

# Monterey County

## Business & Workforce Assessment Study

### EXECUTIVE SUMMARY

Arroyo Seco  
*Sponsored by:*

**Monterey County Office of Employment Training**  
**Monterey County Office of Economic Development**  
**Monterey County Business Council**

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And

**DRI•WEFA**

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*Cover image used with permission of Monterey County Vintners and Growers Association.*

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## I. INTRODUCTION

This study was commissioned and funded by the Monterey County Office of Economic Development, the Monterey County Office of Employment Training, and the Monterey Business Council. The study produced four documents, in addition to this one: (1) *Monterey County Economic Overview*, June 2002; (2) *Business & Workforce Assessment*, October 2002; (3) *Monterey County Training Directory 2002-2002*, and (4) *Monterey County Marketing Assessment*, November 2002.<sup>1</sup> This document summarizes the principal findings of these four reports.

The goals of the study are:

1. Assess the economic and business climate in which Monterey County businesses operate.
2. Identify those industries with the most potential for growth and for creating well-paying career opportunities for the Monterey County workforce;
3. Assess the labor requirements of these industries;
4. Determine how well the existing labor force in Monterey County is meeting the existing and projected needs of these industries.
5. Assess the level and effectiveness of training and entrepreneurial support services and resources offered at the existing Business Service Centers of the One Stop Career Centers.

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<sup>1</sup> For copies of these documents, contact the Monterey County Office of Economic Development in Salinas. Also available is a comprehensive list of the more than 100 companies and organizations contacted and interviewed in the context of this study.

6. Make recommendations to the County based on primary data (firm surveys, focus groups, etc.) as well as best practices from other regions, to suggest the steps Monterey County can take to improve connections between employers and employees.

The methods used to prepare this report include: (1) data analysis of economic activity in the county, neighboring counties, the state of California and the U.S.;<sup>2</sup> (2) a survey of individual companies; (3) focus groups with business representatives in each of the three sub-regions that comprise the county; (4) interviews with business leaders, representatives of training organizations and colleges, and community leaders; (5) secondary source material (existing reports, public documents, and analyses); (6) a review of existing marketing materials.

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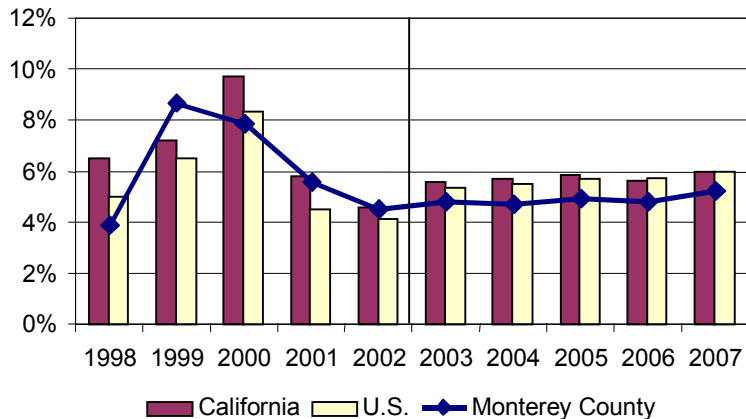
<sup>2</sup> DRI-WEFA, a leading economic data analysis firm, performed most of this analysis based on its extensive national and regional databases.

## II. ECONOMIC ASSESSMENT

### *Solid growth rates to date...*

Over the past five years, Monterey County’s economic growth has roughly kept pace with that of the rest of California and the U.S. In recent years, it has even exceeded U.S. averages (see Table 1). This is a remarkable achievement, given that the County’s economy is disproportionately weighted by an industry typically characterized by slow growth: agriculture. Of the County’s total output, agriculture represents 17%, compared with 2% for the country as a whole.

**TABLE 1: MONTEREY COUNTY ANNUAL SALES GROWTH**



### *Agricultural productivity higher than average...*

The good news is that the County’s agriculture sector is among the most productive in the world.

**TABLE 2: RELATIVE AGRICULTURAL PRODUCTIVITY**

	Average Agricultural Output per Employee
Monterey County	\$183,331
United States	\$43,177

*Source: Monterey County: DRI-WEFA; United States: Bureau of Labor Statistics.*

The extent of this extraordinary productivity is due to a number of factors: (1) the County produces higher-value agricultural products (wine grapes and vegetables command higher prices on the world’s commodity markets than grains or soybeans); (2) the County’s larger producers have increasingly shifted to higher-value added products like pre-cut, bagged lettuce, mini carrots and dehydrated fruits and vegetables. By applying innovations in processing and packaging, the sector has captured new markets and raised revenues significantly.

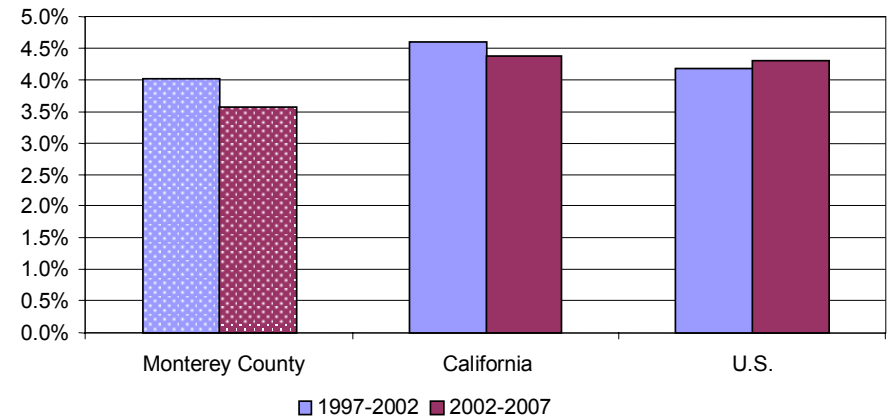
***Growth & productivity gains expected to slow...***

The not-so-good news is that the County’s overall growth is expected to slow in coming years to levels below that of the state and nation (see Table 1 for the years 2002-07). Again, the reasons for this are varied. Previous growth was fueled not only by productivity gains in agriculture (which are leveling off) but also in gains in the construction and transportation industries which benefited greatly from the economic boom of the 1990s but which are forecast to decline.

Another interesting factor influencing the County’s growth trends is its relative lack of manufacturing and business services sectors. According to DRI-WEFA, manufacturing (see Appendix A) and business services are forecast to have some of the fastest growth rates over the next 5-10 years. With relatively little of these kinds of activities, Monterey County’s forecast growth rate is expected to decline relative to its competitors as well as the state and country.

