

localinsights

An economic and labor market analysis of the Wasatch Front North

wasatchfrontnorth



Goods-Producing Industries Lead Job Growth

By Jim Robson, Economist

Second quarter employment in the Wasatch Front North (WFN) region grew 2.7 percent from 2013 to 2014. The WFN increased employment at almost the same rate as the rest of the state, which grew 2.8 percent over the same period. In total, the region added 5,611 nonfarm payroll jobs year-over-year for a quarterly average of 213,346. Annual growth in the WFN slowed a bit from the 2.8 percent rate in the first quarter of 2014.

- Private goods-producing employment (mining, construction and manufacturing) in the second quarter of 2014 was 18.1 percent of total nonfarm employment. Goods-producing employment grew at an annual rate of 6.7 percent from the second quarter of 2013, adding an average of 2,433 jobs.
- Construction and manufacturing employment drove growth, increasing at respective annual rates of 11.4 and 3.9 percent (adding a total of 2,363 jobs to the region).
- Private services-providing employment accounted for 59.6 percent of the nonfarm jobs in the region. This sector increased second-quarter

(continued on pg. 2)



in this issue

.....

Goods-Producing Industries Lead Job Growth..... 1

Current Events..... 2

Wasatch Front North Economy at a Glance 4

Hiring Statistics Offer Clues About the Economy 6

An Open Job is an Economic Opportunity..... 8

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employment by 3,379 jobs, or 2.7 percent, from 2013 to 2014.

- The trade/transportation/utilities and education/healthcare/social services industries added the most jobs in this sector (1,190 and 899 jobs, respectively).
- Government employment in the WFN region represented 22.3 percent of the employment of the area, even though total government employment shrank by 0.4 percent year-over-year.
- Unemployment rates over the last year have fallen as employment has grown. In September 2014 the seasonally adjusted unemployment rate for the WFN was 3.6 percent, compared to 4.4 percent one year prior. The 0.8 percentage point difference represents an estimated 1,930 less people unemployed.
- In addition to increased employment, broader economic growth helped drive up second-quarter consumption in 2014. Taxable sales for the WFN increased 6.5 percent year-over-year to a total of almost \$2.1 billion. As labor market conditions trend upward, business and household spending should follow.

Davis County

- Total nonfarm employment in Davis County increased 3.2 percent year-over-year in the second quarter. From 2013 to 2014, Davis County added 3,496 jobs, resulting in a quarterly average of nonfarm employment equal to 114,439.
- Private goods-producing employment increased 7.2 percent, or 1,340 jobs,

since the second quarter of 2013. Construction and manufacturing added 870 and 444 jobs, respectively.

- Private service-providing employment added 2,190 jobs year-over-year, a growth rate of 3.3 percent. The trade/transportation/utilities and the educational/healthcare/social services industries each tallied 652 and 583 new jobs.
- Government employment shrank 0.1 percent from 2013 to 2014. Federal and local governments cut jobs, losing an average of 103 and one position respectively over the year. State government added 70 jobs over the year.
- The Davis County unemployment rate settled at 3.3 percent in September 2014. Over the last 12 months the county unemployment rate has fallen 0.7 percentage points. Davis County was 0.2 percentage points lower than the state average in September.
- On average, the number of weekly initial unemployment claims filed during the third quarter decreased by 24 claims from 2013 to 2014.
- Spending in the county was also up; second-quarter taxable sales in the county increased 7.5 percent from 2013 to 2014, significantly higher than the state average of 4.2 percent. The year-over increase in spending was about \$80 million higher than last year, bringing first quarter spending in 2014 to \$1.15 billion.

Morgan County

- Second-quarter total nonfarm employment in Morgan County

current events

ATK CLEARED TO MANUFACTURE BOEING 787 PARTS

ATK has completed The Boeing Company's qualification for the manufacture of advanced composite primary structures for Boeing's 787 Dreamliner. The composite frames will be produced in ATK's new manufacturing clean room in the Freeport Composites Center in Clearfield, Utah. ATK will supply composite frames for the Boeing 787-9 center and aft fuselages and support the same structures on the 787-10, which is in development.

— *Utah Business Magazine*

CABELA'S OPENING SECOND UTAH RETAIL OUTLET IN FARMINGTON

Outdoor retailer Cabela's will build a 72,000 square-foot store in Farmington's newly-planned Park Lane Commons, directly across from the large Station Park retail complex. The company is also in the process of building a 600,000 square-foot warehouse in Tooele.

