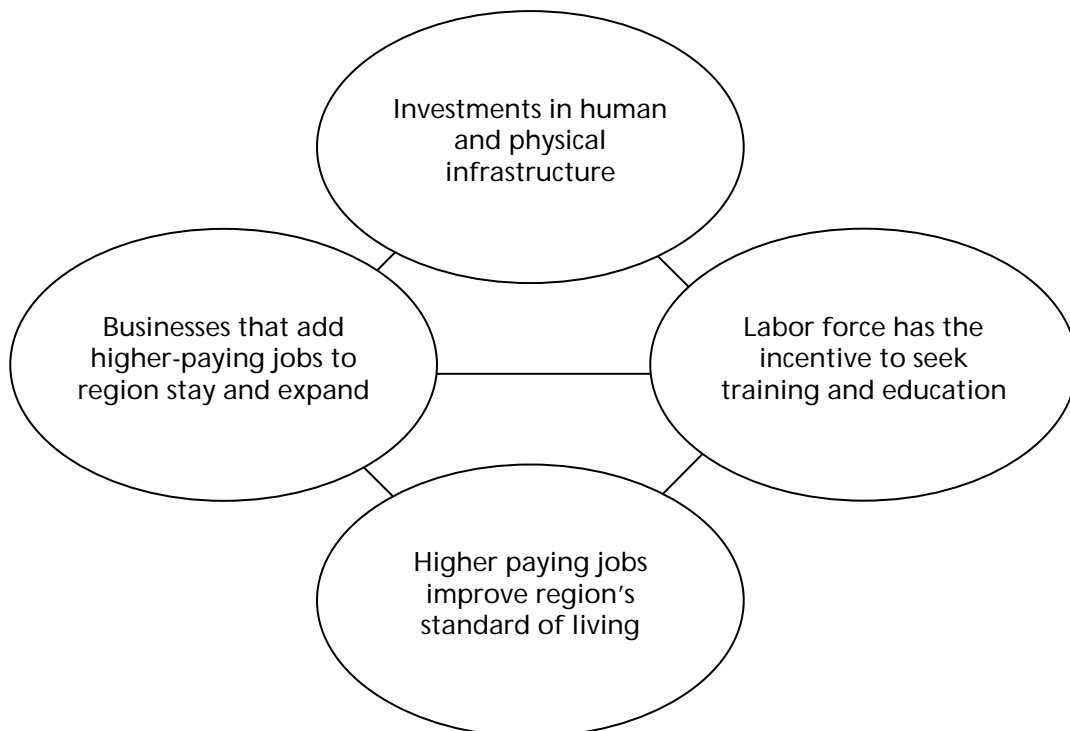


ECONOMIC PROSPERITY

INTRODUCTION

The Regional Economic Prosperity Strategy (REPS) was originally developed in 1998 in response to the economic restructuring and recession of the early 1990s. REPS laid out a concise strategy that called for infrastructure investment (both human and physical capital) and public policy support to strengthen the region's economic foundation. The Prosperity Strategy is based upon the premise that investments in human and physical infrastructure will lead to stronger businesses and a well-trained workforce, ultimately leading to improvements in the regional standard of living.

IMPROVING THE REGION'S STANDARD OF LIVING



As a component of Regional Comprehensive Plan implementation, the Regional Economic Prosperity Strategy is currently being updated to incorporate new data and to reflect economic

changes since the 1990s. The overall strategy, however, remains the same: invest in infrastructure to improve standard of living.

In light of the update it has become clear that some indicators may be better suited to tracking our progress than others. For instance, former studies have included indicators that focused on job growth in high-wage sectors of the economy. What is becoming apparent through the REPS update is that the balance of job growth is ultimately a more important metric for the region's economic prosperity. For that reason, a new job-balance indicator is being added to the RCP Monitoring report.

