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**Profile
of California's
Long-Term
Unemployed Report**

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Profile of California's Long-Term Unemployed

Summary

- The U.S. Bureau of Labor Statistics (BLS) classifies people who are jobless for 27 weeks or more as long-term unemployed.
- In December 2005, Californians who were unemployed for 27 weeks or more made up 19.9 percent of all unemployed in the state. By December 2010, this share had increased to 46.1 percent.
- California's unemployment rate has been higher than the nation's since June 1990. The state's unemployment rate has been at least 2.0 percentage points higher than the nation's since April 2009, with the difference reaching a high of 3.4 percentage points in January 2011.
- Steep declines in construction spending and jobs, and related job losses in the financial sector are likely the primary reasons behind the increase in long-term unemployment during the state's most current economic downturn.

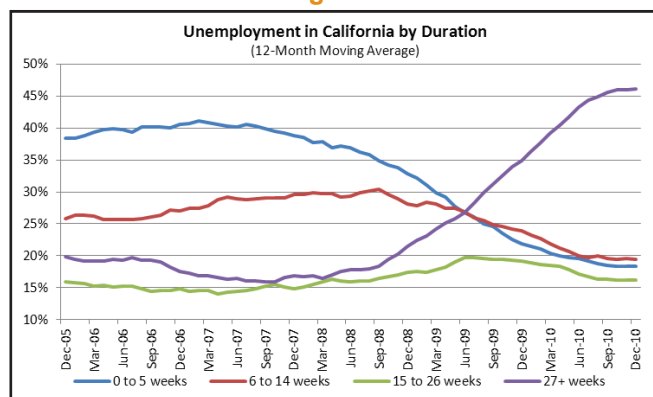
Increase in Number of Unemployed for 27 Weeks or More

Between May 2007 and February 2011, the number of people who were jobless for 27 weeks or more in California rose an astounding 620 percent. The number increased from a low of 143,300 in May 2007, to a peak of 1,031,700 in February 2011.¹

The share of total unemployment represented by the long-term unemployed nearly tripled during the recent economic downturn. The share of long-term unemployed grew from a low of 15.9 percent in September and October 2007 to a record high of 46.8 percent in March 2011.

As displayed in Figure 1, prior to June 2009, nearly 40 percent of unemployed residents had periods of unemployment of less than five weeks, while unemployment periods lasting 27 weeks and longer represented 19.9 percent of the total. Since June 2009 this trend has been reversed, and longer periods of unemployment now represent the largest portion of the overall jobless, growing from 19.9 percent of the total in December 2005 to 46.1 percent of the total in December 2010.

Figure 1



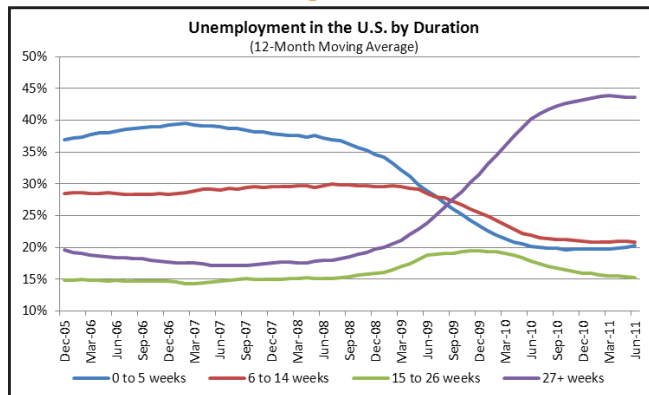
Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

¹ 12-month average Current Population Survey

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The trend is similar nationally. In December 2005, those unemployed 27 weeks or more constituted 19.6 percent of total unemployed. By December 2010 that percentage had more than doubled to 43.3 percent. A comparison of the trend lines in Figures 1 and 2 demonstrates the similarities between the state and national claims duration trends.

Figure 2



Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

The share of those unemployed 52 weeks or more also increased significantly. In December 2005, 11.2 percent of all unemployed Californians had been unemployed 52 weeks and longer. By December 2010 that share had nearly tripled to 31.7 percent. The U.S. had a similar increase: from 11.7 percent in December 2005 to 29.0 percent in December 2010.

