

**STANISLAUS 2030 MARKET ASSESSMENT
FEBRUARY 9, 2022 DRAFT**

I. INTRODUCTION

Despite a decade of steady job growth ranking among the best nationwide, Stanislaus County's economy and residents confront continuing challenges to shared prosperity and wealth-building. Nearly 40% of families in the County are working but still struggle to meet basic living expenses and accumulate savings that enable economic mobility. Alongside comparatively low educational attainment and a high cost of living, the region's economic performance yields a significant gap in the number of quality jobs available to residents.

Situated at the north end of one of the world's most fertile agricultural regions, the bounty of Stanislaus County's almond orchards, dairy farms, and other outputs of its favorable climate and natural resources have sustained the region for over a century. Billions of dollars of commodities grown in its fields and farms are exported annually to destinations across the U.S. and the world; other yields are processed into canned vegetables, bottled wine, poultry products, and cheese bearing names such as E.J. Gallo and Del Monte. Around this industry, cities like Modesto and Ceres, Turlock and Patterson have grown, spawning school systems, hospitals, shops, law firms, accountants, and other local-serving commerce.

However, an extreme economic reliance on producing agricultural commodities has not assured continued economic opportunity for residents. Success in the modern economy requires regions to add increasingly greater value to their products and services, applying knowledge through innovative firms or anchor institutions generating and commercializing new products and processes. Regions that produce raw materials or are primarily driven by serving local population growth typically strain to offer sufficient employment and wages. This dynamic favors "superstar" regions—exemplified by the San Francisco Bay Area just to the west—which have captured more and more of the nation's growth in recent years with agglomerations of industries, capital, and talent. Economic success is possible outside these superstars, but typically requires many of the same ingredients—a unique global specialization supported by skilled workers and universities.

Considered as a standalone metropolitan economy, Stanislaus County lags in many of these assets, resulting in the economic challenge for its residents. Primary job creation is in lower-value and local-serving industry specializations, constraining job quality and broad-based wealth-building. Research institutions and universities are located nearby in the mega-region, but not anchored in or fully connected to the County to leverage their benefits. Meanwhile, the County imports mega-regional commuters to fill professional roles in traded sectors, but exports workers for locally demanded jobs that pay higher wages in the surrounding areas.

While these dynamics are sobering, they are also not new or surprising to County leaders and residents. For years, regional strategies have raised the need for economic diversification to support more good jobs locally and reduce the numbers of residents commuting hours to better-paying jobs in the Bay Area and neighboring counties. However, the region's economic performance over the past decade brings

questions about Stanislaus’s identity and future to a head: Does the County want to be a bedroom community for the Bay Area, alongside its almond orchards and dairies? Or can it parlay its unique assets into more dynamic growth in the modern economy? And what geography—the County or a broader mega-region—is the functional economic area and foundation for action?

The region’s challenges are embedded and longstanding, and thus require a coordinated, long-term focus. The region needs to identify and invest in its unique strengths and bolster the fundamentals of competitiveness—its traded sectors, talent, innovation, infrastructure, and governance. It needs to act with intention to ensure that all residents and communities have access to these opportunities.

This Market Assessment—the first output of the Stanislaus 2030 initiative—provides leaders with the foundation for that action: a shared, data-driven understanding of the region’s challenges and opportunities. This, in turn, should inspire, motivate, and equip local leaders to develop the kind of ambitious strategies and interventions necessary for achieving more robust prosperity.

About Stanislaus 2030

Stanislaus 2030 is a collaboration among business, government, and civic stakeholders to create and deliver a joint strategy and investment plan for regional economic growth and opportunity in the coming decade and beyond. It aims to create pathways for Stanislaus residents to achieve economic mobility by building an economy that is diverse, inclusive, connected, vibrant, and sustainable. Through Stanislaus 2030, the region envisions—and commits to building—a high-performing, diverse economy to match its multi-cultural lifestyles and dreams for the future.

Development of the Stanislaus 2030 agenda is led by a Leadership Council and Executive Committee spanning private, public, civic, and community leaders reflecting the region’s broad geographic, demographic, and industry interests. The process is facilitated by a Backbone Team led by the Stanislaus Community Foundation and Stanislaus County.

Stanislaus 2030 consists of four phases through summer 2022: Organize & Educate, Discovery, Strategy & Governance, and Execute & Report. The Market Assessment bridges discovery to strategy by providing a shared foundation on economic performance, assets, and opportunities, as well as how organizations function to deliver on objectives. From that evidence base, the initiative will prioritize topics for exploration of tactical responses through work groups. These groups will be chaired by topical leads with participation guided through supplemental research and decisionmaking to identify interventions, create activation workplans, secure operational commitments, and establish a governance structure for implementation and accountability.

For more information on Stanislaus 2030, visit Stanislaus2030.com

Redefining Economic Success

Stanislaus County is far from the only region facing the headwinds of an economy failing to deliver for all people and places. Over recent decades, a confluence of trends have challenged the American Dream of ever-expanding prosperity. While globalization and technological advancement have driven economic

expansion, their benefits and costs have been distributed unevenly across the country. Growth has occurred on either end of highly compensated knowledge-intensive jobs and low-skill, lower-paid jobs, while family sustaining, middle-skill, middle-income jobs “hollowed out.”¹ In tandem, upward mobility has stagnated, with the share of children earning more than their parents did by age 30 on a steep decline from greater than 90% for Americans born in 1940 to roughly 50% for those born in 1980.² A small subset of “superstar metros” today account for the vast majority of business growth and innovation, leaving smaller and mid-sized regions facing a more uncertain future.³

With disparities between and within regions straining their vitality and competitiveness, business and government leaders are reconsidering key priorities and performance indicators for economic progress. No longer is it sufficient to assume that “a rising tide will lift all boats” where more jobs and output will equate to successful outcomes for a region and its residents. Instead, regional leaders see greater value in supporting business activities that create higher quality jobs that offer self-sufficiency and economic mobility for workers. They see the rationale in focusing on existing firms that can increase and improve their jobs by overcoming impediments to productivity. And they see a need to address barriers faced by residents who are disconnected from opportunities and not maximizing their potential economic contributions.

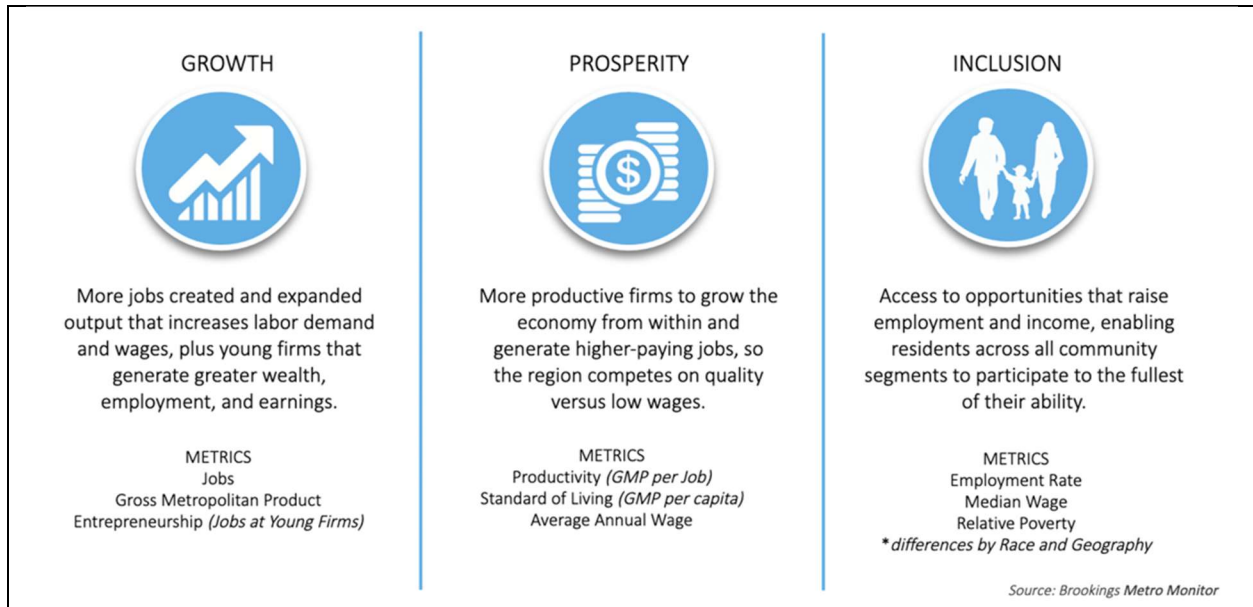
Redefining Economic Success: Growth, Prosperity, and Inclusion

Based on work with metro areas and states on economic recovery and resilience strategies following the Great Recession, the Brookings Institution created a *Metro Monitor* framework to offer a more comprehensive measure of economic success encompassing growth, prosperity, and inclusion. With increased attention to the negative competitive and societal consequences of disparities, reinforced by the experience of the COVID-19 pandemic, this framework has been adopted by dozens of regions over the past five years to guide decisions on economic and workforce development strategies, programs, and progress.

¹ Mandelman, Labor Market Polarization and International Macroeconomic Dynamics, 2013.

² Chetty, et al. The Fading American Dream: Trends in Absolute Income Mobility Since 1940, 2016.

³ Atkinson, Muro, and Whiton, The case for growth centers: How to spread tech innovation across America, 2019, <https://www.brookings.edu/research/growth-centers-how-to-spread-tech-innovation-across-america/>.



For many local leaders and practitioners, this means adjusting economic development expectations, and thus how time and resources are allocated. Achieving job quality and accessibility, firm productivity, and narrowed racial and geographic disparities requires prioritization of different activities than traditional metrics of job counts, gross product, and capital investment.

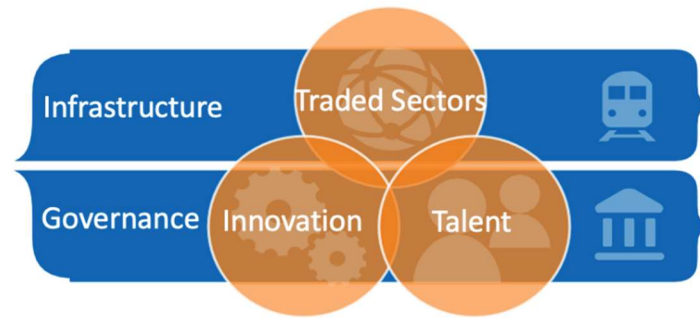
These new goals rebalance the dominance of business attraction and external marketing as economic development to emphasize more growth within. Between 2003 and 2020, 88.74% of net job growth in Stanislaus County was generated from expansion of existing establishments and 11.2% were attributable to new starts, while only 0.6% of net new jobs came from interregional moves.⁴

This shift means rewarding economic development efforts beyond individual transactions to build an ecosystem of supports—catalyzing sectoral cluster initiatives, enabling innovation commercialization and adoption, establishing joint priorities and program delivery with talent and workforce providers, and connecting underserved communities to regional opportunities. These strategies reflect the factors that drive modern economic competitiveness (*see sidebar*).

Drivers of Regional Economic Competitiveness

Five factors underlie the economic success of regions. The primary drivers are strong traded sector industry specializations, deep talent pipelines, and robust innovation and entrepreneurship. Enablers that support the drivers, but are not independently sufficient, include well-connected, efficient infrastructure and effective governance through private, public, and civic relationships to focus and coordinate contributions.

⁴ Analysis of National Establishment Time-Series (NETS) data, Business Dynamics Research Consortium.



- **Why traded sectors matter:** Firms selling goods and services to customers from outside the region bring new money into the local economy. When this wealth is spent, it creates a multiplier effect spurring three to five new local-serving jobs, depending on the industry. Participating in trade also makes businesses and regions more productive. Firms that link and learn through global value chains perform better than peers in growth, job creation, and wages, and are more resilient to economic downturns. Regionally, a 1% increase in international trade results in a 0.5% to 2% gain in per capita income.
- **Why talent matters:** In the modern economy, workforce capabilities far surpass any other single input to regional economic development. Regions grow when they develop and deploy residents to maximize their productive potential. The pool of available knowledge, skills, and expertise—and ability to cultivate more—is the top factor in cluster formation and business location decisions. The economic success of individuals, firms, and regions correlates closely with educational attainment and the density of relevant talent to draw from.
- **Why innovation matters:** A region’s innovative capacity represents the ability to create new value, uncover new products and services, start new businesses, adopt solutions to improve productivity, and adapt to rapid technological change. Four areas—research and development, commercialization, entrepreneurial dynamism, and advanced industrial production—mark the most competitive, diversified regional economies.
- **Why infrastructure matters:** Transportation efficiency, broadband connectivity, and land use policies support regional productivity, access to talent, and promotion of density for agglomeration and proximity benefits.
- **Why governance matters:** Governance is the formulation and execution of collective action across political and institutional boundaries. Jurisdictional lines do not define the geography at which the economy operates; there is no national, state, or city economy, but regional scale at which competitiveness driver assets are shared—workforce commutes, business networks, university access, transportation systems. Further, the economy relies on contributions of many actors across sectors with different institutional responsibilities and resources. Regional competitiveness relies on the capacity of private, public, and civic institutions to focus, marshal, and execute strategy and investment for a common economic development agenda.

Sources: Brookings / RW Ventures / McKinsey; Sources: Fujita, Krugman, and Anthony, *The Spatial Economy*, 1999; Melitz and Trefler, “Gains from Trade When Firms Matter,” 2012; “Interconnected Economies,” World Trade Organization, 2013; Frankel and Romer, “Does Trade Cause Growth,” 1999; Brookings, *10 Traits of Globally Fluent Metro Areas*, 2013.

About this Report

This Market Assessment presents the urgent rationale for leaders and residents to take the decisive, joint action required to build an economy that offers more robust opportunity in Stanislaus County. The challenges are not new, and prior efforts have been taken to address them. However, the evidence shows that a more coordinated and cohesive response is demanded to deliver results at scale.

Applying quantitative and qualitative analysis that included dozens of economic indicators and input from more than 75 regional stakeholders through interviews and roundtables, this report:

1. Examines Stanislaus County’s growth model, accounting for the performance of its regional economy, how these trends impact workers and families, and the region’s supply of quality jobs, utilizing Brookings’s distinctive Opportunity Industries methodology (*see sidebar*).
2. Explores the region’s standing in the five drivers and enablers of regional competitiveness—traded sectors, talent, innovation, infrastructure, and governance—identifying opportunities for improved performance.
3. Offers preliminary recommendations on avenues for strategy development to address challenges and opportunities, including sector selection.

Comparison Regions

To provide context on performance, Brookings identified a set of economic “peer” comparison metropolitan economies based on characteristics such as industrial composition, assets, population, size, and proximity to larger metropolitan centers. These include in-state regions of Stockton, Merced, Fresno, and Santa Rosa; as well as national counterparts of Lancaster, PA; Reading, PA, Spokane, WA; Canton, OH; and Greensboro, NC. They offer a benchmark for the performance of Stanislaus County (the Modesto MSA) and a potential reference point for transferable lessons that may be drawn to improve outcomes.

Opportunity Industries

A cornerstone of this assessment, *Opportunity Industries* is a novel analysis providing actionable information for focusing economic and workforce development interventions on higher job quality and accessibility.

When considering how to register improvement in regional job quality—not just job counts—common baselines like the median wage in a given industry do not reveal the extent to which the distribution of jobs and occupations enable self-sufficiency and economic mobility, are accessible to workers at specific skill levels, or lead to a better-quality job later. In contrast, identifying which sectors offer more “middle-skill, middle-income” jobs for workers with less than a bachelor’s degree

enables targeting economic development priorities to counter the hollowing out of job creation in that segment and reduced pathways for younger workers to out-earn their parents.

Opportunity Industries analysis makes that connection between industries and worker outcomes more explicit and detailed by distinguishing the proportions and types of “good” or “promising” jobs that different subsectors generate. This data reveals job quality within industries by scale, educational requirements, occupational function, and worker demographics. Distinctively, it also shows how workers progress in their careers over time in jobs and occupations within and across industries, indicating whether subsectors afford a strong platform to higher quality jobs or few pathways to economic mobility.

With this information, regional leaders can prioritize economic and workforce development interventions to grow the sectors that concentrate quality jobs, as well as design outreach and training to better connect more residents to those jobs. They can also focus efforts on the challenge of improving job quality in other industries employing very large numbers.

