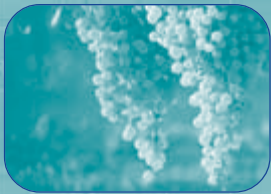




CALIFORNIA
REGIONAL ECONOMIES PROJECT

CREATING ECONOMIC
OPPORTUNITY AND JOBS
FROM QUALITY OF LIFE
IN RURAL CALIFORNIA



CREATING ECONOMIC OPPORTUNITY AND JOBS FROM QUALITY OF LIFE EXPERIENCES IN RURAL CALIFORNIA

A Cluster Report of the
California Regional Economies Project
September 2004

*Prepared By
Collaborative Economics
with the support of J.K., Inc.*

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PREFACE

Purpose: The California Regional Economies Project

The California Regional Economies Project provides California's economic and workforce development system with information about changing regional economies and labor markets. The Project is a joint effort of the California Workforce Investment Board and the California Economic Strategy Panel. The Project was initiated in response to these challenges:

- California's economy is under-performing relative to its potential—we have tremendous talent, world-class companies, and a tradition of innovation.
- California lacks an economic and workforce investment strategy that focuses on regional strengths and opportunities, and connects state and local efforts for maximum impact.
- Local and state policymakers lack reliable and timely information about emerging industry and job opportunities, making good investment and policy decisions difficult.

The Project develops information that measures the performance of California's regional economies. This information provides a key resource in economic and workforce development planning, and a bridge connecting economic and workforce policies and programs at the state and regional levels.

Through its products and forums, The California Regional Economies Project fills a need for better information that can:

- improve specific decisions about state, regional, and local workforce investments and policies;
- connect state, regional, and local economic and workforce investment strategies;
- focus state, regional, and local marketing efforts on areas of regional economic advantage and opportunity;
- inform policy and investment decisions of government so that they promote, rather than discourage economic innovation and competitiveness; and,
- help individuals navigate their own transition to new employment opportunities.

Phase I of the Project: Products and Forums for Users

During 2003-4, information was compiled for each of the nine California Economic Strategy Panel regions—Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, San Joaquin Valley, Central Sierra, Central Coast, Southern California, and the Southern Border Region (see following map).

Each of these reports was presented at a regional forum, and discussed with the regional user community (e.g., employers, workforce investment boards, local economic development organizations, local education and training institutions, local government agencies, and other interested community leaders). At each forum, users had the opportunity to discuss the findings and suggest priorities for further cluster analysis (see following chart).

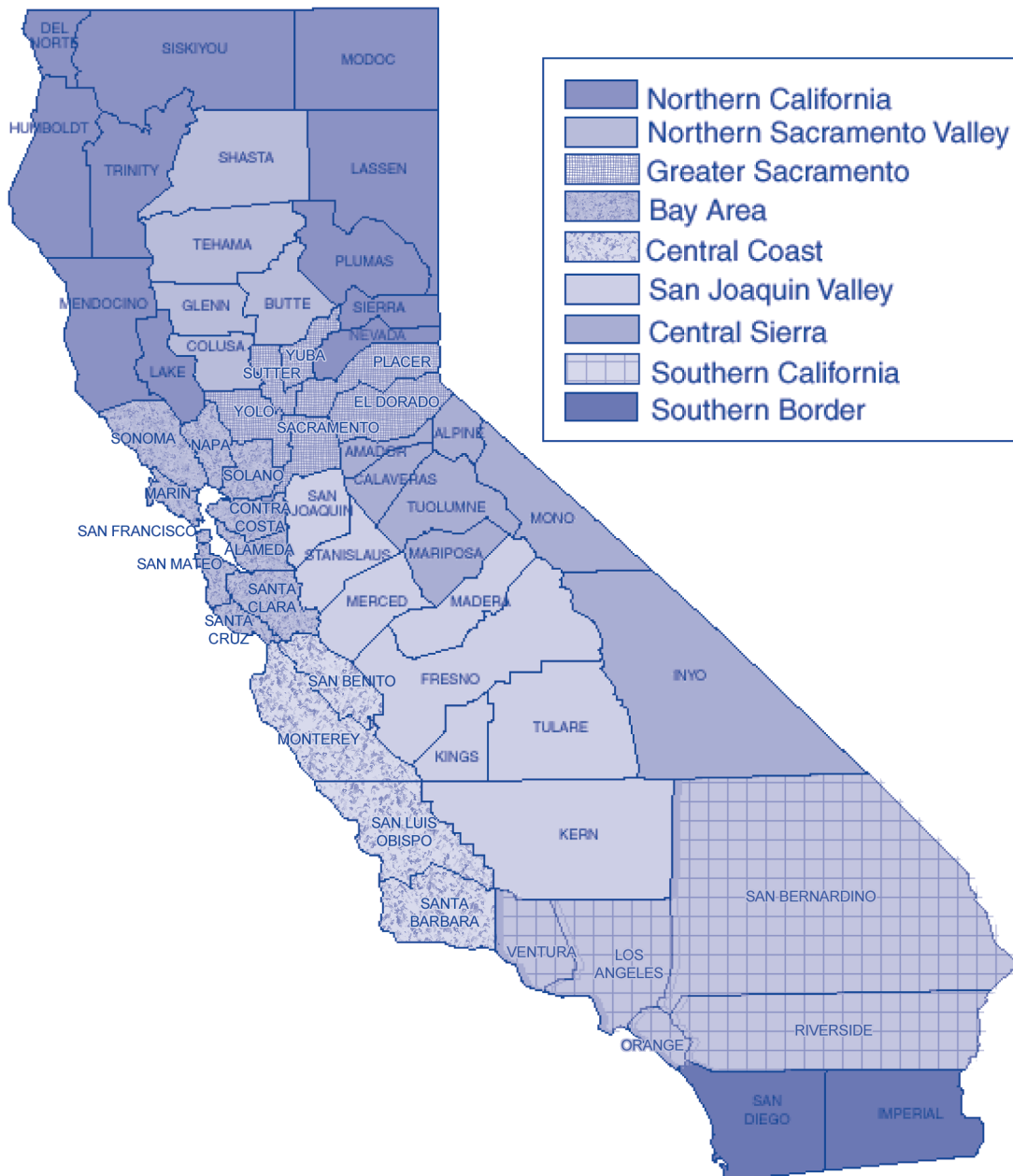
In addition, the Project compiled multi-region, cross-cutting Cluster of Opportunity reports. The focus for these reports was based on recommendations from the user community at regional forums and analysis of trends in the regional data. As a result, the Project focused on industries and occupations involved in:

- *Health Science and Services* (across all nine regions of California)
- *Manufacturing Value Chain* (the value chain of design, production, and logistics sectors in the five most urban regions of the state)
- *Regional Experience/Infrastructure* (in the four most rural regions California)

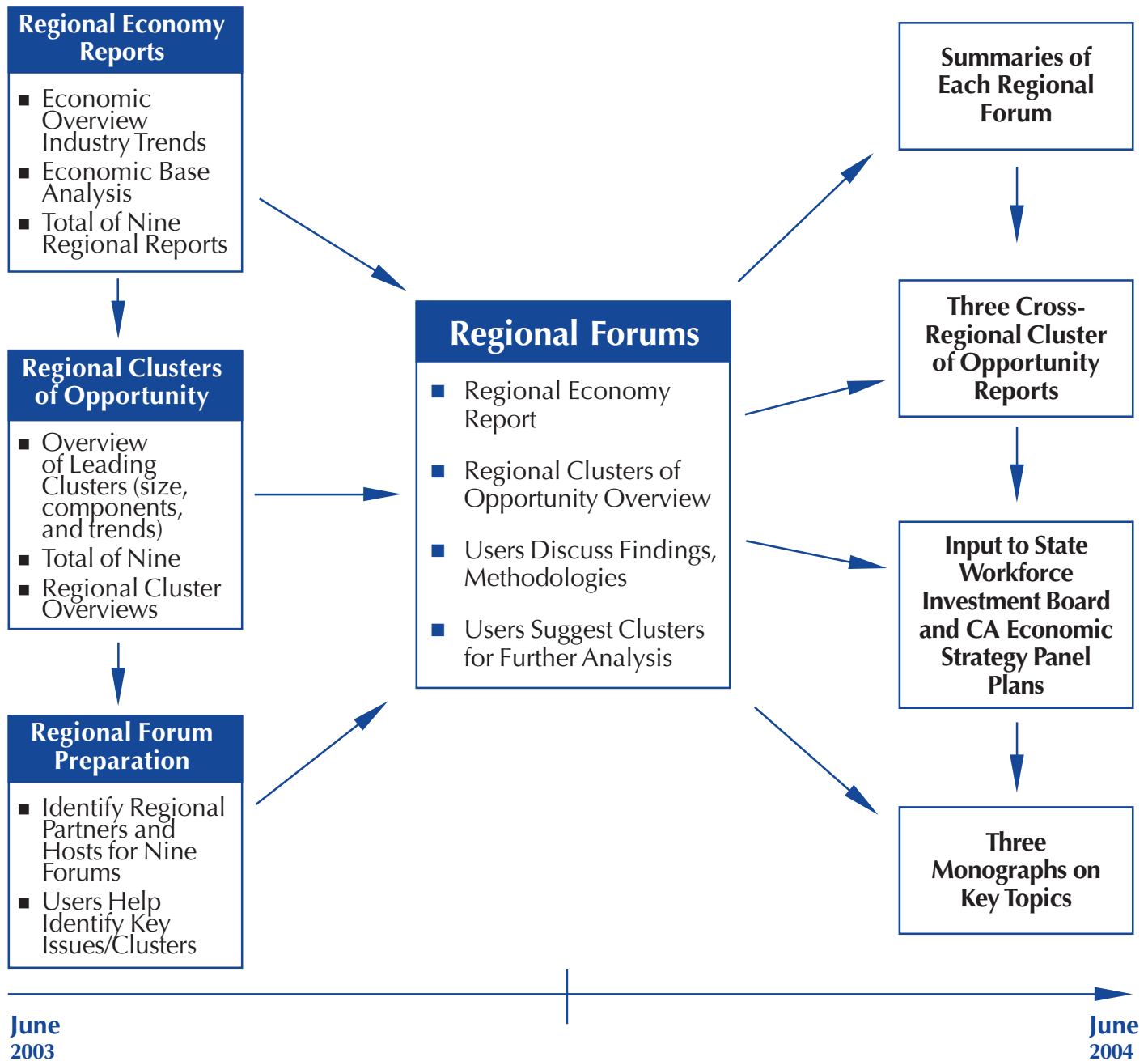
Each region was examined as part of the clusters of opportunity shown below.

