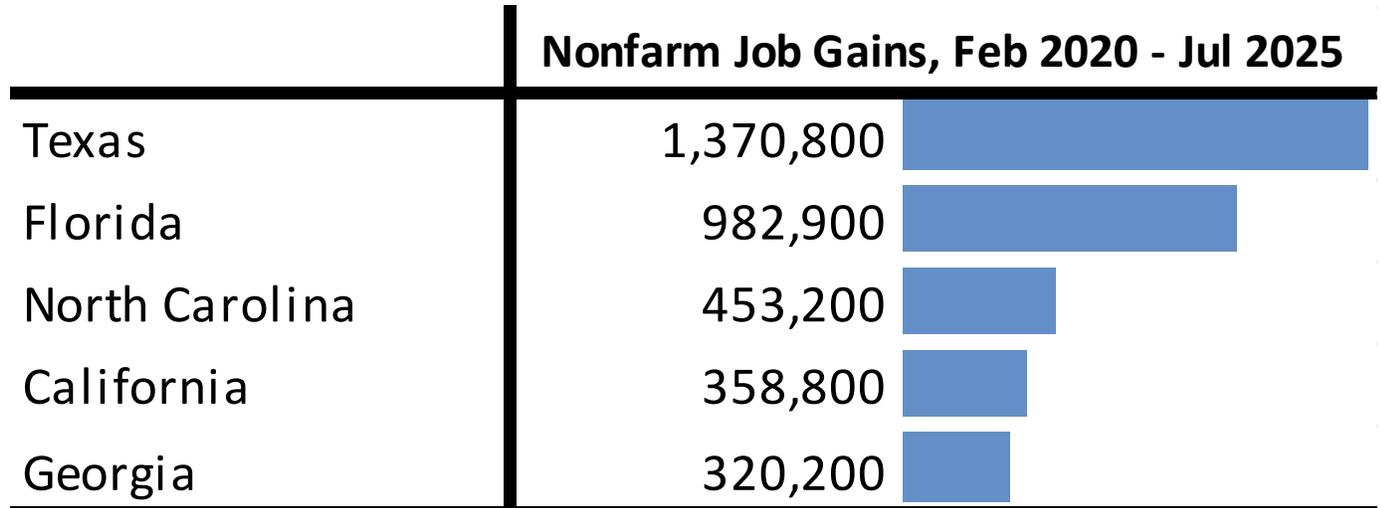


Nonfarm Jobs up 15,000—3rd Highest Among the States

In July, the preliminary estimate for nonfarm jobs shows a gain of 15,000. Combined with the downward adjustment to the June estimate, California shows a total loss of 9,700 nonfarm jobs to date in 2025 or essentially a continuation of the state’s job stagnation over the past two years. California’s July gains were the 3rd highest among the states, behind New York with 55,500 and Missouri with 17,100.

Compared to the pre-pandemic peak, California’s job performance remained in 4th place behind North Carolina and only 38,600 ahead of much smaller Georgia.

