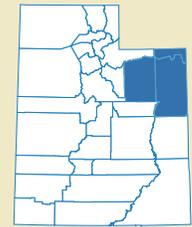


localinsights

An economic and labor market analysis of the Uintah Basin

uintahbasin



in this issue

- Regional Payroll Employment Growth Exceeds State Average 1
- Current Events..... 2
- Uintah Basin Economy at a Glance 4
- Regional New-Hire Trends During the Recovery..... 6
- An Open Job is an Economic Opportunity 8

Regional Payroll Employment Growth Exceeds State Average

By Tyson Smith, Economist

We often take gradual economic improvement for granted. This has especially been the case following the Great Recession, which set Utah employment back considerably. The state lost nearly 100,000 payroll jobs from the end of 2008 to the beginning of 2010. But, while the recovery has seemed tepid at times, Utah’s economy has steadily expanded faster than the U.S. for over three years.

The Uintah Basin region felt the effects of the downturn starting in 2009, when the labor market shed 2,626 jobs from the previous year. Overall, 2010 also brought job losses, though by the end of the year Uintah and Duchene counties began adding jobs at a substantial rate. The tide really turned during the next two years when the region added over 3,300 payroll jobs. Year-over growth rates were 7.5 percent and 7.8 percent in 2011 and 2012, respectively. In 2013 however, the Uintah Basin lost momentum, and employment contracted slightly. So far, this year appears to be a reversal of last year’s trend with second quarter employment growth outpacing the state average.

contact

Regional Economist:

Tyson Smith
tysonsmith@utah.gov • (801) 526-9709

Workforce Development Specialists:

Nicole Steele
nstele@utah.gov • (435) 636-2319

Robert Gilbert
bobgilbert@utah.gov • (435) 722-6536

Kelly Thornton
kthornto@utah.gov • (435) 719-2630



Duchesne County

- Duchesne County's payroll job growth in second quarter 2014 accelerated to an annual rate of 5.6 percent, the third fastest year-over job growth in the state and 2.8 percentage points faster than the Utah average. In total, the region added 518 jobs from second quarter 2013. Mining firms had notable gains of approximately 15 percent. The mining industry includes all oil and gas activities, making growth in this industry particularly important to the county.
- The county seasonally adjusted unemployment rate remained at 2.8 percent in September, well below the state average. Such low levels of unemployment are not unheard of in Duchesne County, but the relatively low rate suggests that the job market is getting considerably more competitive.
- As the Duchesne labor market picked up steam in the second quarter of 2014, so too did average wages. Year-over average monthly wages grew 6.7 percent, exactly 5 percentage points faster than the Utah rate. As the labor market gets tighter, there should be upward movement in employee compensation, especially when a large portion of the additional jobs are in high-paying industries like mining.
- Taxable sales in Duchesne stayed relatively unchanged between the second quarters of 2013 and 2014, falling 0.2 percent during the year.

Business investment purchases in manufacturing increased by just over \$8.1 million (62.1 percent) from second quarter 2013, the largest annual increase in the county. But, these gains were offset by year-over business investment declines in mining, utilities and wholesale trade totaling \$9 million.

- Year-over home sales climbed 27.5 percent in the third quarter of this year according to the Utah Association of Realtors. In total, 65 homes sold in Duchesne County in third quarter at a median price of \$181,950 (down 4.2 percent from 2013). Though the housing market has come a long way since 2009, sales across the state were flat in between the third quarters of 2013 and 2014.

