ECONOMIC PROFILE: SOUTHERN CALIFORNIA REGION

Prepared for the

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 Southern California 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 CALIFORNIA REGION

ECONOMIC PROFILE

October 2008

THE SOUTHERN CALIFORNIA REGION

includes five counties, as defined by the California Economic Strategy Panel (Panel): Los Angeles, Orange, Riverside, San Bernardino and Ventura.

The Southern California Region is the state's largest region, with 48.7% of its population and 46.9% of its jobs (2006). Within the region's five counties, the preliminary unemployment rate for August 2008 ranged from 5.8% in Orange County to 9.7% in Riverside County. The region experienced job growth of 6.5% from 2001 to 2006, adding 446,600 jobs. While jobs grew by 6.5%, the region's Gross Domestic Product (GDP) grew by 51.2% and Per Capita Personal Income grew by 22.1%.

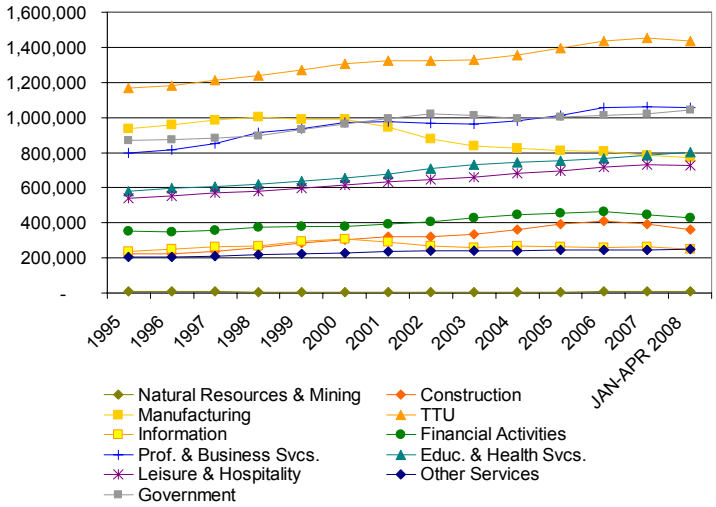
Growth was led by Construction during this period, both in number and percentage of jobs added, up 90,900 jobs or 36.3%. Construction employment increased each year through 2006. Next in number of jobs added were Retail Trade, Accommodation & Food Services, Health Care & Social Assistance, and Other Services.

At the same time, several of the major sectors reported losses. Losses were led by Manufacturing, down 138,700 jobs from 2001 to 2006, although losses had slowed since 2003. Still, while Manufacturing employment declined by 14.5% from 2001 to 2006, its GDP grew by 12.2%.

The Current Employment Statistics (CES) program data, which excludes Farm and Private Households employment data, shows overall growth in Nonfarm employment in 2007, but slight negative 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 Southern California Region, a look at recent preliminary data shows that the region continued to grow jobs into 2007, but this was reversing in early 2008.

Overall, Nonfarm employment grew by 1.1% from 2006 to 2007, with eight super sectors reporting growth and three reporting losses. Other Services reported the fastest growth, followed by Natural Resources & Mining (excluding Farm jobs) and Education & Health Services.

Of interest, losses were reported by Construction, Financial Activities and Manufacturing in 2007, and this continued into early 2008. This represents a reversal for Construction and Financial Activities from the growth in prior years, and is most likely due to the housing downturn. For Manufacturing, the losses reported in 2007 represented the greatest year-over decrease since 2003. These losses continued into early 2008.

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

SOUTHERN CALIFORNIA	2001-2006*	2006-2007	Apr07-Apr08
Total Nonfarm	**4.6%**	**1.1%**	**-0.6%**
Natural Resources & Mining	9.5%	5.5%	1.4%
Construction	28.3%	-4.7%	-8.1%
Manufacturing	-14.7%	-2.7%	-2.1%
Trade, Transportation, & Utilities	8.4%	2.0%	-0.3%
Information	-0.9%	0.5%	-2.1%
Financial Activities	17.2%	-3.3%	-6.0%
Professional & Business Svcs	6.1%	0.6%	0.2%
Educational & Health Services	13.6%	4.7%	2.7%
Leisure & Hospitality	13.4%	2.3%	0.5%
Other Services	-24.5%	16.0%	1.3%
Government	1.7%	1.1%	1.6%

