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Labor Market and Economic Analysis

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Tacoma MD
(Pierce County)
Labor Area Summary
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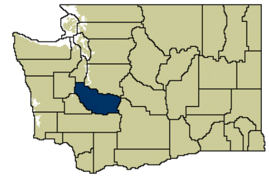


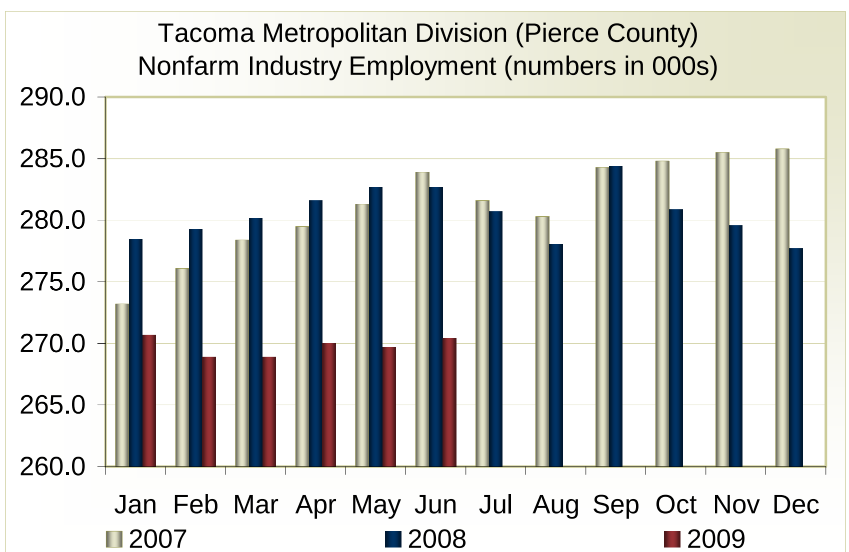
Paul Turek, Regional Labor Economist
1305 Tacoma Avenue South #201, Tacoma, WA 98402
Voice: (253) 593-7336; FAX: (253) 593-7377
pturek@esd.wa.gov; www.workforceexplorer.com

Summary

The Tacoma Metropolitan Division (MD) labor market continues to remain very weak, but showed enough strength to gain a modest number of jobs in the month of June. Altogether, the local area gained 700 nonfarm jobs to reach a June employment level of 270,400. The modest gain kept the overall employment level in the area moving sideways. Revisions to last month's numbers scaled back total employment by 700 jobs. Prior to that, revisions had added 700 more jobs. Since the beginning of the year, the local labor market has lost 300 nonfarm jobs total.

The treading of water scenario playing out this year comes as a welcome respite to the job losses that have occurred largely over the past year. Relative to June 2008, the local area has shed 12,300 jobs. Last year's slow job growth scenario turned negative with the advent of the credit crunch and recession. Consequently, 2008 employment levels never fully recovered to the 285,800 mark reached in December of 2007 before retreating sharply. The MD now has the same number of jobs it did in 2006, effectively losing three years of employment gains. Viewed against this backdrop, it might appear that current labor market conditions are slowly stabilizing. More revisions to the data will occur over the next several months, and it will soon be known whether the local labor market has truly bottomed-out and whether a recovery watch is warranted.

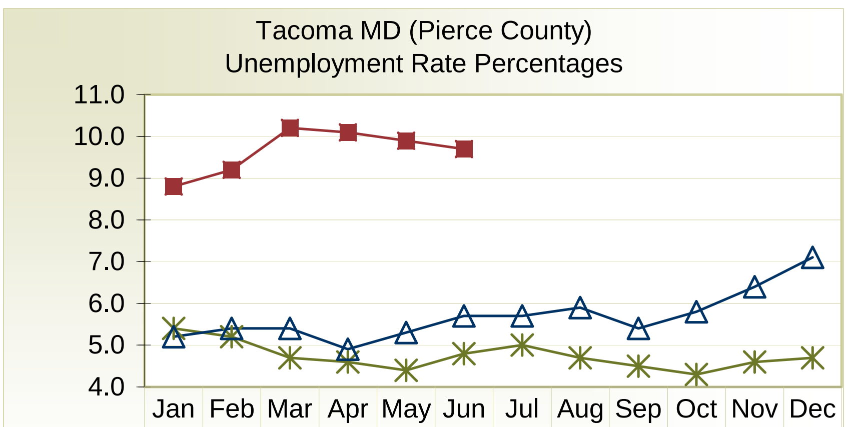
A positive note that arises out of this month's nonfarm employment numbers is the addition of 600 jobs in the professional and business service industries. Construction, manufacturing, and leisure and hospitality also posted gains from May. All of the 700 jobs added this month occurred in the private sector, with the goods-producing sector contributing 500 new jobs and the services-providing sector contributing 200. Job losses in private educational services offset some of the job gains recorded in the service sector as the school year drew to a close.



