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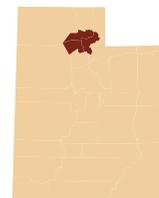


An economic and labor market analysis of the Wasatch Front North Area

vol. 3 issue 2 • jobs.utah.gov



Wasatch Front North's Dynamic Population



BY TYSON SMITH, ECONOMIST

The population of any geography never remains static. Individuals and families move from one location to another for several reasons, and every location experiences natural changes in population due to births and deaths of its citizenry.

The U.S. Census Bureau tracks both geographical mobility—or migration—and natural growth through a variety of different surveys. Recently, the Census released the 2013 Annual Estimates of the Components of Population Change. Analyzing the Wasatch Front North (WFN) using these newly released data, along with the 2007 to 2011 County-to-County Migration Flows tables¹, provides insights into to the dynamics of the region's population.

Economic Impact

The relationship between population growth and regional economic health provides the most compelling reason for examining changes in WFN's population.

Local economies grow when an expanding population necessitates an increase in the

production of goods and services to meet the needs of its residents. In this case, even newborn babies create consumer demand for items like diapers, formula and other home goods. The increase in consumption resulting from population growth promotes positive economic activity.

Conversely, the production of goods and services can necessitate population growth. If the producers of goods and services increase their demand for regional labor—especially in high-paying occupations—there will be incentive for workers to relocate to the area. Simply put, labor growth contributes significantly to economic growth, and the amount of labor available is largely a function of the size of the population.

Net Migration and Natural Increase in WFN

Net migration calculates the total number of residents that move into a geography, minus the total number of residents that move away from that same geography.

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Private businesses are outpacing government in job growth in Wasatch Front North.

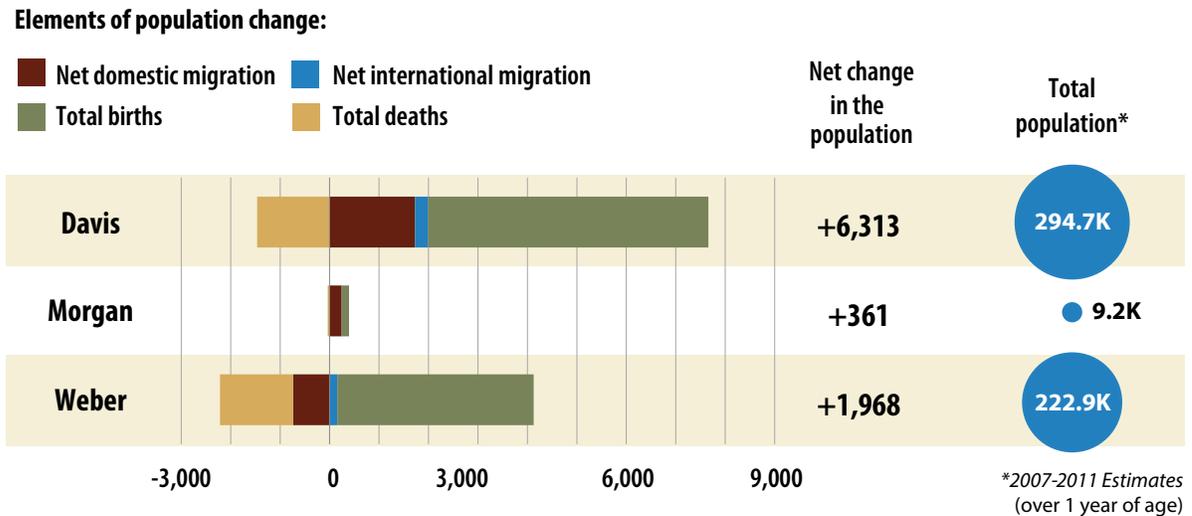
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Gauging whether Utah's labor supply can support our job growth.

The vast majority of geographic mobility in Wasatch Front North counties occurred domestically.



Figure 1: Annual Estimates of the Components of Population Change from 2012 to 2013



Source: U.S. Census Bureau Population Estimates.

Similarly, natural population growth subtracts the number of deaths from the number of births in a given region. The sum of net migration and net natural growth produces the net change in the population² (Figure 1).

