

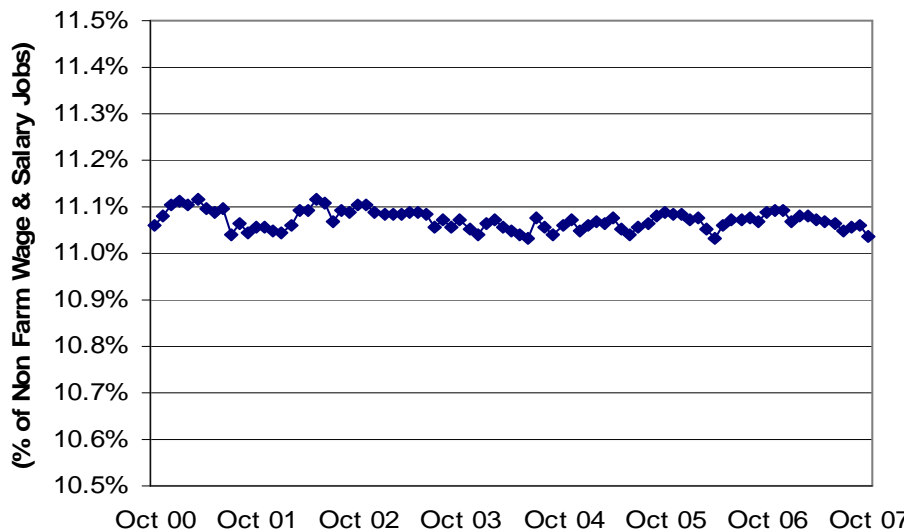
Is California No Longer a High Job Growth State?

2008 promises to be another year of policy challenges for California. State and local government budgets face slowing revenue growth. California is still debating major policy changes in water, health care, prisons and 2008 was expected to be the “year of education”. Moreover, 2008 is the first year that baby boomers can retire and collect Social Security and 2008 starts a two-decade tidal wave of retirements with implications for the state’s workforce and economy.

CCSCE will take a fresh look at California’s long-term economic outlook culminating in the publication of the 2008 edition of *California Economic Growth* in midyear.

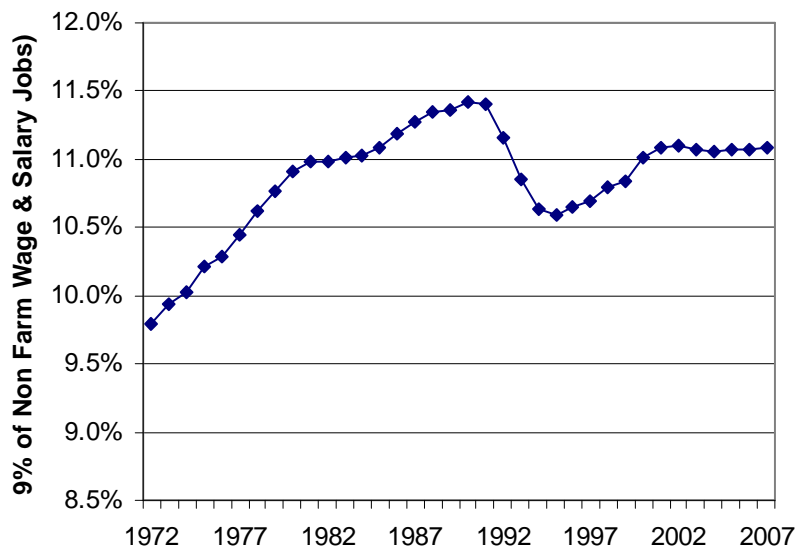
For the past 7 years, California has captured between 11.0% and 11.1% of the nation’s non-farm wage and salary jobs. The state’s job growth has kept pace with the national average through the dot-com bust and recovery, through periods of slow national growth and strong national growth and through strong and weak years for California’s housing market.

California Share of U.S. Jobs



For nearly all of the past 60 years, California’s job growth has outpaced the national average. California has always recorded above-average growth when the national economy was expanding, which is why the “average” job growth of the past seven years is so unusual. The only period of below average job growth in California was in the early 90s’ when aerospace and construction job losses led to a long recession.

