

2021 Regional Progress Report

How the Greater Sacramento region is tracking on key measures of economic prosperity, vibrant places, and connected communities



The goal of “Economic Prosperity” means developing a diversified and inclusive regional economy by supporting the expansion of key economic clusters including agriculture and food, health sciences, and innovative mobility. It also means supporting development that provides a high quality of life for all and is attractive to both new and existing businesses. The region’s Prosperity Strategy lays out a pathway for a more aligned, prosperous, and resilient Sacramento region. Importantly, the strategy argues that a truly prosperous region must tackle both growth (e.g., increasing jobs, household incomes) and inclusion (e.g., reducing disparities, providing equal access to opportunities). This report provides indicators of how the region has fared within these two economic prosperity themes.

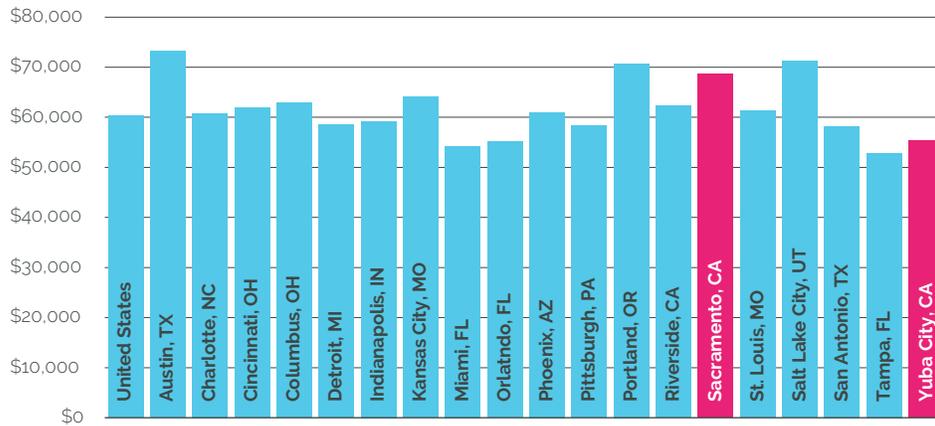
Economic Prosperity key findings:

- The jobs gained since the Great Recession (in healthcare, education, leisure/hospitality) have been different than the jobs lost (in manufacturing, finance, local government). Overall, the region has seen a shift towards locally-serving industries.
- The health sector has been the fastest growing part of the regional economy in terms of employment (and growing faster than the national rate). Yet the region needs other sectors, especially tradable industries, to better diversify the economy. In addition to health, the [Prosperity Strategy](#) highlights food/agriculture and innovative mobility as other areas of promise for the Sacramento region.
- High and rising housing costs offset the region’s relatively high median wages. Renters are especially vulnerable to housing-cost burden. Wages need to keep up with housing costs, else housing-cost burden will increase.
- Recent output growth in the region has been promising, though a lack of new young firms could be a damper on the region’s innovative economy.
- Covid-19 and the associated shelter-in-place efforts have had a pronounced impact on the regional economy. The jobs lost in early 2020 greatly outpaced what was witnessed during the last recession. Equally pronounced though has been the recent employment rebound. It is still too soon however to know if the employment rollercoaster represents a temporary blip or will lead to structural changes in the regional economy.

Region's household income among highest of mid-sized regions

The Sacramento region's economy remains relatively prosperous. Only three of the 19 studied mid-sized regions had higher median household incomes than greater Sacramento, though incomes in Yuba and Sutter trail the rest of the region.

