



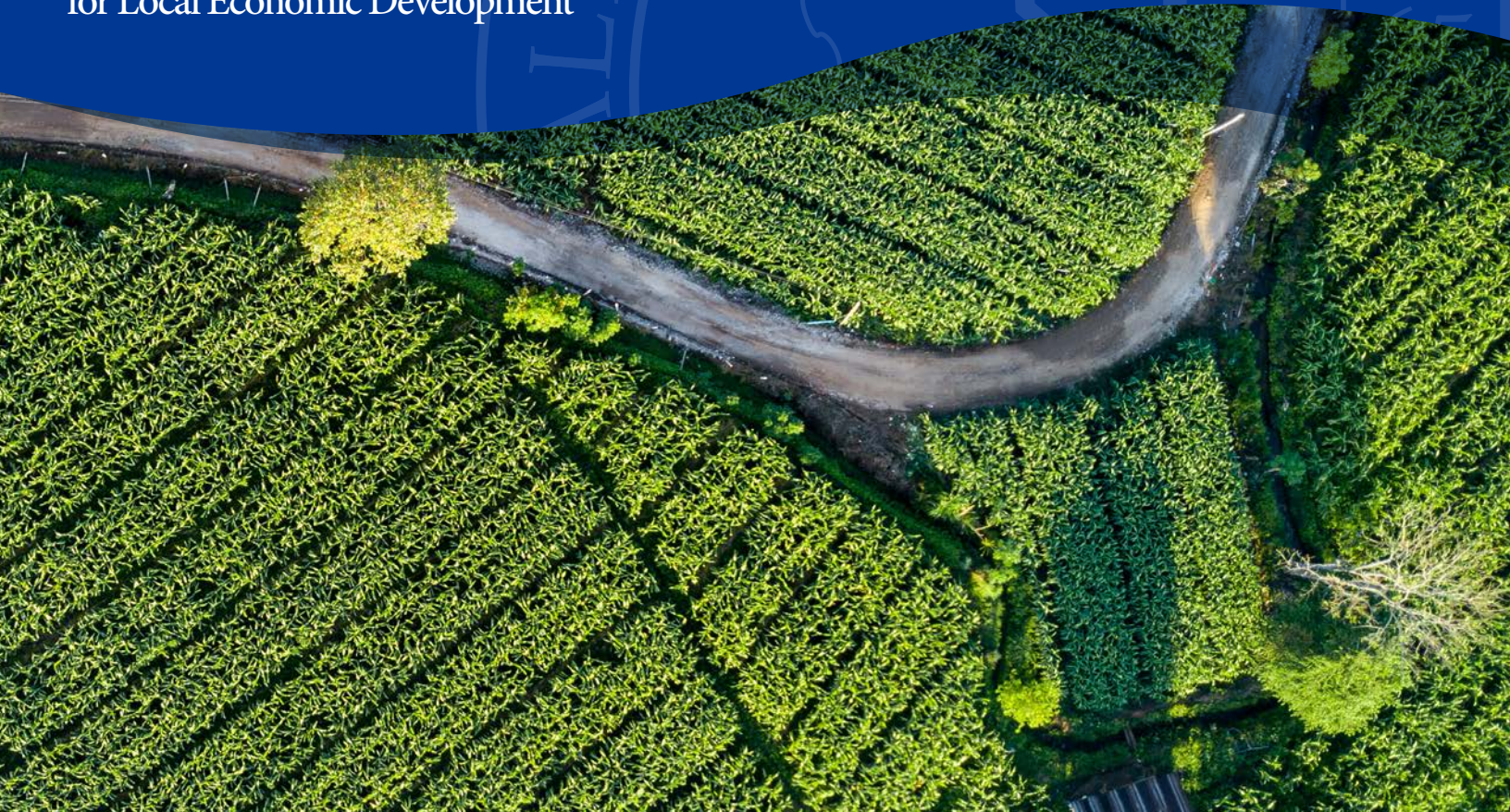
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Kern Economic Journal

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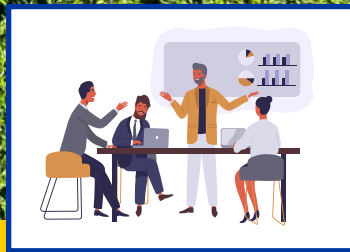
2019 First Quarter



Featured Article:



Is Agriculture Making
us Poor?



Principles of Work Site
Negotiation: Reminding
Ourselves of the Basics



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KERN ECONOMIC JOURNAL is a quarterly publication (February, May, August, November) of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions. Sources of funding for this journal include university contributions and sponsorship and subscription fees.

Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for consideration of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in electronic copy. Individual authors are responsible for the views and research results.

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Kern Economic Journal



Inside this Issue:

Economy at a Glance! 4

Tracking Kern's Economy

Labor Market 6

Housing Market 8

Stock Market 10

Inflation 11

Commodity Prices 12

Featured Article

Is Agriculture Making us Poor? 14

Principles of Work Site Negotiation: Reminding Ourselves of the Basics 19

Economy at a Glance!

2019 First Quarter
by Dr. Nyakundi M. Michieka and
Dr. Richard S. Gearhart III

National Economy¹

The U.S. economy grew at an annual rate of 3.2 percent in the first quarter of 2019 compared to 2.2 percent in the fourth quarter of 2018. The Bureau of Economic Analysis (BEA) reported that the increase in GDP reflected positive contributions from personal consumption expenditures, nonresidential fixed investment, exports, state and local government spending and private inventory investment. These movements were offset by deceleration of personal consumption expenditures, nonresidential fixed investment and exports, with a smaller decrease in residential investment. Real GDP grew by \$197.6 billion in the first quarter to \$21.06 trillion.

Current dollar personal income increased \$147.2 billion in the first quarter of 2019 compared with an increase of \$229 billion in the fourth quarter of 2018. Real disposable personal income, which is adjusted for inflation and taxes, increased by 2.4 percent in the first quarter, compared with an increase of 4.3 percent in the fourth quarter. Personal saving was \$1.11 trillion in the first quarter compared to 1.07 trillion in the fourth quarter. The BEA derives the personal saving rate by calculating personal saving as a percentage of disposable personal income. The personal saving rate in the first quarter was 7 percent, up from 6.8 percent in the fourth quarter.

The Conference Board's Index of Leading Economic Indicators – a measure of future economic activity – increased 0.2 percent in April to 112.1 following a 0.3 percent increase in March. This is the third consecutive increase of the U.S. LEI this year.

The University of Michigan's Consumer Sentiment Index increased from 98.3 in December 2018 to 98.4 in March 2019. The value for the first quarter of 2019 was 94.5 compared to 98.2 in the fourth quarter of 2018. The index was 98.9 four quarters ago.

¹ U.S. economic numbers were obtained from the Bureau of Economic Analysis "U.S. Economy at a Glance". This is found at <http://www.bea.gov/newsreleases/glance.htm>. The information for the Index of Leading Economic Indicators is found at <https://www.conference-board.org/data/bcicountry.cfm?cid=1>. The University of Michigan Consumer Sentiment Index is found at <http://www.sca.isr.umich.edu/tables.html>.

State Economy²

In California, the unemployment rate rose to 4.6 in March 2019 compared to 4.1 percent in December of 2018. Among counties, San Mateo (2.4), San Francisco (2.6 percent), Santa Clara (2.9 percent), Orange (3.2 percent), San Luis Obispo (3.3 percent), Sonoma (3.3), San Diego (3.7 percent), Sacramento (4.3 percent) and Los Angeles (4.4 percent) had unemployment rates below the state average. In contrast, San Joaquin (7.3 percent), Fresno (9.4 percent), Kings (10.3 percent), and Kern (10.1 percent) had unemployment rates above the state average.

The state's civilian labor force gained 56,100 members, where 37,633 more employees had paying jobs (employed) and an additional 18,467 were left jobless (unemployed). While nonfarm industries hired 69,233 more workers, farming enterprises employed 6,367 less workers. The mining and logging, construction and manufacturing sectors hired 1,233, 8,333 and 13,500 more workers, respectively, while the service sector added 46,167 workers. Other sectors adding jobs include professional and business services (37,300), educational and health services (30,300), and management of companies and enterprises (20,267). Trade, transportation and utilities saw 23,333 less workers.

Local Economy

The local economy saw a modest increase in the labor force, rising from 388,033 in the fourth quarter of 2018 to 392,667 in the first quarter of 2019. This increase in labor force is larger than that which occurred between the third and fourth quarter of 2018. The third to fourth quarter witnessed a 1,533 increase while the fourth to first saw a 4,633 increase. A large part of the increase, however, appears to be non-seasonal, as the number of nonfarm employment increased by 2,633 with mining, logging and construction going up by 2,033 while transportation, warehousing and utilities increased by 2,900. A total of 52,933 workers were hired in the farming sector compared to the 64,367 in the fourth quarter. Service sector employees increased from 230,267 to 231,167.

