

Workforce Report

2008 Report on the Eagle County Workforce

ECONOMIC COUNCIL OF EAGLE COUNTY



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National Trends: Is Eagle County Immune?

The lead story from the Bureau of Labor Statistics (BLS) of the United States Department of Labor in early February reported “Extended Mass Layoffs” during the last quarter of 2008. According to preliminary figures from the BLS (www.bls.gov):

Employers initiated 3,140 mass layoff events in the fourth quarter of 2008 that resulted in the separation of 508,859 workers from their jobs for at least 31 days. Extended mass layoff events and separations reached their highest levels in program history (with data available back to 1995). The total number of layoff events in the fourth quarter 2008 was 1,326 higher than the same period a year earlier, and the number of associated separations increased by 207,267 over the year. The construction and manufacturing industries experienced record highs in both the number of layoff events and separations for any quarter in program history. Separations due to business demand reasons more than doubled over the year to 207,609, with those related specifically to slack work/insufficient demand more than tripling to 152,279. Forty-five percent of employers reporting an extended layoff in the fourth quarter of 2008 indicated they anticipated some recall of workers, the lowest fourth quarter proportion since 2001. (Fourth quarter 2008 layoff data are preliminary and are subject to revision.)

The national unemployment rate averaged 6.6 percent, not seasonally adjusted, in the fourth quarter of 2008, up from 4.6 percent a year earlier. Private nonfarm payroll employment, not seasonally adjusted, decreased by 2.0 percent (-2,362,000) over the year.

For all of 2008, the total number of extended mass layoff events reached a program high at 7,818, and associated worker separations were at its highest level since 2001 at 1,383,553. Four major industry sectors reported program highs in terms of events and separations in 2008-- construction; finance and insurance; educational services; and accommodation and food services (with annual data available back to 1996). In 2008, eight states reached program highs in terms of numbers of separations--Alaska, California, Hawaii, Idaho, Indiana, Missouri, New Jersey, and Wyoming.

That's the news on a national level. What about Colorado? According to the State's Department of Labor and Employment, Colorado's labor market also "ended the year on a down note." The December press release delivered this grim news:

December's seasonally adjusted unemployment rate increased three-tenths of one percentage point to 6.1 percent, according to Donald J. Mares, Executive Director of the Colorado Department of Labor and Employment. The increase was the third in as many months, reflecting the weakening Colorado economy. "Although we have weathered the myriad of economic woes afflicting the nation better than most states, mounting evidence suggests that Colorado entered recession in the last quarter of 2008," noted Mares. The current rate is the highest since August 2003 and is up considerably over last December's rate of 4.0 percent.

The seasonally adjusted results from the household survey showed that the number of employed Coloradans edged downward 5,900 in December to 2,582,600. Total employment has fallen 47,000 over the past twelve months. The number of unemployed residents rose 7,800 during the month to 167,600. Last year at this time unemployment stood at 109,000.

Thirty-seven of Colorado's 64 counties posted higher unemployment rates in December, 24 experienced lower rates, and 3 remained unchanged. Sedgwick County had the lowest rate at 2.2 percent while Dolores County registered the highest rate at 9.8 percent.

First-time claims for unemployment insurance indicate the dramatic erosion of labor market conditions. During the last quarter of 2008 the count of Coloradans filing an initial unemployment insurance claim exceeded 61,000, up more than 26,000 from the previous quarter and surpassing the 56,000 who filed a claim in the three months immediately following the 9/11 terrorist attacks. At the same time, gains in the number of wage and salary jobs showed significant deceleration during the quarter.

Preliminary annual average data for 2008 show the extent of the weakening of Colorado's job market. At 5.1 percent, the State's annual average unemployment rate increased from the 3.8 percent recorded in 2007. Nonfarm job growth for all of 2008 is estimated to be 27,000 or 1.2 percent, down substantially from the 2.2 percent gain registered in 2007.

So what about Eagle County? Last year at this time, the Economic Council noted the ongoing lack of workers -- too many jobs and not enough people. As is the case with the State of Colorado, Eagle County tends to be sheltered a bit from the economic storm. However, the effects of the national and statewide recession are beginning to be felt close to home.

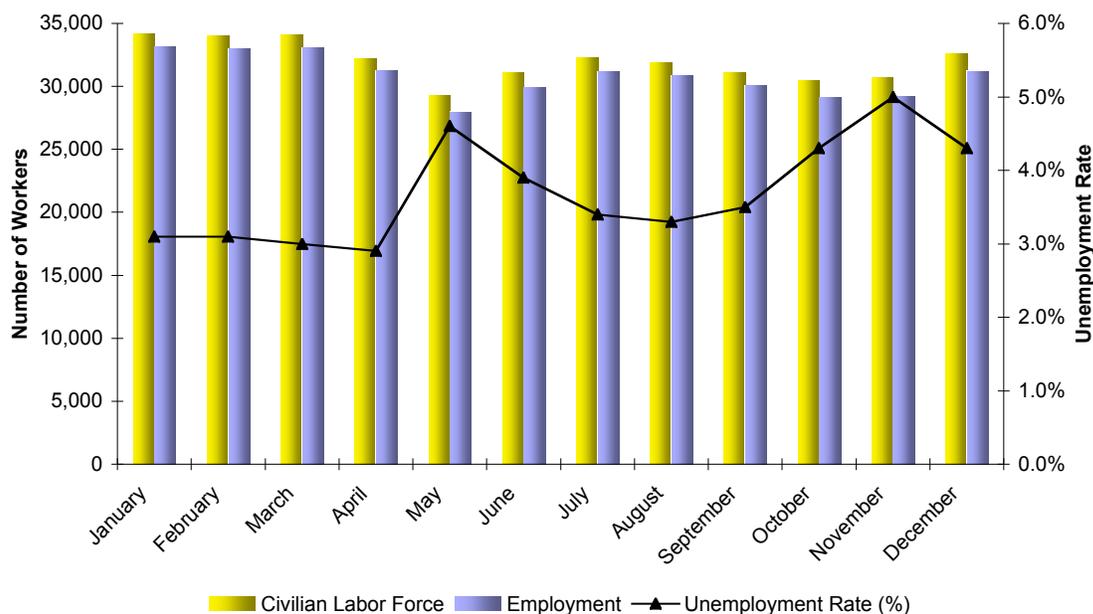
This is the third year the Economic Council of Eagle County has talked directly to area employers to ask them about their experiences with employees. We ask about finding and retaining employees, wages and benefits, and the business owners' evaluation of the current economy and their predictions for 2009.

