

# May 2010 California Employment Highlights

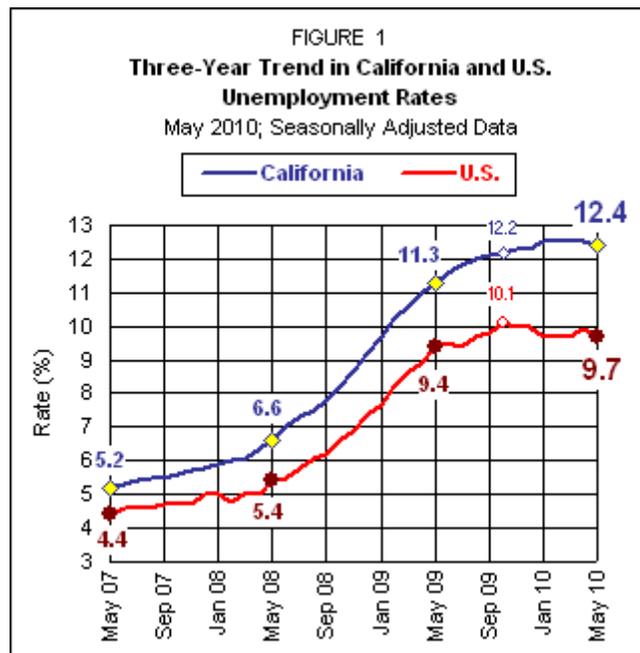
## Unemployment Rate Falls to 12.4 Percent; Nonfarm Payrolls Grew by 28,300 Jobs

### Unemployment and Employment

California's seasonally adjusted unemployment rate fell one-tenth of a percent to 12.4 percent in May. In addition, April's unemployment rate was revised downward by one-tenth of a percent to 12.5 percent. As a result, California has experienced back-to-back rate decreases for the first time since December 2005 and January 2006.

California's unemployment rate appears to have stabilized. The rate rose by 1.1 percentage points over the year ending in May 2010. A full percentage point of this increased occurred from May 2009 through November 2009. In contrast, the rate rose by only 0.1 percentage point from November 2009 through May 2010, and fell by 0.2 percentage points over the last two months.

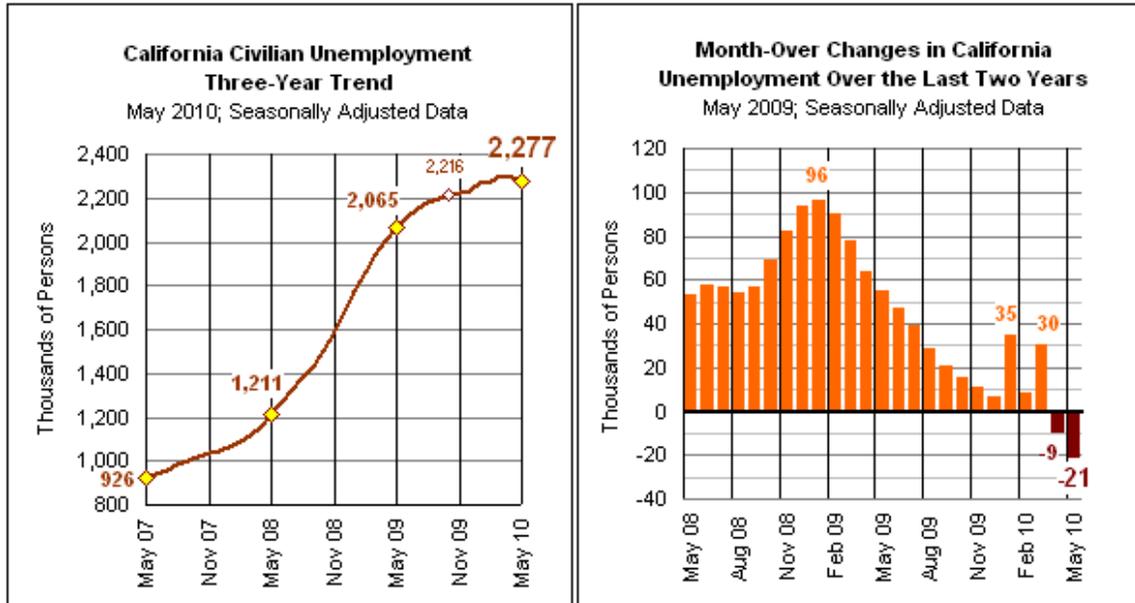
The U.S. unemployment rate fell two-tenths of a percent to 9.7 percent in May 2010. This marked the fourth time in the last five months that the U.S. rate has been 9.7 percent. The U.S. unemployment rate rose by 0.3 percentage point over the year ending in May 2010. Whereas it rose by 0.7 percentage point from May 2009 through October 2009, it fell 0.4 percentage point over the October 2009 – May 2010 period. Figure 1 shows the three-year trend of California and U.S. unemployment rates.



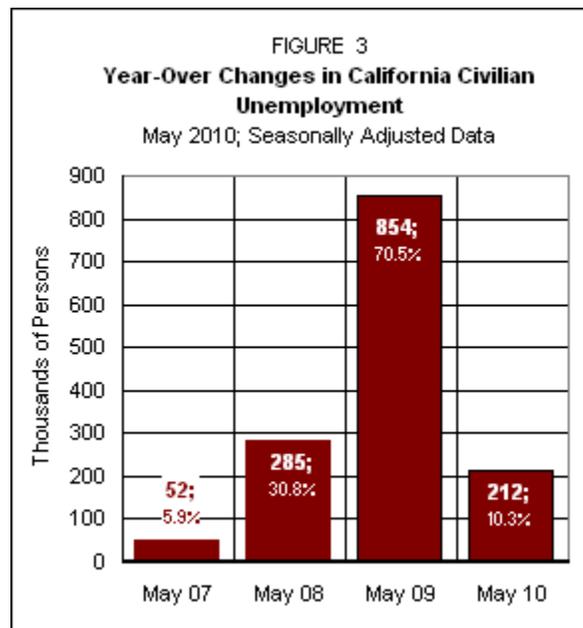
The last two months have brought encouraging news on the unemployment front. The number of unemployed Californians fell by 21,000 in May 2010 to 2,277,000. This was the State's second consecutive unemployment decrease, and its largest

since November 1994. The last time California experienced back-to-back decreases in the number of unemployed was in September and October 2006. In the months of April and May 2010, the number of unemployed California's fell by a combined 30,000. The last time the State experienced a two-month drop in unemployment of 30,000 persons or more was in August 2004. Figure 2 shows the three-year trend in California civilian unemployment and month-over changes in unemployment over the last two years.

