

OKLAHOMA UNEMPLOYMENT INSURANCE TAX RATES BY INDUSTRY, ESTABLISHMENT SIZE AND COUNTY

2nd QUARTER 2012 to 2nd QUARTER 2015



OKLAHOMA

**Oklahoma Employment Security Commission
Economic Research and Analysis Division**

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2nd QUARTER 2012 to 2nd QUARTER 2015**

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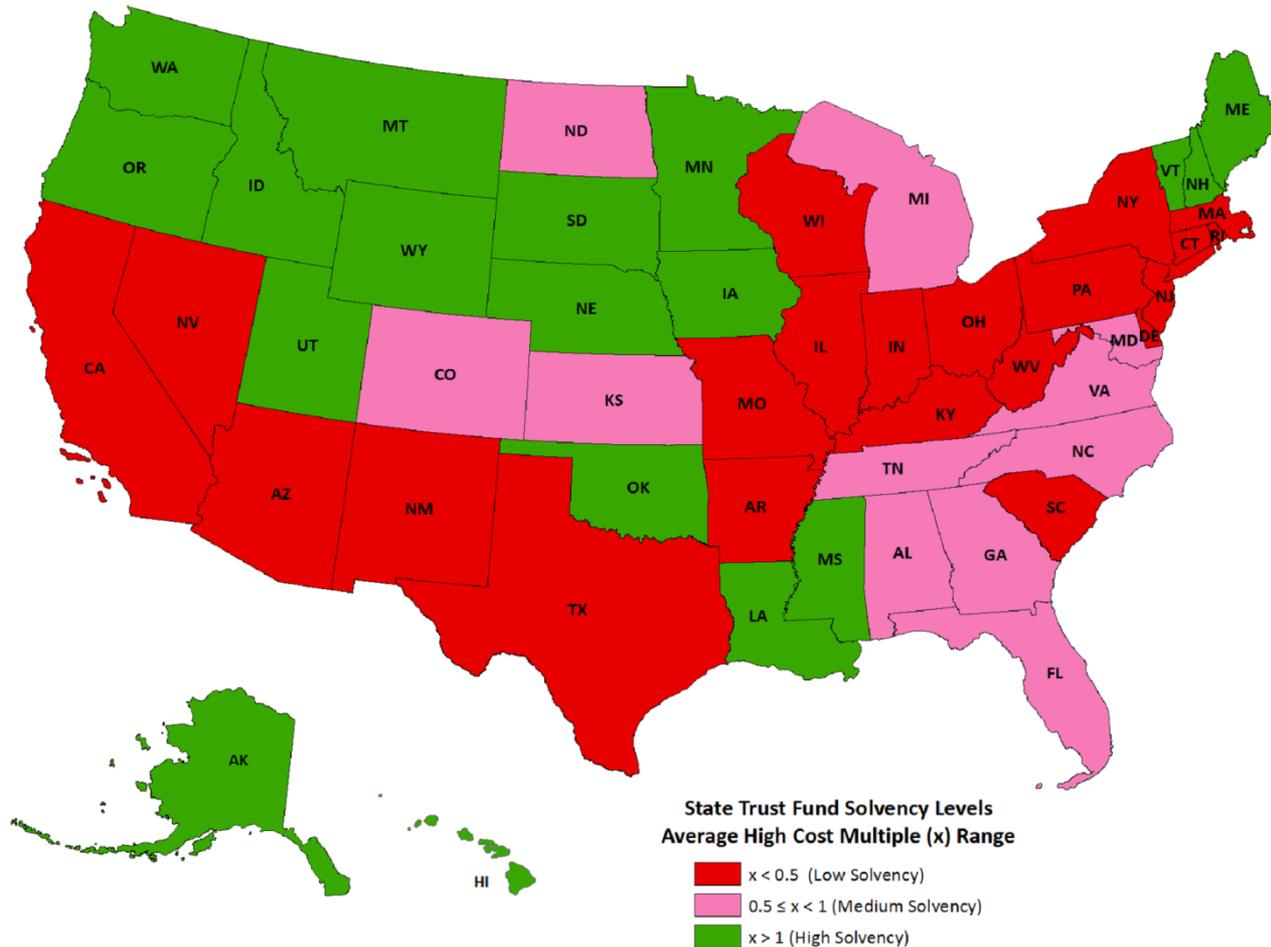
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INTRODUCTION

At the beginning of 2016, only eighteen states, including Oklahoma, have reached what is considered the minimal level of adequate UI fund solvency.

Map 1: 2016 State Unemployment Insurance Trust Fund Solvency Levels



- In the 2007-09 recession and its aftermath, 36 states depleted their UI funds and were forced to take advances from the Federal government to continue paying benefits.
- Oklahoma's level of adequate solvency is 2.00, (the minimal level is 1), and ranks second highest in the nation.

UI taxes paid by employers on employee wages flow into the state’s UI Trust Fund and are the source of benefit payments to eligible claimants.

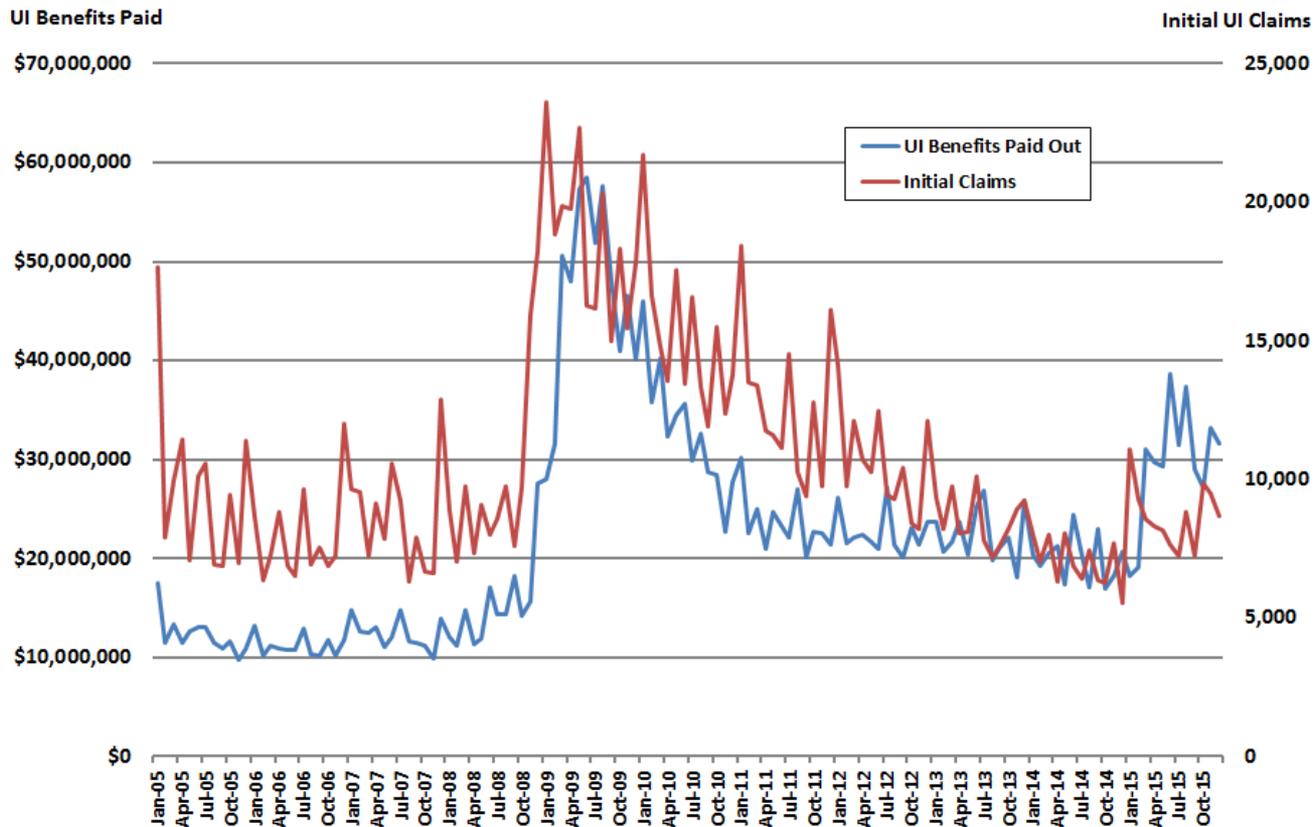
Table 1: Oklahoma Taxable Wage Base and Tax Rate Ranges for Employers

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Conditional Factor	C	B	A	NONE	NONE	NONE	D	D	D	B	NONE
Average Tax Rate	1.3%	1.2%	1.0%	0.7%	0.7%	0.8%	1.4%	1.6%	1.6%	1.2%	0.9%
Tax Rate Range	0.2-8.3	0.2-7.3	0.2-5.8	0.1-5.5	0.1-5.5	0.1-5.5	0.3-9.2	0.3-9.2	0.3-9.2	0.2-7.3	0.1-5.5
Taxable Wage Base	\$13,800	\$13,500	\$13,200	\$13,600	\$14,200	\$14,900	\$18,600	\$19,100	\$20,100	\$18,700	\$17,000
Maximum Weekly Benefit	\$292	\$317	\$342	\$392	\$409	\$430	\$358	\$368	\$386	\$440	\$490
% of Average Weekly Wage	52%	55%	57%	60%	60%	60%	50%	50%	50%	55%	60%
Maximum Benefit Amount	\$6,200	\$6,800	\$7,400	\$8,500	\$8,900	\$9,300	\$7,400	\$7,700	\$8,000	\$9,400	\$10,600
% of Average Annual Wage	21%	23%	24%	25%	25%	25%	20%	20%	20%	23%	25%
Taxable Wage Base	\$13,800	\$13,500	\$13,200	\$13,600	\$14,200	\$14,900	\$18,600	\$19,100	\$20,100	\$18,700	\$17,000
% of Average Annual Wage	48%	45%	43%	40%	40%	40%	50%	50%	50%	45%	40%
Average Annual Wage	\$28,979	\$30,019	\$30,978	\$34,005	\$35,496	\$37,274	\$37,246	\$38,250	\$40,123	\$41,630	\$42,458

- Only that portion of employee earnings up to the taxable wage base are subject to UI taxes. The percentage of total wages taxed changes depending upon the conditional factor of the trust fund. Many states (unlike Oklahoma) have fixed taxable wages bases that do not change as wages increase and this has been a significant contributing factor to those funds becoming underfunded and insolvent.
- Oklahoma’s taxable wage base is between 40 and 50 percent of Annual Average Wage depending on Conditional Factor for the year.
- The employer tax rate is determined based on the employer’s history with the Unemployment Insurance system. That is, employers that have higher UI claims filed by their former employees will pay higher taxes in future years to repay these higher costs.
- Oklahoma’s rate range is between 0.1 and 9.2 percent of Taxable Wage Base depending on Conditional Factor for the year.

