



ECONOMY

SONOMA COUNTY LABOR MARKET REVIEW 2006-2007 ANNUAL REPORT

WITH ACKNOWLEDGMENT AND APPRECIATION TO LOCAL KEY BUSINESSES
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- Sonoma County Permit & Resources Management
- Community Development Commission
- Sonoma County Health Services
- Sonoma County Transportation & Public Works

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ANNUAL LABOR MARKET REVIEW

2007

September 2007

The Sonoma County Economic Development Board (EDB), in partnership with the Sonoma County Workforce Investment Board, is pleased to bring you the 2006-2007 Annual Sonoma County Labor Market Review. This report provides data from the twelve months preceding July 2007 on local labor market trends using a model developed by the Employment Development Department of California (EDD). All seasonal adjustments of Sonoma County data were conducted by the EDB using the Census Bureau's X-12 ARIMA program. For more thorough sector analysis, please refer to the Industry Report Series available on the EDB's website (<http://www.sonomaedb.org/>).

Summary of Findings:

- Industry employment was balanced during 2006-2007. No industry employed the majority of Sonoma County workers, although Trade, Transportation and Utilities was the largest sector employer.
- Sonoma County's unemployment rate dropped to an all-time low during 2006, and it remained lower than the unemployment rate for both the United States and California during the year.
- The Construction and Professional and Business Service sectors had the largest year-over job change in both the number of jobs created and the percent growth in employment. No sector lost jobs during 2006-2007.

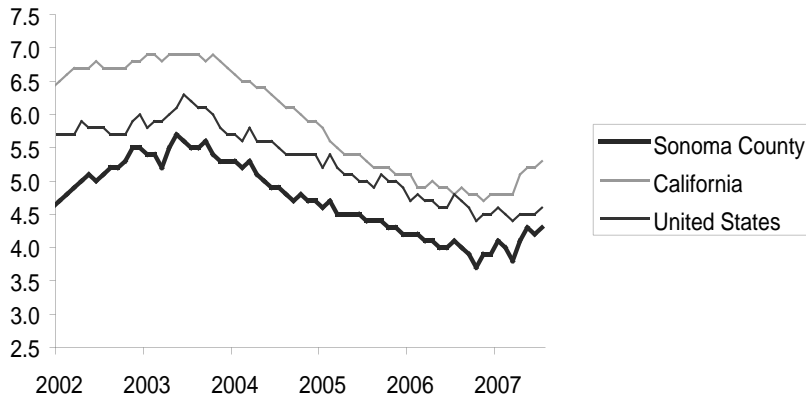
Thank you for your continued interest in the EDB's research. As always, if you have any questions, please feel free to contact us at (707) 565-7170.

Sincerely,

Ben Stone
Executive Director
Economic Development Board

All data contained within are believed to be accurate, but the Economic Development Board does not guarantee that they are accurate or complete. Monthly data are subject to revision. Please visit the Employment Development Department of California's website for additional labor market information and for direct seasonal adjustment of Sonoma County's nonfarm employment at www.labormarketinfo.edd.ca.gov Please visit the Economic Development Board's website for more detailed sector analysis and additional reports at www.sonomaedb.org. This report was prepared by Robert Nachtsheim and Jacob Hansen.

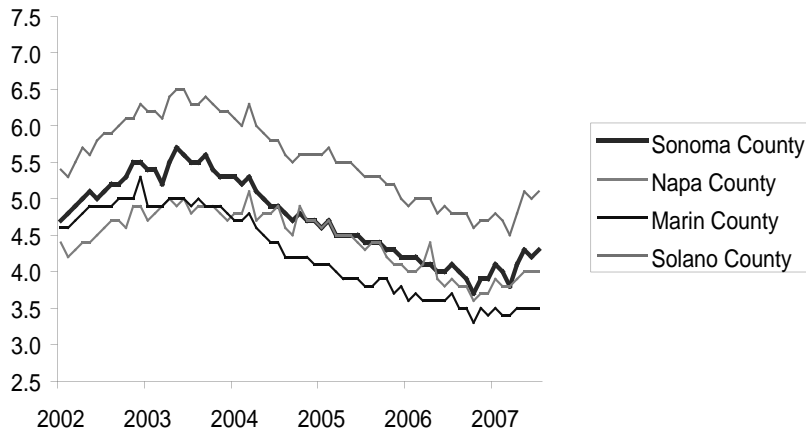
Sonoma County Unemployment Rate, Seasonally Adjusted



Over the past five years, Sonoma County has recorded a lower unemployment rate than both California and the United States. However, Sonoma County's unemployment rate is about equal to the neighboring counties of Marin, Napa and Solano.

