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California Crisis: The United States and California Two and a Half Years After the End of the Great Recession

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In October 2009, at the height of the Great Recession, nearly 8.5 million jobs had been lost nationwide and unemployment stood at 10%. The unemployment rate peaked at 17.2% if individuals who were working part-time for economic reasons (often referred to as the Involuntary part-time) and those who were marginally attached to the labor force (i.e., out of work individuals who would take a job if offered one and had looked for work in the past 12 months, but not the past four weeks either because of personal reasons or because they were too discouraged to look for work) were included in the count. California fared even worse. California's unemployment rate rose to 12.4% in February 2010 and did not begin to consistently decline until November 2010. At the low point in September 2010, 1.3 million jobs had been lost in California. The Great Recession officially ended in July 2009. This report looks at where we are now, more than two and a half years after the end of the recession, both in the United States as a whole and in California.¹

Unemployment and Job Loss/Creation in the United States and California

The unemployment rate in the United States was 8.3% in January 2012 (the most current available data at the time of publication). Following from its analysis of the jobs crisis, the Congressional Budget Office predicts that the unemployment rate will remain above 8% for the rest of 2012 and 2013 and will not decline to 5.6% until 2017.² Other analysis shows an even less optimistic outlook regarding the amount of time that it will take for the country to return to pre-recession levels of unemployment. By the official end of the recession, a net of 7.8 million jobs had been lost. Nearly 100,000 jobs each month, or a total of almost 5 million jobs are needed just to account for the growth in the working age population since the start of the recession. However, only 2.2 million jobs have been created thus far. This leaves a deficit of about 10.6 million jobs and an ever increasing working age population (see Figure 1). Accounting for future growth in the working age population, if job growth continues at its recent average monthly rate of 201,000 net new jobs created, it will take more than 8 years or until 2020 to return to pre-recession employment levels.³

¹Bureau of Labor Statistics.

²Congressional Budget Office (2012, August). *The Budget and Economic Outlook: An Update*. <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/123xx/doc12316/08-24-budgeteconupdate.pdf>. (Accessed March 1, 2012)

³Baker, D. (2012, February 3). Strong job growth leads to drop in Black/Hispanic unemployment. *Jobs Byte*, Washington, DC: Center for Economic and Policy Research. <http://www.cepr.net/index.php/data-bytes/jobs-bytes/strong-job-growth-leads-to-drop-in-blackhispanic-unemployment>. (Accessed March 1, 2012)

