

Economic Development Performance Evaluation

Pinellas County, Florida

prepared for the

Pinellas County Board of Commissioners

July 2018

prepared by

POLICOM Corporation

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CORPORATION
*Economic Analysis
Everyone Understands*

POLICOM Corporation

POLICOM Corporation analyzes local and state economies, determines if they are growing or declining, identifies what is causing this to happen, and offers ideas and solutions to communities to improve the situation.

William H. Fruth, its president and researcher for this study, has analyzed the data for more than 800 local economies, created more than 200 community economic studies, and has provided economic presentations and workshops in 40 states.

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Introduction

Local economies grow and expand, decline and fall in direct proportion to the amount of money flowing into the economy. For the most part, money is imported to a local economy by way of the primary or contributory enterprises, those that sell their goods or services outside the area, thus importing wealth to the local economy.

Economies grow in size based upon the volume of money flowing into an area. Economies grow in quality based upon what individuals earn each year as what they earn determines their “economic quality of life.”

Local economic development organizations are charged with the task of increasing the flow of money into an area. This is accomplished by helping to cause an increase in the number of individuals working for primary employers, as the wages paid to these workers is the principal source of money flowing into the economy.

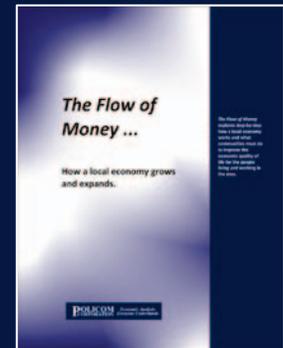
In October of 2014, POLICOM Corporation created an Economic Development Goal Study for the Pinellas County, Florida.

The purpose of the study was to provide a path to follow to increase the size and improve the quality of the Pinellas County economy.

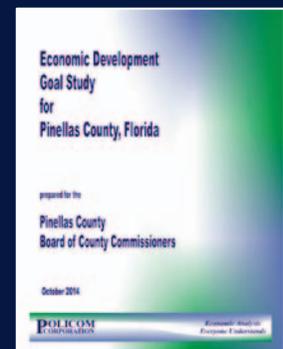
The 2014 Economic Development Goal Study projected the condition of the Pinellas County economy to the year 2030 if there was no effort by the community to influence economic growth. Then, three economic growth scenarios were created based upon the formation of new primary jobs. For each growth scenario, annual primary job milestones were established.

The purpose of this study is to determine if Pinellas County achieved creating the number of primary industry jobs on an annual basis from 2015 through 2017 as determined by the 2014 Economic Development Goal Study.

The database used for this analysis is called “ES-202” or Covered Workers data. Published by the Bureau of Labor Statistics, the data is gleaned from the quarterly employment reports filed by all employers in the United States that are covered by the unemployment compensation program. It is the most comprehensive data set relative to industrial sub-sectors (six digit NAICS), which are necessary for this analysis. Not included are proprietors that typically comprise less than 20% of total employment.



To learn how a local economy works, please review the “Flow of Money” found at www.policom.com.



Economic Projections

In 2014, the Researcher projected the condition of the Pinellas County economy from 2015 through 2030. The projections were based upon several issues including the following anticipating the community would do nothing to address these issues:¹

1. Recent history of Pinellas loosing several thousand primary jobs.
2. Limitations on the availability of residential property to enable population growth. The “retirement” industry accounts for about 21% of the imported wealth to the county. The growth of this industry will be hindered.
3. Severe limitations on the availability of greenfield industrial property, which will prohibit the growth of traditional primary enterprises.

The Projections were created for total private and public sector employment, total workers earnings, and annual wages for wage and salaried workers. The year “2014” serves as the data basis year.

The chart shows the result of the Projections over the fifteen-year term.

The 2014 Goal Study projected Pinellas County to decline in Employment by 25,000 jobs and the overall increase in Total Worker Earnings by 2030 would be modestly higher than in 2014.

Projections	2014	2030	Gain
Employment	396,809	371,122	-25,687
Worker Earnings	17,760,306,989	21,144,402,774	3,384,095,785
Wages	44,758	56,974	12,216

Simplistically, because of the absence of available real estate for residential and especially industrial growth, the economy will suffer gradual decline. Similar decline has occurred in virtually every local economy that has reached physical build-out.