Economic Prosperity Figure 1. 2018 Median Household Income by Region

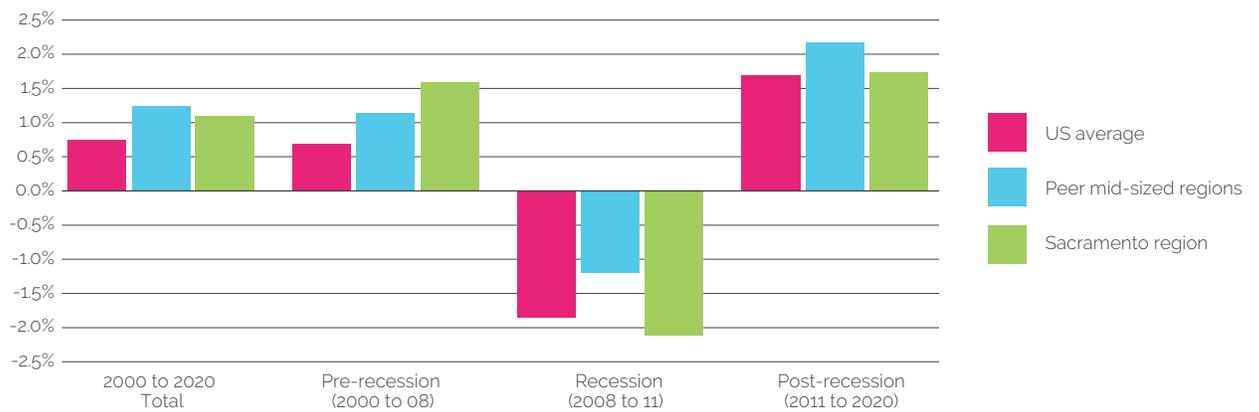


Source: SACOG, December 2020 based on the 2018 American Community Survey five-year sample for metropolitan statistical areas.

But recent job growth lags other mid-sized metro areas

The Sacramento region's job growth was relatively stronger prior to the recession (ranking seventh among peers), but post-recession has not kept up with its fellow mid-sized regions. Notably, the region has fallen to 14 out of 19 in its peer group of mid-sized regions in the post-recession job growth rate, and the Sacramento regional rate now mirrors that of the nation as a whole.

Economic Prosperity Figure 2. Annual Job Growth Comparison: Sacramento and other Mid-Sized Metro Areas



Source: SACOG analysis of Current Employment Survey (CES) data from the US Bureau of Labor Statistics (BLS).

Covid-19 has pronounced near-term effect on employment

As in the nation and other mid-sized regions, Covid-19 has had stark near-term impacts on the number of jobs in our region, which dropped about 15% in the early part of the year. While fellow regions also have witnessed drastic declines in jobs, the speed of this job loss greatly outpaces what was witnessed in the Great Recession.

Since the nadir in April of 2020, job levels have steadily rebounded, and now stand at about 5% less than the beginning of the year. The Sacramento region closely mirrors the U.S. in this trend.

It's still too soon to tell if the job loss and rebound represent a temporary blip or a more structural change in both the regional and national economy like was seen in 2008 and 2009.

Economic Prosperity Figure 3. Total Jobs in the Sacramento Region by Month:

January 2000 to October 2020



Source: SACOG analysis of Current Employment Survey (CES) data from the US Bureau of Labor Statistics (BLS). Job estimates for October of 2020 are preliminary.

Regional economy dominated by government, health, and education sectors

Over 40% of regional employment is in just three sectors: government, healthcare, and education.

Location quotient (LQ) is a method to gauge regional concentration by sector. The measure compares the concentration of employment in an industry in the Sacramento region to the same industry's concentration in the national economy. LQ values above 1 signify areas where the region is more concentrated than the nation. The only industry with a noticeable regional concentration (besides of course the incredibly high LQ in state government) is the non-base construction industry.

The region's Prosperity Strategy highlights the food/agriculture cluster, health sciences, and innovative mobility as promising areas for growth. While the region has a lower concentration of farm employment relative to the nation, work under SACOG's Rural-Urban Connections Strategy program has shown the broader food/ag cluster contributes over \$7 billion annually to the regional economy. Health is one of the fastest growing parts of the economy, with the Prosperity Strategy emphasizing the need to focus on the tradable component of that sector. Finally, innovative mobility is an emerging activity that spans multiple sectors (i.e., is too small and broad to be measured in these top-level sector groupings). However, the region's lower concentration in manufacturing could be a challenge for work underway to grow this cluster.

