

# March 2012 California Employment Highlights

## Unemployment Rate Ticks Up to 11.0 Percent; Nonfarm Payrolls Increase by 18,200 Jobs

### Unemployment and Employment

California's seasonally adjusted unemployment rate rose 0.1 percentage point to 11.0 percent in March 2012. This was the state's first unemployment rate increase since May 2011 and only its second since July 2010. However, the rate was unchanged seven times between July 2010 and March 2012.

The U.S. rate fell 0.1 percentage point to 8.2 percent. This was the ninth consecutive month in which the U.S. unemployment rate decreased or remained unchanged. Figure 1 shows the three-year trend of the California and U.S. unemployment rates.

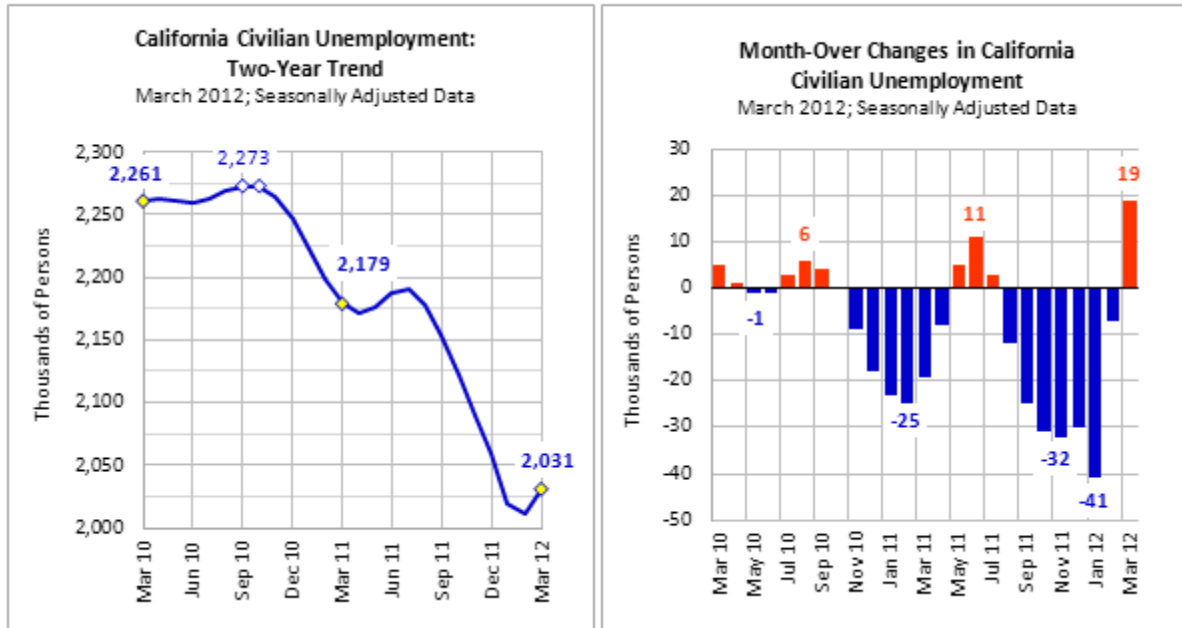


California's unemployment rate fell 0.9 percentage point over the year ending in March 2012. The March rate was 1.4 percentage points lower than its peak of 12.4 percent in July through October 2010, but remained 6.2 percentage points higher than its pre-recession low of 4.8 percent in September through November 2006.

The U.S. rate fell 0.7 percentage point over the year ending in March 2012. The March 2012 U.S. rate was 1.8 percentage points lower than its recessionary peak in October 2009, but remained 3.8 percentage points higher than its pre-recession low of 4.4 in May 2007

The number of unemployed Californians rose by 19,000 persons in March 2012 to 2,031,000. This increase snapped a string of seven consecutive months of decreasing unemployment. Figure 2 shows the two-year trend in California civilian unemployment and the month-over changes in unemployment over the last two years.

