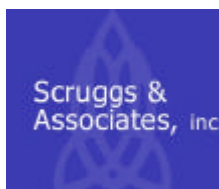

An Economic Profile Of Sarasota County



Working Paper #1
Sarasota County Economic Development Strategic Plan



February 2003

ABOUT THE PROJECT

This report is part of the County of Sarasota Economic Development Planning Process. The County of Sarasota, Florida is committed to designing a five-year economic development plan that will guide its resources toward a shared vision of a healthy economy. This plan will be a comprehensive, systematic effort to enhance our business climate. The goals of the planning process are:

- *Identify the opportunities and challenges for existing businesses to grow and prosper, and seize opportunities for new businesses to be created;*
- *Provide quality jobs that offer younger adults career opportunities in the region, and that attract a more highly skilled workforce necessary for today's economy;*
- *Distinguish industry clusters where existing assets can be brought together in new ways to develop a competitive advantage in state, national and global markets;*
- *Integrate workforce, tourism and development efforts to leverage public and private resources and maximize the benefits to the community; and*
- *Identify the partnerships and operating structures that can most effectively implement our economic goals and strategies.*

The process of developing this economic plan will take approximately ten to twelve months, starting in November 2002 and finishing by October 2003.

This document is divided into 6 sections.

Section I introduces the topic, providing highlights of key findings, and an overview of Sarasota County's strengths, weaknesses and opportunities.

Section II reviews the key geographic context and demographic trends that affect the economy.

Section III surveys the economy itself: the sectoral breakdown of Sarasota County's economy, growth rates, and a review of employment and wages.

Section IV goes into greater depth reviewing the foundations for competitiveness in today's economy – focusing in particular on the region's ability to innovate. Essential to understanding Sarasota County's capabilities is a comparison against a set of reference regions of similar size.

Section V provides a brief introduction to cluster approaches to economic development, and a preliminary definition of Sarasota County's clusters.

Section VI summarizes the results of our focus group meetings and regional forums undertaken in January 2003.

For more information, please visit the project website: **www.sarasotaconomy.org**

TABLE OF CONTENTS

SECTION I: INTRODUCTION AND SUMMARY.....	1
SECTION II: LOCATION & DEMOGRAPHICS.....	7
<i>SIZE AND LOCATION</i>	7
<i>POPULATION</i>	8
<i>ETHNICITY</i>	8
<i>AGE</i>	9
<i>LABOR FORCE</i>	10
<i>UNEMPLOYMENT</i>	11
<i>INCOME</i>	11
SECTION III: BUSINESS AND JOB GROWTH	13
<i>INDUSTRY OVERVIEW</i>	13
<i>GROWTH OF FIRMS</i>	15
<i>EMPLOYMENT GROWTH</i>	16
<i>WAGE GROWTH</i>	18
SECTION IV: FACTORS FOR INNOVATION.....	21
<i>PATENTS</i>	21
<i>EDUCTAIONAL ATTAINMENT</i>	23
<i>EXPORTS</i>	24
SECTION V: COMPARISONS TO COMPETITOR REGIONS.....	27
<i>OVERVIEW</i>	27
<i>BUSINESS ACTIVITY COMPARISON</i>	28
<i>VALUE-ADDED EMPLOYMENT COMPARISON</i>	28
<i>AVERAGE WAGE COMPARISON</i>	30
<i>EARNINGS COMPARISON</i>	31
<i>PATENT COMPARISON</i>	31
<i>EXPORT COMPARISON</i>	32
SECTION VI: PRELIMINARY CLUSTER DEFINITIONS.....	33
CLUSTERS AND EXPORT-BASE ECONOMICS	33
<i>SARASOTA'S CLUSTERS</i>	37
<i>LINKAGES AMONG SARASOTA'S CLUSTERS</i>	41
SECTION VII: FOCUS GROUP & REGIONAL FORUM SUMMARY.....	43
<i>INDUSTRY FOCUS GROUP SUMMARY</i>	43
<i>REGIONAL FORUM SUMMARY</i>	46

SECTION I: INTRODUCTION AND SUMMARY

Sarasota's economy has long been shaped by tourism and the support of a higher than average retired population. While these economic sectors are important and will remain essential to the county, the region's ability to compete in a national and global economy will play an increasing role in the county's future economic vitality.

Metropolitan regions across the nation have recognized the importance of economic diversification, especially the benefits of export-oriented industries such as manufacturing, professional and technical services, biosciences, and technology. These industries tend to pay above-average wages and bring new wealth to the community when they sell their goods and services outside the region. This export revenue is multiplied throughout the community through direct employer contributions to the tax base and individual spending on local goods and services. Therefore, a diverse mix of local service and export industries is considered to be a key factor for a sustained and quality economy.

This economic profile is an initial assessment and snapshot of the Sarasota County economy. It focuses on measures that are used to assess a region's economic competitiveness and health in a global economy. The purpose of the profile is to understand the current state of the county economy, its recent trends, and how it compares to other nationally ranked regions of similar size and characteristics. The information contained in the profile will be used to promote discussion among business and civic leaders about the future of and opportunities for the county's economy, and as a baseline on which to measure economic progress.

Why Should You Read This Report?

Why should a business owner, manager, educator, city or county employee, or "ordinary citizen" of Sarasota County read this report? We believe that this report demonstrates that a) Sarasota County's economy is at risk, and b) in order to improve it, business, government, and all walks of life in the County need to band together to implement a new economic strategy.

This report is a first step in developing an economic strategy that aims to strengthen the economic foundations of Sarasota County, making it

- a) Easier for existing businesses to expand,
- b) Easier for local entrepreneurs to launch start-ups, and
- c) More attractive to innovation-based companies to relocate in a region that will help them to sustain their competitive edge.

SUMMARY OF SARASOTA'S COMPARATIVE STRENGTHS & WEAKNESSES

Economic Strengths

- Sarasota County has an active business formation rate—starting businesses at a rate that is higher than state and national averages.

- Sarasota County has a strong tourism and local service industry, accounting for almost 65% of all jobs.
- Unemployment remains lower than other parts of Florida and the nation.

Improving Trends

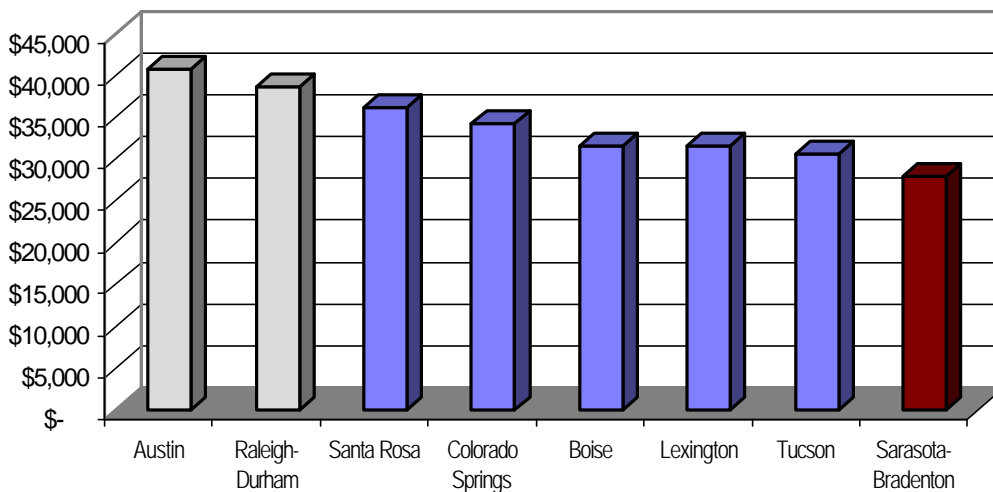
- Sarasota County’s workforce is increasingly educated, with current data showing the percent of people over 25 years of age with college degrees slightly higher than the national average.
- Patent activity is growing, indicating the potential for new product and business formation.
- The percent of the population in the labor force is increasing (although it is still well below the national average).

Economic Weaknesses

- Sarasota County wages are well below the national average, and significantly below those of comparator regions.
- Exports are flat and are losing ground compared to other Florida regions and national competitors.
- The percent of employment in value-added or export-oriented industries is much lower than the national average or corresponding levels in comparator regions.
- The percent of personal income derived from earnings is well below national average, leaving the region dependent on passive income.

Our proposition that the region’s economy is *at risk* is exemplified by reproducing a chart from Section IV, which shows average annual pay as compared to seven reference regions, five of which are of similar size, and all of which compete in many of the same industries as Sarasota County (see Figure ES-1).

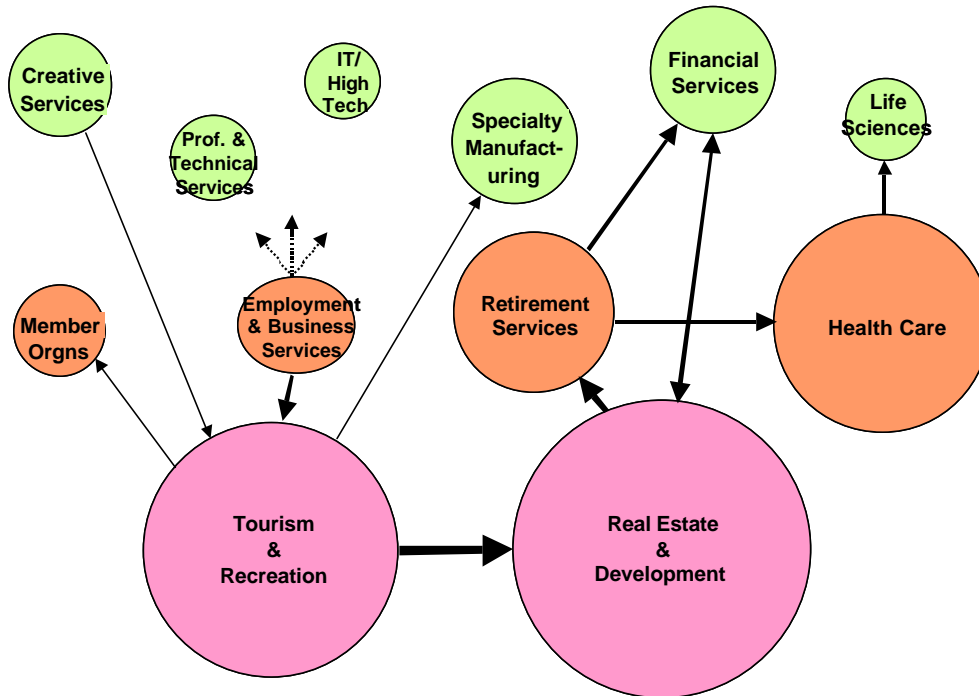
FIGURE ES-1: AVERAGE ANNUAL PAY



While low wages were traditionally regarded by many economic development professionals as an advantage (as a carrot to attract enterprises or divisions of enterprises based on low wages), today's economy is driven by innovation and ideas—the ability to create or find new applications for products and services. This new economy is based on quality, determined by skilled workers with competitive wages. Therefore, we regard a region's average wages as an indicator for economic health. For Sarasota County it is a warning sign that current economic development policies are not delivering the lifestyle that makes the average citizen of Sarasota County better off. This is particularly true when it is recognized that, unfortunately, those low wages are being paid to workers that are facing a higher-than-average cost of living (driven mainly by the high cost of housing). Residents of Sarasota County should not be caught in this double-squeeze.

Figure ES-2 reproduces another telling image from this report. It shows ten sectors in Sarasota County that have been preliminarily designated as *clusters*, groups of industries that represent the driving forces in region's economy. As explained in the body of the report, while the size of the bubbles indicate employment, most of the larger clusters pay very low wages (from \$17,000/year to \$28,000/year), while many of the smaller ones are in much higher value-added activities, making it possible for companies to pay far higher wages on average (from \$30,000/year to \$50,000/year). Finding ways to expand Sarasota County's share of such enterprises in its economy will be a prime focus of the Economic Development Planning Process.

FIGURE ES-2: LINKAGES AMONG SARASOTA COUNTY'S CLUSTERS *



* -- Sizes of bubbles are proportional to employment

LOOKING AHEAD: ECONOMIC OPPORTUNITIES FOR SARASOTA COUNTY

Two things were apparent from the focus groups and regional forums. First, the county will continue to be a service and tourism based economy. Yet, without a stronger and more collaborative effort to diversify the job and industry base, most people envision the status quo as resulting in a two-tier economic society with higher taxes. Second, there is a common economic goal to develop more globally competitive companies that pay above average wages and can bring new wealth into the community to sustain our quality of life.

There appears to be a shared vision about how to diversity the economy: More value-added and traded-sector companies such as existing light manufacturing, and technology companies that are linked to the high tech corridor, and professional and technical services (creative services, architecture & engineering, environmental services) that build on existing assets, serve other value-added industries, and can export their expertise out of the region. There is also a common understanding that the county has a broad array of educational assets, research institutions, and an arts and culture base that are the foundations for well-paying jobs, yet are not being captured for local economic gain. In other words, Sarasota is exporting its students, ideas (research), and creative talent out of the region.

The data, focus groups and cluster analysis appear to point to a set of economic opportunities to diversify and sustain the economy. The following four points would serve not only to strengthen the existing industry sectors of the community but also to expand the types, number and size of desired valued-added industries.

A. Grow Our Own: Foster an environment of innovation and entrepreneurship that will increase the number of start-ups in valued-added industries.

Examples of potential value-added industries:

- High Technology
- Bioscience/Biotech
- Professional & Technical Services
- Information Technology & Telecommunication

B. Find new ways to add value to traditional industries and increase support of existing traded sector businesses

Examples of potential value-added industries:

- Health Care
- Specialty Manufacturing
- Value-added Tourism (conference center)
- Creative Services

C. Focus on developing and recruiting industries that capitalize on Sarasota strengths and/or connect to the regional economy.

Examples of potential value-added industries:

- Creative Services
- Environmental Services & Sustainable Technologies
- High Technology
- Information Technology & Telecommunication

D. Capitalize on Sarasota's Reputation for Quality to Attract the Executives and Professionals that drive a business' decisionmaking.

Examples of potential value-added industries:

- Headquarters & regional offices (both private and non-profit businesses)
- Professional & technical services

DRAFT

SECTION II: LOCATION & DEMOGRAPHICS

SIZE AND LOCATION

Sarasota County is located at the southern end of Tampa Bay and is part of the Sarasota-Bradenton Metropolitan Statistical Area. It is also part of the seven-county area known as the Greater Tampa Bay Region. Being a part of a larger and more economically diverse region like Tampa, gives Sarasota County's location some unique advantages for a county its size.

