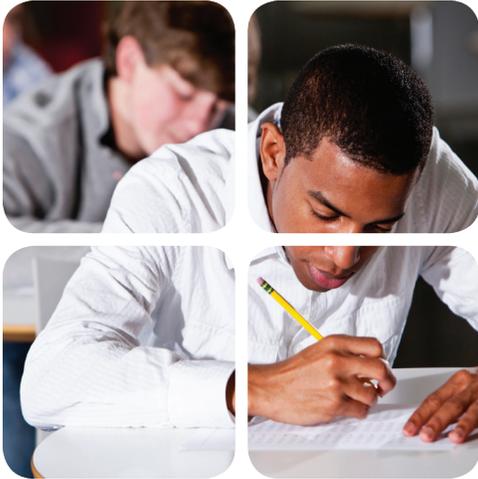


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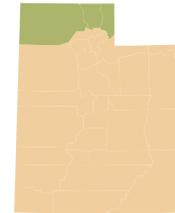
july 2012 bearriver

An economic and labor market analysis of the Bear River Area

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Worker Educational Attainment in the Bear River Service Area



BY JOHN MATHEWS

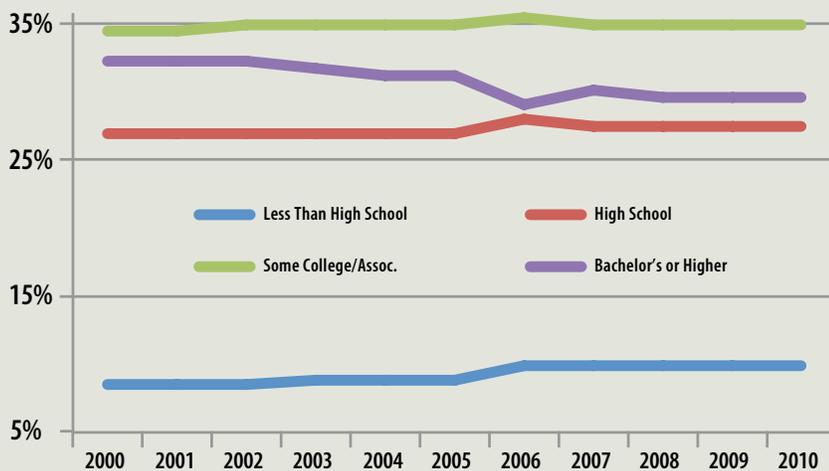
In this inaugural edition of Local Insights, we will take a fairly deep look at part of a relatively new source of information on individuals in Utah called the Local Employment Dynamics (LED) data. We will consider various aspects of the educational attainment of workers in the three-county Bear River Service Area. LED captures information about a number of different economic characteristics. We will study educational attainment by the number of workers, the industry to which they are attached, the average monthly wage and wage differences according to gender. The analysis includes information from

2000 to 2010. For better understanding, here are some quick notes about the data: Information on educational attainment includes data on individuals 25 years old and over. Data on youth under the age of 25 is not included because they are usually not old enough to have yet achieved the levels of educational attainment considered. This information is specific to workers on payrolls. Data by industry is fairly comprehensive. It covers nonfarm employment with the exception of federal government workers, which has not yet been made available. Federal employment is important for many parts of Utah and we hope to have it available soon.

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Graph 1: Education Attainment*
2000-2010



The Broad View—Educational Attainment

Educational attainment data is captured in four categories of workers:

1. Those who have less than a high school diploma.
2. Those who have a high school diploma or equivalent.
3. Those who have attended some college or have an associate degree.
4. Those who have a bachelor's degree or higher.

Across the service area in 2010, 10 percent of all workers had less than a high school diploma. High school graduates accounted for 27 percent of the total, with one third (34 percent) claiming some college or an associate degree. Finally, 29 percent of

* Workers 25 and older only.
Source: U.S. Census Bureau; Local Employment Dynamics program.





