

# localinsights

An economic and labor market analysis of the Mountainland Area

## mountainland



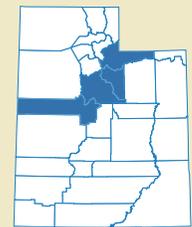
Post-recession quarterly hiring has been **climbing**

## Strong Job Growth Continues in Mountainland

By Jim Robson, Economist

Economic conditions in the Mountainland Economic Service Area (Utah, Juab, Wasatch and Summit Counties) are positive with strong year-over job growth of 3.8 percent, or 8,717 new jobs from June 2013 to June 2014. In 2013, average payroll job growth in the region was a very rapid 5.2 percent above the average level of employment in 2012. There has been job increases in most major industry sectors with particular strength among construction, wholesale and retail trade, professional/technical services, food services and health care.

Utah, Summit, Wasatch and Juab Counties' robust job growth and favorable labor market conditions are expected to persist through the end of 2014 and continue through 2015. By September of 2014, the unemployment rate in Mountainland declined to a very favorable rate of 3.4 percent. Based on the strength of employment growth in recent years, job opportunities and low unemployment will continue to characterize this area.



## in this issue

- Strong Job Growth Continues in Mountainland ..... 1
- Current Events..... 2
- Mountainland Economy at a Glance..... 4
- Recent Business Cycle Influences on Hiring and Wages in Mountainland ..... 6
- An Open Job is an Economic Opportunity ..... 8

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## Utah County

- In June 2014, the number of payroll jobs in Utah County increased by 3.5 percent over June 2013, with 9,099 new positions. New employment growth has occurred in most major industrial sectors.
- The most new jobs were added by the trade industry with 1,767 additional jobs, a year-over increase of 6 percent. Most subdivisions of wholesale and retail trade experienced growth.
- Construction added 1,729 positions, expanding by 11.3 percent. The majority of these new jobs were in residential housing construction.
- This solid construction activity is reflected in related industries such as building materials and garden supply stores, wood product and furniture manufacturing, each of which also experienced healthy employment gains.
- Professional, scientific, technical and headquarters grew 9.4 percent, or 1,381 jobs. Computer systems design, management consulting and technical consulting services were responsible for most of the new opportunities.
- Restaurants, food services and accommodations added 864 jobs, growing by 6.2 percent.
- Healthcare and social assistance contributed 854 new positions, increasing by 3.9 percent.
- The seasonally adjusted unemployment rate in Utah County was 3.3 percent in September 2014, an estimated 8,230 unemployed workers. A year earlier the unemployment rate was 4 percent.
- Utah County growth is expected to continue at its present rate through 2014 at about 3.7 percent, adding on average between 6,500 to 7,800 new jobs, with a similar overall job growth performance in 2015.

## Summit County

- From June 2013 to June 2014, Summit County added 1,278 new jobs for a year-over increase of 5.9 percent. Summit's labor market continued to exhibit balanced growth with all but two major industries producing new positions.
- Professional, scientific, technical and headquarters employment increased the most by 225 jobs. Construction grew a healthy 12.8 percent adding 161 new jobs. Accommodations and food services provided 3 percent increase of 149 positions, with local government adding 148, a 5.9 percent growth. The last industry

## currentevents

### VIA MOTORS RECEIVES EPA CERTIFICATION FOR ELECTRIC VAN

Via Motors in Orem received official certification from the Environmental Protection Agency for its electric van. EPA certification means that Via is now cleared to deliver its Via eREV vans to fleet customers across the United States. Via Motors develops and produces extended range electric light-duty vans and trucks for fleet customers. The company developed a proprietary V-DRIVE powertrain that delivers up to 40-mile battery range and unlimited extended range, averaging over 100 miles-per-gallon in typical daily driving.

— *Utah Business Magazine*

### 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 lives 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*



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

adding more than 100 jobs was arts/entertainment/recreation growing by 13.8 percent with 143 new jobs.

- Twelve other industry subdivisions contributed new positions as economic growth was very broad based. Just two industries shed employment, mining with eight less jobs and manufacturing with a reduction of one position from June 2013 to June 2014.
- The seasonally adjusted unemployment rate in Summit County was 3.1 percent in September 2014, an estimated 730 unemployed workers. A year earlier the unemployment rate was 3.7 percent.
- Employment gains among the majority of industry sectors are expected to continue. Overall job growth through 2014 should be about 1,100 or in the neighborhood of 4.7 percent. This is a pick-up in economic activity from Summit County's employment growth of 713 in 2013 and 791 new jobs created in 2012.

