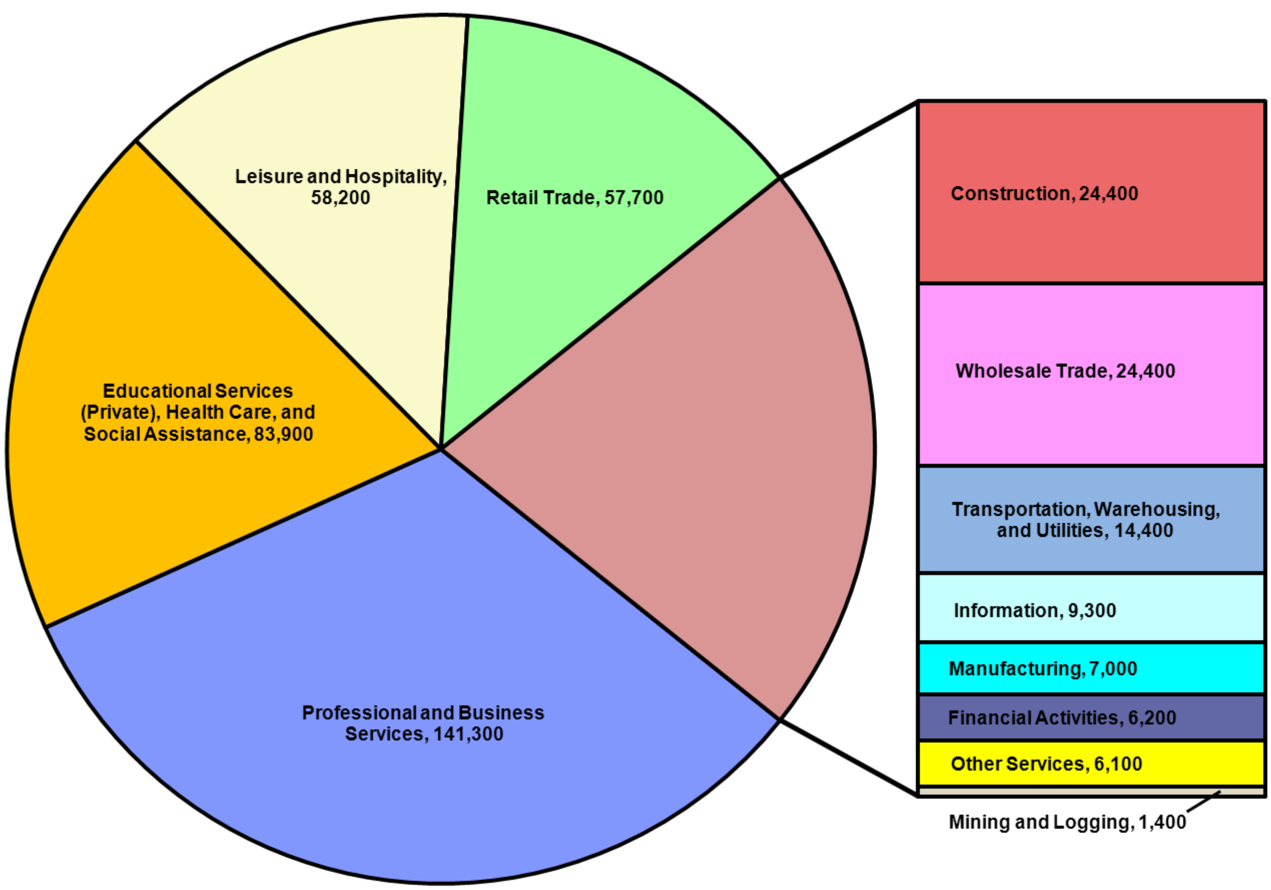
California Industry Employment Projections
2011 Third Quarter – 2013 Third Quarter

Overview

Total industry employment in California, which includes self-employment, unpaid family workers, private household workers, farm employment, and nonfarm wage and salary employment, is expected to reach 16,407,500 in the third quarter of 2013, an increase of 2.5 percent over the two-year projections period. Total nonfarm employment is projected to add more than 378,000 jobs, a 2.7 percent increase over the same period. Ninety percent of all projected nonfarm job growth is concentrated in four industry sectors: professional and business services; educational services (private), health care, and social assistance; leisure and hospitality; and retail trade. A breakout of growth by industry is seen in *Figure 1:*