Uintah County

- Year-over payroll employment in Uintah County grew 2.2 percent in second quarter 2014. Growth was driven by the goods-producing industries, which increased 5.3 percent. Mining and construction employment both grew almost 6 percent from the previous year, adding a combined 239 jobs over the year.
- Like Duchesne County, Uintah County boasted one of the lowest seasonally adjusted unemployment rates in the state at 2.9 percent in September. The number of unemployed workers in the county has fallen by 100 people over the last 12 months to 525. As the amount of readily available labor dissipates,

current events

COUNTY COMMISSIONER TO RETIRE

This January, Darlene Burns will step down as Uintah County Commission after service two terms of service. During her time in office, Ms. Burns oversaw significant construction projects that helped the county's infrastructure keep pace with the region's economic and population growth. Ms. Burns played a vital role in the construction of 10 new buildings as the county commissioner, including: Children's Justice Center, TriCounty Health, Jensen Fire Station, LaPoint Fire Station and Cemetery Building. As well as five notable remodel projects, including: Vernal City/Uintah County Fire Station, Uintah Care Center and Heritage Museum. — *Vernal Express*

SKYWEST CHANGES VERNAL FLIGHT OFFERINGS

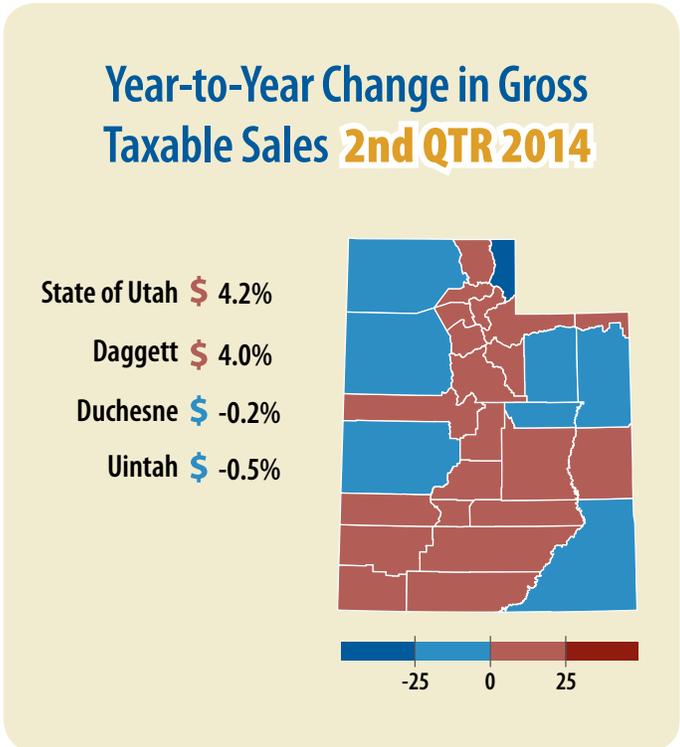
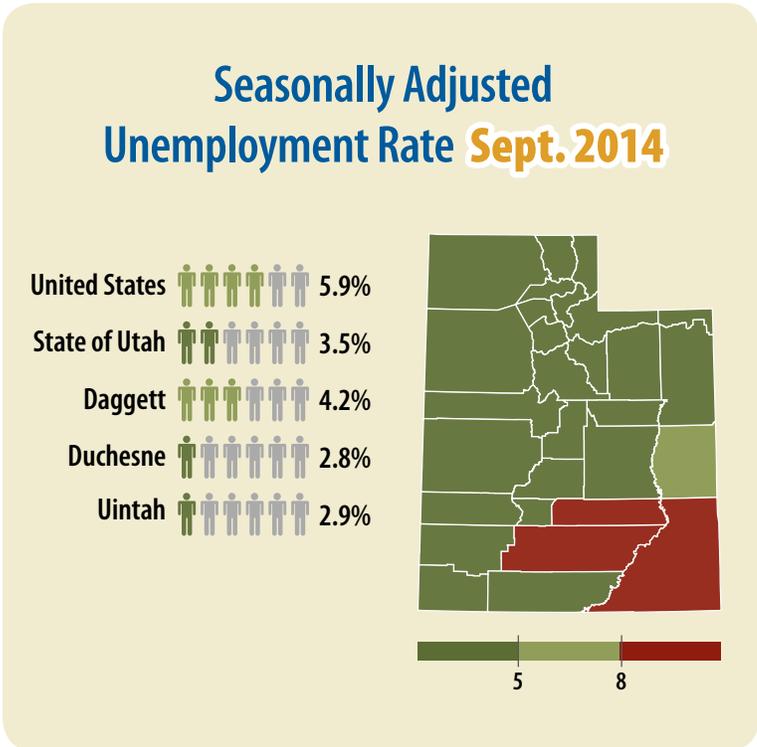
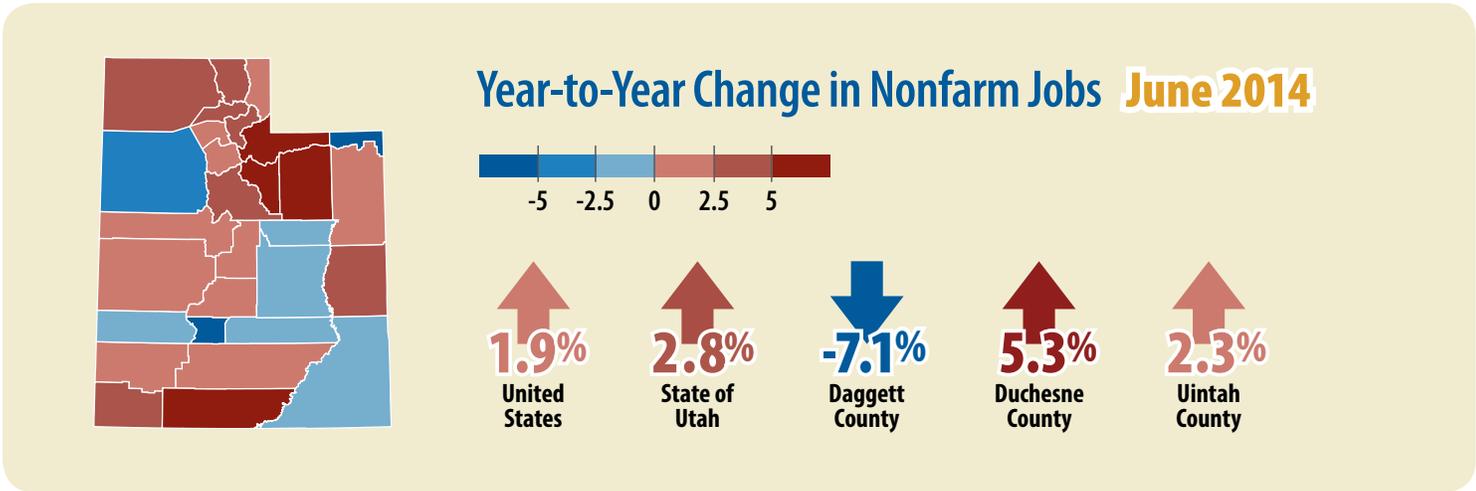
SkyWest plans to discontinue the use of smaller regional planes that serve the Vernal Regional Airport. The change, announced November 17, will take place in the spring of 2015. According to SkyWest, "all remaining 30-seat Embraer 120 Brasilia turboprop aircraft [will be removed] from service by summer 2015." The announcement opens the door for a change in service providers, since the Vernal Airport runway is not equipped to handle the larger CRJ200 50-seat passenger jet that SkyWest would use in replacement. The Department of Transportation will consider runway expansion plans along with proposals from other service providers before making a determination. — *Vernal Express*



