

REGIONAL Spotlight

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Eberhardt School of Business
Center for Business
& Policy Research



JOB & BUSINESS MIGRATION IN SAN JOAQUIN COUNTY

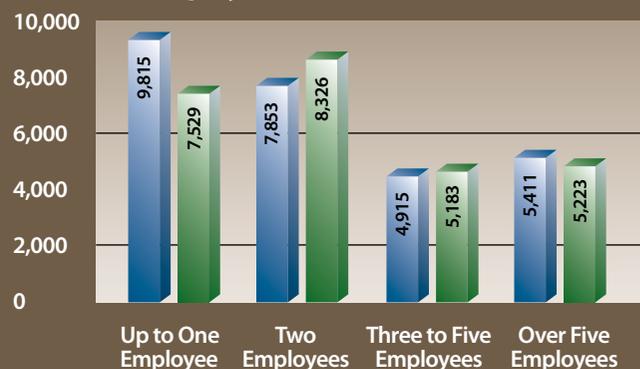
Are Businesses Moving in or Moving out of San Joaquin County?

Successful economic development strategies depend on knowledge of business and workforce trends. Between 2011 and 2014, 16,000 jobs have been added to the San Joaquin County economy. This increase demonstrates that an economic recovery is taking place since the Great Recession of 2008. The increase in jobs, however, does not necessarily mean new businesses are moving to San Joaquin County. Instead, existing firms may be rehiring after the recession. The types of jobs matter, too. To explore these trends, we used the Hoovers' database to track the change in business firms within San Joaquin County in recent years.

The total number of business establishments in San Joaquin County actually declined during the first few years of the recovery. However, this is not necessarily bad news as most of the decline is in firms with 0-1 employees which are typically independent contractors or sole proprietors. During the recession, the number of people working as sole proprietors and unincorporated individuals increased as people who lost their jobs in the recession tried to make ends meet. Thus, the decrease in single employee businesses can be seen as a sign of recovery as wage and salary jobs have become more available since 2011. Establishments with 2 to 5 employees have increased by 6% over the past 3 years, while there has been a small decrease in the number of establishments with over 5 employees.



Figure 1: Active Establishments by Employee Size (2011 vs. 2014)



Source: Hoovers Database

2011 2014

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Industry Changes

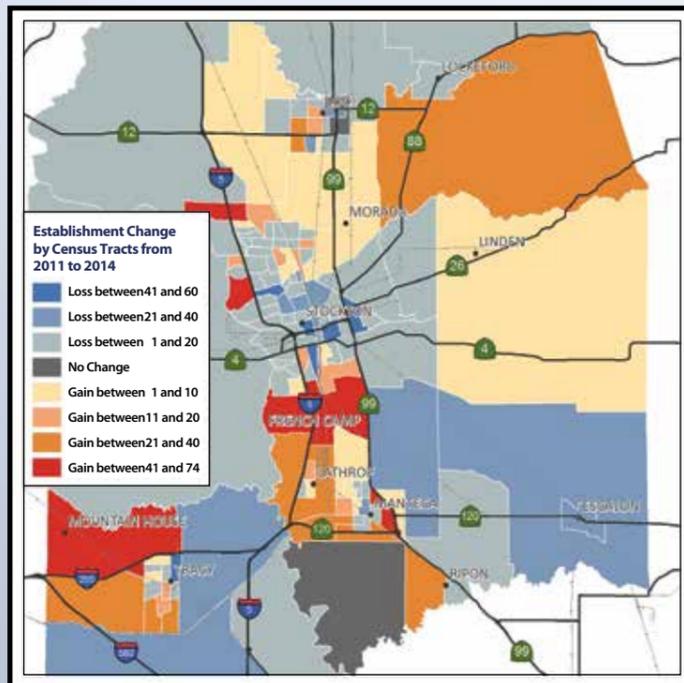
Figure 2: Top Industry Sectors for Establishment Growth

Top 5 Sectors for Establishment Growth	Establishments 2011	Establishments 2014	Change	Percent Change
Professional, Scientific & Technical Services	2,443	2,639	196	8%
Admin, Support, Waste Mgt, Remediation Services	2,600	2,763	163	6%
Transportation & Warehousing	1,154	1,289	135	12%
Health Care and Social Assistance	2,081	2,199	118	6%
Educational Services	536	632	96	18%

Source: Calculations based on Hoovers data

Figure 2 shows the 5 industry sectors that have added establishments in the recovery. The list includes health care and transportation and warehousing, the only two sectors in the County economy that were growing during the recession between 2007 to 2011. Three additional sectors have joined the list since 2011: 1) Professional, Scientific, and Technical services; 2) Administrative, Support, Waste Management, Remediation Services; and 3) Educational Services. Professional, Scientific and Technical services is a high-skill, high-paying field that includes lawyers, accountants, engineers, computer programmers, and business

consultants. The admin support sector includes temporary employment agencies and services to businesses and households such as landscaping and cleaning services. The growth in education establishments includes mostly small businesses that provide tutoring or instruction in activities such as dance and fitness studios. Retail trade and hospital-ity are two sectors that have each added about 2,000 jobs in the past 3 years but do not appear on the list of industries that have added establishments. This indicates that the number of employees working for the average store or restaurant has grown.



