

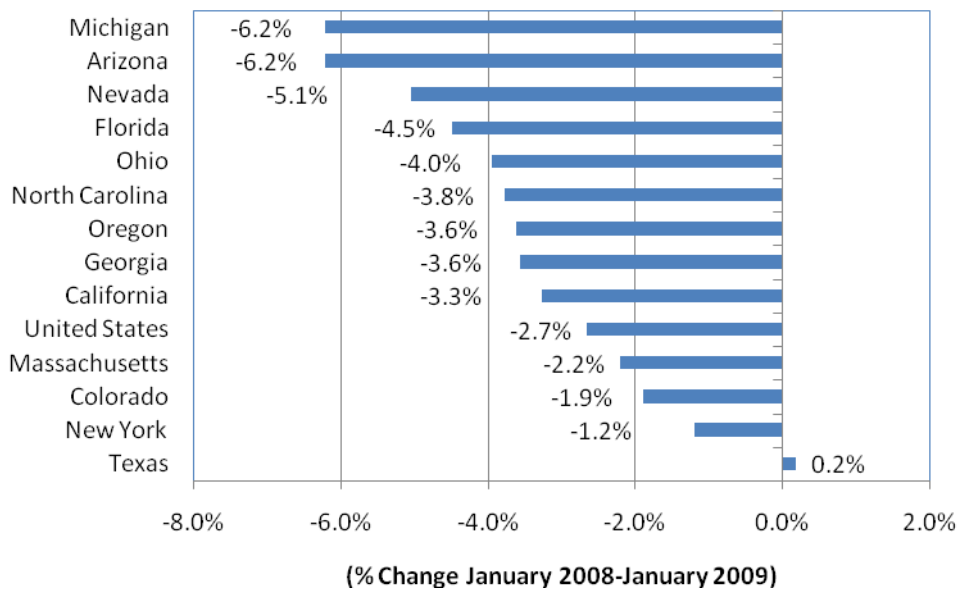
California Jobs and Unemployment

How Did California Do in 2008?

California underperformed the nation in 2008 losing 494,000 jobs or 3.3% of the state’s nonfarm wage and salary jobs between January 2008 and 2009. U.S. job losses were slightly less at 2.7%. Texas was the only large state with job growth.

Some other large states fared better than California including Colorado, Massachusetts and New York. But many large states had even larger job losses than in California including Arizona, Florida, Georgia, Nevada and North Carolina as well as the expected Michigan and Ohio.

Nonfarm Wage & Salary Jobs



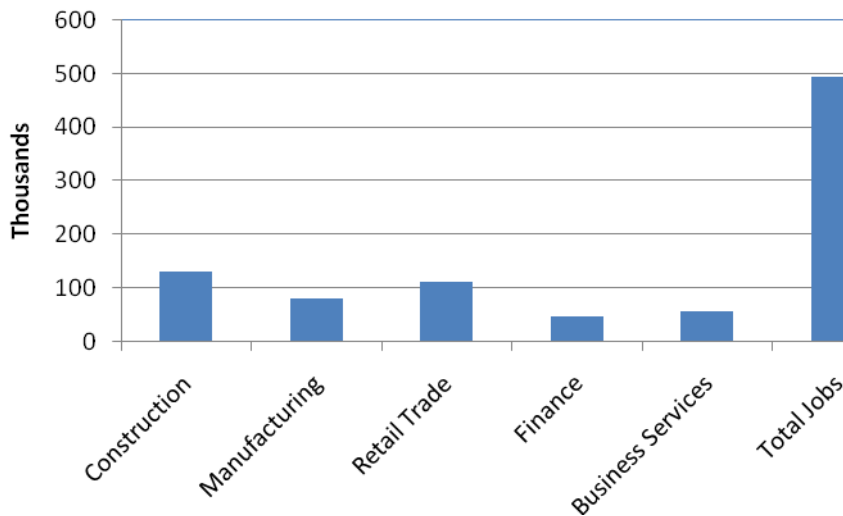
The Current Job Losses are Mostly Cyclical Unlike in the 1990s

In the 1990s’ recession California suffered permanent job losses in aerospace. When the dot.com bubble burst in 2000, the state suffered declines in tech jobs and venture capital funding although California’s share of the nation’s smaller venture capital funding actually increased after 2000.

