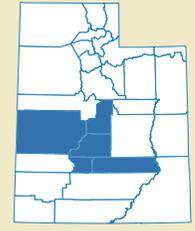


localinsights

An economic and labor market analysis of Central Utah

centralutah



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Central Utah Counties' Economic Recovery is Lethargic

By Lecia Parks Langston, Economist

While a majority of central Utah counties showed job gains with the latest release (second quarter 2014) of nonfarm jobs data, the region has failed to mimic the strong economy of the state overall. The three largest counties—Millard, Sanpete, Sevier—added jobs, but year-to-year growth rates measured below the 2 percent mark and have yet to achieve a stable and broad-based economic expansion.

Wayne and Piute counties both lost jobs. Wayne County continues to struggle through the loss of its largest employer. Piute County has shown job gains in only four months since the beginning of the recession. Compared to Piute County's peak nonfarm employment in 2007, nonfarm employment has decreased by 30 percent.

Despite a recent lackluster performance in the jobs arena, unemployment rates in all counties continued to trend downward. This decline reflects, in part, the out-migration of jobless workers. Rates measure from a full-employment environment in Millard County (3.1 percent) to Wayne County's highest-in-the-state 9.1 percent.

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Millard County

- Between June 2013 and June 2014, Millard County's nonfarm jobs increased by roughly 20 positions, a 0.5 percent increase.
- This marginal expansion conceals a wide variety of industry-level performances.
- While manufacturing, transportation/warehousing, information, education/healthcare/social services and government made notable additions to the county's job totals, losses in construction, retail trade and leisure/hospitality services almost offset those gains.
- A mid-August surge in first-time unemployment claims for the manufacturing industry implies the industry may show contraction when third quarter data are available.
- At 3.1 percent, joblessness remains remarkably low according to unemployment rate estimates.
- Gross taxable sales slipped into negative territory as the year progressed. Between the second quarters of 2013 and 2014, sales dropped by 7.9 percent.
- Compared to unusually high expenditures in second quarter 2013, a drop in wholesale trade sales accounted for a large portion of the decline. Notable declines occurred in information and real estate/leasing as well.
- Increases in business expenditures and gasoline stations helped soften the overall sales hit.

- Other than the swell in manufacturing claims, first-time claims for unemployment insurance remain low.

Piute County

- Piute County lost 35 jobs between June 2013 and June 2014, shedding almost 14 percent of its nonfarm total.
- Losses in trade/transportation/utilities compounded declines in leisure/hospitality services and government.
- The county's unemployment rate measured 4.5 percent in August 2014, which represents almost a full percentage-point drop over the previous 12 months.
- A contracting labor force coupled with significant commuting to outside jobs helped lower joblessness.
- First-time claims for unemployment insurance remain low.
- Gross taxable sales increased 19 percent between the second quarters of 2013 and 2014.
- Most of the sales gain resulted from an adjustment to sales figures for a prior period.
- Business expenditures plus stronger sales at food/beverage stores and gasoline stations helped drive up sales totals.

Sanpete County

- Between June of 2013 and June 2014, Sanpete County added nearly 140 net, new jobs for a growth rate of roughly 2 percent.

current events

MASSIVE GREEN-ENERGY PROJECT TAPS SALT CAVERNS NEAR DELTA

A massive \$8 billion project that would produce more than double the amount of energy generated by Hoover Dam taps some of the most unique and deep salt caverns found in the world—just outside of Delta in Millard County. The salt domes for compressed air energy storage are the biggest structures of their kind west of the Mississippi. — *Deseret News*

CONSTRUCTION ON RICHFIELD REGIONAL AIRPORT ALMOST COMPLETE

The new Richfield Regional Airport recently held a grand opening. While there are still some buildings to be constructed and stripes to be painted, the majority of the airport expansion and reconstruction project is finished. The \$28 million undertaking was completed with the Federal Aviation Administration providing between 90 and 95 percent of the funding. — *The Richfield Reaper*