Figure 1

Projected Job Growth by Industry Sector, 2011-2013

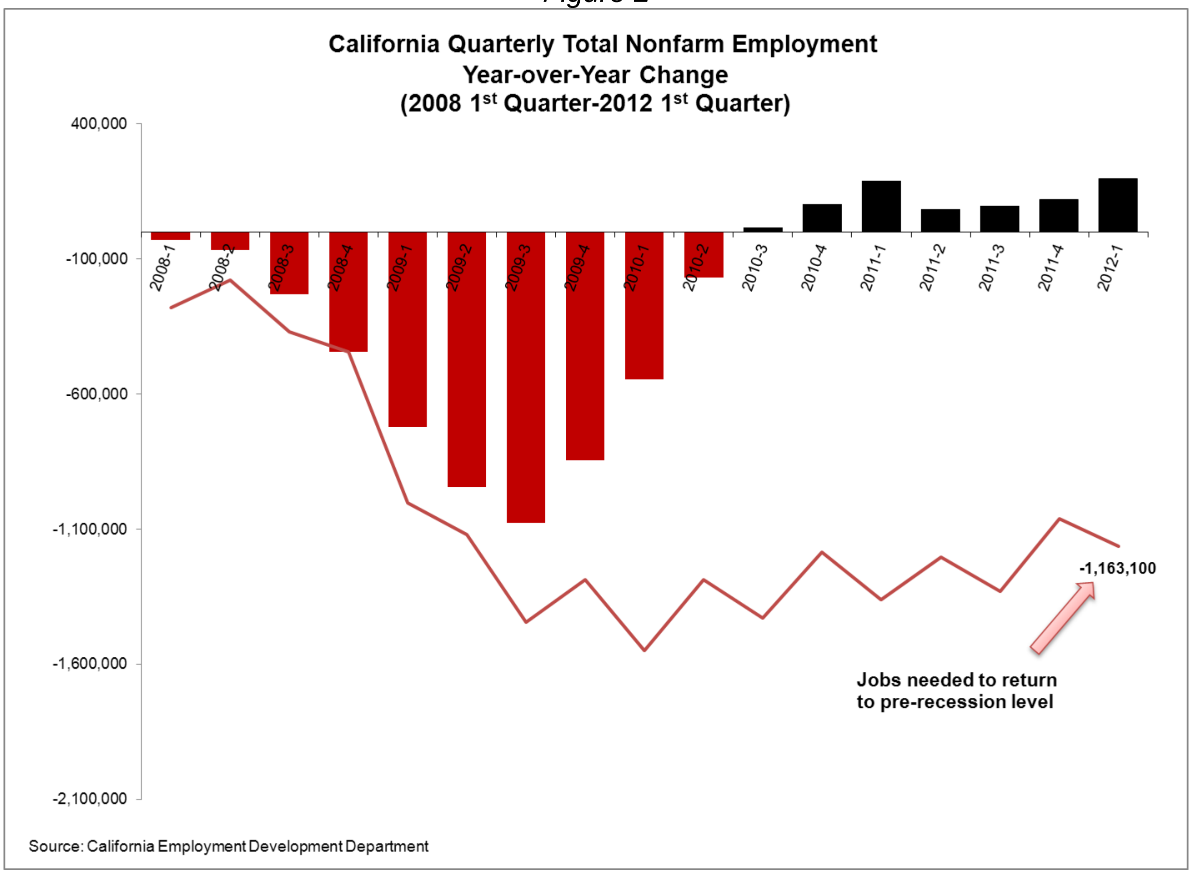


Source: California Employment Development Department

According to Current Employment Statistics (CES) data, California nonfarm employment grew by 185,500 jobs between April 2011 and April 2012. Over this time period, more than 70 percent of employment growth occurred in two sectors, professional and business services, which grew at a rate of 4 percent, and educational services (private), health care, and social assistance, which grew at a 2.6 percent rate. Eight industry sectors experienced growth, while three declined in employment. Employment in government led decliners by shedding jobs at a rate of -1.9 percent.

