

## IECONOMY

# Job gains continue in IE and the nation

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The labor market and industry employment have been closing the job gaps created by the coronavirus pandemic. By these measures, the Inland Empire has outperformed both the state and the nation. However, the pace of the recovery has slowed in the latest numbers, with employment actually falling nationally from March to April by 300,000 according to the survey. Part of the reason is the chilling effect of Fed rate hikes and high energy/food prices induced by the war in Ukraine. Even so, we do not see another recession within the next 12 months. In the immediate term, the nation, the state, and our region all continue to gain momentum, as reflected in low unemployment rate and increasing industry employment.

The national unemployment rate for April 2022 remained unchanged from the previous month at an impressively low 3.6%. It has stayed at 4% or less since December 2021. It was slightly lower during the last months of the previous record-setting economic expansion in January and February 2020, at 3.5%. But before that, you have to go back more than 50 years to find a number that low (November 1969). The Mets beat the Orioles in the World Series that year, and the Montreal Expos and the Seattle Pilots (no printing error) played their first seasons in MLB. Joe Namath and the Jets were the first AFL team to win a Super Bowl.

Let's dig deeper. The unemployment rate has two components: employment and being in the labor force (to be in the labor force, you have to be either employed or unemployed). The rate will change with variations in either one of the components. For example, the unemployment rate will remain the same if both employment

and the labor force fall by a similar amount. This is what happened in April.

But employment gains have outpaced labor force growth over the last two years and hence have contributed to the low unemployment rate. As of April, the labor force was within 500,000 of its pre-pandemic level. It should surpass that level sometime over the next few months, although it will have taken almost two and a half years to do so. During this time period, we have witnessed the second slowest employment recovery on record following any of the 12 post-World War II recessions. Nationally, we are still 0.5% or 750,000 workers short of where we were then. Hardly the fast V-shaped recovery predicted by some. The labor force participation rate (the ratio of employment over the population), has edged up gradually in recent months, another sign of improved health in the labor market. More importantly, the participation rate of 25- to 54-year-olds, which is not influenced by baby boomers retiring, is now at 82.4% after reaching 83% prior to the downturn.

U.S. nonfarm employment, which is based on a separate survey of payroll establishments, was up 428,000 from March, and up 6.6 million or 4.6% from a year ago. For a variety of reasons (self-employed, people holding two jobs, difference in survey size, "off-the-books" employment, etc.), the two surveys can differ sometimes in their employment figures, as they did last month. As of April, the nonfarm jobs gap was 1.2 million or less than 1% of the pre-pandemic job count in February 2020.

But enough about the nation — let's focus on the Inland Empire. Not that the U.S. economic numbers do not matter for our region, indeed they do, big time.

The region's logistics sector (warehousing, transportation, and wholesale trade) depends to a large extent on

imports to the U.S. economy. A stunning 40% of these come through the ports of Long Beach and Los Angeles.

The unemployment rate in the Inland Empire declined from 5% in February to 4.3% in March, an impressive one-month drop (April numbers will be available by the middle of the month). Using the equivalent non-seasonally adjusted (NSA) data for California and the U.S., the state data is only marginally below the Inland Empire at 4.2% and the comparable national rate is 3.8%. While both the labor force and employment levels in the U.S. and the Golden State are still below their pre-pandemic levels, employment and the labor force in the Inland Empire are both 3% above pre-pandemic levels as of March.

The superior employment performance of the Inland Empire has not been sufficiently stressed in the press, nor among policy makers and analysts. But before you pop the champagne corks, we must point out that this is a bifurcated recovery: jobs above the median wage have recovered, but not those below the median wage — everywhere, including the Inland Empire. This accounts in part for the muted sense of satisfaction about the current recovery. We have pointed out previously that the Inland Empire needs to think about job quality, not just job quantity, in the future.

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