CIB APPROVES \$400,000 FOR WALES ROAD SURFACING PROJECT

Wales is resurfacing all the streets in town with some help from the Utah Community Impact Board (CIB). The town applied to the Community Impact Board (CIB) for a \$125,000 loan and \$275,000 grant. The CIB notified the city that they were providing the whole \$400,000 in a grant. — *Sanpete Messenger*



For more current events: <http://utaheconomycentral.blogspot.com/>

- The largest employment gains originated in the public sector, with nearly 120 additions in state and local government.
- In the private sector, professional/business services took the lead, which includes temporary employment services. Growth here is often a precursor to more permanent expansion in other industries. Manufacturing also added a notable number of jobs.
- Many of the county's industries continued to contract. In particular, employment dropped significantly in mining, construction and transportation/warehousing.
- As in most Utah counties, Sanpete County's joblessness continued to trend downward. Over the past 12 months, the unemployment rate has dropped almost a full percentage point to measure 4.7 percent in August 2014, the lowest it has been since late 2008.
- Gross taxable sales turned in a robust report. Between the second quarters of 2013 and 2014, sales increased by more than 7 percent. This improvement follows the slow-to-no growth of 2013.
- Business expenditures in utilities and manufacturing coupled with gains in motor vehicle, gasoline, food and general merchandise store sales helped produce this quarter's banner figures.
- Initial claims for unemployment insurance continue a downward trend, with most claims accruing from industries with a seasonal or temporary element.

Sevier County

- Sevier County employment growth in June 2014 measured 1.6 percent on a year-to-year basis, representing a gain of nearly 130 jobs.
- A 114-job loss in transportation/warehousing stymied overall expansion.
- The leisure/hospitality industry generated the largest number of new jobs followed by mining, retail trade and professional/business services.
- The unemployment rate slipped to 4.1 percent in September 2014.
- The jobless rate has declined by a full percentage point over the past 12 months and registers only slightly higher than the statewide figure of 3.5 percent.
- The area's year-to-year change in second quarter 2014 gross taxable sales measured a tepid 1.7 percent.
- Sales growth was tempered by a decline in the variable business expenditure category. In particular, manufacturing figures dropped dramatically in comparison with second quarter 2014.
- Strong sales in general merchandise stores, rental/leasing establishments and building materials stores more than offset the business-expenditure declines.
- As in most counties, Sevier County's low level of initial claims for unemployment insurance primarily connected to temporary and seasonal industries.

Wayne County

- Between June 2013 and June 2014, Wayne County lost about

10 jobs for a decline of just less than 1 percent.

- Drops in leisure/hospitality services and the public sector dragged down the employment totals.
- Counteracting a portion of the job loss, construction and manufacturing created a significant number of new positions.
- The county's jobless rate measured 9.1 percent in September 2014, down more than two full percentage points from September 2013, but remains the highest in Utah.
- Much of the residual unemployment can likely be traced to the closure of the county's largest employer in 2012.
- Initial claims for unemployment insurance remain low and characteristically relate to seasonal or short-term employment.
- With a 5.4 percent year-over gain in gross taxable sales, Wayne County marked more than one year of positive sales gains.
- Construction business expenditures combined with improved sales in accommodations and food services to produce the healthy gross taxable sales improvement.

