

Evaluating Utah Initial Unemployment Insurance Claims Across the Recession
A Geographic Profile
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Introduction

The Utah Department of Workforce Services is the agency that administers Utah's unemployment insurance program. All claimant activity is recorded and stored by this department. Individual records can be aggregated to produce statistical profiles of those filing for unemployment.

Individual unemployment claim records contain the address of the filer. A geocode location can then be added to that record. One way of categorizing claims data is to place a claimant's address within its corresponding census tract. Then, the number of initial unemployment filers can be quantified by census tract. These can be accumulated and quantified over time. They can be presented as a map of claimants utilizing geocoding software.

For this analysis, claimants were quantified across the period October 2008 through November 2010 statewide. This is a representative window in which the immediate and lingering consequences of the Great Recession had their strongest impact upon the unemployment insurance system. Quantities were classified into five ascending categories, with breaking points of 300, 600, 1,000, 2,000, and 3,000.

Groundwork

Recessions can be hard on the labor force. One of the underlying realities of a recession is that people lose jobs. The United States has had numerous recessions in the post-WW 2 era. Generally, they are temporary setbacks. In short time these jobs return.

However, more times than not, the Utah economy has avoided large employment setbacks during these downturns. In several cases, job growth continued in Utah even as the United States sank into recession.

Then came the Great Recession. Utah was pulled in hook, line, and sinker. From peak to trough of the recession's slide Utah's employment numbers contracted by 7 percent. Correspondingly, the nation's employment contraction was 6.5 percent. The comparison reveals the depth to which this recession impacted Utah.

The Great Recession carried a common theme across the nation—the larger the housing-price bubble an area incurred, the more employment loss that area suffered. Nationally, something akin to ground zero for the housing price escalation was experienced, in part, in Southern California, Arizona, and the Las Vegas area. Unfortunately, that was too close to Utah. The housing euphoria exploded in those neighboring areas, and as it ascended to its crescendo, the toxic effects spilled over onto its surrounding neighbors—including Utah.

Utah experienced a housing boom from 2003 to 2006, with housing starts rising to historic highs—along with prices. Fortunately there was a demographic surge of household formation going on at that time to support this buildup (as Utah's 1980s-era baby boom aged into its home-buying years). The problem was the price at which these new owners bought their homes. Largely due to low introductory, but temporary, mortgage rates and lax qualification standards, demand drove up home prices. As

mortgage rates went down, up went housing prices. In the end, home prices harmfully outdistanced the underlying balance that the economic laws of nature demand—there is a supportable ratio between a region's income level and home prices, and when that ratio is exceeded, trouble generally arises.

And so it did. Home prices in Utah rose as much as 30 percent in just a few years. Incomes did not. Not only were new homes sold at these inflated prices but the turnover of existing homes also became subject to this unhealthy rise. All in all, Utah became a state whose economy came under the influence of a housing-price bubble.

As mentioned, Utah's employment levels contracted by just over 7 percent. Roughly 80,000 jobs were removed from Utah's employment base during the recessionary slide.

With this many layoffs, unemployment insurance claims naturally rose. In January 2007 (when the economy was still strong), initial unemployment claims numbered around 7,600. By January 2009 the monthly initial claims count was over 20,600—close to tripling. Initial unemployment filings rose sharply beginning in October 2008 and have continued to be high into the spring of 2011 (although the general trend of claims has been downward since peaking during the spring of 2009—yet claims have remained high enough to signal a weak and still-impacted economy).

A high volume of unemployment claims offers a rich environment in which to analyze such claims. Unemployment claims are always around—good times or bad. But a larger quantity of claims offers a more distributive impact and profile. Where do these unemployment claims distribute themselves within a local economy? Are there geographic patterns? Are there demographic patterns? Are there industrial patterns? Are there no patterns? Answering these questions requires the ability to evaluate each individual unemployment compensation claim and then bring them together as a comprehensive or cumulative unit. Fortunately, a recent administrative movement within one of Utah's economic statistical programs produced the means to efficiently make this accumulation.

