

IEEP and Lowe Institute ECONOMIC ANALYSIS

The September 2026 Employment Report

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by

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INLAND EMPIRE

Today, the Employment Development Department (EDD) released the September 2026 labor market report for California and its counties/Metropolitan Statistical Areas (MSAs), including the Inland Empire. National data has been available since October 2.

The published unemployment rate for the Inland Empire was 5.7 percent, 5.5 percent for San Bernardino County and 5.9 percent for Riverside County. In terms of ranks across the 58 counties of California, San Bernardino has the 31st highest state unemployment rate, and Riverside County has the 24th highest rate. San Mateo County has the lowest (3.9 percent) while Imperial County has the highest (20.8 percent). These “headline” numbers are not seasonally adjusted, meaning they contain regularly occurring seasonal variations. In general, you should not focus on the non-seasonally adjusted raw data provided by the EDD if you try to extract underlying trends. These can be quite misleading, since they react to holiday hiring and summer lay-offs, e.g. in the Coachella Valley. As a result, we seasonally adjust the data to gain better insights. The EDD seasonally adjusts aggregate data for the state, so you can analyze those numbers directly from the data release.

As for the raw data, the Riverside-San Bernardino-Ontario MSA saw a decrease of 0.2 percentage points from (revised) August 2026 figures. Compared to a year ago, the Inland Empire unemployment rate also decreased by 0.2 percent (comparing year-to-year unemployment rates removes much of the seasonally related fluctuations).

Changes in the unemployment rate occur because of underlying growth rate changes of the labor force and employment: it is the difference between these two growth rates that results in the change in the unemployment rate. For a healthy picture of the Inland Empire economy, we would like to see the decline being the result of employment growth outpacing the labor force

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growth. Unfortunately, this is not the case. Both the labor force shrank (-1.7 percent) and employment fell (-1.5 percent). According to the household survey, which is done by residency and hence includes commuters, employment in the Inland Empire fell by -31,100 from a year ago. This compares to a gain of 10,800 positions when looking at the establishment survey (which shows employment changes within Inland Empire jobs only, i.e. without commuters).

After seasonally adjusting the data, we actually observe a small increase in the unemployment rate for the Inland Empire: the September rate is 5.5 percent, an increase of 0.2 percentage points from the August 2026 number. There is no change in the seasonally adjusted unemployment rate from a year ago, which means that over the year, we do not observe a deterioration of the Inland Empire labor market.

We present more detailed analysis of employment changes both from the household survey (Current Population Survey or CPS) and the establishment survey (Current Employment Statistics or CES) in the table below. Note that **the numbers differ from those released by the EDD since we seasonally adjusted all data.** While the unemployment rate increased slightly compared to the previous month, this was due to a slightly growing labor force (it increased by 0.1 percentage points) coinciding with a small decline in employment (-0.1 percentage points). The labor force increased by 1,280 people, while employment decreased by about 1,120 people.

Turning to the establishment survey, there was a loss of -1,000 jobs within the region from a month ago. Compared to a year ago, the region gained 5,000 jobs. Both the employment losses from the household and establishment survey are small. We do not read too much into a single month's observation.

We can dig deeper into the data by looking at the **employment changes by industrial sectors.** As noted just above, the **Inland Empire gained roughly 5,000 compared to a year ago.** However, the only sector with significant growth was in **Private Education and Health Services (+17,000)**, primarily driven by Health, with **Leisure and Hospitality (+4,500)** coming in a distant second. This means that the **other sectors combined lost -16,000** positions. Notably, the largest decline comes from Professional and Business Services (-6,500), Construction (-3,700), and Government (-2,400). Month over month, however, Local Government was the biggest loser (-1,100) and Professional and Business Services (-1,100). Again, we do not want to read too much into a single month's observation, but have warned previously that we expect shrinking employment in the Health industry and in Local Government due to national policy changes and demographics (for the Inland Empire, these demographic changes are not as significant as for the coastal region, since the Inland Empire has gained population over the last six years, while the coastal regions have lost residents). Professional and Business Services declining numbers may be due to AI.

The graph below shows both the raw (non-seasonally adjusted) data and the seasonally adjusted data for the unemployment rate. Clearly there is more volatility for the raw data in the short run.

Note that both series show an increase in the unemployment rate since the mid-2022. The table below the graph shows the seasonally adjusted labor market numbers.

