

# localinsights

An economic and labor market analysis of the Bear River Area

## bearriver



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## Regional Payroll Employment Growth Exceeds State Average

By Tyson Smith, Economist

We often take gradual economic improvement for granted. This has especially been the case following the Great Recession, which set Utah employment back considerably. The state lost nearly 100,000 payroll jobs from the end of 2008 to the beginning of 2010. But, while the recovery has seemed tepid at times, Utah’s economy has steadily expanded faster than the U.S. for over three years.

The Bear River region felt the effects of the downturn starting in 2009, when the labor market shed 3,795 jobs from the previous year. For the next two years, the region lost jobs (though Cache County contracted in 2009 only). The tide turned in 2012 when annual job gains in Cache and Rich counties outweighed job losses in Box Elder County. And while regional momentum continued to build in 2013, Bear River’s year-over growth measured consistently slower than the state average. So far, 2014 appears to be a different story with regional employment outpacing the rest of the state through the first six months of the year.

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## Box Elder County

- Box Elder payroll job growth in second quarter 2014 accelerated to an annual rate of 4 percent, the seventh fastest year-over job growth in the state and 1.2 percentage points faster than the Utah average. In total, the region added 670 jobs from second quarter 2013. Construction and manufacturing firms had notable gains of nearly 13 percent and 6 percent, respectively. Manufacturing industry growth is a particularly positive indicator of improving economic health.
- The county's seasonally adjusted unemployment rate fell to 3.9 percent in September. The last time Box Elder County had an unemployment rate under 4 percent was August of 2008. Despite the positive trend, the unemployment rate still registers 0.4 percentage points higher than the state average of 3.5 percent.
- Although the labor market in the county picked up steam in second quarter 2014, average wages in the county continued to sputter along. Year-over wage growth equated to 0.9 percent, nearly 1 percentage point slower than the Utah rate of 1.7 percent. As the labor market gets tighter, there should be upward pressure on employee compensation, but it could be some time before consistently higher wages materialize.
- Box Elder experienced a 15 percent decline in taxable

sales from second quarter 2013 to second quarter 2014. The majority of the decline in taxable sales for the county came from adjustments for prior periods, which does not reflect normal business transactions. Excluding these adjustments from second quarter taxable sales results in a 5.9 percent increase from 2013 to 2014 (consistent with the recent growth rates).

- Year-over home sales dipped 7.7 percent in third quarter of this year according to the Utah Association of Realtors. Though the housing market has come a long way since 2009, sales across the state were flat between the third quarters of 2013 and 2014.

## Cache County

- Year-over payroll employment in Cache County grew 3.3 percent in second quarter 2014. The rate of growth was the same for both the goods-producing and the service-providing sectors. Financial activities, leisure/hospitality, professional/business services and construction all grew faster than 5 percent compared to the previous year, adding a combined 928 jobs over the year.
- Cache County boasted one of the lowest seasonally adjusted unemployment rates in the state at 2.7 percent in September. The unemployment rate in the county has measured below 3 percent since March. Such low levels of unemployment are not unheard of in Cache County, but the

## current events

### BOX ELDER ECONOMIC DEVELOPMENT SUMMIT

Representatives from the business community congregated to discuss economic conditions and opportunities in Box Elder County. The November 7 event featured speeches from local government officials and breakout sessions hosted by local business leaders. The Summit gave Box Elder residents a chance to network and discuss the actions being taken by the county to ensure a vibrant businesses community. — *Standard Examiner*

### USU AWARDED \$1.5 MILLION AGRICULTURE GRANT

Utah State University has received a \$1.5 million grant from the U.S. Department of Agriculture to research ways to improve organic wheat production. The USDA's Organic Research and Extension Initiative awarded funding to five USU researchers that will study several issues surrounding the viability of organic wheat production in the western United States. — *Utah Business Magazine*

### MALOUF FINE LINENS BUYS TREMONTON WAREHOUSE

In September, Malouf Fine Linens announced that it purchased the former La-Z-Boy furniture distribution center. Malouf plans to use the 675,000 square-foot facility as a warehouse and shipping center. The acquisition more than doubled Malouf's operating space in Utah and fills a six-year vacancy in the building previously occupied by La-Z-Boy. The company also plans to open a distribution center in nearby Nibley, Utah. — *Herald Journal*



