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An economic and labor market analysis of the Southwest Utah Area

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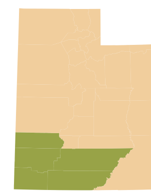
in this issue

Now Hiring

Using New Hire Data to Explore the Recent Business Cycle in Southwest Utah



LECIA PARKS LANGSTON, ECONOMIST

Southwest Utah lost a substantial number of jobs during the recent recession. However, did hiring totally cease as the economy tanked? Did some industries continue to hire? Who found new jobs? How were wages affected? As expansion ensued, did the age and gender of the newly hired change?

Typically, the year-over change in nonfarm jobs ranks as the go-to indicator when tracking the business cycle. This figure presages the end of a recession long before the arbiters of the economic peak-to-trough dates (the National of Bureau of Economic and Business Research) release their official chronology. However, this year-to-year change in employment reflects a net change of job expansion and contraction among different industries. It also obscures the many alterations in employment status (or "churn") among individuals who have found (or lost) a particular job.

Enter the U.S. Census Bureau's relatively recent (and wonderful) addition to the economist's tool kit—the Local Employment Dynamics (LED) database. The LED time series includes data created under a federal-state partnership to provide unprecedented details about jobs, workers and local economies. To data geeks, LED is almost data paradise. While the data has its own caveats and peculiarities, it still provides a rich resource for investigating recent business cycles.

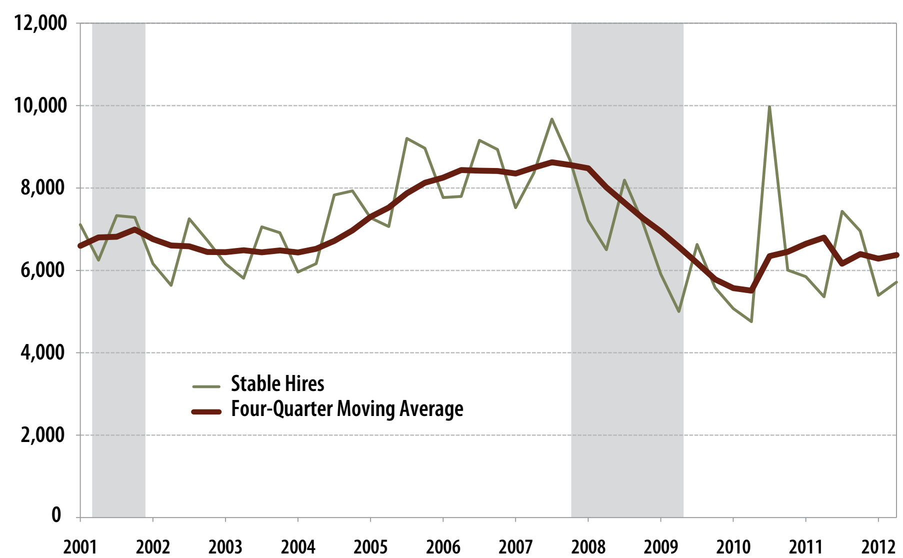
This particular study will focus on hiring activity before, during and after what has been tagged the "Great Recession" to gain insights into the most recent business cycle. Here are a few important points to remember:

- This study tracks only "stable hires" or the number of workers that started a job that lasted at least one full quarter with a given employer. Hires reflect the first full quarter of employment rather than the initial hire date. For the purposes of this study, new hires represent individuals previously employed by the employer and those newly hired by the employer.
- Short-term (less than three months) hires for temporary jobs are excluded from the totals.
- Industry data are presented regardless of ownership. For example, public school district hires are included in education services. In most data compiled by the Utah Department of Workforce Services, public school jobs are tabulated in local government. Educational services represent only private employment.

Now Hiring (continued)

- Due to the time required to match data across administrative records and surveys, LED data tends to be a little stale compared to other data series. The most current data available at the time of this writing represents the third quarter of 2012.
- Federal government employment is currently not included.
- Educational levels are only available for workers 25 years and older.
- For this study, southwest Utah includes Beaver, Garfield, Iron, Kane and Washington counties.

