POLICY WATCH – January 2019

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NBLC's outlook for 2019 puts a spotlight on the North Bay's housing crisis and workforce challenges. We predict it will be a bumpy ride as we see signs of a looming recession! In this issue, we look at the rise in growth of independent workers and what is driving that growth. The changes in skills needed by the workforce lead us to question whether a four-year degree should be the main goal of our post-secondary education strategies, as well as what the potential of a bubble in student loans means to those pursuing four-year degrees.

We also happily welcome new member, Bay Alarm. This security company is expanding in the North Bay and bringing more resources to support the community along with it. Don't miss reading what our members are up to in the Members in the News section.

Here's wishing you a great 2019!

Best,

Cynthia Murray

Cynthia

North Bay Leadership Council Outlook: Bumpy road ahead in 2019

It will be the best of times, it will be the worst of times (apologies to Charles Dickens for tweaking his words). In 2019, we can expect a worsening housing crisis as construction fails to keep up with demand, shrinking labor pool, lengthening commutes, economic slowdown and accelerating climate change. But we can also expect our new Governor and State Legislature to make progress on providing more children with pre-school, enacting new laws that make building housing less onerous bringing back some form of redevelopment, and doing more to fight climate change and disaster preparedness. Also, on the plus side, the Baby Boomers are finally moving out of the way of the Millennials taking over the leadership roles and Gen Z is rising, which should lead to more diversity in the workforce, an increase in working remotely, and greater practice of corporate social responsibility.

The North Bay economy will likely feel less of a slowdown than other areas due to several factors. The economic boost from fire recovery funding being spent will help. There will be significant new construction as home owners continue to rebuild the homes lost in the fires of 2017. Changes in permitting at the City of Santa Rosa and County of Sonoma will also help keep the builders moving forward with new construction as the improvements in timing and costs become more manageable. While interest rate increases are expected to occur, the pent-up demand for homes should still have a significant number of buyers who qualify to purchase, especially if wages increase due to the tight labor market.

Employers are also stepping up to provide more housing benefits to their employees. The purchase of a new apartment building by Sonoma State University bodes well for modelling what other employers need to do: invest in housing for their employees. With top talent in short supply, the best way to attract and retain the workforce is to remove the high cost of housing from being a barrier to employment. Many other major employers are looking at building or purchasing housing for their employees which could be a very positive trend for 2019.

In the North Bay, the growing problem with attracting and retaining workers in several industries is exacerbated by the lack of affordable housing for lower wage employees. Hard hit is the hospitality industry, with restaurants like the Shed in Healdsburg closing and others on the bubble in 2019. We also haven't solved the need for more skilled workers in advanced manufacturing, but efforts are being made to boost interest in the field. An example is MFG Day for high school students who tour advanced manufacturing companies and hear from people who are employed by these companies. This is a collaboration of the Sonoma County Economic Development Board, CTE Foundation, Sonoma County Office of Education, Santa Rosa Junior College, North Bay Leadership Council and the manufacturers.

Employers will look for other ways to keep their employees happy as they try to retain top talent and attract new skilled workers. We can expect salary increases in competitive positions, a faster hiring process, and more programs to make the younger, diverse employees feel appreciated and part of the community. And research from Indeed shows that the skills mismatch between job opportunities and job seekers has stayed level since 2017, perhaps helped by a rapidly changing mix of jobs. Since 2014, the distribution of jobs is nearly 25% different. That means job seekers are having some success in keeping up with changing skills requirements.

The other thing employers need to do in 2019 is prepare the coming recession. A recent survey by Duke University/CFO Global Business Outlook showed that almost half of corporate Chief Financial Officers believe there will be a recession by the end of 2019. There are things to do today to position organizations for this downturn – perhaps the key one is to always operate based on a recession model. Assessing inefficiencies and shortcomings are easier before being in crisis mode during a recession. Companies should be looking at paying down debt, incorporating more technology to reduce costs, and focusing resources on core competencies and core customers. Hiring more contract workers is also one of the lessons learned from the last recession.

