



Springfield-Sangamon County
Regional Planning Commission

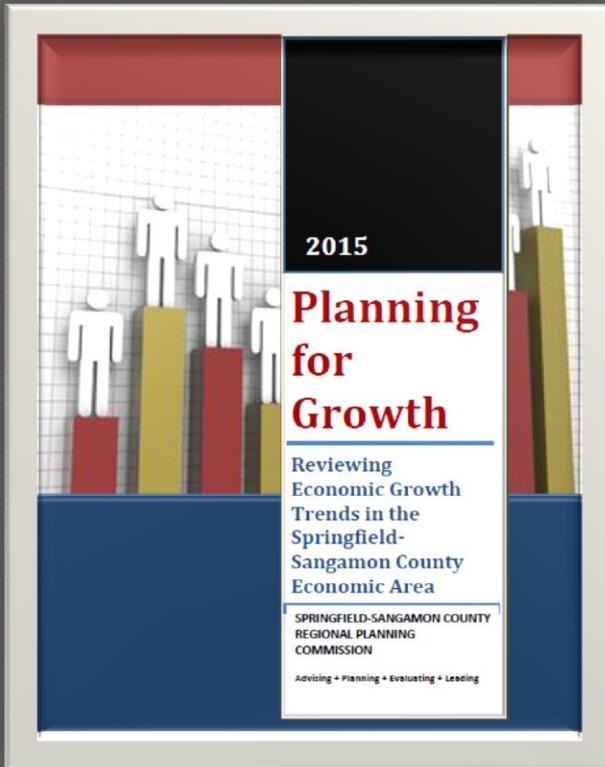
Planning for Growth

**Reviewing Economic Growth Trends
in the Springfield-Sangamon County
Economic Area**





Purposes of the Study



1

Follow-up on the Commission's study of the region's economic 'resilience'.

2

Fill a void discovered during research on the Springfield-Sangamon County Enterprise Zone application.

3

Address long-term forces and trends: 1970-2014.

4

Provide information of use in future economic development planning: start a conversation.

Research Task: HOW DID WE GET TO WHERE WE ARE TODAY, HOW SMOOTH OR BUMPY WAS THE RIDE, AND WHERE ARE WE GOING NOW?



The 'Resiliency' Study: Our First Look

Resiliency considers the ability of an area to 'snap-back' from a down-turn.

Used SUNY's Resilience Capacity Index: measures 12 Economic, Socio-Demographic and Community Connectivity capacity components.

Compared to 4 peer regions

Some local strengths, but weaknesses particularly related to economic diversity and business climate.



How Resilient is Our Regional Economy?

A Peer Comparison of the Springfield Metropolitan Area's Resilience Capacity
Springfield-Sangamon County Regional Planning Commission, 2014

Abstract

The perception that recovery from the recent national recession has been slow to materialize puts into question the capacity of local economies to "bounce back" from economic strife: their economic resiliency. Economic resiliency is not indicative of a community or region's overall peak economic strength or market vitality, which are often the focus of economic development studies, but rather seeks to address a region's ability to restore itself to its typical growth patterns in a shorter period of time than peer communities or regions.

With this in mind, the SSCRPC looked at the economic resiliency of the Springfield Metropolitan Area based upon an index of factors developed by the Buffalo Regional Institute of the State University of New York. This Resilience Capacity Index (RCI) allows for the measurement of a region's ability to respond to economic stress based upon 12 equally weighted components that assess local Economic, Socio-Demographic and Community Connectivity capacities, and is intended to assess the ability of a region to recover more quickly from economic downturns and strife.

In terms of the Springfield metro area, and in comparison to the nation and four Illinois peer regions, the SSCRPC found that the Springfield area compares favorably overall, largely because of its strengths in several areas that measure Community Connectivity; particularly the measure of Civic Infrastructure. However, the study also finds that the region's resilience is negatively affected by palpable weaknesses in Socio-Demographic Capacity and Regional Economic Capacity. This is particularly noticeable in regards to measures of economic diversification, education, and business climate.

The study concludes that these areas of weakness should be addressed, and that the region should recognize its strong civic fabric and work to market and fully capitalize on it by translating this strength into improvements in the areas of weakness.

Introduction

Understanding a region's economic health is critical to making informed decisions about important matters such as its potential for economic development opportunities, the significance of its demographic trends, and the appropriate blend of private

enterprise versus government services required to meet the region's needs. A major component of economic health, evidenced by the economic downturn of the last decade, is a region's economic resiliency, or its ability to "bounce back" from economic strife.

