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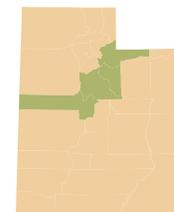
An economic and labor market analysis of the Mountainland Area

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Small Firms with Increased Share of Jobs

Over time, the structure of the economy changes with new technologies, innovations and variations in business practices.



BY JIM ROBSON, ECONOMIST

Businesses and industries respond more or less successfully to the business cycles of economic expansions and contractions, booms and busts. One way to examine the labor market is to look at employment by size of business, measured by the number of workers they employ. How do businesses of various sizes fair in terms of the proportion of jobs they provide within in the labor market? When the economy expands, what size of firms create the most new jobs? Which firms suffer the most job losses during a recession?

Data for Analysis

To examine employment by firm size over time, the Department of Workforce Services uses the quarterly reports of payroll employment submitted to DWS as part of the Unemployment Insurance program. DWS creates a detailed, monthly time series of Utah businesses subject to the Unemployment Insurance program spanning January 2000 through March 2012 that is consistent with the current industrial classification.

To administer the unemployment insurance program, firms report their payroll employment and wages to DWS after the end of each quarter. These reports help determine monthly job counts by industry. Job counts are collected by worksite or establishment. In

discussions of the labor market, the terms “worksite” or “establishment” are used interchangeably. Generally a worksite is a retail store, restaurant, building, dentist office, construction site, factory or other type of location where people perform work to provide the goods or services of a particular business. In addition to payroll job counts or employment size, we consider the geographic location of where the work is being performed. A business or firm may consist of a single worksite or may have multiple worksites within a region or scattered around the state.

In Mountainland (Utah, Summit, Wasatch and Juab Counties) in 2011 there were about 14,936 private worksites reported to DWS where 180,272 people were employed. In addition, federal, state and local governments employed 31,658 workers at about 672 worksites.

Determining Firm Size

In this analysis of jobs by firm size, we are looking at only the private sector. Government employment does not have the same labor market characteristics or respond to business cycle dynamics with regard to establishment size and location as do private sector firms. Private firms are subject to market forces to a much greater extent than are government establishments that respond to collective political leadership.

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In just three months, the Bridge program has already helped small businesses throughout Utah create almost 300 jobs.





Small Firms with Increased Share of Jobs Cont.

In this examination, worksites are divided into three size classes: small, medium and large. These categories correspond to standard definitions of firm size used by the U.S. Bureau of Labor Statistics. Small refers to businesses that employ between 1 and 49 workers, medium firms employ between 50 and 499 workers and large firms employ 500 or more workers. In order to make a size assignment to a particular worksite it is necessary to account for firms that have multiple establishments or worksite locations in a region or around the state.

Many businesses have only a single worksite and are assigned to the appropriate size class using their average employment level over the time span of this study. It should be noted that some businesses are relatively stable with job counts during the entire time frame. On the other hand, new businesses are being created while others close. Some firms have very distinct seasonal patterns with more or less employment relative to the season of the year. A business may even report having no employees for some months of the year while regularly employing workers in other months. In all cases, firm size is determined by the average employment for months in which employment is greater than zero.

What is the appropriate firm size for businesses with multiple worksites within the state? Some examples of businesses that have multiple worksites are banks with many branches; large retail stores at which any given location is medium sized but all locations together have a large, statewide presence; or a construction company that has job sites all around Utah. In each of these examples, the business may have

many relatively small or medium worksites, but are in actuality large businesses and generally behave with respect to market conditions and business cycles as do other large businesses with just one or a few locations. Therefore firm size — small, medium or large — is determined by the statewide presence of a business even if employment at the worksite or establishment is of a lower size. Each worksite is assigned a category based on the number of jobs a business has statewide.

Twelve Years of Economic History

From 2000 through 2011 there have been two recessions and recoveries. The first recession began in March 2001 with the popping of the “dot-com bubble” and ended in November 2001 with the resumption of economic growth or expansion. The September 11 attacks occurred toward the end of the recession. Even though the economy resumed modest growth in November 2001, the following couple of years were known as a jobless recovery; employment nationally and in Utah continued to decline, remained flat or increased painfully slow for many industries.