The results of that survey are presented below. But first, some macro level data to see how the County is faring in the face of the bad news from the US and Colorado economies.

Eagle County's Labor Force

According to the Colorado Department of Labor and Employment, during 2008 Eagle County had an average monthly workforce of 32,010 persons, with 30,827 of them employed. The resulting unemployment rate of 3.7% is about 1.4% below the statewide average of 5.1%, and 0.8% higher than the 2007 unemployment rate. November saw a high of 5% unemployment in the County, higher than any November since 2004.

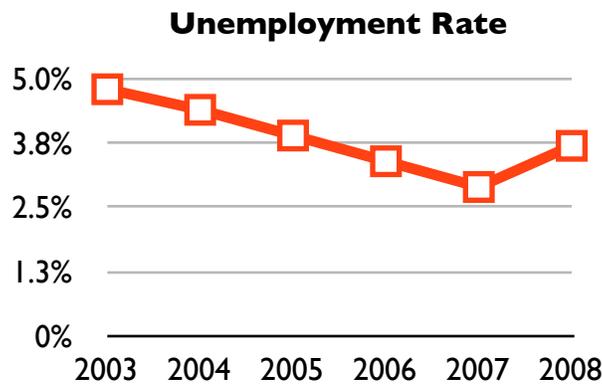
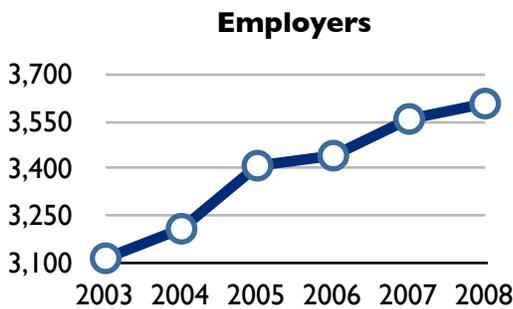
Monthly fluctuations in the labor force and unemployment rate are shown in the graph below. The low (about 3%) unemployment in the first quarter of the year was followed by the typical spike in unemployed workers at the end of ski season in May. Signs of a weakening employment base began to emerge during the third and fourth quarters, however, with unemployment averaging 4.2% higher than the previous year for the last six months of the year.



During 2008, the rate of growth for both number of employers and persons in the labor force slowed, while the unemployment rate grew. The yellow rows below show changes over two 5-year periods; the green bar shows changes from 2006 to 2007, and the pink row shows the most recent changes from 2007 through 2008.

YEAR	Number of Employers	Persons in Labor Force	Unemployment Rate
2003	3,115	27,004	4.8%
2004	3,209	27,075	4.4%
2005	3,410	28,018	3.9%
2006	3,442	29,989	3.4%
2007	3,559	31,199	2.9%
2008	3,608	32,010	3.7%
Change 2003 - 2007	+14.3%	+15.5%	-39.60%
Change 2004 - 2008	+12.4%	+18.2%	-15.9%
Change 2006 - 2007	+3.4%	+4.0%	-14.7%
Change 2007 - 2008	+1.4%	+2.6%	+27.6%

The three line charts below tell the story of rapid growth and dropping unemployment followed by the cooling of the economy in 2008:



Eagle County Employers

Of the 3,608 Eagle County employers, we know that most (97%) employ 50 or fewer workers; over eight in ten hire just 1-9 employees. The large (50+ employees) businesses, however, hire about 40% of the workers in the County.