While California has experienced positive year-over growth since the third quarter of 2010, the growth has been relatively subdued when compared to the substantial losses that occurred during the most recent recession, as seen in Figure 2. As of the first quarter of 2012, California needs to add more than 1.16 million jobs to return to its pre-recession employment levels.

Figure 2



Industry Trends

The largest number of new jobs is expected in the professional and business services sector, with a projected gain of more than 141,000 jobs. The employment services industry, which includes employment placement agencies and temporary help services, is projected to add nearly 52,000 jobs in the projections period and accounts for 37 percent of all projected job growth in this sector. The industry experienced year-over job growth of 31,000 in April 2012. Employment services is often viewed as a leading indicator for the California economy, as employers looking to add workers during a period of economic recovery often hire temporary workers before committing to full-time employees. Even with its projected gains, employment services is expected to fall nearly 70,000 short of its most recent employment peak in the fourth quarter of 2006, as seen in *Figure 3*.

Figure 3

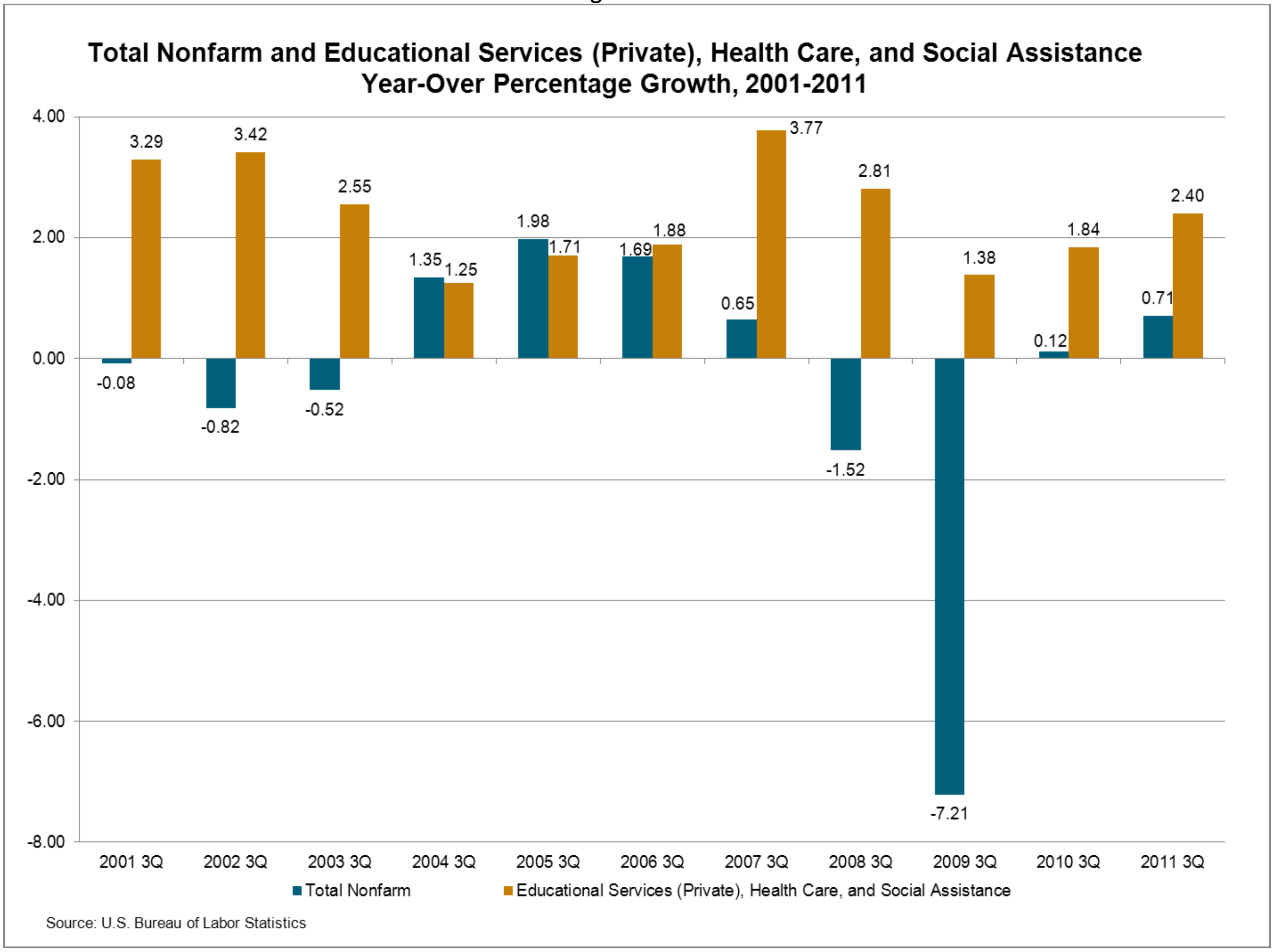
Computer systems design and related services and management, scientific, and technical consulting services are also expected to experience strong growth, combining for 30 percent of the growth in the professional and business services industry sector.