Central Utah Economy

at a glance

Year-to-Year Change
in Nonfarm Jobs
June 2014

1.9%
United States

2.8%
State of Utah

0.5%
Millard County

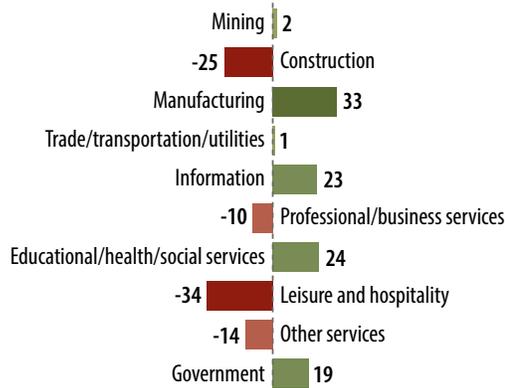
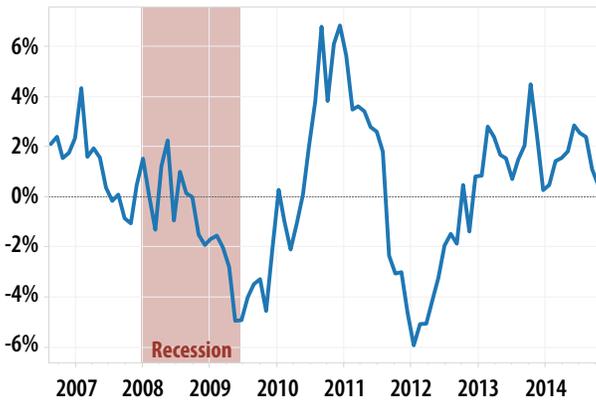
-13.5%
Piute County

1.9%
Sanpete County

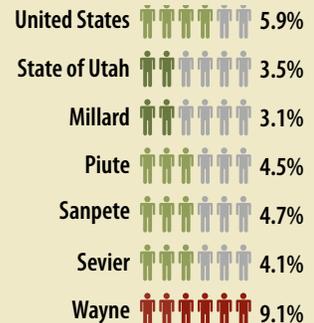
1.6%
Sevier County

-0.9%
Wayne County

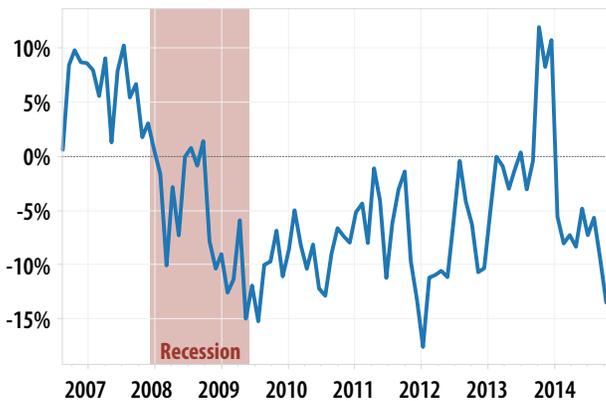
Millard County Job Growth June 2014 **19**