Regions	Health Science And Services	Manufacturing Value Chain	Regional Exp/Infra
Northern California	XX		XX
Northern Sacramento Valley	XX		XX
Greater Sacramento	XX	XX	
Bay Area	XX	XX	
San Joaquin Valley	XX	XX	
Central Sierra	XX		XX
Central Coast	XX		XX
Southern California	XX	XX	
Southern Border	XX	XX	

THE PROJECT REGIONS



CALIFORNIA REGIONAL ECONOMIES PROJECT



The Project also produced monographs focused on key policy areas of concern to the regional user community and state-level policymakers. These monographs are focused on:

- *The Conditions of Competitiveness of California's Economy.* This monograph provides a balanced look at California's business climate by examining both cost and productivity factors with a special focus on the role of talent.
- *Innovation, Productivity and California's Prosperity.* This monograph examines the role of innovation in changing industry clusters, the impact of innovation and technology on productivity as well as the impact of productivity on the dynamics of job change.
- *Creating a Workforce Transition System in California:* Based on the regional analysis, this monograph recommends how a workforce transition system could be designed to help workers make transitions both within industries through career progression from entry to mid and higher occupational levels as well as transition across industries through adjustment to structural economic changes.

The monographs reinforce findings from the cluster reports as well—namely the importance of a balanced business climate based on cost and productivity, the imperative of innovation across all industries, and the need for a more effective workforce transition system to support California employers in their drive to innovate and remain competitive in the global economy.

Project Team and Sponsors

The Project Team includes Collaborative Economics (www.coecon.com), Center for the Continuing Study of the California Economy, (www.ccsce.com), California Center for Regional Leadership (www.calregions.org), and J.K., Inc.

The *California Workforce Investment Board* was established in 1998 to provide strategic guidance to the state's workforce investment system. For more information, visit <http://www.calwia.org>.

The bipartisan *California Economic Strategy Panel* was established in 1993 to develop a statewide vision and strategy to guide public policy decisions for economic growth and competitiveness. For more information visit www.labor.ca.gov.

EXECUTIVE SUMMARY

- *This cluster of opportunity includes a large and diverse set of industries and occupations—and is an increasingly important part of rural California economies.* It represents a substantial share of regional employment in rural California (about 25%), and an even bigger share of regional job gains (almost 30%) over the last decade. This cluster of opportunity has grown faster than the overall job growth rate in the four regions—Central Coast, Central Sierra, Northern California, and the Northern Sacramento Valley. It represents a comparative advantage for rural California regions in relation to the U.S. average. And, it offers a wide range of jobs at all levels.
- *The cluster includes those major sectors that help leverage the distinctive natural and built assets of the region, creating jobs in the process.* The cluster generates added value from the unique regional combination of natural, historical, cultural, educational, leisure, and eating, drinking, and shopping experiences. By doing so, it enables the region to attract visitors, residents, and businesses on the basis of distinctive quality rather than lowest cost, which can help improve economic opportunity and wages over time.
- *The cluster includes not only traditional tourism-related sectors, but also sectors that support a distinctive quality of life for residents.* It includes not only employers and occupations directly associated with specific quality of life experiences, but also employers and occupations that offer “behind the scenes” support, making access to and the staging of the region’s quality of life experiences possible.
- *The quality of life experiences for visitors and residents alike fall into four broad categories.* In each category, “experiences” are organized, packaged, promoted, and provided by firms offering services, products, or a mix of both. In each category, there is a range of high, mid, and lower-level occupations.

Natural places and experiences—including the mountains, rivers, beaches, and other natural amenities that provide the context for sightseeing, recreation, and other participatory activities.

Historical, cultural, and other educational sites, exhibits, and events—including the museums, art galleries, live performances, festivals, and educational experiences, including agricultural tourism and other education distinctive to the region.

Leisure—including the amusement parks, golf courses, gambling establishments, sporting events, and related leisure-time activities, which may include distinctive regional themes or characteristics (e.g., theme parks, golf courses with unique terrains, sports depending on local assets, like surfing, skiing, or boating).

Specialty Food, Beverages, and Retail—including the full-service restaurants offering regional specialties, the wineries and breweries with distinctive regional beverages and related products, and retail establishments that showcase regional products.

- *Supporting this range of quality of life experiences for residents and visitors is a quality of place infrastructure.* Without this infrastructure, it would be difficult for people to live in, get around, or get to the region to participate in the natural, historical, cultural, educational, leisure, or specialty food, beverage, accommodation, and retail experiences. Without a good “quality of place,” potential visitors and new residents are more likely to choose other locations. This critical infrastructure is of three kinds:

Residential infrastructure—including home construction, architectural services, services to buildings (including landscaping) and maintenance are all critical in how residents experience their life at home, and can reflect regional specialization in design and maintenance due to climate, terrain, and other factors.

Global connections infrastructure—including the transportation networks that get visitors (as well as some long-distance commuters and business people with global customers) to and from the region, the telecommunications networks that enable people to visit the region “virtually”, web-shopping for “experiences” they want, as well as residents who require an internet connection to conduct business, those who make travel arrangements, and the special business support services (e.g., couriers, copying businesses) that enable residents to make global connections.

Community infrastructure—including the hard infrastructure of commercial construction, utility systems, and public transit systems that enable people to get around the region and experience places like downtowns, special districts, and natural, cultural, and historic sites. Also included are accommodations for visitors and the fabric of private civic and social organizations that connect people, providing the “infrastructure” for shared experiences around common interests.

- Opportunities for cluster growth and competitiveness have been—and likely will continue to be—driven by the shift from goods and services to experiences, the migration of urban residents to rural areas, changing work patterns enabled by expanding internet access, and new dimensions emerging in traditional rural industries like recreation and agriculture.
- *A growing demand for “experiences,” creative combinations of products and services that help engage people in a region’s quality of life, has helped fuel the growth of this cluster of opportunity—and will likely continue to do so in the future.* In effect, experiences are a fourth economic offering after commodities, goods, and services. Goods and services are typically used in the “staging” of experiences, generating economic value and job growth. However, what the consumer is really paying for when he or she buys an experience is the time being engaged in a memorable way—and in the case of rural California, interacting with natural, cultural, historic, food, retail, accommodation, or a mix of regionally distinctive assets. Not only do tourists visit, but residents move to and stay in regions with the set of regional experiences they most value.

- *Another strong driver of this cluster of opportunity is the great influx of people into rural California, many from urban California.* In California, more than 268,100 people moved from urban to rural regions between 1995 and 2000. These new residents are not only in search of lower-cost housing, but a distinctive quality of life. They have many choices among many lower-cost locations both within and outside California. They are not all retirees, but some are in search of jobs and some are in search of a quality of life that will also allow them to continue their careers, with connections to global markets. These migrants come for quality of life, but also bring with them “urban” leisure, work, community, and public service expectations. This trend has produced growth in both quality of life experience and quality of place infrastructure employment to meet these interests.
- *With the growth in internet access in rural California (albeit less pervasively than in urban areas), access to global customers, partners, and information has enabled more and more people to live outside urban areas, but stay strongly connected and part of the global economy.* Some rural workers have become telecommuters, or employed a flexible mix of telecommuting and physical commuting from rural homes to urban workplaces. This trend has helped stimulate growth in the telecommunications infrastructure and services, transportation, and some business support services.
- *Traditional rural industries like agriculture and recreation are increasingly adding new products and services to their portfolio—ranging from new specialty products (e.g., high-value niche crops, organic foods) to agricultural tourism services (e.g., farm experiences, hunting, fishing, and other recreational activities on agricultural land) and combinations of recreational, cultural, and historical experiences (e.g., special tours, interactive museums).* This trend is leveraging more value and jobs from traditional natural assets, linking new products and services, and creating distinctive experiences for residents and visitors.
- *The most important implication of this cluster analysis is a recognition that the quality of life experience, often taken for granted in rural regions, has become an increasingly important driver of economic opportunity and job growth.* Rural regions have more options than promoting themselves as low-cost locations or low-wage tourism destinations. They can:
 - leverage their unique set of quality of life assets for economic and job growth;
 - redefine tourism with higher-value experiences that visitors and residents want;
 - add new dimensions to traditional industries like agriculture and recreation, helping to preserve rural lifestyles with profitable business models;
 - capitalize on the talents and interests of recent urban migrants; and,
 - position themselves to be beneficiaries of a growing demand for distinctive quality of life experiences.

-
- From national research, interviews conducted for this report, and the perspectives of panelists from regional forums conducted by the California Regional Economies Project, the key requirements for future growth and competitiveness for this cluster of opportunity will likely be workforce quality, innovation in the creation and bundling of experiences, and telecommunications and transportation infrastructure support.
 - Regions need a *workforce strategy* for preparing residents for quality of life experience and quality of place infrastructure careers. This strategy must include transition assistance for workers in other industries, upgrading of current tourism workers, and training for specialized skills in infrastructure support areas.
 - Regions need an *economic strategy* that encourages diversification of existing sectors into packaging high-value experiences, gives entrepreneurial support a high priority, promotes the region's assets in an integrated fashion, and focuses on improvements in telecommunications and air transportation infrastructure, and facilitates a strong collaboration between the workforce education and training system and employers.
 - State government can help with *timely information* about industries and occupations in this cluster of opportunity, *infrastructure investments* in telecommunications, air transportation, and key "experience" drivers or institutions such as museums, *joint promotional activities* showcasing the distinctive clusters of experience in each of California's rural regions, and *targeted workforce development* on career progressions within promising clusters of opportunity across California.

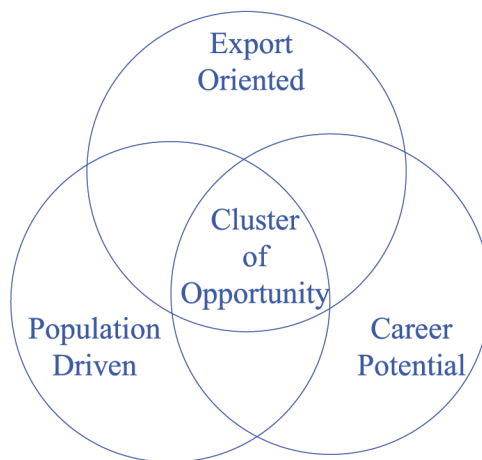
I. IDENTIFYING A CLUSTER OF OPPORTUNITY

What is a Cluster of Opportunity?

Using a mix of criteria, the California Regional Economies Project identified several clusters of opportunity in regions across California:

- Consistent with most research and practice, the Project identified clusters that are export-oriented, geographically-concentrated, and interdependent industry sectors characterized by competing firms and buyer-supplier relationships, as well as shared labor pools and other specialized infrastructure.
- Building on this general definition, the Project added two additional considerations that focused on “opportunity”—that is, employment opportunities for regional residents. Thus, the definition of a “cluster of opportunity” focuses not only on export-oriented sectors, but also population-driven sectors—as well as sectors that offer occupations with “career potential.”

Clusters of Opportunity



The California Regional Economies Project responds to two separate sets of regional priorities. Many regional organizations are focused on efforts to promote long-term economic growth that is broadly shared among each region’s residents. The project’s economic base analyses helped identify sectors that have the potential for high-wage job growth such as, for example, biotech.

