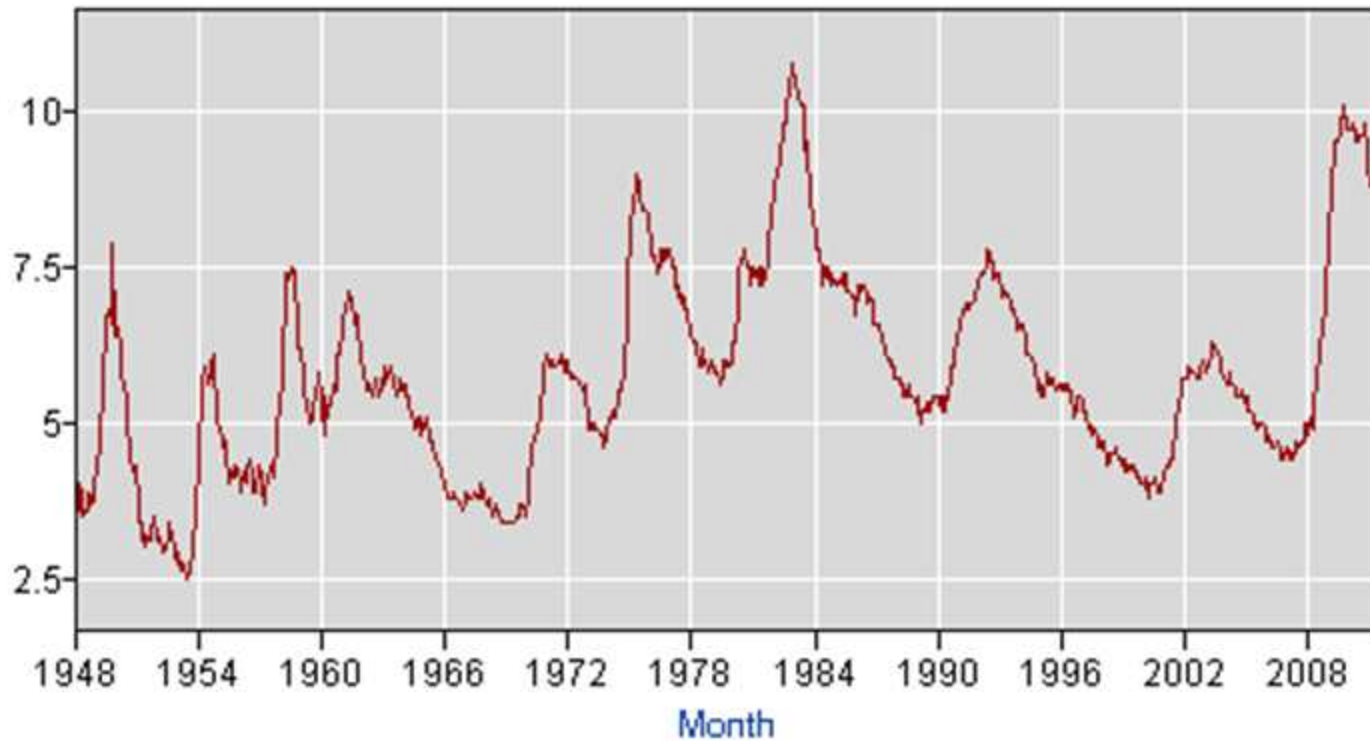


What is the natural unemployment rate?

