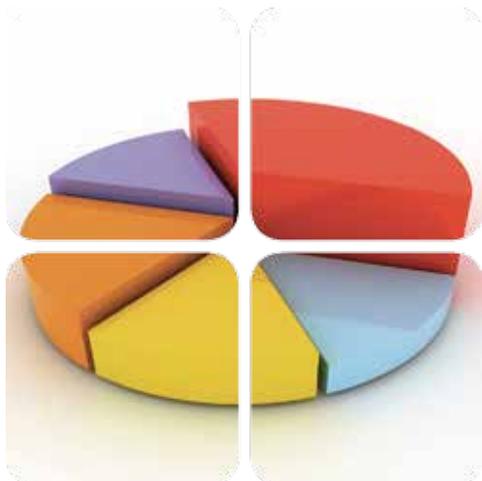


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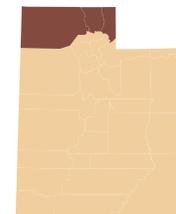


An economic and labor market analysis of the Bear River Area

vol. 2 issue 1 • jobs.utah.gov



Exploring the Key Industries of the Bear River Area



BY TYSON SMITH, ECONOMIST

Which industries make up the largest proportion of nonfarm employment in Bear River? The top five industries — manufacturing, educational services, health care and social assistance, retail trade and government (except education and health care) — represented two thirds of the total nonfarm employment in the Bear River area in 2012 (Figure 1). How is this data collected, and why is it important?

or group of products or in rendering the same services.” In other words, NAICS combines data from firms that perform similar activities through similar means using a six-digit coding system to classify economic activity into 20 sectors made up of approximately 1,170 industries.

Once firms have been aggregated into industries, their behavior as a whole can be studied in a way that is more relevant to the overall economy than the actions of a single firm. Purchase orders, production outputs and employment numbers at the industry level tell a valuable story about consumer demand and employer demand for laborers capable of delivering. From a Labor Market Information (LMI) perspective, industry data highlight the driving

Background

The Bureau of Labor Statistics (BLS) uses the North American Industry Classification System (NAICS) to collect and analyze data about industries throughout the U.S. economy. The BLS defines an industry as “a group of establishments primarily engaged in producing or handling the same product

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What are the defining industries in Bear River, and how important are they to the local economy?

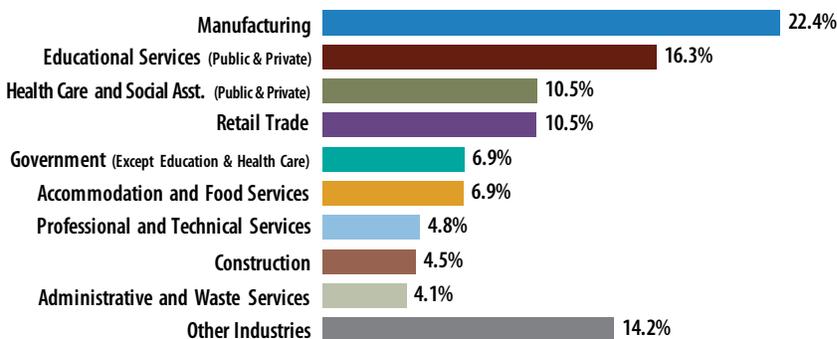
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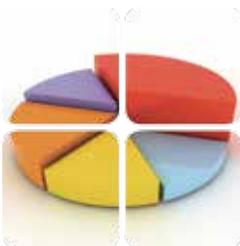
The manufacturing industry dominates employment in Bear River, but each county has unique industry dynamics that drive local economies.

The Dynamics of Industry Data 8

Collecting quarterly industry data through the QCEW program shows business dynamics through employment and wages.

Figure 1: Bear River Employment Distribution by Industry, 2012 (as a percent of total nonfarm employment)





Exploring the Key Industries (continued)

forces underlying employment and labor demand in the economy.

Determining which industries are most important to a specific geographic area like Bear River is an imperfect science. However, certain variables suggest an industry is critical to a particular economy:

- Size of an industry relative to total nonfarm employment
- Average wages paid to employees
- Size of an industry compared to state or national averages

If an industry performs well in one or more of these categories, it is likely a noteworthy industry that drives the economy.

