LMI Advisory Group
Thursday, October 22, 2009
Meeting Minutes

Attendees:

Daniel Blake	California State University, Northridge
Laura Coleman	California Community College
Peter Cooper	California Labor Federation
Richard Della Valle	CCCEWD
Hope Downey	Riverside Workforce Development Center
Nancy Gemignani	OSHPD
Tammie Holloway	Napa County Office of Education
Warren Jensen	California State University, Chico
Neil Kelly	California Department of Education
Tom Lease	California Business Investment Services
Janet Maglinte	California Labor and Workforce Agency
Jill McAloon	Employment and Training Panel
Cliff Moss	California Department of Education
Beverly Odom	California Workforce Investment Board
Denny Reid	Department of Labor, Bureau of Labor Statistics
Brian Sala	California Research Bureau, California State Library
Stacy Wilson	California Postsecondary Education Commission
Chuck Wisely	California Community Colleges Chancellor's Office

LMID Staff:
Bonnie Graybill
Phillip Ramos
Ester Ruiz
Fran Styron

Note takers:
Loren Shimanek
Brain Mar
Adriana Borz

Housekeeping- Bonnie Graybill

Welcome
LMID Deputy Division Chief Bonnie Graybill welcomed the attendees. The attendees and other guests introduced themselves and their organizational affiliation. Steve Saxton was not able to attend the meeting.

Review of July 9, 2009 minutes
Minutes were reviewed by members and approved without comments.

Economic Update- Paul Wessen
In summary, LMID's Chief Economist Paul Wessen presented the economic update with a series of charts suggesting that the "free-fall" of the recession is over, but unemployment continues to rise, however, "in moderation." Throughout the presentation he utilized UCLA projections that the economy will show substantial improvement in the coming year. Paul

prescribes the notion that the economy will recover in an "S" shaped graphic, as opposed to "V, U, W, or L," with "S" standing for "slow." The Advisory Group discussed key issues that arise out of the presentation.

Paul said data suggest continued job losses, but there are signs that the economic downturn is winding down. He first presented a chart showing GDP levels over the year dropping until 2nd quarter of 2009 where smaller decline in GDP is evident. He suggested most economists see the economy growing in 3rd quarter 2009. Paul then explained the precursors and events that led to the recession:

- The housing bubble, which allowed huge expansion for consumer spending, because people were taking equity out of their homes, burst beginning in 2005/2006; housing tumbled and led to further economic troubles, such as the sub-prime mortgage and lending crisis creating toxic assets, and a change in consumer behavior resulting in inhibited spending that compounded into a global recession.

Paul presented another slide showing the roots of the recession in the overheated housing market that later spread into the financial sector.

- Daniel Blake, of CSU Northridge, asked about the impact of seasonal adjustments in the GDP data. Paul responded that there is not seasonality in GDP per se.

A series of charts illustrate:

- How consumers cut spending due to the housing crisis;
- UCLA projecting an upswing in spending by year's end.
- How business investment dropped dramatically but is projected to stabilize;
- UCLA forecasts rebound second half of 2010.
- How investment in equipment and software projected to rebound after large decreases; eventually a boost to Bay Area economy.
- How commercial real estate was in deep trouble and is projected to be worse.
- Impact on trade for California's hard hit international trade sector is expected to bounce back due to consumer spending and a global economy recovery; UCLA predicts sustained import growth will resume at a slower pace.
- UCLA projects sustained export growth in Q3-2009 – should provide a boost to the economy.
- How Federal government spending is a big part of keeping the economy afloat – Paul mentioned stimulus funds to be spent by 2010; the question remains as to impact on the general economy after stimulus funds have been expended.
- How all the previous data translates into job statistics which shows U.S. unemployment rate rising to 9.8; the highest percentage since 1983.

Paul interpreted the data with a chart showing the number of unemployed Americans at 15,142 million in September 2009, and from September 2008 to May 2009 the number of unemployed averaged about 615, 000 per month; however, in the last four months the total is about 600,000. Paul stated the number of employed is "not as encouraging" with a year over decrease of 4.3 percent, the largest decrease since 1929.

- Dan Blake made a point about how the employed/unemployed ratio is not addressing the “discouraged workers” mentality. Paul responded that “discouraged workers” are prevalent as of recently.
- This point opened a debate about the 8 million employed and the 15 million unemployed as depicted on charts; Paul stated that the numbers show that there are more job losses than job additions.

