



Lack of Qualified Workers Identified as Greatest Impediment to Hiring

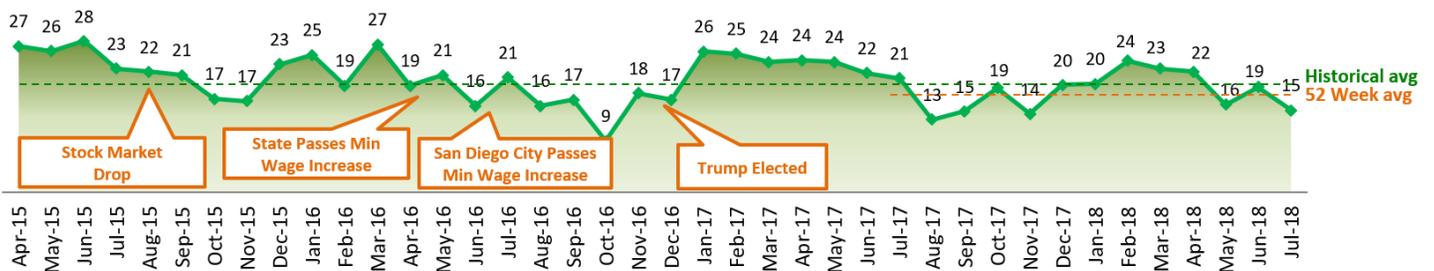
Retention a challenge for a quarter of region's businesses

Highlights:

- Business outlook remains somewhat upbeat with a BOI score of 14.9
- Hospitality/restaurants are less optimistic looking toward fall
- Coastal firms sit in neutral territory at zero
- Most firms – and almost all large companies – encounter obstacles to hiring
- Commute time and housing affordability negatively impact business outlook

The San Diego County Business Forecast, sponsored by CalPrivate Bank, shows the Business Outlook Index (BOI) remains comfortably in positive territory at 14.9. While not significantly lower than last month's 19.1, optimism about the number of hours companies will be offering their employees has dipped as businesses anticipate transitioning from the busy summer season into fall. Aside from that seasonal shift, the business community's expectations about hiring, company revenue, and general industry conditions are holding steady. The index ranges from +100 to -100 with zero being neutral.

Business Outlook Index Over Time



Companies operating along the coast and those in the hospitality/restaurant industry are much less confident about the next three months than other businesses. Firms west of Interstate 5 sit squarely at 0 on the index, while hospitality/restaurants are barely in positive territory at 2. The current lack of optimism from both types of firms is due to lower confidence in the number of hours they'll offer their employees, as well as company revenue.

Development/construction firms are more optimistic about revenue in the coming months, which is a good sign for new construction. Anticipating the back-to-school season, retail firms expect to hire more employees,

as do business consulting firms. However, cyber firms do not share this optimism for hiring. Ads/promotions firms are notably cheerful about increasing the hours they offer to workers. Real estate firms are less than rosy about business conditions in the near term, perhaps expecting a slow-down as summer ends.

Compared to last month, significantly more businesses are concerned about government regulations, with 11 percent saying this as a new challenge they face. No other topic has reached double-digit territory in the last year. This level of concern was rivaled only in April when government regulations topped the list at 9 percent. Trade is among the mix of regulatory concerns. One real estate professional told us, "continuing uncertainty along the border with our traditional trading partners in Baja, California" is their big new challenge, while some in other industries cite "international tariffs" and a need for "clear trade policies." Additional regulatory concerns are "changes in accounting laws," as well as "new immigration laws" and "new tax laws." Others specifically mention objections to tax and fee increases at the federal and local levels.

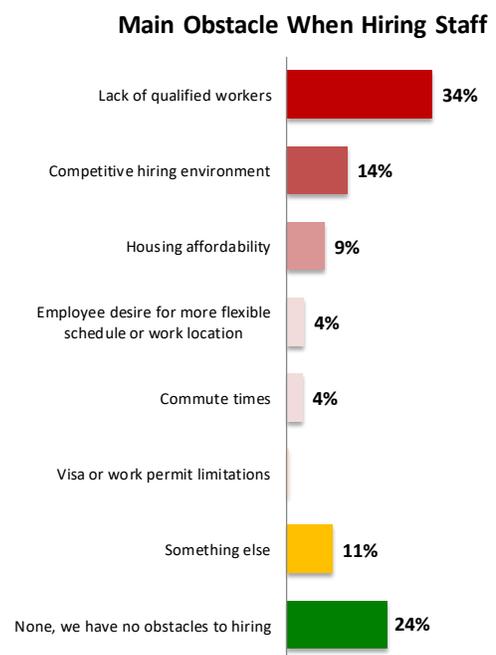
Six percent of businesses are focused on staffing issues, making it one of the top two concerns for the fifth consecutive month. A common lament from those focused on staffing is the ability to find "qualified" and "good" employees with "talent."

