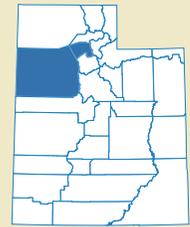


# localinsights

An economic and labor market analysis of the Wasatch Front South

wasatchfrontsouth



Post-recession quarterly hiring has been **climbing**

## Current State of the Economy in Wasatch Front South

By Jim Robson, Economist

The Wasatch Front South Service Area labor market began 2014 with healthy year-over employment growth of 2.7 percent and then slowed somewhat in the late spring and early summer with the growth rate cooling to about 2.3 percent. This reduction in the job growth rate occurred as the goods-producing industries of mining, manufacturing and construction had basically the same level of employment as a year earlier. The goods producing industries account for 14 percent of payroll jobs in Salt Lake and Tooele counties.

The region's unemployment rate was around 3.5 percent by mid-year and drifted down to 3.3 percent by September. Last year Wasatch Front South unemployment averaged 4.2 percent.

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## Salt Lake County

- Year-over job increases continue across most major industry sectors with overall nonfarm payroll employment growth of 2.6 percent from June 2013 to June 2014. Total jobs in June 2014 were 640,691, an increase of 16,159 jobs in the last 12 months.
- The most new jobs are being created in state government, professional/scientific/technical services and administrative support services.
- The state government increase of 3,469 jobs, growing by 8.4 percent from a year earlier, is somewhat surprising at first glance. In fact, most state government agencies show no significant job growth or even have small reductions. The growth in state government was found in two areas—higher education and the University of Utah Hospital system.
- In Salt Lake County, state colleges, universities and technical schools added 2,650 jobs and the University Hospital and clinics added 1,047 jobs. Together, all other state government functions had a net loss of 228 positions in the county.
- In the private sector, within professional/scientific/technical services a substantial number of the job opportunities are in accounting/bookkeeping, computer systems design, architectural, engineering, advertising, scientific research and management/technical consulting. Within the administrative support services, most of the new jobs created were in temporary help services and telephone call centers.
- Three industries shed less than 30 jobs each from June 2013 to June 2014—utilities, manufacturing and arts/entertainment/recreation.
- Mining employment was down by about 422 jobs, with much of the decline related to the major landslide in April 2013 at the Bingham Canyon Kennecott Copper Mine and some reduced need for construction-related mining activities.
- Construction employment grew by a modest 637 jobs or 2 percent. Residential construction activities added employment (+398 positions) and all other construction activities increase employment by 239.

## wasatchfrontsouth outlook

Overall for the Wasatch Front South (Salt Lake and Tooele Counties), continuing healthy job growth and improving labor market characterizes economic conditions through 2014. Economic expansion brought down the unemployment rate to about 3.3 percent by the end of summer 2014. The jobless rate will likely continue to range between 3.2 and 3.5 percent through the remainder of 2014.

The 2014 job outlook in the Wasatch Front South area is expected to show overall employment growth of around 2.6 percent, adding an additional 15,500 to 17,500 jobs. Substantial job increases should come from professional/scientific/technical services, state higher education, administrative support and food services. Looking forward into 2015, job growth will likely continue between 2.3 to 2.8 percent in the region, with Tooele County once again contributing to positive job growth.

- The seasonally adjusted unemployment rate in Salt Lake County has continued to come down in 2014. By September there were about 19,300 unemployed. The unemployment rate was about 3.3 percent compared to 4 percent at the same time last year.
- The expansion in the Salt Lake County economy since the middle of 2010 continued to be reflected in the gross taxable sales figures. Second quarter 2014 year-over taxable sales increase by 3.9 percent, much improved over the first quarter 2014 increase of just 0.7 percent above first quarter 2013.

## Tooele County

- In June of 2012, the unemployment rate was around 5.8 percent, improving throughout 2013 to record a rate of 5.2 percent in September 2013. As of September 2014, there are about 1,250 unemployed

## current events

### UTAH LIKELY TO BECOME MORE URBAN AS MILLENNIALS FLOCK TO TECHNOLOGY

With Utah's population expected to double by 2050, the folks who build houses, apartments, office buildings and shopping centers along the Wasatch Front are predicting major changes for their industry.