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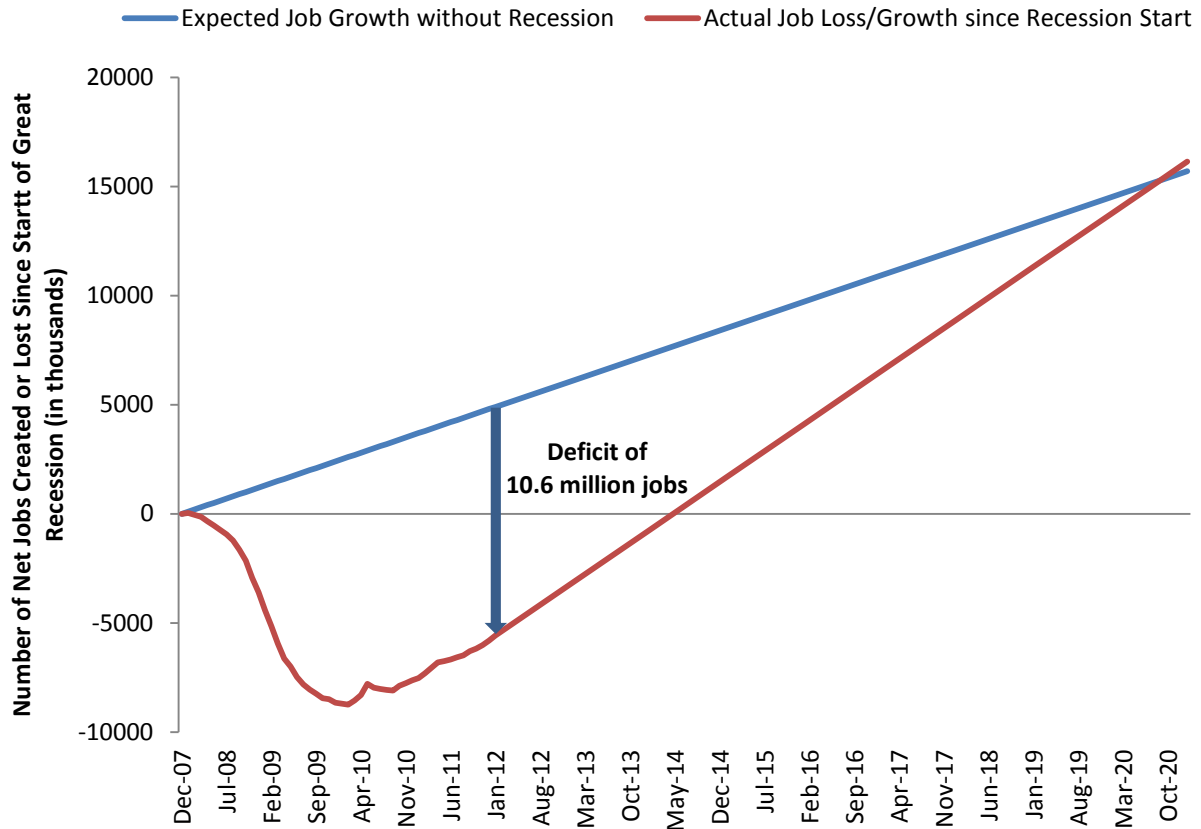
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Figure 1. Jobs deficit in the U.S. since start of the Great Recession and number of months needed to return to trend

