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Labor Market and Economic Analysis

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Tacoma MD
(Pierce County)
Labor Area Summary
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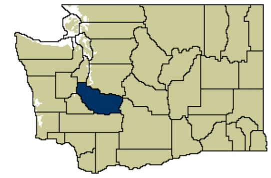

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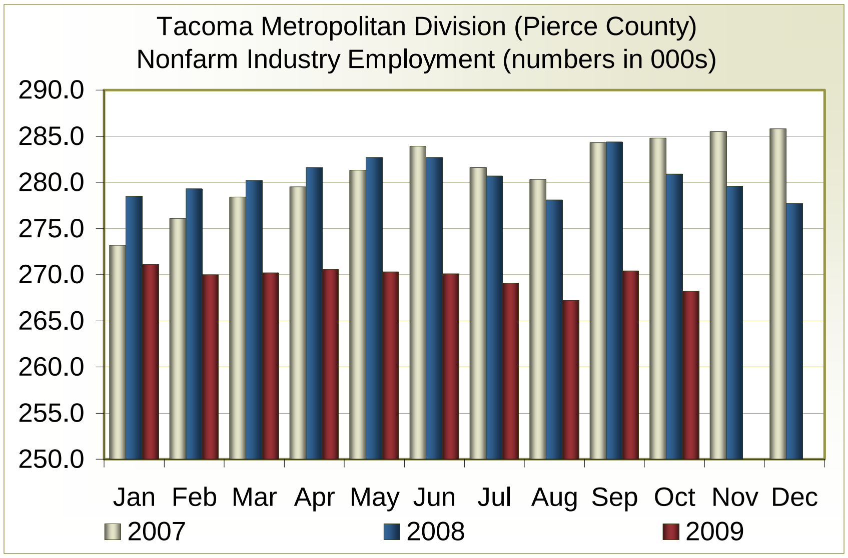
Summary

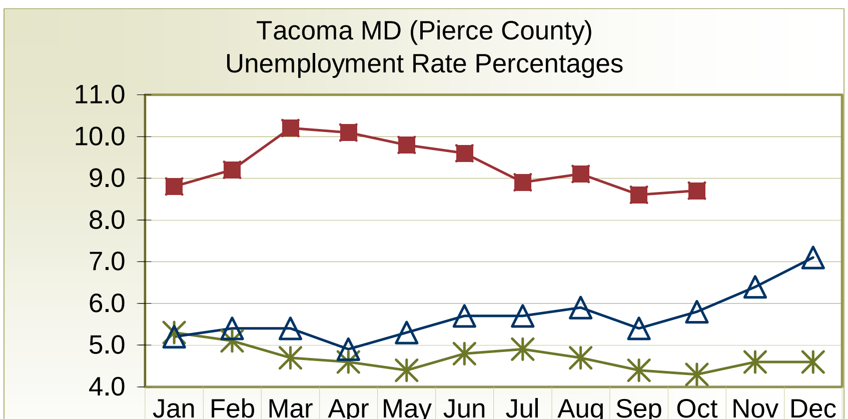
The labor market in the Tacoma Metropolitan Division (MD) continued to struggle. Revisions to the year's monthly employment estimates upgraded the numbers modestly, but the overall trend showed that hiring conditions continue to remain subdued. The October results reinforce that trend, as employment in the area was down by 2,200 jobs over the month. Part of the decline was attributable to the close of the Puyallup Fair and the release of temporary workers associated with the fair's activities. However, employment in the remaining industrial sectors continues to struggle and contributed more job losses as a group this month overall.

The culmination of the fair showed up in the labor market through a reduction in payroll employment in leisure and hospitality services. Together with seasonal declines in food-related services, this industry sector lost 3,200 jobs this month. Another 300 jobs were pared from retail trade service payrolls, as recession gloom leading in to the holiday hiring season continues to hover over shoppers. The only industry that moved forward in terms of private sector job growth was educational and health services, which managed to add 700 new jobs this month and partially stem the tide of job losses. Private sector employment in October managed to hold up as well, as the government sector added 1,300 jobs to payrolls. Increased hiring in local government educational services was the primary factor behind the relatively strong public sector showing.