The indicator data included in this chapter establish a baseline for tracking progress toward the following goal included in the RCP:

- Ensure a rising standard of living for all of our residents

The indicators designated for tracking progress toward the above economic prosperity goal are as follow:

HUMAN CAPITAL

1. Labor Force Educational Attainment

JOBS BALANCE

2. Balanced Job Growth
3. Employment in High-Wage Clusters
4. Unemployment Rate

STANDARD OF LIVING

5. Real Per Capita Income
6. Regional Poverty Rate

1. Labor Force Educational Attainment

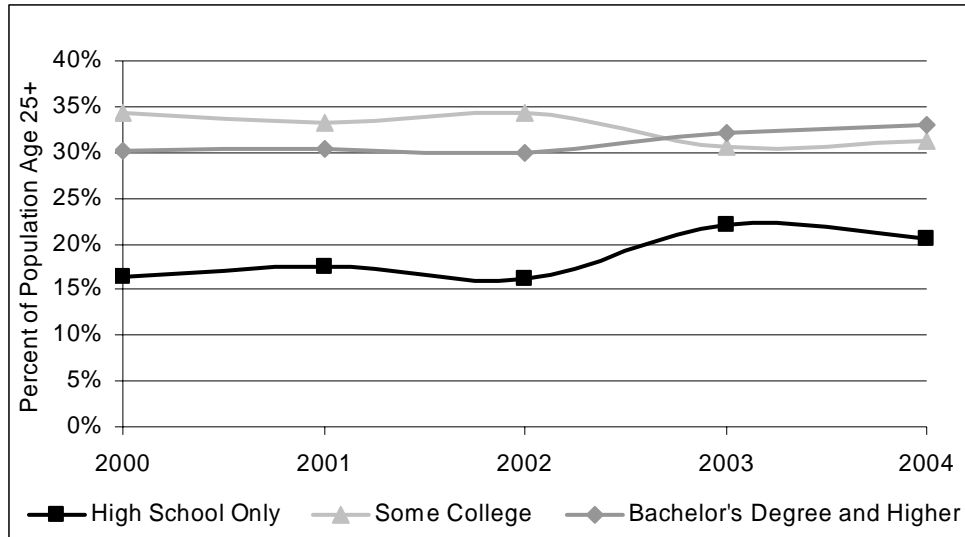
Significance

The RCP maintains that the region should offer broad access to education and workforce training opportunities to all residents, with an emphasis on the economically disadvantaged to foster shared economic prosperity. Educational opportunity assists in raising the standard of living for the region's residents by providing people with the training to move up their career ladders.

Findings

Educational attainment in the region has increased somewhat since 2000.

Figure 18
LABOR FORCE EDUCATIONAL ATTAINMENT (2000-2004)



Source: American Community Survey, U.S. Census Bureau.