All of the employment numbers mentioned thus far have not been seasonally adjusted. When adjusted for seasonal factors, the Tacoma MD recorded a 100-job loss. This managed to be only a very small fraction of the 10,500 seasonal jobs lost throughout the state this month. Although the state job loss figure is troubling and indicative of weak labor market conditions statewide, the job loss numbers have been trending

downward overall, particularly over the last three months. Although still a losing proposition, the downward trend, along with information gleaned from other data, suggest that the worst may be over.

The steady state labor market conditions in the Tacoma MD have temporarily forestalled what had been a rapid run-up in the local unemployment rate over the last two quarters. The local unemployment rate declined by two-tenths of one percentage point this month to reach 9.7 percent. This is four percentage points higher than last year at his time. The rate has been hovering about 10.0 percent the last several months. Even if a bottom to the labor market is reached, the recovery process is expected to play out slowly for now, and a further rise in the local jobless rate is likely to occur over the remainder of the year. On a comparable basis, the Seattle-Bellevue-Everett MD saw its unemployment rate rise nine-tenths of a percentage point to 9.1 percent. The state's unemployment rate increased by three-tenths of a percentage point to 9.2 percent. Seasonally adjusted, the Washington state's unemployment rate now stands at 9.3 percent, while the seasonally adjusted unemployment rate is 9.5 percent at the national level. The national unemployment rate can be used as a rough measure of comparison by other states across the nation. Generally speaking, one can expect approximately half the states to have a higher unemployment rate than the nation as a whole, and the other half to have a lower unemployment rate. Michigan continues to occupy the unenviable position at the top of the list. According to a report released by the Labor Department today, Michigan has become the first state in 25 years to record an unemployment rate in excess of 15.0 percent. Its current rate of 15.2 percent is the highest of any state since March 1984, when West Virginia's unemployment rate also topped 15.0 percent. Rhode Island has the second highest unemployment rate at 12.4 percent, followed by Oregon at 12.2 percent. A total of 15 states and the District of Columbia now have unemployment rates of at least 10.0 percent.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	5.4	5.2	4.7	4.6	4.4	4.8	5.0	4.7	4.5	4.3	4.6	4.7
2008	5.2	5.4	5.4	4.9	5.3	5.7	5.7	5.9	5.4	5.8	6.4	7.1
2009	8.8	9.2	10.2	10.1	9.9	9.7						

Green Shoots or Yellow Weeds?

The search for upward turning-point signs in the national economy has taken on horticultural proportions at the public discussion level. As is typical during turning-point periods, economic indicators have a tendency to send mixed signals about the economy, making it difficult to determine whether the economy is poised to begin an upward movement. Five months after Congress approved a massive package of spending and tax cuts aimed at reviving a sinking economy, job losses have continued to mount and the jobless rate is still rising. Stimulus funds have flowed from Washington D.C. a bit slower than expected. Now however, the moment of truth is at hand as the majority of the stimulus package is set to pay out over the rest of this year and next. Subtle signs that encourage optimism have included a downward trending of national job losses and a reduction in the filing of initial claims.

For the recovery to take hold as expected, guideposts for initial claims numbers and employment levels have to be followed. It is encouraging to note that the number of Americans filing initial unemployment claims fell to the lowest level in six months for the week ending July 11. The 522,000 claims that were filed marks the second straight week that claim numbers broke under the 600,000 mark. These numbers need to be sustained on a weekly basis and should probably continue to fall under 500,000 by September to show that labor market conditions are improving. On the employment front, job losses abated in May, but rose again in June in excess of 400,000, casting doubt upon whether the labor market is indeed improving. Still, the overall trend for job losses is downward. If the labor market is to improve, the monthly loss figure may need to fall to roughly 300,000 during the third quarter and near 100,000 in the fourth. This would be fairly synonymous with an expected modest recovery in GDP growth over the last two quarters this year.

Improvement in labor market conditions is a necessary and sufficient condition for economic recovery to occur. A lack of progress can go a long way toward undermining consumer and business confidence levels and the degree to which their spending plans become impacted. Additional layoffs and rising unemployment can also have a deleterious effect on the housing market and the condition of financial statements of lending institutions. In short, all of this would threaten to derail the prospects for recovery.