Keep in mind, the Projections were based upon the community doing nothing to influence economic growth but just letting nature take its course.

¹ Technical Note: The 2014 Economic Development Goal was constructed using employment, earnings, and total wage data that included all wage and salaried workers and non-farm proprietors and worker earnings and wages that included “other labor income.” Other labor income includes employer contributions to federal taxes, and private retirement programs, and the profits of partnerships.

This study only includes wage and salaried workers (about 85% of all workers) and direct wages and salaries (about 91% of total wages paid). All employment, worker earnings, and wage projections have been adjusted in this study to reflect this data set and might differ from the 2014 study.

The annual primary job milestones hereafter are the same as they appear in the 2014 study but the wage milestone has been adjusted to “direct wages and salaries.”

Annual Milestones

To increase the size and improve the quality (wages) of the Pinellas economy over what was projected, POLICOM created annual milestones for the formation of new primary wage and salaried jobs.

To achieve these milestones, the community would have to engage in an aggressive economic development program including addressing the limitations of available real estate.

Three economic growth scenarios were created based upon how aggressive the community addresses the issue of economic growth. The variable among the three is the number of net new primary jobs. The wage level for each is the same as it is a level, which will provide a “lift” or upward draw for all other wages improving the quality of the overall economy.

The chart shows the annual milestones for the formation of new primary industry jobs and the associated average wage for the new positions.

The jobs for the milestones are those that are of concern or influenced by an economic development program and not all primary jobs.

Specifically not included in the milestones are primary jobs associated with tourism, the retirement industry, Federal and State government employment, or government entitlement programs. The economic development program does not focus upon these.

The annual milestones are a “net” gain in primary jobs. As an example, if one primary company increased employment by 500 workers but four other companies reduced employment by 100 workers, there is a net gain of only 100 primary jobs.

While the number of new primary jobs grows consistently in each scenario, actual annual growth will likely not.

Primary Job Annual Milestones

	Minimum Effort	Good Effort	Strong Effort	New Job Wage
2015	298	895	1,193	63,694
2016	404	1,010	1,346	65,616
2017	426	1,064	1,419	67,829
2018	460	1,149	1,532	69,967
2019	494	1,234	1,645	72,157
2020	517	1,292	1,723	74,133
2021	757	1,420	1,893	76,645
2022	893	1,488	1,984	79,079
2023	1,153	1,573	2,097	81,514
2024	1,216	1,658	2,210	84,016
2025	1,394	1,742	2,323	86,590
2026	1,462	1,827	2,436	89,238
2027	1,657	1,912	2,549	91,962
2028	1,730	1,997	2,662	94,765
2029	1,804	2,081	2,775	97,650
2030	1,877	2,166	2,888	100,619
Total	16,540	24,506	32,675	
Avg/Year	1,034	1,532	2,042	

Economic Impact of New Primary Jobs

Employment	2014	2030	Gain
Projections	396,809	371,122	-25,687
Minimum Effort	396,809	509,510	112,701
Good Effort	396,809	559,858	163,049
Strong Effort	396,809	595,975	199,166
Worker Earnings	2014	2030	Gain
Projections	17,760,306,989	21,144,402,774	3,384,095,785
Minimum Effort	17,760,306,989	30,205,188,980	12,444,881,991
Good Effort	17,760,306,989	35,235,248,725	17,474,941,736
Strong Effort	17,760,306,989	39,813,844,275	22,053,537,286
Wages	2014	2030	Gain
Projections	44,758	56,974	12,216
Minimum Effort	44,758	59,283	14,525
Good Effort	44,758	62,936	18,178
Strong Effort	44,758	66,805	22,047

In one year the area might increase by 3,000 jobs but the next only 1,000 jobs and the next it might lose 500 jobs. What is important is the community, over a period of four or five years, will average a growth in one of the scenarios, hopefully the Strong Effort.

The previous chart shows the results of the impact of each growth scenario compared to the Projections.