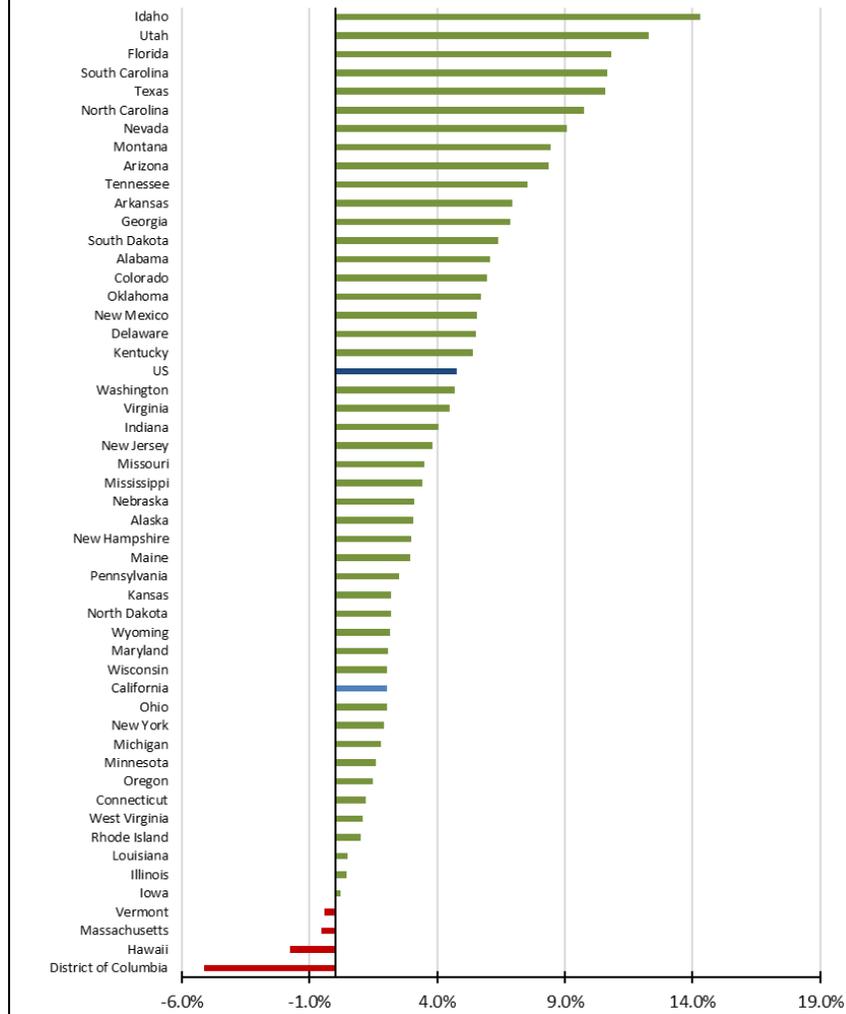


Source: US Bureau of Labor Statistics

Adjusted for size, California’s job performance since the pandemic dipped to 36th highest, while 3 states and DC have yet to move into recovery conditions.

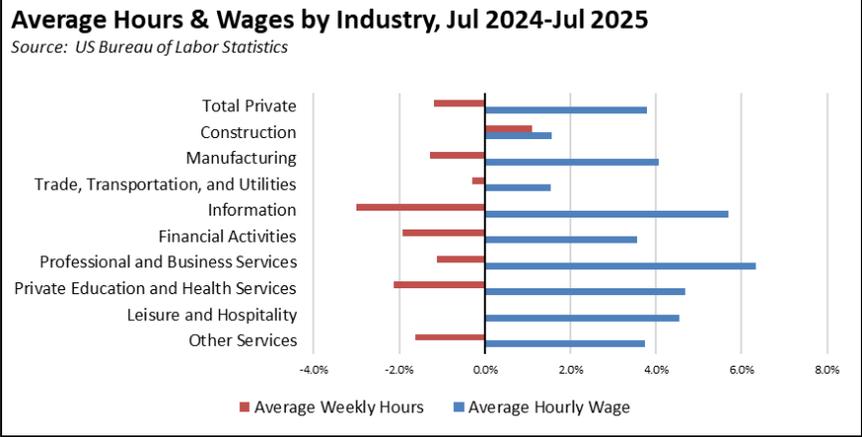
Nonfarm Jobs: July 2025 vs. February 2020

Source: BLS, seasonally adjusted



Hourly Wage Up but Offset by Reductions in Weekly Hours Worked

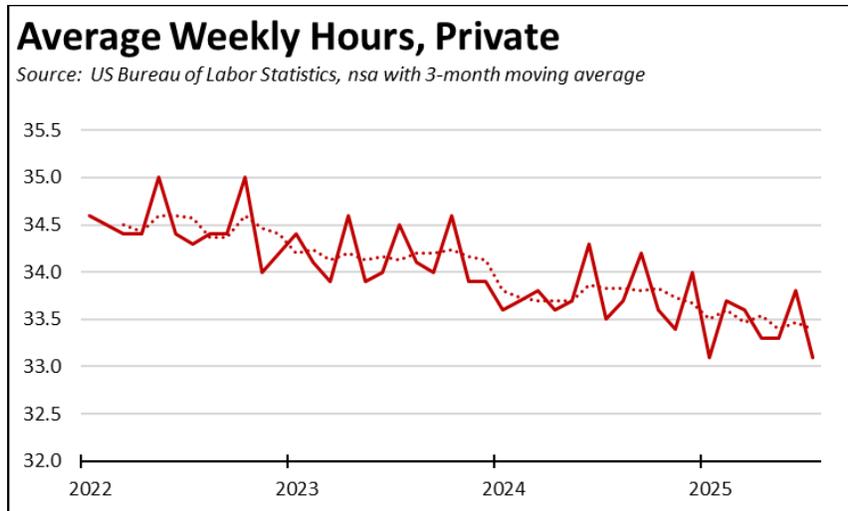
Average hourly wage rose in all private industries, with an overall average increase of 3.8% for the 12 months ending with July. Except in Construction and Leisure & Hospitality, these increased labor costs were offset by a reduction in average weekly hours worked.



