

May 2019

## Central Valley Economic and Demographic Trends

For the past 40 years state leaders have initiated efforts to help support broader economic prosperity in the Central Valley eight county region. The latest effort is being undertaken by Governor Newsom and a team led by Lenny Mendonca. I think all Californians wish them success. It is a challenging task. Most economic indicators have not moved in a positive direction during the past 40 years and some have worsened in comparing the Valley to state averages.

This Numbers in the News presents a selected list of economic and demographic trends and compares the Valley trends to statewide trends. It is not an exhaustive look at the challenges facing economic prosperity for Valley residents but it does point to some of the reasons why the state in collaboration with Valley leaders is, once again, seeking ways to support Valley prosperity.

### Summary

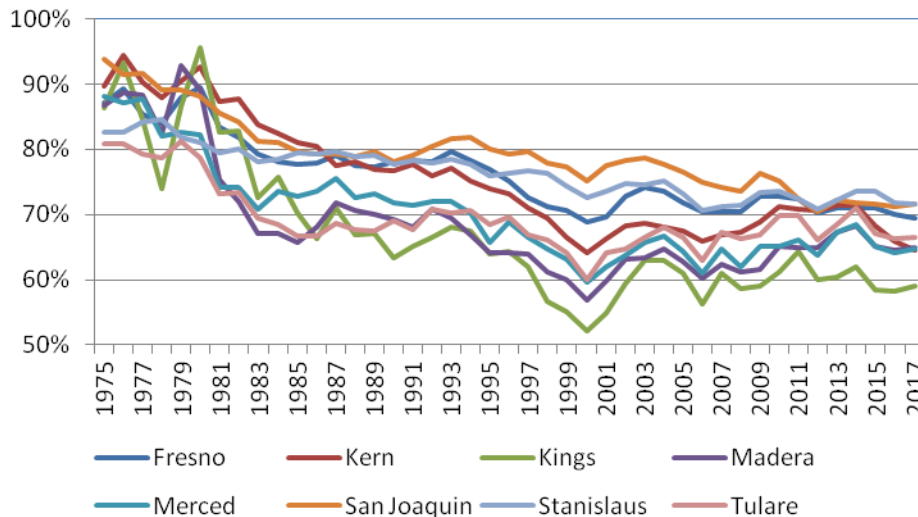
- For key economic indicators—per capita income, unemployment and poverty rates—Valley counties have persistently performed poorly compared to state averages. The Valley/state gaps have, for the most part, not improved in 30 years or more.
- One reason is that average educational attainment in the Valley counties is well below the state average.
- A second contributing factor is that the Valley has comparatively small shares of California's fast growing high wage industries. The Valley has not participated much in the surge in Information and Professional Service sector jobs that have driven the state's economic recovery, particularly in the Bay Area.
- Two counties—San Joaquin and Stanislaus—closest to the Bay Area job market—have the best performance on economic indicators including home prices.
- Some implications for policy are offered in the final section.

## Signs of Slow Progress

### Per Capita Income

Valley counties have fallen further behind the state average in this important measure of economic prosperity.

#### Per Capita Income Compared to California



The principal explanations for the poor income performance, explained in more detail in later sections, are an industry structure that has small shares of the state's fastest growing high wage sectors and substantially lower average educational attainment for Valley residents compared to the state average. Although it is hard to see on the graph, the two counties with the highest per capita income in the Valley are San Joaquin and Stanislaus, the two counties with a growing number of residents who work in the strong Bay Area economy.

### Poverty and Unemployment

Poverty and unemployment rates in the Valley have been persistently higher than state averages. The latest data is for 2017 so it is possible that statewide minimum wage increases may lead to reductions in poverty rates in the Valley.

At the state level we know that poverty rates adjusted for housing prices are much higher (19% in 2017) than the unadjusted rates. Poverty rates in the Valley though very high, may be closer to the state average when housing costs are taken into account.

