

local insights

fall 2013 uintahbasin

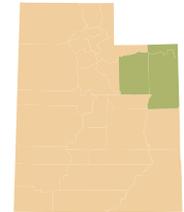
An economic and labor market analysis of the Uintah Basin Area

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New-Hire Data Signals a Strong Recovery from the Great Recession

The Importance of New Hire Data (U.S. Census Bureau's Local Employment Dynamics Program)



ERIC MARTINSON, ECONOMIST

The recovery from the Great Recession seems to have been quite selective so far. Nationally, different industries are recovering at different rates, while some have not recovered at all. Earnings, too, have been recovering at different rates. In Utah, local economies are a reflection of key industries in that particular locality and so the recovery has been selective in its regional application as well. Notwithstanding, Utah has truly proven one of the great economic recovery stories compared with the rest of the nation. While national unemployment rates continue to soar above 7 percent, Utah's share of unemployed has been below 5 percent for several months. While this and other employment statistics tout Utah's thriving story of recovery, much discussion has been aimed at where specifically business expansion is occurring and how wages have responded to the recovery. Among the myriad of economic indicators available to gauge the recovery from the Great Recession is one particular element that tracks newly hired wage earners. The U.S. Census Bureau Local Employment Dynamics (LED) program is an important resource in determining, among other things, new-hire activity at a localized level. The new hires being analyzed throughout this article represent just private sector employment.

This analysis applies to "stable new hires", defined by the LED program as wage earners who, in a given quarter, have started a new job with an employer and who had not been employed there in any of the previous four quarters. Additionally, these new hires must continue employment for at least one quarter. Analyzing new hires over time is a way to determine not only to what degree businesses have been expanding but it also specifies which industries are hiring new workers at a faster (or slower) rate, who is hiring, who is being hired, and how much a new hire might typically be paid. While Utah has been ahead of the nation in terms of economic recovery, the story differs from one region of the state to another and the make-up of the recovery may also be a story of new-hire patterns and demographics that have changed over the past decade. So, what has been the make-up of the Uintah Basin's new-hire activities over time? More particularly, have new hires in the Uintah Basin picked up since the recession, and if so, how can the new-hire story be categorized for the region?

Uintah Basin New-Hire Activity

The story in the Uintah Basin over the last decade is all about oil and gas. As anyone familiar with the region knows,

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Who's hiring and who's being hired? Tracking new-hire data provides one way to gauge business and economic climate at a localized level.

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Also, a first-quarter economic snapshot of the Uintah Basin.

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In addition to tracking non-custodial parents, the New Hire Registry also provides a wealth of socio-economic information.



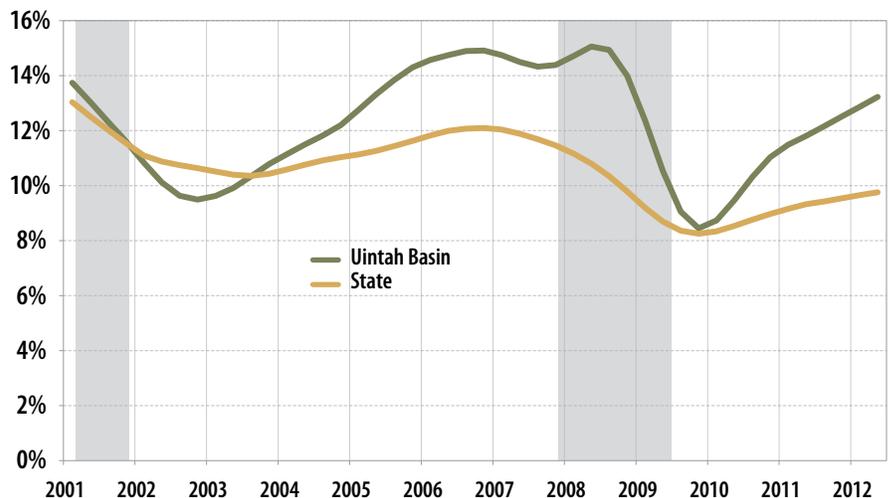


New-Hire Data Signals a Strong Recovery from the Great Recession (continued)

the economy here is driven by natural gas production, mostly in Uintah County, and oil production, mostly within Duchesne County. The last decade has arguably been the most active on record. Figure 1 plots new hires as a percentage of total employment in the Uintah Basin. As the price for oil has increased to satisfy demand, the feasibility of new exploration and production has driven oil reserves up across the country. As a result, oil and gas extraction employment in the Uintah Basin saw a significant boom leading up to the recession in 2008. After a sharp drop, oil and gas employment has rebounded to new heights in the Uintah Basin. This also means that new-hire activity in oil and gas has rebounded since the recession (Figure 2). Comparing the new-hire employment-low in mining during the recent recession to the latest quarter of new-hire employment data, new hires have picked up by 143 percent.

