

2023 Value of Jobs
STATE OF THE ECONOMY

Report at a Glance

This annual update on the state of our economy, led by the Portland Business Alliance and the Value of Jobs Coalition, marks another year of cautious economic recovery. The last year will be remembered as the year the pandemic abated, jobs recovered, and inflation dominated the headlines. The economy sent mixed signals—recession concerns and persistent job growth. Locally, the Portland region’s job growth outpaced the nation’s and by midyear the region, like the nation, had returned to pre-pandemic job levels.

Underlying the average performance for the metro area were highly uneven trends within our region. Economic performance was weakest in the center—Downtown Portland and other parts of the Central City. Portland’s labor force has a relatively large share of professional and business service workers with college degrees, and the hybrid work model has proven to be the new normal. Several other factors, especially the related housing affordability and homelessness crises, rapid rise in crime rates and an abrupt increase in local taxes, are headwinds for economic recovery. Office space vacancies are on the rise and are likely to remain elevated well into the next decade.

The economic outlook, especially for the City of Portland, is as concerning as any time since the twin recessions of the 1980s. Newly released Census data suggests the region can no longer take net in-migration for granted—as it has for most of its history. People and businesses vote with their feet, and they are not voting for Portland, the city or the region, in the way they have in the recent past. If this trend continues, it could lead to a stagnant and underproductive economic future for our region and the state.

5.4%

Portland metro job growth in 2022, Multnomah County lags by 4.5% from pre-pandemic levels.

10.4%

Jobs gained in the Leisure & Hospitality sector, only outpaced by Construction sector.

-12,691

Population decline by out-migration in Multnomah County.

\$117 MILLION

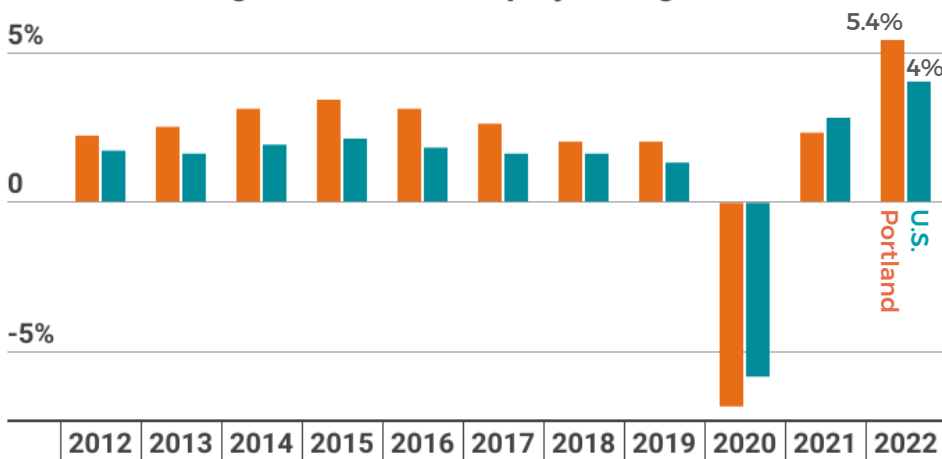
Multnomah County income loss from migration to Clark County, WA.

32%

Increase of local business taxes in the City of Portland since 2019.

View the full State of the Economy report with interactive charts at: PortlandAlliance.com/2023

Figure 1: Annual employment growth



Source: Bureau of Labor Statistics, Current Employment Statistics.