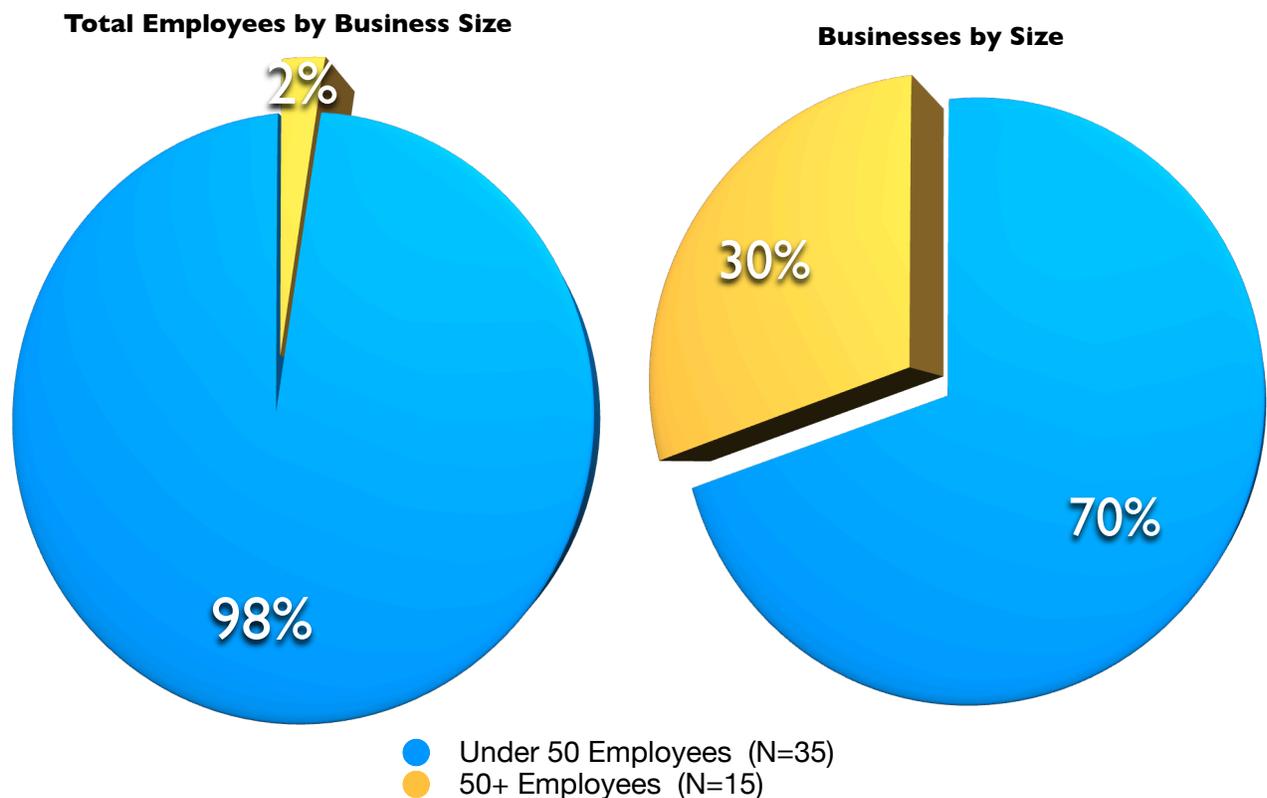
The fifty businesses who participated in the 2008 Workforce Survey employ 16,278 workers. Thirty percent are large, with 50 or more employees. Of those, eight companies employ 400 or more workers. Seventy percent are small, with 50 or fewer workers.

Throughout this report, we differentiate between the large and small companies in order to better understand the results of the survey. Small companies include four non-profit organizations.

Responding Businesses and Their Employees

Businesses participating in this year's survey represent a range of industries, with the most from Health Care and Social Assistance (14%), Retail Trade (14%), Accommodations and Food Services (10%), Public Administration (10%), and Construction (8%).

The 35 small businesses and non-profits employ 377 employees. The average number of employees for

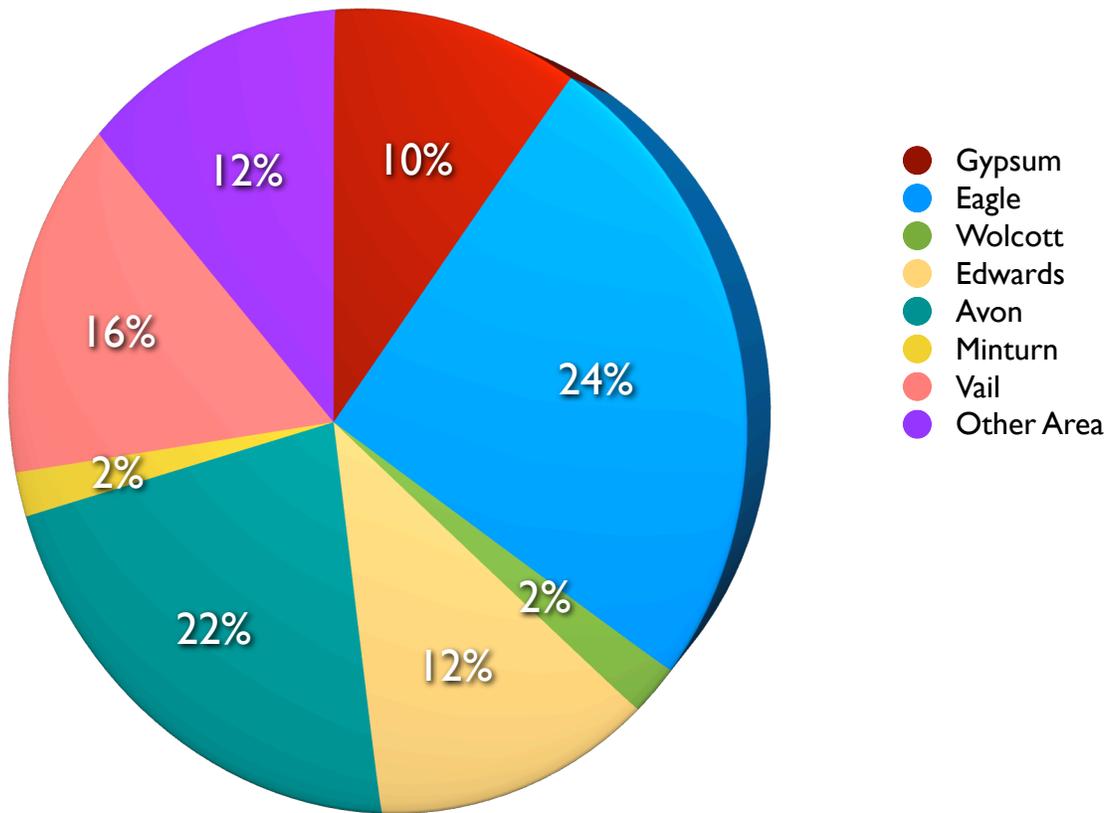


these small businesses is 11, with a median of 7. The 15 large employers account for 98% of the employees in the sample (15,901 workers).

