CALIFORNIA
REGIONAL ECONOMIES PROJECT

ECONOMIC PROFILE: SOUTHERN BORDER REGION

Prepared for the

CALIFORNIA ECONOMIC STRATEGY PANEL

OCTOBER 2008

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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 Southern Border 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.

SOUTHERN BORDER REGION

ECONOMIC PROFILE

October 2008

THE SOUTHERN BORDER REGION includes two counties, as defined by the California Economic Strategy Panel (Panel): Imperial and San Diego.

The Southern Border Region is the state's fourth largest region based on 2006 population and third largest based on 2006 employment, with 8.6% of its population and 8.8% of its jobs. Within the region, the preliminary unemployment rate for August 2008 was 6.4% in San Diego County and 24.7% in Imperial County. Imperial County reported the highest unemployment rate of all 58 counties.

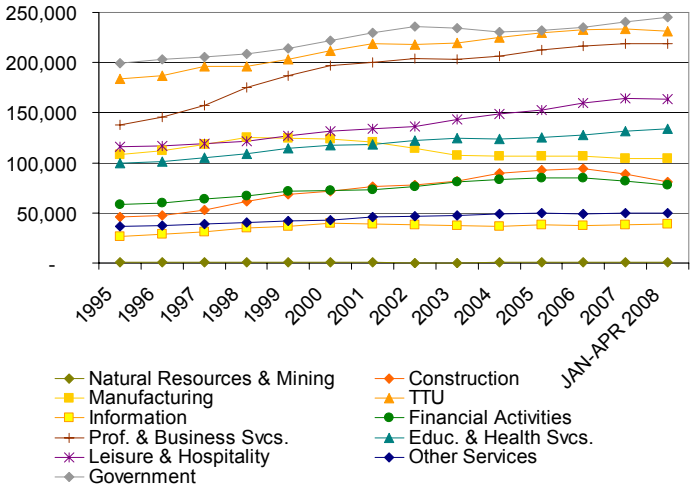
From 2001 to 2006, the region experienced job growth of 7.7% from 2001 to 2006, while the region's Gross Domestic Product (GDP) grew by 68.2% and Per Capita Personal Income grew by 26.2% (2001 to 2006).

During this period, Accommodation & Food Services added the most jobs, followed by Construction, Retail trade and Professional, Scientific & Technical Services. The fastest growth was reported by Educational Services (30.9%). At the same time, five of the twenty major sectors reported job losses, led by losses in Manufacturing.

The Current Employment Statistics (CES) program data, which excludes Farm and Private Households employment data, shows overall growth in Nonfarm employment in 2007, and positive 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 from the Current Employment Statistics (CES) program, which is the most current data available. The CES program is a different data source than that used for the rest of the report, and is available only at the super-sector level. We recognize that this does not capture the current capital and credit crisis that we are experiencing.

For the Southern Border Region, a look at 2007 employment data shows job growth continued in 2007. Overall, Nonfarm employment grew by 1.4% from 2006 to 2007, and the year-over changes from April 2007 to April 2008 showed slight growth.

From 2006 to 2007, seven super sectors reported growth, while four reported losses. Growth was strongest in Other Services, followed by Educational & Health Services and Leisure & Hospitality. At the same time, Natural Resources & Mining (this does not include Farm employment), Construction, Manufacturing and Financial Activities all reported losses.

The job decline in Manufacturing appeared to slow in 2007. The previous growth in Construction and Financial Activities appeared to reverse in 2007, likely reflecting the impact of the recent housing downturn.

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.

SOUTHERN BORDER	2001-2006*	2006-2007	Apr07-Apr08
Total Nonfarm	**6.7%**	**1.4%**	**0.2%**
Natural Resources & Mining	15.8%	-13.6%	0.0%
Construction	23.1%	-5.3%	-9.3%
Manufacturing	-12.7%	-1.6%	0.1%
Trade, Transp. & Utilities	8.1%	0.9%	-0.04%
Information	-3.4%	2.1%	2.4%
Financial Activities	16.2%	-4.4%	-6.5%
Professional & Business Svcs	9.2%	1.4%	0.8%
Educational & Health Services	8.5%	4.3%	2.3%
Leisure & Hospitality	17.7%	4.0%	2.9%
Other Services	-7.5%	14.3%	3.5%
Government	2.3%	2.2%	1.7%

