

localinsights

An economic and labor market analysis of Southwest Utah

southwest



new hire wages
are expected to
rise in southwest Utah

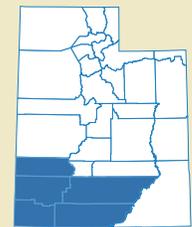
Strong Labor Markets in Southwest Utah’s Largest Counties

By Lecia Parks Langston, Economist

Most southwest Utah counties found themselves in job-creation mode during the second quarter of 2014, with unemployment rates reaching the lowest levels in half a decade. A tighter labor market may begin to put upward pressure on wages in the larger counties.

While Washington County’s first quarter 2014 performance raised concerns of a “too hot” economy, second quarter employment figures have reverted to their “just right” ways. Iron County, with two good quarters of employment growth under its belt, appears to have finally shrugged off its lackluster post-recession performance to embrace recovery. In addition, following a full year of employment additions, Kane County’s rate of year-to-year nonfarm employment expansion reached its highest level of the post-recession era.

On the other hand, after a three-year stretch of job loss, Garfield County has just barely managed a smidgen of year-to-year job growth and Beaver County lost jobs. Neither county will be economically sound until they can show consistent employment gains across a broad range of industries.



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In the larger Southwest Utah counties:
tight labor markets should begin to put
upward pressure on **wages**.

Beaver County

- Beaver County's nonfarm jobs total dropped by more than 50 positions between June 2013 and June 2014 for a decline of 2 percent.
- While construction employment deteriorated dramatically, leisure/hospitality services shed even more jobs. In addition, mining and covered agricultural positions contracted.
- On the positive side, retail trade and manufacturing created a notable number of new positions.
- Despite job loss, Beaver County's unemployment rate continued to ebb. Most construction workers undoubtedly returned to their resident counties and out-migration figures suggest some unemployed workers have left the area.
- In September 2014, Beaver County's unemployment rate estimate measured only 3.2 percent; lower than even the statewide average.
- First-time claims for unemployment insurance remain historically low.

Iron County

- Iron County showed a year-over increase of 3.1 percent and almost 460 jobs in June 2014.

- Professional/business services created the largest number of new positions in June (almost 130).
- Healthcare/social services and manufacturing also showed strong employment gains, each adding nearly 110 net, new jobs. In addition, mining and construction made notable gains.
- The only employment decline of note occurred in the public sector with state government proving the major cause of job loss.
- Iron County's unemployment rate dropped almost a percentage point over the past 12 months to register 4.2 percent in September 2014.
- Joblessness in Iron County is certainly approaching the full-employment range. Further declines in unemployment will likely result in higher wages.
- Gross taxable sales continued to show robust gains marking almost three straight years of improvement. Between the second quarters of 2013 and 2014, sales rose by more than 6 percent.
- Wholesale trade, building materials stores, general merchandise stores and food/accommodation establishments generated particularly strong gains.
- Initial claims for unemployment insurance have settled into a low, seasonal pattern. The

current events

VIRACON PLANS TO REOPEN ST. GEORGE PLANT

Viracon announced plans to reopen and invest in an existing facility in Washington County. The company will invest an estimated \$2.2 million in the existing facility for improved equipment and coating capabilities. Viracon has indicated they will be creating 300 new jobs over the next 10 years.
— *The Spectrum*

LARGEST SOLAR PROJECT IN UTAH COMING TO IRON COUNTY

By December 2015, Iron County will have the largest solar project in Utah, using 650 acres of land in Parowan. The 100-megawatt single access tracking system being brought in by Scatec Solar will consist of 327,000 panels. Scatec representatives said the project will take a little more than a year to build. — *The Spectrum*

KANAB PLANNING AND ZONING REVOKES VIRESKO'S CONDITIONAL USE PERMIT

The Kanab Planning and Zoning Commission formally revoked the Conditional Use Permit (CUP) Viresco Industries obtained on November 22, 2010, to construct an experimental coal gasification plant on the south side of town.
— *Southern Utah News*



For more current events: <http://utaheconomysouthwest.blogspot.com/>

three industries displaying the largest number of claims all have seasonal/temporary-job components – construction, employment services and leisure/hospitality services.