California's Sharp Decline in Construction-Related Activity and Jobs

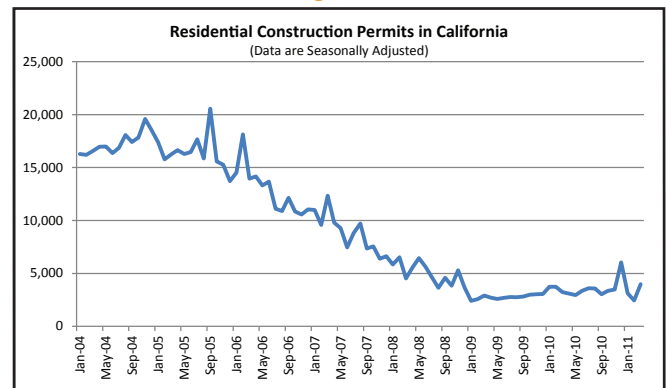
The rapid rise in long-term unemployment can be directly tied to the collapse of the housing bubble in California. This event had dramatic effects on the construction and finance industries and on the duration of unemployment among workers displaced from these industries.

Using monthly counts of new private housing building permits as a measure of construction activity, Figure 3 shows the sharp decline in construction activity in California. After reaching its peak of 20,554 construction permits in September 2005, the number of construction permits issued in California declined by 88.2 percent, falling to a low point of 2,418 permits issued in January 2009.

² Haver Analytics—Housing units authorized: 1-unit structures

Similar trends occurred nationally, with the number of construction permits peaking at 184,751 in September 2005, before falling to a low of 42,532 permits in March 2009. This represented a decline of 77.0 percent for the nation.²

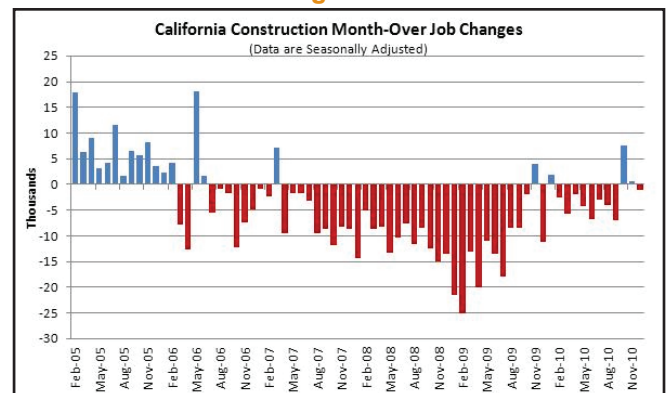
Figure 3



Source: U.S. Census Bureau/Haver Analytics

Jobs in California's construction industry also experienced a steep decline, falling by 42.5 percent, or 401,900 jobs, from a peak of 945,100 jobs in February 2006, to a low of 543,200 jobs in September 2010. Total private payrolls declined by 9.0 percent during the same timeframe. As displayed in Figure 4, construction employment appears to have stabilized somewhat in the final three months of 2010. Nevertheless, California recorded construction jobs losses in 33 of the 37 months from December 2007 through December 2010.

Figure 4



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (2010)

Job losses occurring in the construction industry (down 36.0 percent) were much larger than any other sector of California's economy from December 2007 to December 2010. Manufacturing lost the second most jobs (down 14.0 percent). During this time period, only the education and health services industry sector (up 6.0 percent) recorded job gains.

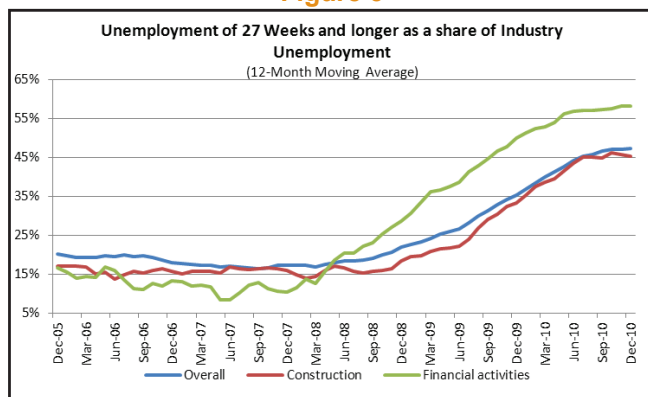
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Responding to the trends in construction, the finance industry subsector in California thrived during the housing boom and experienced a sharp downturn after the subsequent housing bust.

