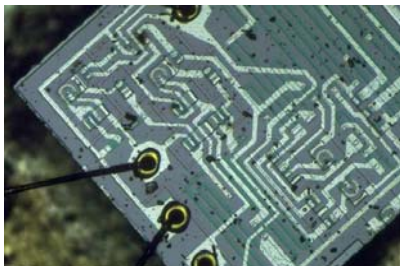


A
Struts
The Merced County Workforce
Over
Time



California



Merced County



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An Introduction

The state of the Merced County workforce has remained stable during the past 20 years. In 1980, the population of Merced County was reported to be 134,560 compared to a state population of 23,667,902. (5.7 percent of the total state population) The county population, according to the 2000 U.S. Census Bureau of the Census, has grown to 210,554 (a 36 percent increase from 1980) compared to the state's population of 33,871,648 (6.2%).

The growth in the workforce can also be seen as readily as the population increases over this 20 plus year span. The labor force in Merced County has steadily grown from 64,100 in 1983 to the current 83,300, or a 23.0 percent increase.

During this same period, however, the unemployment rate has remained relatively stable, albeit well above that of the state. In January 1983, the earliest data available, Merced County's unemployment rate was 19 percent compared to the state's 10.7 percent unemployment rate.

In January of 2002, the county's unemployment rate was 18.2 percent while the state as a whole, saw unemployment at 6.4 percent.

Several significant events having an impact on the overall labor force and the unemployment rates occurred during this time including the closure of Castle Air Force Base in 1994, the closure of the Farmers Insurance Group of Company's Merced Regional Office in 1998 and the arrival of Pacific Bell's call center at the former Air Force Base.

However, the one constant in the recent history of the Merced County labor picture has been the dependency upon agriculture for the economic well-being of area and the attendant impact on unemployment numbers brought about the associated seasonal labor needs.

Several factors will have an impact on the labor market picture in the coming years, the most important being the impending construction and opening of the 10th University of California campus in Merced County in 2004 and the expected increase in retail and service related jobs in the City of Merced and in the county, to a lesser degree.

Agriculture will continue to have significant influence on the labor market landscape in spite of these future changes.





Executive Summary

Merced County enjoys several geographical benefits; Yosemite National Park, San Francisco, the state capitol, a major California State University, all within just a few hours drive time. However, it is also this geographical benefit that may also be the root cause of the state of the county workforce.

The cause of high unemployment is not solely the tail of agriculture in Merced County. There is no argument that the unemployment rates are affected by the seasonality of agricultural employment and unemployment. However, farm labor made up just a little over 17 percent of the labor force in the county in 1990 and, in spite of an 18 percent growth in population by 2000 and a 10 percent growth in the labor force, the farm labor force grew less than one half of one percent over the same period.

This document will identify other factors, beyond the transitory nature of the farm labor industry, that have an adverse effect upon the employment picture.

Wages paid to the county workforce have been and are below that of surrounding counties and Employment Development Department (EDD) projections lead to the belief that this will not change in the near future.

Being in close proximity to the Bay Area has done little to move wages higher since the majority of migration from the Bay Area to the Central Valley is made up of workers who continue to work there and live here to take advantage of the lower housing costs and valley lifestyles.

The unemployed are being driven by supply and demand to entry level job openings, forcing workers to accept lower pay, thus allowing employers to keep wages down and profits up.

Population projections, done by the U. S. Department of Labor, over the next 10 to 20 years predict an almost 30 percent growth in population with an inherent increase in the labor force. However, to maintain the current level of unemployment rates a major increase in non-farm jobs will be needed during this span of time.

Unlike most other counties in California, that have an aging population, which would take workers out of the labor force and lower unemployment rates, Merced County enjoys a much younger average aged population. In the previous decade, Merced County had one of the highest teen pregnancy and birth rates in California. That rate has been lowered significantly; however, the county now must face the result of this high birth rate as these young people come of age and enter the labor force.





Executive Summary

Executive Summary continued

What does the future hold for the Merced County work force?

The 10th University of California campus will become a reality, with ground breaking scheduled in the fall of 2002. And with the coming of UC Merced, will come jobs. Jobs of all kinds, from across the whole spectrum of occupations.

However, several factors must be understood in relation to this dramatic change for Merced County.

First, agricultural employment and unemployment will probably not stray to far from the levels we see today in the county. Given the almost zero farm labor force growth over the past ten years, there is no reason to believe this factor will change.