Nine of every ten Utahns already lives in an urban area. Existing problems with traffic congestion, air pollution and a lack of available land and water may well grow more pronounced.

Millennials seem to prefer city living, are marrying later and seem reluctant to take on mortgages — factors that have led to declines in home ownership. That trend has been pushed further by Baby Boomers as they retire and seek to downsize their housing.

— *Salt Lake Tribune*

### PROGRESSIVE LEASING BREAKS GROUND ON DRAPER HEADQUARTERS

Progressive Leasing broke ground on a six-story headquarters building in Draper. Progressive's new headquarters will house 700 employees. Founded in 1999, Progressive has added 600 jobs in Utah over the past three years.

— *Utah Business Magazine*

### WELLS FARGO DONATES \$5M TO BOOST SALT LAKE HOME OWNERSHIP, REVITALIZATION

Wells Fargo Bank announced a plan to donate \$5 million to boost home ownership and neighborhood vitality in Salt Lake City. About \$4 million of that will be used to provide \$15,000 down payment grants to 220 home buyers. Local nonprofits and city agencies will also receive a \$500,000 grant for revitalization efforts in Salt Lake neighborhoods.

— *Deseret News*



For more current events:

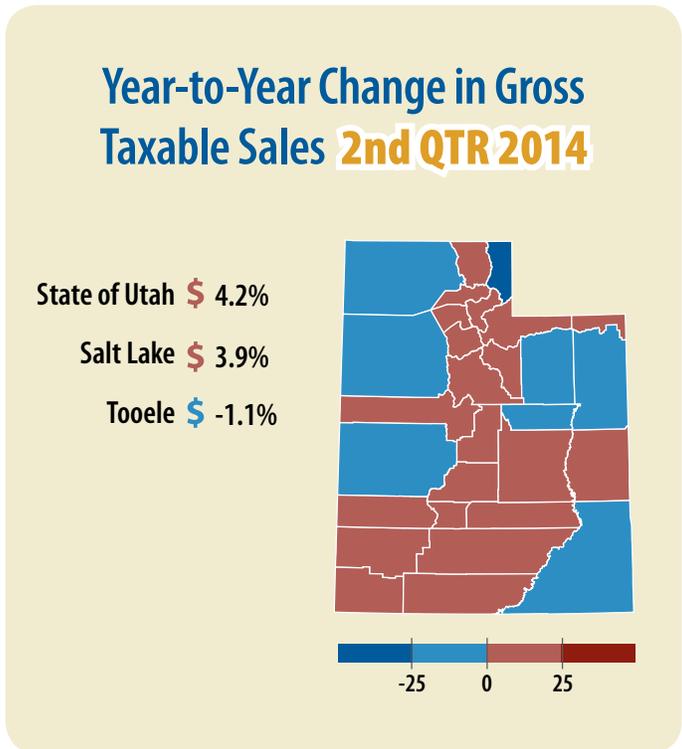
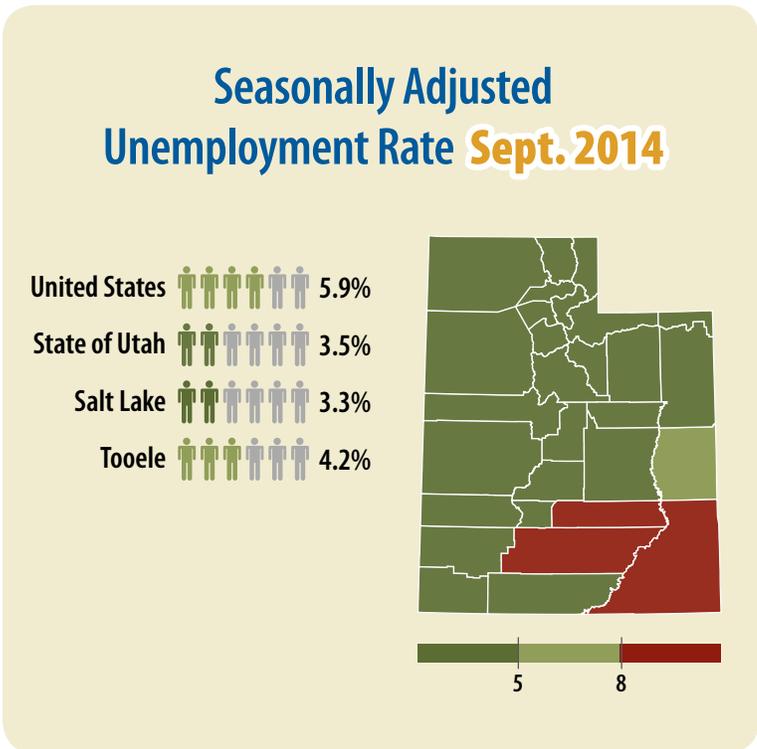
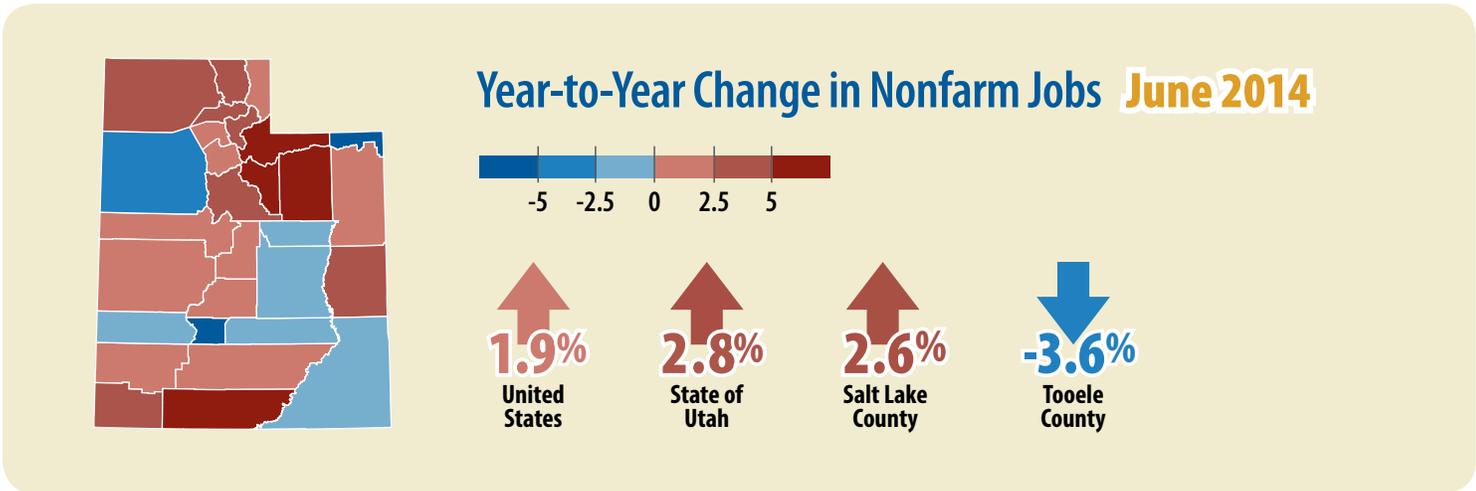
<http://utaheconomywfsouth.blogspot.com/>

- Tooele County Residents looking for work and a jobless rate of 4.2 percent.
- Tooele County's own job recession continues, with year-over job losses of 563 for the 12 months ending in June 2014.
- The three largest job reductions occurred in administrative support/waste management services decreasing by 381 jobs, the federal government shedding 167 jobs and professional/technical and headquarters declining by 62. Many of these losses stem from the direct and indirect effects of the Deseret Chemical Depot closure which is now complete.
- The three industries showing the largest June 2014 year-over employment increases include construction (126), health care/social service (46) and transportation/warehousing (42).
- Overall, nonfarm payroll employment totaled 15,094 in June 2014. This is the lowest job count for the month of June since 2006.
- Gross taxable sales declined by 2.9 percent in the first quarter 2014 compared to first quarter 2013. Second quarter 2014 sales were down again by 1.1 percent on a year over basis. This is the seventh consecutive quarter with year-over reductions.



