

Done With 2024: How Good a Year Was It for the Inland Empire?

by

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As we prepare for the likely impact of the incoming administration's policies, this is a good time to take inventory at the start of 2025. Conveniently, the Employment Development Department (EDD) of California just released year-end labor market data of the 29 Metropolitan Statistical Areas (MSAs) in California.

There are two surveys used by the EDD to paint the picture of the current state of the labor market: a household survey (Current Population Survey or CPS) which relies on interviewing individuals (60,000 households across the U.S.), and a larger establishment survey (Current Employment Statistics or CES). Both surveys contain information about the number of people working in an area, but the CPS is more subjective since individuals are asked questions such as if they have been "looking for work." The CES cannot tell us the number of unemployed, since establishments only list employees. On the other hand, the CES contains information about the specific sectors people are working in.

For the Inland Empire, there is an additional reason why we have to pay attention to both surveys and the differences in the numbers: the CPS includes commuters (roughly 20 percent of the Inland Empire labor force) while the CES only captures individuals who work for payroll establishments inside the Riverside-San Bernardino-Ontario MSA. It is therefore possible for the establishment survey to show more or less of a change in employment than for the household survey. There are other reasons for the two surveys to differ - such as individuals working multiple jobs, independent contractors, gig workers, etc., but these are of second order.

Let's start with the (somewhat) good news. For 2024, employment in the Inland Empire grew as reflected in both the household survey (+17,600 or 0.8 percent) and the establishment survey (+22,600 or 1.3 percent). In addition, because the labor force grew by the same amount as employment (0.8 percent), the unemployment rate basically remained the same (it actually fell slightly from 5.0 percent to 4.9 percent).

We need a gauge to compare this to. Let's go with a comparison over time first. Our region did better than in 2023, when employment shrunk by 9,000 or 0.4 percent according to the household survey. This was primarily due to adjustments in the Logistics industry, which had overestimated the need for transportation related employment following the post Coronavirus boom. In part, that was reflected earlier in the addition of 120,500 workers in 2021 (growth of 5.7 percent). Looking at the first Trump administration years, here are our first concerns: for the years 2017, 2018, and

2019, employment increased by close to 50,000 workers for each of the three years (roughly by 2.2 percent). We are not observing these type of numbers for 2024.

Alternatively how well did we do compared to the state and other areas within Southern California? Los Angeles County showed slower job growth than the Inland Empire both on the household survey (0.3% increase) and the establishment survey (1% increase). Its unemployment rate increased by 0.7 percentage points. Orange County performed even worse on both the household survey (0.2% increase) and the establishment survey (0.6% increase). Ventura County has similar growth rates to LA County, but shows a 0.1 percentage point drop in the unemployment rate.

Bottom line, we could classify 2024 as a mildly successful year in the labor market for the Inland Empire. Over the last five years (start of the Coronavirus recession), we show an increase in both the labor force and employment. Not so for the state, where both have been shrinking. California is still 400,000 employees short of the pre-pandemic numbers coinciding with a 200,000 person increase in unemployment, resulting in a 1.1 percentage point increase in the unemployment rate to 5.5%. California now has the second highest unemployment rate among U.S. states (thank you, Nevada). While the Inland Empire unemployment rate also increased by a percentage point from 3.9 percent to 4.9 percent, it did so while both employment and the labor force increased; the labor force grew by more (3.8 percent) than employment (2.6 percent) did. This is a healthier outcome than what the state numbers show.

More good news comes from the sectoral growth numbers. First, note that the Inland Empire relies heavily on three sectors for its employment. These are (i) Private Education and Health Services (really: Health Services), (ii) Government (primarily Local Government, and within that, Educational Services), (iii) Logistics (Transportation, Warehousing, Wholesale Trade). These three sectors make up roughly half of the employment within the Inland Empire. Remember that in addition, 20 percent of the labor force commutes.

The good news here is that those three sectors kept on growing in 2024, generating 35,500 new jobs. Time to celebrate this increase of 4.2 percent? Yes, if your city has jobs in those three sectors, since employment increased significantly in 2024. What is the bad news here? For the entire Inland Empire, the total job count across all industries only increased by 22,600, meaning the rest of the economy combined shed jobs.

Here comes the ugly: Almost all other sectors shed jobs in 2024. These were Construction (-3,700), Manufacturing (-3,300), Information (-100), Financial Activities (-500), Professional and Business Services (-2,500), Leisure and Hospitality (-900), and Other Services (-2,000). The exception is Retail Trade which showed a slight increase of 300 positions.

What makes this particularly worrisome are two facts: One, there is a weakness in the high value added sectors in the Inland Empire, which is the reason why so many workers commute into the coastal areas. Many of the problems of the Inland Empire, and especially the congested freeways, could be solved if we found ways to attract these industries into our area. It would also lower the heavy reliance on sectors, such as Logistics, that depend heavily on national economic activity (U.S. imports) and hence make us more vulnerable to business cycle fluctuations. This also leaves the Inland Empire vulnerable to the new administration's potential tariffs which will reduce trade. Two, this concentrated growth in only three industries is quite specific to the Inland Empire. While OC also saw a loss of 3,600 positions in industries outside the three growth sectors, it was not as severe. LA County, on the other hand, saw actual growth in the other industries combined. The state, as a whole, also experienced a decline in the other jobs (-23,000). However, almost half of these came from the Inland Empire (-12,700).

What does this mean for our immediate economic outlook in 2025? At best, there will be anemic growth in our area. This assumes that President Trump's proposed policies on tariffs and deportation will not have an immediate effect on trade and construction. Furthermore, there will be little to no growth in Federal Government jobs. It also assumes that the Federal Reserve's interest rate moves will not have significant effects in the near future. Regardless of what we think the national economy will do, our region will, most likely, not fare as well as the U.S. economy will.