















- The May Revise also proposes \$22 million of otherwise scarce budget resources to enforcement of last year’s AB 5. While households and employers will continue to have these work options to provide flexibility as they adjust to conditions in the recovery, California instead will be devoting resources to ensure they are eliminated.

These are policy choices, but they have implications to the likely length of the upcoming recovery period. And as recovery is delayed, the economic and budget consequences discussed above become more likely.

For workers, delayed recovery likely also means extended unemployment as was the case during the shallow recovery from the Great Recession. Elevated unemployment and more critically a large pool of workers only marginally attached to the labor served as a dampening force on wage growth throughout this period, with wages rising substantially only after participation rates began to increase back to previous levels. At 62.6% in February this year, California’s labor force participation rate never recovered to the pre-recession, 2007 levels, indicating there was still considerable room for further expansion in the state’s economy prior to the current dramatic downturn.

Extended unemployment also has implications to potential wage levels and lifetime earnings for workers. A shorter, stronger recovery in the state will minimize these effects from delaying workforce entry for young and other new workers. Analysis of the effects of [extended unemployment](#) during the prior recession indicated that workers who were able to at least maintain part-time work were able to shift quickly to full time work and secure wages at the average or median level. Workers who were out of or only marginally attached to the labor force instead generally found jobs at lower wage rates as the recovery progressed.

**Unemployment Rate Likely in Mid-20s; Employment Drops by 2.4 Million**

EDD reported total employment (seasonally adjusted; April preliminary) dropped 2,432,900 from the revised March numbers, while the number of unemployed rose by 1,833,200. The reported unemployment rate jumped to 15.5%. The unadjusted rate was up 12.3 points from the year earlier to 16.1%.

California had the 10<sup>th</sup> highest unemployment rate among the states.

Total US employment saw a seasonally adjusted loss of 22,369,000, with the number of unemployed rising by 15,938,000. The reported unemployment rate rose to 14.7%.

Seasonally Adjusted	California		US	
	Apr 2020	Change from Mar 2020	Apr 2020	Change from Mar 2020
Employment Ratio	50.3%	-7.8%	51.3%	-8.7%
Unemployment Rate	15.5%	10.0	14.7%	10.3
Labor Force	18,568,200	-3.1%	156,481,000	-3.9%
Participation Rate	59.5%	-2.0	60.2%	-2.5
Employment	15,682,900	-13.4%	133,403,000	-14.4%
Unemployment	2,885,300	174.2%	23,078,000	223.2%



Not Seasonally Adjusted	California		US	
	Apr 2020	Change from Apr 2019	Apr 2020	Change from Apr 2019
Employment Ratio	49.8%	-9.7%	51.3%	-9.3%
Unemployment Rate	16.1%	12.3	14.4%	11.1
Labor Force	18,519,433	-3.7%	155,830,000	-3.9%
Participation Rate	59.4%	-2.5	60.0%	-2.7
Employment	15,530,235	-16.1%	133,326,000	-14.9%
Unemployment	2,989,198	307.4%	22,504,000	317.7%

Figure Sources: California Employment Development Department; US Bureau of Labor Statistics

As discussed in the Friday summary, the reported unemployment numbers substantially understate the current economic situation:

- Both the household (used for labor force estimates) and establishment (jobs) surveys are done during the week of the 12<sup>th</sup> in each month. As indicated in the Unemployment Insurance (UI) initial claims data, layoffs continued at a strong pace in the second half of the month as well.
- The current conditions are also causing significant technical issues in the surveys. While the April response rate continued to be lower, BLS indicated it was sufficiently high enough to provide results with acceptable statistical validity.
- Misclassification is a far larger issue. First, there was an elevated number of workers indicating they were “employed, but not at work.” BLS analysis indicates most, however, should have been designated as “unemployed on temporary layoff.” Although not incorporated into the reported numbers, a correction for this factor would have raised the national unemployment rate (not seasonally adjusted) by 4.8%. While one month of data from the Current Population Survey (CPS) does not provide sufficient responses for a statistically valid result for California, it can give an indication of the scale of the effect. Using analysis similar to the BLS approach, correct classification would have raised the California unemployment rate by another 6-7 percent.