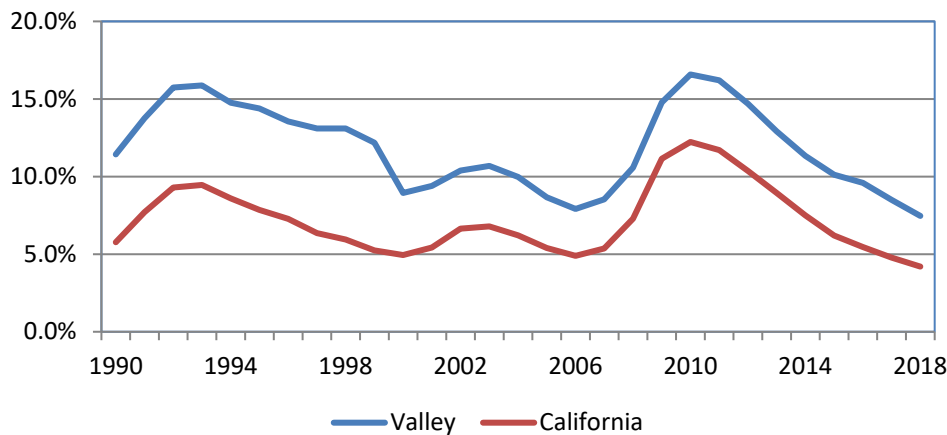
## Poverty Rates

	2017	2016	2010
Fresno	21.1%	25.6%	26.8%
Kern	13.4%	14.0%	15.3%
Kings	18.2%	16.0%	22.2%
Madera	22.6%	20.3%	21.0%
Merced	23.8%	20.3%	23.0%
San Joaquin	15.5%	14.4%	19.2%
Stanislaus	13.5%	14.2%	19.9%
Tulare	24.6%	25.2%	24.5%
California	13.3%	14.3%	15.8%

Source: American Community Survey

Valley unemployment rates are also been persistently higher than the state average though they move in the same direction in recession and expansions.

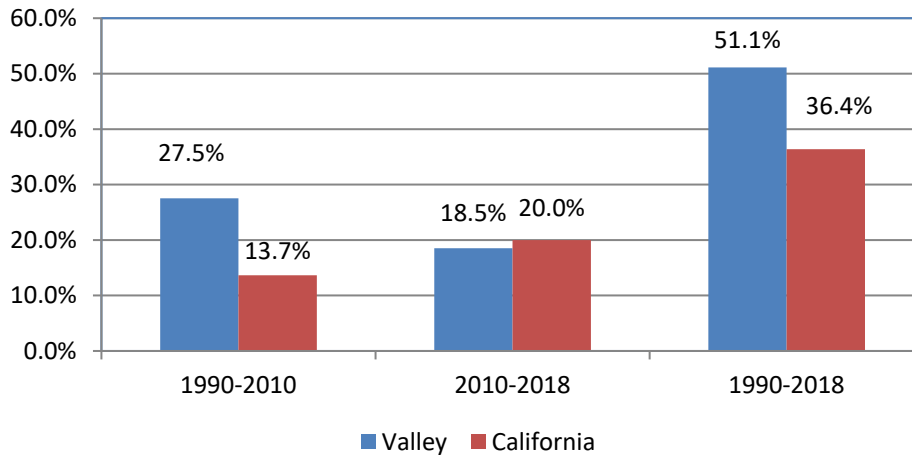
## Unemployment Rate



## Jobs and Population

The valley has outpaced the state average in job and population growth but the comparative advantage came largely between 1990 and 2010. Since 2010 the Valley and state have added jobs at nearly the same pace,

## Job Growth



The Valley’s structure of industries does not favor fast growing, high wage sectors, which is one reason for the poor income performance. But it has been an enduring trend. Despite comparatively inexpensive housing and commercial land prices and a wide range of housing options, the Valley has low and declining (since 2010) shares of Information and Professional and Business Services, California’s fastest growing high wage sectors. The same trend is true for the Finance sector.

On the other hand the Valley has high shares of Farm and Government jobs compared to the state average. The Valley also has an above average share of retail trade jobs.

The one standout sector for the Valley is a growing share of Transportation and Warehousing jobs. The Valley is centrally located for north-south transport and the location of distribution facilities.

As the table shows in three high wage sectors—Information, Finance and professional and Business Services—the Valley had a lower share of jobs compared to the state average and also had slower growth after 2010. On the other hand the Valley had above average shares in two slower growing sectors—Farm and Government jobs.

