



**Capital Region
Economic Assessment**

Executive Summary



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Introduction

Encompassing Colusa, El Dorado, Nevada, Placer, Sacramento, Sutter, Yolo, and Yuba Counties in the heart of northern California, the Capital Region is a mix of urban dynamism, suburban growth, and rural tradition with distinctive competitive advantages that include the presence of world-renowned research institution UC Davis, burgeoning capabilities in semiconductor manufacturing and other advanced industries, and rich working lands that stretch across the eight-county region.

The demographic diversity of the Capital Region is vital to its strength as well. These eight counties are home to one of the most racially, ethnically, and culturally diverse populations in the country. Half of area residents are people of color, including a sizable Latino population, large and diverse refugee communities, and members of several Tribal Nations. This diversity enriches the region's social fabric and contributes to the dynamism of the regional economy.

As the capital of the state of California, the Capital Region provides all of the amenities and advantages of a major metropolitan area in a more livable and affordable setting. The region's location between the agricultural heartlands of the Central Valley and the tech-enabled innovation of Silicon Valley represents an asset for the region. This proximity provides access to a wider range of work

opportunities, with over 110,000 Capital Region residents commuting to jobs in the Bay Area each day.

These varied assets are creating opportunities for a stronger and more sustainable regional economy powered by growth, prosperity, and inclusion. Economic growth alone—often measured using job counts, average wages, and capital investments—is no longer enough. The quality of the growth matters too, both in terms of prosperity and inclusion. Greater prosperity comes from competitive firms creating quality jobs and bringing money into the regional economy. Inclusion requires quality jobs that are accessible for all residents, with particular attention to those who have historically found economic mobility out of reach.

Strategic problem solving and collaborative action can help ensure that the region's economic future is one of positive transformation and inclusive growth. By building on its inherent strengths—emergent innovation-intensive sectors, rich working lands, demographic diversity, strategic location—the region can generate the growth and prosperity needed to put more area residents on the path to financial self-sufficiency and stability.

What is We Prosper Together?

To accelerate the shift toward a more inclusive and broadly prosperous Capital Region economy, stakeholders from across the eight-county region have joined forces to form We Prosper Together. Building on the California Jobs First program, We Prosper Together will leverage regional industry strengths, encourage needed investments, and increase access to quality jobs in the Capital Region.

We Prosper Together embraces a community-led approach to economic development. A Leadership Council oversees five subregional committees tasked with heading up community engagement and highlighting specific subregional concerns and opportunities. Working together, these stakeholders aim to elevate diverse voices, amplify local solutions, and build a strong regional economy where economic mobility and financial self-sufficiency are accessible to everyone.

This document presents findings and implications from the first phase of the California Jobs First process. Drawing on novel quantitative analytics and in-depth qualitative research, it assesses key assets, opportunities, and challenges in the Capital Region economy.

It also captures the beginnings of a shared philosophy and framework for inclusive economic development. By encouraging quality job growth and creating clear, accessible, well-supported pathways into those jobs (particularly for historically underrepresented populations), the region can establish a more equitable, sustainable, and prosperous economy for all Capital Region residents.



An updated approach to economic development

Over the past few decades, regions throughout the U.S. have seen the number of high- and low-wage jobs increase while middle-skill, mid-wage occupations declined. In response, leaders are redefining economic development success. Growth alone – measured by job counts and capital expenditures – is not enough. The quality of growth matters too, with more firms creating better jobs that enable workers to get ahead (prosperity). Broader access to those jobs, particularly those who have been historically disconnected from opportunity, is also imperative (inclusion).

Building an inclusive regional economy requires an updated approach to economic development that recognizes how much better regional economies

perform when they prioritize broadly shared economic prosperity and promote financial stability for everyone. This requires special attention to those sectors with the greatest potential for growth and quality job creation as well as focused efforts to make quality jobs more accessible through workforce training, support services such as childcare, and infrastructure investments.

Creating an inclusive regional economy also requires coordinated action and collaboration within and across the regional, local, and community levels. Actors in each tier have specific expertise and capabilities that should be leveraged and combined for maximum benefit.