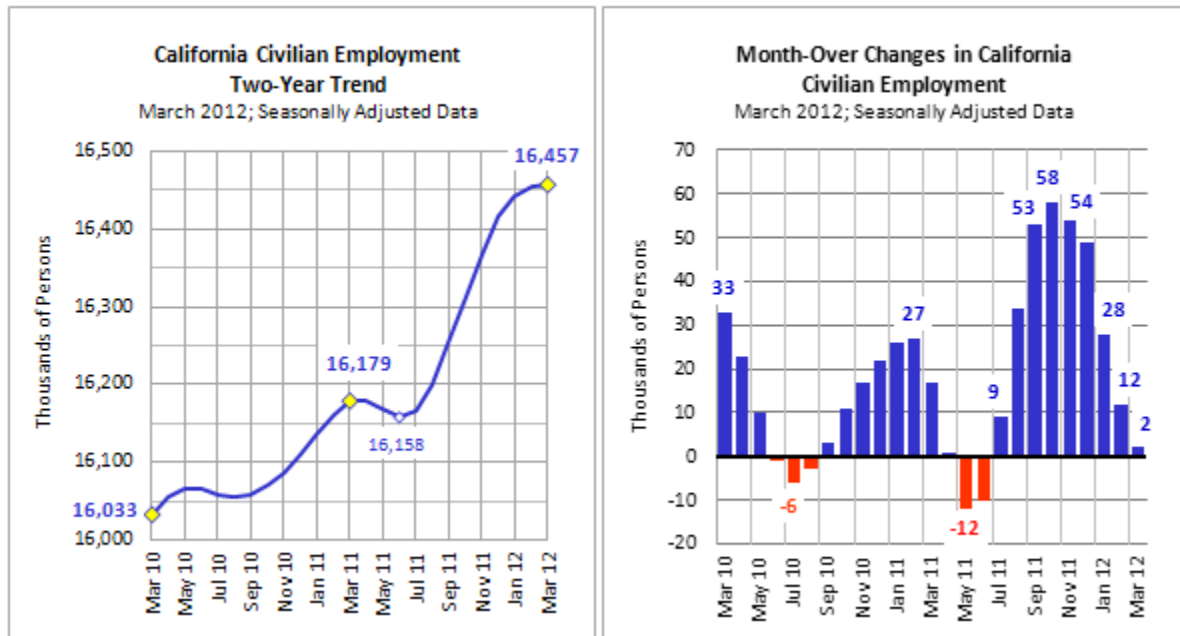
FIGURE 2



The number of unemployed Californians fell by 148,000 (6.8 percent) over the year ending in March 2012. Their number was 242,000 below the September through October 2010 peak. Despite this improvement, there were 1,174,000 more unemployed Californians in March 2012 than there were in at the pre-recession low in October 2006.

The number of employed Californians rose by 2,000 in March 2012 to 16,457,000. Although this was California's ninth consecutive employment increase, the size of these increases diminished in each of the first three months of 2012. Figure 3 shows the two-year trend in California civilian employment and month-over changes in employment over the last two years.

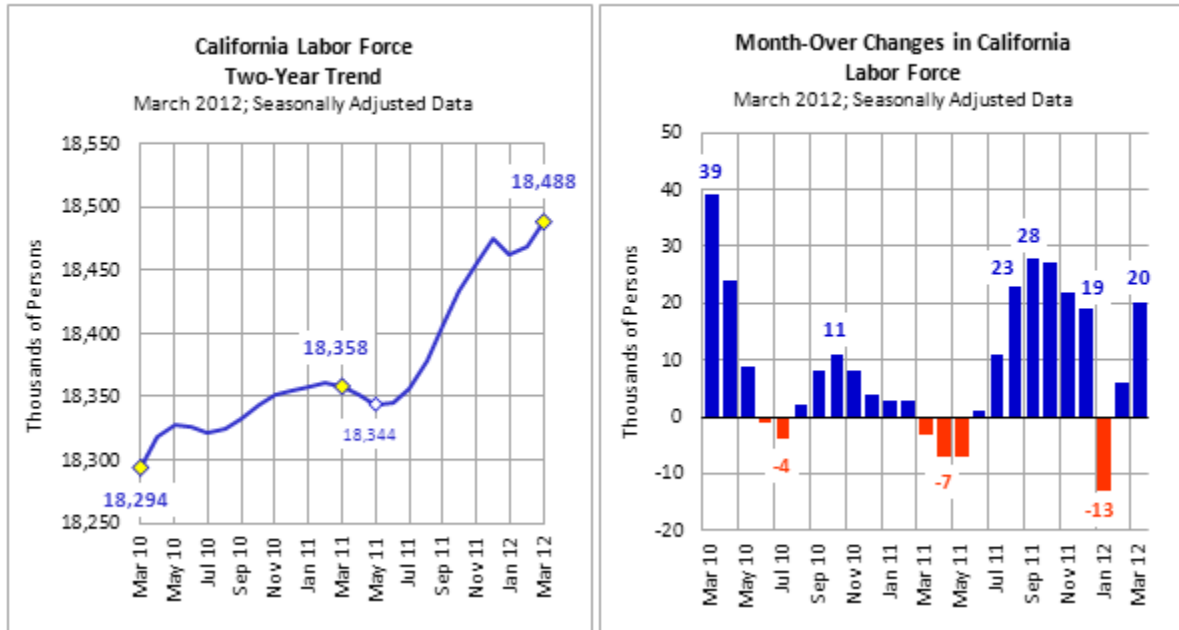
FIGURE 3



The number of employed Californians increased by 278,000 (1.7 percent) over the year ending in March 2012. Their number rose by 520,000 (3.3 percent) since the recessionary low point in November 2009. However, 563,000 fewer Californians were employed in March 2012 than there were at the pre-recession peak in January 2008.

The California labor force grew by 20,000 persons in 2012 to 18,488,000. The labor force has grown in 9 of the last 10 months, expanding by 144,000 persons over the period. Figure 4 shows the two-year trend in the California labor force and the month-over changes in labor force over the last two years.

FIGURE 4



California's year-over labor force gains totaled 130,000 persons (0.7 percent) in March 2012. The labor force grew by 348,000 persons from its low point in October 2009 through March 2012. Figure 5 shows the two-year trend in the California labor force and the month-over changes in labor force over the last two years.

California's labor force participation rate (LFPR) remained at 63.3 percent for the third consecutive month in March 2012. The LFPR has held steady in the 63.3 to 63.4 percent range for 11 months. In contrast, the LFPR most recent peak was 66.0 percent in June through November 2008.

Californians who work part time for economic reasons are those workers who would like to work full time, but are working part-time hours (less than 35 hours per week) because their hours have been reduced or because they could only find part-time work. Persons who work part time for economic reasons are considered to be underemployed because economic conditions preclude them from working as much as they like. These individuals are also referred to as involuntary part-time workers.