Sonoma County's unemployment rate has increased by 0.2 percentage points over the past year, but it has decreased by 0.7 percentage points over the past five years. These percentages account for a 700-person increase in unemployment for the year and a 1600 person decrease since 2002.

North Bay Unemployment Rate, Seasonally Adjusted



Sonoma County Unemployment Rates (Unadjusted)

	2001	2002	2003	2004	2005	2006
Bodega Bay CDP	2.2%	3.1%	3.3%	3.0%	2.7%	2.4%
Boyes Hot Springs CDP	3.4%	4.7%	5.0%	4.6%	4.1%	3.7%
Cloverdale city	5.2%	7.1%	7.6%	6.9%	6.2%	5.6%
Cotati city	3.6%	5.0%	5.4%	4.9%	4.4%	4.0%
El Verano CDP	4.7%	6.4%	6.9%	6.3%	5.6%	5.1%
Fet. Hot Spr. & Ag. Caliente CDP	5.0%	6.9%	7.4%	6.7%	6.0%	5.5%
Forestville CDP	2.4%	3.4%	3.6%	3.3%	2.9%	2.6%
Glen Ellen CDP	3.0%	4.2%	4.5%	4.1%	3.6%	3.3%
Graton CDP	2.6%	3.6%	3.9%	3.5%	3.2%	2.9%
Guerneville CDP	6.6%	9.1%	9.7%	8.8%	7.9%	7.2%
Healdsburg city	4.1%	5.6%	6.1%	5.5%	4.9%	4.5%
Monte Rio CDP	7.2%	9.9%	10.5%	9.6%	8.7%	7.9%
Occidental CDP	5.5%	7.5%	8.0%	7.3%	6.6%	6.0%
Petaluma city	3.3%	4.6%	5.0%	4.5%	4.0%	3.6%
Rohnert Park city	3.6%	5.0%	5.3%	4.9%	4.3%	3.9%
Santa Rosa city	3.7%	5.1%	5.4%	4.9%	4.4%	4.0%
Sebastopol city	2.1%	2.9%	3.2%	2.9%	2.6%	2.3%
Sonoma city	2.6%	3.7%	3.9%	3.6%	3.2%	2.9%
Windsor town	3.0%	4.1%	4.4%	4.0%	3.6%	3.2%

Source: California Economic Development Department-Labor Market Information Division (<http://www.edd.ca.gov>)

GENERAL DEMOGRAPHICS

Population by Gender

Female	50.5%
Male	49.5%

Population by Race

White	69.5%
Hispanic or Latino	21.6%
Asian	4.0%
Black	1.5%
Pacific Islander	0.2%
American Indian	0.9%
Multi-race	2.3%

Housing

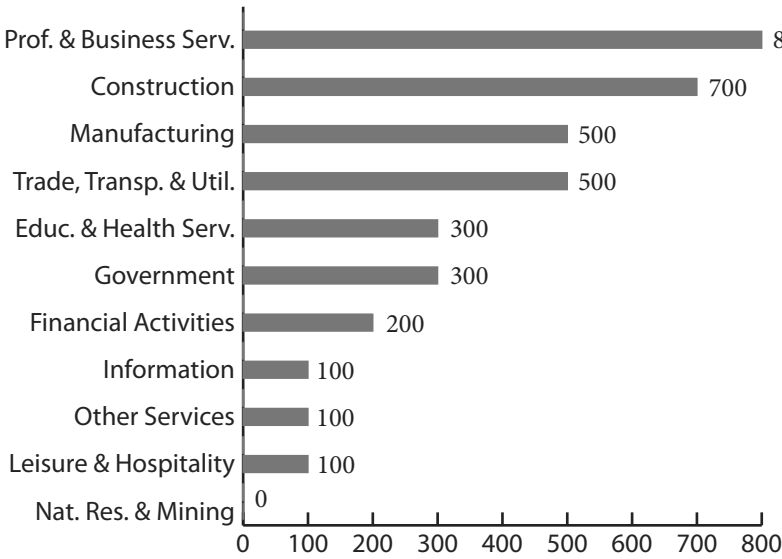
Total Units	195,881
Vacancy	8.9%
Owner Occupied	63.9%
Renter Occupied	36.1%

Source: California Department of Finance, U.S. Census Bureau

COMPARISON OF JOB GROWTH IN SONOMA COUNTY INDUSTRY SECTORS (SEASONALLY ADJUSTED)