Utah participates in the U.S. Bureau of Labor Statistics' (BLS) Local Area Unemployment Statistics (LAUS) program. The introduction of new software made it possible for Utah's unemployment insurance claims records to be processed with a geocoding emphasis in mind. The Program to Measure Insured Unemployed Statistics (PROMIS) within BLS' LAUS system was the vehicle to accomplish this geographic-mapping identification. This program allowed the local LAUS analyst to evaluate claims by geography, industry, and demographics.

This evaluation was done for Utah from October 2008 through November 2010. The beginning date is not an arbitrary choice for several reasons. First, this is when the Great Recession began heavily impacting the unemployment insurance (UI) system. Utah initial unemployment claims skyrocketed.

As for November 2010, there is nothing economically significant about that date. It is simply the extent of which claims data had been accumulated and coded by the PROMIS system when the Geographic Information System (GIS) mapping for this analysis was done. It appears representative. This covers two years worth of data. It encompasses the majority of the recession period and the bulk of the recession's consequences upon unemployment claims.

Local labor markets are generally not homogenous. Nearly every city has its segmentations or segregations. One form can be "high income" and "low income" areas. It's all one city or labor market, but it does have its demographic and economic stratification, and this segmentation oftentimes fans out following a geographic arrangement.

There is a reason that housing prices are different throughout a given labor market. In the real estate industry, the term “location, location, location” suggests a house will cost more in a location that is desired. If this makes a location’s price higher, which it usually does, then this starts to segment communities by income. If more people want to live in a certain location—in economics that will run up the price assuming limited resources—then the ones who end up living there are the ones who can afford the higher price. So almost from a community’s inception neighborhoods are established upon income separation. High incomes take the best geography and the remaining levels disperse down the “geographic-desirability” plane. It is not always geography that establishes the desirability criterion. School qualities and other factors can do the same, but whatever that criterion, the income levels dictate the dispersion.

This probably has more impact upon urban communities than rural. Since Utah is a highly urbanized state (population is concentrated along the 80-mile Wasatch Front), one would expect a noticeable impact. It is theorized that higher income communities are populated with higher skilled workers (which is how they generate their higher income). It is further theorized that in periods of layoffs it is the lower-skilled workers who are more prevalently dismissed, as they come with a lower replacement cost. If these lower-skilled workers are congregated in like communities, then one would expect that mapping unemployment insurance activities would show higher claims activity amassing in those neighborhoods.

It is anticipated that income and/or age will be determining factors as to how these unemployment claims disperse. For example, in the Salt Lake Valley, it is expected that claims activity will be higher in the valley’s west side than on the higher-income east side. For those unfamiliar with the area, the Wasatch Mountains form the valley’s east side. Views are desirable looking down from the mountain’s slopes. Desirability increases price. Higher incomes get the prize. If skills influence income, and skills (or lack thereof) sway layoff decisions, then one would theorize that unemployment insurance claims would be lower on the east side of the valley.

Maps producing visualizations are a great way to evaluate both claims distributions and theory evaluations.

Statewide

Not all geographic areas in Utah are the same. Urban and rural distinctions come to light. Industry makeup plays another part. Therefore, different usage patterns arise in filings for unemployment insurance claims. Different parts of the state show different levels of usage, and oftentimes each area has its own distinctive reason for this usage.

For example, a high amount of unemployment insurance activity surfaces in eastern Utah in Uintah County. This is an economy heavily dependent upon natural gas production. There was a period covering most of 2009 in which energy prices collapsed and therefore employment levels fell off noticeably. Therefore, this county experienced a pocket of high unemployment insurance usage (this includes Roosevelt in Duchesne County for the same reason).

Another area with high usage is Washington County in the state’s southwest corner. This area was hit hard by the housing price bubble. Its sunbelt features and proximity to Las Vegas drove in-migration and resultant housing speculation. The end result became a sharply collapsing construction sector and an unprecedented three-year period of job loss. Claims counts became high in this region, an event that is much out of the ordinary for this normally high-flying economy. These events also impacted Iron County, Washington County’s neighbor to the north.