** 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)	6.5%
Establishment Growth (2001-2006)	27.2%
GDP Growth[3] (2001-2006)	51.2%
Average Wage (2006, Private Industry)	$ 45,638
Wage Growth (2001-2006)	18.8%
Firms with < 100 employees (2006)	98.3%
Firms with < 50 employees (2006)	96.1%
Self-employed, not incorporated (2006)	9.0%

WORKFORCE

Unemployment Rate (2006)	4.5%
Population Growth (2001-2006)	5.8%
Per Capita Income (2006)	$ 37,306
Bachelor's Degree or higher (2006)	
-Of population age 25 and older	17.4% to 34.8%
Families Living in Poverty (2006)	10.5%

QUALITY OF PLACE

Air Quality Index (2006 Median AQI[4])	43 to 72
Average Commute Time (2006)	25.8 to 31.4 min.
Housing Opportunity Index[5] (2007)	6.2% to 13.5%

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

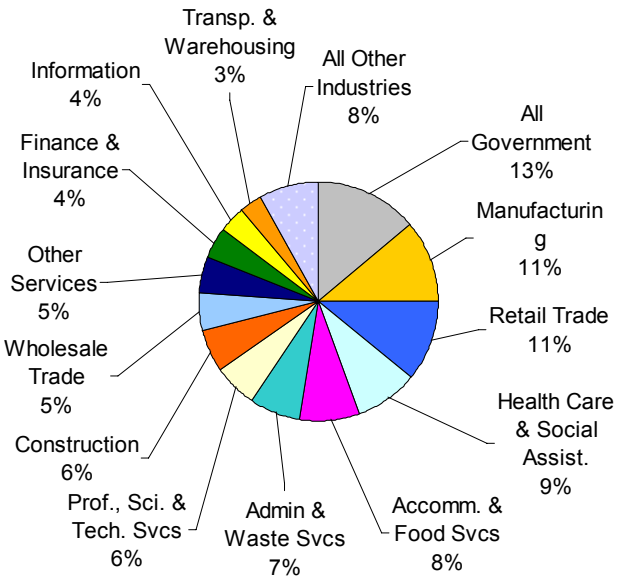
[2] The North American Industry Classification System (NAICS), 6-digit level.

[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)

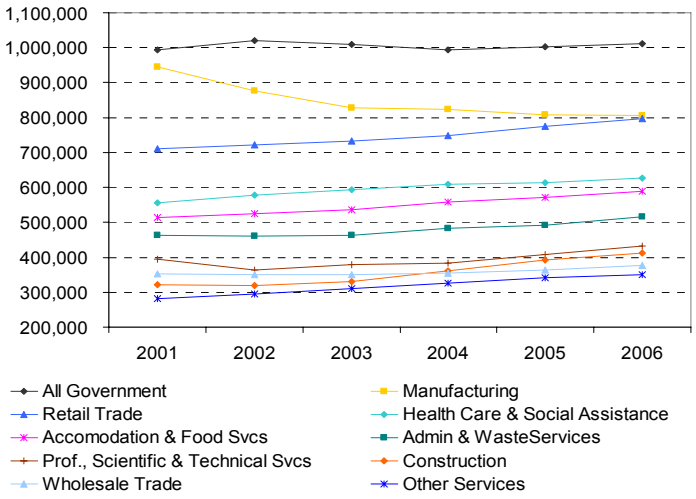
1.	San Joaquin Valley Region	9.9%
2.	Greater Sacramento Region	9.4%
3.	Southern Border Region	7.7%
4.	**Southern California Region**	**6.5%**
5.	No. Sacramento Valley Region	6.4%
	California as-a-whole	*6.1%*
6.	Central Sierra Region	5.9%
7.	Central Coast Region	3.6%
8.	Northern California Region	1.3%
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)	-3.3%
Mining (NAICS 21)	8.6%
Utilities (NAICS 22)	10.0%
Construction (NAICS 23)	**28.3%**
Manufacturing (NAICS 31-33)	**-14.7%**
Wholesale Trade (NAICS 42)	**6.6%**
Retail Trade (NAICS 44-45)	**12.0%**
Transportation & Warehousing (NAICS 48-49)	-0.1%
Information (NAICS 51)	-0.9%
Finance & Insurance (NAICS 52)	18.6%
Real Estate & Rental & Leasing	14.1%
Prof., Scientific & Technical Services (NAICS 54)	**9.4%**
Mngmt of Companies & Enterprises (NAICS 55)	-21.2%
Administrative & Waste Services (NAICS 56)	**11.3%**
Educational Services (NAICS 61)	17.5%
Health Care & Social Assistance (NAICS 62)	**12.8%**
Arts, Entertainment & Recreation (NAICS 71)	6.1%
Accommodation & Food Services (NAICS 72)	**15.0%**
Other Services (except Public Admin) (NAICS 81)	**24.3%**
All Government[6]	**1.7%**

