

Elephants in the Room (Two you Know, One Might Surprise)

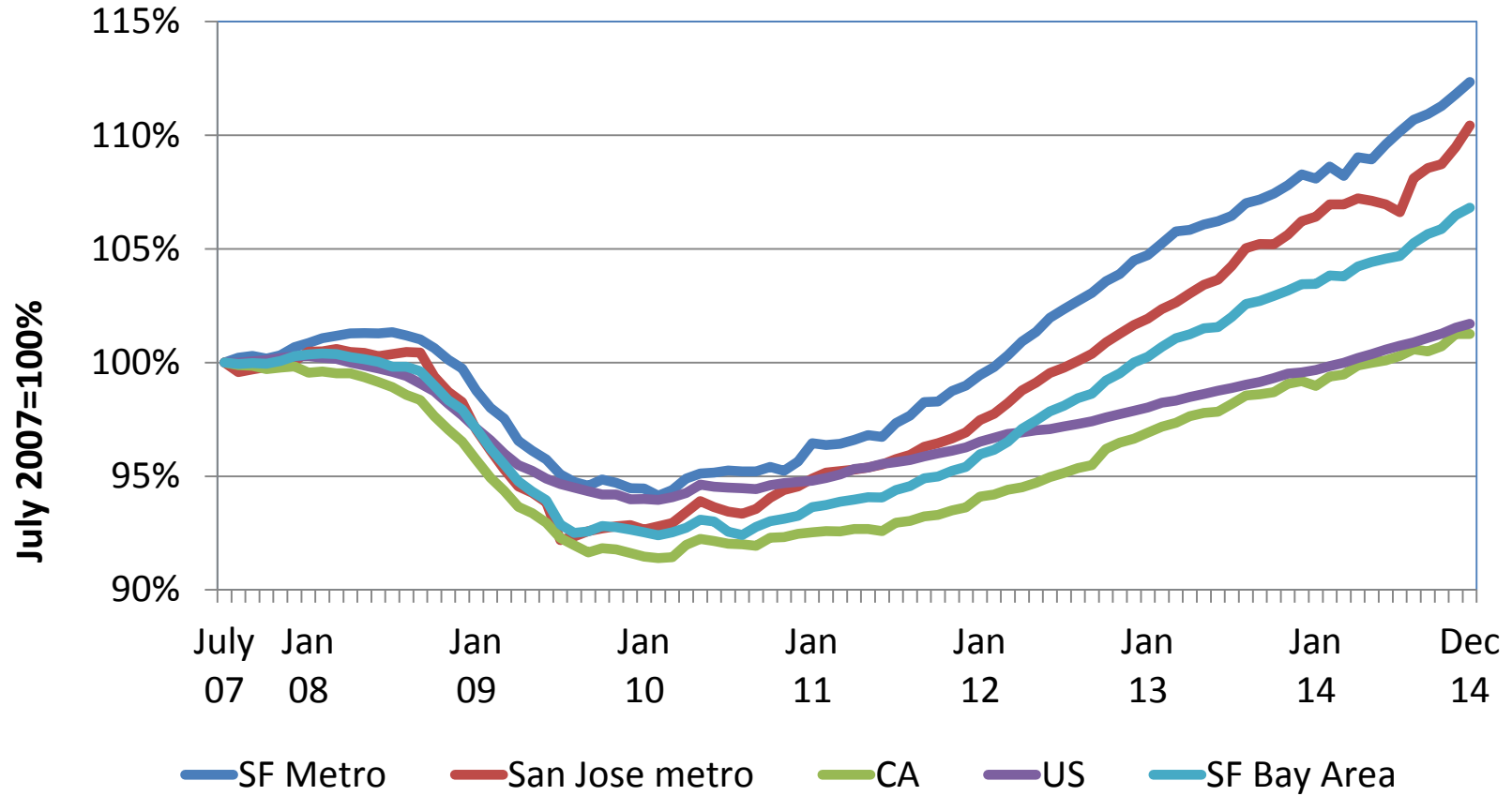
Stephen Levy
Center for Continuing Study of the
California Economy
January 30, 2015

Topics

- Very strong economy, surge continues in 2015 and 2016, then demographics take over and slow job growth
- You know about the housing and transportation challenges but have you thought of the implications of slow growth on commercial development past 2016 or continuing wage stagnation for many
- Some reasons why “we are all in this together” has some truth to it

