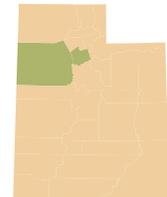


local insights



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. However, the very significant labor churn of individuals moving into and out of jobs is reported less frequently.

Businesses adjust their employment as demand for their products and services change either structurally or seasonally, as contracts are acquired or finished, and as they interact with the strengths and weaknesses of their workers. Furthermore, there are 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 in each quarter of 2011 expanding and new firms added 71,665 jobs or a total for the year of 286,658. Likewise, contracting and closing firms eliminated 60,332 jobs on average in each quarter for total reductions of 241,327. Therefore, for our 987,877 total jobs in 2011, there was a net gain of 45,331 jobs within Utah. This gain included a 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 measure of churn uses the methodology and records of private nonfarm payroll employment. Unmeasured fluctuations of jobs changing hands, like churn among the self-employed and contract workers, and 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 temporary jobs or quick changes due to a bad fit between employer and employee. This, however, 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, and will therefore be the ongoing focus for this article.

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 the third quarter of 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 gain characteristic information on workers and employers.

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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.

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In Salt Lake County, overall nonfarm payroll employment is increasing by more than 3 percent from 2012 to 2013, comprising a third year of recovery since the employment trough of the last recession.

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





The Dynamic Churn of the Labor Market (continued)

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 that started a job that lasted at least 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

For Salt Lake and Tooele counties total private jobs are two very different orders of magnitude. Stable private employment in Salt Lake County averaged 428,409 in 2011, the last complete year in our LED dataset. Total stable jobs averaged 9,414 in Tooele County, just 2.2 percent of the Salt Lake total.

For comparative purposes it is necessary to adjust our quarterly data series for stable employment and stable hires. First, distinct seasonal cycles during the year related to such things as the school year, Christmas shopping, and recreational activities affects any quarterly employment series. To reduce the fluctuations involved in seasonal cycles, 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 the state of Utah, Salt Lake and Tooele counties. These 2001 stable employment counts were 718,487, 383,692 and 6,389 respectively. Figure 1 is a graph of indexed private stable jobs from the first quarter of 2001 to the second quarter of 2012.

Recession, Expansion, Recession, Expansion

This eleven and one-half year period from the first quarter of 2001 through the second quarter of 2012 consists of the Dot-Com recession (the four quarters of 2001), the jobless recovery during 2002 and 2003, expansion and housing bubble of 2004 through the third quarter of 2007, the Great Recession beginning in the fourth quarter of 2007 through the second quarter of 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), Salt Lake County shed jobs until the second quarter of 2003, with private sector stable jobs dropping by 1.5 percent. The county then continued underperforming relative to the state in job growth as it returned to the 2001 level of employment by the first quarter of 2005. At this same time the state had 5.0 percent more jobs than its 2001 level. A good deal of the difference in job growth performance between Salt Lake County and Utah from 2002 through 2004 has to do with the build up to and activities of the Winter Olympic Games at the beginning of 2002. The high levels of economic activity stimulated by preparations and the running of the Olympic Games coincide with our index year 2001. During 2002 and 2003 Salt Lake County was not only feeling the effects of the Dot-Com

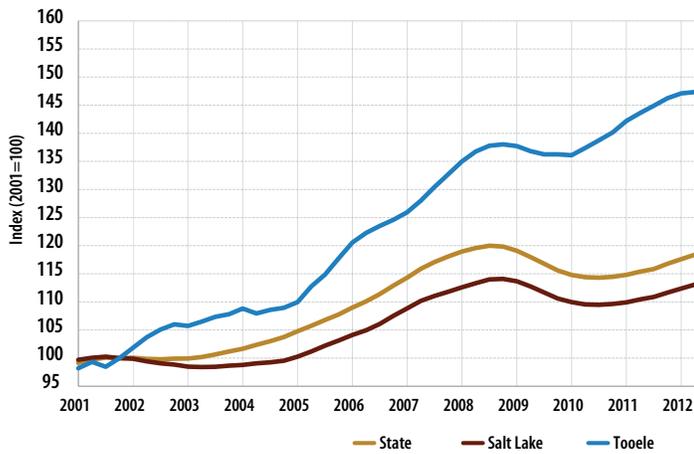
recession but was also coming down from the Olympic stimulus.

