

Kansas Economic Overview

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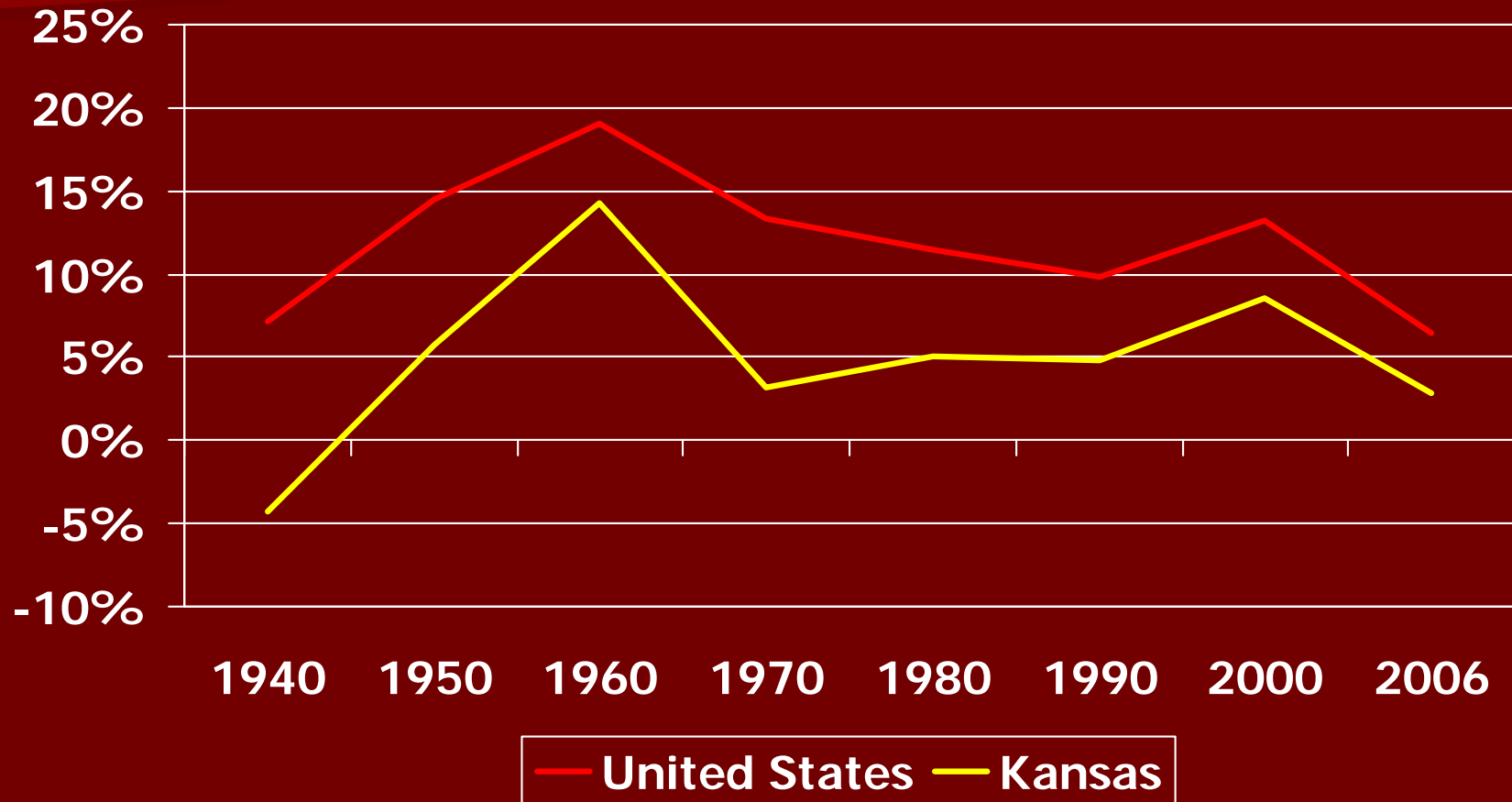
Agenda

- Evaluating economic performance
 - Kansas versus United States
- Cluster Analysis
- Implications for BOR
- Q&A

How is economic performance measured?

- It is a measure of:
 - Population growth
 - Job growth
 - Income growth
 - Capital investment growth*

Population Growth United States versus Kansas



Source: U.S. Bureau of the Census

Population Distribution by Age United States Versus Kansas

- Myth: Kansas population is older
- Reality (2006 estimates)
 - Percent under 18 years:
 - US: 24.6%
 - KS: 25.2%
 - Percent 65 years and over:
 - US: 12.4%
 - KS: 12.9%
 - Median Age
 - US: 36.4
 - KS: 36.0

Population Distribution by Age United States Versus Kansas

- Forecast: Kansas population will age faster than rest of the country
- Reality – probably true
- Why?
 - High levels of out migration
 - Aging results in lower fertility rates

Sources of Population Growth 2000 to 2006

- US: international migration 43% of growth
- KS: international migration 60% of growth

- US: domestic migration NA
- KS: domestic migration -87% of growth

- US: natural increase 57% of growth
- KS: natural increase 125% of growth

Observations: Population Trends

- KS slower growth than U.S. since 1930s
- KS likely to age faster than U.S.
- Keys to future KS population growth:
 - Keeping our native born population
 - Attracting immigrants
- IMPACT:
 - Changing face of Kansas – less white; more minorities especially Hispanics – cultural implications?

