
South Deschutes County Labor Supply and Demand Inventory

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Prepared for: Sunriver/ La Pine Economic Development and the City of La Pine, Oregon

Technical Report



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Introduction

Understanding the local labor force is critical for effective economic and workforce development. The basic pillars of economic development (retention, expansion, and recruitment) all depend on a local workforce that has the skills that businesses need to grow.

Larger metropolitan areas have what is known as a thick labor market with an abundant supply of workers with diverse skills. In turn, this allows for the development of a more diverse industry composition where businesses cluster around the workforce. One of the more obvious challenges that rural communities face is a small workforce. However, perhaps more challenging than the size of the workforce is that workers in rural communities tend to have more homogenous skills, making it difficult to attract new industries to the area.

Rural communities must be more intentional when developing their economic development strategies to recruit businesses that best match the skills of the local workforce. Inversely, it is also critical for workforce development efforts to be tuned into the needs of the key businesses within the community to ensure that education and training programs are in place, ensuring a reliable supply of workers.

The southern portion of Deschutes County, the communities around La Pine and Sunriver, is a rural area near the small metropolitan area of Bend, Oregon. Proximity to a metropolitan area has some notable advantages. These rural areas tend to have a workforce with more diverse skills that commute to jobs in the larger metropolitan area. This is an opportunity compared to the typical rural community creating opportunities for business recruitment that can help diversify the local economy. Rural communities adjacent to metropolitan areas also tend to have less expensive and more abundant land, which can be desirable for individuals seeking to build a home or business.

This analysis will create an inventory of the local labor supply in south Deschutes County and will compare this to the skills demanded by local businesses. Gaps between the skills of the workforce and the needs of businesses will be highlighted, so that the local community might develop a more targeted workforce and economic development strategy.

Labor Supply (Skills of Local Workforce)

The labor force in South Deschutes County is relatively small with an annual average of just under 8,500 workers in 2021. Roughly 650 of those workers were unemployed in 2021 for an annual average unemployment rate of 7.7%. That is notably higher than the broader Deschutes County unemployment rate of 5.3% in 2021. A disproportionate share of Deschutes County's unemployed workers live in the southern portion of the county, accounting for 12% of total unemployed, but only 8.3% of the total labor force.

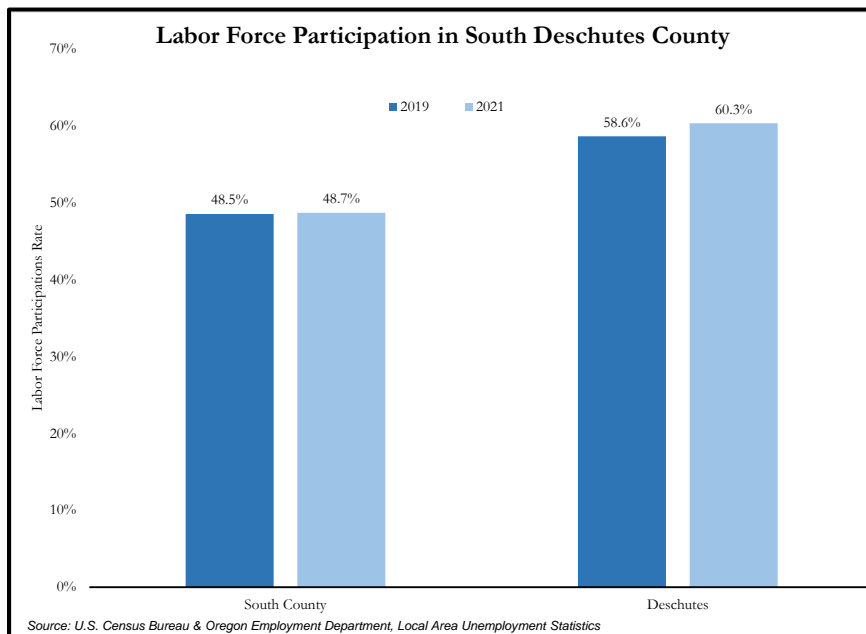
Table 1: Labor Force Statistics for South Deschutes County

	Labor Force			Employed			Unemployed			Unemployment Rate	
	South County	Deschutes Total	Share of County	South County	Deschutes Total	Share of County	South County	Deschutes Total	Share of County	South County	Deschutes Total
2019	7,930	95,926	8.3%	7,463	92,211	8.1%	467	3,715	12.6%	5.9%	3.9%
2020	8,234	98,204	8.4%	7,315	90,396	8.1%	919	7,808	11.8%	11.2%	8.0%
2021	8,467	102,553	8.3%	7,816	97,124	8.0%	651	5,429	12.0%	7.7%	5.3%
Change 2019-2021	537	6627	0.0%	353	4913	0.0%	184	1714	-0.6%	1.8%	1.4%
Percent Change	6.8%	6.9%	NA	4.7%	5.3%	NA	39.4%	46.1%	NA	NA	NA

Source: Oregon Employment Department, Local Area Unemployment Statistics (LAUS)

South Deschutes County has a high natural rate of unemployment due to a high concentration of local jobs in seasonal industries. Natural resources, recreation/tourism and construction are all seasonal industries with a high concentration of employment in the region. A high natural rate of unemployment is a common trait among most rural communities, especially those that rely more heavily on natural resource extraction. At a time when the labor market remains tight, a higher natural rate of unemployment is an asset. Workers typically employed in seasonal industries are low hanging fruit for reskilling into other high demand areas.