Outside of the transitory construction trades job demands during the 10 to 15 year build-out of UC Merced, job growth in the county will be realized in local construction through an increased demand for housing and commercial construction. The service occupations directly and indirectly related to a population increase will, however, provide the greatest number of new jobs.

These new jobs will, for the most part, be entry level positions and in transitory employment type businesses such as food preparation, food servers, retail sales and the like which typically keep the unemployment rates high.

Jobs requiring advanced education and experience will also increase, but to a lesser degree. If there is to be any kind of impact on filling those positions, it must be understood that training and retraining opportunities must be available to ensure a skilled local labor force.

A challenge for Workforce Investment and Economic Development policy makers is to predict which jobs will increase in number over the coming years and how many will require specialized training. They must see that training programs are in place to meet this need and demand if we are to impact the county's 14 percent average unemployment rate to something reflecting that of the state's six percent.

A proactive approach in providing for the needs of a growing county workforce will reap the greatest reward for the economic health of Merced County.





Historical Perspective

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he history of Merced County can be traced to the Spanish exploration and settlement of the late 1700's and early 1800's. The city of Merced became the County Seat in 1874.

The Heritage of Merced County is a story of industrious pioneers who sought a good land to raise their families and ultimately create one of the most agricultural productive counties in the state.

HISTORY IN THE NUMBERS

Since that time, Merced County and the included cities and towns have experienced slow but steady growth and is, recently seeing a movement toward diversifying the economy through the efforts of the County and incorporated city economic development efforts.

County Historical Census Data																
Year	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000	Average
Population	1,141	8,807	5,656	8,085	9,215	15,148	24,579	36,748	46,988	69,780	90,446	104,629	134,560	178,403	210,554	Growth
% Increase		87.04%	55.71%	30.04%	12.26%	39.17%	38.37%	33.11%	21.79%	32.66%	22.85%	13.56%	22.24%	24.58%	15.27%	24.09%

However, given that agriculture has always been the major contributor to the county's economy it surely will continue to drive our local labor market, not so much as it relates to jobs particularly, but more as a defining force in the county's growing economy.

Historical employment and unemployment figures and rates are limited by the amount of data available from the State Employment Development Department, nonetheless, with data from 1983 to the present, we can at least begin to get a better perspective of the challenges associated with the Merced County labor market.

As can be seen by the following two charts, the average unemployment rate has remained relatively stable throughout the past 20 years varying only slightly from the 20-year average of 16.8 percent. Exceptions to this can be found in the years 1984 to 1990 and 1999 to 2001.

The average number of workers employed has also steadily grown.





Historical Perspective continued

Historical Perspective

A telling historical statistic is the average monthly unemployment rates using the agricultural growing and harvesting six month time window when these rates are compared to that of the remaining six months and also with the full calendar year rates.

County Historical Unemployment

Merced County	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.	Yearly Avg.
Year	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Civilian Unemployment	10,225	9,175	9,575	9,233	7,808	8,158	8,292	9,867	11,550	
Unemployment Rate	15.1%	13.4%	13.6%	12.9%	11.2%	11.1%	11.2%	12.8%	15.1%	
Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Civilian Unemployment	13,933	13,875	13,525	14,325	13,350	12,925	12,950	11,250	12,308	11,800
Unemployment Rate	17.0%	16.9%	16.1%	17.1%	16.4%	15.5%	15.1%	13.4%	14.4%	14.0%

County Historical Labor Force

Year	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Average Labor Force	68,417	69,217	70,817	72,008	69,658	73,775	74,500	77,175	76,492	82,200

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Average Labor Force	82,467	84,342	83,508	81,867	83,750	85,658	84,283	85,467	84,225	83,420