Given that the oil and gas sector has always been an important indicator of the overall economy in the Uintah Basin, new-hire activity, as a result, has been quite robust since the end of the recession in virtually all sectors important to the region. New hires in construction, retail trade and wholesale trade have more than doubled since the bottom of the recession. Transportation new-hire activity picked up by 41 percent and leisure and hospitality by 57 percent. While health care new-hires have picked up since the trough of the recession (20 percent increase), it is important to note that new-hire activity in this sector is not as chained to oil and gas activity as are the other important industries in the region.

Figure 1. New Hires as a Percent of Total Employment Quarterly Employment
First Quarter 2001 to Second Quarter 2012, Seasonally Adjusted



Shaded region represents recessions according to the National Bureau of Economic Research (NBER)
Source: U.S. Census Bureau, Local Employment Dynamics (LED); NBER

Figure 2. New-Hire Employment Growth Since the Bottom of the Great Recession
Important Industries, Seasonally Adjusted



Source: U.S. Census Bureau, Local Employment Dynamics (LED)

In addition to the ability offered by LED to cross-tabulate new-hire employment activity by industry, it also allows for cross-tabulation by other aspects of the labor force as well. New-hire employment levels have been robustly recovering among all educational attainment levels¹, from those

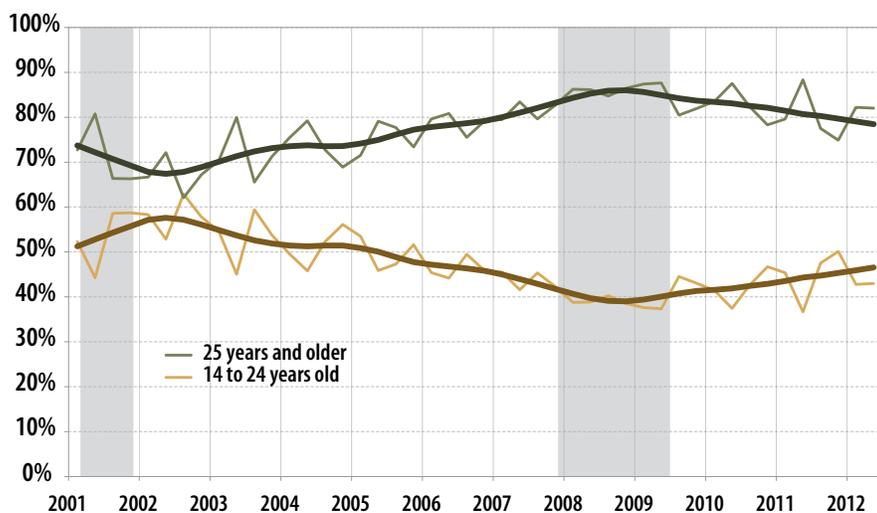
who have not earned a high school degree to those with at least a bachelor's degree. The elevated activity among new-hires in the region among all educational levels is a welcome attribute considering the nature of the oil and gas economy. New-hire employment levels within all age

**Figure 3. Uintah Basin New Hires and New-Hire Earnings
First Quarter 2001 to Second Quarter 2012**



*Earnings have been adjusted for inflation, all monetary values are expressed in 2011 dollars
Source: U.S. Census Bureau, Labor Employment Dynamics (LED); U.S. Bureau of Labor Statistics, Consumer Price Index (CPI)

**Figure 4. Uintah Basin New Hires by Age as Percent of Total New Hires
First Quarter 2001 to Second Quarter 2012**



Shaded region represents recessions as defined by the National Bureau of Economic Research (NBER)
Source: U.S. Census Bureau, Local Employment Dynamics (LED); NBER

groups have generally been increasing over the past decade, with the exception of the period of contraction following the 2008 recession. However, measuring new hires by specific age groups as percentages of all new hires over time gives an interesting insight. For all age groups 25 years and older

