



A BETTER
Bakersfield
AND BOUNDLESS
Kern

REGIONAL ACTION FOR
ECONOMIC PROSPERITY

Market Assessment Executive Summary
April 2021

About B3K

“A Better Bakersfield and Boundless Kern (B3K)” is a long-term collaboration among business, government, and civic stakeholders launched to create and deliver a joint strategy and operational / investment plan for regional economic growth and opportunity, centered on promoting quality job creation that is enduring and accessible to all residents.

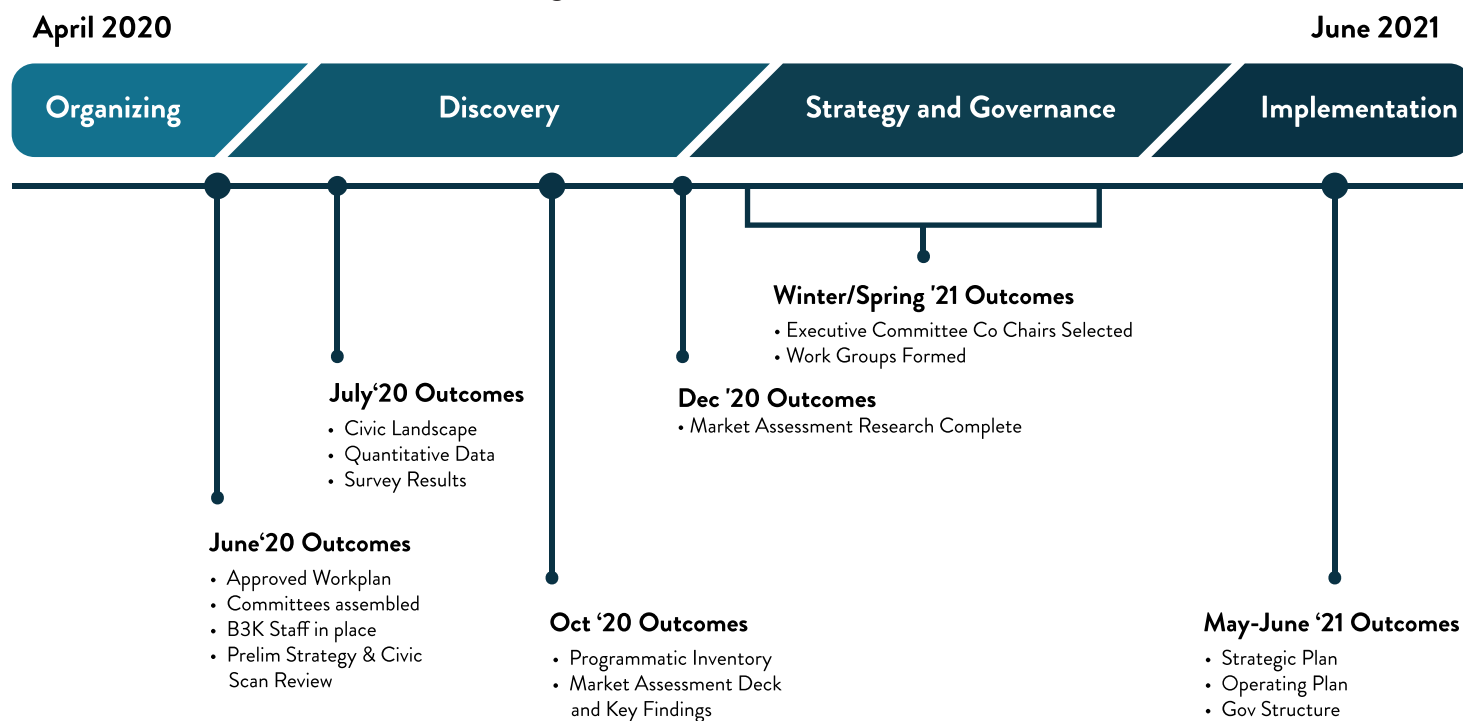
Launched in late spring 2020, B3K is guided by diverse Steering and Executive Committees totaling over 100+ stakeholders who provide input at project milestones. The Executive Committee also oversees progress, process, and product — setting strategic direction, vetting ideas, and promoting implementation. Representing entities with major economic development responsibilities for the region, the core team, created to organize B3K and facilitate the process, is drawn from Kern County, Kern Economic Development Corporation, City of Bakersfield, CSU Bakersfield, Kern Community College District, Greater Bakersfield Chamber, and Kern Community Foundation. Support with research and strategy is provided by an external Advisory Team affiliated with the Brookings Institution.