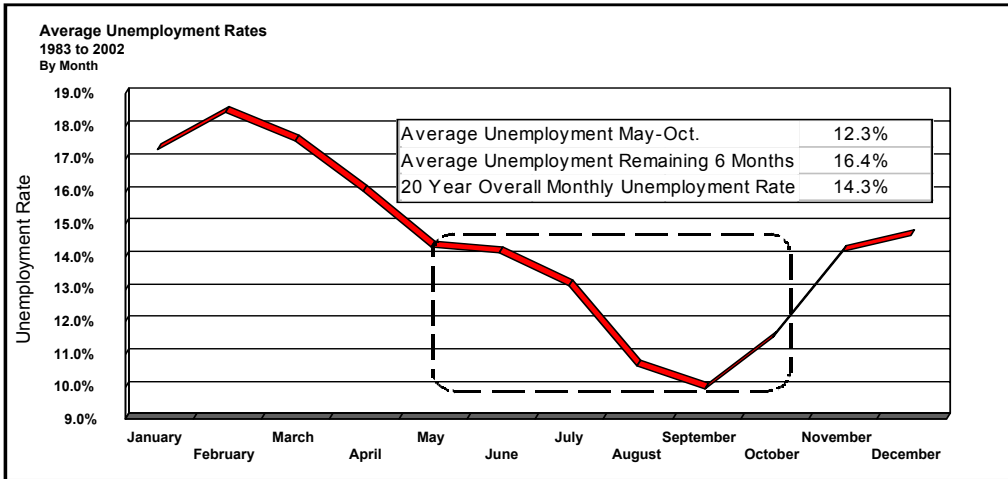




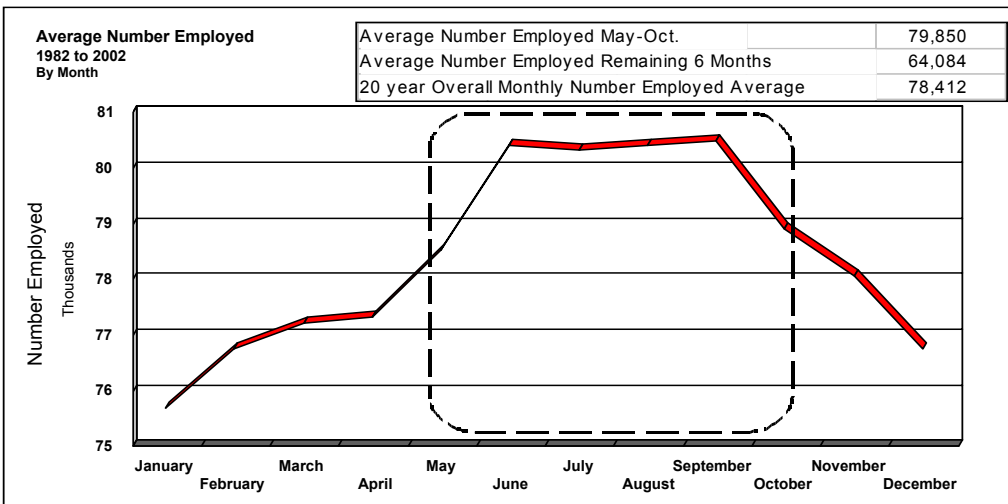
Historical Perspective

Historical Perspective continued

As the charts clearly point out, the County's 20-year historical unemployment is dramatically effected by the seasonal employment associated with a large agricultural presence here.



The charts also point out the increase of the average number employed during this same time period (an average of 18.2%, or an average difference of 14,270 workers) when applied to the 20 year overall monthly employed average.

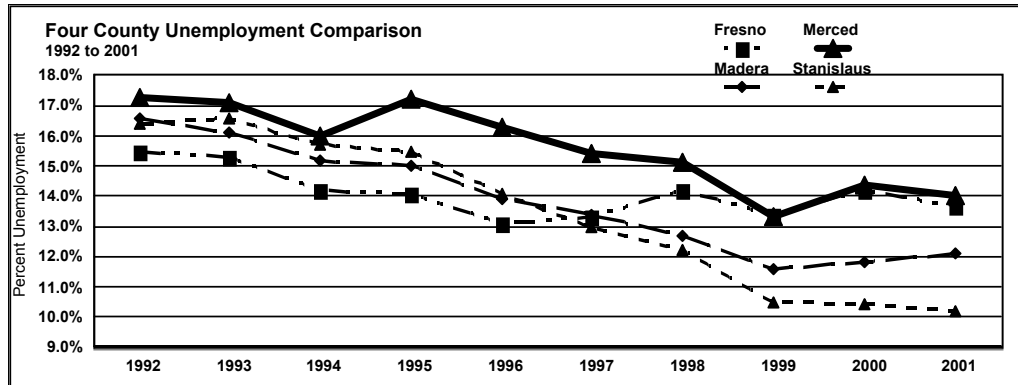




Historical Perspective

Historical Perspective continued

However, in spite of the increased emphasis on diversifying the commercial and industrial economy in Merced County, the unemployment rate remains driven by the county's agricultural roots.



This parallel is reinforced by comparing the rate at which Merced County unemployment is decreasing compared to surrounding counties which are also attempting to diversify the employment base. (Merced down 23.5%; Fresno down 13.4%; Madera down 37.1%; Stanislaus down 60.7%)



Current Status

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employment rates in Merced County remain above that of the surrounding counties, as well as that of the State and the United States.