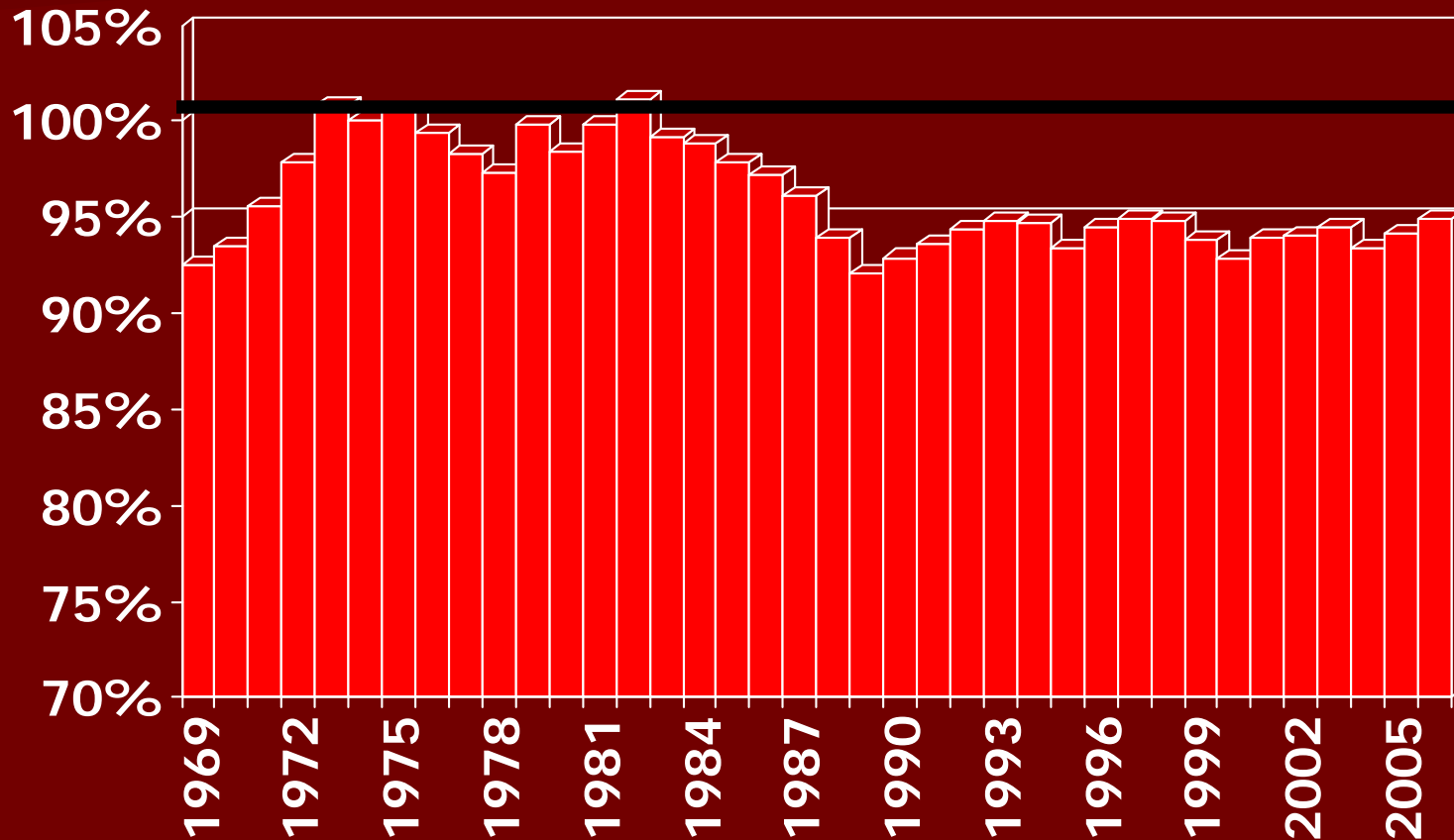
Personal Income Trends

- PI includes income received by persons from all sources. It is the sum of:
 - Compensation of employees
 - Supplements to wages and salaries
 - Proprietors' income
 - Rental income
 - Personal income receipts on assets
 - Transfer payments (i.e. social security, medicare etc.)
Less contributions for government social insurance

