OPINION

The Inland Empire and the Great Expansion

The Inland Empire's logistics industry, which fueled much of the region's economic recovery, is expected to add 9,000 jobs in 2019, after 12,917 were created in 2018. (AP Photo/Ted S. Warren, File)

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The Great Recession ended in June 2009 for the U.S. and as of July 31, the national economy has lived through a record setting 10-year boom period. The previous record expansion was in the '90s during the Bush/Clinton years. It is interesting to underscore what this boom has meant for the Inland Empire.

If we look at the turnaround and expansion from 2010-2019, our region has been a job engine. In 2019, the Inland Empire is on track to reach close to 1.6 million jobs (excluding commuters). That would be roughly 237,000 jobs above its 2007 peak of 1.3 million or up by 18.2%.

During that period, California only gained 12.8% positions; the U.S. added 9.4%. Interestingly, the often quoted wonder child, North Dakota, generated slightly less than 70,000 jobs. Compare these numbers to the 2008-2009 Great Recession when the Inland Empire lost an annual average of 140,000 jobs or 10.7% of all positions. California's employment fell by 7.7%, the U.S. saw a decline of 5.5%.

The fall in unemployment rates from the high in 2010 to 2019 tells a similar story. The Inland Empire dropped from a peak of 14.4% in 2010 to an historic low of 4.2% in June 2019. California's rate hit 12.7% and is now 4.2%.

Surprisingly, the job recovery appears to have given the Inland Empire a better job mix than before the downturn.

The Great Recession might have been labeled a "mancession" in that the vast majority of job losses were in the male dominated manufacturing and construction sectors.

Thus, 4.4 million men became unemployed during the recession, nearly three times as many as female workers. This showed up in the Inland area with construction dropping by 68,400 or 53.6% of the sector's jobs due to the mortgage/foreclosure crisis. Of these, 46,200 have come back leaving 22,200 fewer construction workers in 2019 (2018 median pay: $53,322).

Manufacturing has had a similar issue largely due to technological progress, but also as the result of state regulation and high energy costs. The sector dropped 38,400 jobs and has only gained back 16,200, also leaving 22,200 fewer production workers in 2019 (median pay: $54,800). If all the lost workers in these two sectors earned the median pay, the net loss to the economy by 2019 would be $2.4 billion in worker incomes.

Offsetting this have been two other Inland Empire sectors. Health care had no job losses during the recession.

Today, it has 51,600 more workers than in 2007 (median pay: $62,363) primarily thanks to the demand added by the Affordable Care Act.

Meanwhile, the logistics sector (trucking, warehousing, wholesale trade) has soared. This group lost 11,000 jobs in the recession but subsequently added a dramatic 87,700, meaning there are 76,700 more workers now than in 2007 (median pay: 47,946). This is due to the increased activity at the ports of Los Angeles and Long Beach, plus the explosion of demand for ecommerce workers. Again, if all the workers reached their median pay levels, that would be a gain of $13.5 billion in worker income in these sectors.

On balance, the moves between these four key sectors have added an estimated net of $11.1 billion in worker incomes by 2019.

Interestingly, in 2018, the Inland Empire's job growth was 3.4% which exceeded the growth rates of every other California metropolitan area.

In absolute numbers, the approximately 49,000 jobs added in the inland area were exceeded only by the more populous Los Angeles (61,000) area. Behind the region were San Francisco-San Mateo (33,000), San Diego (32,500), Orange (32,000), Silicon Valley (20,000) and the East Bay (20,500).

This is not to say that the situation is perfect. The second fastest growing sector in California is management and the professions (median pay: $75,073). This sector has added more than 350,000 new jobs in the state from 2011-2019. Unfortunately, only 1,100 of these positions have been added in the inland area (0.3%).

This is the absent piece of our economy. In addition, while our economy has grown rapidly, 21.0% of local residents are still commuting to the coastal counties for work.

Looking ahead, the Inland Empire economy is doing very well. However, it must see four issues handled in the near term: Health Care must continue its strong growth. Logistics must do so as well, in the face of tough regulatory pressures.

The recent increase in highly educated commuters living primarily in our western cities must be used to entice their employers to migrate inland as well.

Across the board, we need firms to migrate inland as fast as we are adding workers to reduce commuting.

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