Workforce investment boards play a role in promoting economic growth but they also have mandates to help residents train for and find jobs when they are unemployed. Workforce boards are moving beyond the traditional job-finding role to develop programs focused on career paths and upward mobility.

Many areas of workforce shortage are not in the center of a regions’ economic base. They are in the many population-serving sectors like health care, construction and education. So, the Project focuses on the size of sectors, not just their potential for rapid growth and look closely at population-serving activities as well as each region’s economic base.

The Twin Challenges of Economic Growth and Workforce Investment

Economic Growth

- Identify sectors for innovation and growth, for example, biotech and nanotech
- Identify workforce and other policies to support high growth sectors
- Focus primarily on the region's economic base

Workforce Investment

- Identify sectors where people can find career paths and upward mobility, for example, nursing and construction
- Identify workforce policies that support both individuals and sectors
- Focus significantly on population-serving sectors

The Cluster of Opportunity provides a bridge connecting the goals of workforce and economic development. Workforce development is naturally most focused on preparing people for jobs that exist today, while economic development is often about nurturing not only the industries of today, but those of tomorrow as well. Thus, the sectors or clusters championed for long-term economic development purposes may be providing few jobs today, and even fewer opportunities with career potential, simply because it is not yet at the necessary size and maturity in a given region. The Cluster of Opportunity enables regions to bridge this natural gap between these goals by including some sectors and occupations with requiring immediate workforce development, and some sectors and occupations that are emerging and may be more important in the future.



How Was This Cluster Chosen For Further Analysis?

Using these criteria, potential clusters of opportunity were identified for discussion at each of the nine regional forums. In identifying potential clusters of opportunity, the Project examined the size, concentration relative to the California average (location quotient), growth, and wages (when available)—as well as past cluster studies and perspectives from regional employers. A panel of employers at each forum offered their perspectives on key clusters, with users concluding the meeting by suggesting certain clusters of opportunity for further analysis.

In the end, three major clusters of opportunity were defined for further analysis, each including a mix of industries and occupations that are export-oriented, population-driven, and have career potential. Since each of these clusters were important in multiple regions, they were analyzed with attention to regional similarities and variations. Supplementing the quantitative employment data, the Project team also interviewed employers from these clusters, identifying opportunities and requirements for future growth and competitiveness.

This cluster, which focuses on creating economic opportunity from quality of life experiences in rural California, was chosen because it is a large and growing employer, offers an increasing advantage compared to the nation, and creates jobs at all levels. It is a unique mix of interdependent sectors that directly and indirectly support the quality of life experiences of residents and visitors, leveraging the natural and built assets of rural California for economic benefit of the people of those regions.

While California has always had many attractive quality of life assets and a strong tourism industry, this growing cluster of opportunity represents an important shift. The cluster is being driven by new choices that were not widely available in the past. California is becoming an “economy of choice” driven more by consumers than employers. Residents can now choose to live and work in more rural settings because of the greater connectivity to urban areas and global markets, especially with access to the internet. They can choose among different locations, all of which may be lower cost than larger urban areas but also offer distinctive sets of quality of life amenities and experiences. This represents an important economic innovation, especially in rural California—a shift driven by visitors and residents, choices and connectivity, quality of life experiences and new work patterns.

What Comprises This Cluster of Opportunity?

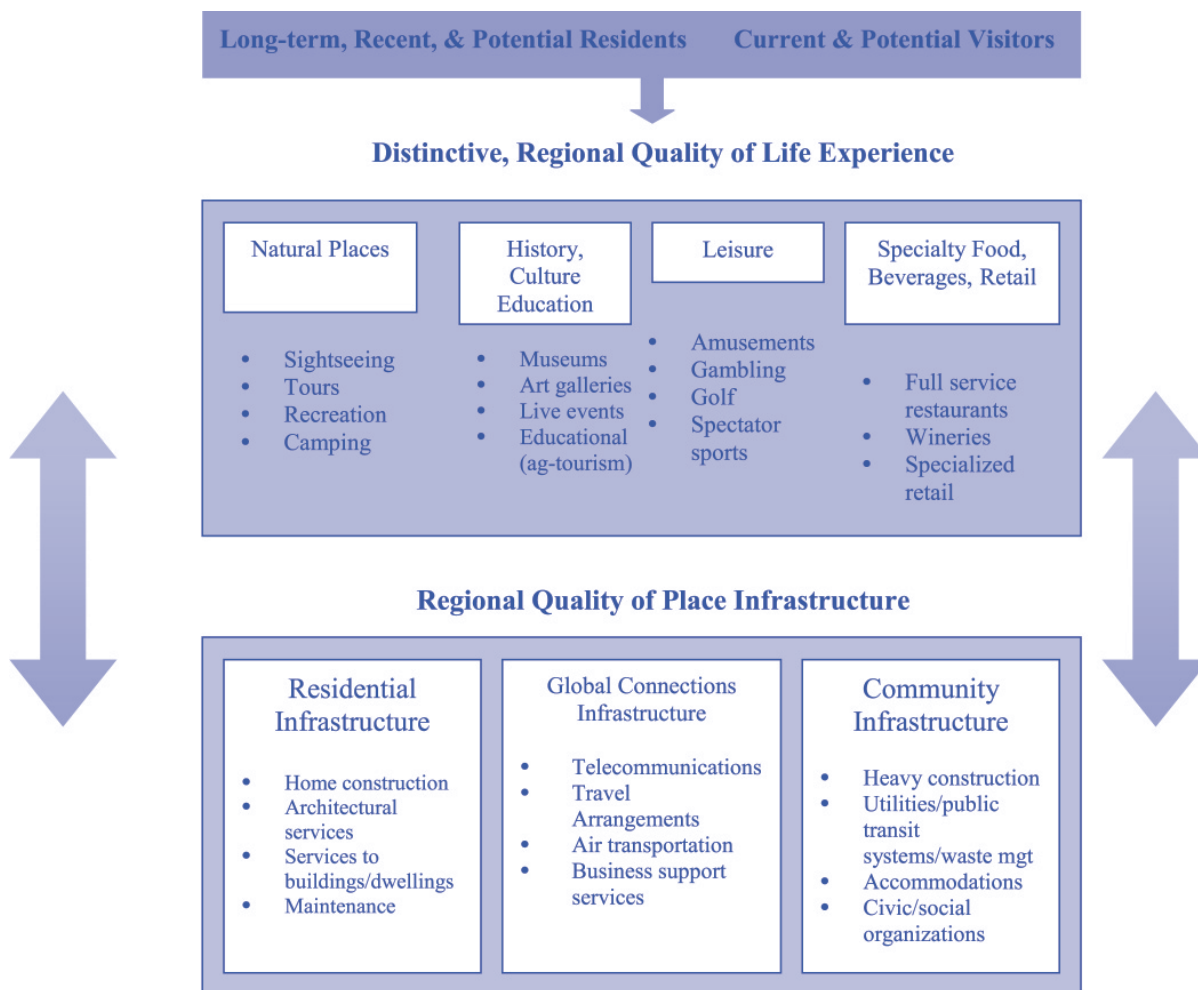
The cluster includes those major sectors that help leverage the distinctive natural and built assets of the region, creating jobs in the process. The cluster generates added value from the unique regional combination of natural, historical, cultural, educational, leisure, and eating, drinking, and shopping experiences. By doing so, it enables the region to attract visitors, residents, and businesses on the basis of distinctive quality rather than lowest cost, which can help improve economic opportunity and wages over time.

The cluster includes not only traditional tourism-related sectors, but also sectors that support a distinctive quality of life for residents. It includes not only employers and occupations directly associated with specific quality of life experiences, but also employers and occupations that offer “behind the scenes” support, making access to and the staging of the region’s quality of life experiences possible.

The quality of life experiences for visitors and residents alike fall into four broad categories. In each category, “experiences” are organized, packaged, promoted, and provided by firms offering services, products, or a mix of both. In each category, there is a range of high, mid, and lower-level occupations.

- *Natural places and experiences—including the mountains, rivers, beaches, and other natural amenities that provide the context for sightseeing, recreation, and other participatory activities.*

- *Historical, cultural, and other educational sites, exhibits, and events*—including the museums, art galleries, live performances, festivals, and educational experiences, including agricultural tourism and other education distinctive to the region.
- *Leisure*—including the amusement parks, golf courses, gambling establishments, sporting events, and related leisure-time activities, which may include distinctive regional themes or characteristics (e.g., theme parks, golf courses with unique terrains, sports depending on local assets, like surfing, skiing, or boating).
- *Specialty Food, Beverages, and Retail*—including the full-service restaurants offering regional specialties, the wineries and breweries with distinctive regional beverages and related products, and retail establishments that showcase regional products.



Clearly, there are overlaps among the categories, even among individual employers who provide multiple products and services. In fact, the interplay between natural and built assets in rural areas (i.e., the natural sites combined with museums, specialty food, retail, and accommodations, etc.) can be one of the biggest economic opportunities in rural California. There are also different categorization schemes offered by the Bureau of Labor Statistics and other sources. Regardless of the specific boundaries of the categories, taken as a whole, the main elements included in the four categories provide a comprehensive description of the range of quality of life experiences, as well as the industries and employment that are directly tied to the “staging” of those experiences.

Supporting this range of quality of life experiences for residents and visitors is a quality of place infrastructure. Without this infrastructure, it would be difficult for people to live in, get around, or get to the region to participate in the natural, historical, cultural, educational, leisure, or specialty food, beverage, accommodation, and retail experiences. Without a good “quality of place,” potential visitors and new residents are more likely to choose other locations. This critical infrastructure is of three kinds:

- *Residential infrastructure*—including home construction, architectural services, services to buildings (including landscaping) and maintenance are all critical in how residents experience their life at home, and can reflect regional specialization in design and maintenance due to climate, terrain, and other factors.
- *Global connections infrastructure*—including the transportation networks that get visitors (as well as some long-distance commuters and business people with global customers) to and from the region, the telecommunications networks that enable people to visit the region “virtually”, web-shopping for “experiences” they want, as well as residents who require an internet connection to conduct business, those who make travel arrangements, and the special business support services (e.g., couriers, copying businesses) that enable residents to make global connections.
- *Community infrastructure*—including the hard infrastructure of commercial construction, utility systems, and public transit systems that enable people to get around the region and experience places like downtowns, special districts, and natural, cultural, and historic sites. Also included are accommodations for visitors and the fabric of private civic and social organizations that connect people, providing the “infrastructure” for shared experiences around common interests.

Typically, this “quality of place” infrastructure and the employers and jobs required to provide it are not considered part of a traditional “tourism cluster.” However, focusing on just employers and jobs directly related to the region’s distinctive quality of life experiences would leave out the full set of sectors required to “stage” and support the experiences from “behind the scenes.” Like the State’s world-class entertainment industry centered in Southern California, there are those employed in front of the camera and directly behind the camera, but by far the largest number is in the writing, production, promotion, distribution, and other support occupations necessary to bring the “experience” to the customer.