Key Industries in Bear River

Manufacturing, Bear River's largest industry, accounted for 22.4 percent of total employment last year. Consider that in 2011 the total labor force in the Bear River area represented only 6.3 percent of the total labor force in Utah, while the percent of laborers employed by

manufacturing in Bear River made up 13.7 percent of total manufacturing jobs in the state. Manufacturing employment also paid the highest annual wage of the ten largest industries in the area. The average annual wage for manufacturing employees was \$42,667 — \$14,912 more than educational services, the second largest industry in Bear River.

Manufacturing as a percent of total employment has been trending downward since the early 1990s (Figure 2). Many firms have elected to outsource their production to countries with lower labor costs. The 2008 recession also took its toll on manufacturing: from 2008 to 2012 the average number of manufacturing employees in Bear River fell from 18,812 to 15,231, 19.0 percent. Since the recession, only educational services as well as health care and social assistance have seen any significant employment gains.

Educational services represented a relatively high 16.3 percent of total nonfarm employment in Bear River in 2012, a proportion of total employment far greater than the state

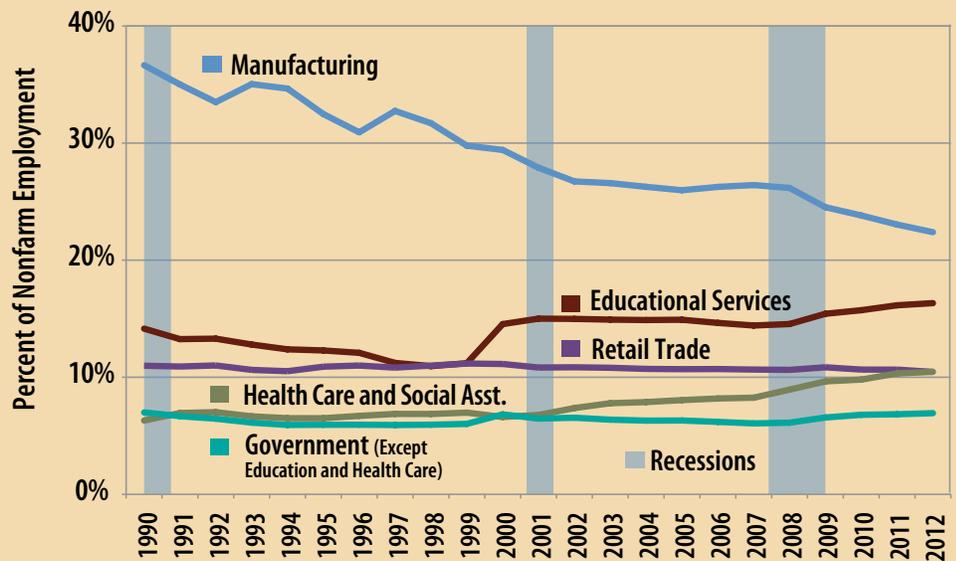
or national average. K–12 education, vocational training, and college and university employment together make a formidable workforce of educators, administrators and support staff in the area. Furthermore, educational services have grown steadily since 2000, increasing by an average of 2.0 percent per year, for a total of 2,366 jobs.

Although manufacturing employment dominates Bear River, each county has unique labor dynamics that define the economic activities of the area.

Large Industries

Industries that make up the largest percent of total nonfarm employment represent the economic anchors of a community. In Box Elder County, manufacturing is the predominant industry. Last year, 27.6 percent of total nonfarm employment in the county was in manufacturing. The next largest industries as a percent of total employment were retail trade at 10.0 percent, health care and social assistance at 9.6 percent, educational services at 8.9 percent and

