

California

UNEMPLOYMENT INSURANCE

OPPORTUNITY REPORT

Prepared by the American Institute for Full Employment • October 2015

California has the opportunity to save millions of dollars and promote the overall well-being of its unemployed workers by implementing additional best practices in its Unemployment Insurance (UI) program. UI is an often overlooked, yet critical program for employers and employees. UI policy decisions involve not only significant expenditures in the economy, affecting the business climate and economic development, but also the financial, mental, and physical well-being of the unemployed. In designing their UI programs, federal law allows states substantial flexibility that is rarely used. The American Institute for Full Employment has the resources and personnel to help you design and implement innovative UI and workforce programs that make impact. For a comprehensive review and analysis of how to make a difference, please contact Don Peitersen, Unemployment Insurance Project Director at 303-681-1351.

Unemployment Rate and Caseload

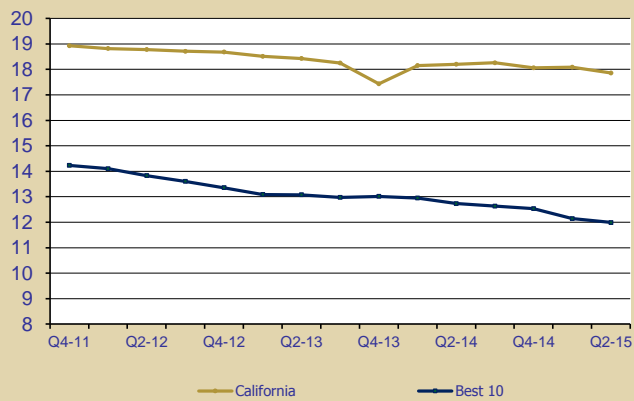
| | Jun-14 | Jun-15 |
|-------------------------|------------|------------|
| Unemployment Rate * | 7.50% | 6.30% |
| Civilian Labor Force | 18,777,314 | 19,042,601 |
| Unemployed | 1,411,947 | 1,194,830 |
| Daily UI Caseload ** | 378,935 | 343,251 |
| Total Benefits Paid *** | \$6.1 bil | \$5.5 bil |

* Seasonally Adjusted ** Regular UI Claims *** Annual

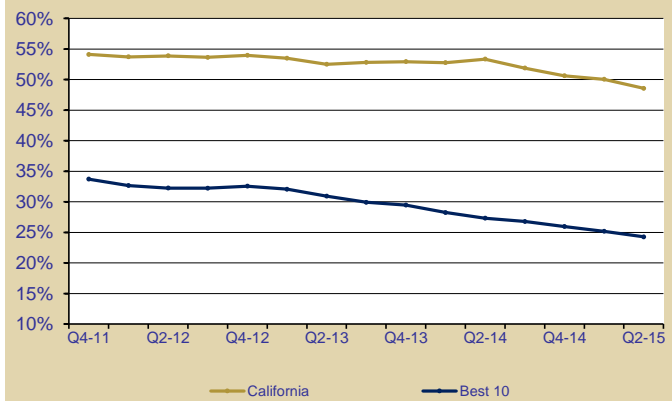
Effectiveness

On average, UI claimants in California did not find their way off of unemployment insurance for over four months, and over one half of all claimants exhausted their benefits.

Claim Duration (weeks) Quarterly Data



Exhaustion Rate Quarterly Data



| April 2014 - March 2015 Average | Best 5 | Best 10 | CA | CA Rank |
|---|--------|---------|-------|---------|
| CLAIM DURATION The average number of weeks UI claimants received benefits | 11.4 | 12.0 | 17.9 | 45 |
| EXHAUSTION RATE The average percentage of UI claimants who exhausted their benefits | 20.8% | 24.3% | 48.6% | 51 |