** 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)	7.7%
Establishment Growth (2001-2006)	24.4%
GDP Growth[3] (2001-2006)	68.2%
Average Wage (2006, Private Industry)	$ 44,368
Wage Growth (2001-2006)	19.3%
Firms with < 100 employees (2006)	98.1%
Firms with < 50 employees (2006)	95.7%
Self-employed, not incorporated (2006)	8.4%

WORKFORCE

Unemployment Rate (2006)*	4.4%
Population Growth (2001-2006)	3.1%
Per Capita Income (2006)	$ 41,784
Bachelor's Degree or higher (2006)	
-Of population age 25 and older	10.6% to 33.3%
Families Living in Poverty (2006)	8.5%

** Imperial County, 15.3%; San Diego County, 4.0%.*

QUALITY OF PLACE

Air Quality Index (2006 Median AQI[4])	49 to 57
Average Commute Time (2006)	16.8 to 24.9 min.
Housing Opportunity Index[5] (2007)	14.3% to 15.5%

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

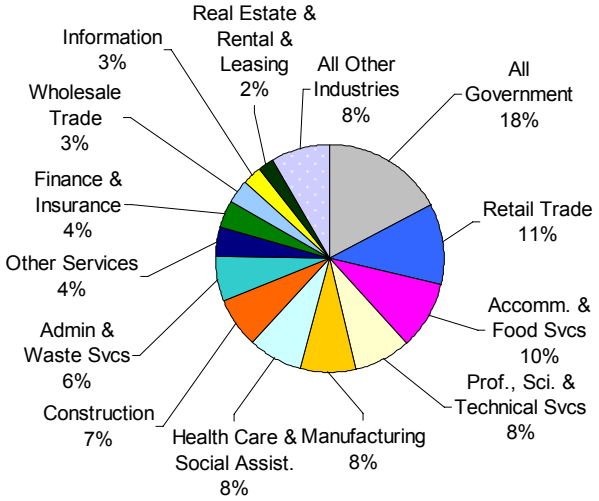
[2] The North American Industry Classification System (NAICS), 6-digit level.

[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)

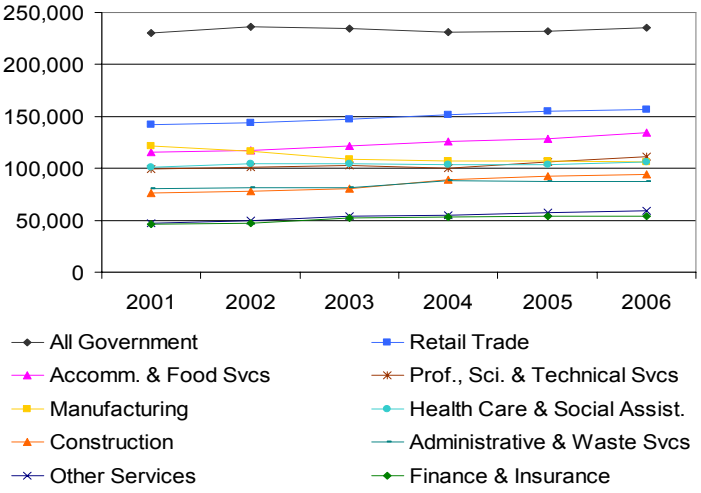
1.	San Joaquin Valley Region	9.9%
2.	Greater Sacramento Region	9.4%
3.	**Southern Border Region**	**7.7%**
4.	Southern California Region	6.5%
5.	No. Sacramento Valley Region	6.4%
	California as-a-whole	*6.1%*
6.	Central Sierra Region	5.9%
7.	Central Coast Region	3.6%
8.	Northern California Region	1.3%
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)	-1.4%
Mining (NAICS 21)	15.8%
Utilities (NAICS 22)	22.7%
Construction (NAICS 23)	**23.1%**
Manufacturing (NAICS 31-33)	**-12.7%**
Wholesale Trade (NAICS 42)	13.1%
Retail Trade (NAICS 44-45)	**10.2%**
Transportation & Warehousing (NAICS 48-49)	-14.1%
Information (NAICS 51)	-3.4%
Finance & Insurance (NAICS 52)	**18.6%**
Real Estate & Rental & Leasing	12.4%
Prof., Scientific & Technical Services (NAICS 54)	**12.1%**
Mngmt of Companies & Enterprises (NAICS 55)	-5.4%
Administrative & Waste Services (NAICS 56)	**8.9%**
Educational Services (NAICS 61)	30.9%
Health Care & Social Assistance (NAICS 62)	**5.1%**
Arts, Entertainment & Recreation (NAICS 71)	28.7%
Accommodation & Food Services (NAICS 72)	**16.0%**
Other Services (except Public Admin) (NAICS 81)	**24.1%**
All Government[6]	**2.3%**