MAP OF SARASOTA COUNTY AND ITS LOCATION IN TAMPA BAY REGION



Sarasota County is part of the Sarasota-Bradenton Metropolitan Statistical Area (MSA). With a population of just over one-half million, the metro region is considered a mid-size economy. However, its close proximity to larger Tampa-St. Petersburg-Clearwater MSA allows it to draw on the strengths of both mid-size and larger economies.

This is important because value-added firms tend to locate in larger regions, for several reasons. They need access to skilled labor, professional and support services, and regional, national and global markets. In addition, research indicates that regions with clusters of related industries innovate or develop new products and services at a rate higher than regions without concentrated clusters.¹ Sarasota County's location also makes it a part of Florida's *High Tech Corridor*, a locational advantage.

¹ Michael E. Porter's "Competitive Advantage of Nations", Free Press (1990); and Annalee Saxenian's "Regional Advantage: Culture and Competition in Silicon Valley and Route 128", Paperback, (March 1996). Harvard University Press.

POPULATION

Sarasota County is home to approximately 335,323² residents. As indicated in figure 1, from 1990 to 2000 the population grew by 17.3%, or an average annual rate of 1.5 percent, compared to the statewide annual growth rate of 2.0 percent during that period. Over the next two decades, Sarasota County's annual population growth is projected to be slightly lower, at 1.3 percent, mirroring a similar slowdown in statewide population growth. However, recent population growth (1999-2000) indicates that the county is growing faster than other parts of Florida.

POPULATION GROWTH IN SARASOTA COUNTY

	Population Growth	
	1990-2000	2000-2001
US	13.10%	1.20%
Manatee	24.70%	4.00%
Charlotte	27.60%	3.80%
Sarasota County	17.30%	2.90%
Hillsborough	19.80%	2.80%
Florida	23.50%	2.60%

Source: U.S. Census Bureau, 2000

The annual net population change in Sarasota County actually comprises substantial rates of population inflow and outflow. As indicated in Figure 2, approximately 1.32% of the population migrates to Sarasota County each year; and 0.76% leaves.

FIGURE 2: POPULATION MIGRATION

Migration Type	1996	1997	1998	1999
In flow	32,575	33,828	35,258	35,682
Out flow	26,512	25,829	26,344	27,125
Net Migration	6,063	7,999	8,914	8,557

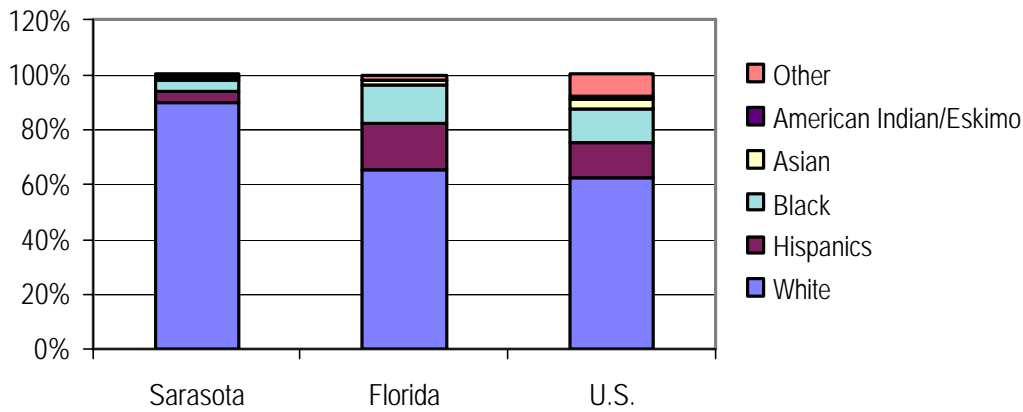
Source: Internal Revenue Service

ETHNICITY

While the ethnic composition of the population is growing, it is still less diverse than Florida in general: 89.8% white, 4.2% black, 4.3% Hispanic, and less than 2.2% for other ethnic groups [Figure 3].

² County population estimates, US Census Bureau

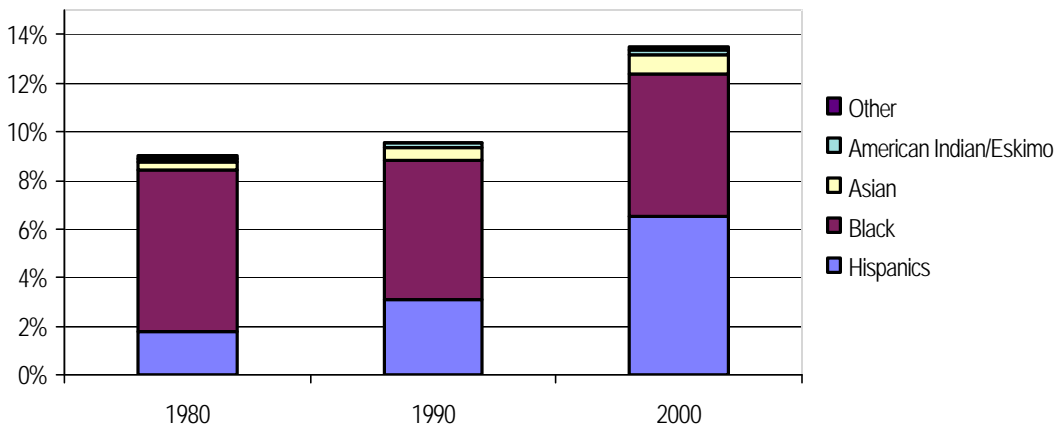
FIGURE 3: ETHNIC POPULATION COMPARISON 2000



Source: U.S. Census Bureau, 2000

From 1980 to 1990 Sarasota experienced very little ethnic diversification. Yet from 1990 to 2000 the county’s ethnic composition increased by 3.93% with the greatest increase in the Hispanic population[Figure 4].

FIGURE 4: ETHNIC COMPOSITION OF SARASOTA

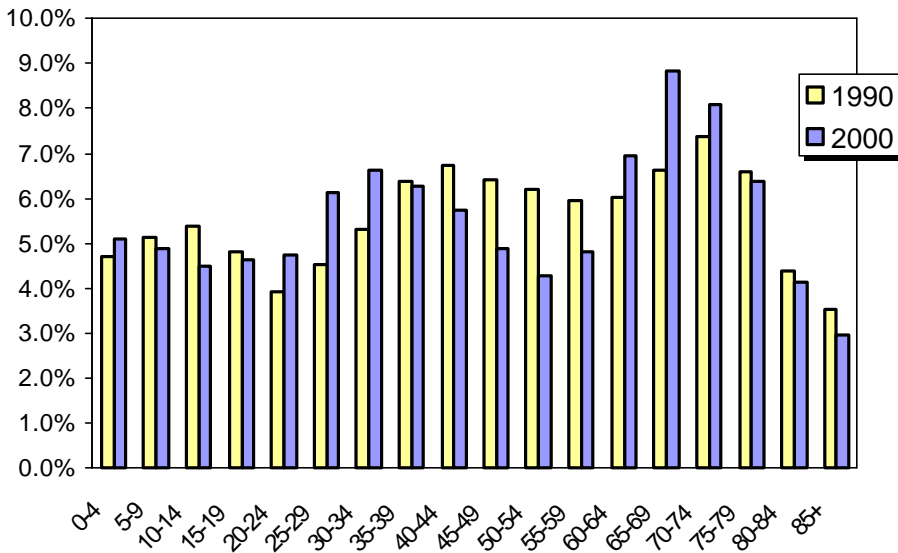


Source: U.S. Census Bureau, 2000

AGE

The 2000 Census indicates the average age in Sarasota County is 50.5 years – much higher than the national median of 35.3 years. Figure 5 shows the age cohorts that experienced the greatest size increases in Sarasota from 1990 to 2000 were the 20 to 34 cohort, and the 60 to 74 cohort. However, the greatest decrease in population was in the age groups between 35 and 60—the age considered to be the majority of skilled and experienced workers.

FIGURE 5: POPULATION BY AGE IN SARASOTA COUNTY – 1990 AND 2000

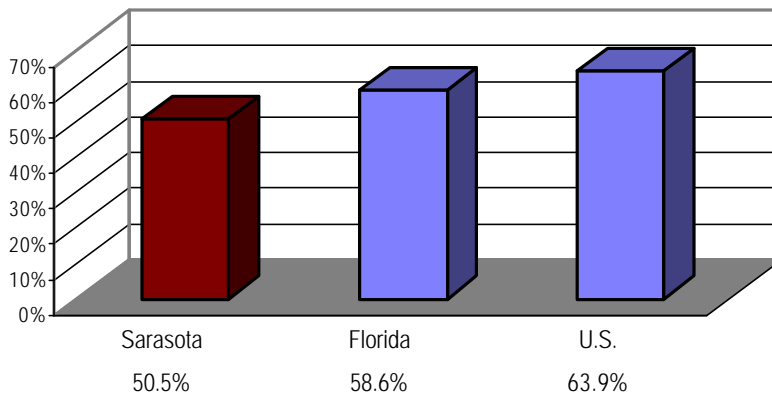


Source: Census 2000 analyzed by the Social Science Data Analysis Network (SSDAN).

LABOR FORCE

Approximately 140,000 residents of Sarasota County were employed in 2000. This labor force represents approximately 50.5% of the population over 16 years of age [Figure 6]. This compares with a national average of 64% of the population over 16 years of age in the labor force, meaning fewer people in Sarasota are in the labor pool compared to other counties elsewhere in the nation. This can be a disadvantage for companies looking to expand existing operations within the region, or new companies interested in locating to the region that need readily available workers.

FIGURE 6: PERCENT OF POPULATION OVER 16 IN LABOR FORCE

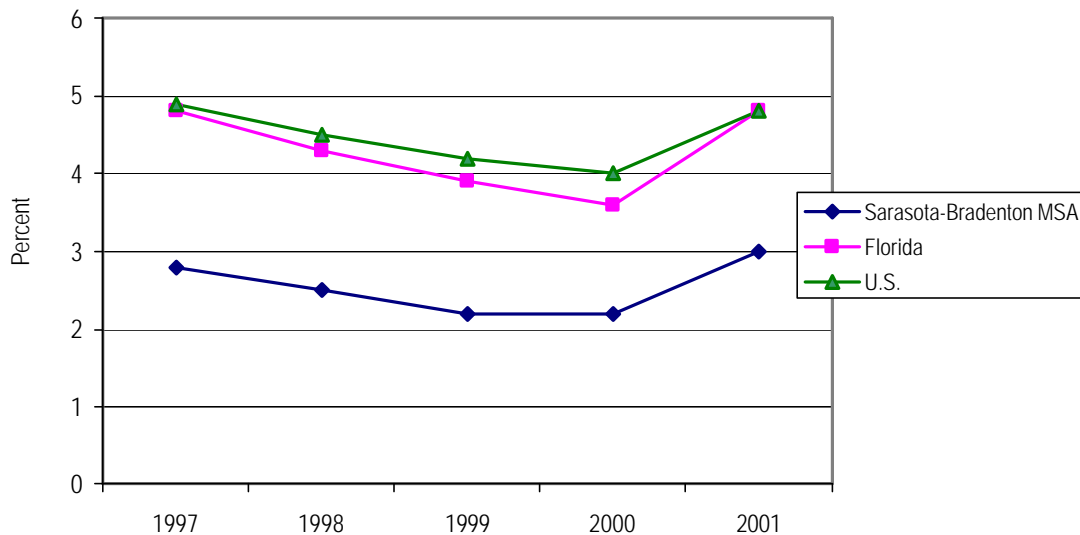


Source: U.S. Census Bureau, 2000

UNEMPLOYMENT

The unemployment rate for Sarasota-Bradenton MSA is well below the national average. In 2001, the unemployment rate was 3%, up from 2.2% in 2000 [Figure 7]. Florida's unemployment rate for 2001 was 4.8% and the US average was also 4.8%.

FIGURE 7: ANNUAL AVERAGE UNEMPLOYMENT RATE



Source: U.S. Census Bureau, 2000

INCOME

Sarasota's per capita personal income was \$37,430 in 2000. This amount was 35 percent higher than the Florida average, 27 percent higher than the US average, and placed Sarasota 5th-highest among Florida's 67 counties. However, Sarasota County's per capita personal income in 2000 only represented a 2.6 percent increase over its 1999 level, whereas the corresponding state and national increases were 4.4 and 5.8 percent, respectively. (*Source: Bureau of Economic Analysis.*)

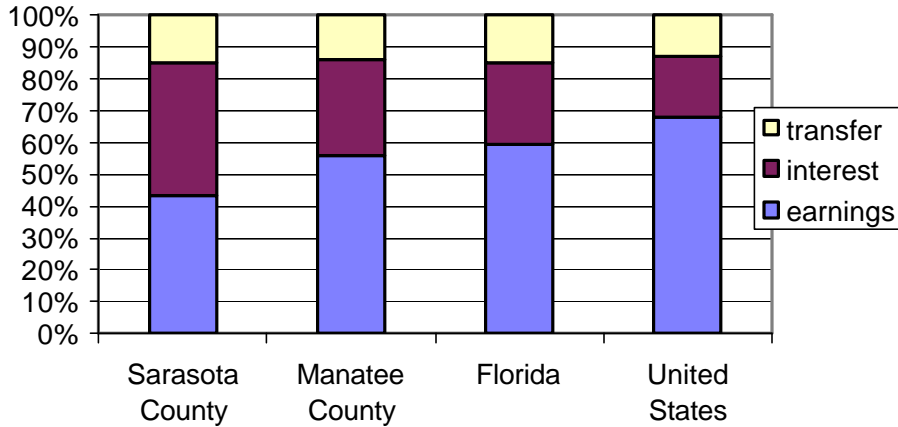
Total personal income (TPI) represents the sum of several different sources of income:

- Earnings (wages and salaries, other labor income, and proprietors' income);
- Investments (dividends, interest, and rent);
- Transfer payments (welfare or Social Security payments).

Earnings, usually the largest component of a region's TPI, represent an unusually small proportion of average per capita TPI in Sarasota County. In 2000, earnings were 43.5 percent of Sarasota TPI, investments were 41.2 percent, and transfer payments were 15.3 percent [Figure 8] However, the earnings component of TPI is growing faster than the other components. From

1990 to 2000, earnings increased on average 6.1 percent each year; compared to 2.9 percent for investments; and 5.4 percent for transfer payments.

