

# Research & Policy Brief

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## California Crisis: A Portrait of Unemployed Workers

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The United States is now two years into the worst economic downturn since the Great Depression. The country as a whole, and California in particular, are still struggling to find a way back to robust job creation and economic growth. While the President's stimulus package – the American Recovery and Reinvestment Act (ARRA) that was passed in February of 2009 – has stopped the hemorrhaging of jobs we experienced last winter, the current situation is far worse than anyone imagined it would become when ARRA was introduced.

### ***United States and California Situation***

The Great Recession is worse by most counts than any other economic downturn since the Great Depression. Nearly 8 million jobs have been lost since December 2007 (see Figure 1) and 15.4 million people are out of work today compared with 7.5 million at the start of the recession. The unemployment rate reached 10.2% in October and was 10% in November (see Figure 2). The situation in California is even worse than in the United States as a whole. The unemployment rate in California hit 12.5% in October and is currently 12.3% (see Figure 2). California has lost 1.1 million jobs since the recession began (see Figure 1).

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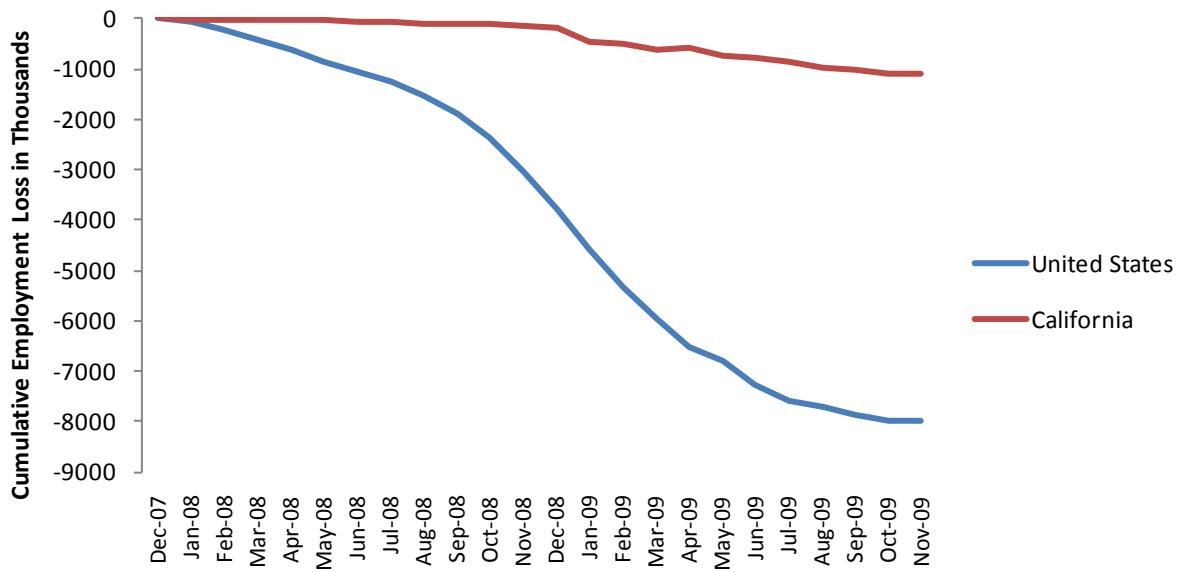
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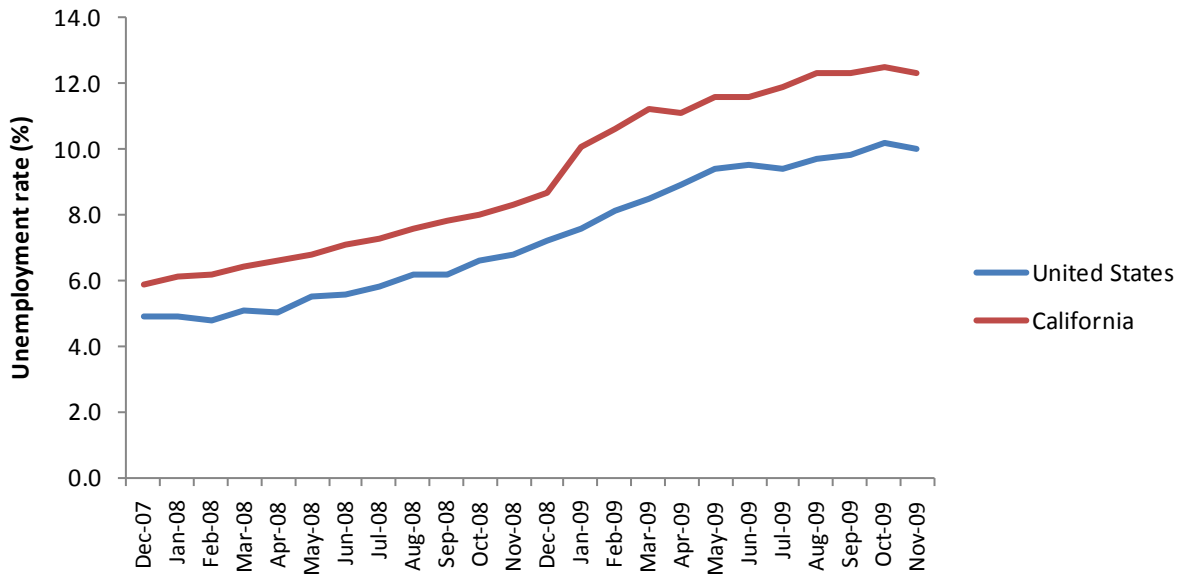
**Figure 1. Cumulative job loss in the United States and California**