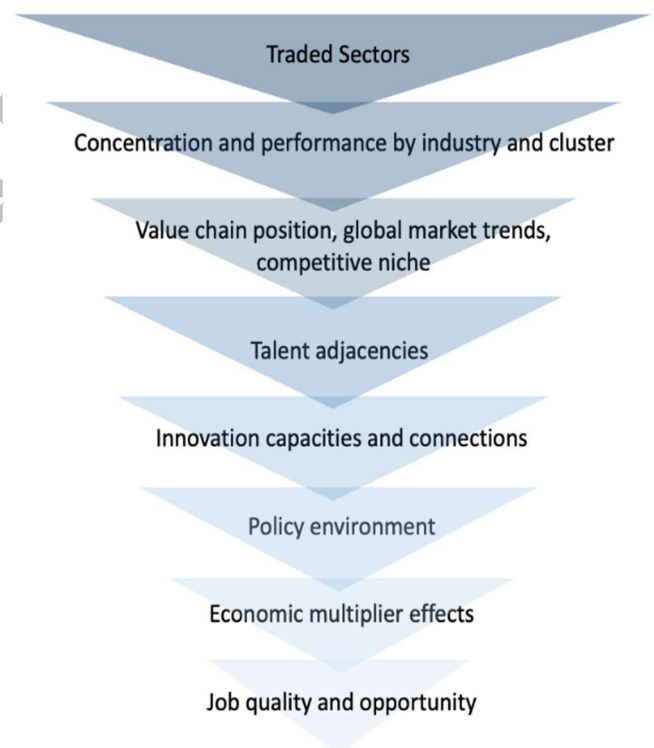
Factors for Prioritizing Sector Opportunities

Rather than simply diagnose challenges, the Market Assessment aims to identify opportunities for economic prosperity—including the industry sectors best positioned to deliver growth and boost the supply of quality jobs.

With *Opportunity Industries* as an anchor, this analysis employs a holistic approach to identifying those opportunities, departing from basic economic development sector analysis that is often more narrowly centered on prior industry performance, scale, and regional “specializations” based on industry job counts versus national average.

Instead, this report explicitly prioritizes job quality, the degree to which the region’s performance in the core drivers of economic competitiveness (traded sectors, talent, innovation, infrastructure, and governance) supports such activity, and all three dimensions of regional economic development success—growth, prosperity, and inclusion.

Though evidence-based, this analysis is discretionary versus formulaic, requiring interpretation and weighting. However, in applying both data and qualitative inputs, it



reveals nuanced opportunities that may not be captured in single existing standard industry classifications and offers a values-driven approach to pursuing shared prosperity.

II. THE CHALLENGE FOR STANISLAUS COUNTY

Stanislaus County has grown steadily in recent years, adding tens of thousands of jobs in the years leading up to the COVID-19 pandemic. Yet even before this fundamental disruption, many of the county’s workers and families struggled to support themselves on their earnings.

This counterintuitive truth belies the waves of new residents moving into the County over the last decade and the real expansion of jobs supporting areas like local government, education, and health care. Instead, it reflects the region’s poor standing in the innovative, knowledge-driven traded industries core to success in the modern economy and its challenge sparking and sustaining new entrepreneurial ventures.

Only 13% of jobs in Stanislaus County can be categorized as “good” jobs. An additional 22% count as “promising,” offering a pathway to a good job. The remainder—nearly two-thirds of jobs—fail to meet standards for ensuring worker self-sufficiency. *(See definition of “good jobs” later in this section).*

These findings point to deeper, fundamental challenges to the region’s growth model—its mix of industries and competitive strengths—than can be quickly or easily adjusted:

- Stanislaus County is remarkably unspecialized in the innovative traded sector industries core to success in the modern economy, with its growth heavily weighted towards local-serving and public sectors. Even some longstanding traded sector strengths are losing ground.
- Entrepreneurship is lagging, indicating waning business dynamism.
- Reflecting the makeup and performance of the region’s economic drivers, significant numbers of workers and families struggle to make ends meet.
- The region has a significant gap in good and promising jobs available to enable workers and their families to achieve self-sufficiency.

The Significance of Traded Sectors

The focus on growing traded sectors—industries that export to customers outside the region—is grounded in their outsized contributions to regional competitiveness, job growth, and quality job creation.

Rather than recirculate local money, traded sector firms bring new income into the regional economy, building wealth and creating a multiplier effect on local jobs as it is spent. Traded sector firms also depend on talented people to compete, so pay higher wages and are more willing to invest in their workforce. In 2020, average annual earnings nationally in the traded sector reached \$107,301, versus \$58,792 in the local-serving sector. *(Brookings and Cities GPS analysis of Emsi estimates).* Participating in traded sectors puts regional firms in contact with global peers, competitors, and supply chains, exposing them to new expertise and connections that enable ongoing innovation and growth.

Local-serving sectors include firms that sell goods and services primarily to residents in the region, as well as government and schools. Retail, hospitality, healthcare, and “Main Street” businesses also play important roles in regional vitality. They provide essential services and amenities and contribute to local quality of life and community. Minority and female entrepreneurs often build wealth through ownership of local-serving businesses. A few offer a share of promising or good jobs in line with some of the region’s traded sectors. Thus, local economic and community developers also have a legitimate interest in assisting these firms.

However, local-serving sectors principally grow in response to increased local demand, usually related to growing population or new wealth from traded sector activities. For example, outside of a few research and innovation hubs, growth in healthcare service delivery is driven by local demographic trends. Hospitality and retail sectors could be influenced by concerted economic development efforts like tourist attraction, but also generate the lowest quality jobs.

Therefore, ensuring the region’s future in the global economy demands a focus on traded sectors as the primary objective of regional economic development efforts. To succeed, Stanislaus must more firmly establish its position with distinctive specializations that enable it to compete with global and national peers.

The wrong kind of growth

At first glance, Stanislaus’ job growth over the last ten years seems to offer good news. During the decade bookended by the Great Recession and COVID-19 crisis, jobs grew steadily, outpacing the national average (*Figure 1*). Yet the makeup of this growth spells trouble for the region’s standing in the dynamic, innovative global specializations that make regions adaptable and prosperous.

The region’s recent growth is overweighted towards local-serving sectors (*Figure 2*). Representing 56% of Stanislaus County’s jobs in 2010, local-serving activities produced nearly 75% of the region’s job growth over the next decade, outpacing the national performance. The public sector, including education, contributed another 10% of the County’s job growth. Meanwhile, traded sectors which had represented 29% of the region’s jobs in 2010, generated only 15% of job growth.

Thus, the region was caught in a cycle of generating local-serving jobs to support new residents and workers commuting outside of the County, or jobs in its dominant agriculture commodities industry that produce below-average traded sector wages—with little in between.

Figure 1: Local and national contributions to job growth in Stanislaus County (2010-2020)

THE COUNTY'S JOB GROWTH EXCEEDED THE NATION'S

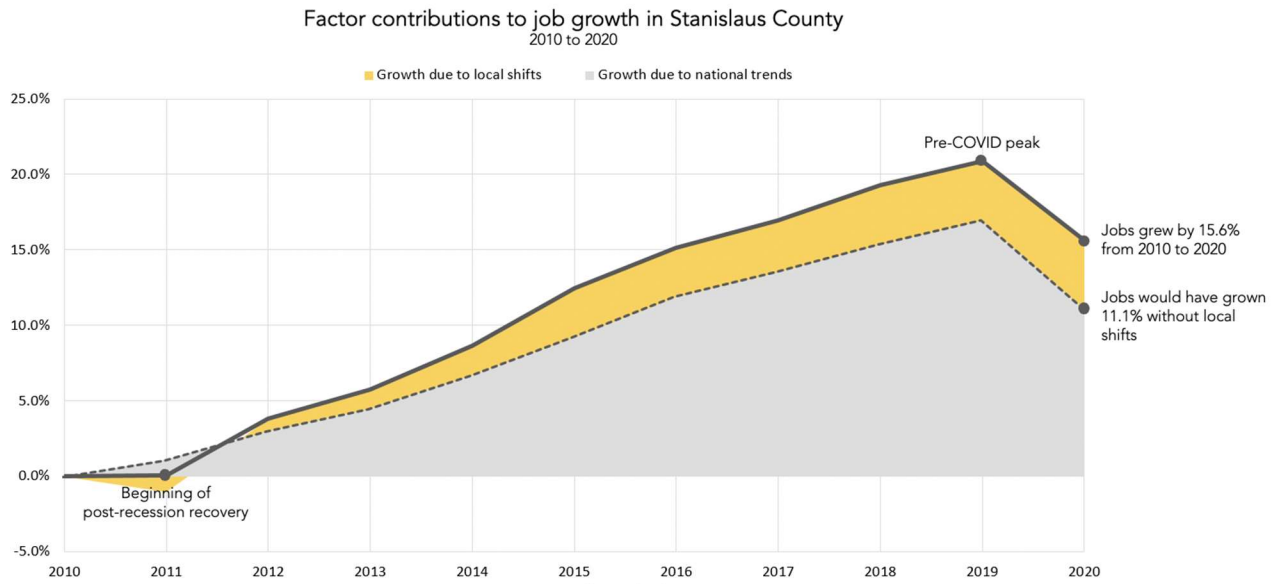
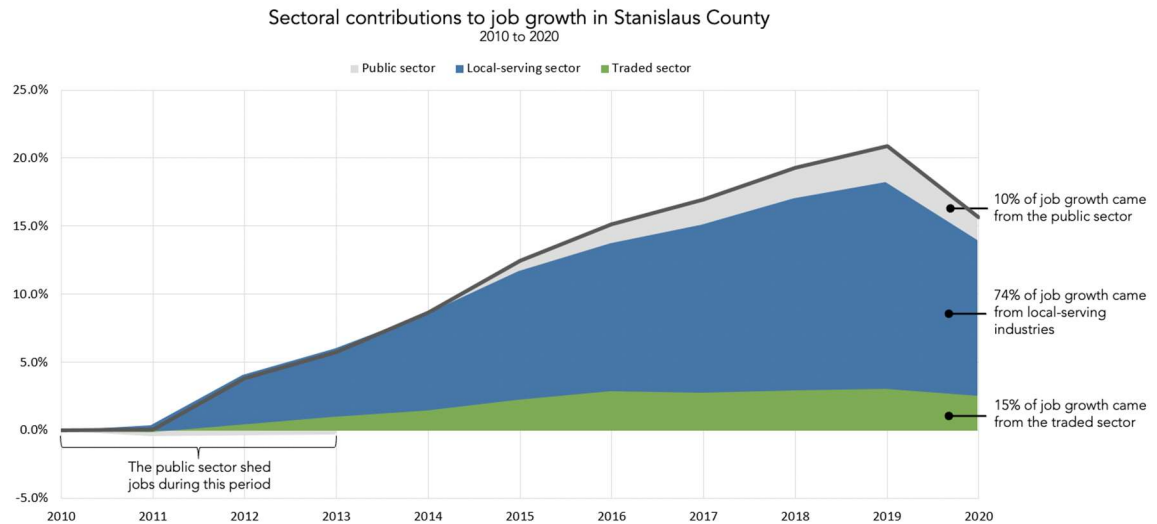


Figure 2: Distribution of growth by traded, local-serving, and public sectors (2010-2020)

TRADED SECTORS DROVE A SMALL PORTION OF JOB GROWTH

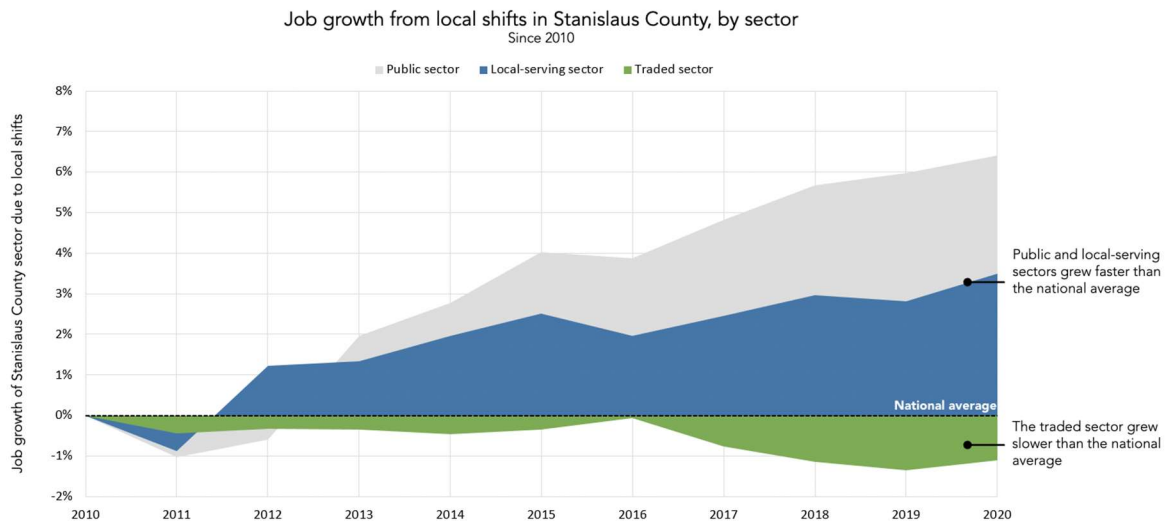


Further unpacking the region’s traded sector complicates the task of building out that “in-between” from the region’s current sectoral specializations and growth patterns.

First, Stanislaus County’s traded sector is growing slowly, underperforming national standards, which signals waning competitiveness (see Figure 3). Although the traded sector added almost 4,000 jobs over the decade in question, its share of jobs shrank and shrank faster than it did nationwide due to local factors, imperiling future growth and prosperity.

Figure 3: Job growth from local shifts in Stanislaus County, by sector (2010-2020)

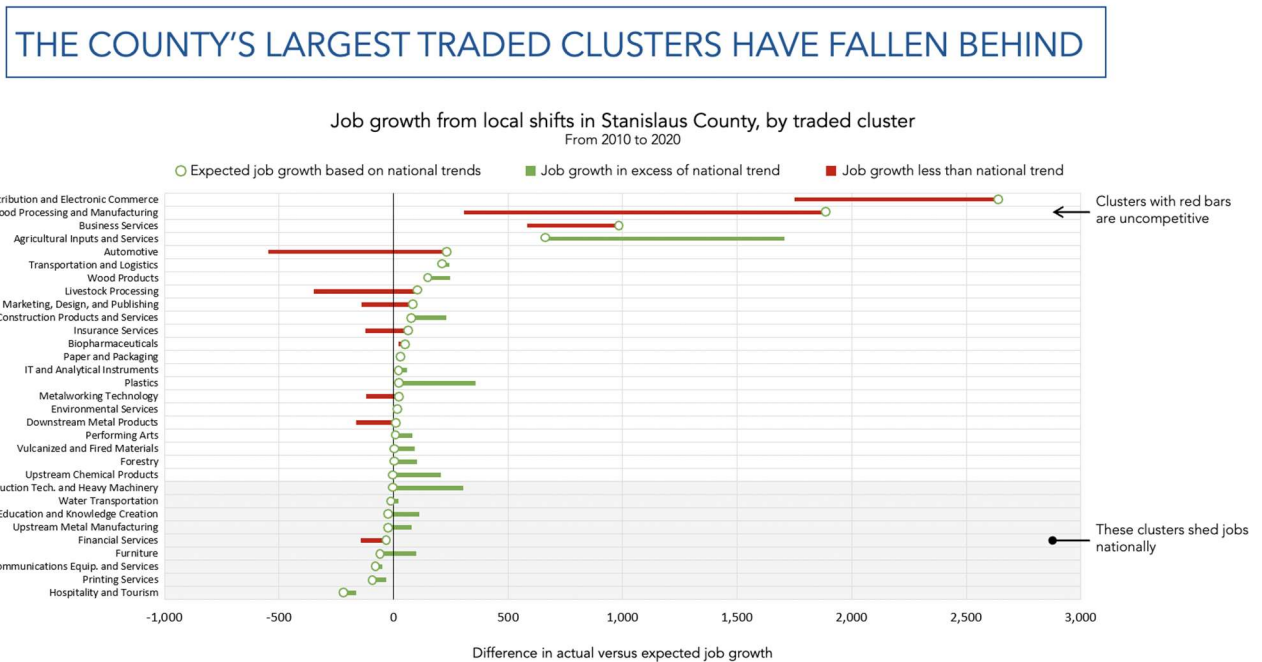
THE TRADED SECTOR ADDED FEWER JOBS THAN EXPECTED



Second, the region’s traded sector simply includes few high-performing specializations to build on (see Figure 4).

Agricultural inputs and services and food processing clusters are unsurprisingly immense in the region, reflecting Stanislaus’ longstanding economic DNA. However, beyond validating these clusters’ outsized presence in Stanislaus County, the analysis reveals two troubling takeaways for the region: 1) the declining competitiveness of higher-value food processing and manufacturing activity, which is producing jobs at a lower rate than expected based on national industry performance, and 2) the absence of other significant specializations.

Figure 4: Job growth from local shifts in Stanislaus County, by traded cluster (2010-2020)



Agricultural production is, of course, the lifeblood of the region—a reality that is likely to continue given the Stanislaus’s relatively favorable water and climate position in the state. Yet, to generate wealth and support more good jobs, the region needs to do more than produce these commodities.

