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Title	Southwest Washington Regional Perspectives
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Synopsis	The action of local leaders through regional partnerships is essential for Washington to meet its educational attainment goals. Southwest Washington's regional economy presents unique opportunities and challenges. At today's meeting, Council members will learn about the Southwest Washington regional economy; explore educational pathways and partnerships to meet local needs; discuss challenges and opportunities with local leaders; and consider how state-level policies could help support these efforts.
Guiding questions	How can education/training opportunities and career pathways connect students—both traditional age and returning adults—to jobs? What are examples of existing regional partnerships in place to improve the educational attainment and economic vitality of the region?
Possible Council Action	☒ Information/Discussion ☐ Approve/Adopt ☐ Other
Documents and Attachments	☐ Brief/Report ☐ PowerPoint ☒ Third-party materials ☐ Other

The Age of Uncertainty

maybe… maybe not

June 15, 2017

James McCafferty
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About Us

What we do:

- Respond to data and analysis needs
- Answer specific questions
- Create an information platform that drives productive discussions within a community

Who we work (partner) with:

- businesses
- non-profits
- government/quasi-governmental entities

In the end…
we create analyses that inform, engage and encourage innovation

About Data

Do not seek answers from data….

Seek better questions

Ponder how all the things we will talk about today impact households, families and employers.

How is that Economy?

- It depends….
  - On what lens you use (data points)
    - Use of data at all (anecdotes)
  - How well you accept structural change
    - Versus cyclical change (reversion to mean)

Economic Outlook
(January 2017)

Washington (2017)
- GDP growth: Roughly 0.5% above the US
- Employment (nonfarm): Also about 0.5 percent above the US
- Etc.

Aerospace
- Airbus opening $600 m facility in Mobile, AL – but positive outlook for Boeing in 2017
  - XM Bank and Trade Policies are obvious concerns
  - Keep an eye on this sector

Growth
- Seattle MSA to continue being above State in most indices

The X factors

- Macro economic factors
- Regional economic factors
- Housing market
- Trade regulations
- Tax policies (Federal and State)
- Immigration policies
- Etc
- Etc
- Twitter

…. Uncertainty

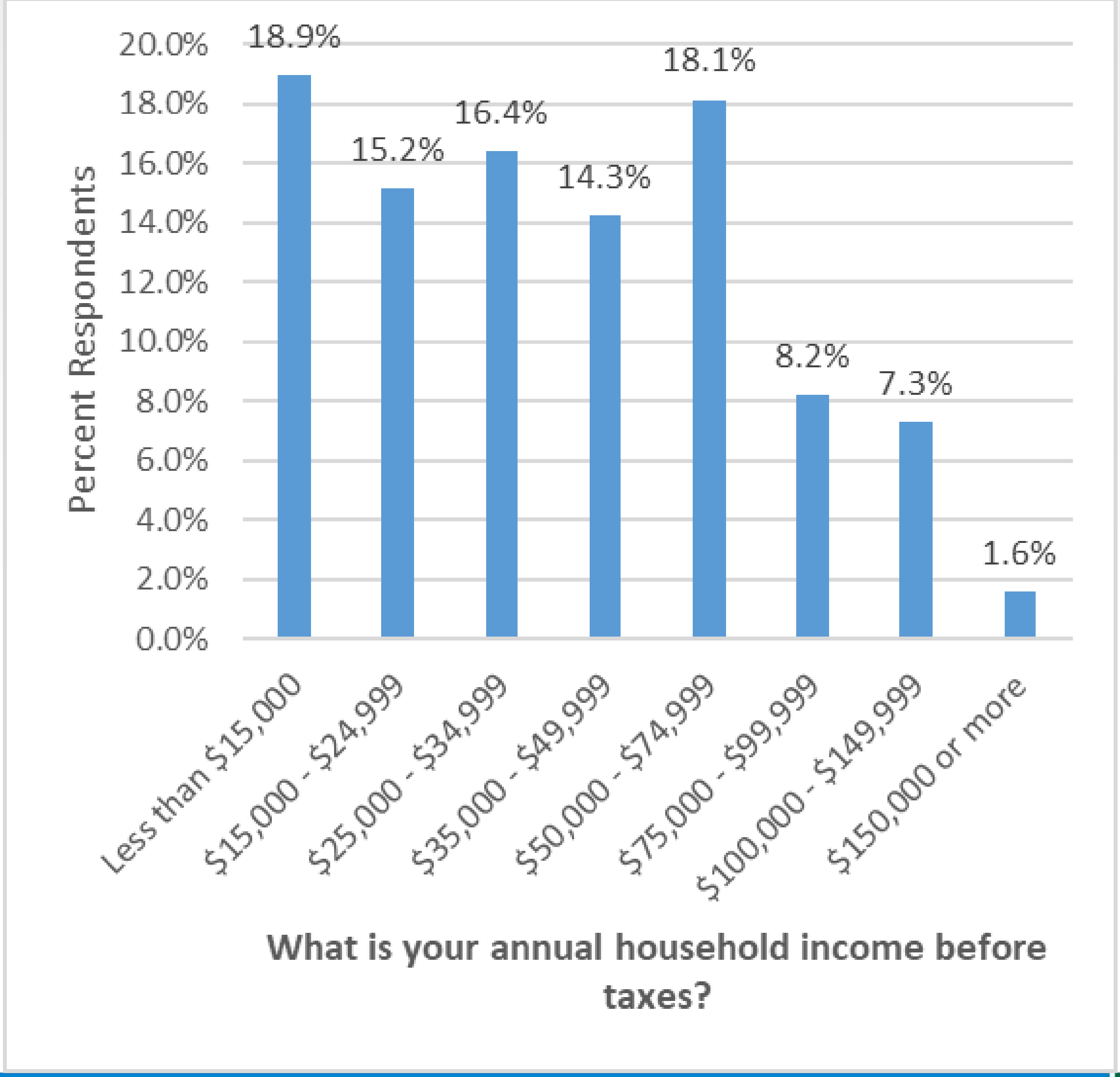
About that Economy…

- We will continue to muddle along
  - A lot like beige curtains
- Metro/Non-Metro will be a strong defining factor
  - High growth vs low/no/negative growth
- Wages/Earnings and cost of living
  - Redefine "quality of life" ??
- Housing Issues
  - Supply, pricing, rent increases
- Trade policy
  - Uncertainty
- Aerospace employment continues to decl
  - real and share
- Bigger winners / losers at all levels

Bigger Winners and Losers

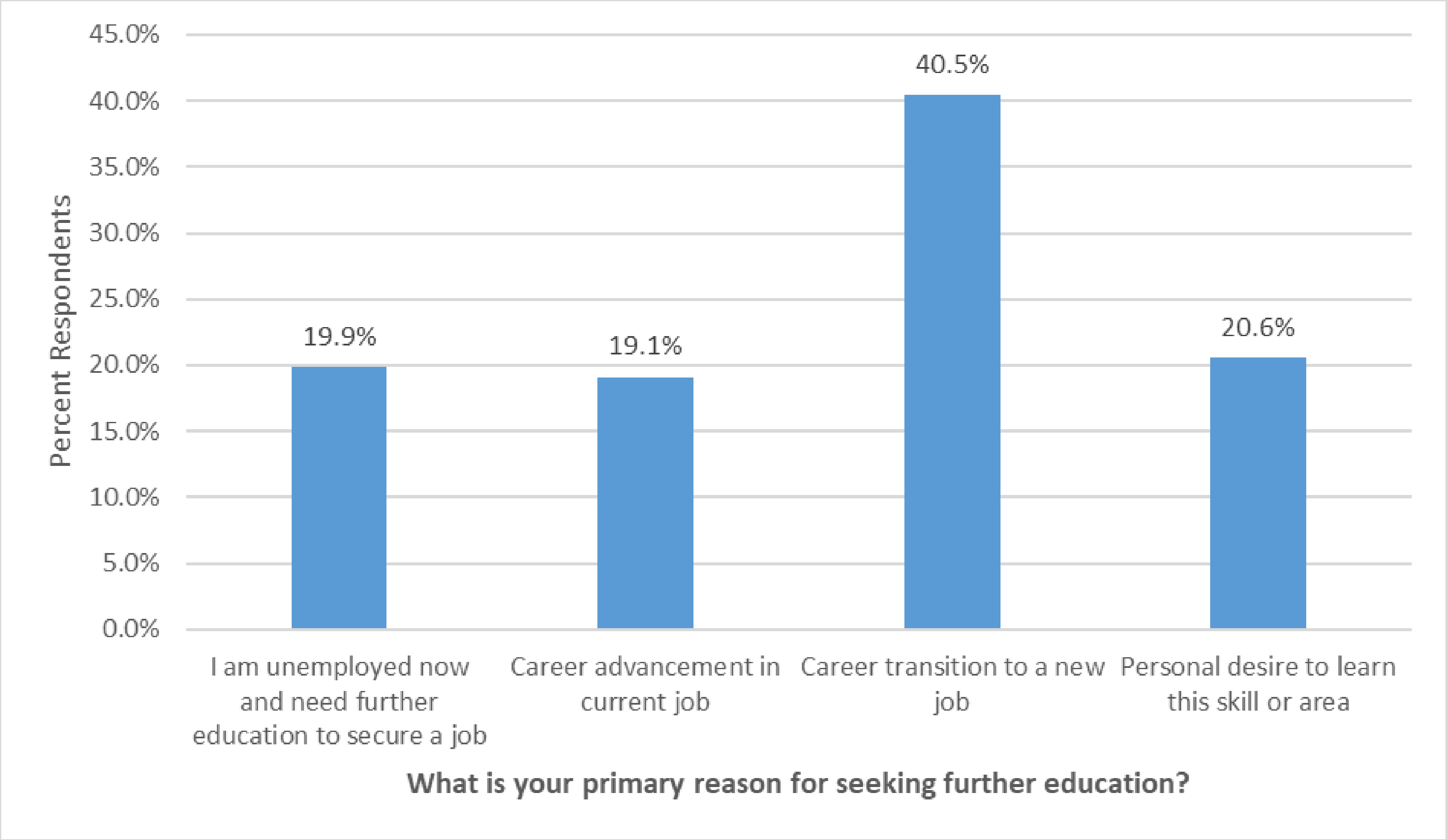
- 46% of households report they would have to borrow money to respond to a $400 emergency
- Loan delinquencies are rising
- Household income is rising – but is below where it was pre-recession
- Housing market is strong – or is it?