## Wasatch County

- Employment growth in Wasatch County from June 2013 to June 2014 continued at an energetic pace of 5 percent.
- The largest industry job increases occurred in construction with 104, up by 11.8 percent. Professional, scientific and technical services added 101 new jobs, most occurring in advertising, architecture, accounting and bookkeeping, and computer systems design

services. Accommodations and food services employment increased by 71 jobs. Local government positions increased by 60 and manufacturing rounded out the top five industries with 44 new jobs.

- The Wasatch County jobless rate was estimated at 3.9 percent in September 2014, down from 5 percent a year earlier. An estimated 430 workers were unemployed in September compared to the 875 that were unemployed twelve months ago.
- Wasatch County is expected to maintain a favorable labor market through the end of 2014 and into 2015, adding to employment by more than five percent each year.
- 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 to exhibit a downward trend, with most claims accruing from industries with a seasonal or temporary element.

## Juab County

- In the year ending June 2014, Juab County had a total of 3,294 nonfarm payroll jobs, 14 fewer than in June 2013.
- Five industries lost 13 or more jobs, with the largest reductions, 86, in construction as a result of reduced commercial construction activity.
- Manufacturing added 107 new positions, growing by 16.4 percent. Retail trade came in

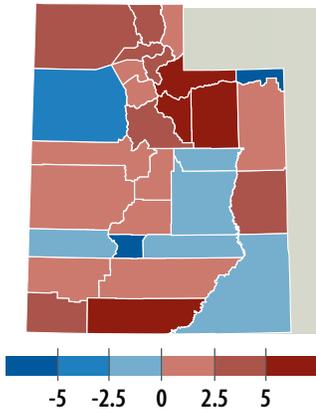
*The seasonally adjusted unemployment rate in Summit County was 3.1 percent in September 2014, an estimated 730 unemployed workers. A year earlier the unemployment rate was 3.7 percent.*

with the second highest number of new positions with 18. Five other industry subdivisions added new employment totaling 31 jobs.

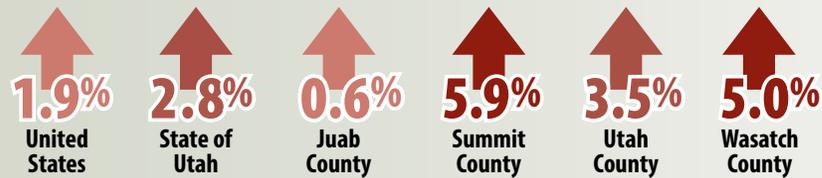
- In September 2014, the unemployment rate in Juab County was estimated to be 4.2 percent, down from 5.9 percent in September 2013. An estimated 183 workers were unemployed in September compared to 212 in September 2013.
- Average annual job growth in 2013 was 6.3 percent or 193 new jobs above 2012. The 2014 overall job outlook indicates that Juab County will likely see net job reductions averaging between 20 and 90 positions.

# Mountainland Economy

## at a glance



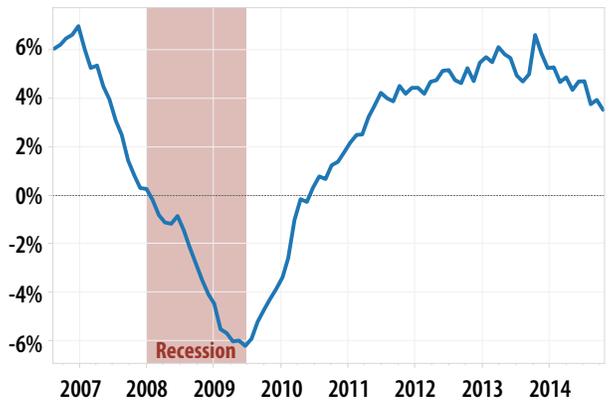
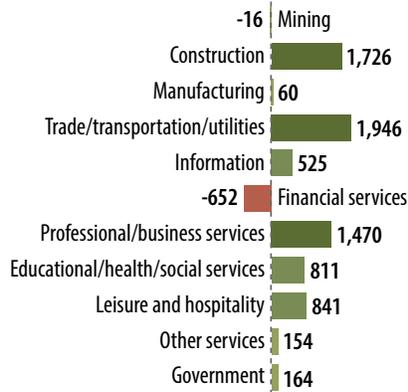
### Year-to-Year Change in Nonfarm Jobs June 2014