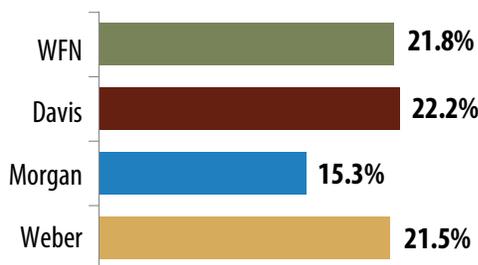
The 2013 annual estimates split net migration into two categories: domestic and international. The vast majority of geographic mobility in WFN counties occurred domestically. Davis and Morgan counties experienced positive net domestic migration, adding a total of 1,728 and 244 citizens, respectively. On the other hand, Weber County lost 738 residents to other states and counties in the U.S., though net domestic migration made up a much smaller percentage of the total population in Weber compared to

the other counties in WFN (0.3 percent compared to 0.6 and 2.7 percent for Davis and Morgan respectively).

In most Utah counties international net migration represents a negligible portion of total population change, and given the margin of error these estimates should be examined with a healthy amount of skepticism. It is worth noting that Davis and Weber counties had positive net international migration totaling 263 and 157 residents, respectively.

In Utah, births make up the majority of new residents in a county. This trend holds true for WFN where 80.3 percent of the net increases to the population came from births. In 2013 Davis County had an estimated 5,668 births, Weber County had 3,970 and Morgan County had 150, compared to 1,464, 1,478 and 37 deaths, respectively.

Figure 2: Share of Resident Population that Moved in the Previous year from 2007 to 2011



Source: U.S. Census Bureau, American Community Survey

Moving Where?

According to the ACS an estimated 21.8 percent of the residents in WFN experienced a move from the previous year from 2007 to 2011 (Figure 2).

The percentage of movers was consistent for Davis (22.2 percent) and Weber (21.5 percent) counties. Those counties represent the population centers of the Ogden-Clearfield Metropolitan Statistical

¹ Collected through the American Community Survey (ACS)

² Total population change includes a residual that cannot be attributed to any specific demographic component (<http://www.census.gov/popest/about/terms.html>)

Area (MSA). Population clusters promote migration for economic reasons, because there are more job opportunities in urban centers. Weber State University and Hill Air Force Base also add to the transient nature of the area. Large universities attract thousands of new residents every year; after graduation much of the student population moves away from the area to pursue careers elsewhere. While Hill Air Force Base employs and houses thousands of service men and women that are relocated during active duty.

While the ACS data estimate that over a fifth of the population in WFN moved between 2007 and 2011, 38.1 percent of those residents remained in the same county as their previous residence. Figure 3 shows the destination of WFN residents that moved in the previous year. Movers that left WFN went to a different county in Utah nearly twice as often as those that went to a different state. Movers that came to WFN were also more likely to come from a different county within the state.

As one would expect, the major migration destinations for WFN residents are nearby metropolitan areas across the Wasatch Front. Salt Lake, Utah and Cache counties attracted the highest number of residents that moved from WFN. The same counties also contributed the highest number of in-state migration to the region.

Most WFN residents that moved out of state chose highly populated counties in the western U.S. like Maricopa County, Arizona (Phoenix), King County, Washington (Seattle) and Clark County, Nevada (Las Vegas).

Clark County, Nevada and Maricopa County, Arizona also contributed the most out of state migration into WFN along with Clark County, Washington (Portland).

