

California Payroll Data for August 2016

Summary

California has added 63,100 new jobs in August creating 2,347,800 positions since the recovery began in February 2010. The state has added 378,000 jobs or 2.3 percent increase from a year ago. The CA unemployment rate stayed at 5.5 percent in August compared to the national rate of 4.9 percent. The CA unemployment rate a year ago was 6.0 percent. Local government, professional-scientific-technical services, leisure and hospitality, construction, educational and health services, etc. added jobs.

Analysis

Janet Yellen, did you see this? In August, California accounted for 42 percent of the 151,000 jobs created in the nation. California's economy is surging ahead while the rest of the country is not so hot. We almost need two monetary policies: one for California and another one for the remainder. In 2015, the Golden State was 13 percent of the GDP. This year, it could reach 14 percent or higher. The largest gains have occurred in local government, professional, scientific and technical services, leisure and hospitality, healthcare, etc.

Unfortunately, not every region in California is keeping up. Eleven out of 58 counties, mostly in the central valley, have the jobless rate of 8 percent or higher. This economic prosperity has not been shared equally by agricultural and rural areas of the state which have disproportionate share of low paying jobs.

Housing-related activities including construction, fueled by employment and population growth as well as very low interest rates, have been another major source of employment and economic growth for the state.

The jobless rate increased remained steady despite the increase in labor force. California's labor force rose as more people have returned to the labor force. With continuing job and economic growth, discouraged workers are returning to the labor force believing that this is a good time to look for work.

The Bay area and Southern California continue to be job-creation machines. Southern California includes vibrant industries including motion pictures, music, tourism, etc. Southern California is also the home for people in arts, design, entertainment, sports and media; these area have fared relatively well. The Bay Area, with its high concentration of high technology, have been the leader in the state's job growth in this recovery.

However, there have been headwinds against California's economy. The strong dollar and the global economic slowdown, particularly in China have not helped the tech sector. The Chinese money into the Bay Area real estate and venture capital have slowed markedly. Increases in house prices in the area have slackened significantly.

As the economy approaches full employment in the state, employment gains are harder to come by. The high cost of housing in California is another reason. Many young people are choosing to go out of state where housing availability is more plentiful and rents are affordable.