

January 2015

The December Job Report—Look Beyond the December CA Job Estimates, They do not Give an Accurate Picture of the Economy’s Strength

The December EDD employment release reported a very small (+700) state job gain following a revised estimate of 82,800 added jobs in November. These numbers do not provide an accurate picture of state economic strength and the volatility in job gains conflicts with other measures.

EDD’s seasonally adjusted metro area job estimates provide a different picture. Total job gains for November and December were 94,600 for the state’s metropolitan areas or 47,300 per month. The five county Southern California region added 9,100 jobs in December and 36,700 for the two month period. The nine counts Bay Area was again the state’s percentage job growth leader adding 11,000 jobs in December and 31,700 for the two month period. The six county Sacramento region added more jobs in December (2,900) than in November. Job growth in other regions in December was small.

But expect revisions in the March release.

Non-Farm Wage and Salary Jobs
(Seasonally Adjusted)
October-December 2014

	Oct-Nov	Nov-Dec	Oct-Dec
Southern California	27,600	9,100	36,700
Bay Area	20,700	11,000	31,700
San Diego	10,700	-400	10,300
Sacramento	2,200	2,900	5,100
San Joaquin Valley	4,900	400	5,300
Other Metro Areas	5,100	400	5,500
All Metro Areas	71,200	23,400	94,600

Source: California Employment Development Department (EDD)

The household survey estimates that include the number of employed workers and the unemployment rate showed another month of **strong improvement in December**. These data show an increase in the number of residents with jobs of 40,000 in December, far above the 700 jobs reported in the payroll survey. And for the year nearly 500,000 more residents had a job. Moreover the labor force growth was 284,000 compared to a likely calendar population growth of around 350,000 so **people reentered the workforce in 2014** since the normal ratio is 1 worker for every two residents. At the same time the number of unemployed

workers declined by 205,000 and the unemployment rate fell to 7.0%, the lowest since June 2008.

California Workforce Trends

	Dec 13	Nov 14	Dec 14	Change Nov- Dec	Dec 13-Dec 14
Labor Force	18,550,000	18,823,000	18,834,000	11,000	284,000
Employment	17,018,000	17,467,000	17,507,000	40,000	489,000
Unemployment	1,532,000	1,356,000	1,327,000	-29,000	-205,000
Unemployment Rate	8.3%	7.2%	7.0%	-0.2%	-1.3%

Source: EDD

More Regional Trends

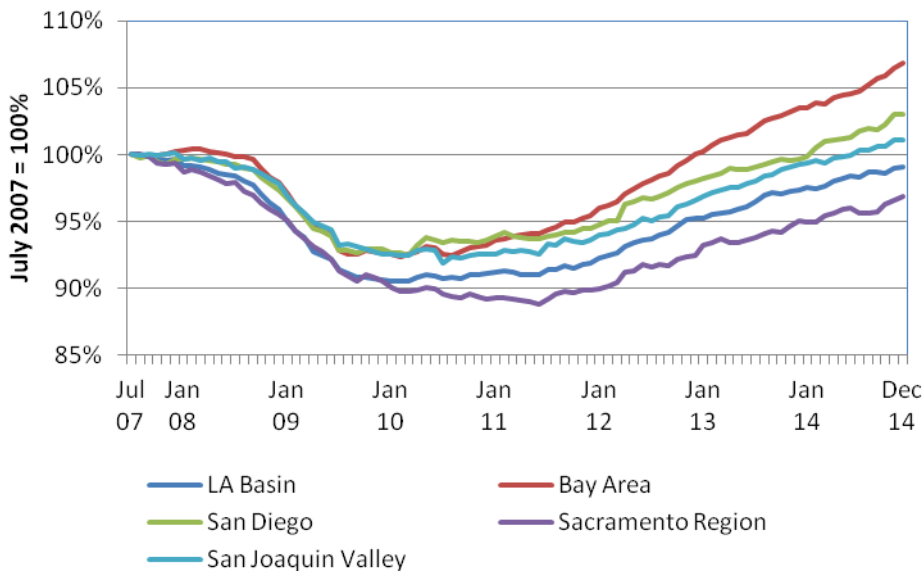
The surge continues in the Bay Area as the region remains California's job growth leader while the recovery has now spread to Southern California and inland areas. The Bay Area gains (11,000 jobs in November) were led by the San Jose and San Francisco metro areas (+8,800 and 5,400 jobs respectively). Over the past 12 months the region posted a 3.2% job increase paced by the San Francisco and San Jose metro areas with gains of 3.8% and 4.0%, far outpacing the national 2.1% job growth rate. **The tech surge continues to drive the regional economy in a positive direction.**

The San Joaquin Valley and San Diego regions have now recovered the recession job losses. The San Diego County economy added 44,100 jobs in 2014 (+3.3%) and the Valley added 21,600 jobs (+1.8%). All of the data in this section use EDD's **seasonally adjusted** non-farm wage and salary estimates.

Southern California is now in recovery mode and the LA Basin area has recovered almost all of the jobs lost in the recession. The Inland Empire and Orange County, the hardest hit areas in Southern California during the recession, had gains of 1.9% (23,700 jobs) and 2.3% (33,200 jobs) between December 2013 and 2014. Tourism and trade are on the rise with record hotel occupancy and records about to be set in port and airport traffic. Filming jobs also increased in 2014.

The Sacramento region continues to trail in the recovery but added 17,700 jobs during the past year and is within 3% of the pre-recession job peak.

Job Trends: A Regional Perspective



This is now clearly a solid and sustainable recovery led by sectors with good future growth prospects. The near term prospects for the national and state economy are better since before the recession. A continuation of the construction recovery would be a triple winner—1) building activity creates job in other sectors as well as in construction, 2) most construction jobs pay good wages and 3) building housing and infrastructure addresses two of California's key economic competitiveness challenges.

The construction, tech and trade/tourism growth will continue to boost revenues for state and local governments and return that sector to job growth. The latest fiscal analysis from the Legislative Analyst's Office confirms that the recovery has boosted state revenues above forecasted levels and the passage of the state measure strengthening the reserve fund has led at least one rating agency to boost the state's credit rating.

The immigration reforms announced recently will have a positive impact on the state's economy and revenues.

There are always challenges to face and especially in a growing economy that needs constant additions to housing and improvements in affordability as well as investments to move the increasing numbers of people and goods in California. And the recovery is still modest by historical standards with very slow wage growth for many, especially compared to increases in housing prices and rents.

Steve