

California Payroll Data for May 2017

Summary

California has added 17,600 new jobs in May creating 2,510,900 positions since the recovery began in February 2010. The state has added 243,000 jobs or 1.5 percent increase from a year ago. The CA unemployment rate dipped to 4.7 percent in May lowest since 1976 compared to the national rate of 4.3 percent. The CA unemployment rate a year ago was 5.5 percent. Information and government were the strongest performer of the economy while leisure and hospitality was the biggest loser.

Analysis

California's economy has resumed its upward trajectory in May after a temporary setback in April. However, the overall trend is clear; the Golden State is gradually losing its wind in the sail as the tightening labor market and rising wages represent headwind for the economy.

The job gain has trended downward as the state nears full employment. This is especially evident in technology and construction. IT firms in Silicon Valley are acquiring other companies to get employees. Carpenters and masons are hard to find in the construction industry. The labor shortages have hit the job engines of the state—the Bay Area and Southern California excluding Riverside where warehouse jobs have been plentiful.

Another source of labor, the marginally attached---people who are not in the labor force but is willing to work if opportunities come---is shrinking. In the past, job opportunities and rising wages have encouraged them to come out of the woodworks and work. Even here, the number of available workers are shrinking.

The rising minimum wage in the state could be having some impact. Automation and shift to lower cost locations outside of CA are having negative effects on employment. For example, jobs in apparel industry has been moving to Texas and Nevada. Close to 100,000 people moved to other states during 2016 and the exodus is continuing. Within California, businesses in high cost areas have been moving jobs to less costly areas such as Central Valley and Inland Empire.

The jobless rate has hit 4.7 percent the lowest since 1976, but this is in part due to shrinking labor force for the month. From April to May, the labor force shrank by 20,000. From a year ago the labor force rose less than 100,000 compared to the total labor force of over 19 million.

There have been positive spillover effects from low to high unemployment counties. In March, there were 19 out of 58 counties with the jobless rate of 8 percent or higher; in May there were only 6 counties with the unemployment rate of 8 percent or higher. San Francisco, Marin, San Mateo and Santa Clara counties sport the jobless rates of less than 3 percent.