

Appendix D.

Task: Industry Analysis

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Description: Industry Cluster Charts

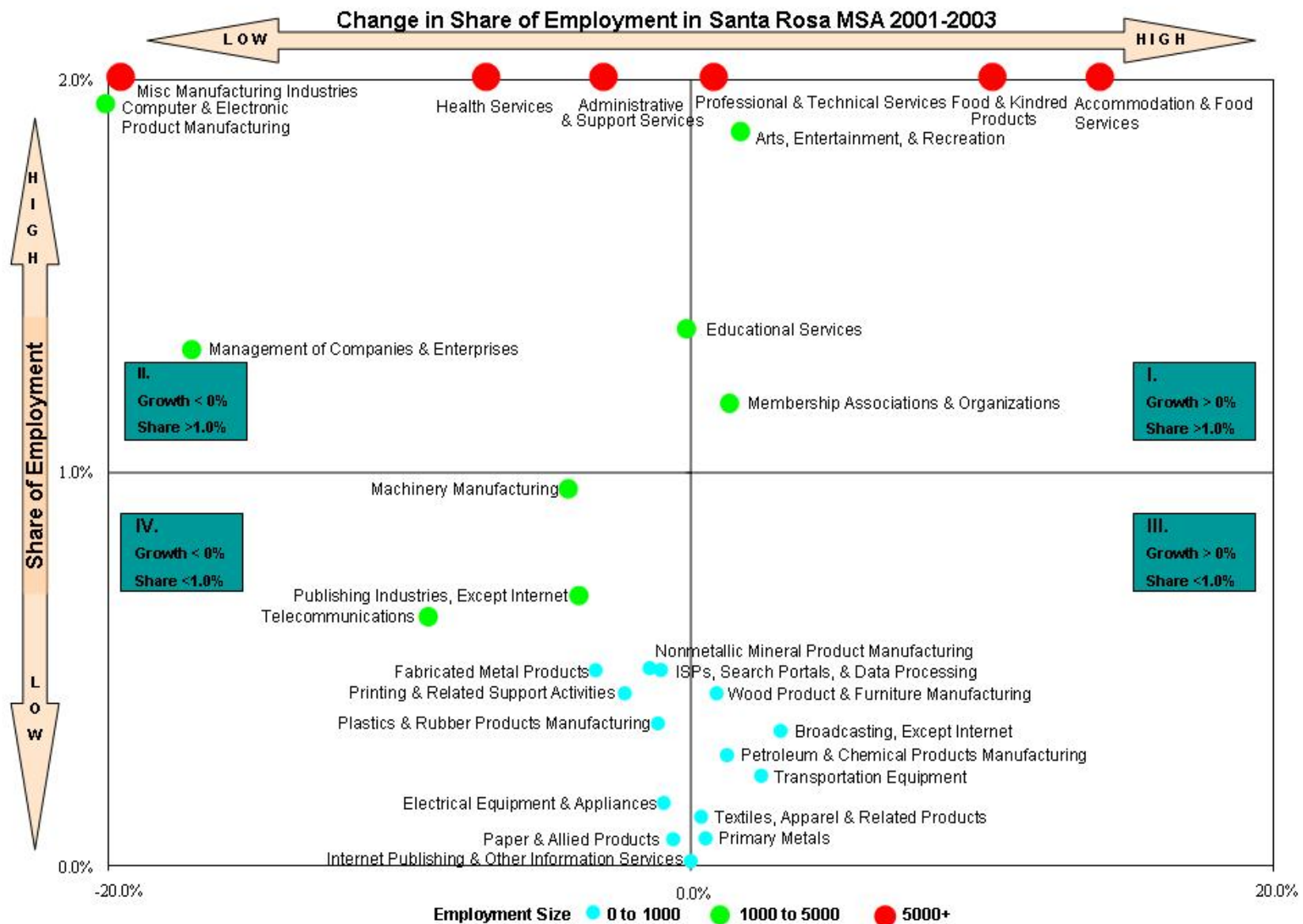
The charts for Santa Rosa MSA illustrate the basic industries that are driving Santa Rosa MSA's economy. This is represented by industry employment and earnings. For both employment and earnings, historical data from 2001 to 2003 is shown along with projections for 2003 to 2012. These charts help to identify and understand which clusters are driving the local economy, which should be sustained and expanded and which primary industries should be investigated for their potential location and growth in Santa Rosa given Santa Rosa's assets and liabilities.

