Kern Economic Journal

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2023 Third Quarter

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Unemployment in the
Great Central Valley
and Motherlode

Selecting the Best
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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 electronic copy. Individual authors are responsible for the views and research results.

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Kern Economic Journal

Inside this Issue:

Economy at a Glance!

2023 THIRD QUARTER
BY DR. NYAKUNDI MICHIEKA
& DR. RICHARD S. GEARHART III

National Economy [1]

Real GDP increased at an annual rate of 4.9 percent in the third quarter of 2023. In the second quarter of 2023, real GDP increased by 2.1 percent. The acceleration in real GDP reflected increases in consumer spending and inventory investment. Imports also increased.

The increase in real GDP reflected increases in consumer spending, private inventory investment, exports, state and local government spending, federal government spending, residential fixed investment, and nonresidential fixed investments.

Current-dollar GDP increased by 8.3 percent (annual), or $547.1 billion in the third quarter to a level of $27.61 trillion.

Current-dollar personal income increased $196.2 billion in the third quarter. This rise reflected increases in compensation (led by private wages and salaries), nonfarm proprietors' income, and personal interest income that were partly offset by a decrease in personal current transfer receipts.

Real disposable personal income which is adjusted for inflation and taxes, increased by 0.3 percent.

Personal saving was $851.2 billion in the third quarter. The BEA derives the personal saving rate by calculating personal saving as a percentage of disposable personal income.

Personal saving rate – personal saving as a percentage of disposable personal income – was 4.2 percent in the third quarter.

The Conference Board's Index of Leading Economic Indicators – a measure of future economic activity – decreased by 0.5 percent in November 2023 to 103.0 (2016=100), following a 1.0 percent decline in October.

The University of Michigan's Consumer Sentiment Index increased from 62.3 in the second quarter of 2023 to 69.6 in the third quarter of 2023. The value of the index in the third quarter of 2022 was 56.1, and 74.8 in the third quarter of 2021.
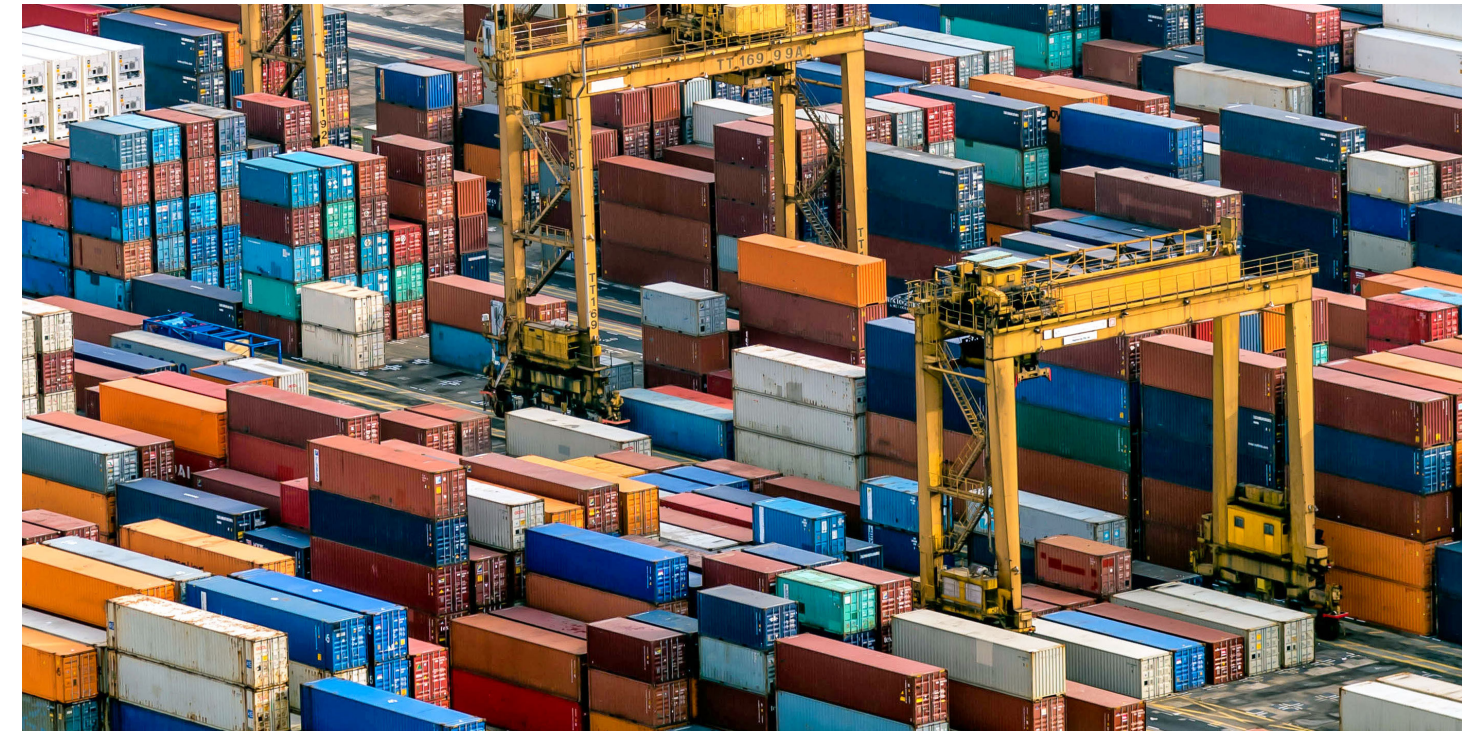
State Economy [2]

In California, the unemployment rate grew to 4.6 percent in the third quarter of 2023 compared to 4.5 percent in the second quarter. The top 5 counties with the highest unemployment rates include: Colusa (9.4), Imperial (18.8), Kern (7.8), Merced (8.4), and Tulare (9.6). Counties with the lowest unemployment rates include Marin (3.5), Napa (3.5), San Francisco (3.4), San Luis Obispo (3.5) and San Mateo (3.2).

California's labor force decreased by 23,233 in the third quarter of 2023. During this period, civilian employment decreased by 41,033 from 18.54 million to 18.50 million. Nonfarm enterprises hired 35,300 more workers while farm employment decreased by 3,267. Mining and logging employment reduced by 67 as construction hired 14,367 more workers. The manufacturing sector hired 3,300 less workers. Service sector employment increased from 15.79 million to 15.82 million between the second quarter of 2023 and the third quarter of 2023. The state government hired 267 less workers while local government added 9,400 workers.

Local Economy

The local economy witnessed an increase in the labor force from 396,233 in the second quarter of 2023 to 397,300 in the third quarter of 2023. Civilian employment increased by 3,933 from 362,333 to 366,267. Nonfarm employment decreased by 4,533 while farming employment increased by 11,033.

In Bakersfield, nonfarm employment changed in the following manner: mining and logging lost 67 workers; construction added 33 workers; manufacturing added 67 workers while the service industry lost 4,567 workers. Within the service sector, trade, transportation and utilities sector, an additional 267 workers were hired. Financial activities lost 67 workers, professional and business services lost 67 workers, private education and health services lost 100 workers while leisure and hospitality employment stayed the same. Within the government, the federal government added 33 workers, while the state government and local government lost 333 and 3,833 workers, respectively.

Total salaries and wages in Kern County increased from $353,533 in the second quarter of 2023 to $360,033 (1.8 percent increase) in the third quarter of 2023. Compared to four quarters ago, salaries were higher by $13,067 or 4 percent.

The unemployment rate varied considerably across cities, ranging from 3.8 percent in Ridgecrest to 19.2 percent in Lake Isabella. All cities in Kern County (except for Bakersfield and Ridgecrest) witnessed a decrease in the unemployment rate compared to the last quarter. The biggest quarter to quarter rise in the unemployment rate occurred in Delano where it surged from 27.8 percent to 19 percent. In Bakersfield, the unemployment rate was 5.47 percent in the second quarter of 2023 compared to 6.10 percent in the third quarter of 2023. In Kern County, unemployment was 7.9 percent in the third quarter of 2023 compared to 8.6 percent in the second.

In the third quarter of 2023, the median home price in Bakersfield was $400,667 compared to $392,000 in the second quarter. Home prices were $22,333 higher than they were four quarters ago. Within the region, median home prices in Taft were the lowest at $221,917 compared to $408,167 in Tehachapi.

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 by 2.1 percentage points from $98.4 to $100.5 (quarter to quarter). The index was 10.4 percentage points greater than it was four quarters ago. All companies gained/lost as follows: Chevron (increased 6.9 percent quarter-over-quarter), Tejon Ranch (decreased 5.4 percent quarter-over-quarter), Granite Construction (decreased 4.3 percent quarter-over-quarter), Wells Fargo (decreased 4.9 percent quarter-over-quarter) and Sierra Bancorp (decreased 11.6 percent quarter-over-quarter).

The average retail price of gasoline increased by $0.51 to $5.22 a gallon (quarter to quarter) from $4.70. Gas prices were 11.4 percent lower than they were four quarters ago when they averaged $5.89 a gallon. The unit price of California's Class III milk was $16.51 in the second quarter of 2023 compared to $16.45 in the third quarter of 2023. The Index of Farm Price Parity in the third quarter of 2023 (0.92) was higher than that of the second quarter of 2023 (0.90).

[1] 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://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

[2] The California economic numbers were obtained from the Bureau of Labor Statistics "Local Area Unemployment Statistics Map". This is found at https://data.bls.gov/map/MapToolServlet?-survey=la&map=county&seasonal=u.