Economic Prosperity Table 1. Sacramento Region Employment Mix, 2020

Sector	% of Regional Employment	Location Quotient
Construction	6%	1.21
Education and Health	16%	1.04
Farm	1%	0.63
Federal Government	1%	0.78
Finance	5%	0.89
Information	1%	0.59
Leisure and Hospitality	10%	0.97
Local government	11%	1.14
Manufacturing	4%	0.44
Other Services	3%	0.77
Professional and Business Services	13%	0.93
Retail	10%	0.97
State Government	12%	3.44
Transportation, Warehouse, Wholesale, Utilities	6%	0.79

Source: SACOG analysis of EDD Industry Employment & Labor Force benchmark series for regional employment and BLS Employment by Major Industry Sector data series for national location quotient comparison.

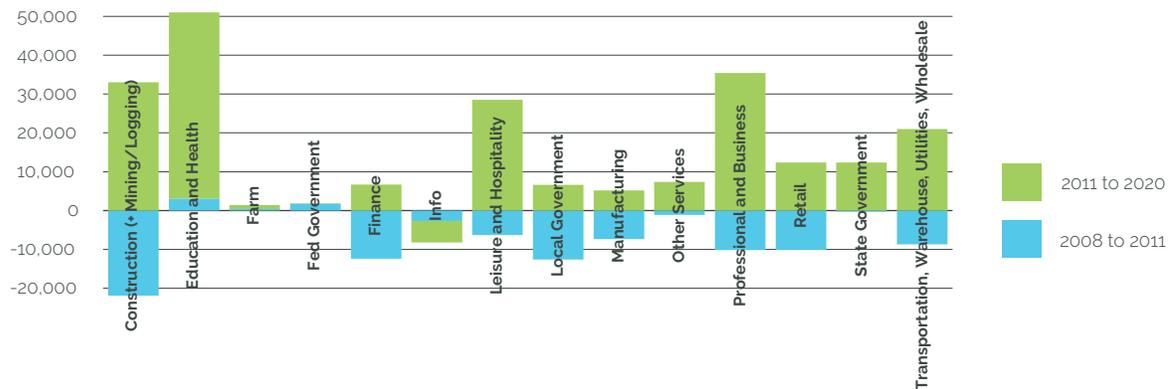
Health/education the fastest growing sector in region, while manufacturing, local government, and finance sectors lag

The jobs gained since the Great Recession (in healthcare, education, leisure/hospitality) have been different than the jobs lost (in manufacturing, finance, local government). Overall, the region has seen a shift towards locally-serving industries.

- The construction sector was the hardest hit industry in the region by far during the recession. The sector has come back since, with especially high employment growth in the last few years. In contrast, neither the finance, manufacturing or local government sectors have regained their pre-recession employment levels.
- The fastest job gainers since the recession (in addition to construction's recovery mentioned above) come from the education/healthcare, leisure/hospitality, and professional/business service sectors, continuing the shift towards service sector employment.
- These job totals predate the mid 2020 drop in employment, which affected leisure, hospitality, retail and other services most heavily.

Economic Prosperity Figure 4. Job Change in Sacramento Region by Sector:

Recession and Recovery Periods



Source: SACOG analysis of EDD sector data from January 2008 to January 2020.

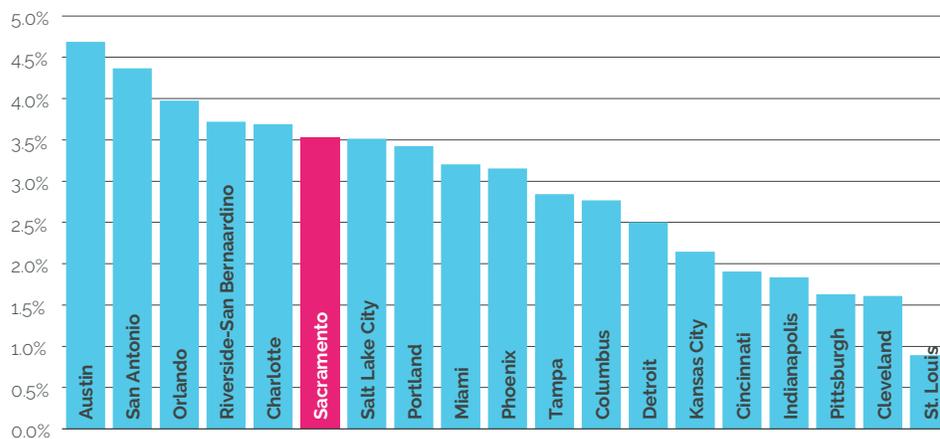
Recent GRP growth in Sacramento region in top third of peer group

Employment change only tells half the story of trends in the regional economy. Gross regional product (GRP) measures the size of the regional economy by totaling the market value of all final goods and services produced in the region. GRP is a good complement to total jobs in that it reflects output and productivity, not just number of jobs. A look at real GRP allows us to ask: is the regional economy growing on an inflation-adjusted basis?