The magnitude of the jobs lost this month show to a large extent the difficult labor market conditions that exist. The same number of jobs was shed in October 2002, when the local area was struggling to recover from the 2001 recession. While conditions have improved modestly since October of last year, they have yet to develop any momentum that would indicate that job growth is imminent. Although the bleeding of jobs has slowed since last year at this time, the area continues to lose jobs overall. Since the beginning of the year, nonfarm employment has fallen by 2,900 jobs. Since last October, the area has shed some 12,700 jobs. While the rate of employment loss has slowed, the MD has yet to record any real positive job growth in any quarter this year. October kicked off the fourth quarter on a dour note, and the remaining two months of the year will be watched closely to see whether the tide will turn positive sooner rather than later.



The downward move in employment numbers had been producing a dramatic rise in the local unemployment rate starting in the fourth quarter last year. Since then, the unemployment rate has stabilized and has even drifted lower after reaching a high of 10.2 percent in March this year. Currently, the Tacoma MD stands at 8.7 percent, up just barely from 8.6 percent last month. The employment numbers do not suggest that the unemployment rate should be moving lower; rather the converse should be expected instead. The discrepancy can probably be explained by the contraction of the local labor force from which the unemployment rate is derived. With a period of sustained negative job growth, job seekers have become more discouraged in their search and are dropping out of the labor force. This month, total civilian labor force numbers fell by 4,140. Without the decline, it is likely the unemployment rate this month would be higher.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	5.3	5.1	4.7	4.6	4.4	4.8	4.9	4.7	4.4	4.3	4.6	4.6
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	9.8	9.6	8.9	9.1	8.6	8.7		

At the state level, the unemployment rate continued to drift higher. The statewide unemployment rate in October registered 8.8 percent, about on a par with the Tacoma MD rate. Washington's seasonally adjusted unemployment rate for October was 9.3 percent, while the national unemployment rate climbed to 10.2 percent. The unemployment rates across the board are likely to succumb to increased upward pressure from the economy over the next year as economic recovery conditions are expected to be anemic over that time.

Charting the Recovery: Which Way is Up?

Economic news continues to surface to suggest the current recession may have ended and recovery has begun. It is not yet obvious that the recession is over, however. As it is said in certain circles, it is never over until the fat lady sings. In this case, the rotund female role is played by the National Bureau of Economic Research, but do not expect the crooning to begin anytime soon. The institution usually declares an end to recessions long after it has become obvious, so the assumption that the recession has ended has to be a heroic one for now.

Leading the cheers for the optimistic assessment is the announcement in late October by the Bureau of Economic Analysis that the U.S. economy grew by 3.5 percent in the third quarter this year. Federal spending, as well as tax credit programs for housing and automobiles, were major drivers. Although the report is encouraging, it is neither a surprise, nor does it provide closure to the current set of economic problems. However, it does serve as a step in the right direction on what is looming to be a long tough road of recovery. The real issue in going forward will be what the sustainable rate of growth will look like once the fiscal and monetary stimulus provided by the Feds dissipates.

The recovery in output evidenced by the 3.5 percent increase in Gross Domestic Product (GDP) has yet to have any significant impact on job creation. Nonfarm payrolls shed another 190,000 jobs nationwide last month. While the pace of job losses continues to diminish, the labor market still appears to be some ways off from stabilizing and moving into the job growth zone. The pattern where jobs lag growth has become the norm in recent business cycles and a jobless recovery looks to be unfolding over the next six to nine months. One reason for the lag lies in the fact that the downturn this time around has been extraordinarily deep, so it will take time to crawl out of the hole. Another has to do with the problems that have occurred in credit markets. Although conditions there have improved since last year, lending activity continues to shrink, further constraining the recovery.

