

# local insights



An economic and labor market analysis of the Southwest Utah Area

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## What Do We Know About the Recent Recession's Long-Term Unemployed? *Tracking Unemployment Insurance Claimants in Southwest Utah*



BY LECIA PARKS LANGSTON,  
ECONOMIST

Workers receiving unemployment insurance benefits comprise only about 30 percent of the total unemployed portion of the labor force in southwestern Utah. The other 70 percent includes individuals who didn't qualify for benefits, those who have exhausted their benefits and those joining or re-entering the labor market. In addition, workers often find part-time work or temporary work while intermittently drawing unemployment insurance. Individuals receiving unemployment benefits have

maintained strong ties to the labor market. For example, to establish a "benefit year" for unemployment insurance, a worker must meet minimum weeks-worked and earnings criteria. The following describes a study using administrative unemployment insurance data to examine the long-term unemployed in southwestern Utah. The long-term claimants in this study include those filing a first-time claim for regular unemployment insurance benefits between 2009 and 2010, who:

- Received benefits for at least 20 weeks (the approximate average duration for regular benefits)

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*Unemployment Insurance claimant demographic information paints a picture of the characteristics of the unemployed during the recent recession.*

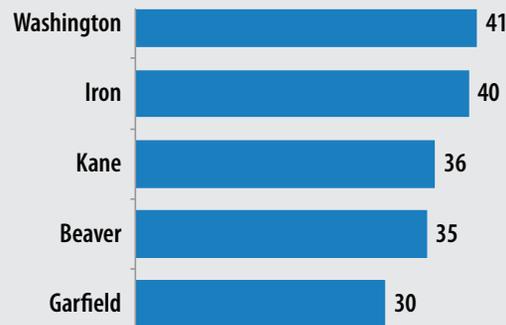
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*While some counties in southwestern Utah are back in the employment-creating groove, others struggle towards recovery.*

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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: Average Number of Weeks Paid to Long-Term Unemployment Insurance Claimants\*



\* See article for definition.  
Source: Utah Department of Workforce Services.

- Ceased filing unemployment claims for at least three months
- Lived in Beaver, Garfield, Iron, Kane or Washington counties

In non-recessionary periods, a claimant can receive a maximum number of 26 weeks of full benefits during a one-year period.





## What Do We Know... Cont.

However, because of the economic slump, extended weeks of benefits were available during the study period.

### The Demographics of Long-Term Unemployment Claimants

**General**—Roughly 3,100 individuals met the criteria for long-term claimants in the five counties covered by this study. A total of 4,200 workers received fewer than 20 weeks of payments. On average, a long-term claimant received 40 weeks (roughly nine months) of benefits with an average weekly benefit amount of \$283. Claimants with the longest spate of unemployment drew 84 weeks of benefits and the highest benefit amount paid equaled \$451. The average southwest-Utah long-term claimants who returned to a job covered by unemployment insurance laws in Utah experienced a \$6,700 drop in earnings after the first four quarters of work compared to 2008.

**Area**—Because of its large share of the labor force in this area, Washington County workers dominate the data set. Almost 70 percent of long-term claimants lived in Washington County. Not surprisingly, Iron County contributed the next largest portion at about 20 percent. Long-term claimants in Kane, Garfield and Beaver claimants each accounted for less than 3 percent of the total.

Washington County showed the longest average duration of unemployment at 41 weeks. The highest average maximum benefit amount can also be traced to Washington County at \$294. Garfield, with its high proportion of seasonal employment, showed the shortest duration at 30 weeks. On the other hand, Kane County long-term claimants maintained the lowest average weekly benefit amount at \$227.

**Gender**—Males made up about two-thirds of long-term claimants, as the industries hit

hardest by recession, manufacturing and construction, are generally dominated by men. Males' normally higher wages correlate with higher weekly benefit amounts at \$330 compared to women's \$227. On the other hand, women were typically out of work for 41 weeks as compared to men who averaged 40 weeks.

**Age**—The recession proved no respecter of age. Workers in their 20s constituted nearly one-third of long-term unemployment insurance claimants. Each successive 10-year age cohort contributed a smaller and smaller share of these claimants. Workers in their 30s accounted for 23 percent of the long-term unemployed, while the share of workers in their 60s measured less than 6 percent.