Workers in South Deschutes County were significantly impacted by the COVID-19 pandemic recession with the number of unemployed rising 97% in 2020 from levels in 2019. There was considerable improvement in 2021 with many of those workers who lost a job becoming reemployed, yet the number of unemployed workers remained up 39% from 2019 levels. Despite notable increases in unemployment, there were no declines in the labor force participation rate (the share of the population 16+ engaged with the labor force). The labor force participation rate was essentially unchanged between 2019 and 2021 for south Deschutes County at nearly 49%. In other words, only about half of the population 16 and over is in the local labor force. This is a notably lower share than Deschutes County where the labor force participation rate is closer to 60%.

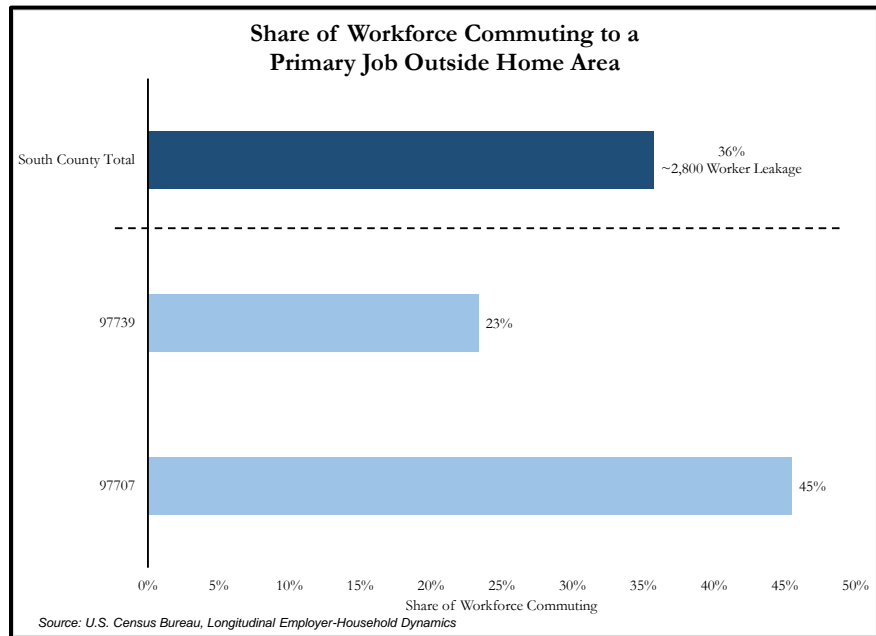


A low labor force participation rate is common for rural communities as these rural places tend to have an older population. South Deschutes County is no exception with roughly 30% of the population 65 and older, compared to only around 20% for Deschutes County. Retirees are a drag on labor force participation and can exacerbate labor shortages, but they can also

be economic development engines as they tend to have more disposal income and disproportionately demand services (retail, healthcare, and leisure/ hospitality).

One key element of the labor force statistics is they reflect the workers who live in the local community, and not necessarily a representation of the jobs employed by local businesses. Workers commute from one labor market area to another based on job opportunities and housing affordability. In south Deschutes County there is considerable worker movement out of the region for a primary job. Roughly 36% of the workforce commutes to a job outside of south Deschutes County; most commute north, to Bend. That equates to a workforce leakage of 2,800 workers.

These commuting patterns are not consistent across all south Deschutes County with a much higher share of workers commuting out of the Sunriver area (45%) compared to the La Pine area (23%). Anecdotally, this makes sense, as La Pine is further away from the employment hubs of Bend and Redmond.

