

Utah's Economy - 2009

The negative effects of the national recession that began in late 2007 were still in full force in Utah in 2009.

For the calendar year 2009, Utah's economy contracted by nearly 63,800 jobs, or -5.1 percent. This makes 2009 one of only a handful of years with job loss, yet the deepest year of job loss in Utah in the post World War II era.

On a monthly basis, employment losses deepened as the year progressed, reaching a low of -6.2 percent by August 2009 as compared to the same month the year before. This represents the deepest point of the employment slide. After that, losses stopped increasing at an increasing rate. After that point, the job losses got smaller rather than larger, which is typically the harbinger of the recovery portion of the business cycle setting in.

All industry sectors lost jobs over the year, with two exceptions being education and health services, and government.

Employment by Industry

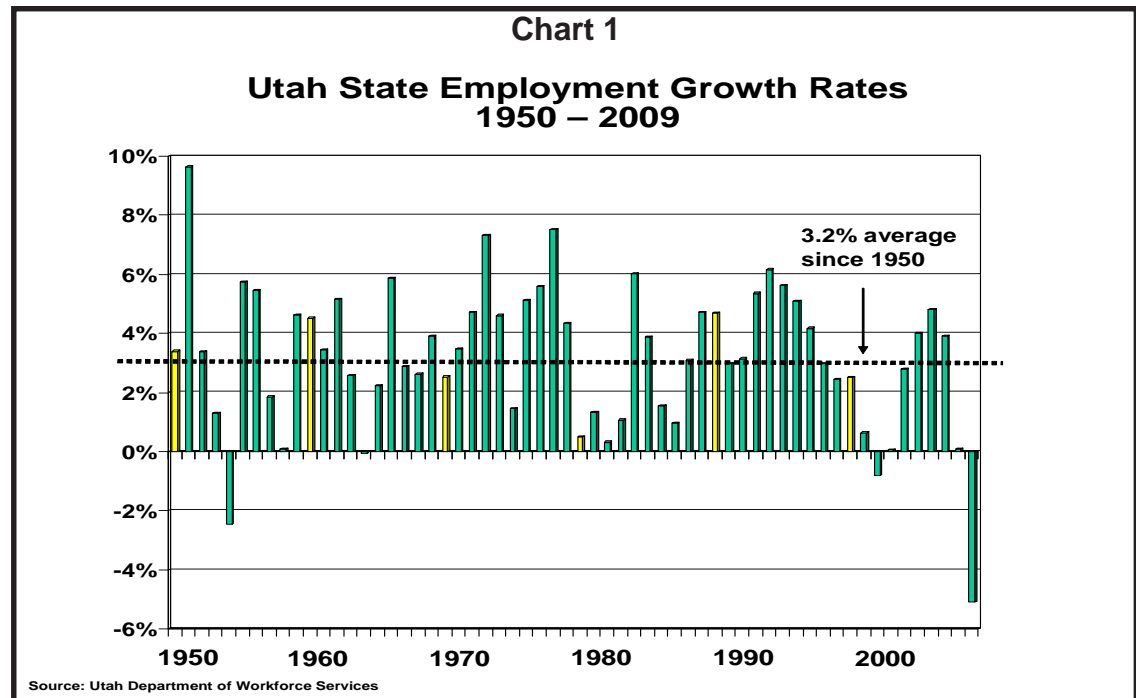
Mining High energy prices came to a sudden end in December 2008, setting the stage for both a price collapse and corresponding employment collapse in 2009. The mining

industry had 1,800 fewer jobs in 2009 than 2008, a contraction of 14.5 percent. Oil and gas were not the only areas to lose jobs in mining. A slow construction industry demanded less output from local gravel pits.

Construction Construction employment moved into its second full year of employment losses. To losses of around 13,000 in 2008 were added another 20,000 in 2009. Prior to the recession, Utah construction employment had been set up for a correction. In 2007, construction had risen to 8.3 percent of all

Utah employment, noticeably higher than its long-term average of closer to 6 percent. With this two-year slide, construction now makes up 5.9 percent of all Utah employment, a level more in line with its historic performance. In terms of job losses, construction has been the most impacted Utah industry during the 2007-2009 recession. Utah's 2009 construction levels now stand at 70,500.

