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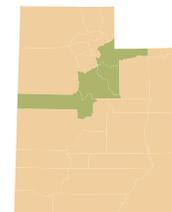


An economic and labor market analysis of the Mountainland Area

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Recent Movements in Labor Force Participation



BY JIM ROBSON, ECONOMIST

The Great Recession resulted in a number of severe effects, such as higher unemployment, lost jobs and lower incomes. One noticeable labor market result has been the largest four-year drop in the labor force participation rate (LFPR) recorded nationally since the 1940s. LFPR is simply the proportion of the working age population who are employed or unemployed.

In 2011, the annual average for the LFPR was 64.1 percent — that is 64.1 percent of the estimated 239.6 million civilian noninstitutional Americans 16 years and over or 153.6 million persons were employed or unemployed — actively seeking work in the last four weeks. The other 35.9 percent, or 86 million, were not in the labor force. For the State of Utah in 2011, the LFPR was 67.0 percent, the estimated labor force of 1.37 million out of the total 2.04 million working-age population.

Labor Force Participation

Labor force participation has been one of the basic national labor market statistics that has moved significantly as a result of the recent severe recession and slow recovery. Other than the unemployment rate and the change in employment, no other measure of the labor market has received more interest of late.

The LFPR, as defined by the U.S. Bureau of Labor, is the percentage of the “civilian noninstitutional working age population” that is part of the labor force. The working age population is everyone 16 years old and older. The labor force consists of working-age individuals who are employed or who are unemployed and have been actively seeking work within the last four weeks. All other individuals of working age are not part of the labor force.

In Utah, a higher percentage of the working age population (67.0 percent) is part of the labor force than the 64.1 percent nationally. The major explanation is Utah’s very youthful population, with a median age of 29.6 years, compared to 37.3 years for the United States. At older ages, participation in the labor force declines. In 2011, 9.2 percent of the population in Utah was 65 years old and older, compared to 13.3 percent nationally.

As defined, the labor force is composed of the employed and unemployed. The unemployment rate is the percentage of those civilian noninstitutionalized persons over the age of 16 who have been actively seeking work in the last four

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While half of the drop in the LFPR in the U.S. since the start of the recession was due to the ongoing demographic trends exhibited before the recession, the other half was due to the adverse effects of the recession and slow recovery.

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weeks and do not have a job. In 2011, the average unemployment rate was 7.0 percent in Utah, compared to 8.9 percent nationally.

Long-Run Trends in U.S. Labor Force Participation

The LFPR has been consistently tracked in the U.S. since 1948, and over these six-plus decades there are long-run trends that give insight into how the LFPR has responded to the recession and recovery in the labor market.

This long-run history can be divided into three distinct periods. From 1948 to 1965 was a time of stable participation in the labor force. In 1948, the LFPR was 58.8 percent and then 58.9 percent in 1965. Over these 18 years the LFPR fluctuated within a narrow range, reaching a high of 60.0 in one year: 1955. Then, from 1966 to 2000, the LFPR increased from the annual average of 58.8 in 1965 to a peak of 67.1 percent in 1997 and holding at this rate on average each year through 2000. Finally, since 2000 the LFPR has dropped from its peak of 67.1, gradually at first declining to 66.0 by 2004, where it remained through 2008, and then a rapid decent to reach 63.7 on average in 2012.

The increase in the participation rate from the mid-1960s until 2000 can largely be explained by two intertwined developments, one demographic and the other cultural. The baby boomers, the 75.8 million people born from 1948 to 1964, were between the ages of 1 and 19 in 1965 and were just entering the labor force. By the year 2000, boomers were between the ages of 36 to 54 and fully incorporated into the labor force in their prime working years, when their LFPR would be at the highest level. The second major cause of this increasing

participation rate has been the movement of working age women into the labor force in greater numbers, from 39.3 percent in 1965 to 60.0 percent in 1999. During this same period, the LFPR of men declined gradually from 80.7 in 1965 to 74.7 in 1999.