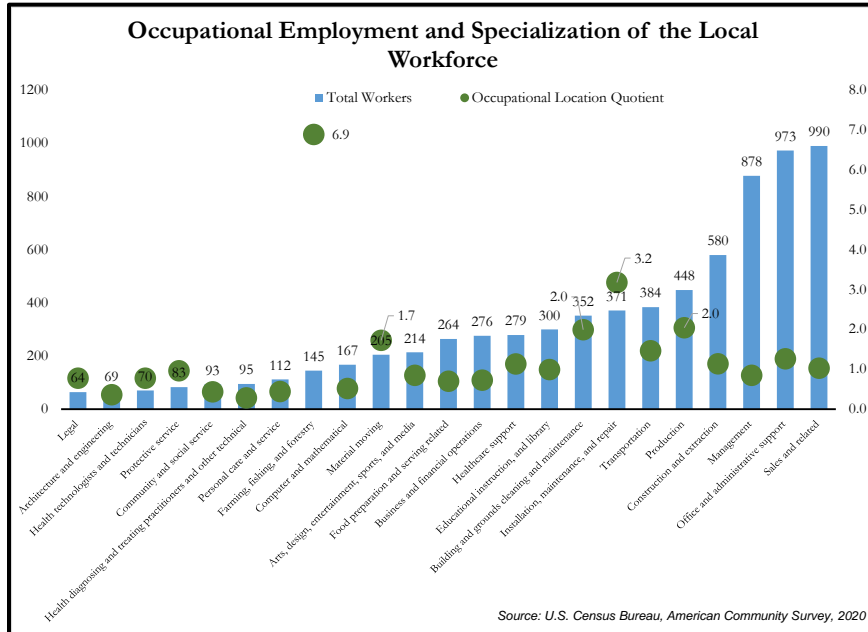


Why are so many workers commuting out of the region? There are likely two related reasons. First, let’s look at the types of workers within the local labor force. The three occupational groups with the highest number of workers living in south Deschutes County were sales and related (990 workers); office and administrative support (973); and management (878). That doesn’t provide much insight as these occupational groups tend to be among the largest occupational groups in most economies.

Looking at the concentration (location quotient) of workers in particular occupational groups compared to the county can provide some insight into the specialization of the local workforce. A *location quotient* simply represents the concentration of employment in a particular area compared to a larger area. A location quotient of “1” means the share of employment in that occupational group in south Deschutes County is identical to the county more broadly. A value of “2” means that the employment share of that occupational group is twice as large as the county. Inversely, values below “1” represent occupational groups where the share of employment is lower than the county.

These occupational location quotients reveal very high concentrations of workers in farming, fishing, and forestry (6.9); installation, maintenance, and repair (3.2); production (2.0); building grounds and maintenance (2.0); and material moving (1.7). Put another way, there is a high

concentration of local workers living in south Deschutes County who are employed in manual labor jobs and resource-based jobs. That doesn't necessarily mean these workers are employed by local businesses. Once again, these labor force statistics represent the skills of those who live in South Deschutes County.



These types of workers may choose to live in south Deschutes County, but commute outside the area for housing reasons. Some of this can be due to housing preference. Many of the workers in these manual labor/ resource-based jobs need more space for storing tools, vehicles, and materials. There are larger lots and more residential properties on acreage in south Deschutes County. Second, housing is generally

more affordable in south Deschutes County than in Bend or Redmond, especially closer to La Pine. According to the Beacon Report, the median sale price of homes in La Pine for November 2022 was around 7% lower than Redmond and nearly 35% lower than Bend. The average wage for the occupational groups most specialized among the south Deschutes County workforce tends to be concentrated around the countywide average wage, making it difficult to afford housing in more expensive markets.

Finally, commuting may be more prevalent due to more work opportunities for these specialized occupational groups outside of south Deschutes County. That would represent a gap between local employment demand and the local labor supply. We will dig into whether a notable demand gap exists in following sections.

With this information we can make some broad conclusions about the labor force in south Deschutes County. Unemployment is high due to the seasonality of the local economy. Labor force participation is low due to an older population. Commuting out of the local community is abundant for workers likely due to housing preference and/ or affordability. Finally, there is a high relative concentration of workers in farming, fishing, and forestry; installation, maintenance, and repair; production; building grounds and maintenance; and material moving.

Labor Demand (Jobs in Local Businesses)

The composition of the local workforce (labor supply) is only one half of the labor market. The other end of the local labor market are the businesses within that market, the types of products they produce (industry), and jobs they employ (labor demand). Rural communities must craft workforce development strategies that build and expand skills within the local workforce that best match the needs of existing businesses.