CLAIM DURATION

The average number of weeks UI claimants received benefits

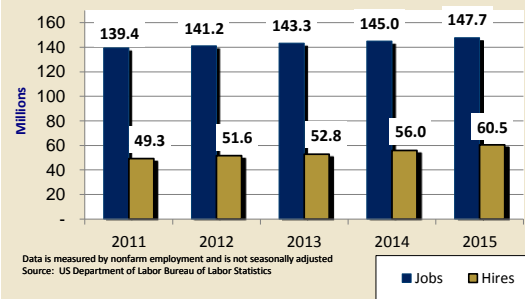
EXHAUSTION RATE

The average percentage of UI claimants who exhausted their benefits

US Total Jobs & Annual Hires Summary

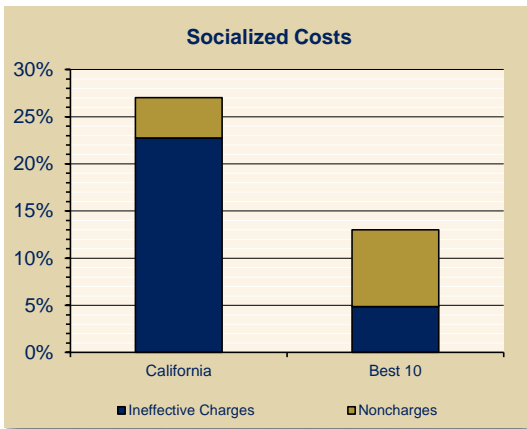
In an economy of approximately 147 million jobs, US employers made over 60 million hires - more than one hire for every three jobs. Common statistics track only net new jobs, but our dynamic economy creates many more opportunities than just those from net new jobs. Job openings and hiring activity come from a variety of sources normally, including: 1) quits, 2) retirement, 3) moves, 4) firing, 5) total new job creation and other causes

US Total Jobs & Annual Hires 2011-2015 (July - June)



Efficiency

California's UI tax structure had 108% more socialized costs than the Best 10 states, costing all employers \$1.6 billion for such charges.



| 2014 | Best 5 | Best 10 | CA | CA Rank |
|---------------------------|--------|---------|-----|---------|
| SOCIALIZED COSTS * | | | | |
| | 11% | 13% | 27% | 34 |

The percentage of benefit costs not charged to responsible employers, but instead socialized as:

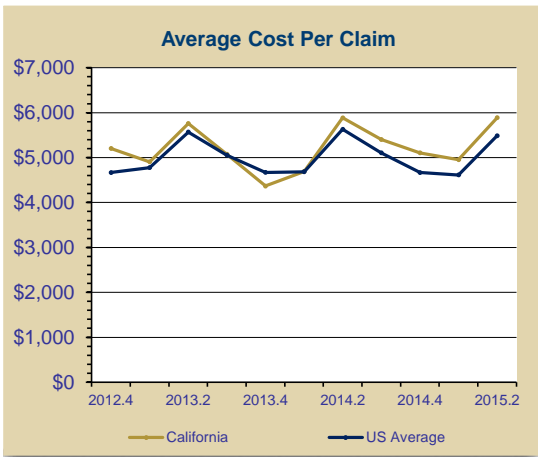
- 1) Noncharges - the total amount of benefit payments not charged to individual employer experience rating accounts. They often shift to the UI tax system social program costs: such as payments to workers who voluntarily quit, and
- 2) Ineffective Charges - the yearly amount of benefit charges assigned to individual employers that exceed the amount of contributions paid by those same employers in the following year. These charges tend to lessen some employers' responsibility to pay the full cost of their claims, due to e.g. a maximum tax rate that is too low or an otherwise less responsive tax structure.

The levels of both noncharges and ineffective charges are largely within the control of state policy makers and affect the state's unemployment rates by raising or lowering: 1) the cost of employing a worker and 2) the cost of laying off a worker.

* Data from the 2013 Significant Measures Report - U.S. Department of Labor Office of Workforce Security

Cost

The average UI claim cost in California was 8% more than the US average.



| July 2014 - June 2015 Average | CA | US Average |
|--|---------|------------|
| AVERAGE COST PER CLAIM | | |
| The average annual amount of regular benefits paid per first payment. This is a function of duration and benefit levels. | \$5,887 | \$5,486 |
| WAGE REPLACEMENT RATE | | |
| The average amount of weekly UI benefits paid per claimant divided by the average amount of weekly wages earned. | 27.1% | 33.7% |

How We Can Assist Your State in Improving Performance

- Analysis of claimant information flow between agencies and job sources
- Evaluation of performance measures and incentives
- Examination of coordination of all agencies involved with UI claimant
- Integration of claimant work search rules, incentives and assistance
- Analysis of a subsidized wage program for employers willing to train UI claimants

For a more detailed evaluation contact our consultants at

800-562-7752

or visit us on the web at fullemployment.org

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2636 Biehn Street • Klamath Falls, OR 97601