Source: Bureau of Labor Statistics.

Note: Employment loss for the U.S. includes the BLS's benchmark revision of an additional 824,000 jobs lost since March 2008. These figures will be reflected in the BLS February 2010 Employment Situation News Release.

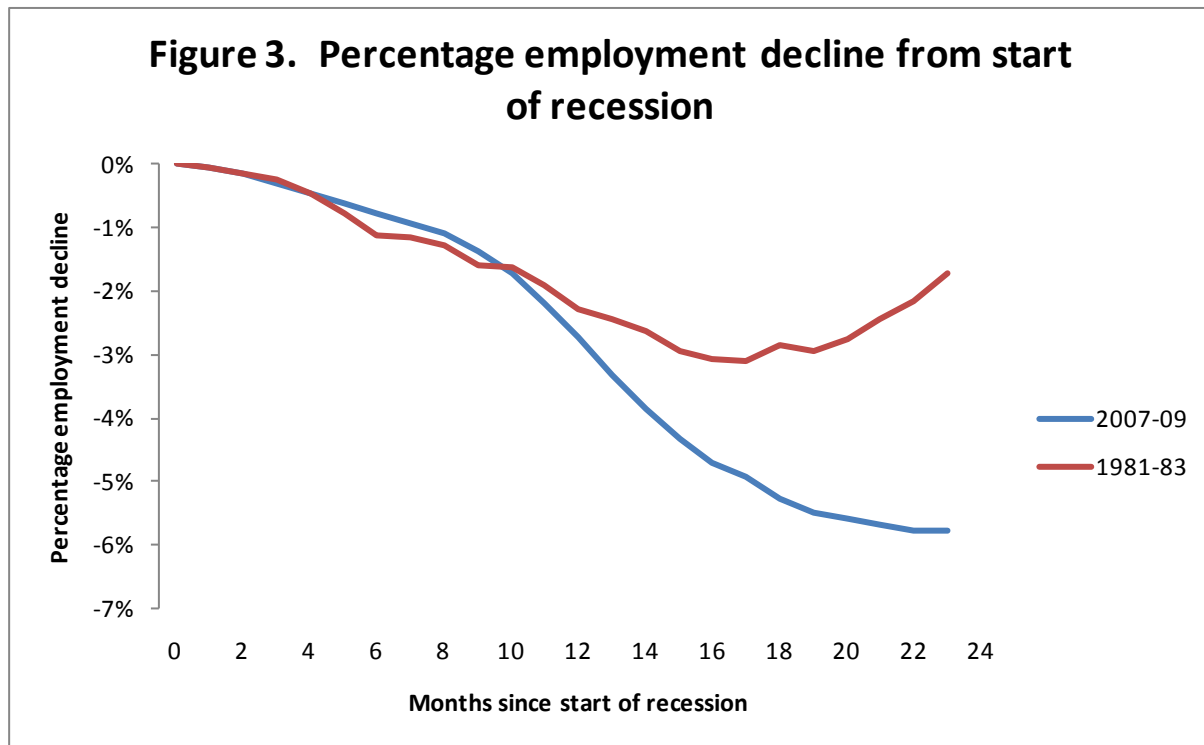
**Figure 2. Unemployment rate in United States and California since start of recession**



Source: Bureau of Labor Statistics.

