



Volume 18, Issue 1

CSU Bakersfield

# Kern Economic Journal

Winner of the Award for Merit from California Association  
for Local Economic Development

2016 First Quarter

**CSUB  
BPA**

SCHOOL OF  
BUSINESS AND PUBLIC  
ADMINISTRATION

## Featured Articles:



The Impacts of the  
Minimum Wage in Kern  
County



Economic and Fiscal  
Impact: California State  
University, Bakersfield

*We wish to gratefully acknowledge the Journal Sponsors:*



*KERN ECONOMIC JOURNAL* is a quarterly publication (February, May, August, November) of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions. Sources of funding for this journal include university contributions and sponsorship and subscription fees.

Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for consideration of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in electric copy. Individual authors are responsible for the views and research results.

**Editorial Board**

*Dr. Richard S. Gearhart*, Assistant Professor of Economics, CSUB - Publisher and Managing Editor  
*Dr. Nyakundi M. Michieka*, Assistant Professor of Economics, CSUB - Publisher and Managing Editor

**Contact Information**

*Dr. Richard S. Gearhart*, [rgearhart1@csub.edu](mailto:rgearhart1@csub.edu), 661-654-3962  
*Dr. Nyakundi M. Michieka*, [nmichieka@csub.edu](mailto:nmichieka@csub.edu), 661-654-2465

**To become a sponsor, please contact the Managing Editor for sponsorship form and benefits.**

# Kern Economic Journal



## Inside this Issue:

<i>Economy at a Glance!</i> .....	4
<b>Tracking Kern’s Economy</b>	
<i>Economy</i> .....	6
<i>Labor Market</i> .....	6
<i>Housing Market</i> .....	8
<i>Stock Market</i> .....	10
<i>Inflation</i> .....	11
<i>Commodity Prices</i> .....	12
<b>Econ Brief</b>	
<i>A Note on Kern County Healthcare</i> .....	13
<i>The Impacts of the Minimum Wage in Kern County</i> .....	14
<b>Featured Article</b>	
<i>Economic and Fiscal Impacts: California State University, Bakersfield</i> .....	17

# Economy at a Glance!

by Dr. Richard S. Gearhart III and  
Dr. Nyakundi M. Michieka



## National Economy<sup>1</sup>

The world's largest economy of more than \$16.5 trillion, the United States, grew by 0.5 percent, but at a much slower rate than the real Gross Domestic Product (GDP) growth rate from the fourth quarter of 2015, where real GDP grew by a modest 1.4 percent. Real GDP increased largely because of an increase in consumer spending on services, mainly accounted for by increases in spending on housing, utilities, and healthcare. The growth rate was moderated in part by a decrease in spending on durable goods, notably on motor vehicles and parts, as well as a decrease in federal government spending (for the most part on national defense).

Real disposable personal income, which is adjusted for inflation and taxes, increased by a modest 0.3 percent in the first quarter of 2016. Increases happened in the later part of the year, as March saw a majority of the increase. This modest increase in real disposable income growth was met with almost no change in real consumer spending, which increased by 0.3% in February, after not increasing at all in January or March. Coupled with this stagnation in real personal income was a slight fall in the fraction of income saved by households. Only 5.25% of disposable personal income is being saved by families, as opposed to 5.4% in the fourth quarter of 2015, highlighting that stagnation in wages is being compensated for by drawing down family savings. This could hint at future difficulties; as families draw down savings enough, they will have to rely on short-term debt vehicles (loans, credit cards, etc.) that could worsen their long-term economic position.

The Conference Board's Index of Leading Economic Indicators – a measure of future economic activity – increased slightly, to

<sup>1</sup> U.S. economic numbers were obtained from the Bureau of Economic Analysis "U.S. Economy at a Glance". This is found at <http://www.bea.gov/newsreleases/glance.htm>. The information for the Index of Leading Economic Indicators is found at <https://www.conference-board.org/data/bcicountry.cfm?cid=1>. The University of Michigan Consumer Sentiment Index is found at <http://www.sca.isr.umich.edu/tables.html>.

123.4 in March of 2016, after rising 0.1 and 0.2 percent in January and February, respectively. This compares to the indicator being 123.7 at the end of December of 2015. Though the fall in the index in December could hint at the potential of increased recessionary risk, it is unlikely that this is the case. A continuing decline in housing is the likely culprit behind the modest decrease. Conversely, the University of Michigan's Consumer Sentiment Index increased modestly from 91.3 to 91.6. This is a much more modest gain than seen in previous quarters, hinting that consumer expectations about the economy may be moderating.

## State Economy<sup>2</sup>

In California, the unemployment rate went down to 5.4 from 5.8 percent. Among counties, San Francisco (3.3 percent), Santa Clara (3.8 percent), Orange (4.0 percent), San Luis Obispo (4.3 percent), San Diego (4.7 percent), and Los Angeles (5.0 percent) had unemployment rates below the state average. In contrast, Sacramento (5.5 percent), Riverside (5.9 percent), San Joaquin (8.8), Fresno (10.6 percent), Kern (11.1 percent), and Kings (11.4 percent) had unemployment rates above the state average.

The state's civilian labor force gained 46,467 members, where 83,500 secured paying jobs (employed) and 37,000 fewer were left jobless (unemployed). While nonfarm industries hired 24,300 more workers, farming enterprises employed only 10,967 more workers. A wide range of industries added jobs, including goods producing, manufacturing, information, financial activities, education and health services, leisure and hospitality, and government. However, jobs were lost in service providing, wholesale trade, and professional and business services,

<sup>2</sup> The California economic numbers were obtained from the Bureau of Labor Statistics "Local Area Unemployment Statistics Map". This is found at <http://data.bls.gov/map/MapToolServlet>.

## Local Economy

Even though Kern County's labor force decreased only slightly, the number of employed persons fell sizably, while the number of unemployed persons (as well as the unemployment rate) rose. This hints that although Kern County still continues to benefit from the move away from the recession, the continued low oil prices continue to dominate the economy. This has had the impact of stalling residential and retail development, which has halted diversified economic growth. There were large increases in nonfarm employment (3,633 fewer workers in the first quarter of 2016, compared to the fourth quarter of 2015), declines in employment in nearly all industries led the way. In fact, only department and general merchandise stores, hospitals, information, and financial activities saw an increase in employment. Coupled with the increase in the county unemployment rate was a sizable reduction in personal income, falling by nearly \$3 billion between the fourth quarter of 2015 and first quarter of 2016, largely led by decreases in labor income and property income, as oil price shocks continue to reverberate throughout the economy.

The rate of unemployment ranged from 5.2 percent in Inyokern to 22.4 percent in California City. No city in Kern County experienced a decrease in the unemployment rate. In Bakersfield, 9.9 percent of persons in the labor force are unemployed.

The continued fall in oil prices has started to impact secondary economic sectors, such as the housing market, though the impact has slowed. Kern County's median sales price of houses fell by over \$8,000, from \$206,083 in the fourth quarter of 2015, to \$197,917 in the first quarter of 2016, as migration to the area is limiting housing sales. In fact, home sales fell again in Kern County, as 161 fewer units were sold in the first quarter of 2016, compared to the fourth quarter of 2015. Most of the housing market impact was felt outside of Bakersfield. In Bakersfield, compared to the fourth quarter of 2015, only 18 fewer units were sold. This means that the struggles felt in Bakersfield are being reverberated in other areas of Kern County. Interestingly, the number of new building permits increased slightly to 537 permits in the first quarter of 2016, perhaps highlighting that expectations of future economic activity in Kern County are better than current conditions. Unfortunately, the number of loan default notices sent to homeowners increased by 22 units. Though still lower than the height of the Great Recession, this perhaps hints that mortgage companies have a more pessimistic near-term outlook than new home builders.

The weighted price index for the five publicly traded companies doing business in Kern County (Sierra Bancorp, Tejon Ranch Company, Chevron Corporation U.S., Granite Construction, and Wells Fargo Company) increased significantly from 95.6 in the fourth quarter of 2015 to 98.9 in the first quarter of 2016, an increase of 3.3 percentage points. Future expectations of the economic activity of local "market-makers" is optimistic, even with the continued stagnation of oil prices in Kern County. Chevron (13.2 percent), Tejon Ranch (17.5 percent), Granite Construction (4.3 percent), and Sierra Bancorp (0.4 percent) all experienced an increase in share prices; only Wells Fargo (7.5 percent) experienced a decrease in share prices, likely related to larger, state-wide economic issues.