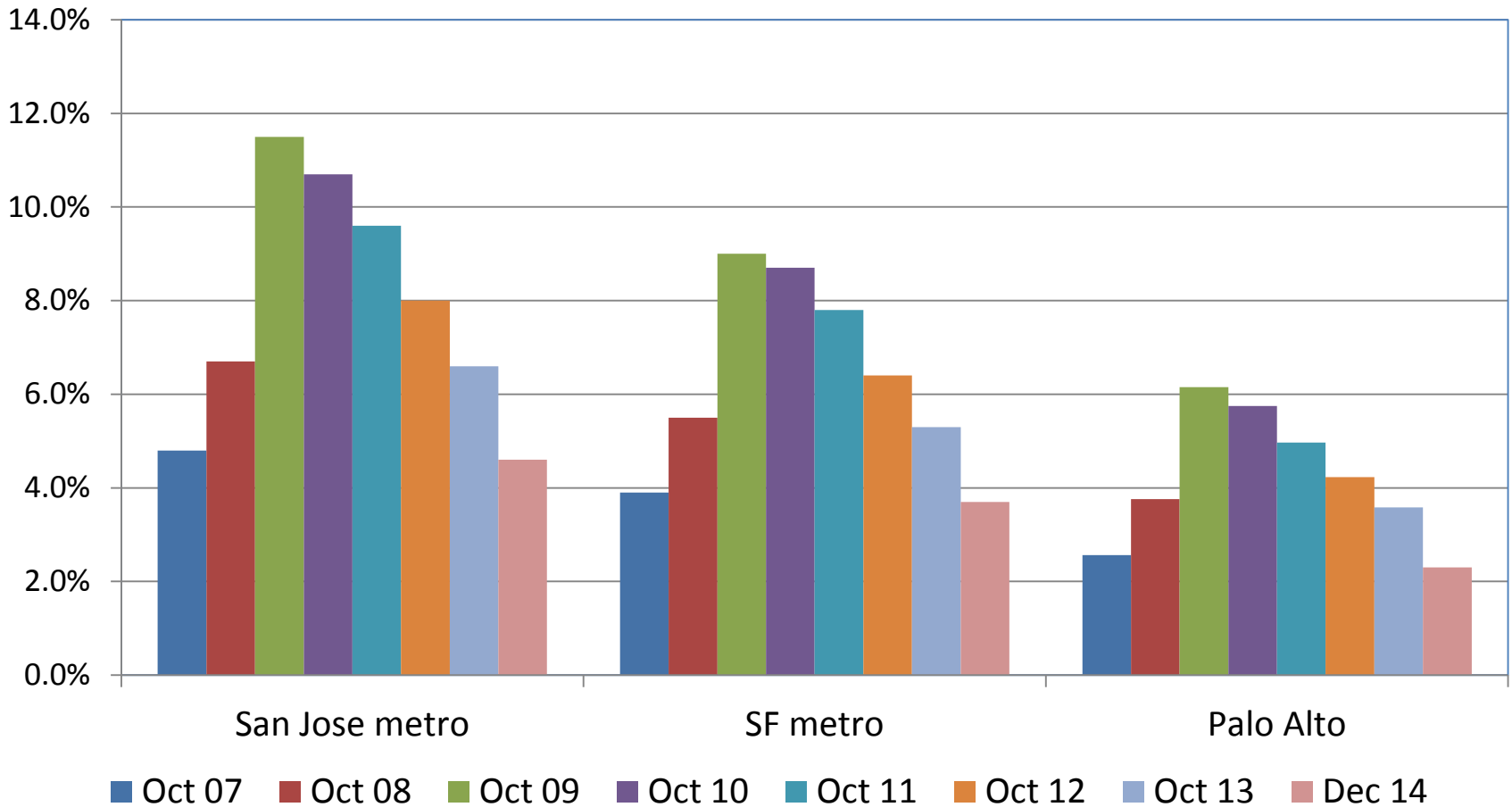
The SF to San Jose Job Market is Hot

Job Levels Surge Past Pre Recession Highs

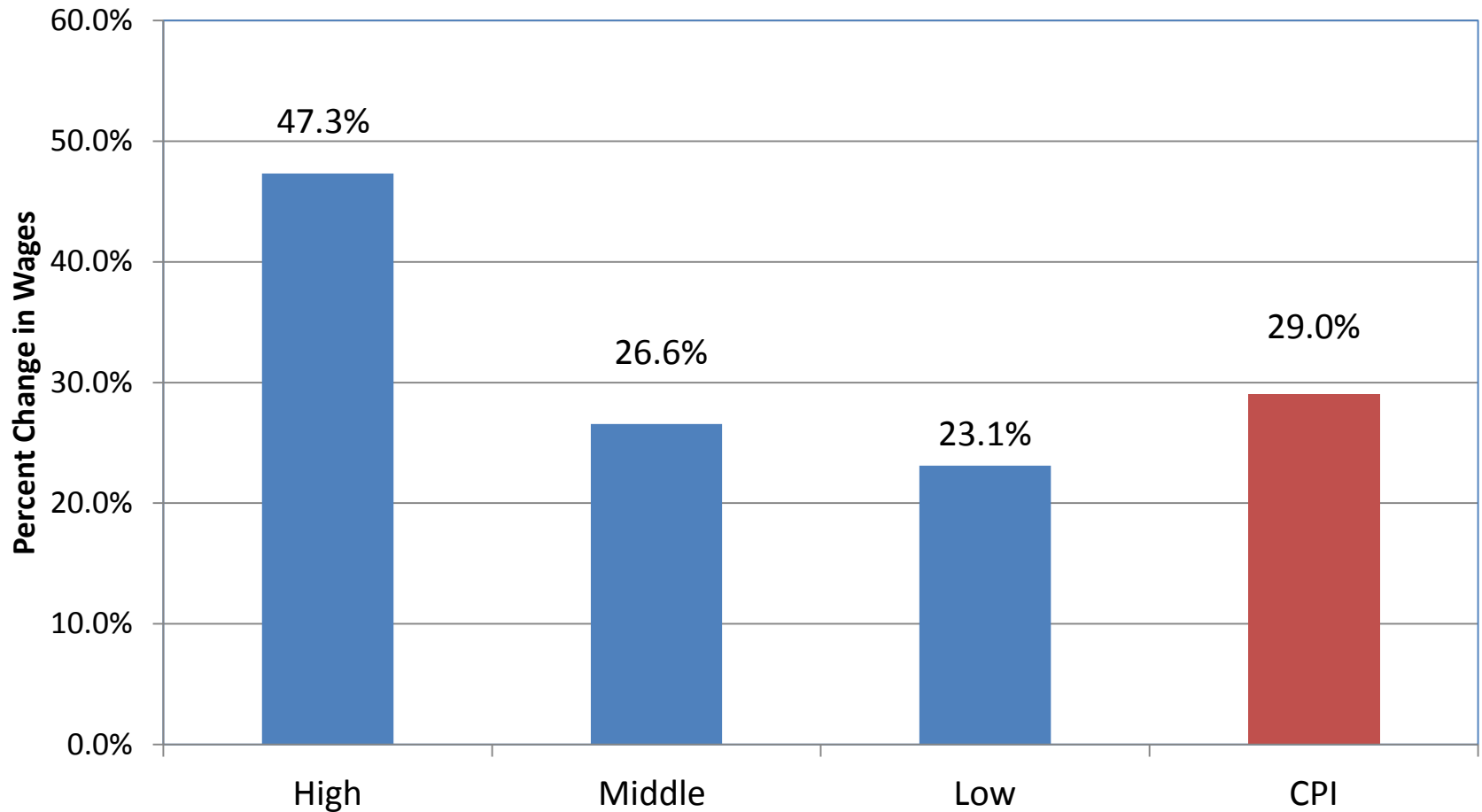


