

**Employment and Human Services Department  
Workforce Development & Workforce Services Bureau  
Joint Presentation to the Family and Human Services  
Committee**

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**DATE:** April 28, 2008

**TO:** Family and Human Services Committee

**FROM:** Joe Valentine  
Bob Lanter  
Stephen Baiter

**SUBJECT:** Economic Downturn & Impact on Labor Market

**RECOMMENDATION:** Accept report from EHSD on the impact of the economic downturn.

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This report provides an overview of some new and emerging challenges facing the workforce programs of the Employment and Human Services Department (EHSD) that are resulting from the recent economic downturn. The accompanying presentation of this information to the Family & Human Services Committee will specifically highlight developments in the mortgage and finance industry and how the meltdown in the region's housing market is beginning to have ripple effects across the county's economy and labor market, and how EHSD is working to adjust to these conditions.

I. **A Changing Landscape**

Two years ago, El Sobrante resident Carol Sanchez used to wake up each morning without giving much thought to her seventy-five mile, two hour one-way drive to Fidelity's office in Saratoga, where she worked in her \$114,000/year job as an Escrow Officer. That was before the day she learned that her husband, retired from Pitney-Bowes, was diagnosed with prostate cancer, a day when she couldn't get home fast enough to be with him. As this tragic development forced Carol to reprioritize her life, she confidently found her way into a similar job much closer to home in the spring of 2007, taking a slight pay cut (down to \$102,000 annually) as she began working for a smaller title company. In October 2007, as the housing bust began accelerating, Carol was laid off from her job. With her husband's medical bills mounting, they soon had to move out of their (rented) home and live with a friend, giving up a pet in the process.

On January 11, 2008, Carol walked into the EASTBAY *Works* One Stop Career Center in San Pablo in search of assistance with finding a new job. She enrolled in the Workforce Investment Act (WIA) program so that she could get individual assistance and guidance around how to best package her eight years of experience in the mortgage industry and one year of community college work in a way that would make her most appealing to an employer. She is now applying mostly for administrative/office support positions – many of which pay less than half as much as she was earning just six months ago – as she works in an agency temp assignment as a greeter at the San Pablo One Stop. Thanks to

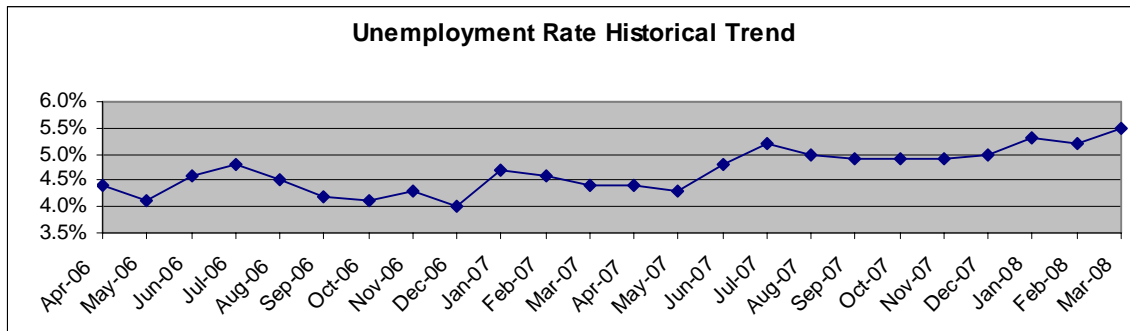
the generosity of a friend, Carol and her husband are currently renting a condominium from one of their friends at a below-market rate, but with their credit rating crumbling, Carol and her husband are beginning to wonder how long they can hold on. “I’ve always believed that I would find a job – when it (my layoff) happened, I really freaked out,” Carol said.

