Oregon unemployment hits 9 percent with worse expected

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In its release of December's grim unemployment figure of 9.0 percent last week, Oregon's Employment Department warned that worse is on the way. It did not take long for that prediction to pan out.

The next day Intel Corporation, Oregon's largest private employer, announced the specifics of long-rumored job cuts. Nearly 6,000 employees will be laid off worldwide, with 1,000 of those cuts to take place in the Portland suburb of Hillsboro, where Santa Clara based Intel will—in addition to closing facilities in Malaysia, the Philippines and Santa Clara—close its Fab 20 plant.

Two days later, Portland's largest employer, Oregon Health Sciences University, announced job cuts that could total 1,000 by year's end as part of cost reductions of $30-35 million for the current financial year.

On Thursday, Boeing—which has operations in the state of Washington and Oregon—announced 10,000 job cuts, up from the 4,500 cuts the company initially announced January 9.

With nearly 10,000 jobs lost in December, the official unemployment figure jumped an unprecedented 1 percent from November's revised figure of 8 percent—the highest rate since April of 1985 when 9.1 percent of Oregon workers were jobless. There are now 174,819 unemployed workers statewide.

According to the press release of the Oregon Employment Division, "The state's unemployment rate has risen rapidly and substantially over the past six months after remaining stable throughout the first half of 2008 at near 5.5 percent." The 1 percent increase is the largest month-to-month increase since 1976, when the state began tracking this data.

As the month of January progressed an almost steady drumbeat of businesses announced layoffs on a near daily basis: catalog fruit vendor Harry & David, based in the southern Oregon town of Medford, plans to lay off over 100 workers—10 percent of its workforce. Plans by Xerox to cut 3,000 from its global workforce resulted in 50 job cuts at its Wilsonville campus. Also in Wilsonville, the Movie Gallery Inc. video rental chain will lay off 213 employees. Mercy Corp International eliminated 14 jobs in Portland out of 22 cut nationally; Precision Castparts, which fabricates castings for high tech, automotive and aerospace industries, will cut about 40 salaried employees and an unspecified number of hourly workers.

Daimler Trucks North America will wipe out 190 jobs at its Portland facility as part of 2,300 it is cutting nationally. Boeing, which had experienced a bitter eight-week strike by its machinists last fall, announced the elimination of 4,500 positions mostly through layoffs—a figure it has now raised to 10,000. Most of these job cuts will be in the Seattle area where its operations are concentrated, but an unknown number will be lost at its plant located in Gresham, Oregon.

Oregon is one of six states to announce increases in unemployment of 1 percent or higher in December over the previous month. Massachusetts, Michigan, Nevada, New Jersey and New York were the others. The new numbers place Oregon as sixth in the nation for unemployment. In 2003, Oregon led the country with an 8.2 percent unemployment rate.

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State economists anticipate that that unemployment rate could reach double digits in the mid-10 to mid-11 percent range by next year. Given the speed with which the economic crisis is intensifying this may be so much wishful thinking as jobless figures spike even higher.

The speed with which jobs are hemorrhaging has confounded state economists, who had anticipated smaller losses. Construction, deeply affected by the housing crisis, lost 4,500 jobs, while a 2,400 cut had been anticipated. Government jobs were also cut by 4,500; a 2,900 decline had been forecast. The leisure and hospitality sector dropped 3,200 jobs while the seasonal norm is 500. Transportation equipment manufacturing shed 3,800 jobs—or 22 percent—in the last 12 months.

The opening of a call center earlier this month in Vancouver, Washington, across the Columbia River from Portland and part of the area's economic infrastructure, drew 800 applicants for a grand total of 30 positions.

The official US unemployment rate rose by 0.4 percent in December, to 7.2 percent. Many of these laid-off workers will find that the social services that have traditionally blunted the loss of livelihood no longer exist. Even as the state of Oregon bleeds jobs uncontrollably, its present two-year budget and its upcoming two-year budget face a drastic loss of tax revenue.

Estimates developed last November project that Oregon's present and future budgets are on track to lose nearly $1 billion in tax revenue. Since then, the economy has deteriorated drastically, indicating that the state's revenue losses might be much higher. Indeed, economists recently warned the legislature that the budget hole may grow even larger.

Democratic Governor Ted Kulongoski responded to the projected shortfall by ordering a 1.2 percent across-the-board cut last November. However, since there were six months left in the budget, the 1.2 percent translates closer into a 5 percent cut of the remaining budget.

The Department of Human Services (DHS) faces a loss of $40 million. Meanwhile, the demand for food stamps, cash assistance and other services is increasing. An October report shows that requests to DHS for Temporary Assistance to Needy Families increased by 16 percent over the previous October, while food stamp applications rose by 13 percent. The *Oregonian* quoted spokeswoman Patty Wentz, saying, "Over the last several months we've already implemented cuts, a hiring freeze and cut travel." Evidently, further cuts will affect core services.

Kulongoski has also proposed that state workers take eight unpaid furlough days during the time covered by the upcoming two-year budget.

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