— *Ogden Standard Examiner*



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

grew 3.5 percent from 2013 to 2014. Morgan County added a quarterly average of 65 nonfarm jobs year-over-year, resulting in total employment equal to 1,943.

- Private goods-producing employment increased 4.4 percent

UTAH LIKELY TO BECOME MORE URBAN AS MILLENNIALS FLOCK TO TECHNOLOGY

With Utah's population expected to double by 2050, the folks who build houses, apartments, office buildings and shopping centers along the Wasatch Front are predicting major changes for their industry.

Nine of every ten Utahns already live in an urban area. Existing problems with traffic congestion, air pollution and a lack of available land and water may well grow more pronounced.

Millennials seem to prefer city living, are marrying later and seem reluctant to take on mortgages—factors that have led to declines in home ownership. That trend has been pushed further by Baby Boomers as they retire and seek to downsize their housing. — *Salt Lake Tribune*

FRENCH CYCLING FIRM MOVING ITS U.S. HEADQUARTER TO OGDEN

Mavic, a 125-year old French cycling firm is moving its U.S. headquarters from the Boston area to Ogden in 2015. Mavic will move in with its Utah-based parent company, Amer Sports. Mavic joins a growing list of cycling companies already in the Ogden area. — *Ogden Standard Examiner*

(23 more jobs). Construction employment, the region's largest goods-producing industry, was up one job.

- Private service-providing employment grew 7.8 percent from the second quarter of 2013,

adding 68 jobs. Professional/business services increased by 33 jobs to an average quarterly employment total of 123.

- Government employment in the second-quarter declined by 26 jobs, which were all reductions in local government (most losses, 23, were cuts in the school district).
- The unemployment rate in Morgan County was 3.3 percent in September. Since September 2013, the county unemployment rate has fallen 0.6 percentage points. Morgan County's unemployment rate was slightly below the state average of 3.5 percent in September.
- The average number of initial unemployment claims filed per week in the third quarter of 2014 was 2 claims, approximately 1 fewer claim than the 2013 average.
- On a percentage basis, Morgan County had the fifth largest increase in second-quarter taxable sales. Taxable sales in the county jumped 12.8 percent from 2013 to 2014. Second-quarter spending was approximately \$21.9 million, an increase of \$2.5 million from the previous year.