In contrast, generally the higher a claimant's age, the higher the number of payments. Apart from teenagers, 20- to 29-year-old claimants showed the shortest duration of unemployment payments (37 weeks). Claimants in their 60s presented the highest number of average weeks paid (47 weeks). This difference may exist because younger workers, with their more volatile work histories, qualify for fewer weeks of benefits. However, this relationship certainly suggests that older workers find re-employment more difficult.

**Industry**—Construction industry employment normally contracts during a recession. The housing bubble exacerbated construction woes in the most recent downturn. Even a casual observer should not be astonished to discover that the construction industry produced the highest share of long-term users of unemployment insurance. Almost one-fourth of all claimants' last jobs occurred in the construction industry. On the other hand, because of the on-again, off-again nature of

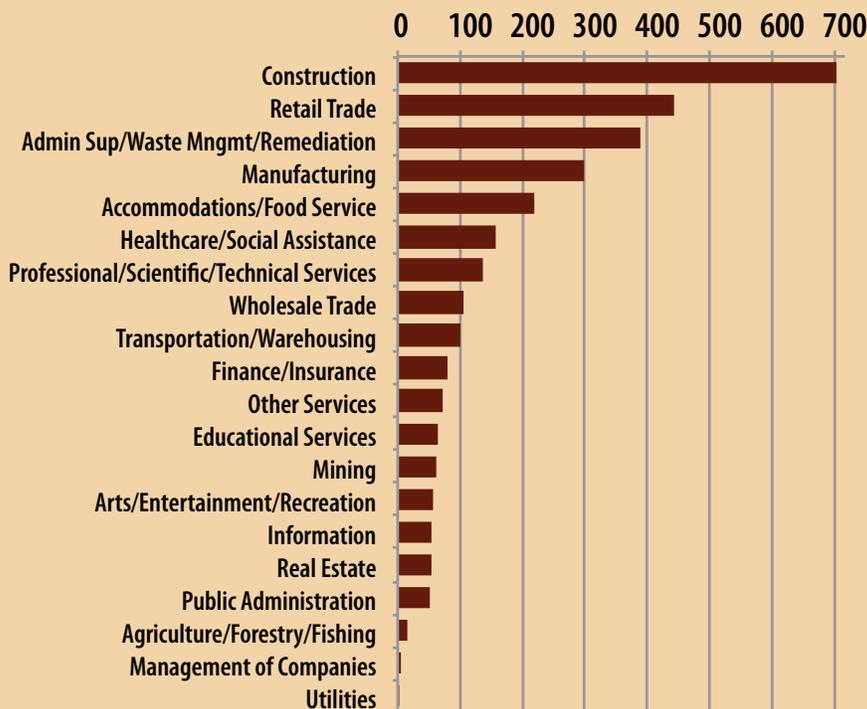
construction projects, this industry always shows a high percentage of claimants, even during good times. Retail trade, administrative support/wage management/remediation (includes temp agencies) and manufacturing industries showed the next highest claimant shares. Even the recession-resistant healthcare/social services industries contributed 5 percent of long-term claimants.

Industries with little total employment also displayed small shares of long-term southwest Utah claimants. Covered agriculture, management of companies and utilities showed only minute claimant shares. On the other hand, several large-employment industries also maintained small long-term claimant proportions. Education services (public and private) and public administration each accounted for only 2 percent of the long-term unemployed.

Workers hailing from manufacturing suffered the longest spell of unemployment insurance payments. Manufacturing workers collected over 45 weeks of benefits. The unemployed from wholesale trade, professional/scientific/technical services and finance/insurance all showed 43 to 44 average weeks paid. Interestingly, construction workers were fairly far down the industry-ranking list with an average of 39 weeks paid. Industries with the lowest average weeks of unemployment payments included management of companies, covered agriculture, mining and leisure/hospitality positions. Remember that leisure/hospitality positions can be seasonal and have high-turnover. In other words, claimants from these industries generally qualify for fewer weeks of benefits.

