IEEP NEWS RELEASE

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The August 2024 Employment Report

by

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OVERVIEW

The California Employment Development Department (EDD) published the monthly labor market survey on Friday, Sept. 20. This is the most up to date labor market information for the Inland Empire and its two counties. The same report shows data for all 58 California counties and the state total. Here we primarily focus on the Inland Empire.

The data is released in **non-seasonally adjusted** form, meaning it does not remove regularly occurring seasonal fluctuations such as pre-Christmas hiring by firms, summer lay-offs in the Coachella Valley, or Thanksgiving travel.

The **non-seasonally adjusted unemployment rate** in the Inland Empire increased slightly to 6.0% compared to July 2024, at 5.9%. In August 2023, a year ago, the unemployment rate was 5.3%, and over the past 12 months it has fluctuated between 4.3% (May 2024) and 5.9% (July and August 2024). There definitely has been an upward trend lately, mirroring the state and national unemployment rate behavior.

Total Employment increased by 6,400 jobs and the Labor Force saw an increase of 9,000 individuals. Seeing the unemployment rate increase with both the labor force and employment increasing is a relatively healthy combination: there were simply more people who (re) entered the labor force but could not find a job. The growth in the labor force slightly outpaced the growth in employment.

While looking at year-to-year changes removes seasonal fluctuations to some extent, it may also eliminate other relevant information, such as changes in the trend of labor market data. Hence we

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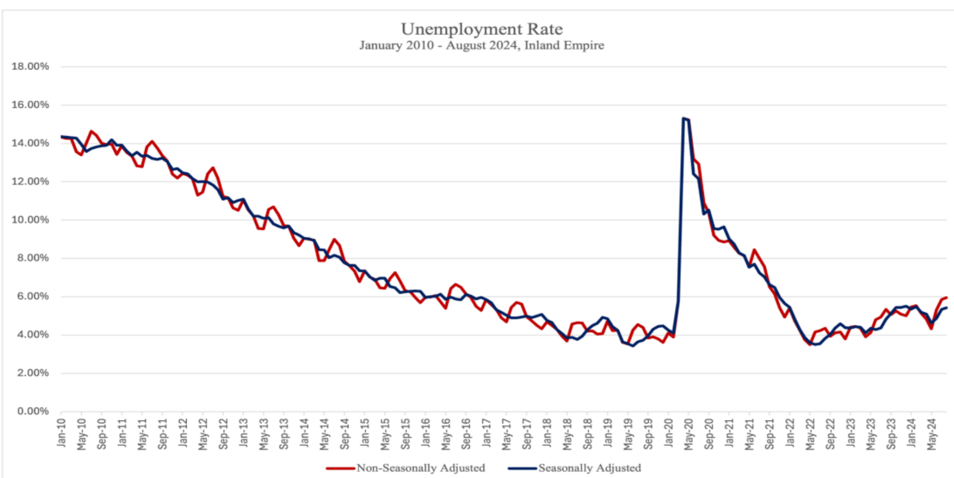
will apply a standard statistical method that attempts to just remove regularly occurring seasonal fluctuations from monthly data to give you a more objective picture. Unfortunately, the news from this EDD report does not improve with seasonally adjusted data. The **seasonally adjusted unemployment rate for the Inland Empire still went up by a tenth of a percentage point (+0.1). It was 5.3% in July and is 5.4% now** - significantly lower than the EDD published non-seasonally adjusted rate. Still, even the seasonally adjusted unemployment rate shows a slight trend increase over the last two years or so (see the graph below), which, not surprising, is given the contractionary monetary policy stance of the Federal Reserve.

Using our **seasonally adjusted data**, from July 2024 to August 2024, the **labor force grew by +11,800 (+0.5%)** and slightly outpaced **employment growth by (9,500) or (0.4%)**. Hence the increase in the seasonally adjusted unemployment rate of 0.1% – as with the non-seasonally adjusted data, the increase in unemployment was not driven by job loss, but by labor force growth outpacing job growth.

We used the same statistical filter to remove regularly occurring seasonal fluctuations from the industry employment figures mentioned earlier. Compared to August 2023, the Inland Empire gained 7,600 jobs in seasonally adjusted terms. The **two sectors that are the main positive driving forces** are Private Education and **Health** (primarily health, +18,300) and Government (+12,100) with the majority within the government (+11,600) attributed to **local government.** The **biggest losers** are the **manufacturing** sector (-2,500) and Durable Goods (-1,700). Note that the three largest employers in the Inland Empire are Private Education and Health, Government, and Logistics in this order.



CALIFORNIA

The report for **California** continues to be worrisome. While overall **employment expanded** over the last month by **8,700 jobs** (according to the household survey) and 6,800 jobs (according to the establishment survey), the greatest portion of nonfarm employment increases came from **Leisure and Hospitality** along with Private Education and **Health** Services, followed by **Professional and Business Services**. **Most job losses** occurred in **Information**, which includes the film and tech industry, and, almost equally large cuts, **Manufacturing**. The **state government has a hiring freeze** and hence will not expand for the near future. Hence employment was down for the first time in a year, and the **loss was a stunning 17,100 positions**. Had it not been for Local Government to hire 14,400 workers, the net loss from this sector (-2,200) would have been more pronounced. This will also affect the Health sector, which benefits from public expenditures - a minimum wage increase in this sector, planned for earlier this year, has already been postponed. Given the budget problems that the state currently faces, there is no end in sight in the near future.

The state unemployment rate continues to be one of the highest unemployment rates among the 50 U.S. states. Only Nevada has a higher rate (5.5%) and our state is "tied" with Illinois for second place.