The current job losses, which are large and still growing, are primarily cyclical and do not represent any permanent loss of share in key sectors of the state’s economic base. Most of the job losses are a result of the sharp downturn in

housing activity and the state's participation in the nation's downturn in consumer spending. Of the state's 494,000 job decline between January 2008 and 2009, 179,000 jobs were lost in construction and finance, 111,000 jobs were lost in retail trade, 81,000 in manufacturing and most of the rest in business services. Job losses in the state's largest, fastest-growing and highest wage economic base sector, professional and technical services, amounted to only 800 jobs during this period.

California Job Losses Jan 08-09 A Cyclical Downturn



Manufacturing Job Losses Were Much Larger Elsewhere

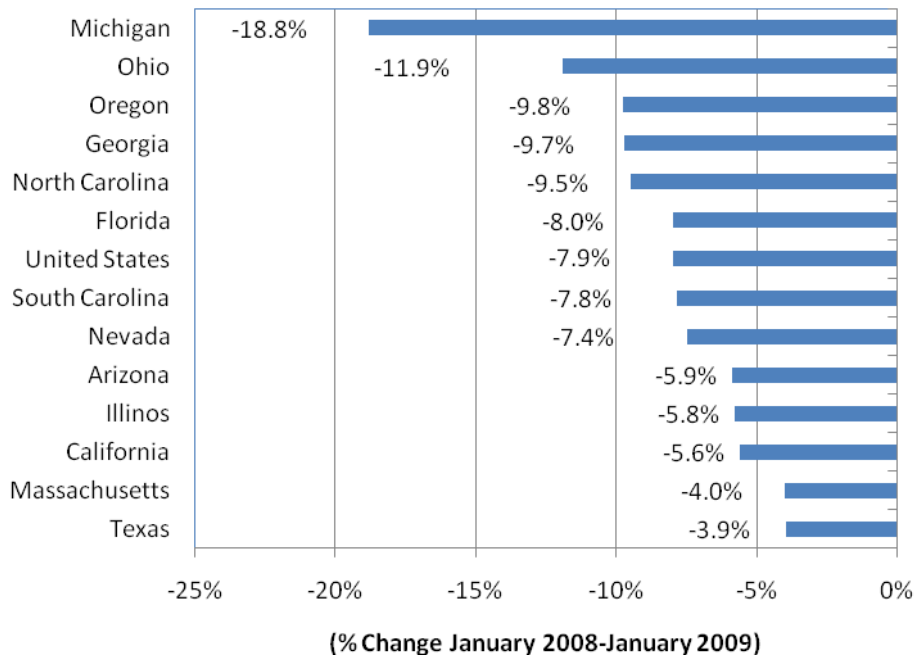
2008 was a good year not to be a manufacturing center, particularly for manufacturing consumer goods.

The nation lost nearly 1.1 million manufacturing jobs in 2008 equal to 7.9% of the nation's 13.7 million manufacturing jobs in January 2008. California lost 81,000 manufacturing jobs or 5.6% of the state's January 2008 total.

California's manufacturing job losses in 2008 were among the smallest among all large states across the nation. Michigan and Ohio as expected suffered very large manufacturing job losses of 18.8% and 11.9% respectively. But large manufacturing job losses were experienced in less obvious places including Oregon (-9.8%), Georgia (-9.7%), North Carolina (-9.5%) and Florida (-8.0%).

Massachusetts and Texas posted smaller manufacturing job losses as compared with California in 2008.

