

local insights

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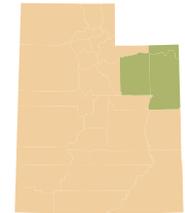
An economic and labor market analysis of the Uintah Basin Area

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A Picture of UI Claimants

BY ERIC MARTINSON, ECONOMIST



DWS' mission statement reads, "We strengthen Utah's economy by supporting the economic stability and quality of our workforce." One of the most important means of supporting the economic stability of Utah's workforce occurs via the Unemployment Insurance program, a benefit implemented during the heights of the Great Depression under the provision of the Social Security Act of 1935. The purpose of Unemployment Insurance is to provide a temporary source of income for qualified workers who are unemployed through no fault of their own and who are looking for full-time work, in approved training or awaiting recall to employment. The funds are collected by employers via unemployment insurance taxes. In the aftermath of the greatest recession since the Great Depression, an analysis of Unemployment Insurance as pertains to local regions in Utah can provide valuable insight to the characteristics of those claiming the UI benefit. Specifically, the proposed analysis can provide a better understanding of what the dynamics are between UI benefit claimants and re-employment. What follows are the details of such an analysis performed for Utah's Uintah Basin Economic Service Area.

we decided to make incision points at the beginning of 2009 and at the end of 2010, allowing for enough time to study any re-employment patterns. Recipients included in this examination had to have filed their initial UI claim within this window of time. Another condition was to make the reasonable assumption that an individual is considered to have ended an episode on UI at a point in time if he or she stops collecting payments for one quarter (13 weeks) after this point in time. Those still collecting UI into 2011 were excluded because we wanted a full year's worth of information after their UI end date. Those receiving federal extensions of their UI benefits were also excluded from this investigation.

Demographics

In the Uintah Basin (Daggett, Duchesne and Uintah counties), 76 percent of UI claimants are male. The average age of claimants in this region is 37 years old. Given the area's oil and gas economy, it is no surprise that the greatest proportion of UI claimants (32 percent) comes from the mining industry. Given the nature of the recent housing market crash, it also comes as no surprise that the next highest proportion of UI claimants comes from the construction industry. It is worth reminding the reader that data collected here was during 2009-2010, so the numbers may currently be slightly to significantly different given the oil and gas boom that began around mid-to-late 2010. This article is meant to examine the dynamics of Unemployment Insurance

Data

The process used to gather the requisite information regarding UI recipients was challenging for a plethora of reasons that need not be mentioned here. Suffice it to say, certain conditions had to be imposed on the data intended for examination. First,

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How does an analysis of Unemployment Insurance provide valuable insight to the characteristics of claimants?

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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.





A Picture of Claimants Cont.

and re-employment. Transportation and warehousing is the industry from which the third largest slice of UI claimants comes. Just under half (47 percent) of all claimants in the Uintah Basin tend to exhaust their allotted benefits while on the UI program. Long-term unemployed claimants (claimants who received benefits for at least 21 weeks) made up over half (54 percent) of all UI recipients during this time.

Comparing the Uintah County UI demographics with those of Duchesne shows mostly the same characteristics. The pro-

portion of male UI claimants falls between 76 percent and 78 percent in both counties. The average age for both counties is 37 and slightly more Uintah County claimants tend to exhaust their allotted UI benefits than do Duchesne County claimants. While the most popular industries from which claimants come tends to be the same for both Uintah and Duchesne Counties (oil and gas, construction and transportation/warehousing), Uintah County has a higher percentage of UI claimants coming from oil and gas (34 percent versus 28 percent in Duchesne County). While 13 percent of claimants in Uintah came from construction in this time period, almost double that percentage (25 percent) in Duchesne came from the construction industry.

