



INDUSTRY AND CAREER TRENDS AND FORECAST 1ST QUARTER 2017 EXECUTIVE SUMMARY

Background

Chmura's annual report provides the San Bernardino County Workforce Development Board (WDB) an overview of economic conditions and recommendations for system wide strategic planning, program development and operations. The WDB administers local allocation of federal funding under the Workforce Innovation and Opportunity Act of 2014 (WIOA). These funds support programs designed to assist county residents requiring training, job placement and related services while fulfilling human capital needs of the county's business community. In partnership with stakeholders throughout the Inland Empire, the WDB is uniquely positioned to transform the region's future.

National and State Economic Outlook

Believed to be the "new norm", labor force participation continues declining at an accelerated pace since the recession. The U6 unemployment rate remains relatively high at 9.7%.¹ Chmura forecasts 1.6% GDP growth for 2016 continuing into 2017 combined with a 10% drop in oil prices and a 100 basis point increase in the federal funds rate.² National home prices now exceed pre-recession peaks due in part to tight inventories. While declines in home affordability dampened housing market recovery, Trump administration policies are expected to boost domestic consumption, investment, government spending and exports leading to moderate wealth and job creation during 2017.

California has now gained 6.8% more jobs than existed during the prerecession July 2007 peak. Though employment declined faster than the nation during the recession subsequent statewide employment now exceeds national averages. Seven sectors currently compose 83% of the 1.37 million jobs created since 2013:

- **Health care** and social assistance;
- Accommodation and food services;
- **Construction**;
- Waste management administration and support;
- Professional, scientific and technical services;
- Education services; and
- **Transportation and warehousing.**

California's fastest long-run projected growth sectors include health, construction, professional services and financial services. Slowing and declines are expected in agriculture, media, textile/leather manufacturing, electrical/electronic manufacturing and pharmaceuticals.

Inland Empire Economy

During the two years following peak employment in July 2007, the Inland Empire faced elevated unemployment levels and a 10% loss of jobs. The Inland Empire emerged from its employment trough in September 2014 and now outpaces both the state and nation in job creation. The region outperforms the state relative to growth in employment, wages and real retail sales. Chmura expects regional employment and wage growth to continue outperforming the state through 2017 while building permits are projected to increase by only 3.4% compared to 4.3% throughout the state.

- **Demographics:** Ten year average annual population growth of 1.5% outpaced both national and state rates of 0.8% and 0.9% respectively. The working age population grew 0.9% in 2015, outpacing the state by more than

¹ The U6 reflects marginally attached workers neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months according to the Bureau of Labor Statistics.

² Chmura included 3rd quarter 2016 national data.

50%. Growth in the working-age population will decelerate to a range of 0.5% to 0.6%, beginning in 2020. San Bernardino County will slow more than Riverside County, but remain on par with the state and above the nation. The region's median age of 32.7 years is relatively young with nearly half the population identified as Hispanic or Latino and 40% non-white. The poverty rate is 1.6 percentage points above the state average while labor force participation rate is lower than both the state and nation. This is of concern given a higher than average regional working age population. Educational attainment falls well below state and national averages with indications of strong correlation to its above average poverty rate.

