

IEEP NEWS RELEASE

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The October/November 2025 Employment Report

by

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OVERVIEW

Due to the 43-day Government shutdown, state and regional/county employment data was not released by the Employment Development Department (EDD) at the originally scheduled date (mid-November and mid-December 2025). Instead we had to wait for the Bureau of Labor Statistics/Department of Labor until January 7 to release the state and county data, and for the EDD to publish its version for the October and November data on January 9. Later in the month, we will receive the December data as well.

The data you find at the **EDD website for Riverside County and San Bernardino County, are not seasonally adjusted** (data for the state are seasonally adjusted). If you are interested in the underlying cyclical movements (expansion, contraction), this **can be quite misleading**, as it is currently. For example, there is always a large decrease in employment in June in the Inland Empire, coinciding with the end of the fiscal year for the public sector, or employment in the Coachella Valley during the summer months (Leisure and Hospitality, passenger traffic at Palm Springs International Airport). It is **important to filter out** these **regularly occurring seasonal events** if you want to study where the economy is heading.

We find that the latest numbers available for the Inland Empire are not easy to interpret due to the difference between seasonally adjusted and non-seasonally adjusted data: while it is tempting to postulate that the economic situation has significantly improved since the (non-seasonally adjusted) unemployment rate decreased by 0.5 percentage points (half a percent over two

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months), this rather positive interpretation vanishes to a good extent when we seasonally adjust the data. Here the **seasonally adjusted unemployment rate only fell from 5.8 percent in September 25 to 5.6 percent in November 2025**, in other words only by 0.2 percentage points. While a 0.2 percentage point improvement is still a **positive development**, it dwarfs against the postulated decrease of 0.5 percentage points.

Another, perhaps more intuitive way, to remove seasonal patterns is to compare the unemployment rate in the current month with that of a year ago. If we do this for the raw (non seasonally adjusted) data, then we see a decline of half a percentage point (from 5.9 percent in November 2024 to 5.4 percent in 2025). This impressive decline of 0.5 percentage points also shrinks to 0.2 percentage points when we look at the seasonally adjusted data (decrease from 5.8 percent to 5.6 percent).

One possible measure to determine whether or not we have entered a recession or not is the so-called “Sahm statistic.” This measure looks at the difference between the most recent 3-month average in the unemployment rate and its minimum over the last year: a sharp increase suggests that the economy is deteriorating significantly, as it did at the beginning of the 12 post World War II recessions at the national level. This difference stands at 0.53 or just above 0.5, which is the threshold for calling a recession.

The **main message** is that the current data release indicates a **slightly improved labor market situation** when compared to the previous (September) report. However, we still feel that the **numbers continue to suggest that the area is on the verge of an employment recession**. Before we cry “wolf” however, we note that a recession is typically measured by declining output, and not necessarily by just high unemployment rates. While 2025 GDP numbers for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) will not be available until late in 2026 (!), we assume that they, to some extent, mirror state and national trends. These show that due to Artificial Intelligence (AI) developments, output is actually growing at relatively high rates, resulting in above average productivity gains. The classification of a “**jobless boom**” continues to describe the Inland Empire economy as well.

The suggestion that the Inland Empire is doing somewhat better now when compared to September is also underlined by the fact that its performance relatively to the other 56 counties has improved: **San Bernardino County’s unemployment rate of 5.3 percent** is the 22nd highest of the California Counties, while **Riverside County’s 5.5 percent** rate is the 26th highest. In September both counties were ranked in the 30s. The 0.4 percentage point gap between the two counties has also shrunk to a more typical 0.2 percentage point gap. San Mateo County continues to show the lowest county unemployment rate in the state at 3.8 percent, while Imperial has the highest at 20 percent. By comparison, **California’s unemployment rate is 5.4 percent** (non-seasonally adjusted). Hence the Inland Empire is no longer above average California unemployment rates. Again, this analysis is based on the raw data published by the

