



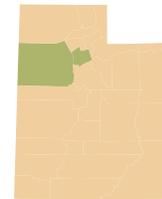
## Greater Job Share in Small Firms

### and the Recession

BY JIM ROBSON, ECONOMIST

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

### in this issue:

**Greater Job Share in Small Firms** ..... 1

*Small businesses with fewer than 50 employees have increased their share of total private employment since 2000.*

**Solid Labor Market Improvement** ..... 5

*Continuing robust job growth occurred across all major industry groups with the exception of federal government employment, which continues to shed jobs.*

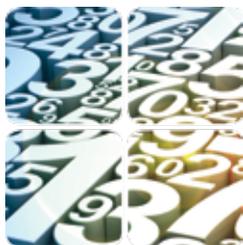
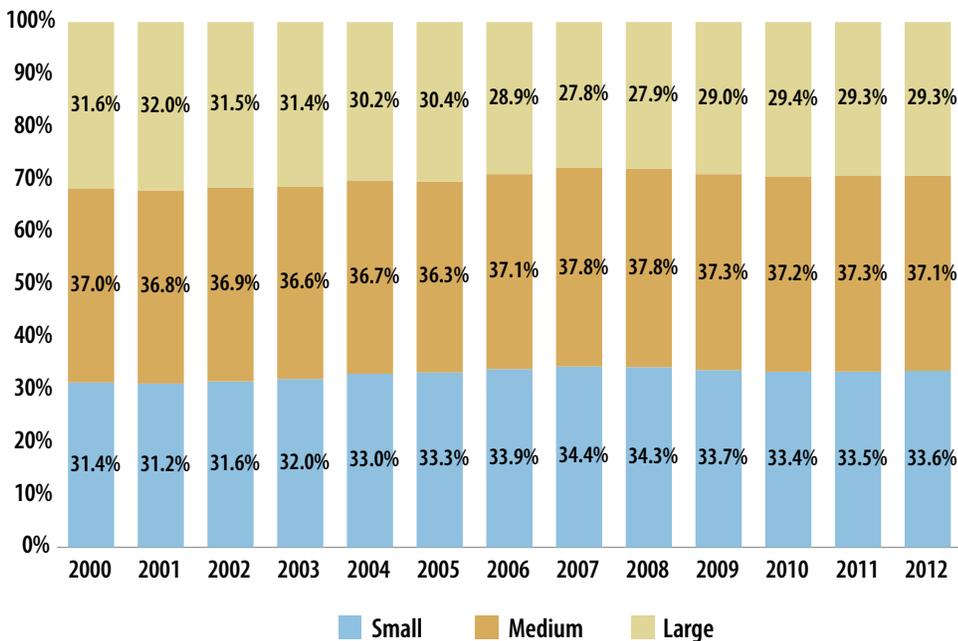
**Small Business Job Creation**..... 8

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

**Figure 1: Wasatch Front South Average Annual Private Sector Employment by Firm Size • 2000–2011**



Figure 2: Wasatch Front South Percent of Private Sector Employment by Firm Size • 2000–2012



**Greater Job Share in Small Firms Cont.**

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 Wasatch Front South (Salt Lake and Tooele Counties) in 2011 there were about 36,000 private worksites reported to DWS where 503,216 people were employed.

In addition, federal, state and local governments employed 95,760 workers at about 830 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.

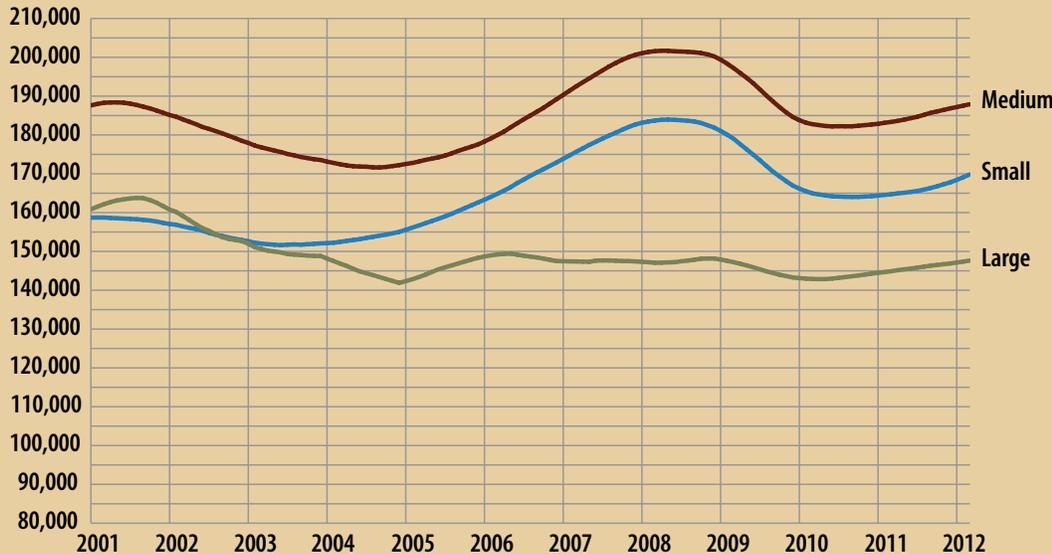
In this examination, worksites are divided into three size classes: small, medium and large. These categories correspond to standard definitions of firm size used by the U.S. Bureau of Labor Statistics. Small refers to businesses that employ between 1 and 49 workers, medium firms employ between 50 and 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