On Household Income

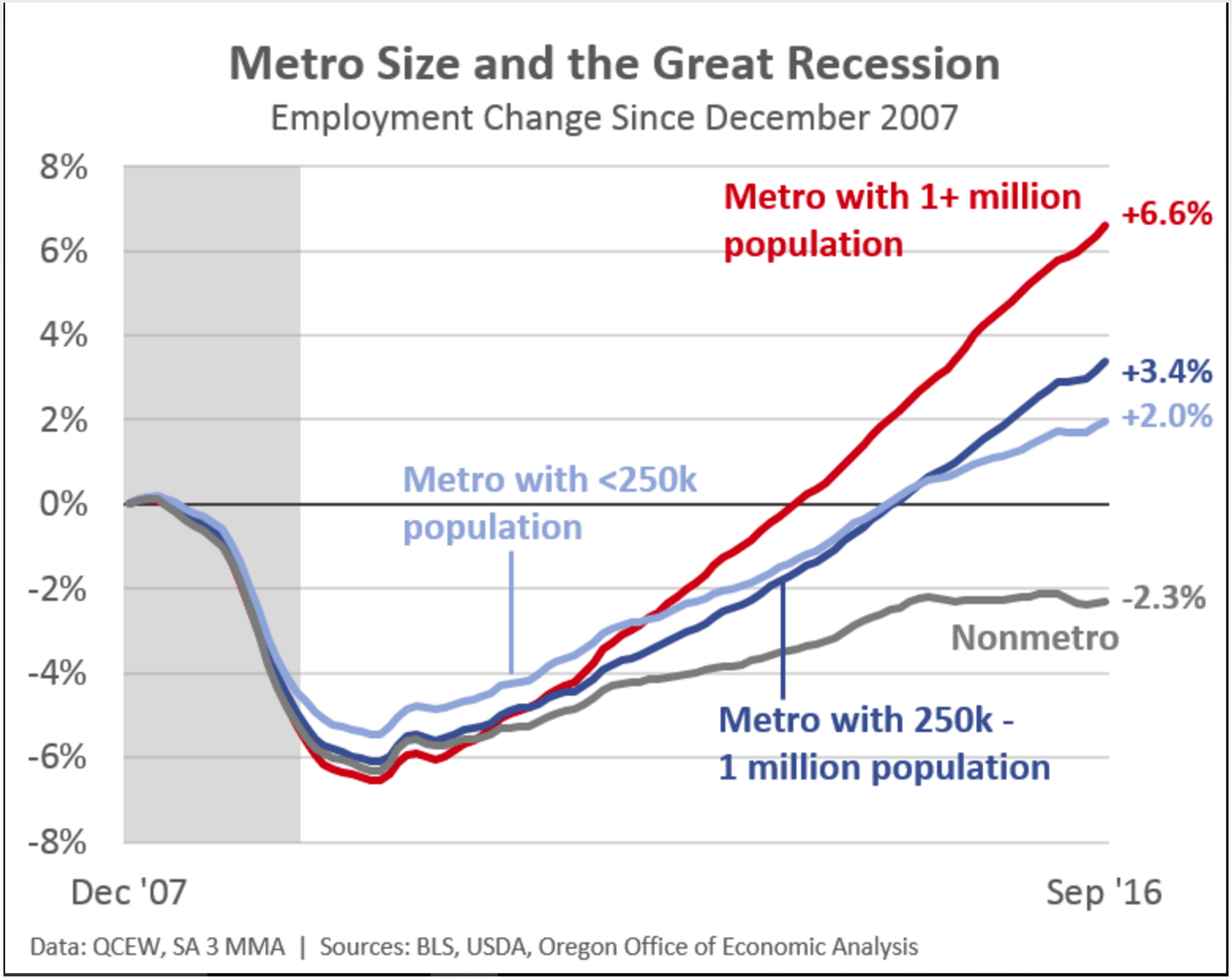


Section 8 maximum income for Clark County: $37,350

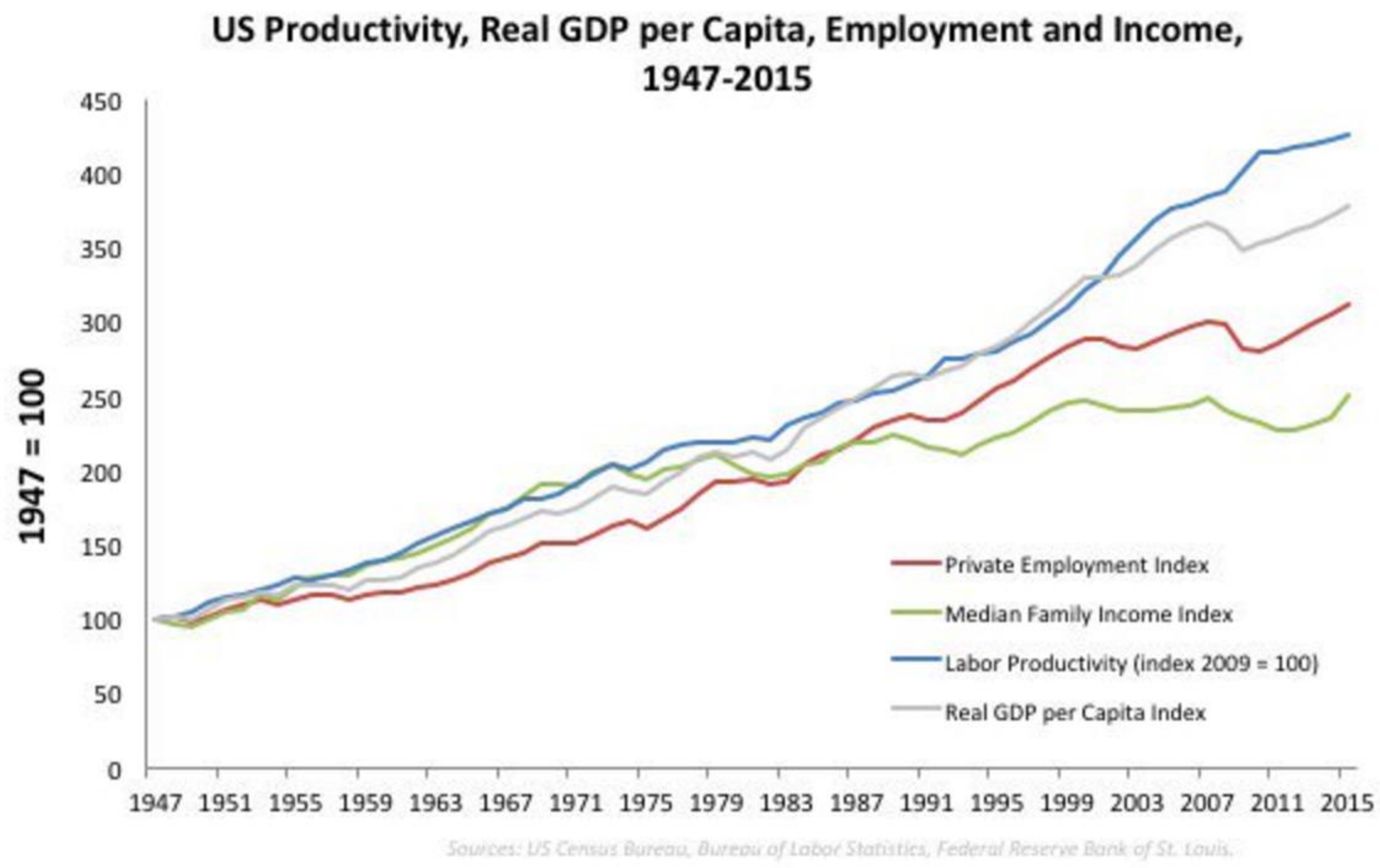
People See Education as a Path Forward



Active Minds Changing Lives



ADVENTUROUS ENGAGING INVITING COLLABORATIVE DISTINCTIVE


US Productivity, Real GDP per Capita, Employment and Income, 1947-2015
1947 = 100
450
400
350
300
250
200
150
100
50
0
1947 1951 1955 1959 1963 1967 1971 1975 1979 1983 1987 1991 1995 1999 2003 2007 2011 2015
Private Employment Index
Median Family Income Index
Labor Productivity (index 2009 = 100)
Real GDP per Capita Index
Sources: US Census Bureau, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis.