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

Uintah Basin Economy

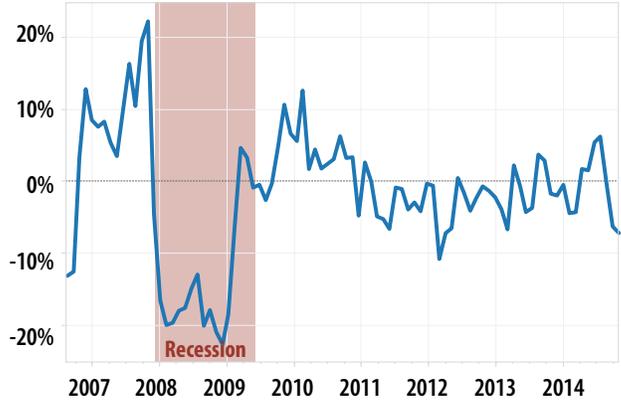
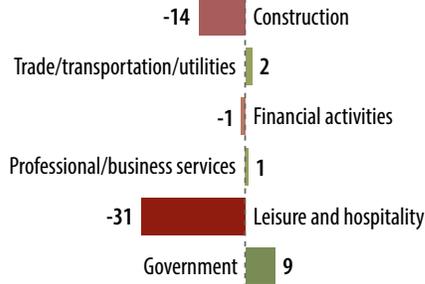
..... at a glance



Daggett County

Job Growth
June 2014

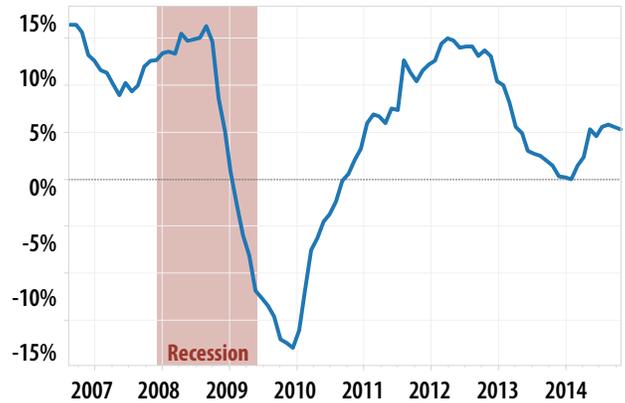
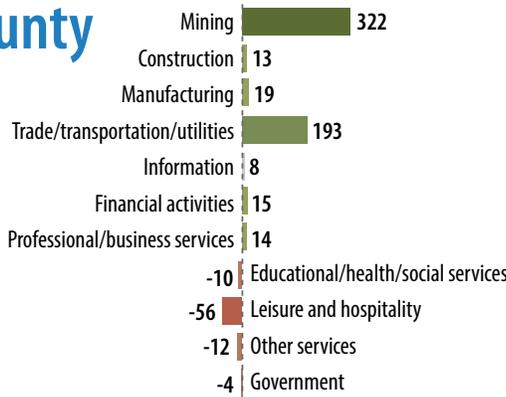
-35



Duchesne County

Job Growth
June 2014

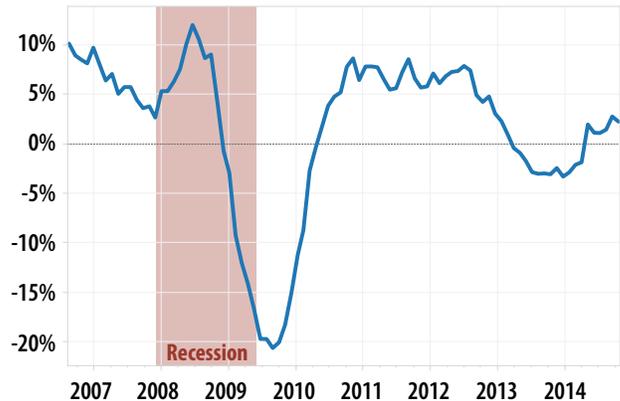
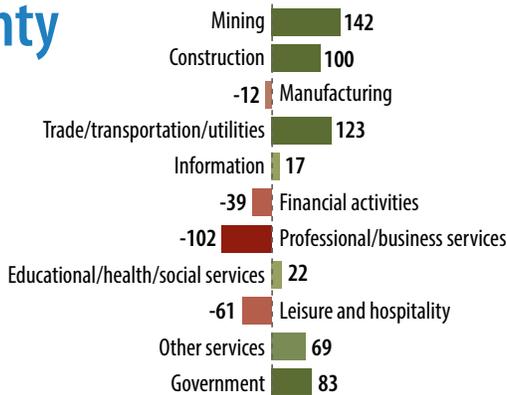
502