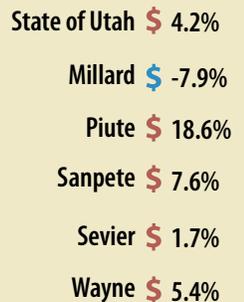
Seasonally Adjusted Unemployment Rate

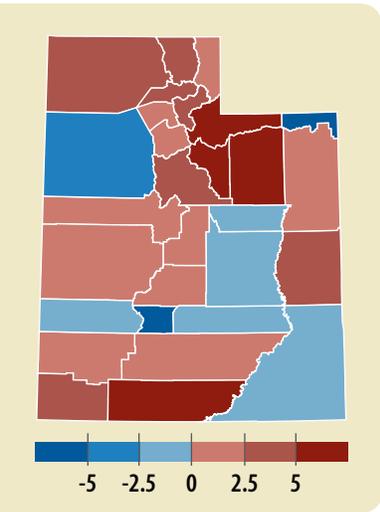


Piute County Job Growth June 2014 **-35**

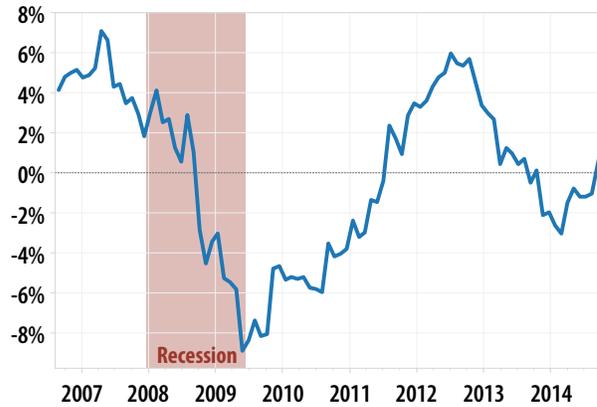


Year-to-Year Change in Gross Taxable Sales

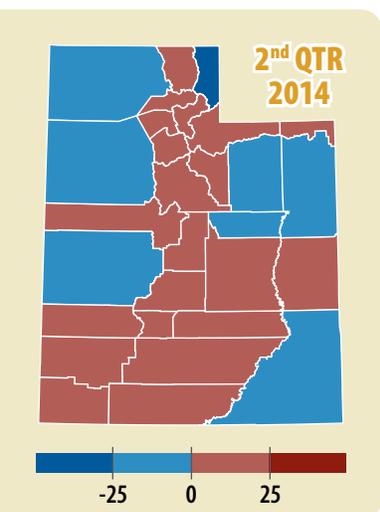
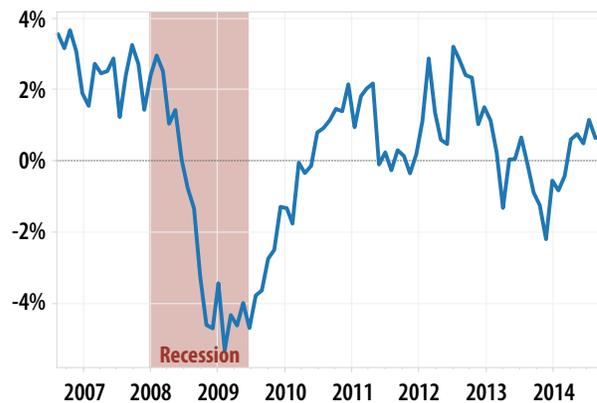




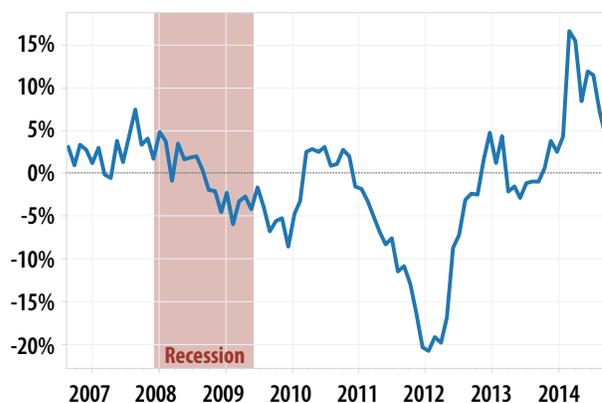
Sanpete County Job Growth June 2014 ↑ 136



Sevier County Job Growth June 2014 ↑ 128



Wayne County Job Growth June 2014 ↓ -10





Wage Data for Hires May Provide an Early Indicator of Business Cycle Change in Central Utah

By Lecia Parks Langston, Economist

Wages and earnings—it’s a subject that fascinates most of us who work for the weekend. Data from the Local Employment Dynamics program provides a broader picture of wage behavior during the most recent recession and recovery than was previously available. Tracking wage data can provide one more gauge of the economic cycle. Moreover, wages of the recently hired prove much more responsive to the economic cycle and can provide a front-running signal of change.

The wages examined in this article represent only “stable” hires and jobs; those lasting at least a full calendar quarter. Using stable hire and job counts eliminates the variability due to temporary employment. Because average-earnings data presents a very seasonal pattern, a four-quarter centered moving average was used to track cyclical effects.

The Average Hire Wage Responds More Directly and Rapidly to the Business Cycle Than the Average Wage.