**Figure 3: Wasatch Front South 12-Month Moving Average of Private Sector Employment • 2001–2012**



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

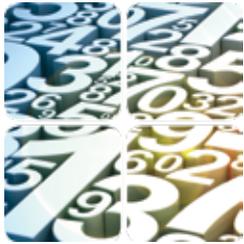
From 2000 through 2011 there have been two recessions and recoveries. The first recession began in March 2001 with the popping of the “dot-com bubble” and ended in November 2001 with the resumption

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 were as many jobs in WFS in 2008 as there were in 2007. 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 manifest 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, as the economy slowly began expanding, job losses continued until 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.



## Greater Job Share in Small Firms Cont.

### 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 505,924 total private-sector jobs; small firms accounted for 158,709 (31.4 percent), medium firms 187,124 (37.0 percent) and large firms 159,000 (31.6 percent). After the 2001 recession (March to November) and two years (2002 and 2003) of jobless recovery, all firm sizes lost private sector employment with the largest declines occurring in medium and large businesses. Small businesses increased their share of employment in 2003 to 32.0 percent. Overall total private jobs were 474,478 in 2003, or 31,446 below 2000.

The next four years, 2004 through 2007, were characterized by an expansion and housing bubble. By 2007, private jobs had increased to 530,790, a growth of 61,639 jobs. Most of this increase occurred in medium and small firms, expanding by 28,447 and 27,670 respectively from 2004. By 2007, the employment share of medium and small firms hit a high of 37.8 percent and 34.4 percent, respectively. Large firms accounted for their lowest share of jobs over the 12-year period — 27.8 percent.

Finally the last four years, 2008 to 2011, include the Great Recession and slow recovery. In 2008, private firms averaged a total of 530,338 positions, a few hundred

jobs fewer than in 2007. After the large job losses of 2009 and more declines in 2010, private employment averaged 491,200 in 2010, a drop of almost 39,600 jobs, or down 7.5 percent from 2007.

In 2011, private employers restored 10,337 jobs. The share of employment by firm size stood at 33.5 percent for small firms, 37.3 percent for medium and 29.3 percent for large. After 11 years, recessions and the housing bubble, small businesses had increased their share of private employment by 2.1 percent, medium firms increased by 0.3 percent and large firms decreased by 2.3 percent.

One sobering note is that after 11 years and 17-percent population growth, private sector jobs in WFS (Salt Lake and Tooele Counties) in 2011 were 501,538, which is 4,386 below the 505,924 recorded in 2000.

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.

Small firms with fewer than 50 employees are the most volatile during economic contractions and expansions.



# Solid Labor Market Improvement

BY JIM ROBSON, ECONOMIST

The Wasatch Front South labor market improved during the spring and summer of 2012 with employment growth between 3.5 and 4.0 percent on a year-over basis. The region's unemployment rate dropped below 5.0 percent. The economy will continue to expand through the end of 2012 with healthy job growth and stable unemployment. Labor market conditions have improved considerably over the past two years. Continuing job growth occurred across all major industry groups with the exception of federal government employment, which continues to shed jobs. An improving labor market will continue to characterize economic conditions into 2013.

## Salt Lake County

Employment opportunities have been expanding in most of the major industrial sectors with overall year-over job growth approaching 4 percent during the summer of 2012. The most new jobs are being created in trade, professional/business services, manufacturing and leisure/hospitality services.