FIGURE 2



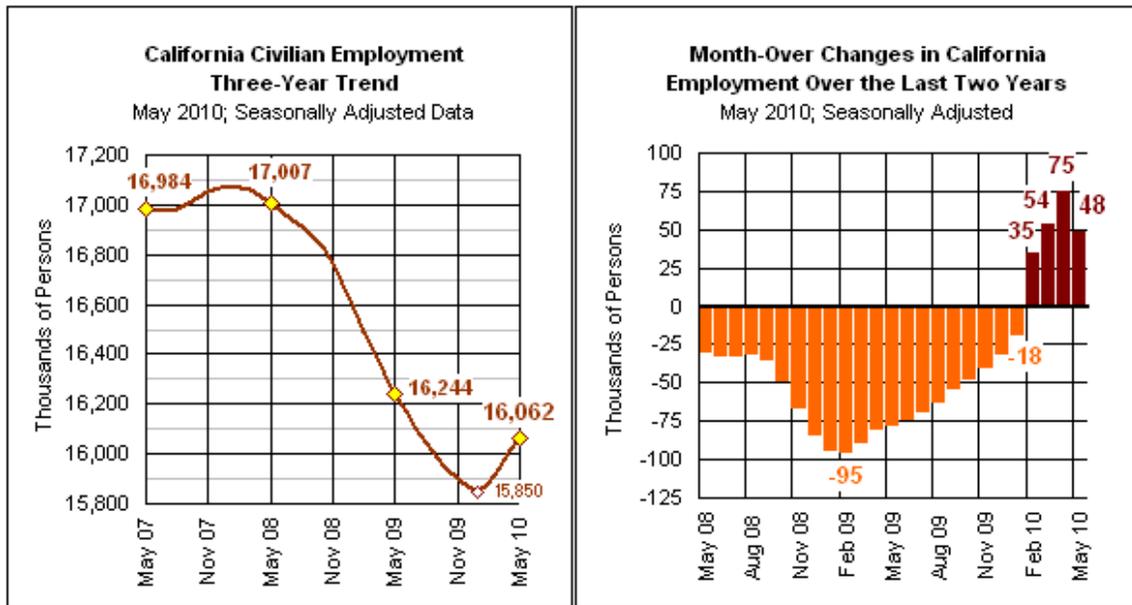
The number of unemployed Californians increased by 212,000 (10.3 percent) over the year ending in May 2010. In sharp contrast, California's year-over increase in unemployment totaled 854,000 persons (70.5 percent) in May 2009. Figure 3 shows the May year-over changes in the number of unemployed Californians since 2007.



In May 2010, the number of unemployed Americans fell by 287,000 to 14,973,000. The number of unemployed Americans had risen in each of the three prior months. The number of unemployed Americans increased by 455,000 (3.1 percent) from May 2009 through May 2010. However, this increase reflects large unemployment increases in the early part of the past year. There were 639,000 fewer unemployed Americans in May 2010 than in October 2009, when U.S. unemployment seems to have peaked. In sharp contrast, the nation's year-over increase in unemployment totaled a little over 6.1 million persons (72.9 percent) one year ago in May 2009.

The number of employed Californians rose by 48,000 persons in May 2010 to 16,062,000. This was the State's fourth consecutive employment gain, with the increase over the period totaling 212,000 persons. Figure 4 shows the three-year trend of California civilian employment and month-over changes in employment over the last two years.

FIGURE 4



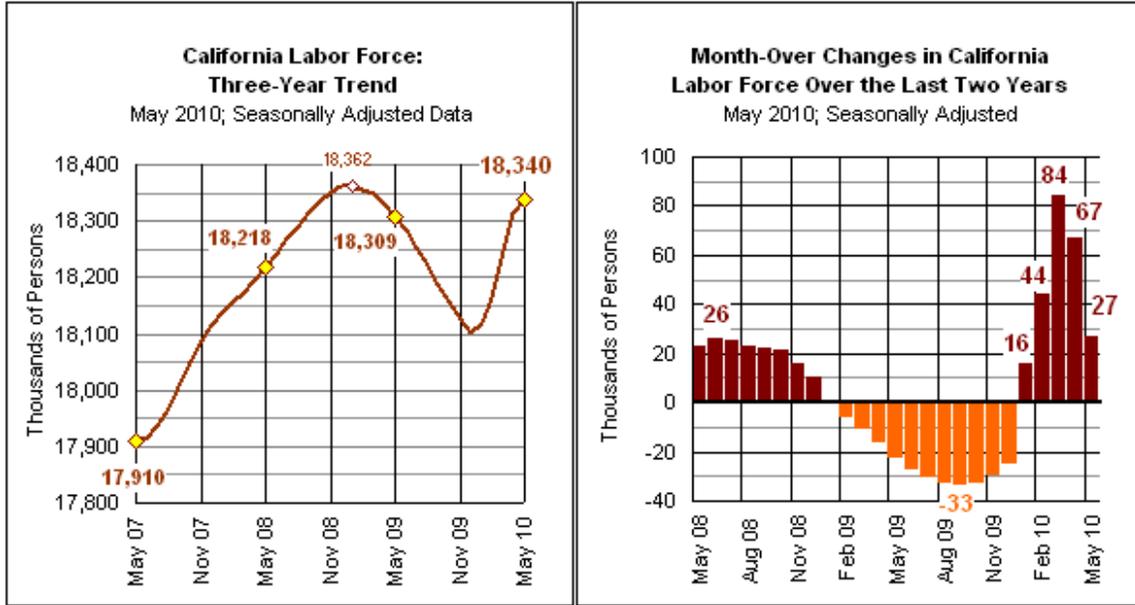
In May 2010, there were 182,000 (1.1 percent) fewer employed Californians than in May 2009. At their peak in September 2009—just eight months ago—California's year-over employment losses totaled 891,000 (5.3 percent).

The number of employed Americans fell by 35,000 in May 2010. Although a small drop, this was the first decrease in the number of employed Americans since December. The number of employed Americans has increased by 1.6 million in 2010-to-date. However, the nation still showed a year-over employment decrease of a little over 1.0 million (0.7 percent) in May 2010. This too was a large improvement. Just seven months previously, in October 2009, the nation's year-over employment losses peaked at over 6.4 million (4.4 percent).

In May 2010, California's labor force increased by 27,000 persons to 18,340,000. This was the State's fifth consecutive labor force increase, with gains over the period totaling 238,000 persons. California's labor market has apparently been able to absorb most of this influx of entrants and re-entrants into the labor market, as the number of unemployed increased by only 43,000 persons over the same five-month

period. That persons flowing into the labor force have for the most part been able to find some type of paid employment suggests that conditions in California's labor market are improving. Figure 5 shows the three-year trend of California's labor force and the month-over changes in the number of Californians in the labor force over the last two years.

FIGURE 5



California's labor force grew by 31,000 persons (0.2 percent) over the year ending in May 2010. This was the State's first year-over labor force increase since June 2009. In sharp contrast, the State's year-over labor force loss peaked at 259,000 persons (1.4 percent) in December 2009.

