IEEP and Lowe Institute ECONOMIC ANALYSIS

The July 2026 Employment Report

August 21, 2026

by

M. Keil[1]

INLAND EMPIRE

Today the Employment Development Department (EDD) released the July 2026 labor market data for the state and its counties, including Riverside County and San Bernardino, as well as for the Metropolitan Statistical Areas such as the Inland Empire. The publication of state data always lags the national data release by about 2 to 3 weeks (U.S. data was released August 7).

While the EDD data for the state is informative without further adjustments since it removes seasonal fluctuations ("seasonally adjusted data"), this is not the case for the Inland Empire, for which only "raw" data (non-seasonally adjusted) is available. This can be, at times, quite misleading since there are regularly occurring fluctuations in employment that are purely seasonal and tell you little about underlying trends. Examples would be seasonal hires related to the holiday season, or lay-offs in the Coachella Valley in the summer. Another big seasonal effect can be seen from June to July every year that is related to public education, where a large number of staff are temporarily let go.

Before seasonal adjustment, the "headline" data indicates a somewhat alarming **increase in the Inland Empire unemployment rate of 0.4 percentage points from June 2026 to July**. It now stands at **5.7 percent**, which, at face value, would be 0.6 percentage points higher than California's and 1.6 percentage points higher than the national level. One way to remove seasonal fluctuations is to look at **changes from a year ago**, and here the Inland Empire unemployment rate actually **declined by 0.4 percentage points**, from 6.1 percent in July 2925. Still, why the year-to-year decline is encouraging is because the labor force declined by more (-2.1 percent) than employment, which fell by -1.7 percent. In a healthy economy, the unemployment rate will decline as a result of employment growth outpacing labor force growth; this is not the case currently for the Inland Empire. Another anomaly in the Inland Empire labor data stems from the fact that the household survey shows quite a larger number of workers employed when compared to the establishment survey. This is due to commuters from the Inland Empire into the coastal regions. The establishment survey only captures workers who work *within* the Inland Empire. This number actually increased by 13,000 workers from a year ago.

---

[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 senior research analyst J. Chen at the Lowe Institute.

After seasonally adjusting the data, we actually observe no change in the unemployment rate for the Inland Empire: the June rate is **5.0 percent**, which is identical to the June 2026 rate (after data revisions made for the current release). This matches our analysis of seeing no increase in the unemployment rate from a year ago when looking at the non-seasonally adjusted data, as a matter of fact, we saw a decrease. Hence the unemployment rate for the Inland Empire rate is slightly below the state unemployment rate.

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 declined** from the previous month (both by approximately the same percentage, and hence the unemployment rate did not change). The decline was -7,700 (-0.3 percent) for the labor force and -7,800 (-0.4 percent) for employment.

Turning to the establishment survey, there was only a loss of -150 jobs within the region. Compared to a year ago, the Inland Empire gained 7,000 jobs. The difference between the household survey numbers and the establishment data suggests that commuters are not doing as well as workers who hold jobs in the two counties. Part of this is related to the fact that jobs in the coastal region are declining by larger numbers than we have seen in the Inland Empire. This could also be the result of population shrinking in the coastal areas while it is increasing both in Riverside County and San Bernardino County.

We can dig deeper into the data by looking at the **employment changes by economic sectors**. As noted just above, the **Inland Empire gained roughly 7,000 compared to a year ago**. However, out of these jobs, +**21,000 were generated by the health sector**, which means that the **other sectors combined lost -14,000** positions! Notably, the largest decline comes from Construction (-5,200), Manufacturing (-3,300), and Professional and Business Services (-2,650). Compared to a month ago, the health sector added roughly +7,850 positions. The biggest losers came from Construction (-5,900) and Government (-2,000).

The graph below shows both the raw (non-seasonally adjusted) data and the seasonally adjusted data for the unemployment rate. Clearly there is more (seasonal) volatility for the raw data, but over longer periods of time, the two series move together. 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 - July 2026, NSA (red) and SA (blue)

