

## September 2016 California Employment Highlights

### Overview

- California's nonfarm payrolls grew by 30,000 nonfarm payroll jobs in September 2016 and the unemployment rate was 5.5 percent for the third consecutive month.
- Seven California industry sectors added jobs and four lost jobs.
  - The largest gains this month were in the leisure and hospitality (13,600), government (7,200), and educational and health services (6,200).
  - The largest month-over losses occurred in the manufacturing (8,000); and trade, transportation, and utilities (3,200) sectors.

### Employment and Unemployment

- Tables 1 and 2 summarize changes in California and U.S. labor force statistics for September 2016, compared to month-ago and year-ago levels.

TABLE 1  
**California Labor Force Trends**  
(Thousands of Persons, Seasonally Adjusted)

LABOR FORCE STATUS	YEAR AGO	MONTH AGO	CURRENT	MONTH-OVER CHANGE		YEAR-OVER CHANGE	
	Sep 15	Aug 16	Sep 16	Number	Percent	Number	Percent
Population	30,598	30,898	30,928	30	0.1%	330	1.1%
Labor Force	18,969	19,231	19,349	118	0.6%	380	2.0%
Employment	17,835	18,170	18,279	109	0.6%	444	2.5%
Unemployment	1,135	1,061	1,070	9	0.8%	-65	-5.7%
Unemployment Rate (%)	6.0	5.5	5.5	0.0	----	-0.5	----
LF Participation Rate (%)	62.0	62.2	62.6	0.4	----	0.6	----

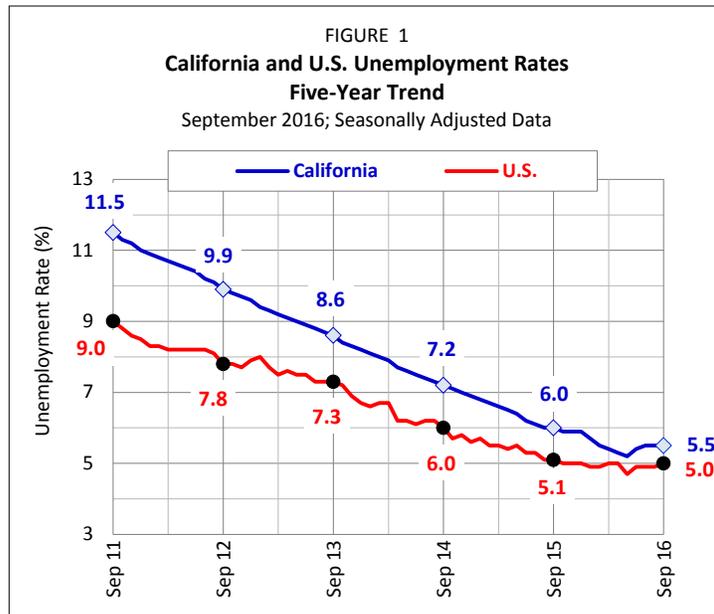
Note: All data are for the civilian, noninstitutional population, 16 years and older. "LF" is labor force. Data may not add due to rounding. The unemployment rate is calculated using unrounded data. Source: EDD, Labor Market Information Division, BLS Labor Force Model.

TABLE 2  
**U.S. Labor Force Trends**  
(Thousands of Persons, Seasonally Adjusted)

	YEAR AGO	MONTH AGO	CURRENT	MONTH-OVER CHANGE		YEAR-OVER CHANGE	
	Sep 15	Aug 16	Sep 16	Number	Percent	Number	Percent
Population	251,325	253,854	254,091	237	0.1%	2,766	1.1%
Labor Force	156,867	159,463	159,907	444	0.3%	3,040	1.9%
Employment	148,942	151,614	151,968	354	0.2%	3,026	2.0%
Unemployment	7,925	7,849	7,939	90	1.1%	14	0.2%
Unemployment Rate (%)	5.1	4.9	5.0	0.1	----	-0.1	----
LF Participation Rate (%)	62.4	62.8	62.9	0.1	----	0.5	----