FIGURE 5

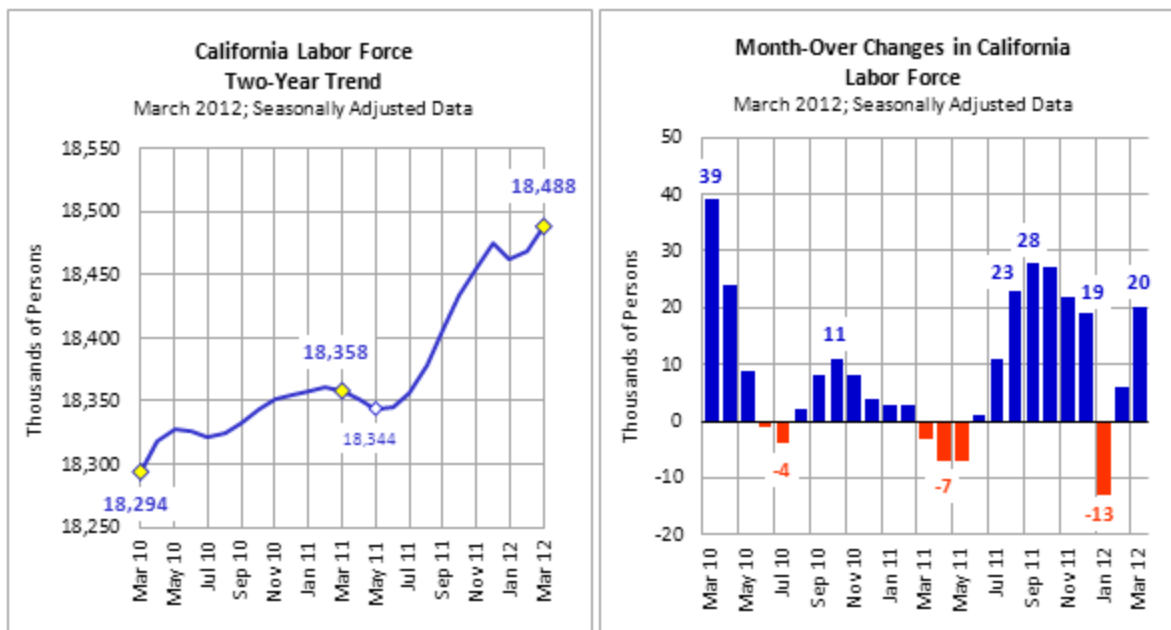
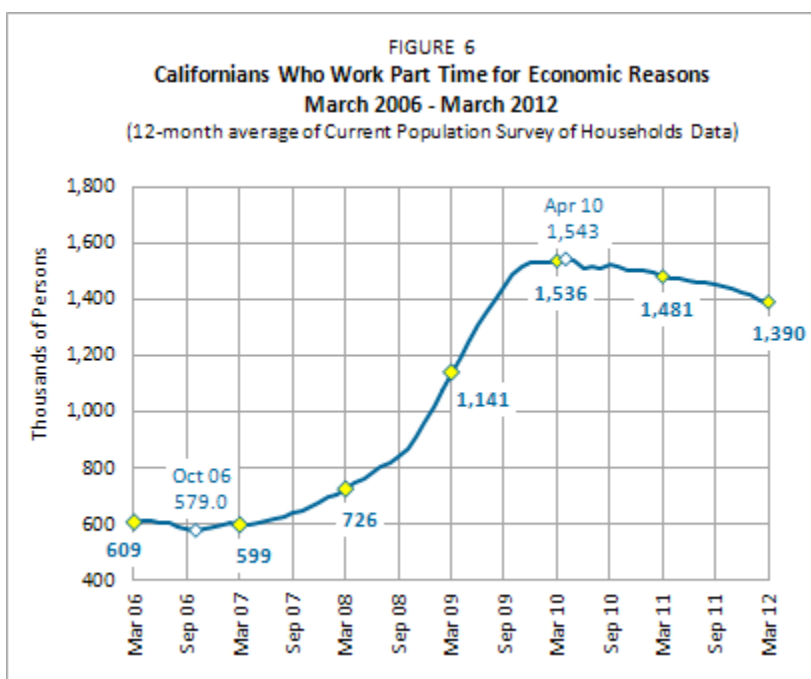


Figure 6 shows the number of Californians who worked part time for economic reasons from March 2006 through March 2012. The data are derived from the Current Population Survey of Households (CPS) and expressed as a 12-month average to control for small sample variability in the estimates as well as for seasonality.

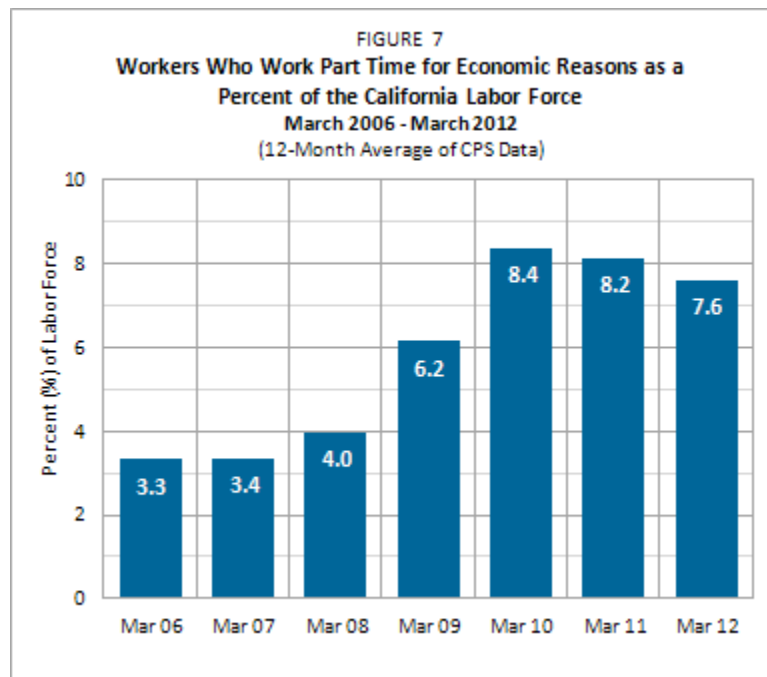


The number of Californians working part time for economic reasons skyrocketed during the recession, along with unemployment. From its pre-recession low in October 2006 through the April 2010 peak, the number of involuntary part-time workers in California nearly tripled, growing by 964,000 (166.5 percent). Unfortunately, it is difficult to give historical perspective to this increase because only a limited time series of CPS data are available due to series breaks caused by changes to the household survey design.