UI benefits paid out are determined by the number of people laid off, the wages earned and the claims duration.

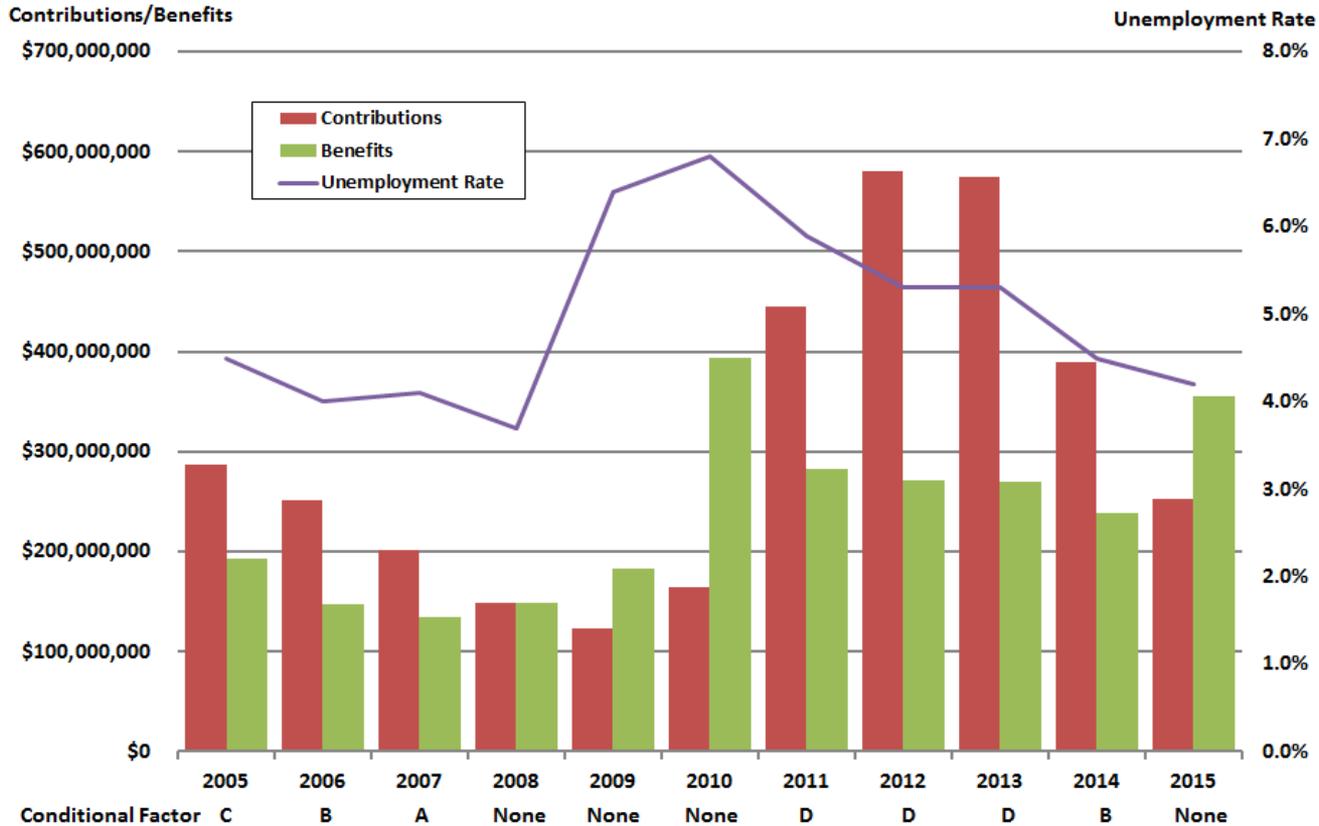
Chart 1: Oklahoma UI Benefits Paid Out, 2005 to 2015



- Maximum weekly benefit is between 50 and 60 percent of average weekly wage and maximum benefit account is between 20 to 25 percent of average annual wage.
- Following November 2008, initial claims jumped 65 percent from almost 9,700 to nearly 16,000.
- UI benefits paid also increased 77 percent from 15.6 million in November 2008 to 28 million in December 2008.

As the unemployment rate goes up and more employees are laid off, benefits paid out increase, lowering the trust fund balance.

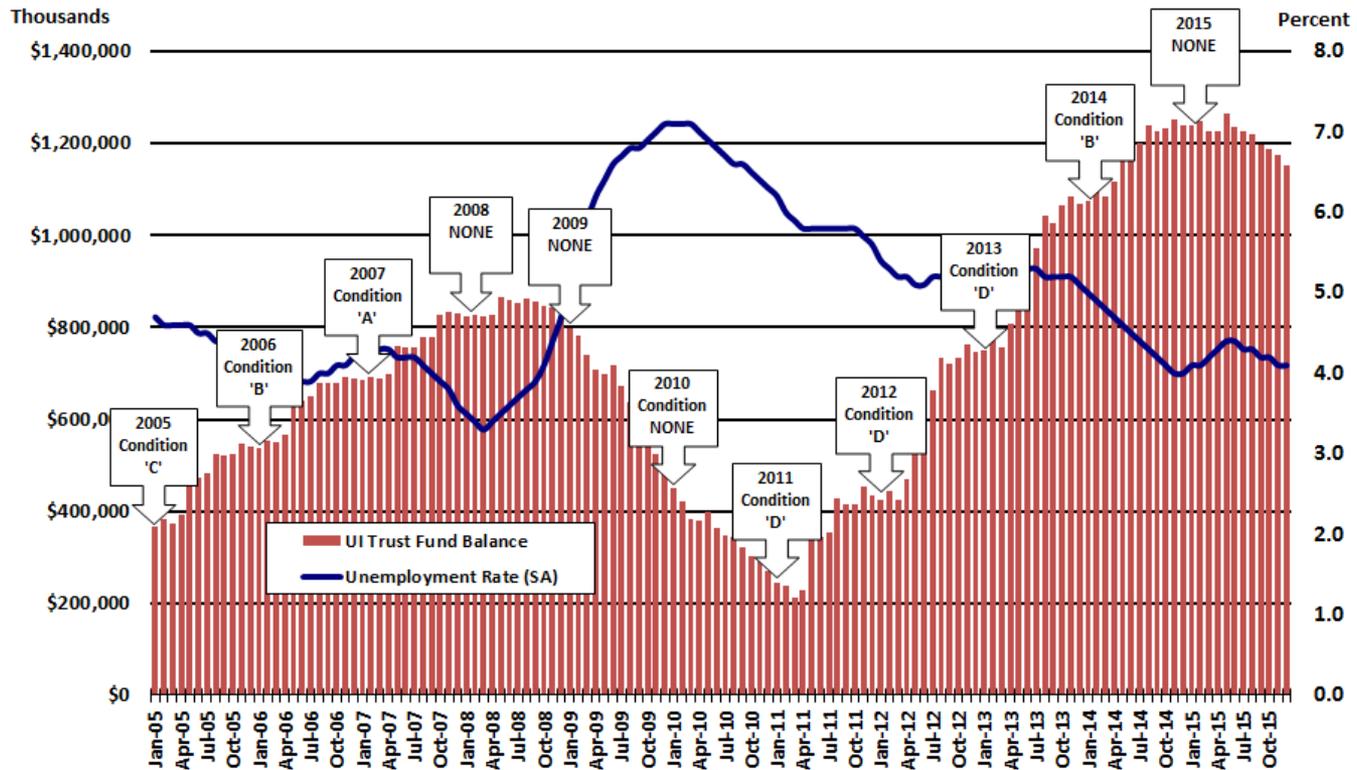
Chart 2: Oklahoma UI Contributions, Benefits, and Unemployment Rates, 2005 to 2015



- As unemployment rate goes up and more employees are laid off, benefits paid out increase, which lowers the trust fund balance and benefits (past 20 quarters paid) ratio and changes conditional factors from none to A, B, C, and D.
- Employers pay the lowest tax/contribution rates with no conditional factor and highest with Conditional Factor 'D'.

Fluctuations in statewide unemployment cause Oklahoma’s UI Trust Fund balance to rise and fall with benefit payouts triggering conditional factors.

Chart 3: Oklahoma UI Trust Fund Balance and Unemployment Rates, 2005 to 2015

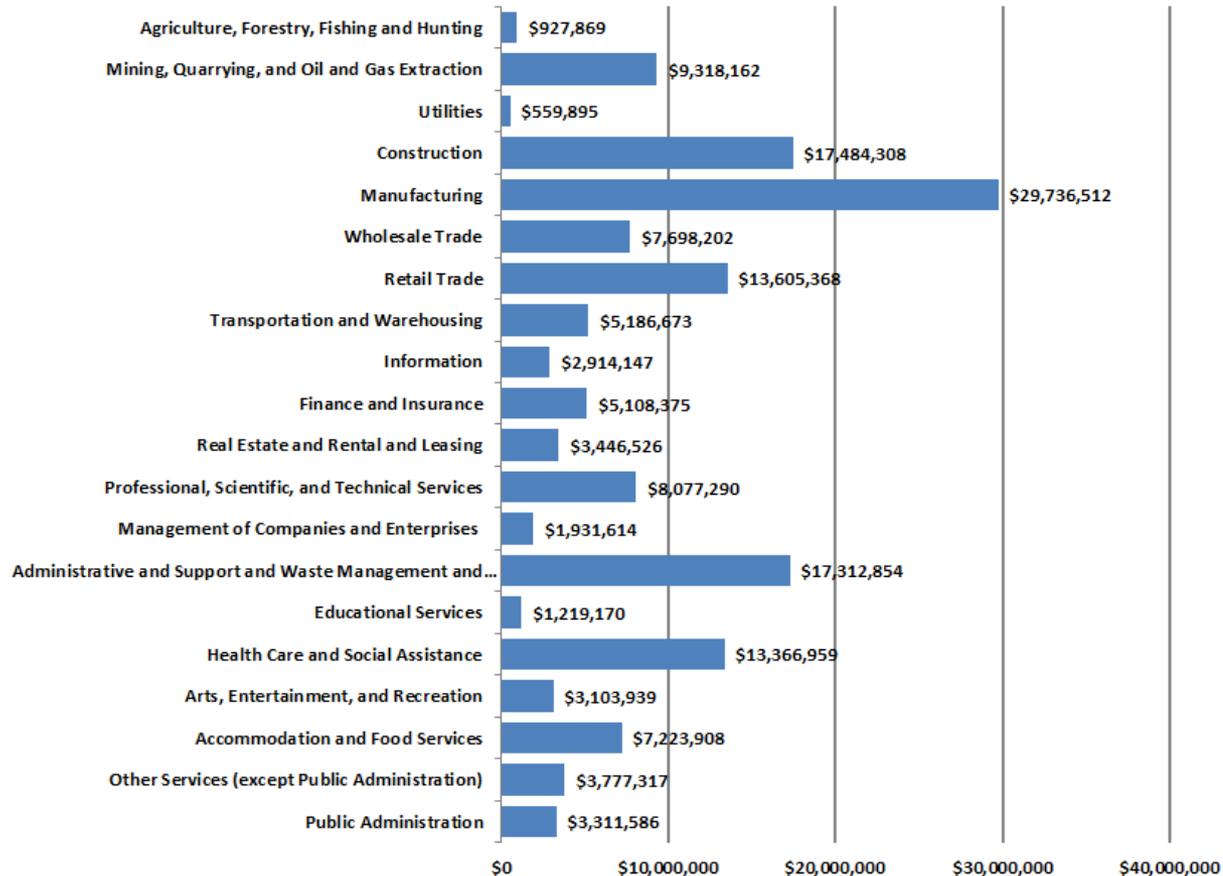


- The Great Recession took a heavy toll on Oklahoma’s UI Trust Fund, as elevated benefit payouts depleted the trust fund by 75.5 percent from May 2008 to March 2011.
- Due to the sharp drop in the trust fund balance during that time period, Conditional Factor ‘D’ came into effect from 2011 to 2013.
- As the trust fund balance returned to healthy levels by 2014, conditional factors moved to ‘none’ in 2015. However, the recent downturn in the energy sector has caused a rise in benefit payouts.