## Utah County

### Job Growth June 2014

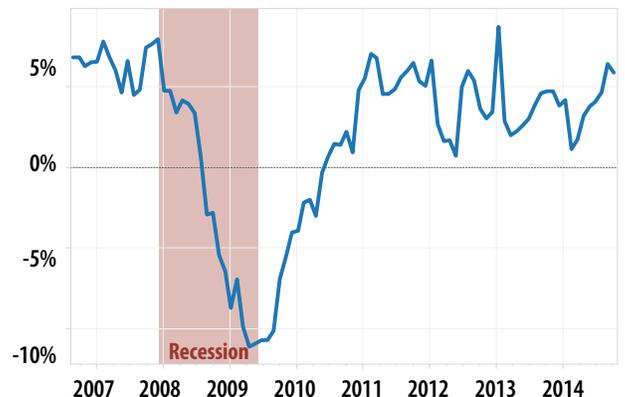
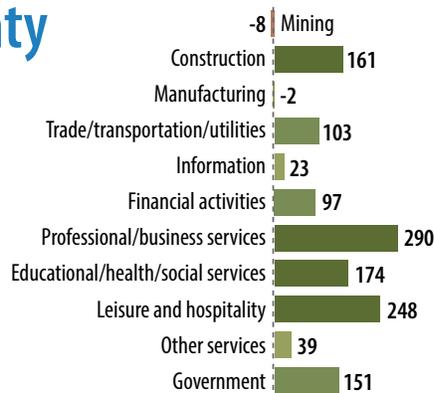
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**7,032**



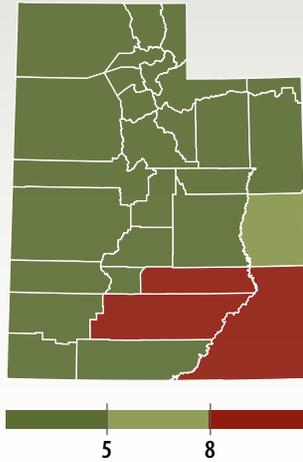
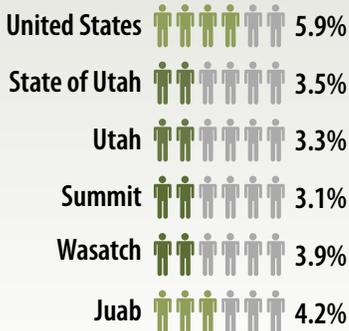
## Summit County

### Job Growth June 2014

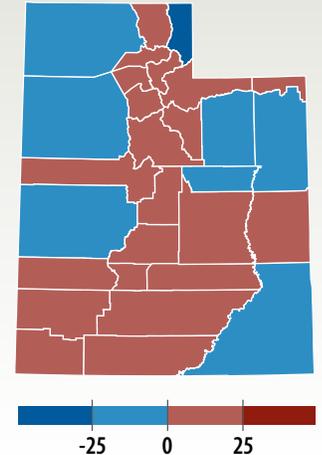
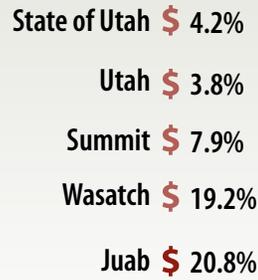
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**1,276**



## Seasonally Adjusted Unemployment Rate Sept. 2014



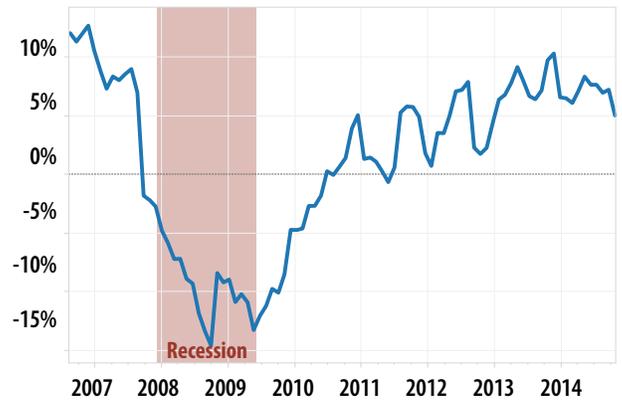
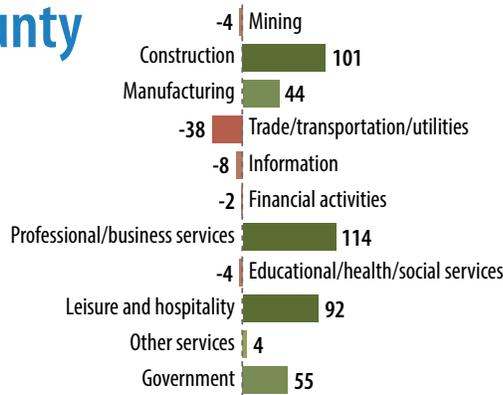
## Year-to-Year Change in Gross Taxable Sales Sales 2nd QTR 2014



