

THE CALIFORNIA ECONOMY: EMPLOYMENT IN 2010

Jed Kolko

► After two years of sharp declines, employment grew slightly in 2010.

Employment in California grew 0.6 percent in 2010. After job losses of 3.5 percent in 2008 and 5.7 percent in 2009, the state seems to be on the road to recovery. Also, the growth gap between California and the U.S. narrowed: California's rate was just 0.2 percent behind the U.S. rate in 2010, versus 2.2 percent in 2009. But growth remained below normal: from 1990 to the end of 2007 (when the recession began), California employment grew 1.2 percent annually on average.

► Unemployment remains stubbornly high.

Despite the increase in employment, the unemployment rate drifted up to 12.5 percent, above its December 2009 level of 12.3 percent. Unemployment rose slightly because the labor force grew faster than employment. And the adult population (which includes some people who have given up looking for work and are therefore not in the labor force) grew at an even faster rate than the labor force, so that employment as a share of the adult population fell from 56.3 percent in December 2009 to 56.0 percent in December 2010.

► Service sectors lead the recovery while construction continues to shrink.

Service sectors experienced the highest employment growth in 2010: professional and business services grew fastest (3.3%), followed by leisure and hospitality, educational and health services, and personal and other services. For professional and business services, 2010 represents a turnaround after large losses in 2008 and 2009. Manufacturing also improved, growing at 1.0 percent in 2010 compared with annualized losses of 7.8 percent in 2008 and 2009. Construction lost 5.8 percent of jobs in 2010—less than the annualized loss of 18.4 percent in 2008 and 2009 but still worse than any other sector in 2010.

► Some industries registered strong gains; others had sharp losses.

Employment in two of California's iconic industries grew rapidly in 2010: motion picture and video production rose by 13.4 percent, and computer and peripheral equipment manufacturing grew by 12.8 percent. The employment services industry—which includes temporary help and placement services—grew by 11.9 percent, thanks to typically cautious post-recession hiring patterns. At the other extreme, housing-related industries suffered: residential building construction employment fell by 13.2 percent, and employment in wholesalers of lumber and construction materials fell by 15.6 percent. Employment in many retail categories fell by more than 10 percent.

► Some regions are recovering while others are still losing jobs.

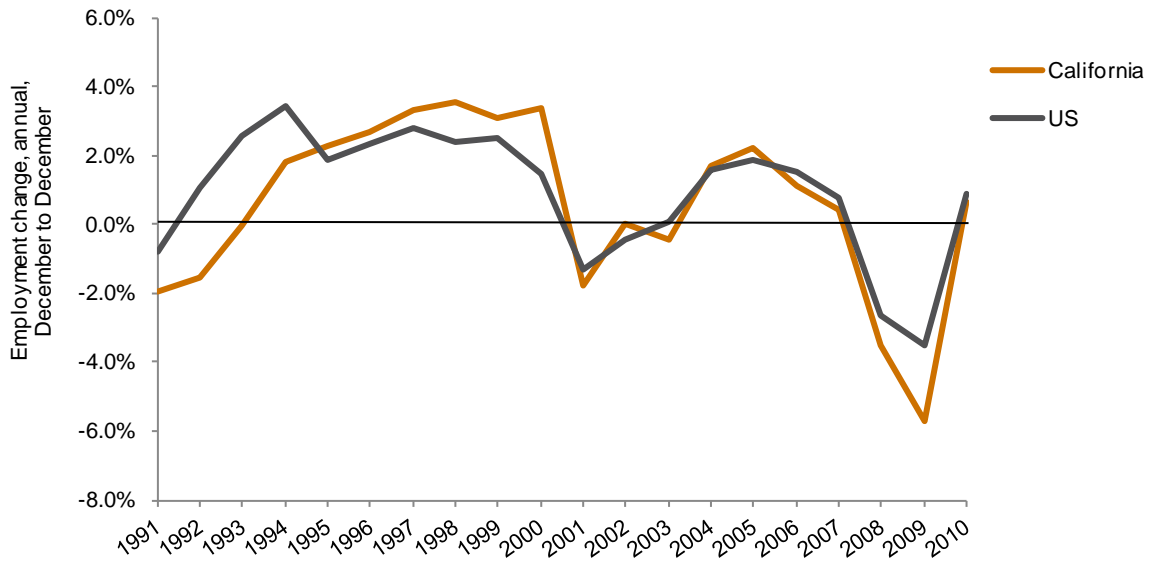
Among larger metropolitan areas in 2010, job growth was fastest in Orange County (1.5%) and San Jose (1.0%). Employment fell by 0.1 percent in Los Angeles and 1.4 percent in San Francisco. It fell most in Sacramento (2.2%) and Santa Cruz (2.6%). But in every area, employment grew faster—or declined less sharply—than in the recession years. Previous downturns in California centered on specific regions (aerospace in Southern California in the 1990s; dot-coms in the Bay Area in the early 2000s), but in this recession employment fell in every California metropolitan area by at least 3 percent annually.

