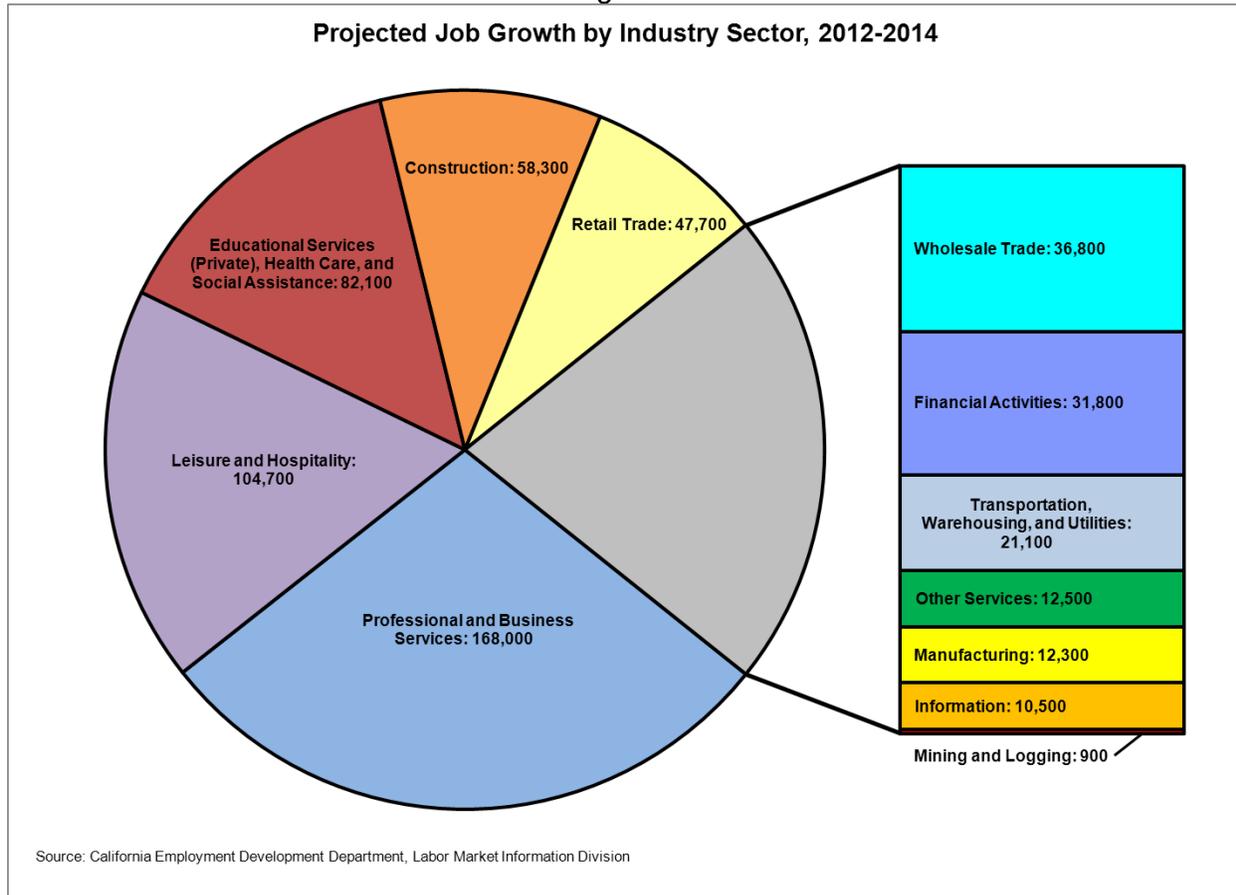


California Industry Employment Projections 2012 Third Quarter – 2014 Third Quarter

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 17,240,200 in the third quarter of 2014, an increase of 4.1 percent over the two-year projection period. Total nonfarm employment is projected to add nearly 585,000 jobs over the same period. Sixty-one percent of all projected nonfarm job growth is concentrated in three industry sectors: professional and business services; leisure and hospitality; and educational services (private), health care, and social assistance. A breakout of growth by industry is seen in *Figure 1*.

