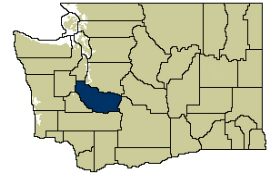




# Tacoma MD (Pierce County)

## Labor Area Summary

### Volume 2008, Number 8



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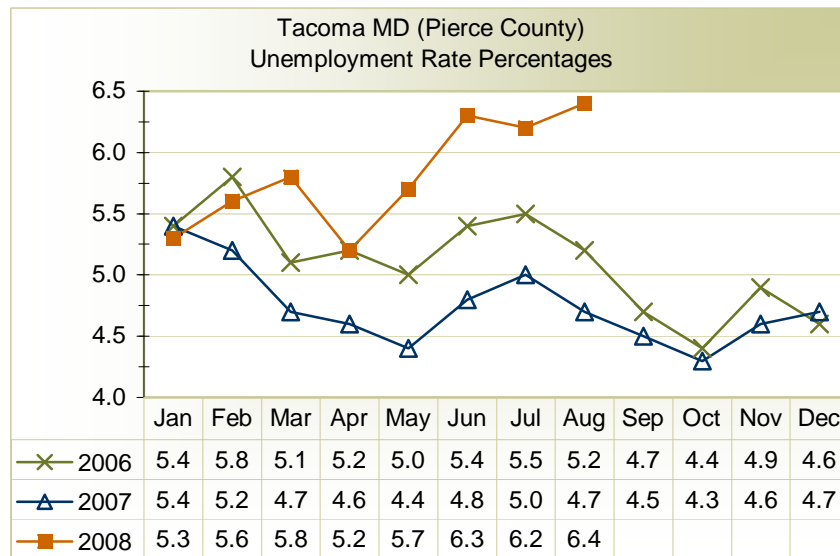
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## Summary

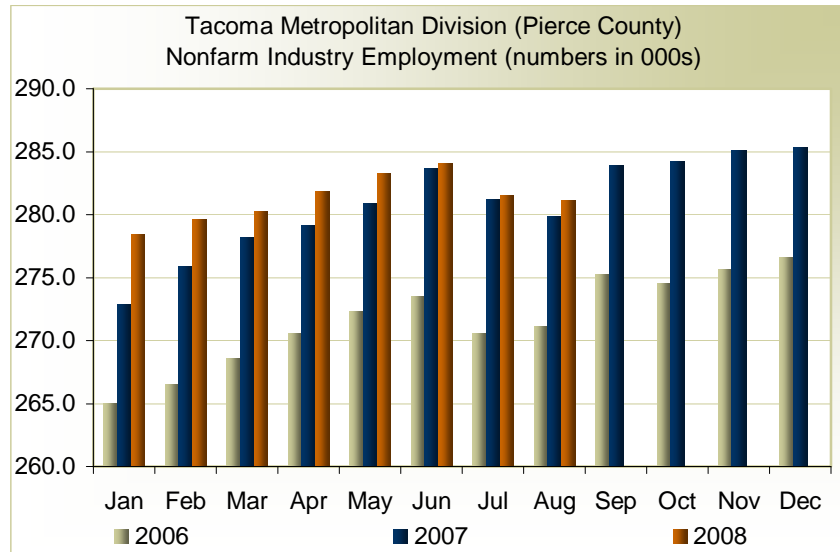
The collective effects of slower job growth in local labor markets showed up more visibly this month through the unemployment rate. Washington's seasonally adjusted unemployment rate rose to 6 percent in August to reach its highest level in nearly four years. The Tacoma Metropolitan Division (MD) unemployment rate, though not adjusted for seasonal variation, correlates very well with the state adjusted rate. This month, the local area saw its unemployment rate continue to creep upward, rising by two-tenths of one percentage point to 6.4 percent. At this same time last year, the unemployment rate in the Tacoma MD stood at 4.7 percent. At the start of the year, the unemployment rate was 5.3 percent.



Job growth has slowed considerably since last year. Since January this year, local employers have added only slightly more than one-third of the total number of jobs that were added over the same period the year before throughout the Tacoma MD. Over-the-year job growth measuring from August last year to August this year shows that employers have added just 1,200 jobs, compared to 8,800 jobs added during the same period one year prior. The slower pace of job creation impacts those in the labor force seeking employment and makes for a more competitive job search environment. Consequently, more job searches end in futility and show up more through the rising unemployment rate.