In terms of overall productivity, the County’s picture is much the same. Initial gains are forecast to give way to significant declines, again, perhaps due to the County’s industrial composition.

**TABLE 3: AVERAGE ANNUAL GROWTH IN LABOR PRODUCTIVITY**



***Wages not keeping up with the cost of living...***

Even though the County’s agriculture sector is able to pay higher-than-average wages (68% higher than the national average for that sector, see Table 4), these wages are still nearly 30% less than the County’s average *non-agricultural* wage. Nearly all the County’s other major sectors pay wages lower than their national average. In 2000, the County’s median family income was \$52,912, while across the U.S. and California, median family incomes are currently \$54,400 and \$60,800 respectively.<sup>3</sup> At the same time, current rankings report that living expenses are 100% higher in the City of Monterey, and 35% higher in Salinas, than the national

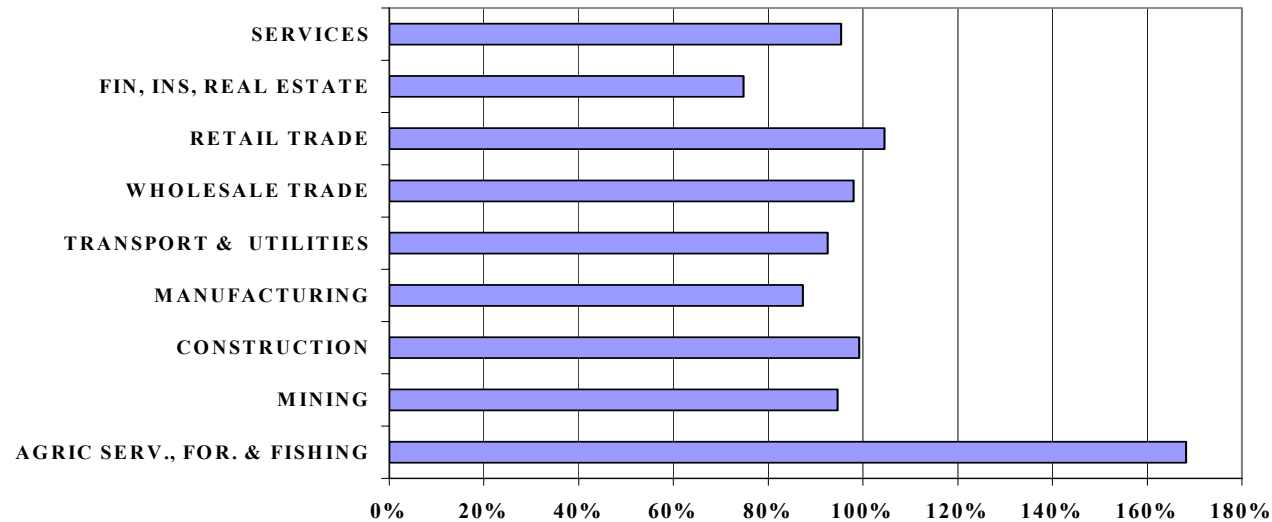
<sup>3</sup> U.S. Census and DRI-WEFA

average<sup>4</sup>. The biggest factor behind these differentials is the higher cost of housing, which ranks 286% more expensive in the City of Monterey than the U.S. average, while it is 84% more expensive in Salinas. Health costs average 40% more in the two cities than the national average, and transportation costs 24% more. Tax rates, as well, on both sales and income, are roughly 30% more than the U.S. average.

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<sup>4</sup> CNN/Money Metro Guide.

**TABLE 4: WAGES IN MONTEREY COUNTY AS PERCENTAGE OF US AVERAGE, BY INDUSTRY**



Source: County Business Patterns, 1997

Table 5, below, compares wages across a number of different industries. What is noteworthy is that 40% of the County’s workforce is employed in agriculture or tourism and therefore earns less than \$19,000 per year. Given the cost of housing, these workers must spend more than half of their income on housing.<sup>5</sup> According to the Department for Housing and Urban Development (HUD), “families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.” Despite the County’s major industries paying above average wages, the high relative cost

of living in the County results in lower-than-average *real* wages and in many households being “cost burdened.”

<sup>5</sup> Applied Development Economics, *Employment and Living Trends in Monterey County*, February, 2001.

**TABLE 5. WAGES AND EMPLOYMENT IN SELECTED SECTORS, MONTEREY COUNTY, 2002**

INDUSTRY	AVERAGE ANNUAL WAGE	TOTAL EMPLOYMENT 2002	% TOTAL
Agriculture	\$17,740 <sup>6</sup>	23,084	<b>11%</b>
Tourism <sup>7</sup>	\$18,438	64,491	<b>29%</b>
Manufacturing	\$60,290	9,605	4%
Transportation	\$50,260	7,749	4%
Financial Services	\$67,631	6,791	3%
Business Services	\$39,713	7,788	4%
Education	\$38,841	2,670	1%
Average non-agricultural wg	\$34,100		

Source: Tourism data from DRI-WEFA; Agriculture Wages from the California Agricultural Bulletin, EDD, State of California.

From the perspective of the companies employing Monterey County residents, the relatively high cost of labor represents a significant cost burden as well. This is greatly compounded by state insurance and tax laws. Due to steadily increasing health costs, the California Department of Insurance recently raised Workers Compensation rates 10.5% for 2003. Since agriculture and its related activities create inherently risky occupations, Monterey County businesses are particularly hard

hit by these cost increases – as are all of the businesses that rely on the agriculture industry for their business.

There are several explanations of what is driving income growth and disparity in the region. First, while much of Monterey County’s income picture can be explained by growth in wages and salaries, the County also benefited, as have other counties and states, from strong growth in proprietor’s income and dividends and interest income over the 1990s. This could be particularly profound as individuals choose to retire to the Monterey region.

Second, and perhaps most profoundly, Monterey County has experienced exceptional growth in residence adjustment income. In other words, there are an increasing number of people who live in Monterey County but work in another region. Between 1992 and 1999, nominal residence adjustment income rose by an average rate of 27.2% per year, compared to a rise in total nominal personal income of 4.1% per year. There are two, opposing impacts of this phenomenon. First, this segment of the labor force represents a benefit to the County in that the income earned by these commuters will be largely spent within Monterey County. Second, by having greater-than-average disposable income, these commuters raise the cost of living for everyone.

