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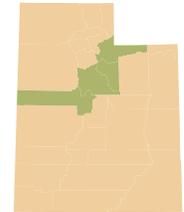


An economic and labor market analysis of the Mountainland Area

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The Dynamic Churn of the Labor Market



JIM ROBSON, ECONOMIST

Labor Market activity as reflected in people moving in and out of various jobs among very diverse employers, industries and workers, is much more dynamic than most people realize. Within our economic news reporting, the number of jobs is often reported on a monthly, quarterly or annual basis. What is not so frequently reported is the very significant labor churn of individuals moving into and out of jobs.

Businesses adjust their employment up and down as demand for their products and services change either structurally or seasonally, contracts are acquired or finished and as they interact with the strengths and weaknesses of their workers. Furthermore, there is a myriad of reasons for which workers leave employment and must be replaced.

During 2011 in Utah the average number of private sector nonfarm payroll jobs totaled 987,877. The Bureau of Labor Statistics reported that on average expanding and new firms added 71,665 jobs each quarter of 2011 for an annual total of 286,658. Likewise contracting and closing firms eliminated an average of 60,332 jobs each quarter or annual reductions of 241,327. Therefore, of the 987,877 total jobs in 2011 there was a net gain of 45,331 jobs within Utah during the year with measured churn of 527,985 jobs (286,658 plus 241,327) gained or lost, which is 53 percent of the average number of jobs Utah had in 2011.

This is of course a measure of churn with the methodology and records of private

nonfarm payroll employment. Unmeasured fluctuations of jobs changing hands, churn among the self-employed and contract workers, changes for farm workers not subject to payroll employment reporting requirements, all add to an even more dynamic labor market.

Admittedly, significant portions of labor market churn involve fleeting or temporary jobs, or quick changes due to a bad fit between the employer and employee. This will not be the focus of the remainder of this article. Jobs that have some stability make up the more desirable parts of the labor market from the perspective of both employers and employees.

The Census Bureau sponsors the Local Employment Dynamics (LED) database that provides information on employment and wages with firm and worker characteristics by industry. Data is readily available for states and counties on a quarterly basis from 2000 through second quarter 2012. New quarters are added as the information becomes available. The core data for the LED database are state supplied administrative records used in the unemployment insurance program. These data are matched with other federal data sources to get characteristic information on workers and employers.

LED data provides a look at stable jobs and stable hires on a quarterly basis with the associated average monthly wage. Stable jobs for a given quarter are jobs that are held on both the first and last day of the quarter with the same employer. A stable hire is a worker who started a job that lasted at least

in this issue:

The Dynamic Churn of the Labor Market..... 1

Within our economic news the number of jobs is often reported. What is not well understood are the very significant flows of individuals moving into and out of jobs. Measures of labor market churn throughout the business cycle are quite large.

Current State of the Economy Mountainland..... 5

The construction industry is adding new jobs in all four counties in the Mountainland region in 2013. Increased construction activity, particularly with new activity in home building, is adding strength to an already healthy level of economic activity.

The Benefits of New Hire Registry 8

In addition to tracking non-custodial parents, the New Hire Registry also provides a wealth of socio-economic information.





Recipients of Unemployment Benefits Cont.

one full quarter with a given employer; therefore, they were hired before the end of the previous quarter and were still working for the same firm at the start of the subsequent quarter.

