

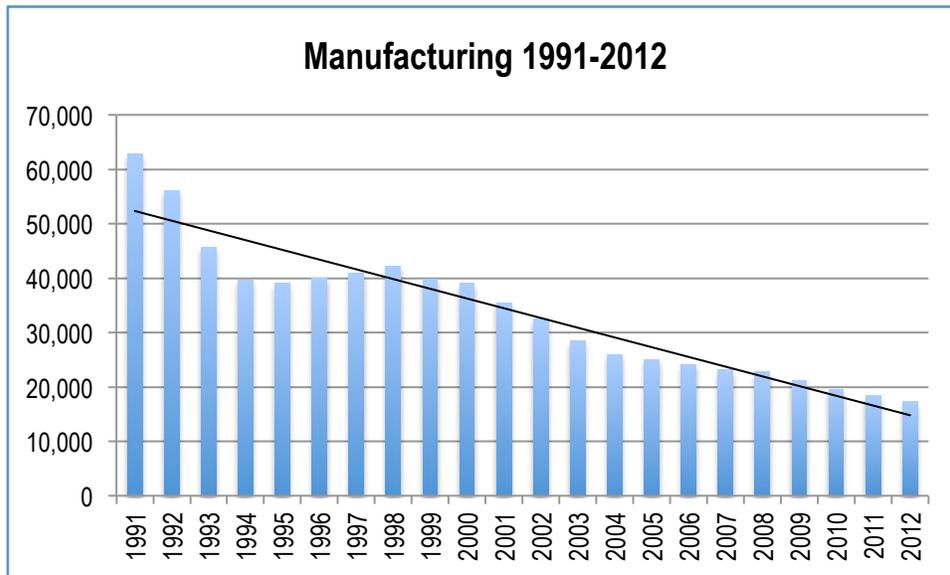
## Where We Are, Where We've Been

Beacon Economics has provided the City an insightful and fine-grained analysis of the Long Beach labor market and industries in its report, "Economic Development Support Analysis: Part 1: Economic Overview". Using confidential information from the California Employment Development Department, Beacon has sorted the data into standard industry sectors, such as Education & Health, Leisure & Hospitality and Retail.

Much as a balance sheet represents a snapshot of a firm's finances at a point in time, the EDD data represents a snapshot of the Long Beach economy – in this case, in the third quarter of 2015. It provides an accurate and current picture of the Long Beach economy and will serve as an excellent baseline for future analysis and strategic planning efforts.

For a number of years, CSULB also examined EDD data. Comparing the Beacon analysis with the CSULB analysis offers additional insights into the dynamics of the local economy. The comparisons aren't straightforward – there's been some reclassification of data categories over the years and, more importantly, geocoding has improved dramatically so that current data is more accurate than earlier data. (Previously, some employment assigned to Long Beach was actually in neighboring jurisdictions. The result was Long Beach's employment numbers were somewhat inflated.)

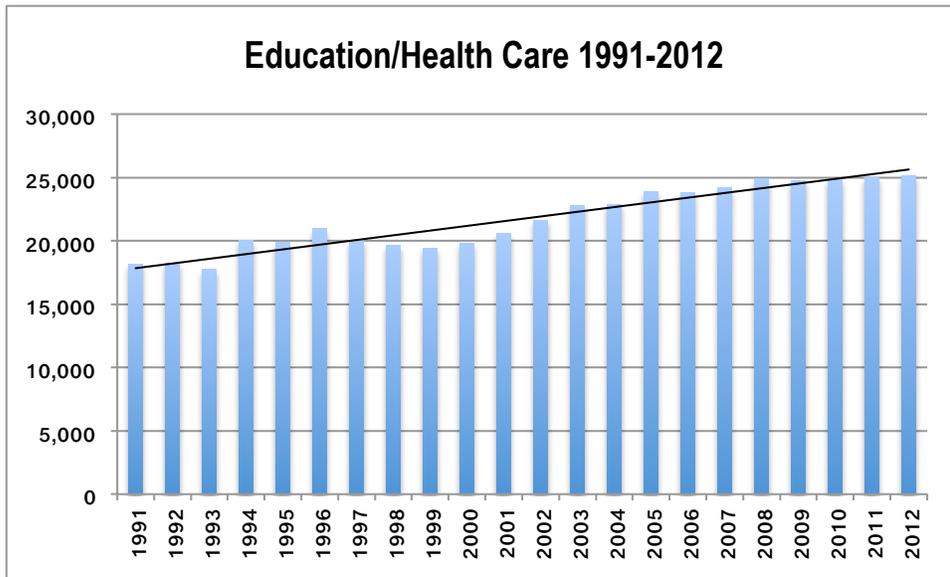
But while strict apples-to-apples comparison may not be possible – such as comparing the exact number of jobs in a sector in 1991 with the jobs in that same sector in 2015 – looking at trends is worthwhile. For example, here is a chart of employment in the manufacturing sector from 1991 to 2012 (using the CSULB data set):



