

CALIFORNIA BUDGET PROJECT

# California's Economic Outlook and Implications for State Policy

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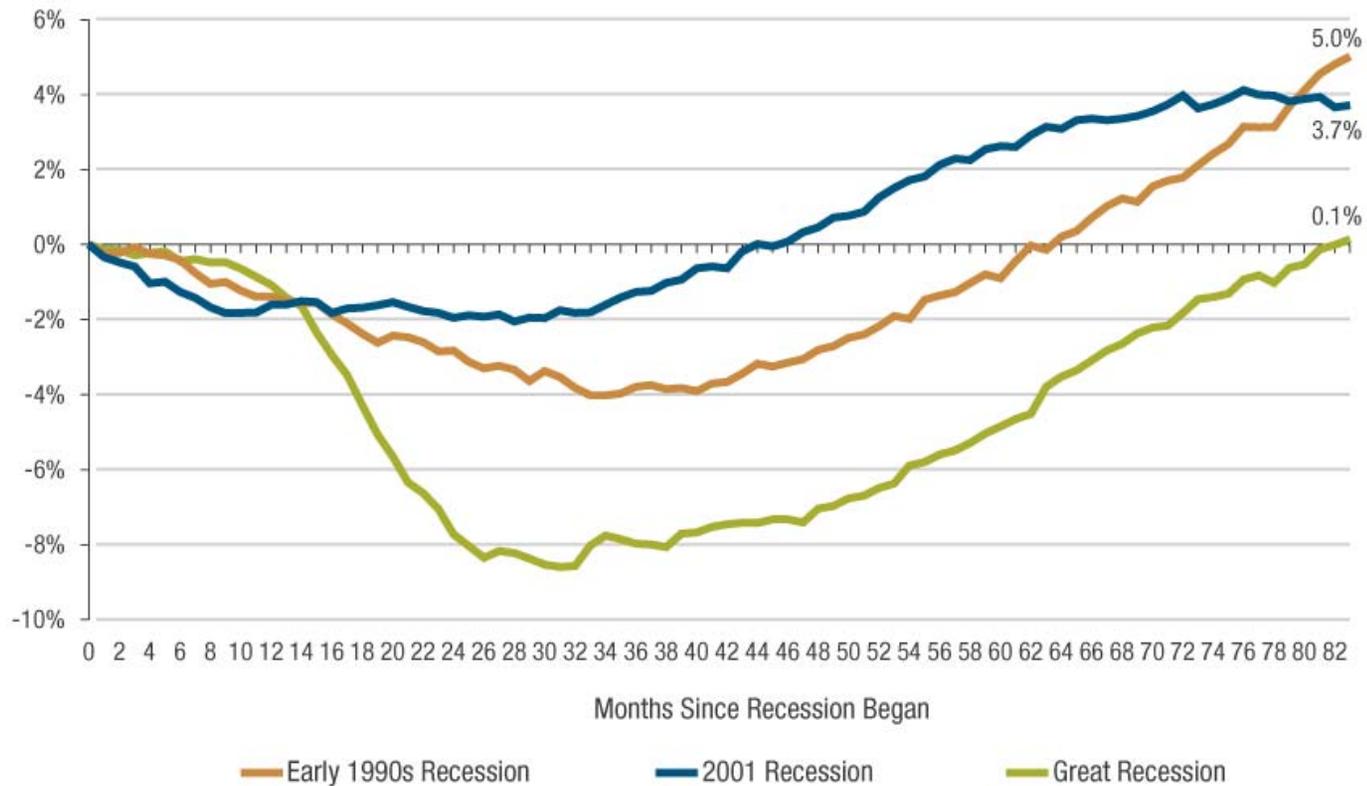
THE CALIFORNIA BUDGET PROJECT  
January 2015



# Current Economic Recovery: Slow and Uneven Improvement Following Steep Downturn

# Figure 1: California Took Much Longer to Regain the Number of Jobs Lost in the Great Recession, Compared to Other Recent Downturns