A nuanced look at a region's economic resiliency can inform local officials' decision-making about how to best target their resources for improving the community's prospects for responding to stress. Especially vis-à-vis its peers, a region must strive to make continual forward progress in

An Oak that grew on the bank of a river was uprooted by a severe gale of wind, and thrown across the stream. It fell among some Reeds growing by the water, and said to them, "How is it that you, who are so frail and slender, have managed to weather the storm, whereas I, with all my strength, have been torn up by the roots and hurled into the river?" "You were stubborn," came the reply, "and fought against the storm, which proved stronger than you; but we bow and yield to every breeze, and thus the gale passed harmlessly over our heads."

-Aesop's Fables, as cited by The Center for EcoLiteracy



How we went about this work

Sangamon County as the unit of study due to its unique attributes

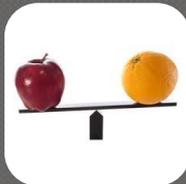


Identified five areas for review:

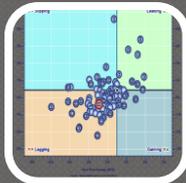
- Rate of population growth.
- Extent of personal wealth growth.
- Degree of job growth.
- Nature of business growth: sectors *and* clusters.
- Ability to support high-tech business growth.



Over both the long and near terms: Period studied: 1970-2014, as data allowed



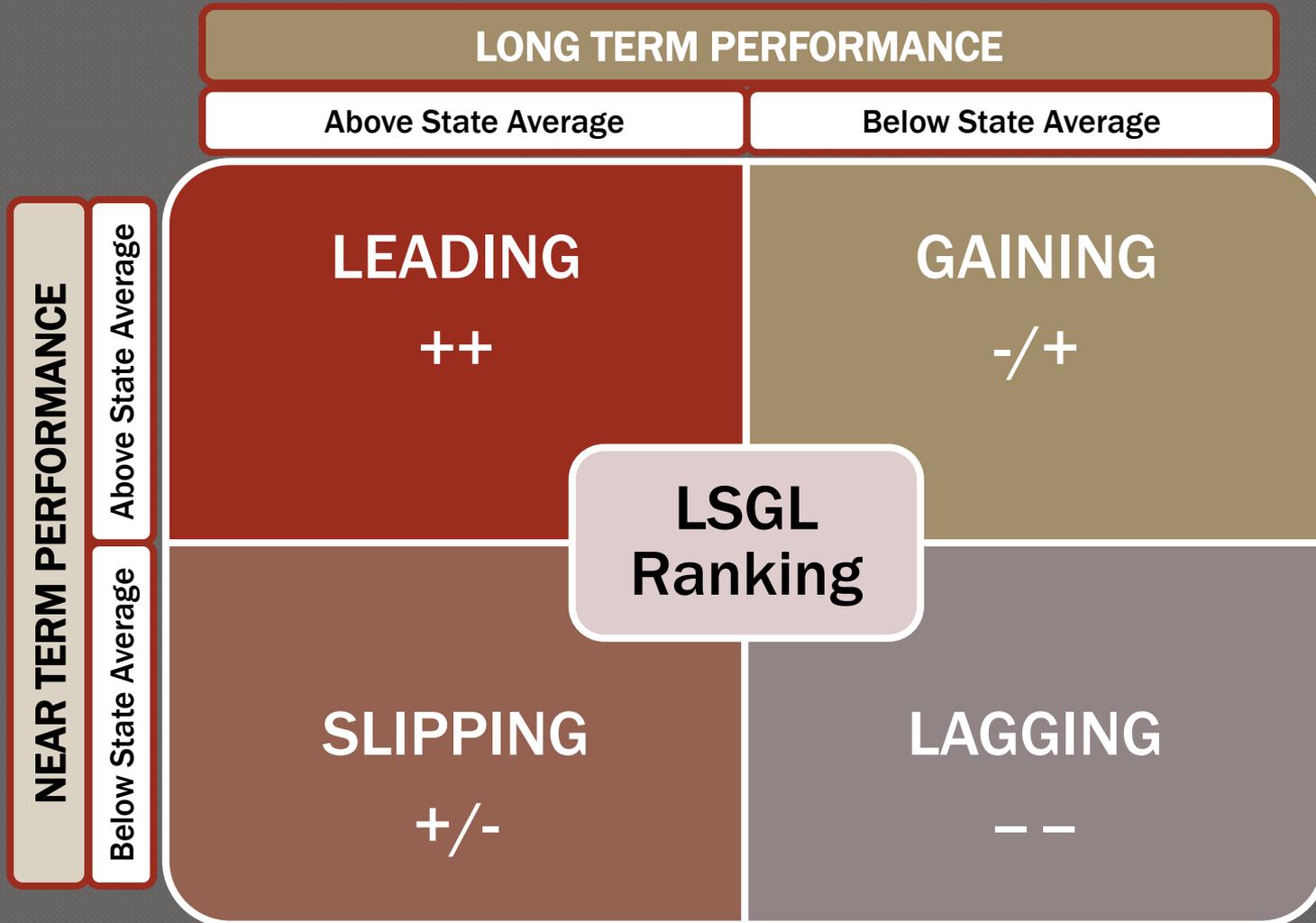
Benchmark against peer regions: Peoria, McLean and Champaign counties.