Table 2: Employment in Local Businesses

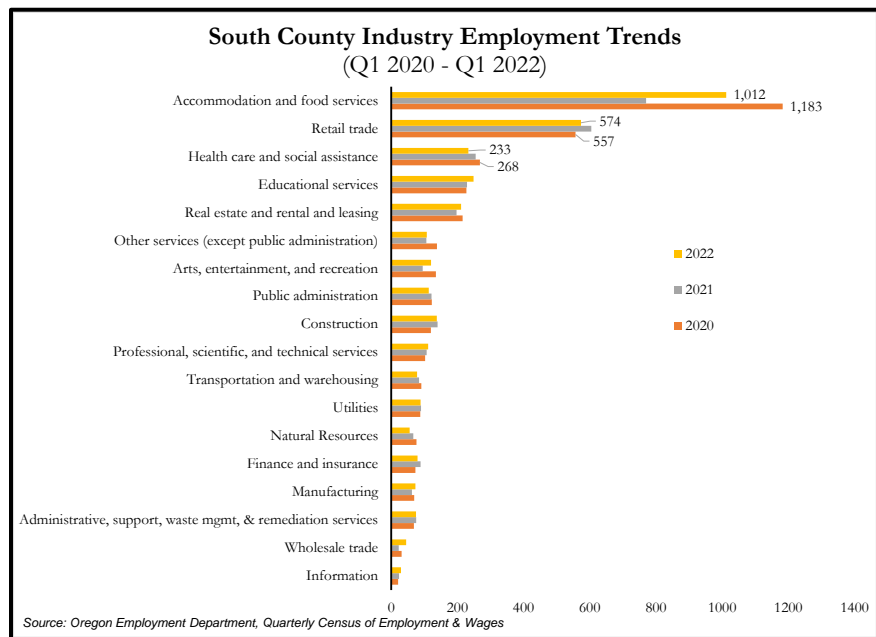
(First Quarter Average: Jan-Mar)

	Covered Employment		Real Covered Payroll	
	South County	Deschutes	South County	Deschutes
2019	3,283	82,579	\$32,974,832	\$1,067,965,322
2020	3,593	85,275	\$36,803,500	\$1,147,767,832
2021	3,147	81,772	\$32,750,526	\$1,168,204,272
2022	3,414	86,295	\$36,771,432	\$1,259,769,547
Change from Pre-COVID Peak (2020-2022)	-5.0%	1.2%	-0.1%	9.8%

Source: Oregon Employment Department, *Quarterly Census of Employment and Wages (QCEW)*

Payroll tax records reveal that south Deschutes County businesses employed around 3,415 jobs in first quarter 2022. Local businesses had not fully recovered from the pandemic recession through March 2022 with employment levels down -5% (-180 jobs) from pre-COVID levels. This is a slower recovery than Deschutes County more broadly where employment levels had fully recovered and were 1.2% above those pre-COVID levels by March 2022.

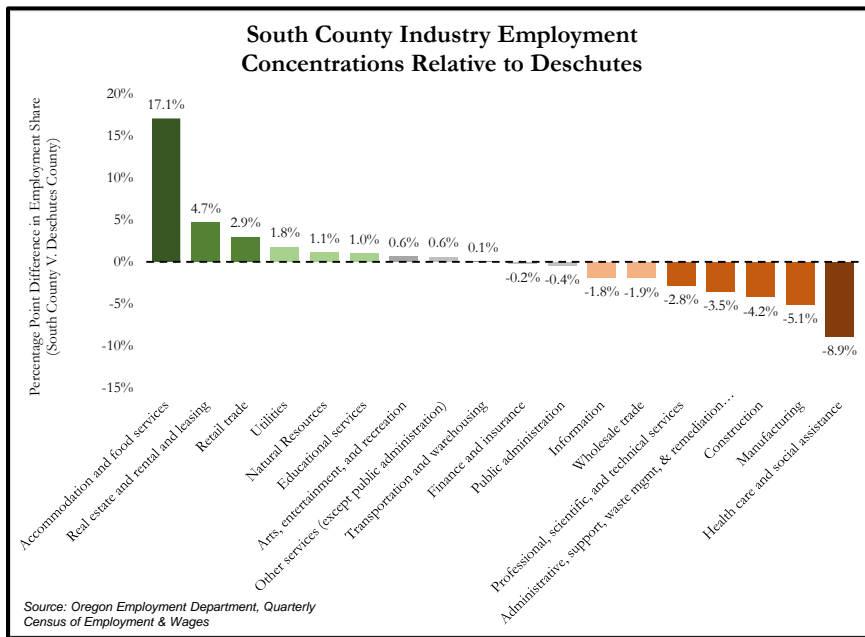
This slower recovery is largely a reflection of the magnitude of the pandemic shock. One year after the initial COVID lockdowns Deschutes County’s total covered employment was only down -4.1% from the pre-COVID peak, however in south Deschutes County employment was down -12.5%. The severity of the economic shock was not an economic weakness of the local economy, but a reflection of the industry



composition in south Deschutes County.

The pandemic disproportionately impacted hotels, restaurants, recreation facilities, and personal care services as these businesses were all significantly impacted by COVID lockdowns and consumer reluctance to engage in services. The largest employment sector in south Deschutes County is accommodation and food services with Sunriver Resort and surrounding hospitality businesses among the largest employers in the region.

