

November 2021 Inland Empire Employment Report

by

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Given the mediocre national report two weeks ago (relatively small employment increase coinciding with a significant decrease in the national unemployment rate to 4.2%), nothing spectacular was expected from the November employment report for our region. According to the household survey data (Current Population Survey or CPS), the state unemployment rate had improved little in recent months, with the October rate at 7.3%, not much better than June's 7.6% rate. The state rate finally dropped below seven percent in November, mirroring the nation with a 0.4% decrease to 6.9%. Even so, California still has the highest state unemployment rate and it continues to lag behind the other most populous states: Texas (5.2%), New York (6.6%), and Florida (4.5%). Meanwhile, Nebraska reported the lowest rate at 1.8%. Note that the two states with more stringent Coronavirus policies (California and New York) end up with higher unemployment rates, but also have significantly lower cumulative mortality rates from the virus.

The state has seen consistent year-to-year gains of between 810,000 and 865,000 over the past seven months, which translates into an average of just below 70,000 a month. Hence today's year-to-year gain of 821,000 fits well into the previous pattern, an increase of approximately 5% a month. Note that this is four times the year-to-year average gain of 1.3% that California has experienced over the last ten years, but it comes at a time when employment was significantly depressed due to the Coronavirus downturn. The monthly job gain according to the household survey was 45,700, lagging behind Texas (75,100) and Florida (51,100).

For the Inland Empire, the non-seasonally adjusted rate was 6.3% (after a small adjustment from the originally published numbers last month) in October. It fell to 5.4%, an impressive decline of 0.9 percentage points. Even better, the majority of this decline in the regional unemployment rate was due to an increase in employment (1.4%). Had the labor force remained constant rather than increasing by 0.5%, then the unemployment rate would have been below 5%. Bottom line, we are doing well for the right reasons, employment growth coinciding with people joining the labor force.

However, much of this is due to seasonal factors (hiring for the holiday season). By comparison, the raw numbers for the nation and state would be 3.9% and 5.4% if they also were not seasonally adjusted or raw data. Hence, according to this measure, the Inland Empire is now at the state rate. Riverside County has the marginally lower unemployment rate (5.4%) compared to San Bernardino County (5.5%).

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Using standard techniques for seasonal adjustment, we find the Inland Empire rate at 6.8%, which is slightly below the state unemployment rate. Hence this is the statistic we are going to stress, and it is in line with the relative data for non-seasonally adjustment. This rate was a substantial improvement over the figure a year ago (October 2020), when it stood at 9.4%. The number of employed IE residents is only 10,900 short of the pre-pandemic level, and despite talk of the Great Resignation, our labor force is actually 22,800 bigger.

Turning now to the establishment survey (Current Employment Statistics or CES), note that these numbers can differ substantially from the household survey data for a variety of reasons. For the Inland Empire and most importantly, this is due to the large number of commuters, i.e. individuals who reside in our region but work elsewhere. Note that these numbers are also not seasonally adjusted.

Using this data, the Inland Empire generated 15,700 new jobs last month and 62,000 new jobs compared to November of last year. Of the monthly gains, 6,400 were created in the logistics sector, continuing a trend seen over the last few months. Another 5,300 jobs were added in Retail Trade and 1,100 in Leisure and Hospitality, consistent with typical hiring patterns during the holiday season each year. However, construction employment fell by 2,500 positions, the only sector that saw significant job losses in November.

Total non-farm employment in the Inland Empire is still 9,700 positions short of the February 2020 level, the last month of the previous expansions. Were it not for the 27,400 jobs missing in the Leisure and Hospitality industry, we would be back to the pre-recession employment level now.