Uintah County

Job Growth
June 2014

342





Regional New-Hire Trends During the Recovery

By Tyson Smith, Economist

One way economists use labor market data is to analyze business cycle trends. During periods of economic growth, aggregate consumer demand increases, and the resulting surge in consumer spending necessitates an increase in production at the firm level. Ultimately, organizations are compelled to invest in new capital to facilitate that increase in output. A manufacturing plant might buy a new machine to augment the capacity of their fabrication process, or a trucking company might purchase a new fleet of vehicles to expand the range of their delivery area. In any case, the first investment a firm generally makes in response to economic growth is to hire additional labor.

There are several reasons why hiring new employees is a desirable means of increasing output. One explanation is that firms rarely run at full capacity, especially at the beginning of an expansionary period. Thus it would be impractical to invest in new assets like equipment or buildings when existing capital is not being fully utilized. Conversely, in times of economic contraction, organizations are swift to suspend hiring practices until the business cycle changes

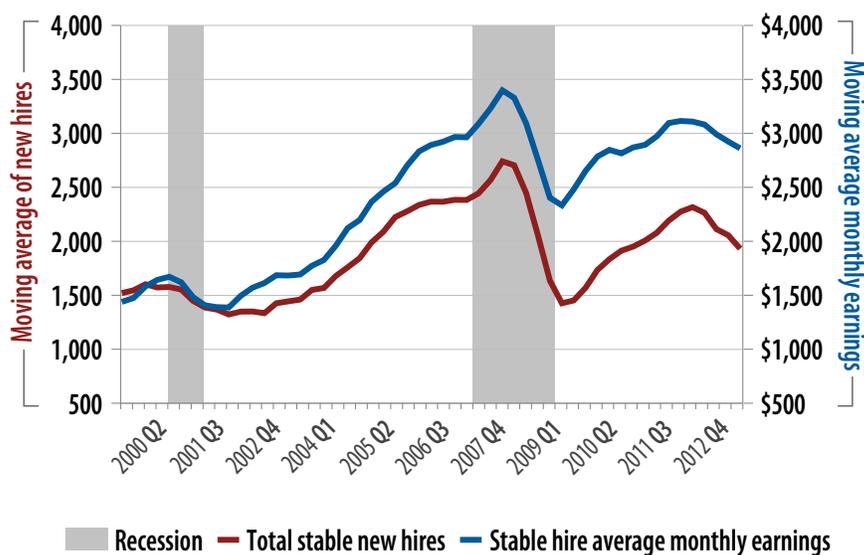
course because eliminating new hires represents a prudent and organizationally painless action.

This issue of Local Insights will synthesize some interesting trends regarding stable new hires¹ per quarter in the Uintah Basin. Stable new hire data estimates the counts and earnings for workers who started a job that they had not held

within the previous 12 months, and the job lasted at least a full quarter with a given employer. Due to the complicated nature of data compilation, the most up-to-date stable new hire information available is through the second quarter of 2013.

When tracking new hire trends there are two variables worth considering: total new hires and new

Figure 1: Uintah Basin New Hire Counts and Earnings



Source: U.S. Bureau Local Employment Dynamics.

hire wages. Employment counts and wages tell a story about the business cycle and the economic health of a community. In the Uintah Basin, new hire counts and average monthly wages have moved in tandem since the turn of the century. These two indicators normally trend together, because wages are in part a function of labor supply and demand.

