



SEIU LOCAL 1000: Focus on the Facts

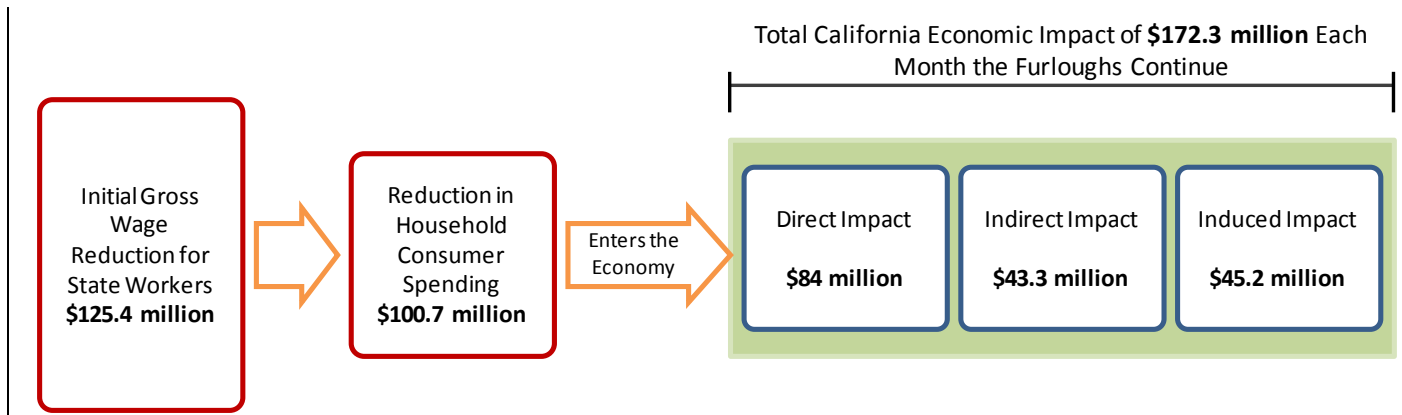
Furloughs continue to drain the California economy of nearly \$172.3 million for each month they continue

Reinstating furloughs for most state employees means continued pain for an economy floundering to right itself. The furloughs trigger a \$172.3 million loss to the California economy for each month they're in effect, \$34.3 million a month for the four-county Sacramento region, home to the highest concentration of state workers.ⁱ

Though the governor's July executive order calls for furloughs for 158,722 employeesⁱⁱ until the budget is passed, the resulting economic devastation is permanent. An estimated 1,059 jobs—waiters, clerks, real estate agents—are lost statewide for each month that furloughs are imposed. In the Sacramento region, which includes Yolo, Placer and El Dorado counties, 302 jobs will disappear as a consequence of each month of furloughs.ⁱⁱⁱ

Government also takes a hit when state workers are furloughed: cutting \$125.4 million^{iv} every month from state-worker's wallets cuts their purchasing ability, which, in turn, shrinks state and local tax revenue by \$12.7 million a month statewide and \$3.5 million in the Sacramento region.^v

Furlough wage losses shrink the economy:



Hardest hit

The most susceptible jobs are in education and health services, those who teach recreation or computer classes, for example, or people who work at blood banks or give speech therapy.^{vi} A particularly vulnerable industry is the

Impacts by Industry for Each Month of Furloughs*	Jobs	Total Monthly Impact (in millions)
Education and Health Services	-216	-\$22.2
Retail Trade	-150	-\$13.5
Leisure and Hospitality	-152	-\$10.6
Professional and Business Services	-123	-\$16.5
Wholesale Trade	-52	-\$10.1
Finance and Insurance	-74	-\$20.8
Real Estate and Rental and Leasing	-61	-\$26.6
Manufacturing	-47	-\$24.1

* Industries match to NAICS 2007 definitions

second hardest hit: retail and hospitality. Reduced furlough spending surely has a forceful effect on dining: 49 cents of every food dollar is spent in a restaurant, according to The National Restaurant Association. The association says that every \$1 spent in California restaurants generates another \$1.34 in the state economy and the state's 1.4 million restaurant jobs equals 10 percent of the California workforce.^{vii}

Endnotes

ⁱ This analysis uses IMPLAN Version 3 with 2007 California county and state datasets. This software is a widely respected tool, used by the U.S. Dept. of Agriculture, U.S. Army Corp of Engineers, Federal Emergency Management Agency, California Energy Commission, Chambers of Commerce, Deloitte & Touche, Ernst & Young, and many other public, private and university institutions.

ⁱⁱ The Governor's Executive Order imposing furloughs excluded employees in Bargaining Units 12, 16, 18, and 19 and eight departments. (link to executive order)

ⁱⁱⁱ The model assumes a constant relationship between Gross Regional Product (GRP), and the output and workforce levels for an area. A decrease (or increase) in economic activity results in a change in workforce and output of a certain magnitude – but the model does not account for the pace at how these actual changes occur. Thus, each month of decreased compensation yields a predicted economic impact which may occur during the same month or may take longer to fully manifest itself.

^{iv} Though media reports cite cost savings for the state, between \$145 to \$150 million, that amount is actually compromised of payroll cuts, plus additional cost savings from non-payment of OASDI/MediCare (7.65 percent of payroll) and deferred CalPERS contributions, which will have to be repaid in a different fiscal year.

^v This estimate includes all fulltime state workers in civil service, except those listed in Endnote ii. Total monthly payroll estimates are from “base pay” figures from SCO 2009 payroll data. State of California, State Controller's Office. Civil Service payroll data, 2009.

^{vi} See Endnote i.

^{vii} National Restaurant Association, “California Restaurant Industry at a Glance,” accessed Aug. 3, 2010, www.restaurant.org