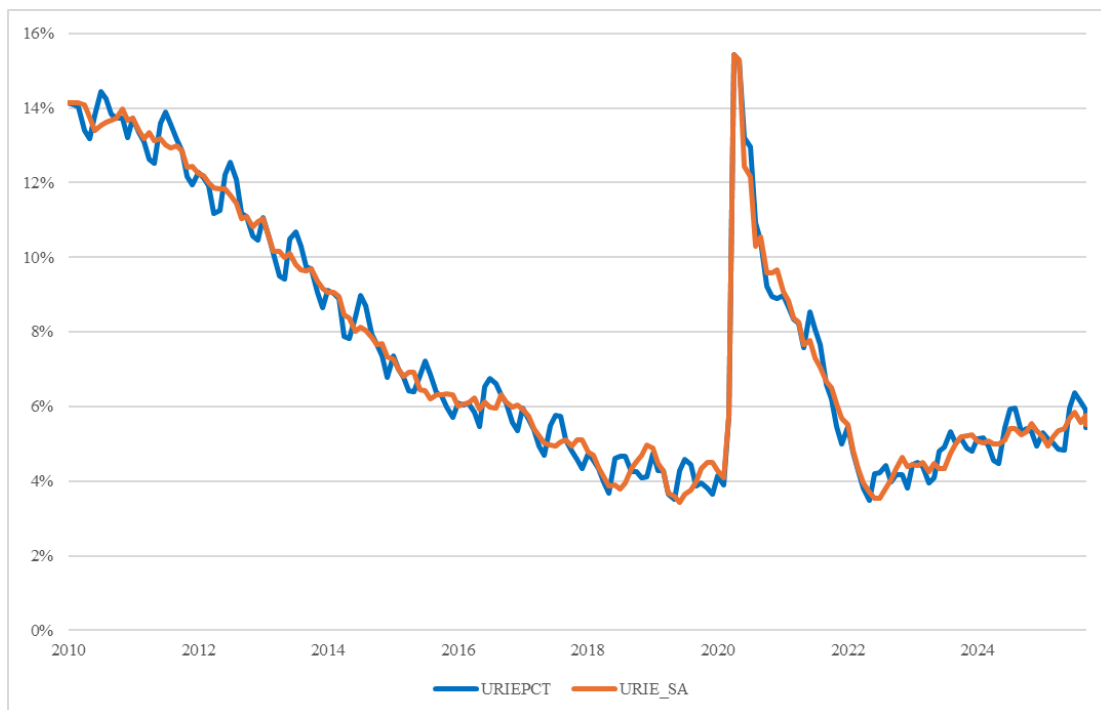
EDD, and it is reasonable to assume that seasonal patterns differ between counties. If that is the case, then even the relative performance of the counties is not particularly informative.

INLAND EMPIRE:

The following figure shows the unemployment rate in the IE since 2010. Note the steady rise in the unemployment rate after the pandemic recovery. The seasonally adjusted data (in orange) shows the trend in the unemployment rate without the typical seasonal changes in employment.

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 - November 2025



The unemployment rate can change for two reasons: growth in the labor force or growth in employment. If growth in employment outpaces growth in the labor force, then the unemployment rate falls. For November 2025 and using seasonally adjusted data we observed exactly that: the **growth in employment was 0.2 percent** or more than 3,000 workers, while the **labor force** basically stayed the same (**0.0 percent growth** or -250 workers). Hence the unemployment rate fell by 0.2 percentage points. This is different from the September report, when labor force growth outpaced the rise in employment.

To find patterns in industrial sector employment, we have to consult the establishment survey (Current Employment Statistics or CES). In our analysis below, we will report seasonally adjusted data, which we had to generate in house since the EDD does not make it available for the Inland Empire. The table below lists both labor market data for the calculation of the unemployment rate (household survey data) and sectoral employment (establishment survey data) using the seasonally adjusted data.

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

January 9, 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 Seasonally Adjusted