Figure 2: Bear River Industry Trends — Top Five Industries



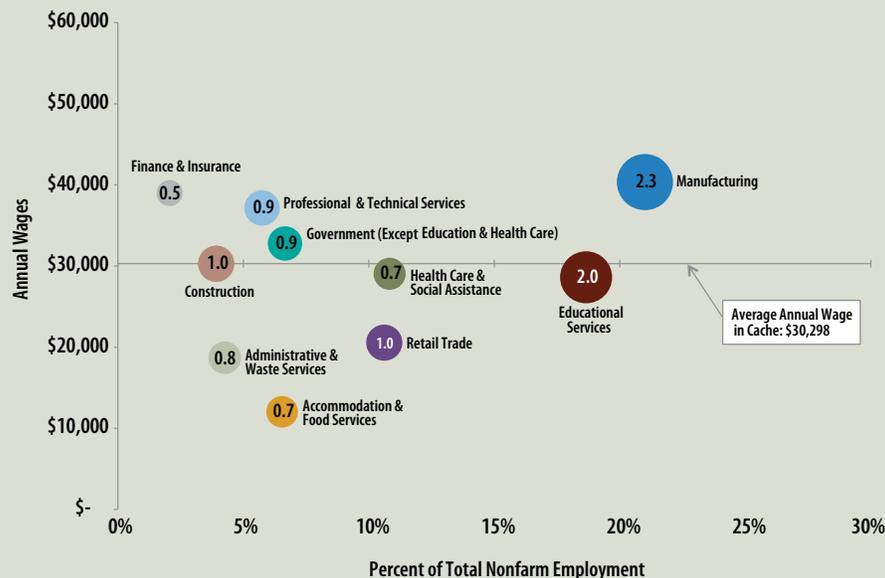
Note: Adjustment made to manufacturing employment data from 2000 to 2006 for noneconomic code change.

**Figure 3: Box Elder County Wages and Location Quotients
Top 10 Industries**



Location Quotient based on 2011 annual employment data

**Figure 4: Cache County Wages and Location Quotients
Top 10 Industries**



Location Quotient based on 2011 annual employment data

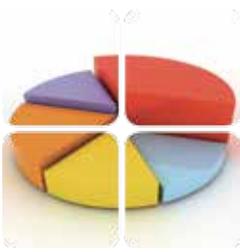
transportation and warehousing at 7.9 percent.

Cache County is also a hub for manufacturing in Utah. Manufacturing employment represented 21.0 percent of the total nonfarm employment in Cache County in 2012. Cache County employed approximately 6,256 more manufacturing workers than Box Elder County last year, even though the percent of total nonfarm employment was higher in Box Elder County. Cache County possesses a second notable industry that makes up a significant portion of employment: educational services accounted for 18.7 percent of total employment. Over 63 percent of educational services employment came from Utah State University, which employed an annual average of 3,041 people. Health care and social assistance as well as retail trade were the only other industries to eclipse 10 percent of total employment at 10.8 percent and 10.6 percent, respectively.

While manufacturing has a large presence in Box Elder and Cache counties, it is virtually nonexistent in Rich County. Instead, Rich County's largest industry is government (except education and health care). Government made up the largest percent of total nonfarm employment at 21.9 percent last year; in addition, educational services represented 16.9 percent of total employment, 95 percent of which were public employees. Eighty-three percent of government employees in Rich County were employed by city and county agencies. The largest private sector industry in Rich County is accommodation and food services, which employed an average of 18.2 percent of the workforce in 2012. In the summer, tourists flock to Bear Lake and local hotels, lodges and restaurants have to triple or quadruple their staff to meet consumer demand.

High Wages

In Box Elder County last year, 5 of the 10 largest industries had annual wages above the county average. The manufacturing industry had the highest annual wage at \$48,229 per year, nearly \$14,800 over the county average of \$33,462, while wholesale



Exploring the Key Industries (continued)

trade, transportation and warehousing, construction and government (except education and health care) ranged from \$41,500 per year for wholesale trade employment to \$34,195 per year for government employment. The wage disparity between manufacturing and all other large industries in Box Elder emphasizes the value of manufacturing to the local economy.

Manufacturing was also the highest paying industry in Cache County at \$40,349 per year, though the difference between the annual wage in the manufacturing industry and the county average was only \$10,051. Three other industries among the 10 largest in Cache County had annual wages above the county average of \$30,298 per year: finance and insurance, professional and technical services, and government.

In Rich County, five of the seven largest industries had annual wages above the county average, but in the industries with the largest employment base — government and educational services — the difference was between \$3,000 and \$4,000, respectively. Transportation and warehousing had an annual wage of \$44,456, the largest disparity from the county average of \$25,661. Although accommodation and food services makes up a large proportion of employment in the county, annual wages in 2012 were \$9,841 less than the county average.