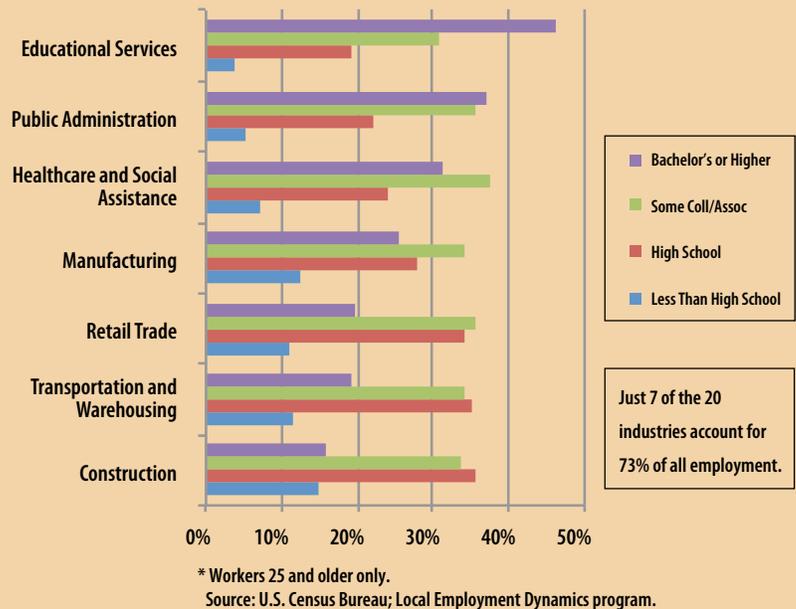
Worker Educational Attainment Cont.

all workers in the area reported having a bachelor's degree or higher. Graph 1 presents this 2010 information alongside information dating back to the year 2000. Although it is not instantly apparent in the graph, there has been some movement in the percentages of categories of workers during the last decade. Those with less than a high school diploma have gained a couple of percentage points. Even more interesting is that the number of workers with a bachelor's degree or more has dropped by 2.5 percent. This could be just an artifact of the data or evidence that the recession did have an effect on the makeup of workers particularly in Box Elder County, which lost many professional/degreed jobs when the shuttle program finished. The other two levels of attainment remained virtually unchanged over the 10-year period.

Educational Attainment and Industries—Where People Work

Educational attainment data is available for some 20 industries. Each industry has a different mix of occupations and requisite skills that gets work done. Some industries need fewer workers with higher education, such as retail trade. The educational services industry, on the other hand, has more workers with higher levels of educational attainment for obvious reasons. Because analyzing all 20 industries' worker composition by educational attainment would be very cumbersome, we are going to look at just 7 of the 20. These 7 (see Graph 2) account for 73 percent of all workers in the Bear River Employment Service Area. The graph is ranked (from high to low) by the percentage of workers in each industry with a bachelor's degree or more. Educational services, public administration

Graph 2: Educational Attainment* by Major Employing Industry, 2010



(government) and healthcare are the top three industries with the highest percentage of workers with a bachelor's degree or more. In fact, 30 percent or more of each industry's workers hold a degree in higher education. You would expect educational attainment to be high in the Bear River area, where a major employer is Utah State University. Forty-six percent of workers in this industry have at least a bachelor's degree.

The other industries on the list have somewhat lower levels of worker educational attainment. Construction has the lowest at about 16 percent. For educational attainment of "some college or an associate degree," the proportion by industry fell within the 30 to 37 percent range, which is interesting considering the diverse nature (products and services) of the seven industries on the list.

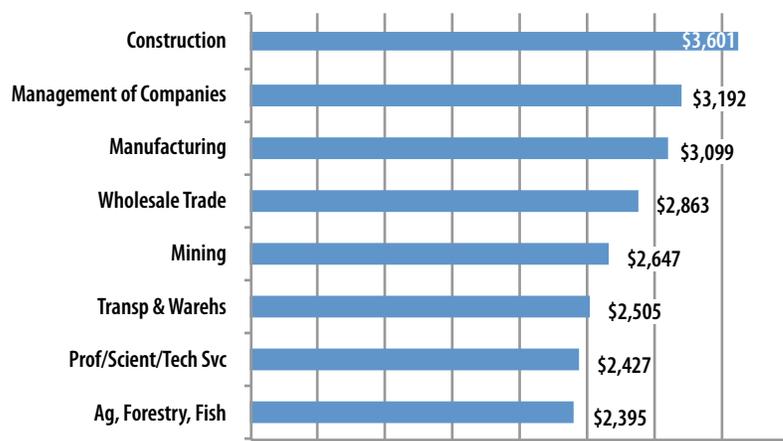
Workers with a high school diploma make up varying levels of total employment in each of the seven industries. The lowest percentage of total workers in this category falls in the educational services industry,

where 19 percent of the total workforce hold high school diplomas. In industries where higher levels of educational attainment are not as important—retail trade, transportation and warehousing and construction—over 30 percent of the total jobs are held by workers with a high school diploma.