With the continued stagnation in oil prices, gas prices increased sizably, up \$0.25 per gallon since the last quarter, averaging \$2.80 a gallon. The unit price of California's Class III milk also decreased, though only marginally, from \$15.25 in the fourth quarter of 2015 to \$15.03 in the first quarter of 2016. Farmers benefited from receiving higher prices for the products, with prices received increasing by 1.3 percentage points. However, costs to farmers increased by the same amount, leaving farmers no better off, with the index of farm price parity remaining at 85.7%, continuing the trend of a year-long decrease in farmer incomes. This is, in part, to the long-term effects of the drought in California.

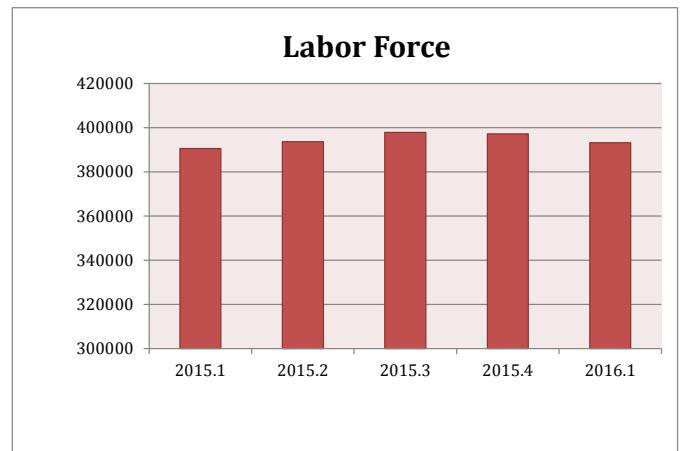


# Tracking Kern's Economy

by Dr. Richard S. Gearhart III and  
Dr. Nyakundi M. Michieka

**Growth of Personal Income** – With further declines of oil prices and layoffs continuing to affect regional oil companies (along with proposed decreases in oil employment for 2016), there was a sizable decrease in personal income, increasing by 37.89%, on an annual basis, compared to the fourth quarter of 2015. This amounted to a decrease, in total income, of nearly \$3 billion. This decrease was largely driven by sizable decreases in labor income (falling by \$2.5 billion) and property income (falling by nearly \$14 million) during the first quarter of 2016. This means that the long-term oil price affects are starting to impact a variety of sectors in Kern County.

to the first quarter of 2015. The most recent oil price shocks continue to have a large and adverse impact on Kern County, as 4,033 fewer workers represents about 1% of the total labor force.

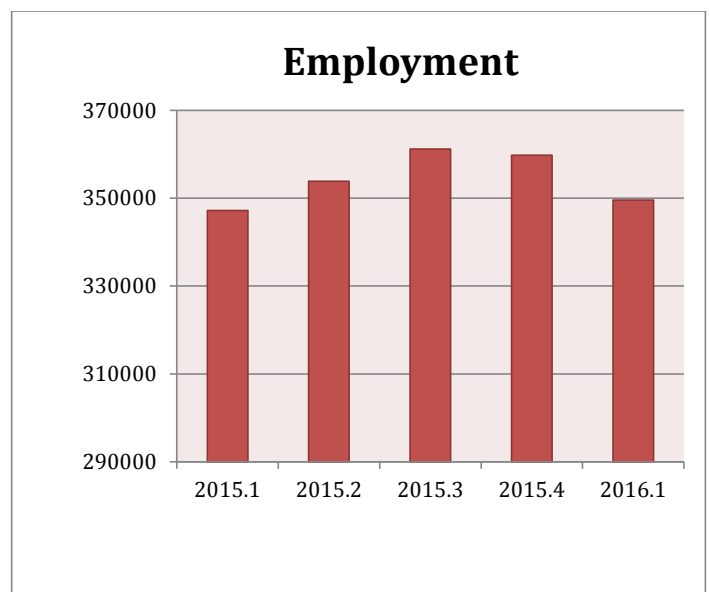


**Employment** – In the first quarter of 2016, Kern County hired 10,200 fewer workers as total employment decreased from 359,800 in the fourth quarter of 2015 to 349,600 in the first quarter of 2016. It appears, however, that Kern County is becoming more immune to the full power of oil price shocks, as 2,367 more workers are working this quarter than in the first quarter of 2015.

## Labor Market

We adjust published data in three ways. Firstly, we averaged monthly data to calculate quarterly data. Secondly, we recalculated quarterly data to take into account workers employed in the “informal” market (i.e., self-employed labor and those who work outside their county of residence). Finally, we adjusted quarterly data for the effects of seasonal variations.

**Labor Force** - The civilian labor force decreased by 4,033 members from 397,200 in the fourth quarter of 2015 to 393,167 in the first quarter of 2016. Not all gains over the past year have been erased, as 2,634 more workers were available for work this quarter relative

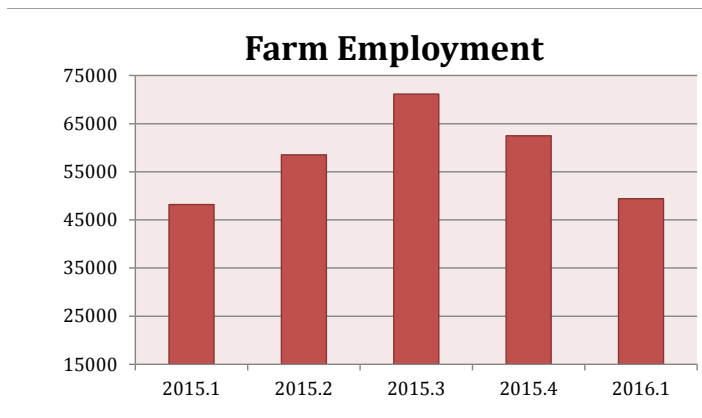
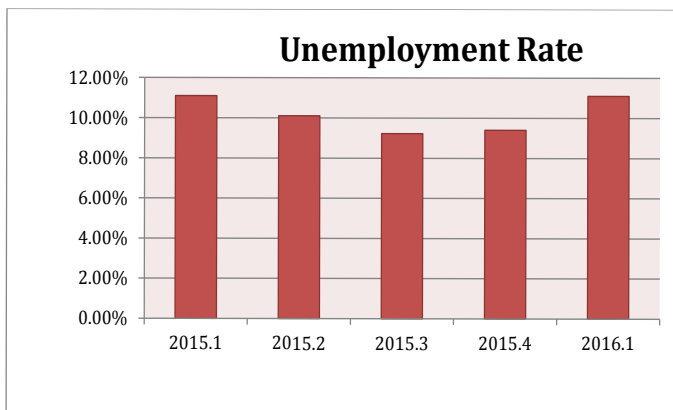


**Unemployment** – In the meantime, 6,200 more workers were unemployed, as the number of jobless workers increased from 37,366 to 43,567. Unfortunately, it appears as if unemployment has reached a recent high, as 267 more workers are unemployed this quarter, as compared to the first quarter of 2016.

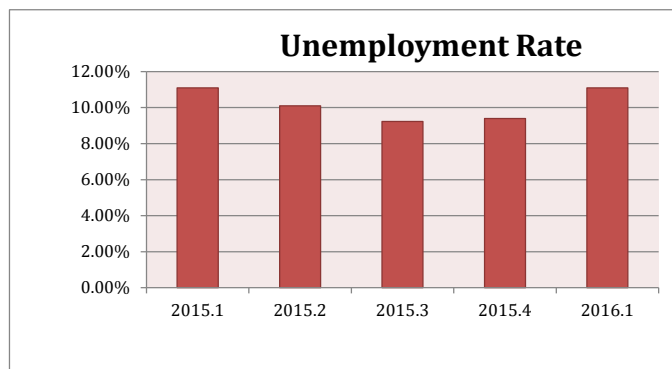
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Inyokern	5.2	Bakersfield	9.9
Taft	7.2	Arvin	12.9
Lamont	7.4	Delano	13.2
Ridgecrest	7.5	Oildale	14.2
Tehachapi	8.5	Wasco	14.6
Frazier Park	8.6	McFarland	17.1
Rosamond	9.2	Edwards	19.0
Shafter	9.5	Mojave	19.8
Lake Isabella	9.6	California City	22.4

Note: City-level data are not adjusted for seasonality and “informal” market workers.