### EMPLOYMENT AND TRAINING CENTER EXPANSION

The Cache Employment and Training Center (CETC) has finalized expansion plans that will add 15,000 square-feet to their current location (275 W. 400 S.). The CETC offers employment training and living skills services to the local disabled community. The Logan Planning Commission will consider the building permit for the pre-engineered metal addition to the center at their January 11, 2015 meeting. The meeting is open to the public. For more information contact the Department of Community Development at (435) 716-9021.

— *Herald Journal*

### GOVERNOR'S BUDGET TO INCREASE EDUCATION FUNDING

On December 11, Gov. Gary Herbert unveiled a new \$14.3 billion state budget. The Governor addressed the key elements of the budget at Granite Park Jr. High. According to the Governor, the budget places considerable emphasis on education with a proposed increase of \$500 million in educational spending. Approximately \$160 million dollars would go to school districts and charter schools to use for teacher salaries and other expenses. Utah's colleges and universities would see a 3 percent increase in employee wages and \$99 million in new building investments.

— *Cache Valley Daily*



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

relatively low rate suggests that the county's job market is getting considerably more competitive.

- Average monthly wages in second quarter increased 1.7 percent from 2013. And while Cache County's wage growth was perfectly aligned with the Utah average, the average monthly wages paid in the county totaled \$795 less than Utah's \$3,396 per month.
- Cache County's year-over changes in taxable sales increased for the ninth consecutive quarter. Second quarter 2014 taxable sales in the county totaled just over \$370 million, an increase of 2.9 percent from second quarter 2013. Manufacturing business investment figures—the sixth largest industry by sales totals— posted the most notable gain of 16.1 percent.
- In Cache County, 336 homes sold in the third quarter of 2014, a decline of 12.5 percent from the previous year. The year-to-date total from 2013 to 2014 indicates that that decline is slightly exaggerated by quarterly volatility, but growth in the housing market seems to be slowing from last year's pace

### Rich County

- Rich County saw payroll employment grow at the slowest year-over rate of the three counties in the Bear River region. From second quarter 2013 to second quarter 2014 the county added 15 jobs, a growth rate of 2.2 percent.

