

EDD Quarterly Update for the Legislature - 1st Quarter 2013 Program and Labor Data Highlights

Latest Labor Market Data for California

The Employment Development Department (EDD) recently released California employment and unemployment data for March, just weeks after releasing data for the months of January and February along with benchmarked data for 2012 and a few years before. April data is expected to be released on May 17. Labor Market Information analysts with EDD and the U.S. Bureau of Labor Statistics annually update data through the benchmarking process when more complete payroll data is available to revise previous monthly estimates.

- **The unemployment rate in California declined to 9.4%** in March from the rate of 9.6% in February and 9.8% in January. That's the lowest the unemployment rate has been in more than four years. The peak unemployment rate during the recession near the end of 2010 was 12.4%.
- California nonfarm payrolls grew by 25,500 in March following a revised gain of 37,400 jobs in January. This marks the 21st consecutive month in which the state has gained jobs.
- Over the month, the professional and business services sector led the job growth with an increase of 15,800 jobs – in occupations like management, scientific and consulting services, tax preparation, accounting, and computer systems design.
- **Over the year, California gained 285,900 jobs for a 2.0% job growth**, outpacing the nation's 1.4% growth rate. Overall employment gains are being led by the professional and business services and leisure and hospitality sectors. Construction and financial activities are also back to job increases suggesting restructuring in California's hard hit housing sector has run its course and is ready to once again contribute to economic growth in the state.
- The most important indicator for the economy in terms of employment is the overall trend in jobs. The annual revision process resulted in a significant upward revision in the number of jobs gained in the 2012 calendar year. The gain of 327,400 jobs (a rate of 2.3%) from December 2011 to December 2012 is a full 101,500 jobs higher than the preliminary estimate announced in January prior to benchmarking.
- Private jobs (minus government employment) showed even greater strength in 2012 with a job gain of 350,200 for an impressive growth rate of 3.0%.

Unemployment Insurance Program

While demand for Unemployment Insurance (UI) benefits remains high compared to pre-recessionary levels, the overall UI claims and benefit levels are trending downward compared to the same period of time last year as the state and nation continue to recover from the severe recession.

- The **total number of claims processed** by the EDD in the January through March 2013 quarter totaled 1,368,670, which is a decrease of 15% compared to the total of 1,610,970 claims in the first quarter of 2012.
- First quarter claim numbers decreased 33% compared to the first quarter of 2010 (2,047,401) during the peak of the recession, but increased 118% when compared to the first quarter of 2007 claim totals (627,867) before the recession.
- The **total UI benefits paid** (combination of regular UI and federal extension claims) in the first quarter of 2013 decreased 26% compared to the first quarter of 2012.
- Total benefits paid in the first quarter of 2013 totaled approximately \$3 billion, averaging about \$49 million a day compared to the first quarter of 2012 when the EDD paid approximately \$4 billion or about \$65 million a day.
- Compared to the peak of the recession, total UI benefits paid in the first quarter of 2013 is 53% less than the total benefits paid in the first quarter of 2010 when EDD paid \$6.4 billion in total benefits, averaging about \$106 million a day. But totals are still up 122% from before the recession when the EDD paid \$1.4 billion in total benefits in the first quarter of 2007, averaging about \$22 million a day.

Federal Sequestration Funding Cuts

Due to the federal sequester, the EDD is being required to cut all federal extension benefit amounts in California by 17.69% beginning April 28, 2013. The EDD issued a news release and has been sending out notices to all claimants advising them of the cuts being made. There is also an online calculator available to help them estimate the amount of their reduction, along with other helpful information on the EDD website, Facebook, and Twitter pages.

- On an average weekly benefit amount of \$298, the sequestration cut on federal extension benefits amounts to \$52 for a new weekly benefit amount of \$246. The reduced total is \$371 per week for a maximum weekly benefit amount of \$450.
- Such cuts do NOT affect the up to 26 weeks of regular state-provided unemployment benefits someone can qualify for when they first become unemployed.
- The cuts will NOT be implemented for unemployed individuals collecting benefits in the middle of a federal extension tier. The cuts will only be taken at that point in time when the individual first starts a federal extension claim or starts a new extension tier that begins on or after April 28, 2013.
- Benefit payments will NOT be cut for recipients of training extension benefits under the California Training Benefits program, or recipients of Trade Readjustment Assistance extended benefits.

- While there are currently an estimated 400,000 Californians certifying for federal extension benefits, hundreds of thousands more could be impacted by reduced benefit amounts before the end of the year as they become eligible for federal extension benefits.
- There are currently up to 47 weeks of benefits offered between four separate tiers of federal extension benefits. Combined with regular benefits of up to 26 weeks, the maximum total of unemployment benefits available is 73 weeks. A breakdown of benefit filing deadlines is available on EDD's website at: http://www.edd.ca.gov/Unemployment/Federal_Unemployment_Insurance_Extensions.htm
- Over the last 4 ½ years, a total of more than \$41 billion in extension benefits have been paid in California.

