



## **LABOR DAY 2003: THE CALIFORNIA WORKFORCE**

### **CALIFORNIA IN A MUCH STRONGER POSITION THAN AFTER 1990S RECESSION**

- In contrast to the early 1990s, California's economy has kept pace with that of the nation. This is, in part, reflected by recent wage growth figures cited below. Unemployment rates and overall employment levels also help tell the story:
  - In July 2003, 20 months after the beginning of the national recovery in November 2001, California's unemployment rate was 6.6 percent while the national rate, at 6.2 percent, was only slightly lower. This contrasts with the situation in November 1992 – 20 months after the official start of the last national recovery in March 1991 – when California's unemployment rate stood at 9.7 percent, a full 2.3 percentage points above the 7.4 percent national rate and higher than any state except West Virginia.
  - California lost 52,800 jobs between November 2001 and July 2003, a 0.4 percent reduction. This compares favorably, however, to the 0.8 percent job loss for the US over the same period. In stark contrast, 20 months after the beginning of the recovery in 1991, national employment was up 0.6 percent while employment in California had fallen by 2.5 percent, reflecting a loss of 308,600 jobs.
- The current recovery does share the dubious distinction of being “jobless” with the recovery of the early 1990s. Renewed economic growth at the national level has not been accompanied by significant growth in employment or a declining unemployment rate in California or in the US.

### **CALIFORNIA WAGES OUTPERFORM NATION**

- Since 2000, wage gains of the typical California worker have significantly outpaced those of the typical US worker. The inflation-adjusted hourly wage of the California worker at the middle of the earnings distribution rose by 6.8 percent between the first half of 2000 and the first half of 2003. This compares to 3.4 percent growth in hourly wages for the typical US worker.
- The hourly earnings of low-wage Californians posted even stronger growth. Inflation-adjusted wages for the California worker at the 20<sup>th</sup> percentile increased by 8.1 percent between the first half of 2000 and the first half of 2003. Hourly wages for the typical US worker at the 20<sup>th</sup> percentile, in contrast, grew only 2.2 percent.

- High-wage workers in California also made gains exceeding those of their national counterparts. Hourly wages for the California worker at the 80<sup>th</sup> percentile rose by 6.2 percent between the first half of 2000 and the first half of 2003. This compares with a 4.2 percent gain in the inflation-adjusted hourly wage for the US worker at the 80<sup>th</sup> percentile.

#### **AS SILICON VALLEY STRUGGLES, SOUTHERN CALIFORNIA CATCHES A WAVE**

- Large parts of Southern California have avoided the worst of the recession:
  - Unemployment remains low in the state's southernmost coastal counties. In July, the unemployment rate was 4.5 percent in San Diego County and 4.0 percent in Orange County.
  - Job growth in the "Inland Empire" has been consistently high. Spurred by construction, trade, and manufacturing, Riverside and San Bernardino counties added 274,900 jobs during the 1990s. The region added another 90,600 jobs between July 2000 and July 2003.
- Job losses in the Bay Area have hurt, but haven't undercut, the region's position as a leader in high-wage employment:
  - Santa Clara County lost 17.0 percent (178,100) of its jobs between July 2001 and July 2003.
  - The typical Bay Area wage (\$18.80 per hour) continued to exceed that of Los Angeles (\$14.00 per hour) and the state as a whole (\$15.79 per hour) in 2002.

#### **CHRONIC UNEMPLOYMENT REMAINS A CONCERN FOR VALLEY COMMUNITIES**

- The labor market picture in the Central Valley is mixed:
  - Unemployment remains chronically high throughout the San Joaquin Valley – Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare counties all suffered from double-digit unemployment rates in July 2003. In total, fourteen California counties had unemployment rates in excess of 10 percent in July 2003.
  - Fresno and Madera counties added 18,800 nonfarm jobs between July of 2000 and July 2003. These nonfarm gains, however, were offset by a loss of 18,100 farm jobs.
- Further north, Sacramento, El Dorado, and Placer counties added a total of 34,400 jobs between July 2000 and July 2003. The combined July 2003 unemployment rate for these three counties, 5.6 percent, was below that of California and the US.

