

The State of Working California 2004: Little Progress for California's Workers and Their Families

Labor Day offers an opportunity to assess the progress of the nation's workers and their families. In California, this year's news is decidedly mixed. Recent data suggests little progress for the state's workers. However, on a number of key indicators – including job growth, median income, and wages – California's performance has surpassed that of the nation. The minimal gains, both in California and the nation, are particularly troublesome at this stage of the economic recovery.

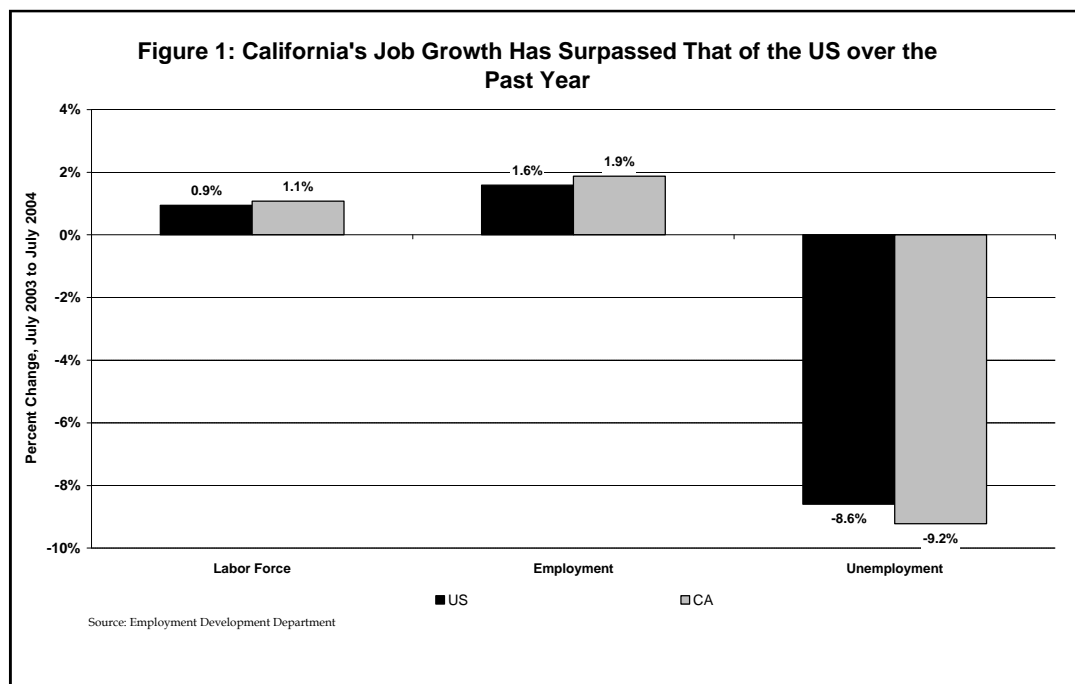
This paper examines recent data, including new Census data on income, poverty, and health coverage released in late August. Key findings include:

- California's job growth surpassed that of the nation; however, many of the new jobs are in traditionally low-paying industries.
- California's unemployment rate is down, but long-term unemployment remains high.
- College-educated workers are disproportionately represented among the long-term unemployed.
- Californians' wage gains were modest, but surpassed those of the nation in 2003; however, California's gains lag those of the nation over the long-term.
- Nearly one-third of Californians had incomes below 200 percent of the federal poverty threshold in 2003.
- Employer-sponsored health coverage fell in both the US and in California in 2003. California accounted for over one-quarter of the national drop in job-based coverage.

Employment and Unemployment

California's job growth surpassed that of the nation over the past year. Between July 2003 and July 2004, employment increased 1.9 percent in California, as compared to 1.6 percent in the US (Figure 1). The California labor force increased by 1.1 percent, as compared to 0.9 percent in the country as a whole, while unemployment in the state declined by 9.2 percent, leading to a seasonally adjusted unemployment rate of 6.1 percent in July 2004.

