

# Economic Base Analysis for Polk County

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This report highlights the industrial subsectors that have performed well and have a high impact on our local economy.

Due to the timing of available data, this analysis runs through Q1 2020 and would not include the bulk of impacts related to COVID-19, which began occurring very shortly after this data would have been compiled. It will be several months before we can see those impacts in this type of analysis.

## **Strong Performers (Rating of 3.5 and higher)**

Overall, we are seeing strong performance out of many manufacturing and storage/transportation subsectors, as well as management and insurance. The largest strong performing industries are Ambulatory Health Care Services and Warehousing and Storage. Strong performing industries should continue to be supported as they typically provide “export goods” for the county, drive dollars in and have a high economic multiplier.

## **Weak Performers (Rating of 1.5 and lower)**

At the other end, we have a handful of small, nascent subsectors (Air Transportation, Apparel Manufacturing, etc.) alongside a few larger, well-established ones (Accommodation). Among the low rated subsectors, the concerning ones would be ones where there is substantial employment already (north of 2,000 jobs) as these subsectors represent a significant portion of our local economy, but lag behind national norms in key areas. Currently, only Social Assistance meets that criteria, with the next closest industry being Accommodation, where employment sits over 1,500. While this industry has seen some employment growth, Polk County remains far behind the typical level for an area of its size.

## **Areas of Focus**

When considering where to focus development energy and resources, there are several key factors worth considering:

1. Comparative Advantage: Are there things we are just better suited to do than other things?
2. Economic Impact: Are there industries that stand to give us higher return than others?
3. Gaps: Are there industries that we lack, but need to meet objectives?

Going through the list of strong performers, it becomes clear that many of these are strong performers because we have a comparative advantage in them. For example, Warehousing and Storage requires affordable space, convenient location and access to transportation, all of these are strengths of Polk County. Industries interconnected to these are also likely to be strong performers. Industries which we maintain a comparative advantage in that have growth potential should be focused on as they are likely to have a high economic impact.

For weak performers, we need to evaluate the reasons why they are weak, typically a comparative disadvantage, in relation to whether strengthening that industry would help fill a gap. These gaps may lead to a disconnect in household expectations for their community, particularly among lifestyle industries (retail, dining, arts/entertainment). For example, Polk County appears to have limited manufacturing in some key areas (mostly technology related), this could be driven by the level of education in the county. Further examination of spending patterns and a look into more detailed industry classifications could shed light on whether there is, in fact, excess demand for these industries in order to meet household's lifestyle expectations. Beyond household expectations, there is also value in looking into industries to check for supply chain or complementary goods gaps. For example, Polk County is well covered by amusements, but insufficiently covered by accommodations. These goods are typically complementary and supporting growth in accommodations may yield additional gains in the amusements industry. The search for potential synergies as targets for economic development is also key for progress.

## **Methodology**

This report analyzes the value of industry subsectors to the Polk County economy using a rating system based on 5 key metrics:

1. Employment Count (Employment): Number of jobs reported by local employers
2. Location Quotient (LQ): Calculation of the relative size of a workforce in a sector relative to the overall work force. If  $LQ = 1$ , then the number of workers in an industry is average given the size of the total workforce, if  $LQ < 1$ , then there are fewer workers in that industry than average and if  $LQ > 1$  there are more workers in that industry than average.
3. Average Weekly Wage (AWW): Calculation of the average wages paid in an industry per worker during the quarter, per week
4. Wage Location Quotient (WLQ): Calculation of the relative wage in an industry as compared to the total local wages for all jobs and the total wages in that industry nationally. For Polk County, the average local wage is 31.4% below the average national wage so we could expect that each industry pays a wage 31.4% below the industry's national average, however, this is not the case. Jobs that do pay 31.4% below the national average would have a  $WLQ = 1$ , while ones that pay relatively better would have  $WLQs > 1$  and ones that pay relatively less would have  $WLQs < 1$ . This is effective in revealing how well an industry pays locally, adjusting for overall wage differences.
5. 4 Year Job Growth (Growth): This change in number of jobs from Q1 2016 to Q1 2020.

For each metric a rating of 1, .5 or 0 is assigned based on the value of the metric:

1. Employment Count
  - a. 1 if Employment is greater than 2,000
  - b. 0.5 if Employment is between 500 and 2,000
  - c. 0 if Employment is less than 500
2. LQ
  - a. 1 if LQ >1.2
  - b. 0.5 if LQ is between 0.8 and 1.2
  - c. 0 if LQ is less than .8
3. AWW
  - a. 1 if AWW is greater than \$1,047.60 (120% of the average across all industries)
  - b. 0.5 if AWW is between \$698.40 and \$1,047.60
  - c. 0 if AWW is less than \$698.40 (80% of the average across all industries)
4. WLQ
  - a. 1 if WLQ >1.2
  - b. 0.5 if WLQ is between 0.8 and 1.2
  - c. 0 if WLQ is less than .8
5. Growth
  - a. 1 if Growth is greater than 15.97% (120% of the average across all industries)
  - b. 0.5 if Growth is between 10.64% and 15.97%
  - c. 0 if Growth is less than 10.64% (80% of the average across all industries)

The ratings from each metric are then summed to give an overall rating for the subsector. A color-coding system (green for 1 point, orange for 0.5 points and red for 0 points) that corresponds to the scoring is used on the table, with a maximum of 5 and minimum of 0.