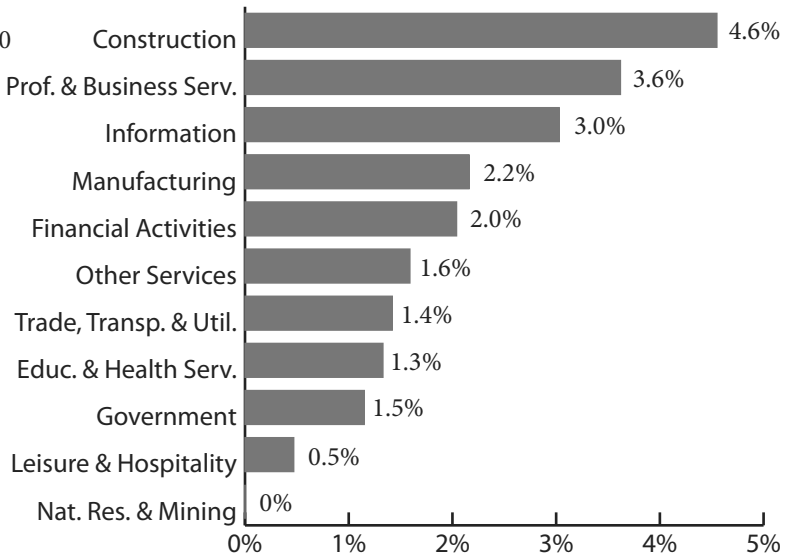
YEAR-OVER CHANGE

NUMBER OF JOBS



Source: Economic Development Board

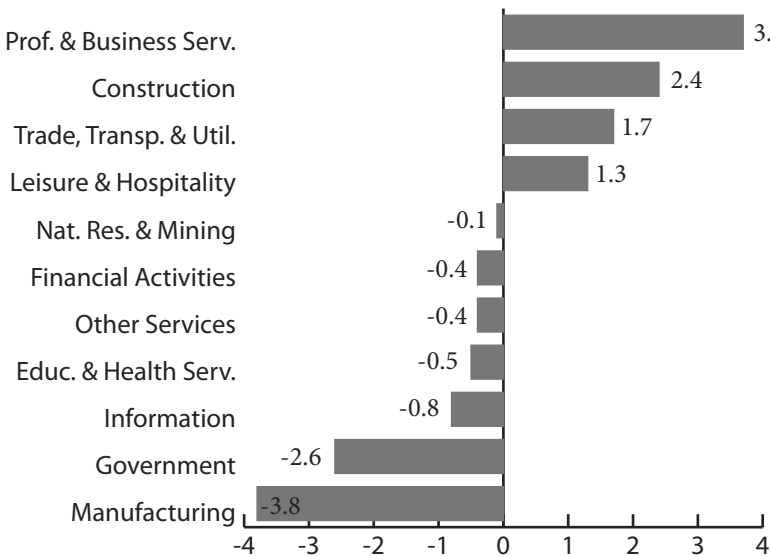
PERCENT CHANGE



Source: Economic Development Board

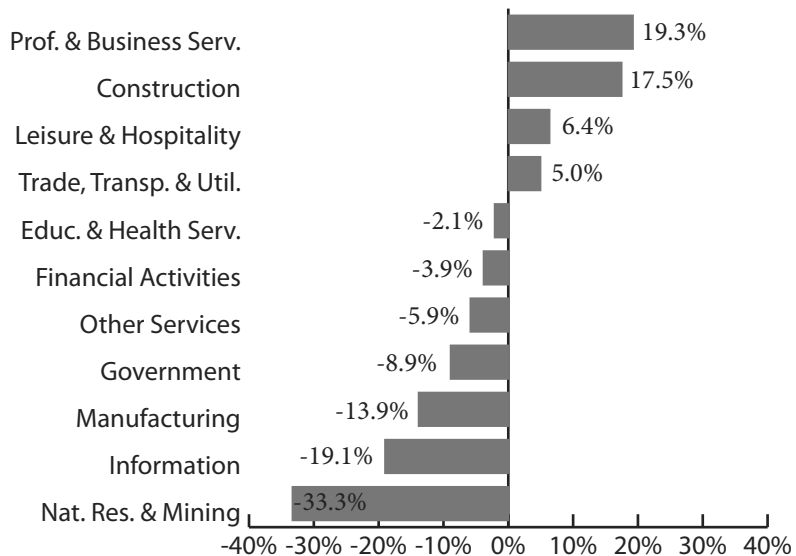
FIVE YEAR-OVER CHANGE

THOUSANDS OF JOBS



Source: Economic Development Board

PERCENT CHANGE

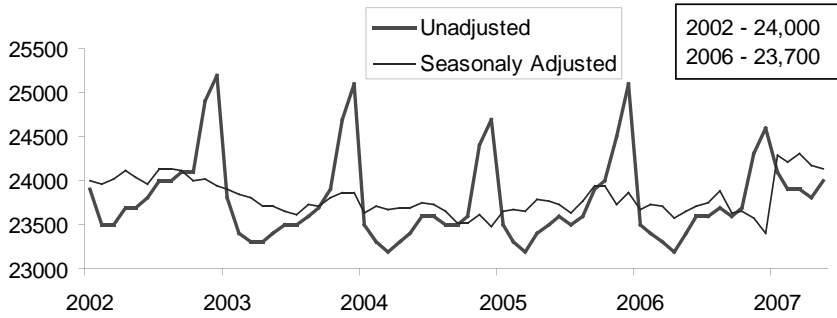


Source: Economic Development Board

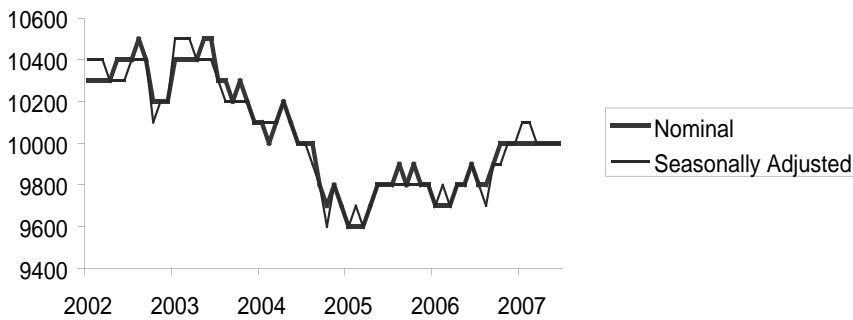
INDUSTRY SECTOR HIGHLIGHTS

- *Natural resources and mining* showed a 1.6 percent real decrease in the average annual pay on a year-over basis, and from 2001 to 2006 real pay dropped by 4.2 percent. This was accompanied by more than a 30 percent decrease in employment over the past five years.
- *Construction* payrolls over the past year posted a five percent increase in employment and a 1.6 percent real increase in average annual pay. During the past five years, employment grew 8.8 percent and average annual pay rose 2.4 percent.
- *Manufacturing* employment decreased by 2.1 percent over the year, and average annual pay decreased slightly as well. Over the past five years, employment decreased 24.3 percent, and average annual pay fell by 5.6 percent.
- *Trade, transportation, and utilities* grew 1.4 percent in jobs, but real average annual pay fell slightly. Employment grew 3.5 percent over the past five years in tandem with a 6.7 percent rise in average annual pay.