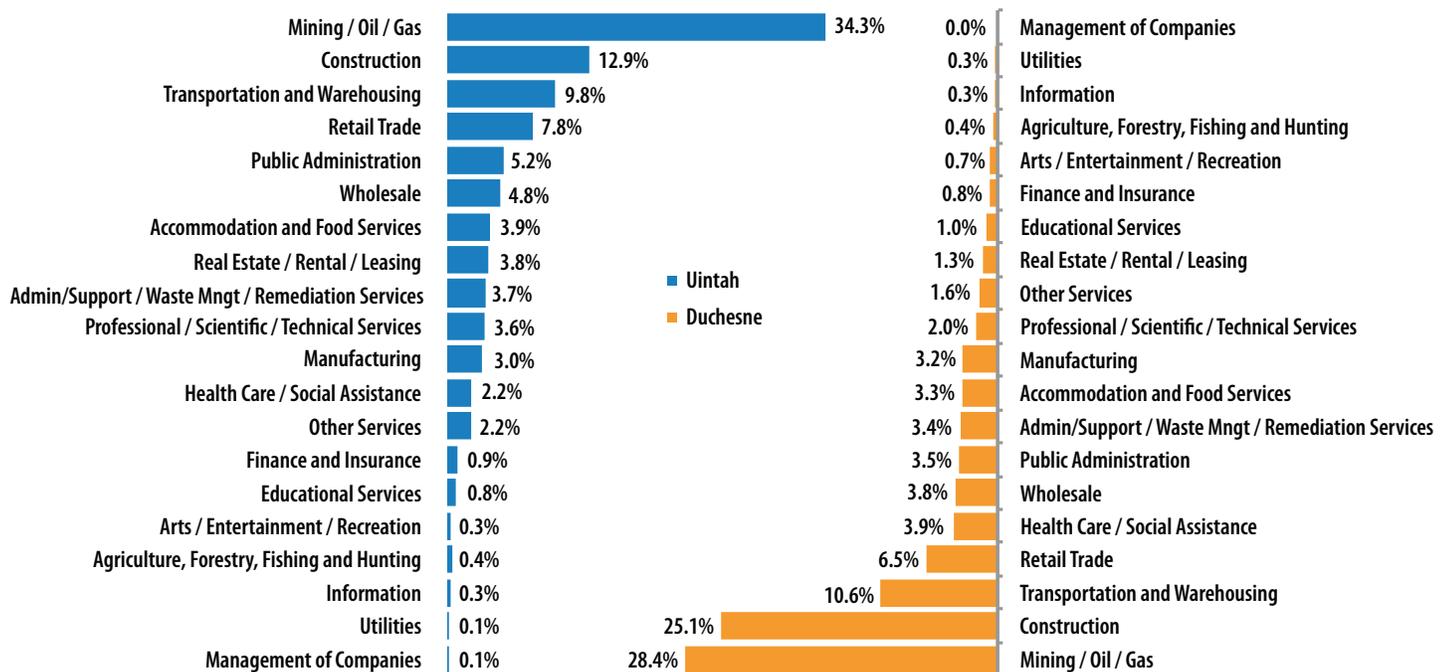
The more interesting questions center on what happens to claimants once they leave the Unemployment Insurance program. Do they return to the same industries? Are their wages after receiving UI typically higher than pre-UI wages? To answer

these questions it was important to decide what constituted a short-term unemployed claimant versus a long-term unemployed claimant. Given that the average period of time a claimant received payments was about 20.5 weeks, short- and mid-term unemployed are those who were on UI benefits for 20 weeks or less and long-term unemployed are those who were on UI benefits for at least 21 weeks.

Does It Pay to Stay?

