

# IIEEP and Lowe Institute ECONOMIC ANALYSIS

## The March 2026 Employment Report

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by

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### INLAND EMPIRE

The EDD released the March 2026 employment data for all 29 California Metropolitan Statistical Areas (MSAs), including the Riverside-San Bernardino-Ontario MSA (Inland Empire). Release of state labor data typically lags behind the national labor market release by about two weeks, but due to major data revisions at the beginning of the year, the current lag is a little longer.

The headline news for the Inland Empire is that the (non-seasonally adjusted or “raw data”) **unemployment rate decreased from 5.3 percent in February 2026 to 5.1 percent in March.** A more objective measure is the change from a year-ago since this typically removes components of the unemployment rate that are simply driven by seasonal patterns and other extraordinary events, such as the Kaiser Permanente strike at the end of January/February 2026. Looking at the year-to-year change, we see that the Inland Empire’s unemployment rate slightly decreased by 0.1 percentage points from 5.2 in March 2025. To get a more objective picture of the underlying strength of the local economy, you should either look at seasonally adjusted data (not provided by the California Employment Development Department (EDD) but calculated by us below). After removing seasonal patterns, the analysis remains that there is not much news to report regarding the labor market in the Inland Empire from the March 2026 data: the employment picture is improving for our region, but only marginally, and concerns regarding the lack of diversification remain.

Data for the Inland Empire comes from two surveys: a household survey and an establishment survey. The Current Population Statistics (CPS) is used to calculate the unemployment rate, while the Current Employment Statistics (CES) display sectoral employment. Since the CPS is based on household interviews, it lists data by residency. This is important for the Inland Empire,

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due to the large number of commuters. Hence, the CPS will show higher employment numbers than the CES.

Once we control for seasonal patterns using a similar statistical filter as the EDD does for the state, the (seasonally adjusted) **unemployment rate for the Inland Empire decreases by 0.1 percentage points from February 2026 to March 2026**: it now stands at 5.2 percent, which is marginally higher than the raw data. It is also 0.4 percentage points lower compared to the July 2025 level (see Figure 1 below).

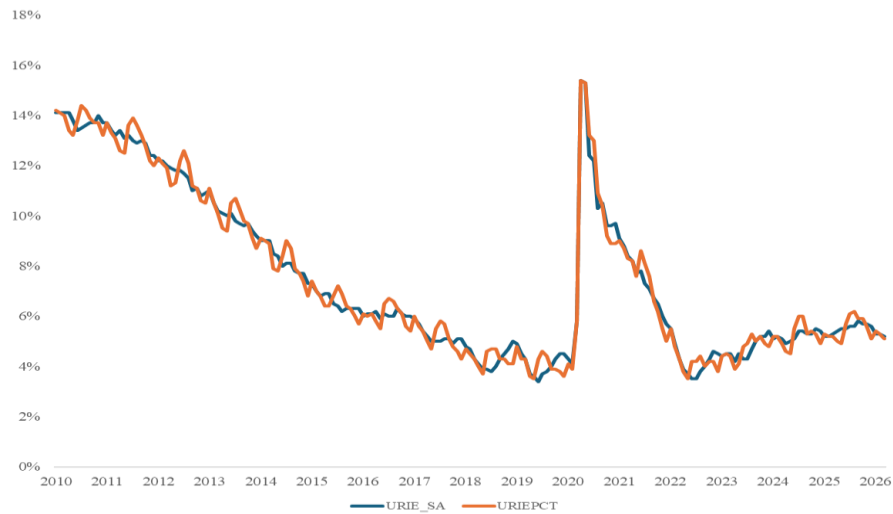
The unemployment rate can change if the labor force grows at a different pace than employment. If employment growth is faster than the labor force increase, then the unemployment rate will fall (this is the ideal picture). On the other hand, the unemployment rate can also see a reduction if the labor force shrinks faster than employment (this is a negative development). Using the seasonally adjusted data, we find that **the unemployment rate in the Inland Empire declined because the labor force shrunk more rapidly than employment** - the decline in employment was smaller than the decline in the labor force. The decline in the labor force is somewhat of a concern because people leave the labor force if they become discouraged about finding a job. On the other hand, the labor force can also shrink if the population becomes smaller (this is not the case for the Inland Empire), or as a result of deportation of immigrants.

The table below lists the seasonally adjusted data for both the CPS and the CES. Overall, there is not much change in employment at the aggregate level, even if we look at the change from a year ago. Total Nonfarm employment increased by 4,100 relative to March 2025, and increased by 2,900 when compared to February 2026. These numbers represent small percentage changes. However, there is a lot of underlying movement that the aggregate numbers do not reveal. For example, the annual increase of 4,100 positions relied on the **Health sector generating 21,200 new jobs over the year**, which was the largest by far and represented a roughly 6.4 percent growth. The implication is that **all other sectors saw a net decline in employment from a year ago**. Here is good news related to the Health sector: compared to last month, this sector gained 5,500 jobs. Much of this increase can be attributed to the end of the Kaiser Permanente strike organized by the United Nurses Associations of California/Union of Health Care Professionals on February 24, a strike that caused a significant decrease in Health jobs between January and February.