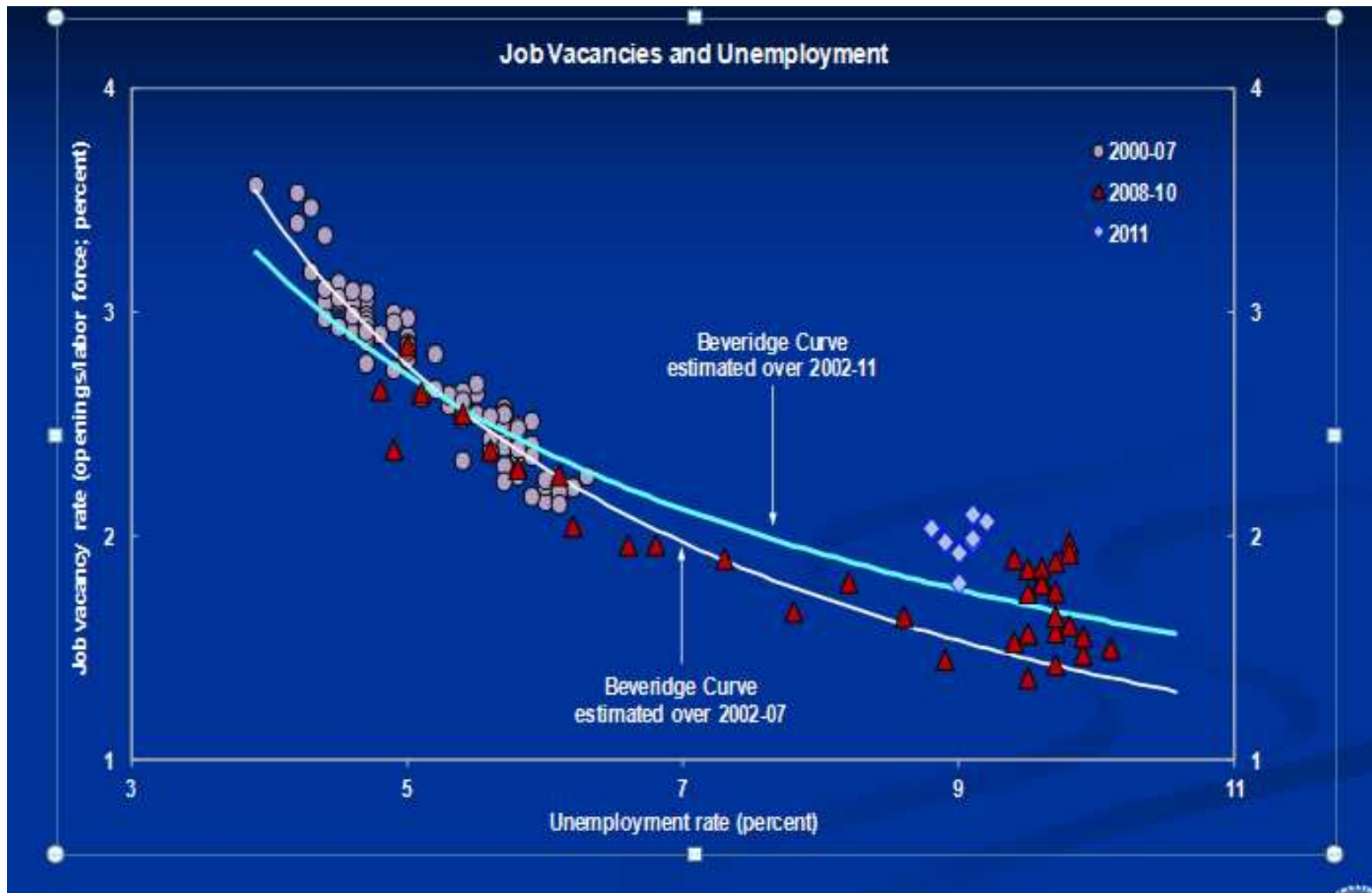
Monthly Unemployment Rates, United States, Jan. 1948- Oct. 2011

Series Id: LNS14000000
Seasonally Adjusted
Series title: (Seas) Unemployment Rate
Labor force status: Unemployment rate
Type of data: Percent or rate
Age: 16 years and over



Has the Beveridge Curve shifted?

