



JOB CREATION, AT LAST!

by Mark Schniepp

THE PACE OF LABOR MARKET GROWTH ACCELERATES

The final step in the recovery

For over a year nearly all economic indicators have pointed toward recovery. However the persistently high unemployment rate, and lack of significant job creation have been the focus of most media attention, and have weighed heavily on the psyche of consumers.

The phase of the economy cycle in which you become convinced that the economy is clearly in recovery, increased hiring and a reduction in the unemployment rate, is now finally occurring. Nationally, hiring in the private sector has been positive in each of the past 12 months. A total of 1.5 million jobs have been created during this period, and job creation has generally been accelerating.

Over 220,000 private sector jobs were created in February, the strongest employment report in nearly a year, and only slightly below the peak of 229,000 jobs created in April 2010. Furthermore, over the past 5 months employment reports have consistently been revised higher the following month. If this pattern holds, more private sector jobs were likely created in February 2011 than in any other month since the recession ended.

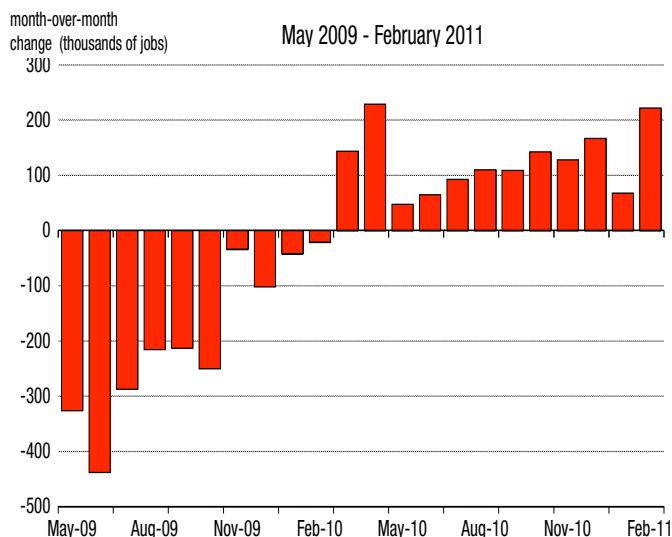
Unemployment

Increased hiring has finally begun to push the unemployment rate down. At 8.9 percent the level of unemployment is persistently high, but is headed in the right direction. More importantly the decline in February was due to higher employment and fewer people being unemployed, rather than from people leaving the labor force, discouraged by the lack of job opportunities.

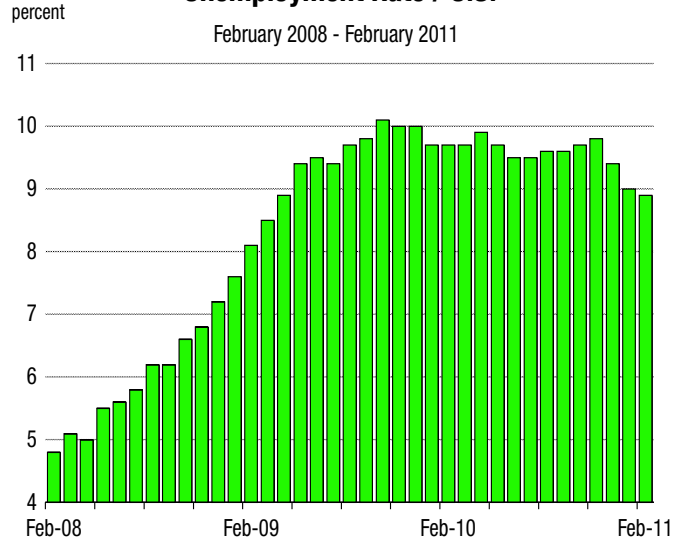
Declines in the unemployment rate when hiring is weak are common as discouraged workers drop out of the labor force and are not counted as unemployed. The current drop in unemployment comes despite more people entering the labor force and is a very positive sign.

Even as the momentum in hiring quickens, the unemployment rate will fall only gradually, as many workers who have become discouraged from seeking employment over the past 3 years re enter the work force, and are initially counted again as unemployed.

Private Sector Job Creation / U.S.



Unemployment Rate / U.S.

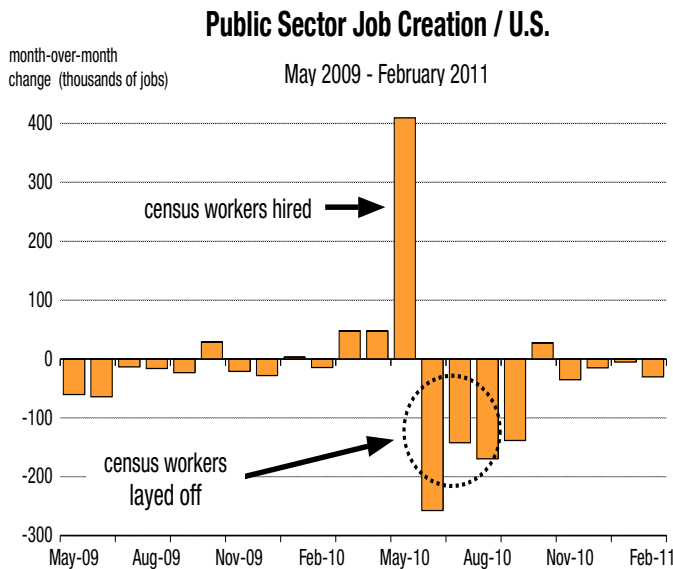


Government layoffs will slow, but not derail the recovery

While private employment has been consistently positive over the past year, the public sector has been going in the opposite direction. Over the past 12 months a total of 257,000 public sector jobs have been lost.

Significant census hiring between March and May of 2010 was followed by the subsequent unwinding of these positions as well as additional layoffs. There has been only one month of positive public sector job creation in the past nine.

Though the public sector did not experience significant trauma during the recession as did the private sector, it now appears that layoffs were inevitable and were simply delayed. More layoffs will come over the next year, but will be relatively minor in relation to substantial private sector gains. Therefore the necessary cuts to government employment may slow the recovery, but will help to heal budget deficits and lead to a more vibrant economy in the long run.



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Santa Barbara County

The January employment report for Santa Barbara County also includes revisions to the labor market during 2010. In general, the revisions were minor, particularly in relation to the large downward revisions that occurred in 2008 and 2009.

However the revisions were not consistent throughout the year. Approximately 600 jobs were added to each month from April through August, while the employment estimates for September through December were lowered by an average of 900 jobs per month. As a result the momentum going into 2011 was not as strong as anticipated, and substantial job creation in the county may take slightly longer to materialize.

The Santa Barbara County unemployment rates for 2010 have also been revised slightly upward, particularly for the last quarter of the year. The rate for January 2011 was 10.1 percent.

Ventura County

In Ventura County, revised estimates for 2010 show that job creation (or loss) was better than originally reported. Revisions place total non-farm employment for 2010 higher by 2,600 jobs. Effectively, employment declined in Ventura County by 1.1 percent instead of the previously reported 1.9 percent.

More importantly, the revisions were larger toward the end of the year. Employment in December 2010 is now estimated to be 3,600 positions higher than originally reported. Consequently, this increased hiring momentum should carry into 2011, with stronger job growth than previously expected.

The January 2011 level of unemployment was 10.9 percent. It is unlikely that unemployment will decline significantly before the second half of 2011. Total job creation during the month of January was 700 jobs higher than a year earlier. Seasonally adjusted, job creation in Ventura County has been positive for four consecutive months.

California Economic Forecast Upcoming Conferences

Santa Clarita Valley
 April 28, 2011
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