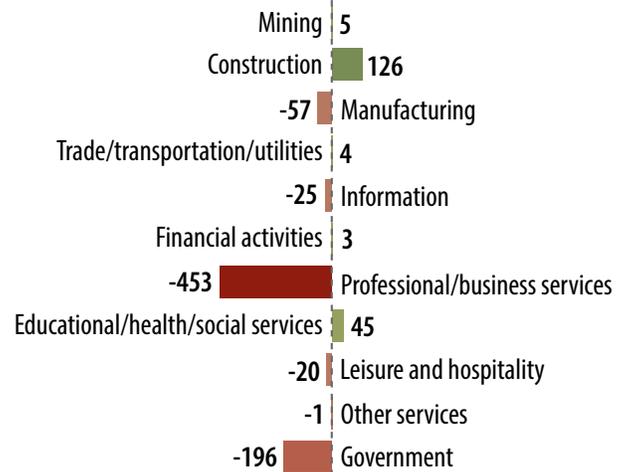
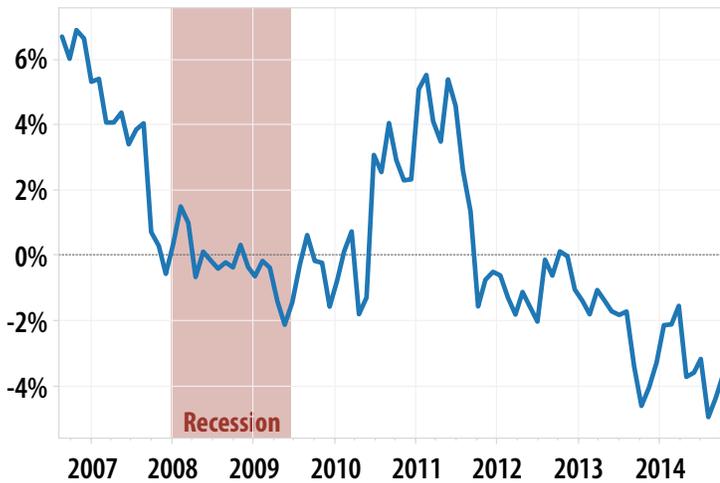
# Wasatch Front South Economy

## at a glance



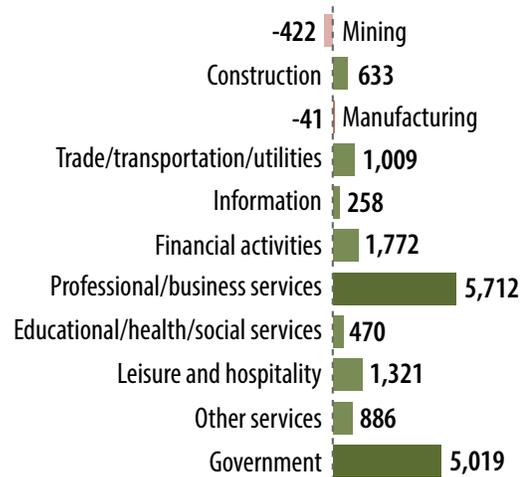
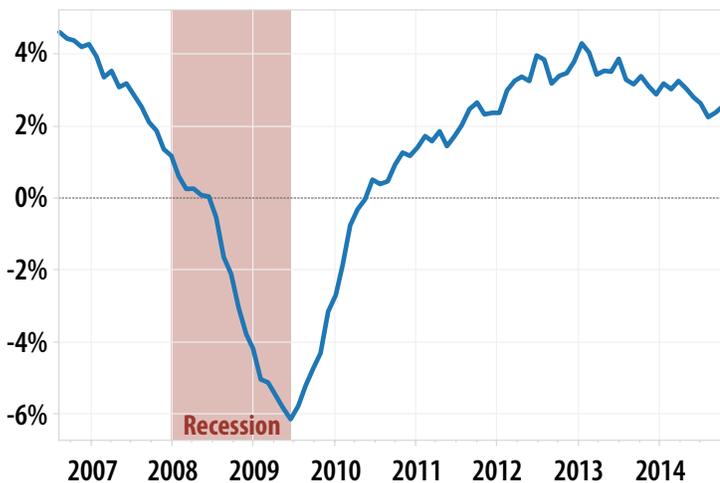
## Tooele County Job Growth June 2014

