

### Program and Labor Data Developments and Highlights

#### Latest Labor Market Data for California

The Employment Development Department (EDD) has released California employment and unemployment data for the month of July 2013, along with preliminary data for August. However, final data for August and September have been delayed until later in November due to the federal government shutdown and the limited availability of federal Bureau of Labor Statistics (BLS) staff. Highlights of the data that is available include:

- **The unemployment rate in California increased to a preliminary 8.9%** in August from a rate of 8.7% in July. Despite the rate increases in these two months, declining unemployment continues to be the prevailing trend in California. The state's rate fell 1.5% over the year ending in August 2013. The peak unemployment rate during the recession near the end of 2010 was 12.4%.
- California's unemployment rate also continues to drop at a faster pace than the U.S. rate, almost doubling the decline of the nation's rate.
- In month-over figures, **the state gained 29,100 jobs in August** following gains of 27,800 jobs (as revised) in July. This marks the 26th consecutive month in which the state has gained jobs. The job gains of these two months were the largest California has experienced thus far this year and is the longest such streak of any state.
- Over the month, nine of eleven industry sectors added jobs in August led by construction (+7,700 jobs) and professional and business services (+6,300 jobs).
- Over the year, employment gains were led by the leisure and hospitality sector, adding 66,200 jobs - the vast majority coming in accommodation and food services. The high tech, high wage jobs of the professional and business services sector came in second, posting a gain of 55,900 jobs.

## **Unemployment Insurance (UI) Program**

While demand for 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 third quarter of 2013 (1,172,510) decreased 11% compared to the third quarter of 2012 (1,318,178).
- The third quarter 2013 claim numbers decreased 45% compared to the same period in 2010 (2,122,652) during the peak of the recession, but remains 107% higher when compared to the same period in 2007 prior to the recession (567,302 total claims).
- Total benefits paid in the third quarter of 2013 totaled approximately \$2.5 billion, averaging about \$39 million a day, compared to the same period in 2012 when the EDD paid approximately \$3.1 billion, or about \$49 million a day. That amounts to a 19% year-over decrease.
- The total UI benefits (combination of regular and federal extension benefits) paid in the third quarter of 2013 is 55% less than the total benefits paid in the same period of 2010 when EDD paid approximately \$5.5 billion, averaging about \$86 million a day. However, totals are still up 109% from pre-recession levels when the EDD paid \$1.2 billion in total benefits for the third quarter of 2007, averaging about \$19 million a day.

### **UI – Federal Shutdown**

Due to the budget impasse in Washington D.C., the Federal Government partially shut down its services throughout the country from October 1, 2013-October 16, 2013. There was no impact to any of the EDD's services, and federal funds to pay federal unemployment extension benefits and help provide regular state unemployment benefits did continue. During the shutdown, our UI program saw an increase in claim activity due to out-of-work federal employees applying for benefits. Federal civilian workers were encouraged to use our paper application to apply for benefits and also apply by phone. More information about the end of the federal shutdown can be located on the EDD Web site at [www.edd.ca.gov](http://www.edd.ca.gov).

### **UI – Federal Extensions: Changes to Sequestration and the Upcoming End of the Federal Extension Program**

The U.S. Department of Labor has advised the EDD of changes to the sequestration cuts. In California and a few other states, we will be phasing out these cuts for individuals ending their current tier and starting a new tier with an effective date of September 29, 2013, or after.

For individuals currently collecting federal extension benefits on an existing tier with effective dates of April 28, 2013 through September 22, 2013, the weekly and maximum benefit amounts will continue to reflect a 17.69% cut until that current tier ends and the next extension is filed with an effective date of September 29, 2013, or after. After each federal extension is filed, an eligibility notice is mailed providing the effective date of the extension, the weekly benefit amount, and the maximum benefit amount available, including the sequestration cut, if applicable.

Californians collecting UI benefits should be aware that all tiers of federal extension benefits are set to expire at the end of 2013. Unless the U.S. Congress takes any further action, the maximum amount of unemployment benefits available to Californians will return to the up to 26 weeks of benefits available under a regular UI claim. At the peak of the recession, up to 99 weeks of benefits were available through a combination of state and federal extension benefits. As the end of the federal extension program draws near, the EDD will be notifying those impacted.