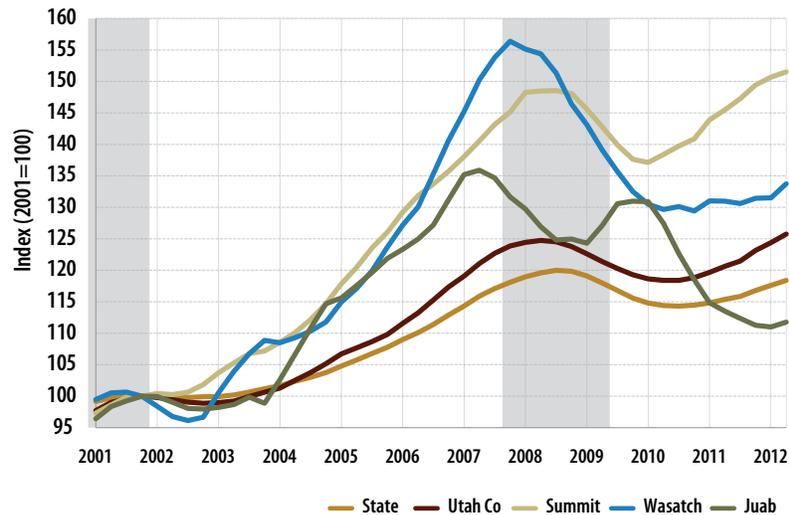
Stable Employment in Mountainland

Among the four Mountainland counties total private jobs are found in varying orders of magnitude. Stable private employment in Utah County averaged 122,364 in 2011, the last complete year in our LED dataset. Total stable jobs averaged 1,780 in Juab County, just 1.5 percent of the Utah County total. Stable private employment in 2011 for Summit and Wasatch counties was 15,043 and 3,623 respectively.

For comparative purposes it is necessary to adjust our quarterly data series for stable employment and stable hires. First, any quarterly employment series displays distinct seasonal cycles during the year related to such things as the school year, Christmas shopping and recreational activities. A four-quarter moving average was used, so each data point is an annual average comprised of the ending quarter and the three previous quarters.

In addition, employment counts were indexed to the annual average 2001 employment which equals 100 for each county and the State of Utah. These 2001 stable employment counts were 718,487 (State), 99,361 (Utah Co.), 10,065 (Summit), 2,756 (Wasatch) and 1,600 (Juab). Figure 1 is a graph of indexed private stable jobs from first quarter 2001 to second quarter 2012.

Figure 1. Private Sector Stable Jobs, Four-Quarter Moving Average Index (Fourth Quarter 2001 = 100)



Source: U.S. Census Bureau. Quarterly Workforce Indicators Data. Longitudinal-Employer Household Dynamics Program

Recession, Expansion, Recession, Expansion

This eleven and one-half year period from first quarter 2001 through second quarter 2012 consists of the Dot-Com recession (the four quarters of 2001), the jobless recovery during 2002 and 2003, expansion and housing bubble 2004 through third quarter 2007, the Great Recession beginning in fourth quarter 2007 through second quarter 2009 (with continuing job losses until summer 2010) and job growth thereafter (see Figure 1).

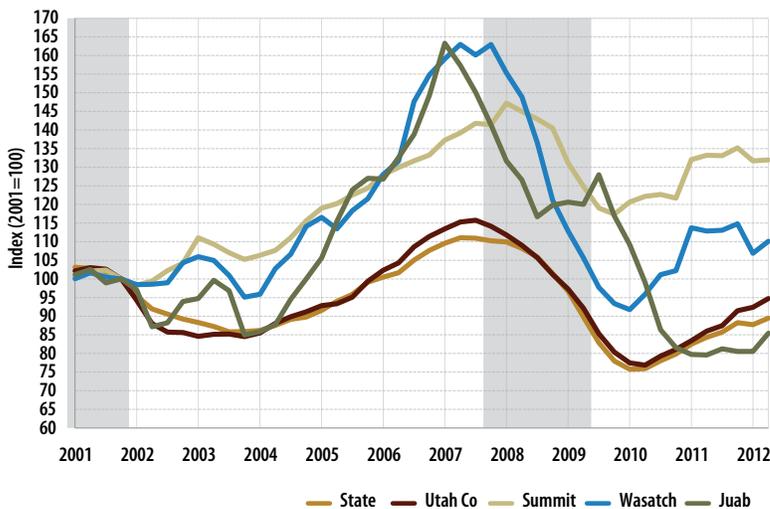
After the nationally determined official end to the Dot-Com recession (fourth quarter 2001), Wasatch County shed jobs until the third quarter of 2002, with private sector stable jobs dropping by four percent. Economic activity stimulated by preparations and the running of the Olympic Games coincide with our index year 2001. During 2002 Wasatch County was coming down from its Olympic stimulus.

Utah County's employment declines in 2002 and slow growth in 2003 were primarily due to the closure of Geneva Steel

and the effects of the Dot Com recession and subsequent "jobless recovery" that impacted its information technology sector. After 2002, Summit and Wasatch counties experienced robust growth until the Great Recession. This period of job expansion was the result of housing construction, population growth and the enlargement of the leisure and hospitality industry. Utah County's strong growth during this period (outperforming the State) had similar influences from housing and population growth but with important contributions from other industries—professional and business services, healthcare, manufacturing and education. Private sector job growth of 26 percent occurred in Utah County from first quarter 2003 to second quarter 2008. At the same time jobs increased by 43 percent (in Summit), 56 percent (in Wasatch) and 38 percent (in Juab).