In these seven high-employment level industries, small proportions of the total employment are accounted for by workers with less than a high school diploma. The highest concentration of less-than-high school educational attainment was in the construction sector (15 percent). These workers are probably in entry-level trades or are helpers or laborers. Only about 4 percent of the educational services sector employment was made up of workers with less than a high school diploma.

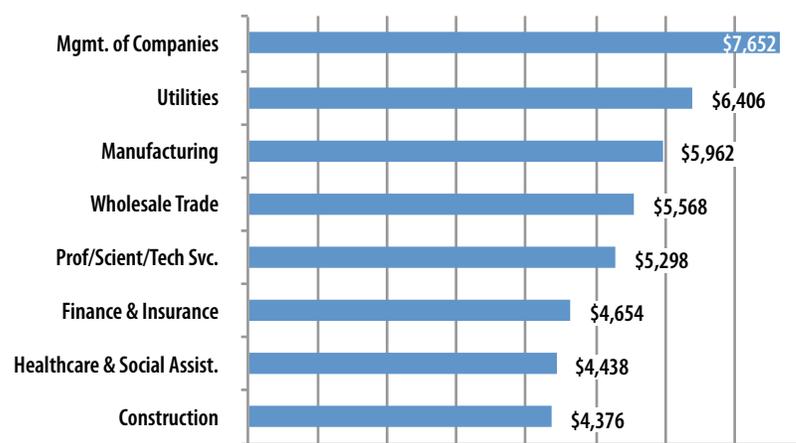
The educational attainment of workers in the labor market varies widely, particularly when viewed from an industry perspective. If potential job seekers know what industry they want to work in, having information about the educational makeup of incumbent

Graph 3: Industries with the Highest Average Monthly Wages for Workers* with Less than a High School Diploma, 2010



* Workers 25 and older only.
Source: U.S. Census Bureau; Local Employment Dynamics program.

Graph 4: Industries with the Highest Average Monthly Wages for Workers* with a Bachelor's Degree, 2010



* Workers 25 and older only.
Source: U.S. Census Bureau; Local Employment Dynamics program.

workers can help them make their career decision. Different industries have a variety of educational skill needs for workers. Some need fewer individuals with higher degrees where others have to have them to function. Although analyzing the educational attainment of workers by industry gives us a fix on what education levels workers hold, it's the demand of the business in terms of desired skill sets that really determines what kinds of educational requirements are needed to gain employment. Education is always good and benefits the individual and society as a whole. However, it is the individual who gets to choose what jobs he or she seeks. For example, some food servers have more education than required for their the occupation, but entering the industry is their choice.

Educational Attainment, Wages and Workers

Wages are always an item of interest in understanding the labor market. The Local Employment Dynamics (LED) data has a wage component that enables us to observe wage trends by industry and educational attainment. This is a big topic, so we'll focus in on some aspects of educational attainment and industry wage information that should interest those in the Bear River Service Area. When absorbing the information about educational attainment and industry, two questions come to mind: What industries have the highest wages for workers who hold less than a high school degree? What industries have the highest wages for workers who hold a bachelor's degree or higher?

In 2010, three industries—construction, management and manufacturing—all paid workers without a high school diploma \$3,000 per month or more. Construction was the highest at \$3,601 per month. The bottom end of the pay scale was in the leisure and hospitality sector, which includes food service and hotels/motels. The pay for those workers was about \$1,200 per month. Average pay in retail trade was \$1,900 per month.