<sup>7</sup> Tourism is defined as SIC codes 70, 70, 58, and 84.

### III. IDENTIFYING HIGH-POTENTIAL INDUSTRIES

To identify Monterey County’s high-potential industries, the ECG project team calculated the relative employment concentration ratio (ECR) and national growth rate for each industry and compared these two to identify top performers. All of the County’s major industries are then placed in one of four categories: Cash Cows, Stars, Opportunities, or Challenges (see Figure 1 on the following page).

“**Cash Cow Industries**” are those in which the County has an undisputed comparative advantage although they are slower growing than other industries on the list. Monterey County’s Cash Cows are: (1) Agriculture – Crops; (2) Agriculture – Livestock; (3) Food Processing; and (4) Fishing (though small in total employment, the county is still quite concentrated in fishing compared to other counties of similar size).

“**Star Industries**” are those in which the County’s Employment Concentration Ratio (ECR - 100 is the U.S. average) is greater than the U.S. average and which are forecast to have strong national growth in the next five years. Monterey County’s Star Industries are: (1) Hotels and other Lodging Places; (2) Agricultural Services<sup>8</sup>; and (3) Museums, Botanical, and Zoological Gardens (this item mainly driven by the Monterey Bay Aquarium).

“**Opportunity Industries**” are those in which the County’s ECR is below the U.S. average but which nevertheless represent a major opportunity for the county because they are

forecast for strong national growth over the next five years. Monterey County’s Opportunity Industries include: (1) Transportation Services; (2) Health Services; (3) Educational Services; (4) Amusement & Recreation Services; (5) Trucking and Warehousing; (6) Instruments and Related Products; (7) Legal Services; (8) Insurance Agents, Brokers & Services; (9) Engineering and Management Services; (10) Security & Commodity Brokers; (11) Motion Pictures; (12) Insurance Carriers; (13) Transportation by Air; (14) Electronic & Other Electric Equipment; and (17) Industrial Machinery & Equipment.

The final category is “**Challenge Industries**” (the unlabeled quadrant of Figure 1). These industries are generally not growing as quickly nationally. While Monterey County may have very high employment concentration ratios in these industries (as in Eating and Drinking Places), they are not considered good candidates for long-term, sustainable economic growth.<sup>9</sup>

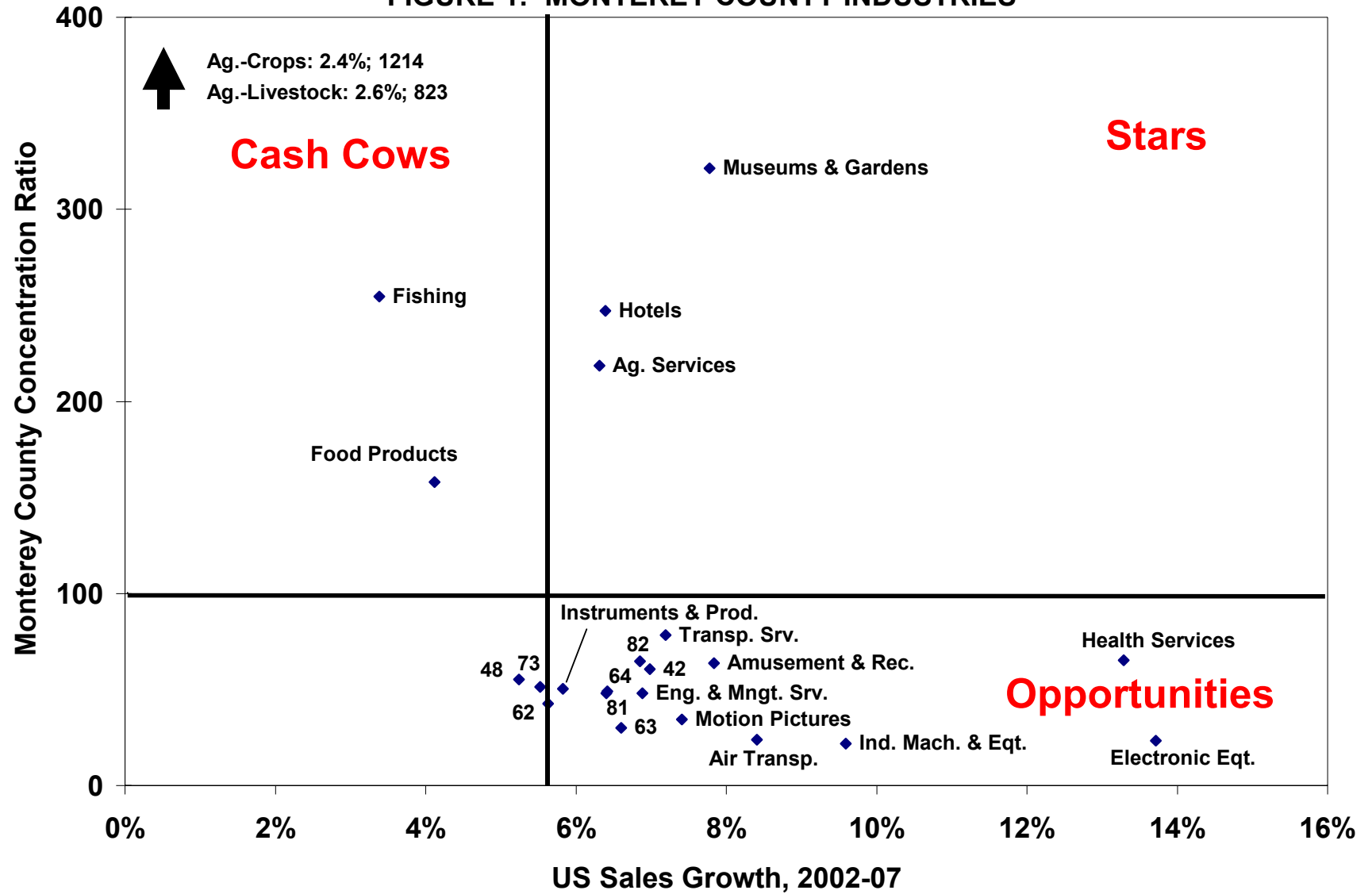
Combining the results of this analysis with our analysis of the County’s overall business climate and actual employment potential, ECG has narrowed the list of industries that have the most potential to the following “Top 7”:

<b>Monterey County’s Top 7 Industries</b>	
Agriculture (particularly Agricultural Services)	
Health Services	Tourism
Business Services	Transportation
Food Processing (manufacturing)	Educational Services

<sup>8</sup> Agricultural Services include soil preparation services, crop planting, harvesting and preparation for market (including packaging), farm labor contractors, farm management services, livestock services and veterinary services.