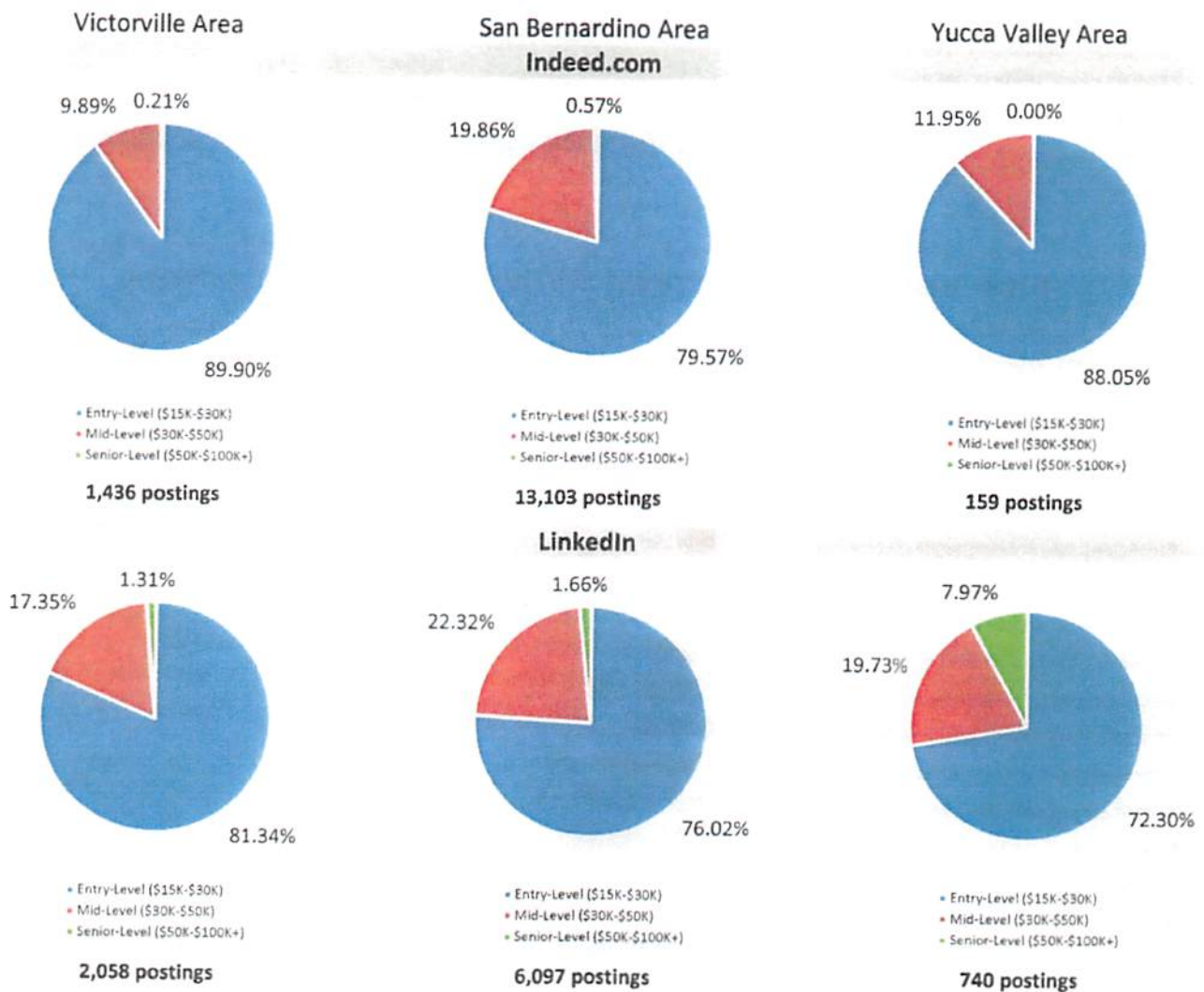
- **Real Estate:** A comprehensive "Countywide Plan" will replace San Bernardino County's current general plan in 2018. The ramifications upon land use designation are currently unknown. As of 2012, more than 10.1 million acres remain vacant, with almost 2 million acres reserved for military installations. Agricultural and resource management accounts for 89.7% of total land use followed by 5.4% residential zoning and individual plans for independent towns or cities. Special purpose, commercial, and industrial zoning accounts for less than 1%. Residential accounts for more than 291,500 acres, extraction 71,000 acres, utility facilities 58,000 acres, Urban Vacant 47,400 acres and 1,400 acres are under construction. The regional median home value of \$231,800 is below the state median of \$371,400 but above the national average. San Bernardino County mortgage loan defaults fell from 5,096 in March 2009 to 391 per month presently. Housing inventories remain tight at four months' supply below the norm of six while annual home sales are up 2.9%. Prices rose 11.4% while single-family building permits declined 12.0%. Demand for industrial space continues to grow with a vacancy rate of 4.3%, compared to 5.0% nationwide. Office vacancies match the 13.0% national rate.
- **Industry:** More than 96% of Inland Empire firms have fewer than 50 employees, representing approximately 46% of covered employment while 99.8% of firms have fewer than 500 employees and employ more than 86% of covered workers. The health care/social assistance sector accounted for 14.2% of employment followed by retail trade (12.3%), accommodation/food services (9.6%), educational services (9.0%), waste management administration and support (7.8%), transportation/warehousing (7.4%), construction (7.1%), and manufacturing (6.6%). The transportation/warehousing (9.3%) and health care/social assistance (15.3%) sectors dominate San Bernardino County. Health care will gain jobs, growing 2.0% annually followed closely by construction, utilities and professional services. While transportation and warehousing jobs increased at double the statewide rate, forecasted growth shows signs of moderating. Manufacturing is forecast to decline at -0.3% although estimated replacement demand is high.
- **Workforce:** Regional job growth will be greater than 0.6% regardless of educational requirements, though a long term surplus of lower-skilled service jobs exists. The fastest growth will occur among jobs requiring a postgraduate degrees followed by 2-year degrees, certificate fields, those requiring long-term training, no experience, or no award. While relatively strong growth rates for jobs requiring a high school diploma or less is at odds with state trends, the region's average annual wages and unemployment rates by education level mirror state and national norms. A shortfall in the number of regional postsecondary awards across several major occupational groups will require importation of trained individuals. Specific shortages include registered nurses, management personnel and skilled trade workers. The list of top occupations also reflects supervisory and technical skill development needs. Due to local award capacity shortages and a porous labor market, residents will leave the region to obtain educational qualifications. Feedback indicates difficulty attracting workers back upon attainment of awards, retaining recent graduates and recruiting new trained workers. To inform workforce development policy decisions, Chmura developed an index tool to highlight occupations paying wages above the local "target" wage (\$14/hr), have a strong employment growth forecast, require less than an associate degree for typical entry and are employed by a broad range of industries.

