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About the Value of Jobs Coalition

The Value of Jobs Coalition is based on the premise that in order to have a prosperous, healthy Portland region with a good quality of life, we need more private-sector jobs. The coalition began with an economic study in the fall of 2010, which uncovered troubling economic data about the Portland-metro region. A number of other studies have followed that highlight the region’s economic opportunities and challenges. Find out more at: www.valueofjobs.com.
Introduction

Between January 2008 and December 2010, the darkest period in the recession, the Portland-metropolitan area lost 64,900 jobs. Since then, the Value of Jobs coalition has tracked the region's economic recovery, and the news is good this year for the fifth annual Economic Check-Up. Between January 2011 and August 2014, the region added back 64,875 jobs, for a gain of 20,375 since the 2007 peak.

Has the regional economy recovered? The numbers clearly show that jobs are back, and that is great news.

But a closer look at this year's statistics reveals a mixed report. Yes, jobs are back, but much of the recovery has been in the local sector: employers who operate primarily in the local economy. Those critical traded-sector jobs—jobs related to employers who do business outside of the Portland-metro region and, thus, bring new dollars to our regional economy—have also shown a rebound and are closer to their pre-recession level. However, they still are not quite there. Portland-metro's recovery of traded-sector jobs outpaces the national average for metro areas, yet lags continue in key sectors, such as manufacturing and construction, which generate the middle-income jobs that are important to the long-term vitality of this region.

This year's data also shines a light on another important metric for the regional economy: job growth as it compares to population growth. In this area, there is cause for concern. Regional job growth relative to population growth has declined over the past few years, which could have long-term implications if not addressed.

Regional job growth as it compares to population growth has declined over the past few years, which could have long-term implications for the state and Portland-metro.

Finally, Portland-metro's growth in Gross Metropolitan Product (GMP)—a key measure of productivity—continues to outpace much of the nation. Driven largely by the electronics and semiconductor industry, including Intel, Portland-metro's GMP growth was third in the nation for metro areas. This creates a tremendous story for the region to tell as it works to grow its existing job base and attract new employers to the region.

As always, this annual report provides the Portland-metro region with an opportunity to look back at what has worked in our effort to grow jobs and what has not. Now that we appear to have recovered the jobs lost in the recession, at least in raw numbers, the report poses a new question:

What next? How will we ensure that Portland-metro continues to have a growing and thriving economy for this and future generations?

Those are questions we must answer together.

Thank you to our funding partners.

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- Bank of America
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- ESCO Corporation
- Ferguson Wellman
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- Walmart
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What the data show

This is the fifth Economic Check-Up. It focuses on three measurements of the Portland-Metropolitan Service Area (MSA) economy:

- Employment
- Income
- Gross Metropolitan Product (GMP)

Portland-metro’s economic performance from August 2007 to August 2013 will be compared to the following geographic areas:

- The average of all U.S. metropolitan areas
- Peer group regions, defined as Sacramento, St. Louis, Cincinnati and Salt Lake City
- Aspirational group regions, Seattle, Denver, and Minneapolis

These groupings of peer and aspirational regions, with the exception of Salt Lake City, have been used in past Economic Check-Up reports to give better context to how Portland-metro’s economy compares at the national level. This year, Salt Lake City was added to align with analysis being done by Greater Portland Inc.

Job growth: In the big picture, a positive story

For the fourth consecutive year, Portland-metro’s economy measured positive growth in the first eight months of 2014, adding a total of 22,175 jobs. Over the four years, a total of 84,875 jobs were added, overcoming the 64,500 loss recorded during the recession, for a net positive change of 20,375 jobs, as shown in Figure 1. For the first time since the recession, Portland-metro’s job growth outpaced the national average for metro areas, see Figure 2.

BY THE NUMBERS

64,500.
The number of jobs lost from 2007 to 2010, the baseline job number used in this report.

84,875.
The number of jobs added back to the Portland-metro region between 2010 and August 2014.

$4,408.
The amount by which Portland’s median household income remains below pre-recession levels.

4.6.
The percentage by which Portland’s per capita income lags the national average for metropolitan areas.

$3,592, $8,026, $8,311.
The amount by which Portland-metro median household incomes trail those of Denver, Minneapolis and Seattle respectively.