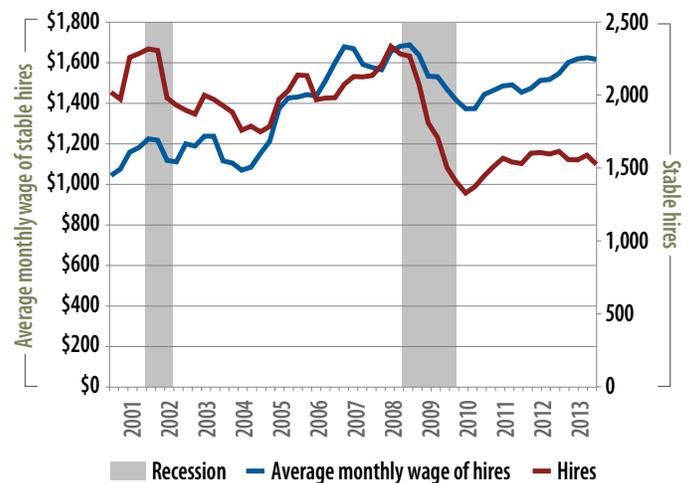
Because of its relatively small labor force, the trends apparent in the central Utah average hire wage appear more erratic than in areas with a larger population base. However, in general, the same principles apply. As is apparent in statewide data, the hire average wage for central Utah proved more reactive to economic downturn and expansion than did the average wage for all jobs. Both wages increased significantly during the economic expansion. However, the average hire wage peaked earlier and lost ground more rapidly than the all-job figure. With some minor vacillation, the average wage for hires plateaued from 2006 through 2008 while the all-job average wage trended upward throughout the recession. In addition, the drop in hire wages during the recession proved rather dramatic—almost 16 percent.

This behavior suggests that scrutinizing the average hire wage may provide a recessionary early-warning in the future. If the average wage of hires starts to plateau, it likely suggests that the economy is starting to cool.

Typically, the Labor Market Must Be Expanding and Near “Full-Employment” to Drive Wages Up.

Economic theory and common sense suggest that wages would rise during an economic expansion and decrease during a recession. However, several caveats should be attached to this generalization. During the early days of an

Figure 1: Central Utah Stable Hires Average Monthly Wage and Stable Hires Four-Quarter Centered Moving Averages



Source: U.S. Bureau Local Employment Dynamics.

expansion, average wages often do not show strong gains. Why? Many entry-level jobs are being added with their coincident lower wages. This phenomenon tends to drag down the average wage. Average wages do not start to rise significantly until the labor market starts to get tight, with a relatively low percentage of unemployed. This pattern was obvious during the recovery from the 2001 recession.

“Only in our dreams are we free. The rest of the time we need wages.” — Terry Pratchett

In the post-recession era, the average hire wage for all jobs has slowly increased in central Utah. Unlike many regions in Utah where the average hire wage has stagnated in recent years, the central Utah average hire wage has trended upward since 2010. This occurred despite a spotty hiring performance and job loss in several areas. Nevertheless, hiring wages have not increased as rapidly as during the 2005–2007 expansion.

Several large-employment industries in central Utah demonstrated a strong increase in hire wages from 2010 forward. In particular, the average hire wage in retail trade, the public sector, mining and manufacturing displayed notable gains which helped push average wages up.

When juxtaposed, the relationship between the surge in hiring during the 2005–2007 boom and wages in central Utah becomes abundantly clear. However, the driving increase in the average hire wage did not occur until roughly 2004, right when unemployment rates started to plummet. Rates certainly reached what economists designate “full-employment” prior to the recession. In most central Utah counties, the 2008 jobless rate measured 3 percent or less.

Average Wages May Increase During a Recession.