Figure 1



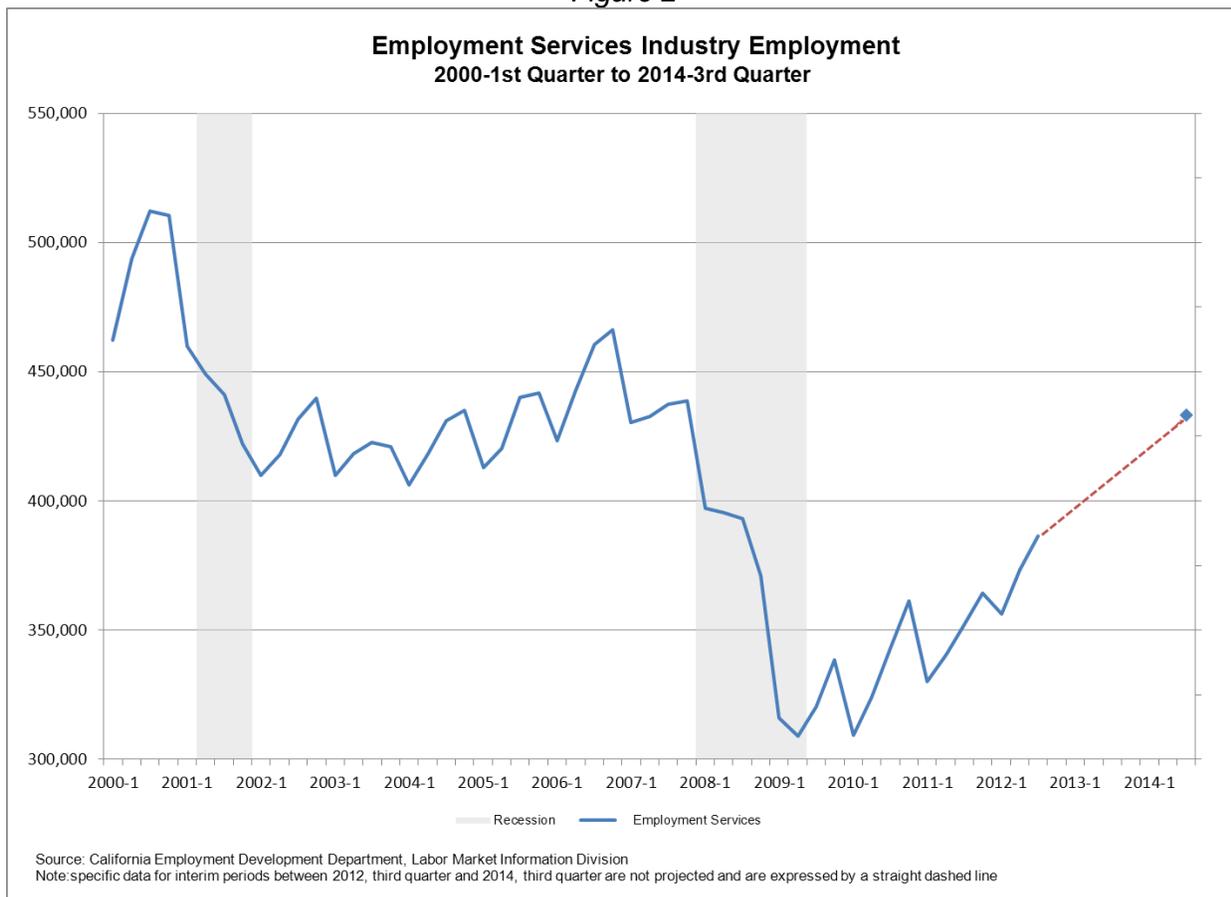
According to Current Employment Statistics (CES) data, California nonfarm employment grew by 293,400 jobs between April 2012 and April 2013. Over this time period, 82 percent of employment growth occurred in four sectors. Construction led all industry sectors with an 8.5 percent growth rate, followed by leisure and hospitality at 4.0 percent, professional and business services at 3.6 percent,

and educational services (private), health care, and social assistance at 2.6 percent. Ten industry sectors experienced growth, while three declined in employment.

Industry Trends

The largest numerical job growth is expected in the professional and business services industry sector, with a projected gain of 168,000 jobs for an annual average growth rate of 3.7 percent. The employment services industry is projected to be the largest source of employment growth in California’s economy. Employment services is often viewed as a leading indicator for the state’s economy, as employers looking to add workers during a period of economic recovery often hire temporary workers before committing to full-time employees. The employment services industry is projected to add 46,700 jobs in the projection period and accounts for 67 percent of all projected job growth in the administrative and support and waste management and remediation services. The cyclical nature of this sector is now undergoing an upward trend in comparison to the recessionary period from December 2007 to June 2009, as seen in *Figure 2*.