The only measure that has not surpassed levels experienced in the 1981/82 recession (previously the worst since the Great Depression) is the overall unemployment rate. While unemployment at that time peaked at 10.8% as opposed to 10.2% today, the current situation is actually much worse. This becomes clear when we look at unemployment across education levels. People are more educated today than they were in 1981/82. For instance, there are many more college graduates and fewer high school dropouts today than there were previously. In both recessions, the unemployment rate for highly educated workers is lower than for less educated workers. If the population today had the same (lower) level of education as it had in 1981/82, the unemployment rate today would more closely reflect the higher rate for workers with less education and would be substantially higher than 10.8%.

Apart from the unemployment rate, there are many other dimensions that point to the severity of the current recession as compared to the 1981/82 recession. In the 1981/82 recession, 3% of payroll jobs were lost between the start of the recession and its peak. Currently, 6% of payroll jobs have been lost and the losses are still continuing. In the 1981/82 recession, by 23 months from the start of the recession, there had been great employment gains. More than half of the jobs lost during the recession were regained by this point. We are 23 months into the current recession and have not yet begun to increase employment (see Figure 3).



Source: Center for Economic Policy Research; Bureau of Labor Statistics.

Furthermore, as of November 2009, 861,000 people had left the labor force because they had become so discouraged about the prospect of finding a job they had given up looking. An additional 1.5 million people were out of work and had not looked for work in the previous four weeks because of a personal reason such as family or school, but reported that they would take a job if offered one. If we include these 2.3 million people who are marginally attached to the labor force and those people who have been forced to work part time for economic reasons, the unemployment rate jumps to from 10% to 17.2% in November.

Even more troubling is how long it is taking people to find work. Half of all unemployed workers take more than 20 weeks to find work. On average it takes more than six months to find a job. Nearly 60% of the unemployed have been without a job for more than 3 months and an incredible 38.3% of people without a job have been unemployed for six months or more (see Table 1). These numbers only count those people who do not have a job and have looked for one in the last four weeks. No doubt, many people who have become discouraged and left the labor force have been out of work for six months or more.

Table 1. Unemployed persons by duration of unemployment.

	Percent Distribution November, 2009
Total unemployed	100.0
Less than 5 weeks	18.2
5 to 14 weeks	22.9
15 weeks and over	58.8
15 to 26 weeks	20.6
27 weeks and over	38.3