Even if the recovery were to take hold, it likely will occur slowly and be drawn out in the labor market. The impact of the monetary and fiscal policy is likely to be felt marginally over time, and the overriding consensus is to expect a slow growth environment beginning optimistically this summer. Both the Federal Reserve and the President have acknowledged that the national unemployment rate will likely reach 10.0 percent before it descends again. Job losses nationally could continue for at least another year. Even with the 2001 recession that ended in November 2001, job losses continued to occur for another year and a half.

Still, the odds remain favorable that the economy will receive a bounce from the increased stimulus this summer. For this to be a kick start to recovery, the three markets involving jobs, houses, and finance will have to align like stars and work in tandem to improve the economy. There is an abundance of interplay between the three, and it is certain economists and policymakers will be doing a lot of star gazing over the next six months studying their trajectories.

Summary Table

Labor Market Information for the Tacoma Metropolitan Division (Pierce County) Not Seasonally Adjusted/*Updated with ***QCEW Data: December 2008						
				Change		
	Prelim	Revised	Revised	May-09	Jun-08	Jun-08
Employment by Place of Residence	Jun-09	May-09	Jun-08	Jun-09	Jun-09	Jun-09 %
Civilian Labor Force	402,930	403,040	391,140	-110	11,790	3.0%
Resident Employment	363,780	363,260	368,810	520	-5,030	-1.4%
Unemployment	39,150	39,780	22,330	-630	16,820	75.3%
Unemployment Rate	9.7	9.9	5.7	-0.2	4.0	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm **1/**	270.4	269.7	282.7	0.7	-12.3	-4.4%
Total Private	211.2	210.5	224.8	0.7	-13.6	-6.0%
Goods Producing	36.2	35.7	44.5	0.5	-8.3	-18.7%
Mining and Logging	0.4	0.4	0.4	0.0	0.0	0.0%
Construction	19.7	19.4	24.1	0.3	-4.4	-18.3%
Specialty Trade Contractors	13.3	13.1	15.4	0.2	-2.1	-13.6%
Manufacturing	16.1	15.9	20.0	0.2	-3.9	-19.5%
Services Providing	234.2	234.0	238.2	0.2	-4.0	-1.7%
Trade, Transportation, and Utilities	52.9	52.9	55.8	0.0	-2.9	-5.2%
Wholesale Trade	10.8	10.7	11.6	0.1	-0.8	-6.9%
Retail Trade	30.8	30.9	32.9	-0.1	-2.1	-6.4%
Food and Beverage Stores	5.2	5.2	5.6	0.0	-0.4	-7.1%
General Merchandise Stores	7.4	7.5	7.2	-0.1	0.2	2.8%
Transportation, Warehousing, and Utilities	11.3	11.3	11.3	0.0	0.0	0.0%
Information	3.3	3.2	3.7	0.1	-0.4	-10.8%
Financial Activities	12.8	12.8	13.4	0.0	-0.6	-4.5%
Professional and Business Services	23.6	23.0	25.0	0.6	-1.4	-5.6%
Admin, Support, Waste Mgmt., & Remediation	13.1	12.5	14.6	0.6	-1.5	-10.3%
Administrative and Support Services	11.4	10.8	13.1	0.6	-1.7	-13.0%
Educational and Health Services	42.5	43.4	40.8	-0.9	1.7	4.2%
Ambulatory Health Care Services	14.3	14.2	13.6	0.1	0.7	5.1%
Hospitals	11.7	11.6	9.5	0.1	2.2	23.2%
Leisure and Hospitality	27.2	26.7	28.5	0.5	-1.3	-4.6%
Food Services and Drinking Places	21.2	21.1	22.8	0.1	-1.6	-7.0%
Other Services	12.7	12.8	13.1	-0.1	-0.4	-3.1%
Government	59.2	59.2	57.9	0.0	1.3	2.2%
Federal Government	11.8	11.7	10.8	0.1	1.0	9.3%
State Government	11.9	12.0	12.0	-0.1	-0.1	-0.8%
State Government Educational Services	3.7	4.0	3.8	-0.3	-0.1	-2.6%
Local Government	35.5	35.5	35.1	0.0	0.4	1.1%
Local Government Educational Services	19.3	19.3	19.0	0.0	0.3	1.6%
Workers in Labor/Management Disputes	0.0	0.0	0.0	0.0	0.0	0.0

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 4th quarter 2008) and estimates employment from that point to present.

**North American Industry Classification System. ***QCEW = Quarterly Census of Employment and Wages