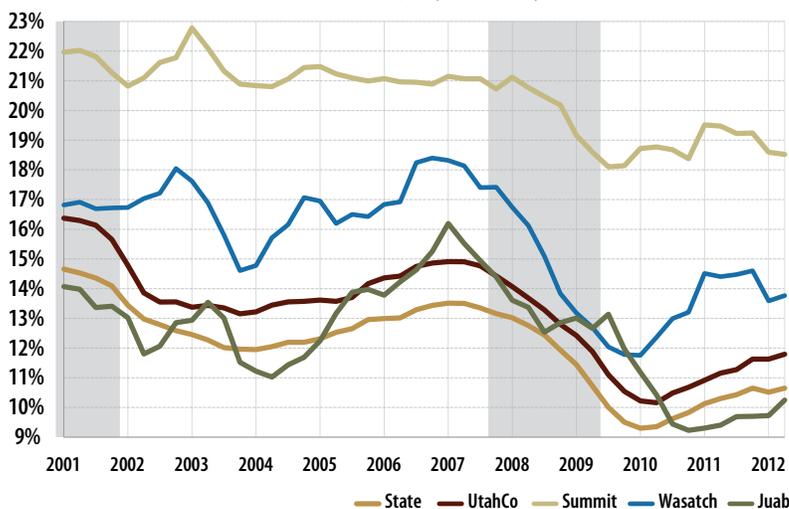
In September 2008 the U.S. suffered a severe financial crises, at which point job losses really kicked in. From their employment peaks Mountainland counties shed between 5 percent (Utah County) and 17 percent (Wasatch County) of the private sector jobs.

Figure 2. Private Sector Stable Hires, Four-Quarter Moving Average Index (Fourth Quarter 2001 = 100)



Source: U.S. Census Bureau. Quarterly Workforce Indicators Data. Longitudinal-Employer Household Dynamics Program

Figure 3. Private Sector Stable Hires as a Percent of Stable Employment by Quarter



Source: U.S. Census Bureau. Quarterly Workforce Indicators Data. Longitudinal-Employer Household Dynamics Program

Stable Hires

Figure 2 shows stable hiring activity, with the 2001 index levels for the State 101,252 hires, Utah County 15,554 hires, Summit County 2,141 hires, Wasatch 461 hires and Juab 215 hires. Note how closely stable hires in Utah County and the state hires move

in tandem over the business cycle. Since 2004, Utah County accounts for a fairly consistent 15 to 16 percent of stable private sector hires in the state. Stable hires follow the business cycle in a pronounced way as would be expected. Hires are a leading indicator to employment expansions and

contractions. Hiring levels start to decline prior to the onset of a recession and signal an expanding employment phase when they start increasing.

A comparison of private stable hires to private stable employment is depicted in Figure 3 with the percent of employment that hires comprise each quarter. Even though the counties of Mountainland are very different in size and can differ significantly in economic structure, the percentage of hires to employment follows a general business cycle pattern. The Mountainland counties all have higher percentages than does the State as a whole. This region has higher job and population growth over the depicted time period, thus having more hiring activity. The differences between the areas illustrate that these economies do have somewhat different industry structures with variations in hiring patterns. Summit County’s consistently higher percent of hiring is due to the nature of its recreation and leisure industry which is large and has significant turnover.

Figure 3 shows clearly that during these 11 plus years, hiring activity has declined, with a big drop as a result of the Great Recession, and that the hiring activity in the current recovery is quite subdued. It also illustrates how significant this measure of employment churn is in the economy as stable hires make up 14 to 17 percent of employment at its highs, or 9 to 12 percent at its lows in any given quarter, with Summit County being much higher still.

Wages

Figures 4 and 5 show the “real” (inflation adjusted using the consumer price index) average monthly wage for private stable employment and private stable hires. Again these are four quarter moving averages to remove seasonality, with each quarter in the average weighted by the employment count.



Recipients of Unemployment Benefits Cont.

The stable employment and the stable hires real wages in Mountainland Counties are lower than State averages, yet over time they respond to the business cycle in a very similar fashion. Real wages drop somewhat during and after a recession and increase during the employment expansion phase.