Figure 8: 2000 Personal Income by Type



Source: Bureau of Economic Analysis

The high proportion of Sarasota County’s income that is derived from interest (including returns from stocks, bonds, and other financial assets) as opposed to wage & salary income explains why the County’s economy is far more responsive than most regions to movements in the Dow Jones Industrial Average than to changes in the minimum wage, for example.

SECTION III: BUSINESS AND JOB GROWTH

INDUSTRY OVERVIEW

The industry composition of a region helps to explain differences in growth patterns, workforce, wages and other business development trends. An analysis of industries also points to business clusters in which a region may have a competitive advantage in terms of job and wealth creation.

Note: In this section we have used firm, employment and wage data based on the Standard Industrial Classification (SIC) coding system. The state of Florida has recently switched to the North American Industry Classification (NAICS) system. In order to ensure comparability of data across years, we have retained SIC-based data for all years, up to and including 2001.

In 2001, Sarasota County had approximately 152,000 covered employment jobs, of which almost 140,000 or 91.4% were in the private sector. Employment in Sarasota County is distributed among 11,824 firms, with the size of each firm varying dramatically by industry. Manufacturing firms employ 22 people on average, while service and retail firms employ only about 15 people, and construction firms about 7.5 people.

Sarasota County's economy is dominated by services and retail. As Figures 9 and 10 indicate, retail trade and service comprise over 65% of all jobs in the county, compared to 56% nationally. Construction accounts for 7.4% of jobs, higher than the national average of 5%. On the other hand, the county has far fewer jobs in manufacturing. Less than 6% of all jobs in Sarasota County are in manufacturing, compared to 14% in other parts of the nation. Regions often look at manufacturing jobs as an indicator of livable wage jobs that export goods out of the region and to create new wealth that in turn supports local business.

FIGURE 9: SARASOTA COUNTY INDUSTRY PROFILE, 2001

INDUSTRY	2001 UNITS	2001 Avg Employment	% of Total Employment	2001 Avg Wages
County Total	11,824	152,113	100%	\$ 30,812
Private Ownership Total	11,736	139,076	91.43%	\$ 30,444
Agriculture, Forestry & Fishing	355	2,463	1.62%	\$ 21,344
Construction	1,487	11,251	7.40%	\$ 34,772
Manufacturing	396	8,838	5.81%	\$ 37,140
Trans, Comm and Public Utilities	318	3,627	2.38%	\$ 32,252
Wholesale Trade	694	4,218	2.77%	\$ 41,416
Retail Trade	2,149	33,504	22.03%	\$ 20,716
Finance, Insurance & Real Estate	1,287	9,487	6.24%	\$ 47,204
Services	4,979	65,606	43.13%	\$ 30,828
Federal Government - Ownership Total	18	873	0.57%	\$ 42,340
State Government - Ownership Total	51	1,701	1.12%	\$ 31,524
Local Government - Ownership Total	19	10,463	6.88%	\$ 34,652

Source: State of Florida, ES 202 Covered Employment

FIGURE 10: DISTRIBUTION OF EMPLOYMENT BY INDUSTRIES, 2000

Industry	% Sarasota County Employment	% Florida Employment	% US Employment
Finance, Insurance	6%	6%	6%
Wholesale Trade	3%	5%	5%
Transportation, Communications, Utilities	2%	5%	6%
Manufacturing	6%	7%	14%
Government	9%	14%	5%
Construction	7%	6%	5%
Services	40%	35%	38%
Agriculture, Forestry, Fishing	2%	2%	1%
Retail Trade	23%	20%	18%

Source: US Bureau of Labor Statistics and Florida Agency for Workforce Innovation

The distribution of employment for the Sarasota-Bradenton MSA is different from Sarasota County by itself. The metro region has a distribution of jobs that looks slightly more like the national profile. Figure 11 shows that the two-county metro region has a higher percent of jobs in manufacturing, and wholesale trade (although still lower than the national average), and fewer jobs in services and retail (although still above the national average). Both the county and the metro region have lower than average concentrations of employment in transportation, communications and utilities.

FIGURE 11: SARASOTA-BRADENTON MSA INDUSTRY PROFILE, 2001

INDUSTRY	2001 UNITS	2001 Avg Employment	% of Total Employment	2001 Avg Wages
MSA Total	17,770	273,400	100%	\$ 29,508
Private Ownership Total	17,599	247,581	90.56%	\$ 29,100
Agriculture, Forestry & Fishing	612	9,728	3.56%	\$ 15,944
Construction	2,167	17,224	6.30%	\$ 35,096
Manufacturing	677	20,798	7.61%	\$ 39,152
Trans, Comm and Public Utilities	495	5,449	1.99%	\$ 32,540
Wholesale Trade	1,051	7,954	2.91%	\$ 40,816
Retail Trade	3,395	56,065	20.51%	\$ 20,428
Finance, Insurance & Real Estate	1,831	12,958	4.74%	\$ 43,836
Services	7,224	117,230	42.88%	\$ 29,056
Federal Government - Ownership Total	30	2,015	0.74%	\$ 42,392
State Government - Ownership Total	95	2,659	0.97%	\$ 31,080
Local Government - Ownership Total	46	21,145	7.73%	\$ 32,860

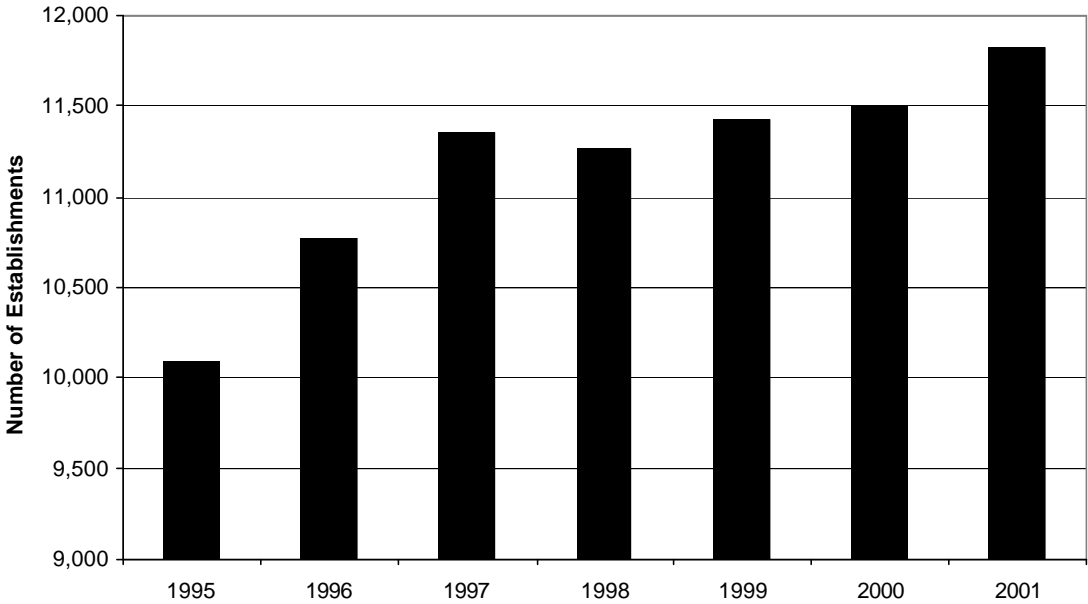
Source: State of Florida, ES 202 Covered Employment

Note: Covered employment does not include self-employed individuals, sole proprietors and other forms of businesses that are not subject to the State's employment reporting system. In some cases, covered employment under-represents industries with high levels of self-employment such as consulting, design, and other professional services.

GROWTH OF FIRMS

In 2001, Sarasota County was home to 11,824 establishments with employees – representing an increase of more than 16% in the number of establishments since 1995. 1996 and 1997 witnessed the highest rates of firm formation, by far, during this period. Firm formation then stayed low for the next three years, with the number of establishments actually decreasing from 1998 to 1999. However, firm formation strengthened again in 2001 [Figure 12].

FIGURE 12: FIRMS IN SARASOTA COUNTY, 1995-2001



Source: Florida Agency for Workforce Innovation, Covered Employment and Wages.

During this period, annual rates of firm formation were substantially higher in Construction (4.9%), and Finance/Insurance (4.4%) than in any other industry. The Services sector – which was already Sarasota's largest sector by establishments - added the largest absolute number of firms (973). But Construction and Finance/Insurance also ranked high by this measure, adding 379 and 301 firms respectively. No other industry added more than 75 firms over the six-year period. Figure 13 shows the distribution of firm growth by industry sector.

FIGURE 13: ESTABLISHMENTS BY INDUSTRY, 1995-2001

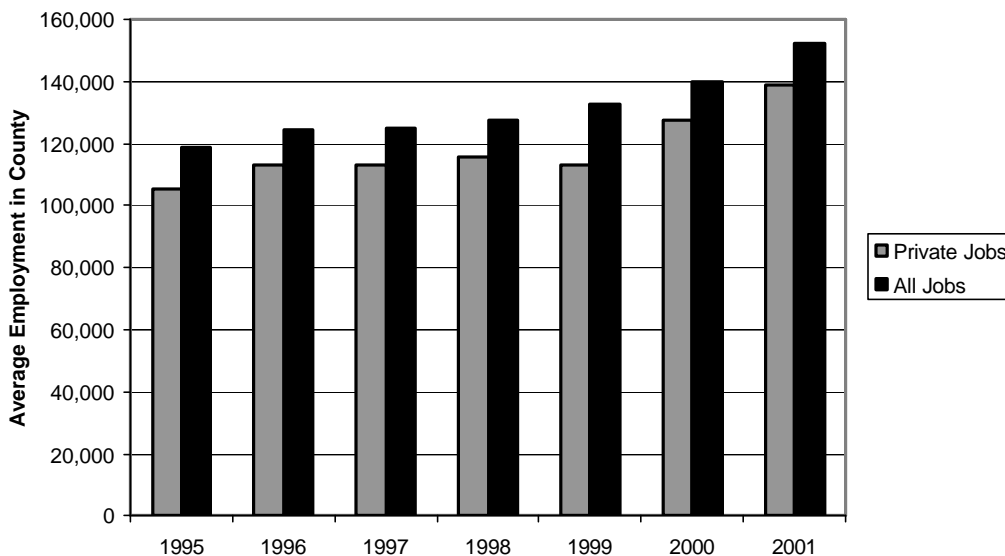
Industry	1995	2001	Absolute Change 95-01	Six-Year % Change	Annual % Change
All Industries	10,089	11,824	1,735	17%	2.6%
Total, Private	10,005	11,736	1,731	17%	2.7%
Construction	1,108	1,487	379	34%	4.9%
Finance, Insurance	986	1,287	301	31%	4.4%
Services	4,006	4,979	973	24%	3.6%
Agriculture, Forestry, Fishing	286	355	69	24%	3.6%
Transportation, Communic, Utilities	278	318	40	14%	2.2%
Manufacturing	351	396	45	13%	2.0%
Wholesale Trade	638	694	56	9%	1.4%
Retail Trade	2,075	2,149	74	4%	0.6%
Government	85	88	3	4%	0.6%

Source: Florida Agency for Workforce Innovation, Covered Employment and Wages.

EMPLOYMENT GROWTH

Job growth is one of the most widely used measures of economic progress. Sarasota County has experienced steady employment growth in recent years. During the period from 1995 to 2001, employment in Sarasota increased at a rate of approximately 4.1% per year [Figure 14]. Over 33,000 net new jobs were created over the six-year period.

FIGURE 14: OVERALL JOB GROWTH SARASOTA COUNTY 1995-2001



Source: Florida Agency for Workforce Innovation, Covered Employment and Wages.

The highest annual rate of job creation over this period occurred in Construction (8.8%). Sarasota’s Agriculture/Forestry/Fishing sector, although small in absolute terms with 2,463 employees, also generated a high annual rate of job creation (8.7%). Very low rates of job creation took place in Transportation/Communications/Utilities, Wholesale Trade, and especially Government, which actually lost jobs over this period. The sizeable Service Sector added by far the largest absolute number of jobs (22,146) [Figures 15 and 16].

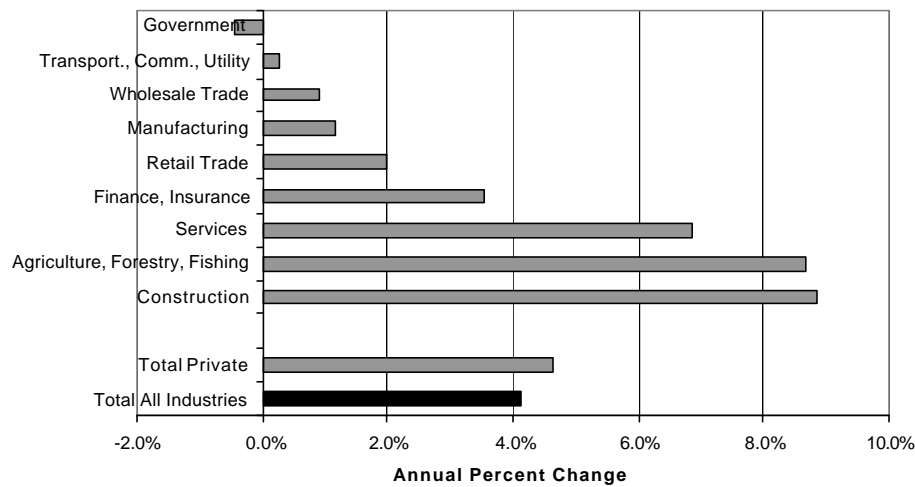
FIGURE 15: EMPLOYMENT BY INDUSTRY, 1995-2001

Industry	1995	2001	Absolute Change 95-01	Six-Year % Change	Annual % Change
Total All Industries	118,706	152,113	33,407	28%	4.1%
Total Private	105,319	139,076	33,757	32%	4.6%
Construction	6,616	11,251	4,635	70%	8.8%
Agriculture, Forestry, Fishing	1,461	2,463	1,002	69%	8.7%
Services	43,460	65,606	22,146	51%	6.9%
Finance, Insurance	7,666	9,487	1,821	24%	3.6%
Retail Trade	29,722	33,504	3,782	13%	2.0%
Manufacturing	8,246	8,838	592	*see note	3.5%
Wholesale Trade	3,999	4,218	219	5%	0.9%
Transportation, Communications, Utilities	3,572	3,627	55	2%	0.3%
Government	13386	13037	-349	-3%	-0.4%

Source: Florida Agency for Workforce Innovation, ES 202 Covered Employment.

*Note: Manufacturing employment was rounded down for 1997, to account for manufacturing firms that were operating in Manatee County despite having Sarasota County addresses. The rate of 3.5% provided for manufacturing is an annualized rate from the 1997-2001 period, **not** the 1995-2001 period.

