Strategic Choices:

Creating Opportunity in Merced County

A Report Prepared for the Merced County Board of Supervisors

by the

Center for Public Policy Studies at California State University, Stanislaus

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~ Preface ~

"They who know how to employ opportunities will often find that they can create them…."

John Stuart Mill (1806-1873), English economist and philosopher

Merced County is on the threshold of change, and the outcomes will help determine which of two possible scenarios is likely to predominate in the years ahead: a growing and more diversified economy with a resident population enjoying greater access to economic opportunities or a two-tiered economy and society where some benefit but many do not. Given the alternatives, the preferred choice is obvious. However, since the future is clouded by uncertainty, there are no guarantees that preferences will prevail. What is clear is that Merced's destiny will be shaped by the choices that are made and the options that are pursued.

The sources of change are varied and include the tenth campus of the University of California as well as the planned community around it, the future west side campus of Merced College, the UC Davis medical facility, the Castle Airport Aviation and Development Center, welfare reform, Merced's foreign trade zone, and accelerated migration from the Bay Area. There are, as well, far-reaching demographic and economic shifts and that could make it more or less difficult for Merced County to achieve its human capital and economic development goals.

By any objective measure, the last decade of the twentieth century was a difficult one for Merced County. A lingering recession during the first half of the 1990s contributed to historically high unemployment rates. The closure of Castle Air Force Base instigated an out-migration of base personnel and their families and led to a loss of federal dollars that rippled through the local economy. Welfare reform came on the heels of base closure and impacted labor force participation without a corresponding change in the employment

picture. Immigration and high fertility rates produced the youngest population in the state, one that was dependent on public services. Real (i.e., inflation adjusted) income and wage levels rose only modestly. Employment growth was hindered by both the performance of the local economy and limited job diversity. The productivity of the agricultural cluster, a core economic asset, was not accompanied by job growth in other industrial sectors. All these developments, together with the state's property tax realignment in 1992, severely reduced the capacity of Merced County to meet its basic service obligations.

This description of the 1990s may be a sobering reminder of challenges to overcome, but it also should viewed as a baseline for developing a more positive and sustainable future. Throughout this project, the research team was impressed by the commitment to progress exhibited by elected officials, Worknet members, business leaders, and community representatives. This commitment can be summarized as a widely shared belief that Merced County should invest in the community, empower people, establish a vision and identity, and build momentum for change.

What separates the present from the past, and this is central, is that resolve is now matched by circumstance. Merced County is well-positioned to create opportunities that will yield tangible results. Although no single initiative is likely to be a quick fix or magic bullet, each step forward can make an incremental improvement in the County's condition and performance. Taken together, these efforts can make a real difference, particularly if there is a coordinated action agenda that seeks to convert liabilities into assets, challenges into opportunities, and both assets and opportunities into value added results.

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~ *Acknowledgments* ~

This study was commissioned by the Merced County Board of Supervisors because of its interest in a candid analysis of human capital, employment, and economic development issues. The Board of Supervisors has demonstrated a commitment to dealing with these difficult issues and wanted the most current and comprehensive body of information to assist them in developing appropriate policies.

The Project Team would like to acknowledge the following for their contributions and assistance.

To the members of the Board of Supervisors, we offer our profound gratitude for this opportunity. We also wish to thank each Supervisor for taking the time to give us perspectives and assessments of the pressing issues facing the county.

We wish to acknowledge our gratitude to Mr. Greg Wellman, the County Administrative Officer, for his counsel and encouragement throughout the yearlong project.

The research design for this project was developed in cooperation with Merced Worknet and we wish to offer our very special thanks to its chairman, Dr. Benjamin Duran, President of Merced College, and to its members. In addition to the assistance provided in developing the project's strategy, members of Worknet were invaluable in helping to arrange interviews and focus groups, in providing data, in guiding us through the County's past and present, and in offering feedback on our analyses. Worknet is one of Merced County's greatest assets. It was one of ours also.

We wish to thank the following: the Private Industry Training Department and its Director, Terry Tatum, and members of her staff especially David Cramer and John Kasnick for providing JTPA applicant data and helping to arrange all the focus groups; the Merced County Department of Human Services and its Director, Grover Omyer, and

members of his staff including Hub Walsh, Scott Pettygrove, Michelle Allison, Mary Ellen Arana, and Beverly Baker for their assistance in providing access to Department data and in arranging interviews; the Merced County office of the Employment Development Department and its Director, Robert Bittner, and his staff, particularly James Eber and Ana Valencia for facilitating access to EDD and in arranging interviews; Carla Barnes, the Labor Consultant in the Fresno office of EDD, graciously provided unemployment insurance data; the Merced County Economic Development Corporation (MCEDCO) and its President/CEO, Elaine Treviño for furnishing economic data; the Department of Business-Economic Opportunities, its Director John Fowler and Assistant Director, Loretta Schlosser, for providing ES-202 data; and the Merced County Local Child Care Planning Council for access to child care data.

We thank the following students for their critical assistance on the project: Jen Padrone, Esmeralda Valencia, and Karen Stoffers conducted interviews; Elena Alvarez and Esmeralda Valencia provided translation assistance; Angelina Ceja and True Se Chang took care of data entry.

We appreciate the 283 employers who took the time to complete the project's employer survey. The responses were informative and helpful.

More than 340 TANF and unemployment insurance benefit applicants and participants answered a detailed, 39-item questionnaire. The information from the surveys was instrumental in helping us understand the employment challenges faced by many.

Likewise, we thank the 124 service providers who completed a similar questionnaire providing us with their perspectives and assessments regarding welfare-to-work. Their responses were informative and revealing as well.

Many people in the business community and in government accepted our requests to participate in focus groups. The results were helpful in interpreting data, suggesting additional lines of inquiry, and shaping policy recommendations.

As always, the Center's Administrative Assistant, Julie Smulson, performed her usual juggling feats by helping with schedules, overseeing all the research assistants, helping out with interviews and data entry, and making sure everything got to the printers on time.

~ *Executive Summary and Findings* ~

Relying upon data from a variety of sources, and comparing Merced County to the state as a whole and five reference counties, ***Strategic Choices: Creating Opportunity in Merced County*** comprehensively and candidly probes underlying demographic, labor force, economic, and socioeconomic trends and issues. Prepared at the request of the Board of Supervisors, it addresses the key factors that are likely shape human capital and economic development decisions in the forseeable future.

There are three broad objectives of ***Strategic Choices***. The first is to provide the Board of Supervisors, other policy-makers, public sector administrators, business leaders, educators, and a wide range of nonprofit as well as other community stakeholders with the information they need to evaluate existing policies. The second is to recommend policies and policy directions that are connected to the data and findings. The third is to help frame the terms of discussion about the present and future of Merced County.

For Merced County, the only constant the next few years will be change. The new UC campus and the community around it, the planned west side campus of Merced College, the UC medical facility, the development of the Castle Airport Aviation and Development Center, and the requirements of welfare-to-work will undoubtedly impact Merced's economic and human capital landscape. Yet, it is uncertain at this time how the changes will touch the lives of most County residents. The central issue, which is posed in the first sentence of the Preface, is whether there will be "a growing and more diversified economy with a resident population enjoying greater access to economic opportunities or a two-tiered economy and society where some benefit but many do not."

"Divergence"is the central or organizing theme and it has three essential features:

- Since the early 1980s, the economic and social gaps between San Joaquin Valley counties and the rest of California (particularly its metropolitan areas) have been widening. The differences are apparent today in almost all the human capital and job

creation data available, and are not likely to be bridged either in the short-term or as a result of incremental changes in public policy.

- Over the past decade, disparities within the San Joaquin Valley have become increasingly evident. While the gaps have not been either as wide or consistent as those between the Valley and other areas, the trend data suggest that Merced, Fresno, and Madera Counties are becoming more alike demographically and in terms of economic and social performance. In fact, there are a number of differences between these counties and San Joaquin and Stanislaus. Although the three other San Joaquin Valley counties were not part of the study, there are signs that Kern is closer to Merced's neighbors to the north. For Merced, the trends are challenging since the County finds itself falling behind in a region that is trailing the rest of the state. And its lagging performance can be tied to both human capital and job creation issues.

- There also are perceptible demographic, economic, and social differences within Merced County that have had the effect of disconnecting geographic areas and demographic groups. These variations in performance and perspective have tended to foster localized concerns and made it more difficult to build support for policies that further shared interests. There also have been three outcomes of significance to the future of Merced County: (1) the geographic concentration of at-risk residents, especially the increasingly important youth and Hispanic populations; (2) the apparent absence of a "center" that serves as focal point for all County residents; and (3) the lack of consensus about Merced's identity and future.

The twenty-nine tables and thirty-one charts that accompany the text are tangible evidence that ***Strategic Choices*** is a data rich study. Given the level of detail in the body of the report, it makes sense in this summary to list the bulleted findings that appear throughout the document. The reader can gain a real sense of what these numbers mean by perusing the list, which is organized by topic. Since the table of contents contains the page number where the analysis of a topic begins, it is relatively easy to explore the detailed results.

The Demographics of Divergence

The Demographic Context

- Over the past three decades, Merced County has grown faster than the state as a whole and Santa Clara, slightly faster than San Joaquin and Fresno, and much more slowly than Stanislaus and Madera.

- Although the share of population growth due to net migration declined from 1990 to 1995 in all the areas studied, a consequence of the recession, three counties – Merced, Madera, and Fresno – continued to experience declines from 1995 to 1999. Merced was the only county to have net out-migration in the second half of the 1990s.

- All of Merced's net population growth during the 1990s was due to immigration and natural increase.

- Internal Revenue Service tax return data indicate that Merced County's domestic migration patterns were shaped by the presence and closure of Castle Air Force Base, movement to and from nearby counties, and the settlement of Bay Area residents.

- The IRS data point to a possible talent drain, particularly of relatively young people moving to Silicon Valley.

The Consequences of Demographic Change

- Merced County has the youngest population in the state and it is not aging as fast as the rest of the region, state, and nation.

- Merced has a youth dependency ratio (the number of persons under 16 per 100 persons of working age) that is substantially above the ratios for all the other reference areas.

- Not only has Merced County become more racially and ethnically diverse, it also has been diversifying at a faster rate than the state as a whole. The principal sources of diversity in Merced have been Hispanic and Asian/Pacific Islander populations.

- Merced's relatively young population has been an outgrowth of increased diversity.

- There are important demographic differences among communities within Merced that have shaped the County's growth and development.

- Population projections point to both continuing age disparities between Merced County and other areas and increasing racial/ethnic diversity. The University of California campus is unlikely to alter the underlying demographics of the County in the foreseeable future.

Divergence and the Labor Market

The Labor Force

- Given the dominant historical demographic trends, it should not be surprising that the available supply of potential workers has been consistently lower in Merced County than in reference areas.

- Even with a lower supply of possible workers, Merced County has lagged on important measures of labor force involvement.

Unemployment

- High unemployment rates have been a persistent feature of Merced County's recent economic development.

- Long-term monthly unemployment rates document the volatility of the Merced County labor market and the emergence of unemployment rate variations within the San Joaquin Valley.

- The reported statistics on unemployment insurance claimants bolster the case for divergence between the San JoaquinValley and the state and among counties in the region.

- Unemployment insurance benefits cover two groups: those unemployed intermittently who will return to work and those who lose their jobs and do not have prospects of future employment. The two groups differ, and these differences are important in understanding the human capital and job challenges facing Merced County.

Applicants for Job Training

- The PITD applicant pool is composed disproportionately of young at-risk populations who face serious barriers to employment. There are marked differences between the applicant pools in Merced and Stanislaus Counties.

Employer Survey and Focus Groups

- Private and public employers in Merced County are generally concerned about the skills of the workforce, but they have even more reservations about the skills of the unemployed and welfare recipients. Employers assess their workers more positively than potential new hires and express support for job training.

- The observations of business and community focus group participants about worker skills were generally similar to the employer responses in the survey, but there also were concerns raised about a talent loss, unemployment, and the possible development of a two-tiered workforce. The potential benefits of County assets were addressed as well.

Divergence and Economic Performance

Economic Structure

- Merced County's economic structure is defined by agriculture and related processing industries. This agricultural cluster, which is the only clearly established cluster, attracts outside dollars that ripple through the local economy and creates employment opportunities in other industry sectors.

Employment Change and Distribution

- Since the early 1980s, Merced County's employment growth has trailed all reference areas. Slow growth was particularly evident between 1992 and 1996 in non-farm service producing jobs.

- During the 1990s, industry employment was shaped by population driven jobs in retail trade and services, manufacturing jobs tied to the agricultural cluster, cutbacks in government jobs, and the addition of call center jobs. Equally significant, particularly for economic development, was the slow growth in business service employment. Even with these and other changes, agriculture and government in 1999 claimed almost two-fifths of all jobs. Employment statistics point to an apparent lack of job diversity in private nonfarm industry sectors.

Wage/Salaries and Earnings Per Worker

- Inflation adjusted wages and salaries per job and earnings per worker fell in Merced County and all Valley reference areas between 1970 and 1998, except for earnings in Stanislaus County. The positive growth for the state and Santa Clara County during this period widened the gaps between these areas and Valley counties. Uneven growth rates within the Valley, particularly in the 1990s, point to the emergence of gaps within the region as well, with Merced, Madera, and Fresno lagging San Joaquin and Stanislaus. Merced County industries with lower earnings per worker tended to experience more employment growth from the mid-1970s to 1998.

Employer Survey and Focus Groups

- Employers believe employee skills and government regulation are key challenges to job creation. They consider the area's quality of life to be Merced County's leading asset.

- Focus group participants generally agree that infrastructure, workforce development, business growth, and quality of life are keys to future economic development. They also believe that UC Merced will increase educational access and enhance Merced County's economic development potential.

Divergence and Socioeconomic Performance

Income and Poverty

- Income trends reveal that Merced, Fresno, and Madera Counties have lagged other areas in personal income growth. In contrast, transfer payments and poverty rates have been higher in these counties. Measures of income also highlight divergence between San Joaquin Valley counties and the rest of the state, emerging gaps within the region, and differences within Merced County.

Participation in Government Support Programs

- San Joaquin Valley residents are more likely to participate in government assistance programs than residents in Santa Clara and the state as a whole. Merced and Fresno Counties have higher participation rates than other San JoaquinValley reference areas. Valley counties have higher participation rates than the state and Santa Clara.

Merced County TANF Cases

- TANF cases are not evenly distributed among communities and groups in Merced County

Surveys: TANF Recipients, Unemployment Insurance Recipients, & Service Providers

- TANF recipients and unemployment insurance claimants differ demographically and in terms of family situation, work history, training, and skills. They also have differing perceptions of the employment obstacles they face.

- Social service providers in Merced County believe that TANF recipients face situational, structural and attitudinal/behavioral impediments to sustainable employment. Unlike recipients, they express more concern about motivation. Like employers, service providers express concerns about the skills of the unemployed and welfare recipients.

- Educational attainment and performance data in Merced County and other Valley reference areas point to key challenges in raising expectations and outcomes. The proportion of high school students planning to attend four year colleges and universities is lower in Merced County than reference areas and test results are lower as well.

Avenues to Opportunity

The following represent the an outline of the policy recommendations:

- Support coordinated job training and human capital investment.

- There should be a two pronged approach to job creation that simultaneously addresses the employment needs of the less skilled and the more highly educated and skilled.

- Given the lack of job diversity documented in this report, there is a need for Merced County to broaden its economic base.

- Continue efforts to improve the business climate in Merced County.

- Creating a supportive environment for entrepreneurial activity should be a priority.

- Merced County officials should use the policy tools and resources at their disposal to promote a culture of learning and high expectations.

- The racial and ethnic diversity of Merced County should be considered economic and community development assets.

- Given age trends in Merced County, there is a need to invest in youth – Merced County's future workforce.

- Merced County has a port, and it happens to be an airport located at the Castle Airport Aviation and Development Center.

- Since Merced County is considered the "Gateway to Yosemite," there should be a concerted effort to promote tourism.

- Commuters on the west side of Merced County are a potential economic development asset.

- Pursue a study of the transportation needs of TANF recipients.

- Establish a visioning process that is both inclusive and focused.

- A "centering strategy" will reap economic development benefits and faciltate County efforts to overcome the fragmentation that invariably hinders the pursuit of the shared interests of residents, regardless of where they live or the nature of their group identities.

- With the development of the UC Merced campus, infrastructure will be a key issue on the policy agenda.

~ Preface ~

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picture. Immigration and high fertility rates produced the youngest population in the state, one that was dependent on public services. Real (i.e., inflation adjusted) income and wage levels rose only modestly. Employment growth was hindered by both the performance of the local economy and limited job diversity. The productivity of the agricultural cluster, a core economic asset, was not accompanied by job growth in other industrial sectors. All these developments, together with the state's property tax realignment in 1992, severely reduced the capacity of Merced County to meet its basic service obligations.

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What separates the present from the past, and this is central, is that resolve is now matched by circumstance. Merced County is well-positioned to create opportunities that will yield tangible results. Although no single initiative is likely to be a quick fix or magic bullet, each step forward can make an incremental improvement in the County's condition and performance. Taken together, these efforts can make a real difference, particularly if there is a coordinated action agenda that seeks to convert liabilities into assets, challenges into opportunities, and both assets and opportunities into value added results.

~ *Introduction* ~

In June 1999, the Merced Board of Supervisors commissioned the Center for Public Policy Studies to prepare a comprehensive and candid assessment of important demographic, labor market, and socioeconomic trends in Merced County. When Board members approved the project, they expressed particular interest in the analysis of human capital, employment, and economic development issues. They did so because they believed that a study probing these matters would assist them in appraising local conditions and crafting public policies designed to open doors of economic opportunity.

This report – ***Strategic Choices: Creating Opportunity in Merced County*** – contains the results of the research. Not only does it explore recent developments, it covers both historical and projected trends as well. The detailed analysis is a bridge between the data and findings, and all provide a foundation for the identification of challenges to be addressed, strategic assets to be leveraged, and policy options to be considered.

By examining the architecture of the County's economy, the profiles of its demographic groups, the characteristics of its unemployed and welfare populations, and the underlying dynamics of its economic performance, ***Strategic Choices*** gives tangible form and meaning to the questions that were posed in the original project proposal:

- How has the Merced County economy evolved over time, and how does it compare – economically and demographically – to other areas? What are the reasons for the gaps between Merced and the state with respect to unemployment, earnings, and income?
- How has Merced County's nonfarm wage and salary employment picture changed over the long run? What do these changes suggest about opportunities in Merced?
- Which industries and industry sectors have the highest employment multipliers? Which are most likely to export their products and services outside the County?
- What are the most prominent industry clusters in Merced County?

- How do employers assess the skills of the workforce, the barriers to employment, and the prospects for job expansion?

- What are the reasons for reported high unemployment rates in Merced County and to what extent do these rates serve as an accurate gauge of the County's economic performance?

- What are the demographic characteristics of the unemployed and welfare recipients who are required to enter the labor market? What are the barriers to employment faced by these groups?

- What are the characteristics of participants in PITD job training programs? How do employers assess off-site and on-site job training?

- What are Merced County's human capital and educational challenges and assets?
- Which strategies and policies hold promise for improving the human capital and economic development potential of Merced County?

The data in this report are extracted from a number and variety of sources: (a) federal and state demographic, employment, and socioeconomic (aggregate) databases; (b) administrative records of PITD applicants, welfare recipients, unemployment insurance claimants, and child care providers; (c) surveys of employers, social serice providers, the unemployed, and welfare recipients; and (d) seven focus group sessions with employers, government officials, and community groups. In addition to the detailed charts and graphs presented, there are two customized research tools applied. The first of these is a regional input-output model that quantifies employment and other impacts in the Merced economy. The second is a Geographic Information System (GIS) application that depicts important spatial relationships at a relatively fine level of detail. This blending of statistical and qualitative information enables the reader to consider the full range of factors which help define Merced County and distinguish it from other areas.

Since comparison is a key to understanding, special attention is given to how Merced's performance and condition measure up to the performance and condition of the state as a whole and five reference counties: Stanislaus, San Joaquin, Madera, Fresno, and Santa Clara. These counties are important to Merced because they collectively comprise its "commuteshed" and serve as prominent sources and destinations of population migration.

By examining Merced in this broader setting, it is possible to more accurately gauge the scope and magnitude of the demographic, labor market, and economic development issues facing it. Likewise, the results provide public policy-makers and other stakeholders with the information tools they need to chart the County's future development.

The Central Theme: Divergence

The statistical and other information presented in this report are logically connected to *divergence*, the organizing theme that summarizes key trends and provides a sense of what is likely to occur in the future in the absence of intervention. Hence, it provides a benchmark for understanding issues and clarifying priorities.

Over the past two decades, there has been a widening gap between counties in the San Joaquin Valley (including Merced) and the rest of the state in terms of demographics, the labor force, the character of job growth, educational attainment and achievement, income and wages, and economic performance. Since this growing divergence appears in most of the data examined, it is reasonable to suggest that no single factor definitively explains it and no single policy response or development is likely to alter its direction. In fact, the relative position of Merced and the other San Joaquin Valley counties today can be attributed to the cumulative effects of a number of trends that have reshaped the economic, demographic, and social landscape of California regions in contrasting ways. In short, Valley counties have experienced changes and outcomes that have been considerably different than those elsewhere.

What is even more striking, however, is that the trend data point to disparities *within* the San Joaquin Valley that have become increasingly evident as a result of county specific and broader changes in the 1990s. Like the widening gaps between the region and the state as a whole, the intraregional differences are revealed in demographic, economic, and social indicators of well-being and performance. The cumulative effects of these contrasts pose a strategic challenge for a county – such as Merced – that finds itself falling behind within a region that has been losing ground to the rest of the state. This lagging performance also underscores a lesson to be learned from the data – which tell a

powerful story – that Merced is not simply a mirror-image of the rest of the San Joaquin Valley.

Not only are there uneven growth rates and patterns of development among counties in the San Joaquin Valley, there also are discernible demographic, economic, and social differences among geographic areas and groups within Merced County. These distinctions have four effects. First, they lead to diverse communities of interest that both enrich the County and foster localized loyalties and concerns. Second, they make it more difficult to galvanize support for initiatives that further the shared interests of County residents. Third, they are connected directly to important measures of performance and well-being. Finally, they underscore the absence of a "center" and common focus that, under other conditions, would provide the County with a singular point of reference.

The remainder of this report addresses the ways in which divergence is influenced by demographic, labor force, economic, and socioeconomic trends in both Merced County and the reference areas. The analysis of detailed findings is followed by the presentation of policy recommendations that are designed to assist Merced County in its efforts to master change.

~ *The Demographics of Divergence* ~

While demographics may not be destiny, it is reasonable to suggest that the pace, character, and location of growth has had far-reaching implications for the composition of the Merced County population, the make-up of its labor force, and the well-being of its residents. In assessing the scope and direction of population change, it is important to consider the context in which it has occurred as well as its effects.

The Demographic Context

- ***Over the past three decades, Merced County has grown faster than the state as a whole and Santa Clara, slightly faster than San Joaquin and Fresno, and much more slowly than Stanislaus and Madera.***

Between 1970 and 1999, Merced County's resident population nearly doubled to 207,000. Like other reference counties in the San Joaquin Valley, Merced's growth rate (97.8%) and average annual rate of growth (2.4%), were significantly higher during this period than those of the state and Santa Clara. Fresno and San Joaquin trailed Merced by narrow margins while Stanislaus and Madera, counties immediately north and south of Merced, had much higher growth rates. In the former case, migration from the Bay Area made an important contribution to population change. Madera's impressive increases, significantly greater than in any of the reference areas, were influenced by the construction of public safety facilities and migration from other areas, including Fresno. The detailed population changes are presented in Table 1.

Table 1
Population Growth: 1970-1999

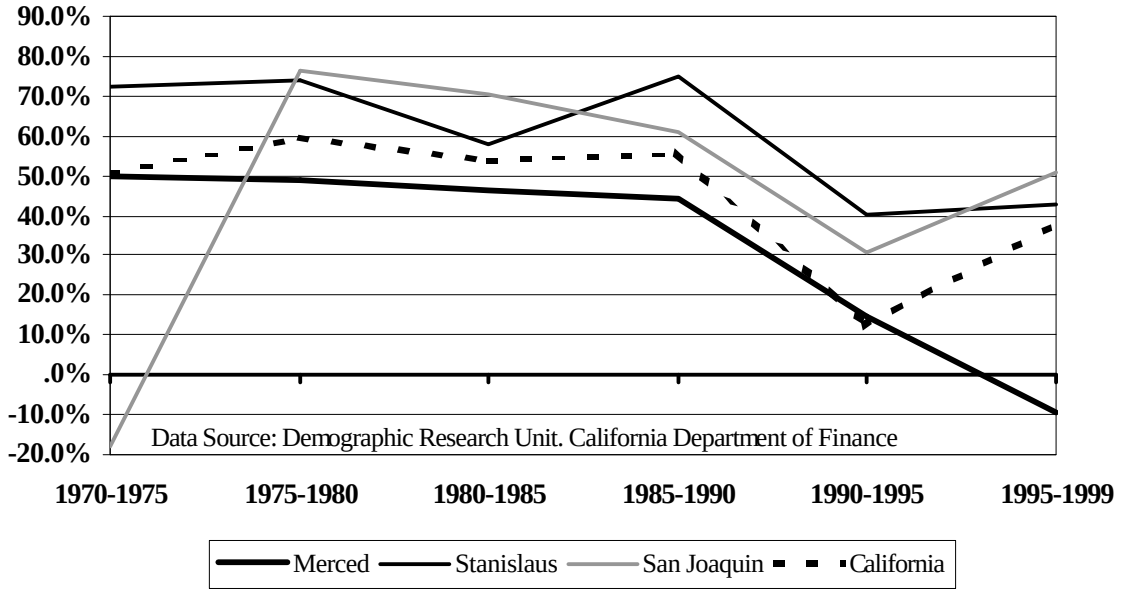
	Resident Population		Growth Rates	
	1970	**1999**	**1970-1999**	**Average Annual**
California	19,971,069	34,036,000	70.4%	1.9%
Merced	**104,629**	**207,000**	**97.8%**	**2.4%**
Stanislaus	194,506	439,800	126.1%	2.9%
San Joaquin	291,073	562,600	93.3%	2.3%
Madera	41,519	116,600	180.8%	3.6%
Fresno	413,329	794,200	92.1%	2.3%
Santa Clara	1,065,313	1,717,600	61.2%	1.7%

Data Source: California Department of Finance, Demographic Research Unit

■ ***Although the share of population growth due to net migration declined from 1990 to 1995 in all the areas studied, a consequence of the recession, three counties – Merced, Madera, and Fresno – continued to experience declines from 1995 to 1999. Merced was the only county to have net out-migration in the second half of the 1990s.***

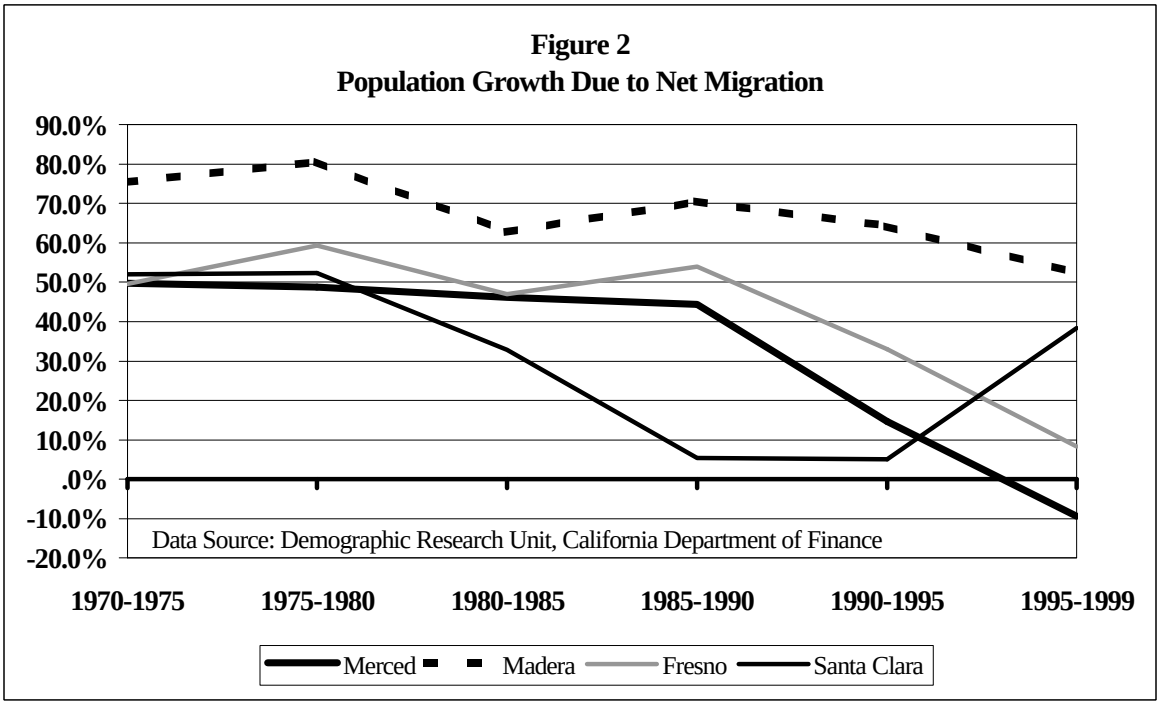
A county or community grows through a combination of net migration (movement to minus movement away from the area) and natural increase (births minus deaths). Merced was the only county studied that could not claim an increase in net migration between any five year interval from 1970 and 1999. As Figures 1 and 2 show, Fresno's migration patterns were comparable to those of Merced. Madera exhibited similar trends as well, but at higher levels. In contrast to Merced, San Joaquin, Stanislaus, Santa Clara, and the state experienced growth through net migration after 1995.

Figure 1
Share of Population Due to Net Migration



■ ***All of Merced's net population growth during the 1990s was due to immigration and natural increase.***

Between 1990 and 1999, 50.8% of the net population growth in Merced County was due to immigration while 93% was the result of natural increase. These numbers add up to



more than 100% because there was a movement away of Merced County residents to other areas of the United States. This net domestic out-migration accelerated after 1995, and was due, in part, to the effects of the Castle Air Base closure. Like Merced, but unlike other reference areas, Fresno experienced an increase in net out-migration as well. Stanislaus and Madera offer interesting contrasts. Both had positive domestic migration patterns throughout the 1990s (15.3% and 40.3% of their respective net changes in population), and the percentages increased during the second half of the decade.

The impressive percentages of growth due to natural increase become even more striking when viewed in light of Merced's high fertility rates -- resident live births per 1,000 women age 15-44. As Table 2 reveals, Merced's overall rates between 1990 to 1997 were similar to those in Madera and Fresno but substantially higher than those in Stanislaus, San Joaquin, Santa Clara, and the state as a whole. Since white fertility rates were comparable in the Valley counties examined, key drivers of natural increase in Merced were the rates for Hispanics and Asian/Pacific Islanders. According to 1998 birth records data from the California Department of Health Services, slightly less than two-thirds of all births in Merced were to mothers in these groups.