Economic expansion and job growth of just over 14 percent occurred in Salt Lake County from 2005 to mid-2008 as the housing bubble developed and the Great Recession began. In September 2008 the U.S. suffered a severe financial crisis, at which point job losses accelerated. From their employment peaks in 2008 to their employment troughs in 2010 Salt Lake County and the State of Utah lost 4.6 percent and 5.7 percent, respectively, of their stable private sector jobs.

Tooele County had a strong 11 years of private sector job growth from the beginning of 2001 through the second quarter of 2012, interrupted by the Great Recession dip with a 1.9 percent decline. Overall, the Tooele County job growth depicted in Figure 1 was 50 percent, from an index of 98.2 to 147.3. Some of the major factors contributing to Tooele County employment expansion, particularly during the high growth years of 2005 through 2007, were the Wal-Mart Distribution Center, the Miller Motor Sports Park, the Energy Solutions Clive Disposal Facility, housing construction and population growth.

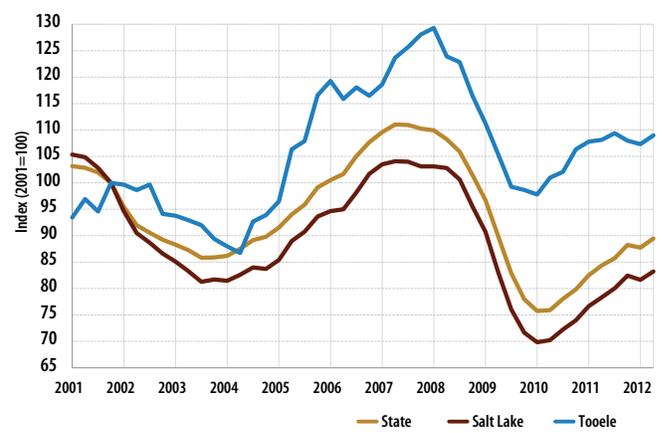
Figure 2 shows stable hiring activity, with the 2001 index levels for Utah at 101,252 hires, Salt Lake County at 51,626 hires and Tooele County at 852 hires. From this figure we note how closely stable hires in Salt Lake and Utah move in tandem over the business cycle. For the last eight years of this graph Salt Lake County accounts for a fairly consistent 51 percent of stable private sector hires in the state. Stable hires follow the business cycle in a pronounced way as would be expected. The change in hires is a leading

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



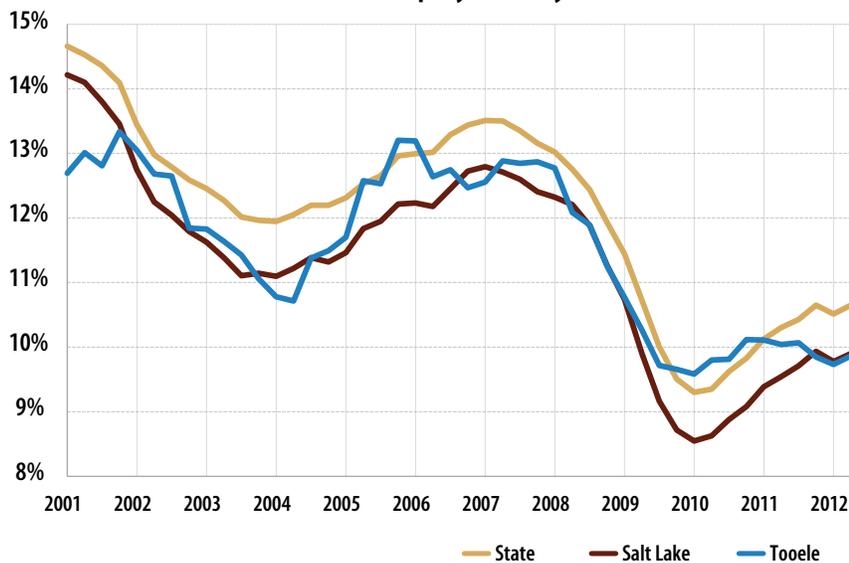
Source: U.S. Census Bureau. Quarterly Workforce Indicators Data. Longitudinal-Employer Household Dynamics Program