However, the 2001 recession, which in California was a moderate recession that was followed by a very sluggish recovery, provides at least one historical comparison. During the 2001 recession, the number of Californians working part time for economic reasons increased by 139,000 (27.6 percent) from the recession low of 504,000 in December 2000 through August 2002, when their number peaked at 643,000.

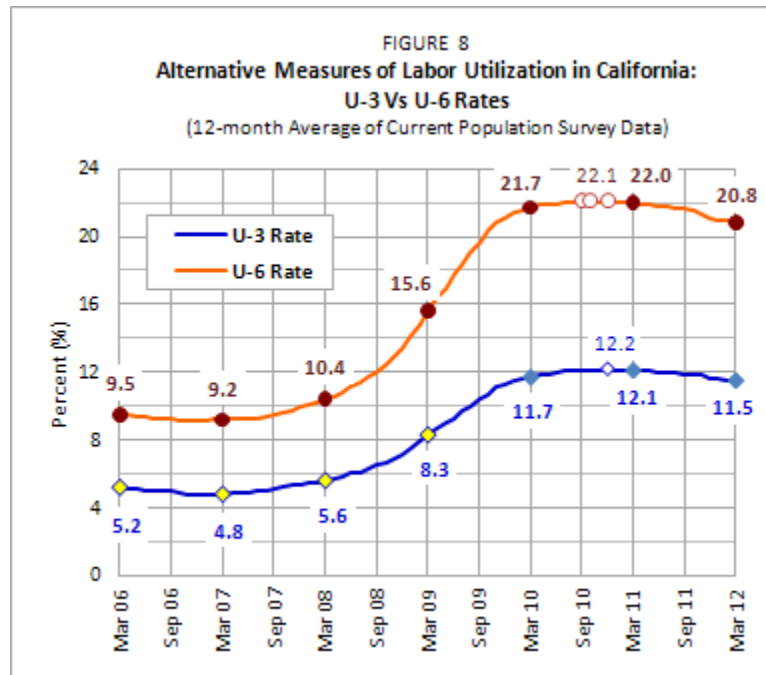
The number of Californians working part time for economic reasons peaked in April 2010 and has fallen gradually since then. In March 2012, there were 1,390,000 Californians who worked part time for economic reasons. This was a decrease of 153,000 persons (9.9 percent) from the April 2010 peak. However, there were 811,000 more underemployed Californians in March 2012 than there were at their pre-recession low in October 2006. This elevated number of underemployed workers may fill part of the puzzle of why California's unemployment rate remains stubbornly high and overall job growth remains modest at this stage of the recovery. There is still a large pool of workers in the economy whose work hours can be expanded to meet demand before a firm needs to hire new workers.

Historically, the share of involuntary part-time workers in the California labor force has ranged a little above 3 percent but less than 4 percent in a healthy economy. Figure 7 provides March snapshots of the share of involuntary workers in the California labor force over the last seven years. As a result of the recession, their share of the labor force rose from 3.4 percent in March 2007 to 8.4 percent in March 2010. In March 2012, their share of the labor force remained high at 7.6 percent but had decreased 0.8 percentage point since March 2010.



The share of involuntary part-time workers in the labor force, in turn, is a key component of the U-6 measure of labor underutilization. The U-6 is the broadest measure of unemployment and underemployment in the labor force and is always higher than the

traditionally-used U-3 unemployment rate because it much more inclusive.<sup>1</sup> Figure 8 shows the U-3, or traditional measure of unemployment, and U-6 rates in California from March 2006 through March 2012. Because these estimates are derived from the CPS and expressed as a 12-month average, the U-3 unemployment rate estimates differs from official monthly estimates.



California's U-6 rate remained elevated at 20.8 percent in March 2012. However, it had decreased by 1.2 percent over the year, and by 1.3 percentage points from its peak of 22.1 percent in September, October, and December 2011. The pattern of the U-6 rate was consistent with that of the U-3 rate—exploding to record highs during the recession and only gradually declining in the subsequent recovery.

The U-3 and U-6 rates tend to move in tandem. From January 2007 through December 2010, the U-3 and U-6 rates rose by 7.4 and 13.0 percentage points, respectively. Over the same period, the number of unemployed persons as measured by the U-3 rose by 1,365,000 (or 159.1 percent) to and the number of underutilized workers as measured by the U-6 increased by 2,745,000 (150.5 percent). From December 2010 through March 2012, the number of unemployed Californians fell by 125,000 (5.6 percent) and the number of underutilized workers fell by 247,000 (6.0 percent). On a percentage change basis, the U-3 and U-6 measures behaved nearly identically during these two time periods.