Second, persons who do not have a job, are on layoff, but that expect to be recalled to their job are not counted as unemployed or in the labor force because they are not actively looking for work. The CPS instead counts them as persons who are not in the labor force, but who still want a job. BLS estimates this misclassification if corrected would have raised the national unemployment rate by another 4.4%. Again with the same caveats on using one month of data, the same factor for California would have raised the state rate by 5% if the net increase over 2019 was used (to account for the relatively higher state level over time) to 9% if the full level is used as in the BLS analysis.

### Labor Force Participation Rate Down at 59.5%

California’s seasonally adjusted labor force participation rate was down at 59.5%. Nationally, the participation rate dropped to 60.2%. The numbers, however, are affected by the same survey factors as discussed above.

For the 12 months ending April 2019, the seasonally adjusted data shows the California labor force was down 773,900 workers (-4.0% loss) compared to the rest of the US loss of 5,291,100 (-3.7%).

### Employment Growth Ranking

The total number of persons employed (seasonally adjusted) over the 12 months ending in April plunged by 2,852,700. California had the lowest level in terms of absolute employment loss over the year.

Adjusted to account for differences in the size of each state economy, California over the year showed a 15.4% contraction, below the average for the rest of the US with a loss of 15.8%. Ranked among the states, California's loss rate was the 39<sup>th</sup> highest.

	Employment Change	Percentage Change
California	-2,852,700	-15.4%
State Rank	51	39
US other than CA	-20,440,274	-14.8%

Figure Source: US Bureau of Labor Statistics

### Nonfarm Jobs Fall 2.3 Million

Nonfarm jobs (seasonally adjusted) fell 2,344,700 as March's seasonally adjusted losses were revised to 210,500 from the previously reported 89,200. The large revision to the March numbers was primarily the result of adjustments to the seasonal adjustment formulas, which normally are done annually in February but were required due to the size of the current losses.

The April numbers largely account for the 12-month loss of 2,324,000 nonfarm jobs, the most of any state. Adjusting for population size, California was 20<sup>th</sup> among the states, with a 12-month jobs loss rate of -13.4% compared to the rest of the US at -12.9%.

	Job Change	Percentage Change
California	-2,324,000	-13.4%
State Rank	51	30
US other than CA	-19,447,000	-12.9%

Figure Sources: California Employment Development Department; US Bureau of Labor Statistics

### Jobs Change by Industry

In the unadjusted numbers that allow a more detailed look at industry shifts, all but 3 industries posted job losses over the 12-month period. Utilities as an essential service and Information and Finance & Insurance with a high incidence of telework opportunities remained positive although largely unchanged.

Industries showing the greatest contractions were those generally requiring customer contact or a physical presence at a work location. These were led by lower wage Accommodation, Food Services, Other Services, and Farm but also included the middle-class wage level Arts, Entertainment & Recreation. A second grouping of generally higher wage blue/white collar industries requiring less than a college degree showed high but less severe contractions: Construction, Administrative & Support & Waste Services, and Manufacturing but also Retail Trade which showed employment losses offset somewhat by online sales and deliveries. The higher wage industries experienced far smaller losses due to their ability to maintain employment through telework and other options, both due to the nature of these jobs and restrictions under California’s labor laws that apply primarily to lower wage workers. Social Assistance, composed primarily of In-Home Supportive Services workers who perform their duties in the home under any circumstances, were the exception.

