

# local insights

wasatchfrontnorth

fall 2012

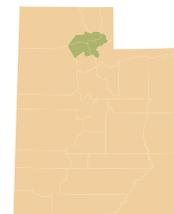
An economic and labor market analysis of the Wasatch Front North Area

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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 number of jobless workers and the unemployment rate began to increase in most communities across our nation. This was certainly true in Utah and in the Wasatch Front North (WFN) counties of Davis, Morgan and Weber. In mid-2007 the jobless rate in WFN was about 3.0 percent, a rate considered well beyond full employment. In any economy, no matter how strong and vibrant, there will always be measurable joblessness as people move in and out of the labor market and there is an imperfect match between the number of individuals looking for work and the employers who are hiring.

As the economy began to slow with the deflating of what we clearly now 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 3.5 percent for the WFN, 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 January 2010

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*The negative effects of the Great Recession can be seen in the ranks of the long-term unemployed.*

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*The year-over employment growth rates for Utah (3.0 percent) and Wasatch Front North (2.9 percent) are slowly getting better.*

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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	Female	Male	Total
16 to 19	2.3%	2.0%	2.1%
20 to 24	16.1%	14.5%	15.0%
25 to 34	29.7%	35.0%	33.4%
35 to 44	22.3%	21.6%	21.8%
45 to 54	19.6%	16.6%	17.6%
55 to 64	8.8%	8.7%	8.8%
65+	1.2%	1.4%	1.3%





## Recipients Cont.

the WFN unemployment rate had peaked at 8.7 percent.

While the recession officially ended in July 2009, as the economy ever so slowly began to rebound jobless rates continued to increase through the winter of 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.

At the end of 2011, unemployment had subsided to 6.6 percent in the WFN region. During the first half of 2012, even with job growth in Wasatch Front North at about 2.9 percent, the unemployment rates have been essentially unchanged within a range of 6.6 to 6.8 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 to answer questions about their re-employment.

Figure 2: Claimants Who Exhausted Their Benefits

Weeks of UI Payments	Number of Claimants	Percent of Total
1 to 13	616	8.4%
14 to 26	2,026	27.5%
27 to 39	1,784	24.2%
40 to 52	1,146	15.5%
53 to 65	925	12.5%
66 to 76	879	11.9%
<b>Total</b>	<b>7,376</b>	<b>100.0%</b>

This analysis deals with the jobless who qualify for unemployment benefits, admittedly a subset of the total unemployed, but it is a data set ready-made and available. 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 Unemployment Insurance (UI) claim and received payments in 2009 or 2010, ending this episode on 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 17,800 UI claimants in the

three WFN counties. Of the total claimants, 48.1 percent lived in Davis County, 1.3 percent in Morgan County and 50.6 percent in Weber County.

## Claimants by Gender and Age

Of the 17,800 UI claimants, a little over two-thirds, 68.3 percent, were male. Overall we know from other survey data that the labor force in the area 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, a result 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 WFN (see Figure 1) shows a higher degree of employment loss among 25- to 34-year-olds and an even greater degree among men at 35.0 percent of total male claimants (compared to 29.7 percent of total female claimants). Of the entire labor force, 25.9 percent of men and 24.0 percent of women are 25 to 34 years old. The data suggests that job declines in 2009 and 2010 fell more heavily on these younger workers

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

Annual Wages Dollars	Income Distribution Before		Income Distribution After	
	Count	Percent	Count	Percent
0	15	0%	1,786	24%
1 to 1,000	12	0%	393	5%
1,001 to 5,000	293	4%	807	11%
5,001 to 10,000	895	12%	927	12%
10,001 to 20,000	2,121	29%	1,618	22%
20,001 to 30,000	1,747	24%	957	13%
30,001 to 40,000	1,104	15%	507	7%
40,001 to 55,000	722	10%	281	4%
55,001 to 75,000	296	4%	95	1%
75,001 to 100,000	132	2%	36	0%
100,001 to 150,000	66	1%	11	0%
150,001 to 200,000	10	0%	1	0%
More than \$200k	7	0%	1	0%
<b>TOTAL</b>	<b>7,420</b>	<b>100%</b>	<b>7,309</b>	<b>100%</b>

**Figure 4: Claimants by Age Group and Benefit Status**

Age	Ended UI with Remaining Benefits	Exhausted UI Benefits
16 to 19	65%	35%
20 to 24	62%	38%
25 to 34	59%	41%
35 to 44	60%	40%
45 to 54	57%	43%
55 to 64	48%	52%
65+	47%	53%

relative to their presence in the labor market, especially for men.