Over four phases stretching roughly a year, leading into ongoing execution, B3K focuses on:

- Organizing diverse stakeholders for action;
- Producing an evidence-based Market Assessment built on quantitative and qualitative research;
- Developing locally-led responses to findings and an ongoing governance structure for distributed implementation and accountability;
- And advancing implementation through business planning, fundraising, and measuring outcomes.

This Executive Summary provides an overview of the Market Assessment, which compiles data and qualitative analyses into a candid picture of the region’s performance and competitive position. The assessment provides findings and considerations to inform stakeholders in collectively determining strategic interventions and institutional accountability for implementation.

Figure 1: B3K Phases and Timeline





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Kern County's Economic Successes Hide Challenges to Prosperity

Kern County's prospects for prosperity are on the decline.

Industries that have long fueled growth and economic mobility, from energy to aerospace, face significant headwinds as industries offering lower job quality have expanded. Employment rates have declined, and earnings have stagnated. The basics of what drive regional competitiveness in the modern economy – skilled workforce, innovation with commercial applications, dynamic young firms – have lagged peers.

As a consequence, more than half of the region's residents now struggle to make ends meet, even though two-thirds of them belong to families with at least one working adult.

Recognizing Kern's distinctive sub-regions

The Census-defined Bakersfield Metropolitan Statistical Area (MSA) – the standard unit for economic analysis and regional policymaking – encompasses all 8,000 square miles of Kern County as a governmental jurisdiction. However, the Market Assessment shows that the performance, growth drivers, industry composition, and talent base of Greater Bakersfield versus East Kern are fundamentally different. These two hubs lack significant economic and workforce connections. This suggests that regional stakeholders should develop tailored strategies and target resources to reflect the different needs and opportunities in these areas.

According to a scientifically-valid public opinion poll commissioned by B3K in Summer 2020, only 41% of residents can agree that the next generation will have more opportunities to be successful than they've had.

These findings may come as a surprise for a region that, by some metrics, has thrived over the past decade. The region's job growth in the decade between the Great Recession and before COVID-19 surged by nearly 25%, ranking well above the performance of other large metro areas and the U.S. as a whole. Bridging Los Angeles and the Central Valley with more affordable living, the region's population grew by almost 12%, about double the national average, driving local business expansions to serve new consumers.

But the growing number of jobs has hidden serious challenges to Kern County's ability to generate opportunity and prosperity.

Kern County's prospects – for its residents, businesses, and the region as a whole – will be limited unless these trends are reversed.

Simply put, immediate, ambitious action is needed to achieve regional economic success that delivers growth, prosperity, and inclusion.

Industry Shifts Have Changed the Sources and Quality of Jobs in the Region

A combination of market trends and policy actions are changing the source of jobs in Kern County and the opportunities that they offer to residents.

Job creation has tilted away from regional industries that produce distinctive, higher-value goods and services sold to customers outside of the County, or **“traded sectors.”** Rather, outsized job growth in the region primarily came in industries like healthcare, retail, and hospitality for residents, and government. Compared to traded sectors, these **“locally-serving sectors”** tend to create lower-quality jobs and do not bring new income into the County to build regional wealth.

Community input reinforces need for action

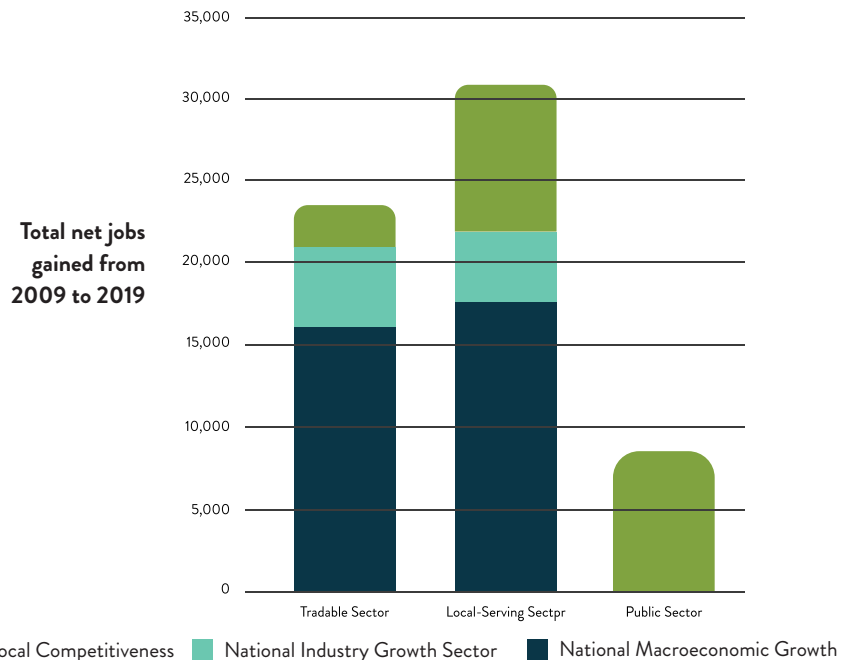
B3K conducted several community engagement sessions to ensure that community members were an integral part of the B3K process and to better understand the region's economic challenges and opportunities. These conversations reinforced the region's challenges to shared prosperity and disparities in access to quality jobs.