The higher ratings represent subsectors that perform well and have a large impact on our local economy (sizable, large employment multiplier, high wages for the county, well paying for the job and strong growth), while lower ratings indicate industries that have not performed as well.

## Economic Base Analysis (Q1 2020)

	Rating	Employment (2020)	Employment LQ	Avg Weekly Wage (2020)	Wage LQ	4 Year Job Growth
<b>10 Total, all industries</b>		<b>204,656</b>	<b>1.03</b>	<b>\$873</b>	<b>1.02</b>	<b>13.31%</b>
NAICS 621 Ambulatory health care services	4.5	12,724	1.03	\$1,231	1.47	17.84%
NAICS 493 Warehousing and storage	4.5	12,051	5.59	\$823	7.95	81.95%
NAICS 238 Specialty trade contractors	4.5	10,066	1.37	\$856	1.47	29.28%
NAICS 551 Management of companies and enterprises	4.5	6,361	1.66	\$1,531	1.18	19.00%
NAICS 484 Truck transportation	4.5	6,096	2.57	\$968	3.39	28.49%
NAICS 424 Merchant wholesalers, nondurable goods	4.5	4,631	1.37	\$1,172	1.43	13.07%
NAICS 327 Nonmetallic mineral product manufacturing	4.5	1,143	1.75	\$1,236	2.59	40.46%
NAICS 212 Mining, except oil and gas	4.5	699	2.42	\$1,695	3.53	New
NAICS 452 General merchandise stores	4	7,581	1.65	\$482	2.19	18.38%
NAICS 524 Insurance carriers and related activities	4	6,029	1.57	\$1,377	1.36	9.05%
NAICS 423 Merchant wholesalers, durable goods	4	5,020	0.99	\$1,310	1.11	18.25%
NAICS 311 Food manufacturing	4	4,679	1.81	\$1,110	2.85	5.30%
NAICS 444 Building material and garden supply stores	4	2,751	1.35	\$556	1.52	17.60%
NAICS 811 Repair and maintenance	4	2,689	1.26	\$909	1.76	11.99%
NAICS 325 Chemical manufacturing	4	2,104	1.55	\$1,618	1.47	-0.97%
NAICS 321 Wood product manufacturing	4	1,975	3.07	\$804	3.7	20.52%
NAICS 711 Performing arts and spectator sports	4	720	0.98	\$1,505	1.25	29.42%
NAICS 324 Petroleum and coal products manufacturing	4	230	1.3	\$2,107	1.45	17.32%
NAICS 441 Motor vehicle and parts dealers	3.5	5,220	1.63	\$945	2.16	8.43%
NAICS 611 Educational services	3.5	4,581	0.95	\$759	1.02	24.63%
NAICS 492 Couriers and messengers	3.5	1,641	1.1	\$706	1.34	187.28%
NAICS 326 Plastics and rubber products manufacturing	3.5	1,041	0.89	\$1,171	1.35	10.94%
NAICS 445 Food and beverage stores	3	5,543	1.16	\$432	1.34	10.73%
NAICS 713 Amusements, gambling, and recreation	3	3,284	1.28	\$454	1.74	-2.11%
NAICS 236 Construction of buildings	3	2,278	0.87	\$1,209	1.07	3.92%
NAICS 333 Machinery manufacturing	3	1,315	0.8	\$1,302	0.92	13.26%
NAICS 562 Waste management and remediation services	3	829	1.15	\$1,140	1.5	-4.93%
NAICS 322 Paper manufacturing	3	673	1.16	\$1,395	1.63	1.41%
NAICS 722 Food services and drinking places	2.5	18,633	1.02	\$342	1.22	10.16%
NAICS 561 Administrative and support services	2.5	15,117	1.12	\$607	1.13	14.13%
NAICS 622 Hospitals	2.5	8,671	1.06	\$967	1.11	4.87%
NAICS 541 Professional and technical services	2.5	7,853	0.51	\$1,036	0.36	24.02%
NAICS 623 Nursing and residential care facilities	2.5	5,205	0.97	\$642	1.33	0.19%
NAICS 531 Real estate	2.5	2,642	0.98	\$687	0.7	33.45%
NAICS 446 Health and personal care stores	2.5	1,650	1.01	\$701	1.21	-0.52%
NAICS 447 Gasoline stations	2.5	1,565	1.04	\$429	1.39	13.87%
NAICS 237 Heavy and civil engineering construction	2.5	1,454	0.89	\$1,099	0.95	6.68%
NAICS 111 Crop production	2.5	1,163	1.52	\$604	1.96	-21.35%