The decline in the U.S. LFPR since 2000 has primarily been related to two factors as well. First, baby boomers are aging from their prime working years, ending at age 54, and moving into their older years and retirement. The first baby boomers reached age 65 in 2011. It should be noted that as people age from 55 to the end of life, on average, their attachment to the labor market wanes as retirement, disability and other health issues begin to manifest themselves.

The second factor explaining why the LFPR has been dropping since 2000 is a decline in the LFPR of persons between the ages of 16 to 24. Instead of being prime working years, these are more prevalently prime years for education and training (human capital development). Many in the 16–24 age group who are in the labor force work part-time while participating in education and training programs. In 2000, the LFPR of 16- to 24-year-olds was 65.8 percent, dropping to 59.4 by 2007, prior to the onset of the Great Recession, as school enrollment was noticeably increasing.

These major trends — the baby boomers entering the labor force, reaching their prime working years and aging into retirement; women entering the labor force in increasing numbers since WWII to a peak in 1999; and noticeably less participation of teenagers and young adults since 2000 — are major demographic and cultural factors also exhibited in Utah's labor markets and among

its regional and county economies. As noted earlier, Utah has a distinctly younger population than the national average, but the three major national influences discussed are manifest within Utah and its counties to a lesser or greater degree, depending on the local demographic makeup and the local cultural environment.

Labor Force Participation and the Great Recession

The recent recession started in December of 2007 and lasted through June 2009. Because this recession was characterized by a housing collapse, a financial meltdown in the fall of 2008 and large consumer, business and government debt, the recession was severe: large job losses, high unemployment and a painfully slow recovery. Without doubt, the Great Recession represents the worst sustained economic difficulties since the Great Depression of the 1930s.

The U.S. LFPR has declined from 66.0 percent in 2007 and 2008 to 63.7 percent by 2012. This is the largest four-year drop recorded since available records (from 1948) allow such a comparison. For Utah the LFPR was 72.2 in 2007 and declined to 66.6 in 2012.

Recent drops in the LRPR have partially been the result of current economic difficulties. In addition to the expected declines from the aging of baby boomers, a recession marked by high unemployment and fewer job opportunities has also reduced the LFPR. Economic difficulties of recent years have resulted in unemployed people leaving the labor force as they stopped looking for work because they feel they can't find a job. In addition, persons of all ages enter or continue in training and

education programs instead of being in the labor force, while others seek and qualify for disability status — most often a permanent departure from the labor force. Then there are those who just drop out of the labor market until conditions improve. On the other hand, participation from household members who feel the need to support household income when another member is unemployed or underemployed also offsets decreases.

A study by Willem Van Zandweghe at the Federal Reserve Bank of Kansas City has concluded that about half of the drop in the LFPR in the U.S. since the start of the recession was due to the ongoing demographic trends exhibited before the recession and half due to the adverse effects of the recession and slow recovery.

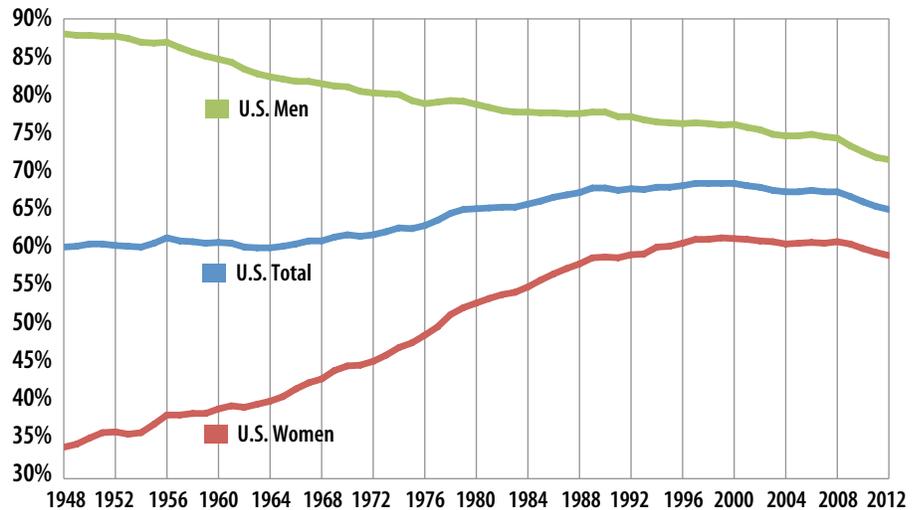
Statewide and Large County LFPR from the ACS

All of the labor force statistics discussed previously come from the monthly national Current Population Survey (CPS) and provide official BLS LFPRs for the nation and states. The best labor force measures for counties come from either the American Community Survey (ACS) that began in 1995 or from each Decennial Census.