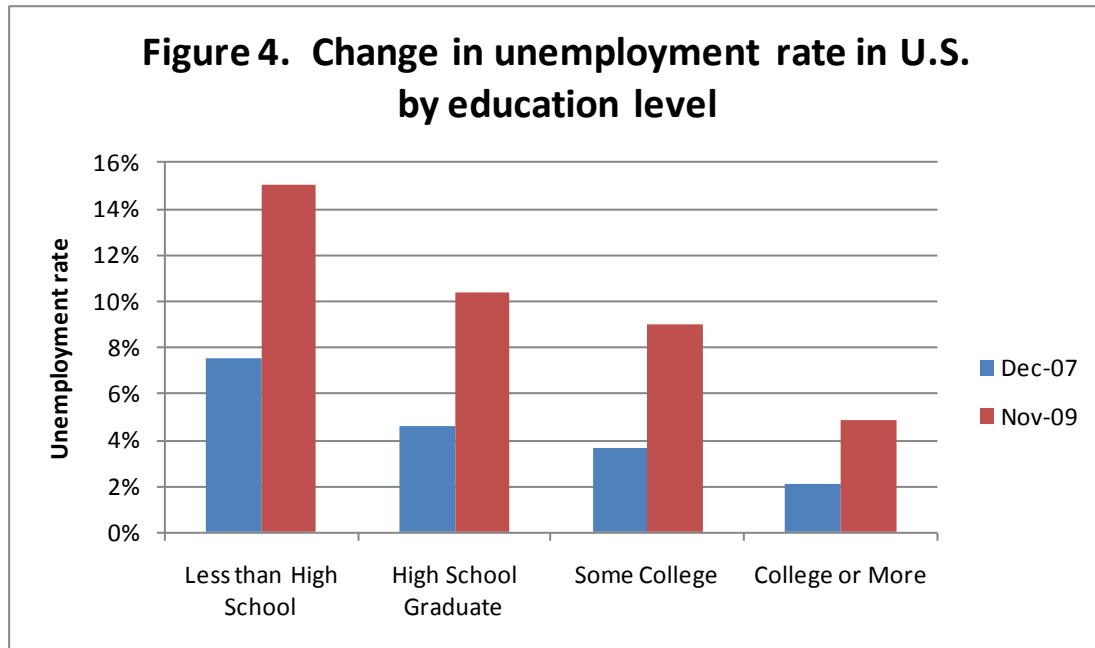
Source: Bureau of Labor statistics.

### ***Some Groups are Faring Worse than Others***

This recession has taken its toll on some groups of workers more than others. The recession has been termed a “mancession” because among adult workers, nearly 75% of the jobs lost have been lost by men. At 10.5%, the unemployment rate for adult men remained significantly higher than that for adult women (7.9%) in November. Women however, tend to hold more part time jobs than do men and so the unemployment rate for women may not be representative of the difficulties women are experiencing, particularly the many women who are providing the sole incomes for their families. Nonetheless, the hit that male workers have taken in the current economic downturn has led to women comprising nearly 50% of payroll employees. In California, during the third quarter of 2009 (state rates

only collected quarterly), the unemployment rate for men was 13%, while it was 11.1% for women.<sup>1</sup> Thus, men are also faring worse than women in California as they are in the rest of the country.

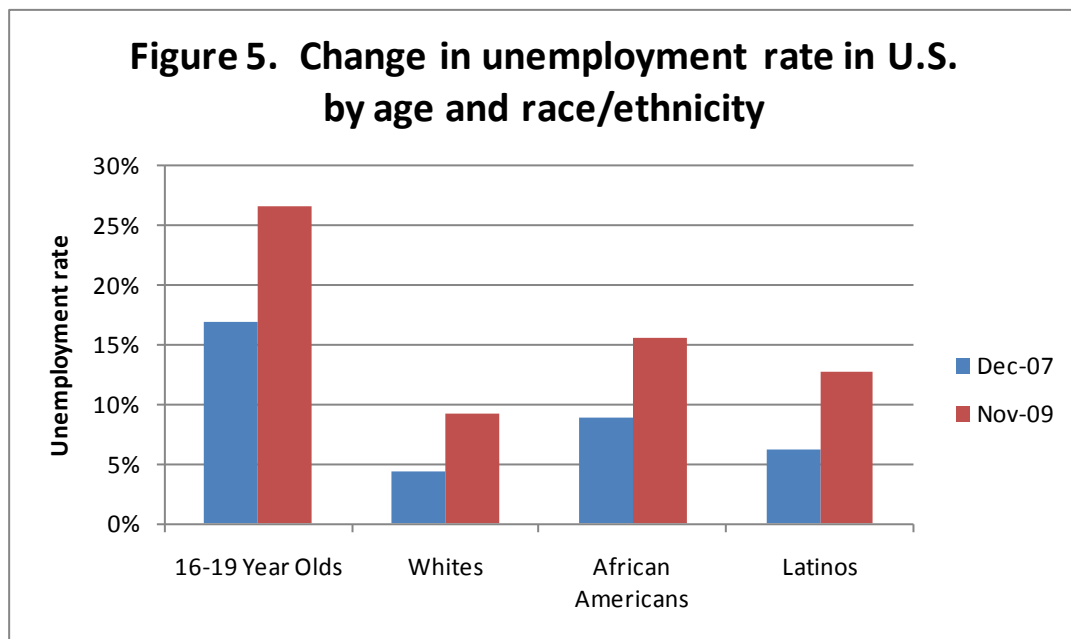
There are important differences among other groups of workers in the country and the state. Unemployment rates have increased dramatically across all education levels. Unemployment has, at a minimum, doubled since the start of the recession within each group. Adult workers with less than a high school diploma have experienced unemployment rates that are substantially higher than the national average as well. The most recent unemployment rate for this group was 15% (see Figure 4).