Figure 3: WFN Population that Moved in the Previous Year from 2007 to 2011

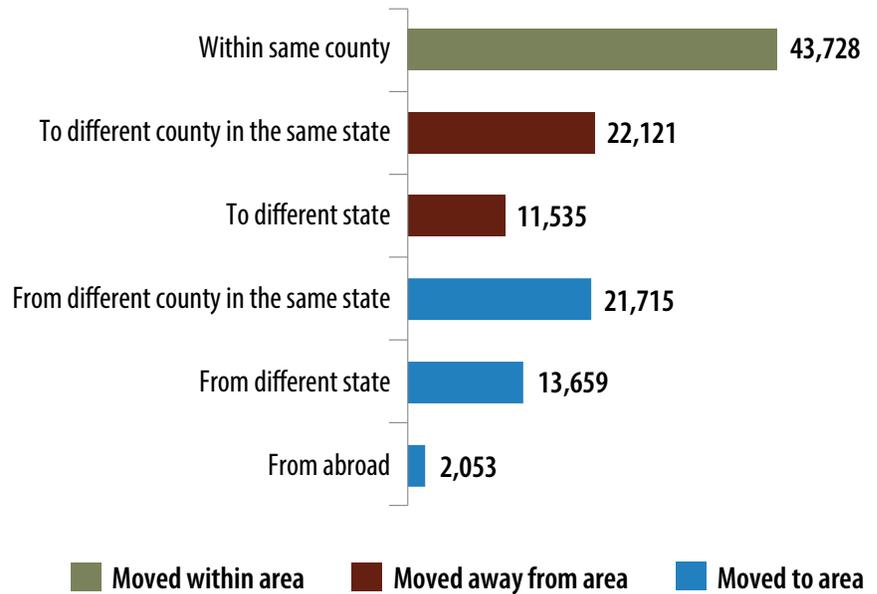
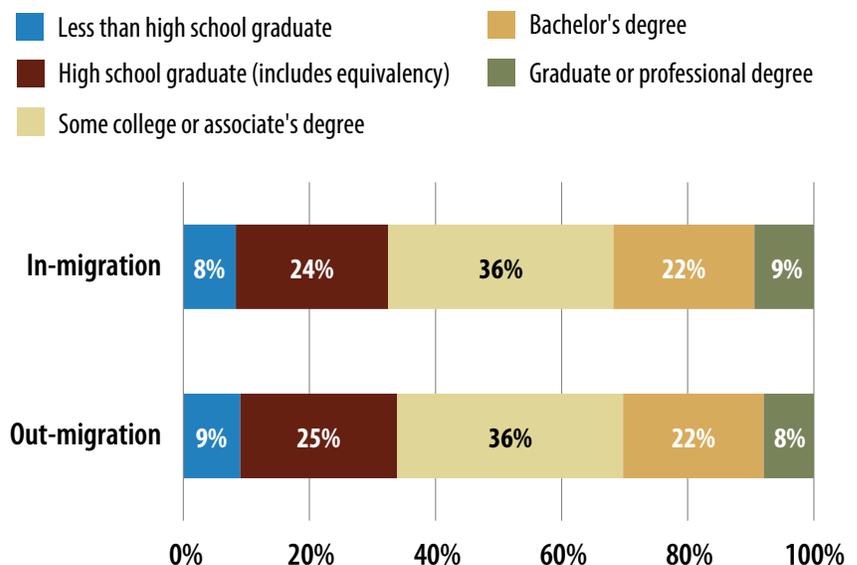


Figure 4: Educational Attainment of Migrating Population to and from WFN (2007 to 2011)



Source: U.S. Census Bureau, American Community Survey



Private Sector Growth Continues to Outpace Government

BY TYSON SMITH, ECONOMIST

Regional Overview

First quarter employment in the Wasatch Front North (WFN) region grew 2.6 percent from 2013 to 2014. In total, the region added 5,238 nonfarm jobs year-over-year for a quarterly average of 207,742 employees. The WFN increased employment at a slower rate than the rest of the state, which grew 3.1 percent over the same period. Annual growth in the WFN slowed a bit from the 2.9 percent rate in the fourth quarter of 2013.

Aligning firms and organizations that perform similar functions provides a construct for examining employment and the economy. Total nonfarm employment contains 12 industry groups that can be clustered into two sectors: goods-producing (mining, construction and manufacturing) and service-providing (trade/transportation/utilities, information, financial activities, professional/business services, educational/health/social services, leisure/hospitality, other services, non-classified, and government).

Private Goods-Producing Employment: In the first quarter of 2014, 17.7 percent of total nonfarm employment was in private goods-producing sector. Employment grew at an annual rate of 5.4 percent from the first quarter of 2013, adding an average of 1,872 jobs. Construction and manufacturing employment drove growth, increasing at respective annual rates of 10.2 and 2.9 percent (adding a total of 1,862 jobs to the region).

Private Services-Providing Employment: Sixty percent of the nonfarm jobs in the region were in private sector services. This sector increased first-quarter employment by 3,806 jobs, or 3.2 percent, from 2013 to 2014. The trade/transportation/utilities and

professional/business services industries added the most jobs in this sector (1,103 and 1,064 jobs, respectively).