Regional economic development—which includes initiatives such as California Jobs First—most often focuses on a specific metropolitan area or group of counties. Activities focus on promoting key industry clusters and strengthening the workforce, innovation, and infrastructure assets shared by local jurisdictions.

Local economic development typically takes place at the city scale. Cities shape their local business climates via land use and zoning, site selection, permitting, licensing, and tax structures. Many also support entrepreneurship and small businesses, often with an emphasis on local-serving Main Street businesses.

Community development occurs at the neighborhood level. It uses geographically targeted initiatives and hyper-local strategies such as community land trusts, focused workforce training programs, corridor redevelopment projects, and placemaking efforts to increase the economic mobility of community residents.

TRADABLE AND LOCAL-SERVING SECTORS

Most businesses provide benefits to communities by providing jobs, access to goods and services, and greater economic vitality. But tradable sector firms have an added benefit: they bring new money into the area economy by selling goods and services to customers outside the region. This infusion of money into the area economy in turn sparks a multiplier effect that supports an additional three to five new local-serving jobs for each tradable-sector job created. These companies tend to represent the most innovative and value-intensive components of a regional economy. Their connections to global value chains create resilience during economic downturns and strengthen the competitiveness of the region as a whole.

Tradable sectors are also crucial for inclusive economic development because they are key drivers of quality job creation. They provide quality jobs for workers at all levels of educational attainment, paying higher wages that can be spent at grocery stores, restaurants, and other local-serving businesses.

Encouraging growth in tradable sectors is essential for any inclusive economic development effort. Local-serving sectors, on the other hand, require a different approach. Many local-serving jobs in the Capital Region pay a family-sustaining wage, provide health insurance, and have a high likelihood of continuing to do so in the future. For example, government, healthcare, and construction are all largely non-tradable and provide a large number of quality jobs for area residents. However, because the number of local-serving jobs is determined by local demand for goods and services, these sectors rarely drive job creation. Instead, inclusive economic development calls for expanding access to pathways that lead into quality jobs in these industries.

Expanding access to opportunity for struggling families in the Capital Region

Between 2012 and 2022 (the period under analysis), jobs, earnings, and value-added all achieved incredibly high growth in the Capital Region. The region's industries grew faster and became more prosperous than would be expected given state and national trends.

At the same time, however, too many families in the region have found it harder and harder to make ends meet. Lack of affordable childcare and an intractable housing crisis continue to push the costs of raising a family higher, with an increasing proportion of households not earning enough income to cover their basic needs. Though the Capital Region fares better than many other regions in California at least 38 percent of area residents belong to families whose household income fails to cover basic costs. These families are struggling to make ends meet, often despite having adults in the home who are actively working. Almost 28 percent of residents in the region belong to a struggling family that has at least one adult worker.

After taking into account local costs for housing, food, childcare, transportation, tax deductions and credits, and modest savings to build financial stability over time, the basic costs of living in the Capital Region are quite high and vary by county. Some counties have a higher proportion of struggling families, reflecting different subregional industry mixes that in turn determine both the number of quality jobs available and the subregion's resilience to economic downturn across different sectors. Age, educational attainment, race, gender, and other factors also affect the likelihood of being in a struggling family. These differences suggest that subregional and local strategies will be needed to complement regionwide efforts and attend to the needs of specific communities.

Defining job quality

This analysis focuses on the creation of and access to quality jobs—positions that pay an annualized wage that supports family self-sufficiency and financial stability, offer employer-provided health insurance, and are durable or will lead to another quality job over the next ten years.

Defining what counts as a quality job first required establishing a wage threshold based on the cost of living. We Prosper Together set the regional wage threshold at the annualized wage required to lift half of all struggling parents into economic self-sufficiency. The chart below provides wage thresholds for each of the five subregions:

Wage threshold for quality jobs in the Capital Region, by subregion



Source: Brookings and Cities GPS analysis.