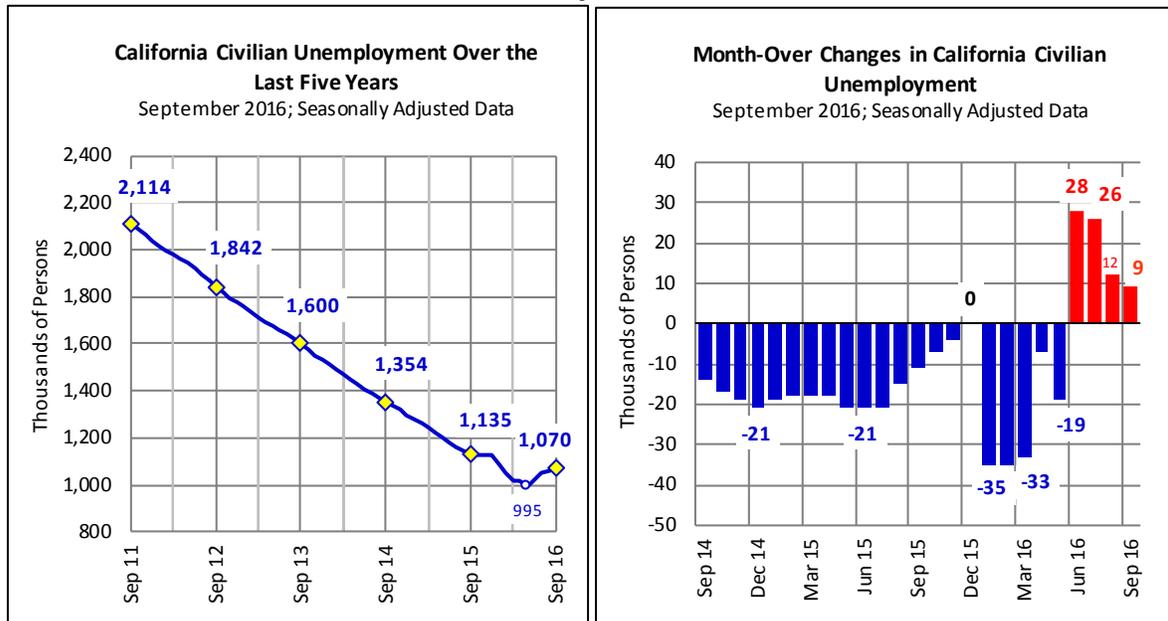
Note: All data are for the civilian, noninstitutional population, 16 years and older. "LF" is labor force. Data may not add due to rounding. The unemployment rate is calculated using unrounded data. Year-over comparisons reflect updated population controls that were introduced in January 2016. Source: U.S. Bureau of Labor Statistics, "U.S. Employment Situation" News Release, Table A-1.

- California's seasonally adjusted unemployment rate held steady at 5.5 percent in September 2016. This was the third consecutive month that the state's unemployment rate has been 5.5 percent. The U.S. unemployment rate ticked up to 5.0 percent in September after having been 4.9 percent the three previous months. Figure 1 shows the trend of the California and U.S. unemployment rates over the last five years.



- The number of unemployed Californians increased by 9,000 persons to 1,070,000 in September 2016. Since dipping briefly below one million persons in May 2016, the number of unemployed Californians has risen in each of the last four months, or by a total of 75,000 persons over the four-month period. Figure 2 shows the five-year trend of California civilian unemployment and the month-over changes in unemployment over the last two years.

