

HUMBOLDT BUSINESS CONFIDENCE REPORT

August 2015

*A Joint Project of the Humboldt
County Workforce Development
Board and Humboldt State
University School of Business*

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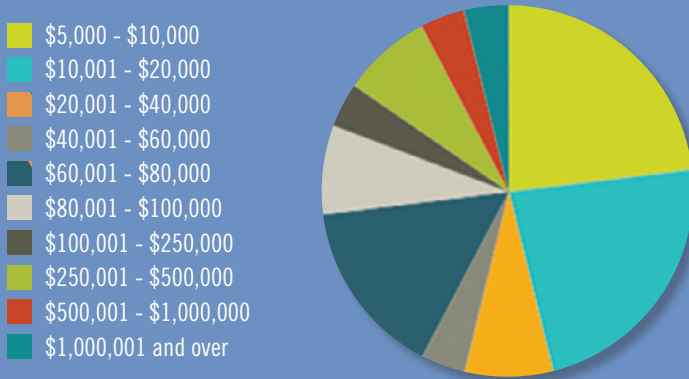
PERFORMANCE

*Businesses confident in their business and/or industry,
less so about Humboldt County.*

Humboldt County shows significant signs of recovery from the Great Recession. According to the CA Employment Development Department, the jobless rate has dropped for four straight months (December 2014-March 2015), and at 5.4% in January is the lowest unemployment rate since April 2007, and 1.2% lower than April 2014. Humboldt County rose in the ranks to 16th from the top among 58 counties statewide, with a lower rate of unemployment than all surrounding counties (Del Norte 8.5%, Siskiyou 9.2%, Shasta 7.7%, Trinity 8.8%, and Mendocino 5.5%). By comparison, the California rate is 6.5% and the US rate is 5.6%.

In the Humboldt Business Confidence Survey, local business owners express moderately high confidence in the overall health and performance of their business at 78% now and that confidence rises over the year to 83%. Confidence is similarly high for their industry, but drops to 58% for Humboldt County. Business owners anticipate their sales revenues to increase 16%, the industry to increase 10% and Humboldt County to see an 8% increase in revenues.

Projected Dollars Spent On Business Equipment In 2015



Source: Humboldt Business Confidence Survey, Question 7; 26 respondents answered, 57 skipped.

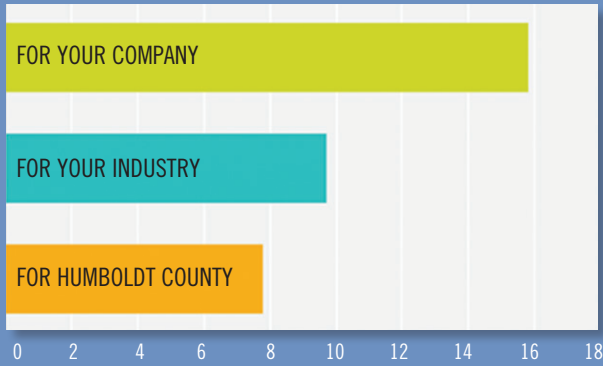
Thirty-nine percent (39%) of business owners plan to make major purchases of equipment in 2015. Forty-six percent (46%) of those purchases will be investments of \$5,000 to \$20,000; 54% of the businesses plan to make larger capital investments.

For non-profit and government sector leaders, their confidence in the overall health and performance of their organizations was fairly high at 73%, but drops somewhat for the industry and down as low as 61% for Humboldt County.

Many government leaders expressed a high confidence in revenues increasing, probably due to the recent passage of additional sales taxes in the County and Cities of Eureka and Rio Dell (average 67%). This confidence was mitigated by anticipation of marked increases in demand for services and expenses, and continued challenges in producing balanced budgets. On the contrary, non-profit leaders expressed low to no confidence (0 to 20%) that revenues would increase.