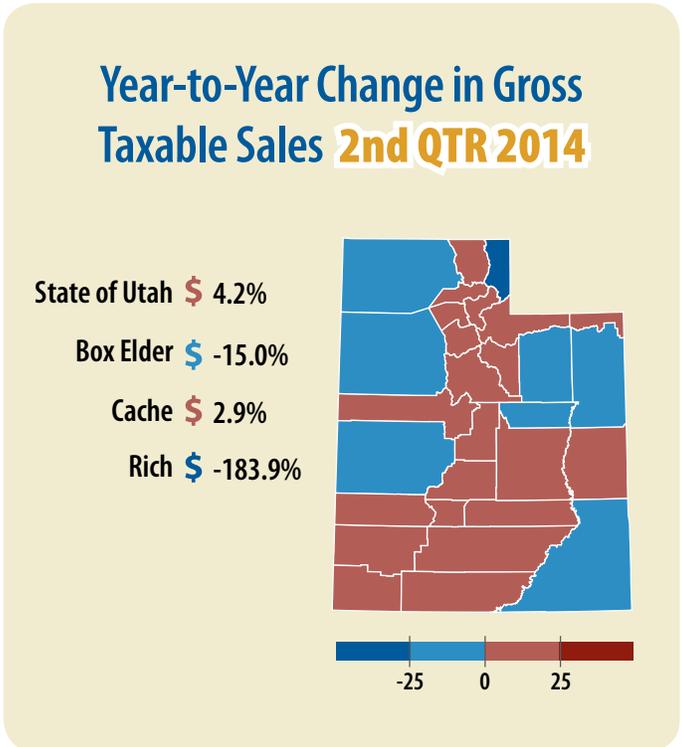
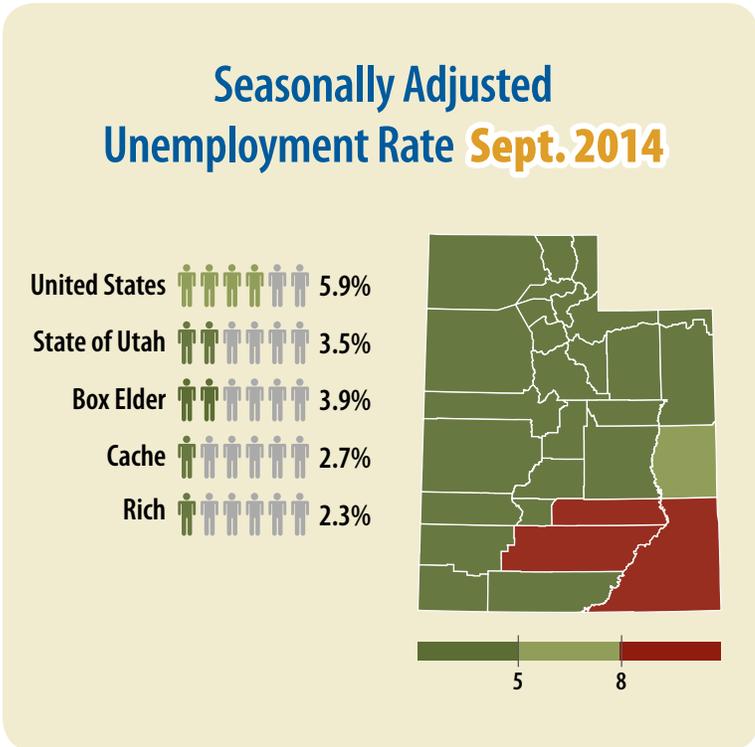
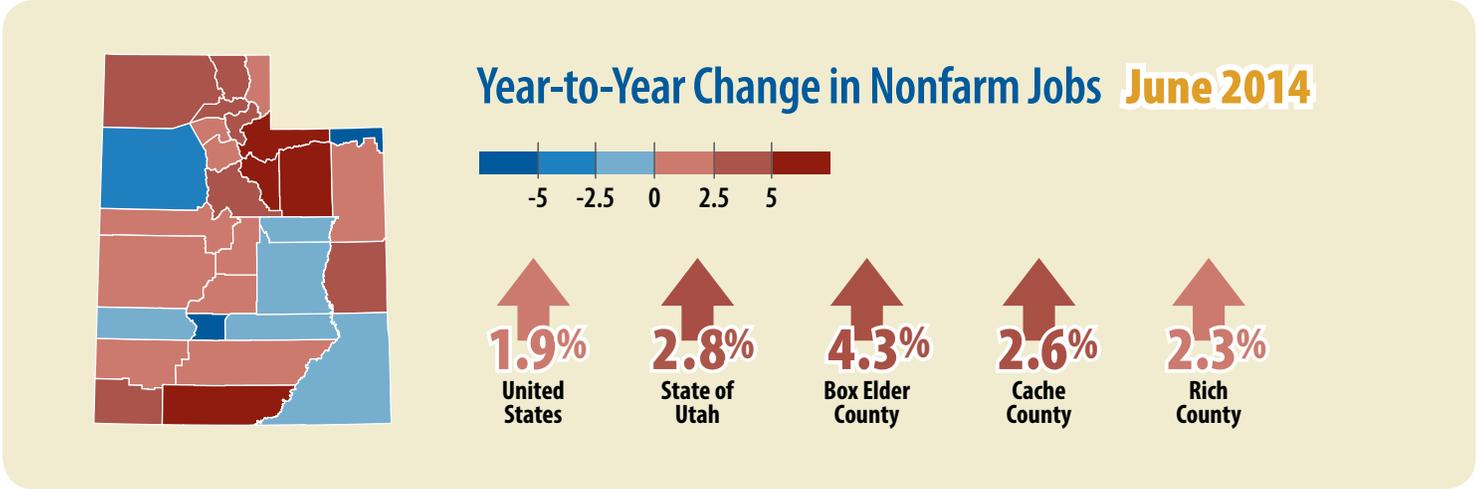
Retail trade shrank 20.1 percent and shed the most jobs (13) of any industry.