SECTION I: INDUSTRY CHARTS

Manufacturing led all other Oklahoma industries for the highest level of Unemployment Insurance contributions in the 2nd quarter of 2012.

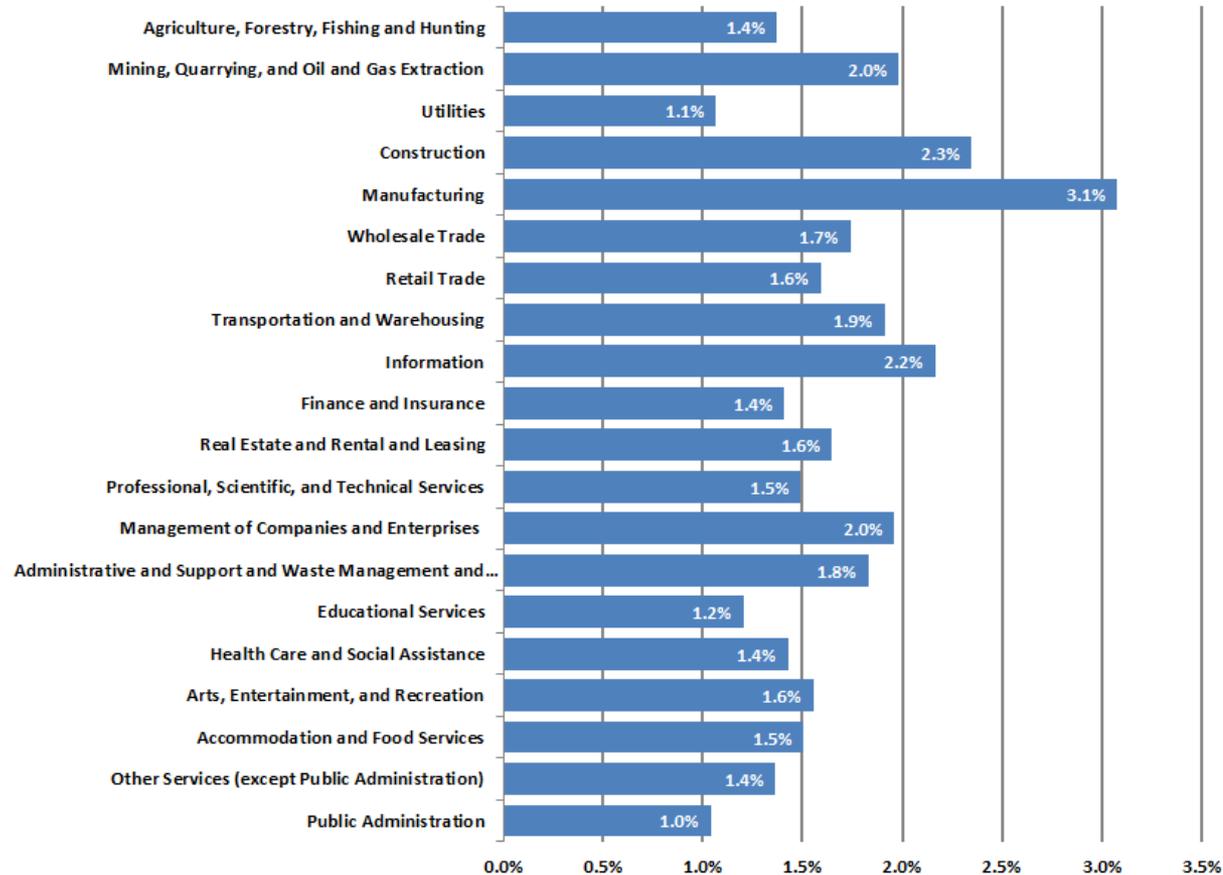
Chart 1: Oklahoma Unemployment Insurance Contributions by Industry, 2nd Quarter 2012



- Oklahoma uses an experience-rating system to determine the contribution rate for each establishment covered by the Oklahoma Employment Security Act, meaning an employer’s rate is based in part on their history with Unemployment.
- Manufacturing paid 19 percent of all total contributions while its employment share was only 8.9 percent.
- Health Care and Social Assistance had the largest employment share (13.4 percent) , but only paid 8.6 percent of total contributions.

Manufacturing also had the highest average UI tax rate among all other Oklahoma industries in the 2nd quarter of 2012.

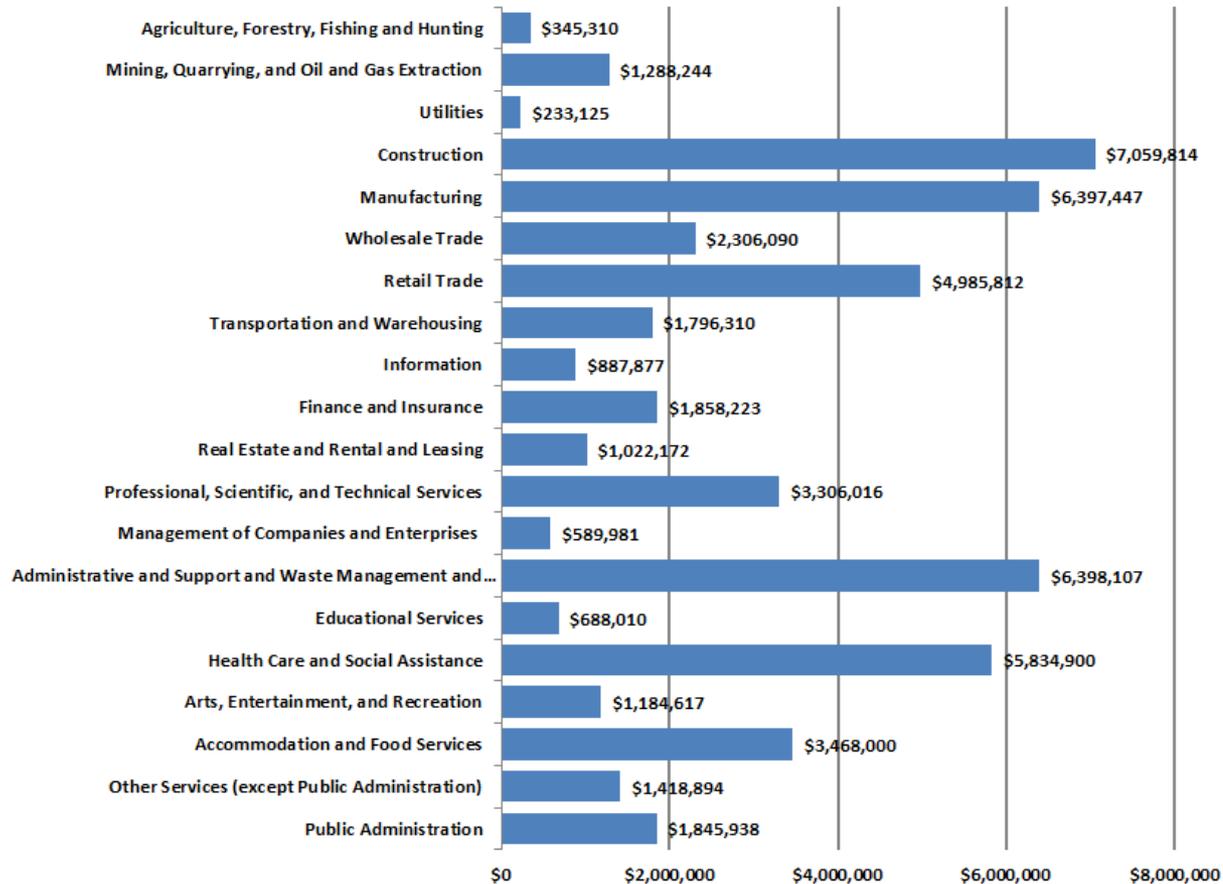
Chart 2: Oklahoma Average UI Tax Rates by Industry, 2nd Quarter 2012



- Employer contribution rates are also determined by Conditional Factors, that is a measure of the Unemployment Insurance systems health used to arrive at the employer contribution rate schedule for a given year.
- Conditional Factors range from none (the lowest) to 'D' (the highest).
- In 2012, Oklahoma's Unemployment Insurance system was under the highest Conditional Factor 'D'.

By the 2nd quarter of 2015, Construction led all other Oklahoma industries for the highest level of Unemployment Insurance contributions.