Large political jurisdictions with at least 65,000 inhabitants are provided with annual estimates of labor market statistics, including the LFPR as well as a host of other demographic, social and economic statistics. Among the four Mountainland counties, Utah County has a large population of over 530,000.

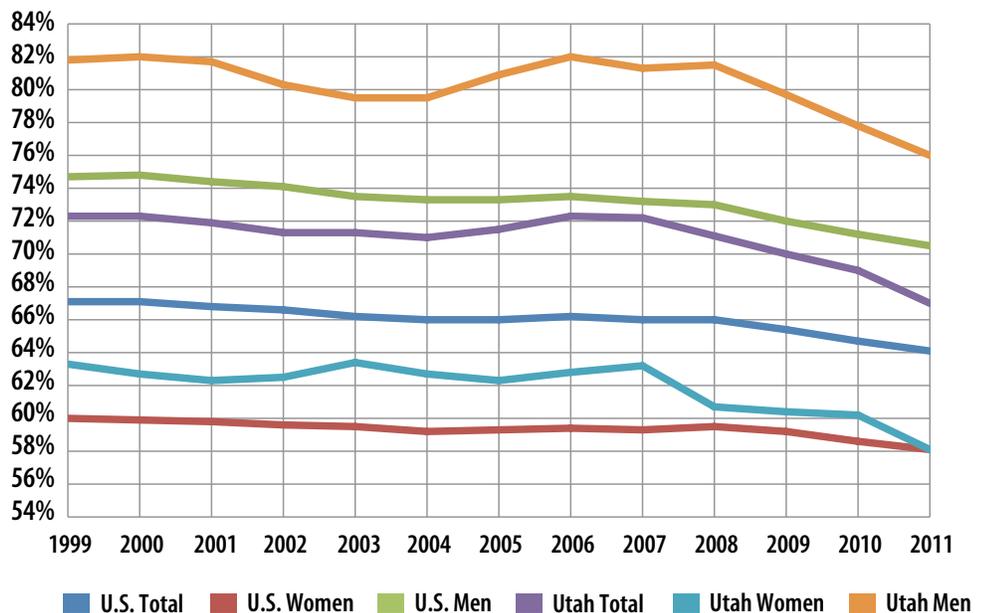
LFPR estimates during and after the recession from 2008 to 2011 show the

Figure 1: U.S. Labor Force Participation Rate, 1948–2012



Source: U.S. Bureau of Labor Statistics, Current Population Survey

Figure 2: U.S. and Utah Labor Force Participation Rate by Gender, 1999–2011



Source: U.S. Bureau of Labor Statistics, Current Population Survey



Recent Movements in Labor Force Participation (continued)

expected declining rate. Figure 3 shows the decline with comparison data from the same ACS survey for the U.S., State of Utah and Utah County. Notice that the drop in ACS-produced statistics is more subdued than the official BLS statistics cited earlier from the CPS. These two surveys use very different methodologies. The CPS is very detailed and conducted by professional survey interviewers. The ACS asks fewer, simpler questions in a self-administering mail out survey.

Of further interest is that those areas with a lower median age show less of an LFPR drop over these four years. This may be the result of the baby boom generation having less of an influence within younger Utah populations than is found nationally with a much higher median age.

Decennial Census and Three-Year LFPRs for Counties

Finally, Decennial Census numbers and ACS three-year moving average estimates can be used to see if we can match some of the national and Utah statewide trends to two Mountainland counties. Figure 4 provides this information.

The Decennial Census LFPRs in 1980, 1990 and 2000 do support the BLS long-run national and Utah State trends; that is, LFPRs increasing to peak levels around 2000. When we look at the ACS three-year estimates that are available for counties with populations greater than 25,000 inhabitants, we see LFPR dropping a little for Utah statewide and for Summit County. Utah County three-year estimates do not really show a decline.