However, many of the new jobs are in low-paying industries. The good news is that California's economy added 158,600 jobs between July 2003 and July 2004 (Table 1). The bad news is that many of the state's new jobs are in industries that pay below average wages. The largest share of the state's job growth (31.5 percent) was in Employment Services – the temporary help industry. Other industries making major gains include construction (20.1 percent), health care and social assistance (15.9 percent), and retail trade (15.3 percent of the new jobs). Of the sectors posting major gains, only construction paid an average weekly wage that exceeded the 2003 state average.



California's unemployment rate is down, but long-term unemployment remains high. At 6.1 percent (seasonally adjusted) in July of 2004, the state's unemployment rate has declined since reaching its recent peak of 6.9 percent in July 2003. However, the share of the state's jobless suffering from long-term unemployment – 27 weeks or more – remains stubbornly high. In July 2004, nearly one out of four (24.1 percent) of the state's unemployed had been without a job for 27 weeks or more. In contrast, just 13.2 percent of the out-of-work Californians were among the long-term unemployed in March 2001, the beginning of the recent recession.

Unemployment remains high in the Central Valley.

In July 2004, 15 of the state's 58 counties had double digit unemployment rates. While a number were small counties, such as Alpine (12.4 percent) and Trinity Counties (10.9 percent), several large counties, including Fresno (12.0 percent),

Kern (11.6 percent), San Joaquin (10.2 percent), and Stanislaus (10.6 percent) Counties also had unemployment rates significantly above that of the state as a whole.

| Table 1: Many of California's New Jobs Pay Below Average Wages | | | |
|----------------------------------------------------------------|---------------------------|----------------------------------------------|----------------------------|
| | Average Weekly Pay (2003) | Change in Employment, July 2003 to July 2004 | Share of Employment Growth |
| Total - All Industries | \$805 | 158,600 | 100.0% |
| Construction | 818 | 31,900 | 20.1% |
| Health Care and Social Assistance | \$762 | 25,200 | 15.9% |
| Retail Trade | 543 | 24,300 | 15.3% |
| Employment Services | \$473 | 49,900 | 31.5% |
| Leisure and Hospitality | 387 | 15,600 | 9.8% |
| All Other | N/A | 11,700 | 7.4% |

Source: Employment Development Department

College-educated workers are disproportionately represented among the long-term unemployed. Long-term (27 weeks or more) unemployment was most prevalent among individuals with at least a Bachelor's degree in 2003 (Table 2). Three out of ten (29.8 percent) of the unemployed with at least a Bachelor's degree had been jobless for more than half a year.

Long-term unemployment was also more common among older workers, Asian/Pacific Islanders, and African Americans.

Wages

Californians' wage gains were modest, but surpassed those of the nation in 2003. Hourly wages increased modestly between 2002 and 2003, after adjusting for inflation, with Californians' gains surpassing those of the nation across the earnings distribution (Table 3). The hourly wage of the typical California worker – the worker at the midpoint of the earnings distribution – increased by 2.9 percent between 2002 and 2003. In contrast, the median hourly wage nationally rose by just 1.1 percent. Interestingly, the hourly wages of California's low-wage workers – those at the 20th percentile – posted larger gains than higher-waged workers between 2002 and 2003, increasing by 3.0 percent.

Over the long-term, inflation-adjusted wages are down for California's low-wage workers, with minimal gains for higher-wage workers. Between 1979 and 2003, the purchasing power of the California worker at the 20th percentile declined by 2.1 percent. During the same period, the median hourly wage increased by 5.9 percent, while that of the worker at the 80th percentile increased by 17.8 percent.

Californians' wage gains lag those of the nation over the longterm. California's wage gains across the earnings distribution did not keep pace with those of the nation between 1989 and 2003 (Figure 2). Moreover, California's hourly wage gains lagged those of the nation for workers near the bottom (20th percentile) and midpoint between 1979 and 2003, and barely surpassed those of the US for workers at the 80th percentile during the same period (Table 3).

