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Contact:
Melanie de La Grange
Bay Area Council
415-946-8725
mdelagrang@bayareacouncil.org



Bay Area's Job Market Showing Signs of Life, according to Bay Area Council Survey

First positive job market reading since financial crisis of 2008

Business Confidence stays in positive territory for second consecutive quarter

SAN FRANCISCO, March 4, 2010 — The Bay Area Council today announced that for the first time in 20 months, more Bay Area companies are planning to increase the size of their workforce than are planning layoffs, signaling a potential job market rebound, according to results of its quarterly *Business Confidence Survey*.

The responses of the 498 CEO's and top executives in the nine Bay Area counties surveyed between January 27 and February 18, 2010, show that overall, 20 percent plan to increase their workforce within the next six months while 17 percent expect layoffs, and 59 percent predict no change. These results are in stark contrast to a year ago, when the *Survey* revealed that only 10 percent of companies were planning to hire, while 42 percent expected layoffs. The last time the *Survey* recorded a positive job market trend was in June, 2008.

"It looks like the Bay Area's job market is showing signs of life and may be on the rebound," said Jim Wunderman, President & CEO of the Bay Area Council. "This is a reassuring sign, but unfortunately these positive results are not across the board. The job market is very different depending on where you are standing."

While the majority of companies in the Bay Area are planning more hires than layoffs, results varied widely among industry, company size and county. The industry with the most pessimistic outlook on jobs was retail. Indeed, 34 percent of retail executives surveyed expect to decrease the size of their workforce in the next six months, while five percent expect to hire and 56 percent plan to hold steady. Also hard hit is the educational and health services industry where 32 percent of respondents expect to see layoffs, 17 percent hires and 48 percent no change.

On the other side of the spectrum, the industries seeing the most workforce increases are wholesale trade and leisure and hospitality. Leading the pack was wholesale trade where 60 percent of executives plan to increase their workforce, 13 percent are planning decreases and 27 percent plan no change. Also planning significant increases are leisure and hospitality, where 41 percent are planning hires, 23 percent expect layoffs and 36 percent expect no change.

When it comes to finding a job, company size matters, the *Survey* indicates. Indeed, 25 percent of executives from small companies, those with less than 100 employees, expect to increase their workforce in the next six months, while 14 percent expect layoffs and 57 percent expect no change. In the largest companies surveyed, those with more than 10,000 employees, 57 percent expect to see layoffs, eight percent expect new hiring and 26 percent expect no change.

County by county, the job market varies, according to the *Survey*. The best counties to find a job appear to be in the North Bay, Santa Clara and San Francisco. In the North Bay, represented by Marin, Napa and Sonoma, 28 percent of respondents expect increases in their workforce in the near future while 11 percent expect a decrease and 57 percent expect no change. In Santa Clara, 25

percent of executives expect to be hiring, seven percent expect layoffs and 64 percent expect to hold steady. Twenty-two percent of respondents in San Francisco expect workforce increases, 14 percent expect decreases and 60 percent expect no change. The most challenging place to find a job appears to be in Alameda where 27 percent of executives expect to see layoffs in the next six months while 14 percent plan hires and 55 percent predict no change.

“While the survey results are encouraging, we still have a long way to go,” said Wunderman. “Until the trend moves across sectors and communities, we should continue to focus on policies and incentives that encourage job growth.”

The survey showed another encouraging indicator when for the second time in a row, business confidence among the executives surveyed registered in positive territory. The business confidence index – the number that distills the survey findings – registered at 55 out of 100. A reading over 50 signals positive economic times and below 50 is negative. Last quarter’s *Survey* showed the index reading at 53 – the first positive reading since the summer of 2007 – and one year ago the reading registered at 31.

“The survey shows a hint of optimism taking root in the mindset of the Bay Area business community,” said Lenny Mendonca, Executive Committee member of the Bay Area Council and a director at McKinsey & Company. “But we must continue focusing on job growth in our region in order for real economic recovery.”

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Bay Area Business Confidence Survey

The Bay Area Council developed the *Bay Area Business Confidence Survey* to measure employer expectations of the Bay Area economy. The confidential survey of Bay Area business executives is conducted quarterly by EMC Research. All members in the database were invited to participate through e-mail and the Internet. The *Survey* results are weighted to reflect the approximate percentage of employees in each Bay Area county.

Bay Area Council

Founded in 1945, the Bay Area Council (www.bayareacouncil.org) develops and drives regional public policy initiatives and researches critical infrastructure issues. Led by CEOs, the Bay Area Council presents a strong, united voice for hundreds of major employers throughout the Bay Area region whom employ more than 500,000 workers, or 1 of every six private sector employees in the Bay Area.

McKinsey & Company

McKinsey & Company (www.mckinsey.com) is an international management consulting firm that helps leading corporations and organizations make substantial and lasting improvements in their performance. With approximately 6,000 consultants deployed from eighty-two offices in forty-three countries, McKinsey has expertise on strategic, operational and technological issues.

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