<sup>9</sup> Such industries, despite their forecasts, cannot afford to be ignored – the health of the tourism industry, for example, rests in part on the continued reputation for quality of the restaurants in the region. However, the implication for policy is that new, high-wage employment is not likely to come from this quadrant of the chart.

FIGURE 1: MONTEREY COUNTY INDUSTRIES



### ***High-technology firms profitable, small and few...***

Notably absent from this list of Top 7 is High Technology. There has been a great deal of discussion as to the size and potential of the high technology industries in the County. Their allure is unmistakable. They generally have a substantial economic impact, fueled both by large research and development spending, and higher than industry average sales growth. They tend to pay significantly higher wages that produce a ripple effect in the regional economy. *All of the sectors defined as high-tech in this study and listed in Appendix B have above-average growth in Monterey County.*

**However, the high-tech industry in Monterey County, as it exists today, comprises relatively few, small firms that, while profitable, are not likely to grow significantly in terms of employment. What they do well can better be classified under “Business Services” in our Top 7 list.**

According to ECG estimates that **there are a total of 440 high tech firms in the County** employing 6,805 workers (4% of total County employment) and producing \$906.35 million in output (5% of total County output). **These firms tend to be small:** the median number of employees is around 3.

While there are some firms in the communications, electrical and process control instrument sectors within the county, there is a higher concentration of firms in custom computer programming, computer related services and computer

integrated systems. **These sectors tend to focus on business services**, providing technical support to end-users. There also is a high concentration in engineering, accounting, research and management. The most common firms found in the county are computer programmers with a niche program for specialized industries.

Anecdotally, it appears that high-tech entrepreneurs are drawn to Monterey County largely for quality of life reasons. They expect to stay small and have not located in the County with the expectation of finding qualified personnel. Rather, they consider it a challenge to find technically proficient personnel in the County.

Two-thirds of the high-tech firms are located along the Monterey Peninsula, with the remaining third in Salinas. Location in urban areas offer greater access to services as well as the cultural amenities of city living – something that is known to be important to high-tech workers (see Map in Appendix C).

**TABLE 6: REGIONAL DISTRIBUTION OF HIGH TECH FIRMS**

<b>Region</b>	<b>Percentage of Firms</b>	<b>Percentage of Employment</b>	<b>Percentage of Sales</b>
Salinas	32%	61%	69%
Monterey Peninsula	67%	35%	30%
South County	1%	4%	1%

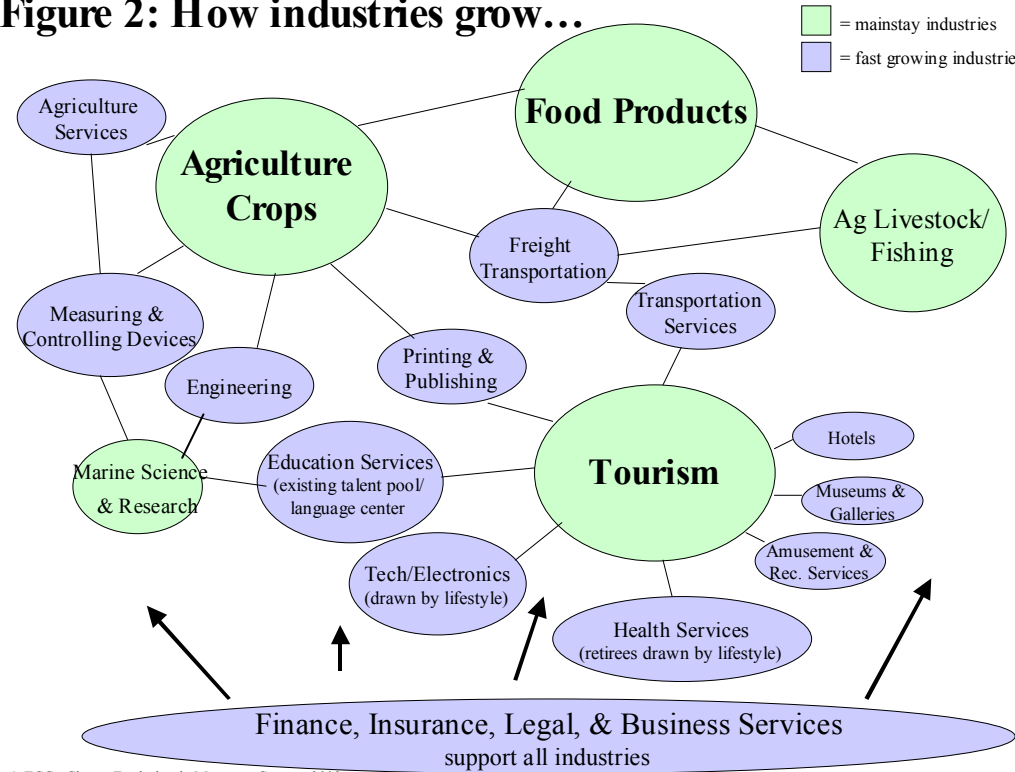
*Source: Dun & Bradstreet, 2001*

***The Top 7 in context...***

If the goal of Monterey County policymakers and officials is the creation of sustainable, well-paying, quality employment opportunities for Monterey County residents, their task is to understand and support – at minimum – companies in the Top 7 industries. A first step in doing this is understanding how these firms fit into the region’s larger economic context. The diagram below illustrates just how linked all of the County’s major

industries are and how the performance of a few will dramatically affect the rest. A second step involves identifying the action steps that can be taken to create a dynamic, supportive, sustainable business climate that assists Cash Cow and Opportunity industries to be Stars. The remainder of this report is devoted to understanding the constraints – particularly workforce constraints – faced by Monterey County businesses and recommending approaches for lessening these constraints.

Figure 2: How industries grow...