While post-recession job growth in greater Sacramento has trailed peer regions (14th out of 18 regions), annual real GRP growth in the Sacramento region between 2011 and 2018 averaged 3.5%, or 6th in its peer group over this time.

Economic Prosperity Figure 5. Real Annual GRP Growth: 2011 to 2018

Sacramento Region compared to Mid-sized Peers



Source: SACOG compilation of Gross Domestic Product at MSA level data series from the BEA.

Yet startup and firm scaling could be lagging in the Sacramento region

Work by the Brookings Institution for the Sacramento region notes the proportion of employment in young firms (firms in existence five years or fewer) compared to total regional employment is a useful indicator of innovation and startup activity. It can serve as a proxy for the dynamism of the region's startup and scale-up activity.

The region has lagged somewhat in employment opportunities at new startup firms relative to the overall economy and to other metropolitan areas. While some of the young firms of prior years have scaled and are now successful established firms, the lack of new young firms in the region could be a damper on the innovative economy. The Prosperity Strategy includes near and longer-term priorities to build out the region's innovative economy.

Economic Prosperity Figure 6. Percent of Sacramento Regional Employment in Firms Less than Five Years Old



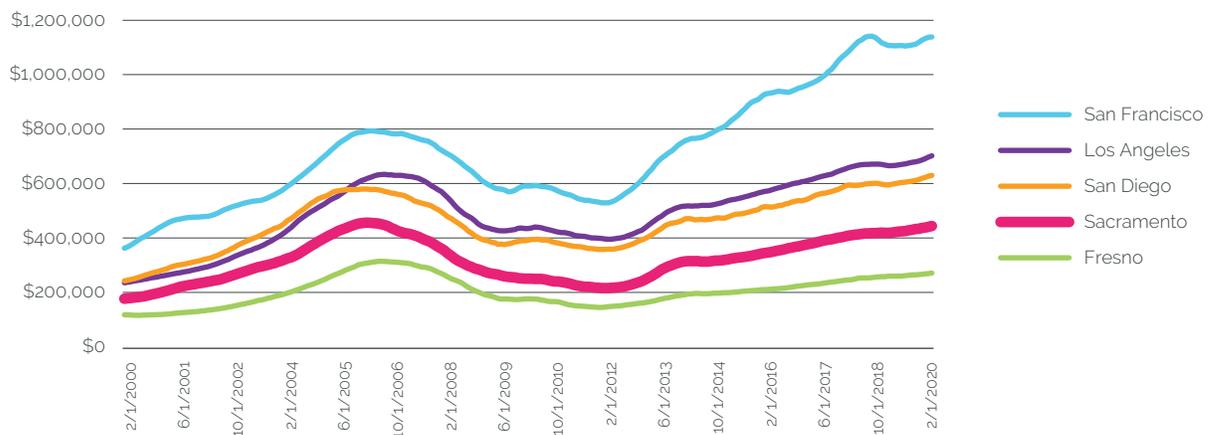
Source: SACOG analysis of LED extraction tool of Quarterly Workforce Indicators series

Housing prices in Sacramento region lower than coastal areas but high from national perspective

The Sacramento region is like many other California areas, where home values have just re-reached (or are almost back to) pre-recession levels on an inflation-adjusted basis. The outlier is the Bay Area, where home values have greatly outpaced inflation, and are now around 50% higher than the peak before the recession.

While housing in the Sacramento region is less expensive relative to the large coastal areas of the state, it is more expensive compared to the nation at large. Zillow estimates the typical value of homes in the United States at about \$262,000, compared to about \$440,000 in the Sacramento MSA. As more people move to the region from high-cost coastal areas, the upward pressure on housing-cost burden will likely increase.