Food processing and manufacturing has contributed to this goal, adding value in converting into consumer products. However, many subsectors within food processing and manufacturing, including some that contain big-name regional firms, are becoming less competitive. Indeed, only a handful of subsectors—grain, oil seed milling, and dairy—are driving the sector’s growth, while others like poultry, fruit, and vegetable processing are shrinking. Rather than driving competitiveness, food processing and manufacturing have underperformed the growth of their national counterparts in recent years.

While large firms like Gallo and Hilmar Cheese continue to develop cutting-edge products sold nationally and globally, this suggests that others in the sector may face deficits in innovation or investment in the region. The headwinds of industry trends such as processing decentralizing and moving closer to different consumer markets may also pose challenges for the region. Altogether, this diminishes the potential of food processing and manufacturing to contribute to the region’s growth and job base.

Beyond agricultural inputs and services, the sectoral analysis suggests a few leads for traded industry growth, such as paper and packaging, wood products, and plastics (see Figure 4). Tied to the agricultural supply chain, Stanislaus has built a specialization around the production of glass bottles, boxes, and other material for transporting and selling goods, including higher-end consumer-facing packaging for luxury brands. Emerging activity around translating agricultural byproducts into new goods may also leverage plastics strengths.

Anemic business dynamism

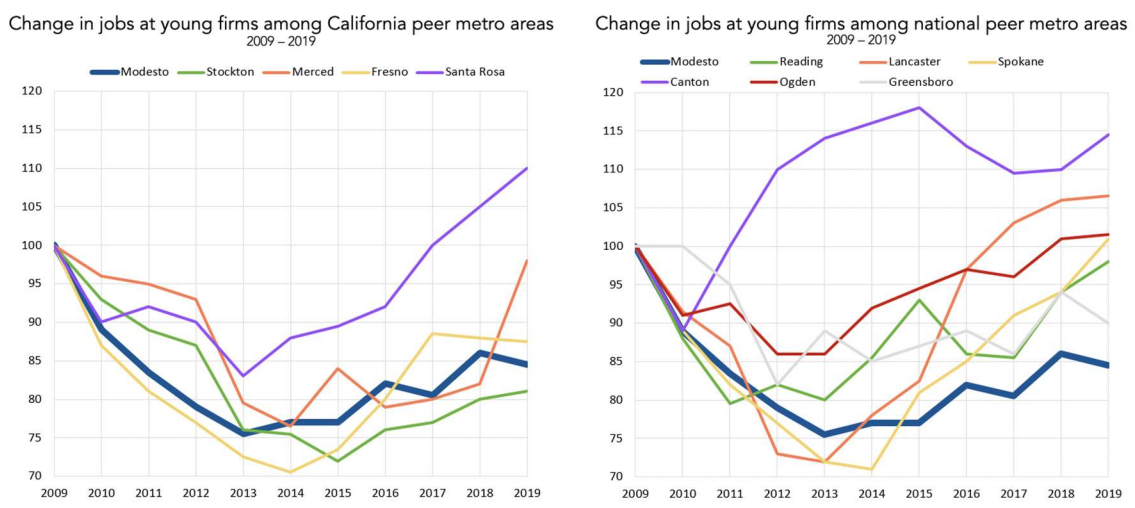
Both within target clusters and across the broader economy, business dynamism and entrepreneurship are critical signals of a region’s ability to generate new ideas and enterprises, apply those novel elements to commerce, and contribute to regional employment and wealth.

Stanislaus County lags peers in key indicators of business dynamism, suggesting it is underperforming in the creation and sustainability of new ventures.

Between the Great Recession and the COVID-19 pandemic, jobs at young firms (in existence five years or less, a common measure of business dynamism) fell precipitously from a 2009 baseline. While, as Figure 5 shows, many California and national peers considered in this analysis also saw declines, Stanislaus fell to the middle-to-the-bottom of this cohort and has yet to recover. Further analysis suggests that during the 2010s Stanislaus particularly struggled in the generation of high-growth firms, ranking below most national peers, although ahead of several California comparisons, including the Merced and Stockton metropolitan statistical areas.

Figure 5: Change in jobs at young firms among California and national peer metro areas (2009-2019)

ENTREPRENEURSHIP AND BUSINESS DYNAMISM ARE COMPARATIVELY LOW

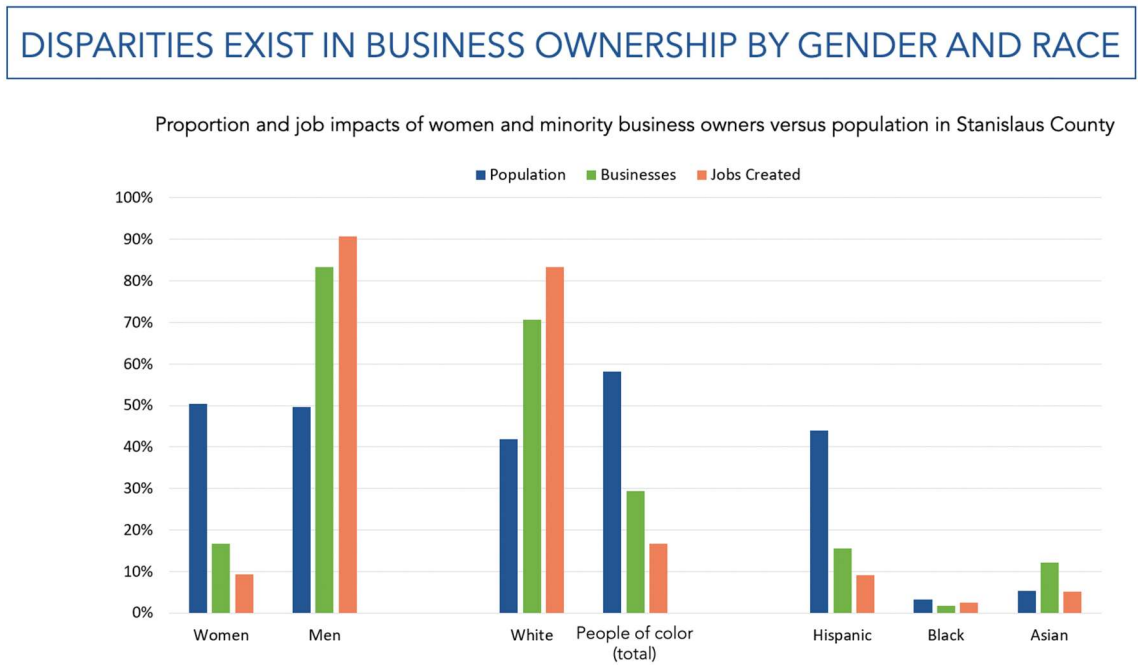


Targeted analysis of female and minority entrepreneurship adds to these stark conclusions. Relative to their share of the population, female and minority business owners generate fewer businesses and jobs in the region; conversely, white and male business owners generate an outsized number (see Figure 6).

This suggests that female and minority residents face particular barriers to entrepreneurship and business success, inhibiting a significant—and growing—share of the region’s population from reaching their potential.

Altogether, the region’s modest-to-middling performance in these fundamental areas complicates efforts to foster sustainable, long-term growth—suggesting the need for building a more comprehensive entrepreneurial support ecosystem, including targeted supports for women and minority entrepreneurs.

Figure 6: Proportion and job impacts of women and minority business owners in Stanislaus County



Large numbers of struggling families and workers

Despite the region’s growth, more than half of the County’s residents—and nearly 40% of working families—struggle to make ends meet.

Most of these residents belong to working families, suggesting that large swaths of the County’s job base do not provide ample opportunity for residents to meet even a basic level of economic self-sufficiency (see Figure 7). These results may also reflect the high cost of living in Stanislaus County, albeit one that is lower than many surrounding areas.

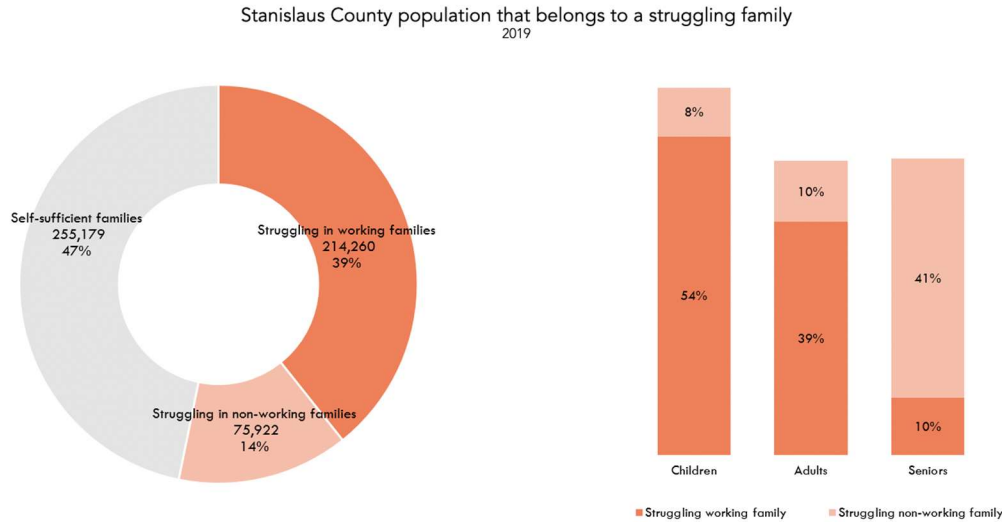
Unsurprisingly, young, less educated, and diverse workers are more likely to struggle, reflecting national trends that advantage those with greater credentialing and experience, as well as other structural barriers to economic success. For example:

- Educational attainment matters. Only 14% of the region’s struggling workers hold a baccalaureate or associate degree.
- Age also matters. 84% of workers aged 18-24 are struggling, versus 56% of 25-34 year-olds and 36% of 35-54 year-olds.

- Race is correlated to struggling status. 57% of Hispanic workers struggle compared to 32% of white workers.
- Female workers are roughly equivalent to male workers, in contrast to trends in many regions. (see Appendix for detailed visualizations).

Figure 7: Stanislaus County population that belongs to a struggling family

OVER HALF THE COUNTY'S POPULATION STRUGGLES TO MAKE ENDS MEET



The region has a significant gap in good jobs

As the large number of struggling workers and families in Stanislaus County suggests, the region’s economy simply does not generate enough quality jobs that allow for self-sufficiency. Closing this gap is fundamental to any improvement in economic outcomes and expanded prosperity for residents.

Presently, only 13% of jobs in the County, about 24,000 positions, qualify as good jobs under the Opportunity Industries methodology underpinning this report. (See sidebar for definition of a “good job”). A further 22%, roughly 42,500 positions, count as “promising jobs” offering pathways to a good job within ten years. The remaining 65% of jobs, approximately 124,000 positions, do not meet either of these criteria. This is an extremely low proportion of good and promising jobs compared to other metropolitan areas.

Defining job quality: good, promising, or other?

Debates over “job quality” have proliferated in recent years in response to growing concerns over the fortunes of U.S. workers amid until-recently stagnant wage growth, downward economic mobility, and other shifts in the nature of work. These discussions and accompanying analyses encompass a broad range of factors—from wages and benefits, to work environment (e.g. scheduling stability, other individual employer policies).

Brookings's *Opportunity Industries* approach focuses on the following criteria, utilizing consistent factors that enable comparisons across regional sectors and occupations—and ultimately strategic decisions on economic development priorities by local leaders.

Good jobs meet three criteria:

1. Pay a sufficient annual wage that provides most families with enough income to “make ends meet” based on a localized set of basic living expenses and savings, and to be ineligible for public “safety net” benefits in California (e.g. SNAP, TANF, Medicaid).
2. Provide employer-sponsored health insurance, which serves as a proxy for availability of other employment benefits like paid leave and retirement.
3. Afford durability in retaining or leading to another good job in the future.

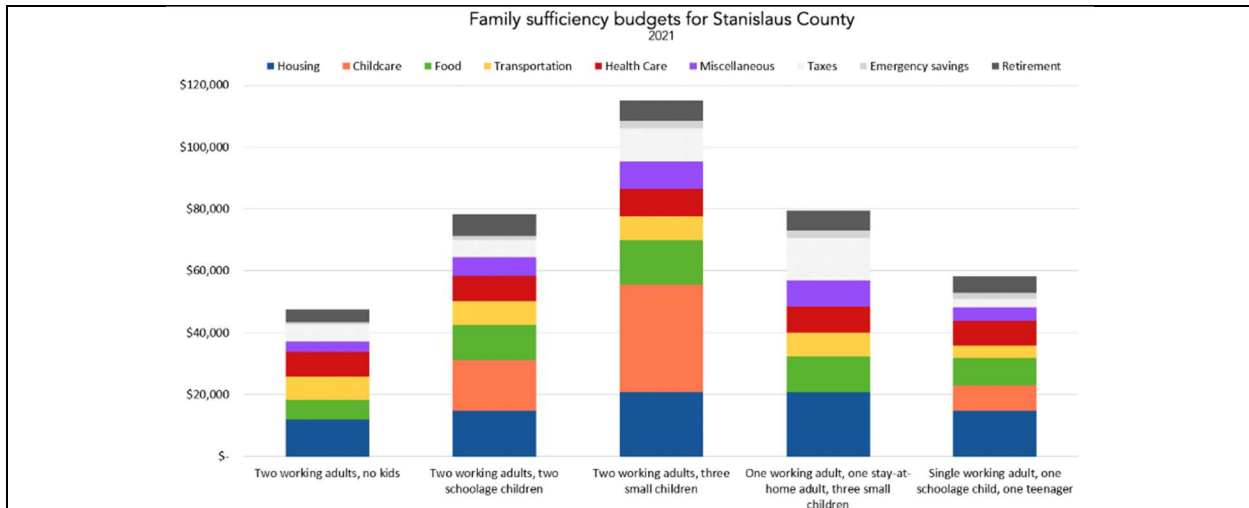
Promising jobs do not meet all good job criteria but provide career pathways leading most workers to a good job within 10 years.

Other jobs do not qualify as good or promising.

Within each category, jobs can be segmented by accessibility based on educational attainment: high-skill (at least a four-year degree), middle-skill (high school degree to four-year degree); or low-skill (less than high school).

The first criteria of a “good job”—a sufficient annual wage—is determined based on a combination of (1) market basket analysis assessing the income required to meet basic breakeven needs along with a small degree of savings, across a variety of family compositions, and (2) a policy decision determining the region’s goals for improving the number of residents or workers attaining self-sufficiency.

The market basket analysis uses a modified “living wage” calculator from the University of Washington, adjusted to reflect Stanislaus 2030 Executive Committee policy choices that go beyond income equaling expenses by adding targets for savings and wealth-building. This budget establishes extremely specific, localized cost profiles varying by family size and composition (*see subset example*). These profiles enable building an accurate baseline of the struggling residents and workers in Stanislaus County, including their demographic characteristics, including race, age, and educational level.



In turn, that baseline allows Stanislaus 2030 stakeholders to make a policy decision on the targeted reduction in the number of struggling workers and families in the region. This determination allows calculation of what wages are required for a “good” job to meet that target and the gap in jobs currently available.

The Executive Committee set a goal for reducing the share of children in struggling working families by 50%, a common metric given the exceptional influence that lower incomes have on their development, health, and lifelong socio-economic outcomes.

Based on the composition of families in the County, jobs with an hourly wage of \$28.58 would offer enough opportunity for those workers to achieve self-sufficiency and economic mobility. While this figure is significantly above the median wage for the region, it is also significantly lower than the income required to produce the same outcome in neighboring metropolitan areas.⁵

In order to meet the goal set by Stanislaus 2030 – to reduce the share of children in struggling families by 50% – the region would need more than 40,000 “good” jobs than currently exist.

Realistically, this gap illustrates the County’s challenge and a horizon goal on which to focus decisions and measure progress, rather than an objective that can be reached in the intermediate term. The gap represents about 20% of the region’s current total job base. Even if the County outperformed its best job growth projections and nearly all qualified as “good jobs,” the target could not be reached in a decade.

To deliver on this vision, growing and connecting workers to good jobs must become a primary focus of economic and workforce development. This means prioritizing investment of time and resources in industries concentrating good and promising jobs versus a conventional focus on total “job counts” or “placements.”

⁵ Achieving the same outcome—making families of half of the region’s struggling families self-sufficient—would require an hourly wage ranging from \$29.49 in Merced to \$48.53 in San Jose.

Crucially, this requires recognizing that not every sector offers the same level of job quality. Presented at the highest level of industry definition, the shares of good, promising, and other jobs vary across sectors in Stanislaus County (see Figure 8). Job quality further varies in subsectors within those industries, such as between manufacturing of food products versus industrial machinery.

Meanwhile, some industries that concentrate higher job quality generate few jobs in the region; for instance, while utilities rank very high in job quality, the sector represents among the lowest number of total jobs.