Weber County

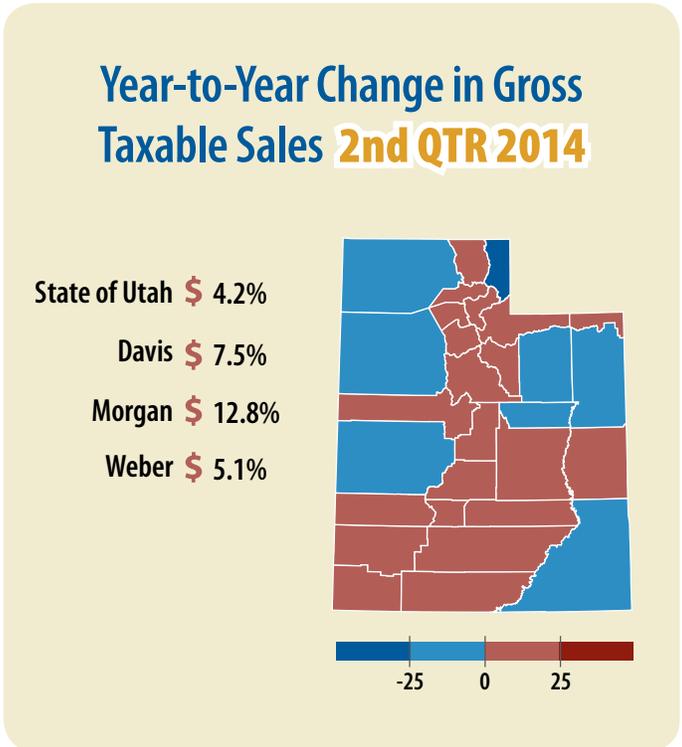
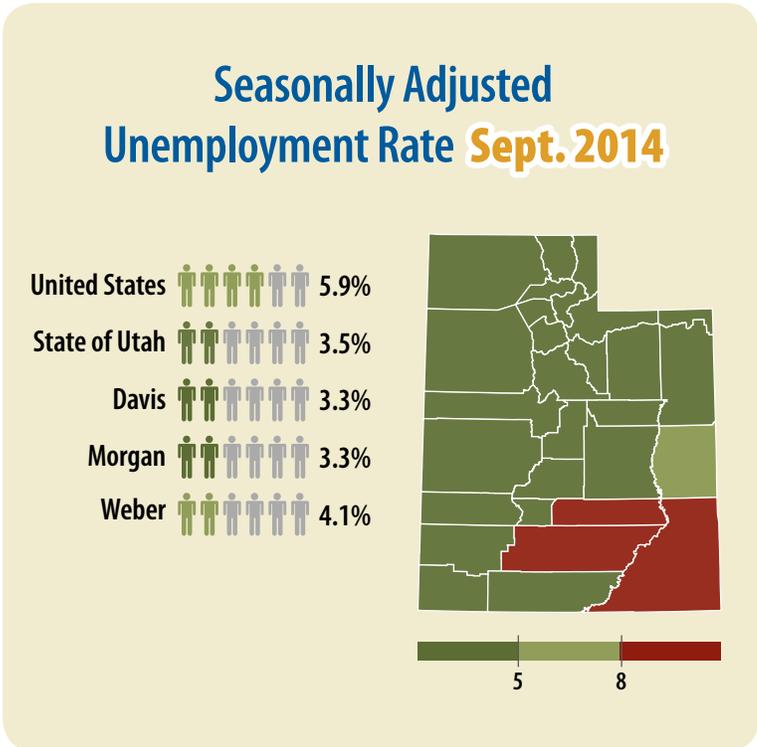
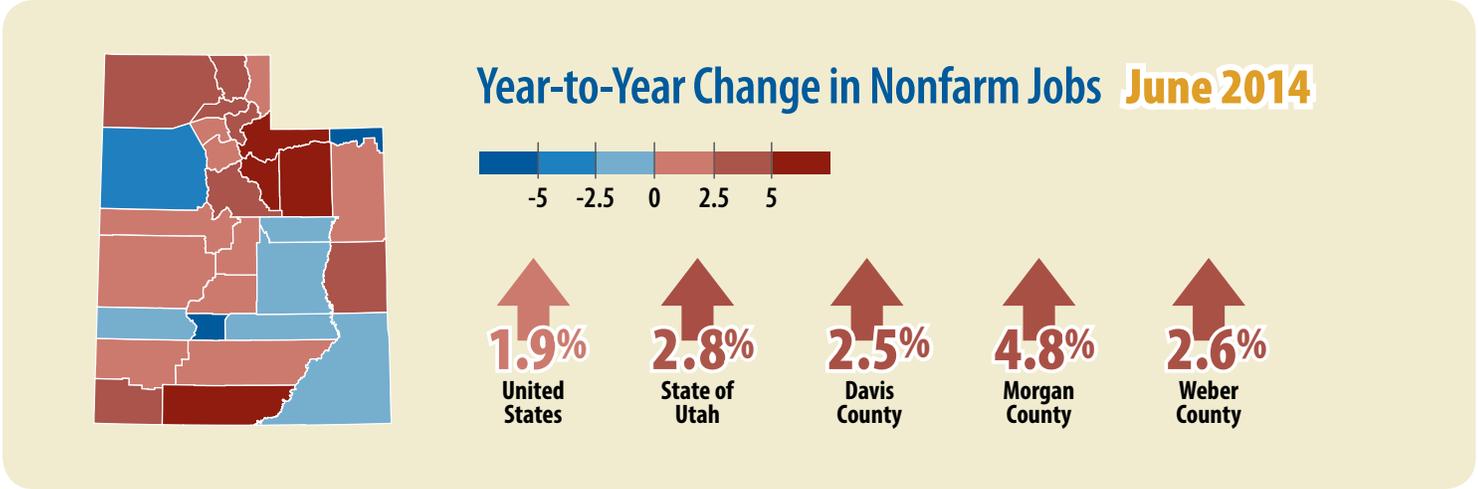
- Second-quarter total nonfarm employment in Weber County increased 2.2 percent year-over-year. Total county employment in the second quarter was 96,963, a 2,050 job increase from the same period in 2013.
- Private goods-producing employment increased 6.2 percent, or 1,070 jobs, from

the second quarter of 2013. Manufacturing added 454 jobs, taking this industry's employment from 12,361 in 2013 to 12,815 in 2014. Construction's job total was 5,392 in the second quarter or 582 more jobs than a year earlier.