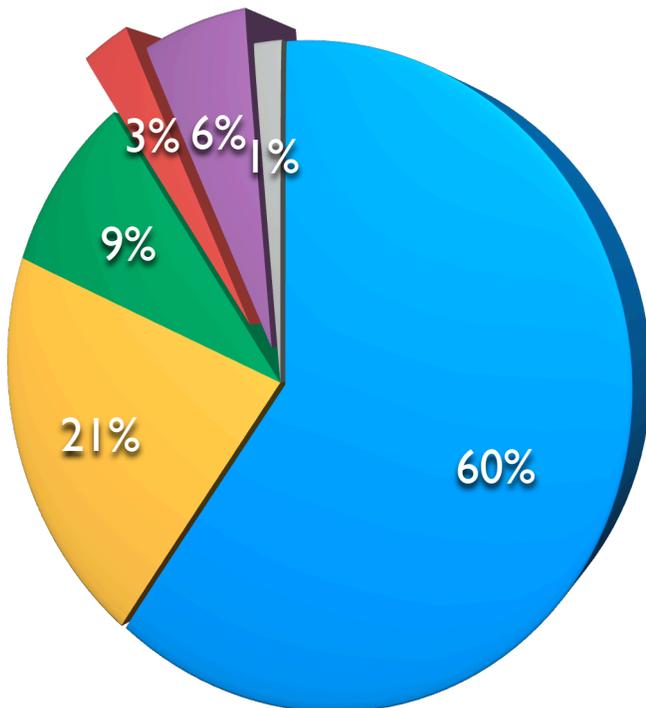
Participating businesses were located throughout the Eagle River Valley: 36% from Eagle, Gypsum and Wolcott; 40% from Avon, Minturn and Vail; 12% from the mid-valley Edwards area, and 12% from other locations (central offices in Broomfield, Grand Junction, Glenwood Springs, Pueblo, Atlanta, and across the Western Slope).

The following pie charts show where businesses and employees are located. Small business employees in the survey were spread more evenly throughout the County while the majority of people who work for the larger businesses in the survey pool live in eastern Eagle County.

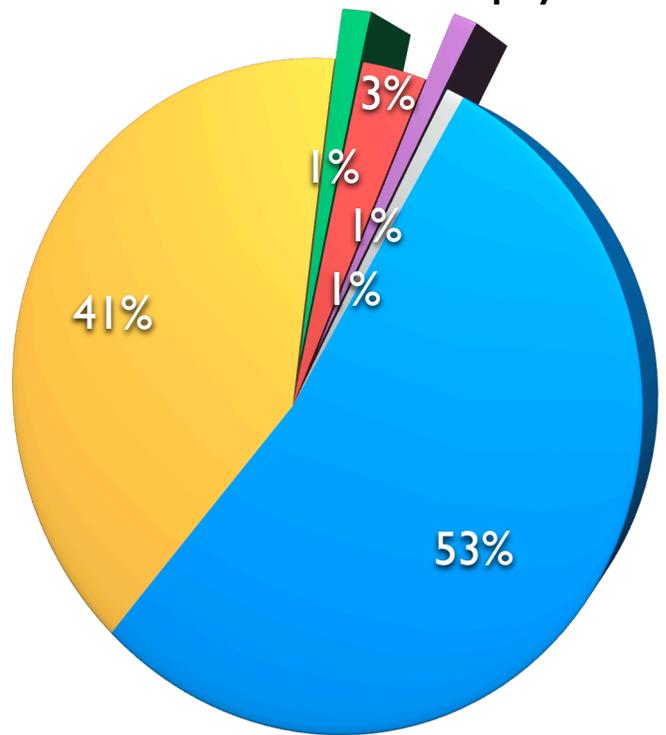
Location of Businesses in Workforce Survey



Large Business: Residence of Employees



Small Business: Residence of Employees



- Eastern Ege County
- Western Ege County
- Garfield County
- Lake County
- Summit County
- Other Area

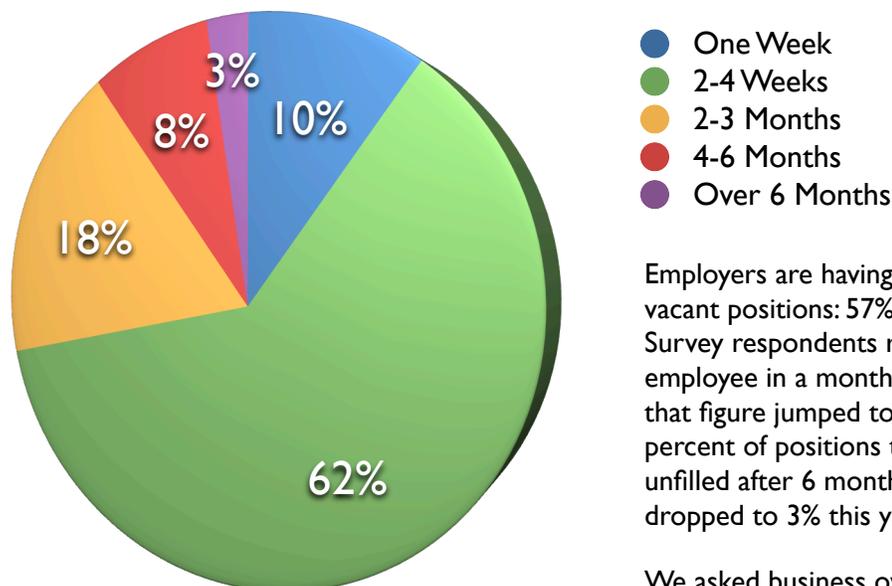
Vacancies and Hiring

We asked businesses about their open positions. Vacancies are created as employees move away or go to other jobs in the area, and as companies grow and add positions. The picture in 2008 looks vastly different than in did in the 2007 survey.