Figure 1 shows the (raw) non-seasonally adjusted and the seasonally adjusted unemployment rate. Clearly the non-seasonally adjusted is more volatile and tends to bounce back to the underlying trend after being temporarily displaced due to regularly occurring swings related to the time of the year. Irrespective of which series you look at, unemployment rates in the Inland Empire have been trending up since mid-2022. Seasonally adjusted sectoral employment data is shown in Table 1.

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

**Figure 1: Unemployment Rate, SA (orange) and NSA (blue), Inland Empire, January 2010 - March 2026**



**Table 1: Labor Market Data, SA, Inland Empire, March 2026<sup>2</sup>**

Data Seasonally Adjusted

	Mar-25	Jan-26	Feb-26	Mar-26	Percent Change	
					Month	Year
Civilian Labor Force	2,249,297	2,223,554	2,229,344	2,215,550	-0.6%	-1.5%
Civilian Employment	2,129,336	2,105,494	2,111,314	2,099,632	-0.6%	-1.4%
Civilian Unemployment	119,961	118,060	118,030	115,918		
Civilian Unemployment Rate	5.3%	5.3%	5.3%	5.2%		
(CA Unemployment Rate)	5.5%	5.4%	5.4%	5.3%		
(U.S. Unemployment Rate)	4.2%	4.3%	4.4%	4.3%		
Total Nonfarm	1,715,093	1,723,891	1,716,370	1,719,248		0.2%
Mining and Logging	1,597	1,600	1,597	1,596		-0.1%
Construction	110,566	107,409	106,934	107,668		-2.6%
Manufacturing	96,090	93,333	92,790	92,115		-4.1%
Durable Goods	57,501	55,517	55,054	54,710		-4.9%
Non-Durable Goods	38,604	37,823	37,747	37,420		-3.1%
Logistics	267,131	267,098	267,940	267,658		0.2%
Retail Trade	182,255	180,997	181,122	181,151		-0.6%
Utilities	5,641	5,578	5,592	5,544		-1.7%
Information	12,036	11,702	11,808	11,836		-1.7%
Financial Activities	43,497	42,597	42,497	42,387		-2.6%
Professional, Scientific, and Technical Services	46,621	46,740	46,117	46,012		-1.3%
Private Education and Health Services	333,332	356,798	349,081	354,628		6.4%
Leisure and Hospitality	186,537	186,998	186,494	185,437		-0.6%
Other Services	50,988	51,716	51,751	51,803		1.6%
Government	265,609	263,173	262,818	262,937		-1.0%
Federal Government	20,869	18,342	18,452	18,440		-11.6%
State Government	29,206	28,262	28,098	28,117		-3.7%
Local Government	215,368	216,422	216,101	216,149		0.4%

<sup>2</sup> 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).

Table 1 indicates that **out of the roughly 4,100 jobs created over the last 12 months, a little over 21,200 were generated by a single sector: Health.** This means that the other sectors combined lost roughly 17,100 jobs. The “Biggest Losers” were Construction (-4,000) and Manufacturing (-2,900). Overall, the Inland Empire gained 0.2 percent in Nonfarm jobs.

Here is the summary of the winners and losers using seasonally adjusted data from two months ago (January 2026; not relying on February 2026 due to the Kaiser Permanente strike) and from a year ago (March 2025):

- **Logistics** gained (560) positions, making it the biggest winner; increases elsewhere, if at all, were minimal.
- **Leisure and Hospitality** saw a large decline (-1,500), as did Manufacturing (-1,200). Health Services lost (-2,200) jobs, meaning that the large loss due to the strike was not immediately made up.
- For **year-to-year growth** (relative to March 2025), the sector with the largest employment gain was **Private Education and Health Services (+21,300), primarily Health.** All other sectors combined saw a net loss of almost 17,150 jobs. Here the biggest loser was Manufacturing (-4,000) followed by Construction (-3,000).

#### *General Outlook: Riverside-San Bernardino-Ontario MSA*

As we pointed out in our February State of the Region conference at the Ontario Convention Center, the Inland Empire economy is relying heavily on three sectors to generate employment growth. These are Health, Logistics, and Local Government. Given that over 50 percent of jobs are in these sectors, there is a clear lack of diversification in the region, which has hurt the area previously, going back to the 1990s.

In addition, there are some serious warning signals flashing: the EDD heavily revised downwards Local Government employment over the last year. As a result, this sector has fallen from second most important employer to third. Logistics is now in second place (and the leading employer in San Bernardino County). Unfortunately, this sector has not added a significant number of jobs since mid-2022 (“freight recession”). We do not believe that this sector is actually in a recession. Instead, it is adjusting from an overly optimistic outlook for the industry following the COVID-19 change in spending patterns of U.S. households. This leaves the Health sector as the only engine. The industry has expanded jobs significantly over the last year, but recently (since January 2026) has shown signs of weakness. While we had hoped that this was the result of the Kaiser Permanente strike, it has become clear that there are additional strains. We need to keep an eye on employment in Health during the next few months to see if the declines are due to reduced federal expenditures not compensated for by the state. Alternatively, the decline is just temporary (note that the IEEP has taken a stance against the Billionaires tax, which is supposed to make up for federal government health expenditure cuts).