The U.S. labor force shrank for the first time this year, decreasing by 322,000 persons in May 2010. Despite this decrease, the U.S. labor force has grown by more than 1.3 million in 2010-to-date. However, the nation continued to show a year-over labor force decrease of nearly 600,000 persons (0.4 percent) in May 2010.

California's Labor Force Participation Rate (LFPR) held steady at 64.8 percent in May 2010. Year-to-date in 2010, the California LFPR has risen by 0.6 percentage point. The unemployment rate rose by only 0.1 percentage point over the same period. Despite the trend of increasing labor force participation in recent months, the California LFPR was 0.6 percentage point lower in May 2010 than in May 2009.

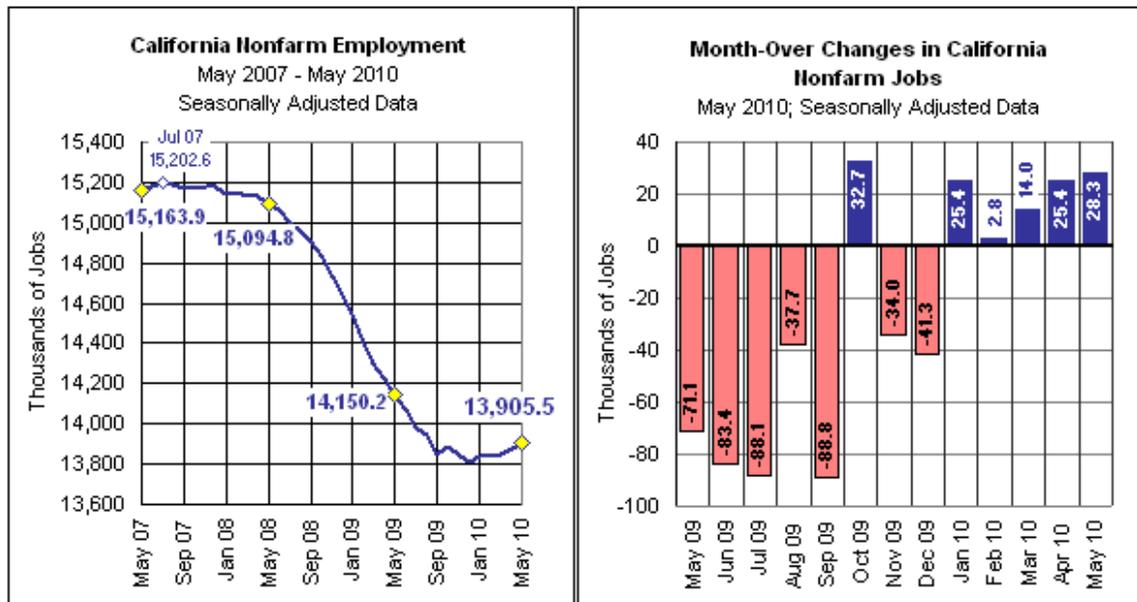
In May 2010, the U.S LFPR fell by 0.2 percentage point to 65.0 percent. However, U.S. labor force participation has been rising in recent months. Year-to-date in 2010, the U.S. LFPR has risen 0.4 percentage point. Even with this gain, the U.S. LFPR fell 0.8 percentage point over the year ending in May 2010.

## Nonfarm Payroll Employment

In May 2010, California nonfarm payrolls rose by 28,300 jobs to 13,905,500. In addition, April payrolls were revised upward by 11,200 jobs, resulting in a 25,400 job increase. As will be discussed below in more detail, the job gains in May, and to a lesser extent, April, were largely attributable to a hiring surge of temporary U.S. Census workers.

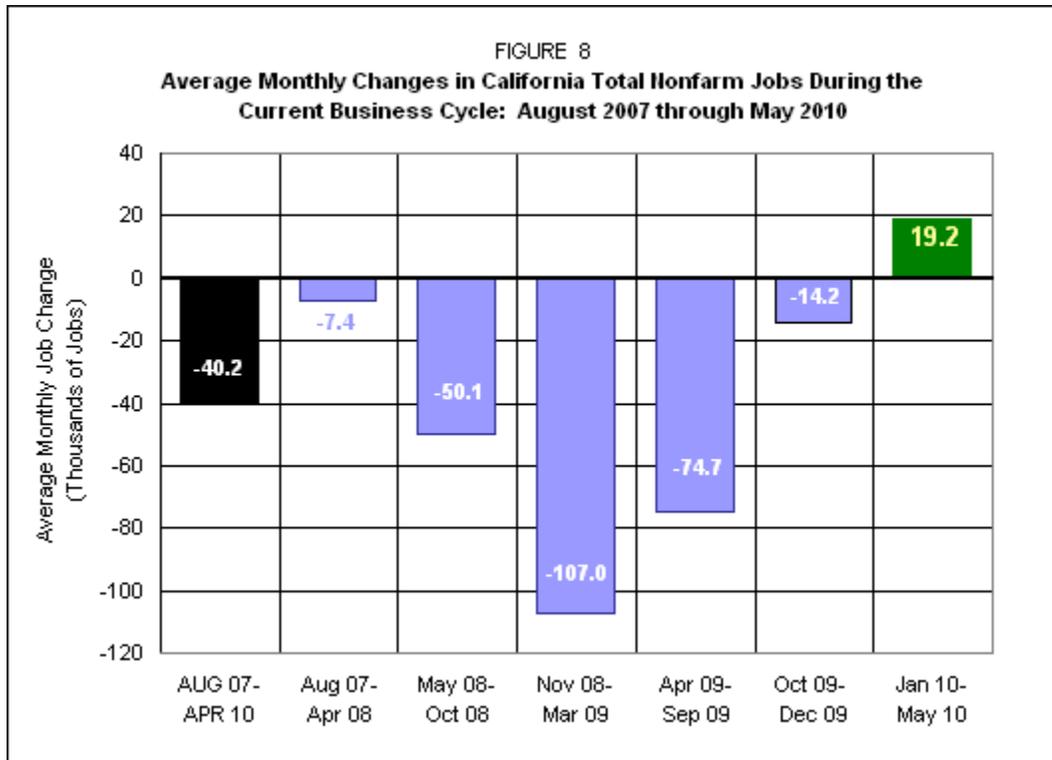
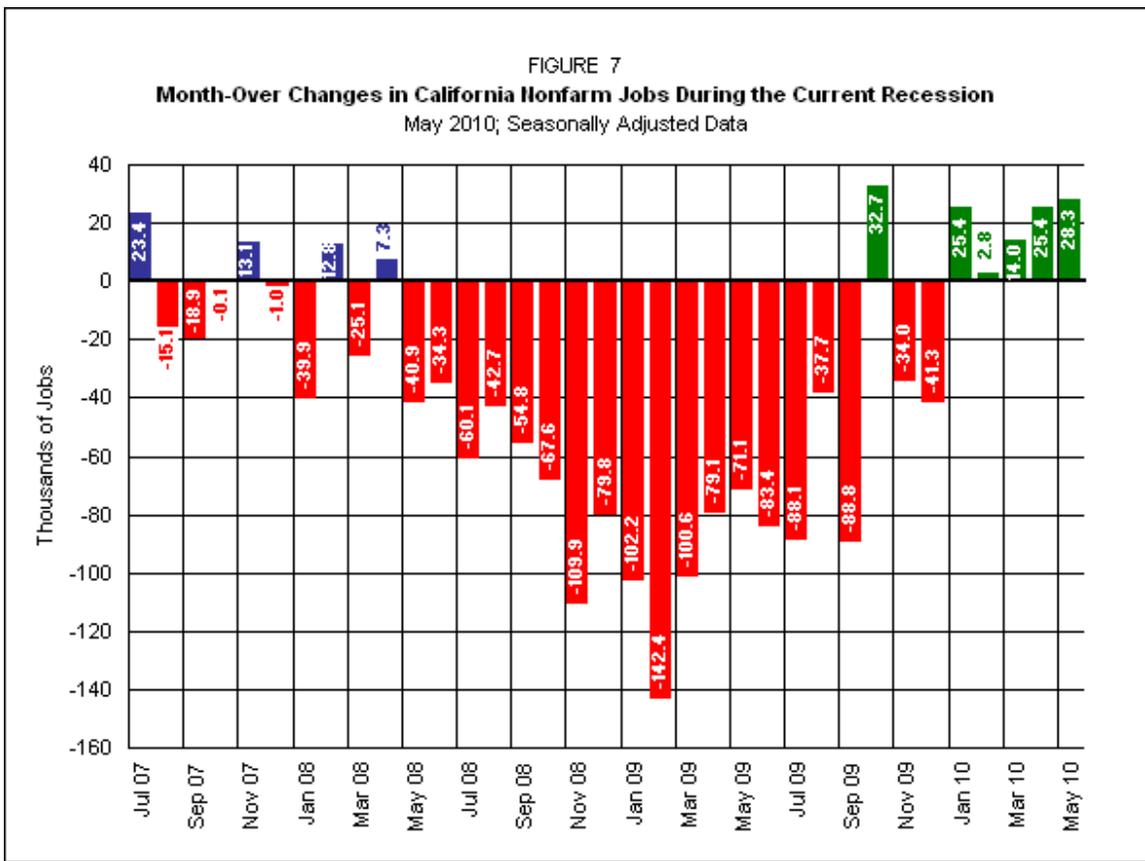
California has gained jobs in each month this year, with 2010-to-date gains totaling 95,900 jobs. Moreover, the State has gained jobs in six of the last eight months, with a net gain of 53,300 jobs over the period. Figure 6 shows the three-year trend of California nonfarm payroll employment, as well as the month-over changes in the number of nonfarm jobs over the last year.