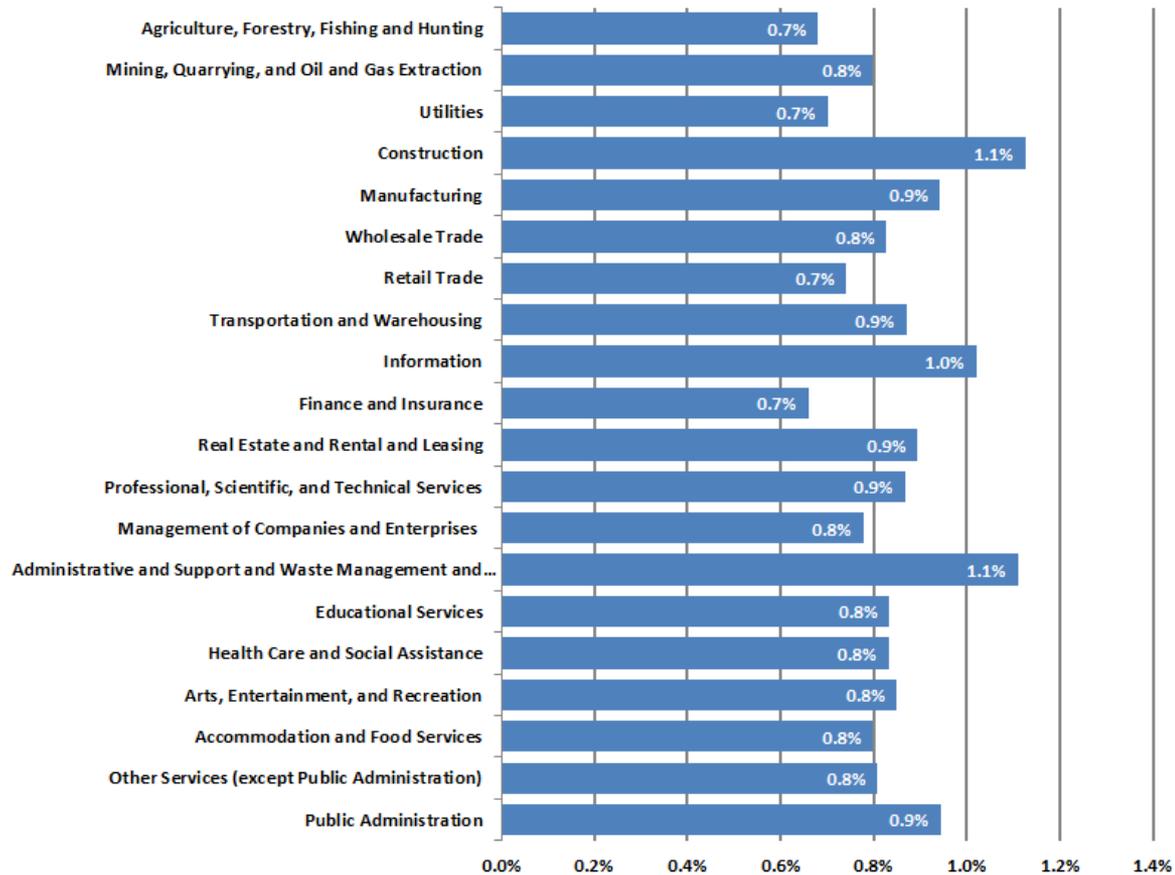
Chart 3: Oklahoma Unemployment Insurance Contributions by Industry, 2nd Quarter 2015



- Construction paid 13.3 percent of all total contributions while its employment share was only 5.1 percent.
- Health Care and Social Assistance had the largest employment share (13.4 percent) , but only paid 11 percent of total contributions.

Construction and Administrative and Support & Waste Management and Remediation Services had the highest average UI tax rates among all Oklahoma industries in the 2nd quarter of 2015.

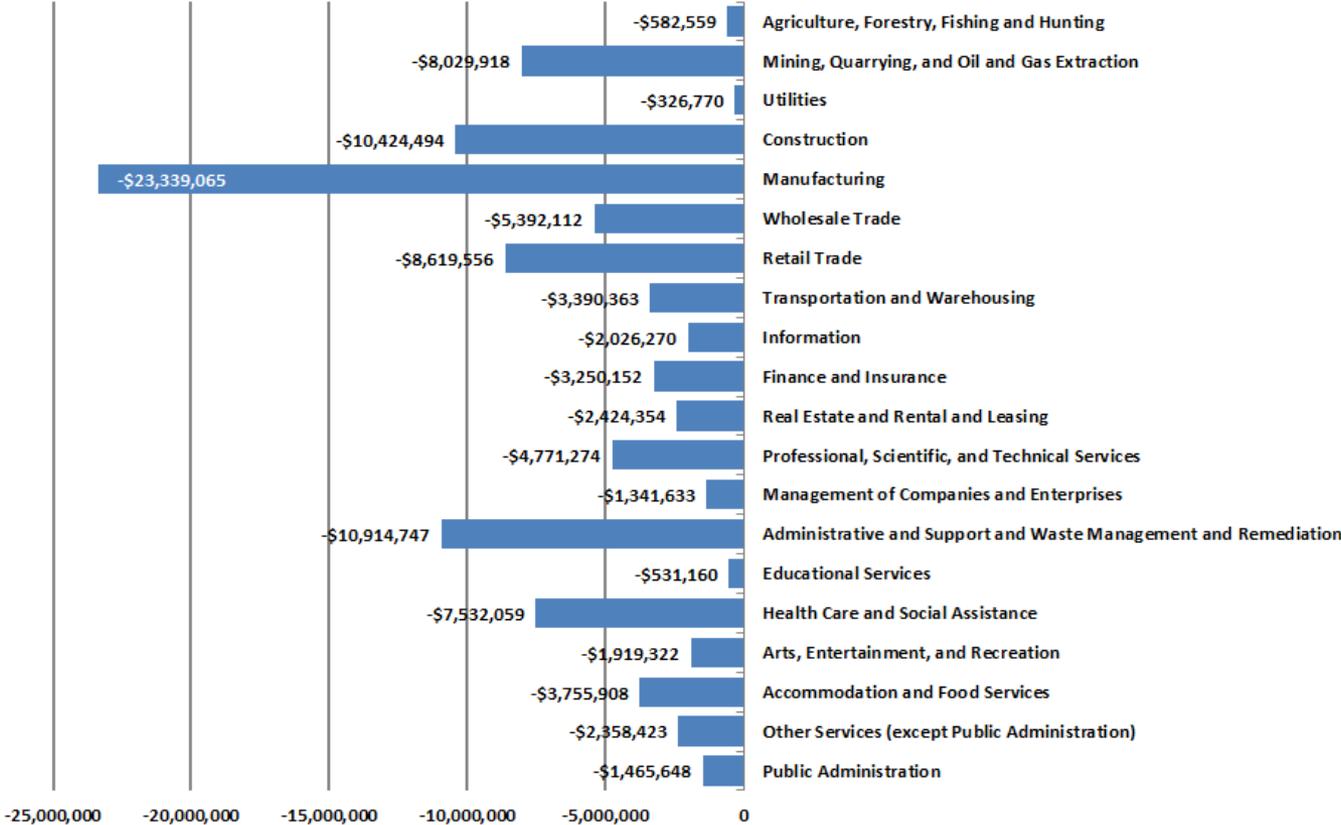
Chart 4: Oklahoma Average UI Tax Rates by Industry, 2nd Quarter 2015



- UI tax rates dropped significantly across all industries due to the rate schedule moving from Conditional Factor 'D' in 2012 to none in 2015.
- Construction along with Administrative and Support & Waste Management and Remediation Services had the highest average UI tax rate among all other industries at 1.1 percent in the 2nd quarter of 2015.

The level of employer UI contributions declined for all major Oklahoma industry groups from 2nd quarter 2012 to 2nd quarter 2015.

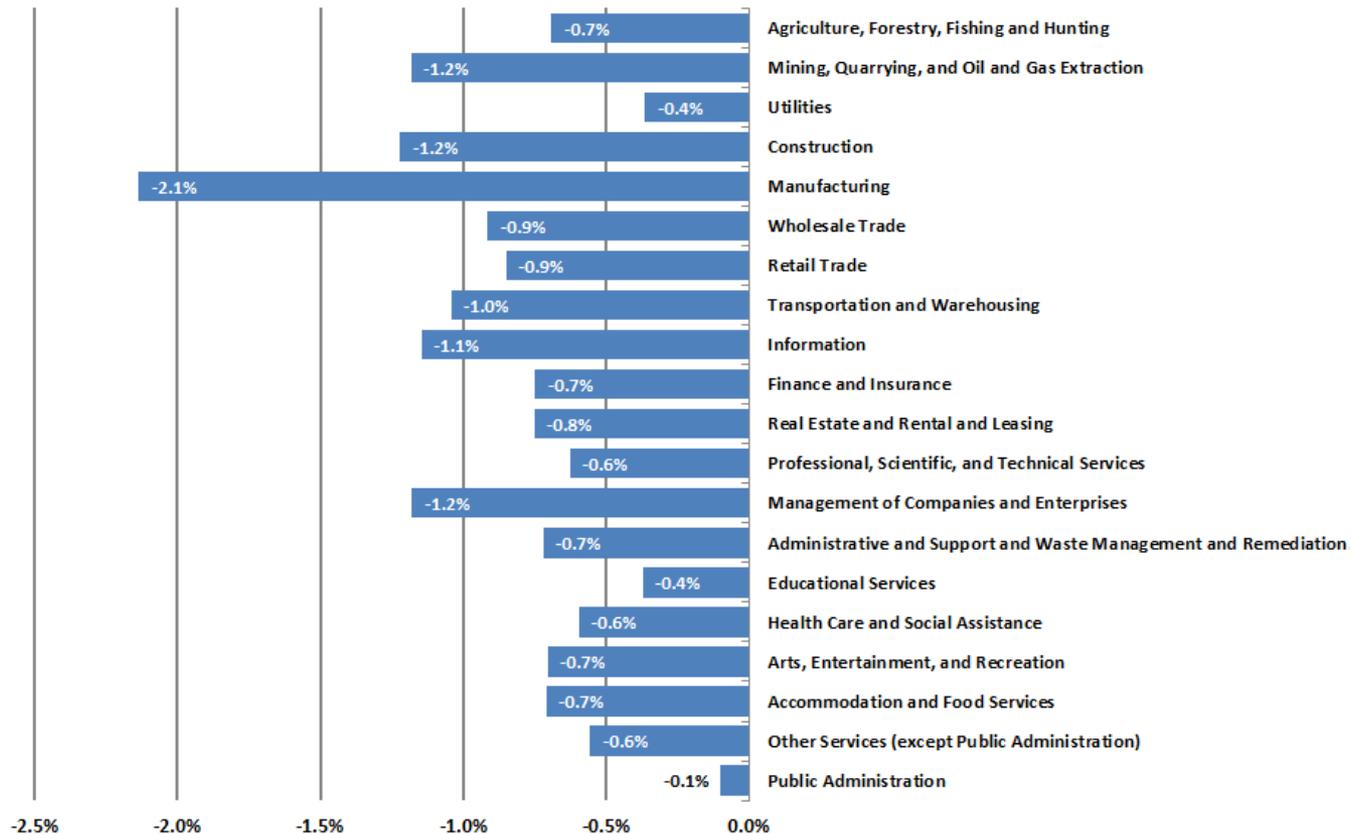
Chart 5: Change in Oklahoma UI Contributions by Industry, 2nd Quarter 2012 to 2nd Quarter 2015



- From 2nd quarter 2012 to 2nd quarter 2015, Manufacturing had the largest drop in UI contributions, tumbling \$23,339,065, for a 78.5 percent decline.
- During the time same period, Mining, Quarrying, and Oil & Gas Extraction saw the largest percent decline falling 86.2 percent.
- Utilities saw the smallest decline in UI contributions, at -\$326,770.

From 2nd quarter 2012 to 2nd quarter 2015, all major Oklahoma industry groups also saw their UI tax rates decline.