Garfield County

- In the twelve months preceding June 2014, Garfield County generated a net gain of roughly 20 new jobs for an increase of 0.6 percent.
- A robust 60-job gain in leisure/hospitality services and a 20-position increase in professional/business services were partially offset by losses in most other industries. In particular, healthcare/social services and the public sector displayed notable declines.
- Garfield County's jobless rate has trended downward due, in part, to out-migration.
- In September 2014, the county's unemployment measured 7.6 percent, down two full percentage points from September 2013.
- The county's seasonal tourism-based economy results in Garfield County's rate registering higher than most counties. Indeed, it ranks third-highest in the state behind neighbors Wayne and San Juan counties.
- On a year-to-year basis, the county's gross taxable sales increased by almost 4 percent in the second quarter of 2014. Although not always positive, gross taxable sales have provided the strongest improvement among the county's economic indicators.

- The current progress can be largely traced to strong sales at accommodation establishments.
- Initial claims for unemployment insurance have relaxed into a seasonal pattern similar to that in the pre-recession era.

Kane County

- In the 12 months preceding June 2014, Kane County added nearly 190 net, new jobs for a growth rate of 5.4 percent.
- Tourism drove the current employment boost and both retail trade and leisure/hospitality services generated almost all the new jobs.
- Most other major industries either lost a few positions or gained a few positions.
- In September 2014, the county's jobless rate registered at 4.3 percent, down a full percentage point over the past year.
- Kane County's unemployment rate remains wedged between the low statewide rate of 3.6 percent and the much higher U.S. rate of 6.1 percent.
- Gross taxable sales generated a year-over gain of 5.2 percent in the second quarter of 2014, marking a favorable improvement over the county's first-quarter loss.

Washington County

- Between June 2013 and June 2014, Washington County's nonfarm employment measured just below 5 percent, an addition of nearly 2,600 positions.
- Every major industry added employment.

- Leisure/hospitality services and construction placed neck-and-neck for job creation honors, each showing a net gain of nearly 540 positions.
- Transportation/warehousing, retail trade and manufacturing also added notable numbers of new positions.
- Due to slippage in state and federal sectors, public sector employment increased by less than 1 percent. The nature of government budgeting often results in the public sector trailing the pack during all legs of the business cycle.
- The county's unemployment rate edged ever downward to measure 3.8 percent in September 2014. That's down more than a percentage point since last year and marks the lowest level in six years.
- An unemployment rate this low suggests the labor market is tightening and should result in upward pressure on wages.
- Gross taxable sales remain strong with a 9.2 percent year-to-year gain in second quarter 2014.
- Sales gains proved particularly strong at motor vehicle dealers, general merchandise stores and accommodation/food establishments.
- Initial claims for unemployment insurance remain at a low, noncyclical level.

