

January 2016

## The December Jobs Report—Large Job Growth, State Unemployment Rate at 5.8%

California added just 60,400 jobs in December after a gain of 7,200 (revised from 5,500) jobs in November. The state's unemployment rate ticked up to 5.8% compared to 5.0% for the nation. Since the recession ended, California job levels have grown by 15.3% compared to the nation's 10.5% job increase.

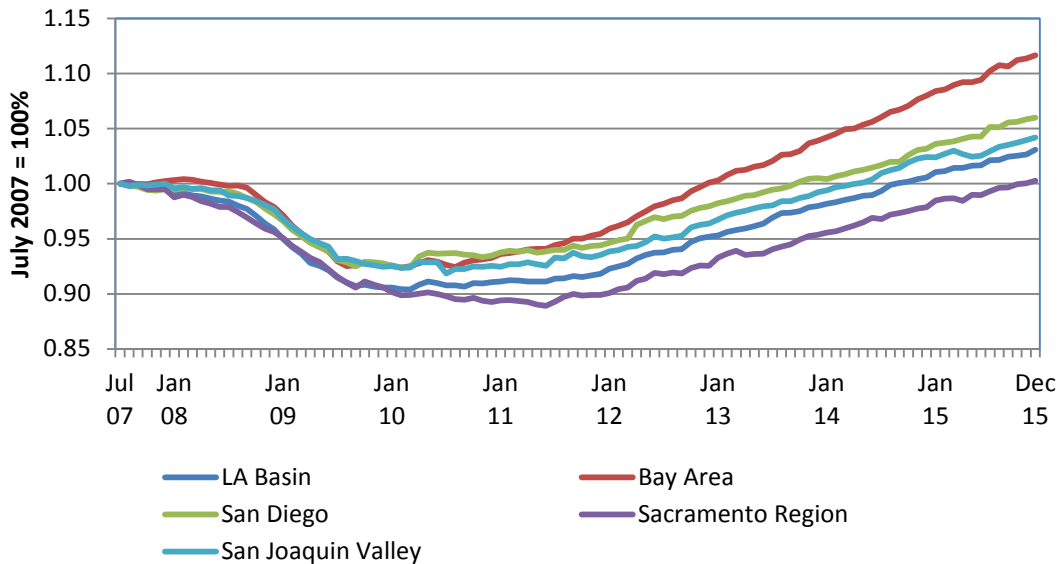
The industry pattern of job growth was strong in December and for 2015. Professional and Business Services with many high and middle wage jobs added 15,800 jobs in December and 124,700 for the year (+5.0%). Construction jobs, including many middle wage jobs, increased by 8.6% in 2015 and posted a gain of 11,500 jobs in December. Leisure and Hospitality led by food service jobs added 6,800 jobs in December and 4.3% for the year. The Government sector recovered 35,500 jobs during the year. Manufacturing job levels did not change much in 2015.

### Major Sector Job Growth in California (Thousands)

	Nov-Dec 15	Dec 14-15	Dec 14-15
Prof. & Bus. Services	15.8	124.7	5.0%
Construction	11.2	59.3	8.6%
Leisure & Hospitality	6.8	76.6	4.3%
Educ. & Health Services	2.1	72.9	3.0%
Trade, Transp. & Util.	7.7	70.4	2.4%
Government	3.7	35.5	1.5%
Manufacturing	1.6	-1.5	-0.2%