Current (as of July 2002) unemployment in Merced County is 13.2 percent. The local unemployment rate is projected to reach a seasonal low of 10.3 percent by September of this year.

Current Labor Force and Industry Employment/Unemployment			
	Labor Force	Employment	Unemployment Rate
May 2002			
United States	142,769,000	134,417,000	5.8%
California	17,529,000	16,433,000	6.3%
Merced County	83,300	72,000	13.6%
Fresno County	385,500	336,000	12.8%
Madera County	54,300	48,000	11.6%
Stanislaus County	212,900	189,800	10.8%

Looking solely at current unemployment numbers and rates is only one part of the picture in describing the current status of the Merced County workforce.

Historically, it has been accepted that agriculture, and more specifically, farm labor has been the driving force behind the fourth highest unemployment rate in the state. This is only partly true.

When reviewing the 2001 Merced County unemployment rates by month, it can be readily seen that during the planting, growing and harvesting season, Merced's unemployment rate drops to as low as an average of 9.7 percent in August (see chart on page 3), the height of the harvesting season which is almost three percent lower than the 20-year average for that month.

Civilian Unemployment Rate	May	June	July	August	September	October
2001	13.3%	13.2%	11.9%	9.7%	10.0%	10.6%

Civilian Unemployment Rate	January	February	March	April	November	December
2001	17.9%	18.4%	17.5%	15.2%	14.7%	15.8%





Current Status

Current Status continued

The seasonality of the farm labor force in Merced County will always contribute to a higher than average unemployment rate, but its impact on labor statistics can be cause for some misinterpretation of the current status of the county labor force.

Merced County's average unemployment rate for the six months outside of the growing season for year 2001 stood at 16.6 percent versus the total year rate of 14.0 percent.

A Second aspect of this must also be considered. In 1990 farm production labor force comprised 17.4 percent of the total civilian labor force. In 2000, in spite of an 18 percent growth in population, an almost 11 percent growth in the total number of laborers, the farm production labor force grew a miniscule four tenths of one percent during that same period.

	1990	2000	Increase
Total County Population	178,403	210,554	18.02%
Civilian Labor Force	77,200	85,500	10.75%
Civilian Unemployment	9,900	12,300	24.24%
Civilian Unemployment Rate	12.8%	14.4%	1.60%
Farm Production Labor Force	9,528	11,344	1,816
Farm Production Unemployed	2,428	2,962	534
Farm Production Unemployment Rate	25.48%	26.30%	0.82%
Farm Production Labor Force as a Percent of Total Labor Force	17.45%	17.89%	0.44%

High farm occupation unemployment rates notwithstanding, other factors that must be considered when analyzing the current labor force outside of the agricultural arena in Merced County.

In 2001, other than entry level starting hourly wage, Merced County lagged behind wages reported in both the Fresno and Modesto Metropolitan Statistical Areas. It is possible that low wages in Merced County have played a large role in creating the high unemployment rate by forcing workers to decline employment with wages at or near the minimum.





Current Status continued

Current Status

	2000 Employment Estimates	Entry-Level Hourly Wage	Mean Hourly Wage	Mean Annual Wage
Total all Occupations				
Merced MSA, California	55,890	\$6.65	\$14.01	\$29,139
Fresno MSA, California*	332,640	\$6.58	\$14.38	\$29,902
Modesto MSA, California	153,100	\$7.03	\$14.89	\$30,977

*Includes Madera County

Noncompetitive wages can be the one of the motivating factors causing high employee turnover which creates and perpetuates a turnover cycle of hiring, training and retraining and pointing out the need for an effective one-stop system.

According to the U.S. Department of Labor, it can cost 30 percent of a new hire's annual salary to replace their predecessor. This cost includes recruitment, selection and training and decreased productivity while current employees pick up the slack. While the Sasha Corporation, a front-line human resources group which focuses on employee retention, estimates the one-year cost to replace an \$8.00 per hour employee averages almost \$9,500 over a broad range of occupations.

When utilizing the Department of Labor retention cost estimate for Merced County, and considering only the top 10 occupations projected by the California Economic Development Department with the greatest number of openings due to employee exits through the year 2006, the average cost to employers to replace one vacancy can exceed \$7,000.