Economic Prosperity Figure 7. Median Home Values by California Metropolitan Statistical Areas (in \$2020)



Source: SACOG analysis of Zillow monthly median home values by metro area, January 2000 to April 2020. Calculation of home values uses the 35th to 65th percentile by month, and is compiled at the MSA level (so includes the Sacramento MSA but not the Yuba City MSA) and is chained in 2020 dollars.

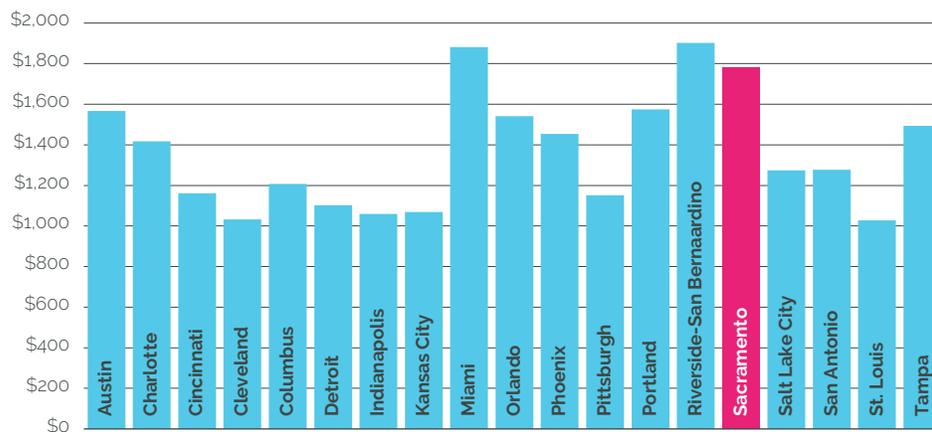
While home values have steadily recovered, rents have skyrocketed

Sacramento is an expensive market for renters compared to other mid-sized areas. Of its peer group, only Miami and Riverside/San Bernardino have higher median rents.

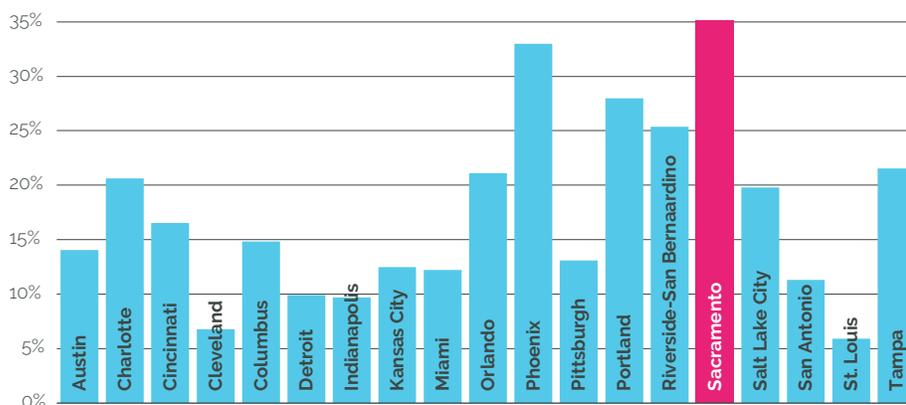
And rents are growing rapidly here. Between 2014 and 2020, Sacramento metro area rents have increased at a greater rate than all the other mid-sized peer regions analyzed in this progress report.

High home and rental costs lead to the significant regional housing-cost burden noted in the opening. Indeed, almost half of all renters in the region pay more than 30% of gross monthly income to cover rent.

Economic Prosperity Figure 8a. Average Rents (April 2020) by Metro Area



Economic Prosperity Figure 8b. Rent Increase between January 2014 and January 2020



Source: SACOG analysis of Zillow monthly average rent between 2014 and 2020, for MSA. Measure is calculation of average rent in the 40 to 60th percentile. Data for Sacramento region only includes the Sacramento MSA, not the Yuba City MSA.

Geography

The 2021 Regional Progress Report covers the six-county Sacramento region, which consists of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba counties. Indicators, statistics, and charts in the Progress Report titled or referenced as the "Sacramento region" or "greater Sacramento" are for this six-county area, unless otherwise explicitly mentioned in the corresponding text/chart.