[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)

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

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

(With at least 0.005% of total employment)

Internet Publishing & Broadcasting (NAICS 516)
Funds, Trusts & Other Financial Vehicles (NAICS 525)
Whlsle Electronic Markets, Agents, Brokers (NAICS 425)
Private Households (NAICS 814)
Amusement, Gambling & Recreation (NAICS 713)

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

Scenic & Sightseeing Transportation (NAICS 487), 2.9 LQ
Museums, Historical Sites & Similar (NAICS 712), 2.6 LQ
Telecommunications (NAICS 517), 1.7 LQ
Accommodation (NAICS 721), 1.6 LQ
Internet Publishing & Broadcasting (NAICS 516), 1.5 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) *(With at least 0.005% of total employment)*

Telecommunications (NAICS 517)
Securities & Other Investments & Services (NAICS 523)
Internet Publishing & Broadcasting (NAICS 516)
Computer & Electronic Product Mfg (NAICS 334)
Utilities (NAICS 221)

The average annual wages range from $84.7K to $139.5K.

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)
Limited-Service Restaurants (NAICS 722211)
Temporary Help Services (NAICS 561320)
Hotels (except Casino Hotels) & Motels (NAICS 721110)
R&D in Physical, Engineering & Life Sciences (NAICS 541710)
Supermarkets & Other Grocery Stores (NAICS 445110)
General Medical & Surgical Hospitals (NAICS 622110)
Offices of Physicians (except Mental Health) (NAICS 621111)
Corp., Subsidiary & Regional Managing Ofcs (NAICS 551114)
Engineering Services (NAICS 541330)

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

Casino Hotels (NAICS 721120)
Health & Welfare Funds (NAICS 525120)
Hydroelectric Power Generation (NAICS 221111)
Office Furniture (except Wood) Mfg (NAICS 337214)
Industrial Gas Mfg (NAICS 325120)
Residential Siding Contractors (NAICS 238171)
All Other Basic Organic Chemical Mfg (NAICS 325199)
Other Financial Vehicles (NAICS 525990)
Jewelers' Material & Lapidary Work Mfg (NAICS 339913)
All Other Grain Farming (NAICS 111199)

The ten with the strongest competitive advantage:

(With at least 0.005% of total employment)

Petrochemical Mfg (NAICS 325110)
Ship Building & Repairing (NAICS 336611)
Sugar Beet Farming (NAICS 111991)
Casino Hotels (NAICS 721120)
In-Vitro Diagnostic Substance Mfg (NAICS 325413)
Zoos & Botanical Gardens (NAICS 712130)
Other Support Activities for Water Transp. (NAICS 488390)
Other Metalworking Machinery Mfg (NAICS 333518)
Specialty Hospitals (NAICS 622310)
Motor Vehicle Steering & Suspension Mfg (NAICS 336330)

AT THE MOST DETAILED INDUSTRY LEVEL
(Continued)

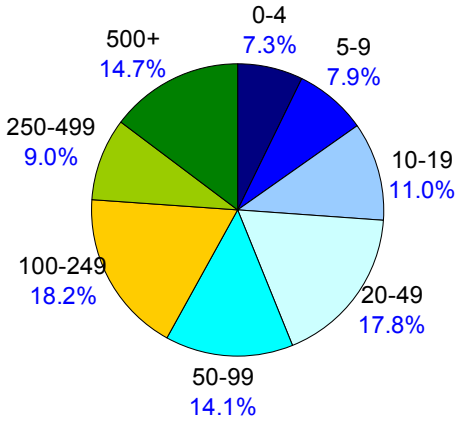
The ten highest paying industries:
(With at least 0.005% of total employment)

Sports Teams & Clubs (NAICS 711211), $221.4K
Cellular & Other Wireless Telecomm (NAICS 517212), $194.8K
New Housing Operative Builders (NAICS 236117), $168.2K
Offices of Other Holding Companies (NAICS 551112), $1475K
Miscellaneous Intermediation (NAICS 523910), $138.5K
Investment Banking & Securities (NAICS 523110), $129.7K
Portfolio Management (NAICS 523920), $120.7K
Photogr. Equipmt & Supplies Whlslrs (NAICS 423410), $120K
Surface Active Agent Mfg (NAICS 325613), $112.3K
Other Computer Peripheral Equipmt Mfg (NAICS 334119), $110.5K

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

In 2006, firms with fewer than 100 employees made up 98.1% of all businesses in the region and provided 58.0% of all jobs in the region. Firms with 500 or more employees made up 0.2% of all businesses, and provided 14.7% of all jobs.

