CALIFORNIA
REGIONAL ECONOMIES PROJECT

ECONOMIC PROFILE: GREATER SACRAMENTO REGION

Prepared for the

CALIFORNIA ECONOMIC STRATEGY PANEL

OCTOBER 2008

Secretary Victoria L. Bradshaw – Chair
The Honorable Juan Arambula, California State Assembly
Joseph Fernandez, Active Motif, Inc.
Barry Hibbard, Tejon Ranch Company
Pius Lee, California Realty & Land, Inc.
Larry Mankin, Santa Clarita Valley Chamber of Commerce
Jerold Neuman, Allen, Matkins, Leck, Gamble & Mallory LLP
Tim Rios, Wells Fargo Bank
Tommy Ross, Southern California Edison
Malaki Seku-Amen, UNITY Media
Scott Syphax, Nehemiah Corporation
Danny Wan, Port of Oakland
Pablo Wong, Fidelity National Title Group

Edward Kawahara, Ph.D., Principal Consultant

Principal Researcher & Author

Janet Maglinte

Acknowledgements

The Panel acknowledges the contributions of the Labor Market Information Division of the California Employment Development Department and, notably, John Milat, Mary Rippey, Paul Wessen and Spencer Wong.

PREFACE

The California Economic Strategy Panel (Panel) continuously examines changes in the state's economic base and industry sectors to develop a statewide vision and strategic initiatives to guide public policy decisions for economic growth and competitiveness (see www.labor.ca.gov/panel/). The fifteen-member Panel is comprised of eight appointees by the Governor, two appointees each by the President pro Tempore and the Speaker and one each by the Senate and Assembly Minority Floor Leaders. The Secretary of the California Labor & Workforce Development Agency serves as the Chair.

The Panel first identified California's economy as an economy of regions in 1996. At that time, the Panel also adopted a new way of looking at industry sectors and how they function and grow as industry clusters. These new ways of looking at the economy became the basis for the analytical work completed then, and have provided a foundation for the Panel's work since that time.

The California Regional Economies Project is currently the lead research mechanism for the Panel to identify economic policy issues. The project provides the state's economic and workforce development systems with data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and investment decisions and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

This report presents an in-depth analysis of the Greater Sacramento Region from 2001 to 2006, with snapshots of employment changes in 2007 and early 2008; however, this report does not cover the most recent, dynamic changes taking place in the economy, due to lag time in data availability at the detailed level used in our analyses. The most current monthly trends for California are available from the Labor Market Information Division of the Employment Development Department, at www.labormarketinfo.edd.ca.gov/?pageid=1003.

This profile provides updates to the Profile released in 2007, highlighting significant changes and key industry sectors and clusters in each region. This is briefer than past profiles and uses a different format, in an effort to make the information easier to read and faster to digest. The 2008 Profile also adds a new cluster, Housing, as we track activity in residential construction and related industries.

The statewide and eight other regional economic base reports are also available at www.labor.ca.gov/panel/. Previous economic base reports examined the 1990-2002, 2001-2004 and 2001-2005 periods. The earlier reports were the first economic base reports for the regional economies as they are defined today. The Panel's initial work, from 1994-1996, resulted in identification of six regions and provided regional economic base analyses; however, those regions were significantly redefined by 1998 into nine regions, making comparisons to the early analyses impractical.

The source of the data used for these reports is the official employment and wage information reported by employers to the State. While a variety of other sources provide similar information, they may not capture the official numbers that employers report, or may not include input from all employers. This data source is the most comprehensive and accurate source of information direct from employers, and is therefore the best to use for public policy-making, planning and program administration.

The Panel has taken steps to institutionalize the analysis and preparation of these economic base reports within State government so that this analysis may be provided on a yearly basis. Also, steps have been taken to leverage the body of knowledge that now exists around the study of industry clusters, gained through the California Regional Economies Project.

First, a non-confidential version of the data series, the *California Regional Economies Employment Series*, has been made available online by the California Employment Development Department's Labor Market Information Division (LMID) so that regional organizations may access this data at the county level. Second, a step-by-step guide, the *Industry Clusters of Opportunity User Guide,* is available online so that regional organizations can conduct industry cluster studies and work with business and industry to test and apply the findings.

With this information, regional organizations may conduct their own economic base and industry cluster analyses down to the county level, and they may combine county data to create their own sub-regional study areas. Training workshops are being held to teach the methodology and processes outlined in the *Industry Clusters of Opportunity User Guide* to representatives from Local Workforce Investment Boards, economic development organizations, the Employment Training Panel, LMID, educational institutions and programs including Community Colleges and Regional Occupational Programs, and other local jurisdictions.

The statewide and regional economic profiles, the *Industry Clusters of Opportunity User Guide* and other studies are available on the Panel's website at www.labor.ca.gov/panel/espcrep.htm.

The *California Regional Economies Employment Series* is available online at www.labormarketinfo.edd.ca.gov/?pageid=173.

The California Regional Economies Project is sponsored by the California Labor & Workforce Development Agency, California Employment Development Department, California Workforce Investment Board and the California Community Colleges Chancellor's Office.

GREATER SACRAMENTO REGION

ECONOMIC PROFILE

October 2008

THE GREATER SACRAMENTO REGION

includes six counties, as defined by the California Economic Strategy Panel (Panel): El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba.

The Greater Sacramento Region is the state's fifth largest region, with 6.1% of its population and 6.2% of its jobs (2006). Within the region's six counties, the preliminary unemployment rate for August 2008 ranged from 6.8% in both El Dorado and Yuba Counties, to 12.2% in Sutter County. From 2001 to 2006, while jobs grew by 9.4%, the region's Gross Domestic Product (GDP) grew by 91.2% and Per Capita Personal Income grew by 20.0%.