Looking specifically at

SOUTHWEST WASHINGTON

Regional Context

- The SW WDA is comprised of 3 counties
  - Clark
  - Cowlitz
  - Wahkiakum
- Clark county…
  - 5th most populous in Washington
  - Part of the Portland MSA
    - More than 1/3 of the workers here commute to Portland (~50,000)
    - About 11,000 commute from Portland to here

Portland MSA

- 23rd largest in the United States
- Population of 2,226,009 (2010 Census)
  - 1,789,580 live in Oregon (46.7% of the state's population)
  - 436,429 live in Washington (6.7% of state's population)

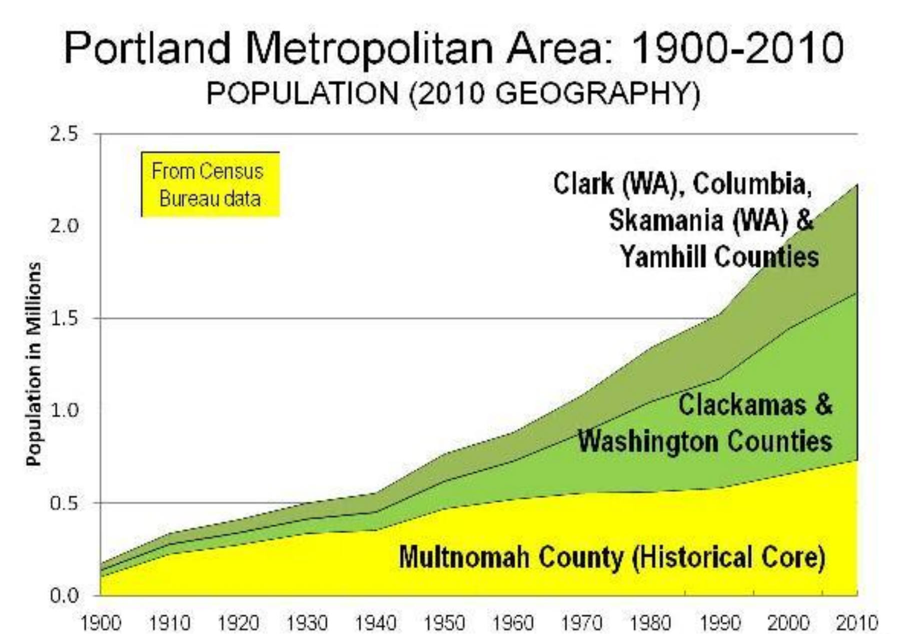


Figure 2

Regional Context

- Retail leakage is significant
  - Causes less revenue for local governments
  - Creates less retail investment
- Major industry sectors
  - Healthcare and social assistance (23,600 jobs in 2015)
  - Professional & business services (18,100)
  - Retail trade (17,200 jobs)
  - Leisure and hospitality (14,000 jobs)
  - Manufacturing (13,100 jobs)

General Outlook

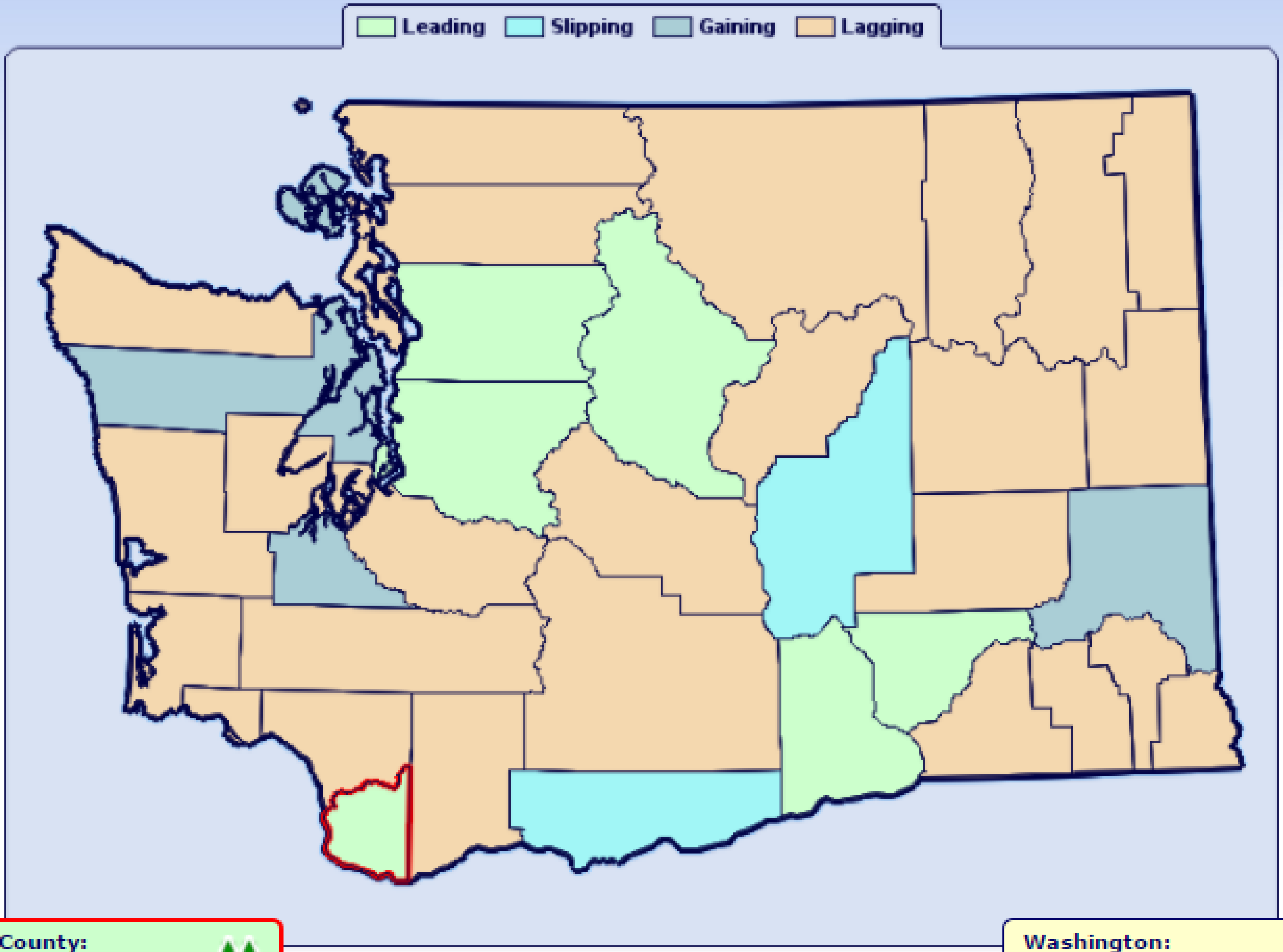
- Labor market is growing
  - Up 4% in 2015
  - Manufacturing not seeing this type of growth
- Relocations from Oregon are happening
  - Banfield Pet Hospitals came in Spring 2016
    - 600+ high wage jobs
- Development is happening
  - Planned development along waterfront
    - Apartments, condos, hotels, restaurants and retail

Relative Perspective

County	Nonfarm jobs August 2016	Job growth Y/Y	Unemployment rate
U.S.	144,747,000 (SA)	1.7%	4.9% (SA)
State	3,234,200 (SA)	3.0%	5.7% (SA)
Clark	156,300	4.4%	6.5%
Cowlitz	39,000	1.0%	7.6%
Wahkiakum	750	1.4%	8.4%

Employment Growth by County

County vs Statewide Average: 2006-2015 and 2015



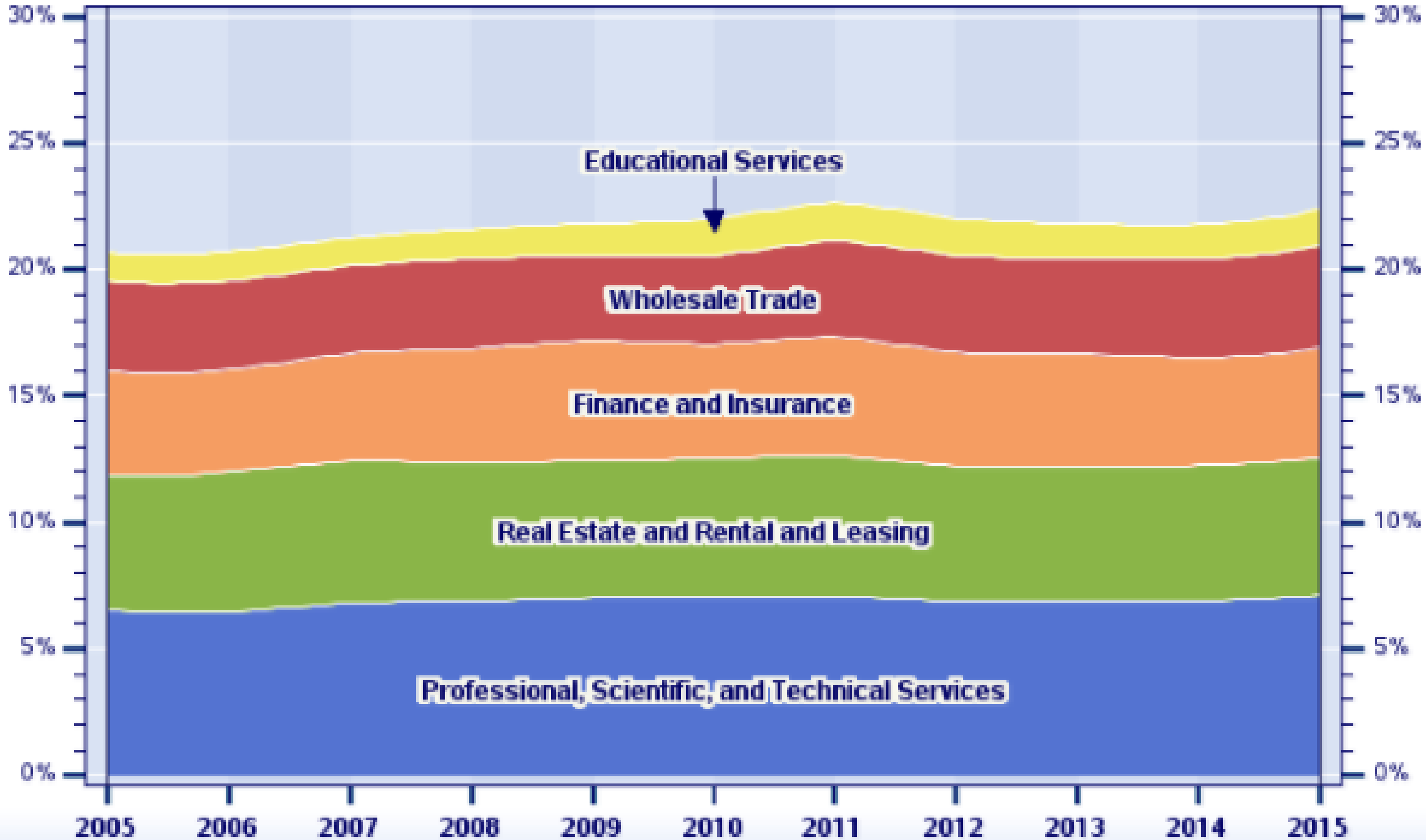
Clark County:
2006-2015 = 1.62%
2015 = 3.56%

Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

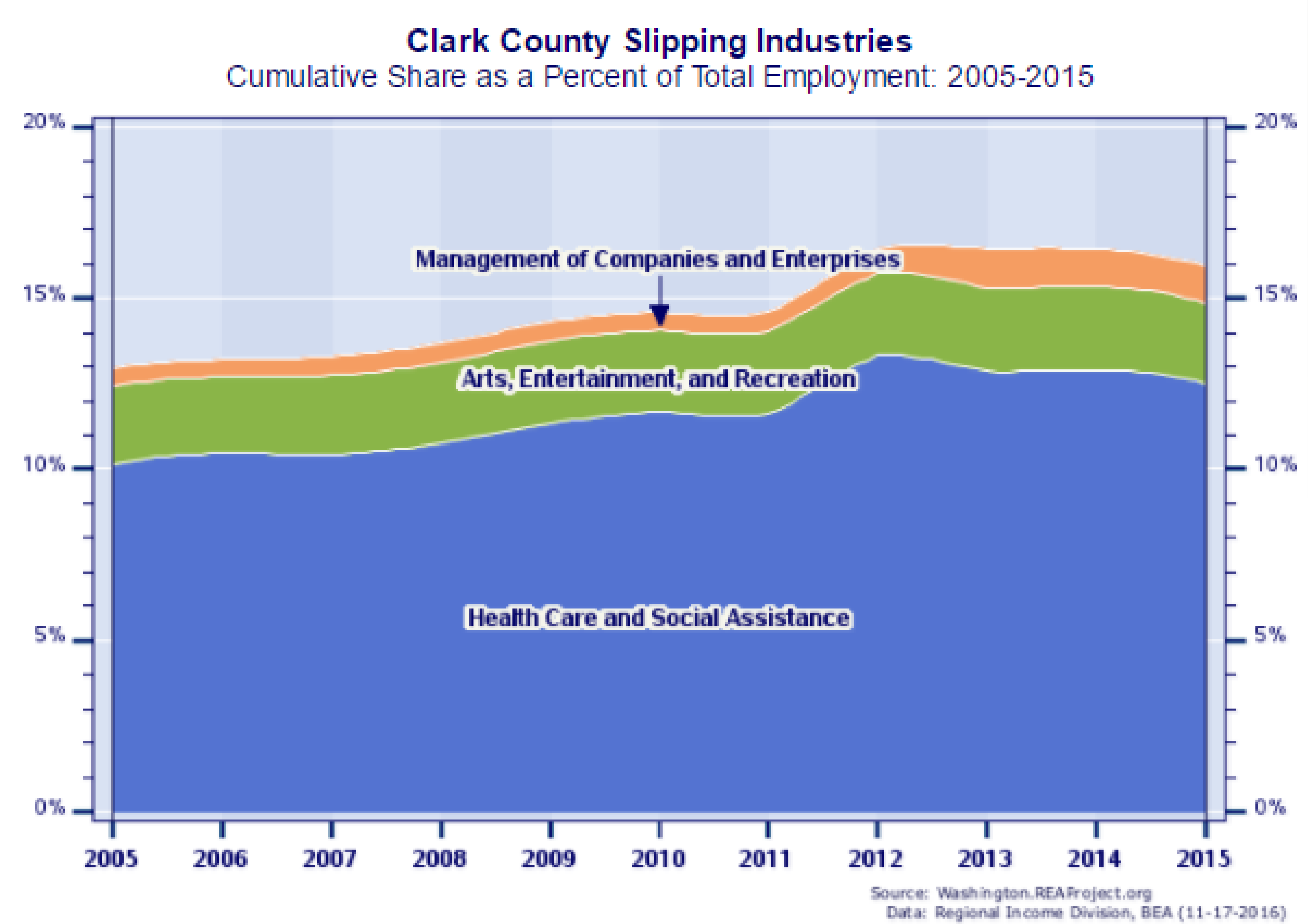
Washington:
2006-2015 = 1.31%
2015 = 2.52%

