IEEP NEWS RELEASE

January 24th, 2025

The December 2024 Employment Report

by

Manfred Keil[1]

OVERVIEW

The last employment report for 2024, containing labor market data for December 2024 for the 29 regional economies in California, was released on January 24 by the California Employment Development Department (EDD). The January 2025 data will not be published until March 2025 due to regularly occurring annual data revisions.

Our information and comments here primarily focus on the Inland Empire (Riverside County and San Bernardino County). The area is the second largest Metropolitan Statistical Area (MSA) in California, also referred to as the Riverside-San Bernardino-Ontario MSA.

The **EDD numbers for the Inland Empire suggest that December was a boom month for the Inland Empire. This is highly misleading**. Much of the labor market improvement occurred due to regularly occurring seasonal fluctuations, similar in nature to airline traffic picking up around Thanksgiving or airline tickets becoming more expensive around Christmas time. Once you use statistical techniques to remove the seasonal component, the labor market in the two counties basically remained the same as in November: there was a very small decrease in the unemployment rate by 0.1 percentage points: the **seasonally adjusted unemployment rate fell from 5.4 percent to 5.3 percent**. It is best to ignore the EDD published decline in the non-seasonally adjusted unemployment rate drop from 5.3 percent to 4.9 percent.

The small decline is the result of total civilian employment increasing more than the civilian labor force. The **labor force saw an expansion of roughly 7,100 (0.3 percent) individuals, and employment grew by approximately 8,100 (0.4 percent).** Combined with the slight decrease in the unemployment rate, this paints a positive picture because both the labor force and employment actually expanded.

---

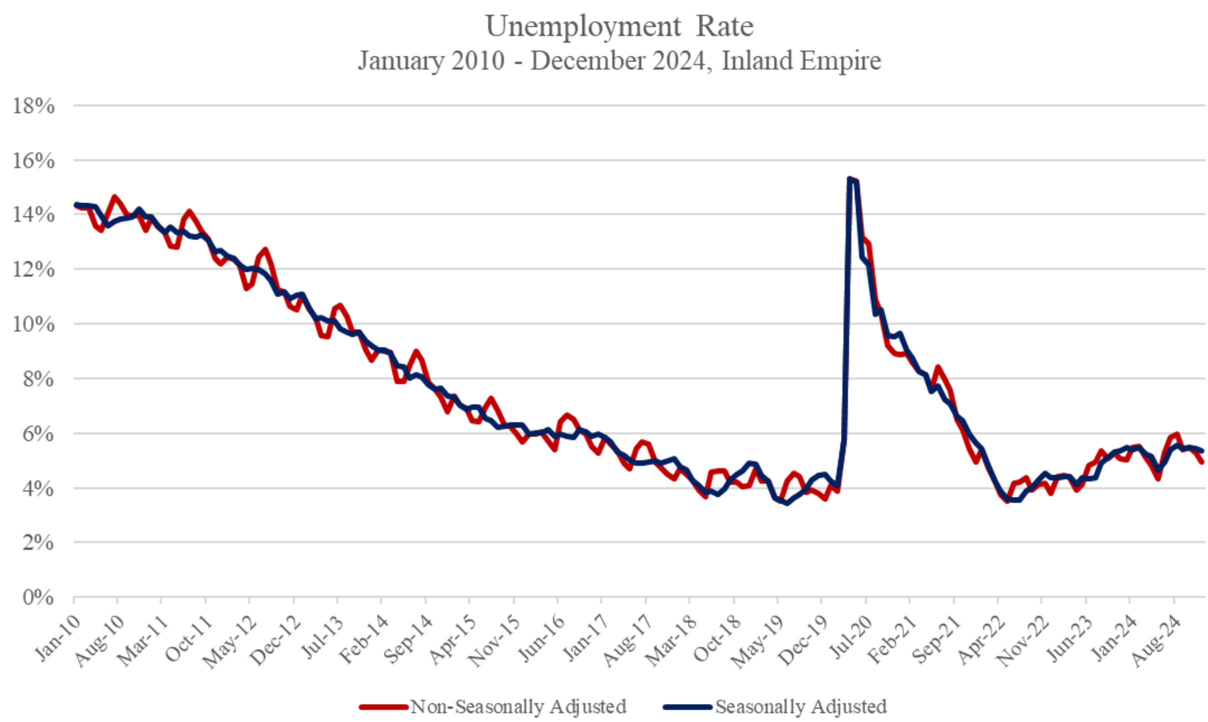
[1] Keil: Chief Economist, Inland Empire Economic Partnership and Associate Director, Lowe Institute of Political Economy, Robert Day School of Economics and Finance, Claremont McKenna College. The author received valuable assistance from research analysts Arlo Jay, Violet Henderson, Luke Young, and Laura Zhou.

One crude way to remove seasonality is to compare data from a year ago, and here, the news is similarly hopeful: the seasonally adjusted unemployment rate stood at 5.5% in December 2023 for the Inland Empire, 0.2 percentage points higher than in December 2024 (the non-seasonally adjusted unemployment rate reported by the EDD fell from 5 percent to 4.9 percent now - same conclusion).

The non-seasonally adjusted unemployment rate for Riverside County was 5.0 percent while it was 4.8 percent for San Bernardino County. Out of the 58 counties in California, this ranks Riverside County in 23rd place (1st place has the lowest unemployment rate), and San Bernardino County in 21st place. By comparison, here is the ranking for other counties in the Southern California Association of Government (SCAG) region:

5. Orange County 3.8 percent
19. Ventura 4.7 percent
33. Los Angeles 5.7 percent
58. Imperial 17.8 percent

For readers who are interested in seeing the EDD raw (non-seasonally adjusted) data, go to https://labormarketinfo.edd.ca.gov/file/indhist/rive$hws.xls.



