

# **Economic Development in Union County, Oregon: A Case for Developing the Creative Economy**

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*A critical part of any economy, whether it be national, state, or local is its creative economy and its ability to generate and retain an innovative workforce. A shift-share analysis for the years 2008 and 2013 was used to identify industries in Union County, Oregon that have a regional advantage. The arts, entertainment, and recreation industry was identified as an industry with a regional advantage, which has potential for further development that will not only increase the workforce in that industry but also the quality of life in the region and the development of the creative economy.*

## **INTRODUCTION**

The value of creativity and innovation was emphasized by Schumpeter (1947) who argued that a rise in the population of a region may have an irregular impact on a particular industry and do something “outside the range of existing practice,” which he terms the “creative response” in economic development. Conversely, a rise in population may only add to the existing work force, which he terms the “adaptive response” (Schumpeter, 1947, p. 150). Schumpeter further argued that the organization of a new business enterprise or the “breaking down of the resistances of the environment,” are among the various forms the creative response can take (Schumpeter, 1947, p. 154). Furthermore, the frequency and success of the creative response is dependent upon the quality of personnel in a region, including entrepreneurs, who have the ability to recognize unique prospects in the economy (Schumpeter, 1947, p. 150). This study contributes to the literature by applying Schumpeter’s creative response to creative economy initiatives.

Policy makers cannot directly induce creativity and entrepreneurial innovation; however, it is possible to create an environment that is conducive to its development. The arts, recreation, and entertainment industry is identified as a competitive industry in Union County, Oregon using a shift share analysis for the years 2008 and 2013. In the discussion below, I argue that further development of this industry may increase the quantity of young workers between the ages of 25-34, who have skill sets that are in high demand in the globalized knowledge economy, by increasing the quality of life in the region (Partridge and Olfert, 2011). Furthermore, a rise of the “creative class,” and the development of an innovative environment in Union County may contribute to the advancement of Schumpeter’s creative response, which is essential for long term economic sustainability.

## LITERATURE REVIEW

The rising value of knowledge and creativity in the developed world has led to a rise in creative based economic development strategies (Castells, 1996; Venturrelli, 2001). Florida (2002) initiated a research program in *The Rise of the Creative Class*, in which he argues that the arts industries will attract a knowledge-based workforce, an important factor for long term economic sustainability. Following Florida's work, Strom and Nelson (2010) argue that the creative economy is essentially "based on the premise that creativity is the main driving force in regional economic growth and that creativity is especially concentrated in people who generate or actively apply new ideas, information, and technology" (p. 499). Additionally, Partridge and Olfert (2011) argue that the growing "knowledge economy" has produced new sectors which may impact the existing economy. Leslie and Rantisi (2006) investigate the design industry in Montréal, Canada and argue that economic initiatives in conjunction with cultural values can provide cities with a unique identity that may facilitate competitive dynamics in the global economy; although, Leslie and Rantisi provide no evidence to support this.

Bunting and Mitchell (2001) and Mitchell, Bunting, and Piccioni (2004) suggest that rural regions have a competitive advantage in attracting an artistic community with low cost living expenses and scenic landscape. Additionally, Strom and Nelson (2010) argue that individuals in the creative class, including engineers, artists, professors, lawyers, and managers are influenced more by dynamic environmental factors of a region than "hard economic factors," such as taxes and wages (p. 497). Diversity and culturally tolerant areas are the primary regions the creative class choose to live (Strom and Nelson, 2010). Florida (2002) further argues that openness of a region is the most important factor of a region for the creative class. Additionally, Strom and Nelson (2010) contend that communities that are historically successful economically, are those that have a higher proportion of the creative class within the region.

Although there may be benefits to development initiatives in the creative economy, research into the creative industries is a relatively new field of inquiry; therefore, the costs and benefits associated with the creative economy are not well understood. Grant (2010) and Caves (2000) argue that one of the primary concerns for creative economic development and the arts in general is that it cannot be fully valued quantitatively; therefore, creative economy policy initiatives fall short of empirical validity. Additionally, the imprecise definition of creativity leaves policy makers without an accurate measure for economic development initiatives (Strom and Nelson, 2010). Fleming (2009) explores the costs and benefits of inducing creative economy programs in rural areas and concludes that the primary difficulties arise from social fragmentation and a lack of resources. Fleming further argues that local governments in rural areas do not have the funding to initiate proposals in the creative industries. This study builds off Castells (1996), Venturrelli (2001), Florida (2002), and Strom and Nelson (2010) who argue that the creative economy is an important element for the long term economic sustainability of a region.

