IEEP NEWS RELEASE

January 23, 2026

The December 2025 Employment Report

by

Manfred Keil[1]

OVERVIEW

The California Employment Development Department (EDD) released the labor market data for the state and its counties today (January 23). The data available is both from the household survey (Current Population Statistics or CPS) to calculate the unemployment rate, and the larger establishment survey (Current Employment Statistics or CES) to list sectoral employment changes. Data for the Inland Empire (Riverside County and San Bernardino County) is only available for the Metropolitan Statistical Area (MSA) as a whole, and does not allow us to report county specific employment changes. Is also not seasonally adjusted (state data is seasonally adjusted).

The headline news for the Inland Empire is that the **unemployment rate** fell by a remarkable 0.4 percentage points from a (revised) 5.5 percent in November to **5.1 percent in December**.[2] This type of decline would typically result in champagne corking celebrations, were it not just for regular seasonal increases in employment in December (think of holiday hires both in Retail Sales and Leisure and Hospitality). Note that a year ago, the **non-seasonally adjusted** unemployment rate also fell by 0.4 percentage points, and stood at 4.9 percent in December 2024. One way to remove seasonal fluctuations is to look at data from a year ago, and in doing

[1] Keil: Chief Economist, Inland Empire Economic Partnership and Associate Director, Lowe Institute of Political Economy, Robert Day School of Economics and Finance, Claremont McKenna College. Keil received valuable assistance from research analysts Jake Bergen, Jiaxin Chen, Annika Johnson, Ulwiana Mehta-Malhotra, Shan-Kai Wu.

[2] The non seasonally adjusted unemployment rate for Riverside County was 5.2 percent, and for San Bernardino County 5.0 percent. San Bernardino County ranked 20th out of 58 California Counties, Riverside County 23rd. Lowest California county unemployment rate was in San Mateo (3.5 percent) and highest was in Imperial County (28.6 percent).

so we find the Inland Empire unemployment rate actually increased by 0.2 percentage points. Hence the 0.4 percentage point we observe for December 2025 is a veil and not indicative of underlying cyclical labor market trends. Below we will present (unpublished) seasonally adjusted labor market data for the MSA.

To give you a summary statistic here, the **seasonally adjusted unemployment rate** for the Inland Empire **fell by 0.1 percentage points from 5.6 percent to 5.5 percent.** By comparison, the U.S. (seasonally adjusted) unemployment rate is currently 4.4 percent, and California's is 5.5 percent.[3] Further reasons for not getting too excited about the November to December development is that both seasonally adjusted and non-seasonally adjusted unemployment rates fell because a shrinking labor force was larger than shrinking employment, both of which are negative developments. The unemployment rate actually would have increased had it not been for a larger number of people to drop out of the labor force.

The major take-away from this report is that the Inland Empire currently is in a relatively stable position. If you go to the "Outlook" below, we will mention that any employment growth that we currently see is dependent on the Health industry, and Local Government (public education). Pull away one of the two columns that hold up the house, and you will see a full-blown employment recession in the region in the future.