The continued severe downturn in the construction and finance industries made it difficult for former workers to return to the labor market. Prior to May 2008, the share of former finance industry workers who had been unemployed 27 weeks and longer was significantly lower than the share of long-term unemployed for all industries. However, since May 2008 the share of long-term unemployed who had worked in the finance industry has surpassed the share for all industries, with the difference reaching a high of 14.6 percentage points in December 2009. In terms of the length of unemployment periods, workers in the finance industry fared much worse than those from the home-building sector's other major industry—construction. The overall rate of long-term unemployment for construction workers hovered just below the rate in early 2008 and rose to approximately the same rate as all industries.

Figure 5 below shows the increase in the share of long-term unemployed within the finance industry subsector and construction sector, compared to the share of long-term unemployed for all industries.

Figure 5

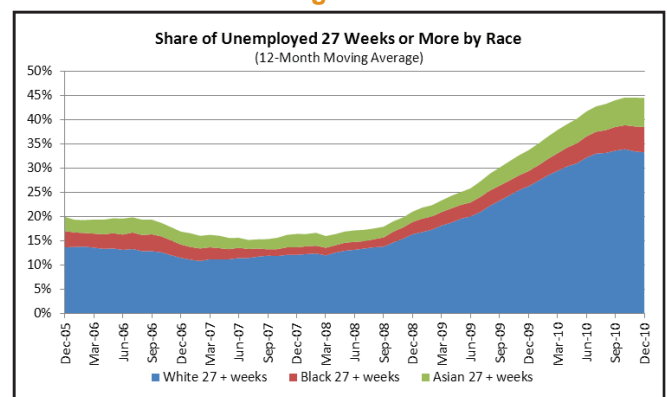


Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (2010)

Long-Term Unemployment by Demographic Group

Between December 2005 and December 2010 the share of men unemployed 27 weeks and longer as a percent of total unemployment in the state increased by 17.0 percentage points, from 11.3 percent to 28.3 percent. During the same period, the share of women unemployed 27 weeks and longer increased by 7.6 percentage points to reach 16.3 percent. Between 2005 and 2010, all major demographic groups experienced sharp increases in long-term unemployment. Figure 6 shows the increase in the share of total unemployed workers who have been unemployed 27 weeks and longer by race.

Figure 6



Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

The increase in long-term unemployment has affected all races and ethnicities. In December 2005, 18.1 percent of unemployed whites had been out of work for 27 weeks or more. By December 2010, the long-term unemployed made up 42.1 percent of total unemployment for the group. The trend is similar for blacks and Asians: in December 2005, 25.4 percent of unemployed black workers had been so 27 weeks or more; by December 2010 that had increased 53.7 percent. Asians out of work 27 weeks or more made up 26.0 percent of all unemployed Asians in December 2005, increasing to 53.6 percent by December 2010.

California Labor Market Trends

Table 1 lists the share of each race's overall unemployment that have been out of work for 27 weeks or more.

Table 1: Share of Unemployment—Persons Unemployed 27 Weeks or More by Ethnicity and Race

(12-month moving average)

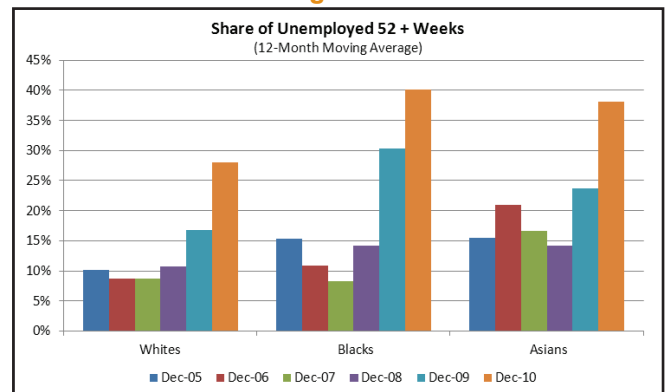
Ethnicity	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10
Total	20.0%	16.9%	16.4%	21.0%	33.7%	44.5%
Hispanic*	14.3%	11.8%	14.7%	18.2%	31.4%	41.1%
Non-Hispanic	14.2%	12.2%	10.3%	12.6%	19.2%	26.3%
Race						
White	18.1%	14.6%	15.6%	20.1%	32.1%	42.1%
Black	25.4%	23.2%	14.2%	26.0%	44.0%	53.7%
Asian	26.0%	27.9%	24.3%	24.5%	39.2%	53.6%

Source: Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

*People whose ethnicity is identified as Hispanic may be of any race.