A comparison of these inflation adjusted wages for private stable jobs at the beginning, first quarter 2001 to the ending quarter, second 2012, show a small increase for these areas of about \$100. Real wages do fluctuate with the changing economic conditions but on average they are little changed over these 11 and one-half years.

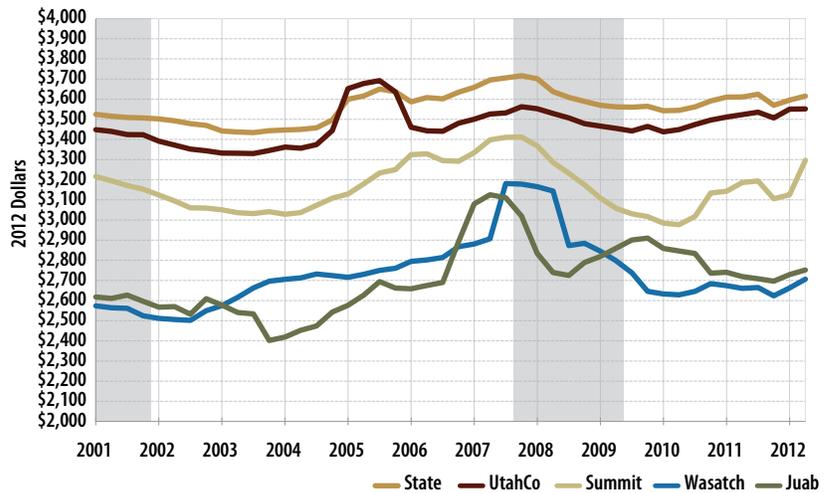
In Figure 5, the large movements in Juab's wage of hire are the result of the impact of a significant project on a relatively small economy. The Current Creek Power Plant second phase construction, which took place in 2006, is a prime example of such an effect.

Conclusion

In the Mountainland counties there are currently about 200,000 private nonfarm payroll jobs and an estimated 15,800 work-sites where these jobs are located. The labor market ebbs and flows for many reasons: the movement of workers into and out of these jobs as businesses expand, contract, open or close; workers retire, others drop out of the labor force; seasonal, industry or consumer demand changes; production technologies or input requirements change; national or even international forces play out in business cycle swings; young adults enter the labor force and so forth.

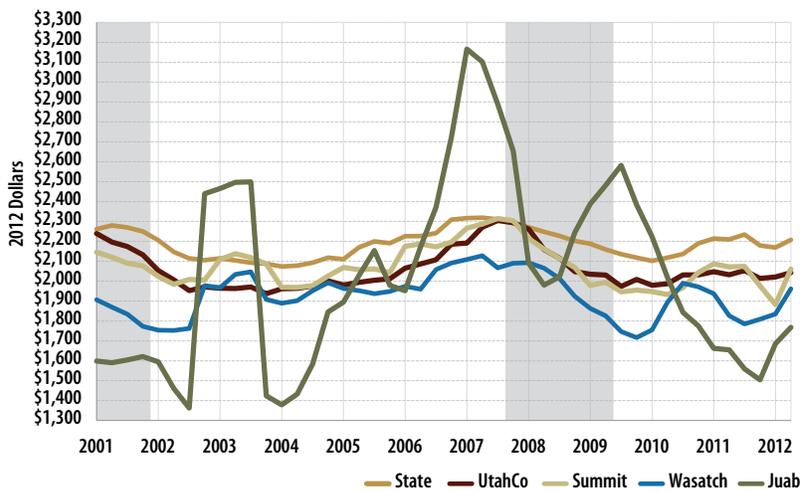
For these reasons and others the labor market is in constant flux. We can measure

Figure 4. Inflation Adjusted (2012 \$) Average Monthly Wage for Stable Employment (Four-Quarter Weighted Moving Average)



Source: U.S. Census Bureau. Quarterly Workforce Indicators Data. Longitudinal-Employer Household Dynamics Program

Figure 5. Inflation Adjusted (2012 \$) Stable Hires Average Monthly Wage (Four-Quarter Weighted Moving Average)



Source: U.S. Census Bureau. Quarterly Workforce Indicators Data. Longitudinal-Employer Household Dynamics Program

176,000 private sector hiring decisions between business leaders and workers each year in Utah, Summit, Wasatch and Juab counties. We know that many tens of thousands of other labor exchange actions

are made that go unmeasured. To say that the labor market is dynamic is definitely an understatement.