- *Information* for the past year has shown an 8.1 percent decrease in employment, but a real increase of 5.8 percent in average annual pay.
- *Financial activities* employment did not change over the year, but the sector has shown a 1.3 percent real increase in average annual pay. Over the past five years, the sector shrank 5.8 percent in employment but carried a 16.7 percent real increase in average annual pay.
- *Professional and business services* recorded an 8.3 percent increase in employment for the year and a 1.1 percent real decrease in average annual pay. Employment has grown 10.5 percent over the past five years, although average annual pay decreased 3.0 percent during that time.
- *Educational and health services* grew 1.8 percent in employment with a 2.0 percent real increase in average annual pay. Within the past five years, employment expanded 1.3 percent and average annual pay notched a 22.3 percent growth in real terms.
- *Leisure and hospitality* in the past year showed a 1.0 percent increase in employment and a real increase of 1.3 percent in average annual pay. The past five years brought a 10.7 percent increase in employment and an 8.6 percent real increase in average annual pay.
- *Other services* employment was unchanged this year, but real annual average pay fell slightly. Employment shrank 8.8 percent within the past five years, although average annual pay grew 3.9 percent.
- *Government* employment and real average annual wage grew 1.3 percent and 1.9 percent respectively. Both measures grew 10.0 percent over the past five years.

