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Recession Threatens Progress of California's Workers and Families

(Sacramento) – “The ongoing recession threatens the economic progress made by many California families during the boom of the late 1990s,” said Jean Ross, Executive Director of the California Budget Project (CBP). A new CBP report, *Boom, Bust, And Beyond: The State Of Working California*, analyzes wage, income, and employment trends and their impact on California's workers and families. The report examines the impact of strong employment growth during the late 1990s, when unemployment rates fell to their lowest levels in decades, on wages through 2001, as well as the effect of the recession on employment through mid-2002.

The economic downturn comes after wages for many California workers had just begun to make up for losses in the 1990s. Hourly wages for the typical California worker – the worker at the middle of the earnings distribution – rose 1.4 percent (from \$15.16 to \$15.38), after adjusting for inflation, between 1989 and 2001. In contrast, the hourly wage of the typical US worker increased by 4.9 percent over the same period. “California workers should have done better during the late 1990s. Our job growth was much stronger than that of the nation, but wage and income gains for the typical California family lagged behind those of the nation as a whole,” noted the report's primary author, David Carroll.

Despite the economic boom, the hourly wage of the typical Latino worker fell 3.3 percent between 1989 and 2001, after adjusting for inflation. The wage for the typical black worker remained flat, while that for Asian and white workers increased by more than 10 percent over the same period. Women posted larger wage gains than men over the past decade. The typical female worker's hourly wage increased from \$13.10 to \$14.00 per hour, a 6.9 percent increase, in inflation adjusted dollars.

Income Growth Lags That of Nation

Income growth for many California families fell behind that of the nation as a whole between 1989 and 2001. Income for the typical California household increased by only 3.9 percent, from \$45,507 to \$47,262, between 1989 and 2001. In contrast, household median income for the US as a whole increased 6.0 percent over the same period.

Consistent with other research, the report finds that the gap between California's rich and poor families has widened over the past decade. “In the late 1970s, the average income of the top 5 percent of the state's families was 11.2 times larger than that of the poorest fifth of families. By the late 1990s, the top 5 percent earned 17.7 times more than the poorest fifth of the state's families,” noted Carroll.

Wage, Income Gains Vary by Region

Recent wage gains were particularly strong in the Bay Area, where the typical worker's wages rose by 12.8 percent between 1996 and 2001, as compared to a 6.8 percent increase for the typical Los Angeles County worker. However, Carroll noted, "The dramatic increase in unemployment over the past two years may make it difficult for the Bay Area to sustain the wage gains of the late 1990s." The unemployment rate of the Bay Area increased by 3.6 percentage points between September 2000 and September 2002, led by a 5.9 percentage point increase in Santa Clara County's unemployment rate. Much of the unemployment loss since January 2001 has been concentrated in the high-tech economy, much of which is based in the Bay Area.

Income gains also varied by region. Per capita income grew in eight of California's ten regions from 1989 to 1999, including a 20.8 percent increase in the Bay Area. However, per capita income fell 1.3 percent in Los Angeles County and declined by 0.4 percent in other Southern California counties. Los Angeles County was the only region that had fewer jobs in 2001 than in 1989.

The San Joaquin Valley had the highest percentage of people with incomes below the federal poverty level in 1999, where more than one in five people (20.5 percent) lived in poverty. In contrast, the poverty rate in the Bay Area was 8.7 percent in 1999.

Los Angeles County and the San Francisco Bay Area have the highest rate of income inequality. In comparison, the Central Sierra, Far North, Northern Sacramento Valley, and San Joaquin Valley registered the lowest rates in the state.

Much of Future Job Growth Projected in Low-Wage Occupations

Carroll pointed to data showing that over a quarter (27.7 percent) of the state's projected 2000 to 2010 job growth is in occupations that pay the typical worker no more than \$10 per hour, equivalent to \$20,800 per year for a full-time worker. "This trend, coupled with the findings presented in this report, suggests that families continue to struggle to make ends meet. Our public policies should reflect the challenges that Californians face. Public policies can help ensure that families have access to affordable housing, health care, and child care, as well as boost the incomes of workers and their families through policies such as ensuring that the minimum wage keeps pace with inflation."

The wage and pension data analyzed by the California Budget Project in this report uses a sample from the Current Population Survey Outgoing Rotation Group data that includes adults who are between 25 and 64 years of age; are employed in the public or private sector; worked between 1 and 99 hours per week or variable hours; and earned hourly wages between \$0.50 and \$100 per hour (in 1989 CPI-U-RS adjusted dollars).

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. Support for the CBP comes from foundation grants, publications, and individual contributions.

Reporters who agree to honor the February 10, 2003 embargo may download Key Findings from Boom, Bust, And Beyond: The State Of Working California from www.cbp.org/2003/r0212SWCkeyfindings.pdf. The full report is available at www.cbp.org/2003/r0212SWCfinal.pdf