Figure 8: Share of jobs according to job quality type, by sector (2020)

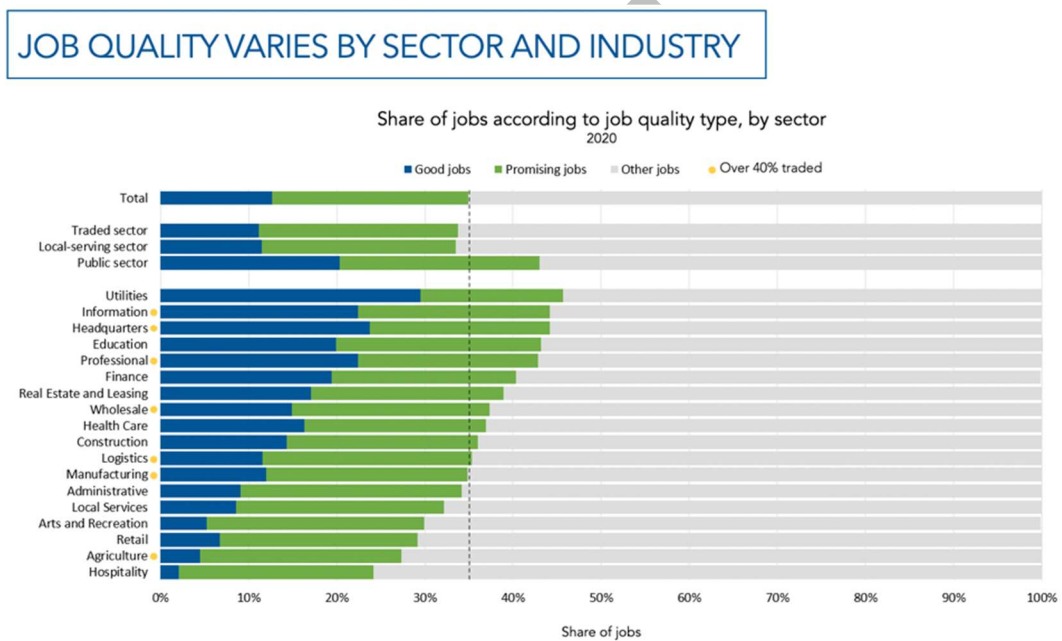
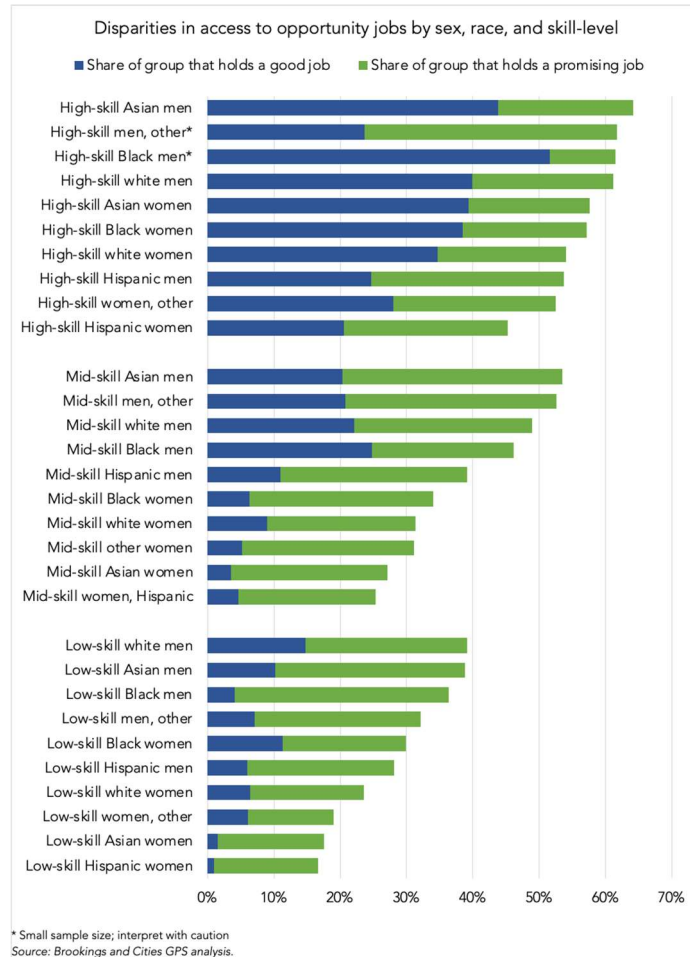


Figure 9: Disparities in access to opportunity jobs by sex, race, and skill-level



Regional leaders must also consider demographic differences in access to quality jobs. At every skill level, men have a larger share of good and promising jobs (see Figure 9). In fact, low-skill white men have a better chance of getting a good job than a mid-skill woman of any race. Further, Hispanic women are the least likely to hold a good or promising job compared to peers at any skill level.

Some race-based disparities are attributable to other demographic characteristics. For example, younger workers are far less likely to hold good jobs because they lack experience and advanced skills at the starting point of their careers. Therefore, the large Hispanic population in the County that trends significantly younger than the white population is expected to hold relatively fewer good jobs and more promising jobs. However, other major differences among similarly situated workers are not completely explainable, such as the 15% gap in good jobs between high-skill Hispanic men and high-skill white men.

This data, which also can be parsed by occupations and industry subsectors, raises considerations for the focus of economic and workforce development programs. In tandem with the need for quality jobs is determining how to close gaps in access to them, through changes like prioritizing training for quality jobs over filling high volumes of openings, helping firms with hiring practices, and promoting incumbent worker advancement.

III. FOUNDATIONS OF ECONOMIC COMPETITIVENESS AND INCLUSION

Exemplified by its large good jobs gap, Stanislaus County faces deep-seated challenges to delivering shared prosperity. These issues are ingrained in the region’s growth model and exacerbated by the realities of the modern economy; no single strategy can be a panacea. Rather, the moment demands multi-faceted responses: the cultivation of a more robust regional economy driven by traded sectors alongside complementary efforts like improving job quality and career pathways within locally serving sectors, addressing the cost of living by boosting housing stock and lowering childcare costs, and supporting other quality of life improvements.

Underlying those complementary strategies, however, the region fundamentally needs to grow an economy that is sustainable amid the macro forces that have reshaped economic growth and opportunity, diversifying its economic base while narrowing its good jobs gap. Drawing on the drivers of economic competitiveness introduced earlier in this report, this section will explore how the region can leverage its existing assets to do that.

Pillar 1: Traded Sectors

Considering the region’s best options for specialized, traded goods and services begins with identifying traded subsectors that have both economic momentum and concentrate good jobs.

The analysis uncovered 55 subsectors that account for 14% of the county’s total jobs and 51% of its jobs across all traded activities. *(Not all jobs within these sub-clusters are good or promising; rather the sub-cluster as a whole meets a threshold established for offering sufficient job quality; see sidebar for additional details).* They span manufacturing, logistics, agriculture, and construction.

Grouping these sub-clusters according to their shared talent, innovative assets, and supply chains reveals six key “super clusters.” These super clusters offer regional and local leaders a base for further development and investment.

Assessing Traded Subsectors for Performance and Job Quality

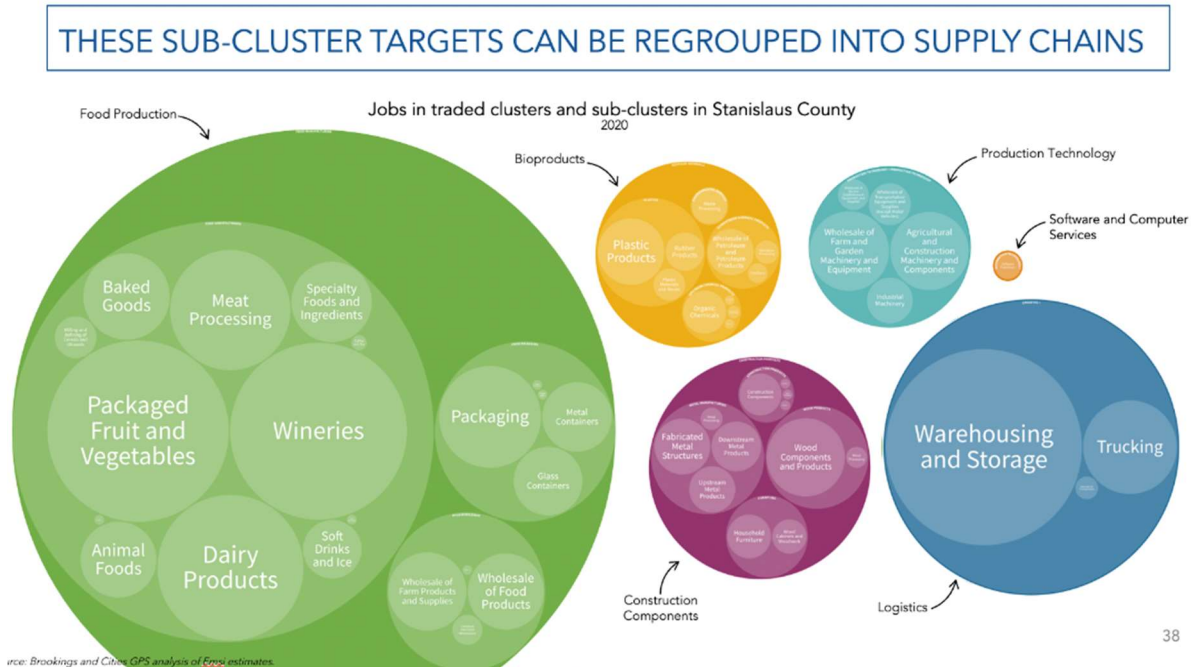
The first stage in prioritizing sector options combines the Opportunity Industries assessment of job quality with more conventional review of prior industry performance, scale, and specialization. This establishes the foundation for overlap between growth and inclusion, which then can be vetted based on talent availability, innovation strengths, market demand, policy enablers, multiplier estimates, and other factors.

In this case, four screens were applied to subsectors:

- 1. Concentrates good jobs overall OR for mid- and low-skilled workers**, eliminating options that would not expand economic opportunity and mobility.
- 2. Specialized in 2020 OR exceeding expected growth from 2010 to 2020**, narrowing to sub-clusters with distinctive assets or competitive performance.
- 3. Added jobs nationally OR added jobs locally from 2010 to 2020**, retaining sub-clusters with some growth indicators.

4. Contains more than 50 jobs OR belongs to a cluster that meets conditions 2 and 3, removing possibilities where it is difficult to achieve impact and are not connected to a larger local value chain.

Figure 10: Subsector Targets Produce Six Cluster Groupings Supply Chains



1. Food manufacturing

With agricultural production a mainstay of the region’s economy, the overall scale of the food super-cluster and its potential for expansion into adjacent activities justify proactive attention to help firms in this cluster become more productive or move up the value chain to support higher job quality.

Specific subsector strengths within the food production and processing cluster include dairy products, packaged fruits and vegetables, specialty foods and ingredients, and wineries and distilleries—all industries represented by some of the region’s most iconic companies. They also include supportive subsectors like manufacturing of glass, metal, and other packaging containers, and food wholesale operations. Some of these industries already provide thousands of jobs in the region, while others showed notable recent growth rates. Wages and benefits vary widely among and within the subsectors based on worker skill mix, with production generating few good or promising jobs and food manufacturing trending lower than other forms of manufacturing in the region. Few have multiplier effects exceeding 2-to-1. (See appendix for complete detailed lists).

Improvements upon the County’s position in adding value currently center on food manufacturing product innovation within established companies, rather than young, high-growth firms: Hilmar Cheese’s dairy-based ingredients product lines, Pacific Southwest Container’s forays into luxury packaging, Mercer Foods’ freeze-dried processes, and E.J. Gallo’s internal research team. Firms like

Kevin’s Natural Foods and Rizo Lopez Foods have also made inroads transforming local commodities into consumer products like pre-prepared meals and cheeses for the Hispanic market, respectively. Spurring substantial growth in this sector would require validation and cooperation of current firms, along with investment in creating assets and activities to support new ventures and attract operations.

Meanwhile, other adjacent value-add options built off the food supercluster prominence – agricultural technologies, plant sciences, mechanization, farming systems, or the evolving “like logistics of food” – did not emerge from the basic screening criteria. Although some individual businesses are present in the region, the collection of activities does not represent a concentration or trajectory that suggests a competitive niche or solid base for expansion, especially compared to other proximate regions.

A different approach is improving existing job quality and cluster competitiveness in food manufacturing and agricultural production by accelerating local adoption of automation and other process innovations. This can increase the productivity of firms, addressing a weak indicator for the region generally, as well as the worker skills and efficiencies that justify higher wages. The tradeoff is displacement of lower-skill labor within the food subsector overall, although the impact on total job numbers is harder to predict; technology introduction often offsets old jobs with additional, different jobs, and sometimes spurs new local presence of ag-tech ventures. Dedicated intermediary activities can facilitate exposure and application through supports in problem-solving and finance.

In any circumstance, strategies to build on the supercluster depend in large part on a more qualified labor pool. Currently, many firms report a shortage of unskilled workers at viable wages, or the skilled workers able to use using technology that could replace them and earn higher pay. Absent a stronger workforce development pipeline, larger businesses have developed bespoke training programs to help meet their needs. Density of the talent pool, along with proximity to inputs and benefits of innovation networks, must offset the headwinds in the California regulatory environment and cost of doing business in industry segments with narrow margins. Several food processors have invested in facilities elsewhere in the U.S., locating closer to customers and other suppliers, suggesting limits to local expansion versus fostering more new ventures and ensuring the existing base remains competitive.

Considering Regional Strengths in Agriculture

Agriculture is at the core of Stanislaus County’s economy, producing billions of dollars of commodities annually and supporting additional specializations in areas such as food processing, packaging, and bioproducts. It also plays a central role in community identity, from the Modesto Nuts to the region’s annual Almond Blossom Festival.

However, as in many regions throughout the Central Valley and beyond, agricultural sectors operate on low margins, at the mercy of global commodities markets, regulation, and the environment. These dynamics, along with the relatively low-skill requirements in significant segments of farm labor, make it difficult for agriculture to support higher wages for workers. In fact, the dominance of food production and processing reduces the average job quality across all of the County’s traded sectors

compared to other regions; excluding food subsectors from that analysis restores a more typical concentration.

Nevertheless, agriculture is the foundation of the region's economy as the primary source of employment and job creation. The sector will remain and continue to grow. Economic development actors still must work to support and serve firms as part of their core operations.

Given constrained economic development resources, the challenge for stakeholders is balancing the level of activities for greatest impact—recognizing that progress is achieved through focus, and strategy requires choices among credible options. Therefore, the local decision is where agriculture fits in prioritizing which sectors can benefit the most from a higher level of effort and yield greatest advancement toward regional performance goals.

2. Bioproducts and Circular Economy

Emerging regional activities in biomaterials and biofuels, plastics and chemicals, and environmental services offer intriguing opportunities to boost a potential niche around the conversion of the Central Valley's agricultural by-products in bioproducts and the "circular economy."

Such efforts could include novel efforts to transform almond hulls, peach pits, forest undergrowth, and other agricultural waste into materials and energy, such as fuels, construction products, adhesives, resins, fibers, or similar components, as well as recycling of plastics. Advantages include proximity to feedstock, production sites with access to applied research and innovation assets in Northern California, in-state market demand, and supportive policies for climate-friendly industries.

Stanislaus County and immediately bordering counties already are the location for a nascent collection of bioproducts and circular economy companies. With a green industries objective for redevelopment at Riverbank Industrial Plant, operating firms include Aemetis (biofuels), Circulus (plastic resins), and Repsco (recycled plastic slipsheets). Assets also have drawn startups and scaleups like Caribou Biofuels, commercializing Department of Defense mobile technology for agricultural and forestry waste conversion, and Corigin, which is converting cropwaste to biocarbon solids and biodistillates.

These activities center on manufacturing or production versus innovation, which recognizes the limitations within the region while taking advantage of more mid-skill job creation. However, the presence of manufacturing can also generate a critical mass that attracts research or testing activities and justifies creation of shared facilities, meeting existing firm needs and building capacity that serves external firms. Furthermore, the Almond Board's local presence with substantial investment in external research on orchard biomass uses and related business network could be leveraged.

Although still relatively small in scale and aspirational, this combination of assets and opportunities provides a reasonable foundation for possible cluster growth with concentrated interventions. Subject to further exploration, relevant activities might include: highly-focused proactive business development and visibility of the region's offer to sector innovators and investors in the Bay Area and other national hubs; deployment of very targeted industry incentives; subsidizing a satellite presence for applied research institutions; providing tailored soft landing and entrepreneurship supports; creating a

workforce development collaborative among providers to ensure tailored responsiveness to interested firms; or forming a funding collaborative to consistently track and pursue resource partnerships.