Location Quotients

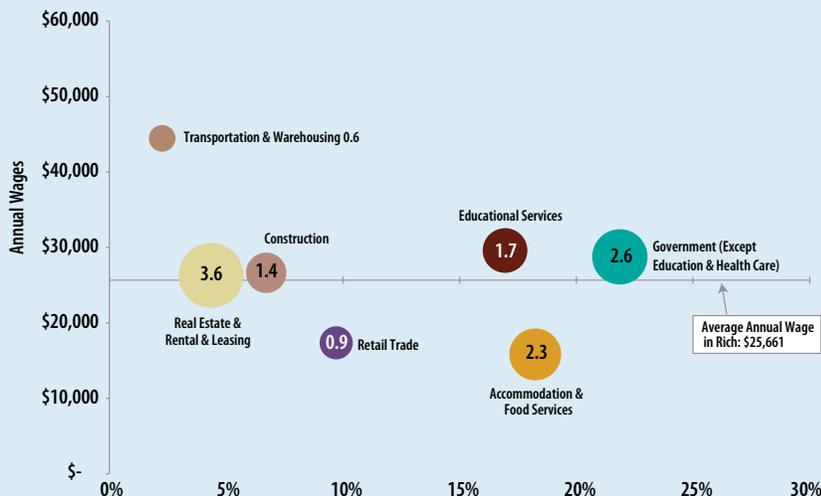
Location quotients (LQs) are used to measure the relative concentration of a given industry in a given place (Figures 3–5). LQs can help identify potential sources of competitive advantage or areas of regional specialization. An LQ greater than 1.0

represents an industry with a higher regional concentration of employment compared to the national average. The general rule for location quotients is that a score between 1.2 and 0.8 indicates a normal distribution, while a score above 1.2 or below 0.8 represents degrees of specialization or deficiency.

Three of the top ten industries in Box Elder County were areas of specialization in 2011. Manufacturing, transportation and warehousing, and construction also had LQs greater than 1.2. The manufacturing industry LQ for Box Elder County was 3.31, the second highest of any top industry in Bear River. In Cache County, only 2 of the 10 largest industries represented areas of specialization. Manufacturing and educational services had LQs of 2.29 and 1.97, respectively. Lastly, Rich County had the most variance among LQs for all industries. The county’s rural composition creates an economic environment in which a few core industries employ a disproportionately large segment of the labor force. In the case of Rich County, real estate and rental and leasing, government (excluding education and health care), accommodation and food services, educational services and construction all had LQs over 1.2.

Ultimately, there are several factors that define which industries are most valuable to a community. In Bear River, manufacturing plays a pivotal role as a generator of jobs, income and investment in the region. And while there are other industries in Bear River that contribute substantially to the local economy, manufacturing is the area’s economic cornerstone.

Figure 5: Rich County Wages and Location Quotients Top 7 Industries



Location Quotient based on 2011 annual employment data



Exports: Bear River's Economic Anchor

BY TYSON SMITH, ECONOMIST

A strong manufacturing and educational services presence in the Bear River Economic Service Area (ESA) is enriched by unique industry dynamics that characterize local county economies. Establishing which industry is the driving economic force in each county requires a qualitative assessment of regional employment and wage data. The size of an industry compared to other industries in the county, the average wage in an industry in relation to other industry wages, the concentration of employment in an industry relative to state or national benchmarks and the type of products and services being created by an industry all contribute to the identification of a singular key industry. For Box Elder and Cache counties, manufacturing is the predominant industry, but the types of goods being manufactured are quite different. In Rich County, manufacturing is virtually nonexistent, while government has an enormous presence. Tourism is Rich County's largest export, and it heavily contributes to the primary private sector industry, accommodation and food services.

The value of manufacturing in Box Elder and Cache Counties and of accommodation and food services in Rich County go beyond labor market implications. These industries represent the most basic export industries in each county. Basic industries produce goods and services that are ultimately sold to consumers outside the community in which they are produced. A region's export industries are its economic foundation and facilitate a flow of new money into the area. New money, including profits and investments, drive economic growth and contribute to the community's economic well-being.

