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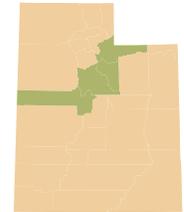
An economic and labor market analysis of the Mountainland Area

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Recipients of Unemployment Benefits

and the Recession



BY JAMES ROBSON, ECONOMIST

In 2007, prior to the onset of the Great Recession, the unemployment rate began to increase in most communities across our nation. This was certainly true in Utah and the Mountainland counties (Utah, Summit, Wasatch and Juab). In mid-2007 the jobless rate in Mountainland was about 2.5 percent, which is considered an unemployment rate well beyond full employment. In any economy, no matter how strong and vibrant, there will always be measureable joblessness as people move in and out of the labor market and there is an imperfect match between those looking for work and employers.

As the economy began to slow with the deflating of what we now clearly

know was a major housing bubble, unemployment began to pick up gradually, with the national economy sliding into recession. In July 2008, eight months into the recession, joblessness was 3.2 percent for the Mountainland region, still considered favorably low. Then in August and September 2008 and proceeding into the winter months, the national and international financial systems fell into disarray, credit was unavailable and businesses in virtually all industries were shedding jobs. Job losses and increases in the number of unemployed workers occurred throughout 2009 so that by November the Mountainland unemployment rate had peaked at 8.2 percent.

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Utah County employment opportunities are expanding in all but 2 of 17 major industrial sectors.

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Though the details of Unemployment Insurance have changed over time, the goal has always been to help protect individuals and the economy.

Figure 1: Claimants by Age Group and Gender

Age Group	Female	Male	Total
16 to 19	2.4%	1.8%	2.0%
20 to 24	17.7%	14.5%	15.5%
25 to 34	29.4%	35.1%	33.5%
35 to 44	20.5%	22.2%	21.7%
45 to 54	18.9%	16.3%	17.1%
55 to 64	9.7%	8.7%	9.0%
65+	1.4%	1.3%	1.3%
	100%	100%	100%





Recipients of Unemployment Benefits Cont.

While the recession officially ended in July 2009, as the economy ever so slowly began to rebound, jobless rates for Mountainland Counties did not start to subside from their November 2009 peak until May 2010. The economy nationally and in Utah has been growing for the past three years as we have now passed through the summer of 2012, but the rate of expansion has been somewhat erratic and relatively sluggish. The labor market has gradually improved, but many are still left wanting more and better employment opportunities.

By the end of 2011, unemployment had declined to 5.7 percent in the Mountainland region. During the first half of 2012—even with job growth in Mountainland between 3 and 4 percent—unemployment rates have been essentially unchanged within a range of 5.7 to 5.9 percent.

Viewing the Recession through UI Data

To assess the impact of job losses and profile unemployment during the worst part of the recession and the relatively slow economic recovery, Workforce Services has extracted a data set of all those who filed for unemployment insurance benefits and received payments during 2009 and 2010. Using the department's Unemployment Insurance (UI) program's administrative information, we can look back to 2008 to determine the payroll wages by industry received by these individuals prior to their bout of unemployment and the length of their unemployment and look forward to the present time to answer questions about their re-employment.

This analysis deals with the jobless who qualify for unemployment benefits,

Figure 2: Claimants that Exhausted their Benefits

Weeks of UI Payments	Number of Claimants	Percent of Total
1 to 13	765	10.5%
14 to 26	2,057	28.3%
27 to 39	1,851	25.5%
40 to 52	999	13.7%
53 to 65	796	11.0%
66 to 76	799	11.0%
Total	7,267	100.0%

admittedly a subset of the total unemployed, but it is a ready-made and available data set. New labor force entrants, the self-employed or those who are released from a job with cause (such as lack of performance) do not qualify for unemployment benefits and are not part of this study. In summary, this analysis consists of individuals who started a new UI claim and received payments in 2009 or 2010, ending this episode of UI by the end of 2010. Anyone still collecting UI into 2011 was excluded because one important purpose of the analysis was to have a full year to examine payroll wage records after they stopped receiving UI benefits to see what happened to them relative to re-employment.

It should be noted that the data set used in this analysis was extracted with no personal identifying information. Names, addresses, identification numbers or place of work were never part of the study data set. Actual individuals cannot be identified by the researchers or the results of this analysis.

