IEEP and Lowe Institute ECONOMIC ANALYSIS

The August 2026 Employment Report

September 19, 2026

by

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INLAND EMPIRE

Labor market data for Riverside County and San Bernardino County, as well as sectoral data for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) were released on 9/19. The Employment Development Department (EDD) publication is for August 2026 and also includes data for the state. U.S. data was published earlier on September 4.

The "headline" number shows an unemployment rate of 5.9 percent for August, an increase of 0.2 percentage points from July. Riverside County is at 6.2 percent (rank 38 out of 58 counties), while San Bernardino has a 5.7 percent rate (rank 30 out of 58 counties). By comparison, San Mateo County has the lowest unemployment rate (4.0 percent), while Imperial County has the highest (21.9 percent).

In general, you should not focus on the non-seasonally adjusted raw data provided by the EDD if you try to extract underlying trends. The EDD does provide seasonally adjusted data for the state as a whole, so you can analyze those numbers without further statistical filters. One way to remove most seasonal frequencies is to look at yearly changes. Doing so we see that the unemployment rate for the Inland Empire is 0.3 percentage points lower than it was a year ago (6.2 percent in August 2025).

Unemployment rate changes are the result of the difference in the growth rates of the labor force and employment. A healthy economy will see a fall in the unemployment rate as a result of employment growth outpacing labor force growth. The opposite holds true for the Inland Empire: the unemployment rate declined due to the labor force shrinking by more (-2.1 percent) than employment falling (-1.9 percent). Employment changes, as seen from the establishment survey, can differ from the household survey since the latter includes commuters who reside in

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the Inland Empire, while the establishment survey does not. Looking at the establishment survey, we observe an increase in employment by roughly 5,000 workers from a year ago.

After seasonally adjusting the data, we actually observe no change in the unemployment rate for the Inland Empire: the August rate is **5.2 percent**. Similar to the year-to-year change, we do not observe a deterioration of the Inland Empire labor market.

We present more detailed analysis of employment changes both from the household survey (Current Population Survey or CPS) and the establishment survey (Current Employment Statistics or CES) in the table below. Note that **the numbers are different from those released by the EDD since we have seasonally adjusted all data**. While the unemployment rate remained unchanged compared to the previous month, we still observe that **both the labor force and employment remained almost constant compared to July**, and hence the unemployment rate did not change. The labor force increased by about 100 people and while employment decreased by about 700 people.

Turning to the establishment survey, there was a loss of 1,000 jobs within the region from a month ago. Compared to a year ago, the region gained 5,000 jobs. While the employment losses are reflected in both the CPS and CES, they are negligible. We do not want to read too much into a single month's observation.

We can dig deeper into the data by looking at the **employment changes by industrial sectors**. As noted just above, the **Inland Empire gained roughly 5,000 compared to a year ago**. However, the only sector with significant growth was **Private Education and Health (+17,000),** primarily driven by Health**,** with **Leisure and Hospitality (+4,500)** coming in a distant second. This means that the **other sectors combined lost 16,000** positions. Notably, the largest decline comes from Professional and Business Services (-6,500), Construction (-3,700), and Government (-2,400). Month over month, however, Private Education and Health was the biggest loser (-1,600), followed by Local Government (-1,100) and Professional and Business Services (-1,100). Again, we do not want to read too much into a single month's observation, but have warned previously that we expect shrinking employment in the Health industry and in Local Government due to national policy changes and demographics. Professional and Business Services declining numbers may be due to AI.

The graph below shows both the raw (non-seasonally adjusted) data and the seasonally adjusted data for the unemployment rate. Clearly there is more volatility for the raw data in the short run. Note that both series show an increase in the unemployment rate since the mid-2022. The table below the graph shows the seasonally adjusted labor market numbers.

For the raw data, go to (https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html)

Figure 1: Unemployment Rate, Inland Empire, Jan 2010 - August 2026

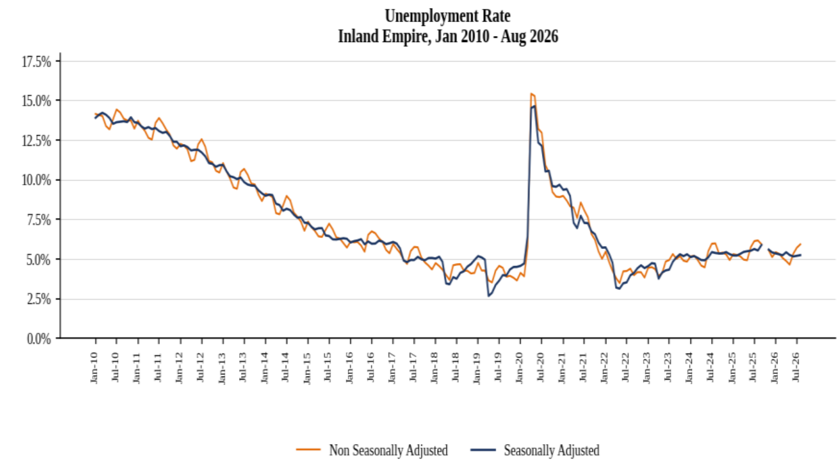

Table 1: Labor Market Data, SA, Inland Empire, August 2026[2]