² The California economic numbers were obtained from the Bureau of Labor Statistics "Local Area Unemployment Statistics Map". This is found at <https://data.bls.gov/map/Map-ToolServlet?survey=la&map=county&seasonal=u>.



In Bakersfield, much of the increase in service providing employment came from trade, transport and utilities (733 workers), while retail trade and general merchandise stores employed 1,633 and 1,067 less workers, respectively.

Salaries and wages in Kern County rose from 3,665,501 (thousand) in the second quarter of 2018 to 3,775,281 (or 2.99 percent) in the third quarter of 2018. Compared to four quarters ago, salaries were higher 217,617 (thousand dollars), or 6.12 percent. The growth magnitude in salaries in the third quarter of 2018 was similar to that of 2017.

The unemployment rate varied between 2.97 percent in Ridgecrest to 28.7 percent in Delano. All cities in Kern County showed an increase in the unemployment rate except Bakersfield and Ridgecrest, which saw unemployment stay at the same rate as the fourth quarter of 2018 (unemployment did not change by more than 1 percent in both cities). The biggest quarter to quarter increase in unemployment occurred in Delano going from 15.33 to 28.7 percent. In Bakersfield, the rate of unemployment was 5.97 percent, an increase of 0.83 percentage points from the fourth quarter of 2018.

In the first quarter of 2019, the median home price in Bakersfield was 232,417 compared to 238,917 in the fourth quarter. This median price is similar to that recorded in the third quarter of 2017. Home prices

are \$6,666 lower than four quarters ago. Within the region, median home prices in Taft are the lowest at 92,833 compared to 268,917 in Tehachapi.

The weighted price index for the five publicly traded companies doing business in Kern County (Sierra Bancorp, Tejon Ranch Company, Chevron Corporation U.S., Granite Construction, and Wells Fargo Company) rose by 5.9 percentage points from 100.3 to 106.2. The index is 11.2 percentage points lower than what it was four quarters ago. All companies gained as follows: Chevron (increased 13.2-percent quarter-over-quarter), Tejon Ranch (increased 6.2-percent quarter-over-quarter), Granite Construction (increased 7.1-percent quarter-over-quarter), Wells Fargo (increased 4.9-percent quarter-over-quarter) and Sierra Bancorp (increased 1.1-percent quarter-over-quarter).

The average retail price of gasoline decreased by \$0.20 to \$3.33. April and May prices are higher than January and February prices which implies that the second quarter prices will be higher. The unit price of California's Class III milk fell slightly from the fourth quarter of 2018 decreasing from \$14.85 to \$14.30. The Index of Farm Price Parity rose to 81 percent from 80 percent in the fourth quarter.

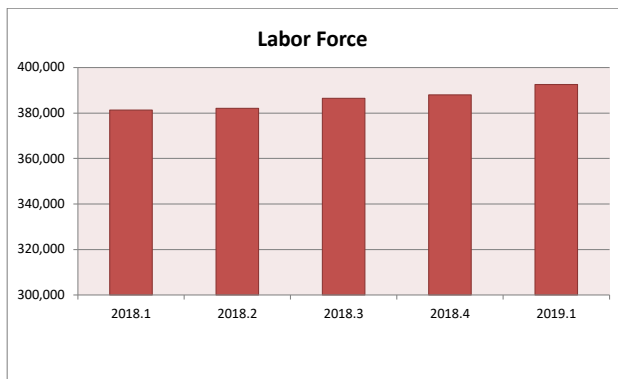
Tracking Kern's Economy¹

by Dr. Nyakundi M. Michieka and
Dr. Richard S. Gearhart III

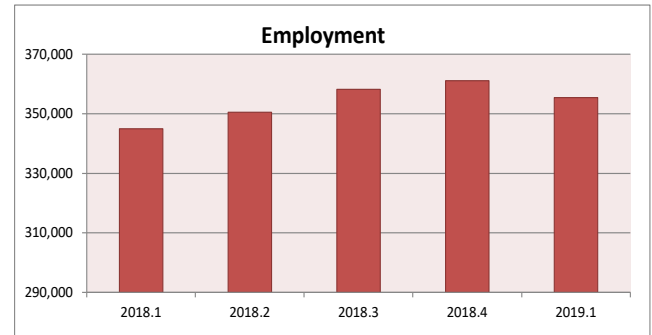
Labor Market

We adjust published data in three ways. Firstly, we averaged monthly data to calculate quarterly data. Secondly, we recalculated quarterly data to take into account workers employed in the “informal” market (i.e., self-employed labor and those who work outside their county of residence). Finally, we adjusted quarterly data for the effects of seasonal variations.

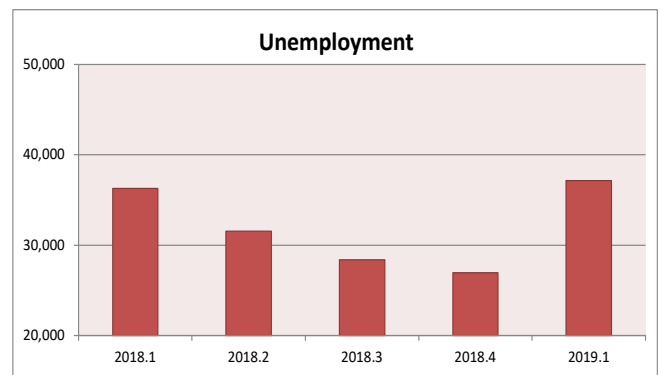
Labor Force - The civilian labor force increased by 4,467 members from 388,033 in the fourth quarter of 2018 to 392,500 in the first quarter of 2019. The increase in labor force is a change in the trend over the past four years, where we have continuously witnessed a decrease in labor force between the fourth and first quarters. The last time Kern County experienced a growth in labor force was in 2014 - 2015 (of 11,743). This increase in the labor pool implies that employers (in certain industries) may have an upper hand in wage negotiation since more people are willing to work.



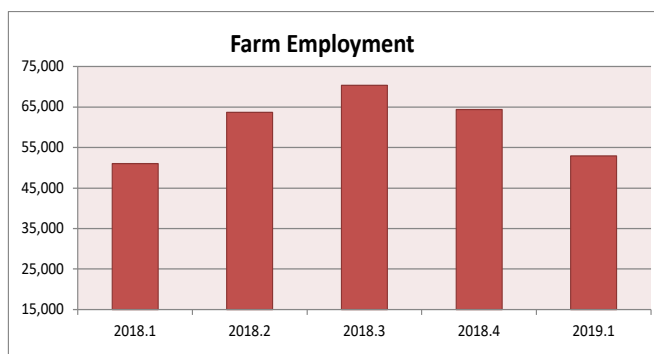
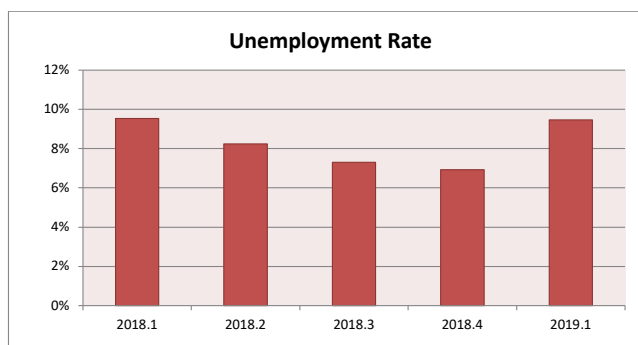
Employment - In the first quarter of 2019, Kern County hired 5,733 fewer workers as total employment decreased from 361,100 in the fourth quarter of 2018 to 355,367 in the first quarter of 2019. This is a 3% percent decrease in employment compared to the first quarter of 2018. The decrease in employment between the fourth quarter of 2018 and the first quarter of 2019 was less than that which occurred between 2015–2016, 2016–2017, 2017–2018, where it reduced by 10,200, 19,267, and 9,733 respectively.



Unemployment - In the meantime, 10,200 more workers were unemployed, as the number of jobless workers increased from 28,367 to 37,133. The number of unemployed workers increased by 2.3% percent compared to four quarters ago. In the first quarter of 2018, there were 36,300 unemployed workers compared to 37,133 today.



Unemployment Rate - Kern County's unemployment rate rose by 2.5 percentage points from 6.93 percent in the fourth quarter of 2018 to 9.47 percent in the first quarter of 2019. The average unemployment rate in the first quarter of 2019 was 9.47 percent which was similar to that of the first quarter of 2018. This pattern is synonymous with the decrease in employment in the service sector which occurs at the beginning of the year. Kern County's unemployment rate remains roughly twice the unemployment rate of California, which is 4.2 percent.