II. PROFILING THE CLUSTER OF OPPORTUNITY

This cluster of opportunity includes a large and diverse set of industries and occupations. It represents a substantial share of regional employment in rural California, and an even bigger share of regional job gains over the last decade. It represents a comparative advantage for rural California regions in relation to the U.S. average. And, it offers a wide range of jobs at all levels. After focusing on these broad trends, this section includes regional profiles, as well as key opportunities and requirements for future growth and competitiveness of the cluster.

Common Trends Across Rural Regions

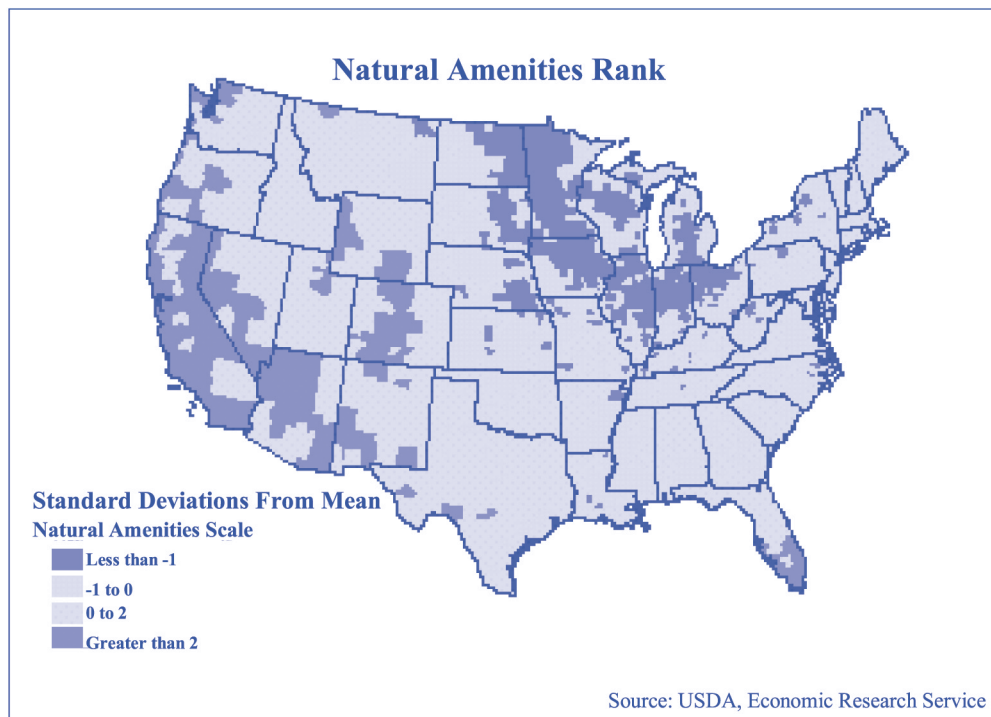
More than Marginal: A Substantial and Growing Share of Regional Employment

The combined employment of Quality of Life Experience and Quality of Place Infrastructure sectors comprises about 25% of the total employment of rural regions in California, and has been gaining share in every rural region since 1994

Share of Regional Employment		
	1994 Share of regional Employment	2002 Share of regional Employment
Central Coast	25%	26%
Central Sierra	30%	31%
Northern California	24%	25%
Northern Sacramento	24%	25%
California	24%	25%
Source: EDD		

A Comparative Advantage: California’s Rural Quality of Life Provides an Edge

California possesses a variety of natural wonders and varied climates and terrain including mountains, forests, deserts, rivers, and beacheswith rural regions across the state benefiting substantially from natural resources. The U.S. Department of Agriculture has ranked regions based on “natural amenities,” with California ranking at or near the top.



Wellspring of Job Creation: Responsible for Many New Jobs

This cluster of opportunity has grown faster than the overall job growth rate in the four regions.

Quality of Life Experience Job Growth Compared to Regional Job Growth

	QOL AAGR 1994-2002	Regional AAGR 1994-2002
<i>Central Coast</i>	3.1%	2.4%
<i>Central Sierra</i>	3.4%	2.5%
<i>Northern California</i>	2.4%	1.7%
<i>Northern Sacramento V</i>	3.0%	2.2%
<i>California</i>	2.9%	2.1%

Source: EDD

These sectors have been responsible for almost 30% of the gains in regional employment between 1994 and 2002.

Cluster vs Regional Job Growth Rates

	Regional Jobs Added 1994-2002	QOL Jobs Added 1994-2002	QOL Share of Regional Job Growth
<i>Central Coast</i>	79,736	23,416	29.4%
<i>Central Sierra</i>	10,733	3,957	36.9%
<i>Northern California</i>	21,875	6,518	29.8%
<i>Northern Sacramento Valley</i>	27,753	7,625	27.5%
<i>Rural regions</i>	140,097	41,516	29.6%

Source: EDD

More than Low-Paying Jobs: A Mix of High, Mid, and Entry-Level Employment

The occupational patterns of these sectors reveal a mix of jobs at all levels, with the prospects of career progression as well as lateral movement across sectors. The following table shows the distribution of occupational employment by wage level across the cluster.

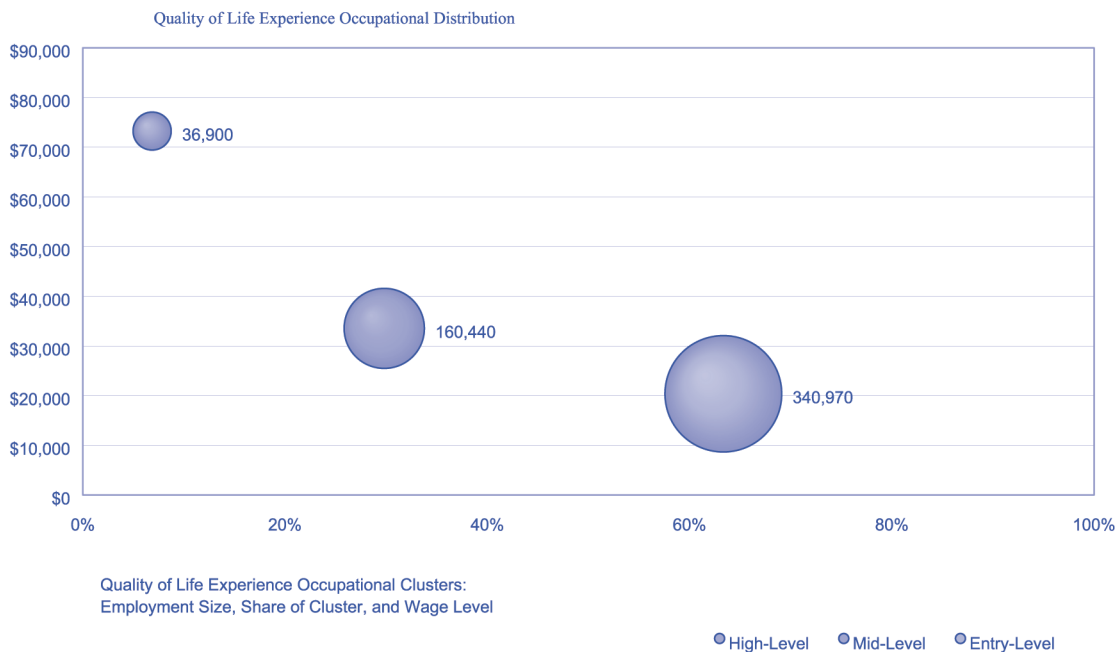
Distribution of Occupational Employment by Wage Level

California	Total Employment	Percentage
Regional Quality of Life Experience	53,831	100%
Higher-wage level	36,900	7%
Mid-wage level	160,440	30%
Entry-wage level	340,970	63%
Regional Quality of Place Infrastructure	2,545,560	100%
Higher-wage level	543,550	21%
Mid-wage level	1,288,730	51%
Entry-wage level	713,280	28%

Source: EDD

The distribution shows that about 37% of all jobs in the Regional Quality of Life Experience portion of the cluster are in the higher and mid-level wage categories, and 63% of occupational employment is in the entry-level category, or about 341,000 jobs across rural regions of California in 2003.

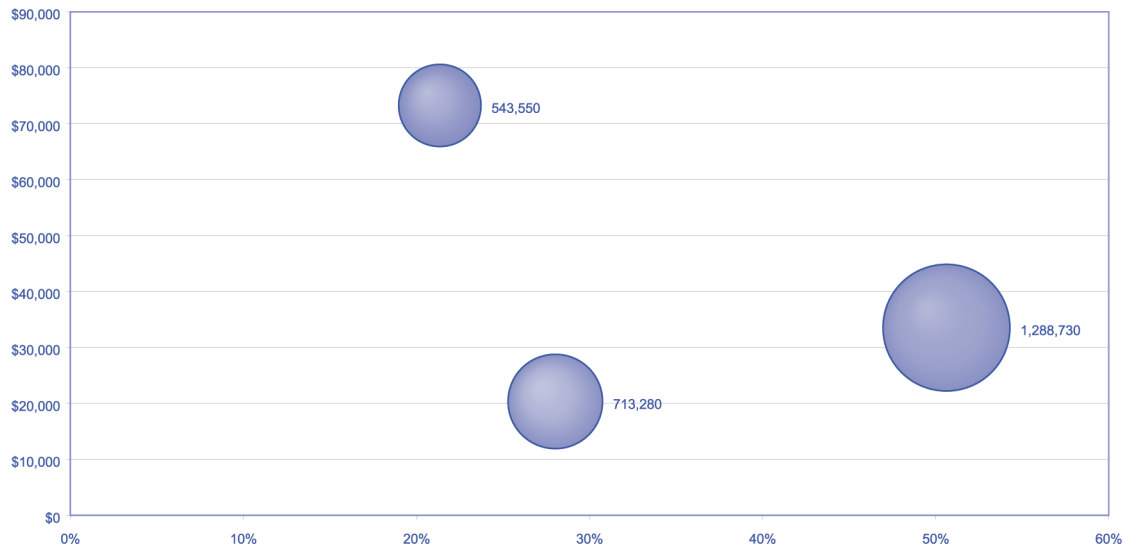
The following chart shows average wage levels for the occupations in the high, mid- and entry-levels. Levels are based on statewide wage distribution: entry-level occupations are considered to be those that are below the 25th percentile on the state wage distribution; mid-level occupations are between the 25th and 75th percentile; and higher-level occupations are above the 75th percentile.



Source: California Employment Development Department,
US Bureau of Labor Statistics

Quality of Place Infrastructure employment shows a more even distribution across the three categories, with 21% in the high-level, 51% in the mid-level, and 28% in the entry-level wage category.

