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The September Employment Report

by

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OVERVIEW

The latest release of regional and statewide employment data from the California Employment Development Department (EDD) continues to look abysmal for the state and rosy for the region. In California, the unemployment rate again failed to decrease in line with national patterns. California's unemployment rate remained the same from the month before and stands at 7.5% (seasonally adjusted). The California unemployment rate has not changed significantly since May 2021, when it stood at 7.7%.

The picture looks much more positive for the Inland Empire. The officially published unemployment rate fell by a whole percentage point from 7.6% to 6.6%. However, this number should not be directly compared to the state and national figures since it is non-seasonally adjusted (NSA). Removing regularly occurring seasonal patterns, using standard statistical techniques, shows an unemployment rate of 6.6%. Hence, the two unemployment rates (seasonally adjusted and non-seasonally adjusted) are the same this month. However, the NSA rate for August was 6.9%, so even using that number, we see a significant month-to-month decline in the unemployment rate of 0.3 percentage points.

INLAND EMPIRE

The decline in the NSA unemployment rate was not the result of a shrinking labor force—it actually grew by 0.1 percentage points—but came from strong employment growth (1.3%). At 6.6% it remains 1.8 percentage points above the U.S. rate (4.8%). However, it is now significantly below the state unemployment rate of 7.5%. The EDD does not publish seasonally adjusted data for the Inland Empire, but as referenced above, if we remove regularly occurring seasonal patterns, then the September unemployment rate is also 6.6%.

Looking at this from a standpoint of the economic recovery, the unemployment rate is down significantly from an unemployment rate of 10.6% observed a year ago. Furthermore, it is down

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by more than half from the peak unemployment rate of 15.2% (April 2020). However, job counts are still -3.47% behind the pre-pandemic downturn level of February 2020.

Looking at the establishment survey instead of the household survey, we see that total nonfarm jobs rose by 7,600.The improving development in Transportation and Warehousing, which are part of the logistics sector, indicate continuous economic progress. Compared to September 2020, the sector's employment has increased by 22,900 jobs. The increase results from higher levels of U.S. imports and continuous positive developments in e-commerce for the United States. In addition, increased hirings in the Government sector (+2,400) also continued from last month as the school sector continues to recover. There was an employment increase in local government educational services (+1,300) and state government (+1,200). The federal government reported a job loss of 1000.

What are the blemishes in this report? The Leisure and Hospitality sector was down by 900 jobs in the Inland Empire, which is worse than last month (there was no change last month). This is disappointing in regards to the economic recovery, especially considering that the remainder of the unemployment individuals came from this sector before the downturn. The Leisure and Hospitality sector was hurt the most by Covid-19. We had also made great progress, until recently, in getting many of the jobs back. This movement has stalled recently.

There was hope, especially by some conservative commentators, that the end of very generous unemployment benefits would get unemployed workers off the couch and return into the labor force. Many of these additional benefits ended in September, and yet we do not see the decline in the unemployment rate forecasted by these commentators.

A summary of the sectoral analysis is as follows:

- Transportation, Warehousing, and Utilities saw the largest monthly gain, adding 5,200 jobs. The industry had lost 45,600 jobs during the shutdown last year.
- Other industries which saw increases in employment include Government (+2,400), and Other Services (+1,400), and Manufacturing (+700).
- Taken together, these four industries accounted for 93% of the total job gain in September.
- Leisure and Hospitality (-900), Education and Health Services (-700), and Wholesale Trade (-600) saw the largest job losses.
- In all, the IE added 10,400 jobs, lost 2,800 jobs, for a net gain of 7,600.
- As of September, the region recovered 75% of the jobs that were lost during the spring 2020 pandemic shutdown, compared to 63% statewide.

CALIFORNIA

California’s unemployment rate remained unchanged despite a monthly increase in nonfarm payroll by 47,400. How is this possible? Clearly there most have been a comparable increase in the state labor force by 30,500 (0.2%). This continues a trend which started this summer as employment gains are largely neutralised by the return of formerly discouraged workers to the labor force.