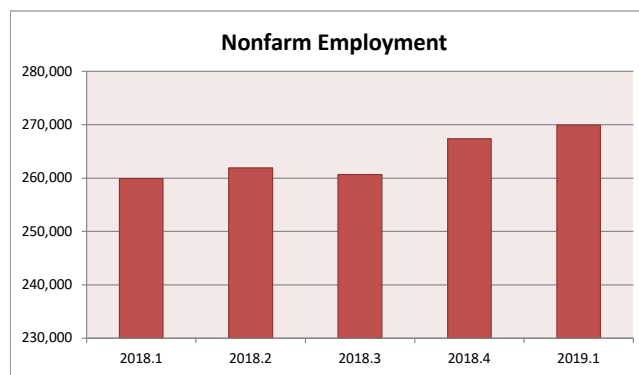


The rate of unemployment varied considerably across cities. Among the cities shown below, unemployment rate varied between 2.97 percent in Ridgecrest to 28.7 percent in Delano. All cities in Kern County showed an increase in the unemployment rate, except Ridgecrest, which experienced a slight decrease between the fourth quarter of 2018 and the first quarter of 2019. The biggest quarter to quarter increase in unemployment occurred in Delano going from 15.33 percent to 28.7 percent. In Bakersfield, the rate of unemployment was 5.97 percent, an increase of 0.83 percentage points from the fourth quarter of 2018.

Nonfarm Employment – Local nonfarm industries employed 2,600 more workers in the first quarter of 2019. The number of nonfarm workers increased from 267,367 to 297,367. Nonfarm industries hired 10,033 more workers than four quarters ago. The change in nonfarm workers that occurred between 2018.4 and 2019.1 is the opposite of that which occurred between 2017.4 and 2018.1. In 2017 to 2018, Kern County lost 2,867 nonfarm workers while this year saw an increase of 2,600 workers.

Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
KERN COUNTY	9.47%	McFarland	15.37%
Arvin	9.17%	Mojave	17.73%
Bakersfield	5.97%	Oildale	13.70%
California City	20.23%	Ridgecrest	2.97%
Delano	28.70%	Rosamond	11.43%
Edwards	8.80%	Shafter	11.03%
Frazier Park	10.33%	Taft	4.37%
Lake Isabella	11.43%	Tehachapi	5.73%
Lamont	7.47%	Wasco	15.67%

Note: City-level data are not adjusted for seasonality and “informal” market workers.

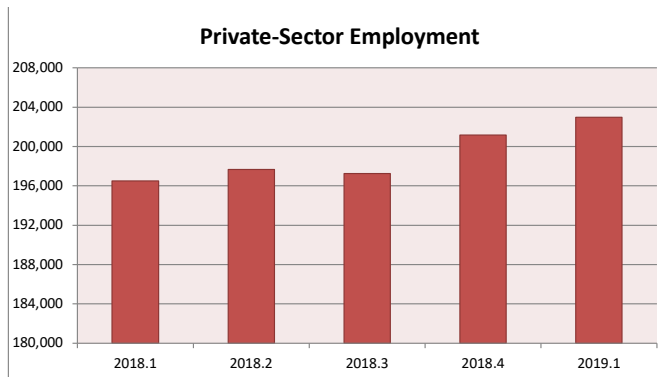


Farm Employment –In the first quarter of 2019, Kern County hired 11,433 less farm workers. As a result, farm employment decreased from 64,367 in the fourth quarter of 2018 to 52,933 in the first quarter of 2019. Nonetheless, 1,933 more workers were hired in the farm sector compared to last year. The number of farm workers employed in the first quarter continues to hover around the 50,000 mark that has been observed every first quarter since 2015.

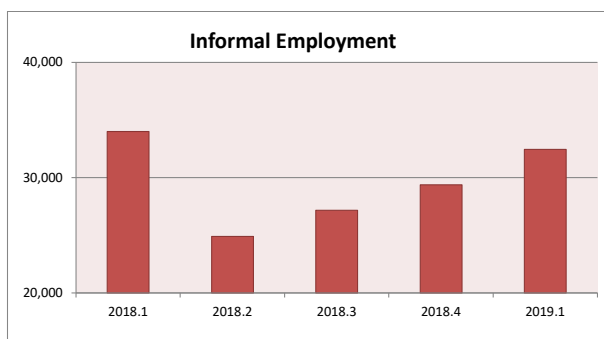
In Bakersfield, much of the increase in nonfarm employment came from a few sectors: private service providing added (1,833 workers), mining, logging and construction added (2,033), transportation, warehousing and utilities (2,900 workers), local government excluding education (2,033), county (1,733), construction (1,533), educational and health services (800 workers), and healthcare and social assistance (633). These increases were offset by declining employment in the retail trade (1,633 workers), local government education (1,300), general merchandise stores (1,067), leisure and hospitality (967), and finance and insurance (633).

Informal Employment - Informal employment is the difference between total employment and industry

employment. It accounts for self-employed workers and workers employed outside their county of residence. In the spring quarter of 2019, the number of informal workers increased by 3,300 workers. Compared to the first quarter of 2018, there are 1,533 less informal workers. The growth in the number of residents who have sought to create their own jobs has slowed down. The 32,467 informal workers in Kern County's average the number last witnessed in the first quarter of 2017.

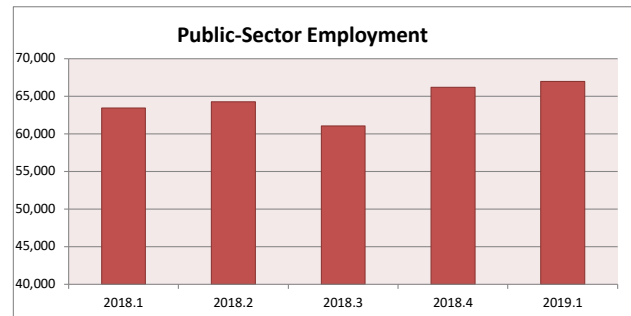


Private-Sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the first quarter of 2019, private companies hired 1,800 more workers as their employment increased from 201,167 to 202,967. Conversely, the private sector employed 6,467 more workers this quarter than four quarters ago. The figures are at par with those witnessed in the fourth quarter of 2016.

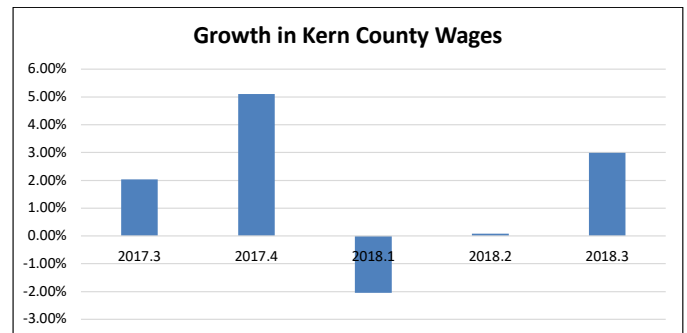


Public-Sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the first quarter of 2019, government agencies hired 800 more workers

as their employment increased from 66,200 to 647,000 – a 1.21 percent increase. The year to year increase in employment is 5.62 percent.

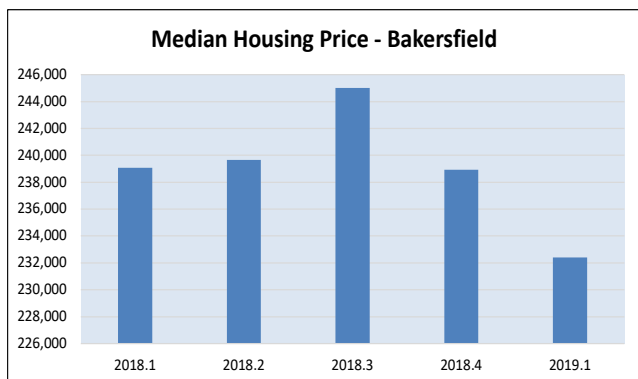


Growth in Salaries and Wages - Salaries and wages in Kern County increased from 3,665,501 (thousand) in the second quarter of 2018 to 3,775,281 (or 2.99 percent) in the third quarter of 2018. Compared to four quarters ago, salaries were higher 217,617 (thousand dollars) or 6.12 percent. The positive growth in salaries in the third quarter of 2018 is similar to that of 2017. Between 2013 and 2018, third quarter growth rates have averaged 3.74 percent, implying that the 2.99 percent growth in salaries is within the five year average.