Personal Income Trends

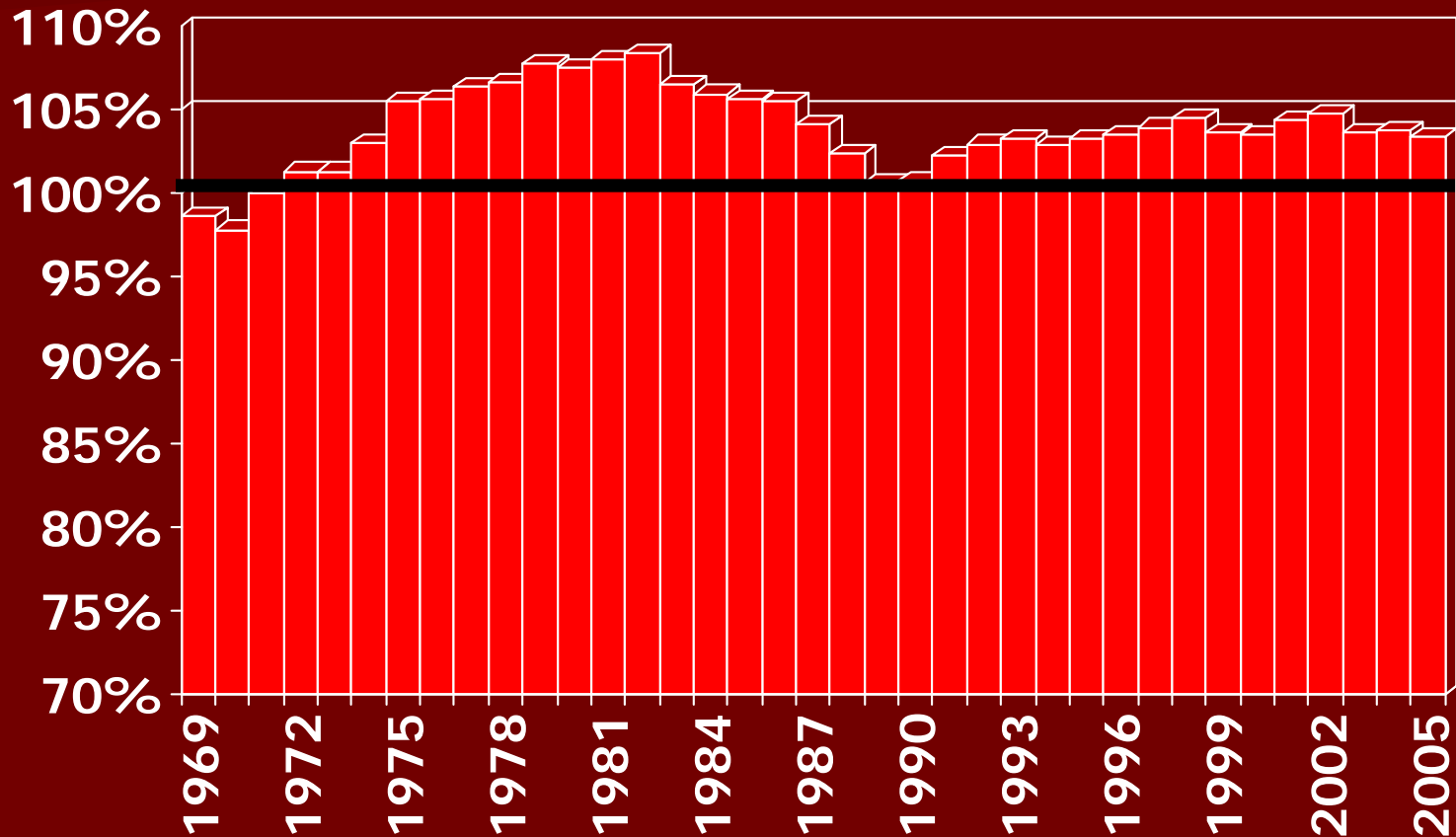
- Per Capita Personal Income (PCPI) is a consistent measure across geographies
- $PCPI = TPI / POPULATION$

Kansas Per Capita Personal Income as a Percentage of U.S.