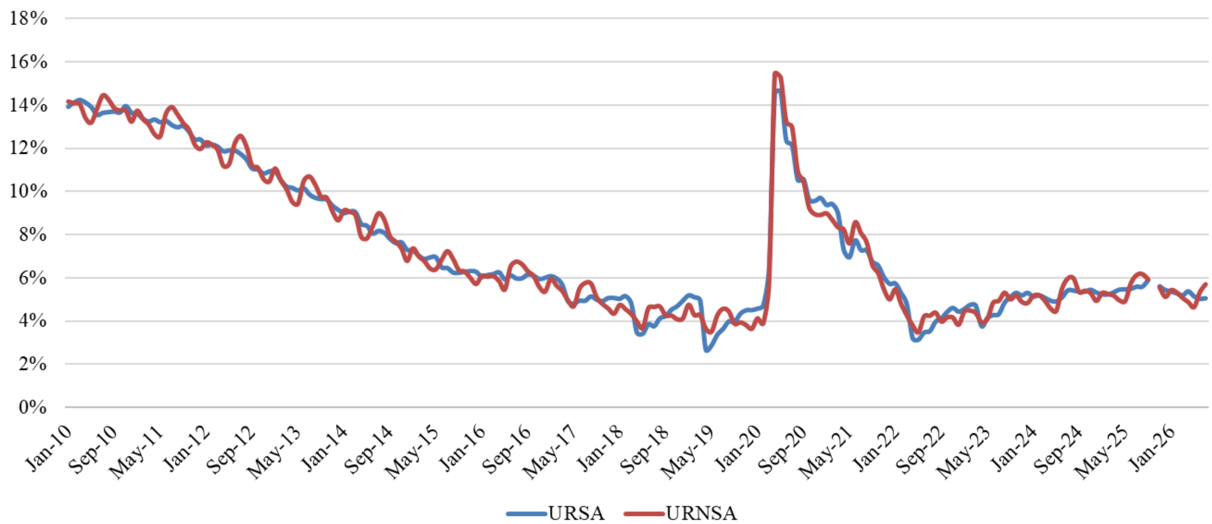

Table 1: Labor Market Data, SA, Inland Empire, July 2026

Data Seasonally Adjusted

	Jul 25	May 26	Jun 26 (Revised)	Jul 26 (Prelim)	Percent Change Month	Year
Civilian Labor Force (1)	2,256,101	2,212,511	2,209,390	2,201,661	-0.3%	-2.4%
Civilian Employment	2,130,098	2,098,970	2,098,394	2,090,570	-0.4%	-1.9%
Civilian Unemployment	126,003	113,541	110,996	111,090	+0.1%	-11.8%
Civilian Unemployment Rate	5.6%	5.1%	5.0%	5.0%		
(CA Unemployment Rate)	5.5%	5.3%	5.2%	5.1%		
(U.S. Unemployment Rate)	4.3%	4.3%	4.2%	4.1%		

Total Nonfarm	1,716,104	1,720,394	1,723,292	1,723,135	-0.0%	+0.4%
Mining and Logging	1,664	1,697	1,691	1,667	-1.4%	+0.2%
Construction	110,408	105,425	105,586	104,448	-1.1%	-5.4%
Manufacturing	94,839	91,963	92,245	92,590	+0.4%	-2.4%
Durable Goods	56,164	54,635	55,063	55,201	+0.3%	-1.7%
Non-Durable Goods	38,679	37,329	37,181	37,390	+0.6%	-3.3%
Logistics	265,442	267,730	266,049	264,904	-0.4%	-0.2%
Retail Trade	180,670	182,051	180,937	180,129	-0.4%	-0.3%
Information	12,232	11,073	10,976	10,967	-0.1%	-10.3%
Financial Activities	43,455	42,246	42,272	42,106	-0.4%	-3.1%
Professional and Business Services	156,452	152,810	152,975	151,601	-0.9%	-3.1%
Private Education and Health Services	340,530	355,547	360,131	361,555	+0.4%	+6.2%
Leisure and Hospitality	186,501	188,294	189,628	190,459	+0.4%	+2.1%
Other Services	50,843	51,375	51,489	51,660	+0.3%	+1.6%
Government	268,018	264,459	264,078	265,994	+0.7%	-0.8%
Federal Government	19,799	18,319	18,227	18,275	+0.3%	-7.7%
State Government	28,703	28,037	28,040	27,815	-0.8%	-3.1%
Local Government	219,683	218,087	217,818	220,166	+1.1%	+0.2%

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

- **For month-to-month changes, Government** (+1,900) and **Private Education and Health Services** (+1,400) gained the most positions, followed by **Leisure and Hospitality** (+830).
- Declines across all sectors have been corresponding, with **Construction** (-1,100), **Logistics** (-1,100), and **Professional and Business Services** (-1,400) as the top three losses.
- For **year-to-year growth** (relative to July 2025), the sector with the largest employment gain was **Private Education and Health Services (**+21,000), **primarily in Health**. Growth with a similar magnitude is not present in other sectors; Construction (-5,900) and Government (-2,000, mostly in Federal and State levels) shed the greatest number of positions.