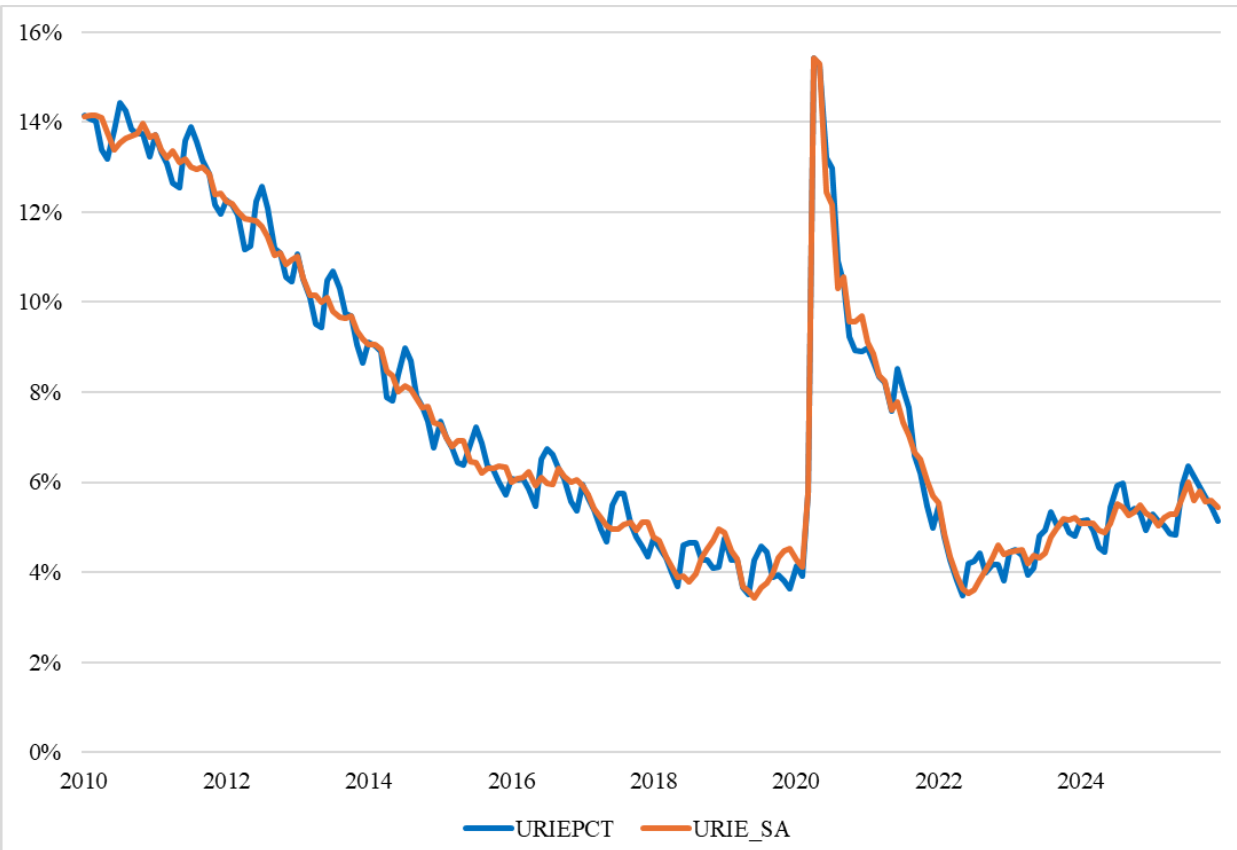
[3] California's seasonally adjusted unemployment rate also declined by 0.1 percentage points from November 2025, and is 0.4 percentage points higher than the non-seasonally adjusted rate.

INLAND EMPIRE:

Figure 1 shows both the seasonally adjusted and the non-seasonally adjusted unemployment rate for the Inland Empire since 2010. Recently unemployment rates have indicated a trend increase since about mid-2022. The seasonally adjusted unemployment rate has, not surprisingly, less month-to-month fluctuations compared to the raw EDD data.

To look at the raw data, go to the EDD website (https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html).

Figure 1: Unemployment Rate, SA (orange) and NSA (blue), Inland Empire, January 2010 - December 2025



Unemployment rates change as a result of growth rates in the labor force and employment. A constant labor force will result in a decreasing unemployment rate if employment is growing (this is intuitively easy to follow). However, even with zero employment growth, the unemployment rate can decrease if the labor force shrinks. This is less intuitive, but still relatively easy to follow since fewer people are looking for jobs and those who had jobs kept them. The current situation is slightly more complicated: both the labor force and employment are shrinking, independently of whether or not we seasonally adjust the labor force and/or employment. Since the change in the unemployment rate is roughly equal to the difference in the growth of the labor force and employment, the unemployment rate only fell because the shrinking labor force (-0.2 percentage points) outpaced the negative employment growth (-0.1 percentage points). This is a more pessimistic scenario than in November where employment was still growing.

To gain further insights, we will look at developments in the various sectors of the Inland Empire economy, using seasonally adjusted data.