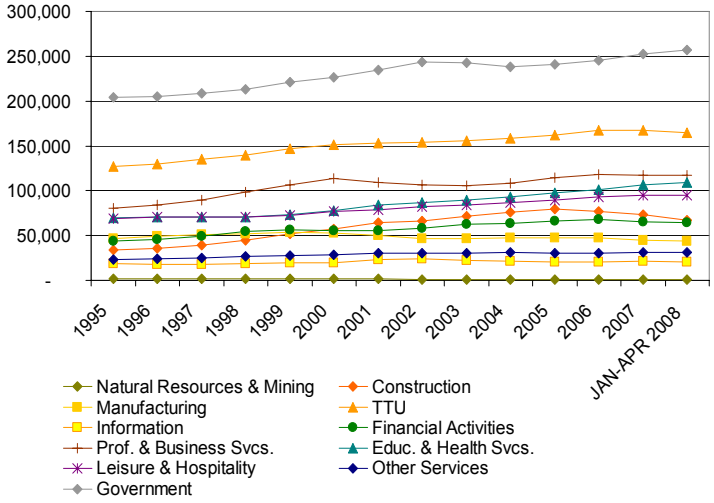
The region experienced growth each year from 2001 to 2006. Growth was led by Health Care & Social Assistance (13,900 jobs), followed by Accommodation & Food Services (10,900 jobs), Construction (10,400 jobs) and Finance & Insurance (10,100 jobs). The fastest growth was reported by Educational Services (42.5%).

During this period, several sectors reported job losses. Losses were greatest in Manufacturing, down 6,300 jobs, followed by Management of Companies & Enterprises (down 5,000 jobs), Agriculture, Forestry, Fishing & Hunting (down 1,500 jobs), and Information (down 1,200 jobs).

The Current Employment Statistics (CES) program data, which excludes Farm and Private Households employment data, shows growth in Nonfarm employment in 2007, and no net year-over change from April 2007 to April 2008.

Using the CES data, the following graph shows Nonfarm employment since 1995:

NONFARM EMPLOYMENT 1995-2008[1]



A SNAPSHOT OF 2007 & 2008

This snapshot uses employment estimates for 2007 and 2008 from the Current Employment Statistics (CES) program; these data are official estimates, which may be revised when the annual data are finalized. The CES program is a different data source than that used for the rest of the report.

For the Greater Sacramento Region, a look at 2007 Nonfarm employment data shows that the region continued to enjoy job growth into 2007. Overall, Nonfarm jobs grew by 4.8% from 2006 to 2007.

From 2006 to 2007, nine of the eleven super sectors reported job growth. The fastest job growth was reported by Natural Resources & Mining, followed by Other Services and Education & Health Services. Also, job losses previously seen in the Information sector turned around, with growth of 2.9% from 2006 to 2007.

At the same time, Manufacturing and Financial Activities showed losses, and growth slowed in Construction, likely the impact of the housing downturn. A comparison of April 2007 with April 2008 shows declines in three more sectors.

The following table summarizes private sector Nonfarm employment change from 2001 to 2007, and into early 2008. The employment shown here does not include employment for Agriculture or Private Households, as the CES data does not capture these industries.

GREATER SACRAMENTO	2001-2006*	2006-2007	Apr07-Apr08
Total Nonfarm	**8.0%**	**4.8%**	**0.0%**
Natural Resources & Mining	-20.8%	37.2%	9.1%
Construction	16.7%	1.1%	-7.2%
Manufacturing	-11.5%	-7.6%	-3.3%
Trade, Transportation, & Utilities	9.8%	3.9%	-1.4%
Information	-5.6%	2.9%	-0.5%
Financial Activities	24.2%	-2.4%	-2.6%
Professional & Business Svcs	4.2%	7.3%	0.9%
Educational & Health Services	22.4%	10.5%	2.8%
Leisure & Hospitality	16.4%	6.5%	0.2%
Other Services	-20.8%	22.6%	2.9%
Government	4.9%	5.1%	2.1%

** The 2001 through 2006 data uses the California Regional Economies Employment Series (CREE) data source; this is generally the source of data for all employment analyses in this report, unless otherwise indicated.*

[1] The January to April 2008 data represents a four-month average.

IN RECENT YEARS 2001-2006

The rest of this report covers the period from 2001 through 2006, providing a picture of what was happening prior to, and at the start of the recent housing downturn. The data source is the Quarterly Census of Employment and Wages (QCEW) program, which releases the final annualized data about ten months after the end of each calendar year. The 2006 data was the most current available at the time of this report.

The QCEW data is available at the most detailed industry level[2], allowing an in-depth look at the industries and industry clusters during this time period. The CES data used for 2007 and 2008 was available at the super-sector level and excluded employment for the Farm and Private Households industries.

The following statistics are reported for the period of 2001 to 2006 in order to provide comparable facts for a more complete picture of the region during this period.

BUSINESS

Job Growth (2001-2006)	9.4%
Establishment Growth (2001-2006)	28.8%
GDP Growth[3] (2001-2006)	91.2%
Average Wage (2006, Private Industry)	$ 40,887
Wage Growth (2001-2006)	19.9%
Firms with < 100 employees (2006)	98.3%
Firms with < 50 employees (2006)	96.1%
Self-employed, not incorporated (2006)	8.6%

WORKFORCE

Unemployment Rate (2006)	4.9%
Population Growth (2001-2006)	10.7%
Per Capita Income (2006)	$ 36,307
Bachelor's Degree or higher (2006)	
-Of population age 25 and older	12.4% to 37.7%
Families Living in Poverty (2006)	7.6%

QUALITY OF PLACE

Air Quality Index (2006 Median AQI[4])*	36 to 54
Average Commute Time (2006)	20.1 to 30.3 min.
Housing Opportunity Index[5] (2007)*	17.5% to 27.2%

** Data not available for one or more counties.*

NOTE: Ranges provided where data are only available by county or Metropolitan Statistical Area and a regional value cannot be calculated.

