# The Update

February 2006 | Issued by The Orange County Workforce Investment Board | Volume 6 Issue 2


## In This Issue



**POPULATION DATA**

**Total Population**

Jan 1, 2005 3,056,865 Orange County

Jan 1, 2005 36,810,358 California

July 1, 2005 296.4 million U.S.

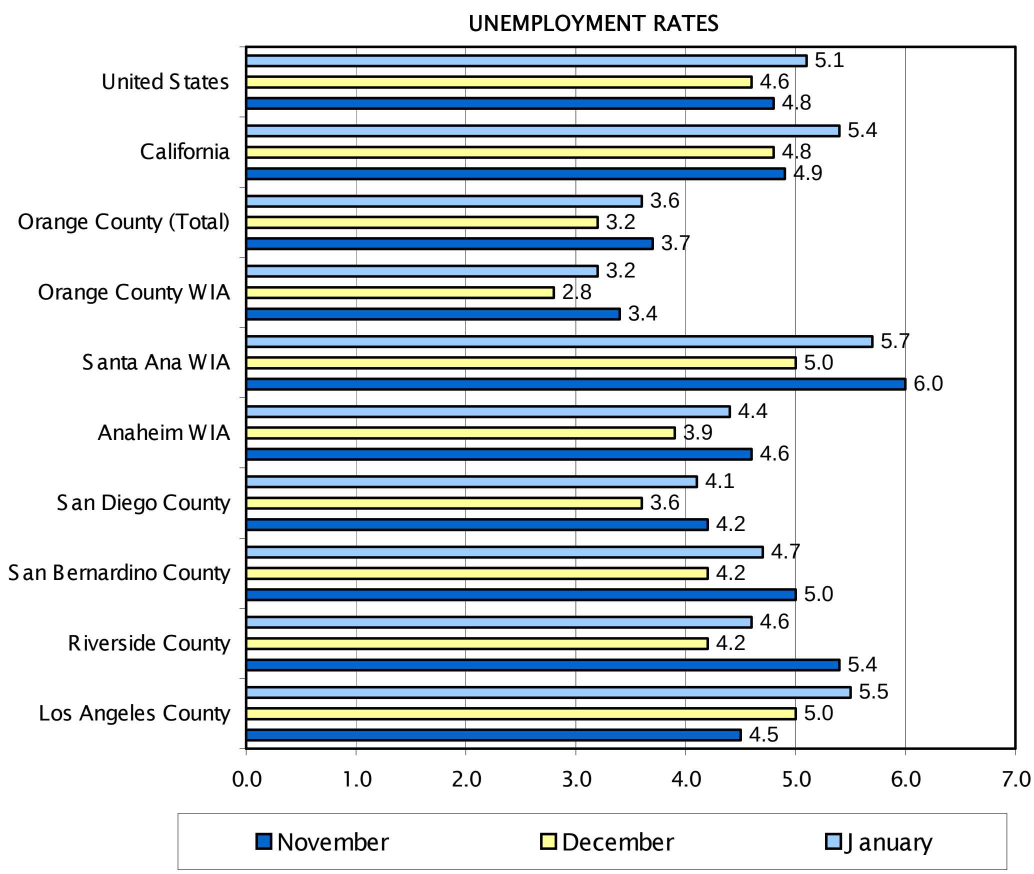
**ORANGE COUNTY EMPLOYMENT DATA**

**Total Civilian Labor Force**

December 2005 1,613,100 (Revised)

January 2006 1,599,900 (Preliminary)

Source: EDD, Labor Market Division. Note: Each month is subject to slight revisions thirty days after issuance. All previous figures are benchmarked each March.



## Category of Links

***EDD's unemployment rates by County for October- December 2005***

http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PAGEID=4&SUBID=131

***Labor Force & Industry Employment Data January 2006***

http://www.calmis.ca.gov/file/lfmonth/oran$PDS.pdf

***"Economic Pulse of Orange County"***

http://www1.chapman.edu/argyros/acer/FEI_Survey_Press_Release.pdf

***Economic Report of the President***

http://www.whitehouse.gov/cea/overview-erp06.pdf

***Small Business News***

http://www.sba.gov/advo/research/sbqei0404.pdf

***Aligning State Workforce & Economic Development Initiatives***

http://colosus.ncee.org/pdf/wfd/NGA-NCEE_Issue_Brief.pdf

***Small Business News***

http://www.sba.gov/advo/research/sbqei0404.pdf

***Orange County Health Care Summit***

http://www.ocbc.org/eupdatef.htm

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# Labor Force & Industry Employment Data January 2006

**Between December 2005 and January 2006**, nonfarm wage and salary employment in Orange County declined by 23,800 to reach 1,485,400 jobs. Losses occurred in every industry with the exception of natural resources and mining, and information, which each reported no change over the month. The majority of the job declines were seasonal. Orange County continued to enjoy the lowest unemployment rate—3.6% among all California counties.

