GREATER PHOENIX MBP PROCESS

Market Analysis & Strategy Development
• Develop a strategic market overview (SO). A rigorous market analysis should serve as the basis for defining and prioritizing regional strategies and lead initiatives.

Lead Initiative Development
• Develop a business plan to execute and operationalize a chosen lead initiative(s). The initiative must be transformative and capable of positioning the region for high-value sectors of the new knowledge economy.

Implementation Plan
• Develop an implementation plan to put in place appropriate governance structure and collaborative process for the lead initiative.
GREATER PHOENIX MARKET OVERVIEW

Fast growing economy ...

$173B GMP (2010)  
15th Largest Metro

70% of state economy

GMP growth outpaced  
U.S. and top metros  
(2001-09)

Job growth outpaced  
U.S. and top metros  
(2001-09)
GREATER PHOENIX MARKET OVERVIEW

Growth driven by population... Reflected in employment dynamics – five sectors accounted for 56% of job growth and 72% of job loss

Population growth 2nd fastest in the 1990s 4th fastest in the 2000s

70% of population growth attributed to net migration (2001-10)

Manufacturing flat and lost 18% of jobs in the recession

Source: Arizona Department of Administration, Office of Employment and Population Statistics
Economic performance is lagging... not resulting in greater prosperity

Productivity is below U.S. and top metros (2001-09)

Five of the least productive sectors account 627,180 jobs

Manufacturing employ 112,000 (7.5%)
Construction & retail employ 290,000 (14%)

Exports grew 29% while U.S. exports grew 60% (2005-11)

Median household income ($50,385) below top and peer metros
Upside… region has good assets for the next economy

Core Sectors with productivity and innovation potential
- Aerospace
- Electronics & Semiconductor

Emerging Sectors
- Personalized Medicine
- Information Tech
- Renewable Energy

Large and diverse labor force

Increasing innovation capacity to transform good ideas to commercialization
MARKET ANALYSIS - METHODOLOGY

- Market facts and observations
- Assessment of opportunities
- Strategies for addressing opportunities and gaps
- Leveraging existing efforts
What is it?

- Geographic concentrations of specialized firms, industries, and institutions
- Co-location benefits: sharing of labor and other productive inputs generate productivity, efficiency, and knowledge spillovers

Aspects to consider:

- Promising clusters in terms of growth, size and concentration
- Clusters needing redeployment and transformation
- Gaps in the shared inputs (workforce, infrastructure, supply chain)
Industries with strong concentration
• 51 industries
• 430,900 jobs, or 30% of total jobs

Tradable sectors
• 20 of the 51 industries
• 147,000 jobs or 10% of total jobs

Non-tradable sectors
• 31 industries
• 291,110 jobs or 20% of total jobs

Region can build on its diverse industrial base…
Our region has strong assets to leverage for the next economy... but they also face challenges

**Core**
- Strong concentration & good prospects for productivity growth
- Aerospace & Defense
- Electronics & Semiconductor
- Finance & Insurance

**Emerging (“Bets”)**
- Not yet concentrated but strong growth projections
- Biomedical
- Information Technology
- Renewable Energy

**Upgrade**
- Need to upgrade to keep up with changes in market conditions
- Other Manufacturing
HUMAN CAPITAL

What is it?

- Linking human capital and job pools
- Supply of skilled workers to meet employer demands
- Demand for skilled workers by cultivating appropriate jobs

Aspects to consider:

- Concentrations and growth prospects (both skills and occupations)
- Existing skills/education levels – obstacles and opportunities
- Quality of education/training system
- Attraction/retention record and factors
- Greater coordination, improved workforce information flow and feedback between employers and training
A large and growing labor force, but under-educated

Labor force dynamics attributed to…

- Net inflow migration
- Low-skilled immigrant population
- Loss of jobs in the recent recession
- Industry restructuring – transitioning skills for demand occupations
Significant skills-to-jobs mismatch at higher-skill levels poses challenges for knowledge-driven economy

- **Over supply of less educated and lower-skilled workers**
- **Middle skills-to-jobs match**
- **Shortage of educated and higher-skilled workers**