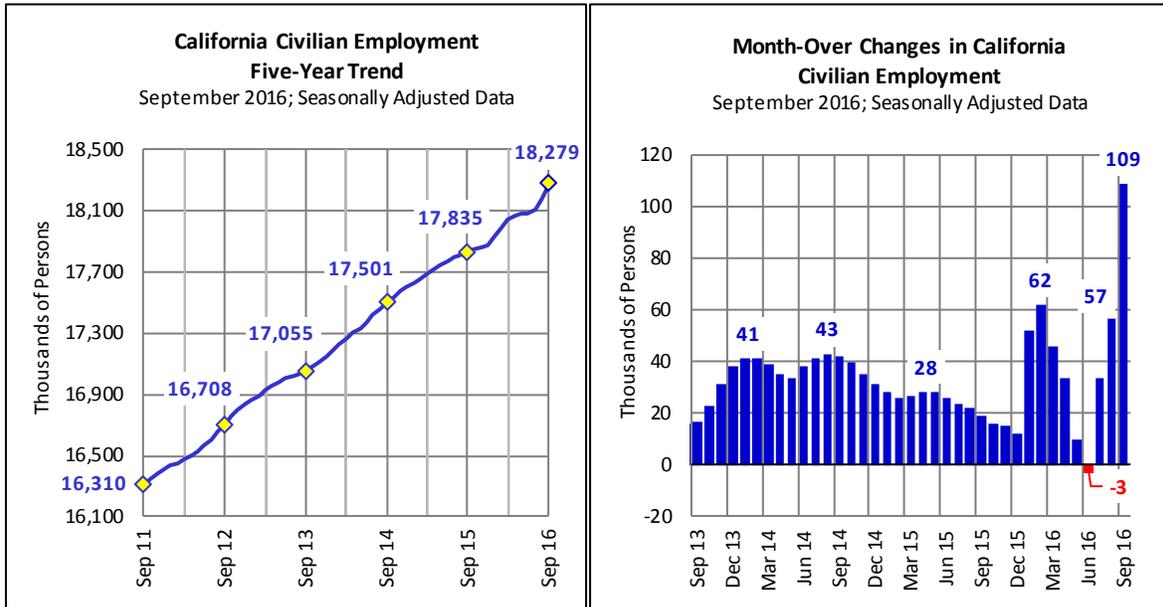
Figure 2



- The number of employed Californians increased by 109,000 persons to 18,279,000 in September 2016. This was an incredibly large increase in that it was the second largest on record, trailing only a 276,000-person increase in January 1990. Figure 3 shows the five-year trend of California civilian employment and the month-over changes in the number of employed Californians over the last two years.

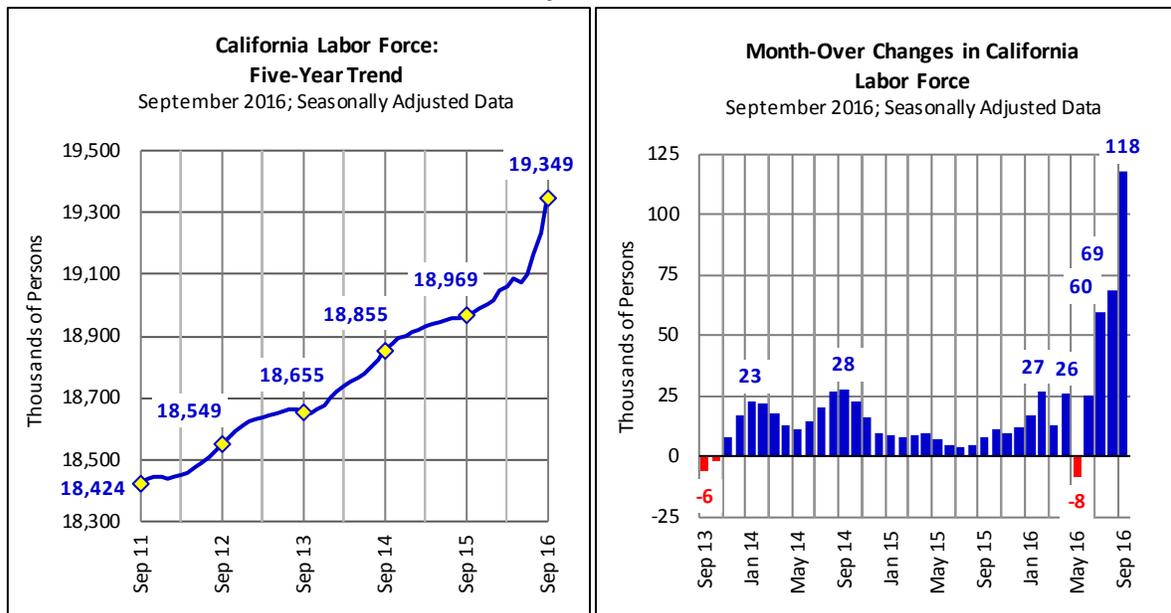
- For all intents and purposes, California's September 2016 civilian employment increase was a record-shattering event because the January 1990 increase in employment was a non-economic event caused by the introduction of new decennial U.S. Census population data into the labor force model.

