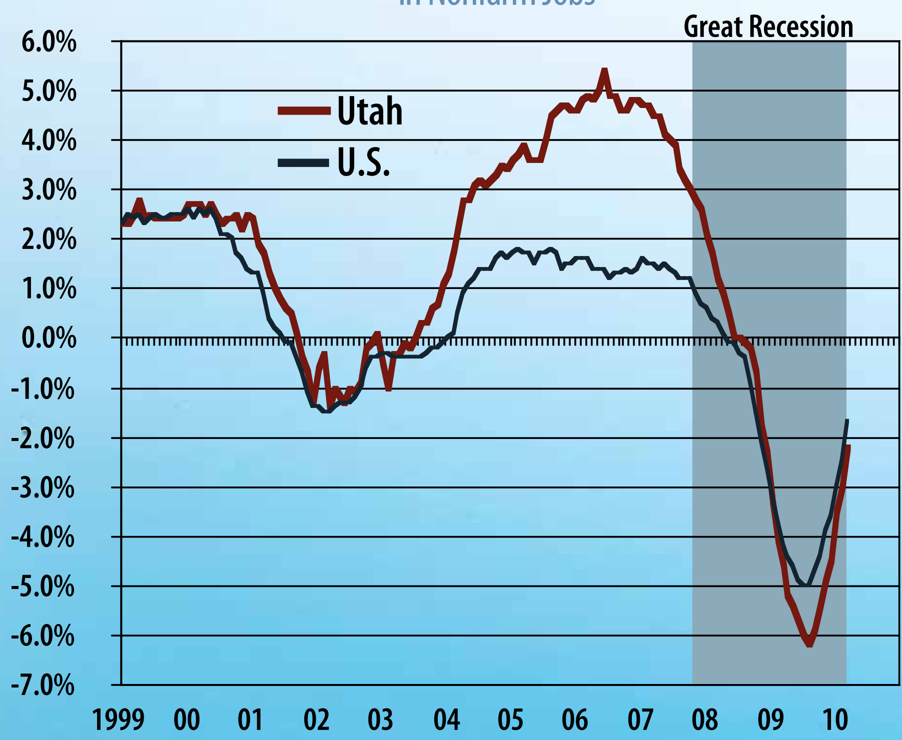
Utah in the Great Recession

Year-Over Percent Change in Nonfarm Jobs



Source: U.S. Bureau of Labor Statistics; Utah Dept. of Workforce Services

The recent economic unpleasantness is being labeled the Great Recession. Is it over? That is still being debated, but at least it does appear that the first phase of this recession has ended—a phase characterized with the contraction of the economy—job losses. It looks as if we are now in the next phase of the Great Recession, which amounts to a prolonged stabilization period—an easing of the detrimental job losses, but also no sizeable job rebound.

Since we are assuming the first phase is over, let's review it. The recession has been given an official start date of December 2007. If one is basing the first phase on employment losses, then it looked like that phase ended in February 2010. Across that roughly two-year period, the Utah economy shed around

Just as waves crest and fall, Utah's economy will no doubt rise again.

84,000 jobs. That translates into an employment loss right around 6.6 percent. That is quite significant.

Across that period, Utah's seasonally-adjusted unemployment rate has risen from 3.1 percent to 7.2 percent—a more than two-fold increase. Only in the early 1980s was the rate higher, and that was driven as much by a unique demographic surge of young baby boomers into the labor market as by a recession matching this one.

The Utah unemployment rate is roughly two percentage points below the national unemployment rate, prompting comments that Utah has fared better in this economic downturn than the rest of the nation. That is not how I would characterize Utah's economic performance.

Across the referenced time period, the national employment picture contracted by 6.0 percent. So compare Utah's 6.6 percent employment contraction against that, and one can conclude that the Utah economy has actually performed worse than the national average in this Great Recession. This makes sense considering that the areas with housing bubbles were the ones hit the hardest, and Utah experienced an above-average housing bubble. So why do people say Utah fared better? Because of the 7.2 percent unemployment rate compared against the national 9.7 percent.

I do not use the unemployment rate as my primary statistic for measuring the health or performance of the economy. Yes, it is revealing and does track the economy's performance (by rising as the job losses mounted), but the unemployment rate can exclude too many people from its measurement. Counting lost jobs, on the other hand, does not exclude many workers. One can lose their job and be counted as a job loss, yet not go look for another job and therefore not be counted as unemployed (discouraged workers). Therefore, looking at the unemployment rate as the primary variable to gauge economic performance is too imprecise a variable to be given prominence in measuring the recession's impact.

So how did Utah fare against the U.S. performance? Compare. Utah's unemployment rate at its height in this recession: 7.2 percent. The United States' rate was 9.7 percent; Utah's job losses at -6.6 percent; the United States losses at 6.0 percent. In my mind, the fundamental and more comprehensive variable is job loss, and at -6.6 percent, Utah came up short against the national average.