Unemployment duration periods of a year or longer also increased significantly. In December 2005, 10.1 percent of unemployed whites had been out of work 52 weeks or more. By December 2010, 28.1 percent of unemployed whites had been unemployed for at least a year. Figure 7 demonstrates the increase in the share of unemployed who have been out of work for 52 weeks or more for each racial group.

Figure 7



Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

Long-term unemployment increased for all age groups between December 2005 and December 2010. Increases ranged from a low of 17.8 percentage points for those aged 45 to 54 years, to a high of 31.0 percentage points for those aged 55 to 64 years.

California Labor Market Trends

Table 2: Share of Unemployment —Those Unemployed 27 Weeks or More by Gender and Age

(12-month moving average)

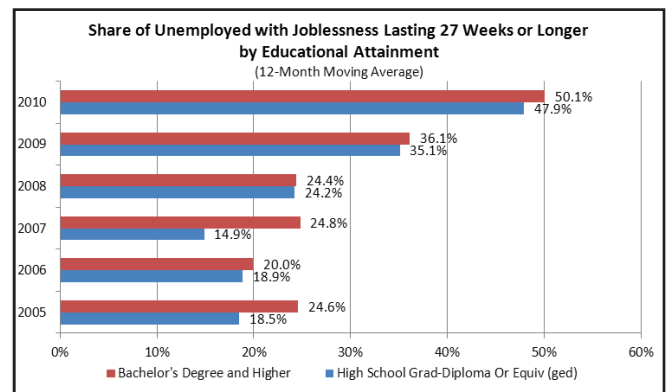
Age groups	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10
Total	20.0%	16.9%	16.4%	21.0%	33.7%	44.5%
Men, 16+	12.1%	10.4%	9.3%	10.6%	20.6%	27.6%
Women, 16+	9.3%	5.9%	5.1%	6.4%	12.6%	15.9%
16-19 years	10.9%	6.2%	7.6%	12.2%	22.4%	21.1%
20-24 years	13.3%	12.1%	9.0%	16.8%	29.2%	36.7%
25-34 years	15.4%	16.2%	15.8%	22.2%	31.9%	45.1%
35-44 years	24.6%	21.0%	19.8%	22.7%	34.0%	49.4%
45-54 years	35.3%	23.6%	26.0%	28.0%	42.6%	53.1%
55-64 years	25.5%	34.3%	26.0%	26.4%	42.5%	56.5%
65+ years	25.2%	8.4%	32.7%	32.8%	53.5%	55.3%

Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

Education Strengthens Job Security

In December 2010, the overall unemployment rate for residents in the state with a bachelor's degree or higher was 7.2 percent, compared to 14.2 percent for high school graduates with no college experience. Despite a significantly lower unemployment rate than those who earned only a high school diploma, a significant percentage of unemployed residents with college degrees suffer from periods of long unemployment. Once out of work, 47.9 percent of unemployed residents with bachelor's and higher degrees experience periods of unemployment longer than 26 weeks (see Figure 8). This compares to the 50.1 percent of unemployed residents with only a high school diploma who experience periods of unemployment of 27 weeks or more.

Figure 8



Source: U.S. Bureau of Labor Statistics, Current Population Survey (2010)

Costs of Long-Term Unemployment

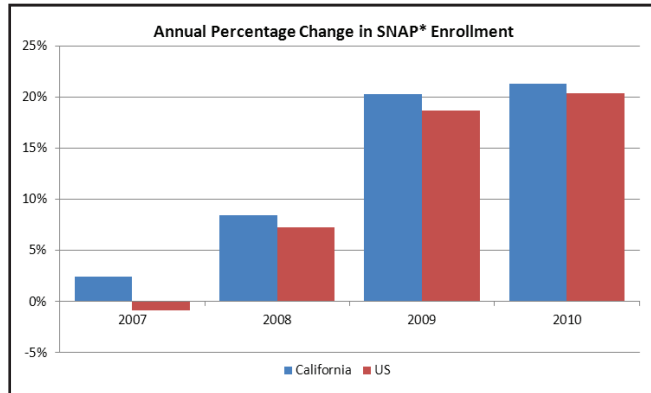
The high number of long-term unemployed contributes to an increase in the number of individuals and families receiving food assistance. Spending on the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, rose from \$35 billion in 2007 to \$56 billion in fiscal year 2009 nationally.³ In California, the average monthly participation rose from 2 million people in 2007 to 3.2 million people in 2010, a 58.1 percent increase (see figure 9).⁴ Benefit payments in the state increased 122 percent during the same timeframe, from \$2.6 billion in 2007 to \$5.7 billion in fiscal year 2010.