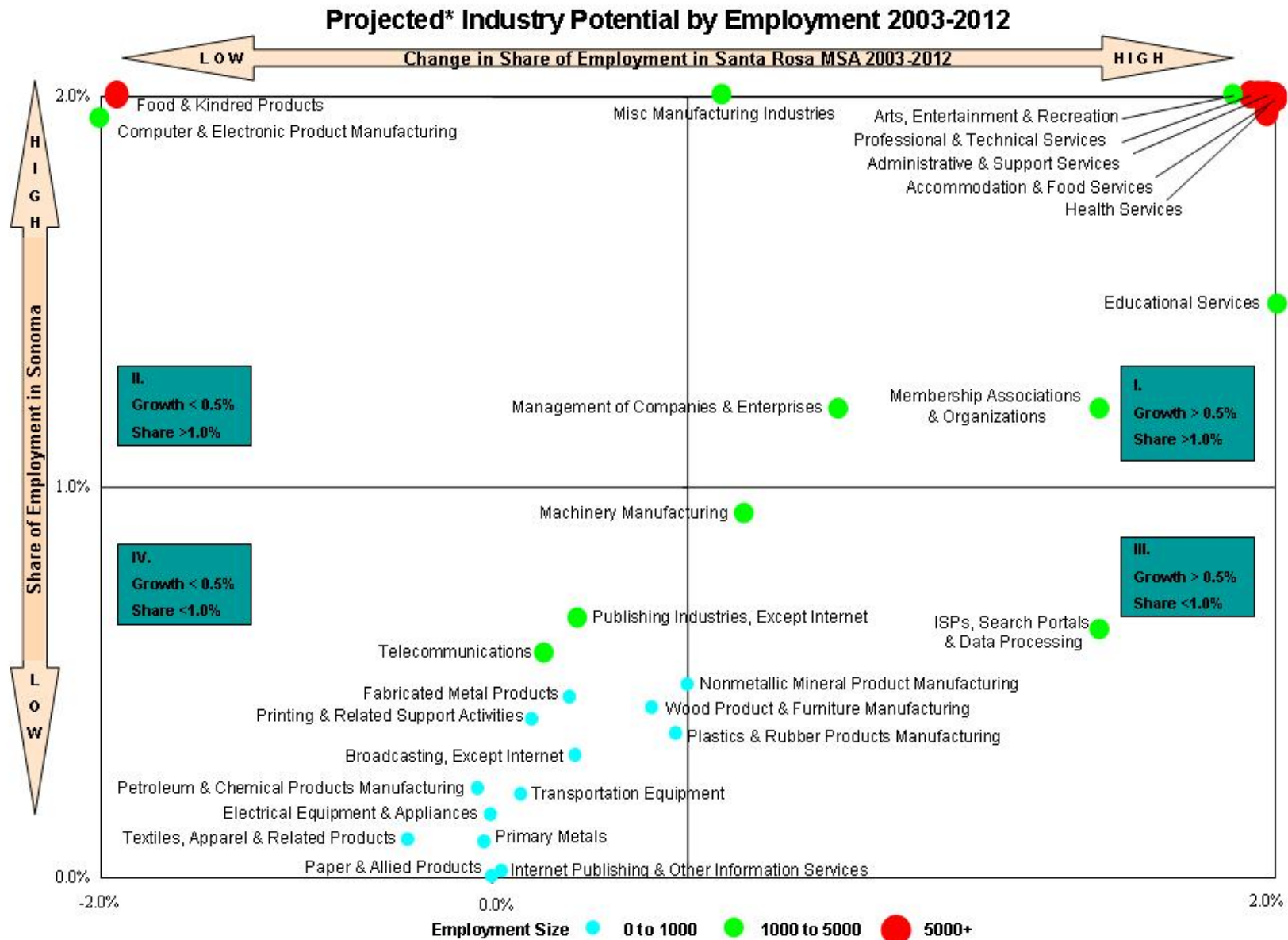
Employment Cluster Charts

The employment charts show the share of all Santa Rosa MSA employment that each industry group employs compared to the rate by which those industries are gaining (or losing) share of the Santa Rosa MSA employment. It answers the question:

How big is the employment in a specific industry in the Santa Rosa MSA compared to the other industries, and how fast is that industry's employment growing relative to Santa Rosa MSA's overall growth?

If a certain industry employs a large amount of people in the Santa Rosa MSA, the bubble will be higher, and if the industry's share of jobs in the Santa Rosa MSA is increasing, the bubble will be further to the right side of the chart.





