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## Regional Economic Conditions and Cluster Concepts

Next Economy Regional Forum  
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### INFORMATION

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INFORMATION  
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STUDIES

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ANALYSES  
POLICY  
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SUPPORT

#### CORE SKILLS:

- Economic & demographic analysis & forecasting
- Regional economics & economic development practices
  - Market & feasibility analysis
  - Econometric & input-output modeling
- Social science research & survey design
- Strategic planning & collaborative processes
  - Performance measurement
- Geographic Information Systems



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## Economic Conditions

SACTO  
THE INSIDE TRACK

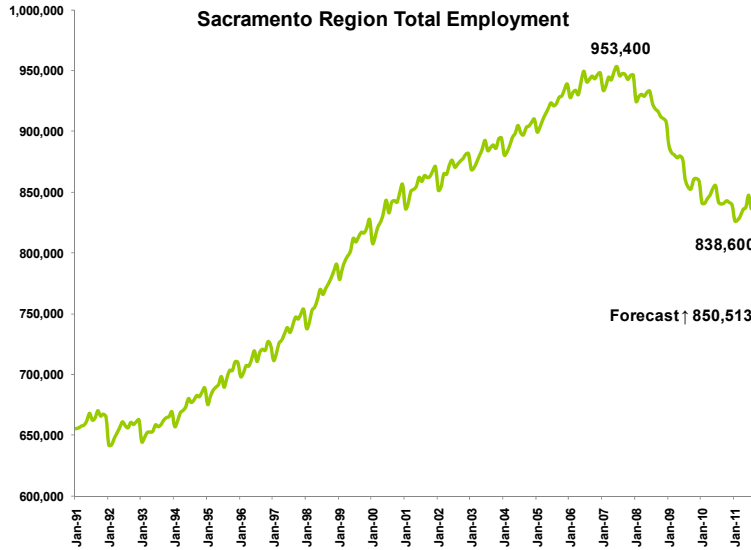
### Job growth still in negative territory



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Historical Data Sources: CA Employment Development Department and U.S. Bureau of Labor Statistics

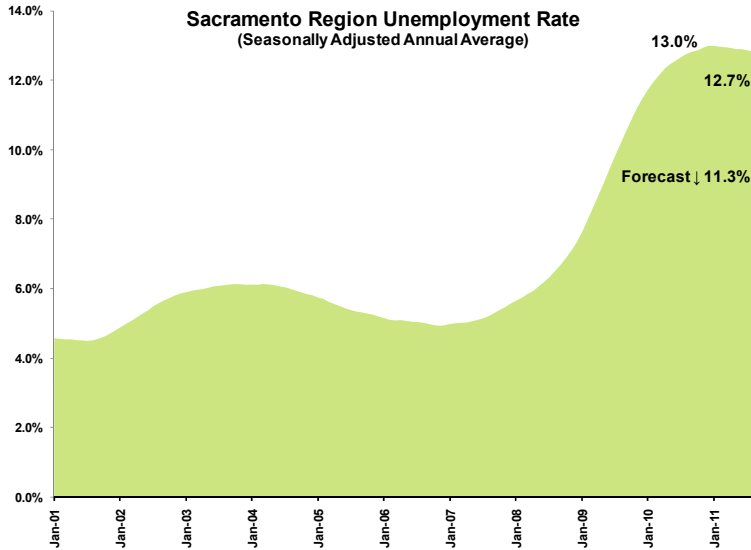
## Total employment at 2001 levels



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Historical Data Sources: CA Employment Development Department and U.S. Bureau of Labor Statistics

## Unemployment rate moving down



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Historical Data Sources: CA Employment Development Department and U.S. Bureau of Labor Statistics



## Cluster Concept

## Industries versus clusters

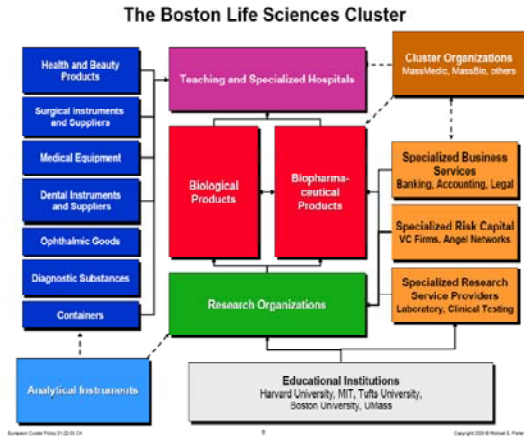
- **Industries**
  - Grouping of establishments
  - Similar processes used to produce goods and services
  - Hierarchy of activities based on NAICS
- **Clusters**
  - Competing, complementary, and independent establishments across various industry sectors
  - Represents the entire value chain and more
  - Concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions

# Industry and cluster example

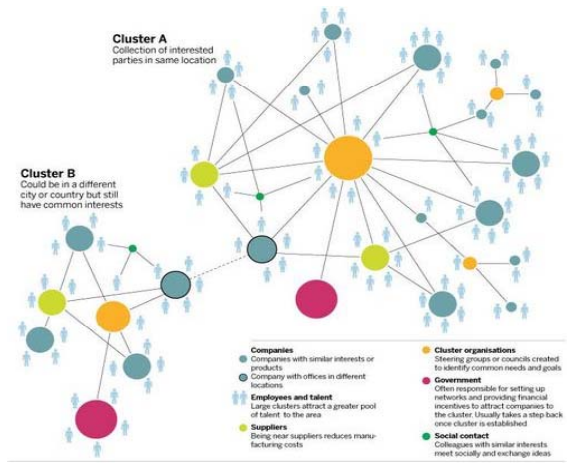
## INDUSTRY

Manufacturing  
 ↓  
 Medical Equipment and  
 Supplies Manufacturing

## CLUSTER



# Clusters connections can develop internally and externally



## Desirable cluster attributes

- **Economic**
  - Strong presence of economic base activities
  - Alignment with workforce structure
  - Linkages to other clusters
  - Import substitution capacity
  - Robust multiplier effects
  - Broad future growth potential
- **Locational**
  - Prominent company visibility
  - Regional competitive advantage
  - Presence of supporting attributes
  - Innovation activity