³ Congressional Budget Office, *The budget and economic outlook: fiscal years 2008 to 2018*, (January 2008), p.56

⁴ United States Department of Agriculture, Food and Nutrition Service, Program data, Supplemental Nutrition Assistance Program.

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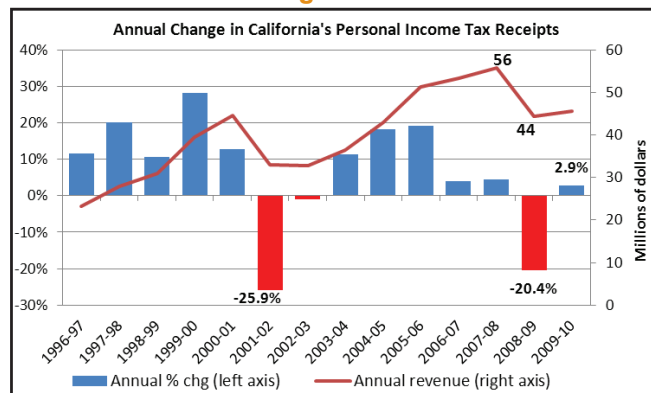
Figure 9



Source: United States Department of Agriculture (2010)
* Supplemental Nutrition Assistance Program

Long-term unemployment also negatively affects the state's budget by reducing income tax revenue. A report by the California Department of Finance⁵ noted that between fiscal years 2007-08 and 2008-09, personal income tax revenues in California recorded a decline of 20.4 percent. Unemployment insurance benefits are taxable, but people collecting unemployment insurance are receiving only a fraction of the income they would be getting if they were working. As a result they only pay a fraction of the income taxes. Figure 10 shows how California's Personal Income Tax (PIT) receipts have changed over time. Starting in state fiscal year 2006-07, the state's annual PIT receipts grew very slowly, culminating in a large decline of 20.4 percent in fiscal year 2008-09.

Figure 10



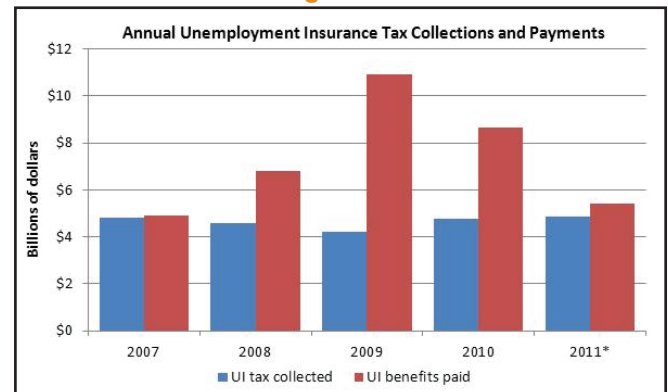
Source: California Department of Finance Statistical Abstract

⁵ California Department of Finance "California Statistical Abstract."
http://www.dof.ca.gov/HTML/FS_DATA/STAT-ABS/Toc_xls.htm

Besides the effect on income tax revenues, long-term unemployment has also had a negative effect on the Unemployment Insurance (UI) Trust Fund. The reduced amount of employer taxes, coupled with the huge increase in unemployment insurance claims filed during the recent economic downturn, has resulted in a large deficit in California's UI Trust Fund. Between 2008 and 2009, payments into the state's UI Trust Fund decreased 7.8 percent, while UI benefits paid increased by 60.3 percent. As seen in Figure 11, payments into the UI Trust Fund have recovered since 2009.

Of note is that overall tax collections for the period of January 2011 through September 2011 have surpassed the annual totals for all years from 2007 to 2009, and the gap between taxes collected and benefits paid appears to be shrinking.