On the high end of the educational attainment and wage continuum, which industries pay the most? Graph 4 presents industries with some of the highest monthly wages. Note that this data represents the payroll of workers in the industry. It does not count those self-employed owners that do not take a salary or wage on a regular payroll. These individuals use profits to generate their remuneration. The best pay for workers with a bachelor's degree or higher



Worker Educational Attainment Cont.

appeared to be in company management at a monthly average of \$7,652 in 2010, or an annual level of about \$92,000. Five of the top eight employing industries had workers with a bachelor's degree or higher that earned in excess of \$5,000 per month. Figures such as these are consistent with the widely held belief that higher levels of education create higher returns in the labor market.

Educational Attainment, Gender and Wages

The LED data also includes gender information, so we can compare wage information about men and women. To preface this information, we must note that a significantly high percentage of total employment in the Bear River Service Area is accounted for by the manufacturing

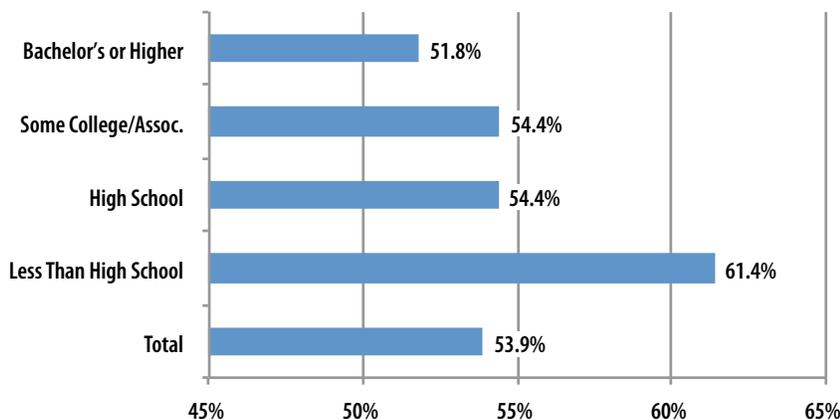
industry. The number of women in manufacturing is typically not as high as in other industries such as education, government or finance where you typically see more even gender representation. This large presence of manufacturing will therefore have a significant effect on our gender comparisons.

In 2010, the average monthly wage of workers included in the LED dataset in the area was \$3,360. The average for men was \$4,170 and for women was \$2,247. Women made 53.9 percent of what men made. When viewing the wage differences across the educational attainment spectrum (Graph 5), there was a similar discrepancy among those who hold a bachelor's degree or higher (51.8 percent) and among those

with some college, an associate degree or a high school diploma (both with 54.4 percent). For those workers with less than a high school education, women made 61.4 percent of what men made. For the lower earnings and lower educational group, the pay discrepancy between women and men was smaller. Women consistently made in the 52 percent to 54 percent range of what men made in three of the four educational attainment levels, leaving those with the less than a high school diploma.

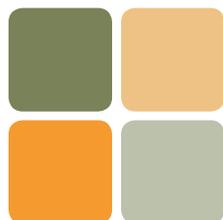
These gender differences are not unique to the Bear River area but portray a universal pattern that exists across the state and country. This new data has allowed us to look deeper into the workings of the labor market. We have yet to realize the extent of possible analysis. ■

Graph 5: Female Wages as Percent of Male Wages by Educational Attainment*, 2010



* Workers 25 and older only.
Source: U.S. Census Bureau; Local Employment Dynamics program.

These gender differences are not unique to the Bear River area as this pattern exists around the state and country.