Primary Data Gathering, Findings and Recommendations

Chmura facilitated two focus group sessions in Ontario and Apple Valley. The sessions included a mix of private business, postsecondary education and workforce/economic development professionals. Participants were asked ten questions. Based on responses, the region must activate its workforce with an emphasis on younger workers. System partners must develop the right mix of talent to support the region's key industries. Furthermore, the region must gain insight into relevant credentials and emerging trends in the workplace that are not informed by the data (e.g. project-specific welding certifications or consolidation of multiple occupational tasks into a single job title).

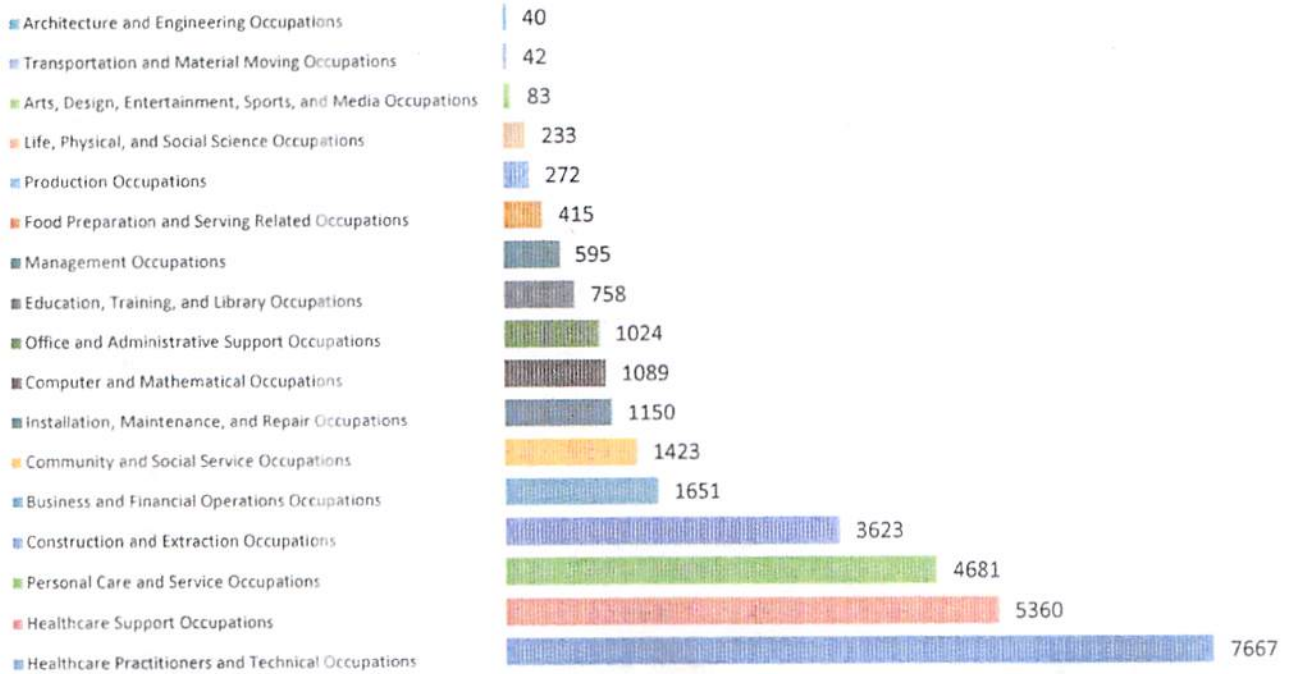
- **Establish a Career One-Stop for Young Adults:** Programs promoting entry into skilled trades like YouthBuild and JobCorps should be co-located with GED preparation programming, career exploration resources, and social service providers.
- **Develop and Implement an Industry-Themed Cohort Model to Serve Young Adults:** Short-term training and education intervention to discover and validate young adult career interest and skills should include creating small cohorts of 10 to 15 individuals participating in work-based learning experiences. Efforts should minimize transportation barriers, encourage peer-to-peer networking and promote efficiencies through streamlining the delivery of services.
- **Continue Efforts to Expand Critical Health Care Training Programs:** Increase the supply of medical and clinical lab technologists and technicians through postsecondary program expansion while simultaneously continuing to foster relationships with employers to place graduates.
- **Pilot Career Pathway Initiatives by Key Occupational Clusters:** Design pathways based on occupational clusters described in the report based upon O*Net’s attribute descriptions and job zones.
- **Design New Training to Elevate Low-Level Sales Workers into Professional Roles:** Identify core attributes of workers conducive to career advancement in high turnover industries. Develop customized training that capitalizes on these core attributes while building opportunities to move into new occupations in partnership with training providers and industry partners.

Job Posting Survey by Salary/Level (as of April 19, 2017)



10-Year Occupational Growth Forecast

COUNTYWIDE 10-YEAR TOTAL GROWTH DEMAND BY SECTOR



HIGH DESERT 10-YEAR TOTAL GROWTH DEMAND BY SECTOR