Government Employment: In the WFN region, government jobs represented 22.7 percent of the employment of the area, even though total government employment shrank by 0.9 percent year-over-year. State government employment in the region increased by

Figure 5: Change in Total Nonfarm Employment (Q1 2013 to Q1 2014)

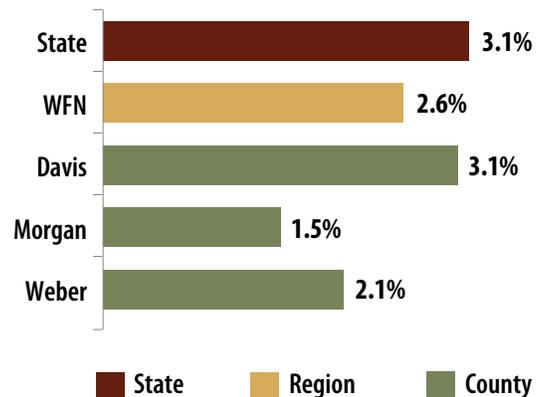
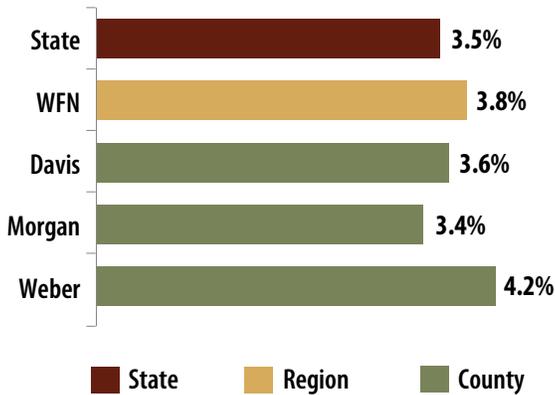


Figure 6: Unemployment rates (June 2014)



Davis County

Total nonfarm employment in Davis County increased 3.1 percent year-over-year in the first quarter. From 2013 to 2014, Davis County added 3,277 jobs, resulting in a quarterly average of nonfarm employment equal to 110,452.

Private Goods-Producing Employment: Goods production increased 5.3 percent, or 946 jobs, since the first quarter of 2013. Construction and manufacturing added 832 and 112 jobs, respectively.

Private Service-Providing Employment: Private services added 2,700 jobs year-over-year, a growth rate of 4.3 percent. The professional/business services and the educational/health/social services industries each tallied 824 and 600 new jobs.

Government Employment: First-quarter government employment shrank 1.4 percent from 2013 to 2014. Local, state and government agencies all cut jobs, losing an average

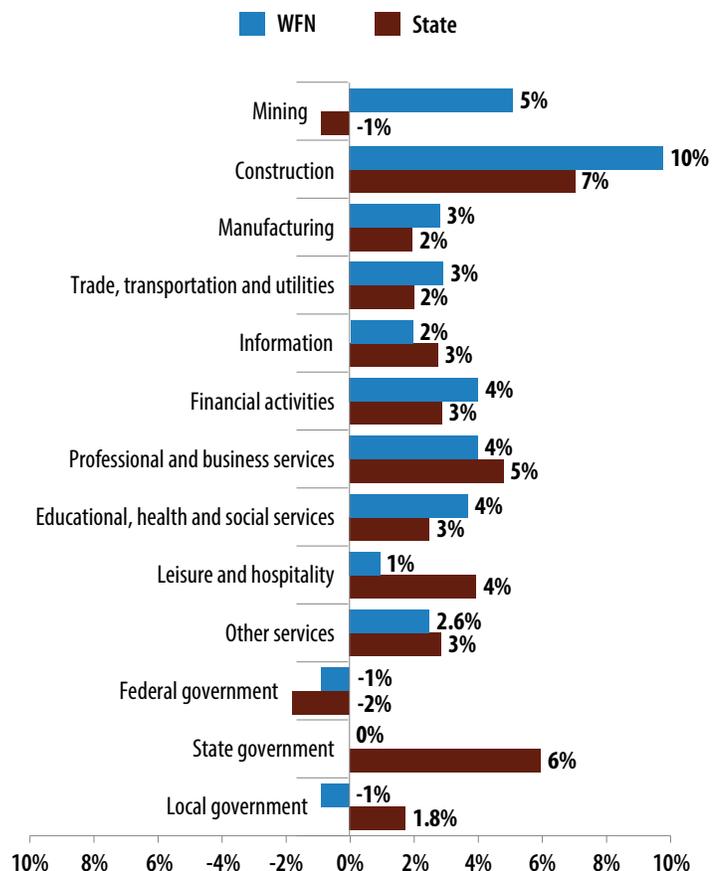
an average of 11 employees over the year, while the number of federal and local government jobs decreased by over 200 employees each.