© ECG. Cluster Evolution in Monterey County, 2002

#### IV. TOP ISSUES FACING MONTEREY COUNTY COMPANIES

In the context of this study, the ECG project team interviewed dozens of business owners, managers, and leaders of business organizations. The Team also held three business roundtable meetings to solicit concerns and opinions from the business community. While the issues faced by the business community vary to some extent by industry and by sub-region (Monterey Peninsula, Salinas Valley, and South County), the top concerns of the Monterey County business community can be summarized as follows:

1. The most common concern voiced by Monterey County business owners and managers is that qualified, reliable employees are difficult to find and difficult to retain. Above all, employers place a premium on skills: basic workforce readiness and certified, industry-specific skills. Employers report that the county's workforce is lacking in all these areas. 70% of the firms surveyed in the context of this study independently described their ideal business support service as assistance in identifying and recruiting competent personnel.
2. The second major concern of business – at times even more important than access to personnel – is what they perceive as an unsupportive, if not hostile, business environment perpetuated by County officials and policymakers. Specifically, the regulatory framework and permitting procedures are considered overly complex and burdensome. City and county staff are considered rude, obstructionist and lacking in customer service skills. Farmers and landowners see the proposed General Plan as severely limiting the rights of property owners while essentially removing large tracts of land from being developed, thereby making the development of affordable housing even more difficult.
3. The cost of housing and its pressure on the ability of companies to recruit and afford qualified personnel is also a primary concern. In addition, the lack of affordable housing in proximity to the job centers represents a real obstacle in terms of employers being able to recruit personnel as commute times and conditions worsen over time.
4. The physical constraints to growing a business in Monterey County are also a major concern: these include water and land restrictions, as well as transportation limitations. Farm owners and managers interviewed in the context of this study emphasized that the most profound constraints on their ability to increase and sustain agricultural productivity have to do with poor management of property and water rights by the County and other public entities. On the Peninsula, businesses have similar concerns: in particular, the salination of wells and aquifers is a big problem, as are restrictive policies on transferring water credits (the Water Management Board is perceived to be doing a bad job). Also, the tourism industry is greatly concerned that the lack of adequate road infrastructure leads to traffic and congestion and ultimately hurts their ability to attract tourists to the area.
5. Employers feel that the County's K-12 system is not producing employable graduates. At the same time that many companies emphasize the importance of a high school degree, many also express concern that such a degree is no longer a good proxy for basic literacy and numeracy skills. There is nearly unanimous

dissatisfaction with the public K-12 system among the business community.

### ***Comparing Labor Demand & Supply...***

Can the local workforce in Monterey County meet the needs of the area's most important industries? Why are companies reporting that they are having difficulty finding and retaining employees? Among those firms queried in ECG's firm survey, nearly half (47%) reported having difficulty finding qualified people. Those firms who did not have difficulty tended to be small, 2-3 person firms who are not currently hiring.

There are three elements to this issue:

1. Quality of the existing workforce.
2. Quantity of qualified workers.
3. Availability of qualified workers – including mechanisms for the labor market to function smoothly.

Each of these is reviewed in turn.

#### ***Quality of the existing workforce***

The ECG project team surveyed firms to determine the most important skills required by companies in the key mainstay and opportunity industries in Monterey County. The top 4 skills required, and the degree to which the existing workforce possesses them are presented in Table 7 below. What emerges from this analysis is an impression that at least a third of the County's is unprepared for any kind of work other than manual labor for which few language skills are required. This third has

never graduated from high school. In addition, due to the increasing dissatisfaction among the business community with graduates from the K-12 system, there appears to be a real crisis at this level of the workforce.

At the next level (high school degree and higher), the supply of post-secondary training opportunities where individuals can upgrade their skills appears ample. Funding for training may be an issue. All of the subsidized programs, including the Adult Schools and ROPs, indicate that there is more demand for their programs than they can meet given their existing funding. Private training programs have plenty of available slots, but costs and funding sources vary: 40% of participants use their own savings, 43% are able to secure government reimbursement; 15% obtain scholarships and only 1% are reimbursed by their employers.

#### ***Quantity of qualified workforce***

According to business owners and managers, “*the County's workforce deficiencies are not about worker shortages – they're about skill shortages.*” The majority of respondents to ECG surveys held the opinion that there were enough workers available locally, but that the quality of the workforce was insufficient. The County's workforce is approximately 193,100. The County's K-12 system produces nearly 3,340 high school graduates per year. In 2001, however only 25% of those graduates had completed the college-track coursework necessary for entry into the UC or CSU systems. The corresponding statewide coursework preparation is 35.6%. The County's post-secondary training organizations, including all vocational programs, produce nearly 35,000 graduates per year.

**TABLE 7: COMPARING LABOR DEMAND & SUPPLY IN MONTEREY COUNTY**

<b>Demand: Top 4 Skills Required by Key Industries</b>	<b>Supply: Characteristics of County’s Workforce</b>
<p>✓ <u>High School Degree or GED.</u> Finishing a high school curriculum or its equivalent is the most common requirement of key industries. Many firms use this as a proxy for basic literacy and numeracy, which most firms consider essential. (Although there is strong evidence that employers no longer see high school diplomas as a good proxy for basic literacy and numeracy).</p>	<p>Educational attainment within the County’s entire population is as follows: <b>31.6% of County residents do not have a high school diploma</b>; 20.9 % have some college; and 29 % have a four-year degree or beyond. (Source: Census 2000)</p> <p>County’s annual high school dropout rate is 2.2 % (CA is 2.8 %). This annual rate yields an estimated cumulative four-year dropout rate of 9.1 % – meaning that <b>almost one in ten entering high school students will not graduate.</b></p>
<p>✓ <u>Basic Computer Skills.</u> Generally, these include the ability to do simple word processing, emailing, and some data management (Excel or other software).</p>	<p>There are ample opportunities both within and around Monterey County for prospective employees to develop basic computer skills. Among the more than 35 post-secondary training organizations in the County, there are 30 short-term (less than 6 months) and 37 long-term (more than 6 months) programs in basic computer skills. In addition, there 14 short-term and 14 long-term programs in programming and software engineering skills. Some of these programs are offered at low or no cost.</p>
<p>✓ <u>Professional License or Certificate.</u> This indicates a requirement for evidence that the jobseeker has completed some kind of vocational or skill-based training course. This does not include college work. For example, to be securities trader, jobseekers must be licensed in accordance with the type of security they are trading.</p>	<p>There are approximately 70 post-secondary training institutions serving Monterey County (in the tri-county region) that graduate nearly 61,774 students per year. ECG’s assessment, based on an informal survey of these institutions, is that there are ample private training programs available, but a shorter supply of subsidized programs such as the Adult Schools and ROP programs.</p>
<p>✓ <u>Customer Service or Sales Skills.</u> This is an important skill in almost any industry, but of particular importance to service-oriented professions. One component of this skill set is language proficiency. While English fluency is not essential, a degree of comfort and ease with the language is important.</p>	<p>13.1 % of Monterey County’s adult residents are not literate in English. This rate is higher than the estimated national illiteracy rate of 4 to 6%. 10.9 % are not literate in any language. The countywide numbers for spoken English are similar: 10.5 % of Monterey’s adults do not speak English at all (Source: State Literacy Resource Center of California). 26.8 % of Monterey residents speak English less than “very well”, compared to 20 % across California (Source: Census 2000).</p>

