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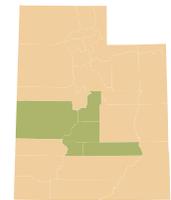


An economic and labor market analysis of the Central Utah Area

vol. 3 issue 1 • jobs.utah.gov



Industrial Variety and the Central Utah Economy



BY LECIA LANGSTON, ECONOMIST

In regional policy circles, conventional wisdom holds that industrial diversity paves the road to economic stability and growth. On the other hand, empirical research suggests much less certainty to that axiom. Economic stability does seem to show limited correlation with industrial diversity. However, job growth does not necessarily follow a varied industrial employment mix.

Measuring Industrial Diversity

A multiplicity of industrial diversity measures exist. This article uses the Hachman Index to measure diversity created by Frank Hachman of the Utah Bureau of Business and Economic Research. This index is derived from Location Quotients at the two digit level of the North American Industry

Classification System (NAICS). It measures how closely the employment distribution of an area resembles that of an industrially diverse reference area.

Here, the industrial employment distribution of counties in Central Utah is compared to that of the nation. An area with a Hachman Index of 1.00 maintains an industrial employment mix exactly equal to the national employment distribution. In essence, the higher the index, the more diverse the area's industry mix.

The Rankings

In 2012, Utah's Hachman Index, at 0.97, placed it as one of the most industrially diverse states in the union. Nevertheless, statewide diversity does not translate into county-level diversity. In 2012, none of

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"The fact that industries wax and wane is a reality of any economic system that wants to remain dynamic and responsive to people's changing tastes."

— James Surowiecki



Utah's counties showed a Hachman Index as high as the state itself. Indices ranged from 0.95 for Salt Lake County to 0.09 in Duchesne County.

In Central Utah, Sanpete County displayed the highest Hachman Index (0.62). However, compared to all Utah counties, Sanpete County appeared only moderately diverse, with the twelfth-highest index in the state. Wayne and Sevier counties placed in the next tier of diversity with indices of 0.49 and 0.46, respectively. Piute (0.28) and Millard (0.23) exhibited the least variety in industrial mix in Central Utah.

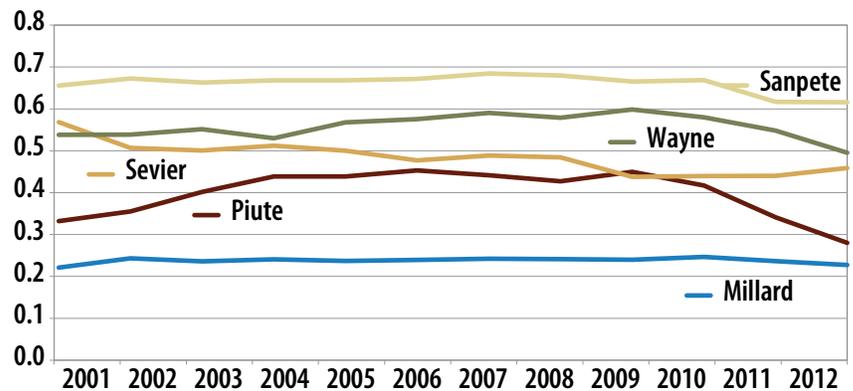
Statewide, larger counties typically displayed more industrial diversity than did smaller counties. In Figure 2, county-level covered employment is plotted against the 2012 Hachman index to reveal that counties with higher employment do tend to show more diversity. However, in Central Utah, moderately populated Millard County generated an index measuring fifth-lowest in Utah and below the figures for less-populated Piute and Wayne counties. An unusually heavy employment concentration in utilities (due primarily to the Intermountain Power Project) accounts for Millard County's particularly low Hachman Index.

Less-populated counties often show a high concentration of public sector and education jobs compared to larger areas which tends to dilute industrial diversity. This situation occurs in every county in Central Utah. Although Sanpete shows the most industrial variation in the region, it is also subject to this phenomenon. Snow College, a large school district and a regional prison mean the county shows less employment diversity than the nation. Not surprisingly, sparsely populated Piute County shows a Hachman Index registering in the bottom tier. Piute County doesn't even show employment in certain industries.