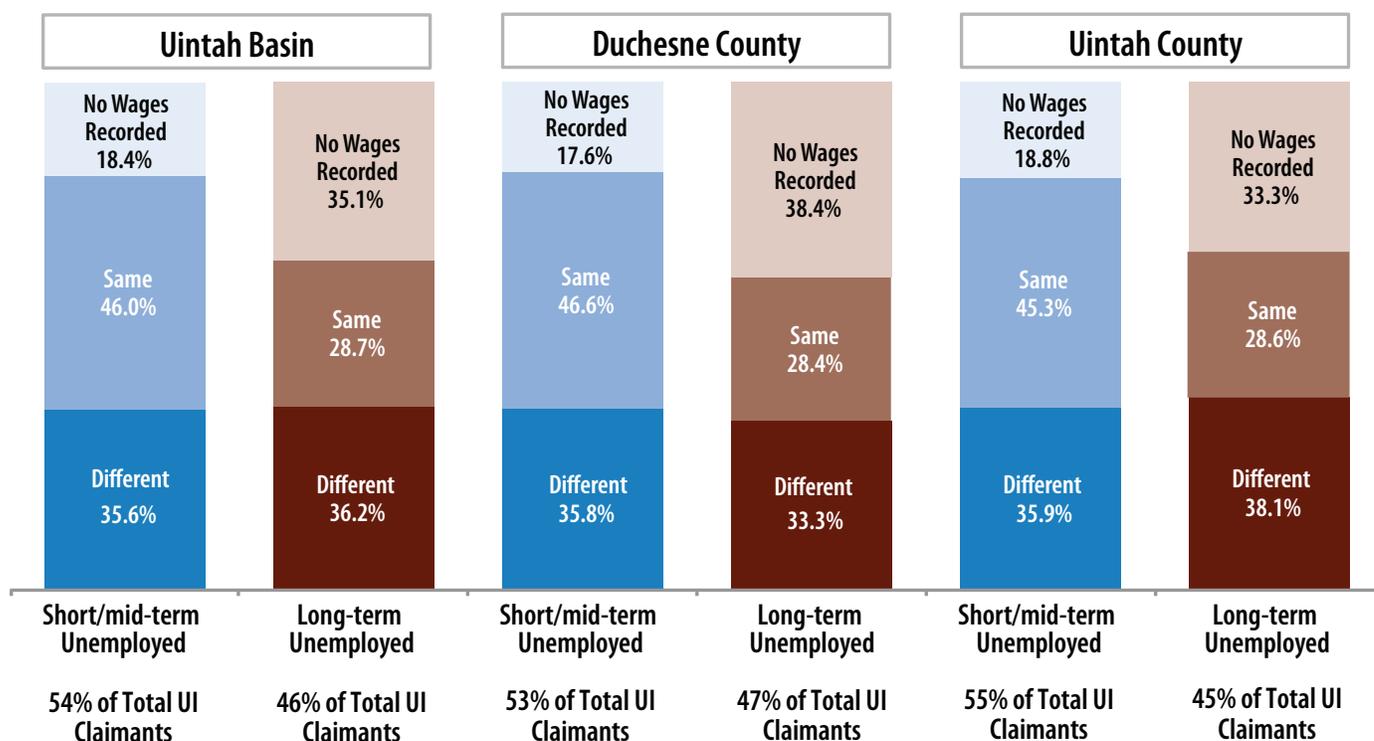
One form of criticism often applied to the UI benefit program is that a lot of claimants will choose to remain on benefits while only casually looking for full-time employment. To be clear, a claimant must be actively engaged in finding full-time employment and is even required to undergo a series of employment activities supervised by DWS employment counselors. Employment counselors are charged with assisting these claimants in their search for new employment. Some critics argue,

Figure 1: Unemployment Insurance Claimants by Industry 2009–2010*



*See article for definition.

Figure 2: Movement of Claimants After Leaving Unemployment Insurance by Industry*



*See article for definition.

however, that in some cases claimants can simply go through the motions with no intent to re-enter the workforce until it suits them. It is further speculated that these individuals try to prolong their stay on the UI program until they find a job with higher wages than before or merely to exhaust their allotted UI funds despite good employment opportunities. The more important question may be if it is beneficial to an individual to prolong their stay on the UI program. Running a simple regression analysis on long-term unemployed benefit recipients actually reveals that for each additional week an individual receives UI benefits in the Uintah Basin area, his or her average annual wage will tend to decrease by about \$185. Claimants might benefit from the knowledge that longer unemployment insurance claim durations tend to correlate with lower wages relative to claimants' previous employment.

Re-employment

The main question this article seeks to answer is what happens to UI claimants after they leave UI. Figure 2 tracks these movements for both Uintah and Duchesne counties. In the Uintah Basin, 46 percent of claimants were considered short- or mid-term unemployed: that is, they stopped receiving UI benefit payments after at most 20 weeks. Of this population, 46 percent returned to work in the same industries (two-digit NAICS sector), while 36 percent found employment in other industries. Eighteen percent were found to have had no recorded wages in the quarter after they left UI, which typically means that the claimant had no job after having left. Compare these to long-term unemployed claimants in the Basin: just 29 percent returned to their pre-UI employment sector, while the proportion of those who changed industries remained virtually

the same as short- or mid-term claimants, at 36 percent. The difference is that the percentage of those long-term unemployed claimants who left the UI program without recorded wages (i.e., no employment) was 35 percent, versus 18 percent within the same group among the short- or mid-term claimants. Further inspection yielded that 90 percent of long-term claimants that left UI and had no employment in the first quarter had exhausted their allotted benefits. These statistics are relatively the same in both Uintah and Duchesne counties.