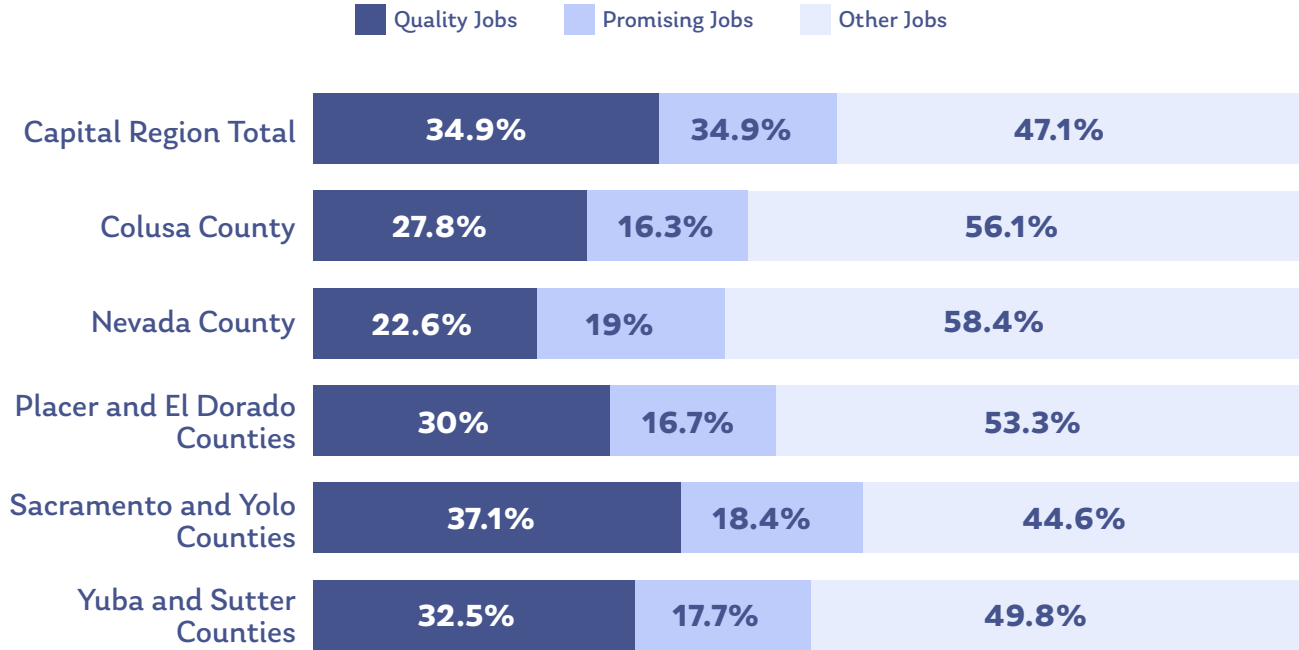
This analysis also identifies promising jobs—positions that do not provide a self-sufficiency wage and / or benefits, but do offer pathways to a quality job within the next 10 years. Attention to promising jobs recognizes that gaining experience and moving across occupations and sectors over time are often intermediate steps on the way to a quality job.

Quality jobs and promising jobs together comprise the region’s pool of opportunity jobs. Residents who have an opportunity job have the potential to achieve financial economic self-sufficiency. In the Capital Region, more than half of jobs meet the criteria for an opportunity job. Just over one-third are quality jobs and another 18 percent are promising jobs.

Quality jobs pay a wage that supports financial self-sufficiency, include employer-provided health insurance, and are durable or will lead to another quality job over the next 10 years.

Promising jobs do not provide a self-sufficiency and / or benefits but do offer pathways to a quality job within the next 10 years.

Share of jobs that are “opportunity jobs” in the Capital Region



Source: Brookings and Cities GPS analysis of Lightcast estimates and American Community Survey 1-year public-use microdata sample.

The likelihood that a Capital Region worker holds an opportunity job depends their educational attainment and age (which serve as proxies for skill level and experience) as well as other demographic characteristics such as race and ethnicity, gender, and socioeconomic status. Some disparities in access to opportunity jobs correspond with long-standing patterns of disadvantage and reduced access to opportunity faced by people of color, white women, and individuals from lower-income households. These persistent trends indicate that targeted outreach and support may be needed to increase access to opportunity jobs for workers from historically disadvantaged and underrepresented populations. Additional analysis revealed that struggling workers in the Capital Region often have much of the knowledge, skills, and abilities needed to hold a quality job. Greater worker awareness of available positions and improved access to pathways into those occupations can help increase the number of Capital Region workers holding a quality job.



