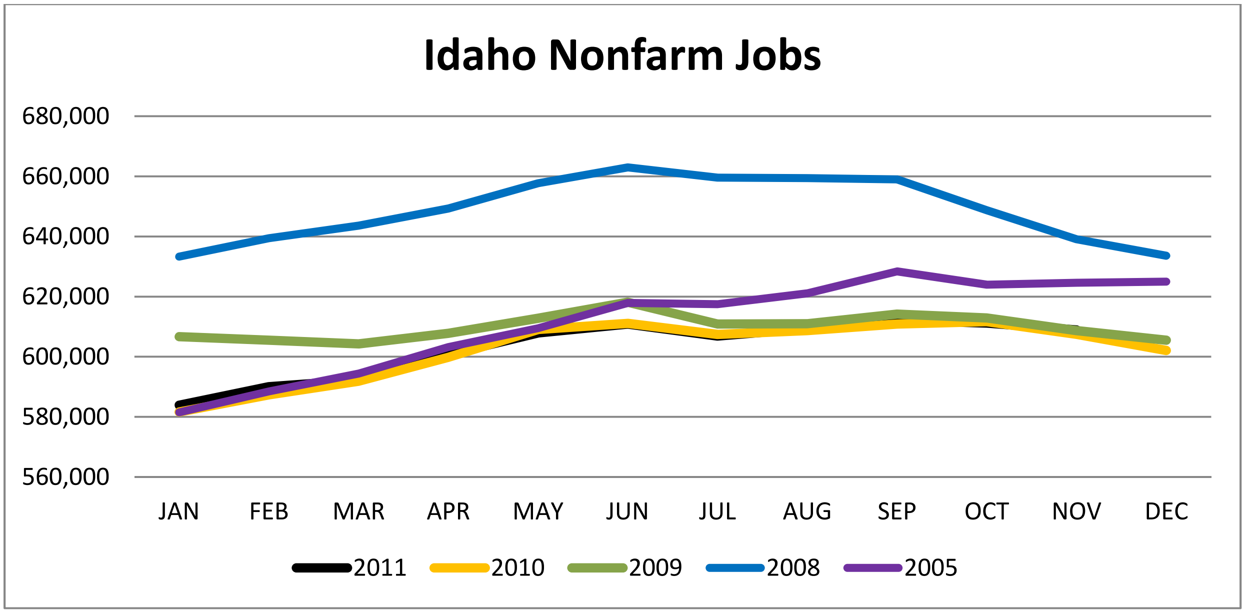
Idaho's Job Recovery to Remain Slow In 2012

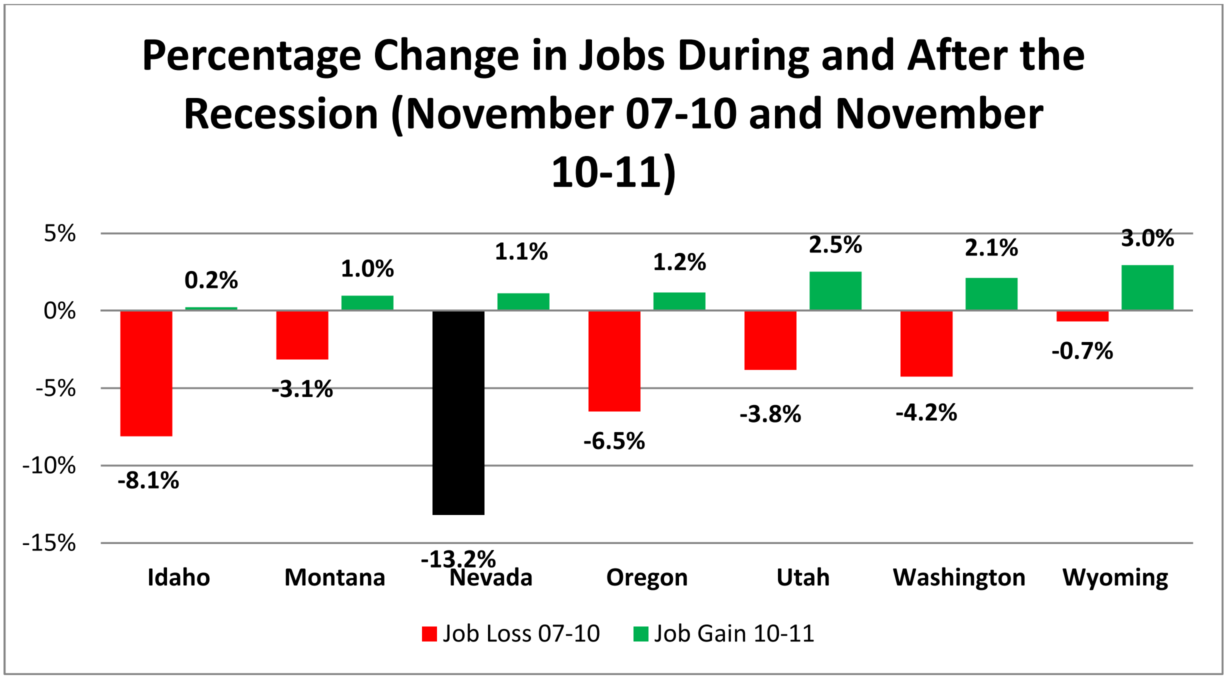
In the two and a half years since the recession officially ended, Idaho has seen only hints that the economy is on the verge of recovery.

This past year exhibited the same economic malaise that marked the last nine months of 2010. The outlook is for fractional improvement in the near term with a chance for some modest growth in the second half of the year.



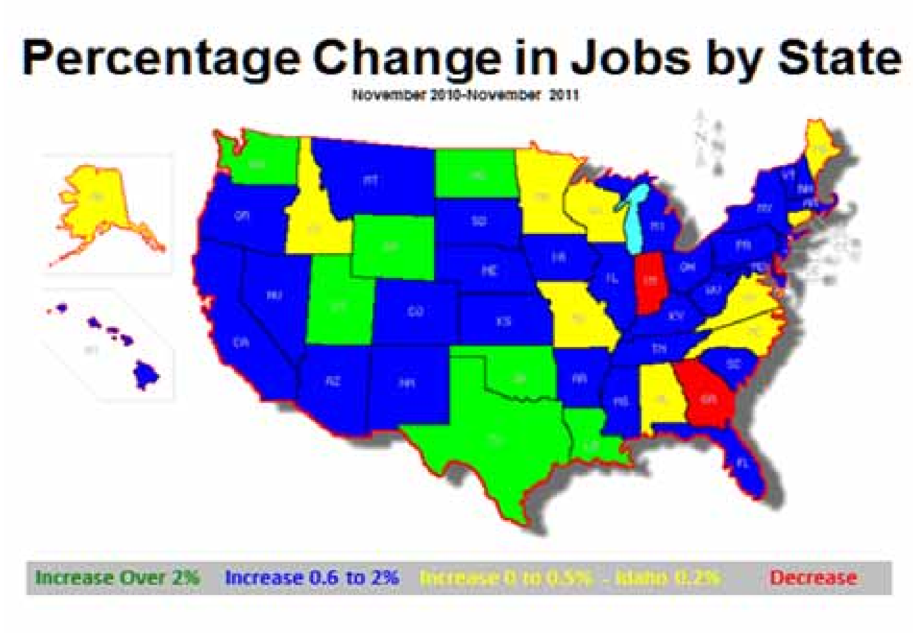
As you can see, the gold line representing monthly nonfarm job numbers for 2010 is essentially covering the black line representing monthly nonfarm jobs in 2011. And both are not just well below the state's job peak in 2008 just as the recession was getting a grip on Idaho but also below the level of 2005 as the expansion was taking hold.

There is one small indication of upward movement. Three of the last four months have shown current job totals ahead of year-earlier totals, and in November nonfarm jobs edged just above not only 2010 but also November 2009.

