

## ON THE ROAD TO RECOVERY

**N**early two years have passed since economists declared the Great Recession over, yet California's job market and that of the US as a whole remain weak. Both the state and the nation have gained back only a fraction of the jobs lost during the downturn, which means that the number of people out of work still far exceeds available positions. While some groups of workers have made modest gains in recent months, others have not. Using the most recent data available, this *Policy Points* provides a snapshot of the job market today and examines which workers are starting to recover and which are still lagging behind.

### K E Y F A C T S

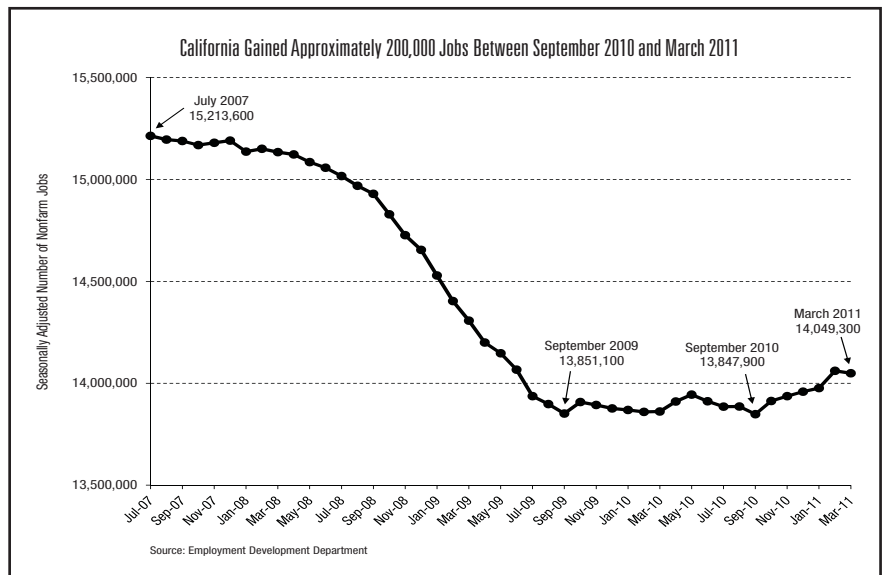
- **California's job growth exceeded that of the rest of the nation in recent months.**

Over the past six months, California's job growth accelerated, and the state added jobs at twice the rate of the rest of the US. The number of California's jobs increased by 1.5 percent between September 2010 and March 2011 – the most recent month for which state jobs data are available – while the number of jobs in rest of the nation increased by just 0.6 percent.<sup>1</sup> This trend reflects the fact that California made greater gains than other states in most major sectors of the economy, including professional and business services; education and health services – a sector largely composed of jobs at doctors' offices and hospitals, as well as a small number of jobs at private schools, colleges, and universities – and leisure and hospitality, which primarily includes jobs at restaurants, bars, and hotels. In addition, California *gained* jobs in construction and information services, which includes high-tech industries, such as software publishers, over the past six months, while the rest of the US *lost* jobs in these sectors.<sup>2</sup> California's construction job gains were driven in part by an increase in highway, street, and bridge construction employment, while gains information were largely due to a significant jump in motion picture and video industry jobs.<sup>3</sup>

- **However, California's job market is still near the bottom of a very deep hole.**