Apply REAL's "Leading-Slipping-Gaining-Lagging" (LSGL) Analysis.



LSGL Analysis: A Simple Matrix





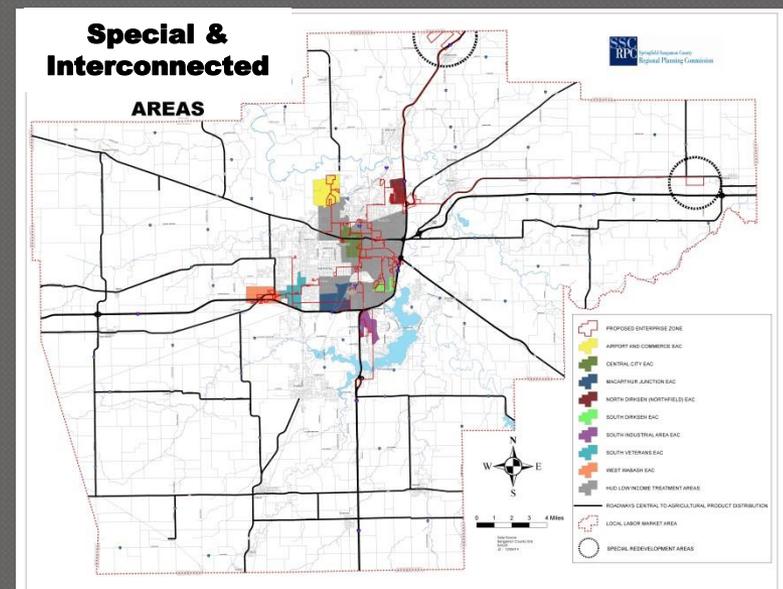
The Economic Area

Very Stable: Sees neither highs nor lows

Strong Labor Commuting Patterns

Interconnected
Economic
Development
Opportunities

- Economic Activity Areas
- Special Redevelopment Areas
- Inter-related with areas of need
- Strong transportation corridors





Basic Findings

Area performed well in past, but **growth began to noticeably erode in the 1990s.**

More recent improvements have not made up for losses that were occurring before the national recession.

Appears to be largely due to:

- **Reductions in State Government employment: 5,900 since 1990 (IDES), 5,500 since 2004 (BEA).**
- **Lack of industry sector diversity leading to weaknesses in core industries and clusters.**
- **Lack of business inter-connections with larger economy.**
- **Weaknesses in industry sectors related to high-technology clusters and business innovation.**
- **Inter-related with declining population growth and those in age cohorts entering the workforce.**

In none of the areas studied was the local economic area found to be **Leading**: exceeding state average long **and** near term.



Population Growth: Slipping



Grown at slower rates in the last three decades than previous two: decline of almost 2/3 between 2000 and 2015 est.



Decline in the 19 and younger cohort: those to enter workforce.



In-migration not making up for decline in native population.