We shouldn't be surprised by that trend line – after all, during this period McDonnell Douglas was acquired by Boeing and Boeing was winding down the C-17 production. The extent of the decline,

though, is dramatic – it’s a 68.3% decline. Per the Beacon data, there are still approximately 8,800 manufacturing jobs in Long Beach in 2015 – but that’s a far cry from where the sector was in 1991.

On the other hand, some sectors are showing steady growth. Here’s a chart of Education & Health Care employment from 1991 to 2012 from the CSULB data set. (The Education in this sector refers to *private* education, so most of the jobs are in Health Care.) Again, the numbers may not be as accurate as the 2015 numbers, but the trend line is obvious:



Fast-forward to 2015 and Beacon’s work reveals that the Education & Health Care sector has replaced Manufacturing as the Number One sector in Long Beach – with over 31,800 jobs.

Just how much has the local economy changed in the past 25 years? Here’s a table comparing seven key sectors from 2001 to 2015. FYI, to simplify matters we’re just looking at seven sectors, so each sector’s percentage is not its share of the entire employment for the City, just for the total employment of these combined sectors.

	2001	2015	% Change
Prof, Sci, Tech & Mgmt	7.9%	13.7%	73.4%
Education/Health	17.5%	29.9%	71.0%
Leisure & Hospitality	13.3%	19.1%	43.8%
Transportation/Warehouse	8.8%	11.3%	29.0%
Retail	15.3%	12.8%	-16.4%
Construction	7.1%	4.8%	-32.6%
Manufacturing	30.1%	8.3%	-72.4%
Total	100.0%	100.0%	

What do these numbers tell us? The first thing is that Long Beach went from being a major manufacturing center to a far less important one. Second, the Education & Health sector had vigorous growth – with an increase consistent with the rise of employment in this sector in LA County, the region and the nation.

The big plus for Long Beach was the increase in the Professional, Scientific, Technology and Management sector. Per Beacon’s analysis, this is now the third largest sector in Long Beach. That’s great because the average annual wage in this sector is high – approximately \$75,600.