Sadly, Carol’s story is not unlike that of thousands of other Contra Costa County and Bay Area residents, who are suddenly finding themselves in a position that they could have scarcely imagined just a short time ago. As the current economic downturn ensues, creating more uncertainty and insecurity for people at all income levels across a wide range of industries, the EHSD is beginning to grapple with how to not only continue helping individuals and families who are already accessing its programs and services, but how to adjust, adapt, and (where possible) expand its programs and services to meet the needs of the Carol Sanchez’ of the world just as the state and local budget crises hit everyone full bore.

## II. Recent Economic and Labor Force Trends

Unfortunately, statistical information about what is happening in the local labor market is not much more encouraging than Carol’s story. On Friday, April 18, 2008, the California Employment Development Department (EDD) released unemployment rate information for Contra Costa County for the month of March 2008: the 5.5% preliminary reported unemployment rate is the county’s highest since 2004. The chart below shows the two year trend in the county’s unemployment rate, a trend that unfortunately is not going in a direction that one would like.

Figure 1: Benchmark Unemployment Rate for Contra Costa County



In addition to the rising unemployment rate, Contra Costa County has seen a substantial increase in mass layoffs as reported through Worker Adjustment and Retraining Notification (WARN) notices that have been received during the first three months of 2008. Indeed, job losses this year from mass layoff events are on pace to be at **357% of last year’s rate**, and these figures do not include additional layoff notices that have just been filed by Lawrence Livermore National Laboratory (LLNL). Although based in Alameda County, the hundreds of job losses at LLNL will undoubtedly impact many Contra Costa County residents. Our Rapid Response services, which serve as the first line of support that laid off workers receive when they are about to lose their jobs, stand at the ready to assist neighboring Alameda County with responding to this mass layoff event.

Table 1: *Job Losses by Industry Sector from WARN Notices*

2007		2008 (through March 2008)	
Sector	# of Layoffs	Sector	# of Layoffs
Health Care	68	Health Care	16
Manufacturing	7	Manufacturing	1
Mortgage and Home Finance	654	Mortgage and Home Finance	126
Professional and Business Services	3	Professional and Business Services	429
		Transportation	83
<b>TOTAL</b>	<b>732</b>	<b>TOTAL</b>	<b>655</b>

Above and beyond the troubling trend of increased job losses through WARN notices in 2008, is how these job losses are being experienced in different industry sectors and appear to be tracking what has been happening with the downturn in the housing market. In 2007, a full 89% of WARN layoffs occurred in the Mortgage and Finance Industry, and the downturn now appears to be spreading into the Professional and Business Services sector, which accounts for the majority (65%) of layoffs in 2008. We will continue to closely monitor industry sector layoff trends in the coming months, particularly as its predictive attributes make it an important indicator to watch.

Table 2: *Industries with biggest job gains and job losses 2006-2007*

Industry Sector	Dec 2006	Dec 2007	Gain (Loss)
<b>Financial Activities</b>	<b>64,900</b>	<b>59,900</b>	<b>(5,000)</b>
Credit Intermediation & Related Activities	24,600	21,700	(2,900)
Securities, Commodity Contracts & Investments	5,200	5,400	200
Insurance Carriers & Related	17,500	16,400	(1,100)
Real Estate	12,000	11,300	(700)
Residual-Rental & Leasing Services	5,600	5,100	(500)
<b>Manufacturing</b>	<b>94,700</b>	<b>93,200</b>	<b>(1,500)</b>
Computer & Electronic Products	20,600	19,800	(800)
Transportation Equipment	7,600	7,500	(100)
Residual-Misc.	31,800	31,800	0
Petroleum & Coal Products	7,100	7,100	0
Chemical	7,300	7,300	0
Residual-Food	20,300	19,700	(600)
<b>Information</b>	<b>30,000</b>	<b>28,900</b>	<b>(1,100)</b>
Newspaper Industries (except Internet)	3,700	3,500	(200)
Software Publishers	3,000	3,000	0
Telecommunications	14,500	13,200	(1,300)
Residual-Motion Picture & Sound Recording	8,800	9,200	400

