

# Utah's Economy - 2011

Calendar year 2011 marked the first full year of economic recovery in Utah from the Great Recession's employment trough of mid 2010. All industrial sectors save construction showed employment gains for the year. Construction's 50-job loss for 2011 is nominal and shows that even this hard-hit and recession-centered industry is reaching its final resting point for the recessionary slide.

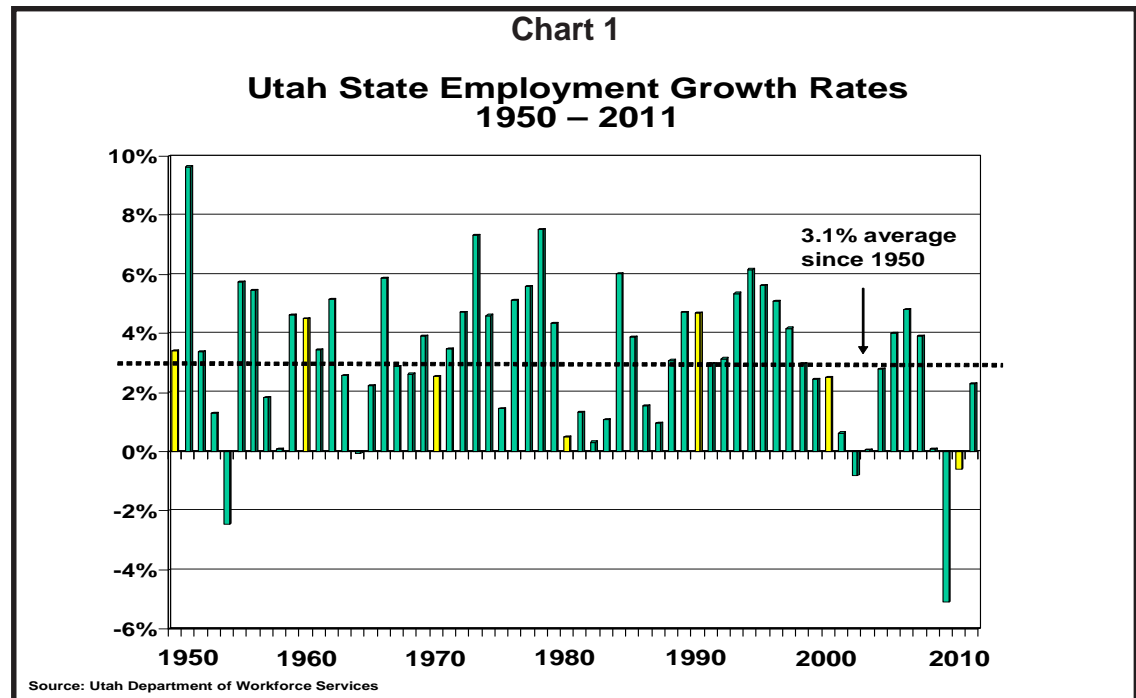
Utah added nearly 27,000 jobs to its economy during 2011. This represents an employment growth rate of 2.3 percent. It also marks the first full year of employment growth in three years, following two prior years of job losses in Utah and an additional year with no job growth. Still, employment levels remain 43,900 below the pre-recession peak employment of 2008.

Due to multiple years of recession impact, Utah's unemployment rate remains elevated at 6.7 percent (though subject to a future revision). This is down from the recession's peak of 8.0 percent in 2010, but this decline is more a reflection of additional people leaving the labor force than people coming off the unemployed rolls and finding work. Yet both factors are at work in pulling down the unemployment rate.

Utah's labor force participation rate has fallen from 72 percent prior to the recession to 66 percent by late 2011. This is a significant decline; one of the highest in the nation. The most obvious aspect of this decline is the cyclical job losses and job stagnation of the recession, but additionally the youthful makeup of Utah's labor force. Younger workers tend to be more adept at exiting the labor force for short durations than are older workers who may need to keep seeking work to support a family.