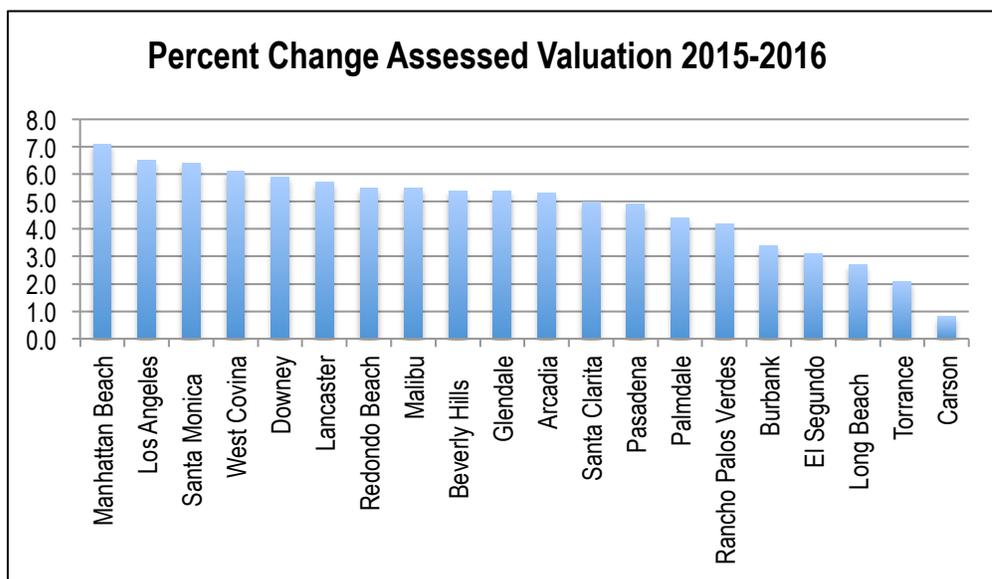
There was also a significant jump in the Leisure & Hospitality sector. Adding more jobs in any sector is a plus – but Leisure & Hospitality is actually the lowest paid of the major sectors, with an average annual wage of \$21,300. That low annual wage makes Leisure & Hospitality a somewhat less desirable building block for a long-term thriving economy than other sectors.

The decline in Retail employment – the fourth largest employment sector in Long Beach – is consistent with national trends. As indicated in the Retail section of this report, Retail is a sector undergoing rapid and significant restructuring. Brick and mortar retail is shedding stores and jobs. Of note is that Retail is also a sector close to the bottom in average annual wage (\$29,100).

The increase in Transportation & Warehousing is more nominal – averaging 3.2% a year. This is the 5<sup>th</sup> largest sector in the City – and has a terrific average wage of \$88,500. But the increase in job numbers for this sector includes a period of very high growth in Port traffic. Because of a number of factors – see the discussion on the Port in the Major Assets module – it’s less certain this sector will increase at this same rate in the future.

Unrelated to employment, the Assessor recently released a report on assessment for all 88 cities in the County. Long Beach is not only the second largest city in Los Angeles County in terms of population, it also has the second largest valuation: \$51.474 billion. Good!