Looking at all private industries, hourly earnings saw a sustained rise throughout 2024 but since have largely leveled off in 2025.



Offsetting reductions in weekly hours worked instead have been on downward trend beginning in 2022, but like hourly wages have seen only minor changes to date in 2025.



Combining the two, average weekly earnings after remaining level in 2023, still saw significant growth in 2024 but since has shown little change to date in 2025.



Employment Dips Below Pre-pandemic High

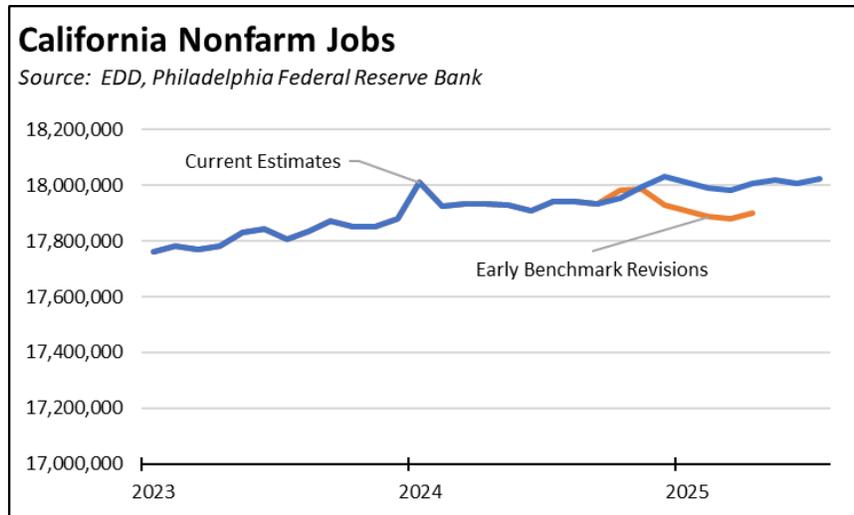
After one month in full recovery territory, the preliminary estimate for July employment (seasonally adjusted) again dipped below the pre-pandemic high with a marginal loss of 7,600. Total labor force, however, expanded its upward climb streak to 7 months with a preliminary gain of 10,600 for the month.

The number of unemployed rose by 18,200, putting July as the 19th month in row where unemployment was above the 1 million mark. California's unemployment rate (preliminary seasonally adjusted) edged up to 5.5%, the highest among the states and below only DC which came in at 6.0%.

The monthly estimate, however, only covers the unemployed who are actively looking for work. Under the broader U-6 measure of underemployment and unemployment, California again had the highest rate of 10.1% in the 2nd Quarter, compared to a 7.5% average for the other states and DC.

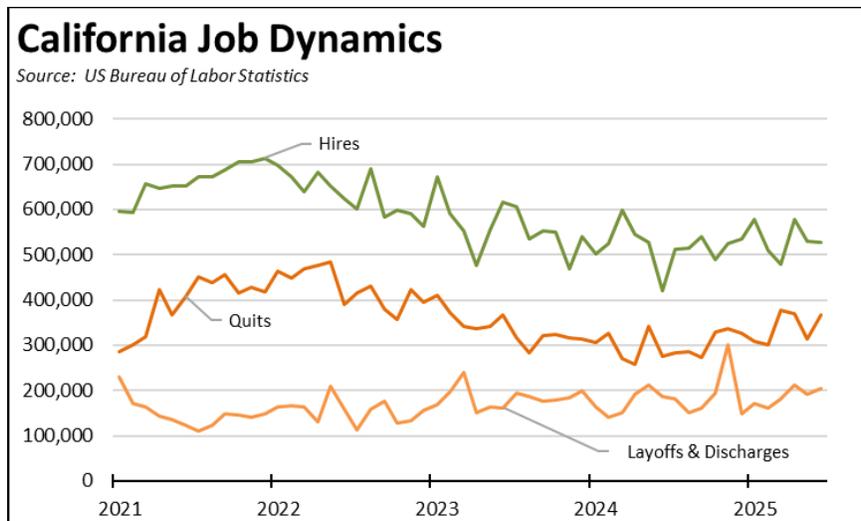
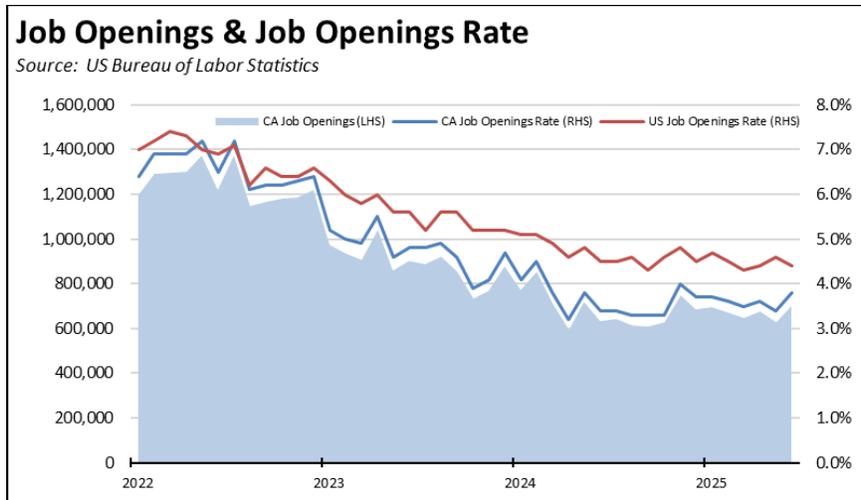
Job Prospects in the Coming Months