FIGURE 6



California's year-over job losses fell to 244,700 (1.7 percent) in May 2010, for an average loss of 20,400 jobs per month. At their peak in September 2009, California's year-over losses totaled 1,050,700 jobs (7.1 percent) in September 2009. Despite the job growth in recent months, California's nonfarm payrolls in May 2010 were 1,297,100 jobs (8.5 percent) below their July 2007 peak.

California's job market appears to have turned the corner in recent months. Figure 7 shows the month-over changes in nonfarm payrolls over the course of the current business cycle. Figure 8 groups the data in Figure 7 into periods of similar job changes to show the progression of employment during the current business cycle. The data in Figure 8 are expressed as average monthly changes in the number of jobs during each period.



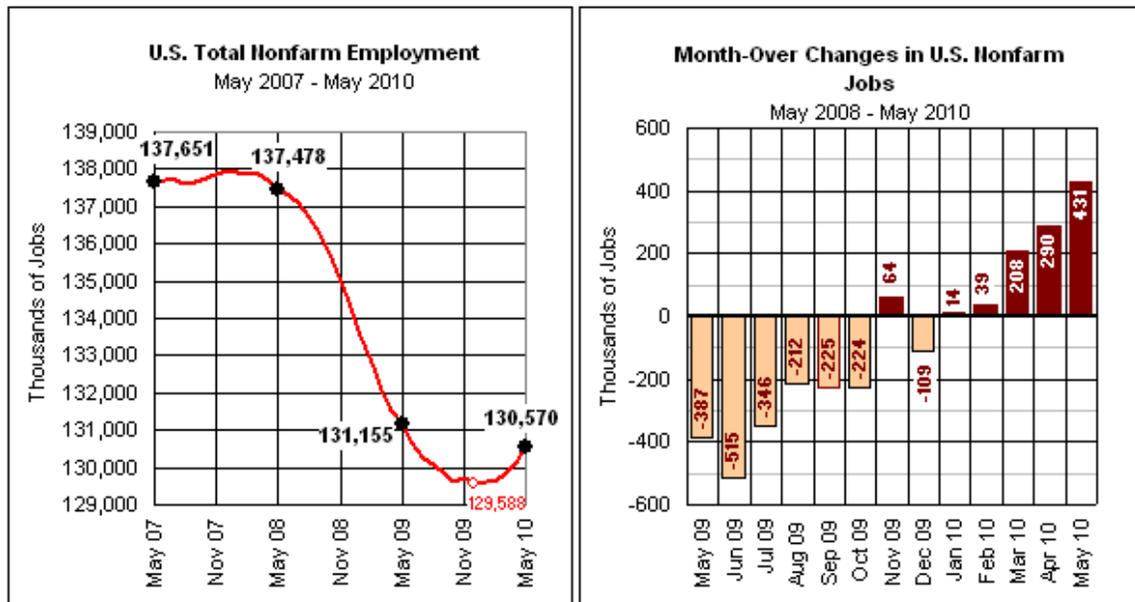
During the first nine months of the recession (the months of August 2007 through April 2008), employment tended to bounce up and down, but was negative overall. Employment losses over the period averaged 7,400 jobs per month. Economic

conditions began worsening in the second and third quarters of 2008, with average monthly job losses rising to 50,100 jobs per month during the May 2008 – October 2008 period. California’s job losses peaked at the end of 2008 and early 2009, with job losses over the November 2008 – March 2009 period averaging 107,000 jobs. The pace of job losses moderated somewhat during the second and third quarters of 2009, but remained high overall, with job losses averaging 74,700 jobs a month over the April 2009 – September 2009 period.

Economic conditions in California began turning around in fourth quarter of 2009, as job losses averaged only 14,200 jobs per month over the October 2009 – December 2009 period. Over the first five months of 2010, California gained an average of 19,200 jobs per month, suggesting that the economy is now in recovery.<sup>1</sup>

U.S. nonfarm payrolls rose by 431,000 jobs in May 2010. This was the nation’s fifth consecutive month of job growth, and its sixth in the last seven months. It was also the nation’s largest job gain since March 2000. However, as in California, the nation’s May job gain was primarily attributable to U.S. Census hiring. Figure 9 shows the three-year trend in U.S. nonfarm employment as well as the month-over changes in nonfarm jobs over the last year.