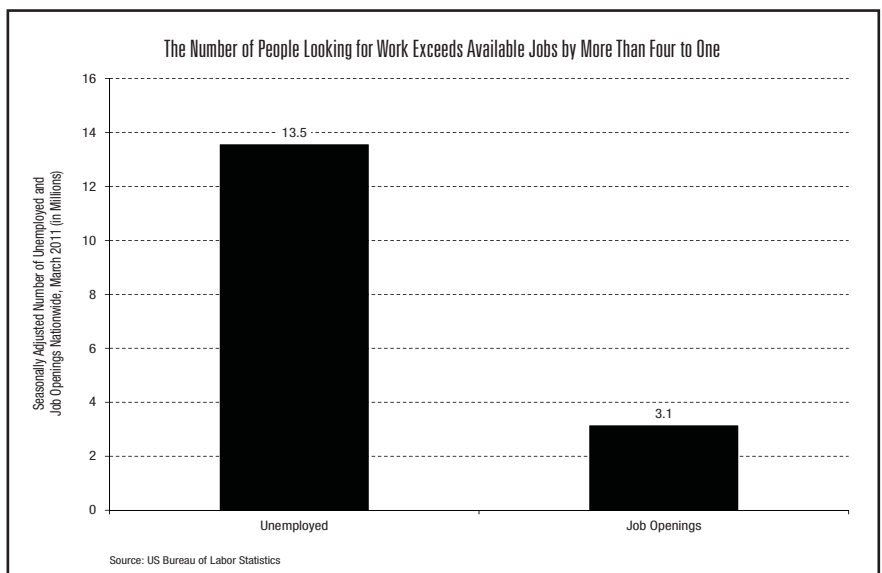
Between September 2009 – when the state's employment bottomed out – and March 2011, California gained approximately 200,000 jobs.<sup>4</sup> This means that in the first 18 months of recovery, the state added back only about one out seven of the nearly 1.4 million jobs it lost during the downturn. In fact, all of these gains occurred in the last six months alone, from September 2010 to March 2011; during the prior year, the number of jobs in California was essentially flat.<sup>5</sup> If job growth continues at this pace, it would take another three years for the state to regain all of the jobs it lost during the recession. However, full recovery would take even longer: Growth in the state's working-age population has added to the number of individuals who need jobs, which means that California will have to gain far more than the

1.4 million jobs it lost during the downturn for the share of Californians with jobs to return to pre-recession levels.



- **Modest employment gains during the recovery mean jobs remain scarce.**

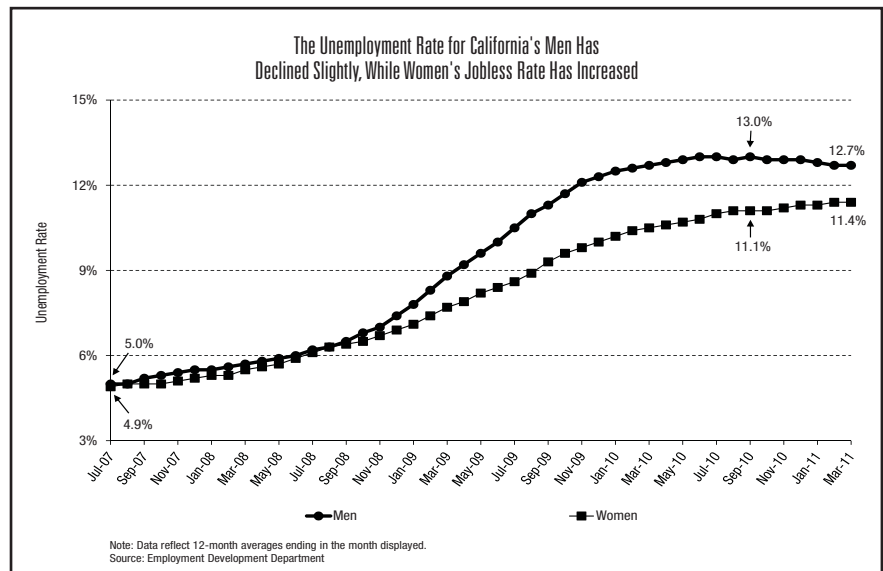
The number of people looking for work nationwide exceeded available jobs by more than four to one in March 2011 – the most recent month for which data are available.<sup>6</sup> Specifically, 13.5 million Americans were looking for work that month, but there were only 3.1 million job openings. While these figures show an improvement from two years ago, when the number of unemployed exceeded job openings by more than six to one, the odds of finding work remain low. Before the recession began, the number of jobless only slightly exceeded the number of available positions. Moreover, these data likely underestimate the current job shortage because more than 1.5 million US workers dropped out of the labor force in recent years and, as a result, are no longer counted as unemployed even though many want to work.<sup>7</sup> While comparable California data are not available, the magnitude of the job shortfall in the state is likely similar, if not greater, given that California's unemployment rate far exceeds that of the US as a whole.