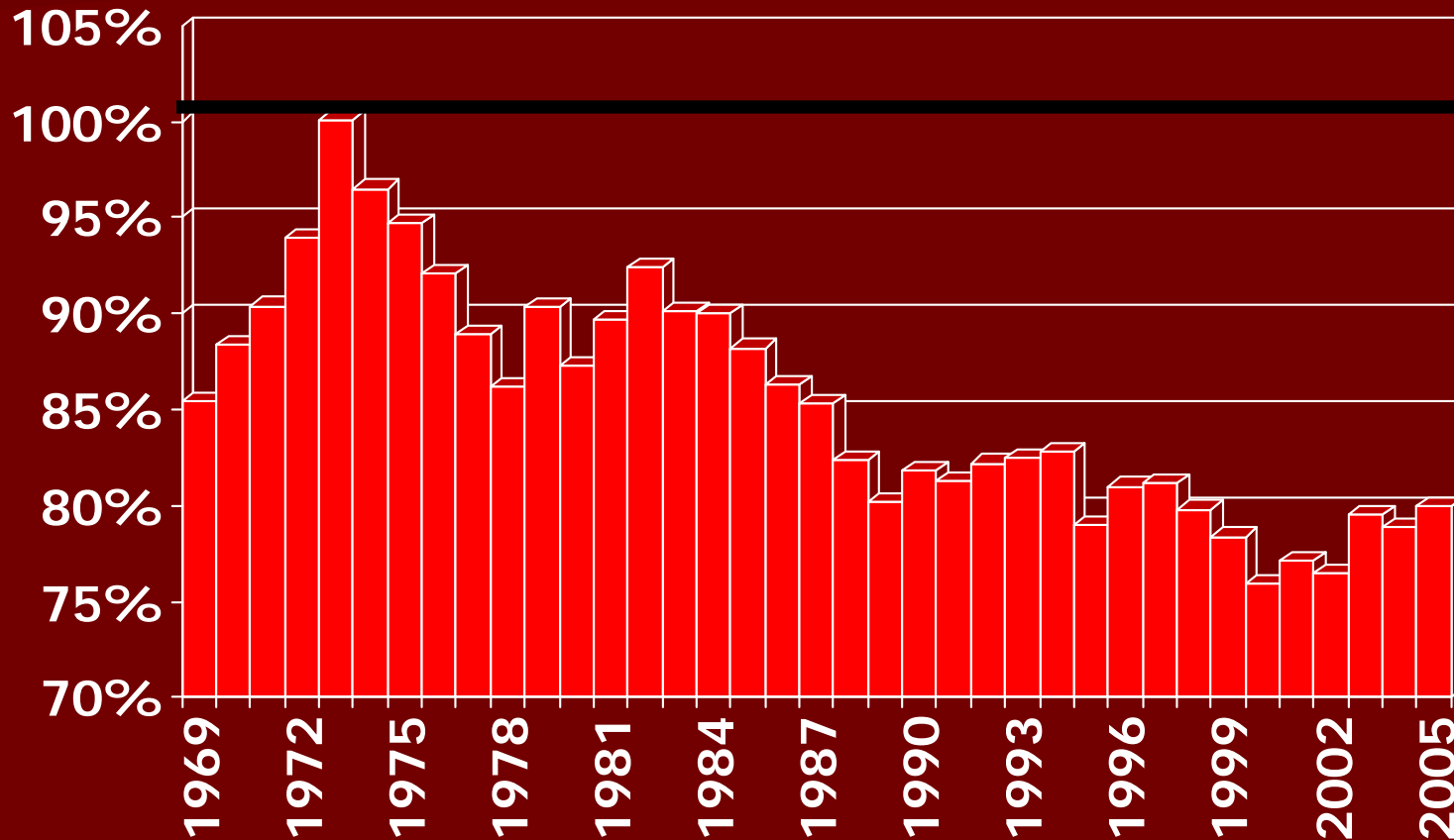
Source: U.S. Department of Commerce, Bureau of Economic Analysis

KS Metropolitan Areas PCPI as a Percent of US Average



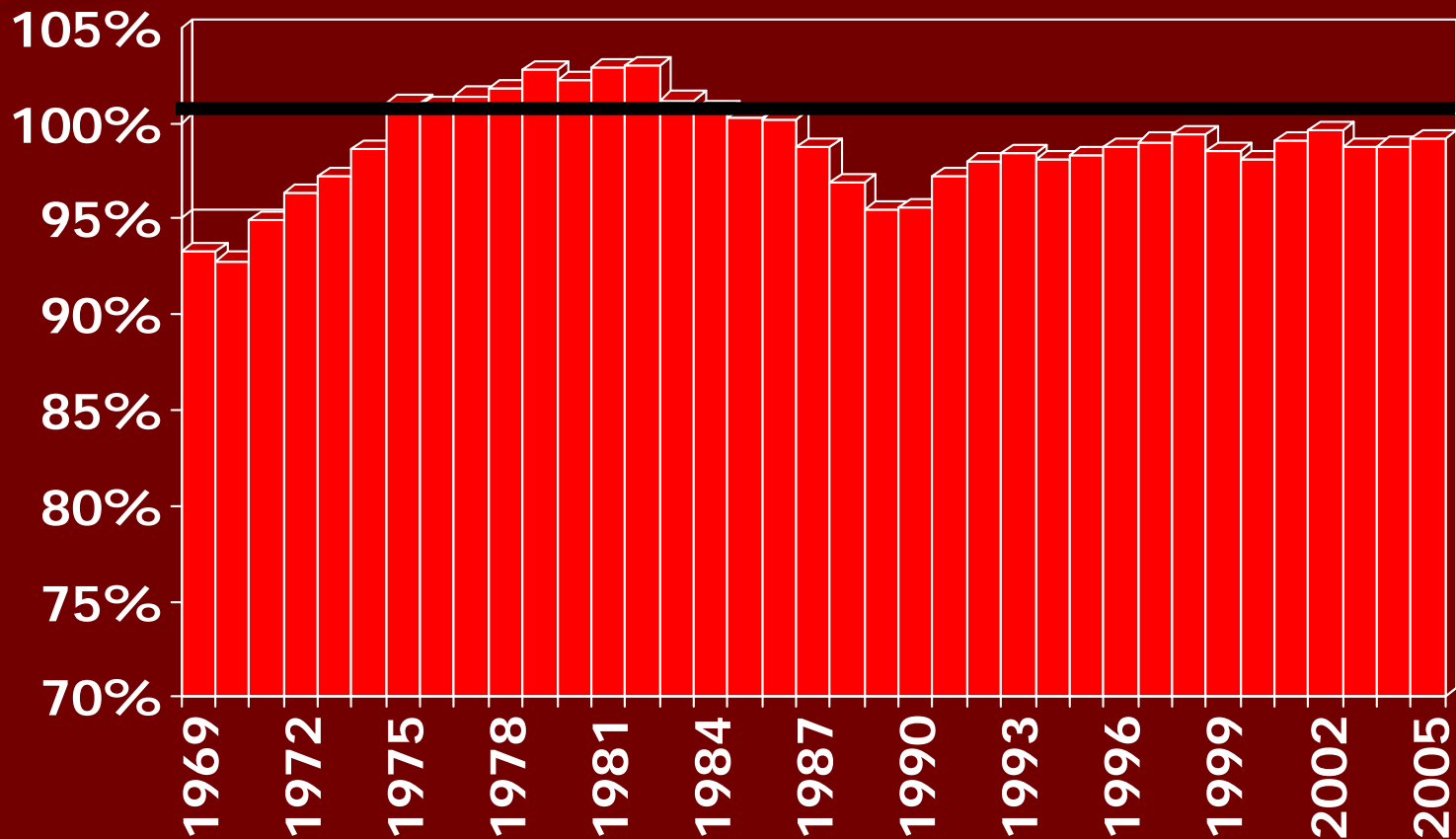
Source: U.S. Department of Commerce, Bureau of Economic Analysis