Southwest Utah Economy at a glance

Year-to-Year Change in Nonfarm Jobs
June 2014

↑ 1.9%
United States

↑ 2.8%
State of Utah

↓ -2.2%
Beaver County

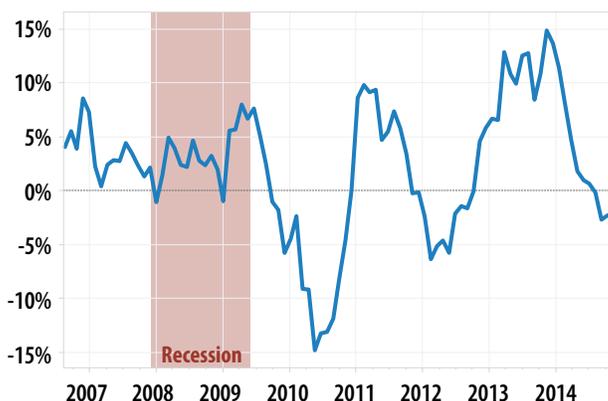
↑ 0.6%
Garfield County

↑ 3.1%
Iron County

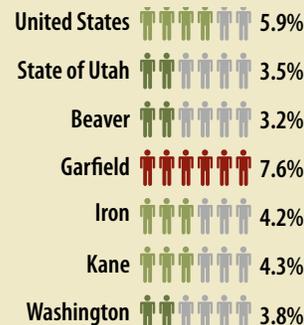
↑ 5.4%
Kane County

↑ 4.9%
Washington County

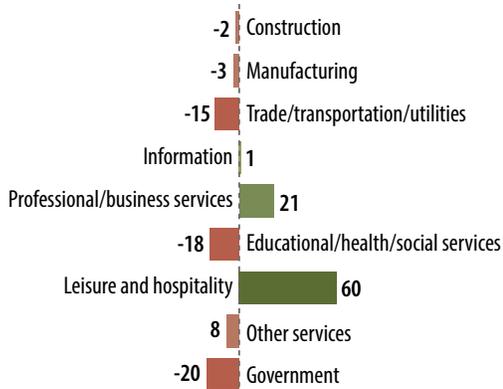
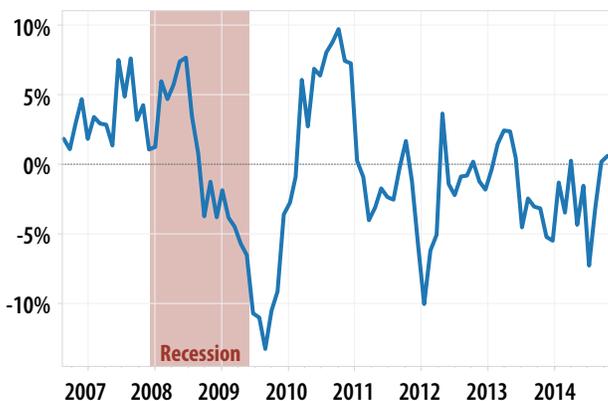
Beaver County Job Growth June 2014 -52



Seasonally Adjusted Unemployment Rate

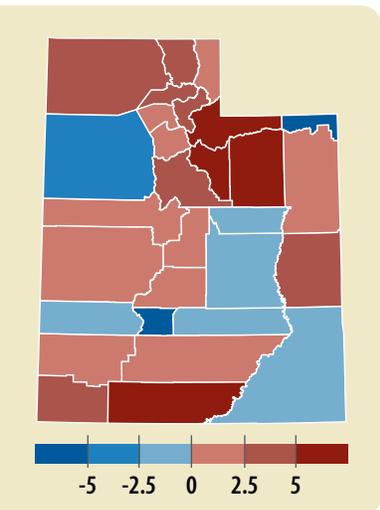


Garfield County Job Growth June 2014 17

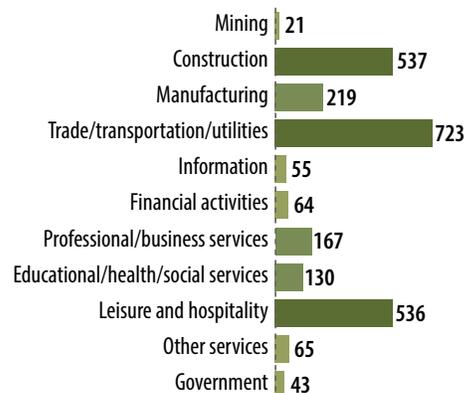
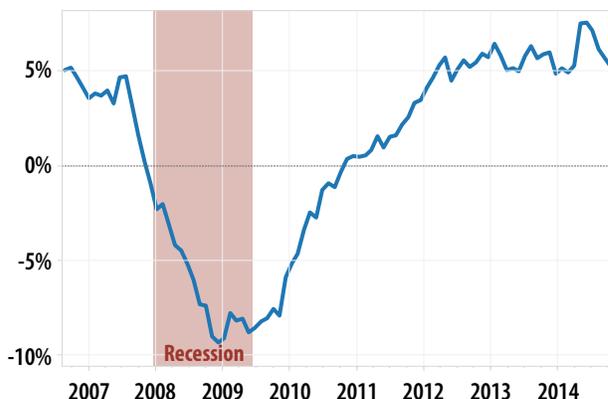