Tracking Kern's Economy[1]

DR. NYAKUNDI MICHIEKA &
DR. RICHARD S. GEARHART III
2023 THIRD QUARTER

Labor Market

We average monthly data to calculate quarterly data then adjust for seasonality in the series.

Labor Force – The civilian labor force increased by 1,1067 individuals, from 396,233 in the second quarter of 2023 to 397,300 in the third quarter of 2023. The labor force estimates were similar to those recorded in the third quarter of 2015 where they averaged ~397,000. The labor force numbers continue to grow over the last four quarters. The Bureau of Labor Statistics defines the labor force participation rate as the proportion of the working-age population that is either working or actively looking for work.
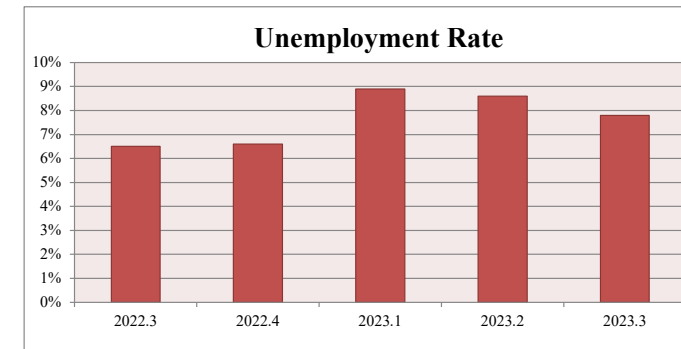
Employment

Labor Force
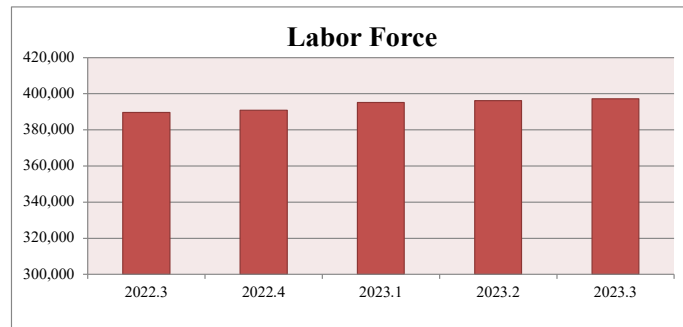
Employment – In the third quarter of 2023, Kern County hired 3,933 more workers (compared to last quarter) as total employment increased from 362,333 to 366,267. This is a 0.55 percent increase in employment compared to the third quarter of 2022, when 364,267 persons were employed. Last year (2022), second to third quarter employment increased by 5,567.
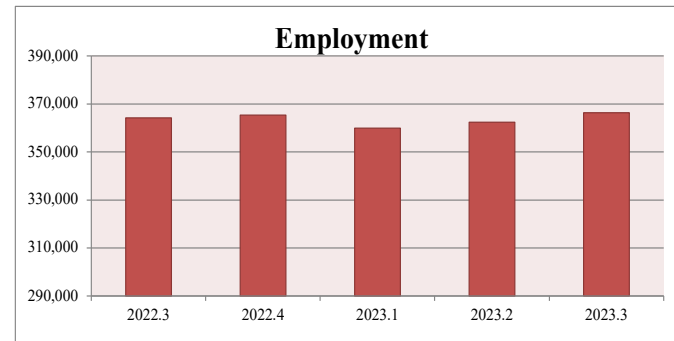
Unemployment – In the meantime, quarter to quarter unemployment decreased by 2,967 as the number of jobless workers dropped from 33,967 to 31,000. The number of unemployed workers is 22.5 percent higher than it were four quarters ago. In the second quarter of last year (2022), there were 25,300 unemployed workers.
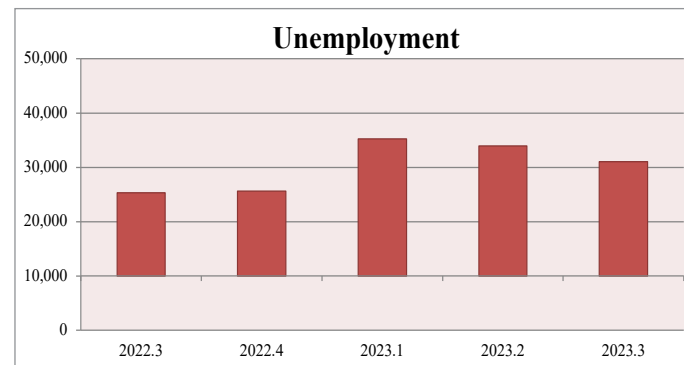
Unemployment

Unemployment Rate – Kern County's year-to-year unemployment rate rose by 20 percentage points from 6.5 percent in the third quarter of 2022 to 7.8 percent in the third quarter of 2023. The unemployment rate in the second quarter of 2023 was 8.6 percent. Kern County's third quarter unemployment rate (7.8 percent) was higher than that of California which was 4.6 percent.

Unemployment Rate

The unemployment rate varied considerably across cities, ranging from 3.8 percent in Ridgecrest to 19.2 percent in Lake Isabella. The quarter-to-quarter unemployment rate decreased in all cities in Kern County except in Bakersfield and Ridgecrest (where it increased). The biggest decrease in the unemployment rate occurred in Delano, where it decreased from 27.8 to 19 percent. In Bakersfield, the unemployment rate was 6.1 percent in the third quarter of 2023 compared to 5.5 percent in the second quarter of 2023.

Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
KERN COUNTY	7.80%	McFarland	7.00
Arvin	10.07	Mojave	7.67
Bakersfield	6.10	Oildale	12.47
California City	16.07	Ridgecrest	3.77
Delano	19.00	Rosamond	8.43
Edwards	7.57	Shafter	6.33
Frazier Park	7.67	Taft	5.30
Lake Isabella	19.20	Tehachapi	7.37
Lamont	7.50	Wasco	13.47
Note: City-level data are not adjusted for seasonality and "informal" market workers.			

Farm Employment – In the third quarter of 2023, Kern County hired 11,033 more farm workers. As a result, farm employment increased to 71,500 from 60,467 in the third quarter of 2023. In the third quarter of last year (2022), 70,967 workers were employed in the farming sector. The year-over-year number of farm workers increased by 533.
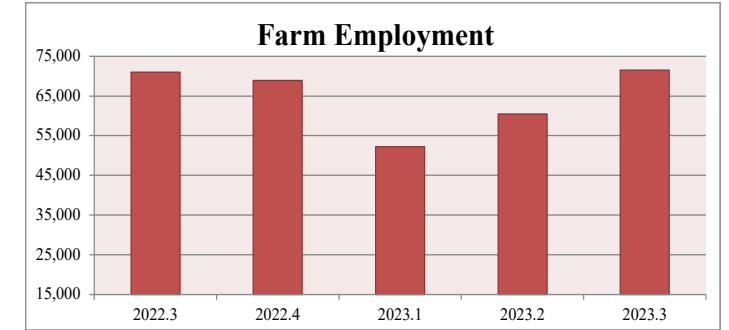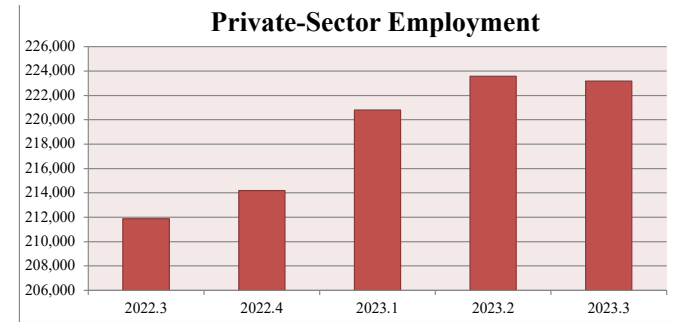
Farm Employment

Nonfarm Employment – Local nonfarm industries employed 4,533 less workers in the third quarter of 2023 as the number of workers decreased from 293,067 to 288,533. The industries hired 12,533 more workers compared to four quarters ago (4.5 percent more).
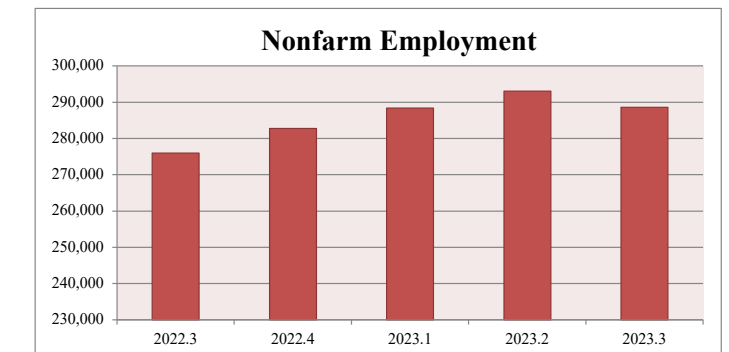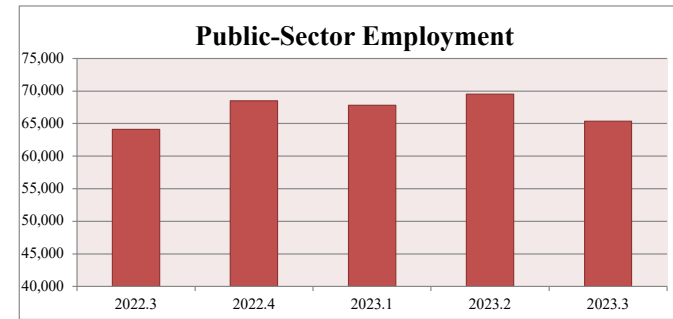
Nonfarm Employment

