

# local insights

spring 2013 southwest



An economic and labor market analysis of the Southwest Utah Area

vol. 1 issue 4 • jobs.utah.gov



## Why Do Unemployment Rates Contract?

*Participation rates and demographics can help our understanding*



BY LECIA LANGSTON, ECONOMIST

Economists typically deal with aggregate levels of data. Is the county's unemployment rate contracting? Are its jobs growing? Are incomes keeping up with inflation? A multitude of fluid and individual economic decisions lie hidden behind the mask of aggregate figures. Changes in unemployment rates may reflect changes in the underlying labor force that are not readily apparent. In particular, changes over time in the level of labor force participation in an area can affect both employment ratios and unemployment rates.

### Quick Unemployment Primer

First, a quick primer on just exactly what unemployment rates represent. Rates do not include only unemployment insurance claimants. In an average year, claimants account for roughly 30 percent of jobless counts. If you are out of work and looking for a job, then you are considered unemployed. Rates include teenagers seeking a first job, workers who don't qualify for unemployment insurance and individuals returning to the labor force after a long absence.

### in this issue

#### Why Do Unemployment Rates Contract?..... 1

*How do demographics and labor force participation rates change our understanding of unemployment fluctuations?*

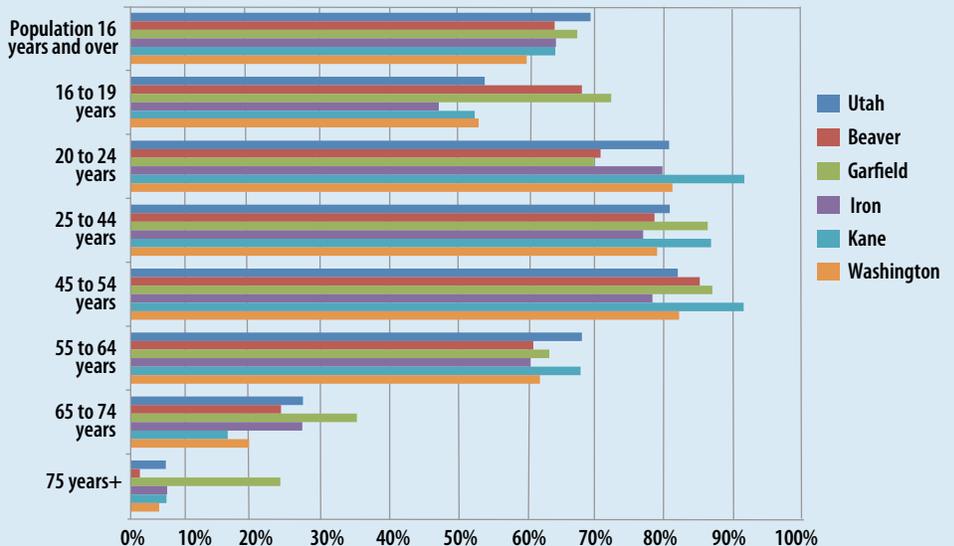
#### A Tale of Two (Very Different) Recoveries..... 5

*While Washington County's economy has returned to health, most Southwestern Utah counties continue to struggle to produce job growth.*

#### Initial Claims as an Economic Indicator..... 8

*Unemployment Insurance initial claims data from the past three years point toward an improving economy.*

Figure 1: Average Labor Force Participation Rates, 2007–2011



Source: U.S. Census Bureau; American Community Survey 2007-2011 averages





## Why Do Unemployment Rates Contract? (continued)

Keep in mind that all unemployment rates are not created equal. National rates are derived from a monthly survey using a statistically drawn sample, and changes of least 0.2 points can be considered statistically significant. Smaller-state rates (like Utah) are modeled using survey data. County rates are only estimated using a variety of data sources and a consistent national methodology.

### The Causes

What has instigated falling unemployment rates in many counties throughout Utah since the end of the recession in 2009? The first answer is simple: growth in jobs. Jobs are created, unemployed workers are re-employed and the unemployment rate declines. Obviously, one of the most influential factors on the unemployment rate is the economy's current position in the business cycle. During a boom, unemployment rates typically drop as employment increases. In a recession, jobless rates typically rise as employment opportunities decrease.