Job growth greater than the overall nonfarm growth rate is anticipated in the educational services, health care, and social assistance sector, with projected job gains across all industry subsectors totaling 83,900, or 2.3 percent annual average growth. Since 1990, this sector has grown at an annual average rate of 3 percent. As seen in *Figure 4*, this industry sector continued to add jobs during the economic downturn.

Job growth in health care can be attributed to the aging baby-boom generation, those born from 1946 through 1964. There are approximately nine million baby-boomers in California, the highest generational population in the nation. The oldest baby-boomers are in their mid-sixties and at retirement age. Increased health care services will be needed to service this large population as it ages. Employment in the health care sector will continue to rise into the future in order to meet the increased demand for health-related services.

Increased enrollment in private colleges and universities is driving growth in the educational services (private) sector. This industry is expected to gain 20,600 jobs, with an increase of 8,700 jobs in colleges, universities, and professional schools. Unlike the local government education sector, which is forecasted to shed jobs, private elementary and secondary schools are projected to gain 4,100 jobs.

Figure 4

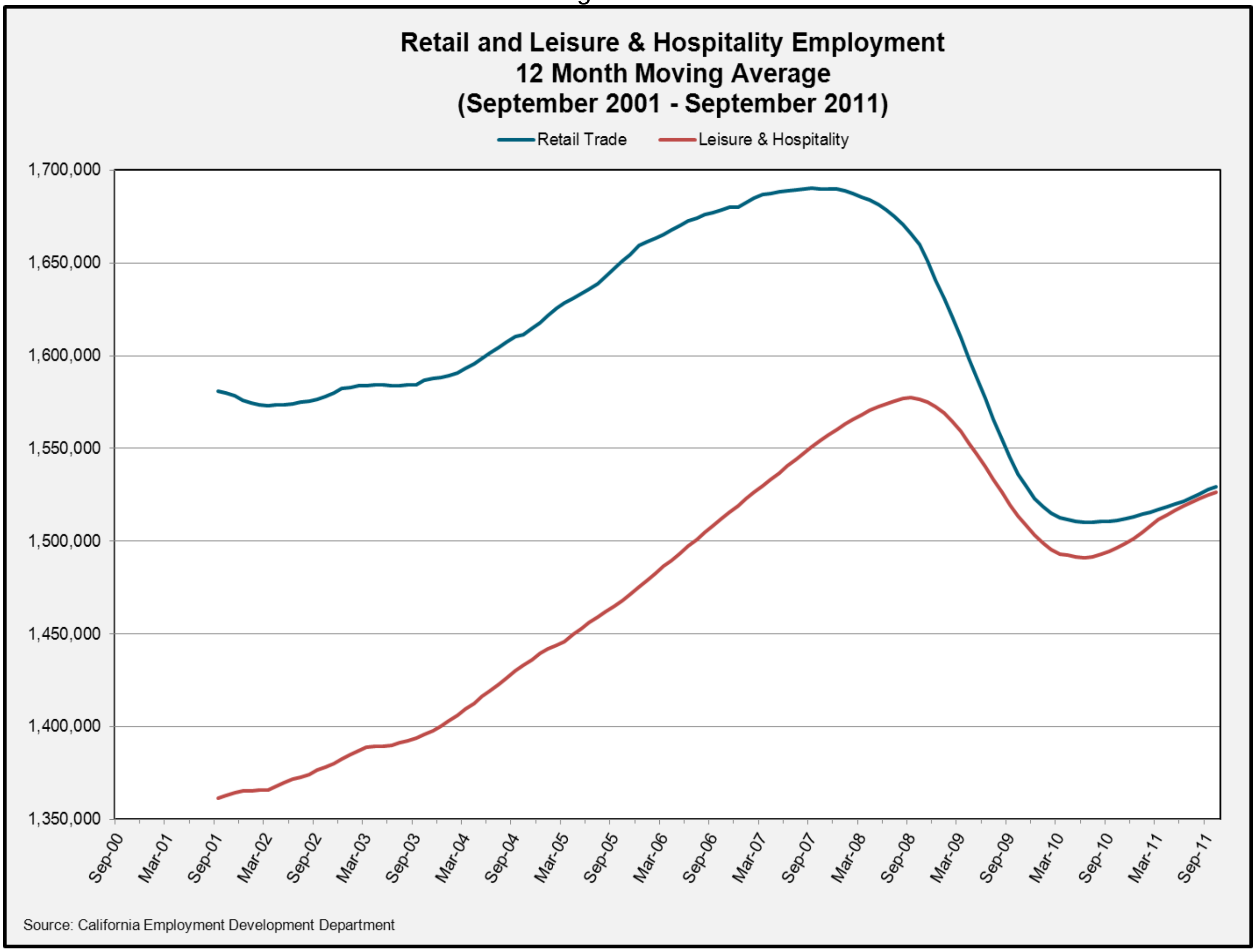


Leisure and hospitality is expected to add 58,200 jobs for an annual average growth rate of 1.9 percent. Full-service restaurants and limited-service eating places, with more than a million employees, account for 66 percent of total employment in this sector and 71 percent of projected job growth. As the economy recovers, an increase in discretionary spending will continue to fuel employment growth in this sector. Amusement parks and arcades, benefitting from the recovering economy, are projected to add 4,600 jobs for a 5.7 percent annual growth rate.

Retail trade is expected to grow by 57,700 jobs, with 56 percent of the projected job growth concentrated in three industries: general merchandise stores, clothing and clothing accessories stores, and motor vehicle and parts dealers. Automobile dealers are projected to increase employment by 6,500 over the two-year projections period. The industry added 5,400 jobs from January 2010 through June 2011, the final month before the start of the projection period.