Unemployment Rates Dec 14

Below the National Average and Falling—NOVA 3.5%

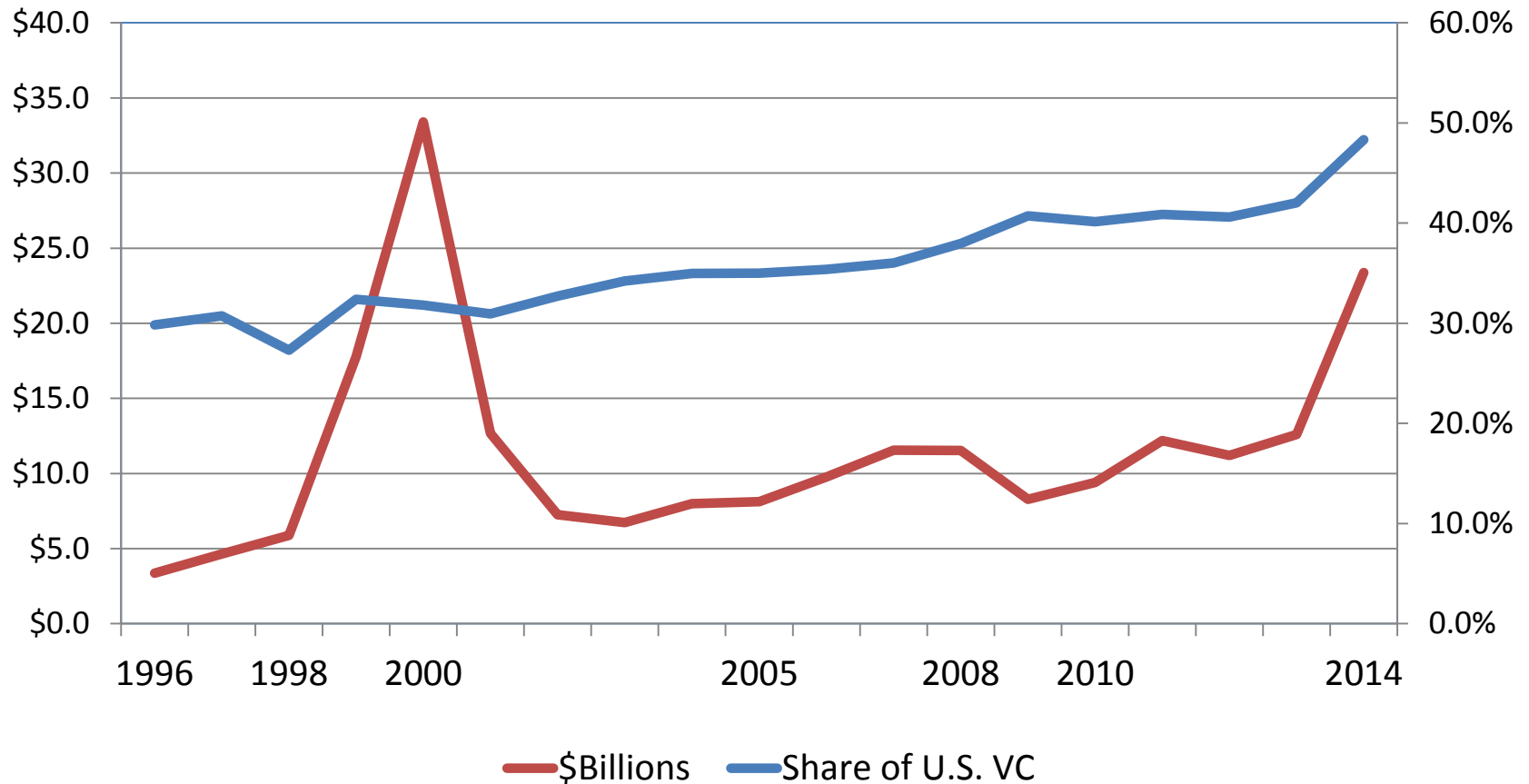


There is Usually a BUT--Median Wages for Low and Middle