47.
The percentage of Portland-metro’s employment per capita in 2013, down from 53 percent in 2000.

3rd.
The rank of Portland-metro out of the top 100 Metropolitan Statistical Areas (MSA) in the growth of Gross Metropolitan Product between the second quarter of 2009 and the second quarter of 2014.
During the last year, many of the job gains have been in the local-service sectors, with education, health care, and leisure showing the greatest gains, along with professional services, which includes both local- and traded-sector jobs. In fact, looking at job recovery since 2008, those sectors have shown net positive gains, while other sectors, such as manufacturing, construction, financial services and government, have shown a net negative, see Figure 3.

In assessing the strength of the recovery, it’s important to distinguish between job growth in the traded and local sectors. The traded sector includes industries and employers that produce goods and services that are consumed outside the region (e.g., semiconductors). The local sector consists of industries and firms that produce goods and services that are consumed locally (e.g., K-12 education).

Both sectors—traded and local—are essential to economic health. Traded-sector employers export products or services and bring new money into a region. In part, this money is spent in the local economy, supporting jobs and income in the local sector. The typically higher wages from traded-sector jobs have an important benefit: in our income-tax-dependent state; traded-sector jobs generate more revenue for critical services like schools, health care and social services. Local-sector employers provide necessary goods and services that both improve quality of life and contribute to the productivity of the traded sector.

Figure 3: Industry employment cumulative change in Portland MSA, 2008-2014

During the recession, the loss of traded-sector jobs was greater than the local sector loss, and recovery in trade-based jobs has been slower, as shown in Figure 4. In the period between August 2013 and August 2014, the pace of recovery in traded-sector employment picked up, however, and the region is just 4,100 jobs away from the pre-recession 2007 level. In fact, just like local-sector job recovery, Portland-metro is outpacing the U.S. metro area average for job recovery in the traded sector.

**Job recovery: Portland-metro vs. other regions**

Since the first Economic Check-Up report in 2010, the Value of Jobs coalition has looked at how Portland-metro’s economic performance compares to other metro regions. We have divided those comparator regions into two groups: 1) “peer” regions: St. Louis, Cincinnati and Sacramento, which four years ago had economic and population characteristics similar to Portland-metro, and 2) “aspirational” regions: Seattle, Denver and Minneapolis, metro areas Portland-metro frequently looks at for best practices. This year the coalition has added Salt Lake City to the peer review to align with analysis underway by Greater Portland Inc.

Since 2011, Portland has outpaced three of its peer regions in job recovery. St. Louis, Cincinnati and Sacramento are all still short of their 2007 job peak, while Portland-metro and Salt Lake City have totally recovered in terms of job numbers, see Figure 5.

All of Portland’s aspirational regions, Seattle, Denver, and Minneapolis, have more than gained back their lost jobs since the pre-recession peak. This year, Portland-metro joined the ranks of regions that have achieved full job-count recovery. In fact, with a 2 percent gain since 2013, Portland-metro has surpassed Minneapolis in job additions, but still lags behind the other two aspirational regions. Job growth since 2007 in Denver-metro has exceeded 6 percent, in Seattle-metro it is close to 4 percent, and in Salt Lake City it is almost 5.5 percent, as shown in Figure 5 and 6.
Job growth vs. population: Are we keeping up?

For this Economic Check-Up, the Value of Jobs coalition looked at another indicator of regional economic health: job growth relative to the regional population growth. An important trend appeared.

For more than a decade, Portland-metro’s employment per capita has been in decline. In 2000, employment per capita was 53 percent; by 2013, it had declined to about 47 percent, see Figure 7. Portland-metro’s longstanding reputation as an attractive place to live has caused many to move to the region, and, unless job growth keeps pace, that could exacerbate employment and income concerns in the decades ahead.