KS Non-metropolitan Areas PCPI as a Percent of US Average



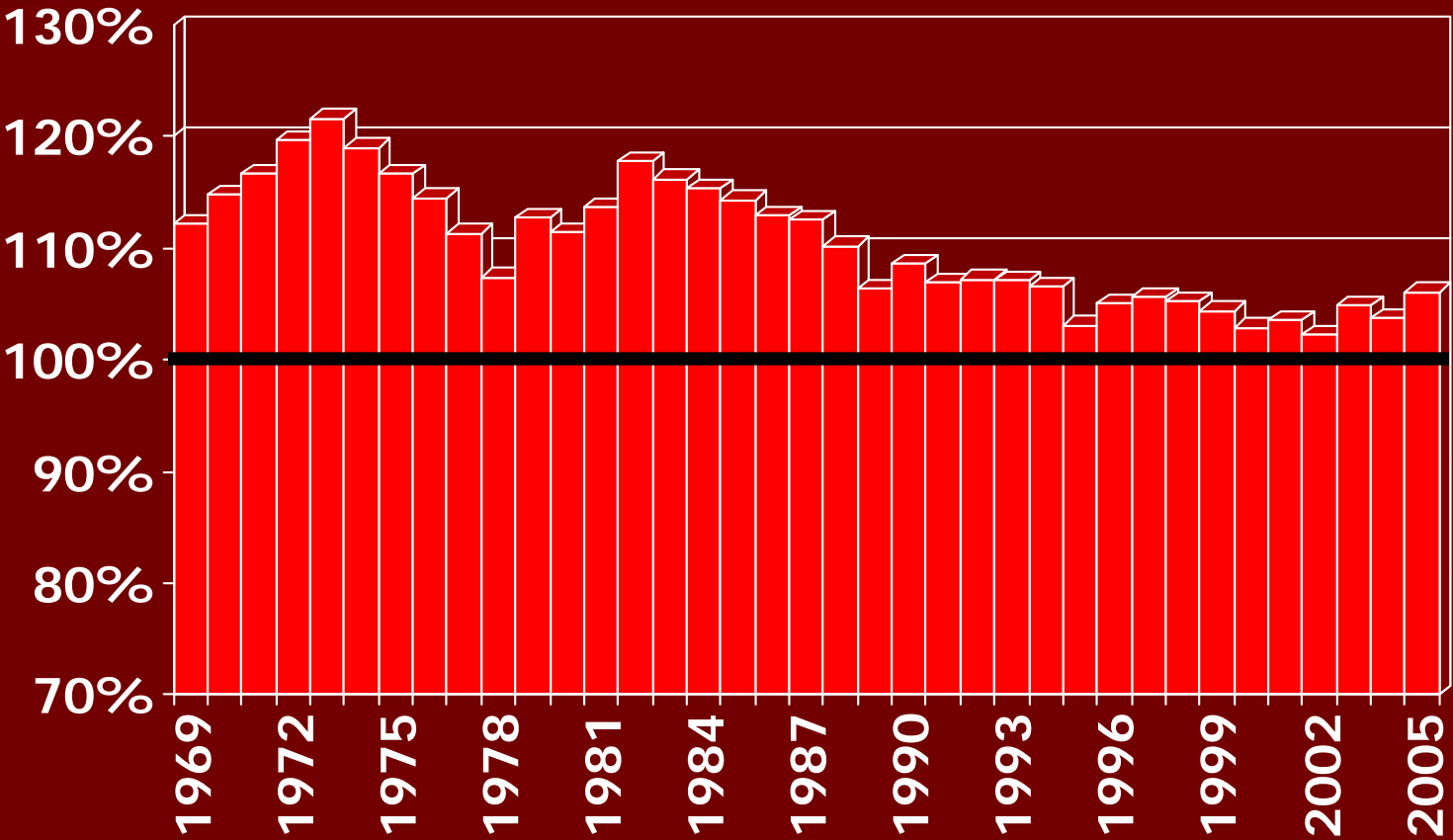
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Metro KS Per Capita Personal Income as a Percentage of U.S. Metro Area