Chart 6: Change in Oklahoma UI Tax Rates by Industry, 2nd Quarter 2012 to 2nd Quarter 2015

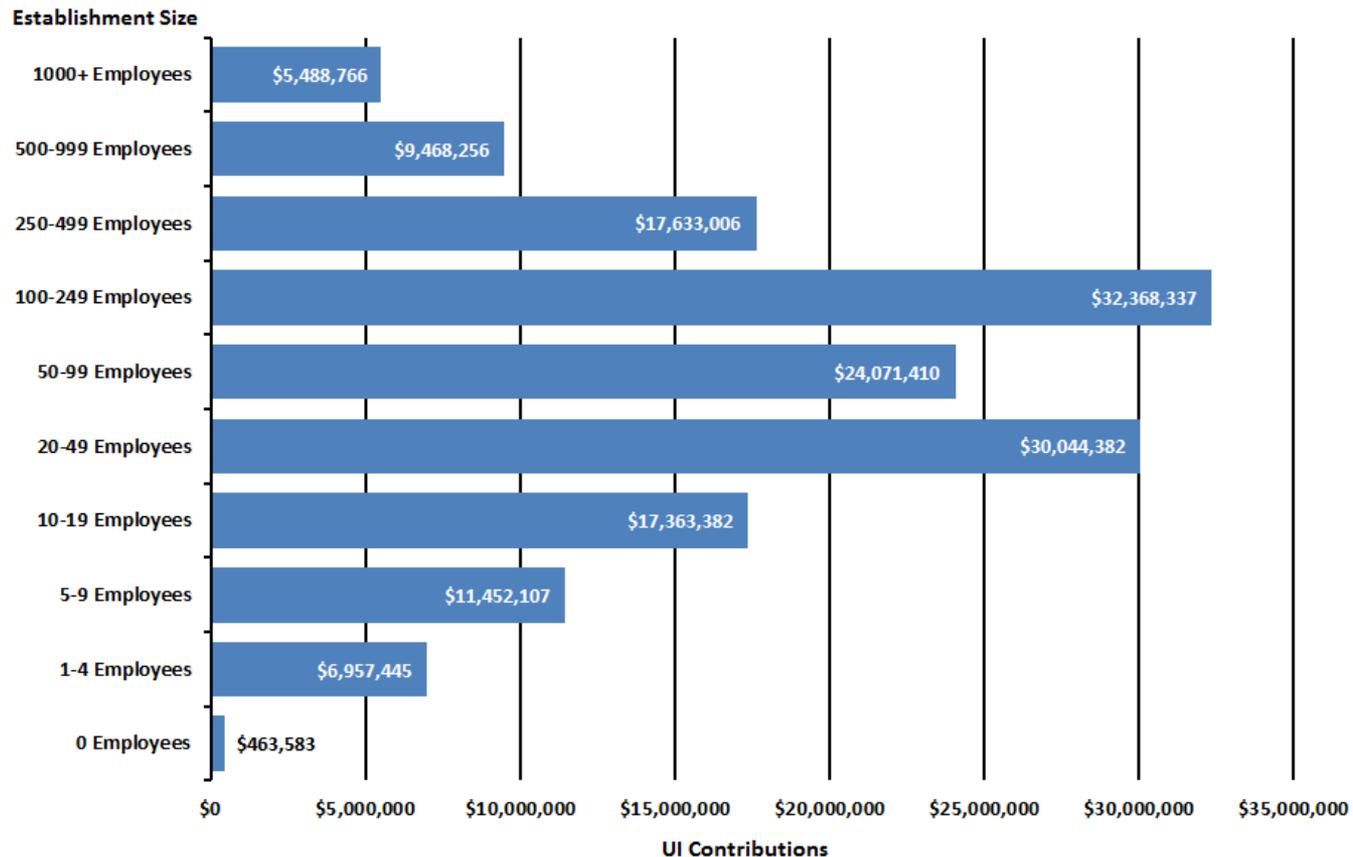


- Manufacturing saw the largest decrease in UI tax rates, declining from an average rate of 3.1 percent in 2012 to 0.9 percent in 2015.
- Mining, Quarrying, and Oil & Gas Extraction, Construction, and Management of Companies & Enterprises also saw significant UI tax rate declines of 1.2 percent.
- Public Administration had the smallest decline in UI tax rates edging down from 1.0 percent in 2012 to 0.9 percent in 2015.

**SECTION II: ESTABLISHMENT SIZE
CHARTS**

In the 2nd quarter of 2012, business establishments with 100 to 249 employees paid the highest level of UI contributions.

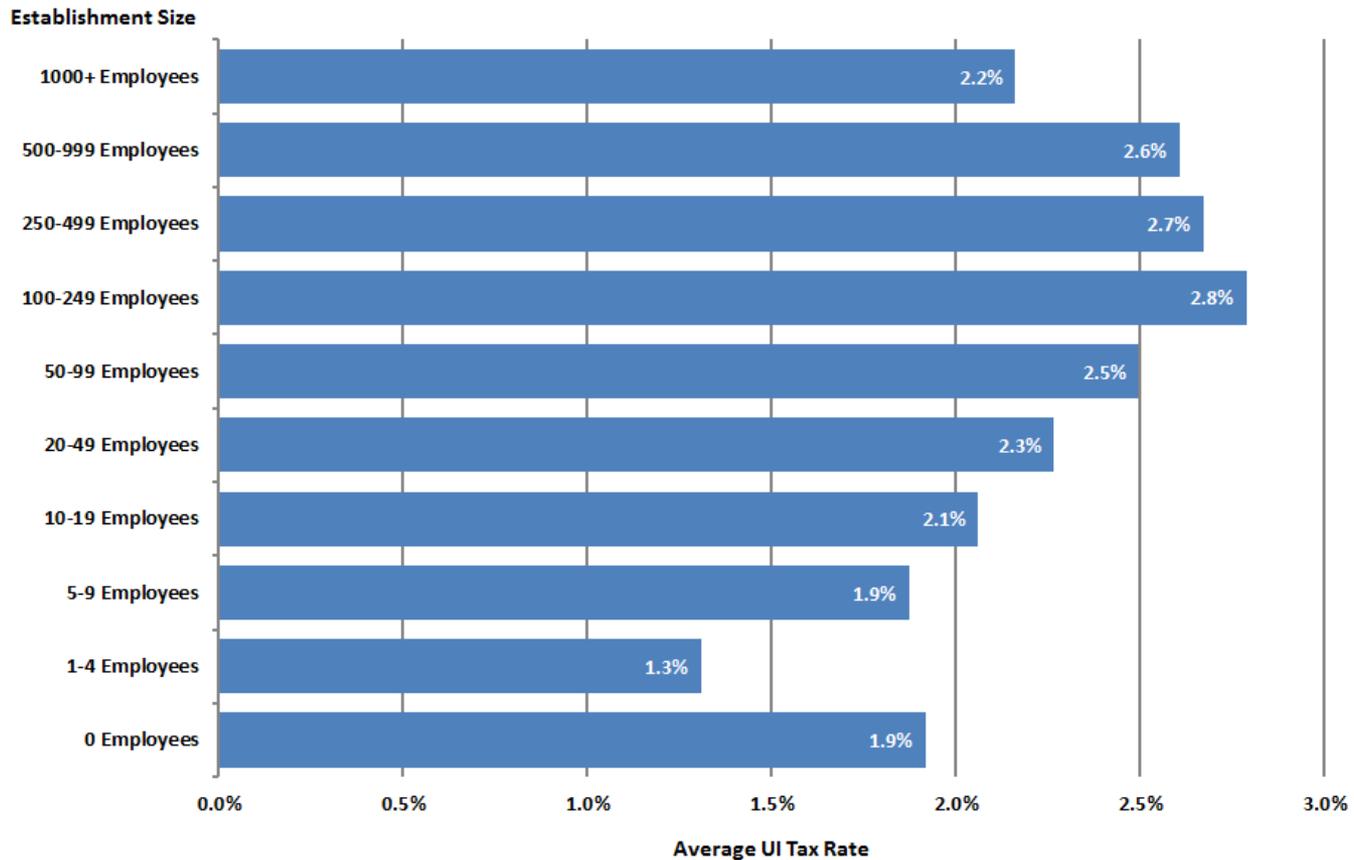
Chart 1: Oklahoma Unemployment Insurance Contributions by Size, 2nd Quarter 2012



- The 100 to 249 employee size range of business establishments represented 16.0 percent of total statewide employment and 1.6 percent of total statewide business establishments in the 2nd quarter of 2012. However, this size group paid the most contributions – 20.8 percent of total contributions.
- The 1 to 4 employee business establishment size represented 44.5 percent of total establishments, the largest share of total statewide business establishments in the 2nd quarter of 2012, but the smallest share of total employment at 6.0 percent. The total contributions paid is only 4.5 percent.

Business establishments with 100 to 249 employees also saw the highest average unemployment insurance tax rate in the 2nd quarter of 2012.

