most likely, is how our deeply divided politics will play out over the years to come and affect government's ability to solve problems.

We'll continue to track and analyze the consequences of the pandemic to the Salem area economy and public policy responses to it, so stay tuned!

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

Percent Change in Employment in the Salem MSA* from November 2019 to November 2020: Total Nonfarm Employment and Employment in Hardest-Hit Industries