Table 1: Labor Market Data, SA, Inland Empire, December 2025

January 23, 2026
Employment Development Department
Labor Market Information Division
Contact: LMID RESEARCHERS

Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment & Labor Force
March 2024 Benchmark

Data Not Seasonally Adjusted

	Dec 24	Oct 25	Nov 25 Revised	Dec 25 Prelim	Percent Change Month	Percent Change Year
Civilian Labor Force (1)	2,235,400		2,280,300	2,265,900	-0.6%	1.4%
Civilian Employment	2,125,000		2,155,900	2,149,800	-0.3%	1.2%
Civilian Unemployment	110,400		124,400	116,100	-6.7%	5.2%
Civilian Unemployment Rate	4.9%		5.5%	5.1%		
(CA Unemployment Rate)	5.2%		5.4%	5.1%		
(U.S. Unemployment Rate)	3.8%		4.3%	4.1%		
Total Nonfarm	1,741,300	1,723,500	1,743,500	1,744,500		0.2%
Mining and Logging	1,500	1,600	1,500	1,500		0.0%
Construction	113,800	109,200	106,800	105,600		-7.2%
Manufacturing	94,000	91,400	90,500	90,500		-3.7%
Wholesale Trade	69,500	67,800	68,100	68,400		-1.6%
Transportation & Warehousing	218,800	202,000	212,100	213,800		-2.3%
Logistics	288,300	269,800	280,200	282,200		-2.1%
Information	13,100	12,600	12,500	12,600		-3.8%
Financial Activities	44,000	42,800	42,900	42,800		-2.7%
Professional and Business Services	163,800	162,300	163,400	163,600		-0.1%
Private Education and Health Services	315,700	329,200	330,900	331,100		4.9%
Leisure and Hospitality	182,200	182,300	184,000	183,500		0.7%
Other Services	50,400	51,800	52,100	51,100		1.4%
Government	278,100	282,800	284,800	284,700		2.4%
Federal Government	21,400	19,900	19,800	19,900		-7.0%
State Government	27,700	26,900	27,200	26,800		-3.2%
Local Government	229,000	236,000	237,800	238,000		3.9%

Before we give you the more objective seasonally adjusted numbers, note from Table 1 that even with the raw data, the employment growth we observe (0.2 percent from a year ago in non farm employment) is very lopsided. Only 4 of the 12 major sectors showed positive employment growth. Worse yet, neither the growth in Leisure and Hospitality nor in Other Services was big enough to generate the aggregate increase in employment. Note also that both changes in Federal and State employment were negative, and it is only Local Government (basically Public Education) that resulted in the relatively large employment increase in Government. Bottom line, it is **Health and Public Education that keeps the Inland Empire afloat at this point**.

The winners and losers from a month ago were (using seasonally adjusted data):

- The largest **month-to-month increase** by industry was in Private Education and **Health Care** (+1,020), followed by **Local Government** (+540) in a distant second place, with other positive growth sectors showing even smaller increases.
- The **Leisure and Hospitality** sector saw a modest loss of employment (-980) compared to a month ago. Another notable **month-to-month decline** was in **Other Services** (-550).
- For **year-to-year growth** (relative to December 2024), the sector with the biggest employment gain was Private Education and **Health Services (**+15,330), **primarily Health**. The only other sector with a sizable year to year employment growth was the **Government** sector (+6,670), with jobs added in Local Government (Education) (+9,020) while State and Federal Government saw a decline of -2,330 positions. **Leisure and Hospitality** had a slight year to year growth (+1,300), as did Other Services (+700). All other sectors showed employment losses, most visible in Construction (-8,250), Logistics (-6,160), and Manufacturing (-3,520).

We alluded to the "all eggs in one basket" story at our last State of the Region conference in February 2025. The description remains relevant. What made the Inland Empire successful in the past, or what got us here, may be our downfall in the future. We saw this happening in the '90s when the region relied on military expenditures and the aerospace industry, and in the early years of the millennium, when the housing boom was centered here. Recognizing the potential problem is the first step towards finding a solution. All that we can do here is to alert decision makers to the problem.

