



2006 PERFORMANCE INDEX

# Contra Costa County

## Competing in a Global Economy



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**CONTRA COSTA ECONOMIC PARTNERSHIP**

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# INTRODUCTION

The 2006 Performance Index focuses on Contra Costa County's competitiveness in a global economy. Despite globalization, place still matters. The County's attractiveness as a place to live and conduct business ultimately depends on its ability to create and sustain job growth. According to a March 2004 Inc. Magazine article by Joel Kotkin and David Friedman, the types of places that are working best are "predominately suburban, and [are] . . . relatively affordable, particularly in terms of housing prices, cost of living, and business costs."

A Milken Institute study on America's Best Performing Cities found that "low business costs and a knowledge-based economy demonstrate that new jobs can be created in America and need not move off-shore."

So, how is Contra Costa County doing?

Demographic indicators for Contra Costa show a growing population of more than one million residents, placing the county among the 38 largest counties in the United States. In recent years, the county's population growth has been primarily the result of foreign immigration with the county becoming more urban in character and having an increasing ethnically diverse population.

Economic trends show a growing entrepreneurial economy with an increasing number of entrepreneurs starting new companies and small businesses creating the majority of jobs. The downside is that the County has not been able to overcome its past as a suburban bedroom community and still exports a large percentage of its skilled workforce to job centers elsewhere in the Bay Area. Despite having a highly educated, skilled workforce, job creation is not keeping pace with population growth.

Social Indicators describe two counties -- one which is well off, the other which shows a growing number of families living below the poverty level.

Quality of life factors indicate more people taking public transit, yet traffic congestion continues to increase due to the lack of jobs within the County. A number of local cities have created walkable downtowns -- with a variety of retail shops, restaurants, farmers markets, theatres, libraries, entertainment, and housing -- making Contra Costa an attractive place to live. County residents also enjoy a wide variety of open spaces from regional parks, scenic shorelines and wildlife preserves to community parks and bicycle paths.

While Contra Costa offers a promising future, there are cautionary flags being raised and there continue to be challenges with housing affordability and job creation.

The Contra Costa Economic Partnership is an association of business, education, and public sector leaders dedicated to creating and retaining quality jobs in Contra Costa to maintain the county's quality of life.

Research and analysis for this report was provided by Craft Consulting Group, a Lafayette based economic and business planning firm focused on assisting private and public sector clients understand and develop strategies to succeed in the increasingly complex economic environment in which they compete.

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# HIGHLIGHTS

In evaluating how well Contra Costa County is competing in the global economy, U.S. counties with comparable sized populations were selected as a benchmark against which to compare Contra Costa's performance. Competitiveness indicators showed:

## DEMOGRAPHIC TRENDS

**Continued Population Growth:** Contra Costa County's population increased by more than 72,000 new residents during the five year period between 2000 and 2004. With a current population of more than 1.02 million people Contra Costa ranks as the 38<sup>th</sup> largest county in the United States. Foreign immigration accounted for 28% of the County's growth over the past decade compared to 31% for domestic migration and 41% for natural increase. Foreign immigration, which has been relatively consistent over the past decade, is now influencing the county's population growth more than domestic migration, which dropped off sharply following the dot-com crash in March 2000.

East County is now the second largest sub-region, surpassing West County in 2001 and challenging Central County for dominance. The southern part of the county also saw large population increases during the past decade and will continue to see significant growth as Dougherty Valley is built out over the coming decade. Demographers project the County's population to continue growing albeit at a slower rate than it has over the past two decades, adding approximately 225,000 new residents by the year 2030.

**Increasing Diversity:** With foreign immigration driving population growth, the County's population is becoming more diverse with various racial and ethnic minorities increasing faster than the white population. Foreign immigrants tend to be younger than the existing population with higher birth rates, which further contributes to changes in the ethnic composition of the population. The county's diversity is reflected in the 50 different languages spoken by school age children. A quarter of the County's residents are foreign born with Hispanics and Asians making up the largest percentage. Almost half of the foreign born residents have moved here since 1990.