As of March 2022, employment in these restaurants and hotels remained down -14.5% from March 2020. It is largely these significant job losses and continued recovery in accommodation and food services that is holding south Deschutes County back from a full employment recovery within local businesses. However, accommodation and food services is not the only industry to be in recovery mode in spring 2022. Other notable industries where employment had not fully recovered through March 2022 included health care; natural resources; other services; transportation and warehousing; and arts, entertainment, and recreation.

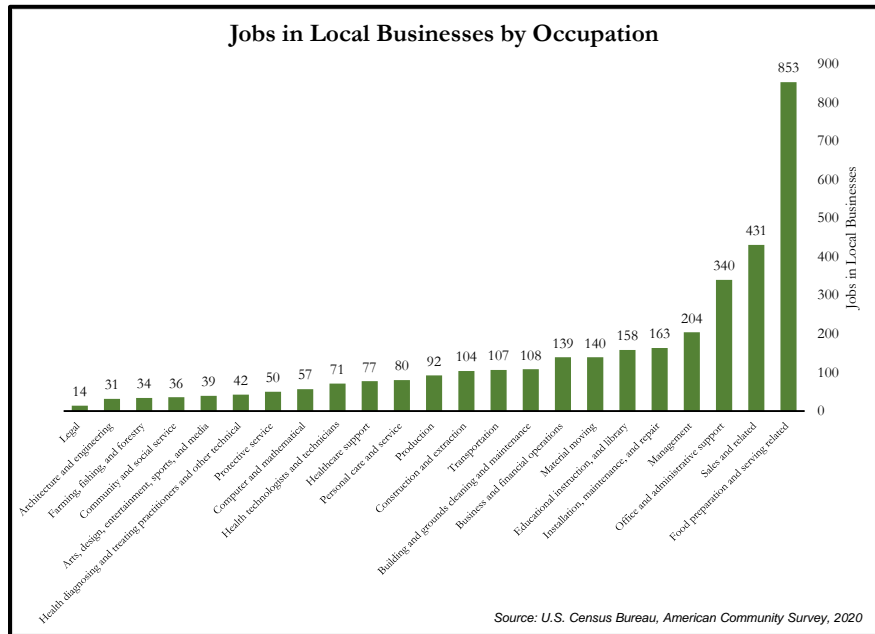


Why spend so much time talking about accommodation and food services? It is not only the largest industry as measured by jobs, but it also the most specialized industry in south Deschutes County. The share of local jobs concentrated in accommodation and food services is over 17 percentage points higher than Deschutes County. Other industries that are highly specialized in south

Deschutes County include real estate, rental, and leasing (+4.7 percentage points); retail trade (+2.9 points); and utilities (+1.1 points).

Industries where there is a low concentration of employment relative to the broader county include health care (-8.9 points); manufacturing (-5.1 points); and construction (-4.2 points). These last two (construction and manufacturing) are sectors that heavily employ occupations identified in the last section where south Deschutes County has a relatively large supply of workers. A notable demand gap that points to a large share of these workers likely commuting to manufacturing or construction jobs outside south Deschutes County.

Transforming these industry employment figures into occupational employment within local businesses is critical for better understanding any potential skills or demand gaps within the local labor market. Unfortunately, occupational employment estimates of workers in local businesses do not exist. As a result occupational employment within local businesses was modeled using national staffing patterns from the Bureau of Labor Statistics and applying those patterns to business payroll records in south Deschutes County.



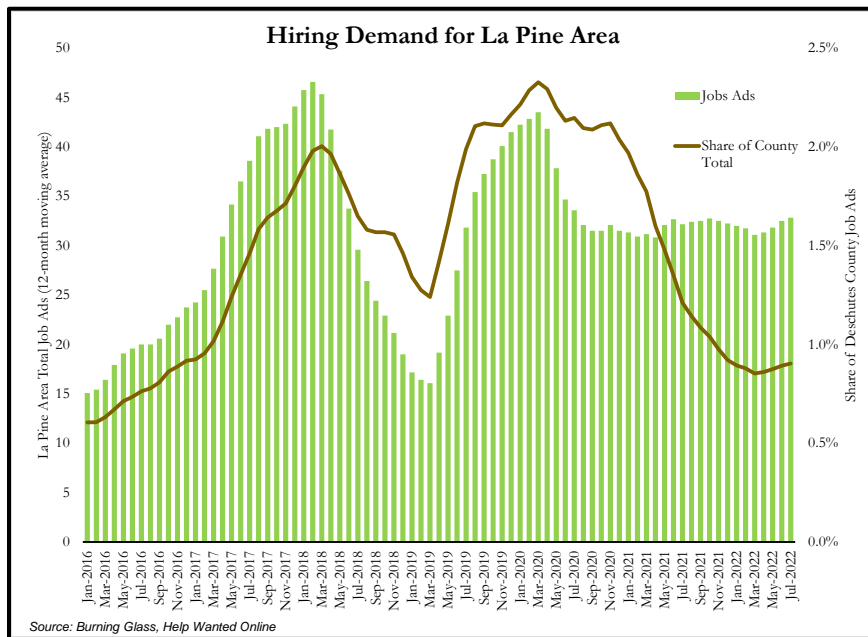
These modeled occupational employment estimates were consistent with expectations. With a high concentration of employment in accommodation and food services and real estate it is no surprise to see the largest employment sectors by occupational group among local businesses are food preparation and serving; sales; and office and administrative. Food preparation and serving occupational employment was by far the largest group employed in south Deschutes County businesses, yet workers in this occupational group were a relatively small share of the local workforce. Inversely, construction and production occupations were high on the list of most specialized skills of the local workforce, yet they accounted for a relatively low share of jobs in local businesses.