Time after Time

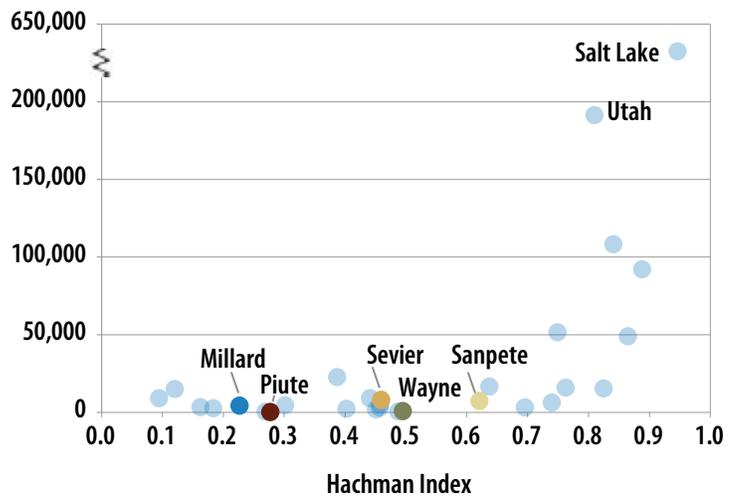
Industrial mix is not static. Some industries grow as others contract affecting the level of employment diversity. Over the past decade, most counties in central Utah experienced a change in their Hachman

Figure 1: Hachman Index by County



Source: U.S. Bureau of Labor Statistics and Utah Department of Workforce Services

Figure 2: 2012 Hachman Index and Covered Employment by Counties in Utah



Source: U.S. Bureau of Labor Statistics and Utah Department of Workforce Services

Index. However, the path to less industrial variety did not follow a straight path. Millard County proved the lone exception. Between 2001 and 2012, Millard County's index hugged the 0.22 line.

Sanpete County's index held steady until the economic recovery when it dropped. Wayne County's diversity declined with the closure of its largest employer. In Sevier County industrial diversity declined through most of the decade, only to tick up slightly in 2012. Piute County's diversity increased dramatically during both boom

and bust only to wane during the national economic recovery.

Stability and Growth

In small counties, a small numeric change can result in a large percent change in employment. Since size and diversity are related, the moderate correlation between diversity and stability may be overstated.

Interestingly, Millard County, the least diverse county in central Utah, experienced the smallest employment swings during the most recent boom to bust cycle. In contrast,

the most diverse county, Sanpete, showed relatively large employment fluctuations. Obviously, as most studies suggest, other factors may have greater sway on economic stability than mere industrial variety alone.

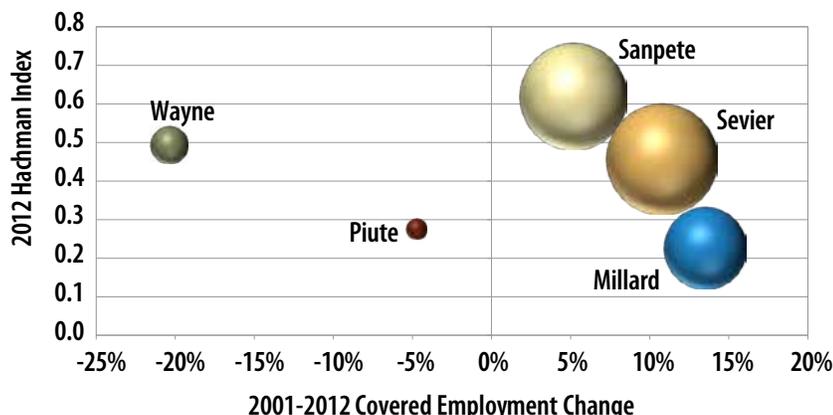
Industrial diversity also seems to bear little affinity to employment growth in Central Utah in recent years. The least industrially diverse county, Millard, also showed the highest employment growth rate between 2001 and 2012.