Table 2
General Fertility Rates: 1990 and 1997

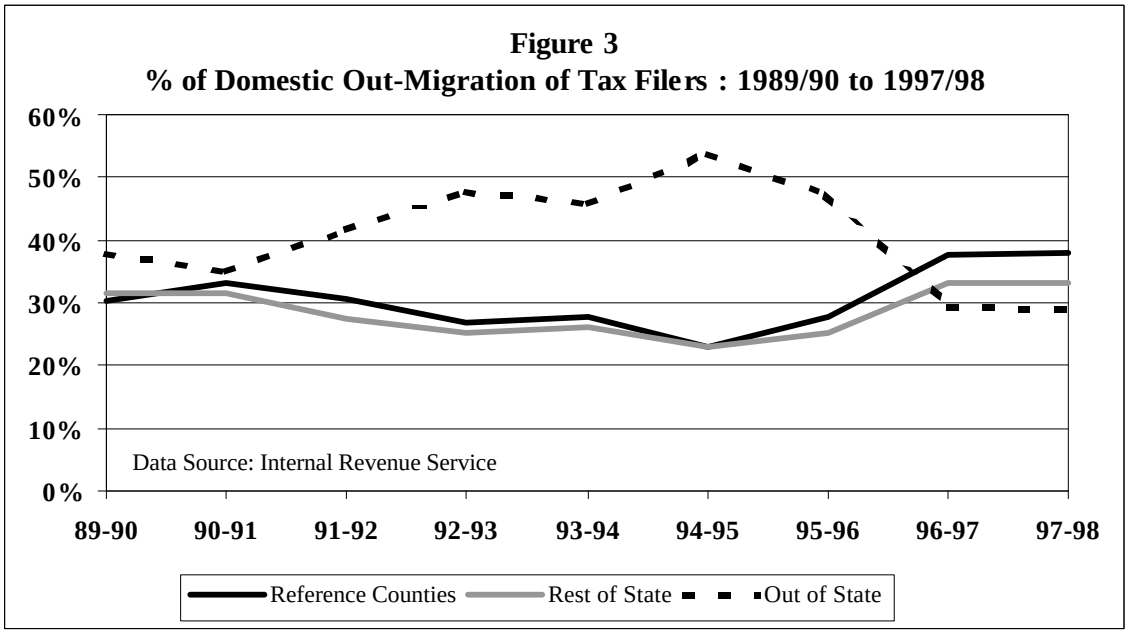
	All Groups		Hispanic		Asian/PI		African American		White	
	1990	**1997**	**1990**	**1997**	**1990**	**1997**	**1990**	**1997**	**1990**	**1997**
California	85.3	72.2	136.9	114.1	70.7	59.3	82.8	61.1	65.3	51.3
Merced	**109.4**	**89.8**	**149.7**	**128.1**	**176.7**	**99.3**	**83.9**	**70.9**	**80.0**	**58.9**
Stanislaus	91.9	75.6	133.2	119.9	106.0	60.0	87.3	91.2	79.0	57.4
San Joaquin	92.1	77.6	126.8	112.5	120.1	71.8	102.5	94.2	72.3	58.4
Madera	98.2	91.9	139.8	121.8	57.6	30.9	68.3	86.3	64.8	58.6
Fresno	101.1	88.1	159.6	135.7	168.1	92.4	107.6	87.5	65.0	56.2
Santa Clara	75.7	70.5	120.5	104.3	76.4	80.8	67.1	48.2	60.6	49.8

Data Sources: Center for Health Statistics and RAND California

- ***Internal Revenue Service tax return data indicate that Merced County's domestic migration patterns were shaped by the presence and closure of Castle Air Force Base, movement to and from nearby counties, and the settlement of Bay Area residents.***

Information from federal tax returns reveal both a drop-off in the share of all migrants relocating to Merced County from other states in the 1990s and a surge in the proportion of Merced residents leaving California. In fact, between 1992 and 1996 (years that corresponded to the base closure announcement and actual closure), Merced tax filers who moved to other states represented between 47.2% and 53.8% of the total leaving the county. Following base closure, these interstate movements stabilized at lower levels. At the same time, higher percentages of Merced out-migrants selected reference counties as their destinations. By 1997, slightly less than two-fifths (37.9%) of the total moved to these counties, which was up from 30.3% in 1989. Twenty percent went to Stanislaus County. The out-migration patterns are highlighted in Figure 3.

The proportion of domestic in-migrants from reference counties increased steadily from 1989 to 1997, and by the latter year it reached 51.7%. Two of these counties, Stanislaus and Santa Clara, were the places of origin for slightly less than two-fifths of all new Merced residents in 1997, compared to slightly more than one-quarter in 1989. By 1997, 17.8% of all people moving to Merced were from Silicon Valley, a movement driven by the search for affordable housing and reflected in the population growth of Los Banos.



■ ***The IRS data point to a possible talent drain, particularly of relatively young people moving to Silicon Valley.***

In 1997, 5.8% of Merced County's movers selected Santa Clara as their county of residence. This represented the second highest migration flow to another county, and it was up from 2.3% in 1989. The unexpected level and direction of movement could be attributed to two factors. The first was the return of persons who had moved previously to Merced County. The second was the decision of increasing numbers of people to pursue opportunities they perceived were not available in Merced.

While direct evidence for a talent drain to Santa Clara is not available, IRS data on the average size of migrating households and the median adjusted gross income of migrants are suggestive. The significant numerical difference between in- and out-migrants in 1997 (which is apparent in previous years as well) leads to the following conclusions (1) those moving to Merced from Santa Clara tended to be families with children, and (2) single (and probably younger) persons and couples without children were more likely to relocate from Merced to Santa Clara. Not surprisingly, those arriving from Santa Clara reported a median adjusted gross income that was significantly above the reported income of non-movers in Merced County ($31,306 versus $21,904 for the 1997 calendar

year). For Merced residents migrating to Santa Clara, the adjusted gross income was only slightly lower. The latter is important since the typical pattern in the state is for non-movers to have substantially higher incomes than both categories of migrants.

The Consequences of Demographic Change

- ***Merced County has the youngest population in the state and it is not aging as fast as the rest of the region, state, and nation.***

Compared to all counties in the state, Merced ranked first in terms of the proportions of the total population under the ages of five (10.3%) and 15 (31%) in 1998. In 1970, it ranked sixth and fourth, respectively. Among the 273 metropolitan areas in the United States examined by the Census Bureau in 1996, Merced had the highest percentage of its resident population under 5. Although all counties in the San Joaquin Valley have relatively young populations, Merced stands out in the region as well -- followed closely by Fresno -- with nearly one-third of its residents 14 years of age and younger. Table 3 highlights the age data.

Table 3
Population Under the Ages of 5 and 15: 1970 and 1998

	Population Under the Age of 5				Population Under the Age of 15			
	Share of Population		County Rank		Share of Population		County Rank	
	1970	1998	1970	1998	1970	1998	1970	1998
California	8.2%	7.8%			27.6%	23.1%	-	-
Merced	**9.2%**	**10.2%**	**6**	**1**	**32.3%**	**31.0%**	**4**	**1**
Stanislaus	8.6%	9.0%	13	8	29.0%	27.8%	20	10
San Joaquin	8.1%	8.7%	21	12	27.8%	26.6%	25	13
Madera	8.4%	7.7%	15	21	29.7%	25.4%	15	15
Fresno	8.6%	9.4%	14	5	29.6%	28.2%	16	4
Santa Clara	9.1%	7.2%	7	27	30.7%	20.9%	9	47

Data Source: U.S. Bureau of the Census

■ ***Merced has a youth dependency ratio (the number of persons under 16 per 100 persons of working age) that is substantially above the ratios for all the other reference areas***.

The youth dependency ratio (like its elderly dependency counterpart) is an important gauge of the relationship between the number of individuals in age groups most likely to be reliant on public services and the number of potential workers available to help support them. As Table 4 clearly shows, Merced's working age population has a heavier service burden to bear than its counterparts in reference areas. However, the obligations are even more onerous since a smaller proportion of the adult population is actually working and income levels are lower. The latter is important because income is tied to the capacity of each worker to support each person dependent on services. This situation is in marked contrast to Santa Clara, which has a significantly lower youth dependency ratio and a workforce with a greater ability to provide the necessary resources to those who require them.

Table 4
Youth Dependency Ratios*: 1970 and 1999

	1970	**1999**
California	46.8	44.1
Merced	**57.7**	**54.1**
Stanislaus	51.9	46.8
San Joaquin	48.6	43.4
Madera	54.6	42.2
Fresno	52.8	47.8
Santa Clara	52.4	35.3

Data Source: California Department of Finance, Demographic Research Unit
*Number of persons younger than 16 per 100 persons of prime working age (16-64).

Another way of assessing the effects of higher youth dependency ratios is to explore the increases in K-12 school enrollment over time. Since the 1981/82 school year, Merced's public school enrollment increases of between 73% and 74% in grades K-8 and 9-12, while not as high as in San Joaquin and Stanislaus (where it exceeded 80%), have easily outpaced state and Bay Area changes. In Madera and Fresno, the enrollment growth increases were 71.2% and 71.5%, respectively.

■ ***Not only has Merced County become more racially and ethnically diverse, it also has been diversifying at a faster rate than the state as a whole. The principal sources of diversity in Merced have been Hispanic and Asian/Pacific Islander populations.***

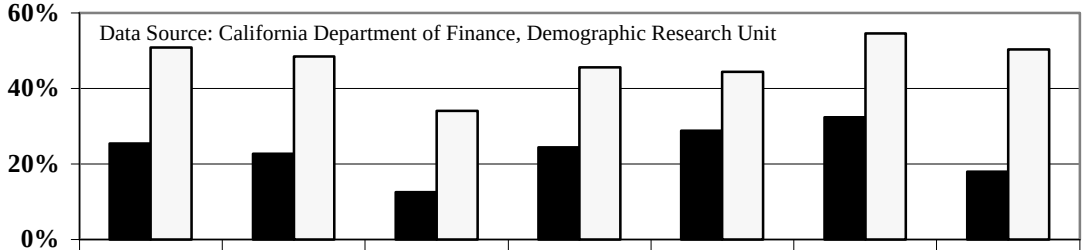
These groups comprised 46.1% of the resident population in July 1998, up from 20% in 1970. Between 1970 and 1998, non-white populations in Merced grew faster than in the state as a whole. The changes were particularly evident between 1980 and 1985, a rapid period of growth for the County. During these years the Hispanic population increased by 34.3% while the Asian/Pacific Islander population soared by 176.8%. By mid 1997, Merced reached a milestone – no racial or ethnic group represented a majority of the total. Among reference areas, only Fresno (in 1992) and Santa Clara (in 1998) could make this claim. Table 5 and Figure 4 highlight these trends.

Table 5
Racial and Ethnic Distribution of the Merced County Population
1970 and 1998

	1970	**1998**
White	74.6%	49.2%
Hispanic	18.1%	36.0%
Asian/Pacific Islander	1.8%	10.1%
Black	5.2%	4.1%
American Indian	.3%	.6%

Data Source: California Department of Finance, Demographic Research Unit

Figure 4
Hispanic and Non-White Shares of the Resident Population
1970 and 1998



	Merced	California	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ 1970	25.4%	22.7%	12.5%	24.3%	28.7%	32.4%	18.0%
□ 1998	50.8%	48.5%	34.0%	45.6%	44.3%	54.5%	50.3%

- ***Merced's relatively young population has been an outgrowth of increased diversity.***

Throughout the 1970 to 1998 period, the fast-growing Hispanic and non-white populations were clustered in the younger age groups while non-Hispanic whites were older. By 1998, 35.7% of all Hispanics and 41.7% of all Asians/Pacific Islanders were under the age of 15. More than 45% of the former and over a majority of the latter were under the age of 20. On the other hand, one-third of non-Hispanic whites were 45 years of age and older. Table 6 contains the detailed percentages.

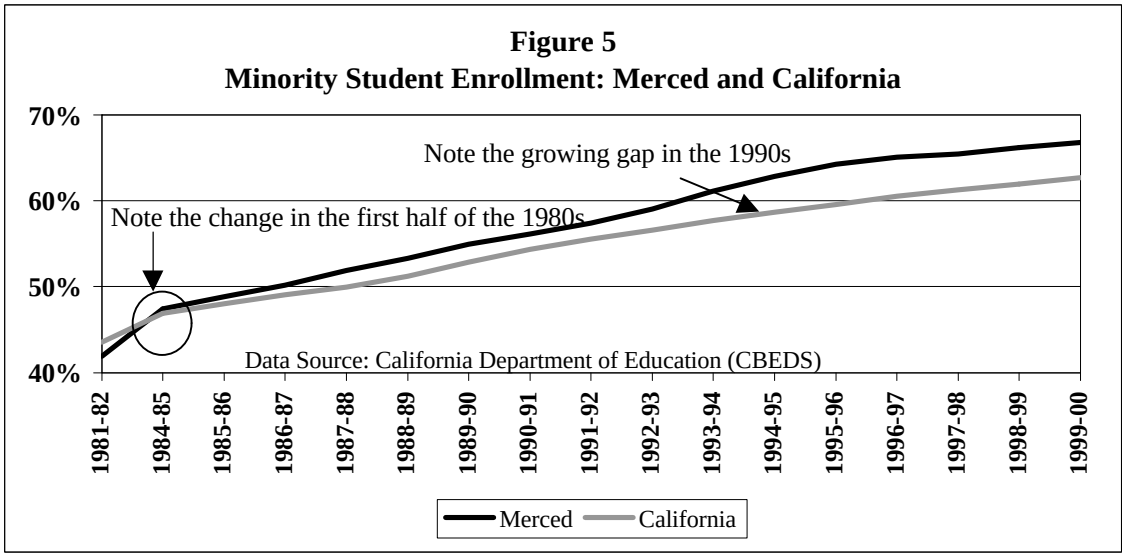
Table 6
Age Distribution by Race and Ethnicity in Merced County: 1998

	Total Pop	White	Hispanic	Asian/PI	Black	Am Ind
Under 5	9.6%	6.4%	13.4%	12.6%	9.2%	5.1%
5-14	19.4%	15.5%	22.3%	28.1%	19.1%	13.2%
15-19	8.6%	7.5%	9.2%	11.8%	9.0%	6.7%
20-24	7.2%	6.4%	8.1%	7.9%	7.7%	7.0%
25-44	29.0%	29.4%	29.9%	22.2%	32.1%	32.3%
45-64	16.8%	21.0%	12.3%	11.9%	15.3%	23.0%
65+	9.4%	13.7%	4.8%	5.4%	7.5%	12.7%

Data Source: California Department of Finance, Demographic Research Unit

While California experienced comparable trends, there were two important differences: the Asian/Pacific Islander population statewide was older and all racial and ethnic groups in the state were more likely to be over 45 years of age. Reference areas in the Valley exhibited patterns similar to those in Merced while Santa Clara more closely resembled the state.

K-12 public school enrollment by race and ethnicity, a good barometer of the future labor force, underscores the trends. Approximately one of two students in the public schools was Hispanic during the 1999/00 school year, one of three was non-Hispanic white, one of ten was Asian, and one of twenty was African American. Among reference areas, only Fresno had a higher proportion of minority students and only Stanislaus had a diversity population that was below 50%. Over time, Merced's public school enrollment has, like its broader population base, diversified faster than the state as a whole (Figure 5).

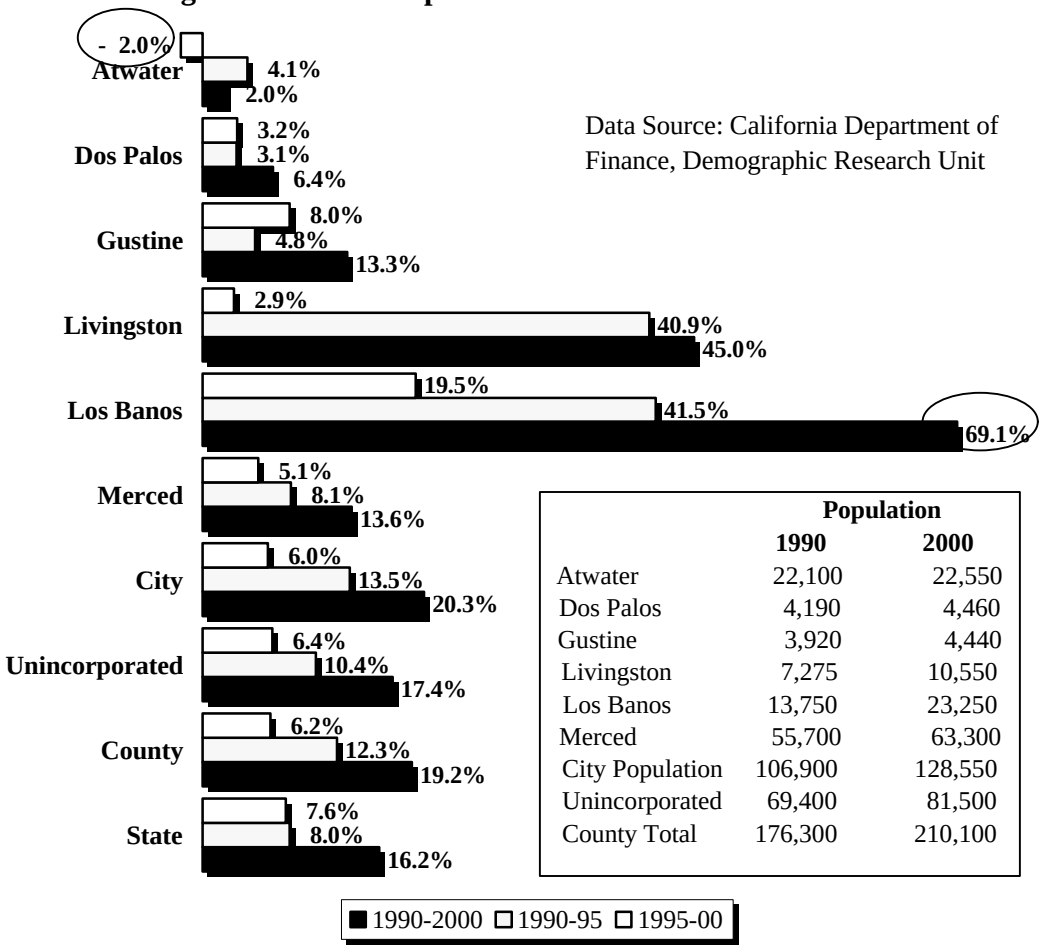


■ ***There are important demographic differences among communities within Merced that have shaped the County's growth and development.***

Since 1970, the six cities in Merced County have grown an average of 3.1% per year, well above the 2.4% for the County and 1.8% for the state as a whole. The pacesetters over the long term have been Livingston and Merced with yearly growth rates of 4.8% and 3.5%, respectively. In contrast, the average annual increase in unincorporated areas has been 1.4%. The practical effect of the latter's relatively limited growth (a consequence of both annexation and urbanization patterns) has been a reduction, from more than half to less than two-fifths, in the proportion of County residents living outside cities.

During the 1970s, Livingston's fast-paced growth (38.7% between 1970 and 1975 and 46.2% between 1975 and 1980) surpassed the impressive upward movements in Merced and Atwater. During the first half of the 1980s, Merced at 24.3% and Dos Palos at 19.4% were the city leaders. By the first half of the 1990s, growth rates dropped to single digit levels in these cities while they skyrocketed in Los Banos (41.5%) and Livingston (40.9%). Since 1995, only Los Banos (19.5%) has experienced double digit increases, with Gustine a distant second at 8%. Figure 6 contains the population totals and increases for the 1990s.

Figure 6: Merced Population Growth Rates: 1990 to 2000

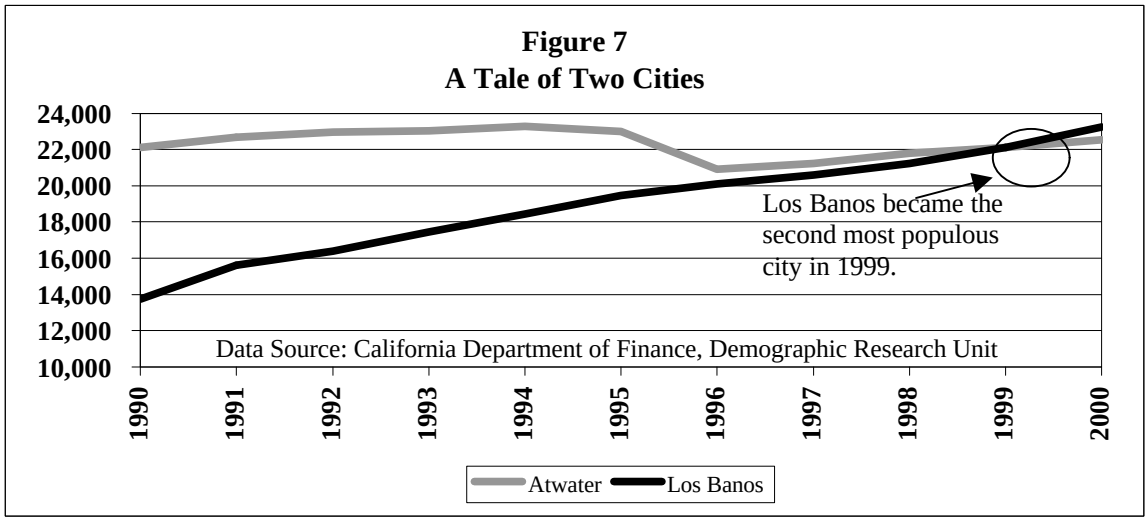


Data Source: California Department of Finance, Demographic Research Unit

	Population	
	1990	**2000**
Atwater	22,100	22,550
Dos Palos	4,190	4,460
Gustine	3,920	4,440
Livingston	7,275	10,550
Los Banos	13,750	23,250
Merced	55,700	63,300
City Population	106,900	128,550
Unincorporated	69,400	81,500
County Total	176,300	210,100

Population shifts in Los Banos, Atwater, and Livingston are particularly noteworthy. For Los Banos, the catalyst for the consistently rapid growth (69.2% over the entire decade) was migration from the Bay Area, as families pursued affordable housing on the west side of Merced County. For Atwater, the 9% loss of the city's population between 1995 and 1996 was caused by the closure of Castle Air Force Base (although a majority of the loss has been recaptured the past few years). For Livingston, fast-paced growth was concentrated in the first three years of the decade and was driven by the migration of Asian populations and high fertility rates. The enrollment statistics for the Livingston Elementary School District corroborate these patterns.

Los Banos ended the 1990s with 700 more people than Atwater, but began the decade with 8,350 fewer residents. Therin lies a tale that is captured in Figure 7. Los Banos became Merced County's second most populous city in 1999, and the gap between the two communities is likely to widen in the future.



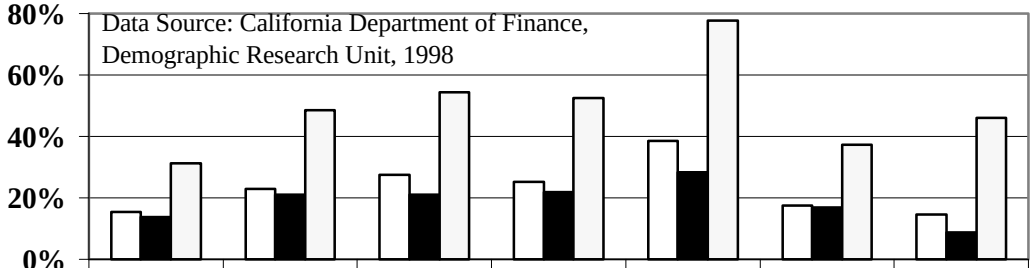
■ ***Population projections point to both continuing age disparities between Merced County and other areas and increasing racial/ethnic diversity. The University of California campus is unlikely to alter the underlying demographics of the County in the foreseeable future.***

The 1998 population projections of the Department of Finance, while subject to adjustment, are sufficiently reliable to design demographic scenarios twenty years into the future. Since all January 2000 population estimates are slightly lower than the projected 2000 population base, the outcomes can be viewed as reasonable forecasts that take into account anticipated changes, including the opening and intermediate growth of the UC campus. When applied to Merced County and the reference areas, they suggest that recent trends are likely to persist and current gaps are likely to widen.

Merced County's 48.6% projected growth rate for the 2000 to 2020 period will trail other Valley counties except Fresno but be higher than Santa Clara and the state as a whole. Anticipated percentage increases during the second decade of twenty-first century will be

lower than the first ten years in all areas, but the change in Merced will be relatively slight. As a consequence, its percentage gain will be similar to the changes in San Joaquin and Stanislaus. By 2020, Merced County will have a projected resident population of nearly 320,000. Projected growth rates are presented in Figure 8.

Figure 8
Projected Population Growth Rates: 2000 to 2020



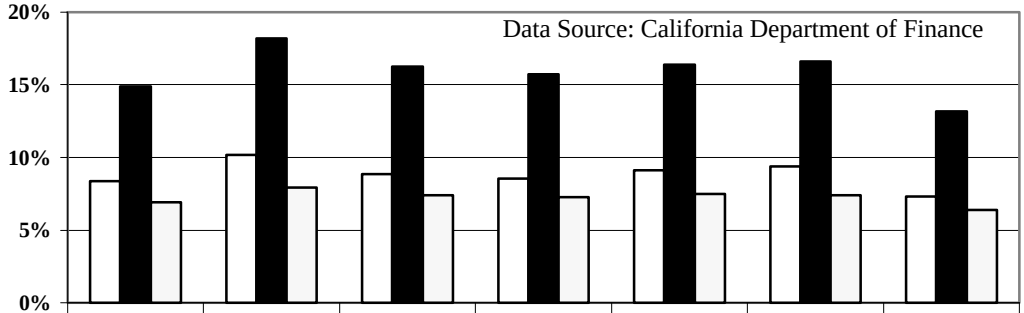
	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
□ 2000/2010	15.3%	22.8%	27.6%	25.2%	38.6%	17.5%	14.6%
■ 2010/2020	13.7%	20.9%	21.1%	21.8%	28.2%	16.9%	8.7%
□ 2000/2020	31.2%	48.6%	54.4%	52.6%	77.7%	37.4%	46.0%

If Department of Finance projections are close to the mark, the age differences between Merced and the reference areas will be more pronounced. In fact, in 2020, Merced will have a higher proportion of its population under the age of 5 (10.2%) than it did in 1998 (9.6%); slightly less than one-fifth will be 5 to 14 years of age. Its under 20 population will grow to 36.3% of the total, a higher proportion than in any reference area. The youth dependency ratio will be higher as well, with Fresno and Madera in second and third place. Figure 9 highlights the shares of the projected population by selected age groups.

Over the next twenty years, Merced will diversify at a faster rate than the state as a whole. By 2020, slightly more than one-third of the population (35.6%) will be non-Hispanic white, more than two-fifths (44.2%) will be Hispanic, and slightly less than one-sixth (16.2%) will be Asian/Pacific Islander. The only reference counties with more multiethnic diversity in 2010 will be Fresno and Santa Clara. In 2020, Santa Clara will be

the most diverse while Fresno and Merced will be nearly identical racially and ethnically The racial and ethnic breakdowns are contained in Table 7.

Figure 9
Projected Shares of the Population for Selected Age Groups: 2020



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
0-4	8.4%	10.2%	8.8%	8.6%	9.1%	9.4%	7.3%
5-14	14.9%	18.2%	16.3%	15.7%	16.4%	16.6%	13.2%
15-19	6.9%	7.9%	7.4%	7.3%	7.5%	7.4%	6.4%

Table 7
Projected Population by Race and Ethnicity: 2020
Share of Total Population

	White	Hispanic	Asian/PI	Black	Am Indian
California	39.9%	39.1%	14.2%	6.2%	.6%
Merced	**35.6%**	**44.2%**	**16.4%**	**3.3%**	**.5%**
Stanislaus	54.8%	32.4%	9.4%	2.4%	.9%
San Joaquin	45.1%	31.3%	17.5%	5.5%	.7%
Madera	45.9%	45.6%	1.6%	6.1%	.8%
Fresno	35.1%	45.4%	13.3%	5.1%	1.0%
Santa Clara	30.3%	30.3%	35.7%	3.4%	.2%

Data Source: California Department of Finance, Demographic Research Unit

The youthfulness of Merced's future population will be linked directly to its diversity. By 2020, 35.7% all Asian/Pacific Islanders and 33.9% of all Hispanics in Merced will be under 15 years of age, compared to 18.4% for non-Hispanic whites. In contrast, 6.4% of Hispanics, 6.5% of Asian/Pacific Islanders, and 17.5% of non-Hispanic whites will be 65 years of age and older. Another way of highlighting the age distribution is to point out that in 2020 more than one-fifth of Merced's population will be Hispanic and Asian/Pacific Islander under the age of 15. If we extend the age threshold, 26% all

Merced residents will be Hispanic and Asian/Pacific Islander under the age of 20. Among reference areas, only Fresno will come close to matching Merced's expected population distribution. Table 8 and Figure 10 document these patterns.

Table 8
Merced County Projected 2020 Population by Race and Ethnicity

Share of Total Population

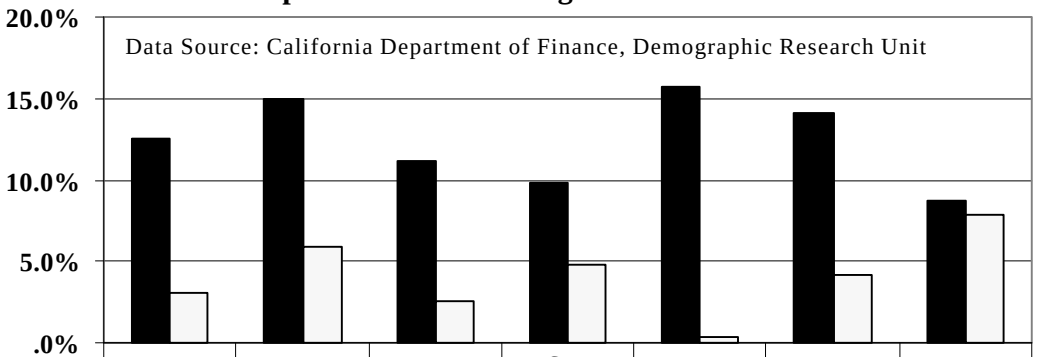
Age Group	Total Pop	White	Hispanic	Asian/PI	Black	Am Ind
0-4	10.2%	2.2%	5.6%	2.1%	.3%	.0%
5-14	18.2%	4.5%	9.4%	3.7%	.5%	.0%
15-19	7.9%	2.1%	4.0%	1.5%	.2%	.0%
20-24	7.3%	2.1%	3.7%	1.2%	.2%	.0%
25-44	26.7%	9.6%	11.5%	4.5%	.9%	.1%
45-64	19.1%	8.9%	7.2%	2.2%	.8%	.1%
65+	10.5%	6.2%	2.8%	1.1%	.3%	.1%

Share of Group Population

Age Group	Total Pop	White	Hispanic	Asian/PI	Black	Am Ind
0-4	10.2%	6.2%	12.6%	12.9%	8.3%	4.5%
5-14	18.2%	12.6%	21.3%	22.8%	16.1%	9.7%
15-19	7.9%	6.0%	9.1%	9.3%	7.5%	5.3%
20-24	7.3%	5.8%	8.4%	7.6%	6.9%	5.4%
25-44	26.7%	27.0%	26.0%	27.8%	28.2%	25.6%
45-64	19.1%	24.9%	16.3%	13.2%	23.0%	28.5%
65+	10.5%	17.5%	6.4%	6.5%	10.0%	21.0%

Data Source: California Department of Finance, Demographic Research Unit

Figure 10
Hispanic and Pacific Islander Shares of the Population Under the Age of 15: 2020



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ Hispanic	12.5%	15.0%	11.2%	9.9%	15.7%	14.2%	8.7%
□ Asian/PI	3.1%	5.8%	2.6%	4.8%	.4%	4.2%	7.9%

~ *Divergence and the Labor Market* ~

Not only do demographic trends help define the composition and distribution of the Merced population, they also are closely connected to the supply of labor, the dynamics of the labor market, and the quality of the labor supply. This section highlights key features of Merced's labor market performance, and compares Merced's results with those in reference areas.