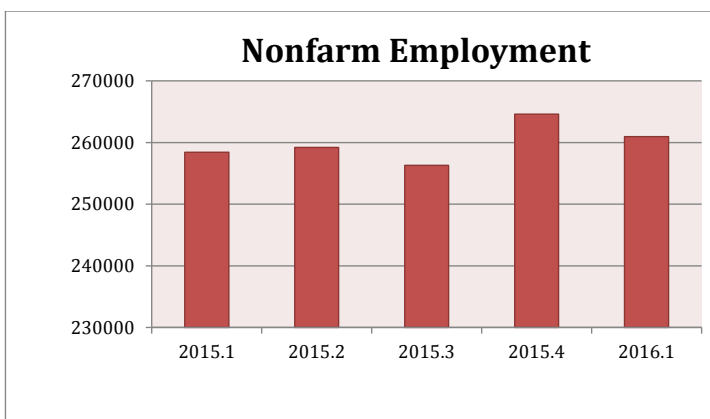
**Farm Employment** – In the first quarter of 2016, Kern County hired 13,100 fewer farm workers. As a result, farm employment decreased from 62,500 to 49,400. Though this is the cyclical nature of farm employment, part of this may stem from a relative lack of precipitation from the recent El Nino, as well as a disappointing amount of water being anticipated for farmers this fiscal year from the state. Conversely, the farming industry hired 1,200 more workers this quarter than four quarters ago.



**Unemployment Rate** – Kern County’s unemployment rate increased 1.7 percentage points to 11.1 percent. The county’s unemployment rate was 11.1 percent four quarters ago. Even though there are more unemployed compared to the first quarter of 2015, the unemployment rate has not increased since the first quarter of 2015, highlighting that jobs are being created even during the oil price decline.



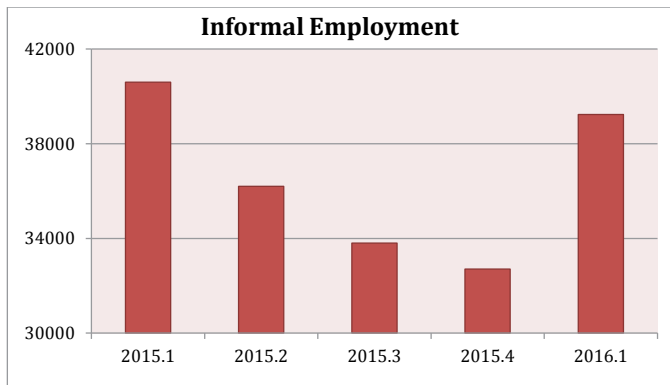
**Nonfarm Employment** – Local nonfarm industries employed 3,633 fewer workers this quarter. Hence, the number of nonfarm workers decreased from 264,600 to 260,967. Conversely, nonfarm industries hired 2,534 more workers than four quarters ago.



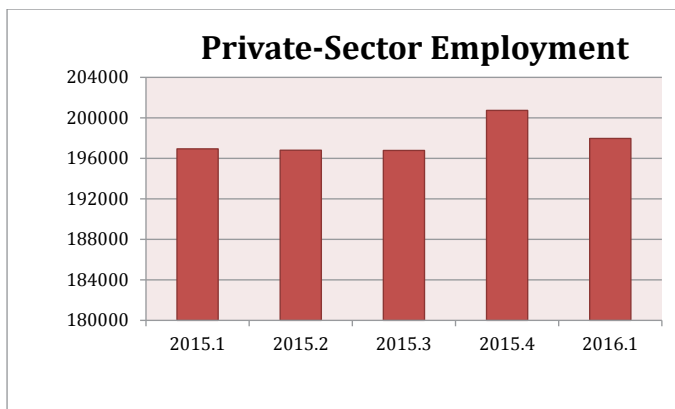
The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate varied between 5.2 percent in Inyokern to 22.4 percent in California City. No city in Kern County experienced a decrease in the unemployment rate. The largest increase was experienced by McKittrick, which saw a 4.6-percentage point increase in the unemployment rate. In Bakersfield, the rate of unemployment was 9.9 percent.

In Bakersfield, however, few nonfarm industries gained jobs: general merchandise stores, information, department stores, financial activities, and hospitals. This hints that the economy of Bakersfield continues to diversify in a number of ways that will make the city less responsive to oil price shocks in the future. However, due to the continued declines in oil prices, jobs were lost in farming, oil and gas extraction, manufacturing, retail trade, food and beverage stores, and service providing.

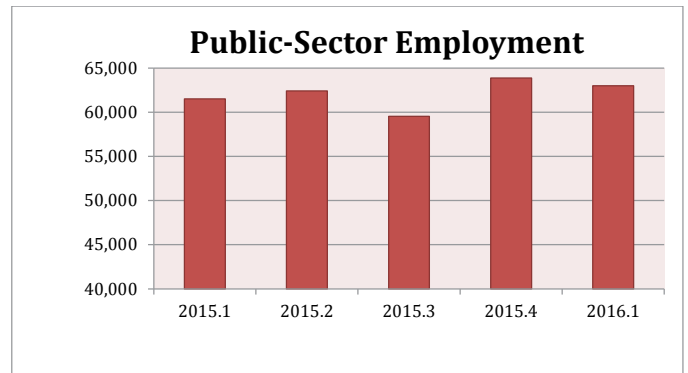
**Informal Employment** - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and workers employed outside their county of residence. In the first quarter of 2016, the number of informal workers increased by 6,533 from 32,700 to 39,233. Conversely, the informal labor sector hired 1,367 fewer workers this quarter relative to the first quarter of last year. This hints that continued struggles in the oil and gas sector has pushed individuals to working in jobs that may not require formal reporting of salaries.



**Private-Sector Employment** - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the first quarter of 2016, private companies hired 2,767 fewer workers as their employment decreased from 200,733 to 197,967. Conversely, the private sector employed 1,034 more workers this quarter than four quarters ago. This hints at continued diversification (especially retail) in Kern County

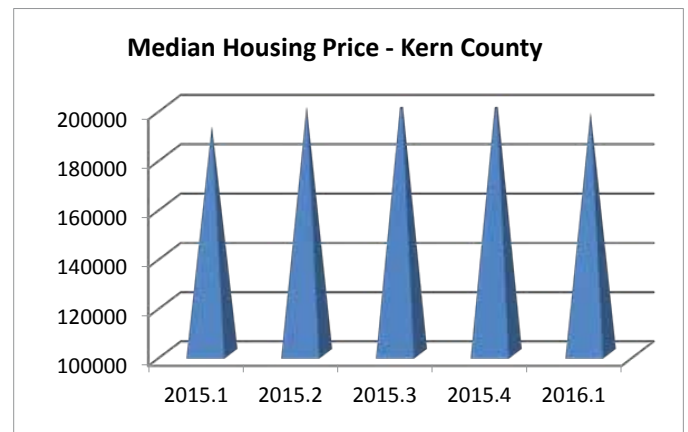


**Public-Sector Employment** - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the first quarter of 2016, government agencies hired 867 fewer workers as their employment decreased from 63,867 to 63,000, spurred 1,600 fewer local government workers, mainly in the education sector. This one quarter decrease bucks the general trend in Kern County, where public sector employment has been increasing. In fact, year-on-year, there has been an increase of 1,500 workers since the first quarter of 2015.



## Housing Market

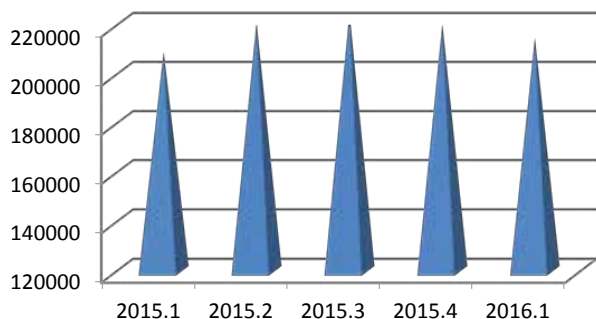
**Housing Price** - In the first quarter of 2016, Kern County's housing prices decreased dramatically by over \$8,000, hinting that movements away from the county or slowed migration to the county is depressing housing sales. The median sales price for all residential units fell from \$206,083 in the fourth quarter of 2015 to \$197,917 in the first quarter of 2016. Overall, however, the county's median sales prices are still \$5,583 higher (or 2.9 percent) than they were four quarters ago.