Figure 11



Source: Employment Development Department,
Tax Processing and Accounting Division
*Data for 2011 are from January to September

According to data published by the U.S. Department of Labor, as of July 27, 2011, California had borrowed \$8,567,573,131.78 from the Federal Unemployment Account (FUA), a fund that provides loans to state unemployment programs to ensure that unemployment benefits can be paid after state funds have been exhausted. The state's Legislative Analyst's Office expects repayment of the loan to cost hundreds of millions of dollars in the coming years, and total nearly \$3 billion through 2018 under current law.⁶

⁶ Legislative Analyst's Office "Managing California's Insolvency."
http://lao.ca.gov/reports/2011/ssrv/ui_solveny/ui_insolvency_070711.aspx

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A period of unemployment can reduce a person's wages in future jobs. When residents are unemployed for extended periods of time they lose the opportunity to gain work experience and skills. One result of this is depressed wages for the long-term unemployed when they regain employment.

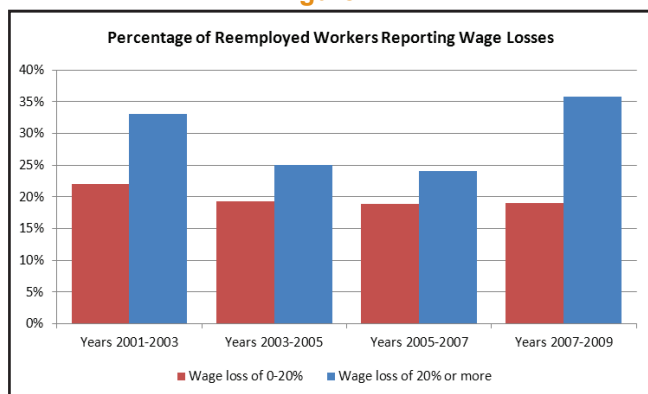
Data from the Bureau of Labor Statistics (BLS) Worker Displacement Survey⁷ indicate that between January 2007 and December 2009, 6.9 million U.S. workers were displaced from jobs held for a minimum of three years. Fifteen percent of surveyed displaced workers indicated that they were no longer in the labor force as of January 2010.

Survey data also indicated that a majority (54.8 percent) of displaced workers who were reemployed as of January 2010 reported lower earnings at their new jobs, with 35.8 percent reporting a drop in earnings of 20.0 percent or more. Figure 12 compares wage loss of reemployed workers during the current recession to recent three-year time periods. The two periods with the highest percentages of wage loss—2001 to 2003 and 2007 to 2009—coincide with recessionary economic downturns. The information presented in this chart demonstrates the negative effect that periods of unemployment tend to have on future wages.

TECHNICAL NOTES

Characteristics data in this report (ratios of employment by class of work and demographic group) are from the Current Population Survey (CPS), a monthly survey of about 60,000 households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. The survey obtains information on employment and unemployment among the nation's civilian non-institutional population age 16 and over. Unless otherwise noted the data in this report are expressed as annual averages, compiled from the results of the monthly survey.

Figure 12



Source: U.S. Bureau of Labor Statistics Worker Displacement Survey

⁷ BLS "Worker Displacement News Release."
<http://www.bls.gov/news.release/disp.nr0.htm>

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Definitions

Employed: *People who did any work for pay or profit during the survey week, including part-time and temporary work. People are also counted as employed if they have a job but did not work during the survey week because of vacations, sickness, child-care issues, taking care of family, maternity/paternity leave, industrial disputes, or were prevented from working by bad weather.*

Unemployed: *People who do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work.*

Labor Force: *The labor force is the sum of employed and unemployed persons.*

Reliability of the Estimates

Statistics based on the CPS are subject to both sampling and non-sampling error. When a sample, rather than the entire population, is surveyed, there is a chance that the sample estimates will differ from the “true” population values they represent. The exact difference, or sampling error, varies depending on the particular sample selected, and this variability is measured by the standard error of the estimate. There is about a 90-percent chance, or level of confidence, that an estimate based on a sample will differ by no more than 1.6 standard errors from the “true” population value because of sampling error. BLS analyses are generally conducted at the 90 percent level of confidence. The CPS data are also affected by non-sampling error. Non-sampling error can occur for many reasons, including the failure to sample a segment of the population, the inability to obtain information for all respondents in the sample, the inability or unwillingness of respondents to provide correct information, and errors made in the collection or processing of the data.

CONTENT QUESTIONS

Questions regarding the content of this report should be directed to Matthew Sweet (matthew.sweet@edd.ca.gov), Research Analyst for the Labor Market Information Division of the California Employment Development Department.



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