

The California Economy: Employment Update

APRIL 2017

Marisol Cuellar Mejia and Sarah Bohn

► California's robust job growth slowed slightly in 2016 ...

At the end of 2016, employment growth in California was up 2.2% year-to-year. This is higher than the average growth rate over the past three decades and puts California among the top 10 states with the highest rates of job growth. But the pace of employment growth has clearly decelerated relative to the previous four years, which saw year-to-year employment growth closer to 3%. In January and February 2017, employment growth continued to decelerate (at 2.1% and 1.9%, respectively). It is expected that the recent moderation in California's employment growth will continue through 2017 and 2018. According to the UCLA Anderson Forecast's latest quarterly report, employment is projected to grow at 1.8% in 2017 and 1.3% in 2018.

► ... but is still stronger than job growth nationwide.

Job gains in California have consistently outperformed national job growth since March 2012. Between January 2013 and December 2015, California employment grew at an annual rate that was 1.0 percentage point higher, on average, than the national rate. However, employment growth decelerated in 2016 more in California than nationwide, narrowing this gap. The gap between California and US annual job growth narrowed from 1.3 percentage points in the second half of 2015 to about 0.6 percentage points during the second half of 2016. As of February 2017, this gap was only 0.3 percentage points, the lowest level since May 2012.

► Inland parts of California are now seeing solid economic growth.

In the years following the Great Recession, employment gains were heavily weighted toward the larger metropolitan areas along the California coast. But strong employment gains are finally moving inland. In fact, eight of the 10 metropolitan areas with the highest rates of job growth are located inland and together added 111,200 jobs, or 26% of the total increase in employment between 2015 and 2016. In 2016, hiring was particularly strong in the Madera (5.7%), Riverside/San Bernardino/Ontario (3.5%), Sacramento (3.5%), and Visalia/Porterville (3.5%) metro areas, where growth exceeded the state as a whole (2.6%).

► Service and construction sectors continue to see healthy employment gains ...

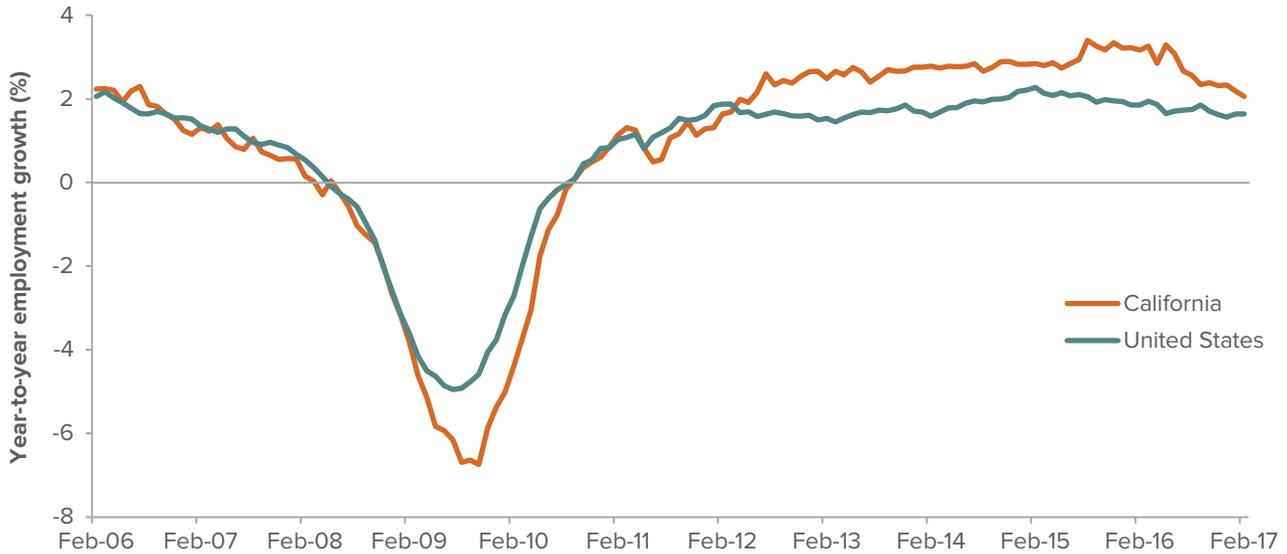
On an annual basis, the state's employers created 421,500 new nonfarm jobs in 2016. The bulk (61%) of employment gains occurred in five service industries: health care services (72,800 jobs added); accommodation and food services (55,100 jobs); government (51,600 jobs); construction (42,300 jobs); and information (36,800 jobs). When looking at rates of job growth, information; construction; and transportation, warehouse, and utilities have added jobs faster than any other industries—more than two times faster than job growth overall. Hiring in the construction sector decelerated somewhat from its breakneck pace in 2015 (8.5%), but this industry still added jobs at a healthy rate of 5.8% in 2016. In line with broader national trends, manufacturing continued to be a soft spot. The state's manufacturing sector added a total of 4,100 jobs in 2016, an increase of only 0.3%.