Year-to-Year Change in Gross Taxable Sales

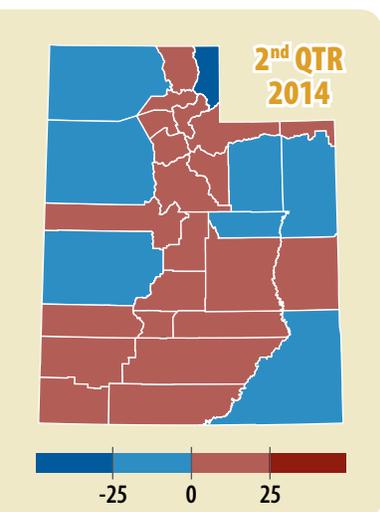
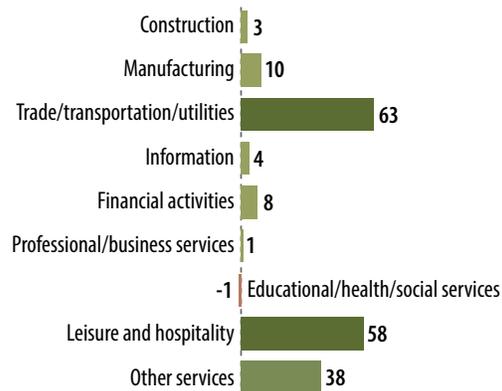
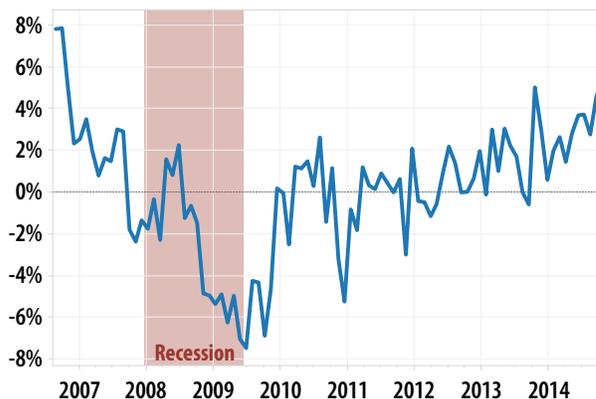




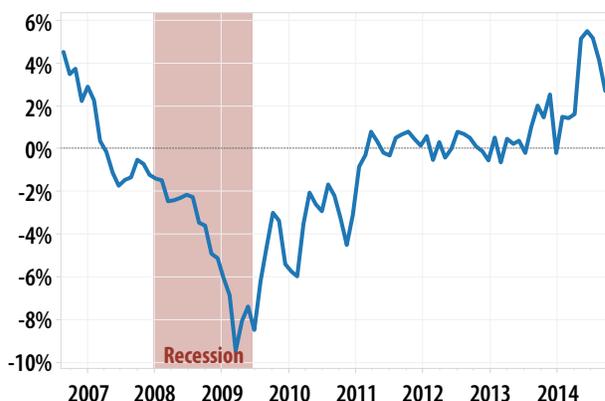
Washington County Job Growth June 2014 ↑ 2,558



Kane County Job Growth June 2014 ↑ 186



Iron County Job Growth June 2014 ↑ 457





Wage Data for Hires May Provide an Early Indicator of Business Cycle Change in Southwest Utah

By Lecia Parks Langston, Economist

Wages and earnings—it’s a subject that fascinates most of us who work for the weekend. Data from the Local Employment Dynamics program provides a broader picture of wage behavior during the most recent recession and recovery than was previously available. Tracking wage data can provide one more gage of the economic cycle. Moreover, wages of the recently hired prove much more responsive to the economic cycle and can provide a front-running signal of change.