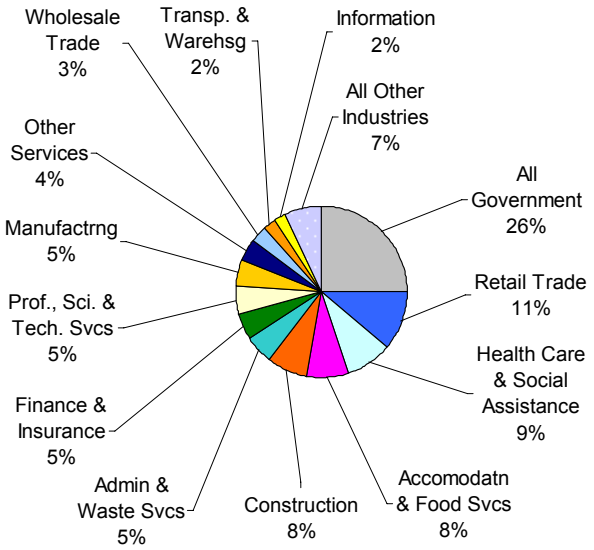
[2] The North American Industry Classification System (NAICS), 6-digit level.

[3] GDP = Gross Domestic Product; the data is available by MSA, which is used to approximate the regional GDP, where available.

[4] An AQI value of 50 or lower is Good; 51-100 is Moderate; 101-150 is Unhealthy for Sensitive Groups; and 151 or higher is Unhealthy (includes *unhealthy*, *very unhealthy*, and *hazardous)*.

[5] 4th Quarter 2007, percentage of homes in the area that would be affordable to a family making the median income.

INDUSTRY COMPOSITION 2006



REGIONAL JOB GROWTH RANKING (2001-2006)

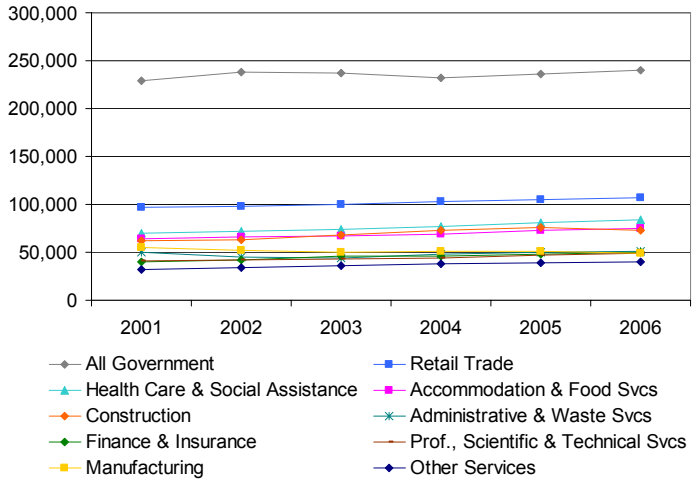
1.	San Joaquin Valley Region	9.9%
2.	**Greater Sacramento Region**	**9.4%**
3.	Southern Border Region	7.7%
4.	Southern California Region	6.5%
5.	No. Sacramento Valley Region	6.4%
	California as-a-whole	*6.1%*
6.	Central Sierra Region	5.9%
7.	Central Coast Region	3.6%
8.	Northern California Region	1.3%
9.	Bay Area Region	-5.8%

JOB GROWTH IN THE MAJOR INDUSTRY SECTORS 2001-2006 *(NAICS 2-DIGIT)* (TEN LARGEST IN BOLD)

Agriculture, Forestry, Fishing & Hunting (NAICS 11)	-10.9%
Mining (NAICS 21)	-6.0%
Utilities (NAICS 22)	15.5%
Construction (NAICS 23)	**16.7%**
Manufacturing (NAICS 31-33)	**-11.5%**
Wholesale Trade (NAICS 42)	10.1%
Retail Trade (NAICS 44-45)	**10.8%**
Transportation & Warehousing (NAICS 48-49)	4.1%
Information (NAICS 51)	-5.6%
Finance & Insurance (NAICS 52)	**25.5%**
Real Estate & Rental & Leasing	20.7%
Prof., Scientific & Technical Services (NAICS 54)	**18.8%**
Mngmt of Companies & Enterprises (NAICS 55)	-36.1%
Administrative & Waste Services (NAICS 56)	**3.2%**
Educational Services (NAICS 61)	42.5%
Health Care & Social Assistance (NAICS 62)	**19.9%**
Arts, Entertainment & Recreation (NAICS 71)	13.4%
Accommodation & Food Services (NAICS 72)	**17.0%**
Other Services (except Public Admin) (NAICS 81)	**23.8%**
All Government[6]	**4.9%**

[6] All Government represents Federal, State and Local Government, and includes a wide range of jobs, from firefighting, police, education and defense, to public services and elected officials.

JOB GROWTH FOR THE TEN LARGEST SECTORS 2001-2006



"TOP FIVE" SUB-SECTORS

TOP FIVE LARGEST SUB-SECTORS (2006)

Food Services & Drinking Places (NAICS 722)
Specialty Trade Contractors (NAICS 238)
Professional, Scientific & Technical Services (NAICS 541)
Administrative & Support Services (NAICS 561)
Ambulatory Health Care Services (NAICS 621)

TOP FIVE FASTEST GROWING SUB-SECTORS ('01-'06)

(With at least 0.005% of total employment)

Postal Service (NAICS 491)
Water Transportation (NAICS 483)
Petroleum & Coal Products Manufacturing (NAICS 324)
Private Households (NAICS 814)
Museums, Historical Sites & Similar Inst. (NAICS 712)

TOP FIVE COMPETITIVE ADVANTAGE (LQ*) SUB-SECTORS (2006) *(With at least 0.005% of total employment)*

Funds, Trusts & Other Financial Vehicles (NAICS 525), 2.6 LQ
Wood Product Mfg (NAICS 321), 2.0 LQ
Insurance Carriers & Related Activities (NAICS 524), 1.7 LQ
Telecommunications (NAICS 517), 1.6 LQ
Warehousing & Storage (NAICS 493), 1.4 LQ

* *Location Quotient (LQ) greater than 1.0 means a higher concentration of these jobs in the region than found statewide.*

TOP FIVE SUB-SECTORS WITH HIGHEST AVERAGE WAGE (2006)

Computer & Electronic Product Mfg (NAICS 334)
Utilities (NAICS 221)
Securities, Commodity Contracts & Other Inv. (NAICS 523)
Pipeline Transportation (NAICS 486)
Mining (except Oil & Gas) (NAICS 212)

The average annual wages range from $71K to $112K.