(25 to 34, 35 to 44, 45 to 54, 55 to 64, and 65 or older), new-hire employment generally increased until the recession in 2008. Since then, share of new hires in these age groups have remained relatively steady. New hires among the younger age groups (14 to 18, 19 to 21, and 22 to 24 years),

on the other hand, experienced a steady decline in the Uintah Basin until after the Great Recession. The fact that new-hire activity among younger workers has been dropping may not be surprising, in and of itself, given that labor force participation among younger age groups has been on an overall decline. This has generally been the case throughout the state and the rest of the nation over the last decade. What is interesting is that the new-hire trend among those 14 to 24 years old actually reverses in the Uintah Basin from around 2009 onward (Figure 4).

While the oil-and-gas-based economy has not been too selective in hiring among education levels and age groups in the Uintah Basin, men have been hired much more than women. New-hires over the decade have steadily been increasing in favor of the male population. Since 2000, about 60 percent of all new hires were male. By the second quarter of 2012, that share of new-hires increased to 74 percent.

Uintah Basin New-Hire Earnings

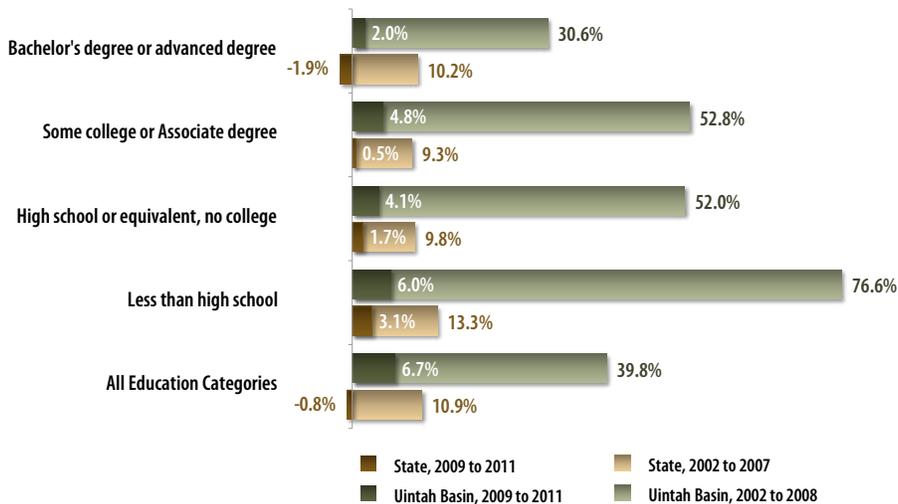
Any time employment is evaluated, in any setting, assessing wage compensation for employment can give vital context for an expanding (or contracting) economy. This relationship can be particularly acute when evaluating new-hire employment and wages. For example, while employment in a given region may be expanding, stagnant or falling wages (after adjusted for inflation²) may give a different flavor to the recovery than that of an expanding economy with increasing wage levels.

With the exception of the Dot-Com Recession and the Great Recession periods, earnings in the Uintah Basin have actually been outpacing inflation. Once adjusted for inflation, average monthly new-hire earnings for total private industry in the Uintah Basin have increased from around \$2,500 to about \$3,500 from 2001 to 2012 (Figure 3). Average new-hire earnings reached a zenith just prior to the Great



New-Hire Data Signals a Strong Recovery from the Great Recession (continued)

Figure 5. Change in Average Monthly New-Hire Earnings by Educational Attainment, Expansion Periods*



*Educational attainment data includes only workers 25 years or older. Source: U.S. Census Bureau, Local Employment Dynamics (LED)

Recession in 2008. After a sharp drop, the Uintah Basin seems on the verge of hitting this earnings high by mid-2012, due to the elevated oil and gas activities in the Basin. Among industries whose share of employment in the region are high, construction showed the highest increase in monthly new-hire earnings between 2001 and 2011, at 115 percent. Retail and manufacturing average earnings for new hires increased 85 percent and 72 percent, respectively. Wholesale trade and transportation and warehousing also saw significant increases in average new-hire earnings for the region at slightly above 40 percent each. Prevalent, again, is the notion that the Basin's oil and gas activities have a significant impact on the region's overall economy.