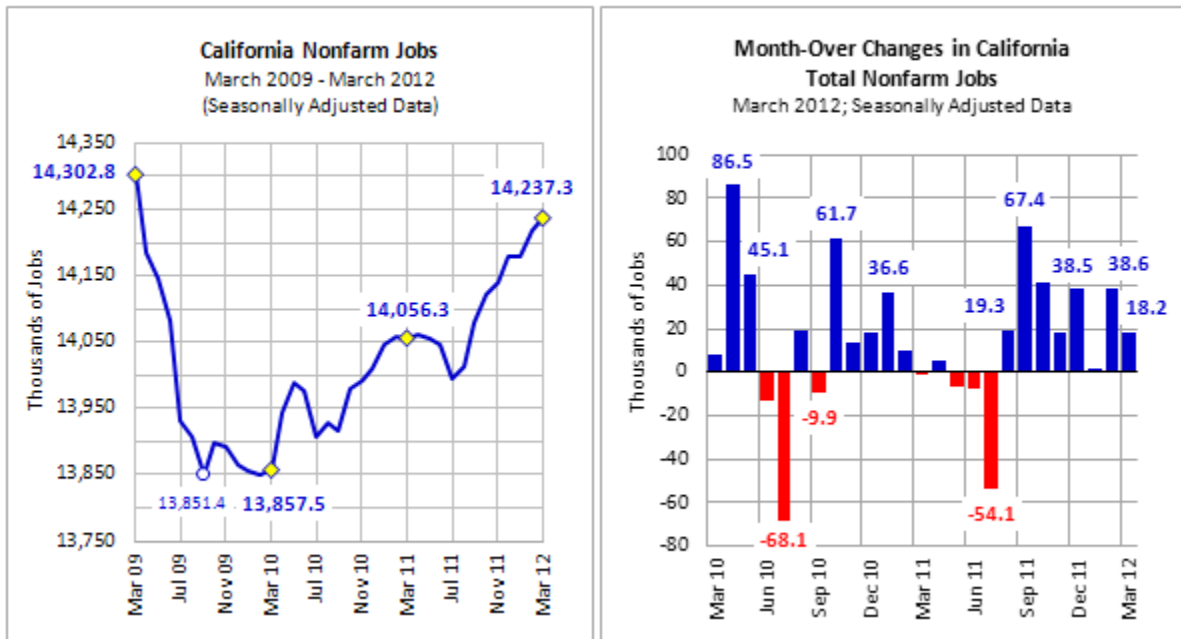
## Nonfarm Payroll Employment

California nonfarm employment looks much stronger this month than it did at the same time last month. Nonfarm payrolls grew by 18,200 jobs in March 2012. Moreover, February payrolls were revised upwards by 34,600 jobs, resulting in a gain of 38,600

<sup>1</sup> The U-6 measure also includes unemployed workers as traditionally defined and workers who are not in the labor force but who want a job, searched for a job in the prior 12 months, and are available to work. Discouraged workers are a subset of this latter group. Because the U-6 includes workers not in the labor force, their number must be added to the labor force estimate in calculating the U-6 rate.

jobs for the month.<sup>2</sup> The state has experienced eight consecutive months of job growth, with the gains over the period totaling 243,800 jobs. However, this time comparison is somewhat misleading in that it picks up the large 67,400-job gain in September that was boosted by beginning of the school year hiring but does not capture the 54,100-job loss that occurred in July 2011 that reflected seasonal end-of-school layoffs. California's job gains from June 2011 through March 2012 totaled 189,700 jobs. Figure 9 shows the three-year trend in California's total nonfarm employment and the month-over changes in total nonfarm jobs over the last two years.

FIGURE 9



California's year-over job gains totaled 181,000 (1.3 percent) in March 2012. This was only slightly below the 198,800-job (1.4 percent) gain the state experienced over the year ending in March 2011.

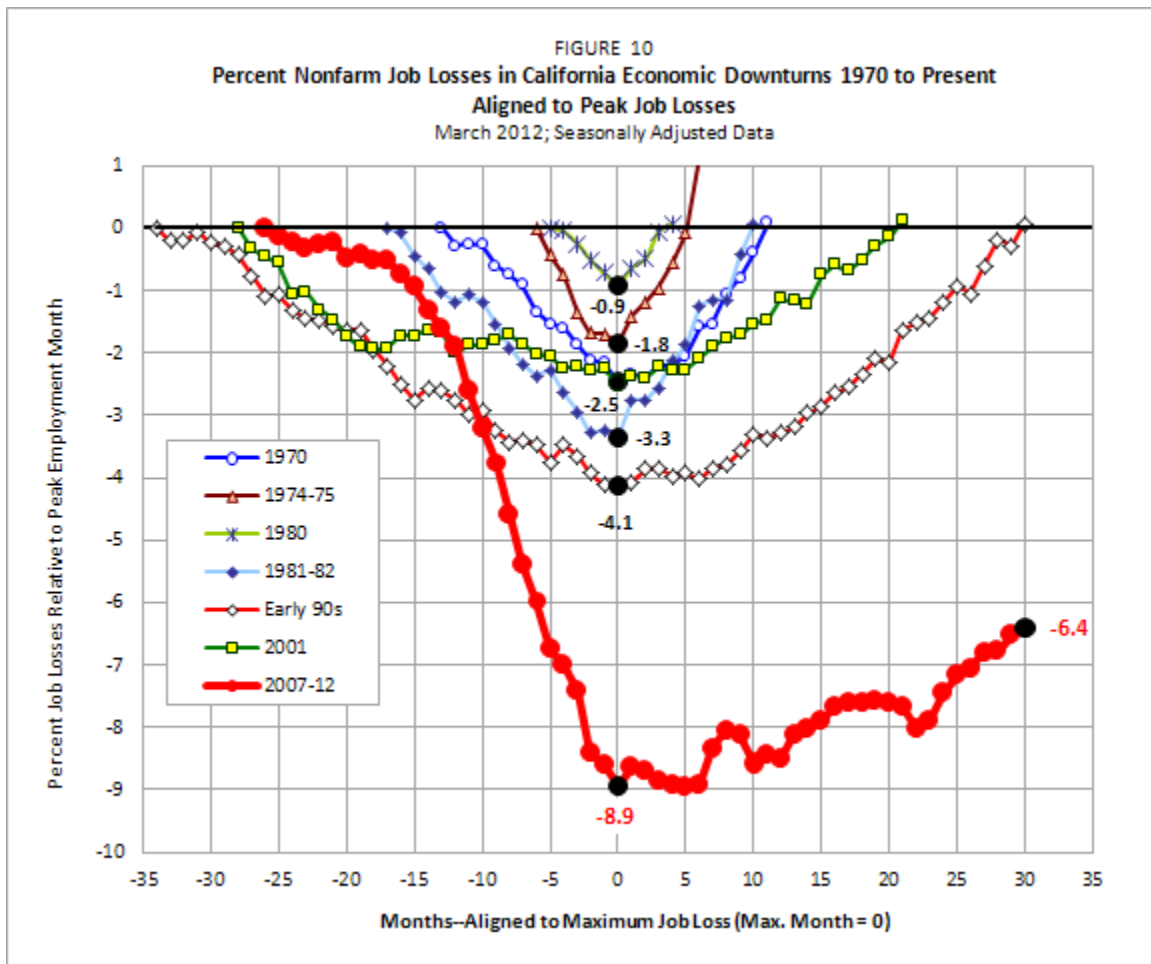
From the recessionary low in September 2009 through March 2012, California gained 385,900 jobs, for an average monthly gain of 12,900 jobs per month. Despite this gain, the state had 974,900 (6.4 percent) fewer nonfarm jobs in March 2012 than it had in July 2007, which was the pre-recession peak. As of March 2012, the state had recovered over one-quarter (28.4 percent) of the 1,360,800 jobs it lost during the recession.