Percent Change in Total Nonfarm Jobs Since Recession Began

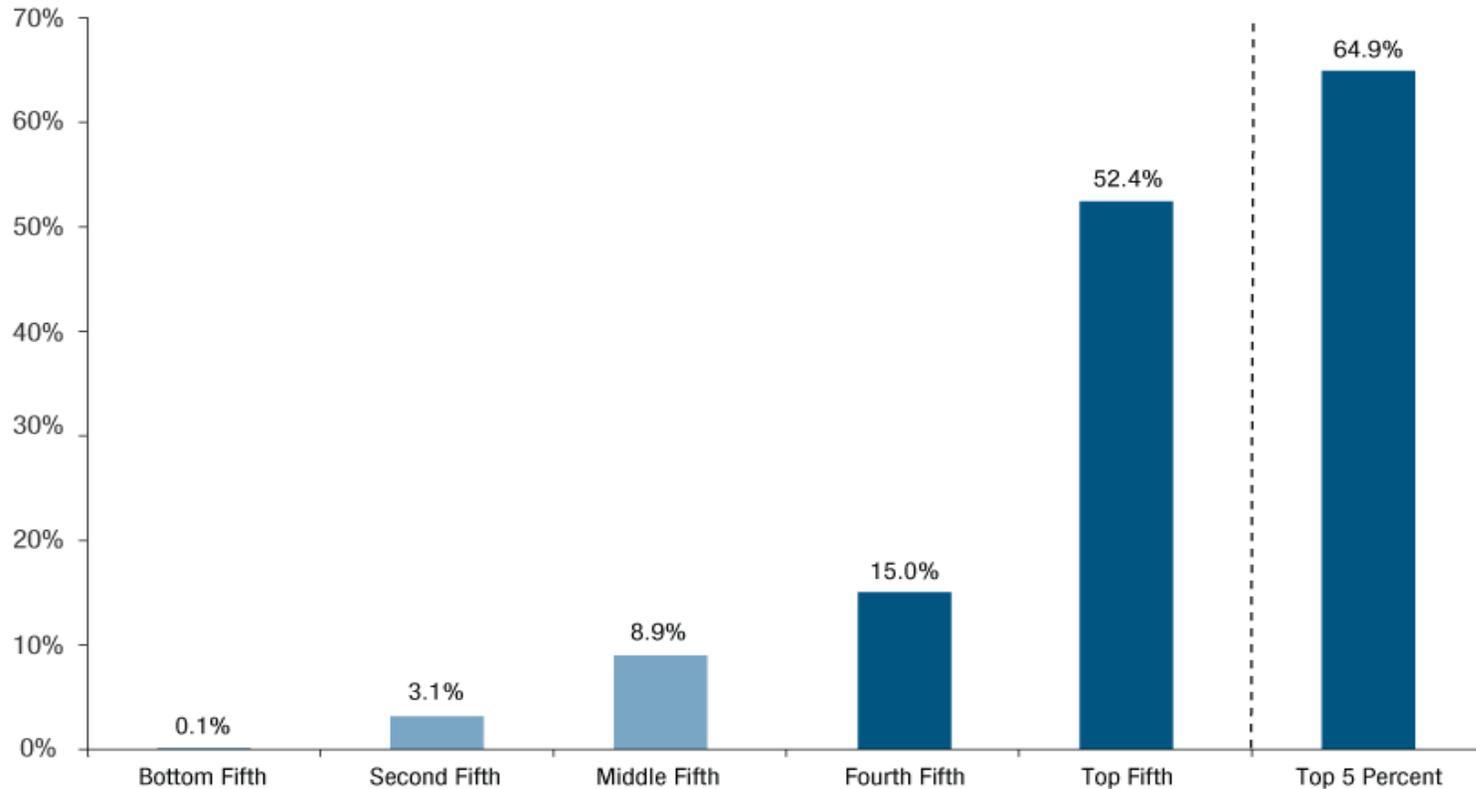


# California's Economic Outlook Is Improving

- California's current unemployment rate: 7.2%
- Department of Finance: Unemployment rate to reach an average 6.6% in 2015, 6.2% in 2016.
- Context: The highest annual average unemployment rate in previous economic downturn (2001 recession) was 6.8 percent, so we are still enduring labor market weakness despite substantial improvement.