In Bakersfield, the median housing price depreciated \$5,667 (or -2.57 percent) from the fourth quarter of 2015, as many oil field workers call Bakersfield home. Conversely, the city's median sales price has appreciated \$5,667 (or 2.7 percent) since the first quarter of 2015.

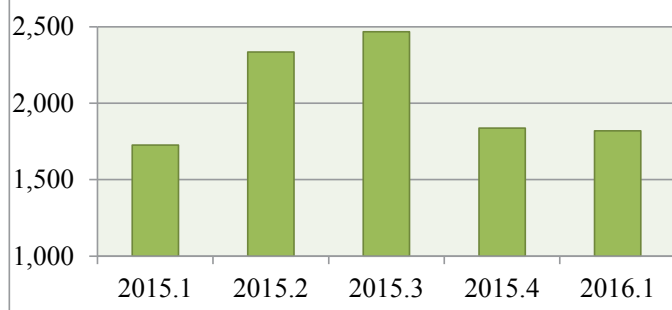


**Median Housing Price - Bakersfield**



Housing price varied across the county. Within the previous four quarters (2015 first quarter to 2016 first quarter), the median sales price appreciated in all the major cities of Kern County except California City and Taft. In dollar value, Ridgecrest had the largest appreciation of \$34,500. The largest decrease, in dollar value, was found in California City, where median housing prices fell by \$15,183.

**Housing Sales - Bakersfield**

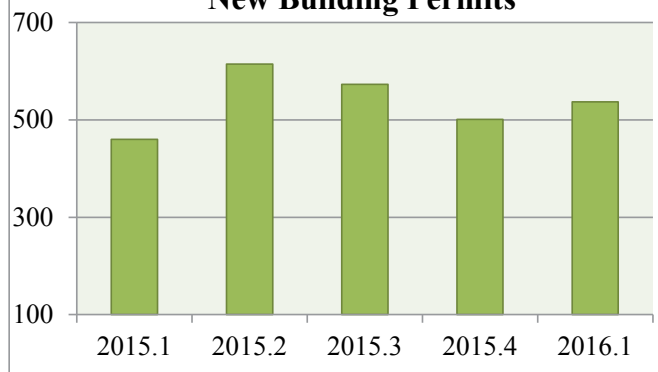


**New Building Permits** – In the first quarter of 2016, Kern County issued 537 permits for construction of new privately-owned dwelling units. The county issued 501 new building permits last quarter and 460 four quarters ago, showing a modest increase in new building permits that likely reflects an economy that is no longer singularly dependent on oil prices. This hints that continued growth in retail store spaces may be on the horizon.

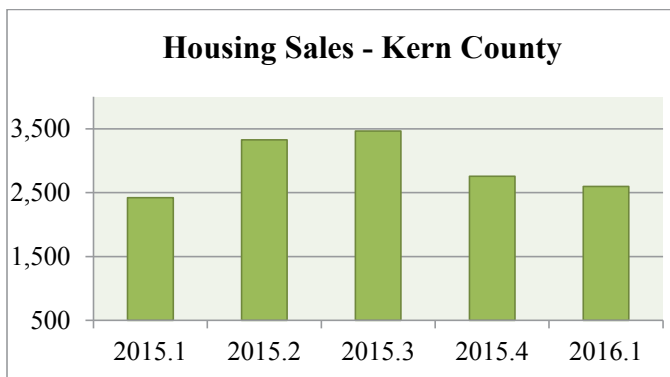
Location	Median Price 2016.1	Median Price 2015.1	Price Change 2015.1 to 2016.1	% Price Change 2015.1 to 2016.1
Kern County	197,917	192,333	5,583	2.9
Bakersfield	214,667	209,000	5,667	2.7
California City	92,833	108,017	-15,183	-14.1
Delano	175,000	169,917	5,083	3.0
Ridgecrest	160,500	126,000	34,500	27.4
Rosamond	175,000	172,333	2,667	1.5
Taft	115,750	116,667	-917	-0.8
Tehachapi	221,167	198,583	22,583	11.4

**Housing Sales** – In the fourth quarter of 2015, price depreciation was accompanied by a sizable decrease in sales. In Kern County, 707 fewer homes were sold as total sales decreased from 3,464 to 2,757, as Kern County’s largest metro area, Bakersfield, continues to struggle from oil price shocks. Compared to four quarters ago, however, 22 more units were sold.

**New Building Permits**

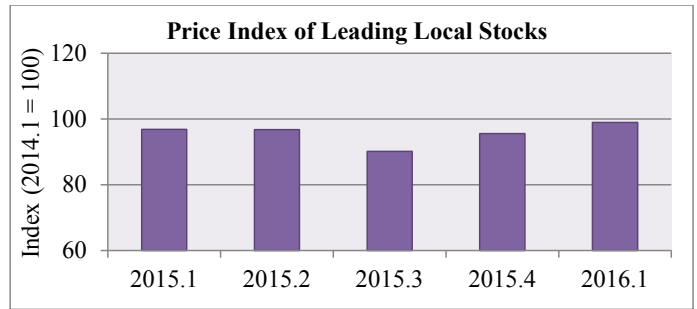
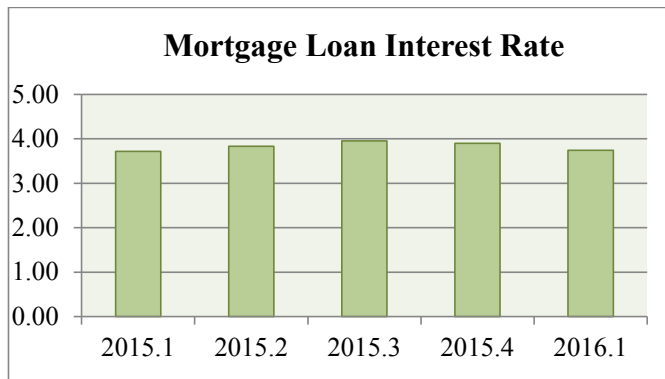


**Housing Sales - Kern County**

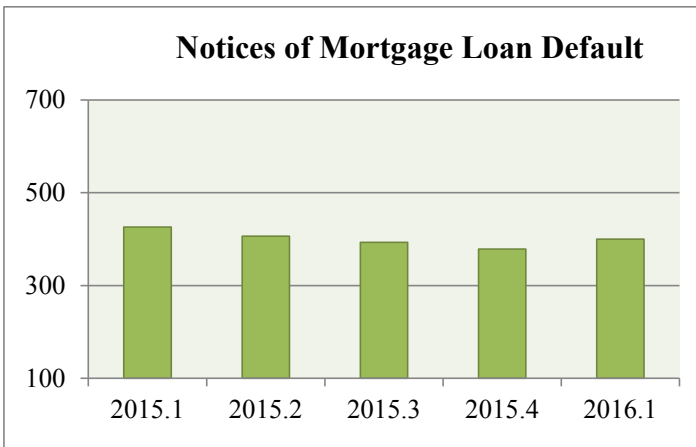


**Mortgage Interest Rate** – In the first quarter of 2016, the interest rate on thirty-year conventional mortgage loans decreased from 3.9 percent to 3.74 percent, highlighting continued uncertainty as to how quickly the Federal Reserve will raise rates. Four quarters ago, the mortgage loan interest rate was 3.72 percent, highlighting that there is volatility, both upwards and downwards, in the rate.

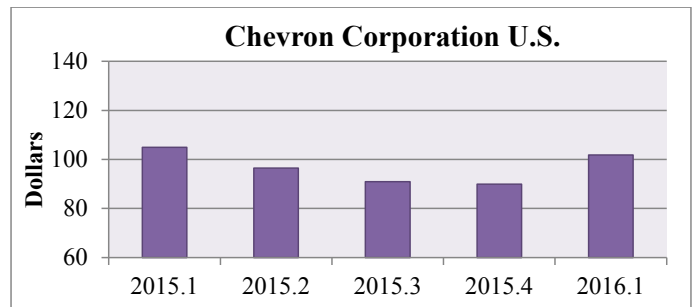
In Bakersfield, sales of residential units decreased by only 18 units, from 1,838 in the fourth quarter of 2015 to 1,820 in the first quarter of 2016. This means that nearly all of the decrease in housing sales in Kern County were located outside of Bakersfield. This hints that the regional oil price shocks are now moving to more rural locations, as Bakersfield residents may be less likely to purchase homes outside of the area.