Major Movements Among Unemployment Insurance Claimants

Figure 3 tabulates just the industries where the majority of the movements occurred over the 2009 to 2010 time frame that these data represent. As Figure 3 illustrates, the major movements between industries typically involve the same industries overall.



A Picture of Claimants Cont.

In Uintah County, most claimants who changed industries moved into mining, construction, retail, transportation/warehousing or administrative/support/waste management. Not surprisingly, and as the Figure 1 confirms, mining is the industry from which most post-UI claimants switched. Given the nature of the recent recession, poor construction opportunities translated to higher proportions of UI claimants. In Duchesne County, the story is very much the same, with many claimants who switch

industries after leaving UI going to mining, construction, retail trade and transportation/warehousing. Like in Uintah County, these claimants often come from mining and construction. There is a self-perpetuating churn within these industries and a lot of lateral movement between them.

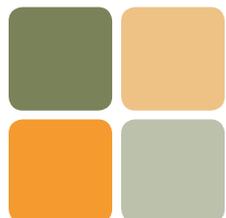
Significance of Findings

What this very brief analysis demonstrates is a wealth of actionable information regarding the Unemployment Insurance

program, especially as it relates economic development programs geared at moving the UI claimants back into the workforce. For example, the longer a claimant continues to receive unemployment insurance benefits, the lower the average annual wage will be for the claimant once he or she returns to the labor force. The ability to tailor the data to localized regions enhances DWS's ability to support the economic stability and quality of Utah's workforce. ■

Figure 3: Major Industry Changes in the First Quarter After Leaving UI

Uintah County		Duchesne County	
New Industry	Old Industry	New Industry	Old Industry
Mining	21% from Transportation/Warehousing 17% from Construction 16% from Wholesale Trade	Mining	41% from Construction 31% from Transp/Warehousing
Construction	54% from Mining 11% from Transp/Warehousing	Construction	47% from Mining
Retail Trade	30% from Mining 13% from Accom/Food Svc	Retail Trade	17% Healthcare/Social Svc 15% from Mining 15% from Construction
Transportation/Warehousing	47% from Mining 16% from Wholesale Trade	Transportation/Warehousing	36% from Mining 33% from Construction
Admin/Support Mgmt/Waste	25% from Mining 17% from Construction 12% from Retail Trade	No Employment	29% from Mining 20% from Construction 12% from Transportation/Warehousing
No Employment	36% from Mining 14% from Construction 9% from Retail Trade		