PORTLAND
 BUSINESS ALLIANCE

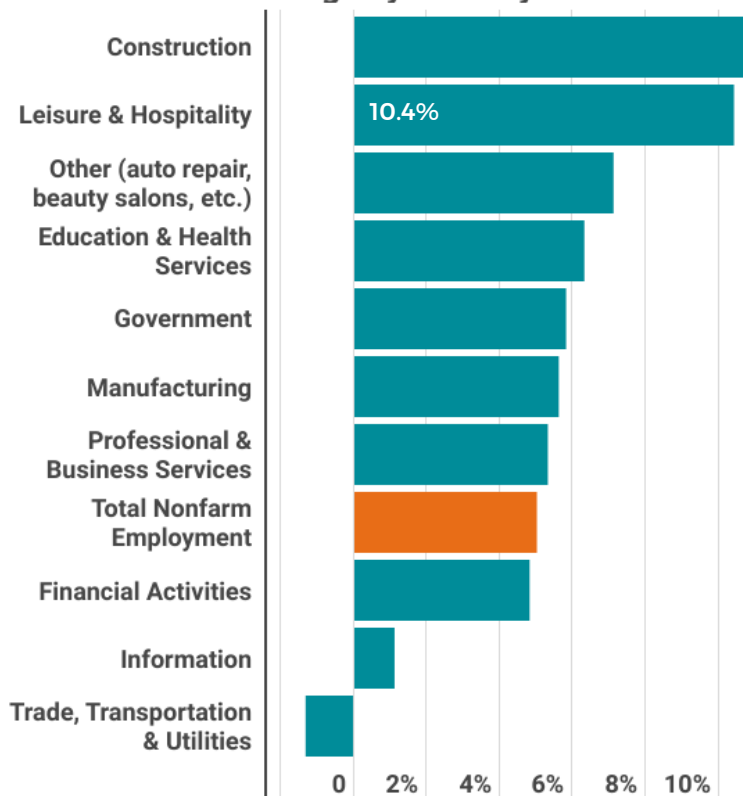


Portland metro regional job growth outpaced the U.S. average in 2022 after slow job performance during 2020 and 2021. Consumer behavior and regional Covid policies explain most of the difference. Regional consumers were slower to return to restaurants, hotels, and entertainment venues than peers across the country, in part because of periodic governmental restrictions, but also due to elevated concerns about infections with new variants. As the severity of Covid infections eased during 2022, Portland’s recovery accelerated and outpaced the national average. **See Figure 1 on front.**

Construction and leisure/hospitality industries added the most jobs in the last year but trade, transportation and utilities are lagging

After below average job growth in 2021, the Portland region accelerated in 2022 and recovered its pre-pandemic jobs level around the same time the nation did. In 2022, the construction sector led the way with a 10.7% annual increase thanks to strong growth in the residential sector. Next was the leisure and hospitality sector as restaurants, hotels, and entertainment venues anticipated the end of social distancing requirements and hired aggressively to meet pent-up consumer demand. The retail and wholesale trades were the weak spot as consumers, who had loaded up on goods during the pandemic, spent more on services. **See Figure 3.**

Figure 3: Portland metro employment change by industry



Source: Oregon Employment Department, Current Employment Statistics.

U.S. Census data shows sizable Multnomah County out-migration but Clark County growth

Recent U.S. census population estimates suggest that only Clark County had a meaningful increase in population in 2021—driven almost exclusively by net in-migration. All four counties show low levels of natural population change (the number of births outnumbering deaths in the incumbent population), which is a function of an aging population and decreasing fertility rates. Multnomah County’s sizable population decline parallels those of other densely urbanized, metro centers.

Slow population growth is a troubling sign for our regional economy and this was highlighted in last year’s State of the Economy report. This year’s data is even more startling with Clark County as the only county in our region to show a meaningful increase in population. Whereas Multnomah County showed barely any natural population growth offset by a steep decline in net in-migration by 12,691 people.

See Figure 6.

The Census estimates differ with preliminary findings by Portland State University’s (PSU) Population Research Center. The PSU center estimates that Multnomah County’s population fell by only 3,000 in 2021. The estimates draw on different underlying data sources. The Census has access to addresses used for federal tax filings and PSU draws on driver’s license and jobs data.