The Labor Force

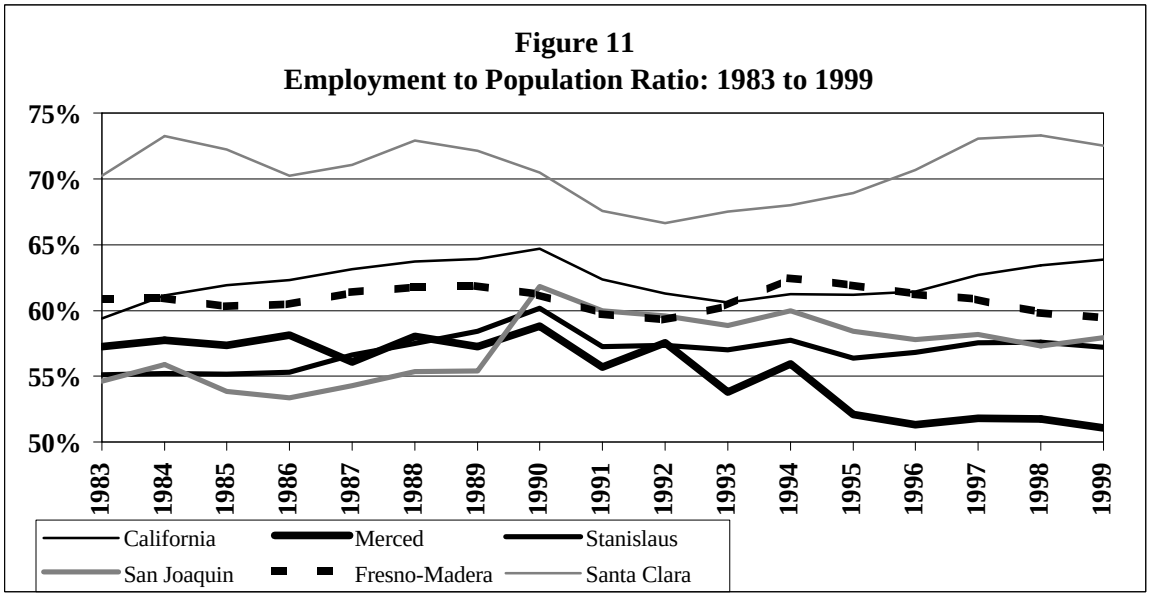
- ***Given the dominant historical demographic trends, it should not be surprising that the available supply of potential workers has been consistently lower in Merced County than in reference areas.***

In every year between 1970 and 1999, Merced County had a lower proportion of its population that was working age (16 years of age and older) than any of the reference areas. Although the working age share in Merced reached 69.5% in 1999, which was similar to Fresno, it was at least 3% lower than in Madera, San Joaquin, and Stanislaus. The state percentage in 1999 was 74.5% while it was 76.4% in Santa Clara.

- ***Even with a lower supply of possible workers, Merced County has lagged on important measures of labor force involvement.***

Between 1983 and 1999, Merced experienced a decline – particularly sharp in the period after 1994 – in both the labor force participation rate (the percentage of the noninstitutionalized population 16 years of age and older either employed or looking for work) and employment to population ratio (the share of the working age population that is gainfully employed). In both cases, Merced trailed the state by narrow margins in 1983, but by 1999, the differences were much sharper. Likewise, the gaps between Merced and reference areas in the Valley (especially Stanislaus and San Joaquin) widened during the 1990s. In fact, by 1999, only 59% of the working age population were in Merced's labor force and only slightly more than half (51.1%) were employed. Of particular interest is the fact that Madera and Fresno (which are considered together)

had a higher labor force participation rate than the state in 1999 but, like other Valley counties, a much lower employment to population ratio. Figure 11 contains employment to population ratios for the 1983 to 1999 period.



There are a number of possible explanations for Merced's lower labor utilization. Since there have been relatively high percentages of very young children in the population, mothers have been more likely to stay at home and not participate in the labor force. Related to this is the fact that there have been higher dependency levels historically in Merced, and those who received income maintenance payments prior to welfare reform either did not seek employment or had unstable employment histories. Another contributing factor may be participation in unconventional work. Research reported previously by the Center for Public Policy Studies points out that Valley counties have economic and demographic profiles associated with more active underground economic activity, including cash transactions. Finally, the supply of lower skilled workers appears to exceed the supply of lower skilled jobs.

While it is reasonable to conclude that all these explanations play a role, there is no doubt that between 1990 and 1999 the adult population in Merced County grew faster (17.9%) than the labor force (4.7%) which, in turn, increased more rapidly than employment (3.4%). This was markedly different than the 1983 to 1990 period when employment gains (22.2%) outpaced

the growth in both population and the labor force (19.2% & 18.4%, respectively). The Fresno metropolitan area experienced results similar to Merced while Stanislaus and San Joaquin Counties had employment growth that exceeded labor force growth in both the 1980s and 1990s.

Unemployment

- ***High unemployment rates have been a persistent feature of Merced County's recent economic development.***

Merced County's *annual* unemployment rates the past two decades have been significantly higher than those in the state as whole and Santa Clara County. By 1999, Merced's rate was 2 ½ times the state level and more than 4 ½ times the level in Santa Clara. Merced's 1999 unemployment rate of 13.3% was higher than the rates in San Joaquin (8.8%), Stanislaus (10.6%), and Madera (11.6%), but a shade lower than in Fresno (13.5%).

- ***Long-term monthly unemployment rates document the volatility of the Merced County labor market and the emergence of unemployment rate variations within the San Joaquin Valley.***

When long-term monthly unemployment rates for Merced County and the state are compared (Figure 12 covers the January 1975 to December 1999 period), some important patterns emerge:

- Unemployment in Merced has been significantly more volatile, with the jobless rate rising and falling every year in response to the shifting seasonal demand for workers. What is intriguing about this volatility (which most observers readily acknowledge) is that it has not declined over the past twenty-five years. In fact, after easing in the second half of the 1980s, volatility actually increased after 1992. By the end of the decade, the gap between the highest and lowest unemployment months in Merced was greater than it was in the 1970s.

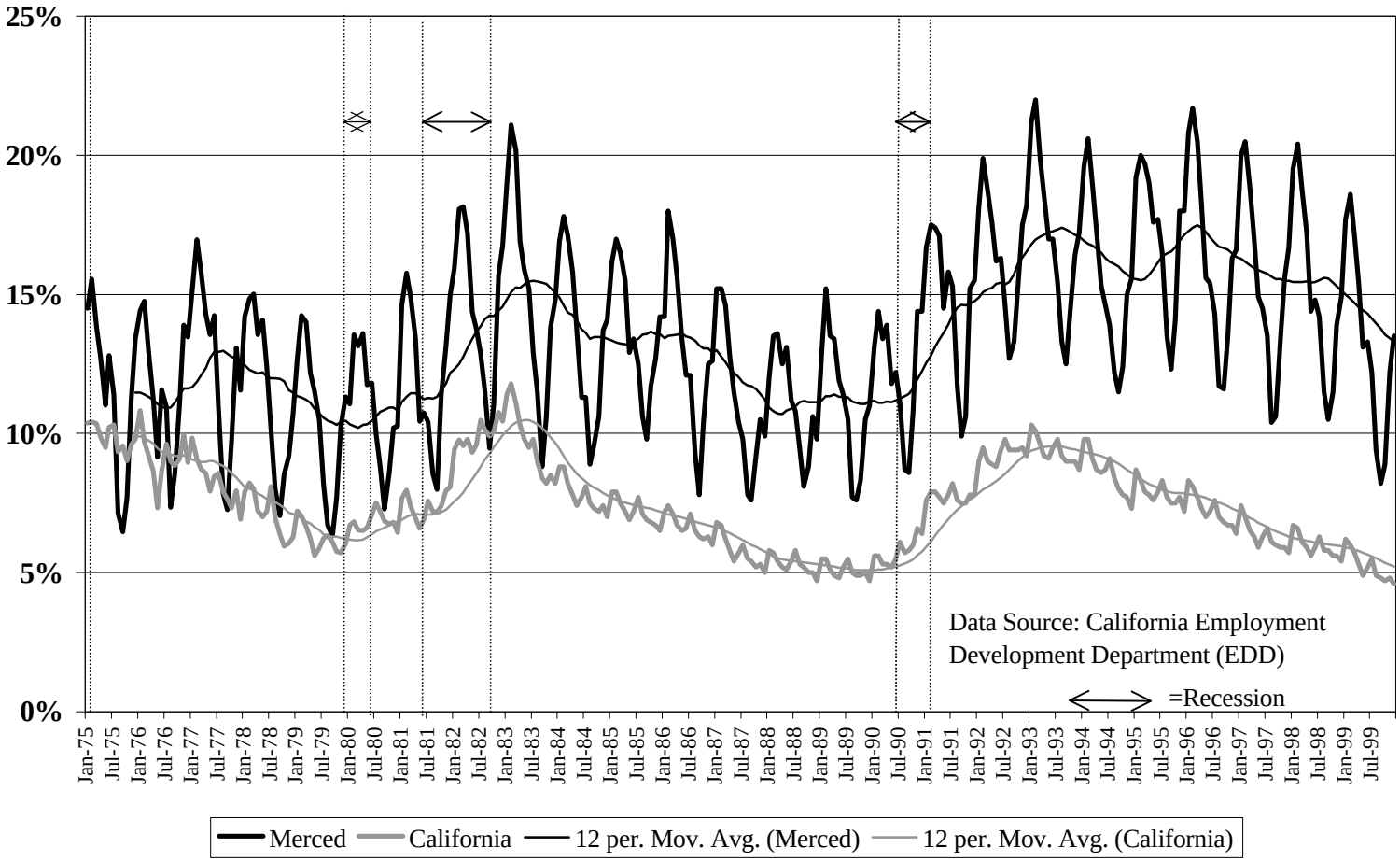
- Merced's upward and downward movements over time have generally tracked those of the state. What this means is that both the state and Merced have been affected in similar ways by the performance of the economy. This is illustrated on the chart by both the twelve-month trend lines and the recession markers.

- Until the early 1980s, Merced's unemployment rates in its lowest unemployment months were either lower than or comparable to those of the state. In every month subsequently, Merced's unemployment rates have been higher. Following the deep recession in California in the 1990s, which lasted considerably longer than in the nation, the rate gap widened as the state experienced an economic recovery while Merced County continued to be buffeted by local issues, including base closure.

Monthly unemployment statistics for other counties in the San Joaquin Valley provide evidence for growing differences within the region, especially during the second half of the 1990s. Throughout the 1980s, Merced's unemployment rates were lower than those in Stanislaus, but higher than those in San Joaquin and Fresno. By the end of 1994, however, Stanislaus rates dropped below Merced's and the gap widened the second half of the decade. The divergence between Merced and San Joaquin occurred in the mid-1980s. Interestingly, unemployment in the Fresno metropolitan area did not decline as much as it did in Stanislaus and San Joaquin, and in 1999, its unemployment rate was about the same as Merced's. Associated with these developments was an increasing rate volatility in Merced and the Fresno metropolitan area from 1995 to 1999 that contrasted with the declining volatility in Stanislaus and San Joaquin.

Unless the recent gaps are temporary in nature, they could symbolize a transition to a future in which San Joaquin Valley counties experience one of two patterns of employment growth and unemployment: more job diversity and less volatility or less job diversity and more volatility. In fact, an examination of recent monthly unemployment rates for the eight county region indicates that Kern is similar to Stanislaus and San Joaquin while Kings and Tulare correspond more closely to Merced, Madera, and Fresno.

Figure 12
Monthly Unemployment Rates in Merced and California
January 1975 to December 1999



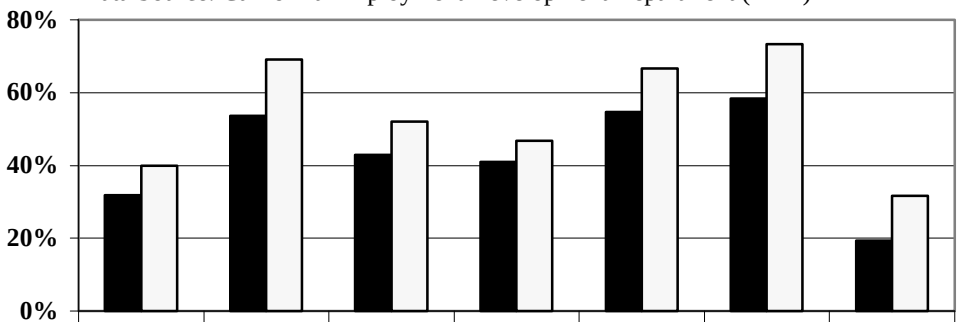
■ ***The reported statistics on unemployment insurance claimants bolster the case for divergence between the San JoaquinValley and the state and among counties in the region.***

While the data on unemployment insurance claimants for the October 1998 to September 1999 period examined here do not capture all the unemployed, they are particularly useful for examining the characteristics of dislocated (including seasonal) workers. They also serve as surrogate measures of the labor force and the underlying structure of local economies.

The two demographic characteristics of all claimants that stand out are their educational attainment levels and race and ethnicity. Both are highlighted in Figure 13.

Figure 13
The Demographics of Unemployment Insurance Claims

Data Source: California Employment Development Department (EDD)



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ No HS Diploma	31.8%	53.6%	42.9%	40.9%	54.7%	58.3%	19.3%
□ Hispanics	39.9%	69.1%	52.0%	46.8%	66.5%	73.3%	31.7%

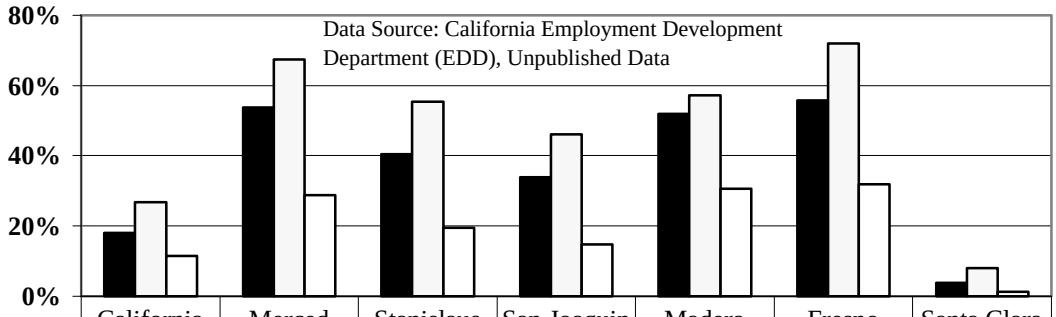
Claimants without a high school diploma in Merced County represented 53.6% of those who filed for benefits for the twelve month period ending in September 1999. This was similar to Madera and Fresno, where 54.7% and 58.3% did not complete high school. However, Stanislaus (42.9%) and San Joaquin (40.9%) had lower proportions of unemployed lacking a diploma, but higher percentages than the state as a whole (31.8%) and Santa Clara (19.3%).

The second is their race and ethnicity, particularly the Hispanic share of unemployment. Between October 1998 and September 1999, 69.1% of the unemployment insurance recipients in Merced

County were Hispanic. The proportions in Madera (66.6%) and Fresno (73.3 %) were not significantly different. On the other hand, Hispanic claimant percentages in Stanislaus (52%) and San Joaquin (46.8%) were considerably below these levels. The percentages in the state as a whole (39.9%) and Santa Clara (31.1%) were even lower.

Given the importance of seasonal employment in the Valley, it is reasonable to suggest that key industries operate in a fashion that assures that seasonal workers collect unemployment insurance benefits when their labor services are no longer required. What this means for San Joaquin Valley counties is that new unemployment insurance claims are concentrated in certain months, typically February and November. Figure 14 highlights these seasonal patterns for workers who were employed previously in agriculture and food processing. What this chart shows is that in February 1999, Fresno and Merced had much higher percentages of claims (71.9% and 67.4%) in these industries than all other areas. In August 1999, they were joined by Madera. San Joaquin and Stanislaus had lower percentages in all months covered, although the numbers were considerably above those of the state as a whole and Santa Clara.

Figure 14
Proportion of Unemployment Insurance Claimants in Agriculture and Food Processing



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ Total	18.0%	53.6%	40.4%	33.9%	51.9%	55.7%	3.9%
□ February	26.7%	67.4%	55.3%	46.0%	57.2%	71.9%	8.0%
□ August	11.4%	28.7%	19.4%	14.7%	30.6%	31.8%	1.2%

- ***Unemployment insurance benefits cover two groups: those unemployed intermittently who will return to work and those who lose their jobs and do not have prospects of future employment. The two groups differ, and these differences are important in understanding the human capital and job challenges facing Merced County.***

Two-thirds of the 16,365 recipients of unemployment insurance benefits in Merced County between October 1998 and September 1999 were planning to return to work. While this statistic should not be interpreted as a positive assessment of local labor market conditions, it does indicate that these claimants have employment options within the local economy, even though they may be only seasonally available. Without predictable employment prospects, these individuals, two-thirds of whom lacked a high school diploma, would face serious hurdles in finding and retaining jobs.

Since most of those who were not recalled to work in Merced County between October 1998 and September 1999 lacked viable job prospects, they can be viewed as the traditionally unemployed. Of those not expecting recall, approximately one-quarter lacked a high school diploma (compared to two-thirds who were returning to work), 44.7% were high school graduates, and 22.8% had some college education. Approximately 45% were Hispanic, which was slightly higher than the 41.7% for non-Hispanic whites, but still above the Hispanic share of the working age population. In terms of gender, 44.7% were female.

The results for industries are even more striking. Although 53.6% of all unemployment insurance claimants were previously employed in agriculture and food processing, only 17.5% of those not returning to work were in these industries. This was the case even though the two industry groups had nearly 30% of the jobs in Merced County. This pattern was in marked contrast to what occurred in retail trade and services. While the retail trade sector had only 8.6% of all claimants, it had 19.3% of those not returning to work and only half the number of jobs as agriculture and food processing. Less than one-fifth (18.6%) of all claimants were in services, but they represented one-third of all unemployment insurance recipients with no job prospects and only 15% of total employment. Business services alone had 9.4% of the traditionally unemployed.

These statistics raise questions about the conventional belief that agriculture and food processing are the drivers or causes of high unemployment. Undoubtedly, the numbers tell one story when all unemployment insurance claimants, regardless of their job expectations, are considered together. In this scenario, the structure of the economy predictably defines the distribution of both employment and unemployment. But when those who are returning to work are excluded (which is how the government historically has determined eligibility for reemployment services), a different story must be told. Although there are seasonal workers in agriculture and food processing who would prefer other employment positions, nearly 90% of them between October 1998 and September 1999 could count on returning to work. For 72.6% of the workers in retail trade and 57.5% in services who lost their jobs, this option was not available.

The ten occupations with the greatest share of dislocated workers without job prospects were cashiers and tellers (6.3%), food processors (6.2%), stenographers/typists/filing clerks (4.8%), miscellaneous construction workers (3.8%), porters and cleaners (3.6%), materials and product moving and storage (2.9%), waiters and waitresses (2.7%), shipping/receiving/stock and other clerical (2.3%), information and reception clerks (2.3%), and miscellaneous sales (2.1%). These occupations collectively represented 37% of all the insured unemployed not returning to work. Although food processors as an occupational category ranked second, this should not be surprising given the distribution of jobs in the Merced economy. What is more noteworthy is that 87.5% of all applicants for unemployment insurance benefits in this occupation were returning to work. The only other occupational group where a majority expected to return was porters and cleaners.

According to the U.S. Bureau of Labor Statistics (BLS), the ten occupations listed above share some things in common: all contain workers without specialized technical skills, all require short-term or moderate on-the-job training with no specific educational requirements, all are modestly compensated, all experience routine spells of unemployment, and all cover workers who are replaceable by other individuals or machines. With the exceptions food processing, shipping and related clerical activities, and miscellaneous sales, the occupations have high or very high proportions of part-time workers.

Merced County's demographic, industrial, and occupational patterns for the unemployed not returning to work (highlighted in Figure 15) corresponded more closely to those in Fresno and Madera than those in San Joaquin and Stanislaus. The contrasts in Santa Clara were reflected its economic structure. For example, industries and occupations with the greatest number of dislocated workers were tied to electronics. In all reference counties, however, low skilled occupations appeared frequently. These similarities among counties demonstrate that there are occupations at risk in the labor market. However, there is one caveat to this observation. Even though San Joaquin, Stanislaus, and Santa Clara had lower percentages of workers returning to work (substantially so in Santa Clara), Merced, Fresno, and Madera still had slightly higher percentages of at risk workers who were unemployed without job prospects.

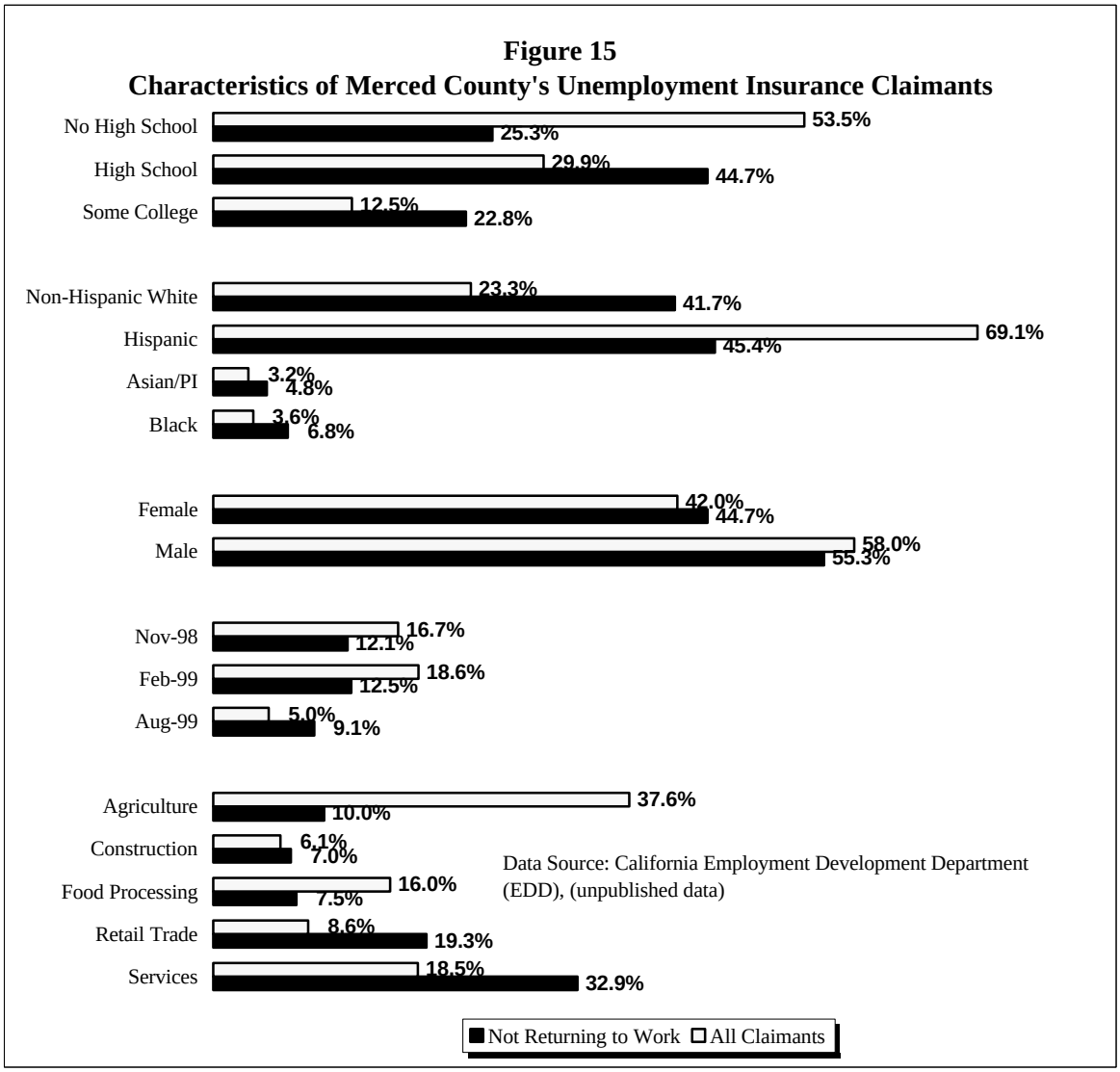
- ***There are differences in the scale and distribution of unemployment among communities in Merced County.***

As Table 9 shows, the highest concentrations of unemployment insurance claimants for the October 1998 to September 1999 period were in those ZIP Codes covering all or a substantial portion of the most populous cities. Three of these, 95340 (Merced), 93635 (Los Banos), and 95301 (Atwater), had 46.4% of all County claimants. The 95340 ZIP Code alone contained more than one-fifth (21.4%). Planada, Dos Palos, Winton, and Delhi collectively had almost one-fourth (24.2%) of the total.

The 95340, 93635, and 95301 ZIP Codes also had the highest percentages of claimants not returning to work. Each of them had a higher proportion of the claimants without job prospects and their combined share of the total not returning to work jumped to 55.1%. Again, 95340 was the leader at 28%. In contrast, the share of claimants without job prospects in the ZIP Codes covering Planada, Dos Palos, Winton, and Delhi fell from 24.4% to 16.8%.

Another way of gauging at-risk areas in Merced County is to examine the proportion of all unemployment insurance applicants within ZIP Codes who did not return to work. The ZIP Codes with the highest proportions were 95348 (Merced, 51.2%,), 95324 (Hilmar, 50.2%), and 95340 (Merced, 41.7%). Each of these was significantly above the 32.3% recorded in the County as a whole. Other ZIP Codes which exceeded the County average were 95369 (Snelling, 37%),

95301 (Atwater, 36.8%), 95374 (Stevinson, 34.7%), 93635 (Los Banos, 34.5%), and 95344 (Merced, 32.5%).



In only four ZIP codes (covering Santa Rita Pk., Ballico, Cressey, and Planada) did more than 35% of the insured unemployed without job prospects have jobs previously in agriculture and food processing. Only two areas (Santa Rita Pk. and Cressey) had less than 35% of its unemployed population in retail trade and services. While the more populous areas had percentages in the latter industries that exceeded the County average, so did Snelling and South Dos Palos.

Table 9
Unemployment Insurance Claims in Merced County ZIP Codes
Sorted by Percent of Claimants Not Returning to Work

ZIP Code	Mailing Address	All Claimants	% of All Claimants	Claimants Not Returning to Work	% of Claimants Not Returning to Work	% of All Claimants in ZIP Code Not Returning to Work
95340	**Merced**	3,555	21.7%	1,481	28.0%	41.7%
93635	**Los Banos**	2,324	14.2%	802	15.2%	34.5%
95301	**Atwater**	1,717	10.5%	632	11.9%	36.8%
95348	**Merced**	1,184	7.2%	606	11.5%	51.2%
95334	**Livingston**	1,426	8.7%	311	5.9%	21.8%
95315	**Delhi**	882	5.4%	269	5.1%	30.5%
95388	**Winton**	955	5.8%	262	5.0%	27.4%
93620	**Dos Palos**	1,052	6.4%	234	4.4%	22.2%
95324	**Hilmar**	321	2.0%	161	3.0%	50.2%
95322	**Gustine**	526	3.2%	131	2.5%	24.9%
95365	**Planada**	1,074	6.6%	123	2.3%	11.5%
95333	**Le Grand**	356	2.2%	53	1.0%	14.9%
95341	**Merced**	210	1.3%	48	.9%	22.9%
95374	**Stevinson**	118	.7%	41	.8%	34.7%
95344	**Merced**	120	.7%	39	.7%	32.5%
93665	**S. Dos Palos**	168	1.0%	21	.4%	12.5%
95303	**Ballico**	75	.5%	20	.4%	26.7%
95369	**Snelling**	54	.3%	20	.4%	37.0%
95317	**El Nido**	89	.5%	16	.3%	18.0%
95312	**Cressey**	51	.3%	12	.2%	23.5%
93661	**Santa Rita Pk**	107	.7%	7	.1%	6.5%
95342	**Merced**	1	.0%	0	.0%	.0%
County Totals		16,365	100%	5,289	100%	32.3%

Data Source: California Employment Development Department (EDD), unpublished data

Although sub-area unemployment rate statistics reported by the Employment Development Department cannot be used to measure the precise levels of unemployment (since they are based on a 1990 benchmark), they can serve as a guide for assessing the distribution of at-risk populations. When all unemployed (i.e., not just unemployment insurance claimants) are disaggregated by place, the gaps in unemployment rates are striking. Even if the numbers require some adjustment, it is clear that South Dos Palos, Planada, Livingston, Dos Palos, and

Winton (with more than 20% of Merced's unemployed population) have unemployment rates above the County average, significantly so in South Dos Palos and Planada.

Applicants for Job Training

- ***The PITD applicant pool is composed disproportionately of young at-risk populations who face serious barriers to employment. There are marked differences between the applicant pools in Merced and Stanislaus Counties.***

An important labor supply issue in Merced County, particularly in light of relatively low labor force participation rates and high unemployment rates, is the employability of those who either have lost their jobs or require assistance when they enter the job market. Historically, job preparation support services have been particularly important for at risk youth, low income residents, welfare recipients, and others participating in government support programs. The delivery of these services has been a principal responsibility of the Private Industry Training Department (PITD) in collaboration with Worknet of Merced County. As a result of the passage of the Workforce Investment Act of 1998, which makes all County residents eligible for basic employment services, Worknet has become the County's one-stop partnership.

This section analyzes data provided by the Merced County Private Industry Training Department (PITD) on applicants to the Job Training Partnership Act (JTPA) programs, which were changed by the Workforce Investment Act. The database covers the January 4, 1989 to June 24, 1999 period and includes the 16,260 persons who applied and participated. Although the applicant pool does not represent a random sample of the County's population, the results can be used as a tool for assessing the job readiness and employablity of economically disadvantaged adults and youth in Merced County.

The places of residence of all PITD applicants provide a good snapshot of which areas participated most frequently in PITD programs. The most populous communities had the most participants, a pattern that is not surprising. What stands out, however, is the disproportionate share of applicants from the City of Merced: with less than one-third of the County's unemployed and resident populations in both 1989 and 1999, it had nearly half (48%) of the PITD applicants. In fact, the ranking of ZIP Codes by number of program applicants

corresponds to the ranking of claimants for unemployment insurance benefits. Again, 95340 was clearly the leading ZIP code, with 39.5% of all those applying.

The characteristics of PITD applicants (which are summarized in Figure 16) can be viewed as a profile of at-risk populations in Merced County. Since an important objective of the Joint Training Partnership Act was to provide training and employment services to disadvantaged youth under the age of 22, it should not be surprising that there would be a number of program participants concentrated in this younger age cohort. In Merced County, however, they constituted 57% of the total, which was considerably higher than their share of the resident population . Almost two-thirds were still in high school or alternative school. Of those who weren't, less than one-fifth had dropped out. In fact, more than three-quarters of all school dropouts (76%) were 22 years of age and older. These age and school data also help explain why slightly less than half (46.8%) of the applicants were "family members" and an additional 24.8% were "non-dependents." The former refers to anyone living in a family, but not as the parent, while the latter covers someone not living with a family. In both cases, there were no dependents.

