The Sacramento region’s labor market has nearly recovered from the 2008-2009 recession.

The region has added 85,000 jobs since 2011 causing the unemployment rate to decline, but the labor force participation rate remains low.

The health care and business and professional services sectors have been the region’s leading job creators.

Construction and financial services sector jobs remain well below their 2007 levels.
We are almost there.

The key to economic recovery is job recovery as Sacramento lost 12% of its nonfarm jobs during the last great recession. Last year we asked the question: “Are we there yet?” This was in reference to the fact that the labor market in the Sacramento region had not fully recovered from the recession. The pace of job growth was steady over the last three years. This year we can say that we are almost there, as Sacramento nonfarm jobs have recovered close to the 2007 peak level, and hopefully we can finally claim a full job recovery for the Sacramento region in 2016.

In the process, the region’s unemployment rate has continued to decline as the number of jobs has increased by about 85,000 since the 2011 low. However, it is necessary to understand that the unemployment rate is not the perfect indicator of where we are in the recovery process. The official unemployment rate masks a large number of workers who are counted toward employment but are working part-time or have dropped out of the labor force altogether. Sacramento has outpaced California in terms of the improvement in the unemployment rate; however, over the last five years the Sacramento region’s labor force (the denominator) has flattened while the state’s labor force has increased. This is why although California overall has regained all its jobs lost during the last recession, we cannot yet make the same claim here in Sacramento. The improvement of the unemployment rate in Sacramento is expected to slow down in 2015 as part-timers find full-time jobs and dropouts come back to the labor force. We expect to continue to see the local unemployment rate ranging from 6% to 7% in 2015.

Data Source: EDD
Sacramento’s Labor Market & Regional Economy 2015 Outlook

A Region Transformed
While the region’s labor market has recovered close to its previous highs, it has undergone a major transformation in the past seven years. There have been winners and losers as some industries have thrived, adding jobs and becoming a larger portion of the region’s labor market, while others have struggled, shedding jobs and becoming a smaller portion of the regional labor market.

The winners: The health care industry has been the region’s leader when it comes to job creation over the past seven years.

The health care industry has been the region’s leader when it comes to job creation over the past seven years.

The Economy Has Room to Run
The good news is that as the national economy grows strong, the local economy has a lot of room to grow. With workers still underemployed and the inflation rate below the Fed’s target, we expect the economic recovery to continue, and to continue to improve. Most recently the low oil price has contributed to stronger consumer confidence, and the financial market has continued to show its optimism. If the economic recovery is nearly completed and the economic growth is about to slow down, then financial market optimism may be misplaced. As the economy is still on its path of recovery and there is a lot of growth potential, we believe the financial market is right to be optimistic. Inflation is still low, and we have not seen upward pressure on wages and prices that is often considered by economists as the true signal of a full economic recovery. We should expect continued economic growth for the next few years.

The health care industry has been the region’s leader when it comes to job creation over the past seven years.

The health care industry has been the region’s leader when it comes to job creation over the past seven years.

While the region’s labor market has recovered close to its previous highs, it has undergone a major transformation in the past seven years. There have been winners and losers as some industries have thrived, adding jobs and becoming a larger portion of the region’s labor market, while others have struggled, shedding jobs and becoming a smaller portion of the regional labor market.

The winners: The health care industry has been the region’s leader when it comes to job creation over the past seven years. The number of the region’s health care jobs has increased by over 22,000, an average annual increase greater than 3.5%. As a result, the health care sector increased its share of the Sacramento region’s labor market from 10.6% in 2007 to 13.4% today.

Within the health care sector, the subcategory of ambulatory health care services (outpatient care) has done most of the heavy lifting having added 10,000 jobs, a 28% increase, during the same period while hospitals (inpatient care) added 3,000 jobs, a 15% increase.
**Figure 3**  
The Economy Has Room to Improve

![Graph showing GDP growth with and without the last recession](image)

Data Source: BEA

**Figure 4**  

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007 Jobs</th>
<th>2007 as % of Economy</th>
<th>2014 Jobs</th>
<th>2014 as % of Economy</th>
<th>Changes</th>
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<tbody>
<tr>
<td>Government</td>
<td>238,800</td>
<td>25.8%</td>
<td>228,100</td>
<td>25.4%</td>
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<tr>
<td>Trade, Retail, Transportation &amp; Utilities</td>
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<tr>
<td>Professional &amp; Business Services</td>
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<td>123,000</td>
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</tr>
<tr>
<td>Health Care</td>
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<td>120,300</td>
<td>13.4%</td>
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</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
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<tr>
<td>Financial Services</td>
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<td>51,400</td>
<td>5.7%</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Manufacturing</td>
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<tr>
<td>Education</td>
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<td>14,400</td>
<td>1.6%</td>
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<tr>
<td>Information</td>
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<tr>
<td>Other</td>
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<td>3.2%</td>
<td>29,900</td>
<td>3.3%</td>
<td>–</td>
</tr>
</tbody>
</table>

Data Source (Figures 4 & 5): EDD

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**Figure 5**  
Sacramento Job Market Changes » 2007-2014

![Graph showing job market changes](image)
Second only to health care, the professional & business services sector posted strong job gains over the past seven years, too. In total, the sector added over 10,000 jobs, a more than 12% increase from pre-recession levels. These job gains have caused the sector’s share of the region’s total employment to increase from 12.1% to 13.7% since 2007. However, the gains within this sector are concentrated in two areas: management of companies and enterprises and employment services. Management of companies and enterprises, which overall represents approximately 1% of the region’s labor, increased by 2,500 jobs, or 30%, over the past seven years. Meanwhile, those working for employment services, which include part-time staffing, increased by 7,300, nearly 40% from the pre-recession level.

**The losers:** While health care has led the region’s labor market recovery, the construction sector has lagged. In the past seven years, the region has lost about 22,000 constructions jobs, or over 30% of the pre-recession total. In the process, the construction sector fell from the region’s fifth-largest nongovernment employment sector with 7.6% of the labor market to the seventh with just 5.3% today. Within the construction sector, those engaged in building construction took the hardest hit, losing 5,100 jobs (33% of the pre-recession total). The least hit were building equipment contractors, however this segment still lost 2,700 jobs (18.5% of the pre-recession total).
Next to the construction sector, the financial services sector was the biggest loser both in terms of the number of jobs lost (over 10,000) and the percentage decline (17.2%). Within the financial sector, both the insurance and real estate subsectors reported a 2,000 to 3,000 reduction in jobs representing a decline of between 12% and 13% from pre-recession highs. However, it was credit intermediation that showed the largest decline, losing 6,500 jobs, a 33% reduction since 2007.

Nonetheless, we expect to see continued economic recovery and job growth in most sectors in Sacramento in this coming year. In 2015 we expect another 3,000- to 4,000-job gain in both the health care and professional & business services sectors that have been leading our regional job recovery, and roughly 2,000 jobs added in the retail industry. Government, education, leisure and hospitality, and manufacturing jobs should remain stable or show moderate growth in the coming year. We can even expect to see a moderate job growth in both the financial services and construction sectors. Although we did not see an increase in building permits issued in Sacramento over the last year and the housing sector will not add a significant number of construction jobs, the railyards, the arena and other potential downtown development projects should provide a steady growth of construction work in the near future.