There were about 18,500 UI claimants in the four Mountainland counties. Of the total claimants, 82.0 percent lived in Utah

County, 10.0 percent in Summit County, 5.7 percent in Wasatch County and 2.3 in percent Juab County.

Claimants by Gender and Age

Of the 18,500 UI claimants, 60.6 percent were male. Overall, we know from other survey data that the labor force in Mountainland is 54.8 percent male and 45.2 percent female. The claimant data suggests that during the study period men were more heavily impacted by unemployment than women. This result is in line with the larger job losses suffered in industries that have high concentrations of male workers, such as construction.

An age versus gender comparison of UI claimants in Mountainland (see Figure 1) clearly shows a higher degree of employment loss occurred in the 25- to 34-year-old age group and an even greater degree among men at 35.1 percent of total male claimants (compared to 29.4 percent of total female claimants). For the entire labor force, 28.4 percent of men and 22.9 percent of women fall into the 25- to 34-year-old age group. The data suggest that job declines

Figure 3: For Claimants who Exhausted their Benefits, Income Distribution One Year Before and One Year After Receiving Weekly UI Payments

Annual Wages Dollars	Income Distribution Before		Income Distribution After	
	Count	Percent	Count	Percent
0	12	0%	1,751	24%
1 to 1,000	8	0%	297	4%
1,001 to 5,000	222	3%	772	11%
5,001 to 10,000	718	10%	872	12%
10,001 to 20,000	1,967	27%	1,544	21%
20,001 to 30,000	1,744	24%	1,008	14%
30,001 to 40,000	1,195	16%	535	7%
40,001 to 55,000	788	11%	322	4%
55,001 to 75,000	386	5%	131	2%
75,001 to 100,000	164	2%	60	1%
100,001 to 150,000	79	1%	13	0%
150,001 to 200,000	17	0%	4	0%
More than \$200k	9	0%	-	0%
Total	7,309	100%	7,309	100%

in 2009 and 2010 fell more heavily on younger workers 25 to 34, especially men, relative to their presence in the labor market.

Long Term Unemployed

One of the characteristics of the Great Recession and its aftermath has been a marked increase in the number of long-term unemployed who have found it difficult to regain employment. Normally, the maximum number of benefit weeks for which an unemployed person can qualify is 26, essentially six months. Various federal extensions passed by Congress increased the possible benefit weeks in Utah by 50 additional weeks (almost one year) so that someone with a sufficiently good employment history claiming unemployment during the study period could qualify for 76 weeks of unemployment benefits, or about two weeks short of a year and one half. Because of differences in qualifications, particularly employment history, many Utah claimants exhaust their benefits well short of 76 weeks.

During the study time frame, 7,267 individuals in Mountainland counties exhausted their unemployment benefits, or 39.3 percent of claimants. Figure 2 shows a distribution of how many weekly payments someone received before they exhausted their benefits. Among those who exhausted their benefits, almost 64.3 percent received less than 40 weeks of UI benefits. For exhautees, 799 or 11 percent reached the final category, 66 to 76 weeks, before benefits ran out.

As would be expected, individuals who are jobless and receiving UI benefits are ostensibly looking for work each week they receive an unemployment benefit payment. Once their benefits end, they may continue their payroll job search for a considerable time before gaining a job, they may drop out of the labor force (discontinue seeking work) or they may become self-employed. In any case, the data from this study shows a pronounced drop in income for the exhautee population the year following the end of their employment benefits compared to the year prior to collecting and exhausting their benefits (see Figure 3). One year after their last unemployment check, 24.0 percent had no payroll income, and an additional 14.7 percent had less than \$5,001 dollars of payroll income.

Figure 4: Claimants by Age Group and Benefit Status

Age	Ended UI with Remaining Benefits	Exhausted UI Benefits
16 to 19	67%	 33%
20 to 24	62%	 38%
25 to 34	62%	 38%
35 to 44	63%	 37%
45 to 54	59%	 41%
55 to 64	55%	 45%
65+	42%	 58%



Recipients of Unemployment Benefits Cont.

Please note the emphasis on payroll income: we do not know how much, if any, self-employment income these individuals might have had.

The median payroll income of exhaustees the year prior to their period of unemployment was \$23,951, dropping 59.3 percent to \$9,758 the year after UI benefits were finished. Once again, remember that self-employment income is not included in either year, pre- or post-UI benefits.