Uintah Basin Economic Indicators

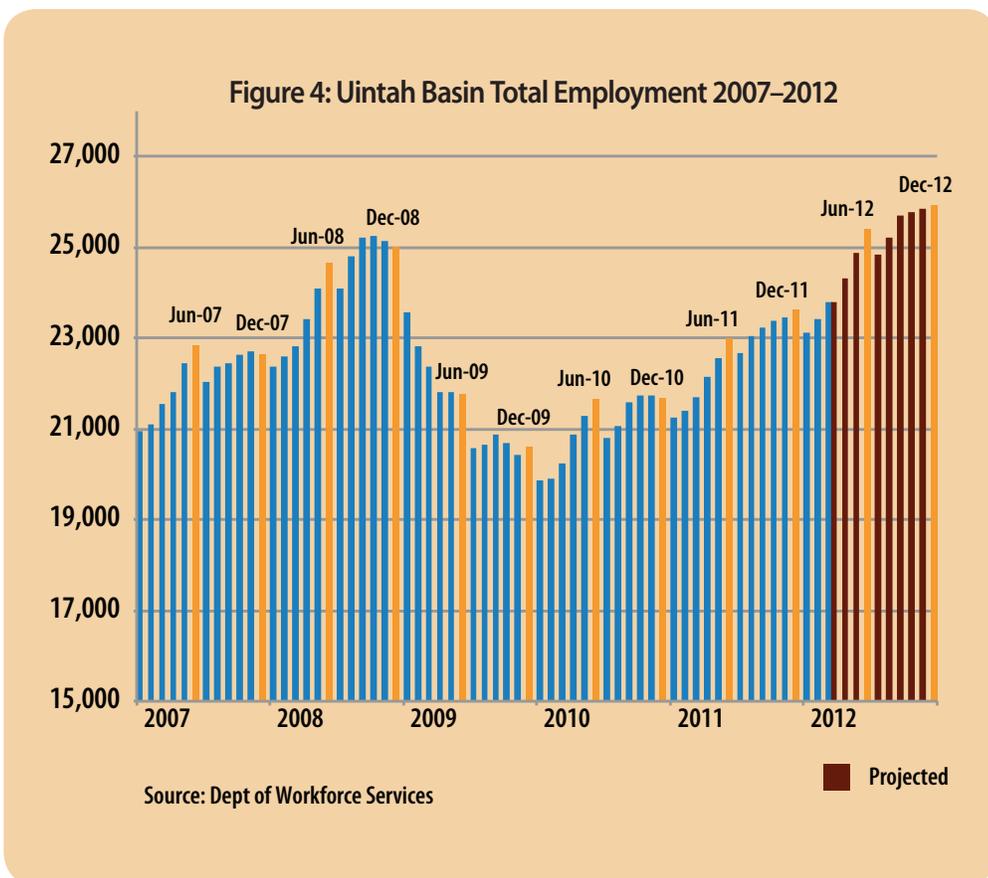
BY ERIC MARTINSON, ECONOMIST

The oil and gas industry continues to fuel the Basin's economic engines toward solid recovery. As it has for the past several months, Uintah County recorded the lowest unemployment rate in the state for the month of May, currently at 3.9 percent. Duchesne County currently holds the state's third lowest unemployment rate at 4.1 percent, continuing the downward trend in unemployment it shares with Uintah County. Total nonfarm employment in the Basin measured 23,910 in March of this year, a level not seen in over three years. This is a 10.1 percent increase over March of 2011 and signals a continuing upward trend in employment numbers. At this rate, employment in the Uintah Basin should be very close to matching pre-recession levels by the end of 2012. Mining and construction were the drivers behind first quarter growth. The Uintah Basin added 760 mining jobs and 532 construction jobs in March 2012.

Total employment growth in Uintah County on a year-over change basis has held between 5 and 8 percent for the past two years. This trend should continue to stabilize, all things staying constant, with the year-over growth settling closer to 5 percent by the end of 2012. Duchesne County, whose year-over employment change peaked at around 15 percent in January has started to settle back down and should continue to see slowing growth.

Uintah County

Total nonfarm employment in Uintah County has been experiencing positive growth now for the past nine quarters. Uintah County recorded just shy of



15,000 jobs in March of 2012. This is 8 percent higher than recorded in March of 2011. At 3.9 percent, Uintah County continues to lead the state for the lowest unemployment rate. Not surprisingly, the strong employment trend is the result of the oil and gas boom the area is experiencing. As the Uintah Basin Boom continues its momentum, the job situation in virtually every other industry should also see improvements. In addition to mining, other industries — construction, wholesale trade and leisure and hospitality — added the most jobs in Uintah County.

Mining

In March 2012, mining added 248 more jobs (8.2 percent) compared to last March with the continued natural gas mining and explorations. Just weeks after the U.S. Bureau of Land Management approved 3,675 new gas wells for Anadarko's Greater Natural Buttes plan just south of Vernal, the federal agency gave final approval to another major gas field in Eastern Utah. Gasco plans to drill 1,300 wells on a 3,600-acre plot on West Tavaputs in the Desolation Canyon area. These activities point to a continued surge in natural gas mining. The question

Uintah Basin Economic Indicators Cont.

At 3.9 percent, Uintah County continues to lead the state for the lowest unemployment rate.

is how long these activities will continue. Because of newer technologies such as “fracking” that allow the retrieval of hitherto untapped pockets of natural gas, increased supplies of the commodity throughout the country have caused the price of natural gas to fall remarkably over the past year. If prices continue to fall then Uintah County could likely see a halting of the natural gas mining and exploration to avoid oversupplying. This will eventually lead to a flattening out of jobs in the natural gas industry, all things equal.

Construction

Together, mining and construction jobs make up half of the year-over job growth for March 2012. Construction grew 32.5 percent, or 253 jobs. With the increased mining activities, oil and gas pipeline construction has contributed significantly to the total construction industry. In October of 2010, jobs in oil and pipeline construction made up 8.4 percent of total construction jobs. With the Uintah Basin Boom, these jobs, as a percentage of total construction jobs, have since tripled to 23.4 percent of total construction jobs in March 2012.

