

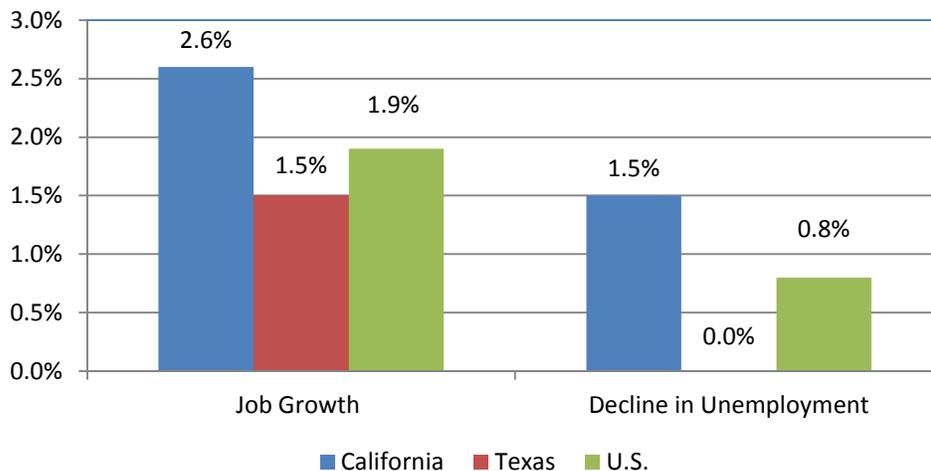
December 2015

## The November Jobs Report—Small Job Growth, Continuing Progress on Unemployment

California added just 5,500 jobs in November after a gain of 40,600 jobs in October. The state’s unemployment rate declined to 5.7%, the lowest level since September 2007 and just 0.7% above the national rate. The number of unemployment residents declined again and is now 1.1 million lower than at the recession peak level. Since the recession ended, California job levels have grown by 14.9% compared to the nation’s 10.2% job increase.

In the ongoing Texas/California debate the state’s 12 month growth rate of 2.6% remains above the growth in Texas (1.5%) as Texas is now experiencing declines in high paying mining (-33,400) and manufacturing (-36,000) jobs during the past year while their unemployment rate (low at 4.6%) inched up in October and November and is unchanged over the past 12 months while California’s unemployment rate has declined by 1.5%. Texas now has a lower job growth rate than the nation validating that industry composition and growth is the dominant factor in overall job gains.

### Change in Past 12 Months



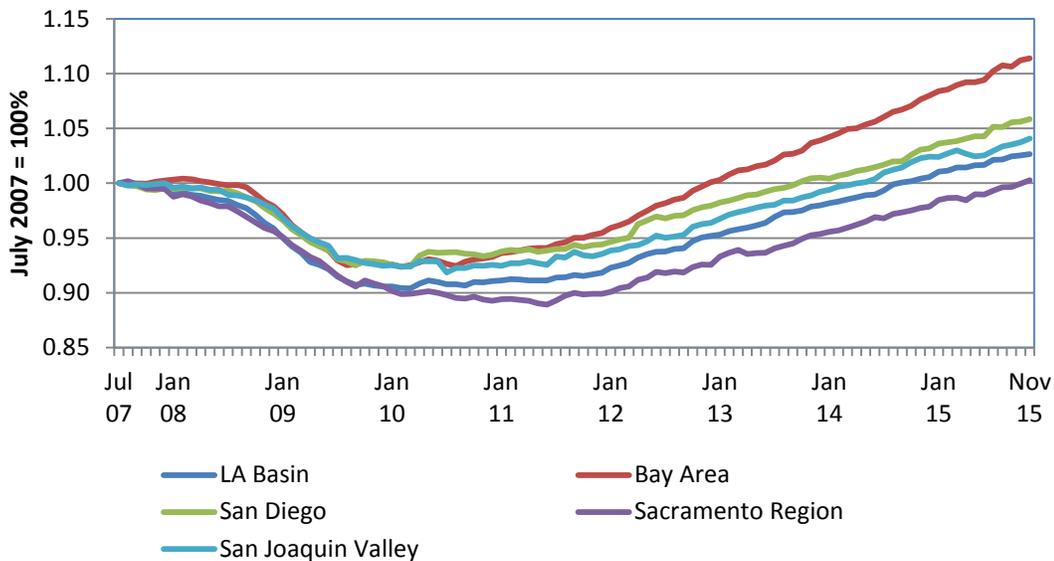
Job gains reported by EDD for the state’s metropolitan areas total 24,400 suggesting that the statewide total may be adjusted upward next month and job gains in both the Bay Area and Southern California metro areas exceeded the reported state gains.