Figure 3



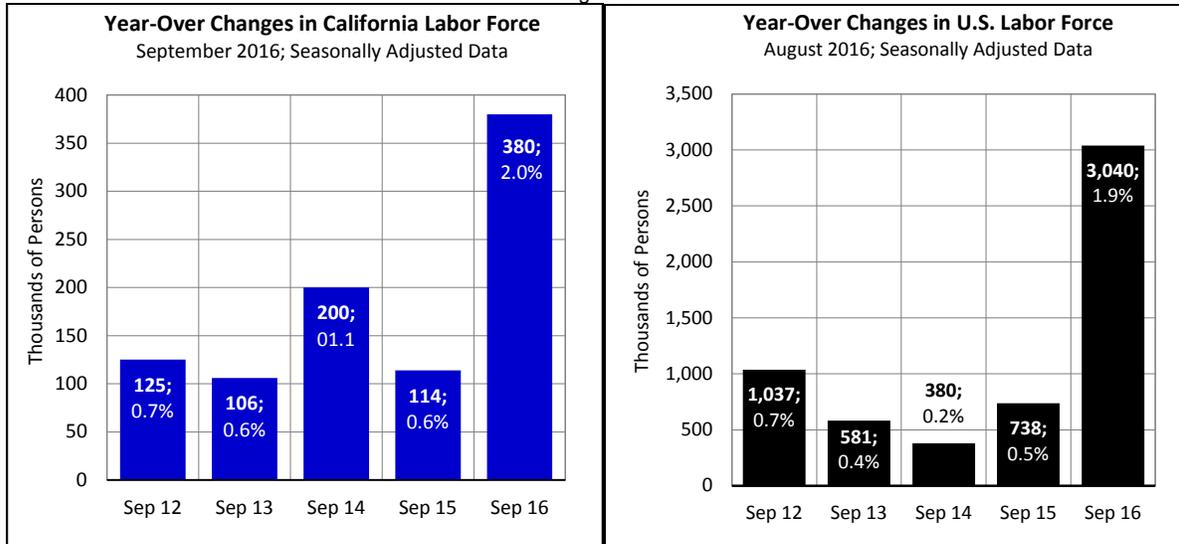
- California's large September employment gain carried forward into the labor force estimate. California's labor force grew by 118,000 persons to 19,349,000 in September 2016, following very large gains of 60,000 and 69,000 persons in July and August, respectively. California's labor force has grown by 247,000 persons (1.3 percent) over just the last three months.

Figure 4



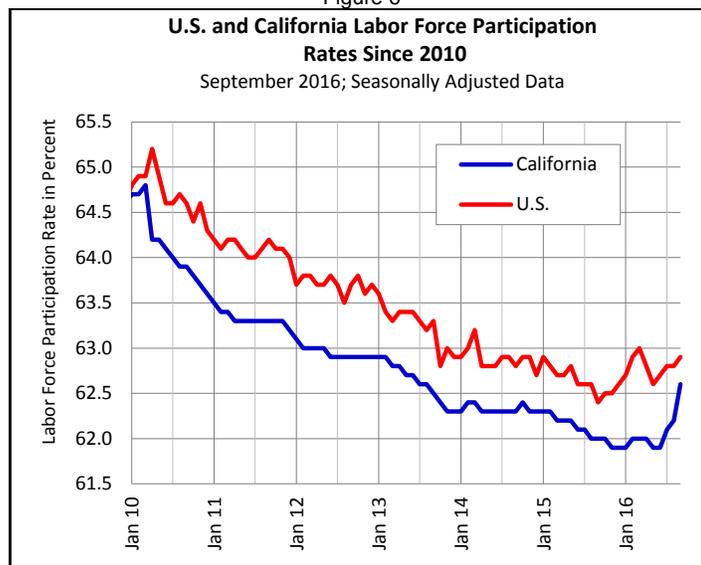
- Reflecting the record labor force increases in recent months, California's labor force grew by 380,000 persons (2.0 percent) over the 12 months ending in September 2016. Two-thirds (65.0 percent) of this increase occurred in the months of July through September.