Quality of Place Infrastructure Occupational Distribution



Infrastructure Occupational Clusters:
Employment Size, Share of Cluster, and Wage Level

Source: California Employment Development Department,
US Bureau of Labor Statistics

● High-Level ● Mid-Level ● Entry-Level

The following table provides illustrative examples of high, mid and entry-level occupations across the cluster. The selected occupations were drawn from the top 20 occupations, in terms of employment size. In the Regional Quality of Life Experience portion of the cluster, top paying occupations include managers, engineers and designers and creative directors or choreographers. At the mid-level, typical occupations include teachers and specialized instructors, performers, and technicians such as auditor and bookkeeping clerks, or museum technicians. At the entry-level, typical occupations include front-line service activities, such as receptionists, retail salespeople and cashiers.

Examples of Regional Experience Occupations With Median Wages

<i>Higher-Level Occupations</i>	<i>CA Average Hourly Wage</i>	<i>CA Average Annual Wage</i>
Marketing Managers	\$38.18	\$79,416.29
General and Operations Managers	\$35.22	\$73,260.88
Advertising and Promotions Managers	\$31.61	\$65,752.27
Computer Programmers	\$30.31	\$63,034.40
Accountants and Auditors	\$24.29	\$50,528.09
Choreographers	\$23.79	\$49,472.80
<i>Mid-Level Occupations</i>	<i>CA Average Hourly Wage</i>	<i>CA Average Annual Wage</i>
Archivists, Curators, and Museum Technicians	\$20.16	\$41,932.80
Sales and Related Workers, All Other	\$16.53	\$34,380.80
Dancers	\$16.01	\$33,290.40
Bookkeeping, Accounting, and Auditing Clerks	\$14.84	\$30,873.77
Fitness Trainers and Aerobics Instructors	\$12.93	\$26,887.47
Self-Enrichment Education Teachers	\$11.99	\$24,939.20
<i>Entry-Level Occupations</i>	<i>CA Average Hourly Wage</i>	<i>CA Average Annual Wage</i>
Packaging and Filling Machine Operators and Tenders	\$11.21	\$23,315.00
Receptionists and Information Clerks	\$10.65	\$22,149.40
Landscaping and Groundskeeping Workers	\$10.58	\$22,004.00
Retail Salespersons	\$9.86	\$20,502.00
Cashiers	\$8.94	\$18,588.27
Waiters and Waitresses	\$8.81	\$18,333.47
Amusement and Recreation Attendants	\$8.03	\$16,685.00

Source: EDD

The following table provides illustrative examples of higher, mid and entry-level occupations across the Quality of Place Infrastructure portion of the cluster. The selected occupations were drawn from the top 20 occupations, in terms of employment size. In these sectors, top paying occupations include carpenters, heavy equipment engineers and construction equipment operators, computer and software engineers, and real estate agents. At the mid-level, typical occupations are secretaries, construction laborers, and truck drivers and electricians. At the entry-level, typical occupations include front-line hotel workers such as concierges, desk clerks, baggage porters and bellhops. Other entry-level occupations are janitors and cleaners, bus drivers, and ushers and lobby ticket takers.

Examples of Regional Infrastructure Occupations With Average Wages

<i>Higher-Level Occupations</i>	<i>CA Average Hourly Wage</i>	<i>CA Average Annual Wage</i>
Computer Software Engineers, Applications	\$37.35	\$77,690.45
Real Estate Sales Agents	\$28.57	\$59,425.60
First-Line Supervisors/Managers of Construction Trades and Extraction Workers	\$27.79	\$57,797.60
Network and Computer Systems Administrators	\$27.48	\$57,154.24
Operating Engineers and Other Construction Equipment Operators	\$25.15	\$52,301.60
<i>Mid-Level Occupations</i>	<i>CA Average Hourly Wage</i>	<i>CA Average Annual Wage</i>
Electricians	\$21.48	\$44,680.71
Executive Secretaries and Administrative Assistants	\$18.05	\$37,536.70
Truck Drivers, Heavy and Tractor-Trailer	\$17.41	\$36,214.40
Construction Laborers	\$15.52	\$32,285.27
Travel Agents	\$14.99	\$31,172.27
Secretaries, Except Legal, Medical, and Executive	\$14.09	\$29,316.11
Helpers--Electricians	\$12.13	\$25,226.93
<i>Entry-Level Occupations</i>	<i>CA Average Hourly Wage</i>	<i>CA Average Annual Wage</i>
Concierges	\$11.49	\$23,899.20
Hotel, Motel, and Resort Desk Clerks	\$11.07	\$23,015.20
Bus Drivers, Transit and Intercity	\$10.65	\$22,160.91
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$9.91	\$20,622.30
Cashiers	\$9.09	\$18,898.05
Recreation Workers	\$8.94	\$18,595.20
Bartenders	\$8.19	\$17,031.73
Ushers, Lobby Attendants, and Ticket Takers	\$7.93	\$16,494.40
Baggage Porters and Bellhops	\$7.66	\$15,932.80

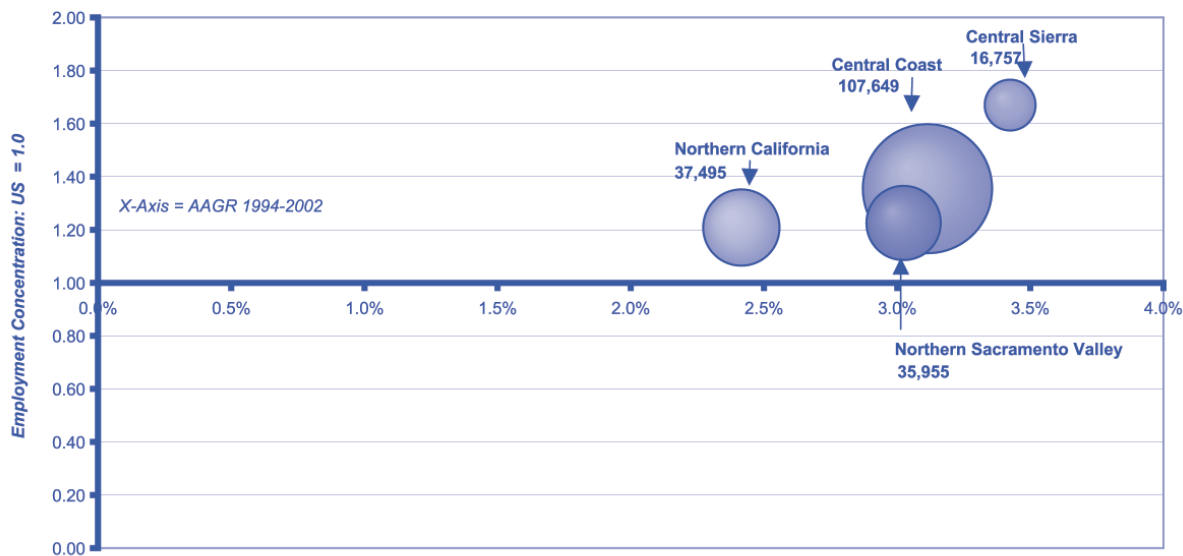
Source: EDD

Individual Profiles of Rural Regions

Across California, employment related to regional quality of life experience cluster grew at an annual rate of 2.9% from about 2.64 million jobs in 1994 to more than 3.33 million in 2002. California's rural regions, the Central Sierra, Central Coast, Northern California and the Northern Sacramento Valley make up about 6% of experience employment statewide. Rural experience cluster growth has kept pace with experience growth across the state growing 3% annually between 1994 and 2002. In the rural regions, experience jobs grew from 156,300 in 1994 to 197,900 in 2002.

What follows is a discussion of the four rural regions with detailed analysis of regional employment trends in the Quality of life experience cluster of opportunity.

Portfolio of California's Regional Experience Employment by Region, 1994-2002



Size (2002), Concentration relative to the U.S. (2002) and AAGR of the Regional Experience Clusters (1994-2002)

Central Coast

The Central Coast is growing in population and diversity, while levels of per capital personal income continue to rise. Between 1990 and 2001, the region's population increased from 1.21 million to 1.38 million or by about 170,000 people. The regional population is projected to grow at a rate of 1.8% annually through 2010, according to the 2002 edition of California County Projections. Between 1990 and 2001, 25% of the Central Coast's population gains resulted from net migration to the region. And at the same time, in inflation adjusted terms, per capita personal income rose 48.6% on the Central Coast, this compares to 46.1% for the state of California as a whole.

Central Coast	AAGR 94-02	US LQ 2002	Share of Regional Job Growth 94-02
Regional Quality of Life Experience	2.5%	1.58	6.0%
Natural Places	-0.4%	1.08	0.0%
History and Culture	2.8%	0.85	0.6%
Leisure	3.4%	0.76	2.0%
Specialty Food and Beverage	2.2%	2.12	3.4%
Regional Quality of Place Infrastructure	3.3%	1.01	23.0%
Residential Infrastructure	7.0%	0.82	15.5%
Global Connections	0.8%	0.69	1.1%
Community Infrastructure	2.0%	1.16	6.8%

Source: EDD

Cluster employment is growing and is more concentrated on the Central Coast than it is nationally. In 2002, experience related employment reached more than 107,600 on the

Central Coast. Employment grew 3.1% annually from more than 84,200 jobs in 1994 to approximately 107,600 in 2002. Relative to the U.S., the regional employment concentration is 1.58, which suggests that quality of life experience related employment was almost 60% more concentrated on the Central Coast than it is nationally.

Regional quality of experience related employment grew 2.5% from more than 21,500 jobs in 1994 to about 26,300 in 2002. Experience employment was 6% of new jobs growth on the Coast between 1994 and 2002. In 2002, experience employment made up about 6% of all employment on the Central Coast. Within the sector, employment in specialty foods is the largest component, accounting for about 3.5% of all regional employment. Specialty foods is made up of firms engaging in food service activities; e.g. caterers, mobile food services and food service contractors. Compared to the U.S., the Central Coast is particularly concentrated in specialty food stores (U.S. LQ = 2.25).

Employment declines in the Natural Places sub-sector were primarily a result of job losses in scenic land and water-based transportation. Despite these employment declines, however the region still retains a strong specialization in scenic and sightseeing water transportation (US LQ of 3.9) and RV parks and recreational camps (US LQ of 2.4).

Quality of place infrastructure employment makes up 17% of all employment on the Central Coast. It was responsible for 23% of job growth on the Coast between 1994 and 2002. Place infrastructure employment grew 3.3% annually from 62,700 jobs in 1994 to 81,300 jobs in 2002. Relative to the U.S., place infrastructure employment is about average (U.S. LQ = 1.01). The largest sub-component is community infrastructure, which accounts for 8% of employment in the region and 6.8% of new job growth from 1994-02. During the 2000-02 period, the fast-growth sectors within community infrastructure included employment in interurban and rural transit systems (36% annually), social advocacy organizations (11% annually), and electric power generation (13% annually).

Residential infrastructure was responsible for substantial job growth: 15.5% of new jobs were in this sub-sector in the 1994-2002 period. Residential infrastructure is the second largest sub-sector, making up about 6.3% of regional employment in 2002, with employment growing 7% annually from 17,300 jobs in 1994 to 29,700 jobs in 2002. About 80% of the Central Coast's residential infrastructure employment is in employment directly related to the construction of homes and buildings. Relative to California as a whole, the Central Coast's employment concentration in residential construction is 1.34, or 34% greater than the state average.