2. Balanced Job Growth

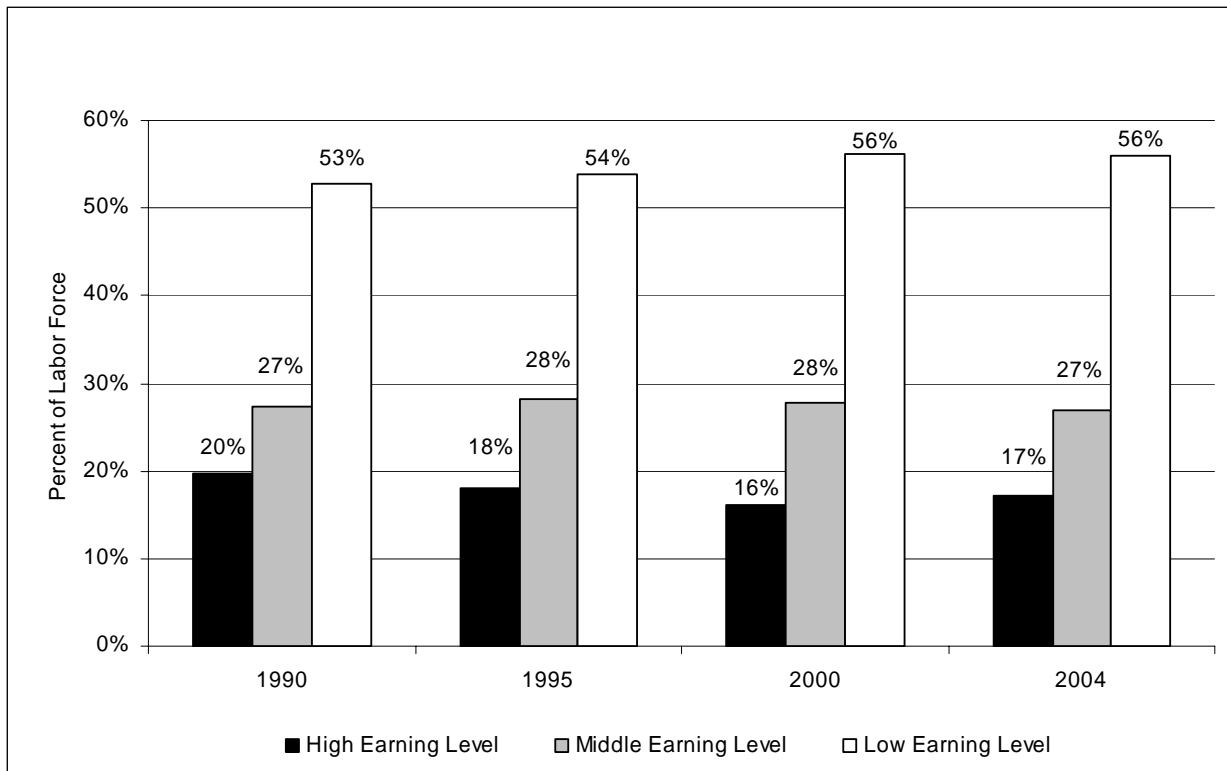
Significance

The balance of job growth is important to the long-term economic health of the region. If job growth is concentrated in low-wage jobs, the standard of living will fall. Job growth can occur in those lower-wage industries, but must be balanced by growth in jobs higher on the career ladder to provide upward mobility and a rising standard of living for the region's residents.

Findings

Since the 1990s employment in low-wage industries has grown faster than in middle- and high-wage industries. Between 1990 and 2004, the proportion of the labor force employed in low-wage industries increased by 3%. Average salaries in the lowest paying industries increased 9% between 1990 and 2004, while average salaries in the highest paying industries increased 33% in the same time period.

Figure 19
EMPLOYMENT CONCENTRATION IN SAN DIEGO'S HIGH, MIDDLE, AND LOW WAGE
INDUSTRIES (1990-2004)



Source: U.S. Department of Labor, Bureau of Labor Statistics.

3. Employment Growth in High-Wage Economic Clusters

Significance

Economic clusters are groups of interrelated, export-oriented industries that are responsible for bringing new money into the region. Industries within a cluster have business transactions with one another, and thus are interdependent. Cluster companies often participate in local industry associations, which foster collaboration and the exchange of knowledge. Companies within a cluster also compete with each other for market share, which drives innovation and productivity.

Companies within clusters tend to be among the region's leaders in research and development funding, patent awards, and other key indicators of innovation. Many of the clusters also pay high wages, although some do not. All clusters are economic drivers for the region because they are export-oriented. San Diego's export-oriented clusters include the following:

- Biomedical Products
- Biotechnology and Pharmaceuticals
- Communications
- Financial Services
- Fruit and Vegetables
- Horticulture

- Computer and Electronics
- Defense and Transportation Equipment
- Design
- Environmental Technology
- Entertainment and Amusement
- Publishing
- Recreational Goods
- Software
- Specialty Foods
- Travel and Hospitality