The foundation for labor demand are these jobs currently employed by local businesses. But it is also important to look at future hiring demand to gain some insight into the hiring needs of employers moving forward.

Several indicators point towards south Deschutes County businesses approaching a full employment recovery in 2022. The most important of these is transient room tax collections. These are the taxes paid by visitors staying in overnight accommodations. These tax collections shattered a record in Deschutes County in summer 2022 (excluding Bend), which points to strong tourism visitation. More visitors usually translate to more jobs hired to serve those visitors.

One of the best indicators for future hiring are job ads. A job ad today becomes a payroll job counted 3-6 months down the road. Through summer 2022 hiring demand remained stable and largely consistent with pre-COVID levels in South Deschutes County.

Job ads listed for “La Pine” on the vacancy reveal a choppy trend. Hiring demand was beginning to rebound to 2017/ 2018



levels immediately before the onset of the pandemic. Hiring activity declined following the onset of the pandemic but stabilized with a 12-month moving average of roughly 35 open job ads at any given time throughout the year. Job ads in the La Pine area have declined to around 1% of countywide job ads in 2022. That is a lower share than the ~2% of total jobs the La Pine area represents of Deschutes County.

The lower share of job ads in south Deschutes County is largely a reflection of the seasonality of local businesses. There are seasons throughout the year where there is little hiring demand among local businesses. Inversely, there are short periods of time when job ads soar, most notably in the spring, to fill jobs for the busy summer tourism season. Bend and Redmond have also been among the fastest growing job markets in the Pacific Northwest over the past several years. Local hiring demand has not kept pace with these neighboring urban employment areas.

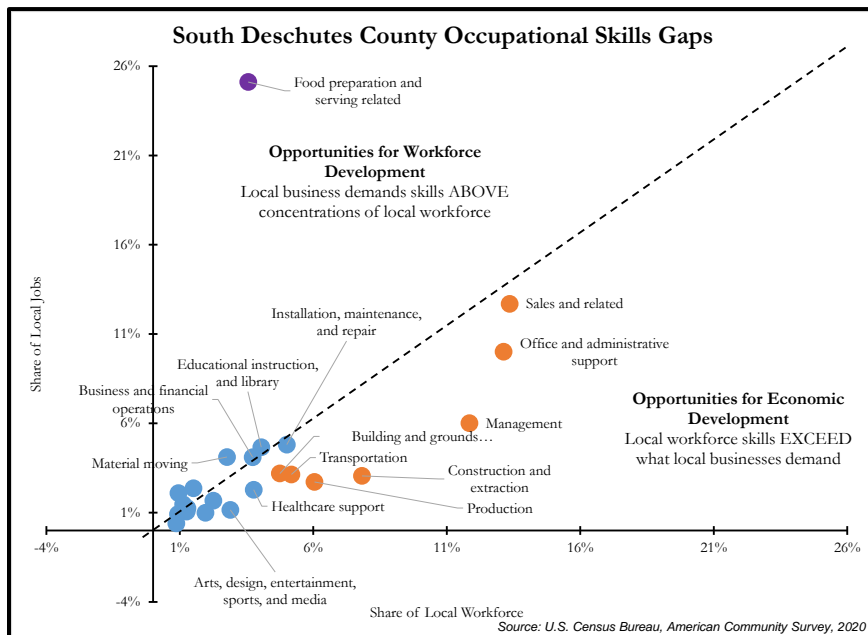
Combining these business-specific indicators we can draw some conclusions about the demand for labor in south Deschutes County. Local businesses were more significantly impacted by the COVID pandemic shock than Deschutes County more broadly. These large job losses were due to a greater share of local jobs in the hard-hit leisure and hospitality sector. Aside from leisure and hospitality, there is a high concentration of jobs in real estate, retail trade, and utilities. Converting industry employment to occupational employment in local businesses reveal large numbers of workers employed in food preparation and serving; sales; office and administrative; and management occupations. Finally, forward looking indicators for labor demand show that hiring demand has come down from levels early in the recovery from the pandemic shock but have stabilized around 2018 levels.

