

**CENTER FOR CONTINUING STUDY OF THE CALIFORNIA ECONOMY**

385 HOMER AVENUE • PALO ALTO • CALIFORNIA • 94301

TELEPHONE: (650) 321-8550

FAX: (650) 321-5451

[www.ccsce.com](http://www.ccsce.com)

DATE: April 17, 2017

TO: **Garett Ballard Rosa and Gordon Garry**

FROM: Stephen Levy

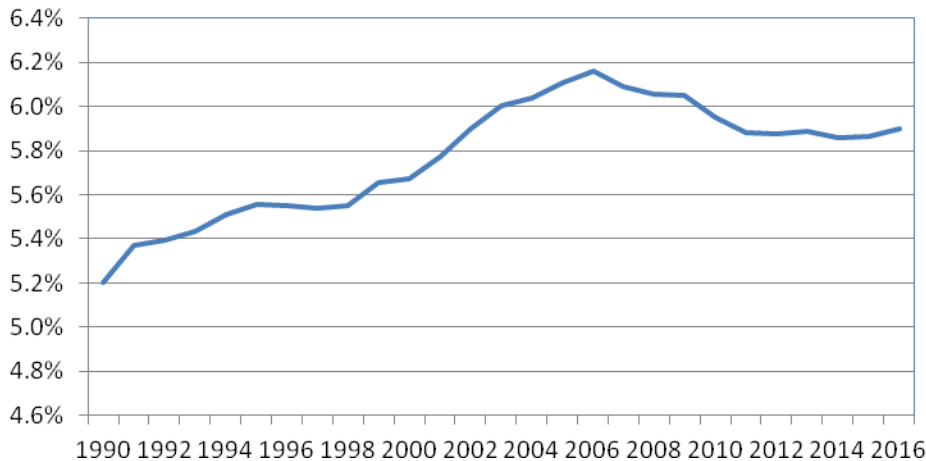
SUBJECT: Historical Analysis—the Background for the Forecast

The history of jobs in the SACOG region is a tale of two very different time periods—1990 to 2007 and 2007 to 2016.

**Total Job Trends**

The region outpaced the state in job growth between 1990 and 2007 and then lagged behind in the period to 2016. The region had 5.2% of state jobs in 1990 rising to nearly 6.2% by 2006. The region was hit harder than the state during the recession and recovered more slowly declining to 5.9% of state jobs by 2016.

**SACOG Region Share of CA Jobs**



Between 1990 and 2007 the region captured 10.0% of added state jobs. But between 2007 and 2016 the region’s share of job growth declined to 2.7% as shown in the table below.

Jobs in the SACOG Region and State  
(Thousands) 1990-2016

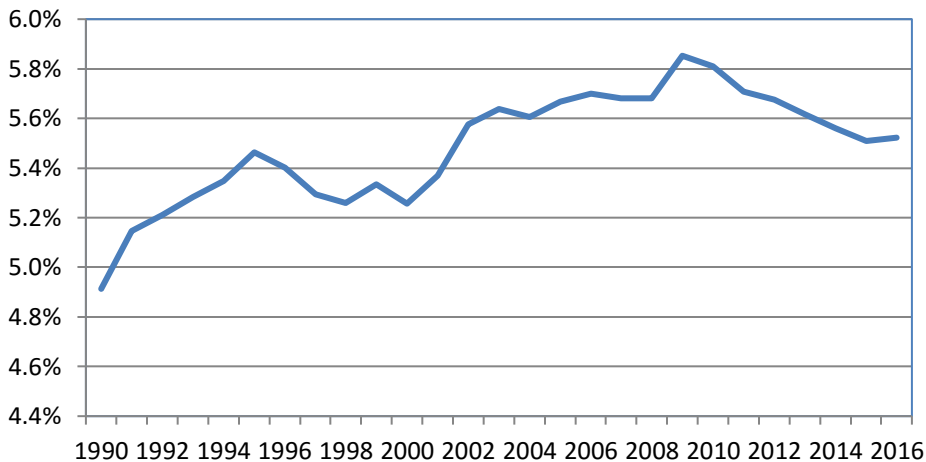
	1990	2007	2016	1990-2007	2007-2016
SACOG	736.2	1,058.6	1,087.8	322.4	29.2
CA	14,147.8	17,376.1	18,445.2	3,228.3	1,069.1
SACOG/CA	5.2%	6.1%	5.9%	10.0%	2.7%

Source: EDD

### Trends in Basic Industry Jobs

Industries in the region’s economic base (basic industries) determine whether the region will grow faster than, slower than or in line with state job growth. Basic industries are those which are not tied to the local population as their prime market. They provide goods and services to the rest of the state, the nation and the world.

