

February 8, 2022  
Special to the Salem Reporter  
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<b>Percentage of Employment by Industry (2019 Averages) - Salem MSA, Oregon and the U.S. are Similar</b>			
<b>Industry</b>	<b>Salem MSA</b>	<b>Oregon</b>	<b>U.S.</b>
Natural resources and Mining	6%	3%	1%
Construction	7%	6%	6%
Manufacturing	7%	10%	10%
Trade, Transportation and Utilities	16%	18%	21%
Information	1%	2%	2%
Financial Activities	3%	4%	6%
Professional and Business Services	8%	13%	16%
Private Education and Health Services	16%	15%	17%
Leisure and Hospitality	9%	11%	12%
Other services	4%	4%	3%
Government	22%	14%	6%

*Source: Quarterly Census of Employment and Wages, Oregon Employment Department and Bureau of Labor Statistics*

Salem area workers are employed in a diverse mix of industries and that diversity has had positive impacts on the area’s economy. Additionally, the presence of some 20,000 state workers helped Salem’s economy avoid the extremes of economic downturns.

In order to see how all this works, we’ll look at the mix of industries in Salem, and some ways in which the mix has changed over fifty years. Then we’ll describe how Salem’s industry mix has helped the economy avoid extremes over the last two downturns – the recession of 2008 and the pandemic economy.

First, let’s note that in 2019 (the year before the pandemic hit), the Salem area’s industry distribution of its workforce of 180,000 people was similar to Oregon and the U.S. (see table) For that reason we say that the Salem area’s industry mix is “average”, that is, similar to the industrial employment averages of Oregon and the U.S.

The one big exception is government. Some 20,000 state workers were half of Salem’s government employment in 2019. They increased the percentage of government employment to nearly twice Oregon’s and more than three times that of the U.S.

But state government has only grown 98 percent since 1969, and federal government employment only 20 percent.

The real growth in government employment has been local government, that is, K-12 school personnel, firefighters, police and other types of service employees needed as population increases – it grew 220 percent. That's because the population of Marion and Polk Counties grew nearly as much - 192 percent over the 50 years, a larger increase than the state population's growth of 140 percent.

The other industry standout with a larger percentage of employment in the Salem area than in Oregon or the U.S. is natural resources and mining. It was six percent of employment in 2019, down from 11 percent in 1969. Agricultural crop production employment is more than half the total in this industry, and workers helped grow a diversity of crops including nursery plants, hazelnuts, cherries, wine grapes, various vegetables and grass seed.

Over the decades, possibly the most dramatic change was a substantial decline of employment in goods-producing industries, mostly manufacturing. It declined from 17 percent in 1969 to seven percent in 2019.

In 1969, manufacturing wasn't diverse. Lumber and wood products employed one third of manufacturing workers, and food (canneries) nearly half. Then the timber industry declined, and consumer tastes and other factors caused a decline in food products manufacturing. As a result, manufacturing today is a smaller part of Salem's total employment, and more diverse. There is still some wood products and food, but workers also make fabricated metals; plastics and rubber products; furniture; machines and machine parts; chemical, stone, clay and glass products; and transportation equipment.

What is the evidence that Salem's industry mix and state government employment help the economy avoid some of the more extremes of economic downturns?

Let's look first at unemployment rates during the "great recession" of 2008. The highest rate in the Salem area was 11.3 percent, as was the state's – there's Salem being "average" again.

The Bend area experienced 15 percent unemployment at its peak. The great recession was caused at least in part by a near collapse of the housing market, and residential construction in Bend had been going gang-busters for years. Over the course of the recession Bend lost nearly two-thirds of its construction employment.

The Eugene area was hard-hit as well, with an unemployment rate high of 12.4 percent. Manufacturing was 14 percent of total employment at the time and the area lost nearly 60 percent of it, in part due to a concentration of motor coach manufacturing devastated by the recession.

In the pandemic downturn the highest unemployment rates occurred in April of 2020. Salem's rate of 11.6% was slightly lower than the state's rate of 13.2 percent, the result of the buffering effect of stable state government employment and a slightly lower percentage of Leisure and Hospitality employment than the state. This industry experienced huge job losses at the beginning of the pandemic because so many of its jobs involve direct public contact.

Portland's unemployment rate was 13.1 percent, and the Bend area 16.2% - there's lots of Leisure and Hospitality employment in both areas.

An even more dramatic example of the effect of a large Leisure and Hospitality industry was the experience of another state, Nevada. With 28 percent of its employment in Leisure and Hospitality (compared to 11 percent in Oregon and only nine percent in Salem), Nevada experienced an unemployment rate of nearly 30 percent in April of 2020.

Industry diversity and the stability of state government employment have helped Salem recover more quickly from the pandemic downturn than other areas. Salem employment is down only one half of one percent from what it was in March of 2020, the month before the pandemic hit. Portland area employment is down two percent from March of 2020, and the Eugene area is down four percent – that's all those University of Oregon students studying on line instead of in person and not shopping and contributing to the area's economy.

Even though Salem's diverse industry employment and the stabilizing effect of state government employment helped Salem avoid the highest unemployment rates of the pandemic downturn, and helped it recover faster, employment challenges are far from over. Low wages and few or no benefits in industries employing "essential" workers" (those workers who bag groceries, take care of the elderly in nursing homes, pump gas and stock warehouses), and lack of quality affordable day care for working families with children, are just two of the longer-term labor market trends that the pandemic brought into stark relief.

We've got a long way to go to improve the labor market for all workers.

***Pam Ferrara of the Willamette Workforce Partnership continues a regular column examining local economic issues. She may be contacted at [pferrara@willwp.org](mailto:pferrara@willwp.org)***