In March 2012, California private nonfarm payrolls rose by 15,600 jobs. This followed a 46,500-job gain in February (revised). The state's private sector has added jobs in nine consecutive months, with gains over the period totaling 219,500 jobs. California's year-over gains in the private sector totaled 227,000 nonfarm jobs (2.0 percent) in March 2012. This was a slight improvement over the prior year. California's private sector job

<sup>2</sup> Although this was an atypically large revision, it reflected a larger and more complete sample of establishments at the time final estimates were made. Whereas information payrolls were upwardly revised by 27,600 jobs, the remaining 10 industry sectors were revised up by a combined 7,000 jobs. The often volatile information sector, which is the only one of California's 11 major industry sectors that is not seasonally adjusted because it has no distinct statistical seasonal pattern, has been unusually volatile in 2012-to-date, losing 23,200 jobs in January, gaining 36,900 jobs in February, and losing 13,400 jobs in March. However, the net change over these three months was just 300 jobs.

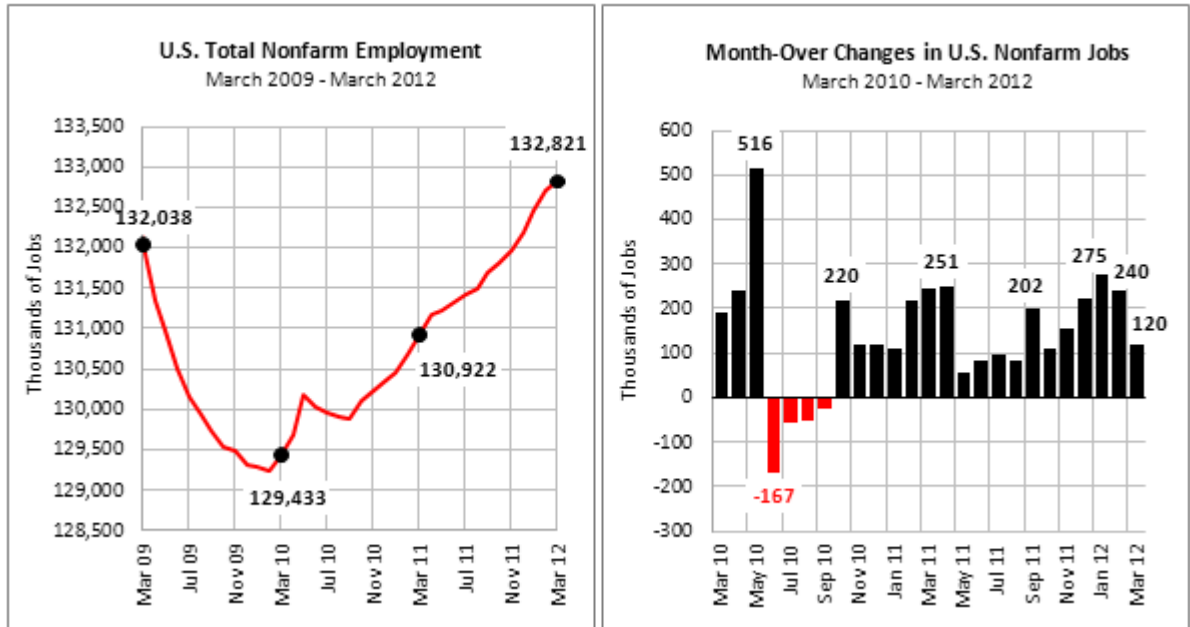
gains totaled 211,000 (1.8 percent) over the year ending in March 2011. Job gains in the state's private sector totaled 446,200 jobs (3.7 percent) from the recessionary low in February 2010 through March 2012. Despite this gain, California private sector payrolls remained 861,100 jobs below their pre-recession peak in July 2007. As of March 2012, the state had regained over one-third (34.1 percent) of the private sector jobs it lost during the recession.