*Availability of qualified workers*

There appear to be two, conflicting sentiments expressed by the business community concerning the availability of workforce-ready individuals. The first concerns their frustrations with identifying qualified candidates. There is a sentiment that most training institutions within the County are not structured or equipped to serve businesses directly. That is, most schools and training organizations within the County gear their programs to serve individual students or, in the case of the One Stop Center, groups of disadvantaged workers. Thus, training institutions are well-prepared to answer the questions of a potential student inquiring about an individual program of study. They are far less prepared to answer an employer's questions about where to connect with jobseekers – much less questions about corporate, onsite or other customized training.

The second sentiment concerns the business community's level of awareness or effort in identifying appropriate personnel. The majority of businesses interviewed for this study rely on "word of mouth" to identify prospective employees. Larger employers also rely on newspaper advertisements and job fairs. Frequently, an employer will hire someone based on that person's association (friend or relative) of an existing, reliable employee.

Although a broad range of training and support organizations exist within the County, many businesses are not taking advantage of them due to a simple lack of awareness. Although most Monterey residents are familiar with the more prominent educational institutions, such as CSU Monterey Bay and the County's two community colleges, Hartnell College and Monterey Peninsula College, there is only limited awareness of other training institutions. Awareness of the area's private and proprietary schools is spotty. The One Stop Center is somewhat

well-known, but many individuals remain unsure of what services it offers – most people are only familiar with the state Employment Development Department (EDD) presence, and do not realize that the Department of Social Services and Office of Employment Training (OET) are also located there.

The conflicting views about labor availability in the County indicate a breakdown in the County's labor market system. This is not unusual. Many regions experience a similar phenomenon. Nevertheless, the availability of information, both about jobs and about training opportunities and the financing thereof appear constrained. The One Stop Career Center (the CalJOBS program run by EDD specifically) is the only clearinghouse of job information in the County, but most businesses surveyed and interviewed in the context of this study do not make use of it. 70% of the firms surveyed in the context of this study independently described their ideal business support service as assistance in identifying and recruiting competent personnel.

Another phenomenon that may be contributing to the disjointedness of the County's labor market is the fragmentation between the County's economic development and workforce development efforts. It appears that the relationship between the Office of Economic Development (OED) and the One Stop Career Center is strained and ineffectual, in terms of promoting the link between job creation and job training and placement. The One Stop focuses on the job seeker as their client. The OED focuses on the individual business as their client. From this study's review of best practices, it is clear that the best results for the community as a whole come when these two development efforts are undertaken together.

## V. ASSESSMENT OF THE BUSINESS SERVICE CENTER CONCEPT

Monterey County's One Stop Career Center is taking a bold, provocative step in trying to create Business Service Centers that would serve not only as the clearinghouse for labor market information, but, potentially as the nexus between the County's economic and workforce development efforts as well. While there is some support for this effort, very few people in the community know about it or understand it. There is no clear, written plan for making this effort a reality.

As of the writing of this report, three Centers (located at the Salinas, King City and Seaside) consist primarily of library resources (books, videos, computers) for employers and employees. However, the vision for these Centers is an expansive one in which the One Stop would provide a wide array of services to businesses including workforce identification, training, and recruitment while other, partner organizations would provide business counseling and

entrepreneurial and management training. Other One Stops around the country have attempted this kind of integration of services and have succeeded. In particular, One Stops have found that a more active link between workforce training and business support services have greatly benefited all members of the community: businesses, job seekers, as well as the community at large.

There is potential for these Centers to succeed. The Directors of the Small Business Development Centers (SBDC) that serve Monterey County are optimistic about the One Stop's establishment of these Centers, and both organizations expect to participate fully.

If the Business Service Centers are to expand and provide effective services to businesses, however, there are a number of steps that must be taken:

### FIGURE 3: BUSINESS SERVICE CENTER CONCEPT: ISSUES FOR IMPLEMENTATION

1. Create and adopt a clear, written plan for the Centers that specifies goals, objectives, financial estimates, the nature and level of specialization of services, partner organizations, and a marketing plan. Steps for creating a draft plan are included in Appendix D.
2. Establish an orientation towards the business community that is customer-service friendly and whose primary goal will be helping businesses to identify, train, recruit and retain qualified personnel. Partners need to be identified and roles and funding requirements determined. Other business services such as entrepreneurial training, financing and counseling should be provided and funded by partner organizations.
3. Ensure that the partnership works fluidly and that the focus remains on the client and not the process. Identifying one individual responsible for achieving the objective of the Centers (rather than a committee) may be a way to do this.
4. Market the Centers loudly and clearly so that the business community is aware of the array of services offered and *where* they are offered. By providing real, tangible services (like doing the paperwork for an On-the-job Training contract on behalf of an employer), the Center can establish a track record of being effective and then market that effectiveness.

## VI. RECOMMENDATIONS

Based on the research and analysis of the three reports summarized here, the ECG project team suggests Monterey County take the following steps to improve connections between employers and employees.

### **RECOMMENDATION #1: SET UP BUSINESS SERVICE CENTERS THAT FOCUS ON HELPING BUSINESSES IDENTIFY, TRAIN, HIRE AND RETAIN QUALIFIED EMPLOYEES**

The number one concern of the business community in Monterey County is their ability to attract and retain qualified personnel. There are three elements related to this concern: (1) the cost of housing and the physical constraints posed by a limited road system – these combine to make it difficult to attract qualified personnel, especially mid to upper-level professionals, to the job centers on the peninsula and in Salinas; (2) the lack of workforce readiness of high school graduates; and (3) the need for a more fluid labor market and a better-working partnership between those entities seeking to serve job seekers and those serving businesses. These two pieces are halves of the same whole and need to be addressed as such.