General Outlook: Riverside-San Bernardino-Ontario MSA

Similarly to the previous month, we continue to see positive numbers from the Inland Empire labor market. However, this is less obvious when you look at the raw data released by the EDD and calls for seasonally adjusting the data. Below the surface, there are a few worrisome developments, such as the **lack of diversification** among sectors. Health, Local Government, and Logistics employ more than 50 percent of all workers in the area. This is of concern, especially if you think of coming national cutbacks in health expenditures (which was the justification of putting the billionaire's tax on the November ballot), the future declines in public education and hence local government employment due to demographics, and the continued concern for the logistics industry being impacted by tariffs. Together these three factors could significantly reduce employment in the region over the next year.

This type of situation is not new to the Inland Empire. Indeed, the '90s saw elevated levels in the unemployment rate relative to the state as a result of being dependent on military expenditures and the aeronautics industry. The "peace dividend" proved to be less favorable for the Inland Empire. Similarly, the area 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 state unemployment rate declined slightly (0.1 percentage points) from a month ago and stands at 5.1 percent. Compared to the national rate (4.1 percent), it is one percentage point higher. Only Connecticut and Oregon have a higher unemployment rate (5.2 percent). On a positive note, the state unemployment rate is almost half a percentage point lower compared to a year ago (-0.4 percentage points). California has close to -200,000 employment less than in July 2025! At the same time, its labor force has shrunk by -286,000 - both factors (declining labor force, increased employment) have contributed to the fall in the unemployment rate. Even compared to June 2026, the labor force went down by -70,000. Employment from last month decreased by -52,000. Using the establishment survey instead of the household survey also shows a decline in employment, although it is somewhat less (-20,500). The month-to-month decline in both the labor force and employment is not what you want to see for a healthy economy, especially when they are of this magnitude.

California is the most populous state in the U.S. It is followed by three states that have unemployment rates that are at least half a percentage point lower: Texas 4.5 percent, Florida 4.6 percent, and New York 4.4 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 are currently 1.6 percentage points higher. This is a relatively large difference.

Looking at nonfarm employment totals from the establishment survey instead, we see virtually no change from a month ago (+1,500), although compared to a year ago, there are roughly -19,000 fewer people employed. It is not clear to us, or even the Department of Finance economists, why there is currently such a large difference between the two surveys. The CES data is from a much larger survey than the CPS data and people can hold more than one job or could be self-employed, just to give two possible reasons for the difference in numbers. But these are not sufficient to explain such a large difference in the numbers. Employment, according to the establishment survey, for example, is +112,700 jobs higher than a year ago.

We can decompose the overall nonfarm employment in California into employment changes by sector. The logistics sector experienced the largest increase (+3,500), followed by Construction (+2,900) and Other Services (+2,700). Private Education and Health, which usually seems to be the main sector supporting growth, has only added +2,100 positions. The bloodletting in the Information sector has continued (-1,900). The biggest losers were Professional and Business Services (-15,300), Leisure and Hospitality (-7,400), and Financial Activities (-3,600), .

As California experienced a large month-to-month decrease in Nonfarm jobs (-20,500), the U.S. saw a similar decrease (-23,000), meaning that California accounts basically for the overall decrease in Nonfarm jobs.

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 lost -20,500 Nonfarm jobs last month, -15,300 resulted from a single sector (Professional and Business Services). Of all the jobs shed, the Government saw a decline (-2,500), followed by Information (-1,900) and Manufacturing (-1,300). 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. This suggests that **the jobless boom continues**.

OUTLOOK

California's labor market is in crisis mode: employment is shrinking, irrespective if you are looking at the household survey or the establishment survey. Over the last two months, the household survey actually indicates quite worrisome declines. 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. We are not sure if the argument by some, namely that Artificial Intelligence is a possible factor contributing to this, is correct.

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 prices were to return to pre-March 2026 levels. Given the relatively moderate inflation rate numbers, it now appears to be less and less likely that the Federal Reserve will increase the Federal Funds Rate at its September meeting and indeed, before the end of the year. However, given the almost certainty of no rate reduction, there is unlikely to be additional stimulus from the construction sector, automobile sales, and even durable consumption expenditures for 2026.

A final concern stems from the unevenness of sectoral job growth. Compared to a year ago, California generated +113,000 new 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 +135,000 jobs. The implication is that the other sectors combined shed -22,000 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.