Bear River Economic Indicators

BY JOHN MATHEWS

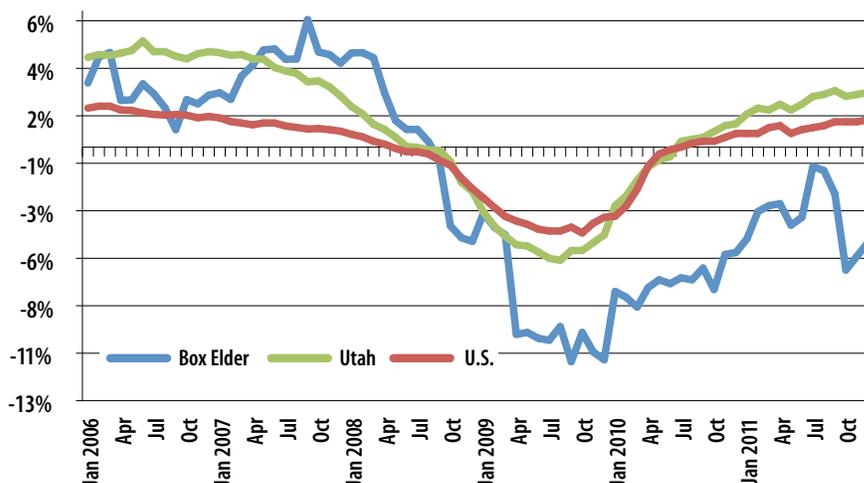
“IT VARIES.” That is the answer to the question of how Bear River’s economy is doing. Basically all of the counties in the Bear River Service Area have improving economies, but some are better than others. Cache County is growing, though recession recovery is slow. Growth rates are positive for most of their industries. In Box Elder County, however, the manufacturing sector is still reeling from cuts in the transportation equipment industry, mostly aerospace. This in turn has impacted other economic activity such as building and spending. Rich County lost a few jobs last year but unemployment is down. In fact, unemployment rates are declining in all three counties, even in Box Elder, where job losses have been significant. The following details pertaining to each county will shed more light on local economic conditions.

Box Elder County

The good news is that the number of job losses is decreasing and unemployment is declining in Box Elder County. The bad news is that the county is feeling the impact of a loss of about 1,000 manufacturing jobs. For example, the shutdown of the space shuttle program has affected local businesses and consumers. The perception of economic uncertainty for those living in the area has caused a curtailing of economic activity like home buying and major consumer purchases (such as vehicles and other bigger ticket items). Evidence of the slowing is reflected in the 11.2 percent drop in spending. Also, the housing sector is experiencing declines in both new home permitting and total valuation of the potential building.

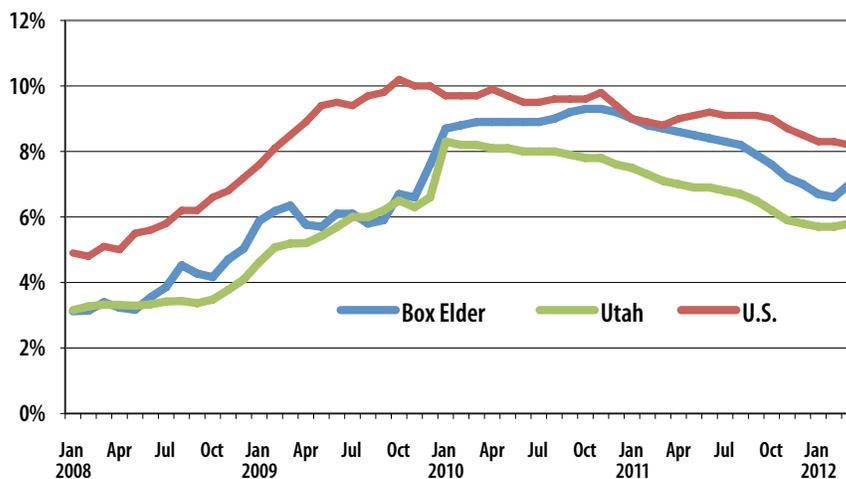
The March 2012 unemployment rate for Box Elder County was 7.0 percent, about the same as the last 2 months and down almost 2 percentage points from that of March 2011, which was at 8.8 percent. Still, the rate is higher than the state rate of 5.8 percent. However, the county’s annual unemployment rate for 2011 was 8.2 percent so it is on the right track so far this year. Roughly 1,300 workers were idled in

Graph 6: Year-Over Change in Nonfarm Jobs



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

Graph 7: Seasonally Adjusted Unemployment Rates



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

Bear River Economic Indicators Cont.

March, which is down from the average for 2011, which was 1,700.