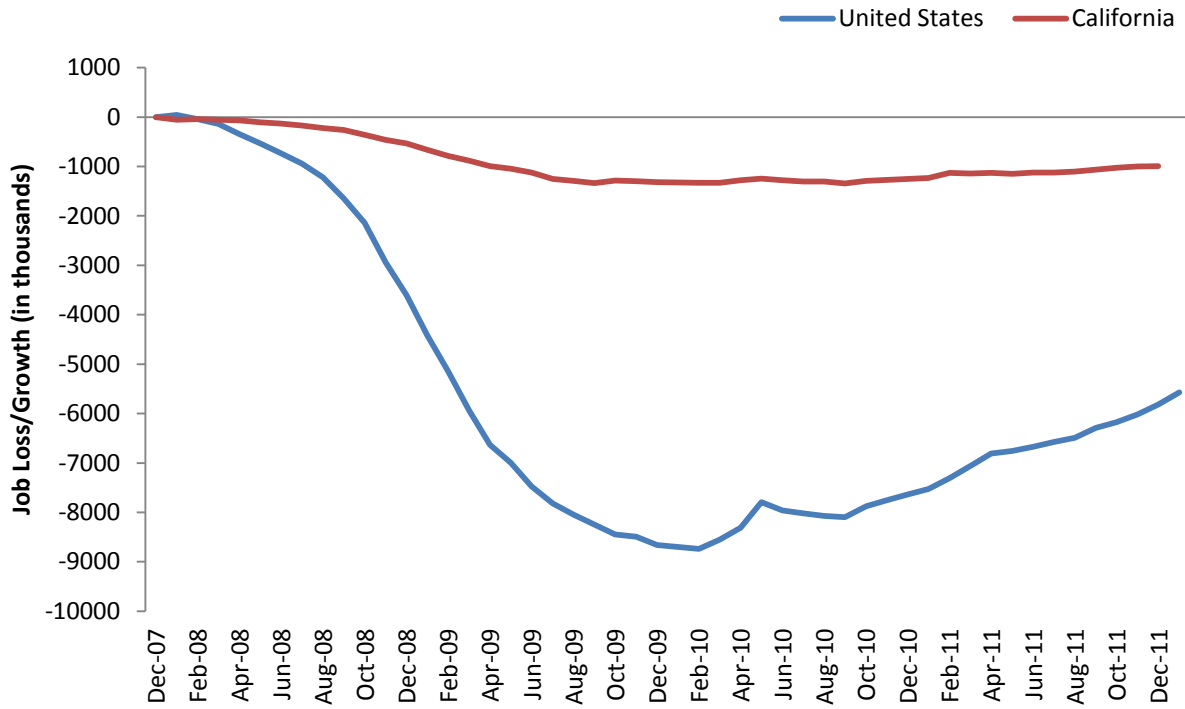


Source: Author's analysis of Bureau of Labor Statistics data.

Nearly three years after the recession began and 16 months after the start of the recovery, the United States began seeing slow, but consistent job growth in October 2010. Due to the 167,000 net new jobs created on average each month for the six months leading up to and including January 2012, the unemployment rate has fallen from 9.1% in August 2011 to 8.3% in January 2012. However, unemployment remains higher than 8%, as it has for nearly three years. The recession was more severe and recovery came more slowly in California. The unemployment rate in California remained above 12% until March 2011. Nonetheless, by