- Although job growth in the county came in below the Utah average, the unemployment rate continues to fall. The rate settled at 2.3 percent in September, which is among the lowest figures in the state. Like Cache County, the slack in the labor market is dissipating dramatically in 2014.
- The tightening of the labor market might be reflected in the county's quarterly increase in average monthly wages, which increased 2.6 percent from 2013. It is also likely that this quarterly increase is in part a reflection of losing several jobs in a low-paying industry like retail sales.
- Second quarter 2014 taxable sales in Rich County were down significantly from 2013, but the data are skewed by the inclusion of adjustment for prior periods (similar to Box Elder County). If these adjustments are excluded, the county actually experienced a healthy 6.8 percent increase in taxable sales over the year.
- Two fewer homes were sold in third quarter 2014 (17) compared to the year prior (19), and year-to-date data point to a consistent downward trend in 2014 home sales (down 42.6 percent).



# Bear River Economy

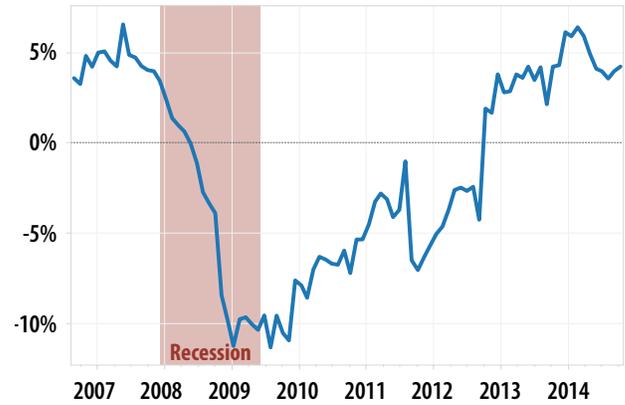
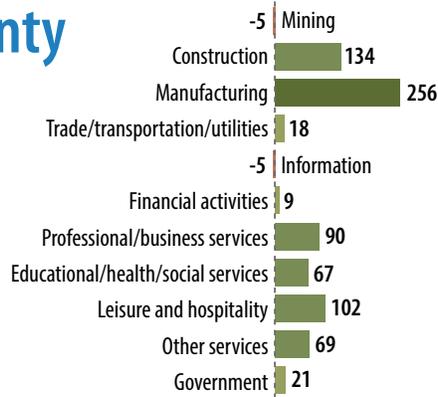
..... at a glance



## Box Elder County

**Job Growth**  
June 2014

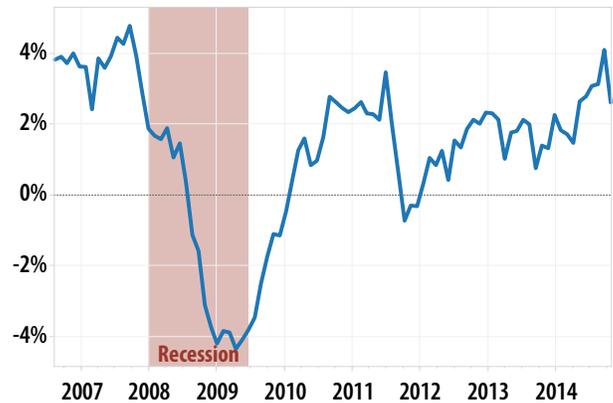
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## Cache County