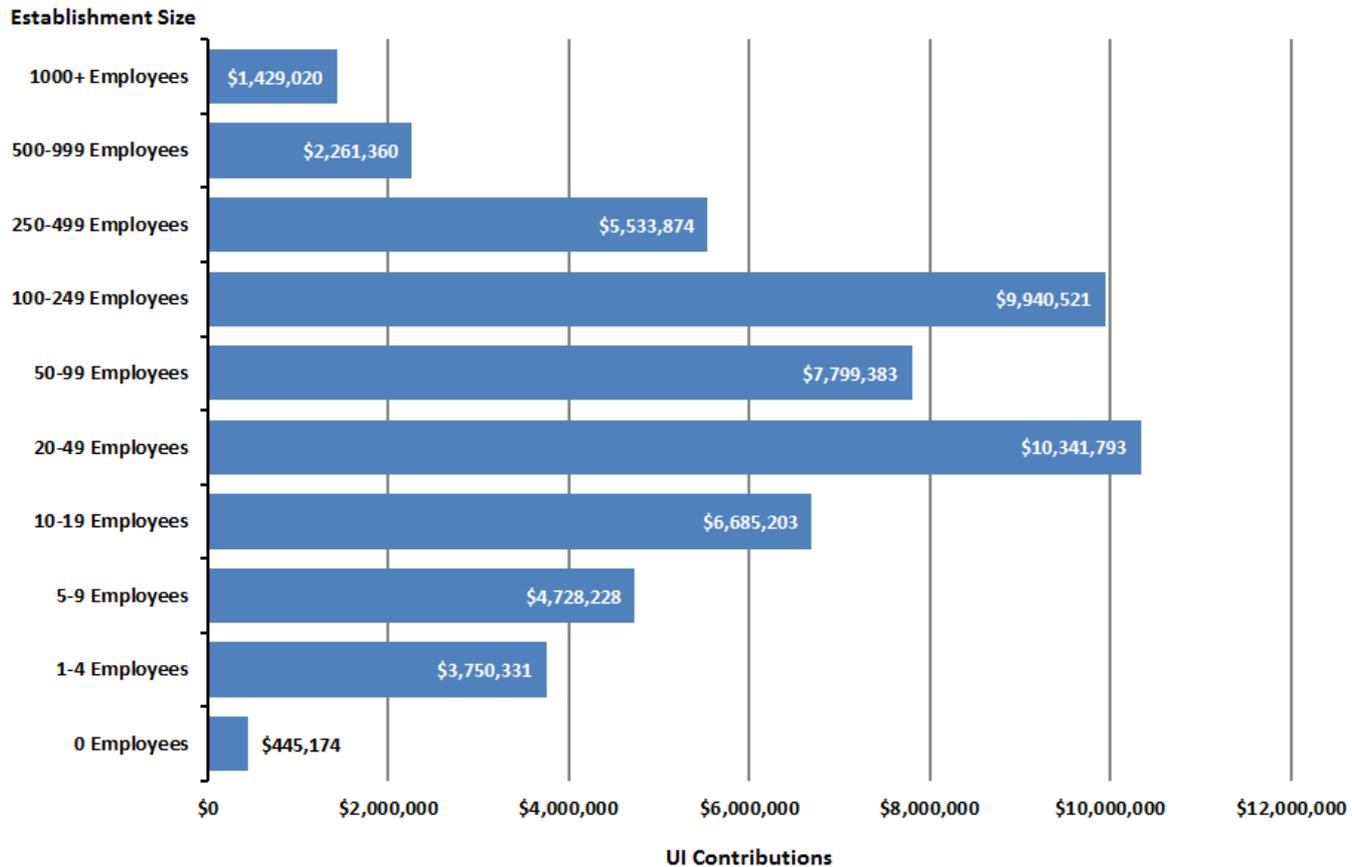
Chart 2: Oklahoma Average UI Tax Rates by Size, 2nd Quarter 2012



- Business establishments employing 250 to 499 workers had the second-highest average UI tax rate at 2.7 percent in the 2nd quarter of 2012.
- The lowest UI average UI tax rate in 2nd quarter 2012 was 1.3 percent for business establishments with 1 to 4 employees.

In the 2nd quarter of 2015, business establishments employing 20 to 49 workers paid the highest level of UI contributions.

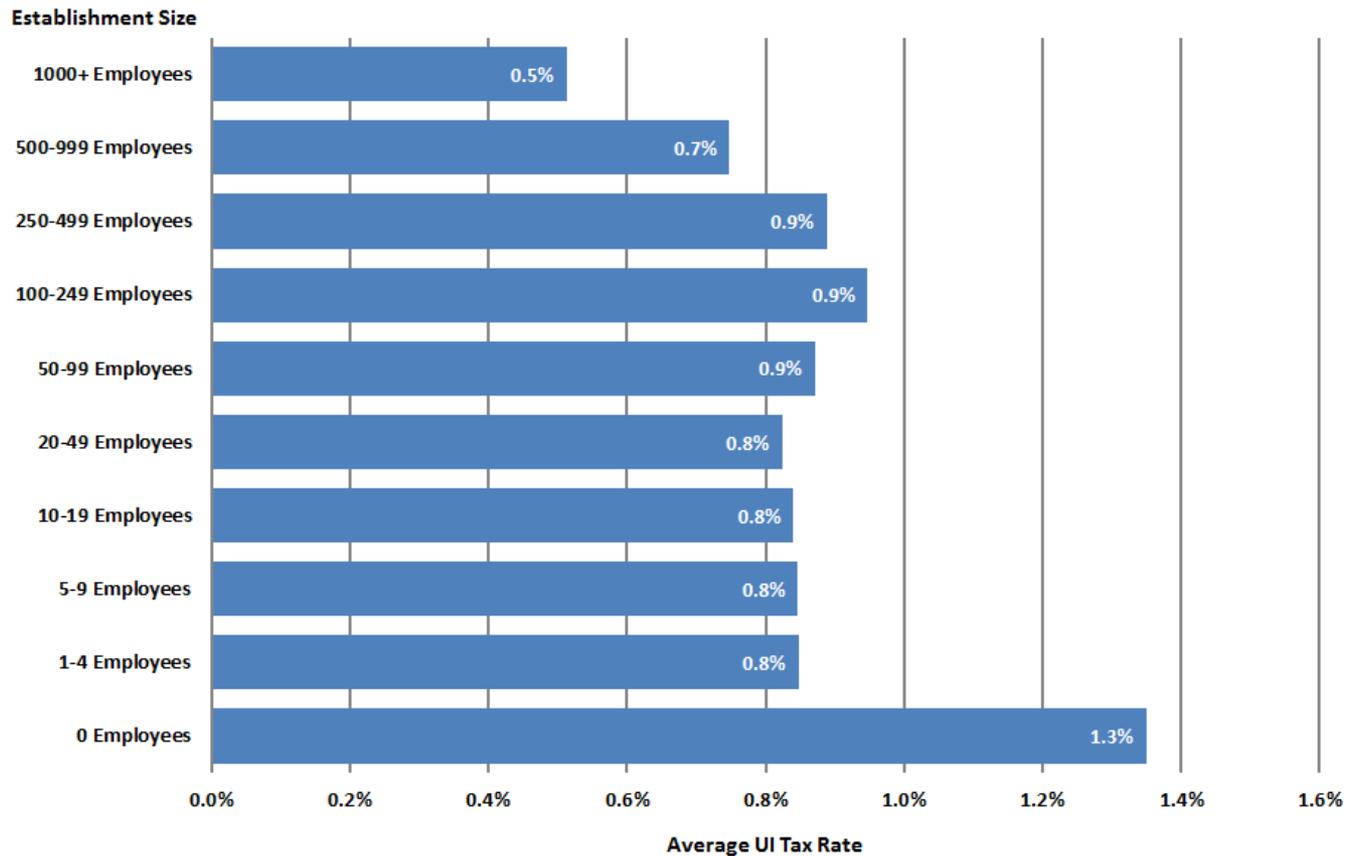
Chart 3: Oklahoma Unemployment Insurance Contributions by Size, 2nd Quarter 2015



- The 20 to 49 employee size range of business establishments represented 18.2 percent of total statewide employment and 8.8 percent of total statewide business establishments in the 2nd quarter of 2015. However, this size group paid the most contributions – 19.5 percent of total contributions.
- The 1 to 4 employee business establishment size represented 44.5 percent of total establishments, the largest share of total statewide business establishments in the 2nd quarter of 2015, but the smallest share of total employment at 5.9 percent. The total contributions paid is only 7.1 percent.

Business establishments with zero employees (in the third month of 2nd quarter 2015) had the highest average UI tax rate.

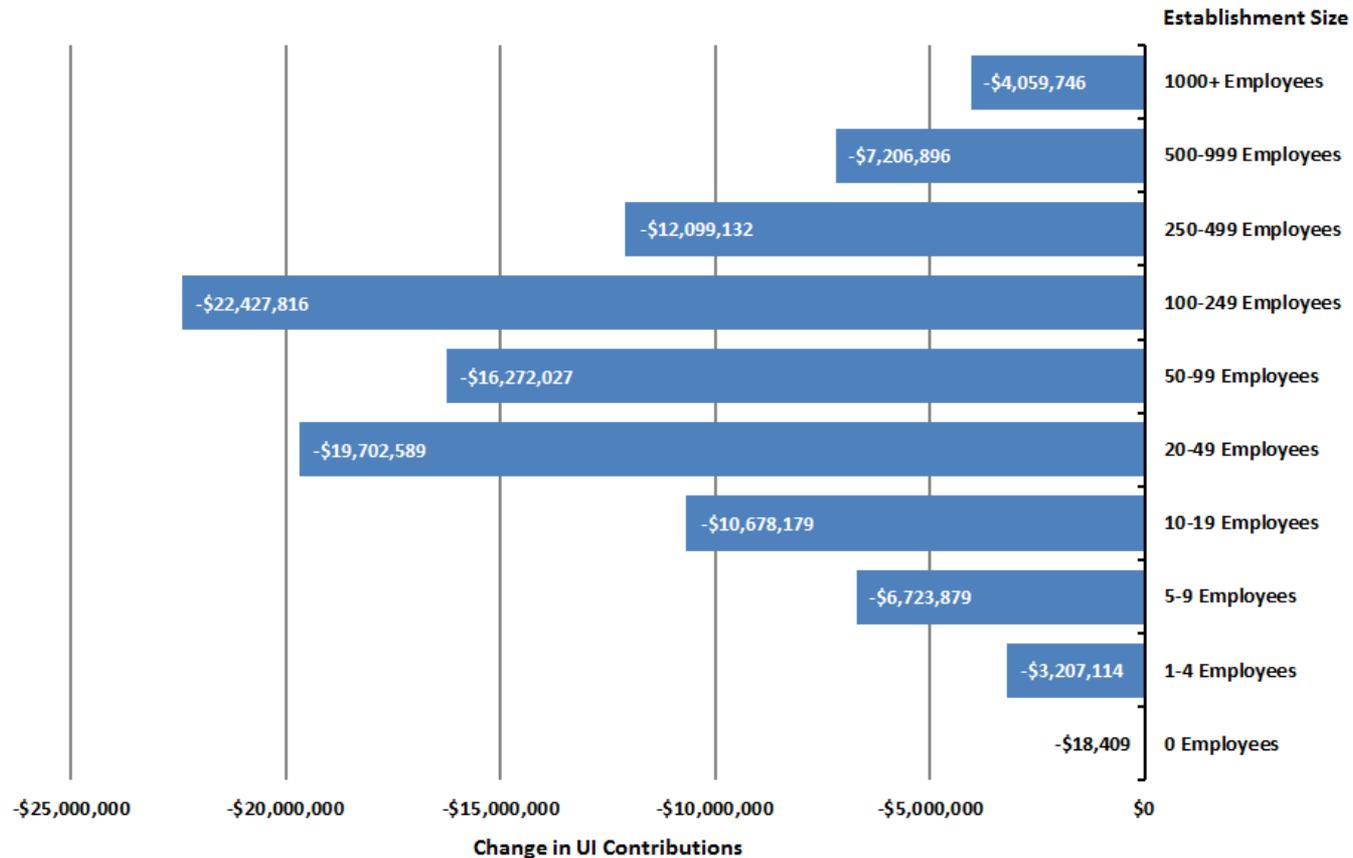
Chart 4: Oklahoma Average UI Tax Rates by Firm Size, 2nd Quarter 2015



- According to the Quarterly Census of Employment and Wages (QCEW), business establishments are considered to have zero employees if they report no employees in the third month of the quarter.
- The lowest UI tax rate was in the 1,000+ employee size range at 0.5 percent. In the 2nd quarter of 2015.