# Recent Income Gains Have Largely Bypassed Low- and Middle-Income Californians

Percentage of Income Lost Between 2007 and 2012 That Was Regained in 2013 for the Average Household in Each Income Group (2013 Dollars)



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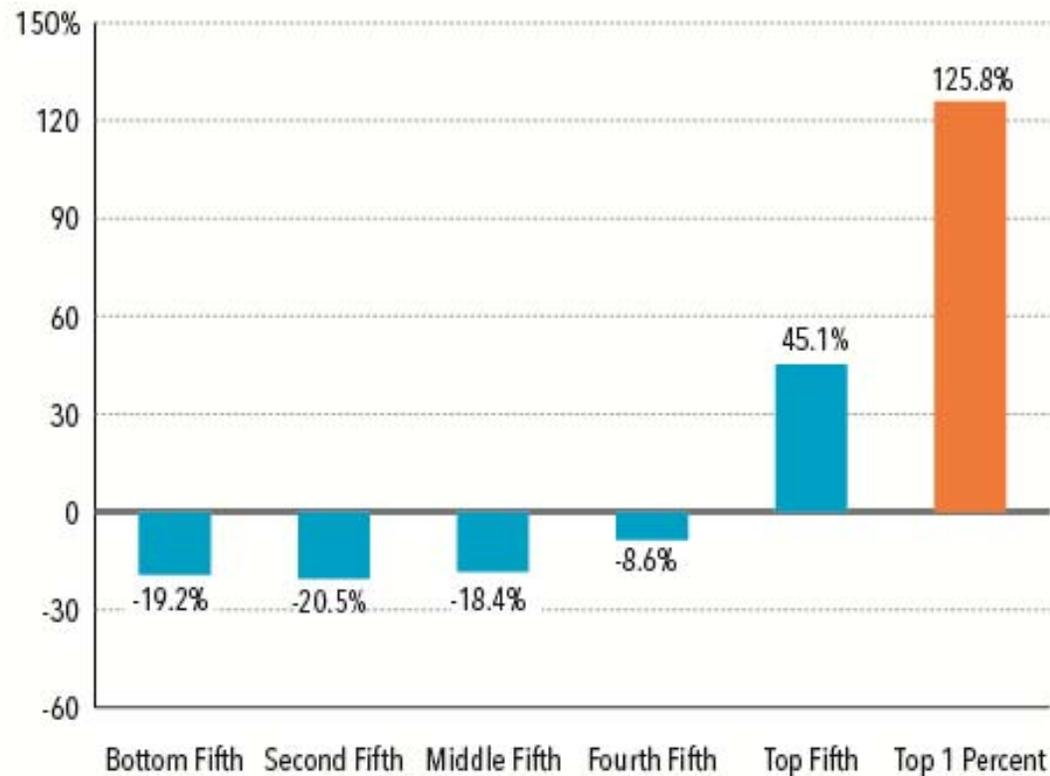
Source: CBP analysis of US Census Bureau data