3. Production technology

Largely supporting agriculture, a number of subsectors focused on manufacturing and wholesale of equipment meet the baseline screen. This includes local firms such as Flory Industries, which produces specialized machinery such as sweepers, conditioners, and harvesters for nut growing and processing. Other companies like Automation Group work with food manufacturing firms on creation and application of technologies for automation, control systems, and data utilization. While the category does not indicate a novel specialization, it may relate to possibilities identified in the food production and processing sector around value-add and productivity improvements.

4. Construction components

Across metals, wood, and construction products, the region shows strength in a series of manufacturing subsectors adding up to a few thousand jobs. Within these categories, the growth of certain subsectors lends credence to the emergence of a potential focus on modular or prefabricated housing, exemplified by firms like Entekra and S2A Modular. Market proximity, space, cost, and talent availability are all contributing factors. New state investments in housing and laws enabling accessory-dwelling units as a response to California's housing crisis may accelerate this activity.

However, industry analysis shows that there are structural constraints to durable, ongoing growth. Distributing these large, heavy components creates a logistics and cost tradeoff between the location of manufacturing and end user, so that the radius of export potential is bounded to megaregional markets rather than interstate. Production is not centralized. Therefore, while the subsector has room for expansion and further job creation, the opportunity will be limited to serving Northern California versus even the broader state.

5. Logistics

The surfacing of logistics as meeting the baseline selection screen is somewhat surprising given the sector's typically poor performance in job quality. This likely reflects two factors. First, the region's recent rapid increase in warehousing and distribution to serve the local consumer demand forced employers to raise wages to attract enough workers. Second, the County's extremely low proportion of good and promising jobs in major traded sectors made that wage increase unusually meaningful in raising the share of quality jobs in logistics relative to those other sectors; thus, logistics itself is not an exceptional quality job creator, but it is better than existing alternatives.

Within logistics, job quality is significantly higher in two smaller subsectors – specialty air transportation and trucking – versus the nearly 4,000 regional jobs represented in warehousing and storage. The job quality value of the nonscheduled passenger and cargo air activity may be relevant to specific plans for utilization of the Crows Landing airfield.

The benefit of focusing economic development efforts on greater growth in logistics must be considered against national industry trends. Warehousing is experiencing an organic expansion everywhere due to the rise of e-commerce and localization of distribution. The sector has grown dramatically in the region, but not faster than comparable locations or the real specialization in Stockton. Truly innovative value-

add activity concentrates in a small number of knowledge centers like Atlanta and Chicago, or operational hubs like Louisville and Memphis where the presence of unique UPS and FedEx goods movement assets enable special production and services. Given these factors, prioritizing economic development in logistics typically yields less return on investment.

6. Computer services and software

Custom computer program services, computer system design services, and software publishing emerged from the screen as the smallest potential sectoral combination. It affords very high job quality and multipliers, but growth is weighted off a very low base totaling less than 300 employees. Visible homegrown firms include DataPath and Novo Technologies. Trends in remote work might bolster competitiveness in enabling links to Bay Area opportunities. However, these data points by themselves do not indicate significant strength; the small amount of activity and local talent production cannot be considered a cluster deriving the benefits of concentration. Additionally, these services are notoriously difficult to build outside population centers producing or attracting digitally skilled talent, with unicorn firms often associated with individual founders. Thus, progress in this category will be a stretch and long-term commitment for the region.

Pillar 2: Talent

Why talent matters

Workforce capabilities are the single greatest input to more inclusive outcomes and competitiveness in the modern economy. The economic success of individuals, firms, and regions correlates closely to higher levels of educational attainment and density of the talent pool. While some industries are tied to proximity of physical resources or population, talent availability factors rank first among business location decisions in general, and particularly in sectors that concentrate higher quality jobs. This includes the existing labor pool and the ability of the pipeline to generate more local workers with relevant knowledge, skills, and expertise needed over time, especially because retention is higher when hiring from within.

Overall, Stanislaus County's labor pool lags comparison regions in educational attainment and available skills, notwithstanding a few categories of strong technical specialization. The extent of these lags impedes diversification, higher quality job creation, and economic mobility.

The County ranks behind a majority of peer metro areas in the number of degreed workers, with particular disparities between the region and out-of-state comparisons (see Figure 11). Even more strikingly, the region's jobs are disproportionately concentrated in occupations where innate physical abilities are more important than learned knowledge or skills (see Figure 12). While job quality is tied to greater value-add of knowledge-based activities, including new digital skills in traditional occupations, Stanislaus County's economy and workforce depends in large part on physical abilities like night and peripheral vision and reaction time.

Figure 11: Educational attainment in Stanislaus versus California and national peer metros (2020)

THE COUNTY HAS FEWER DEGREEED WORKERS THAN PEER METROS

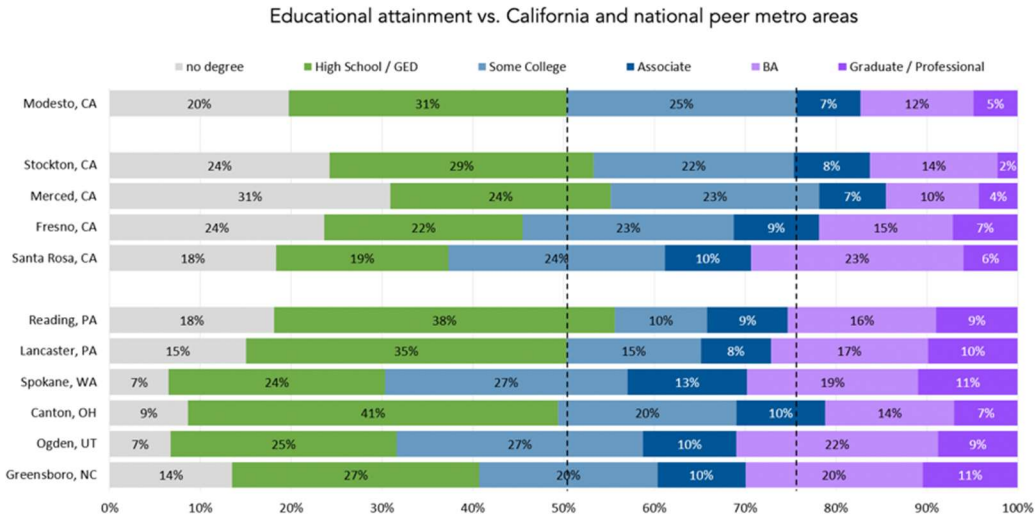
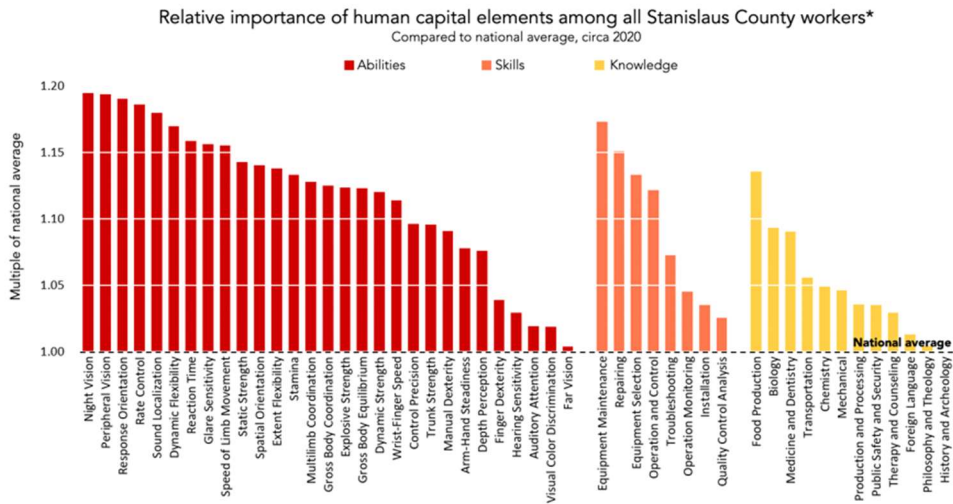


Figure 12: Relative importance of human capital elements among all Stanislaus County workers
(Compared to national average, circa 2020)

THE COUNTY'S ECONOMY DEPENDS DISPROPORTIONATELY ON ABILITIES



These factors have caught Stanislaus County in a self-perpetuating dynamic, reinforcing the region's orientation towards industries that require less-skilled work, reducing gains in productivity that justify higher wages. They also diminish individuals' incentive to invest in education and advanced training. Building a more sustainable economy that offers shared prosperity requires disrupting these conditions, although they will be slow to change.

The region has new opportunities for economic and workforce development alignment to deliver quality jobs in priority sectors

However, the region’s labor force also has some above-average concentrations of knowledge and skills in areas such as production and processing, biology and chemistry, manufacturing, equipment, operation and control systems. These strengths are a factor for identifying links between workforce and traded sector economic development opportunities for prioritization, and determining what other investments may be required to take advantage of them.

Analysis of “talent adjacency” assesses the compatibility and transferability between existing workforce characteristics and the needs of another subsector under consideration, to determine how well the labor pool can fulfill job requirements. These factors approximate the potential value of a subsector for talent density and matching, even if the current concentration of firms and subsector activity is not at the scale to be labeled a cluster.

Talent adjacency in Stanislaus County finds relative compatibility between the region’s talent pool and most of the foundational or emerging subsectors identified in the analysis of economic performance and asset niches (see Figure 13). Furthermore, many of these sectors are even more closely aligned to the capabilities of struggling workers than average workers, recognizing some with clear preparedness gaps that would need to be targeted, such as in production technology and chemicals. [See the appendix for additional analysis]. These opportunities reinforce the need for tighter alignment between economic and workforce development contributors on strategic objectives and program activities.

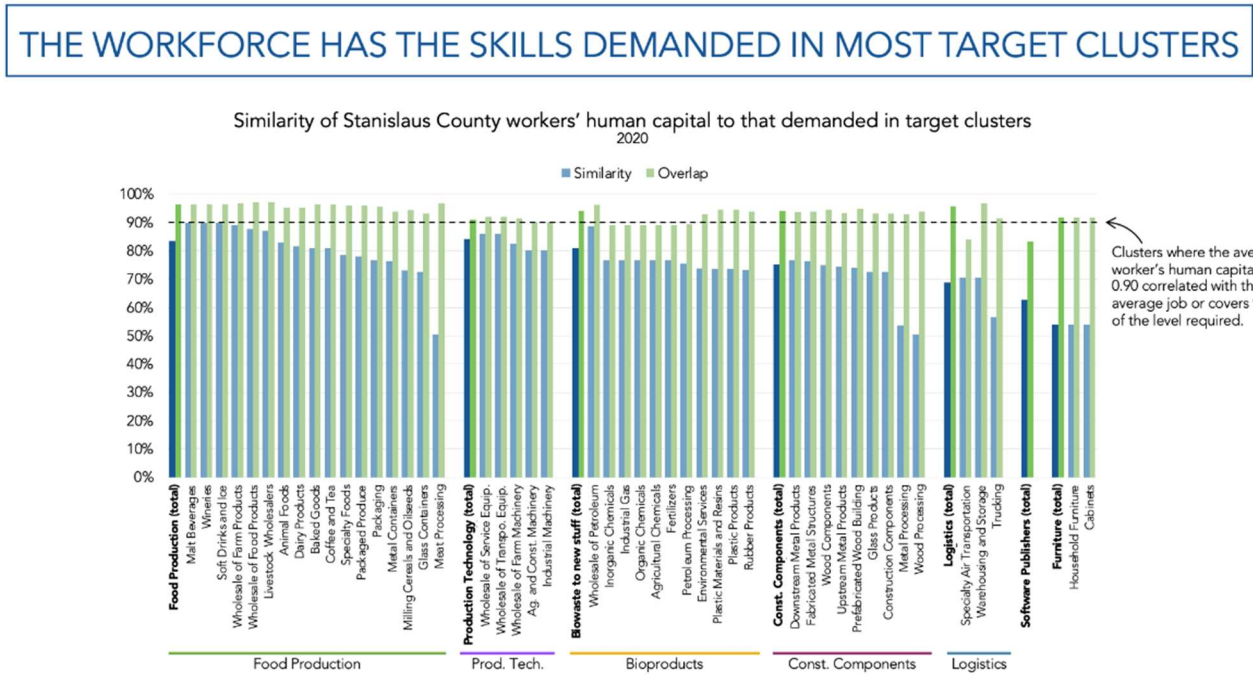
Methodology and Implications: Talent Adjacency Analysis

Talent adjacency considers two dimensions – “overlap” and “similarity.” Overlap reflects the extent to which the average Stanislaus County worker has the knowledge and skills in one industry required to meet the average job requirements of the target subsector. Similarity considers how correlated the full complement of the average worker’s knowledge and skills are to the jobs in a subsector under consideration.

To inform sector prioritization, these factors in combination indicate whether the existing labor pool can do the jobs within a subsector, and then the extent to which their current knowledge and skills are utilized. They also indicate gaps in particular areas where new training or recruitment options may need to be prioritized to meet occupational needs. Adjacency is stronger if in the mid-90th percentile, and weaker in the 80th percentile or below.

For most of Stanislaus County’s identified subsector possibilities, the average worker has the level of knowledge and skills required for associated jobs, even though their current occupational category entails a somewhat different activity. For example, the average worker’s abilities needed in the bioproducts category covers about 95% of requirements for typical jobs (overlap), despite being moderately distinct from how they currently are applied with a correlation around .84 (similarity). By contrast, the County labor pool is not well positioned for growth in software publishing, where the job knowledge and skills are neither adjacent to job characteristics in other regional subsectors nor a concentration of workers’ capabilities.

Figure 13: Similarity of Stanislaus County workers' human capital to that demanded in target clusters (2020)



Systems and institutions can encourage pathways to higher job quality

Beyond supporting the potential of specific sectors for economic development based on talent availability, the County’s internal “talent pipeline alignment” from post-secondary education and credentialing also impacts the overall ability of workers to access good and promising jobs available in the regional economy.

Degree majors and programs of study at Modesto Junior College and CSU Stanislaus can be linked to individual occupations for which the graduates are qualified, and those occupations can then be estimated for the extent to which they afford quality jobs among all sectors in the County as a whole. This analysis reveals substantial variance in the quality of regional jobs available based on completion of different academic and training programs, and relatively high student participation in programs that do not lead to better jobs (see Figure 14). For example, of the nearly 100 MJC graduates who studied computer science from 2016 to 2020, an estimated 38% were likely to hold good jobs and 15% promising jobs; in contrast, of 3000 liberal studies graduates, only an estimated 8% would lead to good jobs and 14% promising jobs (see appendix for additional data).

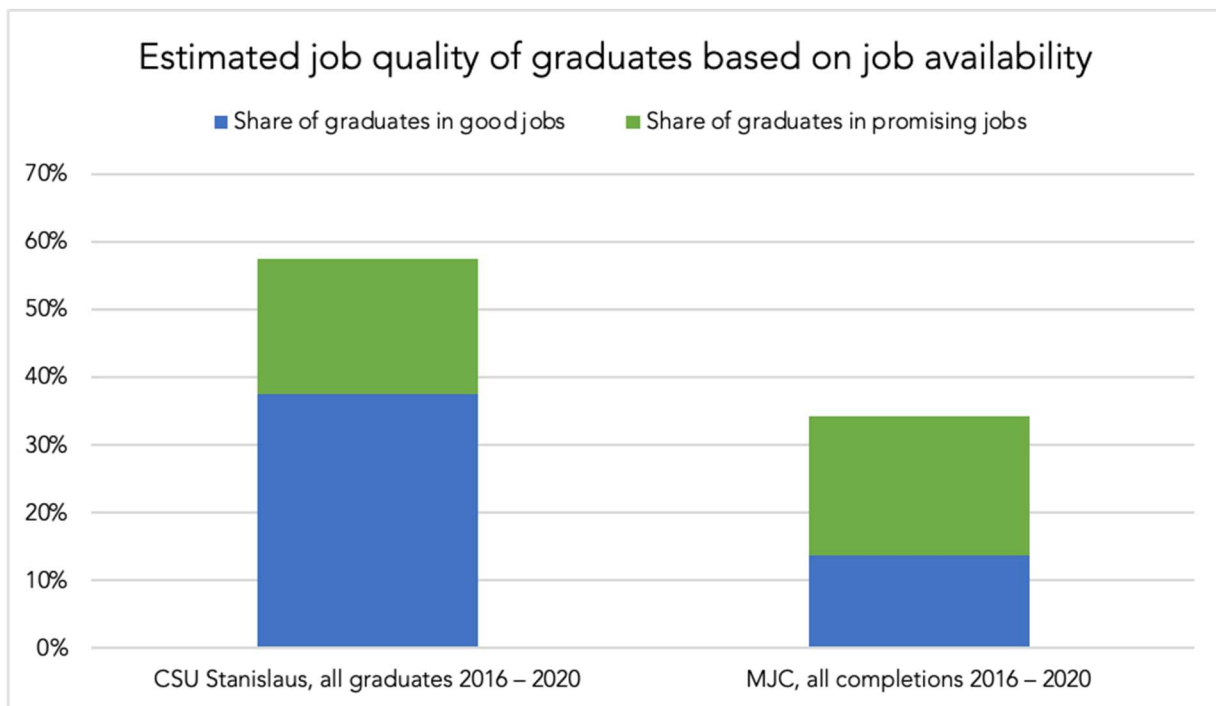
These estimates do not indicate the actual outcomes for students of either institution, nor the quality of education provided. They reflect the quality of jobs in occupations *available* in the region to graduates from these institutions based on the *specific programs of study* they pursue.