## Employment by Industry

**Mining** Following a down year in energy prices in 2010, mining employment made a strong comeback in 2011 as energy prices also rebounded. This is the smallest industrial sector in Utah, and so its 1,210 new jobs in 2011 is small in quantity, but it does represent a growth rate of 11.7 percent. Nearly all of these gains are in the oil and gas sector in the Uintah Basin.



**Construction** Construction sustained its fourth straight year of employment loss, although the losses have slowed considerably with only 50 fewer jobs for this year. This probably signals the end of construction's employment slide during the Great Recession. Assuming no more losses in 2012, the total employment decline from pre-recession peak to 2011 will total around 38,300 jobs, or 37 percent of pre-recession employment. Construction has fallen from 8.3 percent of Utah's total employment base in 2007--a level that was historically and abnormally high--to 5.4 percent of total employment, a level that is below the historical average of around 6.0 percent.

**Manufacturing** Manufacturing was another industry heavily impacted by the recession in Utah. Between 2008 and 2010, this industry dropped 14,800 jobs. This year marks the beginning of employment rebound in manufacturing as roughly 2,600 jobs have re-emerged. Manufacturing makes up 9.4% of Utah's employment base, down from around 10% a few years ago.

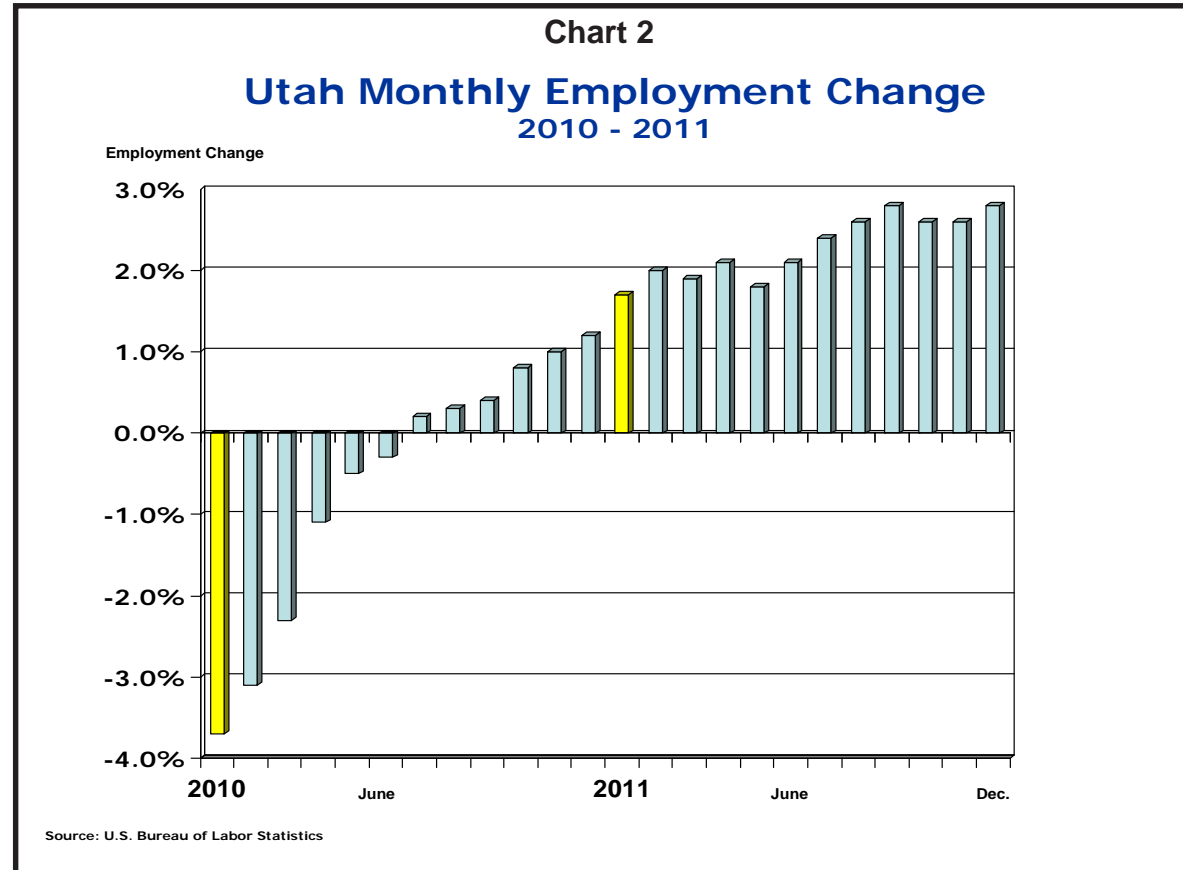
**Trade, Transportation, Utilities** This is the largest employment sector in Utah, accounting for just over 19 percent of all jobs. The trade component is the largest in this sector. It is one of the major areas within the economy that captures consumer spending; therefore trade carries a high profile. Overall, this sector rebounded with 4,100 new jobs for 2011. The retail trade aspect--the direct link between consumers and their purchases--only added 550 of the total sector