Current State of the Economy Mountainland

JIM ROBSON, ECONOMIST

Labor market conditions in the Mountainland region are above average with vibrant job growth higher than any other metropolitan region of the state. The economy is well into its third year of renewed strength. Through the summer of 2013, average payroll job growth was running between 4.5 to 5.5 percent in the region. There was job growth across all major industry sectors with the exception of federal government and local government education.

Unemployment in the region has subsided considerably from the recessionary peak of 8.2 percent at the beginning of 2010 to average 4.7 percent by mid-2013.

Utah County

In March 2013, the number of payroll jobs in Utah County increased on average by 5.7 percent over 2012, with 10,513 new positions. Employment opportunities were expanding in virtually all major industrial sectors. The most new jobs were added by the construction industry with 2,460, an increase over March 2012 of 22.4 percent. The majority of these new positions were in residential housing construction, which has awakened from very low levels of activity resulting from the recession. This new construction activity is reflected in related industries such as furniture manufacturing, building materials and garden supply stores and real estate services—all of which experienced healthy job gains.

Commercial and industrial building construction is also providing additional strength in construction.

Utah County has broad-based strength across most industries. In addition to the 2,460 construction jobs, eight other private sector industries added between 600 and 1,500 new jobs. Leading this list is trade (wholesale and retail) with 1,503. Within trade the most jobs were added by clothing and clothing accessories stores. Health-care/social assistance contributed 1,476 new positions, increasing by 7.2 percent. Professional/scientific/technical services added 10.0 percent or 1,230 jobs with computer systems design being responsible for two-thirds of the new job opportunities. Restaurants/food services and accommodations added 696 jobs. The administrative support/waste services industry added 690 jobs. Manufacturing businesses added 663 jobs with an estimated increase of 4.1 percent above March 2012. Both the information and financial services industries added just under 630 new jobs.

The unemployment rate in Utah County peaked in the early spring of 2010 at 8.1 percent, with 18,100 residents who could not find work. By summer 2013, the unemployment rate had fallen to 4.7 percent with about 11,000 unemployed workers. Initial claims for unemployment benefits in 2013, while still above the incredibly low levels seen prior to the recession, are at their lowest level in five years.

The 2013 outlook for Utah County will likely see employment growth continue through the end of the year between four and five percent. The renewed growth in construction, including housing, is expected to result in an 18 percent increase in construction jobs for 2013 over last year. Manufacturing job increases should subside from the lofty 4.5 percent in 2012 to a rate around 2.8 percent. One other major contributor to the robust Utah County economy is professional/scientific/technical services. These better-than-average-paying jobs are expected to increase in 2013 by 8 percent.

“ Through the summer of 2013, average payroll job growth was running between 4.5 to 5.5 percent in the region. ”



Changes in Employment and Projections for the Future (continued)

Figure 6. Payroll Job Change from March 2012 to March 2013 for Mountainland Counties by Industry

	Utah County		Summit County		Wasatch County		Juab County	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Construction	2,460	22.4%	77	8.8%	64	9.6%	137	64.3%
Trade	1,503	5.5%	-57	-1.6%	85	8.3%	6	2.0%
Healthcare/Social Services	1,476	7.2%	81	8.1%	57	11.4%	33	7.4%
Prof/Sci/Tech/HQ*	1,319	9.8%	106	11.2%	24	11.9%	19	15.7%
Leisure/Hospitality	696	4.9%	279	2.5%	65	6.7%	-9	-3.7%
Admin Support/Waste**	690	7.0%	10	1.4%	76	23.0%	3	15.0%
Manufacturing	663	4.1%	-6	-0.7%	57	31.5%	58	9.6%
Financial Activities	629	10.5%	142	8.3%	6	1.9%	-5	-8.1%
Information	623	7.4%	23	9.5%	-4	-3.8%	d	d
State Government	428	5.5%	3	1.9%	17	10.3%	0	0.0%
Private Education	206	0.9%	-15	-4.1%	16	24.6%	d	d
Other Private Services	157	3.6%	9	1.4%	17	10.1%	18	56.3%
Mining	-21	-17.8%	-15	-19.2%	4	44.4%	3	6.3%
Utilities	-23	-7.6%	2	4.3%	-1	-4.3%	d	d
Federal Government	-47	-5.2%	-7	-13.7%	-1	-2.6%	-3	-9.7%
Transportation/Warehousing	-80	-3.4%	59	13.8%	-2	-1.8%	3	9.4%
Local Government	-163	-0.8%	-22	-0.9%	4	0.4%	18	2.9%
Total	10,513	5.7%	670	2.7%	484	8.1%	271	9.1%

*Prof/Sci/Tech/HQ -- Professional/Scientific/Technical Services and Management of Companies (Headquarters).

