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Background Brief on...

Emerging Industry: High Technology

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Background

High technology is Oregon's largest industrial sector. The industry employs more Oregonians than any other with approximately 40,100 people working in high tech manufacturing in April of 2004. Another 15,300 Oregonians work in the non-manufacturing high tech industries of software publishing and computer systems design and related services. Though most Oregon high technology firms are small, industry giants Intel, Hewlett-Packard, Tektronix, and Mentor Graphics, have operations in Oregon. An additional industry giant, Sony, previously had operations within the state, but closed operations in April of 2003 placing some 275 people out of work. Portland economist Joe Cortright points out that among major national high-tech centers, Oregon, like San Jose, Phoenix, and Austin, shows significant innovation in electronics and software, with little activity in bio-technologies. As a potential location for high-tech investment, Oregon competes with other states, as well as other nations around the world.

Facilities Locations

There are high concentrations of high-technology production facilities in the Portland metropolitan area, especially in Washington County, and south through the Willamette Valley. Aside from small concentrations in the Medford and Bend areas, very little is in other parts of the state. Generally, major capital investments in high tech production facilities are made in areas where there are other high-tech firms, a large workforce, large parcels of industrial land, superior transportation, and access to suppliers.

Strategic Investment Program

Enacted by the 1993 Legislature, the Strategic Investment Program (SIP) allows local governments

What is "High Tech"?

The Oregon Employment Department defines "high tech" using the North American Industry Classification System (NAICS) as businesses in:

- NAICS 334 – Computer and electronic product manufacturing
- NAICS 5112 – Software publishers
- NAICS 5415 – Computer systems design and related services

to negotiate agreements for up to 15 years of property tax relief for key industry companies (including high tech) investing over \$100 million in new facilities (\$25 million for rural developments). The companies pay property taxes on the first \$100 million in investments. The program is especially valuable for high technology companies because of the relatively high investment costs for high tech production facilities. Since the program's inception, five applications for the SIP have been approved in the Portland area, including two for Intel. The most recent use of the SIP is the August 2002 application of Microchip Technology, which is purchasing Fujitsu Microelectronic's Gresham plant (the tax break is a condition of purchase).

Employment and Other Statistics

Employment Department statistics show 55,400 high tech jobs in Oregon in early 2004, down sharply from 69,900 in 2001. The department projects high tech manufacturing employment (as defined using Standard Industrial Classification codes) will increase by about 13 percent or 6,600 jobs between 2002 and 2012. Additional high tech jobs are expected in non-manufacturing but related industries. The majority of the industry's employment is expected to remain concentrated in Multnomah and Washington counties.

In 2002, the average annual wage for high-tech employees was \$67,089, double the average private sector wage. In 2003, the value of product exports from high-tech related industries was about 53 percent of Oregon's \$10.4 billion total exports.

Employment Multiplier Effect

Not only have major investments in high tech production facilities resulted in employment opportunities in those facilities, but expansions and relocations of these firms' suppliers (raw materials, services, software development, etc.) have created increased employment opportunities in the area's other high tech sectors. Further, investment in these facilities is beneficial to other businesses that support or rely on the production facility. The multiplier effect is estimated to be 3 to 3.5 (i.e. 2 to 2.5 additional jobs created for each high-tech job) however, some economists estimate the effect as high as 3 to 3.5.

Workforce

Traditionally there has been a shortage of skilled Oregon workers for all types of high tech jobs; however, since the industry wide downturn in 2001, there is currently a labor surplus. In the past, many firms recruited out-of-state for high level engineers, and some even recruit entry-level workers from outside Oregon as well. To combat this trend, workforce development efforts have been created through Oregon Economic and Community Development Department (OECD) coordination with the Oregon Council for Knowledge and Economic Development (OCKED). One of OCKED's primary charges is to help foster the training of Oregonians to fill high-tech jobs in the state.

Recent Legislative Action

The 2003 Legislative Assembly made attempts to support the growing industry of electronic commerce through passage of HB 2622. The bill modified the period during which certain investments qualify for the electronic commerce investment income tax credit. By being pre-qualified through the OECD, a firm preparing to engage in electric commerce may apply for the tax credit. The issue of rural development was addressed by the 2003 Legislative Assembly through the adoption of HB 2299. The bill reduced the minimum investment needed to qualify for the SIP property tax exemption in rural areas.

Staff and Agency Contacts

- Oregon Employment Department (OED), 503-947-1268
- OED employment projections, 2002-2012 <http://olmis.emp.state.or.us/pubs/indprj/industry.pdf>
- Portland economist Joe Cortright's study comparing major national high-tech centers is at <http://www.brook.edu/dybdocroot/es/urban/cortright/specialization.pdf>
- Oregon Economic and Community Development Department, 503-986-0101
- Legislative Committee Services, 503-986-1813