[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)
Administrative & Support Services (NAICS 561)
Professional, Scientific & Technical Services (NAICS 541)
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)

Private Households (NAICS 814)
Funds, Trusts & Other Financial Vehicles (NAICS 525)
Wholesale Electronic Markets, Agents, Brokers (NAICS 425)
Support Activities for Mining (NAICS 213)
Other Information Services (NAICS 519)

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

Textile Mills (NAICS 313), 1.9 LQ
Apparel Manufacturing (NAICS 315), 1.9 LQ
Motion Picture & Sound Recording (NAICS 512), 1.9 LQ
Leather & Allied Product Mfg (NAICS 316), 1.7 LQ
Monetary Authorities - Central Bank (NAICS 521), 1.7 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)

Securities & Other Investments & Services (NAICS 523)
Oil & Gas Extraction (NAICS 211)
Performing Arts, Spectator Sports & Related (NAICS 711)
Pipeline Transportation (NAICS 486)
Petroleum & Coal Products Mfg (NAICS 324)

The average annual wages range from $98.9K to $177.2K.

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)
Temporary Help Services (NAICS 561320)
Limited-Service Restaurants (NAICS 722211)
General Medical & Surgical Hospitals (NAICS 622110)
Private Households (NAICS 814110)
Supermarkets & Other Grocery Stores (NAICS 445110)
Offices of Physicians (NAICS 621111)
Motion Picture & Video Production (NAICS 512110)
Corp., Subsidiary & Regional Managing Ofcs (NAICS 551114)
Hotels & Motels (NAICS 721110)

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

Guided Missile & Space Vehicle Propulsion Mfg (NAICS 336120)
Other Financial Vehicles (NAICS 525990)
Other Scientific & Technical Consulting Svcs (NAICS 541690)
Offices of Bank Holding Companies (NAICS 551111)
Hydroelectric Power Generation (NAICS 221111)
Residential Other Bldg Equipmt Contractors (NAICS 238291)
Other Depository Credit Intermediation (NAICS 522190)
Other Specialized Design Services (NAICS 541490)
All Other Basic Organic Chemical Mfg (NAICS 325199)
Prefabricated Wood Building Mfg (NAICS 321992)

The ten with the strongest competitive advantage:

Sanitary Paper Product Mfg (NAICS 322291)
Motor Home Mfg (NAICS 336213)
Rubber & Plastics Footwear Mfg (NAICS 316211)
Blankbook, Looseleaf Binders & Devices Mfg (NAICS 323118)
Household Cooking Appliance Mfg (NAICS 335221)
Other Knit Fabric & Lace Mills (NAICS 313249)
Fluid Power Valve & Hose Fitting Mfg (NAICS 332912)
Light Truck & Utility Vehicle Mfg (NAICS 336112)
Abrasive Product Mfg (NAICS 327910)
Women's Footwear (except Athletic) Mfg (NAICS 316214)

AT THE MOST DETAILED INDUSTRY LEVEL
(Continued)

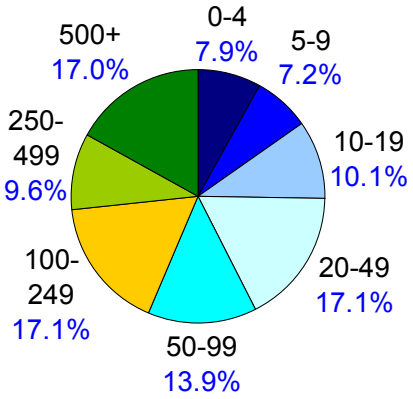
The ten highest paying industries:

Independent Artists, Writers & Performers (NAICS 711510), $251K
Portfolio Management (NAICS 523920), $220.4K
Investment Banking & Securities (NAICS 523110), $199.5K
Offices of Bank Holding Companies (NAICS551111), $180K
Securities Brokerage (NAICS 523120), $172.8K
Investment Advice (NAICS 523930), $171.3K
Crude Petroleum & Nat. Gas Extrctn (NAICS 211111), $162.2K
Offices of Other Holding Companies (NAICS 551112), $151.6K
Sports Teams & Clubs (NAICS 711211), $150K
Musical Groups & Artists (NAICS 711130), $149.5K

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 55.8% of all jobs in the region. Firms with 500 or more employees made up 0.2% of all businesses, and provided 17.0% of all jobs.