AT THE MOST DETAILED INDUSTRY LEVEL

(NAICS 6-DIGIT)

The following observations reflect what took place from 2001 to 2006 at the most detailed industry level, and may provide some insight into the economy during that period.

Change can take place quickly at this most detailed level; therefore, it is important not to base policy or program administration decisions solely only such information.

The ten largest industries based on employment size:

Full-Service Restaurants (NAICS 722110)
General Medical & Surgical Hospitals (NAICS 622110)
Limited-Service Restaurants (NAICS 722211)
Supermarkets & Other Grocery Stores (NAICS 445110)
Temporary Help Services (NAICS 561320)
Private Households (NAICS 814110)
Discount Department Stores (NAICS 452112)
Offices of Physicians (except Mental Health) (NAICS 621111)
New Car Dealers (NAICS 441110)
Corporate, Subsidiary & Regional Managing Ofcs (NAICS 551114)

The ten fastest growing (with at least 0.005% of total employment):

Other Financial Vehicles (NAICS 525990)
Postal Service (NAICS 491110)
Asphalt Shingle & Coating Materials Mfg (NAICS 324122)
Hardware Mfg (NAICS 332510)
Mineral Wool Mfg (NAICS 327993)
Iron & Steel Mills (NAICS 331111)
Real Estate Investment Trusts (NAICS 525930)
All Other Nonmetallic Mineral Product Mfg (NAICS 327999)
Title Abstract & Settlement Offices (NAICS 541191)
Financial Transactions Processing, Reserve, & Clearinghouse Activities (NAICS 522320)

The ten with the strongest competitive advantage:

Railroad Rolling Stock Manufacturing (NAICS 336510)
Skiing Facilities (NAICS 713920)
Other Structural Clay Product Mfg (NAICS 327123)
Reconstituted Wood Product Mfg (NAICS 321219)
Rice Milling (NAICS 311212)
Rice Farming (NAICS 111160)
Electric Power Distribution (NAICS 221122)
Residential Siding Contractors (NAICS 238171)
Electric Bulk Power Transmission & Control (NAICS 221121)
Switchgear & Switchboard Apparatus Mfg (NAICS 335313)

AT THE MOST DETAILED INDUSTRY LEVEL
(Continued)

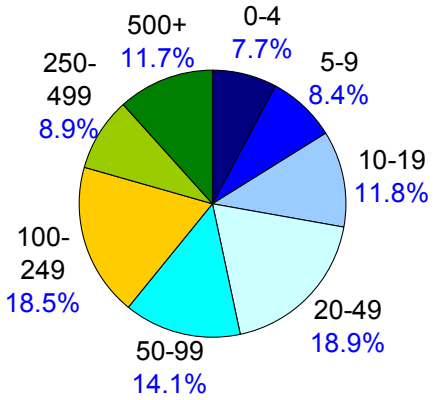
The ten highest paying industries:

Electronic Computer Mfg (NAICS 334111), $264.6K
Sports Teams & Clubs (NAICS 711211), $148.9K
Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures (NAICS 711410), $141.6K
Computer Terminal Mfg (NAICS 334113), $120.1K
Electric Power Distribution (NAICS 221122), $113K
Other Computer Related Services (NAICS 541519), $106.4K
Public Relations Agencies (NAICS 541820), $100.5K
Semiconductor & Relat. Device Mfg (NAICS 334413), $100.14K
Lessors of Nonresidential Buildings (NAICS 531120), $100K
Securities Brokerage (NAICS 523120), $98.8K

EMPLOYMENT & BUSINESS GROWTH BY SIZE OF FIRM (Private Industry)

In 2006, firms with fewer than 100 employees made up 98.3% of all businesses in the region and provided 60.8% of all jobs in the region. Firms with 500 or more employees made up 0.1% of all businesses, and provided 11.7% of all jobs.

DISTRIBUTION OF JOBS BY SIZE OF FIRM (2006)



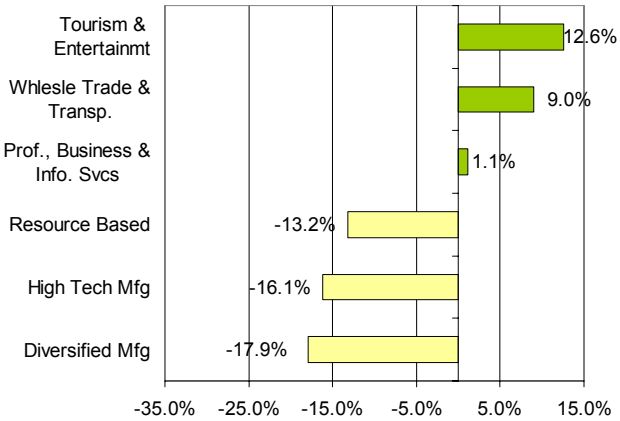
BUSINESS GROWTH BY SIZE OF FIRM (2001-2006)

Number of Employees	Growth of Jobs	Growth of Firms
0-4	24.4%	37.8%
5-9	12.4%	12.0%
10-19	12.8%	13.0%
20-49	10.2%	10.9%
50-99	2.7%	2.9%
100-249	20.0%	18.3%
250-499	10.6%	6.9%
500-999	1.0%	5.7%
1,000+	-3.6%	18.5%

THE TRADITIONAL ECONOMIC BASE

The economic base is traditionally considered to be export-oriented industries in the study area - industries that sell a large portion of their goods or services to people and businesses in markets outside of the area. The Panel's expanded definition of the economic base includes other industries that are also important to the region. Information follows on those industries and industry clusters.