FIGURE 9



The nation’s 2010-to-date job gains totaled 982,000 jobs in May 2010. Despite these gains, the nation experienced a 585,000-job loss (0.4 percent) from May 2009 to May 2010. However, this was a sharp improvement from one year ago, when the nation’s year-over job losses totaled over 6.3 million (4.6 percent), in May 2009.

While the nation experienced a month of robust job growth in May, the federal jobs report was greeted with dismay by many economic analysts and on Wall Street. This was because the May job gain was almost entirely attributable to a surge in government jobs, and more particularly, federal government jobs related to the hiring

<sup>1</sup> California gained an average of 7,600 jobs per month over the eight-month October 2009 through May 2010 period.

of temporary census workers. Nationally, government payrolls grew by 390,000 jobs in May, and federal government payrolls grew by 412,000 jobs. U.S. private nonfarm payrolls, which exclude government jobs, grew by only 41,000 jobs in May, which was the nation's weakest month of job private growth since January.

A similar phenomenon occurred in California in May 2010. While the 28,300-job gains looks strong on the surface, government payrolls surged by 30,000 jobs. As a result, California private nonfarm payrolls fell by 1,700 jobs in May 2010, which was their weakest month since December 2009. Federal payrolls surged by 32,900 jobs in May. In the absence of Federal government, California would have experienced a nonfarm employment loss totaling 4,600 jobs in May.

While U.S. Census hiring provides a boost to the economy, census jobs are inherently temporary. Figures 10, 11, and 12 show California federal government employment trends and month-over changes in federal government jobs in the 1990, 2000, and 2010 census years, respectively. The data show that federal government hiring spikes around the time of the April Census, but quickly falls thereafter. In fact, census hiring typically ramps up in April and peaks in May. Many census jobs disappear in June, most are gone by August, and all are typically gone by September.

Hiring for the U.S. Census has played an important contributing role in California's job growth in 2010-to-date. Whereas total nonfarm jobs grew by 95,900 jobs in 2010-to-date, or by an average of 19,200 jobs per month, private nonfarm payrolls grew by 52,600, or an average of 10,500 jobs per month. The year-to-date job gain in private nonfarm employment was 45 percent less than in total nonfarm employment. On an annualized basis, total nonfarm payrolls have grown at a rate of 1.7 percent in 2010-to-date, while private nonfarm payrolls have grown at a 1.1 percent annualized rate.