Whether or not they see revenues increasing, both non-profit and government sectors expect a 10 to 20% increase in demand for services. Thirty-seven percent (37%) of non-profit organizations provide services outside of Humboldt, primarily in Del Norte County, and several in Trinity, Siskiyou, Mendocino, Sonoma and Marin counties.

What Percent Change In Sales Or Revenue Do You Project In 2015?



Source: Humboldt Business Confidence Survey, Question 5; 67 respondents answered, 16 skipped.

EXPORTING COMPANIES

Export-oriented companies are seeing a different economy.

The orientation of companies—selling to customers in the local market or to customers in the global market—reflected a split in perceptions of economic growth. Export-oriented companies expressed a strong optimistic outlook on hiring and wages. About half of business survey respondents export 98% of their products into California, across the US, and worldwide.

These companies make up the economic base industries of Niche Manufacturing; Management & Innovation Services; Building & Systems Construction; Diversified Health Care; Specialty Food, Flowers & Beverages; Investment Support Services; Forest Products; and Tourism. Companies in these export industries sell products and services globally, but compete for labor locally. These companies note increased competition, and scarcity of workers and management staff.

Given that exporting industries drive job and wage growth in the local economy, export company optimism and increased revenues indicates future growth for the whole Humboldt economy.

Of those businesses hiring, most will be creating new, full-time/long-term jobs. Business owners anticipate that 20% of job openings will be temporary, 26% will be part-time, 30% will be full-time/long-term, and of those jobs openings, 9% will refill jobs vacated by retirements. Sixty-one percent (61%) of private sector employers expect wages to increase, with a third expecting wages to remain the same. Overall, the private sector survey respondents anticipate a 3% rise in Humboldt County employment.

The following table provides a summary of occupations and job openings for the 10-year period 2012-2022, as projected by CA Employment Development Department. These projections are based on historical data provided by actual employers in a five-county region of Del Norte, Trinity, Humboldt, Mendocino and Lake Counties. Humboldt provides over 50% of the jobs in this region, so the overall trends tend to provide an accurate picture of demand occupations in Humboldt. (The Median Annual Wages are wages paid and reported, not a projection of future wages.)

DEMAND OCCUPATIONAL CATEGORIES (with examples)	PROJECTED GROWTH 2012-2022	PROJECTED JOB OPENINGS	MEDIAN ANNUAL WAGES
MANAGEMENT	7%	217	\$76,110
Executives	14%	79	\$128,170
General & Operations Managers, including specialty operations	15%	81	\$ 71,052 - \$113,329
Marketing, advertising, sales and public relations managers	11%	15	\$67,243 - \$99,334
BUSINESS & FINANCIAL OPERATIONS	16%	105	\$52,009
Business operations specialists	14%	63	\$35,244 - \$65,813
Financial Specialists, accountants, auditors	22%	41	\$42,156 - \$69,410
COMPUTER	16.5%	26	\$57,496
Computer Systems Analysts, Programmers, Software Developers	22%	7	\$72,378
Network & database administrators	17%	9	\$54,107 - \$64,133

DEMAND OCCUPATIONAL CATEGORIES (with examples)	PROJECTED GROWTH 2012-2022	PROJECTED JOB OPENINGS	MEDIAN ANNUAL WAGES
ENGINEERS & ARCHITECTS	20%	46	\$82,839 - \$100,747
SCIENTISTS	15%	76	\$59,206 - \$94,747
COMMUNITY & SOCIAL SERVICE	11%	56	\$37,960 - \$70,648
LEGAL	20%	16	\$79,814
EDUCATION	2.7%	182	\$44,080
ART, DESIGN, ENTERTAINMENT	3.8%	36	\$37,079
HEALTHCARE	11%	172	\$63,424
Health diagnosing and treating practitioners	8%	97	\$62,514 - \$139,414
Registered Nurses	6.5%	48	\$64,679
Technicians & Technologists	15%	72	\$39,275 - \$91,297
Health support	13%	88	\$28,527
FOOD PREP & SERVING	14.5%	550	\$19,750
PERSONAL CARE	24.5%	278	\$22,118
PROTECTIVE SERVICES	15%	134	\$59,482
SALES	10%	487	\$23,493
OFFICE ADMINISTRATION	10%	495	\$31,866
FARMING, FISHING, FORESTRY	10%	148	\$22,850
INSTALLATION, MAINTENANCE, REPAIR	14%	156	\$40,305
TRANSPORTATION	7%	176	\$32,550
BUILDING & GROUNDS MAINTENANCE	15%	186	\$24,929