Regional industries vary in their potential for quality job creation and high-value growth

Emergent strengths in semiconductor manufacturing, biologics, and biomedical devices offer opportunities for innovation-intensive economic growth anchored by globally recognized institutions of higher education and leading firms. When combined with the region's sizable agriculture and government sectors and historically strong local-serving industries such as healthcare, construction, and hospitality and tourism, these sectors offer a solid and diversified industry base for the regional economy.

- **Semiconductors:** The Capital Region boasts a strong semiconductor industry anchored by five of the six leading chip manufacturers. Since semiconductors have applications ranging from zero-emission vehicles (ZEVs) and other cleantech to communications systems to aerospace, a solid sector presence can open up possibilities for productive interactions across a wide range of innovative industries.
- **Life sciences:** The presence of multinational life-science heavyweights such as AstraZeneca, Bayer Crop Science, Sanofi, and ThermoFisher Scientific; a major international seed cluster; and the high levels of NIH funding secured by UC Davis researchers each year indicate the potential of this innovation-intensive cluster.
- **Agriculture:** The region is home to a well-established food and agriculture cluster that encompasses virtually every aspect of food production, processing and manufacturing, packaging, distribution, and wholesale and retail sales. The footprint and influence of this cluster are especially pronounced in Colusa, Sutter, Yolo, and Yuba Counties. Worker shortages and climate impacts are driving adoption of more sustainable growing practices, technology-enabled solutions, and zero-emission power sources, creating opportunities for innovative companies and producers alike.
- **Government:** As home to the state capital, the Capital Region is a well-established hub for public-sector work. Federal, state, and local government involve a wide variety of occupations and are an important source of quality jobs. Baby Boomer retirements in this sector are creating opportunities for a generational transformation to a younger, more diverse workforce.
- **Healthcare:** Major medical systems such as Adventist Health, Dignity Health, Kaiser Permanente, Sutter Health, and UC Davis Health make healthcare a major employer in the Capital Region. Somewhat unusually for a local-serving industry, healthcare concentrates a reasonably high proportion of opportunity jobs. Helping residents from historically disconnected communities access those jobs can contribute to more inclusive economic outcomes.
- **Construction:** Demand for skilled construction workers continues to rise, pushed higher by the need to replace retiring workers. Federally funded infrastructure projects and climate adaptation investments are also helping drive industry growth. These investments can be leveraged for maximum effect by taking deliberate actions to diversify contractor pools and expand access to pathways into these careers.
- **Hospitality and tourism:** This local-serving sector has historically been an important contributor to the Capital Region economy, particularly in and around the Tahoe Basin. It employs a large number of workers, though often in low-wage seasonal roles. Businesses run the gamut from small and microbusinesses (e.g., Main Street shops, restaurants, bars, mom-and-pop motels) to casinos, outdoor expedition providers, boutique hotels, convention venues, and major resorts owned by multinational corporations.

Evaluating opportunities within regional clusters

Tradable sector clusters create jobs and bring new wealth into the region, boosting the bottom line of employees and area businesses alike. Potential cluster opportunities in the Capital Region were evaluated on tradability (meaning that the industry is tradable and has a high growth multiplier), feasibility (meaning that the region has a specialization in the industry and / or the industry is growing faster locally than it is nationally), opportunity (meaning that the industry can expand access to quality jobs, particularly for middle-skill workers with some postsecondary education), and sustainability (meaning that the industry will continue to be competitive as the region transitions to zero-carbon).

