

PRIORITY ISSUE #1: JOBS AND THE ECONOMY

Each gubernatorial election year since 2004, Utah Foundation organizes the Utah Priorities Project in partnership with the Hinckley Institute of Politics. The project is designed to engage the public and political candidates in serious dialogue on the most important issues facing our state. It begins with survey work that establishes what voters view as the top ten issues for the election year. This month, Utah Foundation releases a series of policy briefs of each of the top ten issues. In 2012, voters listed jobs and the economy as the most important priority in the election year.

In the 2012 Utah Priorities Survey, 77% of respondents said that they were concerned or very concerned with jobs and the economy. The level of concern with jobs and the economy is lower than it was in 2010 (82%), but the fact that it remained the top priority for voters indicates that Utahns are still recovering from the “Great Recession.” In fact, when asked more specific questions about Utah’s economy, respondents listed recovery from the economic recession as their top concern, followed by unemployment and cost of living.

The recession that occurred between 2007 and 2009 has had a profound impact on Utah’s economy and on that of the nation as a whole.¹ It was arguably the worst recession since 1945, with job growth at the lowest rates since that time, and high unemployment and low labor force participation rates that rivaled those seen in the recession that occurred in the early 1980s.



Employment

Utah’s job growth was stronger than the nation’s before and after the Great Recession, but job losses were worse than the national average during the recession. In early 2007, Utah’s job growth of 4.9% was well above the national average of 1.5%. In December 2007, the month the National Bureau of Economic Research marked as the beginning of the recession, U.S. job growth was 0.8%. That same month in Utah, it had fallen to 3.0% from its 20-year high of 5.0% earlier in the year.

As the recession was ending in the summer of 2009, Utah’s year-over change in employment was -6.0%, below the nation’s rate of -5.0%. Utah’s job growth rate remained below the nation’s until the spring of 2010. Since then, job growth in Utah has remained well above the national average. So while Utah’s decline in employment was more

severe than the nation’s, its recovery has also been more robust.

Unemployment

In December 2006, the national unemployment rate was 4.4%, the lowest rate since before the 2001 recession. Utah’s unemployment rate of 2.5% at this time was the lowest rate since at least 1976 (the earliest date for which seasonally adjusted state-wide unemployment data are available). During the first half of 2007, unemployment rates remained relatively steady, but slowly started increasing towards the end of the year. In 2008, rates began to increase dramatically, and in June 2009, the official end of the recession, unemployment was 9.5% at the national level and 7.6% in Utah. The national unemployment rate peaked in October 2009 at 10.0%. This was not only the highest level of unemployment since the end of the 1983 recession, but is also the 11th highest monthly rate since the Great Depression.