## Wasatch County

### Job Growth June 2014

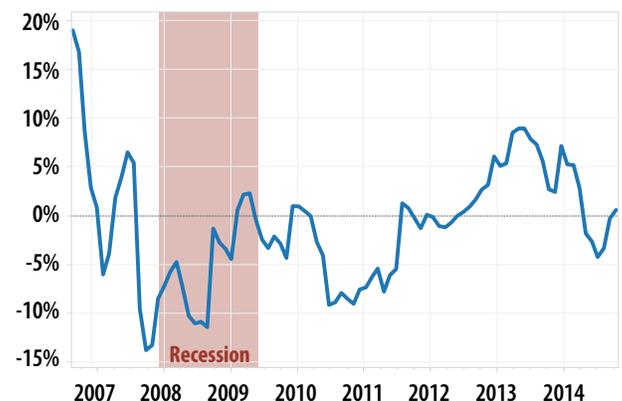
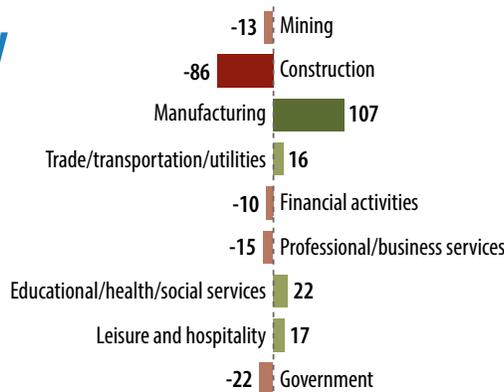
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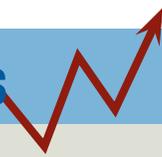


## Juab County

### Job Growth June 2014

21





## Recent Business Cycle Influences on Hiring and Wages *in Mountainland*

By Jim Robson, Economist

Hiring activity is one of the key economic statistics that can be used to gauge the health and direction of the economy. Generally speaking, hiring follows the cycles of the economy, increasing in expansionary periods and decreasing in periods of contraction.

Since the end of the last recession, quarterly hiring activity in the Mountainland area has been climbing from its low point of about 27,700 in first quarter 2010 (see Figure 1). All hires shows total hiring activity each quarter from first quarter 2000 through third quarter 2013.

All hires include many temporary jobs that are based on short-term, often seasonal hiring. Classic examples of such hiring include Christmas retail temporary employment, short duration summer jobs, and relatively unskilled hiring needed within a project such as construction or manufacturing. In these cases, people are hired to fill a temporary need which does not lead to ongoing employment in a firm's labor force. Another component of short duration hiring would be workers who are hired but found not to be suitable or a good fit for the job and are let go.

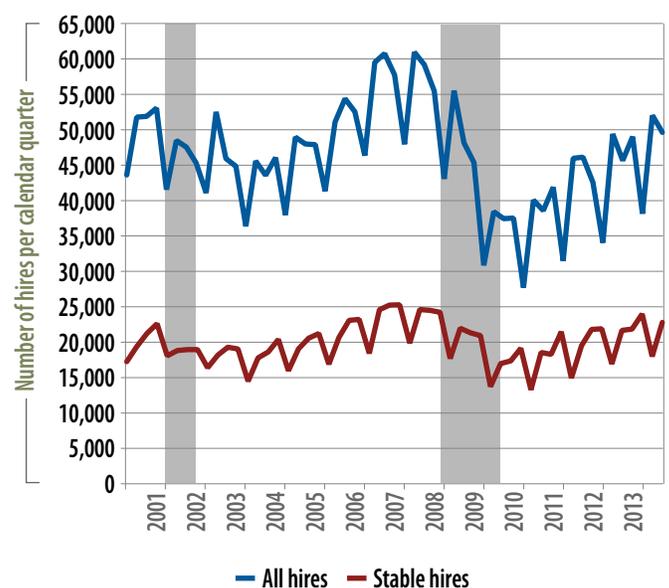
For the Mountainland area, all hires follow a distinct annual seasonal pattern fluctuating over the year from generally 10,000 to 15,000. The lowest quarterly hires occur in the first quarter (January through March) after Christmas. Hires usually hit an annual peak in either the second or third quarter of each year. Over the 13-year period depicted in Figure 1, all hires averaged about 46,000, however, the overall trend of all hires is downward.