<b>Industry Sector</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Gain (Loss)</b>
<b>Government</b>	<b>184,000</b>	<b>190,400</b>	<b>6,400</b>
Department of Defense	300	300	0
Other Federal Government	17,200	16,800	(400)
State Government Education	25,600	26,500	900
Other State Government	20,100	19,900	(200)
Local Government Education	63,700	68,600	4,900
County	22,200	22,800	600
City	19,100	19,500	400
Other Local Government	15,800	16,000	200

<b>Educational &amp; Health Services</b>	<b>124,400</b>	<b>126,100</b>	<b>1,700</b>
Educational	19,800	19,900	100
Ambulatory Health Care	37,600	37,800	200
Hospitals	32,100	32,600	500
Nursing & Residential Care Facilities	17,900	17,500	(400)
Social Assistance	17,000	18,300	1,300

<b>Leisure &amp; Hospitality</b>	<b>86,800</b>	<b>87,500</b>	<b>700</b>
Arts, Entertainment, & Recreation	14,200	14,300	100
Accommodation	7,100	7,600	500
Food Services & Drinking Places	65,500	65,600	100

With a net loss of 5,000 jobs between December 2006 and December 2007, financial services have been the industry sector to experience the greatest contraction in our county. The events over the past several months in the housing market makes this news somewhat unsurprising, but it is worth noting that (so far) the construction industry – which for the past five years has been the biggest job gainer for Contra Costa County – has not taken a correspondingly similar hit, with a net annual loss of only 400 jobs. One important caveat about construction industry employment data: there were actually 1,400 construction jobs lost during the 4<sup>th</sup> quarter of 2007, losses that were offset by job gains in the previous three quarters. At the same time, the seasonal nature of construction work is such that job losses in the sector are a regular event as we enter the winter months. Moving into the first two quarters of this year, the employment trend in the construction industry may start to become a little clearer.

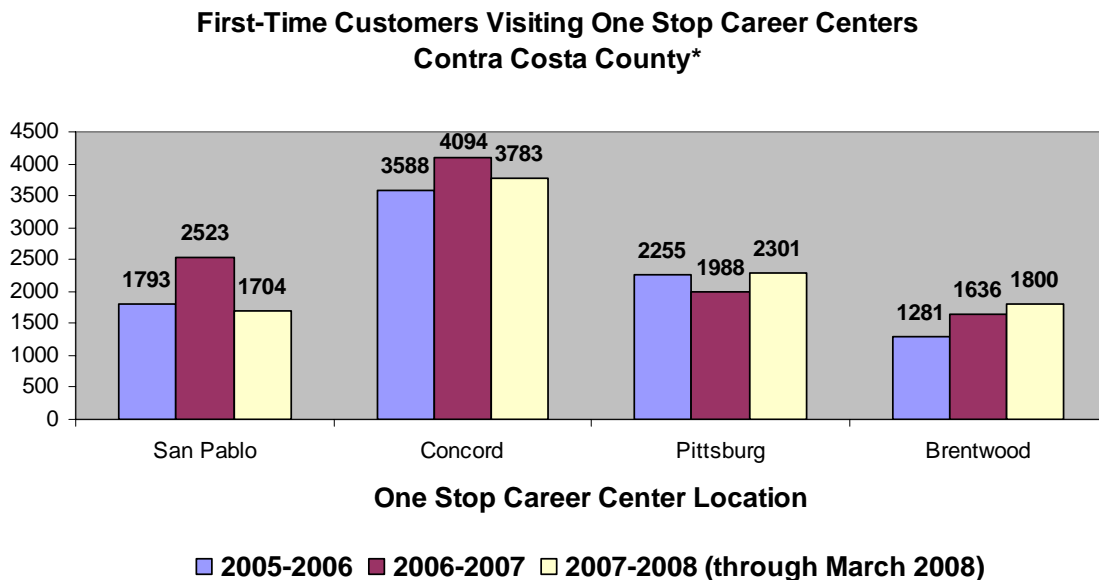
In many respects, an equally troubling aspect of the county's overall employment picture is that much of its recent job growth has occurred in the public sector (education and government), which, as everyone is acutely aware, is entering a period of incredibly difficult times at the state and county level. Given the implications this has for various parts of the public sector that may soon be forced to shed jobs, the county's overall employment picture is unlikely to improve in the near term unless other sectors begin to experience a faster growth rate. Two sectors that may be more likely to show some resiliency over the next 12-18 months include health care and energy (especially the emerging "green collar" industry), although the latter currently comprises only a tiny portion of the overall labor market in the county.

