



Southwest Washington

Labor Market News

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Monthly Review

“This could be heaven or this could be hell...”

“Hotel California”, *The Eagles*

State of the Nation

GDP and the four horses economic indicators of the Apocalypse:

Slow to no progress of late, a sluggish economy:

- Manufacturing, wholesale, and retail sales (last data point in June) while trending up in recent months, had an off month, declining slightly. This indicator is still 1.5 percent below its pre-recession peak (-6 percent when adjusted for population growth).
- Personal income (excluding transfer payments like Social Security, last data point July) has been flat since April. This indicator is 2 percent above its pre-recession peak (-2 percent when adjusted for population growth), but the gain has gone almost entirely to the top 1 percent of households (see next item).
- Industrial production trickled upward in August, and while still expanding, has been decelerating. Like sales, this indicator is still 1.5 percent below its pre-recession peak (-6 percent when adjusted for population growth).
- Nonfarm employment expanded by 169,000 jobs in August, roughly 50,000 jobs above what is needed just to keep up with growth in the working-age population. Employment was still 1.9 million below the January 2008 peak (-1.4 percent, -7 percent when adjusted for population growth).

Speaking of the apocalypse, *Time* magazine, which famously missed the housing bubble (see their June 13, 2005 [cover](#) “Home Sweet Home: Why we’re going gaga over real estate”), may have gotten it right this time. Their September 23rd [cover](#): “How Wall Street Won: Five Years After the Crash, It Could Happen All Over Again.”

Speaking of income distribution, segueing from the personal income paragraph, Emmanuel Saez recently updated his [analysis](#) of IRS returns. Some findings: the inflation-adjusted average income for the bottom 90 percent of families grew by 3.9 percent during the 2002-07 expansion. These gains were more than wiped out in the Great Recession when incomes fell by 11.1 percent. The 2009-12 recovery brought a further loss of 1.8 percent. Meanwhile, those in the top 1

August 2013 Unemployment Rates			
	Aug. 2013	July 2013	Aug. 2012
Seasonally Adjusted:			
U.S.	7.3	7.4	8.1
U.S. U-6	13.7	14.0	14.7
Washington	7.0	6.9	8.2
Oregon	8.1	8.0	8.8
Portland Metro	7.3	7.4	8.1
Unadjusted:			
U.S.	7.3	7.7	8.2
Washington	6.8	6.8	8.1
Oregon	7.7	8.1	8.6
Clark	8.3*	9.7	11.1
Cowlitz	9.5	10.4	11.0
Wahkiakum	9.0	10.8	12.5
Portland Metro	7.1	7.6	8.3
*See text. Data will likely be revised upward.			

percent of families enjoyed a 61.8 percent gain in the 2002-07 expansion, suffered¹ a 36.3 percent decline in the meltdown, and have seen incomes rise by 31.4 percent since 2009—though some of the 2012 gain was due to income being moved from 2013 to 2012 to take advantage of lower tax rates. The upshot:

- From 2002 to 2012, average incomes for the top 1 percent increased by 35.4 percent, while average income for the bottom 90 percent fell by 10.3 percent.
- If the 2012 income distribution was the same as it was in 1969, the average for the bottom 90 percent would have been 33 percent higher. In other words, it's as if the financial class imposed a 33 percent income tax on the rest of us for their own benefit.
- Mind you, this is *reported* income, and does not include income that has been squirreled away in overseas trusts, a practice that has grown enormously over the past 40 years.

Income, Poverty and Health Insurance Coverage: The Census Bureau in its latest annual report ([2012](#)) found that there was little change in income and poverty from 2011 to 2012, but there was a small decline in the percentage of the population covered by health insurance. While the official poverty rate remained stuck at 15.0 percent (vs. 12.5 percent in 2007), in the 2009-11 period, almost a third of the population experienced “at least one spell of poverty lasting 2 or more months.” On the other hand, “Chronic poverty over the 3-year period from 2009 to 2011 was relatively uncommon, with 3.5 percent of the population living in poverty all 36 months.”