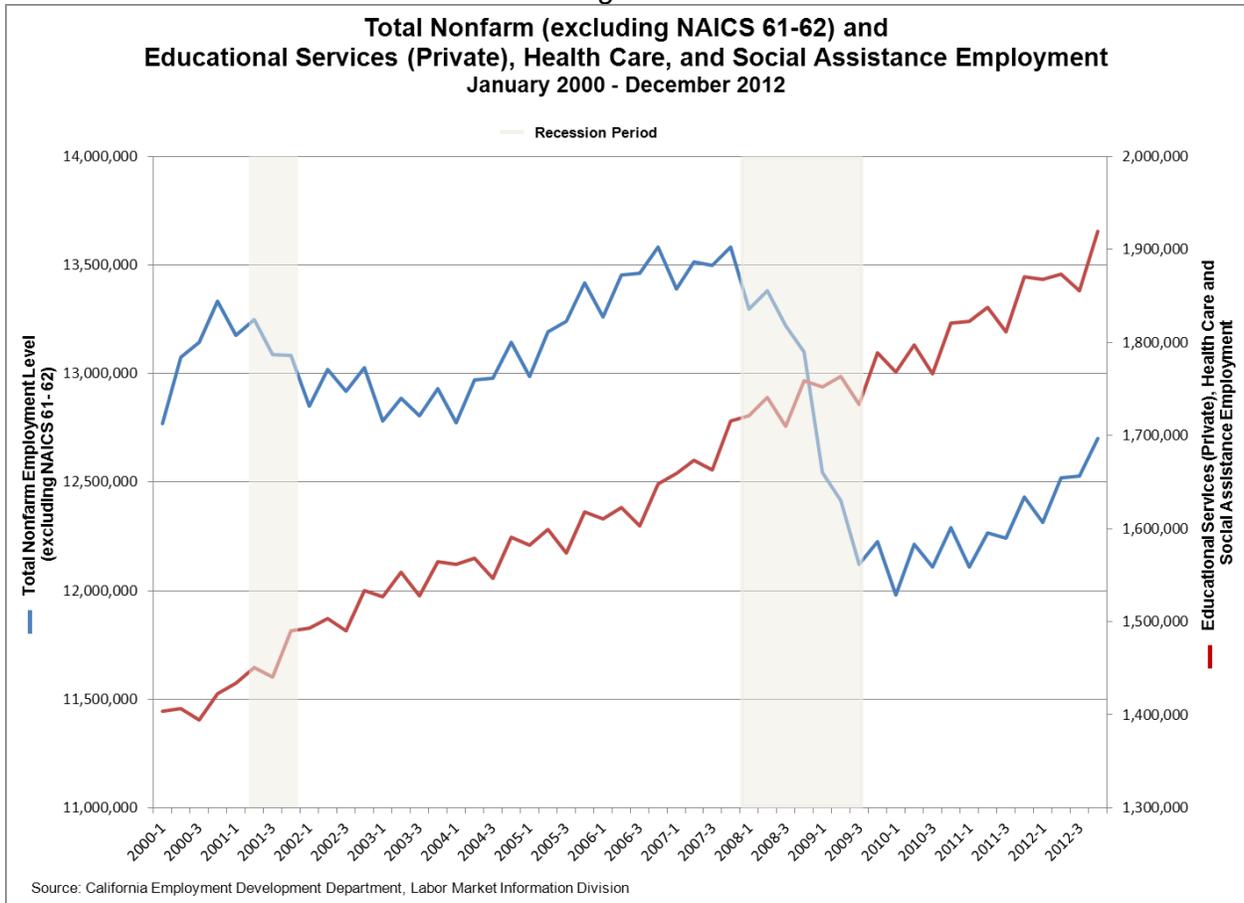
Figure 2



The rate of job growth in the educational services, health care, and social assistance sector is expected to be greater than the overall nonfarm growth rate, with projected job gains across all industry subsectors. Employment in this sector was not as severely impacted by cyclical changes in the

economy and is influenced more by demographic changes, as seen in *Figure 3*. Factors such as growing population and aging of the baby-boomers contribute to the continued growth in this sector.