positions. Wholesale trade activities were more robust, with employment gains of over 2,000. Over 1,500 jobs developed in the transportation/warehousing aspect, with much of this in the trucking industry.

**Information** Information is one of Utah's smallest sectors with employment around 29,500. This represents little increase over the previous year as only 220 new jobs developed in 2011.

**Financial Activity** The financial sector played a high-profile role in the recession of 2007-2010. Job losses across those years totaled 6,700 in Utah. But that slide has ended as 410 jobs were added in this sector in 2011. It is not a large job increase, but it is a starting point for rebound.

**Professional and Business Services** This sector consists of high-paying professional services, and lesser-paying business services, such as telemarketing and temporary



help. Both groups were impacted during the recession with job losses.

This is the strongest job-gain sector, adding 7,080 new jobs in 2011. This is nearly double the amount of jobs added in the next highest sector, education and health services. In the early stages of economic recovery, as Utah is in 2011, it is common to see significant employment gains in the business services side of this sector. These are largely driven by job gains in the temporary and help supply industries. Oftentimes, these are the first places industry turns to expand hiring, particularly when questions surrounding the durability and strength of an economic rebound linger.

The other portion of this sector is the technical and professional jobs. These produced a nice increase of 2,800 jobs in 2011. Technical and professional jobs are generally high-paying and require higher education and specialized training in fields such as engineering, computer programming, and consulting.

**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 the 2007-2009 recession, while many other industrial sectors were shedding jobs or pausing to gauge the surrounding 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.