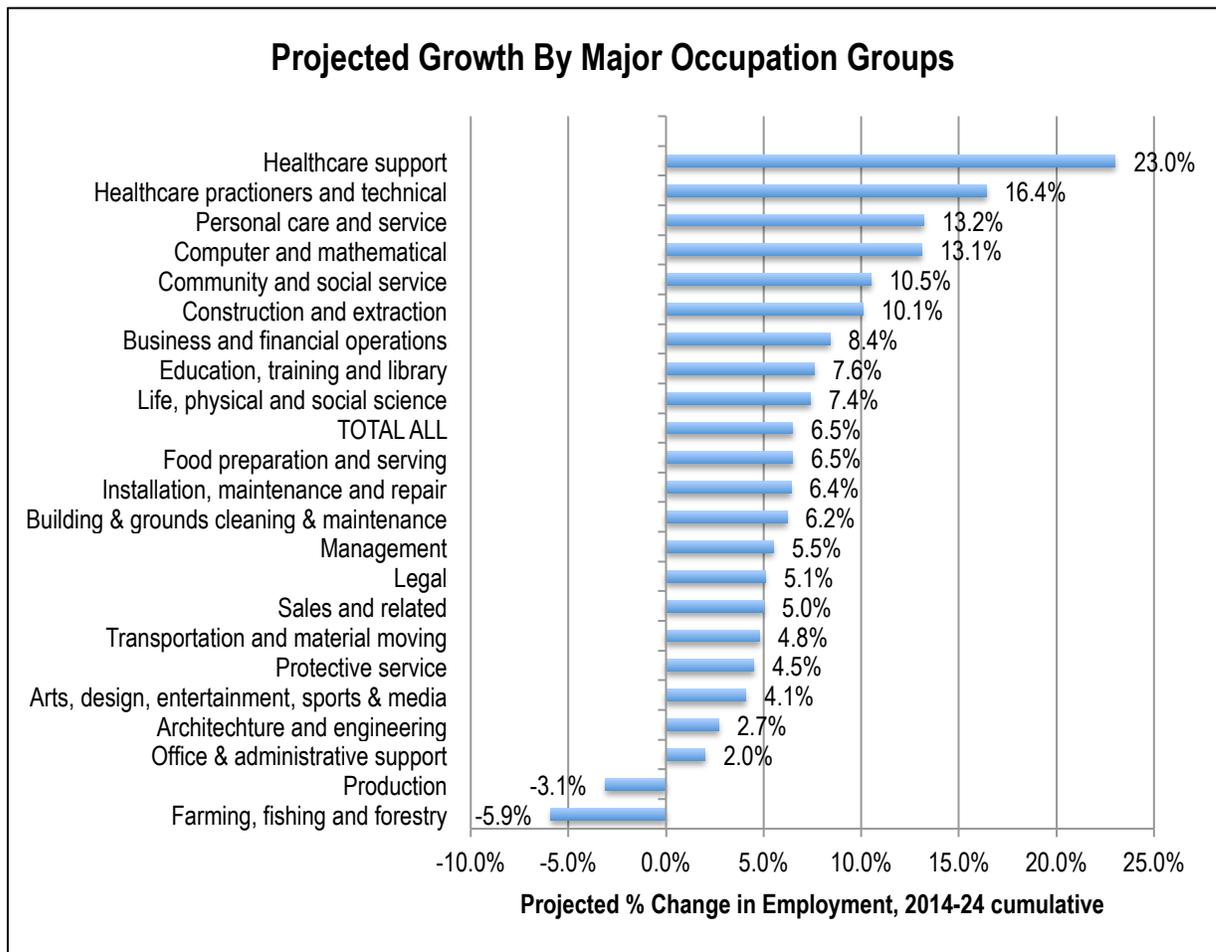
Total assessment is dependent on lots of factors: the mix of residential and commercial, recent developments, etc. And one year’s data can be misleading. But it is additional information to consider. In terms of year over year percent increase in valuation, Long Beach ranked 84<sup>th</sup> in the County. Here’s a chart of various cities in terms of Percent Change in Assessed Valuation:



Clearly, new development in the downtown and Douglas Park will have a positive impact on assessed valuation in the near future.

**What’s the Future Have in Store?**

Chrystal ball gazing is improved considerably by big data – and the Bureau of Labor Statistics (BLS) captures mountains of data. One of their interesting analyses is for projected growth by major occupation groups for 2014-2024. Some occupations are expected to expand significantly – not surprisingly, healthcare occupations (again!) top the list. BLS expects the total growth for the period to be 6.5% -- so if an occupation’s growth is above that number, it’s doing better than the overall projection. (And if less than 6.5%, it is trailing). Here is a chart for the major occupations.



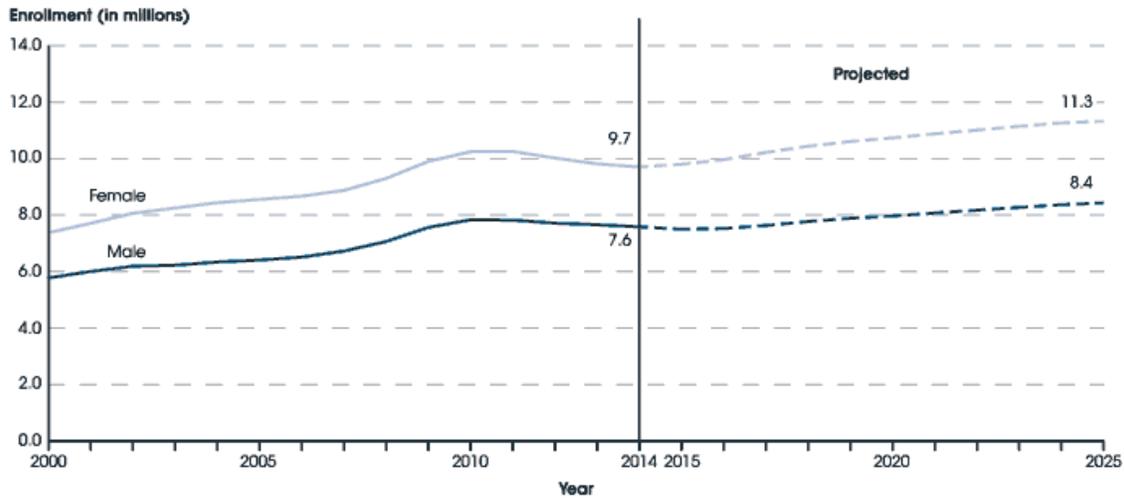
Interestingly, two sectors – Transportation & Warehousing and Retail – which are among the City’s largest, are projected to have less growth than the average growth for the ten-year period.