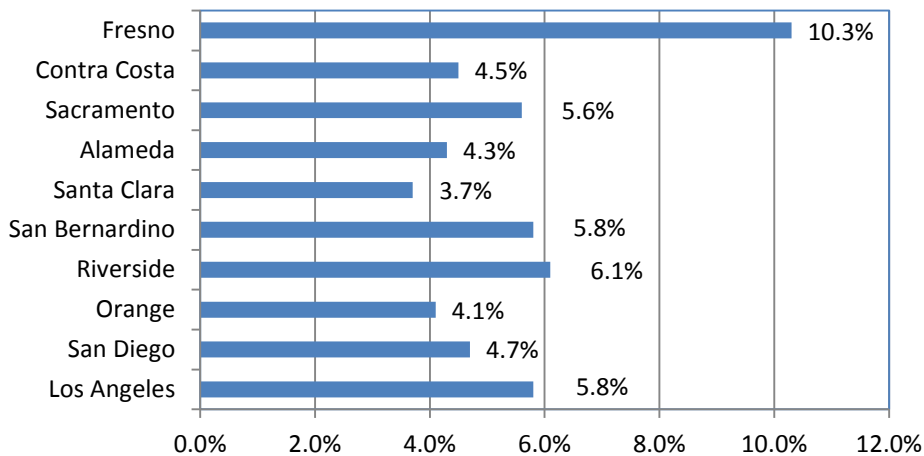
All regions of the state, now including the Sacramento region, have regained all the jobs lost during the recovery and moved into positive territory. Bay Area job levels are now 11.6% above pre-recession peaks and San Diego County has a 6.0% gain. Southern California job levels are 3.1% above pre-recession levels and the San Joaquin Valley, despite the drought, has also surpassed pre-recession job levels by 4.2%.

## Job Trends: A Regional Perspective



Some counties are now at what are normally considered full employment rates or lower including San Francisco (3.3%), San Mateo (3.1%), Santa Clara (3.7%), Orange (4.1%), San Diego (4.7%), Placer (4.6%) and Sonoma (4.2%). Unemployment rates have dropped to near 6% in Los Angeles, Riverside and San Bernardino counties, hard hit initially by the recession. Rates for the ten largest counties are shown below. December rates normally are among the lowest monthly unemployment rates and are not seasonally adjusted.

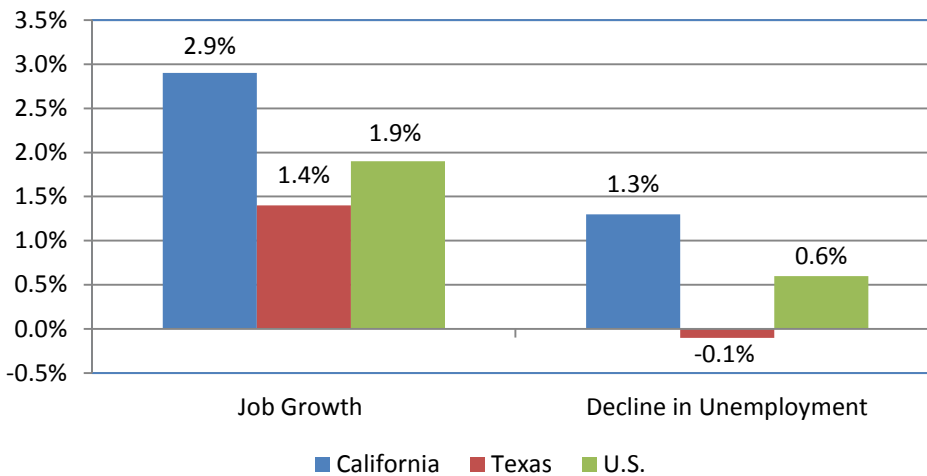
## December 2015 Unemployment Rates for Ten Largest Counties



More local areas are benefiting from the continuing job growth. The Sacramento region is plus 23,000 jobs for a 2.4% gain in the past 12 months. Orange County has added 40,800 for a 2.7% 12 month gain. San Diego County has added 37,800 jobs for a 2.7% gain. The Inland Empire added 46,800 jobs for a 3.6% increase—all areas well above the 1.9% national job gain. The Stockton metro area gained 3.2% while the Modesto metro saw a job gain of 2.5% for 2015.

In the ongoing Texas/California debate the state’s 12 month growth rate of 2.9% is more than double the growth in Texas (1.4%) as Texas is now experiencing declines in high paying mining (-33,600) and manufacturing (-41,900) jobs during the past year while their unemployment rate (low at 4.7%) inched up in October. November and again in December and is up 0.1% over the past 12 months while California’s unemployment rate has declined by 1.3%. Texas now has a lower job growth rate than the nation validating that industry composition and growth is the dominant factor in overall job gains.

## Change in Past 12 Months



Many challenges remain in California. 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.

Recent events in the world raise the possibility that global turmoil will affect our economy in the short term.

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 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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