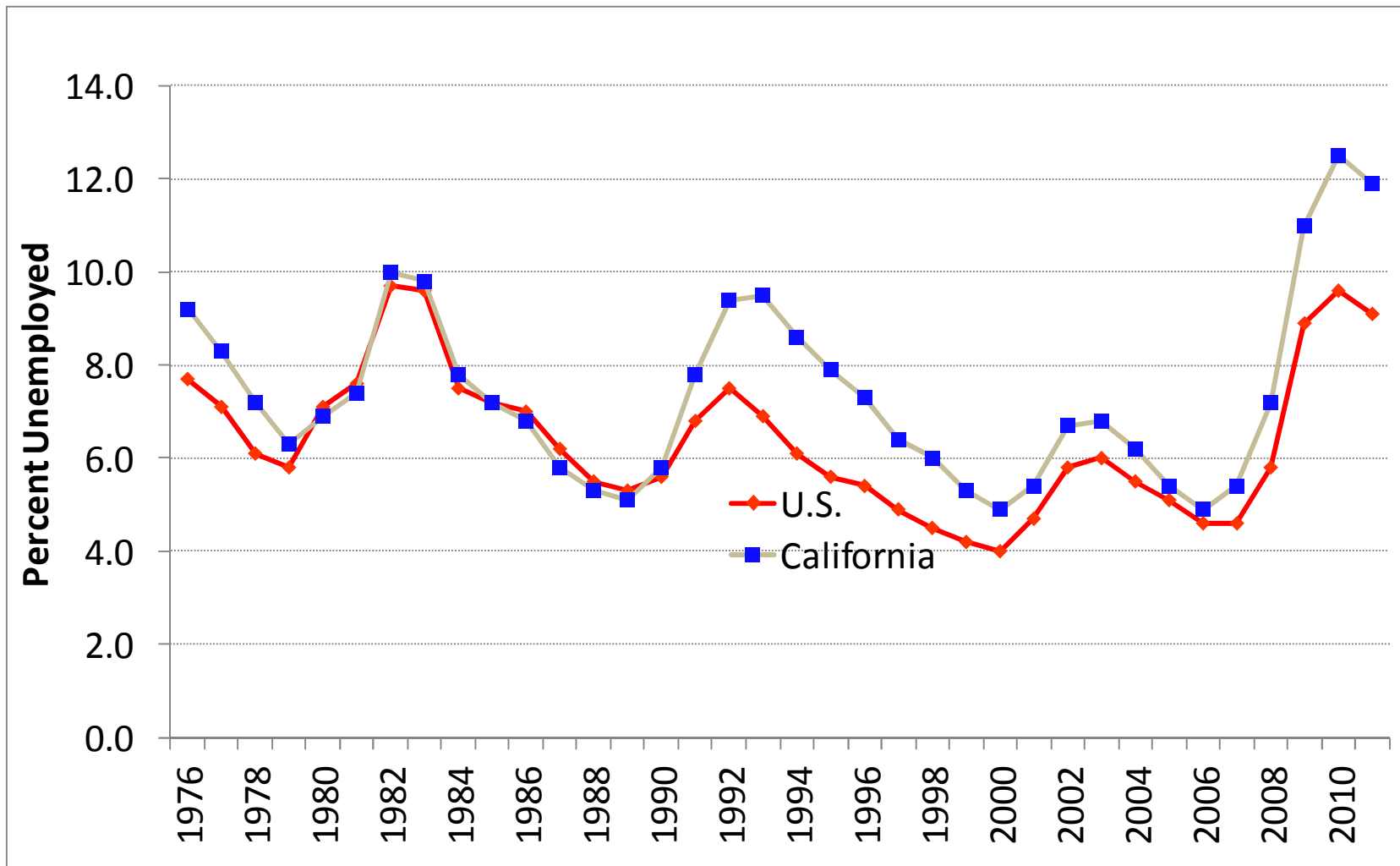
Signs that structural unemployment has gone up



California perspective confirms both the mobility and skills arguments

- Relationship between domestic migration and unemployment rate has shifted
 - In previous downturns, California has experienced massive net out-migration
 - In this downturn, out-migration has been modest
- PPIC projections suggest a growing mismatch between jobs and educational attainment

