KELLY SERVICES

Southern California Employment Trends Report

SOUTHERN CALIFORNIA

Minimum Wage Rates

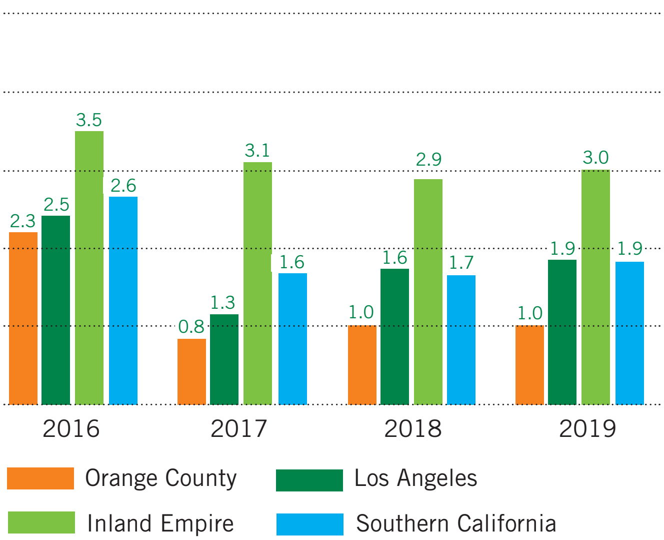
Rate (Jan. 1)	26 Employees or More	25 Employees or Less
2017	$10.50	$10.00
2018	$11.00	$10.50
2019	$12.00	$11.00
2020	$13.00	$12.00
2021	$14.00	$13.00
2022	$15.00	$14.00
2023	$15.00	$15.00
2024	Indexed*	Indexed*

*Rate adjusted to changes in Consumer Price Index (if any) to a cap of 3.5 percent each year.

Once the minimum wage reaches $15 per hour for all businesses, wages could then be increased each year up to 3.5 percent for inflation as measured by the national Consumer Price Index. (Source: GovDocs)

Slow Employment Growth Forecast

Southern California regional employment to continue to grow
(Annual percent rate of change)



Southern California's projected job expansion by percentage; 2017, 2018, and 2019 are forecasts. (Source: Cal State Fullerton Mihaylo College of Business and Economics)

Four Top Employment Trends to Monitor in 2018

Headed into 2018, there are several local and statewide employment trends that Kelly Services will be monitoring closely for their potential impact on the economy and workforce development landscape. A couple of these trends already have affected local employers and will continue to factor into their workforce decision-making during the new year. Here are four top trends to watch:

Rise in Minimum Wage – On January 1, the state's minimum wage increased to $10.50 an hour for businesses with 25 or fewer workers and $11 an hour for companies with more than 25 employees. Regardless of whether or not you support the raise, it has been well-reported that the increase has affected certain industries, namely apparel, hospitality, restaurant, and retail. The true impact will be felt across many industries as minimum wage jumps a full dollar to $12 per hour to start 2019, and by 2023, it will move up to $15 an hour for all workers. Many employers already are looking to "do more with fewer employees" to offset labor costs.

Job Growth Slowing – While a low national, state, and local unemployment rate is a positive economic indicator, a corresponding labor shortage could plateau employment growth. Leading economists at both UCLA and Cal State Fullerton have issued recent forecasts that point to a healthy 2018 with respect to job growth with slower growth approaching in 2019. According to the Cal State Fullerton forecast: "Firms in most industry sectors are reducing their employee payrolls. While this trend began before the Great Recession and accelerated during the crisis, it appears to still be ongoing."

Local Industry Expansion – A couple of key industries in California are set for strong expansion in 2018, specifically defense and cannabis, that will result in job growth opportunities in the Southland.

Housing Crisis in California – New federal tax laws will affect the building of affordable housing. According to a recent San Jose Mercury News article, "experts estimate the new tax rules could still reduce federal funding for subsidized housing in the state by 20 percent, translating to roughly $500 million a year of projects and 4,000 new units lost."

In addition, with property-tax deductions limited to $10,000 a year, and state and local taxes no longer being deductible from federal tax returns, many future homeowners will see their disposable income shrink as well as their ability to make a mortgage. While this may result in lower housing prices down the road as more homes sit on the market waiting for eligible buyers, it is a deterrent to attracting workers to the state.

Stay tuned to this monthly report for more updates on these and other trends that will impact the recruiting and retention of employees.

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