- **Men made greater gains than women during the recovery.**

National data show that men gained more than five jobs for every job gained by a woman between February 2010 – when US employment bottomed out – and March 2011; during this period, 84.8 percent of the jobs gained went to men, while just 15.2 percent went to women.<sup>8</sup> Men were also more likely than women to lose their jobs during the recession: More than two out of three of the jobs lost nationwide between December 2007 and February 2010 were held by men (69.1 percent). Because of this trend, the downturn was widely proclaimed to be a “mancession,” and now, with men gaining a larger share of jobs than women, some call the recovery a “he-covery.”

While comparable California jobs data are not available, state unemployment data suggest that California’s men have also been more likely than the state’s women to find work during the recovery. The jobless rate for California’s men declined slightly in recent months from a high of 13.0 percent in September 2010 to 12.7 percent in March 2011, while women’s unemployment rate continued to rise and reached a high of 11.4 percent in March.<sup>9</sup>



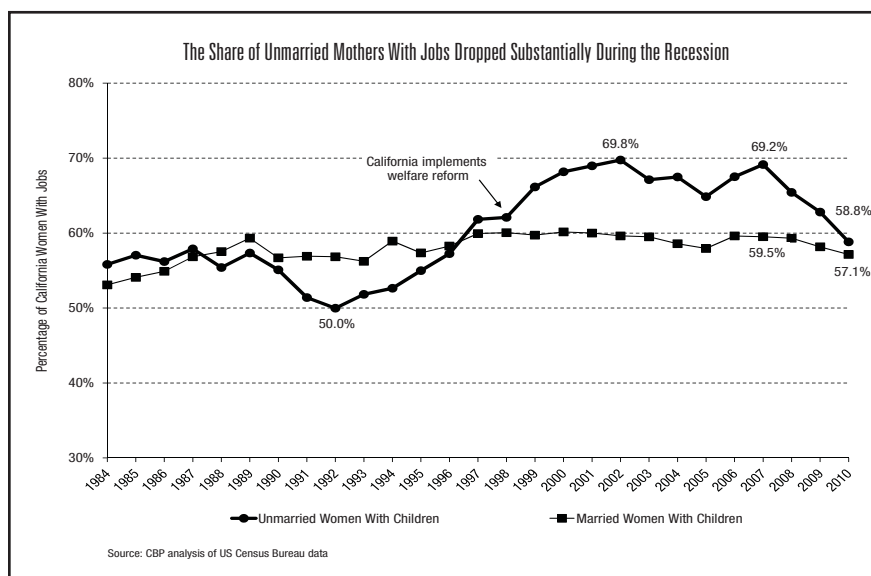
Women have lagged behind men in part because of continued job loss in the public sector, where nearly one out of five women works. The number of women employed in the public sector nationally declined by 1.6 percent between March 2010 and March 2011 – the most recent period for which jobs data for women are available – compared to a 1.2 percent drop for men.<sup>10</sup> While small in percentage terms, these declines represent a loss of 214,000 public sector jobs held by women and 115,000 public sector jobs held by men. The vast majority of these job losses resulted from a decline in employment with cities, counties, and public schools – collectively called “local government,” the largest component of the public sector.<sup>11</sup> In fact, public schools alone accounted for nearly 40 percent of the nation’s total public sector job loss over the past year.<sup>12</sup> This decline in employment has disproportionately affected women, who make up more than seven out of 10 public school employees.

Women also made weaker employment gains in most major sectors of the economy over the past year. For example, the number of women working in professional and business services nationally increased by 2.4 percent between March 2010 and March 2011 – just over half the percentage increase in the number of men working in that sector (4.0 percent). Even in education and health services – a sector where more than three out four workers are female – women made smaller gains than men: The number of women working in this sector rose by 1.5 percent between March 2010 and March 2011, compared to a 3.8 percent increase

- **The recession resulted in a significant setback for single mothers.**

for men.<sup>13</sup> In addition, women lost jobs in the financial activities sector – which includes the real estate industry as well as finance and insurance – during the same period, while men gained employment. This trend is notable because women make up nearly six out of 10 financial activities workers.

The share of California's unmarried mothers who were working fell by 10.4 percentage points from 69.2 percent in 2007 to 58.8 percent in 2010 – nearly twice the drop in employment for married fathers (5.9 percentage points) and more than four times the decline for married mothers (2.4 percentage points).<sup>14</sup> In other words, in just three years, the recession erased more than half of the gains that single mothers made between 1992 and 2002, when a strong job market, together with state and federal welfare reform, helped boost the share of these women who were working by a substantial 20 percentage points. In fact, the downturn reversed the entire rise in single mothers' employment that occurred after welfare reform.



