

# Central California's Labor Market &

## *Regional Economy*

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### KEY POINTS

- Fresno's labor market has played catch-up since 2013. The region also showed good labor force growth led by Madera County in September 2016-September 2017.
- The region's employment growth outpaced the state and the nation in 2016-2017. Meanwhile, the unemployment rate has been significantly higher, especially in Tulare County.
- Natural resources and mining; education and health services; trade, transportation, and utilities; and manufacturing are the most important sectors with larger shares of employment in the local economies. Employment in information, financial activities, professional and business services, and leisure and hospitality fall clearly behind the state and the national average.
- Per capita income in the region is significantly lower than in the state and the nation. The share of low-income households increased in the region in recent years, which was partially caused by an under-educated labor force.
- Growing labor force, high unemployment rate, competitive local labor cost, if together with improved education and workforce development, would make Central California an attractive place to develop labor-intensive businesses.

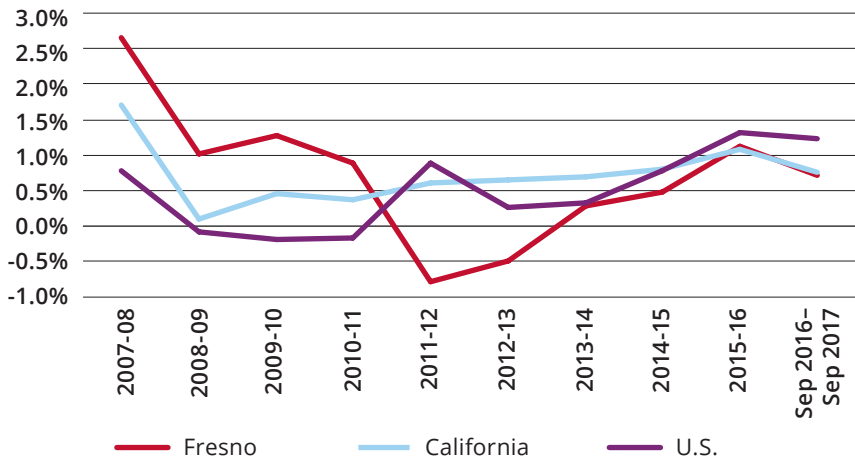
*The annual employment growth in Fresno has kept abreast with the state and outpaced the nation since 2014-2015.*

## The Labor Market and Employment

The state and national labor market tumbled and recovered after the financial crisis. Fresno started to play catch-up in 2013 and outperformed the state in 2015-2016 with 1.13 percent annual labor force growth (Figure 1). Meanwhile, strong labor force growth occurred in all counties in the region except Merced County, which experienced only 0.15 percent of growth rate in September 2016-September 2017 (Figure 2).

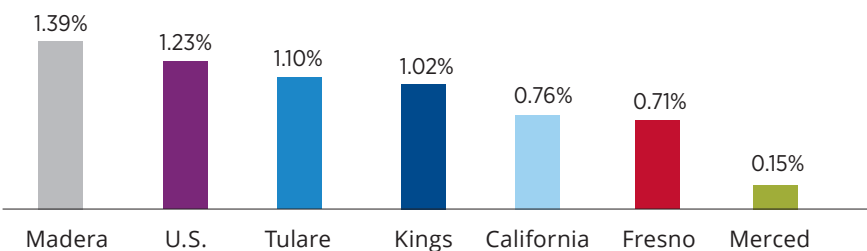
The annual employment growth in Fresno has kept abreast with the state and outpaced the nation since 2014-2015, which put it in the middle of the region's three-year average employment growth ranging from 0.80 percent in Madera to 3.82 percent in Tulare. Till June 2017, overall employment in the region, led by Kings and Madera, performed higher annual growth than the state and the nation (Figure 3).