Figure 1. Southwest Utah Quarterly Stable Hires



Shaded region represents recessions according to the National Bureau of Economic Research (NEBR)
Source: U.S. Census Bureau, Local Employment Dynamics

On to the Data

Hiring data follows a very seasonal pattern. Therefore, Figure 1 presents the actual stable hire data as well as a four-quarter moving average for trend analysis. Total southwest Utah stable new hires data from the LED system show an expected pattern. Hiring surged as the economy expanded and eventually overheated. The number of new hires peaked in 2007 (as did total employment). Then as the economy attempted to right itself, hiring contracted sharply.

The second quarter of 2010 marked the recent low point in new hires in southwest Utah (the national recession ended in mid-2009). After that point, new hires began to increase once again. Interestingly, total employment bottomed out a quarter earlier than did new hires.

Contracting employment characterizes a recession. However, despite an 11-percent year-to-year decline in southwest Utah's total jobs during the area's worst recessionary quarter (first quarter 2010), more than 5,000 individuals found new employment that lasted more than a quarter. In other words, LED data shows that even during tough economic times, many workers still find employment.

Astute readers may also notice a huge surge in hires during the third quarter of 2010. What precipitated this enormous increase? Much of the gain can be traced to hiring by a specific new company.

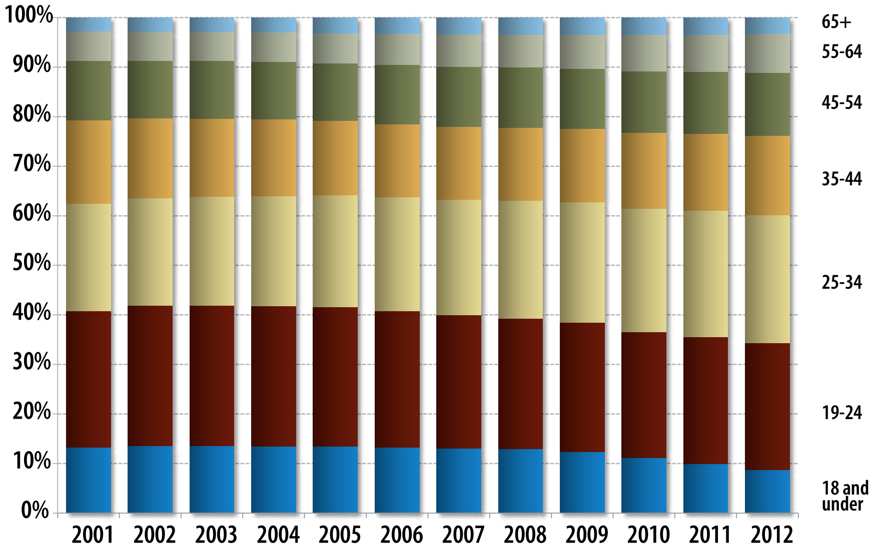
An Industry Perspective

Which industries started hiring early in the recovery process? Remarkably, most industries started hiring at an increased rate in concert with one another. New hires proved strongest in accommodations/food services, retail trade and health care/social services. The hard-hit manufacturing industry actually proved among the first sectors to start its hiring resurgence. Construction appeared noticeably absent from the list of those with improving hire records. In fact, as of the second quarter of 2012, the industry had yet to show any significant indication of an increase in hiring at all. On the other hand, current skyrocketing job-growth statistics for the building industry suggest construction has turned the hiring corner.