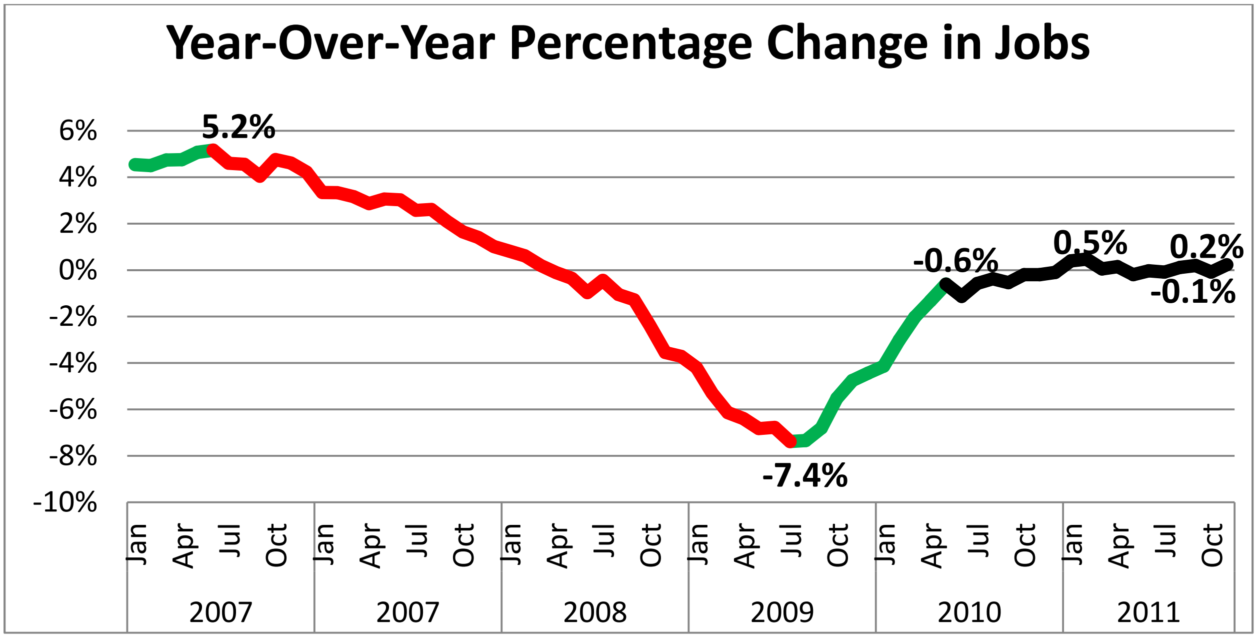


Our state suffered the second deepest job loss in the region at 8 percent from 2007 to 2010. Only Nevada lost a greater percentage of its jobs.

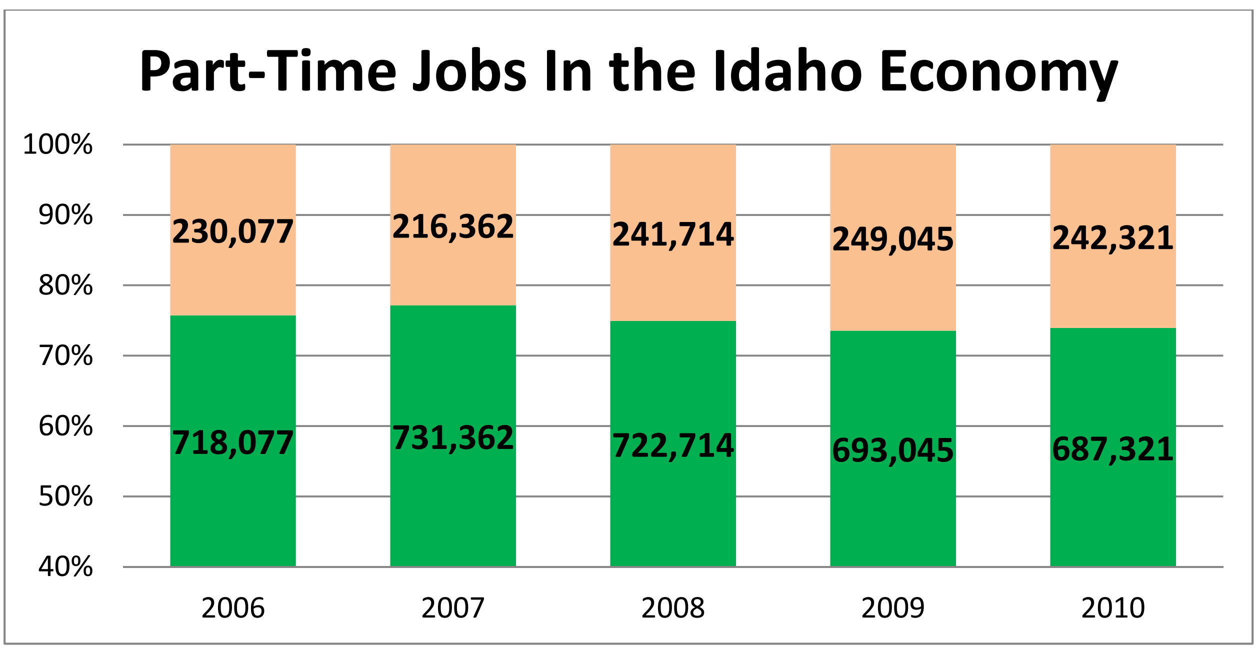
But in the last year through November, Idaho posted the smallest increase in jobs in the region – fractional at best. All the bordering states including Nevada posted year-over-year increases of at least 1 percent, and Wyoming was up 3 percent.



Nationwide, Idaho was one of just 15 states – all the others were in the Midwest and East – that showed just fractional growth or no growth year-over-year in November.

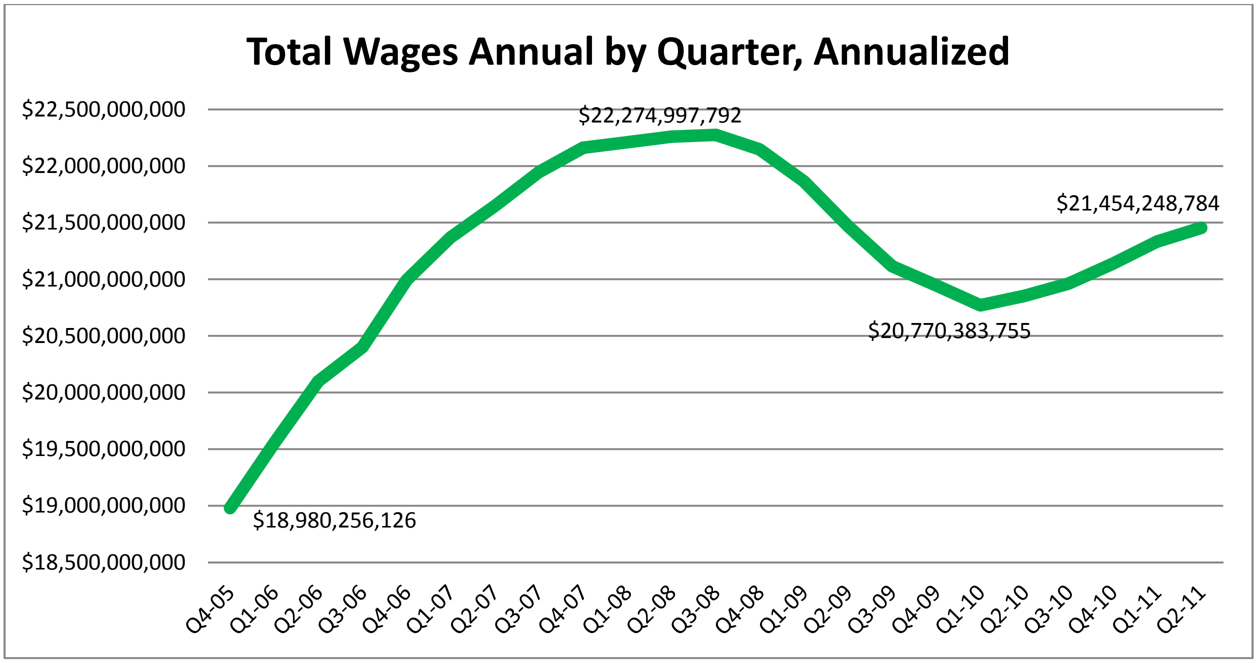


After the precipitous plunge in jobs during the recession, the economy slowed the job loss significantly for nearly a year before stalling just short of posting year-over-year job growth. Since the first quarter of 2010, Idaho's job numbers have ranged within a half percentage point of even, more or less, and for the last nine months have ranged from two-tenths of a point below to two-tenths of a point above the year-earlier total.