*Projections are calculated using national averages and applying them to Santa Rosa's current mix of industries

Earnings Cluster Charts

The same concept is applied to the earnings chart. The chart shows how much of Santa Rosa MSA's earnings an industry is responsible for compared to how fast the industry is gaining (or losing) its share of Santa Rosa MSA's earnings. If an industry is credited with a higher share of earnings in the Santa Rosa MSA, the bubble will be on the right side of the chart.

Employment and Earnings

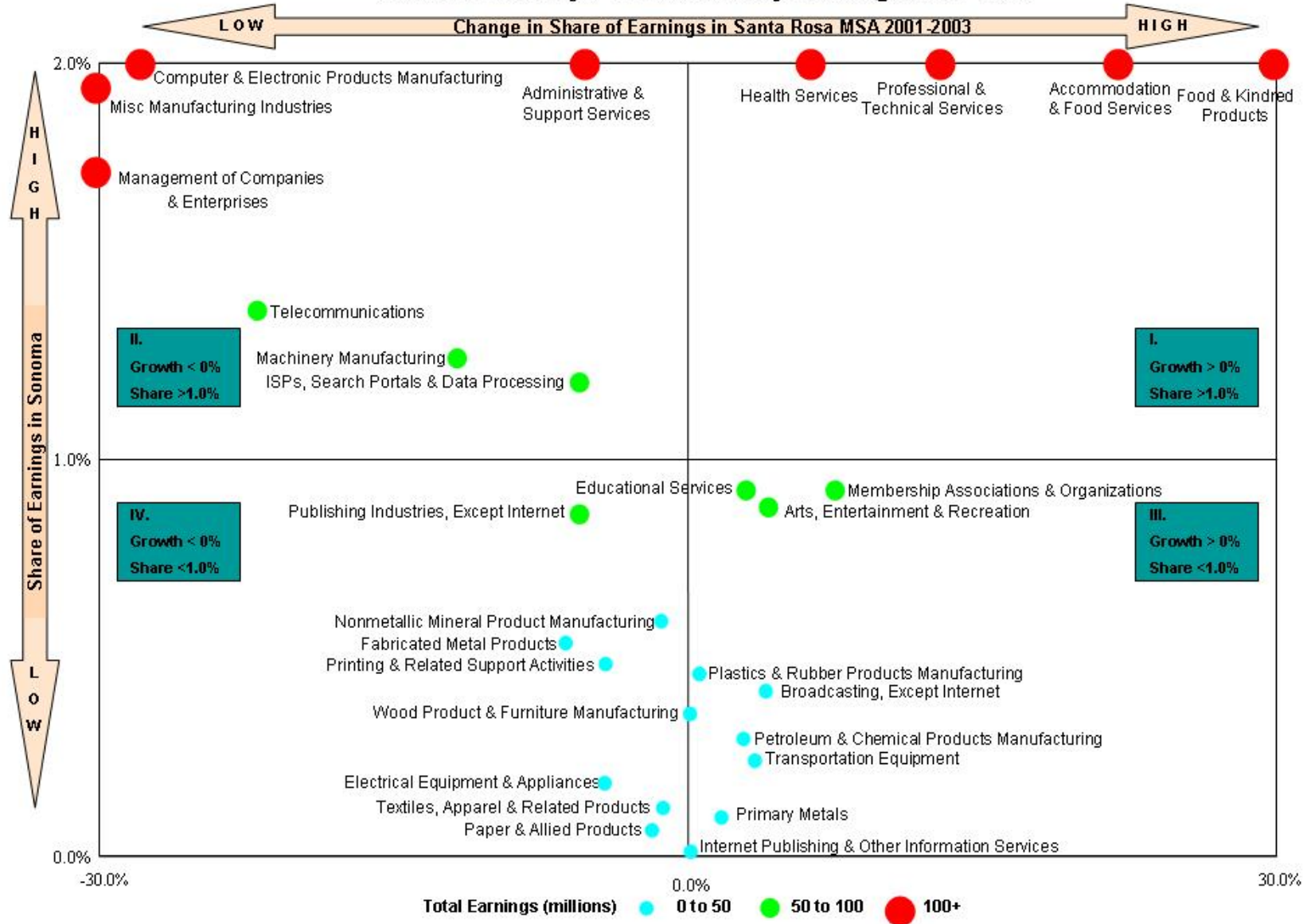
When looking at the employment and earnings charts together, it is possible to see a relationship between these two measures. However, just because an industry accounts for a large share of employment in the Santa Rosa MSA does not necessarily mean that it accounts for the same share of earnings. This is illustrated by looking at the industries on the charts in vertical relationship to each other.