DISTRIBUTION OF JOBS BY SIZE OF FIRM (2006)



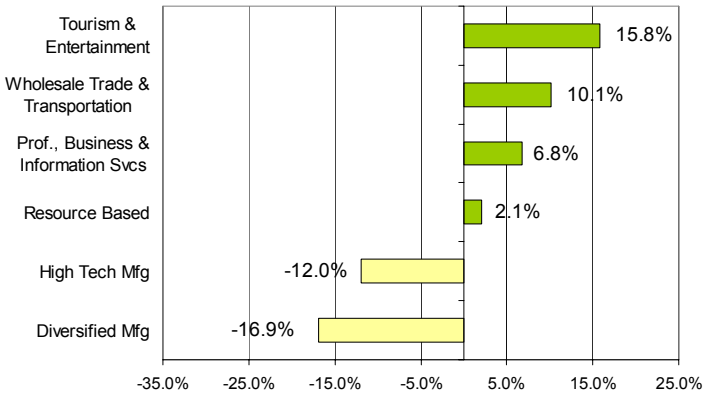
BUSINESS GROWTH BY SIZE OF FIRM (2001-2006)

Number of Employees	Growth of Jobs	Growth of Firms
0-4	23.7%	32.9%
5-9	10.6%	10.9%
10-19	9.0%	9.1%
20-49	9.0%	9.9%
50-99	3.6%	3.4%
100-249	7.3%	7.9%
250-499	1.9%	3.0%
500-999	13.8%	12.0%
1,000+	21.9%	27.3%

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.

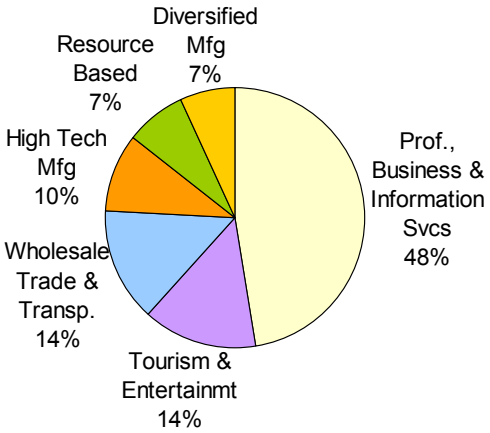
EMPLOYMENT GROWTH 2001-2006



In 2006, the region's traditional economic base provided 24.5% of all jobs in the region. Four of the six sectors reported job growth from 2001 to 2006. The sector with the most jobs gained was Professional, Business & Information Services, up 10, 200 jobs (6.8%), and the fastest growth (greatest percentage of growth) was reported by Tourism & Entertainment, up 15.8%.

During this period, both Diversified and High Tech Manufacturing experienced job losses of 16.9% (4,800 jobs) and 12.0% (4,500 jobs) respectively. At the same time, two industries in these sectors reported job growth; Navigational, Measuring, Electromedical & Control Instruments Manufacturing added over 2,000 jobs (32.5%), and Chemical Manufacturing (not including Pharma & Medicine) added over 300 jobs (17.5%).

DISTRIBUTION OF TRADITIONAL BASE JOBS (2006)



KEY INDUSTRY SECTORS AND CLUSTERS IN THE EXPANDED ECONOMIC BASE

MANUFACTURING

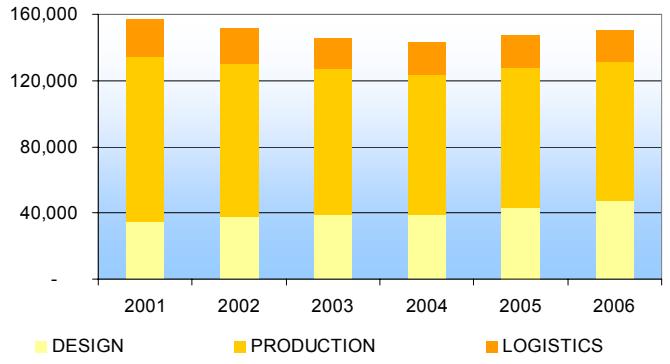
The Manufacturing sector provided 7.8% of the region's jobs in 2006. The sector reported overall job losses of 12.5% from 2001 to 2006, down almost 15,600 jobs. At the same time, the region's manufacturing GDP grew by 13.5%. Preliminary data for 2007 showed slowing job losses from 2006 to 2007, while the year-over change for the month of April (2007 to 2008) showed a slight gain.

