IEEP and Lowe Institute ECONOMIC ANALYSIS

The June 2026 Employment Report

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by

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INLAND EMPIRE

The June 2026 labor market data for California and its regions, including the Inland Empire (Riverside County, San Bernardino County) was released today. National data for the month was available earlier (July 3).

The California Economic Development Department (EDD) publishes seasonally adjusted data for the state, but not for the Metropolitan Statistical Areas (MSAs). Hence, we only get "raw" (Non-Seasonally Adjusted or NSA) data for the Riverside-San Bernardino-Ontario MSA. This can be quite misleading sometimes if you want to extract the underlying economic (cyclical) trends. Examples are summer employment declines in the Coachella Valley, Holiday hiring, end of school year layoffs, etc. While we will briefly mention the non-seasonally adjusted data, we will focus here on data after we have removed regularly occurring seasonal components.

The raw data shows a large increase in the Inland Empire unemployment rate of 0.7 percentage points from May 2026, when the unemployment rate was 4.6 percent. The June 2026 unemployment rate of 5.3 percent would therefore be of concern, except that it is lower than the unemployment rate we saw in June 2025 (looking at year-to-year changes removes some of the seasonally induced changes), when it was 5.7 percent. In essence, the Inland Empire unemployment rate is at the same level as the state unemployment rate (5.2 percent, NSA). It is also a percentage point above the national rate (4.3 percent).

While the decline in the unemployment rate from a year ago is encouraging, it was generated by the labor force shrinking more (-1.9 percent) than employment decreasing (-1.4 percent). This is not a healthy combination: ideally you want the unemployment rate to fall by employment increases outpacing labor force increases. There is a twist here: unemployment rates are measured by residency, not by location of establishments. Nonfarm employment in the Inland

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Empire actually increased from a year ago, suggesting that it is primarily commuters who took the brunt of the employment decline.

After seasonally adjusting the data, we actually observe a lower unemployment rate for the Inland Empire: the June rate is 5.1 percent, a small decline from the 5.3 percent rate observed in May 2026. This is consistent with seeing an unemployment rate that is lower from a year ago even with NSA data. Hence there is a marginal improvement (see Figure 1 below), but the regional rate is roughly the same as the state unemployment rate.

The table below lists the seasonally adjusted data for both the household survey (Current Population Survey or CPS) and the larger establishment survey (Current Employment Statistics or CES). Differently from the published raw data, we can see that the unemployment rate fell compared to May 2026 because the labor force remained unchanged while employment increased by some 3,300 workers (+0.2 percent). This paints a better picture compared to the year-to-year numbers, which show a decline in employment of -31,000 (-1.4 percent) and a shrinking labor force of -42,000 (-1.9 percent).

In terms of nonfarm employment within the Inland Empire, we see a significant change of +9,250 workers being hired from May to June, and a +10,000 change from a year ago. Establishment employment increases are accelerating (+0.5 percent growth from a month ago, +0.6 percent from a year ago). We consider this a positive development. The difference between the two surveys suggests that commuters to the coastal areas have not done as well as workers who are employed locally.

The **job gains/losses** are not evenly distributed **across the various economic sectors**. The annual increase of Inland Empire nonfarm jobs of +10,000 positions was the result of the difference between jobs gained in the **Health sector of +24,000** and the **combined loss in all other sectors of roughly -14,000 jobs**! Notably, the largest decline comes from Construction (-5,200), Manufacturing (-3,300), and Professional and Business Services (-2,650). Compared to data from a month ago, the Health sector added roughly +7,850 positions. Hence, the concern we raised last month that the then monthly decline in health sector jobs might be an early sign of Federal cuts in health expenditures showing an effect on this sector is not really materializing (yet). The other two sectors with large employment shares, Local Government (public education) and the Logistics sector, show weak expansions.

Figure 1 displays both the raw and seasonally adjusted data. The non-seasonally adjusted data, in orange, shows more volatility but, in general, swings back to the smoother series after temporarily diverting from it due to regularly occurring seasonal deviations. Both rates indicate a trend increase in the unemployment rate since mid-2022. Table 1 presents the underlying data after seasonal adjustment.