In Bakersfield, nonfarm employment changed in the following manner: mining and logging employment reduced by 67 workers; construction added 33 workers; manufacturing added 67 workers while the service sector lost 4,567 workers. Within the service sector, trade, transportation, and utilities lost 267 workers; financial activities lost 67 workers; professional and business services lost 67 workers; health care and social assistance added 33 workers while leisure and hospitality employment stayed the same. The federal government added 33 workers while the state government lost 333 workers. The local government lost 3,833 workers.
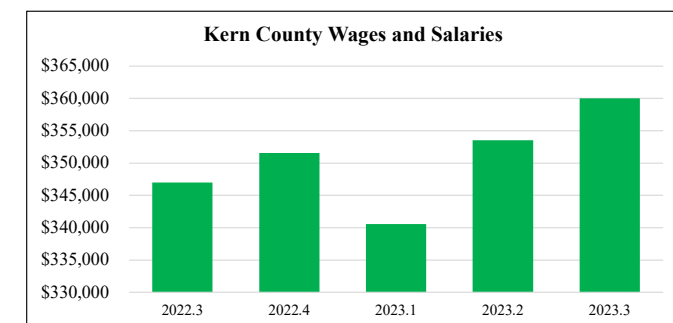
Private-Sector Employment – Nonfarm employment is comprised of private- and public-sector employment. In the third quarter of 2023, private companies hired 400 less workers compared to the second quarter. They also hired 5.3 percent more workers this quarter than they did four quarters ago. Today, the private sector employs 223,167 individuals.

Private-Sector Employment

Housing Market

Housing Price – In the second quarter of 2023, Bakersfield's housing prices were up by $18,833 (5.05 percent) compared to the prices in the first quarter of 2023. The median home price averaged $392,000 in the second quarter of 2023 compared to $397,132 in the second quarter of 2022. Prices were $5,132 lower than they were four quarters ago.

Median Housing Price - Bakersfield

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 third quarter of 2023, government agencies hired 4,133 less workers, as employment decreased from 69,500 to 65,367 – a 6 percent decrease. Compared to last year, 1.9 percent more workers were hired in the public sector.
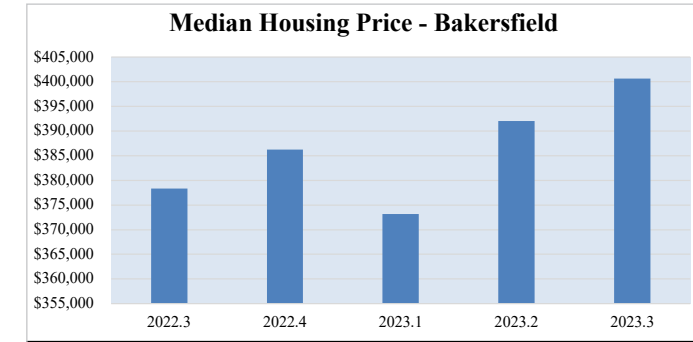
Public-Sector Employment

Salaries and Wages – Total salaries and wages in Kern County increased from $340,567 in the first quarter of 2023 to $353,533 in the second quarter of 2023 – a 3.8 percent increase. Compared to four quarters ago, salaries were $14,466 (or 4 percent) higher.

**Kern County Wages and Salaries**

Regional Housing Prices – Changes in housing demand in Bakersfield are likely to spillover to surrounding cities as individuals who are on the margin of buying or selling are likely not located in the Bakersfield Metropolitan Statistical Area (MSA) directly. An assessment of second (2023) to third quarter (2023) changes in median sales price indicates that home prices increased in all cities in Kern County except in Taft (where they reduced). Rosamond recorded the largest rise in prices (+$35,750) while prices dropped by $38,417 (or 14.8 percent) in Taft. The average (annual) price change was +1 percent across all regions in the County. The median home price across all regions averaged $347,358 in the third quarter of 2023 compared to $342,194 in the second quarter of 2023.
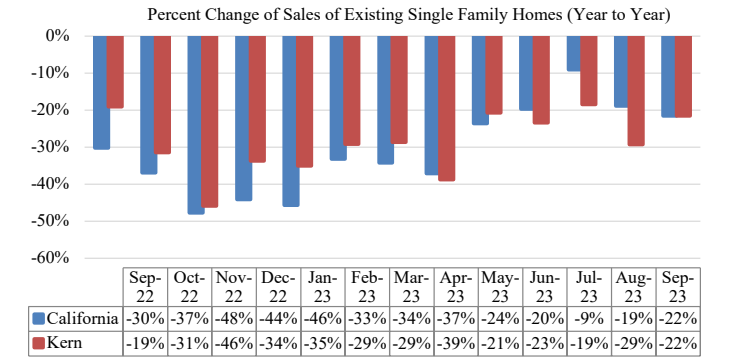
Median Housing Prices
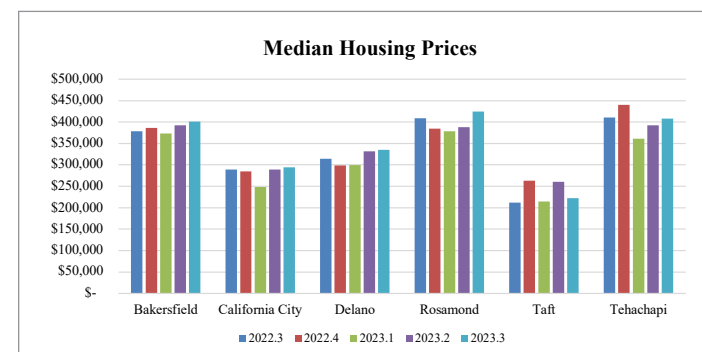
The year-to-year home prices changed as follows: Bakersfield (+5.9 percent), California City (+1.73 percent), Delano (+6.73 percent), Rosamond (+3.71 percent), Taft (+4.93 percent) and Tehachapi (-0.54 percent).

| Location	Median Price (last year)	Median Price (this year)	Price Change ($) (Annual)	Price Change (%) (Annual)
	2022.3	2023.3	2022.3 to 2023.3	2022.3 to 2023.3
Bakersfield	378,333	400,667	22,333	5.90%
California City	289,000	294,000	5,000	1.73%
Delano	314,167	335,317	21,150	6.73%
Rosamond	408,917	424,083	15,167	3.71%
Taft	211,500	221,917	10,417	4.93%
Tehachapi	410,379	408,167	-2,213	-0.54%
Averages	335,383	347,358	11,976	3.74%

Home Sales – In Bakersfield, quarter to quarter sales of residential units decreased by 6 units, from 1,018 in the second quarter of 2023 to 1,012 in the third quarter of 2023. An average of 277 less homes were sold in the third quarter of 2023 compared to the third quarter last year (2022).

Total Home Sales - Bakersfield
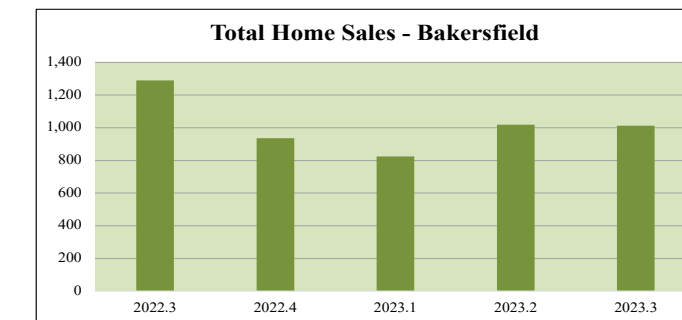
Growth in Housing Sales – We compare growth in sales of existing single-family homes in Kern County with growth in sales in California. Positive values indicate that more homes were purchased this year compared to last year. In September 2023, 22 percent less homes were sold in Kern County compared to September 2022. In California, sales were also 22 percent lower. The average growth in home sales in California between September 2022 and September 2023 was –30.9 percent while the number was –28.9 percent in Kern County. Overall, less homes have been sold every month this year compared to last.

Percent Change of Sales of Existing Single Family Homes (Year to Year)

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
California	-30%	-37%	-48%	-44%	-46%	-33%	-34%	-37%	-24%	-20%	-9%	-19%	-22%
Kern	-19%	-31%	-46%	-34%	-35%	-29%	-29%	-39%	-21%	-23%	-19%	-29%	-22%

New Building Permits – In the third quarter of 2023, Kern County issued 192 more permits for construction of new privately-owned dwelling units compared to the third quarter of 2022. A total of 615 permits were issued this (third) quarter compared to 423 in the third quarter of last year (2022). The number of permits issued continues to surge following the drop in the second to third quarter of 2022. Over the last five years, the average number of permits issued in the third quarter of every year is 515.

New Building Permits
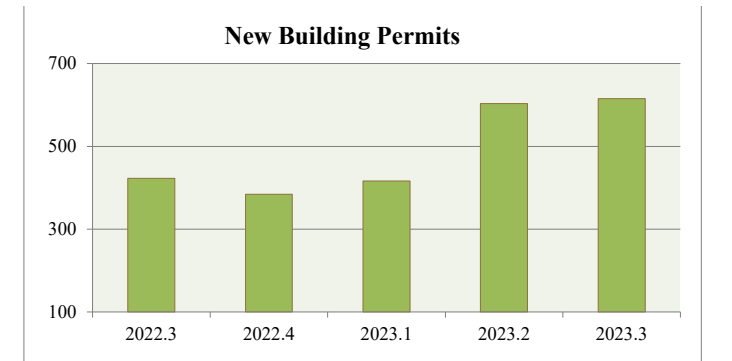
Mortgage Interest Rate – In the third quarter of 2023, the interest rate on thirty-year conventional mortgage loans increased to 7.04 percent from 6.49 percent in the second quarter. The interest rate in the third quarter of 2022 was 5.58 percent.