There is also the likelihood that the new Federal tax laws that penalize Californians by capping their deductions for state and local taxes at $10,000 will trigger more company relocations out of state. The days are past where companies are the magnet for talent. In this tight labor market, the talent is the magnet for the companies. Companies are following the talent out of California to states that have lower taxes and a quality of life some people no longer find available in the Golden State. This exodus could really grow if the state legislature decides to make changes to Prop 13 on how commercial property is treated, split roll, ahead of the ballot measure to do that slated for the 2020 election. We will need to step up working with our local businesses to keep them here.

And 2019 promises to continue the roller coaster ride of the Trump administration. The chaos will play havoc with the economy, given there could be possible trade wars and other shocks to economic growth. So fasten your seat belts, we are in for a bumpy ride in 2019. But with great hope that some of the rough patches will be eased in the North Bay as we work together to minimize the negative impacts and resolve to make the North Bay more resilient and economically competitive.

Bay Alarm Joins North Bay Leadership Council

North Bay Leadership Council (NBLC) has a new member, Bay Alarm Company. Founded in 1946 in Oakland, California, Bay Alarm is now in its third generation of family leadership. The company has grown to be the largest independently owned and operated alarm company in the United States, protecting over 145,000 residential and commercial customers. Craig Nelson, Chairman of NBLC's Board, said "Bay Alarm is a leader in the security industry and a welcome addition to the roster of companies that make up the Council. We look forward to working together to understand the North Bay's security needs and add Bay Alarm's expertise into our policy work."

Bay Alarm Company engages in the design and installation of alarm systems for residential and commercial customers in the United States. It provides burglar alarm, access control, fire, video surveillance, and online management solutions. The company offers various alarm systems, including security and fire alarms, as well as wireless products. It also provides fire detection and alarm monitoring services. The company is based in Concord, California.

Bay Alarm has 50 employees in the North Bay and a total of 1168 in the entire company. They have 16 branch locations that are locally operated and support organizations that seek to strengthen and improve the quality of life for the people in those neighborhoods – schools, youth sports, community support and law enforcement agencies. The North Bay office is located in Petaluma.

The top executive is Matt Westphal, who is Co-President and Director. The member representative will be John Reynolds, Branch Manager, of the Petaluma office. The alternate will be Lindsay Osborne, Director of Northern California Branches.

John Reynolds said, "Bay Alarm is growing in the North Bay and wants to be involved in the communities we serve. We share NBLC's goals to foster more workforce housing, economic competitiveness and improve transportation and education of the workforce. Working together we can do more to strengthen communities and support North Bay residents."

Bay Alarm is a strong supporter of organizations that strengthen neighborhoods throughout the areas they serve. They provide financial and physical support to many organizations, including law enforcement and public safety groups like the California Police Chiefs Association and Northern California Fire Prevention Officers; educational and sports organizations like the Petaluma Education Foundation and Petaluma High School; and community support and outreach organizations like the American Cancer Society, American Red Cross, and EAH Housing.

Outlook for the gig economy: Freelancers could grow to 50% by 2030

In Outlook for the gig economy: Freelancers could grow to 50% by 2030 by Carol Schmitt, North Bay Business Journal (Link), we learn that today "the U.S. Bureau of Labor Statistics estimates that 16 percent of Americans now work independently, up from just 10 percent in 2012 (Harvard-Princeton)." And that number is continuing to grow.

Schmitt says, "Private studies dive deeper and show that independent workers comprise a much larger slice of the income pie. For example, an Intuit study of individuals using its tax filing platform found that more than 30 percent of U.S. workers and taxpayers today freelance. Other real-time applications and data analysis platforms predict that 50 percent of workers will either supplement their income or work full-time independently by 2030. The rapid growth is not just due to the rise of Lyft, Uber, Etsy, Airbnb or other app and online gig work platforms. More than 21 percent of full-time independents earn more than $100,000 annually."

"As employers struggle to fill open positions in a seemingly hot economy, the key to why could be that 63 percent of freelancers say they wouldn't work for one employer," says Schmitt. "Indie workers say they prefer driving their own destiny. Most also prefer the diversity, time flexibility, ability to choose their own projects and relative security of working for four or more clients per month versus one employer."