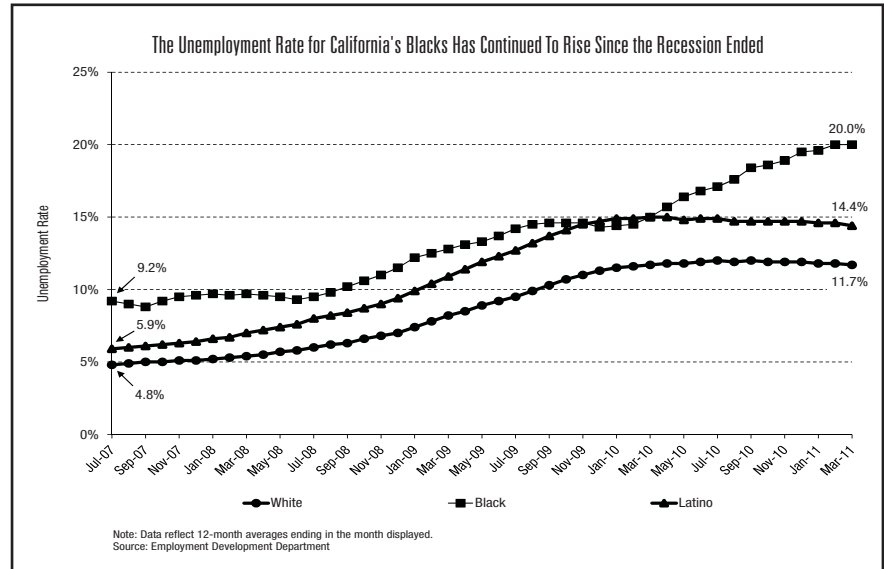
California's single mothers who remained employed during the recession also fared worse than their married counterparts: They experienced the largest decline in their weekly hours of work in at least two decades. The average unmarried woman with children worked 36.6 hours per week in 2010 – exactly two hours less than in 2006, the year before the recession began.<sup>15</sup> This decline of two hours per week may appear modest, but it represents a substantial loss of hours and earnings when multiplied across all of California's working single mothers. The aggregate number of hours lost by single mothers between 2006 and 2010 is the equivalent of more than 40,000 full-time jobs.

While work hours for women raising children without the help of spouse declined substantially during the recession, they *increased* modestly for married women with children. Married mothers worked 35.7 hours per week in 2010, up from 35.5 hours per week in 2006.<sup>16</sup> Given that men were far more likely than women to lose their jobs during the downturn, this trend suggests that some married mothers may have increased their work hours as a way of making up for lost earnings when their husbands were laid off or had their hours of work scaled back.

- **Black Californians continued to lose jobs during the recovery.**

Since the recession ended, the jobless rate has continued to rise substantially for black Californians, while it has declined slightly for Latinos and whites. Blacks' unemployment rate reached 20.0 percent in March 2011, up 5 percentage points from the prior year

and more than double their jobless rate from before the downturn. In contrast, Latinos' unemployment rate fell by 0.6 of a percentage point from a high of 15.0 percent in March 2010 to 14.4 percent in March 2011. Whites' jobless rate reached a high of 12.0 percent in September 2010 before dropping by 0.3 of a percentage point to 11.7 percent in March 2011. While these modest declines in unemployment are a positive sign, the jobless rates for both whites and Latinos remain more than double what they were before the recession began.<sup>17</sup>