Figure 6: Changes in Manufacturing Employment in Box Elder County

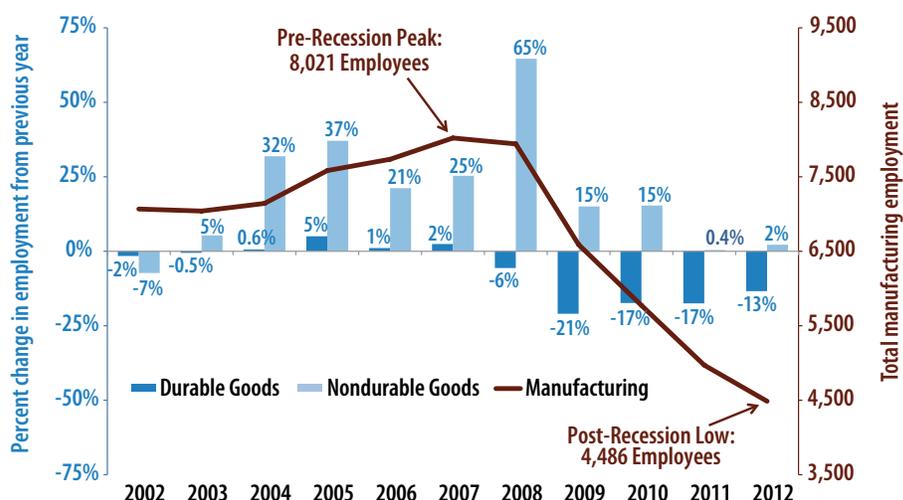
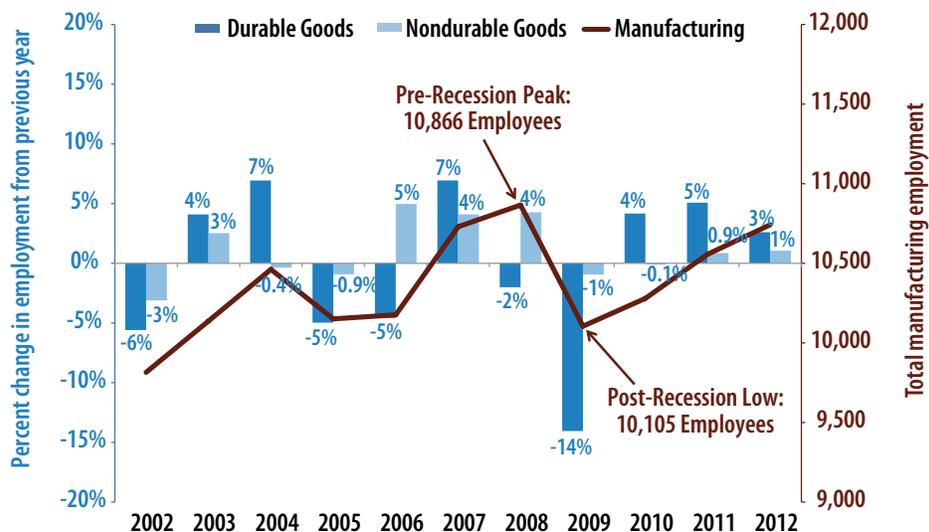


Figure 7: Changes in Manufacturing Employment in Cache County



Smoothing adjustment made to manufacturing employment data from 2000 to 2006 for noneconomic code change

**Exports:
Bear River's Economic
Anchor (continued)**

Box Elder: Durable Goods

Box Elder County has the highest proportion of manufacturing employment in the State of Utah. Nearly 28 percent of all Box Elder jobs in 2012 were in manufacturing, compared to the state average of approximately 9 percent. The second largest industry in the county was retail trade at only 10.0 percent of total nonfarm employment. The average wage in the manufacturing industry is \$48,229 per year, which outpaces the county average by \$14,767.

Durable goods dominate the manufacturing industry in Box Elder County. Durable goods are products that have long lifecycles and deliver utility over time, such as rocket and space vehicle propulsion units, motor vehicle parts and structural metals. Durable goods manufacturing made up 73.5 percent of all manufacturing jobs in the

county in 2012. Of the 74 manufacturing firms in Box Elder County last year, 56 were classified as durable goods manufacturers. Manufacturing in Box Elder County includes the following:

- Transportation equipment manufacturing at 42.7 percent
- Food manufacturing at 19.6 percent
- Fabricated metal product manufacturing at 14.9 percent
- Primary metal manufacturing at 9.6 percent
- Other manufacturing at 13.1 percent

Figure 6 illustrates recent manufacturing trends in Box Elder County. As a percent of total nonfarm employment, manufacturing in Box Elder County has been steadily declining since 1993. At its peak, manufacturing in the county accounted for 54.5 percent of total employment. The downward trend saw

a brief reversal in the middle of the last decade when employment climbed from 7,040 in 2003 to 8,021 in 2007. Unfortunately, the positive momentum was halted by the recession, and from 2008 to 2012 manufacturing employment fell 43.5 percent.