Example: The Accommodations & Food Services Industry. The first set of charts, labeled Santa Rosa MSA CA Current Industry Performance, show accommodations & food services accounting for 10 percent of total employment, which this industry accounts for only 4 percent of total earnings. This is indicative of the labor intense nature of this traditionally lower wage industry.

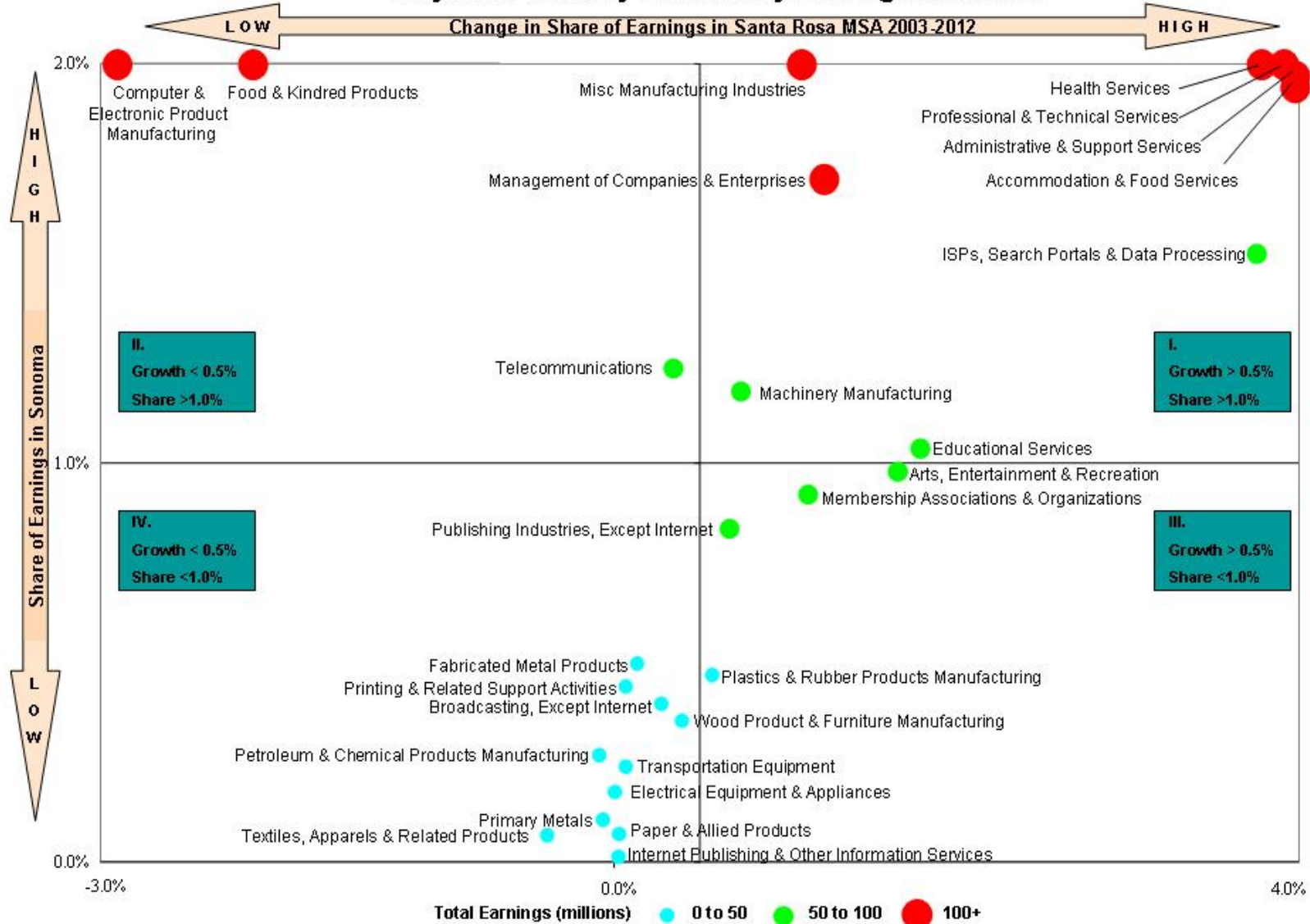
Also it should be noted that just because an industry's employment is growing at a certain rate does not necessarily mean the earnings are growing at that same rate. This is illustrated by looking at the industries on the charts in horizontal relationship to each other.