DISTRIBUTION OF JOBS BY SIZE OF FIRM (2006)



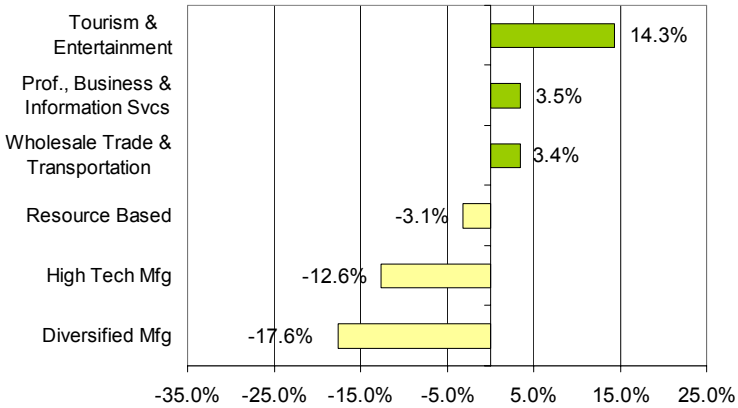
BUSINESS GROWTH BY SIZE OF FIRM (2001-2006)

Number of Employees	Growth of Jobs	Growth of Firms
0-4	26.1%	35.7%
5-9	9.6%	9.8%
10-19	9.1%	8.8%
20-49	6.3%	7.0%
50-99	2.9%	3.1%
100-249	6.8%	6.3%
250-499	-0.1%	-0.2%
500-999	15.6%	15.8%
1,000+	7.6%	1.1%

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.

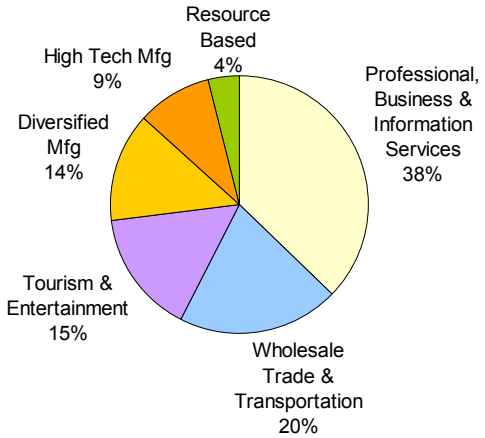
EMPLOYMENT GROWTH 2001-2006



In 2006, the region's traditional economic base provided 26.8% of all jobs in the region. The traditional base reported job losses of 0.6% from 2001 to 2006, down 11,500 jobs. Losses were led by Diversified Manufacturing, down 57,600 jobs or 17.6%; and, High Tech Manufacturing, down 26,600 jobs or 12.6%. Within these sectors, only Pharmaceutical & Medicine Manufacturing and Navigational, Measuring, Electromedical & Control Instruments Manufacturing reported growth.

The greatest number and percentage of job growth was reported by Tourism & Entertainment, up almost 37,600 jobs or 14.3%. Second, Professional, Business & Information Services grew by 24,500 jobs or 3.5%.

DISTRIBUTION OF TRADITIONAL BASE JOBS (2006)



KEY INDUSTRY SECTORS AND CLUSTERS IN THE EXPANDED ECONOMIC BASE

MANUFACTURING

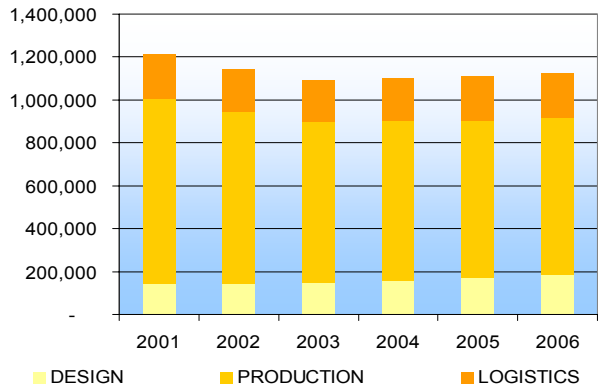
The Manufacturing sector provided 11.0% of the region's jobs in 2006. The sector reported overall job losses of 14.5% from 2001 to 2006, down almost 138,700 jobs. Most losses occurred from 2001 to 2003; from 2005 to 2006, the sector reported losses of just 0.2%. At the same time, the region's manufacturing GDP grew by 12.2%. Preliminary data for 2007 suggests continued job losses from 2006 to 2007 (2.7%), and into early 2008.