Central Sierra

The population of the Central Sierra grew 2.1% annually from 155,000 in 1990 to approximately 183,000 people in 2000. By 2010, the region is projected to gain 33,000 new residents, bringing the total regional population to about 216,000. Cluster employment in the Central Sierra comprises 28% of total regional employment. Cluster employment grew at an annual rate of 3.4% from 12,800 jobs in 1994 to more than 16,800 in 2002.

Central Sierra	AAGR 94-02	US LQ 2002	Share of Regional Job Growth 94-02
Regional Quality of Life Experience	3%	1.35	5.2%
Natural Places	2%	3.77	0.2%
History and Culture	-2%	0.51	-0.3%
Leisure	4%	1.34	4.0%
Specialty Food and Beverage	-1%	0.94	1.3%
Regional Quality of Place Infrastructure	4%	1.36	31.7%
Residential Infrastructure	6%	0.99	15.7%
Global Connections	4%	0.43	3.0%
Community Infrastructure	2%	2.00	12.9%

Source: EDD

Quality of life experience-related employment comprised 8% of all Central Sierra jobs in 2002. Experience employment was 5.2% of regional job growth from 1994-2002. The sector grew about 3% annually from 2,300 jobs in 1994 to almost 2,900 in 2002. Quality of experience employment is about 35% more concentrated in the region than it is nationally (U.S. LQ = 1.35). Leisure is an important sub-sector including jobs in amusement parks, gambling industries, and spectator sports with a location quotient of 1.34 relative to the U.S., employing approximately 1,500 people in 2002. Natural Places represents small, but highly concentrated sector: it has the highest employment concentration within the cluster (U.S. LQ = 3.77), almost four times the national average. Yet, natural places employmentscenic transportation on water and land, and RV parks and recreational camps was less than 200 people in 2002.

The other two sectors—History and Culture, and Specialty Food, Beverage, and Retail—lost employment between 1994 and 2002. The job losses were primarily in the specialty food services, including employment in specialty food stores and restaurants. Jobs losses in the history and culture sector were among performing arts companies.

Twenty-three percent of the Central Sierra's Experience employment is in regional quality of place infrastructure. Employment in this sector was responsible for almost 32% of regional jobs growth between 1994 and 2002. Place infrastructure employment grew 4% annually from 10,500 jobs 1994 to 13,900 jobs in 2002.

Community infrastructure is 14% of all regional employment in 2002 – or about 8,200 jobs. Growth in community infrastructure was responsible for about 13% of all new job growth in the Central Sierra between 1994-02. Accommodation employment at hotels and motels including casino hotels, bed and breakfasts, and youth hostels is 63% of community infrastructure employment. Relative to the U.S., community infrastructure employment is twice as concentrated in the Central Sierra (U.S. LQ = 2.00)

Residential Infrastructure was the fastest-growing of the sub-sectors, increasing 6% on an annual average basis between 1994 and 2002. Growth in residential infrastructure employment was responsible for almost 16% of regional job growth in the 1994-02 period. The primary drivers of employment growth within the segment were residential construction (9% annually) and related activities such as building equipment contractors (7% annually), building finishing contractors (7% annually), specialty trade contractors (6% annually), the offices of real estate agents and brokers (9% annually), and household goods repair and maintenance (13% annually).

Northern California

The population of the Northern California grew 0.8% annually from 392,700 in 1990 to approximately 429,500 people in 2000. By 2010, the region is projected to gain more than 54,000 new residents, bringing the total regional population to about 484,000. About 37,500 people were employed in Northern California Quality of life experience related employment in 2002. The cluster comprises about 21% of all regional employment, with the sector responsible for almost 30% of the new jobs added to Northern California between 1994 and 2002. Relative to the U.S. overall cluster employment is just 3% (U.S. LQ = 1.03) more concentrated in the region than it is nationally. Jobs grew at an annual rate of 2.4% from 31,000 jobs in 1994 to 37,500 in 2002.

Northern California	AAGR 94-02	US LQ 2002	Share of Regional Job Growth 94-02
Regional Quality of Life Experience	1.5%	1.49	4.6%
Natural Places	3.7%	5.09	0.6%
History and Culture	5.5%	0.60	0.6%
Leisure	3.1%	1.31	3.3%
Specialty Food and Beverage	0.0%	1.72	0.0%
Regional Quality of Place Infrastructure	2.8%	0.94	25.2%
Residential Infrastructure	4.1%	1.06	15.1%
Global Connections	-2.3%	0.47	-3.3%
Community Infrastructure	3.3%	1.12	13.4%

Source: EDD

Regional Quality of Life Experience-related employment makes up 5.3% of all regional employment and was responsible for 4.6% of new job growth during the period from 1994-2002. Experience related employment increased from about 8,250 jobs in 1994 to 9,300 in 2002. With a U.S. LQ of 1.49, experience employment is almost 50% more concentrated in Northern California than it is nationally. Leisure-related employment was an important source of new job growth within the sector and in particular employment at golf courses, skiing facilities, marinas and fitness and recreation sports centers were all high growth. Natural places employment rose 3.7% annually from about 400 jobs in 1994 to more than 540 by 2002. Employment at RV and recreational camps is the largest component of natural places employment, and provided almost 500 jobs to the region in 2002. The employment growth in the history and culture segment was in the area of museums, historical parks and zoos.

Quality of Place Infrastructure-related employment was more than 25% of new job growth during the period 1994-2002 in Northern California. Place infrastructure employment makes up 16% of all regional employment and grew at a 2.8% annual average rate from 22,700 jobs in 1994 to 28,200 in 2002. Regional place infrastructure employment is less concentrated (U.S. LQ = .94) than the national average. Residential infrastructure accounted for more than 13% of new regional job growth and especially important were jobs added in homebuilding and construction. Community infrastructure added 15% of the new jobs to the region, with sources of growth in two broad areas; power and transportation systems electrical power distribution, heavy construction, utility systems, public transit systems and also in employment activities related to developing the social fabric of places social advocacy organizations, religious organizations and grantmaking and giving services, and professional and similar organizations.

Northern Sacramento Valley

The population of the Northern Sacramento Valley grew about 1% annually from 422,700 in 1990 to approximately 478,500 people in 2000. By 2010, the region is projected to gain more than 113,600 new residents, bringing the total regional population to about 592,000. Regional quality of life experience related employment is 21% of all employment in the Northern Sacramento Valley and was 27% of all new job creation in the period from 1994 to 2002. Employment increased 3% annually from more than 28,300 jobs in 1994 to 35,600 in 2002. Overall cluster employment is about at the U.S. average (U.S. LQ = 1.01).

Northern Sacramento	AAGR 94-02	US LQ 2002	Share of Regional Job Growth 94-02
Regional Quality of Life Experience	1.0%	1.55	2.74%
Natural Places	7.7%	0.75	0.13%
History and Culture	0.0%	0.54	0.00%
Leisure	0.6%	1.01	0.46%
Specialty Food and Beverage	1.2%	2.29	2.16%
Regional Quality of Place Infrastructure	3.8%	0.90	24.73%
Residential Infrastructure	4.2%	1.01	11.51%
Global Connections	2.2%	0.53	2.23%
Community Infrastructure	4.0%	1.02	11.00%

Source: EDD

Regional Quality of Life Experience-related employment was about 9,500 in 2002, having grown about 1% annually from 8,700 jobs in 1994. The sector comprised almost 6% of all regional jobs and was responsible for 2.7% of the job growth in the period from 1994 to 2002. Natural places employment was the fastest-growing sector, adding jobs at an average annual rate of 7.7%: most of the growth was in jobs at RV and recreational camps, but this is a very small segment, employing less than 100 people. Employment in specialty food and beverage related firms is more than twice (U.S. LQ = 2.29) as concentrated locally than the same employment sector nationally, with this sector making up more than 2% of regional employment. The largest component of specialty foods employment is in activities related to fruit and tree nut farming and fruit and vegetable preserving and specialty food manufacturing.

Regional Quality of Place Infrastructure related employment totaled almost 26,500 people in 2002, or about 15% of all regional jobs. These sectors accounted for almost 25% of regional jobs growth in the period from 1994 to 2002. Jobs grew at an annual rate of 3.8% from 19,600 in 1994 to 26,500 in 2002. Some of the most important sub-sectors in terms of job creation are residential infrastructure, which accounted for 15% of new jobs and community infrastructure, which accounted for 13.4% of new jobs between 1994 and 2002. Within residential infrastructure, the majority of jobs were in residential construction. The largest employment in community infrastructure is in highway and bridge construction, community and social organizations, and traveler accommodation hotels, hostels, bed and breakfast inns, and the like. High growth segments are urban and rural transit systems with 17% and 15% AAGR from 1994-02 respectively, followed by employment in business support services (12%) during the same period. The business support sector includes activities such as business service sectors and copy shops.

What are Key Opportunities and Requirements for Future Growth and Competitiveness?

Opportunities for cluster growth and competitiveness have been—and likely will continue to be—driven by the shift from goods and services to experiences, the migration of urban residents to rural areas, changing work patterns enabled by expanding internet access, and new dimensions emerging in traditional rural industries like recreation and agriculture.

Beyond Goods and Services: Creating Value and Jobs from Distinctive Regional Quality of Life Experiences

A growing demand for “experiences,” creative combinations of products and services that help engage people in a region’s quality of life, has helped fuel the growth of this cluster of opportunity—and will likely continue to do so in the future. In effect, experiences are a fourth economic offering after commodities, goods, and services. Goods and services are typically used in the “staging” of experiences, generating economic value and job growth. However, what the consumer is really paying for when he or she buys an experience is the time being engaged in a memorable way—and in the case of rural California, interacting with natural, cultural, historic, food, retail, accommodation, or a mix of regionally distinctive assets.

Of course, experiences have always been at the core of the entertainment industry—both in urban and rural areas. However, what is significant is that the number and variety of entertainment (and thus experience) options have expanded rapidly in recent years. Today,

people are demanding more and varied experiences, not only those that are urban-centered or even entertainment-based, but also those that can only be found in rural areas with unique natural, historic, and cultural assets. And, not only do tourists visit, but residents move to and stay in regions with the set of regional experiences they most value.

Creating economic opportunity and jobs from quality of life experiences is not new in rural California. As the following chart suggests, there is a value chain linking goods, services, and experiences.