# The Current Recovery Continues Long-Run Trend of Widening Economic Inequality

## Only California's Wealthiest Saw Increases in Average Income Over the Last Generation

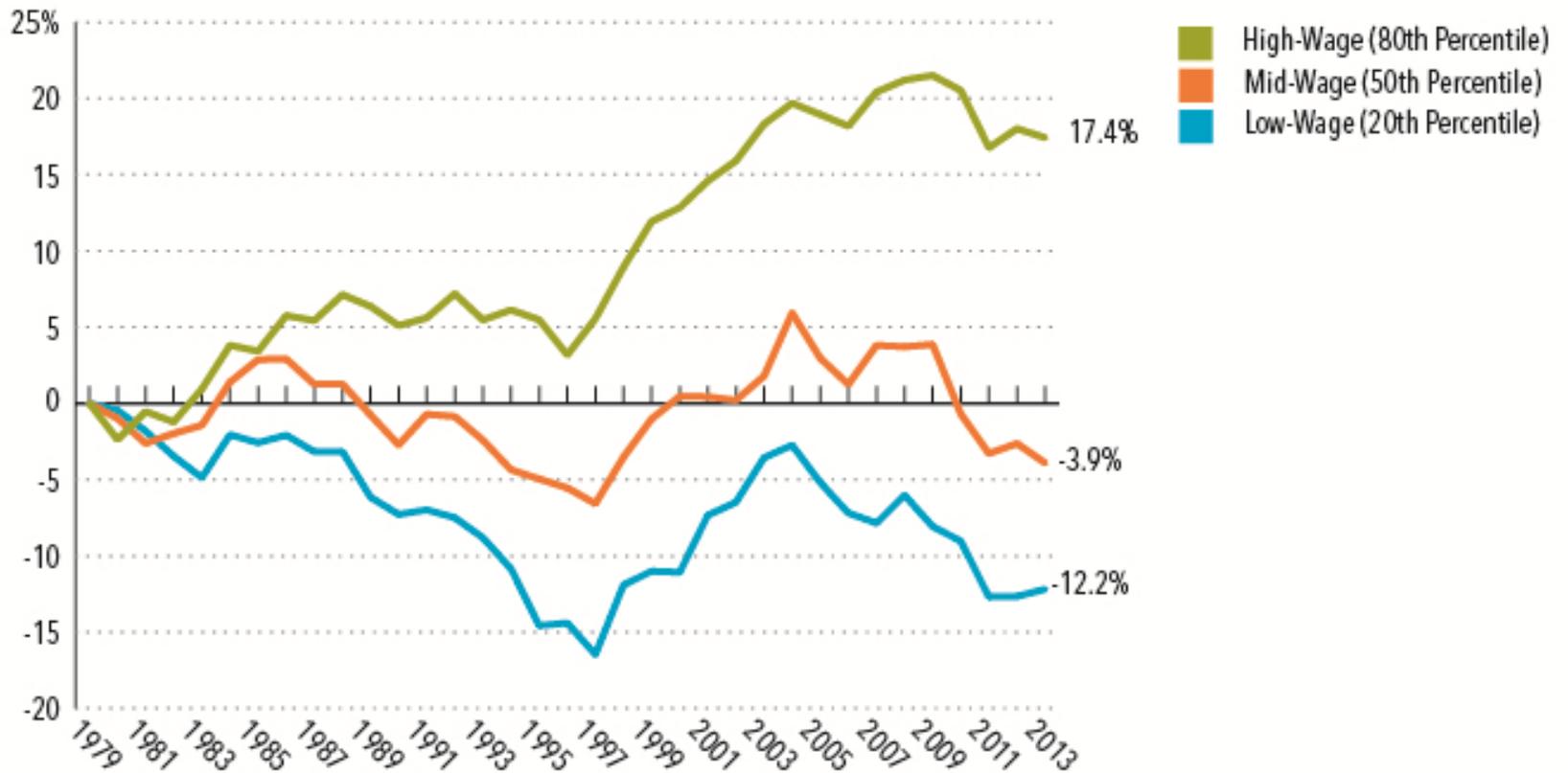
Percent Change in Average Adjusted Gross Income, 1987-2012 (2012 Dollars)



Source: Franchise Tax Board

# Wages for California's Low- and Mid-Wage Workers Have Eroded Over the Last Three Decades

Percent Change in Inflation-Adjusted Hourly Wages Since 1979 (2013 Dollars)



