



CALIFORNIA BUDGET PROJECT

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This Labor Day, California's Workers Feel the Pain of Great Recession

With a Battered Job Market and Recovery a Way Off, More Federal Aid Is Needed

SACRAMENTO – Released to coincide with Labor Day, a new report by the California Budget Project (CBP), a nonpartisan public policy research group, documents the unprecedented toll that the current recession has taken on California's workers and the state's economy when compared to previous downturns.

In the Midst of the Great Recession: The State of Working California 2009 finds that the current recession stands apart from prior downturns for both the depth and breadth of weakness in the job market. California has lost more jobs at a faster rate in the past two years than during any prior recession for which data are available, and while the construction sector has taken the hardest hit, employment has fallen in nearly every major sector of the economy. As the downturn deepened in recent months, California's unemployment and underemployment rates reached all-time highs, and the share of the jobless who have been without work for more than half a year rose to the highest level on record.

"This current recession is breaking records in California – but not the kind that anyone likes to brag about," said Alissa Anderson, deputy director of the CBP and author of the report. "We also know that without the infusion of federal funds from the American Recovery and Reinvestment Act, Californians and the California economy would be suffering far more."

The report shows:

- **In just two years, the recession has wiped out all of the jobs Californians gained during the previous four-year economic expansion.** In July 2009, California had 952,800 fewer jobs than in July 2007, when employment last peaked. In fact, the recession has been so severe that California now has approximately the same number of jobs as it did nine years ago, when the state was home to 3.3 million fewer working-age individuals.
- **The state's unemployment rate more than doubled in two years, reaching an all-time high in July 2009 of 11.9 percent, the highest rate since record-keeping began in 1976.** California, particularly hard hit by the housing crisis, had a July unemployment rate that was higher than all but three other states.

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- **A smaller share of Californians is working today than at any point since the late 1970s.** Fewer than three out of five of the state's working-age adults (57.5 percent) had jobs in July. This means that approximately two out of every five adults were jobless.
- **The current recession has affected those with jobs, too.** The current recession has increased the ranks of the underemployed, those who are forced to work part-time either because their employers reduced their hours or because they could not find full-time jobs. On average, approximately 1.4 million Californians were underemployed during the 12 months that ended in July 2009. That means that the current rate of unemployment is an inadequate measure of the current weakness in the job market.
- **Nearly every major sector of California's economy has lost jobs.** However, construction has suffered the largest percentage drop since the onset of the recession, with July 2009 employment down by 29.4 percent from July 2007.
- **The weak job market has taken a toll on workers' earnings.** Hourly wages lost purchasing power across the earnings distribution in early 2009. In addition, weekly earnings declined for many workers, largely because of reduced hours of work.
- **While the news is gloomy for low- and middle-income Californians, those at the top of the income distribution continue to fare well.** The share of income going to the top 1 percent of US taxpayers in 2007 - the most recent year for which data are available - was the second highest in history. The only higher share was in 1928. In California, more than three-quarters (76.8 percent) of the increase in income reported for tax purposes between 2006 and 2007 went to the wealthiest fifth of California's personal income taxpayers. Nearly one-third (30.0 percent) of the gains went to the top 1 percent of taxpayers alone.

The report also notes that recovery in the job market is likely to be long and slow. Forecasters are predicting a double-digit unemployment rate in California at least through 2011, which means that many Californians are likely to run out of unemployment insurance (UI) benefits before they find work. Nearly 178,000 Californians are expected to exhaust their UI benefits by the end of the year.

As California and the nation continue to face significant challenges, the CBP called for additional federal aid to help keep the nation from sliding backwards into a deeper downturn.

"Thanks to the first round of federal assistance, California is still holding on. But like many states, we're showing clear signs that a second round of federal intervention is needed," said CBP Executive Director Jean Ross. "We urge members of Congress to consider a second infusion of federal aid when they return after their Labor Day recess."

The CBP will hold a call Wednesday, September 2, at 11 a.m. on the new report for the media only. The call-in number is (800) 290-9461, and the password is Labor Day. The report is embargoed for Sunday, September 6, at 12:01 a.m. A copy of the report is available for those who agree to honor the embargo. To obtain a copy of the embargoed report, email Lisa Gardiner at lgardiner@cbp.org.

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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, publications, and individual contributions. Please visit the CBP's website at www.cbp.org.