Source: Bureau of Labor Statistics.

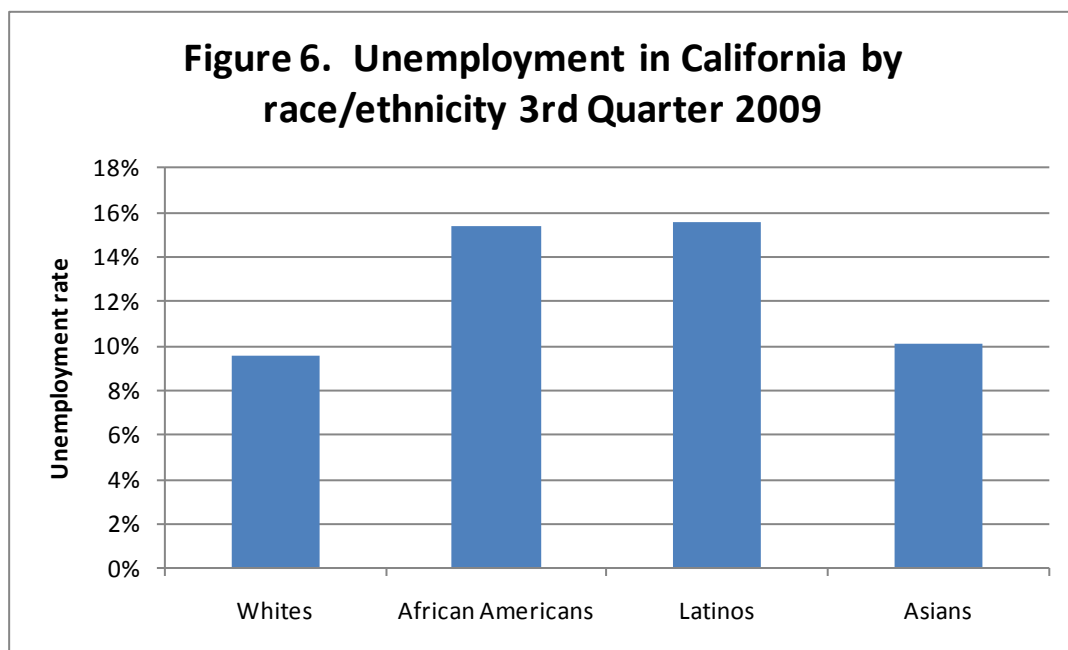
Young people, African Americans, and Latinos are all impacted by this recession at unprecedented levels. The unemployment rate for workers aged 16 to 19 has risen from 16.9% at the start of the recession to 26.7% in November 2009. While unemployment among African Americans and Latinos has always been higher than among whites, these groups have seen unemployment in their communities rise to staggering heights. At the start of the recession the unemployment rate was 8.9% and 6.2% for African Americans and Latinos respectively. In November, the African American unemployment rate was 15.6% and the unemployment rate for Latinos was 12.7% (see Figure 5).

<sup>1</sup> Economic Policy Institute. Data retrieved on December 15, 2009 from [http://www.economytrack.org/mainchart\\_3.php?\\_tab=unemployment](http://www.economytrack.org/mainchart_3.php?_tab=unemployment).



Source: Bureau of Labor Statistics.

The situation is much the same in California. African Americans and Latinos are faring significantly worse than other groups of workers. In the third quarter of 2009 (the most recent quarter for which data are available),<sup>2</sup> African American and Latino workers in California had unemployment rates of 15.4% and 15.6% respectively. Asians, a group which usually experiences lower rates of unemployment, recorded an unemployment rate of 10.1% in the third quarter of 2009. At 9.6%, the unemployment rate for whites was similar to the national average (see Figure 6).