While small businesses planned to increase their size by a third in 2008, they are looking at adding only 13% new positions during 2009. One small business owner noted that he had to eliminate positions due to the economic slowdown. The large businesses planned to add only 1.2% new positions during 2009 (compared to 2% last year). Turnover remained constant among the large employers at 1.6%, while small businesses saw their turnover grow from 9.5% to 12.7% of all positions. Most employers responded to this survey during November; it is reasonable to expect that the projections for adding positions may be even lower as we head into 2009.

Business Size	Number of Businesses	Number of Employees	Vacancies from Turnover	New Positions 2009
< 50 Employees	35	377	48	50
50+ Employees	15	15,901	248	147
TOTAL	50	16,278	296	197

Length of Time to Fill Positions - All Employers

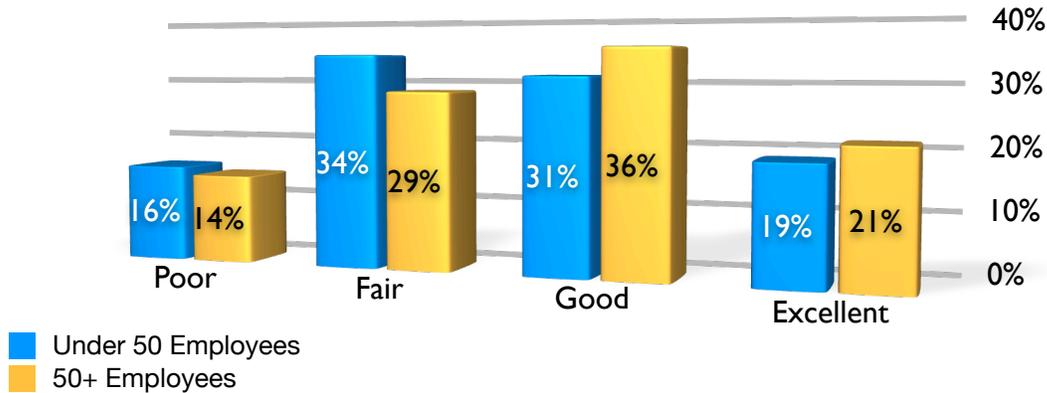


Employers are having an easier time filling vacant positions: 57% of 2007 Workforce Survey respondents reported finding an employee in a month or less; this year that figure jumped to 72%. The eleven percent of positions that remained unfilled after 6 months in 2007 has dropped to 3% this year.

We asked business owners/managers to rate their experience finding new employees: that experience has improved markedly since 2007. While 35% of small businesses reported that they usually or always have a number of qualified candidates from

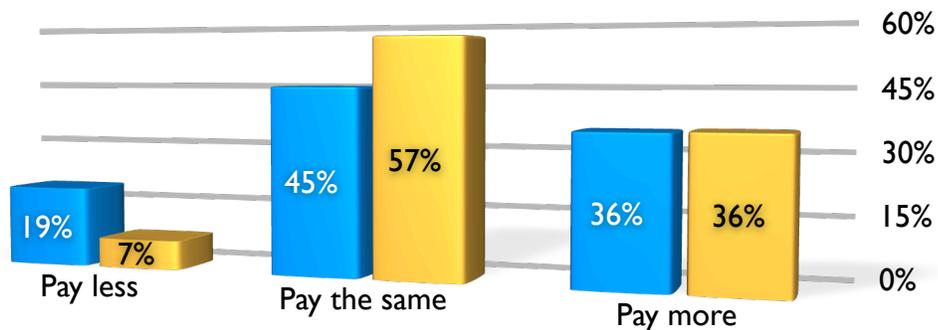
which to choose during the last survey, that number is now 50%. Large businesses, likewise, report good or excellent experiences -- 57% this year compared to 37% last year.

Experience Finding New Employees



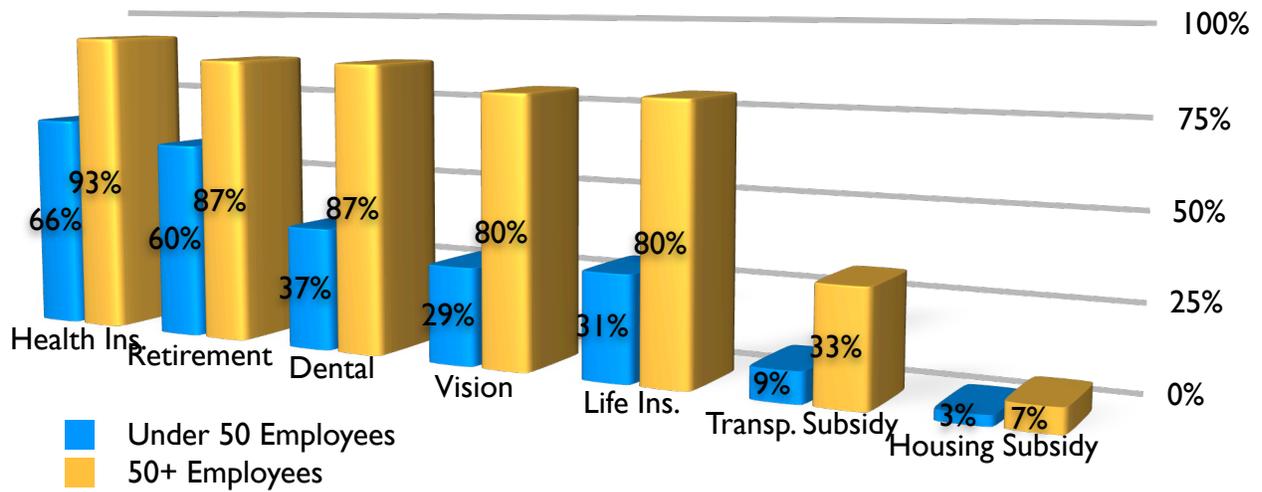
Pay and Benefits

When asked, “How does your company’s pay scale compare with similar businesses in other parts of the state?” a little over a third of both large and small businesses reported paying more than the industry standard. The reasons given most often were “cost of living” and “to offset housing costs.” One in five small businesses pays less than the industry standard, up from 4% last year.