Figure 10 shows the percentage job losses over the course of each California economic business cycle since 1970. The months have been aligned to the maximum job loss—or employment trough—of each recession, which is denoted by month zero. In other words, the downward slope shows the magnitude and length of time over which jobs were lost, and the upward slope shows the opposite. Further highlighting the depth and severity of the recent recession, in each of the six prior business cycles, California had regained all the jobs it lost by month 30 of the economic recovery. However, 30 months into the current recovery, California total nonfarm employment remained 6.4 percent below its pre-recession peak.



The nation gained 120,000 jobs in March 2012. Although this was its 18<sup>th</sup> consecutive month of nonfarm job growth, the March gain was much smaller than the gains of the three prior months, when job monthly job gains ranged between 223,000 and 275,000 jobs. Figure 11 shows the three-year trend in U.S. total nonfarm employment and the month-over changes in total nonfarm jobs over the last two years.

FIGURE 11



The March jobs report was met with near universal disappointment in the media, with the word “dismal” being the most commonly used adjective to describe the report. However, a weaker March jobs report was anticipated by at least some economists who contended that larger-than-expected job gains in December through February largely reflected an extraordinarily mild winter in most of the U.S. Because the dampening effect of cold and inclement weather on overall economic activity in the nation was so subdued in most of the country this winter, the seasonal adjustment process, which anticipates a normal winter weather pattern, boosted employment gains during these months. The weaker job gain in March corresponds with the start of spring, when weather begins having less of an effect on overall economic activity in the nation. Moreover, rising gas prices in March may have also crimped spending in what is still a consumer-driven U.S. economy.

The nation gained 1.9 million nonfarm jobs over the year ending in March 2012. The nation’s 1.5 percent year-over job gain in March 2012 was stronger than California’s 1.3 percent gain.

The nation gained 3,577,000 nonfarm jobs from the recessionary low in February 2010 through March 2012. However U.S. total nonfarm employment in March 2012 remained 5.2 million jobs (3.8 percent) below its pre-recession peak in February 2008. As of March 2012, the nation had regained over two-fifths (40.7 percent) of the 8,778,000 jobs it lost from January 2008 through February 2010.

The nation’s private sector added 121,000 jobs in March 2012. This was the nation’s 25<sup>th</sup> consecutive month of private sector job growth. The nation gained 2.1 million private nonfarm jobs over the year ending in March 2012. However, the nation’s 1.9 percent year-over private nonfarm job gain in March 2012 was slightly weaker than California’s 2.0 percent gain.

The nation's private sector gained 4,051,000 nonfarm jobs from their low point in February 2010 through March 2012. However, even with this growth U.S. private nonfarm payrolls remained more than 4.8 million jobs below their pre-recession peak in January 2008. As of March 2012, the nation had recovered 45.7 percent of the 8,874,000 private sector jobs that it lost from January 2008 through February 2010.

## Industry Trends

In March 2012, seven California industry sectors gained jobs, and four sectors lost jobs. Nationally, seven industry sectors gained jobs while four industry sectors lost jobs. Tables 1 and 2 summarize the month-over and year-over changes in California and U.S. industry employment, respectively, for the month of March 2012.

TABLE 1  
California Nonfarm Payroll Employment by Industry Sector  
(Thousands of Jobs, Seasonally Adjusted)

MAJOR SECTOR	YEAR AGO	MONTH AGO	CURRENT	MONTH-OVER CHANGE		YEAR-OVER CHANGE	
	Mar 11	Feb 12	Mar 12	Number	Percent	Number	Percent
		<i>Revised</i>	<i>Preliminary</i>				
Total Nonfarm	14,056.3	14,219.1	14,237.3	18.2	0.1%	181.0	1.3%
Mining and Logging	28.3	29.0	29.1	0.1	0.3%	0.8	2.8%
Construction	554.7	568.1	565.5	-2.6	-0.5%	10.8	1.9%
Manufacturing	1,246.3	1,247.5	1,245.3	-2.2	-0.2%	-1.0	-0.1%
Trade, Transp. & Utilities	2,647.9	2,695.5	2,698.7	3.2	0.1%	50.8	1.9%
Information	431.1	460.8	447.4	-13.4	-2.9%	16.3	3.8%
Financial Activities	761.2	764.9	767.9	3.0	0.4%	6.7	0.9%
Profess. & Business Serv.	2,119.2	2,183.5	2,185.5	2.0	0.1%	66.3	3.1%
Educational & Health Serv.	1,822.9	1,861.0	1,874.1	13.1	0.7%	51.2	2.8%
Leisure & Hospitality	1,525.7	1,544.2	1,558.0	13.8	0.9%	32.3	2.1%
Other Services	488.8	483.0	481.6	-1.4	-0.3%	-7.2	-1.5%
Government	2,430.2	2,381.6	2,384.2	2.6	0.1%	-46.0	-1.9%
Total Private	11,626.1	11,837.5	11,853.1	15.6	0.1%	227.0	2.0%

Data may not add due to rounding.

Source: EDD, Labor Market Information Division, Current Employment Statistics (CES) Program.

TABLE 2  
U.S. Nonfarm Payroll Employment by Industry Sector  
(Thousands of Jobs, Seasonally Adjusted)

MAJOR SECTOR	YEAR AGO	MONTH AGO	CURRENT	MONTH-OVER CHANGE		YEAR-OVER CHANGE	
	Mar 11	Feb 12	Mar 12	Number	Percent	Number	Percent
		<i>Preliminary</i>	<i>Preliminary</i>				
Total Nonfarm	130,922	132,701	132,821	120	0.1%	1,899	1.5%
Mining and Logging	756	834	835	1	0.1%	79	10.4%
Construction	5,496	5,558	5,551	-7	-0.1%	55	1.0%
Manufacturing	11,690	11,891	11,928	37	0.3%	238	2.0%
Trade, Transp. & Utilities	24,896	25,232	25,206	-26	-0.1%	310	1.2%
Information	2,672	2,641	2,632	-9	-0.3%	-40	-1.5%
Financial Activities	7,683	7,706	7,721	15	0.2%	38	0.5%
Profess. & Business Serv.	17,192	17,758	17,789	31	0.2%	597	3.5%
Educational & Health Serv.	19,749	20,176	20,213	37	0.2%	464	2.3%
Leisure & Hospitality	13,259	13,548	13,587	39	0.3%	328	2.5%
Other Services	5,332	5,359	5,362	3	0.1%	30	0.6%
Government	22,197	21,998	21,997	-1	0.0%	-200	-0.9%
Total Private	108,725	110,703	110,824	121	0.1%	2,099	1.9%

Data may not add due to rounding.