December 2011 (the most recent month for which state-level data are available), the unemployment rate in California had dropped to 11.1% and 351,000 jobs had been created since the low in September 2010 (see Figures 2 & 3). Furthermore, even with recent job growth, long-term unemployment in the U.S. remains at unprecedented levels. Currently at 42.9% of the unemployed, long-term unemployment reached an all-time high of 46% in June 2010. Previously, in June 1983, long-term unemployment had gone as high as 26%, but it only stayed at that level for one month. Currently, long-term unemployment has remained higher than 26% for 34 months.⁴

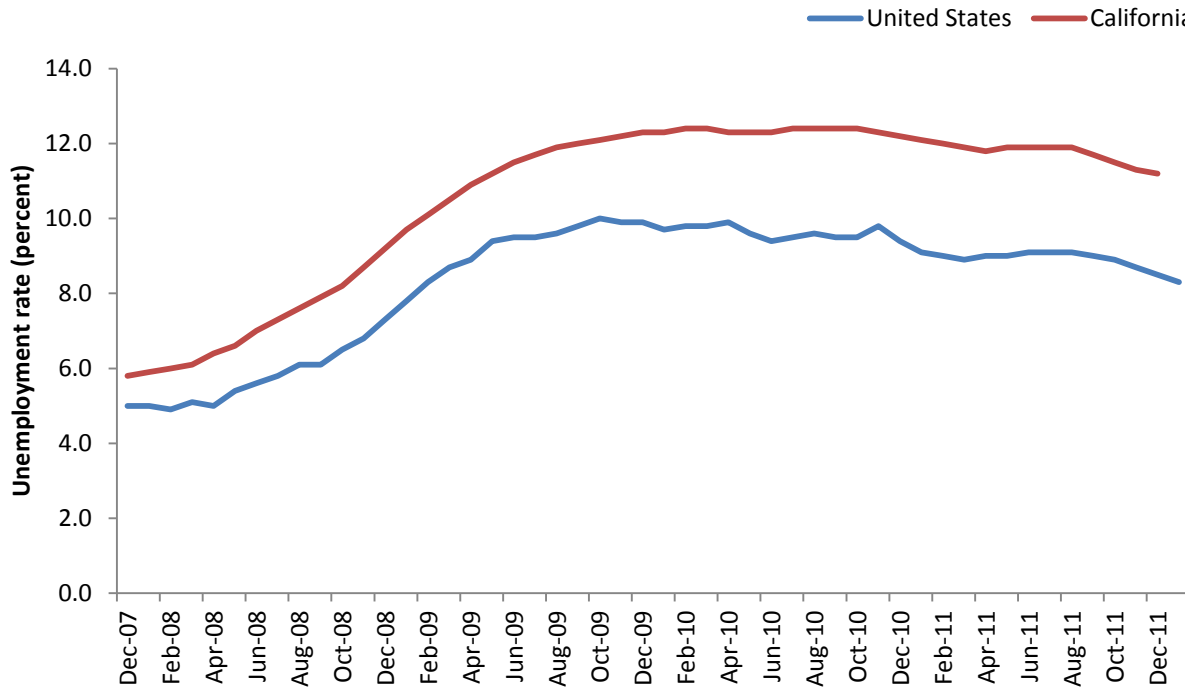
⁴ Bureau of Labor Statistics.