### SACOG Region Share of CA Basic Jobs



Between 1990 and 2007 the region captured 14.0% of state basic industry job growth, which explains the sharp rise in the region’s share of state jobs and population during this period. The regional share plummeted to 2.6% between 2007 and 2016 and explains why the region lagged the state in job growth after 2007.

Basic Industry Jobs in the SACOG Region and State  
(Thousands) 1990-2016

	1990	2007	2016	1990-2007	2007-2016
SACOG	286.0	361.2	370.1	75.2	8.9
CA	5,820.7	6,356.8	6,700.8	536.1	344.0
SACOG/CA	5.2%	6.1%	5.9%	14.0%	2.6%

Source: EDD and CCSCE

**Structure of the SACOG Economic Base**

CCSCE aggregates basic industry jobs into seven key categories as shown below. Manufacturing jobs are split into high tech and diversified (everything else). Wholesale Trade and Transportation is just what it says. Professional, business and information services includes software, internet related and professional, technical and scientific services and employment services. Tourism and entertainment includes amusements, hotels and motion pictures. Basic government includes federal and state government jobs. Resource based includes agriculture and mining.

The SACOG region economic base is dominated by two sectors—basic government and professional, information and business services, which have a close tie to serving state government and its customers. Almost two thirds of basic industry jobs are in these two categories, which makes the region’s economic fortune tied closely to trends in these industries.

Structure of SACOG and CA Economic Base  
(Percent of Jobs by Major Category)  
2016

	SACOG	CA
High Tech	2.1%	6.0%
Divs. Manuf.	7.9%	12.8%
Whls Tr & Transp.	14.6%	18.6%
Prof, Bus & Info Serv.	27.9%	33.3%
Tourism & Ent	7.2%	10.4%
Basic Govt	36.0%	11.5%
Resource Based	4.3%	7.5%
Total Basic Jobs	100.0%	100.0%

Source: EDD and CCSCE

Basic government, dominated by state government and education jobs, accounted for 36.0% of the region’s economic base in 2016 compared to the 11.5% statewide share. The only other region with such a dominant single sector is the Resource sector in the San Joaquin Valley. As a result of the high basic government share, all other sectors are underrepresented in the region’s economic base.

The importance of basic government and professional, business and information service trends is seen in the table below.

SACOG Region Major Economic Base Sectors  
(Jobs in thousands) 1990-2016

	1990	2007	2016	1990-2007	2007-2016
High Tech	6.7	8.3	7.8	1.6	-0.5
Divs. Manuf.	33.1	31.2	29.4	-1.9	-1.8
Whls Tr & Transp.	38.2	56.0	54.1	17.8	-1.9
Prof, Bus & Info Serv.	52.0	101.4	103.2	49.4	1.8
Tourism & Ent	18.0	24.3	26.5	6.3	2.2
Basic Govt	118.9	124.8	133.2	5.9	8.4
Resource Based	19.2	15.2	15.9	-4.0	0.7
Total Basic	286.0	361.2	370.1	75.2	8.9

Source: EDD and CCSCE

The surge in professional, business and information service jobs both explains the surge in basic job growth prior to 2007 and was tied to serving the state government. Both sectors did poorly after 2007, which explains the sharp slowdown in basic industry job growth. Wholesale trade and transportation jobs went from a strong gain to a small loss.

Another way to look at the region’s economic base is to see what share of California jobs each major category has and how these shares have changed over time. Once again basic government is where the region, as the state capital, has an above average share. Looked at from 1990 all categories except resource based have gained share. From 2007 forward, most categories lost share.

**Between 1990 and 2016 the region did not significantly diversify its economic base and this is the challenge for sustaining job growth into the future as state government is unlikely to be a fast growing sector.**

### SACOG Region Share of California

	1990	2007	2016
High Tech	1.0%	2.0%	1.9%
Divs. Manuf.	2.8%	3.2%	3.4%
Whls Tr & Transp.	4.2%	4.8%	4.3%
Prof, Bus & Info Serv.	4.0%	5.2%	4.6%
Tourism & Ent	3.6%	4.0%	3.8%
Basic Govt	16.0%	17.0%	17.4%
Resource Based	4.0%	3.3%	3.2%
Total Basic Jobs	4.9%	5.7%	5.5%

Source: EDD and CCSCE