The Bay Area, the state’s leading job growth center, added 5,800 jobs on a seasonally adjusted measure between October 2015 and November 2015, lower than in previous months.

All regions of the state, now including the Sacramento region, have regained all the jobs lost during the recovery and moved into positive territory. Bay Area job levels are now 11.4% above pre-recession peaks and San Diego County has a 5.9% gain. Southern California job levels are 2.7% above pre-recession levels and the San Joaquin Valley, despite the drought, has also surpassed pre-recession job levels by 4.1%.

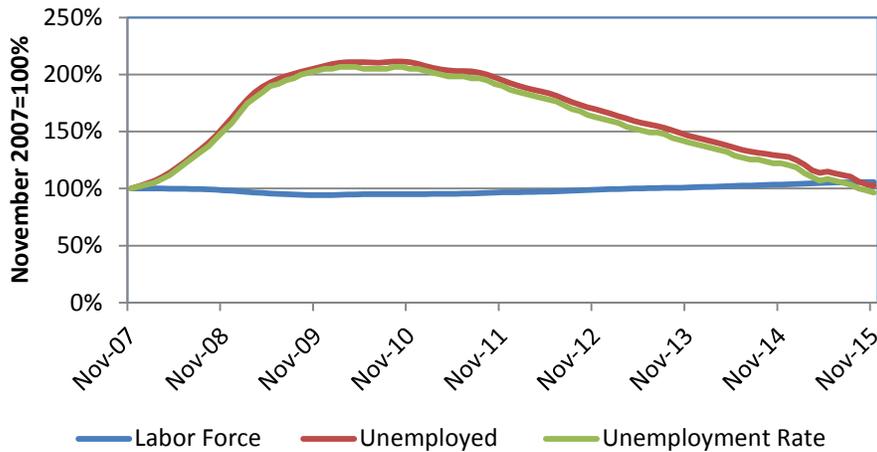
Some counties are now at what are normally considered full employment rates or lower including San Francisco (3.4%), San Mateo (3.1%), Santa Clara (3.8%), Orange (4.2%), San Diego (4.8%), Placer (4.7%) and Sonoma (4.2%). Unemployment rates have dropped to near 6% in Los Angeles, Riverside and San Bernardino counties, hard hit initially by the recession.

## Job Trends: A Regional Perspective



The improvement in unemployment has been dramatic related to the doubling of the number of unemployed and unemployment rate at the recession lows. All of the losses since November 2007 have now been recovered. In addition the state's labor force grew by 1 million workers during this period.

## California Labor Force Trends



The industry pattern of state job growth, strong in recent months, did not improve in November but continued strong on a year over year basis. Construction was the state's fastest growing sector for the past 12 months with a 5.9% year 12 month increase. Next was Professional and Business Services with a 4.7% increase. Government jobs are growing again (+1.6%) as teachers and police are being rehired from the growing local revenues. Leisure and Hospitality jobs were up 4.5% for the year.

These trends indicate that middle and high wage jobs, with the exception of manufacturing, are now fully benefiting from the recovery. Policies that promote housing and infrastructure investment will further strengthen the long sought after recovery in middle wage jobs.

More local areas are benefiting from the continuing job growth. The Sacramento region is plus 24,500 jobs for a 2.6% gain in the past 12 months. Orange County has added 39,000 for a 2.5% 12 month gain. San Diego County has added 37,800 jobs for a 2.7% gain. The Inland Empire added 46,100 jobs for a 3.5% increase—all areas well above the 1.9% national job gain.

Many challenges remain. The state faces a housing shortage and rent and home price increases that far outpace income growth. There are signs of increased plans to build new housing but they are still below the level needed to match current population growth much less to reduce the existing shortages.

While recent growth has added to middle and high wage jobs, jobs in low wage sectors continue to grow and real wages are below 2007 levels in many occupations.

Infrastructure needs in transportation, water and other areas remain far above current funding levels. Additional housing and infrastructure construction are the most immediate and effective ways to increase middle wage jobs.

State and local revenues are growing and this year's state budget allocated substantial additional funding for education. Still, the growth of retirement benefits for public employees remains a challenge for finding shared responsibility solutions.

The future of California depends on our children, their education and opportunities. The state budget has made progress in funding education with an emphasis on at risk students and the state is exploring ways to reduce the cost of higher education. But these children's success will determine our future and we need to keep them uppermost in our minds.

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