- Private service-providing employment added 1,121 jobs, a growth rate of 2 percent from the previous year. The trade/transportation/utilities and educational/healthcare/social services industries increased employment by 534 and 300 jobs, respectively.
- Government employment shrank 0.7 percent from the second quarter of 2013 to the second quarter of 2014. State and local governments added 55 and 30 positions respectively, while federal government lost a total of 226 jobs (declining 3.4 percent).
- September's unemployment rate for Weber County was 4.1 percent. Over the last year, the county unemployment rate has fallen 0.7 percentage points. Weber County was 0.6 percentage points higher than the state average in September.
- On average, the number of initial unemployment claims filed per week in the second quarter (154) decreased by 16 claims from 2013 to 2014.
- Second-quarter taxable sales in the county increased 5.1 percent from 2013 to 2014. In the second quarter of 2014 taxable sales were approximately \$913.7 million, which was an increase of approximately \$44 million from the previous year.

Wasatch Front North Economy

at a glance

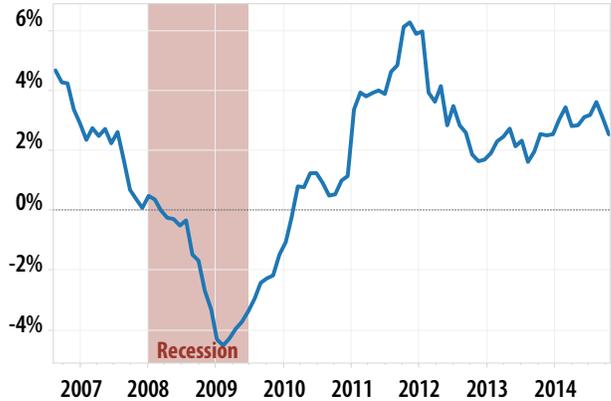
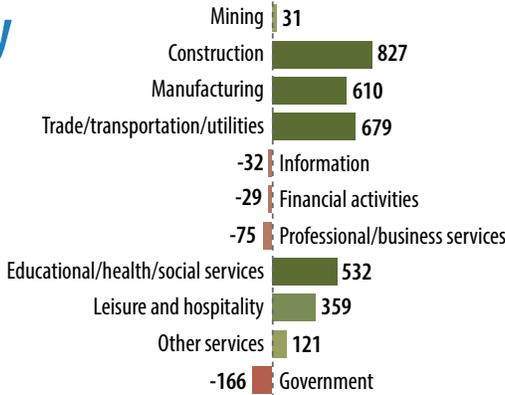


Davis County

Job Growth
June 2014



2,858

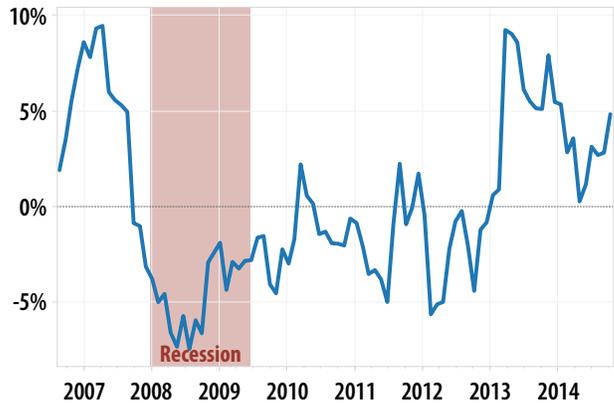
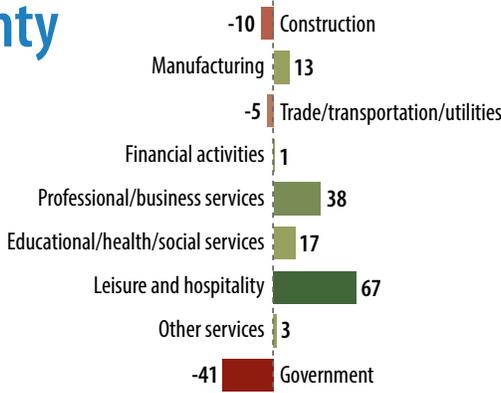