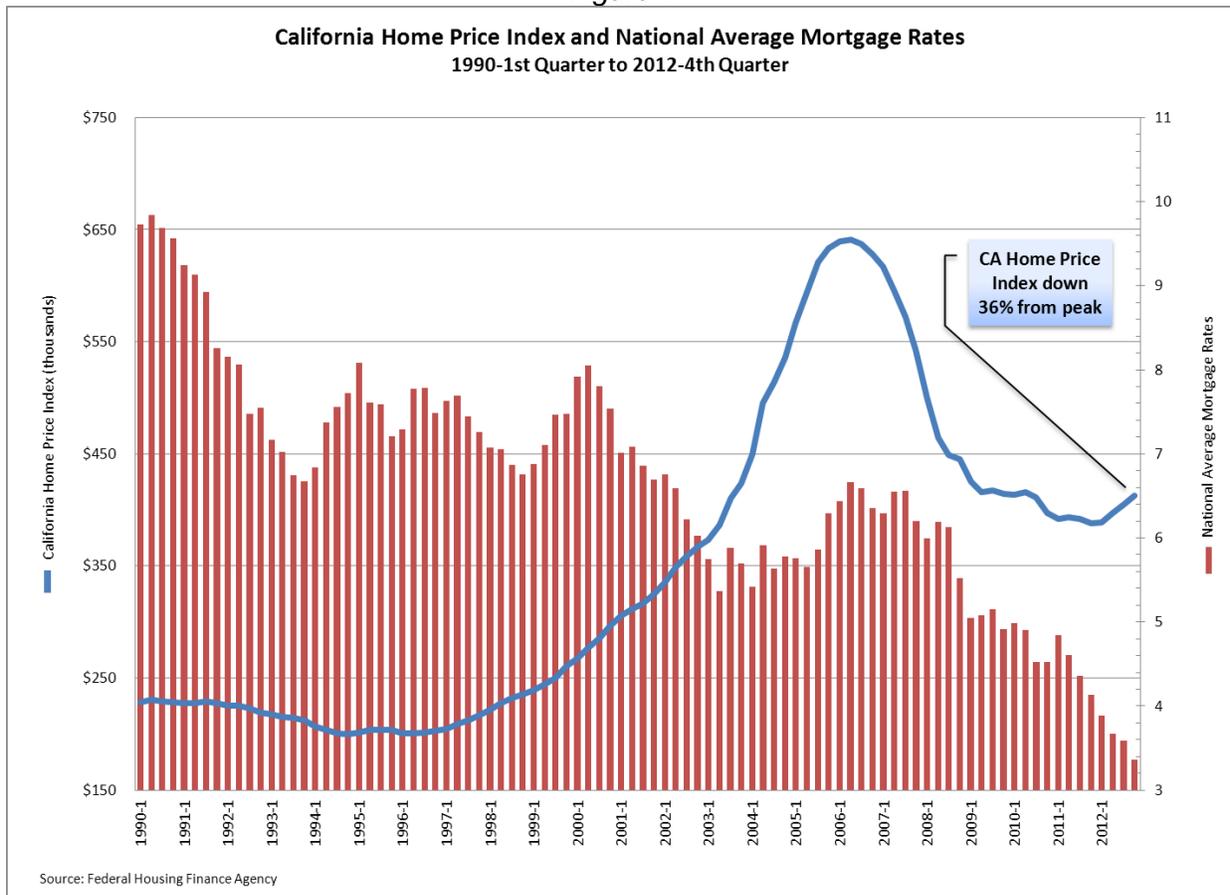
Figure 3



The health care and social assistance industry is expected to add 62,100 jobs during the projection period. The ambulatory health care industry is leading the strong job growth with an increase of 41,500. Educational Services (private) is projected to add 20,000 jobs and grow to a level of 333,100 by 2014. Increased enrollment in private colleges and universities is driving growth in the educational services (private) sector. As more people became unemployed due to the economic recession many returned to school to pursue advanced degrees or learn new skills, creating a higher demand for teachers and administrators in education.

Construction employment is expected to grow 4.8 percent annually over the projection period which is the fastest growth rate among the major industry sectors. The expected job gain of 58,300 is due to the improving housing market across California. Despite recent gains in home values, prices remain far below what they were during the boom years. Combined with near record-low interest rates as seen in *Figure 4*, many Californians have been able to take advantage of a more favorable housing market. These positive trends in the housing market have led to low inventory levels of existing homes for sale which will eventually increase demand for new home building.