The good news is that a rising GDP should eventually pull the monthly job loss total to zero. When that occurs, the major challenge to the economy will shift from one of ending the job destruction to one of minting new jobs. The economic fundamentals in place show that creating jobs on a scale that Americans have come to expect in post-recession periods will prove difficult this time around. The emergence out of economic recession always involves stepping into a changed new world. This time, the change will not necessarily be for the better, and the world is likely to become increasingly nuanced and complicated.

Summary Table

Labor Market Information for the Tacoma Metropolitan Division (Pierce County) Not Seasonally Adjusted/*Updated with ***QCEW Data: June 2009				Change		
	Prelim	Revised	Revised	Sep-09	Oct-08	Oct-08
Employment by Place of Residence	Oct-09	Sep-09	Oct-08	Oct-09	Oct-09	Oct-09%
Civilian Labor Force	397,950	402,090	398,820	-4,140	-870	-0.2%
Resident Employment	363,290	367,350	375,560	-4,060	-12,270	-3.3%
Unemployment	34,660	34,740	23,260	-80	11,400	49.0%
Unemployment Rate	8.7	8.6	5.8	0.1	2.9	
Employment by Place of Work (**NAICS Industry Titles, numbers in thousands)						
Total Nonfarm **1/**	268.2	270.4	280.9	-2.2	-12.7	-4.5%
Total Private	210.8	214.3	222.9	-3.5	-12.1	-5.4%
Goods Producing	36.9	37.1	42.6	-0.2	-5.7	-13.4%
Mining and Logging	0.4	0.4	0.4	0.0	0.0	0.0%
Construction	19.8	19.9	23.4	-0.1	-3.6	-15.4%
Specialty Trade Contractors	11.8	12.3	14.8	-0.5	-3.0	-20.3%
Manufacturing	16.7	16.8	18.8	-0.1	-2.1	-11.2%
Service Providing	231.3	233.3	238.3	-2.0	-7.0	-2.9%
Trade, Transportation, and Utilities	52.8	53.2	55.6	-0.4	-2.8	-5.0%
Wholesale Trade	10.7	10.8	11.2	-0.1	-0.5	-4.5%
Retail Trade	31.3	31.6	32.8	-0.3	-1.5	-4.6%
Food and Beverage Stores	5.4	5.4	5.5	0.0	-0.1	-1.8%
General Merchandise Stores	7.3	7.2	7.6	0.1	-0.3	-3.9%
Transportation, Warehousing, and Utilities	10.8	10.8	11.6	0.0	-0.8	-6.9%
Information	3.3	3.3	3.6	0.0	-0.3	-8.3%
Financial Activities	12.2	12.3	13.1	-0.1	-0.9	-6.9%
Professional and Business Services	24.4	24.4	25.4	0.0	-1.0	-3.9%
Admin, Support, Waste Mgmt., & Remediation	14.0	14.0	14.9	0.0	-0.9	-6.0%
Administrative and Support Services	12.6	12.6	13.4	0.0	-0.8	-6.0%
Educational and Health Services	42.9	42.2	42.7	0.7	0.2	0.5%
Ambulatory Health Care Services	14.1	14.0	13.8	0.1	0.3	2.2%
Hospitals	10.3	10.2	9.8	0.1	0.5	5.1%
Leisure and Hospitality	25.9	29.1	27.1	-3.2	-1.2	-4.4%
Food Services and Drinking Places	20.3	21.4	21.9	-1.1	-1.6	-7.3%
Other Services	12.4	12.7	12.8	-0.3	-0.4	-3.1%
Government	57.4	56.1	58.0	1.3	-0.6	-1.0%
Federal Government	11.8	12.1	11.0	-0.3	0.8	7.3%
State Government	11.5	11.3	12.2	0.2	-0.7	-5.7%
State Government Educational Services	3.8	3.5	4.1	0.3	-0.3	-7.3%
Local Government	34.1	32.7	34.8	1.4	-0.7	-2.0%
Local Government Educational Services	18.7	17.2	18.7	1.5	0.0	0.0%
Workers in Labor/Management Disputes	0.0	0.0	1.8	0.0	-1.8	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 2nd quarter 2009) 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