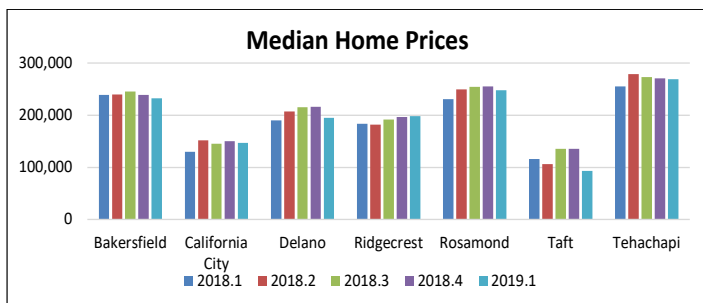
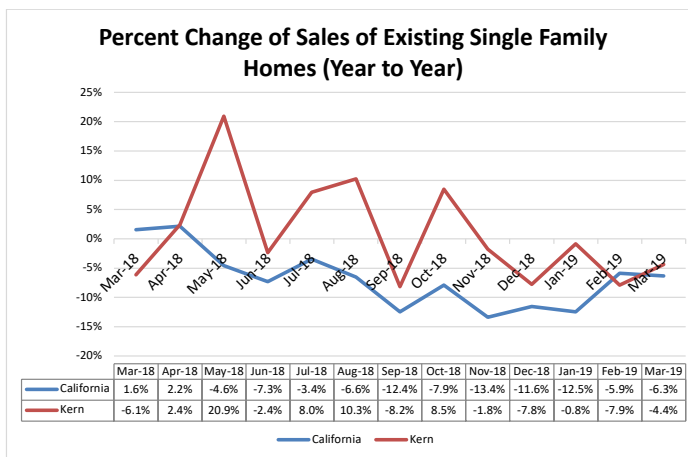
Housing Market

Housing Price - In the first quarter of 2019, Bakersfield's housing prices decreased by \$6,500 (2.72 percent) compared to the fourth quarter of 2018. The median home price averaged 232,917 in the first quarter compared to 238,917 in the fourth quarter. This drop in home prices is similar to that which occurred between the preceding third to fourth quarter change. Price are \$6,667 lower than four quarters ago.



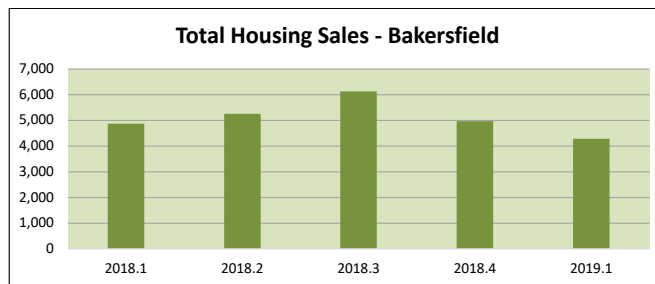
Regional Housing Prices - The housing demand decreases felt in Bakersfield are likely to spread to the surrounding towns as individuals who are on the margin of buying are likely not located in the Bakersfield MSA directly. The only third to fourth to first quarter increase in home prices occurred in Ridgecrest (1.06%). Prices decreases occurred in California City (2.28%), Delano (9.66%), Rosamond (2.87%), Taft (31.36%) and Tehachapi (0.52%).

Growth in Housing Sales – We compare growth in sales of existing single family homes in Kern County with growth of sales in California. Positive values indicate that more homes were purchased this year compared to last year. In March 2019, sales of single family homes in Kern County were 4.4 percent less than they were in the previous year, while sales were 6.3 percent lower in California. Average growth in home sales in California between December 2018 and December 2019 was -6.8 percent while the number was 0.8 percent in Kern County. Overall, growth in sales in Kern County averaged 7 percent points higher than California.



Housing Sales – In Bakersfield, quarter to quarter sales of residential units decreased by 687 units, from 4,975 in the fourth quarter of 2018 to 4,288 in the first quarter of 2019. An average of 582 less homes were sold in the first quarter of 2019 compared to the first quarter of 2018. This drop in demand mirrors national trends.

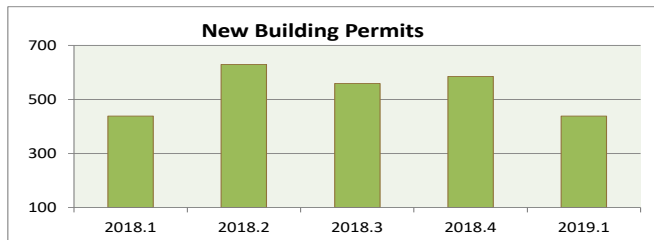
Housing prices varied across Kern County. Within the previous four quarters (2018 first quarter to 2019 fourth quarter), the median sales price increased in all of the major cities of Kern County except in Bakersfield. Most cities recorded single digit increases in prices, with California City witnessing the largest rise in prices. Over the last year, the median home price in California city rose by 13.05 percent.



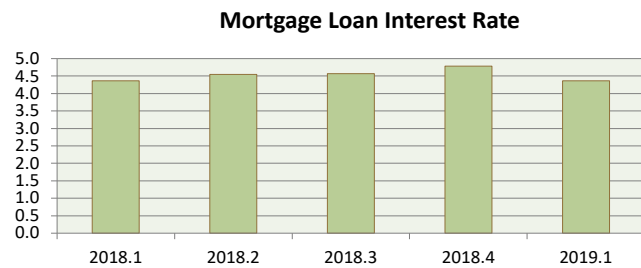
Location	Median Price	Median Price	Price Change (\$)	% Price Change
	2018.1	2019.1	2019.1 - 2018.1	2019.1 - 2018.1
Bakersfield	239,083	232,417	-6,667	-2.79%
California City	129,667	146,583	16,917	13.05%
Delano	189,833	194,833	5,000	2.63%
Ridgecrest	183,083	198,500	15,417	8.42%
Rosamond	230,500	248,000	17,500	7.59%
Taft	92,083	92,833	750	0.81%
Tehachapi	255,000	268,917	13,917	5.46%

New Building Permits – In the first quarter of 2019, Kern County issued 147 less permits for construction of new privately-owned dwelling units compared to the fourth quarter of 2018. A total of 438 permits were issued this quarter compared to 585 in the fourth quarter of

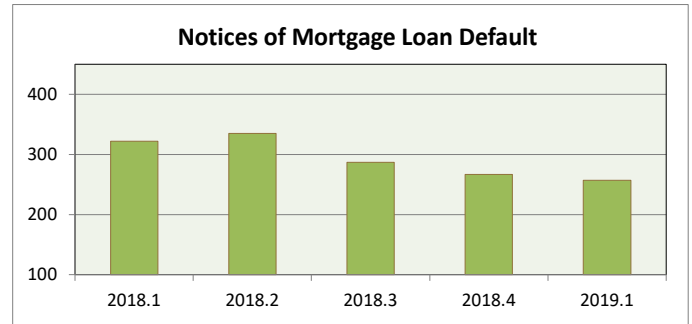
2018. This decrease in permitting indicates a drop in construction plans in Kern County. Nonetheless, the number of permits that have been issued this quarter are identical to those issued in the first quarter of 2018. The 5-year average of permits issued in the first quarter is 470.



Mortgage Interest Rate – In the first quarter of 2019, the interest rate on thirty-year conventional mortgage loans decreased from 4.78 percent to 4.37 percent. The mortgage interest rate is identical to that of the first quarter of 2018. The five year average mortgage loan interest rate is 4.07 percent.

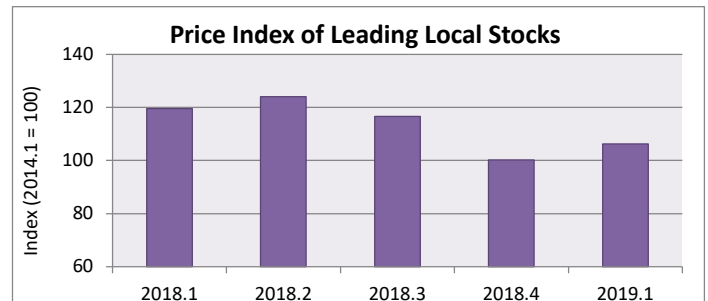


Housing Foreclosure Activity –The downtick in foreclosure activity continued as the number of new foreclosures decreased by 10 foreclosures from 267 in the fourth quarter of 2018 to 257 in the first quarter of 2019. This number is also 65 units lower than four quarters ago. The 2019 first quarter recordings of foreclosures is the lowest witnessed in ten years.