Of those participating, 44.5% were Hispanic, 28.5% were non-Hispanic white, 15.8% were Asian and Pacific Islander, and 10.8% were African-American. Nearly one-quarter of all Asian/Pacific Islanders were Laotian while an additional 7% were Asian Indian. Together, these groups comprised about 5% of the total. The proportions for Hispanics and non-Hispanic whites were quite similar to their shares of unemployment insurance recipients returning to work between October 1998 and September 199. They were substantially higher for Asians/Pacific Islanders and African Americans.

Although single parent households with dependents comprised only 13.1% of the total, single parent households headed by females represented one-fifth (21.1%) of all female applicants. Slightly more than one-third (35.3%) of the applicants, and nearly two-fifths of their families, were AFDC recipients. Of these, more than four-fifths (81%) were classified as long term recipients, which means they were part of an AFDC grant for any 36 month period in the five years prior to their application. Interestingly, only one-third of all applicants received food

stamps at the time they submitted applications to PITD, while an additional 15.1% were eligible to receive them. Of the 16,260 persons who participated in PITD programs, 86.5% had incomes below the poverty level. These and the other PITD statistics indicate that a majority of PITD applicants either were part of the working poor or from working poor families.

Of those applying to PITD between 1989 and 1999, only 1.9% were employed full-time while an additional 4.9% worked on a part-time basis; more than one-third (35.2%) were unemployed and a majority (58%) were not in the labor force. Four-fifths (81.2%) of the latter, however, attended school full and part-time. Only 11.5% of the unemployed were unemployment insurance claimants and another 3.1% had exhausted their benefits. Among dislocated workers, one-quarter (25.1%) were laid off and more than three-fifths (62.6%) were long-term unemployed. Dislocated workers (principally the long-term unemployed) accounted for 30% of all PITD applicants

Applicants faced a range of barriers to employment. Roughly three-fifths (61.7%) lacked a significant work history, which means they had not worked more than three consecutive months in the last two years. However, more than half this group were attending school. Nearly half of those tested (48%) exhibited a basic skills deficiency, which means English reading and computing skills below the 9th grade level. Nearly three-fifths of this group were attending school. Two-fifths of those tested had reading levels below the 7th grade level while one-third had math skills below the 7th grade level. Approximately 15% of all applicants dropped out of school. One in 71/2 applicants (13.2%) was a felony or non-felony offender. Close to 1 in 10 (9.5%) had a disability, and more than half of these (5.4%) had disabilities that were considered barriers to employment. Over one-third (34.7%) confronted three or more (i.e., multiple) barriers.
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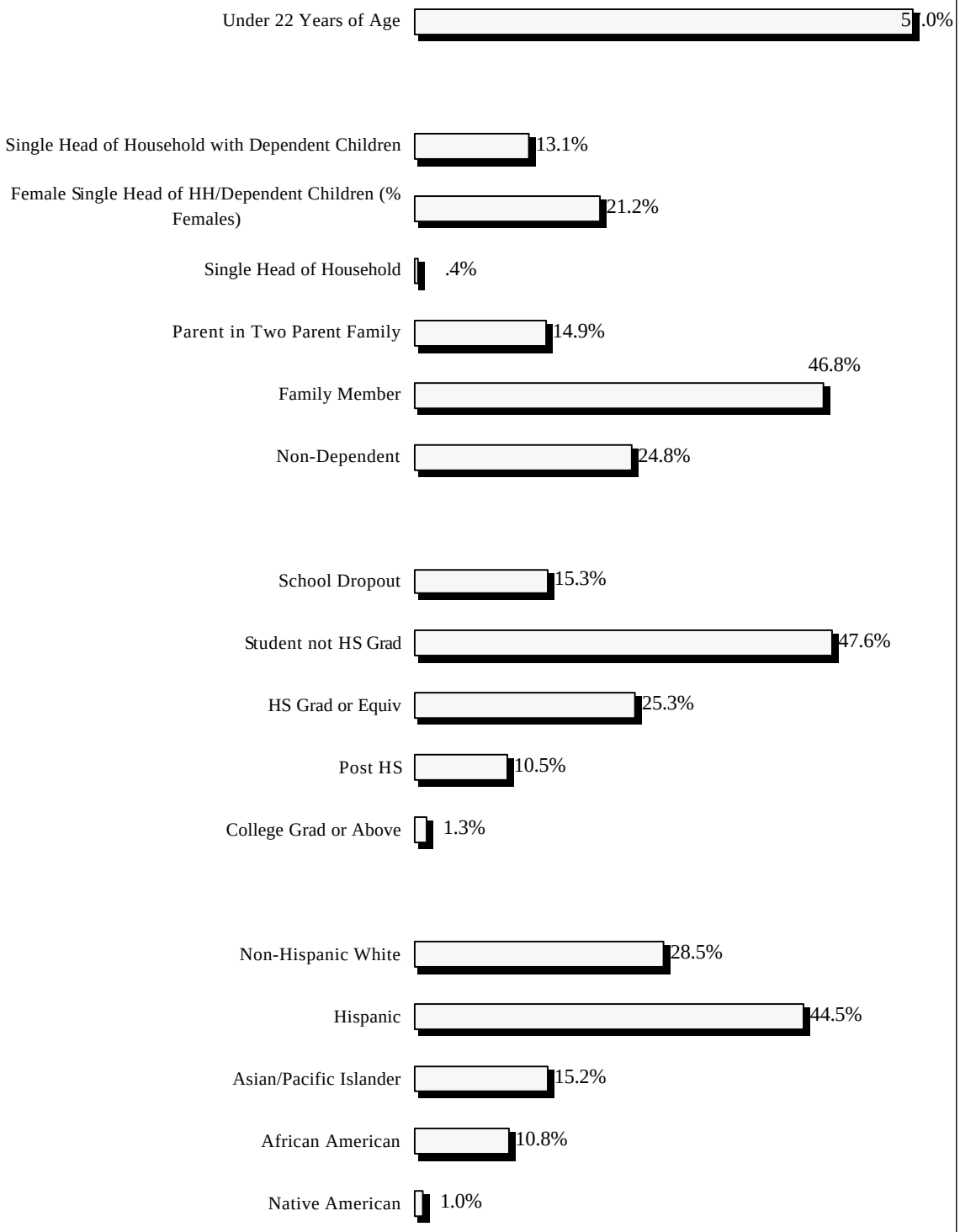
Not only were persons under the age of 22 a majority of the PITD applicants between 1989 and 1999, many also faced employability challenges. They comprised 71.9% of applicants with English reading skills below the 7th grade level, 63.5% of those with computational skills below the 7th grade level, and two-thirds of all applicants with multiple employment barriers. Of the youth in school, 1 in 3 (35.7%) was considered a dropout risk.

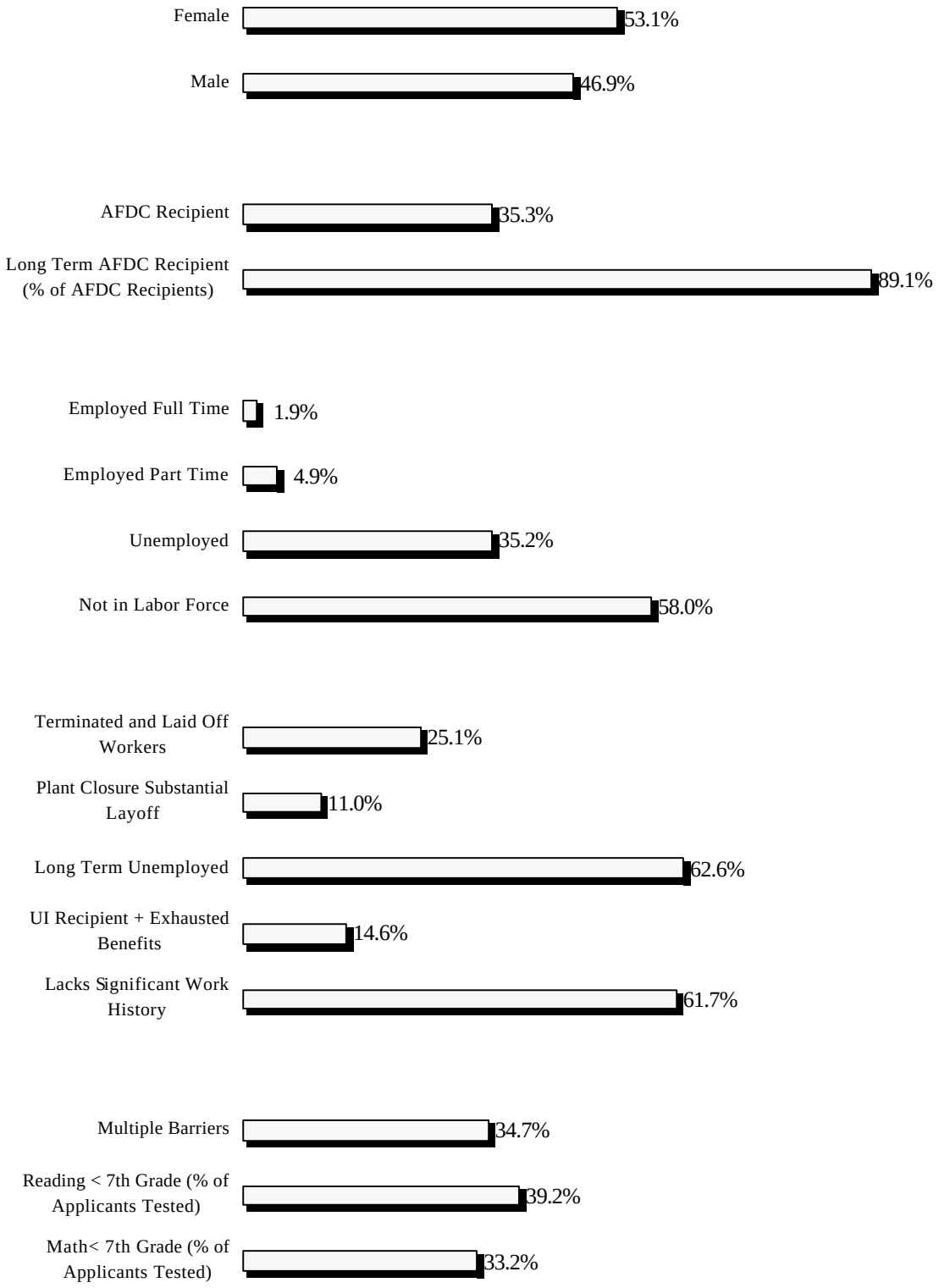
Figure 16
Profile of PITD Applicants: 1989 to 1999
(Unless Noted Otherwise, % of Applicants)

Data Source: Merced County Private Industry Training Department



Profile of PITD Applicants - Cont'd

Data Source: Merced County Private Industry Training Department



These statistics are important in assessing the human capital of Merced County, but without comparative data it is difficult to determine whether or not the County is different than, or similar to, other areas. For purposes of this analysis, Merced's training and employment services data are compared to a similar database covering Stanislaus County for the July 1994 to July 1998 period. These years stand out because of the effects of the recession, the base closure, the passage of welfare reform, and the growing economic and socioeconomic gaps between Merced and Stanislaus Counties. Interestingly, the number of applicants in the two counties was nearly identical (6,991 in Merced and 6,997 in Stanislaus).

There were very definite differences between the two counties, and some of the more prominent of these are summarized in Table 10. The fact that Merced's applicant pool was more racially and ethnically diverse is not surprising considering the underlying composition of the population. Likewise, the significantly larger share of younger applicants in Merced (48.2% vs. 31% in Stanislaus) also could be attributed to the age distribution of the county's population base. In Merced, the data point to a program that focused on serving young people, many of them still in school, who did not head a household, and who had experienced lengthy spells of unemployment (the differences with Stanislaus were significant even when school attendance is considered). In effect, the thrust in Merced County appeared to be coping with low labor force utilization and preparing a more employable future workforce.

In Stanislaus County, on the other hand, the defining statistics between 1994 and 1998 were gender, AFDC recipiency, female singled headed households, plant closures, and unemployment insurance benefits. In all cases, the percentages were measurably higher than they were in Merced; in fact, the proportion of welfare recipients in Stanislaus was basically the same as the percentage of persons under the age of 22 in Merced. What these statistics suggest is that the Stanislaus programs was geared to welfare recipients and dislocated workers. This focus also helps explain the higher percentages of applicants with employment barriers.

Table 10
% Applying for Job Training and Employment Services (JTPA)
Merced and Stanislaus Counties: July 1994 to March 1998

	Merced	Stanislaus
Gender		
Female	53.8%	59.9%
Male	46.2%	40.1%
Race/Ethnicity		
Non-Hispanic White	30.4%	43.5%
Hispanic	44.1%	37.1%
Asian/Pacific Islander	13.9%	12.7%
African American	10.4%	4.9%
Native American	1.3%	1.9%
Family Status		
Single Head of Household with Dependent Children	16.3%	26.2%
Female Single Head of Household with Dependent Children (% of Females)	25.2%	40.5%
Single Head of Household	.5%	.3%
Parent in Two Parent Family	16.5%	28.4%
Family Member	39.8%	22.2%
Non-Dependent	27.0%	23.0%
Persons Under 22 Years of Age		
Youth	48.2%	32.0%
Youth In School	26.5%	13.4%
Youth Not In School	21.7%	18.6%
Education		
School Dropouts	14.8%	38.3%
AFDC Recipiency		
AFDC Recipient	33.3%	46.1%
Long Term AFDC Recipient (% of AFDC Recipients)	79.7%	65.1%
Labor Force Status		
Terminated and Laid Off Workers	10.5%	9.6%
Plant Closure Substantial Layoff	4.2%	11.7%
Long Term Unemployed	23.9%	1.2%
UI Recipient +UI Beneficiaries Who Have Exhausted Their Benefits	19.5%	24.6%
Employment Barriers		
Multiple Barriers	32.1%	54.8%
Reading < 7th Grade (% of Applicants Tested)	40.9%	47.5%
Math< 7th Grade (% of Applicants Tested)	46.1%	57.8%

Data Sources: Merced County Private Industry Training Department's (PITD) and Stanislaus County Department of Employment and Training

Employer Survey and Focus Groups

■ ***Private and public employers in Merced County are generally concerned about the skills of the workforce, but they have even more reservations about the skills of the unemployed and welfare recipients. Employers assess their workers more positively than potential new hires and express support for job training.***

As part of its analysis of the Merced County labor market, the Center for Public Policy Studies surveyed 283 private and public employers in Merced County.[1] The mail questionnaire tapped employer attitudes and perceptions in five areas: the skills and assets of workers and job applicants, job training, employment expansion experiences and plans, the business climate, and seasonal employment. The discussion to follow addresses both general employer and industry specific responses to questions covering the first two items. A separate report, ***Employers Speak: Assessing the Merced County Economy and Workforce***. provides a more complete analysis of the methodology and findings.

The survey relied on a multi-stage approach to the evaluation of workforce skills and performance:

The first step was to ask employers to assess the importance of five types of worker skills and capacities: interpersonal skills, technical skills, basic skills, thinking skills, and personal qualities. As Table 11 shows, between 73.1% and 79.1% of the employers rated all of these as very important. Technical skills were considered very important by only a slim majority of employers, a result that is consistent with national survey results.

Table 11
Employer Perceptions of Skill Levels
(Percentages of employers providing rating: Unreported percentages reflect those who did not respond)

	Overall Importance			County Workforce			Unemployed			Welfare Recipients		
Skill	**Very**	**Somewhat**	**Not**	**Good**	**Adequate**	**Poor**	**Good**	**Adequate**	**Poor**	**Good**	**Adequate**	**Poor**
Interpersonal	79.1%	5.6%	.4%	16.4%	50.0%	11.9%	1.1%	22.8%	37.3%	.7%	17.2%	42.2%
Technical	51.9	28	3	10.4	48.1	16.8	0.7	19.4	39.9	0.4	10.4	47.4
Basic	73.1	9.3	0.4	17.9	45.9	13.1	3.4	21.6	36.9	1.9	14.6	60.1
Thinking	74.3	8.6	17.2	14.2	48.5	13.8	3.4	23.1	35.1	1.1	19.4	59.7
Personal	76.5	5.2	1.1	17.5	47.4	11.6	3.4	23.9	34.3	1.9	17.5	40.3

[1]Consistent with the structure of employment in Merced County, 72% of the sample consisted of business firms and public agencies employing between 5 and 49 workers; 11.9% had 100 or more employees. Respondents were predominantly Merced-based, with 45% the head office or primary location, 12.3% the branch office, 6.3% a franchise, and 4.9% a home business. The distribution of respondents by industry was roughly similar to the distribution of employers by industry sector, although there were some differences.

The next step was a skills assessment of the County's workforce, the unemployed, and welfare recipients. In each instance, employers were asked to rate the skills of each group as good, adequate or poor. A majority of employers gave the County's workforce a passing grade. Between 45% and 50% indicated that skill levels are adequate. Much smaller percentages (in the teens) were recorded in the good and poor categories, with employers providing, with one exception, more responses for the former than the latter. This exception was technical skills: only 10.4% determined that the workforce could be described as good while 16.8% concluded that poor was a more apt description . Table 11 also contains the results of these ratings.

The ratings for the unemployed and welfare recipients were much more problematic. While responses by industry were not numerically identical, they were close enough to reveal definite concerns. Between 34% and 40% of industry employers concluded that the skills of the unemployed were poor; fewer than 4% offered good ratings for any of the skills and less than 1% believed that the technical skills of the unemployed could be characterized as good. Welfare recipients fared even worse. Only between 10.8% and 20.5% of the industry employers gave combined good *and* adequate ratings to recipients. Large majorities of employers asserted that they were deficient in all skill areas, especially basic and thinking skills.

These findings have implications for at risk populations seeking entry-level opportunities in the labor market. The message from employers is that they are concerned about the development of skills they believe should be the responsibility other institutions and groups, particularly families and schools.

The skills assessment varied by industry sector, and the differences reflect the particular expectations and needs of employers in Merced County:

> Employers in agriculture/agricultural services, food processing, and retail/wholesale sectors were less likely to believe that technical skills are very important.
>
> Employers in durable goods manufacturing were least likely to rate worker skills as good and most likely to rate them as poor. They also considered technical skills to be as important as basic and thinking skills and almost as important as interpersonal skills.

In construction and wholesale/retail trade, more employers rated the workforce as having poor rather than good skills in each skill category.

In food processing, health services, other services, and the public sector (government and education), typically more employers rated the workforce as having good rather than poor skills.

The third step was to ask employers about the problems they encounter when hiring new employees. The responses, sorted by the frequency of occurrence, are displayed in Table 12.

Table 12
Problems Experienced by Employers When Hiring
(N = 259)

Type of Problem	Often/Frequently	Rarely	Never	No response
Lack experience	79.5%	16.8%	0.4%	3.4%
Lack technical skills	72.8	22.8	1.1	3.4
Lack work ethic	56.0	39.2	1.9	3.0
Lack education	51.5	42.2	2.2	4.1
Poor English	47.4	36.6	10.1	6.0
Want too much money	47.1	44.8	6.0	2.3
Fail skills screening exam	41.0	37.7	12.7	8.6
Unsuitable appearance	36.6	55.6	4.9	3.0
Can't work in diverse environment	32.9	56.0	7.1	4.1
Unwilling to work nonstandard days/hours	26.5	51.1	18.3	4.1
Lie on application	16.4	63.8	13.8	6.0
Criminal record	13.4	56.0	22.0	8.6
Fail drug test	11.2	44.4	29.1	15.3

Lack of experience is the most frequently encountered problem. Although employers indicated that technical skills were not as important to them as other types of skills, almost three-quarters of the survey respondents stated that the lack of technical skills was a problem when hiring. Two other problems frequently experienced by a majority of employers were job candidates who "lacked the basic work ethic" and "lacked the necessary education."

Do the types of problems businesses face when looking for new employees vary by industry sector? Generally, employers encounter the same problems. For virtually all sectors, experience and technical skills were among the top two or three problems. However, there were some interesting differences:

With the exception of employers in the utilities\transportation and public sectors, work ethic was a major problem identified as well.

Employers in the durable goods manufacturing sector more frequently encountered problems than any other sector.

Applicants wanting too much money was notably less of a problem in the food processing and public sectors and more of a problem in the finance, insurance, and real estate sectors.

For most employers, a worker's appearance was not a frequently encountered problem but it was for a majority of employers in construction, food processing, durable manufacturing, and retail/wholesale.

Although employers express concern about the experience, skills, education, and work ethic of potential new hires, they evaluate their own workers more positively. Table 13 contains the responses to the question: "how frequently do you encounter the following problems with current employees." The list of possibilities is not identical to the one in Table 12 because some issues are unique to the hiring process. Nevertheless, the relative ranking of problems is similar. What stands out, however, is that employers believe that their employees are less likely to have these problems.

Table 13
Problems Experienced by Employers with Current Employees (N = 258)

Type of Problem	Often/Frequently	Rarely	Never	No response
Poor problem solving	42.9%	49.3%	4.9%	3.0%
Poor technical skills	39.5	46.6	9.3	4.5
Poor office skills	34.0	50.0	11.2	4.9
Poor work habits	32.5	57.1	6.3	4.1
Poor English	31.0	48.5	17.5	3.0
Poor attendance/tardiness	30.7	52.8	12.7	3.7
Poor reading skills	26.8	49.6	19.8	3.7
Cannot work in teams	26.1	61.9	9.0	3.0
Poor dress	19.4	58.2	18.7	3.7
Cannot work in diverse	17.6	65.7	13.8	3.0
Drug Use	6.3	50.0	39.2	4.5

When queried about their willingness to hire and train welfare recipients who are screened and referred, 52% of the employers responded affirmatively. Those most receptive to hiring welfare recipients were in retail/wholesale trade, other services, and the public sector. The least receptive were in construction and utilities/transportation.

Employers were asked two sets of questions about the extent of their involvement in workforce training. The first dealt with the proportion of their payroll budget spent on employee training. The results indicate expenditures that are comparable to the national average. In fact, the mean percentage of payroll spent on employee training was 3.5%; the median was 2.5%. Only 8% of the employers reported no spending.

Second, the survey asked employers whether they had done any of the following in the past twelve months: increased spending on on-site and off-site employee training; contracted with the community college for employee training; or contracted with a private firm for employee training.

Slightly more than 45% of the firms reported increases for on-site training. This was most frequently the case in utilities/transportation, durable goods manufacturing, and the public sector. Increased spending for off-site training (selected by one-quarter of the respondents) was more likely to occur in durable goods manufacturing, F.I.R.E., business services, and the public sector. Not only were survey respondents in the public sector more inclined to contract with private firms for employee training, they were the only ones who indicated that they contracted regularly with Merced College for training services.

- ***The observations of business and community focus group participants about worker skills were generally similar to the employer responses in the survey, but there also were concerns raised about a talent loss, unemployment, and the possible development of a two-tiered workforce. The potential benefits of County assets were addressed as well.***

While the views expressed about the labor force in the seven focus groups covered a range of beliefs and concerns, there were six topics that were raised frequently. The first of these was the low skill and educational attainment levels of the labor force. Some concluded that this situation stemmed from the attitudes and behavior of workers (especially their work ethic), others concluded that it was a consequence of the lack of jobs and vocational education opportunities, still others pointed to “an entrenched population that is resistant to change,” while a few suggested that parents and schools have not done enough to foster higher aspirations, responsibility and discipline.

When focus group participants were asked to rank the personal qualities and behavior most closely tied to a preferred workforce, “positive attitude,” “no substance abuse,” and “work ethic” were cited the most times. When they were invited to identify the most important skills required, “problem solving” and “interpersonal skills” stood out, with computer skills lagging these in third place. Finally, when they were queried about the top reasons why applicants for employment positions are rejected, “skills,” “reference checks,” “criminal record,” and “substance abuse” were mentioned most frequently. For most employers in the survey, substance abuse and criminality were at the bottom of their list of problems with job applicants and employees.

Second, there was general agreement in the focus groups that Merced County has a job market where entry-level applicants are plentiful, but skilled positions go unfilled or get filled from other areas. The following comments are illustrative of the sentiments expressed:

“_____ (a major employer) is one of the better payers – so it’s usually not a problem finding qualified entry-level workers. However, an accountant position will not have any local applicants. We train mostly ourselves. Some new hires are not educated - these are sent out to Merced College and other local places.”

“We are hiring from outside the area since skills are not here.”

“If they are not entry level workers they are frequently hired from out of the area.” We *never think of a pharmacist as someone we’d recruit locally.”*

Another theme emerging from the focus groups is the talent loss that occurs when young and relatively educated residents are unable to find employment opportunities or compensation commensurate with their abilities. Consider the following remarks:

“Low skill? - not a problem. High skill? We can’t offer the same wages and then lose them (highly skilled employees) to the Bay Area.”

“The skilled leave Merced unless they have other ties to the community.”

“High potential students leave Merced County.”

High unemployment was a fourth topic explored in the focus groups. There were a number and

range of explanations offered, including the conventional view that it is a consequence of the agricultural economy. However, there also was a recognition that it is closely linked to inadequate job preparation (especially education and training) as well as too little job diversity. Others raised transportation and child care problems as barriers to sustainable employment. Some even suggested that mild weather and a low cost of living tend to attract individuals who often are unemployed and on welfare.

A fifth theme was the recognition that the labor force situation has consequences for the present and future of Merced County. There were concerns expressed about (1) a "two-tiered workforce," in which the educated and skilled do well and those without education and skills find themselves more frequently unemployed, on welfare, and with low incomes; (2) pockets of poverty in rural communities that are physically and economically separated from urban areas; (3) commuter based rather than business based employment; (4) a University community that not only will be more prosperous than the rest of the County, but whose very success may hamper efforts to create both a revitalized downtown and opportunities for residents in south Merced; (5) a continuation of relatively high unemployment rates and low income levels.

Flowing through the focus group discussions was a sixth theme, that there are locally based assets that, if judiciously employed, could significantly diminish the labor force challenges facing Merced County. And foremost among these perceived assets is UC Merced. While statistically based studies indicate that the economic effects of the new campus are likely to be limited, especially during its first two decades of operation, there was much more optimism in the focus groups about the linkages between the future development of Merced and the opening of the university. For some, the high expectations led them to describe it as an "anchor for the County." Others appeared to suggest that Merced's identity was bound to the future of the campus. There was general agreement that it would be an "incubator of jobs" that would attract high tech and related firms as well as retail establishments catering to college students. There also was a sense that it would serve as a catalyst for change that would be reflected in local attitudes and educational performance. Yet, a number of focus group participants also tempered this optimism with the observation that UC Merced should partner with the County, cities, and all levels of education.

~ *Divergence and Economic Performance* ~

The demand for labor in Merced is a function of both the goods and services that are produced in the County and the nature of that production. These core features of the structure of the economy constitute strategic reference markers for assessing existing assets, identified needs, preferred choices, and available options. To create opportunity in Merced requires an understanding of its economic structure, which includes gross county product, county industry output, net exports, employment multipliers, employment concentrations, employment changes over time, and earnings.

Economic Structure and Performance

- ***Merced County's economic structure is defined by agriculture and related processing industries. This agricultural cluster attracts outside dollars that ripple through the local economy and creates employment opportunities in other industry sectors.***

The analysis of economic structure is based on the application of an input-output modeling program called IMPLAN Pro™ and the calculation of location quotients from ES-202 data (an administrative survey of business establishments). The computer model traces the flow of goods through the economy and connects industries through supplier and purchaser transactions. Location quotient analysis relies on local and national employment concentrations to specify base sectors of the County's economy at a relatively fine level of industry detail. Both analytical tools can be used to determine how Merced fares economically and how industries within the County perform. In the process, local sources of strength and potential opportunities for job creation can be identified.

The companion report, ***Roots of Performance: An Examination of Merced County's Economic Base,*** provides a complete analysis of economic structure and performance.

<u>Gross County Product</u>
Gross county Product (GCP) is similar to the gross domestic product reported by the federal government in that both are estimates of the dollar value of goods and services produced for

final consumption. This means that the estimate does not include the dollar value of goods that have been produced but will undergo further processing. Table 14 compares Merced's gross county to those of reference areas. Since Merced had a smaller economy, it had a less diverse industry and employment structure than the larger counties. This resulted in lower multiplier levels.

Merced County had the lowest per capita and per household GCP of all the reference areas. The per capita statistic for Merced is partially explained by the age characteristics of the county relative to the other areas. In effect, GCP is spread out over a larger number of people who are not old enough to be producing goods and services. The lower per household level is due to the fact that Merced County has a greater number of persons per household than reference counties.

Table 14
Gross County and Region Product, 1996

	Gross County/Regional Product	Share of San Joaquin Valley Gross Regional Product	Gross County Product Per Capita	Gross County Product Per Household
Merced	$ 3,176,043,000	4.9%	$16,515	$ 47,428
Stanislaus	$ 8,474,153,000	13.0%	$20,381	$ 58,530
San Joaquin	$10,967,271,000	16.9%	$20,561	$ 59,048
Madera	$ 1,888,361,000	2.9%	$17,092	$ 49,085
Fresno	$16,316,756,000	25.1%	$21,719	$ 62,372
Santa Clara	$84,544,683,000	NA	$52,853	$151,784
San Joaquin Valley	$64,813,178,000	100%	$20,980	$ 60,251

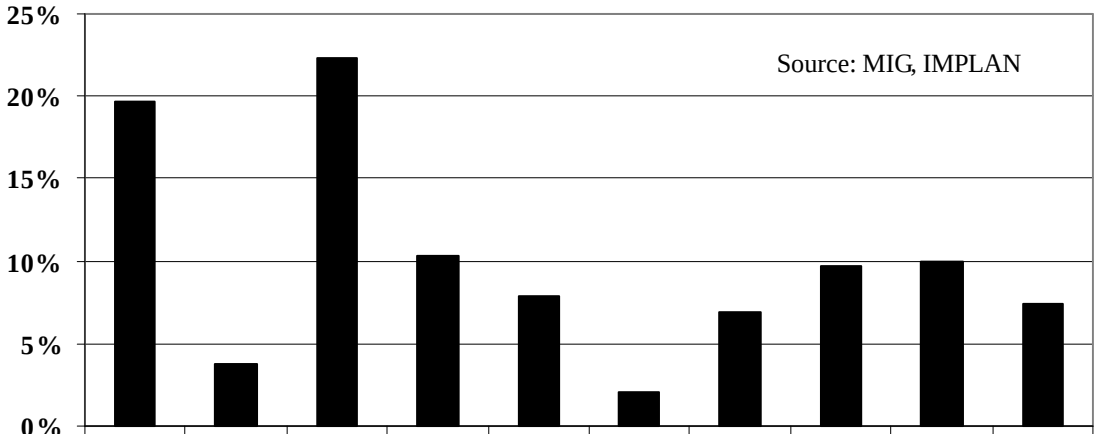
Data Source: MIG, IMPLAN Pro™

Industry Output

A key measure of local economic activity is industry output, which is the dollar value of goods and services produced for final and intermediate consumption. In Merced County, agriculture (19.7%) and manufacturing/food & kindred --i.e., food processing (22.3%) accounted for 42% of the County's $6.8 billion in total industry output in 1996. They were the only sectors to generate more than $1 billion in output . They were followed by other manufacturing, services, and fire, insurance, and real estate (FIRE), each of which produced approximately 10% of the

County's dollar value of output. Figure 19 displays the percentages for all industry sectors in Merced County.

Figure 17
Industry Shares of Total Output



	Agric.	Mining & Const.	Food & Kindred	Other Mfg.	Transp. & Public	Wlesale Trade	Retail Trade	F.I.R.E.	Services	Govt.
Share	19.7%	3.8%	22.3%	10.3%	7.9%	2.1%	6.9%	9.7%	10.0%	7.4%

Not surprisingly, there were some material differences between San Joaquin Valley counties and both the state and Santa Clara. In the state, manufacturing other than food processing and services accounted for 42% of total output while in Santa Clara the proportion was 63%. In Merced County, it was 20%.