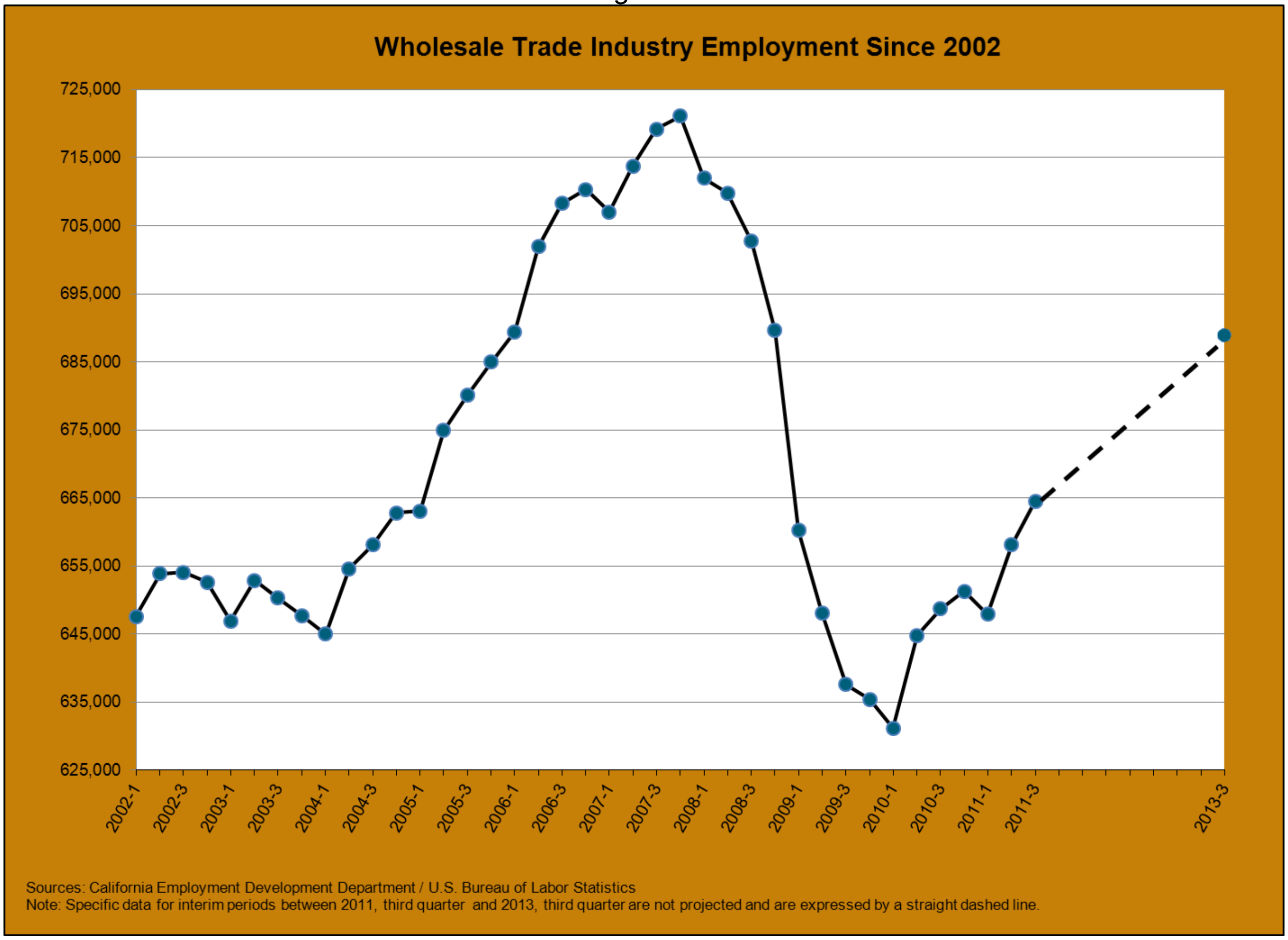
Employment in the retail trade and leisure and hospitality sectors has historically trended in the same general direction, as seen in *Figure 5*. From January 2008 to January 2010, retail employment dropped 10.3 percent and leisure and hospitality employment fell 5.8 percent. Since January 2010, employment in the two sectors has slowly increased. These sectors are affected negatively when discretionary spending slows, as it did during the most recent recession.

Figure 5



Wholesale Trade is projected to grow by 24,400 jobs, with an 11,400 job increase projected in merchant wholesalers, durable goods. After losing 92,600 jobs between December 2007 and January 2010, wholesale trade gained 30,000 jobs from January 2010 through June 2011, the final month before the start of the projections period, as seen is *Figure 6*. It is projected that 64 percent of the jobs lost between December 2007 and January 2010 will be recovered by the end of the projection period. As the recovery moves forward, a pent-up demand for consumer goods will contribute to job gains in both retail trade and wholesale trade.

