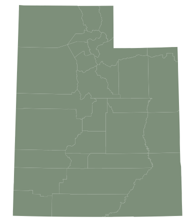
fall 2012 statewide

utahinsights

An economic and labor market analysis of the State of Utah

vol. 1 issue 2 • jobs.utah.gov



in this issue:

Unemployment Insurance Outcomes in Utah

BY NATALIE TOROSYAN, ECONOMIST

Labor market indicators for the state have been pointing to a positive and steady economic recovery as of July, with nearly all industries adding jobs over the past year and the unemployment rate, at 6.0 percent, registering lower than the nation's 8.1 percent. As the economy continues to expand, of particular interest are the labor market outcomes of a segment of the unemployed population: individuals receiving benefits from the Unemployment Insurance program, or UI. The program, which is funded and administered by individual states, provides payments to individuals who involuntarily separate from a job and who meet state-specified eligibility requirements.

As the agency that administers UI for the state of Utah, the Department of Workforce Services is concerned with evaluating the program and the outcomes for its beneficiaries. In an ideal scenario, displaced workers would temporarily collect UI benefits and shortly regain self-sufficiency by returning to the workforce. But it is not clear how often this is the case with Utah's UI recipients. Analysis of economic and demographic data of UI recipients facilitates an understanding of how they fare, especially in regards to their benefits duration and subsequent labor market outcomes.

What happens to UI users during the first year after they leave UI? Some re-enter the labor force by obtaining a job, others drop out of the labor force by ceasing to work or search for work, return to UI, pass away or move out of the state. Two main subsets within this population are examined: those who did not return to UI within a year after leaving (one-time claimants) and those who returned (repeat claimants).

The two subsets and the population as a whole are profiled and the relationship between future wages and factors related to wages, particularly duration of UI benefits, is presented.

The Data

The data includes information about individuals who filed an initial UI claim between January 2009 and December 2010, received benefits for any amount of time and then exited UI for at least 13 weeks. The 13-week gap, essentially one quarter, qualifies as a discernible departure from UI, in order to examine post-UI activities. It is possible to stop receiving UI payments for some amount of time but not actually have left UI, such as when an individual becomes temporarily ineligible. These cases are not considered valid UI separations and are excluded. The resulting population consists of 105,362 individuals.

Analysis of the Population

The industry with the highest concentration of UI claimants is construction. During the recent economic downturn, construction was disproportionately affected resulting in huge numbers of job losses. Because construction is a male-dominated field and represents a large proportion of UI claimants, it should come as no surprise that there are over twice as many males as females in the UI population. In fact,

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males come in at 67 percent and females at 32 percent (nearly 1 percent is unknown in gender). The industry with the next highest concentration of UI claimants is administrative and support, which includes temporary employment services, a subsector in which large numbers of lay-offs are expected.

Interestingly enough, construction and administrative and support are the industries more people enter after leaving UI. Perhaps employment separations in these industries were temporary, with companies rehiring employees shortly after letting them go. Whether that is the case, individuals in all industries returned to the same industry that they left about one third of the time. The return rate to the same industry for individuals who were in the construction industry is even higher, around 63 percent.

Figure 1 presents the average number of weeks that UI benefits were by age for those who returned to UI after leaving for at least 13 weeks and those who did not return. On average, the UI claimants collected benefits for 22 weeks. People who did not return to UI within a year of exiting UI collected benefits for a longer period than those who did not, at 24 weeks compared to 16, respectively.

The average annual income for this population for the year following their UI exit was $20,423. Figure 2 displays average annual wage by gender and age. Females on average earned $15,390 while males earned $22,811. The age group with the highest income for both genders was 35- to 44-year-olds, followed closely by 45- to 54-year-olds. Figure 2 also shows the total percent of claimants by age.

The majority of UI claimants are 25- to 34-year-olds, an age group that makes up almost 33 percent of the population.