In 2004, job growth resumed with economic activity accelerating in 2005 and 2006, a period of robust job growth, particularly in construction. The economy began to slow during 2007 with the deflating of what we clearly now know was a major housing bubble. Economic activity nationally peaked in December 2007. After eight months of economic contraction, jobs losses were relatively modest. On an average annual basis there was a reduction of about 3,000

jobs from 2007 to 2008 in Mountainland. The real serious effects of the collapse of the housing bubble and the high levels of debt accumulated in the U.S. and internationally were manifested in August and September of 2008. The national and international financial systems fell into disarray, credit was unavailable and businesses in virtually all industries were shedding jobs. Significant job losses occurred throughout 2009. While officially the Great Recession ended in July 2009, and as the economy slowly began expanding, job losses continued to the end of the year and into 2010. The economy has been growing for three years since the summer of 2009, but the rate of expansion has been somewhat erratic and relatively sluggish.

When we examine this 12-year history, 2000 to 2011, by firm size, we see how the two recessions and expansion phases have affected Mountainland small, medium and large businesses. Figure 1 depicts the private sector average annual employment by size of firm and Figure 2 relates that same information as a percent of total private employment to compare the relative share of private employment by size of firm over time.

Three Periods of Four Years Each

Let’s examine the 12 years of private employment in three periods of four years each, beginning with 2000 through 2003 — recession and jobless recovery. In 2000 there were 159,194 total private-sector jobs, and small firms accounted for 47,441 (29.8 percent), medium firms 52,515 (33.0 percent) and large firms 59,237 (37.2 percent). After the 2001 recession (March to

Figure 1: Average Annual Private Sector Employment by Firm Size
2000–2011

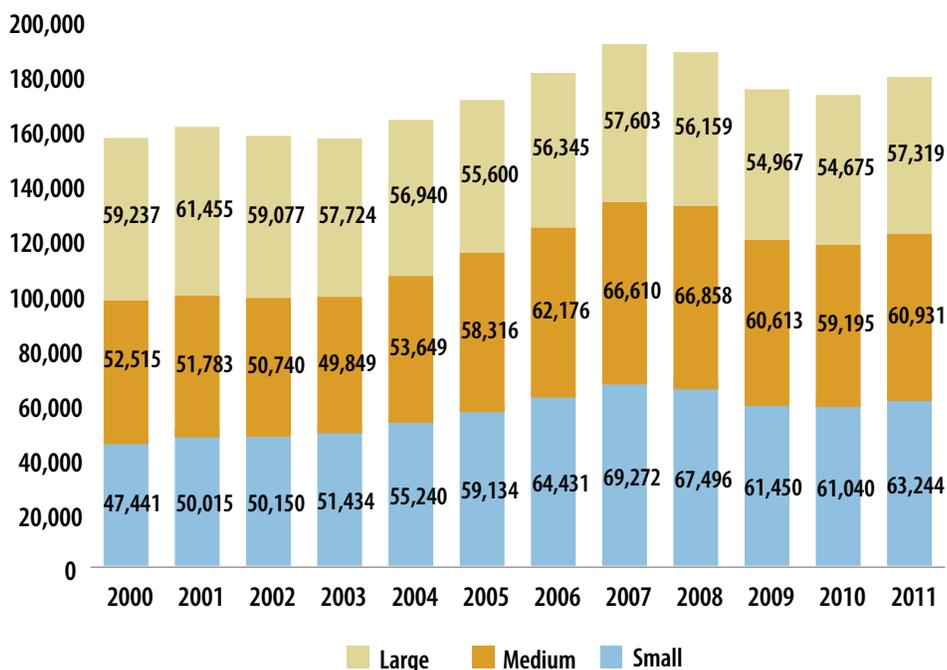
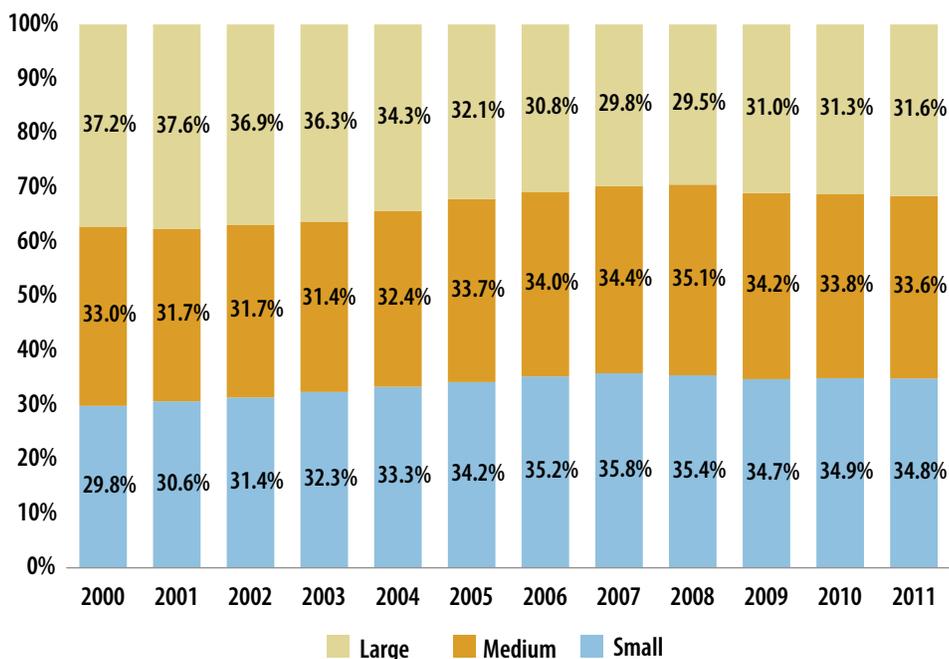