The wages examined in this article represent only “stable” hires and jobs; those lasting at least a full calendar quarter. Using stable hire and job counts eliminates the variability due to temporary employment. Because average-earnings data presents a very seasonal pattern, a four-quarter centered moving average was used to track cyclical effects.

The Average Hire Wage Responds More Directly and Rapidly to the Business Cycle Than the Average Wages.

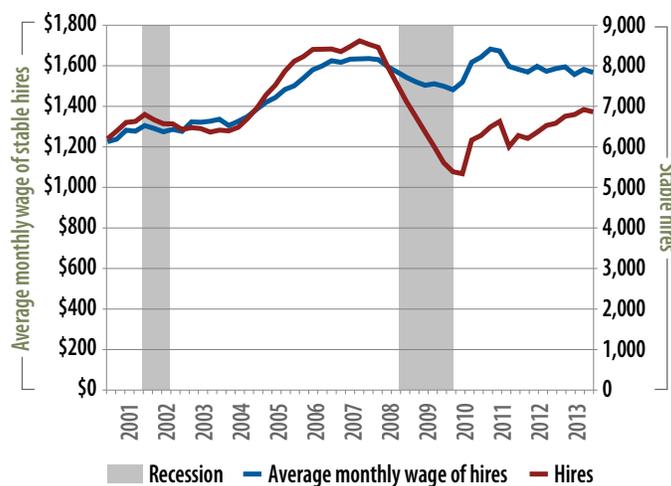
In southwest Utah, the hire average wage proved more reactive to economic downturn and expansion than did the average wage for all jobs. Both wages increased dramatically during the boom. However, the average hire wage peaked much earlier and lost ground more rapidly than the all-job figure. The average wage for hires plateaued from 2006 through 2007 while the all-job average wage didn’t stop climbing until the recession began. In addition, the average hire wage dropped more intensely (9 percent) than the average wage for all jobs (3 percent) during the downturn.

This behavior suggests that scrutinizing the average hire wage may provide a recessionary early-warning in the future. If the average wage of hires starts to plateau, it likely suggests the economy is starting to cool.

The Labor Market Must Be Expanding and Near “Full-Employment” to Drive Wages Up.

Economic theory and common sense suggest that wages would rise during an economic expansion and decrease during a recession. However, several caveats should be attached to this generalization. During the early days of an expansion, average wages often do not show strong gains. Many entry-level jobs are being added with their coincident lower wages. This phenomenon tends to drag down the average wage. Average wages do not rise significantly until the labor market starts to get tight, characterized by a small

Figure 1: Southwest Utah Stable Hires Average Monthly Wage and Stable Hires Four-Quarter Centered Moving Averages



Source: U.S. Bureau Local Employment Dynamics.

number of unemployed. This pattern was obvious during the recovery from the 2001 recession.

In southwest Utah, the average wage for all jobs has slowly increased in the post-recession era. However, after an early spurt in 2010, hire wages have yet to show a significant increase in the available data. Of course, a large pool of jobless workers has been available to take existing new employment opportunities.

“Only in our dreams are we free. The rest of the time we need wages.” — Terry Pratchett

Sluggishness in the average hire wage in several large-employment industries seems responsible for this languishing picture. Wages in retail trade, healthcare/social services, educational services (including the public sector) and transportation/warehousing showed little change in 2013. Moreover, average hire wages in manufacturing, information and professional/scientific/technical services dropped significantly.