Figure 1: Average Number of Weeks Paid by Age for One-time Claimants and Repeat Claimants

	One-Time Claimants	Repeat Claimants	Total
Less than 18	10	12	11
18-24	18	14	17
25-34	23	15	21
35-44	24	16	22
45-54	27	17	24
55-64	30	17	26
65 or older	33	19	29
Total	24	16	22

Figure 2: Average Annual Wage by Gender and Age and Percent of Claimants by Age

	Female	Male	Percent of Claimants
Less than 18	$ 9,512	$ 9,292	0.05%
18-24	11,723	16,391	16.70%
25-34	15,105	22,546	32.70%
35-44	17,967	26,608	21.61%
45-54	17,619	26,091	18.03%
55-64	14,294	21,863	9.48%
65 or older	6,756	10,410	1.44%
Total	$15,390	$22,811	100%

Figure 3: Distribution of Claimants by Gender and Age

	One-Time Claimant		Repeat Claimant	Repeat Claimant
	Female	Male	Female	Male
Less than 18	0.07%	0.05%	0.07%	0.02%
18-24	19.09%	16.65%	14.22%	14.66%
25-34	30.38%	34.87%	27.07%	32.57%
35-44	21.03%	21.36%	22.51%	22.61%
45-54	18.37%	16.39%	23.61%	19.41%
55-64	9.66%	9.12%	10.98%	9.57%
65 or older	1.41%	1.57%	1.54%	1.16%

The One-time Claimants

One-time claimants include individuals who were receiving UI benefits for some length of time, stopped receiving benefits and did not return to UI for at least one year. These claimants make up 72 percent of the UI population. This group tends to be male (nearly 65 percent) and young. Figure 3 displays the distribution of claimants by age and gender and

Figure 4: Top Industries Before and After UI for One-time Claimants

Pre-UI Industry			Post-UI Industry		
NAICS and Industry Title	Number of Claimants	Percent of Claimants	NAICS and Industry Title	Number of Claimants	Percent of Claimants
23 - Construction	11,630	15.25%	56 - Administrative and Support	9,628	12.62%
56 - Administrative and Support	10,812	14.17%	23 - Construction	7,539	9.88%
33 - Manufacturing*	6,406	8.40%	33 - Manufacturing*	5,047	6.62%
44 - Retail Trade	5,545	7.27%	44 - Retail Trade	4,271	5.60%
54 - Professional, Scientific, and Technical Services	5,140	6.74%	62 - Health Care and Social Assistance	3,856	5.05%
All other	36,754	48.18%	All other	45,946	60.23%

* 33 - Manufacturing includes: primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment, appliance, and component manufacturing; transportation equipment manufacturing; furniture and related product manufacturing; miscellaneous manufacturing

Figure 5: Top Industries Before and After UI Repeat Claimants

Pre-UI Industry			Post-UI Industry		
NAICS and Industry Title	Number of Claimants	Percent of Claimants	NAICS and Industry Title	Number of Claimants	Percent of Claimants
23 - Construction	9,209	31.67%	**23 - Construction**	8,505	29.25%
56 - Administrative and Support	4,189	14.41%	**56 - Administrative and Support**	4,415	15.18%
33 - Manufacturing*	1,789	6.15%	**72 - Accommodation and Food Services**	1,565	5.38%
72 - Accommodation and Food Services	1,718	5.91%	**33 - Manufacturing***	1,564	5.38%
32 - Manufacturing**	1,288	4.43%	**32 - Manufacturing****	1,187	4.08%
All other	10,882	37.43%	**All other**	11,839	40.72%

** 32 - Manufacturing includes: wood product manufacturing, paper manufacturing, printing and related support activities, petroleum and coal products manufacturing, chemical manufacturing, plastics and rubber products manufacturing, nonmetallic mineral product manufacturing

* 33 - Manufacturing includes: primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment, appliance, and component manufacturing; transportation equipment manufacturing; furniture and related product manufacturing; miscellaneous manufacturing

demonstrates that around 50 percent are younger than 35.

A vast majority of one-time claimants were employed in either the construction or administrative and support industry prior to commencing benefits, as shown in figure 4. Interestingly, those are the top two industries that individuals in this group entered after they stopped collecting UI benefits. One-time claimants will likely return to the industry that they left before UI. This is true for the approximately 32 percent. The average annual wage for the year following the end of UI receipt is $20,425. Around one quarter reported wages less than $1,000 during the year following their UI exit.

For one-time claimants who worked, the average annual post-UI wage was $24,882 during the year after their exit.

The Repeat Claimants

Repeat claimants, 28 percent of claimants, return to receiving UI benefits after leaving UI for less than a year. Nearly three-quarters are male, and most are between the ages of 25 and 34; nearly 90 percent are under the age of 54.