In every county in Southwest Utah except Washington County, consistent, notable employment expansion has yet to occur. Yet, jobless rates have fallen. Other labor force phenomena can account for a decrease in the unemployment rate in the absence of job creation. Workers failing to find work in St. George, Utah, may move to the oil fields of North Dakota to look for work. In this case, they have removed themselves from the Utah labor market and helped to reduce the pool of Utah's unemployed. The discouraged worker who stopped looking for work will also reduce the ranks of the recorded unemployed.

Changes in participation rates are perhaps the most intriguing and unknown forces behind labor force trends, including

unemployment rates. A participation rate is defined as the percent of the civilian population over the age of 16 who are employed or unemployed. Recently, some pundits have bemoaned the fact that a smaller percent of the U.S. population is employed (lower employment ratio) or participating in the labor market rather than focusing on a declining unemployment rate. Changes in participation rates among different groups aid an understanding of these current labor market figures. An analysis of national data suggests that the decline in the percentage of the working population can primarily be attributed to less labor force participation among teenagers and individuals in their early twenties ([economyutah.blogspot.com/2012/10/what-does-nations-declining-employment.html](http://economyutah.blogspot.com/2012/10/what-does-nations-declining-employment.html)).

Can the same be said of Southwestern Utah? County-level labor force data availability remains far less robust than for the state and nation. However, participation rates from census years and the American Community Survey provide fodder for an examination of recent labor market trends and their possible effect on unemployment.

### Age

A county's age distribution affects overall participation in the labor force. Individuals over the age of 65 are the least likely to participate in the labor force. Therefore, counties with a high share of seniors (Kane, Garfield and Washington) might show lower total participation rates than counties with a much lower share of the 65 and older population. Interestingly, 2007–2011 five-year American Community Survey estimates indicate that Washington County does display the lowest overall participation rate. However, Garfield

County, with an even higher share of seniors, shows the highest level of labor force participation. Garfield County's seniors are much more likely to participate in the workforce than are seniors in any other county.

Age demographics also play a role in the unemployment rate. Teenagers typically show much higher unemployment rates than their more mature counterparts. Therefore, counties with high shares of teenagers and high participation rates might see some upward unemployment pressure not evident in counties with an older, more stable workforce. Not only does Garfield show the highest Southwestern participation rate for seniors, it also displays the highest participation rate for teenagers. Beaver also shows a relatively high participation rate among its teenagers. Iron County shows the lowest level of teen participation. Perhaps stiff competition with older college students keeps many of Iron County's teenagers from seeking employment.

The mix between male and female participants also plays a role in changes in the unemployment rate. In recessions, women typically display lower unemployment rates, while men show the lowest joblessness during expansionary periods.

Overall, the 2007–2011 labor force participation rates in Southwestern Utah measure below statewide averages. An older population, historically lower participation among women and fewer employment opportunities account for much of this difference. Currently, Garfield County experiences the highest labor force participation (67 percent). And Washington County, with its high percentage of retirees, maintains the lowest share (60 percent).

