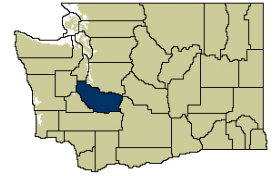




# Tacoma MD (Pierce County)

## Labor Area Summary

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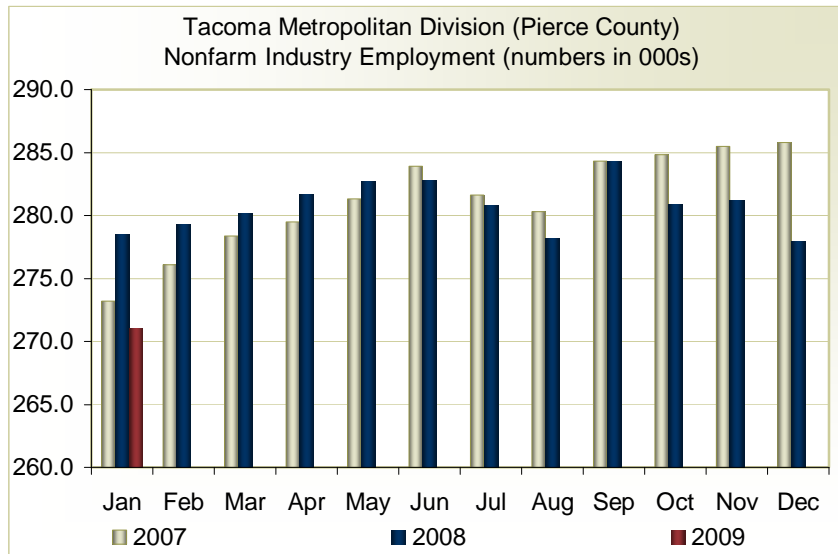
## Summary

The first month of the year, which is always an interesting month as far as labor market numbers go, was made even more interesting this year. January 2009 produced a “triple witching month” of employment estimates and revisions that complicated the general economic analysis of labor market conditions somewhat. This did not, however, alter the direction the local job market has been traversing since last summer, which has been downhill. Job losses continue to mount and local labor market conditions within the Tacoma Metropolitan Division (MD) continue to deteriorate.

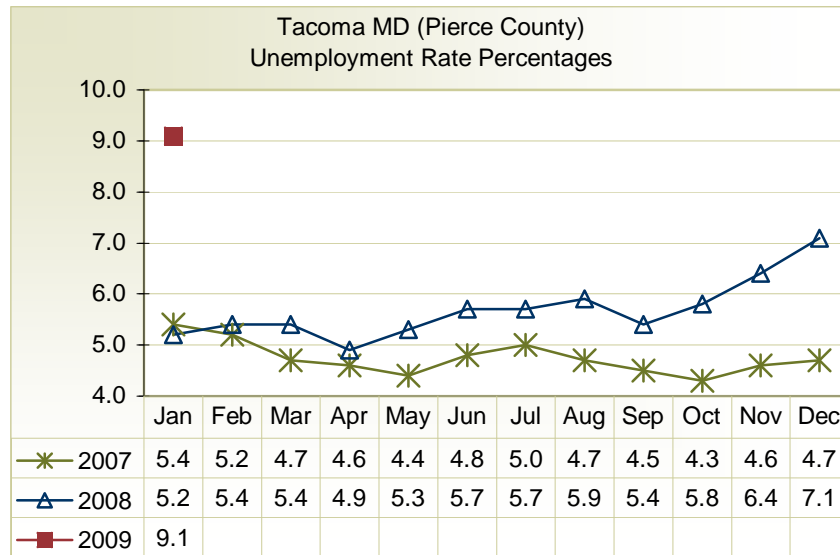
The beginning of the year brings about the expected set of statistical adjustments that the local employment data must endure as part of an overall information update. The federal Bureau of Labor Statistics (BLS) mandates that all states must revise their data to include changes in the business establishment numbers owing to the entry of new businesses into, and the exit of, defunct businesses out of the local labor market. Also, the location of business establishments is carefully scrutinized to insure that their county location is being correctly classified. These changes are then integrated into the beginning of the 2008-year starting in January and carried throughout the entire year. The results of this ‘recoding process’ moved the level of employment in the Tacoma MD upward by about 800 jobs this year, and provided some needed positive news. At the same time, the 2008 employment figures were adjusted to incorporate the new data arriving in the form of third quarter preliminary 2008 and second quarter revised 2008 collected payroll numbers. These figures are then used to adjust both the second and third quarter estimates as part of a ‘benchmarking procedure’ that adds more precision to the monthly employment numbers. The benchmarking revisions provided some interesting insight into the employment numbers on a quarterly basis, but did not significantly impact overall nonfarm wage and salary worker employment numbers. The December 2008 level of employment in the MD was revised upward by 1,000 in response to the recoding, benchmarking and normal monthly revision processes. The benchmarking revealed that employment within the area was able to hold up largely as a result of federally provided tax rebate stimulus and the Puyallup Fair. During this period, 1,500 jobs were added. Job losses accelerated dramatically during the fourth quarter when 6,400 jobs were cut, 3,300 of which occurred during a tough December.

