

# Jobs, Green Jobs and Recovery

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“Jobs, Jobs, Jobs<sup>1</sup>,” is the not so surprising mantra of the day. California alone has lost over one million jobs in the course of this recession. And as it turns out, the job losses in California exceeded our original thoughts. On March 5, the annual California Employment Development Department (EDD) benchmark revisions to the employment survey data were released. Compared to the first EDD estimates, the revised total employment and payroll employment figures were too high by 100,000 and 300,000 jobs, respectively.

Although the revised estimates show job loss continuing and California’s unemployment rate going up, this does not tell us much about the end of the recession. Indeed, the end of the recession continues to turn out much as we predicted. California’s unemployment rate continues to increase, local government employment continues its decline and has now been joined by state government contraction, and 2009 personal income, when it is reported, ought to be lower for the entire year.

A recovery in residential construction is always an important part of a California recovery. To date we see no significant increase in construction activity. Residential permits remain stuck at the record low levels they achieved nine months ago. Builders faced with financing difficulties and an uncertain economy appear to be gun shy in spite of low inventory levels along the coast, a falling number of foreclosures, and according to the S&P Case Shiller Home Price Index, a gradual increase in home prices in San Diego, Los Angeles and San Francisco.

But not all is well in California. Keep in mind, there still exists substantial overhang in the Inland Empire, Central Valley, High Desert and Coachella Valley which need to be worked through before the construction industry can turn around. But, at least in the majority of California’s markets, the objective conditions are right for a rebound. All that remains is the financial conduit and expectations that the recovery is more generally taking hold.

## **Will Green Propel California’s Growth Engine?**

President Obama made the claim that the Greening of America will generate five million well-paying new jobs<sup>2</sup> and indeed California is well positioned in the area given the state has been leading with its energy and climate initiatives<sup>3</sup>. If Green is the new Internet then that is important and quite possibly very good news for California.

Just how large is the current size of the California Green Economy? Several recent studies have defined California’s Green industry<sup>4</sup> and the answer lies within the 65,000<sup>5</sup> to 125,000<sup>6</sup> job

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<sup>1</sup> Douglas E. Schoen, “Voters to Democrats: jobs, jobs jobs,” *Wall Street Journal*, February 18, 2010.

Jeff Zeleny, “A Plan to Talk About Jobs Elbowed Aside By Health Care,” *New York Times*, March 2, 2010. Thomas J. Reese S.J. “Jobs, Jobs, Jobs: This Catholic’s View,” *The Washington Post*, February 12, 2010.

<sup>2</sup> Marla Dickerson, “Why Obama’s Green Jobs Program Might Work”, *Los Angeles Times*, January 4, 2009.

<sup>3</sup> <http://www.climatechase.ca.gov> and <http://www.energy.ca.gov>

<sup>4</sup> Commonly, green jobs are in one of four categories; renewable energy generation, transmission and storage (solar, wind, off-shore wind and wave, hydro and geothermal), alternative propulsion (electric, solar and hydrogen fuel cells and vehicles), environmental (air and water pollution cleanup, abatement, and prevention), and efficiency (retrofitting and replacement).

range. While this is a fairly wide range, the studies' estimates of future job growth are much more similar. A comparison of the number of jobs created in the three previous expansions and the forecasts for Green shows that Green is on the lower end of the spectrum.

So where does that leave us? For Green to be that next engine of growth two things need to occur and neither is assured. First, demand conditions need to be right for an explosion of green production. Second, innovation has to drive the relative price down and it has to occur in California. As is typical of new industries the appearance of these two preconditions is somewhat speculative. Private investors are betting that way, the past suggests it is entirely possible, but innovation in a new industry – or in the case of Green, several new industries – tends to have a mind of its own.

### **Recap of the California Forecast**

Despite the recession having officially ended, California's unemployment rate continues to rise, while local governments continue to shed jobs. The outlook for the balance of 2010 is for little or no growth in the state, with the economy picking up speed slightly by the beginning of next year. More normal growth rates for California should be in place by the middle of 2011. The keys to California's recovery are a growing demand for manufactured and agricultural goods from outside the state, the recovery of U.S. consumption, which increased the demand for Asian imports and for products from California's factories, increased public works construction and increased investment in business equipment and software.

The Forecast calls for employment in 2010 to climb but not to exceed levels of 2009. Once employment growth returns in 2011, employment will begin to grow faster than the labor force at a 2.3% rate and the unemployment rate will begin to fall. Real personal income growth is forecast to be 1.3% in 2010 and 3.7% and 4.5% in 2011 and 2012 respectively. The unemployment rate – currently at 12.5% -- will fall slowly through the balance of this year and should average 11.8% for 2010. Though the state's economy will be growing, it won't be generating enough jobs to push the unemployment rate below double-digits until 2012.

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<sup>5</sup> . *Global Insight, Green Jobs In U.S. Metro Areas. The United States Conference of Mayors and the Mayors Climate Protection Center, 2008.*

<sup>6</sup> *The Clean Energy Economy: Repowering Jobs Businesses and Investments Across America, The Pew Charitable Trusts, June 2009.*