Even within the San Joaquin Valley, the similarities do not mean that the counties are identical in terms of industry contributions to total output. Among Valley reference areas in 1996, Merced and Madera had the highest percentages in agriculture; Merced and Stanislaus led San Joaquin, Madera, and Fresno by substantial margins in food processing. On the other side of the ledger, the contributions of wholesale trade and services in Merced to total output were measurably below those of other Valley reference counties.

Exports and Imports

Exports and imports represent the flow of goods of services to and from areas outside Merced County. The net effect of these movements– expressed in dollar terms – can be viewed as an

indicator of the relative importance of industry sectors and groups to the County's economy. Exporting sectors are important because they bring dollars into the local economy that circulate and contribute to additional economic activity.

The net exporting industry sectors in Merced County in 1996 were manufacturing/food & kindred, agriculture, manufacturing/other, and transportation & public utilities. The first two combined for over $1 billion in net exports. All other broad sectors within Merced County were net importers. In other words, local residents and businesses in these industries purchased more goods and services from individuals and firms outside the County than they sold to them. Interestingly, all industry groups related to health services in Merced County were net importers.

Manufacturing/food & kindred products and agriculture were important net exporting sectors in all San Joaquin Valley counties. Agriculture accounted for the largest level of net exports in both Fresno and Madera, the only counties studies where this was the case. Merced and San Joaquin were the only net exporters of services while Merced and Madera were the only net exporters in the fire, insurance, and real estate industry.

Data at the more detailed industry level underscore the importance of agriculture and food processing in Merced County. Of the 82 industry groups that were net exporters in 1996, 33 were in these industry sectors, including 7 of the top 10. The top five were poultry processing, frozen fruits, juices and vegetables, dairy farm products, tree nuts, and natural and processed cheese. Ranked seventeenth was commercial printing.

Location Quotients

A related tool for identifying base industries is location quotient analysis. It is a proxy measure that compares local employment concentrations to national employment concentrations. A location quotient greater than 1.25 means two things: (1) the local industry has a higher percentage of jobs, and (2) the industry exports its product or service and, as a consequence, brings wealth into the county. If this industry's share of local employment is relatively high as well, it indicates that it is a source of local strength and specialization. A low quotient for an industry sector or group suggests that its product or service is imported from other areas.

Not only do agricultural production, agricultural services, and food processing collectively represent close to 30% of total employment, they also dominate the list of industry groups with the highest location quotients. In fact, all groups except one with location quotients above 20 (which is considered very high) produce goods for export, produce raw materials for local processing, process and export value added goods, or provide services to production and processing firms. Topping the list is tree nuts with a location quotient above 200. Table 15 contains the industries with the highest quotients.

Table 15
Industry Groups With the Highest Location Quotients

SIC Code	Industry Group	Location Quotient	Rank
173	Tree Nuts	201.31	1
3648	Lighting equipment, nec	101.51	2
2037	Frozen fruits and vegetables	86.21	3
241	Dairy Farms	81.70	4
139	Field Crops, Except Cash Grains, Not Elsewhere Classified	72.21	5
179	Fruits and Tree Nuts, Not Elsewhere Classified	71.63	6
722	Crop harvesting, primarily by machine	51.91	7
13	Field Crops, Except Cash Grains	36.02	8
721	Crop planting, cultivating, and protecting	29.24	9
191	General Farms, Primarily Crop	27.71	10
2015	Poultry slaughtering and processing	27.28	11
17	Fruits and Tree Nuts	24.75	12
761	Farm labor contractors	24.28	13
711	Soil Preparation Services	24.18	14
2034	Dehydrated fruits, vegetables, soups	23.48	15
3412	Metal barrels, drums, and pails	23.21	16
2022	Cheese, natural and processed	23.11	17
2084	Wines, brandy, and brandy spirits	21.78	18
72	Crop services	21.56	19

Employment Multipliers

Industry sectors and groups vary in their capacity to create other jobs in the local economy. The positions established through these slowly changing employment multipliers may be those of suppliers, customers, service providers, or firms whose business prospects are affected by the discretionary income available when workers are hired. In Merced County, the industry leader in 1996 was food processing, with an employment multiplier of 3.87. Each job in this industry sector was tied to 2.87 other jobs in the County. Other manufacturing, transportation & public utilities, F.I.R.E., and mining & construction also had multipliers that were above 2.0.

On the other hand, services and retail trade – rapidly growing industry sectors with more than 30% of the County's total employment – had low employment multipliers. Although the multiplier for agriculture was relatively low as well, agricultural production (in contrast to services) was considerably higher. The multipliers are presented in Table 16.

Table 16
Merced County Employment Multipliers: 1996

Industry Sector	**Employment Multiplier**
Agriculture	1.47
Mining & Construction	2.04
Mfg/Food & Kindred	3.87
Mfg/Other	2.44
Trans. & Public Utilities	2.36
Wholesale Trade	1.82
Retail Trade	1.30
F.I.R.E.	2.08
Services	1.57
Government	1.39
Leading Industry Groups	
Soybean Oil Mills	5.58
Cheese, Natural and Processed	4.99
Meat Packing Plants	4.42
Fluid Milk	4.27
Condensed and Evaporated Milk	4.02
Poultry and Eggs	3.71
Nitrogenous and Phosphatic Fertilizers	3.25

Data Source: * Source: MIG, IMPLAN Pro™

The industry groups (three and four digit SIC codes) with employment multipliers of 3.00 or more in 1996 were either in production agriculture or the processing of agricultural products. In fact, 20 of the 25 top industry groups were as well. The multipliers in other Valley reference counties were similar to those in Merced.

These rankings, together with the output, export, and location quotient data discussed previously are tangible indicators of a viable agricultural cluster in Merced County, the only one that appears in the data. A cluster is a set of competitive and collaborative relationships

among companies that share a common interest in the production of goods and the delivery of services.

Employment Change and Distribution

The data on economic structure are outcomes of employment changes over time. The analysis now turns to these changes since the early 1980s, and especially during the 1990s.

- ***Since the early 1980s, Merced County's employment growth has trailed all reference areas. Slow growth was particularly evident between 1992 and 1996 in non-farm service producing jobs.***

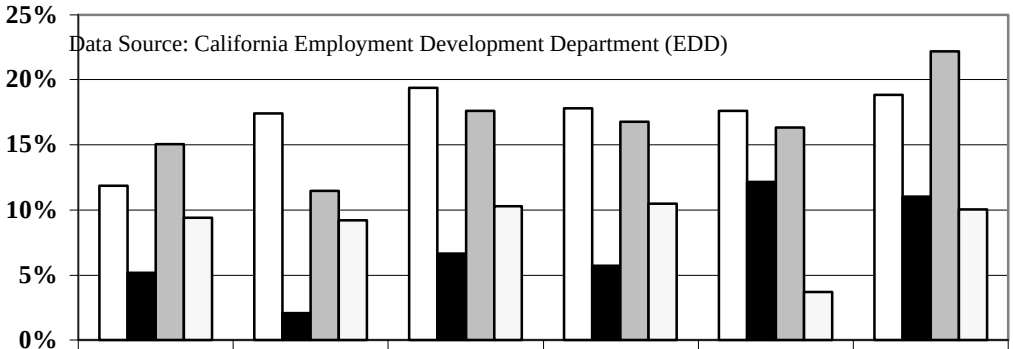
Between 1983 and 1999, Merced County's total annual wage and salary job growth of 34.7% lagged all reference areas, although the difference between Merced and Santa Clara was relatively small. Within the San Joaquin Valley, Stanislaus was the leader with 60.6%, the Fresno MSA (Fresno and Madera) was second with 53.8%, and San Joaquin was third with 48.9%.

When job increases in the 1980s and 1990s are treated separately, however, two interesting patterns emerge. First, while Merced's job base grew more slowly than the state and other Valley reference areas in the 1980s (the latter by substantial margins), the County outperformed Santa Clara. This was principally a consequence of the difficulties faced by high tech industries during the second half of the decade. Second, Merced County's employment growth in the 1990s was slightly lower than in other Valley counties, considerably lower than in Santa Clara (the high tech sector recovered and prospered during the decade), and higher than in the state as a whole. Overall, the average annual employment increases in Merced County were 1.9% between 1983 and 1999, 2.3% between 1983 and 1990, and 1.8% between 1990 and 1999.

Important events as well as demographic and labor force trends the past decade impacted wage and salary employment statistics during the 1990s. The following charts and tables provide jobs data for the 1990s as well as the 1992 to 1999, 1992 to 1996, and 1996 to 1999 periods. These timeframes have been selected because they correspond to the closure of Castle Air Force, the post-closure years, the recession and recovery, and the aftermath of welfare reform.

Figure 18 shows the effects of Castle's closure. Merced County's 2.1% employment growth from 1992 to 1996 was significantly lower than all other areas. Yet, from 1996-1999, the changes were similar to reference areas except the Fresno MSA. While jobs in Fresno and Madera Counties grew by over 12% between 1992 and 1996, more than 20% of this growth could be attributed to employment (especially public safety) increases in Madera. Job growth in Fresno County slowed considerably after 1996.

Figure 18
Total Employment Growth: 1990 to 1999



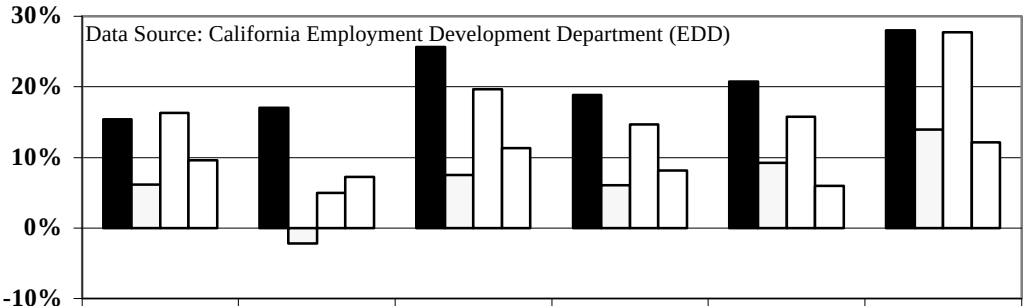
	California	Merced	Stanislaus	San Joaquin	Fresno MSA	Santa Clara
1990-1999	11.9%	17.4%	19.4%	17.8%	17.6%	18.9%
1992-1996	5.2%	2.1%	6.6%	5.7%	12.2%	11.0%
1992-1999	15.1%	11.5%	17.6%	16.8%	16.3%	22.2%
1996-1999	9.4%	9.2%	10.3%	10.5%	3.7%	10.1%

Since total wage and salary employment includes nonfarm and farm components, an examination of each helps explain the broad sources of growth. Between 1992 and 1996, Merced County was the only reference area to experience no change in nonfarm job growth (actually a loss of .2%). The overall gain of 2.1% was due entirely to changes in farm employment, with a majority of the additional positions in farm services. After 1996, Merced's nonfarm employment growth returned to levels comparable to most other reference areas. Merced and San Joaquin were the only counties where farm employment percentage increases outpaced nonfarm changes during this period.

While nonfarm service producing jobs in Merced County increased by approximately 17% (from 32,800 to 38,400) between 1990 and 1999, it was a change that was lower than in any

reference area except the state as a whole. And the state's difficulties, a consequence of the recession, Defense Department cutbacks, and economic restructuring, were limited to the first two years of the decade. Ironically, these were Merced's best two years of nonfarm service producing job growth. During the 1992 to 1996 period, there was a 2.2% decline in the number of these jobs in Merced, the only instance where this occurred. After 1996, some of the growth (7.3%) returned, but the only reference area that had less growth was the Fresno MSA. Figure 19 highlights these patterns.

Figure 19
Growth Rates of Nonfarm Service Producing Jobs



	California	Merced	Stanislaus	San Joaquin	Fresno MSA	Santa Clara
■ 1990-99	15.4%	17.1%	25.6%	18.9%	20.8%	28.0%
□ 1992-1996	6.2%	- 2.2%	7.5%	6.0%	9.2%	13.9%
□ 1992-1999	16.3%	4.9%	19.7%	14.6%	15.7%	27.7%
□ 1996-1999	9.6%	7.3%	11.3%	8.1%	5.9%	12.1%

On the other hand, nonfarm goods producing jobs (mining, construction, & manufacturing) grew faster in Merced County than in any comparison area during every time period covered in the 1990s. Even between 1992 and 1996, these employment positions increased in Merced by 6.3%.

Growth rates are revealing but so are the shares of nonfarm employment attributable to service and good producing industries. There are four things that stand out about these percentages. First, Merced County was the only area to experience a drop (from 76.1% to73.7%) in the service producing share of nonfarm employment from 1990 to 1999. Second, Merced and Stanislaus Counties reversed positions during this period; that is, Merced went from having a higher share of its nonfarm positions in service producing jobs in 1990 to a smaller one in 1999. This reversal occurred after 1996. Third, with the exception of 1999, the proportion of

service producing jobs in Merced began a steady decline in 1992. Fourth, even with the downward changes, Merced did not have the lowest percentage in 1999. This distinction belonged to Santa Clara (at 69.6%), the California county with the largest share of nonfarm jobs in manufacturing.

Farm employment trends provide additional insights into the nature of labor demand, particularly in the San Joaquin Valley. In fact, when total employment is broken up into farm, goods producing and service producing jobs, the results show that farm employment in Merced County and the Fresno MSA, which approached one-fifth of all employment in 1999, significantly outstripped the percentages in the other reference areas. For Merced, key years of change were 1992 to 1996 when the proportion of farm employment jumped from 16.9% to 18.7%. Merced's goods producing sector, which grew steadily in the 1990s, represented 21.4% of the total in 1999, slightly less than in Stanislaus but substantially above the 13.3% in the Fresno MSA. Perhaps the most striking of Merced's employment percentages were those in service producing positions: the 59.9% in 1999 was significantly below all reference areas and the turning point, which ushered in a downward trend, was 1992. Table 17 provides the data for the three employment areas examined.

- ***During the 1990s, industry employment was shaped by population driven jobs in retail trade and services, manufacturing jobs tied to the agricultural cluster, cutbacks in government jobs, and the addition of call center jobs. Equally significant, particularly for economic development, was the slow growth in business service employment. Even with these and other changes, agriculture and government in 1999 claimed almost two-fifths of all jobs. Employment statistics point to an apparent lack of job diversity in private nonfarm industry sectors.***

During the 1990s, five of the Countys's nine industry sectors grew more rapidly than total employment.

Although transportation and public utilities was the fastest growing industry in the 1990s (it had a 52.6% growth rate), its share of total employment was only 4.5% in 1999. The addition of call center positions after the closure of Castle Air Force Base enabled this industry to record impressive job gains between 1996 and 1999.

Table 17
Farm, Goods Producing, and Service Producing Shares of Total Employment

	Farm Employment			
	1990	**1992**	**1996**	**1999**
California	2.8%	2.8%	3.1%	2.9%
Merced	20.9%	16.9%	18.7%	18.7%
Stanislaus	11.1%	10.5%	10.6%	10.3%
San Joaquin	9.3%	8.8%	8.9%	10.1%
Fresno MSA	19.7%	18.0%	21.2%	19.1%
Santa Clara	.6%	.6%	.6%	.5%
	Goods Producing Employment			
	1990	**1992**	**1996**	**1999**
California	20.7%	19.2%	18.1%	18.2%
Merced	18.9%	19.5%	20.3%	21.4%
Stanislaus	24.8%	23.2%	22.5%	22.2%
San Joaquin	18.7%	17.2%	16.8%	17.2%
Fresno MSA	14.5%	14.1%	12.7%	13.3%
Santa Clara	35.1%	33.2%	31.5%	30.3%
	Service Producing Employment			
	1990	**1992**	**1996**	**1999**
California	76.4%	78.0%	78.7%	78.8%
Merced	60.1%	63.7%	61.0%	59.9%
Stanislaus	64.1%	66.3%	66.9%	67.5%
San Joaquin	72.0%	74.0%	74.3%	72.7%
Fresno MSA	65.8%	67.9%	66.1%	67.6%
Santa Clara	64.2%	66.2%	67.9%	69.2%

Data Source: California Employment Development Department (EDD)

Not only were services and retail trade the second and fourth fastest growing industries, they stand out because by 1999 they collectively represented more than 30% of total employment and 37.9% of nonfarm employment. Over 57% of all the wage and salary jobs added between 1990 and 1999 were in services and retail trade. While services experienced considerable job growth after 1996, retail trade grew by only 1%. Both industry sectors exhibit seasonal employment patterns.

Manufacturing employment, historically an important part of Merced's economy, grew twice as fast as total employment (34.1%) during the 1990s. By 1999, its share of all industry jobs reached 17.8% while its share of the nonfarm total was 21.9%.

Construction employment rose by 27.8% during the 1990s, but what stands out about this industry is its sensitivity to broader economic conditions The latter helps explain both the absence of job growth between 1992 and 1996 and fast-paced job growth between 1996 and 1999 (the industry leader). In 1999, construction employed 3.6% of all workers.

The remaining industries fell short of the County's percentage gains:

Although farm employment's share of the total dropped during the 1990 and 1999 period (from 20.9% to 18.9%), the sector still grew by 6.1% over the course of the decade. The most difficult years were between 1990 and 1992 when farm employment declined by 15%. The farm sector is the largest wage and employer today and was the leading percentage job gainer between 1992 and 1996.

The losses in government employment in the 1990s were due to the closure of Castle Air Force Base (a decline of 58.3% in federal jobs from 1992 to 1996) and the County's financial difficulties. By 1999, government had 18.7% of all industry jobs and 23.1% of nonfarm positions. Even with these declines, this sector trailed farm employment (the largest job sector) by only a small margin.

The number of wage and salary positions in finance, insurance, and real estate declined by 9.1% and by 1999, this sector had 3.1% of all jobs in Merced County. The lagging performance of this sector stemmed from both downsizing by financial institutions nationwide and the closure of Farmers Insurance Group locally.

Although wholesale trade employment fell by 5% over the entire decade, it experienced a recovery after 1996. In 1999, it represented 3% of total employment, down from 3.7% in 1990.

Table 18 highlights industrial employment growth patterns.

Table 18
Changes in Merced County's Industrial Employment: 1990 to 1999

	Employment Growth						Share of Total Employment		
	1990-99	**Rank**	**1992-96**	**Rank**	**1996-99**	**Rank**	**1990**	**1996**	**1999**
Total, All Industries	17.4%		2.1%		9.2%		100%	100%	100%
Total Farm	6.1%	6	13.4%	1	10.0%	5	20.9%	18.7%	18.9%
Total Nonfarm	20.6%		- .2%		9.0%		78.9%	81.3%	81.1%
Construction & Mining	27.8%	5	.0%	5	53.3%	1	3.3%	2.6%	3.6%
Manufacturing	34.1%	3	8.3%	3	9.6%	6	15.6%	17.7%	17.8%
Transp. & Pub. Utilities	52.6%	1	- 5.0%	6	52.6%	2	3.5%	3.2%	4.5%
Wholesale Trade	- 5.0%	8	-10.5%	9	11.8%	4	3.7%	2.9%	3.0%
Retail Trade	27.8%	4	8.7%	2	1.0%	7	14.5%	17.0%	15.8%
FIRE*	- 9.1%	9	- 8.7%	7	- 4.8%	9	4.0%	3.6%	3.1%
Services	50.0%	2	3.8%	4	17.1%	3	11.7%	14.0%	15.0%
Government	- 3.2%	7	-10.5%	8	.8%	8	22.7%	20.3%	18.7%

Data Source: California Employment Development Department (EDD)
*Finance, Insurance, and Real Estate

The performance of Merced County's economy in the 1990s can be gauged more precisely by examining five key industry groups since 1992 (the first year data for all of them became available from EDD). Together they comprised more than one-third of total employment throughout the 1992 to 1999 period. Yet there were revealing differences among them. Farm production and services as well as food processing, all strategic elements of the County's agricultural cluster, experienced job gains between 1992 and 1999 that ranged from 19.1% (food processing) to 28.6% (farm services). Even during the 1992 to 1996 period, farm services and food processing grew at only slightly lower rates. As noted above, federal government employment dropped steeply with the closure of Castle Air Force Base. The most intriguing industry group is business services (which is discussed below), which moved up only 7.7%, all of it after 1996.

Table 19 contains employment growth rates and levels for Merced County and the reference areas in the 1990s, and the most important findings from this table include the following:

Merced County had the highest share of its total job base in farm production and the second highest (next to the Fresno MSA) in farm services.

In Merced, nondurable goods manufacturing comprised 13.9% of total employment and 17.1% of nonfarm employment in 1999, with the bulk of the jobs in food processing. The percentages were slightly lower in Stanislaus but substantially so in San Joaquin and the Fresno MSA. In Santa Clara, durable goods manufacturing comprised slightly less than one-fourth of all county positions. While Valley counties had higher employment percentages in nondurable goods manufacturing, manufacturing growth rates were higher for durable goods.

With the exception of the Fresno MSA, all areas covered in this report experienced more than 30% growth in construction industry employment between 1996 and 1999.

The share of Merced's nonfarm employment in transportation and public utilities jumped from 4% in 1996 to 5.6% in 1999, and this 52.6% job growth was driven by the addition of information workers at Castle Airport Aviation and Development Center. Merced's share of employment in 1999 in this sector was higher than in the state as a whole and every reference county except San Joaquin.

Merced lagged all reference areas in retail trade job growth between 1996 and 1999, but the share of total and nonfarm employment in this industry in 1999 was not out of line with other reference areas except Santa Clara.

Even with the closure of Castle Air Force Base and the cutbacks in government employment, Merced County had 23.1% of its 1999 nonfarm employment in government

Table 19
Summary Employment Indicators: Merced County and Reference Areas

	Farm			Manufacturing					Services		Government		
	Farm Prod.	**Farm Services**	**Construc. & Mining**	**Durable Goods Manuf.**	**Nondurable Goods Manuf.**	**Food Processing**	**Trans& Public Util**	**Retail Trade**	**All Services**	**Bus. Services**	**All Govt.**	**Fed Govt.**	**Local Govt**
California													
Share of Total Emp. 1999	1.6%	1.3%	4.9%	8.4%	5.0%	1.3%	5.0%	16.5%	30.4%	8.4%	15.5%	1.9%	10.7%
Share of Nonfarm Emp. 1999	x	x	5.1%	8.6%	5.2%	1.3%	5.1%	17.0%	31.3%	8.7%	16.0%	1.9%	11.0%
Growth Rate: 1992-1996	.0%	45.0%	5.5%	- 3.6%	.6%	- 3.1%	5.7%	5.1%	13.6%	34.7%	.8%	-14.5%	3.4%
1996-1999	4.0%	.3%	31.4%	5.6%	1.1%	3.6%	12.0%	6.7%	12.5%	24.6%	5.7%	- 9.6%	8.9%
Merced													
Share of Total Emp. 1999	13.3%	5.6%	3.6%	3.9%	13.9%	10.6%	4.5%	15.8%	15.0%	2.2%	18.7%	.8%	17.0%
Share of Nonfarm Emp. 1999	x	x	4.4%	4.8%	17.1%	13.1%	5.6%	19.4%	18.5%	2.7%	23.1%	1.0%	21.0%
Growth Rate: 1992-1996	8.7%	25.0%	.0%	5.9%	7.5%	15.8%	- 5.0%	8.7%	3.8%	.0%	-10.5%	-58.3%	- 6.1%
1996-1999	13.3%	2.9%	53.3%	38.9%	3.5%	3.0%	52.6%	1.0%	17.1%	7.7%	.8%	.0%	.9%
Stanislaus													
Share of Total Emp. 1999	5.4%	4.9%	5.9%	5.0%	11.4%	9.1%	3.6%	18.1%	23.2%	4.3%	15.1%	.8%	13.3%
Share of Nonfarm Emp. 1999	x	x	6.6%	5.6%	12.7%	10.2%	4.0%	20.2%	25.9%	4.8%	16.8%	.9%	14.8%
Growth Rate: 1992-1996	- 6.4%	39.1%	- 3.1%	17.5%	1.1%	4.1%	.0%	7.2%	13.9%	23.3%	8.4%	75.0%	6.2%
1996-1999	- 3.4%	20.3%	50.0%	6.8%	- 3.8%	- 5.9%	3.7%	6.7%	20.8%	83.8%	2.6%	- 7.1%	2.0%
San Joaquin													
Share of Total Emp. 1999	5.8%	4.3%	5.2%	5.7%	6.3%	4.0%	6.5%	16.4%	22.7%	4.8%	18.0%	2.0%	13.8%
Share of Nonfarm Emp. 1999	x	x	5.8%	6.3%	7.0%	4.5%	7.2%	18.2%	25.2%	5.3%	20.0%	2.2%	15.4%
Growth Rate: 1992-1996	3.9%	10.2%	6.3%	9.0%	- 2.3%	- 5.0%	18.2%	6.5%	16.2%	57.4%	- 3.4%	-18.9%	2.4%
1996-1999	8.5%	57.4%	53.7%	3.7%	- .8%	5.3%	10.3%	4.5%	11.9%	28.4%	6.3%	- 7.0%	9.2%
Fresno MSA													
Share of Total Emp. 1999	8.3%	10.8%	4.5%	3.8%	5.0%	3.6%	3.8%	15.0%	21.0%	3.6%	19.3%	3.1%	13.3%
Share of Nonfarm Emp. 1999	x	x	5.6%	4.7%	6.2%	4.4%	4.7%	18.6%	26.0%	4.4%	23.9%	3.9%	16.5%
Growth Rate: 1992-1996	1.0%	69.5%	- 2.8%	2.6%	2.9%	8.5%	7.9%	7.3%	12.1%	19.8%	12.5%	.9%	13.2%
1996-1999	- 3.3%	- 8.5%	18.2%	11.7%	.0%	.0%	- .7%	4.5%	9.6%	11.3%	6.2%	- 5.9%	8.4%
Santa Clara													
Share of Total Emp. 1999	.4%	.1%	4.7%	23.2%	2.4%	.5%	2.9%	13.7%	34.1%	14.2%	9.4%	1.2%	7.4%
Share of Nonfarm Emp. 1999	x	x	4.7%	23.3%	2.4%	.5%	2.9%	13.8%	34.3%	14.2%	9.4%	1.2%	7.5%
Growth Rate: 1992-1996	.0%	-21.4%	19.3%	5.6%	- 9.4%	-10.9%	13.4%	9.7%	25.3%	67.2%	- 1.6%	- 1.6%	- .9%
1996-1999	2.5%	.0%	39.3%	1.8%	- 3.8%	4.1%	11.8%	9.3%	16.9%	26.0%	4.3%	- 8.9%	7.0%

Data Source: California Employment Development Department (EDD)

positions. The Fresno MSA had 23.9%. San Joaquin was third with 20%. Santa Clara had less than 10%.

Merced's proportions of total and nonfarm jobs in services in 1999 (15% and 18.5%, respectively) were measurably lower than in any other reference area. While Merced's service sector grew more rapidly than all comparison areas except Stanislaus between 1996 and 1999, the growth rate between 1992 and 1996 was only 3.8%. Not only did Merced trail all reference areas by substantial margins, it also was the only area to experience less than 12% growth (the Fresno MSA).

Of greater importance, however, were developments in business services. Merced's had no net change in jobs between 1992 and 1996, while its 7.7% increase after 1996 was lower than every other area, significantly so except for the Fresno MSA. For purposes of comparison, San Joaquin's business services group soared 57.4% between 1992 and 1996, and an additional 28.4% between 1996 and 1999. In Stanislaus, the growth rates were 23.3% and 83.8%. As a result of these divergent patterns, the gaps between Merced and its neighbors to the north widened considerably. By 1999, 2.2% of all wage and salary jobs and 2.7% of nonfarm employment positions were in business services. These were nearly one-half the levels achieved in San Joaquin and Stanislaus. Perhaps more surprising is the fact that the Fresno MSA had the second lowest share of jobs in business services. One would expect that the sheer size of the Fresno economy would lead to higher percentages of business service jobs, but this was not the case in the 1990s. Even when a separate database is used to separate Fresno and Madera Counties (the latter has a relatively small economy), the results are essentially the same. In fact, Madera's outcomes were similar to those in Merced in 1999, while the percentages recorded for Fresno County moved up only slightly.

The relatively slow pace of recent business service development in Merced County could be attributed, in part, to base closure, the recession, and local financial challenges. Undoubtedly these played a role, but a more persuasive explanation, especially in light of all the data available, is that this industry group did not grow measurably because Merced's economy did not diversify measurably. Business services – which include a activities such as advertising, data processing, equipment rental, and personnel supply – are critical to the development of a local economy because they furnish the infrastructure for diversified economic growth.

The preceding analysis also reveals that Merced, Madera, and Fresno, while varying in size, exhibit some similarities in the composition of their job market. Both Merced and Fresno Counties have comparable percentages of their wage and salary positions in farm,

government, and retail trade employment. In Madera, the percentages for the first two sectors are even higher. In Merced and Madera, the shares of employment in business services are about the same while the percentages in Fresno County are somewhat higher. There are similarities to San Joaquin and Stanislaus as well, but the differences, which have been widening over the past decade, stand out in the farm, services, and, for Stanislaus, government sectors.

Wage/Salaries and Earnings Per Worker

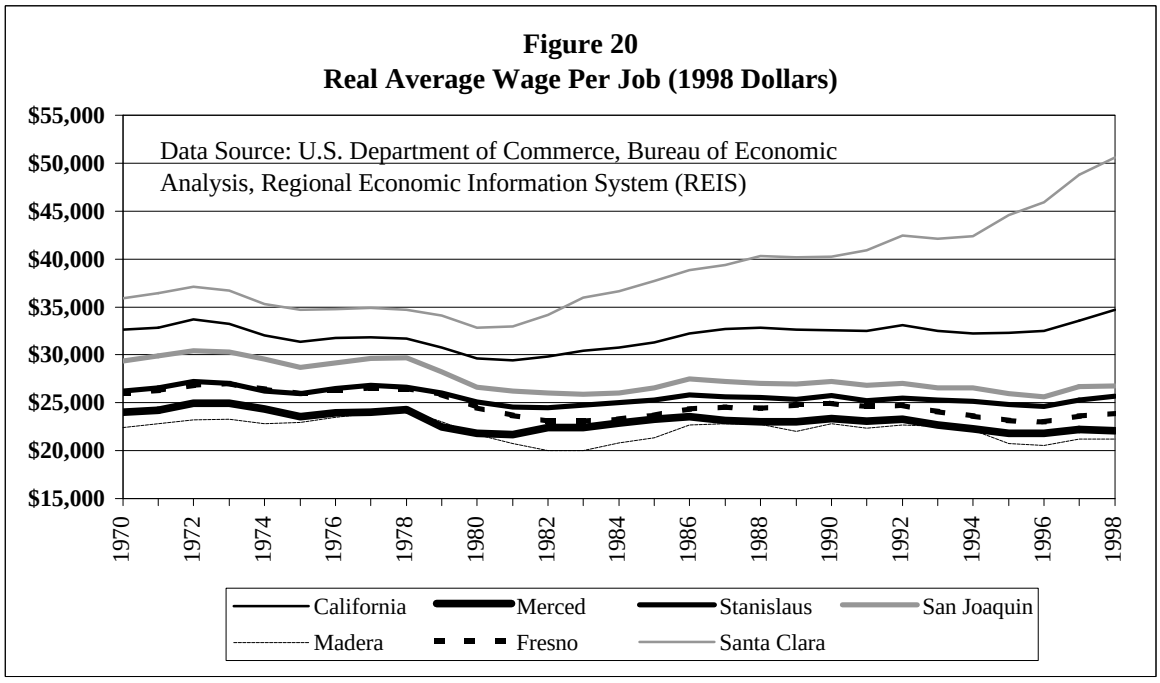
- ***Inflation adjusted wages and salaries per job and earnings per worker fell in Merced County and all Valley reference areas between 1970 and 1998, except for earnings in Stanislaus County. The positive growth for the state and Santa Clara County during this period widened the gaps between these areas and Valley counties. Uneven growth rates within the Valley, particularly in the 1990s, point to the emergence of gaps within the region as well, with Merced, Madera, and Fresno lagging San Joaquin and Stanislaus. Merced County industries with lower earnings per worker tended to experience more employment growth from the mid-1970s to 1998.***

Industries differ in the pay and benefits they provide to workers and these differences vary by county as well. Two ways to measure this return to labor is through wages and salaries and earnings. The first covers payroll while the latter also includes other labor income (such as employer benefit contributions), and proprietors' income.