Example: While the change in share of employment for the Health Service industry is negative, the change in the share of earnings is positive. This shows that even though employment in the industry is not growing as rapidly as the rest of the economy in the Santa Rosa MSA, earnings in the industry are growing more rapidly than the overall industry average in the county.

Current Industry Performance by Earnings 2001-2003



Projected Industry Potential by Earnings 2003-2012



*Projections are calculated using national averages and applying them to Santa Rosa's current mix of industries

Historical/Current & Projected Employment & Earnings Charts

The first set of charts described above shows actual historical Sonoma County employment and earnings data from 2001 to 2003.

The second set of charts, labeled Santa Rosa MSA CA Projected Industry Potential, is based on national projections of employment by industry group applied to the current mix of industries in Sonoma County. Since future employment and earnings for Sonoma County are based on national projections it is possible that industries could perform better or worse in some cases, depending on the specific mix of industries in each local industry group.

The charts are broken into four quadrants.

In the first two charts, 2001-2003 Employment and Earnings

Upper right quadrant: represents larger industries in terms of employment or earnings with high historical growth.

Lower right quadrant: represents smaller industries, but historically still had high growth.

Lower left quadrant: represents small and slow growing industries, and possibly declining industries.

Upper left quadrant: represents larger industries with lower growth rates.

The same concept is true for the second set of charts, however rather than historical performance, the industries are placed based on the projected potential of the industry.

These charts show whether an industry will become larger or smaller in terms of employment or earnings share, and what level of growth should be expected for those industries.

Example: Food & Kindred Products industry. Food & Kindred Products is currently an important part of the county's economic base. However, based on national projections this industry will not grow as fast as the rest of the industries in Santa Rosa MSA. This is illustrated by the industry's placement on the left side of the chart. In Santa Rosa MSA, employment in wineries accounts for approximately 67 percent of employment in Food & Kindred Products. National projections predict winery employment to decrease 0.8 percent per year through 2012 and employment to increase by 1.3 percent annually. However, just because the national projection for wineries is low does not necessarily mean that Santa Rosa MSA's winery growth will be as low. Recognizing the slow growth trend and the importance of this industry cluster to the economy helps to structure economic development efforts to ensure this cluster is sustained and assisted to grow and expand its market opportunities.

Industry Clusters – Dependent

Professional & Technical Services will also maintain a strong position. Some of the key industries in professional & technical services in Santa Rosa MSA include law, engineering and research services. These jobs are not easily exportable as information technology and manufacturing jobs for example, and are likely to continue to grow locally.

Administrative & Support Services, which includes a wide variety of services from temporary placement agencies and office administrative services to business service centers and call centers, is an industry group that also has a lot of potential in Santa Rosa MSA. It currently accounts for a large share of employment as well as earnings in the county, but has only average growth. This is because this industry relies on the growth in the industries it will be supporting. To the extent the county can generate increased demand for these types of services or can expand to serve regional markets, future potential for this industry could be enhanced.

Industry Clusters – Primary (Contributory)

One of the most dominant industries in Santa Rosa MSA is **Accommodation & Food Services**. This industry historically accounts for high shares of employment and earnings, with positive growth in both areas. Also, the projections show this industry should continue to have strong positive growth and high shares of employment and earnings (although the average is low). Accommodation & Food Services will likely continue to flourish in Santa Rosa MSA because of the tourism that wineries already attract and the efforts being put forth to expand tourism.

Closely related to the expansion of tourism in Santa Rosa MSA is the **Arts, Entertainment & Recreation** industry group. It is currently a contender to be a major employer in the area, although mainly due to non-basic industry components. Components such as performing arts, spectator sports, museums and golf courses could benefit from the increased focus on tourism. Many tourists to the area are attracted by the wineries and the county's upscale environment.

The growth of tourism could spur the growth and success of Arts, Entertainment & Recreation, although again this typically a lower average wage job.

While **Computer & Electronic Products Manufacturing** is a large industry in Santa Rosa MSA because of the large number of employees, it is not an industry that historically captures its proportional share of growth in Santa Rosa MSA's market. This industry has shown a 37 percent decrease in employment from 2001 to 2003 in Santa Rosa MSA. One reason for this decrease is due to the exportation of jobs overseas. Another reason the industry looks to be fading in Santa Rosa MSA in the projected charts is that while the national projections show large increases in projected output in this industry, they show a decline in employment, most likely due to technological advances that lead to increased productivity.

Another industry that shows strong growth potential is **ISPs, Search Portals & Data Processing**. Employment in this industry will grow at a rate that will at least maintain its share in the market, while earnings are expected to excel in the future. This industry group has strong potential both nationally and locally.