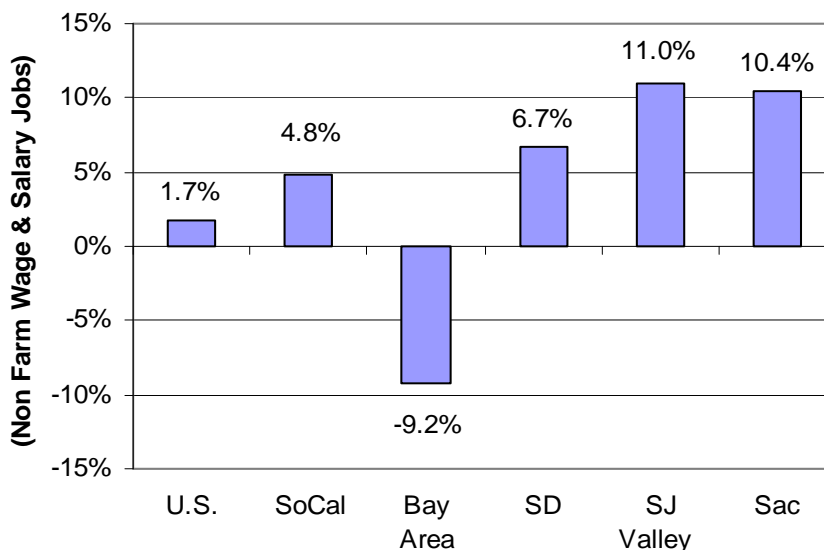
California Share of U.S. Jobs



CCSCE expected that California’s share of U.S. jobs would continue the upward trend of the late 1990s’. California’s economic base is concentrated in high-wage, high-growth sectors yet the state’s job growth since 2000 has been only average.

Between 2000 and 2005 **all regions of California except the Bay Area posted above-average job growth**. This was the evidence available in CCSCE’s last long-term economic update. When the Bay Area economy started to grow as it was doing at the time, CCSCE expected that California’s above-average job growth rates would return. In short, our “average” growth rates were the result of the dot-com bust and nothing to worry about long term.

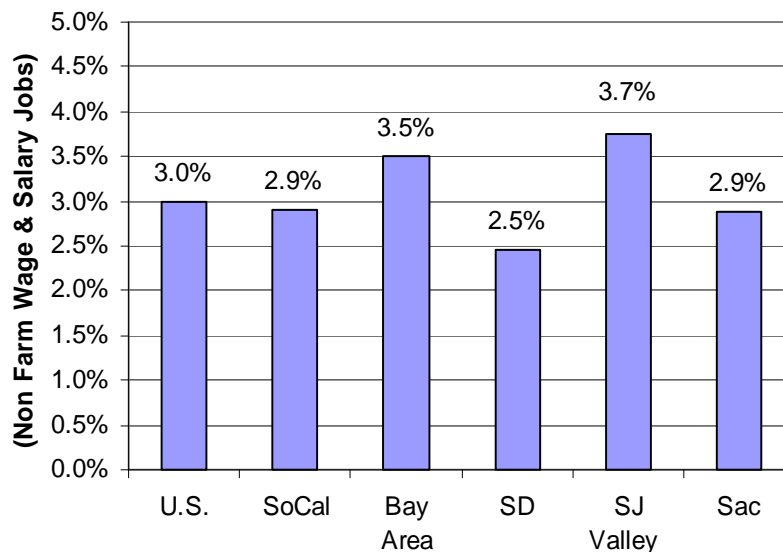
Job Growth Oct 2000-Oct 2005



However, job data for the past two years show that California remains an “average” job growth state despite the resurgence of job gains in the Bay Area. Recently only the Bay Area and San Joaquin Valley regions posted job growth rates above the national average. The Southern California, San Diego and Sacramento regions grew slightly more slowly than the nation after five years of outpacing the nation in job growth.

California continued to post average job growth after 2005 despite the dramatically different regional composition of growth compared to the 2000-2005 period. These recent trends raise the question of whether the state has entered a new period of slower job growth, which will be accompanied by slower population and household growth.

Job Growth Oct 2005-Oct 2007



The U.S. Bureau of Labor Statistics released new national ten-year projections in December. CCSCE will analyze the new national trends as part of examining the outlook for job, population, household and income growth in the next ten years.

Meanwhile, state policy leaders should take note of the “average” performance of California’s job market over the past 7 years and not automatically assume that the state will outperform the nation in the coming decade.

At the very least, California will need 1) a further correction in housing prices to restore some measure of affordability, 2) a continuation of recent increases in infrastructure development and 3) an end to the budget gridlock in order to lay the foundation for a competitive California economy. As CCSCE has written for the past decade, California needs to be a great place to both work **and** live as the cornerstone of state competitiveness. **The difficulty as always is in getting agreement on how to make the state a great place to live and work.**