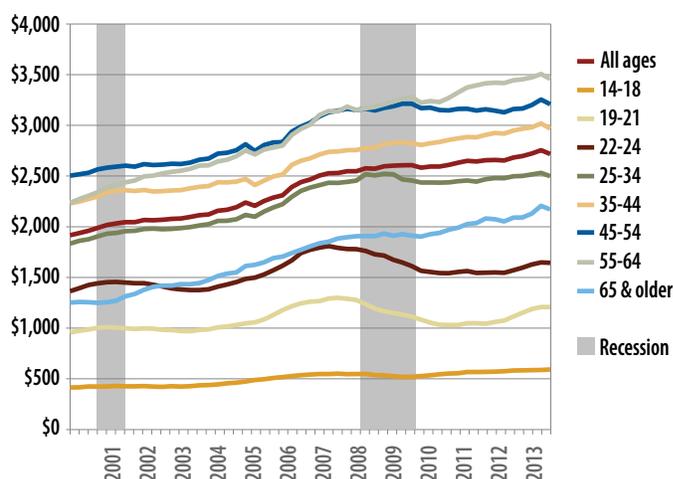
During both of the most recent recessions, average wages actually increased in central Utah. While surprising, it’s not an uncommon occurrence. As the newly-hired, lower-paid are let go, those with more experience and higher-wages are retained which nudges average wages upward.

Wages for Different Demographic Groups and Industries May Behave Differently Than the Average.

- The average hire wage decreased more dramatically for women than it did for men during the 2007–2009 recession.

- Between 2000 and 2013, the average wage for those 55 and older showed the strongest historical gains.
- Unlike most other age groups which displayed increasing wages, the average wage for 19- to 24-year-olds declined dramatically during the recession and has only recently shown an uptick.
- In the post-recession time period, young (14 to 18 years of age) central Utah workers’ average wage has shown little improvement.
- The hiring wage of construction industry workers increased dramatically during the height of the recession as government stimulus monies spurred growth in higher-paying heavy construction.
- During the recession, the average hire wage for manufacturing workers trended upward, although average wages held steady.
- The average hire wage of transportation/warehouse workers peaked in 2010 and has trended downward from that point on.

Figure 2: Central Utah Average Monthly Wage Four-Quarter Centered Moving Average



Source: U.S. Bureau Local Employment Dynamics.



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An Open Job is an Economic Opportunity

By Mark Knold, Supervising Economist

This issue of Local Insights features new hire profiles. We look at the Central Utah economy in relation to hiring volume, new hire wages, hire demographics and industry activities. The intent is to evaluate the opportunity trends in the region.

The question is: what do working people want from the economy? They want their skills utilized, they want job opportunities, and they want those two to manifest themselves in maximum monetary compensation. As people’s skill sets are broad, varied and individualized, it is difficult to find data that quantifies how well an economy does or does not match skill sets. But economic theory suggests that free market interchange between employers and potential employees is always working in that direction.

Opportunities are easier to assess. Each new hire represents an individual taking advantage of a labor market opportunity. Evaluating a database that includes hire variables means one is working with a proxy for labor market opportunities.

Economies are not static; they ebb and flow. Growing and expanding economies create more job openings and opportunities; slowing and recessionary economies diminish labor market opportunities. These changing

conditions bring corresponding fluctuations in the rewards associated with the opportunities. Initial hire compensation tends to increase in strong economies and lessen in weaker ones.

“I believe in the dignity of labor, whether with head or hand; that the world owes no man a living but that it owes every man an opportunity to make a living.”

— John D. Rockefeller

Gauging opportunities means not just having the “job door” open, but also assessing how many people are trying to squeeze through that doorway. If a surplus of people (laborers) are trying to get in, the gatekeepers (employers) do not need to offer as much incentive to lure people through the door. Conversely, fewer interested laborers means that employers have to offer higher wages.

New jobs in the economy symbolize opportunities. That is why we have evaluated the hiring trends in Utah’s Central region, in addition to looking at the current economic indicators of these Utah counties.