► ... but some industries have not yet fully recovered from the Great Recession.

Even though construction employment has performed consistently well during the past five years, jobs in this sector are still down 17% compared to peak levels reached in February 2006. Employment in finance and insurance as well as real estate sectors are also below their peaks (15.0% and 2.4% down, respectively). After years of sluggish growth, the number of government jobs in California finally surpassed the peak reached in July 2008 of more than 2.5 million jobs.

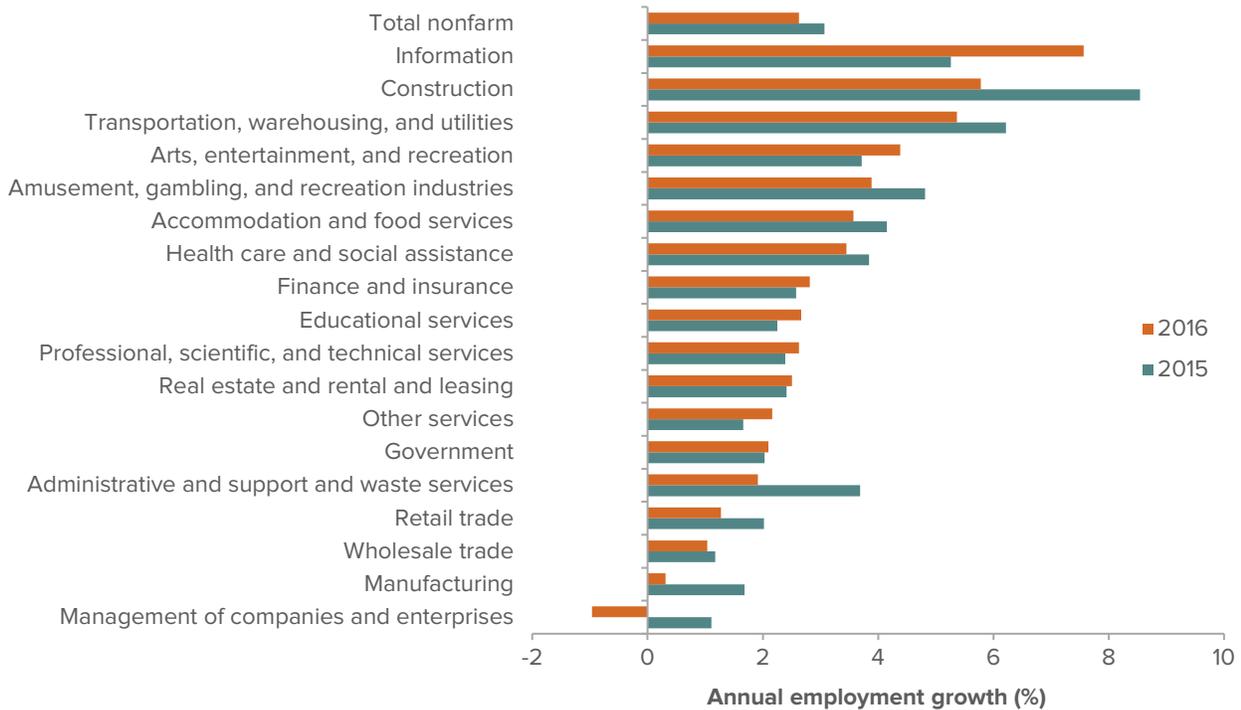


California job growth slowed in 2016 but is still stronger than the national rate



Source: Bureau of Labor Statistics, Current Employment Statistics; California Employment Development Department, Labor Market Information.

Service and construction sectors had the highest rates of employment growth



Source: California Employment Development Department, Labor Market Information.

Sources: Bureau of Labor Statistics; California Employment Development Department, Labor Market Information.

Contact: cuellar@ppic.org; bohn@ppic.org