Wage Occupations Lag Since 2001



Looking Ahead

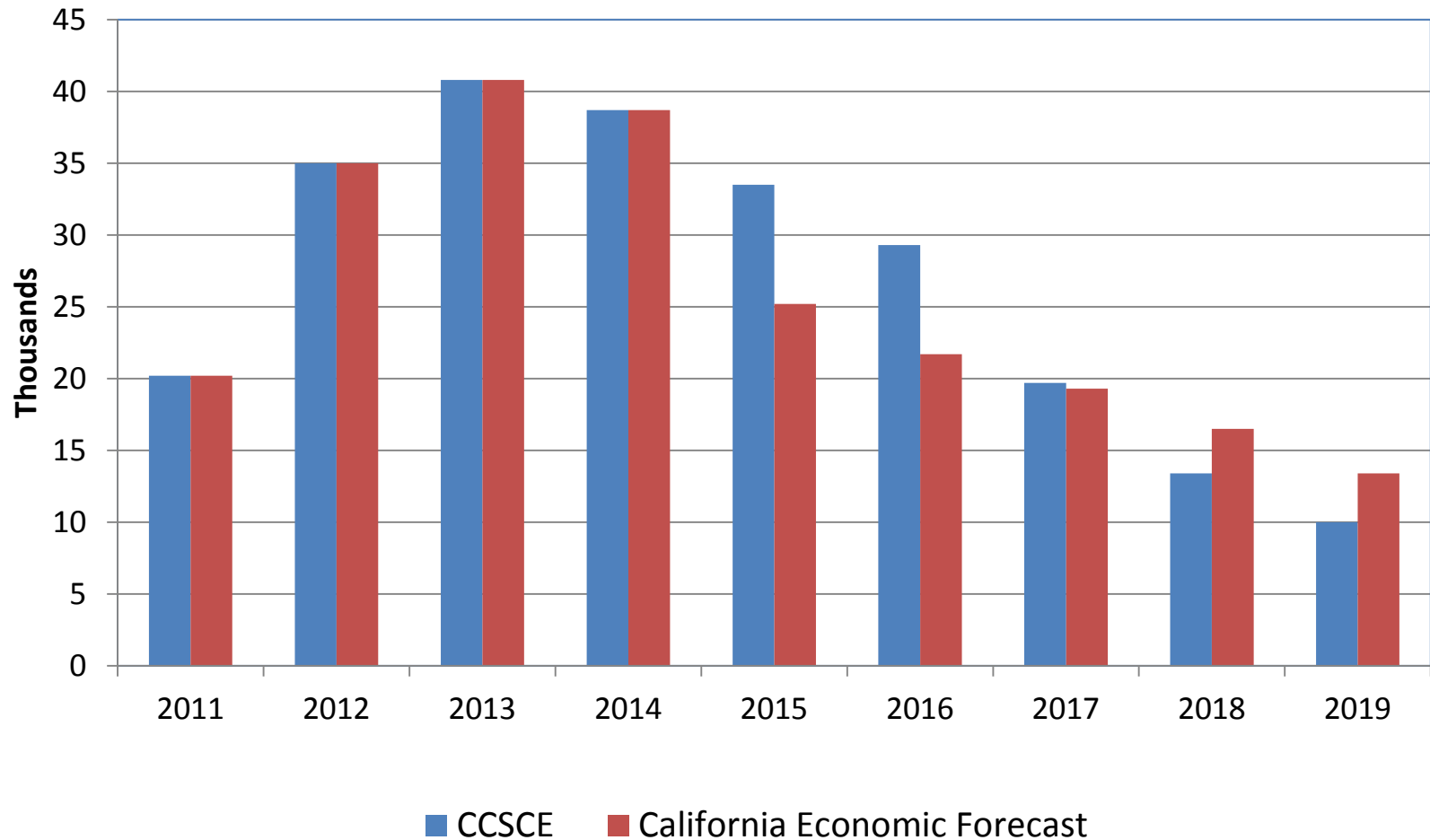
Bay Area--Record Share of National VC Funding—2nd Highest \$ Funding Year