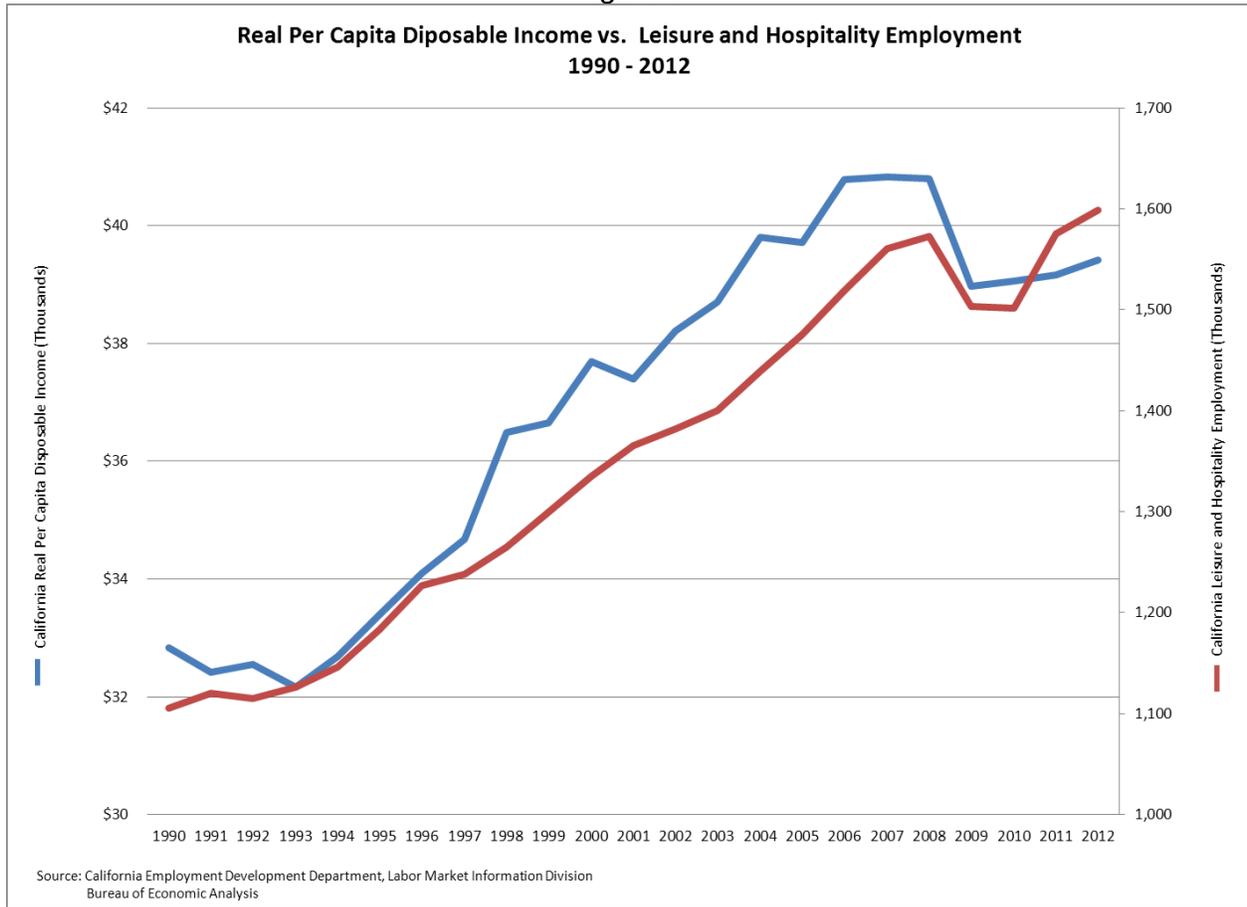
Figure 4



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 4.1 percent is expected to be slower than the growth rate for construction which is expected to grow 9.6 percent. The financial activities sector has lagged behind the construction sector during the recovery, but will likely experience gains in areas involved with the buying and selling of homes as the housing market continues to improve.

Leisure and hospitality is expected to add 104,700 jobs for an annual average growth rate of 3.2 percent. This industry sector returned to its pre-recession employment level after experiencing a sharp decline during the recession. Discretionary spending declined significantly as many Californians had to cut back on dining out and family vacations to adjust to their lower incomes. California's inflation adjusted per capita disposable income has yet to return to its pre-recession level but that has not slowed the growth in this sector, as seen in *Figure 5*. Since hitting bottom in 2009, California's inflation adjusted per capita disposable income has only increased by 1.2 percent by 2012 while employment in this sector has grown by 6.4 percent during that same timeframe. With the slow growth in Californians' disposable income, non-California residents visiting the state are likely contributing to the strong growth in employment for this industry.