## **JOBLESS RECOVERY HITS AFRICAN AMERICANS AND LESS WELL-EDUCATED WORKERS HARDEST**

- African American workers have been especially hurt by the recession and the jobless recovery. The average 2002 unemployment rate for black Californians was 12.0 percent – a sharp 4.6 percentage point jump over the 2000 average of 7.5 percent.
- Unemployment was also high in 2002 for California workers with less than a high school degree (11.7 percent). During the boom year of 2000, the average unemployment rate for this group was only somewhat lower (10.3 percent) than it was in 2002.

## **LARGE NUMBERS OF CALIFORNIA FAMILIES ARE WORKING, BUT POOR**

- 1.9 million California families had incomes below 200 percent of the federal poverty level (FPL) despite significant paid work effort in 2001, the most recent year for which data are available. The number of working poor families rose to 1.8 million during the last recession, and remained at that level through the boom period of the late 1990s. The unemployment rate, in contrast, began to drop in 1994.
- The working poor include families of all races, education levels, and family structures. That said, the working poor are more likely to be Latino, have at least one adult who is not a citizen, and have lower levels of education. Nearly three in five working poor families are Latino (59 percent of working families with incomes below the FPL and 56 percent of working families with incomes between 100 and 200 percent of the FPL). In contrast, 28 percent of all working families are headed by a Latino.

## **LONG-TERM INCOME GAINS HIGHLY CONCENTRATED AT THE TOP**

- Over the past year, substantial attention has focused on the drop in investment earnings among high-income Californians, and the impact of these losses on the state budget. It is important to put this issue in longer-term context:
  - Between 1993 and 2000, the average adjusted gross income of the top fifth of taxfilers rose by more two-thirds (67.1 percent). Adjusted gross income of the top 1 percent of taxfilers, meanwhile, rose 181.1 percent, from \$645,252 in 1993 to \$1,813,885 in 2000.
  - Meanwhile, tax data show that the incomes of the remaining four-fifths of California taxfilers rose only slightly between 1993 and 2000. For example, the average adjusted gross income of the middle fifth rose only 8.5 percent.
  - While the average adjusted gross income among taxfilers in the top fifth of the distribution dropped by 20.6 percent between 2000 and 2001, wealthy Californians enjoy far larger incomes than they did before the boom of the 1990s. The incomes of the wealthiest fifth of Californians were a third (32.7 percent) higher in 2001 than in 1993, after adjusting for inflation.
  - The top 1 percent of taxfilers accounted for 27.5 percent of total adjusted gross income in California in 2000, nearly double the comparable figure of 13.8 percent in 1993. In 2001,

however, the share of income earned by the top 1 percent of tax filers dropped to 19.9 percent.

## ORGANIZED LABOR POSTS GAINS IN CALIFORNIA

- In a departure from long-term trends, the percentage of workers represented by unions in California was higher in 2002 (18.9 percent) than it was in 2000 (17.7 percent). In contrast, the percentage of US workers represented by unions dropped from 14.9 percent in 2000 to 14.6 percent in 2002.

### Sources:

- *Data on working poor families:* California Budget Project
- *Employment levels by county; unemployment rates by county:* California Employment Development Department
- *Income tax data:* California Franchise Tax Board
- *Wage data; unemployment data by race/educational status:* Economic Policy Institute
- *Comparative state and national data on unemployment rates and payroll employment levels:* Economic Policy Institute
- Special thanks are due to the Economic Policy Institute ([www.epinet.org](http://www.epinet.org)) for their analysis of wage and employment data.

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*Matthew Mitchell prepared this fact sheet. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low-and middle income Californians. General operating support for the California Budget Project is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP web site at [www.cbp.org](http://www.cbp.org).*

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