FIGURE 16: ANNUAL EMPLOYMENT GROWTH RATE BY INDUSTRY, 1995-2001



Source: Florida Agency for Workforce Innovation, Covered Employment and Wages.

WAGE GROWTH

The importance of labor costs has changed over the past several decades. In traditional low-skilled firms, low labor cost was an advantage. For new, high-skilled manufacturing and professional services, low wages can be a disincentive for attracting qualified workers. With the increasing mobility and education of the workforce, competitive wages are now the economic advantage.

Wages in Florida and most of its metropolitan statistical areas (MSAs) are significantly below average for the nation. As Figure 17 indicates, the average Floridian makes about \$5,000 less than the average US resident, and the average Sarasota County resident makes \$5300 less than residents elsewhere in the nation.

FIGURE 17: REGIONAL COMPARISON OF AVERAGE WAGES

Region	2001 Average Wage
Sarasota County	\$30,812
Sarasota-Bradenton MSA	\$27,958
Greater Tampa Region	\$30,900
Florida	\$31,551
Average US	\$36,219
Average US MSA	\$37,908

Source: US Bureau of Labor Statistics and Florida Agency for Workforce Innovation

Employment in Florida is concentrated in non-professional service jobs that support the tourism industry and retirement lifestyles. These retail, real estate, entertainment and recreation jobs, on average, pay relatively low wages. Most regions in Florida lack the manufacturing and other high-value-added jobs that tend to pay higher wages. Sarasota is no exception to this: almost all of Sarasota’s industries pay lower wages than the national average. However, Sarasota is particularly hampered by its heavy employment concentration in industries whose wages are low even by state standards.

Amongst industries with above-average wages, Sarasota employment only matches US and Florida concentrations in Finance and Construction. In the four other industries that have above-average wages nationally, it is below state and/or national concentrations. Conversely, Sarasota’s employment concentration significantly surpasses US and Florida concentrations in the three industries with below-average wages: Services, Agriculture/Forestry/Fishing, and Retail.

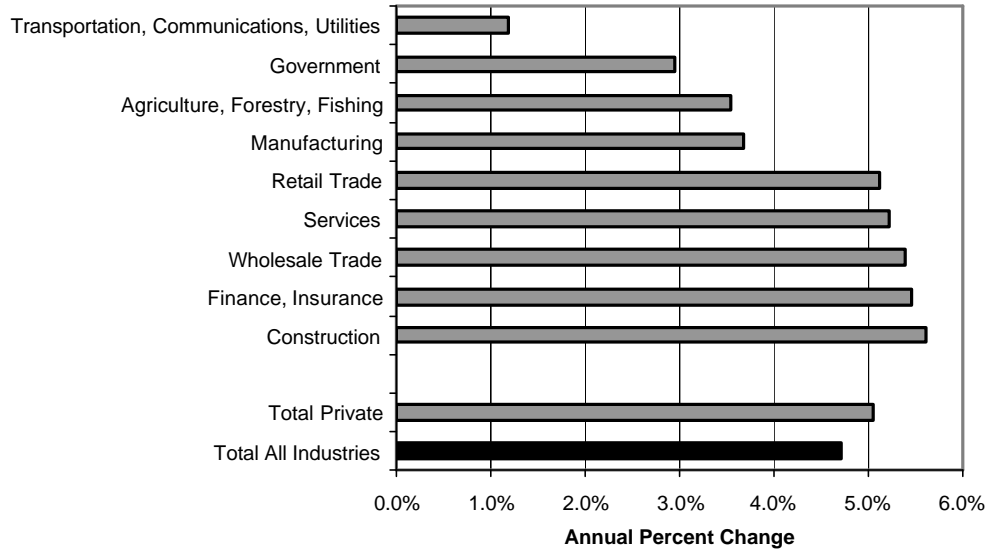
FIGURE 18: WAGES BY YEAR, 1995-2001

Industry	1995	2001	Absolute Change 95-01	% Change 95-01	Annual % Change
Total All Industries	\$23,223	\$30,812	\$7,589	33%	4.7%
Total Private	\$22,475	\$30,444	\$7,969	35%	5.1%
Construction	\$24,822	\$34,772	\$9,950	40%	5.6%
Finance, Insurance	\$33,997	\$47,204	\$13,207	39%	5.5%
Wholesale Trade	\$29,947	\$41,416	\$11,469	38%	5.4%
Services	\$22,535	\$30,828	\$8,293	37%	5.2%
Retail Trade	\$15,227	\$20,716	\$5,489	36%	5.1%
Manufacturing	\$29,773	\$37,140	\$7,367	25%	3.7%
Agriculture, Forestry, Fishing	\$17,248	\$21,344	\$4,096	24%	3.6%
Government	\$29,113	\$34,759	\$5,646	19%	3.0%
Transportation, Communications, Utilities	\$30,053	\$32,252	\$2,199	7%	1.2%

Source: Bureau of Labor Statistics and Florida Employment Department

Annual wage growth between 1995 and 2001 was highest in Construction (5.6%), but was also reasonably high in almost all other industries, with the marked exception of Transportation/Communications/Utilities. Figures 18 and 19 illustrate wage growth by industry across the six-year period.

FIGURE 19: WAGE GROWTH BY INDUSTRY BY YEAR



Source: Bureau of Labor Statistics and Florida Employment Department

SECTION IV: FACTORS FOR INNOVATION

PATENT DEVELOPMENT

Patents are a useful indicator of the pace of knowledge creation. Patents play a key role in enabling firms to create or apply new techniques and technologies. These ideas and inventions are critical to the economy since their commercialization results in high-value jobs and business. Utility patents constitute the vast majority of what are known as invention patents. Not surprisingly, the metropolitan regions that are known as high tech centers are also those with the largest number of patents [Figure 20].

FIGURE 20: PATENT COMPARISON OF TOP PERFORMING AND SOUTHEAST REGIONS

	1990	1995	1999
San Jose	1295	2416	5664
Boston	2051	2318	3806
Chicagoo	2086	2303	2929
San Diego	761	908	1748
Austin	354	683	1571
Atlanta	461	641	1045
Raleigh-Durham	233	399	939
Charlotte	172	188	260

Source: U.S. Patent Office

By comparison, Florida’s patent activity is relatively low – as is typical for economies with low concentrations of manufacturing and export-oriented industries. Figure 21 summaries patent activity in Florida’s metro regions from 1990 to 1999. During the period from 1995 to 1999, two regions stand out in terms of their growth rate in patent activity. Over this five-year period the Sarasota-Bradenton region increased its patent activity by 97% (from 67 to 132 patents), and the Melbourne-Palm Bay region increased patents by 93% (from 92 to 178 patents).

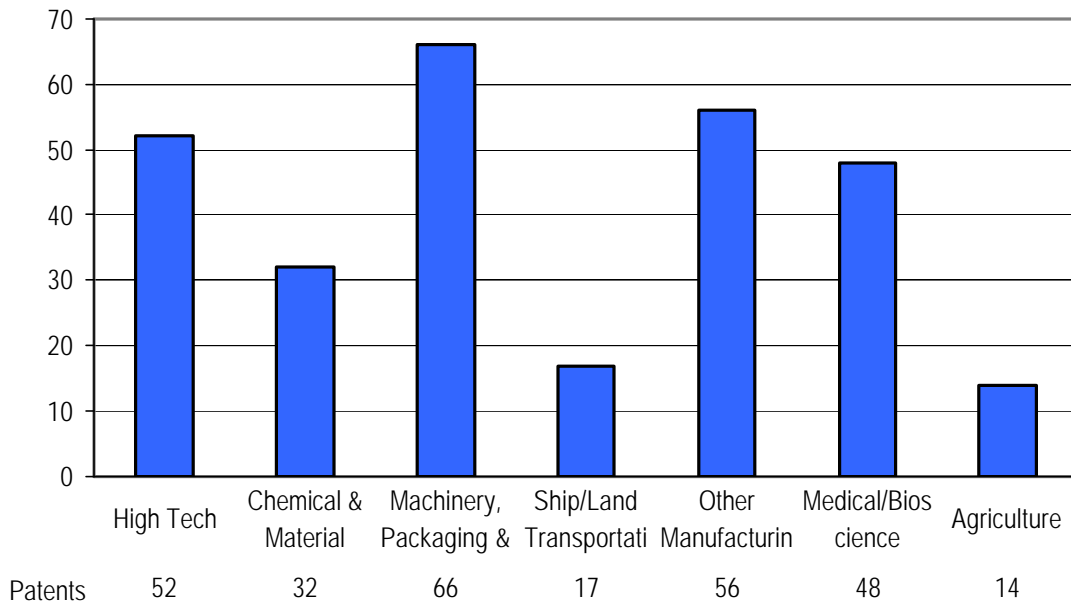
FIGURE 21: PATENT ACTIVITY IN FLORIDA

	1990	1995	1999
West Palm Beach-Boca Raton	209	358	403
Tampa-St. Pete-Clearwater	243	274	386
Fort Lauderdale	247	356	339
Orlando	197	161	200
Melbourne-Palm Bay	10	92	178
Sarasota-Bradenton	75	67	132
Jacksonville	60	78	131
Fort Meyer-Cape Coral	29	37	50
Tallahassee	15	30	42

Source: U.S. Patent Office

The types of patents issued in a region can provide insight into the industries that are creating new technologies and products. Figure 22 shows that patents in the Sarasota-Bradenton region were concentrated in machinery, high technology, biosciences and other manufacturing. This corresponds to the types of manufacturing and other export industries located in the region.

FIGURE 22: SARASOTA-BRADENTON PATENT GRANTS BY TYPE
Total Patents 1993-1999



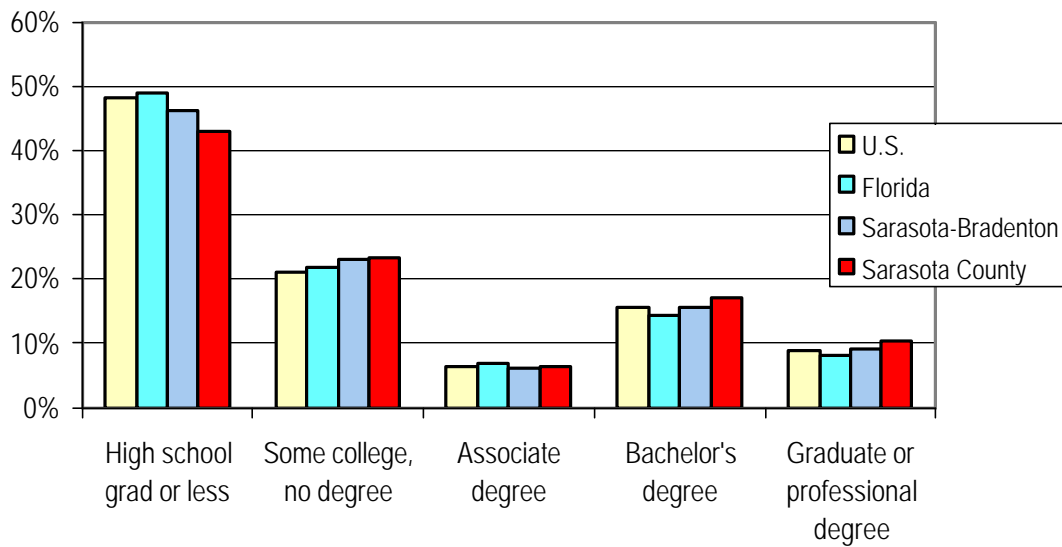
Source: US Department of Commerce, Patent and Trademark Office

EDUCATIONAL ATTAINMENT

An increasing number of jobs, especially those critical to a company’s competitiveness, require college degrees. Therefore, educational attainment has become an increasingly important measure of economic health. Nationally about 25% of the US population over 25 years of age has at least a Bachelors degree. Like other economic indicators, those metropolitan areas with high educational attainment tend to be those with a higher than average concentration of value-added industries, higher wages, and more activity in innovation.

Sarasota County’s educational attainment is just slightly higher than the US average. As shown in Figure 23, Sarasota’s 25-and-over population has a greater proportion of college graduates and advanced degree holders than the statewide population. Of the population over 25 years old, Sarasota’s percent of residents with a bachelor’s degree or higher increased from 21.93% in 1990 to 27.43% in 2000.

FIGURE 23: EDUCATIONAL ATTAINMENT 2000



Source: US Census Bureau, 2000 Census

Science and Engineering Doctorates – The region’s largest university, the University of South Florida, has an active science and engineering program. In 2000, USF awarded 68 doctorates in science and engineering [Figure 24]. Connecting Sarasota County to this type of knowledge-based asset can strengthen the region’s economic capacity.

FIGURE 24: SCIENCE AND ENGINEERING DOCTORATES AWARDED

Institution	National Rank	Number of Science and Engineering Doctorates Awarded
<i>Florida, total</i>		810
University of Florida	19	291
Nova Southeastern University	75	112
Florida State University	80	107
University of Miami	82	106
University of South Florida	113	68
University of Central Florida	142	47
Florida International University	201	25
Florida Institute of Technology	210	22
Florida Atlantic University	222	20
FL Agricultural and Mechanical U	280	7

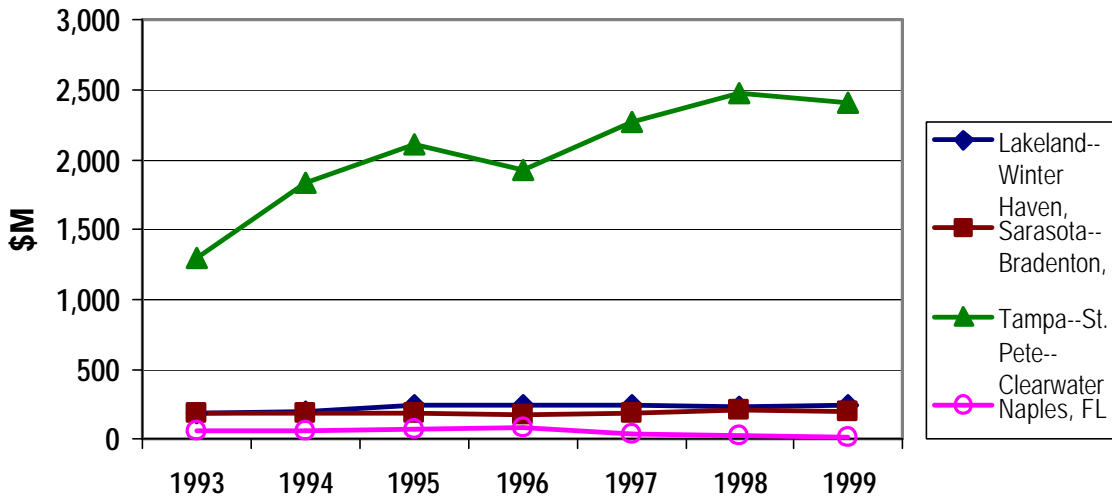
Source: National Science Foundation

EXPORTS

In 1999, the county's exports were \$ 202 million, only a 8% increase from 1993 levels of \$187 million.³ By comparison, for this same time period the Tampa metro area increased exports by 85%, and the Melbourne-Titusville-Palm Bay region increased exports by 102%. Sarasota-Bradenton's flat level of export revenues can be correlated to a relatively flat growth in export-oriented industries such as manufacturing, which grew only 7% growth in employment from 1995-2001. Figure 25 summarizes the export activity of metro areas near Sarasota-Bradenton MSA.