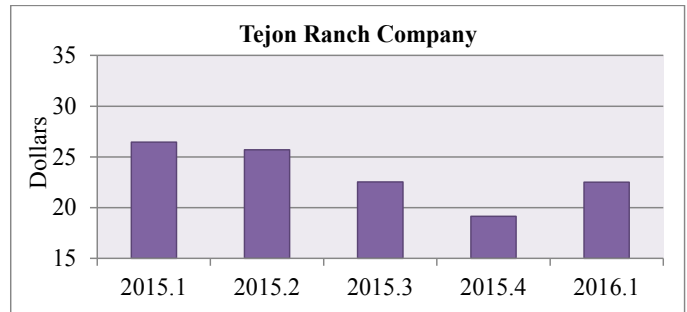
**Housing Foreclosure Activity** – Kern County’s foreclosure activity ticked up slightly in the first quarter of 2016. This slight increase is likely due to increased uncertainty about the future of oil prices in the near-term, with mortgage institutions perhaps more willing to start a foreclosure process with oil prices not likely to increase. The number of homeowners receiving notices of loan default from their mortgage bankers increased from 378 to 400, which is still well below the high of 2,000 notices per year in the later parts of last decade (2008-2010). Conversely, the number of default notices is still 26 units lower than what it was four quarters ago.



**Chevron Corporation U.S.:** CVX gained \$11.87 (or 13.2 percent) per share as its price increased from \$89.96 to \$101.83. Relative to the first quarter of 2015, CVX was down \$3.15 (or 3.0 percent).



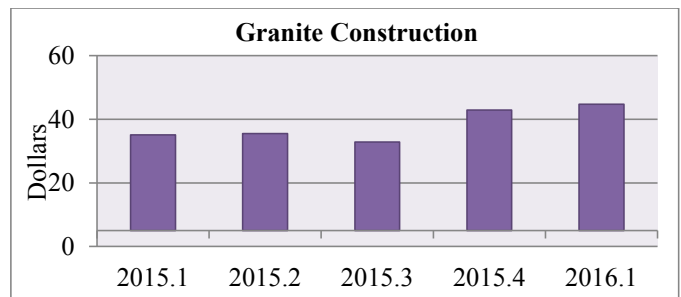
**Tejon Ranch Company:** TRC gained \$3.36 (or 17.5 percent) per share as its stock price increased from \$19.15 to \$22.51. Conversely, TRC was down \$3.94 (or 14.9 percent) relative to the first quarter of 2015.



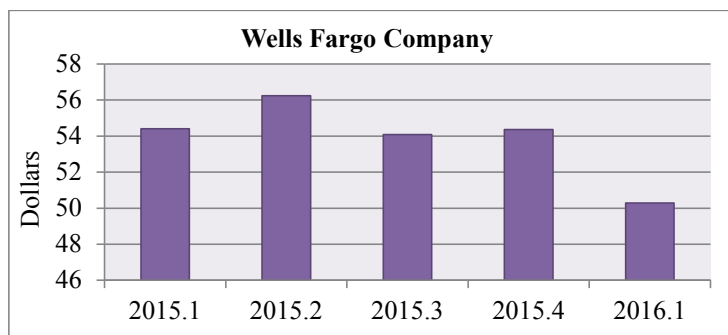
## Stock Market

In the first quarter of 2016, the composite price index (2014.1=100) of the five publically traded companies doing business in Kern County increased 3.3 percentage points from the previous quarter, from 95.6 to 98.9. The index was 2.1 percentage points higher than that of four quarters ago, Average “close” prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.

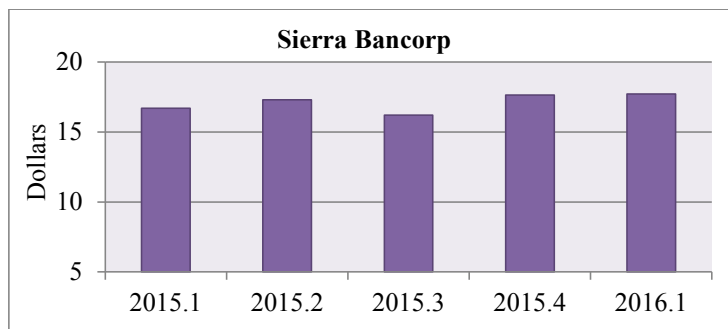
**Granite Construction:** GVA gained \$1.86 (or 4.3 percent) per share as its stock price increased from \$42.91 to \$44.77. Likewise, GVA has increased \$9.63 (or 27.4 percent) since the first quarter of 2015.



**Wells Fargo Company:** WFC lost \$4.08 (or 7.5 percent) per share as its stock price decreased from \$54.36 to \$50.28. Relative to one year ago, WFC was down \$4.12 (or 7.6 percent).

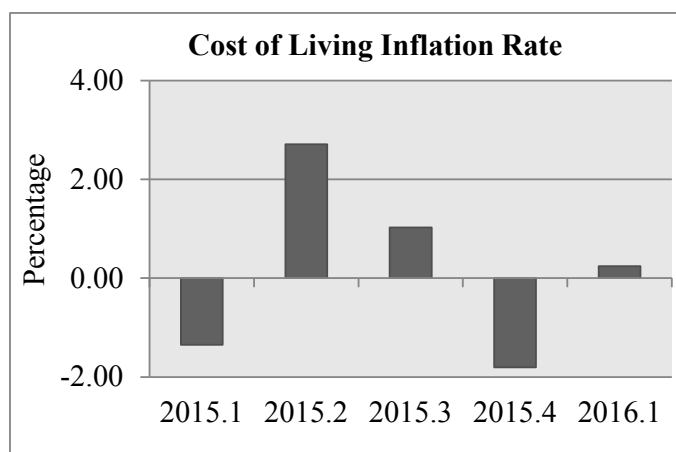


**Sierra Bancorp:** BSRR gained \$0.07 (or 0.4 percent) per share as its price increased from \$17.65 to \$17.72. Similarly, BSRR has gained \$1.02 (or 6.1 percent) since the first quarter of 2015.

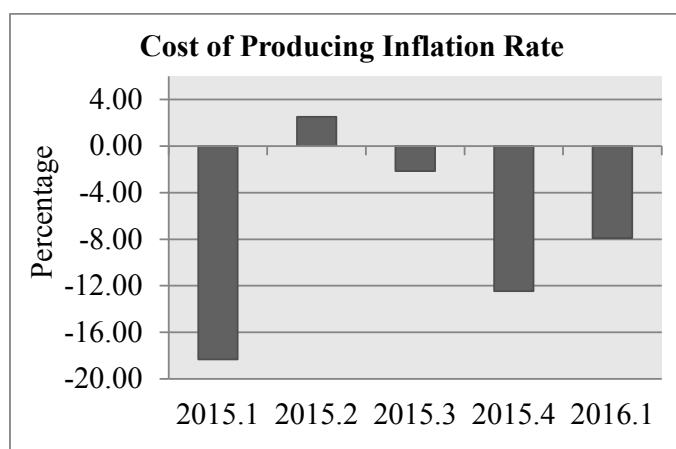


## Inflation

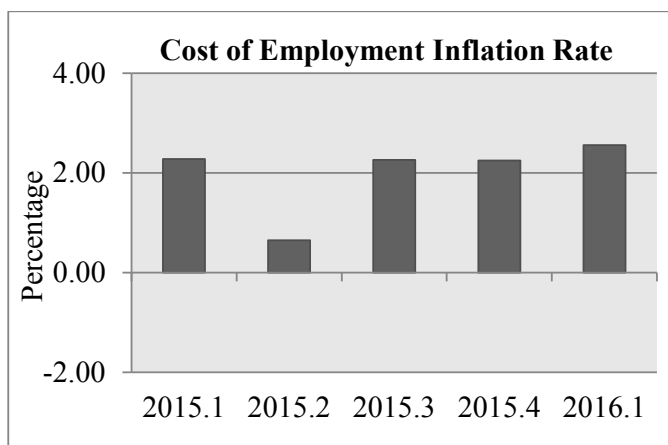
**Cost of Living** - In the first quarter of 2016, the Consumer Price Index for all urban areas (1982-84 = 100) increased slightly from 237.24 to 237.39. As a result, inflation for the cost of living increased at an annual rate of 0.24 percent. The cost of living inflation rate was -1.8 percent last quarter and -1.35 percent a year ago.