While Manufacturing as a whole suffered significant 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 (providing at least 0.005% of the region's jobs) included Office Furniture (except Wood) Mfg; Industrial Gas Mfg; All Other Basic Organic Chemical Mfg; Jewelers' Material & Lapidary Work Mfg; Electron Tube Mfg; Coffee & Tea Mfg; Farm Machinery & Equipment Mfg; Fruit & Vegetable Canning; Paint & Coating Mfg; and, Perishable Prepared Food Mfg.

The largest industries (at the 6-digit NAICS level) included Ship Building & Repairing; Search, Detection, Navigation, Guidance, Aeronautical & Nautical Systems Mfg; Other Aircraft Parts & Auxil. Equipment Mfg; Radio & Television Broadcasting & Wireless Communications Equipment Mfg; Audio & Video Equipment Mfg; Semiconductor & Related Device Mfg; Sporting & Athletic Goods Mfg; In-Vitro Diagnostic Substance Mfg; Other Computer Peripheral Equipment Mfg; and, Machine Shops.

Looking at the Manufacturing Value Chain industry cluster, both Production and Logistics reported losses from 2001 to 2006. Production lost 14.9% of its jobs, down 14,800 jobs, and Logistics lost 16.5%, down 3,800 jobs. At the same time, Design reported job growth of 34.0%, up 12,000 jobs.

Manufacturing Value Chain employment change 2001-2006:

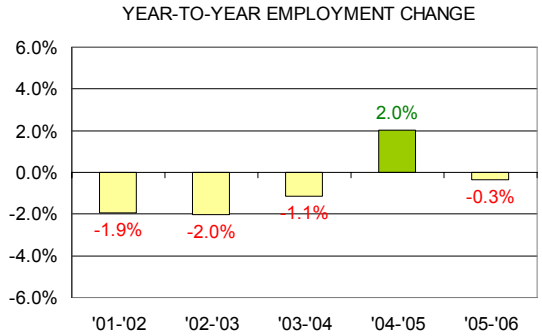


Some manufacturing jobs will not be reflected in this data, as manufacturing firms are using Employment Services, including temporary employment services, for hiring some of their workers. Those workers would be reported as part of the Employment Services industries' employment. This practice is also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

INFORMATION

The Information sector provided 2.7% of all jobs in the region in 2006. Telecommunications and Publishing (except Internet) were the largest sub-sectors. The region had a slightly lower concentration of jobs in Information than found statewide; however, some sub-sectors had higher concentrations, including Telecommunications (1.7 LQ) and Internet Publishing & Broadcasting (1.5 LQ).

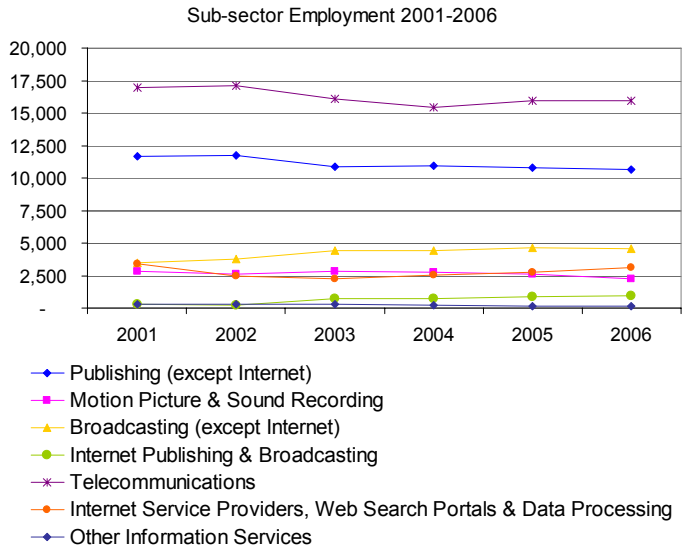
Overall, the sector experienced job losses from 2001 to 2006, down 1,300 jobs or 3.4%. Jobs declined each year, with the exception of 2005, when there was a 2.0% increase.



