

## In California's economy, North trumps South for now

When two New York baseball teams, the Dodgers and the Giants, moved west six decades ago, their ancient crosstown rivalry merged into the equally intense — and equally long — competition between Los Angeles and San Francisco for economic, cultural and, of course, political dominance of California.

As the second half of this year's baseball season began, the Los Angeles Dodgers were sitting on the best record in the major leagues while the San Francisco Giants, despite winning three World Series titles in this decade, had the second worst.

The Giants might not be doing well this year, but the Bay Area's technology-centered economy is, by any measure, red-hot and not only far surpassing the Los Angeles region's lackluster economic performance but also, in effect, propping up the entire state.

How Los Angeles wound up eating the Bay Area's dust, at least in economic terms, is a tale of civic and political decisions, demographic circumstance and even global politics. And with the two regions accounting for most of the state's population and the economic output that makes it a global powerhouse, whether the stark differences widen or narrow will have a huge impact as California meanders further into the 21st century.

First, a few numbers to illustrate the whopping economic differential:

- With just 20 percent of the state's population, the 10-county Bay Area generated a quarter of the \$1.5 trillion in adjusted gross income that Californians reported on their personal income tax returns in 2014, the last year for which complete data are available. That makes it very important for a state general-fund budget that depends on income taxes for 70 percent of its revenue.
- The five-county Los Angeles region has more than twice as much population as the Bay Area — and nearly half of the state's residents — but generated just a third of the state's 2014 adjusted gross income. The Bay Area's per capita AGI averaged just under \$50,000, while the L.A. area's was scarcely half as much.
- More than likely, the Bay Area's share of income has increased since then. Of the state's 10 highest median

income counties in 2014, six were in the Bay Area, topped by No. 1 Marin County, at \$140,681 per joint tax return, and No. 2 San Mateo at \$122,415. The only Los Angeles region counties on the list were No. 9 Orange at \$83,393 and No. 10 Ventura at \$82,193. Los Angeles County itself was No. 25 at \$64,890, markedly below the statewide median.

- Over the last nine years, since 2008, the Bay Area created nearly two-thirds of California's 1.1 million additional jobs. It increased its share of the state's employment to nearly a quarter — again, with just 20 percent of its population. The L.A. region's job-growth rate was just a third as high, and its share of total employment declined.
- In 1970, the Los Angeles area was ranked No. 1 nationally in per capita income, and the Bay Area, No. 3. By 2009, after both regions had increased in population by about 50 percent, the Bay Area was No. 1 and the Los Angeles region was No. 25.
- Taxable retail sales show a similar differential. While the state as a whole saw a 17 percent growth in sales between 2006 and 2016, those in the Bay Area shot up by 26 percent and now account for nearly a quarter of the state's retail activity, again with just 20 percent of its population.
- Finally, when the Public Policy Institute of California and the Stanford Center on Poverty and Inequality in 2013 created a new measure of poverty in California that takes into account the cost of living — particularly housing — it calculated that Los Angeles County has the state's highest rate. Of its 10 million residents, 25.6 percent were in economic distress.

That makes Los Angeles the most impoverished county in a state that, by the Census Bureau's similar methodology, has the nation's highest rate of poverty. Poverty rates in Bay Area counties are, not surprisingly, among the state's lowest, because their high housing costs, unlike those in Los Angeles, are more easily offset by high incomes.

So how did it happen that the Bay Area's economy came to dominate the state, and the Los Angeles region, by such wide margins?