## Cluster Analysis Findings

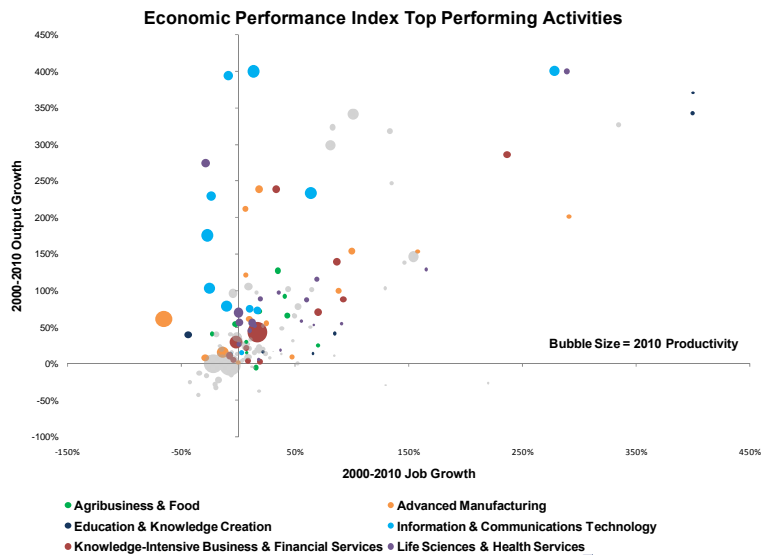


## How do we identify viable clusters?

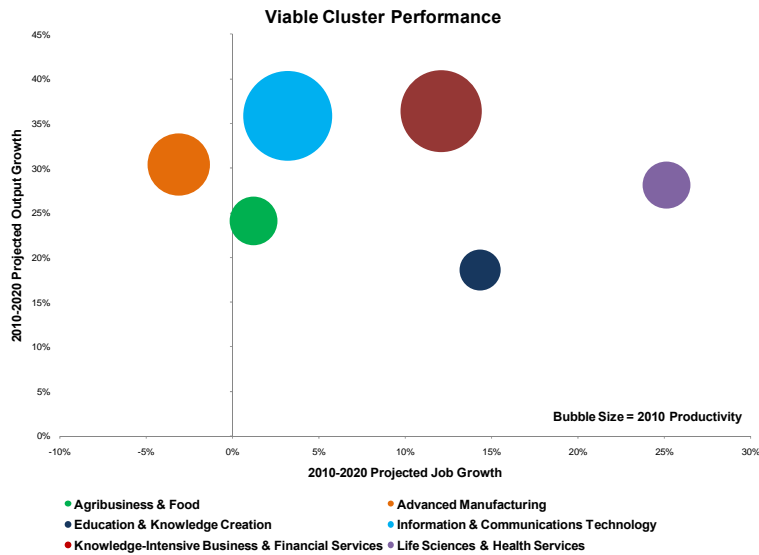
- **Primary**—Economic Performance Index ( $\approx$  300 Activities)
  - Employment and Output Composition
  - Employment and Output Specialization
  - Employment and Output Growth
  - Productivity
- **Secondary**—Indicators of Opportunity
  - Patents Granted
  - Venture Capital Investment
  - Non-Employer Patterns
  - Emerging Technology Trends
  - Expert Interviews
  - Ongoing Initiatives



## Viable clusters among top performing activities



## Variation in performance across viable clusters



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Projections Data Source: Moody's Analytics

## Viable cluster characteristics

Cluster	Innovation Activity	Emerging Tech	Expert Insight	Ongoing Initiatives
<b>Agribusiness &amp; Food</b> (e.g. farms, food processing, ag. machinery) 2010 Employment = 37,442 2010 Output = \$3,455 million	X		X	X
<b>Advanced Manufacturing</b> (e.g. aerospace, chemicals, ind. machinery) 2010 Employment = 11,409 2010 Output = \$1,740 million	X			
<b>Education &amp; Knowledge Creation</b> (e.g. higher edu., publishing, educational svcs.) 2010 Employment = 16,618 2010 Output = \$1,115 million				X
<b>Information &amp; Communications Technology</b> (e.g. software, system design, telecomm.) 2010 Employment = 30,906 2010 Output = \$9,693 million	X	X	X	
<b>Knowledge-Intensive Business &amp; Financial Services</b> (e.g. engineering, investments, technical svcs.) 2010 Employment = 69,893 2010 Output = \$18,277 million	X		X	
<b>Life Sciences &amp; Health Services</b> (e.g. medical equipment, hospitals, sci. research) 2010 Employment = 98,646 2010 Output = \$8,643 million	X	X	X	X
<b>Clean Energy Technology</b> (e.g. renewable energy, energy efficiency, alt. transportation) 2010 Employment = 3,015 2010 Output = \$846 million	X	X	X	X



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Note: Employment and output numbers reflect private sector activities only.

## Next steps

- Gather stakeholder feedback on clusters
- Prioritize viable cluster options
- Further analyze cluster attributes and requirements
- Assess opportunities and barriers for cluster and regional growth and development
- Evaluate economic foundations and economic development ecosystem



## Thank You!



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