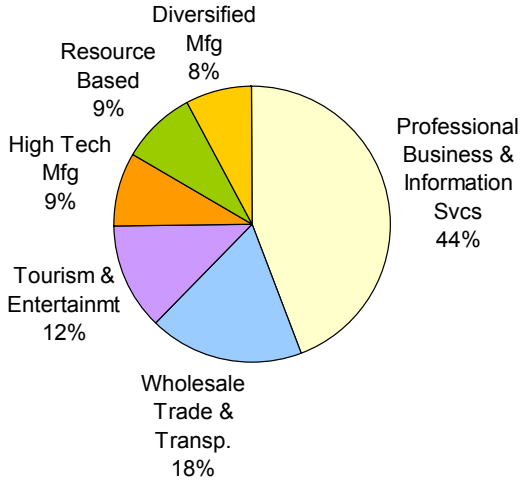
EMPLOYMENT GROWTH 2001-2006



In 2006, the region's traditional economic base provided 17.6% of all jobs in the region. Overall, the traditional base reported job losses of 1.3% from 2001 to 2006, due to losses in Diversified Manufacturing, High Tech Manufacturing and the Resource Based sector. The number of jobs lost was high for each of these, with the Manufacturing sectors down 2,900 jobs each, and Resource Based down 2,250 jobs.

Three of the sectors reported job growth during this period. The greatest percentage of job growth was reported by Tourism & Entertainment, up 12.6% (an increase of 2,350 jobs), while the greatest number of jobs added was reported by Wholesale Trade & Transportation, up 2,500 jobs.

DISTRIBUTION OF TRADITIONAL BASE JOBS (2006)



KEY INDUSTRY SECTORS AND CLUSTERS IN THE EXPANDED ECONOMIC BASE

MANUFACTURING

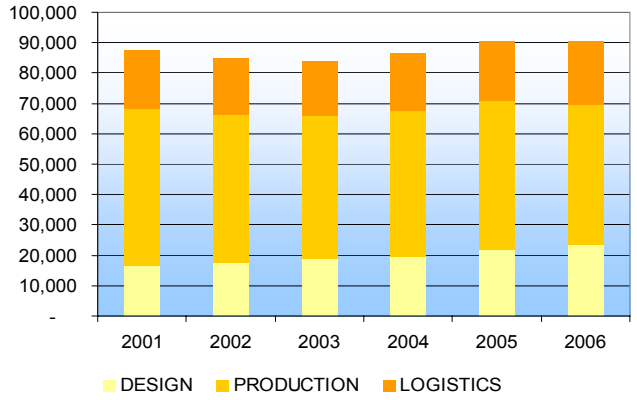
The Manufacturing sector provided 5.1% of the region's jobs in 2006, with over 48,900 jobs. The sector reported overall job losses of 11.5% from 2001 to 2006, down over 6,300 jobs. Job growth fluctuated, declining in 2002 and 2003, growing slightly in 2004 and 2005, and then declining again in 2006. At the same time, the region's manufacturing GDP grew by 11.4%. Preliminary employment data for 2007 suggests continued job losses from 2006 to 2007, and again in the year-over change for the month of April (2007 to 2008).

While Manufacturing as a whole reported losses from 2001 to 2006, some of its industries reported growth. At the most detailed industry classification level (the 6-digit NAICS level), the ten fastest growing manufacturing industries (regardless of size) included Asphalt Shingle & Coating Materials Mfg; Hardware Mfg; Mineral Wool Mfg; Iron & Steel Mills; All Other Misc. Nonmetallic Mineral Product Mfg; Commercial, Industrial & Institutional Electric Lighting Fixture Mfg; Metal Household Furniture Mfg; Pharmaceutical Preparation Mfg; Fertilizer (Mixing Only) Mfg; and, Welding & Soldering Equipment Mfg.

The largest industries (at the 6-digit NAICS level) included Semiconductor & Related Device Mfg; Computer Terminal Mfg; Soft Drink Mfg; Wood Kitchen Cabinet & Countertop Mfg; Commercial Lithographic Printing; Electronic Computer Mfg; Ready-Mix Concrete Mfg; Commercial Bakeries; Machine Shops; and, Other Millwork.

Looking at the Manufacturing Value Chain industry cluster, overall the cluster grew by 3.1% from 2001 to 2006. Both Design and Logistics experienced job growth, up 39.7% (6,600 jobs) and 7.3% (1,400 jobs) respectively, while Production reported losses of 10.3%, down 5,300 jobs.

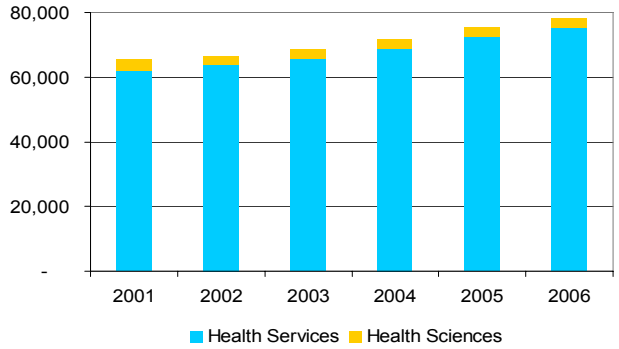
Manufacturing Value Chain employment change 2001-2006:



Some manufacturing jobs will not be reflected in this data, as manufacturing firms are using Employment Services, including temporary employment services, for hiring some of their workers. Those workers would be reported as part of the Employment Services industries' employment. This practice is also used by other industries.

HEALTH SCIENCES & SERVICES

The Health Sciences & Services industry cluster provided 8.2% of all jobs in the region in 2006. From 2001 to 2006, the cluster grew by 19.5%, or 12,800 jobs. The region had a slightly lower concentration of Health Sciences & Services jobs (0.9 LQ) than found at the statewide level (1.0 LQ).