Data Seasonally Adjusted

	Aug 25	Jun 26	Jul 26 (Revised)	Aug 26 (Prelim)	Change Month	Change Year
Civilian Labor Force (1)	2,250,196	2,208,472	2,201,337	2,201,474	+0.0%	-2.2%
Civilian Employment	2,125,749	2,094,599	2,086,875	2,086,113	-0.0%	-1.9%
Civilian Unemployment	124,447	113,873	114,461	115,360	+0.8%	-7.3%
Civilian Unemployment Rate	5.5%	5.2%	5.2%	5.2%	+0.0%	-0.3%
(CA Unemployment Rate)	5.5%	5.2%	5.1%	5.1%		
(U.S. Unemployment Rate)	4.3%	4.2%	4.1%	4.1%		
Total Nonfarm	1,715,195	1,721,457	1,721,363	1,720,177	-0.1%	+0.3%
Mining and Logging	1,667	1,695	1,670	1,680	+0.6%	+0.8%
Construction	109,658	105,926	104,762	105,927	+1.1%	-3.4%
Manufacturing	94,610	92,287	92,775	92,963	+0.2%	-1.7%
Durable Goods	56,073	55,101	55,307	55,403	+0.2%	-1.2%
Non-Durable Goods	38,541	37,186	37,470	37,561	+0.2%	-2.5%
Logistics	264,529	265,848	264,828	264,510	-0.1%	-0.0%
Retail Trade	180,262	180,870	180,010	179,835	-0.1%	-0.2%
Information	12,184	10,970	10,971	11,002	+0.3%	-9.7%
Financial Activities	43,343	42,275	42,116	42,260	+0.3%	-2.5%
Professional and Business Services	157,150	153,013	151,728	150,590	-0.7%	-4.2%
Private Education and Health Services	343,049	360,325	361,834	360,169	-0.5%	+5.0%
Leisure and Hospitality	186,853	189,175	189,879	191,389	+0.8%	+2.4%
Other Services	50,990	51,482	51,583	51,466	-0.2%	+0.9%
Government	265,467	262,347	264,109	263,049	-0.4%	-0.9%
Federal Government	19,683	18,243	18,292	18,265	-0.1%	-7.2%
State Government	28,698	27,872	27,636	27,634	-0.0%	-3.7%
Local Government	217,165	216,220	218,417	217,268	-0.5%	+0.0%

[2] We stress here that **Table 1 contains the seasonally adjusted data** (for the raw, non-seasonally adjusted data, go to the EDD website listed above.

Here is the summary of the winners and losers using seasonally adjusted data from the previous month (July 2026), as well as from one year ago (August 2025).

- **For month-to-month changes, Leisure and Hospitality (+1,500) and Construction gained the most positions (+1,200)**, followed by **Manufacturing (+200)**.
- There continue to be declines across most sectors, with **Private Education and Health Services (-1,700)**, **Local Government (-1,100),** and **Professional and Business Services (-1,100) as the top three losses.**
- For **year-to-year growth** (compared to August 2025), the sector with the largest employment gain was **Private Education and Health Services (**+17,000), **primarily in Health**. There is no growth of similar magnitude in other sectors; Professional and Business Services (-6,500), Construction (-3,700) and Government (-2,400), mostly in Federal and State levels, shed the most jobs.
- Nonfarm jobs gained roughly 5,000 positions from a year ago. Had it not been for the health sector, the other sectors combined generated a loss of -12,000 positions.

General Outlook: Riverside-San Bernardino-Ontario MSA

As we observed in July, there are positive signals from the Inland Empire labor market once we remove regularly occurring seasonal fluctuations. It is once you dig deeper and go beyond the headline numbers that you see some worrisome developments. The Inland Empire continues to show a **lack of diversification** among sectors. More than half of the regional employment is generated by three sectors: Health, Local Government, and Logistics Since we expect national policies to negatively impact the Health industry, and demographics to result in Public Education (Government) to result in fewer dollars being available to schools. This does not bode well for the main drivers of job increases. In addition, you cannot expect much help from Logistics due to the impact from tariffs.