Incomes: Growth but slowly

While regional job growth has remained steady during the last four years, the same has not been true for incomes. Following the trend in most U.S. metro regions, Portland-metro has seen only modest growth in both median household income and per capita income, two important measurements of regional economic prosperity.
Median household income (MHI) declined by 11 percent from 2008 to 2010 (in 2013 dollars), as the recession pinched wages. In 2012, Portland-metro saw the first significant increase in MHI since 2008, and in 2013, modest increases continued. Between 2012 and 2013, MHI grew $1,355, from $57,813 to $59,168 (in 2013 dollars). That is still $4,408 (or 6.9 percent) short of the pre-recession 2008 level of $63,576.

Looking at other regions, Portland-metro’s growth in MHI surpassed three of the peer regions, Cincinnati, Sacramento and St. Louis, but lags behind Salt Lake City, see Figure 8. On the other hand, Portland continues to significantly lag the aspirational regions, Seattle, Denver, and Minneapolis, in MHI. Although none of the regions have completely regained the household income lost since 2008, Portland (95.1 percent of 2008 MHI) has regained more than all of the peer and aspiration markets, except for Salt Lake City (95.6 percent), see Figure 9.

Another important measure is per capita income. The first Economic Check-Up in 2010 uncovered the disturbing reality that Portland-metro’s per capita income had declined over a 13-year period from 1997 to 2010, falling below the national average for metro areas. In response, regional leaders put a major focus on improving incomes, adopting a goal of exceeding the national average for metro areas by 2020.

The region still falls short of that goal. In 2012, Portland-metro’s per capita income was $43,734, about 4.6 percent below the national average for metro areas. And Portland-metro’s per capita income lagged all of our aspirational comparator regions, Seattle, Denver, and Minneapolis. Comparing per capita income to some of our peer regions, Cincinnati, Sacramento and St. Louis, reveals a deviation from all of the other measures—these three peer regions have higher per capita incomes. Portland, however, was $2,718 higher than Salt Lake City in terms of per capita income, which is a reversal from MHI, where that city leads Portland.

Affordability: Another look

Comparing regional incomes raises the obvious question of cost of living. Are wage and income disparities offset by differences in the cost of housing and other factors? Previous Economic Check-Ups have looked at that question, ranking Portland’s affordability against peer and aspirational regions.

For this report, a new measurement tool is used: Regional Price Parity (RPP) which adjusts the buying power of personal incomes to account for regional price differences. For regions with higher costs of living, the RPP would adjust household incomes downward, while regions with lower costs of living would see an upward adjustment.
Portland-metro has an RPP factor that essentially is zero: the RPP-adjusted median household income is almost the same as the unadjusted income. All three of the aspirational regions, Seattle, Denver, and Minneapolis, have RPP-adjusted incomes that exceed Portland-metro’s, as do three peer regions, Salt Lake City, Cincinnati and St. Louis. Only Sacramento lags Portland in this measurement. Bottom line, among the seven comparator regions, only Sacramento lags Portland-metro in the buying power of median household income, see Figure 10.

Income distribution: Lagging professional wages

One last look at regional incomes reveals income distribution is a matter of growing concern. Regions across the country, including Portland-metro, are experiencing a loss of middle-income jobs. In 2015, the Value of Jobs coalition will take a look at trends related to middle-income employment in the region.

For this Economic Check-Up, the coalition looked at how the spectrum of Portland-metro wages compares to the national average for metro areas and comparator regions. The results were interesting, but not unexpected. Portland-metro’s lowest-income earners, the bottom 20 percent, make 10 to 30 percent more than the national average, likely driven by a minimum wage that exceeds the federal minimum by $1.85 (25.5 percent). At the higher end, Portland’s top 30 percent make as much as 14 percent less than the national average, again illustrating a finding of a 2013 Value of Jobs report showing Portland-metro’s college-educated workers, on average, make less than their counterparts nationally.

Looking at the peer regions, Sacramento, Cincinnati and St. Louis also have upper incomes that fall short of the national average for metro areas, while aspirational regions, Denver, Minneapolis, and Seattle, are above the national average at almost all income levels, as shown in Figures 11 and 12. Salt Lake City follows a pattern very similar to Portland-metro; incomes are higher than the metro national average through the 65th percentile for both regions, before dropping below the national average. At the 97th percentile, Salt Lake City slightly exceeds the metro national average percentage while Portland-metro falls just short at 99.2 percent. Both regions are more than 10 percent lower than the national average at the 99th percentile.