The clear driver of the currently deteriorating labor market is the housing slump. Foreclosure activity has been extraordinary at both the east and west ends of the county, and there is little sign of this being likely to change anytime soon. As the effects of the slump spill over into the broader economy and consumers are pressed to be more conservative with their expenditures, many other parts of the economy that are driven by consumer spending are likely to be negatively impacted, which then has a further downward spiraling effect on economic growth (and by extension, the labor market).

### III. Operational Impact on EHSD Programs

With the region’s economy and labor market now beginning to tangibly shift, the EHSD’s workforce programs and services have been seeing an increased volume of people come into their offices over the past several months. These impacts are being felt in both the department’s Workforce Investment Act (WIA) funded programs and services (especially at the EASTBAY Works One-Stop Career Centers), and they have also spilled over to it’s social services offices as a larger number of people apply for CalWORKs, Food Stamps, and other safety net services.

*Figure 2      New Customers at Contra Costa County One-Stop Career Centers*



What is perhaps most noteworthy about the data contained in the chart above is that through the first nine (9) months of the current fiscal year, the One-Stop Career Centers in eastern Contra Costa County have already surpassed the number of new customers seen during all of the 2005-2006 and 2006-2007 fiscal years. At the same time, given the dynamics of the county’s housing market, it is not necessarily all that surprising that the largest increase in new customers (who are typically unemployed or underemployed individuals) would be seen at the Pittsburg and Brentwood offices. A 2006 survey conducted in partnership with East County Economic Developers, the Contra Costa Redevelopment Department and the Contra Costa Economic Partnership looked at employment in East Contra Costa. As cited by survey respondents, 13.6% of East County residents were employed in the Finance, Insurance, and Real Estate or Leasing industry. In addition, East County workers in this industry fell second behind 13.9% of

the workforce employed in the Construction industry. Assuming the overall trend continues to stay constant over the next few months, the One-Stop Career Centers could wind up seeing a record number of new customers this year.

In terms of public assistance programs (CalWORKs, GA, Food Stamps, etc.), it has been difficult to precisely quantify the number of CalWORKs applicants and clients that EHSD has seen who were either directly or indirectly impacted by the housing and mortgage/finance industry collapse. Based upon what staff have been readily able to report and quantify, over the last six month period approximately 120 CalWORKs applicants had been known to be directly impacted by this industry downturn. Approximately 67 of these were in East County and according to at least one report, 52 of the 67 were actually found eligible and granted cash aid. The number of applications for General Assistance by recently laid off individuals is negligible. Additionally, at least a third of the most recent Eligibility Worker Training Unit (EWTU) class (of the approximately 28 total) is comprised of individuals who have been affected by the mortgage/finance industry downturn. Several of them had previously been with banking, mortgage, and other lending institutions in loan processor positions. A few others had been associated with the construction industry.

#### **IV. Capacity and Resource Implications**

To state the obvious, it is clear that EHSD's offices are substantially busier now than they have been in comparison to the previous two years, and all signs point to this being a direct effect of the economic downturn. Indeed, change in our local economy is happening much faster than the information presented here even suggests, and there are many additional and unknown variables (such as the worsening state budget crisis) that are likely to put additional strains on the local economy and labor market. Indeed, the State's planned cuts to all programs puts further pressure on our system. Decreases in CalWORKs, Community College, Education, Employment Development, Department of Rehabilitation, and other programs have considerable impact on our ability to serve.