Other Industries

Retail and wholesale trade have also picked up. Wholesale added 21.5 percent more jobs year-over in March and retail trade picked up 6.5 percent.

Transportation also gained 12 percent. Among those industries that have lost jobs compared to March 2011 are public administration, down 1.7 percent, and health care and social services, down 4.1 percent.

Other Economic Indicators

The construction of 384 new dwelling units between January and April this year puts Uintah County substantially ahead of new dwelling construction for the same period in 2011. Also substantially ahead of last year’s pace are total permit-authorized construction values, currently 374 percent ahead of the same period last year. On a quarterly basis, year-over change in gross taxable sales was up 48 percent in the first quarter of 2012, extending the growing trend that began in the second quarter of 2010. Finally, initial unemployment

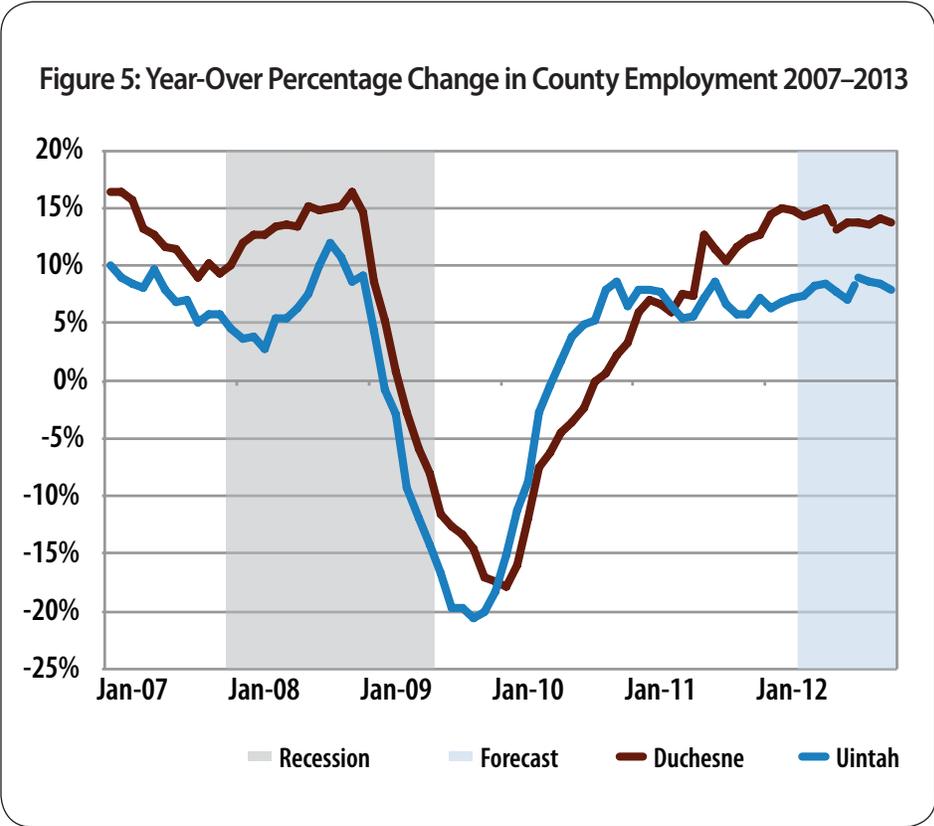
insurance claims, adjusted by a four-week moving average, are virtually back to the pre-recession lows of below 20 claims.

Duchesne County

Anyone who has travelled to Roosevelt or Duchesne recently will recognize the growing economy. New construction, like Roosevelt’s Landmark Inn on Highway 40, beckons increased economic activity that is directly related to the current oil and gas boom. March’s year-over change in total nonfarm jobs boasts a 15 percent increase, just over 1,100 new jobs for the county. A 4.1 percent unemployment rate also tells us that the employment outlook in Duchesne County is good.