More information about federal extensions can be located on the EDD website at [www.edd.ca.gov](http://www.edd.ca.gov).

### **UI - Continued Claims Redesign Project**

The EDD released the first component of the Continued Claims Redesign (CCR) project over the Labor Day weekend. California has by far the largest UI program in the nation and we are busy transitioning to the new system in order to bring greater conveniences to our customers and greater efficiencies to our operations. Since launch, the EDD has paid more than \$1.4 billion in total unemployment benefits through our new payment processing system. Our system is currently processing more than 80% of all certifications on the same day they are received. The remaining 20% are forwarded to staff for typical eligibility review to ensure the claimant has met all requirements for ongoing benefits including being able, available and looking for work.

The EDD currently has about 617,000 people certifying for ongoing benefits after establishing a claim. A subset of these customers experienced delayed payments due to a backlog of certifications that took beyond ten days to be processed. This was created by the temporary impacts of converting old claim data into the new system and then later with some delays in issuing all necessary certification forms. The EDD sincerely apologizes to those customers who did suffer the impact of our temporary backlog which developed in September. We continue to commit all available resources to completing the transition to our new system and the associated learning curve as quickly as possible.

## **UI - Reduction in Call Center Hours**

Due to sequestration cuts and administration underfunding, the EDD began reducing the hours staff are answering phones on May 20, 2013, and still continues to do so. The UI Customer Service/Call Center staff are answering phone calls between 8 a.m. to noon, Monday through Friday, except for state holidays.

The new schedule allows the entire claim filing staff to concentrate on phone services in the morning when call volumes are highest. The limited staff will be able to focus on other needs in the afternoon such as processing online and paper applications, answering online questions, and determining eligibility issues. The EDD encourages unemployed workers to use the existing self-help options to allow the limited number of EDD staff to serve those who must speak to an agent.

## **State Disability Insurance (SDI) Program**

A year ago, the EDD introduced **SDI Online**, a web-based Disability Insurance and Paid Family Leave claim processing system which allows claimants, employers, physicians/practitioners, and physician/practitioner representatives to file claims, submit forms, and view claim information conveniently and securely online.

- The SDI program has paid approximately \$4.52 billion in benefits since the launch of SDI Online in October 2012.
- As of September 26, 2013, more than 573,000 customers created accounts and were using SDI Online, with more than 1,668,000 initial and continued claims received electronically.
- In September 2013, 87.5% of initial DI claims were paid by the 14<sup>th</sup> day after receipt, which meets the timeliness goal of the SDI program.

SDI Online improves program efficiency and effectiveness by streamlining and automating claims processing and by promoting self-help service and online operations. Its successful implementation garnered the EDD a 2013 Computerworld Honors Laureate Award, which recognizes visionary projects undertaken by those who move business forward and benefit society. The SDI Online system also won four other prestigious awards for innovation and project management.

With the passage of Senate Bill 770 (Chapter 350, Statutes of 2013), the SDI program is working to implement the necessary changes to the Paid Family Leave program to include providing benefits to individuals who take time off of work to care for a seriously ill grandparent, grandchild, sibling, or parent-in-law. The new law will become effective July 1, 2014.

## **Payroll Taxes**

Revenue associated with California's employment tax program increased during State Fiscal Year (SFY) 2012-13. A total of \$55.9 billion in tax revenue was cashiered for the year, which is a \$3.5 billion increase from the previous year. The EDD Tax Branch is responsible for processing payroll tax reporting forms and the UI and SDI benefit claim forms. In SFY 2012-13, EDD processed approximately 42.5 million pages of paper documents and approximately 19.4 million electronic documents, which is an increase of five million forms submitted electronically from the previous year.

## **Upcoming Events in the State**

Ongoing, EDD staff offer a variety of seminars, and classes on payroll taxes, as well as online tax courses and tutorials. For a complete listing of services offered and locations for classroom training, visit EDD's website at:

[http://www.edd.ca.gov/Payroll\\_Taxes/More\\_Getting\\_Started\\_Information.htm](http://www.edd.ca.gov/Payroll_Taxes/More_Getting_Started_Information.htm)