Figure 2: Labor Force Participation Rates for Total Populations

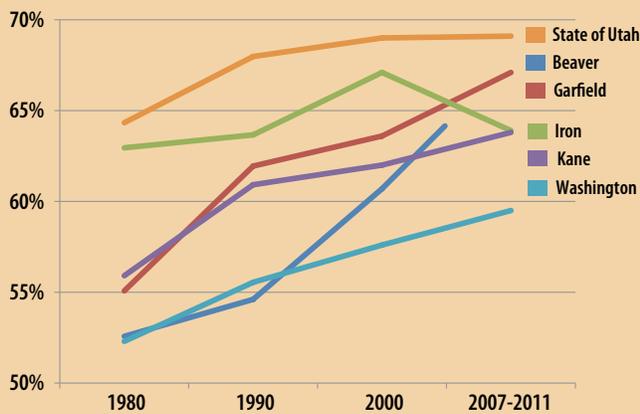


Figure 3: Female Labor Force Participation Rates

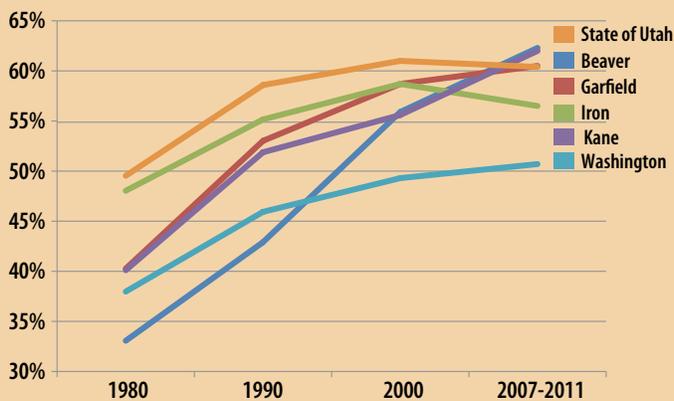
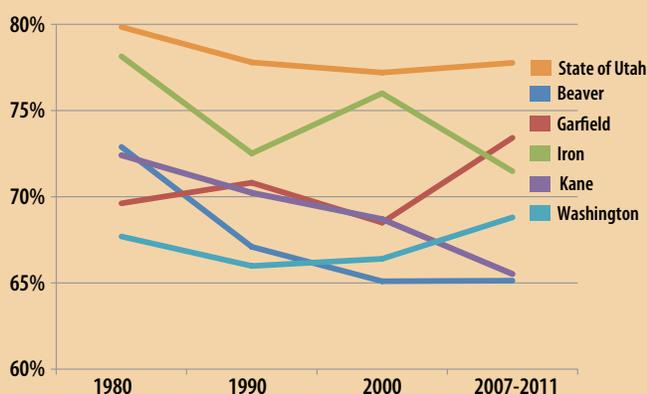


Figure 4: Male Labor Force Participation Rates



Source: U.S. Census Bureau; Decennial Census, American Community Survey

### A Historical Perspective

In the long run, unemployment rates show the effects of demographics, industry mix and seasonal patterns. For example, economies with very seasonal employment patterns typically show higher unemployment rates than those with less seasonality. For example, Garfield County’s tourism-based economy generally registers one of the highest seasonally adjusted unemployment rates in the state. Yet, its workers show some of the highest participation rates in the state. Why? Because many, many jobs are seasonal, a high percentage of workers experience a spell of unemployment some time during the year resulting in a higher-than-average jobless rate totally unrelated to the business cycle.

Tracking participation rates from a historical perspective can also help illuminate the changing nature of the labor market and its accompanying unemployment levels. In Utah, between 1980 and 2000, total workforce participation rose from 64 percent to 69 percent. However, the difference in participation rates for 2000 and the 2007–2011 averages measured an insignificant 0.1 percent. Of course, 2007–2011 encompasses boom, bust and recovery. Business cycle effects undoubtedly generated some of the change. However, the leveling-off of female labor force participation, a decided drop in the participation of teenagers and less participation among the labor market’s prime workforce age group (25–54 year olds) definitely proved contributing factors.

Interestingly, labor force participation among older workers (55 and older) actually increased when comparing 2000 and 2007–2011 figures. The trend towards



## Why Do Unemployment Rates Contract?

early retirement obvious in earlier years seems to have reversed itself. Some possible reasons for the change? Employer-related retirement plans have seen a major shift from traditional pensions toward 401(k) plans. Since workers bear more of the burden of saving for retirement and the funds are generally less certain than in traditional plans, early retirement seems less of an option. However, rates for those over 65 have also increased. Many healthy workers over 65 have “retired” from one job and taken on another position that is less demanding. Also, many women in this age group did not participate in the labor force in any significant way. They now find themselves without a spouse and only a social security income. They work to supplement that income. Finally, polled baby boomers often mention their desire to keep on working past the typical retirement age. The first baby boomers just recently turned 65. Perhaps they are being true to their intentions.

### Southwestern Utah

In some ways, Southwestern Utah follows the state pattern. In some ways it does not. For example, while Utah total participation rates flattened in the last decade. Participation rates in most Southwestern counties did not. Beaver, Garfield, Kane and Washington counties all exhibited strong upward trends in participation rates between the entire 1980 through 2007–2011 time period. In Beaver County, participation rates rose dramatically from less than 53 percent in 1980 to 68 percent in 2007–2011. Only Iron County demonstrated a decline (and a significant decline at that) in labor force participation rates over the same time period. A huge drop in 16–19-year-old rates and somewhat lower 25–54-year-old participation rates all lay behind the significant 3.2 percentage

point decline. Remarkably, the age structure of the working-age population in Iron County has changed very little. However, age-group participation in the labor force has.

