

## THE CALIFORNIA ECONOMY: UNDEREMPLOYED AND DISCOURAGED WORKERS

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► **The official unemployment rate tells only part of California's labor market story.**

At 7.2%, California's unemployment rate is higher than its pre-recession low but well below its 2010 peak (12.4%). However, Californians who have failed to find work and have stopped looking—either because they believe no jobs are available for them (“discouraged” workers) or for any other reason (“marginally attached” workers)—are not considered part of the labor force. When these workers are included, the rate rises to 9.1% (reflecting the 12-month average ending in November 2014, the most recent data). And when the “underemployed”—people working part-time who would rather be working full-time—are added to the mix, 15.4% of Californians are not fully employed, though they are able and would like to work.

► **The share of un- and underemployed workers has fallen but is still well above pre-recession levels.**

Even in the best of times, some Californians are underemployed, unemployed but searching, or not actively looking for work. In recent years, the share of these workers has ranged from a low of 9.1% in 2006 to a high of 22.1% at the peak of the recession in 2010. While the rate has fallen almost 7 percentage points, California has the second highest un- and underemployment rate in the nation after Nevada—3 points higher than the U.S. overall and 2 to 6 points higher than other large states such as Texas, New York, and Florida. Neighboring states such as Arizona and Oregon have rates much closer to California's.

► **About 7 percent of employed workers are seeking full-time jobs.**

On average in the last 12 months, about 7% of employed Californians were working part-time when they would rather have full-time jobs. This share is up from a low of 3.6% in July 2007 and down from a high of 9.6% in April 2010. Workers without a high school diploma are most likely to be involuntary part-timers (14.3%) and college-degree holders are least likely to be (3.6%). Latinos are more likely than other racial/ethnic groups to be underemployed (9.6% compared to 6% for other large racial groups). Across age groups, workers younger than 25 are the most likely to be working part-time involuntarily (18.9%)—by contrast, only about 6% of workers 25 and older are working part-time involuntarily.

► **More than 800,000 Californians want to work but have stopped looking for employment.**

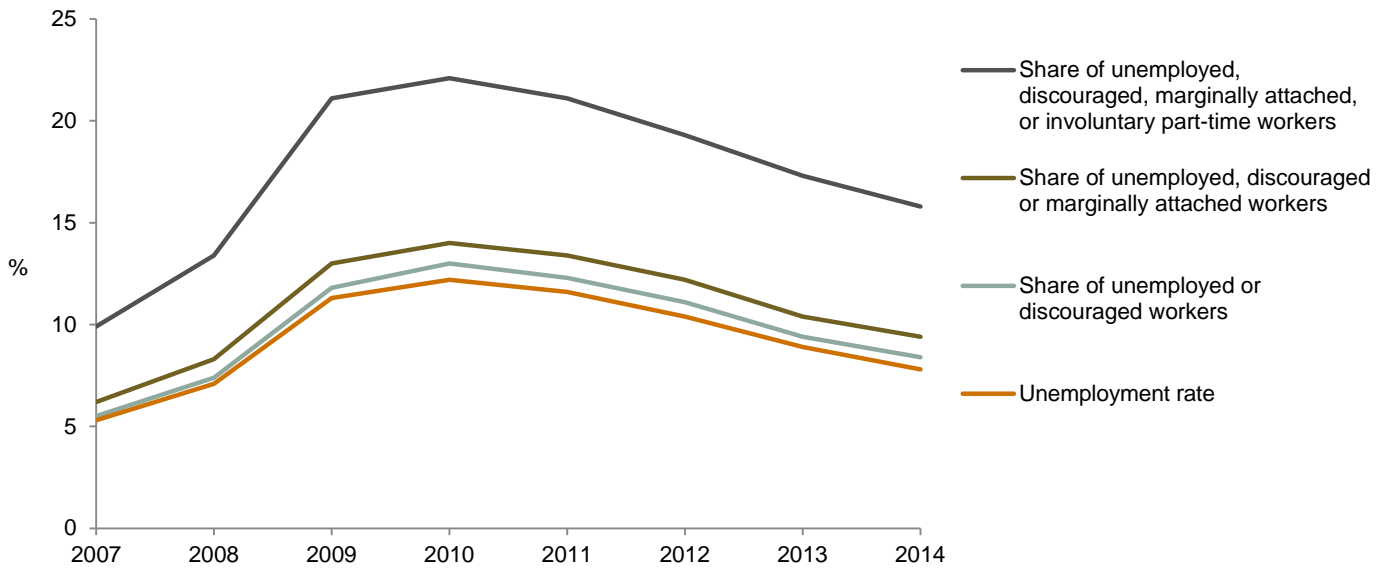
In addition to nearly 1.4 million unemployed Californians, 868,000 are “discouraged or marginally attached” workers—people who want jobs but are not actively looking for work. There are a variety of reasons for failure to find employment, including insufficient training and a lack of jobs. Our estimates suggest that members of minority groups (blacks, Asians, and Latinos) are twice as likely as whites to be discouraged workers. Less-educated workers are twice as likely as college graduates, and young workers (25 and under) are much more likely than older workers (above age 45) to be discouraged.