Manufacturing Manufacturing was another industry heavily impacted by the recession in Utah. Since 2008, this industry has dropped



13,000 jobs. It still employs 112,900 Utah workers, accounting for 9.5 percent of all Utah employment. The areas in manufacturing with the most job losses in 2009 include furniture, transportation equipment, wood products, miscellaneous manufactured goods, non-metallic minerals, and fabricated metals.

Trade, Transportation, Utilities This is the largest employment sector in Utah, accounting for nearly 20 percent of all jobs. The trade component is the largest component in this sector. It is one of the major areas within the economy that captures consumer spending, therefore, its employment count was negatively impacted by the recession. The sector as a whole dropped 13,900 jobs, of which 7,900 were in retail trade. The wholesale trade industry lost 3,000 jobs. The trucking and air transportation industries were also casualties of the recession, leading the overall transportation industry into total job losses of 2,900.

Information This is one of Utah's smallest industries with employment of around 29,500. It was not a very strong industry going into the recession that began in late 2007, so it did not have as lofty of a perch to fall from as is the case with some other industries. Job losses for 2009 totaled 1,200.

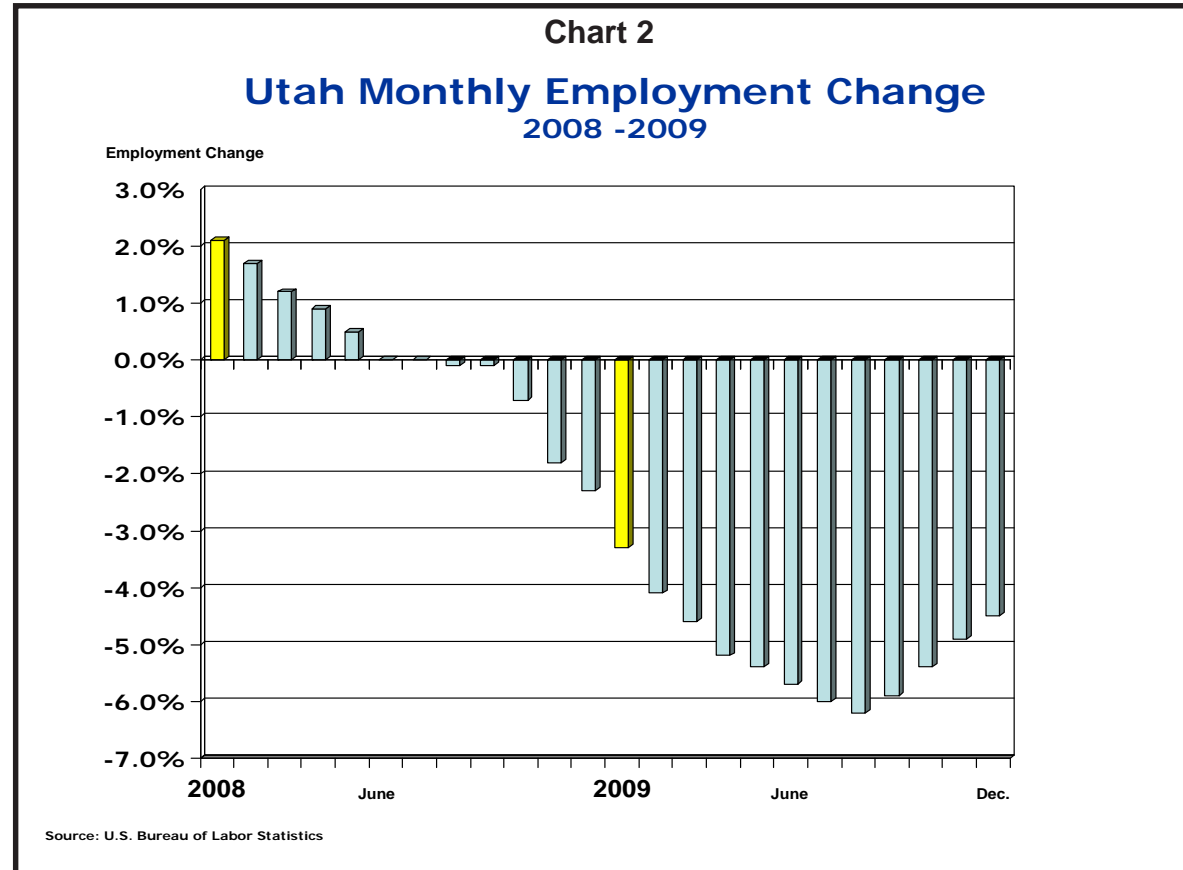
Financial Activity Considering that the financial sector played such a high-profile role in the recession of 2007-2009, this industry's loss of only 3,000 jobs may be viewed as less than one might otherwise expect. That loss is a -4.0 percent decline, one of the smaller employment rate contractions in Utah.

