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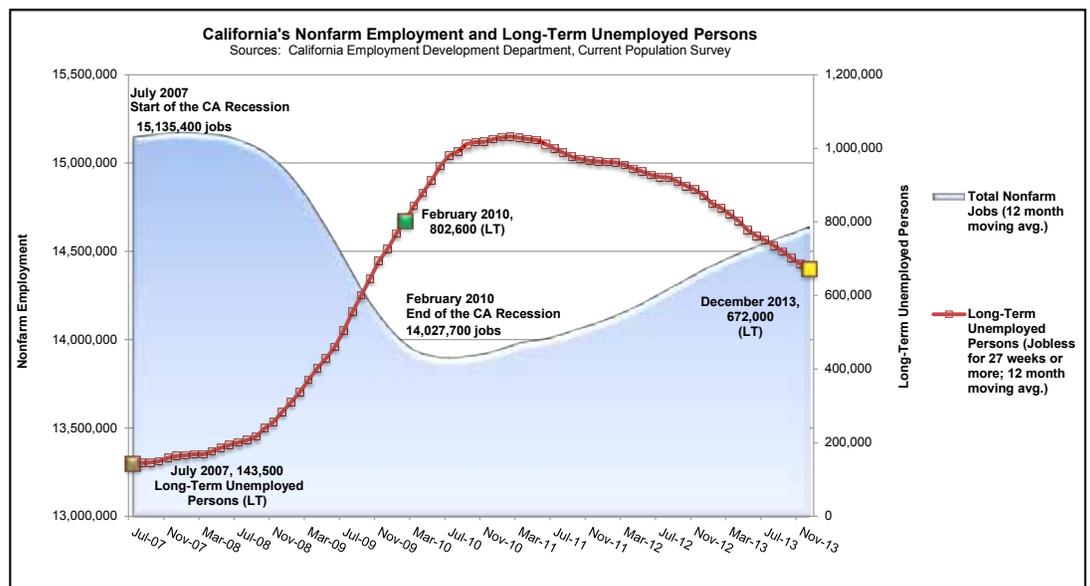
This report was prepared by Brandon T. Hooker and Andy Wong, Statewide Information Services Group.

California's Long-Term Unemployed Earnings Analysis

Overview of Long-Term Unemployed Population

California's nonfarm job estimates, when measured from peak to trough, indicated that the state's most recent recession occurred between July 2007 and February 2010. During this period of time, the state's total number of long-term unemployed persons increased by roughly 650,000. According to the Bureau of Labor Statistics, long-term unemployed persons are those that sought work and remained jobless for 27 weeks or more. The total number of long-term unemployed persons rose to just over 1 million from September 2010 through June 2011. In December 2013, there were just over 670,000 persons unemployed for 27 weeks or more; the state's lowest level since October 2009 (645,500).

Figure 1



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California Labor Market Trends

Earnings Analysis

The LMID studied the earnings of persons in California that collected unemployment benefits in 2006 to analyze some of the earnings trends associated with the long-term unemployed. Persons from 2006 were studied to analyze earning trends during the period of the Great Recession (2007-2009). The LMID's study covers the time period from 2004 to 2010. The following analyses reflect data for individuals with a UI start date in 2006. The type (e.g., short-term, long-term) of unemployment was determined by summing the number of weeks an individual claimed benefits between their initial UI start and end years. For the purposes of this report, short-term unemployed persons are those that sought work and have remained jobless for less than 27 weeks.

During the three-year pre-UI claim period¹ (2004-2006), the data suggests that long-term unemployed individuals had lower annual average earnings than short-term unemployed individuals. This earnings disparity between the short-term and long-term unemployed may be indicative of the type of jobs and levels of education attained by the two groups. Research conducted by the College Board Advocacy and Policy Center finds that individuals with higher levels of education earn more and are more likely than others to be employed.² LMID's research and the College Board's findings provide insight into not only the *current*, but the *future* earnings/employment disparities between the short-term and long-term unemployed as well.

The data suggests that *both* short and long-term unemployed persons that started to collect UI benefits in 2006 experienced declines in earnings from 2006-2007; the beginning of the Great Recession period which ran from December 2007 through June 2009 (see Tables 1 and 2). Generally speaking, after initial declines in earnings between 2006 and 2007, long-term and short-term unemployed persons that *claimed UI benefits for less than two years* had net increases in earnings over the course of the Great Recession period (see Tables 1 and 2). This trend may have reflected a person's ability to acquire stable employment and that he or she is no longer, or less dependent, on UI benefits.

However, short-term and long-term unemployed persons that *claimed UI benefits for two years or more* had net decreases in their earnings. This trend may reflect a person's tendency to attain jobs more sporadically over a period of time. He or she may have acquired temporary work, but the earnings they received were not enough to cover living expenses. Thus, the need to continue to draw UI benefits over longer periods of time.

¹ The pre-UI claim period earnings are the annual earnings acquired before an unemployed person made their initial UI claim (see Tables 1 and 2). The pre-UI claim years consist of 2004 and 2005.

² College Board Advocacy and Policy Center. (2013) Retrieved from: <http://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report.pdf>.

California Labor Market Trends

Table 1

Earnings Analysis for Short-Term Unemployed (1-26 Weeks), 2004-2010							
Source: California Employment Development Department, Quarterly Census of Employment and Wages							
Year UI Claim Started / Year UI Claim Ended	Great Recession Period						
	2004	2005	2006	2007	2008	2009	2010
2006/2006	\$18,986	\$24,396	\$16,367	\$18,060	\$17,527	\$16,221	\$15,973
2006/2007	\$22,697	\$26,840	\$24,872	\$16,022	\$17,673	\$16,871	\$17,172
2006/2008	\$23,982	\$27,202	\$28,725	\$25,753	\$22,531	\$20,543	\$20,505
2006/2009	\$25,418	\$28,145	\$29,925	\$29,781	\$27,310	\$23,095	\$23,033
2006/2010	\$26,466	\$30,723	\$32,236	\$32,795	\$35,493	\$30,290	\$29,883
Shaded Numbers: UI Claim Collection Period ³							

Table 2

Earnings Analysis for Long-Term Unemployed (27 Weeks or more), 2004-2010							
Source: California Employment Development Department, Quarterly Census of Employment and Wages							
Year UI Claim Started / Year UI Claim Ended	Great Recession Period						
	2004	2005	2006	2007	2008	2009	2010
2006/2006	\$24,949	\$30,660	\$11,441	\$12,028	\$14,134	\$13,818	\$13,706
2006/2007	\$29,705	\$34,348	\$28,867	\$4,617	\$5,978	\$7,147	\$8,203
2006/2008	\$22,855	\$27,099	\$26,395	\$15,821	\$9,267	\$10,781	\$11,459
2006/2009	\$22,891	\$26,764	\$26,524	\$19,951	\$15,496	\$7,415	\$9,417
2006/2010	\$23,697	\$27,241	\$26,932	\$20,190	\$23,244	\$13,513	\$9,153
Shaded Numbers: UI Claim Collection Period							

³ The *UI claim collection period* refers to the annual earnings acquired between the initial UI start date year (2006) and the year in which an unemployed person's UI claims ended (see Figures 1 and 3; Tables 1 and 2). In LMID's study, the UI claim collection period ran from 2006 to 2009. These dates will vary from person to person, since some individuals exhausted their benefits faster or slower than others.



**State of California
Labor and Workforce Development Agency
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