Manufacturing Jobs



California's Unemployment Rate Surged in 2008

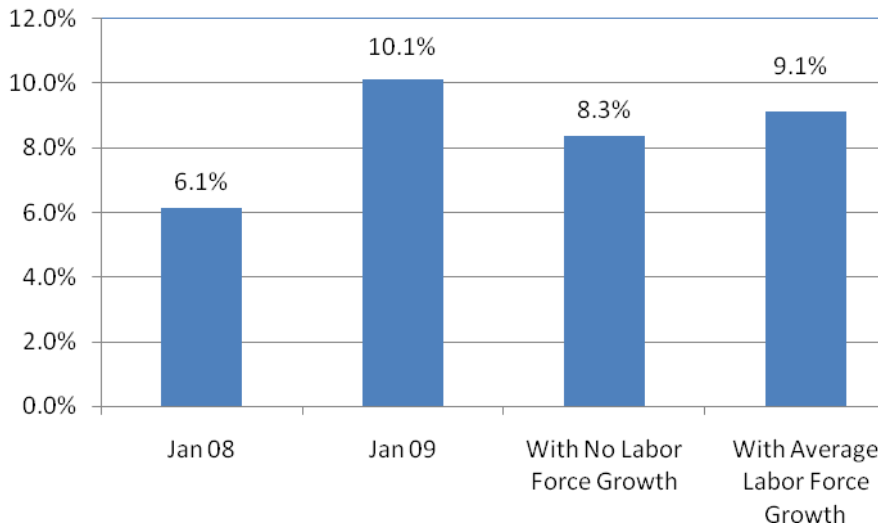
California's unemployment rate surged from 6.1% in January 2008 to 10.1% in January 2009. The state's double digit unemployment rate has captured the attention of the national media who have rushed to report on the end of the California dream.

The state's job losses and unemployment surge in 2008 was a very disappointing economic performance and particularly so for the families and communities that were the hardest hit.

But a portion of the very large jump in unemployment was related, not to job losses, but to an unexpected surge in the state's labor force. Despite large job losses, more than 310,000 workers were added to the state's labor force in 2008. This was a much larger increase (1.7%) than the national labor force gain of 0.7%. One reason for the labor force increase was the continuing large foreign immigration into the state—the result of long-term decisions made by families to move to the state.

If California experienced the national average for labor force growth in 2008, the January 2009 unemployment rate would have been 9.1% (still high) instead of the reported 10.1%. And if the state had seen no labor force growth in 2008, the unemployment rate would have risen to 8.3% based solely on job losses.

California Unemployment Rate January 2009



Bottom Line for California in 2008

California had sharp job losses and rising unemployment in 2008. The state did slightly worse than the nation on these measures in 2008 primarily because the housing downturn was deeper in California. In terms of job losses California was in the middle among large states.

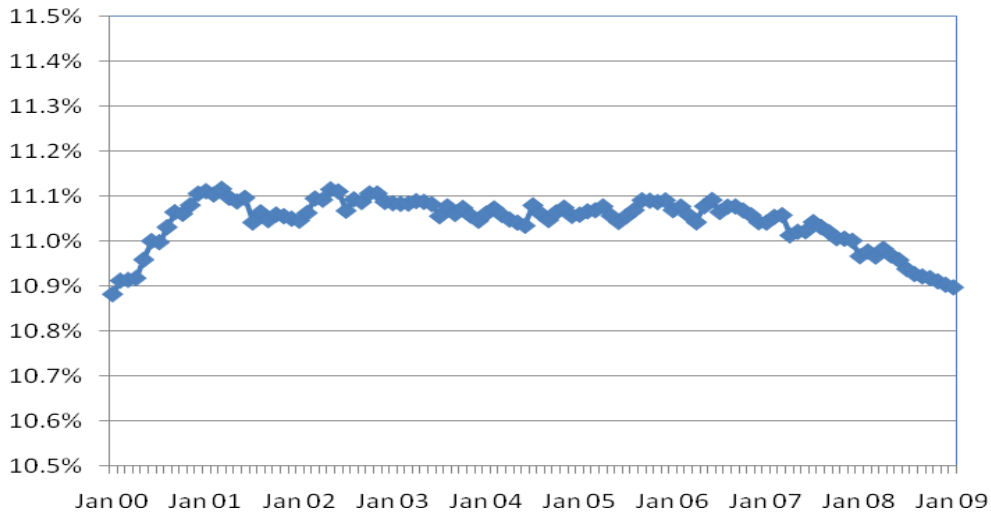
The job losses in 2008 were the result of the nation's deepening recession and, as a result, were cyclical and do not offer a lesson for the future of the California economy.