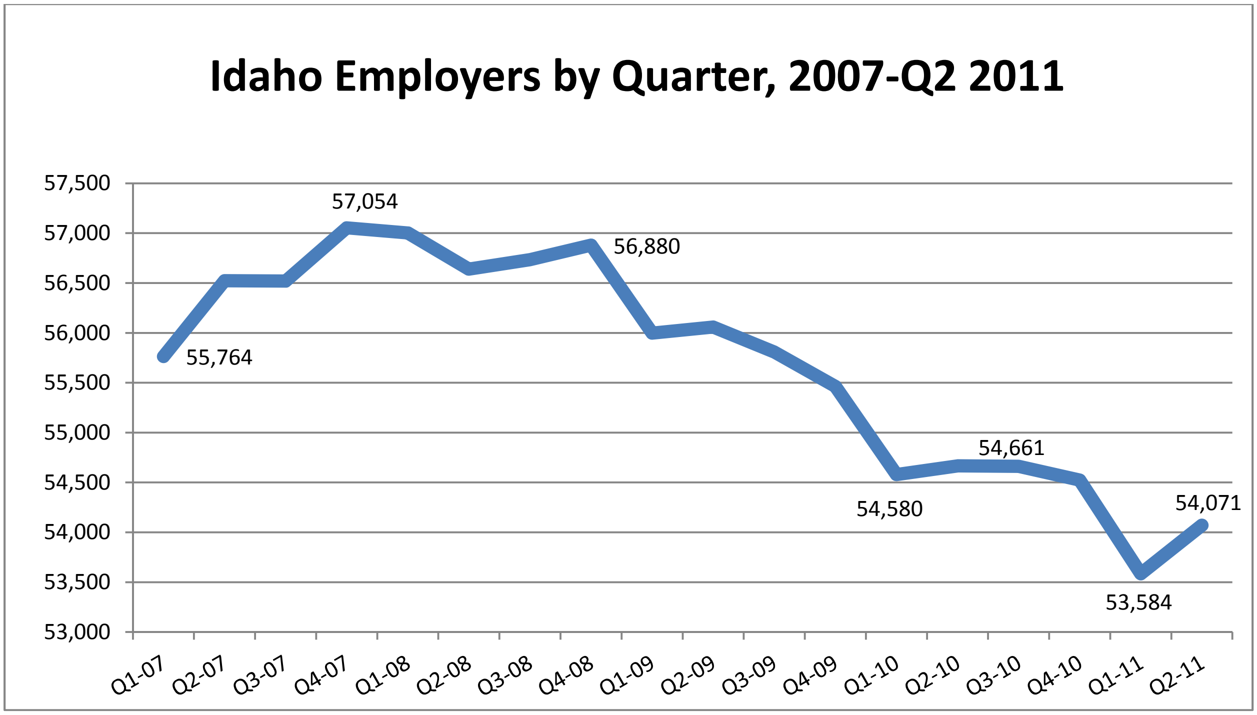


The recession not only reduced the number of jobs in the economy, but it also increased the percentage of those jobs that were just part time. Only about 29 percent of the jobs in Idaho were part time in 2007. But that hit nearly 36 percent in 2009 and remained above 35 percent in 2010.

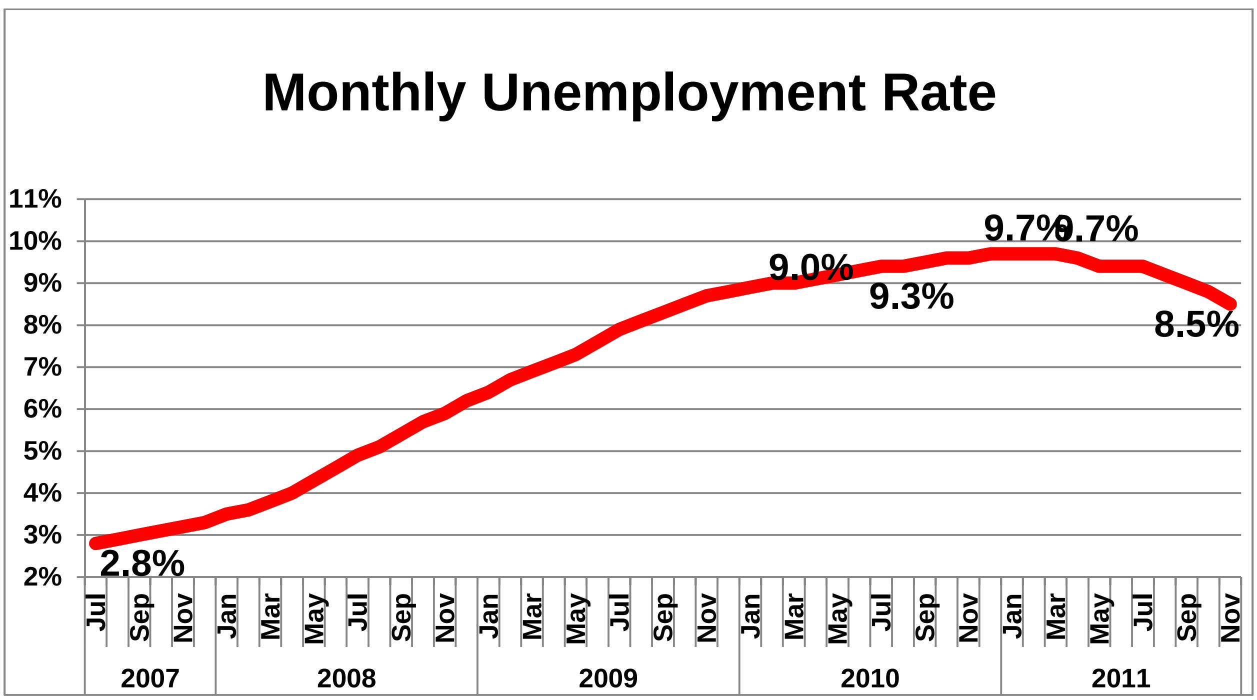
Still the fact that jobs overall seem to finally be growing again, albeit slowly, combined with the decline in the share of part-time jobs offers some indication that the economy is ready to shift out of neutral and begin moving again.



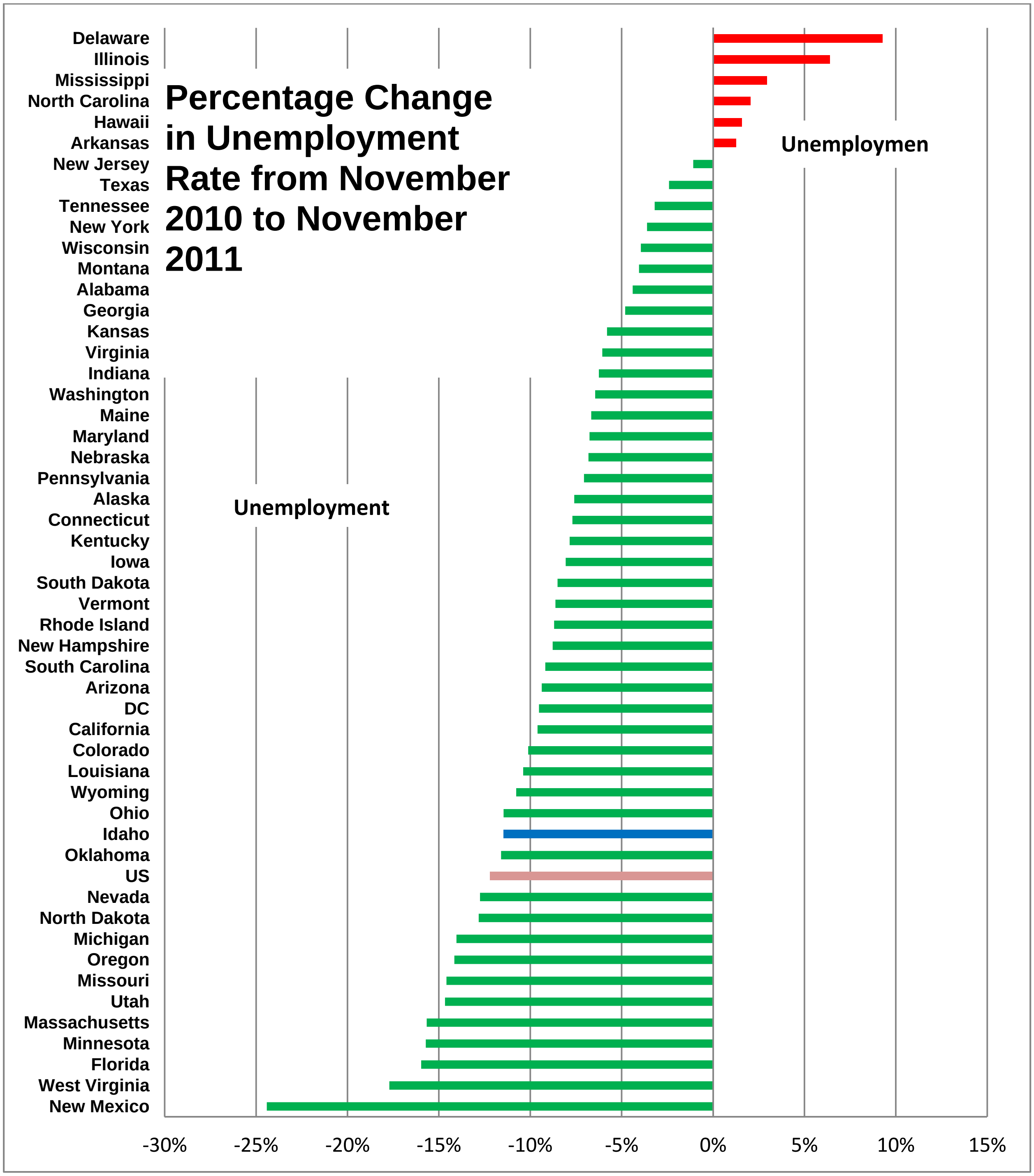
Wages, which plunged by $1.5 billion, or 6.4 percent, from mid-2008 to the start of 2010, recovered $900 million of that amount through mid-2011.