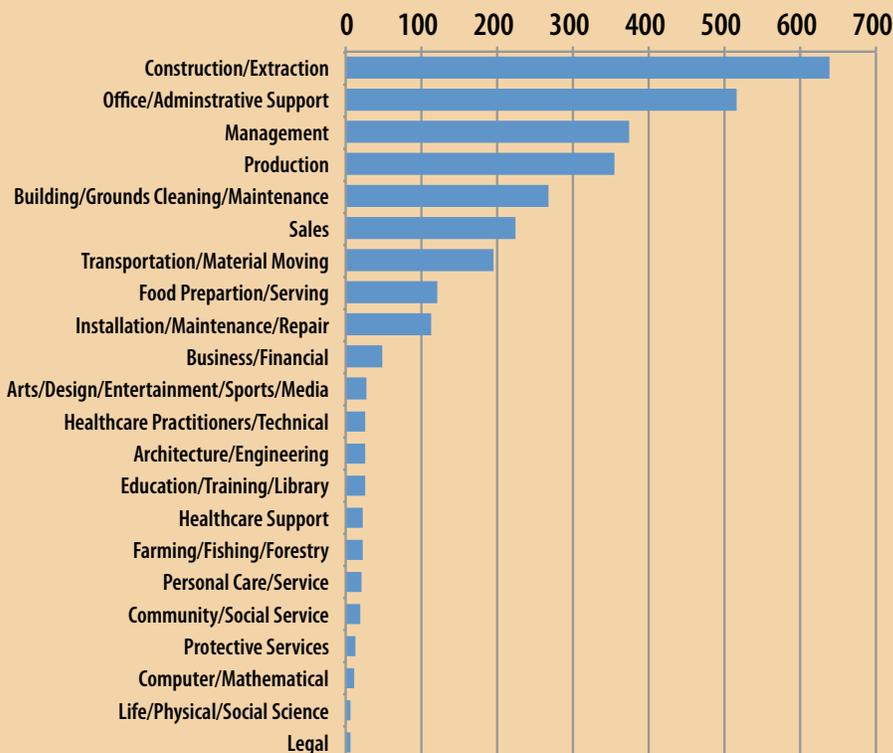
Previous employment in a high-paying industry typically means a higher

Figure 2: Pre-unemployment Industry of Long-Term Unemployment Insurance Claimants\*



\* See article for definition.  
Source: Utah Department of Workforce Services.

Figure 3: Pre-unemployment Occupation of Long-Term Unemployment Insurance Claimants\*



\* See article for definition.  
Source: Utah Department of Workforce Services.

weekly benefit amount due to benefit determinations. Long-term workers with the highest average weekly benefit payments lost jobs in high-paying industries—specifically, mining (\$416), utilities (\$376), construction (\$335) and transportation/warehousing (\$327). Correspondingly, the lowest average benefit amount can be traced to the lowest-paying industry—accommodations/food services (\$200). Remarkably, long-term claimants from the healthcare/social assistance industry exhibited the second-lowest average weekly benefit amount. This suggests that highly-skilled, highly-paid workers rarely appeared among the long-term unemployed from the healthcare/social services industry.

Where did southwest Utah long-term unemployment insurance claimants find employment when they returned to work? Pre-unemployment industries typically provided jobs for the largest share of claimants who returned to work. For example, 61 percent of construction-industry workers found employment in the construction industry and 62 percent of accommodation and food service industry workers returned to accommodations and food services. Forty-six percent of retail trade workers found another job in retail trade. For most industries, the share of claimants returning to their original industries ranged between 20 and 40 percent.

A significant amount of industry-hopping still occurred. In fact, workers from the mining industry were more likely to be hired in transportation/warehousing than in mining. A significant number of workers originally from the wholesale trade industry found jobs in retail trade, administrative support/waste management/ remediation and accommodations and food services. Notable shares of original



## What Do We Know... Cont.

manufacturing employees moved to administrative support/waste management/remediation and retail trade.

The administrative support/waste management/remediation industry provided the first re-employment for many workers. Why? This industry includes temporary help services. Two-thirds of the workers who found employment in this industry were employed by temporary help services companies or employee-leasing firms. In other words, a notable share of workers' first re-employment appears temporary in nature. Construction and retail trade also provided important sources of re-employment.

Laid-off workers from all industries experienced an average drop in wages between 2008 and their re-employment. However, the industry-by-industry tally exhibits wide differences. The few long-term claimants originating in the high-paying mining industry saw their wages drop by \$17,600. Workers from wholesale trade industry experienced an average \$14,100 drop in annual wages. The average drop for those let go from the finance/insurance industry registered \$11,000. The smallest declines in re-employment wages occurred in accommodation/food services, management of companies, retail trade and arts/entertainment/recreation. Three of these industries are among the lowest-paying sectors of the economy.