American Community Survey: It was a busy month for the Census Bureau, as they also released the one-year 2012 data set for the American Community Survey. Only larger counties are included in the single-year surveys; five-year averages for all counties will be released in December. One-year survey data should be used with caution. Because the sample is not large, it's important to include the margin of error. Even then, some data series don't square with non-ACS data sources. Some tidbits for your consideration:

- Labor force participation rates: this important indicator, which helps to measure how many people have dropped out of the workforce, was estimated at 64.4 percent for Clark and 56.4 percent for Cowlitz. These were statistically significantly different from 2008 (68.3 for Clark) and 2009 (60.5 for Cowlitz). So roughly 4 percent of the workforce in each county has dropped out of the labor force—twice the state and national averages. Partly the drop was due to retirements, but mostly to the bad economy.
- The participation rate for women, while lower than for men, did not change significantly.
- Median household income was \$55,719 in Clark, not statistically different from the 2011 estimate but significantly lower than the \$62,956 from 2008. The Cowlitz estimate of \$47,692 was also not statistically different from 2011.
- The percentage of households on food stamps has gone up in Clark from 8.6 percent in 2008 to 18.2 percent in 2012. In Cowlitz, the percentage grew from 14.8 percent to 21.9 percent. The 2011 figure was 28.3 percent. Either there was a large decline in food stamp households in 2012 (doubtful) or the 2012 number was too low (more likely).
- Clark's 11.6 percent poverty rate was not statistically different from previous years, which ranged from 9.6 percent to 13.7 percent. The same was true for Cowlitz's 16.7 percent.

State of the States—and PDX

- Washington added 5,300 jobs in August, slightly under the average monthly gain for the year; employment growth over the year has slowed to 2.3 percent. Construction, retail trade, corporate offices, and temp agencies are all growing at a good clip; manufacturing has slowed. The unemployment rate was little changed at 7.0 percent. Washington was about 1 percent short of the pre-recession peak, not adjusted for population growth.
- Oregon's July job loss shrunk upon revision, and the August preliminary was a solid +4,500. The official unemployment rate—somewhat irrelevant given the low labor force participation rate—continued to drift upward. Job growth over the year continued to hover around a modest 1.8 percent. Oregon was just under 4 percent short of the pre-recession peak, not adjusted for population growth.
- The Portland Metro area had a slow month, adding only 1,000 jobs on a seasonally-adjusted basis. Growth over the year was 26,200 jobs, or 2.7 percent. Unemployment dropped by a tenth of a point to 7.3 percent. PDX was a bit under 1 percent below its pre-recession peak, not adjusted for population growth.

¹ What's a little irony among friends.

Regional Roundup

Nonfarm employment has been revised for all counties due to a change in methodology. Washington has decided to include estimates of workers not covered by unemployment insurance in the insurance and real estate industries. Typically these are salespeople working on a 100 percent commission basis. The result was an additional 500 jobs in Clark County, 100 in Cowlitz and a handful in Wahkiakum.

Clark County

Preliminary estimates show that Clark County had a relatively quiet month in August. Over the month:

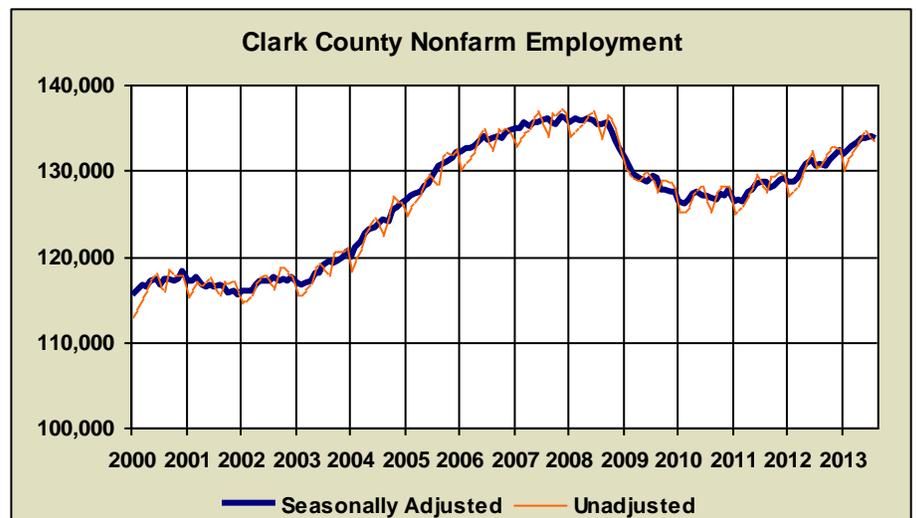
- On a seasonally-adjusted basis, nonfarm employment fell by 200 jobs, wiping out the gain of 200 in July.
- Unadjusted job counts also dropped by 200, with private sector hiring in construction and manufacturing offset by continued seasonal layoffs of non-tenured school staff.

Over the year:

- Job growth over the year was 3,100, or 2.4 percent, almost identical to last month.