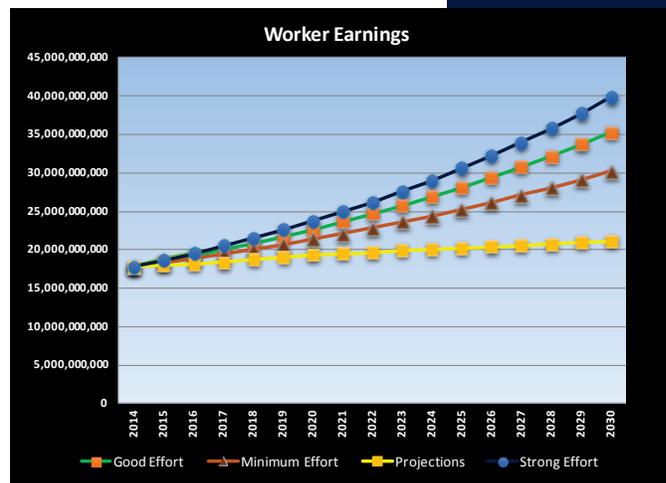
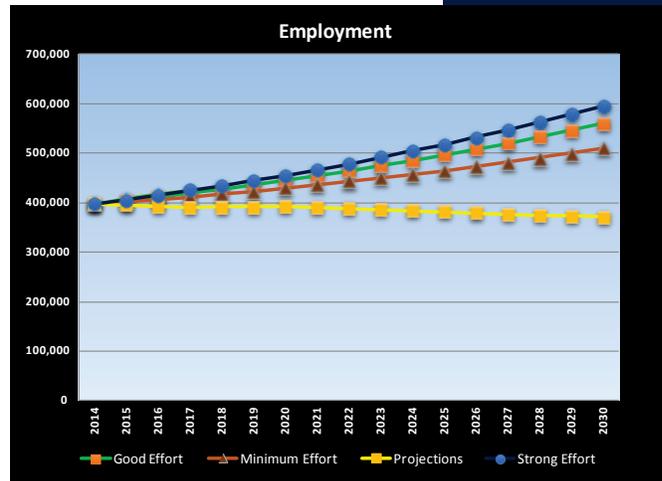
When creating the milestones, the economic impact on; 1) total employment; 2) total worker earnings; and 3) average area wage of the addition of the new primary jobs was estimated.

Economic impact is the influence or effect the new primary jobs have on the economy as a whole. As an example, one high-wage manufacturing job can cause the formation of three other jobs in the economy.

When estimating the impact, consideration was given to the impact of the retirement industry (about 21% of the economy) and the tourism industry (about 5% of the economy.)

It is assumed that if the county is able to meet the annual milestones, the impact will be reflected in corresponding economic growth over a period-of-time.

The graphs visually compare each growth scenario and the original projections for Employment, Total Worker Earnings, and Wages from 2014 (basis year) through 2030 on an annual basis if the annual milestones are achieved.



Performance

The economic growth scenarios depend on the community having a net gain in the number of primary industry jobs.

Primary employers and the number of their employees are not identified in labor - economic data. As a result, POLICOM created a mathematical matrix, which extracts from general industry data the number of primary industry jobs and their associated average wage by industrial subsector.

Once again, a primary – contributory employer is one that sells its goods or services outside the economy.

Manufacturing is inherently primary in nature but not all manufacturers are contributory. A local printer is considered a manufacturer but typically does not sell outside the local economy.

Retailing is consumptive and depends upon the money imported to the area and therefore is not primary. However, in retail data is the sub-sector “non-store retailers.” These are principally internet-based enterprises, which could sell worldwide and are therefore primary.

Healthcare many times is the biggest employer in an area but typically, its marketplace is the local population. However, some major hospitals, such as the Mayo Clinic in Rochester, MN have a worldwide patient draw. The portion from outside the area is primary.

POLICOM has developed a mathematical matrix, which sifts through general labor – earnings data by industry sub-sector detecting primary jobs.

A special matrix was developed for Pinellas County when the Economic Development Goal Study was created in 2014. The matrix is now fixed in time and is used to determine if the area has reached its annual milestones in a consistent manner.

2014 - Baseline

In order to determine the net gain of primary jobs each year, in 2014 the total number of primary jobs by industrial sector was determined using the formulas created for Pinellas County.