The net loss of employers finally stopped at 3,300 early this year and rebounded by 500 in the second quarter.



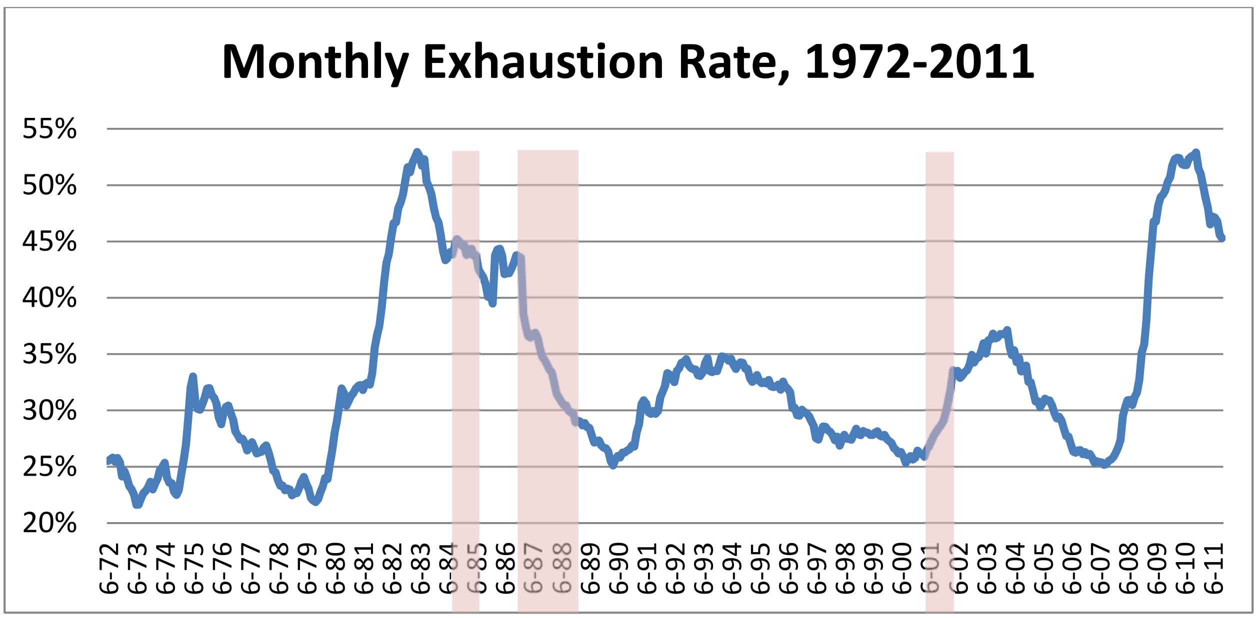
The unemployment rate peaked at a record 9.7 percent during the first quarter of this year. But since then it has been falling significantly. In November, the rate was down to 8.5 percent. Of course all these unemployment numbers are subject to revision over the next two months with more accurate statistics. But if they hold, that one and a quarter point drop will be the largest drop in an eight-month period since the double-dip recession of the 1980s.



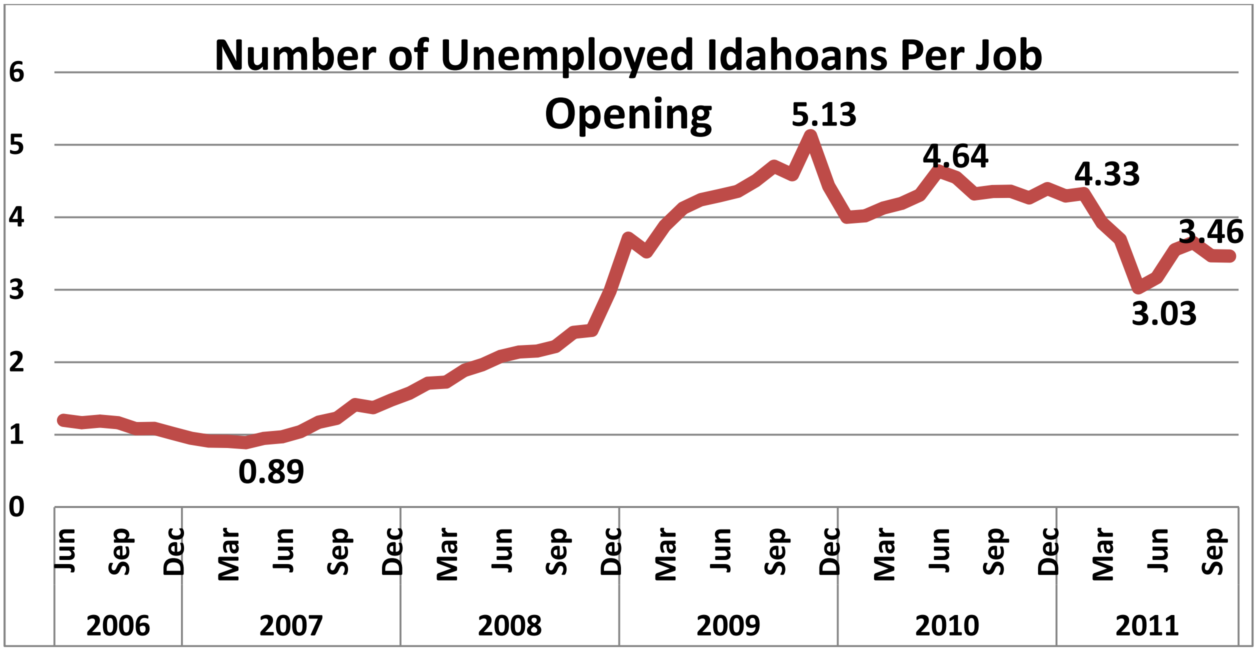
But even if there are adjustments, Idaho is in a much better light than it was a year ago when the state led the nation in the percentage increase in its unemployment rate during the recession.

While the national rate dropped four-tenths of a point in November, it remained a tenth higher than Idaho's rate. That's the third straight month the Idaho rate has been below the national rate after nine months of exceeding it. Until last year, Idaho's rate was below the national rate for over nine years.