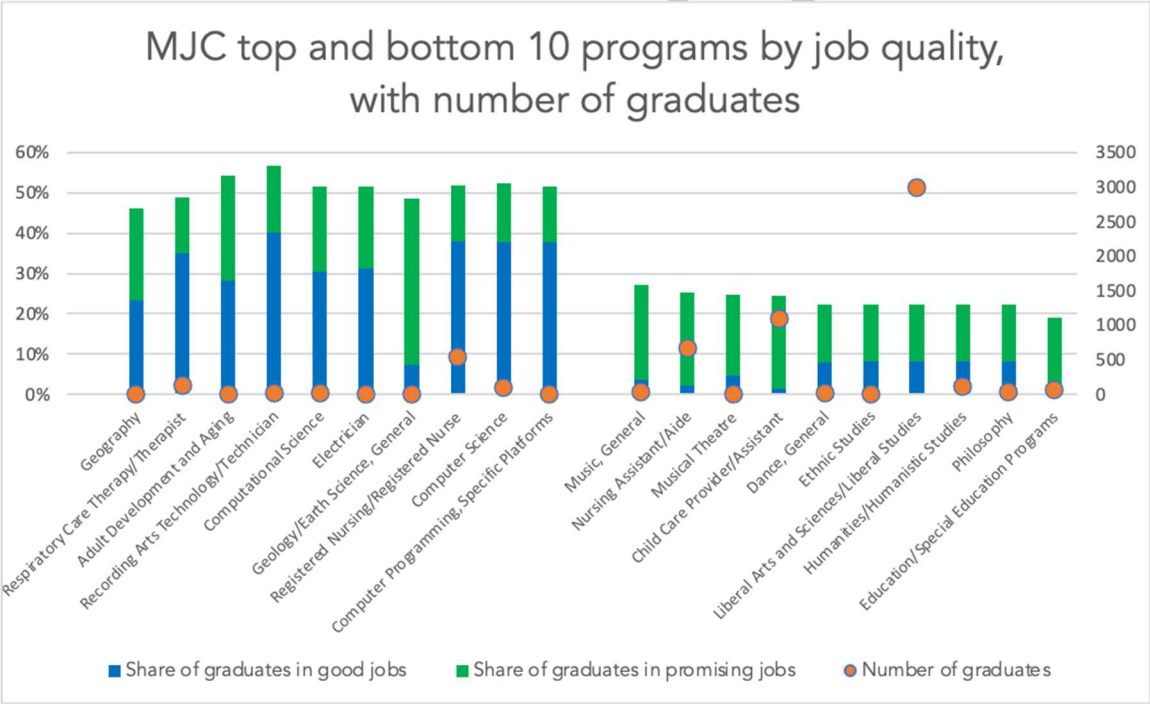
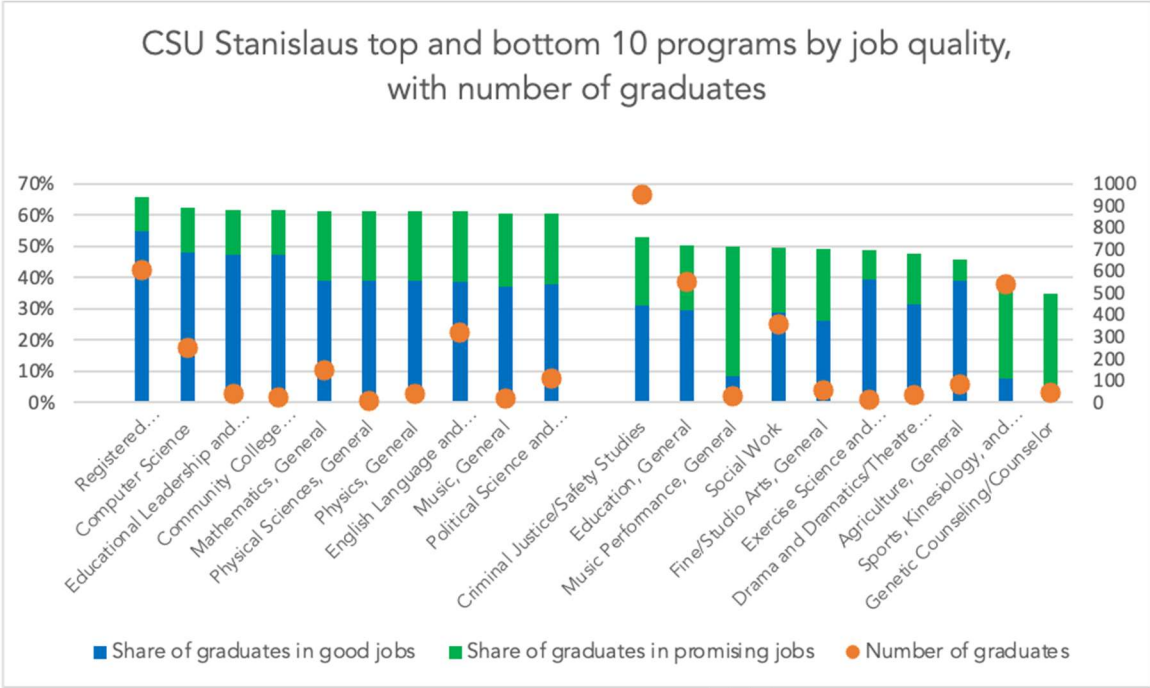
While these estimates are, in part, driven by the overall low number of good jobs available in the region, they also offer insight on how to better prepare workers and students for quality jobs, including those in

sectors prioritized in this Market Assessment. Because success in attaining a good or promising job diverges significantly between specific areas of study at both institutions, enhanced career exposure, counseling, and other efforts to shift pipelines toward qualifications for higher quality occupations could improve the economic mobility of residents and workers.

Furthermore, related to this analysis, input from local firms suggests that educational institutions must continually ensure that programming is responsive to market needs, particularly as advancements in technology, processes, and other elements of work transform occupations. Closer engagement with employers on program design and flexibility in adapting curricula can also help students make more effective choices and transitions from school to career.

Figure 14: Estimated job quality of graduates based on job availability





Source: Brookings / Cities GPS analysis of National Center for Education Statistics data

Methodology: Talent Pipeline Alignment

This examination of “talent alignment” between the output of local institutions and the regional supply of good and promising jobs is based on analysis of data compiled by the National Center for

Educational Statistics (NCES) on program completions among colleges and universities. NCES provides lists of occupations suitable to graduates of each program of study. Additional customized analysis was completed matching these results to the occupational composition of Stanislaus County's jobs to determine region-specific proportions of graduates across programs. This enabled application of Opportunity Industries data on good, promising, and other jobs to the analysis, showing the distribution of job quality among graduates both in the aggregate and in specific program areas. Notably, this analysis cannot evaluate program or instructional quality nor does it represent actual job outcomes of graduates; rather, it provides an estimate of the average quality of jobs available to graduates of each program.

Non-skill barriers require focus

Lastly, in addition to development of skills, special attention will also need to be paid to non-training barriers to workforce participation and success. For instance, analysis of the region's "out of work" population points to challenges around childcare access and limited English proficiency as above average barriers to labor force participation, including for individuals already having higher educational attainment (see Appendix for data). The prevalence of such barriers may also impact the economic mobility of struggling workers. Intermediary activities that help businesses and workers solve these challenges for mutual benefit, such as novel approaches to offering childcare, can unlock an additional segment of the labor force and improve racial and gender inclusion.

Employers' major challenge: finding talent

Across industries and skill levels, Stanislaus County firms interviewed identified a nearly universal challenge in sourcing and retaining talent. These gaps, employers say, span industries like manufacturing, information technology, scientific innovation, and professional services, such as marketing. Some firms have responded by investing in internal workforce training to skill up local workers or supporting the manufacturing-focused VOLT Institute training program. In higher-skilled areas, firms report recruiting talent to the region, frequently as commuters, or employing remote workers elsewhere in the U.S.

Employer concerns about labor availability are common nationwide in regions like Stanislaus County, particularly as the COVID-19 crisis has disrupted labor markets. In some cases, businesses really are grappling with competitive forces and improved worker bargaining power that is raising wages, while employers either do not want to pay more or are under pressure in sectors with small margins.

However, the apparent longstanding nature of the workforce challenge in the County is a particular challenge to bolstering firm competitiveness and offering better quality jobs in the region. While emphasizing new job creation that can reduce commuting out of the County, the region is also struggling to meet existing local demand for labor. These circumstances impact workers as well as employers; a shift of higher-skilled professional jobs within companies to other locations reduces potential local pathways to those positions.

Underpinning these challenges, employers report frustration with relevance and responsiveness of many workforce system supports. As described in more detail in *Governance*, improving alignment

between these systems and objectives around productivity and inclusion will be required to increase availability and access to quality jobs.

Pillar 3: Innovation

Why innovation matters

Stanislaus's position in innovation—the ability to bring new products and services to market, start new businesses, adopt solutions to improve productivity, and adapt to technological change—reflects challenges with its overall growth model. As a commodities hub near the beginning of the value chain without large innovation-focused research institutions, the region has tended to adopt rather than drive innovation. This dynamic complicates ambitions to develop and advance high-value regional specializations in areas like agricultural technology, irrigation, or food processing that may seem like natural outgrowths of the region's core economic drivers.

The region has relatively weak innovation capacities and output

Compared to other regions of Northern and Central California, Stanislaus undertakes little research and development that lead to original scientific discoveries or new technologies. For instance, between 2010 and 2021, institutions county-wide produced only 1,684 peer-reviewed articles, a key measure of novel R&D, compared to 3,756 in Stockton, 5,705 in Fresno, and 6,010 in Merced. However, Stanislaus's small base of published research has been cited in a relatively high number of unique patents, indicating knowledge complexity and value in aspects of bioscience research. *(See appendix for additional data)*

These trends reflect Stanislaus's lack of research-focused institutions. CSU Stanislaus, the region's sole four-year university, accounts for the largest share of R&D in the County. However, it has historically emphasized first-generation student education and social service occupations, marginalizing economic and industry impacts. As a result, firms do not have a regional innovation or problem-solving partner that anchors them to the County, instead collaborating with UC Davis, Fresno State, Cal Poly San Luis Obispo, and institutions elsewhere in the United States.

With this limited capacity, nearly one-quarter of R&D is driven by business, internal to firms or sector intermediaries, principally in food-related industry led by E.J. Gallo Winery and the Almond Board. To supplement, collaborations with ag-tech and ag-innovation ventures from the Bay Area and other locations also occur; for instance, a partnership between Dave Wilson Nursery and Zaiger Genetics to develop advanced breeds of fruits and trees. However, the proprietary aspects of firm-based R&D and apparently limited collaboration among regional firms reduces spillover that may benefit smaller, lower-capacity companies. Further, connections between firms and external innovation resources seem relationship-based and ad hoc, raising transaction costs for businesses and likely limiting adoption.

Some assets off low baseline connect to sector opportunities

From its low baseline, Stanislaus does produce some innovation connected to super-clusters identified, reinforcing the potential of those growth areas. The county's foremost R&D relates to four scientific disciplines relevant to target clusters: Biochemistry, Plant Science, Animal Science, and Cybernetics. Although not significantly commercialized, these capabilities connect to bioproducts, agricultural waste, and recycled materials. This R&D also link to many parts of the world, albeit these relationships should not be overstated given the low level of activity. *(See appendix for additional data)*

In all, however, it is indisputable that the region faces significant challenges with regard to the kind of cutting-edge innovation inherent to success in the modern global economy. Improving and facilitating stronger, more cohesive connections to neighboring institutions—such as UC Merced, UC Davis, Fresno State, and Cal Poly with well-established niches in topics relevant to Stanislaus industries—may be more immediately realistic and prudent than trying to replicate such assets locally.

Pillar 4: Infrastructure and Geography of Opportunity

Why infrastructure matters

Infrastructure is an enabler of economic growth. It is necessary to and accelerates success, but in contrast to sectoral concentration, talent, or innovation, infrastructure rarely is an independent driver of activity. Infrastructure and spatial efficiency are productivity factors in connecting firms and workers, as well as suppliers, customers, and export markets. Broadband availability and adoption is equivalent to power and water as an essential utility, but its prevalence also correlates to higher-value economic activities and worker capabilities. Developable sites are valuable when qualified and planned, but only to the extent they then can satisfy a particular firms’ operational requirements with other drivers. Overall, built environment policies facilitate productivity, economic opportunity, and density in deriving agglomeration and proximity benefits.

The geographic distribution of jobs and population in Stanislaus is diffuse rather than concentrated, influencing job access and potential innovative firm activity.

The geography of jobs is an overarching issue for Stanislaus County’s economic development choices. One consideration is the internal potential to the County versus connecting to the scale of the tri-county economic region. Another is positioning for a future as affordable “bedroom community” for the Bay Area with residents finding quality jobs at distance or remotely, versus building a distinct traded sector economic base supporting workers closer to home.

Proximity reduces costs to firms and workers. Deploying infrastructure and land use policies to encourage the concentration of jobs, especially good and promising jobs, in parts of the County that already host many jobs and are near housing helps ensure that opportunity is accessible to more residents. Likewise, promoting higher housing density near major employment centers gives workers more options to locate near jobs.

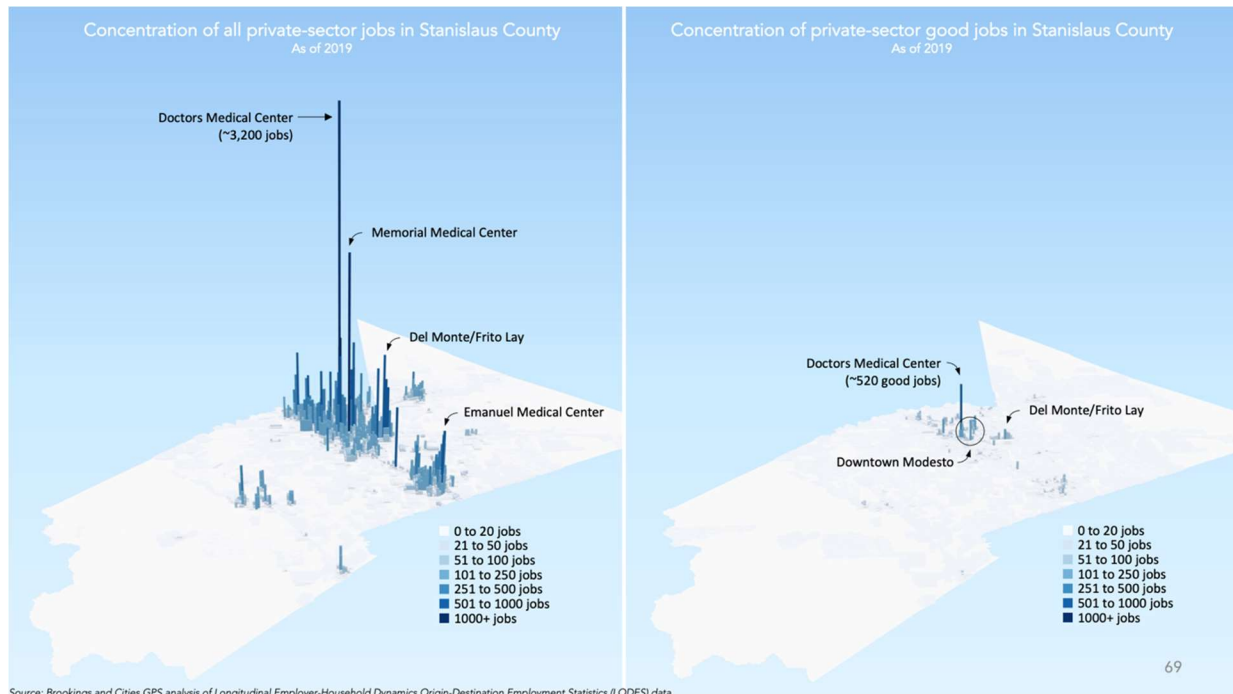
However, local research determined that nearly a quarter of the region’s workers commuted outside the county prior to COVID-19 impact on remote work, with the majority of those heading north to San Joaquin County (30%) or west to Alameda County (25%).⁶ While the post-pandemic shifts in the location of work is unclear, it is likely that the expansion of the Altamont Corridor Express (ACE) train to Modesto will compound the number of long-distance commuters rather than draw new businesses.