Source: CA Employment Development Department Labor Market Information Division

Jobs by Industry Sector



Source: CA Employment Development Department Labor Market Information Division

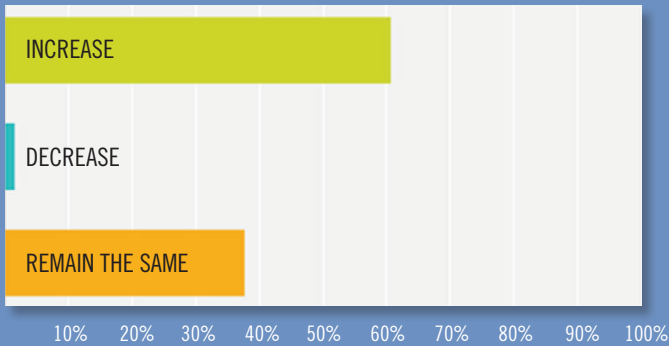
EMPLOYMENT OUTLOOK

Exporting businesses are creating new jobs.

Humboldt County added 1,000 jobs net over the last year with five industry sectors gaining (Education & Health Services; Government; Professional, Business & Other Services; and Leisure & Hospitality jobs). Seven sectors remaining unchanged (Farm, Mining & Logging; Trade, Transportation & Utilities; Information; Financial Services). No sectors declined. The Manufacturing sector, for instance, saw the final shutdown of the California Redwood Company and ending of over 100 jobs, yet total employment in the sector remained unchanged February to March (*Source: CA Employment Development Department*). The Job Market currently lists over 500 job openings.

This pattern aligns with business leader optimism, plans to hire and to raise wages in 2015. For their own companies, 39% of business owners plan to ask employees to work over-time, and 56% plan to hire new employees this year.

What Do You Anticipate Will Happen To Wages in 2015?



Source: Humboldt Business Confidence Survey, Question 13; 61 respondents answered, 22 skipped.

WAGE OUTLOOK

Rising wages are anticipated in exporting sectors.

Labor competition is the first factor export business leaders see creating competitive pressure to increase wages. All employers also noted that wages have been held steady for four years during the recession while workers have experienced increased costs of living. Lastly, both locally oriented and export-oriented employers recognize that the legal minimum wage changed to \$10 per hour in July 2015.

Locally oriented businesses, those that typically sell or provide services to local customers, expect wages to remain steady (38%) and do not see growth in their companies or the local economy. This sentiment is shared in the non-profit and government sector where 67% of respondents do not anticipate hiring or raising wages, primarily due to costs increasing faster than revenue. Where hiring is anticipated, most government and non-profit openings will be refilling jobs vacated by retirements.

“Currently there is a shortage of skilled workers in my industry... [and a] nationwide trend of increasing wages. The cost of living in Humboldt County seems to be increasing. Marijuana grow operations have limited the available rental and purchase housing stock for employees, requiring higher wages to keep employees here.”

- *Business survey respondent*



BARRIERS TO GROWTH

Qualified workforce, transportation, land and leadership.

Private sector employers most commonly identified lack of qualified workforce talent as their first major barrier to growth. Their second barrier was costly limitations on transportation of goods and people in and out of Humboldt County, namely the limitations to smaller than standard trucks on highways, and airport service.

Several additional factors came through in the survey: need for land to be readied for siting businesses; lack of leadership to create clarity for development; anxiety about marijuana legalization impacts on the economy; state and federal regulation; slow population growth; low tourism levels and lack of coordinated tourism strategy; trends toward Internet sales; and homelessness.