## METHODOLOGY

A shift-share analysis is used to isolate structural employment changes in Union County, Oregon, which is a rural area with approximately 25,790 people, located in the northeastern Oregon adjacent to Baker, Grant, Umatilla, and Wallowa Counties (Census Bureau, 2015). Census Bureau data was used for the years 2008 and 2013 in order to calculate the shift share analysis and location quotients (LQ) for each major industry in the region. An LQ greater than one indicates that the industry employs a greater proportion of workers than the United States. Additionally, an LQ greater than one indicates which industries contribute to regional exports. Industries that are export intensive pay workers more, on average, than workers in non-exporting industries (Riker, 2015).

A shift share analysis is a descriptive tool that provides employment growth of each major industry of a region relative to that of the nation (Curtis, 1972). The first component of the shift-share analysis includes employment growth due to national trends. The second component of the shift share analysis is the industrial mix, which specifies structural differences of a region relative to the nation. The third component is the regional share of employment, which depicts the competitive industries of the region

relative to the nation. Curtis (1972) explains that a positive difference in the regional share between the region and the nation signals a *shift in* of an industry into the region; while a negative difference signals a *shift out* of the region.

## RESULTS

The industries in Union County, Oregon that employ the most workers can be identified in Table 1 (See Appendix). Health care and social assistance, retail trade, manufacturing, as well as accommodation and food services, employ the greatest number of people in the region (68.13 percent of the total employment in 2013). Table 2 (See Appendix) includes industries in Union County which have grown between 2008 and 2013; while Table 3 (See Appendix) includes industries which have declined during the same time period.

The results of the shift-share analysis in Table 4 (See Appendix) indicate that between 2008 and 2013, Union County lost 166.17 jobs from national impacts, 45.59 jobs from the regions industrial mix, and 403.23 from its regional advantage for a total loss of 615 jobs during this time period. This information can be misleading because there is no absolute job growth, which is presumably due to the lasting impacts of the global financial crisis of 2007-2009. The important part of the shift-share analysis, is that it shows job growth relative to national averages, which is important for understanding where policy makers should focus their efforts to maximize economic growth. Table 5 (See Appendix) includes six industries that have a regional advantage relative to the nation between 2008 and 2013, including: Health care and social services, wholesale trade, educational services, administration and support, waste management, arts, entertainment and recreation, and utilities. These industries have a competitive advantage relative to national averages, which indicates they are *shifting into* the region. Table 6 (See Appendix) includes industries in Union County that have a negative regional advantage, indicating they are *shifting out* of the region.

LQ's are included in Table 7 (See Appendix), which shows that agriculture, forestry, fishing and hunting industry has an LQ of 10.84, which indicates that it employs 9.84 times the national average and contributes to a high percentage of the region's exports. Additionally, health care and social assistance, accommodation and food services, manufacturing, retail trade, administration and support and waste, as well as the management and remediation services all employ more than national averages.

## DISCUSSION AND CONCLUSION

Isolated industrial changes obtained from shift-share analyses provide policy makers with information that is valuable for shaping economic policy. The arts, entertainment and recreation industry in Union County, Oregon was identified as an industry with a regional advantage. The development of this industry is valuable to the region under study, which may benefit from further development of the creative economy. Individuals that value creativity, enjoy exploring new ideas, which requires an environment that is conducive to creative expression. Figure 1 (See Appendix) indicates that this industry has been steadily increasing in output and sales in Oregon since 1998; however, much of this growth is from the western part of the state. The development of this component of Union County's economy may not only increase jobs in this sector, but also improve the quality of life of local residents. The current trend of migration in the region could perhaps reverse due to environmental changes, so that young people discontinue migrating out and begin migrating in. Additionally, the development of the creative economy may not only lead to an increase in the quantity and quality of the work force, but may also generate a creative environment, which may be conducive to the frequency and success of Schumpeter's creative response. The lack of funding for creative economy initiatives at the local level (Fleming, 2009) make it important for state and federal policy makers to initiate development projects. Future research can include additional regions in Oregon and other rural areas in order to gain a broader perspective on development opportunities.

