California’s Dual Jobs Challenges
The latest jobs report for California holds both promise and challenges for the near-term. In an economy made uncertain by the Delta variant, California added jobs at a faster clip than the nation. But the unemployment rate itself barely budged. Over 1.4 million Californians remain unemployed as of mid-August, and pandemic unemployment benefits expired on September 4th.

Unemployment is furthest from pre-pandemic levels in Los Angeles County, where it is 4.7 percentage points higher than in August 2019. Rates are also 3 or more percentage points higher in several southern California counties (San Bernardino, Orange, and San Diego) and northern California counties (Solano, Contra Costa, Alameda, Sacramento, and Alpine), roughly similar to the overall difference statewide.

Overall unemployment for the state has changed only slightly, from 7.6 to 7.5 in August. While returning to pre-pandemic rates is necessary for recovery, addressing regional disparities is central to counteracting long-term inequality. So far, the recovery has made little progress on that front. Imperial County actually has a lower unemployment rate than
pre-pandemic—the only California county where that is true—despite having the highest rate in the state. And more broadly, unemployment rates are nearly double in inland California relative to some coastal areas—especially the Bay Area and Central Coast.

Today’s labor market faces two challenges: how to increase employment among the unemployed and how to bring back those who left the labor force. In August, California made progress almost entirely on the latter—nearly all employment growth came from people returning to the labor market, and very little from a drop in unemployment. Though the unemployment rate did not change, workers returning to the labor force is a good sign.

Nearly all July employment growth also came from labor force re-entry, reversing trends from spring 2021. At the depth of the recession, the labor force had fallen by about 1 million workers, but as of August, about half of that gap has been closed. While factors like retiring older workers and young workers entering the workforce change the size of the labor force, the pandemic created new pressures—like health, child care, and shifts in workforce needs—that portend challenges for the economy if they persist.

These new pressures also directly affect unemployment. As it stands, about 30% more workers, or 600,000, remain unemployed today than before the pandemic. The largest number last worked in accommodations and food service or in retail sectors (over 150,000 unemployed in each), based on June–August data. Furthermore, unemployment in these sectors has stayed above pre-pandemic rates.
and workers are most likely to have been unemployed for a year or more.

Despite these struggles, there are reasons to be cautiously optimistic about the outlook for the months ahead. California has the lowest coronavirus transmission rate of any state, and as public schools reopen, parents who left the labor force may be able to return.

However, the expiration of pandemic unemployment benefits may hamper well-being for those who remain unemployed without decreasing unemployment, based on preliminary evidence from states that ended benefits earlier in the year. Given a job market that continues to improve slowly, and the many pandemic-related barriers to full recovery, state and federal policy to fill gaps for households and communities most impacted remains critical.
California Is Inching toward a Jobs Recovery
Income Inequality and Economic Opportunity in California

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