

TO: Program Planning & Development

DATE: 08/24/06

FROM: WIB Staff

For Action

For Information

For Discussion

SUBJECT: Selection of Additional Industry Cluster

PROPOSED MOTION (S): That the Committee select a second industry cluster for WIB sponsorship.

DISCUSSION: During its May 26, 2005 meeting, the Program Planning & Development Committee chose the Healthcare Industry for its pilot program industry cluster.

The following industry clusters were chosen for future WIB sponsorship:

- **Business Services**
- **Agriculture and Food Processing**
- **Wood/Metal Processing**
- **Tourism, Visitor Services**
- **Warehouse Distribution**
- **Construction/Materials and Ancillary Services**
- **Childcare**

It is suggested that two of the industry clusters, Agriculture and Food Processing, and Wood/Metal Processing, be combined under a new cluster, manufacturing. The work that the WIB is doing with Quebecor and Unilever fits this larger industry cluster.

ATTACHMENT (S): Manufacturing Analysis

Manufacturing Industry Cluster – An Analysis

Local Employment Trend Analysis

Manufacturing

Manufacturing employment grew an average 11.5 percent in Merced County between 1994 and 2000. Employment in both Durable and Nondurable Goods Manufacturing increased over this period, producing gains averaging 20.1 percent and 9.0 percent, respectively. Between 1999 and 2000, the Manufacturing sector has been affected by losses in its component sectors, as well as a whole, declining 7.9 percent, losing a net 868 jobs. In 2000, a 18.2 percent contraction in Durable Goods Manufacturing and a 7.8 percent decline in Nondurable Goods Manufacturing fueled this decline.

Durable Goods Manufacturing includes six sub-sectors (with reportable data) that employ 2.9 percent share of total employment as a whole, in Merced County:

Wood Product Manufacturing
Fabricated Metal Product Manufacturing
Machinery Manufacturing
Transportation Equipment Manufacturing
Furniture and Related Product Manufacturing, and
Miscellaneous Manufacturing.

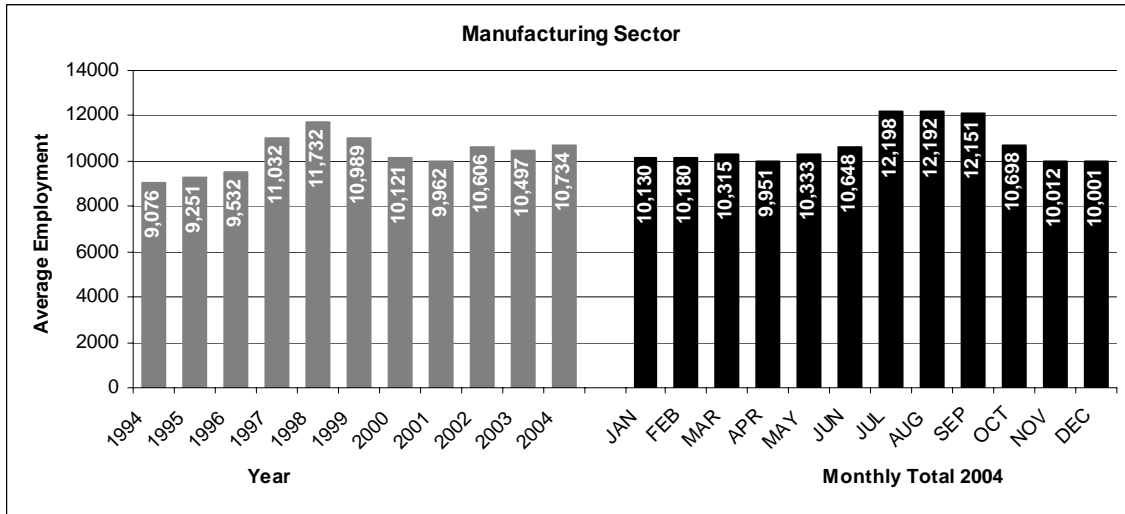
The analysis continues for the six sectors in Durable Goods Manufacturing. Wood Product Manufacturing comprised 0.6 percent of the county's average wage and salary employment between 1994 and 2000. Fabricated Metal Product Manufacturing contributed 0.9 percent to local employment during the same period. In Merced County, Machinery Manufacturing employs 0.4 percent of the total payroll workforce. The Transportation Equipment Manufacturing sector employed 0.7 percent between 1994 and 2000 and 0.2 percent of the County's wage and salary employees worked in either Furniture and Related Product Manufacturing or in Miscellaneous Manufacturing.