As we have discussed before and as noted by others such as Legislative Analysts' Office, growth in the number of nonfarm wage and salary jobs has basically stalled out over the past two years, particularly when taking account the likely upcoming data revisions as estimated by the Philly Fed Early Benchmark Revisions.

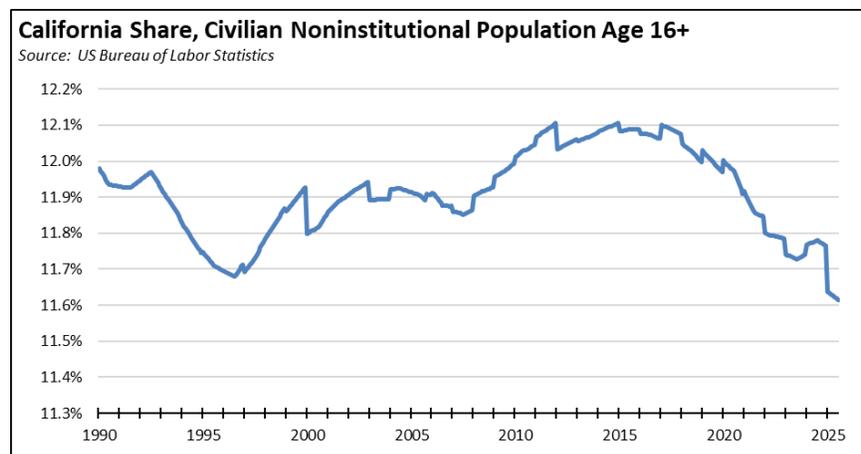


The continuing surge in tech layoffs combined with concerns over the effect of policies such as tariffs on trade-related jobs, immigration enforcement on agriculture and services, soaring energy costs on manufacturing and other industries, and the state's overall high costs of living on available labor supply raise many questions of how long this trend will continue. While no means comprehensive, a number of indicators suggest there are few signs of an immediate turnaround.

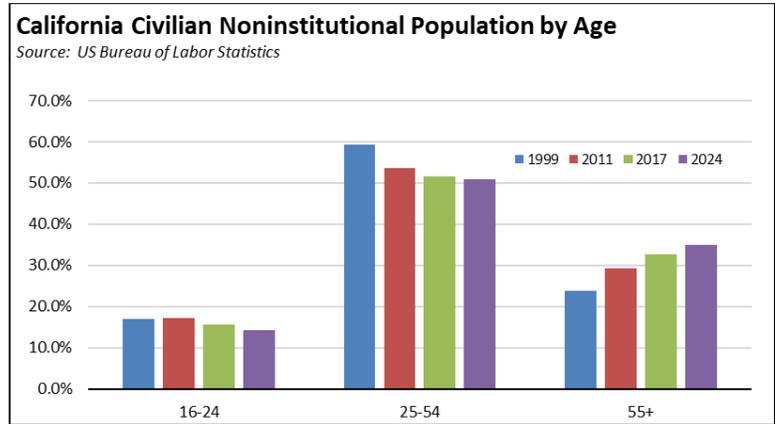
- **Company Hiring Plans:** While the numbers for June show improvement in the preliminary estimates, company hiring plans as represented by unfilled job openings at the end of each month have been contracting. Even with the June uptick, California's job openings rate (job openings divided by the sum of employment and job openings) is tied with Hawaii for the second lowest among the states and DC. Likely reflecting concerns by employers over labor supply and workers over job availability, both Layoffs & Discharges and Quits have shown little change in this period. Combining all three elements, unfilled jobs in the pipeline show little potential to tackle the state's high unemployment levels. At 1.5 unemployed worker for every unfilled job, California continues to have the worst rate among the states and DC.



