

Reports: California is good for business, South Bay economy tops U.S.

Despite red tape, high taxes and a burdensome cost of living, California is still deemed to be a good place to do business, and the San Jose region is the nation's best-performing major metro area, according to separate reports released Wednesday.

In one report, prepared by Beacon Economics for nonprofit group Next 10, a comprehensive look at California's business climate determined that the Golden State is considerably more hospitable to business than suggested by conventional wisdom that sometimes elevates less costly states such as Texas.

Another study, the Milken Institute's annual Best-Performing Cities Index, found that the San Jose metro area, which includes most of Santa Clara County, is the top performer for 2015. The San Francisco-San Mateo region was ranked No. 2, according to Milken.

"Ultimately, people are coming to the Bay Area and California because of the great lifestyle," said Christopher Thornberg, principal economist with Beacon Economics. "California has great climate, arts, entertainment, sun, skiing, beaches, mountains, it goes on and on. The Bay Area has the same advantages, but even more so than California."

A recent U.S. Bureau of Labor Statistics report underscores the strength of the job market in the Bay Area, and Santa Clara County in particular, compared with their peers around the country.

"More than ever, America's best-performing cities demonstrate what we call the innovation advantage," said Ross DeVol, chief research officer for the Milken Institute and one of the authors of the best-performing cities report.

Over the one-year period that ended in October, total payroll jobs grew at an annual pace of 5.2 percent in Santa Clara County, the federal government reported. That was the best gain among large metro areas in the country and means the South Bay has the nation's strongest job market. The San Francisco-San Mateo region was No. 2 with a gain of 4.6 percent.

Critics of the Bay Area and California have often claimed that both regions are no longer competitive with the rest of the

country when it comes to attracting and retaining businesses. Yet the new studies contradict those sweeping assessments.

California's job market has grown by 2.9 percent over the past 12 months. The United States expanded its total jobs by 1.9 percent. Texas jobs have grown by 1.7 percent over the last year. All of these gains are far behind the job surge in Santa Clara County.

"Austin is not taking over Silicon Valley in any way," Thornberg said.

California is being called a good place to do business in large measure because of its ability to add new businesses as well as creation of small businesses, according to Beacon and Next 10.

"When you use a broad set of measures to compare California to other states, California comes off very favorably," said F. Noel Perry, founder of Next 10. "It's more than just a question of taxes and regulation."

Plus, global economic upheavals can undermine or bolster the economic performance of a region. Milken researchers noted that because oil prices have plummeted worldwide, states such as Texas, North Dakota and other regions dependent on energy related jobs have suffered.

Despite the favorable elements of the report, experts conceded that California and the Bay Area have plenty of challenges.

"Housing costs are a big challenge for California, and health care is a big challenge," Perry said. "There are many ways to improve the business climate of California. But it's more than a question of taxes and regulation."

California shouldn't recreate itself to emulate Texas and other states such as Florida that boast lower taxes and minimal regulation, Thornberg said.

"It's not so much that California and the Bay Area have to look like Texas," Thornberg said. "California can be California, and Texas can be Texas, and that's fine."

DECEMBER 2015

Region	November 2014	October 2015	November 2015	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	4.9%	4.0%	3.9%	- 0.1	- 1.0
San Francisco MD	4.0%	3.3%	3.3%	0.0	- 0.7
California	7.1%	5.7%	5.7%	0.0	- 1.4
United States	5.5%	4.8%	4.8%	0.0	- 0.7

Sector	San Jose MSA (November 2015)	San Francisco MD (November 2015)	Combined Region (November 2015)	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,082,000	1,078,600	2,160,600	+ 0.4 %	+ 4.6 %
Construction	45,000	37,800	82,800	- 1.7 %	+ 8.7 %
Manufacturing	164,700	36,300	201,000	- 0.3 %	+ 1.7 %
Retail Trade	90,200	89,300	179,500	+ 4.8 %	+ 3.9 %
Information	76,800	58,800	135,600	- 0.4 %	+ 8.0 %
Professional & Business Services	230,800	275,300	506,100	+ 0.8 %	+ 8.0 %
Educational Services	46,500	29,500	76,000	+ 1.7 %	+ 4.3 %
Health Care & Social Assistance	115,500	106,700	222,200	- 0.3 %	+ 5.0 %
Leisure & Hospitality	94,400	134,200	228,600	- 1.4 %	+ 1.0 %
Government	99,300	125,800	225,100	+ 1.0 %	+ 2.1 %

NOTE: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

	Labor Force			Unemployment			Unemployment Rate		
	November 2014	November 2015	Change	November 2014	November 2015	Change	November 2014	November 2015	Change
• San Mateo County	436,700	447,500	+ 2.5%	17,200	14,000	-18.6%	3.9%	3.1%	- 0.8
• Santa Clara County	1,007,500	1,040,000	+ 3.2%	48,700	39,900	-18.1%	4.8%	3.8%	- 1.0
– Cupertino	29,600	30,700	+ 3.7%	1,200	900	-25.0%	3.9%	3.1%	- 0.8
– Los Altos	14,400	14,900	+ 3.5%	500	400	-20.0%	3.1%	2.5%	- 0.6
– Milpitas	37,000	38,200	+ 3.2%	1,700	1,400	-17.6%	4.5%	3.6%	- 0.9
– Mountain View	48,800	50,500	+ 3.5%	1,800	1,500	-16.7%	3.7%	2.9%	- 0.8
– Palo Alto	35,500	36,700	+ 3.4%	1,200	1,000	-16.7%	3.3%	2.6%	- 0.7
– Santa Clara	66,600	68,900	+ 3.5%	2,900	2,400	-17.2%	4.4%	3.4%	-1.0
– Sunnyvale	84,100	86,900	+ 3.3%	3,700	3,000	-18.9%	4.3%	3.4%	- 0.9
NOVA Region	752,700	774,300	+ 2.9%	30,200	24,600	-18.5%	4.0%	3.2%	- 0.8

NOTE: NOVA Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

November 2015 Events			# Affected	WARN SUMMARY	
Company	Location			Events YTD [†] :	39
Acclarent, Inc.	Menlo Park		114	Individuals Affected YTD:	2,441
Fresh and Easy	Multiple locations		43	Individuals Previous YTD [‡] :	2,751
Miasole	Santa Clara		79		
Seagate	Cupertino		62		
SunEdison, Inc.	Belmont		51		
Company confidential	Santa Clara		70		
Total			419		

WARN SUMMARY

Events YTD[†]: 39
Individuals Affected YTD: 2,441
Individuals Previous YTD[‡]: 2,751

* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)

† **YTD: Year to Date** (Program year: July 1–June 30)

‡ **Previous YTD:** No data available for San Mateo County, FY2014/15; avoid direct comparisons with YTD numbers

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database