Figure 2: Percent of Private Sector Employment by Firm Size
2000–2012





Recipients of Unemployment Benefits Cont.

November) and two years (2002 and 2003) of jobless recovery, large and medium size firms lost private sector employment, but small businesses gained employment. The largest declines occurred in medium-sized businesses. Small businesses increased their share of employment in 2003 to 32.3 percent. Overall total private jobs were 159,007 in 2003, or just 187 below the 2000 average.

The next four years, 2004 through 2007, were characterized by an expansion and housing bubble. By 2007, private jobs had increased to 193,485, a growth of 34,478 jobs since 2003. All of this increase occurred in small and medium firms, expanding by 17,838 and 16,761 respectively. By 2007, the employment share of small and medium firms hit a high of 35.8 percent and 34.4 percent respectively. Large firms, which had 121 fewer jobs in 2007 than in 2003, accounted for their lowest share of jobs since 2000 at 29.8 percent.

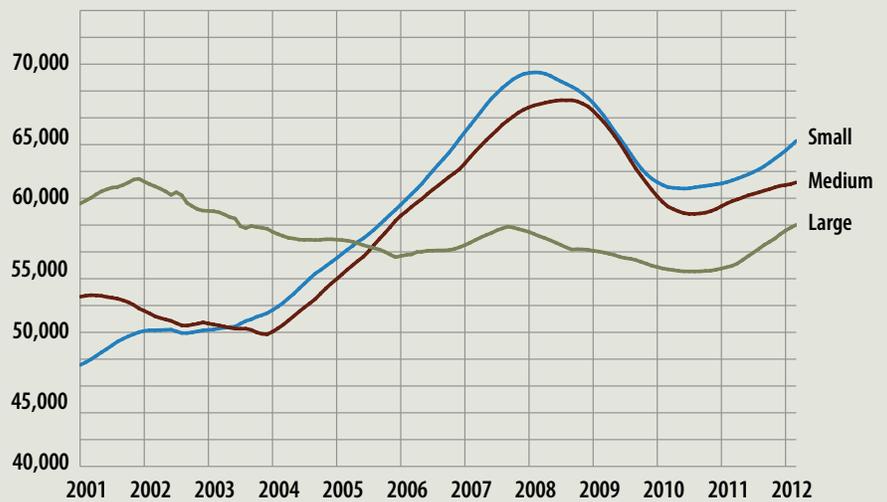
Finally, the last four years, 2008 to 2011, include the Great Recession and a slow recovery. In 2008, private firms averaged a total of 190,512 positions, about 3,000 fewer jobs than 2007. After the large job losses of 2009 and more declines in 2010, private employment averaged 174,910 in 2010, a drop of 18,575 jobs, or down 9.6 percent from 2007. Small firms lost the most jobs in the Great Recession, declining by 8,231 from 2007 to 2010. The medium and large firms lost 7,415 and 2,928 respectively during this same time period.