Nondurable goods manufacturing has been growing at a rate of 17.7 percent per year since 2001, and since the recession the two sub-industries have been moving in the opposite direction. Starting in 2008, the average change in year-over employment for nondurable goods grew 17.5 percent per year, while durable goods employment shrank 15.1 percent per year.

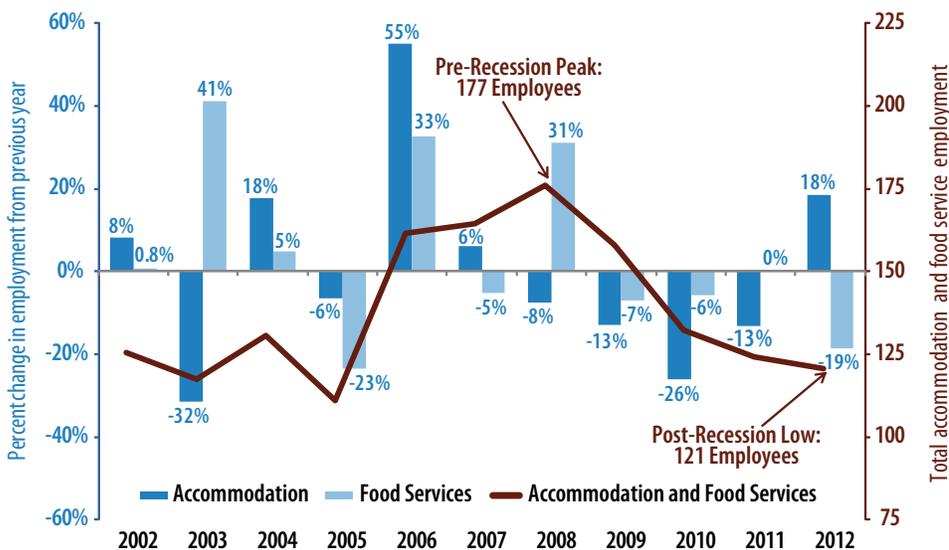
Cache: Nondurable Goods

The manufacturing industry also holds the title as the most important industry in Cache County based on total nonfarm employment, average annual wages and location quotient. Manufacturing in the county accounts for approximately 21 percent of total employment. In 2012 there were 10,742 manufacturing jobs — 1,175 more jobs than educational services, the second largest industry. Wages in manufacturing in Cache County were \$40,349 per year, compared to the county average of \$30,298.

The distribution of manufacturing between durable and nondurable goods in Cache County starkly contrasts the production mix in Box Elder County. Nondurable goods represented 54.8 percent of all manufacturing in the county last year. Nondurable goods are those products that are immediately consumed or those that have a lifespan of less than three years, including animal slaughtering, cheese production and pharmaceutical preparation. Manufacturing in Cache County includes the following:

- Food manufacturing at 33.9 percent
- Miscellaneous manufacturing (including medical equipment and

Figure 8: Changes in Accommodation and Food Service Employment in Rich County



- supplies) at 20.7 percent
- Computer and electronic product manufacturing at 12.7 percent
- Chemical manufacturing at 8.0 percent
- Other manufacturing at 24.7 percent

Compared to Box Elder County, the manufacturing industry in Cache County has been more resilient throughout the recession and recovery. Figure 7 underscores Cache County's steady improvement since 2009. At the onset of the recession, durable goods manufacturing fell 14.0 percent, and overall manufacturing declined 7.0 percent. But from 2009 to 2012, Cache County recovered 98.9 percent, or all but 124, of the manufacturing jobs lost from the recession. Health care and food products were somewhat insulated from the downturn in consumer demand brought on by the recession, partially explaining the strength of the manufacturing industry in Cache County.

Rich: Tourism

Rich County has a uniquely high proportion of total nonfarm employment in the government sector (excluding educational services and health care), but this trend is not unusual for rural counties. Even though the government employs the highest number of laborers in the area, the accommodation and food services industry is the driving economic industry because it symbolizes the primary nonfarm export in the county: tourism. Tourists from around the region come to Rich County every year to enjoy outdoor activities, like fishing, boating and hiking. Bear Lake is the central attraction in the county, and when nonresidents visit the lake they bring new money to the economy.