Business establishments employing 100 to 249 workers saw the largest drop in unemployment insurance contributions from 2nd quarter 2012 to 2nd quarter 2015.

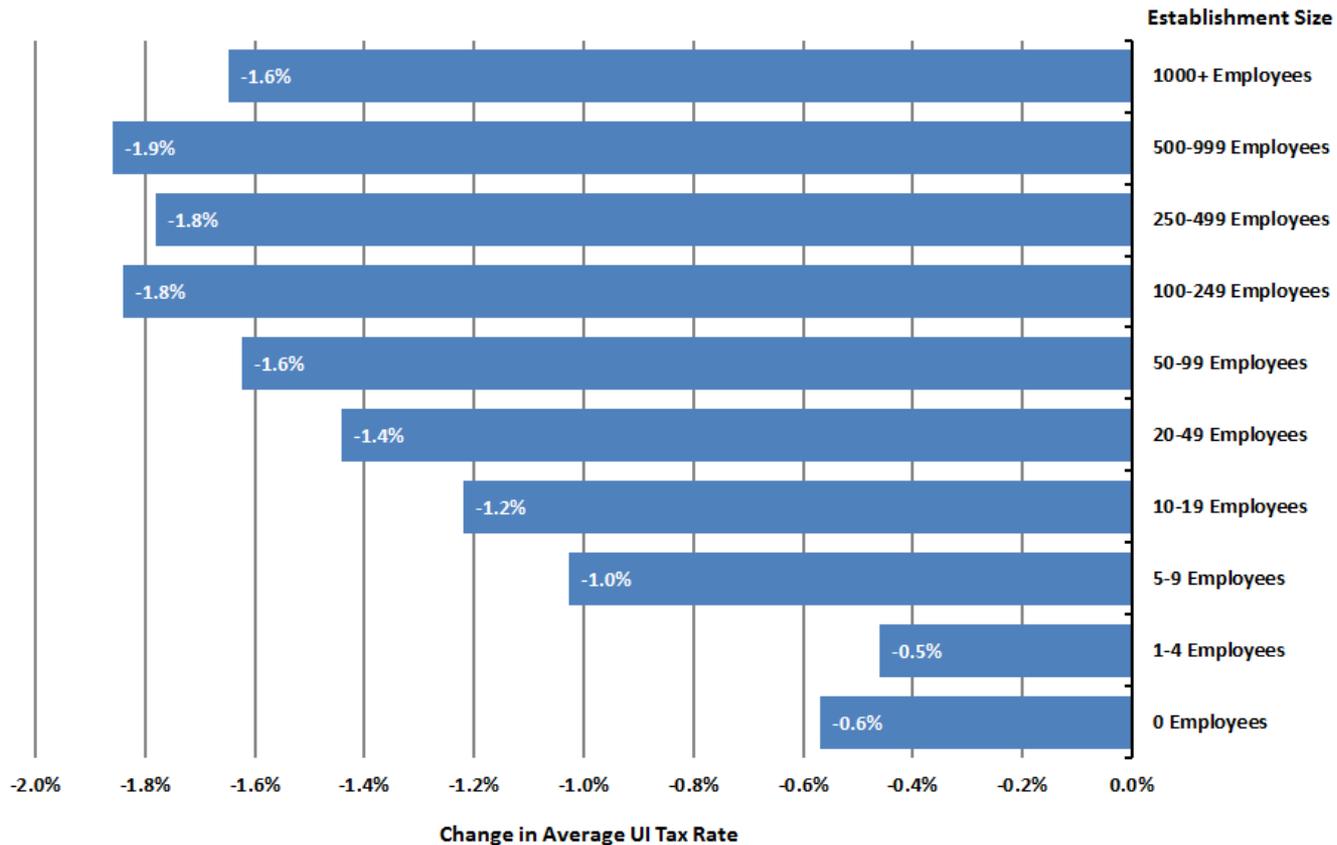
Chart 5: Change in Oklahoma UI Contributions by Size, 2nd Quarter 2012 to 2nd Quarter 2015



- From 2nd quarter 2012 to 2nd quarter 2015, business establishments employing 100 to 249 workers had the largest drop in UI contributions, tumbling \$24,427,816, for a 69.3 percent decline.
- During the time same period, business establishments employing 500 to 999 workers saw the largest percent decline falling 76.1 percent.

Business establishment of every size range saw their average unemployment insurance tax rates decline from 2nd quarter 2012 to 2nd quarter 2015.

Chart 6: Change in Oklahoma UI Tax Rates by Size, 2nd Quarter 2012 to 2nd Quarter 2015

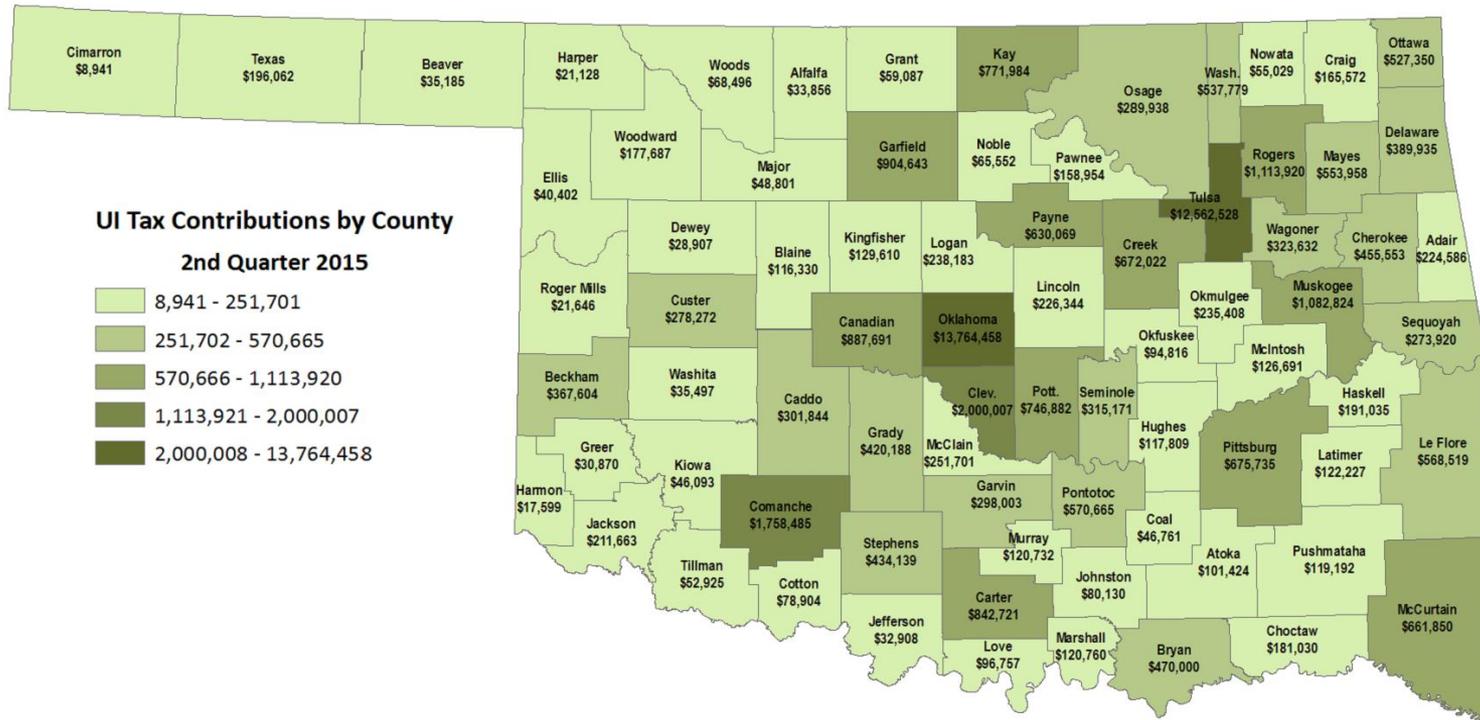


- Business establishment sizes ranging 10 and up all saw significant UI tax rate declines of 1.2 percent or more.
- Business establishments employing 500 to 999 workers saw the largest decrease in UI tax rates, declining from an average rate of 2.6 percent in 2012 to 0.7 percent in 2015.
- Business establishments employing 1 to 4 workers had the smallest decline in UI tax rates edging down from 1.3 percent in 2012 to 0.8 percent in 2015.

SECTION III: STATEWIDE MAPS

In 2nd quarter 2015, Oklahoma County again led all other counties for the highest level of UI contributions.

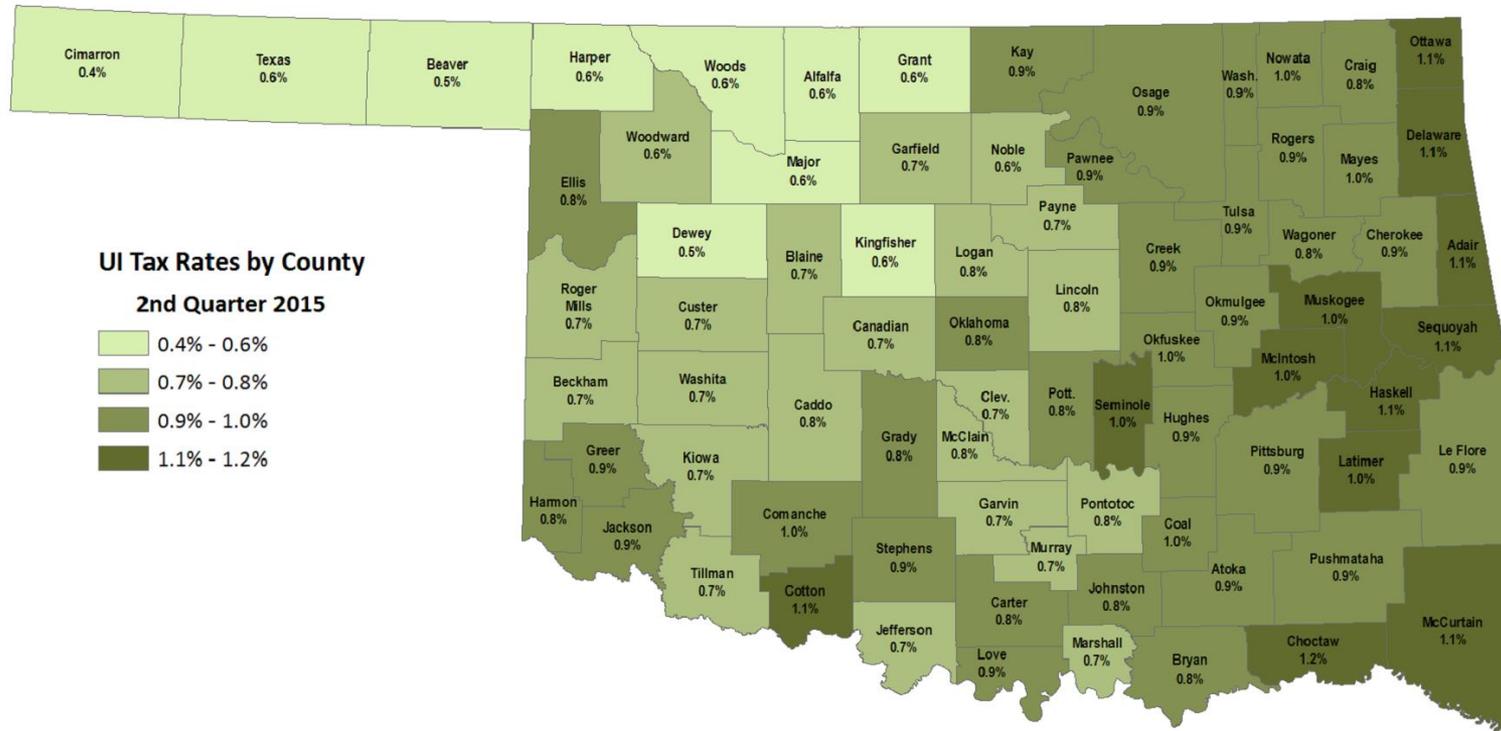
Map 3: Unemployment Insurance Contributions by County, 2nd Quarter 2015