Opportunity Areas, Gaps, and Threats

Putting these two halves of the labor market together, we can now develop a more complete picture of the employment and labor supply situation in south Deschutes County. We know the skills and occupational specialization of the workforce living in south Deschutes County and we also know the skills and occupational specialization of the workers employed by local businesses. In communities where there is relatively little commuting, you would expect to see little difference between the composition of the local labor force and the skills of workers employed by the local businesses. However, in south Deschutes County there are some notable gaps.

Workforce Gaps and Opportunities

Developing a scatter plot of the occupational composition of the local jobs versus the composition of the local workforce we find that for many occupations the share of the local jobs and workforce are nearly identical (along the dotted line). These occupations are represented by the blue dots on the chart. These include occupations in education; installation and maintenance; business and finance; healthcare support and material moving. Put another way, the local labor market reflects the demand for these types of workers by local businesses.



There is one notable occupational group where the share of the local workforce is significantly lower than the demand for that occupation among local businesses, food preparation and serving. This occupation is represented by the purple dot on the scatter plot. These workers account for around 25% of local jobs in south Deschutes County on an annual average basis, but only around 4% of the local workforce. Occupational

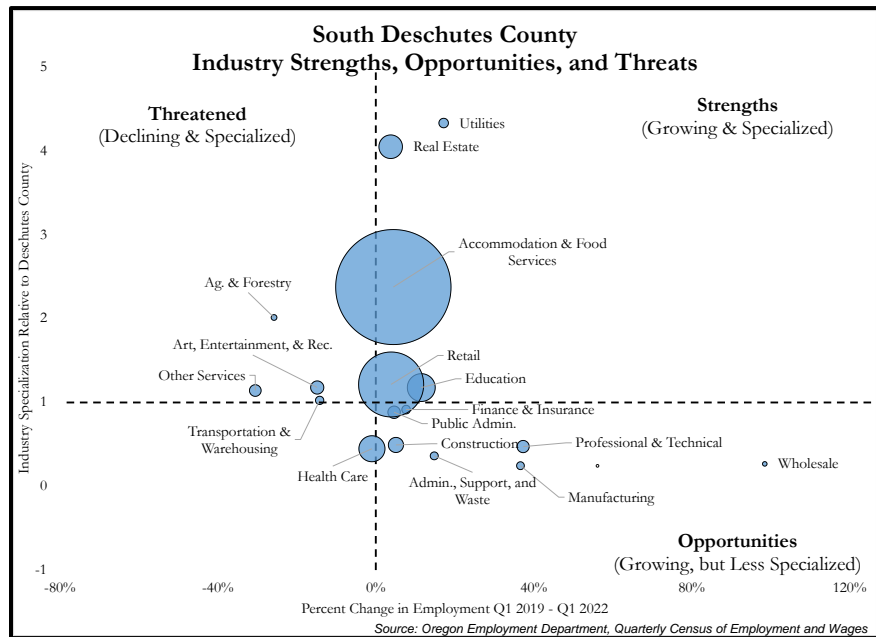
groups that sit above this dotted line would be areas considered ripe for workforce development assistance. These are areas where the local labor market is not meeting the needs of local businesses. This is an obvious **workforce gap** in south Deschutes County with resorts like Sunriver needing to tap into international and traveling workers to help staff the busy tourism season.

There are far more occupations where the share of the local workforce is significantly higher than what is demanded by local businesses. These include occupations highlighted earlier, including office and administration; management; transportation; construction; and production. These occupations are represented by the orange dots on the scatter plot. These occupational groups that sit below the dotted line would be areas considered ripe for economic development recruitment. These are **demand gaps** in the local economy; areas where the local labor market is highly skilled above the current needs of local employers. These workers are likely commuting out of the region to a job in Bend or Redmond, or may be working remotely at home. Either way, they are workers who live in the region and would likely consider working for a local employer rather than commute if those opportunities existed locally.

Industry Strength, Threats, and Opportunities

Stepping back from the workforce in south Deschutes County and looking at the broader industry trends across the region there are a few strengths, threats, and opportunities that reveal themselves.

In this graphic the industry specialization (location quotient) is on the vertical axis. A higher score on the y-axis of the graph represents how specialized an industry is in south Deschutes County. The change in employment from first quarter 2019 to first quarter 2022 is on the horizontal axis. The percentages further to the right on the graph tells us how fast employment has grown over the past 3 years.



Additionally, the size of the bubbles represents the total employment in those industries.

Four quadrants emerge that each provide insight into the state of that industry in south Deschutes County. The upper-left quadrant represents industries that are a regional specialty, but employment is declining. These are the threatened industries or industries that need additional assistance/support. The only industries that stand out as being threatened are agriculture and forestry; and to a lesser extent, other services (primarily personal care services).