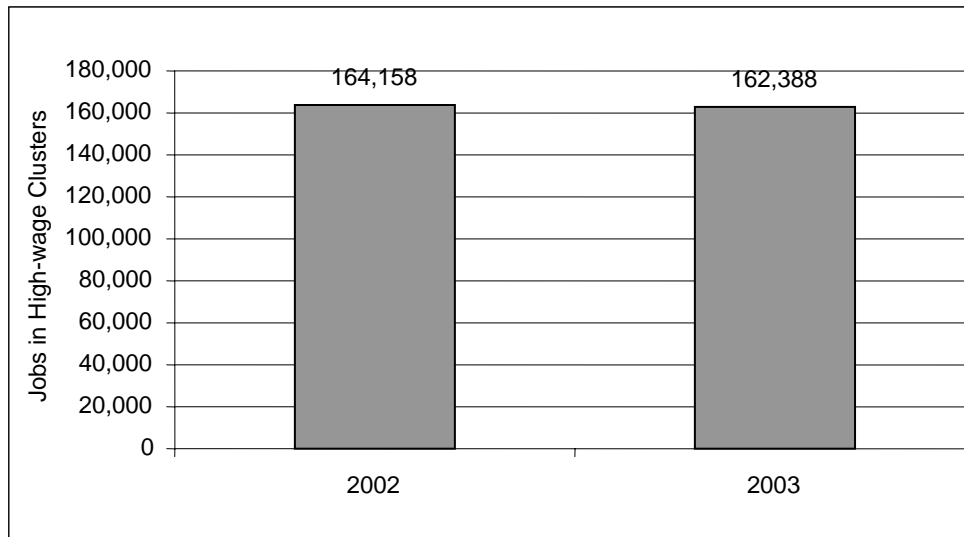
Of these clusters, twelve are considered to have high wages. High-wage clusters are clusters in which the average annual salary is above the regional average across all industries. Growth in high-wage economic clusters therefore has a dual benefit for the region: economic growth that brings money into the region and growth of high-paying jobs for local residents. These characteristics fit in with the RCP goals of improving the local business environment, and providing a rising standard of living to the region's residents.

The San Diego region's high-wage clusters include: Biomedical Products, Biotechnology and Pharmaceuticals, Communications, Computer and Electronics, Defense and Transportation Equipment, Design, Environmental Technology, Financial Services, Publishing, Recreational Goods, Software.

Findings

An economic slowdown at both the local and national levels caused employment in high wage clusters to dip by approximately 1,800 jobs between 2002 and 2003. Slight declines occurred in Biomedical Products, Communications, Computer and Electronics, Defense and Transportation Equipment, Publishing, Recreational Goods, and Software, which lost a combined total of 5,900 jobs. Meanwhile San Diego's Biotechnology and Pharmaceuticals, Design, Environmental Technology, and Financial Services clusters continued to grow, adding a total of 4,100 jobs to the regional economy.

Figure 20
EMPLOYMENT IN SAN DIEGO'S HIGH-WAGE ECONOMIC CLUSTERS (2002-2003)



Source: SANDAG Cluster Inventory

4. Regional Unemployment Rate

Significance

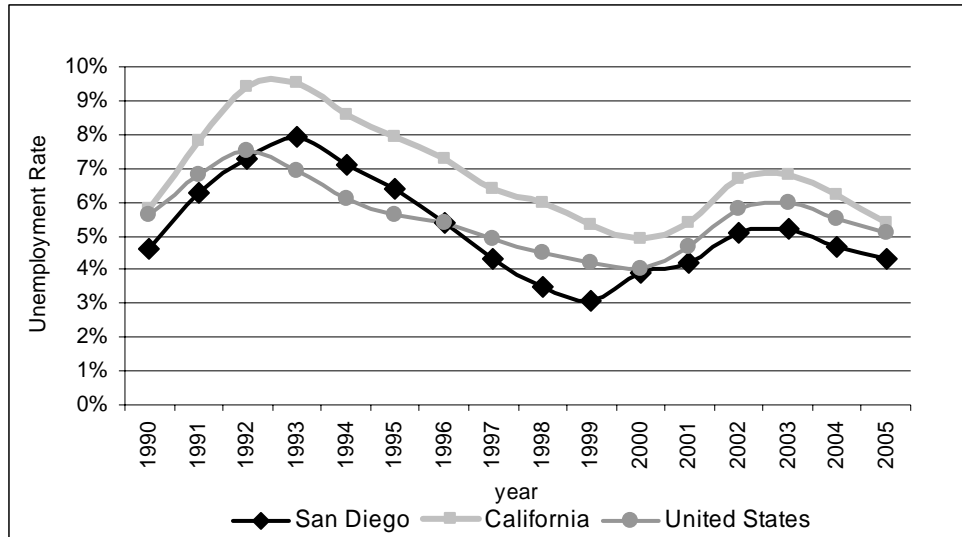
The unemployment rate is an indicator of economic activity in the region. A low unemployment rate implies that the economy is strong and that most people who want a job can find one. These characteristics fit in with the RCP goals of improving the local business environment, and providing a rising standard of living for the region's residents.

