

November 2014

## The October Job Report—Californians Return to the Workforce

The October EDD employment release reported a sharp increase in the state’s workforce over the past two months as job growth has allowed some worker who dropped of the labor force out to find jobs. Over the past year nearly 200,000 Californians have joined the workforce, more than population growth alone would account for.

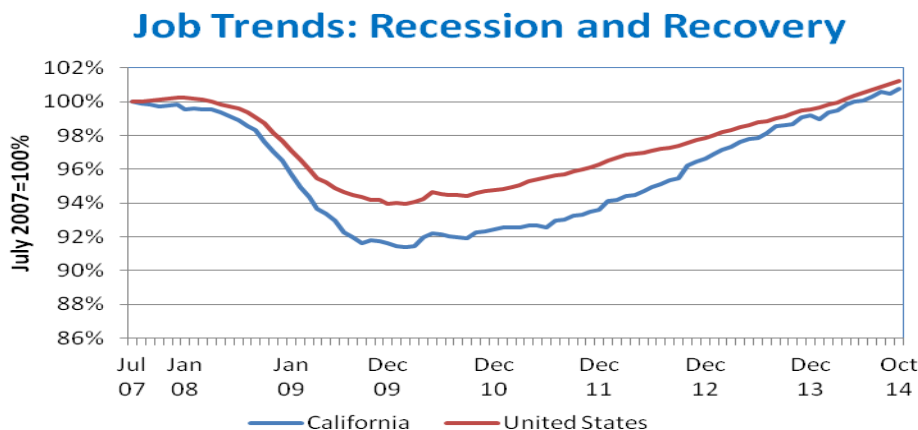
California Workforce Trends

	Oct 13	Oct 14	Change
Labor Force	18,568,000	18,757,000	189,000
Employment	16,970,000	17,396,000	426,000
Unemployment	1,598,000	1,361,000	-237,000
Unemployment Rate	8.6%	7.3%	-1.3%

Source; California Employment Development Department

If these trends hold in the coming months, the state’s job market is now strong enough to help at least some residents who dropped out of the workforce during the recession and the state’s labor force participation rate will increase reversing the large recent decline.

Payroll job growth continues to slightly outpace the nation with a year over year gain of 2.1% in California compared to 1.9% in the nation. The strongest sectors over the past 12 months were construction (+5.3%), professional and business services (+4.5%) and information, which includes Internet services (+3.9%).



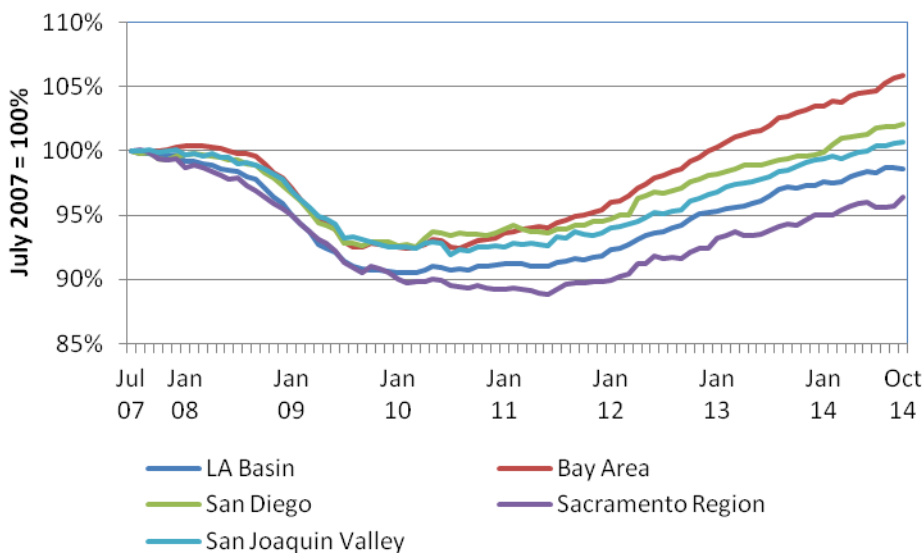
### Regional Trends

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 are led by the San Francisco metro areas with a gain of 4,200 jobs in October and 39,300 or 3.6% for the year with the San Jose metro area gains of 2,000 for the month and 33,100 +3.4% for the year.

The San Joaquin Valley and San Diego regions have now recovered the recession job losses. The Valley's three largest metro areas—Bakersfield (+2.0%), Fresno (+2.4%), and Stockton (+1.9%)—all posted strong year over year job gains. All of the data in this section use EDD's **seasonally adjusted** non-farm wage and salary estimates.

## Job Trends: A Regional Perspective



Southern California is now in recovery mode and the LA Basin area has almost recovered all the jobs lost in the recession. The Inland Empire, long a growth laggard in Southern California, led the region with a gain of 2.2% (27,800 jobs) between October 2013 and 2014 as construction recovered and there is a mini-boom recovery in logistics tied to port volume growth. Orange County followed with a gain of 2.0% (29,500 jobs). Tourism and trade are on the rise with record hotel occupancy and records about to be set in port and airport traffic.

The San Diego region has recovered all of the jobs lost during the recession posting a gain of 32,500 +2.5% during the past 12 months.

The Sacramento region continues to trail in the recovery but had above average job growth of 2.4% and 21,100 jobs during the past year.

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 last night 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 the increases in housing prices and rents.