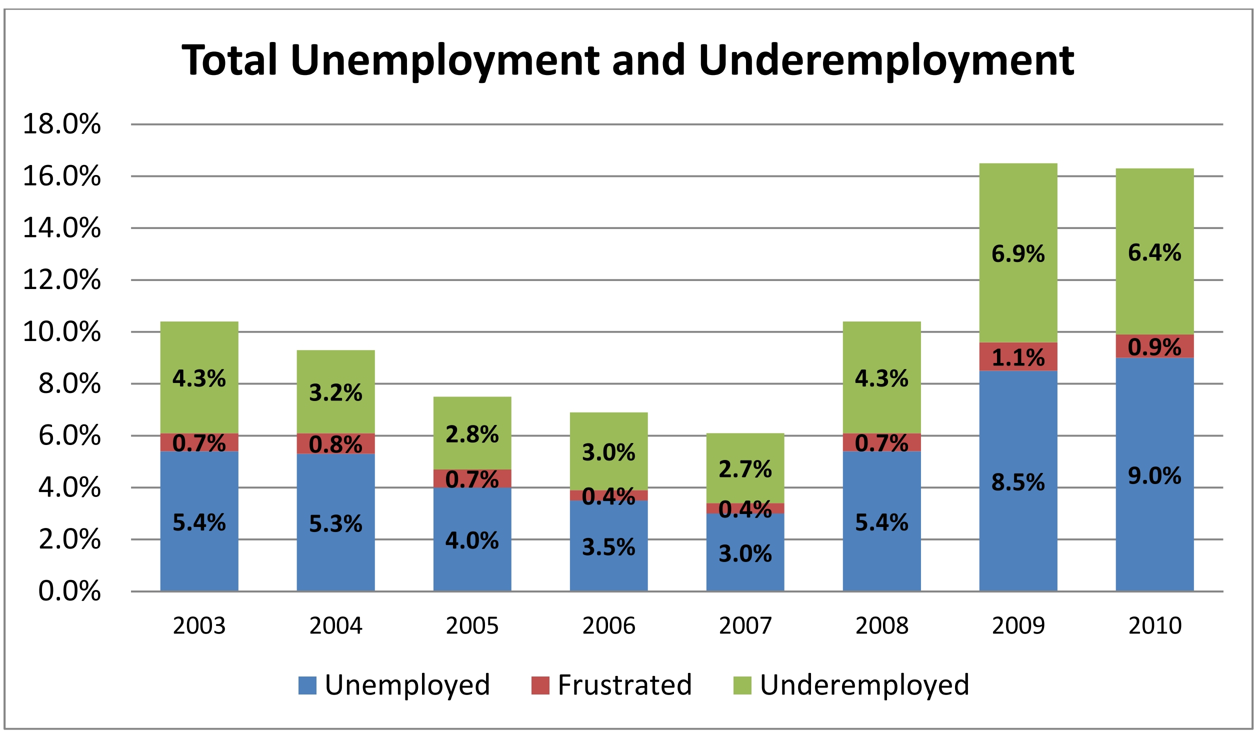
But the fact is the total labor force in November was 5,000 workers smaller than it was last spring while the number of people working is up only 3,000. That total employment is rising – it's at its highest level in two and a half years – is heartening. But there have still been several thousand people who just dropped out of the labor force, presumably because they became discouraged about their prospects of finding a job. This typically happens after people have exhausted all their unemployment benefits.



The percentage of claimants exhausting their regular state benefits without finding a job – that's the first 10 to 26 weeks of benefits – rose steadily through the recession and continued rising until about a year ago when it finally peaked at 53 percent and then began falling. It was down to 45 percent this fall, but that is still about 20 points higher than during normal economic times.



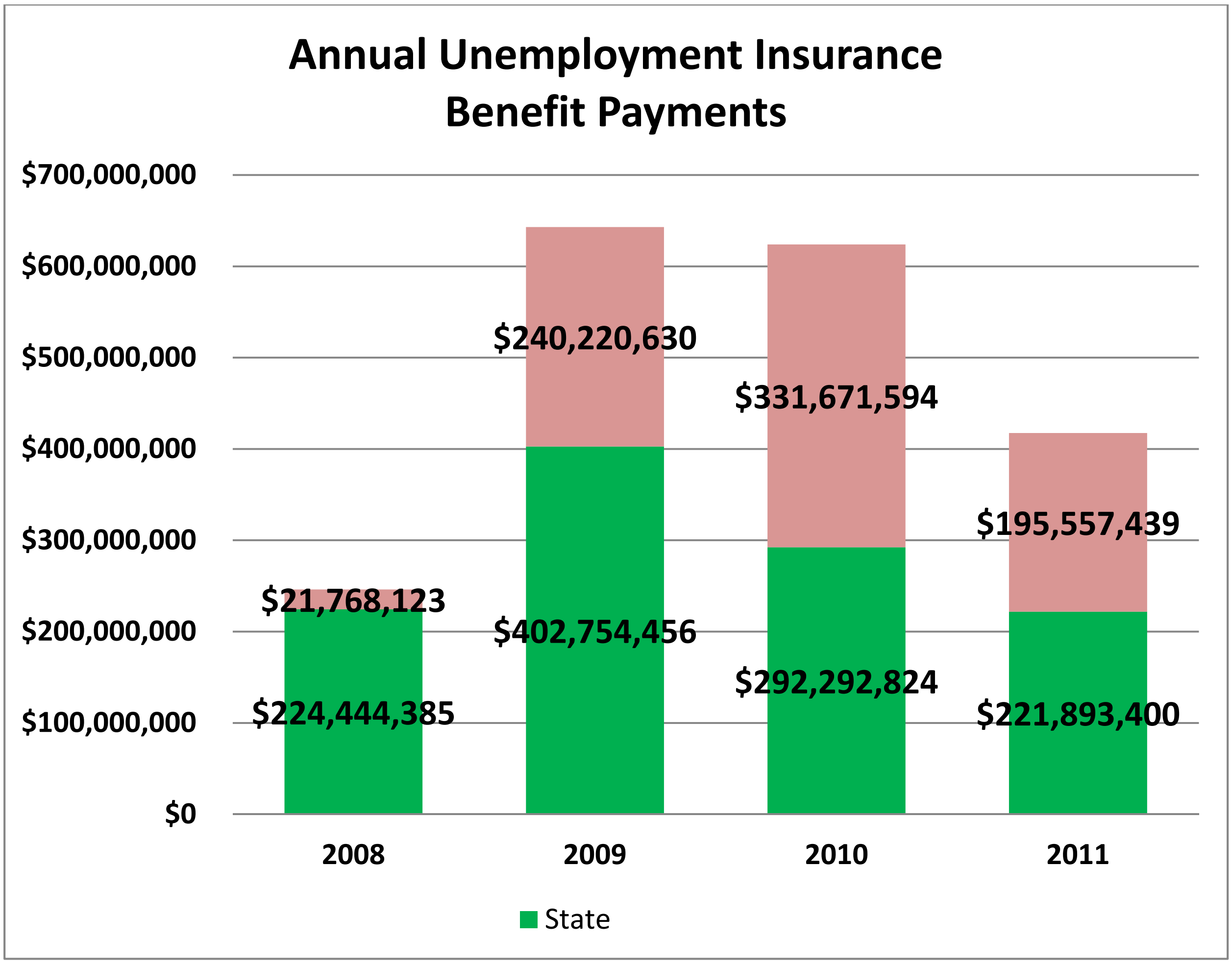
The Conference Board's monthly ratio of unemployed to posted job openings has also been slowly declining from its peak of over five jobless workers for every opening in late 2009. But it has still been right around three-and-a-half to one since summer.



That involves only the officially unemployed. According to estimates by the Bureau of Labor Statistics, another 1 percent of the labor force – about 7,000 workers – has become so discouraged about job prospects that they have just dropped out.

And then there are the tens of thousands of people who are working part-time jobs when they need and want full-time work. That group was estimated at over 6 percent in 2010. The latest estimate for the year that ended last September had it down to 5.8 percent.

But all three combined put the number of workers looking for jobs at 100,000 or more, and that does not count the people who have full-time jobs that provide inadequate paychecks or fail to put their talents to full use.



The recession that sent unemployment and underemployment soaring depleted the Unemployment Insurance Trust Fund in June 2009. That forced the state to borrow $202 million from the federal government over the following 10 months to continue paying benefits. It also pushed employer tax rates to their maximum in 2010, where they have stayed and likely will stay through 2013.

But legislation adopted last year to authorize repaying the federal loans with bonds secured by future fund revenues also included modifications to the trust fund formula that will boost the target balance to a level that will withstand future recessions and without tax rates being kept at the legal maximum for three and four years.

The bond sale went smoothly. All bonds were sold within two days at an unbelievable 1.017 percent interest rate. The bonds are being paid off over four years. The payments begin with $3.3 million due Feb. 15 and $50.2 million on Aug. 15. The payments the following three years will be $55.5 million, $54.6 million and $53.5 million.