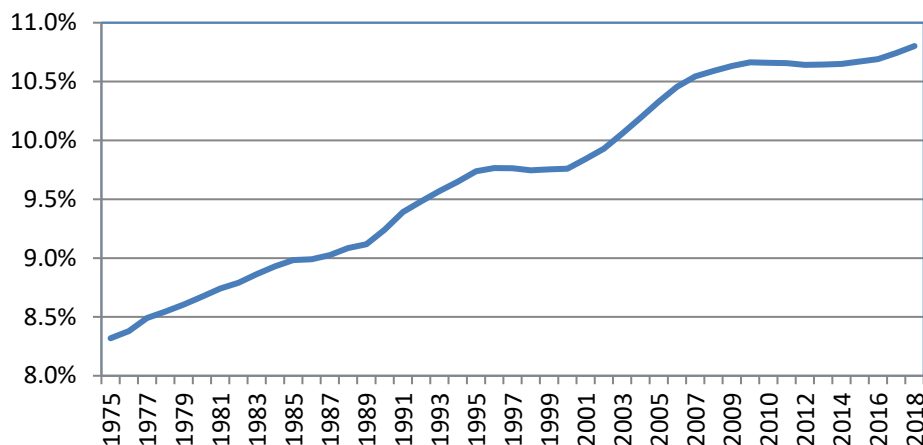
## 2018 Industry Shares of Total Jobs

	2018 Industry Shares of Total Jobs		2010-18 Job Growth	
	Valley	California	Valley	California
Farm	13.8%	2.4%	13.7%	10.8%
Natural Resources and Mining	0.6%	0.1%	-4.0%	-6.9%
Construction	4.5%	4.9%	51.0%	53.5%
Manufacturing	7.3%	7.5%	8.8%	6.2%
Wholesale Trade	3.2%	4.0%	19.1%	11.0%
Retail Trade	10.1%	9.6%	17.4%	11.3%
Transp, Warehousing and Utilities	5.1%	3.8%	58.5%	42.2%
Information	0.7%	3.1%	-15.1%	26.9%
Financial Activities	2.8%	4.8%	2.9%	10.2%
Professional and Business Services	7.4%	15.1%	15.3%	27.7%
Educational and Health Services	14.6%	15.5%	26.4%	27.9%
Leisure and Hospitality	8.3%	11.3%	31.2%	32.3%
Other Services	2.6%	3.3%	17.7%	18.3%
Government	19.0%	14.7%	9.4%	5.7%
<b>Total Wage and Salary Jobs</b>	<b>100.0%</b>	<b>100.0%</b>	<b>18.5%</b>	<b>20.0%</b>

Source: California Employment Development Department

The Valley accounted for a steadily rising share of the state population between 1975 and 2010 as residents sought the lower housing prices and less urban living in Valley cities. The Valley went from 8.3% of state population in 1975 to 10.7% in 2010 but reached only a small gain to 10.8% in 2018.

## Valley Population as % of CA



Rapid job growth in the coastal regions attracted residents after 2010 despite very high housing costs. The table below shows the relative population growth by county compared to the state average for three time periods.

High speed rail connections between the Valley and the Bay Area (and later Southern California) could add jobs and population to some Valley counties.

### Population Growth Rates

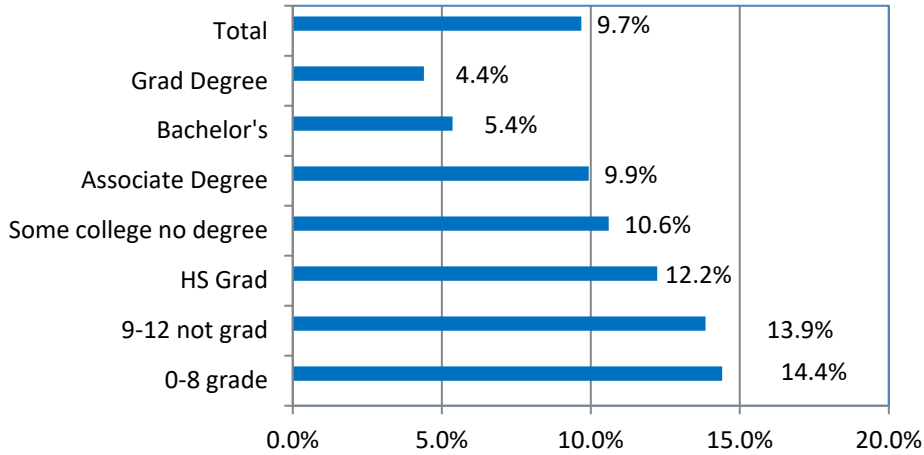
	1975- 2000	2000- 2010	2010- 2018
Fresno	77.3%	16.2%	8.7%
Kern	83.6%	26.7%	8.1%
Kings	87.0%	17.3%	0.4%
Madera	155.2%	20.8%	4.9%
Merced	77.6%	21.6%	9.8%
San Joaquin	89.6%	21.2%	10.8%
Stanislaus	100.3%	14.7%	7.6%
Tulare	70.4%	19.9%	7.8%
<b>Valley</b>	85.2%	19.9%	8.3%
California	57.9%	9.8%	6.9%