Not Seasonally Adjusted Payroll Jobs (1,000)	Apr 2020	12-month Change	Nonfarm Growth Rank	% 12-month Change	Avg. Annual Wage
<b>Total Farm</b>	314.3	-94.8		-23.2%	\$35.5k
Mining & Logging	21.5	-0.4	4	-1.8%	\$119.5k
Construction	744.9	-126.0	14	-14.5%	\$72.5k
Manufacturing	1,180.5	-137.1	16	-10.4%	\$97.1k
Wholesale Trade	630.8	-63.2	10	-9.1%	\$80.4k
Retail Trade	1,351.0	-282.7	20	-17.3%	\$37.7k
Utilities	57.0	1.2	3	2.2%	\$137.0k
Transportation & Warehousing	593.7	-28.3	7	-4.5%	\$62.0k
Information	549.0	3.0	2	0.5%	\$188.7k
Finance & Insurance	539.2	3.7	1	0.7%	\$133.0k
Real Estate & Rental & Leasing	278.6	-20.9	6	-7.0%	\$71.2k
Professional, Scientific & Technical Services	1,268.6	-59.8	9	-4.5%	\$126.8k
Management of Companies & Enterprises	238.2	-18.3	5	-7.1%	\$135.1k
Administrative & Support & Waste Services	959.8	-157.9	18	-14.1%	\$47.3k
Educational Services	366.8	-30.9	8	-7.8%	\$56.0k
Health Care	1,434.0	-136.3	15	-5.7%	\$69.6k
Social Assistance	762.1	-69.2	11	-8.3%	\$20.9k
Arts, Entertainment & Recreation	177.3	-151.6	17	-46.1%	\$60.0k
Accommodation	130.3	-104.5	13	-44.5%	\$39.7k
Food Services	791.0	-677.6	21	-46.1%	\$24.1k
Other Services	412.4	-163.1	19	-28.3%	\$41.9k
Government	2,573.9	-71.6	12	-2.7%	\$72.0k
<b>Total Nonfarm</b>	15,060.6	-2,291.5		-13.2%	
<b>Total Wage &amp; Salary</b>	15,374.9	-2,386.3		-13.4%	

Figure Source: California Employment Development Department; Wages based on most recent Quarterly Census of Employment & Wages

### Unemployment Rates by Region (not seasonally adjusted)

Regions with jobs providing greater telework options—both due to the nature of the jobs and under the state’s regulations—including the Bay Area, Orange County, and Sacramento saw somewhat lower unemployment rates. Regions with higher concentrations of blue collar and lower wage jobs including the Central Valley and Los Angeles had much higher rates.

<i>California</i>	<i>16.1</i>
Bay Area	13.1
Orange County	13.8
Sacramento	14.2
Inland Empire	14.4
Upstate California	15.5
San Diego/Imperial	15.6
Central Sierra	15.9
Central Coast	17.7
Central Valley	17.8
Los Angeles	19.6

*Figure Source: California Employment Development Department*

### Unemployment Rates by Legislative District (not seasonally adjusted)

Lowest	CD18 (Eshoo-D)	10.0	SD13 (Hill-D)	10.4	AD16 (Bauer-Kahan-D)	9.9
	CD17 (Khanna-D)	11.3	SD36 (Bates-R)	12.1	AD28 (Low-D)	10.1
	CD12 (Pelosi-D)	11.9	SD10 (Wieckowski-D)	12.2	AD24 (Berman-D)	10.4
	CD49 (Levin-D)	11.9	SD39 (Atkins-D)	12.5	AD22 (Mullin-D)	10.5
	CD15 (Swalwell-D)	12.0	SD15 (Beall-D)	12.5	AD25 (Chu-D)	11.2
	CD52 (Peters-D)	12.2	SD11 (Wiener-D)	12.9	AD78 (Gloria-D)	11.8
	CD14 (Speier-D)	12.6	SD37 (Moorlach-R)	13.0	AD73 (Brough-R)	11.9
	CD48 (Rouda-D)	12.8	SD07 (Glazer-D)	13.4	AD06 (Kiley-R)	12.1
	CD31 (Aguilar-D)	13.0	SD01 (Dahle-R)	13.8	AD77 (Maienschein-R)	12.2
	CD45 (Porter-D)	13.1	SD23 (Morrell-D)	13.9	AD75 (Waldron-R)	12.2
Highest	CD28 (Schiff-D)	20.3	SD22 (Rubio-D)	18.7	AD62 (Burke-D)	21.0
	CD32 (Napolitano-D)	20.3	SD12 (Caballero-D)	19.0	AD32 (Salas-D)	21.2
	CD37 (Bass-D)	20.5	SD21 (Wilk-R)	20.3	AD56 (Garcia-D)	21.3
	CD21 (Cox-D)	20.5	SD18 (Hertzberg-D)	21.3	AD80 (Gonzalez-D)	21.9
	CD29 (Cardenas-D)	21.2	SD40 (Hueso-D)	22.0	AD46 (Nazarian-D)	23.2
	CD43 (Waters-D)	21.5	SD14 (Hurtado-D)	22.1	AD36 (Lackey-R)	23.4
	CD34 (Gomez-D)	21.8	SD24 (Durazo-D)	22.3	AD63 (Rendon-D)	24.5
	CD40 (Roybal-Allard-D)	23.5	SD33 (Gonzalez-D)	22.8	AD51 (Carrillo-D)	24.9
	CD51 (Vargas-D)	23.8	SD30 (Mitchell-D)	22.8	AD64 (Gipson-D)	25.2
	CD44 (Barragan-D)	26.1	SD35 (Bradford-D)	23.1	AD59 (Jones-Sawyer-D)	25.9