### Gender

Iron County is the only county to show a decrease in female participation rates between 2000 and 2007–2011. The residual counties all bucked the Utah trend to see increasing female participation rates. Perhaps this phenomenon occurs because women in these counties were slower to enter the labor force en masse than were their statewide counterparts. In other words, because they lagged behind the state in entering the workforce, these counties may yet see female participation rates decline.

When it comes to male participation rates, history paints a different picture. Individual counties had individual experiences. The statewide trend shows decreasing male participation over time, with a slight uptick since 2000. Beaver County’s male participation has risen steadily. Garfield County experienced a sharp uptick in male participation since 2000. As Washington County embraced a larger working-age population, male participation in the workforce has increased steadily since 1990. Iron County’s male participation rate has dropped dramatically since 2000. And Kane County’s male labor force participation rate has contracted steadily since 1980.

The labor market is unbelievably fluid. A look below the surface helps us truly understand what the headlines and aggregate labor market figures mean.

Many healthy workers over 65 have “retired” from one job and taken on another position that is less demanding. In addition, many baby boomers said they will keep on working past the typical retirement age.



## A Tale of Two (Very Different) Recoveries

BY LECIA LANGSTON, ECONOMIST

While Washington County's economy has returned to health, most Southwestern Utah counties continue to struggle to produce job growth. Here's a brief county-by-county diagnosis of economic well-being.

### Beaver County

Recently released third-quarter jobs data show Beaver County clawing its way out of job-growth turbulence precipitated by the coming and going of large construction projects. Of course, a few more months of data are needed to confirm that the county is once again on a solid job-growth footing. It wasn't until the final month of the quarter that employment levels actually expanded.

- Between September 2011 and September 2012, Beaver County added almost 100 net, new positions for a year-to-year gain of 4.6 percent.
- Despite the fact that construction continued to show job losses, the reopening of the copper mine helped push up mining employment by more than 130 jobs.
- As in most counties across the state, Beaver County's unemployment rate wandered along its downhill path. In December 2012, county joblessness stood at only 5.3 percent — virtually identical to the statewide average.
- Initial claims for Unemployment Insurance have also settled into a historically low seasonal pattern.
- Most rural counties in Utah have yet to see any improvement in home building, and Beaver County is no exception. For the first ten months of 2012, home permits are down 40 percent (compared to the first ten months of 2011). This

marks the fifth straight year of declining home-building activity in the county.

- Beaver County's third quarter gross taxable sales showed the first improvement in a year. Between the third quarters of 2011 and 2012, sales improved by 4 percent.

### Garfield County

As the state and national economies continue a steady recovery, Garfield County remains, for the most part, trapped in a cycle of ongoing job loss. In the past two years, several months did show year-to-year employment expansion, but according to recently released third-quarter jobs figures, the county seems unable to erupt into full job recovery.

Although the change in jobs provides the best signal of economic health or malaise, other indicators are showing improvement, which may eventually lead to a better job outlook.

- As of September 2012, Garfield County employment was down almost 50 positions from the previous year — a decline of 1.7 percent. While the current labor market contraction is not particularly large, it does signal a less than hale and hearty economy.
- This quarter, hits in leisure/hospitality services, wholesale trade and government all contributed to the drag on job totals.
- Fortunately, gains in construction employment and retail trade offset part of the losses.
- Garfield County's jobless rate surged in 2011, but since that point unemployment has generally trended down only to sneak up a bit at year-end. In December 2012, the county's unemployment rate measured 10.5 percent.

- Initial claims for Unemployment Insurance have settled back into the county's normal seasonal pattern and don't seem to be reflecting any cyclical effects. The first four weeks of 2013 show noticeably lower claims than in the same time period in 2012.
- Home permits for the first ten months of 2012 are down almost 60 percent from the previous year. Moreover, this decline marks the fifth year of declining home permits.
- The best economic news? For most of the past two and a half years, Garfield County's gross taxable sales have shown consistent gains. Although the current third quarter sales gain is not particularly large, it still marks an improvement.

### Iron County

Recently released employment figures indicate that Iron County continues to flirt with economic expansion without actually making the full commitment. For almost two years, Iron County has seemed poised to generate consistent employment gains. However, so far that labor market expansion has yet to occur. For the most part, the county's year-to-year employment changes have bounced just above or below the no-change line.