Returning to the entire data set for the Mountainland counties we can compare the age distribution of those who did not exhaust their UI benefits with those who did (Figure 4). As age increases, so does the percentage of workers who exhaust their benefits. This information compliments other labor force statistics indicating that older workers who lost a job in this recession have a tendency to stay unemployed longer before finding work. Not only have people stayed unemployed longer as a result of the severity of the Great Recession, UI data also indicates that when they do return they often earn considerably less than they did before.

Pre- and Post-Industry

During the year after ending unemployment benefits, for every 100 claimants, 86 had a payroll job with wages (see Figure 5). Of these, 43 were employed in the same major industry group. Finally, 14 out of 100 still did not have a job. Most of those who worked in a different industry (9.9 percent) changed to administrative services. This industry includes temporary employment services, which explains why so many people were included. Of additional interest, while the construction industry was the hardest hit with job cuts during 2008 and 2009, it had the highest percent (61.4) of claimants returning to that industry after their period of unemployment. The second highest return rate was in manufacturing at 53.1 percent.

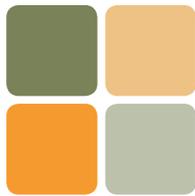
Conclusion

By evaluating the UI administrative data, we are able to quantify some of the hardship, career disruption, loss of income and subsequent re-employment of many who were caught up in the turmoil of the Great Recession. Currently, negative effects of the recession still linger for many across Utah. Fortunately, Utah's rate of job expansion in 2012 is above 3.0 percent

on a year-over basis. In past years, this growth rate would be about average and seem pretty good compared to the 1.3 percent national growth rate. However, the economic damage, accumulated high unemployment/underemployment and slow recovery of the past two years will necessitate growth rates above average before the labor market will have recovered from this last recession. ■

Figure 5: Comparison of Claimants' Industry Before and After Receiving Unemployment Benefits

Industry Prior to Unemployment	Industry of First Job within One Year After End of Unemployment			
	Same Industry	Admin/Waste*	Other Industry	No Job
Mining	32%	8%	31%	29%
Utilities	25%	0%	44%	31%
Construction	61%	10%	18%	11%
Manufacturing	53%	14%	22%	11%
Wholesale Trade	18%	15%	48%	18%
Retail Trade	35%	13%	35%	16%
Transportation/Warehousing	40%	13%	33%	14%
Information	17%	16%	44%	23%
Finance/Insurance	25%	16%	38%	21%
Real Estate/Rental	19%	9%	56%	16%
Professional/Sci/Tech	25%	17%	39%	19%
Headquarters	12%	15%	58%	15%
Administrative/Waste Services*	39%	0%	47%	14%
Private Education	33%	14%	36%	18%
Healthcare/Social Services	46%	9%	28%	17%
Arts/Entertainment/Recreation	63%	4%	26%	7%
Accommodation/Food	53%	7%	29%	11%
Other Services	27%	10%	45%	18%
Government	27%	11%	48%	15%
Average for All Industries	43%	10%	33%	14%



Economic Indicators

BY JAMES ROBSON, ECONOMIST

Jobs Milestone by Year's End

The Mountainland economy continues through the expansion phase of economic recovery. Labor market conditions are improving with job, income and business growth. In 2011, payroll job growth increased, ending in December with a year-to-year rate above 4 percent. At the beginning of 2012, employment growth has strengthened further in Mountainland and then moderated somewhat on a year-over basis to between 3 and 4 percent during the late spring and summer.

Unemployment has subsided from the recessionary peak of 8.2 percent in the region at the beginning of 2010 to about 5.8 percent during the summer of 2012. There are still some lingering negative effects from the Great Recession with a lack of new residential construction activity, but overall healthy job growth and an improving labor market characterize economic conditions in each Mountainland county.

Utah County

The unemployment rate in Utah County peaked in the early spring of 2010 at 8.1 percent, with 18,100 residents who could not find work. By the summer of 2012 the unemployment rate had moderated to around 5.8 percent with about 12,700 unemployed workers. Initial claims for unemployment benefits, while still above the incredibly low levels seen prior to the recession, are at their lowest levels in four years, averaging 217 per week in the second quarter of 2012.

The improvement and expansion in the Utah County labor market during the past years or so has been reflected quite well in the gross taxable sales figures. For each quarter in 2011, Utah County year-over

sales tax collections have been positive. The first quarter 2012 year-over increase was 11 percent, the same as fourth quarter 2011.