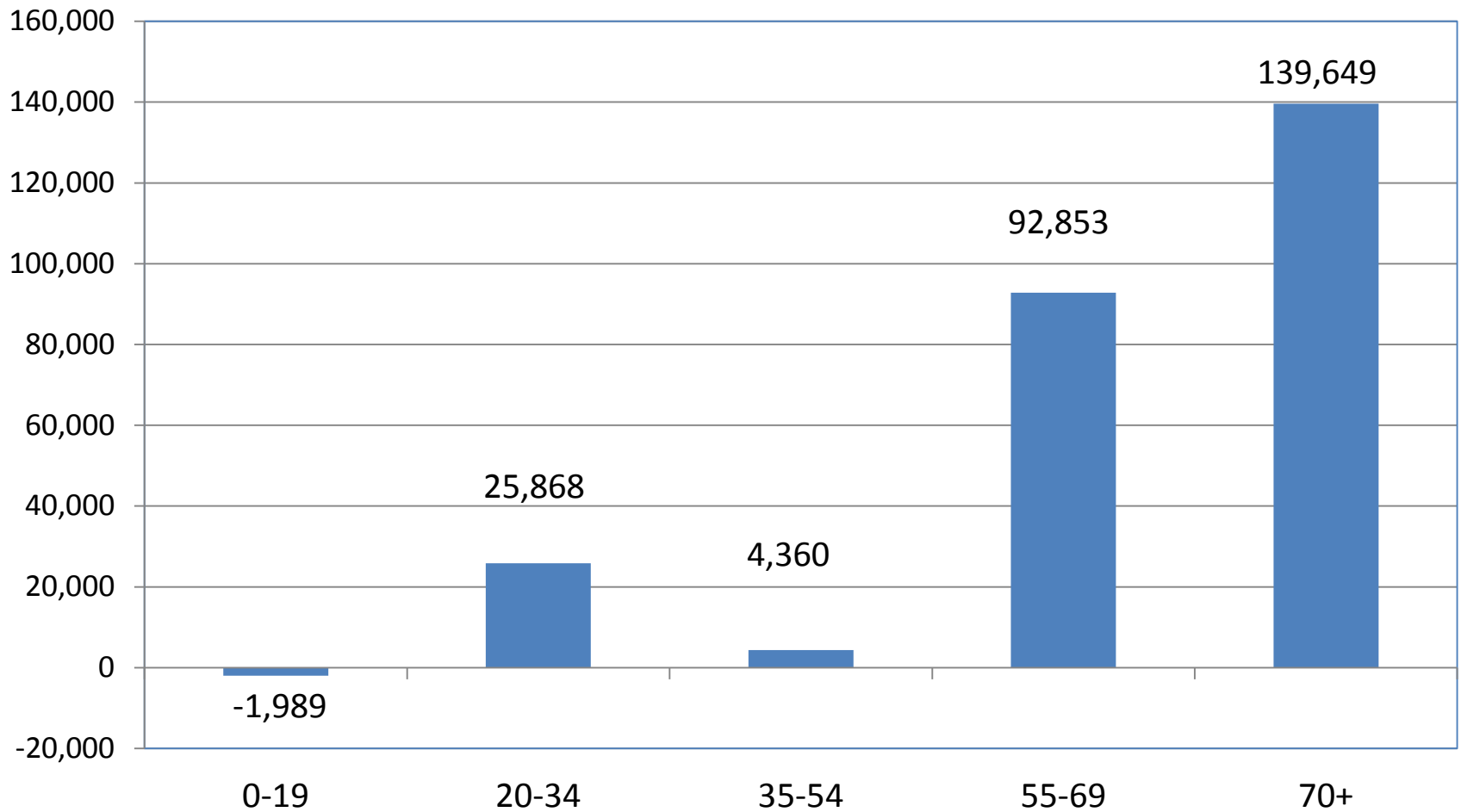
The UCLA Bay Area Forecast for Peninsula and East Bay—Jan 2015

- Jobs will increase by 87,500 (2.8%) in 2015 and 106,800 (3.3%) in 2016 far outpacing the state and nation. Unemployment at 4.2% by end of 2016.
- Leading sectors are Information, Business and Professional Services and Construction
- Gains in income and spending far outpacing increases in consumer prices.

