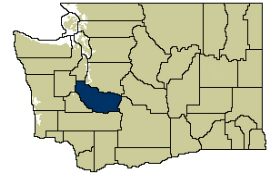




Tacoma MD (Pierce County) Labor Area Summary Volume 2008, Number 12



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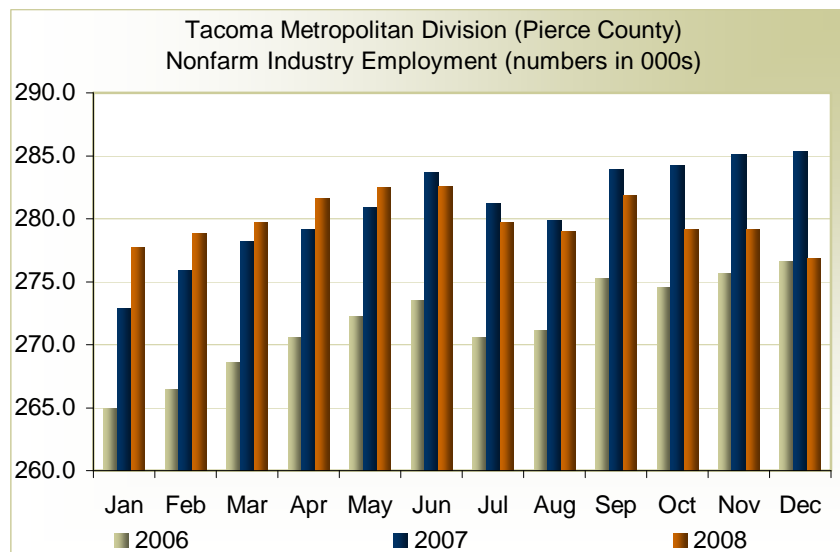
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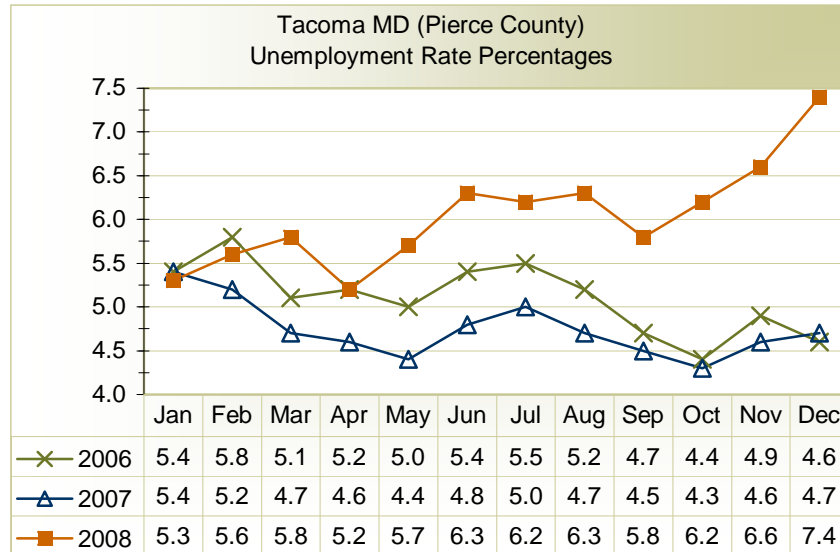
Summary

The Tacoma Metropolitan Division (MD) labor market took a large step backward in December by shedding 2,300 nonagricultural jobs. The brunt of the recessionary force is now hitting the local labor market head on and slashing jobs from employers' payrolls. November employment estimates were revised downward by 1,700 also. Altogether since June, the Tacoma MD has posted job losses totaling 5,700. Since last December, the local area has lost a total of 8,500 jobs. The labor market is currently undergoing a particularly severe downturn, and there is little likelihood now that conditions will improve any time soon. The downturn has become self-reinforcing, and its reach is impacting nearly every part of the regional economy.