Figure 5



- Reflecting the extraordinary increase in the labor force, California's labor force participation rate (LFPR) rose by 0.4 percentage point to 62.6 percent in September 2016. This was the highest the LFPR has been since August 2013. The California LFPR has risen by an unprecedented 0.7 percentage point over the last three months.

Figure 6

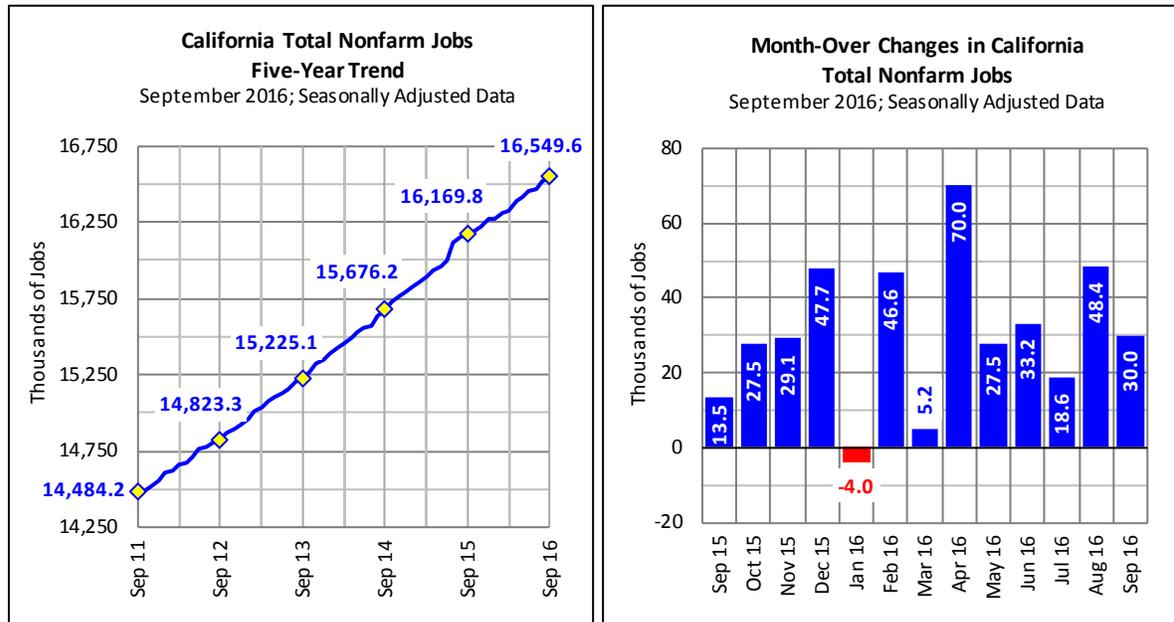


- In conclusion, it is always difficult to interpret large changes in the estimates produced by the labor force model when, as in recent months, real-time benchmarking adjustments are known to have had a strong influence on observed changes. However, even though real-time benchmarking had a substantial, if indeterminate, amplifying effect on observed changes in civilian unemployment, employment, and labor force in recent months, there seems little doubt about the underlying trend itself.
  - The long-term trend of falling unemployment in California and the nation appears to have ended. This change in trend seems to have coincided with the California and U.S. unemployment rates falling to levels associated with full employment.
  - The change in unemployment trend was caused by a surge of people entering the labor force, even if the labor force model is magnifying California's surge.
  - Employment growth remains strong both nationally and in California, but even this strong growth has not been able to fully absorb the influx of persons into the labor market.
  - Rising labor force participation rates, however overstated, imply that Californians who have been on the sidelines of the labor market, or those individuals who had given up on their employment search, are now flocking into the labor market, attracted by real employment opportunities and, perhaps, rising wages. In other words, after six years of economic expansion, the slack (surplus labor) in the labor market has finally been winnowed away and the pool of marginally attached workers that ballooned during the recession is now coming back into the labor market and finding employment. Marginally attached workers are individuals who want work and are available to work, but often have limitations on when, how much, or where they can work. They include inexperienced teens and youths attending school, the disabled, people caring for children or aging parents, non-working spouses, and people on fixed income among others. In a slack labor market in which there are several people applying for each open position, employers have little incentive to accommodate applicants who have little or no experience or limited availability. In a full employment, or tightening, labor market they are much more apt to do so.
  - The apparent change in California's recent unemployment trend is a signal of labor market strength rather than weakness. The economy can continue to expand even as unemployment stabilizes or rises in the context of rising labor force participation. While it is unknown how long this process can last, the long-term trend of decreasing labor force participation in California, even as the economy was in expansion, suggests that the pool of marginally attached workers not in the labor force might be quite large.
  - The record spike in employment and labor force in September and recent months will eventually be minimized and smoothed out during annual revisions. Instead of sudden and steep spikes in growth, post-revision increases will likely become more continuous over time.