Benefits differ markedly between small and large employers. While nine out of ten large employers offer health insurance (employee and/or employee and family), only 2/3 of smaller employers do so. Retirement plans are offered by 87% of large employers and 60% of small. Other benefits such as dental, vision and life insurance are much more likely to be offered by large employers. About a third of large employers offer a transportation subsidy; few employers of any size include housing as a benefit.

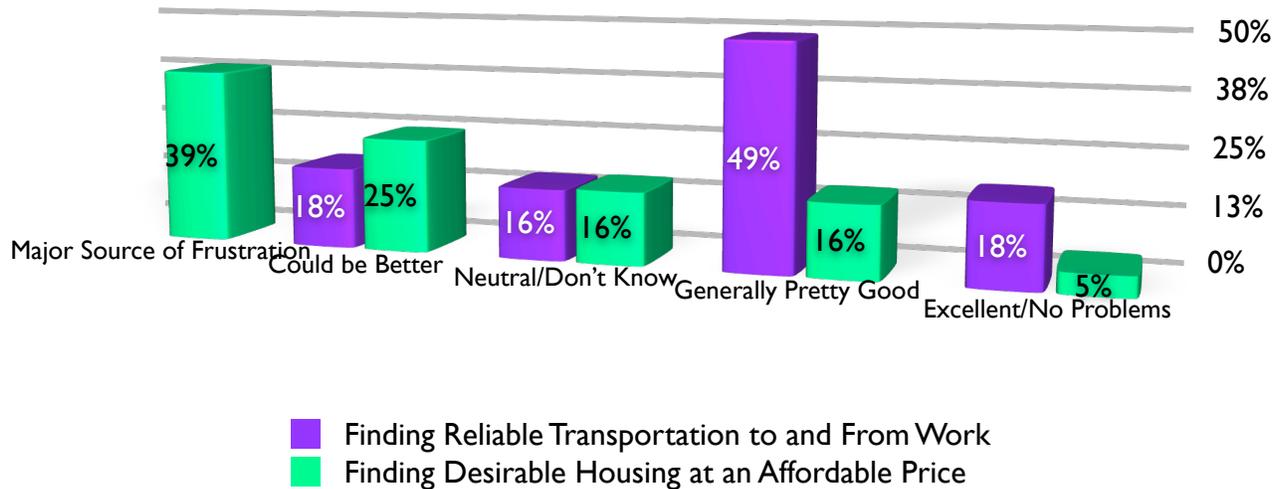
Benefits offered by Employers



Transportation and Housing

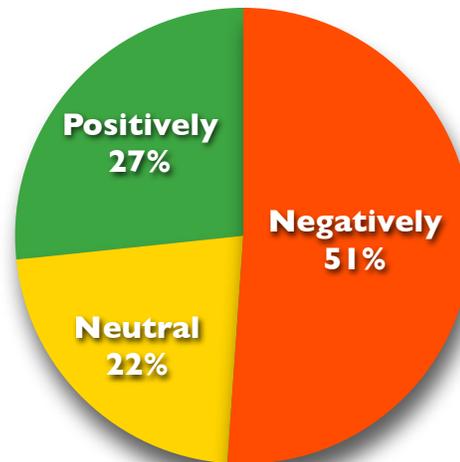
To follow up on the issues of transportation and housing, we added two new questions this year: “How would you rate your employee’s experience with transportation and housing?” and “How does housing affect your ability to attract, hire and retain employees?” Two-thirds of employers think their employees have a “generally pretty good” or “excellent” experience finding reliable transportation to and from work. Nearly the same amount (64%) say that “Finding the housing they desire at an affordable price” is a “major source of frustration” or “could be better”. Complete results are below:

Rate Employees’ Experience with Transportation and Housing



Housing's Impact on Attracting, Hiring and Retaining Employees

We also asked, "How does housing affect your ability to attract, hire and retain employees?" One-half (51%) said that "Workforce housing is lacking for my employees, and negatively affects my hiring and retention rates." About 22% were neutral -- housing is neither a negative nor a positive for them. The remaining one-fourth stated "My current and potential employees are generally able to find the housing they want and can afford."