The Pierce County labor market economy shed 400 jobs this month, primarily due to seasonal forces impacting local government educational services. The category lost 1,300 jobs this month to continue the rollback of jobs that occur when school is out of session. Another 300 jobs in other local government services were cut as state and local revenues declined due to the slowing economy. On the positive side, private employers added 1,200

jobs for the month. Private educational and health services, along with professional business services employers, led the advances, adding 600 and 500 jobs respectively.



A crescendo of news this month served to belabor the point that the national economy has been weakened due to continuing housing issues, higher energy prices, and credit problems impacting financial institutions. National payrolls continue to be trimmed. National nonfarm employment contracted by 84,000 jobs in August and has declined in every month since last December. The national unemployment rate rose to 6.1 percent (seasonally adjusted) in August from 5.7 percent in July. The beneficial effect from rebate checks has been fading fast, and showed up to some degree in the retail sales figures for July, which declined slightly.

Home prices continue to fall in response to an inventory overhang and credit lending problems. The additional problems caused by mounting foreclosure rates not only serves to erode housing values further for homeowners, but has been adding to the financial shock recorded on the books of housing lenders. Cash inflow to financial institutions has slowed to a trickle due to defaults on home loans and the resulting fallout in investor confidence to back additional loans with residential mortgage linked securities. Tougher lending standards have exacerbated the liquidity problem and placed a number of prominent financial institutions on the brink of collapse. The dire situation has emboldened the federal government to move aggressively to head off growing panic and restore investor confidence.

First and foremost of the financial institutions to experience major difficulties are the government-sponsored enterprises (GSEs) popularly known as Fannie Mae and Freddie Mac. Created in 1938 to expand the flow of mortgage money, Fannie has operated under a congressional charter that directs it to channel its efforts into increasing the availability and affordability of homeownership for low, moderate, and middle income Americans. Fannie's "little brother" Freddie was chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of home ownership. Together, these institutions have historically purchased or guaranteed between 40 to 60 percent of all mortgages originating annually in the U.S. Given the collapse in private mortgage lending over the past year, the importance of the GSEs increased. In recent months, they have had a hand in roughly two-thirds of all newly originated residential mortgage loans. The increased involvement of the GSEs to provide greater lending liquidity has cast doubts upon their ability to financially withstand the added financial pressures, and created panic among potential investors who would do business with Fannie and Freddie. Such fears can become self-fulfilling, and left the U.S. Treasury little recourse other than to take over the GSEs. Although some may see this as an unusual move, it is not unlike what was done in the early 1990s, when the Resolution Trust Corp. was established to nationalize the nation's faltering savings and loans. This

move now should significantly reduce the near-term threat to the housing market, financial system, and broader economy.

More signs of the unease in the financial system surfaced with the travails of broker-dealer Lehman Brothers, insurer AIG, Merrill Lynch, and a number of good-sized regional banks including Washington Mutual. Lehman ultimately filed for bankruptcy protection when the Treasury Department decided not to help potential buyers of Lehman as it did when it facilitated the sale of Bear Stearns. The New York Federal Reserve Bank has agreed to AIG's request to provide a bridge loan to help fund the sales of its assets. The intervention suggests that policymakers feared a disorderly dismantling of AIG, which would have unpredictable consequences for financial markets and the broader economy. The Bank of America is purchasing Merrill Lynch, and the merger should shore up another weak link in the financial chain. Speculation has been swirling that Seattle-based Washington Mutual Inc., the largest U.S. savings and loan association, would soon be purchased by another financial group. Mounting losses in its mortgage portfolio have driven down the association's share price to make it more attractive as a potential takeover target. Shares of the company were trading above \$30 a year ago and as low as \$2 just recently.

The growing concerns made evident with the credit crunch have prompted the Treasury Department and the Federal Reserve to formulate a plan to fix the financial system. Although the details are unclear at this moment, the federal government seems prepared to buy up distressed mortgage-related debt from financial firms. This would alleviate the debt that is the root of the financial crisis. Since the amount of this debt tends to be sheltered by financial firms until the last minute, it creates a good deal of uncertainty in the market. There tends to be little trading of these securities, and consequently, very little price information emerges. The uncertainty makes the financial institutions leery of trading with one another and leads them to hoard cash, thereby creating even more financial problems.