Table 2: College-Educated Workers Account for a Disproportionate Share of the Long-term Unemployed

| | Share of the Labor Force (2003) | Unemployment Rate (2003) | Long-Term Unemployment Rate (2003)* |
|-------------------------------|---------------------------------|--------------------------|-------------------------------------|
| Gender | | | |
| Male | 57.0% | 7.0% | 24.8% |
| Female | 43.0% | 6.4% | 20.6% |
| Age | | | |
| 16-24 | 24.0% | 13.1% | 13.5% |
| 25-54 | 63.3% | 5.8% | 25.5% |
| 55 and older | 12.7% | 4.8% | 34.9% |
| Race/Ethnicity | | | |
| White | 73.0% | 5.4% | 21.3% |
| African American | 6.5% | 11.6% | 30.1% |
| Hispanic | 15.1% | 7.4% | 17.2% |
| Asian/Pacific Islander | (a) | 7.7% | 35.5% |
| Educational Attainment | | | |
| Less Than High School | 17.4% | 11.3% | 17.4% |
| High School | 31.7% | 8.1% | 22.1% |
| Some College | 28.2% | 6.0% | 24.8% |
| Bachelor's or Higher | 22.7% | 4.1% | 29.8% |

Source: Economic Policy Institute analysis of Current Population Survey data

*The long-term unemployment rate is the share of the unemployed that have been jobless for over 26 weeks.

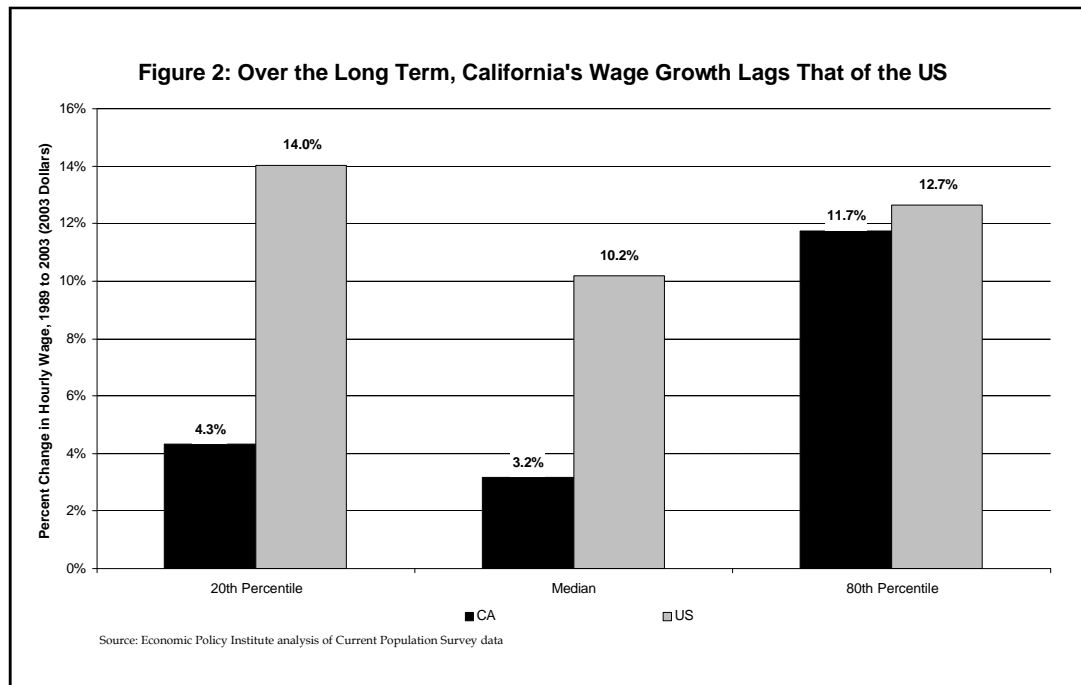
(a) Sample size too small to reliably report

Table 3: 2003 California Wage Gains Modest, but Surpass Those of the US (Percent Change in Hourly Wage, 2003 Dollars)

| | 20th Percentile | | Median | | 80th Percentile | |
|--------------|-----------------|-------|--------|-------|-----------------|-------|
| | CA | US | CA | US | CA | US |
| 1989 to 1996 | -9.4% | 0.8% | -6.6% | -2.3% | -0.3% | 1.1% |
| 1996 to 2003 | 15.1% | 13.1% | 10.4% | 12.7% | 12.1% | 11.4% |
| 1979 to 2003 | -2.1% | 7.0% | 5.9% | 10.2% | 17.8% | 17.2% |
| 1989 to 2003 | 4.3% | 14.0% | 3.2% | 10.2% | 11.7% | 12.7% |
| 2002 to 2003 | 3.0% | 0.5% | 2.9% | 1.1% | 2.1% | 0.8% |

