August 2017 California Employment Highlights

OVERVIEW

- California’s seasonally adjusted unemployment rate rose by 0.3 percentage point to 5.1 percent in August 2017. This was the state’s largest rate increase since May 2009.

- Six California industry sectors added jobs and five lost jobs in August.
  - The largest job gains were in other services (7,600); manufacturing (6,600); and trade, transportation, and utilities (3,900).
  - This month’s losses were in leisure and hospitality (12,400), professional and business services (11,500), and government (6,300).

EMPLOYMENT AND UNEMPLOYMENT

- California’s seasonally adjusted unemployment rate rose by 0.3 percentage point to 5.1 percent in August, following a 0.1 percentage point increase in July. The U.S. rate ticked up to 4.4 percent in August, where it has been for three of the last five months.

- The 0.3 percentage point increase in the unemployment rate in August has an unusual feel to it. It was the state’s largest rate increase since May 2009. Moreover, August marked the first time that the state experienced back-to-back rate increases since November and December 2009. However, the economy was in the throes of a bad recession in 2009. It was expanding in August.
• The number of unemployed Californians rose by 46,000 persons to 972,000 in August. This was the state’s third consecutive unemployment increase, but an unusually large one. It was the state’s largest unemployment increase since April 2009.

• While the temptation might be to look at the unemployment increases of the last two or three months, and especially August, as a sign that labor market conditions are weakening, caution is advised against doing so.
• Record or near record changes in monthly estimates of unemployment (or employment) often signal that the labor force model behaved unusually in that month. August 2017 appears to have been no exception. An analysis of labor model components revealed that real-time benchmarking, which is the adjustment the Bureau of Labor Statistics (BLS) makes to the sum of the 50 states estimates of unemployment (and employment) to make it equal to the national unemployment total, was the dominant force behind California’s large civilian unemployment increase in August. Civilian unemployment would have been more or less flat in August in the absence of the real-time benchmarking adjustment. That said, real-time benchmarking had less of an effect on the August unemployment rate because the adjustment affected both unemployment and labor force.

• California’s large August increase in unemployment appears to say more about the functioning of the labor force model than the economy itself. A noisy month does signal a fundamental change in labor market conditions in California in and of itself. Several months of consistent data are necessary to make such a determination.

• The number of employed Californians fell by 14,000 persons in August. This was the state’s third consecutive civilian employment loss, with the decrease over the period totaling 61,000 persons.

![Figure 4](image)

California Civilian Employment Over the Last Five Years
August 2017; Seasonally Adjusted Data

• California’s labor force grew by 32,000 persons to 19,169,000 in August 2017. Although this was the state’s largest labor force increase since April 2010, the gain reflected the unusually large spike in unemployment in August.
- California’s labor force participation rate was 61.9 percent in August, which is the same it has been for three months.

- Over 826,000 Californians worked part-time for economic reasons, or involuntarily, in August 2017. This was down by 124,000 persons (13.1 percent) from August 2016 and by 717,000 persons (46.5 percent) from the recessionary peak in April 2010.
NONFARM PAYROLL EMPLOYMENT

- California lost 8,200 jobs in August, following a large 84,500-job increase in July (revised), and a 3,200-job loss in June. The fact that job losses that sandwich July’s unusually large increase suggests that California has experienced an atypical pattern of summer employment this year, at least in terms of its timing. This could be due to the school calendar or the latent effects of California’s unusually wet spring (or both).
CALIFORNIA INDUSTRY TRENDS

- The State’s other services sector added 7,600 jobs this month. Its second consecutive month of month-over gains in excess of 4,000 jobs. Over the past eight months, 21,000 jobs have been added to the other services sector. The last time the sector added over 10,000 jobs over the first eight months of the calendar year was in 2014 (13,100).

- California’s manufacturing sector added 6,600 jobs in August 2017. Year-to-date for 2017, the sector has a collective loss of 4,200 jobs. Gains were hampered over the year by losses in excess of 4,000 jobs in February and June. However, both of the subsectors added jobs this month. The durable goods subsector added 2,000 jobs month-over and the gains for the year have totaled 2,200 jobs. The nondurable goods subsector added 4,600 jobs this month and the last time this subsector added over 4,000 jobs was in July 2005.

