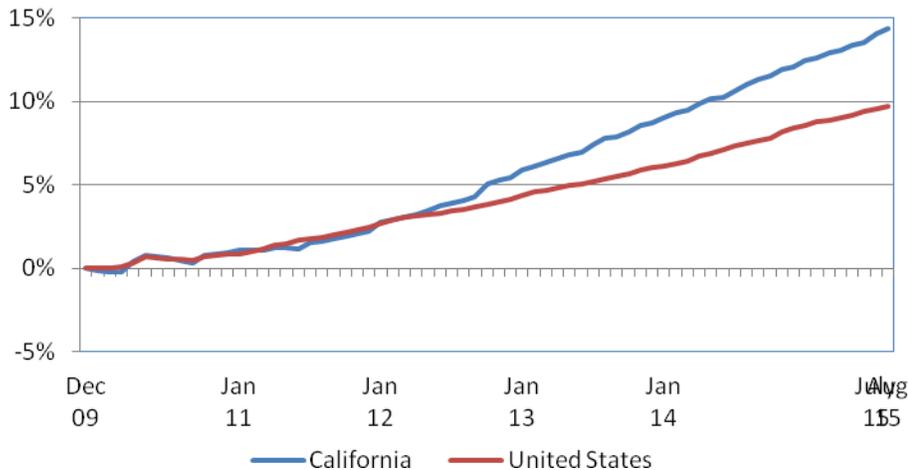


September 2015

The August Jobs Report—Headline Numbers Good, Details Less So

California added 36,300 jobs in June and a total of 470,000 (+3.0%) for the past 12 months. Since the recession ended, California job levels have grown by 14.3% (2.0 million) compared to the nation's 9.7% job recovery.

Job Growth Dec 2009--August 2015



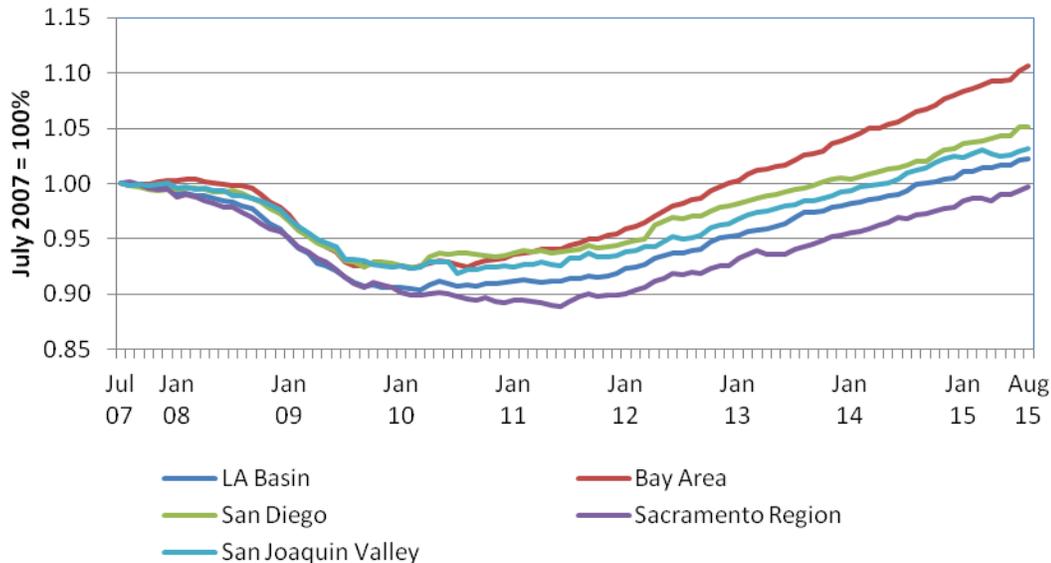
However, the August statewide job growth was almost entirely in government jobs with manufacturing and professional and business services showing job losses in August. However, within business and professional services, the professional, scientific and technical service jobs increased in August while the losses were largely in temporary help where employers may be changing contract work to full time employment. In the government sector, there may be a problem with the seasonal adjustment for government jobs as schools have been moving their start times earlier.

On the other hand the August report confirms the importance of industry trends. Both Texas and North Dakota lost jobs in August as a result of the decline in oil-related activities. North Dakota has lost jobs over the past year while Texas had a 1.9% increase, below the nation's 2.1% and California's 3.0% gain.

The strong jobs recovery has brought people back into the workforce while simultaneously reducing the number of unemployed residents. The August unemployment rate fell to 6.1%, still higher than the U.S. rate of 5.1%. At the same time the number of people in the workforce but unemployed fell by 222,000 to the lowest level since March 2008. Steady job growth has cut the unemployment rate in half from the high of 12.2%.

All regions of the state except the Sacramento region, which will be there soon, have regained all the jobs lost during the recovery and moved into positive territory. Bay Area job levels are now 10.6% above pre-recession peaks and San Diego County has a 5.1% gain. Southern California job levels are 2.2% above pre-recession levels and rising at close to 200,000 jobs a year. The San Joaquin Valley, despite the drought, has also surpassed pre-recession job levels.

Job Trends: A Regional Perspective



The industry pattern of state job growth was not great in August but remains positive over the past for future growth. Construction was the state's fastest growing sector for the past 12 months with a 6.5% year 12 month increase. Next was Professional and Business Services with a 5.5% increase including 22,500 in July. Government jobs are growing again (+1.6%) as teachers and police are being rehired from the growing local revenues.

These trends indicate that middle and high wage jobs 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 23,900 jobs for a 2.5% gain in the past 12 months. Orange County has added 52,900 for a 3.5% 12 month gain. San Diego County has added 41,500 jobs for a 3.1% gain. The Inland Empire added 40,700 jobs for a 3.1% increase—all areas well above the 2.1% 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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