**Cost of Production** - The Producer Price Index for all commodities (1982 = 100) decreased from 185.8 to 182.13. As a result, the cost of production fell at an annual rate of 7.89 percent. The cost of production inflation rate was -12.45 percent last quarter and -18.3 percent four quarters ago.

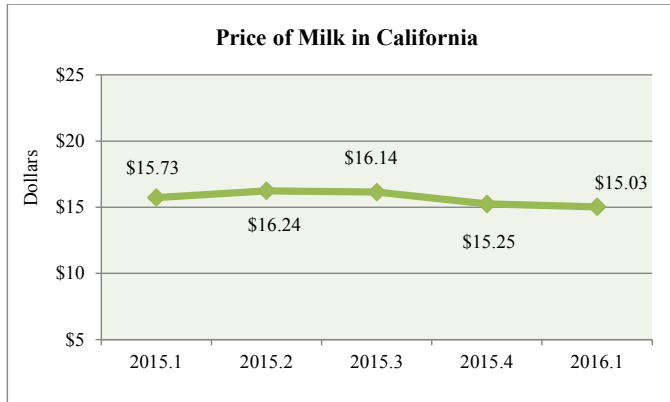


**Cost of Employment** - The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 125.2 to 126.0. As a result, the cost of employment grew at an annual rate of 2.56 percent. The cost of employment inflation rate was 2.25 percent last quarter and 2.28 percent four quarters ago.

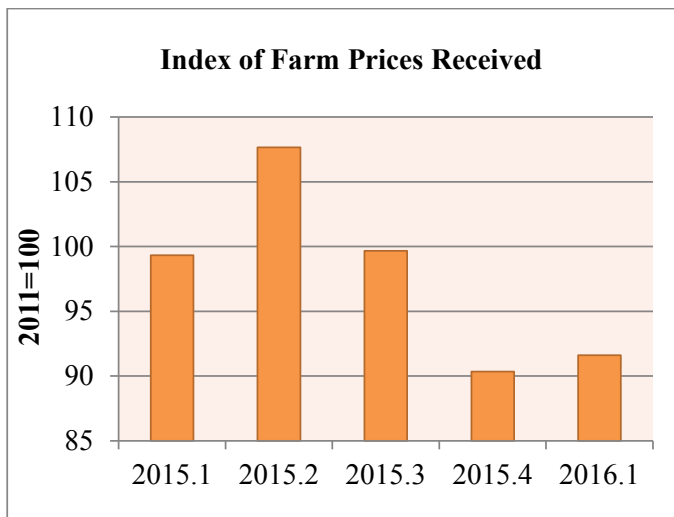


## Commodity Prices

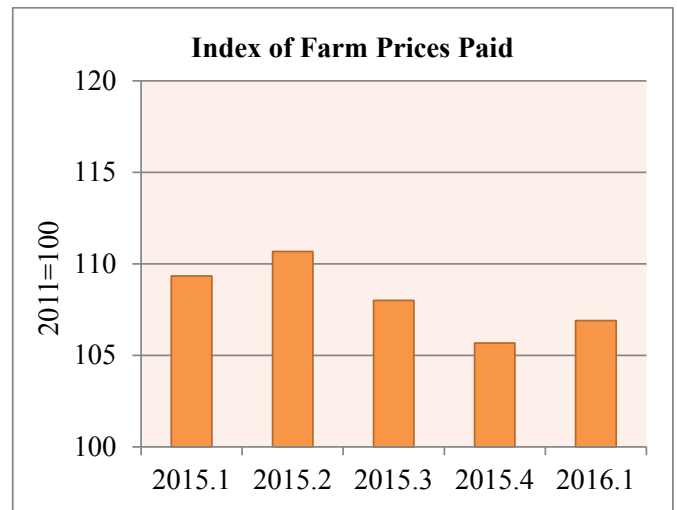
**Price of Gasoline** - In the Bakersfield metropolitan area, the average retail price of regular gasoline increased \$0.25 per gallon from \$2.55 to \$2.80. Compared with the first quarter of last year, the average gasoline price was down \$0.13.



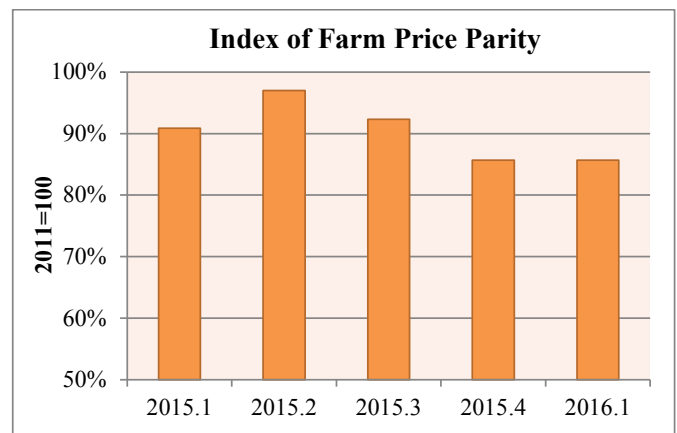
**Price of Milk** - The unit price of California's Class III milk continued to decrease, falling \$0.22 (or 1.5 percent) from \$15.25 to \$15.03. Noticeably, the price was to a low of \$14.28 in February and March, but was buoyed by a price of \$16.52 in January. Even more noticeably, the price is down since the first quarter of last year, falling by \$0.70 (or 4.5 percent).



**Farm Prices** -In the first quarter of 2016, the national Index of Prices Received by Farmers for all farm products (2011 = 100) increased 1.3 points from 90.3 to 91.6. The index was 99.3 four quarters ago.



Meanwhile, the national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents increased slightly by 1.2 point to reach 106.9. The index was 109.3 four quarters ago.



We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the first quarter of 2016, the gap between prices paid and prices received remained stagnant, after falling since the second quarter of 2015, as the Index of Farm Price Parity remained unchanged at 85.7 percent. This hints that any increases in prices received by farmers has been wholly offset by increased costs for farmers. Four quarters ago, the price ratio was 91 percent, meaning that conditions for farmers continue to worsen, as the amount of money they receive for their products falls faster than the decline in what they pay for services.

(Endnotes)

1 Source - Online databases: [labormarketinfo.edd.ca.gov](http://labormarketinfo.edd.ca.gov), [bakersfieldgasprices.com](http://bakersfieldgasprices.com), [dqnews.com](http://dqnews.com), [economagic.com](http://economagic.com), [bea.gov](http://bea.gov), [bls.com](http://bls.com), [gpoaccess.gov](http://gpoaccess.gov), [dairy.nu](http://dairy.nu), [msn.com](http://msn.com), [census.gov](http://census.gov), [kerndata.com](http://kerndata.com), and [bry.com](http://bry.com)

# A Note on Kern County Healthcare

Dr. Richard Gearhart

Lamentably, Kern County often ranks as one of the poorest providers of healthcare in the country. The University of Wisconsin Population Health Institute (UWIPHI) has ranked Kern County, in terms of health outputs (what our health conditions look like) and health inputs (the healthcare providers and resources available to consumers) as some of the worst in California. In fact, Kern County ranks 52nd in outcomes and 57th (or dead last) in health inputs. This highlights some rather disturbing trends. Not only is our population in ill health, but the county does not have the healthcare resources to alleviate these issues.

However, the UWIPHI rankings suffer from a number of issues; key among them that the weights attached to different health outcomes and different health inputs are selected, rather than data-driven, and suffer from arbitrary, subjective norms. A second, larger, issue, is that the outcomes in health for a county's population depend directly on the inputs for care. Or, in other words, if there are not enough healthcare providers, or if the population undertakes actions that are behaviorally detrimental (smoking, obesity, poor eating habits), or if there are socioeconomic factors (poverty) that play a role in health outcomes, it is only natural that health outcomes are worse than in other counties. Let's take a quick look at the data. In Table 1 below, we look at some common health inputs across counties in California.