The Federal Government has continuously reduced Workforce Investment Act (WIA) funding since the law was enacted, with California losing a staggering 40% of its allocation in the last seven years. However, due to changes in the within-state formula, Contra Costa has been spared deep budget cuts that have significantly altered many other local workforce board's programs over that time. In fact, the budget cuts have only recently began to hit us locally: over the last two years, the Workforce Development Board of Contra Costa has lost roughly 7% of its formula funds.

Increased demand for services, coupled with the real possibility that the economic downturn could drive even more customers to our programs, makes it imperative to look at the capacity of the workforce development system and larger social service safety net and how it can fulfill its role to successfully meet the needs of our county. For example, at the April 2008 meeting of the WDB's Youth Council, one contractor commented at several of the youth enrolled in our programs in the Pittsburg area are, as a result of the housing market, "homeless", and experiencing a range of formidable challenges that often brings them and/or their families to EHSD district offices and other community resources.

On a more positive note, it is important to point out that our local workforce system is highly leveraged. As outlined in the WIA legislation, this leveraging occurs through a network of mandated One-Stop partner organizations. The following organizations are members of the Contra Costa One Stop Operator Consortium that has operational oversight of the One-Stops in Contra Costa County:

- California Human Development Corporation (CHDC)
- California State Department of Rehabilitation (DOR)
- California State Employment Development Department (EDD)
- Contra Costa Community College District
- Contra Costa County Adult and Continuing Education Council
- Contra Costa County Community Development Department
- Contra Costa County Employment and Human Services Department, Workforce Services Bureau
- Contra Costa County Employment and Human Services Department, Community Services Department

The aforementioned One Stop Consortium partners have not only successfully met or exceeded all WIA performance measures since the law was enacted, but over the past two years they have managed to serve an even greater number of job seekers and businesses with even fewer staff and resources, and the upcoming year may prove to be one of the most challenging yet in terms of meeting the service demand. Furthermore, if the overall trend in funding cuts to WIA continues, it may become necessary to set levels of service in priority order at some point in the future.

## **V. Potential Strategies for Success**

The Workforce Development Board and its staff will continue to seek outside sources of funding to support its important work. This objective continues to be a major focus of the Board's Strategic Plan. Increasing and diversifying funds allows us to spread our current dollars to many more customers. Grants such as the National Emergency Grant, the State Energy Training Grant, and the Incumbent Nursing Upgrade Grant allow us to specialize and increase our own capacity in service to both our business and job seeker customers. In addition, as we struggle through these challenging times, we will continue to support the extraordinary staff that works at the Board, in the One-Stops and for our youth providers. These men and women do work that at times is life-saving.

In 2005, the Workforce Development Board adopted an industry sector approach to workforce development. While this approach is currently being altered, it has enabled us to look holistically at the effects an industry and its clusters of employment have on our local economy. Sector initiatives allow workforce boards to leverage resources, target specific industries, link economic development and training activities, improve opportunities for workers, and build stronger regional economies.

A notable example of this work is the Workforce Development Board's recent undertaking of a sector-based strategy to assist people impacted by layoffs in the mortgage and finance industry. The following activities are either being implemented or planned to be delivered in the next several months to address the current service need:

- The Workforce Development Board has been awarded \$100,000 in National Emergency Grant (NEG) funds designed to assist roughly twenty individuals who have been displaced from the mortgage and finance industry. The grant is designed to provide: marketing and outreach to the community, services to include: Rapid Response, assessment services, job announcements, workshops, training, case management, and job development all targeted to affected workers. In the coming months, the State may increase our grant award to as much as \$400,000 to serve even more individuals who have been laid off from jobs in this industry.
- Relative to the aforementioned grant, the WDB and its workforce system partners are in the process of developing targeted workshops and information sessions for displaced mortgage and finance industry professionals. Likely areas of focus include assessment of career interest and aptitude, identification of transferable skills, resume writing, interview techniques, customer service skills training, and business development support. Supportive services include financial counseling, family counseling support, and training materials, e.g., textbooks, software and calculators.
- The EASTBAY *Works* One Stop Career Centers and Workforce Development Board held an event at JFK University in February 2008 that was attended by more than ninety (90) individuals who have been affected by the downturn in the mortgage and finance industry. This event included featured presentations on career transition options, resources for managing financial issues and new perspective on lifestyle and attitude change. Feedback from attendees was extremely positive, and we were able to survey them to garner information on both their recent employment history (many did work in escrow, mortgage and lending, and title insurance) and also learn more about the additional services they need to navigate this time of transition.
- Analogous to the aforementioned event, we expect to hold one or more community forums with industry designed to gather demand-driven information and opportunities from viable companies in order to identify education and training needs and move laid-off workers into these jobs. From these events career maps or ladders (see Attachment A) will be developed and marketed.
- Our Rapid Response program continues to mobilize to provide outplacement service orientations to each company filing a WARN notice and is proactively engaging smaller businesses that may be downsizing but are not subject to the WARN Act.

As evidenced from the above, one of the primary benefits of a local workforce development system that takes a sector based approach to services is that it forces us to be demand-driven and flexible, changing our service delivery as best we can to meet the current needs of industry, job seekers and the community at large.

## **VI. The Road Ahead**

One can surmise from the information included in this memo, that the current labor market is becoming increasingly tougher to navigate. The EHSD and its workforce bureau's expect this trend to continue throughout this year. The trends we are witnessing coupled with the County's demographics make for a challenging time.

The Workforce Development Board of Contra Costa County has been advocating that the California Workforce Investment Board declare a “workforce crisis” in California. The WDB has adopted the position that such a declaration is rooted in the following issues:

- There are not enough new entrants into the workforce to match the number of jobs that will become available within the next five years due to the “Baby Boomer Retirement Wave.”
- Many of the jobs that are going to open up due to attrition are skilled positions. A substantial portion of the current labor force does not have the skills or training to qualify for these jobs.
- High school dropout rates continue to increase in California, further exasperating the unskilled workforce situation. Dropout rates are estimated to be as high as 40% among some populations.
- Among the high school population that does successfully graduate, many are leaving high school with insufficient STEM (Science, Technology, Engineering, and Math) skills necessary to obtain employment.
- We have a fast growing immigrant population in California. While that can be advantageous for entry-level positions, this will be a further challenge to technical positions.

Despite this admittedly troubling picture, we do believe we are positioning our local workforce development system to meet these challenges. The WDB’s work with enhancing its sector approach will ensure that our services are positioned to capture industries that are growing in our local economy (e.g. healthcare, biotech, and green jobs) while enabling us to quickly respond and provide services to people in industries that may be showing some decline. By partnering with economic development organizations like the East Bay Economic Development Agency, the Contra Costa Economic Partnership, the K-14 educational system, labor agencies, and private industry we expect to be able to continue to leverage resources to develop successful programs and help support economic vitality and the growth of good-paying jobs in Contra Costa County.

The Carol Sanchez’s of our community are counting on us to make this happen.

**CAREER LADDERS/LATTICES**

**Mortgage & Lending Industry  
Loan Processor  
\$22.53 Hourly  
Skills  
Mathematics**

Alternative Careers Related to Loan Processors

Payroll & Timekeeping Clerks  
Mean Hourly Wage: \$21.13  
**Skills:** Mathematics  
Projections 2004-2014:  
190+ jobs

Bill & Account Collectors  
Mean Hourly Wage: \$19.00  
**Skills:** Speaking  
Projections 2004-2014:  
230+ jobs

Preferred New Career Field

Medical Assistant  
Mean Hourly Wage: \$17.10  
**Skills:** Active Listening,  
Service Orientation  
Education: Certificate, two  
years  
Projections 2004-2014:  
430+ jobs

Diagnostic Ultrasonographer  
Mean Hourly Wage: \$45.19  
**Skills:** Active Listening, Critical  
Thinking, Operation & Control  
Education: Certificate, 18  
months  
Projections 2004-2014:  
800+ jobs