¹Hachman Index formula: http://home.business.utah.edu/bebrpsp/URPL5020/Concentration/HI_Calc.pdf

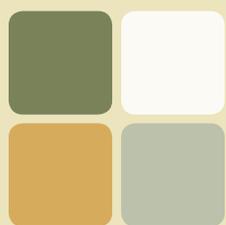
²Location Quotients quantify how concentrated a particular industry is in a region compared to the nation. It represents the share of industry employment in the region divided by the share of employment in the nation.

³See <http://economyutah.blogspot.com/2014/04/county-by-county-economic-diversity.html>

Figure 3: 2001 to 2012 Covered Employment Growth and Hachman Index



Source: U.S. Bureau of Labor Statistics and Utah Department of Workforce Services



Most Central Utah Economies Slowly Improve

BY LECIA LANGSTON, ECONOMIST

The road to economic recovery in Central Utah has proved long and bumpy. Some counties generated employment gains only to lose them as time progressed. Wayne County lost its largest employer. Piute County has only seen one quarter of expanding employment since the end of the recession. However, most counties in the area showed some improvement at year end.

Millard County

As with most less-populated counties, Millard County’s nonfarm job performance rarely follows a straight path. The county ended 2013 with another quarter of employment expansion. The year-over rate of growth (1.6 percent in December 2013) proved rather lackluster. On the other hand, Millard County has consistently added rather than lost employment for more than a year—no small feat for a county in Central Utah. Moreover, upcoming energy-related projects should help expand the county’s labor force offerings.

Between December 2012 and December 2013, Millard County netted roughly 60 new jobs. Manufacturing, healthcare/social service and professional/business services made the most notable employment contributions. In addition, construction,

leisure/hospitality services and government joined the job creation party. Losses in wholesale trade and utilities did put a drag on overall gains.

Although Millard County’s job growth may seem lackluster, employment expansion has certainly proved sufficient to preserve its low unemployment rate. At 3.6 percent in March 2013, Millard County’s jobless rate registered lower than the state figure (4.1 percent), which is highly unusual for a rural area. In addition, Millard County’s jobless rate has remained low despite a reported influx of population (new U.S. Census Bureau population estimates). Finally, the county’s first-time claims for unemployment insurance are running at their lowest level since the end of the recession.

Rounding out this respectable economic report, gross taxable sales made moderate gains at year-end. Between the fourth quarters of 2012 and 2013, Millard County sales increased by 4.5 percent.

Piute County

Unfortunately, Piute County’s employment gains earlier in the year proved an anomaly. Year-end found the county once again shedding employment at a distressing rate. Piute County’s

nonfarm employment peaked in 2008 and, with the exception of third quarter 2013, has contracted ever since.

Between December 2012 and December 2013, Piute County lost about 20 nonfarm positions for a decline of 7 percent. No major industry added jobs. The largest losses occurred in trade/transportation/utilities and government.

Despite the county's dismal employment performance, its unemployment rate continued to edge down. In March 2013, Piute County's unemployment rate registered 4.7 percent, a drop from 5.0 percent in March 2012. This seeming dichotomy occurred for two reasons. First, Piute County's population has contracted and second, many Piute County residents commute across county lines for work.

Gross taxable sales failed to provide any bright economic news for the county. Between the fourth quarters of 2012 and 2013, Piute County sales dropped 7 percent.