Since 2006, the most current data suggests that job losses may be reversing, with preliminary data showing 2.1% growth from 2006 to 2007, and the year-over change for the month of April (2007 to 2008) also showing growth.

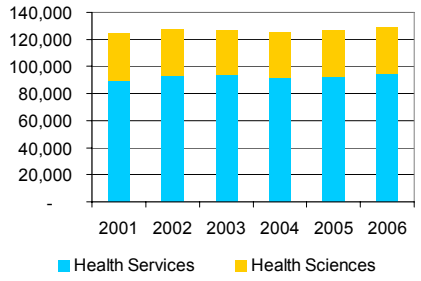
Most sub-sectors reported job losses from 2001 to 2006. The two largest sub-sectors reported the greatest number of jobs lost; these were Publishing (except Internet), led by losses in Software Publishers, and Telecommunications, led by losses in Telecommunications Resellers. Both sub-sectors lost just over 1,000 jobs.

At the same time, two sub-sectors reported growth; Broadcasting (except Internet) grew by 1,100 jobs (led by Cable & Other Subscription Programming); and, Internet Publishing & Broadcasting grew by 600 jobs.



HEALTH SCIENCES & SERVICES

The Health Sciences & Services industry cluster provided 9.4% of all jobs in the region in 2006. From 2001 to 2006, the cluster grew by 3.7%, or over 4,500 jobs. The region had a slightly higher concentration of Health Sciences & Services jobs (1.1 LQ) than the statewide level (1.0 LQ).



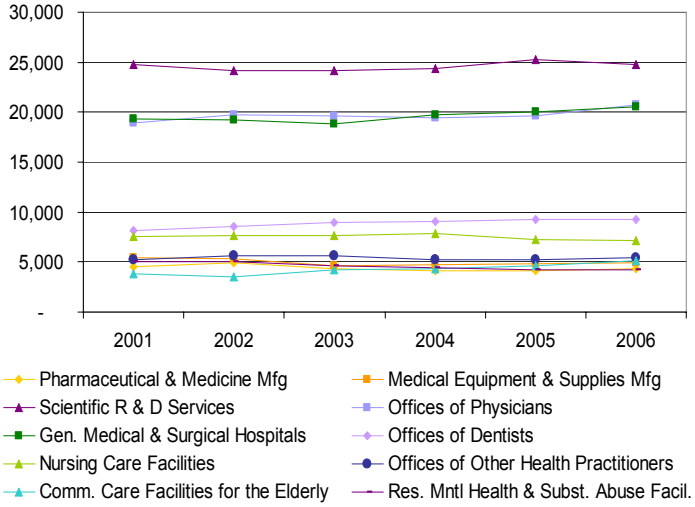
Health Sciences

Health Sciences experienced job losses of 1.8%, or over 600 jobs, from 2001 to 2006. Still, the region had a higher concentration of these jobs (2.0 LQ) than found statewide. Within Health Sciences, only Scientific Research & Development reported growth, up just over 20 jobs or 0.1%. Medical Equipment & Supplies Manufacturing reported losses of 9.0%, down almost 500 jobs, and Pharmaceutical & Medicine Manufacturing declined by 3.8%, down almost 200 jobs.

Health Services

Health Services, which includes the health care industries, grew by almost 5,200 jobs or 5.8% from 2001 to 2006. Community Care Facilities for the Elderly reported the fastest growth, up 32.0%, and Offices of Physicians added the most jobs, up almost 1,900 jobs. At the same time, Psychiatric & Substance Abuse Hospitals reported the greatest percentage of losses, down 50.8%, and Residential Mental Health & Substance Abuse Facilities reported the greatest number of jobs lost, down 800 jobs.

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



PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES

The Professional, Scientific & Technical Services sector provided 8.1% of the region's jobs in 2006. Most jobs were in Scientific Research & Development Services (24,800 jobs) and Architectural & Engineering Services (23,900 jobs). The sector reported overall job growth of 12.1%, or about 12,000 jobs, from 2001 to 2006.