## NONFARM PAYROLL EMPLOYMENT

- While California's employment and unemployment estimates have been quite loud and variable in recent months, job growth has continued at a steady and respectable pace. California added 30,000 nonfarm jobs in September, following a downwardly revised gain of 48,400 jobs in August.<sup>1</sup> California has now experienced job gains in 62 of the last 63 months. Figure 7 shows five-year trend in California total nonfarm employment and the month-over changes in total nonfarm payrolls over the last year.

Figure 7



- California's year-over nonfarm job gains totaled 379,800 (2.3 percent) in September 2016. While this was below the pace of job growth of prior years, September marked the 48<sup>th</sup> consecutive month California's year-over gains topped 350,000 jobs and the 53<sup>rd</sup> consecutive month of 2.2 percent year-over job growth or more.
- California has gained 275,500 nonfarm jobs in 2016-to-date, or an average of 30,600 jobs per month. Nonfarm jobs have grown at an annualized pace of 2.3 percent per year thus far in 2016.

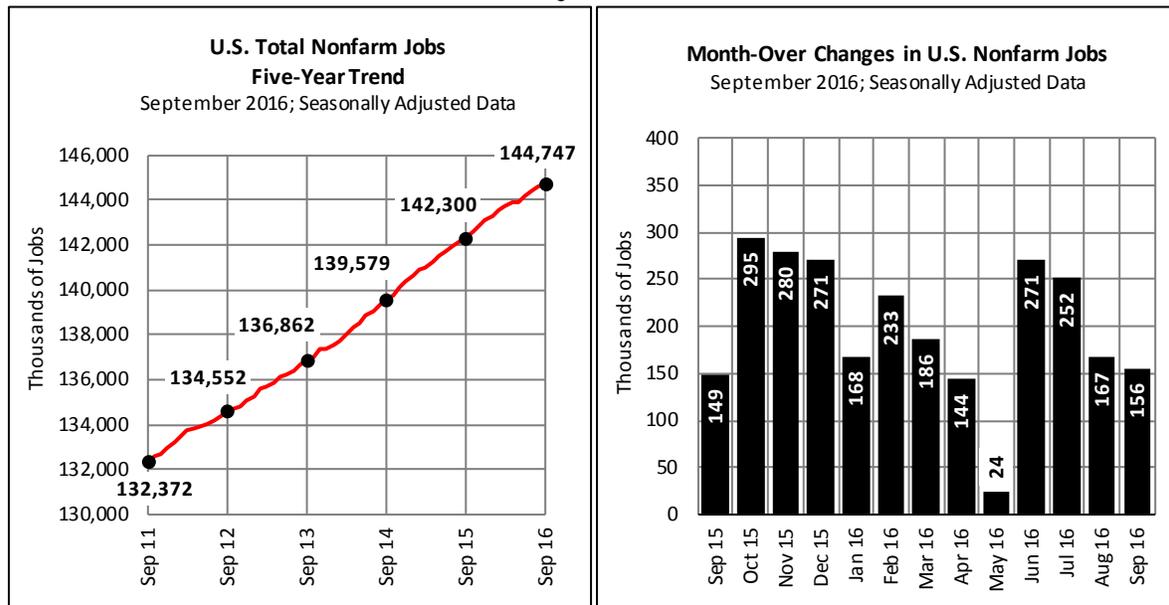
## THE NATION

- The nation added 156,000 nonfarm payroll jobs in September 2016. This was slightly less than the 167,000 jobs it gained in August. The nation's job gains have tapered off in each of the last three months from a 271,000-job gain in June.