- Trade, transportation and utilities posted the largest decrease, with the loss of 8,200 jobs. Eighty-nine percent of the decline was in retail trade, as temporary workers were laid off following the holiday shopping season.

- Leisure and hospitality declined by 4,000 jobs. Over 62 percent of the losses were in accommodation and food services; however, some employment losses occurred in every sector.

- Construction employment fell by 3,300 jobs, primarily due to inclement weather. Nearly 82 percent of the losses were concentrated in specialty trade contractors.

- Professional and business services recorded a loss of 3,000 jobs.

**Between January 2005 and January 2006**, total nonfarm employment was up 29,700 jobs, an increase of 2 percent.

- Professional and business services reported the largest gain with the addition of 11,100 jobs, for a 4.3 percent increase. Nearly three quarters of the increase was in administrative and support services, which includes temporary help agencies.

- Construction employment rose by 8,800 jobs, with 76 percent of the growth occurring in specialty trade contractors.

- Financial activities added 4,100 jobs over the year, with gains scattered throughout the finance and insurance, and real estate and rental and leasing sectors.

NOTE: Labor Force and Industry data contained in this release differ from previous information due to the U.S. Department of Labor's annual revision process.

Sources: Employment Development Department, Labor Market Division press release, March 3, 2006
http://www.calmis.ca.gov/file/lfmonth/oran$PDS.pdf

# "Economic Pulse of Orange County"
## Inaugural Survey of Financial Executives

On Monday, February 27, 2006, Chapman University's A. Gary Anderson Center for Economic Research in conjunction with the Orange County Chapter of Financial Executives International (FEI), released the findings from its first economic survey of Orange County executives. The results were analyzed by Esmael Adibi, director of Chapman University's Anderson Center for Economic Research.

The executives, primarily chief financial officers from both public and private companies in Orange County, forecast moderate growth for 2006, and predictably voiced concern over the high cost of housing and compensation for employees, but surprisingly expressed little interest in international expansion for their companies.

Among the findings of the first Economic Pulse of Orange County Survey:

• 'Ability to gain market share in existing products and markets' ranked as the highest priority for growth in 2006. Despite the nationwide focus on global expansion, 'international expansion' ranked as the least likely opportunity.

• Turning to their perceived 'threats' or 'risks,' this group of financial executives was most concerned about the 'difficulty of hiring skilled labor', as well as 'increased competition' in their industry. Of almost no concern to this group was 'financing growth' or 'raising capital' indicating the rising interest rates are not dampening the availability of credit.

• When it came to focusing on why doing business in Orange County is so advantageous, the executives voiced no surprises. 'Desirable place to live' was ranked highest among the possible responses, with 'availability of venture capital' ranking the lowest reason for locating in Orange County. Other reasons for doing business here included the 'availability of the work force' and 'the county's central location'.

• Asked about negative issues or barriers to doing business in Orange County, the greatest number of executives cited cost of 'housing' followed by 'high labor cost' as the biggest barriers. 'Litigation liability' elicited the fewest responses.

• Asked about their top strategic initiative for the year, financial executives were focused on 'streamlining business processes' and 'cost control and containment. In contrast, a small minority voiced interest in 'outsourcing' as a top strategic initiative. 'We hear a great deal about outsourcing, but our sample of CFOs ranked this issue very low,' noted Greg Edwards,Vice President of FEI-OC and CFO and Senior Vice President of Rancho Mission Viejo.'

• Turning to job growth, 52 percent of the executives believed that their companies would 'experience higher job growth', with 44 percent expecting 'the same level' and just 3 percent 'anticipating fewer jobs'. Broadening their views on Orange County as a whole, fewer (44 percent) expected 'job growth to increase', with 42 percent suggesting it will 'be the same', and 13 percent suggested job growth in Orange County would 'decline from last year'. 'Clearly, our executives are more optimistic about their own companies than they are for the county at large,' Adibi noted. The Chapman forecast projected job growth at 1.4 percent for 2006.

