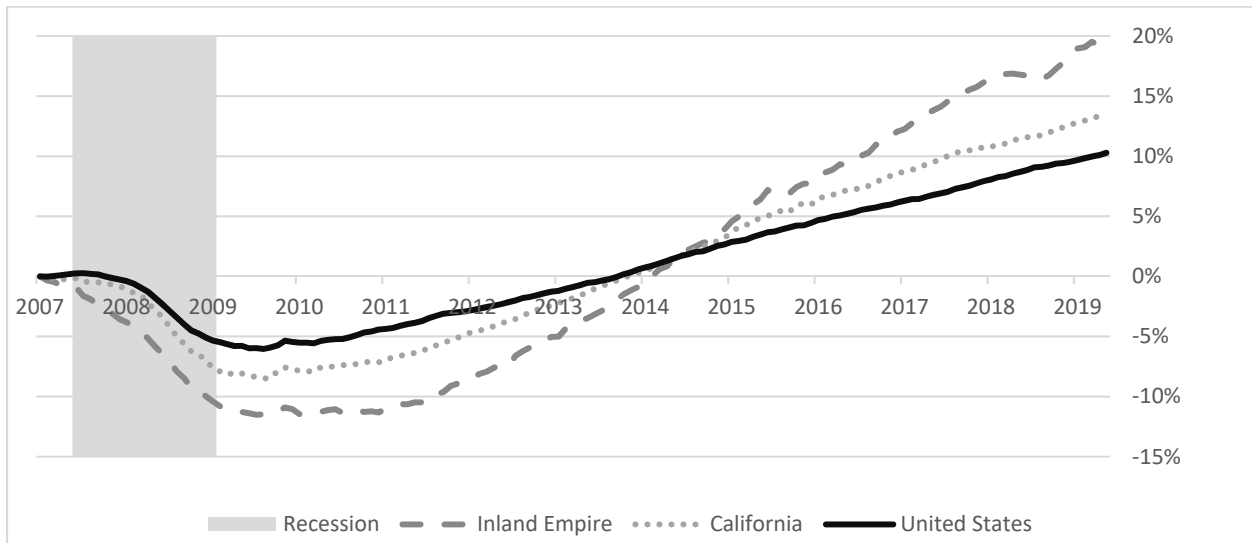


A Job Is Not A Job

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Over the last 10 years, employment growth in the Inland Empire has been spectacular. Following the disastrous job losses during the Great Recession, the region regained all employment in August 2014. The state and the nation experienced similar but less extreme employment growth. Since then job creation in San Bernardino and Riverside County has outpaced that of California and the U.S.

Employment Gains and Losses, in Percent, Inland Empire, California, U.S., 2007-2019



The total number of jobs created in the Inland Empire dwarfs those often featured prominently in the news. From the trough in January 2010 to now, 400,000 positions have been generated within the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). That represents a 35% increase at an annual average growth rate of 3%.

Compare this to the oft-lauded North Dakota, which is now the second largest oil producing state in the nation. Not only is the growth rate lower, but the total numbers is smaller because North Dakota has one sixth the population of the Inland Empire. The San Francisco and Silicon Valley MSAs are much closer in size to the Inland Empire and also highly touted in the media, yet they too have failed to match the Inland Empire's job creation record over the past decade. Silicon Valley created 300,000 jobs, San Francisco's job creation rate was 31%. The Inland Empire has been ranked consistently at or near the top in terms of job creation within the 10 largest California MSAs recently.

As the poster child of our now record-setting national economic expansion, shall we trumpet the news? Not yet – recovering the number of jobs does not mean that we got the *same* jobs back. Labeled a “mancession,” the last economic downturn witnessed severe job losses in two mostly male-dominated and well-paying industries, construction and manufacturing. To this day we have not recovered all jobs lost in those sectors. In this, the region is not alone. In manufacturing, there

has been a trend decline in national employment since the late '70s; and the historically low number of housing starts nationwide has been one of the major puzzles in the current recovery.

Which sectors are making up for the net losses in manufacturing and construction? Many guess correctly that logistics played a major role in the Inland Empire – and indeed its net employment gain since 2007 comes in second place, behind Healthcare and Social Assistance. The other two sectors that saw significant net gains are Leisure and Hospitality, and Government. Obamacare also played a role elsewhere - both California and the U.S. saw significant employment advances in Healthcare and Social Assistance. Unfortunately, many of the jobs created here were not of the brain surgeon type but instead in home health care, where workers often only earn close to minimum wages.

How do employment changes in the Inland Empire differ from those in California and the U.S.? The logistics sector plays a much smaller role for the U.S. and California, but Professional and Business Services has either seen the second (U.S.) or the third (CA) most gains in jobs. Unfortunately, the Inland Empire has hardly seen any additions in this well-paying sector since 2007.

What are the implications for wages and income when compared to the 2007 peak? Average wages in California and the U.S. have both grown by 31%, slightly more than twice as fast as in the Inland Empire. Adjusted for inflation, the picture becomes less favorable: -4% (IE), 9% (CA), and 9% (U.S.), meaning the average worker's purchasing power has actually fallen over the last 13 years in the Inland Empire! From an aggregate perspective, the loss in (real) wages is somewhat compensated by the larger gains in jobs (18%) when compared to either California (12%) or the U.S. (9%) - total employment income in the Inland Empire has increased by 13%, while in California it rose by 22% and the nation by 19%.

The Inland Empire has done extremely well in terms of job creation and consequently in income increases during the current expansion. For the region to catch up with the state (or the nation) in terms of wages and income, it needs to attract better paying jobs. What policy options are there? The big picture centers around the “chicken or the egg” question: which comes first, the higher value-adding businesses or a better-educated labor force. We believe that the evidence from elsewhere strongly favors human capital creation – increasing test scores, improving high school graduation rates, enrollment increases in tertiary education, etc. Build a better-educated labor force, and they will come. All of this will take time however.

In the short run, we have to worry more about the consequences of the 4th Industrial Revolution (Artificial Intelligence, Robotics), which, according to recent research, will have a significantly negative impact on the region. Instead of discouraging further job creation in logistics, we see an opportunity for the Inland Empire to upgrade its logistics industry from labor intensive to machine intensive; in doing so it can become an industry leader nationwide. Employees could turn into higher-paid technicians with the ability to maintain and modify operations. Thus, it would make sense for Governor Newsome's 'Regions Rise Together' initiative to provide resources which encourage firms to be at the forefront of self-driving vehicles, intelligent distribution centers, etc. Appropriately incentivized, this would invite technology-focused firms into the Inland Empire.

Simultaneously the region could supplement this policy with offering more data-oriented and technology-related courses and degrees. Thanks in large parts to Congressman Ruiz, CSUSB already has a very successful Center for Cybersecurity; and the College of the Desert's will have a campus expansion campus in Palm Springs, which will specialize in cyber security. These are just two examples of embracing new technologies rather than fighting them.

Given the length of the current economic expansion, it is not a question of "if" but "when" it will die of old age. During a recession, regional economic policy does not have the luxury to focus on structural changes in reshaping industries and to embrace a new era. The time to act is now!

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