Between 1970 and 1998, real wages and salaries per job – i.e., when adjusted for inflation – fell in Merced County and Valley reference areas. The declines ranged from a modest 1.9% in Stanislaus to 8.9% in San Joaquin; it was 8.1% in Merced. In contrast, they rose 6.4% in the state as a whole and a robust 40.3% in Santa Clara. As Figure 20 shows, the regional disparities increased beginning in the early 1980s and accelerated in the 1990s. Interestingly, when California is divided into metropolitan and non-metropolitan areas (not displayed in the chart) both the 1998 results and long-term trends are similar to those in Merced, although non-metropolitan areas statewide had higher real wages and salaries until the first few years of the 1980s.

There were signs of divergence within the San Joaquin Valley as well after 1992. By 1998, Merced, Madera, and Fresno had dropped below 70% of the state average for

wages and salaries per job, with Merced at 63.7%. San Joaquin and Stanislaus were slightly above and below 75%, respectively.



An examination of Merced County's industry earnings and employment trends since 1975, which includes both proprietors and wage and salary positions, (see Table 20 for the specifics) illustrates some key points about the long-term development of the Merced economy. First, between 1975 and 1998, Merced experienced a 11.4% drop in real earnings per employee with half of the decline coming after 1994. Second, manufacturing was the number one industry in terms of numerical employment growth in Merced, but was in the middle range of earnings per employee in 1998. Food processing contributed 55% of all the earnings in this sector. Third, five of ten industry sectors in Merced – services, retail trade, fire, insurance, and real estate, farming and agricultural services, and mining – had earnings per employee in 1998 that were below the County average. Two of these sectors -- services and retail trade – accounted for 60% of the employment growth, a statistic that underscores the earnings challenge in Merced County.

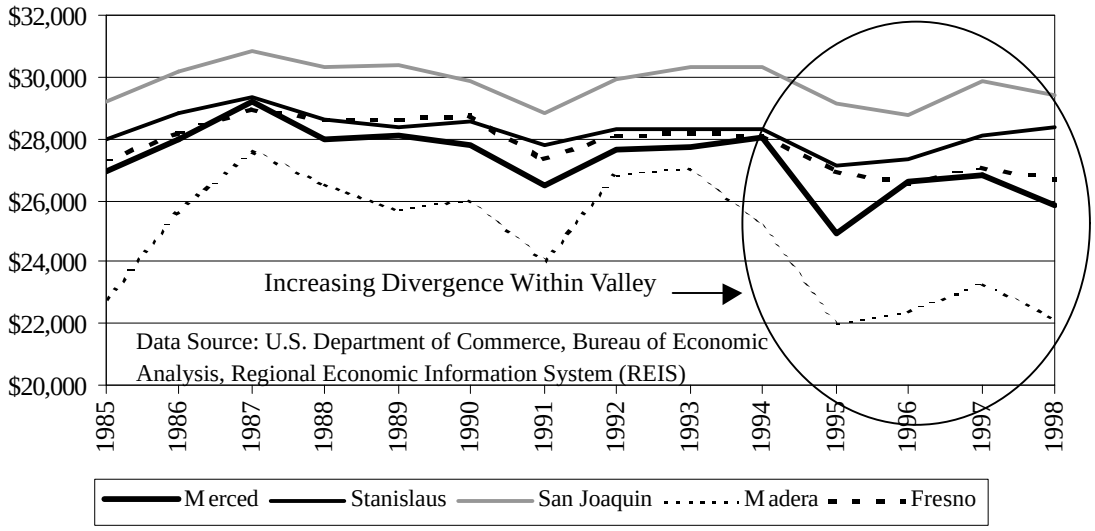
Table 20
Earnings Per Employee: 1975 and 1998 (1998 Dollars)
Sorted by Change in Wage and Salary and Proprietor Employment

	Merced Earnings Per Employee 1998$				Employment	
	1975		1998		1975-1998	
Merced County	**Earnings/Emp**	**Rank**	**Earnings/Emp**	**Rank**	**Change**	**Rank**
Manufacturing	$33,229	4	$29,508	5	9,487	1
Services	$23,353	8	$23,291	7	9,242	2
Retail trade	$21,172	9	$16,944	10	6,044	3
Transportation and public utilities	$42,060	1	$37,393	1	1,648	4
Construction	$39,840	2	$31,218	4	1,600	5
Finance, insurance, and real estate	$15,901	10	$19,207	8	1,023	6
Farm and Ag Services	$33,779	3	$24,180	6	874	7
Wholesale trade	$30,691	6	$33,150	3	180	8
Mining	$31,352	5	$17,077	9	0	9
Government & government enterprises	$29,819	7	$33,428	2	- 2,209	10
Total	**$29,264**		**$25,861**		**27,889**	

Data Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (REIS)

Earnings per employee, like wages per job, point to what appears to be the emergence of a gap within the San Joaquin Valley during the 1990s (see Figure 21). While the differences between Merecd, Madera, and Fresno, on the one hand, and San Joaquin and of evidence for the divergence theme developed in this report.

Figure 21
Earnings Per Employee in the Valley: 1985 to 1998 (1998 Dollars)



Earnings data by place of residence also can be used to determine the impact of commuters on local earnings. For Merced County, 7% of all earnings by place of residence was due to the net effects of commuting in 1998. This was up from 5.4% in 1990 and 1.6% in 1980. Not only do a growing number of resident workers commute to employment sites outside Merced County, but the their contributions to the County's economy have been increasing over time.

The discussion of earnings per worker points to the value of tracing patterns of entrepreneurial employment and income. Proprietors are the engine of small business development and their growth is a catalyst for the creation of wage and salary positions.

Between 1970 and 1998, the number of proprietors in Merced County jumped 88.1%, to 18,667, slightly more than the overall employment growth rate. Although the proprietor share of all employment was about the same in 1970 as it was in 1998 (19.5% and 19.8%), it varied over the years. It was less than 16% in 1978 and 1979, but did not drop below 18% after 1991. However, farm proprietors did not fare as well. Their numbers increased by only 14.1% over the twenty-eight period, and their share of proprietor employment declined from 38.2% in 1970 to 23.2% in 1998. This downward trend, is a consequence of structural changes in agriculture.

Employer Survey and Focus Groups

- ***Employers believe employee skills and government regulation are key challenges to job creation. They consider the area's quality of life to be Merced County's leading asset.***

The job creation and retention climate helps frame the opportunities for employment growth. When employers in Merced County were asked in the survey to prioritize the key challenges facing their businesses and industries, about one-third indicated that it was employee skills. Slightly less than one-quarter (23.2%) selected government regulation as a top issue, one-sixth cited work ethic, and one-tenth chose "adapting to changing technology." Notably lower on the list of major challenges were access to foreign

markets, utility costs, insufficient room to expand, access to capital, quality of infrastructure and access to highways and rail.

When employers were asked to select and rank the five leading assets of Merced County, the one that stood out was the area's quality of life. Running a close second was the perception that Merced County is a good place to raise a family. This response pattern was fairly constant across industry sectors. Table 21 summarizes the responses.

Table 21
Top Five Assets of Doing Business in Merced County

Asset	Weighted Score
Area Quality of Life	325
Good Place to Raise a Family	231
Proximity to Customers	173
Labor Costs	122
Positive Business Climate	92

There wasn't a dominant response among business representatives about government actions and public policies that should be pursued. In fact, proposals for public action appeared to be based on industry concerns and interests. Respondents in construction, for example, wanted government to reduce the regulatory burden, particularly with respect to zoning and design requirements. Although employee skills consistently were cited as the number one concern facing employers in Merced County, relatively few private sector respondents suggested that employee training should be among the top two things the County or a city should do to help them.

- ***Focus group participants generally agreed that infrastructure, workforce development, business growth, and quality of life are keys to future economic development. They also expressed the belief that UC Merced will increase educational access and enhance Merced County's economic development potential.***

The focus groups also addressed economic development and the business climate. All participant groups envisioned change connected with the new UC Merced campus and UC Davis medical facility. It was generally felt that businesses would be attracted to the

area that support or are related to those facilities. Examples cited were “trendy” shops, restaurants, and businesses that cater to the recreational and cultural needs of customers. There also was a sense that property and home values would rise. There was concern voiced by some of the groups about the fate of downtown Merced, particularly when the planned “Village” around the new UC campus is developed. Los Banos, with its proximity to the Bay Area, was expected to continue its commercial development.

When focus group participants were queried their preferred future, four topics -- infrastructure, workforce development, business growth, and quality of life – predominated. Overarching this discussion for most of the groups was the need for planned growth in the County. Infrastructure linkages between the UC campus and downtown were viewed as a key to successful business ventures. Improved public transportation, both within the city of Merced among cities in the County, was seen as a critical factor in connecting workers to employment sites, especially in light of welfare-to-work.

All focus group sessions addressed the value of a workforce development program that could meet business expectations and needs in the future. Better results from the educational system were viewed as key to the establishment of an “employable community.” One participant captured the sentiments of others when he noted that there was a need to “build a culture of education and a desire for lifelong learning.”

Job development was tied closely to business growth. For a substantial number of participants, continued employment growth in agriculture and related industries (i.e., building on the present agricultural base) should be emphasized. Others concluded that the opening of the UC Merced and the expansion of Merced College would attract higher paying jobs. There was agreement that revitalization of downtown Merced was important. There also was a sense that business attraction efforts at Castle, specifically, and in Merced County, generally, would be facilitated by the use of incentives.

Finally, there was a consensus that quality of life was a major consideration in job growth. Although the quality of the physical environment was addressed frequently, there was even more attention given to its social and cultural dimensions. A majority of focus group respondents stressed the value of improved health care, the recruitment and retention of experienced medical personnel, greater use of local medical facilities by the resident population, and better access to preventative treatment.

There were four broad assets identified: geographic location; resources, both natural and economic; government/business collaboration, and quality of life. Most agreed that Merced County is centrally located within the State with good access to Highway 99, Interstate 5, and rail. Proximity to the Bay Area was viewed as contributing to the strain on the County's infrastructure, but it also was viewed as an asset in terms of economic development. All groups concluded that Merced County's bountiful natural resources were competitive assets. Among these are weather, water, relatively clean air, rich farmland, and access to Yosemite and other recreational areas. On-going collaboration between government and business was praised as an important economic development tool. The County's social climate was described in positive ways; some of the descriptors used were "culturally diverse," "friendly people," "slower pace," "small town feel," and "sense of community."

Barriers to job creation were identified as well. There were a variety of issues raised, but the most frequently cited challenges were inadequate resources and the high poverty rate (which impacts the tax base). All but one focus group pointed to the lack of intergovernmental cooperation as an impediment to planning. This observation often was offered as a preface to a discussion of the Castle Airport Aviation and Development Center. There also was concern expressed about both the public's awareness of on-going planning efforts, particularly with respect to the UC campus and planned community, and the negative perceptions of Merced County. Fragmentation among communities and groups was raised as was the absence of a shared sense of destiny.

Other challenges discussed by a number of focus group participants were unskilled workers, lack of jobs, and low wages, with emphasis placed on the pay disparity between Merced county and other areas of the state, especially the Bay Area. Educational and youth issues were mentioned repeatedly, including educational performance, high-school dropout rates, and the general shortage of opportunities for young people.

The differences between the focus group and employer survey responses pale in comparison to the common themes and perceptions that bind them. There is, in fact, a widely held set of beliefs about the challenges and opportunities facing Merced County. There also is a clear sense that future directions will be determined by current decisions.

~ *Divergence and Socioeconomic Performance* ~

So far, this report has examined the demographic, labor force, and economic characteristics of Merced County. What remains is an assessment of the County's social and economic condition and performance. The analysis, which focuses on income dynamics, participation in government support programs, and educational performance, furnishes additional evidence for the divergence theme.

Income and Poverty

- ***Income trends reveal that Merced, Fresno, and Madera Counties have lagged other areas in personal income growth. In contrast, transfer payments and poverty rates have been higher in these counties. Measures of income also highlight divergence between San Joaquin Valley counties and the rest of the state, emerging gaps within the region, and differences within Merced County.***

Key barometers of performance and condition are the real growth and distribution of personal income. The personal income of county residents, which is generated from public and private sources, has three components: earned income, which includes wages, salaries, benefits, and proprietors' income; transfer payments from government and business, including unemployment insurance benefits, pensions, and income maintenance payments to individuals; and unearned income from interest, dividends, and rents.

Table 22 shows the changes in real personal income and its components over time. Merced County had the lowest growth rates for personal income and earnings for both the 1970 to 1998 and 1994 to 1998 periods. What also stands out, however, is that Fresno had the second lowest personal income growth rates for both periods and the second lowest percentage increase in earnings between 1994 and 1998. Moreover, transfer payments to Madera grew more rapidly than other areas, including Merced, which ranked second for all 28 years. Among reference areas, Merced County experienced the least change between 1994 and 1998.

Table 22
Growth Rates for Real Personal Income: 1970-1998

	Personal Income			Net Earnings		Transfer Payments		Dividends, Interest, & Rent	
	Thousands of 1998 $	**1970-98**	**1994-98**	**1970-98**	**1994-98**	**1970-98**	**1994-98**	**1970-98**	**1994-98**
California	920,452,229	128.8%	13.8%	115.5%	15.8%	140.0%	1.6%	185.3%	15.4%
Merced	3,497,764	110.3%	1.8%	79.5%	1.1%	211.0%	.0%	187.3%	7.4%
Stanislaus	9,022,207	178.2%	12.5%	163.0%	15.7%	199.0%	1.2%	232.2%	12.5%
San Joaquin	11,440,359	122.3%	7.7%	96.0%	8.2%	200.9%	1.9%	185.4%	12.7%
Madera	1,993,029	209.8%	10.2%	179.0%	10.0%	255.7%	6.5%	307.2%	15.7%
Fresno	15,352,299	126.1%	4.2%	102.7%	3.1%	177.8%	.3%	195.1%	13.8%
Santa Clara	67,033,578	203.0%	30.5%	196.2%	34.7%	122.3%	1.7%	301.4%	26.4%

Data Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (REIS)

While gross trends are revealing, there are two other ways to measure real income growth. The first of these is to determine the contributions of earnings, transfer payments, and unearned income to personal income (shown in Table 23). The shares of personal income from earnings declined in all areas from 1970 to 1998, with 1998 results in Madera, Merced, San Joaquin and Fresno ranging from 62% to 64.4%. Stanislaus was slightly higher than the other Valley counties while the state, at 69.3%, exceeded Valley percentages. In Santa Clara, earned income accounted for more than three-quarters of personal income. With respect to transfer payments, only Santa Clara experienced a drop between 1970 and 1998. The 6.5% of personal income attributable to transfer payments was dramatically lower than the 21.6% in Merced and 20.5% in Madera, the two counties with the highest proportions. The latter percentages are important because they indicate that more than one-fifth of all resident income in 1998 was from transfer payments, primarily from government sources.

The second way to explain income flows and trends is through per capita (person) data. By distributing sources of income throughout the population, this analytical tool eliminates the effects of population size in measuring change.

Table 23
Shares of Personal Income
Earnings, Transfer Payments, and Unearned Income

	Net Earnings		Transfer Payments		Dividends, Interest, & Rent	
	1970	**1998**	**1970**	**1998**	**1970**	**1998**
California	73.6%	69.3%	11.3%	11.9%	15.1%	18.8%
Merced	74.6%	63.7%	14.6%	21.6%	10.8%	14.7%
Stanislaus	70.4%	66.5%	15.9%	17.1%	13.7%	16.3%
San Joaquin	73.0%	64.3%	13.9%	18.8%	13.1%	16.8%
Madera	68.8%	62.0%	17.9%	20.5%	13.3%	17.4%
Fresno	71.8%	64.4%	15.3%	18.8%	12.9%	16.8%
Santa Clara	78.3%	76.6%	8.9%	6.5%	12.8%	16.9%

Data Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System

Between 1970 and 1998, real per capita personal income (PCPI) –an important indicator of local performance – rose modestly in Merced County and the Valley reference areas (it went up from $15,992 to $17,732 in 1998 dollars in Merced). Starting in the late 1970s, PCPI in both the state and Santa Clara increased at faster rates than in Valley counties, which had the practical effect of widening the gaps between Valley counties and areas outside the region. In 1970, Merced's PCPI was 79% of the state average; in 1998, it was 63%. The trends for Merced County and the reference areas are presented in Figure 22.

Figure 22
Per Capita Income: 1970 to 1998 (1998 Dollars)

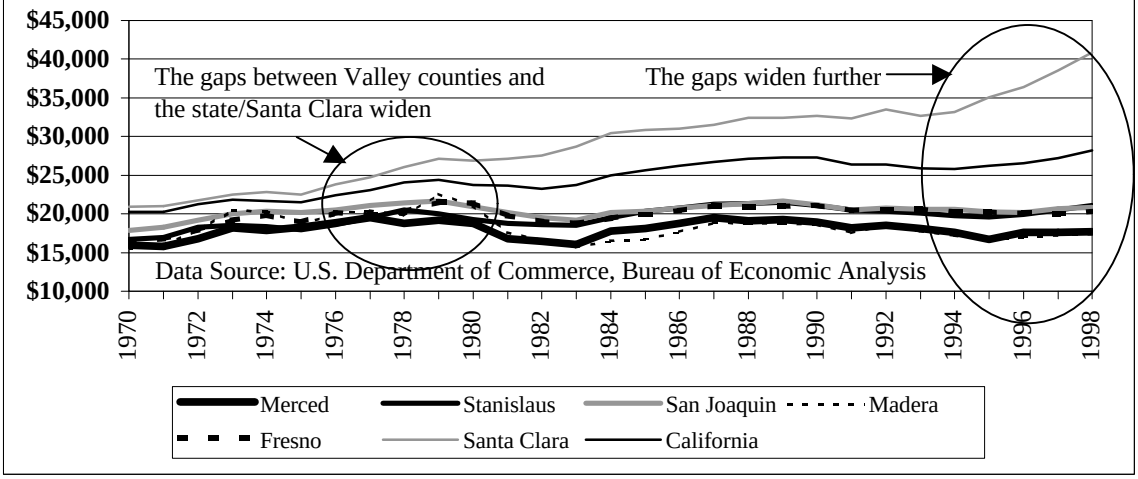
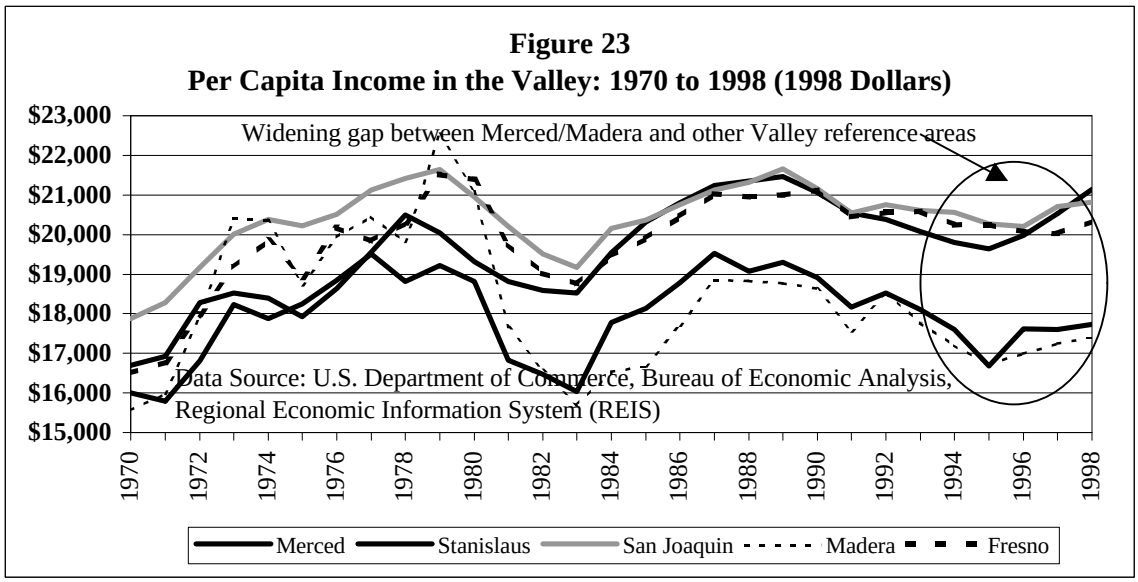


Figure 23 presents the same trend information for San Joaquin Valley counties so that patterns within the region are more clearly defined. What this chart shows is that the

differences between Merced and Madera Counties and the other Valley reference areas that existed since the early 1980s increased after 1992. Fresno's PCPI in 1998 was only slightly lower than the income levels in San Joaquin and Stanislaus.



The 1995 Bureau of the Census poverty estimates contained in Table 24 clearly reveal a gap between Merced and Fresno Counties and all other reference areas with respect to poverty rates. Child poverty rates in 1995 in Merced were measurably higher as well, and these statistics stand out because Merced also has the highest percentage of the resident population under the age of 18.

Table 24
1995 Poverty Estimates

	Estimated Percent of People of All Ages in Poverty	Estimated Percent of People Age 0-17 in Poverty	Estimated Percent of Related Children Age 5-17 in Families In Poverty
California	16.5%	24.3%	22.2%
Merced	**25.9%**	**35.6%**	**34.3%**
Stanislaus	17.3%	24.6%	23.1%
San Joaquin	18.7%	27.2%	26.3%
Madera	20.8%	27.6%	25.2%
Fresno	25.2%	20.4%	30.1%
Santa Clara	9.1%	13.4%	12.6%

Data Source: U.S. Department of Commerce, Bureau of the Census

Poverty rate estimates for Merced County school districts, together with the percent of students receiving AFDC/CALWORKS, are presented in Table 25. Not only do the data document the variations among school districts, they also can be used to gauge poverty rates within communities.

Table 25
Estimated 1995 Child Poverty Rates and % of Students Receiving AFDC/TANF
Merced County School Districts (Sorted by Poverty Rate)

	Small Area Income and Poverty Estimates		% of Students Receiving AFDC/TANF*	
District Name	**Estimated Population of Children 5 to 17 years of Age as % of Total Pop**	**Estimated Child Poverty Rate***	**1995/96 School Year**	**1999/00 School Year**
Planada Elementary	23.4%	**63.8%**	22.4%	15.1%
El Nido Elementary	18.7%	**53.2%**	16.7%	14.9%
Weaver Union Elementary	20.4%	**47.0%**	45.3%	32.4%
Merced City Elementary	20.0%	**45.4%**	51.8%	37.5%
Winton Elementary	23.7%	**38.0%**	40.2%	24.4%
Livingston Union Elementary	21.7%	**37.4%**	24.2%	15.6%
Dos Palos Oro Loma Jt. Unified	27.6%	**35.1%**	23.9%	16.7%
Le Grand Union High	5.9%	**32.7%**	25.7%	13.0%
Plainsburg Union Elementary	19.9%	**28.9%**	35.9%	20.2%
Merced Union High	5.3%	**28.2%**	31.1%	25.2%
Los Banos Unified	23.8%	**27.4%**	18.7%	11.3%
Ballico-Cressey Elementary	20.9%	**26.3%**	13.8%	9.2%
Delhi Unified	25.1%	**25.9%**	22.1%	7.1%
Le Grand Union Elementary	21.2%	**25.6%**	35.9%	14.5%
Hilmar Unified	24.1%	**25.4%**	10.3%	6.3%
Snelling-Merced Falls Union Elem.	21.8%	**24.2%**	20.0%	35.7%
Atwater Elementary	19.5%	**20.9%**	31.9%	21.6%
Gustine Unified	21.5%	**20.7%**	13.2%	9.8%
Mcswain Union Elementary	19.2%	**19.9%**	17.8%	7.1%
Merced River Union Elementary	21.9%	**17.9%**	7.4%	17.4%

Data Source: U.S. Bureau of the Census, Small Area Income and Poverty Estimates

*What is presented is school-age children in families in poverty as a proportion of all school-age children.

Data Source: California Department of Education, Educational Demographics Unit
*Includes students attending both public and private schools.

Of the four school districts with the highest child poverty rates -- Planada, El Nido, Weaver Union, and Merced City – only El Nido had low enrollment. Yet, these elementary districts collectively enrolled 28% of all K-12 students in Merced County. The child poverty rates for Planada and El Nido were much higher than the average

County poverty rate but the percentages of students receiving AFDC/TANF in both the 1995/96 and 1999/00 school years were lower than the recipiency averages (it was, for example 22 % for the latter school year). These discrepancies point to communities with concentrations of working poor. On the other hand, Merced City Elementary, Winton Elementary, Plainsburg Union Elementary, Merced Union High, Le Grand Union Elementary, and Atwater Elementary had AFDC recipient percentages during the 1995/96 school year that were higher than the corresponding poverty rates. In each case, AFDC recipiency was at least 30%. The declines in AFDC/TANF recipiency percentages in all districts except Snelling-Merced Falls Union Elementary and Merced River Union Elementary are consistent with the general downward trend in Merced County. By the 1999/00 school year, only Merced City Elementary, Weaver Union Elementary, and Snelling-Merced Falls Union Elementary had at least one of three students participating in TANF.

Participation in Government Support Programs

- ***San Joaquin Valley residents are more likely to participate in government assistance programs than residents in Santa Clara and the state as a whole. Merced and Fresno Counties have higher participation rates than other San JoaquinValley reference areas. Valley counties have higher participation rates than the state and Santa Clara.***

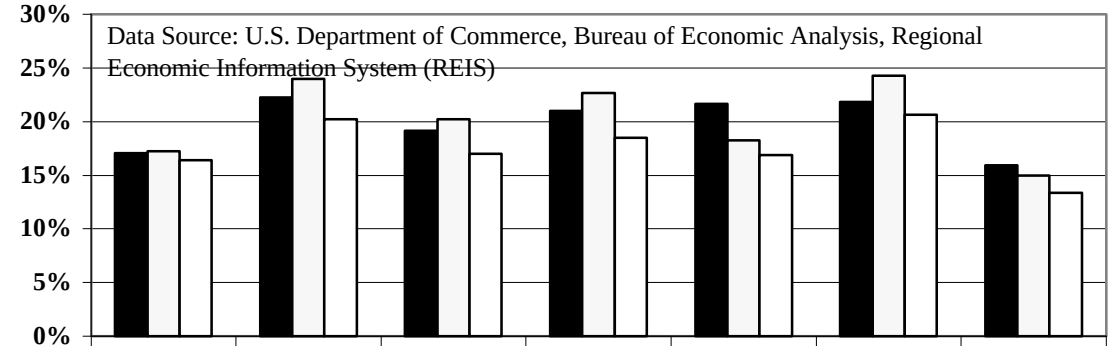
There are a number of indicators of dependency on government support. The measures used in this study are payments through income maintenance programs, Medi-Cal eligibility rates, food stamp participation rates, and AFDC/TANF enrollment.

The income maintenance payments examined here include TANF, food stamps, general assistance, Supplemental security income (SSI) payments, refugee assistance, foster home care and adoption assistance, earned income tax credits, and energy assistance. Public assistance medical care (Medi-Cal) and unemployment insurance benefit payments are excluded.

The data for 1980, 1990, and 1998, presented in Figure 24, show a general decline in income maintenance payments as a share of transfer payments in all areas, with the drop much sharper in Merced and Fresno Counties. Yet, these two counties had the highest

percentages in all three years, and by 1998, they were the only ones above 20%. San Joaquin was slightly lower, while Stanislaus and Madera were not significantly above the state average. Santa Clara consistently had the lowest percentages.

Figure 24
Income Maintenance Payments



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ 1980	17.1%	22.2%	19.2%	21.0%	21.6%	21.8%	15.9%
□ 1990	17.2%	24.0%	20.2%	22.6%	18.3%	24.3%	15.0%
□ 1998	16.4%	20.2%	17.0%	18.5%	16.9%	20.6%	13.4%

Inflation adjusted per capita income maintenance payments between 1970 and 1998 (see Figure 25) highlight important trends. The upward movement in all areas from 1980 to 1992 was steeper in Merced, Fresno, and San Joaquin Counties, which tracked each other closely after 1984. Beginning in 1992, however, San Joaquin real payments fell while Merced's increased. Following the passage of welfare reform in 1996, all areas experienced a steep decline. By 1998, each resident of Fresno and Merced Counties received the most in payments ($787 and $775, respectively). San Joaquin was somewhat lower ($725), Madera ($615) and Stanislaus ($604) were similar, the state as a whole ($549) was even lower, and Santa Clara ($357) was in a category by itself.

Figure 26 carries the case one step further by examining the number of persons receiving food stamps per 100,000 population for the 1990 to 1998 period in Merced and the reference counties. What all areas share in common is a drop after 1996, which was

particularly sharp in Merced. Still, by 1998, Merced's ratio was substantially higher than other counties. Fresno was second highest.