Source: U.S. Bureau of Labor Statistics, "U.S. Employment Situation" News Release, Table B-1.

In California, leisure and hospitality (13,800) and educational and health services (13,100) led all other industry sector job gains. Five additional California industry sectors

experienced much more moderate gains in March: trade, transportation, and utilities (3,200); financial activities (3,000); government (2,600); professional and business services (2,000); and mining and logging (100).

The leisure and hospitality sector's 13,800-job gain in March 2012 was its largest since April 2010 and the second-largest since April 2002. This was the sector's 21<sup>st</sup> job gain in the past 24 months. The arts, entertainment, and recreation (6,000) and accommodation and food services subsectors (7,800) both experienced large job gains in March. Employment in the arts, entertainment, and recreation subsector was boosted by having spring breaks earlier than usual this school year. The March gain in accommodation and food services jobs was the subsector's 22<sup>nd</sup> gain in the past 24 months, with gains over the period totaling 69,200 jobs, for an average of nearly 2,900 jobs per month.

The educational and health services industry sector continues to be a driver of employment growth in California. This sector has added jobs in 24 of the past 25 months, with gains over the period totaling 110,300 jobs (6.3 percent) and averaging more than 4,400 jobs each month. Though both the educational services and health care and social assistance subsectors have grown over this time period, job growth has been particularly consistent in the health care and social assistance subsector, which has added jobs for 28 consecutive months. The subsector gained 69,500 jobs (4.7 percent) over this period.

In March, mining and logging became California's first industry sector to regain all the jobs it lost during the recession.<sup>3</sup> Mining and logging reached its peak employment of 29,100 jobs in November 2008 and lost 3,800 jobs through October 2009, after which it began to gradually add jobs once again. It took the sector 27 months to recover the jobs it lost over just nine months.

California's information sector experienced the largest job loss in March, with a loss of 13,400 jobs. Construction (2,600), manufacturing (2,200), and other services (1,400) were the remaining industry sectors with job losses in March.

The information sector has experienced a high degree of volatility in recent months. The sector's 23,200-job loss in January was the largest in the series that goes back to 1990, and exceeded the largest single month losses the sector experienced during the dot-com bust. February's 36,900-job gain was also a record and nearly tripled the next largest gain the sector has ever experienced. The 13,400-job loss in March was also large by historical standards. Three-month averaging is a useful way to control for volatility in time series data. On a three-month average basis, California's information sector lost 2,800 jobs in January, gained 7,700 and 100 jobs in February and March, respectively.

Nationally, the largest job gains were in leisure and hospitality (39,000), educational and health services (37,000), manufacturing (37,000), and professional and business services (31,000). Financial activities (15,000), other services (3,000), and mining and logging (1,000) were the remaining U.S. industry sectors that gained jobs in March. Trade, transportation, and utilities (26,000); information (9,000); construction (7,000); and government (1,000) lost jobs in March.

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<sup>3</sup> Employment in the educational and health services sector grew throughout the recession and has continued to grow during the current recovery.

On a year-over basis, eight California industry sectors had job gains in March 2012 and three lost jobs. Nationally, nine industry sectors had year-over job gains while two had losses.

In California, professional and business services (66,300) experienced the largest year-over job gain, followed by educational and health services (51,200); trade, transportation, and utilities (50,800); and leisure and hospitality (32,300). Information (16,300); construction (10,800); financial activities (6,700); and mining and logging (800) also added jobs over the past year.

The professional and business services sector continues to be the most dynamic sector in the California economy. Since September 2009, no industry sector employing more than 100,000 people has grown faster.<sup>4</sup> The professional, scientific, and technical services; and administrative and support and waste services subsectors have grown by 8.2 and 10.0 percent, respectively, since September 2009. Much of the job growth in the administrative and support and waste services subsector reflects demand for temporary help. While welcome, growth in permanent jobs continues to lag behind that of temporary help. Fortunately, the high wage and skilled professional, scientific, and technical services subsector continues to be a key source of strength for the California economy.

In California, government (46,000) experienced the largest year-over job loss of any industry sector. The other services (7,200) and manufacturing (1,000) industry sectors were the remaining California sectors with year-over job losses in March.

Nationally, the largest year-over job gains were also in professional and business services (597,000) and educational and health services (464,000). Leisure and hospitality (328,000); trade, transportation, and utilities (310,000); and manufacturing (238,000) were the other U.S. industry sectors that gained more than 200,000 jobs since March 2011. Mining and logging (79,000), construction (55,000), financial activities (38,000), and other services (30,000) were the remaining U.S. industry sectors with year-over job gains.

Nationally, the government (200,000) sector experienced far and away the largest year-over job loss in March 2012. Information (40,000) was the only other U.S. industry sector that lost jobs over the last year

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<sup>4</sup> Although mining and logging grew by 14.6 percent from September 2009 through March 2012, it is by far California's smallest industry sector with fewer than 30,000 jobs.