Age is Important

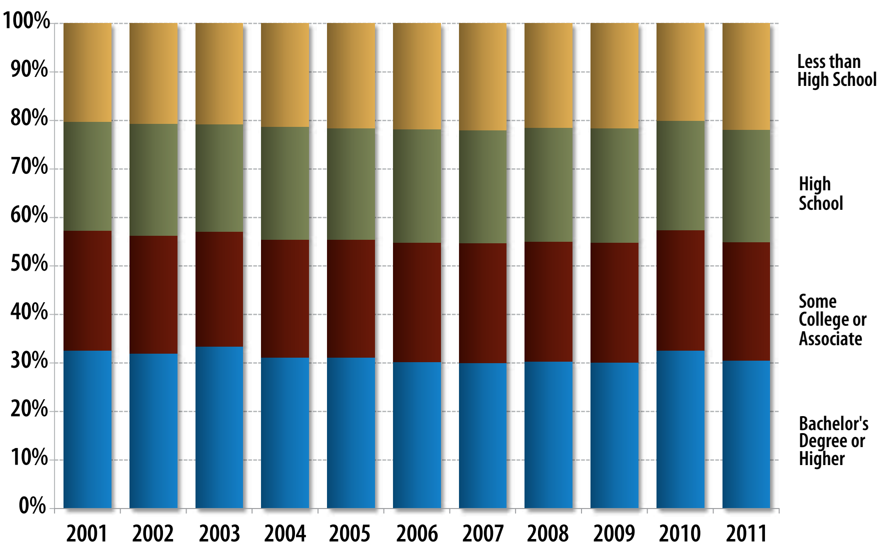
When it comes to getting a new job, 25-34 year-olds lead the pack—recession or expansion. Generally, they account for approximately one-fifth to one-fourth of stable hires over time. Of course, they do comprise just more than one-fourth of southwest Utah workers, and that share has remained very stable over the past decade. However, their portion of hires has fluctuated somewhat. Back in 2000, this age

Figure 2. Southwest Utah Share of Stable Hires by Age Group



Source: U.S. Census Bureau; Local Employment Dynamics

Figure 3. Southwest Utah Stable Hires by Educational Attainment



**Workers 25 years and older*
Source: U.S. Census Bureau; Local Employment Dynamics

group maintained only about one-fifth of hires. Over time, their share of new hires has gradually increased (through boom, recession and expansion) to between 26 and 27 percent.

Interestingly, teenagers, 18 years and younger, have generally seen their share of new hires decline. In 2000, teenagers made up roughly 16 percent of new hires. Through the boom years, they held on to about 13 percent of hires. Beginning in the recession, however, their share of hires began to contract. By 2012, less than 8 percent of new hires went to teens.

Why the decline? First, teenagers are now participating in the labor market at a much lower rate than in past generations. In other words, many young people just aren't interested in working, no doubt because they are pursuing an education or parents are supporting them in an acceptable manner. Second, as the recession limited employment opportunities for older workers, many took jobs that typically only enticed teenagers. However, as expansion has ensued, teens' share of new hires has continued to contract. While they do maintain only 3 percent of total jobs in southwest Utah, their higher share of new employment undoubtedly results because they tend to "job hop" more than more mature workers.

Those in the pre-retirement age group—55-64 years old—also have demonstrated a notably different share of new hires over time. In this case, the 55-64 age group has accounted for an increasing share of new hires. Demographics definitely play a role as baby boomers have recently moved into this age cohort. In 2000, the age group accounted for roughly 2 percent of total employment compared to almost 4 percent in 2012. Their new hire share has shown a similar increase rising from about 3 percent in 2000 to nearly 8 percent in 2012. Interestingly, this age group's highest share of new hires came as the economy began to recover—early in 2010.

In general, regardless of age, southwest Utah hires followed the overall boom-to-bust-to-recovery trend. Most age groups experienced a turnaround in the number of new hires concurrently about mid-2009. There are two notable exceptions at the margins of the labor market. For those under 19 and those over 65, hires have yet to improve significantly.

Women typically make up a slightly lower percentage of new hires than men. During the most recent business cycle, this pattern generally held true. However, in the third quarter of 2010, female hires outnumbered male hires.

It's all About Education

How does educational attainment relate to hiring? In southwest Utah, roughly 35 percent of workers have some college education or an associate degree. Another 31 percent have just a high school education, while about 21 percent of workers have a bachelor's degree or higher.

Now Hiring (continued)

The remaining 13 percent of workers have less than a high school education. (The education data includes only those 25 years and older.)