Employers made comments and suggestions about workforce housing:

- *We have a large number of employee housing units so this is not usually an issue.*
- *My employees make way more than the average retail worker since several are designers. All own homes except for one- they rent and will buy soon.*
- *There is too much workforce housing. The current slowdown will cause more rentals to come on the market. There is not a workforce housing problem. There is an employer housing problem when the employer does not provide for his employees.*
- *Get serious and deal with it. Make one very large investment in Avon and Gypsum and be done.*
- *Employee housing is a vital piece of the recruiting effort.*
- *Primary need is for employee housing not necessarily affordable but housing in general.*
- *County government should pursue employee housing in same manner as the Eagle River W&S District*
- *During ski season, it is almost impossible to find rentals. Also, unless an employee sold a house before moving here, they can't afford to buy. Even Miller Ranch is a struggle.*
- *It would be nice for the young, single people to have a place to get started moving here, but workforce housing wouldn't be a very strong option for young married couples or young families.*
- *Be careful that we do not over build and saturate the market place.*
- *We will be purchasing our own housing at Stratton Flats. We currently lease from Buffalo Ridge but some employees have families or do not want shared housing.*
- *It is difficult to recruit staff to this area due to the cost of housing.*
- *More opportunities/incentives*
- *This does not apply to my very small company, for I work out of my home, and my one employee works out of his home in Denver.*
- *I believe that the opportunities are here. It may not be your dream home the first thing you buy, but I believe people have to save and sacrifice a little (maybe you don't go to Europe on vacation, maybe you don't drive a new car) to get what you need. I don't believe that my hard earned dollars need to go to supporting someone else's housing needs.*
- *My employees generally are already living in the area; I do know though that we're all affected by the high cost of living here*
- *Build more affordable high density housing*
- *I know many cities/counties rent from private individuals and subsidize the rent in order to provide housing and insure the owner has steady rental income.*
- *Apartments would be a great way to house the valley's workforce.*
- *While I have been able to hire employees I am possibly losing some due to housing in the next year.*

- Generally what is available is too expensive. If relocating they often cannot sell their home in another area.
- More low and middle income housing needed
- More the better
- If we didn't own nine units of employee housing on-site, things would be vastly different and we'd be in a world of hurt
- The county's down payment programs are great! Thank you!

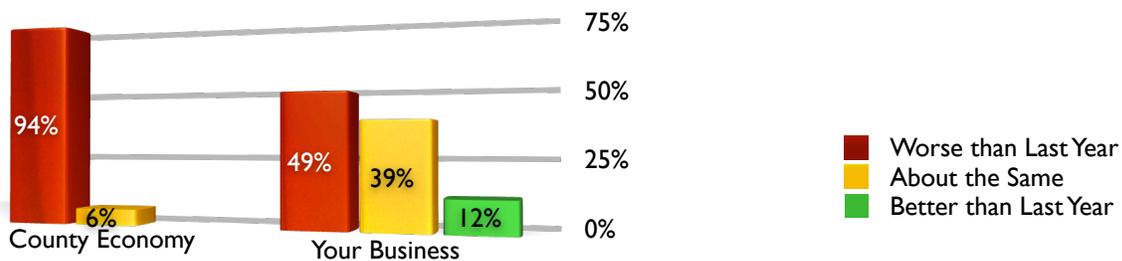
The Local Economy

We next asked respondents a series of three questions:

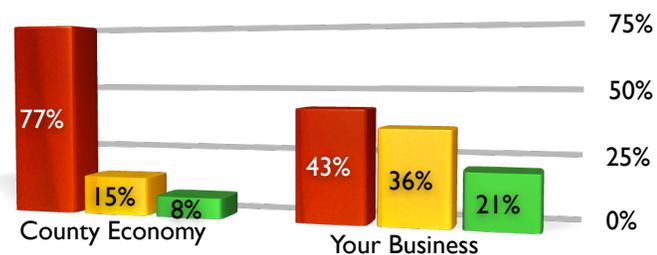
1. Thinking of the economy in general, would you say Eagle County is worse off, about the same, or better off than last year?
2. Thinking specifically about your business, would you say you are worse off, about the same, or better off than last year?
3. What are your predictions for 2009: (a) for Eagle County's economy, (b) for your business in general, and (c) for your ability to hire and retain employees?

Business owners painted a bleak picture of the County's economy. While 72% rated the County's economy as "about the same as last year" in 2007, nearly all small business owners think the County is "worse than last year" in 2008. Large businesses aren't far behind, with 77% saying the local economy is worse in 2008 than 2007. Owners and managers feel a little better about their own businesses: just over half of small businesses and 57% of large say they are "about the same" or "better than" last year.