These criteria identified two types of cluster opportunities meriting further exploration:

- Clusters where regional economic and workforce development interventions have a high likelihood of boosting business growth, creating quality jobs, and improving access to them
- Other major sectors that do not meet all of the criteria but are historical anchors that employ large numbers of residents and could benefit from efforts to improve job quality

High-potential cluster opportunities

Cluster possibilities across four different sectors suggest potential directions for inclusive economic development in the region:

- **Precision manufacturing:** Scattered across several traditional industry categories, this collection of comparatively small companies represents an emerging opportunity for the region. With strengths in microelectronics and semiconductors, instrumentation, automotive and transportation equipment, and aerospace, the region has the capacity to produce intricate, highly accurate components that meet stringent specifications and tolerances. In light of current downsizing at legacy anchors such as Intel as well as major new investments in manufacturing and research by Solidigm and Bosch, a focus on this cluster could preserve and grow activities that generate quality middle-skill, middle-income jobs.
- **Agtech and biomedical innovation:** The region's well-known research and innovation capabilities in agricultural and biological sciences offer cross-cutting potential for capturing even greater economic benefit. However, despite planned investment in physical assets such as Aggie Square and UCANR Woodland Tech Park, this budding ecosystem does not yet have all of the tools or the cohesion to maximize commercialization and cluster-building.
- **“Working lands” value chains:** Connections between commodity production in agriculture, forestry, and mining across the eight counties and related processing, equipment, and advanced logistics could grow in importance depending on domestic supply chains and international trade practices. Although many production-oriented subsectors (e.g., farming, logging) do not have high concentrations of opportunity jobs, quality jobs do exist in the manufacture of construction materials, wood products, and food as well as related freight arrangement, packaging, and shipping.
- **Business services:** With growth likely accelerated by the presence of state government and proximity to the Bay Area, business services are a major economic driver for the Capital Region, particularly in the Greater Sacramento metro area and in Nevada County. Opportunity is driven by a large, appropriately-skilled regional workforce associated with government and other management and headquarters functions.



Cultivating a healthy and inclusive regional economy

Greater economic mobility is the essence of an inclusive regional economy. It provides paths to financial self-sufficiency and generational wealth-building through quality jobs and business ownership. It lets more families establish a level of economic security and stability. And it starts to repair past damage done to historically disinvested communities.

Individuals who have their basic needs met are able to advance on their career paths much more easily than those who are struggling to get by. For this reason, efforts to increase economic mobility must be paired with deliberate actions to support the success of those involved.

The Capital Region can cultivate a healthy and inclusive regional economy by taking steps to:

- Strengthen the drivers of inclusive economic development
- Support workers to help them find higher-quality work
- Reduce barriers to opportunity to generate broadly shared prosperity

Strengthen the drivers of inclusive economic development

Inclusive economic development requires a strong, highly productive, and well-diversified industry base. Industry productivity determines how much money is available for wages, investments, and workforce training. It also affects how much tax revenue can be collected to fund education, broadband, infrastructure, and other public goods that contribute to residents' economic mobility and well-being.

Although a solid industry base is necessary for an inclusive economy, decades of evidence from across the U.S. confirm that it is far from sufficient. The true economic power of regional industries can only be realized when paired with deliberate efforts to expand access to opportunity and bring resources into historically disinvested communities.

Five key factors determine how well regional industries perform:

- **Talent:** Both industry cluster formation and business attraction and retention depend on the strength of the available workforce and the education and workforce development ecosystem's ability to prepare skilled workers for current and future positions. Regions that prioritize education and industry-led workforce development have stronger workforces, which are essential for a healthy and inclusive regional economy.
- **Innovation:** Innovation is a key indicator of a region's ability to compete in the global marketplace. The most competitive regions have solid innovation assets in R&D, research commercialization, tech-intensive entrepreneurship, and advanced production. The Capital Region is a powerhouse in basic and applied research, with a solid innovation ecosystem anchored by globally recognized research institutions and leading-edge firms.
- **Entrepreneurship and small business:** The level of entrepreneurship and small business activity in a region reflects the area economy's ability to identify new market opportunities, develop innovative products and companies, and accelerate local wealth-building and job creation. Across the eight-country region, a wealth of resources exist to help area residents start and run successful businesses, though access varies depending on geographic location, program capacity, and other factors.
- **Infrastructure:** Healthy regional economies need efficient and accessible transportation, global broadband connectivity, reliable power, and other infrastructure fundamentals. If well-designed and resourced, major infrastructure projects can boost economic activity and improve quality of life for residents. Infrastructure also determines whether rural communities are able to build housing, space for businesses, and other needed construction. However, when forced to compete with the more heavily populated urban and suburban parts of the region, rural communities and other historically disinvested areas often come up short.
- **Leadership and capacity for action:** Regions with effective governance structures recognize that inclusive economic outcomes require cross-sector collaboration, clearly defined roles, a shared vision, and a detailed implementation plan. These places also know that reversing past harms caused by exclusionary economic development practices will only happen through deliberate outreach and engagement led by trusted community-based organizations.