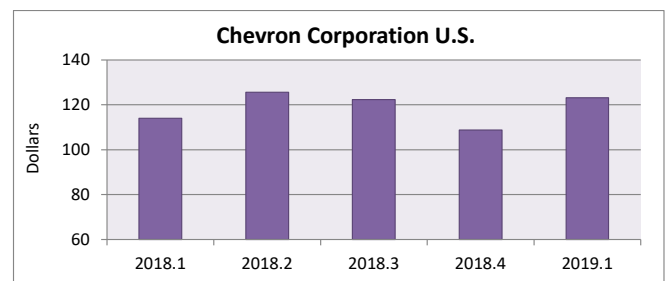


Stock Market

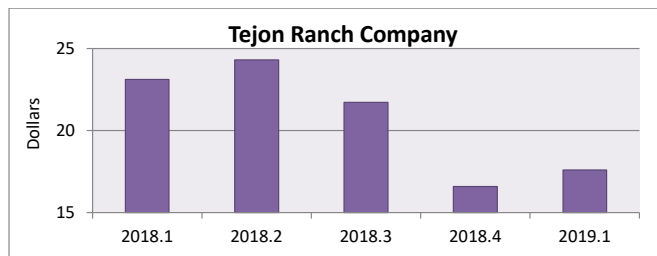
In the fourth quarter of 2018, the composite price index (2014.1=100) of the five publicly traded companies doing business in Kern County increased by 5.9 percentage points from 100.3 to 106.2. The index is 11.2 percentage points lower than what it was four quarters ago. Average “close” prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



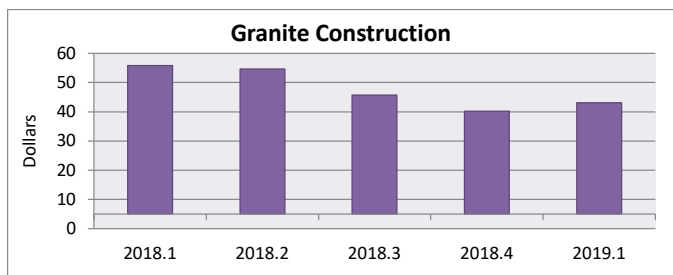
Chevron Corporation U.S.: Compared to the last quarter, CVX gained \$14.39 (or 13.2 percent) per share as its price increased from \$108.79 to \$123.18. Relative to the first quarter of 2018, CVX was up \$9.14 (or 8 percent).



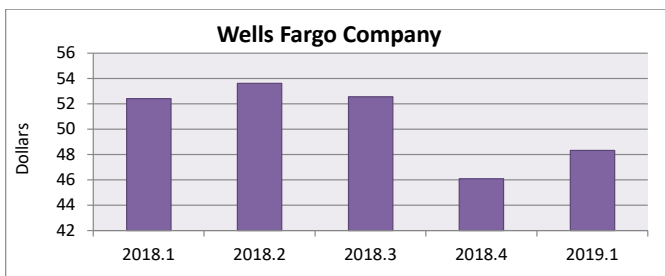
Tejon Ranch Company: TRC gained \$1.02 (or 6.2 percent) per share as its stock price increased from \$16.58 to \$17.60 between the fourth quarter of 2018 and the first quarter of 2019. Compared to last year, the TRC stock price is down \$5.51 (or 23.8 percent).



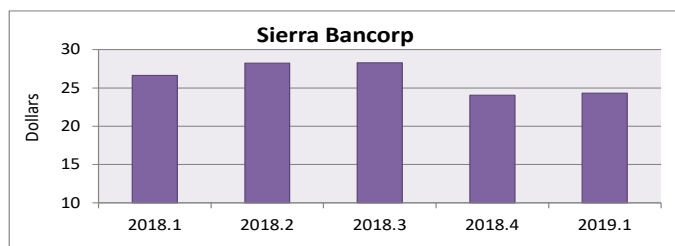
Granite Construction: GVA gained \$2.87 (or 7.1 percent) per share as its stock price increased from \$40.28 to \$43.15 between the fourth quarter of 2018 and the first quarter of 2019. Conversely, GVA lost \$12.71 (or 22.8 percent) over the last four quarters.



Wells Fargo Company: WFC gained \$2.24 (or 4.9 percent) per share as its stock price increased from \$46.08 to \$48.32 between the fourth quarter of 2018 and the first quarter of 2019. Relative to one year ago, WFC is down \$4.09 (or 7.8 percent).

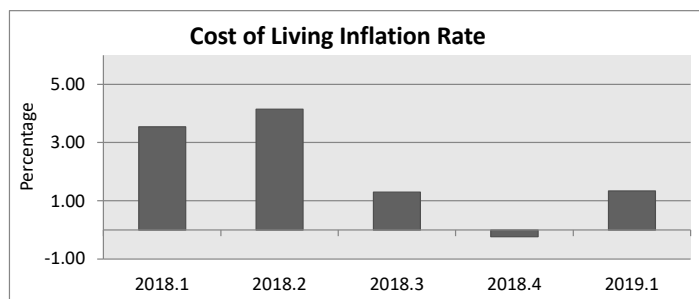


Sierra Bancorp: BSRR lost \$0.27 (or 1.1 percent) per share as its price decreased from \$24.03 to \$24.30. Similar to the other companies, BSRR lost \$2.34 (or 8.8 percent) since the first quarter of 2019

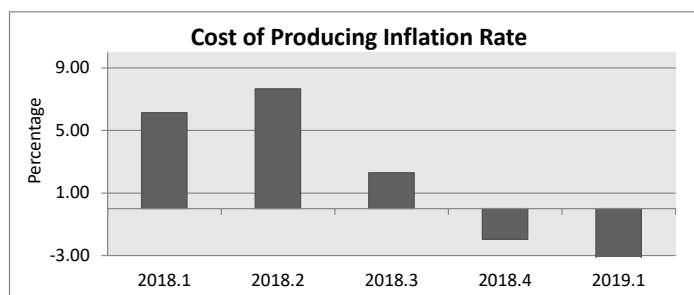


Inflation

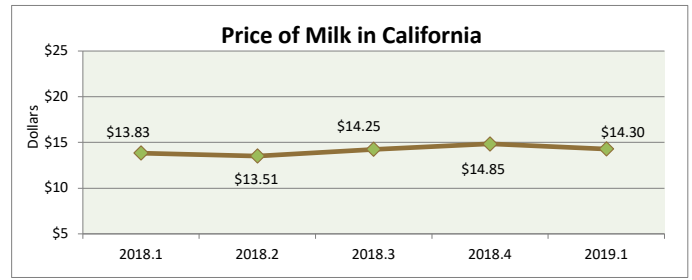
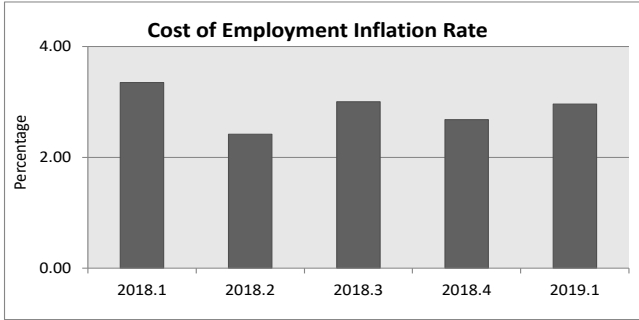
Cost of Living – In the first quarter of 2019, the Consumer Price Index for all urban areas (1982-84 = 100) did not change much. Inflation for the cost of living increased by 1.34 percent. These are numbers similar to those obtained in the third quarter of 2018.



Cost of Production – The Producer Price Index for all commodities (1982 = 100) remained stable between the fourth quarter of 2018 and the first quarter of 2019. The cost of production decreased at an annual rate of 6.25 percent. The cost of production inflation rate was -1.96 percent last quarter and 7.62 percent four quarters ago.



Cost of Employment - The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 135.20 to 136.20. The cost of employment grew at an annual rate of 2.96 percent. The cost of employment inflation rate was 2.68 percent last quarter and 3.35 percent four quarters ago.

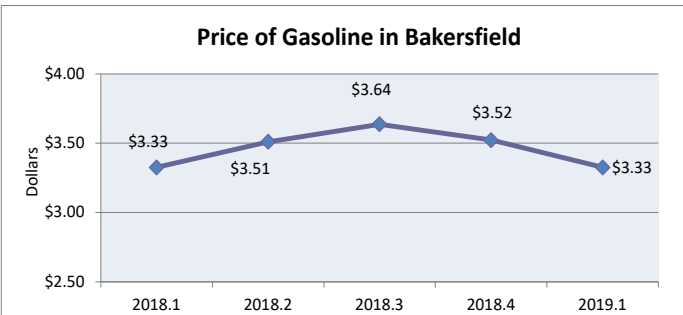
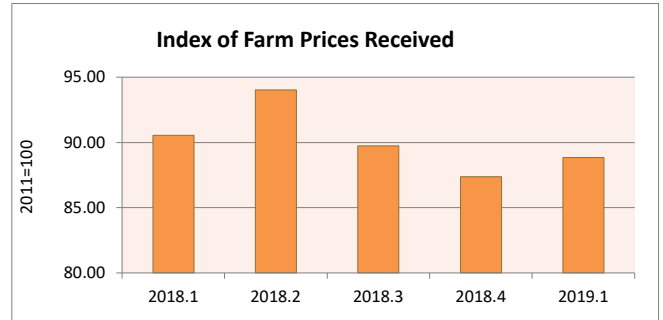


Farm Prices -

Farm Prices - In the first quarter of 2019, the National Index of Prices Received by Farmers for all farm products (2011 = 100) dropped by 1.5 points, to 88.83 compared to 90.53 recorded in the first quarter of 2018. This is a slight decrease from the 87.37 points recorded in the fourth quarter of 2018.