Table 1: Differences in Healthcare Inputs Across California and Selected Counties, 2015

	<b>% Adult Smokers</b>	<b># of Citizens per PCP</b>	<b>% Some College</b>	<b>% that are Physically Inactive</b>	<b>% Children in Poverty</b>	<b># of Citizens per Nurse</b>	<b>% Food Insecure</b>	<b>% with Unclean Water</b>
Kern County Average	16.00	2,014.5	44.84	21.90	30.50	202.39	17.10	13.18
Fresno County Average	13.90	1,561.5	51.12	18.30	42.00	164.56		3.44
California Average	14.97	1,461.6	58.84	17.12	23.57	153.17	16.02	7.45
% Difference Between Kern County and CA	6.9% HIGHER	37.8% HIGHER	23.79% LOWER	27.9% HIGHER	29.4% HIGHER	32.2% HIGHER	6.74% HIGHER	76.91% HIGHER

So, perhaps, many of the health outcomes that are poorer in Kern County than elsewhere in California are directly linked to the fact that healthcare inputs in Kern County are significantly worse than anywhere else. In fact, it appears that socio-economic and behavioral factors are driving many of the differences in health outcomes between Kern County and other, more affluent, counties in California.

This hints at another way of looking at these data and the outcomes that we see in Kern County. Even though there are significantly fewer healthcare providers in Kern County than elsewhere, they are doing yeoman's work in limiting the harm that we, ourselves, are placing on the healthcare system. In fact, the healthcare providers in Kern County start their treatment fighting an uphill battle.

Even though we have significantly fewer healthcare providers (both PCP's and nurses) in Kern County, our health outcomes rival those of Fresno County (and in many cases, such as infant and child mortality rates, are lower). Again, this highlights the tremendous jobs that our healthcare providers are doing in fighting a battle that they are losing when they first see the patient. From sedentary lifestyles to shift-work that often encourages poor consumption behavior (energy drinks, fast food), Kern County has a number of hurdles. But simple glances at health outcomes is not one of them.

<sup>1</sup>The University of Wisconsin Population Health Institute's County Health Rankings are found at <http://www.countyhealthrankings.org/app/california/2016/overview>.



# *The Impacts of the Minimum Wage Increase in Kern County*

Dr. Richard Gearhart  
Assistant Professor of Economics

By 2018, the new minimum wage in California will be \$11, a 10-percent increase in the current rate. By 2022, it will be \$15 the highest in the country at the state level. Though there have been city-specific minimum wage increases beyond the federal and state level, a large state-wide increase in the minimum wage bears inquiry, as the benefits and costs are likely to be felt differently by counties.

There is much debate about the extent to which a minimum wage reduces employment, if it does at all. Several studies have found that that the minimum wage increasing has no discernible impact on employment, even for teens. Though this may seem counter-intuitive, the small costs of increasing wage payments to these workers may be outweighed by the potentially large costs (to both the employer and to employee morale) of firing and recruiting new workers. There is also the notion of an “efficiency wage”; that workers tend to work harder the more that they are paid, which offsets the wage increase. There is evidence of this at franchise-owned fast-food restaurants.

Where sizable negative impacts of a minimum wage may be felt are on non-wage benefits provided to workers. Health insurance benefits, reduced-price meals, and training are some ways that employers may offset a higher minimum wage. There is evidence that this has happened at San Francisco. There is also evidence of price increases for consumers. In San Francisco, the minimum wage increases have led to an almost 3-percent increase in food prices. This means that about a third of the minimum wage increases were passed onto consumers.

These are the potentially hidden impacts of a minimum wage; many people wrongly assume that income is the wages that you are paid. In fact, as the state of California points out repeatedly, the household of an income should include the value of non-wage benefits. Decreased real purchasing power and reductions in what many households consider essentials (health insurance) have an impact on the economic viability of a household unit. While a shift towards a higher wage income may seem desirable, oftentimes these income increases are met by increased expenditures on what may have been workplace benefits.

One of the biggest pitfalls of a minimum wage, however, is that it cannot be targeted solely to those in poverty. Only 58-percent of minimum wage earners have a family income that is about \$36,000 for a California family. Many times, a minimum wage earner in a family is a secondary source of income for the family or

income earned by a teenager. Only half of minimum wage earners work full time, and 80-percent of minimum wage earners work more than 20 hours per week. Unlike an earned income tax credit (EITC) or negative income tax (NIT), which can be targeted to individuals based on family income, this limits the effectiveness of the minimum wage. Although it cannot be perfectly targeted to individuals in poverty, studies have found that the minimum wage does have a positive impact on food security for low income households. Certain studies have found that a 10-percent increase in the minimum wage has reduced Food Stamp expenditures by 1.9-percent, while also decreasing enrollment by about 3-percent. This is important; food insecurity can lead to higher lifetime healthcare costs, so individuals moving off of Food Stamp programs is an encouraging sign.

What may be the impact of a rise of the minimum wage in Kern County? Prices in San Francisco are about 23-percent higher than prices in Bakersfield. This means that the soon to be \$13.00 minimum wage in San Francisco feels like a wage of \$16.01 in Bakersfield. A \$15 minimum wage in San Francisco feels like a wage of \$18.47 in Bakersfield. The importance of this is that the impact of the minimum wage will be much higher in Bakersfield than elsewhere in California, where median wages are at (or higher than) \$15.00 an hour.

The state of California has estimated that that about 32-percent of Californians will be directly affected by the minimum wage increases; the number is likely much higher in Kern County. In Bakersfield, the median hourly wage is \$16.15, while the 25th percentile wage is \$9.84. This implies that more than 40-percent of the workforce in Kern County currently earns less than the anticipated minimum wage; it is 25-percent in San Francisco. This means that the employment impacts of a minimum wage increase in Kern County are going to be much more substantial. In fact, it is probable that the increase in the minimum wage to \$15 will reduce the number of jobs, in Kern County, by about 5-percent, meaning that about 14,000 jobs will be lost by 2022. The occupations that will be the hardest hit are detailed on the next page.

<b>Occupation</b>	<b>Employment (2015)</b>	<b>25<sup>th</sup> Percentile Wage</b>	<b>50<sup>th</sup> Percentile (Median) Wage</b>	<b>75<sup>th</sup> Percentile Wage</b>
<b>Bakersfield (All Occupations)</b>	259,860	9.84	16.15	28.07
<b>Healthcare Support Occupations</b>	6,350	10.49	12.60	16.02
<b>Security Guards</b>	1,590	9.16	10.93	14.97
<b>Cooks</b>	4,480	10.02	11.44	13.76
<b>Food Preparation Workers and Servers</b>	6,570	8.72	9.13	9.58
<b>Janitors and Cleaners</b>	3,070	9.57	11.68	16.05
<b>Maids and Housekeepers</b>	1,440	8.85	9.38	10.87
<b>Landscaping and Groundskeeping Workers</b>	1,390	11.56	13.61	15.94
<b>Childcare Workers</b>	1,260	9.34	10.65	12.26
<b>Sales</b>	23,760	9.60	12.23	20.67
<b>Office and Administrative Support</b>	35,850	12.11	16.12	20.74
<b>Farming, Forestry, and Fishing</b>	43,030	8.69	9.13	9.64
<b>Transportation and Material Moving Occupations</b>	22,360	9.73	14.94	21.30

In fact, it is likely that 133,000 workers will be directly affected by the minimum wage increase by 2022. This does not include the indirect effects; workers earning more than \$15.00 who will see an increase in their pay to offset higher costs they face as consumers. This means that people receiving \$15 to \$20 an hour now may see an increase in their wages, though certainly less than the percentage increase in the minimum wage.