### Top 10 Occupations in Demand, Greater Phoenix, 2012

<table>
<thead>
<tr>
<th>Title of Occupation</th>
<th>Number of Openings in MSA for Minor Occupation, Jan-Feb 2012</th>
<th>Occupation share of total metro areas openings in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Occupations</td>
<td>13,877</td>
<td>14%</td>
</tr>
<tr>
<td>Health Diagnosing and Treating Practitioners</td>
<td>10,012</td>
<td>10%</td>
</tr>
<tr>
<td>Information and Record Clerks</td>
<td>4,007</td>
<td>4%</td>
</tr>
<tr>
<td>Sales Representatives, Services</td>
<td>3,497</td>
<td>4%</td>
</tr>
<tr>
<td>Other Management Occupations</td>
<td>3,425</td>
<td>4%</td>
</tr>
<tr>
<td>Financial Specialists</td>
<td>3,178</td>
<td>3%</td>
</tr>
<tr>
<td>Business Operations Specialists</td>
<td>3,096</td>
<td>3%</td>
</tr>
<tr>
<td>Retail Sales Workers</td>
<td>2,980</td>
<td>3%</td>
</tr>
<tr>
<td>Engineers</td>
<td>2,932</td>
<td>3%</td>
</tr>
<tr>
<td>Supervisors of Sales Workers</td>
<td>2,924</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Analysis by Brookings, Conference Board, Help Wanted Online Series
What is it?

- Innovation drives increasing productivity and efficiency - the source of all long-term growth. Innovation results in development of new products, processes, business models, and markets.

Aspects to consider:

- Knowledge/discoveries
- Cluster specific strategies
- Commercialization of R&D
- Entrepreneurship
Industry comprised 75% of total R&D expenditure in AZ

Industry R&D investment is focused on targeted development, not basic research

Lagging basic university research funding poses challenges for new discoveries

Arizona’s university R&D funding ranked 40th in 2009
INNOVATION - FACTS

Innovation pipeline hampered by low basic research funding, limited venture capital and seed funding

• 40th in university R&D

• 37th among metros for patents per 10,000 workers

8th nationally for SBIR/STTR awards – proposal-to-award ratio is comparable to California at 15%.

The region has strong entrepreneurial activity.

• Limited venture funding

• Dynamic establishment birth/deaths

Basic Research

Commercialization

Start-Up

Exit (Growth Company)
SPATIAL EFFICIENCY

What is it?

- The location of firms and workers within the region determines costs for people and businesses, and influences agglomeration benefits (such as shared inputs and knowledge spillovers)

Aspects to consider:

- Public policies regarding land use/zoning, infrastructure, etc.
- Spatial concentrations of firms, occupations, functions, etc.
- Degree of housing-jobs mismatch
- Access to transit
Rapid growth in outlying cities.

Employment centers – changes reflect industrial dynamics
What is it?

- Government and civic sector activities hinder or enhance the productivity of economic systems – attracting entrepreneurs, enabling markets, lowering transaction costs, increasing deployment of assets, etc.

Aspects to consider:

- Degree of horizontal and vertical fragmentation
- Tax and regulations, value proposition
- Areas and mechanisms for inter-jurisdictional coordination
- Strategic engagement of citizens, private and civic sectors
- Transparency, openness, responsiveness
Our region has low degree of fragmentation

- 25 municipalities under a single county
- 5th out of 100 U.S. metros in terms of number of governments per 10,000 people.
- 18th out of 100 U.S. metros in terms of special district governments per 10,000 people.
Our region’s current status on taxes and regulations…

- Local governments rely on sales tax…
  - Sales tax revenue ranges from 35 to 55 percent of city’s general fund
- They also rely on state and urban revenue sharing…
  - Actual revenue collection increased on annual average 3.3% (FY2000-12)
  - Urban revenue sharing increased on annual average 1% (FY2000-12)
- Seven of 25 cities and towns do not collect property tax
- Permit fees and regulations vary significantly across cities
Tax-value alignment

- High performing economies need a balanced taxes/regulations and provision of public services.
- Taxes provide revenues necessary for provision of public services valued by businesses and residents.
- Personal income tax burden flat while overall tax burden lowered through broad-based tax cuts.
Positioning our assets for the next economy will require providing the right kind of infrastructure and investment in education

- Education - AZ had the second largest cut to education in the nation (24% decrease per student FY08-12, Center for Budget and Policy Priorities)

- Need of public services rises during economic downturns, for example – AHCCCS
Our region is beginning to shift into more innovative sectors of the next economy…

- Can be observed in aerospace, renewable energy, electronics, informative technology, and personalized medicine

Consequently, the region needs to position its assets for the next economy and drive greater productivity and prosperity…

- Increase research capacity at universities and industries; enhance commercialization; attract, retain and train workforce; support entrepreneurial activities with the right resources; and invest in 21st century infrastructure and urban form

The region must support/accelerate this transformation with targeted and strategic interventions (right kind of public & private investments)
QUESTIONS?
Thank You for Your Time

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