Mortgage Loan Interest Rate
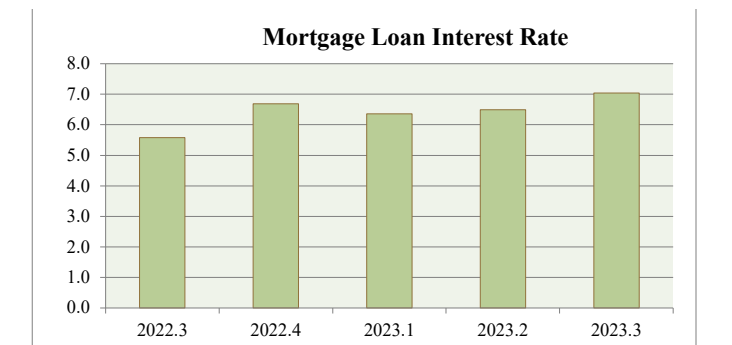
Stock Market

In the third quarter of 2023, the composite price index (2014.1=100) of the five publicly traded companies doing business in Kern County increased by $2.08, from $98.4 to $100.5 (quarter to quarter change). The index is 10.4 percentage points higher than it was 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.

Price Index of Leading Local Stocks
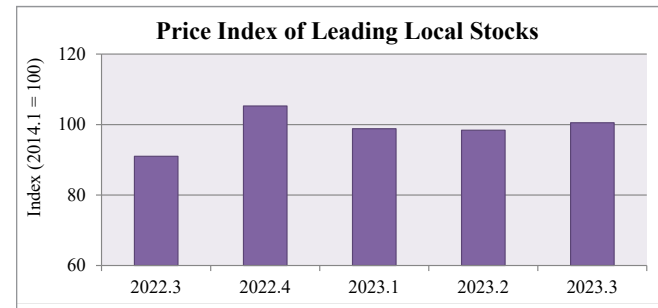
Chevron Corporation U.S.: Compared to last quarter, CVX gained $11.27 (or 6.9 percent) per share as its price increased from $157.35 to $168.62. Relative to the third quarter of 2022, CVX was up $24.95 (or 17.4 percent).

Chevron Corporation U.S.
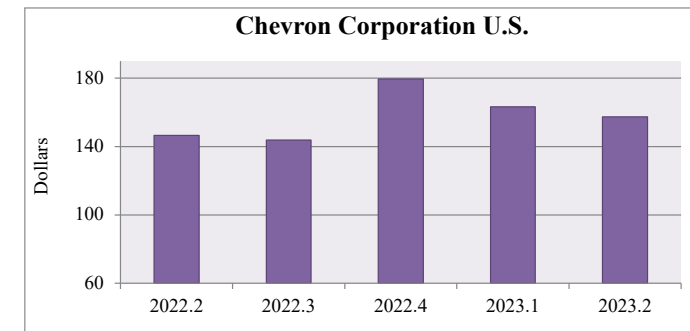
Tejon Ranch Company: TRC gained $1.82 (or 12.6 percent) per share as its stock price increased from $14.40 to $16.22, between the third quarter of 2022 and the third quarter of 2023. Compared to last quarter, the TRC stock price was down $0.99 (or 5.4 percent).

Tejon Ranch Company
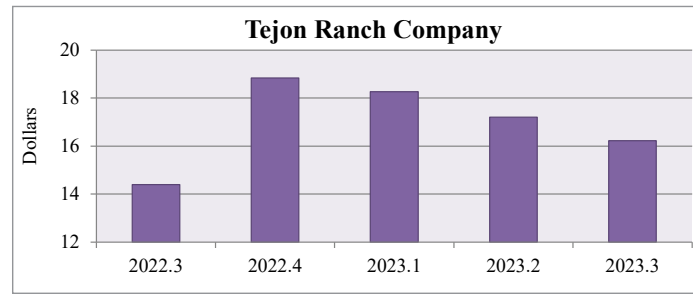
Granite Construction: GVA lost $1.76 (or 4.3 percent) per share as its stock price decreased from $39.78 to $38.02 between the second and third quarter of 2023. GVA gained $8.81 (or 30.2 percent) over the last four quarters.

Granite Construction
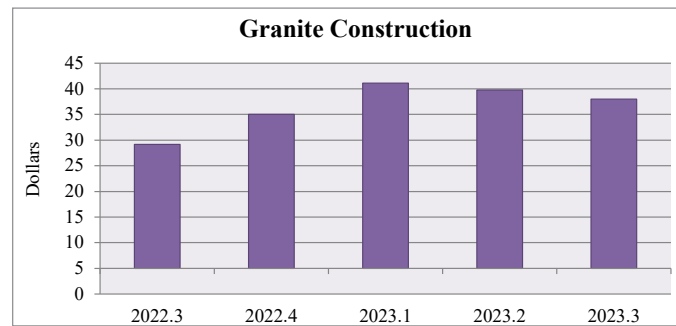
Wells Fargo Company: WFC lost $1.82 (or 4.9 percent) per share as its stock price decreased from $42.68 to $40.86 between the second and third quarter of 2023. Relative to one year ago, WFC was up $0.64 (or 1.6 percent).

Wells Fargo Company
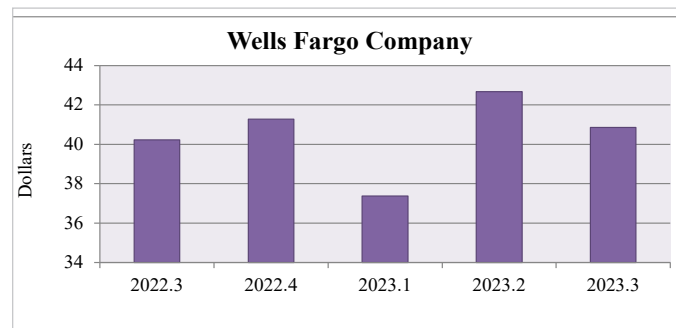
Sierra Bancorp: BSRR gained $1.99 (or 11.6 percent) per share as its price increased from $16.97 to $18.96 (quarter-to-quarter). BSRR lost $0.79 (or 4 percent) this quarter compared to the third quarter of 2022.

Sierra Bancorp
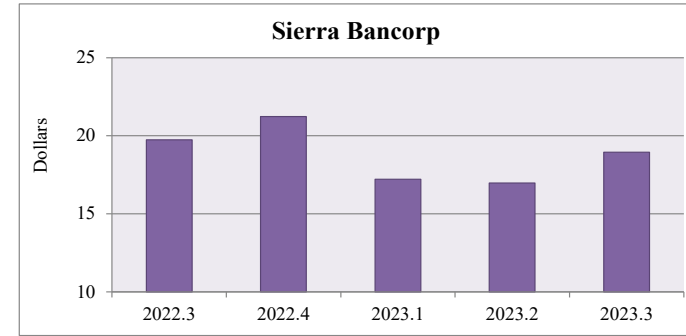
Inflation

Cost of Living – In the third quarter of 2023, the Consumer Price Index for all urban areas (1982-84 = 100) increased from 304.2 to 306.8. As a result, inflation for the cost of living accelerated at an annual rate of 3.5 percent. The index was 296.4 in the third quarter of 2022.

Cost of Living Inflation Rate
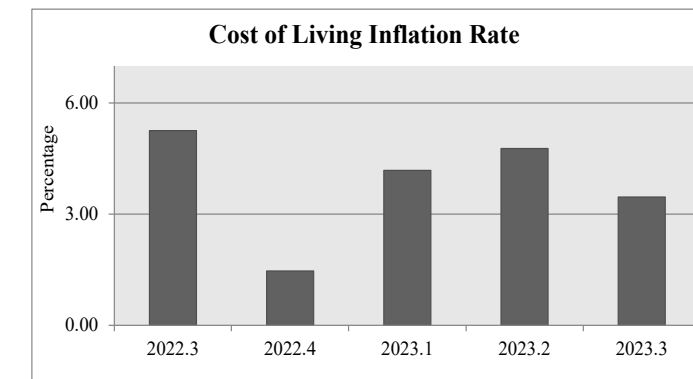
Cost of Production – The Producer Price Index for all commodities (1982 = 100) increased between the second and third quarter of 2023 from 254.9 to 256.8, respectively. The inflation rate for the cost of producing accelerated at an annualized rate of 2.93 percent. The cost of production inflation rate was 269.97 four quarters ago.

Cost of Producing Inflation Rate
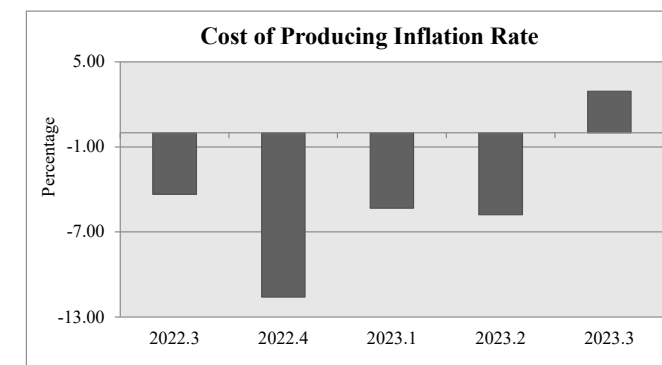
Cost of Employment – The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 159 in the second quarter of 2023 to 160.7 in the third quarter of 2023, causing quarter-to-quarter employment inflation to rise by 4.28 percent.