Just as with new-hire employment, an analysis of average monthly new-hire earnings according to education level demonstrates

that it does not really matter what educational background one has in the Uintah Basin. After accounting for inflation, the Uintah Basin saw significant increases in average monthly new-hire earnings throughout all educational attainment categories. Figure 5 breaks down the changes in average monthly earnings during economic expansion periods. Statewide as well as Uintah Basin changes are plotted by educational attainment. A couple of details stand out in this illustration. First, the expansionary period from 2002 to 2008 in the Uintah Basin was outstanding. Workers of every educational level saw, on average, at least a 30 percent growth in monthly earnings during this period. Although those with bachelor's degrees typically earn higher wages than those without, this group of wage earners experienced a 30.6 percent growth in earnings. Compared with state-

wide earnings changes, the growth in the Basin was certainly significant.

The second remark regarding Figure 5 is that during the second expansionary period, beginning after the Great Recession (and ongoing), earnings are continuing to grow in the Uintah Basin at a faster rate than statewide earnings. In particular, at the state level wage earners with at least a bachelor's degree have seen a decrease in real earnings, a two-percent drop by 2011. In contrast, Uintah Basin new-hire wage earners in the same category experienced a two-percent gain in average monthly earnings since the bottom of the recession.

Given the boom-bust nature of the Uintah Basin's economy, tracking new-hire data provides another way to gauge business expansions and contractions within the region. The LED data used to analyze the Uintah Basin over the past decade demonstrates what other economic indicators have also revealed: that as long as oil and gas exploration and extraction continue, overall economic expansion in the region should predictably continue. Businesses in most industries are hiring new employees and wages paid to these new hires have generally been outpacing inflation. All these signs point to a vibrant economy experiencing a strong rebound since the most recent recession.

¹ Educational attainment tracks only wage earners 25 years and older.

² All earnings analyzed have been adjusted for inflation, unless otherwise indicated. Inflation index based on Consumer Price Index of urban consumers (CPI), Bureau of Labor Statistics. Annual monetary values are expressed in 2011 dollars; quarterly monetary values in 2012 dollars.



Economic Update of the Uintah Basin: Overall Employment Growth is Slowing in Pace

ERIC MARTINSON, ECONOMIST

Uintah Basin

Total nonfarm payroll employment in the Uintah Basin region broke close to even during the first quarter of 2013 compared to last year's first quarter employment counts. This change is reflected by a growth of 1.1 percent, or an average of 247 jobs year-over-year. The mix of quarterly job wins and losses can be characterized by a -2.4 percent cut (181 jobs on average) in goods-production sector employment and 2.7 percent job growth (428 jobs) in the services-production sector. Wholesale and retail trade industries along with local government generated most of the year-over quarterly job growth. Leisure and hospitality also grew by an average of 64 jobs during the first quarter of 2013. A slowing of overall job growth occurred from January to March 2013 (1.8 percent year-over growth in January, 1.3 percent in February and 0.1 percent in March) ensues from seven consecutive months of employment loss in Uintah County's mining sector.

Duchesne County

Total nonfarm payroll employment in Duchesne County continues its year-over growth, yet this growth is slowing a bit in its pace. This slower pace can be attributed to year-over construction job losses (102 jobs lost in March 2013) and slower job additions within crude oil and natural gas extraction and support activities for mining. In March 2013, the mining industry, made up mostly of oil and gas extraction

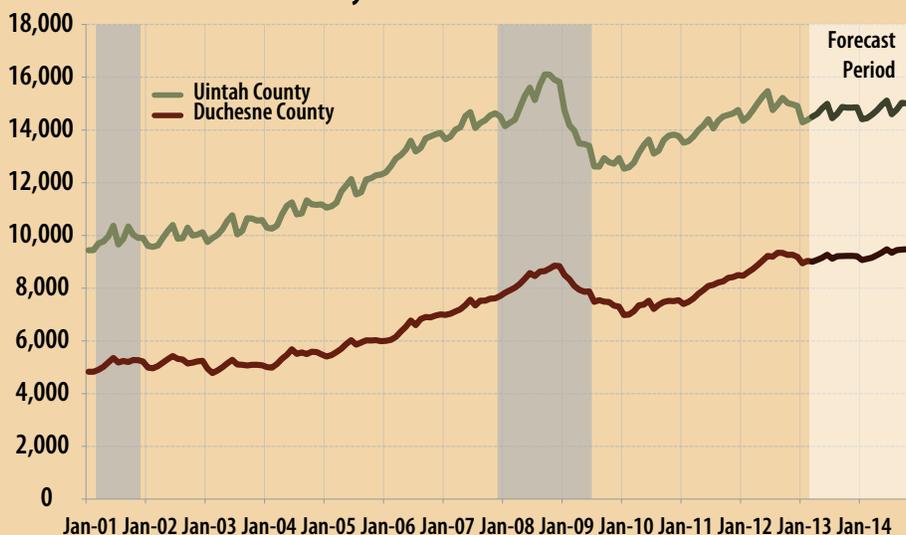
and support services for mining, added 57 jobs compared to March 2012, the lowest year-over growth since May 2010.