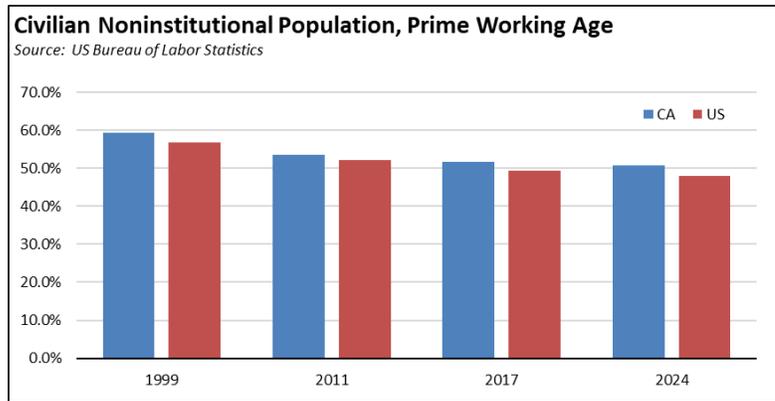
- Labor Pool.** The ability to grow jobs requires labor even with productivity advances such as AI. As California's population has declined, so has its overall labor potential as indicated by its share of Civilian Noninstitutional Population Age 16 and over.



Moreover, that population along with the rest of the country is aging. Using the peaks in the previous graph, the share represented by Prime Working Aging adults (25-54) has shrunk to just over one-half of the potential labor pool.

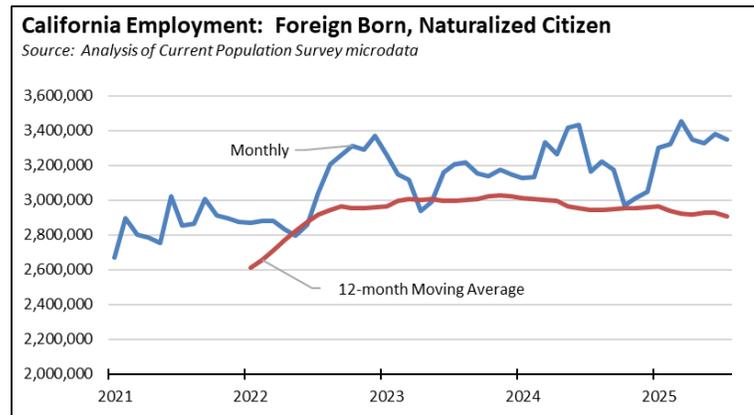
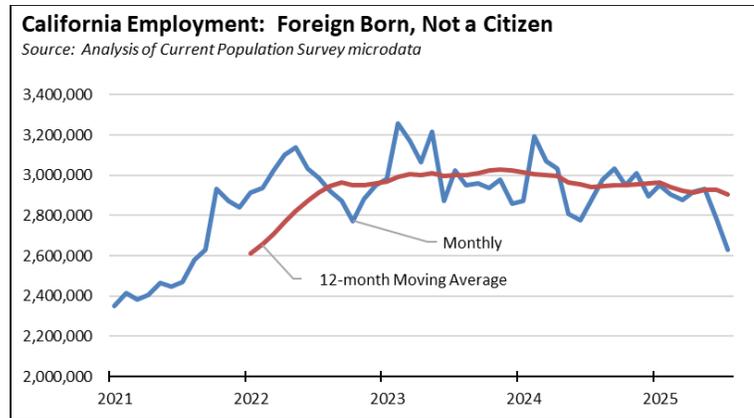


However, bolstered by immigration—including temporary visas, other documented, and undocumented—California’s share of Prime Working Age adults still remains slightly above the overall US average.