- Between September 2011 and September 2012, Iron County's nonfarm jobs dropped by 0.3 percent — a net loss of approximately 40 jobs.
- Industry expansion and loss rates were all over the map: one reason the overall level of employment has failed to reliably mend.
- Construction, manufacturing, retail trade and the federal government were among the largest job losers.

**A Tale of Two  
(Very Different)  
Recoveries (continued)**

- On the job-winning side of the aisle, count wholesale trade, transportation, financial activities and private education/health/social services.
- Unemployment did generally edge along a downward track. In December 2012, the county's unemployment rate estimate measured 7.0 percent — down from 7.3 percent one year earlier.
- Home permitting has begun to show its first signs of life since the housing bubble began its slow collapse. For the first ten months of the year, home permits are up almost 17 percent compared to the previous year.
- Gross taxable sales remain the most positive economic indicators. The third quarter year-to-year gain in sales marks the fifth straight expansionary quarter. With home permitting and sales improving, job growth should eventually follow.

**Kane County**

For most of the past three years, Kane County has experienced job growth. However, this economic indicator still periodically slipped below the line to job loss.

- Between September 2011 and September 2012, Kane County's nonfarm job totals increased by 25 positions. That represents a rather sluggish year-to-year expansion of 0.8 percent.
- On one hand, September marks the sixth straight month of employment expansion for Kane County. On the other hand, the current gains are hardly indicative of a robust economy. Nevertheless, growth — even lethargic growth — remains better than the alternative.
- The current expansion isn't broad-based. Most major industrial categories actually contracted. Losses proved particularly

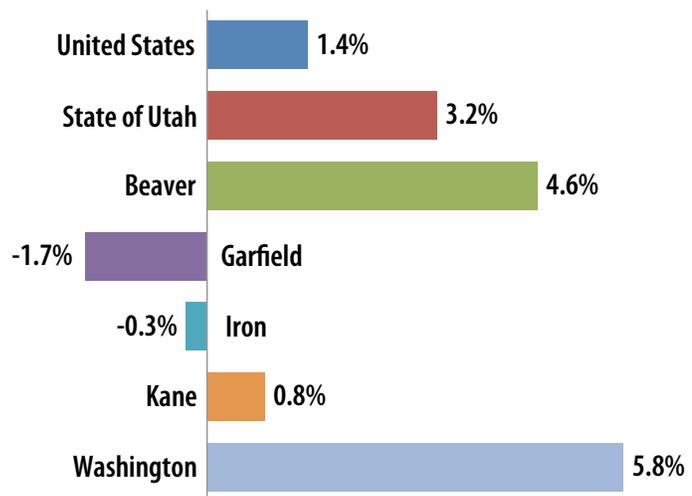
noticeable in construction, retail trade, private education/health/social services and other services.

- Without the 100-job, 9-percent year-over gain in leisure/hospitality services, Kane County would have dipped back into job-loss territory.
- The small upward hitch in the county's jobless rate earlier in the year seems to have dispersed. Nevertheless, a slight uptick occurred in recent months. As of December 2012, the county's unemployment rate measured 6.8 percent — down 0.2 of a point from December one year earlier.
- New claims seem to have shrugged off the cyclical effects of the past recession and have settled into a more normal seasonal pattern. Claims for the first four weeks

of 2013 measure notably lower than the same time period one year ago.

- Construction permitting activity seems to indicate the housing market in Kane County is beginning to right itself. While currently there is no change in the number of home permits issued in the first ten months of 2012 compared with the same time frame in 2011, the previous five years have shown 40-percent-plus declines in home permits.
- As in most counties in southwestern Utah, gross taxable sales have proved to be the most positive economic indicators. However, third quarter 2012 figures broke Kane County's five-month streak of sales gains with a 4 percent drop. Until a clear trend emerges, this one-time decline seems little cause for worry.