Source: California Department of Finance

### **Educational Attainment**

Valley residents have, on average, low educational attainment compared to the statewide average. The Valley accounts for 9.7% of state population over 18 but 14.9% of residents who did not go to high school and only 4.4% of state residents with a graduate degree; This is one explanation for the comparatively low incomes of Valley residents and the region's low share of high wage jobs.

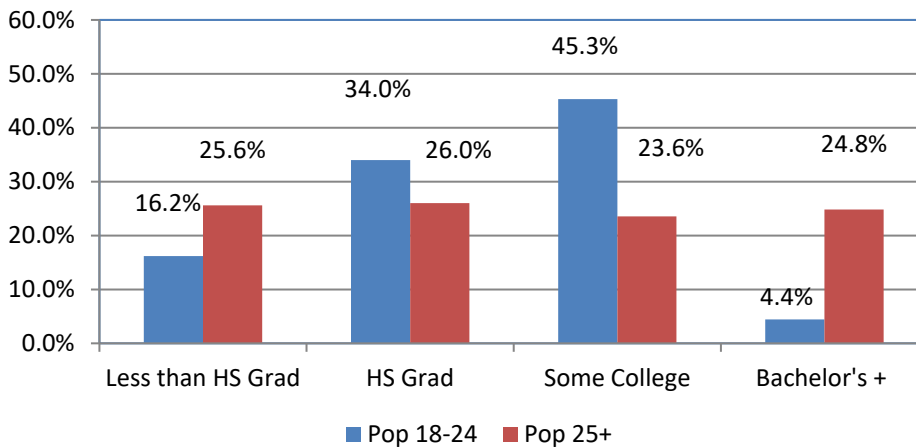
## Valley Residents as Share of California



There is one set of data that point to a better educational future in the Valley. Valley residents aged 18 to 24 have lower rates of not attending high school than residents aged 25 and above and much higher rates of high school graduation and college attendance. The Valley rates for 18-24 year old residents are still poor compared to state averages for this age group but the gap between the Valley and state is less than for older residents.

Sustained efforts to raise the average educational attainment of young Valley residents can make positive changes to the income, poverty and unemployment measures.

## Valley Educational Attainment by Age Group

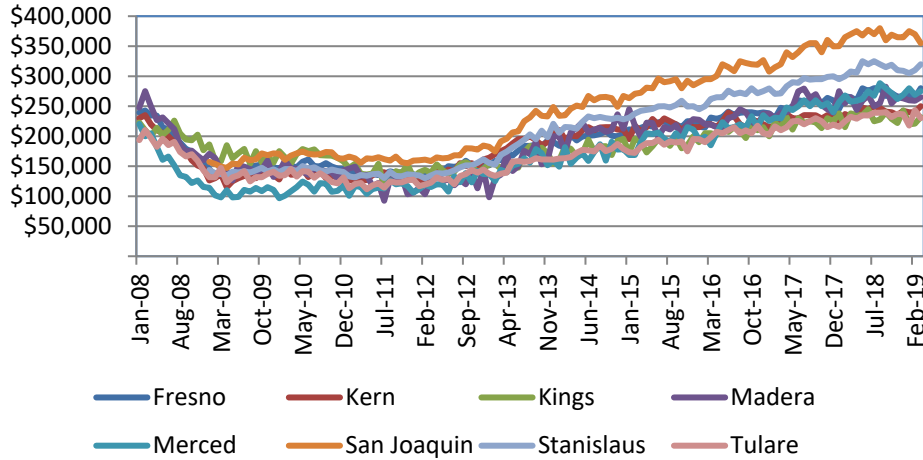


## Housing Trends

Median home prices have rebounded in the Valley and are no longer as affordable as previously though still lower than in the coastal regions. Note that