2014	Pinellas County, Florida	Employment	Worker Earnings	Wages
10	Total, all industries	396,809	17,760,306,989	44,758
10	Total, all industries Private	354,043	15,680,565,518	44,290
10	Total Primary	83,587	5,014,333,913	59,989
	Portion of sector primary			
31	Manufacturing	28,635	1,654,161,758	57,767
42	Wholesale trade	10,536	667,692,798	63,370
44	Retail trade	4,042	173,090,161	42,823
48	Transportation and warehousing	4,645	186,997,227	40,262
51	Information	1,841	117,888,850	64,042
52	Finance and insurance	6,471	465,083,196	71,869
54	Professional and technical services	5,922	345,473,305	58,337
55	Management of companies	12,980	1,031,994,493	79,507
56	Administrative Services	1,789	64,370,270	35,990
61	Educational services	1,152	50,787,088	44,086
62	Healthcare	5,574	256,794,766	46,067

The previous chart identifies the total for all wage and salaried workers, total for all private sector workers, and the total for primary jobs in each industrial sector. Manufacturing, Wholesale Trade, and Management of Companies (corporate headquarters) include the largest number of primary jobs.

	Minimum Effort	Good Effort	Strong Effort	New Job Wage	Actual New Jobs	New Job Wage
2015	298	895	1,193	63,694	2,329	64,215
2016	404	1,010	1,346	65,616	1,191	53,926
2017	426	1,064	1,419	67,829	2,209	67,388
Total/Avg.	1,128	2,969	3,958	65,713	5,730	61,843

The chart to the right is a summary of the performance for the three years.

2015

In 2015, the county had an increase of 2,329 primary jobs, which exceeded the Strong Effort. The average annual wage for the new primary jobs was \$64,215 and exceeded the milestone by \$521.

2015	Pinellas County, Florida	Employment	Worker Earnings	Wages	Job Gain/Loss
10	Total, all industries	408,382	18,811,874,909	46,064	11,573
10	Total, all industries Private	365,605	16,670,558,957	45,597	11,562
10	Total Primary	85,916	5,387,726,142	62,709	2,329
			Average Wage New Primary		64,215
	Portion of sector primary				
31	Manufacturing	29,673	1,779,805,867	59,981	1,038
42	Wholesale trade	10,768	711,551,716	66,083	231
44	Retail trade	4,109	188,855,436	45,961	67
48	Transportation and warehousing	4,340	179,466,035	41,355	-305
51	Information	1,863	126,302,897	67,783	23
52	Finance and insurance	6,572	510,081,257	77,609	101
54	Professional and technical services	5,883	326,594,729	55,519	-40
55	Management of companies	13,745	1,178,367,944	85,731	765
56	Administrative Services	2,644	86,767,487	32,817	855
61	Educational services	1,053	49,416,962	46,930	-99
62	Healthcare	5,267	250,515,812	47,566	-308

The largest increase occurred in Manufacturing, Management of Companies, and Administrative Services. Administrative Services includes the subsector NAICS 56142 Telephone Call Centers.

While primary in nature, the wages paid in this subsector are relatively low.

The chart identifies the total for all wage and salaried workers, total for all private sector workers, and the total for primary jobs in each industrial sector in 2015.

2016

In 2016, the county had an increase of 1,191 primary jobs, which exceeded the Good Effort. The average annual wage for the new primary jobs was \$53,926, short of the milestone by more than \$11,000.

2016	Pinellas County, Florida	Employment	Worker Earnings	Wages	Job Gain/Loss
10	Total, all industries	417,990	19,619,730,657	46,938	9,608
10	Total, all industries Private	374,932	17,432,637,955	46,495	9,327
10	Total Primary	87,107	5,435,978,377	62,406	1,191
			Average Wage New Primary		53,926
	Portion of sector primary				
31	Manufacturing	30,295	1,823,139,498	60,180	622
42	Wholesale trade	10,804	709,612,162	65,678	37
44	Retail trade	3,918	173,104,733	44,182	-191
48	Transportation and warehousing	4,082	175,410,600	42,970	-257
51	Information	1,849	128,555,697	69,516	-14
52	Finance and insurance	6,681	514,064,978	76,945	109
54	Professional and technical services	5,885	364,167,181	61,885	2
55	Management of companies	14,119	1,156,802,456	81,932	374
56	Administrative Services	3,691	111,699,990	30,264	1,047
61	Educational services	1,014	48,828,080	48,154	-39
62	Healthcare	4,770	230,593,003	48,347	-497

The largest gain was in Administrative Services subsector

NAICS 56142 Telephone Call Centers. Since the wages paid in this subsector are relatively low, the average wage for new primary jobs was much lower than the milestone.