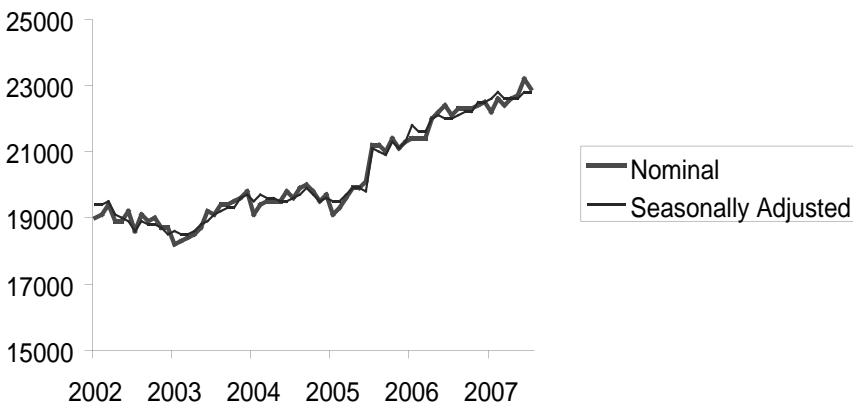
Retail Trade Employment, Seasonally Adjusted (Monthly)



Financial Activities Employment, Seasonally Adjusted (Monthly)



Professional and Business Services Employment, Seasonally Adjusted (Monthly)



Source, all graphs: California Economic Development Department-Labor Market Information Division (<http://www.edd.ca.gov>)

This report provides graphs and tables containing *unadjusted* and *seasonally adjusted* data. The Retail Trade industry's employment patterns best demonstrate the difference between unadjusted and seasonally adjusted numbers. The *unadjusted* data are the actual numbers of people employed. The Retail Trade industry experiences drastic changes in the number of people employed throughout the year. This is due to Summer as well as holiday season volatility. Employment spikes each year approaching December, but employment sharply drops during January and February. Employment begins a moderate incline after April until the holiday season, and the cycle repeats itself.

The *seasonal adjustment* process smooths out cyclical spikes to establish a "normal" level of employment. When examined over time, the *seasonally adjusted* data can show irregularities in the cycle. For example, the holiday season spike in 2006 was not as high as seen in other years. Therefore, the seasonal adjustment line sloped negatively. However, the graph also indicates that fewer jobs were shed after the 2006 holiday season than in other years, explaining the spike in the seasonally adjusted line at the beginning of 2007. This could be a sign of newfound stability in the Retail Trade industry which, if maintained, could result in more business opportunities in this industry.

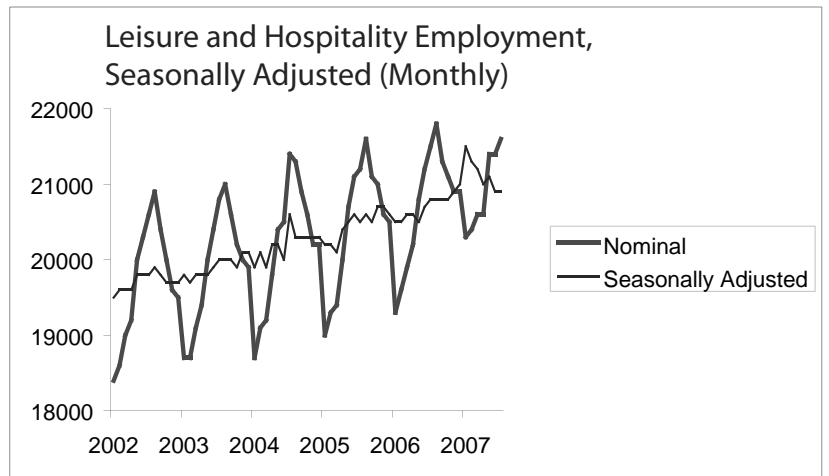
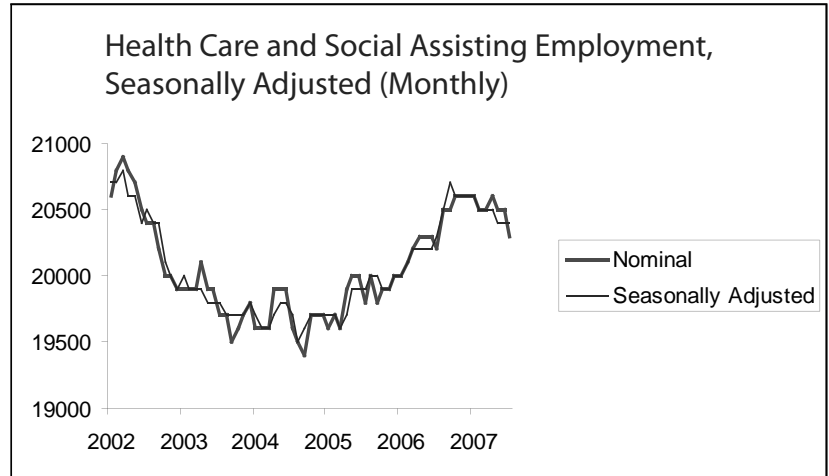
Financial Activities employment has increased in the past year by approximately 2.0 percent but has declined by just over 3.0 percent over the past five years in seasonally adjusted employment (349 jobs).