The unemployment rate is the proportion of persons in the labor force who do not currently have a job. The labor force is defined as persons age 16 and older who are either currently employed or unemployed but looking for a job. Persons who cannot work, or who choose not to work, are not included in the rate.

Findings

While the region's unemployment rate increased slightly during the national recession at the beginning of the 1990s, San Diego has fared far better than the state or nation as a whole. Moreover, the region's unemployment rate continues to remain at historically low levels, signifying a strong local economy.

Figure 21
UNEMPLOYMENT IN SAN DIEGO, CALIFORNIA, AND THE UNITED STATES (1990-2005)



Source: California Employment Development Department, Labor Market Information; U.S. Department of Labor, Bureau of Labor Statistics.

Table 10
UNEMPLOYMENT IN SAN DIEGO, CALIFORNIA, AND THE UNITED STATES (1990-2005)

	San Diego	California	United States
1990	4.6%	5.8%	5.6%
1991	6.3%	7.8%	6.8%
1992	7.3%	9.4%	7.5%
1993	7.9%	9.5%	6.9%
1994	7.1%	8.6%	6.1%
1995	6.4%	7.9%	5.6%
1996	5.4%	7.3%	5.4%
1997	4.3%	6.4%	4.9%
1998	3.5%	6.0%	4.5%
1999	3.1%	5.3%	4.2%
2000	3.9%	4.9%	4.0%
2001	4.2%	5.4%	4.7%
2002	5.1%	6.7%	5.8%
2003	5.2%	6.8%	6.0%
2004	4.7%	6.2%	5.5%
2005	4.3%	5.4%	5.1%

Source: California Employment Development Department, Labor Market Information; U.S. Department of Labor, Bureau of Labor Statistics.

5. Real Per Capita Income

Significance

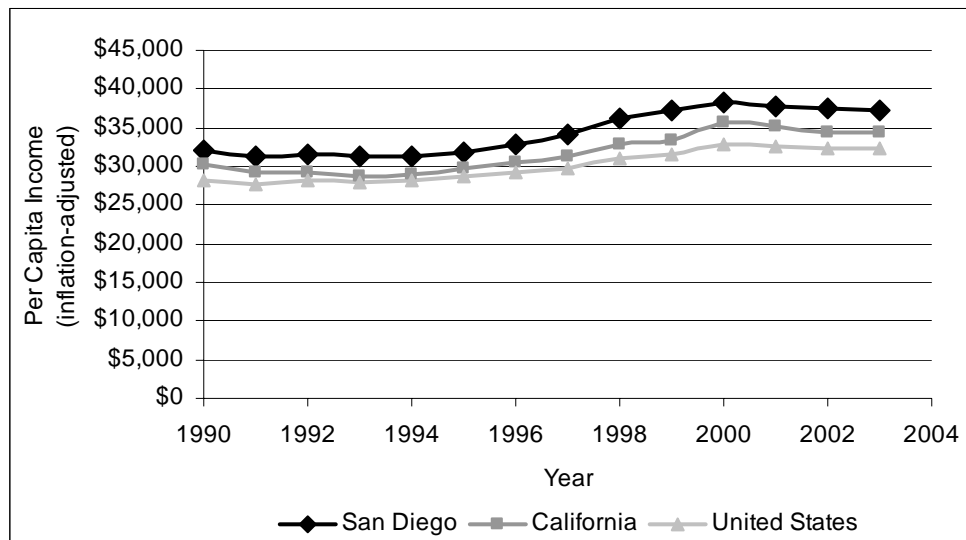
The primary, overarching goal of the Economic Prosperity chapter of the RCP is to ensure a rising standard of living for all residents. One common measure of standard of living is per capita income.