The chart identifies the total for all wage and salaried workers, total for all private sector workers, and the total for primary jobs in each industrial sector in 2016.

2017

In 2017, the county had an increase of 2,209 primary jobs, which exceeded the Strong Effort. The average annual wage for new primary jobs was \$67,388 and was short of the milestone by only \$442.

There was growth in all of the sectors in the number of primary jobs save for private educational services.

2017 Pinellas County, Florida		Employment	Worker Earnings	Wages	Job Gain/Loss
10	Total, all industries	425,291	20,298,476,102	47,728	7,301
10	Total, all industries Private	382,077	18,056,169,689	47,258	7,145
10	Total Primary	89,316	5,773,555,041	64,642	2,209
		Average Wage New Primary			67,388
Portion of sector primary					
31	Manufacturing	30,610	1,944,303,556	63,519	315
42	Wholesale trade	10,938	726,091,197	66,383	134
44	Retail trade	4,177	178,515,647	42,738	259
48	Transportation and warehousing	4,285	187,983,812	43,866	203
51	Information	1,994	142,854,062	71,638	145
52	Finance and insurance	7,033	544,483,728	77,414	352
54	Professional and technical services	6,269	374,868,990	59,797	384
55	Management of companies	14,697	1,280,818,582	87,148	578
56	Administrative Services	3,856	122,119,998	31,669	165
61	Educational services	968	48,603,075	50,210	-46
62	Healthcare	4,489	222,912,394	49,663	-281

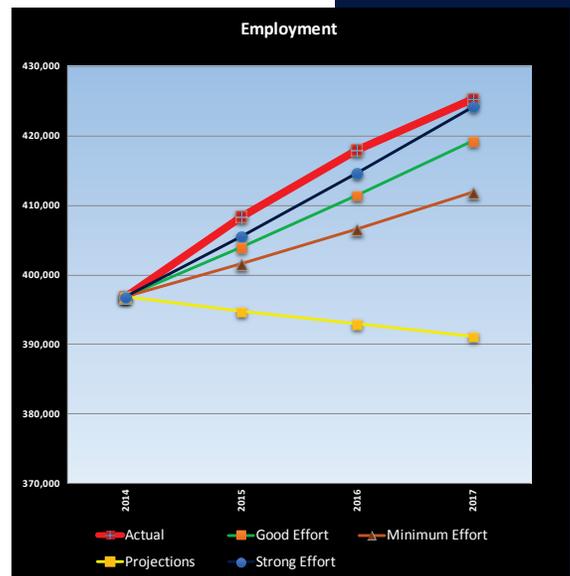
The chart identifies the total for all wage and salaried workers, total for all private sector workers, and the total for primary jobs in each industrial sector in 2017.

Summary

Over the three years of 2015 through 2017, Pinellas County was very successful in meeting the job milestones set forth in the Economic Development Goal Study. During this time 5,730 new primary jobs were created, which is more than what was required by the Strong Effort in the Economic Development Goal Study.

The only year in which the wage milestone was either not achieved or approached was 2016. In that year a large number of lower wage primary jobs were created which brought down the overall average.

The graphs show the impact each year the new primary jobs had on Total Employment – Wage and Salaried Workers, Total Worker Earnings, and Wages compared to



each scenario.

As stated previously, the retirement and tourism industries also contribute to the economy and not all of the new jobs and earnings are attributed to the primary jobs in this report.

However, when creating the impacts for each milestone scenario, growth in these industries was considered.

Notice how the Actual Employment exceeds the results of the Strong Effort in 2017. Remember that over the three years Pinellas County exceeded the employment milestone for Strong Effort.

Total Worker Earnings is modestly less than the Strong Effort but well ahead of the Good Effort.

Average Wages have grown at the rate predicted under the Good Effort scenario.

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