CALIFORNIA

California's seasonally adjusted unemployment rate fell slightly from 5.6 percent to 5.5 percent, because employment growth of 0.2 percent slightly outpaced the increase in the labor force (0.1 percent) in December. It also did not change from a year ago. Still, compared to the pre-COVID-19 downturn in February 2020, it is more than a full percentage point higher (1.1 percentage points). California continues to have one of the highest unemployment rates in the nation and its unemployment rate is still over a percentage point higher than the national rate. While it is not unusual for California unemployment rates to be higher than the national average for the post-World War II period, differences of the current magnitude are not often observed during non-recessionary time periods.

The household survey and the establishment survey often show the same general development. While the establishment survey is from a larger sample and measures employment by location, not residency of the employee, it is not often that you see relatively large discrepancies between the two employment numbers at the state level. There are some reasons for the two surveys to give different results, for example the way they treat new businesses, self-employment, holding multiple jobs, data revisions, illegal immigration, etc. Regardless, if we want to inspect employment changes by industry, we have to look at the establishment survey, since the household survey does not ask respondents about the type of jobs they hold. Currently the **establishment survey shows a loss of 11,200 payroll jobs over the last 12 months, 1,700 since November**.

California lost jobs 8 out of 12 months over the last year. State employment finally saw improvements in October and November, after job losses in the previous four months. Hence the current development is a disappointment. There were significant job gains compared to November only in (Private Education and) Health (+5,000), Leisure and Hospitality (+3,700), and (Local) Government (+4,500). Worth mentioning is that Logistics gained 900 positions, thereby starting to turn around, perhaps, the annual loss of 31,000, one of the largest declines. The biggest losers from a year ago were Professional and Business Services (-70,000), Manufacturing (-33,000), and Logistics (-31,000).

We do not want to go into much further analysis, since the report is primarily about the Inland Empire. For more detailed information regarding the California labor market go to:

https://www.bls.gov/news.release/laus.nr0.htm

To close the section on California, we want to stress that we are **ringing the alarm bell** here repeatedly. The state relies on job creation in a few sectors, resembling a house that is built on three pillars (Health, Local Government, and Leisure and Hospitality). Take away one of the three pillars, which President Trump is trying to do with federal policies (Health) or which may happen because of demographics (Public Education), and the house will come crashing down. On the other hand, we observe high output growth, including just published numbers for the third quarter of 2025 in State GDP. Presumably this shows the effect that AI has on generating higher output with fewer workers: the “jobless boom” and high productivity numbers.

OUTLOOK

The Federal Reserve will not lower the Federal Funds Rate in its next meeting next week. While the labor market continues to show some short-term weakness (employment growth), the unemployment rate continues to be near historically low levels. There is some indication that GDP growth for the fourth quarter will also be above average. Since inflation continues to be out of control by its preferred target measure, there is no need, despite political pressure, to lower the FFR now. Financial markets are also betting currently that the Fed will keep interest rates constant at the next meeting in March. After that, and with President Trump potentially appointing three new members to the board, we expect the FFR to be lowered by 25 basis points (0.25 percentage points) by the end of the summer of 2026, and perhaps by another 25 basis points by the end of the year. This should provide some stimulus to interest rate sensitive sectors such as Construction, Automobiles, other Durable Consumption Expenditures, and above all, Housing.

At the Federal and State level, what we are currently observing is a stagnant labor market coinciding with strong output growth. We assume that this scenario continues into the fourth quarter of 2025. We have labeled this development as “Jobless Boom.” The implication is that we are currently experiencing a productivity boom, probably driven by AI related issues.

The Inland Empire will have to deal with the fact that there currently is a lack of diversification in its economic growth. While sectoral composition has not changed much at the top sectors (depending on the county you are in, the top three employers are (Private Education and) Health, (Local) Government, and Logistics, it is only the first two that are currently generating significant employment growth, while the Logistics sector has been in a mini slump (“Transportation Recession). The fear is that President Trump’s current policies will cause the Health Industry to shrink, that Demographics will result in less stimulus to come from the Local Government Sector, and that Tariffs will have a negative impact on the Logistics industry. If this were to happen, then expect an employment recession for 2026.