Grand County—the Moab-area—is another that stands out with high unemployment insurance usage. However, this may not be as noticeably tied to a significant deterioration of the local economy as seen in Washington and Uintah counties. Instead, it looks like normal usage, although the recession probably added some influence. Moab is an economy heavily dependent upon tourism, particularly non-winter tourism. Since the economy is seasonal, it therefore has a normal, seasonal pattern of high unemployment insurance usage. Tourism-dependent workers toil long enough to maintain unemployment insurance eligibility, then use this system to bridge the winter down time. Nearly 47 percent of all claimants worked in the tourism industry (whereas the statewide average is only 7 percent). Because of this, it is difficult to separate the “normal” usage of the system from that caused by the recession.

The same usage and difficulty in assessment can also be attributed to the Summit County area, up and over the mountains east of Salt Lake City. This county is the home to three major ski resorts. It is both a tourism-dependent economy and a seasonal one. Therefore, it also has seasonal high usage, and again, it is difficult to separate the normal amount from any recession-generated usage. Forty percent of claimants come out of tourism.

From there, claims counts throughout the remainder of the state, including the metropolitan areas, largely follow population density profiles. The metropolitan areas will be profiled below.

We have looked at claims via geography, and the available maps profile this geographic dispersion.

Claims can also be evaluated by industry usage. Understanding the nature of this recession, it should not surprise that the most claims came from workers out of the construction industry—this being 21 percent from an industry that made up only 9 percent of the employment base. This 9-percent makeup was historically out of proportion. Utah usually sees construction accounting for around 6 percent of total employment. Therefore, it was too big, and by extension it is not surprising that construction emerges as the industry using the system the most. It had the most job losses during the recession, numbering around 42,000 positions (not everyone filed for unemployment insurance, so that number is separate from unemployment insurance counts).

Professional and business services follows as the next most represented industry at 20 percent. High usage comes from the many workers distributed to other industries through help supply agencies. The telemarketing industry also was noticeably impacted by the downturn, and this industry has a strong presence in Utah. Job losses in professional and business services across the recession totaled 10,000.

Manufacturing comes next at 14 percent unemployment insurance usage. This industry dropped 28,000 jobs during the recession, so it shouldn't be a surprise that this is a high-use industry. Retail trade accounted for 11 percent of initial claims. Leisure and hospitality encompassed 7 percent, as did the healthcare industry.

Claims can also be evaluated by education level. This information the claimant supplies voluntarily when filing for an unemployment claim. The highest number years of education are asked. Some claimants do not answer this question, so the education evaluation is only based upon those claims in which this question is answered.

In this respect, 19 percent of claimants had less than 12 years of education. Those totaling 12 years of education were 39 percent. Together, those with 12 years or less of education made up 58 percent of all initial unemployment insurance claimants. Those with one or two years of additional education accounted for 24 percent. Those who earned up to a Bachelor's Degree made up 12 percent, and those over a Bachelor's

were 6 percent. There is a pattern that emerges—the lower one's education level, the more likelihood of layoff and then usage of the unemployment insurance system.

Profiling Salt Lake County

Salt Lake is the state's most populous county. Therefore it should, and does, have the most initial unemployment claims. Mapping county initial unemployment claims by census tracts does show patterns of high and low usage across census tracts. There does seem to be a pattern of low usage in the higher-income eastern tracts, and higher usage throughout the rest of the valley.

The lowest quantity of claims are in the census tracts running along the foothills of the Wasatch Mountains bordering the valley's east side, including the avenues east of 1300 East between I-80 (south) and the University of Utah (north). The rest of the valley experienced higher claim counts, with the most being in areas around South Salt Lake City southward toward Murray, neighborhoods in West Valley City, Kearns, Magna, and the far southwest corner of the valley.

Evaluating the heavy usage in the southwest corner of the valley presents something of a challenge. On the surface it makes sense for the following reason. It is assumed that young workers have higher vulnerability to layoffs, as businesses look to retain more experienced and tenured workers. Younger workers are cheaper to replace.