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

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

A comparison of private stable hires to private stable employment is depicted in Figure 3 with the percent of employment that stable hires comprise each quarter. Even though the State of Utah, Salt Lake County and Tooele County are

very different in size and can differ significantly in economic structure, the percentage of hires to employment is remarkably similar and follows the business cycle pattern quite closely. The variance between the three areas at each point in time illustrates that these economies do in fact have somewhat different industry structures with distinct hiring patterns. Major economic events do influence hiring patterns, which can be

particularly seen in a small county such as Tooele. However, the relationship of hires to employment is still similar across these areas.

Figure 3 clearly shows that during these 11 plus years, hiring activity declined sharply with 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 within the economy as stable hires make up, at its highs, 13 to 14



The Dynamic Churn of the Labor Market (continued)

percent of employment, or at its lows, 8.5 to 9.5 percent in any given quarter.

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.

The stable employment and the stable hires real wages in Salt Lake County are higher 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.

For a small county, Tooele’s average monthly wage for stable private employment (figure 4) responds to its own major economic events and looks quite different from Salt Lake County or the State. However, its wage still moves with the major business cycle events. Tooele County’s hires real wage varies greatly (Figure 5) compared to Salt Lake and the State, as the hires real wage is subject to various specific hiring events occurring at a specific time.

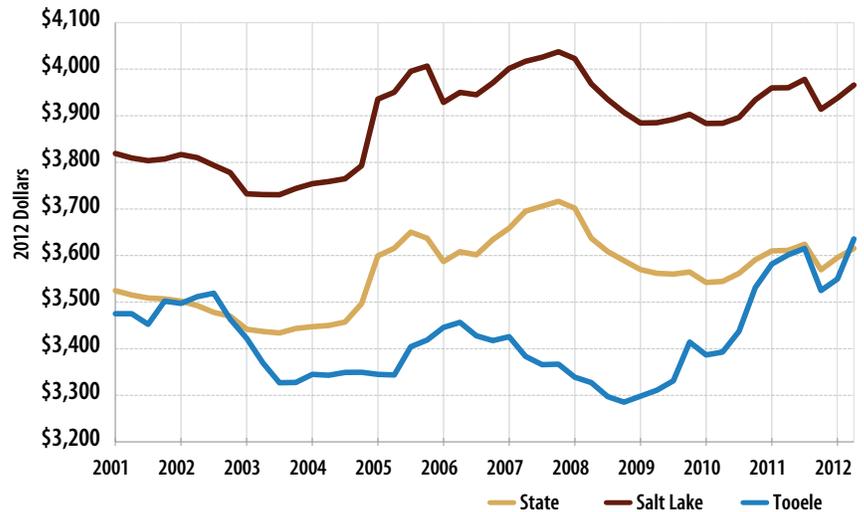
Conclusion

In the Wasatch Front South counties of Salt Lake and Tooele there are currently about 531,900 private nonfarm payroll jobs and an estimated 37,900 worksites 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, or others drop out of the labor force; seasonal, industry or consumer demand changes; as 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.