Source: Economic Policy Institute analysis of Current Population Survey data

Over 1.4 million Californians work at or near the minimum wage. Over a million California workers – overwhelmingly adults – worked at or near the minimum wage in 2003 (Table 4). Contrary to popular stereotypes, most (83.1 percent) of California's lowest-paid workers are adults and a



majority (60.7 percent) work full-time to support themselves and their families. Low-wage workers work in all sectors of the economy and include both men and women.

Income

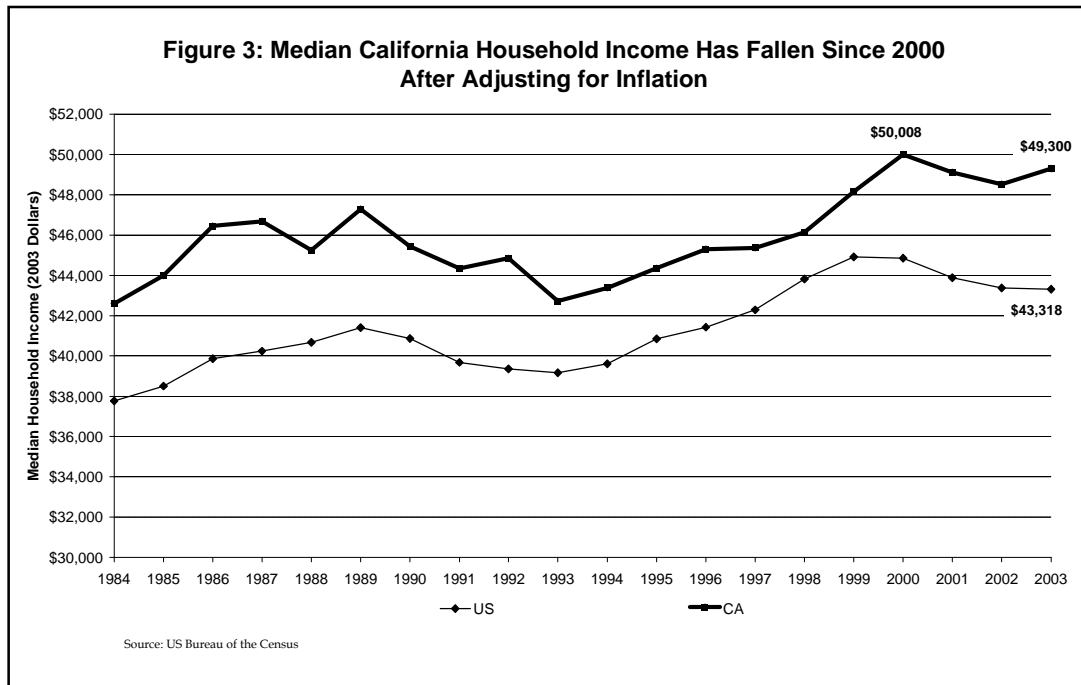
California's median household income is up modestly. The income of the California household at the midpoint of the income distribution was slightly higher in 2003 (\$49,300) than it was in 2002 (\$48,524) (Figure 3). However, the 2003 income of the median household was lower than it was in 2000 (\$50,008) after adjusting for inflation (Figure 2). Nationally, the median income declined from \$43,381 in 2002 to \$43,318 in 2003, below the 1999 peak of \$44,922 in inflation-adjusted dollars.