- Labor Pool Skills.** While California is known for its high tech jobs, the potential labor force exhibits an extreme disparity in its skill levels. From the American Community Survey, 18.8% of the California population age 18 and older in 2023 had less than a high school education, compared to 14.6% for the US overall. This level is improved from the 22.9% rate in 2010, but it remains the highest among the states and DC. The job openings data shown above indicates there are still jobs to be had even if at lower levels than in other states, but the mismatch of skills is one of the factors contributing to them still being open. Employers in other states often expand their search to other states when the requisite skills are not readily available in the local labor force, but this option is more limited in California due to the high costs of housing, energy, and other costs of living that reduce any interest from the potential applicant pool.
- Immigrant Employment.** Using an imperfect measure, jobs held by non-citizen workers appear to have declined in the last two months. The Current Population Survey data used in the charts is imperfect for a number of reasons. First, the survey is relatively small especially as the demographic slicing becomes more detailed. Most analyses using this source consequently turn to 12-month moving averages rather than monthly results to improve the statistical validity. Both are shown in the charts. Comparing the July results in the monthly data, noncitizen employment dropped 249,000. In

the 12-month moving averages, employment dropped 37,000, but this series has yet to incorporate a substantial number of months under the revised policies. In contrast, employment among naturalized citizens has been more stable, although also declining somewhat as well as shown in the 12-month moving average.



Second, all survey responses are weighted against a current population estimate. Results are adjusted to conform to the estimates, and more meaningful results are likely to come from the 2026 results that incorporate any estimated changes in the immigrant portion of the population. Third, response rates likely have changed from the population of interest. These response rates have always been low, and likely have dropped during the recent changes in immigration policy. Finally, immigration is not the only policy affecting these employment levels in the state. As California drops both as the initial and final destination choice in favor of lower cost/higher job opportunity states, foreign immigration has become a declining factor in the state’s population growth. The 12-month moving average for both immigration groups in the charts is just as consistent with this trend.

- **Source of Current Jobs Growth.** As we have detailed, California’s job growth now comes overwhelmingly from government and government-supported Healthcare & Social Assistance. Taken together, other private industries have shed 257,000 jobs since their peak in September 2022. While there has been some growth within individual components as shown below, core industries such as trade-related, manufacturing, high tech, and finance have all seen retrenchments.

Change in Nonfarm Jobs by Industry, Sep 2022 to Jul 2025

Source: EDD, seasonally adjusted

Total Nonfarm	154,800
Government & Government Supported	411,800
Government	124,300
Health Care & Social Assistance	287,500
Other Private	-257,000
Mining & Logging	-700
Construction	-5,900
Manufacturing	-57,400
Wholesale Trade	-9,900
Retail Trade	-31,400
Transportation, Warehousing & Utilities	-14,500
Information	-85,400
Finance & Insurance	-31,800
Real Estate & Rental & Leasing	-1,600
Professional, Scientific & Technical Services	-33,100
Management of Companies & Enterprises	-4,500
Administrative & Support & Waste Management & Remediation	-87,300
Private Educational Services	32,900
Arts, Entertainment & Recreation	33,600
Accommodation & Food Services	15,200
Other Services	24,800

Job growth over the past two-plus years consequently has become overly dependent on public spending, especially public spending based on federal pandemic assistance and the previous but temporary surge in state revenues. As some indicators: (1) US Bureau of Economic Analysis shows Medicare benefits in California grew 22.0% (\$22.0 billion) between 2021 and 2024; (2) state general and special fund expenditures have grown 25.0% (\$55.1 billion) between FY 2022 and the recently passed budget bill, with federal funds now expected to add on \$174.5 billion more in the current year; and (3) expenditures including federal funds for Department of Health Care Services (containing Medi-Cal and the minimum wage, part-time jobs paid through In-Home Supportive Services) grew 27.5% (\$42.1 billion). With costs under labor agreements rising, the state now facing structural deficits in the \$18 to \$24 billion range, and federal funding at these levels now facing an uncertain future, this source of job growth is likely to be pulled back as well. While both interest groups and state and local governments are now exploring options to increase revenues just to keep up with currently programmed expenditure growth, these outcomes remain uncertain, face electorates increasingly concerned with the current costs of living, and would compound the current effect of high tax and fee levels on jobs growth. Even under the perennial favorite of tax-the-rich, job impacts still would be likely based on the fact that personal income tax at these levels is also a business tax. Using the most recent Tax Year 2022 results from Franchise Tax Board, 27% of the income currently subject to the higher rates under Prop. 55 came from pass-through business entities.