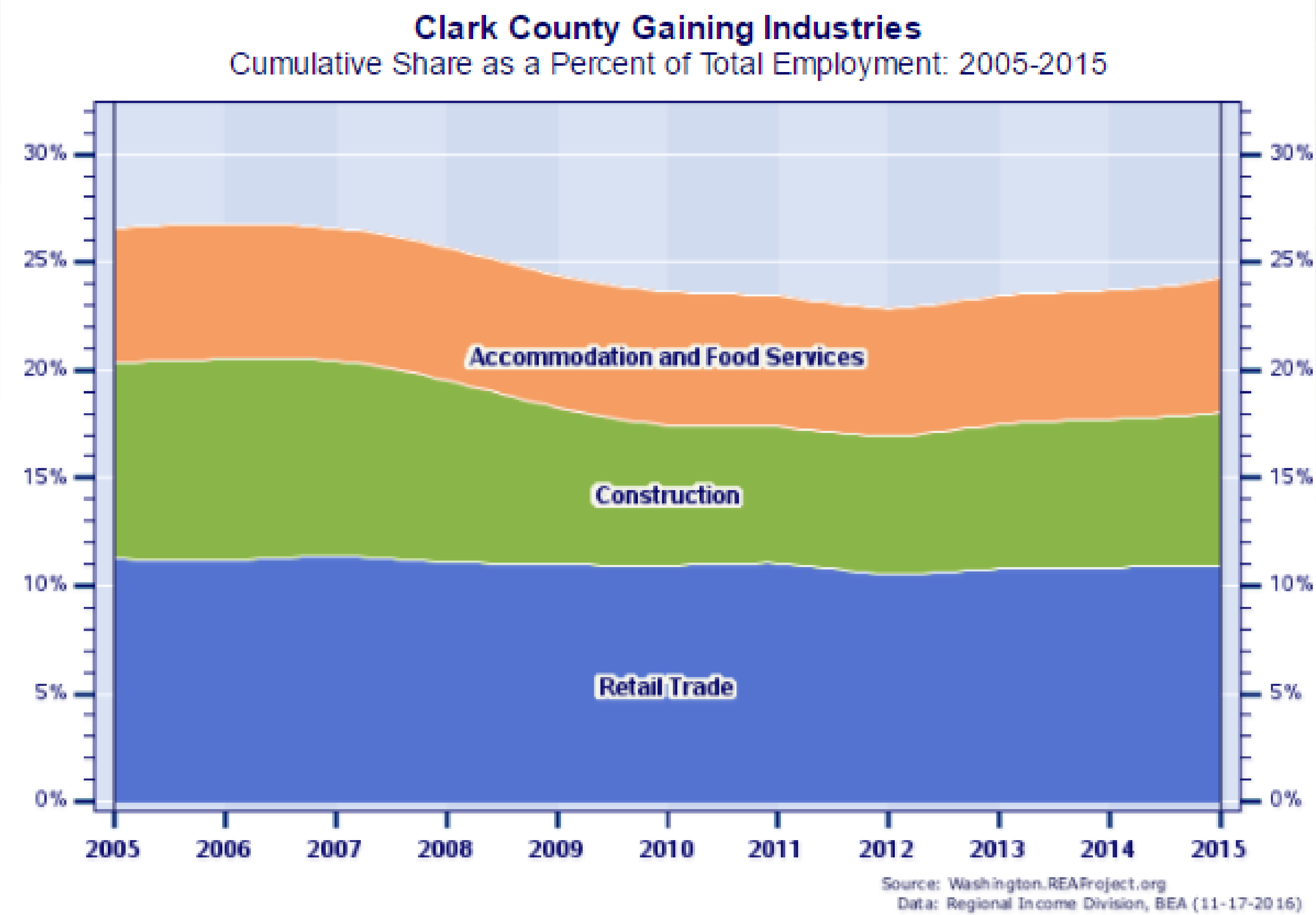
Clark County Leading Industries

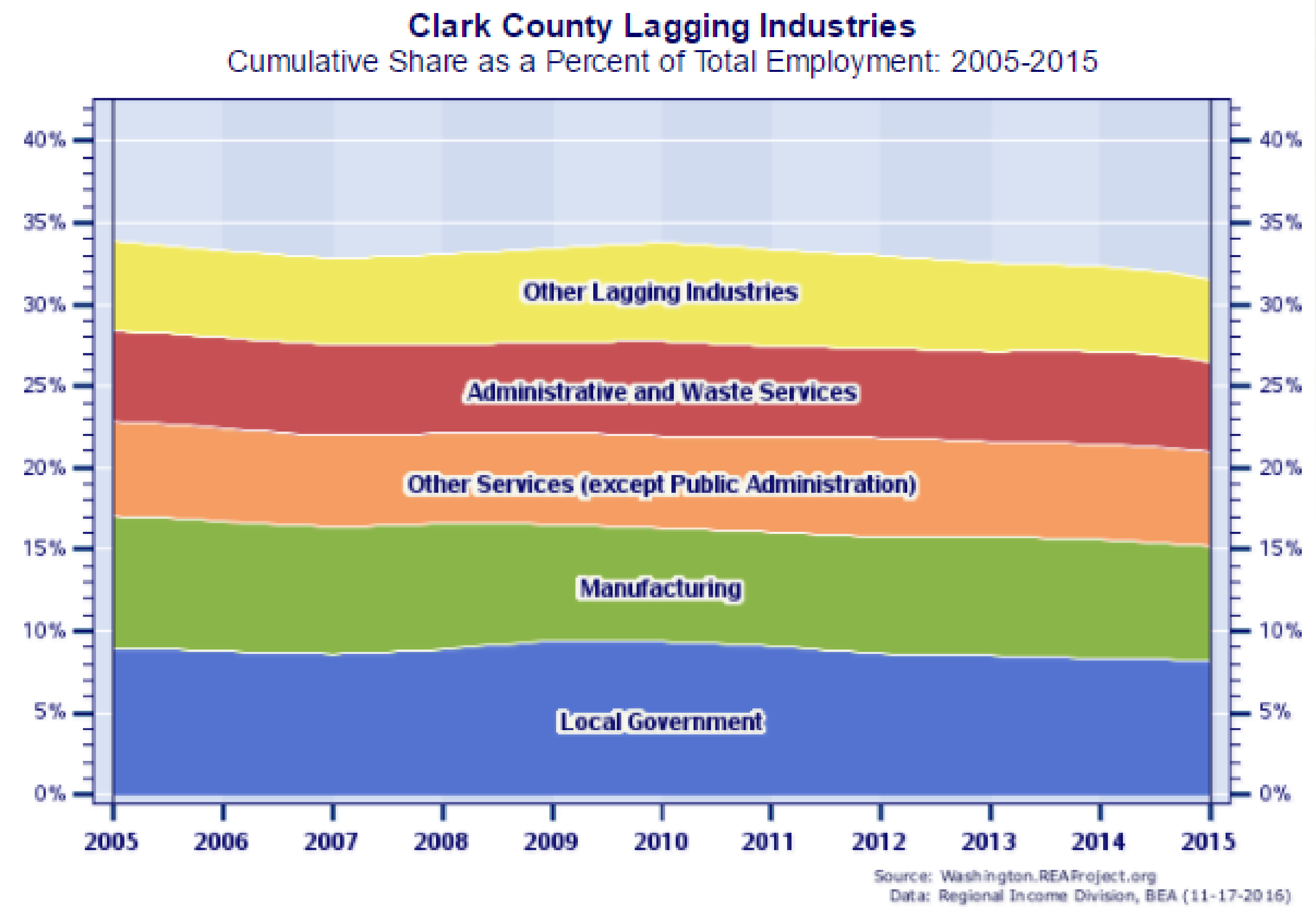
Cumulative Share as a Percent of Total Employment: 2005-2015



Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

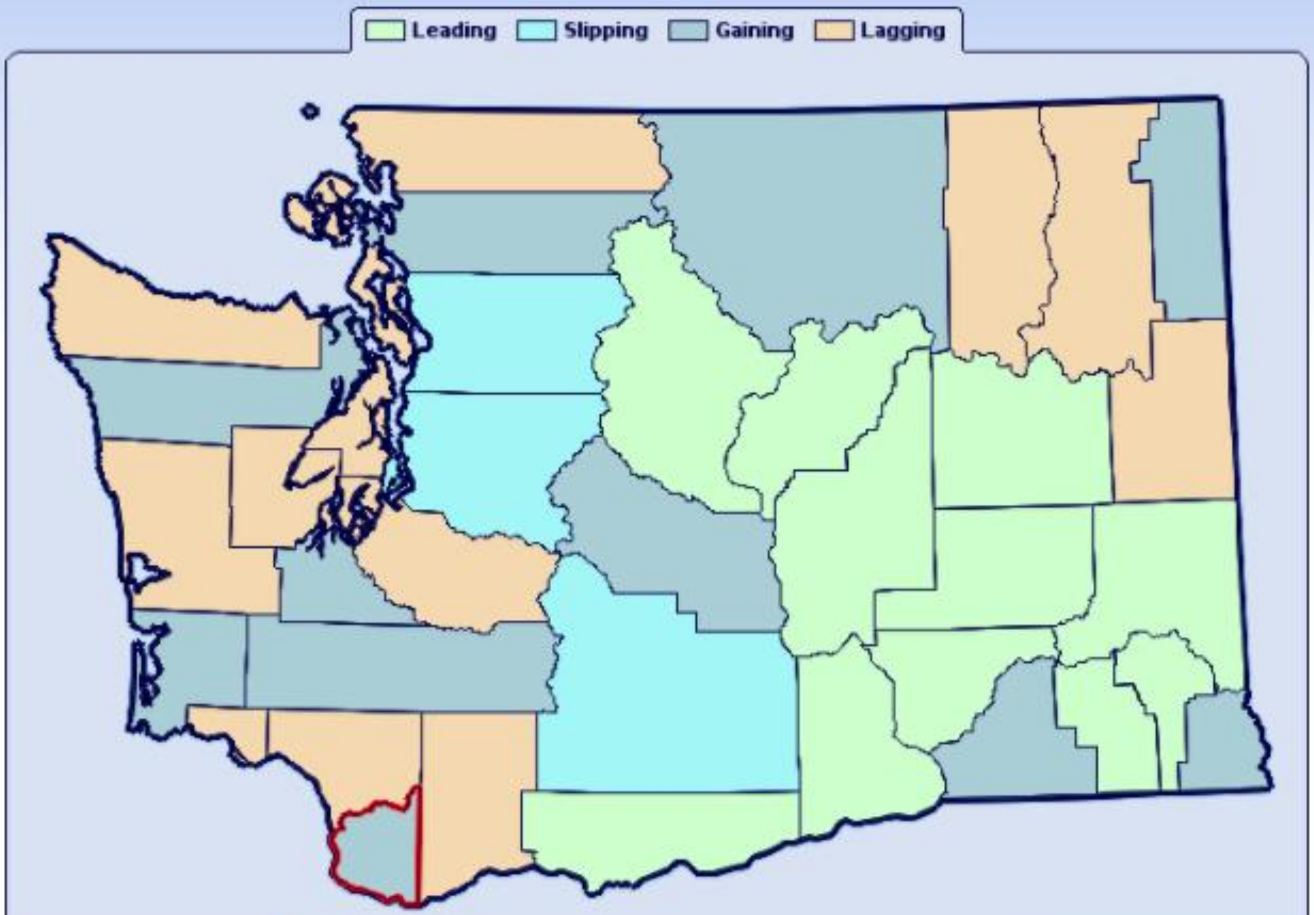

Clark County Slipping Industries
Cumulative Share as a Percent of Total Employment: 2005-2015
20%
15%
10%
5%
0%
Management of Companies and Enterprises
Arts, Entertainment, and Recreation
Health Care and Social Assistance
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)


Clark County Gaining Industries
Cumulative Share as a Percent of Total Employment: 2005-2015
30%
25%
20%
15%
10%
5%
0%
Accommodation and Food Services
Construction
Retail Trade
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)


Clark County Lagging Industries
Cumulative Share as a Percent of Total Employment: 2005-2015
Other Lagging Industries
Administrative and Waste Services
Other Services (except Public Administration)
Manufacturing
Local Government
0%
5%
10%
15%
20%
25%
30%
35%
40%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