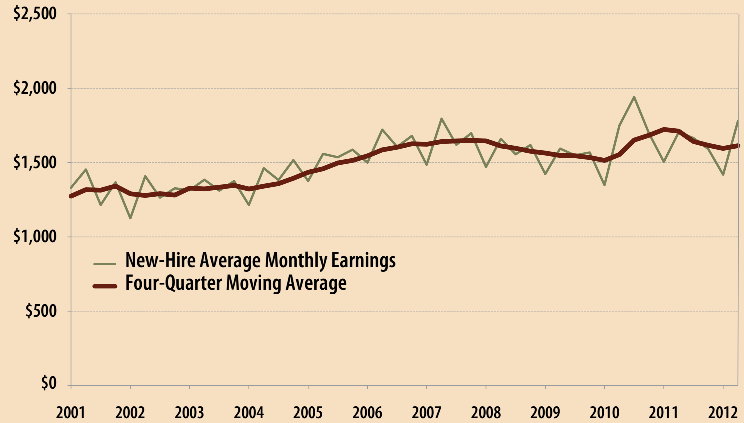
In general, each of these educational-attainment groups account for approximately the same share of new hires over time as their share of total jobs. Plus, each groups' share of hires has remained relatively stable. However, the share of bachelor's-degree-or-higher hires has increased modestly over the last decade from about 18 percent at the turn of the century to nearly 20 percent in 2012. This trend points to the generally higher educational level of workers and additional demand for college graduates. Disconcertingly, on the other end of the scale, the share of hires going to workers with less than a high school education has also increased slightly from less than 14 percent in 2000 to more than 15 percent in 2012.

Wages

Perhaps the most interesting new-hire data appears in the analysis of the average earnings ofhired workers. Notwithstanding a few bumps and blips, new-hire earnings have generally trended upward. Of course as the economy boomed and the labor market tightened, one would typically expect the wages of new hires to increase. This certainly happened. Furthermore, as the southwest Utah economy tanked, average new-hire wages decreased just as economic theory would suggest (increased labor supply coupled with decreased labor demand). However, new-hire wages didn't decrease very much or for very long. In addition, after an initial recovery surge they slipped down again.

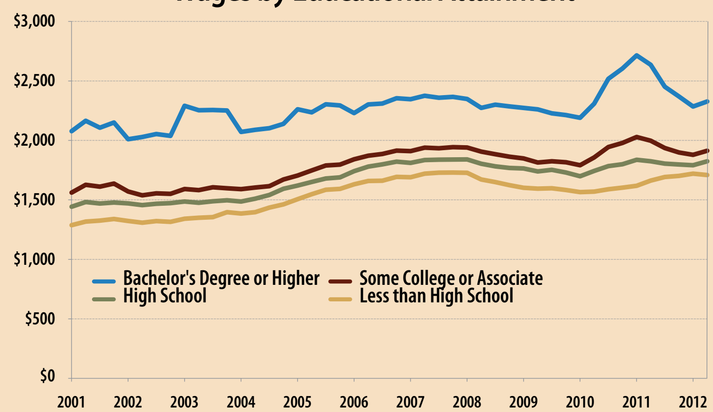
What accounted for this strange new hire wage behavior? It's an industry story.

Figure 4. Southwest Utah Stable Hire Average Monthly Earnings



Shaded region represents recessions according to the National Bureau of Economic Research (NEBR). Source: U.S. Census Bureau, Local Employment Dynamics

Figure 5. Southwest Utah Average Monthly Stable-Hire Wages by Educational Attainment*



**Four-quarter moving average; workers 25 years and older*
Shaded region represents recessions according to the National Bureau of Economic Research (NEBR). Source: U.S. Census Bureau, Local Employment Dynamics

Several higher-paying industries paid wages significantly above the mean to starting workers early on in the recovery. Then hiring surged later in a number of lower-paying industries. In addition, several large, low-paying industries (retail trade, real estate/rental/leasing, accommodations/food service and wholesale trade) have seen relatively flat new-hire wages since the end of the recession. On the other hand, information industry new-hire wages never dropped and have actually increased steadily in the last several years. Additionally, manufacturing new-hire wages are now higher than during the boom.