Figure 2. Cumulative job loss/growth in the United States and California



Source: Bureau of Labor Statistics

Figure 3. Unemployment rate in the United States and California since the start of the Great Recession

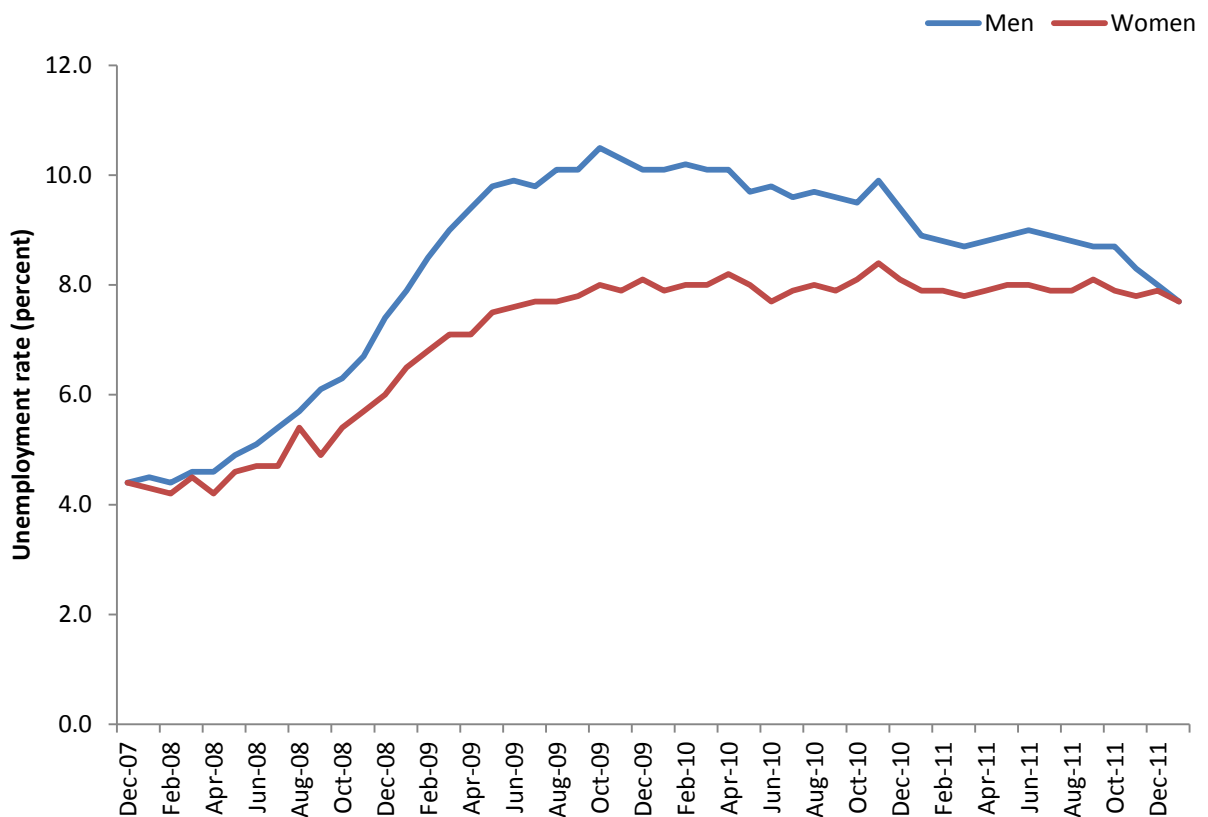


Source: Bureau of Labor Statistics

Job growth in the United States has been uneven. Some industries have seen greater gains than others. Manufacturing and construction were among the industries that fared the worst at the start of the recession. Manufacturing has seen a resurgence over the past two years and there has been some recent growth in construction. The trade/transportation/utilities, professional and business, and leisure and hospitality industries have fared particularly well since their lows in late 2009 or early 2010. While private education and health was the only industry to continue creating jobs throughout the recession, jobs in government, including public education, have been disappearing since they peaked in May 2010, following hiring for the 2010 census.

One impact of this disparate job growth is that the recovery began sooner for men than for women. While men were initially hardest hit during the recession, women continued to see job losses even after the unemployment rate for men began to decrease. Women have only just begun to see improvements in unemployment. In January 2012, the unemployment rate for adult men and women was even at 7.7% for the first time since the recession began in December 2007 (See Figure 4).

Figure 4. Unemployment rate for Men and Women in the United States over 20 years old