In 2011, private employers restored 6,584 jobs. The share of employment by firm size stood at 34.8 percent for small firms, 33.6 percent for medium and 31.6 percent for large. After 11 years, recessions and the housing bubble, small businesses had increased their share of private

employment by 5.0 percent, medium firms increased by 0.6 percent and large firms decreased by 5.6 percent. The major economic events of the last 12 years have had many structural effects on the economy and the labor market. The relative size of businesses does change in response. Small firms, fewer than 50 jobs, are the most volatile and subject to change

during contractions and expansions. Large firms, over 500 jobs, tend to be the most stable but seem to be declining gradually in share of jobs over time. Small businesses have increased their share of total jobs as large firms have declined. Medium size firms, 50 to 499 employees have almost the same relative share of jobs with some increase.

Figure 3: Twelve-Month Moving Average of Private Sector Employment by Firm Size 2001–2012





2012 Ends with Solid Job Growth

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. In 2012, there has been job growth across all major industry groups with the exception of federal government employment. At the end of 2011, year-to-year payroll job growth was just above 4 percent. By mid-year 2012, employment growth had strengthened further in Mountainland with year-over growth at about 5 percent.

Unemployment in the region has subsided considerably from the recessionary peak of 8.2 percent at the beginning of 2010 to about 5.1 percent by September 2012.

Utah County

In June 2012, payroll jobs in Utah County were increasing by 4.8 percent over the previous 12 months, with 8,621 more payroll jobs than were recorded in June 2011. Employment opportunities were expanding in all but one of 17 major industrial sectors (see Figure 3). The largest percent increase in jobs occurred in construction at 17.9 percent, adding 1,979 jobs over the previous twelve months. The I-15 interstate rebuild, the NSA data center project and other commercial and industrial building construction provided the impetus for this strength in construction. Residential housing construction has begun to contribute to growth compared to last year.

Of special note is how new jobs are being added by so many industry sectors. Eight major industries added between 550 and 820 jobs from June 2011 to June 2012. Consistent, broad-based job growth across industries is indicative of a healthy labor market. The only sector shedding jobs is the federal government, down by 32 from June 2011 to June 2012.

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. By September of 2012, the unemployment rate had declined to around 5.0 percent with about 11,500 unemployed workers. Initial claims for unemployment benefits, while still above the incredibly low levels seen prior to the recession, are at their lowest levels in four years, averaging 196 per week in the third quarter of 2012.

The improvement and expansion in the Utah County labor market during the past couple of years has been reflected quite well in the gross taxable sales figures. Year-over taxable sales grew by seven percent in the second quarter of 2012. In the first quarter 2012, the year-over increase was 11 percent, the same as fourth quarter 2011.

Summit County

In 2011, Summit was the third most robust county economy in Utah, behind the energy-rich Uintah basin counties of Duchesne and Uintah. Year-over growth in jobs occurred in most industry sectors throughout 2011 with a rate at year's end of 6.9 percent in payroll employment, adding 1,654 jobs. The increase was propelled by leisure and hospitality jobs, which had strong growth all year with the additional help of an early start to the ski season. Another bright spot for the Summit economy was manufacturing, which grew by 27.9 percent, or 191 new jobs. Healthcare/social services ended 2011 by expanding by 9.0 percent with 80 new jobs.

In the first quarter of 2012, while continuing to grow, the Summit County labor market has slowed from the rapid pace of expansion seen in 2011. In the second quarter, job growth had once again strengthened. Total payroll employment grew by 6.0 percent in June 2012 compared to June 2011. Leisure/hospitality services increased by 588 jobs, trade added 131, professional/scientific/technical services contributed 127 and healthcare/social services grew by 127 jobs over the past 12 months (Figure 4).

The jobless rate topped out at 8 percent in November 2009 as a result of the recession. It receded to about 4.8 percent by September 2012. Initial claims for unemployment benefits are at their lowest levels in four years, averaging 23 per week in the third quarter of 2012.

Wasatch County

Wasatch County was a mixed bag in terms of job growth in 2011 with as many industries showing job losses as those showing job gains. On average in 2011, employment increased by 141 jobs or 2.4 percent over 2010.

Robust job growth returned in the spring and summer of 2012 to Wasatch County. Largest job increases have occurred in retail trade

2012 Ends with Solid Job Growth Cont.

with the opening of Wal-Mart in Heber Valley. June 2012 retail trade employment was up by 25.9 percent year-over with 226 new jobs. The new competitive retail environment is producing some job losses for other retailers and is also attracting other retailers into the area. It may be some time before this adjustment process is complete.

