

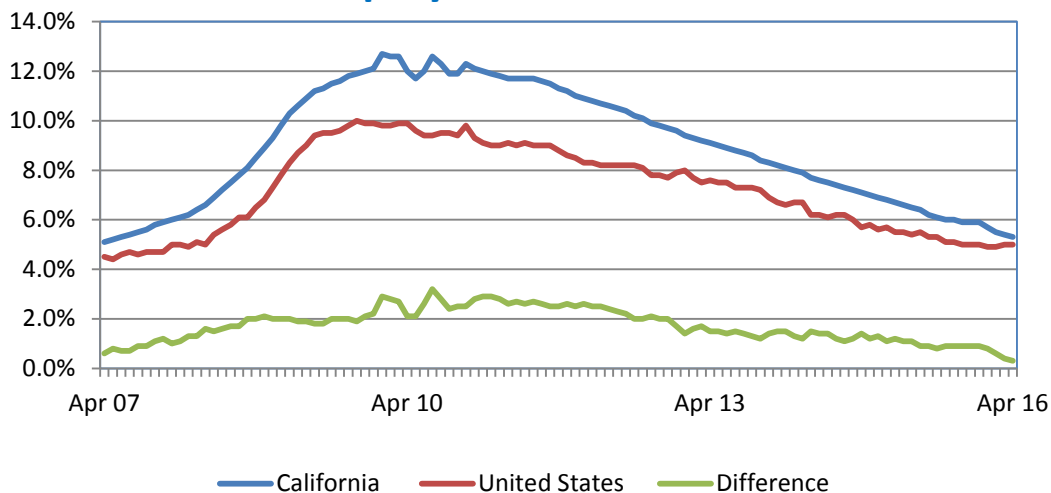
May 2016

The April Jobs Report—A Very Good Month for California

April 2016 saw a gain of 59,600 added non-farm wage and salary jobs and an unemployment rate of 5.3%, the lowest since June 2007. And California continues to outpace the nation in job growth while capturing an unusually high share (more than 1/3) of national job growth in April. For the past 12 months state job growth was 2.8% (450,000 jobs) compared to 1.9% for the nation.

The unemployment trend reflects steady improvement as some workers have rejoined the workforce, unemployment continues to decline and the gap between the state and national rate (0.3%) is the lowest during the past nine years. During the past 12 months the state labor force increased by 144,700 while the unemployment rate declined from 6.5% to 5.3%.

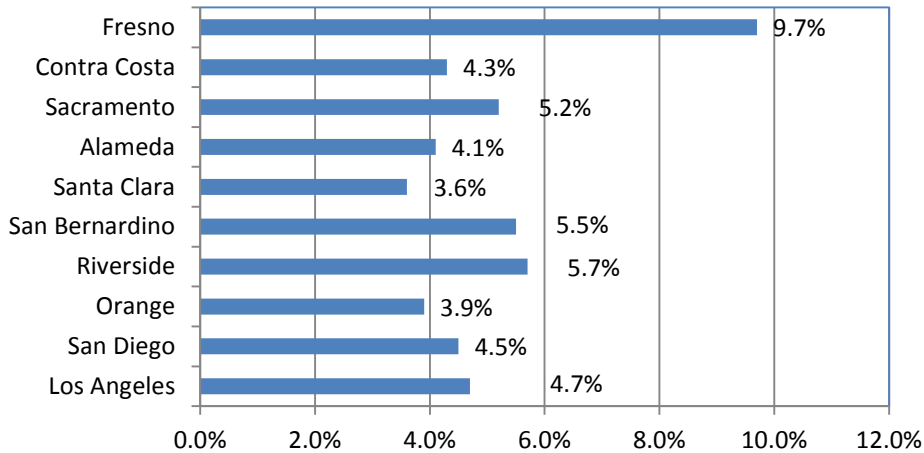
Unemployment Rate Trends



While not everyone has been helped by the recovery, the job gains, reduction in unemployment combined with increases in the minimum wage at the state and many local levels have improved the economic situation for many Californians.

Unemployment rates while still high in some areas of the state are declining across California as the recovery continues. Note that April is usually one of the lowest months for the unemployment rate.

April 2016 Unemployment Rates for Ten Largest Counties



The state job growth was led by construction with a gain of 12,000 jobs and up 7% over the past year returning some middle wage jobs to the state. Professional and Business Services added 17,900 and was up 3.2% over the past year.

While the Bay Area continues to be the state job growth leader, other metro are also doing as well or even better than the state average for job growth. Orange County has added 48,600 jobs during the past 12 months for a 3.2% increase. The Inland Empire (Riverside and San Bernardino) added 44,800 jobs for a gain of 3.4%. San Diego County saw a gain of 37,000 jobs (+2.7%) and Fresno County added 11,600 jobs for a gain of 3.6%, all of these estimates from EDD are based on their seasonally adjusted job estimates.

Los Angeles County added 12,500 jobs in April and 96,000 over the past 12 months for a 2/3% gain, outpacing the nation. The Southern California region has posted record tourism stats, record airport volumes, rising motion picture production days and port volumes. The region is now a full participant in the continuing state economic growth.

Economic growth recently has not been as strong or broad as in previous recoveries and growth periods. Yet California has done well compared to the nation and many states as well as most countries. In the debate over whether “business climate” or industry structure is the best predictor of state growth, 2015 and 2016 are clearly in the industry structure matters camp.

Texas, Wyoming, Oklahoma and North Dakota, all states ranked high in national business climate surveys, are experiencing poor job growth as one key sector—oil and gas—is in decline. Texas is doing the best with a year over year job gain of 1.6% compared to the nation’s 1.9% increase. North Dakota has seen a job

decline of 3.8% Wyoming of 3.7% and Oklahoma lost 0.3% of the state's jobs over the past 12 months. This is not a knock on these states but, rather, a show of how important industry trends are to state job growth.

Looking to the Future

Job growth will begin to slow as baby boomers retire in greater numbers. The first wave turned 70 this year and while older workers are working longer than before most still retire by age 70.

While state and local fiscal situations are improving as sales taxes, property taxes and the sometimes volatile income taxes are growing, we like other states and countries face unfunded retirement obligations. With revenues up we still face tough choices among investing versus current spending, choices as to where best to spend and how to fund retirement obligations.

In terms of workforce, poverty and the increasing number of low wage jobs, research done by CCSCE and others is crystal clear. A three-pronged approach is required:

--Education and training informed by continuous employer input

--Strong economic growth without which progress is virtually impossible

--And policies to support the millions of workers who will spend long periods of time in low wage jobs no matter how successful the first two priorities are

The recovery has increased longstanding challenges with regard to housing and transportation investments and policies. 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.

Increasing housing supply and working on the affordability crisis are simultaneously economic competitiveness and social justice issues. The Governor and legislature are taking some steps to address this challenge but major responsibility remains with local jurisdictions and regions.

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.

The Governor has addressed infrastructure, retirement obligations and preparing for the next recession as well as other issues in his State of the State address and budget and the legislature will now weigh in on these issues and potential 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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