Employment continued to recede in the local area as the New Year kicked off. The Tacoma MD lost 6,900 jobs for the month. This was comparable to January of last year when the county lost 7,500 over the month. Outside of the government sector, which added 600 new jobs, there was very little, if any, positive employment news. All of the major private industry sectors shed jobs this month, with the total job loss tallying 7,500. A decline in manufacturing production forced manufacturing to cut jobs, even though they have been operating with lean workforces for some time. This month 400 manufacturing jobs in the area were lost. Construction continued to weaken, both residential and nonresidential and another 800 jobs were trimmed this month. Consumer industries, especially retail, and leisure and hospitality, are under pressure from weakening consumer finances and record low consumer confidence. Spending is being reigned in, and combined job losses from these industries totaled 2,500.

Just about every local industry has succumbed to the poor economy. A total of 7,500 jobs have been lost over the course of the year. Even healthcare providers are coming under stress as well. Employment at area hospitals was still up over the year, but this bright spot is beginning to dim. Surging unemployment insurance claims suggest February could be another tough month for employment. Difficult economic conditions will likely produce a year of job losses, although the first quarter may prove to be the toughest.



The labor market weakness was dramatically presented through the labor force data that provides the area unemployment rate. The final interesting development involved with this estimate was provided through the courtesy again of BLS, who normally provides this rate. The BLS data were delayed this month due to a computer project, so Employment Security calculated the rate using a computer model that had proved to be reliable in the past. The generated January unemployment rate shot to 9.1 percent, a full two percentage points above the revised 7.1 percent in December. Ordinarily, the unemployment rate can be expected to climb in January as much as one-half percent due to seasonal effects. The poor economy can be expected to add perhaps another 3 or 4 basis points to the figure, so this month's estimate was very likely to be overstated. At the least, however, one can surely interpret the unemployment rate as an indication of tougher economic times and labor market conditions. Another two or three months of data, along with the help of BLS, will probably firm up the unemployment data into something more tangible and illuminating. For now, it is important to maintain perspective. On a somewhat comparable level, the U.S. unemployment rate rose by four-tenths of a percentage point to 7.6 percent, seasonally adjusted. Washington state posted a seasonally adjusted unemployment rate of 7.8 percent.



## National News

The tough fourth quarter of local employment news was echoed throughout the nation. The revised reading on the advance GDP report showed that fourth quarter real GDP fell by 6.2 percent on an annualized rate. This was the biggest contraction in real GDP since the first quarter of 1982, when GDP fell by 6.4 percent. Most components contributed to the decline, but a large drop off in consumer spending was among the main drivers. The plunge in consumer spending registered the largest quarterly decline since the late 1970s. Another great concern was the collapse of business investments in the fourth quarter. Investment in equipment and software fell by a whopping 29.0 percent and signifies that businesses are cutting back as quickly as they can.

The U.S. is in the grips of deep recession. The problems in credit markets have spread widely throughout the economy, and consumer spending and business investments will most likely decline further over the next few quarters. Tight financial conditions reinforce the negative outlook. Although not as severe as a few months ago, the financial conditions represent a serious impediment to a recovery. The credit crunch is forcing businesses to further reduce payrolls and is exacerbating conditions in the housing market by making it more difficult to refinance or get loans to purchase homes.

Policymakers have moved to address the sagging economy and the financial instability. President Obama signed into law a record \$787 billion stimulus package, while U.S. Treasury Secretary Timothy Geithner outlined his new financial stability plan to restart the flow of credit on a domestic basis. The stimulus package includes spending on infrastructure, renewable energy, and healthcare, and includes a \$400 tax break for individuals and \$800 for couples. The bank rescue plan revealed by the Treasury calls for banks to be “stress tested” to determine whether banks are adequately capitalized. Secondly, the plan appears to be predicated on an undefined public-private partnership between Washington D.C. and global capital markets to begin purchasing illiquid mortgage assets now on the balance sheets of major money-center banks.

Markets were not impressed with either the stimulus deal or the announcement of the financial rescue plan and have begun to backtrack. The fiscal policy of the stimulus has generated controversy in terms of its alleged failure to pinpoint and change the economy’s near-term fortunes. It remains open to the criticism that it is short on incentives to get consumers spending again and long on social goals that fail to stimulate economic activity. The package contains social spending provisions such as the Head Start program for disadvantaged children and aid to NASA for climate-change research. While both may be worthy efforts, the spending does not aim at delivering a short-term economic boost. The infrastructure spending will have longer-term effects, as it is devoted to projects that will spend out very slowly and without the speed needed to help the economy in 2009

and 2010. A report by the Congressional Budget Office, for instance, found that less than half of the money being appropriated to infrastructure and discretionary programs would be spent by the fourth quarter of 2010.