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

Figure 1: Unemployment Rate, Inland Empire, Jan 2010 - September 2026

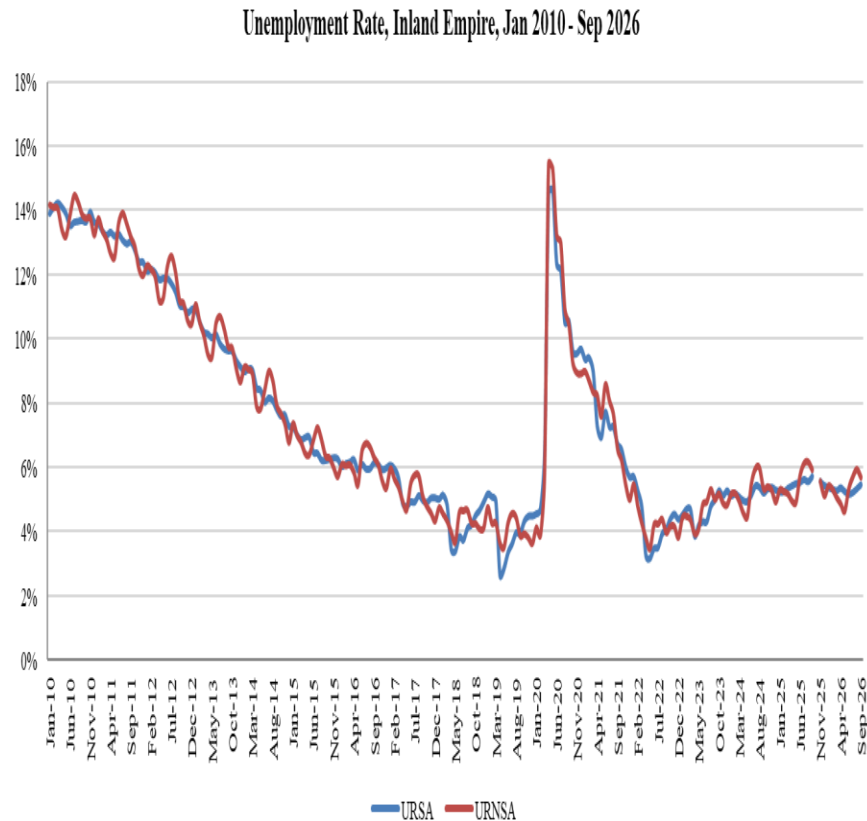


Table 1: Labor Market Data, SA, Inland Empire, September 2026²

Data Seasonally Adjusted

	Sep 25	Jul 26	Aug 26 (Revised)	Sep 26 (Prelim)	Change Month	Change Year
Civilian Labor Force (1)	2,256,363	2,202,183	2,203,733	2,205,513	+0.1%	-2.3%
Civilian Employment	2,127,234	2,087,031	2,085,974	2,084,855	-0.1%	-2.0%
Civilian Unemployment	129,130	115,151	117,760	120,658	+2.5%	-6.6%
Civilian Unemployment Rate	5.7%	5.2%	5.3%	5.5%	+0.1%	-0.3%
(CA Unemployment Rate)	5.5%	5.1%	5.1%	5.1%		
(U.S. Unemployment Rate)	4.4%	4.1%	4.1%	4.2%		
Total Nonfarm	1,714,482	1,720,662	1,718,714	1,717,601	-0.1%	+0.2%
Mining and Logging	1,708	1,670	1,679	1,713	+2.0%	+0.3%
Construction	108,803	104,844	106,072	106,421	+0.3%	-2.2%
Manufacturing	94,558	92,770	93,081	92,694	-0.4%	-2.0%
Durable Goods	56,049	55,310	55,464	55,271	-0.3%	-1.4%
Non-Durable Goods	38,511	37,461	37,618	37,422	-0.5%	-2.8%
Logistics	265,068	265,095	264,977	264,967	-0.0%	-0.0%
Retail Trade	180,214	179,950	179,670	179,502	-0.1%	-0.4%
Information	12,123	10,952	10,989	11,005	+0.1%	-9.2%
Financial Activities	43,281	42,079	42,224	42,363	+0.3%	-2.1%
Professional and Business Services	157,004	151,832	150,778	150,436	-0.2%	-4.2%
Private Education and Health Services	344,643	361,926	360,412	362,464	+0.6%	+5.2%
Leisure and Hospitality	187,187	189,200	189,786	189,556	-0.1%	+1.3%
Other Services	50,987	51,468	50,993	50,802	-0.4%	-0.4%
Government	263,452	263,743	262,654	260,226	-0.9%	-1.2%
Federal Government	19,412	18,300	18,273	18,297	+0.1%	-5.7%
State Government	28,531	27,544	27,536	27,431	-0.4%	-3.9%
Local Government	215,526	218,130	216,958	214,481	-1.1%	-0.5%

Here is the summary of the winners and losers using seasonally adjusted data from the previous month (August 2026), as well as from one year ago.

- **For year-to-year changes, Private Education and Health Services gained the most positions (+17,800), followed by Leisure and Hospitality (+2,400).**
- There continue to be declines across most sectors, with Professional and Business Services (-6,600), Construction (-2,400), and Government (-3,200) seeing the largest losses. Percentage wise, the Information sector has seen the largest losses.
- While the absolute value decline for Local Government appears to be large both from a month ago and a year ago, compared with State Government percentage wise is still relatively mild. Note that Local Government largely consists of Public Education, which is heavily affected by demographic changes.
- Nonfarm jobs gained roughly 3,100 positions from a year ago. Had it not been for the health sector, the other sectors combined generated a loss of -14,700 positions.

