

UTAH'S Economy

A monthly report produced for COMMERCE REAL ESTATE SOLUTIONS by Jim Wood, Bureau of Economic and Business Research University of Utah

ISSUE 76 MARCH 2011

To receive this newsletter by e-mail, please contact Luane Cutler at 801-303-5445 or lcutler@comre.com

CHANGES IN THE UTAH ECONOMY: 1980-2009

The service sector now dominates employment in the Utah economy.¹ The sector has a total of 460,700 employees, which reflects a tremendous shift in employment over the last 30 years. In 1980 only 23.5 percent of all non-farm workers were in the service sector, but by 2009 that share had grown to nearly 40 percent, *Table 1*.

The large growth in the services has left most other sectors with diminished employment shares. Two high wage sectors that have significantly declined are mining and manufacturing. Manufacturing's share of jobs has dropped from 16.1 percent in 1980 to 10.3 percent in 2009. Declines have also been registered by the retail and wholesale trade, government and transportation sectors. Some of these shifts in employment are picked up in changes in Utah's major employers.

The growth of healthcare services has pushed Intermountain Health Care (IHC) to the top of the list of Utah's major private employers. In 2009, IHC employed more than 20,000 workers. Wal-Mart,

which entered the state in the 1990s, has climbed to second place with over 15,000 employees, *Table 2*. The 10 largest employers in 2009 included two banks, but only one manufacturer. By comparison, in 1980 there were no banks in the top 10, but three manufacturers; Thiokol, Hercules and Unisys. ATK is now Utah's largest manufacturer with 4,500 employees in 2009.²

Table 1 Employment in Utah by Sector

Sector	1980	% Share	2009	% Share
Mining	17,000	3.1%	10,694	0.9%
Manufacturing	89,000	16.1%	122,104	10.3%
Retail & Wholesale Trade	99,000	17.8%	186,034	15.6%
Government	126,000	22.7%	214,679	18.1%
Services	130,000	23.5%	460,711	38.8%
Transportation & Utilities	35,000	6.3%	52,945	4.5%
Finance, Insurance & Real Estate	26,000	4.7%	71,076	6.0%
Construction	32,000	5.8%	70,492	5.9%
Total	554,000	100.0%	1,188,735	100.0%

Source: Utah Department of Workforce Services.

1 The major services subsectors are: healthcare, private educational services (BYU), professional and technical services, administrative and business services, and lodging and restaurants.

2 The manufacturing sector has gone through some consolidation as ATK purchased Hercules in 1995 and Thiokol in 2000.

This report is commissioned by
Commerce Real Estate Solutions
info@comre.com • 801-322-2000



Table 2 Top 10 Private Employers in Utah

Firm	Employment 1980	Firm	Employment 2009
Thiokol Corporation	7,000	IHC	20,000+
IHC	7,000	Wal-Mart	15,000-19,999
Smiths Food & Drug	5,500	Kroger Group	5,000-6,999
Hercules	4,500	ATK	4,000-4,999
ZCMI	4,500	Zion's Bank	3,000-3,999
Pacific Corp	4,000	Wells Fargo	3,000-3,999
Delta Airlines	4,000	Delta Airlines	3,000-3,999
Albertsons	3,000	UPS	3,000-3,999
U.S. West	3,000	Convergys	3,000-3,999
Unisys	3,000	Albertsons	3,000-3,999

Source: Utah Department of Workforce Services.

Two utility companies; U.S. West (Qwest) and Pacific Corp. (Rocky Mountain Power) had dropped out of the top 10 by 2009.

With the long-term shift to service employment, Utah's average wage rate has suffered. In 1980 the average annual wage in Utah was 95 percent of the U.S. average. High-wage manufacturing, mining and federal government jobs pushed up Utah's average wage rate to near the national average. However, over the past 30 years as lower wage service jobs increased, the average wage rate in Utah has not been able to keep pace with the national rate. The average annual growth rate in wages since 1980 has been 3.6 percent in Utah compared to 4.3 percent nationally. Consequently, Utah's average wage is now only 78 percent of the national rate. In inflation adjusted dollars over the 30 year period Utah's average wage rate has increased from \$35,271 to \$38,663 while at the national level the average wage rate has increased from \$37,104 to \$49,336.

Utah households have offset this slow downward drift in wage rates by working more hours. This is shown in the labor force participation rates for Utah. Participation rates measure the attachment of workers to the labor force. For example, in Utah 81.5 percent of all males 16-65 years of age are in the labor force. Nationally, the rate for males is 73.2 percent. Utah has the highest male labor force participation rate in the nation.

The female participation rate in Utah has increased faster than at the national level. In 1980 Utah's female participation rate was 52.8 percent, almost exactly the national average. By 2009, Utah's female participation rate had increased to 63.2 percent, well above the national rate of 59.3 percent. The increase in the female participation rate has helped to bolster household income in Utah and offset slow wage growth.

Working more hours, however, is not a satisfactory long-term solution for low

wages. Every Utah governor over the past 30 years has struggled with the state's slow wage growth. This problem was at the heart of Governor Huntsman's USTAR (Utah Science Technology and Research) initiative. This initiative is a long-term effort to develop world class R&D at the University of Utah and Utah State University. After five years, the USTAR effort is resulting in new high-tech companies for the Utah economy.

Utah's high-tech sector now has nearly 69,000 employees; about 6 percent of the non-farm workforce. The growth of this sector is central to improving wages and prosperity in Utah. Wage rates throughout the high-tech industry are substantially higher than the typical wage rate in Utah. The average salary for software development is \$74,508, *Table 3*. Overall the high-tech sector has an average wage rate of \$66,360;

Table 3 Utah's High Technology Sector

Sector	Employment	Average Annual Wage
Computer Systems Design	15,819	\$73,524
Aerospace Products	8,685	\$74,352
Engineering Services	8,416	\$60,636
Medical Equipment & Supplies	7,613	\$48,504
Navigational, Measuring Products	6,266	\$72,876
Software Development	5,698	\$74,508
Other Sectors	16,469	NA
Total	68,966	\$66,360

Source: Utah Department of Workforce Services.

nearly \$27,700 higher than the average wage rate in Utah. Computer systems design employs the largest number of high-tech workers followed by aerospace products and engineering services.

Utah's economic structure and wage rates can be improved by nurturing an environment of R&D and entrepreneurship. It's a long-term proposition, requiring public investment in education, technology and infrastructure. The payoffs are often years away but without this type of public investment, wages in Utah are likely to remain well below the national average.