**Admin Support/Waste -- Administration and Support/Waste/Remediation Services.

d = Not shown to avoid disclosure of individual firm data.

Source: Utah Department of Workforce Services.

Summit County

From March 2012 to March 2013, Summit County added 607 new jobs for a year-over increase of 2.7 percent. While continuing to grow, the Summit County labor market slowed from the rapid pace of expansion seen over the past two years.

Leisure and hospitality services again added the most jobs, increasing by 279 jobs, with recreation providing 137 of the new jobs and restaurants and other food services adding 127. Professional/scientific/technical services contributed 127 new jobs, mostly related to computer systems

design, architectural, engineering and advertising services. Real estate employment increased by 130 jobs, growing by 11.6 percent. Healthcare/social assistance jobs expanded by 81. Finally, construction grew a healthy 8.8 percent adding 77 new jobs.

The jobless rate topped out at 8.0 percent in November 2009 as a result of the recession. It has since receded to a favorable rate of 4.2 percent at mid-year. On a seasonally adjusted basis, there are about 970 unemployed Summit County residents for any given month. Initial claims for unemployment benefits are at five year lows.

Summit County forecasted job growth in 2013 of around 700 new jobs is little lower than the 791 experienced in 2012. Employment gains among the majority of industry sectors will continue, however the rapid increases in professional and business services should moderate. Leisure and hospitality will continue to provide the largest number of new jobs.

Wasatch County

Wasatch County job growth from March 2012 to March 2013 is rapid at 8.1 percent with new jobs being added in several

industry sectors. The largest job increases occurred in retail trade with 85 new positions. Administrative support added 76 new jobs, most of which are janitorial services with some contribution from temporary help agencies. The goods producing industries of construction and manufacturing added 64 and 57 jobs respectively. Most of the construction jobs were in heavy, civil engineering and utility system construction, while most of the manufacturing job increases were in food manufacturing. There were 65 new positions in leisure/hospitality with accommodations and recreation adding significant employment, but restaurants (full service and fast food) shed 20 jobs. Social assistance firms added 39 jobs within individual/family services and in vocational rehabilitation.

By mid-year 2013, the unemployment rate was about 5.4 percent. During the recession, unemployment peaked in Wasatch County at 9.9 percent at the end of 2009.

The 2013 job outlook for Wasatch County is bright. Job growth may slow somewhat from 8.0 percent rate earlier in the year, but overall 2013 employment is expected to be 6.8 percent above 2012. In 2012, jobs grew by 5.7 percent.

Juab County

Juab had the fastest job growth among the Mountainland counties from March 2012 to March 2013 at 9.1 percent. Juab added 271 new jobs with total employment in March 2013 reaching 3,245. Construction added the most new positions, 137, growing by 64.3 percent. The new construction jobs were split evenly between nonresidential building construction and specialty trade contractors (both residential and nonresidential). Manufacturing added 58 new jobs and healthcare/social services grew by 33 jobs. Professional/scientific/

technical services increased by 19 jobs.