The second series shown in Figure 1 is hires stable. These are hires which "lasted a least one full quarter with a given employer." This eliminates most short duration seasonal or temporary hiring. The series is

lagged one quarter in the figure. For hires to last at least a full quarter the actual hire date is one quarter before the stable hire is recorded. Note that stable hires are roughly 44 percent of all hires.

With that first quarter lag, the annual seasonal pattern of stable hires is more subdued than for all hires. The lowest hires still occur in the first quarter and highest number of hires in the second or third quarter mirroring all hires. However, the annual fluctuation in stable

**Figure 1: Mountainland All Hires and Stable Hires**



Source: U. S. Bureau Local Employment Dynamics.

hires generally runs from 4,000 to 7,000 compared to the all hires annual variation of 10,000 to 15,000. The overall trend in stable hires, with two recessions and expansions, is slightly upward.

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

One way to remove the seasonal variation to see the underlying trend is to use a four-quarter centered moving average. The value of each quarter consists of a full year of seasonal variation around each quarter. Figure 2 shows the four-quarter centered moving average for stable hires and for the average monthly wages of stable hires.

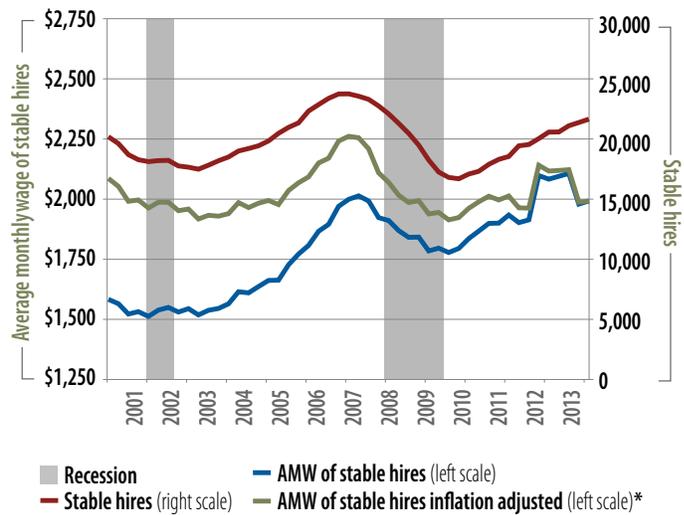
Stable hires use the right scale or axis of Figure 2. With seasonality removed, the pattern of contraction and expansion in stable hires is quite evident. As the economy slows and goes into recession, stable hires fall, then pick up again during the expansion phase.

In Figure 2, the two lines depicting the effects of the recessions and expansions on the average monthly wages of stable hires uses the left side scale. First, the blue line is the reported four-quarter centered moving average of quarterly wages. In first-quarter 2001, the stable hires wage averaged \$1,583 and ended in the first quarter 2013 at \$1,992, a growth of 25.9 percent or a rate of 1.9 percent per year. As would be expected, wages of stable hires decline somewhat with recessions and increase during expansionary periods.

However, a somewhat troubling result was that stable higher wages did not increase from 2010 to the end of 2012 and beginning of 2013, even though it was a time of increasing employment and declining unemployment. There was a temporary bump in average stable hires wages from fourth quarter 2011 to third quarter 2012 due to hiring in the high technology sector. Firms recently found it unnecessary to offer higher wages to attract the workers they needed.

Finally in Figure 2, the green line represents the inflation-adjusted average monthly wage of stable hires. Note that higher wages peaked in the first quarter of 2007 at \$2,261 at the height of the housing boom. As the economy began to cool and went into a decidedly severe recession, inflation-adjusted stable hires wages fell to

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



\*Inflation Adjusted to 2013 Dollars using CPI-U

Source: U.S. Bureau Local Employment Dynamics.

\$1,914 by third-quarter 2009. This was essentially the same level as back in 2003.

After the recession bottomed out in 2009, wages of stable hires begin to increase. This happened not so much because higher wages were needed to attract workers, but because many lower wage jobs were not needed in the usual numbers at the early stages of a slow recovery. Over the entire period depicted in figure 2, inflation-adjusted stable hires wages fell by 4.5 percent.

Since 2001, average stable hires of payroll workers in Mountainland have been contained in a range of just above 16,800 to just below 23,800 and have a slight upward trend. Average monthly wages of stable hires adjusted for inflation to 2013 dollars have fluctuated within a range of \$1,914 to \$2,261. Average inflation-adjusted monthly wages for stable hires over the study period have declined slightly. Both stable hires and stable hires wages are clearly influenced by the stages of the business cycle and are contained by the current size and structure of the economy.



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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 Mountainland 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.

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*"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

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