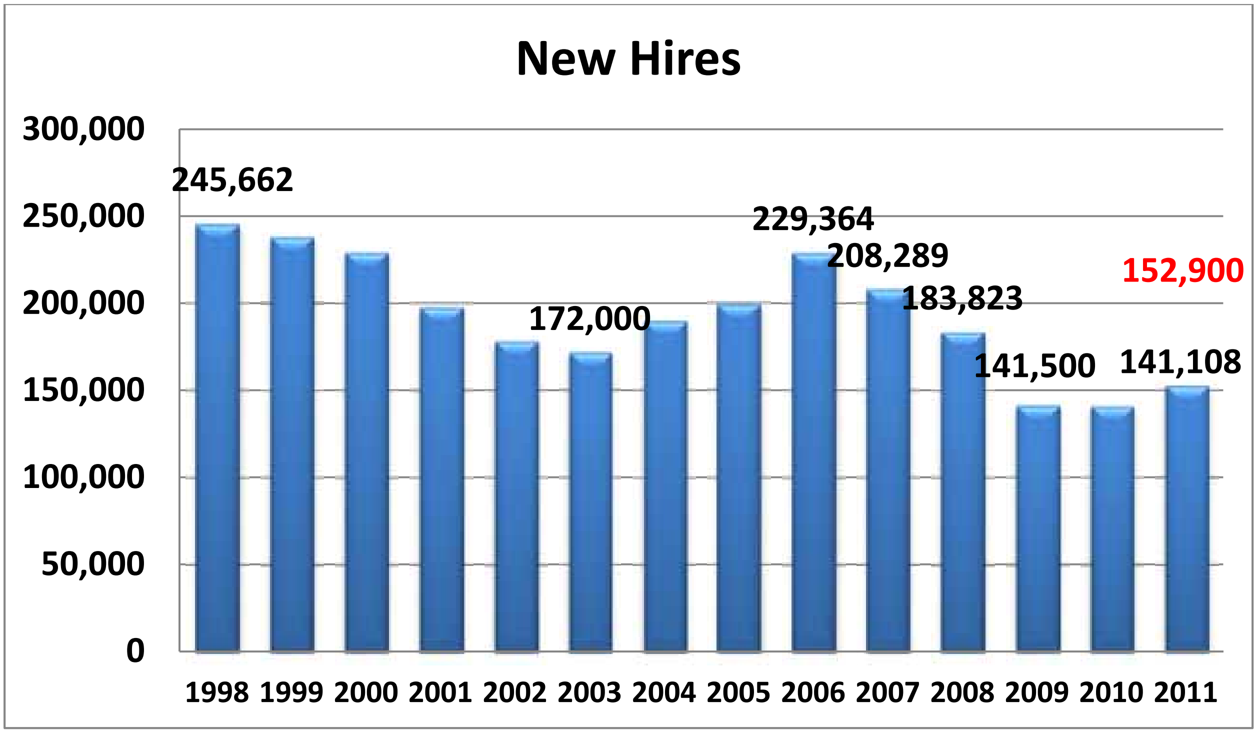
Bonding has avoided Idaho employers being slapped with a federal surtax this year and at least the next two. It also saved about $15 million in interest payments because the bond interest rate is a third to a quarter of the federal interest rate.

The benefit payout peaked in 2009 at $643 million in both state and federally funded extended benefits. Regular state benefits hit a record $403 million paid to 112,000 Idaho workers. Another 45,000 collected extended benefits.

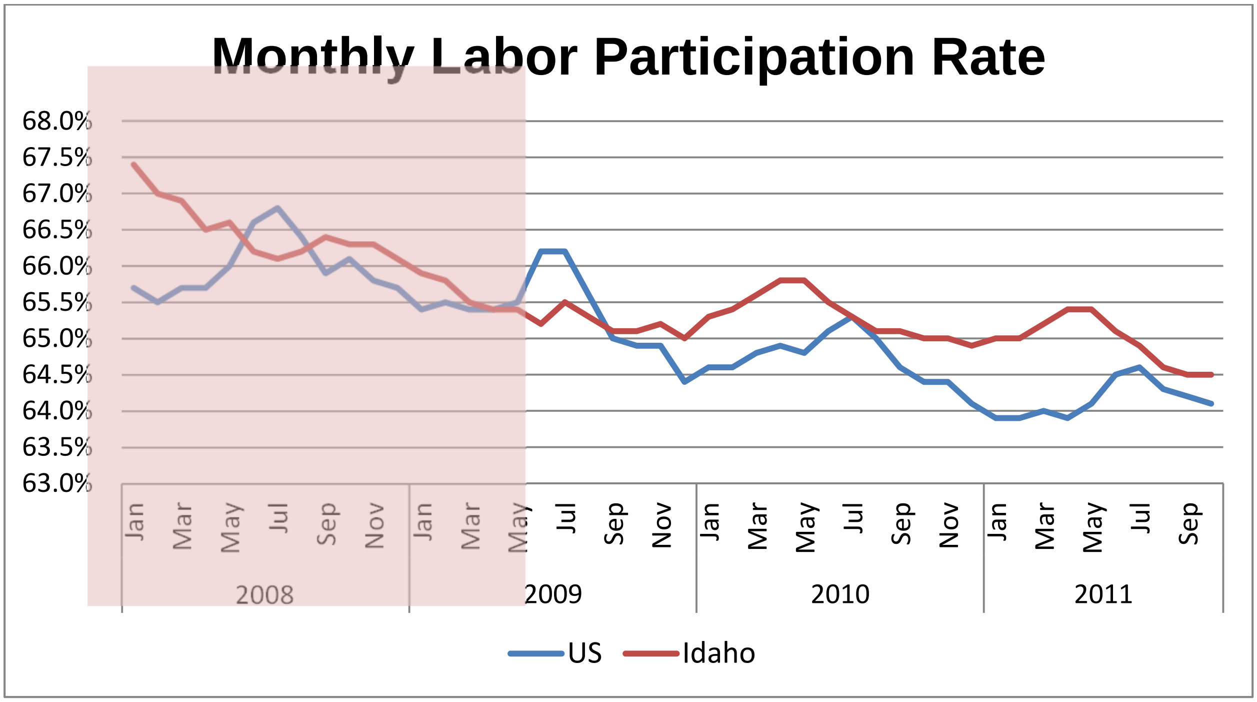
The payout in 2010 was nearly as much, but the state share dropped by more than $100 million as workers exhausted their state benefits and moved to the extended federal benefits. Still 96,000 Idaho workers collected regular benefits and over 54,000 more got extended benefits.

In 2011 total state benefits fell to around the level of 2008, the first full year of recession. More than 82,000 workers got regular benefits, and 43,000 collected extended payments.

At its peak over 150,000 Idaho workers received unemployment benefits – nearly a quarter of the labor force.



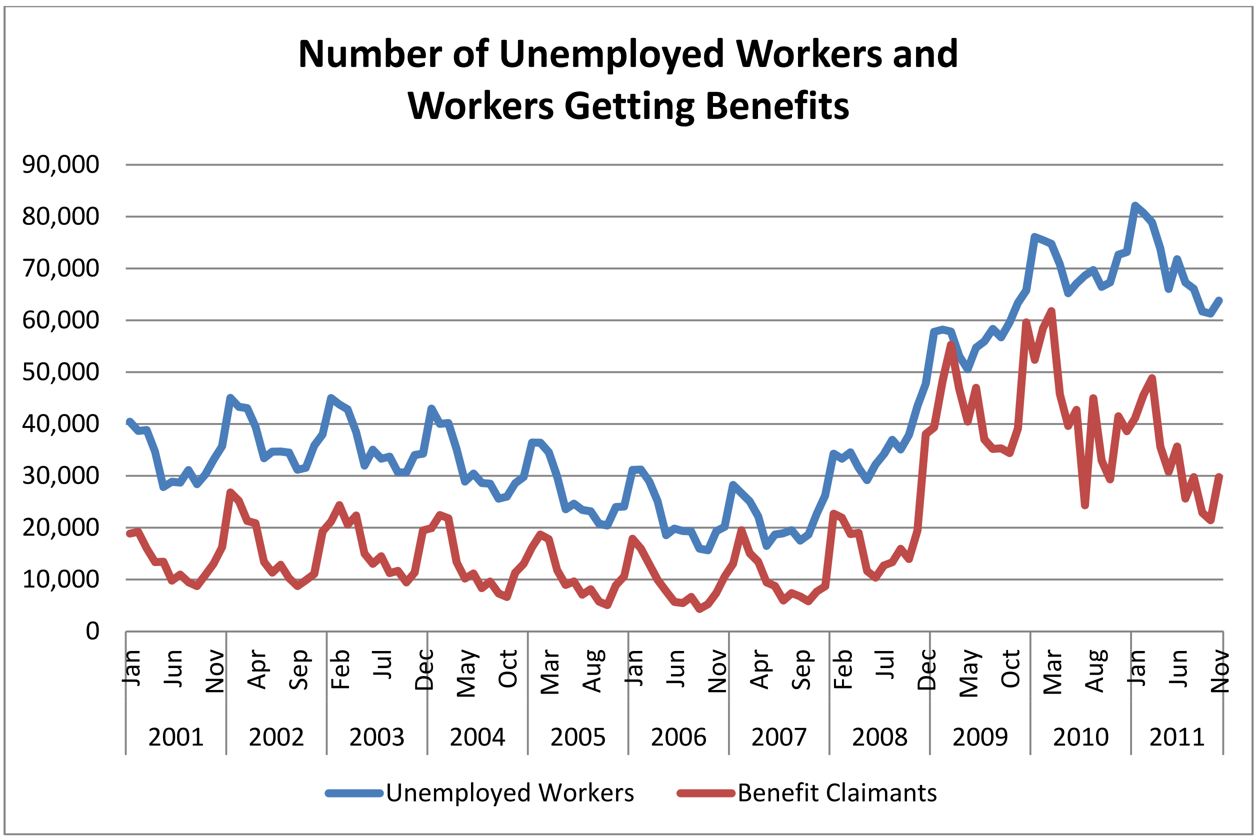
Idaho's economic sluggishness has been evident in the new hires reported monthly to the Department of Labor under the welfare reform law of the mid-1990s. The number of new hires bottomed out in 2009 and 2010 and then finally began to recover in 2011. But while the annual and monthly totals have been up the past 12 months from the recession lows, they remain well below the level following the slowdown after the 2001 recession.