Of course, the construction industry suffered the most significant job losses during the recession. It has added jobs throughout 2012 compared to the levels recorded in 2011. Admittedly, while construction is growing, it is expanding from a base level of total employment that is still far below the levels before the recession. In June of 2012, construction jobs had grown by 1,800, or 6.1 percent,

Figure 4: Payroll Job Growth for Wasatch Front Counties by Major Industry • June 2011–June 2012

	Salt Lake County		Tooele County	
	Count	Percent	Count	Percent
Trade	4,609	5.1%	103	5.9%
Prof/Sci/Tech/HQ(1)	3,364	6.3%	93	14.8%
Admin Support/Waste(2)	2,246	5.4%	-396	-18.8%
Manufacturing	2,206	4.7%	76	5.3%
Leisure/Hospitality	1,875	3.7%	29	1.7%
Construction	1,807	6.1%	160	25.4%
Local Government	1,347	8.4%	-2	-0.9%
Transportation/Warehousing	1,287	3.4%	1	0.5%
State Government	1,072	4.1%	47	5.3%
Information	1,053	1.9%	1	0.1%
Healthcare/Social Services	786	1.8%	6	0.2%
Private Education	611	6.2%	9	7.8%
Mining	473	14.5%	-5	-6.1%
Other Private Services	464	2.6%	30	8.5%
Financial Activities	190	0.4%	-1	-0.3%
Utilities	6	0.4%	2	8.0%
Federal Government	-507	-4.7%	-193	-10.4%
<b>Total</b>	<b>22,889</b>	<b>3.9%</b>	<b>-40</b>	<b>-0.2%</b>

(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.

**Solid Labor Market Improvement Cont.**

above the level recorded one year earlier. Of 17 major industrial groups, only 1 sector lost jobs from June 2011 to June 2012 (see figure 4). Federal government employment has declined by 4.7 percent, a drop of 507 jobs over the past year.

Overall, nonfarm payroll employment in Salt Lake County is expanding at a healthy pace, with June year-over job gains reported by employers totaling 22,889, growth of 3.9 percent. Survey information indicates that the expansion of jobs continued through the summer and into the fall of this year between 3.5 to 4.0 percent growth on a year-over basis.

**Unemployment**

The seasonally adjusted unemployment rate in Salt Lake County peaked in November 2009 at 8.1 percent as a result of the recession. Over the past three years, the unemployment rate has declined gradually and at times paused briefly and then continued its downward trend. In September 2012 it had dropped below 5 percent, with about 27,250 residents unemployed. 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, averaged 617 per week in the third quarter of 2012.

The stabilization, improvement and expansion in the Salt Lake County labor market since mid-year 2010 have been reflected quite well in the gross taxable sales figures. For nine consecutive quarters, second quarter 2010 through second quarter 2012, Salt Lake County year-over sales tax collections have been positive. The second quarter 2012 year-over taxable sales were up by 8 percent, somewhat lower than the first quarter year-over increase, which was 11 percent.

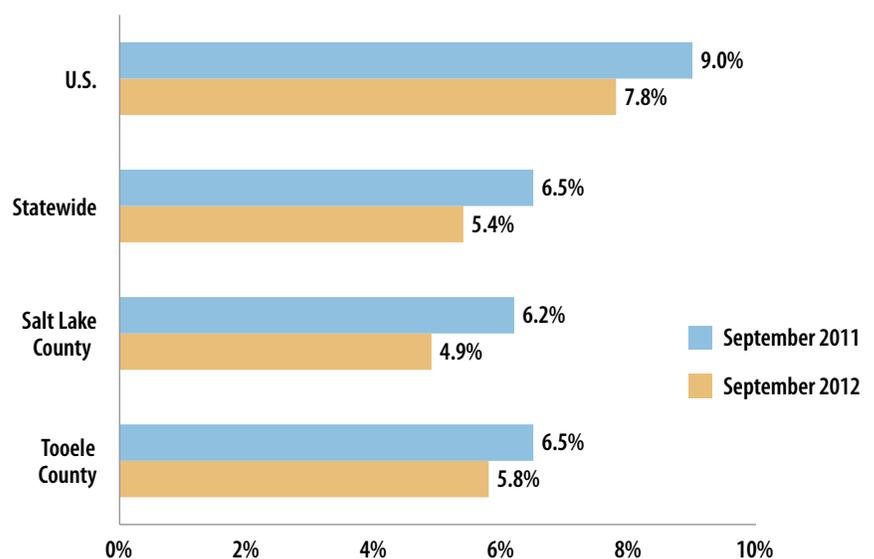
**Construction Activity**

As discussed earlier, construction has been the hardest hit industry with the most significant job losses as a result of the recession. Salt Lake County construction activity hit bottom in 2010. While it is true that construction employment levels did not increase during 2011, overall measures of activity are off the bottom. In 2011, housing unit permits and valuations were up by 9.7 percent and 20.7 percent respectively. Admittedly these were not increases in single-family homes but in multi-family dwellings. In 2011, non-residential permitted valuations were up by 103 percent and total construction valuations were up by 49.9 percent over 2010 levels.