³ US Office of Trade and Economic Analysis

Figure 25: Export Activity



Source: Office of Trade and Economic Analysis

Exports from Manufacturing

The type of manufacturing is as important as the concentration of manufacturing employment. Regions with export-oriented or high-value manufacturing (i.e., Aerospace in Seattle) bring in significant revenues per worker. Even smaller regions with high-value manufacturing can bring significant dollars into the economy. Figure 26 indicates that the Sarasota metro region has a lower than average ratio of manufacturing dollars per manufacturing worker: just over \$8800 per manufacturing worker as compared to a national average of \$38,000 per worker.

FIGURE 26: EXPORT SALES PER MANUFACTURING WORKER, 1998

Rank	Region	Manufacturing Export Dollars per Manufacturing worker
1	Miami	\$169,836
2	Seattle	\$129,000
3	Richmond	\$86,000
...		
US Average	MSA	\$38,200
...		
62	Sarasota	\$8,812
63	Ocala	\$7,625
64	Naples	\$6,446

Source: TalTech Alliance using International Trade Administration data

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SECTION V: COMPARISONS TO COMPETITOR REGIONS

OVERVIEW

For many economic development efforts, metropolitan regions are the defining boundaries for companies and economic activities. For this project, the economic profile compares the Sarasota-Bradenton metropolitan statistical area (MSA) to other regions across the nation with the following characteristics:

- Similar in size (400,000 to 900,000 residents)
- Considered a “lifestyle” community.
- Have a significant tourism component to their economy.
- Have been listed by Inc., Fortune, Entrepreneur or Money magazine as a “top 10” place to live or have a business.

These characteristics result in a list of competitive regions that includes:

- Tucson, Arizona;
- Colorado Springs, Colorado;
- Lexington, Kentucky;
- Santa Rosa, California; and
- Boise, Idaho.

In addition to these regions, we also included two benchmark regions of Austin, Texas and Raleigh-Durham-Chapel Hill, North Carolina in some of our measures. These regions are slightly larger than our comparative regions, yet are known for successfully focusing economic development on creating value-added industries with livable wage jobs.

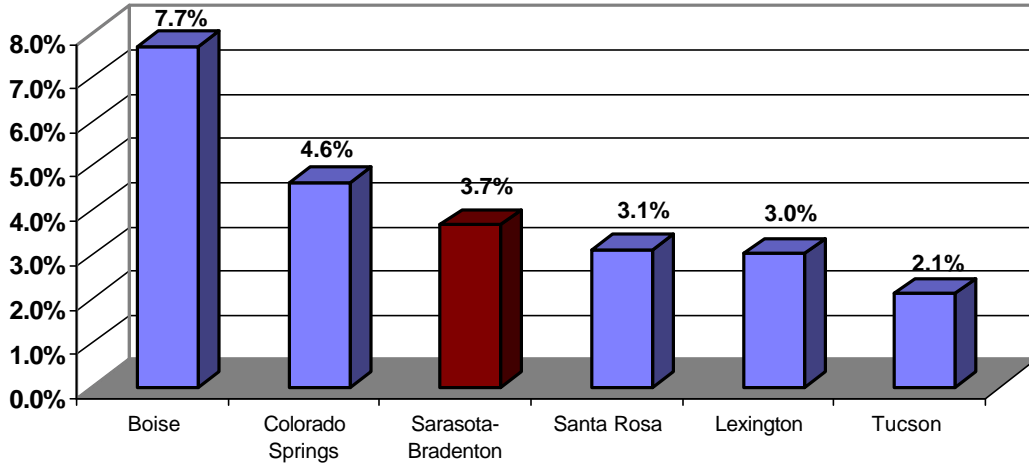
In summary, the Sarasota-Bradenton area is comparable to its “competitor regions” in terms of business activity, cost of living and job growth. However, the region is far less competitive when the details of business activity are analyzed. This region’s business growth and activity do not appear to be in companies related to value-added or export-oriented industries. This lack of growth in value-added firms also means the region’s wages, exports, and growth in gross metropolitan product is lower than other regions. A lack of value-added industries tends to influence the type of workforce in the region. In the Sarasota-Bradenton MSA, educational attainment is lower than almost all other competitive regions—reflecting a service-oriented economy. The following charts and graphs indicates how the Sarasota-Bradenton region compares with its competitive regions on nine different economic measures:

- Business formation
- Percent of employment in value-added industries
- Average annual pay
- Income distribution
- Educational attainment of the workforce
- Patents
- Exports

BUSINESS ACTIVITY COMPARISON

The Sarasota Bradenton region rates slightly above average in terms of business formation rates. As Figure 27 shows, the Sarasota Bradenton region started new businesses at a rate of 3.7% per year from 1998-2000.

Figure 27: Business Formation Rate 1998-2000

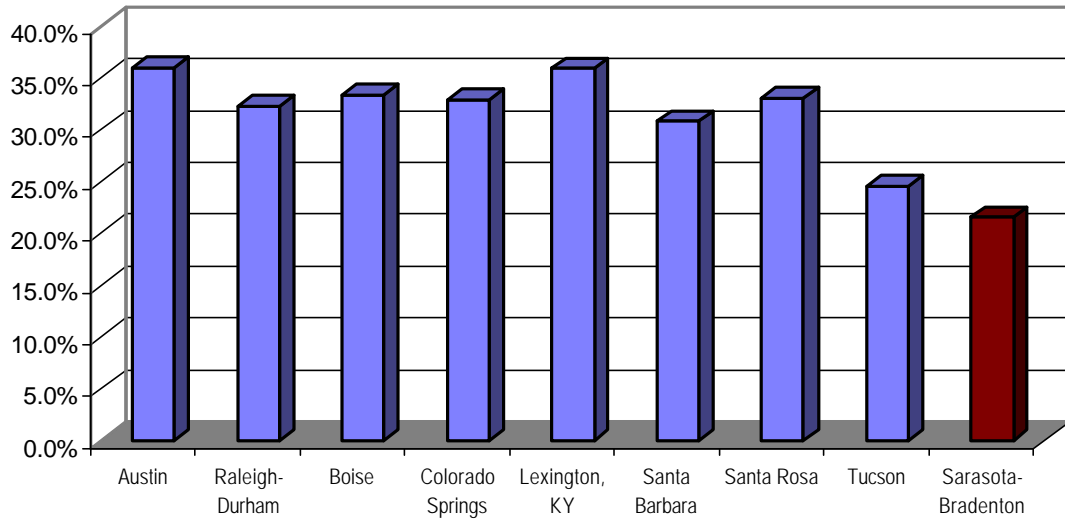


Source: US Census Bureau, County Business Patterns

VALUE-ADDED EMPLOYMENT COMPARISON

When business activity is further analyzed, there are selected industries that export a significant portion of their goods or services out of a region and pay above-average wages. These industries are often referred to as “value-added industries.” For comparison purposes in this report, five industry codes were selected to represent a region’s value-added employment. These industry consist of manufacturing (NAICS 31-33); Wholesale Trade (NAICS 42), Information (NAICS 51), Finance and Insurance (NAICS 52), and Professional and Technical Services (NAICS 54). [Figure 28].

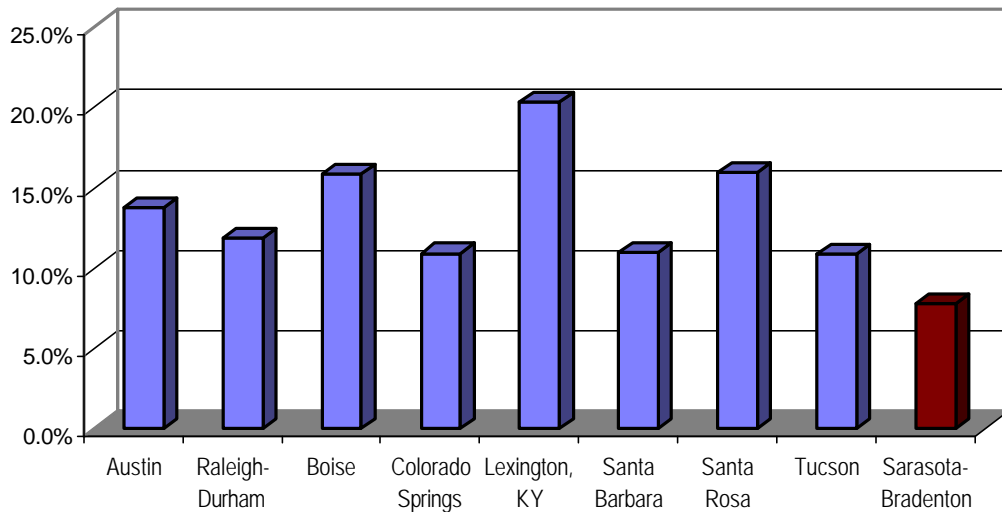
Figure 28: Percent of Employment in Selected Value-added Industries



Source: US Census Bureau, County Business Patterns, 2000

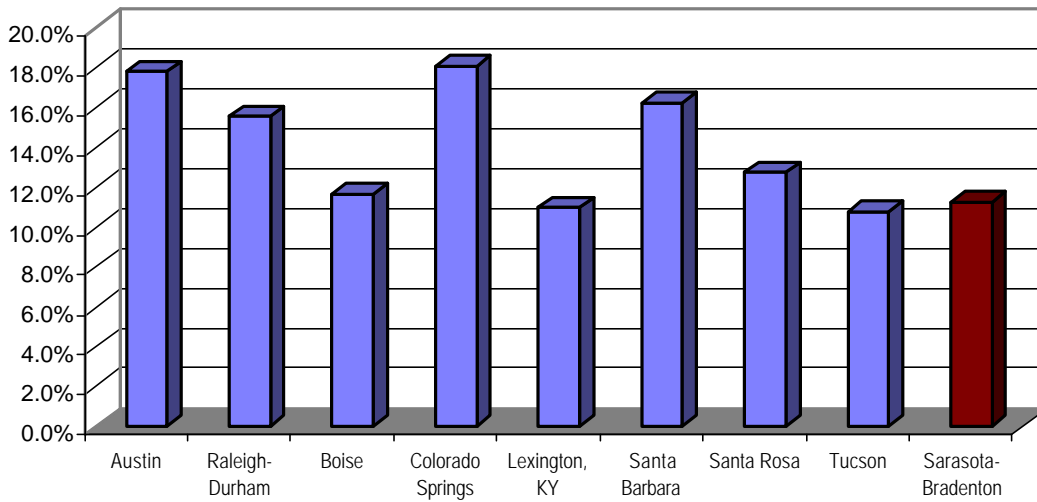
Employment in value-added industries was further refined into the percent of employment in manufacturing and the percent of employment in high-end professional and technical services. Here we see the Sarasota-Bradenton area low in term of manufacturing employment, yet slightly more competitive in terms of value-added services [Figures 29 and 30].

Figure 29: Percent Employment in Manufacturing



Source: US Census Bureau, County Business Patterns, 2000

**Figure 30: Percent of Employment in Value-Added Service Industries
(Information, Professional Services, Finance & Insurance)**

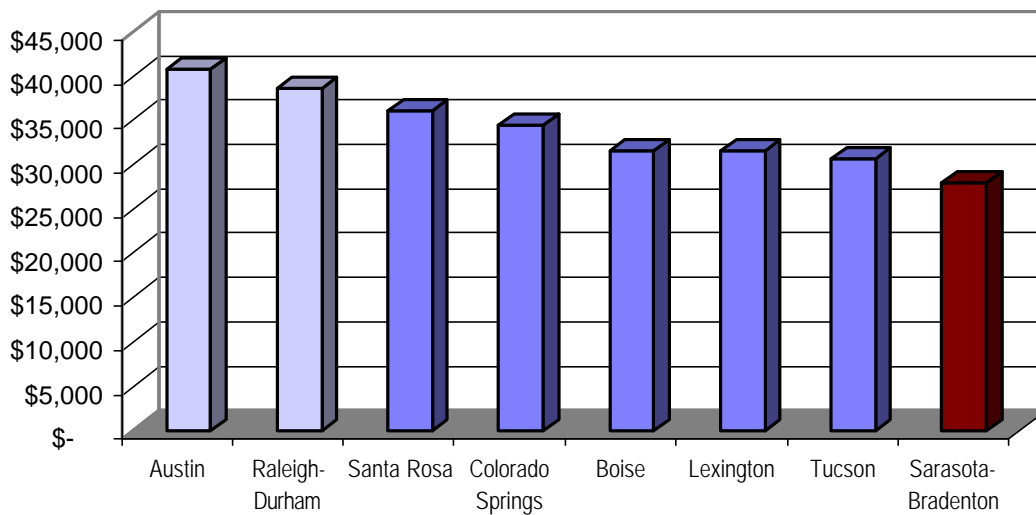


Source: US Census Bureau, County Business Patterns, 2000

AVERAGE WAGE COMPARISON

Sarasota-Bradenton is well below its comparator regions in terms of average annual pay. Figure 31 notes the region’s average wage is just under \$28,000, compared to an average of almost \$33,000 for the five main competitor regions, and almost \$35,000 when Austin and Raleigh-Durham are included in the average wage.