The presentation continued with charts showing:

- How nonfarm payrolls are at the lowest levels since March 2004 with 7.2 million jobs lost. By looking at recent trends there was a peak in January of 2009, and now, “a diminishing amount of loss;” this chart illustrates that the “freefall is over.”
- U.S. job losses have been widespread across most industries, except Education and Health Services with the same trends in California; worst performing sector is Goods Producing Manufacturing.

California’s unemployment rate was 12.2 percent in September 2009, a decrease over the adjusted 12.3 percent August rate. Historical data show that 1940 had a higher unemployment rate. The current downturn’s trough-to-peak disparity is higher than 2001 recession.

- Paul explained that the data show moderation in rate on a year over basis: September to March averaged increases of 0.6 percent per month compared to the 0.2 percent per month since March. Paul affirmed that unemployment is still increasing but at a slower rate. He compared the peaks of the 2009 recession to the 2001 recession, with more than a million unemployed in the current recession (trough-to-peak 1.4 million). Paul noted that this is “far and away, the worst unemployment we’ve had” and added that the 1992 recession lost only 700,000 jobs even with the restructuring of defense at the time.

Paul noted there is now moderation in the job-loss pace; but unemployment is still rising. However, the “bigger news,” is that the California labor force kept growing steadily till April 2009, and has since sustained large losses; Paul referenced a point made earlier by Dan Blake that this is where disillusioned laborers (discouraged workers) appear. Labor force is down a quarter of a million. One year ago, September 2008, showed a gain of 350,000 jobs, and the dwindling labor force only occurred in the last few months. The downward trend has been “plunging” since April, and the state is at the lowest participation rate since February of 1978. Paul said the labor force drop reflects people have basically given-up; they are suspending job searches if they are not forced to find employment.

- Bonnie Graybill points out that new college graduates are not able to find jobs; Nancy Gemignani with OSHPD says, in the health industry, job openings are not there because people are not retiring.

Paul showed that California job losses currently top 1 million while nonfarm payroll is at the lowest level since 1999. However, month-to-month data show monthly job loss is diminishing due partly to the seasonal effect of earlier than normal hiring in August, spurred by the early school year, and not the normal seasonal hiring in September; by combining the two months data the average job loss substantiates moderation in job loss. Paul pointed out that moderation is evident in consumer sectors.

- Bonnie Graybill rhetorically asks why moderation in consumer economy, which typically fuels employment, albeit some of the lowest paid jobs, is not actually fueling employment.
- Nancy Gemignani says this lack of employment shouldn't be correlated with seasonal hiring. She asks if retailers are expected to hire for holiday season, and Paul Wessen answers that retail in general should be better than last Christmas. Dave Dahlberg, CES Group Manager adds that the data is showing strength in hiring due to the restructuring in the retail sector (i.e. Kohl's and Target opening stores throughout the state).
- Stacy Wilson discusses how one of the local malls, Arden Fair, is slashing prices much like retailers did last holiday season.

Paul provided an industry-by-industry break down with big year-over losses in the Construction sector, and reminded attendees to look at "employment services" in the Professional and Business Services sector as an indicator for signs of actual job growth. The disparity in the Health and Education sector has been moderate but a loss for the month over is due to private education layoffs. The disparity is due to Education Services trending downward while Health Services are trending upward. Government is the wild card because it does not have a seasonal cycle like construction or agriculture, but an economic cycle that usually lags behind other sectors during a recession.

Paul asked hypothetically "what's the recovery going to look like?" He explained that often recoveries get "V"-shaped recession cycles pushed by consumer's "pent-up consumption." However, he explained other recovery cycles--a "U"-shaped recovery is typically a long drawn-out cycle until growth resumes due to lots of restructuring and technology. For example, the 2001 recession saw a high tech boom through high investment collapse and then return to normal growth; Paul doesn't think either of those scenarios are likely and sides with economist Chris Thornberg of Beacon Economics that the economy looking forward indicates an "S"-shaped recovery for California and the rest of the country. Paul is uncertain how long such a recovery would take. The conversation flowed from this departure:

- Chuck Wiseley told of reports he's heard about the ascension from the bottom of the recession and the bottom of unemployment taking about two years for recovery, and asked Paul if we're looking at two years or more. Paul Wessen answered that there is "only two states to economic movement, decrease and increase, and it's hard to tell since there is no middle ground;" he stated that the economy is idling productive capacity so it will take a while to recover. Paul then used an analogy that a patient leaving intensive care can not "immediately run a marathon." Bonnie Graybill adds that the workers on reduced hour schedules are likely to be recalled to full time before companies begin rehiring.
- In response to the suggestion that the stock market is healthy again, Paul commented that assets are appreciating too fast, and it is likely for another

bubble creation. He doesn't know if it's good for the overall economy or if it will change the amount of money you have to spend; UCLA reports weakest recovery they've ever seen, that consumer spending won't drive upswing like it has in the past.

- Dan Blake contributed an optimistic note by stating that people are too busy looking at domestic economy. He suggested that if people are saving for retirement and the dollar weakens, then domestic exports go up and other countries funnel dollars our way. This recovery scenario will be from a foreign consumption drive.
- Cliff Moss suggested it will not be a consumer led recovery because people are saving rather than spending, and asked where do you [LMID] see the jobs in the recovery? Bonnie answered that jobs we expect to see in the recovery will be population driven (for instance health care and education), and innovations in technology. Paul said consumers are two-thirds of the economy. Cliff Moss said green economy will promote growth, and Bonnie added that the growth related to the green economy is about localizing expenditures. Cliff Moss continued by stating the growth of the health economy is short lived and is based on health costs so there will eventually be cut backs. Bonnie countered that the data show a growing and aging population that will have a demand for health care.
- Hope Downey asked about the future taxes to pay off our debt, and inflation due to "printing of money". Paul said that could be a future problem but what is key is getting the economy to recovery in the short-term (Keynesian economics). Paul continued that looking at the California economy long term depends on workforce and research engines in universities combined with the creative spirit, but notes that budget cuts to higher education can hamper this creative engine. Paul stated that we as a state are at a crossroads, and a state budget deficit poses further problems as to where the money should get cut.
- Chuck Wisely summarized Paul's presentation of data: relative to the last two meetings the big difference is that it is not all industry sectors showing loss, but some are showing positive gains and overall decrease is no longer dramatic.

The last question before the Group changed topic was asked by Brian Sala who asked what the health industry means for general workers as opposed to aging population, and if the multiplier is different for each group. Dave Dahlberg responded that the multiplier is a combined indicator, and could not be interpreted that precisely.

<u>Outcome of LMI Recovery Act Grant Proposal-Bonnie Graybill</u>

Bonnie Graybill reminded the group that at the last meeting Steve Saxton talked about the opportunity to apply for Department of Labor sponsored Recovery Act funds from the American Recovery and Reinvestment Act Grant. The Federal government put 50 million dollars on the table for LMI Improvement grants related to the green economy. Bonnie confirmed that the proposals have been submitted, but "the feds" have not made decisions as yet. The process of getting input before preparing and submitting our grant proposals included suggestions from the advisory group, a conference call with various stake holders, and an on site meeting with interested individuals. The solicitation allowed a state level proposal and consortium proposal with the bottom line not to duplicate other submitted proposals. Bonnie stated that the LMID did submit both a state and consortium level proposal. Rumors are that ETA received proposals asking for more funds than are offered. We have heard that the federal government will respond sometime between the last week of October and the first week of November.

Bonnie discussed the two proposals:
State level proposal: The maximum amount is 1.25 million dollars, and we requested the max. The five different requests in the proposal are: first, to provide an analysis of the green survey being conducted by LMID. Survey will let us get a baseline count on the green economy; second, support further detailed occupational skills research related to green jobs; third, improve skill transference and occupational skills by identifying and evaluating assessment tools; fourth, create an online green training inventory, statewide; and fifth, improve electronic information delivery through LMID information infrastructure.

Consortium proposal: put together a concept for developing an innovation research fund, to sponsor green research. Conceptually we're running hard to look at today and tomorrow, but not the future, which holds the implications for technological change. What will the impact of this change mean related to the demands for workforce and workforce development? We connected with the network of the Western Climate Initiative states, and the environmental and LMI shops in these states. We put together a four million dollar proposal to create something that will be the seed for a multi-state green economy consortium that will oversee research related to the future green economy, states, LMID, and environmental groups.