At the same time there has been a decline in the working age population actually participating in the labor force. The decline in Idaho from a peak of over 67 percent to around 64.5 percent in the last several years has generally followed a decline nationally. This is likely the result of the frustration laid-off workers and potential new entrants have with the prospects for finding a job in such a slow economy.

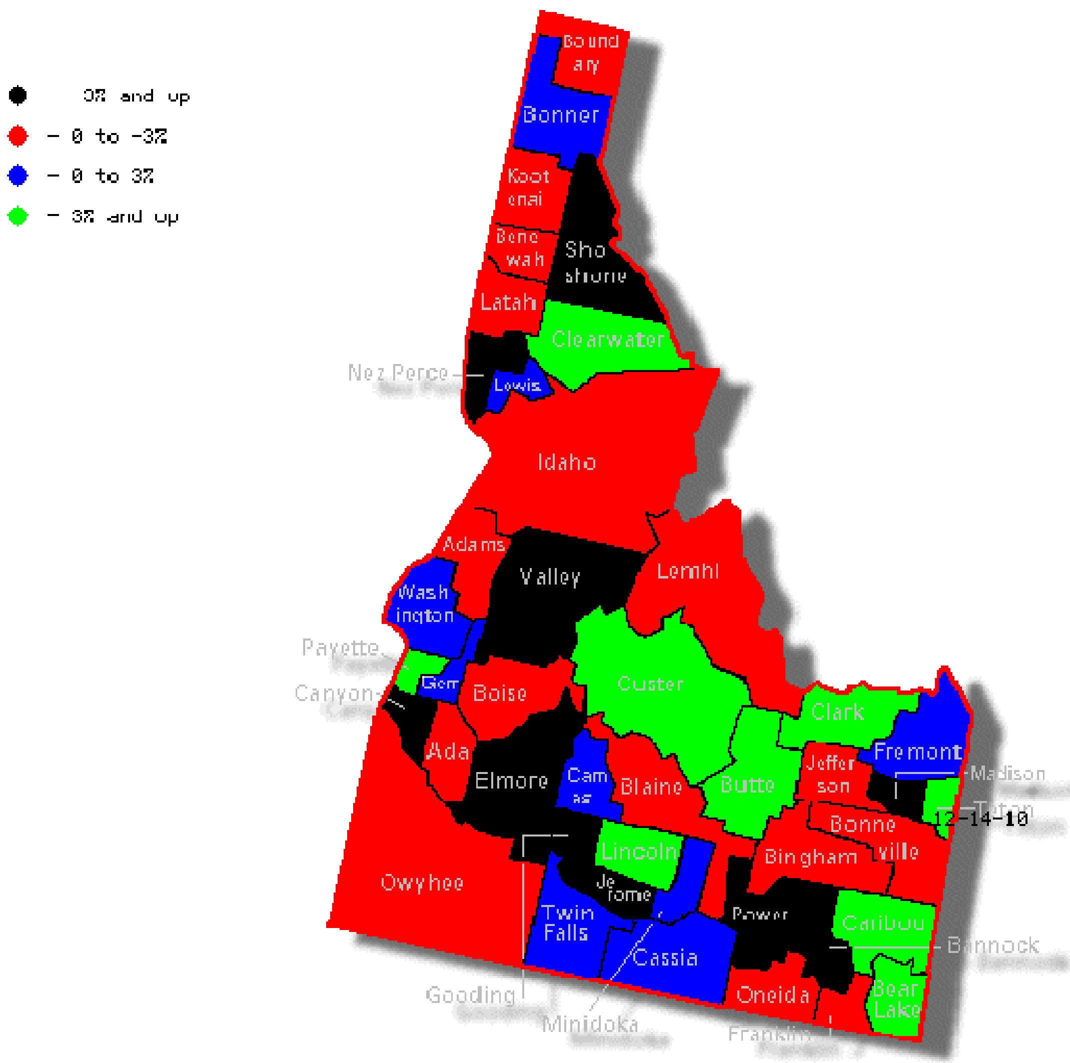
But this also indicates that there are potentially thousands of people in Idaho ready to work if the opportunities again present themselves as they did prior to the recession.

Extended unemployment benefits of 28 to 73 weeks, paid by the federal government, have been important to Idaho's long-term unemployed workers. The state's jobless benefit program helps keep qualified workers in Idaho by providing them limited resources to continue paying the rent or mortgage, buying food for their families and clothes for their kids and meeting the utility bills. The $800 million idled Idaho workers have received over the past 3½ years has gone directly to businesses in their communities, helping many of them keep their doors open. Economic Modeling Specialists in Moscow estimates that a job is saved for every $80,000 paid in unemployment benefits.



While that has eased the recession's economic drag, it by no means eliminated it. The long recession followed by 2½ years of little or no growth has significantly reduced the percentage of officially unemployed workers who are receiving jobless benefits. What was once two thirds or more of the jobless receiving benefits at the worst of the recession is now less than half.

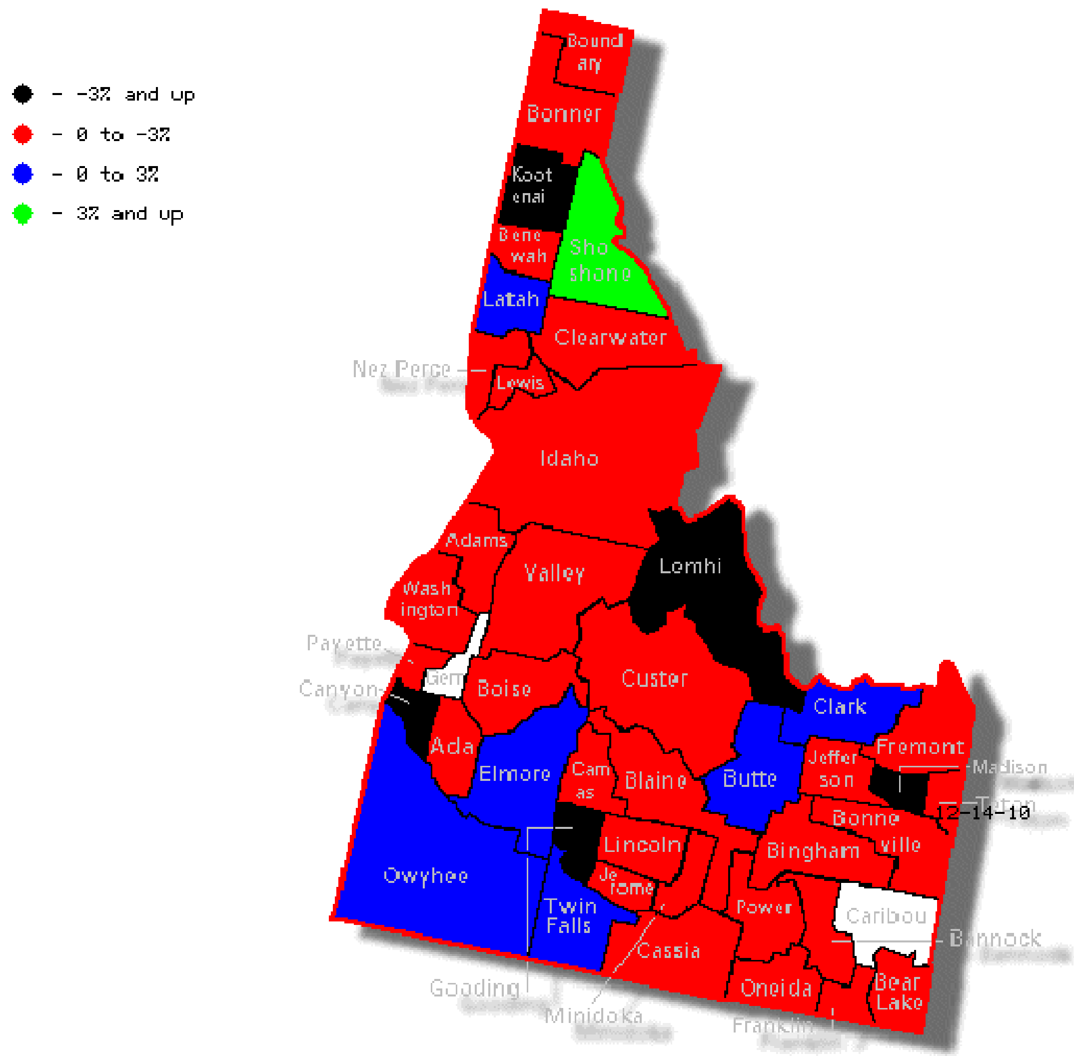
In addition, the average benefit is running below $240 a week – less than $6 an hour.