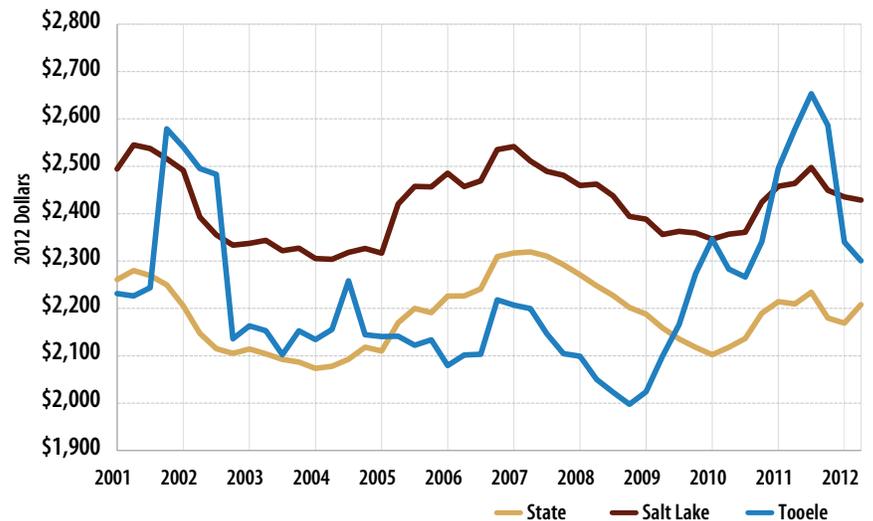
For these reasons and others, the labor market is in constant flux. We can measure 176,000 private sector hiring decisions between business leaders and workers each year in Salt Lake and Tooele counties. We know that many tens of thousands of other labor exchange actions are made that go unmeasured. To say that the labor market is dynamic is definitely an understatement.

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

Above Average Economic Performance

BY JIM ROBSON, ECONOMIST

The Wasatch Front South economic performance is above average as we enter the second half of 2013, with year-over employment growth between 3.4 and 4.2 percent. The region's unemployment rate is around 4.5 percent as the summer comes to a close. There is job growth across all major industrial groups with the exception of federal government employment, which continues to shed jobs. An improving labor market will continue to characterize economic conditions throughout 2013.

full-service restaurants accounted for the vast majority of new jobs within leisure/hospitality services. Three areas within retail trade account for over two-thirds of the increased employment—motor vehicle and parts dealers, warehouse clubs/supercenters and electronic shopping.

Goods producing industries (manufacturing, construction and mining) job growth, while somewhat subdued compared to increases in 2012, still added 1,339 jobs from March 2012 to March 2013.

Of 17 major industrial groups listed in Figure 6, only two lost jobs from March 2012 to March 2013: federal government employment declined by 68 jobs and utilities shed 78 jobs.

Unemployment

The seasonally adjusted unemployment rate in Salt Lake County has receded from the recessionary peak levels of just over 3 years ago when it stood above 8.0 percent to around 4.5 percent this summer. Over

Salt Lake County

Job opportunities continue across the majority of industrial sectors with overall nonfarm payroll employment increasing by 3.5 percent from March 2012 to March 2013. The 20,718 net new jobs from the past year completes over 3 years of recovery since the employment trough of the last recession in Salt Lake County. Average employment in 2012 was 603,460, surpassing the previous record of 602,859 in 2008. There were 614,343 nonfarm jobs in March 2013.

The most new jobs are being created in professional/scientific/technical services, leisure/hospitality, trade, healthcare and administrative support services (see Figure 6). Many of the new jobs in these high-growth areas are spread broadly within these industries; however there are a few notable sub-industries worth mentioning. Within professional/scientific/technical services job opportunities were found at architectural, engineering, and computer systems design services. Fast food and

Figure 6. Payroll Job Change from March 2012 to March 2013 for Wasatch Front South by Industry