**Figure 5: Change in Nonfarm Jobs, September 2011–September 2012**



Source: Utah Department of Workforce Services and U.S. Bureau of Labor Statistics

### Washington County

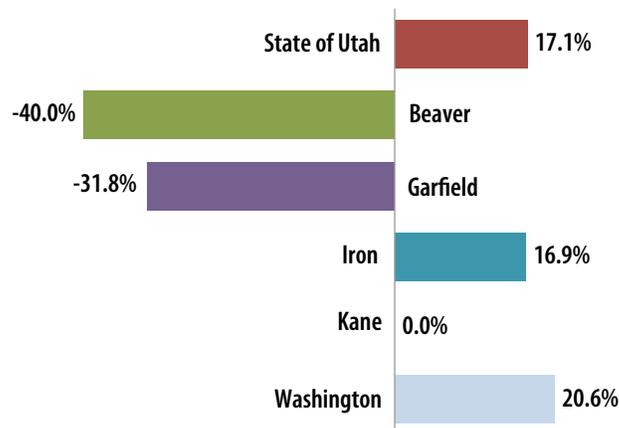
Is three quarters “the charm?” For Washington County, it certainly may be. Recently released jobs data for third quarter 2012 shows the county following in the trend started at the beginning of 2012. Year-to-year job growth rates continued to bounce in the range reflecting Washington County’s long-term growth rate — between 5 and 6 percent. Growth is not too hot, not too cold, but just right. Since September of last year, Washington County has created 2,700 net new jobs.

The county’s current job growth rate almost doubles the state rate of expansion, which more than doubles the national rate of expansion. In terms of job growth, Washington County is the second-fastest growing county in the second-fastest growing state in the nation.

- Not only is Washington County’s job growth robust, it is broad-based with almost all major industries adding employment during the quarter.
- In September, professional/business services showed the strongest expansion, adding almost 700 new jobs compared to the previous September.
- Both construction and manufacturing continue to improve, adding roughly 350 and 200 jobs, respectively.
- Other major industries with significant employment expansion included retail trade, private education/health/social services, leisure/hospitality services and the public sector.
- Unemployment rates continued to trend down. However, Washington County’s November 2012 jobless rate of 6.8 percent still shows room for improvement.

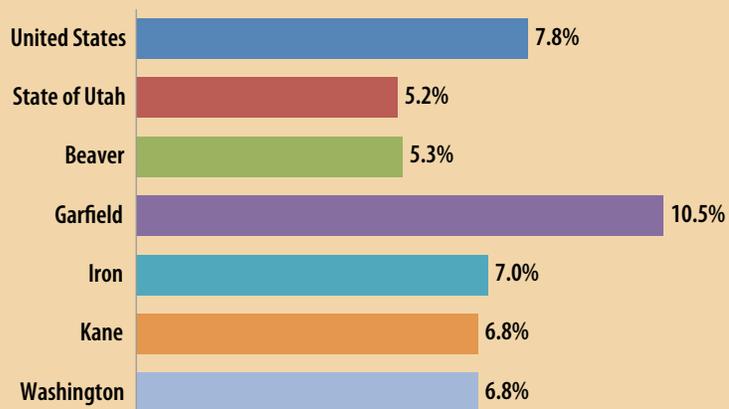
- Washington County’s housing market continues to correct itself. For the first ten months of the year, home permits are up 20 percent. This marks the first significant improvement in home building since the recession began.
- The county’s 12 percent year-over gain in gross taxable sales marks the seventh straight quarter of growing sales.

**Figure 6: Year-Over-Year Change in Dwelling Unit Permits, January–October 2012**



Source: Utah Bureau of Economic and Business Research

**Figure 7: Seasonally Adjusted Unemployment Rates, December 2012**



Source: Utah Department of Workforce Services and U.S. Bureau of Labor Statistics



Workforce Services  
 Workforce Research and Analysis (WRA) Division  
 140 E. 300 S. • Salt Lake City, UT 84111  
 Equal Opportunity Employer/Programs

Presorted Standard  
 US Postage  
 PAID  
 SLC, UT  
 Permit # 4621

## localinsights

[jobs.utah.gov/wi/topjobs/](http://jobs.utah.gov/wi/topjobs/)



*Executive Director:* Jon Pierpont

*Director, WRA:* Rick Little

*Supervising Economist:* Carrie Mayne

*Chief Editor:* Kathy Hopkinson

*Designer:* Pat Swenson and Annette Ward

*Regional Economist:* Lecia Langston  
 lecialangston@utah.gov • (435) 688-3115

*To subscribe or request a copy, please call:* 801-526-9785

# 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.