	Nov 24	Sep 25	Oct 25 Revised	Nov 25 Prelim	Percent Change Month	Year
Civilian Labor Force (1)	2,223,869	2,262,098		2,261,852	0.0%	1.7%
Civilian Employment	2,100,295	2,131,559		2,134,616	0.1%	1.6%
Civilian Unemployment	123,573	130,539		127,236	-1.3%	3.0%
Civilian Unemployment Rate	5.6%	5.8%		5.6%		
(CA Unemployment Rate)	5.4%	5.6%		5.4%		
(U.S. Unemployment Rate)	4.0%	4.3%		4.3%		
Total Nonfarm	1,706,281	1,714,632	1,714,518	1,710,698	-0.2%	0.3%
Mining and Logging	1,544	1,515	1,635	1,545	-5.5%	0.1%
Construction	115,093	108,460	107,528	106,671	-0.8%	-7.3%
Manufacturing	93,936	91,646	91,505	90,989	-0.6%	-3.1%
Retail Trade	182,410	181,388	181,298	181,712	0.2%	-0.4%
Logistics	271,701	267,974	268,731	265,214	-1.3%	-2.4%
Information	12,993	12,709	12,635	12,599	-0.3%	-3.0%
Financial Activities	43,510	42,694	42,676	42,826	0.4%	-1.6%
Professional and Business Services	161,018	160,327	159,895	159,705	-0.1%	-0.8%
Private Education and Health Serv	313,088	325,107	326,881	328,351	0.4%	4.9%
Leisure and Hospitality	180,394	184,677	183,960	183,305	-0.4%	1.6%
Other Services	50,548	51,268	51,549	51,405	-0.3%	1.7%
Government	273,923	281,951	280,712	280,591	0.0%	2.4%
Federal Government	21,520	20,771	19,875	19,924	0.3%	-7.4%
State Government	27,780	27,151	27,113	27,005	-0.4%	-2.8%
Local Government	224,771	234,110	233,659	233,777	0.1%	4.0%

*Note: for household survey, we compared November to September due to lack of October data for the month to month calculations; for industry sectors, we compared November data with October.

Looking at Table 1 also reveals some of our **additional concerns** regarding the Inland Empire economy. When comparing employment in November 2025 with that from a year ago, it shows that **out of the 11 major industries, only 4** (ignoring the very small Mining and Logging sector)

showed positive employment growth (private education and health care, leisure and hospitality, other services, and (local) government). The eggs are all in one basket, and the **lack of diversification** will hurt the Inland Empire just like it did in the '90s and prior to the housing bubble burst before the Great Recession. The current employment report just amplifies our previous concerns.

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** (+1,470), followed by **Retail Trade** (+414) in a distant second place, with other positive growth sectors showing even smaller increases.
- The **Logistics** sector lost a large amount of employment (-3,500) compared to a month ago. Another significant **month-to-month decline** was in **Construction** (-850).
- For **year-to-year growth** (relative to November 2024), the sector with the biggest employment gain was **Private Education and Health Services** (+15,250), **primarily Health**. The only other sector that generated a significant year to year employment growth of 6,600 was the **Government** sector, with jobs added in Local Government (Education) (+9,000); State and Federal Government saw a decline of -2,350 positions. Note that most sectors showed employment losses, most visible in Construction (-8,400), Logistics (-6,500), and Manufacturing (-3,000).

The “all eggs in one basket” story is an adequate description. Logistics is the largest employer in San Bernardino County and the fourth largest employer in Riverside County. Employment in the sector increased slightly from September to October (+750), but then showed a relatively large month-to-month job loss (-3,500) for November. To what extent this can be attributed to the recent changes in the tariff landscape, needs to be seen. Had it not been for the large job gains in the health industry, all of the employment gains in the Inland Empire would have been wiped out.

CALIFORNIA

The labor market news for the state is slightly more positive than for the previous months: the unemployment rate decreased slightly in November from 5.6 percent to 5.5 percent in September (no data available for October). This was the result of positive employment growth outpacing labor force growth, that is, the unemployment rate fell in the face of both employment and labor force growing. Still, at 5.5 percent, **California has the highest unemployment rate among the 50 U.S. states** (“beating” New Jersey at 5.4 percent) and it is also **almost a percentage point higher than the national rate**, which now stood at 4.6 percent for the November data point. While California typically has higher unemployment rates than the U.S. due to differences in industrial composition, a gap of 0.9 percentage points during non-recession periods is unusually high. The two month state decline of 0.1 percentage points coincides with an increase of 0.1 percentage points increase at the national level. Note that the state unemployment rate is now only 0.1 percentage points higher than it was a year ago in November 2024.

The state data we have analyzed so far comes from the household survey (Current Population Survey or CPS) which is done by residency. During the government shutdown, there were no interviews conducted for October. However, the establishment survey (Current Employment Statistics or CES) relies on employment records collected from a larger sample, and here we have data available for both October and November.