FIGURE 10

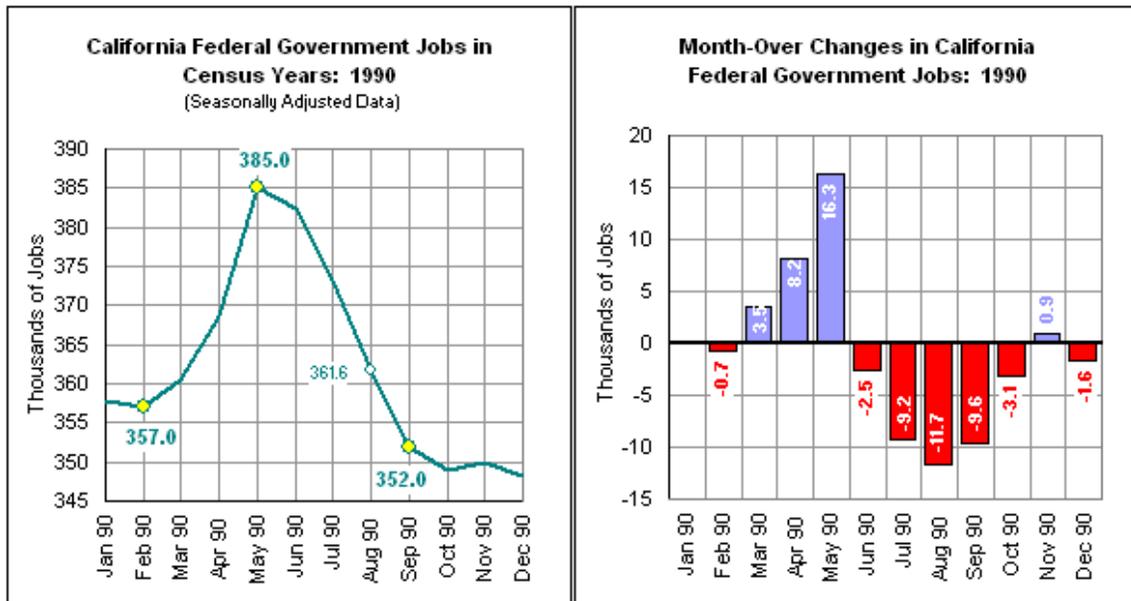


FIGURE 11

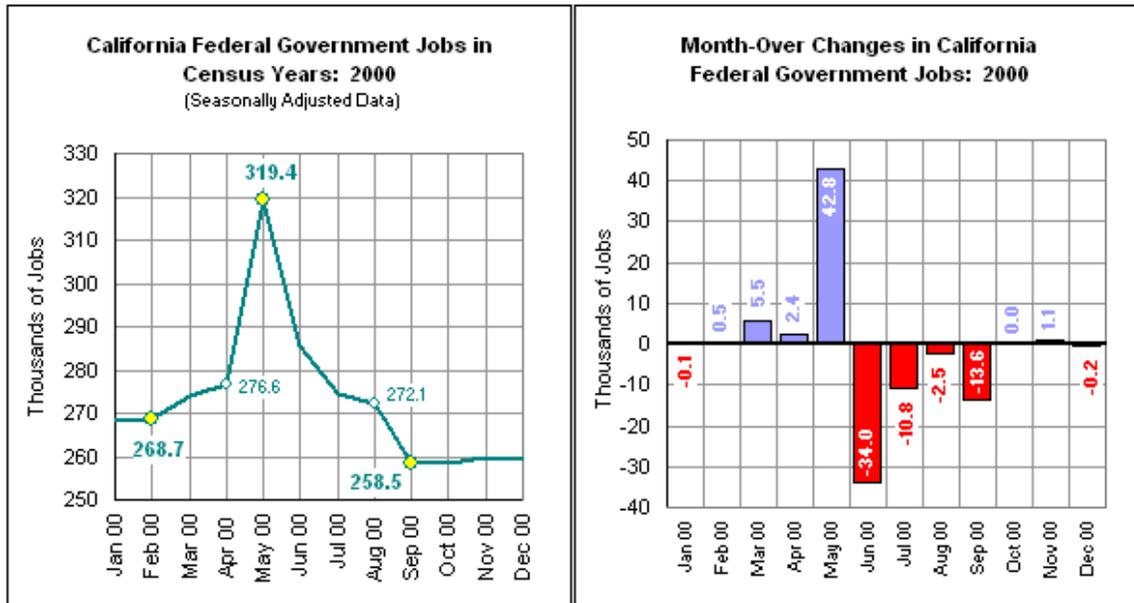
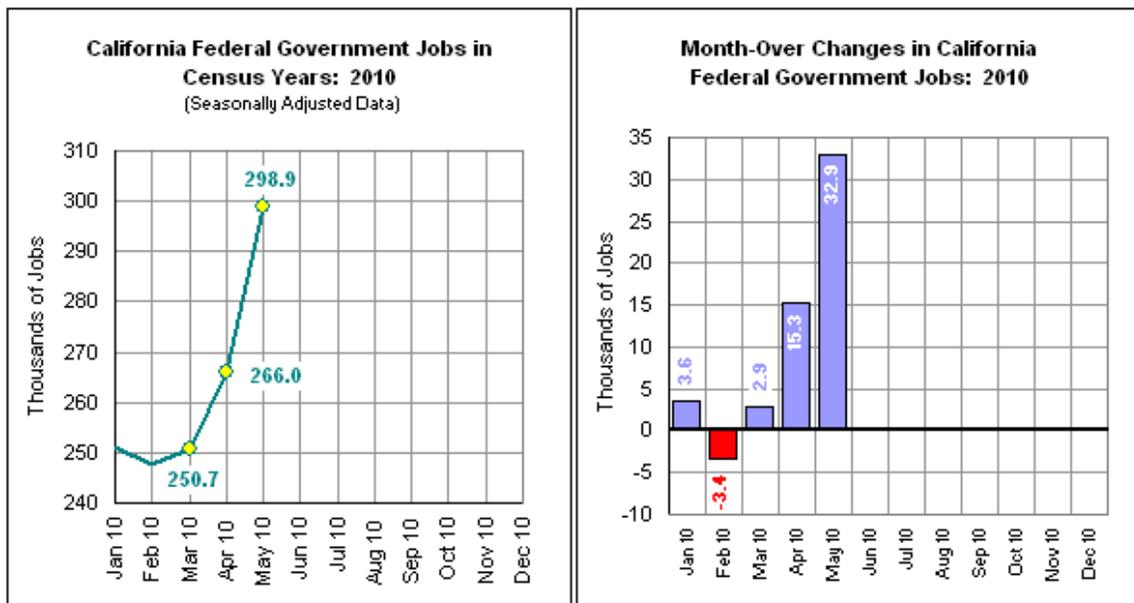


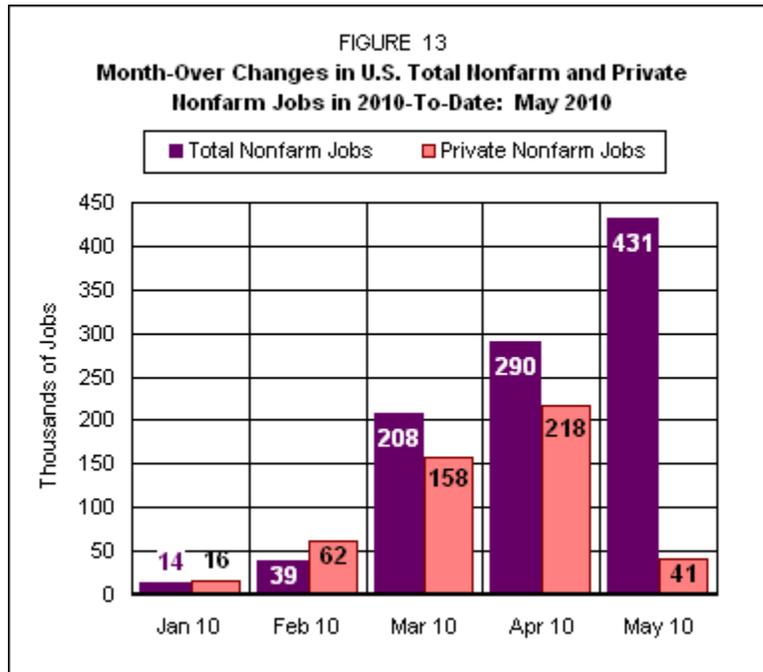
FIGURE 12



Census-related hiring appears to have had an even greater effect on the nation's overall job growth than on California's. Figure 13 compares the monthly changes in U.S. total nonfarm and private nonfarm payrolls. Whereas the nation's 2010-to-date total nonfarm job gains totaled 982,000 in May, year-to-date growth in private nonfarm payrolls totaled 495,000. Census-related hiring appears to have contributed to as much as half of the nation's year-to-date job growth.

Previous reports have highlighted large and sustained job gains in employment services, or temporary help agencies, both in California and in the nation in recent months. For example, California's administrative support subsector, which includes employment services, gained 9,100 jobs in May, and has gained 27,000 jobs in

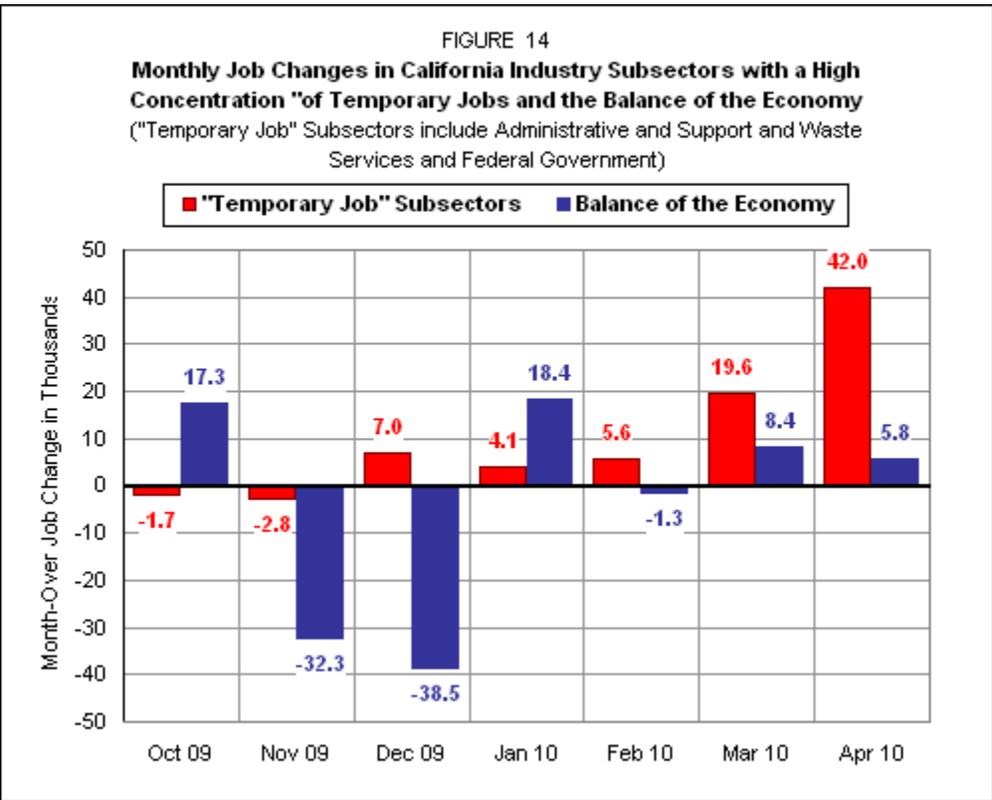
2010-to-date. In the U.S., employment services gained 34,000 jobs in May, and has gained 190,000 in 2010-to-date.