- In August 2017, the trade, transportation, and utilities (TTU) added 3,900 jobs and has added jobs for the past four months. Due to heavy month-over losses in January (13,300) and April (10,300) of this year, the TTU sector had a collective loss of 4,900 jobs. The wholesale trade subsector added 2,100 jobs this month and is currently the only TTU subsector with a collective gain over the past eight months, 7,700 jobs. The retail trade subsector added 5,700 jobs this month, but this subsector losses totaled 6,700 jobs. The transportation, warehousing, and utilities subsector lost 3,900 jobs this month and over the past eight months this subsector had a net loss of 5,900 jobs.

- The State’s information sector added 2,100 jobs and 5,200 jobs over the past eight months of calendar year 2017. During this period of time, the sector has had month-over gains ranging from 1,000 jobs in a month (February 2017) to just over 10,000 jobs (May 2017). The information sector added 22,000 more jobs over the first eight months of 2016 (27,200) than it did this year (5,200).

- California’s construction sector added 1,400 jobs this month. Between January and August of 2017, 41,000 jobs were added and this cumulative gain bested its eight-month gains last year (16,500) by 24,500 jobs. March’s gain in 2017 of 18,600 jobs is primarily responsible for the collective gains experienced this year. The last time the sector added 18,000 jobs was in January 2015.

- This month the educational and health services sector added 600 jobs. This sector gained the most jobs of any sector over the course of 2017 and net gains for the year stood at 51,100 jobs in August 2017. Through the first eight months of 2016, the sector added 51,100 jobs. The health care and social assistance subsector added 5,200 jobs this month and extended its streak of month-over job gains to six months. The educational services subsector lost 4,600 jobs this month after month-over gains topping 10,000 jobs in the previous month.

- California’s leisure and hospitality sector lost 12,400 jobs this month, its second month this year in which the sector lost over 10,000 jobs. Year-to-date for 2017, the sector added 15,100 jobs. Each of the sector’s subsectors lost jobs this month, the second time this year that this has occurred. However, both of the subsector had a net gain of jobs over the past eight months. The accommodation and food services subsector lost 10,500 jobs this month and this followed a month-over gain of 10,600 jobs in July. The
arts, entertainment, and recreation subsector lost 1,900 jobs this month. Through the first eight months of 2016, this subsector added 6,600 jobs.

- The professional and business services sector lost 11,500 jobs in August 2017. The hefty job gains in excess of 10,000 jobs in January and June of this year helped to keep year-to-date gains in the positive thus far (5,200). Each of the professional and business services subsectors lost jobs this month with the professional, scientific, and technical services subsector accounting for a majority of the losses. This subsector lost 7,000 jobs in August and had a year-to-date loss of 8,000 jobs. The administration and support and waste services subsector lost 3,900 jobs this month, but in four out of the past eight months, the subsector added over 5,000 jobs. The management of companies and enterprises subsector added 2,100 jobs this year and the bulk of these gains occurred during the months of June (1,700) and July (1,400).

- In August 2017, California's government sector lost 6,300 jobs and these losses were concentrated in the state's federal and state government subsectors. The state government subsector lost 5,200 jobs this month. This subsector hasn't experienced month-over losses this large since September 2009 (14,300). The federal government subsector lost 1,300 jobs this month and had a year-to-date collective loss of 2,100 jobs. The local government subsector was the lone subsector within government to add jobs this month, 200 jobs. Gains totaled 15,800 jobs over the past eight months and this total was 9,100 shy of the pace set in 2016, 24,900 jobs added, over that same time period.

- The Golden State’s financial activities sector lost 100 jobs this month and had a net gain of 300 jobs over the past eight months. Net gains have been hampered by the three month span between February and April in 2017 in which this sector lost 6,500 jobs. The real estate and rental and leasing subsector lost 100 jobs this month, a departure from the gain of 500 jobs it experienced a year before in August. The finance and insurance subsector had no change in job totals this month and for the calendar year its month-over changes summed to a gain of 1,100 jobs.

- The State’s mining and logging sector lost 100 jobs this month. For back-to-back months this sector has lost jobs and net losses for the year totaled 900 jobs. This month's loss in August is not a departure from trend for this sector as it has lost jobs in each of the previous two years in August. The only month-over gains this year for this sector occurred in the months of April (200) and June (300).