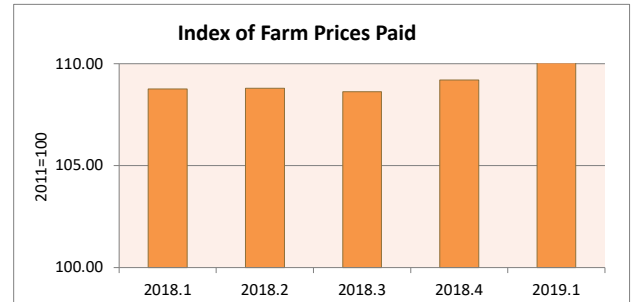
Commodity Prices

Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of gasoline decreased by \$0.20 to \$3.33. Gasoline prices in the region are currently increasing due to oil refinery maintenance and production of summer blends. Geopolitical events such as the unrest in Venezuela and rising tensions with Iran have also contributed to oil price changes. The average prices in Bakersfield are identical to those experienced four quarters ago.



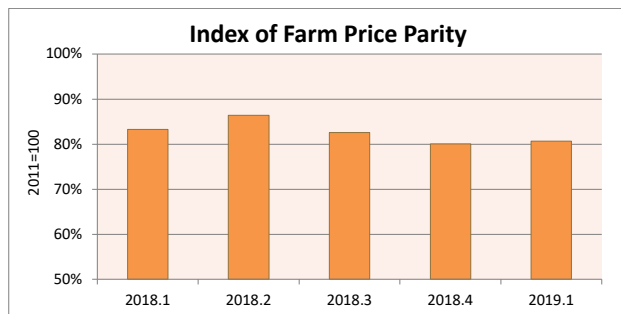
Meanwhile, the National Index of Prices Paid by farmers for commodities, services, interest, taxes, wages, and rents increased by 0.89 percent (compared to last quarter), dropping 1 point to reach 110.17, meaning that farmers are worse off this quarter compared to last. The index was 108.77 four quarters ago.

Price of Milk - The unit price of California's Class III milk fell slightly from the fourth quarter of 2018, decreasing from \$14.85 to \$14.30. Noticeably, the price growth has slowed down following the upward trend observed in 2018. The price is \$0.47 more than what it was four quarters ago.



We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the first quarter of 2019, the gap between prices paid and prices received increased slightly,

as the Index of Farm Price Parity rose to 81 percent. These parity levels are similar to those witnessed in the last quarter of 2014. Four quarters ago, the price ratio was 83 percent, meaning that conditions for farmers are much worse than they were just a year ago.



¹ Source - Online databases: <http://www.labormarketinfo.edd.ca.gov>; www.usda.com; www.bakersfieldgasprices.com; www.bea.gov; www.car.org; www.trulia.com; www.census.gov; www.freddiemac.com; <https://www.cafmmo.com>; www.bls.gov

Is Agriculture Making us Poor?

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Introduction

For two consecutive years, in 2016 and 2017, Kern county was announced the top agriculture crop producing county in the US. Even though it may seem, and to some extent is, good news, a thriving agriculture industry might actually pose some serious threats to the well-being of the local communities. This article attempts to shed some light on current problems and future risks related to the domination of agriculture in Kern's economy. The article is organized as follows: firstly, relatively high levels of poverty in Kern are discussed; secondly, the nature of agricultural employment is analyzed as a potential underlying cause for elevated poverty rates; finally, the article points to some policy directions local authorities might take to mitigate the identified risks.

Where are we now? Poverty in Kern County

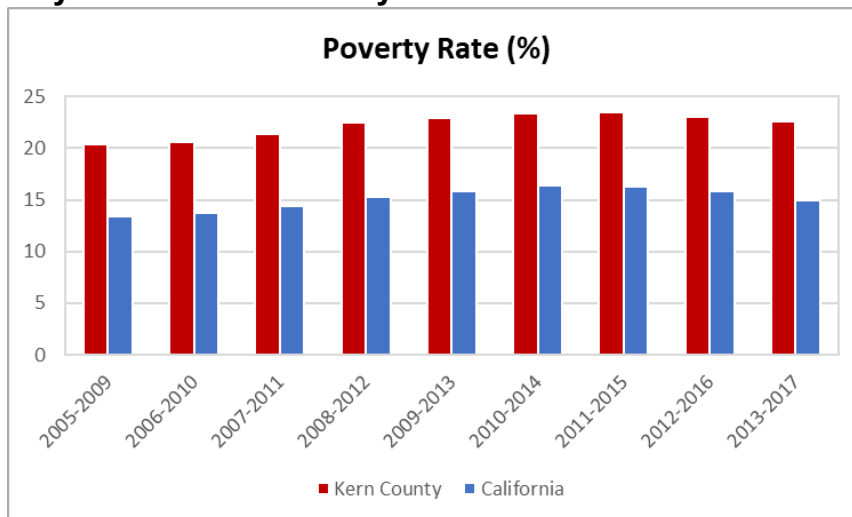
Kern's poverty problem is not new – poverty rates have been always relatively high in comparison to California's average. Nonetheless, it is worrying that over the last two decades, the poverty rate has actually increased, reaching 21.2 percent in 2017, compared to 13.3 percent in California (see Figure 1). Furthermore, Kern's growing population also means that the absolute number of people living in poverty has grown significantly from around 140,000 in 2000 to approximately 183,000 in 2017. Another striking fact is that poverty unproportionately hits the youngest and most vulnerable; poverty rate among children aged 0-17 was as high as 29 percent in 2017. This not only means that children are exposed to poor living standards, but has also some potential undesirable long-term implications: children from low-income households typically get less chance to get educated, which negatively impacts their future earnings, creating a vicious cycle of poverty.

¹ See: <https://www.farmprogress.com/grapes/kern-holds-its-top-spot-nations-leading-agricultural-county>.

² United States Department of Agriculture data, available at: <https://www.ers.usda.gov/data-products/county-level-data-sets/>.

³ Ibid.

Figure 1. Poverty rates in Kern County and California

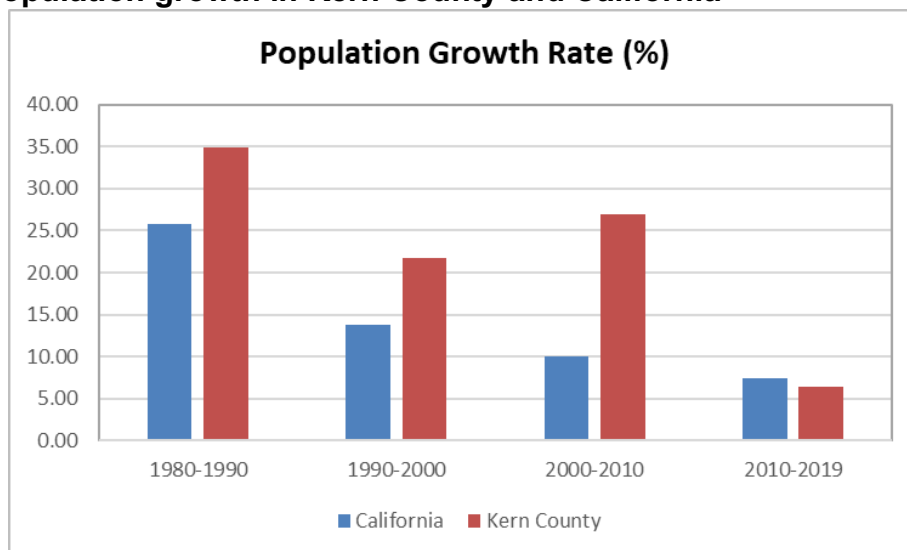


Source: U.S. Census Bureau

The role of agriculture industry in elevated poverty levels

A study on the relationship between agriculture and poverty, conducted in 2000 for the Central Valley region, did show a negative impact of agricultural employment on poverty rates. Back then, the authors’ main conclusion was that a high supply of farm jobs attracted large numbers of unskilled foreign workers, who were offered poverty-level earnings, and created impoverished communities in rural areas. This scenario is less relevant today: population growth has significantly slowed down over the last decade (see Figure 2), and is expected to remain low, averaging 0.7 percent per year from 2017 to 2022.⁵ What is more, net migration is actually negative: over the same period, an average of 1,900 people are expected to leave the county each year. Hence, the large inflow of cheap labor force no longer seems a sufficient reason for the high poverty levels. Nonetheless, there is still a number of factors that sustain the negative impact of agricultural employment on poverty rates.