While county employment growth overall is slowing it is important to point out that the labor market in Duchesne County has long been outperforming most counties in the state. Growth is still up and other indicators point to a still robust economy. Wholesale trade and transportation industry employment drove the 10.7 percent average year-over growth rate in the trade, transportation and utilities sector for the

first quarter of 2013. Local government also added an average of 65 additional jobs over this year's first quarter compared to first quarter 2012. Professional and business services posted a 12.5 percent year-over job increase for the month of March 2013. Initial unemployment claims, based on a four-week moving average basis, are close to pre-recession parity and the county's rate of unemployment in June 2013 was 3.8 percent.

Construction activity and sales add to the employment picture. Despite the year-

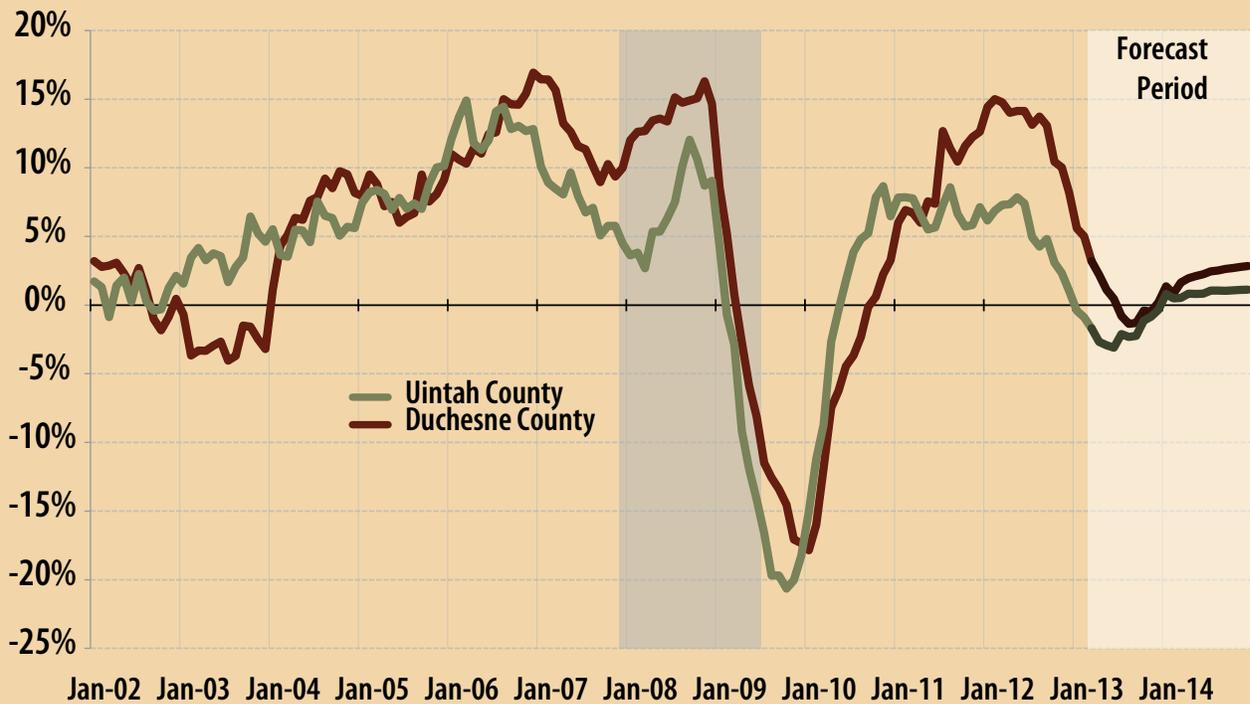
Figure 6. Total Nonfarm Payroll Employment
January 2001 to December 2014f



f=Forecast: April 2013 to December 2014
Shaded region represents recessions according to the National Bureau of Economic Research (NBER)
Source: Utah Department of Workforce Services; NBER