### 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, as many were receiving extended benefits from the federal government. Normally, the maximum number of benefit weeks an unemployed person can qualify for 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 unemployment 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, 7,376 individuals in WFN counties exhausted their unemployment benefits, or 41 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 59 percent received less than 40 weeks of UI benefits. Of these, 879 or 12 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, their payroll job search could continue for a considerable time before gaining a job, they may drop out of the labor force (stop looking for work) or they may become self-employed. In any case, the data from this study shows a pronounced drop in income for the exhaustee population the year following the end of their employment benefits compared to the year prior to collecting



Recipients Cont.

and exhausting their benefits (see Figure 3). A year after their last unemployment check, 24.1 percent have no payroll income, and an additional 16.2 percent had less than \$5,001 dollars of payroll income. Please note the emphasis on payroll income, as we do not know how much if any self-employment income these individuals may have.

The median payroll income of exhaustees the year prior to their period of unemployment was \$21,860, dropping 59.7 percent to \$8,818 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 WFN 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, the UI data also indicates that when they do return they often earn considerably less income than 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 86, 44 were employed in the same major industry group. Finally, 13 out of 100 still did not have a job. Most of those who worked in a different industry (11 percent) changed to administrative services. This industry includes temporary employment services, which helps to explain 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 (64) of

claimants returning to that industry after their period of unemployment. The second highest return rate was manufacturing at 50 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. Nega-

tive effects of the recession still linger for many. 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 to be good compared to the 1.3 percent national growth rate. However, the economic damage, accumulated high unemployment and underemployment and slow recovery of past years necessitates growth rates above average before the labor market will recover.

**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%	17%	43%	8%
Utilities	42%	0%	42%	16%
Construction	65%	9%	17%	9%
Manufacturing	51%	15%	23%	12%
Wholesale Trade	25%	15%	44%	16%
Retail Trade	31%	15%	37%	17%
Transportation/Warehousing	46%	10%	29%	15%
Information	16%	17%	52%	15%
Finance/Insurance	28%	16%	43%	13%
Real Estate/Rental	21%	15%	51%	13%
Professional/Sci/Tech	27%	16%	39%	18%
Headquarters	0%	10%	71%	19%
Administrative/Waste Services*	44%	0%	43%	13%
Private Education	31%	11%	40%	18%
Healthcare/Social Services	46%	11%	27%	16%
Arts/Entertainment/Recreation	31%	12%	45%	11%
Accommodation/Food	35%	13%	36%	16%
Other Services	28%	11%	45%	16%
Government	44%	6%	33%	17%
<b>Average for All Industries</b>	<b>44%</b>	<b>11%</b>	<b>32%</b>	<b>13%</b>



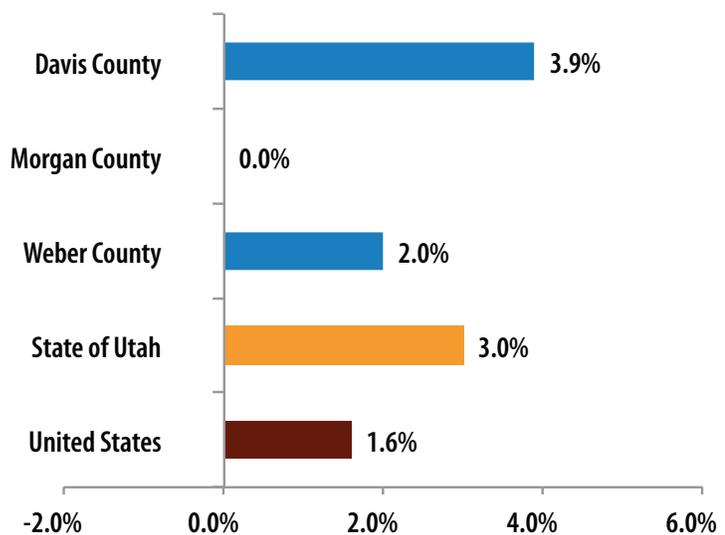
BY JOHN KRANTZ, ECONOMIST

Employment growth was strong in the Wasatch Front North (WFN) Economic Service Area (ESA) for the first quarter of 2012. Utah posted a 3.0 percent year-over employment growth rate for nonfarm wage and salary workers in the first quarter, and WFN was close behind at 2.9 percent. Although total employment as a whole is still slightly below the peak reached in the closing months of 2007, by the end of this year the ESA is projected to equal the annual average employment of 2007, the pre-recession peak year. As Figure 6 reveals, Davis County was the best performing county in this service area and accounted for roughly 70 percent of the jobs created in WFN. Weber County created jobs at a rate higher than the national average, but is still growing at a rate significantly below that of Davis County and Utah. Morgan County, which accounts for less than one percent of employment in the ESA, has shown essentially no change in employment from January 2011 through March 2012.