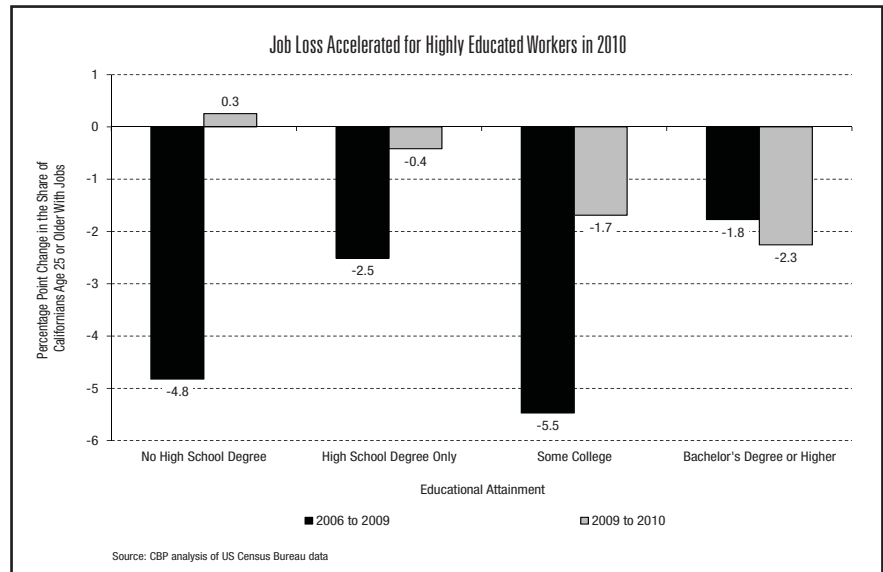
The jobless rate for black Californians far exceeds that of whites and Latinos. Blacks' unemployment rate in March 2011 was 8.3 percentage points higher than that of whites and 5.6 percentage points higher than that of Latinos. Yet even when the job market is strong, the jobless rate for black Californians tends to exceed that of other racial and ethnic groups. For example, in 2006, the year before the Great Recession began, the unemployment rate for blacks was more than twice that of whites (9.5 percent compared to 4.0 percent).<sup>18</sup> Even in 2000, at the height of the economic boom when the jobless rate for black Californians fell to its lowest level in the past 30 years, blacks were nearly twice as likely as whites to be out of work: The unemployment rate for black Californians was 7.4 percent that year, compared to 4.0 percent for white Californians.<sup>19</sup>

Black Californians have also remained jobless for longer periods of time compared to their Latino and white counterparts. In 2010, the average jobless black Californian had been looking for work for approximately seven months (30.5 weeks) – five weeks longer than the average jobless Latino and more than three weeks longer than the average jobless white Californian.<sup>20</sup> Even before the recession began, unemployed black Californians experienced substantially longer unemployment. In 2006, the average jobless black worker went without work for approximately four months (16.6 weeks) – nearly five weeks longer than the average jobless Latino and nearly three weeks longer than the average jobless white Californian.

■ **Job loss accelerated for highly educated workers in 2010.**

The share of Californians with a four-year college degree who were working declined by 2.3 percentage points between 2009 and 2010 – exceeding in one year the 1.8 percentage point drop in this group's employment rate during the *prior three years*.<sup>21</sup> In contrast, most of the decline in employment for Californians with lower levels of educational attainment occurred during the recession, with smaller or no declines in 2010. For example, the share

of Californians with a high school diploma alone who had jobs fell by 2.5 percentage points between 2006 and 2009, followed by a modest drop of 0.4 of a percentage point in the following year. Similarly, the share of Californians without a high school degree who were working declined by 4.8 percentage points between 2006 and 2009, then rose by 0.3 of a percentage point in 2010.