The lower-left quadrant represents industries that are declining, and the share of employment is lower than the county average. There is only one industry in this quadrant, health care. The health

sector is just barely in this lower-left quadrant with employment levels down just 1% from 2019 to 2022. The concentration of healthcare employment is roughly half the countywide average. This is not unexpected as health employment tends to be clustered around the larger population centers of Bend and Redmond. However, it is an area where community leaders may want to focus recruitment strategies. Health care tends to be a non-discretionary expense and providing more local provider options can be important for community health and wellness, particularly with an older population.

The upper-right quadrant represents industries that are a regional specialty with growing employment over the past three years. These are the strengths of the local economy. In south Deschutes County these strength sectors include real estate; utilities; and accommodation and food services. As a strength these sectors are critical to the local economy. They should not be ignored, but likely need less assistance or support than industries that fall within other quadrants.

If we focus on the largest employment sectors, accommodation and food services and retail trade, we see both are just inside the upper-right “strength” quadrant. Accommodation and food services, the region’s largest employment sector, is one of the most highly specialized industries in the region and posted modest employment growth over the past 3 years. The second largest employment sector is retail trade. It lands near the center of the graph with employment concentrations comparable to Deschutes County and modest growth over the past several years. It is encouraging to see the industries that support the most jobs in the region in relatively stable footing.

Finally, the lower-right quadrant represents industries that have been growing the past several years, but the concentration of employment in that industry is lower than the countywide average. These can be considered opportunities or **emerging sectors** that could benefit from additional economic development resources. None of these emerging sectors are large employers in south Deschutes County, but they are gaining employment share. Some of the more notable emerging sectors include manufacturing; professional and technical services; wholesale trade; and administrative support and waste services.

These emerging sectors or opportunity sectors are a good place to start when developing economic development strategies as they are industries that have already shown growth in the area but remain small and could likely use assistance. Connecting the dots between these emerging industries and the expertise of the local workforce reveal some clear opportunities for further growth. Emerging industries that can benefit from “excess” local labor supply in the region include manufacturing and professional and technical services. These two industries tap into occupations where south Deschutes County has a high share of workers leaving for jobs elsewhere, such as production, office and administrative support, and management.

Next Steps

The origins of growth and development within a local community are complex and never linear. Economic shocks, history, and randomness all contribute to the making of a community and the

local economy that develops around that community. A past we cannot control. However, community leaders can build on the current inventory of the local community and develop intentional strategies that lead towards a more prosperous economy. These strategies need to account for both the workforce of the local community and the needs of local businesses. This means collaboration between workforce partners and economic development entities.

This inventory of the current labor supply and demand in south Deschutes County revealed a significant amount of workforce leakage out of the local community. The skills and expertise of these workers commuting out of the region are diverse and represent recruitment and expansion opportunities for industries that employ workers with those skills. Recruitment strategies that target professional and technical, as well as manufacturing businesses would likely pay off with the local workforce capable of meeting additional demand.

Economic development strategies can be productive targeting smaller manufacturing businesses. These businesses can tap into the skilled manufacturing workers commuting out of the region and leverage more abundant and affordable industrial space. Specific industries that may find success in South Deschutes County include, brewing/ distilling, specialty food products, specialty building products, and outdoor/ recreation products. These are all sectors that currently have a foothold in the broader Central Oregon economy and South Deschutes County can compete against its neighbors on labor and land.

Another sector where recruitment strategies would likely be fruitful, particularly around the Sunriver area, would be to attract professional companies that reach their customers remotely. There already exists a large supply of workers in sales, office/ administrative, and management. These workers are employed in higher number in design, marketing, engineering, software, accounting, etc. In fact, there are likely a larger number of small professional businesses run out homes in the region. A recruitment/ expansion strategy that helps small non-employer professional businesses scale up, hire local workers, and lease local commercial space would likely produce a high return on investment.

This inventory also revealed where local businesses demand workers far more than what is supplied by the local workforce. This gap was most notable for the region's tourism sector that employs roughly a quarter of all jobs in local businesses, but tourism workers only represent around 5% of the local workforce. The skills and expertise these businesses need represent an opportunity for workforce training programs to expand the supply of hospitality workers in south Deschutes County.

One way to do that is by attracting more hospitality workers to live in South Deschutes County. The region boasts more affordable housing and a shorter commute for this workforce. Workers could also be attracted by the high-quality life and a "live where you play" mantra. In addition to attracting more hospitality workers to the region it is important to expand the current transit options from Bend and Redmond. More frequency and more options to help these workers get to South Deschutes County.

Lastly, the gap between the demand for hospitality workers and the current supply is so glaring that creating additional economic incentives that attract new hospitality businesses to the region would exaggerate current workforce shortages. Supporting current hospitality businesses is important, but expanding the industry without a meaningful increase in the hospitality workforce would be self-defeating.