Establishment Movement

Figure 3 maps the change in establishments across the County. The most rapid growth in establishments has been in the growing industrial area around French Camp, and the neighborhoods with the highest education levels such as Mountain House and the Brookside and Spanos Park areas of Stockton. The biggest decrease in establishments has occurred in Stockton, especially older neighborhoods.

The Education Services sector, which provides instruction and training in a wide variety of subjects in places such as schools, colleges, universities, and training centers, had the largest growth by percent in the County between 2011 and 2014.

Figure 4: Establishment Movement to and from San Joaquin County

Top 5 Counties for Businesses Moving-In, 2009 to 2014	Count	Top 5 Counties for Businesses Moving-Out, 2009 to 2014	Count
Alameda	123	Sacramento	84
Santa Clara	50	Stanislaus	54
Stanislaus	48	Madera	34
Contra Costa	17	Alameda	26
Sacramento	17	Contra Costa	12
Out-of-State	16	Out-of-State	27
Total	355	Total	291

Source: Hoovers' data

Economic development experts often focus on encouraging businesses to relocate, but in practice, it is rare for businesses to move a significant distance. The Hoover's database indicates 646 business enterprises moved in or out of San Joaquin County in the five years from 2009 to 2014, a small number when compared to the over 26,000 enterprises the database lists for San Joaquin County in 2014. Most of the moves are relatively short distances from neighboring counties, and mirror commuting and migration patterns of households. Forty three of the 646 moves involved another state: 27 businesses left San Joaquin County for other states and 16 arrived from other states. Many of these business moves can be attributed to sole proprietors or independent contractors moving their

personal residence. Figure 4 lists the top 5 counties for business establishments moving in and moving out of San Joaquin County. The most common source for businesses that move to San Joaquin County are the high-cost Bay Area counties of Alameda and Santa Clara. Santa Clara and Alameda Counties are also the two most frequent destinations for San Joaquin County commuters as lower real estate costs have encouraged many Bay Area workers to relocate to San Joaquin County over time. In contrast, firms that move out of San Joaquin County are most likely to go to the neighboring Central Valley counties of Sacramento and Stanislaus. Comparing in-flows and out-flows shows a significant net out-flow of businesses to Sacramento and Madera Counties, and large net in-flows from the Bay Area, while Stanislaus County is relatively balanced. The most common industries for business moves into San Joaquin County are Manufacturing and Construction. The most common manufacturing businesses that move into the County are in construction-related sectors such as structural metals fabrication. This data on business establishment movement resembles data on commuting patterns. Construction and Manufacturing are also common industries for San Joaquin County residents who commute to the Bay Area. Many of these relocating businesses are likely moving to their owners' new homes, while others may be seeking lower land costs or being closer to where their workforce lives.

Figure 5: Establishment Movement to and from San Joaquin County (2009 to 2014)

Top 5 Sectors for Business Moves	Move Ins	Move Outs	Change
Construction	51	38	13
Manufacturing	56	17	39
Wholesale Trade	42	26	16
Professional, Scientific, and Technical Services	32	26	6
Administrative and Support and Waste Mgt and Remediation Services	33	49	-16
Totals	355	291	64

Source: Hoovers' data



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Conclusion

The key findings from an examination of San Joaquin County business dynamics during the economic recovery are as follows:

- The number of 0-1 employee business establishments decreased dramatically as the economy recovered, while establishments with 2-5 employee grew the most.
- Professional and Business Services, Transportation and Warehousing, and Health and Education were the fastest growing sectors for new business establishments.
- The fastest growth in business establishments was in West Stockton, French Camp, and Mountain House Areas, while the largest decreases were in Central Stockton.
- The most business move-ins come from Alameda and Santa Clara Counties, whereas the most common move-out destinations are Sacramento and Stanislaus counties.

- Manufacturing and Construction are the most common sectors for business establishments moving into San Joaquin County.

The results support the importance of small business vitality to economic development. Businesses that experienced the greatest amount of growth and migratory moves have been those with fewer than five employees. Large business relocations are relatively rare, and most small business movements closely follow the geographical and industry patterns of out-of-county commuters and household migration. Thus, San Joaquin County job growth strategies should include support for small business development and consider targeting industries with large numbers of commuters who could be a valuable workforce for new local businesses or become entrepreneurs themselves.

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FOR QUESTIONS OR COMMENTS

The San Joaquin Council of Governments serves as the federally- designated Metropolitan Planning Organization for San Joaquin County. Under that umbrella, SJCOG also serves as the Census Data Center for the county and partners with the University of the Pacific's Center for Business and Policy

Research to provide data and analysis of a variety of socio-economic issues relevant to the San Joaquin region.

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