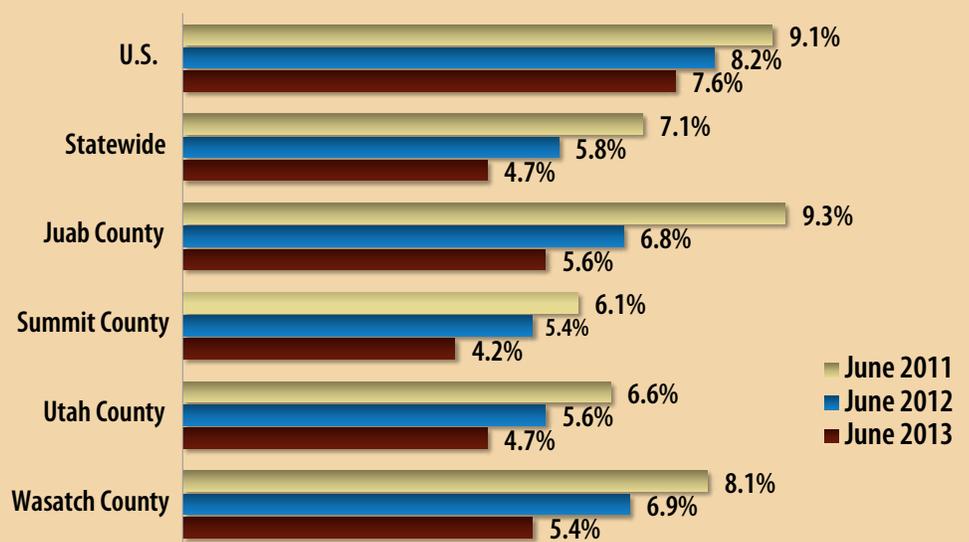
The 2013 overall job outlook is expected to remain favorable through the end of the year in Juab County. Average annual job growth is expected to be about 7.3 percent above 2012.

Mountainland

For Utah, Summit, Wasatch, and Juab counties, robust job growth and favorable labor market conditions will likely persist through the end of 2013 and into 2014. The unemployment rate in the Mountainland region has declined to a relatively favorable rate of 4.7 percent. Based on the strength of employment growth for more than two years and job opportunities, a lower unemployment rate will characterize this area.

“ By mid-year 2013, the unemployment rate was about 5.4 percent. During the recession, unemployment peaked in Wasatch County at 9.9 percent at the end of 2009. ”

Figure 7. Unemployment Rate Comparison with Mountainland Counties, June 2011, June 2012 and June 2013



Source: Utah Department of Workforce Services.



Utah Department of Workforce Services
 Workforce Research and Analysis (WRA) Division
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The Benefits of New Hire Registry

BY MELAUNI JENSEN, LMI ANALYST

All employers in the United States are required by federal law to report information about all newly hired employees to their designated state agency. In 1997, the Department of Workforce Services was given the responsibility of managing the New Hire Registry Act for Utah, where employers must report the information within 20 days of a new hire's first day. The primary purpose of this law was the result of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, an all-inclusive bipartisan welfare reform system aimed at ending the federal entitlement to assistance, and whose main reform was the start of the Temporary Assistance for Needy Families (TANF) program. Both TANF and the New Hire's Registry were to be designed in such a way to promote work, responsibility and self-sufficiency in an effort to strengthen families.

You may wonder what reporting new hires has to do with child support reforms. Before 1997, when a parent was ordered to pay child support, this amount was taken out of the worker's paycheck by the employer through wage withholding orders. If a worker changed or found new employment, it could take months for the orders to follow to their new employer. Reporting new hire data provided the ability to track those non-custodial parents in a more timely fashion, thus reducing the lag of payments to the custodial parent. This ties in with the fixed work requirements under PRWORA that custodial parents receiving public assistance are to fulfill.

Aside from the immediate purposes stated above, the nature and scope of the data gathered provides a wealth of socio-economic information.

Because reporting includes demographic and geographic information as well as standard information about the employer reporting the new hire, new hire data can answer such questions as which industries are hiring the most workers and which occupations are growing. Analysts can track the hiring patterns of old and young workers and male and female new hires, all by various geographical groupings.

Since its legislation, the initiative has significantly improved child support payments and collections while decreasing the payment and reporting time lags of custodial parent workers moving from one employer to the next. In addition, the registry has helped to detect and prevent fraud in other assistance programs. Cases can be matched between the New Hire Registry and Unemployment Insurance, Food Stamps and other programs associated with TANF which are under the PRWORA provision. Cases can even be matched to other programs like Medicaid in the detection and prevention of overlooked benefits usage in multiple states.

The value of the Registry is diverse and cannot be overstated. Ultimately, the New Hire Registry has saved and continues to save taxpayer dollars by increasing the self-sufficiency of custodial parents, ensuring for more efficient payments and collections to child support and decreasing instances of fraud by recipients of various assistance programs within and throughout states.

Employers seeking more details on how to report new hire information can consult the DWS Employer's Handbook at: <https://jobs.utah.gov/UI/Employer/Public/Handbook/EmployerHandbook.aspx>