# 7
# INDUSTRY CLUSTER ANALYSIS – WORK PLAN UPDATE

**The Planning and Economic Development Committee recommends the adoption of the recommendation contained in the following report dated March 5, 2008, from the Commissioner of Planning and Development Services:**

## 1. RECOMMENDATION

It is recommended that:

1. Council approve the Industry Cluster Analysis 2008 Work Plan.

## 2. PURPOSE

To present to Council the framework for the Industry Cluster Analysis and attain approval to the 2008 Work Plan.

## 3. BACKGROUND

During the Economic Strategy consultation process, the business community had suggested that the Region take an active role in the identification and evolution of industry specific cluster groups to create new opportunities for business development.

In order to build on the work that was started with the Economic Strategy, it was decided to undertake a more in-depth economic structural analysis of the high performance industry clusters.

The Economic Strategy identifies the strategic direction to strengthen entrepreneurship and industry clusters with these actions:

- Undertake an economic structural analysis of the Region’s high performance clusters.
- Initiate a Region-led multi-year business cluster building initiative for each of the Region’s major manufacturing and service industry clusters.
- Participate in broader GTA industry sector research and support initiatives undertaken by the GTMA and other economic development and senior government agencies.
- Promote and develop the agri-food industry sector.
- Promote agri-business and support the implementation of the GTA Agricultural Action Plan.
- Explore options to reduce the operating cost environment for business in the Region.

Each of these strategic actions will be identified and supported through the multi-year Industry Cluster Analysis process.

**Location Quotient summary results show four industrial sectors with a substantial number of enterprises**

In 2006, Council approved the qualitative analysis conducted in Phase 1 of the Industry Cluster Analysis. The extensive analysis resulting in the Location Quotient results are provided in *Attachment 1*. The data forms an ongoing reference to the Work Plan for 2008-2010.

A Location Quotient compares the employed in an industry to the total employed in York Region and then compares these results to the total employed in Ontario. The methodology for the Location Quotient is provided in Table 1.

**Table 1**
Location Quotient Methodology

| **York Region** | | **Province of Ontario** | |
|---|---|---|---|
| # Companies in Industry Sector / Total # Companies | divided by | # Companies in Industry Sector / Total # Companies | = Location Quotient |

To summarize, the Location Quotient analysis identified that York Region has a significant concentration of business enterprises (defined by Location Quotient values of 1.25 or greater). These industry classifications have the more significant number of enterprises:

- Management of Companies and Enterprises (4,392)
- Machinery, Equipment and Supplies (1,550)
- Heavy and Civil Engineering Construction (1,415)
- Personal and Household Goods (1,363)

## 4. ANALYSIS AND OPTIONS

### 4.1 OVERVIEW OF THE 2008-2010 WORK PLAN

The Work Plan for 2008 to 2010 contains the objectives, the outcomes, and timeline. A detailed Work Plan is provided in *Attachment 2*.

The analytical and strategic steps for the Cluster Analysis includes:

- To conduct an industry cluster shift-share analysis. The expected outcome is a comparative between the national, provincial, and regional cluster economies.
- To facilitate primary research of the industry clusters through business interviews using the Synchronist economic analysis technology.

- To inform the local municipalities of the detailed work plan and progress attained through ongoing consultation.
- To identify, based on future employment growth opportunities, industry sectors with competitive Regional advantage.
- To benchmark and evaluate Regional clusters versus competitive North American locations.
- To model and map sector relationships and supply chains in each identified cluster.

## 4.2 INDUSTRY CLUSTER ANALYSIS WORK PLAN FOR 2008

The 2008 Work Plan includes the local employment analysis, shift-share analysis, and the Synchronist economic analysis technology.

### Local employment analysis will be conducted by staff in 2008

The impact that a specified industry cluster has on the local economy is calculated by the percentage of the Region's workforce employed in the specified industry cluster and analyzing the growth or decline of the cluster's employment over a time period.

Comparing the employment analysis to the Location Quotient will indicate the sectors where York Region has a comparative advantage and also contributes to high employment growth. Staff will continue to conduct the analysis in 2008.

### Shift-Share analysis is an employment growth projection technique that will be used in 2008

Shift-share is a projection technique which indicates how a local economy (York Region) shares in the change of a larger economy (the Ontario or the Canadian economy). The shift-share determines if the employment in York Region grew at a faster or slower rate relative to the provincial/national trends.

The shift-share analysis will:

- identify the number of jobs attributable to regional economic growth,
- the number of jobs created as a result of the provincial/national economy.
- identify sectors with strong competitive advantages in the Region.

### Interview framework is based on verified comparisons to other local and national jurisdictions in North America

Synchronist is a brand of economic analysis technology that will be utilized to guide the business interview phase of the Industry Cluster Analysis. The technology is used across communities in North America which enables effective benchmarking of a location's industry clusters versus comparable jurisdictions.

**Industry cluster interviews will be conducted in partnership with the municipal economic development offices and local Chambers of Commerce/Boards of Trade**

The goals of the business interview process are:

- To ensure objective business assessment.
- To uncover the challenges and potential each industry cluster contributes to the local economy.
- To understand community performance on each of the ninety-two Key Performance Indicators (KPIs) versus comparable benchmark jurisdictions.
- To attain objective knowledge of the Region's business, community economic development, and competitive drivers.

York Region Economic Development will work in partnership with area municipal economic development offices and local Chambers of Commerce/Boards of Trade during the implementation of the business interview process.

The identification of business interview candidates will be based on the original industry cluster Location Quotient analysis to ensure a representative sample of industry clusters in the identified Emerging, Dynamic, Established, and Peripheral quadrants in *Attachment 1*.

Business interviews are generally conducted by two individuals which would include one regional and one local representative.

### 4.3 NEXT STEPS

The next step is to proceed through 2008 and 2009 with validation of the cluster data, continue the local employment analysis, and further refine the qualitative analysis framework for the Industry Cluster Analysis. To proceed with the Work Plan staff are required to retain a consultant to perform the shift-share analysis. The Synchronist economic analysis technology will be purchased and staff training will be completed in 2008. The local employment analysis is being conducted by staff.

### Relationship to Vision 2026

The industry cluster analysis will increase the understanding of the Region's economic structure. Development of an Action Plan to support cluster growth and development will contribute towards the Vibrant Economy Goal as set out in Vision 2026.

## 5. FINANCIAL IMPLICATIONS

The cost for subscription to the Synchronist brand of economic analysis technology for 2008 is $16,000. An external consultant to conduct the shift-share analysis and the industry interviews should be retained at an estimated cost of $12,000. Provision for this project funding is included in the proposed Economic Development budget for 2008.

## 6. LOCAL MUNICIPAL IMPACT

Regional and local municipal staff will be engaged throughout the Industry Cluster Analysis project, as well as throughout the Action Plan development process. A cluster strategy focuses on economic linkages, and the prosperity of the Region as a whole will translate to economic benefits for all local municipalities.

## 7. CONCLUSION

Clusters play a key role in making a regional economy more dynamic and adaptable. Companies within a cluster share knowledge and ideas which in turn increase their competitiveness. A cluster-based approach to economic development builds on existing clusters and promotes the linkages and factors that contribute to the growth of the cluster and the economy of the Region. It is recommended that this report be received and that staff proceed with the project work plan.

For more information on this report, please contact Sharon Végh, Program Manager, Economic Strategy, at Ext. 1509, or Patrick Draper, Director, Economic Strategy & Tourism, Ext. 1503.

The Senior Management Group has reviewed this report.

*(The two attachments referred to in this clause are included with this report.)*