Source: Economic Policy Institute. [http://www.economytrack.org/mainchart\\_3.php?tab=unemployment](http://www.economytrack.org/mainchart_3.php?tab=unemployment).

<sup>2</sup> State-level data disaggregated by group are available quarterly rather than monthly.

### ***Third Quarter Rise in GDP – Has the Recovery Begun?***

With a 2.8% rate of growth, GDP rose in the third quarter of 2009 after four straight quarters of decline. In addition, job losses have begun to slow. After months of job losses in the tens and hundreds of thousands, the loss of merely 11,000 jobs in November brought hope that the end is near. Nonetheless, the country is still losing jobs and despite optimistic talk of recovery, it is too soon to tell if the current recession is truly over. Even if the economy is indeed growing, it is unlikely that it will soon reach its prerecession level. Unemployment is likely to remain above 10% well into 2010. An analysis by researchers at Rutgers University indicates that if the country were to experience job growth at a rate similar to that of the period from 1991 to 2001 (i.e., gain 2.15 million private sector jobs each year), it would take until August 2017 to return to the prerecession employment level.<sup>3</sup>

The rise in GDP brings some hope to an otherwise dismal situation. However, a 2.8% rate of growth is not enough.<sup>4</sup> Following previous recessions, growth in GDP was higher. After the 1974-75 recession, GDP rose at an annual rate of 6.2% and after the 1981-82 recession, GDP rose even faster, with an annual growth rate of 7.5%.<sup>5</sup> Unless GDP rises rapidly and sustains robust growth, this recent uptick in the economy cannot be seen as the beginning of a significant increase in jobs and a reduction in unemployment. Furthermore, almost all of the recent growth was due to the programs put forth in the stimulus package – Cash for Clunkers, the \$8,000 new home credit, increases in unemployment insurance and social security. While the growth associated with these programs is great, it is not yet self-supporting.

### ***Steps to a Lasting Recovery***

In order to sustain the recent growth of the U.S. economy, there needs to be another stimulus. In order to help the most vulnerable workers, the stimulus needs to be targeted to those groups that are suffering the most in this recession. Specifically, there needs to be continued extensions of unemployment insurance benefits. With unemployment at 10% and over 38% of the unemployed out of work for 6 months or more, unemployment benefits are needed now more than ever. Similarly, additional COBRA subsidies for unemployed workers or increased Medicaid coverage are needed so that the number of individuals and families without health insurance does not grow unchecked.

The most important thing that needs to be done to ensure a sustained recovery of employment is direct job creation. Funding should be provided to state and local governments to keep public sector jobs from disappearing. Money needs to be invested in programs that create jobs for youth and young adults (e.g., programs like AmeriCorps, VISTA, YouthBuild, and others). These programs will help to spur private sector job growth. Tax credits that allow employers to shorten an employee's hours without decreasing their pay mean that layoffs could be reduced and jobs would be saved. Finally, homeowners

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<sup>3</sup> Hughes, J. W., & Seneca, J. J. (September, 2009). America's new post-recession employment arithmetic. Advance & Rutgers Report, Issue Paper Number 1. Available at <http://www.policy.rutgers.edu/reports/arr/>.

<sup>4</sup> Bureau of Economic Analysis

<sup>5</sup> Bureau of Economic Analysis

need to be given the right to rent. That is, when facing foreclosure, homeowners should have the right to remain in their homes for several years, paying market rents for their home. This would not only help to cut back on the number of foreclosed on houses, but would also provide struggling families with extra money that could be used to increase economic growth.<sup>6</sup>

Without immediate action, there will be a generation of young people with no prospects for work. African Americans and Latinos will continue to suffer disproportionately. If job creation does not begin, with a greater emphasis on improving pay and job quality in low-paid women's jobs, families will continue to suffer as women, who earn significantly less than men, continue to be the main breadwinners. Many Americans are working part-time jobs due to the economy. These part-time jobs usually do not provide health insurance. Job creation and health care subsidies must be provided so that the recent uptick in the economy can become strong, sustained growth.

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<sup>6</sup> Center for American Progress; Center for Economic and Policy Research