Income loss from migration to Clark County from Oregon is growing

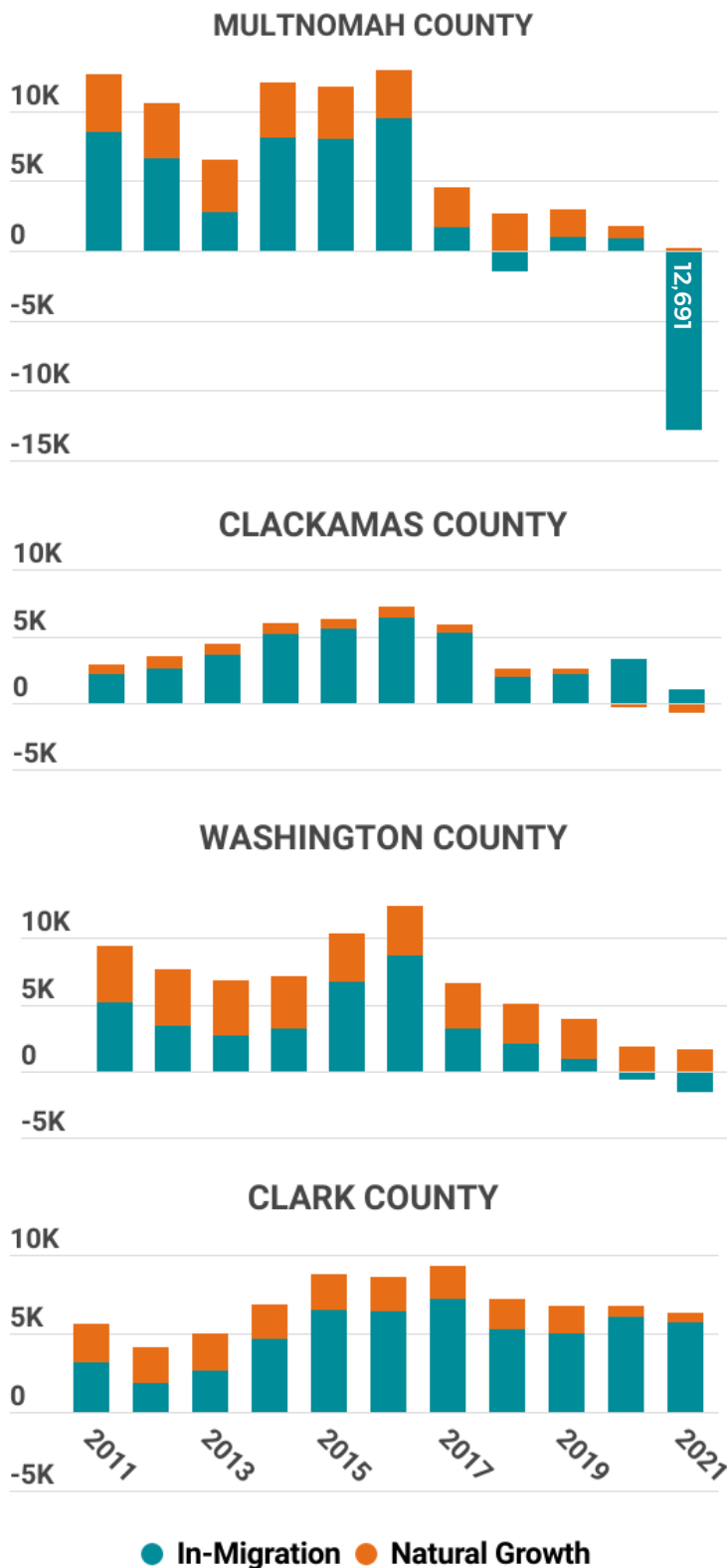
The U.S. Internal Revenue Service (IRS) tracks year-to-year migration patterns at the state and county levels. The patterns are available for inflows (e.g., residents who moved to a state or county and where they migrated from) and outflows (e.g., residents who left a state or county and where they went). The IRS reports the number of tax filers who moved and their associated adjusted gross income. **See Figure 13.**

The annual reporting shows consistent net income flows from Clackamas, Washington, and Multnomah counties to Clark County with a single exception—a net flow from Clark County to Clackamas County from 2011 to 2012.

*** NOTE:** In this report, the Portland region refers to the Metropolitan Statistical Area (MSA) of Portland-Vancouver-Hillsboro, OR-WA, except where otherwise noted. Metrics also compare the Portland region to other metropolitan “peer” regions. These comparator regions were selected and based on a number of indices found in the U.S. Census Data. Data and analysis provided by ECONorthwest.

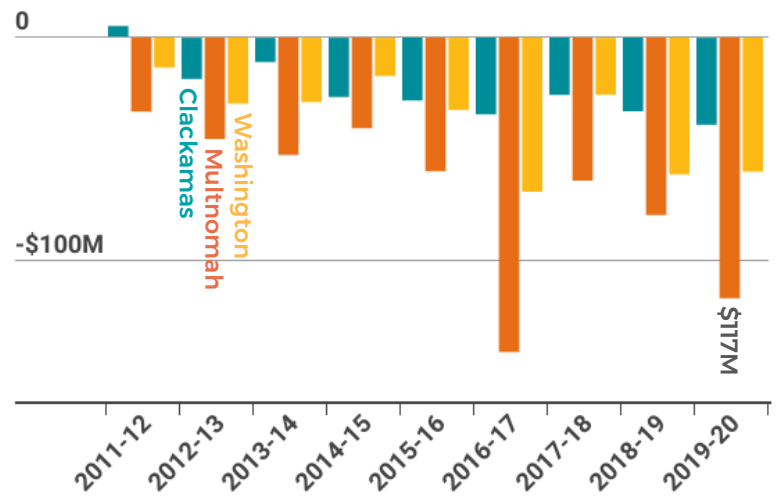


Figure 6: Annual population change in Portland metro by county, 2011-2021



Source: U.S. Census.