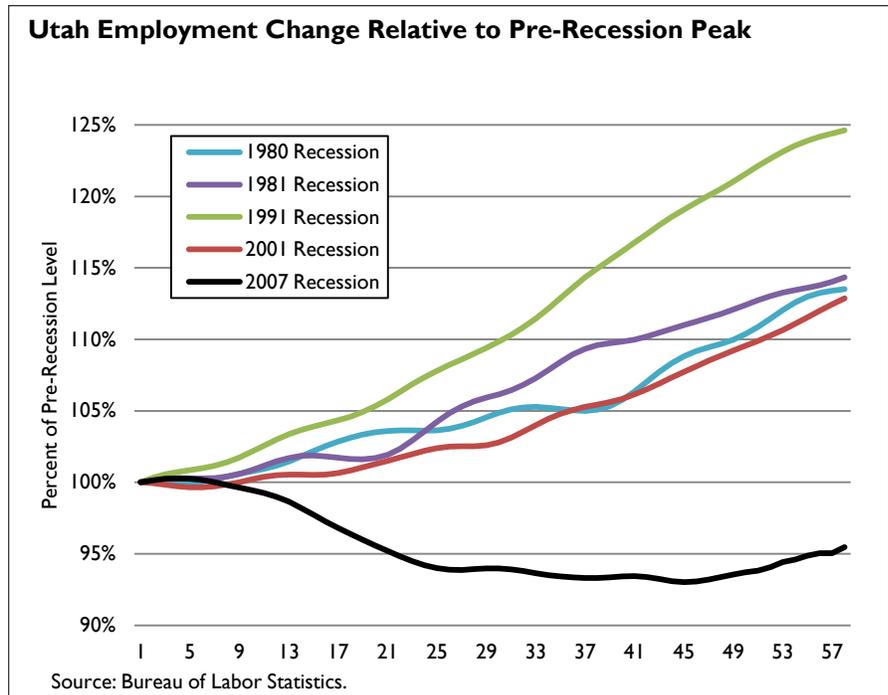
Utah's unemployment rate peaked in January 2010 at 8.3%. This was also the highest rate since the 1983 recession, and the 14th highest monthly rate since at least 1976. Among the various demographic groups, young Utahns were most affected. Unemployment increased by 9.4 percentage points for those between the age of 16 and 19. This group also had the highest unemployment rate of any other during the recession, peaking at 20.5% in 2010. Men were also more affected by unemployment, with their rate increasing by 5.0 percentage points from 2007 to 2011, as opposed to 3.5 points for women during that same time.

Of all 50 states and the District of Columbia, Utah experienced the largest decline in its labor force, from 72.2% of the civilian population ages 16 and over in 2007, to 67.1% in 2011, a decrease of 5.1 percentage points. Despite this, Utah still has a relatively high proportion of its population in the labor force, ranking 16th highest in the nation in 2011. Preliminary 2012 data show the decline in labor force participation in Utah may be leveling off and even slightly reversing.

The Great Recession in Comparison

Since 1980, the U.S. has gone through five recessions. The Great Recession lasted 18 months, and is the longest recession since the Great Depression.² It was also one of the most severe, deeply affecting employment, unemployment and the labor force. Total non-farm employment in Utah fell to 93% of the pre-recession level throughout much of 2011. This represents a significant deviation from previous recessions, in which total non-farm employment in Utah barely dipped below the pre-recession level. In 2001, it took 9 months for employment to reach its pre-recession level. Currently, nearly five years after the recession began, employment in Utah is at 96% of pre-recession levels. At the national level, total non-farm employment also fell to about 93% of the pre-recession level, also much lower than previous recessions. The recovery for total employment nationwide will take much longer than previous recessions as well.

Utah Employment Change Relative to Pre-Recession Peak



Utah's unemployment rate in 2007 started at a lower rate than any of the previous four recessions, but increased to a rate rivaled only by the 1981 recession. In addition, because the economy was super-heated during the boom years of the mid-2000s, unemployment in Utah may not fall to pre-recession levels for many years, making the length of the unemployment recovery in comparable only to the 1980 and 1981-1982 recessions.

Looking forward

At current rates of growth, Utah's economy will likely reach its pre-recession level of employment in 2014, and the U.S. economy will do so in 2015, around seven years after the recession started.³ In those seven years, U.S. population will have grown by about 20 million.⁴ This gap between population growth and job growth will likely lead to continued high unemployment. Although Utah's recent job growth and unemployment rate are better than the nation's performance, Utah faces a similar gap between population growth and job recovery. With Utah recently experiencing the largest decline in labor force participation in the U.S., it is clear that the Great Recession has done significant harm to Utah's economy, and as in the rest of the nation, these effects will continue to impact Utah for years to come.

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¹ For more information about how the NBER determines recessions, visit: http://www.nber.org/cycles/recessions_faq.html.

² "US Business Cycle Expansions and Contractions," National Bureau of Economic Research.

³ Utah Foundation projection based on monthly growth rates from the first eight months of 2012.

⁴ "U.S. Population Projections," U.S. Census Bureau. Available at: <http://www.census.gov/population/www/projections/2008projections.html>

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