Other industries adding significant new employment were construction with 121 jobs, business administration/support/waste

with 78 jobs and leisure/hospitality at 57 jobs from June 2011 to June 2012.

Two areas of concern for Wasatch County in mid-year 2012 were manufacturing, which lost 55 jobs, and mining, shedding 46 jobs relative to 12 months earlier.

In 2012, the unemployment rate began at about 7.2 percent and declined to 6.1 percent by September. During the recession, unemployment peaked in Wasatch County at 9.9 percent at the end of 2009 through the spring of 2010.

Juab County

During 2010, the Juab County labor market exhibited a different pattern than was seen elsewhere in the Mountainland region and along the Wasatch Front. In Juab County, payroll employment returned close to levels seen in 2005. In 2010, average nonfarm jobs totaled 3,130, compared to 3,094 in 2005. During 2011, the county lost an additional 100 jobs, or 3.2 percent, to average 3,029 for the year. Two forces had a major impact on Juab County's economy in the intervening years between 2005 and 2011: first, the

Figure 4: Payroll Job Change from June 2011–June 2012 by Industry

	Utah County		Summit County		Wasatch County		Juab County	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Construction	1,979	17.9%	57	5.1%	121	17.5%	18	7.4%
Manufacturing	820	5.2%	52	6.7%	-55	-21.9%	3	0.5%
Trade	752	2.8%	131	4.0%	226	25.9%	3	1.0%
State Government	726	10.4%	0	0.0%	18	9.4%	0	0.0%
Healthcare/Social Services	687	3.4%	107	12.4%	13	2.7%	37	8.9%
Leisure/Hospitality	679	4.6%	558	8.8%	57	4.8%	-11	-4.0%
Admin Support/Waste(2)	644	6.1%	17	2.2%	78	26.1%	-3	-10.7%
Prof/Sci/Tech/HQ(1)	583	4.4%	127	16.2%	32	15.7%	-21	-15.3%
Private Education	551	2.9%	2	0.6%	19	36.5%	d	d
Information	551	6.8%	-1	-0.4%	-9	-8.6%	d	d
Financial Activities	272	4.5%	16	1.2%	27	10.8%	-4	-6.3%
Local Government	169	0.9%	20	0.8%	17	1.6%	-7	-1.0%
Other Private Services	162	3.7%	29	5.1%	9	5.4%	3	9.1%
Mining	46	55.4%	36	66.7%	-46	-80.7%	5	6.9%
Utilities	20	7.0%	-1	-2.1%	1	4.3%	d	d
Transportation/Warehousing	13	0.5%	27	10.0%	3	3.3%	5	15.2%
Federal Government	-32	-3.1%	-6	-7.6%	1	1.8%	1	3.3%
TOTAL	8,621	4.8%	1,167	6.0%	510	8.4%	24	0.8%

(1) Prof/Sci/Tech/HQ -- Professional/Scientific/Technical Services and Management of Companies (Headquarters).
 (2) Admin Support/Waste -- Administration and Support/Waste/Remediation Services.
 d = Not shown to avoid disclosure of individual firm data.

construction of the Current Creek Power Plant in Mona from 2006 through 2007, and second, the national and state recession.

The construction of the power plant had a large positive impact on jobs, incomes and economic activity. This activity provided considerable economic impetus in 2008 and blunted some of the recessionary impacts of 2009. In 2010, Juab experienced overall employment declines instead of the beginnings of renewed job growth that occurred in other counties of the region. The

loss of economic momentum continued to plague the county economy in 2011.

In June 2012, Juab experienced a year-over job increase of 0.8 percent, or 24 new jobs. The goods-producing industries (mining, construction and manufacturing) added 26 new jobs and healthcare/social services grew by 37 jobs. Professional/business services cut back by 24 jobs and leisure/hospitality shed 11 jobs.

