

# ***Roots of Performance:***

## ***An Examination of Merced County's Economic Base***

**A Report Prepared for the  
Merced County Board  
of Supervisors**

**by the**

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at  
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## Summary

*Roots of Performance: An Examination of Merced County's Economic Base* presents the results of an analysis of Merced County's economic base and is a companion report to *Strategic Choices: Creating Opportunity in Merced County*.

The analysis is based on data from two sources: an input-output modeling program called IMPLAN Pro™ and ES202 Employment and Earnings reports from the U.S. Bureau of Labor Statistics. Inconsistencies between the data sets are the result of different data definitions and data collection techniques. The significant differences will be explained as the data are presented.

The focus is on Merced County's economic structure. To give contextual meaning to the analysis, the County also is compared to the nation, state, San Joaquin Valley and Fresno, Madera, Stanislaus, San Joaquin, and Santa Clara Counties.

The input-output model employed in this study traces the flow of goods through the economy. By connecting industries in terms of supply and demand linkages, it is possible to assess key features of the region's economic structure. Among the indicators examined are gross region product, industry output, employment levels, earnings and compensation levels, net exports, and a variety of multipliers

The ES202 data are used to calculate location quotients for industries and industry groups in Merced County. These quotients can be used to identify both employment concentrations and base sectors. Like the data on employment growth and earnings, location quotients provide policy-makers with an important information tool.

An important theme in *Strategic Choices* is divergence, and the economic data presented in this report validate the theme. While the San Joaquin Valley, as a whole, differs from other parts of the state and nation, counties within the San Joaquin Valley, while similar, are not identical.

The following are some of the key results of the analysis contained in the report.

- The gross county product of Merced County in 1996 was \$3.176 billion and the gross county product per capita was \$16,515. The per capita figure was the lowest of all the areas examined.
- Agriculture and manufacturing/food & kindred produced the largest share of total industry output in Merced and were the only industry groups with over \$1 billion in total output.
- Agriculture (19.7%) and manufacturing/food & kindred (22.3%) accounted for larger shares of total output in Merced than they did in the San Joaquin Valley (13.1% & 11%), California (2% & 2.8%), and the United States (2% & 3.4%).
- Services (10%) and finance, insurance, and real estate (F.I.R.E.) (9.7%) accounted for much smaller shares of industry output in Merced than they did in the San Joaquin Valley (15.3% & 12.7%), California (22.3% & 18.3%), and the United States (18.7% & 15.1%).
- Merced was similar to Madera in terms of the share of output from agriculture (19.7% to 23%) and was similar to Stanislaus (22.3% to 21.8%) in terms of the share of output from manufacturing/food & kindred.
- Services accounted for a smaller share of total industry output in Merced County than it did in any of the reference counties.
- Agriculture was the largest industry group in terms of employment in Merced County. It was followed by services, retail trade, and government.
- The percentage of total employment in agriculture in Merced (20.4%) was similar to that for the San Joaquin Valley (19.8%). The percentages were much larger than for either California (3.8%) or the United States (2.9%).
- Manufacturing/food & kindred accounted for a larger share of employment in Merced (8.5%) than it did in the San Joaquin Valley (3.4%), California (1%), and the United States (1.1%).
- Agriculture made up a larger share of employment in Madera County (29.1%) than in all of the other reference counties. Merced (20.2%) and Fresno (20.4%) were next in terms of the share of employment in agriculture.
- Manufacturing/food & kindred accounted for a larger share of total employment in Merced (8.5%) and Stanislaus (7.8%) than in any of the other counties.

- Job growth did occur in Merced when government employment was not included in the analysis. When government employment was included there was little or no job growth from 1992 to 1996.
- Manufacturing/food & kindred and retail trade were strong growth industry groups for Merced.
- Government's share of total employment dropped dramatically during the period from 1992 to 1996. As a result employment shares in the other industry groups rose during this same period.
- Shares of industry employment were much more stable in all of the reference areas from 1992-1996.
- Only Madera (\$19,466) had a lower average payroll level than Merced (\$21,167).
- Transportation & public utilities had the highest payroll levels and was followed by government, manufacturing/food & kindred, and manufacturing/other.
- Agriculture had the lowest payroll levels; this was followed by retail trade, services, and mining & construction.
- Agriculture and manufacturing/food & kindred combined for over \$1 billion in net exports.
- In terms of detailed industry sectors, 14 of the top 20 net exporting sectors were part of the agriculture or manufacturing/food processing industry groups.
- The services group was a net importer as a whole and within the group health services was notable as a net importer.
- Retail trade, government, and services employed the largest number of people per level of output. These sectors will add jobs as the population of the county increases.
- The manufacturing sectors and transportation & public utilities had the largest employment multipliers. Whenever new jobs are created in these industries in Merced, their impact will be greater than in any other industry sector.
- Industries within manufacturing/food & kindred and manufacturing/other had strong growth relative to the county and the United States between 1992 and 1997 and paid above average wages in the county.
- Industries within agriculture had strong growth relative to the county and the United States between 1992 and 1997 but paid below average wages in the county.