Morgan County

Job Growth
June 2014



91

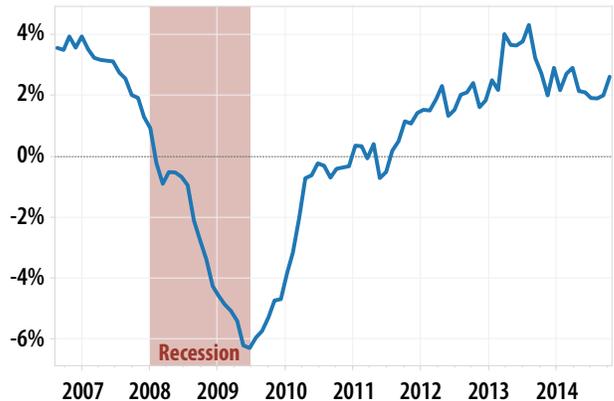
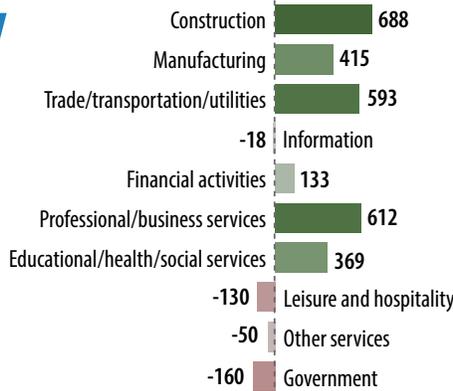


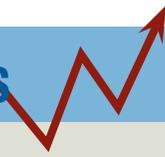
Weber County

Job Growth
June 2014



2,490





Hiring Statistics Offer Clues About the Economy

By Mark Knold, Supervising Economist

Evaluating hiring activities offer a clue to the overall condition of an economy. Some aspects are obvious, like hiring activity increases when an economy is moving forward and expanding. It lessens when the economy weakens. Yet other factors add their influence and can be more subtle. For instance, hiring activity can be noticeably increasing, yet new hire wages are not going up. This indicates there are other economic factors holding them back. Currently though, the Wasatch Front North region’s new hire average earnings are largely moving in a parallel fashion with the ups and downs in the hiring level.

Hiring always occurs in an economy even when jobs are being lost as they were during the recent Great Recession. Hiring can be dissected into two levels. There is hiring associated with what we may call shallow; where people don’t stick for long and bounce from job to job. Then there is the deeper, more telling level of stable hiring; one that reveals a clearer picture about the underlying economic trend. Stable hiring is where the person hired stays with that job for at least two additional calendar quarters. By looking past the shallow toward the stable, one makes observations on the underlying foundational economy.

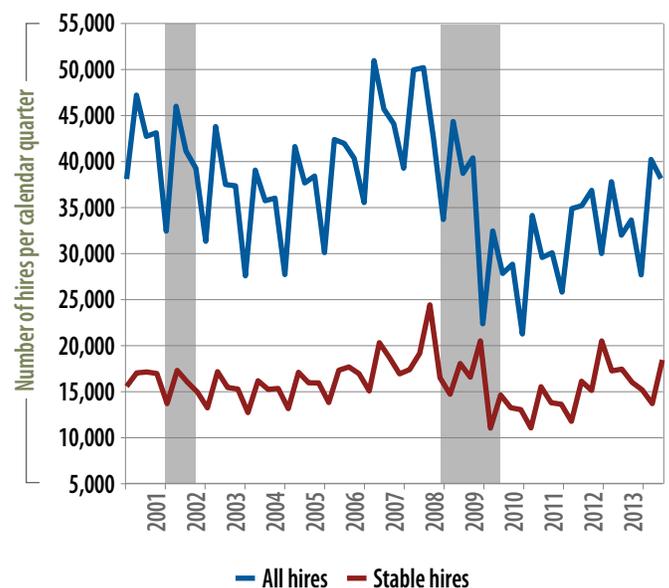
The first figure shows the all-hiring activity in Wasatch Front North and its corresponding underlying stable hiring. The latter is a subset of the former. The difference between the two is the amount of hiring that occurs that doesn’t result in deep roots—in other words, the shallow hiring.