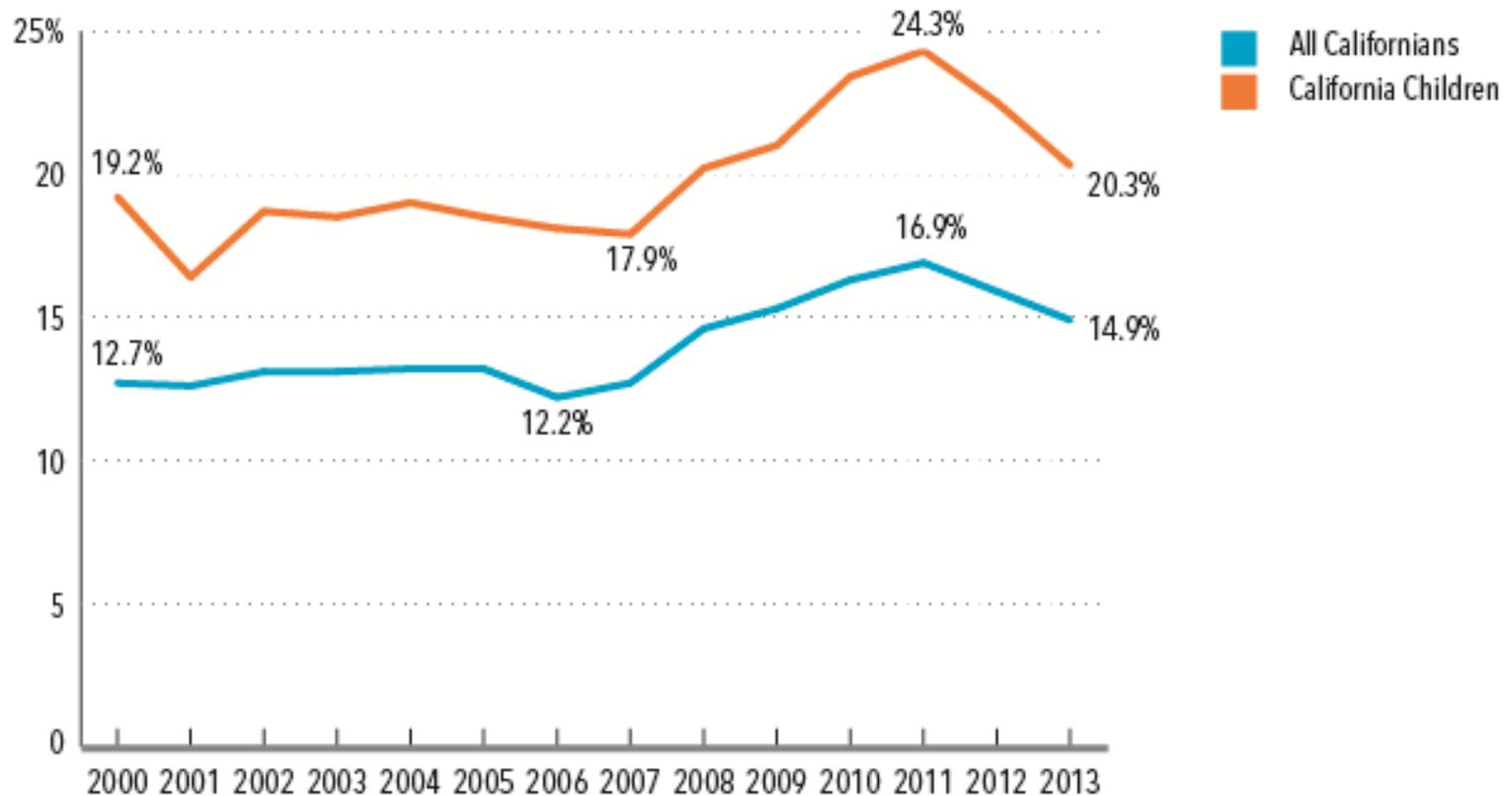
Source: CBP analysis of US Census Bureau data



# Poverty Remains a Persistent Challenge

# One in Seven Californians and One in Five California Children Lived in Poverty in 2013

Percentage of Californians With Incomes Below the Federal Poverty Line



Source: US Census Bureau

# Most families in poverty are working



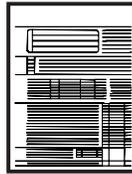
**Two in Three** California Families  
Living in Poverty Have Jobs

# California Policymakers Can Help

Raise California's  
Minimum Wage  
Further and Index  
It to Inflation



Create a State  
Earned Income  
Tax Credit (EITC)



Reinvest in Core  
Public Supports,  
Such as Child Care





Strong state programs that invest in children and reduce inequality provide a foundation for families' financial stability. Improved economic security and opportunity for families broadens the base of the state's economic recovery.



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