While Manufacturing as a whole experienced job losses from 2001 to 2006, some industries reported growth. At the most detailed industry classification level (the 6-digit NAICS level), the ten fastest growing manufacturing industries included Chocolate & Confectionery Mfg; Guided Missile & Space Vehicle Propulsion Unit Mfg; Household Vacuum Cleaner Mfg; All Other Basic Organic Chemical Mfg; Prefabricated Wood Building Mfg; Nitrogenous Fertilizer Mfg; Clay Refractory Mfg; Stationery, Tablet & Related Product Mfg; Men's & Boys' Cut & Sew Underwear & Nightwear Mfg; and, Rolling Mill Machinery & Equipment Mfg.

The largest industries (at the 6-digit NAICS level) included Women's, Girls' & Infants' Cut & Sew Apparel; Search, Detection, Navigation, Guidance, Aeronautical & Nautical System Mfg; Aircraft Mfg; Other Aircraft Parts & Auxiliary Equipment Mfg; Pharma. Prep. Mfg; Machine Shops; All Other Plastics Product Mfg; Commercial Lithographic Printing; Semiconductor & Related Device Mfg; and, Women's & Girls' Cut & Sew Other Outerwear Mfg.

Looking at the Manufacturing Value Chain industry cluster, both Production and Logistics reported losses from 2001 to 2006. Production lost 15.6% of its jobs, down 134,700 jobs, and Logistics lost 0.3%, down 500 jobs. At the same time, Design reported job growth of 32.4%, up over 45,900 jobs.

Manufacturing Value Chain employment change 2001-2006:



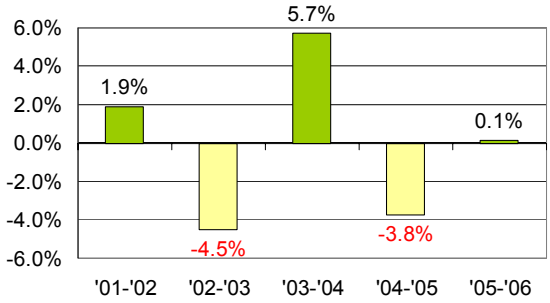
Some manufacturing jobs will not be reflected in this data, as manufacturing firms are using Employment Services, including temporary employment services, for hiring some of their workers. Those workers would be reported as part of the Employment Services industries' employment. This practice is also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

INFORMATION

The Information sector provided 3.6% of all jobs in the region in 2006. The region had a higher concentration of jobs in this sector (1.2 LQ) than found statewide. At the industry group level (4-digit NAICS), the highest concentrations were found in Motion Picture & Video Industries (1.9 LQ); Satellite Telecommunications (1.8 LQ); Cable & Other Program Distribution (1.8 LQ); and, Sound Recording Industries (1.7 LQ).

Overall, the sector experienced modest job losses from 2001 to 2006, down over 2,200 jobs or 1.0%. Job growth fluctuated each year, with the highest number of jobs reported in 2004 and the lowest reported in 2003.

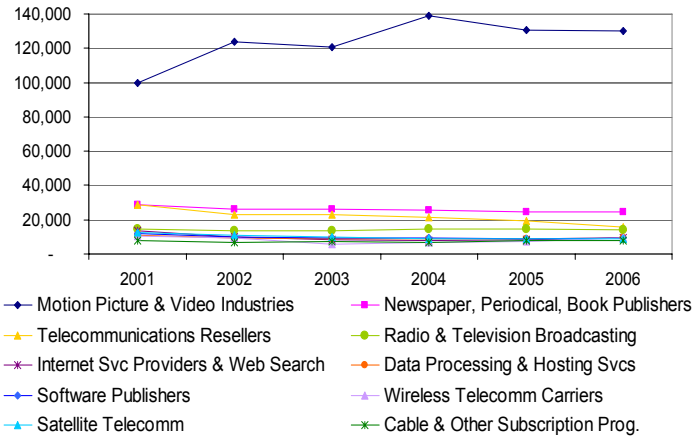
YEAR-TO-YEAR EMPLOYMENT CHANGE



Most industries within the sector reported overall job losses from 2001 to 2006, led by Telecommunications Resellers, down over 12,700 jobs or 44.7%. This was also the greatest percentage of jobs lost. Next in number of jobs lost, Newspaper, Periodical, Book & Directory Publishers lost almost 4,200 jobs, and Internet Service Providers & Web Search Portals lost almost 4,100 jobs.