Figure 25
Real Per Capita Income Payments: 1970-1988 (1988 Dollars)

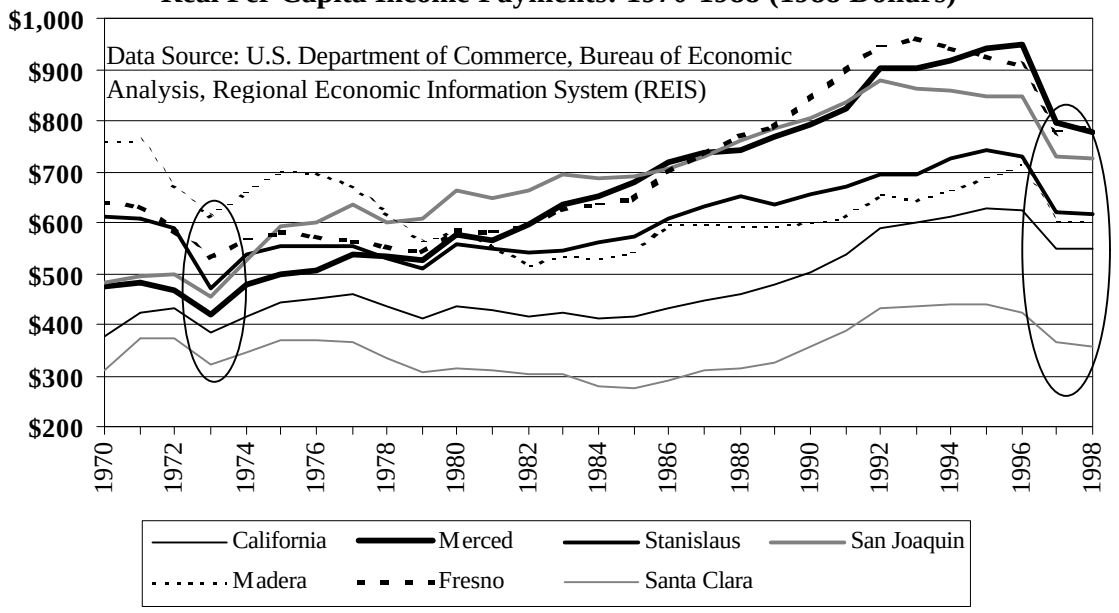
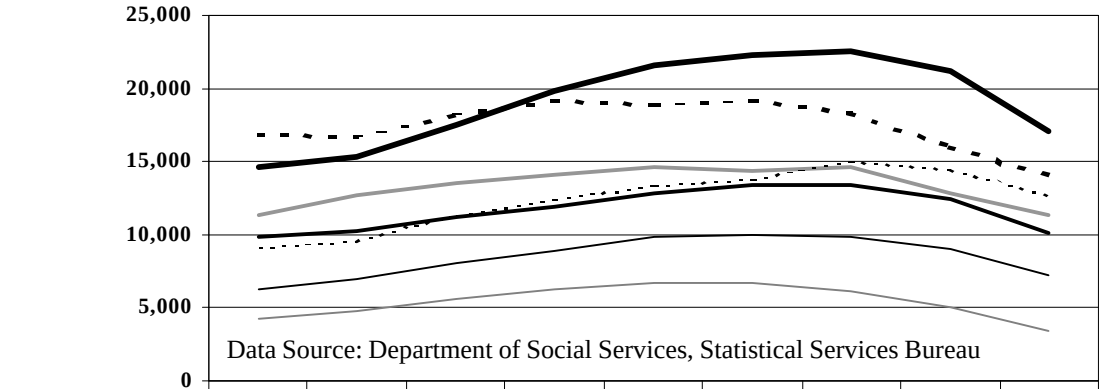


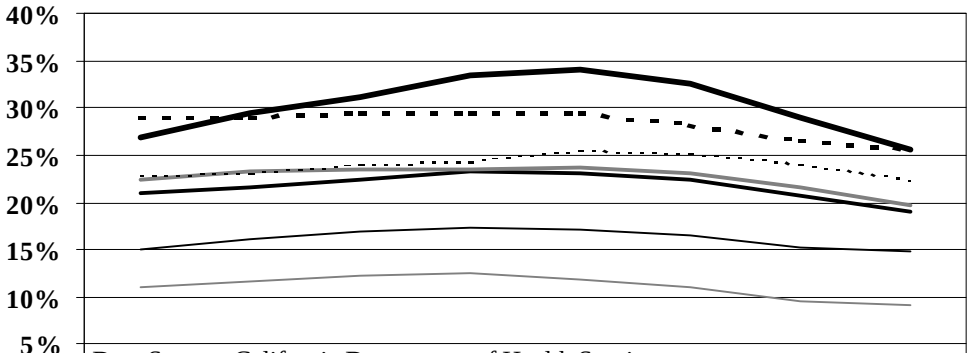
Figure 26
Persons Receiving Food Stamps Per 100,000 Population (1998 $)



	1990	1991	1992	1993	1994	1995	1996	1997	1998
Merced	14,619	15,344	17,475	19,816	21,524	22,254	22,567	21,218	17,021
Stanislaus	9,770	10,214	11,250	11,944	12,854	13,375	13,333	12,390	10,174
San Joaquin	11,384	12,694	13,568	14,058	14,556	14,384	14,612	12,789	11,348
Madera	9,160	9,535	11,305	12,375	13,368	13,803	15,036	14,489	12,757
Fresno	16,804	16,645	18,234	19,092	18,898	19,110	18,273	16,007	14,049
California	6,341	6,977	8,025	8,936	9,809	9,947	9,795	8,969	7,219
Santa Clara	4,275	4,762	5,646	6,284	6,678	6,648	6,125	5,065	3,469

Med-Cal eligibility data underscore the effects of welfare reform and gaps among reference areas. Data for the 1992 to 1999 period are graphically presented in Figure 27.

Figure 27
Medi-Cal Eligible Share of Total Population



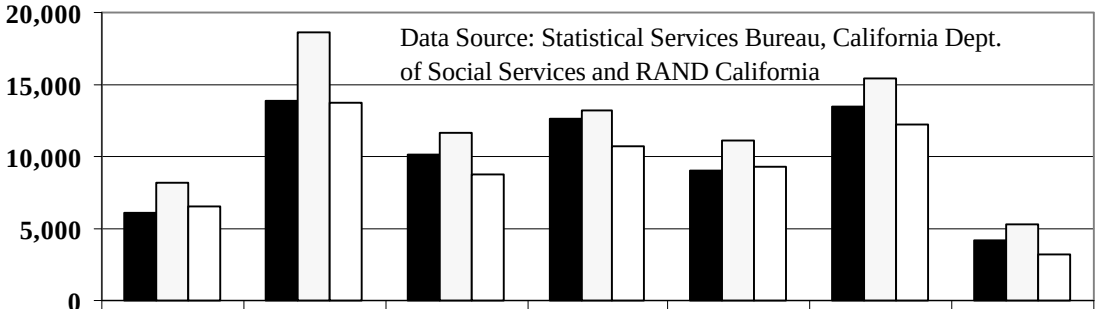
Data Source: California Department of Health Services

	1992	1993	1994	1995	1996	1997	1998	1999
California	15.1%	16.1%	17.0%	17.3%	17.1%	16.5%	15.2%	14.9%
Merced	26.9%	29.5%	31.1%	33.5%	34.0%	32.6%	29.1%	25.7%
Stanislaus	21.0%	21.5%	22.5%	23.2%	23.1%	22.5%	20.7%	19.0%
San Joaquin	22.5%	23.2%	23.5%	23.4%	23.6%	23.0%	21.5%	19.6%
Madera	22.8%	23.0%	24.1%	24.4%	25.6%	25.1%	24.2%	22.4%
Fresno	29.0%	28.9%	29.5%	29.5%	29.4%	28.1%	26.4%	25.5%
Santa Clara	10.9%	11.7%	12.3%	12.4%	11.9%	10.9%	9.6%	9.0%

The passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and CALWORKS in 1997 changed the rules for government assistance by requiring work-related activities for able-bodied adults. There were three effects of both these laws and the nation's positive economic performance. The first was a drop in welfare caseloads, an outcome highlighted in Figure 28. The second was a decline in the percentage of children receiving TANF payments, but an increase in the share of all recipients who are children . In Merced, for example, the total number of recipients (which averaged 23,284 the first six months of 1999) fell 34.6% from 1996 to 1999 while children as a share of recipients went up from 69% in 1996 to 73%. The third, covered previously, was a drop-off in the participation rates in other government support programs.

Even with declines in cases and recipients, Merced and Fresno Counties had the highest number of recipients (and caseload) per 100,000 population in all the years covered. For Merced, the most noteworthy increase was between 1988 and 1996, a time period that included the recession and closure of Castle Air Force Base. The patterns are illustrated in Figure 28.

Figure 28
Recipients Per 100,000 Population: 1988, 1996, &1998



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ 1988	6,098	13,897	10,103	12,702	8,962	13,509	4,161
□ 1996	8,209	18,545	11,599	13,177	11,140	15,394	5,213
□ 1998	6,465	13,794	8,799	10,638	9,375	12,248	3,209

Merced County TANF Cases

■ ***TANF cases are not evenly distributed among communities and groups in Merced County***

To gauge the TANF case population in Merced County, administrative data from the Human Services Agency Magic Project were examined for October 1999. The data point to some important features of the 6,384 TANF cases:

➢ First, the TANF population is not evenly distributed geographically within the County. Table 26 compares ZIP Codes and Table 27 covers the city or community of residence. The former table also includes both unemployment insurance claimants not returning to work and PITD applicants. Although the data cover different time periods,

the percentages for each ZIP are similar (as are the percentages for food stamp and Medi-Cal recipients, which are not shown). There definitely are concentrations of at-risk populations, with 95340 in Merced, 95348 in Merced, 95301 in Atwater, and 93635 in Los Banos having two-thirds of all TANF cases. Although they are populous areas, they only contain 51.9% of the County's population. There are, as well, a number of TANF cases in smaller communities: Winton, Dos Palos, Delhi, and Planada have 18% of the total.

Table 26
Merced County TANF Cases, UI Recipients, & PITD Applicants by ZIP Code

ZIP Code	Mailing Address	Number of Cases: October 1999	% of Total	% of Claimants Not Returning to Work	PITD Applicants
95340	Merced	1,986	33.1%	28.0%	39.5%
95348	Merced	728	12.1%	11.5%	8.5%
95301	Atwater	688	11.5%	11.9%	10.7%
93635	Los Banos	633	10.5%	15.2%	10.8%
95334	Livingston	373	6.2%	5.9%	5.1%
95388	Winton	345	5.7%	5.0%	4.5%
93620	Dos Palos	302	5.0%	4.4%	5.8%
95315	Delhi	252	4.2%	5.1%	1.6%
95365	Planada	181	3.0%	2.3%	4.0%
95322	Gustine	141	2.3%	2.5%	3.1%
95333	Le Grand	98	1.6%	1.0%	2.0%
95324	Hilmar	87	1.4%	3.0%	.7%
95341	Merced	54	.9%	.9%	.0%
95374	Stevinson	35	.6%	.8%	.3%
93665	South Dos Palos	34	.6%	.4%	1.1%
95369	Snelling	22	.4%	.4%	.3%
95317	El Nido	13	.2%	.3%	.1%
95344	Merced	13	.2%	.7%	.0%
95303	Ballico	9	.1%	.4%	.1%
95312	Cressey	9	.1%	.2%	.1%
95342	Merced	0	.0%	.0%	.0%
County Totals		6,003	100%	100%	100%

Data Sources; Merced County Human Services Agency, MAGIC Project, California Employment Development Department (EDD), Private Industry Training Department (all unpublished data)

The places of residence of recipients correspond closely to the ZIP Codes. The one percentage that stands out is the City of Merced; it has more than 46% of the TANF cases but less than one-third of the County's population.

Table 27
TANF Cases by Community of Residence: October 1999

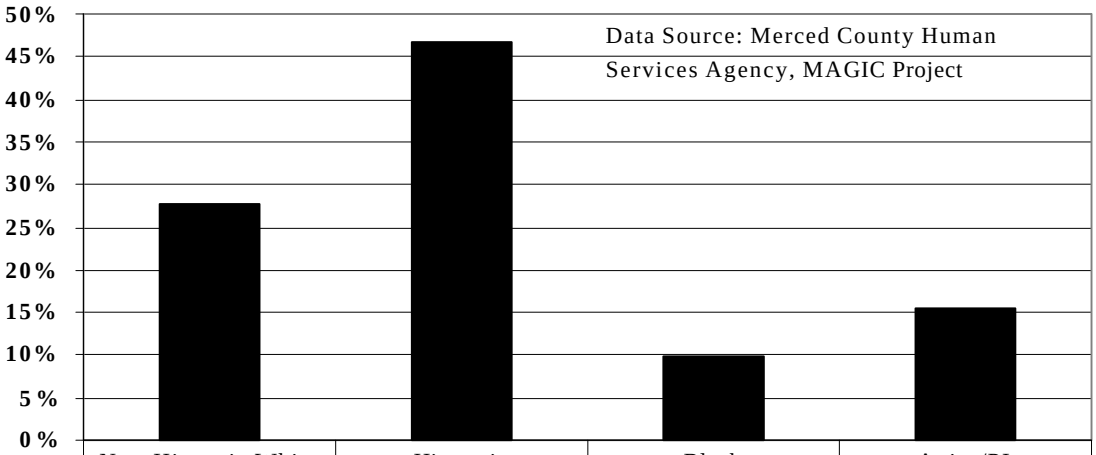
	TANF Cases	% of Total
Merced	2,781	46.3%
Atwater	687	11.4%
Los Banos	634	10.6%
Livingstion	373	6.2%
Winton	348	5.8%
Dos Palos	302	5.0%
Delhi	252	4.2%
Planada	179	3.0%
Gustine	124	2.1%
Le Grand	99	1.6%
Hilmar	86	1.4%
Stevinson	35	.6%
So. Dos Palos	34	.6%
Snelling	22	.4%
Santa Nella	17	.3%
El Nido	14	.2%
Ballico	9	.1%
Cressey	9	.1%
County Total	6,005	100.0%

Data Sources; Merced County Human Services Agency, MAGIC Project

- Second, among demographic groups, Hispanics represented 46.8% of the total caseload in October 1999. In fact, the percentages for all racial and ethnic groups were quite similar to the distribution of PITD applicants and roughly comparable to UI claimants not returning to work. The only differences were that Asians/Pacific Islanders and Blacks (15.6% and 10% of the caseload) had higher rates of TANF participation. The largest subgroup was Laotians who comprised 7% of the TANF caseload. Figure 29 shows the distribution of cases by race and ethnicity.

The breakdown of cases by language is suggestive. In October 1999, English was the primary language in two-thirds of the cases, Spanish in two-fifths, and Hmong in slightly less than one-ninth. No other language claimed more than one percent of the total.

Figure 29
Race and Ethnicity of TANF Cases



	Non-Hispanic White	Hispanic	Black	Asian/PI
%	27.6%	46.8%	10.0%	15.6%

- Although Merced County has a relatively low cost of living and mild climate, it does not appear to serve as a magnet for persons receiving welfare elsewhere. Of all the cases in October 1999, only 6% involved intercounty transfers. Interestingly, the counties with the largest number of transfers also are the most prominent sources of population migration.

Surveys: TANF Recipients, Unemployment Insurance Recipients, & Service Providers

- ***TANF recipients and unemployment insurance claimants differ demographically and in terms of family situation, work history, training, and skills. They also have differing perceptions of the employment obstacles they face.***

These findings are based on surveys administered to 268 Temporary Assistance to Needy Families (TANF) or Cal WORKS recipients and 78 unemployment insurance (UI) claimants. The questionnaires focused on the personal background, work history, family situation, education, and employment prospects of respondents. The surveys were

distributed to those attending an initial orientation session (which included previous recipients who ended assistance and were reapplying for support) and those enrolled in job search activities. A separate report, ***Welfare and Work in Merced County: Perspectives and Assessments***, provides a more complete analysis of survey findings.

TANF recipients were younger than UI claimants. More than 52% of the former were under the age of 30 while 44.2% of the latter were 35 to 44 years old. Not only did almost all recipients have children (compared to two-thirds of the claimants), but 84% responded that at least one child would need child care if they were working; 44% indicated that at least two children would require it. In contrast, only 36% of the claimants required child care. Almost one-half of the recipients (49.2%) disclosed that they had never married, which is more than double the rate in the state as a whole and Stanislaus County.

On other demographic measures, the two groups were similar. In both instances, Hispanics constituted the largest group in the samples: 50.2% for TANF recipients and 38.4% for UI claimants. More than two-fifths (43.8%) of the recipients and 37.7% of the claimants did not complete high school. Substantial majorities of both groups (63.5% of recipients and 85.6% of claimants) reported that they were residents of Merced County for more than five years.

The work histories of TANF recipients and UI claimants offer revealing glimpses into the employment challenges they face when searching for employment. While only 17.3% of the recipients indicated that they were currently working, 83.2% had worked for pay at some point in time. Claimants were more likely to work forty hours per week or more, although majorities of both groups had done so. However, there was a striking difference in the length of employment: more than half of the UI group worked at their current job for more than 5 years whereas two-thirds of the TANF sample reported that they worked at their last job for one year or less. In fact, a majority of recipient respondents had worked for six or fewer months. These data appear to show that welfare recipients have a much more unstable work history and labor force participation. Since one-third of the recipients had worked during the three months prior to completing the survey, it appears

that most welfare recipients tend to cycle between welfare and work during the relatively few years of receiving public assistance.

The reservation (i.e., acceptable) wage for TANF recipients was lower, a result that is tied to job expectations and what is required in compensation to adequately meet family needs. Slightly less than two-thirds of the recipients (63.6%), compared to 18% of UI claimants, were willing to accept less than $7.00 per hour. At the upper end, 57% of UI recipients wanted an hourly pay of at least $9.00 while only 13.4% of welfare recipients were demanding this rate.

Welfare recipients and the insured unemployed have strikingly different perceptions of the factors that limit sustained employment. Over half the UI claimants, versus only 19% of the TANF recipients, concluded that they did not face any employment-related problems. While at least 3% of recipient respondents selected at least one of the eighteen issues they were queried about, there were no selections by the claimants on seven of them (can't find full-time work, lack job experience, lack job information, depression, contact with the criminal justice system, move often, and alcohol/drugs). Only two problems garnered more than 10%: inadequate information and health problems.

For TANF recipients, the top seven factors identified were lack transportation (29.8%), inadequate education (24.6%), financial problems (23.5%), inadequate clothes (21.3%), cannot find full-time work (20.5%), lack technical skills (19.8%) and child care (19.4%). With 30% of the responses, transportation clearly is an imposing issue for the single mothers who must not only deal with getting to work but also with child care, shopping, and medical appointments. Almost one-quarter rely on friends for transportation. The identification of transportation as the top problem also may reflect the lengthy distances that must be traveled by those who do not live in the City of Merced. The high response rate for lack of education is interesting because it suggests that a relatively high percentage of respondents appreciate the value and importance of education in the job market. The selection of child care is, in part, a transportation problem but it also is an

affordability issue. That is why only 19.1% of the respondents rely on licensed child care facilities. Table 28 summarizes the response rates.

Table 28
Factors that Limit Sustained Employment
(Respondents could indicate multiple factors)

Limiting Factors	**% of UI Respondents** (N=77)	**% of TANF Respondents** (N=268)
Lack a car/transportation problems	3.9%	29.8%
Inadequate education	11.7	24.6
Financial problems	3.9	23.5
Inadequate clothes	3.9	21.3
Cannot find full-time work	0	20.5
Lack technical skills	6.6	19.8
Childcare	3.9	19.4
Lack job experience	0	16.0
No telephone	3.9	11.6
No jobs I can do	7.8	11.2
Lack job information	0.0	10.4
Health problems	11.7	7.8
No health insurance	9.1	6.7
Depression	0	5.6
Disability	5.2	5.2
Criminal justice contact	0.0	5.2
Move often	0	4.5
Alcohol/drugs	0	3.0
Other	14.3	26.4

An obstacle to sustainable employment is a challenge, but multiple obstacles are even more imposing. Only 3.8% of the UI benefit recipients reported that they encountered more than two impediments. In contrast, 41% of TANF recipients identified more than two; 22%, almost 1/4 of the entire TANF sample, reported more than four problems.

- ***Social service providers in Merced County believe that TANF recipients face situational, structural and attitudinal/behavioral impediments to sustainable employment. Unlike recipients, they express more concern about motivation. Like employers, service providers express concerns about the skills of the unemployed and welfare recipients.***

The assessments of service providers are based on a survey of 124 social service professionals who worked in Merced County. Almost two-thirds (63.7%) of the survey respondents work for the Merced County Human Service Agency, 25% are employed by, or managed, a private, nonprofit organization, and the remainder are associated with other state or county agencies. More than 90% deal directly with TANF recipients or others who need job assistance or assistance meeting family needs.

When providers were asked to rank the top ten factors that make it difficult for clients to find jobs, they clustered their choices in three broad areas (see Table 29 for the weighted averages). The first of these could be described as situational, and covers job skills, educational levels, and limited basic skills. These were the three most commonly cited factors by service professionals. The second could be characterized as structural factors hindering employment and include transportation and child care problems and the lack of available jobs. The final cluster is attitudinal and behavioral and a frequently mentioned component (which was ranked fourth) was motivation. Drug or alcohol abuse was ninth. Interestingly, the willingness of providers to include motivation on their lists (which not mentioned by recipients) indicates that they place part of the blame on recipients for the problems they face.

Table 29
Providers Perceptions of the Top Ten Factors Making Finding Jobs Difficult for Welfare Recipients (N=113)

Factor	Weighted Average
Job skill levels	64.9
Educational levels	64.6
Limited or no basic skills	58.1
Low motivation	55.9
Transportation problems	52.3
Child care arrangements	49.3
Limited or no English skills	46.8
Lack of available jobs	44.6
Drug and alcohol problems	44.0
Mental health problems	26.5

Like employers, providers expressed concerns about the skill levels of the unemployed and especially welfare recipients in all the skill areas covered. Still, their assessments of these groups (together with the workforce) were not as negative as those of employers. Service providers identified four factors that must be successfully addressed if welfare-to-work is to succeed. The two receiving the strongest response were the availability of jobs and the problem of the work motivation of recipients. Affordable child care and improved skills were the other two factors receiving significant support among service providers. Based on their responses, TANF recipients would strike low motivation from the list and add transportation and education.

The computer generated maps appended to this report provide visual evidence for the pockets of at-risk populations in Merced County. The TANF case data, licensed child care facilities, and job sites are mapped at the block group level of geography (i.e., neighborhood). Bus routes are included as well. When viewing the map, it is important to keep in mind that the "dots" do not depict the precise locations of employment child care sites – merely their presence in the block group.

The block groups with the highest proportions of County TANF cases are in west and southwest Merced (the 95350 ZIP Code) and the area immediately west of Castle. There are pockets of block groups with slightly lower percentages in Atwater, Winton, Los Banos, Livingston, Delhi, and Le Grand.

Although the numbers vary, child care facilities are located in high TANF areas, as are job sites. A number of the former appear to be located near bus routes. Buses serve parts of high TANF areas (especially in Merced), but additional analysis is required to determine the degree of penetration.

- ***Educational attainment and performance data in Merced County and other Valley reference areas point to key challenges in raising expectations and outcomes. The proportion of high school students planning to attend four year colleges and universities is lower in Merced County than reference areas and test results are lower as well.***

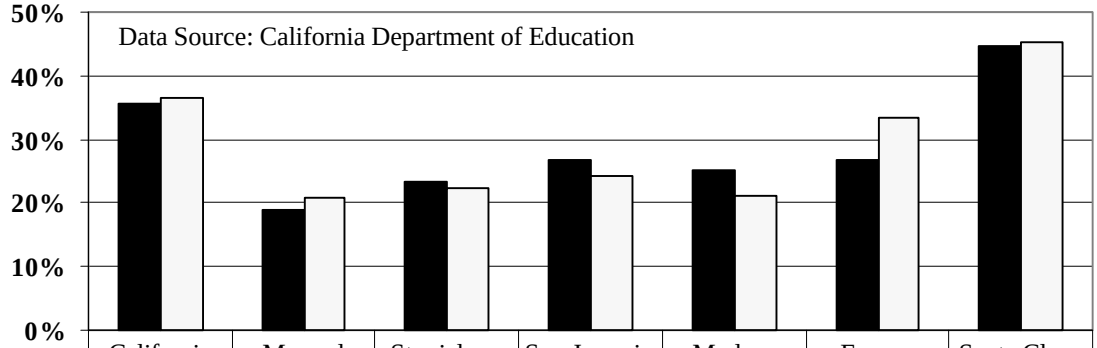
The U.S. Bureau of Labor Statistics projects that a majority of all new jobs in the future will require additional education and the application of more sophisticated skills. Expectations associated with existing positions in all industry sectors are rising as well. In effect, workers, work, and the workplace are undergoing change in the "new economy." Workers and communities unable to adapt to change will face challenges in the years ahead that can be measured in terms of business attraction and retention, job growth, income levels, and talent drains.

Although a baccalaureate or higher degree is not the only pathway to success (vocational and technical educational options are important as well), there is little doubt from the data available that a post-secondary education experience enhances the job prospects of both individuals and communities.

With this as a starting point, it is possible to assess the performance of Merced County. The 1990 Census data may not be the most up-to-date source of information available, but it does serve as a useful benchmark for measuring progress. In 1990, 36.9% of the Merced County population 25 years and older had not completed high school, 23.1% had a high school diploma, 28% had some college or an associate degree, and 12% had a baccalaureate degree or higher. While there were some differences on the lower end of the educational attainment spectrum in the Valley, most notably in San Joaquin and Stanislaus, there were significant gaps between Merced County and the state in every educational category except the percentage attending college or holding an associate degree.

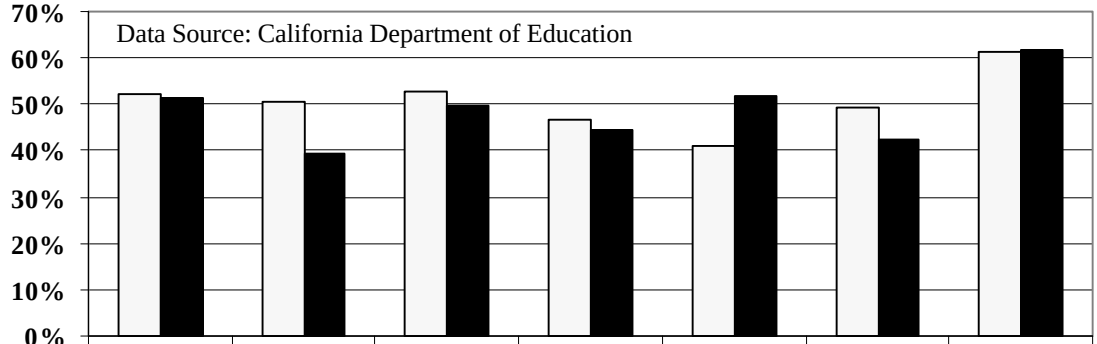
During the 1990s, the number of high school seniors in Merced County taking the SAT exam, a requirement for many institutions of higher learning, has been lower than in reference areas. So has the proportion of students scoring 1000 or more. These percentages are highlighted in Figures 30 and 31. Over the past decade, the share of students signing up for the SAT exam has moved within a relatively narrow range. For the 1998/99 school year, the participation rate was 20.9% and the share of all test takers scoring above 1000 was 39.5%.

Figure 30
Percent of Students Taking SAT Exam: 1988/99 to 1998/99



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
■ 1989	35.5%	18.9%	23.4%	26.8%	25.2%	26.7%	44.8%
□ 1999	36.5%	20.9%	22.2%	24.3%	21.0%	33.2%	45.4%

Figure 31
Percent of Students Taking SAT Exam Scoring Above 1000



	California	Merced	Stanislaus	San Joaquin	Madera	Fresno	Santa Clara
□ 1989	52.1%	50.4%	52.9%	46.8%	41.1%	49.4%	61.2%
■ 1999	51.5%	39.5%	49.9%	44.7%	51.9%	42.5%	61.9%

SAT participation rates are one indicator of educational performance. Another is the 1999 Academic Performance Index (API) scores for Merced County elementary, middle, and high schools. Mandated by Public Schools Accountability Act, the scores and rankings of schools are designed to measure outcomes and establish a baseline for improvement. Relatively low scores were posted by K-12 schools in Merced County. Ten of 43 elementary schools, for example, received a “raw” ranking of 1 (on a scale of 1 to 10, in

which ten is highest). Although comparison rankings with similar schools did improve the outcomes, they did not do so significantly. Only four K-12 schools in Merced County --Wood (Elmer) Elementary, Mcswain Elementary, Ballico Elementary, and Hilmar Middle – ranked in the second highest quartile of all schools in the state.

According to the California Postsecondary Education Commission, 31.8% of the 1998 public high school graduates in Merced County attended a community college, 3.6% went to the University of California, and 8.2% enrolled at the California State University. The data stand out for two reasons. First, Merced College provides important opportunities for high school graduates; of those attending a public college or university in the semester after graduation, 73% selected a community college. Second, enrollment in each system is lower than in the state as a whole.

~ Avenues to Opportunity ~

The statistical and other information presented in this report point to seven "change imperatives" that will, if pursued systematically, increase the probability that Merced County will make tangible progress in realizing its economic development and human capital goals. Taken together, these principles should serve as the cornerstone for public policy.

♦ The first of these change imperatives is a frank appraisal of local trends and conditions. In the absence of this assessment, or a failure to acknowledge that there are barriers to change, it will be very difficult to craft strategies that realistically and effectively address the most pressing issues facing the County.

♦ The second imperative is the need to pursue initiatives in ways that further *Merced County's* goals and interests. Plans and programs should reflect local priorities.

♦ Closely linked to this is the third principle, which is the strategic importance of developing a shared vision that meaningfully connects communities and groups. Overcoming fragmentation, building upon common interests, developing a distinctive identity, and empowering people should be top priorities.

♦ The fourth imperative is that elected and appointed officials, working in concert with others in the public and private sectors, should be the principal agents for implementing the shared vision. Placing the future of the County in the hands of others, or leaving it to chance, cannot be a substitute for programs adopted by the Board of Supervisors and implemented under its authority.

♦ The fifth change imperative is the importance of striking a balance between human capital and economic development. Although each impacts the other, the data in this report clearly show that the attraction and retention of more highly skilled jobs will be a challenge unless the skills are in place or can be developed with investments in education and training.

♦ The sixth imperative is the need to recognize and value assets that provide access to opportunity. Existing and future educational institutions meet this criterion. The County's agricultural cluster does as well. The key point is that these assets should serve as building blocks for economic development.

♦ The final change imperative is the cultivation of a policy environment that is positive in tone, driven by high performance standards and expectations, and guided by the belief that improvement is both feasible and necessary.

The policy recommendations to follow can be viewed as *avenues to opportunity*. Guided by the findings in this study, they are designed to add value to on-going efforts to actualize the human capital, job creation, and community development potential of Merced County. They also build upon three core elements. The first of these is the *climate of opportunity*, the setting within which public policy is implemented. The second is *centers of opportunity*, institutions and assets that can be leveraged in ways that facilitate the achievement of the County's workforce preparation and economic development goals. The third is *champions of opportunity*, the "civic entrepreneurs" – i.e, leaders in the public, nonprofit, and private sectors -- who are prepared to serve as both change agents and advocates for widening the circles of opportunity.

Avenues to Opportunity

■ ***Support coordinated job training and human capital investment.*** People are Merced County's most strategic asset and its most durable center of opportunity. Investing in human capital makes sense, not only because it leads to an improved quality of life for a greater number of residents, but also because it is strategically linked to economic development. Job creation and greater job diversity occur, in part, because prospective as well as current entrepreneurs, plant managers, and site selectors determine that the appropriate workplace skills either are available or can be transferred via education and training. The challenge for Merced County – underscored repeatedly in the economic data, survey results, and focus group comments – is to assure that programs and local institutions are connected and directed to the enhancement of general and technical skills.

The Private Industry Training Department and its Worknet partners can make an important contribution to this effort. As the officially designated one-stop partnership, Worknet will play a key role in the job preparation and economic development activities of the newly formed Workforce Investment Board. It will be a key center of opportunity in the years ahead.

- ***There should be a two pronged approach to job creation that simultaneously addresses the employment needs of the less skilled and the more highly educated and skilled.*** While UC Merced will be an economic asset that plays an important role in the latter effort, it is unlikely to create enough jobs over the next two decades to accommodate the County's expected labor force growth. Unless the campus becomes a transforming institution in the local economy, a catalytic role that planning documents indicate is unlikely in the foreseeable future, Merced County will need to assume this economic development responsibility.

- ***Given the lack of job diversity documented in this report, there is a need for Merced County to broaden its economic base.*** In the absence of intervention, and in the face of population changes that are expected to occur around the UC campus as well as in the rest of the county, retail trade and lower end services will continue to claim growing shares of all industrial employment. On the positive side, this population driven job growth will increase sales tax revenue and possibly reduce sales tax leakage. It also will expand the number of entry-level positions available to semi-skilled and unskilled workers.

Regardless of the benefits, however, there are costs incurred when an expansion in retail trade and unskilled service jobs is not accompanied by employment increases elsewhere in the local economy. As the data in this report show, many wage and salary jobs in retail trade and services are part-time, lower paying, relatively insecure, and often associated with unemployment that is disconnected from future employment. These characteristics and consequences are important because they often are barriers to job retention and career mobility. By increasing job diversity, Merced County will be in a better position to cushion the effects of unstable employment.