CA OES CODE	MERCED COUNTY OCCUPATION	Vacancies Created by Employee Exits	Workers Mean Annual Wage	Cost to Replace One Worker
98000	HELPERS, LABORERS, HAND	940	\$13,664	\$4,099
31000	TEACHERS, EDUCATORS, LIBRARIANS	810	\$44,283	\$13,285
55000	SECRETARIAL, GENERAL OFFICE OCCS	670	\$21,789	\$6,537
98900	MISC HELPERS, LABORERS, HAND	660	\$24,209	\$7,263
31300	OTHER TEACHERS AND INSTRUCTORS	600	\$22,904	\$6,871
55300	MISC SECRETARIAL, GENL OFF OCCS	570	\$24,209	\$7,263
49023	CASHIERS	570	\$18,011	\$5,403
98999	MISC HELPERS, LABORERS, HAND	500	\$24,209	\$7,263
65041	COMBINED FOOD PREP & SERVICE	390	\$13,458	\$4,037
85000	MECHANICS, INSTALLERS, REPAIRERS	370	\$33,721	\$10,116
	Average	608	\$24,046	\$7,214

These are added costs to the overall cost of doing business in Merced County and effects the over all health of the economy.





Current Status continued

Current Status

Given the high cost of filling vacancies, it can be assumed that some employers may tend to promote from within, and choose to not fill bottom-end positions. This then would decrease the opportunities for the unemployed and other entry level workers.

A third factor that is impacting the Merced County labor force today and will continue to do so in the coming years is the dramatic change in number of younger workers entering the work force.

In the past two decades, Merced County had one of the highest teen pregnancy rates in the state. Since that time, the teen pregnancy rate has declined, but the result of this is a disproportionate increase in the county's younger population and in the number of younger adults entering the workforce.

Teenage Birth Rate per 1,000 Girls Aged 15-19								
Merced County								
1998	1997	1996	1995	1994	1993	1992	1991	1990
64.3	74.8	84.4	99.5	98.9	96.1	99.1	102.7	102.5

As the chart below readily shows, Merced County has experienced an 18 percent growth in population versus a 13.8 percent increase in the state's population. Since 1990, the increase of those ages one to 15 of a little over 17 percent while California's rate of growth for the same age group was 18.5 percent. However, the rate of increase for those 16 to 65 in the county was slightly more than 19 percent while the state's increase was a little over 13 percent.

The telling statistic for the county is the rate of increase in ages 16 to 20. Merced had a 38 percent increase in this age grouping, while the state saw slightly more than 18 percent.

	California	Merced		California	Merced
Total 1990	29,760,021	178,403			
Total 2000	33,871,648	210,554			
Total Difference	4,111,627	32,151			
Percent Growth	13.82%	18.02%			
1990 Ages 1 to 15	6,978,035	55,113			
2000 Ages 1-15	8,272,373	64,678			
Total Difference	1,294,338	9,565	1990 Ages 16-20	2,183,890	13,839
Percent Growth	18.55%	17.36%	2000 Ages 16-20	2,453,027	18,272
1990 Ages 16 to 65	19,646,434	106,822	Difference	269,137	4,433
2000 Ages 16 to 65	22,216,106	127,184	Growth	12.32%	32.03%
Total Difference	2,569,672	20,362			
Percent Growth	13.08%	19.06%			





Current Status

Current Status continued

Given all these factors, economic development in the county remains a critical link in workforce development. With many new businesses being enticed here by the inherent available labor force and lower wage scales, several critical issues must be considered when looking to the future of the labor force in Merced County.





A Future Look

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everal factors must be understood in relation to the dramatic changes ahead for Merced County.

First, it is predicted that agricultural employment and unemployment will not change from the levels we see today in the county. Given the almost zero farm labor force growth over the past ten years, there is no reason to believe this factor will change.

The 10th University of California campus will become a reality. And with the coming of UC Merced, will come jobs. Jobs of all kinds, from across the whole spectrum of occupations.

Outside of the transitory construction trades required during building of UC Merced, job growth in the county will be realized in local construction trades through an increased demand for housing and commercial construction. Also, service occupations directly and indirectly related to the predicted population increase will provide the greatest number of new jobs, but will be entry level positions and in transitory employment type businesses such as food preparation, food servers, retail sales, etc.

Jobs requiring advanced education and experience will also increase, but to a lesser degree. However, if we are to have any kind of impact on filling those positions, we must ensure that training is available, not only to the unemployed, but also to those working in jobs at the low-end of the wage scale.