The Treasury, meanwhile, has left many questions unanswered and gives the impression that the financial rescue plan is just getting started. This is troubling since the longer it takes to solve the problem, the more difficult it will become, since stalled activity will turn more good assets into bad ones. The Treasury has provided too few details that implicitly suggest that the administration intends to proceed without a clear strategy. The recent policy developments convey the belief that progress in financial markets will be incremental.

The notion of a quick turn toward recovery through policy action is misplaced. This means that this is essentially a lost year for the economy. The economy is expected to stabilize by year's end, but this depends on a multitude of things going reasonably well, including the ability of policymakers to shore up plans quickly and convincingly. If the stimulus is off-target, or if efforts to rescue the banking system fail, the recession could last into 2010.

## Summary Table

Labor Market Information for the Tacoma Metropolitan Division (Pierce County) Not Seasonally Adjusted/*Updated with ***QCEW Data: September 2008						
				Change		
(Employment statistics in whole numbers)	Prelim	Revised	Revised	Dec-08	Jan-08	Jan-08
Employment by Place of Residence	Jan-09	Dec-08	Jan-08	Jan-09	Jan-09	Jan-09%
Civilian Labor Force	403,600	404,670	394,630	-1,070	8,970	2.3%
Resident Employment	366,900	375,790	373,990	-8,890	-7,090	-1.9%
Unemployment	36,690	28,880	20,640	7,810	16,050	77.8%
Unemployment Rate	9.1	7.1	5.2	2.0	3.9	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm 1/	271.0	277.9	278.5	-6.9	-7.5	-2.7%
Total Private	212.2	219.7	222.4	-7.5	-10.2	-4.6%
Goods Producing	40.2	41.4	44.7	-1.2	-4.5	-10.1%
Mining and Logging	0.4	0.4	0.4	0.0	0.0	0.0%
Construction	20.8	21.6	23.9	-0.8	-3.1	-13.0%
Specialty Trade Contractors	13.3	13.6	15.3	-0.3	-2.0	-13.1%
Manufacturing	19.0	19.4	20.4	-0.4	-1.4	-6.9%
Services Providing	230.8	236.5	233.8	-5.7	-3.0	-1.3%
Trade, Transportation, and Utilities	53.2	55.5	55.9	-2.3	-2.7	-4.8%
Wholesale Trade	11.1	11.2	11.4	-0.1	-0.3	-2.6%
Retail Trade	31.5	33.1	33.1	-1.6	-1.6	-4.8%
Food and Beverage Stores	5.5	5.7	5.5	-0.2	0.0	0.0%
General Merchandise Stores	7.5	7.8	7.5	-0.3	0.0	0.0%
Transportation, Warehousing, and Utilities	10.6	11.2	11.4	-0.6	-0.8	-7.0%
Information	3.2	3.5	3.6	-0.3	-0.4	-11.1%
Financial Activities	12.9	13.2	13.3	-0.3	-0.4	-3.0%
Professional and Business Services	22.8	23.8	24.5	-1.0	-1.7	-6.9%
Admin, Support, Waste Mgmt., & Remediation	12.3	13.4	13.8	-1.1	-1.5	-10.9%
Administrative and Support Services	10.7	11.7	12.5	-1.0	-1.8	-14.4%
Educational and Health Services	40.5	42.0	40.8	-1.5	-0.3	-0.7%
Ambulatory Health Care Services	13.0	13.1	13.4	-0.1	-0.4	-3.0%
Hospitals	9.7	9.7	9.3	0.0	0.4	4.3%
Leisure and Hospitality	26.5	27.4	26.8	-0.9	-0.3	-1.1%
Food Services and Drinking Places	21.8	22.6	21.6	-0.8	0.2	0.9%
Other Services	12.9	12.9	12.8	0.0	0.1	0.8%
Government	58.8	58.2	56.1	0.6	2.7	4.8%
Federal Government	11.0	11.2	10.3	-0.2	0.7	6.8%
State Government	12.7	11.6	11.9	1.1	0.8	6.7%
State Government Educational Services	4.0	3.4	3.9	0.6	0.1	2.6%
Local Government	35.1	35.4	33.9	-0.3	1.2	3.5%
Local Government Educational Services	18.9	19.0	18.5	-0.1	0.4	2.2%
Workers in Labor/Management Disputes	0.0	0.0	0.0	0.0	0.0	0.0
<p>1/ Excludes proprietors, self-employed, members of armed forces, and private household employees. Includes all full- and part-time wage and salary workers receiving pay during the pay period including the 12th of the month. Columns may not add due to rounding. *Prepared by the Labor Market and Economic Analysis branch using a Quarterly Benchmark process. This process uses the most recent quarter from the Unemployment Insurance Tax Reports (currently 3rd quarter 2008) and estimates employment from that point to present. 2/ Workers excluded due to involvement in labor/management dispute. **North American Industry Classification System. ***QCEW = Quarterly Census of Employment and Wages</p>						