Several indicators/charts however are instead at the Metropolitan Statistical Area (MSA) level. There are two different MSAs in the Sacramento region—the Sacramento MSA (also referred to as the Sacramento metro area), consisting of El Dorado, Placer, Sacramento, and Yolo counties, and the Yuba City MSA (also referred to as the Yuba-Sutter metro area), consisting of Yuba and Sutter counties. Due to data restrictions some indicators only have data for the Sacramento MSA, not the Yuba City MSA; these will be noted in the source documentation. Finally, one transportation-related indicator uses the Sacramento Urbanized Area geography, a measure of the urbanized core of the region, while the indicators drawing on SACOG's regional permit database are just for the SACOG planning region (i.e., do not include the Tahoe Basin portion of Placer and El Dorado counties). Each of these unique geographies is referenced in the source documentation.

Comparator regions

The 2021 Progress Report compares the Sacramento region to a variety of other metropolitan areas. First, the report compares greater Sacramento to fellow California regions: the Bay Area, greater Los Angeles, and San Diego are defined as the areas covered by their respective Metropolitan Planning Organizations (MTC, SCAG, and SANDAG), while the Progress Report defines the San Joaquin Valley as Fresno, Kern, Kings, Madera, Merced, San Joaquin, and Stanislaus counties.

Several indicators in the report include a comparison to other national mid-sized regions. Recent work by the Brookings Institution found these comparators share similar economic size, wealth, productivity, industrial structure, and competitiveness factors to the Sacramento region. To Brookings' list of 15 national comparators SACOG added two fellow state capitals (Austin and Salt Lake City) and another West Coast mid-sized region (Portland). In short, while regions in California are important points of comparison across many indicators (such as the population growth or housing cost measures), Brookings' work shows how benchmarking across fellow mid-sized regions instead of larger coastal areas can be an effective way to track other trends captured in the Progress Report. Comparator mid-sized regions are defined as their MSA.

Race/ethnicity data

The Progress Report draws on a wide variety of data sources. Many on race and ethnicity come from the US Census Bureau based on the respondent's self-identification within Census categories. The Census recognizes race as a social construct, noting the racial categories used "generally reflect a social definition of race recognized in this country and not an attempt to define race biologically, anthropologically, or genetically." In the Census, the concept of Hispanic origin is separate from race. In other words, the Census asks respondents if they identify as being of Hispanic, Latino, or Spanish origin, and then a separate question on how they identify within Census racial categories of Alaskan Native or American Indian; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; White; Some Other Race. This two-question approach to race and ethnicity means there can be overlap between several of the reported categories in indicators that compare across groups. For example, a person who identified as being of Hispanic origin on the ethnicity question and as Black or African American on the race question would be included in both the Hispanic and Black reported categories in certain indicators. However, in other measures the data separates out Hispanic from non-Hispanic across all race categories. The Progress Report documents if the reported race/ethnicity category includes those that identify as of Hispanic origin or not, using (NH) to distinguish non-Hispanic. For example, an indicator for Black (NH) means the category covers those who selected Black or African American on the race question and 'not of Hispanic origin' on the ethnicity question. An indicator for Black (no 'NH' following in the legend) encompasses those who selected Black or African American on the race question regardless of how they answered the ethnicity question.

Because the Census is only conducted once every ten years, the bureau uses surveying techniques such as the American Community Survey (ACS) to gather important information about metropolitan regions, states, and the nation. Much of the race and ethnicity data in this Progress Report is from the ACS. The ACS source documentation details the scientific approach to these surveys, including margin of error. Data indicators on several Census racial categories in the region have high margins of error given the relatively small population and sampling size for these racial categories. As a result, outside of the total population indicator, the Progress Report does not report individual data on American Indian, Alaskan Native, Native Hawaiian, Pacific Islander, Multi-Race, or the Census' Other category. SACOG staff reviewed the available data and believe that it is not possible in the data for these categories to distinguish a true population value from a random sample error given the reported margins. However, ACS data for these racial categories can be found at <https://www.census.gov/programs-surveys/acs>