The large demographic/cultural trends that explain the drop in the national LFPR are also clearly manifest in Utah when measured by the Current Population Survey using BLS methodologies. Mountainland county level Decennial

Census data support these trends to 2000 as well. The new American Community Survey (which uses a similar methodology to that of the Decennial Census one-year estimates from 2008 to 2011) illustrate declining labor force participation as expected. However, using results from the multi-year ACS estimates that require

averaging results across multiple years to increase the sample, provides additional, even if somewhat weak support, to the demographic (structural trends) and the business cycle — recession/recovery (cyclical trends) of an expected drop in labor force participation among Mountainland counties.

Figure 3: Labor Force Participation Rates: 2008–2011

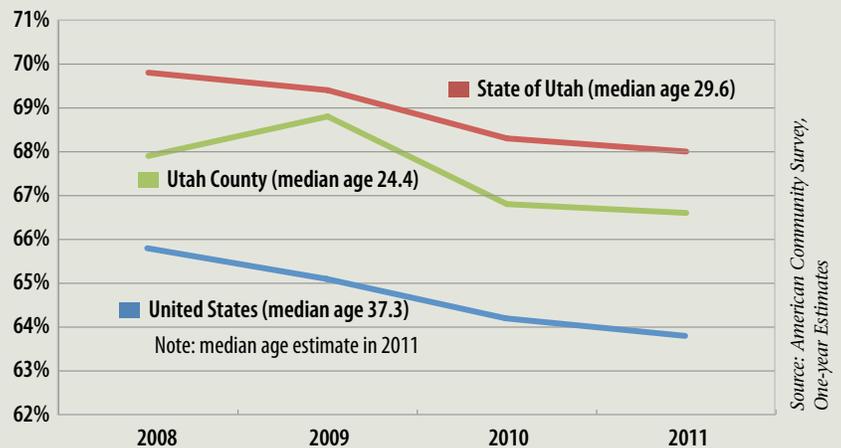
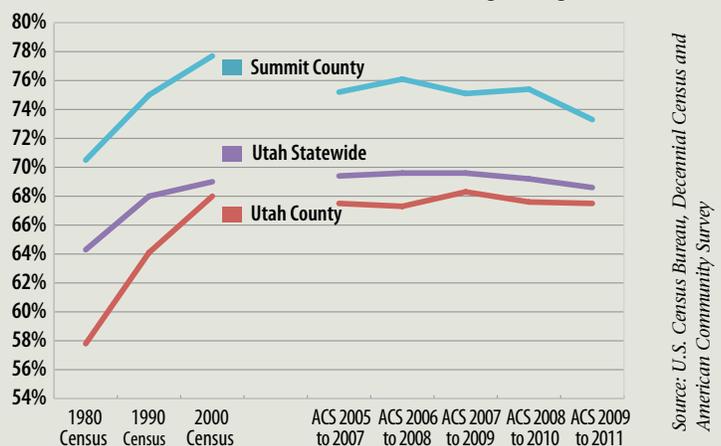
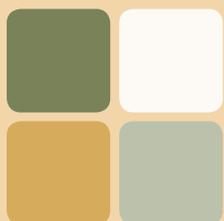


Figure 4: Labor Force Participation Rates: Decennial Census and ACS Three-Year Moving Average





Economic Analysis

BY JIM ROBSON, ECONOMIST

Economic conditions in Mountainland have been relatively strong in 2012 with job, income and business growth. Labor market conditions have improved considerably over the past two years. During 2011, average payroll job growth was just above 3.7 percent in the region. The 2012 employment growth strengthened further in Mountainland with growth at about 4.5 percent. In 2012, there has been job growth across all major industry groups with the exception of federal government employment.

Unemployment in the region has subsided considerably from the recessionary peak of 8.2 percent at the beginning of 2010 to average 5.5 percent during 2012.