As for the state, the news is worse, thereby continuing a recent trend. **California's (seasonally adjusted) unemployment rate increased from 5.4 percent to 5.5 percent**, due both to a very small increase in the labor force and a very small decline in employment (according to the household survey). **California continues to have the second highest unemployment rate** in the

U.S., and the state unemployment rate is now a full 1.4 percentage point higher than the national rate (U.S. unemployment rate is 4.1 percent). While the national unemployment rate decreased by 0.1 percentage points, the state unemployment rate increased by that amount.

INLAND EMPIRE

In this section, we will f**ocus on seasonally adjusted data** only. Note that there are two labor market surveys: the Current Population Survey (CPS) and Current Employment Statistics (CES). CPS is a household survey is conducted by interviewing roughly 60,000 households during the week surrounding the 12th day of the previous month. Answers are somewhat subjective ("have you been looking for work") and include employment by commuters (a relatively large fraction of the Inland Empire labor force). The CES is based on a much larger number of establishments, and, while more objective, only focuses on employment *within* a region. At times, the employment data can differ substantially between the two surveys for a variety of reasons in addition to commuting, including measurement errors as a result of the treatment of illegal immigrants.

The CPS data shows gains, with the labor force experiencing an increase of 7,100, and employment an increase of 8,100. While establishment-reported employment decreased by 900. These numbers are encouraging, and indicate a reversal compared to the losses in employment we observed in November. Overall employment levels grew by roughly 20,000 since last December.

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

- The largest industry-level gains were seen in **Local Government** (+700), P**rivate Education** (+649), and **Durable Goods** (+401). These are a fraction of the larger numbers reported by the EDD using raw data.
- The most significant declines were in **Professional and Business Services** (-1,553), **Logistics** (-449), and **Retail Trade** (-326). Although, compared to a year ago, the Logistics sector has still added 7,300 jobs.
- C**ompared to a year ago**, the Private Education and Health Services has grown by 18,600 or 6.3% and the Government sector has grown by 9,600 or 3.6 percent. The Manufacturing sector has gone down by 3,300 or 3.4 percent since a year ago.

CALIFORNIA

The discrepancy in the data reported by the CES and the CPS is even bigger at the state level, with the CPS survey showing that California has not even recovered to the February 2020 pre-pandemic employment and labor force levels. The CES shows an increase in employment since then, although that is still below the national average.

Looking at the CES establishment survey, then compared to a month ago the biggest winners were: **Leisure and Hospitality** (+7,500), **Information** (+4.900) and **Logistics** (+3,300). For Information and Logistics, this is a reversal from the Year-to-Year change where the Information sector shows a heavy loss of (-11,000). The “biggest losers” were **Professional and Business Services** (-3,000), **Retail Trade** (-2,100), and **Manufacturing** (-1,300). For **Professional and Business Services** the loss in monthly statistics is counter to the annual gain of (+17,100) which was the fourth largest. With annual data, the winners were **Private Education and Health** (+129,400), **Government** (+56,700 of which +50,000 were generated by Local Government), and **Logistics** (+18,000). What is of concern in California is the continued loss of employment in both **Manufacturing** (-45,700) and **Construction** (-12,400) from a year ago.

OUTLOOK

For the nation, the unemployment rate fell by 0.1 percentage points from 4.2 percent (November) to 4.1 percent. Employment growth was unexpectedly high at the national level last month. In essence, we have seen very little change in the national unemployment rate numbers from a year ago, when the unemployment rate was 3.7 percent.

With the inflation rate still not reaching the 2 percent target by the Federal Reserve, it is better to describe the economy as “gliding” towards full the target; “soft landing” (reduction in inflation without creating a recession) has not been achieved for quite some time now, and given the new set of economic policies favored by the incoming Trump administration (tariffs, tax rebates, continued Federal deficits), it is hard to see when the national economy will get there. Already the Federal Reserve has indicated that, as a result, it intends to lower the Federal Funds Rate (FFR) only twice in 2025 for a total of 50 basis points (0.5 percentage points) instead of the previously anticipated four reductions. Lowering the FFR primarily benefits the residential construction sector, which is desirable given the currently extremely low levels of housing sales.

2025 will be an interesting year for the Inland Empire, although whatever policies President Trump will put into place, will not have much of an effect on the local economy until 2026. First and foremost we will have to see what type of **tariffs** will be implemented, perhaps as early as February 2025. If President Trump follows through with a 60 percent tariff on goods imported from China, then we can expect a reduction in U.S. trade, which affects import shipments through the ports of Los Angeles and Long Beach. This has a significant effect on the **Logistics** sector (third largest employer in the Inland Empire, largest employer in San Bernardino County) and it could be more severe, if Chinese imports are replaced by goods shipped to East Coast harbors. However, that is less likely than a substitution towards imports from other Asian countries (Korea, Vietnam, etc.).

AB 98 which will negatively affect employment in the Logistics industry (restrictions on new buildings, etc.), will not go into effect until 2026.

The residential construction industry will also suffer in the case of massive **deportation** of illegal immigrants, resulting in housing start delays, and less construction. The hope is that a reduction in regulations could balance this negative effect by making it easier for housing projects to start.

The bottom line is that it is too early to tell what policies the new administration will put into place, and that will force us to conduct “what if” scenarios at our upcoming State of the Region conference on February 18 at the Ontario Convention Center.