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.

General Outlook: Riverside-San Bernardino-Ontario MSA

While the short-term outlook gives us no reason for concern, administrators should be worried about the long-term outlook. There is a lack of diversification in the region: without the Health industry, there would have been a decline in non-farm employment. The other sectors generated a combined loss of almost -15,000 jobs. Over half of the Inland Empire employment is in three sectors: Logistics, Health Services, and Local Government (driven by public education). Out of these three sectors, only the health industry is generating significant employment increases currently.

The Inland Empire experienced similar scenarios before the cutbacks in military expenditures in the 1990s and the Great Recession of 2008/2009 caused by the bursting of the housing bubble. We are therefore concerned regarding the future of the Inland Empire economy for two reasons. One, the decline in the unemployment rate from a year ago was generated by the labor force shrinking by more than employment falling. This is not a healthy scenario. Ideally you would like to see the labor force and employment increasing, with unemployment rates falling because of employment growth outpaces labor force growth. Two, none of the three sectors that are currently engines for job growth are likely to continue to do so in the near future due to cuts in health expenditures, demographics impacting public education, and potential declines in imports affecting logistics.

CALIFORNIA

Other than the unemployment rate not having gone up (it remained at 5.1 percent), there were few positives to report with regard to the labor market for the state economy in the September 2026 numbers. First, the California unemployment rate is almost a full percentage point higher than the national rate. Next, California has the distinction of having the highest unemployment rate among U.S. states (shared with Oregon and Connecticut). The next three most populous states all have significantly lower unemployment rates: Texas 4.4 percent, Florida 4.5 percent, and New York 4.3 percent. Third, the state labor force and employment continue to shrink: both declined by 0.1 percentage points compared to August 2026, and hence the only reason that the unemployment rate did not go up was the fact that the labor force declined by almost -21,000 people. Fourth, after 6 years of economic expansion, employment is still more than a quarter of a million people (-277,600) lower. At that time (February 2026), the unemployment rate was 4.4 percent, or 1.7 percentage points lower. Perhaps the only positive number is that compared to a year ago (September 2025), the state unemployment rate is now 0.4 percentage points lower. Even that number was only achieved as a result of the labor force shrinking by more (-1.7 percent) than employment declining (-1.3 percentage points). The labor force has now a remarkable -378,600 fewer workers than a year ago. This is not a healthy economic picture.

Using the establishment survey instead of the household survey also shows a decrease in employment of -9,300 from a month ago, but an increase of 129,300 compared to September 2025. The Department of Finance has struggled to explain the different picture we get from the two surveys.

The establishment survey, looking at month-to-month changes, reports strongest gains in Health Services (8,000 or 0.2 percent growth), followed by Professional and Business Services (4,000 or 0.1 percent growth) and Logistics (3,000 or 0.2 percent growth). The biggest losers are Leisure and Hospitality (-9,600 or -0.5 percent), Manufacturing (-4,000 or -0.3 percent), Financial Activities (-3,800 or -0.5 percent), and Information (-3,200 or -0.6 percent). Compared to a year ago, +125,000 of job gains were generated by a single sector: Private Education and Health (basically Health). This means that all other sectors combined created a net loss of -400,000 positions.

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>

The picture of the labor market is alarming regardless of whether you look at the establishment survey or the household survey. At the same time, and similar to the nation, California 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. The combination of the two facts implies relatively high productivity growth of the kind that both the state and the nation have not seen for some time.

OUTLOOK

The labor market for California paints a bleak picture: Not only does California have the highest unemployment rate among U.S. states, it is also 0.9 percentage point higher than the U.S. rate. To make matters worse, the labor force is shrinking at an alarming rate (roughly -380,000 compared to a year ago). What prevents us from forecasting a regional recession is that output (GDP) is expanding at a decent rate resulting in relatively large productivity gains especially in White Collar jobs (Information, Professional and Business Services, and Finance). To what extent this is caused by the spread of AI is too early to tell.

A second concern continues to be the Middle East conflict and the impact it has had on gasoline prices and especially diesel price related costs. Even if the conflict ends soon, it will take a significant time for gasoline and diesel prices to return to the end of February 2026 levels.

As we have pointed out repeatedly, there is an additional concern related to the **unevenness of sectoral job growth**. Over the last year, California generated +138,500 new jobs (establishment survey). While this sounds positive, almost all the job additions came from a single sector (Health Care), namely +131,500 jobs. Hence all other sectors managed to generate a net gain of +7,000 jobs, with many of them shedding workers. 2027 will see a less positive picture as a result of the expected decline in Federal health expenditures. Another driver, Local Government, will see declines in expenditures and employment given the demographics of current students. The booming stock market generates relatively large government revenues, but passing of Prop 40 could put an end to that.