BLS also analyzes projected job growth by education and gender. Again, the numbers here are not all that surprising, but they are instructive for Long Beach. First, the numbers reinforce the proposition that educational attainment is really, really important: The largest growth area by far will be occupations with post-graduate degrees (Masters, Doctorate, Professional). Increasing the

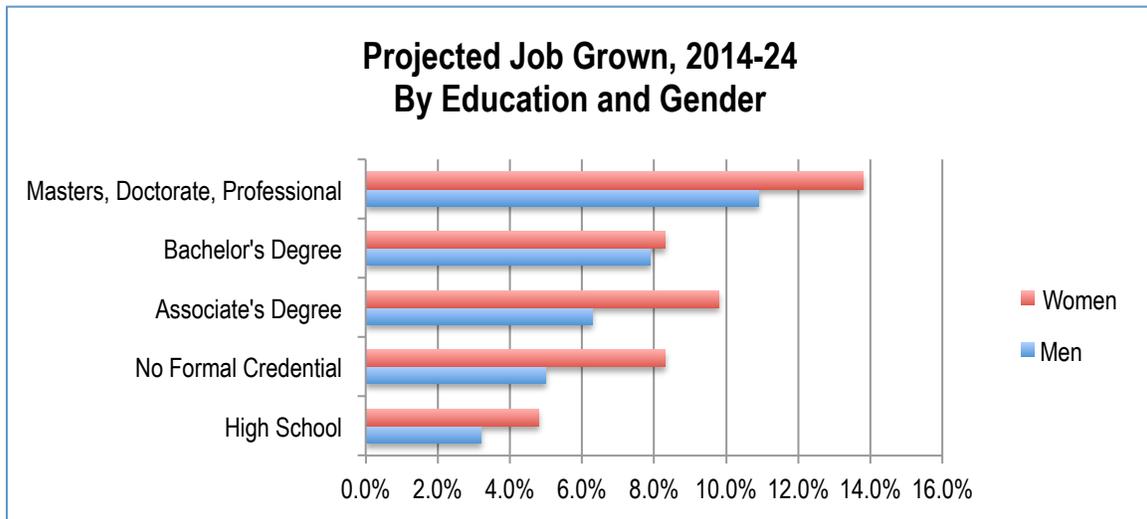
educational attainment for Long Beach residents remains absolutely critical for long-term prosperity and successful economic development.

Second, the projections confirm a trend that has been in place for sometime: Women are adjusting and succeeding in the New Economy far better than men. (And it's not just in the job market. By the fall of 2014, women made up 56% of total undergraduate enrollment compared to 44% for males. And between 2014 and 2015, female enrollment "is projected to increase by 17 percent . . . and male enrollment by 11 percent."<sup>1</sup> Here's a chart from the National Center for Educational Statistics that shows the college enrollment story:

**Figure 1. Actual and projected undergraduate enrollment in degree-granting postsecondary institutions, by sex: Fall 2000–2025**



And here's the BLS projection of Job Growth by education and gender:



(It's no wonder American males seem a bit concerned about their future.)

<sup>1</sup> National Center for Educational Statistics, Undergraduate Enrollment.