Before entering UI, most people in this group worked in the construction industry, followed by the administrative and support industry. As demonstrated in figure 5, these industries are the most popular for individuals after they leave UI and re-enter the workforce, as 57 percent of repeat claimants return to the same industry. Through the year after they left UI, during which time they returned to receiving UI benefits, they may also have worked. The

UI Outcomes Cont.

average annual wage is $20,417, only slightly lower than the wage of one-time claimants who stayed off UI for a full year. Around 9 percent did not earn any wages during the year after leaving UI, and approximately 10 percent earned $1,000 or less.

Analysis of Future Wages

Which factors affect a UI recipient's future wages? Wages for the first year after leaving UI, the number of weeks receiving benefits, age, gender, residence in a rural county and a return to UI within a year of exit are all factors to consider. Regression models for the whole population and the two subgroups result in an estimate of the relationship between wages and these factors.

In each of the models, there is a negative relationship between wage and all other factors except age. In other words, a person living in a rural county can expect to earn less on average than someone in an urban county. Additionally, females and those of either gender who returned to UI within a year received lower wages than their respective counterparts. The positive relationship between age and wages indicates that a relatively older individual is expected to earn more than a younger individual.

Perhaps the most telling result is the negative relationship between duration on UI and wage. The longer the duration, the lower the expected wage during the first year off UI. For every additional week spent on UI, the recipient can expect to $288 less. This confirms previous research that shows that long durations on UI, especially those that result in an exhaustion of maximum benefit amounts, decrease annual average wages. In Utah's case, it is decreased by $288 for each additional week on UI.

Receiving UI benefits might discourage recipients from seeking a prompt re-entry into the labor force by creating a disincentive. However, based on these findings, recipients should be encouraged to move quickly away from UI and transition back to work. Not doing so can be expected to dampen future earnings potential.

Summary

The state's unemployment rate has declined substantially from its recessionary peak and the labor market has been continuing to add jobs. With this growth in mind, this analysis seeks to shed light on the activities and outcomes of displaced workers in the Unemployment Insurance program.

The analysis includes a profile of UI recipients who fall into one of two subgroups. A summary of individuals who return to UI within a year of leaving as well as those who do not return is presented, detailed by demographic characteristics.

In addition, wage and industry information is provided. The most common pre-UI and post-UI industries are construction and administrative and support. Both of these industries were disproportionately affected during the Great Recession, especially construction, which saw unprecedented employment declines. As expected, most UI recipients in our population worked in construction before entering UI.

Especially notable is a regression analysis that reveals unfavorable wage outcomes for prolonged attachment to UI benefits, resulting in heavy wage declines for each additional week on UI. Seeking ways to encourage greater job search intensity in an effort to reduce UI duration could yield positive outcomes to those transitioning into the labor market in terms of higher expected wages. Note that while analysis of this data provides an understanding of UI recipients in our population of interest, it should not be considered a proxy for unemployment rate. While there is some relationship between unemployment rate and UI participation rate, not every unemployed individual qualifies to receive UI payments. Furthermore, it is possible to concurrently receive UI benefits as well as wages from employment, if weekly gross wages are lower than the weekly amount of the UI benefit a person can receive.

While the labor market in the state is continuing to add jobs, activities and outcomes of displaced workers in the Unemployment Insurance program is detailed in this article.

Statewide Economic Indicators

BY MARK KNOLD, CHIEF ECONOMIST

It is nearly four years and counting since the Great Recession gripped the nation and negatively impacted the employment profile of both the nation and Utah. It has been five years since the official recession start date of late 2007, but the real depth of the recession's bite didn't spread economy-wide until the stock market decline of October 2008.

Most of the United States is in some degree of economic recovery. But the employment deficit the recession opened was sizeable, and the rebound has been frustratingly slow. Nationally, over 8 million jobs were lost during the recession (as of low point February 2010) while only 4 million have been recovered since then.