Likewise, unemployment rates over the last year have fallen as employment has grown. In June 2014 the seasonally adjusted unemployment rate for the WFN was 3.8, compared to 4.6 percent one year prior. The 0.8 percentage point difference represents an estimated 1,842 less people unemployed. Over the last three months the unemployment rate has remained relatively stable, decreasing 0.1 percentage points from March to June. In June, the WFN unemployment rate was 0.3 percentage points above the state average of 3.5 percent.

The average number of unemployed people filing initial unemployment insurance claims also decreased from the first quarter of 2013 to the first quarter of 2014, though the difference was relatively minimal. Approximately 16 fewer weekly initial unemployment claims were filed during the first quarter of this year than last.

In addition to increased employment, broader economic growth helped drive up first-quarter consumption in 2013. Taxable sales for the WFN increased 4.5 percent year-over-year to a total of almost \$1.9 billion. As labor market conditions trend upward, business and household spending should follow.

Figure 7: Year-over-Year Changes in Industry Group Employment (Q1 2013 to Q1 2014)



of 133, 2 and 228 employees respectively over the year.

The Davis County unemployment rate settled at 3.6 percent in June, unchanged from May. Over the last 12 months the county unemployment rate has fallen 0.6 percentage points. Davis County was 0.1 percentage points higher than the state average in June.

On average, the number of weekly initial unemployment claims filed during the second quarter decreased by six claims from 2013 to 2014. The average number of weekly claims in the second quarter was down by approximately 116 claims from the recession high in 2009.

Spending in the county was also up; first-quarter taxable sales in the county increased 3.8 percent from 2013 to 2014, significantly higher than the state average of 2.2 percent. The year-over increase in spending was about \$37.2 million higher than last year, bringing first quarter spending in 2014 to \$1 billion.

Morgan County

First-quarter total nonfarm employment in Morgan County grew 1.5 percent from 2013 to 2014. Morgan County added a quarterly average of 27 nonfarm jobs year-over-year, resulting in total employment equal to 1,813.

Private Goods-Producing Employment:

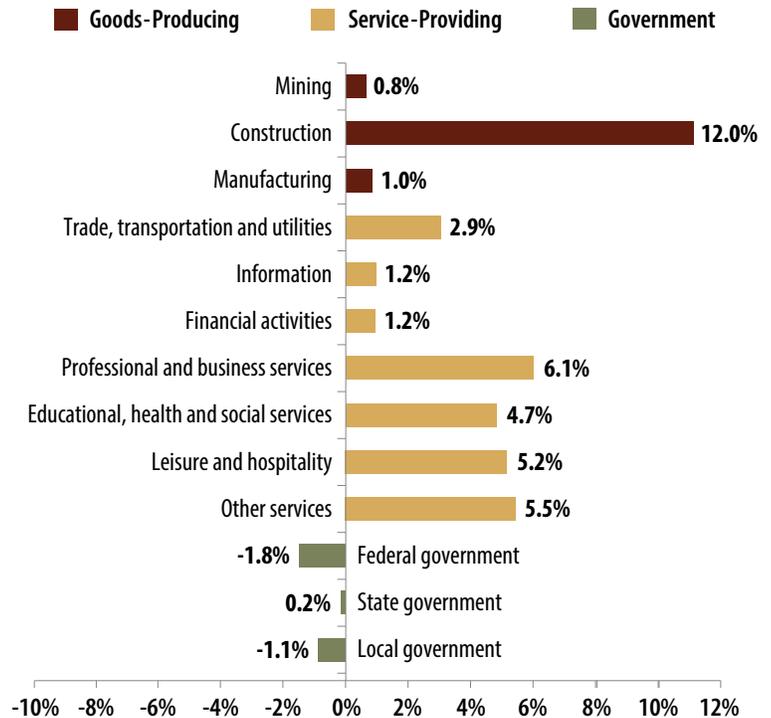
The number of goods production jobs in the county decreased 3.5 percent (18 fewer jobs). Construction employment accounted for all of the losses in this sector, falling 6.7 percent year-over-year.