**Figure 1**  
Labor Force Annual Percent Change



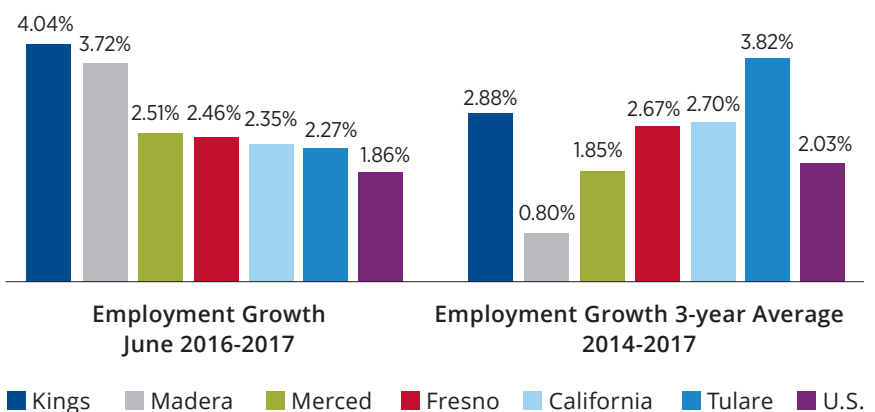
Data source: Bureau of Labor Statistics

**Figure 2**  
September 2016-September 2017 Labor Force Percent Change



Data source: Bureau of Labor Statistics

**Figure 3**  
Employment Growth Percent Change



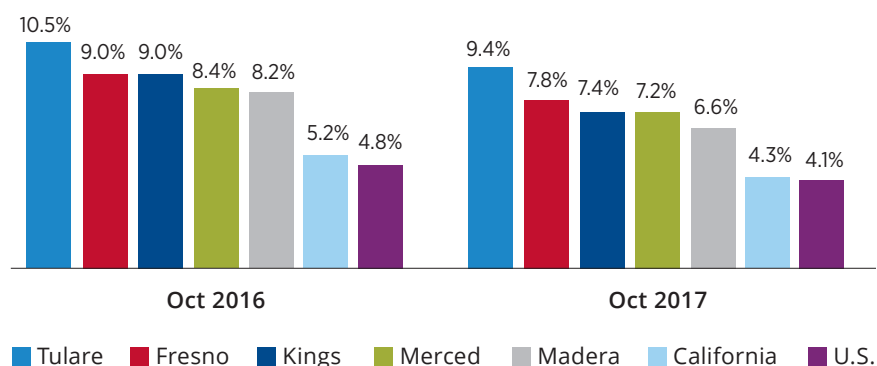
Data source: Bureau of Labor Statistics

# Labor Markets & Regional Economy



However, as Figure 4 demonstrates, the unemployment rate remained high in the region, though the gap was slightly narrowed against the state and the nation in 2017. Tulare had the highest unemployment rate in the region followed by Fresno and Kings. The growing labor force and relatively high unemployment rate combine to (Figure 2 & 4) offer a sizeable pool for firms to develop labor intensive operations in the region.

**Figure 4**  
Unemployment Rate by County



Data source: Bureau of Labor Statistics

## Employment Sectors

Currently, natural resources & mining ranks number one in Central California in terms of employment (except Fresno) due to its predominant agricultural business. Education and health services; trade, transportation and utilities; and manufacturing are key sectors in the region as well. Compared to the state and the nation, information, financial activities, professional and business services, and leisure and hospitality are significantly underdeveloped (Table 1).

Over the past three years, construction has been the fastest-growing employment sector in the region, led by Madera and Merced. Fresno, Tulare, and Merced also demonstrate stronger employment growth than the state and national average in the education and health

**Table 1**  
Employment Distribution Across Industrial Sectors (June 2017)

County and Region	Natural Resources and Mining	Education & Health Service	Trade, Trans. & Utilities	Manufacturing	Construction	Info.	Financial Activities	Professional & Business Services	Leisure and Hospitality	Other Services
Fresno	17%	20%	20%	8%	5%	1%	4%	10%	11%	3%
Kings	25%	19%	19%	16%	3%	1%	3%	4%	10%	2%
Tulare	33%	11%	20%	9%	4%	1%	3%	9%	9%	2%
Madera	31%	21%	14%	9%	4%	1%	2%	6%	9%	2%
Merced	25%	16%	21%	15%	4%	0%	3%	6%	9%	2%
CA	3%	17%	20%	9%	6%	3%	6%	17%	13%	4%
U.S.	2%	18%	22%	10%	6%	2%	7%	17%	13%	4%

Data source: Bureau of Labor Statistics

**Table 2**  
**Employment Growth by Sector by County (region), Three-year Average till June 2017**

County and Region	Natural Resources and Mining	Education & Health Service	Trade, Trans. & Utilities	Manufacturing	Construction	Info.	Financial Activities	Professional & Business Services	Leisure and Hospitality	Other Services
Fresno	-0.41%	5.60%	1.82%	2.52%	8.01%	-3.47%	2.08%	0.82%	3.70%	1.98%
Kings	4.90%	1.53%	4.06%	1.57%	8.12%	-4.35%	0.02%	-3.54%	3.22%	1.20%
Tulare	5.25%	4.24%	0.65%	1.42%	8.33%	-0.26%	1.93%	9.18%	3.69%	2.88%
Madera	1.82%	2.32%	1.32%	-6.73%	12.62%	-3.72%	1.76%	-5.89%	4.02%	-0.83%
Merced	0.56%	4.78%	3.32%	-1.66%	12.48%	-4.98%	6.76%	-2.66%	1.66%	-2.22%
CA	0.92%	3.75%	1.86%	0.73%	5.76%	3.52%	2.46%	1.51%	3.63%	1.70%
U.S.	-2.95%	2.58%	1.45%	0.74%	4.35%	0.57%	1.83%	2.29%	2.86%	1.67%