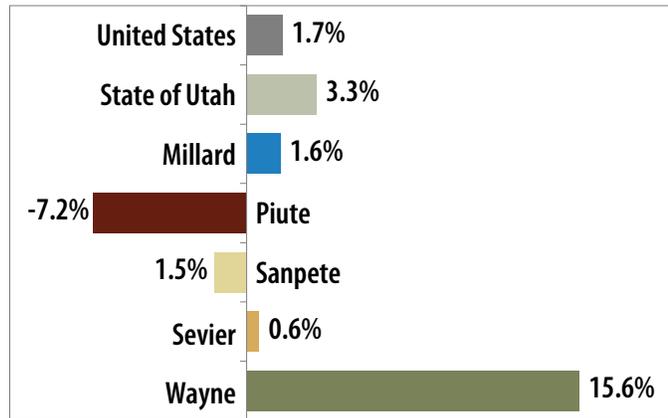
Sanpete County

Sanpete County started the post-recession era with promise. However, its strong employment performance deteriorated in 2012 and the county has spent the last two quarters losing jobs on a year-to-year basis. Obviously, to return to full economic health, the county must begin the job creation process once again.

Between December 2012 and December 2013, Sanpete County lost more than 100 jobs and showed a contraction rate of 1.5 percent. December did show a lower rate of loss than other months in the quarter. This holds out the faint hope that the job-loss trend may be reversing itself. On the other hand, the current widespread employment declines could be difficult to offset. Construction, manufacturing, retail trade, financial activities, leisure/hospitality services and the public sector all lost notable numbers of new positions. On the opposite side of the ledger, only professional/business services and healthcare/social services displayed any significant employment expansion.

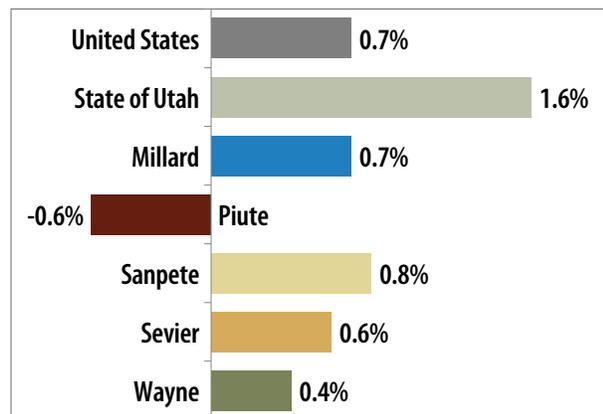
As elsewhere in Utah, jobless rates in Sanpete County have been trending

Figure 4: Change in Nonfarm Jobs from December 2012 to December 2013



Source: U.S. Bureau of Labor Statistics

Figure 5: Change in Population 2012 to 2013



Source: U.S. Bureau of Labor Statistics

downward notwithstanding the county's poor job performance. Recently-released U.S. Census Bureau population estimates show the county's population expanding over the past several years. However, that overall gain obscures significant net out-migration. This suggests that part of the

decline in the county's unemployment rate stems from the loss of working-age adults.

In March 2014, Sanpete County's jobless rate measured 5.2 percent, nestled between the state (4.1 percent) and national (6.7 percent) averages. Initial claims for unemployment insurance are running

at their lowest level since the end of the recession which contributes to the declining unemployment rate. Over the past year, the jobless rate has decreased by almost a full percentage point.

Gross taxable sales mirrored the malaise in employment. Sanpete County's sales dipped by a minuscule 0.1 percent in fourth quarter 2013.

Sevier County

Sevier County spent most of 2013 with low-level job losses. Fourth quarter complied with this pattern. However, in the last month of the quarter, nonfarm employment exhibited a year-to-year increase of 0.6 percent. Could this be the first sign of an improving labor market? Only the future will tell. However, no signs of distress emanate from up-to-date initial unemployment insurance claims data, so the odds favor a stronger employment picture in 2014.

Between December 2012 and December 2013, Sevier County added approximately 50 new jobs. Mining, construction, retail trade, healthcare/social services and the public sector all participated in the employment upswing. Nevertheless, both professional/business services and leisure/hospitality services, with substantial employment losses, counterbalanced much of the new employment.