**Job Growth**  
June 2014

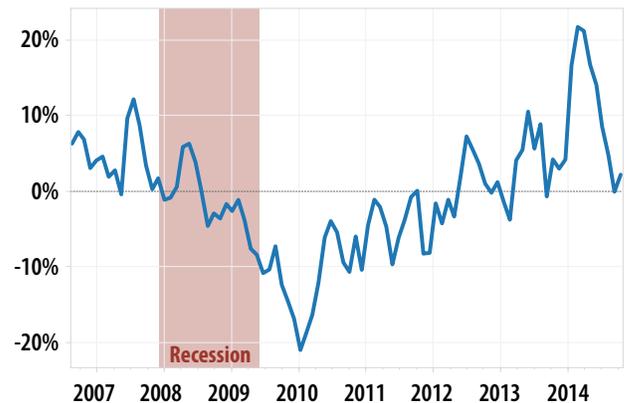
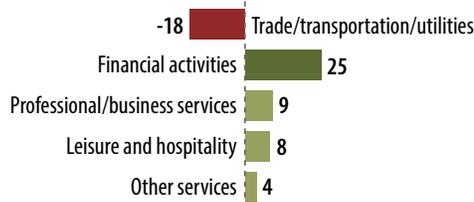
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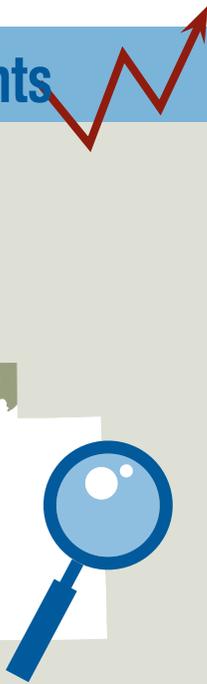


## Rich County

**Job Growth**  
June 2014

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**18**





## Hiring Statistics Offer Clues About the Economy

By Mark Knold, Supervising Economist

Evaluating hiring activities offers insight into the overall condition of an economy. Some aspects are obvious, like hiring activity increases when an economy is expanding, and it lessens when the economy weakens. However, other factors add their influence and can be more subtle. For instance, hiring activity can be noticeably increasing, yet new hire wages are not going up. This indicates there are other economic factors holding them back. In the Bear River region, we see these additional factors at play.

Hiring always occurs in an economy, even when large numbers of jobs are being lost such as they were during the recent Great Recession. Hiring can be dissected into two levels. There is hiring associated with short-term, seasonal or shallow employment, where people frequently move in and out of jobs. Then there is the deeper, more telling level of stable hiring, one that reveals a clearer picture about the underlying economic trend. Stable hiring is where the person hired stays with that job for at least two additional calendar quarters. By looking past the shallow toward the stable, one makes observations upon the underlying foundational economy.

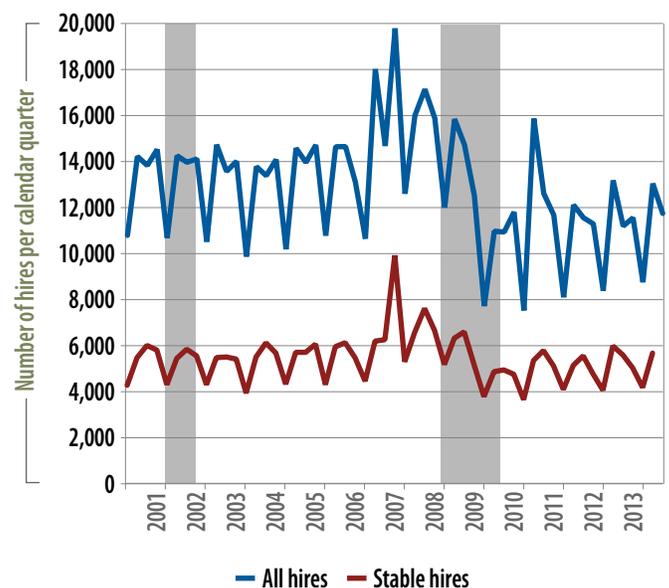
The first figure shows the all-hiring activity in Bear River and its corresponding underlying stable hiring. The latter is a subset of the former. The difference between the two is the amount of hiring that occurs that does not result in long-term employment—in other words, the shallow hiring.

Note that this less-stable hiring is generally double that of the underlying stable hiring. This is not out of the ordinary though, as this high volume of less-stable hiring is largely the same as what occurs in the greater Utah economy. The ups and downs in the

lines show the seasonal aspects of hiring. Naturally they are sharper for the all hires, as oftentimes seasonal hiring by its very nature does not result in a long-term employment situation.