With regards to starting wages, older new hires have certainly out-performed their younger peers during the recent recovery and expansion. Workers between 35 and 64 have shown the fastest growth in new-hire wages, while new-hire wages for teenagers and young adults have stagnated.

Higher education levels have also paid off in improved new-hire wages for workers with higher educational attainment. Not only are new-hire wages significantly higher for workers with a bachelor's degree or higher, but they have also shown the strongest post-recession gains.

Some Southwestern Utah Counties Struggle to Expand

BY LECIA PARKS LANGSTON, ECONOMIST

The five counties comprising southwest Utah all added jobs between the first quarters of 2012 and 2013. Plus, joblessness in the area continues to contract. However, while Washington and Beaver counties experienced enviable employment expansion, both Iron and Garfield counties barely squeaked into job-growth territory. Other indicators show varied performances.

Beaver County

Nonfarm employment figures for the first quarter of 2013 suggest Beaver County's economy is booming. Even without the new mining employment, the county is generating jobs at a healthy rate. Although not all of the county's remaining economic indicators fell right in line, they generally point to an expanding economy.

Between March 2012 and March 2013, Beaver County's nonfarm employment expanded by a whopping 10 percent for a gain of more than 200 jobs.

More than half of these new positions occurred in mining. However, even without the new mining positions, employment growth would still prove healthy and broad-based.

Leisure/hospitality services, utilities, government, construction, manufacturing and covered agriculture (not included in the total) each added at least ten net new jobs.

In June 2013, Beaver County's unemployment rate measured 4.7 percent—down by more than a full percentage point since June 2012.

On the heels of six years of declining home permits, home-building had yet to show any improvement in the first quarter of 2013. On the other hand, the value of nonresidential permits increased dramatically when the first quarters of 2012 and 2013 are compared.

First quarter 2013 gross taxable sales changed little, up a meager 0.3 percent.

Garfield County

During most of 2012, Garfield County struggled with job loss. With consistent employment gains, the first quarter of 2013 wrote an improving story. However, job gains remain small and fall far short of demonstrating a robust economy. Other economic indicators also depict an economy that has yet to attain stability.

Garfield County added less than 10 new jobs between March 2012 and March 2013 for a year-to-year growth rate of just 0.5 percent.

On the plus side, almost all new employment occurred in the health/social services industry (almost 40 net new jobs).

Unfortunately, lost positions in construction, retail trade and the public sector practically cancelled out the aforementioned gains.

In June 2013, the county's seasonally adjusted jobless rate measured 9.4 percent—down more than a full percentage point from the June 2012 figure of 10.5 percent.

After six years of declines in the number of permitted homes, no permits were issued for the first quarter of 2013.

Breaking a five-quarter streak of improving taxable sales, the first quarter of 2013 figures show a 49 percent decline compared to the same time period last year.

Iron County

Iron County is still waiting for a full-fledged economic expansion. New nonfarm job numbers in the county demonstrate only a slight gain in employment. In fact, Iron County's rate of year-to-year job growth has fluctuated around the no-change mark for more than two years. While employment levels remain fairly stagnant, other economic indicators show notable improvement—hopefully a precursor to an improved job picture.

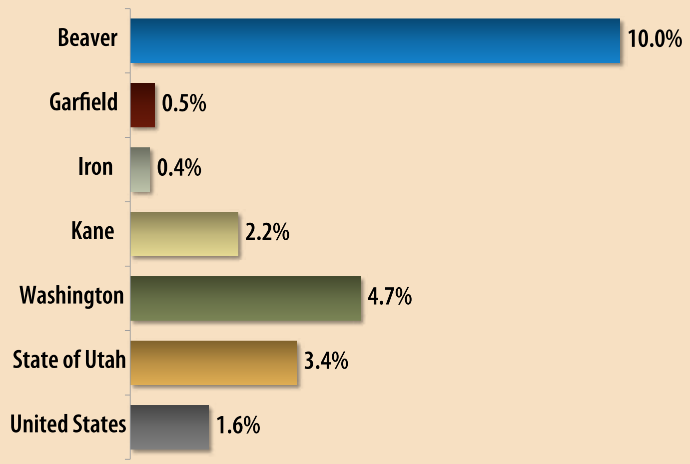
Between March 2012 and March 2013, Iron County added 60 jobs—a gain of only 0.4 percent.