Utah County

In 2012, the estimated number of payroll jobs in Utah County increased on average by a robust 4.8 percent over 2011, with 8,651 new positions. Employment opportunities were expanding in virtually all major industrial sectors. The largest number of new jobs was added by the construction industry with 1,852, or an increase over 2011 of 17.5 percent. The majority of these new positions were in residential housing construction, which has awakened from very low levels of activity resulting from the recession. This new construction activity is reflected in related industries as furniture manufacturing, building materials and garden supply stores, and real estate services all experienced healthy job gains. The I-15 interstate rebuild, the NSA data center project and other commercial and industrial building construction provided additional strength in construction.

Of special note for 2012 was the broad-based strength across most industries. In addition to the 1,852 construction jobs, six other private sector industries added 600 to 795 net new jobs. Leading this list is private education with 795 jobs and trade (wholesale and retail) with 730. Within trade the most jobs were added by nonstore retailers, that is Internet sales. Manufacturing businesses added an impressive 685 jobs with an estimated increase of 4.3 percent above 2011. Professional/scientific/technical services added 5.4 percent, or 652 jobs, with computer systems design, marketing/public opinion research and management/technical consulting providing the

most openings. Temporary help services and telephone call centers within the administrative support industry added over 300 jobs each. Finally, restaurants/food services and accommodations added 606 jobs. Among private sector businesses, the only major industry shedding jobs in 2012 was management of companies (headquarter locations), down by an estimated 21 jobs.

The unemployment rate in Utah County peaked in the early spring of 2010 at 8.1 percent, with 18,100 residents who could not find work. On average in 2012, the unemployment rate was a much improved 5.5 percent with about 12,180 unemployed workers. Initial claims for unemployment benefits in 2012, while still above the incredibly low levels seen prior to the recession, are at their lowest level in four years.

The 2013 outlook for Utah County will likely see the employment growth rate cool somewhat to around 3.5 percent. With the completion of the I-15 rebuild and some other major projects, overall economic activity and job growth should continue but at a less rapid pace. Manufacturing job increases should subside from the lofty 4.3 percent in 2012 to a more normal rate around 1.0 percent. Overall, private sector employment should see all major industry sectors continuing to add jobs; aggregating for an above average growth of 3.8 percent for 2013.

Summit County

In 2011, Summit had the third most robust county economy in Utah with 5.8 percent job growth, behind energy-rich Duchesne and Uintah Counties. The increase was propelled by leisure and hospitality jobs, with help from an early start to the ski season. Other bright spots for the Summit economy were manufacturing and health care/social services.

In 2012, while continuing to grow, the Summit County labor market has slowed from the rapid pace of expansion seen in 2011. For the year, estimated job growth was 3.0 percent or 661 new payroll positions, bringing total employment on average for the year to 22,532. Leisure/hospitality services again added the most jobs, increasing by 226 jobs among food service, recreation and accommodation businesses. Professional/scientific/technical services contributed 115 new jobs, mostly related to

**Economic Analysis
(continued)**

computer systems design, architectural and engineering services. Health care employment expanded by 103 jobs. Finally, manufacturing employment increased by 7.9 percent, adding 62 net new jobs as this industry continues to grow in importance in recent years.

The jobless rate topped out at 8.0 percent in November 2009 as a result of the recession. It has since receded to average about 5.3 percent in 2012. Initial claims for unemployment benefits are at their lowest level in four years.

Summit County forecasted job growth in 2013 of around 600 new jobs is

somewhat less than that experienced in 2012. Increased employment among the majority of industry sectors will continue, however the rapid increases in professional and business services and manufacturing should moderate. Leisure/hospitality and wholesale/retail trade will continue to provide the largest number of new jobs.

Wasatch County

Wasatch County showed a mixed bag in terms of job growth in 2011 with as many industries showing job losses as those showing job gains. Robust job growth returned in the spring and summer of 2012 to Wasatch County with overall

employment increases for the year of 4.8 percent. The largest job increases have occurred in retail trade with the opening of a Wal-Mart in Heber Valley. In 2012 retail trade employment added about 117 jobs on top of the 127 added in 2011. The retail environment in Heber Valley has changed substantially. It may be some time before this adjustment process is complete.

Other industries adding significant new employment in 2012 were construction at 51 jobs and business administration/support at 73 jobs.