Professional and Business Services

Those businesses whose major input is human capital are grouped together within this sector. It consists of high-paying professional services, and lesser-paying business services. This industry was not immune to the recession, losing 12,700 positions. The high-paying professional services area lost 2,800 jobs, a number that though missed is not as deep as losses seen in many other industries. It is a number that Utah can easily recapture in a good year. The bulk of the losses

in this sector came on the business services side, down 8,900. These are generally jobs with wages not on the high end, with the big areas being temporary help supply agencies, and the telemarketing industry.

Education and Health Services This sector is Utah's most consistent. It has been a continuous grower, and this year is no exception. Even in the face of the early 2000s recession, and now this 2007-2009 recession, when many other industrial sectors were shedding jobs or pausing to gauge the sur-



rounding environment, this industry expanded at full force. This sector continued that strong pace again this year, adding over 4,200 new jobs to Utah's employment base. These additions are some of the lowest in the past 10 years and breaks the streak that this industry had year-to-year growth of 4 percent or higher throughout this decade. Yet in the face of the severity of the 2007-2009 recession, any industry that maintains job growth is to be commended.

Leisure and Hospitality This sector was assembled to be a proxy for tourism. But with a recession in full swing, tourism, being considered a discretionary commodity, was something that may have been sacrificed by consumers in the 2007-2009 recession. The employment losses in this industry suggest just that. Nearly 4,000 fewer jobs were recorded in this industry than in 2008, a job-contraction rate of 3.6 percent. This industry makes up 9.3 percent of Utah's employment base, which is not much higher than the national average. Yet there are some counties in southern Utah where this industry makes up nearly one-third of all the employment in that county. So though statewide this industry's losses were not excessive, in some rural counties, those losses were significant.

Other Services This is kind of a catch-all sector on the service-producing side of the ledger. It has a potpourri of businesses within its classification, such as repair services, personal services, and membership organi-

zations. It's not a particularly large sector, employing around 34,100 Utah workers. It experienced a job loss of 1,550 positions for the year.