While hiring by temporary help agencies is generally considered to be a harbinger of permanent hiring to come, the fact remains that much of the job growth in the current recovery in both California and the nation has been temporary in nature – either in temporary help agencies or the U.S. Census. There are even some economists who argue that the current surge in temporary help agency hiring may not yield to permanent hiring because it is linked to one-shot stimulus funded activities.

In order to show to what degree temporary jobs have influenced job growth in the current California recovery, Figure 14 compares the month-over job changes in administrative and support and waste services and federal government with those in the balance of the economy in the months of October 2009 through May 2010. Since the administrative and support and waste services sector included employment services and federal government captures U.S. Census hiring, this distinction isolates the two industries with the largest growth in temporary jobs from the rest of the economy.

Whereas California's 2010-to-date total nonfarm job gains totaled 95,900 jobs (0.7 percent) in May 2010, most of this growth was in the two temporary job subsectors, which added 78,300 jobs (7.3 percent). In contrast, year-to-date growth in the balance of the economy totaled just 17,600 jobs (0.1 percent). California total nonfarm payrolls grew by 53,300 jobs from September 2009 through May 2010. Whereas the two temporary job subsectors added 89,200 jobs over the period, the balance of the economy lost 35,900 jobs. While job growth has returned to California, the largely temporary nature of the jobs that have been created suggests a fragile recovery.



The national story is very similar to trend that of California. Whereas the nation's year-to-date job gains in nonfarm employment totaled 982,000 (0.8 percent) in May 2010, federal government and employment services grew by a combined 761,000 jobs (14.1 percent). In contrast, the balance of the economy grew by just 221,000 jobs (0.2 percent). Since October 2009, total nonfarm payrolls in the U.S. grew by totaled 937,000 jobs. Whereas employment services and federal government added a combined 915,000 jobs over the period, the balance of the nonfarm economy added just 22,000 jobs.

Jobs that are temporary in nature have clearly played a dominant role in both the California and U.S. recoveries-to-date. However, moving forward, the creation of permanent jobs will play a vital role in the economy recovery, and more particularly, income and consumer spending growth. The data suggest that there has been some recovery in more permanent hiring.

From September 2009 through December 2009, federal government and administrative support services added 10,900 jobs over the period (all in administrative support services), the balance of the nonfarm economy lost 53,500 jobs over the period. In 2010-to-date, administrative support services and federal government gained a combined 78,300 jobs. However, the balance of the nonfarm economy gained 17,600 during the period, reversing the losses that occurred in the last quarter of 2009. This growth occurred despite a poor May, in which the balance of the nonfarm economy lost 13,700 jobs.

Nationally, employment services and federal government gained a combined 206,000 jobs (nearly all in employment services) from September 2009 through December 2009, while the balance of the nonfarm economy lost 475,000 jobs. In 2010-to-date, employment services and federal government paced job growth with a

combined gain of 761,000 jobs, but the balance of the nonfarm economy also began growing, adding 221,000 jobs.

## Industry Trends

Table 1 summarizes the month-over and year-over changes in California industry employment for the month of May 2010.

TABLE 1  
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	
	May 09	Apr 10	May 10	Number	Percent	Number	Percent
		<i>Revised</i>	<i>Preliminary</i>				
Total Nonfarm	14,150.2	13,877.2	13,905.5	28.3	0.2%	-244.7	-1.7%
Mining and Logging	25.7	24.7	24.7	0.0	0.0%	-1.0	-3.9%
Construction	632.8	554.2	552.0	-2.2	-0.4%	-80.8	-12.8%
Manufacturing	1,291.6	1,237.1	1,238.4	1.3	0.1%	-53.2	-4.1%
Trade, Transp. & Utilities	2,655.2	2,582.5	2,572.9	-9.6	-0.4%	-82.3	-3.1%
Information	441.6	445.8	450.5	4.7	1.1%	8.9	2.0%
Financial Activities	799.5	780.8	779.8	-1.0	-0.1%	-19.7	-2.5%
Profess. & Business Serv.	2,057.3	2,038.7	2,042.9	4.2	0.2%	-14.4	-0.7%
Educational & Health Serv.	1,737.0	1,766.6	1,761.5	-5.1	-0.3%	24.5	1.4%
Leisure & Hospitality	1,509.7	1,485.6	1,489.2	3.6	0.2%	-20.5	-1.4%
Other Services	489.3	477.1	479.5	2.4	0.5%	-9.8	-2.0%
Government	2,510.5	2,484.1	2,514.1	30.0	1.2%	3.6	0.1%

Data may not add due to rounding.

Source: EDD, Labor Market Information Division, Current Employment Statistics (CES) Program.

California's largest job gain was in government (30,000), and more particularly, federal government, which added 32,900 jobs. This gain reflected the hiring of temporary 2010 U.S. Census workers. These job gains should disappear by the end of summer as the bulk of the data collection for the Census draws to a close and these workers find themselves once again without a job.

Information (4,700), professional and business services (4,200), leisure and hospitality (3,600), other services (2,400), and manufacturing (1,300) were the other California industry sectors that added jobs in May. Mining and logging remained unchanged in May 2010.

The job gain in professional and business services was concentrated in administrative and support and waste services, which added 9,100 jobs. In contrast, professional, scientific, and technical services lost 5,500 jobs. Job gains in administrative and support and waste services typically occur during the early stages of an economic recovery. This growth should be taken with caution though as some economists suspect that much of this temporary hiring is a result of government stimulus funds. When the stimulus funds dry up, there is a possibility that many of these temporary jobs will evaporate as well.

Manufacturing showed a surprising job gain of 1,300 in May, following the decline of 4,200 jobs in April 2010. The decline in April was the result of the NUMMI plant in Fremont shutting down operations. Secondary effects in the manufacturing sector due to the NUMMI plant closure did not seem to appear in the May data. This may

indicate that the NUMMI closure is not yet fully realized in the jobs data or that the impact is less than expected.

California's largest job loss was in trade, transportation and utilities (9,600), with retail trade (7,600) losing the bulk of those jobs in May. The remaining California industry sectors that lost jobs in May were educational and health services (5,100); construction (2,200); and financial activities (1,000).

Educational and health services lost jobs for the second consecutive month. The loss of 5,100 jobs in May was the largest in this industry sector since April 2009 when 5,700 jobs were lost in a single month. Healthcare and social assistance has lost jobs three months straight, totaling 5,000 jobs. Throughout much of the recession, educational and health services has appeared to be relatively immune to the job losses. Although two months does not make a trend, this sector appears as though it may be weakened during the initial stages of recovery.