All of the WFN counties had lower rates of unemployment than the nation in June, illustrated in Figure 7. The seasonally adjusted unemployment rate for the region is 6.2 percent, which places it just slightly higher than Utah's 6.0 percent average and considerably lower than the 8.2 percent national average.

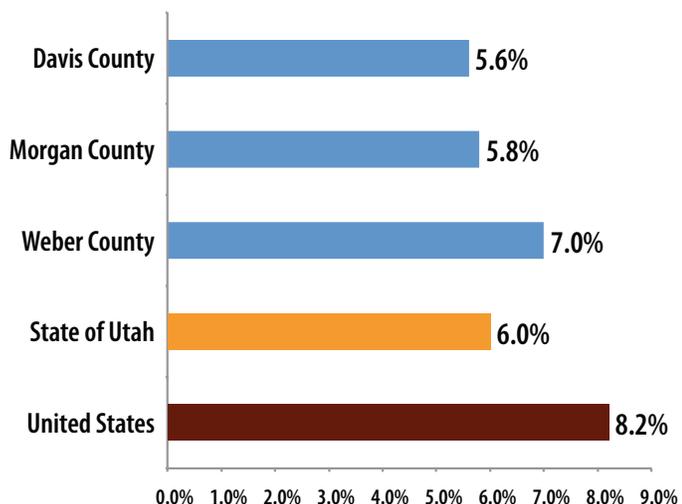
Construction permit data suggests that residential construction is gaining some traction along WFN, but non-residential construction continues to fall behind. The number of permitted dwelling units in the region is up by 103 percent and new residential construction value is up by roughly 21 percent through April (year-to-date). At the same time, total construction value (residential and non-residential) is still down by 15 percent from one year ago.

Figure 6: Year-Over Employment Growth First Quarter 2012



Sources: Utah Department of Workforce Services and the Bureau of Labor Statistics

Figure 7: Unemployment Rates June 2012



Sources: Utah Department of Workforce Services and the Bureau of Labor Statistics

Economic Indicators  
Cont.

Initial unemployment insurance claims continue to exhibit a steady downward trend. The WFN region reached a peak of 612 initial claims per week (seasonally adjusted) in mid-April 2009 and has seen that number decline to 362 as of the end of June this year. While this represents a 41 percent drop over the three year period, initial claims are still roughly 51 percent higher at the end of June 2012 as compared to January 2006.

Taxable sales for the first quarter of 2012 were up by 7.2 percent for WFN as compared to 2011. The reduction in consumption spending resulting from the Great Recession caused taxable sales to drop by roughly 10 percent from the fourth quarter of 2007 to the third quarter of 2010. Since then, the region has seen six quarters of consecutive growth in taxable sales. However, taxable sales are still about 3.3 percent lower than the pre-recession level.

**Davis County**

Davis County continues to demonstrate very strong employment growth and is responsible for the majority of economic growth within the area. While the WFN region is still slightly below pre-recession levels of employment, Davis County employment is currently at an all-time high, roughly 4.0 percent higher than the previous peak attained in January 2008.

A total of 3,906 new positions were created as of the first quarter of 2012 and 82 percent of those jobs came from five industry sectors. Among the goods producing sectors, manufacturing produced 1,244 new jobs, while construction added 439 new jobs. Construction grew by 6.9 percent in the first quarter and it is expected to grow by roughly 5.0 percent throughout the year. Manufacturing employment grew by an

impressive 13.5 percent in the first quarter, but this rate of growth is not expected to continue. With Davis County's level of manufacturing now being nearly back to the pre-recessionary level, it is reasonable to expect a rate of employment growth between 1.5 and 1.7 percent as occurred between 2002 and 2005.

In the service sector of the economy, retail trade accounted for the second largest number of jobs at 788. Retail trade is expected to add jobs at a growth rate of roughly 3.5 percent on average throughout the year. The fourth and fifth highest numbers of jobs created were in the healthcare sector (417 jobs) and the education sector (323 jobs). The first quarter growth rates for healthcare and education were 3.8 and 3.2 percent, respectively, and they are expected to grow at those rates throughout the remainder of the year.

