

California Payroll Data for January 2017

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Summary

California has added only 9,700 new jobs in January creating 2,465,100 positions since the recovery began in February 2010. The state has added 330,500 jobs or 2.0 percent increase from a year ago. The CA unemployment rate dipped to 5.1 percent in January compared to the national rate of 4.8 percent. The CA unemployment rate a year ago was 5.7 percent. Education and health as well as professional and business services were the strongest performer of the economy while mining and construction saw job decreases.

Analysis

The tightening labor market and rising wages have dampened the state's job growth. The job gains have slowed materially in recent months as the state nears full employment. This mirrors the national trend which has shown similar trend.

The State's labor force stopped rising. In fact, it showed a small decrease in the month of January. The jobless rate fell in part due to the fall in labor force. After the significant surge in the labor force during the summer months, labor force has plateaued. This trend, if continued, is worrisome.

The slowing trend of job growth has been especially evident in the Bay area which have provided close to 40 percent of new jobs during 2016. In sectors including technology, professional, leisure, etc. wages gains have accelerated. In the lower wage sectors of the economy, slowdown in job growth is already evident as wages rise. As the minimum wage has risen to \$10.50 per hour from \$10.00 beginning January, there will be fewer low-wage jobs created in the state.

Responding to high cost, there have been both inter- and intra-state movements in labor force. Close to 100,000 people moved to other states during 2016 and the exodus will likely continue. Businesses in high cost areas have been moving jobs to less costly areas such as East Bay and Inland Empire.

The prosperity in the state has not been shared by all. The Central Valley and the Inland Empire, though growing, have not experienced the kind of boom experienced along the coast. While Marin (3.2%) and San Mateo (2.9%) counties sport very low unemployment rates, 19 out of 58 counties have jobless exceeding 8 percent. Hopefully the tight labor market conditions elsewhere will spill over into these high jobless areas lowering unemployment.

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