Cost of Employment Inflation Rate
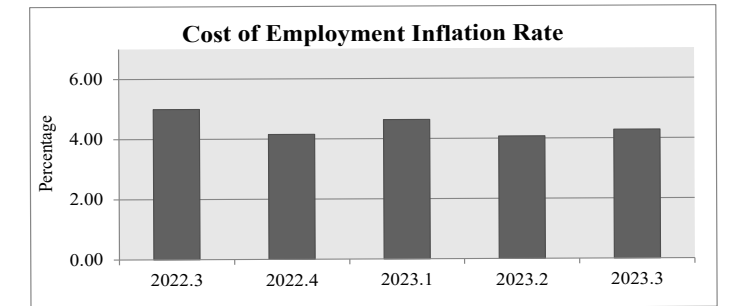
Commodity Prices

Price of Gasoline – In the Bakersfield MSA, the average retail price of gasoline increased by $0.51 to $5.22, from $4.70 in the third quarter of 2023 (quarter to quarter rise). Average gasoline prices were 11.4 percent lower the same quarter, a year ago.

Price of Gasoline in Bakersfield
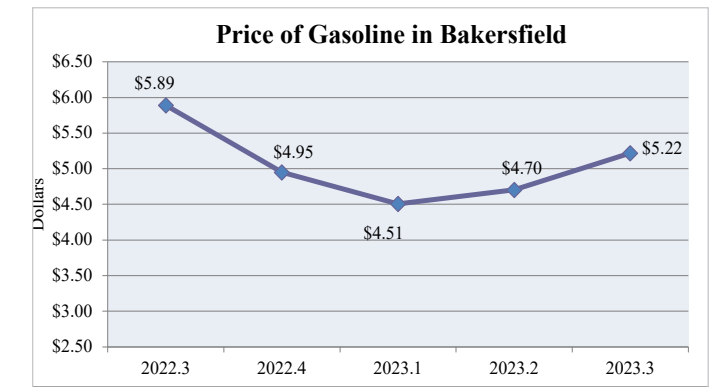
Price of Milk – The unit price of California's Class III milk decreased in the third quarter of 2023 by $0.06, to $16.45 from $16.51 last quarter. Noticeably, milk prices continued to drop following the peak in the second quarter of 2022 (when the cost was $24.65). Prices are 21 percent or $4.36 lower than they were four quarters ago.

Price of Milk in California

Index of Farm Price Parity
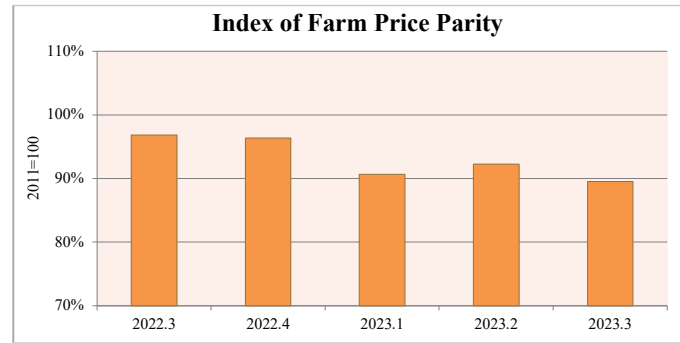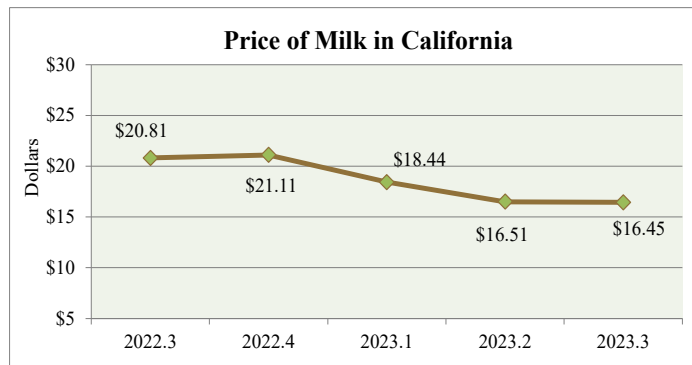
Farm Prices – In the third quarter of 2023, the National Index of Prices Received by Farmers for all farm products (2011 = 100) decreased by 4.5 points to 124.1 compared to 128.6 in the second quarter. This is a 7.83-point decrease from the 131.9 points recorded in the third quarter of 2022.

1   Source – Online databases: http://www.labormarketinfo.edd.ca.gov; www.usda.com; www.bakersfieldgasprices.com; www.bea.gov; www.car.org; www.trulia.com; www.census.gov; https://www.redfin.com; https://www.cafmmo.com; www.bls.gov

Index of Farm Prices Received
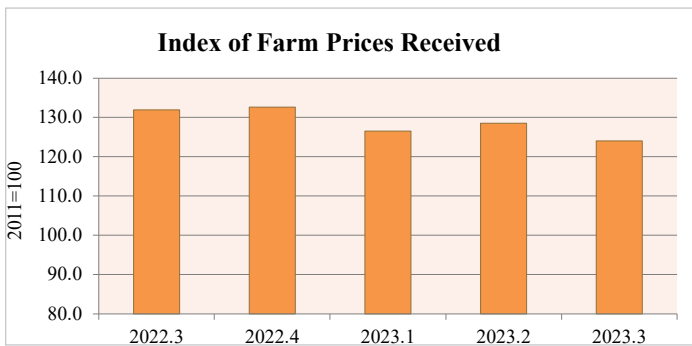
We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the third quarter of 2023, the Index of Farm Price Parity was 90 percent compared to 92 percent last quarter. Four quarters ago, the price ratio was 97 percent.

Unemployment in the Great Central Valley and Motherlode[1]

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Fresno Regional Workforce Investment Board

1. Introduction

California has been one of the fastest growing states in the country. Despite that, the 12 counties in the Great Central Valley (GCV) and Motherlode (ML) have continued to witness persistent unemployment. Figure 1 shows average county level unemployment rates between 2010 and 2019 from the U.S. Bureau of Labor Statistics (2023a). The figure shows that a wide distribution exists ranging from a low of 4.6% in Marin county to a high of 24.4% in Imperial county. The average unemployment rate is 9.1% and the figure shows that a large number of counties with higher-than-average unemployment are located in the Central Valley. This gap in unemployment between counties in the GCV and ML has existed for decades (Feasel and Rodini 2002). High unemployment is associated with higher levels of criminal activity, higher taxes for welfare spending, and negative economic growth (Luechinger, Meier et al. 2010). A number of studies have attempted to analyze reasons for higher unemployment in California's Central valley (Avalos 2010). In this study, we revisit the issue by providing a discussion on reasons for higher unemployment in the GCV and ML. In the first section, we define unemployment as described in the literature while the second section assesses whether prime age unemployment rate and PAEG are correlated for the 40 counties in our sample. Then, we discuss the possible reasons for unemployment in the GCV and ML while the fourth section looks into the future of agriculture and tourism and how climate change could affect the two industries.

Figure 1: Unemployment Rate by County in California
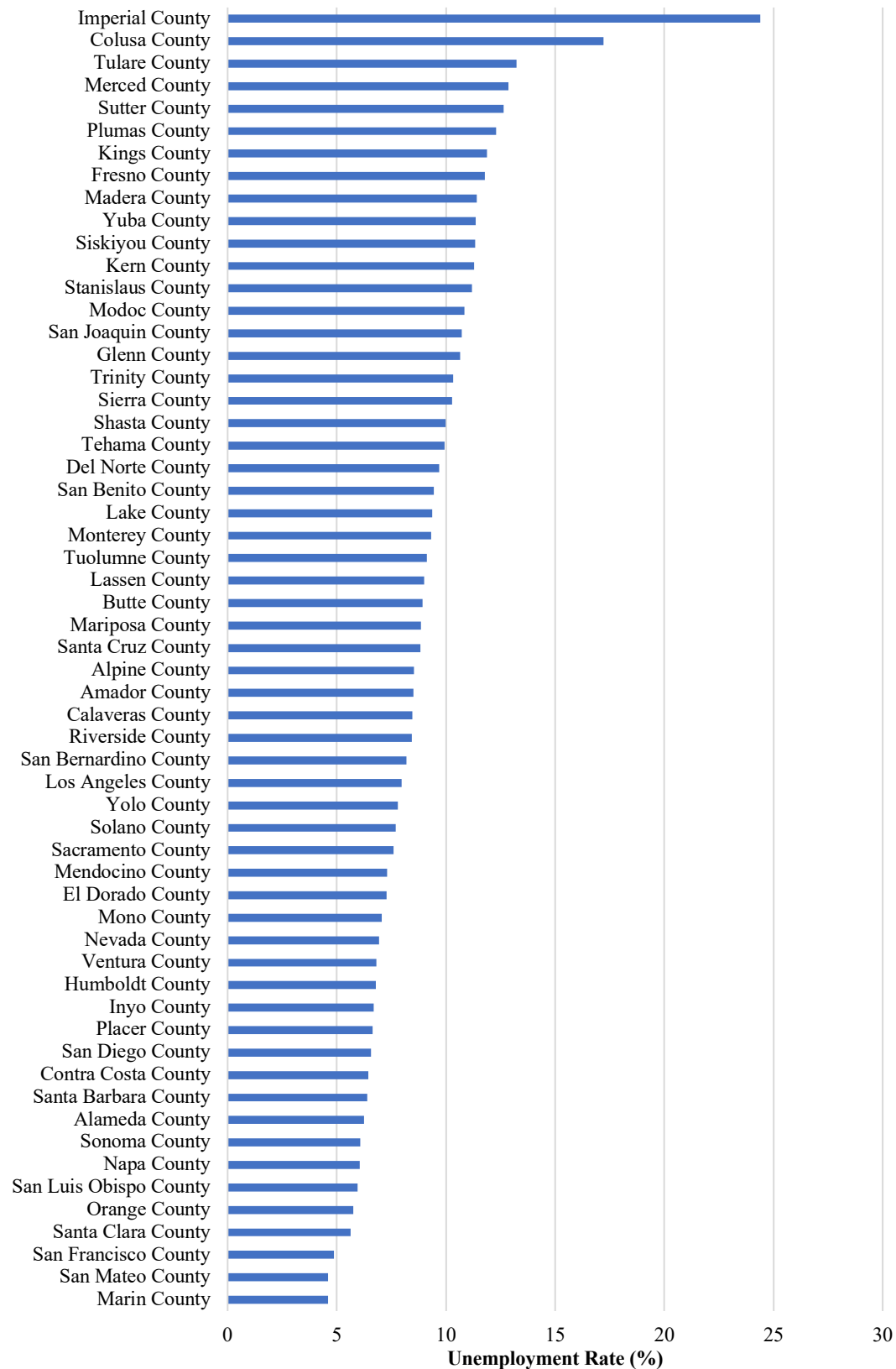
2. Unemployment in the Central Valley and the Motherlode