As for other economic indicators, construction permit data shows dwelling units up 151 percent and residential

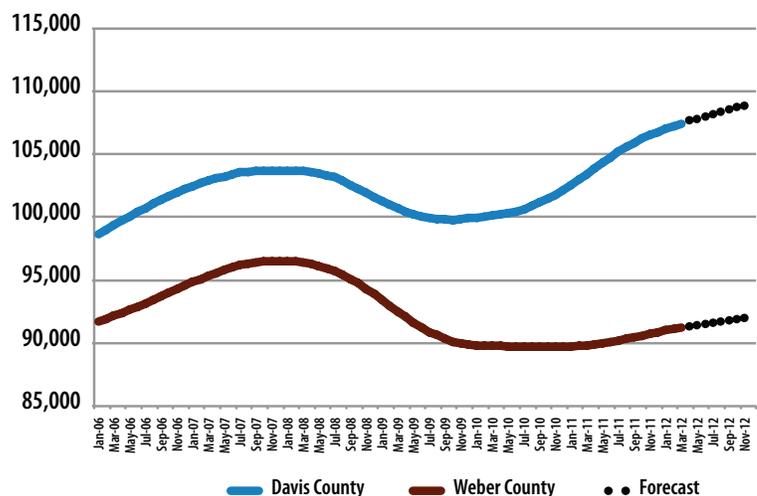
construction value up 35 percent through April (year-to-date). Nevertheless, total construction value is still below 2011 levels. Taxable sales, on the other hand, grew by 9.2 percent in the first quarter of this year, which is just slightly higher than the state average of 9.1 percent. Yet, taxable sales have not fully returned to the peak achieved in the fourth quarter of 2007.

**Weber County**

Compared to Davis County and the statewide average, Weber County's employment growth is sluggish. While Davis County is setting new highs in employment, Weber County is still roughly 5.4 percent below the highest level of employment it reached in October 2007. Nevertheless, employment in the county is trending upward and is expected to continue growing throughout the year, albeit at a lower rate than the statewide average.

Weber County has added 1,754 jobs as of the first quarter compared to a year ago and nearly all of them came from five industry

Figure 8: Seasonally Adjusted Employment Forecasts



Source: Utah Department of Workforce Services

sectors. Construction added the second-most jobs of any sector with 420, and manufacturing created 184 for the fifth-most jobs among the major sectors. The growth rate for construction employment was 10.9 percent in the first quarter and is expected to be above 6.0 percent on average through the rest of the year, possibly maintaining an average as high as 8.5 percent. Manufacturing, on the other hand, grew by only 1.6 percent and is not expected to grow significantly for the rest of 2012.

The leading job producer among the service industry sectors was the administrative, support and waste remediation sector (NAICS 56). This sector grew by 13.8 percent through the first quarter of this year and added 709 jobs. The sector is expected to continue growing at a rate of over 6.0 percent through 2012. The third-highest job creator was the food and accommodations sector with 202 jobs and the fifth-highest was retail trade with 165 jobs. While food and accommodations employment is expected to continue growing by 1.3 to 2.3 percent during 2012, employment in retail trade is not expected to show any significant growth.

The other economic indicators for the county suggest that the climb out of the recession continues to be slow for Weber County. Taxable sales grew by 4.9 percent in the first quarter of this year, which is much lower than the state average of 9.1 percent. However, the level of taxable sales is still roughly 5.5 percent below the pre-recession level. Construction permit data through April of this year shows that construction activity is still weak as total construction value is down by 31 percent compared to 2011.

### Morgan County

Job losses in Morgan County appear to have ceased after a long decline from peak-level

employment reached in the middle of 2007. From July 2007 to March 2012, roughly 190 jobs have been lost, which amounts to a 10.2 percent contraction of total employment. Most of these losses have come from the construction industry, which is down roughly 165 jobs since the high that was reached in October of 2007. With residential construction value up 180 percent as of April year-to-date and construction employment showing an upward trend, construction employment is expected to show some gains through the rest of the year, though, not much job growth is expected for the county.

### Outlook

The WFN region began the year with remarkably strong employment growth. The year-over growth rate for the first quarter was a solid 2.9 percent. However, this level of employment growth is not expected to continue through the end of the year. The most recent Current Employment Statistics data for the Ogden-Clearfield MSA taken in conjunction with several forecasts suggest that the growth rate has likely reached a peak and that the growth rate will fall to a slightly lower level for the remainder of the year. Barring any major negative economic events, annual average employment in the WFN region is expected to be 2.4 percent higher in 2012 as compared to 2011.

The majority of the expected employment growth in the WFN region will occur in Davis County. Annual average employment in Davis County for 2012 is expected to grow by 2.8 to 3.0 percent as compared to 2011, while employment growth in Weber County is expected to grow by only 1.6 to 1.8 percent. Figure 8 shows the seasonally adjusted employment forecasts through December 2012, which are based on the more conservative annual average growth rates of 2.8 and 1.6 percent for Davis and Weber counties, respectively. ■

**Davis County's  
employment  
growth is  
expected to  
be higher than  
Weber County's  
growth for 2012.**



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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.