What is Regional Price Parity?

Regional Price Parity (RPP) is a new form of measurement developed by the U.S. Department of Commerce this year. Much like currency exchange, it compares real buying power in different regions at a given point in time.

For example, the New York metropolitan area has an RPP of about 122, meaning prices are about 22% higher than the national average. When factored against median household incomes, this provides a measure to account for cost of living differences for a given region. See Figure 10 for Portland-metro’s RPP-adjusted income ranking.

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Figure 11: Income distribution relative to U.S. metro average, 2012 Portland vs. peer MSAs

Figure 12: Income distribution relative to U.S. metro average, 2012 Portland vs. aspirational MSAs

Source: U.S. Census Bureau, American Community Survey provided by University of Minnesota Population Center.
Gross Metropolitan Product: The bright spot

Finally, a very bright spot for Portland-metro’s regional economy: Gross Metropolitan Product (GMP), which is the market value of all goods and services produced in a Metropolitan Statistical Area. Since 2008, Portland-metro not only has outpaced the nation in GMP growth, but the region also has been a national leader.

Through the second quarter of 2014, Portland-metro ranked third in the nation for GMP growth from the trough of the recession (calculated for each market), behind Austin and Houston. Portland-metro’s GMP grew 23.6 percent, compared to a national average for metro areas of 10.8 percent, see Figure 13.

GMP is an important indicator of efficiency in a local economy, and strong GMP growth is a tremendous attribute in economic development efforts. Much of Portland-metro’s strong performance in this area is due to the electronics and semiconductor industry, most notably Intel.

Why this matters to Oregonians

There’s good news in this year’s economic update. The region has fully recovered the jobs it lost in the recession, and employment has grown to all-time highs. The value of goods and services produced here is increasing at a faster pace than all but a couple of regions. This reinforces our reputation for innovation and productivity.

However, the jobs and output numbers haven’t produced the income gains that typically accompany economic expansions. This isn’t a Portland problem. Income stagnation is a common theme across the country.

Portland’s answer to slow-growing income lies in how we address two big trends: the technology revolution and a growing global middle class. Technology is eliminating routine, middle-skill work. Simultaneously, technology demands higher-skilled labor—to design, operate, and otherwise harness its potential. Our students, workers and schools must be better informed about the direction of technology and organize their training and studies around it. We must connect education to the economy.

The growing global middle class—on track to more than double in size—is a huge opportunity for the Portland-metro region. This reconfirms the need for a coherent, focused export strategy, and increases the urgency to attract and retain diverse students and investors to the region, who understand foreign markets and have deep networks overseas.

There are challenges and opportunities ahead. Working together, we can be ready for them and focus on our common vision of growing jobs that support our region’s families.
Introduction

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This year’s data also shines a light on another important metric for the regional economy: job growth as it compares to population growth. In this area, there is cause for concern. Regional job growth relative to population growth has declined over the past few years, which could have long-term implications if not addressed.

Looking at the other critical economic indicators—income—the news is mixed. During the last year, incomes increased, but they are still behind their pre-recession levels, which impacts families and impedes overall economic recovery. For the second year in a row, Portland-metro’s median household increased, and we now outpace many of the metro areas we have chosen as comparator regions. Per capita income grew slightly, but through 2012 still lagged the national average for metro areas by about 3 percent ($42,305 nationally vs. $45,580 in Portland).

A review of income distribution shows that, while Portland-metro’s lower- and middle-income earners, on average, make more than their peers nationally, the region’s higher-income earners make less. This reiterates previous Value of Jobs reports, which showed Portland-metro’s college-educated professionals earn less than their peers nationally. Considering Oregon’s dependence on income taxes as a primary source of tax revenue, this is a trend that could have long-term implications for the state and Portland-metro.

Finally, Portland-metro’s growth in Gross Metropolitan Product (GMP)—a key measure of productivity—continues to outpace much of the nation. Driven largely by the electronics and semiconductor industry, including Intel, Portland-metro’s GMP growth was third in the nation for metro areas. This creates a tremendous story for the region to tell as it works to grow its existing job base and attract new employers to the region.

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