The May Jobs Report—Pretty Good Considering the Poor U.S. Report

May 2016 saw a gain of 15,200 non-farm wage and salary jobs and an unemployment rate of 5.2%, following an upward revised gain of 70,000 jobs in April. And California continues to outpace the nation in job growth while capturing more than 50% of national job growth in April and May combined. For the past 12 months state job growth was 2.8% compared to 1.7% for the nation.

The unemployment trend reflects steady improvement as some workers have rejoined the workforce and the gap between the state and national rate has declined substantially. During the past 12 months the state labor force increased by 128,800 while the unemployment rate declined from 6.4% to 5.2%, the lowest since May 2007 while the number of unemployed residents (994,500) has dropped below 1 million for the first time since August 2007.

While not everyone has been helped by the recovery and unemployment rates remain high in some areas of the state, the job gains, reduction in unemployment combined with increases in the minimum wage at the state and many local levels are improving the economic situation for many Californians.

California and Florida are by far the job growth leaders among the six largest states and the only states to add jobs faster than the nation. The California job growth rate is now almost double that of Texas, hard hit by the oil slowdown.
Construction jobs declined slightly in May but remain the growth leader (+5.5%) over the past year. Professional and Business Services added 12,800 jobs in May to be up 3.5% over the past year. The other large gain in May was in Educational and Health Services (+12,000) up 4.2% over the past 12 months. Manufacturing jobs declined by 5,000 in May and down 0.9% since May 2015.

While the Bay Area continues to be the state job growth leader over the past year led by the San Jose metro area (+41,200 jobs or 4.0%), other metro are also doing as well or even better than the state average for job growth. Orange County has added 53,500 jobs during the past 12 months for a 3.5% increase, more than double the national average. The Inland Empire (Riverside and San Bernardino) added 45,000 jobs for a gain of 3.4%. San Diego County saw a gain of 33,800 jobs (+2.4%) and Fresno County added 9,600 jobs for a gain of 3.0%, all of these estimates from EDD are based on their seasonally adjusted job estimates. The Stockton metro area, adjacent to the Bay Area added 9,600 jobs posting a 4.4% year over year gain.

Los Angeles County added 6,400 jobs in May and 91,000 over the past 12 months for a 2.3% gain, outpacing the nation. The County has a seasonally adjusted unemployment rate in May of 4.9% and below the state average. The Southern California region has posted record tourism stats, record airport volumes, rising motion picture production days and port volumes. The region is now a full participant in the continuing state economic growth.

Economic growth recently has not been as strong or broad as in previous recoveries and growth periods. Yet California has done well compared to the nation and many states as well as most countries. In the debate over whether “business climate” or industry structure is the best predictor of state growth, 2015 and 2016 are clearly in the industry structure matters camp.
Texas, Wyoming, Oklahoma and North Dakota, all states ranked high in national business climate surveys, are experiencing poor job growth as one key sector—oil and gas—is in decline. Texas is doing the best with a year over year job gain of 1.5% compared to the nation’s 1.7% increase. North Dakota has seen a job decline of 3.4% Wyoming of 3.0% and Oklahoma lost 0.1% of the state’s jobs over the past 12 months. This is not a knock on these states but, rather, a show of how important industry trends are to state job growth.

**Looking to the Future**

Job growth will begin to slow as baby boomers retire in greater numbers. The first wave turned 70 this year. While older workers are working longer than before, most still retire by age 70. 2016 will have the largest annual job growth rate expected ever again.

While state and local fiscal situations are improving as sales taxes, property taxes and the sometimes volatile income taxes are growing, we like other states and countries face unfunded retirement obligations. With revenues up we still face tough choices among investing versus current spending, choices as to where best to spend and how to fund retirement obligations.

In terms of workforce, poverty and the increasing number of low wage jobs, research done by CCSCE and others is crystal clear. A three-pronged approach is required:

--Education and training informed by continuous employer input

--Strong economic growth without which progress is virtually impossible

--And policies to support the millions of workers who will spend long periods of time in low wage jobs no matter how successful the first two priorities are

The recovery has increased longstanding challenges with regard to housing and transportation investments and policies. 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.

**Increasing housing supply and working on the affordability crisis are simultaneously economic competitiveness and social justice issues.** The Governor and legislature are taking some steps to address this challenge but major responsibility remains with local jurisdictions and regions.

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.
The Governor has addressed infrastructure, retirement obligations and preparing for the next recession in his budget proposal, most of which was just approved. In addition he has made increasing housing supply a priority and has proposed allowing projects that meet low income housing and transit access criteria to be approved by right. The by right proposal; is currently being negotiated.

There are important connections that will influence our progress on addressing housing supply and affordability. Supply and affordability in the right locations simultaneously address economic, equity and environmental concerns about housing and can bring these constituencies together in common cause. There are also interesting connections between demographic groups including between millennials and seniors that can solve multiple challenges for example by building housing that allows seniors to downsize and move into walkable neighborhoods while freeing up single homes for millennials without requiring new construction.

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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