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

Figure 1: Unemployment Rate, Inland Empire, Jan 2010 - June 2026, NSA (orange) and SA (blue)

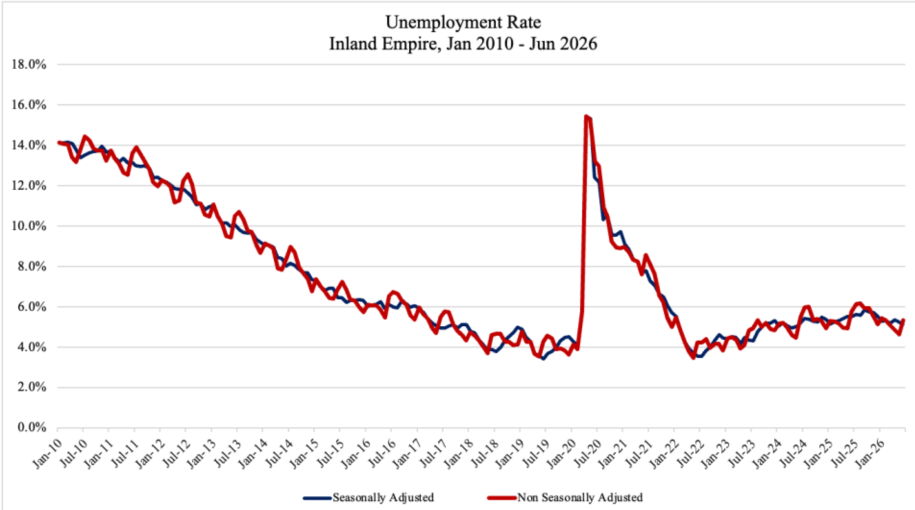

Table 1: Labor Market Data, SA, Inland Empire, June 2026[2]

Data Seasonally Adjusted

	Jun 25	Apr 26	May 26 Revised	Jun 26 Prelim	Percent Change Month	Percent Change Year
Civilian Labor Force (1)	2,255,390	2,221,918	2,213,524	2,213,312	0.0%	-1.9%
Civilian Employment	2,131,165	2,103,121	2,097,165	2,100,455	0.2%	-1.4%
Civilian Unemployment	124,224	118,798	116,358	112,857	-3.0%	-9.2%
Civilian Unemployment Rate	5.5%	5.3%	5.3%	5.1%		
(CA Unemployment Rate)	5.5%	5.3%	5.3%	5.2%		
(U.S. Unemployment Rate)	4.1%	4.3%	4.3%	4.2%		
Total Nonfarm	1,718,536	1,720,386	1,719,899	1,729,147	0.5%	0.6%
Mining and Logging	1,609	1,694	1,709	1,713	0.2%	6.5%
Construction	111,047	107,138	106,606	105,805	-0.8%	-4.7%
Manufacturing	95,431	91,969	91,977	92,132	0.2%	-3.5%
Durable Goods	56,705	54,563	54,574	55,011	0.8%	-3.0%
Non-Durable Goods	38,780	37,405	37,380	37,181	-0.5%	-4.1%
Logistics	267,121	268,066	268,105	268,761	0.2%	0.6%
Retail Trade	181,765	181,990	182,438	182,397	0.0%	0.3%
Utilities	5,601	5,536	5,496	5,501	0.1%	-1.8%
Information	12,232	11,769	11,038	10,844	-1.8%	-11.3%
Financial Activities	43,524	42,070	42,169	42,412	0.6%	-2.6%
Professional and Business Services	157,456	154,127	153,679	154,812	0.7%	-1.7%
Private Education and Health Services	338,144	355,970	354,357	362,233	2.2%	7.1%
Leisure and Hospitality	186,587	186,016	186,382	188,703	1.2%	1.1%
Other Services	51,286	51,867	51,726	51,374	-0.7%	0.2%
Government	266,387	262,889	262,790	262,730	0.0%	-1.4%
Federal Government	20,563	18,264	18,364	18,362	0.0%	-10.7%
State Government	28,909	27,961	27,777	27,733	-0.2%	-4.1%
Local Government	217,387	216,521	216,545	217,161	0.3%	-0.1%

[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 (May 2026), as well as from one year ago (June 2025).

- **For month-to-month changes, Private Education and Health Services** is the biggest winner with +7,900 gains of positions, followed by **Leisure and Hospitality** (+2,300).
- Declines across all sectors have been incremental, with the biggest loss occurring in **Construction** (-800).
- For **year-to-year growth** (relative to June 2025), the sector with the largest employment gain was **Private Education and Health Services (**+24,100), **primarily in Health**. Growth with a similar magnitude is not present in other sectors; Construction (-5,200) and Government (-3,700, mostly in Federal and State levels) shed the most number of positions.

General Outlook: Riverside-San Bernardino-Ontario MSA

This was a good employment report for the Inland Empire once you remove regularly occurring seasonal fluctuations from the data. The area relies heavily on employment generated by three sectors: Health, Local Government, and Logistics. The three sectors combined have an employment share of roughly 50 percent of overall jobs within the region. However, earlier warning signs of economic decline in these three sectors have proved not to be permanent (so far). There is clearly a **lack of diversification**, which has been noticed by many. Since the Health sector is the single industry with large employment increases recently, loss of this growth engine would result in significant employment declines and increases in the unemployment rate in the region.