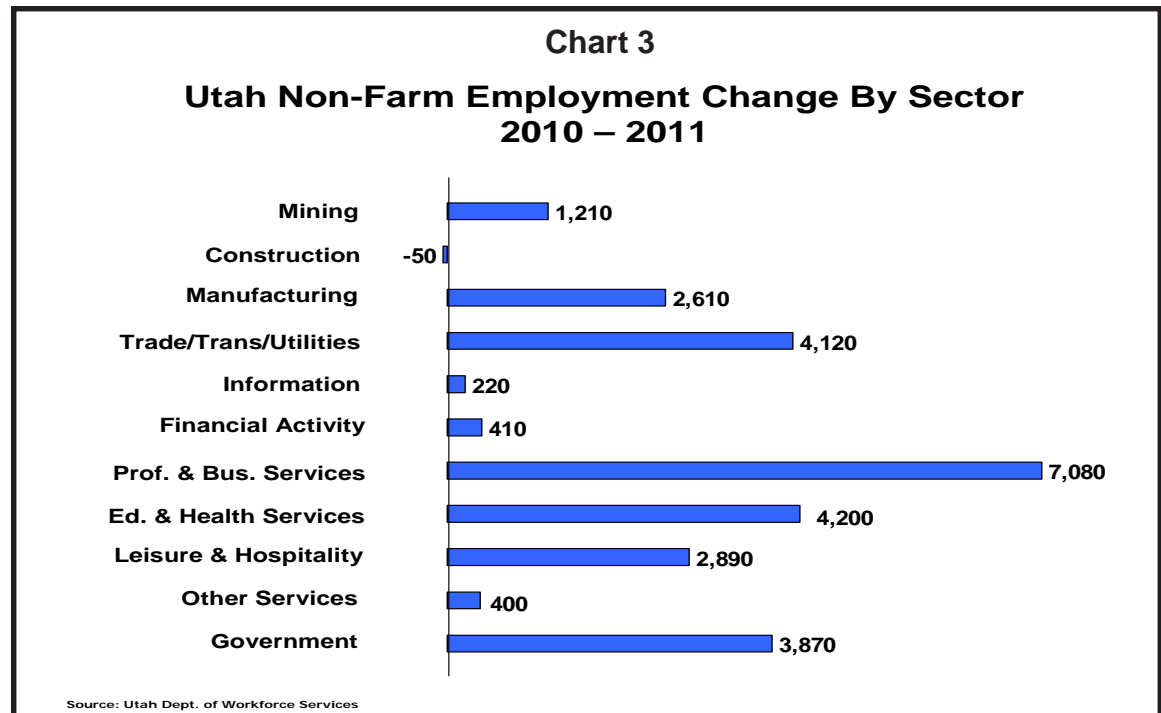
**Leisure and Hospitality** This sector is designed to be a proxy for tourism. But with a recession in full swing, tourism, being considered a discretionary commodity, was something that may have been sacrificed by consumers in the 2007-2009 recession. Employment losses were noticeable in this sector through 2010. But the economic recovery appears to be having a positive effect on this sector as nearly 2,900 jobs re-emerged in Utah's hospitality arena.

**Other Services** This service-producing sector has a potpourri of businesses within its classification such as repair services, personal services, and membership organizations. It's not a particularly large sector, em-

ploying around 34,000 Utah workers. It experienced job gains of 400 positions for the year, recovering the 400 jobs this sector lost in 2010.

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

In aggregation, government employment gains in Utah totaled nearly 3,900 in 2011. But not all government branches added jobs, as the federal government dropped roughly 1,200 jobs in Utah in 2011. But these were coun-



tered by gains at both the state and local levels, nearly all coming through education activities. The state government has a large share of employment in higher education, and the local governments manage the K-12 sphere.

## Unemployment

Utah's unemployment rate for 2011 stands at 6.7 percent, although it will be subject to an additional revision in the future. The rate is down from 8.0 percent in 2010. A falling unemployment rate generally signals an increase in employment levels that come to those previously unemployed. Some of that has occurred in 2011 but not to a large enough degree to account for the full drop in the rate.

The majority of the unemployment slide instead comes from additional persons who were previously unemployed no longer looking for work and exiting the labor force. This is observed in the falling labor force participation rate (LFPR), which is the percentage of adults who are either working or looking for work.

Prior to the recession, Utah's LFPR was over 72 percent. It has since fallen during the recession as employment levels have decreased. By 2010 it had fallen to 69 percent. Here in 2011, it has fallen further to 67 percent. The majority of the unemployment rate decline this year is coming from labor force exits. The pace of job growth in 2011 is barely enough to make up the total recessionary

losses. A further year of limited employment opportunities breeds additional discouragement.

## Wage Growth Continues its Rebound in 2011.

Total payroll wages for all industries in the Utah economy totaled \$47.9 billion. That is up \$2 billion from 2010, an increase of 4.5 percent.

Utah's average monthly payroll wage measured \$3,305, up 2.2 percent from 2010's \$3,235. The levels of the past several years have been below Utah's long-term average wage growth of over 3.0 percent, but this is a natural consequence of a recession and its lingering effects.

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