The second figure takes the stable hiring, levels out the seasonal variation and juxtaposed it with hiring wages. The stable hiring configuration looks predictable. Through the dot-com recession of the early 2000s, hiring showed a modest downward movement. This was

**Figure 1: Bear River All Hires and Stable Hires**



Source: U.S. Bureau Local Employment Dynamics.

followed by a recovery uptick around 2003, followed by significant activity in the boom just before the Great Recession. That recession predictably brought a sharp 38 percent reduction in hiring activity. In the recovery

*“Time spent on hiring is time well spent.”*  
— Robert Half, American Businessman

since, hiring has increased only moderately, reflecting the slow recovery pace since that recession.

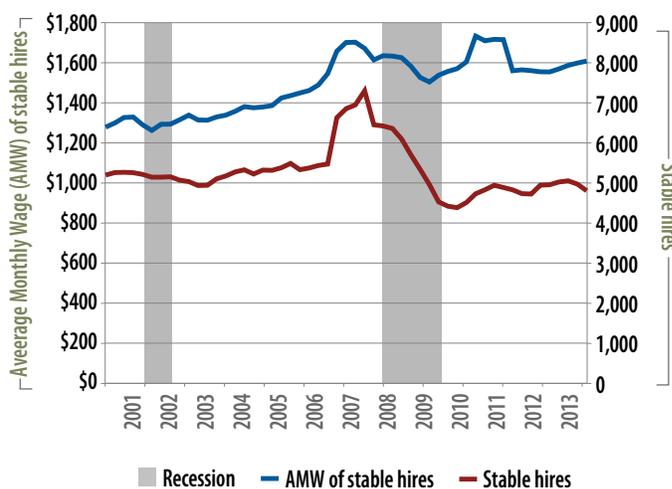
More churning and more hiring mean more opportunities. It can also mean fewer people become available to take the openings as more people become employed. This is reflected in a Bear River unemployment rate of 2.2 percent just before the Great Recession. That is a labor market with few surplus workers. Therefore, to get people to move into open jobs, employers had to increase the incentive. This is reflected in the second figure by the increase in the average hiring wage, moving from below \$1,400 per quarter in 2004 to nearly \$1,700 per quarter by 2007.<sup>1</sup>

This is followed by a drop in hiring wages, as the Great Recession reduced Bear River total employment by nearly 7 percent and correspondingly pushed people to the unemployed ranks, raising Bear River’s unemployment rate to 6.8 percent by 2010. With more people available for the open jobs, employers felt less inclined to bid for labor, and thus the average hiring wage lowered.

Hiring wages bounced back after the recession only to erode in 2011. Since then wages for new hires have been essentially flat and are not quite back to the level seen just before the recession. Still, considering how much hiring has declined since the recession and that unemployment has been high across much of that time, it is a positive that starting wages are holding steady and have not receded substantially.

To put hiring levels in perspective, the Bear River economy currently has around 72,000 jobs. Therefore, around 5,000 hires per quarter means the stable job market is churning at around a 7 percent rate. At the 2007 hiring peak, the churn was over 10 percent. If we add in the short-term hiring as represented in the upper line of the first figure, the overall churning rate in the

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



Source: U.S. Bureau Local Employment Dynamics.

Bear River region is around 19 percent, and was as high as 24 percent just before the recession.

Bear River’s overall hiring activities are slowly increasing but remain below the levels seen in the ten years prior to the recession. The underlying stable hiring is more like the prerecession levels, and its corresponding hiring wages are holding steady. This speaks to a labor market that still carries some apprehension, as people are staying with a new job long enough to make that hire a stable hire, and not yet viewing the economy as dynamic enough to move from job to job.

<sup>1</sup> Note that the quarterly wage measure includes wages of full- and part-time workers and does not make a distinction for the number of hours worked. It is not based on hourly wages, but total new-hire wages earned in the quarter divided by the total number of new hires.



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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 Bear River 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 Bear River region, in addition to looking at the current economic indicators of the northern counties.