Per capita income is determined by dividing a region's total personal income by the population of the region. Values are listed in inflation-adjusted 2004 dollars.

Findings

The region's real per capita income rose steadily from 1995 to 2000, but has fallen slightly since. However, it continues to be higher than that of both the state and the nation.

Figure 22
REAL PER CAPITA INCOME IN SAN DIEGO, CALIFORNIA,
AND THE UNITED STATES (1990-2003) IN INFLATION-ADJUSTED 2004 DOLLARS



Sources: U.S. Bureau of Economic Analysis; SANDAG Annual Population & Housing Estimates; U.S. Census Bureau, Annual Population Estimates

Table 11
REAL PER CAPITA INCOME IN SAN DIEGO, CALIFORNIA, AND THE
UNITED STATES (1990-2003) IN INFLATION-ADJUSTED 2004 DOLLARS

	San Diego	California	United States
1990	\$32,061	\$30,277	\$28,150
1991	\$31,412	\$29,222	\$27,589
1992	\$31,517	\$29,181	\$28,078
1993	\$31,308	\$28,619	\$27,905
1994	\$31,248	\$28,931	\$28,261
1995	\$31,938	\$29,636	\$28,603
1996	\$32,860	\$30,436	\$29,106
1997	\$34,053	\$31,177	\$29,817
1998	\$36,325	\$32,742	\$31,155
1999	\$37,235	\$33,439	\$31,679
2000	\$38,186	\$35,612	\$32,739
2001	\$37,766	\$35,068	\$32,612
2002	\$37,544	\$34,448	\$32,356
2003	\$37,150	\$34,278	\$32,326

6. Regional Poverty Rate

Significance

The primary, overarching goal of the Economic Prosperity chapter of the RCP is to ensure a rising standard of living for all residents. The poverty rate provides one measure to determine whether or not conditions are improving for the region's lower-income residents.

These values represent the percentage of individuals whose total income falls below the poverty threshold set by the U.S Census Bureau, according to family size and composition. For example, for a family of four with two children under the age of 18, the poverty threshold equaled an annual household income of \$19,157 in 2004.

Findings

Poverty in the region has remained relatively constant since 2000. Minor fluctuations in the reported data are likely the result of the survey techniques.

Table 12
PERCENT OF RESIDENTS LIVING IN POVERTY IN SAN DIEGO,
CALIFORNIA, AND THE UNITED STATES (2000-2004)

	San Diego	California	United States
2000	12%	14%	12%
2001	12%	13%	12%
2002	12%	13%	12%
2003	12%	13%	13%
2004	12%	13%	13%

Source: American Community Survey, U. S Census Bureau

ECONOMIC PROSPERITY SUMMARY

Conclusions

A few trends can be detected from the above data. The workforce in San Diego is increasingly well-educated, but recent job growth in the region has been concentrated in low wage industries. Overall, our region’s standard of living is growing very slowly and we have not made progress in reducing poverty.

Future Target Setting

SANDAG is in the process of updating the Regional Economic Prosperity Strategy (REPS). The updated strategy may result in the refinement of the indicators included in future RCP monitoring reports. In addition, goals developed through the REPS update may serve as future targets for the Economic Prosperity indicators.

SANDAG Role

Regional Economic Prosperity Strategy

Through the update of the Regional Economic Prosperity Strategy, SANDAG will identify the infrastructure investments needed to ensure a rising standard of living for the region’s residents.

Implementing the REPS requires a variety of regional organizations and agencies to coordinate their efforts and to promote the creation of middle and higher income jobs. The REPS also recommends that the region focus on targeted workforce development and training for local residents so that they can attain the jobs created. The prosperity strategy is presented within the three “E”s sustainability framework of Environment, Equity, and Economy. Balancing these areas requires a universal and holistic approach to policy making. Making the REPS an element of the RCP has inextricably linked economic growth, opportunity, and prosperity to quality of life.