### How Far Back Has the Economy in Each County Been Pushed?

As an indication of the severity of the current economic downturn, the following chart illustrates how much economic ground each county has lost using employment levels as the measure. Based on annual averages, the chart below indicates the last year each county saw the April employment numbers. Because the current series only goes back to 1990 for most counties, several of the entries indicate "Before 1990." Los Angeles County, which is the exception, last saw the April 2020 employment levels in the first half of 1986.

County	Last Year Employment Equal to or Less Than April
Alameda County	2009
Alpine County	2010
Amador County	1999
Butte County	1999
Calaveras County	2013
Colusa County	2017
Contra Costa County	1998
Del Norte County	1993
El Dorado County	1998
Fresno County	2014
Glenn County	1999
Humboldt County	2009
Imperial County	2005
Inyo County	1999
Kern County	2010
Kings County	2011
Lake County	2009
Lassen County	Before 1990
Los Angeles County	1986
Madera County	2015
Marin County	Before 1990
Mariposa County	2017
Mendocino County	Before 1990
Merced County	2012
Modoc County	Before 1990
Mono County	1999
Monterey County	1999
Napa County	2011
Nevada County	1997
Orange County	1997
Placer County	2010
Plumas County	Before 1990
Riverside County	2014
Sacramento County	2000
San Benito County	2012
San Bernardino County	2014
San Diego County	2000
San Francisco County	2013
San Joaquin County	2011
San Luis Obispo County	2000
San Mateo County	2012

Santa Barbara County	2011
Santa Clara County	2012
Santa Cruz County	Before 1990
Shasta County	1991
Sierra County	Before 1990
Siskiyou County	Before 1990
Solano County	1998
Sonoma County	1992
Stanislaus County	2011
Sutter County	2014
Tehama County	2012
Trinity County	Before 1990
Tulare County	2011
Tuolumne County	1999
Ventura County	1997
Yolo County	2009
Yuba County	2016

### MSAs with the Worst Unemployment Rates

Of the 20 Metropolitan Statistical Areas (MSAs) with the worst unemployment rates in March 2019, 12 are in California. The unemployment rates and rankings shown below are from March when enforced closures were just beginning. The April numbers will provide a more complete picture.

MSA	Unemp.	Rank (out of 389)
El Centro MSA	20.5%	389
Visalia-Porterville MSA	14.5%	387
Merced MSA	12.9%	386
Hanford-Corcoran MSA	12.3%	385
Bakersfield MSA	12.0%	384
Salinas MSA	11.8%	383
Fresno MSA	10.8%	381
Madera MSA	10.5%	380
Yuba City MSA	10.0%	379
Modesto MSA	8.3%	376
Stockton-Lodi MSA	8.3%	376
Santa Cruz-Watsonville MSA	7.9%	375

Figure Source: US Bureau of Labor Statistics,  
March 2020 data