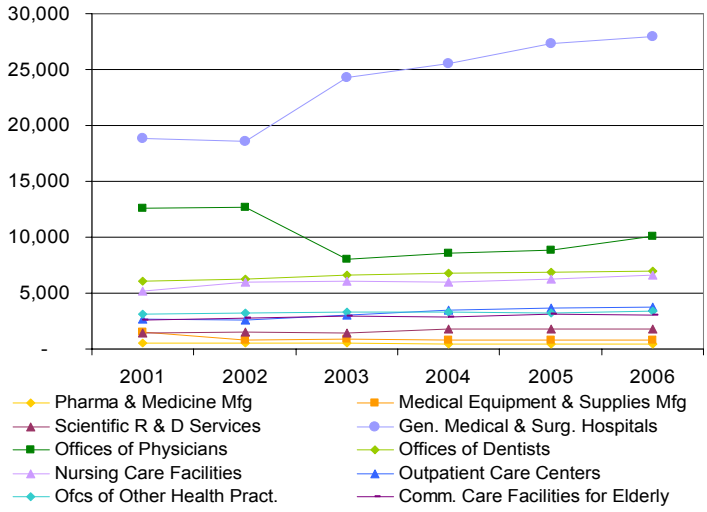
Health Sciences

Health Sciences reported job losses of 13.9% from 2001 to 2006, led by Medical Equipment & Supplies Manufacturing, down over 700 jobs or 46.6%; most losses were from 2001 to 2002. Pharmaceutical & Medicine Manufacturing jobs fell by 27.8% from 2001 to 2006, while Scientific Research & Development reported growth of 27.3%.

Health Services

Health Services, which includes the health care industries, experienced job growth of 21.4%, up almost 13,300 jobs from 2001 to 2006. General Medical & Surgical Hospitals added the most jobs, up 9,100 jobs, and Medical & Diagnostic Labs reported the greatest percentage of job growth, up 336.6%. Offices of Physicians reported the greatest number and percentage of jobs lost, down 2,500 jobs, or 19.5%

The following graph shows employment change for the three Health Sciences industries and the seven largest Health Services industries (based on 2006 employment).



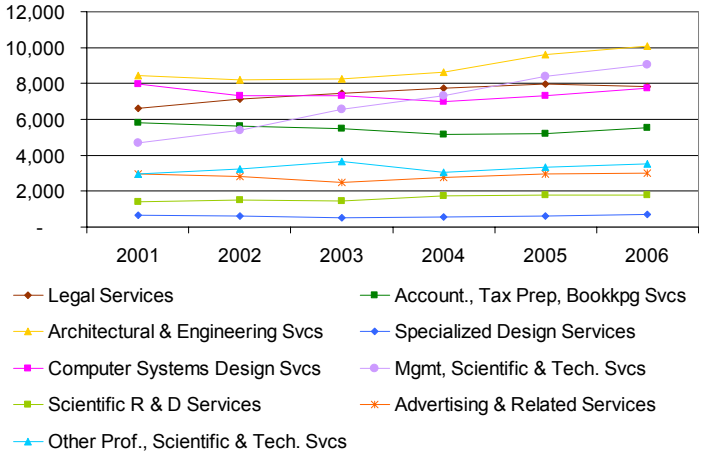
PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES

The Professional, Scientific & Technical Services sector includes industries that support innovation, which is important for economic prosperity. This sector provided 5.1% of the region's jobs in 2006, and grew by 13.6%, or almost 7,900 jobs, from 2001 to 2006. The region had a slightly lower concentration of Professional, Scientific & Technical Services jobs (0.8 LQ) than found statewide.

Most industry groups within the sector reported job growth during this period. Management, Scientific, & Technical Consulting Services reported the greatest number and percentage of job growth, up almost 4,400 jobs or 94.1%. Within this industry group, growth was led by Other Scientific & Technical Consulting Services, up almost 2,100 jobs or 452.7%; this was followed by Environmental Consulting Services in number of jobs added (up 700 jobs), and Marketing Consulting Services in rate of growth (up 268.5%).

Next in number of jobs added, Architectural & Engineering Services grew by 1,650 jobs, and Legal Services grew by 1,200 jobs. Scientific Research & Development Services reported the second fastest rate of growth, up 27.3%, followed by Architectural & Engineering Services at 18.6%.

The following graph shows employment change from 2001 to 2006 for all industry groups in the sector.



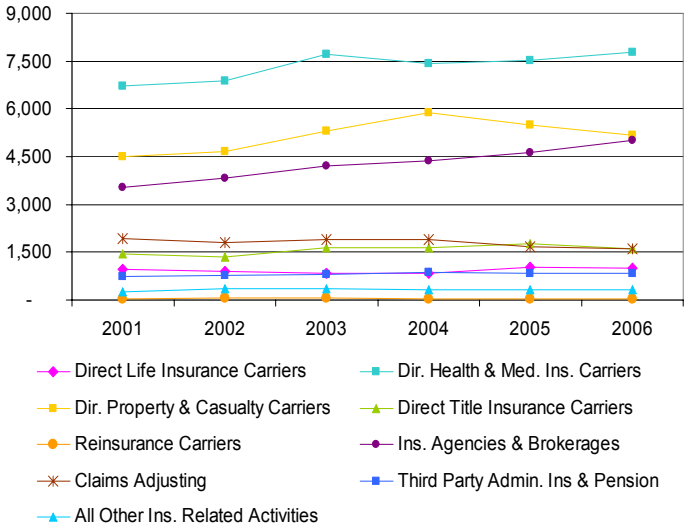
During this period, only two industry groups reported losses; Accounting, Tax Preparation & Bookkeeping Services lost almost 300 jobs, down 4.8%, and Computer Systems Design & Related Services lost over 200 jobs, down 2.9%.

INSURANCE

The Insurance industry, a part of the Finance & Insurance sector[7], provided 2.5% of the region's jobs in 2006 and experienced job growth of 16.7% from 2001 to 2006, adding almost 3,400 jobs. The average annual wage of $62,451 was much higher than the region's overall average of $40,887.

Within Insurance, job growth was led by Insurance Agencies & Brokerages, up 1,500 jobs from 2001 to 2006, followed by Direct Health & Medical Insurance Carriers (up 1,050 jobs). The fastest growth rate was reported by Other Direct Insurance Carriers, up 367.0%; a small industry, employment data was suppressed. Next, Insurance Agencies & Brokerages grew by 42.4%.