**Aging Population:** Senior citizens are the fastest growing segment of the population. Those age 65 and over will increase from 10.7% of the population today to around 18% by 2030, reaching a peak of 18.4% in 2040. As the baby boom generation reaches their retirement years they can be expected to age in place and remain in their current home as long as possible. A Study by Contra Costa for Every Generation found that "over 92% of those over 65 years of age preferred to remain in their current home as long as possible". Since the elderly are located in the older areas of the county, younger families are forced to purchase housing further out. The newly retired will have a longer life expectancy, will be better educated, and will be financially better off compared to earlier generations.

**Increasing Dependency Ratios:** As the baby-boom generation retires, the working age population will decrease from 61.8% to 57.5% of the population with Central County aging the fastest. A younger, family-oriented population is locating in East and South County where new housing is being built. West County has both older neighborhoods with an elderly population and new developments comprised of singles and families with children. The younger population will be comprised mainly of Hispanics who make-up 44% of those under 18, while whites make-up the majority of the elderly.

## ECONOMIC PROFILE

**Average Employment Growth:** Over the next twenty-five years, Contra Costa County is projected to add more than 134,000 new jobs. Most of the jobs that will be created are expected to be in the service sector propelled in part by the growth of business services, healthcare, engineering, and management sub-sectors. Manufacturing employment, which has been declining over the past decade, is expected to continue its downward slide. Emerging industries in the technology sector are expected to provide a growing source of new jobs during the coming decades. Job growth, however, is not keeping pace with population growth. Compared to other counties in the United States with similar sized populations, Contra Costa County has the fewest number of jobs per working age population.

**Diversity of Existing & Emerging Industries:** The County's economic base is concentrated in six industry sectors -- petro-chemical manufacturing, financial services, professional & business services, healthcare, construction, and leisure & hospitality -- which account for almost fifty (50%) percent of the County's jobs. Retail and public sector employment make up another 27% of the jobs. Emerging high-tech industry clusters (software, instruments, biotechnology, environmental, medical technology), plus the telecommunication sector account for 7.7% of the county's employment base. Small, fast-growing technology companies will be important contributors to the county's future economic vitality. Strengthening the County's knowledge-based industry clusters in information technology, life sciences, and healthcare technology will be important for future job creation.

**Growing Entrepreneurial Economy:** Small and medium-sized businesses continue to generate most of the job growth in Contra Costa with small firms of less than 100 employees accounting for approximately 78% of the total businesses in the County. The number of small businesses has been growing faster than medium sized businesses and large corporations. New business formations are up in recent years despite the economic downturn. While innovation and new business formations will help drive job growth, Contra Costa County lacks the well-defined social, business, and financial infrastructure necessary to promote an entrepreneurial culture that encourages risk taking and supports new start-ups.

**Diversity of Corporations:** Contra Costa County is home to a number of large corporations such as Chevron, SBC, BioRad, and John Muir Health System, as well as a number of small and medium-sized enterprises (SME's). The number of corporate and regional headquarters located in Contra Costa, however, is below the average for counties of comparable size. Although the County's major corporations represent less than 1% of the total businesses, they employ 18.3% of the local workforce and typically pay higher wages than small and medium-sized businesses.

**Retail Growth:** Contra Costa County is an affluent market with the fourth highest median personal income in the State. Retail sales have steadily increased since 2000, although at a slower rate than during the boom years of the late 1990's due to a sluggish regional economy in recent years. Since retail trade is the second-largest sector of the County's economy, this slowdown will affect both local governments that are dependent on retail sales taxes and workers seeking jobs, especially young people. Retail employment, however, remains strong with retail jobs accounting for 18.3% of the County's employment base. The number of retail outlets has declined over the past decade as stores move toward larger facilities and specialty retail struggles to survive.

# HIGHLIGHTS

## HUMAN CAPITAL

**Educated & Skilled Workforce:** Contra Costa County has one of the best educated workforces in the nation. Sixty-eight (68%) percent of the workforce has attended college, while 39% have completed four or more years of college. Young workers are the least educated, while the older workers are the best educated. The workforce is highly skilled with 40.2% in management, professional, scientific, or technical occupations compared to the statewide average of 35.2%. Almost half (48.8%) of the county's workforce is employed in business related occupations.

