

UTAH'S ECONOMY

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



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SOME CHANGES IN THE STRUCTURE OF THE UTAH ECONOMY

For more than 20 years Intermountain Healthcare, Brigham Young University (BYU), Delta Airlines, Smith's Food and Drug and Thiokol (Autoliv) have been among the largest private sector employers in Utah, Table I. This consistency has not extended to Utah's software industry. WordPerfect was a major employer in 1990 but in 2012 there were no software companies among the top 15 employers in the state nor were there any utility companies. In 1990 two utilities, PacifiCorp and U.S. West (Century Link) were among the largest employers in the state. Both had less employment in 2012 than in 1990. Also the retail sector had some major turnover with ZCMI, K-Mart, Albertson's and Sears being replaced by Wal-Mart, Home Depot, Harmon's and Costco. Wal-Mart appeared on the list of major

employers in 2000 with 6,500 employees. By 2012 Wal-Mart's employment had nearly tripled to 17,500. Thus Wal-Mart became part of a triumvirate of employers, along with Intermountain Healthcare and BYU, whose employment far exceeds the level of other major companies.

Unique to the current list of major employers are a diverse set of companies breaking into the top 15 – L3, a telecommunications manufacturer, ARUP a pathology laboratory associated with the University of Utah, SkyWest Airlines, a regional passenger airline, and Wells Fargo and Zions Bank; the first appearance of financial institutions among Utah's largest firms.

The changes at the firm level do not necessarily capture the broader changes in the economic structure of Utah. Like the rest of the country, Utah has become more service oriented. Service sector jobs now dominate the Utah economy. The service sector (not to be confused with the broader service providing classification used by the U.S. Bureau of Labor Statistics) now accounts for about one in three jobs in Utah, Table 2. In the wake of this shift to services, Utah workers are less likely to work for a manufacturing firm or the federal government. The share of manufacturing jobs has dropped from nearly 15 percent of total jobs in Utah to nine percent. Government jobs have declined from 21 to 18 percent. At its peak, during the Vietnam War, government employment in Utah topped-out at 30 percent of all jobs in Utah.

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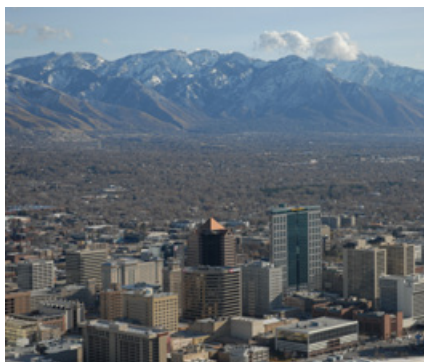
Table 1

TOP 15 MAJOR PRIVATE EMPLOYERS IN UTAH					
COMPANY	1990 EMP.	COMPANY	2000 EMP	COMPANY	2012 EMP
BYU	13,500	Intermountain Healthcare	22,000	Intermountain Healthcare	20,000+
Thiokol Corporation ¹	7,000	BYU	17,500	BYU	17,500
Smith's Food King	6,500	Convergys	8,500	Walmart	17,500
Hercules	3,500	Walmart	6,500	Smith's Food and Drug	6,000
ZCMI	3,500	Smith's Food and Drug	6,000	Zions Bank	4,500
Pacific Corp	4,000	Autoliv	5,500	L3 Communications	3,500
Delta Airlines	4,500	Albertson's	5,000	Delta Airlines	3,500
Albertson's	3,500	Delta Airlines	5,000	Wells Fargo Bank	3,500
Matrixx Marketing	3,000	Discover Card	5,000	Autoliv	3,500
Kennecott Mining	3,000	UPS	4,000	Home Depot	3,500
BMT (Geneva Steel)	3,000	Thiokol	3,500	UPS	3,500
LDS Hospital ²	2,500	Icon Health & Fitness	3,000	SkyWest Airlines	2,500
U.S. West	2,500	K-Mart	3,000	Discover Card	2,500
Unisys Corp.	2,500	U.S. West	3,000	ARUP	2,500
WordPerfect	2,500	ZCMI	3,000	Harmon's	2,500
Sears Roebuck	2,500			Costco	2,500

Source: Utah Department of Workforce Services.