Professional and Business Services employment increased over 2.0 percent on a year-over basis, and the sector has enjoyed a nearly 20 percent increase over the past five years in seasonally adjusted employment (3,716 jobs). The graph below to the left reveals that there is very little seasonal variance in the employment for Professional and Business Services, a sign of stability.

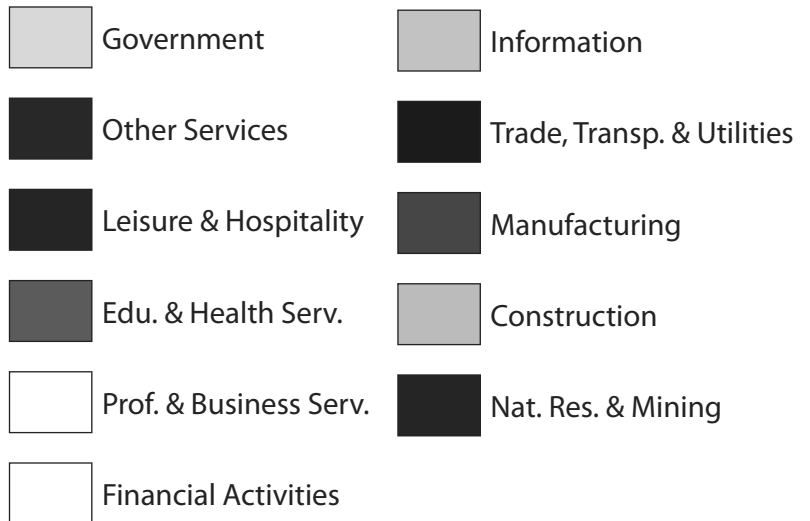
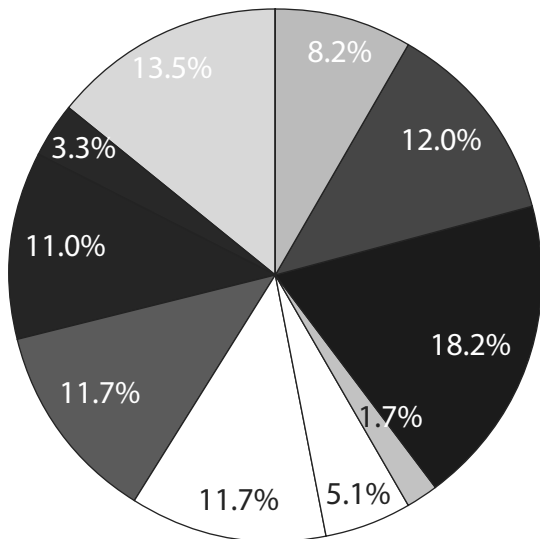
Health Care and Social Assisting grew just over 1.0 percent within the last year and has declined by the same 1.0 percent in the past five years (215 jobs). This industry shows very little seasonal fluctuations, demonstrating its stability.

Leisure and Hospitality posted a 1.5 percent increase annually and a 6.0 percent increase in seasonally adjusted employment over the past five years (1,213 jobs). Employment in this industry is significantly affected by season, similar to Retail Trade.

Overall sector employment in Sonoma County is relatively balanced, with no sector claiming a majority. Currently, the Trade, Transportation and Utilities sector is the largest employer in the county.



SONOMA COUNTY EMPLOYMENT, BY SECTOR: JULY 2007



SECTOR PROFILES

Percent of Total Employment

Sector	1995	2000	2005	July 2007
Nat. Res. & Mining	0.32%	0.21%	0.10%	0.10%
Construction	4.88%	6.79%	7.38%	8.21%
Manufacturing	13.87%	15.65%	12.22%	12.04%
Trade, Transp. & Utilities	19.08%	17.41%	18.10%	18.21%
Information	1.86%	2.12%	1.92%	1.73%
Financial Activities	6.29%	5.28%	5.10%	5.10%
Prof. & Business Serv.	9.12%	10.67%	10.61%	11.68%
Edu. & Health Serv.	11.75%	11.40%	11.86%	11.68%
Leisure & Hospitality	9.89%	9.27%	10.66%	11.02%
Other Services	3.40%	3.32%	3.22%	3.27%
Government	16.12%	14.30%	15.81%	13.52%
May not add due to rounding				

As a percent of employment, the Trade, Transportation and Utilities sector remains the largest sector in Sonoma County. However, Sonoma County employment is relatively balanced, with six sectors claiming at least 11 percent of non-farm workers. Government has historically been a close second to Trade, Transportation and Utilities, with Sonoma County itself as the single largest employer in the area. Since 1995, Sonoma County employment has diversified slowly, yet steadily, thereby promoting economic stability.