Figure 2. Population growth in Kern County and California



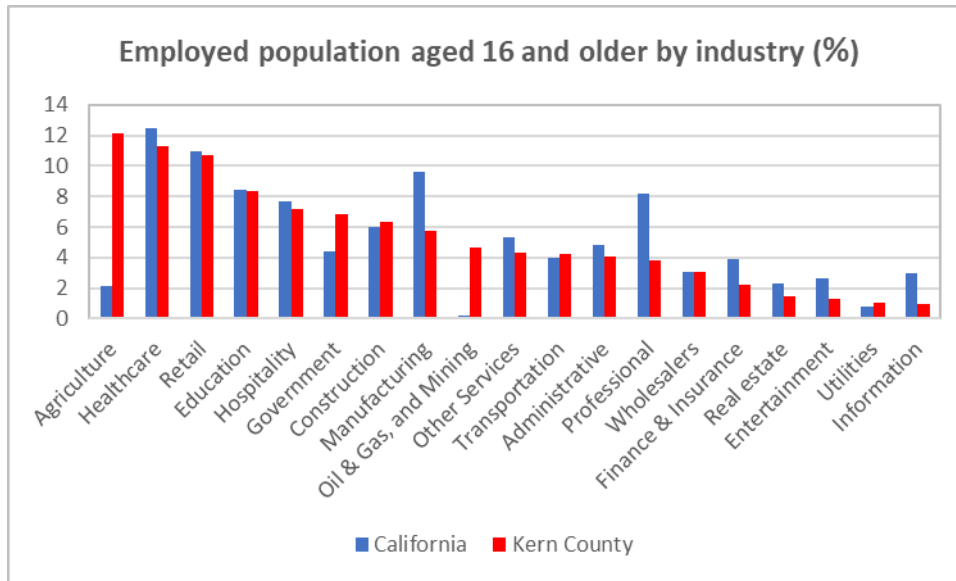
Source: U.S. Census Bureau

⁴ Taylor, E., & Martin, P. (2000). Central Valley evolving into patchwork of poverty and prosperity. *California Agriculture*, 54(1), 26-32.

⁵ Government of California (2017). Kern County Economic Forecast. Available at: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2017/Kern.pdf.

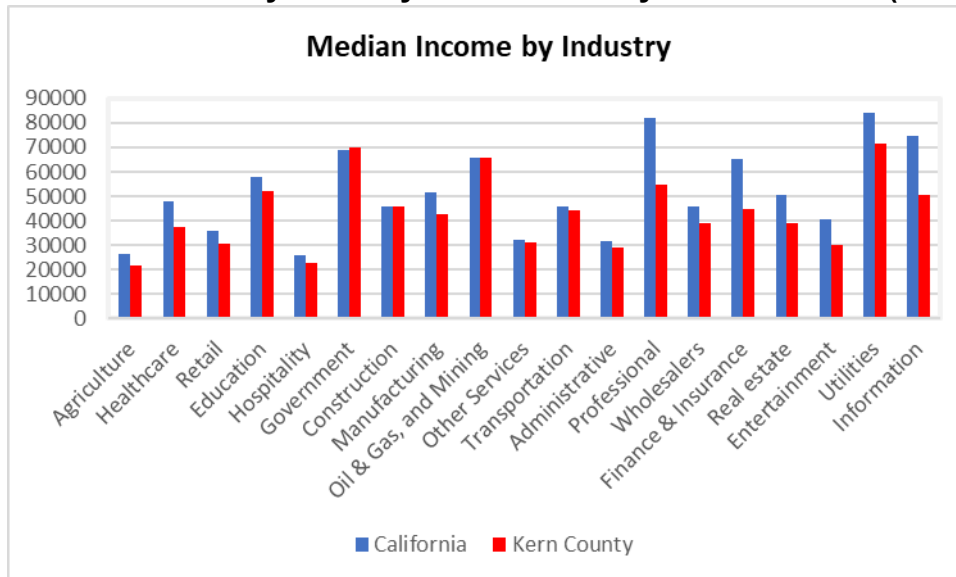
Firstly, the labor supply remains high. Even though the unemployment rate has been gradually falling in last years (from 15.7 percent in 2010 to 9.2 percent in 2017), it remains well above the Californian average (4.8 percent in 2017).⁶ High number of workers looking for employment means that employers do not have to compete for employees by increasing wages, especially in low-skilled industries such as agriculture. Therefore, average income in agriculture remains low – in fact, it is the lowest across all industries in Kern, and accounts for merely 30% of wages paid in government jobs (see Figure 4). An average income of a farm worker is far below California’s poverty level for a family of four (equal to \$25,100)⁷. Hence, agricultural workers are likely to live in poverty despite being full-time employees.

Figure 3. Percentage of the employed population by industry in Kern County and California (2017)



Source: U.S. Census Bureau

Figure 4. Median Income by industry in Kern County and California (2017)



Source: U.S. Census Bureau

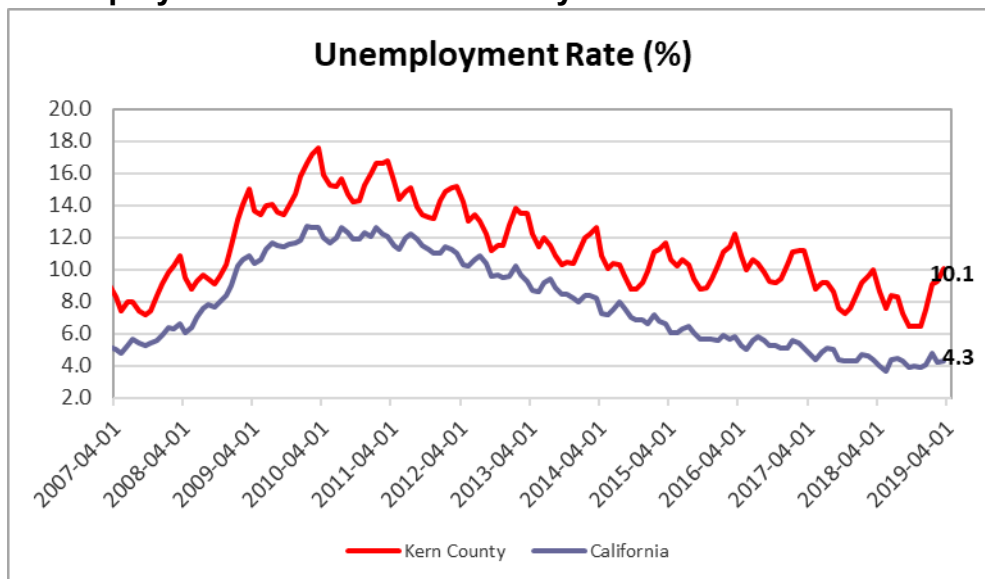
⁶ United States Department of Agriculture data, available at: <https://www.ers.usda.gov/data-products/county-level-data-sets/>.
⁷ See: <http://www.laalmnac.com/social/so24.php>.



However, another problem is that they rarely are full-time-employees. According to one estimate, in 2014 there were two farm workers for every job in agriculture in California. Hence, not only are the wages low in agriculture, but also most employees work part time and consequently, receive only a portion of the salary.

Finally, agricultural jobs are highly seasonal. For instance, in August 2017, there were approximately 75,700 farm workers in Kern, compared to only 43,900 in March the same year.⁹ The changing demand for agricultural laborers over the year is visible in the highly fluctuating unemployment rate (see Figure 5).

Figure 5. Unemployment rates in Kern County and California



Source: U.S. Census Bureau

⁸ Martin, P., Hooker, B., Akhtar, M., & Stockton, M. (2016). How many workers are employed in California agriculture?. *California Agriculture*, 71(1), 30-34.

⁹ Kern Economic Development Corporation data, available at: <http://kedc.com/resources/labor-force-and-industry-employment-data/2017-labor-industry-data/>.



Conclusions and Recommendations

In summary, agriculture remains an essential pillar for Kern's economy, and provides a main source of employment. However, jobs in agriculture are predominantly part-time and seasonal, which means that farm workers in fact remain unemployed or underemployed most of the time. Even if they are full-time employees, the extremely low wages prevailing in agriculture sector often push them below poverty levels. Even though the population growth is slowing down, and unemployment is gradually falling, labor supply remains high, which stops wages from raising. These factors contribute to relatively high poverty levels in Kern County, compared to California or the US.