Economic Update of the Uintah Basin (continued)

Figure 7. Total Nonfarm Payroll Employment, Year-Over-Year Percentage Change, January 2001 to December 2014f



*f=Forecast: April 2013 to December 2014
 Shaded region represents recessions according to the National Bureau of Economic Research (NBER)
 Source: Utah Department of Workforce Services; NBER*

over construction employment losses in Duchesne County over the first quarter, as of April 2013 new dwelling permits are ahead of last year’s pace measured over the same months. Twenty-seven new dwelling permits afford a 12.5 percent growth in permits compared to last year. Total permitted construction values, on the other hand, are down 5.5 percent from January to April 2013 compared to the same period last year. The first quarter of 2013 counted 12 consecutive months of year-over-year growth in taxable sales and helps underscore a still robust county economy.

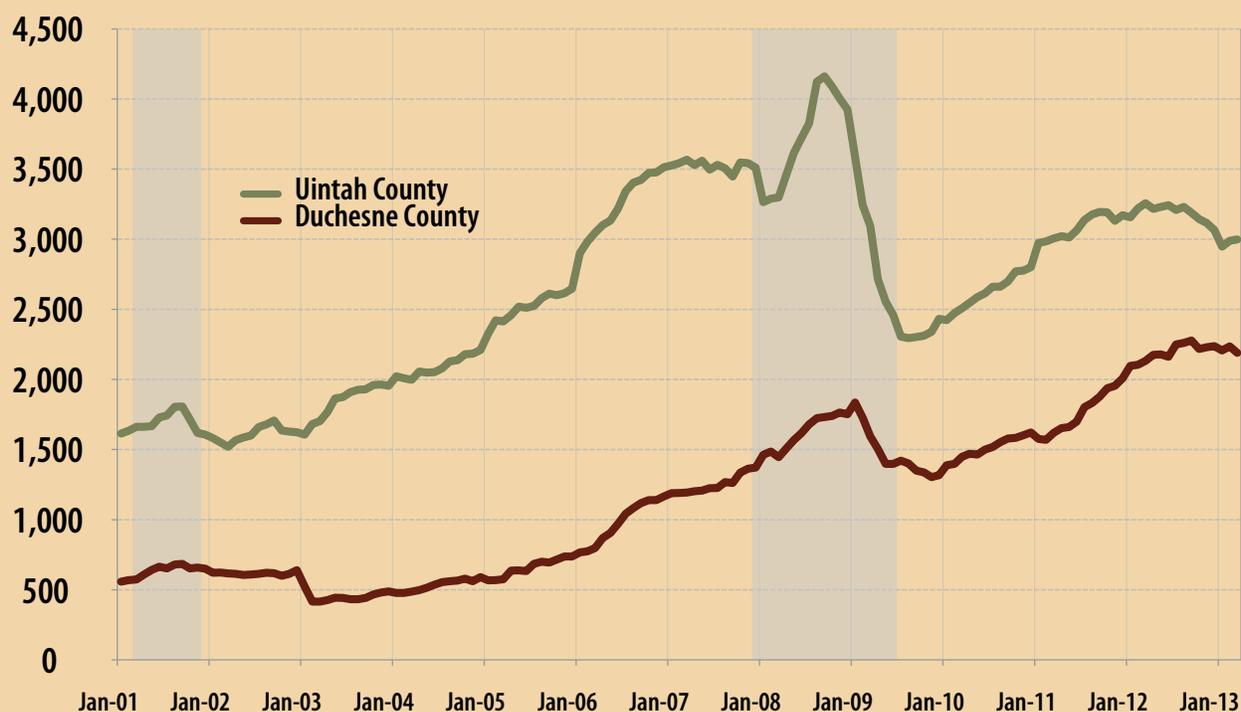
Uintah County

In January 2013, total nonfarm payroll employment was 14,291, down 0.4 percent from 12 months before. This signaled the first month of negative year-over employment change since May of 2010 when the tail-end of the Great Recession’s negative impact was still being felt on local employment. As of March 2013, total county nonfarm employment slipped 1.7 percent for the year-over.

