

Factcheck on Jobs December 2009

This recent economic downturn has focused attention on **job** creation. The California High Speed Rail Authority has generated a lot of excitement with the promise of creating jobs, lots and lots and lots of jobs.

The claim: [more than 600,000 new construction-related jobs will be needed to build the system.](#)

Conclusion: Unless a very odd definition of "job" is being used, High Speed Rail won't generate a lot of jobs for Californians during the construction phase. In fact, jobs may actually be lost.

How can this be? Let's do the math.

1) Many different definitions of a job exist. The most common sense definition, full-time employment during the construction period, is almost never used when politicians are throwing around job creation numbers. Sometimes they mean one year's salary for a full-time employee. In this case, a job that lasts for five years would count as five jobs. Sometimes "job" is even defined as someone who gets a check for more than \$1. A job that lasts for one day would count for a job. We don't know which definition is being used here.

2) Construction creates fewer jobs per dollar spent than a lot of other public spending. It is skimpy on labor in favor of equipment (dump trucks, cranes, rollers) and materials (steel, concrete).

Across the entire country, there are only about 6 million construction jobs, and that includes home building, office construction, highways and Bay Bridges. The heavier the construction, the smaller the proportion of the overall bill that will go to hiring workers. [A landmark study](#) by the Federal Highway Administration found that \$1 million 1996 dollars bought a little over 8,000 hours of labor in California. With inflation, \$1 million in spending is now down to about 6,000 hours of labor or full-time work for three people for one year.

\$ 1 million spent on heavy construction = 3 full-time construction jobs for one year.

3) Every dollar that has to support the bond measure is money NOT spent on education/ home health care.

Unlike the Federal government, which is still spending like a 2005 homeowner with a big home equity line of credit, California is a 2009 consumer. Whatever is spent in one sector is money not spent in another. As the spokesperson for the California treasurer recently said, "It's a **zero sum game.**"

While the High Speed Rail's finance team acknowledged the economic reality of a constrained budget, it decided to ignore this inconvenient truth "[for the purposes of analysis](#)". Given the recent rounds of budget cuts, we have some information as to what California will cut in order to fund bond payments. School funding and services like home health care were the first on the chopping block. For example, the [Madera Unified School District recently faced over \\$7 million in budget cuts](#). While some of the cuts affected things like cell phone allowances, staffing took the brunt. The \$7.5 million reduction resulted in a 150 headcut reduction.

\$1 million spent on services = 20 full-time jobs for one year.

4) Construction is only one part of the capital cost of a high speed rail network. A significant portion of the budget will go for **trainsets** that are currently not manufactured in California and another chunk will go for **buying land**.

For the initial route, \$6 billion out of the \$33 billion total capital cost is for trains and land. An additional \$5 billion is for specialized high speed rail equipment that is not all currently manufactured in California but might be. **\$25 billion** is a reasonable estimate of the money that will be spent on planning and construction.

So, how many jobs will be created?

The \$25 billion will generate the equivalent of 75,000 years worth of employment using the 3 jobs/ \$1 million ratio. Over the 10 years that planning and construction are expected to last, this would mean about 7,500 more Californians at work each year. In addition, some of the raw materials used in construction might be produced in California. The total number of construction-related jobs could be 100,000-120,000 one year jobs, equivalent to **10-12,000 jobs** that last the 10 years that construction is expected to last.

This number should be netted against the job losses from not spending money on education and health care. A really simple and conservative

way to do this is to look at the size of the bond measure. Diverting \$9 billion to High Speed Rail is the equivalent of cutting 180,000 one year jobs, with most concentrated in health care and education. A more complicated way is to look at the debt servicing costs that could be spread out for as long as 30 years. Using this approach, there would be **11-14,000 fewer jobs** each year for the next 30 years. If project cost were to escalate or private sector financing to fall through, this number could go even higher.

Either way, California workers could actually lose jobs when the math is done. If you just look at the numbers for the stimulus request funds, it looks even worse because California has promised to put up 50% of the funds.

Source materials:

http://www.cahighspeedrail.ca.gov/images/chsr/20080529154909_Ch_5_EconomicGrowth.pdf

<http://www.madera.k12.ca.us/dmdocuments/0910AdoptedBudget.pdf>