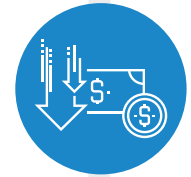
Data source: Bureau of Labor Statistics

services sector. While sectors such as leisure and hospitality; financial activities; and trade, transportation, and utilities contribute steadily to the job employment growth, the professional and business services sector (except Fresno and Tulare) and information sector, have experienced decreased employment in the past three years (Table 2). Information is the only industry clearly shrinking in this region.

### Incomes and Educational Attainment

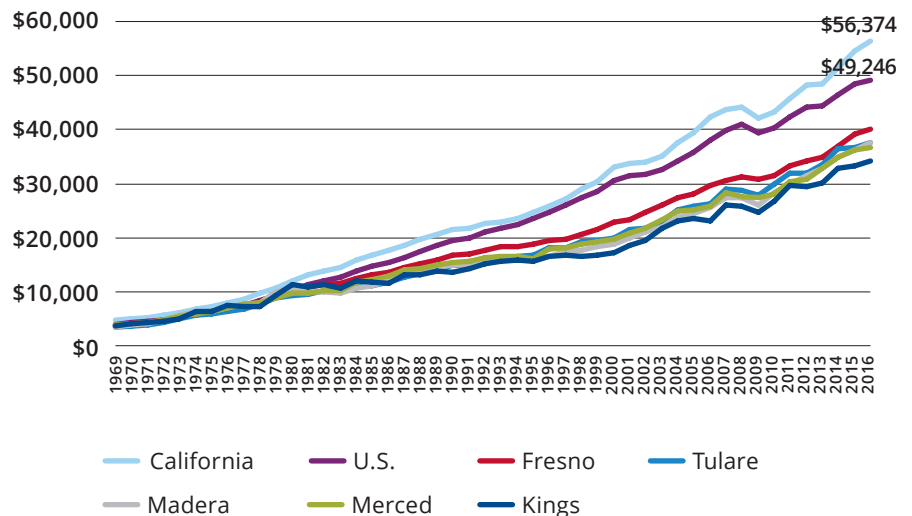
Per capita income in the region has been below the state and national average for a long time. Although Fresno has managed to keep the top position in the region since 1983, its per capita income was \$40,101 in 2016 compared to \$49,246 for the nation and \$56,374 for the state, while Kings with \$34,287 is the lowest county in Central California. The other three counties' per capita income was around \$37K in 2016 (Figure 5).

**INCOME** in the region has been **BELOW** the state and national average for a long time.



LABOR MARKET

**Figure 5**  
**Per Capita Income (\$)**



Data source: Bureau of Economic Analysis

# Labor Markets & Regional Economy

Another area of concern is income inequality, which can be observed at county, state, and national levels.



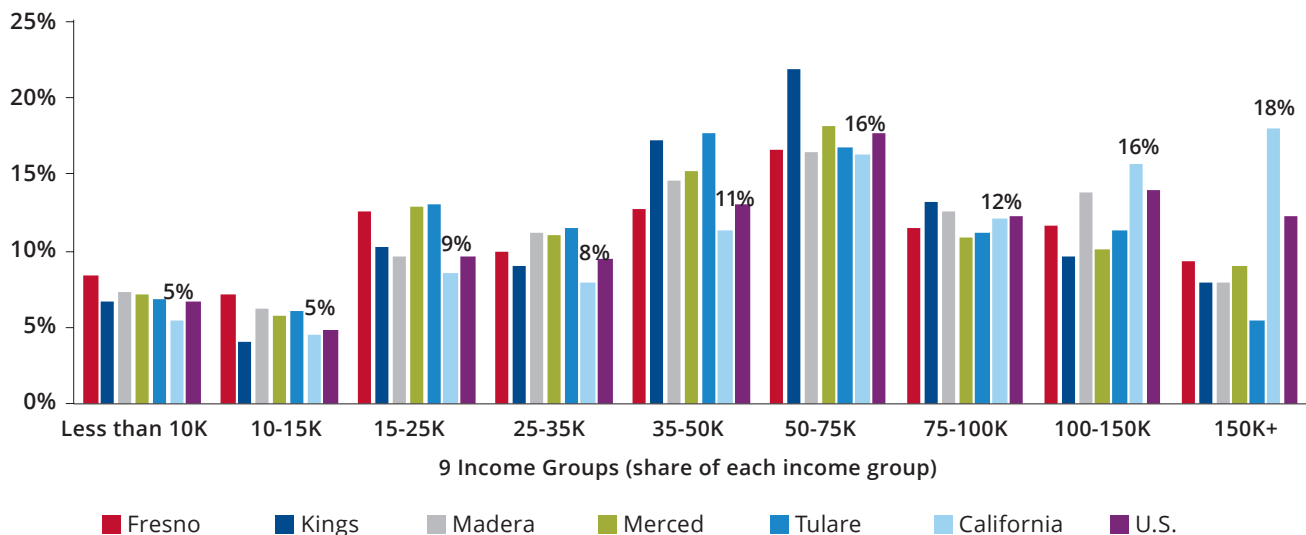
Despite the differences in employment distribution, per capita income in all counties suffered a setback during the financial crisis as it did in the state and the nation. It is worth noting the growing gap between the region's per capita income and the rest of the state, which, certainly, has a negative impact on the local standard of living but can be viewed as an opportunity to attract labor-intensive industries by significantly lowering their labor costs.