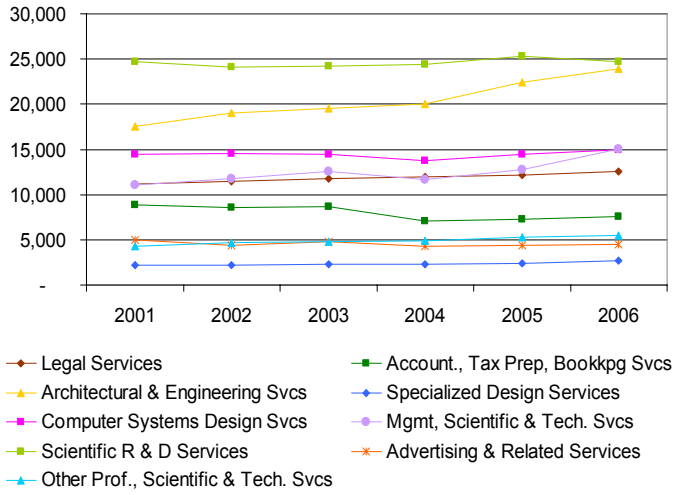
The region had a higher concentration of Professional, Scientific & Technical Services jobs (1.2 LQ) than found statewide. Within the sector, at the industry group level, Scientific Research & Development Services had the highest concentration (2.8 LQ).

Seven of the sector's nine industries reported job growth during this period, led by Architectural & Engineering Services, up 6,400 jobs or 36.6%, and Management, Scientific, & Technical Consulting Services, up almost 4,000 jobs or 35.9%.

Next, Legal Services added 1,400 jobs, up 12.5%; and, Other Professional, Scientific & Technical Services added almost 1,200 jobs, up 26.9%. The largest industry, Scientific Research & Development Services, experienced almost no net growth during this time, up just 0.1%.

Other industries reporting growth included Computer Systems Design Services, adding over 500 jobs, and Specialized Design Services, adding 400 jobs.

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



Only Accounting, Tax Preparation, Bookkeeping & Payroll Services (down 1,400 jobs or 15.3%) and Advertising & Related Services (down 500 jobs or 10.4%) reported losses.

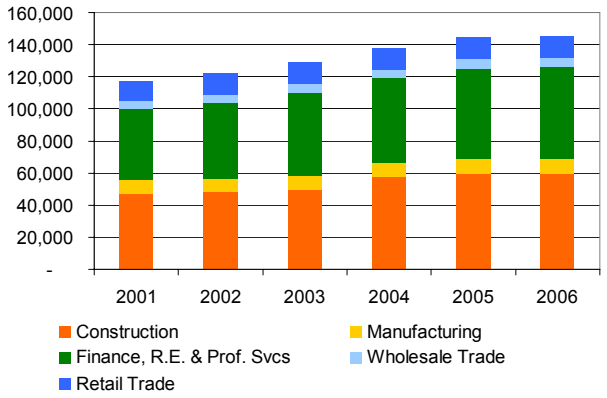
HOUSING

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[7]; and, related wholesale and retail trade. As defined, this cluster provided 10.6% of the region's jobs in 2006, with almost 145,700 jobs.

Overall, Housing experienced job growth of 24.2% from 2001 to 2006. Within the cluster, Construction grew by 26.9%, up almost 12,700 jobs; Manufacturing reported growth of 3.4% (up almost 300 jobs); Finance, Real Estate & Professional Services reported 31.6% growth (up 13,800 jobs); Wholesale Trade grew by 7.6% (up 400 jobs); and, Retail Trade grew by 10.0% (up 1,250 jobs).

Year-over Change	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Housing-related Construction	2.4%	3.2%	15.7%	4.0%	-0.1%
Housing-related Manufacturing	-2.9%	2.1%	-1.8%	2.3%	3.7%
Finance, RE & Prof. Svcs	7.3%	10.2%	2.7%	7.1%	1.2%
Housing-related Wholesale Trade	-0.8%	3.4%	3.9%	-0.1%	1.2%
Housing-related Retail Trade	5.4%	2.4%	-1.0%	3.7%	-0.7%
Housing Cluster	4.0%	5.7%	7.1%	4.9%	0.6%

Employment change from 2001 to 2006:



Construction

Within Residential Construction, New Housing Construction grew by 32.9% from 2001 to 2006, up about 2,400 jobs; Residential Remodelers grew by 51.6%, up over 1,700 jobs; Housing-related Heavy & Civil Engineering Construction grew by 12.9%, up 1,000 jobs; and, Residential Specialty Trade Contractors reported growth of 26.2%, up almost 7,600 jobs.