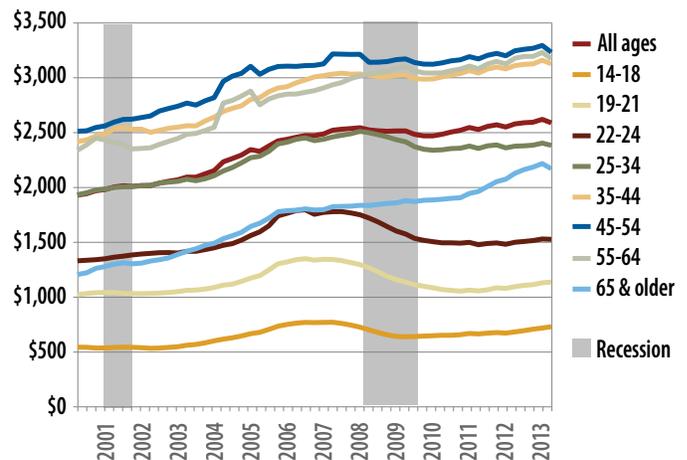
When juxtaposed, the relationship between the surge in hiring during the 2005–2007 boom and wages in southwest Utah becomes abundantly clear. Keep in mind that during this time period, unemployment rates were also very low, certainly in the range representing what economists designate “full-employment.” In most southwest counties, the jobless rate then measured less than 3 percent. Although hiring also surged in 2012 and 2013, unemployment has just recently dropped below the 4-percent mark in the area’s two largest counties (Washington and Iron).

While hire wage data is not yet available for 2014, an ever-decreasing unemployment rate and strong job growth suggest that wages for the recently hired should begin to rise in southwest Utah during the coming months.

Average Wages May Increase During a Recession.

In the 2001 recession, the average wage for all workers actually increased. While surprising, it’s actually not an uncommon occurrence. As the newly-hired, lower-paid are let go, those with more experience and higher-wages are retained, nudging the average wages upward. However, job loss proved so pervasive during the most recent recession that the average wage for all workers slipped somewhat.

Figure 2: Southwest Utah Average Monthly Wage Four-Quarter Centered Moving Average



Source: U.S. Bureau Local Employment Dynamics.

Wages for Different Demographic Groups and Industries May Behave Differently Than the Average.

- The average wage for women in southwest Utah increased through most of the 2007–2009 recession only to slip in the early recovery.
- Between 2000 and 2013, the average wage for those 65 and older has steadily increased through boom and bust.
- The average wage for recently-hired southwest Utah workers between the ages of 35 and 64 surged much earlier in the recovery than did hire wages of younger age groups.
- The average wage for all workers aged 35 to 64 also showed relatively steady improvement even during the recession.
- In the post-recession time period, young (14 to 24 years of age) southwest Utah workers’ average wage has shown little improvement.
- The hiring wage of construction industry workers actually reached its all-time peak during the height of the recession as government stimulus monies spurred growth in higher-paying heavy construction.



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An Open Job is an Economic Opportunity

By Mark Knold, Supervising Economist

This issue of Local Insights features new hire profiles. We look at the Southwest Utah economy in relation to hiring volume, new hire wages, hire demographics and industry activities. The intent is to evaluate the opportunity trends in the region.

The question is: what do working people want from the economy? They want their skills utilized, they want job opportunities, and they want those two to manifest themselves in maximum monetary compensation. As people’s skill sets are broad, varied and individualized, it is difficult to find data that quantifies how well an economy does or does not match skill sets. But economic theory suggests that free market interchange between employers and potential employees is always working in that direction.

Opportunities are easier to assess. Each new hire represents an individual taking advantage of a labor market opportunity. Evaluating a database that includes hire variables means one is working with a proxy for labor market opportunities.

Economies are not static; they ebb and flow. Growing and expanding economies create more job openings and opportunities; slowing and recessionary economies diminish

labor market opportunities. These changing conditions bring corresponding fluctuations in the rewards associated with the opportunities. Initial hire compensation tends to increase in strong economies and lessen in weaker ones.

“I believe in the dignity of labor, whether with head or hand; that the world owes no man a living but that it owes every man an opportunity to make a living.”

— John D. Rockefeller

Gauging opportunities means not just having the “job door” open, but also assessing how many people are trying to squeeze through that doorway. If a surplus of people (laborers) are trying to get in, the gatekeepers (employers) do not need to offer as much incentive to lure people through the door. Conversely, fewer interested laborers means that employers have to offer higher wages.

New jobs in the economy symbolize opportunities. That is why we have evaluated the hiring trends in Utah’s Southwest region, in addition to looking at the current economic indicators of these Utah counties.