Three areas of concern for Wasatch County in 2012 were manufacturing, which lost 19

Figure 5: Nonfarm Payroll Employment 2011–2013

Industry	Annual Average Jobs			Change in Jobs from Prior Year			Percent Change in Jobs		
	Actual 2011	Estimate 2012	Forecast 2013	Actual 2011	Estimate 2012	Forecast 2013	Actual 2011	Estimate 2012	Forecast 2013
Total Nonfarm Payroll Jobs	211,912	221,534	229,007	7,637	9,622	7,473	3.7%	4.5%	3.4%
Mining	268	278	272	12	10	(7)	4.8%	3.8%	-2.4%
Construction	12,552	14,447	15,896	534	1,894	1,450	4.4%	15.1%	10.0%
Manufacturing	17,440	18,199	18,498	283	759	299	1.6%	4.4%	1.6%
TTWU*	35,295	36,316	37,144	1,219	1,021	827	3.6%	2.9%	2.3%
Information	8,382	8,915	9,052	181	533	137	2.2%	6.4%	1.5%
Financial Activities	7,767	8,186	8,726	(152)	420	540	-1.9%	5.4%	6.6%
Professional/Business Services	25,614	27,094	28,586	2,015	1,480	1,492	8.5%	5.8%	5.5%
Ed/Health Care Services**	43,959	45,476	47,020	1,504	1,517	1,545	3.5%	3.5%	3.4%
Leisure and Hospitality	23,913	24,869	25,485	1,364	956	616	6.0%	4.0%	2.5%
Other Private Services	5,063	5,176	5,262	102	113	85	2.1%	2.2%	1.6%
Federal Government	1,110	1,092	1,087	(259)	(18)	(6)	-18.9%	-1.6%	-0.5%
State Government***	7,619	8,173	8,117	442	554	(55)	6.2%	7.3%	-0.7%
Local Government***	22,930	23,313	23,863	392	383	550	1.7%	1.7%	2.4%

*Trade (Wholesale and Retail)/Transportation/Warehousing/Utilities

** Private Education/Health Care/Social Services

*** State government includes higher education and local government includes public education

jobs; mining, shedding 48 jobs; and leisure/hospitality, down by 9 jobs relative to 2011.

In 2012, the unemployment rate averaged about 6.7 percent. During the recession, unemployment peaked in Wasatch County at 9.9 percent at the end of 2009. The 2013 job outlook for Wasatch County will moderate from the 4.5 percent growth in 2012 as the rapid increases in retail trade of the last two years subside. The largest employment increases are expected in business support services and construction.

Juab County

In 2012, Juab experienced modest job increases of 1.5 percent or 44 new jobs

compared to 2011. Manufacturing added 31 new jobs and healthcare/social services grew by 46 jobs. Professional/business services cut back by 16 jobs and leisure/hospitality shed 4 jobs.

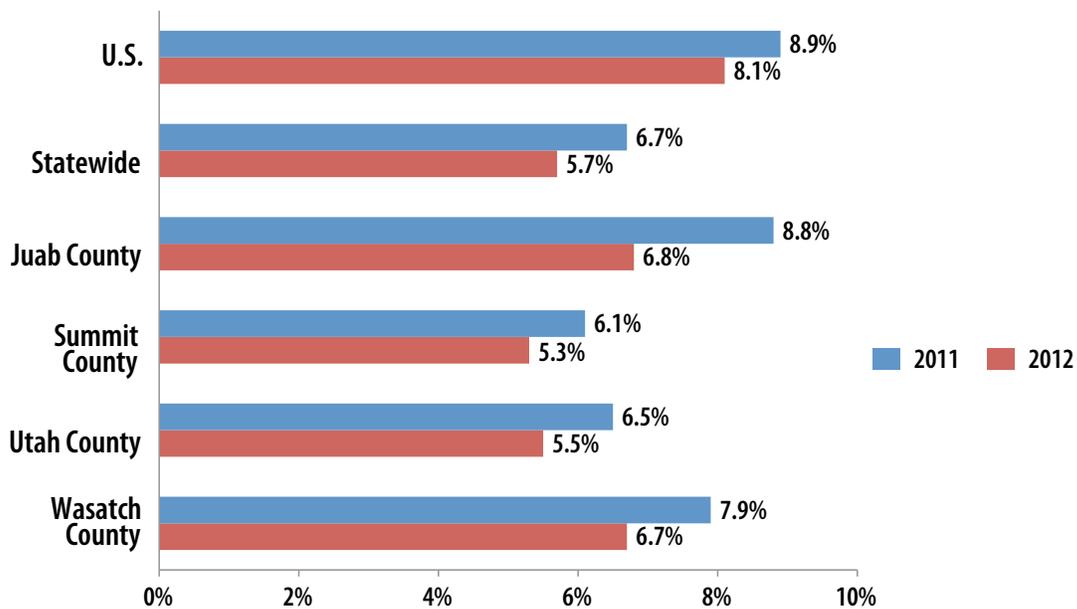
The 2013 job outlook could improve to an overall growth rate of 3.5 percent. This will occur if the relative strength in the manufacturing and health care industries continues and is reflected more widely in other areas of the economy.

