

Special to the Salem Reporter
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The Salem area unemployment rate took an unprecedented one-month jump from March to April of more than nine points, due to the economic lockdown to contain the coronavirus. It was 13.3 percent in April, a record high.

Consider that in the last recession Salem's unemployment rate took 16 months to increase six percentage points, and in the Great Depression of the 1930s, the U.S. rate took three years to increase 16 points.

This huge one-month jump has caused complications for the economists who calculate the rate. It will take months to see real trends, and explaining the rate and the complications will help us see why.

The unemployment rate is the number of unemployed, aged 16 and over, divided by the number of those in the civilian labor force, and expressed as a percentage. To be considered unemployed, an individual must be out of work, available for work, and making efforts to find work. An individual is in the labor force if they are working, or looking for work.

The federal Bureau of Labor Statistics (BLS) produces the unemployment rate with a survey of 110,000 individuals. The survey takes place monthly, in the week with the 12th in it (this will become important later on). Survey results classify an individual's work status as unemployed, employed, and in or not in the labor force.

Beginning in April, at least two problems arose in interpreting survey responses. Those expecting to be called back to work from a layoff are counted as unemployed, and the number of these individuals skyrocketed in April and May. This was no doubt related to the sudden shut-down, but no survey responses clearly indicated this.

The second problem was with those classified as employed during the survey week, but absent from work for any of six reasons. The number of these individuals took a huge jump from March to April, likely related to the shut-down. The BLS, upon analysis of the underlying data, noted that it was likely that most of these individuals should have been classified as unemployed and on temporary layoff. BLS left their classification as "employed" however, to preserve survey integrity.

To try to get a clearer picture of how the shut-down is affecting the unemployment rate, BLS has added five pandemic-related questions to the survey beginning in May. Survey interviewers are also being given guidance related to several questions including "Is there any indication you will return to work within six months?" When responders are uncertain, interviewers are instructed to enter a response of "Yes, I am expecting to

return to work” rather than “I don’t know”. This will allow these individuals to be counted as unemployed.

The BLS survey produces unemployment rates for the U.S. and Oregon. For sub-state areas like Salem, the number of survey responses producing the rate is very small, so other economic indicators, such as unemployment claims, are factored in. Fewer survey responses, and the volatility of these factors due to large one-month changes, has made local area unemployment rates “challenging to calculate” according to Pat O’Connor, Oregon Employment Department’s Salem area economist.

What does all this mean? For starters, we have two months of a pandemic-related unemployment rate for the U.S. and it declined by more than one percentage point from April to May. This could mean that some of those on temporary layoff went back to work. But we won’t know for sure until the survey fully incorporates the reality of pandemic-related unemployment into its survey methods.

What about local rates? The Oregon unemployment rate for May will be published on June 16th and the Salem rate on June 23rd. Will these rates decline as the U.S. rate did?

Here’s where the 12th of the month matters. The BLS May survey was done in Oregon and Salem before the “phase one” re-opening. The Oregon and Salem rate may not come down for this reason, but we’ll have to wait and see.

There’s lots more to analyze in terms of how this extraordinary economic situation will affect Salem. Here are just a few examples: the largest job losses in Salem from March to April were in Leisure and Hospitality, paying the lowest wages of any industry in the Salem area; half of state government employment is in Salem and state revenue collections are taking brutal losses; and the Salem downtown just lost a major retailer that had been there for decades.

What will the short and long-term impacts of this pandemic-related recession be on Salem’s economy? Stay tuned for more analysis in future columns.

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