The Inland Empire does not seem to learn from its own recent past: lack of diversification is like putting all of your eggs in one basket. While it may have served the region well so far, there is no guarantee of continued success even in the near future. The area relied heavily on military related expenditures prior to the "peace dividend", and saw elevated levels of unemployment as a result in the '90s. Similarly, the region was the epicenter of the bust in the housing bubble. Decision makers in the Inland Empire need to focus on a possible repeat of the problem over the coming years.

CALIFORNIA

The positive news is that California's unemployment rate did not change and stayed at 5.1 percent. Note that this is one percentage point higher than the U.S. rate. Less positive is that this is the highest unemployment rate among U.S. states (tied with Connecticut and Oregon). California is the most populous state in the U.S. It is followed by three states that have unemployment rates that are more than half a percentage point lower: Texas 4.4 percent, Florida 4.5 percent, and New York 4.3 percent. Being six years into the current economic expansion, perhaps it is instructive to look at the California unemployment rate at the previous peak of the Great Expansion (2009-2020). The unemployment rate then was 3.5 percent, and hence we observe a 1.6 percentage point higher rate. This is a relatively large difference. Trying to find anything positive in these numbers, the state unemployment rate is almost half a percentage point lower compared to a year ago (-0.4 percentage points).

There are now almost a quarter of a million fewer employed workers in California (-248,700) than in August 2025! The bloodletting has not stopped recently: over the last month, the state lost another -36,600 workers. At the same time, its **labor force has shrunk by -351,100** (or by -50,500 in August) - both factors (declining labor force, less employment) have contributed to the unemployment rate remaining the same from a month ago, and decreasing from a year ago (the change in the unemployment rate equals the difference between labor force growth and employment growth, here -1.7 percent and -1.3 percent from a year ago). **Seeing a declining labor force coinciding with less employment is a sign of an unhealthy economy.**

Using the establishment survey instead of the household survey also shows an increase in employment instead of 39,400 from a month ago, and 138,500 compared to August 2025. The Department of Finance has struggled to explain the different picture we get from the two surveys.

The establishment survey, looking at month-to-month changes, sees strongest gains in Private Education and Health Services (18,600 or 0.5 percent growth) followed by Government (9,800 or 0.4 percent) and Leisure and Hospitality (7,800 or 0.5 percent). The biggest losers are Professional and Business Services (-1,800 or -0.1 percent) and Information (-900 or -0.2 percent), **perhaps signaling that AI has negative employment effects** on those two sectors. Compared to a year ago, 131,500 out of the 138,500 total nonfarm jobs created in the state were generated by a single sector: Private Education and Health (basically Health). This means that all other sectors combined only created a net gain of 7,000 positions, with many of them showing significant declines.

For those who want to find a more detailed analysis of the California labor market, go to:

https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html

and

https://labormarketinfo.edd.ca.gov/data/california-labor-market-dashboard.html

T**he picture is alarming regardless of whether you look at the establishment survey or the household survey:** While our state gained +39,400 Nonfarm jobs last month, +18,600 or roughly half originated from a single sector (Private Education and Health). Compared to a year ago, Professional and Business Services saw a decline (-15,500), followed by Information (-22,600).

Similar to the nation, our state has seen relatively high real GDP growth rates. They are actually slightly higher for California than for the U.S. for the latest data available.

OUTLOOK

California's labor market is in crisis mode: California has the highest unemployment rate among U.S. states, and shows a 1.1 percentage point higher rate than the nation. At the same time, the labor force is shrinking at an alarming rate (-350,000 compared to a year ago). Over the last two months, the household survey actually indicates quite worrisome declines. "Where have all the workers gone?" should be a major point of analysis for economists to answer. At the same time, and according to the latest numbers available to us, output (GDP) is expanding at a more than healthy rate. This has resulted in **relatively large productivity gains**, in particular in the White-Collar sectors of Information, Professional and Business Services, and Finance. Some have argued that this is due to Artificial Intelligence.

With no short-term end in sight to the Middle East conflict, gasoline prices will remain elevated. In general, they take much longer to decline even if Brent Oil were to return to pre-March 2026 prices from their current level of more than $100.

A final concern stems from the **unevenness of sectoral job growth**. Compared to a year ago, California generated +138,500new jobs, if we go by the establishment survey. But even by this positive view (the household survey paints a much more pessimistic picture) that vast majority of the jobs were created in the Private Education and Health sector (primarily in Health), namely +131,500 jobs. The implication is that the other sectors combined generated +7,000 jobs. Given the expected decline in Federal health expenditures, this does not bode well for 2027. We also expect Local Government employment to shrink further given the demographics of current students. The booming stock market is a plus for government revenues, but the billionaire's tax on the November ballot questions how long this positive input will last.