

IEEP NEWS RELEASE
May 20, 2022
The April 2022 Employment Report
by
Manfred W. Keil¹

OVERVIEW

The California Employment Development Department (EDD) released their employment data for California and the Inland Empire this morning. At face value, the employment numbers look promising for the Inland Empire, with the unemployment rate standing at 3.8% for April 2022. This is a half a percentage point decrease from the 4.3% of March 2022. It also places the Inland Empire at the same level with the unemployment for the State of California, and only half a percentage point above the 3.3% currently observed for the nation (all data is non-seasonally adjusted).

While the non-seasonally adjusted numbers for the Inland Empire are already promising, the numbers become even more impressive after accounting for seasonal factors. The unemployment rate for the Inland Empire actually stands at 3.3% after seasonal adjustment, a whole percentage point decrease from the 4.3% seasonally-adjusted rate in March, and a 0.3% percent decrease from the 3.6% seasonally-adjusted pre pandemic rate in February of 2020. It is very encouraging and indeed amazing to see the unemployment rate falling below the pre-pandemic level. Meanwhile, the seasonally adjusted rates are 3.6% for the nation and 4.6% for the state. Note that the seasonally adjusted nation and state unemployment rate actually increased compared to pre-adjusted levels whereas the Inland Empire unemployment rate fell further after seasonal adjustments.

This might sound confusing at first, but it makes sense once we understand the meaning of seasonal adjustment. Think of the human body temperature: it is always higher in the evening when compared to the morning. But you would not want to infer from this that the person you are looking at is getting sicker as the day went on. Hence an experienced health official will remove these regularly occurring fluctuations to infer the true temperature of the patient. Seasonal adjustment does the same for economic statistics. Thus, since the seasonal factors differ from each MSA, it makes sense for seasonal adjustment to have different effects on the data (think of Coachella Valley during the summer: definitely not the high season there).

Furthermore, we can approximate the changes in unemployment rate as the difference in the percentage change of the labor force and the percentage change of employment. After seasonally-

¹ Chief Economist, Inland Empire Economic Partnership and Director, Lowe Institute of Political Economy. Keil received valuable support for this work from the following research analysts: Rosy Chen, Alina Hu, and Muxi Li.

adjusting all numbers, employment outgrew the labor force for the Inland Empire. We can therefore confirm that the decrease in the unemployment rate is not the result of discouraged workers (people leaving the labor force) but of increased employment.

In summary, we consider this report extremely positive.

INLAND EMPIRE

Looking at non-seasonally adjusted data first, we note a decrease in employment (-1,900) in the transportation and whole sale trade sector, which was unexpected since the Inland Empire has always been the hub for logistics that hold either online orders in transit or imports from the ports of Long Beach and Los Angeles. Therefore logistics has been one of the strongest performing sectors for the Inland Empire in economic expansion times. Despite this drop, and compared to April 2021, the logistics sector has led the year-over increase, with an impressive number of job gains (+34,000). Part of this can be explained as the result of the significant increase in online shopping during the COVID pandemic and its aftermath. The following drop in April could be partially due to supply chain shortages related to China and the Russia-Ukraine war, both of which negatively impact U.S. imports. More importantly, the drop in April could be attributed to seasonal patterns. Historically, employment in logistics peaks during fall and winter, and falls during spring and summer. After seasonally adjusting the unemployment data to account for these patterns, we actually note a 3,500 *increase* in employment, which shows that the logistics sector remains robust in the Inland Empire.

The Leisure and Hospitality sector also increased employment compared to the previous month as well as compared to a year ago, continuing the trends of recovery. Since this industry was hit particularly hard during the Covid-19 recession, the significant increase in employment shows a continued trend of recovery. We also see promising growth in the Professional and Business Services sector, historically one of the weak points of the Inland Empire. This is a promising trend of higher-paying, more value-adding jobs being created in the Inland Empire.

Here are the highlights from this month's report:

- The largest monthly gain was seen in *Leisure & Hospitality* with 4,053 (seasonally-adjusted) jobs added. This sector shows good continued signs of recovery.
- Other industries that saw monthly gains both before and after seasonal adjustment (numbers shown are seasonally adjusted) include *Professional & Business Services* (+2,410), *Educational and Health Services* (+3,608), *Government* (+1,431), *Manufacturing* (+593), and *Construction* (+368).
- According to non-seasonally adjusted numbers, *Logistics* performed worst this month, being the only sector with a job loss this month (-1,900). However, after the seasonal

adjustment, *Logistics* shows job gains (+3,550), being the second largest employment creating sector. This is contributing to more than half of the jobs gains in the *Logistics* sector in California, supporting the claim that the Inland Empire region is the hub for transportations and warehouses.

CALIFORNIA

The unemployment rate (seasonally adjusted) for California remained at 4.6%, which is one percentage point higher than the U.S. with its seasonally adjusted unemployment rate of 3.6%. However, the unemployment rate shows a slight decrease compared to the previous month when it was 4.8%. This was due despite a large increase in the labor force (+111,800). Otherwise, California has performed fairly well overall, with an increase of 41,400 jobs (+41,400) from March to April 2022.

Looking beyond the aggregates, the sector-specific analysis shows:

- Continuing with previous trends, Leisure and Hospitality continues to excel, adding 20,100 jobs from March to April—meaning Leisure and Hospitality is accountable for around half of the total employment gain in California (around 41,400 jobs).
- The top two sectors ranked after Leisure and Hospitality, were Professional and Business Services (+11,400) and Logistics (+5,500).
- The sector that performed the worst in April 2022 was Construction (-13,200).