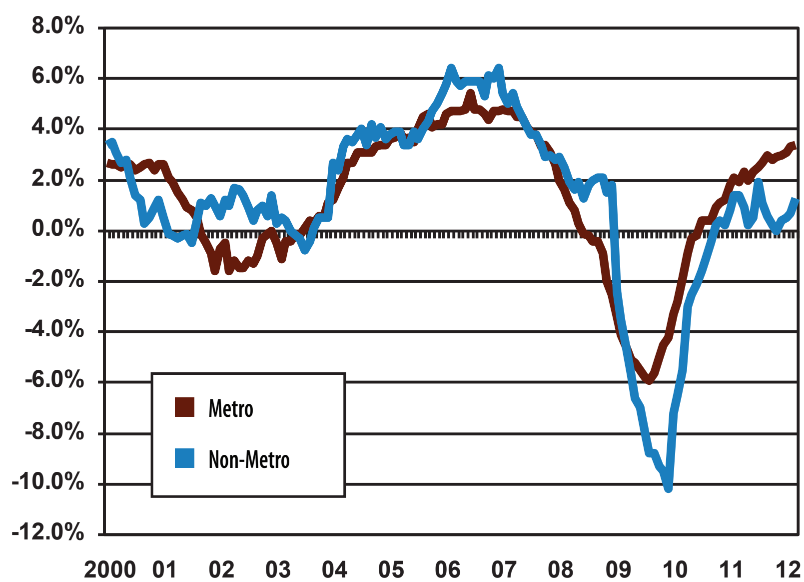
The story is much the same in Utah. The recession saw the loss of over 93,000 jobs. Since that low point in February 2010, the state has gathered back 59,000. So employment shortfalls linger, and the pace of recovery remains slower than other recessions.

But Utah is on the path to recovery. Employment data for the first three months of 2012 came in at a faster pace than preliminary estimates first suggested. Whereas preliminary estimates had employment growth rates around 2.5 percent, the actual revised growth rates came in around 3.0 percent. This represents an extra 10,000 jobs. Some of this first quarter surprise came because of warm winter weather, which allowed the construction industry to not slowdown as much as usual. But not all of the first-quarter gain can be attributed to this unusual seasonality. The Utah economy was picking up the pace.

Throughout all of 2011, revised employment counts were pretty much equal to the earlier preliminary estimates. First quarter 2012 is the first quarter in over a year in which the revised employment was actually "revised" from the preliminary estimates—in this case upward. This is generally a good sign and in times past has carried its "surprising" momentum forward for several quarters thereafter.

It is expected that the rate of Utah employment growth (around 3.0 percent for the first quarter) will not accelerate as we progress through 2012. This expectation comes from the slowdown and sluggish employment growth data at the national level. National employment estimates for the

Figure 6: Employment Change: Metro vs. Nonmetro Utah 2000–2012*



Source: Utah Department of Workforce Services Note: * Through 1st Q 2012

Metro includes Cache, Weber, Morgan, Davis, Tooele, Salt Lake, Summit, Utah, Juab, and Washington counties.

Statewide Economic Indicators Cont.

April-May-June period were disappointingly low. Utah's economy can perform at different levels (growth rates higher or lower) than the national economy, but it usually does not function in an inverse manner. When the national economy slows or stalls, the Utah economy generally also slows or stalls. When the national economy gathers steam, so does the Utah economy. Rarely do you see the national economy slow while the Utah economy picks up the pace. Their respective movements are usually correlated. Therefore, the slowing national economy is expected to bring a little slowing to the Utah economy as well.

Fortunately, it is not expected to slow by much, maybe half a percentage point or so. By early 2013 the growth rate is again expected to rise to around 3.0 percent, and will hopefully continue to rise thereafter. Utah's employment growth rate for all of 2012 is estimated to be 2.9 percent.

First quarter revised employment data displays how the construction industry has been impacted. Whereas throughout most of 2011 construction employment showed basically no growth (even as of December 2011), by March of 2012 construction employment was growing at 6.5 percent; from zero to 6.5 in three months—and it's not even the prime construction season! One has to assume it is just the result of a very mild winter this year that did not slow the construction industry as much as would otherwise be expected and that these growth rates will moderate in the succeeding months. But with the number of new dwelling units approved for construction running 25 percent higher in the first five months of the year than last year, one would expect that the construction industry will continue to post employment gains as the spring and summer months progress—probably just not as strong as the first quarter.

Employment growth in Utah is currently more metropolitan-centered than rural (Figure 6). But in the early stages of economic recovery, this metropolitan-heavy growth is common. It usually takes a while for the state's economic rebounds to trickle down from metropolitan areas. Conversely, the economic slowdowns can happen quicker in metropolitan areas and show more delay in reaching rural areas. Currently, metropolitan counties are growing at a combined growth rate close to 3.5 percent. The rural areas are growing at a more modest 1.0 percent rate.