"We need a different way to overcome labor shortages and avoid future layoffs as business needs change," said Cynthia Murray, CEO, North Bay Leadership Council. "That means looking at labor policies too. What we're seeing is the rise of the 4th Industrial Revolution," said Murray. "The corresponding shift to project-based and technologically savvy workforces, complete with Hollywood-style wranglers that head projects and teams, can create challenges. It also creates a more resilient system."

Schmitt says, "It's taking longer to hire professionals, averaging as much as four months. At the same time, full-time employees are job-hopping as much as every 15 to 18 months. The resulting compression of productive work time makes project- or retainer-based expert freelancers more attractive, particularly as freelancers also are more apt to constantly hone their skills through education and training."

"Many of the jobs we know today may not be here by 2030 as technology evolves," said Robert Eyler, dean of Sonoma State University's School of Extended and International Education. Eyler tracks economic and workforce trends globally.

"With the rise of robotics and IoT (internet of things), we see shifts in local labor needs," Eyler added. "Combined with major events like fires and housing challenges, the role of education to retrain managers to work with independents and creating a local pool of diverse talent becomes more important than ever, for workers as well as employers."

More Are Questioning How We Get the Needed Workforce Training

Ryan Craig, University Ventures, writing in his Gap Letter (Link), has been raising the alarm that too much focus on getting four-year degrees in the U.S. is detrimental to students, employers and the economy. He says, "Despite tens of millions of workers (skills) out of position relative to employer needs, despite

Millennials falling far behind prior generations on every economic metric, our postsecondary education and workforce development systems have refused to budge. The skills gap and its knock-on effects are our single biggest domestic problem: the sense that good jobs are out of reach; the sense that the American Dream is dying and that our kids are unlikely to do as well as we have; and actual lost economic output. It's all given rise to a loss of hope, an increase in the rural/urban divide, and political extremism."

He says, "Employers must accept a good deal of the blame here. They adopt new technologies without investing in talent, assuming qualified candidates will show up on their doorstep. As exemplified most recently by Amazon, they concentrate high-skill, high paying jobs in "winner" urban areas, scattering low paying jobs everywhere else. And they continue to lean on degree requirements as a convenient way to screen out hundreds of applicants for entry-level jobs. But blaming employers is tilting at windmills. The last century settled that allowing private actors to make profit-maximizing economic decisions produces much greater wealth in aggregate and per capita. We must accept the bad with the good. And ensuring that bounty and opportunity are fairly distributed is the responsibility of the public, not-for-profit, and impact-oriented private sectors."

But Craig wants to blow up the myth that a four-year degree is the only way to gain the skills required. He says, "The problem, of course, is that the typical American is unlikely be able to dedicate four, five, or six years to a postsecondary program or pathway without health issues, or personal issues, or family issues getting in the way. The idea that college is the only way has been birthed and nurtured over the past 50 years by elites whose own health, personal, and family situations made college easy for them. And if they've benefited from the experience, why shouldn't everyone else?"

"The casualties of this approach are now clear. Half the students who've enrolled in college since 1980 never graduated and many drop out with student loan debt, worse off than if they'd never enrolled in the first place. It's been particularly cruel to older manufacturing workers who require upskilling and retraining in order to keep their heads above water. We've been telling them that their only option runs through a college classroom where they probably weren't successful years earlier. A decade from now, we'll look back and say it was crazy to believe that the only answer was a traditional classroom at an accredited postsecondary institution," Craig says.

"What's needed is a simplifying approach: Does this program or pathway lead to good first jobs i.e., full-time employment, making $50,000 or more, with clear career paths in a stable or growing sector?" says Craig. "Looking at our postsecondary education and workforce development systems through this lens focuses and clarifies. Certainly, we have many other goals that aren't reflected in career and economic success. But numbers don't lie; continuing to direct public (and not-for-profit and impact capital) resources to institutions and programs where the economics don't work reminds me of nothing more than the waning days of the Soviet Union."