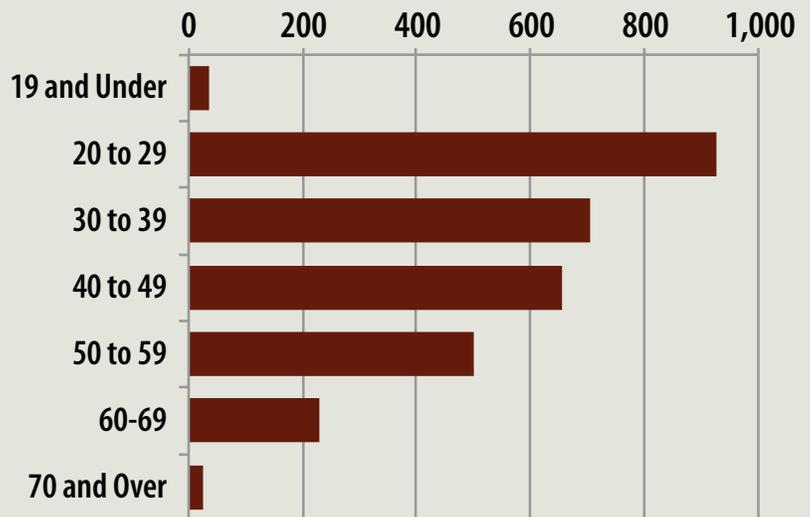
**Occupations**—Understandably, workers with construction/extraction occupations comprise more than one-fifth of all long-term claimants. Office and administrative support occupations (clerical) contributed 17 percent, plus management and production occupations each accounted for 12 percent. With the exception of

production occupations, these groups also maintain high shares of the employed portion of the labor force. Nevertheless, both construction and production occupational groups were represented at a higher rate than their share of total employment would suggest.

Among occupational groups with significant numbers of claimants, business and financial occupations showed the highest average number of benefit weeks paid (46 weeks) to long-term unemployment insurance claimants. Workers with production occupations also showed a higher-than-average duration of payments (44 weeks). Occupations with the lowest durations included education/training/library and protective service occupations.

Those familiar with the characteristics of the recent economic downturn and the labor market will discover the findings of this study reflect those characteristics. However, tracking long-term unemployment claimants in the region does provide a framework for understanding and clarifying the structure of the Great Recession. The relative length and depth of the contraction are mirrored by the duration of benefits paid to long-term claimants. Occupations and industries hit hardest by the downturn generated the largest number of claimants. When returning to work, long-term claimants typically found jobs in their pre-unemployment industry or picked up temporary work. Younger workers found re-employment faster than older workers. ■

Figure 4: Age of Long-Term Unemployment Insurance Claimants\*



\* See article for definition.

Source: Utah Department of Workforce Services.

# Southwest Utah Economy One Minute Update

BY LECIA PARKS LANGSTON, ECONOMIST

## Beaver County

The various phases of wind farm construction in Beaver County have led employment figures on a wild roller coaster ride. Currently, Beaver County is experiencing the effects of the completion of the most recent phase. If not for this accounting loss, Beaver County's labor market would be expanding rather than contracting. Other economic indicators also reflect the ebb and flow of wind farm construction.

- Between March 2011 and 2012, Beaver County nonfarm jobs showed a net loss of 3.7 percent or 81 positions. The construction industry produced the only job losses of note. In addition, expansion in other industries counterbalanced much of the 153-job construction industry contraction.
- The copper mine reopening helped generate an additional 50 mining jobs. Plus, unemployment-insurance-covered agriculture, government, retail trade and manufacturing all showed expanding payrolls.
- Because many construction workers leave the county at the completion of their projects, the decrease in construction-related employment produced a negligible effect on Beaver County's unemployment rate. Joblessness has steadily declined since early 2010 and currently stands at 5.7 percent—below the state average.
- Not surprisingly, wind farm permitting in 2011 overshadowed nonresidential construction permitting in 2012. Plus, no permits for new homes were issued in the first four months of 2012. Overall,

January-to-April permit values are down by half compared to last year.

- Gross taxable sales also reflect business-related investment related to wind farm construction. Currently, Beaver County is marking its third straight quarter of declining year-to-year sales.

## Iron County

Iron County has yet to fully embrace economic recovery. While it has shown some employment expansion in the last several years, the county seems to take two steps forward and one step back. Year-to-year rates of employment gains bounce up and down from slight job gain to slight job loss. The most recent data show Iron County with a very slight employment loss.

