

CALIFORNIA'S JOB GROWTH WAS STRONG, BUT WAGE GAINS WERE WEAK BETWEEN 2003 AND 2005

Governor Arnold Schwarzenegger recently announced that California has added more than 500,000 jobs since November 2003. State employment data confirm this figure. However, many of the new jobs are in low-paying industries and the hourly earnings of low-wage workers have lost ground since 2003. In addition, the hourly earnings of the typical worker have been essentially flat. The following examines recent wage and employment trends in California.

K E Y F A C T S

- California has added more than 500,000 jobs since November 2003.

The number of jobs in California increased by 573,700 (4.0 percent) between November 2003 and May 2006. California's job growth rate was higher than that of the rest of the nation, but less than half that of other western states during the same period. The number of jobs in the rest of the US increased by 3.8 percent, while the combined number of jobs in Alaska, Hawaii, Nevada, Oregon, and Washington increased by 9.0 percent.

Retail Trade and Leisure and Hospitality Posted Strong Job Growth					
	Number of Jobs		Absolute Change	Percent Change	Share of Job Growth
	2003	2005			
Total Nonfarm	14,392,300	14,785,200	392,900	2.7%	100.0%
Construction	796,800	901,800	105,000	13.2%	26.7%
Professional and Business Services	2,073,300	2,147,700	74,400	3.6%	18.9%
Leisure and Hospitality	1,400,200	1,474,400	74,200	5.3%	18.9%
Retail Trade	1,588,400	1,654,200	65,800	4.1%	16.7%
Educational and Health Services	1,536,400	1,584,500	48,100	3.1%	12.2%
Financial Activities	885,800	926,800	41,000	4.6%	10.4%
Wholesale Trade	649,500	673,100	23,600	3.6%	6.0%
Transportation, Warehousing, and Utilities	480,600	487,100	6,500	1.4%	1.7%
Other Services	504,300	510,700	6,400	1.3%	1.6%
Natural Resources and Mining	22,200	23,300	1,100	5.0%	0.3%
Information	476,200	475,000	-1,200	-0.3%	-0.3%
Public Administration	2,425,500	2,413,900	-11,600	-0.5%	-3.0%
Manufacturing	1,553,000	1,512,700	-40,300	-2.6%	-10.3%

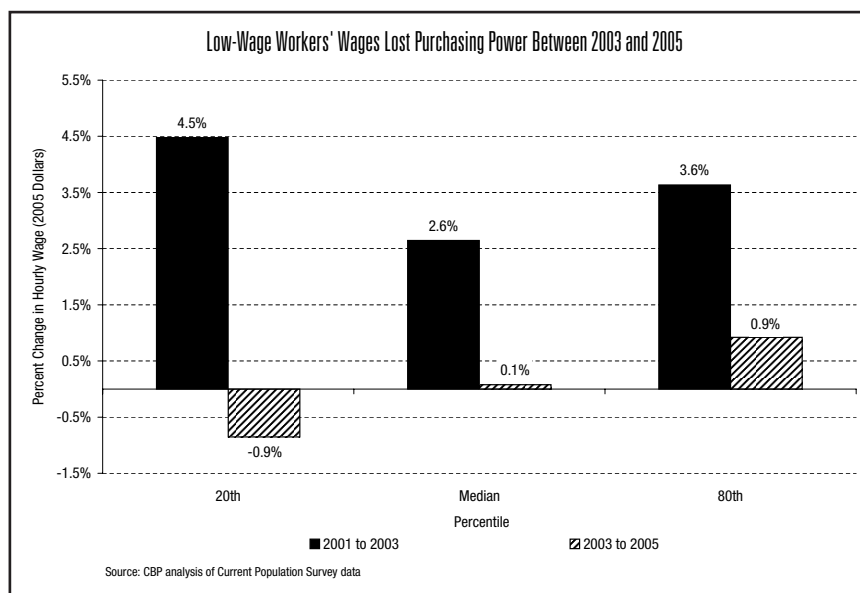
Note: Number of jobs is the annual average.
Source: Employment Development Department

- **More than one-third of the jobs California added between 2003 and 2005 were in low-paying industries.**
- **The construction industry contributed more than one-quarter of the job gains between 2003 and 2005.**
- **However, the construction industry has lost jobs since the beginning of this year.**

A full 35.6 percent of new jobs were in retail trade or leisure and hospitality, industries with average annual pay below 200 percent of the federal poverty level for a family of three. The average annual pay was \$28,900 for retail trade workers and \$21,428 for workers in leisure and hospitality in 2004, the most recent year for which annual earnings data are available. In comparison, a worker needed to earn more than \$30,438 to earn above twice the federal poverty level for a family of three in 2004.

The number of jobs in construction increased by 105,000 between 2003 and 2005, contributing to more than one-quarter (26.7 percent) of the total jobs added over this period. The manufacturing industry lost 40,300 jobs during this period.

Between January 2006 and May 2006, the number of jobs in the construction industry declined by 9,600 (1.0 percent) – the largest decrease of any major industry – reflecting softness in the housing market and the impact of higher interest rates. Employment in trade, transportation, and utilities also declined during this period, while total nonfarm employment increased by 28,000 (0.2 percent).



- **Low-wage workers' wages lost purchasing power between 2003 and 2005.**
- **The wage of the typical worker was essentially flat between 2003 and 2005**
- **High-wage workers' wage gains were weaker between 2003 and 2005 than during the prior two-year period.**

The wages of low-wage workers – those earning at the 20th percentile of the earnings distribution – decreased by 0.9 percent between 2003 and 2005, after adjusting for inflation. In contrast, between 2001 and 2003, low-wage workers' inflation-adjusted wages rose by 4.5 percent.

The inflation-adjusted wage of the typical worker – the worker exactly at the middle of the earnings distribution – increased by 0.1 percent between 2003 and 2005, after rising by 2.6 percent during the previous two-year period.

The inflation-adjusted wages of high-wage workers – those earning at the 80th percentile of the earnings distribution – increased by 0.9 percent between 2003 and 2005. This increase was only one-fourth the gain that high-wage workers' wages experienced between 2001 and 2003.

Alissa Anderson Garcia prepared this Policy Points. Support for Policy Points was provided by the Rosenberg Foundation. 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, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.