Real* Total Industry Earnings Growth by County

County vs Statewide Average: 2006-2015 and 2015



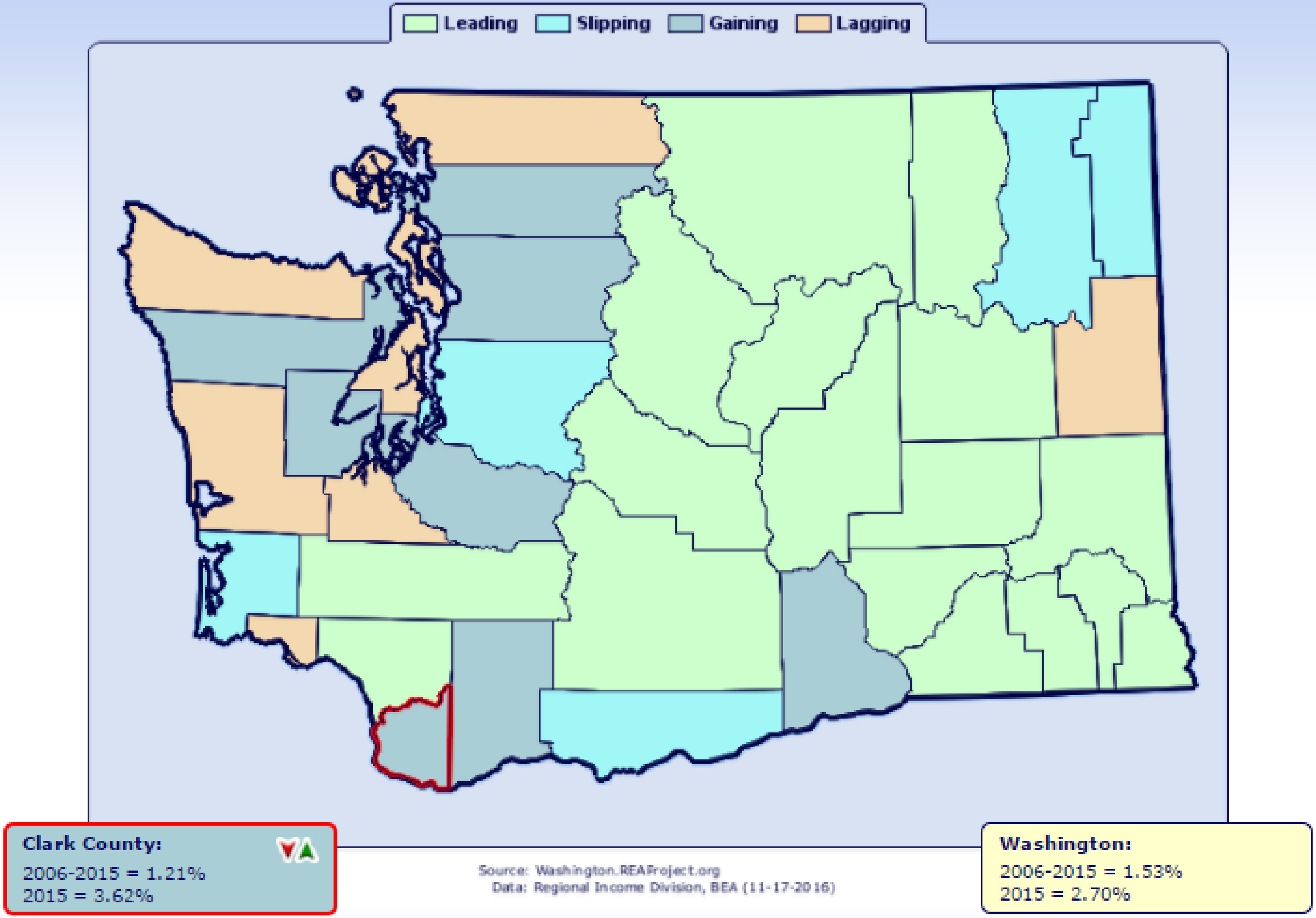
Clark County:
2006-2015 = 2.08%
2015 = 6.72%

Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

Washington:
2006-2015 = 2.41%
2015 = 5.27%

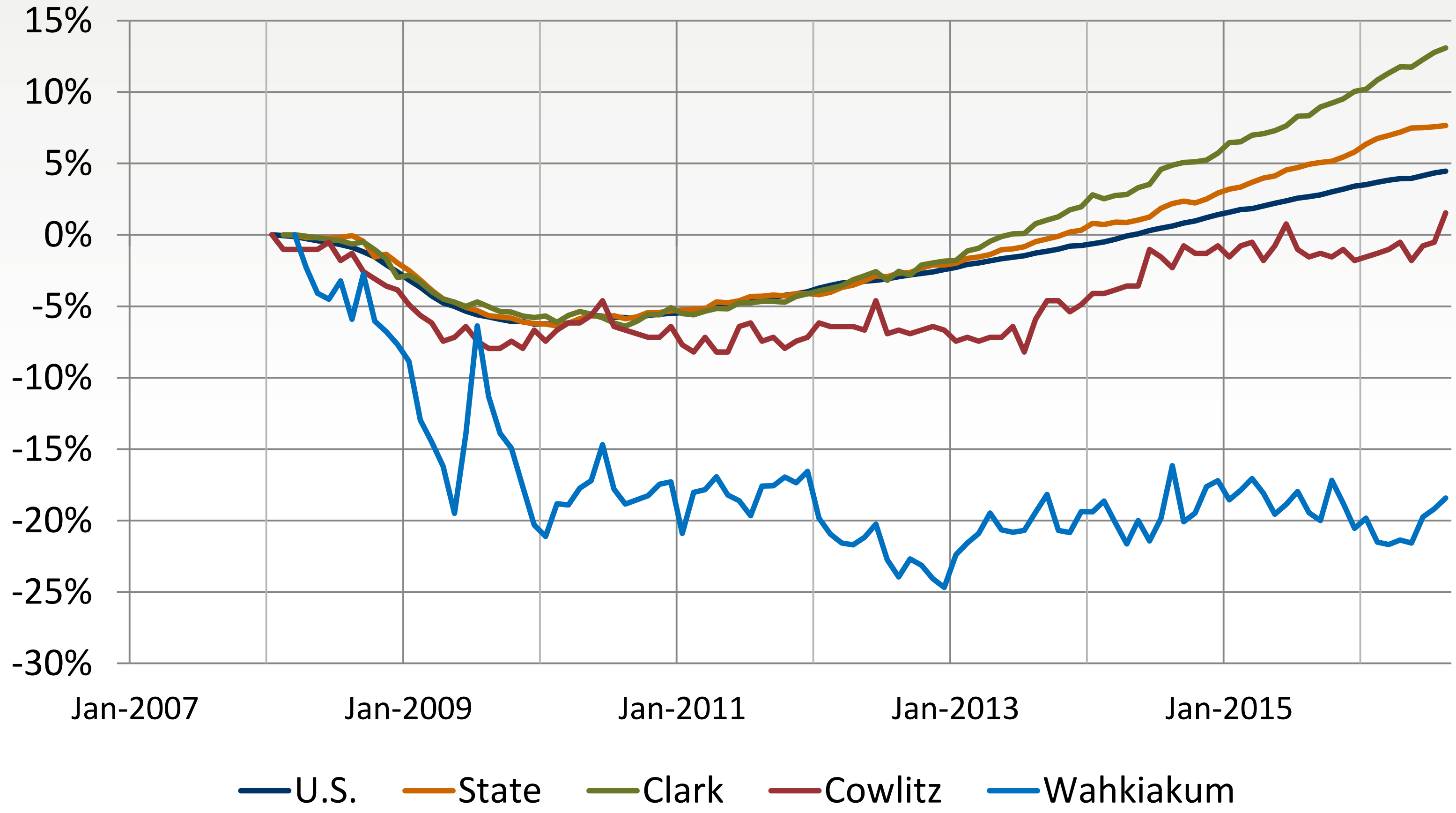
Real* Per Capita Income Growth by County

County vs Statewide Average: 2006-2015 and 2015



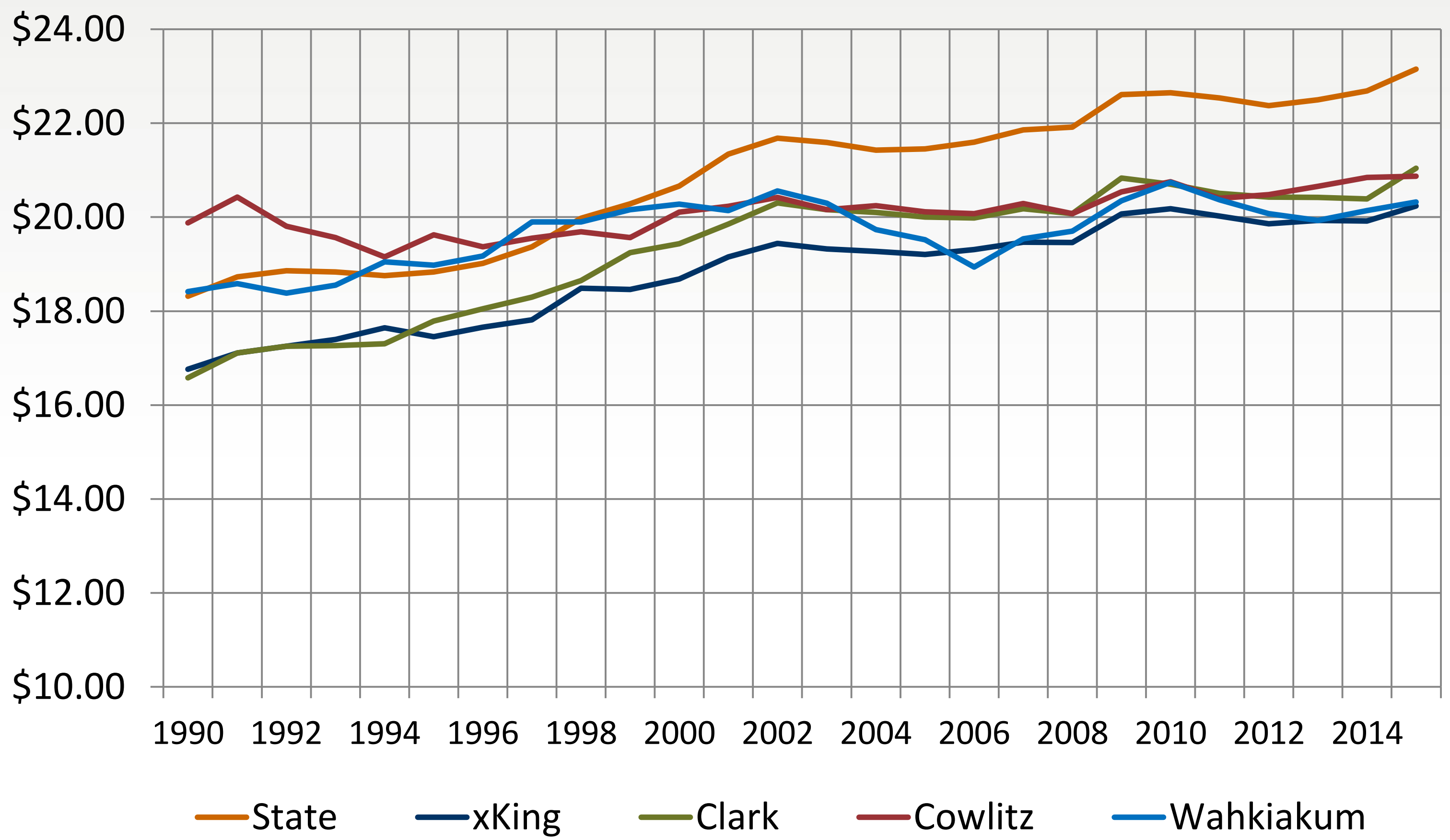
Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

