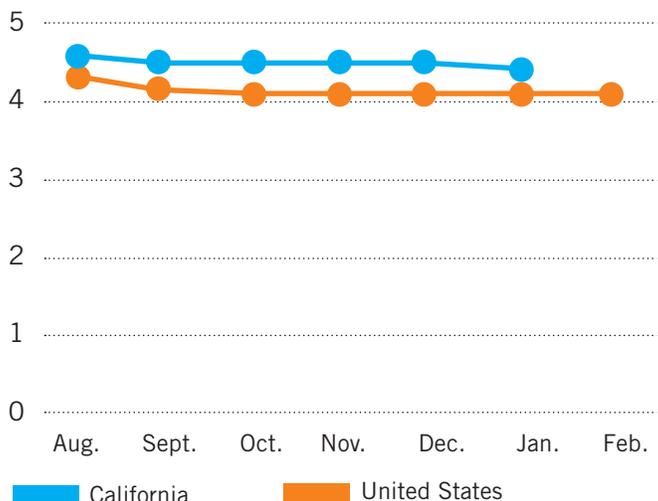




# Southern California Employment Trends Report

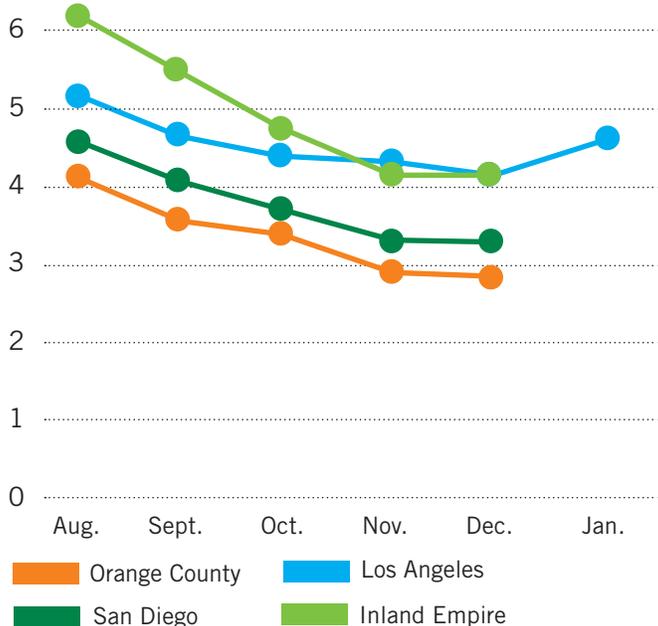
## SOUTHERN CALIFORNIA

### Unemployment Rate (California vs. U.S.)



Both the California and national unemployment rates continue to maintain their historic lows. Data for February was only available for the U.S. (Source: U.S. Bureau of Labor Statistics)

### Southern California Unemployment Rate



Los Angeles' unemployment rate rose .6 percent in January. Data for January was only available for Los Angeles. (Source: U.S. Bureau of Labor Statistics)

### U.S. Jobs Report and SoCal Economic Outlook Strong, But Slow Wage Growth Is Concern for Local Businesses

The February U.S. Jobs Report released by the U.S. Bureau of Labor Statistics (BLS) reflected a hot employment market with a host of solid indicators. Employers added 313,000 new jobs in February, far exceeding analyst expectations and significantly up from the previous month's 239,000 added jobs.

The nation's unemployment rate remained at a 17-year low of 4.1 percent for the fifth consecutive month. More than 800,000 people, including many who have not been actively looking, jumped into the market.

In the Southland, the region's economy is growing faster than the nation's, according to the Los Angeles County Economic Development Corporation (LAEDC). Unemployment sits at 4.7 percent in Los Angeles or lower in other areas such as Orange County. The region's outlook from economists looks strong over the next two years.

The only blemish in this shiny economic picture is slowed wage growth. With unemployment at historic lows, a natural assumption is that employers should have to offer higher pay to attract workers. The LAEDC reports though that income gains were modest in the past year (i.e. less than four percent). Reason being, the biggest job growth has been in low-education, low-wage jobs.

It's tempting to downplay this issue in the bigger rosy picture. After all, the BLS reports that wages rose faster in California than the rest of the nation in 2016 and 2017. Last year, the average annual wage increase in the state was 3.9 percent, whereas the U.S. was 2.7 percent.

However, while wages increased incrementally, the median home price in Los Angeles County rose eight percent in 2017 and is projected to jump another 11 percent by 2019.

Here's where the wage-growth issue becomes a potential concern for local businesses: if the region's housing costs continue to increase at the current rate, set against modest wage gains, workers will no longer be able to afford to live in the area, compelling them to relocate.

Employers will eventually have to raise wages to keep their best talent or lure new candidates, and possibly from farther geographies. Are employers headed toward a "critical mass" point though where escalating wages cause them to relocate? Some high-profile brands have already moved out of SoCal for various reasons, this one included.

Kelly Services will continue to monitor this evolving dynamic and aim to help our customers and employers navigate wage growth challenges in an employee-driven market.