Efforts to diversify must be systematically pursued, focused, and protective of existing sources of economic strength.

First, it should be based on a targeting strategy. Targeting studies have been prepared for Merced County in the recent past and these should be reviewed to determine which "targets of opportunity" should be pursued.

Second, workforce preparation should be connected to industry targeting goals.

Third, targeting should be a collaborative venture involving economic development and workforce development agencies that are part of the Worknet partnership.

Fourth, there is a need to address the relatively low employment growth rates in business services. As noted in the report, business service establisments provide the infrastructure for diversified economic development. The employment analysis points out that this industry group in Merced County grew by only 7.7% between 1992 and 1999 while Merced's neighbors to the north expeienced rate increases of ten times that amount during the same period. The economic analysis suggests that there is "leakage": local businesses and residents are purchasing goods and services outside the County.

Fifth, as a valued asset, the agricultural cluster should be an important part of this strategy.

In terms of the market value of raw agricultural products, Merced is one of the leading counties in the nation. The agricultural production, services, and food processing sectors employ nearly 30% of the County's wage and salary workers. Many County residents are provided with employment opportunities that would not be available otherwise. In 1996, agriculture and food processing accounted for 42% of the County's $6.8 billion in total industry output and generated $1 billion in net exports. Food processing had the highest employment multiplier. The agricultural cluster is a vital as well as a valued asset.

In the search for new jobs, attention should be given to value-added business activities in agriculture and food processing. Merced is ideally located, with easy access to rail, freeways, ports, and urban consumer markets. These business assets should be leveraged. To help protect the agricultural base, consideration also should be given to participation in the Williamson Act.

- ***Continue efforts to improve the business climate in Merced County.*** Through the focus groups and surveys, employers in Merced County identified a positive business climate as an asset. At the same time, they also articulated the need for public agencies to continue efforts to improve this climate. An item that was mentioned frequently was permitting and the need for an on-going evaluation of permitting processes to determine whether additional streamlining is feasible and necessary. This should be part of a broader strategy being pursued by Merced County Economic Development Corporation (MCEDCO) to encourage the expansion and retention of existing firms.

■ ***Creating a supportive environment for entrepreneurial activity should be a priority.*** Currently, the financial and support activities for Merced's small businesses are provided by the Stanislaus Economic Development Corporation (SCEDCO). By assuming a more visible role, Merced County Economic Development Corporation (MCEDCO) would serve as a more visible point of contact for the small business community, and be in a better position to work collaboratively with Merced College and the K-12 public schools. Through small business loans and training, it could encourage small business start-ups in the Hispanic, Asian, and African American communities. These could serve niche as well as broader markets. An entrepreneurial program for welfare recipients would provide them with an option as they transition to the labor force. Both programs have been pursued successfully elsewhere.

Business incubators have been formed in Fresno and San Joaquin Counties, with the former linked to CSU Fresno and the latter tied to San Joaquin Delta College. Both have successfully offered support services and space at reasonable cost levels for new businesses. This may be an option that Merced County may want to consider. While the idea of an incubator is not a new one in Merced County, there are lessons to be learned from the experiences of others. Most successful initiatives have been countywide in scope and associated with an institution of higher learning.

■ ***Merced County officials should use the policy tools and resources at their disposal to promote a culture of learning and high expectations***. Education is the key to both a higher quality of life and the attraction of more skilled and higher paying jobs. The validity of this observation has been substantiated in every study that has explored the role of education in economic development. The statistical, survey, and focus group data in ***Strategic Choices*** offer powerful evidence for it as well. It should be surprising, for example, that the unemployed with limited job prospects, PITD applicants, and TANF recipients share an important characteristic: they have low educational attainment levels.

Educational institutions at all levels need to create opportunity for those they serve. K-12 public schools should be supported in their efforts to foster higher performance standards. The Academic Performance Index (API) scores can be a rallying point for change. The message sent by employers and focus group participants is that schools need to explore ways, consistent with their mission, they can teach the general skills that are required in the modern workplace. Addionally, they should assess their technology plans, provide experiential learning options for students, broaden their vocational course offerings and encourage students who would benefit from a college education to take the SAT examination.. The Merced Adult School can play an important role in enhancing skills.

During the next few years, Merced County residents will have easy access to the three systems of higher education in California. Currently, they can participate in the Merced Tri-College Center, a collaborative effort involving Merced College, UC Merced, and CSU Stanislaus. The presence of the three systems offers special opportunities for educational advancement and life-long learning.

There was enthusiastic support for the new UC Merced campus expressed in all the focus groups. Oftentimes it was phrased in terms of economic development. It was described as an “anchor” and “an incubator of jobs.” For Merced County residents, it will be a center of opportunity. In particular, it will broaden access to higher educational opportunities for growing and currently underrepresented populations in the San Joaquin Valley. This will produce both quality of life and economic benefits in the future.

Of all the institutions of higher learning, Merced offers opportunities to the greatest number of high school graduates. It is tied closely to the communities it serves and works collaboratively with other public and educational agencies through Worknet to foster an integrated workforce development program. It offers both academic and vocational courses as well as life-long learning options. Based on the results of the employer survey, the comments in focus groups, and the enrollment data, it is considered an important center of opportunity.

Both public agencies and the business community can encourage a culture of learning. In fact, business partnerships with the schools can have both short-term and long-term value. Internships and mentoring programs can create opportunities for students. The formalizing of business-school partnerships through a countywide organization should be considered.

- ***The racial and ethnic diversity of Merced County should be considered economic and community development assets.*** As Merced considers policy options and directions, there is an evident need to recognize that the County's future is tied fundamentally to its diverse population. In a state known for ethnic/racial diversity, Merced stands out as one of the most diverse. And over the next twenty years, Merced will diversify at a faster rate than the state as a whole. By 2020, more than two-fifths of the population will be Hispanic and slightly less than one-sixth will be Asian/Pacific Islander.

Ethnic and racial diversity, which will characterize Merced County's future, should be celebrated, and persons of all groups must become active and contributing members as well as leaders of their communities. Merced County's diversity also is a great asset in the emerging global economy With its diverse languages and customs, the linguistic and cultural richness of Merced becomes particularly important. Bilingualism increasingly will be a valuable business resource as will familiarity with other cultures. These assets should be valued, nurtured, and developed.

- ***Given age trends in Merced County, there is a need to invest in youth – Merced County's future workforce.*** Since Merced is the "youngest" county in California, it needs to determine how it can invest in youth. The administrative data from the Private Industry Training Department (PITD) points to the high percentage of program participants under the age of 22. The data also underscore the importance of job training for at risk youth, dislocated workers, and welfare recipients transitioning into the workforce. There was a consensus among survey respondents and focus group participants that skill enhancement and job training represent important economic development investments for Merced

County. So is job experience. Options for summer youth employment programs should be explored.

- ***Merced County has a port, and it happens to be an airport located at the Castle Airport Aviation and Development Center***. This is an asset that relatively few counties can match. Combined with Merced's foreign trade zone designation, the facility can be viewed as a door to targeted economic expansion and a window to the global marketplace. Most focus group participants agreed that it deserves to be given special attention, but they also voiced concern that it lacks a strategic focus. A strategic plan for Castle's economic development would enable local officials to identify types of businesses and other economic activities that should be attracted to the site.

- ***Since Merced County is considered the "Gateway to Yosemite," there should be a concerted effort to promote tourism***. Ag tourism can be part of this initiative as well. As both a stopover and destination, Merced can create additional jobs and generate more local revenue. Consideration also should be given to collaborative planning efforts with other counties in the San Joaquin Valley.

- ***Commuters on the west side of Merced County are a potential economic development asset***. The west side of Merced, and especially the City of Los Banos, is growing much faster than the County as a whole. During the 1990s, its population increased by 69.2% and a catalyst for this growth was migration from the Bay Area, as families pursued affordable housing. There have been two important outcomes of these changes. First, Los Banos has become the second most populous city in Merced County. Second, commuters from Los Banos to the Bay Area have become a more prominent group. According to the data presented in this report, 7% of all earnings by place of residence was due to the net effects of commuting in 1998.

These trends and impacts point to possible economic development opportunities. As the number of commuters increase, a stronger case can be made for the expansion or relocation of Bay Area firms to Merced County. Local business start-ups represent a

viable option as well. The planned west side campus of Merced College will serve the educational access needs of residents and facilitate economic development efforts as well.

- ***Pursue a study of the transportation needs of TANF recipients***. For TANF survey participants, transportation is the most formidable obstacle to sustained employment. This assessment makes sense given the lengthy distances that often must be traveled in Merced County. Without accessible, predictable, and affordable transportation, TANF recipients face imposing challenges in both securing and retaining jobs and meeting daily household needs. Even child care is linked to transportation.

There are related issues raised by the statistical and GIS data. These include variations in the performance and condition of Merced County's cities and unincorporated communities, differences that are revealed in the unemployment, job training, and welfare information presented in this report. The attached maps also vividly highlight the physical distances that separate communities.

The computer generated maps also indicate that buses either serve or operate near the neighborhoods in the City of Merced with the largest numbers of recipients. However, these maps were not designed to identify either the precise walking distances from residences or the degree of public transit penetration (e.g., frequency of service). What the maps do show, of course, is that many at risk areas are not served. And what the survey of recipients indicates is that almost one-quarter rely on friends for transportation to work while only about 15% use public transportation.

These statistics are important and warrant further study. Among other topics, a focused analysis could explore the travel patterns of TANF recipients and the scope of the mobility challenges they face throughout Merced County. It also could determine the relative benefits of a private versus public transportation strategy.

The data also point to the merits of community based programs that deliver services and encourage community involvement.

■ ***Establish a visioning process that is both inclusive and focused.*** There is widely-held belief that division, fragmentation and intergovernmental tension represent barriers to opportunity in Merced County. Visioning has been used successfully elsewhere as a process for dealing with these issues by bringing diverse groups together to discuss and act upon their shared interests. It also has provided a sense of direction and an opportunity to anticipate and plan for change through collaboration. Yet, the lessons learned from successful visioning efforts need to be addressed *before* the process can begin. The first of these is the endorsement of visioning by elected officials throughout Merced County, and their expressed willingness to serve as catalysts for consensus. The second is the creation of an organizational structure that assures involvement in, and on-going support for, visioning by these officials. The third is the commitment of "civic entrepreneurs" in the public, private, and non-profit sectors to the effort. The fourth is the design of a process that strikes a balance between small group discussions and widespread public participation. The fifth is the need to hire a professional facilitator to coordinate and oversee the process.

Since there isn't a single formula for blending these requirements, Merced County officials should decide whether and how to proceed. But the journey cannot begin until a first step is taken, and this step should be the endorsement of the visioning process by the Board of Supervisors and the exploration of ways other elected officials and stakeholders in Merced County can be encouraged to participate.

■ ***A "centering strategy" will reap economic development benefits and faciltate County efforts to overcome the fragmentation that invariably hinders the pursuit of the shared interests of residents, regardless of where they live or the nature of their group identities.*** A related theme that was repeatedly expressed in the focus groups was the perceived absence of a central frame of reference or identity that effectively binds together diverse communities and communities of interest. To many, this state of affairs places the County at a competitive disadvantage since it has the effect of localizing perspectives and interests. Since perceptions are reality, they deserve attention.

A centering strategy means three things. First, it is a method for creating a shared identity and sense of common purpose for residents, regardless of where they live in Merced County. Second, it is a process for empowering people, regardless of their life experiences, so that they are prepared to work together. Third, it is a vehicle for identifying institutions and geographic areas that can serve as points of reference for all residents. All these goals can be achieved through visioning and related efforts to encourage public participation. Based on focus group comments, it appears that the third item has captured the attention of many people who are concerned about fragmentation. A number asserted that a logical center is the City of Merced because it is the county seat and most populous city. Its downtown revitalization program and related infrastructure improvements offer the potential for generating economic development benefits. It also is likely to be a key link to the UC campus and planned community.

- ***With the development of the UC Merced campus, infrastructure will be a key issue on the policy agenda***. While the sharing of infrastructure costs makes sense, there is a case to be made for the state's involvement as well. A vehicle for accomplishing the latter objective may be the Infrastructure State Revolving Fund Program of the California Infrastructure and Economic Development Bank.

The wide range of policy options and directions proposed collectively represent an ambitious agenda for action. But they also underscore what needs to be done to create opportunity in Merced County. Each is linked to the data contained in this report.

The challenges that lie ahead are formidable but the benefits to be derived from "strategic choices" can be measured in terms of quality of life and economic performance. The timing is right, the opportunities are available, and the assets are in place.

Total TANF Cases and Location of Jobs

Merced County

Percent of County's Total Cases by Block Group

- 0 - 0.29%
- 0.3 - 0.59%
- 0.6 - 1.19%
- 1.2 - 2.39%
- 2.4 - 5.2%
- No Data

Bus Routes

Total Jobs

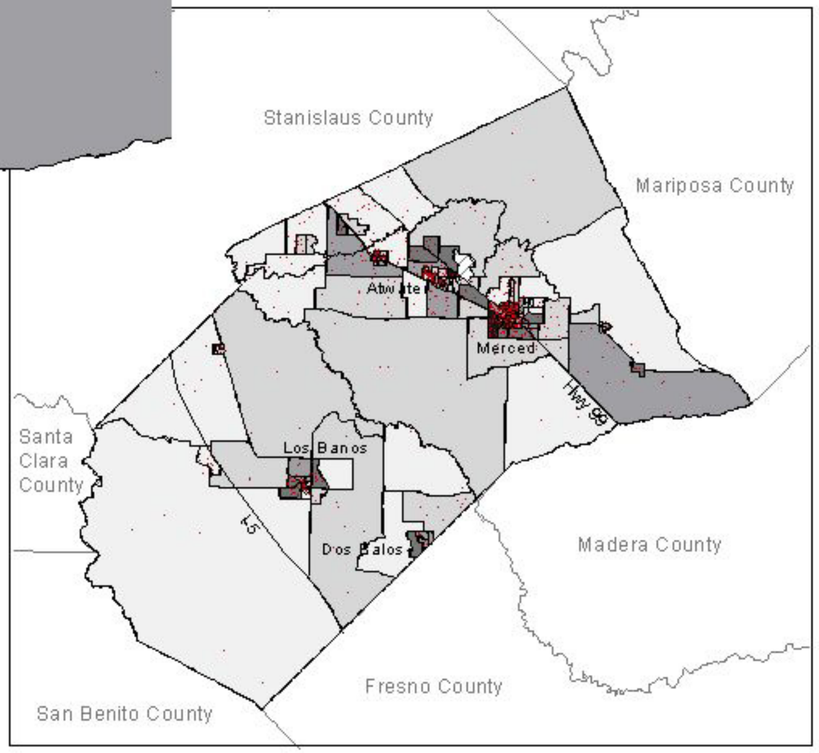
One red dot equals 50 jobs

(Jobs are aggregated and randomly placed within block groups)

Snelling
Ballico
Delhi
Hilmar
Cressey
Livingston
Winton
U.C. MERCED
CASTLE
Hwy 99
Atwater
Stevinson
Merced
Planada
Gustine
Le Grand
El Nido
Santa Nella
Los Banos
Dos Palos Y
Dos Palos
South Dos Palos
I-5

0 5 10 Miles

Temporary Aid to Needy Families (TANF) shading is calculated from 5,474 of 5,902 cases.
Top 10 areas depict number of TANF cases. Job data calculated from 3,398 of 3,709 employers.
Data sources: TANF - Merced County Human Resources Agency, Magic Project (1/2000); Employer data - California Employment Development Department (2/2000).
Geographic unit: Census Block Groups.
ArcView 3.2, GIS Lab, Department of Geography, CSUS, 7/2000



Total TANF Cases and Location of Jobs

Merced and Atwater

Percent of County's Total Cases by Block Group

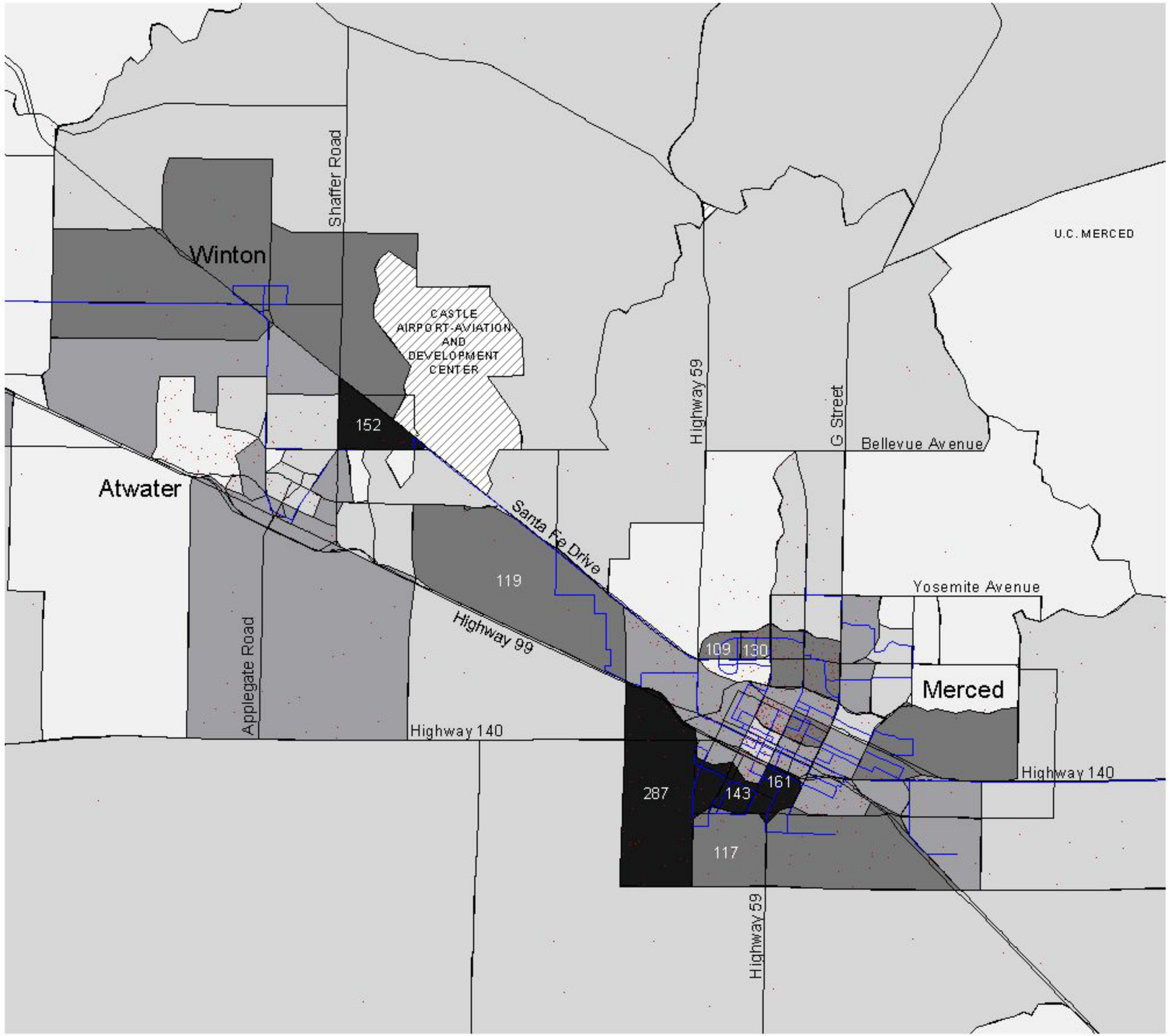
- 0 - 0.29%
- 0.3 - 0.59%
- 0.6 - 1.19%
- 1.2 - 2.39%
- 2.4 - 5.2%
- No Data

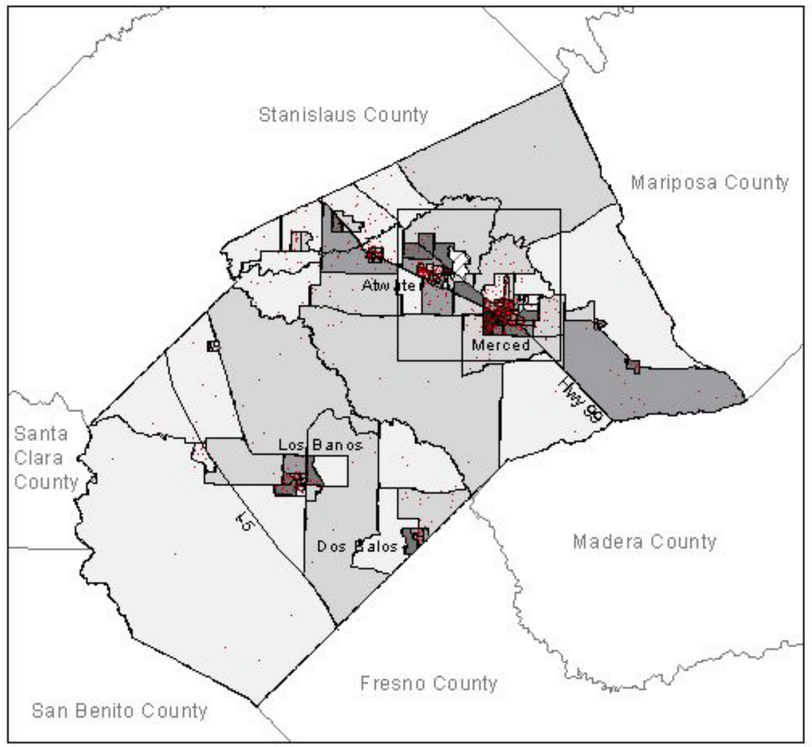
Bus Routes

Total Jobs

One red dot equals 50 jobs

(Jobs are aggregated and randomly placed within block groups)





0 1 2 3 4 5 Miles

Temporary Aid to Needy Families (TANF) shading is calculated from 5,474 of 5,902 cases.
Top 8 areas depict number of TANF cases. Job data calculated from 3,398 of 3,709 employers.
Data sources: TANF - Merced County Human Resources Agency, Magic Project (1/2000); Employer data - California Employment Deuelopment Department (2/2000).
Geographic unit: Census Block Groups
ArcView 3.2, GIS Lab, Department of Geography, CSUS, 7/2000

Total TANF Cases and Child Care Providers

Merced County

Percent of County's Total Cases by Block Group

- 0 - 0.29%
- 0.3 - 0.59%
- 0.6 - 1.19%
- 1.2 - 2.39%
- 2.4 - 5.2%
- No Data

Bus Routes

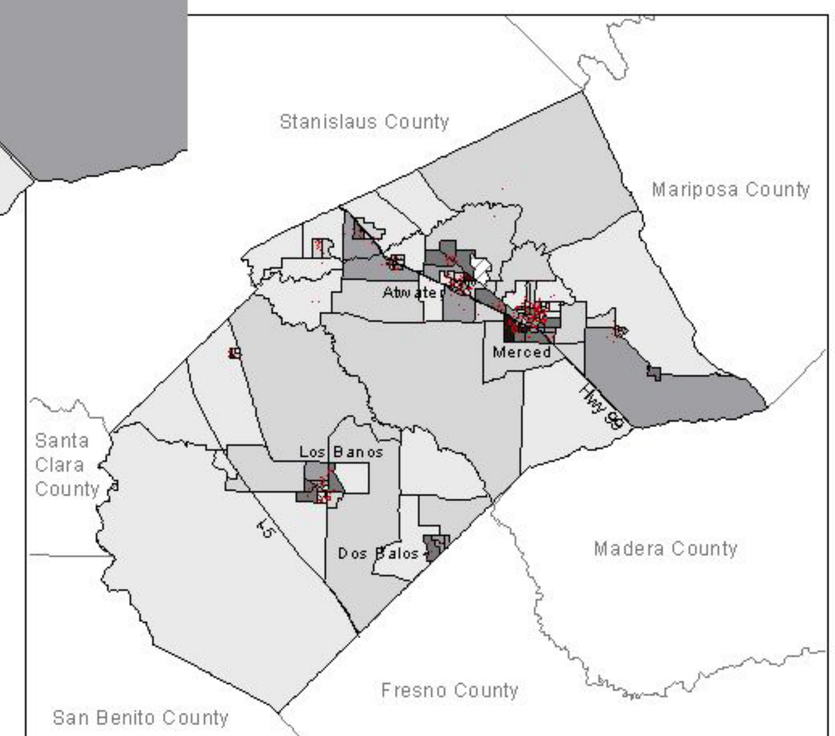
Capacity of Child Care Providers

- 6 - 15
- 16 - 30
- 31 - 62
- 63 - 102
- 150

Snelling
Ballico
Delhi
Hilmar
Cressey
Livingston
Winton
U.C. MERCED
CASTLE
Hwy 99
Atwater
Stevinson
Merced
Planada
Gustine
Le Grand
El Nido
Santa Nella
Los Banos
Dos Palos Y
I-5
Dos Palos
South Dos Palos

0 5 10 Miles

Temporary Aid to Needy Families (TANF) shading is calculated from 5,474 of 5,902 cases.
Top 10 areas depict number of TANF cases. 376 of 382 child care sites are represented.
Data sources: TANF - Merced County Human Resources Agency, Magic Project (1/2000); Child care - Merced County Local Childcare Planning Council (11/1999).
Geographic unit: Census Block Groups
ArcView 3.2, GIS Lab, Department of Geography, CSUS, 7/2000



Total TANF Cases and Child Care Providers

Merced and Atwater

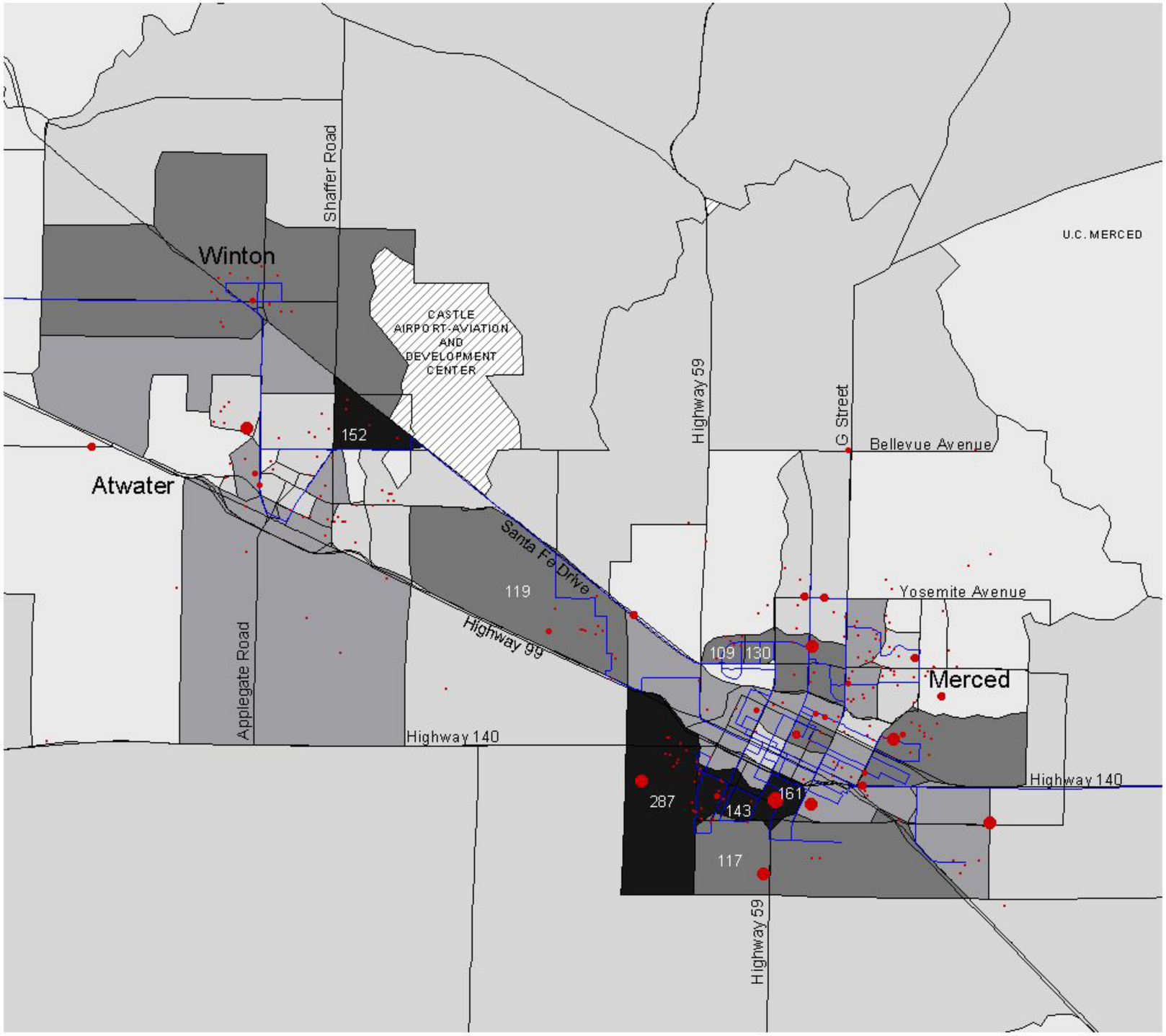
Percent of County's Total Cases by Block Group

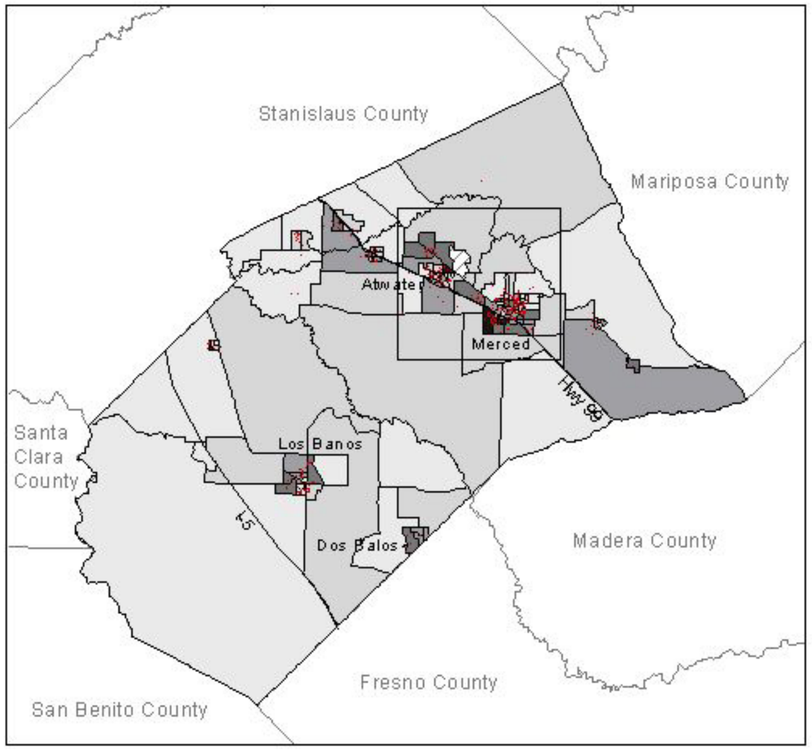
- 0 - 0.29%
- 0.3 - 0.59%
- 0.6 - 1.19%
- 1.2 - 2.39%
- 2.4 - 5.2%
- No Data

Bus Routes

Capacity of Child Care Providers

- 6 - 15
- 16 - 30
- 31 - 62
- 63 - 102
- 150





0 1 2 3 4 5 Miles

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