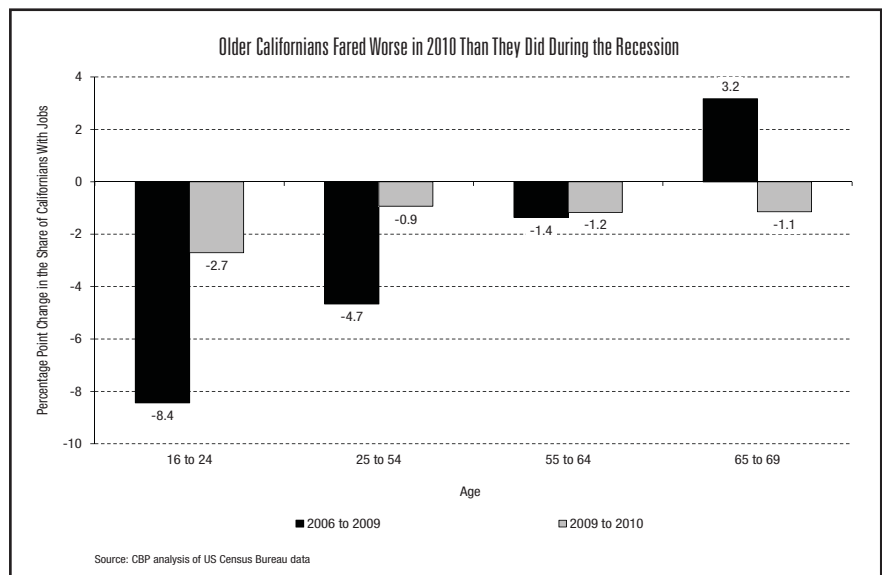


The accelerated decline in the share of college-educated workers with jobs in 2010 may reflect, in part, public sector job loss. Public sector job losses increased markedly in 2010, driven primarily by a drop in local government employment, which includes jobs in public schools.<sup>22</sup> Californians with a four-year college degree are nearly twice as likely as other workers to work in the public sector. More than one out of four college-educated Californians (25.5 percent) worked in the public sector in 2010, compared to 13.3 percent of those with lower levels of educational attainment.<sup>23</sup> In addition, college-educated Californians were more than three times as likely as other workers to work in public education in 2010 (11.4 percent compared to 3.4 percent).<sup>24</sup>

■ **Older Californians fared worse in 2010 than they did during the recession.**

Between 2009 and 2010, the share of Californians ages 55 to 64 who were working declined by 1.2 percentage points, nearly matching in one year the 1.4 percentage point drop in this group's employment rate during the *prior three years*.<sup>25</sup> Additionally, the share of Californians ages 65 to 69 who were working fell by 1.1 percentage points between 2009 and 2010, after *increasing* by 3.2 percentage points between 2006 and 2009. In contrast, employment for prime working-age Californians – those ages 25 to 54 – leveled off in 2010: The share who had jobs declined only modestly, by 0.9 of a percentage point, after a substantial 4.7 percentage point drop during the prior three years. Similarly, the share of young adults – those ages 16 to 24 – who were working fell by 2.7 percentage points between 2009 and 2010, following a significant 8.4 percentage point drop between 2006 and 2009.

The recent decline in employment for Californians ages 65 to 69 may reflect increased retirements because a large number of workers in this age group dropped out of the labor force – which includes those who are searching for work – in 2010. The share of Californians ages 65 to 69 who were in the labor force fell by 1.5 percentage points between 2009 and 2010 – the first drop since the recession began.<sup>26</sup> Since the labor force is made up of individuals who are working and those who are searching for work, this drop means that most of those who stopped working in 2010 chose not to look for work.<sup>27</sup>



Some workers may have chosen to retire in 2010 because they felt somewhat more secure about their ability to afford retirement. Stock values continued to rebound that year from their significant declines in late 2007 and 2008.<sup>28</sup> Those declines had diminished many individuals' retirement savings, prompting some older workers to postpone retirement so that they could accumulate additional savings.<sup>29</sup> Other Californians may have retired in 2010 because they were unable to find jobs. Once unemployed, workers at or above the traditional retirement age of 65 spend considerably longer looking for work than prime working-age workers. The average jobless worker age 65 to 69 spent approximately eight months (35.6 weeks) searching for employment in 2010, compared to approximately six and a half weeks for the average jobless worker age 25 to 54. After months looking for work without success, some older workers may have given up their job search and dropped out of the labor force.

*Alissa Anderson prepared this Policy Points with assistance from Luke Reidenbach. 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 policy 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 CBP is provided by foundation grants, subscriptions, and individual donations. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*

## ENDNOTES

- <sup>1</sup> Employment Development Department and US Bureau of Labor Statistics. The jobs data cited throughout this report are nonfarm jobs.
- <sup>2</sup> California also gained public sector jobs between September 2010 and March 2011, while the rest of the US lost public sector jobs. However, California's gain during this period is largely due to a measurement error that magnified local government job losses in September 2010.
- <sup>3</sup> The number of highway, street, and bridge construction jobs increased by 6.1 percent between March 2010 and March 2011, while the number of motion picture and video industry jobs rose by 13.4 percent. Seasonally adjusted data, which allow comparisons across different months, are not available for these industries.
- <sup>4</sup> Employment Development Department. The National Bureau of Economic Research (NBER), which determines the start and end date of recessions, established that the Great Recession ended in June 2009. However, California continued to lose jobs through September 2009, and the Employment Development Department uses this date as the beginning of the recovery in California. Although the recovery began in September 2009, California did not begin to consistently gain jobs until the fall of 2010.
- <sup>5</sup> California gained tens of thousands of jobs in the spring and summer of 2010 due to temporary hiring for the 2010 US Census, then lost these jobs in the summer of 2010 when these positions expired.
- <sup>6</sup> US Bureau of Labor Statistics.
- <sup>7</sup> Only individuals who searched for work within the past four weeks are counted as unemployed.
- <sup>8</sup> US Bureau of Labor Statistics.