Specific themes included:

- Generational poverty and trauma pose significant roadblocks to prosperity.
- Varied access to supports across racial groups contributes to disparities in educational outcomes. Educational experiences that offer more accessible pathways to better jobs, perhaps through renewed emphasis on vocational training, are needed.
- Finding full-time stable work, rather than part-time employment, can be challenging.
- Transportation is a barrier to job access, particularly in rural areas. Rural areas also struggle with access and exposure to educational opportunities.
- Workforce training programs don't necessarily translate to promised outcomes in pay or employment.
- Immigrant communities face particular barriers to accessing good jobs and can also be targets for misinformation around opportunities.
- There is an imperative to ensure that regional strategies benefit and uplift existing residents, rather than just attracting skilled workers from outside.

Figure 2: Locally-serving sectors and the public sector dominate Kern's job growth

Kern County's job growth by sector and component
Cumulative from 2009 to 2018*



* This chart displays the results of a dynamic shift-share analysis, which decomposes local job growth into three factors: national macroeconomic growth, national industry growth, and growth due to local competitive shifts. Source: Brookings analysis of Economic Modeling Specialists Intl. estimates and U.S. Clusters Mapping Project cluster definitions.

Meanwhile, traded sectors that historically drove the region's growth and opportunity flashed warning signs.

The region's powerhouse agricultural sector created 65,000 additional jobs, but mainly in lower-paid production alongside shrinkage in areas of food processing and manufacturing offering better jobs.

The mid-decade collapse in oil prices combined with state regulation cut hundreds of energy jobs tied to the petroleum industry, through which residents historically could reach the middle class regardless of education. New wind farms and solar installations built in the open desert of East Kern made the region a leader in producing renewable energy, but have not delivered long-term jobs.

While East Kern's constellation of defense and commercial aerospace research and manufacturing still made a steady contribution, the talent pipeline, untapped potential in federal installations, and increased competition in other states raised unanswered challenges.

New warehouses and fulfillment centers in industrial parks around Greater Bakersfield marked a dramatic expansion and emerging strength in logistics that netted thousands of new jobs, although limited in quality and career pathways.

Against state trends, manufacturing in certain subsectors showed surprising growth and durability of good jobs, but not yet reaching major scale.

Business and professional services critical to long-term competitiveness saw notable declines, particularly knowledge-driven jobs in subsectors like engineering, computer, and insurance.

Altogether, Kern County's primary sources of employment growth do not tend to produce family-supporting jobs or bring new wealth into the region.

For Working Families to Make Ends Meet, More Good Jobs and Better Access are Needed

More than half of Kern County's residents, including many who belong to working families, struggle to cover basic expenses—or reach “self-sufficiency.” Further, only 30% of the region's jobs allow workers to cover these expenses or offer a pathway to a job that does.

In all, the region has a significant deficit – nearly 100,000 -- in the number of good and promising jobs available to help the region's struggling workers cover basic expenses (see Figure 3). This is equivalent to growing or upgrading the quality of almost 30% of the county's 2019 job base.

Non-white and female workers fare worse in access to quality jobs, even when they hold similar levels of education. For example, a white worker with a high school diploma or GED is twice as likely to hold a good job as a Hispanic worker with the same degree. Out-of-work rates for women dramatically exceed those of men, nearly twice the percentage across all education levels, and above national baselines in need for childcare to access jobs.

Closing these large gaps is a major long-term challenge requiring new strategies for growth and prosperity, with sustained leadership throughout the region. But it provides a clear call to action to focus on dynamic industries that offer better quality job opportunities and ensure that all community members can access them.