All of the 2,300 net jobs lost within the MD this month were in the private sector and were accounted for by several key industries. Construction employment shrank further by 800 jobs to reach an annual job loss of 3,300, the most by any industry sector over the course of the year. Professional and business services jobs, which can be considered as a proxy for overall business activity, dropped by 1,500, the largest loss registered by an industry sector this month. Education and health services lost 500 jobs. Modest employment gains were provided by leisure and hospitality (200), finance, and trade, transportation and utilities (100 each). The retail trade subsector, which has traditionally provided a holiday bounce in seasonal hiring, instead reflected the weakness in consumer spending by reducing payrolls by 100. National retail sales figures for December as reported by the Commerce Department showed that overall retail sales fell by 2.8 percent. Sales figures for Pierce County that are reported by the state's Department of Revenue have been declining each quarter of 2008 and are also expected to be down in the fourth quarter. Third quarter figures were just recently released for the county and showed a decline of 6.1 percent over the period.



The severity of the labor market weakness was reinforced by the labor force data, which provides the underlying data for the unemployment rate. The number of local residents who were unemployed in December rose by 3,450. As a result, the local unemployment rate rose by eight-tenths of one percentage point to 7.4 percent. Since last year, the unemployment rate has risen by 2.7 percentage points, including 1.6 percentage points over the fourth quarter. The fourth quarter rise is reminiscent of the 2001 recession when the local unemployment rate also rose by 1.6 percentage points during the three months after the 911 event. Since unemployment is a lagging indicator, this bodes ill for the next year or two. After 2001, the unemployment rate did not peak until the middle of 2003, when it topped out at 9.0 percent even as industrial output had begun to expand again. This provides a benchmark and timeline of sorts for the current situation, as labor market recovery is expected to come about grudgingly due to the nature of the current recession.



The poor holiday sales and general economic malaise is impacting a rash of business firms, including those that have a local or regional presence. Circuit City has moved to close its remaining 567 U.S. stores and sell all its merchandise. Home Depot Inc. plans to eliminate 7,000 jobs, while shutting down its smaller home improvement brands. Qwest, which employs about 1,920 in the Seattle area and about 3,200 statewide, is closing its downtown Seattle call center on April 15. KeyBank will also close its Tacoma call center; although the company says it will find new positions for the displaced workers. Layoff announcements have also been made by regional stalwarts Boeing and Microsoft. The list is expected to grow as the current year plays out.

The severity of the recession will be on display this week. The advance GDP report for the fourth quarter is scheduled to be released January 30, 2009, and will show more of the extent of the damage at the national level. Real output is believed to have fallen anywhere from 5.0 to 5.5 percent on an annual rate, and would be indicative of the largest quarterly decline since 1982. The outlook for 2009 is not much better, since emerging economic information is failing to provide reassurance that the economy is improving. Just a few months ago, it appeared the recession might be over by the summer of this year. However, prospects shifted dramatically this past fall when the financial crisis worsened into financial panic. Fiscal and monetary policy had been put into play to deal with the financial issues, but the panic intensified in response to other policy measures. Chief among these was the federal response to the Lehman Brothers failure, confusion about and delay in passing the Troubled Asset Relief Program, and abandoning the decision to purchase distressed assets altogether.

A massive response by the Federal Reserve to inject more liquidity into financial markets appears to be quelling the panic. However, serious economic damage has been done and places more pressure on Congress and the new Obama administration to respond aggressively. Work is underway to construct and quickly pass a large economic stimulus package. The package will total some \$825 billion over 2009-2010 with the expectation it could be signed into law in February. The package will be split between infrastructure spending and tax cuts. Although the tax cuts can be implemented quickly, the positive effects could be muted as some of the money will be saved or used to repay debt. The infrastructure spending will most likely produce a delayed – albeit significant – boost, since it will take time to plan and implement the projects. Still, the package should strongly accommodate the monetary stimulus underway and hopefully help to bring an end to the recession late this year. Much work still needs to be done to repair the financial system and impart the new lessons being learned from the failings in financial markets. A stronger, more efficient market should eventually emerge to help justify the fiscal cost that will need to be paid for some time to come.