California finally started to add jobs on a month-to-month basis **after losing jobs four months in a row** prior to October. There was a small gain of 1,500 jobs in October, followed by a rather large increase of 32,500 in November. That increase was primarily driven by a gain of almost 15,000 positions in Health Services. Leisure and Hospitality also contributed to that jump by adding 7,500 jobs. This employment report focuses primarily on the Inland Empire. For more detailed information regarding the California labor market go to:

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

It would be unfair, though, to leave you with the positive outlook for the state economy given in the previous paragraph. If we look at the longer term (year-to-year) development, then the state economy resembles a patient who is about to fall ill if we use employment as an indicator of economic wellbeing. While gaining 31,500 positions from a year ago, the state economy relies heavily on gains in three sectors (Health 156,800; Leisure and Hospitality, 16,200; (local) Government, 15,500). Take away even half of the employment growth in the Health industry, and overall employment in California would have decreased compared to a year ago. Most of the other sectors have shed jobs. Note that Professional and Business Services saw a decline of almost 67,000 from a year ago, and that Construction and Manufacturing, between them, lost another 46,500 positions. State employment growth continues to show a **lack of diversification in the gains**, and there is a real danger of having all the eggs in one basket.

The state economy resembles a house that is supported by three pillars. Take away the main pillar (Health) or the other two together (Local Government, Leisure and Hospitality) and the house crumbles (goes into an employment recession). Given the current state budget discussion, with another \$3 billion to deal with before June, this means that there will have to be cuts in projected expenditures. There is also the danger of having negative impacts from the cuts at the national level (medicaid) and demographics (declining student numbers). Finally, it is not clear how much job growth is needed compared to historical levels, since net-migration (both from state-to-state migration and forced deportation) may have resulted in only marginal population growth in the state.

While we do not have data for output growth for the third quarter, we observed a stunning growth in the state GDP during the second quarter of 2025, which even outperformed the strong national growth. If this continues during the third quarter, then we will continue to observe a “jobless boom” just as we see it in the U.S. economy, implying strong productivity growth.

OUTLOOK

The Federal Reserve lowered the Federal Funds Rate (FFR) by 25 basis points in December (0.25 percentage points), and has signaled that it will lower it at least one more time before the summer of 2026. Since that meeting, additional labor market information for the U.S. national labor market has become available on January 9: (i) the September unemployment rate was revised downwards by 0.1 percentage points to 4.5 percent, and (ii) the November unemployment rate fell by 0.1 percentage points to 4.4 percent. This means that the U.S. unemployment rate has basically remained constant over the last three months. The fall in the national rate was caused by a decline in the labor force, which coincided with weak monthly employment growth (changes in the unemployment rate are approximately equal to the difference in the growth rate of the labor force and employment)

Financial markets currently do not bet (probability: 21.3 percent) that the Fed will lower the FFR by 25 percentage points in March 2026. However, given the change in composition at the top of the Board of Governors in May, **we expect at least two cuts of 25 basis points by the end of the year**. This will stimulate interest sensitive demand by households (housing, automobile, other durable goods) and firms (investment). Given the current inflation rate, it is highly unlikely that the Fed will lower the FFR by more. Note that the **Fed**, by now, **has failed to achieve its 2 percent inflation target for almost five years**.

The economic forecast for the nation, state, and region is complicated by the fact that we are facing an **unusual combination of a stagnant labor market coinciding with strong output growth**. It is therefore questionable for the NBER dating committee to call for a recession even if unemployment increases significantly as long as output continues to grow at an unusually higher rate. Such a combination (high output growth coinciding with a weak labor market) produces **high productivity gains**. Our speculation is that much of this dual development is driven by the **impact AI has currently on the economy**, but would need more detailed sectoral data to estimate the impact it will have.

A major concern is that the **Inland Empire economy continues to rely on only a few sectors to generate growth**. Both AI and national policies can affect the outlook for the affected sectors significantly. If President Trump follows through with his cutbacks in health expenditures, then employment in the Health sector will be seriously impacted. This would significantly affect the primary job-creating engine. Moreover, there is currently much talk about the \$3 billion deficit in the California state budget. While expenditures for public education seemed safe of cuts for at least one year, there is now concern that given the demographics of 5 to 18 year olds, some reduction in public education may be necessary. Finally we would expect the Logistics industry not have much impact next year despite the increased tariffs, since reduced imports from China have been substituted by imports from other Asian countries. We would expect the significant U.S. dollar depreciation against the Euro to have more of an impact on the Logistics industry on the East Coast.