Employment growth by industry:



The only Insurance industries reporting job losses were Claims Adjusting, down over 300 jobs or 17.3%, and Reinsurance Carriers, down fewer than 10 jobs or 17.1% (this was a very small industry).

In 2006, the Greater Sacramento Region reported a competitive advantage in this industry, with a higher concentration of these jobs than found statewide or in the other regions.

At the most detailed industry classification level (the 6-digit NAICS level), the industries with greatest competitive advantage included Claims Adjusting (3.3 LQ), Direct Health & Medical Insurance Carriers (2.9 LQ), Other Direct Insurance Carriers (2.4 LQ), and Direct Property & Casualty Insurance Carriers (2.0 LQ).

These higher concentrations also suggest that the businesses were providing products and services beyond the regional boundary.

[7] Many of the Finance industries in the Finance & Insurance sector are a part of the Housing cluster analysis that follows; therefore, Finance was not included here.

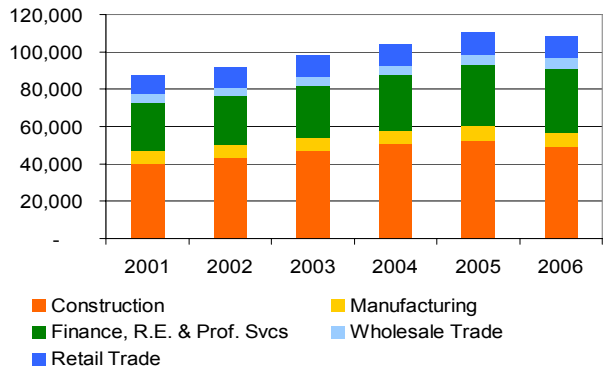
HOUSING

For the purpose of this analysis, the Housing cluster (Housing) includes industries involved in residential construction; manufacturing of construction materials; real estate financing, sales, leasing and management[8]; and, related wholesale and retail trade. As defined, this cluster provided 11.3% of the region's jobs in 2006, with over 108,200 jobs.

Overall, Housing experienced job growth of 23.4% from 2001 to 2006. Within the cluster, Construction grew by 21.4%, up almost 8,700 jobs; Manufacturing reported growth of 9.3% (up over 600 jobs); Finance, Real Estate & Professional Services reported 36.1% growth (up 9,200 jobs); Wholesale Trade grew by 16.8% (up almost 800 jobs); and, Retail Trade grew by 11.9% (up 1,200 jobs).

Year-over Change	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Housing-related Construction	6.9%	8.3%	8.1%	3.4%	-6.1%
Housing-related Manufacturing	1.5%	-0.2%	7.7%	8.8%	-8.0%
Finance, RE & Prof. Svcs	3.2%	7.4%	4.1%	11.6%	5.6%
Housing-related Wholesale Trade	2.0%	3.7%	8.6%	-1.6%	3.3%
Housing-related Retail Trade	5.2%	7.7%	-1.2%	1.8%	-1.9%
Housing Cluster	4.9%	7.1%	5.9%	5.7%	-1.8%

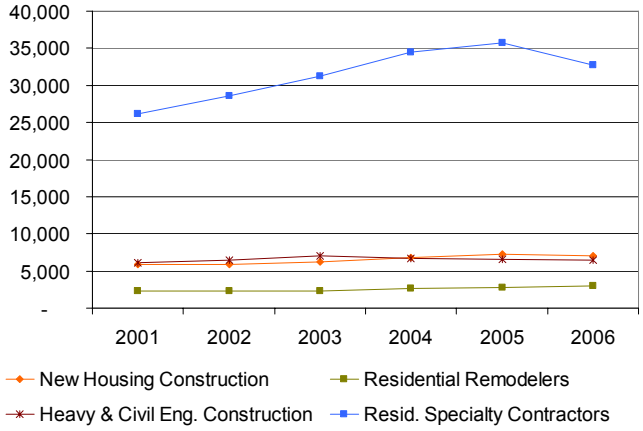
Employment change from 2001 to 2006:



Construction

Within Construction, New Housing Construction grew by 18.7% from 2001 to 2006, up 1,100 jobs; Residential Remodelers grew by 31%, up 700 jobs; Housing-related Heavy & Civil Engineering Construction reported growth of 5.4%, up 300 jobs; and, Residential Specialty Trade Contractors reported growth of 25.0%, up 6,500 jobs. From year-to-year, growth fluctuated for some of these industries.

Housing Construction employment 2001 to 2006:



Manufacturing of Construction Materials

Housing-related Manufacturing industries reported overall job growth of 9.3%, or over 600 jobs, from 2001 to 2006. This was led by growth in Ready-Mix Concrete Manufacturing (Mfg), up almost 400 jobs; this was also the largest of these industries. Asphalt Shingle & Coating Materials Mfg reported the fastest growth, up 3456.3%. At the same time, three very small industries reported 100.0% losses, including Softwood Veneer & Plywood Mfg, Ceramic Wall & Floor Tile Mfg and Electric Housewares & Household Fan Mfg.

During this time, six of the ten largest Housing-related Manufacturing industries reported growth:

NAICS	Industry	Change '01-'06
327320	Ready-Mix Concrete Mfg	58.8%
321918	Other Millwork (including Flooring)	-16.5%
321911	Wood Window & Door Mfg	15.4%
321113	Sawmills	12.9%
332321	Metal Window & Door Mfg	-10.0%
321214	Truss Mfg	-10.0%
327123	Other Structural Clay Product Mfg	13.4%
321219	Reconstituted Wood Product Mfg	-5.9%
327390	Other Concrete Product Mfg	6.8%
321912	Cut Stock, Resaw Lumber & Planing	20.6%

Finance & Insurance, Real Estate and Professional Services

Together, the Finance & Insurance, Real Estate and Professional Services industries related to Housing reported job growth of 36.1% from 2001 to 2006, with growth highest from 2004 to 2005.