Significant Funding Cuts Will Affect Services

In addition to the potential benefit cuts outlined above, the following cuts to EDD's administrative funding will also occur as a result of federal sequester cuts:

- **Unemployment Insurance Program:** The state may lose more than \$30 million over the next 15 months in federal funding that pays for the administration of the UI program in California. In combination with a significant \$128 million federal funding shortfall EDD already faces this year, there will be dramatic impacts on our ability to provide critical UI services to Californians. The EDD is working on an operational plan for the reduced resources and will be announcing details on reduced services in the next several weeks.
- **Job Search Assistance:** Federal funding for the job search assistance, referral, and placement services EDD staff provide in local One Stop Career Centers throughout the state will be reduced by \$3.3 million due to the sequester. In addition, there is an estimated \$15 million cut in federal funding that goes primarily to local workforce investment boards that provide services including job training in local areas. Such reductions in workforce development resources will have a direct impact on individuals, employers, and local economies.

UI Trust Fund Status

Employers pay contributions to the California UI Trust Fund which is used to pay regular state-provided unemployment benefits. Employers also pay federal unemployment taxes, called FUTA, to support administration of the UI program, loans to insolvent states, and federal extension benefits.

- **California's UI Trust Fund is currently \$11 billion in the red** and is forecasted to end 2013 with a \$10.2 billion deficit.
- While UI benefit amounts are down from the peak of the recession, even if and when payments return to pre-recessionary levels, the current financing system cannot self-correct during better economic times because of the significant deficit and outdated financing structure. The revenue model has not been updated since 1984.

- The state has been borrowing from the federal government since January 2009 to help cover the cost of regular UI benefits. As of April 22, 2013, California is one of 24 states (including the Virgin Islands) relying on a federal loan. New York has the next highest loan balance at \$4 billion.
- The EDD has now paid two **interest payments** of more than \$300 million each to the federal government on the loan. Another will come due in September 2013. Such interest payments cannot be paid with UI funds. So far, payments were covered by a loan from the State Disability Insurance Fund and must be repaid beginning June 2016.
- Because of the ongoing deficit and federal loan, California employers continue to pay more in their **FUTA taxes**. Two years ago, employers paid up to \$42 per employee to the federal government. The rate increased in 2012 and is up again in 2013 to up to \$84 per employee.
- Without a legislative solvency solution that would otherwise reduce the deficit in the UI Fund, employers will face incremental increases in their FUTA taxes every year.

Disability Insurance Program

The EDD launched the new **State Disability Insurance (SDI) Online** to the public in October 2012 and staff has been busy completing the transition to the new system. SDI Online is convenient and secure while reducing claim processing time, providing immediate electronic confirmation of forms submitted, decreasing costs in paper and postage, and including security safeguards to detect and manage fraud and abuse.

- As of April 22, 2013, more than 333,000 customers created accounts and were using the SDI Online system, with more than 531,000 SDI Claims filed electronically.
- The new system enables claimants and medical providers to electronically submit SDI and Paid Family Leave (PFL) claims and related supporting claim information.
- Claims can be filed online or by using new Optical Character Recognition forms.
- Prior to the SDI Online launch, EDD successfully trained over 1,200 staff across the state to file and manage claims in this more modern system.
- The EDD is engaging in continual outreach with DI customers, both the claimants and the medical providers, to get them using the new online services or the new forms created for SDI Online.
- As greater numbers of customers and medical providers register and use the new SDI Online system, we will achieve and ultimately exceed pre-implementation timeliness and be able to provide our customers with the quality services they need and deserve.

Payroll Taxes

Revenue has increased in California's employment tax program. A total of \$52.4 billion in tax revenue was cashiered for fiscal year 2011-2012, a \$1.4 billion increase from the previous year.

- Tax Branch processed more than 42 million paper documents and more than 14.4 million electronic documents, an increase of 700,000 electronic documents from the previous year.
- A total of \$14.9 billion in tax revenue was cashiered in the first quarter of 2013, a \$870 million increase over the first quarter of 2012.
- In addition, the **Automated Collection Enhancement System (ACES)** continues to produce increased employment tax revenue: 15.2% above estimates.
- Business customers can now use smart phones and tablets to access EDD's **e-Services for Business** to register with EDD, manage their payroll tax account, file reports, and make tax payments. For general information about e-Services for Business, visit this section of the EDD website:
http://www.edd.ca.gov/Payroll_Taxes/e-Services_for_Business_Advantages_and_Features.htm.

Workforce Services

The Workforce Services team successfully launched its **newly redesigned CalJOBS website** (also referred to as Workforce Services Network,). This is the state's online job resource center where job seekers can find local and statewide employment and labor market information, and employers can post job openings. The result is both job seekers and employers benefit from the newly enhanced service by matching up potential employees with promising job openings. More than 438,000 users are signed on and taking advantage of the new features and benefits. There are no costs or fees to use CalJOBS.

Under federal guidelines, all individuals receiving UI benefits must register for work with their state employment services. In California, that means individuals must register on CalJOBS and maintain an active resume. EDD redesigned the popular site to provide comprehensive services as well as a user-friendly online experience. Conveniences of the new website include:

- Online access to employment services 24 hours a day;
- Career tools to help users effectively find jobs that match their skills and interests;
- User-friendly options to assess local labor markets;
- Comprehensive information on education and training programs;
- The ability to track and manage all job search activities;
- Unduplicated job postings from across the Internet; and
- Equal access for Spanish speakers, as well as those who are visually impaired.

Upcoming Events in the State

Every month, EDD staff is engaged in providing services and information to our valued customers through various workshops, seminars, webinars, and job fairs. Such events are held throughout the state. Event details and locations are listed on the EDD website and broken down by region at:

http://www.edd.ca.gov/Jobs_and_Training/Job_Fairs_and_Events.htm