The U.S Bureau of Labor Statistics (2023a) defines the labor force as all people aged 16 and older who are either working or actively looking for work. It is the sum of the employed and unemployed individuals. Employed persons are those 16 years and older who have a job while the unemployed are those 16 years old and over without a job, but actively looking for a job. The unemployment rate is the number of unemployed people as a percentage of the labor force, calculated as [(unemployed ÷ labor force) × 100] (U.S. Bureau of Labor Statistics 2023a). The underemployed, are individuals working part time but seek a full-time job. They include workers overqualified for a job they are working in, earning less than what they should given their education and experience (Wolla 2016). Economists conceptualize underemployment in terms of lower wages, overeducation and intermittent employment while social psychologists use self reporting data and individual perception to assess whether workers are underemployed (Khan and Morrow 1991, Addy, Bonnal et al. 2012). The U.S. Bureau of Labor Statistcs (2023f) defines six alternative measures of labor underutilization at the state level as follows:

- U-1, persons unemployed 15 weeks or longer, as a percent of the civilian labor force;
- U-2, job losers and persons who completed temporary jobs, as a percent of the civilian labor force;
- U-3, total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate);
- U-4, total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers;
- U-5, total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers; and
- U-6, total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.

The six measures (U-1 to U-6) of labor underutilization usually move together.

It takes time to match workers and jobs. Workers have different preferences and abilities while jobs have different attributes (Mankiw 2020). Since jobs require different skills and pay different wages, unemployed workers may not accept the first job. The unemployment caused by workers looking for jobs is called frictional unemployment (Mankiw 2020, U.S. Bureau of Labor Statistics 2023b). It also occurs when people new to the job market are transitioning from one job to another. Structural unemployment occurs when workers experience unemployment because the skills they have are not the ones needed by employers (Wolla 2016, Mankiw 2020, U.S. Bureau of Labor Statistics 2023b).

Cyclical unemployment is the component of overall unemployment associated with short run fluctuations in economic activity (upturns and downturns) (Mankiw 2020). These categories of unemployment, while not directly quantifiable and frequently exhibiting interconnections, offer a valuable framework for analyzing unemployment. Another form of unemployment is hidden unemployment which relates to those who want to work but are not actively searching for jobs (Buss and Redburn 1988). It also includes discouraged workers, who are marginally attached to the labor force (U.S. Bureau of Labor Statistics 2023c). O'Connor (1962) defines seasonal unemployment as annually or semi-annually recurring unemployment that is fully anticipated by the labor market on the basis of experience in previous years. Examples include workers in agriculture and tourist related positions.

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[3]For more details on these definitions please visit: https://www.bls.gov/lau/stalt.htm

2.1.   Unemployment as a Percentage of those Living in Poverty

In the San Joaquin Valley, employment disparities are stark, as reflected in the Prime Age Employment Gap data from the American Community Survey 5- year Estimates Subject Tables (U.S. Census Bureau 2023a). Prime Age Employment rates vary significantly across counties, ranging from as low as 4.4% in Stanislaus to a concerning 20.7% in Kings. For instance, in Fresno, where 20.2% of the population is living in poverty, a striking 32.7% of this group is unemployed. This means that of the individuals experiencing poverty in Fresno, nearly one-third are without employment opportunities.

Similar challenges are seen in Kern County, where 19.4% of residents are in poverty, and 30.2% of these are unemployed. In Tulare County, which has an unemployment rate of 37.1% within the 19.8% of the population that lives in poverty. These statistics underscore the significant economic disparities within the region, where a substantial portion of those in poverty are also grappling unemployment (U.S. Census Bureau 2023b).

Table 1: Unemployment as a Percentage of those Living in Poverty

	Kern	Tulare	Fresno	Kings	Madera	Merced	Stanislaus	San Joaquin	AVG	CA	U.S.
Overall	19.4%	19.8%	20.2%	16.4%	19.6%	19.4%	13.6%	13.5%	17.7%	12.3%	12.6%
Unemployed	30.2%	37.1%	32.7%	30.6%	28.8%	27.1%	26.1%	21.7%	29.3%	24.2%	27.5%

Source: U.S. Census Bureau (2023a)

3.   The Prime Age Employment Gap and Unemployment

Empirical findings differ depending on whether a practitioner uses the PAEG or unemployment rate as the measure of unemployment in a region. The PAEG focusses on individuals between 25 and 54 while unemployment rate involve individuals over the age of 16. In the 40 counties in this study, we assess whether the PAEG and unemployment rate differ. More specifically, we assess the strength and direction of correlation between the two metrics using 10 years of data for each county. The results are presented in Table 2.

Table 2: Coefficient of Correlation (r) between the Prime age Employment Rate, Prime Age Employment Gap, and the Unemployment Rate

County	Prime Age Employment Rate and Unemployment Rate	Prime age Employment Gap and Unemployment
Alameda County	-0.98	0.94
Butte County	-0.90	0.78
Contra Costa County	-0.92	**0.46**
El Dorado County	**-0.62**	**0.13**
Fresno County	-0.88	**0.12**
Humboldt County	**-0.46**	**0.02**
Imperial County	**-0.50**	**-0.44**
Kern County	-0.88	**-0.34**
Kings County	**-0.71**	**0.31**
Lake County	N/A	N/A
Los Angeles County	-0.97	0.91
Madera County	-0.83	**0.36**
Marin County	-0.92	**0.55**
Mendocino County	**-0.66**	**-0.04**
Merced County	**-0.58**	**-0.17**
Monterey County	**-0.63**	**-0.14**
Napa County	-0.89	**0.54**
Nevada County	N/A	N/A
Orange County	-0.98	**0.07**
Placer County	-0.96	**0.44**
Riverside County	-0.98	0.95
Sacramento County	-0.95	0.85
San Bernardino County	-0.90	**0.50**
San Diego County	-0.98	0.86
San Francisco County	-0.92	0.71
San Joaquin County	-0.91	**0.64**
San Luis Obispo County	**-0.76**	**0.36**
San Mateo County	-0.87	**0.01**
Santa Barbara County	-0.86	**0.30**
Santa Clara County	-0.98	0.88
Santa Cruz County	**-0.47**	**-0.39**
Shasta County	**-0.79**	**0.54**
Solano County	-0.92	0.78
Sonoma County	-0.88	**0.64**
Stanislaus County	-0.90	0.72
Sutter County	**-0.29**	**-0.22**
Tulare County	**-0.48**	**-0.50**
Ventura County	-0.92	**-0.02**
Yolo County	**-0.71**	**-0.24**
Yuba County	N/A	N/A

Source: Author's calculations using U.S. Census Bureau and U.S. Bureau of Labor Statistics Data. The figures in bold indicates a coefficient correlation (r) of less than 0.8 (which implies a weak relationship between the variables).

Findings indicates that the coefficient of correlation (r) between the prime age employment rate and unemployment rate is greater than 0.8 for most[5] counties in our sample. This implies that

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[5] 14 out of 40 counties

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[4]The Prime Age Employment Gap (PAEG) is the difference between the national prime age employment rate and average prime age employment rate of the counties.

Findings indicates that the coefficient of correlation (r) between the prime age employment rate and unemployment rate is greater than 0.8 for most counties in our sample. This implies that practitioners can arrive at the same conclusion regardless of the measure they use to assess unemployment in a region. Therefore, the number of unemployed persons aged 25-54 in 14 out of 40 counties resembles the unemployment rate for most regions. However, the PAEG and unemployment rate are different, given that the low value of r between the two series.

4. Possible Reasons for High Unemployment in the GCV and ML

The high unemployment among prime aged individuals in the GCV and ML may be caused by several reasons. These include:
1. Gaps in educational attainment
2. Longer commuting distances
3. Lack of digital connectivity
4. Lack of participation in welfare programs such as UI
5. Barriers to employment
6. Does the Central Valley Suffer from the Resource Curse?