What's hot, what's not:

- **Hot:** Construction, which added 300 jobs over the month, continues to be strong at +700 jobs over the year (+7.7 percent).
- **Warm:** Manufacturing improved to +500 jobs over the year, a 3.9 percent gain.
- **Warm:** Trade & transportation went sideways in August, and continued at a milder +600 jobs (2.4 percent).
- **Warm:** Information has flattened out over the past few months, but still looks good over the year at +200 (8.3 percent).
- **Cool:** There's been little change in either finance & insurance and real estate, rental & leasing.
- **Warm:** Professional services has grown by a decent 2.9 percent.
- **Cool:** Corporate offices again looks hotter than it really was, as an employer reclassified some employment from health care into this industry. About 300 of the 400 over-the-year change was due to that reclassification.
- **Hot:** Business services continued to grow rapidly at 5.5 percent.
- **Cool:** Private education services has shown little trend for the past two years.
- **Cool:** Health care & social assistance again gets a big asterisk. The loss of 200 social assistance jobs was real, but the health care loss was partially due to a reclassification of employment into corporate offices. The actual loss was closer to 200 over the year.
- **Cooling:** Leisure & hospitality's over the year margin fell from 700 last month to 300 this month, with all of the gain in limited-service restaurants (e.g. fast-food outlets, coffee spots, etc.).
- **Hot:** "Other services"—everything from dry cleaners to auto mechanics to tanning salons—was up 6 percent.
- **Warming?:** The public sector shifted from -200 to +200 jobs over the year, but the preliminary August estimate for K-12 education showed a lower job loss than is usual, so this may well be a temporary blip. There was little change over the year in other branches of government.



The preliminary July rate of 8.6 percent was revised upward by 1.1 points to 9.7 percent. The August preliminary rate of 8.3 percent will likely be revised upward by a similar amount.

After trending upward four months in a row, initial unemployment claims dropped like a rock to a seasonally-adjusted 1,520, the lowest since 1999.

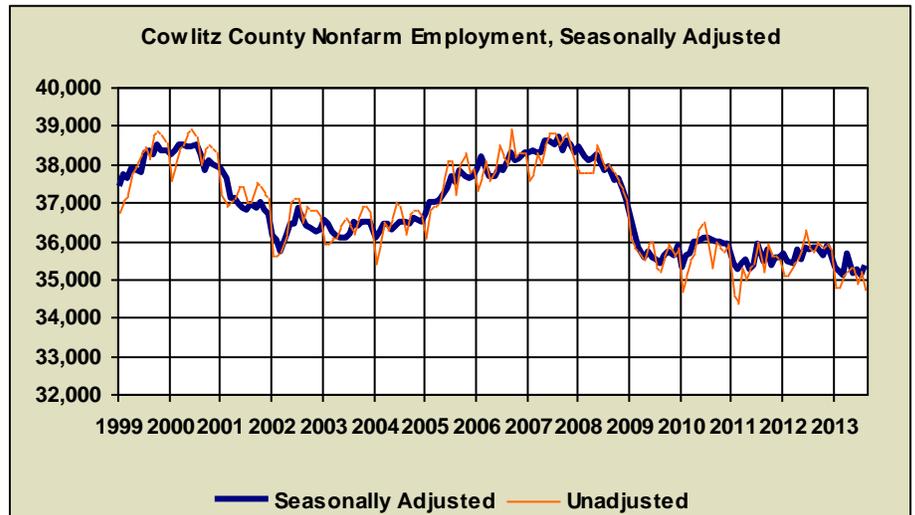
Cowlitz County

The dog days of summer brought little heat to the Cowlitz labor market. According to estimates prepared by the U.S. Bureau of Labor Statistics, the county had 34,700 nonfarm jobs, 1,000 fewer than a year earlier.

Employment fell by 500 jobs over the month, with 300 of those being seasonal layoffs in public education. Another 300 were in private sector services.

Compared with last August, the county has 200 fewer construction jobs and 800 fewer jobs in the service sector.

Unemployment in August was estimated at 9.5 percent, almost a point lower than July and a point and a half under the year-ago mark. As has been the case for months, the decline was due entirely to people dropping out of the labor force. There was little change in initial unemployment claims over the month.



Wahkiakum County

Nonfarm employment in Wahkiakum County continued to hover around 700 jobs in August. On the plus side, logging employment has been higher than last year. On the down side, services employment has been lower.

Employment remained nearly 200 jobs below the pre-recession peak of 880 jobs.

Unemployment was estimated at 9.0 percent, more than three points lower than last August. Why the big drop?

Unemployment spiked last summer with the closure of Columbia Care Center. Also, both the number of employed residents and the number of unemployed residents have dropped over the past year, as discouraged workers have given up looking for work.

