

Joint Policy Committee

Bay Area Economic Strategy Framework

Bay Area Council Economic Institute

Draft Outline (7/25/2011)

ECONOMIC AND BUSINESS COMPETITIVENESS: AN ACTIONABLE FOUNDATION FOR A STRONG BAY AREA

Objective

A healthy economy is a prerequisite for a strong sustainability strategy. This analysis will provide insight into the region's business dynamics, business climate, economic competitiveness, workforce (with a specific focus on the workforce in LMI communities), and current and emerging business and economic trends.

The work products of this study will provide a basis for the public-private development of economic and business strategies, for informed public policy decision making, and a framework for broad economic and business development strategies in the region. The ideas and recommendations generated will be actionable by the public and private sectors, will be integrated with JPC priorities, including its focus on energy and climate resiliency, and will support and inform the region's ongoing Sustainable Communities Strategy (SCS) process.

Section I: Business Dynamics – Current State of Business in the Region

The first section of the study will be data-driven and will evaluate the current state of business and the economy in the San Francisco Bay Area as a baseline for future measurement. This will be a comprehensive analysis of the Bay Area as a business and economic center.

This business dynamics data analysis will be comprised of an assessment of current business demographics, employment changes, company trends, the distribution of industries and employment, commute patterns, and the existing labor pool in comparison to other global and domestically competitive regions. It will specifically include an analysis of the labor force residing in LMI communities including skill level, capacity, and commute patterns.

The domestic data used in the analysis will be at the establishment level, so that job creation and individual location decisions can be evaluated. Data used in the analysis will be from 1990-2009.

Current business dynamics will be analyzed with the following areas of focus:

- Current business demographics

- o Total number of companies
- o Industry analysis
 - o Driving Industries – those with a high comparative employment concentration in the region
 - o Supporting Industries – industries that support driving industries, with an employment concentration similar to that of California and the US
 - o Venture capital investment
- o Company analysis by:
 - o # of employees
Employee level (skilled, unskilled, entry-level, etc.)
 - o Revenue
 - o Public/private status
 - o Location
- Companies by stage of growth/age
 - o Longevity/lifecycle
 - o Proximity to other firms in the same industry
 - o Cluster analysis by:
 - Industry
 - Location near LMI communities
 - o Distribution of same company employment, including multi-firm establishments
 - o In the region/county of their birth
 - o In the broader Bay Area
 - o In the rest of California
 - o Outside of California
 - o Distribution of industry employment
 - o In the region/county of their birth
 - o In the broader Bay Area

- In the rest of California
- Business/company trends
 - Firm births versus firm deaths
 - Expansion and relocation patterns
 - Firm relocation into the region
 - Firm relocation out of the region
 - Growth versus contraction of existing businesses
 - Size/distribution by industry
- Labor pool, employee analysis, talent development
 - # of employees
 - Skill level/educational attainment of current labor pool (including LMI communities)
 - Size and quality of the labor force, including:
 - Educational attainment
 - Occupation by industry
 - Visual representation of employees by skillset
 - Commute and transit patterns
 - Intensity of labor flows between counties by income, age, and major industry category
- A comparison of the Bay Area to other U.S. and international regions
 - Comparative analysis will focused “case studies”
- Analysis by sector of potential growth sectors (based on historic data)
 - 20 year growth patterns, correlated with changes in intensity of employment relative to the state and nation

Section I: Work Products

- Visual mapping of regional industry distribution by business cluster
- Analysis of business data
- Workforce capability analysis by educational attainment, etc. including proximity mapping to job clusters and LMI communities

- A rough-cut recommendation for a regional dashboard including key performance indicators to track Bay Area business climate and regional business health
 - o A rough workplan to engage business and other leaders in the dashboard and a process to update the dashboard on a quarterly basis
 - o A list of potential performance measures and metrics relevant for quarterly tracking and analysis.