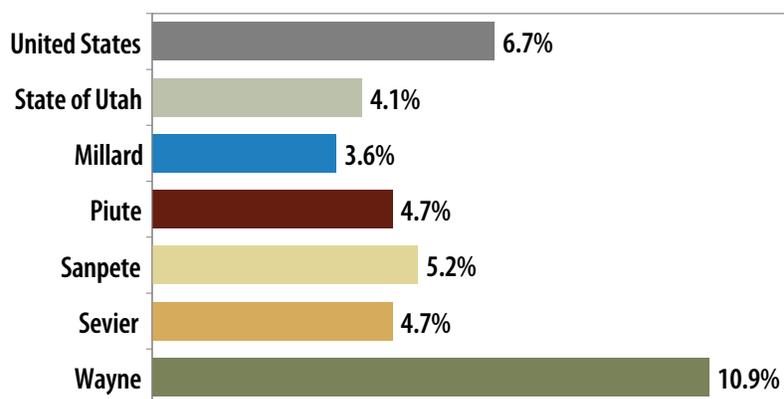
Sevier County's unemployment rate shared in the general decline in joblessness statewide. Although jobs have contracted recently, new population figures from the U.S. Census Bureau indicate that a significant number of individuals have left the county's borders. This out-migration has probably helped drive down the county's level of unemployment. As of March 2014, Sevier County's jobless rate measured 4.7 percent, down from 5.4 percent a year earlier.

Gross taxable sales turned in a cheerful 6.3 percent increase. The recent growth in sales also suggests the economy should continue to improve during 2014.

Wayne County

Employment in Wayne County surged towards the end of 2013. Between

Figure 6: December 2013 Seasonally Adjusted Unemployment Rates



Source: U.S. Bureau of Labor Statistics

December 2012 and December 2013, nonfarm jobs skyrocketed by almost 16 percent. That's in stark contrast to several years earlier when the area lost its largest employer (Aspen Education Group). Moreover, during the first six months of the year, the labor market was contracting. While the strong employment gains may signal an improved economy, unemployment remains high. The county's economic indicators suggest the county's economy requires additional healing.

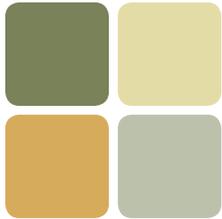
Leisure/hospitality services proved the prime mover and shaker behind the current expansion. However, trade, mining and healthcare/social services also contributed notably to the explosion of new jobs. While not all major industrial sectors shared in the economic joy, other sector declines proved modest.

Clashing with strong employment growth, Wayne County's unemployment rate remains very high and has shown only minor decreases since peaking in mid-2012. At 10.9 percent, Wayne County jobless rate is the only double-digit figure in the state. Moreover, recently-released population estimates from the U.S. Census Bureau indicate that Wayne County's

population actually experienced slight net in-migration in 2013. In other words, the job-seeking portion of the labor force may have increased. The county must generate consistent job growth in order to drive down its jobless rate.

Similar to the surge in nonfarm employment, gross taxable sales took a major leap at year-end. Between the fourth quarters of 2012 and 2013, sales jumped by 29 percent. However, the prime factor behind this gain appears to be a one-time, business-related expenditure.

For up-to-date economic information and new population figures for central Utah: <http://utaheconomycentral.blogspot.com/>



Recent Migration in Central Utah

BY LECIA LANGSTON, ECONOMIST

Moving residences is a relatively common occurrence in geographic center of Utah. That's according to two recently released data sets from the U.S. Census Bureau. Recently-released 2013 population estimates demonstrated migration's role in central Utah's population change. In addition, the County-to-County Migration Flows tables collected from the American Community Survey track the yearly movements of individuals between 2007 and 2011.

Births, Deaths and Migration

Population change results from the intricate interaction between births, deaths and net migration. Births minus deaths results in natural increase. In other words, natural increase measures the difference in the population resulting from more individuals being born than dying. All counties in Central Utah showed positive natural increase according to the Census Bureau's 2013 population estimates.