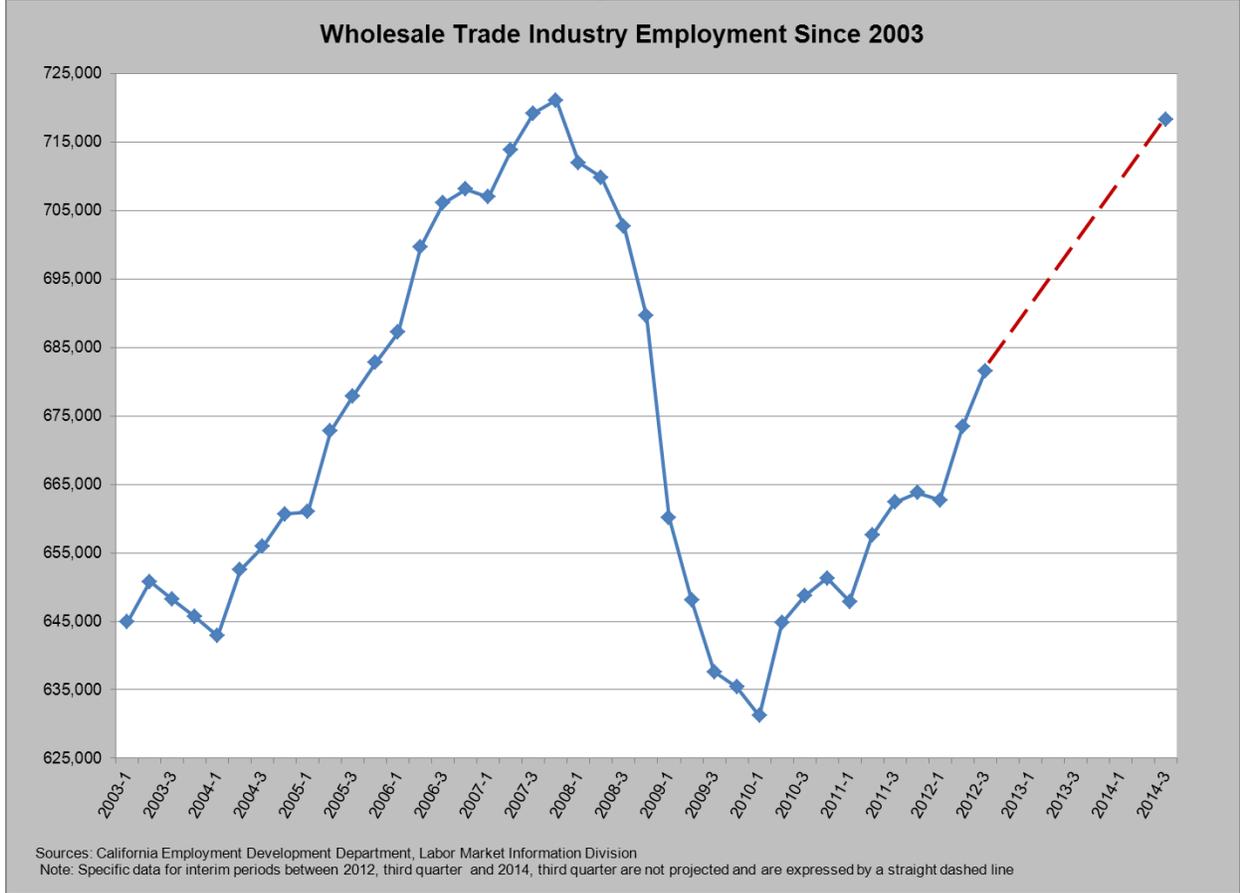
Figure 5



The information sector is expected to grow by 2.4 percent over the projection period. Technological innovations continue to have a significant impact on employment in this sector, 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. While technological advancements will have a positive impact in certain areas in this sector, it will also cause declines in others. The expected decline in the newspaper, periodical, book, and directory publishers industry (-5.2 percent) is caused by the same reason software publishers (7.5 percent) and data processing, hosting, and related services (9.6 percent) are expected to rise in the coming years.