	Salt Lake County		Tooele County	
	Count	Percent	Count	Percent
Prof/Sci/Tech/HQ*	3,301	5.9%	-52	-7.4%
Leisure/Hospitality	3,120	6.4%	57	4.0%
Trade	2,571	2.8%	24	1.3%
Healthcare/Social Services	1,885	3.3%	75	6.1%
Admin Support/Waste**	1,848	4.4%	-211	-11.5%
Financial Activities	1,679	3.7%	-15	-4.8%
Other Private Services	1,222	6.7%	16	4.3%
State Government	1,105	2.8%	3	1.7%
Private Education	928	8.3%	9	7.1%
Information	909	5.3%	-17	-9.9%
Transportation/Warehousing	801	3.0%	77	8.6%
Manufacturing	661	1.3%	-21	-1.2%
Construction	653	2.3%	98	15.4%
Local Government	158	0.4%	-128	-5.1%
Mining	25	0.7%	-2	-2.7%
Federal Government	-68	-0.7%	-182	-10.9%
Utilities	-78	-5.1%	-3	-11.1%
Total	20,718	3.5%	-272	-1.7%

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

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

Source: Utah Department of Workforce Services.



Above Average Economic Performance (continued)

the past three years, the number of Salt Lake County residents that are unemployed has declined from about 42,400 to 25,780. Initial claims for unemployment benefits are at their lowest levels in four years and are in line with normal seasonal patterns.

The stabilization, improvement and expansion in the Salt Lake County labor market since mid-year 2010 have been reflected in the gross taxable sales figures. For 12 consecutive quarters, starting in the second quarter of 2010 and going through the first quarter of 2013, Salt Lake County year-over change in sales tax collections have been positive. The first quarter 2013 year-over taxable sales were up by 6 percent.

Construction Activity

Salt Lake County construction activity hit bottom in 2010. While it is true that construction employment levels did not increase during 2011, overall measures of activity did increase. In 2011, housing unit permits and valuations were up 9.7 percent and 20.7 percent, respectively. In 2011, non-residential permitted valuations were up by 103 percent and total construction valuations were up by 49.9 percent over 2010 levels. In 2012, overall construction activity, as measured by total permitted value of construction compared to 2011, was up by 1.4 percent. In the first four months of 2013, indicators of construction activity compared to the same period last year were significantly positive. From January to April 2013 there were 913 permitted dwelling units, 35.3 percent above 2012. The valuation of these permits was \$202 million, or 38.3 percent above last year. Other positive housing signs include increasing home prices and

substantially reduced foreclosure activity. Non-residential permit values are running 20.1 percent above 2012 so far, at \$158 million.

Tooele County

Unfortunately, Tooele County is in the midst of its own mini-recession as it exhibits overall job losses. Payroll employment within the county peaked in mid-2011 and has been trending down since then. From March 2012 to March 2013 overall employment receded by 272 jobs, a decline of 1.7 percent. Job gains in construction, transportation/warehousing, healthcare and leisure/hospitality were overwhelmed by significant job reductions in waste treatment and disposal services,

federal government, local government and professional/scientific/technical services. Many of these losses stem from the ongoing closure of the Deseret Chemical Depot.