As the decade of the 2000s emerged, newly emerging families and workers looked for available land upon which to build. For many, their jobs are in Salt Lake County but the workers themselves located further into the county's fringes looking for lower housing costs. The real estate people label this "drive till you qualify." This produced new communities where before there was only open land. This not only impacted southern Salt Lake County in its reach, but also northern Utah County and eastern Tooele County (to the west).

These are areas now populated by new homes and in many cases, young workers. These areas, on a map, also jump out with the most initial unemployment insurance filers. Logic follows that if young workers are the ones vulnerable to layoffs, then claims should be high in these areas.

That theory I believe holds weight. But unfortunately there is another factor playing out beside this, and it probably produces an overstatement of the amount of claims in these areas.

These census tracts are 2000 Census tracts, built upon 2000 population levels. Population has grown dramatically in all of the just mentioned areas since then. New census tracts from the 2010 Census are now available (but not quantified as such for this article). In these areas, where in 2000 there may have been one census tract there are now as many as six new tracts.

The large tract in Salt Lake County's southwest corner in the 2000 Census is now three separate tracts in the 2010 Census. The most dramatic change may be the 2000 Census tract that surrounds the northwest corner of Utah Lake in Utah County (making up parts of Lehi and the new town of Saratoga Springs). That one tract is now divided into six tracts in the 2010 Census. Its neighboring tract to the west surrounding the city of Eagle Mountain is now five tracts in the 2010 Census. The large 2000 Census tract in eastern Tooele County is now four separate tracts in the 2010 Census.

There is no doubt that the large amount of claims in these areas are a function of the initial unemployment insurance claimants being distributed by the 2000 Census boundaries, not 2010 boundaries. As the unemployment insurance data was quantified

and located in census tracts available at the time—2000 Census tracts—this data cannot be redistributed.

But even with that, knowing the nature of those areas and the amount of young workers who inhabit them, it is hypothesized that they would still be areas of high claims distribution even if quantified to 2010 Census boundaries.

Salt Lake County offers the chance to test another hypothesis. Does education (or lack thereof) play a part in determining unemployment potential? Are lower claims on Salt Lake County's east side the result of higher education levels in those areas?

A sort-of reverse test is available. Claim counts are lowest on Salt Lake County's east side for all claimants. But its education levels are the highest. If we just look at claimants with high education—a Bachelor's degree or higher—and map this distribution, we see that claim numbers are now higher on the valley's east side than elsewhere in the county. This speaks to the high education levels on the east side and that education probably plays a key role in determining unemployment status.

Profiling Utah County

Other than the just-mentioned Saratoga Springs and Eagle Mountain census tracts, Utah County has relatively low unemployment usage, if the overall statewide usage is the gauge. Levels are low along the east side of Provo and Orem. Levels increase a bit toward the south end of the county, particularly around Springville, Payson, and Santaquin. These are areas that have grown since the 2000 Census, so this could be a bit of the census tract distribution issue cited above for Saratoga Springs and others.