Figure 31: Average Annual Pay

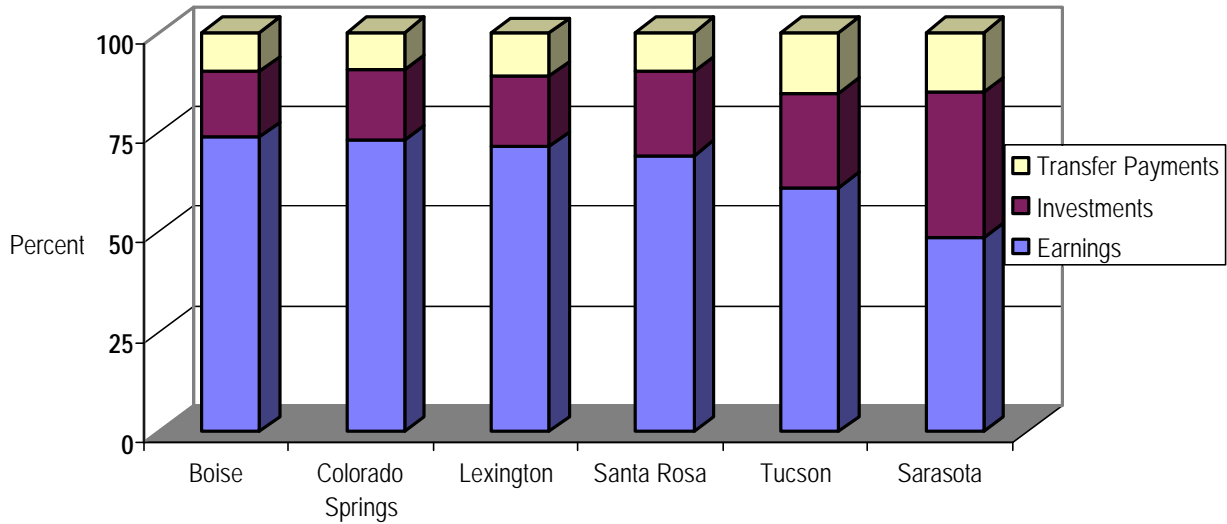


Source: Bureau of Labor Statistics

EARNINGS COMPARISON

In contrast to competitor regions of similar size, earnings income in Sarasota County is the lowest among all regions. The average percent earnings of per capita income for competitor regions is approximately 68%, while just 48% for the Sarasota-Bradenton MSA. Earnings income is important because it indicates the overall strength of the workforce and is considered to be a foundation for a stable tax base [Figure 32].

Figure 32: Per Capita Income Comparison 2000

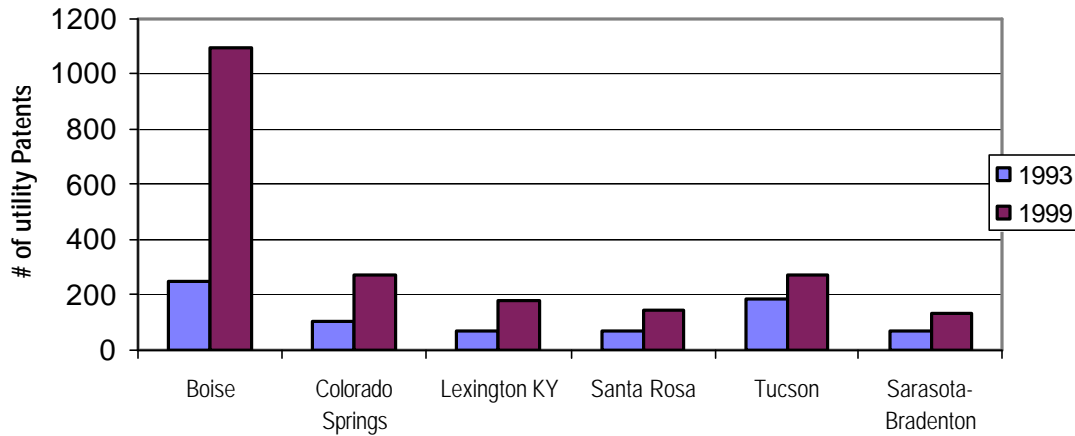


Source: Bureau of Economic Analysis, Bearfacts

PATENT COMPARISON

Patents are an indicator of innovation and the rate at which companies develop new products or services. Although growing, Sarasota-Bradenton’s level of patent activity is slightly below corresponding levels in regions of similar size. Boise’s patent activity has dramatically increased from 1993 to 1999, while other regions grew at a rate closer to Sarasota-Bradenton [Figure 33].

Figure 33: Utility Patents by Metro Region (1993 & 1999)

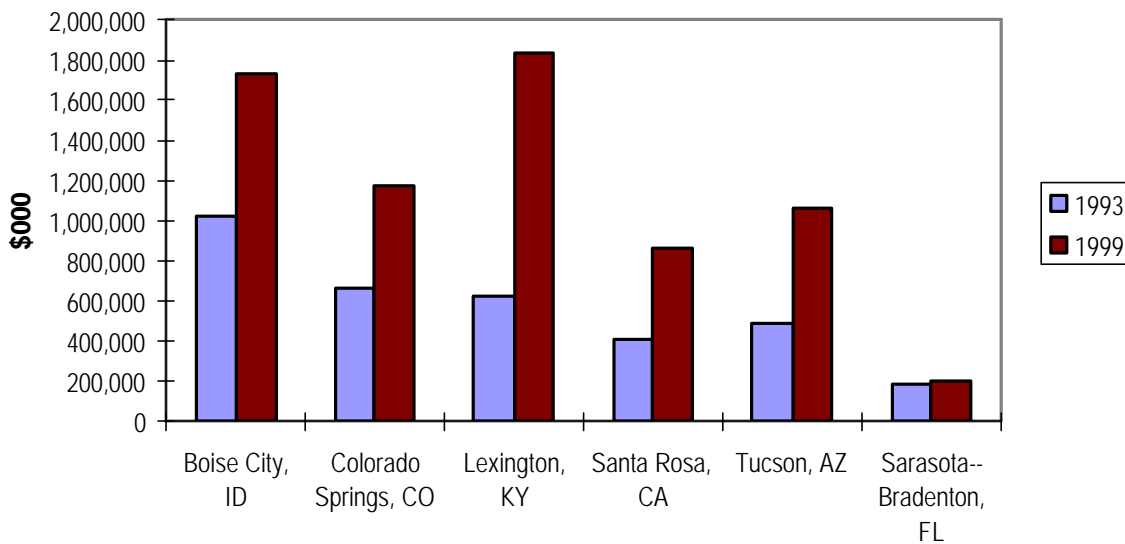


Source: US Trade and Patent Office

EXPORT COMPARISON

Exports are important indicators of new wealth coming into the region. They point toward the growth in traded sector industries, especially manufacturing. This measure is perhaps the most telling in terms of the region's dependence on tourism and local services. From 1993 to 1999, exports from other regions grew between 50 and 200%. The growth in Sarasota-Bradenton during this time was only 8.4% [Figure 34].

Figure 34: Export Comparison of Metro Regions



Source: Census Bureau, Office of Trade and Economic Analysis

SECTION VI: PRELIMINARY CLUSTER DEFINITIONS

CLUSTERS AND EXPORT-BASE ECONOMICS

One of the core tenets of competitiveness theory is that a region's wealth is not based on what locals provide each other, but on how many of its industries are exporting their products and services outside the region. In other words, the issue is how much economic activity is sufficiently specialized – and therefore sufficiently productive – to be attractive in quality and attractively priced for statewide, national, and global markets. With successful exports of a product beyond the local region, dollars, euros and yen flow in, creating wealth.

While this is fairly simple to state, it is more challenging to achieve. Sarasota clearly enjoys a high income level, compared to other Florida counties, due to a thriving tourism industry, and active investment in local real estate and businesses by wealthy individuals attracted to the quality of life in the region. The process of determining Sarasota County's economic identity is not linear – ultimately, that process needs to answer the following questions:

- *What are the drivers of the region's economy?*
- *What are the core capabilities within the region that need to be enhanced in order to make the region more competitive?*

There is no question that in today's globalized world, companies can obtain capital, labor and technology from any location. Some commentators argue that this process of globalization diminishes the importance of location. Paradoxically, however, the reverse is true. In a “knowledge economy” that is driven less by cost, and more and more by productivity, a region's level of economic specialization becomes all-important. The most competitive regions have learned how to accelerate their economic development, by supporting and expanding their **industry clusters**.

What is a cluster?

Clusters are geographic concentrations of firms and other organizations associated with a particular industry. Familiar examples of clusters include information technology in Silicon Valley, fashion shoes in Italy, and mutual funds in Boston. A cluster's firms include its lead firms - the “core” of the cluster - along with many other firms orbiting around the core: specialized suppliers, service and infrastructure providers, and companies in industries that are downstream from, or otherwise complementary to the lead firms. The other organizations that make up a cluster include schools, research centers, regulators, trade associations, and other institutions strongly tied to the clustered industry.

Clusters are increasingly viewed as the appropriate unit for gauging a region's economic prospects, as groupings at the industry level only are too narrow, and those at the sector level (e.g. manufacturing or high-tech) are too broad. Harvard Business School professor Michael

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Porter has identified at least seven ways that the presence of strong clusters contributes to a region's economic health⁴:

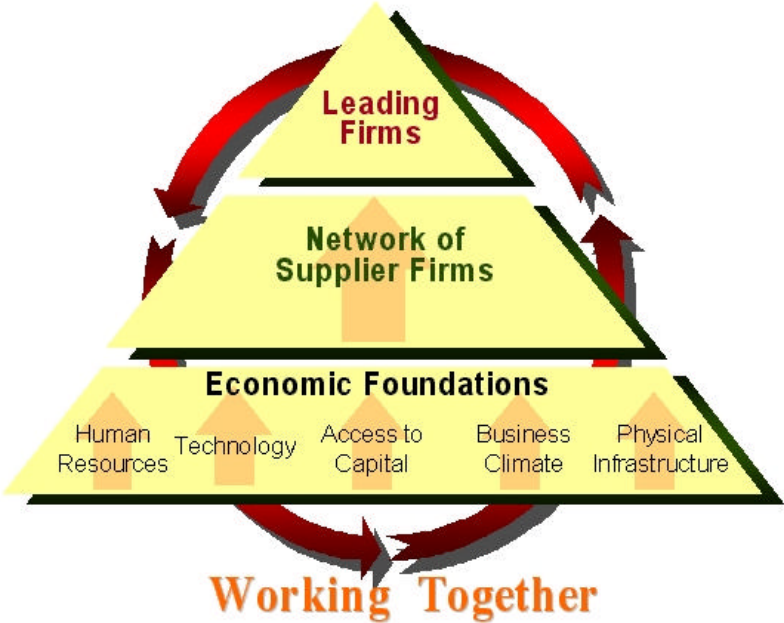
- 1) Access to specialized inputs and labor – clusters allow minimal inventories, lower transport costs, easier communication, tailoring of inputs, and easier repair, recruiting and training.
- 2) Improved flow of information – clusters are a rich environment for buyer information, other market information, and technical information.
- 3) Complementarities – clusters tend to produce complementary products, as well as efficient and joint marketing/branding efforts, making it easier to solve coordination problems.
- 4) Institutions and public goods – Workforce development, consulting and technical assistance, and public or private investments in infrastructure are all facilitated by the existence of a cluster.
- 5) Incentives and performance measurement – the competitive and peer pressures of a cluster provide benchmarks for evaluation of output and internal operations.
- 6) A spur to innovation – Many of the advantages already mentioned (buyer needs, technical info, benchmarking, tailoring of inputs, and peer pressure) are a greater boost to product innovation in clusters than they are in non-clustered situations.
- 7) New business formation – In clusters, barriers to entry are lower, since information, financing, and immediate markets are all available.

Over the long run, the primary sources of regional growth are outward-looking clusters, since their growth potential is higher than the growth of just the local economy (as opposed to clusters that don't compete inter-regionally, such as retail). Most of the advantages of clustering hinge upon social relationships and effective partnerships, so a sense of civic engagement is crucial. Indeed, clusters don't happen by themselves – instead, relationships, cultural norms, and formal or informal organizing mechanisms are important.

One way to understand the structure of a cluster is depicted in Figure 35. This framework divides a cluster's components into three categories: lead firms (the core), supplier companies, and cluster foundations.

⁴ Michael Porter, On Competition, Chapter 7, Harvard Business School Press, 1998.

FIGURE 35: A CLUSTER’S STRUCTURE



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Clusters and Economic Foundations

If industry clusters drive the performance of an economic region, what drives the performance of industry clusters? The answer is: the competitive advantages of clusters derive from the responsiveness of regional sources of factor inputs—the resources needed to run businesses.

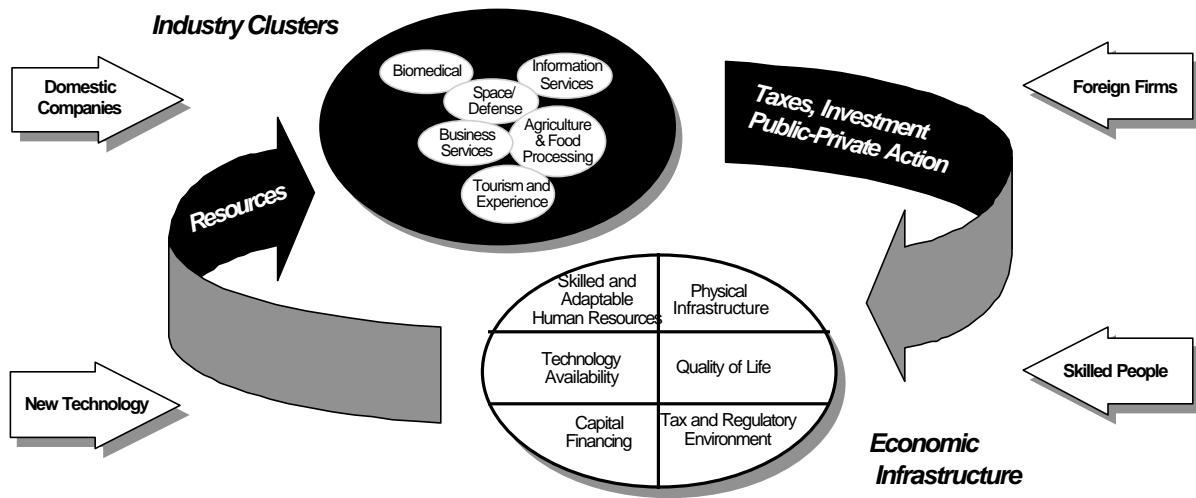
These sources are called “economic infrastructure” and are the foundation of any regional economy:

- ❑ **Adaptable Human Resources:** The ability to prepare, advance and renew skills for changing markets. A well-skilled labor force along with its training and retraining programs endows the county with a potential competitive advantage in the growth industries it seeks to develop.
- ❑ **Accessible Technology:** The degree to which industries can acquire the scientific discoveries, developed applications, and deployable products and practices they require. The technologies and related competencies developed in the aerospace and defense industries, for example, may be re-deployed in the region’s targeted growth industries in a way that leverages these existing technologies for new markets.
- ❑ **Available Financing:** The ability to obtain the right amount of financing at the right time for initiating, expanding or transforming an enterprise. A source of competitive advantage can be found in the concentration of financial expertise and potential equity and debt capital sources that are located in the region, if they can be tapped to provide needed financing for growth industry opportunities.