- <sup>9</sup> Employment Development Department. These data represent unemployment rates averaged over 12 months. For example, men's March 2011 unemployment rate is the average monthly jobless rate for men between April 2010 and March 2011. The most recent data may overestimate unemployment rates because they include months when the job market was weaker.
- <sup>10</sup> CBP analysis of US Bureau of Labor Statistics data.
- <sup>11</sup> Local government jobs make up more than six out of 10 public sector jobs, with the remainder of jobs in state and federal government. Men lost jobs in state government over the past year, while women gained jobs, due entirely to gains in "state government education," which includes employment at public colleges and universities. In contrast, women lost a large number of federal government jobs over the past year, due to a significant drop in the number of women working for the US postal service. The number of men working for the federal government was essentially flat.
- <sup>12</sup> This subsector is referred to as "local government education" and also includes employment at community colleges.
- <sup>13</sup> Women make up more than three-quarters of education and health services workers, but they gained fewer than six out of 10 jobs in this sector over the past year.
- <sup>14</sup> CBP analysis of US Census Bureau data.
- <sup>15</sup> CBP analysis of US Census Bureau data.
- <sup>16</sup> CBP analysis of US Census Bureau data.
- <sup>17</sup> Employment Development Department. These data represent unemployment rates averaged over 12 months. The most recent data may overestimate unemployment rates because they include months when the job market was weaker.
- <sup>18</sup> Additionally, blacks' unemployment rate was 3.9 percentage points higher than that of Latinos in 2006.
- <sup>19</sup> Blacks' unemployment rate was less than 1 percentage point higher than that of Latinos in 2000.
- <sup>20</sup> CBP analysis of US Census Bureau data.
- <sup>21</sup> CBP analysis of US Census Bureau data. This analysis is limited to Californians age 25 or older.
- <sup>22</sup> Employment Development Department data show that the number of California's public sector jobs declined by 2.1 percent (52,500) between 2009 and 2010, compared to a 1.6 percent (39,300) drop during the prior year. The vast majority of this job loss occurred at the "local government" level, which includes jobs with cities, counties, and public schools. The number of California's local government jobs declined by 3.5 percent (61,300) between 2009 and 2010, compared to a 2.3 percent (41,600) drop during the prior year.
- <sup>23</sup> CBP analysis of US Census Bureau data. These data refer to the percentage of Californians in the labor force – individuals who are either employed or unemployed. Unemployed individuals are counted as public sector workers if the last job they held prior to becoming unemployed was in the public sector.
- <sup>24</sup> Public education includes elementary and secondary schools; colleges and universities; business, technical, and trade schools; and other schools and educational support services.
- <sup>25</sup> CBP analysis of US Census Bureau data.
- <sup>26</sup> CBP analysis of US Census Bureau data. The share of Californians ages 65 to 69 who were in the labor force rose by 6.5 percentage points between 2007 and 2009.
- <sup>27</sup> In other words, if most Californians ages 65 to 69 who stopped working in 2010 had searched for jobs, they would have been counted as part of the labor force. Consequently, the share of these Californians in the labor force would not have declined as much.
- <sup>28</sup> The average 401(k) account balance of a large sample of accounts throughout the US rose by 31.9 percent in 2009, after declining by 27.8 percent in the prior year. See Jack VanDerhei, Sarah Holden, and Luis Alonso, *401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009* (Employee Benefit Research Institute: November 2010). Data for 2010 were not included in this report, but it is likely that the average account balance continued to increase given the rise in stock values that year.
- <sup>29</sup> See California Budget Project, *More Californians Are Working Later in Life* (April 2009).