	Rating	Employment	Location		Wage		4 Year Job Growth
			Quotient	Average Weekly Wage	Quotient	Location	
NAICS 115 Agriculture and forestry support activities	2.5	1,108	2.13	\$660	2.79	-54.12%	
NAICS 517 Telecommunications	2.5	1,102	1.03	\$1,031	0.64	33.81%	
NAICS 442 Furniture and home furnishings stores	2.5	824	1.13	\$789	1.63	-1.00%	
NAICS 221 Utilities	2.5	665	0.78	\$2,498	1.01	15.93%	
NAICS 525 Funds, trusts, and other financial vehicles	2.5	25	0.88	\$1,250	0.37	68.18%	
NAICS 522 Credit intermediation and related activities	2	2,861	0.68	\$1,759	0.73	-6.62%	
NAICS 443 Electronics and appliance stores	2	671	0.91	\$725	0.92	-14.08%	
NAICS 323 Printing and related support activities	2	577	0.87	\$787	0.97	-4.99%	
NAICS 814 Private households	2	396	0.88	\$499	1.14	30.23%	
NAICS 112 Animal production and aquaculture	2	262	0.6	\$831	0.92	22.59%	
NAICS 335 Electrical equipment and appliance mfg.	2	110	0.18	\$2,063	0.36	33.47%	
NAICS 518 Data processing, hosting and related services	2	65	0.12	\$1,550	0.09	333.33%	
NAICS 519 Other information services	2	32	0.06	\$1,132	0.02	97.96%	
NAICS 486 Pipeline transportation	2	15	0.17	\$2,432	0.18	New	
NAICS 624 Social assistance	1.5	3,165	0.49	\$420	0.58	11.61%	
NAICS 332 Fabricated metal product manufacturing	1.5	1,495	0.64	\$1,019	0.81	-3.98%	
NAICS 812 Personal and laundry services	1.5	1,437	0.61	\$518	0.78	17.28%	
NAICS 813 Membership associations and organizations	1.5	1,058	0.48	\$677	0.48	19.99%	
NAICS 451 Sports, hobby, music instrument, book stores	1.5	791	0.95	\$342	1.01	-7.42%	
NAICS 425 Electronic markets and agents and brokers	1.5	635	0.78	\$1,122	0.58	0.11%	
NAICS 999 Unclassified	1.5	332	1.15	\$485	0.64	1070.59%	
NAICS 712 Museums, historical sites, zoos, and parks	1.5	196	0.78	\$687	0.98	17.37%	
NAICS 515 Broadcasting, except internet	1.5	92	0.22	\$803	0.11	18.03%	
NAICS 481 Air transportation	1.5	8	0.01	\$1,035	0.01	New	
NAICS 488 Support activities for transportation	1	864	0.73	\$897	0.79	-43.48%	
NAICS 336 Transportation equipment manufacturing	1	518	0.19	\$831	0.14	-5.99%	
NAICS 523 Securities, commodity contracts, investments	1	429	0.29	\$2,352	0.14	-10.88%	
NAICS 511 Publishing industries, except internet	1	402	0.32	\$1,071	0.17	-10.86%	
NAICS 312 Beverage and tobacco product manufacturing	1	300	0.66	\$943	0.81	-0.88%	
NAICS 334 Computer and electronic product manufacturing	1	131	0.08	\$1,640	0.07	-42.71%	
NAICS 314 Textile product mills	1	54	0.28	\$687	0.35	20.00%	
NAICS 487 Scenic and sightseeing transportation	1	14	0.47	\$296	0.19	127.78%	
NAICS 315 Apparel manufacturing	1	13	0.09	\$357	0.04	New	
NAICS 721 Accommodation	0.5	1,672	0.53	\$460	0.51	-0.20%	
NAICS 448 Clothing and clothing accessories stores	0.5	1,517	0.77	\$343	0.78	1.79%	
NAICS 453 Miscellaneous store retailers	0.5	799	0.62	\$467	0.73	-5.85%	
NAICS 339 Miscellaneous manufacturing	0.5	366	0.37	\$959	0.36	-61.90%	
NAICS 454 Nonstore retailers	0.5	194	0.21	\$770	0.15	-21.59%	
NAICS 337 Furniture and related product manufacturing	0.5	138	0.22	\$712	0.24	-14.49%	
NAICS 512 Motion picture and sound recording industries	0	188	0.25	\$454	0.12	-15.42%	
NAICS 485 Transit and ground passenger transportation	0	45	0.05	\$422	0.05	-58.20%	