California’s nonfarm payroll increase of 47,400 was the third largest in the nation, lagging behind Texas (+95,800) and Florida (+84,500). This increase still accounts for 24% of the United States’ 194,000 increase in total nonfarm employment. Year-to-year, California remains the nationwide leader in employment recovery with a nonfarm payroll increase of 795,800 between September 2020 and September 2021. Texas holds second place in year-to-year gains, with an employment change of 711,500. Note that these increases are related to the population size of the two states.

The Golden State fell behind in improving its relative (to other states) unemployment rate, tying with Nevada for the highest unemployment rate in the U.S. By comparison, Texas saw a 0.3 percentage point decrease since August and is now standing at 5.6% (September).

Texas also exhibited higher labor force growth than California, seeing an increase of 0.4% (63,100 jobs) in comparison to the Golden State’s 0.2% growth rate. It is possible that some of these differences are economic policy driven, in that California has had more stringent Coronavirus restrictions. These have prevented employment to increase at the same rate that more “laissez-fair” states, such as Texas and Florida have shown. Texas and Florida purposefully have chosen a stringency policy that allows more people to die at the price of increased economic activity. Note that Texas’s higher COVID-19 cumulative mortality rate stands at 242 deaths per 100,000 people. You can compare that to California’s mortality rate of 180 deaths per 100,000.

Ten of the twelve major industry sectors added jobs in September, while two registered job losses:

- Leisure and Hospitality took the lead, seeing a monthly increase of 23,000 positions. This was slower growth than August’s 33,100 job gain in this sector.
- Professional and Business Services was the second biggest job creator, 0increasing by 6,900 jobs. However, noter the decline from last month’s increase of 14,000 positions.
- The Manufacturing and Information sectors followed at 5,700 and 5,000 jobs added respectively. Both sectors exhibited higher growth than seen in August.
- Together, these four sectors made up 86% of the total job gains in September.
- Other Services was one of two sectors to see a decline, losing 3,700 positions in September. This marks a sharp reversal from August, where the sector saw an increase of 8,400.

Similarly to Leisure and Hospitality, this signals people's reluctance to work in these sectors, or to buy services from there.

- Mining and Logging was the only other sector to also decline, losing 100 positions in September.

Looking at the data from a year ago, almost every major sector saw an increase in nonfarm employment. The employment increase was led by Leisure and Hospitality (+335,500), Professional and Business Services (+154,500), and Logistics (+86,400). The Government sector, along with Mining and Logging, did see a decrease in yearly terms at -900 and -100 positions, respectively.

As of September, California has recovered 63% of the nonfarm payroll jobs lost during the pandemic shutdown of Spring 2020.

SOUTHERN CALIFORNIA

The unemployment rates of other Southern California MSAs also fell in September. Southern California's non-seasonally adjusted unemployment rate declined by 1.2 percentage points, from 8.2% in August to 7.0% in September.

Across the Southern California region, nonfarm jobs rose, with Orange County adding 8,400 jobs, and Los Angeles County adding 31,500 jobs. Industries with the largest job gains included Government (+40,700), Educational and Health Services (+8,500), and Transportation, Warehousing & Utilities (+5,600), while Other Services lost jobs in Southern California (-2,600).

Total nonfarm jobs in Southern California grew by 52,400 jobs from August to September to 9,169,300 jobs. Job counts are still 6.2% behind the pre-pandemic levels (February 2020). We can summarize the sectoral analysis of Southern California as follows:

- Government saw the largest monthly gain, adding 40,700 jobs. The industry had lost 189,000 jobs during the shutdown last year
- Other industries that added jobs included Educational and Health Services (+8,500), Transportation, Warehousing and Utilities (+5,600), and Manufacturing (+3,100).

- Other Services (-2,600), Wholesale Trade (-2,300), and Financial Activities (-2,000) saw the largest job losses.
- As of September, Southern California recovered 61% of the jobs that were lost during the spring pandemic shutdown compared to 63% for the state as a whole.