The purchase of the debt would mean large losses to the firms selling the debt, but it would serve the purpose of removing the debt from their books in order for them to reestablish credibility in the market. The firms could go back to their primary job of providing capital to the U.S. and global economies. The federal government could then dispose of the debt gradually rather than be under pressure to dump it all at once and risk pushing down prices even further. Of course it is not without risk, but if the plan works, it will go a long way toward restoring enough order to let the housing market rebound accordingly.

As if there was not enough excitement, news of the Boeing machinists strike potentially plunges another dagger into the heart of the regional economy. Aerospace manufacturing together with a strong export market have been two major factors that have allowed the region's economy to stay a cut above its U.S. counterparts. Early news out of the negotiating camps warns that the strike could be a protracted one lasting several months. If so, a vital lifeline to the state and local economy would be severed and would cause added distress. Perhaps, state government officials could take a page from the federal government's playbook and move to facilitate a settlement before major damage is done.

## Summary Table

Labor Market Information for the Tacoma Metropolitan Division (Pierce County) Not Seasonally Adjusted/*Updated with ***QCEW Data: March 2008						
	Change					
(Employment statistics in whole numbers)	Prelim	Revised	Revised	Jul-08	Aug-07	Aug-07
Employment by Place of Residence	Aug-08	Jul-08	Aug-07	Aug-08	Aug-08	Aug-08 %
Civilian Labor Force	396,890	392,530	382,290	4,360	14,600	3.8%
Resident Employment	371,340	368,180	364,270	3,160	7,070	1.9%
Unemployment	25,550	24,340	18,030	1,210	7,520	41.7%
Unemployment Rate	6.4	6.2	4.7	0.2	1.7	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm 1/	281.1	281.5	279.9	-0.4	1.2	0.4%
Total Private	227.5	226.3	228.5	1.2	-1.0	-0.4%
Goods Producing	45.5	45.5	47.9	0.0	-2.4	-5.0%
Natural Resources and Mining	0.4	0.4	0.4	0.0	0.0	0.0%
Construction	24.6	24.7	26.7	-0.1	-2.1	-7.9%
Specialty Trade Contractors	15.5	15.7	16.9	-0.2	-1.4	-8.3%
Manufacturing	20.5	20.4	20.8	0.1	-0.3	-1.4%
Services Providing	235.6	236.0	232.0	-0.4	3.6	1.6%
Trade, Transportation, and Utilities	57.0	57.0	56.7	0.0	0.3	0.5%
Wholesale Trade	11.8	11.9	11.6	-0.1	0.2	1.7%
Retail Trade	33.6	33.6	33.5	0.0	0.1	0.3%
Food and Beverage Stores	5.5	5.5	5.5	0.0	0.0	0.0%
General Merchandise Stores	7.2	7.1	7.3	0.1	-0.1	-1.4%
Transportation, Warehousing, and Utilities	11.6	11.5	11.6	0.1	0.0	0.0%
Information	3.7	3.6	3.8	0.1	-0.1	-2.6%
Financial Activities	12.8	12.9	13.9	-0.1	-1.1	-7.9%
Professional and Business Services	25.7	25.2	26.0	0.5	-0.3	-1.2%
Admin, Support, Waste Mgmt., & Remediation	15.0	14.7	15.8	0.3	-0.8	-5.1%
Administrative and Support Services	13.2	13.2	14.3	0.0	-1.1	-7.7%
Educational and Health Services	40.3	39.7	39.2	0.6	1.1	2.8%
Ambulatory Health Care Services	13.1	13.1	13.4	0.0	-0.3	-2.2%
Hospitals	9.4	9.2	9.1	0.2	0.3	3.3%
Leisure and Hospitality	29.2	29.1	28.1	0.1	1.1	3.9%
Food Services and Drinking Places	23.0	22.7	22.5	0.3	0.5	2.2%
Other Services	13.3	13.3	12.9	0.0	0.4	3.1%
Government	53.6	55.2	51.4	-1.6	2.2	4.3%
Federal Government	11.0	11.0	10.3	0.0	0.7	6.8%
State Government	11.1	11.1	10.8	0.0	0.3	2.8%
State Government Educational Services	2.9	2.8	3.0	0.1	-0.1	-3.3%
Local Government	31.5	33.1	30.3	-1.6	1.2	4.0%
Local Government Educational Services	16.0	17.3	14.6	-1.3	1.4	9.6%
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 1st quarter 2008) and estimates employment from that point to present.</p> <p>**North American Industry Classification System. ***QCEW = Quarterly Census of Employment and Wages</p>						