- **Basic and Advanced Physical Infrastructure:** Transportation systems, telecommunications systems and environmental systems that enable efficient operations. Basic infrastructure is still an essential element for most developing countries, and yet key investments in advanced communications infrastructure can have a strong impact on competitiveness.
- **Business Climate and Regulatory Environment:** The level, cost and timing of taxes, fees, permits and administrative processes relative to the services available. Are current government policies and cultural attitudes conducive to the start-up and expansion of entrepreneurial activities?
- **Quality of Life:** This is not only a goal of sustained economic development, but also a necessary ingredient, to the extent that entrepreneurs, researchers, and skilled managers are increasingly footloose, and seek regions where quality of life is high. These individuals are in essence a factor of production, and regions need to be able to attract them.

The most adaptive economic regions have the most demand-oriented and dynamic sources of economic infrastructure. Likewise, the worst-performing regions have the greatest mismatch between industry needs and economic infrastructure systems. Working with clusters and the foundation areas simultaneously can change the dynamic from a vicious cycle to a vital cycle [Figure 36].

FIGURE 36: REGIONS WITH VITAL CYCLES ATTRACT RESOURCES FROM OUTSIDE



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SARASOTA’S CLUSTERS

To understand a region’s clusters requires far more than a ranked listing of the region’s industrial employment, even using detailed industry classifications. Yet, as a first step it is useful to start with these classifications to create a preliminary picture of the region’s potential clusters. Once this has been completed, interviews with businesses and industry experts can help to refine the characterization of the region’s clusters.

What follows, should be understood as a work in progress, and readers should expect changes in the cluster definitions in future reports over the course of this project. Many of Sarasota’s top-ECR industries are in similar sectors or serve similar markets. This suggests a grouping into 10 broad clusters, representing the core of Sarasota’s economy. These 10 clusters are:

- ❑ Real Estate & Development
- ❑ Tourism & Recreation
- ❑ Health Care
- ❑ Employment & Business Services
- ❑ Retirement Services
- ❑ Non-Depository Finance
- ❑ Specialty Manufacturing
- ❑ Creative Services
- ❑ Member Organizations
- ❑ Professional & Technical Services

The full list of component industries for these ten clusters is as follows. *Note: these clusters represent specific segments within the industry where Sarasota has an existing or emerging advantage—it does not represent the entire employment for that cluster.*

Real Estate & Development	Tourism	Health Care
Residential Building Construction	Jewelry, Luggage, and Leather Goods Stores	Medical Equipment and Supplies Manufacturing
Land Subdivision	Office Supplies, Stationery, and Gift Stores	Offices of Physicians
Highway, Street, and Bridge Construction	Scenic and Sightseeing Transportation, Water	Offices of Dentists
Other Heavy and Civil Engineering Construction	Travel Arrangement and Reservation Services	Offices of Other Health Practitioners
Foundation, Structure, and Building Exterior Contractors	Spectator Sports	Outpatient Care Centers
Building Equipment Contractors	Museums, Historical Sites, and Similar Institutions	Medical and Diagnostic Laboratories
Building Finishing Contractors	Other Amusement and Recreation Industries	Other Ambulatory Health Care Services
Other Specialty Trade Contractors	Full-Service Restaurants	Nursing Care Facilities
Offices of Real Estate Agents and Brokers	Hotels and Places of Accommodation	
Activities Related to Real Estate		
Services to Buildings & Dwellings		

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Employment & Business Services	Retirement Services	Non-Depository Finance
Office Administrative Services	Community Care Facilities for the Elderly	Depository Credit Intermediation
Business Support Services	Home Care Services	Activities Related to Credit Intermediation
Employment Services (estimated local component only – see <i>Note about employee leasing</i> below)	Death Care Services	Accounting, Tax Preparation, Bookkeeping, and Payroll Services
	Personal Care Services	Agencies, Brokerages, and Other Insurance Related Activities
	Personal and Household Goods Repair and Maintenance	Securities and Commodity Contracts Intermediation and Brokerage

Specialty Manufacturing	Creative Services	Member Organizations
Architectural and Structural Metals Manufacturing	Newspaper, Periodical, Book, and Directory Publishers	Civic and Social Organizations
Cement and Concrete Product Manufacturing	Motion Picture and Video Industries	Business, Professional, Labor, Political, and Similar Organizations
Spring and Wire Product Manufacturing	Sound Recording Industries	
Communications Equipment Manufacturing	Specialized Design Services	
Plastics Product Manufacturing	Advertising and Related Services	
	Performing Arts Companies	
	Independent Artists, Writers, and Performers	

Professional and Technical Services
Internet Service Providers and Web Search Portals
Computer Systems Design and Related Services
Data Processing, Hosting, and Related Services
Legal Services
Architectural, Engineering, and Related Services
Management, Scientific, and Technical Consulting Services
Scientific Research and Development Services
Other Professional, Scientific, and Technical Services

Note about employee leasing - The Business Services cluster described above is dominated by the Employment Services industry, which includes firms that engage in employee leasing activities. Although these firms may be headquartered within Sarasota, many of the employees they lease out actually work outside of the region. *As such, we have modified the definition of the Employment Services industry – reducing it by 2/3, so that it only represents an estimates amount of local component for the industry.*

Employment Concentrations

One of the most telling indicators of an existing cluster is a high **concentration of employment** in a given industry, relative to the average concentration in a typical US county of the same size. As shown in Figure 37, the employment concentration ratio (ECR) of each of these clusters is greater than the national average (defined as 100).⁵ For instance, the Tourism & Recreation Cluster has an ECR of 202 in Sarasota, meaning that such employment is more than twice as concentrated in Sarasota than it is nationally. *Please note: these clusters represent the specific segments of each industry where Sarasota has a higher concentration of employment or is directly related to the economic goal of having value-added industries with above-average wages—employment totals do not represent all employment in that sector.*

FIGURE 37: EMPLOYMENT AND WAGES IN SARASOTA’S CLUSTERS

Industry Description	Firms	Jobs	ECR*	Average Annual Wage
Selected Real Estate & Development	2284	14150	167	\$28,558
Selected Tourism & Recreation	762	10566	202	\$17,800
Selected Health Care	957	9240	152	\$42,205
Local Employment & Business Services	239	6605	359	\$21,242
Selected Professional & Technical Services	1141	6531	139	\$45,029
Selected Non-Depository Finance	644	5883	133	\$50,480
Retirement Services	371	4608	242	\$20,447
Specialty Manufacturing	64	3199	227	\$36,992
Selected Creative Services	294	2392	157	\$30,406
Member Organizations	195	1775	191	\$16,794
All Clusters	6951	64949		\$ 31,234

* ECR – Employment Concentration Ratio (US = 100)

Source: ECG; derived from US Bureau of Labor Statistics, Covered Employment and Wages

On the whole, the largest, most established clusters (e.g. Tourism, Real Estate & Development, Employment & Business Services and Retirement Services) tend to have wage levels below \$30,000, while the smaller but higher value-added clusters currently provide average annual wages from \$30,000 to \$50,000 per year. While it always makes sense to search for niches with higher value-added in the traditional industries such as tourism, in order to raise wage levels, the quicker pay-off in economic development may be to seek expansion of smaller clusters that already pay above average wages.

Figure 38 provides useful comparative information regarding Sarasota County’s economic structure relative to the full Sarasota-Bradenton Metropolitan Statistical Area (MSA), which includes Manatee County, and the Tampa MSA.

⁵ An industry’s ECR is the percentage by which that industry is concentrated in a particular region, relative to the national average.

FIGURE 38: COMPARISON OF EMPLOYMENT IN SARASOTA COUNTY, SARASOTA-BRADENTON MSA AND TAMPA

Cluster	Sarasota County		Sarasota Bradenton MSA		Tampa Bay MSA	
	Jobs	%	Jobs	%	Jobs	%
Selected Real Estate & Development	14150	11.8%	20266	9.6%	74226	9.1%
Selected Tourism & Recreation	10566	8.8%	16030	7.6%	70741	8.7%
Selected Health Care	9240	7.7%	14502	6.9%	48556	6.0%
Local Employment & Business Services	6605	5.5%	17303	8.2%	52784	6.5%
Selected Professional & Technical Services	6531	5.4%	8758	4.2%	51690	6.4%
Selected Non-Depository Finance	5883	4.9%	7843	3.7%	46481	5.7%
Retirement Services	4608	3.8%	3781	1.8%	18505	2.3%
Specialty Manufacturing	3199	2.7%	3605	1.7%	9109	1.1%
Selected Creative Services	2392	2.0%	2766	1.3%	16768	2.1%
Member Organizations	1775	1.5%	2334	1.1%	5113	0.6%
Total Cluster Employment	64949		97188		393973	
These clusters as % of regional economy:	54.0%		46.1%		48.5%	

Source: ECG; US Bureau of Labor Statistics, Covered Employment and Wages

Please note: these clusters represent the specific segments of each industry where Sarasota has a higher concentration of employment or is directly related to the economic goal of having value-added industries with above-average wages—it does not represent all employment in that sector.

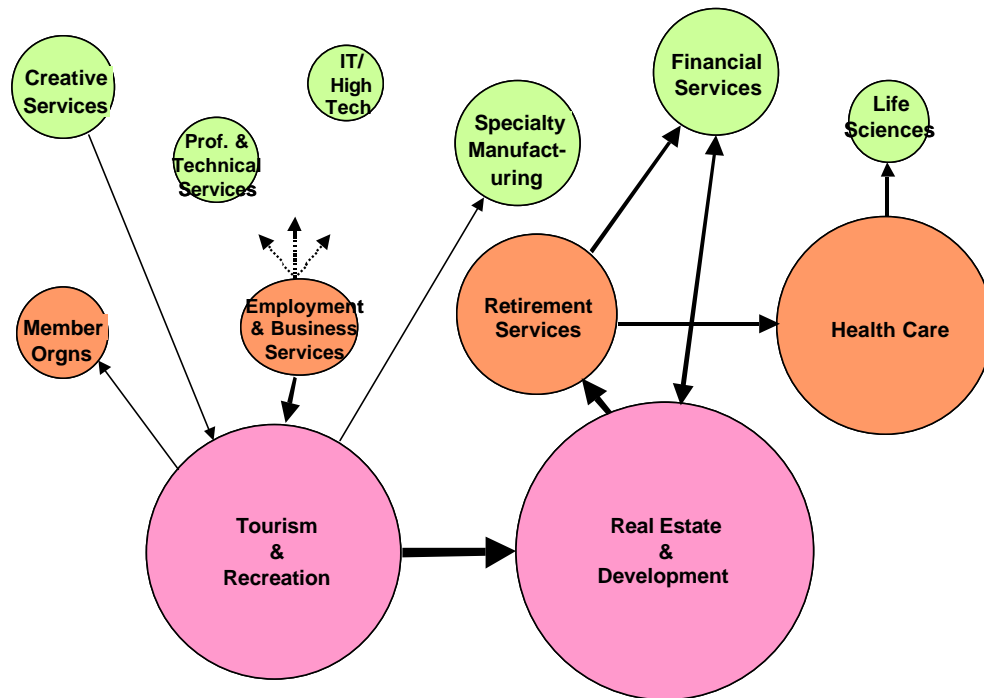
Sarasota County is less diversified than either of the two larger regions, with proportionately greater reliance on Real Estate, Tourism, Retirement Services and Health Care. Within the two-county Sarasota-Bradenton MSA, Sarasota County has the higher concentration of Creative Services jobs than Manatee County, so the percentage of such jobs is lower for the region as a whole. Meanwhile, Tampa Bay's higher concentration of professional services jobs can be explained by the larger number of corporate headquarters and regional offices based there.

Neither Tampa nor the Sarasota-Bradenton MSA is concentrated in the areas of specialty manufacturing that characterize Sarasota County's Specialty Manufacturing Cluster. While manufacturing is never likely to become a mainstay of Sarasota County's economy, a stronger definition of the region as an ideal home for certain types of customized, niche manufacturing could serve to expand the county's share of employment in this vital sector.

LINKAGES AMONG SARASOTA COUNTY'S CLUSTERS

Obviously, there is significant overlap between many of these 10 clusters – for example, an industry like “Home Care” is given under the Retirement Services cluster, but could just as easily be categorized under the Health Care cluster. Moreover, these overlaps and relationships between the major clusters are a critical part of the functioning of Sarasota’s economy. Figure 39 shows the linkages between the major Sarasota clusters. In this figure, bubble sizes represent the relative number of jobs in each cluster, and lines indicate the presence of strong or weak economic ties.

FIGURE 39: LINKAGES AMONG SARASOTA COUNTY’S CLUSTERS *



* -- Sizes of bubbles are proportional to employment of selected clusters (See figures 37 & 38 for details)

In Figure 39, the thick lines indicate strong linkages and interactions between clusters – and the thin lines represent weak interactions. These relationships explain several key dynamics of the Sarasota economy.

“Retirement Economy” - The disproportionate share of retirement-age population, drawn to Sarasota County for many of the same reasons that make it a tourism center, has not only stimulated customized services to serve their immediate needs (e.g. home care services and retirement communities), but it is also a major factor driving the provision of medical services, real estate expansion, specialized financial services, and the plethora of civic, business and other member organizations that are located in Sarasota. The retirement services cluster serves demand generated almost exclusively by older residents; meanwhile, the health care, tourism, real estate and finance clusters, although somewhat broader in their demographic focus, are still much more

retirement-oriented than similar clusters in other regions in the nation. For instance, most of Sarasota's financial cluster centers on personal financial planning and wealth management for individuals, rather than commercial banking, venture capital, etc.

Professional Services and Niche Manufacturing – A second, smaller grouping of Sarasota clusters is represented at the bottom of the figure. These are the clusters that do not depend heavily on the retirement community: Specialized Manufacturing, Creative Services, and Professional & Technical Services. Some weak linkages exist between these three clusters and the rest of the Sarasota economy – for example, the Creative Services cluster does include performing arts organizations (contributing to the Tourism/Recreation Cluster), and specialized design services (contributing to the Business Services Cluster). However, the lack of ties to Sarasota's other clusters is the more noteworthy feature of these three clusters. For example, many of Sarasota's manufacturing companies have reported that they do not use Sarasota-based suppliers to obtain many of their banking, advertising, legal, or other professional services – as the limited number of local suppliers with expertise on the manufacturing industry has convinced them to find suppliers outside of the county, or even out of state. The presence of a wider range of professional services in Sarasota County would create more well-paying jobs within the professional sector, and would also support other industries within the community.