ANALYSIS & CONCLUSIONS

Correlating the available data sets.

This report presents three different data sets that appear to correlate: survey responses, recent past industry job creation, and occupation demand projections. Private sector employers report confidence and plans to hire and raise wages. There is year-over net job growth of 1,000 in Humboldt County. Projections of job openings anticipate demand for workers.

The experience that “we can’t find qualified workers” is commonly expressed locally and in many regions and across CA and the US. It can hide multiple factors at play. Teased out, these factors can lead to strategies and actions that change the actual labor market. Humboldt County is geographically isolated and home to a small population (approximately 134,000 people). Given our isolation and limited pool of employers/employees/customers, Humboldt County has to grow by creating jobs that defy geography.

The median wages reported by CA Employment Development Department appeared fairly accurate to business participants in the focus groups; they also occurred as low or suppressed relative to California overall. “Billing rates are also suppressed. We can bill for the same work in Redding at one-third more. And so we can pay one-third more.” All areas are subject to low-bid forces in procurement, so why is Humboldt settling at a low level? Clearly, there is a great divergence in optimism between export-oriented businesses and locally oriented businesses. Exporting companies are confident, planning to hire and raise wages due to competition.

While the unemployment rate in Humboldt is low compared to surrounding and all rural counties in CA, there remain concerns about what this measurement cannot tell us. Cannabis production workers, for instance, are now “employed off the books”. What happens when cannabis is legalized? Will these workers now become “employed on the books” or will they be displaced by an industry in transition? As they look for work will the unemployment rate rise to reflect this change? How many people are discouraged workers, no longer working? How many residents are struggling with drug and alcohol use, and cannot obtain or retain a job? All these factors cannot be accounted for in one measure, but they are all drags on the economy.

“We want to hire
and train the
top performing
individuals.”

- *Business survey
respondent*



POTENTIAL STRATEGIES

Applying what we've learned.

How might we defy our geography and generate a fully productive and wealth-generating economy in Humboldt and on the Redwood Coast?

- Training programs that clearly delineate education and career pathways to demand occupations in growing industries.
- Recruit professional consultants living in urban areas to work at a distance for local companies.
- Provide attractive quality of life, broadband access and air transportation, so that knowledgeable workers can live here and telecommute to employers in urban areas, as well as serve customers locally.
- Train our own residents as high-demand tech workers, such as coders, app developers and website designers so that they are both technically skilled, and able to operate a small business from their home for customers in urban areas, as well as locally.

.....
“We have four openings today.
Good wages, lifetime careers.”

- *Business survey respondent*

“We have a stronger economy, more
efficiencies to market our services
outside Humboldt County.”

- *Business survey respondent*
.....

- Develop a coalition of employers to coordinate recruiting and hiring of spouses of professionals who move here.
- Invest in business and talent succession planning. Businesses actively plan for retirement of their leadership and develop talent within so that businesses built here stay and grow here.

How might we address the rising demand for services that support people in poverty? Non-profit organizations with a social mission are in a tough spot. Given the context of rising demand for non-profit services and inadequate (or limited resources) to provide a wide range of services, non-profit leaders may find that collaboration could extend their impact.

Possibilities worth exploring:

- Sharing of back office functions; investigate potential in areas such as finance, budgeting, accounting and human resources.
- More coordination of fundraising strategies and joint applications, particularly for general grants that prefer broader coalition among stakeholders.
- Share common best practices to achieve greater efficiencies.

“We plan to increase employee wages by approximately five percent and also make around five percent discretionary profit sharing, retirement contributions for our employees.”

- *Business survey respondent*

THE HUMBOLDT BUSINESS CONFIDENCE REPORT analyzes the outlook of business, non-profit and government managers on the economic performance of their companies and Humboldt County. It utilizes unique survey data and publicly available labor market data to project growth expectations for 2015.

The Humboldt Business Confidence Report is a joint project of



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