► Forecasters expect employment growth to pick up a bit in 2011 and more in 2012.

The Legislative Analyst's Office (LAO) estimates that California employment will grow 0.9 percent in 2011 and 2.2 percent in 2012 and 2013, and that the unemployment rate will remain above 7 percent through 2015. But economists have become more optimistic since the LAO released its forecast in November 2010, partly because the December federal tax package is expected to boost growth.

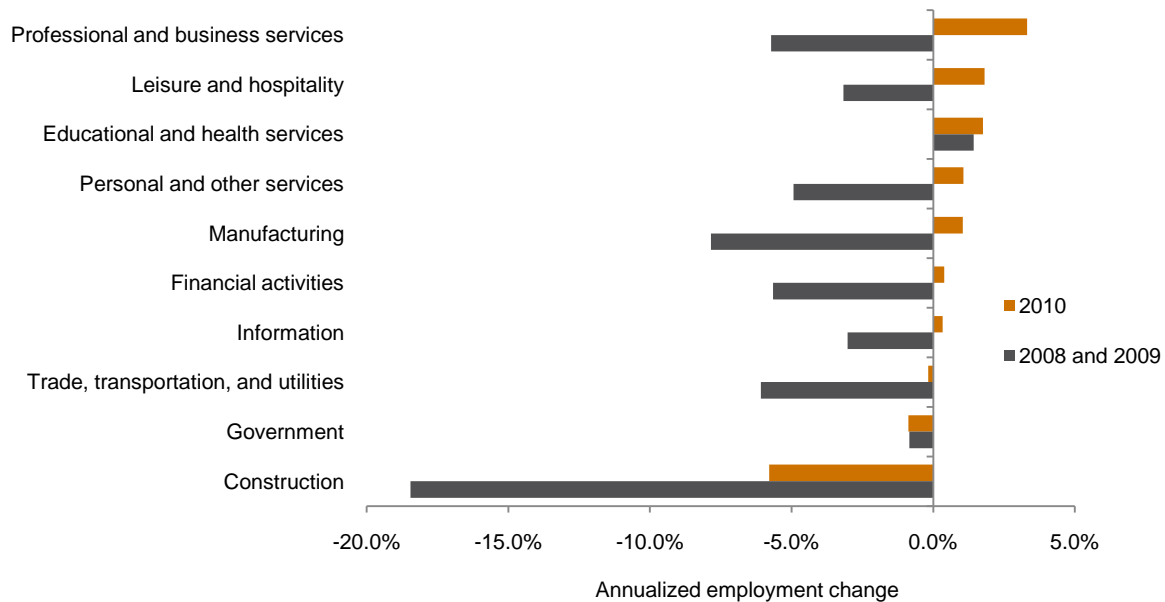


California's economy is growing, but slowly



Source: U.S. Bureau of Labor Statistics and California Employment Development Department.

Services are leading the recovery



Source: U.S. Bureau of Labor Statistics and California Employment Development Department.

Contact: kolko@ppic.org