The One Stop Career Centers are launching a provocative effort to establish Business Service Centers that could offer businesses an array of services, especially assistance with workforce identification. This is a powerful concept that has worked in other regions but which needs much more support, clarity, and participation by partner organizations to make it a reality (see Appendix D). The end product, however, would go a long way to creating a nexus of information and services that businesses in Monterey County truly need. The public and private sectors in Monterey County are urged to work together

to create an entity that can stitch the two halves of the labor market together in a mutually beneficial way.

### **RECOMMENDATION #2: ADDRESS CONCERNS REGARDING K-12 SYSTEM**

In a further effort to address the business community’s concern about finding qualified employees, the County must actively partner with the Monterey School District (and other districts in the North) to improve the workforce readiness of high school graduates. One approach to this would be to establish a partnership – or Task Force – between the business community and the school district which might be charged with identifying volunteer, mentor, internship, apprenticeship and other *tangible* opportunities for businesspeople to be a part of kids’ lives as those kids prepare for the world of work. Such efforts have been undertaken at the state level and much “best practices” literature exists that could be reviewed in an effort to develop a concrete plan for bridging the world of work with the world of schooling.

### **RECOMMENDATION #3: ADOPT A CLUSTER STRATEGY AND IMPLEMENT IT**

In order for the Top 7 (and other) industries identified in this report to create meaningful, well paying work for Monterey County residents, these industries will need the clear and vocal support of policymakers, institutions and support organizations. While the County’s proposed General Plan identifies broad economic development goals, much greater specificity and clarity is needed so that the business community feels the active support of the County behind it. Collaborative processes – such as the Business Centers – go a long way toward achieving this goal. Collaborative processes allow for the identification of specific actions or changes needed by targeted industry clusters. For example: the tourism industry may have

specific road improvements that it needs in order to expand winery visitation and lodging enhancements in the South County. By working together and taking concrete steps to assist businesses, the County can demonstrate its commitment to creating a positive, supportive business environment.

**RECOMMENDATION #4 FOCUS ON BUSINESS RETENTION & EXPANSION**

Before the County develops a business attraction strategy of any kind, it must address the concerns of its existing business community. These issues are summarized on page 10 of this report. Making an effort to resolve land use issues, permitting procedures, water treatment and distribution disputes, affordable housing issues as well as the labor market issues addressed in this report should be the County's first priority. Only when the existing business community feels heard and their concerns are being actively addressed will businesses feel comfortable expanding and investing and creating well paying employment opportunities for the County's residents.

**RECOMMENDATION #5 COORDINATE ED & WD EFFORTS**

In focusing on the top-performing industries, the County's economic development (ED) and workforce development (WD) activities must be coordinated. Business services and retention activities must be in line with the training and recruitment assistance priorities of the County's workforce development organizations. County staff and their corresponding policymaking bodies (OEDC and WIB) must have formal and informal avenues of regular communication to help shape mutual goals and objectives. Again, the Business Centers are one way to achieve this goal.

**RECOMMENDATION #6: SUPPORT THE INITIATIVE TO CREATE AN AGRICULTURAL COMPETITIVENESS INSTITUTE**

One of the most significant findings of ECG's reports has been the overarching importance of sustainable improvements in the productivity of the agriculture sector. Figure 2 in this report illustrates how interconnected the County's economy is and how dependent on agriculture it is. The best way to improve the quality of the County's jobs is to start helping the agriculture sector be as competitive as possible. The sector has already made astounding gains in enhancing creating new, value-added products from basic food commodities. More strides can be made in this area and the best effort to ensure this is already underway. Business leaders, the County, and other major educational and business support organizations have already developed a plan for an Agricultural Competitiveness Institute. This is an excellent proposal that needs public and private support. By enhancing the agriculture sector's ability to be competitive, the County not only increases the quality of agriculture jobs, but also the quality and wages of jobs in the transportation, food processing, machining, repair, service and other sectors that rely on agriculture for their livelihood.

**RECOMMENDATION #7: BE SENSITIVE TO REGIONAL DIFFERENCES**

Monterey County is made up of three very different sub-regions: the Monterey Peninsula, Salinas and its environs, and the South County area from Gonzales to King City. Any workforce or economic development initiatives should take these differences into account. The potential for industries varies from region to region – as does their ability to create sustainable wages. Land use decisions in the north and south greatly impact each other and impact each region's ability to be

a whole community, rather than just a bedroom community or job center for its neighbors.

## Appendix A

### Manufacturing Today

A common notion in the United States today is that manufacturing is a dirty industry – outmoded and outsourced to low-cost labor countries overseas. While the U.S. and most other industrialized countries have indeed lost a great deal of their textile and assembly activities to low-cost centers in Asia, Latin America, and Eastern Europe, the U.S. and others now are seeing newer, nimbler manufacturing practices take their place.

We are in the middle of an extraordinary technological revolution that goes well beyond applications in the information technology sector. It also includes products that derive from recent breakthroughs in chemistry and physics such as materials science, electrical machinery, and advanced monitoring and control systems. These new technologies aren't leaving manufacturing behind. They are transforming it.