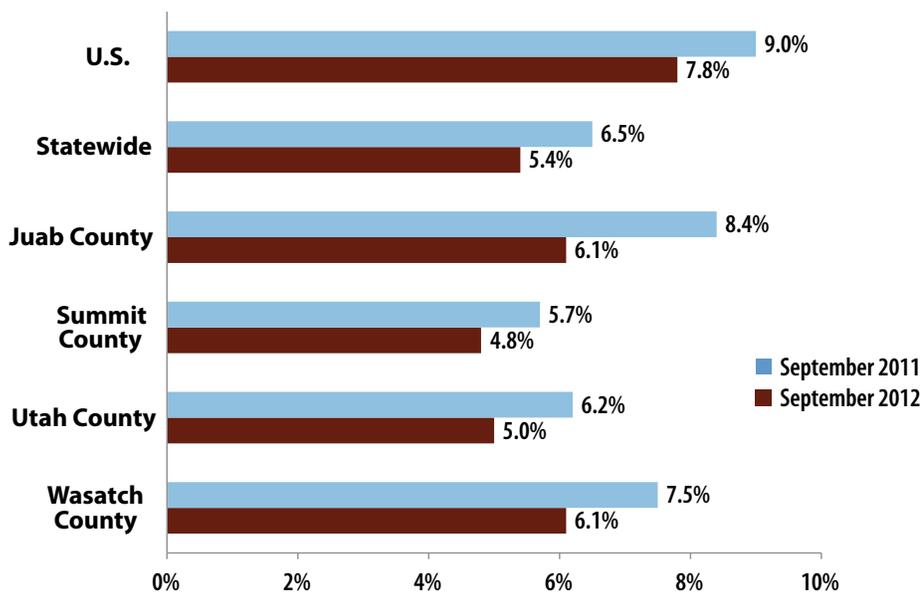
Outlook

Overall for Mountainland (Utah, Summit, Wasatch and Juab Counties), robust job

growth and a much improved labor market will characterize economic conditions through the end of 2012. The unemployment rate has declined at a relatively favorable rate of 5.1 percent.

The expected continuing employment growth above 4 percent should generate enough new payroll jobs by December 2012 to surpass the previous record number of jobs in December 2007 at the onset of the Great Recession. It will have taken five years to return to the previous employment peak.

**Figure 5: Unemployment Rate Comparison with Mountainland Counties
September 2011–September 2012**





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Small Business Job Creation

BY MELAUNI JENSEN

In August of this year, DWS turned out a new program created specifically for small businesses — that is businesses that have at least 2 employees but fewer than 100. The department recognized the challenges these businesses face in creating new jobs and helping to build their business in a profitable way. To help strengthen the economy, the program focuses on small-business job creation. This program is called BRIDGE, an acronym for Business Opportunity, Readiness Skills, Implementation, Demand, Growth and Employment Creation.

As revealed in the Fall 2012 issues of *Local Insights*, the Department of Workforce Services is responsible for protecting the investment of employers who contribute to the Unemployment Insurance fund and the employees who work for them. In Utah, there are currently over 84,000 business locations that are covered by the Employment Security Act, and 94 percent of those are private businesses with fewer than 100 employees. Of that group, 90 percent of businesses employ fewer than 20 people. This equates to just over 1,100 business locations, both public and private, which employ 250 or more workers.

Owning a small business can bring difficulties that large businesses do not share. Essentially they need to employ enough workers to sufficiently cover the essentials but still bring in enough money to make a profit. This can be difficult when coming up against unforeseen expenses: equipment breaks down, the cost of goods rise or a natural disaster hits. A small business will also need to manage

time efficiently as it tries to grow and run its everyday operations. This can be even more essential in industries that have trouble finding skilled labor and need to provide on-the-job training. The Bridge Program was designed to help offset the cost associated with hiring a new employee, such as advertising, interviewing and training. In just over three months since its inception, 82 companies throughout the state have applied for this program, creating 277 new jobs in the workforce.

This program is funded entirely by penalty and interest payments that have been collected from the Utah Unemployment Compensation Fund and thus requires all approved applicants to participate and be current on all Unemployment Insurance payments. Bridge funds are also provided on a first-come, first-served basis, and businesses are only allowed to apply once per year. As the goal is to create new jobs, a new hire cannot replace an existing position and must be retained for at least 12 months after creation. Qualifying jobs must also pay at least 80 percent of the County Small Business Average Wage; these guidelines can be found in the master packet on the DWS website. Each approved applicant will receive a reimbursement according to the wage and employment status from their new hire, helping alleviate the cost for these businesses.

For more details on how you can participate in this program, contact the nearest employment center, call 1-888-920-9675 or look online at jobs.utah.gov/employer/bridge/index.html.