Specifically,

- Leisure and Hospitality saw an increase of 6,800 payroll jobs.
- Private Education and Health Services (+4,900), Professional and Business Services (+3,800), and Trade, Transportation, and Utilities (+2,900) were the other major sectors that saw increases in employment since July.
- Information was the biggest loser (-5,100), followed by Manufacturing (-4,700).

In terms of year-over-year change, Private Education and Health Services continues to lead by a large margin (+157,600). Government came in second (+82,300) despite experiencing a loss of 2,200 employees since July. Finally, Professional and Business Services (+33,800) and Trade, Transportation, and Utilities (+16,800) have also seen increases in employment over the past year.. The biggest decreases since August 2023 were in Manufacturing (-27,900), followed by Information (-21,300).

Comparing California's performance with the national picture, then out of the 775,000 people who became unemployed compared to a year ago nationally, California has seen roughly 84,000 unemployed. This is an unhealthy picture, although in line with California's share of the labor force. Recessions are not declared at state levels, but if they were, California would be in an economic downturn. There are **now over 1 million people unemployed in California**, 14% of the U.S. total. What makes matters worse is that a relatively large number of the unemployed are from the ranks of younger workers. Immigration, in addition, may also play an important role here.

The Federal Funds decrease cannot come early enough for our state. There is high hopes for the housing market and the Construction industry, which have seen little change recently.

INLAND EMPIRE

In this section, we will focus on seasonally adjusted data. For the non-seasonally adjusted data, you can consult the EDD document at

(https://labormarketinfo.edd.ca.gov/file/indhist/rive$hws.xls).

Both the labor force and employment numbers come from the household survey and reflect the employment status of the workers who reside in the region but do not necessarily work here. The establishment data indicates how many people are on the payroll of businesses that operate *within* the region.

In July, a divergent trend occurred in the changes of CPS and CES, which should bring some attention and reflections on the essential character and patterns of the Inland Empire labor force. The increase in employment according to the Employment survey (+1,900) is considerably lower than in the Population survey (+9,500). The discrepancy could be due to (i) systematic differences in the surveys (subjective answer compared to company records; holding more than one job; self-employment, etc.) or due to more commuters finding jobs in coastal regions (roughly 20% of the Inland Empire labor force commutes to the coastal regions). Therefore, there is the suggestion that though new positions were created in the Inland Empire, there has been greater opportunity for commuters outside of the region.

To gain a clearer understanding of the current trend, it is useful to compare both the raw and seasonally adjusted data for the labor force and total employment. According to the latest CPS records, the labor force has shown steady growth, regardless of seasonal adjustments. After a decrease of 2,300 employees in July, August has shown an increase of 6,400 employees.

In terms of the sectoral changes, Private Education and Health, which experienced rapid increases during the past year (gain of 18,300 jobs between July 2023 to August 2024 seasonally adjusted), continues to gain by adding 400 jobs, an increase of roughly 0.1% month-to-month. However, this increase is smaller than last month's 1.3%.

Here are some of the sectoral highlights from this month’s report:

- The largest percentage increases in employment were seen in Retail Trade (+1,000), Leisure and Hospitality (+700), and Professional and Business Services (+600).
- The most significant decline was in Other Services (-600), while other industries were more stable.
- The Logistics industry recovered the 700 jobs lost in July with employment rebounding in August (+1,000). Increased shipping volumes at the crucial ports of Long Beach and Los Angeles could drive this. Since August 2023, Logistics employment has risen by 4,300, potentially indicating adjustment from the sector’s contraction in 2023.

- Private Education and Health Services and Logistics remain at the forefront of post-pandemic job recovery, each adding approximately 50,000 jobs since February 2020. This robust growth trend has continued from previous months, suggesting a positive outlook for these sectors.

Together with San Diego County, the Inland Empire is the bright spot among regions in the state and in Southern California.

OUTLOOK

The national unemployment rate has roughly remained constant over the last two months, increasing from 4.1% to 4.2% in July 2024, but then declining back to 4.2% in August. Using the so-called Sahm statistic, unemployment rates at the national level have now sufficiently increased for the National Bureau of Economic Research to label the current month/quarter to be a recession. However the former Federal Reserve economist, Claudia Sahm, who created this measure, has sent out notices that "this time it's different" and that despite her measure indicating an economic downturn, it is highly unlikely that we are already in a recession. For example, the recent increase in the national unemployment rate was the result of labor force growth outpacing employment growth, meaning we are still observing employment growth. Note that the inflation rate has fallen below 3% for the first time since March 2021 and that the Federal Reserve lowered the (Federal Funds) interest rate by a relatively large 50 basis points at their September 2024 meeting. A "soft landing" (reduction in inflation towards the 2% target without a recession) is within reach, and we expect two further decreases, each by 25 basis points, following their November and December meetings. These moves should result in the labor market improving in terms of lowering the unemployment rates or keeping them at the relatively low levels, we see them at now.

Here in the Inland Empire, it is encouraging to see that the Logistics sector is starting to pick up economic activity. The sector was in a mini-slump after being the main driving force out of the Coronavirus recession. Most likely, due to overly optimistic projections, employment in the Logistics industry peaked by mid-2022 (seasonally adjusted) and since then had shown declines, which were significant.

Significant year-to-year growth in the Inland Empire's other leading employers of Private Education and Health Services and Government also improves our outlook. However, growth was not particularly strong in either sector over the past month. In the coming months, job growth distributed across all the Inland Empire's main sectors would grant a more optimistic outlook considering persistent challenges (automation, environment, etc.) to the logistics industry.