Wholesale trade is projected to grow by 36,800 jobs, with a 16,600 job increase projected in wholesale electronic markets and agents and brokers. After losing 92,600 jobs between December 2007 and January 2010, wholesale trade gained 52,400 jobs from January 2010 through September 2012, as seen in *Figure 6*. It is projected that 96 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



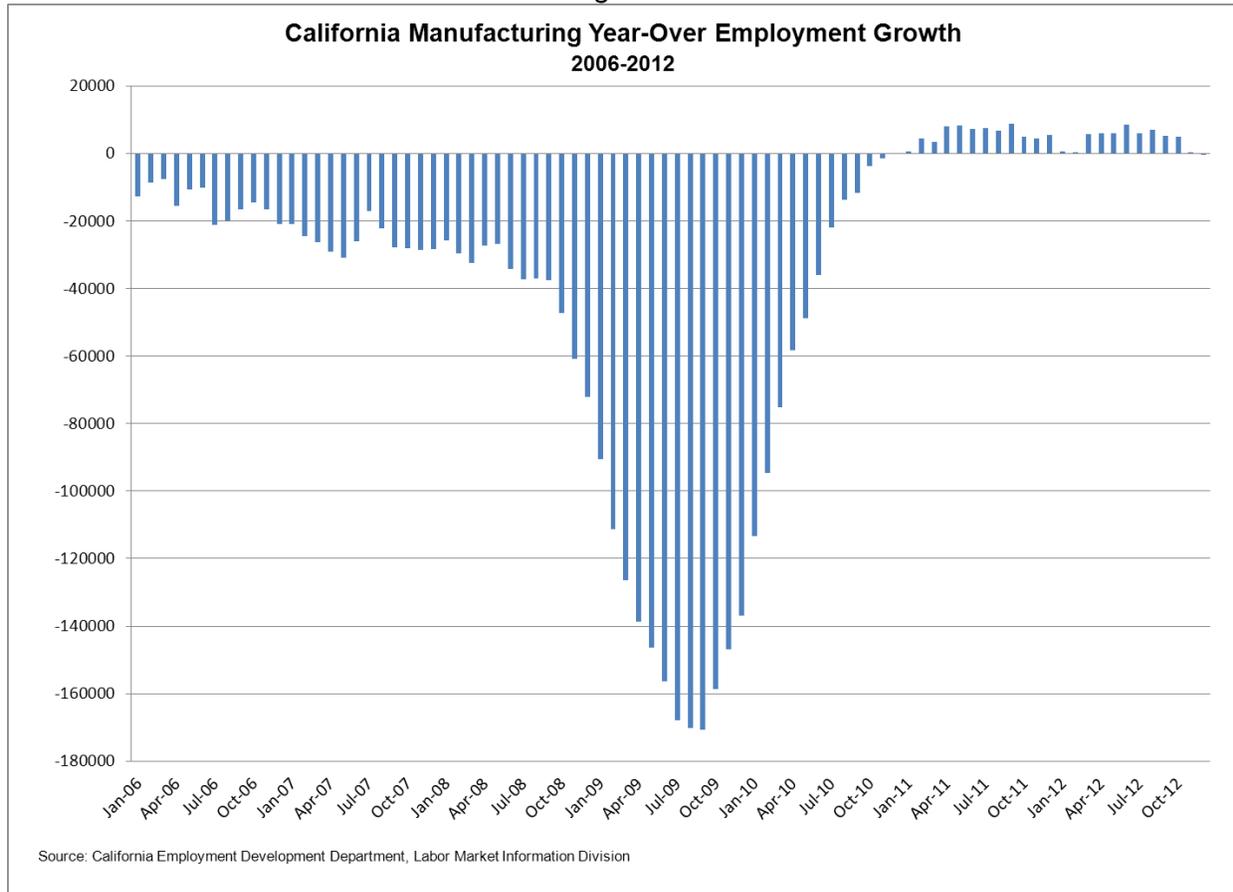
Retail trade is expected to grow by 47,700 jobs, with 62 percent of the projected job growth concentrated in three industries: motor vehicle and parts dealers; general merchandise stores; and food and beverage stores. Automobile dealers are projected to increase employment by 9,900 over the projection period. The industry added 8,600 jobs from January 2011 through September 2012.

The transportation, warehousing, and utilities sector is projected to add 21,100 jobs. Truck transportation will increase by 7,000 jobs, which trends with projected employment increases in the retail trade and wholesale trade sectors.

Manufacturing has a long history of declining employment due to increases in automation and outsourcing. Manufacturing lost 567,800 jobs from January 2000 to December 2011. The most recent recession took a toll on the manufacturing industry which lost 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 and 2012, as seen in *Figure 7*. 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 12,300 jobs through the projection period, but even with the projected gains, this sector will remain significantly below its pre-recession employment levels.