Then Job Growth Will Slow as Boomers Retire (Likely Pattern of SJ Metro Area Job Growth)



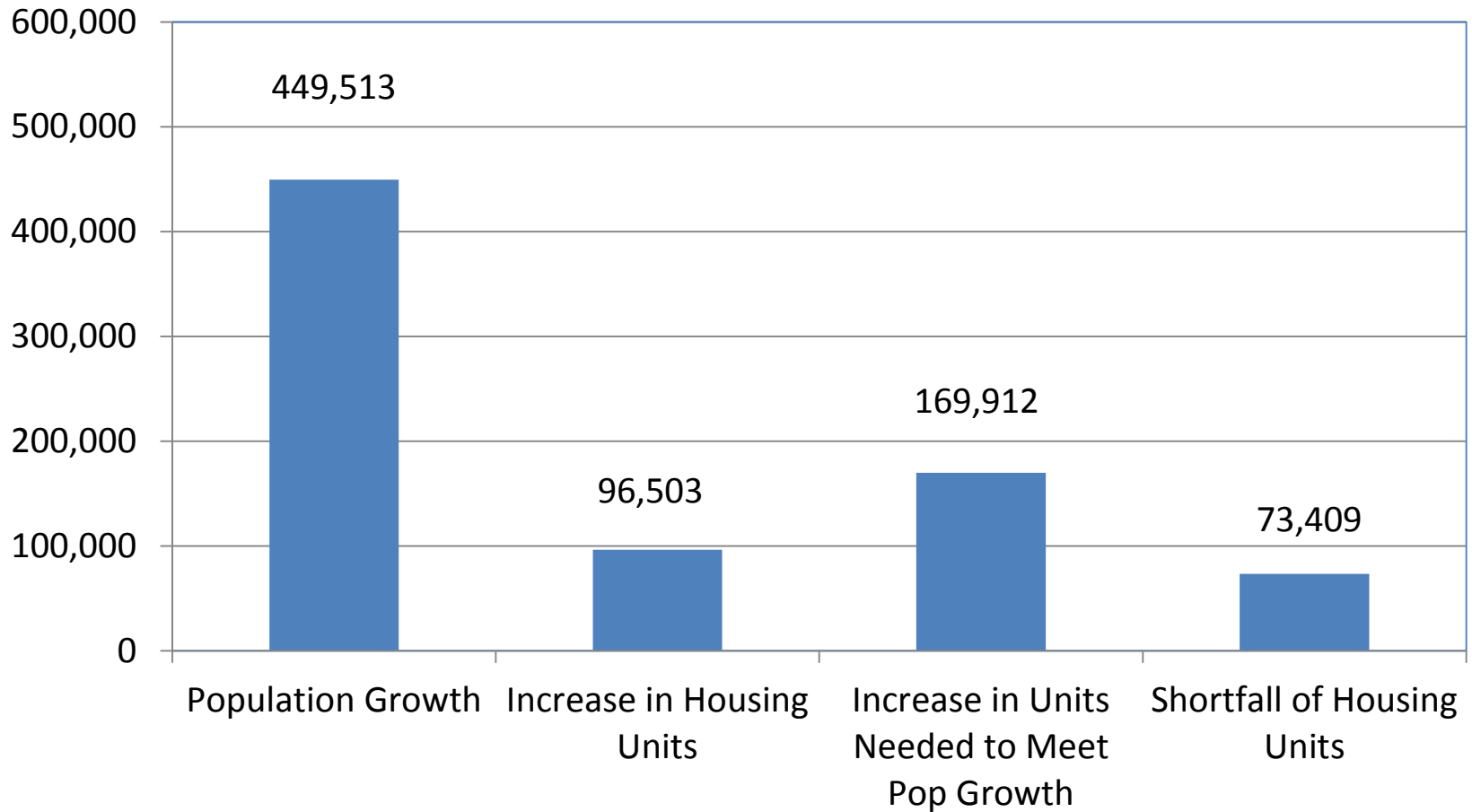
CA Dept. of Finance Projections of Population Growth in Santa Clara County to 2030 (Likely Growth in 20-44 Ages Will be Higher)