While Sarasota's share of employment in manufacturing is lower than many regions, what it does have is characterized by customized production for niche, specialized markets. At this preliminary stage of the project, we believe this is in large part due to the prevalence of business owners and managers who have located their businesses in the region due to lifestyle considerations rather than primarily base on cost comparisons and other criteria in standard "site location" approaches. The emphasis that will be placed in this project on the Creative Services Cluster and the Professional & Technical Services Cluster derives from a strategy of expanding the role of these clusters in making the region more attractive to firms that are seeking not only high quality of life, but also world-class support services and an environment that is conducive to rapid product and technology innovation. By broadening the appeal of Sarasota County as a location to start and expand innovative businesses in Specialty Manufacturing, Financial Services, Health Care and Tourism, Sarasota's goal of diversification and increased average incomes for middle-class families will be well-served.

SECTION VII: FOCUS GROUP & REGIONAL FORUM SUMMARY

INDUSTRY FOCUS GROUPS

A series of seven focus groups were held from January 16-24, 2003 to solicit broad-based input to the Economic Development Plan. They included participants from health care, financial, manufacturing, creative services, and development industries, as well as groups focused on education and workforce, innovation and entrepreneurial capacity, and infrastructure and business climate issues. This summary represents the common themes in terms of a shared vision and the perception of the county's economic strengths and weaknesses, along with these groups recommendations about opportunities for the future.

VISION

- To further develop and support existing traded sector industry clusters including manufacturing, technology, financial services and health care
- To establish an environment that promotes an active entrepreneurial climate with an increasing number of start-up businesses
- To foster emerging industries such as creative services that build on existing strengths
- To have a collaborative education system (K-University) that provides seamless education and has developed distinctive, world-class research and educational niches
- To change the business climate from one that is unfriendly or unsupportive to one that welcomes and fosters job and business development
- To have land, transportation, affordable housing and telecommunication infrastructure in place and available throughout all parts of the county

STRENGTHS

- A broad array of higher education institutions that appear to have a high degree of collaboration and integration
- Responsive workforce development and customized training programs between business and education
- A strong arts & cultural community, especially in the area of exhibition
- A high quality of life that makes it easy to attract senior management and entrepreneurs
- Private and institutional sources of capital
- Collaboration among regional economic and workforce organizations

- A retirement community with vast business experience and untapped expertise
- A quality health care system
- Strong tourism infrastructure with related retail and personal services, top-notch recreational facilities and scenic environment

GROWING & IMPROVING TRENDS

- Growing entrepreneurial climate with an increasing number of start-up companies. (However, the region is still fairly immature in terms of the number of mature tech companies and resulting generations of spin-offs)
- A growing base of technology and value-added companies
- A growing number of professional and technical workers
- Environment for families is improving; the number of families is increasing, especially in south county and along I-75
- Research niches and world class facilities such as Mote or Ringling School of Art and Design (although they may be underutilized)
- Internships and other formalized workforce programs are growing; the Suncoast Workforce Board should continue to enhance its outreach and promotion of these programs

WEAKNESSES

- An economy that is too dependent on low-end service jobs; lack of a diversified industry base
- An unskilled workforce and the need to recruit almost all top-talent
- A lack of affordable housing throughout the county; affordable housing tends to be concentrated away from job centers
- A lack of infrastructure to support growth
- A reputation as a place to retire, not as a place to do business or as a place for young people to have careers
- Lack of entrepreneurial environment; few gathering places and social networks for business
- Difficulty in recruiting dual professional couples; lack of professional opportunities for spouses
- K-12 schools are not up to national standards; some pockets of excellence, but not widespread even though the community “values” education
- A lack of business services, especially banking, that understands the needs of and readily serves industries like manufacturing or high technology

- County and city governments are not supportive of business development in most areas of the county (North Port is an exception); permit process is too long, regulations are cumbersome or conflicting, etc.; state tax structures act as a disincentive for manufacturers, local zoning and ordinances inhibit entrepreneurial activities
- Business leadership is not sought after or a part of the political structure: community too concerned with catering to tourism and seasonal residents
- There is little for young adults to do (especially single people); lack of gathering places such as parks that allow for activities; regulations like noise ordinances reinforce an unwelcoming environment for young people

OPPORTUNITIES

Support Our Existing Industries: Focus on addressing the needs of existing traded sector businesses instead of recruiting new businesses. (Existing businesses are creating the majority of jobs in the region.) Capitalize on what we are and encourage traded-sector industries that will support our demographics. Help make existing industries more competitive; foster innovation and leading edge thinking in our local companies.

Grow Our Own New Businesses: There is the beginning of an active entrepreneurial network in the area. Foster and support these networks and make it easy to start new technology companies. Help connect capital, business services and management expertise that provide a solid foundation for these firms. The private sector will drive entrepreneurial activities with acknowledgement and support from the public sector.

Build On Our Existing and Underutilized Strengths: Look at the county's asset base such as arts and tourism and look for ways to add higher value and create more livable wage jobs. Support projects like the Conference Center that can be a rallying point for both business development and tourism. Examine the possibility of a creative services cluster with areas of specialization such as film & video or design services that connect with the Ringling school or local performance companies. Establish a professional association and formal network for creative professionals.

Link to the Broader Region: Think about Sarasota County as a part of a larger region. Better explore connections to industries and business networks in the Tampa Bay and High Tech Corridor as well as to Naples/Ft. Myers. Continue to jointly market and work closely with Manatee County.

Connect Business and Education: Explore the intersections between industry clusters and education, seeking areas where the region can differentiate itself and build expertise in specific areas of research and development or technology transfer. Also continue to align education and training programs to support the workforce needs of local businesses.

Make the Area Attractive to Professionals Of All Ages: Look at development activities in terms of how they apply to all ages of the population—are there parks that promote gathering for young people or families; do we have the “beer and BBQ” events that are affordable to all incomes? Is there a “bohemian” section of the county that promotes a younger, more creative atmosphere? Promote the fact that there are a growing number of young families in the community.

Improve the Business Climate: Enhance government’s attitude towards traded sector businesses that are outside of traditional or local sectors of tourism, financial services or development: Heighten the understanding of the economic contribution of traded sector companies, the multiplier effect in terms of local job creation, their needs as a globally competitive company, etc.

Ensure the Infrastructure Supports the Direction of Economic Growth: Make certain that infrastructure keeps pace with development activities; use impact fees for connectivity and infrastructure issues. Make sure that affordable housing is available in all parts of the county so that workers have a choice of where to live; this will make it easier to attract the workforce needed for value-added companies.

REGIONAL FORUM SUMMARY

During January 2003, three public forums were held throughout the county to gain input into the economic development plan. The following pages represent a summary of public input as it relates to a future vision about Sarasota County’s economy, current economic strengths and weaknesses, and suggested opportunities for a sustained and healthy future.

2010 VISION

Desired diversification of job/industry base:

- There is a vibrant entrepreneurial culture
- The county is less dependent on the seasonality of tourism
- We have a higher percent of traded sector jobs in all parts county; providing more jobs that pay livable wages, thus enabling less of a two-tier income system (i.e., reducing the skewing of high and low wages at both ends of the spectrum)
- We have an active and growing film & video industry.
- There is a thriving research community that links business and education
- We have successfully expanded existing traded sector businesses and attracted their supplier base
- There are more major corporations, including regional headquarters, distribution and sales offices

Desired outcomes from economic efforts

- Sarasota County’s average wage has achieved and remains at the national standard
- We have effectively tapped into the retirement community, harnessing their enthusiasm
- Young professional who have grown up or gone to school here don’t have to leave the area to find a good job
- North Port is an attractive place for all occupations including high skill levels—we will have “attracted the engineer”
- A local environment is maintained that is attractive and affordable to families
- Competitive wages are available for nurses, teachers, etc. so we can retain our community jobs; professionals do not have to become real estate agents to earn a decent living
- There is an adequate supply of affordable housing is available

- The perception that individuals outside the region have of Sarasota County as a cosmopolitan area has been fulfilled

Desired support and infrastructure to achieve vision

- The depth of support for and diversity of culture and the arts is maintained and enhanced
- There is a quality education system with postsecondary niches that align with target industries
- Connections are built across the Tampa Bay region to capitalize on the growing strengths of the region
- Industrial lands are made more readily available with infrastructure in place and supported by transportation
- Sarasota/Bradenton airport has more year round and affordable flights; the Venice airport is more fully utilized
- Education providers become more responsive to community needs, especially for those seeking less than a four-year degree

Desired operational and community structure

- The county leadership is lean, responsible and non-bureaucratic
- The North-South parts of the county have come together with a shared vision; south county has better linkages to research, human services, and other facilities in north county
- Growth is focused on quality and the protection of the environment, not just more growth for growth's sake
- There is a common understanding and commitment of all the players with respect to economic development goals and priorities
- Economic development is not viewed only as a planning exercise
- A fair tax structure exists that sustains the quality of life
- Fast track affordable housing is an operational reality
- The county facilitates the achievement of our economic vision by being responsive and proactive

MEASURING SUCCESS

- Increasing number of patents originating in Sarasota County
- Increasing available capital at all stages (angel, venture, institutional, commercial)
- Higher survival rate of businesses
- Increasing number of international businesses
- Appreciating real estate
- Increasing number of “creative class” jobs
- Increasing availability of affordable housing
- Rising revenue per employee
- Increasing percentage of working age population (25-55) with advanced degrees
- Improving retention of teachers, nurses, etc.
- Increasing wages across all economic strat
- Expanding use of public transportation
- Growing participation of younger population in the workforce

ASSETS

DRAFT

Business /Economic Assets

- Availability of angel and commercial capital
- An Enterprise Zone in close proximity to the central city
- Creative talent and a film industry with untapped potential
- Raw land that is still available for development
- An industry base that doesn't have lots of smokestacks; few brownfields
- Proximity to and relationships with the Tampa Bay region
- Growing entrepreneurial and technology base
- Growing number of educated workers and younger professionals moving into the area.
- A strong retirement community with vast business experience and who support community events/arts

Community Assets

- Overall quality of life / good climate and beaches
- A strong philanthropic community and volunteer base
- A national/international reputation and range of quality, diverse arts
- Untapped potential of minority communities
- A residential base that values education

Infrastructure /Support

- An array of higher education and technical training institutions
- Well-developed retail, personal services and development industries
- Array of transportation--interstate, proximity to Port Manatee, Sarasota-Bradenton Airport, proximity to Tampa airport
- Affordable housing in south part of the county
- Quality health care
- Open spaces and preservation areas

CHALLENGES

Business/Economic Challenges

- A lack of economic diversity in the industry base—a shortage of traded sector companies that pay livable wages
- A limited ability to create new business wealth in the community, mostly due to a lack of understanding about the contributions traded sector and technology type companies bring to the community
- Shortage of trained and skilled workers; people with skills are fragmented
- Lack of knowledgeable financial intermediaries with regards to technology and manufacturing based businesses

Community Challenges

- A “NIMBY” attitude towards development and growth and a lack of public understanding about the positive role of economic development
- The arts & cultural community lacks sustainable funding.
- A lack of understanding about the contributions traded sector and technology oriented companies bring to the community.

- A non-collaborative culture can result in fragmented efforts; there are a multitude of well-intentioned civic and community organizations that have their own unique focus and have only limited interaction and collaboration with other groups.

Infrastructure /Support Challenges

- Lack of available, “ready to go” commercial and industrial land that is supported by infrastructure and transportation.
- Lack of affordable housing throughout the county.
- Transportation between work/home and the lack of viable public transit for workers.
- People outside the Enterprise Zone not understanding the area as an asset to the county.
- Educational system is good for Florida but may not be nationally competitive.
- North Port has growing pains of a “newer” city that makes resources scarce.
- Lengthy permit/development time in some parts of the county (better in south county)
- A government sector that does not actively support business and economic development outside of the tourism and development activities.
- Policies and regulations (“stupid rules”) that act at odds with each other and make it difficult to do business (example—wanting a strong creative community and more professional services firms while having a noise ordinance downtown that inhibits business opportunities).

OPPORTUNITIES

Grow our own businesses and cultivate entrepreneurs

- More emphasis placed on starting and growing new high value start-ups and technology companies rather than seeking re-locations.
- Strengthen entrepreneurial networks and foster a business climate that supports start-up businesses.
- Capture federal research dollars, especially in areas like health care or technology.
- Develop a stronger support base of professional services (banking, attorneys, etc.) that understands and welcomes “new economy” industry sectors.

Increase our base of traded sector jobs

- Build on existing industries and find new ways to add value to tourism and arts.
- Grow existing manufacturing businesses and attract their supplier base.
- Leverage our strong health care industry by attracting more biotechnology or pharmaceutical industries.
- Build a reputation as an area that promotes green businesses and green buildings and that conducts world-class environmental research (building on assets such as the Mote and Selby Gardens).

Add value to tourism and arts

- Enhance the arts & culture environment and make better connections to new business opportunities for the creative class.
- Strengthen our film industry (as part of our creative community) and leverage the film industry as a vehicle for marketing the community).
- Reduce seasonality of tourism through a viable conference center.
- Explore connections between our environmental assets and the eco-tourism market.

DRAFT

Improve the business climate

- Increase marketing as a business location, not just a retirement community or tourism destination.
- Improve the business climate so that traded sector and technology companies feel welcomed and appreciated in Sarasota County (this is most needed in the north part of the county, south county is perceived as more business friendly).
- Make the county more attractive to younger professionals; promote the professional and family assets that are already here.

Enhance collaboration

- Create more effective and collaborative public/private partnerships that work together toward a shared vision.
- Bring diverse groups together for collaboration on economic development: effectively coordinate EDB/CED/TDC/Arts, etc.
- Strengthen SCOPE so we don't need so many new organizations.
- Raise awareness of the county as one connected entity: the north and south parts of the county are well integrated with business networks that serve all parts of the county.

Link our education system with our local businesses

- Align education and workforce development to business needs.
- Develop education and research niches that support our industry clusters.
- Develop a system for training the workforce that in turn attracts new companies or helps existing companies. This will create a critical mass of related companies that can incubate new ideas and subsequently train its workforce to implement (and share in the economic value) of these new ideas.

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