By the end of March 2012, payroll jobs were increasing by 4.5 percent over the previous 12 months, with 7,924 more payroll jobs than were recorded in March 2011. Employment opportunities were expanding in all but 2 of 17 major industrial sectors (see Figure 6). The largest percent increase in jobs occurred in construction at 14.2 percent, adding 1,311 jobs over the previous twelve months. The I-15 interstate rebuild, the NSA data center project and other commercial and industrial building construction provided the impetus for this strength in construction. The industry with the largest number of new jobs, private education, added 1,544 increasing by 7.0 percent. Trade followed, increasing by 853 jobs, a 3.2 percent increase and leisure/hospitality expanded 6.2 percent providing 828 net new jobs. The two industry sectors whose payrolls declined were federal and local government, which together shed 59 jobs from March 2011 to March 2012.

Summit County

In 2011, Summit was the third most robust county economy in Utah, behind the energy rich Uintah basin counties of Duchesne and Uintah. Year-over growth in jobs occurred in most industry sectors throughout 2011 with a rate at year's end of 6.9 percent in payroll employment, adding 1,654 jobs. The increase was propelled by leisure and hospitality jobs, which had strong growth all year with the additional help of an early start to the ski season. Another bright spot for the Summit economy was manufacturing, which grew by 27.9 percent, or 191 new jobs. Healthcare/social services ended 2011 by expanding 9.0 percent with 80 new jobs.

After ending unemployment benefits, 86 of 100 claimants had a payroll job with wages (see Figure 5). Of these, 43 were employed in the same major industry group, while 14 out of 100 still did not have a job.

In the first quarter of 2012, while continuing to grow, the Summit County labor market has slowed since the rapid pace of expansion seen in 2011. Total payroll employment grew by 1.7 percent in March 2012 compared to the high level achieved the year before. Professional/scientific/technical services increased by 141 jobs and healthcare grew by 122 jobs over the past twelve months (Figure 6). One industry had a significant loss of 89 jobs on a year-over basis, with financial activities declining by 5 percent.

The jobless rate topped out at 8 percent in November 2009 as a result of the recession. It has since receded to about 5.5 percent by the summer of 2012. Initial claims for unemployment benefits are at their lowest levels in four years, averaging 68 per week in the second quarter of 2012.

Wasatch County

2011 was a mixed bag in terms of job growth as there were as many industries showing job losses as those showing job gains. On average in 2011, employment

increased by 141 jobs or 2.4 percent over 2010. Most of this occurred in retail trade with the opening of Wal-Mart in Heber Valley. This large employment boost has carried forward into 2012. March 2012 retail trade employment is up by 22.3 percent year-over.

The new competitive retail environment is producing some job losses for other retailers and may also attract other retailers into the area. It may be some time before this adjustment process is complete.

Figure 6: Payroll Job Change from March 2011–March 2012 by Industry

	Utah County		Summit County		Wasatch County		Juab County	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Private Education	1,544	7.0%	18	5.2%	6	10.2%	d	d
Construction	1,311	14.2%	6	0.7%	78	13.2%	-2	-0.9%
Trade	853	3.2%	72	2.0%	196	23.8%	13	4.6%
Leisure/Hospitality	828	6.2%	45	0.4%	-77	-7.4%	1	0.4%
Healthcare/Social Services	726	3.7%	122	13.9%	28	5.9%	39	9.6%
Manufacturing	648	4.2%	77	10.3%	-40	-18.7%	-24	-3.8%
State Government	510	7.1%	-4	-2.5%	5	3.1%	1	2.1%
Information	456	5.7%	1	0.4%	13	14.1%	d	d
Prof/Sci/Tech/HQ*	392	3.0%	141	17.5%	1	0.5%	-14	-10.4%
Admin Support/Waste**	325	3.4%	-17	-2.4%	51	18.3%	-6	-28.6%
Financial Activities	170	2.9%	-89	-5.0%	22	7.6%	4	6.9%
Other Private Services	91	2.2%	21	3.7%	-2	-1.2%	0	0.0%
Mining	65	116.1%	26	50.0%	-42	-82.4%	-32	-40.0%
Transportation/Warehousing	53	2.3%	-5	-1.2%	17	18.5%	3	10.3%
Utilities	14	4.8%	-3	-6.1%	-3	-11.5%	d	d
Federal Government	-24	-2.6%	-5	-8.9%	-2	-4.9%	7	29.2%
Local Government	-35	-0.2%	14	0.6%	26	2.4%	-15	-2.1%
Total	7,924	4.5%	415	1.7%	275	4.8%	-24	-0.8%

*Prof/Sci/Tech/HQ -- Professional/Scientific/Technical Services and Management of Companies (Headquarters).