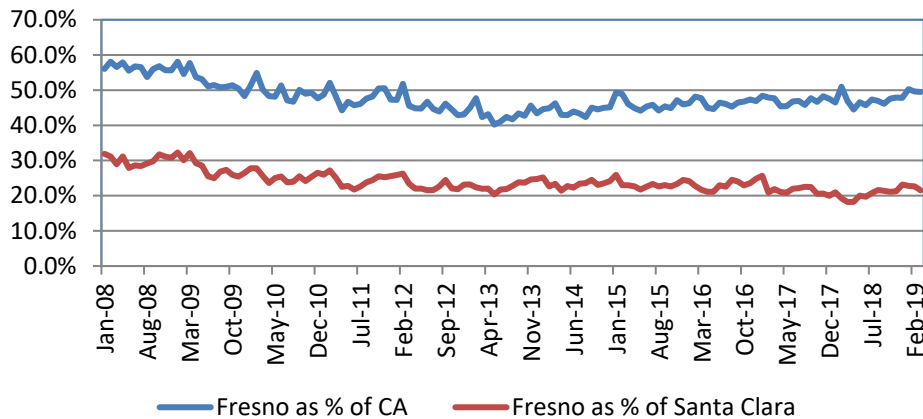
the highest median prices are in San Joaquin and Stanislaus counties, the two counties adjacent to the Bay Area job market.

## Median Resale Price of Detached Single Family Homes



Prices in most Valley counties, see below for Fresno as an example, are low compared to the state median and even lower compared to Santa Clara County but the gap has not changed much in recent years.

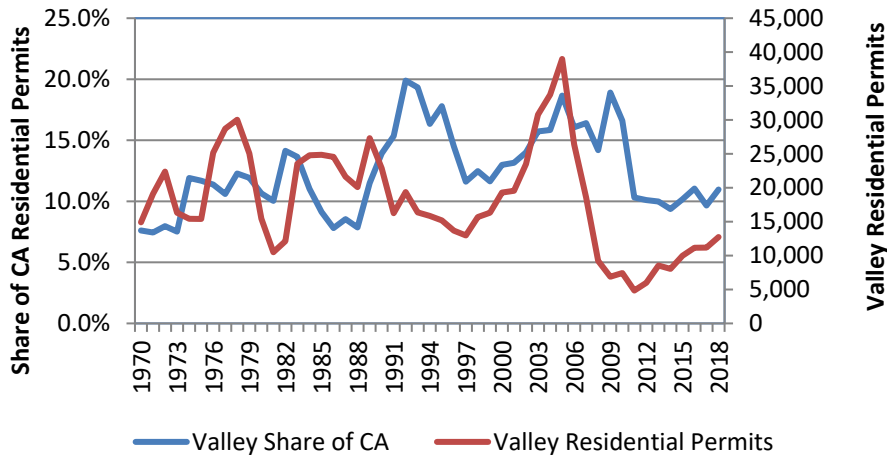
## Fresno Median Prices Compared to California and Santa Clara County



The level of residential building permits in the Valley has declined sharply since 2005 and the Valley's share of state permits has declined as well. There has been a small pickup in permit levels in recent years led by San Joaquin and Stanislaus counties though permit levels remain well below peak levels despite a large price and rent advantage compared to coastal regions.



## Valley Residential Building Permits



### Implications for Policy

- Improving educational attainment is a prerequisite for improving incomes and reducing poverty. The better attainment for the region’s residents aged 18-24 compared to older residents points toward success that can be built upon. Training can make modest improvements in the workforce’s skill level but without a major improvement in the education attained by Valley children, progress toward improved prosperity will be difficult.
- The results in San Joaquin and Stanislaus counties suggest that connections to the major coastal region job markets make a large difference. Over time high speed rail connections to the Bay Area and Southern California job markets are possible and would improve job opportunities for Valley residents.
- It is likely that the first job growth opportunities will be tied to existing Valley strengths and to Valley/Bay Area connections that will build support for population serving and back office jobs in counties that are connected. Tech companies have always had the opportunity to expand into the Valley but have chosen mostly to expand in the coastal regions and in other states.
- Progress is likely to require patience as well as hard work as the advantages of the Valley in terms of housing costs and a less urban quality of life have existed for a long time and not been able to overcome the challenges of low educational attainment and an unfavorable industry structure.