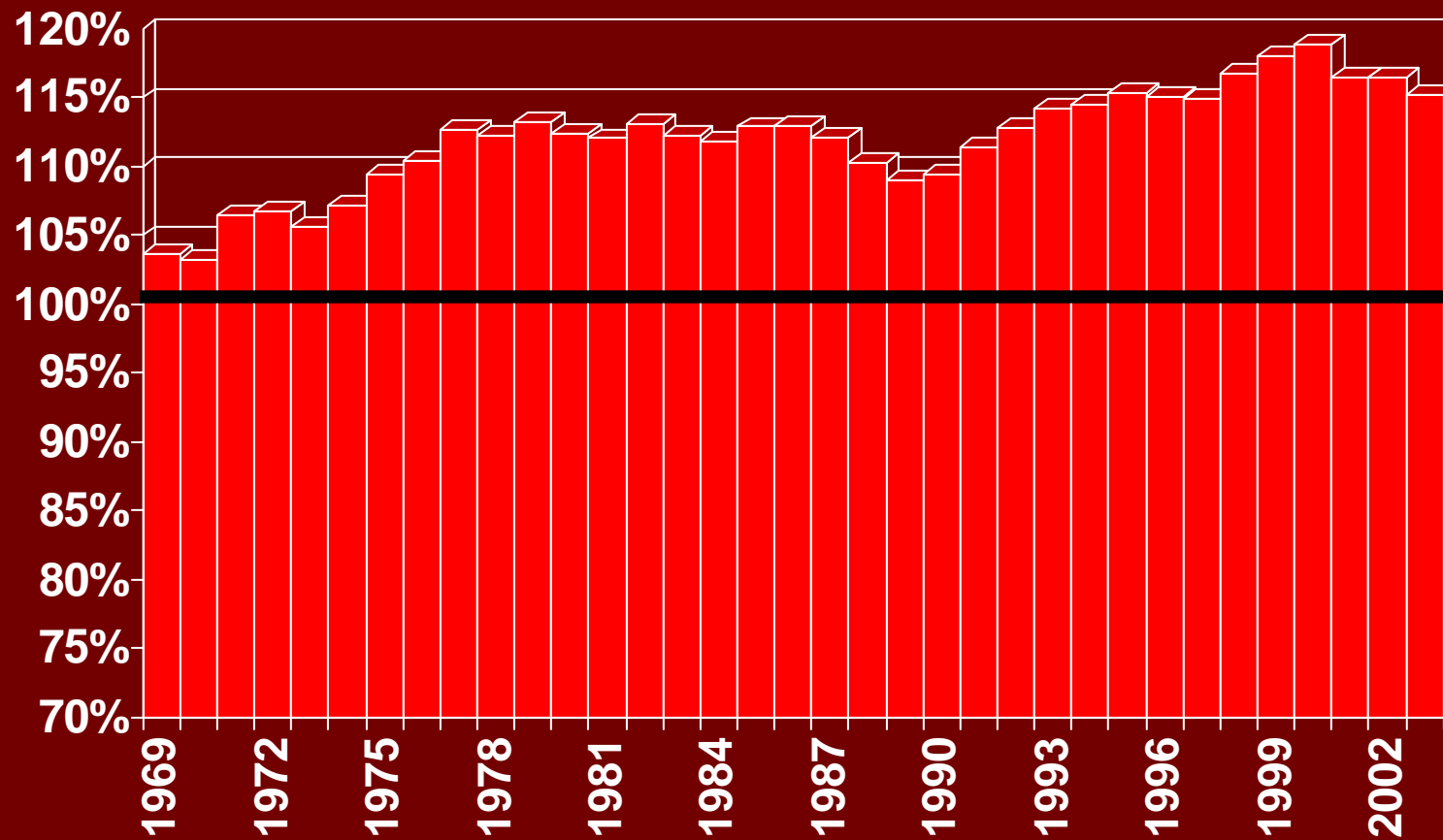
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Non- Metro KS Per Capita Personal Income as a Percentage of U.S. Metro Area