Section II: Business Dynamics –Business Growth Drivers and Impediments

Building on the data-driven analysis in section I, the second part of the study will use existing regional and extra-regional source material and interviews with business and economic development organizations, investors, and leaders of both large and small enterprises to develop a qualitative assessment of the most important factors affecting current and future business location, hiring and expansion decisions.

A comprehensive analysis of existing reports will be performed to assess existing economic and business analysis that has been performed at the sub-regional, local, or industry level.

Extensive interviews will be conducted to assess business growth drivers (location, hiring, and expansion decisions) and impediments to growth (e.g., regulatory and cost).

Using demographic and company analysis from Section I, a sample of businesses from multiple industries, functions, locations, sizes, and stage of growth will be selected to participate in an interview process to qualitatively assess the state of business in the Bay Area.

Interviews will be conducted to understand key drivers, decision processes and impediments to growth, including:

- Short term and long term business location decision-making (within the region and outside the region – domestic and global) and tradeoffs
- Role that business, location, and industry incentives play
- Access to an appropriately skilled workforce
- Inclusion of workforce residing in LMI communities (including mandated local or other hiring requirements)
- Infrastructure quality
- Business cost structure
- Access to venture and other forms of investment capital

- Access or proximity to universities and other research institutions
- Proximity to existing companies in the same industry (industry clusters)
- Regulatory cost and efficiency
- Quality of life (housing, transportation, culture, environment)
- Regional resilience/sustainability

Interview material may be supplemented by an electronic survey of the business community that would specifically aim to capture small and medium business.

Section II: Work Products

- Analysis of key findings regarding drivers and impediments, including
 - o Breakdown by industry, location, and company size
 - o Breakdown by workforce skill levels, including LMI communities

Section III: Overview of Findings – Strengths and Constraints

Based on quantitative research from Section I and qualitative results from Section II, this section will present an overview of business, economic, and policy implications.

The overview of findings will include both the Bay Area’s distinctive strengths and assets, and issues requiring attention at the regional and/or sub-regional level to address specific constraints on business investment and development. It will identify factors that differentiate the Bay Area as an economically competitive region, evaluate the potential for high-value growth and job creation, identify workforce and labor opportunities and constraints (including LMI communities), and examine impediments to business and job growth. These results will form a basis for determining the focal points for the regional business and economic strategies that are likely to yield the most significant results.

Section III: Work Products

- Overview of key report findings and analysis, including detailed examination of strengths and constraints to Bay Area business, economic competitiveness, and workforce

Section IV: Recommendations for Action

Sections 1, II and III will support a focused set of recommendations for regional strategies to support strengthened economic competitiveness and business economic growth. These recommendations will provide a foundation for business and economic development strategies for the region that engage business and government around a refined set of economic and policy priorities. All recommendations will be presented in a form that is actionable.

This assessment will be presented in a format that is implementable at the public, private and public-private levels, based on a deeper level of understanding between government and business of jointly-developed regional economic priorities and a strengthened process for informed decision-making on regional economic and business development strategies.

Section IV: Work Products

The initial recommendations for action will focus on:

- Enhancing the competitiveness of the region
 - Identification of sectors that present strong opportunities for growth
 - Workforce development, including recommendations specific to LMI communities
- Strategies for growing employment, including the relative merits and means for:
 - Encouraging new business formation
 - Retaining existing establishments
 - Promoting growth at existing establishments
 - External business attraction
- Options for regional policy economic development coordination
- Policy recommendations that address regulation, public-private collaboration, and regional governance issues related to economic development and regional competitive challenges
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- Integrating regional/JPC energy/climate priorities with regional economic strategies
 - Systems dynamics mapping of climate and energy priorities in the business, government and environmental communities
- A suggested business/economic scorecard to track regional economic performance

Timeline

September 2011– March 2011

Estimated Cost

\$150,000 – \$210,000, to be shared equally by public and private partners.