The other major component of population change, net migration, equals an estimate of the difference between the number of individuals moving into an area and the number of individuals moving out. In central Utah, whether positive or negative, net migration proved minimal impetus for population adjustments. With only 13 net in-migrants, Sanpete County's estimate registered the highest figure in the area. Both Millard and Piute

counties experienced net out-migration while the remaining counties displayed net in-migration.

In Central Utah, natural increase proved the driving force behind population growth in 2013. Only in Piute County did out-migration more than cancel out natural increase for a slight decline in population. However, even in the expanding counties, population growth rates in Central Utah tended to lag behind the rest of the state. Rates of natural increase appeared highest in Millard and Sanpete counties. Piute County, with its high proportion of seniors, showed the lowest rate of natural increase—only 1.3 persons per 1,000 population.

Moving Where?

According to figures tabulated from the American Community Survey, in Central Utah, 15 percent of the population experienced a yearly move between 2007 and 2011. Of course, remember this is survey data, and the margins of error for small counties may be quite large.

“When I was a kid my parents moved a lot, but I always found them.”

— Rodney Dangerfield

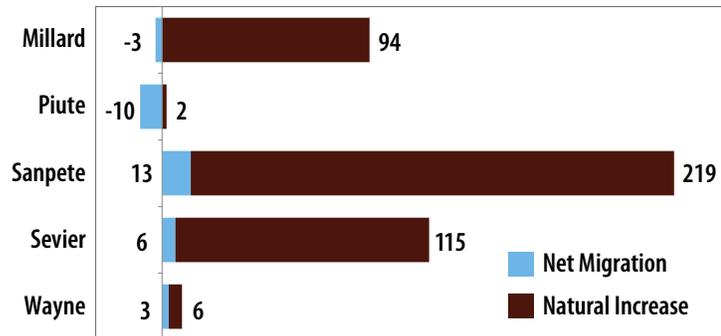
Sanpete County, home to the main campus of Snow College, showed the highest rate of movers at 19 percent. Wayne County, which lost its largest employer during the tabulated time frame, followed with 17 percent of its residents making at least one move. Millard (12 percent) and Sevier (13 percent) counties showed relatively moderate moving rates, while Piute County clocked in with the lowest moving rate in the state—a mere 4 percent.

Between 2007 and 2011, most central Utah movers stayed in the Beehive State. Transplants moving from another county in Utah tallied the highest totals. Individuals transferring residences within the borders of their county of origination ranked second, followed by individuals moving from another state. However, the number of individuals moving from another state measured less than 40 percent of the number of incoming residents from other Utah counties. Those moving to another state totaled an even smaller amount. Not surprisingly, estimates of those moving from abroad comprised the smallest number of individuals.

Most of those leaving central Utah generally headed to the bright lights of the Wasatch front—in particular Utah and Salt Lake counties. Neighboring counties along with Cache and Washington counties also attracted a notable share of the out-migration. Both Washington and Cache counties are home to universities which may have attracted some student relocation, particularly from Snow College in Sanpete County. Arizona proved the prime destination of choice for individuals crossing state lines in a move.

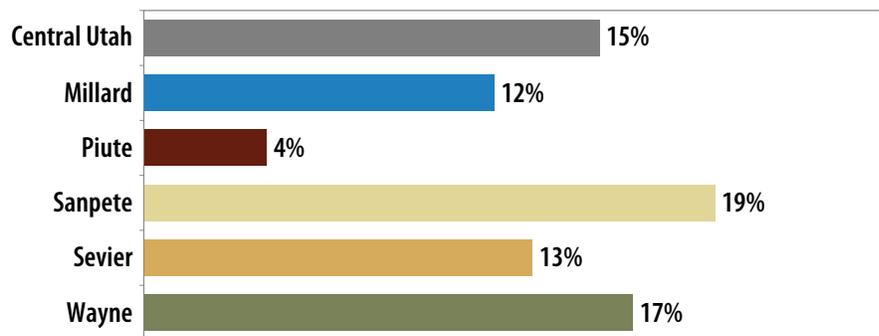
In some respects, those moving in and out of central Utah seemed to just trade places. The Wasatch Front, Washington and Iron counties provided the major sources of central Utah in-migration between 2007 and 2011 reflecting the patterns of out-migration. Out-of-state in-migrants flowed primarily from California, Arizona and southern Nevada.