Mining

Mining alone accounted for almost half of the new jobs added to the county this



March on a year-over basis. This mirrors the type of growth experienced by Uintah County, with 511 more mining jobs in March 2012 compared to March 2011. In fact, when compared to January 1999 to March 2012, the percent of mining jobs in Duchesne County relative to total employment in the county has grown from about 10 percent to almost 25 percent. The growth in mining wages relative to total wages in the county has followed the same growth rate as the mining employment ratio. In 2002 the ratio of mining wages over total wages in Duchesne County was around just 9 percent. This ratio has steadily increased to 24 percent.

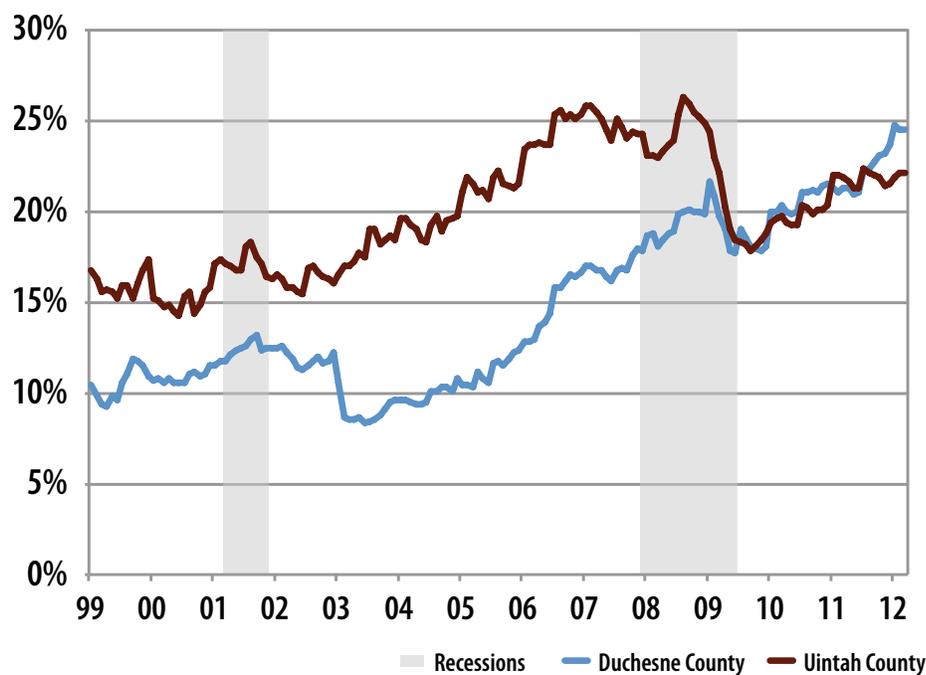
Construction

The growth in oil and gas has led to more construction jobs in Duchesne County. Construction has had positive year-over growth in employment since January 2011, peaking at about 60 percent in November 2011 before dropping to 35 percent in January 2012, a rate that is still considerably strong. For the latest period of March 2012, construction sits 44 percent higher than twelve months earlier. Not surprisingly, the nature of these jobs centers on oil and gas infrastructure such as utility system construction.

Other Industries

Virtually every industry except for the information sector experienced growth throughout the first quarter of 2012. Besides mining and construction, other significant year-over job growth occurred in transportation (66 more jobs year-over), leisure and hospitality (62) and wholesale trade (53). The stand-alone sectors that saw a slight fall in year-over employment were educational services, utilities, and federal and state government. Combined, these areas have just 14 fewer jobs than existed in March 2011.

Figure 6: Mining as Percentage of Total County Jobs 1999–2012



Other Economic Indicators

Between January and April 2012, the new dwelling construction and total permit-authorized construction values in Duchesne County were ahead compared to the same period last year. Year-over taxable sales for the first quarter of 2012 are up 23 percent and initial unemployment claims, on a four-week moving average basis, are back to pre-recession levels. All economic indicators show a vibrant economy in Duchesne County.

Daggett County

The unemployment rate in Daggett County is currently at 5 percent, one percentage point lower than the state

unemployment rate and 3.2 percentage points lower than the national rate. However, year-over nonfarm employment is down 6.2 percent. In fact, year-over employment has been negative for the past four quarters. The most recent quarterly decline in employment is due to a drop in 22 nonfarm jobs during the month of March, 18 of which were from the public administration. Daggett County showed no year-over growth in permitted dwelling units during the period between January and April this year. Change in total permit-authorized construction values was also negative during the same period. Year-over taxable sales, however, were 85 percent higher in the first quarter of 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.