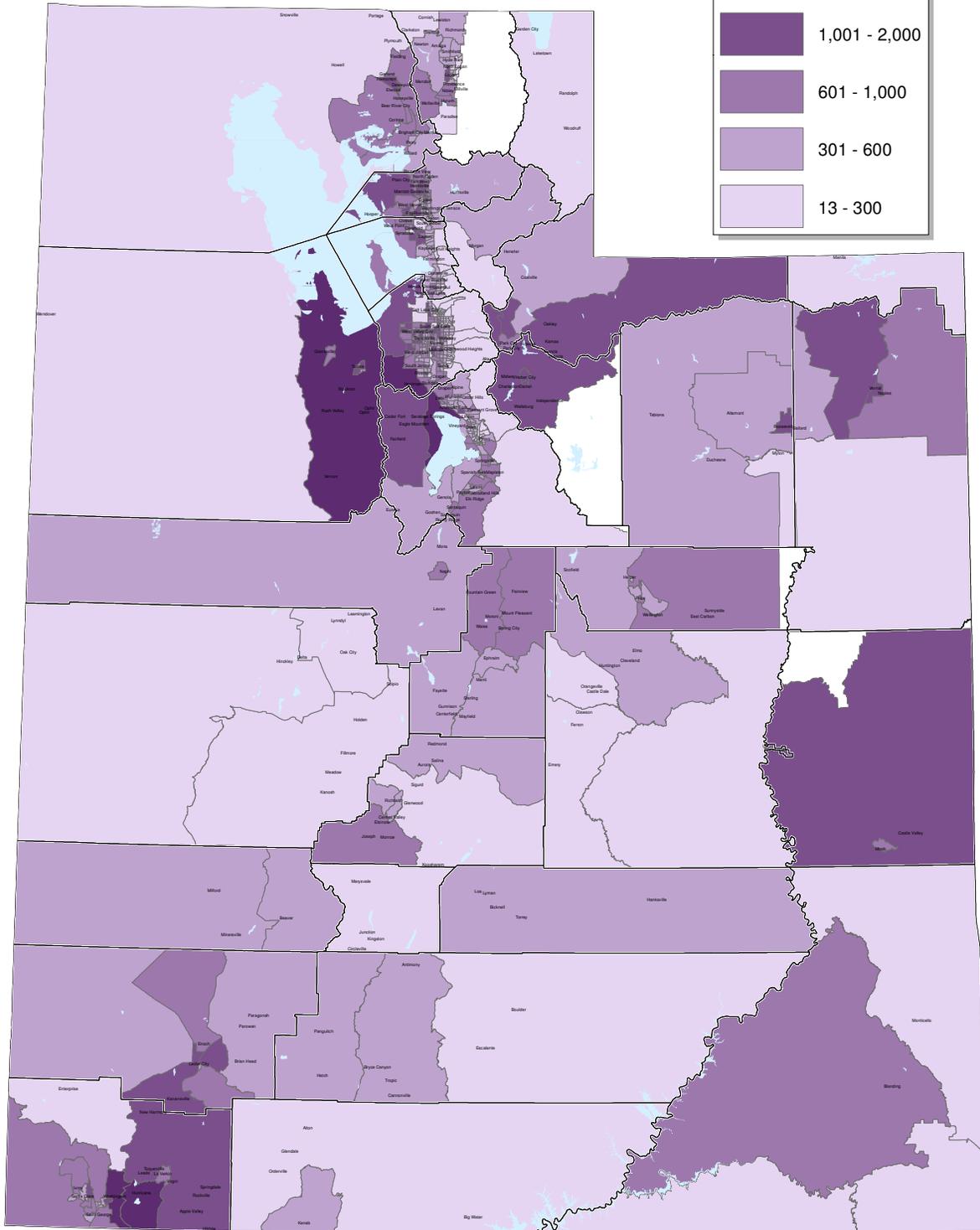
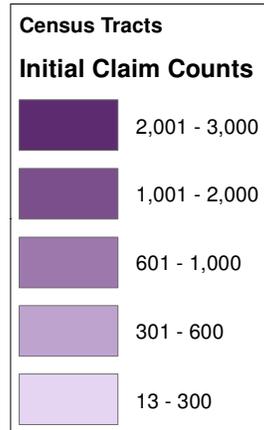
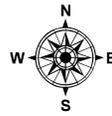
Profiling Weber and Davis Counties

In relation to the statewide usage, Davis County generally has low unemployment insurance usage. South Davis is noticeably lower than the county's northern communities. Usage is highest around Layton, Clearfield, and Syracuse.

Weber County shows higher usage than Davis County and something more closer to Salt Lake County. Roy, South Ogden, northern parts of Ogden, Harrisville, Farr West and Plain City emerge as higher use areas.

