

Overview

2000 was a banner year for Utah's high technology sector as employment increased at unprecedented levels. Unfortunately, economic events that began in the fourth quarter of last year are eliminating much of the employment gains, with almost all sectors reporting job losses as of the second quarter 2001.

2000 Summary

Spurred by a strong showing in Computer and Data Processing, Utah's high tech sector experienced robust growth in 2000 as employment reached almost 65,000 by year end -- a gain of 5,000 workers over the same period in 1999. However, some high tech segments continued to struggle. Companies that manufacture communications equipment, guided missiles, and computer equipment posted job losses totaling 1,500.

Economic slowing that began in the fourth quarter of 2000 had a predictable effect on Utah's high tech companies. Slower growth, combined with the September 11th terrorist attack essentially halted expansion of the high tech sector. Based on data provided by the Utah Department of Workforce Services, high tech employment up through the first six months of 2001 was about 63,500. This total could drop by as much as 2,500 based on layoff announcements since July.

Throughout 2001, no fewer than 15 major players in Utah's high tech community have announced layoffs that impacted the local workforce. Job losses associated with these layoff announcements are estimated to total about 3,000. Although many of these displaced workers have found jobs at other high tech companies in Utah, workers who find themselves unemployed during the fourth quarter of this year may find limited opportunities.

Computer and Data Processing Services

The largest component of Utah's high tech sector is Computer and Data Processing Services (CDPS). In 1999, employment in CDPS totaled about 18,900. By year end 2000, employment in this sector totaled 25,150. The strongest segments of this industry were Computer Programming Services (which includes custom programming services) and Information Retrieval Services (including Internet Service Providers). Together, these segments accounted for 58% of the job growth in CDPS last year.

As of mid-year 2001, employment in CDPS had dropped to 24,610, a loss of over 500 jobs. Not surprisingly, the largest decline was in Information Retrieval Services with a reported decrease of 541 jobs. In fact, the only segments of CDPS that posted job gains as of July 1 were Computer Programming Services and Other Computer Related Services.

Medical Equipment and Supplies

The second largest component of Utah's high tech sector is Medical Instruments and Supplies (MIS). Employment in MIS totaled 8,175 at midyear, representing a net loss of 208 jobs since 1999. Despite this decline, employment in this segment has been relatively stable, hovering at the 8,200 mark for several years. A bright spot for this sector could be the Fresenius Medical Care expansion of its dialyzer plant in Ogden. This expansion could add an additional 1,000 jobs in this sector over the next year.

Motor Vehicles and Equipment

Utah's third largest sector is Motor Vehicles and Equipment (MVE). Employment in this segment is dominated by Autoliv, Inc. which has seven facilities in Utah and employs about 5,200 locally. Over the past three years, employment in MVE has declined by 1,200 jobs-- the largest drop of any segment of the state's high tech sector. Most of the decline has come from reductions at Autoliv. Its recent decision to transfer its automobile air bag material cut-and-sew operations to Mexico will cut another 460 jobs in the upcoming year. The large inventory of cars and sluggish car sales have contributed to Autoliv's problems. Without a significant upturn in the automobile market, the company will continue to face challenges in the coming year.

Conclusion

Utah's high tech performed well throughout most of the year 2000. However, economic downturns, which began late last year have worsened in 2001. When averaged, high tech employment appears more stable than is actually the case. A month-by-month analysis shows that the level of employment decline in high tech is accelerating.

In addition to the economic factors, there are other issues affecting the overall stability and vitality of the state's technology sector. For example, with very few exceptions, Utah has no large corporate headquarters conducting research and development activities in the technology industry. This is a vulnerability. Rather than attracting technology companies, many of Utah's premier high tech companies have been acquired, bought out or moved beyond Utah's borders. Many of the technology companies that once formed Utah's elite high tech core are either gone or struggling. Identifying the reasons and implementing solutions, may pose one of Utah's greatest challenges.

Table 80
Utah's High Tech Sector Employment Trends: 1999-2001

Sector	Employment			Net Change
	1999	2000	2001	
283 Drugs	3,998	4,371	4,222	224
357 Computers & Office Equipment	4,057	3,658	3,677	-380
366 Communications Equipment	2,953	2,183	2,283	-670
367 Electronic Components	3,993	4,160	4,557	564
371 Motor Vehicles & Equipment	7,904	7,735	6,643	-1,261
372 Aircraft & Parts	2,744	2,580	2,637	-107
376 Guided Missiles	5,342	4,974	4,730	-612
381 Search & Navigation Equipment	645	621	651	6
382 Measuring Instruments	1,028	1,261	1,275	247
384 Medical Instruments & Supplies	8,383	8,278	8,175	-208
7371 Computer Programming Services	4,739	6,280	6,595	1,856
7372 Prepackaged Software	6,598	7,351	6,962	364
7373 Computer Integrated System Design	1,961	2,930	2,837	876
7375 Information Retrieval Services	3,255	4,887	4,346	1,091
7376 Computer Facilities Management	0	22	46	46
7379 Other Computer Related Services	2,361	3,680	3,824	1,463
Totals	59,961	64,971	63,460	3,499

Source: Utah Department of Workforce Services, Annual Labor Market Information