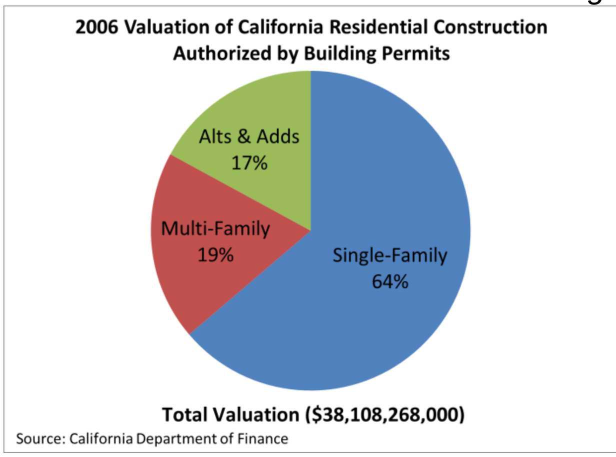
Figure 6

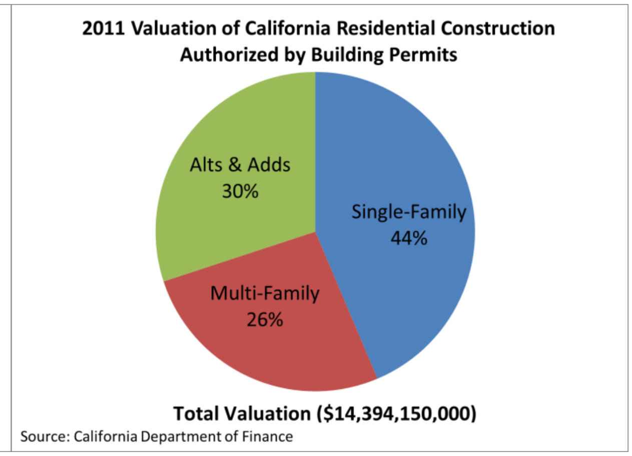


The transportation, warehousing, and utilities sector is projected to add 14,400 jobs. Truck transportation will increase by 6,300 jobs, which trends with projected employment increases in the retail trade and wholesale trade sectors.

Construction employment is expected to grow at a rate of 2.1 annually over the projection period, regaining approximately 24,000 of the jobs lost during the recent recession. The construction industry appears to be slowly on its way up after being hit hard by the collapse of the housing market. During 2006, at the height of the housing bubble, the total valuation of residential building construction was approximately $38.1 billion, as seen in Figure 7, with nearly two-thirds of the valuation attributed to single-family homes. By 2011 the total annual valuation declined to $14.4 billion with single-family home construction contributing less than half of the total valuation of residential building construction. While single-family home construction continues to struggle due to the excess supply of existing homes for sale, other areas in residential building construction are helping to stabilize the industry. The valuation of residential construction for multi-family homes has increased significantly in 2011 with an increase of 42.7 percent from the previous year. During the same period the valuation of alterations and additions experienced a modest increase of 0.9 percent and single-family homes declined 7.5 percent.

Figure 7





The driving force behind the recent growth in multi-family home construction is a shift from homeownership to renting, which was fueled by a depressed job market that made homeownership unattainable for many Californians. This recent trend is not expected to continue as the job market slowly improves and more people opt for homeownership to take advantage of low interest rates and low home prices. As the inventory of existing single-family homes dwindles, there will be a growing need to build new homes. The specialty trade contractor industry is also expected to experience some growth as the housing market continues to recover, since both have historically trended together.