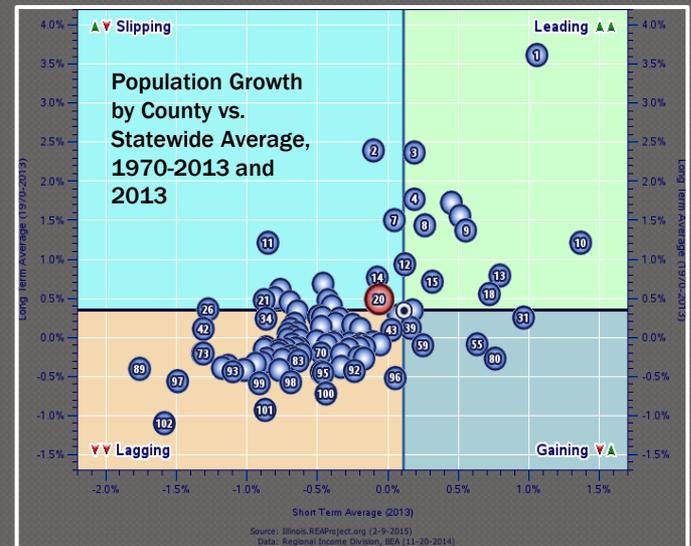
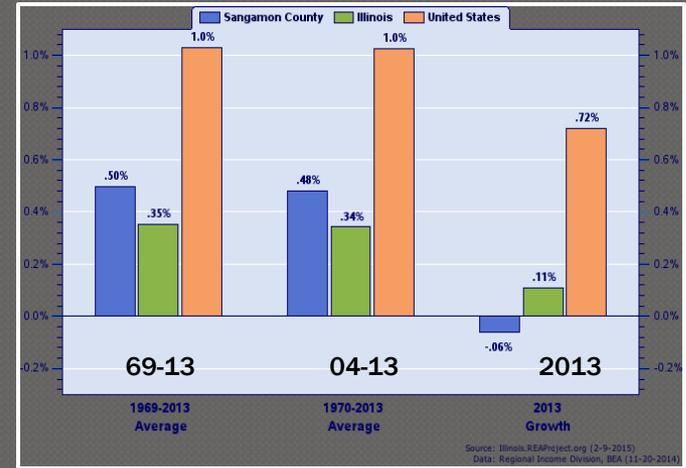
Increasing groups in "dependency"



Long-term rate exceeded state rate, near term does not: **Slipping**.



Lower than benchmark areas.





Personal Wealth: Gaining, but Weakly



Personal, Per Capita, & Median Household Income growth lags behind benchmark areas.



In 2014 constant dollars, median household incomes saw a decline of almost 8% by 2010, making income comparable to 1990.



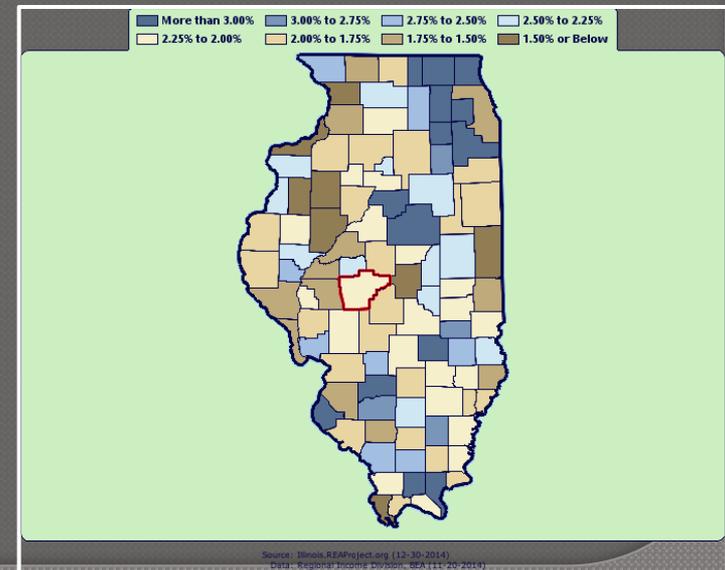
Moving away from the middle of Illinois Counties: ranked 98th.



Long-term growth less than state, near-term slightly above, but on the cusp of Lagging.



Near-term growth may be due to economic 'snap-back' following recession, consistent with SSCRPC's earlier study.





Job Growth: Slipping



Job growth toward mid-range of counties.



It is below benchmark areas.



Declines of 5% or more in half of the local industry sectors.



Most declines occur since 1990s, and in some core industries were pre-recession.



Job growth exceeded state 1970-2013, but declined in recent years: Slipping.





Business Growth: Lagging



Considered growth in:

- Business establishments
- Industry earnings



Area falling behind state and national averages, as well as benchmark areas in recent decades.

- Medicine and Bio-medicine a bright spot.
- Surprising results in such areas as Tourism.