Figure 13: Net-migration flow to Clark County, WA by adjusted gross income between tax years



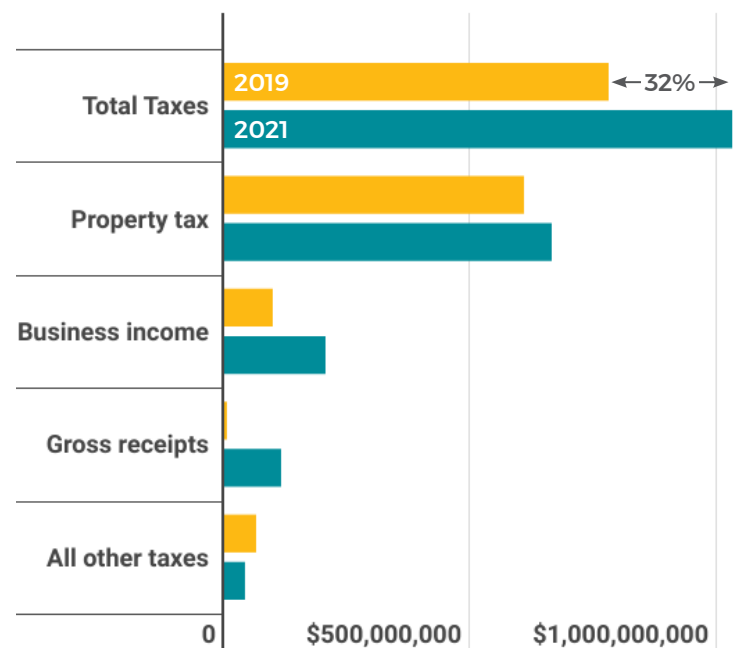
Source: U.S. IRS

Note: Data is not adjusted for inflation.

Taxes have increased sharply and could affect intra-regional business and household location decisions

Taxes paid by businesses located in the City of Portland increased 32% during 2019-2021, and, with the passage of two local income tax measures, Portland residents now face the second highest top marginal income tax rate in the nation—behind only New York City. See Figure 16.

Figure 16: City of Portland tax collections for business, 2019 and 2021



Source: Oregon State and Local Tax Burdens, Ernst & Young, 2022.

REGIONAL TAX COMPARISON

Economic theory asserts that tax policies matter most within regions. That's because top-tier location factors—labor and customer access for businesses and job opportunities, social networks, and amenities for households—can be accessed from different parts of region. The recent, sizable tax increases in Portland will put this economy theory to the test.

As businesses evaluate jurisdictions for location or expansion, many will conduct detailed estimates of their tax liabilities. This analysis replicated this comparative exercise for three types of businesses evaluating Portland, Beaverton, Lake Oswego, and Vancouver locations and taxation levels.

In all three examples, business taxes are lowest in Vancouver and highest in Portland.

For more tax data and analysis, view the full report online at PortlandAlliance.com/2023.

	FOOD MANUFACTURER	HAND TOOL MANUFACTURER	ENGINEERING FIRM
Annual Sales	\$13M	\$10.5M	\$2.1M
Employees	30.5	32.5	8.6
Square ft.	14,000	17,000	1,900
Gross revenue	\$4M	\$4.2M	\$1.2M
Pretax earnings	8%	12%	24%
Vancouver after taxes	5%	8%	15%
Portland after taxes	4%	6%	13%

Why this MATTERS

Portland and the nation are in unusual economic times. The Federal Reserve tried to slow the economy while consumers, boosted by excess savings, continued to spend during 2022. Meanwhile, remote work altered the relationships employers and employees and redefined where work is done.

All this change has rendered economic strategies, developed just a few years ago, obsolete.

At the same time, no other place in the country has such widely varying methods of taxation within a single commuting area as the Portland region. And recent years have seen an abrupt expansion of services and taxes on the Oregon side of the border—especially in the City of Portland.

Economic theory suggests that households and businesses will find a location within the region that matches their service and tax preferences. With remote work allowing more mobility than ever before, where will that be? How will those decisions impact our region and state?

View the full State of the Economy report and a comprehensive Regional Tax Comparison, at: PortlandAlliance.com/2023

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