Percent change in jobs from before the recession



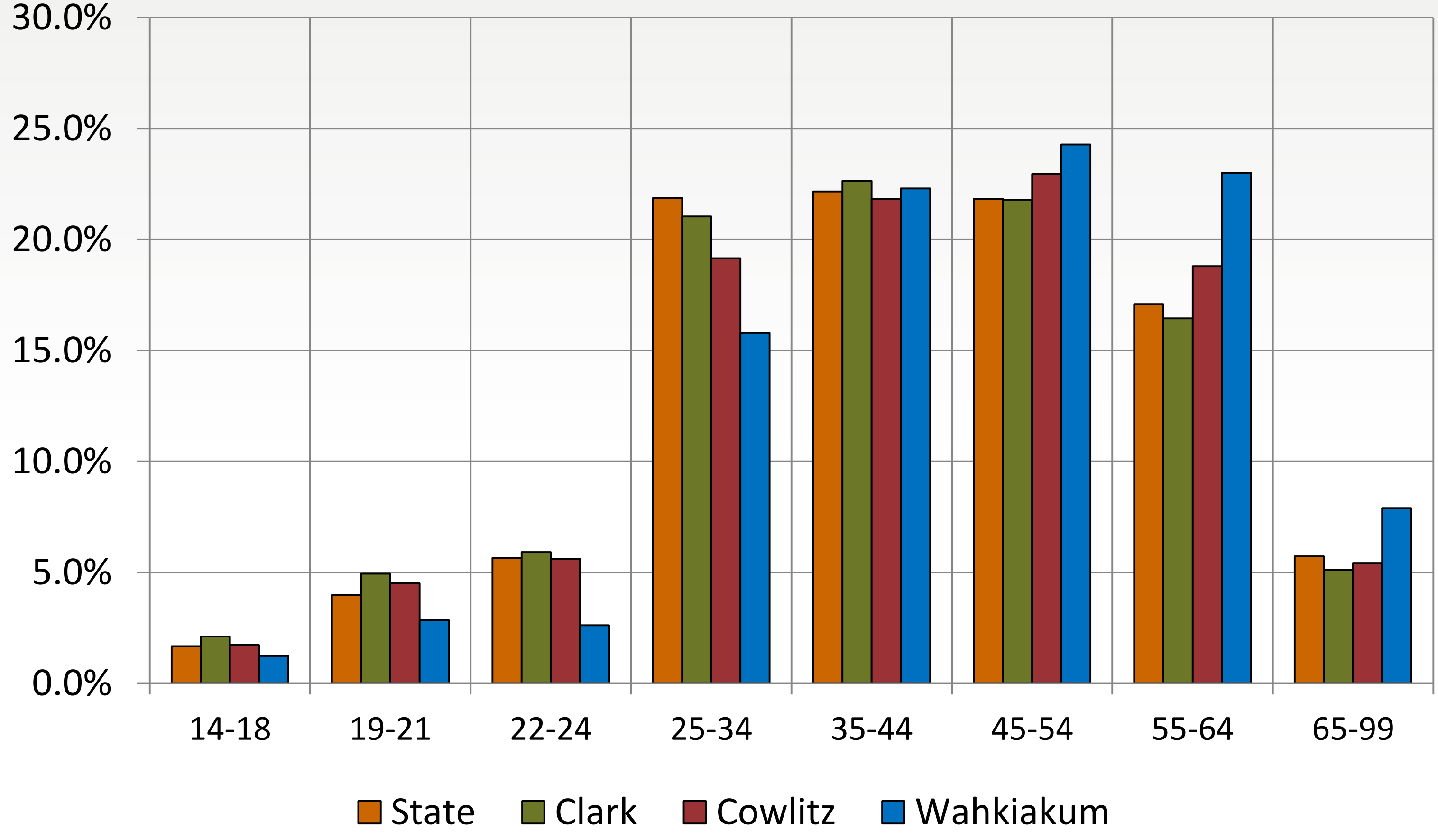
Source: Employment Security Department/LMPA; Bureau of Labor Statistics

Median hourly wage



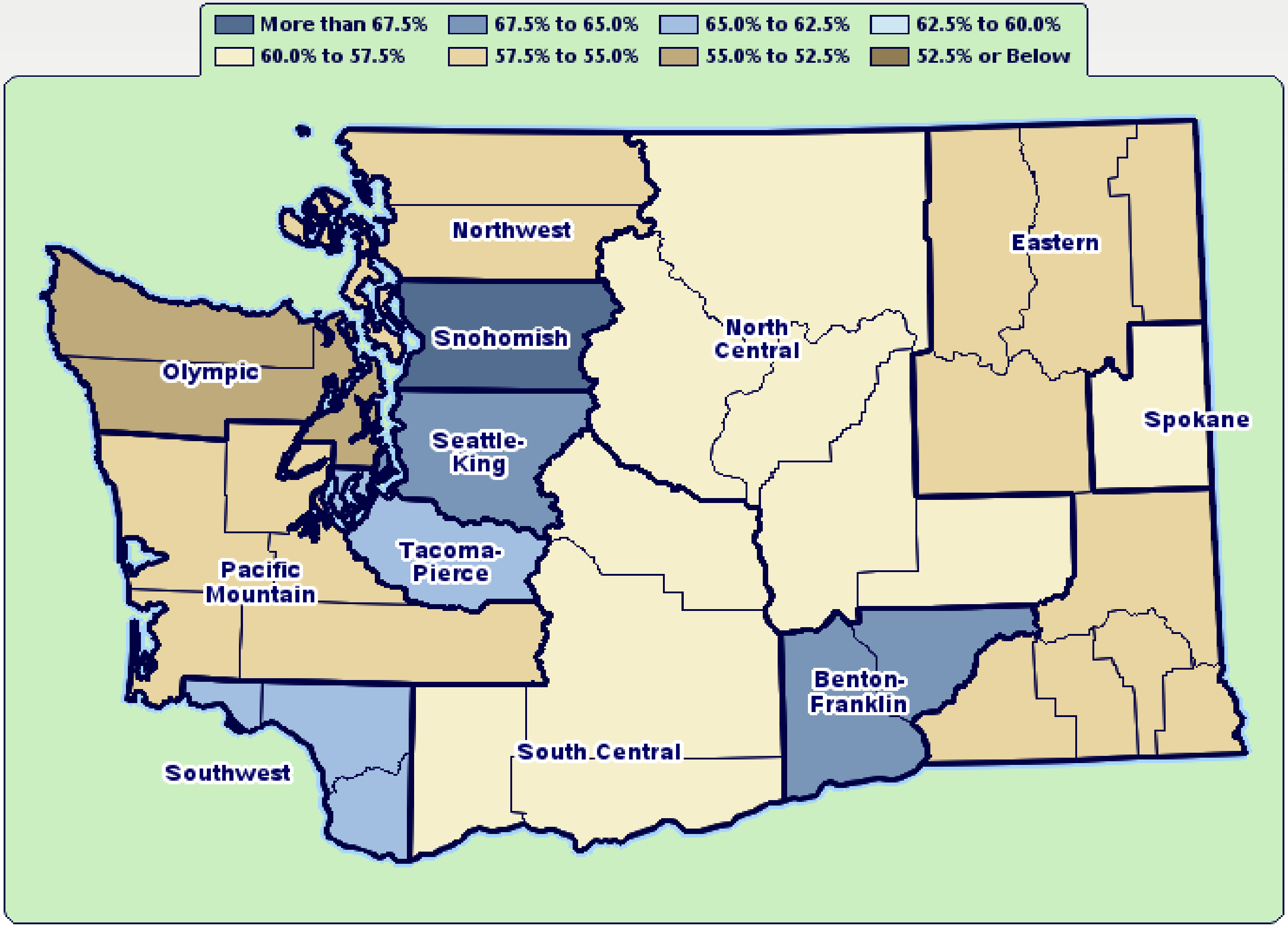
Source: Employment Security Department/LMPA, Wage File