<sup>1</sup> August payrolls were revised downwards by 14,700 jobs. Job totals were upwardly revised in two industry sectors, revised downwards in seven sectors, and unchanged in two. The largest upward revision was in educational and health services (600). The largest downward revision was in government (5,800), followed by leisure and hospitality (3,600).

- The nation added 1.6 million nonfarm jobs over the first nine months of 2016, for an average gain of 178,000 jobs per month. This compares to average monthly gains of 251,000 and 229,000 jobs in the 2014 and 2015 calendar years, respectively.
- The nation added 15.0 million nonfarm jobs from its recessionary low in February 2010 through September 2016. It recovered all the nonfarm jobs it lost during the Great Recession in May 2014, the same month in which California did, and in September 2016, national nonfarm employment was 6.3 million jobs (4.6 percent) above its pre-recession peak in January 2008. U.S. job gains have ranged from a low of 24,000 in May 2016 to a high of 522,000 jobs in May 2010 over the course of the 79-month employment expansion.

Figure 8



## CALIFORNIA INDUSTRY TRENDS

- In September 2016, seven California industry sectors added jobs and four lost jobs. Tables 3 and 4 show the month-over and year-over changes in California and the U.S. industry employment, respectively, for the month of September 2016. The shaded cells in the month-over column highlight the industry sectors that gained jobs.

TABLE 3  
**California Nonfarm Payroll Employment by Industry Sector**  
(Thousands of Jobs, Seasonally Adjusted)

MAJOR SECTOR	YEAR AGO	MONTH AGO	CURRENT	MONTH-OVER CHANGE		YEAR-OVER CHANGE	
	Sep 15	Aug 16	Sep 16	Number	Percent	Number	Percent
		<i>Revised</i>	<i>Preliminary</i>				
<b>Total Nonfarm</b>	<b>16,169.8</b>	<b>16,519.6</b>	<b>16,549.6</b>	<b>30.0</b>	<b>0.2%</b>	<b>379.8</b>	<b>2.3%</b>
Mining and Logging	28.0	24.8	24.5	-0.3	-1.2%	-3.5	-12.5%
Construction	739.0	764.9	769.9	5.0	0.7%	30.9	4.2%
Manufacturing	1,295.6	1,286.1	1,278.1	-8.0	-0.6%	-17.5	-1.4%
Trade, Transp. & Utilities	2,961.4	3,005.4	3,002.2	-3.2	-0.1%	40.8	1.4%
Information	488.4	498.4	502.8	4.4	0.9%	14.4	2.9%
Financial Activities	803.4	813.6	812.4	-1.2	-0.1%	9.0	1.1%
Profess. & Business Serv.	2,509.1	2,597.7	2,601.2	3.5	0.1%	92.1	3.7%
Educational & Health Serv.	2,483.6	2,564.0	2,570.2	6.2	0.2%	86.6	3.5%
Leisure & Hospitality	1,840.4	1,893.1	1,906.7	13.6	0.7%	66.3	3.6%
Other Services	550.1	551.7	554.5	2.8	0.5%	4.4	0.8%
Government	2,470.8	2,519.9	2,527.1	7.2	0.3%	56.3	2.3%
Total Private	13,699.0	13,999.7	14,022.5	22.8	0.2%	323.5	2.4%

Data may not add due to rounding. Source: EDD, Labor Market Information Division, Current Employment Statistics (CES) Program.