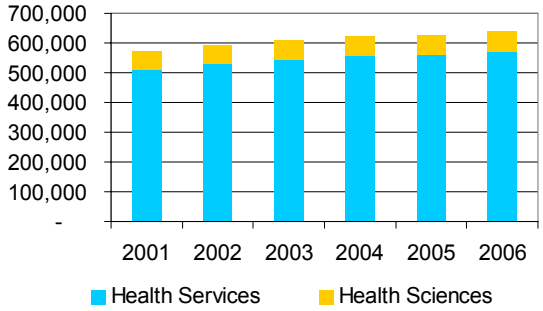
At the same time, some industries reported job growth. The greatest number of jobs added was reported by Motion Picture & Video Industries, up 30,200 jobs (up 30.2%); the greatest percentage (fastest) growth was reported by Other Information Services, up over 500 jobs or 38.4%. The others reporting growth included Cable & Other Subscription Programming (up 500 jobs); and, Wired Telecommunications Carriers (up about 25 jobs).

Employment 2001-2006
Ten Largest Information Industries



HEALTH SCIENCES & SERVICES

The Health Sciences & Services industry cluster provided 8.8% of all jobs in the region in 2006. From 2001 to 2006, the cluster grew by 11.6%, up over 66,600 jobs. The region had an equal concentration of Health Sciences & Services jobs to that found at the statewide level (1.0 LQ).



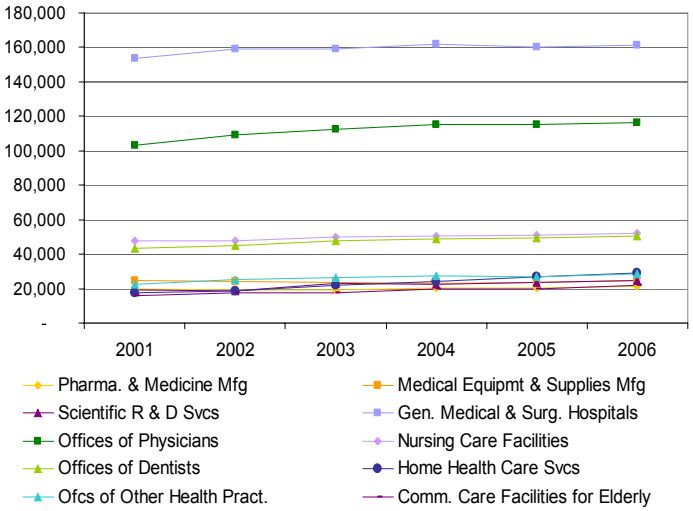
Health Sciences

Health Sciences experienced job growth of 10.8% from 2001 to 2006, up almost 6,900 jobs. Within Health Sciences, Scientific Research & Development grew by 5,300 jobs, or 27.8%. Pharmaceutical & Medicine Manufacturing also reported growth during this period, up 8.8%, while Medical Equipment & Supplies Manufacturing reported slight losses of 0.7%.

Health Services

Health Services, which includes the health care industries, experienced job growth of 11.7% from 2001 to 2006, up 59,800 jobs. Within Health Services, Home Health Care reported the greatest percentage of growth, up 67.9% (11,800 jobs), and Offices of Physicians added the most jobs, up 13,200 jobs. At the same time, Residential Mental Health & Substance Abuse Facilities reported the greatest number and percentage of jobs lost, down 15,800 jobs, or 30.6%. The region had a high concentration of Psychiatric & Substance Abuse Hospitals (1.7 LQ) and Medical & Diagnostic Labs (1.4 LQ).