During the economic expansion from 2002 to 2008, Uintah Basin companies increased their demand for labor dramatically. The four-quarter average of total new hires increased from 1,370 in third quarter 2002 to 2,789 in second quarter 2008, an increase of over 1,400 new hires per quarter. New hire wages responded to the increase in demand and grew at a similarly significant pace during the same period. The monthly average new hire wage in the region was approximately \$1,435 in third quarter 2002 and by second quarter 2008 it had jumped to nearly \$3,447 per month.²

The recession had the opposite effect on hiring and new hire wages. Over a 15-month period the number of stable new hires fell 47.1 percent to a four-quarter average of 1,474 in third quarter 2009. At the same time, average monthly new hire wages declined 30.9 percent. Wage trends are generally more stable than employment trends, which highlights the Great Recession's severe impact on economic growth in the region.

The post-recession new hire data reflect the moderate economic recovery, and the uneven growth of the region in 2013. From third quarter 2009 to second quarter 2012 the quarterly average of total new hires increased by 890, which suggested that the regional economy was back on track. However, the first two quarters of 2013 saw regional new hires fall by more than 16 percent. Total employment numbers for the region in 2013 contracted throughout the entire year, and it is likely that the new hire data during the third and fourth quarter will reflect a drop in the demand for labor. Average monthly new hire wages in second quarter 2013 were also down about \$250 from their post-recession high.

While aggregate labor supply and labor demand affect wage rates throughout the economy, they are not the only determinants of total new hire wages. Total new hire wages in the region obscures the influence of industry specific growth on incomes. Certain industries in the Uintah Basin (such as mining) pay significantly higher wages than other industries. Furthermore, the business cycle or structural changes to the economy may

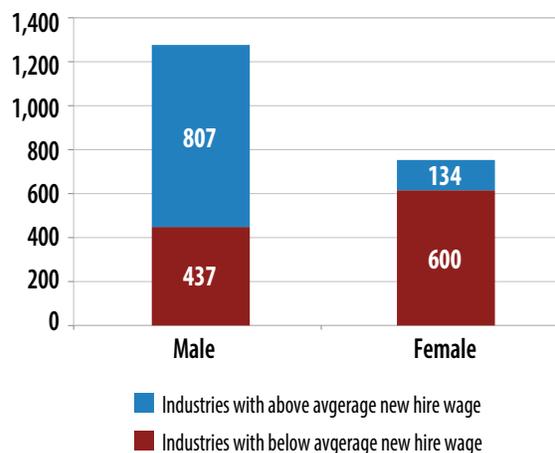
impact some industries to a higher degree than others. If high paying industries are increasing their workforce by a larger degree than low paying industries, new hire wages should reflect greater average starting salaries.

The mining industry, which includes oil and gas extraction, is a perfect example of the impact specific industry trends can have on new hire wages. The most recent data show that new mining hires in the Uintah Basin made approximately \$5,219 per month, which is 79.3 percent higher than the region's average new hire wage. The wage difference between mining and the area average has always been substantial. However, during the last two expansions, the proportion of Uintah Basin new hires in mining accelerated considerably. In 2003, an average of 16.3 percent of all new hires were mining workers. By 2008 that number rose to 28.2 percent (a difference of 561 additional hires per quarter). New hire wages increased during this period not only because aggregate labor demand increased, but because an increasingly large proportion of new hires were in high paying industries.

¹ Estimated number of workers that started a job that lasted at least one full quarter with a given employer.

² Wages not adjusted for inflation, and therefore wage growth estimates are slightly overstated.

Figure 2: Average Quarterly New Hires in the Uintah Basin Since the Recovery Began



Source: U.S. Census Bureau (Longitudinal Employer-Household Dynamics).



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

utahinsights

Executive Director: Jon Pierpont

Director, WRA: Carrie Mayne

Supervising Economist: Mark Knold

Designer: Reason Robles

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

jobs.utah.gov/wi/topjobs/



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 Uintah Basin 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 Uintah Basin region, in addition to looking at the current economic indicators of these eastern counties.