**Admin Support/Waste -- Administration and Support/Waste/Remediation Services.

The areas of biggest concern for Wasatch County during the first part of 2012 are the leisure/hospitality industry, which lost 77 jobs relative to March 2011; mining industry, shedding 42 jobs; and manufacturing, decreasing by 40 jobs.

With the difficulties in these industries, the unemployment rate has been about 7.0 percent in 2012. During the recession, unemployment peaked in Wasatch County at 9.9 percent at the end of 2009 through the spring of 2010.

Juab County

During 2010, the Juab County labor market exhibited a very different pattern than was seen elsewhere in the Mountainland region and along the Wasatch Front. In Juab County, payroll employment returned close to levels seen in 2005. In 2010, average nonfarm jobs totaled 3,130 compared to 3,094 in 2005. During 2011, the county lost an additional 100 jobs or 3.2 percent to average 3,029 for the year. Two forces

have had a major impact on Juab County's economy in the intervening years between 2005 and 2011: first, the construction of the Current Creek Power Plant in Mona from 2006 through 2007, and second, the national and state recession.

The construction of the power plant had a large positive impact on jobs, incomes and economic activity. This activity provided considerable economic impetus in 2008 and blunted some of the recessionary impacts of 2009. In 2010, Juab experienced overall employment declines instead of the beginnings of renewed job growth that occurred in other counties of the region. The loss of economic momentum continued to plague the county economy in 2011.

In 2012, Juab continues to experience year-over job losses at around one percent. The goods-producing industries (mining, construction and manufacturing) and professional/business services have lost jobs, but healthcare, trade and transportation have recorded job gains.

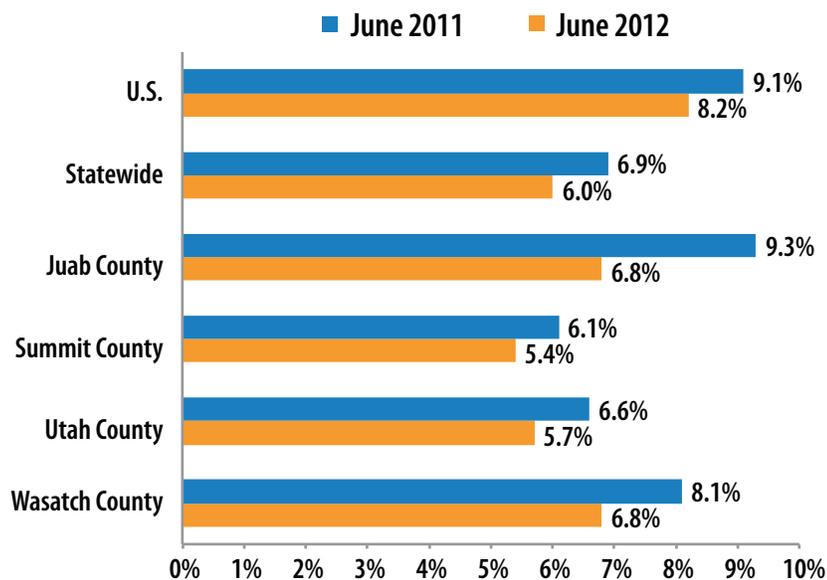
Outlook

Overall for Mountainland (Utah, Summit, Wasatch and Juab Counties), continuing job growth and a gradually improving labor market will characterize economic conditions through the end of 2012.

The improving labor market has brought down the unemployment rate to a stabilized 5.8 percent. Because of the considerable slack created in the labor market during the recession and subsequent relatively slow recovery, the unemployment rate will likely continue to range from 5.5 to 5.8 percent through the end of 2012.

The expected continuing employment growth above 3 percent should generate enough new payroll jobs by December 2012 to surpass the previous record number of jobs in December 2007 at the onset of the Great Recession. It will have taken five years to return to the previous employment peak. ■

Figure 7: Unemployment Rate Comparison with Mountainland Counties June 2011–June 2012



Source: Utah Department of Workforce Services.



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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.