



August Jobs Report

By Stephen Levy

Director and Senior Economist of the Center for Continuing Study of the California Economy

California continues on a path of sustained job growth—faster than the nation but slower than anyone wishes for.

Over the past 12 months California posted a 2.3% job growth rate compared to 1.4% nationally. In August the state added 12,000 jobs slightly outpacing the nation's sluggish 96,000 job gain.

As the UCLA Anderson forecast pointed out yesterday, the state is experiencing strong job growth currently but is subject to the same restraining forces as the nation—recession in Europe, slower growth in China and uncertainty about a resolution to the fiscal cliff.

The construction sector added 5,100 jobs in August and 33,000 (+5.0%) over the past year. Other news confirms that the housing market is recovering and new housing, particularly for apartments, is increasing. A recovery in housing and construction would add strength to the recovery that so far is led by tech, trade and tourism.

In fact housing and construction are the major leverage points for getting to even faster job growth as these sectors were the principal cause of the state's below-average performance in the recession.

Note that the very large year over year job gain reported in July has now been corrected because local government jobs were underreported by 40,000, which made the July to July job gains reported last month artificially high. The smaller year over year job gains in August match what should have been reported last month and do not represent a slowing in the state economy.

Regionally there are three important trends:

- Strong job growth continues in major coastal areas including year over year gains in the San Jose (+29,300 jobs), San Francisco (+38,300), Orange County (+29,600), and San Diego (+28,700) metro areas.
- Other parts of Southern California are now in recovery mode with year over year gains of 77,100 jobs (+2.0%) in Los Angeles County and 28,200 jobs (+2.5%) in the Inland Empire.
- And job growth is finally returning to the Central Valley with gains of 8,600 jobs in the Stockton metro area, 6,900 jobs in Fresno County, and gains in Kern and Tulare counties.

California should continue to outpace the nation in job growth as the state's economic base was not damaged by the recession. Tech, trade and tourism will lead the state and any gains from a rebound in construction will push the state further ahead in recovery.

The state's unemployment rate fell to 10.6% from 10.7% in August and unemployment rates fell in most metro areas.

But the unemployment data for the summer months are difficult to believe or interpret. It is unlikely that the reported sharp declines in the labor force are real given steady job growth. Moreover, the interpretation that these are discouraged workers is not consistent with national data on discouraged workers or the idea that students are returning to school earlier plus the surge of residents into normal retirement age groups.

The September data, once the summer seasonal factors are removed, will give a better picture of labor force trends.

It is not clear how any of this data will affect state revenue trends and, in addition, the cross currents of declines in Facebook stock prices combined with extraordinary gains in Apple and Google earnings and stock prices are hard to determine at this point.