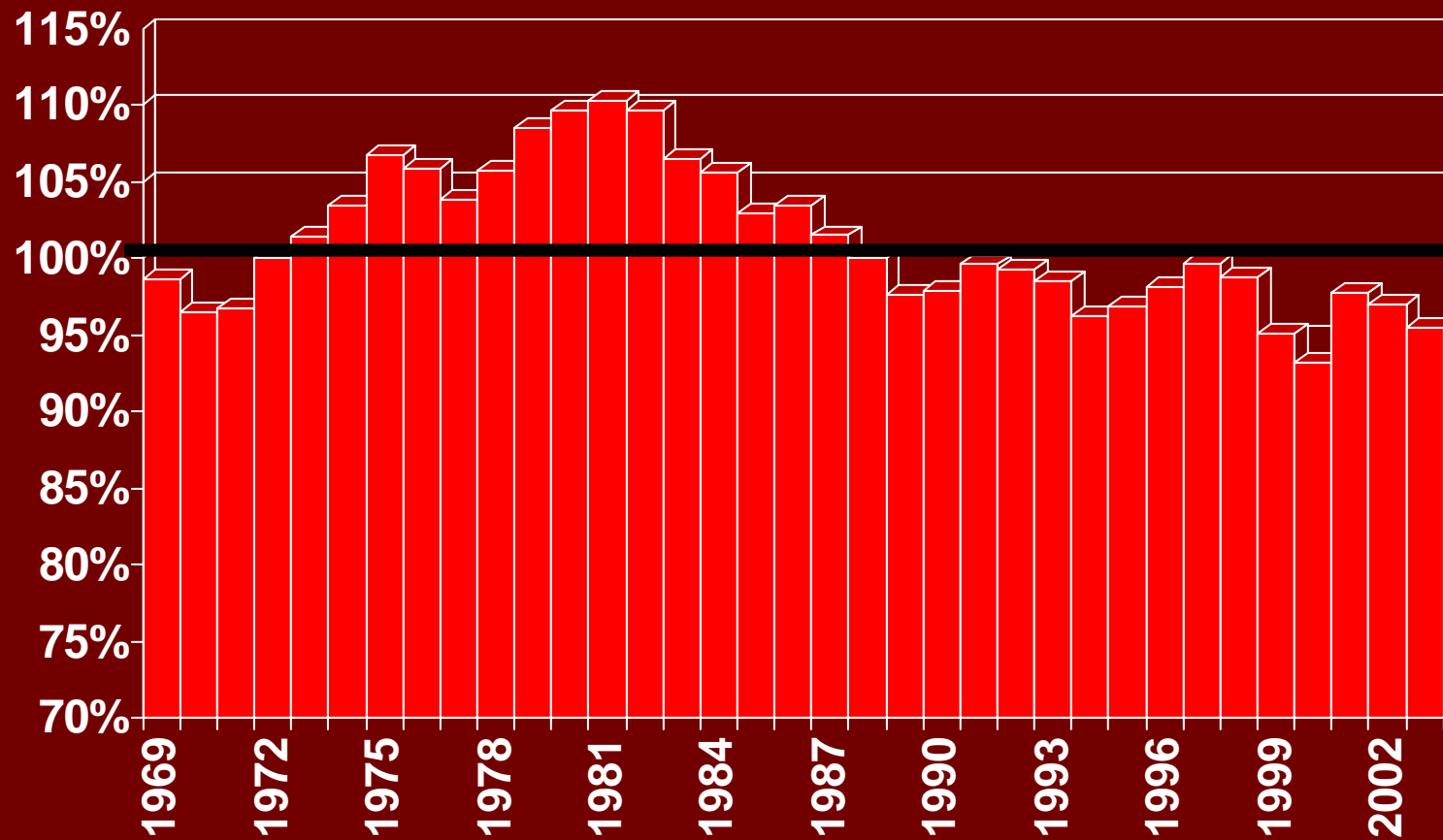
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Kansas City, KS MSA Per Capita Personal Income as a Percentage of U.S.



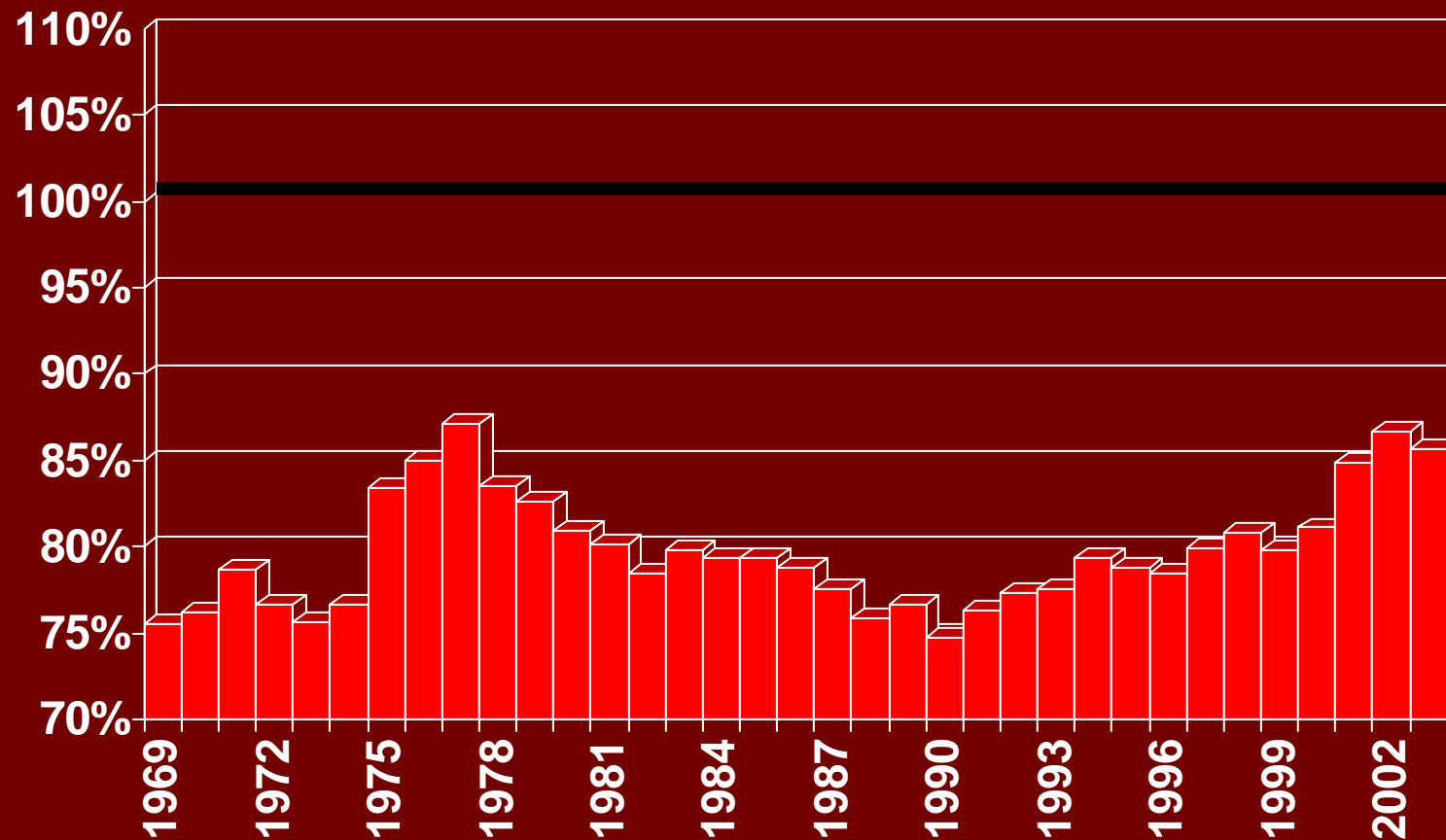
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Wichita, KS MSA Per Capita Personal Income as a Percentage of U.S.