Note that this less-stable hiring prior to the Great Recession was more than double the underlying stable hiring. The recession and the years immediately following narrowed that gap. Some industries have

a lot of turnover and therefore their hiring is more seasonal or shallow than stable. But when the recession hit, their hires tended to stay longer, as the opportunities to jump elsewhere diminished. So while their total hiring dropped, the hiring they did undertake turned into stable hiring. These industries include retail trade, food services, and lodging accommodations.

The second figure takes the stable hiring, levels out the seasonal variation, and juxtaposes it with hiring wages.

Figure 1: WFN All Hires and Stable Hires



Source: U.S. Bureau Local Employment Dynamics.

The stable hiring configuration looks quite predictable. Through the dot-com recession of the early 2000s, hiring showed a modest downward movement. This was followed by a recovery uptick around 2003, followed by significant activity in the boom just before the Great Recession. That recession predictably brought a sharp 34 percent reduction in hiring activity. In the recovery since, hiring has been relatively robust.

“Time spent on hiring is time well spent.”
 — Robert Half, American Businessman

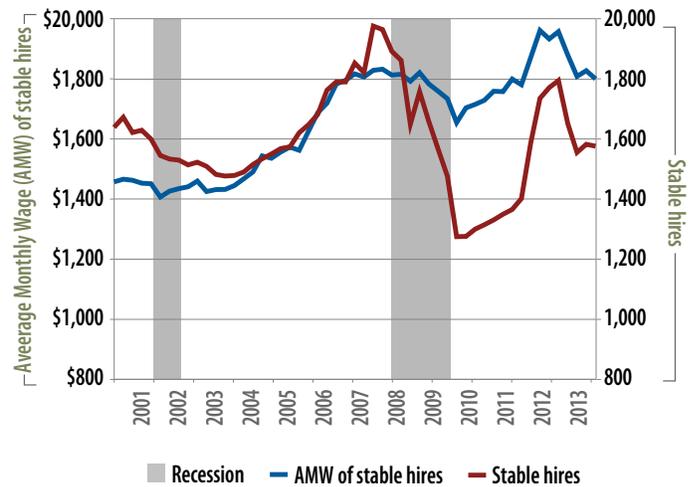
More churning and more hiring mean more opportunities. It can also mean fewer people become available to take the openings as more people become employed. This is reflected in a Wasatch Front North unemployment rate of 2.8 percent just before the Great Recession. That is a labor market with few surplus workers. Therefore, to get people to move into open jobs, employers had to increase incentives. This is reflected in Figure 2 by the increase in the average hiring wage, moving from around \$1,400 per quarter in 2003 to \$1,800 per quarter by 2007.

This is followed by a drop in hiring wages as the Great Recession reduced Wasatch Front North total employment by nearly 5.0 percent and correspondingly pushed people to the unemployed ranks, raising Wasatch Front North’s unemployment rate to 8.0 percent by 2010. With more people available for the open jobs, employers felt less inclined to bid for labor and thus the average hiring wage lowered.

Hiring wages bounced back after the recession and rose to new heights in 2012. New hire wages waned in 2013, but the recent decline probably reflects retail trade employment gains that have been robust since 2013, and that is an industry characterized with lower wage levels.

To put hiring levels in perspective, the Wasatch Front North economy currently has around 213,000 jobs. Therefore, around 16,000 hires per quarter means the stable job market is churning at around a 7 percent rate. At the 2007 hiring peak, the churn was closer to 10 percent. If we add in the shallow hiring as represented in the upper line of Figure 1, the overall churning rate in the Wasatch Front North region is around 20 percent, and was as high as 25 percent just before the recession.

Figure 2: WFN Hires Average Monthly Wage (AMW) and Stable Hires Four-Quarter Centered Moving Averages



Source: U.S. Bureau Local Employment Dynamics.

Wasatch Front North’s overall hiring activities are just now getting back to levels seen before the recession. But the underlying stable hiring is returning to prerecession levels, and its corresponding hiring wages are increasing. This speaks to a tightening labor market as unemployment has fallen, workers have more confidence in the economy to make a jump to a better job, and the churn signaling job opportunities is increasing.

¹ Note that the quarterly wage measure includes wages of full- and part-time workers and does not make a distinction for the number of hours worked. It is not based on hourly wages, but total new-hire wages earned in the quarter divided by the total number of new hires.



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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 Wasatch Front North 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 Wasatch Front North region, in addition to looking at the current economic indicators of these metropolitan counties.