The rural area's employment picture would be even softer if not for the ongoing oil and gas boom in the Uintah Basin. Duchesne and Uintah counties have employment growth rates of 14.0 percent and 7.0 percent respectively. These help to counter significant employment losses in other counties, like Box Elder (-4.4 percent) and Carbon (-3.1 percent).

The current employment growth is being driven by the private sector. The private sector makes up 82 percent of all Utah employment, so as the private sector goes, so goes the overall Utah economy. Government (federal, state, local) is the non-private portion, and it is generally a stable employment industry in Utah as can be seen in Figure 7. Most of this stability comes from government emphasis upon education, from the K–12 level through much of the state's higher education.

The relative stability of government employment can act as a moderator upon the private sector in both directions. For example, the sharp decline in private sector employment into 2009 and 2010 approached 8.0 percent. The modest amount of government growth at the same time helped to moderate the overall Utah employment loss to 7.0 percent. In the current environment, private sector employment is moving along at a 4.0-percent pace and rising. But government's modest 1.0-percent growth is low enough to temper the overall Utah employment growth to 3.0 percent.

Could the Utah labor force be starting its long road back to recovery? The employment-to-population (EP) ratio tracks the number of people working to the total number of working-age men and women (Figure 8), currently at 62.7 percent in Utah. This is up from 62.2 percent as recently as August 2011. That level was the lowest since the early 1980's, when women had not yet entered the labor force in significant numbers. EP's high point was January 2007 when it topped out at 70.9 percent. From 1993 to the start of the Great Recession, a span of 15 years, the EP ratio was consistently between 68.5 to 70.5 percent (some slowing during the dot.com recession of early 2000s). But the Great Recession and its consequences produced a swift and marked decline in the EP ratio. This is more a cyclical change than a structural one, so the EP ratio is anticipated to eventually bounce back to the 68-percent range. But that will take several years and a lot of employment growth to achieve. With the amount of new entrants overwhelming the number of retirees in Utah (even with the retiring of Baby Boomers), Utah will have to return to a high EP ratio for a healthy labor-force-to-work ratio. The rebound in employment growth is beginning, and the recent upswing in the EP ratio suggests that the road to recovery is underway.

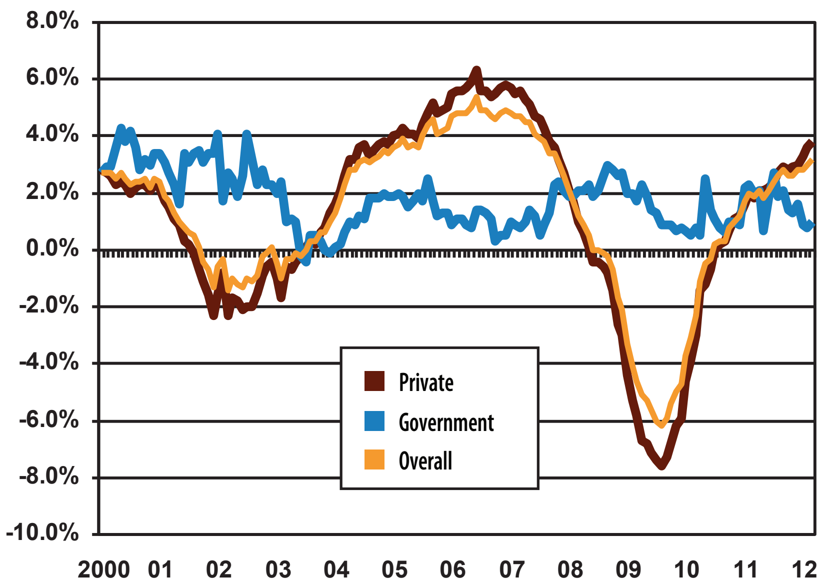
The amount of new unemployment insurance filings in Utah has significantly decreased. These act as an indicator of the amount of job deterioration in the economy.

The labor market is in constant churn—jobs are lost, jobs are gained. The net flow is the overall growth or contraction of the economy. Unemployment filings are a way to gauge the job-loss side. Claims activity is still above pre-recession levels, but throughout this year they have been consistently below the weekly levels of the past four years, signaling that the economy is finished aggressively shedding jobs. Not all job losses turn into unemployment insurance filings, but unemployment insurance filings do act as a reliable economic indicator, and the current levels are relatively neutral.