## Any Other Big News?

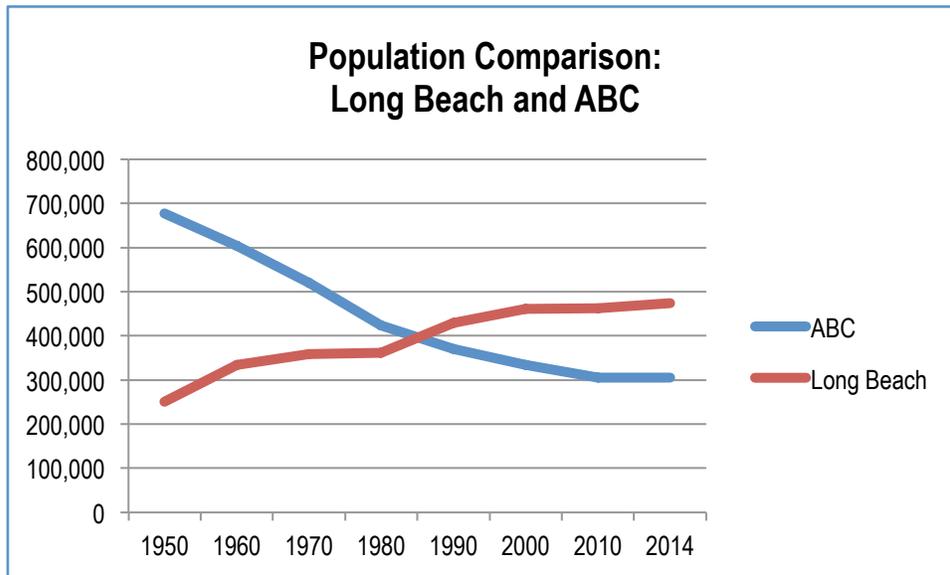
Beacon’s analysis indicates that the percentage of employed Long Beach residents commuting to jobs outside of Long Beach is 77%. Now commuting to work from one city to another is common in densely packed urban areas such as Los Angeles County. But the fact that 77% of Long Beach residents work in cities other than their hometown implies that Long Beach has become more a bedroom community than an employment center. That’s a significant change and has implications for any strategic plan.

## About Strategic Plans

Following the lead of corporate American, jurisdictions have been crafting strategic plans for decades. The benefits of the strategic plan are sometimes more related to the process – getting folks to know each other and on the same page – than the actual document. After all, getting consensus often requires agreeing on common denominators (although not necessarily the lowest). And so strategic plans can devolve into the obvious: Improve Infrastructure! Improve Workforce Development! Become More Business Friendly! Tell Our Story Better! etc., etc.

On the other hand, strategic plans can have a significant impact. Consider a mid-western city that we’ll call ABC (identity to be revealed shortly) that has reconfigured itself through a formal and informal effort that brought together private and public sectors.

ABC was the prototypical industrial city. But both its principal industry and its population collapsed in the forty-year period from 1950 to 1990. The following chart compares the population of ABC and Long Beach. One fell from almost 700,000 to just over 300,000 and the other grew from 250,000 to 472,000.<sup>2</sup>



<sup>2</sup> U.S. Census.

**The New Economy and Long Beach: Addendum (October 26, 2016)**  
**Economic Development Results, LLC**

Yet today ABC is considered a poster child for managing industrial transition. ABC has developed a rich portfolio of economic clusters, including robotics, health care, nuclear engineering, tourism, biotech, finance, education and services. ABC has over 1,500 tech firms. It is home to eight Fortune 500 firms. (In comparison, Long Beach, now a considerably larger city, has one Fortune 500 firm – Molina Health Care.)

ABC is, of course, Pittsburgh. The general consensus (there are some detractors) is that Pittsburgh is a model of a city adjusting to new economic realities. There are a number of explanations for the Pittsburgh story, but a key one was that beginning in the 1950s a group of civic leaders (mostly from the business community) partnered with the city to address some of the most pressing issues, and provided pivotal investment in key institutions.

Moral: strategic planning, community partnering and diligent and persistent follow-through can reap enormous benefits. It can help a city adjust to changing realities by becoming more proactive than reactive, focusing on the important rather than the immediate, fully engaging the private sector, and thinking long term, not short term. A strategic planning effort that moves the needle for any of those concepts is going to enjoy some measure of success.