Nominal and Real Wage Growth

Sector	1-Year	1-Year	5-Year	5-Year
	Nominal Δ	Real Δ	Nominal Δ	Real Δ
Nat. Res. & Mining	1.51%	-1.64%	5.49%	-4.24%
Construction	4.84%	1.58%	12.80%	2.39%
Manufacturing	3.07%	-0.13%	16.29%	5.56%
Trade, Transp. & Utilities	3.17%	-0.04%	17.53%	6.68%
Information	9.22%	5.82%	3.88%	-5.71%
Financial Activities	4.55%	1.30%	28.61%	16.74%
Prof. & Business Serv.	2.11%	-1.06%	6.91%	-2.95%
Edu. & Health Serv.	5.29%	2.02%	34.76%	22.33%
Leisure & Hospitality	4.51%	1.26%	19.62%	8.58%
Other Services	2.90%	-0.30%	14.47%	3.91%
Government	5.19%	1.92%	21.19%	10.01%

Real wage growth over the past five years varies considerably by sector. While some sectors experienced less than 5.0 percent real wage growth, Educational and Health Services lead the way with an impressive 22 percent improvement. Financial Activities, while a relatively small component of employment, enjoyed over a 16 percent real growth rate.

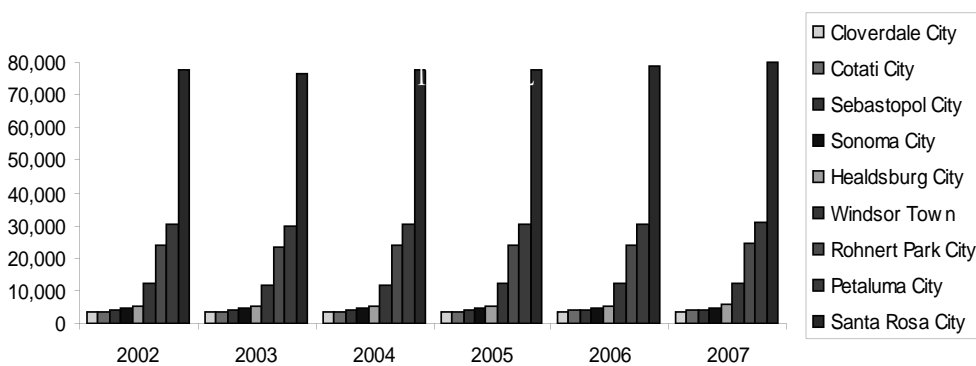
Employment Growth

Sector	1-Year Δ	5-Year Δ	10-Year Δ	15-Year Δ
Nat. Res. & Mining	0.00%	-33.33%	-60.00%	-66.67%
Construction	4.93%	8.76%	77.38%	65.56%
Manufacturing	-2.13%	-24.34%	-0.86%	14.43%
Trade, Transp. & Utilities	1.44%	3.52%	13.14%	21.31%
Information	-8.11%	-24.44%	13.33%	21.43%
Financial Activities	0.00%	-5.77%	6.52%	10.11%
Prof. & Business Serv.	8.33%	10.50%	42.58%	72.66%
Edu. & Health Serv.	1.75%	1.31%	19.59%	47.77%
Leisure & Hospitality	0.98%	10.70%	26.22%	44.76%
Other Services	0.00%	-8.82%	10.71%	21.57%
Government	1.32%	10.00%	23.20%	25.20%

Over the past fifteen years, Professional and Business Services employment grew more than 72 percent. In total, four sectors grew at least 40 percent since 1992, indicating a substantial rise in both population and economic diversity during that period. Five year-over employment growth indicates contraction in some industries, reflecting the economic difficulties experienced nationwide in the early part of the decade.