• More than 60 percent of the respondents in Orange County expect their 'technology spending to be the same or lower than last year'. Just 37 percent expected 'more dollars spent on technology' in 2006. Conventional wisdom has been that technology spending already is on the rise, and will continue to increase this year, yet this survey conveys a hesitation. 'This was one of the findings that surprised us,' commented Rhonda Longmore-Grund, President of FEI-OC and Vice President, Finance and Business Operations for Worldwide Information Technology at Ingram Micro, Inc.

• Although 'cost of housing' was cited as the biggest barrier to doing business in Orange County and there is much disagreement in general on the future of housing prices, the financial executives were bullish on housing prices, with more than 57 percent 'expecting prices to continue increasing', about 25 percent 'expecting them to stay the same', and just 17 percent fearing a 'decline in housing prices'. 'They definitely are more bullish than our Chapman forecast,' added Adibi. The Chapman forecast points to a -4.2 percent slide in median resale housing prices in 2006.

For a copy of the survey results please contact Jessica Monge, at jmonge@chapman.edu, or (714) 997-6693. The report summary and press release is available at:
http://www1.chapman.edu/argyros/acer/FEI_Survey_Press_Release.pdf

# Economic Report of the President, February 13, 2006

Each year, the President's Council of Economic Advisors releases a "state of the economy" report to the Congress. The report reviews the economic outlook, and discusses a number of economic policy issues of continuing importance. Across it's eleven chapters, the report highlights how economics can inform the design of better public policy and reviews administration initiatives.

As members of the Council of Economic Advisors, Drs. Matthew J. Slaughter and Katherine Baicker, presented the Report at a White House Press Briefing on February 13, 2006. The American economy enters 2006 with continued strength and flexibility; 2005 saw the fourth consecutive year of expansion for the U.S. economy, with real GDP growing at 3.5 percent for the year as a whole, despite the headwinds of near record energy prices and damage from several powerful hurricanes, according to the advisors. The administration forecast for 2006 foresees continued strong economic performance for the United States on many dimensions. This forecast, which is detailed at the start of the report, projects real GDP growth of 3.4 percent. Payroll employment growth during 2006 is projected to average 176,000 jobs per month, a pace projected to keep the unemployment rate at a low 5 percent. And Consumer Price Index (CPI) inflation is forecast to fall to 2.4 percent.

Dr. Slaughter stated that underpinning U.S. economic strength has been productivity growth, well above the historical average. Year-on-year growth and output per worker hour in the U.S. nonfarm business sector has averaged nearly 3.5 percent over the past four years. In turn, this productivity growth has been driven by two main forces. One is the innovation efforts of research and development and related knowledge discovery. The other is the competition in, and flexibility of U.S. product, capital, and labor markets that help transform innovations into the new products and processes in the marketplace that ultimately support rising incomes for workers and their families. The recently announced American Competitiveness Initiative aims to strengthen public support for productivity, and thus America's ability to compete in the global economy.

According to Dr. Baicker, the continued competitiveness of the U.S. economy depends crucially on the strength of the workforce. Promoting a flexible and skilled labor force through improved access to high-quality primary and secondary education, through attracting the world's best and brightest to American shores, and through investment in the continuing education and retraining of the workforce will ensure that the United States remains a leader in the rapidly changing world economy.

In Chapter 2 , Skills for the U.S. Workforce, the economics of education, immigration, and job training are discussed. The key points are:

• Education is a key contributor to economic growth and individual income.

• Advances in education levels have slowed over the past 25 years. The No Child Left Behind Act is working to reverse this trend by making schools more accountable. If, however, we do not continue to improve our schools, the U.S. standard of living could be jeopardized in years to come.

• High-skilled immigrants make up a vital part of the U.S. economy, particularly in the science and engineering sectors.

• Workers need to upgrade their skills continually to adapt to and take part in an ever-changing economy.

Promoting a flexible and skilled labor force—through improved access to high-quality primary, secondary, and post-secondary education, through policies that attract the world's best and brightest to our shores, and through investment in the continuing education and training of our mobile workforce – will ensure that the United States remains a competitive leader in this rapidly changing world economy.