Age of workforce, 2015



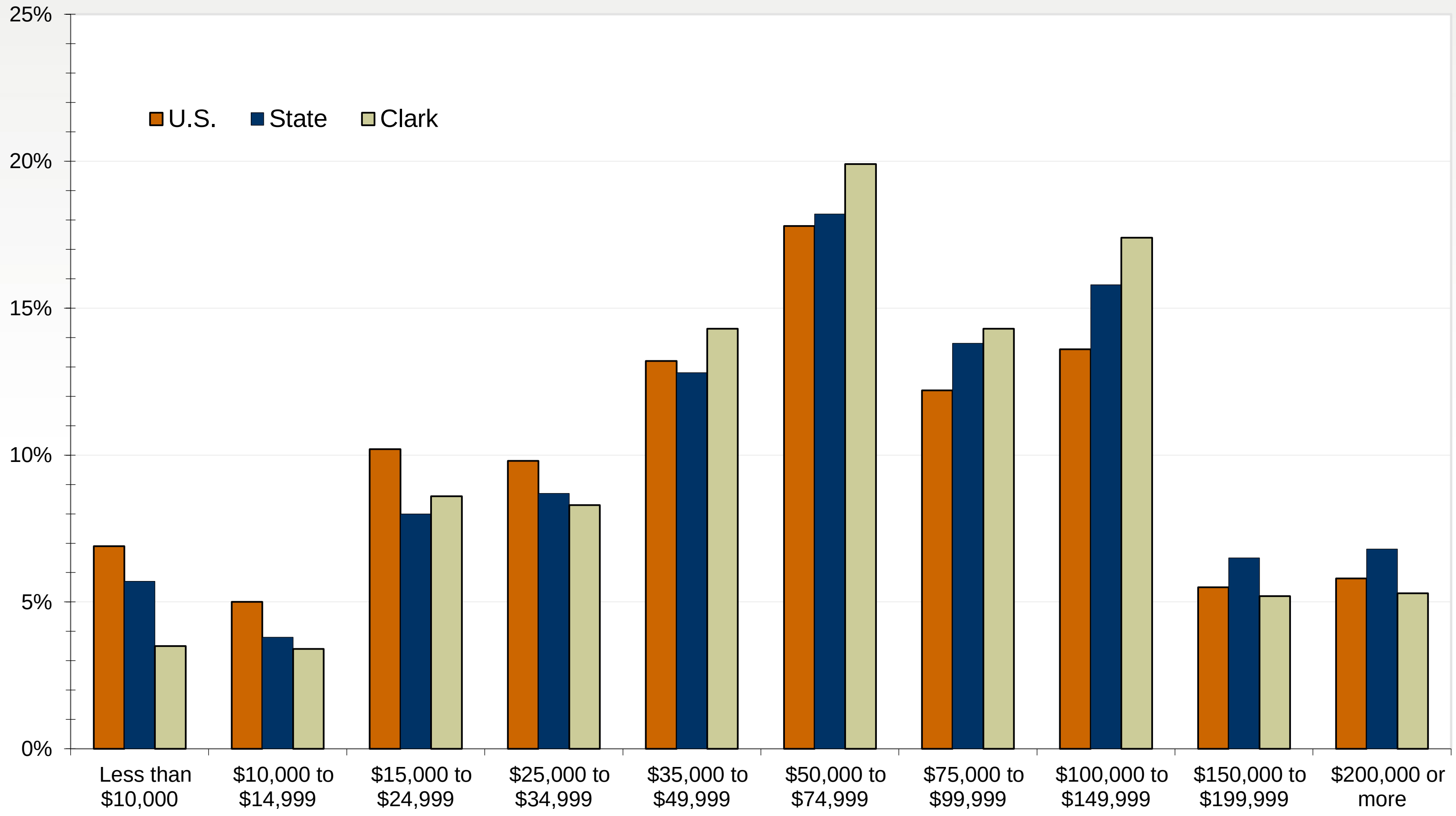
Source: Local Employment Dynamics (LED)

Earned Income as a Percent of Total Income

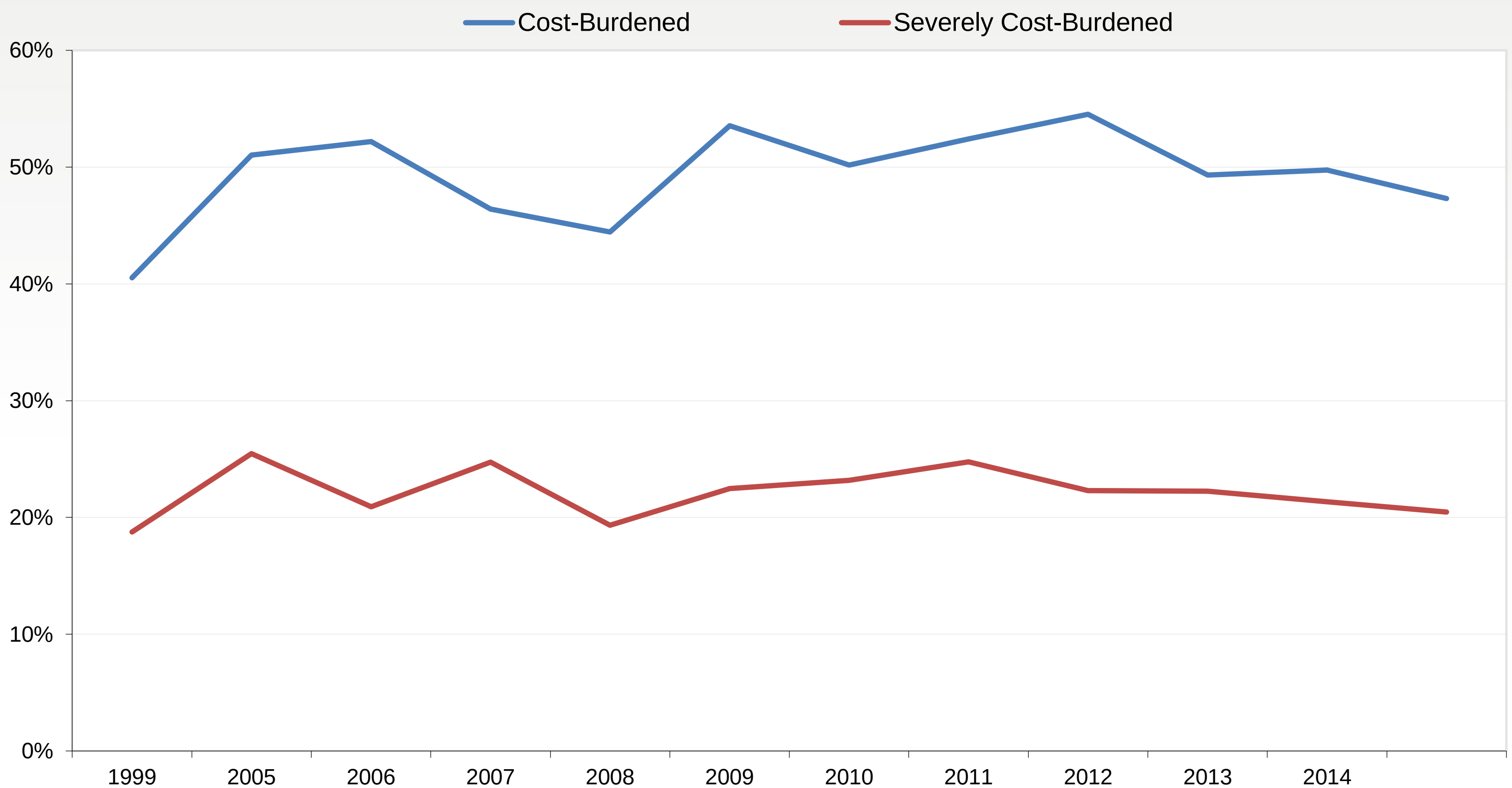


Source: Washington.REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

Percentage of Households by Income Range, 2015



Cost-Burdened Rental Households



Thinking about

STRUCTURAL / CYCLICAL CHANGE & UNBUNDLING EMPLOYMENT

Structural Changes

- We have exited / are exiting the “recovery” and are starting to enter expansion
  - But things are not the same
    - Structural change versus reversion to the mean
- Technology currently favors cities
- Trade and innovation favor certain firms and individuals (the gains to trade and innovation are not distributed equally)
  - Some say income inequality is a defining topic…?
- Productivity and efficiency > outsourcing
  - Manufacturing is growing but jobs are not in alignment

A Theory

If you unbundle the activities in an industry

The value of different jobs becomes visible

Tasks (jobs) can be relocated to where they make the most sense… and supply chains evolve

"The World is Flat" ?

The opportunity to use automation in specific areas become more clear

If you unbundle the activities in an industry

The value of different jobs becomes visible

Tasks (jobs) can be relocated to where they make the most sense… and supply chains evolve

The opportunity to use automation in specific areas become more clear

- Some low value jobs are lost due to automation & some get reconfigured and go overseas
    - <u>Things feel tenuous to many workers</u>
- High value jobs may be collocated to take advantage of knowledge spillovers
    - <u>Increasing inequality in economic activity (by place and $)</u>
- Supply chains become much more complex fitting in between the various (unbundled) segments

Key Points

- Continued growth (slow but faster than US)
  - May look different in non metro
- Significant factors to watch
  - Local
  - Regional
  - National
  - International
  - *Everything?*
- Question how much of the uncertainty is “priced in”
- The nature of work and compensation will accelerate in its change

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SW Washington STEM Network

Supporting & Promoting STEM Education throughout SW WA