In March, employment declines in three major industries put a significant drag on the economy. After expanding earlier in the recovery, manufacturing now shows a 100-job loss.

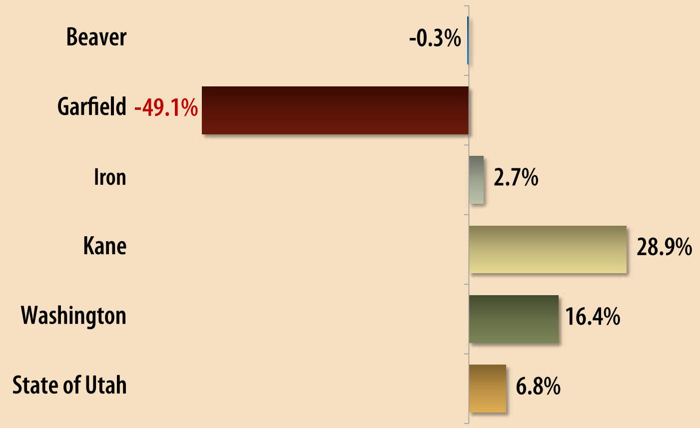
In addition, professional/business services dropped more than 70 positions. Many of these lost positions represent reduced employment at temp agencies. Government dropped another 35 jobs.

Private education/health care/social services

Some Southwestern Utah Counties Struggle to Expand (continued)



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.

added the most new jobs with other significant job contributions from leisure/hospitality services, construction, wholesale trade, and "other" services.

The Iron County jobless rate stood at 6.1 percent in June 2013—down more than a full percentage point compared to a year earlier.

Home permitting for the first three months of 2013 increased a whopping 650 percent. Of course, permitting is still down substantially from the boom years of the mid-2000s.

New nonresidential permitting values are also up substantially from the first quarter of 2012 (more than 1,000 percent). Approvals in the hospital/institutional and retail categories produced this vast improvement.

Gross taxable sales continued its seven-quarter streak of year-to-year expansion with a 3-percent gain in the first quarter of 2013.

Between the first quarter of 2012 and the first quarter of 2013, car and light truck sales increased by 14 percent marking the sixth straight quarter of gains.

Kane County

Many less-populated counties have had difficulty settling into a pattern of steady job growth since the end of the recession. Kane County proved no exception to this rule. However, Kane County seems to be taking the right steps towards renewed expansion. All three months of first quarter 2013 showed job gains and February actually tiptoed into moderate-growth territory. While not all of the county's other economic indicators appear encouraging, in general, they show a positive picture of the economy.

Kane County's March 2013 year-over job growth rate measured 2.3 percent and represented a gain of more than 60 positions.