Accurate predictions of which jobs will increase in number over the coming years and how many will require specialized training is a must, and training programs should be in place to meet this need and demand if the county's 14 percent unemployment rate is to be improved upon.

This future look provides but a glimpse of what will occur through 2006. As we approach the opening of UC Merced in 2004, this view must become more focused and will require and even more in-depth look. Forecasting employment and unemployed needs will be critical as the pace of change accelerates through 2006 and beyond.

The California Employment Development Department has also looked at the future of the workforce in Merced County. Its analysis follows.



A Future Look

A future Look continued

The EDD predicts that through 2006 the top 10 jobs with the greatest absolute job growth in Merced County will be:

- Cashiers
- Heavy Truck Drivers
- Paraprofessional Teacher Aides
- Combined Food Preparation and Service
- Retail Salespersons
- General Office Clerks
- Waiters and Waitresses
- Correction Officers and Jailers
- General Managers
- Food Preparation Workers

The EDD also indicates that over this same period in the county, the top 10 occupations with the most openings will be:

- Cashiers
- Combined Food Preparation and Service
- Retail Salespersons
- Food Preparation Workers
- Waiters and Waitresses
- Heavy Truck Drivers
- General Office Clerks
- Secondary School Teachers
- Elementary School Teachers
- Paraprofessional Teacher Aides

And, according to the EDD, nonfarm employment at firms located in Merced County will grow from 52,000 jobs to 61,900 jobs (19.0 percent) during the 1999-2006 projection period. This represents an increase of 9,900 jobs over the seven-year period. Most industry divisions will add jobs except finance, insurance, and real estate, which will remain at the same level over the period.

The single largest factor affecting Merced County employment is the creation of the University of California, Merced campus, which should open for classes in 2004 according to EDD. Before the UC Merced campus opens, the university will hire administrative and support staff, and there will be major infrastructure (roads, bridges, and highways) improvements.



A Future Look

The services industry will add the most jobs. There is a projected increase of 2,600 jobs for this industry division, from 9,500 jobs in 1999 to 12,100 jobs in 2006. Most of the growth will occur in health services (up 700 jobs).

Business services will add 600 jobs. This major group provides services to other businesses on a contract or fee basis. Most notable is the personnel supply services industry that provides employment services and temporary help to businesses. Amusement and recreation services and social services will each increase by 400 jobs. Other services will add 300 jobs, and hotels and other lodging places will increase by 100 jobs.

The trade industry division will grow by 2,200 jobs to reach 14,300 jobs and will be the largest industry in Merced County by 2006. Retail trade will account for all of the growth. The increased permanent and student population attracted to the new UC Merced campus will help fuel the expansion of retail trade.

Government payrolls, including education, are forecasted to grow by 2,300 jobs, from 11,900 jobs in 1999 to 14,200 jobs in 2006. This industry division will be the second largest industry in Merced County. Which includes the opening of the federal maximum security federal penitentiary near the Merced airport. The UC Merced campus will also double the number of state government employees in Merced County through the addition of teaching, administrative, and administrative support staff. Local government is expected to grow by 1,200 jobs, due to increased numbers of children and the corresponding need for more teachers and administrative staff at the elementary and secondary school levels.

The transportation and public utilities industry division should gain approximately 1,400 jobs, a 50 percent increase. According to projections, 600 of those jobs will be in transportation, due to economic development efforts to attract warehousing, storage, and trucking employers. A gain of 700 jobs, a 46.7 percent increase, is projected in communication and public utilities payrolls.

The manufacturing industry division is expected to increase by 600 jobs, a growth rate of 5.2 percent. Most of the increase will be in durable goods manufacturing (up 500 jobs) with an increase of 100 jobs in nondurable goods manufacturing. The only industry showing a decline is food and kindred products manufacturing, where a loss of 500 jobs is forecast.





A Future Look

Construction and mining will gain 700 jobs, a 31.8 percent increase during the forecast period. Most construction jobs will be directly related to the development of the UC Merced campus and the corresponding need for additional housing and retail establishments.

Finance, insurance, and real estate jobs will remain stable over the forecast period. At 2,000 jobs, it will remain the smallest industry division in the county.

Beyond this, it is very difficult to predict the needs of the county labor force. As the efforts to lure industrial, retail and service related businesses to Merced County continues and intensifies, the county should also become a plum for many businesses looking for growth area, moderately priced housing, good schools and a readily available workforce.



The Merced County Workforce

A Study Over Time



**WORKFORCE
INVESTMENT BOARD**
MERCED COUNTY