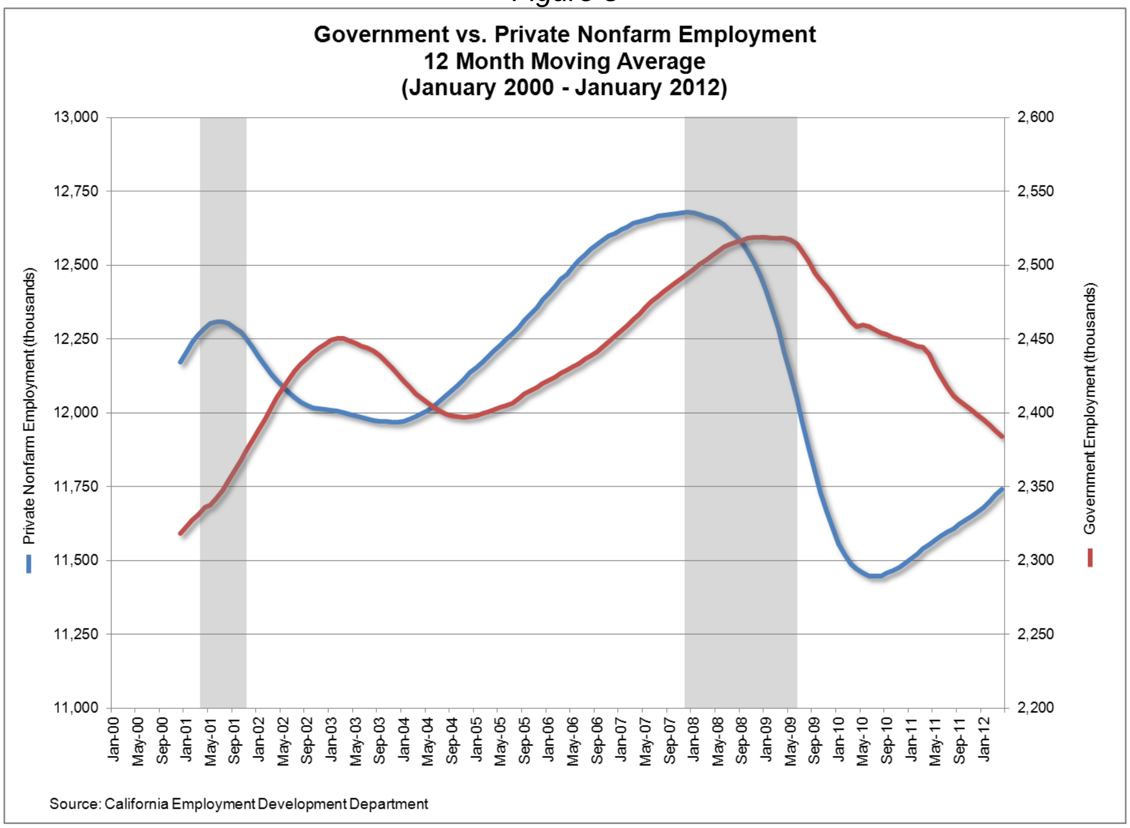
Financial activities employment has trended very closely with construction employment during the boom and bust of the housing market. The projected growth rate for the financial activities sector of 0.4 percent is expected to be slower than the growth rate for construction which is expected to grow 2.1 percent. The financial activities sector has struggled to regain the jobs lost during the financial crisis, but will likely experience gains in areas involved with the buying and selling of homes as the housing market recovers.

Manufacturing has a long history of declining employment due to increases in automation and outsourcing. The most recent recession took a toll on the manufacturing industry which lost approximately 164,900 jobs from December 2007 to June 2009, more than an 11 percent decline. Reduced consumer demand during the recession caused a buildup of inventory, which led to the massive reduction in manufacturing employment. As the economy recovered, businesses needed to replenish their inventories and manufacturing experienced positive year-over growth for most of 2011. However, the recent improvement in the manufacturing sector is not expected to be a long-term trend. Overall, the manufacturing sector is expected to gain approximately 7,000 jobs through the projection period, but even with the projected gains, this sector will remain significantly below its pre-recession employment levels.

In the information sector, technological innovations continue to have a significant impact on the way people communicate and consume information. Employment in the software publishers and data processing, hosting and related services industries are expected to benefit the most from the growth in technology, since more software and Internet services will be needed to support these technological advancements. Innovations such as smartphones, tablets, and greater Internet access have helped accelerate the shift in demand for information services. Due to the change in demand for information, employment gains in the information sector will be mitigated by declining employment in the newspaper, periodical, book, and directory publishers industry. This subsector has been declining for the past decade as more people obtain their informational needs through the Internet instead of printed material.

Government employment is projected to decrease at a rate of 1.2 percent annually and is the only industry sector that is forecasted to decline. Employment losses in the government sector tend to lag behind the rest of the economy due to the nature of the annual budget cycle, as seen in *Figure 8*. Since the budget is set at the beginning of the fiscal year, government officials are not able to adjust staffing when revenues fall short until the next fiscal year. Even as the private sector recovers, employment in the public sector continues to decline.

Figure 8



The complete [2011-2013 California industry and occupational employment projections] are available online.

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