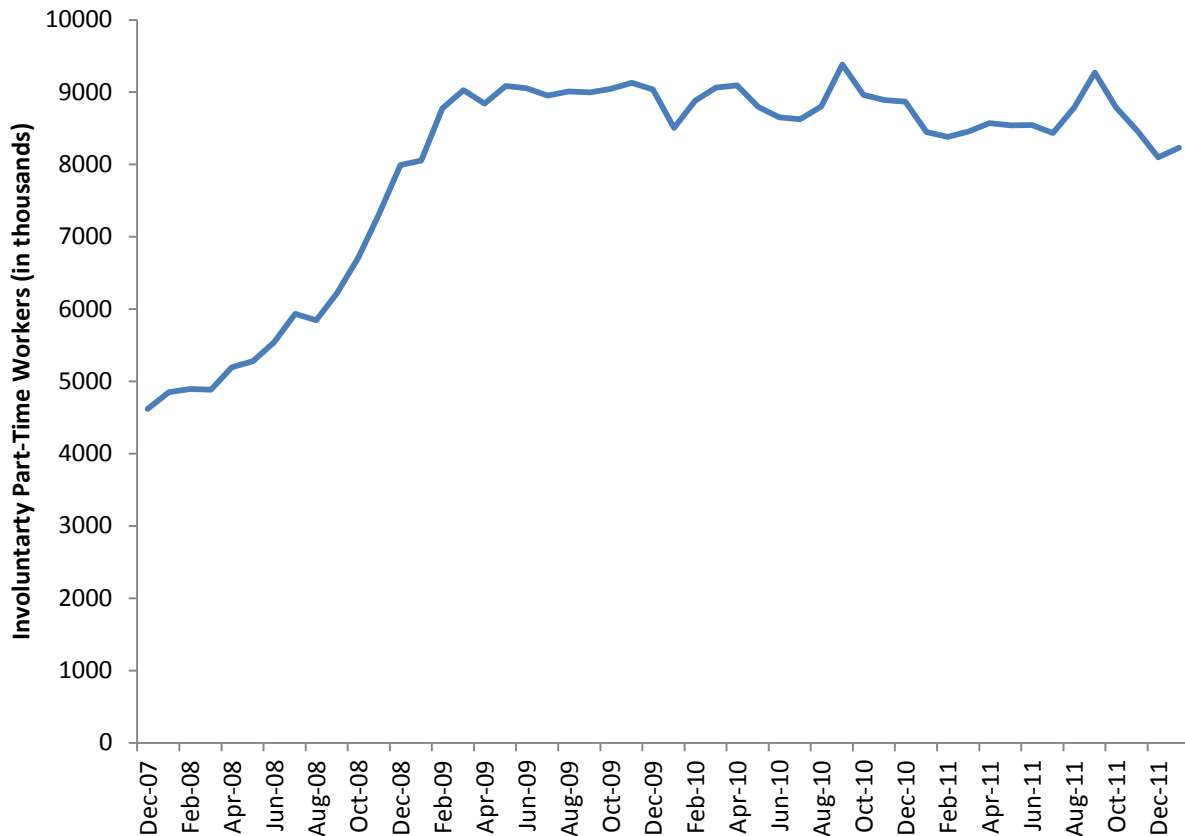


Source: Bureau of Labor Statistics

Underemployment and Long-Term Unemployment

Even with the recent job growth, there still remain nearly four unemployed workers for each available job. In addition, some of this job growth has likely been in part-time work. The number of workers who are working part-time for economic reasons increased from 4.6 million at the start of the recession to 9.4 million at its peak in September 2010 and has remained above 8 million ever since (See Figure 5).⁵

Figure 5. Involuntary part-time workers since December 2007



Source: Bureau of Labor statistics

Job Growth through Work Sharing

Work sharing allows companies to save money while retaining their current workforce and for employees to keep their jobs at reduced hours without suffering a significant loss in income. Through work sharing, a company reduces the hours of many employees, rather than laying off one or a few employees. The employees receive a portion of their unemployment benefit, proportional to the reduction in hours they are experiencing. For example, a company could reduce the hours of five employees by 20 percent, rather than laying off one employee. The company still saves on the wages of those five employees, but is able to retain its workforce such that it is not necessary to expend

⁵ Bureau of Labor Statistics

resources on recruiting, hiring, and training new workers later on when business picks up again. The five employees remain employed and each receives 20% of their unemployment benefit to account for the reduction in their hours. This way, although they work 20% less time, they only experience a slight reduction in income. The economy benefits when workers remain employed – continuing to pay income taxes and having income to spend.

On the national level, the Middle Class Relief and Job Creation Act of 2012 includes work sharing provisions. Given the current high rates of long-term unemployment, it is crucial that we keep people from becoming unemployed in the first place. Even more importantly though, is that work sharing can greatly increase the speed of the recovery. Each month 2 million jobs are lost due to layoffs. If 10% of these jobs were saved through work sharing, this would result in a net gain of 200,000 jobs each month over and above the current level of job growth, significantly reducing the amount of time it will take for the country to get back to the pre-recession trend line.⁶

Since 2009, six states have implemented work sharing legislation, resulting in a current total of 24 states with work sharing programs.⁷ Put into place in 1979, California's work sharing program was the first in the country. However, the program is not widely used. If use of work sharing in the state were increased, no doubt the recovery in California would pick up its pace, much as it would nationwide.

Conclusion

Although it did not coincide with the start of the economic recovery, a jobs recovery has finally begun in both the United States as a whole and in California. This is definitely good news. However, job growth is slow and varied across industries. The jobs deficit is still in the millions and long-term unemployment remains at historic highs. Workers are likely to suffer for a long time to come. Labor market policies such as work sharing need to be implemented to quicken the pace of recovery and relieve the pressure on working families, both in the country as a whole and in California.

⁶ Baker, D. (2012, February 23). Statement In Support of Passage of Work-Share Legislation. Washington, DC: Center for Economic and Policy Research. <http://www.cepr.net/index.php/press-releases/press-releases/statement-in-support-of-passage-of-work-share-legislation>. (accessed March 1, 2012)

⁷ Ridley, N. (2012, January 19). Work Share Programs Gain Traction in States. *Pathways to Good Jobs: Employment Strategies*. Washington, DC: Center for Law and Social Policy. http://www.clasp.org/issues/in_focus?type=employment_strategies&id=0040. (accessed March 1, 2012)