Spencer Wong relayed details about another grant proposal, a joint proposal with the Department of Education to develop a longitudinal database to track students through education, college and/or training into the workforce. It will be a while until data are available, with each agency's rules and restrictions related to protecting the privacy and information security of their records. Department of Education is the lead, with a number of entities including EDD joining the partnership.

Webinar-Neil Kelly

Last month the Department of Education and LMID teamed together to present a webinar for Adult Education Career Technical Education Coordinators. The Webinar was broadcasted over the internet and recorded (and is available to download at www.cteadulted.pbworks.com). As a result of the webinar and the questions asked by participants, Janet Peters realized there is a need for more education and training such as an online tutorial on how to access career information on the LMID webpage. Neil asked if LMID or EDD was interested in developing online tools to be available at a virtual one stop level for users who may not want to come physically into the one stop building. Neil also asked the advisory group if anyone knows of any career counseling happening at the one stop---the response was that career counseling is not taking place at the one stops.

For the last 20 years, there's been difficulty in getting traffic into a One Stop market. Local One Stops are training staff to do a little bit of coaching, but it's helpful to have a self-help tool people can use at home. School counselors have trouble providing academic counseling much less career counseling.

Recovery Act Funding-Bonnie Graybill

Bonnie Graybill stated that California received close to half a billion dollars in ARRA WIA funds. The money has been allocated through three different channels. Some funding is obligated to the 49 Local Workforce Investment Areas in California per required WIA formula (Columns C and D). The remaining funding is allocated through the Governor's Discretionary 15 percent funds and the 25 Percent Rapid Response funds. Information on funds expended to date in California were not yet available on www.recovery.ca.gov at the time of the meeting.

Green Survey Update-Bonnie Graybill

Bonnie Graybill stated the Green Survey Study is a response to state and national information need. California businesses are surveyed to establish a baseline count and to collect and publish career research on green occupations. We've read a lot of studies and got definitions from 80 different studies and now California has its own working definition of "green":

Generating and storing renewable energy
Recycling existing materials
Energy efficient product manufacturing, distribution, construction, installation, & maintenance.
Education, compliance, and awareness
Natural and sustainable product manufacturing

Sustainable practices: 62 percent of all businesses report using at least one green business practice. Top sustainable practices: recycling and using recycled products. Types of industries: energy, construction, manufacturing. Types of occupations: professional, skilled, crafts and trades.

A lot of analysis was done before the survey was ever released. First mailing of survey was in May. Over 50,000 businesses were surveyed because we felt we would get a better picture of the green economy by looking at the full economy. Obtained BLS advice for the stratified random sampling based on industry type, geography by MSA, and size of firm. A little over 8,100 employers have responded since October 8th which is 16 percent of the sample. We still have to carefully review the data.

Bonnie provided a comparison to other States' recent Green Workforce Surveys. Energy efficiency, recycling, and renewable energy are consistent aspects of each state's definition. Bonnie provided a slide on the top industries and top occupations for each of the Green categories.

Manufacturing provides a substantial number of jobs. Close to 700 manufacturing firms responded. Top occupations are assemblers and industrial production managers. Since we are collecting contact information on survey, employers may later be asked how they train green workers and current use of sustainable practices. Since the survey is still in process, it is important focus on the conceptual relationships rather than numeric findings at this point.

Our next step is to collect greater occupational detail on green occupations such as skills and training needed. Many are interested in obtaining data obtained from the green survey, but there are questions we need to pursue before we analyze the data, draw conclusions and publish reports. Bonnie showed how to find the green economy survey online. Businesses selected for our sample were each given an ID to track their responses. They could respond in print, online, and we are now collecting survey responses by telephone.

<u>Wrap Up/Closing Comments/Next Agenda</u>

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Economic Update	Wished Steve were healthy and able to be with us at this meeting.

Green Survey Update
Tools for Career Exploration

<u>Next Advisory Meeting</u>: January 21, 2010

<u>Agenda Items:</u>
1) Green survey update/report
2) Stimulus update-job creation, grants
3) Grant updates
4) LMI DOE update
5) John Merris-Coots update on the work of the California Career Resources Network (CalCRN)