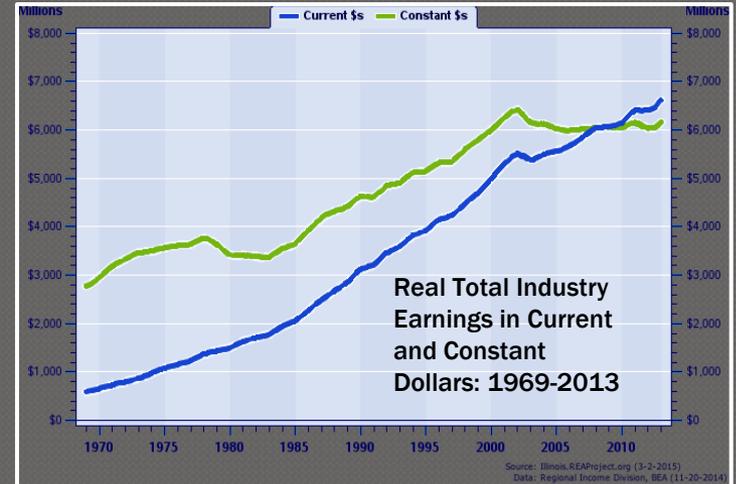


Considered some location factors:

- **Location Quotient:** Factors unique to this location.
- **Component Contribution:** Relationship to larger economy
- **Shift Share:** Assesses what the region COULD have.

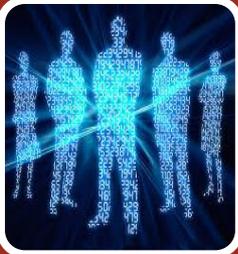


Above average presence of non-hourly wage workers in sole proprietorships and small partnerships.





High-Tech Business Growth



Area falling behind nation, state and benchmark areas in:

- High-technology employment share;
- Percent change in high-tech employment;
- Patents per 1,000 workers.

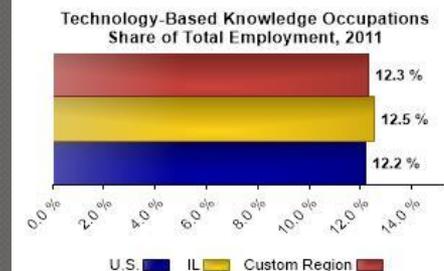
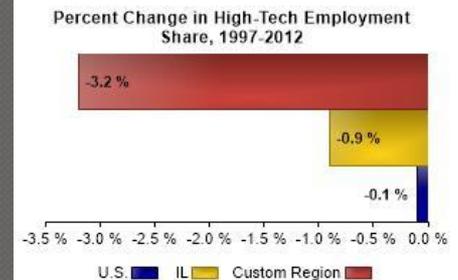
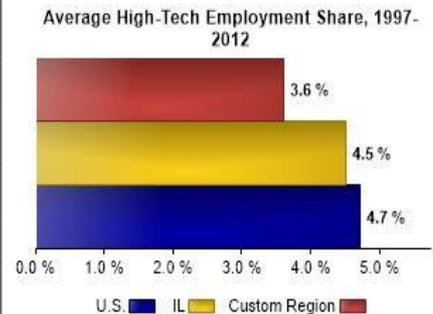


Area did well in share of total employment held by tech-based knowledge occupations.



Opportunities exist in several high-technology areas

- Information
- Bio-tech and related
- Knowledge production





Shift-Share:

Another Way to Assess Performance



Effect of Larger Economy - National Growth Shift-Share:

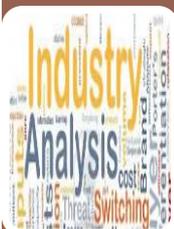
- Overall national employment growth of 1.47% in 2008-2013 period for all industries as a whole
- Region grew at - 1.90%, comparative.
- If it had matched national growth, gain of 1,837 jobs.

Effect of Nature of Local Industry - Industry Mix Shift-Share:

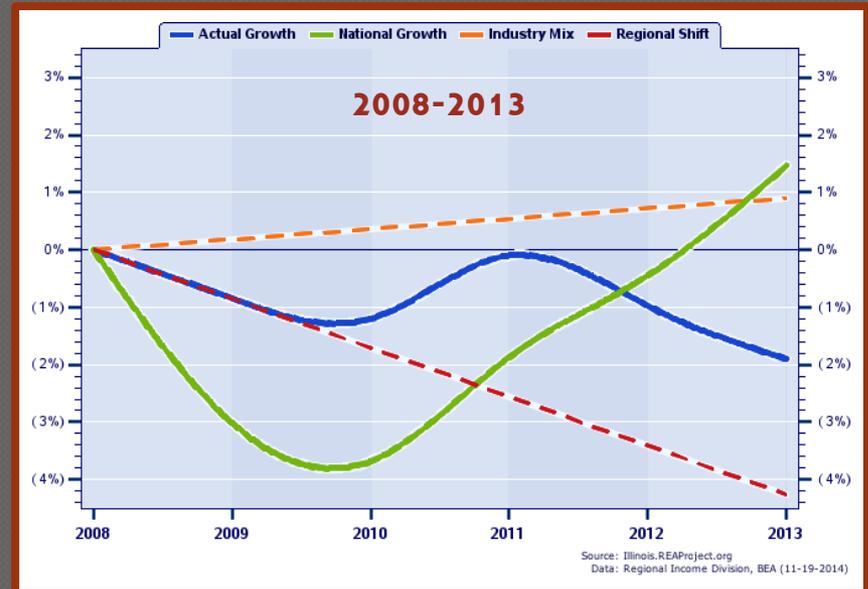


- Did this difference occur because local mix was more concentrated in slower growing industries?
- The difference in value between the National Growth TOTAL (1.47% - 1,837 jobs) and the Industry Mix TOTAL (0.90% - 1,128 jobs) indicates it was.

Effect of Local Industry Performance - Regional Shift-Share:



- Was the gain or loss in employment by local industries due to factors beyond national growth and industry mix: is there a locational factor?
- The TOTAL reported is -5,341 jobs, showing an additional -4.26% loss because its local industries grew slower than same industries at national level.



RESULTS DUE TO AN INDUSTRY MIX:

- That is inclined toward industries that experienced slower growth than the national mix;
- Coupled with the fact that a large share of local industries also underperformed their national counterparts.



Some Conclusions (and 'Take Aways')

Unique economic area.

- Provides stability, leading to false sense of security, allowing weaknesses.

Economic strength has eroded, particularly compared to benchmark peers.

- Little direct relationship to regulatory climate.

Strengths and weaknesses fitting into the new, high-technology based economy.

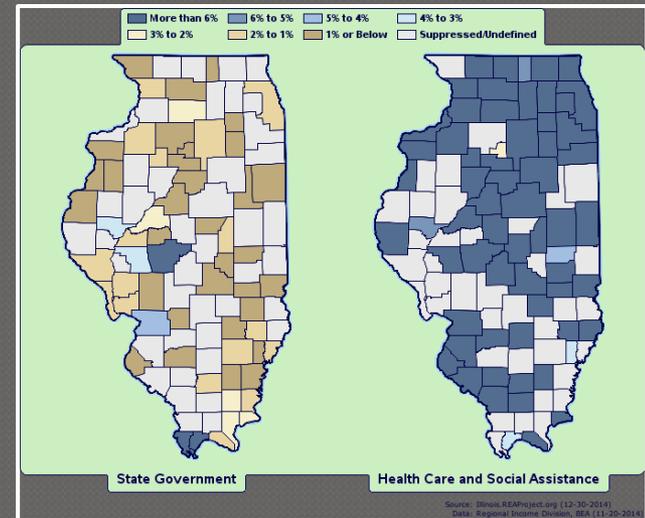
- Strength in bio-medicine and bio-technology;
- Potential in information, but some current weakness.

Declining population growth, particularly those entering workforce.

- Place market to young, skilled people as well as businesses.

Better understanding can lead to better targeting: $ED=(BD+CD)L$.

- LSGL Analysis could provide on-going means of assessing economic development outcomes.





Some Final Thoughts as to Strategy

CONSIDER THE IMPORTANCE OF PLACE TO GROWTH:

- The relationship of *Economic Activity Areas* and their “hubs” and “spokes”.

FOCUS EFFORTS:

- Better understand *Location Quotient* (LQ): the extent to which various industries are more or less concentrated in this area than the are in the nation.
- Consider influence of *Component Contribution* (CC): indicative of connections to larger economy.
- A *Shift-Share* analysis is still needed and useful.

BETTER UNDERSTAND DIVERSIFICATION:

- Current sectors may not help us, as one seldom grows diversity.
- Traditional industries may be “stale”.
- There is a platform for new, start-up growth, but does it exist outside of retail and personal service?

MEASURE CHANGES:

- Ready-Fire-Aim.
- Work strategies, not just projects: Start a conversation.

The best way to predict the future is to create it.
Abraham Lincoln

Your goal shouldn't be to buy players, your goal should be to buy wins.

Peter Brand



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