5. Gaps in Educational Attainment

The GCV has five of the least educated cities in the U.S. (McCann 2023). The high school graduation rate in the Great Central Valley (GCV) is significantly less than the state average U.S. Census Bureau (2023b). Over the last five years, an average of 75.3 percent of persons aged 25 and over graduated high school in the GCV compared to 84.2 percent in California and 88.9 percent in the U.S. (U.S. Census Bureau 2023b). The college graduation rates in the GCV are also considerably lower: on average, 17.2 percent of persons 25 and over had a Bachelor's degree in the GCV compared to the state average of 35.3 percent. Further, there is a large drop in graduation rates between high school and bachelors.

Table 3: Educational Attainment (%) (2021)

	Kern (%)	Tulare (%)	Fresno (%)	Kings (%)	Madera (%)	Merced (%)	Stanislaus (%)	San Joaquin (%)	AVG (%)	CA (%)	U.S. (%)
High School Graduate (%) of Persons age 25 years +	75.9	72.6	77.9	73.6	71.8	70.4	80	80.3	75.3	84.2	88.9
Bachelors degree or higher (%) of Persons age 25 years +	17.6	15.2	22.6	14.3	16.4	14.1	17.9	19.5	17.2	35.3	33.7

Source: U.S. Census Bureau (2023b)

Per Table 3, There is a large discrepancy between high school graduation rates and college graduation rates across counties.

4.2.   Longer Commuting Distances

Longer commutes imply that workers have to drive far for work, and this could discourage workers from seeking employment. Women with children, for example, have shown an aversion to long commutes (Rouwendal 1999). Some regions within the GCV have longer commute times than other counties in the state. Commute times in Merced, Stanislaus and San Joaquin counties are 30.2, 31 and 35.2, minutes, respectively, compared to the state average of 29.5 minutes. Commute times are also associated with negative health outcomes such as stress, high blood sugar, higher cholesterol, depression, anxiety and lack of sleep (Kylstra 2014). A study by the Environmental Protection Agency (2001) found that a typical household spends nearly 20 percent of its income on driving costs. For communities, increased commuting may lead to air pollution and increased traffic, which are added costs to residents that add barriers to employment. These costs may be offset by the benefits of commuting, as individuals living farther away from jobs may have access to cheaper homes and receive additional compensation (Stutzer and Frey 2008).

Table 4: Mean travel time to work (minutes), workers 16 years+ (%) (2021)

	Kern	Tulare	Fresno	Kings	Madera	Merced	Stanislaus	San Joaquin	AVG	CA	U.S.
Mean travel time to work (minutes), workers 16 years+	23.7	22.5	23.3	23.4	29.3	30.2	31	35.2	27.3	29.5	26.8

Source: U.S. Census Bureau (2023b)

4.3.   Lack of Digital Connectivity

Broadband entered the mainstream of daily life in the U.S. in the early to mid-2000's and is now an integral part of life. Those without internet lag in education and economics. Finding a job is challenging since most jobs (requiring lower and upper skill levels) are advertised online (Levine 2020). The digital divide has persisted in California, especially in the Central Valley. An estimated 46,000 households, many with school-aged children, still lack access to broadband infrastructure in the Central Valley (Weber and Gonzalez 2020). Data from the U.S. Census Bureau (2023b) (see Table 5) indicate that 86.3 percent of households have a Broadband Internet Subscription in the GCV compared to California's average of 90.4 percent (see Table 5 below).

Table 5: Computer and Internet Use (2021)

	Kern	Tulare	Fresno	Kings	Madera	Merced	Stanislaus	San Joaquin	AVG	CA	U.S.
Households With a Computer (%)	91.9%	92.2%	92%	93.3%	93.5%	93.1%	93.6%	94.6%	93%	95.2%	93.1%
Households with a broadband Internet Subscription (%)	85.8%	83.4%	83.7%	85.2%	87.2%	88.6%	88.7%	87.9%	86.3%	90.4%	87%

Source: U.S. Census Bureau (2023b)

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[6] Studies have shown that commutes are longer then worker's city of residence has a higher unemployment rate Martín-Barroso, D., et al. (2022). "Are workers' commutes sensitive to changes in the labour market situation?" Journal of Transport Geography 101: 103352.

4.4. Lack of participation in Welfare Programs such as Unemployment Insurance (UI)

Unemployment insurance (UI) assists individuals who have lost their jobs by temporarily replacing part of their wages while they look for work. The benefits relieve stress for jobless workers and stimulate economic activity during downturns by adding overall demand, as workers without jobs have access to money to spend (Stone and Chen 2014). Ideally, UI should provide means for labor force participants with the necessary means to search for an appropriate job. This was shown in the study by (Bell, Hedin et al. 2023) who showed that UI uptake was lower in the Central Valley Counties during the COVID-19 pandemic. Other factors that may impact UI participation include stigma associated with applications and burdens to produce documentation (Fields-White Monee, Vivian Graubard et al. 2020).

4.5. Barriers to Employment

Barriers to employment are factors that make employment difficult. These barriers could be structural or individual. Structural barriers include elements within the social and economic structures that make it difficult for the individual to obtain employment, regardless of how qualified the individual may be. They include race and gender discrimination, lack of jobs, transportation issues and location (Hong, Gumz et al. 2022). Individual barriers are personal traits that make it difficult for those seeking work to obtain it, regardless of the favorability of the labor market. These include health issues (physical or mental), substance abuse or dependency, lack of child care; lack of motivation and lack of a social network (Vick and Lightman 2010). In the GCV, the possibility of having a large population of these workers could increase unemployment.

The Workforce Innovation and Opportunity Act (WIOA) defines categories of workers they consider having barriers to employment: These include (i) displaced homemakers, (ii) low-income persons, (iii) Indians, Alaska Natives, and Native Hawaiians, (iv) individuals with disabilities, (v) older individuals, (vi) ex-offenders, (vii) homeless individuals, (viii) youth who are in or have aged out of the foster care system, (ix) individuals who are English language learners, (x) Eligible migrant and seasonal farmworkers, (xi) Individuals within 2 years of exhausting lifetime eligibility under part A of title IV of the Social Security Act, (xii) single parents, (xiv) long-term unemployed individuals, and (xv) other groups as the Governor involved determines to have barriers to employment. Within the GCV and ML, 12.5% of the population are disabled while 43% speak limited English. Further, 8.4 percent of the population come from single parent households while 0.8% are offenders and 0.2% unhoused.

4.6. Does the Central Valley Suffer from the Resource Curse?

Traditional thought concludes that a country with a significant endowment of natural resources should experience economic growth. However, findings from the post-World War II growth experiences contradict this conclusion and show that natural riches impede economic growth – a discovery termed as the resource curse (Sachs and Warner 2001). Natural resource abundance does not directly harm growth, but acts to crowd out the activity that is driving growth within a country (Michieka and Gearhart III 2018). The resource curse occurs through various transmission channels which act to slow economic development as illustrated in Figure 1.

Focusing on the agricultural sector (left hand side) could cause the resource curse (right hand side), through various transmission channels (center portion of Figure 2). These seven channels impact economic growth. For example, "Dutch Disease" models predict that the growth of a resource abundant economy (such as agriculture) is harmed due to a diversion of resources away from the manufacturing sector, if for example, the manufacturing sector is the main engine of economic growth. Agriculture based industries demand less high-skilled labor, causing the GCV and motherlode economies to channel lower investments in the education system. The resulting decline in educational attainment rates can harm long run growth because these counties are not able to compete with the rest of California (Gylfason, 2000, 2001). Similar arguments can be made for the other transmission systems. In this study however, an empirical study of this kind would seem pertinent, as this discussion merely serves as an anecdote. Nonetheless, studies have found existence of the resource curse in agriculture based economies (Apergis, El-Montasser et al. 2014).

Figure 2: Resource Curse and Transmission Channels in the GCV and Motherlode
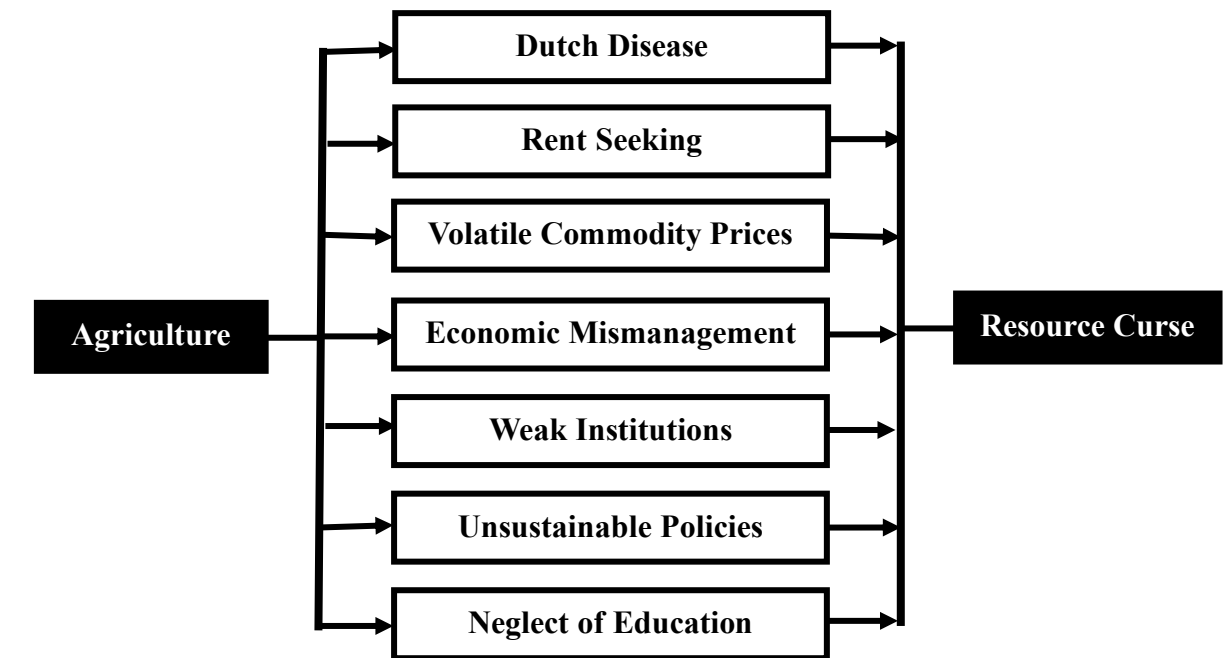
Source: Adapted from (Gylfason 2001) and (Fleming, Measham et al. 2015)