Stabilized natural gas prices and a lower-than-historical price level have thus far all but eliminated the feasibility of natural gas

exploration and new drilling over the past several months. As a result, Uintah County’s mining sector in March lost jobs on a year-over basis for the seventh consecutive month. A closely allied industry, transportation, has also been shedding jobs. During March, transportation employment in the county fell by 8.9 percent (85 jobs) compared to March 2012. Professional and business services added to the year-over job losses with a 13.6 percent decline, along with financial activities, which fell by 6.6 percent year-over. Despite relatively higher initial unemployment claims during the early months of 2013, claims have moved

Figure 8. Mining Payroll Employment, January 2001 to March 2013



Shaded region represents recessions according to the National Bureau of Economic Research (NBER)
 Source: Utah Department of Workforce Services; NBER

closer to pre-recession parity, averaging 17 claims per week during the second quarter. As in the neighboring county of Duchesne, Uintah County picked up local government positions in the first quarter, growing by 109 jobs, a 4.7 percent year-over-year increase. Leisure and hospitality also chalked up an employment net gain of 2.9 percent, overwhelming the small employment losses in federal and state government.

Construction activity for Uintah County, so far, has been behind last year's pace. New county dwelling permits were down 83 percent from January to April 2013 compared

to the same period last year. Year-over-year total county construction values were also down, which was 43.3 percent lower than last January to April. Furthermore, year-over taxable sales for the county were negative for the second consecutive month, registering \$345,800,000 according to preliminary estimates issued by the Utah State Tax Commission, 15 percent lower than first quarter 2012.

Daggett County

Total nonfarm payroll employment in Daggett County was down 4.2 percent in

March 2013 on a year-over-year basis. While the goods production sector added jobs from March 2012 to March 2013, the services production sector dropped by 6.3 percent. Both trade, transportation and utilities and leisure and hospitality industries showed year-over declines in employment. New dwelling permits and construction values are behind last year's pace for the county. Taxable sales, on the other hand, were 7 percent higher than first quarter 2012, marking a fifth consecutive quarter of positive year-over-year quarterly taxable sales growth.



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The Benefits of New Hire Registry

BY MELAUNI JENSEN, LMI ANALYST

All employers in the United States are required by federal law to report information about all newly hired employees to their designated state agency. In 1997, the Department of Workforce Services was given the responsibility of managing the New Hire Registry Act for Utah, where employers must report the information within 20 days of a new hire's first day. The primary purpose of this law was the result of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, an all-inclusive bipartisan welfare reform system aimed at ending the federal entitlement to assistance, and whose main reform was the start of the Temporary Assistance for Needy Families (TANF) program. Both TANF and the New Hire's Registry were to be designed in such a way to promote work, responsibility and self-sufficiency in an effort to strengthen families.

You may wonder what reporting new hires has to do with child support reforms. Before 1997, when a parent was ordered to pay child support, this amount was taken out of the worker's paycheck by the employer through wage withholding orders. If a worker changed or found new employment, it could take months for the orders to follow to their new employer. Reporting new hire data provided the ability to track those non-custodial parents in a more timely fashion, thus reducing the lag of payments to the custodial parent. This ties in with the fixed work requirements under PRWORA that custodial parents receiving public assistance are to fulfill.

Aside from the immediate purposes stated above, the nature and scope of the data gathered provides a wealth of socio-economic information.

Because reporting includes demographic and geographic information as well as standard information about the employer reporting the new hire, new hire data can answer such questions as which industries are hiring the most workers and which occupations are growing. Analysts can track the hiring patterns of old and young workers and male and female new hires, all by various geographical groupings.

Since its legislation, the initiative has significantly improved child support payments and collections while decreasing the payment and reporting time lags of custodial parent workers moving from one employer to the next. In addition, the registry has helped to detect and prevent fraud in other assistance programs. Cases can be matched between the New Hire Registry and Unemployment Insurance, Food Stamps and other programs associated with TANF which are under the PRWORA provision. Cases can even be matched to other programs like Medicaid in the detection and prevention of overlooked benefits usage in multiple states.

The value of the Registry is diverse and cannot be overstated. Ultimately, the New Hire Registry has saved and continues to save taxpayer dollars by increasing the self-sufficiency of custodial parents, ensuring for more efficient payments and collections to child support and decreasing instances of fraud by recipients of various assistance programs within and throughout states.

Employers seeking more details on how to report new hire information can consult the DWS Employer's Handbook at: <https://jobs.utah.gov/UI/Employer/Public/Handbook/EmployerHandbook.aspx>