The Report Overview may be accessed at: http://www.whitehouse.gov/cea/overview-erp06.pdf
The Press Briefing may be accessed at:
http://www.whitehouse.gov/news/releases/2006/02/20060213-5.html

## Aligning State Workforce Development & Economic Development Initiatives

Driven by the rapidly changing, highly competitive global economy that puts a premium on skilled workers, many states are taking steps to better align their economic development and workforce programs. Some governors have merged agencies or created new coordinating bodies. Others have established common missions, goals and performance measures. Still others have pursued economic and workforce development strategies, such as cluster-based initiatives and regional skill alliances, that by their nature promote collaboration.

In pursuing this alignment, states are confronted with the challenge of two systems that operate very differently, with workforce programs historically targeted to individuals and funded primarily through federal funds and economic development focused on business with state and local funding. The different funding streams add a level of complexity around different governance and planning structures, performance and reporting requirements, and geographic areas. Complicating matters are very distinct institutional cultures with people in the workforce system trained in the helping profession and economic developers seeing themselves as "dealmakers." Overcoming these challenges is not easy and requires persistent leadership at all levels, but particularly by the governor.

In September 2005, an issues brief prepared by the National Governor's Association's Center for Best Practices examined the challenges involved in aligning workforce development with economic development initiatives. When these programs are well-aligned, economic development officials work closely with their counterparts in workforce development to ensure that both long-term planning and current recruitment and expansion efforts take into account the skills of the region's workforce and the workforce development systems capacity to train additional workers. Similarly, workforce development professionals work closely with economic development officials and employers to ensure that their training and job placement efforts are designed to meet the skill needs of regional industries—especially those viewed as key to future economic growth.

Traditionally, economic and workforce development agencies, and the professionals who staff them, have gone their separate ways. Economic development agencies focused on mobilizing the state and local resources needed to achieve business recruitment or expansion deals. Workforce development agencies focused on administering a "second-chance" system of federal employment and training programs. With the emergence of a knowledge-based economy, however, it has become evident that economic development requires a skilled, innovative, and flexible workforce. The severe "skill gaps" that appeared in the 1990s showed that workforce development is about much more than assisting the unemployed and disadvantaged; it also is about producing a workforce with the skills that employers need if they are to succeed in a rapidly changing and highly competitive global economy. It became clear that economic development and workforce development are two sides of the same coin, and therefore their strategies and activities needed to be aligned.

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A common criticism of job training programs has been that they did not train workers to meet the real needs of local employers. Often as a result, workers lack the skills they need to qualify for existing jobs, while employers have difficulty filling vacant positions, especially in high-skill, high-growth occupations and industries. A growing body of research suggests that the most practical way to match supply and demand is to organize communications between skill providers and skill consumers according to some subsegment of the broader universe of employers. Some of this segmentation happens anyway, but states are finding that they can promote improved labor market performance by organizing their own economic and workforce development efforts around particular occupations, industry sectors, or clusters of employers with common characteristics (e.g., members of a supply chain or companies in a specific stage of growth).

Several states have launched initiatives that exemplify this sectoral approach. Typically, these efforts are regional in geographic scope rather than statewide or local, reflecting the regional nature of labor markets. Indeed, one of the helpful steps that state leaders can take is to align economic and workforce development jurisdictions around the same regional labor markets. Where collaboration works well, the resulting partnerships facilitate progress in several areas. Most notably, they help establish combined regional entities and identities that create a climate for seeking region wide solutions to competitiveness challenges and opportunities—including those of marketing and of improving the skills and agility of the workforce.

Governors are in an ideal position to promote such alignment. They can define a vision that will win support from a wide variety of key individuals and organizations. They can use the bully pulpit to amplify the message. They can use discretionary funding to encourage collaboration in desired areas, including planning, research, staff cross-training and collocating, and even the merging of agencies or aligning of agency missions and funding streams. There is no single right way to do any of this. Rather, the chosen path—whether it involves agency consolidation, pooled funding, joint research shops, unified regional districts and entities, or other methods—should reflect each state's economic, political, and institutional realities and be designed to achieve intended outcomes.

The entire report is available at: http://colosus.ncee.org/pdf/wfd/NGA-NCEE_Issue_Brief.pdf

## Small Business News

The U.S. Small Business Administration, Office of Advocacy, publishes The Small Business Advocate, a periodic newsletter that details economic developments and regulatory trends related to small business as well as the latest initiatives of the Small Business Administration's Office of Advocacy.