Within financial activities, finance and insurance gained 2,700 jobs, while real estate and rental and leasing lost 800 jobs during April. Preliminary May estimates show 600 jobs gained and 1,600 jobs lost, respectively. The April and May estimates suggest that losses in the latter industry subsector continue to reflect store closures of a major California video rental establishment that is going out of business.

## **Area Trends**

Table 2 summarizes the month-over May 2010 changes in total nonfarm payrolls in California's largest Metropolitan Statistical Areas (MSAs) and Metropolitan Divisions. Twenty MSAs in California showed month over growth in total nonfarm jobs in May. Eight California MSAs had job decreases in May.

Table 3 summarizes the year-to-date job changes in these same areas. Year-to-date growth continues to suggest that this is a Southern California-led economic recovery. In addition, Silicon Valley and parts of the Central Valley have experienced job growth. However, job growth in the Bay Area apart from Silicon Valley continues to lag that of other areas.

TABLE 2  
**Month-Over Changes in Nonfarm Payrolls in California Metropolitan Statistical Areas and Divisions**  
(May 2010; Seasonally Adjusted Data)

<u>Month-Over Change in Number</u>		<u>Month-Over Change in Percent</u>	
Santa Ana-Anaheim-Irvine Metro Div	5,600	Chico MSA	0.9%
San Diego-Carlsbad-San Marcos MSA	4,700	Bakersfield Delano MSA	0.8%
San Francisco-San Mateo-Redwood City Metro Div	3,700	Visalia-Porterville MSA	0.6%
Los Angeles-Long Beach-Glendale Metro Div	2,300	Fresno MSA	0.5%
Bakersfield Delano MSA	1,800	Modesto MSA	0.5%
Fresno MSA	1,500	Santa Ana-Anaheim-Irvine Metro Div	0.4%
San Jose-Sunnyvale-Santa Clara MSA	1,400	San Francisco-San Mateo-Redwood City Metro Div	0.4%
Oxnard-Thousand Oaks-Ventura MSA	900	San Diego-Carlsbad-San Marcos MSA	0.4%
Modesto MSA	700	Merced MSA	0.4%
Riverside-San Bernardino-Ontario MSA	700	Redding MSA	0.3%
Chico MSA	600	Oxnard-Thousand Oaks-Ventura MSA	0.3%
Visalia-Porterville MSA	600	Santa Barbara-Santa Maria-Goleta MSA	0.3%
Santa Barbara-Santa Maria-Goleta MSA	500	Santa Rosa-Petaluma MSA	0.3%
Santa Rosa-Petaluma MSA	500	Hanford-Corcoran MSA	0.3%
Stockton MSA	400	Stockton MSA	0.2%
Merced MSA	200	San Jose-Sunnyvale-Santa Clara MSA	0.2%
Oakland-Fremont-Hayward Metro Div	200	Salinas MSA	0.1%
Redding MSA	200	Riverside-San Bernardino-Ontario MSA	0.1%
Hanford-Corcoran MSA	100	Los Angeles-Long Beach-Glendale Metro Div	0.1%
Salinas MSA	100	Oakland-Fremont-Hayward Metro Div	0.0%
Vallejo-Fairfield MSA	-100	Sacramento-Arden-Arcade-Roseville MSA	0.0%
Madera-Chowchilla MSA	-200	Vallejo-Fairfield MSA	-0.1%
Santa Cruz-Watsonville MSA	-200	Santa Cruz-Watsonville MSA	-0.2%
Yuba City MSA	-200	Napa MSA	-0.5%
El Centro MSA	-300	San Luis Obispo-Paso Robles MSA	-0.5%
Napa MSA	-300	Yuba City MSA	-0.5%
Sacramento-Arden-Arcade-Roseville MSA	-400	Madera-Chowchilla MSA	-0.6%
San Luis Obispo-Paso Robles MSA	-500	El Centro MSA	-0.7%

TABLE 3  
**Year-to-Date Changes in Nonfarm Payrolls in California Metropolitan Statistical Areas and Divisions**  
(May 2010; Seasonally Adjusted Data)

<u>Year-to-Date Change in Number</u>		<u>Year-to-Date Change in Percent</u>	
Santa Ana-Anaheim-Irvine Metro Div	27,400	Santa Ana-Anaheim-Irvine Metro Div	2.0%
Los Angeles-Long Beach-Glendale Metro Div	18,300	Modesto MSA	1.6%
San Diego-Carlsbad-San Marcos MSA	16,300	San Diego-Carlsbad-San Marcos MSA	1.4%
San Jose-Sunnyvale-Santa Clara MSA	7,800	Bakersfield Delano MSA	1.2%
Sacramento-Arden-Arcade-Roseville MSA	4,000	Redding MSA	1.2%
Riverside-San Bernardino-Ontario MSA	3,700	Visalia-Porterville MSA	0.9%
Bakersfield Delano MSA	2,800	San Jose-Sunnyvale-Santa Clara MSA	0.9%
Modesto MSA	2,300	Oxnard-Thousand Oaks-Ventura MSA	0.5%
Oxnard-Thousand Oaks-Ventura MSA	1,400	Salinas MSA	0.5%
San Francisco-San Mateo-Redwood City Metro Div	1,300	Sacramento-Arden-Arcade-Roseville MSA	0.5%
Visalia-Porterville MSA	1,000	Los Angeles-Long Beach-Glendale Metro Div	0.5%
Fresno MSA	700	Riverside-San Bernardino-Ontario MSA	0.3%
Redding MSA	700	Fresno MSA	0.2%
Salinas MSA	600	Stockton MSA	0.2%
Stockton MSA	400	Napa MSA	0.2%
Napa MSA	100	San Francisco-San Mateo-Redwood City Metro Div	0.1%
Vallejo-Fairfield MSA	100	Vallejo-Fairfield MSA	0.1%
Hanford-Corcoran MSA	-100	Santa Rosa-Petaluma MSA	-0.1%
Merced MSA	-200	Hanford-Corcoran MSA	-0.3%
Santa Rosa-Petaluma MSA	-200	Santa Barbara-Santa Maria-Goleta MSA	-0.3%
El Centro MSA	-400	Oakland-Fremont-Hayward Metro Div	-0.4%
Santa Barbara-Santa Maria-Goleta MSA	-500	Merced MSA	-0.4%
Yuba City MSA	-500	Santa Cruz-Watsonville MSA	-0.8%
Madera-Chowchilla MSA	-600	El Centro MSA	-0.9%
Santa Cruz-Watsonville MSA	-700	San Luis Obispo-Paso Robles MSA	-1.0%
Chico MSA	-800	Chico MSA	-1.1%
San Luis Obispo-Paso Robles MSA	-1,000	Yuba City MSA	-1.3%
Oakland-Fremont-Hayward Metro Div	-3,400	Madera-Chowchilla MSA	-1.8%