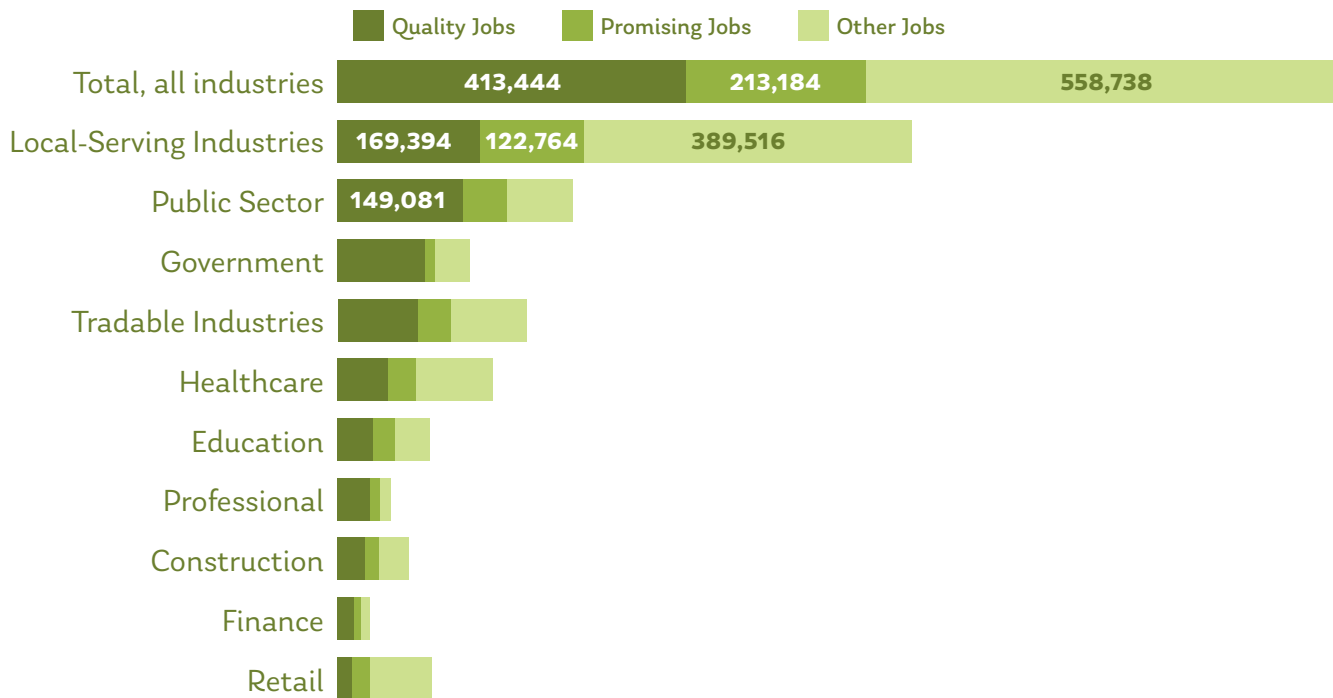


Support workers to help them find higher-quality work

Cultivating a skilled workforce is one of the most important levers for ensuring regional economic competitiveness in the global marketplace. When making location decisions, most companies prioritize the strength of the regional workforce and the region’s ability to prepare workers to meet future demand. This focus is doubly true for innovation-intensive tradable industries that concentrate quality jobs.

At the same time, regions must take care to ensure broad access to pathways into quality jobs. Targeted outreach and programming tailored to the specific needs of different communities can give more residents access to economic mobility and increase the likelihood that disadvantaged communities benefit from these investments in the regional economy.