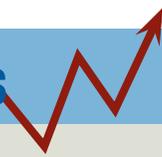
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## Salt Lake County Job Growth June 2014

**16,044**





## Recent Business Cycle Influences on Hiring and Wages

By Jim Robson, Economist

Hiring activity is one of the key economic statistics that can be used to gauge the health and direction of the economy. Generally speaking hiring follows the cycles of the economy, increasing in expansionary periods and decreasing in periods of contraction.

Since the end of the last recession, quarterly hiring activity in the Wasatch Front South (WFS) area has been climbing from its low point of about 72,000 in first quarter 2010 (see Figure 1, all hires). All hires in Figure 1 shows all hiring activity each quarter from first quarter 2000 through third quarter 2013.

All hires include many temporary jobs that are based on short-term, often seasonal hiring. Classic examples include Christmas retail temporary employment, short duration summer jobs, and relatively unskilled hiring needed within a project such as construction or manufacturing. In these cases, people are hired to fill a temporary need which does not lead to ongoing employment in a firm. Another component of short duration hiring would be workers who are hired but not found suitable for the job and are let go.

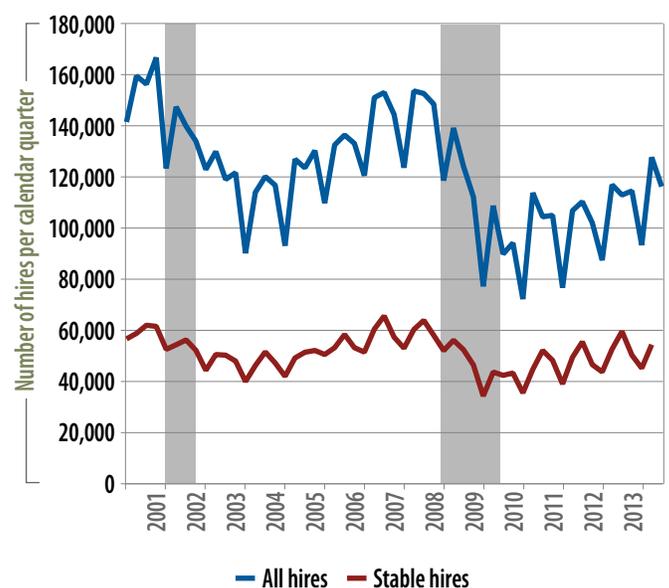
For the WFS, all hires follow a distinct annual seasonal pattern fluctuating over the year from roughly 26,000 to 33,000. The lowest hires activity occurs in the first quarter. All hires usually hit an annual peak in either the second or third quarter. Over the 13-year period depicted in Figure 1, all hires averaged 120,000. The overall trend of all hires is downward.

The second series in Figure 1 is stable hires. These are hires which “lasted at least one full quarter with a given employer.” This eliminates from consideration most short duration seasonal or temporary hiring,

hence the term stable. Note that stable hires are roughly one-half of all hires.

The annual seasonal pattern of stable hires is more subdued than for all hires. The lowest hires still occur in the first quarter and the highest activity in the second or third quarter mirroring all hires. However, the annual fluctuation in stable hires generally runs from 8,000 to 15,000 compared to the all hires annual variation

Figure 1: WFS All Hires and Stable Hires



Source: U.S. Bureau Local Employment Dynamics.

of 26,000 to 33,000. Like all hires, the overall trend is slightly downward.