Among the Durable Goods Manufacturing sub-sector, Wood Product Manufacturing and Transportation Equipment expanded significantly between 1994 and 2000, growing 210.7 percent and 77.7 percent, respectively. Miscellaneous Manufacturing expanded by 17.7 percent as well as Machinery Manufacturing with a gain of 6.2 percent. Declines in employment, during this time period, were Fabricated Metal Product Manufacturing with a decline of 31.6 percent, followed by Furniture and Related Product Manufacturing with a contraction of 9.6 percent.

Nondurable Goods Manufacturing, with Food Manufacturing the only sub-sector with reportable information, captures 8.5 percent share of total employment. Food Manufacturing realized an average growth in employment of 9.4 percent per year throughout 1994 to 2000, with over all growth of 8.9 percent.

The Manufacturing sector, as a whole, responds to the contraction period of 2001 to 2004 by expanding employment in Nondurable Goods Manufacturing and contracting employment in the Durable Goods Manufacturing. Growth in this sector, during this time period, expanded by 7.8 percent. The drivers of this increase in manufacturing includes, Food Manufacturing with an expansion in employment of 18.4 percent, Transportation Equipment Manufacturing with 26.0% employment growth, Furniture and Related Product Manufacturing expanding 11.5 percent, and Miscellaneous Manufacturing with 15.5 percent growth. Three sub-sectors responded with a positive correlation to the contraction period, with Machinery Manufacturing employment contracted by 49.6 percent, Fabricated Metal Product Manufacturing employment losing 47.1 percent, and Wood Product Manufacturing losing 22.4 percent of employment.

The graph below displays the employment trend in the Manufacturing Sector. This sector was slow in responding to the expansion period and responded to the contraction period one year earlier. The rebound in employment during the contraction period began in 2002 but hasn't returned to employment levels of the expansion period.



Shift-Share Analysis

Advantage Industries: Manufacturing Sector - 2001 to 2004

Employment in the Manufacturing sector, as a whole, demonstrates an advantage in Merced County. The analysis also calculates net advantage for four sub-sectors and three industrial groups within Manufacturing. The expansion in Food Manufacturing employment particularly outpaced the nation’s growth for the industry and total employment with large local factor.

The 2001-2004 shift-share analysis also demonstrates a significantly large employment advantage for Food Manufacturing. The large local factor calculation demonstrates the employment growth in the industry significantly outpaced the nation’s overall employment growth and for the same industry. The analysis also calculates net advantages for its two industrial groups, Fruit and Vegetables Preserving and Dairy Product Manufacturing.

Transportation Equipment Manufacturing, Furniture and Related Product Manufacturing, and Miscellaneous Manufacturing also demonstrate net employment advantage among the Manufacturing industries in the contraction period, although a slight advantage.

Advantaged Manufacturing Sector - 2001 to 2004

Sector	Employment	Employment	National	Industrial	
Sub-Sector	2001	Change	Growth	Mix	Local
Industrial Group	2001	2001-2004	Share	Share	Share
Manufacturing	9,962	772	-27	-1,267	2,066
Food manufacturing	5,744	1,054	-15	-220	1,289
Fruit and vegetable preserving and specialty	2,119	330	-6	-172	508
Dairy product manufacturing	812	178	-2	-22	202
Transportation equipment manufacturing	373	97	-1	-30	128
Ship and boat building	274	53	-1	8	45
Furniture and related product manufacturing	87	10	0	-10	20
Miscellaneous manufacturing	58	9	0	-5	14