4.1. The Elephant in the Room – The Impact of Climate Change on the GCV and ML

While this report has focused on the prime age employment gap (PAEG) and unemployment in the GCV and ML, it would be remiss if it did not include a brief discussion of the dire economic effects of climate change in these two geographies. A number of employment generating industries in the GCV are likely to be impacted by climate change. These include Agriculture, forestry, fishing and hunting, and Arts, entertainment, recreation, accommodation, and food services.

Over the last 20 years, counties in the GCV have experienced economic growth (in GDP) with agriculture and recreation driving this growth. Data from the U.S. Bureau of Economic Analysis (2023) highlights these trends. Between 2000 and 2021, the following GCV counties (GDP) grew in the following manner: Fresno's GDP grew by an average 2.0% of which 0.3% was agriculture; Kern's GDP grew by an average 2.9% of which 0.5% was agriculture; Madera's GDP grew by an average 3.2% of which 1.5% was agriculture; Merced's GDP grew by an average 2.3% growth of which 1.5% was agriculture; Stanislaus's GDP grew by an average 1.7% of which 0.3% was agriculture; and Tulare's GDP grew by an average 2.3% of which 0.6% was agriculture. Agricultural production in the valley is likely to be impacted by climate change over the remainder of this century. Changes in temperatures, variability in rainfall and snow melt, increased pest infestations, and extreme weather events will potentially change crop yields and the economic viability of growing specific crops in the county (Pathak, Maskey et al. 2018). This may impact employment of workers in an industry that relies on seasonal workers. Farmers may incur additional costs due to mitigation efforts which could shift the factors of production. Climate change could also impact farm land values, potentially impacting farm sizes, farming practices and employment patterns (Ortiz-Bobea 2016). These effects could occur in the short- and long-run. In 2023, following a series of powerful storms, the Tulare Lake reappeared, impacting land that has been historically used for agriculture (James and Rust 2023).

The Motherlode counties, bereft of large industries since the end of the timber industry, are increasingly reliant on tourism as a source of employment for their native residents. The forests which drive such tourism

are exceptionally vulnerable to the effects of climate change. Data from the U.S. Bureau of Economic Analysis (2023) indicates that the Arts, entertainment, recreation, accommodation, and food services industries contribute to Amador's, Calaveras's, Tuolumne's, Mariposa's, Stanislaus's, Madera's, Fresno's, Kings's and Kern County's economies. A study by the California Office of Environmental Health Hazard Assessment (2018) found that today, forests have a larger number of smaller trees and lesser large trees. Their species composition has changed. This could impact the type of timber harvested, the composition of wildlife in the forests and recreation activities, which, could ultimately affect the labor market in the Arts, entertainment, recreation, accommodation, and food services industry.

6.   Conclusion and Policy Suggestions

Several conclusions can be drawn from the analysis:

i.   There is a strong correlation between the prime age employment rate and unemployment rates for a number of counties. However, there is a weak correlation between the PAEG and unemployment a significant number of counties

ii.   A significant portion of those living in poverty in the GVC and ML are unemployed

iii.   The high school graduation and college graduation rates in the Great Central Valley (GCV) are significantly lower than the state average

iv.   Some counties in the GCV have longer commuting patterns than the U.S. and State average

v.   A total of 86.3 percent of households have a broadband internet subscription in the GCV compared to California's average of 90.4 percent

vi.   Lower participation in welfare programs has impacted the labor market

While no single factor may provide a solution on how to reduce the unemployment, a number of policies may be used to reduce the PAEG in the GCV and ML.

vii.   Diversify industry sectors away from agriculture

viii.   Increase educational offerings towards industrial sectors having "good jobs"

ix.   Assist GVC and ML residents to access Basic education remediation needed prior to the acquisition of Career Technical Education in growth industries.

x.   Increase Digital Connectivity Efforts to deal with the "Digital Desert" found in many parts of the GCV and ML.

xi.   Address the "hidden" problem of digital illiteracy found among the GCV and ML's poorest residents.

xii.   Offer workers in both the GVC and ML access to career technical education in industrial sectors that are less likely to be severely impacted by climate change; e.g., construction, green energy, etc.

xiii.   Support public policy efforts to have GCV and ML jurisdictions undertake climate resiliency assessment to better prepare for forthcoming effects to the most vulnerable workers in their local economies.

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Selecting the Best Employee

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One of the most important decisions and some might say the most important task of management is to select the best employee for your work environment. It is hoped that as managers we can attract and retain an employee that will be successful, dedicated and a significant contributor to the goals of the organization and will be such for many years.

There are two decision making factors that are critical to this endeavor – what we might call – most qualified and best fit. Finding a high-quality hire requires both dimensions.

Most Qualified	Best Fit
The organization establishes the required education, related work experience, needed professional certifications [if any] that qualifies an applicant for further consideration. These factors can be evaluated objectively with measurable and comparable results. The selection team ranks the most qualified to the least qualified and interviews those applicants that rise to the top of our scale.	From the list of the more qualified applicants for the open position, management now looks more subjectively. Which person seems to be the best fit – that is, connects best with the current team, that we perceive can get along with others, is a positive force, whose association seems to fit best. This is assessed through in person interviews seeking this sense of best fit.

To create the most qualified factor, the management team determines the essential background skill sets that are required for success in that position classification. As applicants present their qualification materials a vetting process occurs assuring that the information is accurate. Either the manager or the HR unit can make the needed background checks, past and current employment verifications, and evidence of educational attainment and professional certifications, if required. There would be a cutoff point to determine what applicants do not meet the minimum requirements.

To determine the best fit factor, the selection team [or manager by themselves] must have a sense of what is needed and desired - for a healthy work culture, trust expectations, communication patterns, professionalism levels and other elements that are unique to that work setting. This determination comes from interaction with the applicant as they easily connect or struggle to connect with others at the work site. Not only are their skill sets being assessed but their ease of interaction, comfortability, and a sense of being a good personality fit comes into play.

What happens if only the most qualified dimension is assessed or just the best fit factor is considered? Perhaps the visual will be of help:
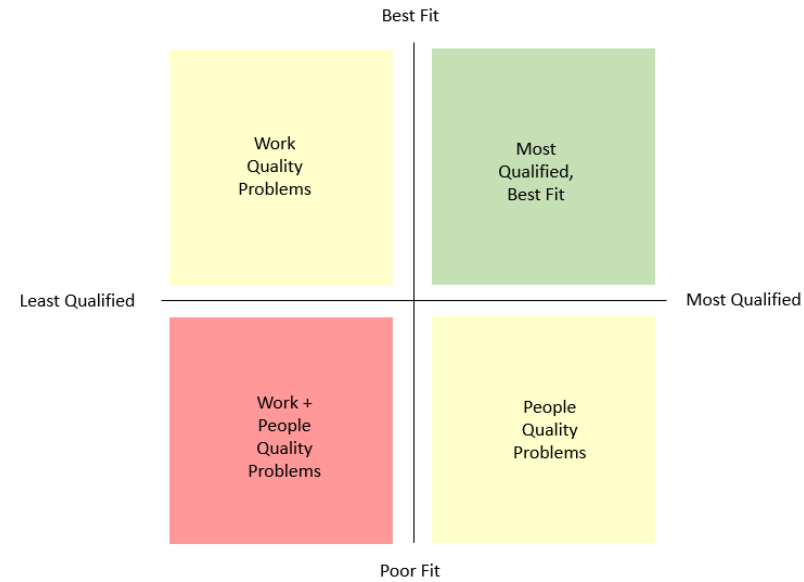
The goal is to select applicants that fall into the top right zone [green]. Here the applicant is both highly qualified for the work tasks and are a best fit person, able to connect in positive ways with the culture and people of the organization.

If the decision is to select a well-qualified applicant concerning work skills but not assessing if they are a positive personality match [bottom right zone [yellow] a real chance occurs that the future will hold people associated problems.

Also, if the selection decision is to bring on board a person that can 'get along' with others and that factor overrides the needed qualifications [top left zone – yellow] the organization may be settling in for work quality problems.

The place that the organization does not want to be in is the bottom left zone [red], where the applicants are both poorly qualified and not a good personality fit. The future work environment will be filled with both work task and people problems.

A two-dimension assessment is a valuable management tool, selecting the new employee from the most qualified applicant pool who is also a person with the personality that adds to the positivity of the organization and the existing employee group.

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