And Allie Conti in What a Student Loan 'Bubble' Bursting Might Look Like, Vice (Link), nails concerns from students about taking on lots of student loan debt, not being able to pay it back, and having no relief. Says Conti, "I've **written** a **lot** about how **current and former American students** are roughly $1.5 trillion in the hole, and how **this system** is helping prevent an entire generation from achieving **milestones of adulthood** such as marriage, homeownership, and saving for retirement. In that time, I stumbled on a simmering debate among economists and student-loan experts. Some argue everything is basically OK, because the student-loan default rate for people who went to public colleges has been **holding roughly** steady at **around 11 percent** (though it's grown over the years), and average lifetime earnings of people with a degree has tended to be **about 75 percent higher** than that of people with a high-school diploma or less. Still, it seems obvious that something's wrong when a **whopping nearly 40 percent of borrowers** are expected to default on their student loan payments by 2023."

Conti says, "As I've previously reported, there's currently some **serious confusion in America** about the value of a four-year degree—or at least enough that plenty of well-paying jobs in the trades have gone unfilled." Barmak Nassirian, director of federal relations and policy analysis at the American Association of State Colleges and Universities, said "We stand tall on this sort of alleged million-dollar wage differential between having a college degree and not having a college degree without acknowledging that not everyone who makes a run at it makes it. It's sort of like the *Wall Street Journal* only printing the stocks that went up without also including the fact that a bunch of people also lost money the same day."

Conti spoke with Persis Yu, a staff attorney at the National Consumer Law Center, who shared "the student loan market may share a lot of characteristics with an economic bubble—except for the one where there is a possibility of relief. Here, if everyone defaults, the government just takes their wages, tax refunds, or Social Security benefits."

As we tackle the skills mismatch and see rising job openings going unfilled because of it, we need to take a serious look at the best ways to train the workforce. While Craig's thinking may be myth-busting, now is the time to look at new training options and not leave any student or current worker behind as the job skills change and employers face negative impacts from a workforce missing the skills they need to thrive.

And we also need to understand how saddling our students with huge amounts of student loan debts with no guarantee of returns is not beneficial to their future or the future of our economy. We need to work together to help students find the right path, whether it be a four-year or two-year degree, a trade school, certificate, or apprenticeship to ensure that all aspects of the economy today and tomorrow will have a pipeline of qualified workers.

Members in the News

Sonoma State University Names New Entrepreneur in Residence
The School of Business and Economics (SBE) at Sonoma State University (SSU) today announced the appointment of Chris Stewart, prominent entrepreneur, and co-founder and President/COO of speed tracking technology company, Pocket Radar, as its new Entrepreneur in Residence.

WBE Teaches Kids About Electromagnetism at NBSDD
For the second year in a row, WBE has sponsored a booth at the North Bay Science Discovery Day located at the Santa Rosa fairgrounds.

Nelson Releases its 2019 Advisor and Salary Guide for California Employers
To ring in the New Year, Nelson announces the release of our annual Advisor and Salary Guide.

Woodruff Sawyer names Zac Overbay Chief Operating Officer and Norman Allen Chief Revenue Officer
Woodruff Sawyer, one of the largest insurance brokerages in the US, today announced Zac Overbay has been named Chief Operating Officer (COO) and Norman Allen Chief Revenue Officer, effective immediately.

Wells Fargo, Scholarship America Invite Veterans to Apply for Scholarships, Emergency Grants
Wells Fargo & Company and Scholarship America announced they are accepting applications for the 2019 Wells Fargo Veterans Scholarship and Wells Fargo Veterans Emergency Grant Programs.

College of Marin (COM) Board of Trustees Welcomed Suzanne Brown Crow as its Newest Member
Crow is one of seven trustees elected to represent the public interest in matters related to institutional mission, performance, and quality.

Comcast, Intel to Redefine Home Connectivity, New Immersive Experiences
Intel and Comcast are collaborating to redefine connectivity into and within the home, the companies announced today at CES.

Read more online at www.northbayleadership.org/news

NORTH BAY LEADERSHIP COUNCIL

Who We Are

Over twenty five years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 54 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org