- Between March 2011 and March 2012, Iron County lost about 40 jobs (0.3 percent). Although this represents a relatively small loss, the county's continued lack of sustained growth indicates that its economy continues to struggle. In the last year and a half, Iron County's best employment month, September 2011, registered a gain of only 1.2 percent.
- Several major industries did show noteworthy employment gains. Wholesale trade, financial activities, leisure/hospitality services and unemployment-insurance-covered agriculture all added 20 jobs or more.
- Job-losing industries outnumbered the job-winning industries. Construction, professional/business services and private education/health/social services suffered significant job hits.
- Until Iron County can move more sectors onto the positive side of the employment ledger, it will not achieve full recovery.
- Iron County's jobless rate does continue to edge down. With limited employment expansion, the declining unemployment rate suggests that workers have either left the area or the labor market. At 7.2 percent, Iron County's

jobless rate registers below the national unemployment rate (8.2 percent) but considerably higher than the state figure (6.0 percent).

- Construction permitting activity holds little hope for construction employment improvement (although not all projects are permitted). Total permit values for the first four months of 2012—down 83 percent—carry on the slide evident for the previous five years.
- Home permits, with a January to April drop of 72 percent, seem at a standstill.
- Sales figures bring the best economic news for Iron County. First quarter 2012 gross taxable sales increased by 6 percent compared to the previous year, marking the third straight quarter of improving figures. In addition, car sales jumped by 21 percent in the first quarter of 2012.

## Garfield County

Recently a long-term pattern has emerged in Garfield County's employment data. Garfield County's employment surged early in 2010 (peaking at 17 percent growth), only to collapse during most of 2011. These fluctuations are not uncommon in smaller counties. Currently, jobs are growing at a moderate rate. Other economic indicators tell a diversified tale.

- On a year-to-year basis, Garfield County's nonfarm employment had increased almost 4 percent as of March 2012—a rate slightly higher than that of fast-growing Utah.
- Garfield County's "bread and butter" jobs in the leisure/hospitality services industries generated the lion's share of the March-to-March gain. Retail trade emerged as another employment mover and shaker.
- Many of the county's industries actually lost employment. However, for the most part, industry losses each totaled only a few positions. The exceptions? Private education/health/social services and wholesale trade took some decided employment hits.

## Southwest Utah Economy One Minute Update Cont.

- Unemployment rates have mirrored the surge and contraction of employment. Unemployment rates in 2011 actually topped those at the height of the national recession. Currently, Garfield County's June 2012 rate registers 11.2 percent—far higher than either state or national rates. Because of the seasonal nature of Garfield County's labor market, higher-than-average rates are the norm.
- Garfield County's building activity should help boost construction employment in upcoming months. Both home permitting and nonresidential approved values made robust improvements. Total permit values increased almost 90 percent between the first four months for 2011 and 2012.
- Is Garfield County's 140-percent increase in gross taxable sales a typo? The increase is real, just not for this quarter. The huge gain represents an adjustment for a previous time period. Without the adjustment, sales are actually down 5 percent. However, with a few exceptions, Garfield County's gross taxable sales have shown improvement since late 2009.

### Kane County

Kane County continues to struggle on its way to economic expansion. For the past two years, sustained job growth has eluded the area as it vacillates between job growth and job loss. As of March 2012, Kane County is once again showing a marginal 0.6 percent job loss.

- Between March 2011 and March 2012, Kane County's nonfarm employment dropped by 17 jobs. That's hardly a huge job loss, but still far from preferable moderate expansion.
- While some industries are expanding, more are contracting. The leisure/hospitality services industry is, by far, the largest job producer. Other

job-gaining sectors showed little improvement.

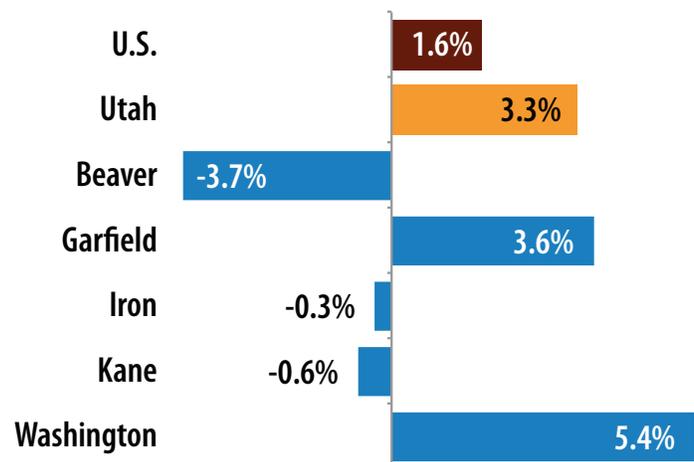
- Retail trade, private education/health/social services and other services all noticeably contracted.
- In recent months, Kane County's unemployment rate ticked up a notch. In June 2012, its jobless rate registered 7.7 percent, not far below the national average. On the other hand, initial claims for unemployment insurance are generally running below last year's levels.
- Construction permitting in Kane County has yet to revive. In the first four months of the year, approved home permits are down almost 60 percent as are total permit values.
- Gross taxable sales provide the best economic news for Kane County. First quarter 2012 sales are up 10 percent compared to the first quarter of 2011. This gain marks the fifth straight quarter of improving sales.