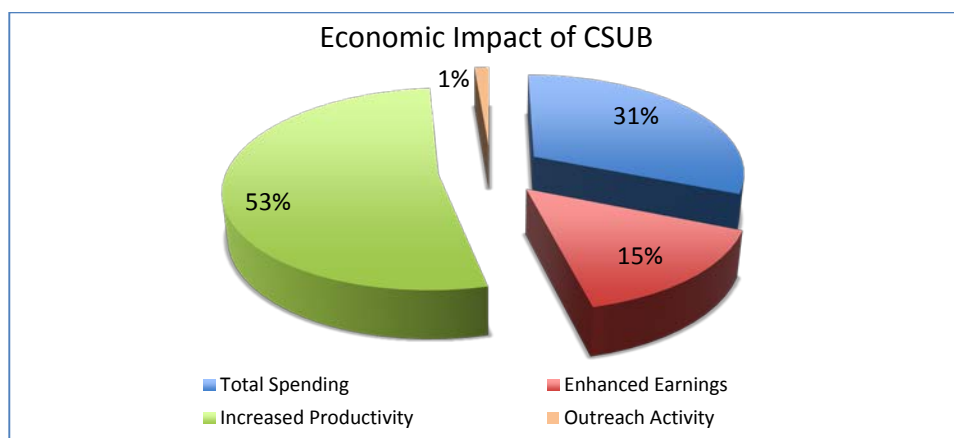
# Featured Article: Economic and Fiscal Impacts: CSUB

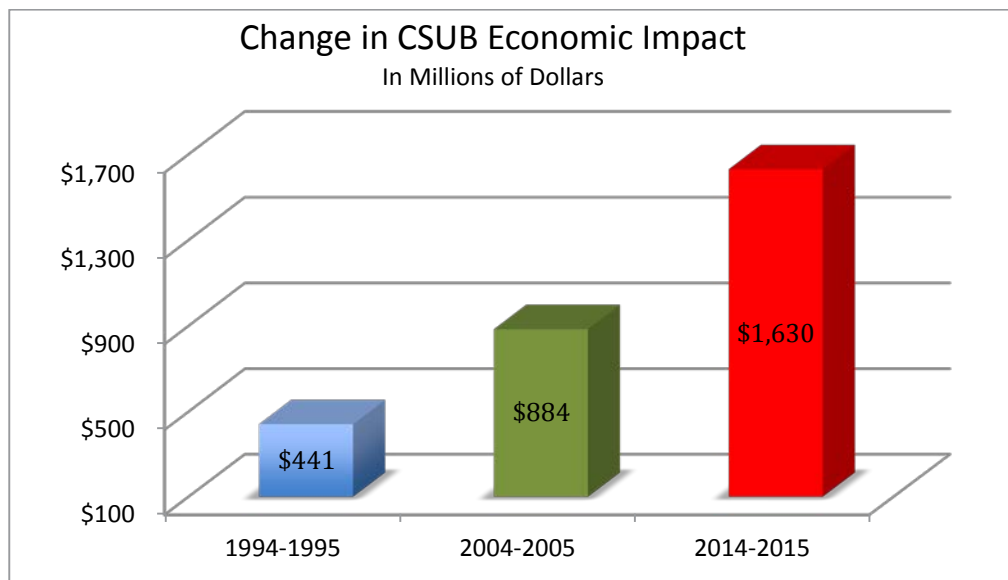
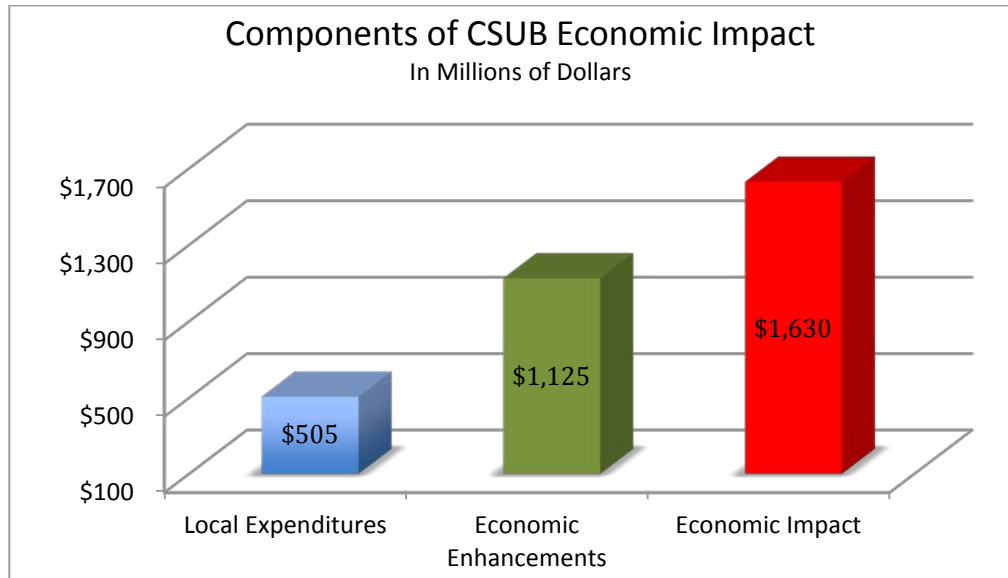
Abbas P. Grammy  
Professor of Economics

This study is an update and upgrade of the economic impact analysis conducted eleven years ago. The study is an update and upgrade as (1) we have analyzed the most recent financial and enrollment data, (2) we have included community engagement and visitor spending to the list of university contributions, and (3) we have measured the fiscal impact of university expenditures and construction outlays. In addition, we have applied the Input-Output Multipliers of Kern County to a state-of-the-art computer program, IMPLAN Pro, to trace out the university's impacts throughout the economy.

## Highlights

- CSUB has a \$1.6 billion impact on Kern County's economy, more than twice that of the previous impact study.
- CSUB's impact consists of \$505 million in local expenditures and \$1,125 million in economic enhancement.
- CSUB generates \$68 million in tax revenues for federal, state and local governments.
- CSUB's economic impact helps create 5,560 jobs in Kern County.
- CSUB helps increase the earning power of its graduates by \$242 million.
- CSUB helps improve labor productivity by \$861 million.
- Each \$1.00 of CSUB's local expenditures creates \$4.96 in total output.
- Each \$1.00 of CSUB's local expenditures generates 21¢ in tax revenues.





### *Economic and Fiscal Impacts*

California State University, Bakersfield, a comprehensive regional institution of higher education, exerts a \$1.6 billion impact on the economy of Kern County. CSUB expenditures in the local economy occur in various forms: operating expenses, construction outlays, student spending, visitor spending, and retirement spending. Local expenditures of \$328.4 million expands to \$505.3 in total output impact.

In addition to local expenditures, CSUB contributes \$1.1 billion to the local economy in a less obvious, yet equally important, manner. As a comprehensive regional university, CSUB helps improve quality of life in the community. The university also supplies an educated workforce to fill high-paying jobs, thus increasing



the earnings power of its graduates. Furthermore, presence of the university increases the levels of educational attainment and labor productivity of the city and region. The reason for this intangible effect is that knowledge and expertise are more easily and readily transferred when educated workers interact with each other, hence increasing productivity in the workplace.

<b>Economic Impacts of CSUB</b>		
	<b>Direct Effect</b>	<b>Total Effect</b>
Operating Expenses	\$142,652,000	\$221,928,831
Construction Outlays	\$49,085,002	\$72,005,035
Student Spending	\$108,546,933	\$168,870,355
Visitor Spending	\$1,136,565	\$1,677,301
Retirement Spending	\$27,067,886	\$40,872,508
<b>Subtotal: Local Expenditures</b>	<b>\$328,488,386</b>	<b>\$505,354,030</b>
Community Engagement		\$21,471,297
Earnings Enhancement		\$242,358,307
Productivity Improvement		\$861,404,292
<b>Subtotal: Economic Enhancements</b>		<b>\$1,125,233,896</b>
<b>Total</b>		<b>\$1,630,587,926</b>

The university's local expenditures generate \$68.2 million in tax revenues. State and local governments collect \$25.8 million (38 percent) and the federal government gathers \$42.4 million (62 percent).

<b>Fiscal Impacts of CSUB</b>			
	<b>State &amp; Local Tax</b>	<b>Federal Tax</b>	<b>Total Tax</b>
Operating Expenses	\$11,851,128	\$17,441,038	\$29,292,166
Construction Outlays	\$2,511,703	\$4,704,347	\$7,216,050
Student Spending	\$9,017,773	\$13,271,256	\$22,289,029
Visitor Spending	\$124,904	\$134,574	\$259,478
Retirement Spending	\$2,265,433	\$6,879,325	\$9,144,758
<b>Total</b>	<b>\$25,770,941</b>	<b>\$42,430,540</b>	<b>\$68,201,481</b>

For the complete study see: [http://www.csub.edu/bpa/\\_files/CSUB%20Economic%20and%20Fiscal%20Impact-Final%203-2016.pdf](http://www.csub.edu/bpa/_files/CSUB%20Economic%20and%20Fiscal%20Impact-Final%203-2016.pdf)



# CSU Bakersfield

School of Business and Public Administration

KERN ECONOMIC JOURNAL is a quarterly publication of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions. Please visit <http://www.csu.edu/kej> for more information.