Within the County, private sector jobs primarily cluster along Highway 99 corridor between Modesto and Turlock, particularly around major medical centers and the industrial area east of Modesto City-

⁶ RDA Consulting, 2020 Stanislaus County Commuter Study, Report for Stanislaus County Workforce Development, 2020, https://rdaconsulting.com/wp-content/uploads/2020/11/SCWD_2020-Commuter-Study_Report_20201021_Final.pdf.

County Airport (*Figure 15*). Smaller job hubs appear in Oakdale and Patterson. However, the vast majority of good jobs are concentrated in and around Modesto.

Figure 15. Concentration of private sector jobs in Stanislaus County



The combination of job and population density means that nearly half of the region’s jobs are not close to its workers. Only 30% of the County’s jobs are within a five mile straight-line distance from the average worker (*Figure 16*). Another 25% of jobs are within five to 10 miles of the average worker. Furthermore, among those jobs that are within 10 miles of the average worker, only a small portion are good jobs.

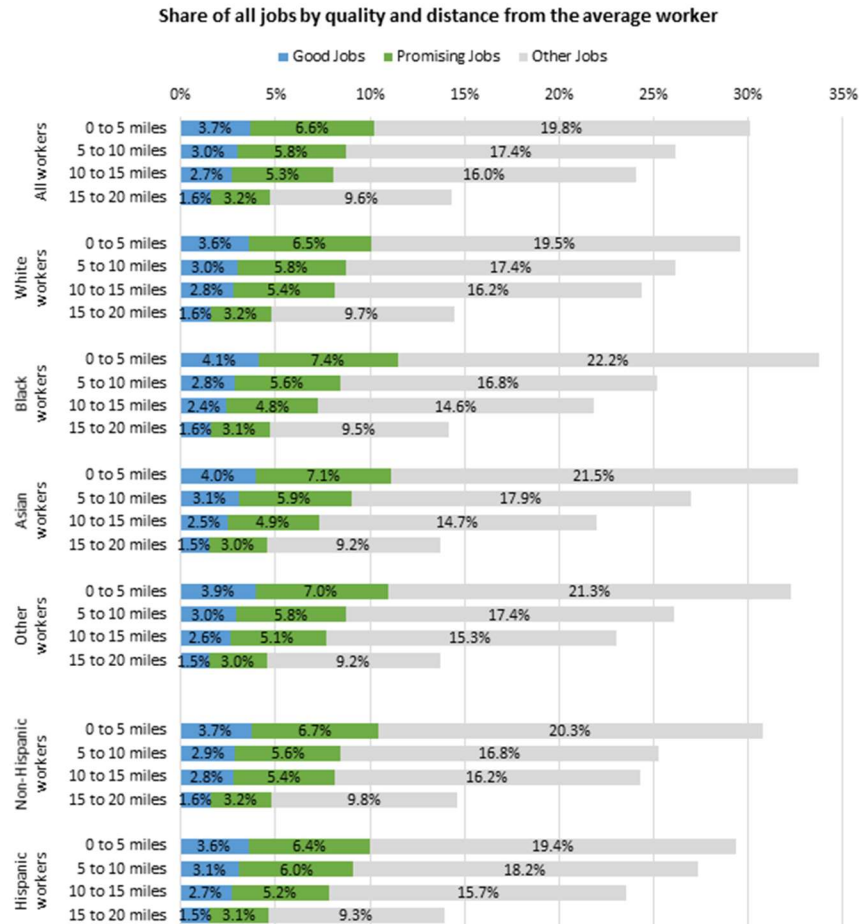
Unlike most areas where clear geographic disparities are present for workers of different races, ethnicities, and levels of educational attainment, these patterns are largely consistent across demographic groups (*Figure 16*). This indicates that other issues are the main factors underlying the divergence by race in holding quality jobs.

The patterns also reinforce that the core challenge for access to good jobs is not necessarily distance from them, but rather their overall low number in the region.

Nonetheless, infrastructure and land use policies promoting denser physical development may still make the region more economically and socially successful by reducing the distance to jobs and other community assets and amenities. Notwithstanding COVID-era predictions of the “death of downtowns,”

the knowledge economy still favors physical density of businesses, skilled workers, innovation assets, and other anchors to maximize collaboration and spillover of novel ideas.⁷

Figure 16: Share of all jobs by quality and distance from the average worker, with breakouts by race and ethnicity of workers



Note: Race is not separate from ethnicity in these data, which means workers that identify as a particular race might also identify as Hispanic.

Source: Brookings and Cities GPS analysis of LEHD LODES data.

Broadband availability is comparatively strong against peers, but adoption lags overall.

Access to broadband is a critical contributor to both economic competitiveness and inclusion. Businesses obviously need reliable high-speed connectivity to conduct core operations; applications of

⁷ See Chad Shearer, Jennifer Vey, and Joanne Kim, “Where jobs are concentrating and why it matters to cities and regions,” Brookings, June 2019, <https://www.brookings.edu/research/where-jobs-are-concentrating-why-it-matters-to-cities-and-regions/>.

technology to agricultural production, like precision farming, demand even greater levels of upload speed than available. Individuals also need stable access for education, community services and amenities, and remote work.

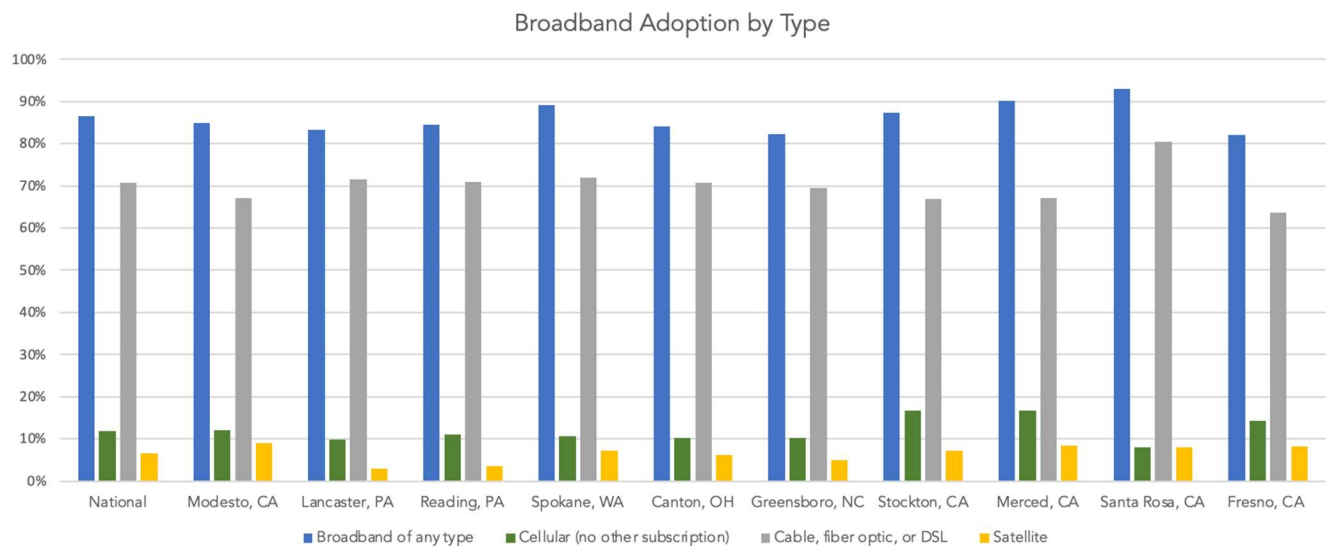
At the County level, fixed (non-mobile) broadband access of 25mbps download speed is available to 93.7% of residents. This is on par with San Joaquin County (95%), greater than Merced County (82.3%) and Fresno (87.2%), and well above Tuolumne (66.8%), Tulare (64%), or Kings (70.1%). In contrast, Bay Area counties have nearly universal access, such as Santa Clara (100%) and Alameda (99.3%), often at greater speeds than the Central Valley.⁸

Broadband adoption (or subscription) lags availability, which is typical across regions. Nearly 85% of households in the County have a broadband subscription of any type. However, only 67% of households access a stable fixed cable, fiber-optic, or DSL subscription, versus less reliable cellular or satellite service. While the region is within range of the national average and ahead of other Central Valley regions, it lags national peers by several percentage points in adoption of more reliable fixed connections, with greater weighting towards cellular and satellite service (Figure 17).

Furthermore, Microsoft utilization data shows that only 41% of Stanislaus residents are actually using high-speed broadband of at least 25mbps, notwithstanding availability and subscription rates. This is five to 15 percentage points less than national peer comparisons and San Joaquin County.

In all, beyond having physical access, the data indicates a programmatic opportunity to facilitate improved adoption of higher-quality, higher-speed services.

Figure 17: Broadband Adoption by Type and Metropolitan Area (2019)



Source: American Community Survey 2019 5-Year Estimates

Prioritizing utilization choices could boost impact of major site development.

⁸ Brookings and Cities GPS analysis of Federal Communications Commission and Microsoft data.

The availability of several large developable sites for industrial and business park in the vicinity of the Bay Area is a solid economic asset for Stanislaus County as more commercial activity looks slightly further from the core. These include publicly-controlled sites like the Crows Landing and Riverbank Army Ammunition Plant military base redevelopments, as well as private sites such as Beard Industrial Park and properties in Turlock and Patterson.

Site development practices most often are sector-neutral, with the primary objective to filling space and maximizing the presence of leasing tenants. However, in line with objectives of quality job creation and access, stakeholders can pursue a deliberate approach to proactively seek preferred functions that meet those standards.

Public sites are easier to direct toward these outcomes and align with opportunity industry decisions, such as Riverbank's interest in positioning for green economy functions versus generic development. However, other regions have worked with private developers to target manufacturing operations over warehouses due to relative job quality, which requires additional effort. Anchoring on sector priorities also can justify greater investment in developing shared facilities or capabilities that enhance the appeal of the site, mimicking cluster dynamics and promoting more value-add activities.

Part 5: Governance

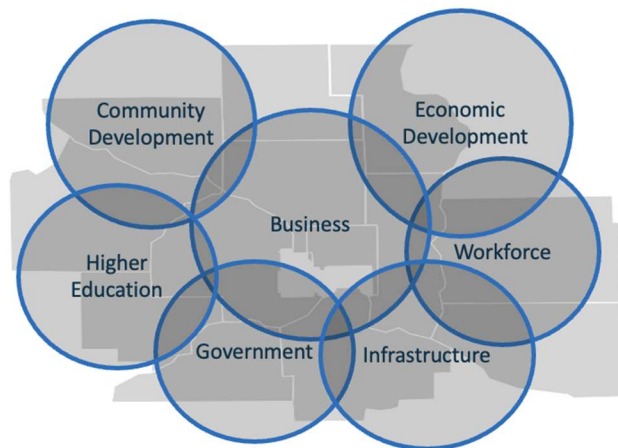
Why governance matters

Whether regions can deliver on their ideas and ambitions depends on effective “governance”—the formulation and execution of collective action across institutional, jurisdictional, and sectoral boundaries. Explicitly assessing governance acknowledges that achieving desired economic development outcomes depends on action beyond the direct control or resources of economic developers.

Traditional metrics for economic development organizations positioned them as independent actors, emphasizing new jobs or capital expenditure typically associated with business attraction through their marketing and incentive activities. In reality, however, economic development organizations are only responsible for a subset of the programs, policies, and investments that drive competitiveness. For example, addressing the shift by business to rank skilled labor availability and production as the overall top priorities for location decisions is the purview of the workforce development system.

An “ecosystem” view reflects that diverse contributors hold different levers influencing economic results, and impact depends on how well these separate private, public, and civic institutions focus their efforts to achieve common goals. The return on individual contributions is greater when investments in business support, workforce training, university innovation, and infrastructure buildout are targeted rather than dispersed. More than a willingness to communicate, this relies on shared strategies and metrics around which stakeholders organize and implement their contributions.

Figure 17: Economic development outcomes rely on networks of diverse contributors



Thus, effective governance is gauged on the extent to which a region has a clearly understood agenda for joint action on economic objectives, and then follows through to act on it. That status in Stanislaus County can be assessed by qualitative analysis of current and past economic and workforce development strategies for content and execution, and mapping institutions and their functional contributions. This assessment can indicate whether existing strategies and efforts are aligned, inconsistent, or inactive, and where more collective impact could be achieved by filling gaps, eliminating redundancies, and aligning for greater scale and return on time and investment.

These findings are not a critique of any individual activity or stakeholder, but of the region's performance and ecosystem as a whole. Organizations with responsibilities that relate to the findings naturally might feel challenged because they are already working to address identified issues. However, the data and qualitative reviews in the Market Assessment did not evaluate the efficacy or appropriateness of particular program activities, which may be of high quality and relevance.

(For full organizational mapping, see Appendix III)

Findings:

- **While there is long-standing recognition of core regional economic challenges, Stanislaus has struggled to articulate a collective and specific vision to address these issues at scale.**

For at least two decades, regional reports and plans have regularly identified priorities of industry diversification and local job growth that reduces demand for commuting. They also restated intractable underlying challenges such as lagging educational attainment.

Despite this consistent identification of concerns, resulting strategic plans and implementation have not been sufficiently specific and targeted, nor linked across main contributors. As a result, the region does not make the difficult tradeoffs among options, concentrate enough resources, or engage all the necessary contributors to make substantial headway. For example:

- Stanislaus’s Comprehensive Economic Development Strategy (CEDS) and 2020-2023 Economic Development Strategy describe regional economic strengths and challenges, but rather than presenting a coordinated and integrated agenda in response, list disparate projects collected from across the region’s municipalities, as required to qualify them for federal grant applications. Additionally, Modesto as the region’s economic center lacks a fully defined economic development strategy of its own, mainly offering objectives in its General Plan without associated tactics and programs
- Opportunity Stanislaus’s inaugural strategy served as a solid base for advancing programs and tracking performance metrics. Some activities emerged, such as supporting a demand-driven workforce. However, acknowledging constraints on a revamped organization, execution lagged on other big ambitions, including dedicated team supports for six industry clusters and four innovation centers. Named clusters generally reflect broad sectoral presence with high job counts in the region versus tailored ongoing efforts to organize the support network around industry specializations. For Opportunity Stanislaus and the overall ecosystem, this exemplifies the need to truly prioritize among sector options for impact, as well as tap synergies with other contributors to jointly deliver implementation.
- Contrasting with most peer anchor institutions, CSU Stanislaus and Modesto Junior College do not have a defined economic development agenda or dedicated capabilities to leverage their assets. CSU Stanislaus’s strategic plan cites “a deep sense of responsibility for strengthening the Central Valley by advancing the competitiveness of the region” without defining impact or how to achieve it.

Review of Regional Strategies Related to Economic & Workforce Development

Economic Development

- Our Future is Now (2016) -- Opportunity Stanislaus
- Next Level Together (2021) -- Opportunity Stanislaus
- Comprehensive Economic Development Strategy (2021-2026) -- Stanislaus County
- Economic Development Strategy (2021-2023) -- Stanislaus County
- Crows Landing Business Park Project (late 1990s to the present) – Stanislaus County
- Riverbank Army Ammunition Plant (RAAP) Base Reuse Plan (2008 to the present) – Riverbank Redevelopment Authority

Workforce Development

- Annual Workforce Report (2019-2020) -- Stanislaus County Workforce Development

- Local Workforce Plan (2021-2025) – Stanislaus County Workforce Development
- Strategic Plan (2017-2025) -- CSU Stanislaus
- Five Year Plan (2016-2021) -- Yosemite Community College District
- Educational Master Plan (2017-2022) -- Modesto Junior College
- Cradle to Career Baseline Report (2019)

Other

- General Plan – City of Modesto
- Focus on Prevention 2020 Report and Strategic Plan (2020) – Stanislaus County
- Regional Transportation Plan / Sustainable Communities Strategy (2018) – STANCOG
- Building Shared Prosperity in Stanislaus (2020) – Stanislaus Community Foundation

- **Collective action on economic outcomes in the region is limited, inhibiting a common agenda and the long-term effort and investment needed to achieve impact.**

Several institutional factors contribute to the lack of a shared, focused regional economic agenda with a fully-resourced workplan. Most notably, prior expectations and funding sources for economic and workforce organizations did not incentivize collaboration or reward outcomes that take a longer period to manifest. Turnover in some key institutional and government leadership roles undermined the stable vision and relationships for achieving change, also promoting a focus on short-term activities. Efforts are reactive and resource-driven, with no consistent table or “center of gravity” to transparently organize, vet, and partner. Stakeholders suggest that a neutral facilitator to focus partners on jointly-owned accountability metrics is necessary to overcome territorialism and make progress.

This diffused approach has both limited the impact of existing resources and impeded the region from effectively organizing for larger sums. Recent efforts like the Cradle to Career Initiative, Focus on Prevention strategy, and COVID-19 relief represent promising collaborative efforts involving multiple relevant institutions, although are in early stages of implementation.