Manufacturing jobs are coveted as high-paying positions. When the economy is booming, or even just growing steadily, all is well. But if your county's economy has a much larger share of manufacturing jobs than other industry sectors, it puts you at some risk. Manufacturing is an export-based industry that exposes the local economy to fluctuations from outside of the state. When the country is plunged into a recession, the demand for the manufacturing goods by all consumers and businesses falls off and orders stop. Essentially, the manufacturing industry in Box Elder County has been subject to two negative shocks. First, and not directly related to the recession, was the loss of the shuttle program. Second, the recession caused a subsequent slowdown of manufacturing demand.

In 2000, manufacturing accounted for 44 percent of all nonfarm jobs in Box Elder County, the highest percentage of any county in the state. The share dropped to 34 percent in 2010 and even further to 30 percent in 2011. By comparison, both the State of Utah and the United States manufacturing proportions were about 9 percent last year. Manufacturing is clearly significant to the county. There are other manufacturing activities in Box Elder that have helped buoy the losses from aerospace. Structural steel fabrication has a significant presence as does vehicle transportation equipment. Fortunately, the demand for vehicle parts has improved because of the increased demand for cars and trucks across the nation. Pent up demand for automobiles, built up from the high point of the recession, has now manifested itself in a higher volume of purchases in the industry,

which has created the need for automobile parts to the benefit of Box Elder County.

In 2011, a handful of other industry sectors contributed to some economic growth in the county. Professional and business services grew by about 30 percent over 2010, adding some 180 new positions. Healthcare has continually been a contributor to economic growth. Although healthcare has been labeled as recession proof, that moniker probably should be changed to recession resistant as even it has struggled in some areas. In 2011, about 80 new positions opened up in this industry. On the other side of the job ledger, the following industries lost workers in 2011: construction (-50), wholesale trade (-70), retail trade (-60) and local government (-90).

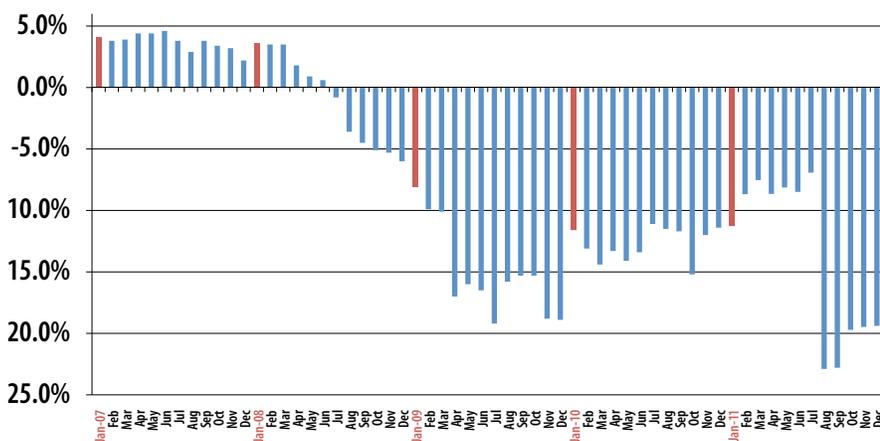
Cache County

Of the three counties in the Bear River Service Area, Cache County has fared the best. Employment actually grew by 1.4 percent (710 jobs) during 2011. Unemployment for the year was 4.8 percent, representing some 2,900 idled workers. Building activity has been impacted by the recession with continued declines in both the number of permits for construction (down 37.5 percent in 2011) and an 8.5 percent fall in the valuation of this permitting activity. Consumer spending through the fourth quarter of 2011 has stayed positive but just barely at 1 percent over the fourth quarter of 2010.

Manufacturing

Manufacturing in Cache County has a very strong presence but not at the level of 30 or 40 percent of all jobs, as is the case in Box Elder. Cache's manufacturing payrolls account for about 20 percent of the total nonfarm employment. Does this high percentage make the county vulnerable to the same pressures and influences as its neighbor to the west? The answer has to do with the composition of the manufacturing sector. In Cache County, nondurable goods

Graph 8: Box Elder County Year-Over Manufacturing Job Growth Rates, 2007–2011 (Dec.)



* 2011 4th quarter data is preliminary
Source: Utah Department of Workforce Services

manufacturing (primarily food products like dairy and meat) are more prominent. Food-related products are not as affected by the national and international markets as the durable-goods structural steel and vehicle-parts sectors of manufacturing. Nor are food products quite as vulnerable to business cycles as they are more essential to consumers than, say, purchases of new automobiles.