Table 4: Characteristics of California's Low-Wage Workers (2003)

| | Low-Wage Workers | All Workers |
|---------------------------------------|------------------|-------------|
| Age | | |
| 16 to 19 | 16.9% | 4.2% |
| 20 to 24 | 22.5% | 11.0% |
| 25 to 64 | 60.6% | 84.8% |
| Gender | | |
| Male | 48.2% | 53.8% |
| Female | 51.8% | 46.2% |
| Race | | |
| Latino | 54.1% | 32.6% |
| White | 32.2% | 47.1% |
| Other | 13.7% | 20.3% |
| Hours of Work | | |
| Full-time (35 or more hours per week) | 60.7% | 82.2% |
| Part-time | | |
| 20 to 34 hours per week | 27.3% | 12.9% |
| 1 to 19 hours per week | 11.9% | 4.9% |
| Industry | | |
| Educational and Health Services | 11.2% | 19.7% |
| Leisure and Hospitality | 25.3% | 8.7% |
| Manufacturing | 11.8% | 13.1% |
| Wholesale and Retail Trade | 18.5% | 14.8% |
| All Others | 33.2% | 43.7% |

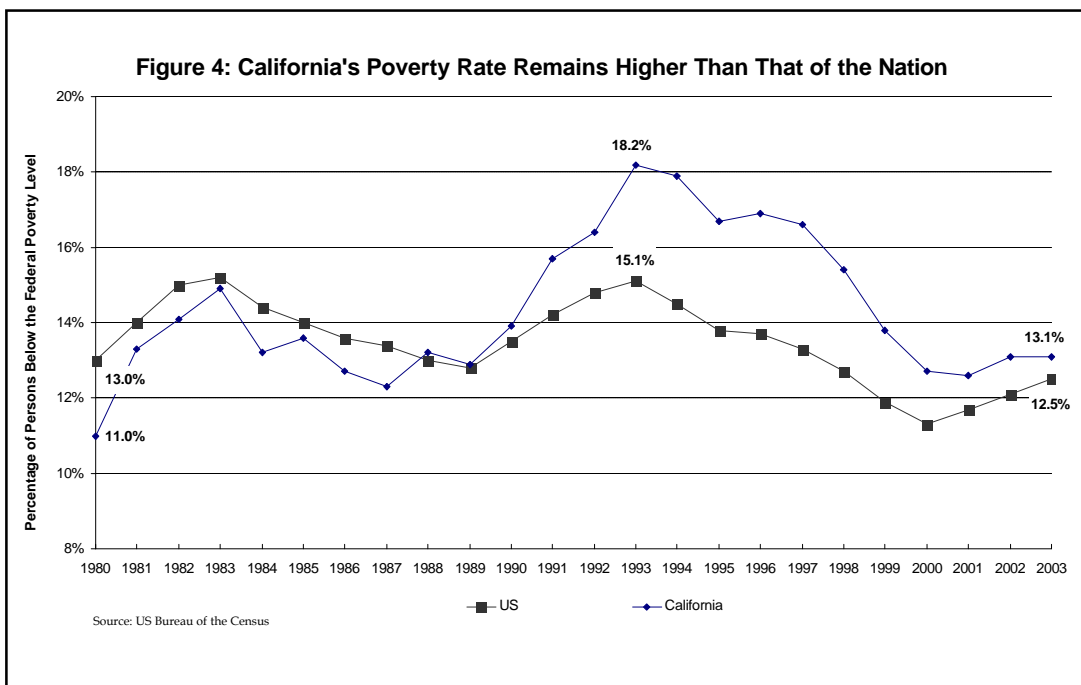
Note: Includes working population ages 16 to 64. Low-wage workers are those with an hourly wage between \$6.75 and \$7.74 per hour.

Source: CBP analysis of Current Population Survey data



Poverty

Share of Californians in poverty remains flat. Despite an improving economy, the share of Californians with incomes below the federal poverty line remained at 13.1 percent in 2003, unchanged from the prior year (Figure 4). Nationally, the poverty rate increased from 12.1 percent to 12.5 percent. In 2003, 4.634 million Californians – including 1.757 million children – had incomes below the federal poverty line.