The lack of diversification is not new to the Inland Empire, but something that the region has experienced painfully in the past; first with the "peace dividend" in the '90s, and then with the housing bubble bust in 2007/2008. Decision makers in the Inland Empire should focus on the danger of history repeating itself over the next few years.

CALIFORNIA

The California unemployment rate fell slightly in June and stands now at 5.2 percent. It is still almost a one percent higher than the U.S. rate (4.3 percent). The decline was achieved with both the labor force (-49,000) and employment (-44,000) shrinking, with employment losses being slightly bigger (in percent) than the negative labor force growth. This is not a healthy development, especially when we look at data from a year ago: California has now almost -200,000 fewer individuals in the labor force, and -132,000 fewer workers employed. Note that the June losses in the labor force and employment were relatively large. If they continued at the current rate, then there would be over half a million fewer people employed in 12 months.

In comparison to the unemployment rates in the other three most populous U.S. states, California's is significantly higher: Texas had a 4.4 percent unemployment rate in June, Florida was at 4.7 percent, and New York came in at 4.6 percent. California's unemployment rate remains 1.6

percentage points above the level we saw during the previous economic peak in February 2020. It increased from 3.5 percent to the currently observed 5.2 percent rate. There is no other U.S. state that has a higher unemployment rate.

The establishment survey (Current Employment Statistics or CES) also shows little change from a month ago. In general, employment numbers from the two surveys differ for a variety of reasons, primarily since the CES looks at the number of jobs at establishments and is based on a larger sample size, whereas the CPS gets its data by interviewing households. For June 2026, total non-farm jobs decreased by -2,900 from a month ago. However, nonfarm jobs actually show an increase in almost 107,000 positions compared to June 2025, which is quite different from the large decline suggested by the household survey.

While overall nonfarm employment in California decreased by -2,900 in June, the underlying changes by sector are not even. Health (and Private Education) showed the largest increase (+15,500 jobs), with almost all other sectors shedding jobs. It was encouraging to see that the bloodletting in the Information sector has stopped, at least temporarily, with employment actually increasing (+200). The biggest losers were the Government sector (-7,600), of which -6,200 were due to Local Government, Logistics (-2,400), indicating that the "Freight Recession" is not over yet at the state level, and Professional and Business Services (-2,200).

While California experienced a small month-to-month decrease in Nonfarm jobs, of -2,900, the U.S. saw a relatively small increase (+57,000), which is worth mentioning given that it was significantly smaller than the May increase. 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

To analyze longer-term trends, it is probably more informative to analyze sectoral year-to-year changes. **The picture is alarming regardless of whether you look at the establishment survey or the household survey:** While our state gained 106,900 Nonfarm jobs, 155,000 were created by a single sector (Health and Private Education). Of all the jobs shed, the Government saw a decline (-32,500), followed by Information (-17,000) and Manufacturing (-13,300). 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 continues to experience jobless growth in output. Job creation is stagnating at best (judging by the establishment survey) and is negative if we pay more attention to the household survey. The decline in employment here is relatively large, especially for the current month. As a result, we continue to see large productivity gains, especially as white-collar jobs in Information, Professional and Business Services, and Finance continue to decrease. Artificial Intelligence is a possible factor contributing to this.

There had been hope that the announced end to the Middle East conflict would see Brent Oil prices falling back towards the end of February 2026, with prices at the pump following slowly. Unfortunately, Brent Oil prices have increased recently coinciding with the flaring up of military activity in the region. The good news is that the most recently published inflation numbers were significantly lower than in the previous month, making a Federal Funds Rate increase in July unlikely, and even resulting in market forecasts that increasingly suggest the FFR to remain unchanged by the end of the year. Still, we do not expect additional stimulus from monetary policy, which means that most likely construction, automobile sales, and durable consumption expenditures will not grow significantly.

As for the California labor market, the concern has to be that the Health sector is the only engine that moves employment forward: compared to a year ago, there were 155,000 jobs created here, with the other sectors combined shedding -48,000 positions. This is not a long-term picture that can be maintained, especially with the near term cuts in health funds from the federal level**.** Smaller gains in Local Government employment (Public Education) cannot compensate for the loss in state and federal employment in that sector. Gains in Leisure and Hospitality continue to be solid but cannot neutralize the losses elsewhere. On the positive side, the booming stock market ensures that state government revenues will continue to come in higher than expected.