- By the 2nd quarter of 2015, Oklahoma County’s share of statewide employment had grown to 28.2 percent and 24.9 percent of firms statewide. Its share of the total contributions was about same at 26 percent.
- Tulsa County, the second-highest UI contributor, saw its share of statewide employment grow to 21.9 percent and 20.1 percent of total statewide firms. Its share of the total contributions was about same at 23.7 percent.
- Cimarron County, once again, had the smallest level of UI tax contributions and saw no change in its share of statewide employment (0.04 percent) or firms (0.09 percent).

Cimarron County employers also paid the lowest Unemployment Insurance tax rate in the 2nd quarter of 2015.

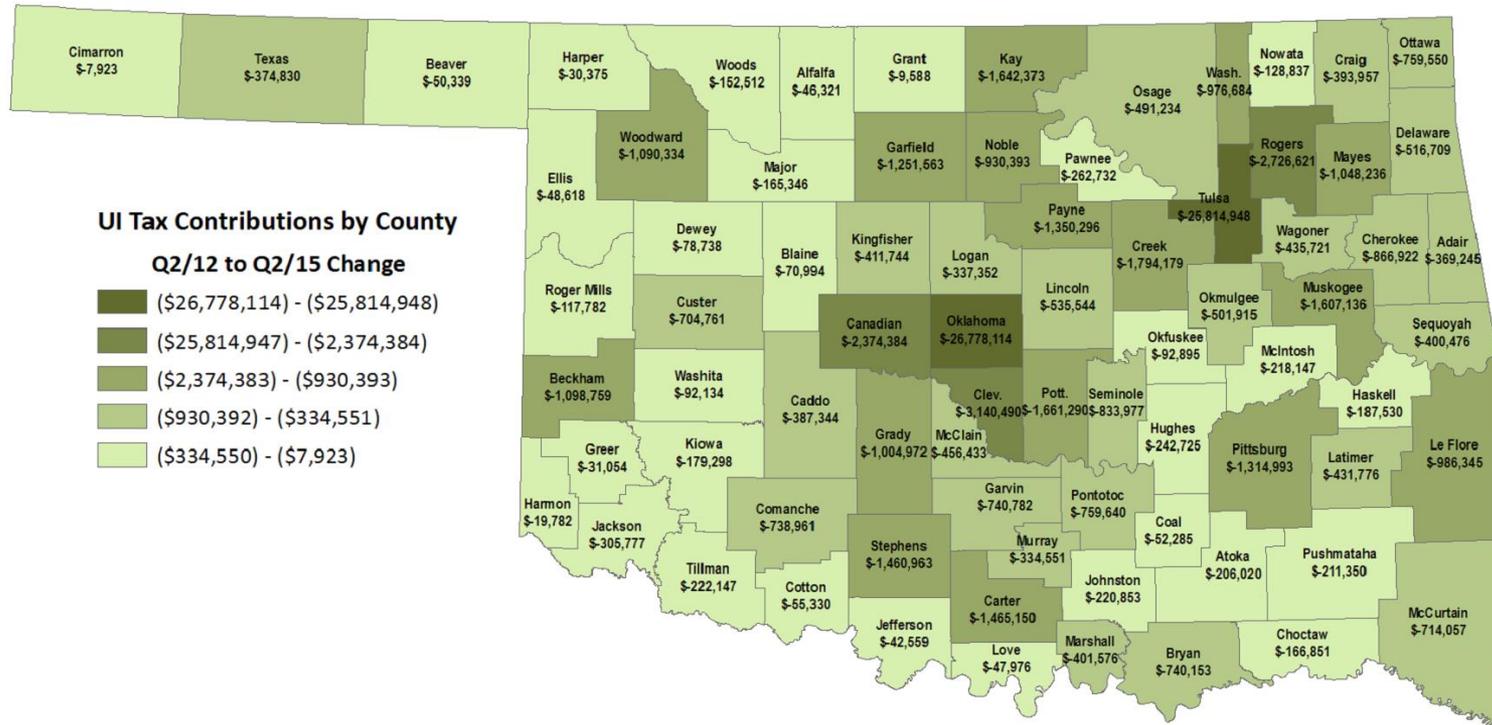
Map 4: Unemployment Insurance Tax Rates by County, 2nd Quarter 2015



- In the 2nd quarter of 2015, Cimarron County employers paid the lowest UI tax rate at 0.4 percent.
- Although Nowata County employers paid the highest UI tax rate of all counties in 2nd quarter 2012, by 2nd quarter 2015 their tax rate was lowered to 1.0 percent, a little higher than the state average tax rate of 0.8 percent.
- Employers in Choctaw County paid the highest UI rate of all Oklahoma counties at 1.2 percent.

From 2nd quarter 2012 to 2nd quarter 2015, employers in every Oklahoma county saw reductions in levels of UI contributions.

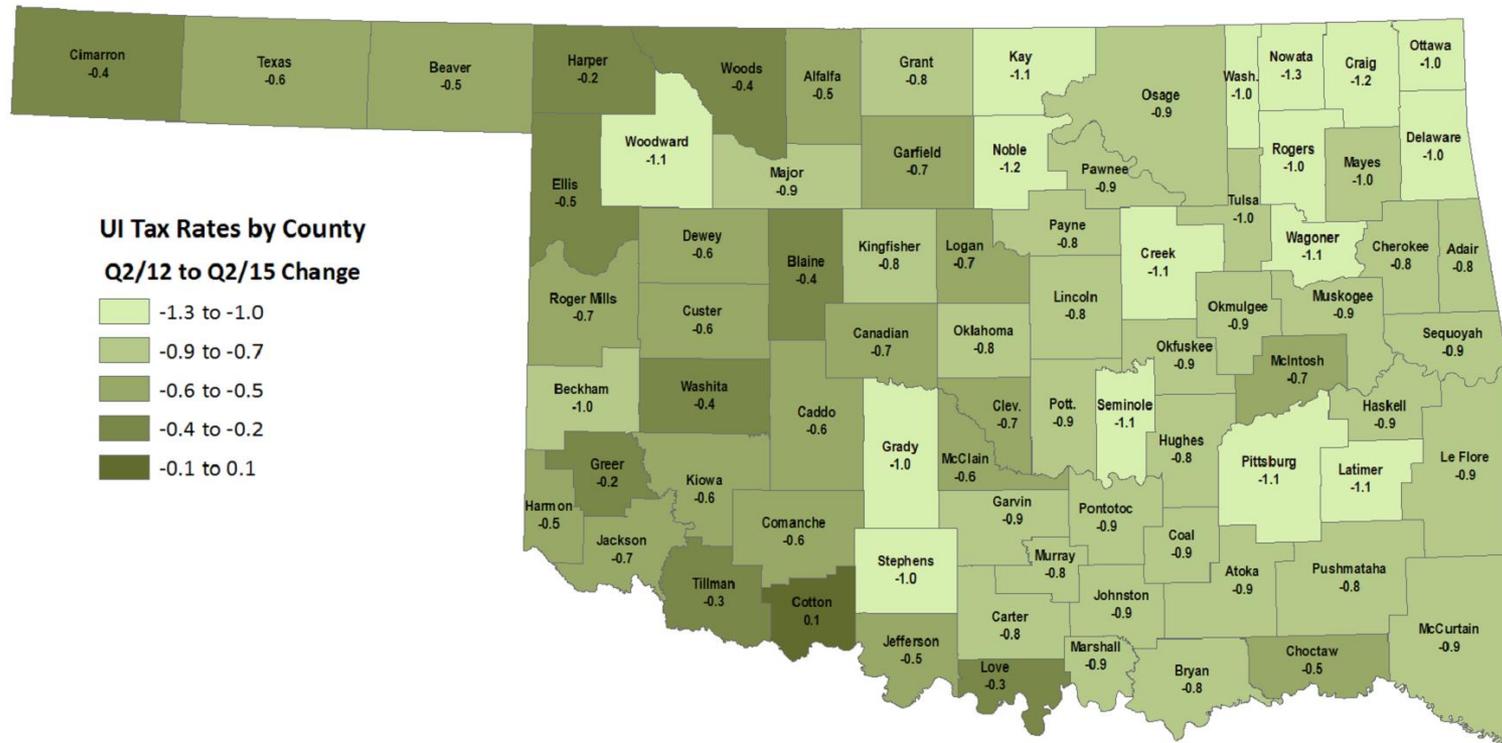
Map 5: Change in UI Contributions by County, 2nd Quarter 2012 to 2nd Quarter 2015



- Oklahoma County employers saw the largest dollar amount reduction in UI contributions in 2nd quarter 2015, dropping \$26,778,114 from 2nd quarter 2012 levels.
- Tulsa County employers saw the second-largest decline in UI contributions at -\$25,814,948.
- Cimarron County employers had the smallest dollar amount reduction in UI contributions at -\$7,923.

From 2nd quarter 2012 to 2nd quarter 2015, employers in every Oklahoma county also saw reductions in UI tax rates as conditional factors moved from 'D' to 'None'.

Map 6: Change in UI Tax Rates by County, 2nd Quarter 2012 to 2nd Quarter 2015



- As mentioned earlier, due to the sharp drop in Oklahoma’s UI Trust Fund balance during the Great Recession, Conditional Factor ‘D’ came into effect from 2011 to 2013.
- From 2nd quarter 2012 to 2nd quarter 2015, Nowata County had the largest drop in UI tax rates falling 1.3 percentage points.
- Craig and Noble Counties saw the second-largest drop in UI tax rates during this time period at -1.2 percentage points.