Personal income – the total of all wages, business profits, investment earnings and payments like pensions and Social Security – declined for five consecutive quarters from mid-2008 through summer 2009. It is the only time in over 40 years that there have been consecutive quarterly declines in personal income. Since then it has been growing by 1 percent and as much at 1.9 percent.

The average annual wage in Idaho rose 2.1 percent to $35,800 in 2010 from 2009 while the national average annual wage was up 2.8 percent to over $47,000.

The Census Bureau found median household income fell from 2009 to 2010 in 26 Idaho counties. Two of the largest, Ada and Kootenai, experienced declines of over 5 percent.



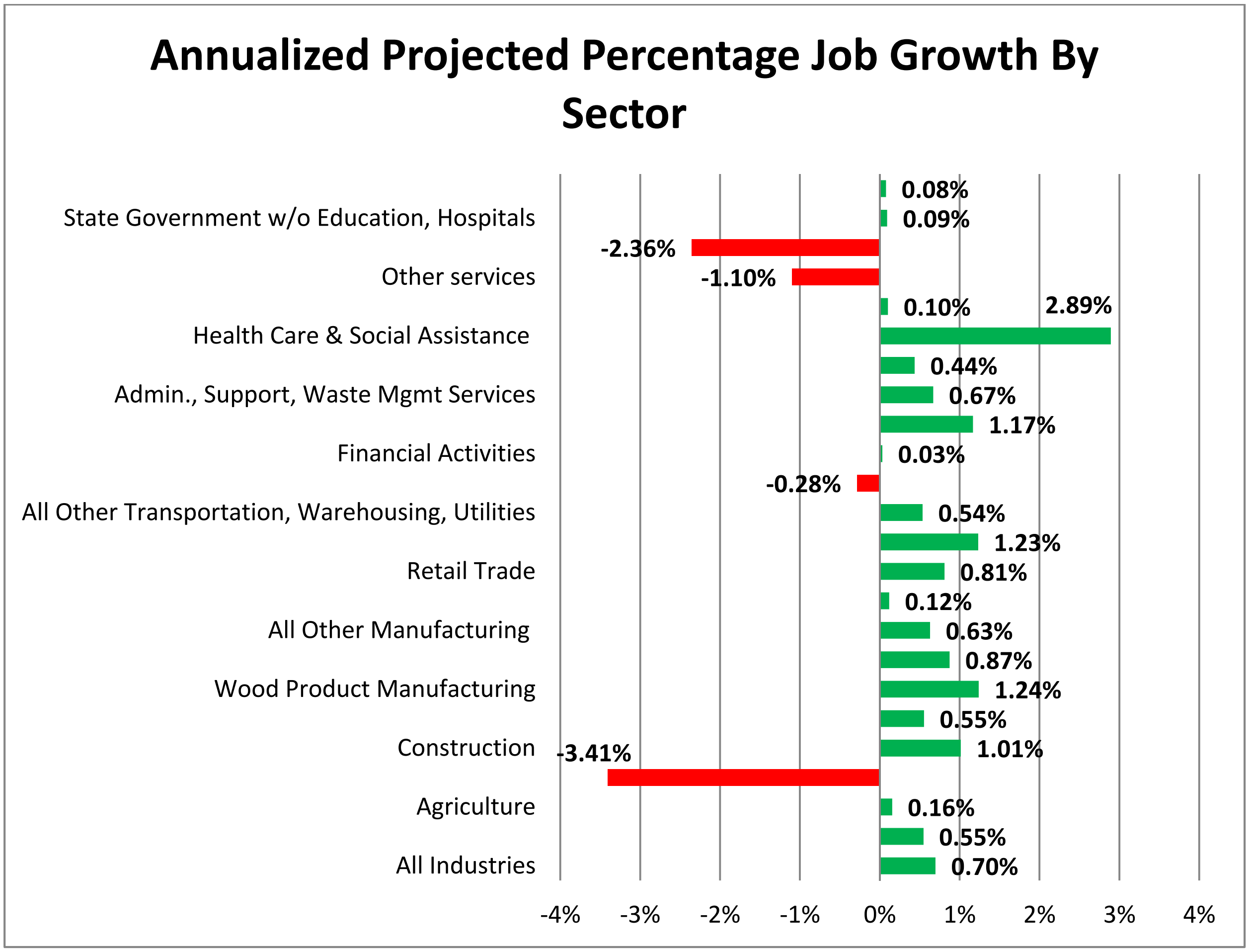
At the same time, the poverty rate rose in 26 counties

Clearly the fallout from the recession created a much more sluggish economy than even the department anticipated a year ago when it forecast extremely slow growth. It has only been in the last month or two that there have been indications of any marked growth at all.

The unemployment rate averaged 9.3 percent in 2010, breaking the old record of 9 percent in 1982 during the severe double-dip recession of that decade.

It appears that 2011 will come in below that but likely still around 9 percent.

The outlook remains limited. Through mid-2013 job growth will average about seven-tenths of a percentage point a year, and since the growth has been negligible over the past six months, the rate should be somewhat higher for the remaining 18 months. Still that will only amount to fewer than 10,000 jobs over the year and a half. And that growth could be undermined if Europe sinks into recession or some other financial calamity blunts an already slow American recovery.



Construction and financial services, which have been the economy's weak link in the past, are being replaced by natural resource jobs and other services, which often can be jettisoned by households scrimping to make ends meet in tough times. Construction, in fact, is turning positive over the next 18 months.

The recession's impact on the tax structure and the politics of government means a further decline in federal jobs and fractional growth in state and local government payrolls – and that more likely toward the end of the projection period.

Health care, which continued growing through the recession as the state – and nation – ages, will again be the strongest sector in the Idaho economy.

Manufacturing has stabilized and begun to grow but only slowly. The overall projection is slightly higher for the next 18 months than it was a year ago.

The unemployment rate for Fiscal Year 2011 was an annual record 9.6 percent, according to preliminary figures. The rate was at a monthly record of 9.7 percent from December through March and never got below 9.4 percent any of the other months.

Based on those preliminary figures, the rate has come down dramatically this summer and fall, hitting 8.5 percent in November. Again, there has been an increase in economic activity, but at least part of that decline is the result of workers just dropping out of the labor force because they have become so discouraged about their prospects in a market where there are three to four unemployed people for every job opening

Population growth, which drives job creation in sectors like basic services, retail trade and health care, fell below 1 percent from mid-2010 to mid-2011 – the first time growth has been that low in two decades. With the housing market still depressed, the inability to sell homes will continue to slow in-migration from other states during the next year or two.

The dramatic decline in the unemployment rate since last spring is expected to level out in the coming 18 months. That will result in an annual rate of 8.7 percent for the current fiscal year and 8.5 percent for Fiscal 2013.

While well above the rates of 3 and 4 and 5 percent during the expansion, these projections still are heading in the right direction. But it will be 2014 at the earliest before the Idaho economy recovers the last of those nearly 60,000 jobs lost during the recession.