One way to remove the seasonal variation to see the underlying trend is to use a four-quarter centered moving average. Figure 2 shows the four-quarter centered moving average for stable hires and for the average monthly wages of stable hires.

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

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With seasonality removed, the contraction and expansion pattern in stable hires is quite evident. As the economy slows and goes into recession, stable hires are falling and then pick up again during the expansion phase.

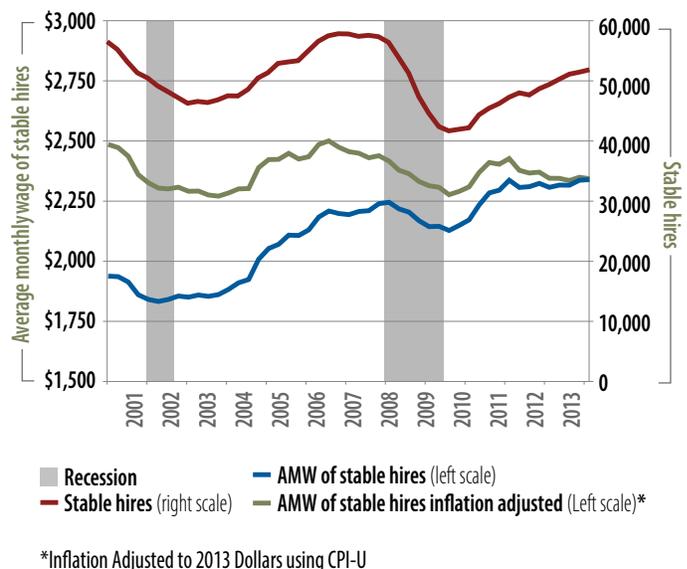
The two lines depicting the stable hires average monthly wages use the left scale. The blue line shows the four-quarter centered moving average of quarterly wages. In first-quarter 2001, the stable hires wage averaged \$1,883 and ended in the first quarter 2013 at \$2,324; growth of 23.4% or a rate of 1.8% per year. As would be expected, wages of stable hires decline somewhat with recessions and increase during expansionary periods.

Somewhat troubling though, is that stable hire wages are not increasing from 2011 to 2013. This has been a time of increasing employment and declining unemployment, and historically that increases hiring wages. Presumably this tepid wage growth is due to the considerable slack in the labor market left over from the Great Recession. Firms found it unnecessary, on average, to offer higher wages to attract the workers they needed.

Finally in Figure 2, the green line is the inflation-adjusted average monthly wage of stable hires. Note that higher wages peaked in the third quarter of 2006 at \$2,500. As the economy began to cool and went into a decidedly severe recession, inflation-adjusted stable hire wages fell to \$2,250 by third quarter 2009. This was essentially the same level as back in 2003.

After the recession bottomed out in 2009, wages of stable hires begin to increase. This happened, not so much because higher wages were needed to attract workers, but because many lower wage jobs were not yet needed in the early stages of a very slow recovery. Over the entire

**Figure 2: WFS Stable Hires Average Monthly Wage (AMW) and Stable Hires Four-Quarter Centered Moving Averages**



Source: U.S. Bureau Local Employment Dynamics.

period depicted in Figure 2, inflation-adjusted stable hires wages fell by 1.8 percent.

Since 2001, average stable hires quantities have been contained in a range of just above 40,000 to just below 60,000, and have a slight downward trend. Average monthly wages of stable hires adjusted for inflation to 2013 dollars have fluctuated within a range, with a low of \$2,250 to a high of \$2,500. Average inflation-adjusted monthly wages for stable hires over the study period have declined slightly. Both stable hires and stable hires wages are clearly influenced by the stages of the business cycle and are influenced by the current size and structure of the economy.



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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 Mountainland 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.

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*"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

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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 Mountainland region, in addition to looking at the current economic indicators of these metropolitan counties.