From January through July of 2012, overall construction activity, as measured by total permitted value of construction compared to same seven months a year ago, is down by 16.8 percent. There has been less activity in commercial, industrial, apartments and condominiums compared to 2011. As noted earlier, construction employment has actually increased in 2012 in Salt Lake County.

This can be attributed to a 50 percent increase in single-family home permits, with 1,211 year-to-date July 2012 permits compared to 746 for the same period in 2011. The valuation of the single-family permits is 33.1 percent higher than the valuation last year.

**Figure 5: Unemployment Rate Comparison with Wasatch Front Counties • September 2011– September 2012**



## Tooele County

Tooele County's labor market experienced the transformation from an economy in recession to expansion during 2010. Year-over growth in jobs occurred in most industry sectors during the second-half of the year, driven by increases in the goods-producing industries of mining, construction and manufacturing.

As was the case along most of the Wasatch Front, year-over job growth returned to Tooele County in the last six months of 2010. In December of 2010, jobs increased by a healthy 3.0 percent compared to the previous December with construction and manufacturing leading the way. The job expansion that looked so promising in the spring of 2011 halted and reversed course by the end of the year. In December of 2011, Tooele County recorded a year-over net job loss of 140. Private sector companies in the county added 117 jobs and government (federal, state and local) shed 257. It is rare to see year-over government job losses by all three levels of government.

In June of 2012, on a year-to-year basis Tooele County lost 40 payroll jobs. During this time, federal government employment declined by 193 and administration/support/waste services was reduced by almost 400 positions. Four industries added between 75 and 160 jobs — construction, trade, professional/scientific/technical/headquarters and manufacturing. Of the 17 industries detailed in Figure 4, the net effect from June 2011 to 2012 was 40 jobs lost.

### Economic Sluggishness

The Deseret Chemical Depot finished its assignment: the destruction of the largest stockpile of U.S. chemical weapons, located in Tooele County. This does not mean that

this facility is closed. It will take over two years to decommission the facility and close it down. However, related job losses will occur at various stages throughout 2013 and 2014.

Direct job reductions will impact waste management, professional/scientific/technical services and federal defense industries. The loss of about 1,000 direct jobs, with associated declines in incomes and expenditures will result in reductions of about 300 to 500 additional jobs throughout Tooele County and the larger regional economy.

The current economic sluggishness in Tooele County is the result of several factors: the past recession, federal job cuts, reductions in the waste management services industry, the new county jail operating significantly below expectations and county government budget and personnel cuts.

The labor market outlook in Tooele County for the next few years is contraction with the ongoing employment reduction from closing DCD. Business and government leaders will be working hard to generate new and compensating economic activities and growth. Tooele is of course part of the greater Salt Lake Metropolitan area and has access to this wider labor market. Between 40 to 50 percent of county residents with payroll jobs commute to the Salt Lake area for employment. The current relative strength in the Salt Lake County labor market should provide support to Tooele County residents during this period of transition.

The lack of job growth in Tooele County is reflected in a somewhat higher unemployment rate of about 5.8 percent at the end of summer 2012 compared to the 4.9 percent rate in Salt Lake County.

## Outlook

Overall for Wasatch Front South (Salt Lake and Tooele Counties), continuing job growth and a gradually improving labor market will characterize economic conditions through the end of 2012. The improving labor market has brought down the unemployment rate to about 5 percent. Because of the considerable slack created in the labor market during the recession and subsequent slow recovery, the unemployment rate will likely continue to range between 5.0 and 5.8 percent in coming months.

The expected continuing employment growth above 3 percent should generate enough new employment by the middle of 2013 to surpass the previous record number of jobs achieved at the end of 2007 at the onset of the last recession.

**Continued  
job growth is  
forecast for Salt  
Lake and Tooele  
Counties.**



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:* Jim Robson  
 jrobson@utah.gov • (801) 526-9626

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

# 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](http://jobs.utah.gov/employer/bridge/index.html).*