Summary Table

Labor Market Information for the Tacoma Metropolitan Division (Pierce County) Not Seasonally Adjusted/*Updated with ***QCEW Data: June 2008						
	Change					
(Employment statistics in whole numbers)	Prelim Dec-08	Revised Nov-08	Revised Dec-07	Nov-08 Dec-08	Dec-07 Dec-08	Dec-07 Dec-08%
Employment by Place of Residence						
Civilian Labor Force	411,160	408,590	398,690	2,570	12,470	3.1%
Resident Employment	380,790	381,680	379,820	-890	970	0.3%
Unemployment	30,360	26,910	18,860	3,450	11,500	61.0%
Unemployment Rate	7.4	6.6	4.7	0.8	2.7	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm 1/	276.9	279.2	285.4	-2.3	-8.5	-3.0%
Total Private	219.0	221.3	229.1	-2.3	-10.1	-4.4%
Goods Producing	41.5	42.2	45.5	-0.7	-4.0	-8.8%
Natural Resources and Mining	0.4	0.4	0.4	0.0	0.0	0.0%
Construction	21.3	22.1	24.6	-0.8	-3.3	-13.4%
Specialty Trade Contractors	13.4	13.9	15.6	-0.5	-2.2	-14.1%
Manufacturing	19.8	19.7	20.5	0.1	-0.7	-3.4%
Services Providing	235.4	237.0	239.9	-1.6	-4.5	-1.9%
Trade, Transportation, and Utilities	56.9	56.8	58.4	0.1	-1.5	-2.6%
Wholesale Trade	11.6	11.5	11.4	0.1	0.2	1.8%
Retail Trade	33.9	33.8	35.1	0.1	-1.2	-3.4%
Food and Beverage Stores	5.5	5.6	5.5	-0.1	0.0	0.0%
General Merchandise Stores	7.7	7.5	8.4	0.2	-0.7	-8.3%
Transportation, Warehousing, and Utilities	11.4	11.5	11.9	-0.1	-0.5	-4.2%
Information	3.6	3.6	3.7	0.0	-0.1	-2.7%
Financial Activities	12.9	12.8	13.5	0.1	-0.6	-4.4%
Professional and Business Services	22.6	24.1	25.7	-1.5	-3.1	-12.1%
Admin, Support, Waste Mgmt., & Remediation	12.6	13.6	15.2	-1.0	-2.6	-17.1%
Administrative and Support Services	10.9	11.9	13.9	-1.0	-3.0	-21.6%
Educational and Health Services	41.7	42.2	41.9	-0.5	-0.2	-0.5%
Ambulatory Health Care Services	12.3	13.4	13.5	-1.1	-1.2	-8.9%
Hospitals	9.6	9.6	9.3	0.0	0.3	3.2%
Leisure and Hospitality	26.9	26.7	27.4	0.2	-0.5	-1.8%
Food Services and Drinking Places	22.3	22.1	22.1	0.2	0.2	0.9%
Other Services	12.9	12.9	13.0	0.0	-0.1	-0.8%

Government	57.9	57.9	56.3	0.0	1.6	2.8%
Federal Government	11.2	11.1	10.4	0.1	0.8	7.7%
State Government	12.1	12.2	11.7	-0.1	0.4	3.4%
State Government Educational Services	3.9	4.0	3.7	-0.1	0.2	5.4%
Local Government	34.6	34.6	34.2	0.0	0.4	1.2%
Local Government Educational Services	19.3	19.3	18.6	0.0	0.7	3.8%
Workers in Labor/Management Disputes	0.0	0.0	0.0	0.0	0.0	0.0%

1/ Excludes proprietors, self-employed, members of the armed services, workers in private households, and agriculture. Includes all full- and part-time wage and salary workers receiving pay during the pay period including the 12th of the month.
*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 2nd 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