Overall, the Utah economy is rebounding from its recessionary setback. Job growth is moving upward, and the long path to recovery is underway.

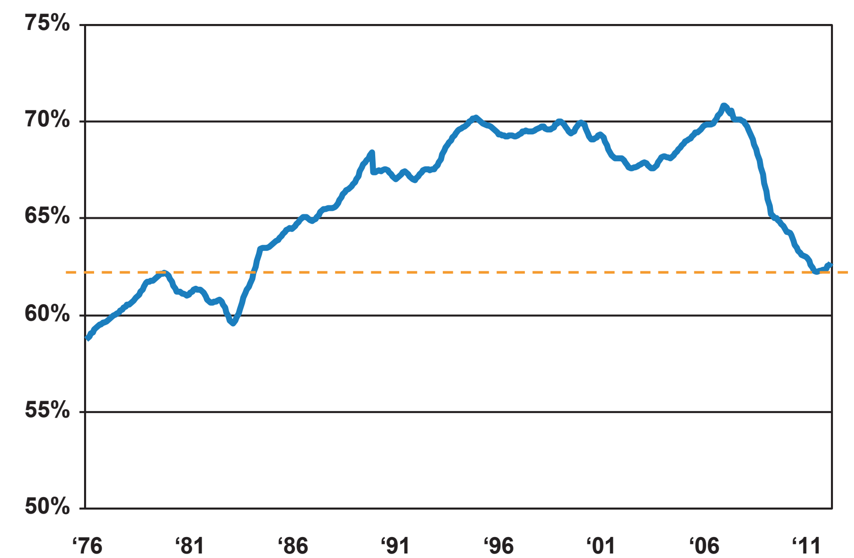
Good news: Utah's economy is recovering from the recession.

Figure 7: Utah Employment Growth: Private Sector vs. Government 2000–2012*



Source: Utah Department of Workforce Services Note: * Through 1st Q 2012

Figure 8: Utah Employment-to-Population Ratio 1976–2012



Source: U.S. Bureau of Labor Statistics; LAUS: June 2012
LAUS = Local Area Unemployment Statistics

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Economic Analysis

BY MELAUNI JENSEN

To safeguard the economy against short-term losses and help individuals who have lost their income because of a layoff, Utah enacted the first unemployment compensation law on August 29, 1936. On September 15 of that same year, the state received approval under the Social Security Act to administer unemployment insurance funds. The Department of Workforce Services is the administrator of the Unemployment Insurance Benefits program (commonly called UI) for Utah. Through this program, DWS collects contributions, determines eligibility, takes claims and pays benefits to unemployed workers.

Where does the money come from? In order to entice states to endorse some sort of program to help the unemployed, the federal government gave a tax incentive to employers in industrial and commercial industries who have eight or more employees working for at least 20 weeks in a calendar year. Through both the Social Security Act, which authorizes the use of grants toward states, and the Federal Unemployment Tax Act, which pays a portion of the cost for each state, funds are collected by DWS and kept in a trust fund account from which DWS can withdraw at any time and use exclusively for this program.

To be eligible for these benefits, unemployed workers must meet certain criteria as defined by DWS and then they will receive an amount based on their earnings over a recent 52-week period. To keep these temporary benefits, they must actively search for work each week and document their searches. They are also offered free workshops and other resources to help in their efforts to obtain employment.

In 1970, due to a significant economic downturn in the late 1960s, an extended benefits program was developed between the federal government and the states to allow those who had exhausted their regular benefits to continue receiving benefits for an extended period of time. If the unemployment rate continued to be above 5 percent for more than 13 weeks, an eligible recipient was given extended benefits. By 1992, the states were given the option of taking on an additional formula that would trigger extended benefits. Today, extended benefits may be paid in Utah, provided that the state is in an extended benefit period as defined by the law and other requirements. This federal and state partnership and the rules and regulations are all intended to stabilize the economy and encourage employers to keep skilled labor and offer steadier employment.

As much as we would like to be rid of unemployment, it is a part of life. Even in the best of times, there will be individuals who are employable without a job for many different reasons. Over the years as the economy has changed, the Unemployment Insurance Benefits program has also changed the duration of benefits, qualifications, employers who are subject to the tax and requirements. More changes are likely to happen in the future as we face new challenges and learn new processes, all in an effort to help stabilize the economy.