Evaluation of the Economy: Small Businesses

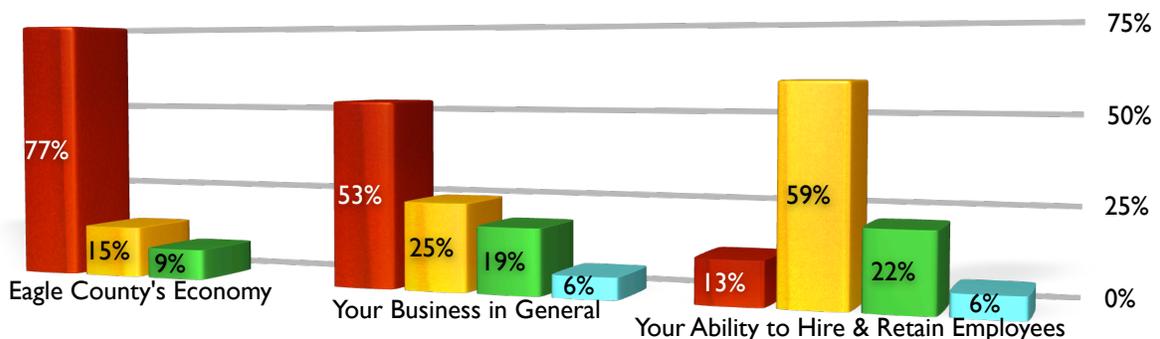


Evaluation of the Economy: Large Businesses



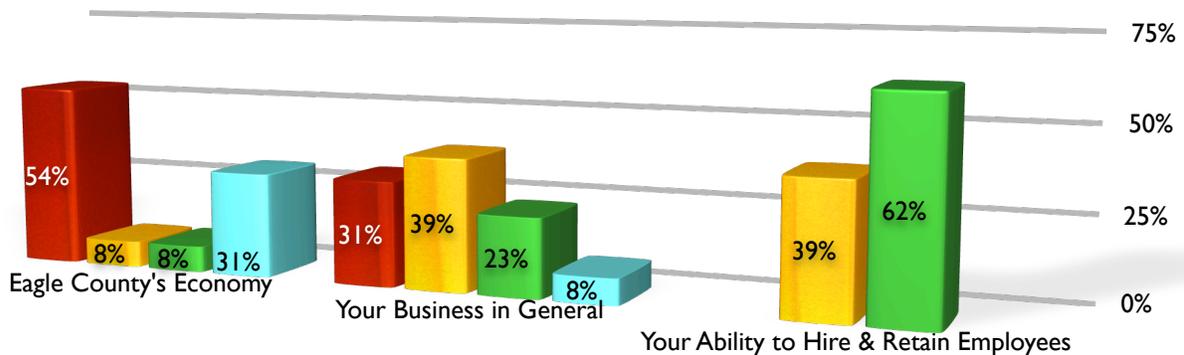
When asked to predict 2009, small businesses tend to see the County's economy as "getting worse" (77%); over half also think their businesses in general will get worse. Large business respondents aren't quite so pessimistic: 54% think the County's economy is getting worse, and about a third feel the same about their own business. Almost forty percent think their business will be "about the same" as 2008, and a quarter think there will be improving trends in the coming year. The one bright spot is the belief, especially among large employers, that it will be easier to hire and retain employees in 2009.

Predictions for 2009: Small Businesses



- Situation is Getting Worse
- About the same as 2008
- Improving Trends for 2009
- Don't Know

Predictions for 2009: Large Businesses



H2B Visas

H2B Visas allow US employers to hire foreign workers for unskilled positions in non-agricultural industries, when the employer has a temporary need for extra workers. These Visas are used to help fill critical positions in the resort industry, such as bus drivers for the Town of Vail. Five companies reported having a total of 571 employees with H2B Visas (one company has 520). This is down from 1,694 H2B Visa employees in 2007. 2008 was a particularly bad year for acquiring H2B Visas, and about 98% of respondents do not plan to hire H2B workers in 2009.

Employer Comments

Survey respondents were asked to comment generally on their experiences or challenges as employers of Eagle County's workforce. Their comments are listed below:

- *We are in the minority as far as NOT having issues getting and retaining GOOD employees.*
- *Workforce housing should be the responsibility of the employers not the government. Government will foul it up. Watch them.*
- *The county in general has so much turnover. It feels like we are always in chaos and people get frustrated.*
- *These answers are reflective of the current economic situation.*
- *The Eagle Airport closing from April - August +/- will definitely impact us.*
- *We need a vo-tech school in the Eagle Gypsum area for the trades to be taught.*
- *The cost of living/lack of affordable housing often drives people out.*
- *I came as a Nurse Practitioner to Eagle County 15 years ago. I couldn't find a job as such so I was a nurse in Garfield county, college professor in Pitkin county, worked for VA, worked in a childcare center, etc. There was no daycare, so I worked with other moms and dads so our children were well cared for by taking in others children while I was off and vice versa, I turned in my retirement savings to buy my home. When we decided the childcare was underpar, I stayed home or split shifts with my husband. We didn't take vacations, we had one vehicle, we didn't go out to eat, etc. It can be done. I am very against spending my tax dollars to have a store to help people find a house, or to subsidize child care, or to pay to build people homes.*
- *I'm concerned for families affected by an economic downturn. We are so interconnected here.*
- *Great place to build a business. The benefits far outweigh the drawbacks. More professional workforce in Eagle vs Summit.*
- *Skill levels very poor.*
- *Being able to pay enough for retention of employees.*
- *Many younger workers are often unmotivated, but eastern European workers have a strong work ethic.*
- *Since the bulk of our business occurs between 4:30PM - 8:00PM, we hire primarily part-time. Housing costs require many folks to get a second job, our needs seem to fit the needs of many who are in need of a second job. As the economy gets weaker in the valley, the balance between employers having jobs and those looking will narrow resulting in less migration between jobs. Unfortunately housing costs will continue to force many folks to have two or more jobs.*

Survey Methodology

The Economic Council invited employers to participate in this research by sending them an email link to an online survey. The Vail Valley Partnership and the Eagle Valley Chamber of Commerce included information and the survey link in their online newsletters, and area non-profit organizations were also invited to weigh in. A total of 50 businesses and organizations participated, a 4% increase over the number of participants in 2007. The businesses represented 16,278 employees, a 33% increase in the number of employees included in 2007.

The survey was designed and tested by Economic Council research staff, and distributed through “Zoomerang,” an internet-based survey tool. Data was tabulated and analyzed using SPSS, the Statistical Package for Social Sciences.

Because of the strong participation from large employers (and the large number of workers included in the survey results), the data reasonably represent the experiences of all large companies in the study area. The expansion of the report to include small businesses and non-profits gives us an indication of the stresses these organizations are facing. We will continue to increase the number of small business participants in future surveys.

Conclusions

So what to make of all of this? Here are some conclusions that emerged from the 2008 Workforce Survey:

- ✓ There's a definite slowing of the growth in the numbers of employers and persons in the labor force. We expect this declining trend to continue in the first quarter of 2009.
- ✓ The County's unemployment rate, which has declined over the last several years, started to rise during the second half of 2008. We expect this trend to continue as well.
- ✓ Employers expect to have an easier time finding employees in 2009. H2B Visa workers are no longer considered a viable option.
- ✓ Housing the workforce continues to be a problem for employers. Few businesses offer assistance in this area.
- ✓ Business owners and managers are pessimistic and uncertain about the future.