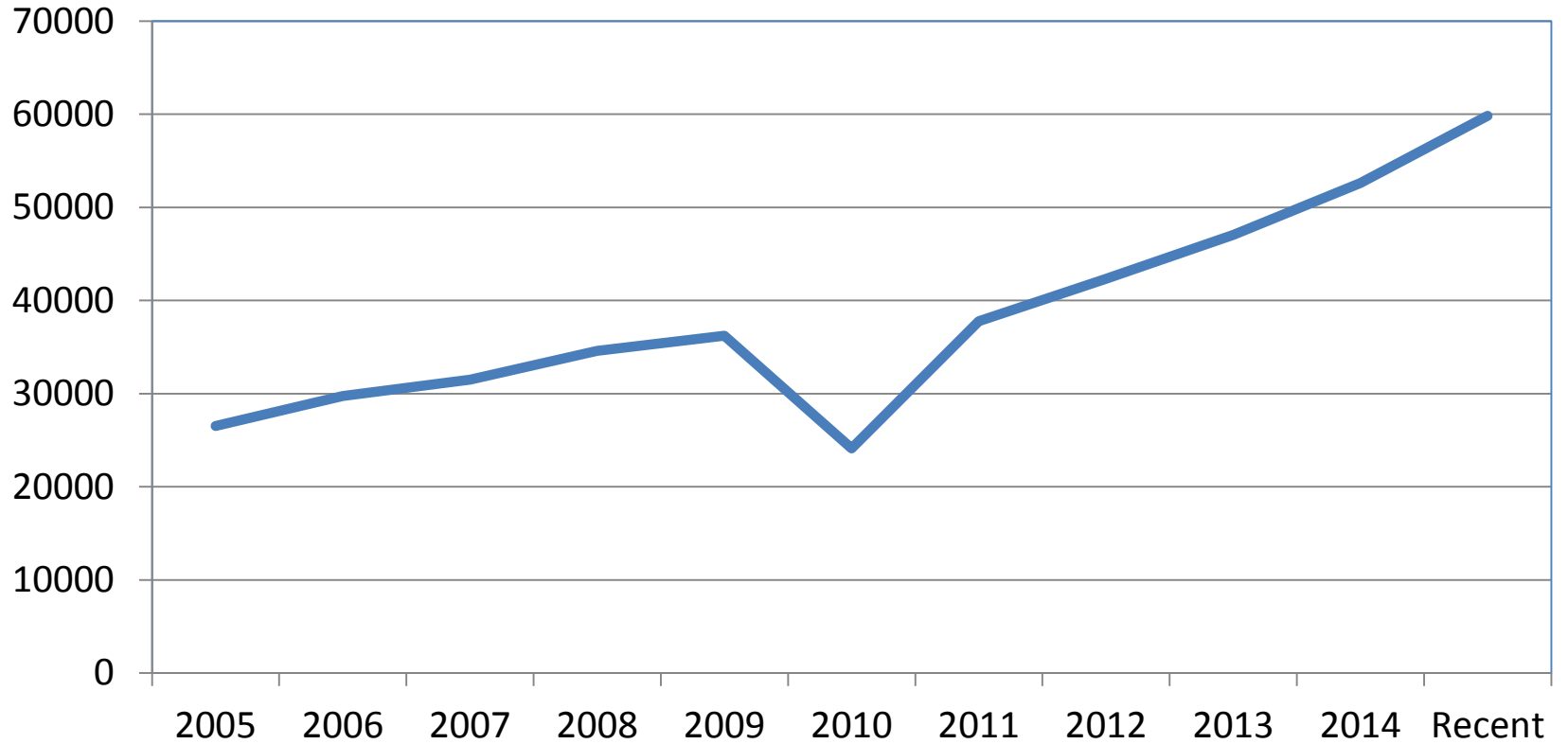
Housing and Transportation

Why There is a Plan Bay Area

Anatomy of a Growing Regional Housing Shortage 2007-2013



CalTrain Average Weekday Ridership

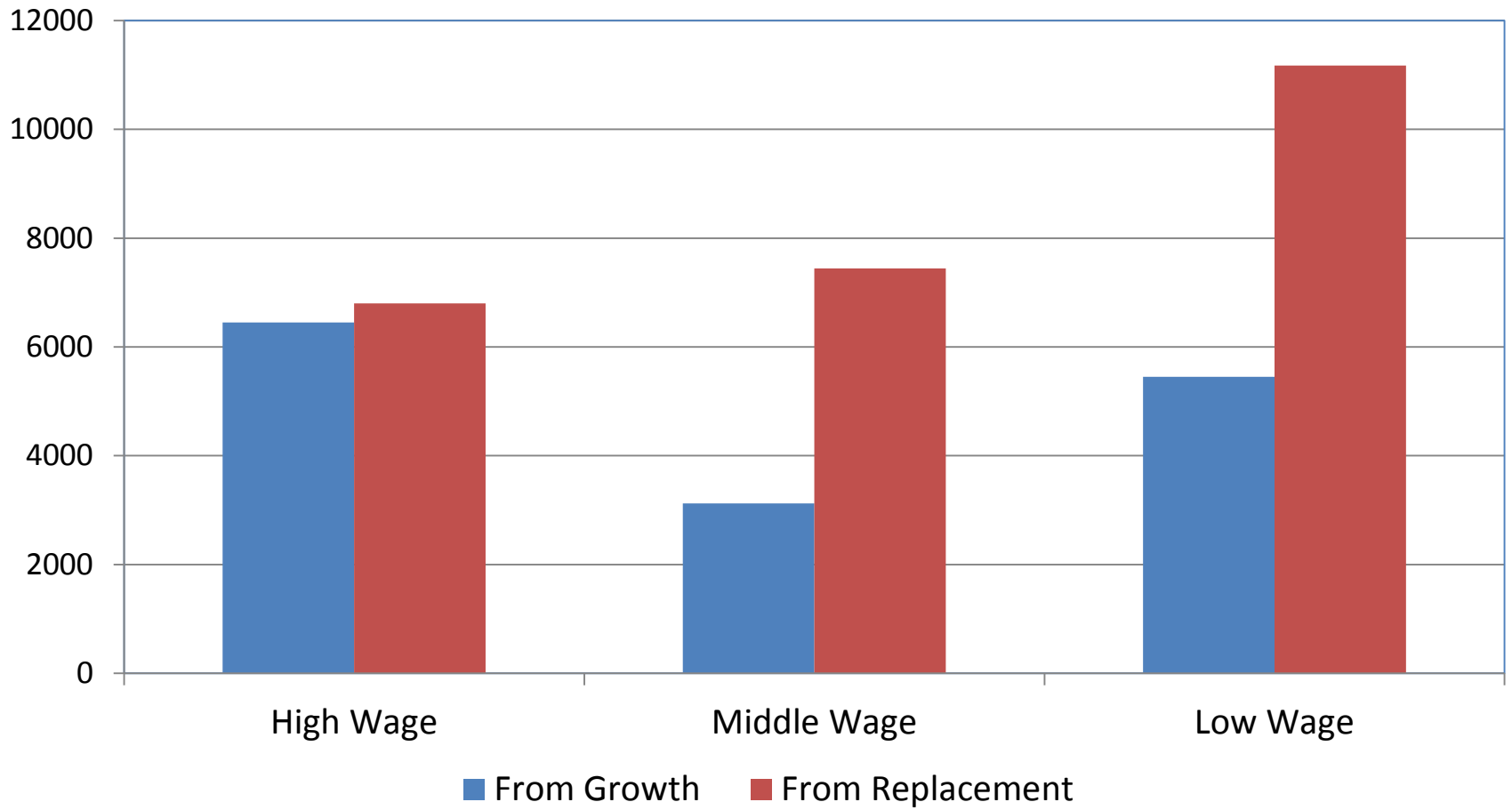


And Now for Something that Might Seem out of Place

- But maybe isn't

Annual Job Openings SF Metro to 2022

Introducing the Regional Prosperity Strategy Project



Strategies are Proposed to Meet the Three Goals

Goal 1: Improve career pathways from low and moderate wage work to middle wage jobs.

Goal 2: Grow the economy in the Bay Area, with a particular emphasis on growing middle-wage jobs.

Goal 3: Upgrade conditions, particularly for workers in existing low-wage and moderate-wage jobs.

Implications for Economic Prosperity Strategies

- Replacement openings are more than double openings from job growth and will be the major middle wage job opportunities
- Low wage job growth and wage stagnation confirm the importance of strategies to improve conditions for low wage workers
- Regional economic growth does matter for job growth and reducing unemployment and should soon produce better wage increases

Implications for Economic Prosperity Strategies

- Construction and health care are more likely sources of middle wage job growth than a revival of manufacturing job growth.
 - Strategies to build homes and infrastructure have a triple bottom line.
- Retirements and a tightening labor market will help
 - Strategies to address language, skill and mobility deficits remain critical for upward mobility goals.

Questions for Discussion

- Will office demand slow sharply after 2016 from overbuilding and/or boomer retirements
- Are housing prices and rents high enough to support more high density? What else needs to happen?
- Do you believe regional competitiveness is related in any substantial way to solving housing and transportation challenges?

One Final Question

- Are (aren't) alliances needed for a successful economy?
 - Can the issues of wage stagnation, high housing costs and increases in low wage jobs be left unaddressed?
 - How can support for economic growth be broadened by addressing the many challenges and negative impacts that come with it?