



CALIFORNIA BUDGET PROJECT

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This Labor Day, California Is Still Seeking Broad Economic Growth That Reaches Workers Across the Earnings Spectrum

New CBP Report Points to Wage Stagnation, Growing Share of Workers in Low-Wage Jobs

SACRAMENTO – Although California's job market has continued to improve during the past year, the current economic expansion has not been strong enough to begin reversing decades of wage stagnation and diminished economic opportunity for many California workers, according to a new report from the California Budget Project (CBP), a nonpartisan policy research organization.

Beyond Recovery: Making the State's Economy Work Better for Low- and Mid-Wage Californians shows that the state has finally regained the number of jobs lost during the Great Recession, but that this job growth has failed to generate earnings gains for many California workers. In 2013, inflation-adjusted hourly wages for those at the 20th percentile of the wage distribution as well as at the median (50th percentile) were still around 5 percent lower than that for similar workers in 2006, the last full year before the recession began.

"With California moving further past the jobs crisis of the Great Recession, it's time to look at the big-picture challenges facing our state's job market," said Luke Reidenbach, policy analyst at the CBP and author of the report. "What's key is making sure that the recovery is reaching all parts of the state and also that there's growth in wages and opportunity for all workers, not just those earning high wages."

Beyond Recovery shows that:

- **Unemployment varies widely by metro region, with high rates in many parts of the state.**

California's statewide unemployment rate was 7.4 percent in June 2014, down from 9.0 percent in June 2013. However, there is wide variation in the unemployment rate across California's regions, based on the average monthly rate for the first six months of 2014. In the El Centro metro area, the average unemployment rate for the first half of 2014 was 21.9 percent, more than four times the average unemployment rate of 4.7 percent in the San Francisco-San Mateo-Redwood City metro area. Of the 28 largest metro areas in California, 11 had average unemployment rates for the first half of 2014 that were in the double digits.

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- **Unlike in prior economic recoveries, persistent weakness in the public sector job market has hampered overall job gains.** As of June 2014, the state's public sector – which includes federal, state, and local governments – still had more than 120,000 fewer jobs than prior to the recession, a decline of 4.9 percent. Public sector employment placing a drag on overall job growth is unique among recent recoveries. At a comparable point following the recessions of the early 1990s and 2001, the number of public sector jobs was up by 2.1 percent and 7.3 percent, respectively.
- **The share of California workers earning low wages has continued to grow, a trend that began before the Great Recession.** The proportion of all workers earning less than two-thirds of the median wage is an important measure of the concentration of low-wage work. Between 1979 and 2006 (the last full year prior to the start of the Great Recession), the share of Californians in low-wage work increased from 22.6 percent to 26.3 percent, and it has since edged even higher, rising to 27.6 percent in 2013.
- **Many California workers faced weak wage growth even before the Great Recession started.** Large segments of California's workers faced years of wage stagnation even prior to the Great Recession, whereas earners near the top of the wage ladder fared much better. A California worker at the 20th percentile of the wage distribution in 2006 was earning 7.2 percent per hour less than a similar worker earned in 1979, after adjusting for inflation, and a mid-wage worker – earning California's median wage – had hourly earnings a mere 1.3 percent above that in 1979. Meanwhile, 2006 wages for high-wage earners – those at the 80th percentile of the wage distribution – were 18.2 percent higher than for similar workers in 1979.

"It's good news that California's economy has gained ground recently, but just getting back to where it was before the Great Recession won't be enough to provide the employment opportunities and wage gains that the state's workers need," said Chris Hoene, CBP executive director. "State policymakers need to take actions that support working parents in keeping jobs and advancing in their careers, expand access to high-wage jobs, and boost the earnings of low-wage workers."

The CBP's new report highlights a variety of state policy options for protecting and investing in California's workers. These include restoring recent years' cuts to subsidized child care and preschool, which help parents find and keep jobs while supporting their children's development; further increasing the state's minimum wage and indexing it to inflation, so as to prevent wage erosion among low-wage workers; and rebuilding state support for California's system of higher education, long a critical pathway to high-wage jobs and economic mobility.

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The California Budget Project (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. Support for the CBP comes from foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.