

## California, ranked as least business-friendly state, blows past all others in job creation

*If you think California is a tough place to do business, you're not alone.*

### CALIFORNIA LANDS AT THE BOTTOM

A new report from CNBC confirms what scores of companies have long suspected — California is the least business-friendly state in the nation.

CNBC's 10th annual America's Top States for Business study places the Golden State at the bottom of the list for 2016. California was also found to be one of the costliest places to do business, with a favorability ranking of 49 out of 50.

Those figures don't surprise Clay Harrison, co-owner of Vidcam, a Burbank business that rents cameras, lighting and audio equipment to the TV industry.

"The thing that bothers me the most are the local taxes," he said. "If you buy equipment here in L.A. County they want money. If you buy it from outside the state they want money. And you have to fill out form after form to do business here. The city also has a gross receipts tax but they're not giving you anything in return. All of this makes it hard to do your record keeping when you have a small business."

### STATE'S EDUCATIONAL SYSTEM, INFRASTRUCTURE ALSO RANK LOW

California's educational system also ranked low on the scale, landing at 38, and the state's network of roads and bridges, waterways, rail lines and other infrastructure was ranked the 33rd worst in the nation.

### STATE RANKS HIGH IN TECHNOLOGY, ACCESS TO CAPITAL

Still, California was rated second in technology and second in easy access to capital. The state's overall economy was likewise deemed the eighth healthiest in the nation.

Larry Mandell, a principal with Training Refund Group, said his company is one of the bright spots in California's otherwise difficult business climate. His Anaheim-based business helps companies secure funding for employee training through the California Employment Training Panel. The money comes from an employment training tax of \$7 per employee, per year that is paid by employers.

"There are some programs out there that are pro-business and this is one of them," he said. "California companies are at a disadvantage

because of our schools and educational system. People are coming into the workplace who don't have the skills necessary to really compete. The biggest benefit from our program is that people get the skills training they didn't receive in school."

### TEXAS TOPS THE LIST IN CUMULATIVE RANKING

The CNBC report also provides cumulative rankings for how each state did over the past decade. By that measure, California ranked 36th out of the nation's 50 states. Texas topped the list at No. 1, followed by Virginia, Utah, Colorado and North Carolina.

Hawaii landed at the bottom of the cumulative ratings, although it snagged the top spot this year in the Quality of Life category.

### GOLDEN STATE LEADS THE NATION IN JOB CREATION

Economist Christopher Thornberg, a founding partner with Beacon Economics, noted last week that California's reputation for being unfriendly to businesses hasn't slowed the state's forward momentum — particularly in job creation.

"You could argue that just in the last four months we have finally erased the last residuals of the Great Recession out of the labor market," he said. "And of course California, once written off as a disaster of business unfriendliness, is continuing to lead the nation in terms of economic growth."

Figures show California added nearly 447,000 new jobs last year, more than Texas and Florida combined.

Kim Victorine, director of operations for Plastics Plus Technology in Redlands, agreed that California's tax climate and labor costs -- including workers compensation, medical insurance and related expenses -- make it difficult to do business here.

But for Plastics Plus, he said, it makes sense to stay.

"We make a slew of different medical parts that are used in hospitals and emergency rooms and we ship a lot of products to L.A. County, San Diego County and to Mexico," he said. "We have lower shipping costs by being where we are, and we make deliveries in our own trucks."

UNEMPLOYMENT

Region	June 2015	May 2016	June 2016	Percentage Point Change	
				1 month	12 months
San José MSA	4.2%	3.4%	4.1%	+ 0.7	- 0.1
San Francisco MD	3.6%	2.8%	3.4%	+ 0.6	- 0.2
California	6.2%	4.7%	5.7%	+ 1.0	- 0.5
United States	5.5%	4.5%	5.1%	+ 0.6	- 0.4

INDUSTRY EMPLOYMENT

Sector — June 2016	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,085,800</b>	<b>1,082,500</b>	<b>2,168,300</b>	<b>+ 0.6%</b>	<b>+ 3.7%</b>
Construction	46,700	45,500	92,200	+ 1.8%	+ 8.6%
Manufacturing	161,900	35,500	197,400	+ 0.3%	- 0.6%
Retail Trade	86,700	81,400	168,100	+ 0.8%	+ 0.9%
Information	80,100	61,400	141,500	+ 1.8%	+ 4.0%
Professional & Business Services	230,600	272,300	502,900	+ 0.6%	+ 6.5%
Educational Services	46,600	29,100	75,700	- 1.4%	+ 5.0%
Health Care & Social Assistance	118,700	105,500	224,200	+ 0.8%	+ 5.5%
Leisure & Hospitality	102,000	141,300	243,300	+ 1.4%	+ 4.1%
Government	95,300	126,700	222,000	- 1.1%	+ 1.6%

NOTE: San José MSA (San José-Sunnyvale-Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
 San Francisco MD (San Francisco-Redwood City-South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE

Labor Force by Metropolitan Statistical Area (U.S. High-Tech Regions) & NOVA

	LABOR FORCE			UNEMPLOYMENT			UNEMPLOYMENT RATE		
	June 2015	June 2016	Change	June 2015	June 2016	Change	June 2015	June 2016	Change
<b>United States</b>	<b>158,283,000</b>	<b>160,135,000</b>	<b>+ 1.2%</b>	<b>8,638,000</b>	<b>8,144,000</b>	<b>- 5.7%</b>	<b>5.5%</b>	<b>5.1%</b>	<b>- 0.4</b>
California	18,999,800	19,181,200	+ 1.0%	1,179,400	1,087,700	- 7.8%	6.2%	5.7%	- 0.5
San Diego	1,567,100	1,577,000	+ 0.6%	81,000	80,600	- 0.5%	5.2%	5.1%	- 0.1
San Francisco	986,600	998,400	+ 1.2%	35,100	34,300	- 2.3%	3.6%	3.4%	- 0.2
San José	1,050,600	1,069,100	+ 1.8%	44,400	44,200	- 0.5%	4.2%	4.1%	- 0.1
Austin, TX	1,073,067	1,109,571	+ 3.4%	38,408	37,166	- 3.2%	3.6%	3.3%	- 0.3
Boston, MA	2,652,445	2,677,422	+ 0.9%	127,332	105,188	- 17.4%	4.8%	3.9%	- 0.9
New York City, NY	4,194,000	4,174,000	- 0.5%	231,000	210,000	- 9.1%	5.5%	5.1%	- 0.4
Seattle, WA	1,577,700	1,604,000	+ 1.7%	69,000	74,200	+ 7.5%	4.4%	4.6%	+ 0.2
<b>NOVA Workforce Area</b>	<b>760,900</b>	<b>771,800</b>	<b>+ 1.4%</b>	<b>26,200</b>	<b>25,900</b>	<b>- 1.1%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>- 0.1</b>

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY

June 2016 Events

Company	Location	# Affected
Hewlett Packard Enterprise	Palo Alto	25
Jacobs Technology	Mountain View	55
Symantec Corp.	Mountain View	92
Veritas Technologies	Mountain View	6
<b>Total</b>		<b>178</b>

WARN SUMMARY

Events YTD <sup>†</sup> :	86
Individuals Affected YTD :	6,336
Individuals Previous YTD <sup>‡</sup> :	4,765

\* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)

† **YTD: Year to Date** (Program year: July 1–June 30)

‡ **Previous YTD:** No data available for San Mateo County, FY2014/15

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database