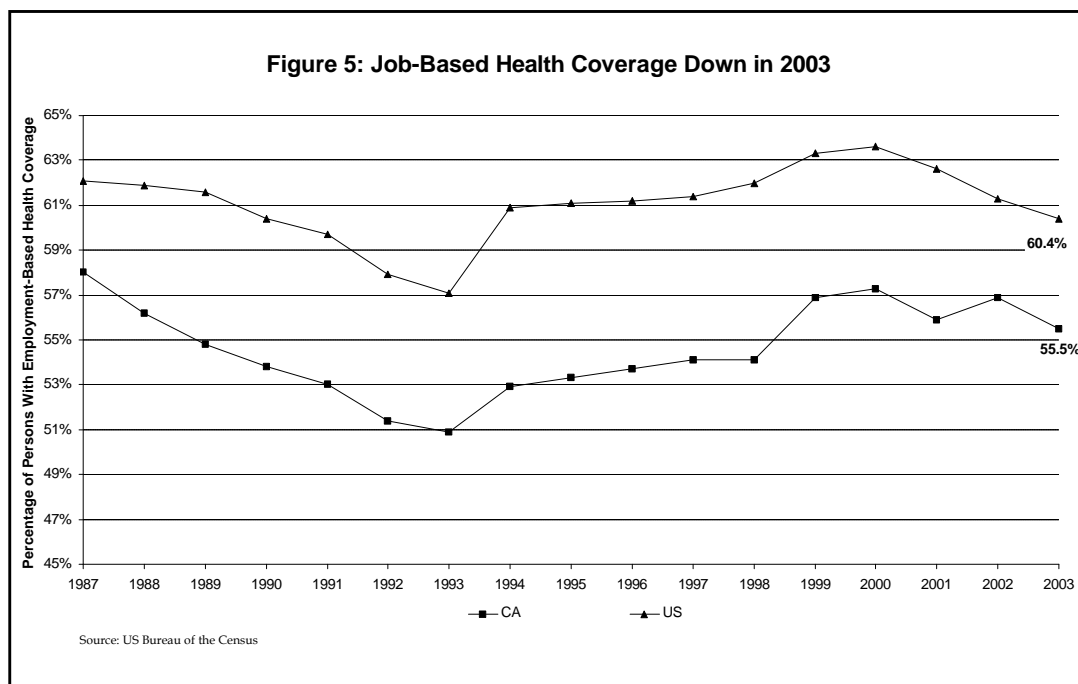
Nearly one-third of Californians had incomes below 200 percent of the federal poverty threshold in 2003. In 2003, 32.9 percent of Californians – 11.618 million individuals - had incomes below 200 percent of the federal poverty threshold (\$37,320 for a family of four with two children).

Poverty is more prevalent in Southern California than in the Bay Area. In 2003, 2.528 million (14.7 percent) residents of the greater Los Angeles area lived in poverty.¹ The poverty rate in the Bay Area (8.0 percent), in contrast, was approximately half that of the Southland in 2003.² Similarly, a smaller share of Bay Area residents (21.3 percent) lived below 200 percent of the poverty line as compared to Southern California (36.1 percent).

Health Coverage

Share of Californians lacking health coverage is up slightly. The share of Californians without health coverage from any source increased by 0.2 percent, from 18.2 percent in 2002 to 18.4 percent in 2003. Overall, 6.5 million Californians, including 1.2 million children, lacked health coverage in 2003. The number of uninsured Californians rose by 200,000 between 2000 and 2003. The share of the national population lacking health coverage rose from 15.2 percent in 2002 to 15.6 percent in 2003. California ranked fourth in the nation with respect to the percentage of people without health coverage in 2001-2003, behind Texas, Louisiana, and New Mexico.

Employer-sponsored health coverage is down in both the US and in California. California has historically lagged the nation with respect to the share of the population with job-based health coverage (Figure 5). In 2003, the share of Californians with job-based health coverage fell from 56.9 percent in 2002 to 55.5 percent in 2003. Nationally, job-based coverage fell from 61.3 percent to 60.4 percent over the same period. The number of Californians with job-based health coverage declined by 367,000 in 2003. Nationally, job-based coverage declined



by 1.276 million over the same period. California accounted for over one-quarter (28.8 percent) of the nation's 2003 decline in job-based coverage, despite the fact that the state accounted for just 11.4 percent of the nation's job-based coverage in 2002.

ENDNOTES

¹The greater Los Angeles area includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

²The Bay Area includes San Francisco, Marin, San Mateo, Santa Clara, Alameda, Contra Costa, Napa, Sonoma, Solano, and Santa Cruz Counties.

Jean Ross prepared this paper. 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 this brief was provided by a grant from the Rosenberg Foundation. General operating Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP website at www.cbp.org.