Number of jobs by opportunity type in Capital Region industries*, 2022



Source: Brookings and Cities GPS analysis of Lightcast estimates and American Community Survey 1-year public-use microdata sample. *This figure includes the industries with the highest number of Quality Jobs. A more comprehensive list of industries is available in the databook on weprospertogether.org/research.

Education and training programs can be bolstered to better connect residents to quality jobs

The Capital Region is home to a number of institutions of higher education that together anchor the regional workforce development ecosystem. Workforce development boards, adult education programs, organized labor, community-based organizations, and K-12 systems also contribute to this ecosystem, with chambers of commerce, industry associations, and individual firms providing employer insights to inform plans and curricula.

Opportunities for upgrading jobs in historically significant industries

Even as the region strives to increase the total share of quality jobs available, it is unlikely there will ever be enough quality jobs for everyone who needs one. Given this reality, it will be important to find ways to improve the quality of existing jobs, particularly in sectors that are foundational to the region’s economy (e.g., agriculture, healthcare, hospitality and tourism). While job quality is often limited by market constraints and regulatory forces, a range of economic and workforce development interventions hold potential. Technology adoption and incumbent worker training by industries, technical assistance to improve workplaces and HR strategies, employer collaboratives focused on providing benefits such as affordable housing and childcare at scale can all help improve the quality of existing jobs in the region.

Reduce barriers to accessing opportunity

The path from struggling to financially self-sufficient can be challenging in any region. The landscape of education and workforce programs is not always clear to residents and workers. Completing a training program or obtaining a degree or credential takes time and resources that many workers simply do not have. Among those able to enroll, too many are forced to drop out due to competing responsibilities and financial constraints.

Lack of affordable childcare represents a major barrier to economic mobility for many area residents. Providing for children stretches household finances and time availability, forcing families to make tough choices between needed income and care work demands.

Workforce boards and community colleges are an important part of the solution, but these institutions currently don't have the resources to fully offer help at scale. An expansion of support services will be needed to make opportunity jobs accessible for all area residents.

Both the federal Earned Income Tax Credit (EITC) and the California Earned Income Tax Credit exist to help low-income workers meet their basic needs. In addition to these established programs, some parts of the Capital Region are experimenting with basic income pilot projects that provide unconditional monthly cash assistance to qualifying area residents to help them establish economic self-sufficiency. Pilots in Yolo County, Sacramento County, and the City of Sacramento are providing researchers first-hand insights that will inform and improve future versions of these programs.

Implications

The following high-level implications of this assessment will inform prioritization and strategy development during Phase 2 of the California Jobs First process, which is now underway.

- **Support those who strive to thrive:** Commit to assisting its struggling families and communities in order to foster a more inclusive regional economy
- **Improve access to quality jobs:** Investment in industries that concentrate quality jobs should be paired with efforts to expand access to quality jobs and improve job quality throughout the economy
- **Address uneven economic growth:** Inclusive economic development will require targeted investment in key industries, deliberate actions to address disparities, support for entrepreneurship and small business growth, and thoughtful modernization of legacy sectors
- **Recognize the importance of the Capital Region's working lands:** Much of the region's economy is linked to its rich natural resources. Effective land and resource management that incorporates climate-resilient practices can help steward the region's natural assets and encourage more value-added activities.
- **Leverage underutilized talent to support key sectors:** Many struggling workers have knowledge and skills that are relevant to quality jobs in key industries but face barriers to access that they cannot surmount on their own (e.g., lack of awareness of opportunities, insufficient childcare, financial constraints, limited access to wraparound supports needed to pursue required training certifications).
- **Integrate systems that support families and businesses:** Create a more cohesive economy anchored by an inclusive, sustainable, and innovative society.
- **Harness this moment of leadership changeover:** A generational shift in Capital Region leadership offers a unique opportunity for new actors to forge relationships and find new ways of working together to maximize the region's strengths and address its challenges

Next steps

During Phase 2 of the California Jobs First process (January – August 2024), We Prosper Together will develop a vision for the regional economy and a strategy detailing the actions and investments needed to achieve it. Learn more about We Prosper Together and follow its progress at www.weprosperitogether.org.

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