### Washington County

Because of its enthusiastic participation in the housing bubble, Washington County encountered the worst recession of any of Utah's Metropolitan Statistical Areas. However, after a late recovery, the county's economic indicators show a robustly improving economy.

- As of March 2012, the county had added a net of 2,450 new jobs compared to a year earlier. This 5.4 percent increase places Washington County near its long-term average for employment growth and above state and national growth rates.
- All major industries added jobs between March 2011 and March 2012, representing a broad-based and therefore sustainable expansion.
- Leisure/hospitality services, professional/business services, private education/health/social services and retail trade increased by the largest number of positions.

Figure 5: Change in Nonfarm Jobs March 2011–March 2012

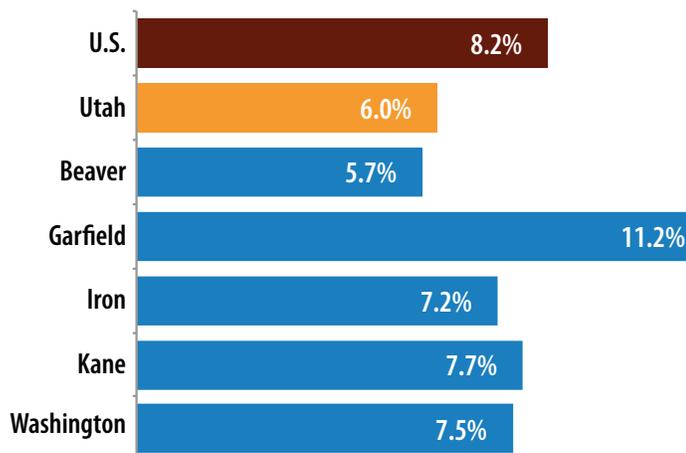


Source: U.S. Bureau of Labor Statistics; Utah Department of Workforce Services.

- Manufacturing, the public sector and construction all generated net employment gains of 200 positions or more.
- Several industries experienced double-digit growth rates including manufacturing, professional/business services, mining (primarily sand and gravel pits) and wholesale trade.
- Unemployment rates continue to trend downward. Washington County's June 2012 jobless rate of 7.5 percent is nestled in between the national average (8.2 percent) and the statewide rate (6.0 percent).
- Residential construction is once again showing signs of life. Home permits are up 24 percent for the first four months of the year. On the other hand, always-sporadic residential construction permit values are down from last year which pulled total permit values down by a negligible (for the world of construction permitting) 6 percent. ■

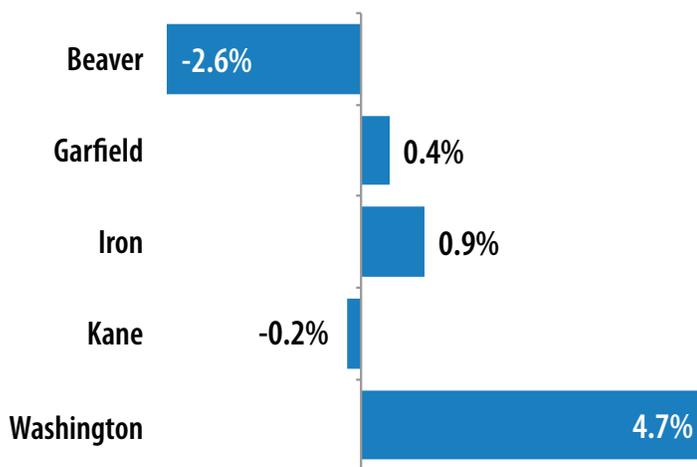
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Figure 6: Seasonally Adjusted Unemployment Rates June 2012



Source: U.S. Bureau of Labor Statistics; Utah Department of Workforce Services.

Figure 7: Projected Nonfarm Employment Change 2011–2012



Source: U.S. Bureau of Labor Statistics; 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.