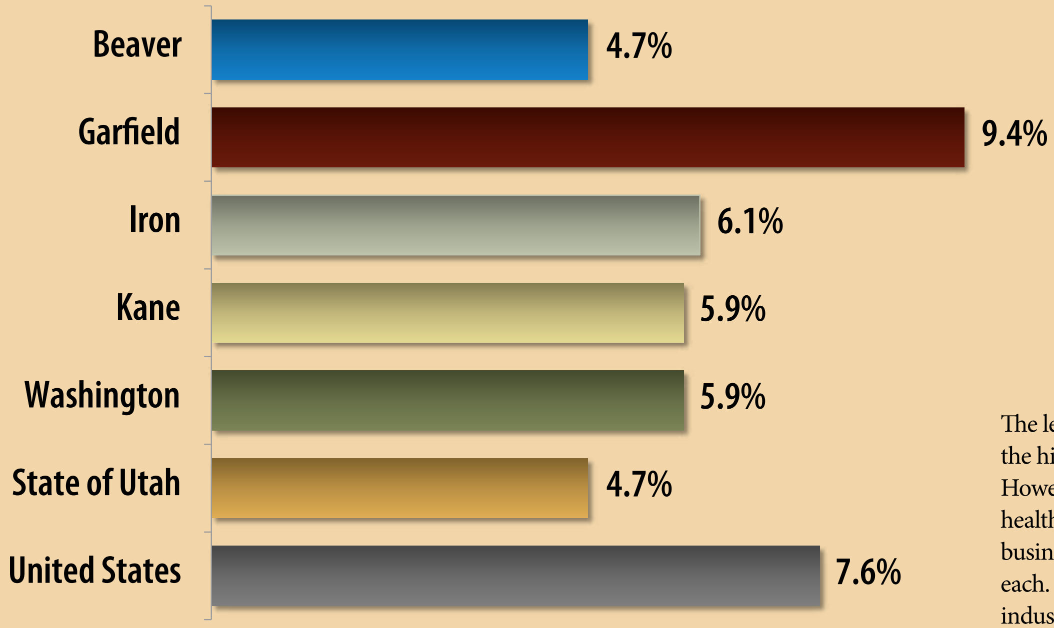
Most major industrial sectors added employment over the past 12 months. Leisure/hospitality services, the public sector and private education/health/social services contributed the highest number of new jobs.

The only job loss of note occurred in the volatile construction industry.

In June 2013, the county's unemployment rate measured 5.9 percent—down from 7.1 percent a year earlier.

While Kane County saw improvement in home-permitting during 2012, the first quarter of 2013 proved slower. In fact, the number of new dwelling units approved dropped by 50 percent. However, there's

Figure 8. June 2013 Seasonally Adjusted Unemployment Rates



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.

still plenty of time for improvement in this indicator as the year progresses.

Overall, Kane County permit-approved values are down by one-third for the first three months of 2013.

Gross taxable sales for the first quarter of 2013 surged ahead by 29 percent in Kane County. Only one quarter in the past two years has displayed a year-to-year loss.

Washington County

Washington County's economic indicators continued to exhibit strong expansion during the first few months of 2013. First quarter 2013 jobs data indicates that the area expanded at a healthy pace and remains the envy of most of the United States. While many think the current economy falls short of the "glory" pre-recession days, the existing rate of growth is certainly more sustainable and does not reflect an overheated economy similar to the mid-2000s.

Between March 2012 and March 2013, Washington County's nonfarm jobs grew by 4.7 percent—representing a net gain of more than 2,200 positions.

That rate of growth is slightly slower than the 5 to 6 percent gains of 2012 and seems to represent a "soft landing" that will continue.

These job figures do not yet reflect two notable events—the temporary shutdown of Viracon and the addition of the Family Dollar distribution site.

Only transportation, mining and the information industry displayed very minor declines.

The leisure/hospitality industries generated the highest number of new jobs (over 500). However, construction, private education/health care/social services and professional/business services added 200 jobs or more each. In addition, most of the remaining industries produced gains of more than 100 jobs each.

At 5.7 percent, May 2013 joblessness has dropped 2 full percentage points from a year earlier.

Anecdotal evidence of a slightly tighter labor market seems to be surfacing—particularly in lower-paying occupations. Remember, there are no labor shortages, only wage shortages.

The number of new home permits issued is up 46 percent for the first three months of 2013 and total permit values jumped nearly 60 percent over the same time period.

New nonresidential values have yet to improve, but that reflects a typical configuration in construction recovery.

Gross taxable sales kicked gains up a notch with a first quarter 2013 year-over gain of 16 percent—the county's strongest performance of the post-recession economy.

New car and light truck sales currently reflect pent-up demand and an improving economy. Compared to the first quarter of 2012, first quarter 2013 sales increased by 36 percent.

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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