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

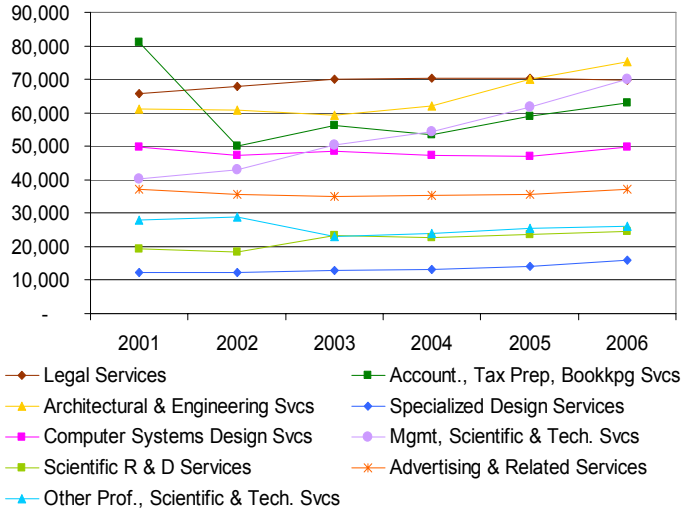
The Professional, Scientific & Technical Services sector provided 5.9% of the region's jobs in 2006. The sector reported overall job growth of 9.4%, or 37,100 jobs, from 2001 to 2006. Jobs declined from 2001 to 2002, then grew each year in 2003 through 2006.

Overall, the region had a lower concentration of Professional, Scientific & Technical Services jobs (0.9 LQ) than found statewide; however, several industry groups with the sector have higher levels, led by Advertising & Related Services (1.3 LQ) and Specialized Design Services (1.3 LQ).

Within the sector, Management, Scientific & Technical Consulting Services reported the greatest number and percentage of job growth, up almost 29,800 jobs or 73.9%. This was followed by Architectural & Engineering Services, up 14,100 jobs (23.1%) and Scientific Research & Development, up 3,800 jobs (27.8%).

The other growing industries included Legal Services (up 3,900 jobs); Specialized Design Services (up 3,800 jobs); Advertising & Related Services (up about 40 jobs); and, Computer Systems Design Services (also up about 40 jobs).

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



Two industry groups in the sector reported job losses from 2001 to 2006. The greatest number and percentage of jobs lost was experienced by Accounting, Tax Preparation & Bookkeeping Services, down 18,100 jobs or 22.4%. Other Professional, Scientific & Technical Services also reported losses, down almost 1,800 jobs or 6.3%.

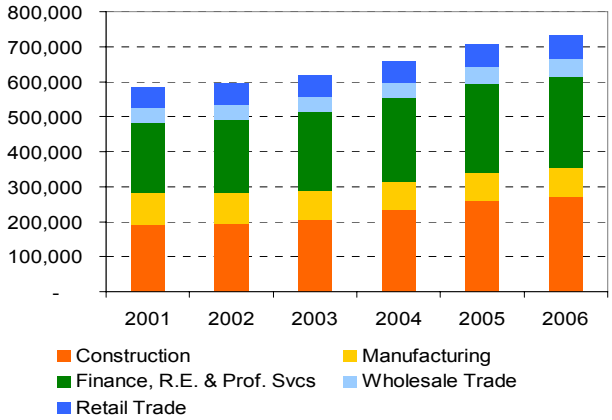
HOUSING

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 10.0% of the region's jobs in 2006, with about 732,100 jobs.

Overall, Housing experienced job growth of 25.2% from 2001 to 2006. Within the cluster, Construction grew by 43.2%, up 82,200 jobs; Manufacturing reported losses of 12.3% (down 80,400 jobs); Finance, Real Estate & Professional Services reported 31.2% growth (up 62,200 jobs); Wholesale Trade grew by 14.7% (up over 6,400 jobs); and, Retail Trade grew by 13.1% (up 7,700 jobs).

Year-over Change	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Housing-related Construction	2.3%	6.2%	12.8%	10.3%	5.9%
Housing-related Manufacturing	-7.4%	-5.4%	-0.7%	-0.5%	1.3%
Finance, RE & Prof. Svcs	5.8%	7.4%	5.2%	8.2%	1.5%
Housing-related Wholesale Trade	-0.2%	-0.7%	2.7%	5.6%	6.8%
Housing-related Retail Trade	3.6%	0.2%	2.0%	3.3%	3.4%
Housing Cluster	1.9%	3.8%	6.5%	7.2%	3.6%

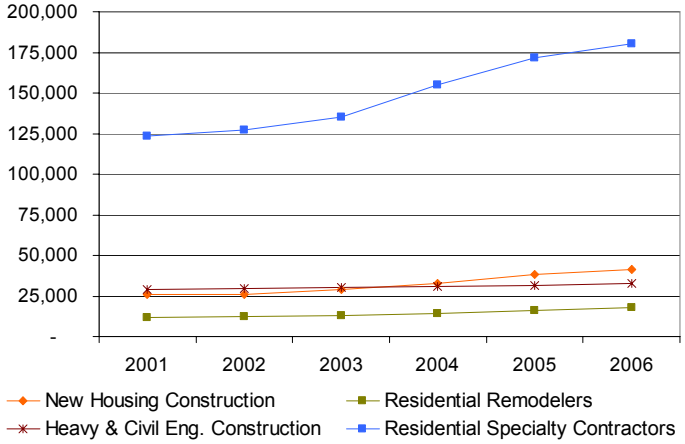
Employment change from 2001 to 2006:



Construction

Within Construction, New Housing Construction grew by 62% from 2001 to 2006, up 15,900 jobs; Residential Remodelers grew by 49.4% (up 5,900 jobs); Housing-related Heavy & Civil Engineering Construction reported job growth of 13.0% (up 3,800 jobs); and, Residential Specialty Trade Contractors reported growth of 45.9% (up over 56,600 jobs).

Housing Construction employment 2001 to 2006:



Manufacturing of Construction Materials

Housing-related Manufacturing industries reported overall job losses of 4.7% from 2001 to 2006. The losses occurred from 2001 to 2003, down 5.2% in 2002 and down 3.8% in 2003. After these losses, the industries reported job growth in 2004 (up 1.5%), in 2005 (up 1.1%), and again in 2006 (up 1.7%). It appears that the housing downturn may not have impacted overall job growth yet in these industries, suggesting the impact of the housing downturn was felt later in the Southern California Region than in some other regions.

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

NAICS	Industry	Change '01-'06
326199	All Other Plastics Product Mfg	-30.6%
332722	Bolt, Nut, Screw, Rivet, Washer Mfg	-2.4%
332321	Metal Window & Door Mfg	0.6%
327320	Ready-Mix Concrete Mfg	14.4%
326191	Plastics Plumbing Fixture Mfg	32.9%
332510	Hardware Mfg	-31.5%
327390	Other Concrete Product Mfg	-6.2%
325510	Paint & Coating Mfg	2.2%
321918	Other Millwork (including Flooring)	-15.0%
331111	Iron & Steel Mills	17.7%

Finance & Insurance, Real Estate and Professional Services

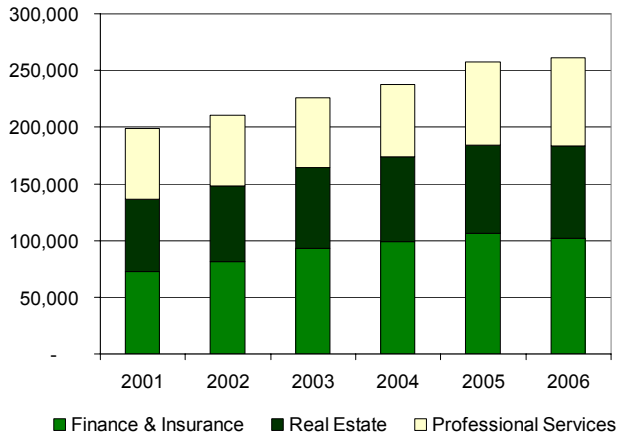
Together, the Finance & Insurance, Real Estate and Professional Services industries related to Housing reported job growth of 31.2% from 2001 to 2006, with growth strongest from 2004 to 2005.

	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Year-over Change	5.8%	7.4%	5.2%	8.2%	1.5%

[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 46,600 jobs in 2006, followed by Real Estate Credit, with 40,400 jobs. From 2001 to 2006, Real Estate Credit added the most jobs, up 15,300 jobs, and Mortgage & Nonmortgage Loan Brokers reported the fastest growth, up 132.5%. At the same time, several industries reported job losses, with Lessors of Residential Buildings & Dwellings reporting the most jobs lost, down over 1,300 jobs.

Wholesale & Retail Trade

Overall, the Housing-related Wholesale Trade industries experienced job growth of 14.7% from 2001 to 2006, up over 6,400 jobs. The largest industry is Electrical Apparatus, Equipment & Supplies Wholesalers, with almost 9,500 jobs. Brick, Stone & Related Construction Material Wholesalers added the most jobs, up 2,000 jobs, and Other Construction Material Wholesalers reported the fastest growth, up 93.7%.

Overall, the Housing-related Retail Trade industries experienced job growth of 13.1% from 2001 to 2006, up 7,700 jobs. The largest industry is Home Centers, with almost 33,700 jobs. This industry also added the most jobs from 2001 to 2006, up over 9,200 jobs, or 37.6%, which is also the fastest growth reported.

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