Utah Initial Unemployment Claims by Census Tract October 2008 - November 2010

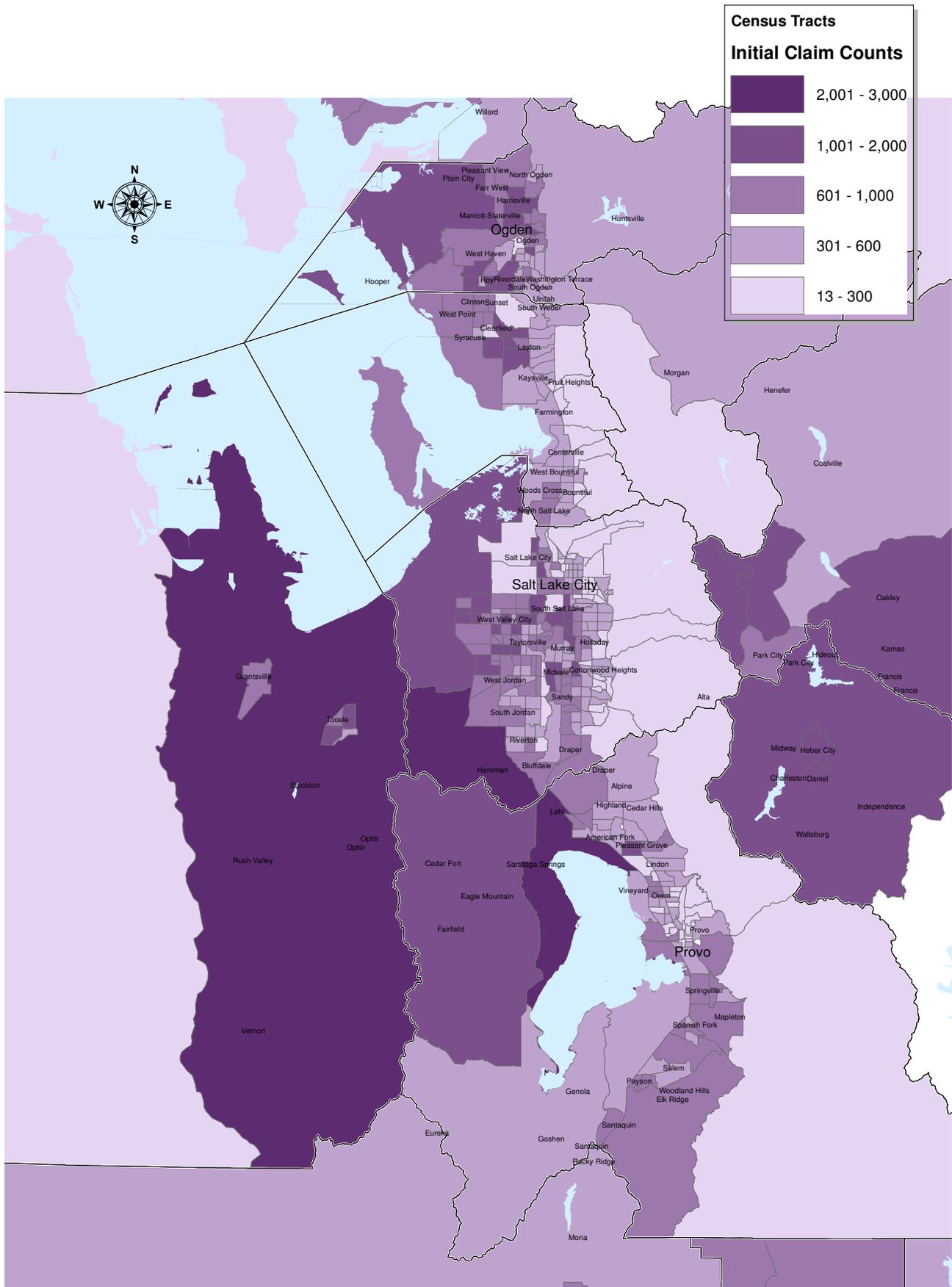
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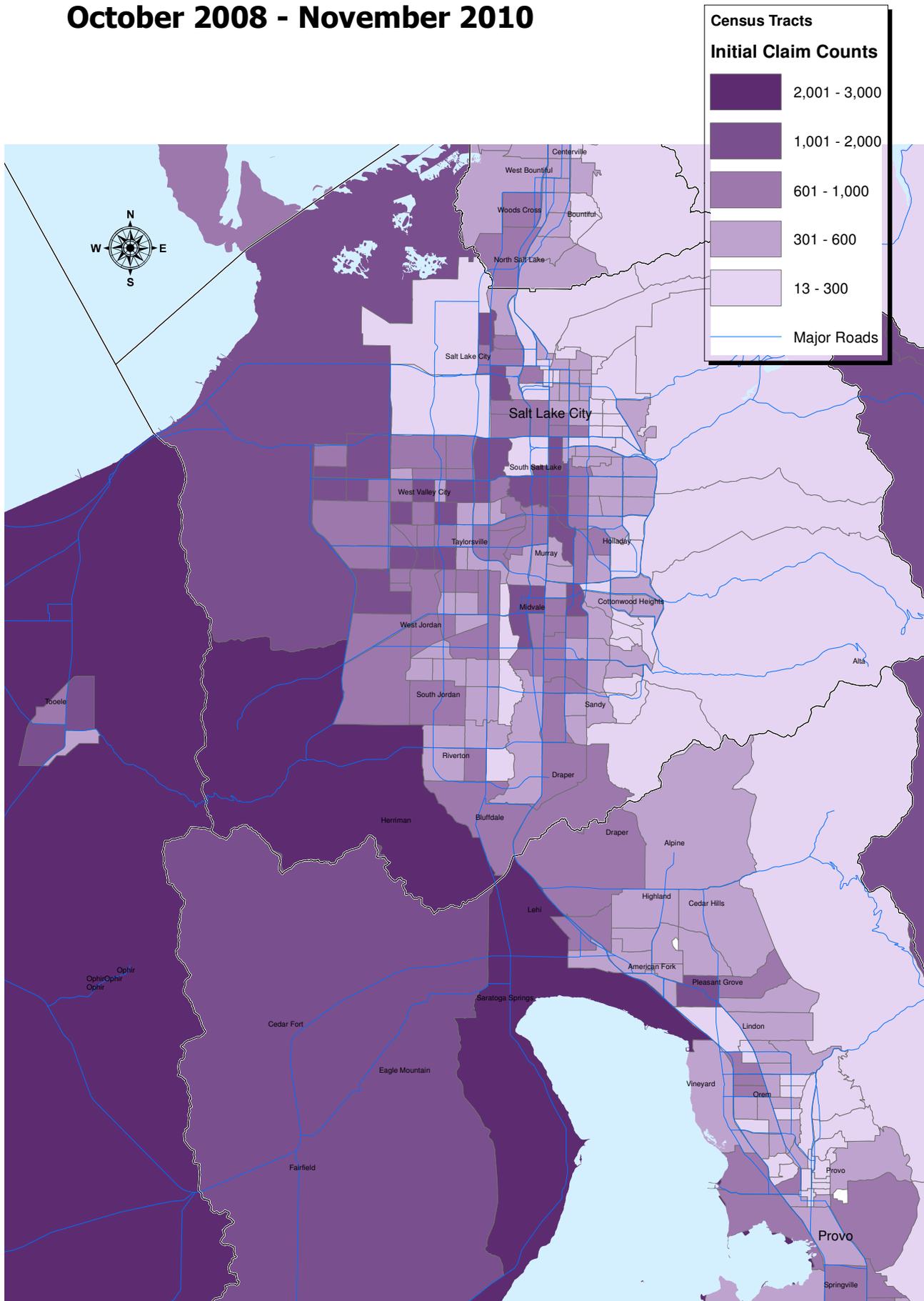
Utah Initial Unemployment Claims by Census Tract

Wasatch Front

October 2008 - November 2010



Utah Initial Unemployment Claims by Census Tract Wasatch Front October 2008 - November 2010



Salt Lake County Initial Unemployment Claims by Census Tract Education Associate Degree or Higher October 2008 - November 2010