*Article continues at link below*

Region	July 2016	June 2017	July 2017	Percentage Point Change	
				1 month	12 months
San José MSA	4.1%	3.6%	3.9%	+ 0.3	- 0.2
San Francisco MD	3.4%	3.1%	3.3%	+ 0.2	- 0.1
California	5.8%	4.9%	5.4%	+ 0.5	- 0.4
United States	5.1%	4.5%	4.6%	+ 0.1	- 0.5

Sector—July 2017	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,084,500</b>	<b>1,115,900</b>	<b>2,200,400</b>	- 0.3	+ 1.4
<b>Construction</b>	<b>49,000</b>	<b>42,300</b>	<b>91,300</b>	+ 1.8	+ 1.1
Manufacturing	166,600	38,300	204,900	+ 0.3	+ 0.4
Retail Trade	86,200	80,400	166,600	+ 0.4	- 0.6
Information	80,100	74,000	154,100	+ 1.4	+ 2.9
Professional & Business Services	230,100	271,600	501,700	+ 0.6	- 0.4
Educational Services	42,100	27,100	69,200	- 5.7	- 0.6
Health Care & Social Services	121,900	108,000	229,900	+ 0.3	+ 3.5
Hospitality & Leisure	109,000	147,000	256,000	+ 0.9	+ 5.9
Government	85,900	125,300	211,200	- 6.1	+ 1.0

NOTE: San José MSA (San José-Sunnyvale-Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
San Francisco MD (San Francisco-Redwood City-South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

9-County San Francisco Bay Area	Labor Force			Employed			Unemployment		
	July 2016	July 2017	Change	July 2016	July 2017	Change	July 2016	July 2017r	Change
<b>California</b>	<b>19,209,200</b>	<b>19,285,000</b>	<b>+ 0.4%</b>	<b>1,115,100</b>	<b>1,033,500</b>	<b>- 7.3%</b>	<b>5.8%</b>	<b>5.4%</b>	<b>- 0.4</b>
Alameda County	844,400	846,100	+ 0.2%	39,200	36,600	- 6.6%	4.6%	4.3%	- 0.3
Contra Costa County	560,800	561,300	+ 0.1%	26,900	25,100	- 6.7%	4.8%	4.5%	- 0.3
Marin County	143,000	141,800	- 0.8%	5,000	4,800	- 4.0%	3.5%	3.4%	- 0.1
Napa County	75,100	75,800	+ 0.9%	3,100	2,900	- 6.5%	4.1%	3.9%	- 0.2
San Francisco County	564,600	565,900	+ 0.2%	19,800	19,300	- 2.5%	3.5%	3.4%	- 0.1
San Mateo County	452,400	453,200	+ 0.2%	14,800	14,300	- 3.4%	3.3%	3.2%	- 0.1
Santa Clara County	1,036,000	1,030,200	- 0.6%	42,000	39,100	- 6.9%	4.1%	3.8%	- 0.3
Solano County	208,300	208,100	- 0.1%	12,100	11,200	- 7.4%	5.8%	5.4%	- 0.4
Sonoma County	263,400	260,900	- 0.9%	11,200	10,100	- 9.8%	4.2%	3.9%	- 0.3
<b>SF Bay Area (sum)</b>	<b>4,148,000</b>	<b>4,143,300</b>	<b>- 0.1%</b>	<b>156,400</b>	<b>130,600</b>	<b>- 16.5%</b>	<b>4.2%</b>	<b>3.9%</b>	<b>- 0.3</b>

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

July 2017 Events	Company	Location	# Affected	WARN SUMMARY	
				Events YTD <sup>†</sup>	Individuals Affected YTD <sup>‡</sup>
	Hitachi Data Systems	Santa Clara	48	6	161
	Kelly-Moore Paints	San Carlos	35		
	Marvell Semiconductor	Santa Clara	8		277
	Micron Technology	Milpitas	35		
	Symantec Corp.	Mountain View	20		
	Company confidential	Burlingame	15		
	<b>Total</b>		<b>161</b>		

**WARN SUMMARY**

Events YTD<sup>†</sup>: 6  
Individuals Affected YTD<sup>‡</sup>: 161  
Individuals Previous YTD<sup>‡</sup>: 277

\* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)

<sup>†</sup> **YTD: Year to Date** (Program year: July 1–June 30)

<sup>‡</sup> **Previous YTD:** No data available for San Mateo County, FY2014/15

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database