California and US unemployment rates



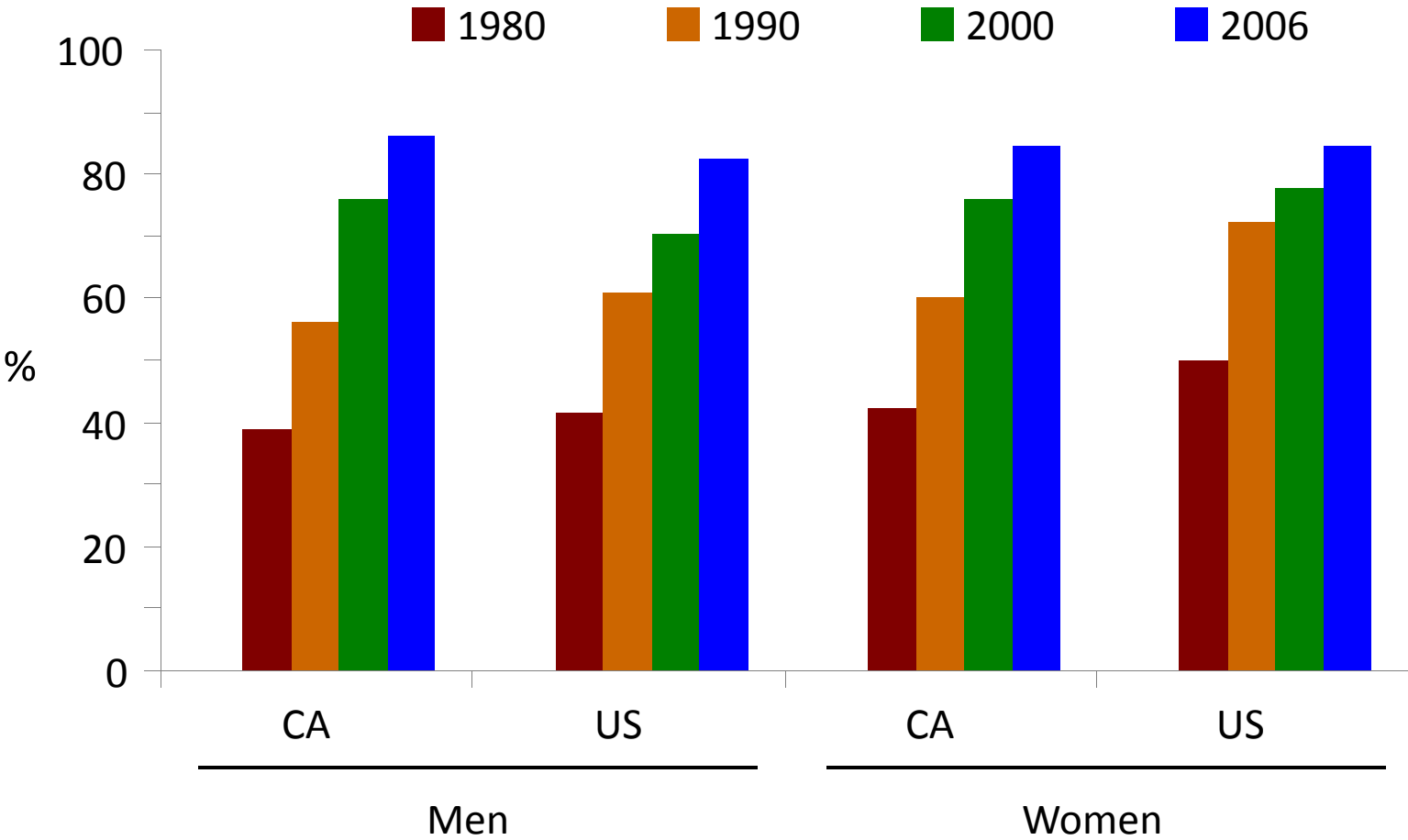
California Faces a Skills Gap

If current trends continue:

- California's economy will demand more highly educated workers
 - By 2025, 41% of jobs will require a bachelor's degree
- Population will not supply enough college graduates to meet projected needs
 - By 2025, 35% of California adults will have a bachelor's degree
- Shortfall of **1 million** college graduates