- **Major workforce and economic development organizations lack strategic or programmatic alignment, particularly in support of inclusive economic outcomes.**

Despite interactions and some contractual relationships, economic development and workforce development activities rarely sync on priorities or result in deliberate complementary or joint program responses. Rather, individual organizations generally act independently in assessing data and choosing areas of focus. Entities such as Stanislaus County Workforce Development, Modesto Junior College, and CSU Stanislaus focus significantly on reaching underserved communities, but those efforts are not connected to improving inclusive economic development outcomes in tandem with job training and placement metrics. Meanwhile, independent standup and resourcing of the VOLT Institute is emblematic of economic developers filling a gap that more naturally fits within the scope and resources of the workforce system and is a program at other California community

colleges. In all, typical business-driven supports like apprenticeships and on-the-job training do not meet the scale of peer regions.

Natural collaboration across workforce and economic development is somewhat hindered by funding sources and outcomes against which organizations are measured; however, the comparatively small number of major players make a coordinated agenda realistic. Further, timing of new internal organizational planning in tandem with the Stanislaus 2030 process offers immediate opportunities for greater alignment in prioritizing sectors and targeting job quality and access. Stanislaus Workforce Development is starting to examine how to bolster business services relevance, exploring new partnerships with industry-specific intermediaries and organizing a Business Development Committee to engage the private sector. Major state funding through the community college system for economic development objectives offers specific areas for Modesto Junior College to collaborate with added resources, actualizing its educational master plan goals for improvements to CTE offerings and serving industry needs.

- **The geography and number of contributors needed to advance an inclusive economic development agenda is less fragmented than in other regions, and the region shows capacity for establishing new institutions to fill gaps.**

In Stanislaus County, the institutions that contribute to inclusive economic outcomes form a comparatively less complex web of organizations and managers with which to align strategies and tactics. The physical size of the defined metro economic area tightens the shared benefits and spillover among local jurisdictions for overall benefit to residents. The region has demonstrated recent ability to establish new tools like Community Development Financial Institutions and a community development corporation. These characteristics make the potential to execute on joint efforts easier to achieve than in other regions.

- **In comparison to other regions, business community engagement in economic development centers more on narrow interests of individual firms or industries and placemaking amenities, rather than overall economic competitiveness and strength of the “ecosystem” for collective benefit.**

While the funding model for Opportunity Stanislaus represents some shift in balance between public and private leadership in economic development, the region still is not comparable to higher-performing peers in the level of business engagement on design, investment, and execution. Firms in the County principally invest in arts and culture, physical amenities, scholarships, and employee volunteer programs. In other regional models, business leads actively drive both strategy and delivery, champion initiatives and galvanize peers, and invest in overall economic development beyond direct benefit to their firm or industry.

- **New efforts by mainstream institutions to work with community intermediaries in reaching disconnected residents are promising, pending deeper and sustained collaboration.**

Economic development groups have begun to take steps that focus on underserved communities in programming and outreach, in some cases inspired by the COVID-19 crisis. However, community leaders report that members may be distrustful of or intimidated by establishment organizations. Lowering barriers to access through partnerships with “trusted messengers” and ambassadors, streamlining bureaucratic processes, and greater cultural competency (e.g. language) could improve delivery, access, and serve ultimate goals of ensuring that underserved populations attain greater economic success.

- **The region is risk-averse, which may constrain new effort and investment.**

Addressing the wide-ranging issues identified in data and program reviews will require both non-traditional practices and deep commitment across the region. Thinking beyond customary approaches, investing in bigger bets for the long-term, and making difficult choices about “what not to do” are incumbent to success. This will require both enhanced business engagement in economic development and trust between the private and public sectors. Stakeholder input suggests that accomplishing these actions must overcome the region’s independent, cautious, and skeptical civic culture.

- **Current action -- and the Stanislaus 2030 strategy process -- are not reaching the regional economic scale required to be truly competitive, which would encompass the three North San Joaquin Valley counties.**

The functional economy and future of Stanislaus County is connected with San Joaquin and Merced counties. They share a common industry mix, parallel economic performance, and substantial workforce overlap. They face mutual challenges of few individual innovation assets, comparatively small populations, and limited market visibility that can be stronger in the aggregate. Local reviews ranging from Opportunity Stanislaus to the Stanislaus Community Foundation raised this issue. The state’s analysis to define its economic regions for differentiated support under the Community Economic Resilience Fund, setting aside historic administrative and political geographies, reaffirmed it. While extraordinarily difficult to align any strategies across these additional boundaries when it is difficult enough within Stanislaus County, many tactics and activities with comparative advantages in efficiency and effectiveness would be best achieved at that scale.

IV. IMPLICATIONS AND CONSIDERATIONS

The aspiration set by Stanislaus 2030 is unapologetically ambitious:

- *Our Vision: We envision - and commit to build - a high-performing, diverse economy to match our multi-cultural lifestyles and dreams for the future.*
- *Our Mission: We will create pathways for Stanislaus residents to achieve economic mobility by building an economy that is diverse, inclusive, connected, vibrant and sustainable.*

Yet the Market Assessment analysis makes clear that delivering on these objectives will not be easy or fast.

For years, the County’s economy has been overweighted in industries with low margins that do not add enough value to generate quality jobs, and in local-serving activities that do not bring new wealth into the region. At the same time, the talent development, innovation, and entrepreneurship assets that will be needed to improve sectors are lagging.

The scope of the region’s challenges means there are more options for intervention than feasible to execute at once, and strategy requires prioritization. The Market Assessment findings identify alternatives worth evaluating, with tradeoffs in determining which to pursue.

With this evidence base, Stanislaus 2030 will take the next steps towards making these decisions. Input from the Executive Committee, Leadership Council, and broader community will identify a set of opportunity areas for further exploration. Over a period of about three months, topical stakeholder workgroups will examine these areas, developing strategies, tactics, and activation plans to guide interventions. Alongside these efforts, the initiative will establish a long-term governance structure to guide implementation and accountability. Ultimately, this will result in a joint strategy and investment plan to catalyze long-term collective action.

Market Assessment implications for the strategy phase can be organized into four categories:

- overarching considerations of geography and race and gender differences
- sector-based options for priority economic development focus
- systems issues not targeted to particular sectors, such as workforce development, business dynamism and entrepreneurship supports, and implementation capacity
- factors connected to and enablers of regional economic success, but beyond the manageable scope of a regional economic development strategy,

Overarching Considerations for Strategy Development

- 1. Although considered separate metropolitan areas, Stanislaus County is a functionally interrelated economic region with San Joaquin and Merced counties, with common industry and talent mix; operating at this greater scale could enable more effective interventions.** While the scope of the Stanislaus 2030 initiative and the Market Assessment are limited to Stanislaus County (or the Modesto metropolitan statistical area), stakeholders should pursue the economic development benefits of integrated effort across the North San Joaquin Valley tri-county area. Independently, these counties lack the scale, assets, and visibility to compete. Together, they possess complementary strengths in major sectors, share workforce, and research institutions. Organizing at this level significantly expands Stanislaus’s offer in the global economy.
- 2. Interventions must take into consideration how to address racial and gender differences in access to quality jobs and economic opportunities.** Regions that are more economically inclusive are also more competitive in growth and productivity. Given the economic mobility data, an intentional approach will be required to enable deep prosperity for all residents. Not all economic or workforce development activities essential to the region’s competitiveness

can address demographic inclusion. However, race and gender outcomes should be one factor in determining tactics.

1. The region must bolster existing and emerging industries that offer higher concentrations of good and promising jobs.

- The region has three potential avenues for exploiting its dominant agricultural strength for more sustainable growth, albeit all with trade-offs or barriers: a) adoption of innovation to improve job quality, but ultimately reduce the total number of jobs, b) movement up the value chain through new solutions to ag technology or products, although complicated by the region's lack of innovation base, or c) expansion into complementary industries, such as distribution and packaging, which require further exploration.
- Bioproducts and the circular economy appear to offer an emerging opportunity for growth---leveraging alignment with existing agricultural strengths, proximity to Bay Area innovation, adjacency with the region's existing talent base, and supportive state policy—but lack the focus, organizing, and supports needed to deliver.

Ultimately, improving Stanislaus's economic position requires solidifying the core base of a dynamic, competitive traded sector. This analysis offers several opportunities for focus that also meet criteria for improving the region's supply of good and promising jobs.

Realizing these industry opportunities, however, will require more than simply naming selections. Rather, the region will need to design focused strategies for cluster and ecosystem development, strengthening talent, innovation, infrastructure, and governance factors that support these sectors.

Common challenges around talent and innovation suggest a prioritization on these areas. While stakeholder input indicates that workforce challenges are acute across many industries, particular attention should be paid to dedicated supports for identified industries that offer greater chance of connecting workers to good and promising jobs. The undersupply of regional innovation needed to advance sector competitiveness, meanwhile, urges a dedicated focus on programs and services aimed at improving access and facilitating validation and adoption of new technologies and approaches developed elsewhere. Such supports could also help the region better leverage and connect in other relevant local institutions, such as water districts.

This approach inherently involves concentrating and targeting economic and workforce development resources, making trade-offs versus evenly distributing attention: truly organizing behind clusters, rather than simply naming them. Further, success requires a degree of collective firm action departing from what business and intermediary input suggests is a largely independent business culture within the County.

In addition to these identified sectors, the region may also want to target specific supports to its dominant Agriculture industry. While agricultural production and processing do not meet Opportunity Industry standards for job quality, it is the foundation of the region's job creation and identity; further, it provides a base for other activities bioproducts, higher-value food processing and other manufacturing.

The Market Assessment research indicates that improving food-related job quality and durability involves bolstering adoption of innovation and technology within the industry. Doing so would increase the skills requirements, value-add, and productivity of workers; while expected to reduce the total number of agriculture jobs, it would create a smaller number of better, higher-paid positions and improve the competitiveness of sector. While the existing unmet demand for lower-skill work means both firms and workers could benefit, this also will lead to needs for upskilling or displacement (As explored earlier, the region is more likely to adopt—rather than develop—innovation, given its baseline R&D capacities).

The scale of the region’s good jobs gap also demands a focus on improving job quality holistically across traded, local-serving, and public sectors, even in those areas not currently prioritized for growth. These may involve promoting business practice and policy reforms in areas such as encouraging firms to inventory job quality and hiring requirements, establishing clearer career pathways and supporting upward mobility within firms, and facilitating collaboratives among firms to provide affordable childcare access.

- 2. The region’s talent gaps are a serious impediment to economic mobility and growing opportunity sectors that rely on knowledge and skills, and the workforce system is not adequately addressing these issues at scale. Impediments include lack of industry-led orientation and responsiveness; insufficient prioritization of job quality for outcomes; and fragmented approaches that do not maximize limited resources.**

Given the fundamental contribution of talent to both regional and worker success, improving talent development and its alignment with strategic economic development goals is an absolute imperative for the region.

Specific approaches should be targeted to identified sectors. The region lacks talent-to-industry exchange models targeted to specific sectors that are business-led, data-driven, and comprehensive. to boosting the scale of and prioritizing these sectors in routine workforce offerings, such as Employer Training Panel (ETP) resources for incumbent worker training.

Job quality should also be an explicit and proactive factor in spending resources. Stanislaus County Workforce Development, for example, has set its own self-sufficiency definition, but has stopped short of making this wage threshold an explicit target for placements.

Meeting Business Needs: Cuyahoga County’s SkillUp Model

Beyond their role in supply-side training and placement, workforce developers connecting to inclusive economic development outcomes are considering demand-side assistance to businesses that boost job quality and access. For example, middle-market firms that have the human resource needs of a large firm but the internal capacities and visibility of a small business struggle to identify workers, develop incumbent worker pathways, and provide training tailored to their circumstances.

Cuyahoga County, OH's SkillUp program bridges this chasm by working directly with employers through a dedicated team of twelve "talent advisors." (*Cuyahoga County is anchored by the city of Cleveland*). Housed within the County Department of Economic Development, the team works with employers to conduct organizational assessments concretely defining their talent needs and then navigate available training options. This includes sourcing relevant trainings, developing and assisting execution of customized training plans and apprenticeships, connecting with human services organizations and other providers, and offering reimbursements tied to wage increases and access to other forms of financing. Through this concierge model, SkillUp lowers the transaction costs for businesses to access complex systems, improves utilization of County resources, and ultimately helps both firms address talent needs and regional workers realize upward career mobility.

Sources: Cuyahoga County, OH, "SkillUp Talent Services,"

<https://cuyahogacounty.us/development/businesses/skillup> and Brookings Institution, *Talent-Driven Economic Development*, 2019.

More effective partnerships between industry and mainstream workforce and higher education institutions are incumbent to success. New leadership and the establishment of a Workforce Development and Lifelong Learning division at Modesto Junior College, along with Stanislaus County Workforce Development's articulation of a new approach to sector engagement, are promising developments. However, institutions will need to work to ensure approaches are flexible, nimble, and responsive to market and economic development needs.

Beyond the opportunity sectors identified in the Market Assessment, employer input further suggested gaps in professional services talent and digital skills spanning both traded and local-serving industries. Relevant interventions could include work-based learning focused on bolstering soft skills and preparing talent for office work.

Lastly, the region should continue to work to address the deeper, systemic issues underpinning both talent and broader economic development challenges. Chronically low educational attainment is a fundamental impediment to success in the modern economy, reinforcing the importance of efforts such as the region's Cradle-to-Career strategy to build a stronger pipeline. The high proportion of non-white struggling workers in the region also suggests that these demographics may face particular barriers to attaining good jobs, potentially demanding dedicated interventions.

3. Business and entrepreneurship supports are missing or not at the required scale for both Main Street and high-growth young firms:

- Efforts to bolster minority and women business owners are underdeveloped, consisting of nascent partnerships via affinity groups and community organizations.
- No incubator or accelerator programs operate in the county.
- Capital access needs are potentially being addressed with the establishment of new Community Development Financial Institutions, but gaps likely remain in equity investment and other categories.
- No inventory exists of resources and impediments to business dynamism, which should be determined through supplemental strategy research and community engagement.

Accompanying its anemic performance in business dynamism, Stanislaus lags in or lacks several areas of mainstream support for entrepreneurship. The region does not currently have an incubator or

accelerator, either targeted generally or specifically centered in areas where focused attention could bolster sector strengths. The designation of several new Community Development Financial Institutions (CDFIs) —at Valley First Credit Union and Rolling F Credit Union—are promising developments, but likely insufficient to meet the total gap in capital access.

Therefore, in addition to targeted efforts around priority sectors, regional stakeholders should explore the expansion of basic supports in scale and sophistication. Building on nascent engagement by mainstream institutions and responding to disparities illuminated by the COVID-19 crisis, particular attention should also be paid to underserved populations, given the differential performance in business ownership and job creation noted in Section 2. Additional engagement with these segments is necessary to fully understand the scope of need and where to target resources.

4. The region lacks a shared agenda with ongoing coordinating mechanisms to inform strategy and resource utilization across contributors.

- While individual organizations have demonstrated capacity to execute on aspects of plans and identify performance measures, the lack of collective action has diluted the impact of limited resources.
- Economic development and/or workforce stakeholders rarely undertake functional collaborations or joint programmatic implementation, or share data and relationships to guide action.
- Business community leadership is more oriented to community amenities and firm-specific interests than building the ecosystem enabling regional economic competitiveness.
- No agreed “center of gravity” or consistent forum exists to drive economic development decisions or transparently vet, organize, and partner around opportunities.

Acting on the realities described in this report and delivering on the vision of Stanislaus 2030 will require a level of sustained collaboration challenging for any region. Stanislaus’s gaps in civic capacity and historic challenges with collective action, therefore, are particularly essential to address in tandem with programmatic interventions.

The success of Stanislaus 2030 will require regional institutions to adopt a shared agenda and metrics for long-term action. Special attention should be paid to the Governance findings of this Market Assessment as stakeholders consider how to implement and institutionalize the initiative for the long-term. Notably, Stanislaus has more agency to make headway on these challenges than those accountable to market and industry trends; reforms to governance and civic capacity are about vision and commitment, rather than existing assets or resources.

5. Other actions impact on quality of life, equality of opportunity, and community vitality, but are outside the scope of inclusive regional economic development.

While a stronger regional economy that generates more quality jobs is a prerequisite to shared prosperity, no economic development approach can address all interests in local vitality. Issues raised during the Market Assessment process include: (1) early childhood education; (2) health care access; (3) affordable housing supply; (4) neighborhood and community development; and (5) placemaking and amenities.

These topics have indirect impacts on inclusive economic outcomes, yet they are not directly connected to economic development action. Rather, they involve distinct systems and stakeholders with different responsibilities, where trying to incorporate them all makes an economic strategy overbroad and unmanageable. Efforts in these areas are important and complementary, but without quality job creation and access, they cannot sustainably connect the region's residents to self-sufficiency and economic mobility.

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