Another area of concern is income inequality, which can be observed at county, state, and national levels. Unfortunately, the region has a more troublesome situation with a higher share of households whose income level is below \$50K, in which Fresno leads in two of the lowest income brackets of less than \$10K and between \$10K to \$15K. Roughly half of the households in the region earned less than \$50K in 2016 vs. 38 percent of the households in the

**HALF** of the **HOUSEHOLDS** in the region earned less than **\$50k** in 2016.



**Figure 6**  
**2016 Household Income Distribution**



Data source: U.S. Census



**LESS THAN 10 PERCENT OF HOUSEHOLDS in Central California make more than \$150K annually.**

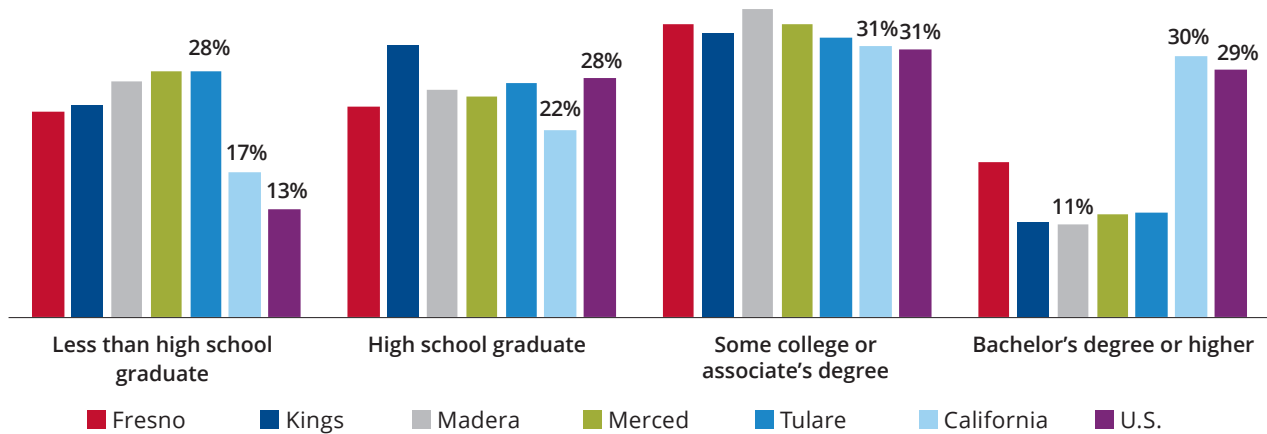


state. On the other end of the income scale, only less than 10 percent of households in Central California make more than \$150K annually, which is much lower than the state average of 18 percent. Such distribution shown in Figure 6 indicates that most households in the region rely on relatively low paying jobs rather than income generated through investments in real or financial assets and business ownership which is more commonly associated with high-income households.

One cause of low per capita income and such income distribution in the region can be identified in Figure 7, which demonstrates a significantly higher percentage of population in Central California with less than a high

school diploma and a much lower percentage with a bachelor's degree or above, compared to the state and the nation. A less-educated labor force not only leads to the aforementioned per capita income gap but also contributes to the low employment share in financial activities, professional & business services (except Fresno and Tulare) and the information sector (Figure 5), which demand a well-educated work force. However, in the future, enhancing education and training services, along with promoting quality of living to retain and attract skilled and educated labor, can become a great opportunity to the region. Improving the quality of its growing labor force would make Central California a more attractive choice for labor-intensive businesses to develop here to fully take advantage of its competitive labor costs.

**Figure 7  
Educational Attainment by County (2016)**



Data source: U.S. Census