¹Thiokol sold its auto safety business to Autoliv in 1997. Autoliv is among the top 15 major private employers in Utah in 2012. Thiokol legacy is also present in ATK Launch Systems which is just outside the top 15 employers in 2012. In 2001 ATK bought Thiokol and changed the name to ATK Launch Systems in 2006.

²In 1990 each of the 15 hospitals in the Intermountain Health Care System reported separately. Only LDS Hospital had enough employees to make the top 15 list. The aggregated of employment of all Intermountain Healthcare system hospitals would exceed 10,000.



The decline in the share of government employment is due solely to sluggish levels of federal government employment. Government employment is comprised of federal, state and local government workers. For the last 40 years federal employment in Utah has been very stable averaging about 36,265 employees annually, with a high of 39,750 in 1972 and a low of 30,850 in 1998. Currently federal government employment at 35,391 is very close to the historic average.

While federal government employment has remained almost constant, the size of Utah's labor force has grown. Consequently, federal government employment as a share of the Utah workforce has declined. Figure 1 shows the steady decline in the share of federal government employment in Utah from over 10 percent in the 1960s to three percent currently. State government employment has maintained a five percent share of total employment for the past 50 years, while local government employment has maintained a near constant share of 10 percent. Both state and local government employment have grown at the same pace as Utah's labor force, while federal government employment has not kept up with that growth. Currently state government provides 68,000 jobs and local government 119,000 jobs. Fifty-five percent of state government employment is in higher education and 56 percent of local government employment is in public education.

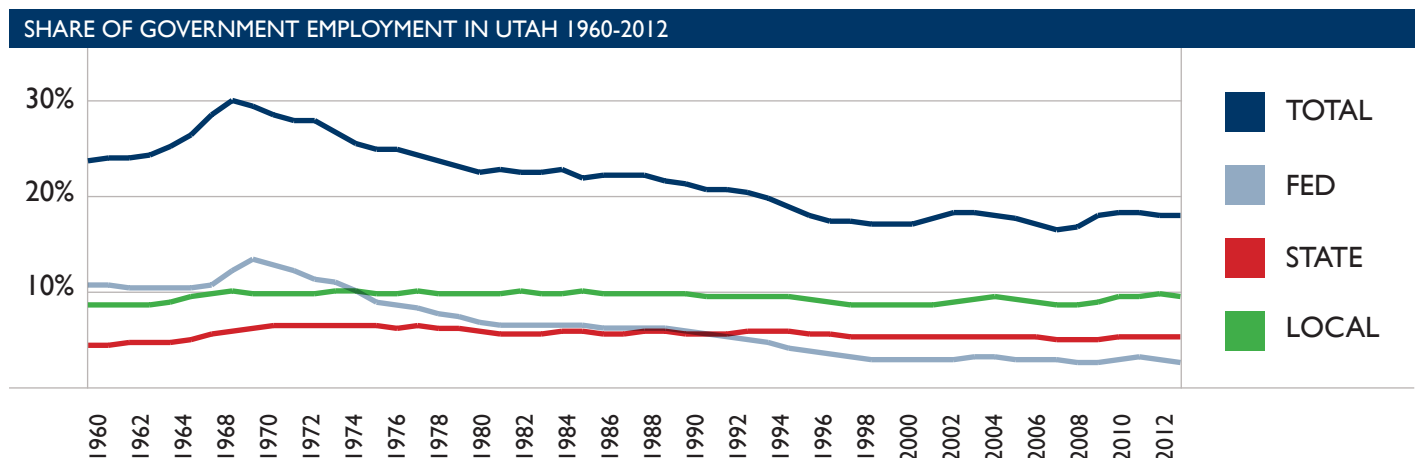
Table 2

SHARE OF EMPLOYMENT BY MAJOR SECTOR IN UTAH		
SECTOR	1990	2012
Mining	1.2%	1.0%
Construction	3.8%	5.5%
Manufacturing	14.8%	9.3%
Transportation, Utilities Communication	5.8%	4.4%
Retail and Wholesale Trade	23.8%	21.8%
Finance, Insurance and Real Estate	4.3%	5.6%
Services	25.0%	34.4%
Government	20.8%	17.9%

Source: Utah Department of Workforce Services.

There is little doubt that over the past 20 years the most significant structural changes in the Utah economy have been the decline of manufacturing and federal government employment and the increase in service sector jobs. These changes have implications for commercial real estate development as well as the household income of Utahns.

Figure 1





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