California’s Economy Improves Modestly in August

Employers added 101,900 jobs across California in August, but the headline gain was bolstered by a 37,100-job spike in federal payrolls and 30,700 rise in local government jobs. Private payrolls added just 35,800 jobs.

California Still Faces a Long Road to Recovery

Employment conditions improved in California during August but not nearly as much as the headline data suggest. Nonfarm payrolls added a net total of 101,900 jobs in August but roughly two-thirds of that increase came from government jobs. Federal government payrolls added 37,100 jobs in August, most of which were likely temporary Census workers. Local government payrolls added 30,700 jobs, which was the first gain since March and might reflect some bounce back in public school employment, even though schools have only partially re-opened. The rise likely reflects teachers coming back on the payrolls. Private payrolls rose much less in August, adding just 35,800 jobs, the smallest monthly gain since employment began to rebound following the lockdowns in March and April.

On an overall basis, California has added 885,700 jobs over the past four months, which has offset just slightly more than one-third of the 2.6 million jobs lost in March and April. As in most other states, industries that require a great deal of social contact were most heavily impacted by the lockdowns and have been the slowest to recover. The leisure & hospitality sector, which includes restaurants, bars, hotels and entertainment venues has been hardest hit. The industry lost 982,400 jobs during March and April and clawed back 340,200 of those jobs over the next three months, as the state slowly began to re-open. A resurgence of COVID-19 cases this summer led many areas to tighten operating restrictions and contributed to a 14,600-job pullback in the leisure & hospitality sector during August. Other industries that require a high degree of customer contact also saw hiring falter in August, which really reflects conditions from mid-July to mid-August. Other services, which includes hair salons and day spas, lost 5,700 jobs, marking its first drop since April. Employment in retail trade and administrative services—two other hard hit sectors, did bounce back, however, adding 12,100 and 9,700 jobs, respectively. Most of the rise in retail jobs took place at discount stores and car dealerships. Clothing shops continue to struggle.

California’s tech sector saw mixed results in August. Professional, scientific & technical services added 11,800 jobs. Employment in the information sector fell, however. There have been some well-publicized layoff announcements at large software firms, although we doubt there has been enough time for those layoffs to show up in the data. The non-seasonally adjusted data show software publishers cut 1,200 jobs in August, which is the largest monthly loss since July 2001 and follows some earlier weakness this spring. Employment at internet search and cloud computing firms continues to increase, however.

California’s unemployment rate fell 2.1 percentage points in August to 11.4%, as resident employment rose by 291,700 and the civilian labor force fell by 117,100 persons. The number of employed Californians, which includes independent contractors, fell by 3.3 million from February to May, contributing to a 12.5 point spike in California’s unemployment rate, which took it from an all-time low of 3.9% in February to an all-time high 16.4% in April and May.

Source: U.S. Department of Labor and Wells Fargo Securities