Defining “self-sufficiency” and “good jobs”

The B3K Market Assessment utilizes the Brookings Institution's multi-dimensional Opportunity Industries analysis to assess job quality, examining attributes of local workers and jobs and modeled career pathways in Kern County.

Jobs are categorized as “good,” “promising,” and “other” based on the following definitions:

“**Good jobs**” meet three criteria:

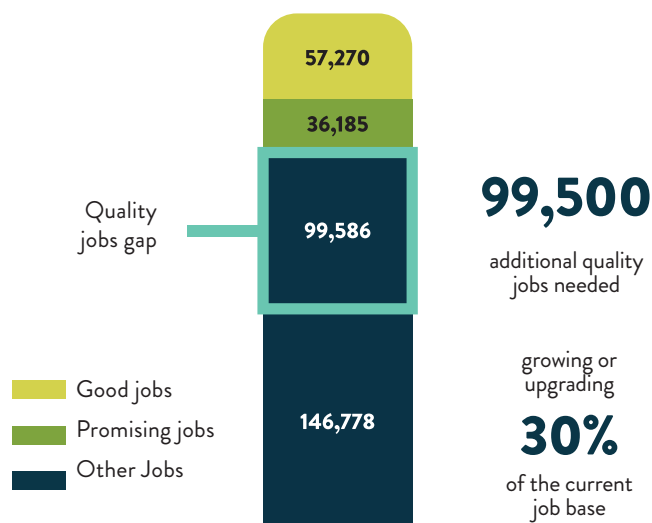
1. Pays a **sufficient annual wage** that enables workers to (i) meet their family's market basket of expenses and savings, and (ii) be ineligible for California benefit transfers (i.e. SNAP, TANF, Medicaid)
2. Provides **employer-sponsored health insurance**, which is a proxy for other employment benefits
3. Affords **durable opportunity** with stability in career options to continue holding a good job in the future

“**Promising jobs**” do not meet all the criteria of a good job, but provide **career pathways** that will lead to a good job within ten years. “**Other jobs**” do not qualify as good or promising.

“**Self-sufficiency**,” or the ability to cover expenses, is determined by combining general “living wage” calculators and regional policy choices on savings to establish localized family cost profiles based on size and composition.

See the full B3K Market Assessment for more information on the Opportunity Industries methodology.

Figure 3. Distribution of job quality needed to reduce the share of children in struggling working families by 50% in ten years





Focus on Economic Drivers can Strengthen Inclusive Growth

Five factors drive regional economies and require bolstering to improve Kern's current trajectory.

These are strong traded sector industries (examined in the previous section), skilled talent, and robust innovation ecosystems that promote overall productivity, job creation, and income growth. They are enabled by well-connected, efficient infrastructure, and effective governance through private, public, and civic relationships.

A comprehensive analysis of these factors in the region reveals several particular areas for improvement:

Talent

Despite strengths in technical areas for specific advanced industries within the County, overall low educational attainment, gaps in targeting the industry-workforce pipeline, and the need to align action to job quality pose significant challenges.

In particular, low educational attainment relative to other regions has constrained recent income growth and economic mobility as job prospects narrowed in the oil industry while national trends valued higher-skilled, knowledge-driven sectors.

While in 2010, Kern kept pace in per capita earnings with metros having about twice the educational attainment, by 2018, more educated regions experienced substantially greater improvements that surpassed Kern.

Educational attainment is only one measure of Kern's talent challenge. Tech-driven growth in the region, even at mid-skill levels, likely has been curtailed by digital skills proficiency; only one in five mid-tech positions and one in ten high-tech positions posted by regional firms are filled in a given month. At a more basic level, Kern County faces fundamental challenges in engaging "out-of-work" populations – individuals who are unemployed and actively seeking work, plus those who have dropped out of the labor market but still would like to work. 20% of Kern County adults in prime working age of 25 to 64 are out-of-work, above the national rate of 14.4%. Notably, however, analysis of talent adjacency – or transferability of knowledge and skills – shows that the current oil and gas workforce can support growth in other energy subsectors and opportunity industries like manufacturing.

Innovation

Notwithstanding world-leading military innovation assets in East Kern, open institutional research capacity (primarily located at CSU Bakersfield) is limited compared to similar regions, underperforming in commercial spinoffs and firm problem-solving. Setting aside the lack of a Tier 1 research university, CSU Bakersfield spent less than one-third the R&D budget as CSU Fresno and one-quarter of CSU San Bernardino. The region also lags peers in patent production, although it ranks slightly above the median of all metro areas in distinctiveness of patents. Meanwhile, the employment impact of entrepreneurship has declined and survival of young firms lags other regions, likely pointing to unmet need for support. The potential to unlock federal R&D strengths and the build the entrepreneurial support system is clear from peer comparisons.