Housing Construction employment 2001 to 2006:

Manufacturing of Construction Materials

Housing-related Manufacturing industries reported overall job growth of 3.4%, or about 300 jobs, from 2001 to 2006. This was led by growth in Ready-Mix Concrete Manufacturing (Mfg), up over 300 jobs; this is also the largest of these industries. A very small industry with only about 30 jobs, Sawmills reported the fastest growth, up 2,950.0%. At the same time, some industries reported losses, with the most jobs lost by All Other Plastics Product Mfg, down over 500 jobs.

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

NAICS	Industry	Change '01-'06
327320	Ready-Mix Concrete Mfg	27.1%
326199	All Other Plastics Product Mfg	-27.6%
326191	Plastics Plumbing Fixture Mfg	12.1%
327991	Cut Stone & Stone Product Mfg	82.6%
332321	Metal Window & Door Mfg	21.4%
327420	Gypsum Product Mfg	9.6%
332510	Hardware Mfg	11.9%
325510	Paint & Coating Mfg	471.2%
321912	Cut Stock, Resaw Lumber & Planing	39.5%
332323	Ornamntl& Architech.Metal Work Mfg	-15.1%

Finance & Insurance, Real Estate and Professional Services

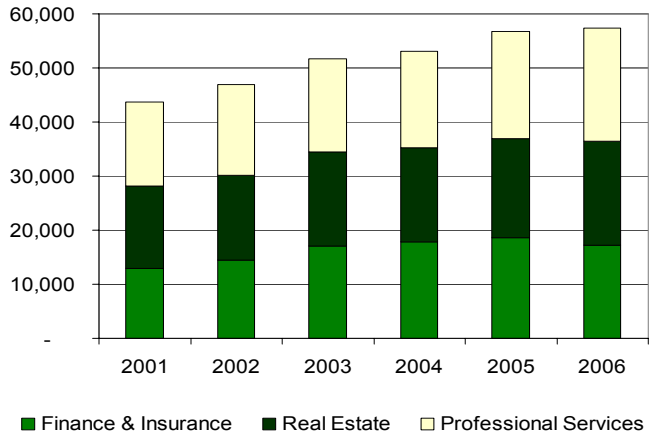
Together, the Finance & Insurance, Real Estate and Professional Services industries related to Housing reported job growth of 31.6% from 2001 to 2006, with growth highest from 2002 to 2003.

	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Year-over Change	7.3%	10.2%	2.7%	7.1%	1.2%

[7]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)

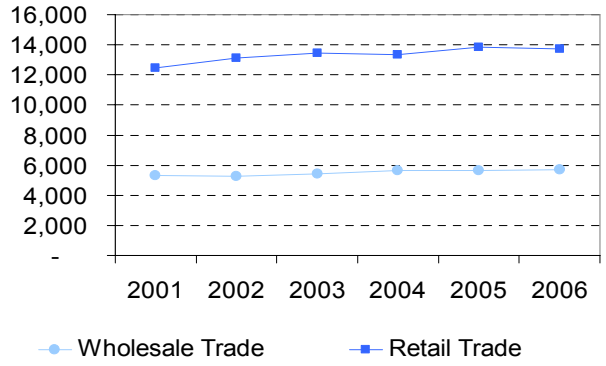
Employment growth from 2001 to 2006:



Within these sectors, the largest industry is Engineering Services, with about 15,000 jobs in 2006. From 2001 to 2006, Engineering Services added the most jobs, up 3,800 jobs, and Credit Card Issuing reported the fastest growth, up 234.2%. Only one industry, Drafting Services, reported job losses, down about 10 jobs or 10.7%.

Wholesale & Retail Trade

Overall, the Housing-related Wholesale Trade industries experienced job growth of 7.6% from 2001 to 2006, up 400 jobs. The largest industry is Plumbing & Heating Equipment & Supplies Wholesalers, with almost 1,100 jobs. This industry added the most jobs, up 360 jobs, and Construction & Mining Machinery & Equipment Wholesalers reported the fastest growth, up 60.9%. At the same time, Electrical Apparatus, Equipment & Supplies Wholesalers reported the greatest losses, down 27.3% or almost 400 jobs.



Overall, the Housing-related Retail Trade industries experienced job growth of 10% from 2001 to 2006, up over 1,200 jobs. The largest industry is Home Centers, with almost 6,400 jobs. This industry added the most jobs from 2001 to 2006, and reported the fastest growth, up 1,500 jobs or 31.0%.

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