

■ ***Executive Summary***

The Stanislaus County Board of Supervisors asked the Center for Public Policy Studies at California State University, Stanislaus to conduct a study that probed the sources and effects of employment growth and unemployment. The Board also authorized the Center to examine the challenges and opportunities associated with welfare-to-work, a core program in welfare reform. This report -- ***Critical Links: Employment Growth, Unemployment, and Welfare-to-Work in Stanislaus County*** is the product of the Center's efforts.

Critical Links addresses the conventional wisdom about Stanislaus County, and explores long-term patterns of employment growth and unemployment, economic impacts of industrial employment, detailed characteristics of the unemployed and welfare populations, local assessments of barriers to employment, and the scale of the underground economy. It also analyzes the "anomaly of high unemployment," an outcome of the apparently contradictory effects of two local economic indicators: relatively high wage and salary employment growth rates and concurrently high unemployment rates. The findings and conclusions establish a framework for policy options presented to the Board of Supervisors for its consideration and review.

While the anomaly of high unemployment has persisted over time, its underlying components have changed in response to long-term shifts in the Stanislaus County economy. The most rapid and large-scale employment growth has been in the service producing sector, especially in personal services and retail trade. Broader structural changes, including automation and reorganization, have slowed the rate of job growth in manufacturing and agriculture. Not only has the share of seasonal employment in nondurable goods manufacturing declined, but the number of seasonal jobs in other industries, each with its own seasonal dynamics, has grown. In contrast, the state and Bay Area reference counties have experienced an economic restructuring based on information and knowledge that has fundamentally redefined their labor markets.

The effects of these developments locally have been far-reaching. With the exceptions of agriculture, manufacturing and their support activities, job growth has been largely population driven, and the population increases that have occurred have been based largely on housing affordability and other non-job considerations. Changes in patterns of seasonal employment have tended to reduce the volatility of month-to-month unemployment rate changes, but they also have produced, together with non-seasonal factors, relatively high levels of unemployment during the typically highest employment months.

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The end of the 1970s and beginning of the 1980s represented a key transitional period in Stanislaus County that also was marked by changes in the labor force. Both the labor force participation rate and the employment to population ratio declined noticeably between 1977 and 1982.

Stanislaus County's unemployment picture has not improved as a result of these changes in the labor market. Prior to 1980, the unemployment rate during the highest employment month often matched or dropped below the state unemployment rate. After 1980, unemployment rates have been higher than those in the state every month of every year.

Indicators of socioeconomic well-being since the late 1970s reveal widening gaps between Stanislaus and other counties in the northern San Joaquin Valley, on the one hand, and the state and Bay Area reference counties, on the other. Earnings and income levels have lagged, a lower proportion of working age persons has been in the workforce, women have been less likely to work full-time and year-round, and improvements in educational attainment levels have not kept pace. Moreover, long distance commuting has increased significantly, a consequence of fast-paced population growth and migration from the Bay Area.

Stanislaus County has an economy and population with characteristics associated with higher levels of underground activity. The size of the underground economy in 1997 was between \$919 million and \$2.3 billion.

The fast-growing service and retail sectors of the Stanislaus County economy have contained jobs with lower earnings while slower growing industries such as manufacturing have had higher paying jobs with benefits. These patterns, which have affected income levels, also must be viewed in light of the impacts of industry employment. Food processing and agriculture combined account for close to one-third of the dollar value of total industry output. Among all industries, food processing has the highest employment multiplier.

The welfare reciprocity rate (the percentage of the resident population receiving welfare payments) has been consistently higher than in the state and Bay Area. Although welfare caseloads and persons have dropped during the 1990s, the reciprocity rate has not changed perceptibly over the past decade. At the same time, however, the percentage of all recipients who are children has surpassed 70%.

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Surveys of employers, social service providers, the unemployed, and social service recipients indicate that lack of skills and relatively low educational attainment levels are the key barriers to employment. At-risk respondents stress technical skills while employers and providers also are concerned about basic skills, interpersonal skills, work ethic, and thinking skills. All groups concur that more job training is needed.

Welfare recipients believe affordable child care and transportation are the two most formidable barriers to employment, but they also cite inadequate clothing, disabilities/ill health, no telephone, and inadequate experience as obstacles. Both welfare recipients and the unemployed stress difficulties with English and lack of information about jobs. Social service providers also cite behavioral and attitudinal problems.

The records of the unemployed, welfare recipients, and PIC training applicants show that racial and ethnic minorities and those with lower educational attainment levels are more likely to depend on these programs. Yet, when the unemployment records are adjusted for those who are likely to be recalled to work, the overall numbers, as well as the number of high risk group members, drop sharply.

There are discernible differences between the unemployed and welfare recipients. The latter have lived in Stanislaus County a shorter period of time, are younger, are more likely to be female, are more likely to have young children at home, have lower educational attainment levels, have a less secure and more intermittent work history, and have a less stable family structure.

There are ZIP codes (especially 95351 and 95350) and neighborhoods that contain large concentrations of the unemployed, welfare recipients, and PIC applicants.

There is no simple or single explanation for unemployment and relatively high unemployment. The reasons cover a range of factors, including relatively low skill and educational attainment levels, other structural and personal employment barriers, advances in workplace technology, the growth of less secure population driven jobs, seasonal and temporary jobs, temporary periods of surplus labor, the presence of younger age cohorts in the labor force, cyclical changes in the economy, and lagging job growth for the better educated and more highly skilled.

No single public policy or program will guarantee desired levels of unemployment, job growth, and employment for TANF recipients. Policies should seek to improve employability and create employment opportunities, have short-range and long-range

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components, encourage public sector and public-private collaboration, increase the number of stakeholders and channel the participation of “civic entrepreneurs,” cultivate community-building, provide both pre-employment and post-employment services, recognize the differences between welfare recipients and the unemployed, and enable people to help themselves.

Among the policy options that might be considered are the following:

- The development of organizational arrangements (such as an expanded Public Agency Council) for linking workforce preparation to economic development.
- The broadening of job training opportunities through public agencies, educational institutions, nonprofit organizations, and business firms.
- The consideration of economic development options (e.g., health service, leisure service, and knowledge based jobs) that strategically diversify the economy but also complement the existing agricultural and food processing cluster.
- The use of existing tools to encourage small business creation.
- The promotion of partnerships between educational institutions at all levels and public and private groups to improve the skills of students, provide students with pre-employment experience, and upgrade the skills of current workers.
- A community-based strategy that delivers pre-employment and post-employment services and counseling to those in need in the neighborhoods in which they reside.
- The development of transportation and child care programs that more efficiently link concentrations of at-risk populations to jobs.
- The integration of programs and services to children and efforts to increase awareness of the needs of children.
- The pursuit of partnerships with Bay Area counties to provide job opportunities for participants in the welfare-to-work program and the currently unemployed.
- The sponsorship of conferences on welfare reform that increase awareness and promote collaboration.