TABLE 4  
**U.S. Nonfarm Payroll Employment by Industry Sector**  
(Thousands of Jobs, Seasonally Adjusted)

MAJOR SECTOR	YEAR AGO	MONTH AGO	CURRENT	MONTH-OVER CHANGE		YEAR-OVER CHANGE	
	Sep 15	Aug 16	Sep 16	Number	Percent	Number	Percent
		<i>Preliminary</i>	<i>Preliminary</i>				
<b>Total Nonfarm</b>	<b>142,300</b>	<b>144,591</b>	<b>144,747</b>	<b>156</b>	<b>0.1%</b>	<b>2,447</b>	<b>1.7%</b>
Mining and Logging	790	681	681	0	0.0%	-109	-13.8%
Construction	6,451	6,646	6,669	23	0.3%	218	3.4%
Manufacturing	12,309	12,275	12,262	-13	-0.1%	-47	-0.4%
Trade, Transp. & Utilities	26,987	27,383	27,407	24	0.1%	420	1.6%
Information	2,766	2,773	2,774	1	0.0%	8	0.3%
Financial Activities	8,153	8,313	8,319	6	0.1%	166	2.0%
Profess. & Business Serv.	19,782	20,297	20,364	67	0.3%	582	2.9%
Educational & Health Serv.	22,192	22,771	22,800	29	0.1%	608	2.7%
Leisure & Hospitality	15,208	15,559	15,574	15	0.1%	366	2.4%
Other Services	5,626	5,701	5,716	15	0.3%	90	1.6%
Government	22,036	22,192	22,181	-11	0.0%	145	0.7%
Total Private	120,264	122,399	122,566	167	0.1%	2,302	1.9%

Data may not add due to rounding. Source: U.S. Bureau of Labor Statistics, "U.S. Employment Situation" News Release, Table B-1.

- California's leisure and hospitality sector added 13,600 jobs in September, which was the largest gain of any sector. This sector has had month-over gains topping 10,000 jobs in three out of the nine months (February, June, and September) in 2016-to-date.
- California's government sector added 7,200 jobs in September. This sector has added 49,500 jobs in 2016-to-date, which was the second most of any sector. This year-to-date growth total was 14,900 more jobs than it added over the same time period in 2015 (34,600).
- California's educational and health services sector added 6,200 jobs in September. This was the sector's 39<sup>th</sup> consecutive job gain, during which time its gains ranged from a low of 500 jobs in December 2014 to a high of 32,500 jobs in July 2015.
- California's construction sector added 5,000 jobs in September. This was construction's third consecutive job gain, with gains totaling 10,600 jobs over the period. Year-to-date in 2016, this sector has added 21,400 jobs.

- California's information sector added 4,400 jobs in September and has gained jobs for three consecutive months. The sector's month-over gains in 2016 have ranged from a low of 1,200 jobs (May 2016) to a high 4,700 jobs in January 2016. Year-to-date in 2016, California's information sector has gained 15,800 jobs, which was 2,900 jobs fewer than it added over the same period in 2015 (18,700).
- California's professional and business services sector added 3,500 in September 2016 and has not lost jobs since its 22,500-job loss in January 2016. The administrative and support and waste services subsector added 5,500 jobs in September 2016, extending its streak of month-over gains to six months.
- The state's other services subsector added 2,800 jobs in September. The sector has gained 5,200 jobs in 2016-to-date, which was the smallest gain the sector has gained over the first nine months of the last two years. The other services sector added 14,200 and 9,900 jobs over the first nine months of 2014 and 2015, respectively.
- California's manufacturing sector lost 8,000 jobs in September 2016, following a 5,400-job loss in August. California manufacturing has lost 12,300 jobs in 2016-to-date. In sharp contrast, the sector gained 10,600 jobs over the first nine months of 2015.
- The trade, transportation, and utilities (TTU) sector lost 3,200 jobs in September. However, it gained more than 10,000 jobs in January, March, and August which contributed heavily to the sector's 32,900-job gain in 2016-to-date.
- California's financial activities sector lost 1,200 jobs in September, but has gained 6,300 jobs in 2016-to-date. This was markedly fewer jobs than the sector gained over the first nine months of 2015 (16,600). Both financial activities subsectors lost jobs in September, with the real estate and rental and leasing subsector (700) absorbing the largest jobs.
- California's mining and logging sector lost 300 jobs in September 2016. This marked the fifth consecutive month of job losses for this sector. April 2016 was the only month in which this sector recorded a month-over gain thus far in 2016. Year-to-date in 2016, the mining and logging sector has lost 2,900 jobs.