Examples of the Value Chain Linking Goods, Services, and Experiences

Assets	Goods	Services	Experiences
Natural Historic Cultural	Film, sunscreen Souvenirs Regional crafts	Equipment rentals Historic lodging Regional cuisine	Tours, educational programs Interactive sites, museums Festivals, performing arts

In interviews conducted for this report, examples of shifts to experience-based activities and support were varied and numerous:

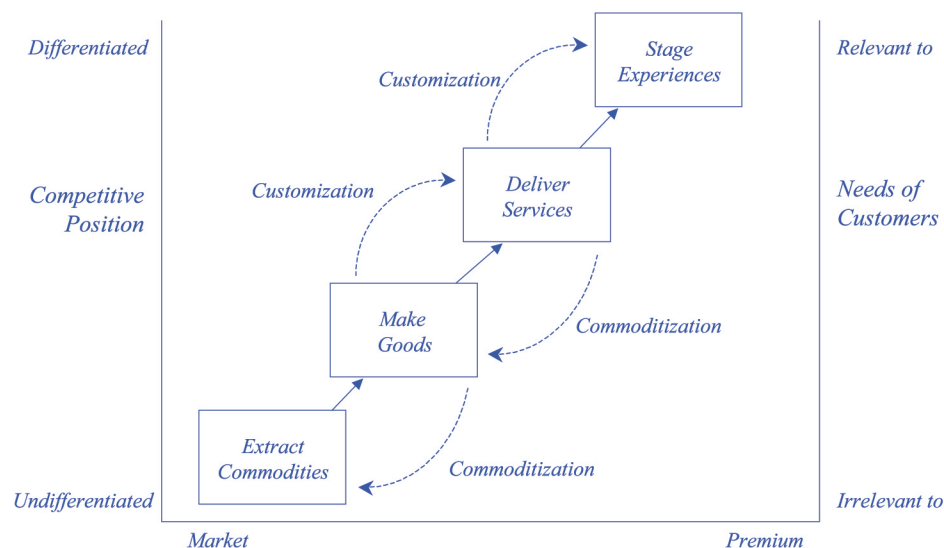
- A Sacramento Valley cattle rancher who diversified into hunting, fishing, educational, and consulting activities that now generate 80% of his revenue.
- In the Sacramento Valley, Turtle Bay provides interpretive and interactive exhibits, a multi-million dollar infrastructure investment underwritten by local contributions, especially that of the McConnell Foundation, and state, federal, and local government.
- A Central Sierra group of apple growers who formed a marketing firm to promote agricultural tourism, including farm tours and events, apple-based baking products, and recreation services.
- A Central Sierra lodge that, in response to guest demand, is now providing a range of educational, self-improvement, and entertainment options, in some cases working with other businesses.
- A Northern California winery that has become a gourmet mecca, offering tours, tastings of food and wine, educational programs, events, and other experiences.
- A Northern California business that helps residents achieve the quality of life experience they desire by providing technical consulting services in terms of environmental evaluations and management of 150-acre ranchettes, expertise that once was focused on forestry management for large company clients.
- A Central Coast organic farm that offers products as well as educational tours and programs.
- A Central Coast aquarium and research center that offers a variety of educational programs and events, and has become a catalyst for ocean-oriented environmental research and support industries in the region.

These shifts represent a natural economic evolution. In their national research, which culminated in the book entitled “The Experience Economy” (Harvard Business School Press, 1999), Joseph Pine II and James Gilmore observed that:

While commodities are fungible, goods tangible, and services intangible, experiences are memorable. Buyers of experiences . . . value being engaged by what the company reveals over a duration of time. Just as people have cut back on goods to spend more on money on services, now they also scrutinize the time and money they spend on services to make way for more memorable—and highly valued—experiences (p. 11-12).

In terms of the bottom line, experiences create more economic value for a region. As Pine and Gilmore show in the following chart, increasing customization and relevance to customer needs increases the economic value of the activity. Experiences also create more jobs. In their analysis of employment changes nationally between 1959 and 1997, they estimate that commodity employment declined an average of 0.7% annually, while goods employment has gained about 0.5% per year. Services employment gained an average of 2.7% annually. However, employment that could be directly attributable to experiences (e.g., amusement, recreation, museums) grew 5.3% per year on average (p. 13-15).

The Progression of Economic Value



Source: Pine and Gilmore, 1999, p.72.

While future projections of experience-driven employment are difficult to estimate, the U.S. Bureau of Labor Statistics has said that the “growing participation in the arts, entertainment, and recreation activities—reflecting increasing incomes, leisure time, and awareness of the health benefits of physical fitness—will provide a large market for establishments providing arts, entertainment, and recreational services” (Career Guide to Industries, BLS, 2004). Wage and salary jobs in arts, entertainment, and recreation are projected to increase about 28% over the 2002-2012 period, compared to 16% for all industries combined. Moreover, increases are expected at all levels, from higher-level occupations such as management (30%) and professional (24%) to mid-level occupations such as secretaries and administrative assistants (7%) and maintenance and repair workers (33%) to lower-level jobs like amusement and recreation attendants (34%).

New Residents, New Expectations: The Impacts of Urban-to-Rural Migration

Another strong driver of this cluster of opportunity is the great influx of people into rural California, many from urban California. These new residents are not only in search of lower-cost housing, but a distinctive quality of life. They have many choices among many lower-cost locations both within and outside California. They are not all retirees, but some are in search of jobs and some are in search of a quality of life that will also allow them to continue their careers, with connections to global markets.

Migration is an important component of population growth in California. According to the Center for Continuing Study of the California Economy, California's population is expected to add more than 1 million new residents between 2000 and 2010. While 55% of projected population increase is expected to come from natural population increase (births – deaths), the rest will result from net migration.

Components of California's population growth (thousands per year)			
	1980-90	1990-2001	2001-2010
Births	469.4	556.4	556
Deaths	190	222.2	252.1
Natural Increase	279.4	334.2	303.8
Net Legal Immigration	130.6	129.2	140
Undocumented Immigration	100	112.7	120
Domestic Migration	109.4	-130.5	-9.8
Net Migration	340	111.4	246.2
Total Population Growth	619.4	445.6	550.2

Source: CCSCE

Non-metropolitan regions are projected to grow faster than their urban counterparts between 2001 and 2010. While metropolitan regions will add new residents at a rate of 1.5% a year, the non-metro regions will add new residents at a rate of 2.1% annually (or about 348,000 new residents).

During the past five years in California, urban residents were much more likely to move than residents of non-metropolitan regions. Census data shows that on average, California's metropolitan regions lost about 29 residents per 1,000 to net domestic migration, while rural regions only lost about 2 residents per 1,000 people.

Flow of California Residents from Urban to Rural Regions Between 1995 and 2000			
	Moving from Urban Regions to Rural Regions	Moving to Urban Regions from Rural Regions	Net Flow to Rural Regions
California Residents	268113	199566	68547

Source: U.S. Census Bureau

Nationwide, there was a net population outflow to non-metropolitan regions. More people moved from metropolitan regions to non-metropolitan region in the period from 1995 to 2000. About 6.2 million people moved from cities to non-metropolitan regions, while about 5.7 million moved from rural regions to metropolitan regions; the net effect is that non-metro regions gained about 500,000 new residents during this five-year period.

In California more than 268,100 people moved from urban to rural regions between 1995 and 2000. About 199,600 residents left rural regions for urban regions; in sum, California's rural regions gained about 68,500 new residents from the urban regions.

These migrants come for quality of life, but also bring with them “urban” leisure, work, community, and public service expectations. This trend has produced growth in both quality of life experience and quality of place infrastructure employment to meet these interests. As Joel Kotkin, author of *The New Geography: How the Digital Revolution is Reshaping the American Landscape* (Random House, 2000, p. 45), has observed:

Traditionally, migrants to rural areas tend to comprise the less well-educated. Now, however, for the first time, we are seeing a large-scale migration to the hinterlands of skilled professionals from urban regions. In the 1990s, American “non-metropolitan” areas grew three times the rate experienced in the previous decade, and roughly 43 percent of the new non-metropolitan population were former urbanites.

This trend is likely to continue and accelerate as an aging baby boom generation living in urban areas increasingly looks for locations for retirement or semi-retirement in the years ahead.

New Work Patterns: Connected Businesses, Distance Workers

With the growth in internet access in rural California (albeit less pervasively than in urban areas), access to global customers, partners, and information has enabled more and more people to live outside urban areas, but stay strongly connected and part of the global economy. According to the National Telecommunications and Information Administration, between 1998 and 2001 internet use rose from less than 30% to more than 50% in rural America. Some rural workers have become telecommuters, or employed a flexible mix of telecommuting and physical commuting from rural homes to urban workplaces. This trend has helped stimulate growth in the telecommunications infrastructure and services, transportation, and some business support services.

Two traditional obstacles to rural economic development—distance from urban areas and dependence on a narrow economic base—are becoming less important with changing work patterns. As the Sierra Business Council observed in their report, *Investing in Prosperity* (2003, p. 43):

The question is, given the rise of telecommunications and the information economy, does traditional thinking about rural economies still hold? The evidence indicates that it does not and that, with new thinking and innovative approaches, rural economies can make boom-and-bust cycles a thing of the past. Many goods and services of the information age are digital or small, light-weight packages that costs little to transport. . . access to broadband internet, reliable power, and overnight delivery services are more important for many economic activities today than proximity to timber or large energy supplies.

In recent years, some researchers have called attention to a growing number of rural residents who are so-called “free agents.” These individuals have the freedom to locate according to their quality of life preference, rather than to be close to their employer or other reasons. Free agents are not fully retired, but may have business in the region or outside the region, or both. They are often in the business and professional-services field, which lends itself to conducting business over the phone and Internet, with periodic travel to and from the region. They often operate as self-employed “lone eagles,” or through “micro-businesses” with one or a few partners or employees.

- One national survey of rural counties in 44 states found that lone eagles themselves accounted for 650,000 jobs in rural areas—not including additional jobs attributable to the multiplier effect (Beyers, Lindahl, and Hamill, “Lone Eagles and Other High Fliers in Rural Producer Services,” University of Washington, 1998).
- A growing share of older workers are starting businesses nationwide. According to a study by the Rand Corporation, about 16% of U.S. workers who are at least 50 years old were self-employed as of 2002, accounting for 40% of all people in business for themselves. The proportion of self-employed workers also rises with age, peaking at 24% of working women at age 66 and 38% of working men at age 65.
- Nationally, Daniel Pink, the author of *Free Agent Nation* (Warner Business Books, 2001, pp 32-46) has estimated that the number of free agents running their own businesses approaches 30 million people (16.5 million “soloists” and 13 million micro-businesses).

Perhaps most importantly, these individuals have choices. While they are attracted by a unique regional quality of life, if that quality of life declines, they can readily relocate and continue their careers elsewhere. Rural California has benefited from these individuals, with continued attention to regional quality of life experiences a key to long-term regional prosperity.

New Dimensions in Traditional Industries: Leveraging More From Regional Assets

Traditional rural industries like agriculture and recreation are increasingly adding new products and services to their portfolio—ranging from new specialty products (e.g., high-value niche crops, organic foods) to agricultural tourism services (e.g., farm experiences, hunting, fishing, and other recreational activities on agricultural land) and combinations of recreational, cultural, and historical experiences (e.g., special tours, interactive museums). This trend is leveraging more value and jobs from traditional natural assets, linking new products and services, and creating distinctive experiences for residents and visitors. One example that is common to the Central Coast, Central Sierra, Northern California, and the Northern Sacramento Valley is the value chain that begins with grapes, which are made into specialty goods (different kinds of wine), which are supported by services (wine clubs, packaging/shipping). Wine also is the “prop” for helping “stage” experiences for which consumers are willing to pay. Even traditionally free experiences such as tasting rooms are increasingly charging for sampling different groups of wines and offering a variety of related specialty foods, souvenirs, and other products, as well as a venue for special events and educational programs.