In keeping with the recent importance of staffing issues, this month's survey takes a deeper look at the twin workplace issues of hiring and retention. First, it's clear most firms that aren't one-person operations have problems with hiring. Overall, more than three-quarters report some obstacle to bringing on staff and the largest firms have far more difficulty. While 86 percent of micro firms (those with only one employee) report no hiring problems, 78 percent of companies with two to 49 employees encounter obstacles, and almost all (93 percent) large organizations experience hiring obstacles. Once your firm has employees, you can expect to have issues with hiring. The exception is finance firms: most of them report no hiring obstacles, regardless of how many workers they have.

The main obstacle for 34 percent of firms is a lack of qualified workers, making it the most common challenge by far. The issue plagues larger companies with 44 percent of these medium to large companies reporting a lack of qualified workers as an issue, compared to 30 percent of firms with two to ten employees and none of the micro firms in our study.

Fourteen percent cite a competitive hiring environment as their main obstacle, and that's followed by housing affordability mentioned by 9 percent. Larger firms are once again more likely than smaller companies to be challenged by a competitive hiring environment.

Employees' desire for a more flexible schedule or work location, the commute they face, and visa work permits are relatively minor obstacles to bringing on staff. However, deep analysis reveals that companies whose primary obstacle to hiring is the length of the worker's commute have a negative business outlook,



posting a terrible BOI of -20. So, when traffic congestion and distance to work combine to make commutes a hiring problem, firms become decidedly pessimistic. Housing affordability has a similar effect, as companies dealing with this issue from a perspective of hiring score only a 2 on the index. If commute times and housing affordability become more widespread obstacles to hiring, expect the business community optimism to drop. The survey also looks at how much of a problem companies have with employee retention. It is no problem at all for nearly half of businesses and it's a minor problem for 29 percent, but about one-fifth of county businesses find it's seriously difficult to keep workers. Another 3 percent are unsure how to answer the question.

As with hiring, company size tends to be associated with retention. The question doesn't apply to micro firms because the owner is the only staff member, but small firms with two to ten employees also have, at most, minimal problems with retention. The issue becomes more significant among medium-sized firms, as most of them acknowledge a retention problem, but they typically call it "minor." The largest firms with 50 or more workers split into three camps. Although 30 percent don't have problems keeping employees, and another 37 percent feel it's a minor issue, one-third describe retention as a moderate problem or worse. On the positive side, those big firms not experiencing retention problems are doing something right and are worthy of more study. On the other hand, growth has created a serious challenge for the third of large companies who are continually losing workers.

Industry type also plays a role, with hospitality/restaurant firms more likely than those in other industries to experience serious retention problems. While none face a terrible retention problem, 13 percent say it's a big problem and only 26 percent face no issues keeping employees. There is a lot of turnover in the hospitality industry.

About the Business Forecast

The San Diego County Business Forecast, sponsored by [CalPrivate Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded July 16-26, 2018 by [Competitive Edge Research & Communication](#) using responses from 200 randomly selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey over the phone.

The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit <http://sdchamber.org/businessforecast> to see past Business Forecasts.

About CalPrivate Bank and Private Bancorp of America, Inc.

Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for CalPrivate Bank, the new name for San Diego Private Bank. CalPrivate Bank provides a Distinctly Different banking experience through unparalleled service and creative funding solutions to high net worth individuals, professionals, locally owned businesses and real estate entrepreneurs. Clients are serviced by experienced personal bankers through offices in Coronado, San Diego, La Jolla, Beverly Hills and Newport Beach as well as efficient electronic banking offerings. The Bank also offers various portfolio and government guaranteed lending programs, including SBA and cross-border Export-Import Bank programs. CalPrivate Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. www.calprivate.bank Please contact Paul Azzi, EVP and Market President at Paul@calprivate.bank to discuss your financial service needs.

About the Encinitas Chamber of Commerce

The Encinitas Chamber has been powering the business community in Encinitas for over 50 years. We are the gateway to local networking and community events. We hope you have enjoyed reading the San Diego Business Forecast. For more information about our Chamber, send us an email or give us a call at (760) 753-6041.