The last section of this *Numbers in the News* looks at longer-term trends.

California Has Average Job Growth in this Decade

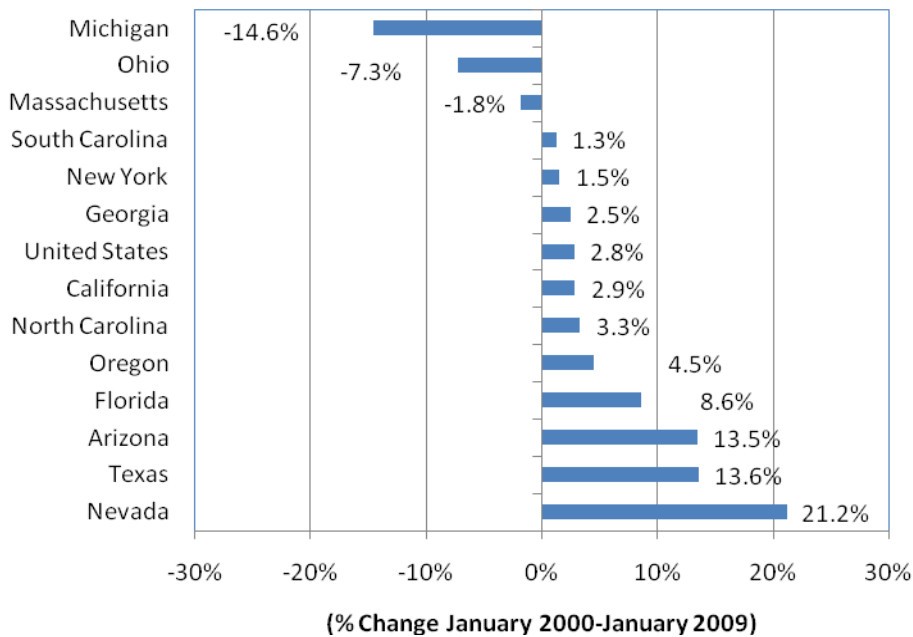
California's job growth matches the national average from 2000 through 2009. The state accounted for 10.9% of U.S. nonfarm wage and salary jobs at the beginning of 2000 and 10.9% in January 2009. During most of these nine years California captured between 11.0% and 11.1% of U.S. jobs.

California Share of U.S. Nonfarm Wage & Salary Jobs



The current recession wiped out most of the job growth that was experienced between 2000 and 2007—both in the nation and California. For the period from January 2000 through January 2009 California recorded a small 2.9% increase in nonfarm wage and salary jobs compared to the 2.8% nationwide gain.

Nonfarm Wage & Salary Jobs



Many states had stronger job growth compared to California led by states in the Southwest including Arizona, Nevada and Texas. But many states fared worse than California including such states as Georgia, Massachusetts and South Carolina as well as Michigan and Ohio.

Can We do Better Than Average Job Growth?

From 1960 through 1990 California captured a steadily growing share of U.S. jobs. California's share dipped in the early 1990s' as the deep aerospace and construction decline pushed state growth below the national average. California's share rebounded in the late 1990s' with the dot.com and foreign trade boom.

The average growth after 2000 is the first time that the state has failed to outpace the nation in job growth during a period of generally rising economic growth. On the other hand, the state did match the nation's job growth rate despite the dot.com bust and the recent downturn in housing, both of which affected California more than the rest of the nation.

The long-term outlook for the U.S. and world economies holds positive opportunities for California in terms of the emphasis on technology and the state's attraction for world trade, tourism and venture capital. The new administration's agenda emphasizes areas where California has a strong competitive position.

So the state's future economic prosperity is in our hands.

The test of whether California can return to above-average job growth will be in the public policies and foundations that we put in place to attract private investment by making California a great place to work and live.

Californians have not yet reached a consensus on what set of public policies are the best for supporting broad economic prosperity nor have we reached a consensus on the kinds of budget policies and reforms that are the best to make California communities great places to live and work.

Converting opportunities to success is possible but will require attention to these challenges even as the state struggles with the impact of this deep recession.