Economic Listlessness

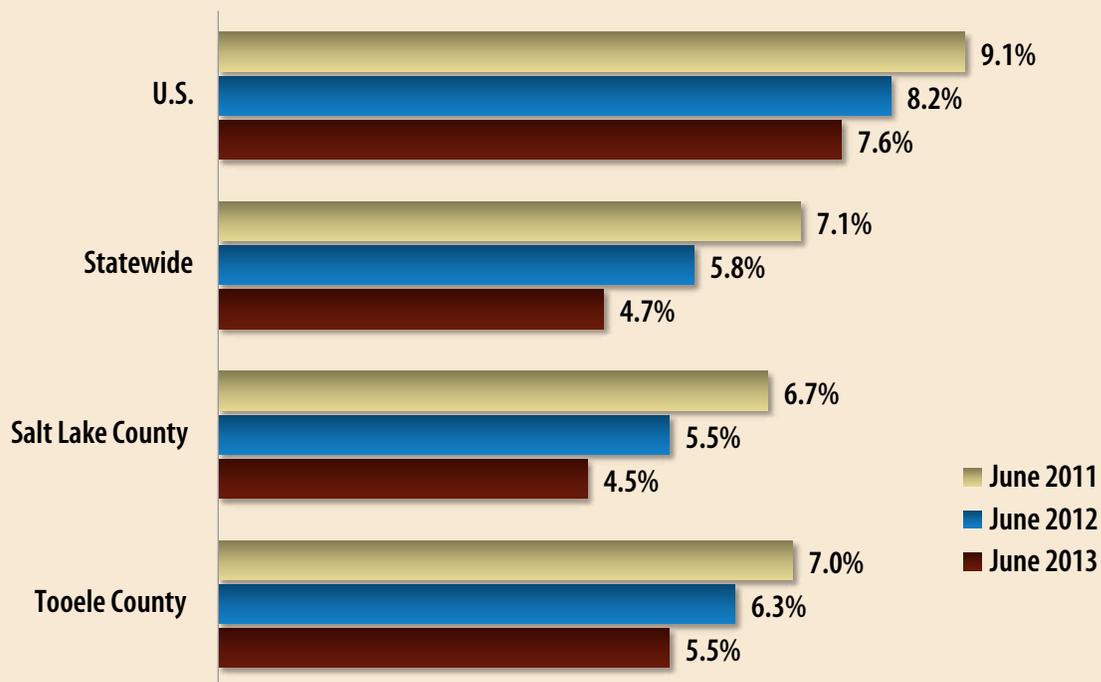
The ongoing decommissioning and closure of the Deseret Chemical Depot (DCD) is not scheduled to be completed until 2014. Related job losses, both direct and indirect, have occurred since 2012 and will continue through 2014.

Direct job reductions impact waste management, professional/scientific/technical services and federal defense industries. The loss of about 1,000 direct jobs, with associated declines in incomes and expenditures will result in reductions of about 300 to 500 additional jobs throughout Tooele County and the larger regional economy. The current economic sluggishness in Tooele County also results from other federal job cuts and county government budget/personnel cuts, with the effect of downward pressure on wages and income reverberate throughout the economy.

As part of the greater Salt Lake Metropolitan Area, Tooele residents have access to a wider labor market. Between 40 to 50 percent of county residents with payroll jobs commute to the Salt Lake area for employment. The current relative strength in the Salt Lake County labor market continues to provide support to Tooele during this period of transition. Even with overall employment losses, the unemployment rate has continued to decline during the past year. In the summer of 2012 the unemployment rate was around 6.3 percent, improving over the past year to about 5.5 percent in the summer of 2013. During the second quarter of 2013,

“The most new jobs are being created in professional/scientific/technical services, leisure/hospitality, trade, healthcare and administrative support services.”

Figure 7. Unemployment Rate Comparison with Wasatch Front South Counties, June 2011, June 2012 and June 2013



Source: Utah Department of Workforce Services.

initial claims for unemployment insurance averaged 43 per week, above the second quarter averages of 36 and 39 in 2012 and 2011, respectively.

Outlook

Overall for Wasatch Front South (Salt Lake and Tooele Counties), continuing job growth and a gradually improving labor market will characterize economic conditions during 2013 with job growth of about 3.0 percent.

Total 2013 payroll employment should average about 638,450 jobs in this region. Enough employment growth was generated in 2012 to bring the estimated average regional nonfarm payroll job total to 619,719, which is above the previous high of 618,385 achieved on average in 2008.

The improving labor market should continue to gradually bring down the unemployment rate in 2013. Due to the considerable slack

created in the labor market during the recession and subsequent slow recovery, the unemployment rate will likely continue to range between 4.2 and 4.5 percent through the end of 2013.



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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>