A very important stabilizing influence in the local economy is the presence of Utah State University (USU). The direct employment on the campus and all the employment related to servicing the university make it a very important spoke in the economic wheel for Cache County. USU is part of state government, which added nearly 300 new jobs to the local economy in 2011.

Construction employment had dipped some 660 workers from 2010 to the end of 2011. Construction and professional and business services, which lost 200 jobs, were the only sectors that lost significant employment between December 2010 and December 2011. Most other employment sectors added workers.

Rich County

The economy in Rich County is driven by farming and ranching in the south and by tourism, travel and recreation in the northern, Bear Lake area. Most of the nonfarm activity happens in the spring, summer and fall seasons around Bear Lake. In 2011, job counts in the county fell by about 20, or 3.7 percent. Total employment slipped from 630 in 2010 to about 610 in 2011. Retail trade, healthcare, leisure and hospitality and government are prime drivers of the local economy. The most significant drop in jobs was in the healthcare sector, which lost 20 positions between 2010 and 2011. Unemployment in the area in March of this year was at 4.1 percent. That was down from 5.9 percent in March of 2011. The annual rate of joblessness for 2011 was 5.5 percent. This was below the state rate of 5.8 percent. The local economy remains stable even in light of the recession and its aftermath. ■

Bear River TOP JOBS in Demand



1. Customer Service Representatives
2. Helpers—Production Workers
3. Registered Nurses
4. Maids and Housekeeping Cleaners
5. Retail Salespersons
6. Office Clerks, General
7. Construction Laborers
8. Automotive Service Technicians and Mechanics
9. Tellers
10. First-Line Supervisors/Managers of Retail Sales Workers



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Economic Analysis

Studies have shown that the world economy has been going through extraordinary changes in its organization, structure, integration and interdependency. Accelerating technological change has increased the intensity of business competition and economic development, forcing continual adjustments to a changing environment. Economies benefit from this technological change only when local chambers of commerce, government, businesses and others involved in economic development are able to accurately assess relevant economic factors to develop policies geared at boosting local economies in accordance with said technological advancements. With the power of economic information, policies are designed to maintain and help the local economy to grow, be more competitive in earnings and provide better job opportunities to give residents and employees a valuable tie to their community or business.

To gain a better understanding of an area and its economy, it is important to recognize current local and regional trends and conditions. Knowledge of the local economy typically comes from some sort of analysis. This kind of insight is part of the necessary preparation for an area to create an effective strategy in the decision-making process. Understanding what is happening in the area and why it is happening allows local chambers, government and businesses to make better choices. Every region in Utah has its own unique strengths and challenges and is typically different from any of the surrounding areas. Each area or business needs certain tools to answer necessary questions that will enable it to influence its job and income situation.

Workforce Research and Analysis (WRA), a division of the Utah Department of Workforce Services, understands the need for decision makers to have as much information as possible to improve the welfare of the resident population and promote opportunity. In an effort to strengthen the understanding of local economic areas, WRA uses the knowledge and experience of the department staff's economists. Years of education and experience working with labor statistics and local economic data give these economists the expertise to answer complex questions. WRA gathers data that include employment and payroll information through surveys and employer reporting, allowing the economists to shed light on how each area's economy is functioning. They are able to determine the strengths, weaknesses, trends and overall shape of the local economy and work to apply those ideas into indications about the future economy.

WRA produced this new quarterly publication focused on local economic analysis to provide relevant information for decision-making in the areas of regional planning, local economic development and policy design. Issues are available about the statewide economy and eight different sub-state areas: Bear River, Castle Country/Southeast, Central Utah, Mountainland, Southwest, Wasatch Front North, Wasatch Front South, and Uintah Basin. The statewide version will focus on items affecting the entire state of Utah, including job-training strategies, re-employment and labor exchange activities. All will provide the reader with an in-depth look at the economy. Each issue will also inform the reader of notable DWS policy changes and focus, explaining why it affects each area.

We hope you enjoy your experience with this publication.