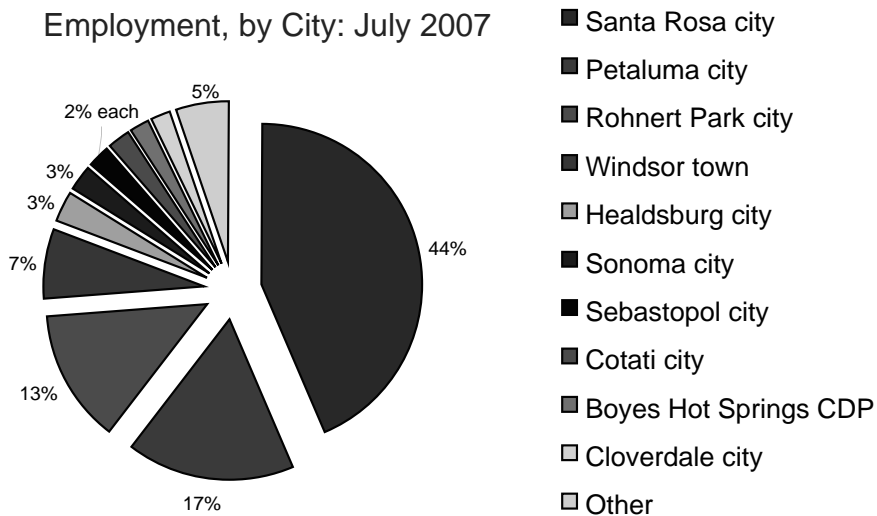
Sources: California Economic Development Department-Labor Market Information Division (<http://www.edd.ca.gov>)
U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (<http://www.bls.gov>)

Incorporated Areas Employment Trends, 2002-2007



Source: California Economic Development Department-Labor Market Information Division (<http://www.edd.ca.gov>)

Employment, by City: July 2007



Source: California Economic Development Department-Labor Market Information Division (<http://www.edd.ca.gov>)

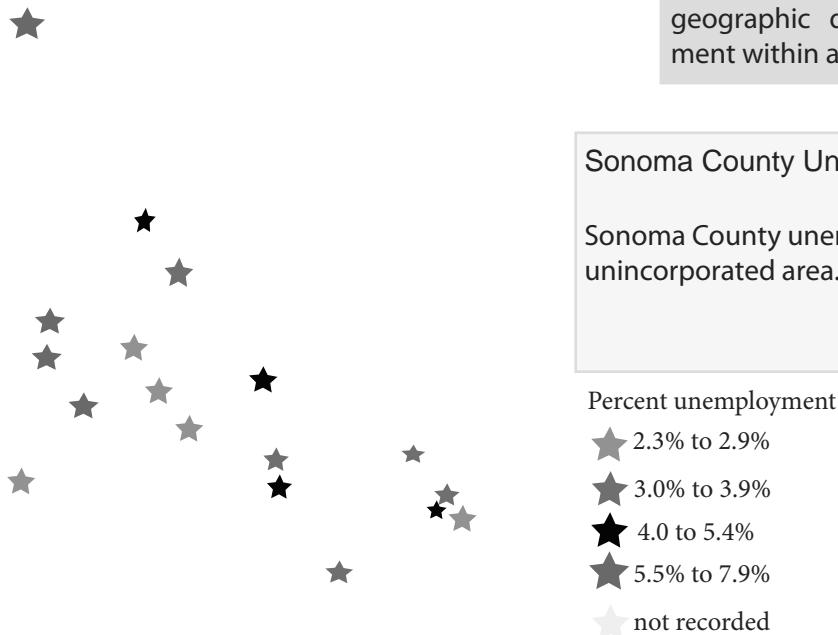
Sonoma County employment is centered around the city of Santa Rosa, with a substantial share of employment found in the nearby cities of Rohnert Park and Petaluma. These three cities comprise nearly three quarters of employment in Sonoma County.

Employment growth in each of the nine incorporated cities of Sonoma County was modest. Between 2002 and 2006, the cities recorded an average growth rate of 1.3 percent, with Cotati, Sebastopol and Sonoma growing over 2 percent each.

Within Sonoma County, unemployment varies significantly by location. The western portion of the county contains both the highest and lowest levels of unemployment. Forestville Census Designated Place (CDP), Graton CDP, Sebastopol and Bodega Bay CDP have recorded unemployment of less than 3.0 percent, while the neighboring areas of Guerneville CDP, Monte Rio CDP and Occidental CDP have unemployment levels greater than 5.5 percent. The eastern portions of the county are more balanced, ranging between 3.0 and 5.4 percent unemployment. The figure below provides the geographic distribution of unemployment within a map of the county.

Sonoma County Unemployment, by city, 2006

Sonoma County unemployment varies by city or unincorporated area.



Source: California Economic Development Department-Labor Market Information Division (<http://www.edd.ca.gov>)