Economic Update: The Full Employment Economy

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Unemployment Rates: U.S. and California

The California and U.S. unemployment rates are both hovering at levels economists typically associate with "full employment", or that place in the labor market where labor supply is in balance with labor demand.

Even though there was an exceptionally large surge of people into the California labor force in recent months…

…California's economy was able to provide employment for most of these entrants– as evidenced by the relative stability in the number of unemployed.

Labor Force Participation Rates and Employment-to-Population Ratios by Age, December 2016.

Change in California labor force participation rates and employment-to-population ratios by age over the last decade…

…and over the last two to three years.

Youths, and more particularly teens, have experienced the greatest improvement in participation and employment in the latter half of the economic expansion. Note that teens especially tend to be the least experienced and educated segment of the population with limitations on when and how much they can work. It has taken while, but the economy is now benefitting groups who tend to be more marginally attached to the labor force.

Total Nonfarm Jobs in California and the United States, December 2016.

Both the California and U.S. employment expansions turned 82 months (nearly seven years) old in December. From the recessionary low in in February 2010 through December 2016, California gained 2,420,100 jobs (17.1 percent) and the nation added and the nation gained 15.6 million (12.0 percent). The job growth trend shows no sign of abating.

Year-Over December Changes in California and U.S. Nonfarm Jobs.

While there appears to be some slowing in the rate of job growth both in California and the nation, one wouldn't necessarily expect a full employment economy to grow as quickly as recovering economy driven by pent up demand.

Year-Over Changes in U.S. Nonfarm Jobs
December 2016; Seasonally Adjusted Data
Year-Over Job Change (Thousands)
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2,149; 1.6%
2,311; 1.7%
3,015; 2.2%
2,744; 2.0%
2,157; 1.5%
Dec 12
Dec 13
Dec 14
Dec 15
Dec 16

Month-Over Changes in U.S. Nonfarm Jobs
December 2016; Seasonally Adjusted Data
Thousands of Jobs
350
300
250
200
150
100
50
0
271
168
233
186
144
24
271
252
176
208
135
204
156
Dec 15
Jan 16
Feb 16
Mar 16
Apr 16
May 16
Jun 16
Jul 16
Aug 16
Sep 16
Oct 16
Nov 16
Dec 16

What Could Possibly Go Wrong?

Do economic expansions have a life expectancy?

Changes in California Industry Sector Jobs Over the Course of the February 2010 through December 2016 Economic Expansion

Year-Over Changes in California Industry Sector Jobs, December 2016.

Year-Over Changes in California Industry Sector Jobs, June 2016.

What Could Possibly Go Wrong?

Is California's high technology bloom beginning to fade? How the year-over changes in California industry sector jobs changed from June to December.

What Could Possibly Go Wrong?

California and its economy would appear to have more to lose than most states if some of the drastic policy changes being discussed are in fact implemented (and there seems little reason to think they won't be at this point in time):

➔ Climate change policy: California is committed to clean energy policies.

➔ Outright repeal of the Affordable Care Act without a policy to replace it. Disruptive everywhere, but California has the largest population of any state in the nation.

➔ Trade policy and possible trade wars. California's international trade sector is oriented mostly to Asia and Mexico.

➔ Highly restrictive or even draconian immigration policies. California has a higher proportion of foreign-born residents than any other state. Silicon Valley's business plans and workforce are global.

Foreign-Born Californians in 2015

- According to the American Community Survey, there were 10.7 million Californians who were foreign-born in 2015, making up one-quarter (27.3 percent) of California's population.
- There were 43.1 million foreign-born Americans were foreign-born in 2015, making up 13.4 percent of the U.S. population.
- One out of every four foreign-born Americans resided in California in 2015. Just 11.5 percent of Americans not residing in California was foreign-born in 2015.
- California's foreign-born population is more or less equally divided between naturalized citizens and non-citizens.
- California's foreign-born are not children.

Foreign-Born as Share of Total Population by State: 2015 American Community Survey

Foreign-Born Californians of Working Age (16 and Over)

- Half (49.8 percent) of foreign-born Californians were from Mexico or Central America. California's Mexican-born population totaled nearly 4.0 million, comprising more than two-fifths of all foreign-born.
- Over one-third (37.3 percent) were from Asia, including the Middle East. Three out of every 10 Asian-born Americans resided in California in 2015.
- One in 15 (6.6 percent) was from Europe.

Like the continent itself, California's Asian-born population is diverse.

➔ Immigration to California from Asia has risen over time.
➔ Immigration from Central America is shifting to Central American countries and southern Mexico.

Educational Attainment by Origin in California, 2015

Educational Attainment by Origin in California, 2015 (Continued).

Educational Attainment in California by Region of Origin (Age 25 and Over) in 2015
Share of Population With a Bachelor's Degree or Higher
(12-Month Average of Current Population Survey Data

Native-Born Americans	37.3%		
Africa	54.5%	**Europe**	49.1%
		Other Americas	
Asia		(incl. Canada, West Indies)	43.4%
India	79.1%		
Iran	65.8%	**Central America**	
Korea	62.1%	Mexico	6.7%
China/Hong Kong/ Taiwan	56.3%	Other Central America	10.5%
Japan	55.4%		
Philippines	49.4%	**Second Generation Central Americans**	
Other Asia (Central, Middle East)	45.1%	Mexico	~17%
Vietnam/SE Asia	34.0%	Other Central America	21-24%

Observations

- Educational attainment patterns carry forward into the type of work people do, with B.A. or higher holders tending to be disproportionately represented in professional and technical/scientific fields, and those who have not completed high school tending to cluster in low paying, low-wage, or manual labor jobs.

- Having to cross an ocean is a large and expensive barrier to entry in America and would appear to strongly influence who immigrates to America. Only Central Americans (and Canadians) have a viable land bridge to America. The rest of the world has to cross an ocean.

- While Central American immigrants tend to have very low educational attainment, their American-born children whose mother or father was foreign-born exhibit higher educational attainment.

- While the data might suggest that Central American immigrants tend to be economic refugees, the situation is more complex. Immigrants to California, both documented and otherwise, presumably respond to opportunity and demand for their labor. Moreover, many Central American countries are racked with gang or drug violence creating a pool of non-economic refugees also.