	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Year-over Change	3.2%	7.4%	4.1%	11.6%	5.6%

[8]A detailed definition by NAICS code is provided online at www.labor.ca.gov/panel in the document, "About the 2008 Economic Updates."

HOUSING
(Continued)

Employment growth from 2001 to 2006:

Within these sectors, the largest industry was Engineering Services, with about 6,400 jobs in 2006. From 2001 to 2006, Mortgage & Nonmortgage Loan Brokers added the most jobs, up 3,500 jobs, and Title Abstract & Settlement Offices reported the fastest growth, up 802.2%. At the same time, Credit Unions reported the most jobs lost, down about 400 jobs.

Wholesale & Retail Trade

Overall, the Housing-related Wholesale Trade industries experienced job growth of 16.8% from 2001 to 2006, up almost 800 jobs. The largest industry was Lumber, Plywood, Millwork & Wood Panel Wholesalers, with over 1,300 jobs. Brick, Stone & Related Construction Material Wholesalers added the most jobs, up almost 300 jobs, and Plumbing & Heating Equipment & Supplies Wholesalers reported the fastest growth, up 170.7%.

Overall, the Housing-related Retail Trade industries experienced job growth of 11.9% from 2001 to 2006, up over 1,200 jobs. The largest industry was Home Centers, with almost 5,300 jobs. This industry also added the most jobs from 2001 to 2006, up almost 1,400 jobs. A smaller industry, Paint & Wallpaper Stores reported the fastest growth, up 40.4%.

ENERGY

Energy production and usage, specifically focusing on environmentally responsible green technologies and processes, are important issues facing policy-makers, energy producers, distributors and consumers. A number of studies and discussions about the green economy were underway at the time of this report, including a study commissioned by the Economic Strategy Panel; therefore, this report does not attempt to define and analyze the green economy. Instead, readers interested in this subject are encouraged to read the study commissioned by the Panel, *Clean Technology and the Green Economy: Growing Products, Services, Businesses and Jobs in California's Value Network*, available online at www.labor.ca.gov/panel/espcrep.htm. The March 2008 draft was available at the time of this report.

"Nationally and globally, attentions are focusing on rising energy costs, questions of national energy security, worry over environmental and related societal threats as well as fears of economic slow-down. These seemingly countervailing crises might suggest that a choice must be made between doing what is good for the environment OR doing what is good for the economy.

California's green economy demonstrates that this is not the case. California's green economy is not about a handful of new industries struggling in under-developed markets. Instead, it is about the potential of new technologies combined with innovative public policy and strategic investment to stimulate the growth of new markets for environmentally sound products and services while also reinvigorating slowing markets through the widening application of new technologies across the entire economy."

"As green products and practices permeate the reaches of the economy, the discussion is no longer about the emergence of a new industry; instead it is about the transformation of the entire economy. This transformation is toward an economy that makes more efficient and sustainable use of our limited natural resources."

– *Clean Technology and the Green Economy: Growing Products, Services, Businesses and Jobs in California's Value Network, March 2008*

Readers may also want to explore the web page, *Understanding the "Green" Economy*, at www.labormarketinfo.edd.ca.gov/?pageid=1032, created by the Labor Market Information Division of the Employment Development Department. This web page provides links to a broad array of studies and activities regarding the green economy, conducted by public and private entities.

SOURCES

BUSINESS

Employment, Firm & Wage Data, Private Sector	California Regional Economies Employment Series (CREE)*
Employment Data, Government Sector	Current Employment Statistics (CES)
2007 & 2008 Employment Data	Current Employment Statistics (CES)
Size of Firm Data	EDD/Labor Market Information Division (LMID), Size of Firm Data
Self-employed (non-incorporated business)	US Census/America's Community Survey (ACS)
Gross Domestic Product (GDP)	US Bureau of Economic Analysis (BEA)

* The CREE data used for the analyses included confidential data; however, the results presented in the economic profiles do not disclose confidential data.

WORKFORCE

Unemployment Rate	California Employment Development Department (EDD)
Population Growth	US Bureau of Economic Analysis (BEA)
Educational Attainment	US Census/ACS
Median Household Income	US Census/ACS
Families Living in Poverty	US Census/ACS

QUALITY OF PLACE

Air Quality Index (AQI)	Environmental Protection Agency, AirData
Average Commute Time	US Census/ACS
Housing Opportunity Index	National Assoc. of Home Builders- Wells Fargo Housing Opportunity Index

METHODOLOGY

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic profiles analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors. The statewide and nine regional economic profiles are available at www.labor.ca.gov/panel in the document. Also online, the document, *The 2008 California Economic Profiles - Introduction & Methodology*, provides additional information about the methodology and documentation of the NAICS definitions for the industry clusters and traditional economic base industries.

DEFINITION OF AN INDUSTRY CLUSTER

An industry sector is a group of firms that are doing the same type of work, making the same type of products, or providing the same types of services. Examples include manufacturing, construction, retail trade and health care. An industry cluster is a group of interdependent industry sectors characterized by competing firms and buyer-supplier relationships, as well as shared labor pools and other specialized infrastructure. They are also geographically concentrated. When identifying "industry clusters of opportunity," the Panel adds additional considerations that focus on employment opportunities for regional residents.

ABOUT THE PANEL

The California Economic Strategy Panel was established in 1993 to develop an overall economic vision and strategy to guide public policy. The Panel engages in an objective and collaborative planning process that examines economic regions, industry clusters, and cross-regional economic issues. The California Regional Economies Project is currently the lead mechanism for these efforts.

The California Regional Economies Project offers new insight into the dynamics of California's economy. The regional perspective provides a better understand how the economy is changing, where the changes are concentrated, and what catalysts and conditions are causing those changes. It also shows how change in one region affects other regions and the state as a whole.

For more information and publications, go to the Panel's website at www.labor.ca.gov/panel/.

CALIFORNIA ECONOMIC STRATEGY PANEL