College Wage Premium Has Increased Since 1980

Percentage Difference in Average Hourly Wage, Worker with a Bachelor's Degree Relative to Worker with a High School Diploma

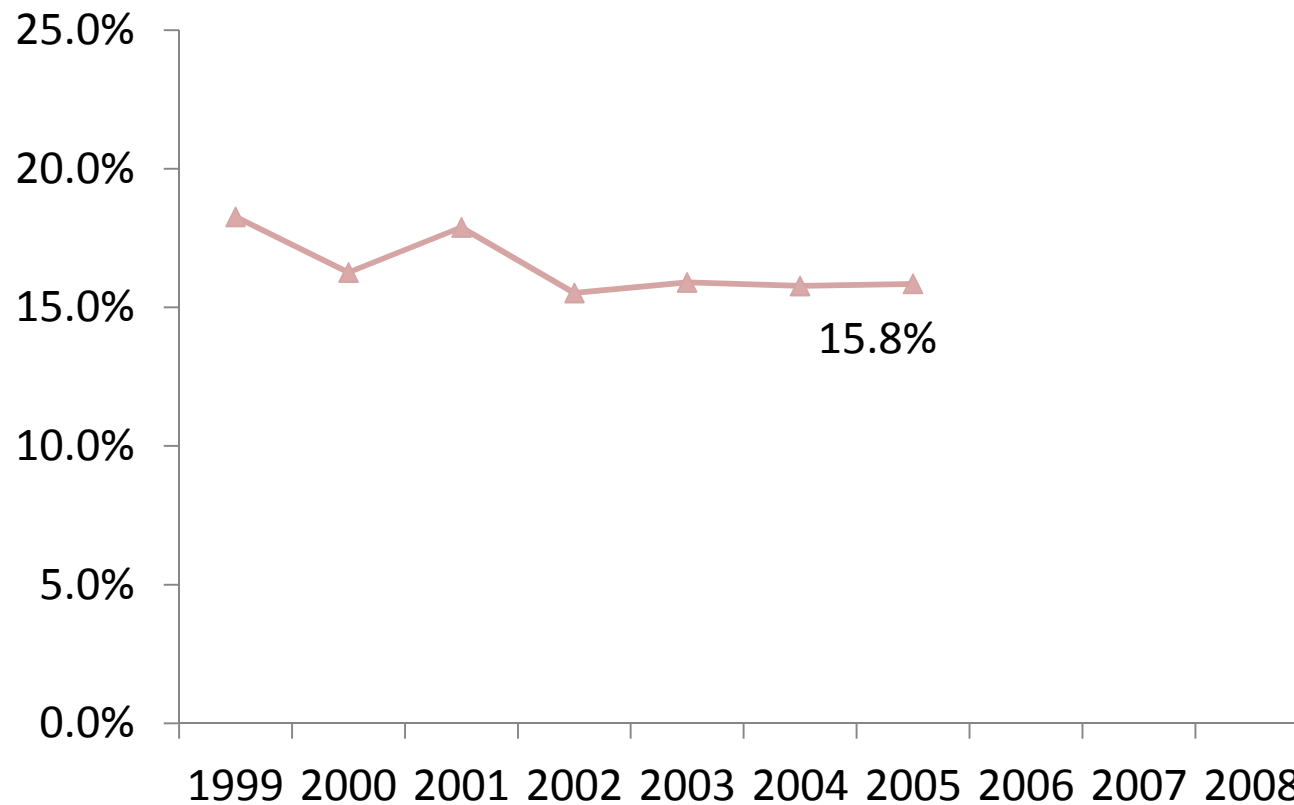


Role of community colleges in addressing workforce skills

- Vast majority of college students are in public community colleges (64% of enrollment in CA)
- But completion rates (certificates, degrees, transfers) are very low
- Reforms are necessary
 - More effective use of data
 - Funding
 - Advising
 - Links with employers and four year colleges
 - Consumer (student) information

One example of what works: Early college commitment programs

Sweetwater Union:
Share of high school graduates enrolling in a four-year college



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