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APPENDIX

**TABLE 1**  
**UNION, COUNTY, OR. EMPLOYMENT BY INDUSTRY, U.S. CENSUS BUREAU**

<b>Union County, OR</b>	<b>2008</b>	<b>2013</b>	<b>Total Change</b>	<b>Percent Change</b>
Agriculture, Forestry, Fishing and Hunting	155	99	-56	-0.36
Mining, Quarrying, and Oil and Gas Extraction	60	9	-51	-0.85
Utilities	60	60	0	0
Construction	429	319	-110	-0.25
Manufacturing	1514	1206	-308	-0.20
Wholesale Trade	235	249	14	0.06
Retail Trade	1506	1348	-158	-0.10
Transportation and Warehousing	214	206	-8	-0.03
Information	156	115	-41	-0.26
Finance and Insurance	298	218	-80	-0.26
Real Estate and Rental and Leasing	60	60	0	0
Professional, Scientific, and Technical Services	231	225	-6	-0.02
Administrative and Support and Waste Management and Remediation Services	232	192	-40	-0.17
Educational Services	9	19	10	1.11
Health Care and Social Assistance	1229	1391	162	0.13
Arts, Entertainment, and Recreation	60	109	49	0.81
Accommodation and Food Services	794	818	24	0.03
Other Services (except Public Administration)	365	351	-14	-0.04
Industries not classified	11	9	-2	-0.18
<b>Total</b>	<b>7618</b>	<b>7003</b>	<b>-615</b>	<b>-0.08</b>

**TABLE 2  
UNION COUNTY, OR. GROWTH INDUSTRIES (IN DESCENDING ORDER)**

Educational services
Arts, entertainment & recreation
Accommodation & food services
Management of companies & enterprises
Professional, scientific & technical services
Mining
Health care and social assistance
Utilities
Admin, support, waste mgmt., remediation services

**TABLE 3  
UNION COUNTY, OR. CONTRACTIVE INDUSTRIES (IN DESCENDING ORDER)**

Construction
Manufacturing
Wholesale Trade
Retail Trade
Transportation and Warehousing
Information
Finance and Insurance
Real Estate and Rental and Leasing
Agriculture, Forestry, Fishing and Hunting

**TABLE 4  
SHIFT-SHARE ANALYSIS 2008-2013**

National Growth	Industrial Mix	Regional Advantage	Total Change
-166.17	-45.59	-403.23	-615

**TABLE 5  
INDUSTRIES WITH POSITIVE REGIONAL ADVANTAGE  
(IN DESCENDING ORDER)**

Health care and social assistance
Wholesale trade
Educational services
Admin, support, waste mgmt., remediation services
Arts, entertainment & recreation
Utilities

**TABLE 6**  
**INDUSTRIES WITH NEGATIVE REGIONAL ADVANTAGE**  
**(IN DESCENDING ORDER)**

Retail Trade
Manufacturing
Mining, Quarrying, and Oil and Gas Extraction
Finance and Insurance
Administrative and Support and Waste Management and Remediation Services
Agriculture, Forestry, Fishing and Hunting
Information
Construction
Professional, Scientific, and Technical Services
Transportation and Warehousing

**TABLE 7**  
**UNION COUNTY, OR LOCATION QUOTIENTS (LQ)-EMPLOYMENT GREATER THAN**  
**NATIONAL AVERAGE BY INDUSTRY, 2013**

<b>Industry</b>	<b>LQ</b>
Agriculture, Forestry, Fishing and Hunting	10.84
Health Care and Social Assistance	6.69
Accommodation and Food Services	6.55
Manufacturing	1.81
Retail Trade	1.51
Administrative and Support and Waste Management and Remediation Services	1.05

**FIGURE 3**  
**ARTS, ENTERTAINMENT, AND RECREATION EARNINGS IN OREGON, FEDERAL RESERVE ECONOMIC DATA (FRED)**