Employment in the industry was evenly split in 2012, with a small majority of the workforce in accommodation. The accommodation industry includes hotels

and recreational camps, while the food services industry includes restaurants and drinking establishments. Accommodation and food services Rich County includes the following:

- Accommodation at 51.8 percent
- Food services and drinking places at 48.2 percent

As a percent of total nonfarm employment, accommodation and food services has generally been trending upward since the early 1990s. Annual employment in this industry rose 225.0 percent from 1990 to 2008, increasing from 54 employees to 177. However, the recession damaged the industries associated with tourism. Accommodation

and food services in Rich County lost an average of 14 employees per year from 2008 to 2012 (Figure 8). Since 2007, the average year-over growth rate in the accommodation industry and food services industry has been negative 9.4 percent and negative 1.3 percent, respectively.

The major industries in Box Elder, Cache and Rich Counties represent the foundation of the economic ecosystem. Manufacturing in Box Elder and Cache Counties and accommodation and food services in Rich County employ enormous segments of the population and attract new consumers and investments to the region. Counties benefit from economic anchors in these basic, export-driven industries.

Five Largest Employers Per County (by Largest Industry)

County	Company Name
Box Elder (Manufacturing)	Atk Launch Systems, Inc.
	Autoliv Asp, Inc.
	West Liberty Foods, L.L.C.
	Malt-O-Meal Company
Cache (Manufacturing)	Nucor Corporation
	Icon Main Plant
	Swift Beef Company
	Schreiber Foods, Inc.
Rich (Leisure and Hospitality)	Hyclone Laboratories, Inc.
	Gossner Foods, Inc.
	Trendwest Resorts, Inc.
	Bear Lake Enterprises, Inc.
	Mmh, L.L.C.
	Owners Resorts And Exchange, Inc.
	Bear Lake Golf Course And Resort



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The Dynamics of Industry Data

BY MELAUNI JENSEN, LMI ANALYST

Labor Market Information (LMI) is a powerful resource that provides people with a variety of information pertaining to the workforce. LMI can show information about an industry as well as current local economic conditions. It can help policy makers and economic developers understand the productivity of the workforce, economic activity and the overall health of the economy, information that is important for estimating tax revenue and modifying county or city services. It can also demonstrate to educators and economic developers the employment and wage outcomes of graduates and what industries are strongest in local areas.

Every state in the U.S. partners with the Bureau of Labor Statistics (BLS) to gather and produce complete employment and wage information that represents workers covered by state Unemployment Insurance (UI) laws. This data program is called the Quarterly Census Employment and Wages (QCEW). Used to track the establishment levels, these quarterly statistics are important to many other federal and state programs, as it is an accurate reflection of the size of the workforce. Employment data represents the number of covered workers who worked during the pay period or received pay. It does not include those in the military, those who are self-employed, domestic workers, unpaid family workers and railroad workers already covered by the railroad UI system. Wages represent total compensation paid during that quarter, regardless of whether the work was completed at that same period of time, and including vacation or other paid leave, bonuses and tips.

QCEW data is the most comprehensive and respected economic database available, giving the best picture of the economy. QCEW includes data on the number of business establishments and their monthly employment and wages for each quarter. The data is categorized by industry, county and ownership. In accordance with BLS policy, data is not published at the individual firm level, but instead is aggregated and reported for specific statistical uses.

Our economists analyze this data after collection using the North American Industry Classification System. NAICS, as it is often referred to, was developed with Canada and Mexico in an effort to improve the comparability of employment in industries, thus improving the reflected economic activities. This powerful coding system categorizes each establishment into a detailed industry profile based on what they produce or the service they provide and gives five levels of categorized detail.

QCEW data can be used to show the dynamics of businesses: how they open and close and how they expand and retract. It can also show job creation, terminations and layoffs. Here in Utah, we comply with an agreement with the federal government to disseminate this information in a variety of ways. The data is used in products such as FirmFind and Industry Employment and Wages, both interactive tools on our website at jobs.utah.gov/jsp/wi/utalmis/default.do. We also use this data in the Labor Market Information annual report and the analyses contained in this publication. For a further breakdown of NAICS, visit census.gov/eos/www/naics/.