Note that the lack of diversification is not new to the area. In the 1990s, we saw high unemployment rates due to the “peace dividend,” which meant significant cutbacks in military expenditures, including the aerospace industry, in our region. This was followed by the housing boom, and the eventual burst of the housing bubble. Decision makers in the Inland Empire have

to become aware of the danger and adopt policies to counter a potentially dangerous repeat of previously observed adjustments.

## **CALIFORNIA**

The (seasonally adjusted) unemployment rate for California declined 0.1 percentage points from February 2026 and stands at 5.3 percent for March 2026. The national unemployment rate decreased by 0.1 percentage points from 4.4 percent to 4.3 percent over the same period (April data for the U.S. will be published next Friday). Hence, **the state unemployment rate is a full percentage point higher than the U.S. rate.**

As pointed out above, the change in the unemployment rate depends on the relative growth rates of the labor force and employment. It can change even if employment is constant or declining. A healthy economy will see both the labor force and employment increase. Unfortunately, for California, the unemployment rate fell because employment was shrinking less than the labor force declined. The labor force fell by 56,700 or 0.3 percent, while **employment shrunk by -36,900 or 0.2 percent.** This is not a healthy picture.

California's unemployment rate is no longer the highest among U.S. states. We have passed the baton on to Delaware, which has an unemployment rate of 5.4 percent (March 2026). Nevada is in third place with 5.2 percent. Compared to six years ago (March 2020), which was the last month before the COVID-19 downturn, the increase is 1.8 percentage points (February 2020: 3.5 percent). While we have observed higher state unemployment rates compared to national rates in the past, a difference of the current magnitude cannot be considered "healthy."

**Nonfarm employment** in California, as measured by the CES, on the other hand, increased by (+28,700) in March. However, that number is artificially inflated this month due to the Kaiser Permanente strike in February (27,800 jobs were created in the Health sector alone). A more objective comparison would be **from March to January 2026**, when **Nonfarm employment increased by 9,900 jobs**, of which 4,900 jobs were generated by a single sector: Health. Retail Trade added 5,900 jobs, meaning that the other sectors combined saw a net decline in employment.

Note that for the U.S., Nonfarm employment increased from January to March, by a relatively small number of jobs (42,000), with a relatively large decline from January to February followed by a large increase from February to March. Thus, the California increase of 4,100 is roughly of the same magnitude, given that its labor force is almost 12 percent of the U.S. labor force.

Employment figures from the household survey and the establishment survey can differ for a variety of reasons. To begin with, the household survey counts people while the establishment survey counts jobs. People may hold multiple jobs or may be self-employed. The smaller sample size household survey is based on answers to a somewhat subjective question ("Have you been actively looking for work over the last four weeks"), while the establishment survey relies on

administrative records. Still, the difference from the two surveys of the current magnitude is disturbing and the EDD has been unable to explain it.

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 gain a more objective picture of the California labor market, it is better to make year-to-year comparisons, rather than to look at month-to-month (or here, March to January) differences. Here we see an alarming picture: California gained 144,700 Nonfarm jobs, but 160,400 of these were created by the Health sector. This indicates that the other sectors combined shed 15,700 positions. The biggest losers were: Government (-42,900), Manufacturing (-24,800), and Construction (-9,400). During the last year, California has seen higher growth rates in real GDP than the nation. Hence the “ghost economy” or jobless boom, persists.

## **OUTLOOK**

In making short-term forecasts, we assume that the Iran war has either ended already (according to the Trump administration) or that it will be over soon. Our predictions are therefore based on the assumption that Brent Oil prices will not remain above the currently observed level of over \$100. We therefore expect gasoline/diesel prices to decline slowly from here on. We do not expect the Federal Reserve to lower interest rates before the end of the year, despite Chairman Powell being replaced by Kevin Warsh, who is more inclined to lower rates. Still, and given the latest inflation numbers, we do not see a reduction in the Federal Funds Rate (FFR) before the end of the year; if at all, (financial markets currently bet with a 80 percent probability that the FFR will remain the same for the year). Hence, we do not see additional stimulus coming to the region from housing starts or sales. Related, we do not see construction, automobile sales, and durable consumption expenditures to increase significantly.

In terms of a longer-term outlook, we continue to stress to decision makers in our region that there are dangers lurking from the lack of sectoral diversification. The three pillars who hold up the regional economy (Health, Logistics, Local Government), currently generate over 50 percent of the employment. All three sectors potentially face headwinds over the next year: there are cutbacks in Federal health expenditures, Logistics is in a Freight Recession, and Local Government employment is related to public education, which, due to demographics, will also see a cutback. All that we can do is point out these dangers and hope that decision makers will give them the attention they deserve, to avoid a repeat of elevated regional unemployment rates of the 1990s and following the burst of the housing bubble.