Figure 7: 2013 Net Migration and Natural Increase



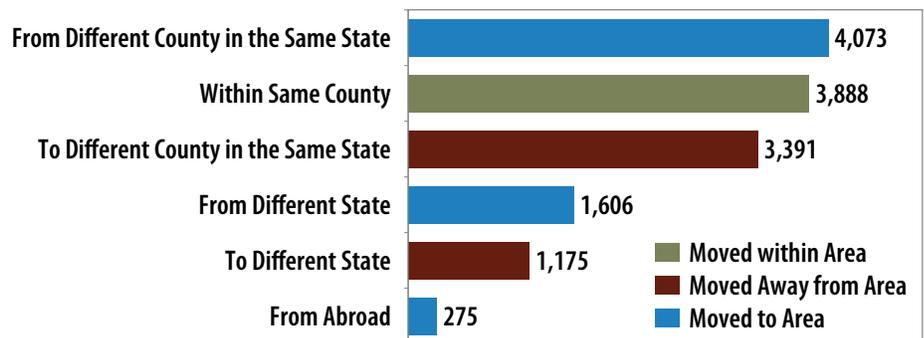
Source: U.S. Census Bureau; 2013 Population Estimates

Figure 8: Share of Resident Population which Moved in the Previous Year From 2007 to 2011



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

Figure 9: Central Utah Population which Moved in the Previous Year From 2001 to 2011



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

For access to additional migration and population data go to:



<http://utaheconomycentral.blogspot.com/2014/03/theyre-here-2013-population-estimates.html>



<http://utaheconomycentral.blogspot.com/2014/02/where-did-they-come-from-where-did-they.html>



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The Influence of Industrial Diversity

BY MELAUNI JENSEN, LMI ANALYST

Labor market economists don't always agree about the most favorable structure for a thriving economy; all theories, tools and applications have their pluses and minuses. The same holds true for the discussion about industrial diversification and its influence on local economies.

A diverse economy has a broad and balanced variety of industries and doesn't rely on related businesses that provide or produce the same products or services. As we saw in the Summer 2013 issue of Local Insights, industry data provide important information about local conditions. The Quarterly Census of Employment and Wages (QCEW) derived from Utah employer's Unemployment Insurance (UI) reports provides us with this view. This comprehensive database quantifies business establishments, shows an accurate reflection of Utah employment and allows us to profile a geographic area and evaluate its diversity.

Industry diversity can lead to lower unemployment in an area. Less diverse local economies are more prone to experience higher employment instability. Diversity on the other hand, offers more options. For instance, a worker who is unemployed from one industry may find work in another industry desiring their skill set. Occupations such as accountants or sales

representatives could work in many different industries and may have an easier time finding opportunities than those who are skilled for specific industries like coal miners and skin care specialists. When one industry loses workers, the others in the area may be adding jobs. Industrial diversity can minimize this risk of unemployment and temper a downturn, or recession in the economy.

To measure industry diversity, DWS economists look to the Hachman Index. This tool was developed by Frank Hachman, an economics professor from the University of Utah. Using QCEW data and its industry classification coding system (NAICS) to identify industries, the Hachman Index compares the variety of industries in a local economy to the national variety. Economists use this formula to calculate the variable comparisons.

Utah currently ranks fourth in the nation for industrial diversity. This diversity has been a contributing factor to Utah's relatively speedy economic recovery.

Industrial diversity is one tool economists use to evaluate the underlying strength and performance of a local economy. In this issue of Local Insights, industrial diversity will be looked upon at the county level, and some revealing factors will emerge.