Private Service-Providing Employment:

The service sector grew 5.6 percent from the first quarter of 2013, adding 76 jobs. Professional/business services increased by 27 jobs to an average quarterly employment total of 109.

Government Employment: First-quarter government employment remained static at a quarterly average of 471 jobs. The federal government was the only governmental agency to grow from first-quarter 2013 to 2014, adding 2 employees on average.

Figure 8: Changes in Davis County Employment (Q1 2013 to Q1 2014)



The unemployment rate in Morgan County was 3.4 percent in June. Since June 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 June. The average number of initial unemployment claims filed per week in the second quarter of 2014 was 2 claims, approximately 1 fewer claim than the 2013 average.

On a percentage basis, Morgan County had the third largest increase in first-quarter taxable sales. Taxable sales in the county jumped 16.9 percent from 2013 to 2014. First-quarter spending was approximately \$20.3 million, an increase of \$2.9 million from the previous year.

Weber County

First-quarter total nonfarm employment in Weber County increased 2.1 percent

year-over-year. Total county employment in the first quarter was 95,477, a 1,934 job increase from the same period in 2013.

Private Goods-Producing Employment:

Increased 5.7 percent, or 944 jobs, from the first quarter of 2013. Manufacturing added 563 jobs, taking this industry's employment from 12,144 in 2013 to 12,707 in 2014.

Private Service-Providing Employment:

Added 1,061 jobs, a growth rate of 1.9 percent from the previous year. The trade/transportation/utilities and educational/health/social services industries increased employment by 526 and 371 jobs, respectively.

Government Employment: Government employment shrank 0.3 percent from the first-quarter 2013 to the first-quarter 2014. State government added

Figure 9: Changes in Morgan County Employment (Q1 2013 to Q1 2014)

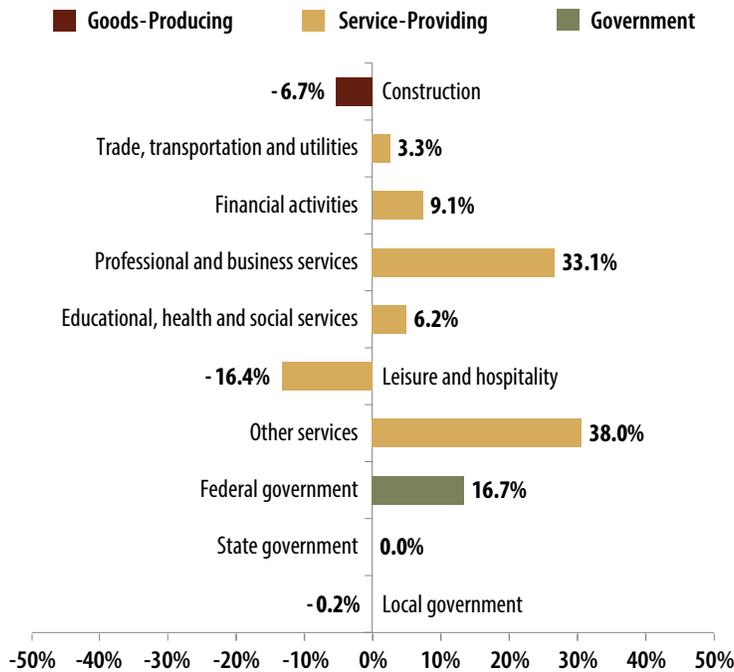
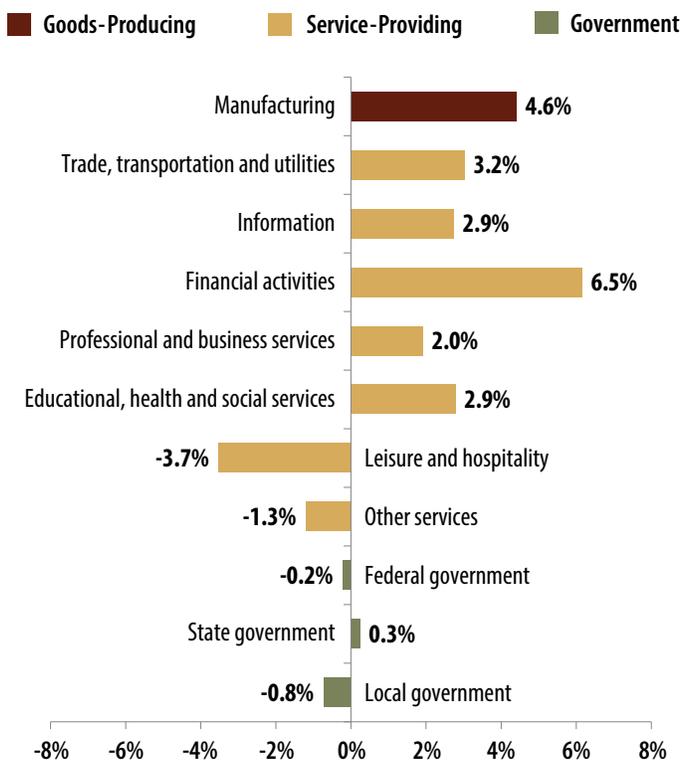