The March 2006 Issue has a section titled "Quarterly Indicators, Fourth Quarter 2005: The Economy and Small Business" which identifies certain ***"Trends"***:

- U.S. economic growth slowed in the fourth quarter of 2005. Growth of real gross domestic product (GDP) slowed to an annualized rate of 1.1 percent during the quarter. For the year, real GDP grew 3.5 percent. This drop-off mirrored a reduction in real personal consumption expenditures, which grew an annualized 1.1 percent during the fourth quarter, down from 4.1 percent in the third quarter. Net exports also were a factor. While real exports increased an annualized 2.2 percent, real imports rose 9.1 percent. On the positive side, real gross private fixed investment rose an annualized 12.2 percent in the quarter.

- Small business owners, according to the monthly National Federation of Independent Business Optimism Index, ended the year at 101.4. For the year, the index was off from the near-record scores of 2004, but for most of 2005 the optimism readings stayed above 100 (averaging 101.6), indicating a growing small business sector. The NFIB surveys also showed a willingness to expand and hire in the next three months. The University of Michigan's Consumer Sentiment Survey indicated a steady rise in optimism during the fourth quarter; this had fallen to low levels after Hurricanes Katrina and Rita.

- The unemployment rate at year's end was 4.9 percent. There were 2 million nonfarm payroll jobs added in 2005, with 438,000 of those stemming from the fourth quarter. Industries with the largest percentage of small business employment—construction, other services, wholesale trade, and leisure and hospitality—added 142,200 net new jobs during the quarter. Each industry sector except for retail trade saw employment gains in the fourth quarter. There was a slight up-tick in incorporated self-employment.

- Interest rates have continued to rise, with the average prime rate for 2005 nearly two percentage points higher than the 2004 average. Higher rates have not affected the demand for loans to small businesses; this remained strong according to the most recent Senior Loan Officers' Survey. Meanwhile, the number of deals and amount of investment in venture capital remained steady and were quite similar to the 2004 levels.

- Overall inflation remained under control, helped by lower energy costs in the fourth quarter. The price of West Texas crude ended the year below $60 a barrel. In the labor market, private sector wages and salaries rose 2.5 percent from the fourth quarter of 2004 to the fourth quarter of 2005, whereas private sector benefits jumped 4.1 percent.

To obtain a complete copy of the report, visit the Office of Advocacy website at
http://www.sba.gov/advo/research/sbqei0404.pdf
Source: Press Office Release, Small Business Administration, Office of Advocacy, February 7, 2006

## Orange County Health Care Summit – March 21, 2006

The Orange County Workforce Investment Board, Orange County Business Council and Vital Link Orange County are sponsoring a Health Care Summit on Tuesday, March 21 at the St. Joseph Hospital Annex in Orange. The purpose of the Summit is to discuss the progress achieved by the Orange County Health Care Collaborative, a combination of educators, industry leaders and community members that collectively provide resources and find solutions for the health care workforce challenges that limit access to quality health care. The Collaborative was made possible, in part, through the generous support of the Pacific Life Foundation.

The upcoming Health Care Summit will discuss the Collaborative's methods and progress in meeting its stated objectives, which include:

1) Improve the collaboration and communication among health service employers and training providers
2) Improve the effectiveness and efficiency of training programs at post-secondary institutions
3) Increase funding to support training, especially mid-skilled occupations
4) Improve the awareness of health services as a career for non-traditional work pools
5) Increase the retention rates of Orange County's current health care workforce
6) Increase the number and diversity of individuals choosing health care occupations and expand educational capacity to meet the needs of the labor force

The Summit's morning program will include a research analysis summary and presentation by Josh Williams of Godbe Research who will discuss the results of Godbe's Healthcare Skills Research Mapping Project. State and County health care grade reports will be provided by Vernon Lin, VA Hospital Long Beach followed by a State progress report on current nursing education and training initiatives from Deloras Jones of the California Institute for Nursing and Health Care (CINHC). Closing out the morning session will be a panel discussion and presentation from various educators reporting on local progress in training health care professionals: Ellen Lewis, UCI; Darlene Fishman, Cypress College; Kathleen Winston, Saddleback College; and Becky Miller, Santa Ana College.

The Health Care Summit will conclude with an afternoon Action Planning Session facilitated by Kathy Johnson of Vital Link Orange County. The planning session will consist of educators and industry representatives who will discuss and formulate action plans to address skill and training gaps that exist in the Orange County healthcare industry and how training and education providers can help employers fill those gaps.

For more information on the Orange County Health Care Summit, please contact Brian Gibbs, Rebecca Chatham or Wallace Walrod of the Orange County Business Council at 949-476-2242 or visit http://www.ocbc.org/eupdatef.htm

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