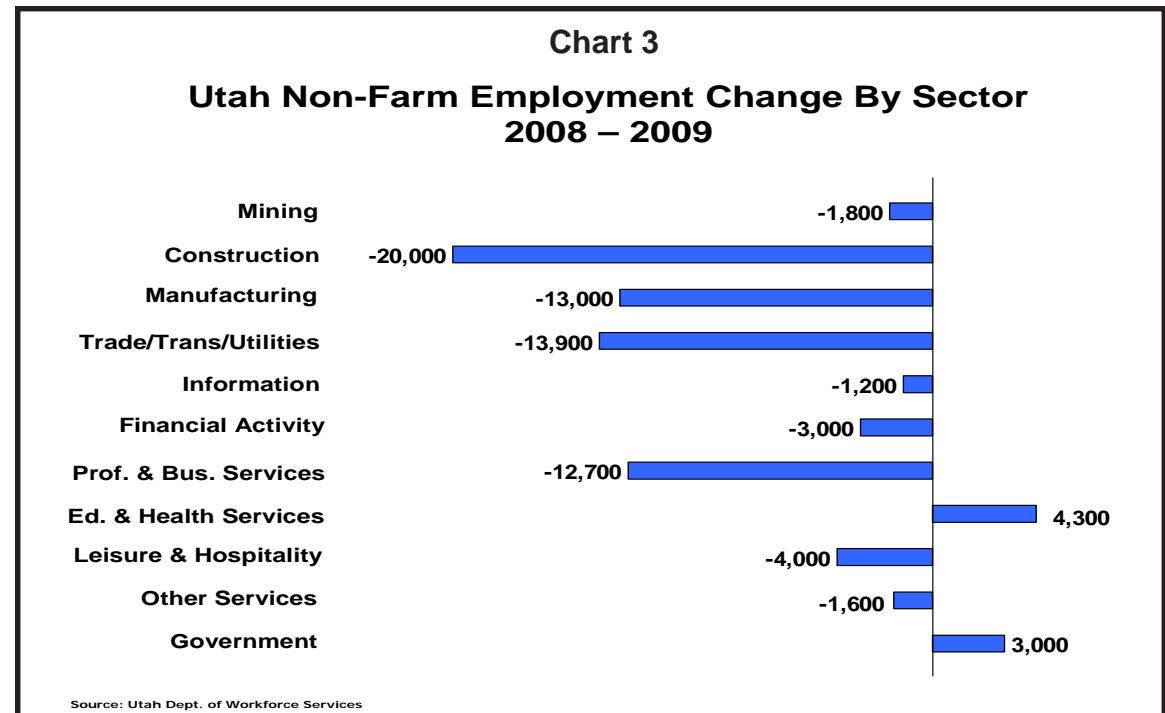
Government Government is a large employer in Utah. It consists of three components—federal, state, and local. Together, they make up just over 18 percent of Utah's employment base, the second highest among all industries.

Government can be both one of the slowest to respond to the recession's impacts (as tax revenue flows are slow to reveal themselves), or one of the industries through which government stimulus money will flow; particularly

through the federal government. Therefore, government was the only other industry to add workers in Utah. But it was not across the board in all components. Federal government employment expanded by 1,000 positions. Local government jobs, which are not limited to but do include public school teaching jobs, increased by nearly 2,200 positions. State government employment contracted by nearly 200 positions.

Characteristics of Note During This Recession

This recession did not have an even across-the-board impact upon all social groups. Men, and young workers were the most negatively



impacted groups. Two of the hardest hit industries were construction and manufacturing, and gender breakouts reveal that these two industries are heavily dominated by male workers. Female workers are found to dominate the education and healthcare industries, the two industries that actually added jobs during this recession (including education jobs in the local government sector). Younger workers found themselves being let go more than older workers due to the higher skills and institutional knowledge businesses wished to retain from their older workers.

Wage Growth Barely Stays Positive This Year

In 2007, Utah's unemployment rate averaged 2.7 percent, its lowest unemployment rate ever. A labor market that tight naturally translates into strong wage gains as employers must be wage-price aggressive in this environment to not only attract new labor, but to retain existing workers. Wage growth was an aggressive 5.6 percent that year.

The tightness of that 2007 labor market began to unwind in 2008, and that year's wage gains fell to just 2.6 percent.

Then along comes 2009. With all of the job losses beginning in late 2008 into 2009, Utah's unemployment rate rose to 6.6 percent, its highest level since the early 1980s.

With this high unemployment rate resulting in many idled workers willing and able to fill the few vacant job openings that become available, upward pressure upon the price of labor has moderated significantly. Therefore, average wage growth recorded for 2009 was 1.6 percent, a low level last seen in 2003, during the dot com recession's accompanying excess supply of workers.

Total wages paid by all industries into the Utah economy totaled \$45.2 billion. That is down \$1.2 billion from 2008's \$46.9 billion. How can the average wage still go up when total wages go down? Because an average is a calculation of total wages divided by those who remain employed. As mentioned earlier, many young workers and their low wages were re-

moved from the economy during this recession. Therefore, the removing of lower wages from the total wage pool actually allows the overall average wage to rise. Still, the average wage gain did fall to a low level this year, indicating that even though young wages were removed from the total, many other wage-age groups also saw a slowdown in wage gains.

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