Mountainland

Overall for Mountainland (Utah, Summit, Wasatch and Juab Counties), robust job growth and a much improved labor market

characterized economic conditions through the end of 2012. The unemployment rate has declined to a relatively favorable rate of 5.3 percent. Based on the strength of employment growth the past two years, particularly in Utah and Summit Counties, the Mountainland region has reached new employment highs above those seen in 2007 at the onset of the Great Recession. The expected employment growth in 2013 of around 3.5 percent will contribute to ongoing prosperity and reduce unemployment in the area.

**Figure 6: Unemployment Rate Comparison with Mountainland Counties
Annual Average 2011–2012**





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Initial Claims as an Economic Indicator

BY MELAUNI JENSEN, LMI ANALYST

The Unemployment Insurance Benefits program in Utah is administered by the Department of Workforce Services. This program was started to help safeguard the economy against short-term losses by aiding individuals who have lost their income because of a layoff. Through this program, DWS collects contributions, determines eligibility, takes claims and pays benefits to unemployed workers. When individuals find themselves out of work through no fault of their own or have their hours reduced, they can file what is called an initial claim, allowing them to become eligible for a minimum of 10 weeks and a maximum of 26 weeks of regular benefits. Not all claimants will use the entire time, as they may be able to find a new position with another industry or employer. To be eligible for these benefits, unemployed workers must meet certain criteria as defined by DWS, and an individual will not be eligible if they voluntarily leave their job. If a claimant has been deemed eligible, they will receive an amount based on their earnings over a recent 52-week period. Utah continues to update its UI program, making it easier for both claimants and employers, giving them the option to file and respond online.

When businesses lay off workers it causes the number of initial claims to rise — an indicator of a weakening economy. As the economy recovers and layoffs drop, so do initial claims. Mass layoffs, or establishments having 50 or more initial claims in a five-week period, are usually a contributing factor to a drastic increase, and the

Unemployment Insurance program helps identify those layoffs to ensure that workers qualify for UI benefits.

Analysts measure the level of initial claims to provide a leading indicator of labor market conditions in an attempt to gain insightful information about the economy. Initial claims data is released on a weekly basis. Some have questioned whether measuring initial claims in this way is a good indicator. Initial claims can increase when individuals are laid off or when the percentage of individuals who are eligible for, claim and receive UI benefits rises. This can make it more difficult to compare these levels over extended periods of time. Over the latest recession, the UI program expanded and allowed more workers to be eligible for benefits, making analysts take a harder look at those indicators.

In the beginning of 2007, Utah's economy was still thriving with just over 6,300 initial claims for January; but by the start of 2009 that number had risen to over 20,000 claimants. The labor force obviously suffers during recessions, and as we moved further into this latest, roughly 80,000 jobs were taken from Utah's workers, and UI claims continued to rise. In the past three years, initial claims have made a slow but steady descent with a 9,343 monthly average in 2010, just under 8,000 in 2011 and this most recent year behind us with barely over 7,000. In Utah, most economists and analysts agree that these and other indicators will continue to show this downward trend.