**Quality Institutions of Higher Learning:** Contra Costa enjoys a diverse group of institutions of higher learning from community colleges and technical schools to public and private four-year institutions, including St. Mary's College in Moraga, John F. Kennedy University in Pleasant Hill, and California State University-East Bay in Concord. These institutions of higher learning provide the education and training of future entrepreneurs, community leaders, and a skilled workforce. While enrollment at the four-year institutions is up, enrollment figures at local community colleges have remained relatively consistent over the past ten years. Diablo Valley College continues to have one of the highest transfer rates in the state and nation with a growing number of students completing the required courses for transfer to UC/CSU schools.

## SOCIAL INDICATORS

**Rising Incomes, But Growing Income Gap:** Personal income continues to rise even though Contra Costa's ranking within the State dropped from first to fourth. While most residents enjoy a high standard of living, there is a growing divide between the haves and have-nots with approximately 7.9% of the county's families with children under 18 and 6% of senior citizens over age 65 living in poverty. The number of families living below the poverty line has increased by 86% in recent years.

**Housing Affordability:** Job opportunities within the Bay Area metropolitan region, along with relatively affordable housing within the County, has made Contra Costa attractive to young professionals and mid-career transplants. The influx of young professionals who are in their prime home buying years has created a growing demand for housing and driven up housing prices. These educated Gen Xers will continue to influence the housing market, as well as the economy, over the next decade. Although median home prices continue to increase, Contra Costa County enjoys lower home prices relative to most counties in the Bay Area. More than 65% of the homeowners and renters pay less than 35% of their monthly income on housing. As affordability levels decline new homebuyers and renters will have difficulty finding a place to live close their place of employment.

**Education Challenges:** Contra Costa County high school graduation rates have declined sharply over the past decade. Only 85% of the seniors graduated in 2004, down significantly from a high of 97% eight years earlier. While all high school districts showed improvement, only two school districts meet the Statewide Performance Target. The percentage of high school graduates completing college prep courses has remained relatively consistent over the past five years. While countywide statistics show strong performance, not all schools perform equally well.

**Food Insecurities:** The ability to obtain enough food for an active, healthy life is a challenge for a large segment of the County's population. A large number eligible families and children are not adequately served by food assistance programs. Almost one-third of our primary and secondary school students are hampered in their ability to achieve top academic performance because of hunger.

## QUALITY OF LIFE

**Declining Mobility:** More people are taking public transit, yet traffic congestion continues to increase due to the lack of jobs within the County. Vehicle traffic delays have increased by fifty percent since 1997. The average time to work increased by 26.5% between 1980 and 2000. While additional transportation improvements are needed, local job creation is necessary to meet the needs of a growing population and to reduce the amount of out-commuting to job centers elsewhere in the Bay Area.

**Protected Open Space:** County residents enjoy a wide variety of open spaces from state and regional parks to scenic shorelines, wildlife preserves, bicycle paths and hiking trails. With 0.11 acres of protected open space per capita Contra Costa County compares favorably with the average for the Bay Area. Open space acquisition and preservation, however, is not keeping pace with population growth. New funding sources are required in order to purchase additional property, including strategic parcels.

**Livable Communities:** Contra Costa cities have a mixed track record in developing attractive communities and walkable downtown areas. Because of the dispersed nature of our retail, health, recreation, libraries, and job centers, the distances between many of the places we want and need to go cannot be easily walked. A number of local cities are developing attractive, walkable downtowns with a variety of retail shops, restaurants, farmers markets, theatres, libraries, entertainment, and housing – making those communities a highly desirable place to live and conduct business. County residents also enjoy a wide variety of open spaces from regional parks, scenic shorelines, and wildlife preserves, to community parks and bicycle paths.

## CONCLUSION

Communities that offer a strong growing economy, affordable housing, quality schools, diverse cultural amenities, abundant recreational activities, and an exciting social environment, attract the most skilled, best-educated segments of the workforce. While Contra Costa has a number of strengths including an educated, skilled workforce, a growing number of enterprising individuals looking to start new businesses, an excellent community college system and other institutions of higher education, emerging technology sectors, and an attractive quality of life, there are a number of cautionary flags being raised about its competitiveness in a global economy.

Indicators point to a need to:

1. Strengthen the County's existing and emerging industry clusters;
2. Promote and support entrepreneurship and new business formation;
3. Develop educational and training programs for a knowledge-based economy;
4. Foster a culture of innovation and risk-taking;
5. Develop livable communities that are affordable for a diverse workforce.