Infrastructure

Ease of development due to flexible, business-friendly land use policies, including efficient permitting times, offers a notable advantage for the region. Kern County also has comparatively strong broadband availability, with only 4% of residents lacking broadband coverage at the FCC standard at 25 Mbps; areas with higher poverty rates, however, see significantly lower subscription rates.

Governance

Like many other regions, Kern needs a common strategy with objectives and metrics that are shared across all main contributors to economic development to reduce fragmentation and maximize limited resources. A history of uneven implementation and difficulties in collaboration across these stakeholders can be resolved with identified ownership and accountability for delivering tactics. Kern also lags peer regions in the availability and scale of some fundamental economic development and supports, from a business incubator to industry-led cluster initiatives.



Findings and Implications

While this research presents stark challenges, it also identifies opportunities for action.

This includes identifying sub-sectors – based on the Opportunity Industries analysis – most likely to help close the region’s good jobs gap.

The Market Assessment offers the following findings to inform tangible responses:

- Prioritizing economic development and cluster-building efforts in four Opportunity Industry sub-sectors - **carbon management and renewable fuels production and innovation; aerospace; advanced manufacturing; and “second office” business services** - offers the greatest potential return on investment to influence growth and opportunity.

Note: Prominent sectors that are large sources of employment and growth – logistics and agriculture – are critical foundational assets; however, given constrained economic development resources, other Opportunity Industries benefit more from a priority focus and yield higher return on investment. Some sectoral targets overlap with these industries (e.g. food manufacturing), and efforts could focus on sub-sectors offering better job quality (e.g. goods movement) or firms that meet job quality standards. Additionally, logistics strengths are a platform for other high-value sectors, such as manufacturing.

- Fundamental business and entrepreneurship supports- such as an incubator and access to capital - are lacking for a region of this size and need to be established or scaled, in order to enable creation and durability of young firms and expansion of mid-sized companies that drive quality job growth.
- The economic development delivery ecosystem currently has significant gaps that need to be filled for actually delivering on a strategic vision, such as lacking shared goals and metrics, cluster strategies responding to identified clusters, and joint programmatic action and collaboration among stakeholders.

Regional stakeholders must confront four cross-cutting considerations in strategies to address these issues:

- Recognizing the distinctive attributes and needs of Greater Bakersfield versus East Kern economic areas
- Targeting workforce development activities towards priority sectors and job quality, versus more opportunistically filling openings
- Reducing race and gender gaps in access to quality jobs and economic opportunities
- Engaging State agencies to proactively develop and pursue strategies, recognizing the disruptive effects of state policy on Kern’s economy and potential for mutual benefit

Success for Kern County over the long term also depends on broader systemic issues beyond the scope of a regional economic development strategy. These factors should be recognized in the development of responses and be the basis for additional partnerships:

- Educational attainment: Improvement on this metric across educational levels is fundamental to bolstering job quality, vitality, and competitiveness
- Placemaking: Lack of commercial and residential development to provide quality of life for workforce is a challenge in particular sub-regions and neighborhoods across the county, most acutely in East Kern
- Community Development: For distressed areas, specific city and neighborhood strategies are required to connect residents to regional opportunities



Next Steps

Over Winter/Spring 2021, locally-led Work Groups will translate the B3K Market Assessment into tangible strategies, tactics, and operational plans. Work Groups will focus on five areas:

- Energy
- Aerospace
- Advanced Manufacturing
- “Second Office” Business Services
- Business Ecosystem and Entrepreneurship

A Deep Prosperity Committee will help Work Groups ensure that strategies and tactics address challenges around access to economic opportunity for all residents, particularly disparities in race and gender; as well impact on specific communities and County-wide geographic considerations.

To learn more about B3K, contact info@b3kprosperity.org.

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City of Bakersfield

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More than 250 people contributed to quantitative and qualitative research undertaken to generate insights, contextualize findings, inventory programs, and consider civic governance capacity. These individuals dedicated time as members of the Steering, Executive, or Research Committees; participants in community engagement sessions or roundtables; interviewees representing civic, government, academic, or business perspectives; continuing topical advisors; and outside peer practitioners and experts. For many, this assistance represented weeks of volunteer effort providing input or regular consultation to ensure local relevance and resonance.