Figure 10: Changes in Weber County Employment (Q1 2013 to Q1 2014)



13 employees, while federal and local government lost a total of 84 jobs.

June's unemployment rate for Weber County was 4.2 percent, unchanged from the previous three months. Over the last year, the county unemployment rate has fallen 0.9 percentage points. Weber County was 0.7 percentage points higher than the state average in June.

On average, the number of initial unemployment claims filed per week in the second quarter (163) decreased by nine claims from 2013 to 2014. The number of weekly claims in the second quarter of 2014 was down by approximately 147 claims per week from the second quarter of 2009.

First-quarter taxable sales in the county increased 5.1 percent from 2013 to 2014, which was 2.9 percentage points faster than the state average. In the first quarter of 2014 taxable sales were approximately \$865.9 million, which was an increase of approximately \$41.7 million from the previous year.



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Labor Supply Can Sustain Utah's Growth

BY MARK KNOLD, SUPERVISING ECONOMIST

The Utah economy is growing, which means more jobs now than at this time last year. In order for an economy to add jobs, additional workers must be available. Without an adequate labor supply, an economy's growth potential becomes constrained. Fortunately, Utah has enough labor to sustain its current above-average job growth for several more years.

An economy gains workers through three avenues. One is a youthful supply aging into the job market every year—which isn't a problem for Utah. Our yearly net labor force gain (entrants minus retirements/deaths) is 20,000 to 23,000. Next, there are workers already of labor force age who either enter or re-enter the labor force. Lastly there is in-migration—labor that comes to Utah from other states or nations.

The recession caused no net Utah job growth between 2008 and 2013. At the same time, Utah's natural labor supply (births minus deaths) grew by approximately 100,000. That surplus labor embodies what the 2014 economy has to draw from, and is the fuel for sustaining Utah's current job growth over the next several years.

Currently, there is little evidence of a strong labor flow migrating into Utah, so most of the new jobs are filled in-house. Each year, roughly 20,000 additional young workers age into the labor force. Utah's economy is expected to expand by approximately 42,000 jobs in 2014. Therefore, our economy in 2014 will draw

upon than just these first-time entrants. About 24,000 of those recession-idled 100,000 must be drawn back to the job market. If this process were to be repeated for the next several years; on paper, all 100,000 recession-idled laborers would be returned to the Utah job market by 2018.

Utah still has a sizeable labor pool, and even without significant in-migration in the immediate future, Utah is in a position to sustain its current above-average job growth for several more years. Economic interaction doesn't remain static though. As the nation's economy improves, one expects that in-migration will be an increasing factor for Utah going forward, supplying even more workers for a potentially longer dynamic growth period.

While individual regions may experience variations from the above postulation—for example, the Uintah Basin may see more labor in-migration than other areas—the desire is that a growing Utah economy will experience sustained labor availability, and growth will find its way into all regions of the state.

“Without labor nothing prospers.”

— *Sophocles, Classical Athenian Playwright*