► **One sign of a still-struggling labor market is that few discouraged workers have returned to job seeking.**

Before the recession, 66% of California's working-age population was either employed or looking for work. Currently, this share (known as the labor force participation rate) is 62.5%. Despite steady job growth and steady declines in unemployment, the labor force participation rate is only slightly improved from a recent low (61.9% in summer of 2014). Until we see an indication that more discouraged workers are returning to the labor market, it will be difficult to claim that the labor market has recovered.



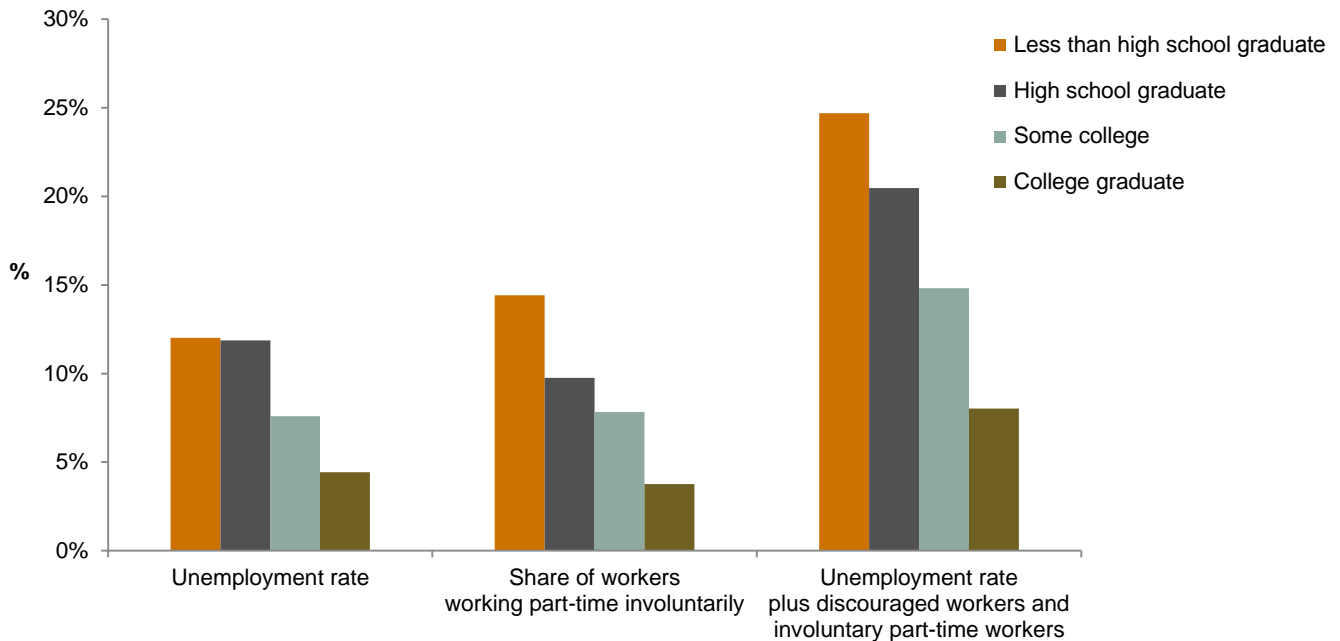
Comprehensive measures show a high share of un- and underemployed Californians



Source: Bureau of Labor Statistics.

Note: For 2007–2013, rates reflect annual averages. Data for 2014 is from the 12-month period ending in September 2014.

Both unemployment and underemployment are linked to educational attainment



Source: Author calculations from Current Population Survey-ASEC.

Note: Discouraged workers and involuntary part-time workers in the CPS are approximations of official BLS and EDD definitions based on individual survey responses.

Sources: Official statistics from California Employment Development Department and Bureau of Labor Statistics. Authors' calculations from Current Population Survey-ASEC.

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