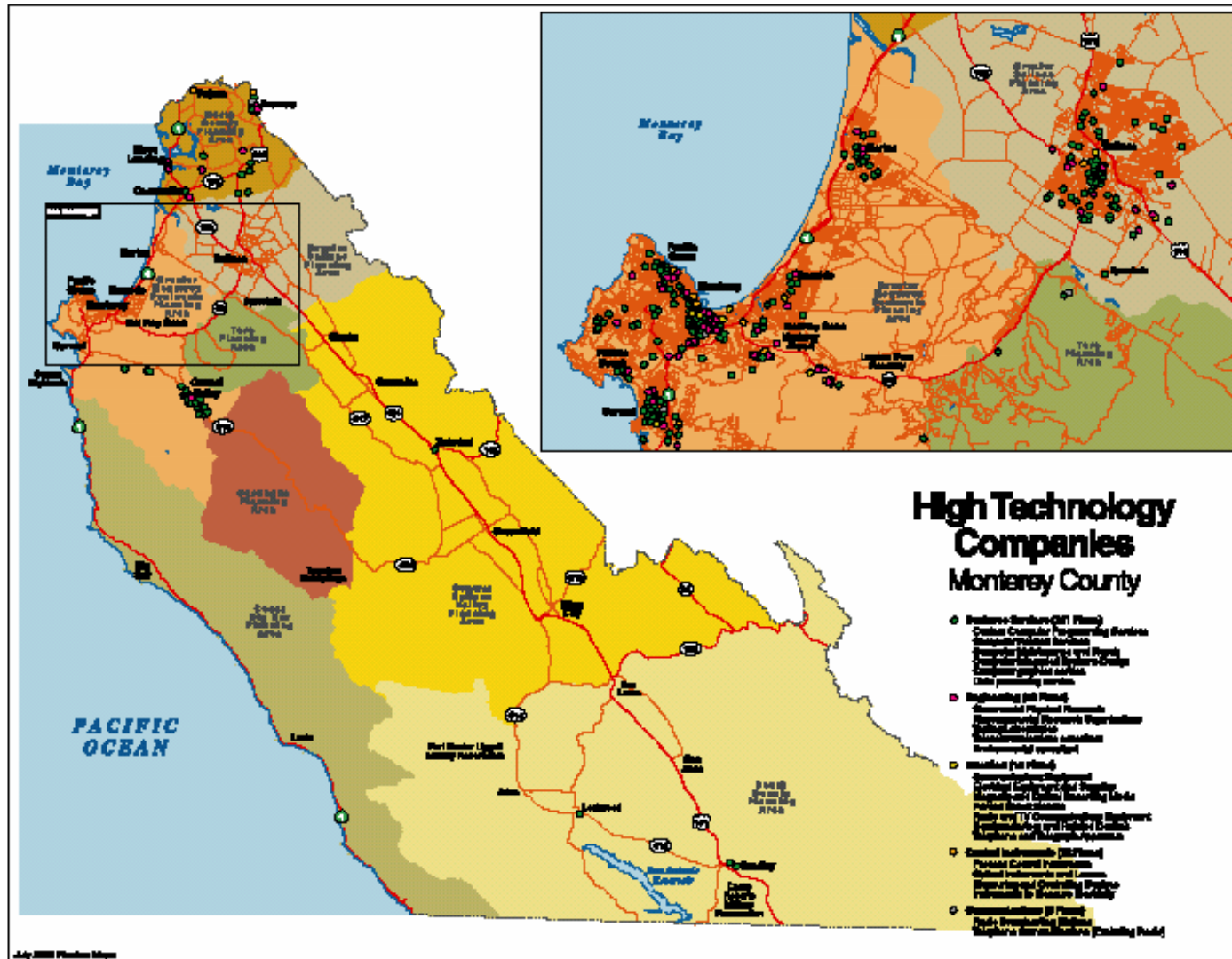
Jobs in the new manufacturing sector are generally well-paid. Because new manufacturing activities are about ever-increasing productivity, these firms are not the prolific job creators they once were. But the jobs they do create tend to be high value-added, high-wage opportunities.

Over the next five years, manufacturing in the U.S. is expected to experience the highest industrial growth rates in the country. It is a good bet for any region looking to diversify its employment base by adding accessible, higher wage jobs.

*APPENDIX B: THE HIGH-TECHNOLOGY INDUSTRIES*

Computer terminals	Measuring & controlling devices
Computer peripheral equipment	Telephone communications, excluding radio
Transformers, except electronic	Computer programming services
Current-carrying wiring devices	Custom computer programming services
Telephone and telegraph apparatus	Prepackaged software
Radio and Television communications equipment	Computer integrated systems design
Communications equipment	Data processing and preparation
Printed circuit boards	Information retrieval services
Semiconductors and related devices	Computer facilities management
Electronic resistors	Computer maintenance and repair
Electronic components	Computer related services
Magnetic and optical recording media	Commercial physical research
Electrical equipment and supplies	Commercial nonphysical research
Environmental controls	Noncommercial research organizations
Process control instruments	Testing laboratories
Instruments to measure electricity	Business consulting (e.g., Environmental Consulting)
Optical instruments and lenses	

Appendix C: Map of High Technology Firm Locations in Monterey County, 2002



## Appendix D: Steps for Creating a Business Service Center Draft Plan

### Step 1: Form Task Force & Define Objectives

- a) Convene a Task Force with representatives from prospective partners in the Centers (One Stop Career Center, Office Economic Development, Small Business Development Centers, Chambers of Commerce, Community Colleges, Business Council representatives, etc) which will execute elements of Step 1.
- b) State respective visions for the Center.
- c) Find common elements from visions, and establish mission statement and objectives of Center.
- d) Determine financial requirements of the Center and potential commitments of founding organizations.
- e) Select name for Unit (e.g. “Monterey County Business Services Center” or “Monterey Employer Service Team”).
- f) Shortlist potential additional sources of funding, and specify staff, person-hours and target dates for securing them.
- g) Write Memorandum of Understanding between founding agencies.
- h) Circulate short statement of goals for Center among all institutions concerned with employment and economic development for input.

### Step 2: Mobilize for Action & Gather Information

- a) Recruit candidates for full-time Center Coordinator (ideal candidates should have excellent client skills, and proven ability to give and receive referrals amongst a range of institutions).

- b) Select Unit Coordinator from candidate pool.
- c) Determine target sizes and industries for client companies.
- d) Select methods (preferably a variety of methods) for documenting increases in employer satisfaction.
- e) Develop shortlist of possible services to offer employers (should include candidate recruitment/matching/screening, training services, background checks, skill and aptitude testing, career mapping, business planning)
- f) Develop questionnaire for determining services most demanded by employers.
- g) Select candidate firms (primarily in target industries and firm size categories) to receive questionnaire.
- h) Administer questionnaire and tabulate results.

### Step 3: Make Decisions / Develop Plan

- a) Decide which employer services to focus on.
- b) Identify in-house staff with experience in providing services selected in (Step 3a), and develop schedule for allocating person-hours to support Center.
- c) Identify possible partner agencies to offer services selected in (Step 3a).
- d) Determine channels of service delivery and cost structure.
- e) Develop Comprehensive 5-Year Prosepective Plan for Center’s Development, with specific milestones and objectives identified.

- f) Circulate Plan and obtain feedback.
- g) Contact partner agencies and develop Memoranda of Understanding.
- h) Write plan for marketing existence and service offerings of Unit.

**Step 4: Implement Plan**

- a) Begin marketing Center.
- b) Begin delivering services.
- c) Implement evaluation methods specified in (Step 2d).
- d) Use results of evaluations to restructure Unit's employer services, marketing and operations as needed.

**Proposed Timeline:**

Step 1: January 2003

Step 2: March 2003

Step 3: June 2003

Step 4: September 2003