A study on relationship between agriculture and poverty conducted in 2000 pointed to two policy directions: 1) bringing seasonal farmworkers in a manner that meets increased labor demands in summer months but does not lead to settlement and thus exposure to unemployment during the rest of the year; or 2) adopting policies that uplift poor rural residents, by improving economic mobility.¹⁰ However, the conditions have slightly changed since then, in a sense that large inflows of foreign workers are no longer a major issue. Therefore, the first policy option, aimed explicitly at stopping immigration seems irrelevant now. Instead, local authorities should focus on the second option, and provide support for the impoverished segments of the society. For instance, efforts could be directed into unionization of farm workers and labor law reforms and enforcement to improve situation of those (under-) employed in agriculture. Poverty among children requires the most urgent and strong intervention, especially in supporting equal access to education and training, to ensure building human capital and a higher skilled workforce in the region. Ideally, this should be followed by building region's competitiveness in more capital-intensive sectors to provide better, high-paid jobs for Kern's residents; this could be done, for instance through investment incentives (e.g. tax credit) for companies from high-yield sectors.

¹⁰ Taylor, E., & Martin, P. (2000). Central Valley evolving into patchwork of poverty and prosperity. *California Agriculture*, 54(1), 26-32.

Principles of Work Site Negotiation: Reminding Ourselves of the Basics

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As a member of the executive tier it is often necessary to prepare for some type of employment based negotiation. As managers we generally respond to a call to negotiate rather than seeking out these discussions. However, there are times when work site negotiations are necessary and proper and thoughtful strategies should be in place. As supervisors we have probably completed university level courses in negotiation techniques or have participated in short course professional workshops on this important topic. The purpose of this article is to be a refresher of the essential though basics skills of effective employer – employee work site negotiations.

Let us start with a reminder of the definition of work site negotiation. There are generally four components: [1] two or more parties are involved each having their own aims and goals, [2] where a difference exists between these parties and seeking common ground is necessary, [3] with a series of give and take conversations occurring in an attempt to settle these issues with mutual concern, so that [4] short or long term disagreement, dispute or argument can be avoided. It seems obvious that if there is only one party then negotiation is not needed or if there are no differences then again there is little pressing need. The heart of negotiation comes in the form of mutually respectful and good faith efforts of both parties to resolve disagreements so that efficient and meaningful work may continue.

Before a call to negotiate is requested it is important that both parties understand five basic assumptions. Without these principles in place little progress can be made. These assumptions include:

1. both parties have the authority and power to engage in work site negotiations. From the execute side the person approached about concerns may not be entitled to speak for and on behalf of the organization involved. This would also be true of the person calling for a negotiation discussion. They must be properly authorized to represent some set of workers. Only the recognized representatives should be involved.
2. the issue brought forth as the base concern or source of the negotiation must be important enough to justify the negotiation process. Many issues float about in the work world but only those that rise to a certain level of significance should be encouraged and processed forward as an object of concern.
3. both parties have something that the other party needs or values. If the concern is all one sided then there is little need for the other side to engage in any meaningful negotiation. There must be a pressing value held by one or both parties.
4. the power differential is essentially equal. This means that each side of the discussion has some level of leverage that empowers them to request and expect a good faith conversation concerning the work site issue. Generally, but not always this is the situation when management and labor find a need to negotiate.
5. both parties must understand and agree to live by the results of any agreement for a short or long term time period. It is common for the results of a negotiation to be codified with authorized signatures binding both parties to the agreement.

Of course there will almost always be the potential for lower level concerns between an employee and their supervisor. These individual based issues should and can be worked out through using professionally based conversations and follow up meetings. However, larger scale, multiple people involved issues may present themselves. May I remind us of the six basic principles of effective work site negotiation when significant issues emerge?

Principle number one: *clarify with exactness the goal(s) of the negotiation.*

The following questions are important to consider: [1] what is the primary purpose of this negotiation? [2] what is the minimum outcome acceptable to my party? [3] what is the maximum outcome hoped for in this process, [4] has each party defined in detail the goals of the negotiation?

It is therefore important that before either party convenes a conversation session, they are clear on the intent of the meeting and hoped for outcomes. This will require before meeting conversations seeking clarification and intentions.

Principle number two: assess the power base of each party before the negotiation sessions begin.

The following questions would be helpful at this point: [1] as management, do I even need to engage in a negotiation activity? [2] are there other alternative ways to properly handle this called for conversation? [3] what are my side's strengths and weaknesses? [4] what are the strengths and weaknesses of the other party? [5] what concerns are accurate and acceptable to discuss?

This issue of power base is essential to have clarified. There is no point to empower another party with a negotiation session if they do not have a legitimate argument for such. Of course we always want to resolve work place issues but only under certain circumstances is negotiation the proper process.



Principle number three: *determine if in fact there is a need for change, compromising or trade-offs?*

When an issue is brought forward, management must be alert to the needs of employees and to correct any issue that is fundamentally unfair. This should be attended to quickly and properly. However, if differences of opinion or approach continue then the following questions might prove helpful: [1] are there any minor goals that can be conceded that can serve as a win for the other party that management finds acceptable? [2] define for your party what are deal breaking points? [3] attempt to determine what are deal breaking points for the other party? [4] what can be traded that might help the other party feel valued and also serve the interest of management?

Errors must be corrected and completed with honest and quick effort. Where there are still issues of disagreement, each party should, in good faith, look for areas of compromise or mutually accepted trade offs.

Principle number four: *assess the negotiation style of your counterpart.*

Each primary participant in the negotiation session represents their organization or side in a disagreement. How do you want to be viewed? I would hope that professionalism, integrity and fairness are your key aims. Some questions to ask yourself of the other party include: [1] are they acting in good faith, [2] are they professional, [3] are they reasonable, [4] are they trustworthy and responsible [5] what is their tone and rhetoric, and [6] is there a sense of exploitation in the process?

It is rarely helpful if the other party [or if you do this as well] moves to the extreme of an issue forcing the other party to likewise move to the extreme on their side of the issue. You might be able to determine this by watching the style, tone and overall approach of the other party. We understand that at times a negotiator might seem 'hard' or 'difficult' but that is fundamentally different from one who is being unreasonable or exploitive.

Principle number five: *seek for a mutual win – win*

There is nothing wrong and actually everything to be gained if both parties in a negotiation seek for common wins. Some might pause and assume that if your side needed to give up something on your part of the equation then in some way you have lost. This is not always accurate.

Here are some questions to ask yourself to determine if a win-win scenario is possible. [1] work to note if both parties have been treated fairly and with respect? [2] do both parties seek or need an on-going relationship? [3] do both parties look for the overall values of their counterpart? Common wins are not possible if there is a breakdown in these key elements.

Seeking common wins is the most difficult part of negotiating however; it should be one of the common goals of each party.

Principle number six: *make offers with clarity and credibility*

The negotiating process involves proposal making, review of the impacts of those proposals and perhaps counter offers to those proposals. It is essential that offers are made with clarity working with precise language and that the offer is a sincere attempt in good faith. One of the greatest sources of frustration in negotiating is when these principles are violated.

Here are some important questions to keep in mind during this process of the negotiation sessions: [1] what are the strengths and weaknesses of the proposal? [2] what are the strengths and weakness of any counter offer? [3] is the wording precise or ambiguous? [4] what follow up questions exist in clarifying the details of a proposal or a needed counter offer?

It is important not to respond to a counter offer without researching the impact of that offer. Some may feel that a quick rejection is a sign of strength but it is also an indicator of a disrespectful tone to the approach. The offer or counter offer may be very flawed however the goal is a search for common wins if at all possible.

Besides basic assumptions and guiding principles to the negotiation process, there are a set of cautions that should be understood.

1. understand the principle of diminishing expectations: each party should be aware that they might start the negotiation process with high and perhaps unrealistic expectations of the hoped for result. During negotiation sessions it is possible for a more negative sense of how things are going to overlay the process.
2. understand the principle of regressive offerings: it is possible that over a period of time when a proposal is made and a counter offer comes about that the counter is becoming less favorable. This could be viewed as a punishment or as a necessary step.
3. understand the difference between 'key point' words and cosmetic words: some of the language used in a



negotiation process is purely for dramatic effect and is not substantive. Professionalism dictates that we not co-mingle essential and wisely chosen wording with that intended to be emotionally charged.

4. understand the drama of the process: these sessions may consist of lengthy time commitments, vacillating emotional feelings and even fatigue. Some parties decide on purpose or because of emotion and fatigue to become overly dramatic. These types of reactions are not professional or helpful though they may engender an occasional response.
5. understand the difference between long term relationship building and short sighted attempts at a gain: some negotiation sessions occur only annually or as employment contracts need updating. However, it is not professional or wise to sacrifice long term relationships for an immediate gain. Even if the counterpart changes - the relationship with the other party should be one of valued respect.

Staying up to date or reminded of previously learned tools of negotiating should be a thoughtful and intended effort. Hopefully this short review of negotiating basics has proven helpful.





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KERN ECONOMIC JOURNAL is a quarterly publication of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions. Please visit <http://www.csub.edu/kej> for more information.