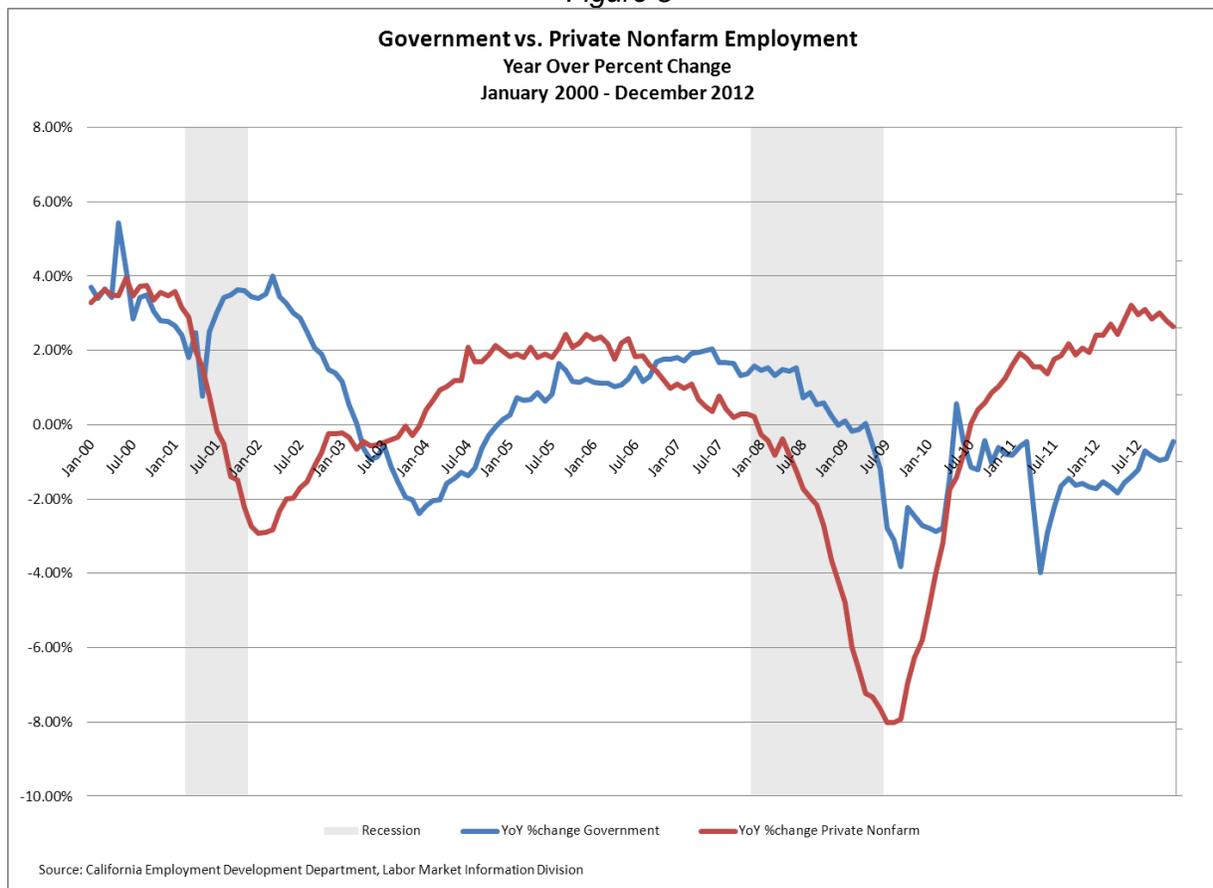
The largest numerical growth within the durable goods sector is projected for fabricated metal product manufacturing (5,100) and machinery manufacturing (4,200). Nondurable manufacturing subsectors with the largest numerical growth are beverage and tobacco product manufacturing (2,900) and chemical manufacturing (2,500).

Figure 7



Government employment is expected to stay essentially flat over the projection period with a decline of 1,700 jobs. The government sector has been the main drag on employment during California’s economic recovery. 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 have difficulty making cuts if projected revenues fall short. It’s not until the following fiscal year that officials are able to enact a budget that better reflects the state of the economy. Even though government balance sheets have been improving during the economic recovery, it is not expected that there will be any significant hiring in the public sector during the projection period.

Figure 8



The complete [2012-2014 California industry and occupational projections](#) are available online.

Produced by: Employment Development Department
Labor Market Information Division
www.labormarketinfo.edd.ca.gov/LMID/ContactUs.html