

# Great Resignation and Great Reshuffling in the Inland Empire Cities?

by

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The Inland Empire, like other Metropolitan Statistical Areas (MSAs), was heavily impacted by the Coronavirus pandemic of 2020, both with regards to the health aspects of its residents and its economy. Policy makers had the choice between accepting higher mortality rates versus reduced growth and employment due to policy stringency. In California, the choice was made in favor of keeping mortality rates lower while placing more restrictions on its economy.

The COVID-19 downturn had most of its reduced employment effects on five industries: Leisure and Hospitality, Health (and Private Education), Retail Sales, Other Services, and Professional and Business Services, in that order. The Health industry was, perhaps surprisingly, negatively impacted as a result of people avoiding hospital and doctor visits if at all possible other than for Coronavirus related problems. Many did not see a dentist for two years and did not schedule regular check-ups and blood tests. Other Services, which includes spas, hairdressers, manicure and pedicure, etc. was actually the most impacted percentage wise, but the industry simply does not have that many people working in it to have a stronger overall impact. You can explain much of the differences in increases in the regional unemployment rates from February to May 2020 by focusing on labor market developments in these sectors.

In the Inland Empire, the unemployment rate increased by 11.8 percentage points from 3.4% in February 2020 to 15.2% in May 2020. By comparison, Los Angeles County experienced a jump of 14.0 percentage points from 4.9% to 18.9%, while the Golden State as a whole showed a change of 12.5 percentage points from 3.3% to 15.8%. Due to the rise in the importance of the Logistics industry (Transportation, Warehousing, Wholesale Trade) during the downturn and the subsequent recovery, the Riverside-San Bernardino-Ontario MSA performed relatively well. As a result of these immense increases in unemployment over such a short time period, many individuals decided to drop out of the labor force completely (the *Great Resignation*). Note that if you were born in 1950 (a boomer), you turned 65 in 2015, and by 2020, many boomers had reached retirement age or were close to it. This would result in lower participation rates (labor force share in population), and indeed, that is what we observed.

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Here we are interested in analyzing shifts in employment *within* the Inland Empire, or better, for industries and the major cities in Riverside County and San Bernardino County. The 12th most populous MSA in the U.S. added 106,500 jobs within the area over the five year period since May 2020 according to the establishment survey. This does not count additional employment generated from commuters. The three sectors that primarily contributed to this job creation were Health (42,300), Logistics (41,600), and Government (8,900). These three sectors happened to be the three biggest employers in the Inland Empire prior to the pandemic. Note that between the three industries, 88% of all new jobs were created since February 2020. There are three sectors in the Inland Empire where employment has not returned to pre-pandemic levels: Manufacturing (-4,700), Financial Activities (-1,600) and Information (-1,100). The three sectors saw their employment shares decline slightly from 10% to 9%. Clearly in the overall picture, these sectors do not play a significant role in the Inland Empire, although, and perhaps sadly, average pay in these industries is relatively high. Great Reshuffling? Yes, if you mean more concentration among the already most important sectors and away from the remaining sectors, then the term is correct.

Next we want to see to what extent these changes are reflected in employment changes within the major cities of the Inland Empire. Employment data by city and establishment are not easy to obtain. To find these numbers, we purchased access to the National Establishment Time Series (NETS) database. This database is very large and contains historical data back to 1990 (9.7 million observations for California alone) on establishments. Here we will focus on the five most populous cities in Riverside County (City of Riverside, Moreno Valley, Corona, Menifee, Murrieta) and San Bernardino County (City of San Bernardino, Fontana, Ontario, Rancho Cucamonga, Victorville). If city employment was already dominated by the Health and Logistics industry, or by Government employment, then there should not be much of a change at the top.

Next we will focus on just non-farm employment for these 10 cities, and the top ten employers of 2019 and 2022 to analyze the changes. There are some caveats to our analysis: first, we are looking at establishments, not firms; a firm can have more than one establishment. This may explain why Amazon does not show up as the biggest employer in the cities we look at below. Second, for almost all of the cities, the local school district was the biggest employer. The school district is classified as (Local) Government. We will exclude local school district employment from the analysis below, since there were not many changes regarding that sector.

For starters, we find that the 2022 employment levels of the top firms had not generally returned to 2019 levels with a few exceptions. The Healthcare Sector employers that appear in the top 10 have generally risen in rank within the three years for which data is available, making them the more significant employers in the region. Additionally, the structure of the health industry has diversified in the post-pandemic era, as we see the growth of medical care and support industries, such as physical wellness or mental health services, beyond the traditionally recognized providers of medical services. On the other hand, despite the rise in rankings, the health sector industries on

the list have not significantly increased their number of employees, and many have even faced small declines relative to 2019 levels. Therefore, the increase in employment must come from newly established healthcare institutions that are smaller-scaled, while the larger, already existing companies are closer to their capacity limits. Second, the logistics industries have become more significant employers while undergoing substantial expansion. Although the short-term boom was followed by the contraction in logistics employment after mid-2022, current data still indicates that logistics is still significantly above its pre-pandemic level. In summary, whether it is the strengthening and long-term trends of the Healthcare and Logistics industries, or the continued outflow of the previously weaker industries, there is no Reshuffle phenomenon visible in the Inland Empire.

Here are some interesting numbers for the top five cities and top three ranked firms (excluding the school district numbers): For the City of *Riverside*, both the U.S. Air force and the Riverside Health Care System have ceased to be in the top employer category, being replaced by UCR and the City of Riverside. Access Information Management, an Information sector company, has moved into second place in *Moreno Valley*. Two medical firms, UHS and Kaiser have replaced a financial company, VSM, and a retailer, Walmart, as top employers in *Corona*. There was little change in *Menifee*, and a Health sector company, My Kids, a pediatric dentist, replaced the City of *Murrieta* in the top three.

In San Bernardino County, Loma Linda, a healthcare company, has replaced the California Transportation Department in the top three for the City of *San Bernardino*; the U.S. Postal Service and Kaiser are now on top in *Fontana* replacing a warehouse operator, World Class Distribution; Damao Luggage still has the most employees in *Ontario*, but UPS has now been replaced by the City of Ontario in the top three; a Leisure and Hospitality company, SAS Restaurants, remains the top employer in *Rancho Cucamonga*; Boing and Walmart have replace UPS and the City of *Victorville* as the top employers in the largest high desert city.

In conclusion, while there has been much talk about the “Great Resignation” and the “Great Reshuffling” in U.S. and California labor markets resulting from the pandemic, here in the Inland Empire we have not noticed anything significant along those lines. Different from the state economy, LA County, and Orange County, both the labor force and employment in the Inland Empire have actually increased compared to February 2020. The three largest industrial sectors (Private Education and Health, Government, Logistics), which together, in February 2020, generated 47% of the Inland Empire Employment, now actually have reached an employment share of almost 50%. As a result, it is not surprising that the top employers in San Bernardino and Riverside County have not changed their employment shares and rank significantly over the last five years. Simply looking at the top three employers (top four if you consider the school district being among the leaders as well) while focusing on the largest cities, and not finding a significant amount of churning in terms of employment changes, does not necessarily mean that there is no

evidence of reshuffling if we looked at more establishments. We will leave that task for another piece and simply state at this point that our analysis, so far at least, suggests that there was no large variation among firms and their employment that we could observe by the end of 2022.