Commodities	Goods	Services	Experiences
Grapes	Wine	Wine clubs Packaging/shipping Vacation packages Educational programs	Tasting rooms/tours Food and wine events

In fact, agricultural tourism—or more accurately agricultural experiences for rural tourists and residents alike—is a growing trend in rural California. According to the Small Farm Center at the University of California-Davis, direct marketing—including farm stands/markets, and bed-and-breakfasts on farms—now accounts for \$75 million a year. Agricultural operations have diversified into new products and services to maintain their viability as businesses—and, increasingly, this diversification has included new ways to package the experience of agriculture and sell that experience (which may included a bundling of agricultural products, educational instruction, and interactive activities) to consumers.

Key Requirements: Workforce, Innovation, Infrastructure

From national research, interviews conducted for this report, and the perspectives of panelists from regional forums conducted by the California Regional Economies Project, the key requirements for future growth and competitiveness for this cluster of opportunity will likely be workforce quality, innovation in the creation and bundling of experiences, and telecommunications and transportation infrastructure support.

In a comprehensive statistical study of growth drivers in rural regions commissioned by the U.S. Department of Agriculture, researchers reviewed 35 previous studies, identifying 24 factors that were expected to affect rural economic growth (Aldrich and Kusmin, *Rural Economic Development: What Makes Rural Communities Grow?*, USDA, 1997). They found that skill levels (as measured by high school completion rates and spending on education), transportation infrastructure (proximity to an airport), and natural attractiveness (climate, mountains, water coverage, consumer demand and amenities associated with the presence of large numbers of retirees) were the most positively and significantly related to growth. These findings are consistent with the key requirements identified in this cluster report, especially the importance of workforce quality and global connections infrastructure.

In terms of *workforce quality*, rural regions need to recognize that:

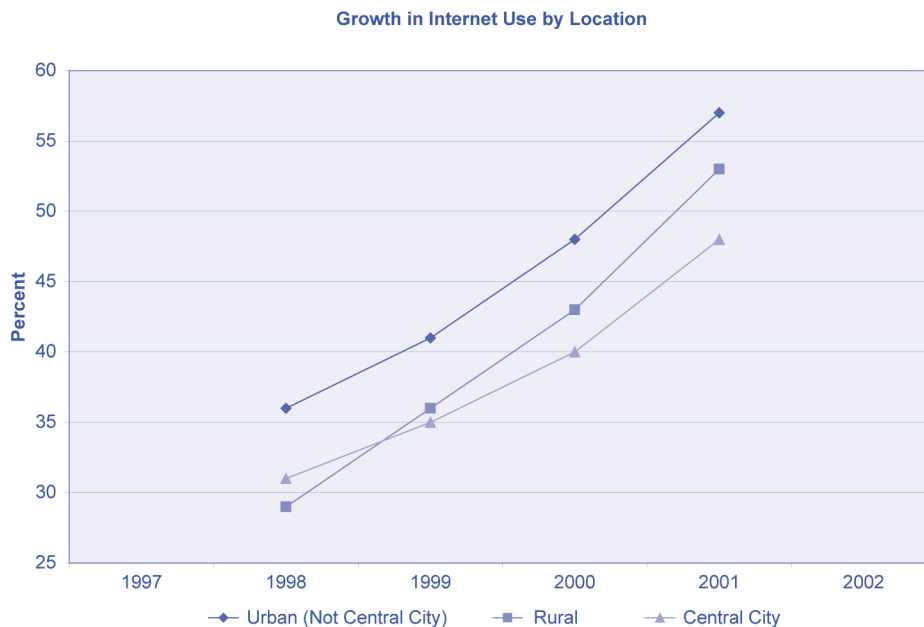
- This cluster of opportunity is a large and growing employer, and needs to be a priority of workforce investment boards, education and training institutions, economic development organizations, and other regional leaders.
- There is a wide range of jobs in quality of life experience as well as quality of place infrastructure sectors that require specialized skills and training. At the same time, many experience-oriented jobs and careers require a higher level of skill than many traditional tourism jobs, and many rural residents do not yet possess those skills. Employers and education and training institutions and programs must work closely together to meet these needs.

Rural regions must also become particularly adept at *promoting innovation* in the creation and bundling of experiences. Much more economic value and employment can be leveraged from existing rural assets in California.

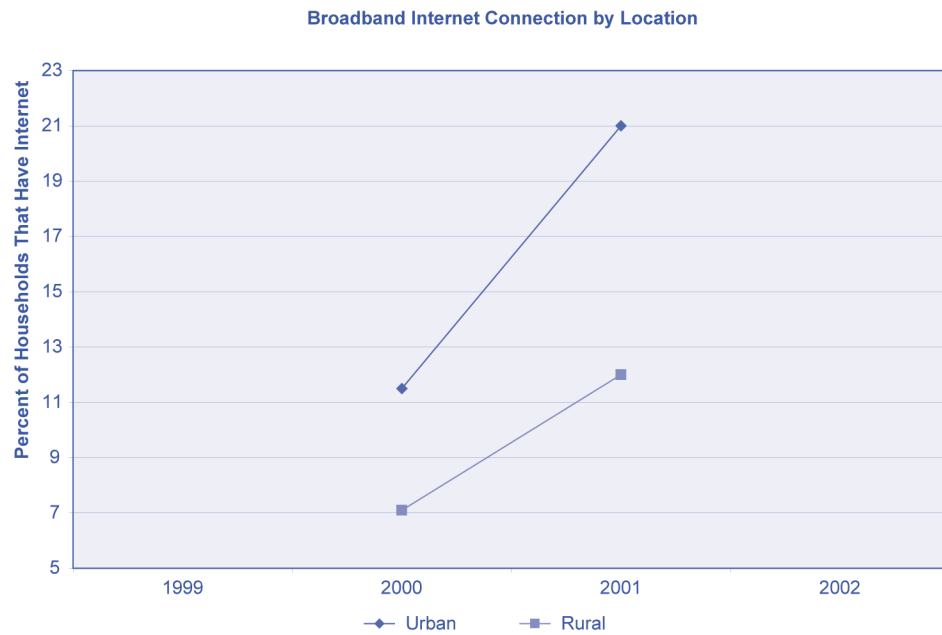
- Within the region, business networking within and across industries is important to spreading innovations and sparking new breakthroughs. Adding new dimensions to traditional agricultural and recreation industries is an important step. The packaging of natural, historic, cultural, and other assets should be a priority of economic development and industry associations.
- Entrepreneurship should be actively encouraged and supported. Not only in this cluster of opportunity, but also more broadly. The region should also be a welcoming environment for urban transplants who are generating economic value and employment.
- Outside the region, promotion needs to be integrated and bundled as experiences, rather than narrowly defined on a single product, service, regional asset, or community.

In terms of *infrastructure support*, regions must strengthen their global connections infrastructure:

- While rural regions have made gains in internet access in comparison to urban regions, they have not kept pace in terms of broadband connections, which is increasingly the basic requirement to do business in the global economy (see charts below).



- Rural regions have limited air transportation, which is also an increasingly important connection to global clients and markets.
- Rural regions can benefit from investments in new “staging infrastructure” for experiences, such as museums and interpretive sites.



III. IMPLICATIONS FOR STATE AND REGIONAL ACTION

Implications for State and Regional Workforce and Economic Policy

The most important implication of this cluster analysis is a recognition that the quality of life experience, often taken for granted in rural regions, has become an increasingly important driver of economic opportunity and job growth. The quality of life experience, supported by a quality of place infrastructure, now accounts for 25% of the jobs and almost one-third of the job growth of rural California.

Rural regions have more options than promoting themselves as low-cost locations or low-wage tourism destinations. They can:

- leverage their unique set of quality of life assets for economic and job growth;
- redefine tourism with higher-value experiences that visitors and residents want;
- add new dimensions to traditional industries like agriculture and recreation, helping to preserve rural lifestyles with profitable business models;
- capitalize on the talents and interests of recent urban migrants; and,
- position themselves to be beneficiaries of a growing demand for distinctive quality of life experiences.

This recognition leads to several further implications:

- Regions need a *workforce strategy* for preparing residents for quality of life experience and quality of place infrastructure careers. This strategy must include transition assistance for workers in other industries, upgrading of current tourism workers, and training for specialized skills in infrastructure support areas.
- Regions need an *economic strategy* that encourages diversification of existing sectors into packaging high-value experiences, gives entrepreneurial support a high priority, promotes the region's assets in an integrated fashion, and focuses on improvements in telecommunications and air transportation infrastructure, and facilitates a strong collaboration between the workforce education and training system and employers.
- State government can help with *timely information* about industries and occupations in this cluster of opportunity, *infrastructure investments* in telecommunications, air transportation, and key "experience" drivers or institutions such as museums, *joint promotional activities* showcasing the distinctive clusters of experience in each of California's rural regions, and *targeted workforce development* on career progressions within promising clusters of opportunity across California.

Conclusion: How this Cluster Report Can Be Used

The information and analysis generated by The California Regional Economies Project, including this cluster report, can be used in many ways by many users across the state. It can:

- Provide local general purpose government, councils of governments and other municipal bodies with timely information on employment growth and decline by industry statewide and in each economic region to help them prepare targeted infrastructure investment plans and identify economic development priorities
- Provide State and local employment training and education organizations with detailed information on high demand occupations by industry statewide and in each economic region to assist in the development of targeted workforce investment plans, curriculum development, school to career partnerships, and industry sector initiatives
- Provide State and local economic development organizations with an analysis of industry trends in employment growth and concentration by industry statewide and in each economic region to assist them in the development of successful local economic strategies
- Provide human resource officers, employment agencies, labor councils, and community services partners with timely information about changing industry needs and occupational demands to better serve employers and workers
- Provide State and local business and industry associations and their members with an analysis of industry trends in employment growth and concentration for their industry statewide and in each economic region, to adjust their business plans to documented economic trends and conditions and assess workforce needs and gaps
- Provide State and local research organizations and consulting firms with base line data for comparative studies on the employment growth and decline of key industries statewide and in each region to assess the potential causes for these trends and their impact on the economy statewide and by region.
- Provide the Legislature (at the State and district levels) and the Administration with the ability to track the economic impact of employment growth and decline on an ongoing basis, for informing policy debates about the state of the California economy and aligning state resources and policies to support regional strategies
- Provide the general public, news organizations and opinion makers with accurate information about employment growth and decline by industry statewide and in each economic region to build a better understanding of economic trends and their implication for California workers, businesses and investors