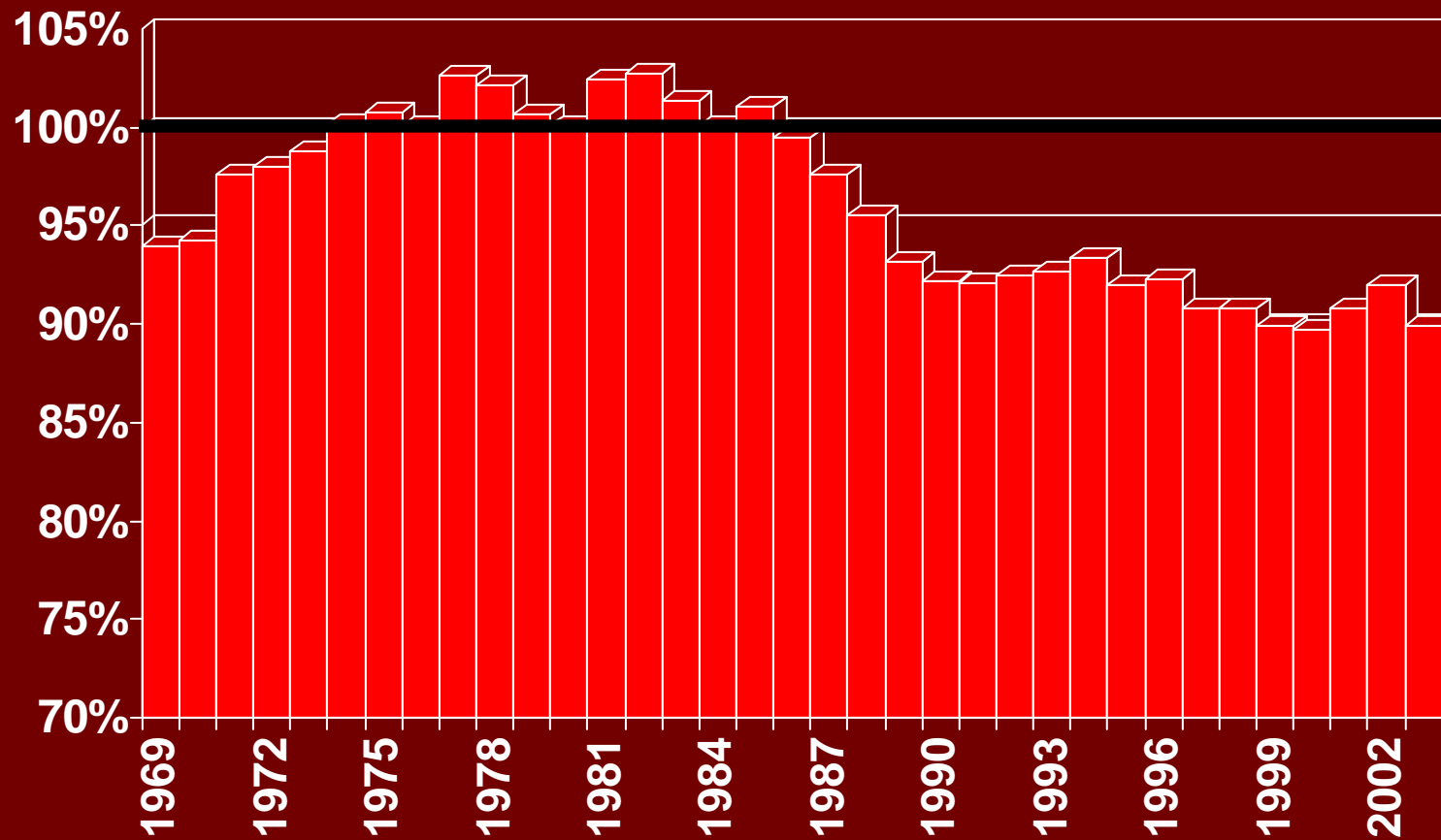
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Lawrence, KS MSA Per Capita Personal Income as a Percentage of U.S.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Topeka, KS MSA Per Capita Personal Income as a Percentage of U.S.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

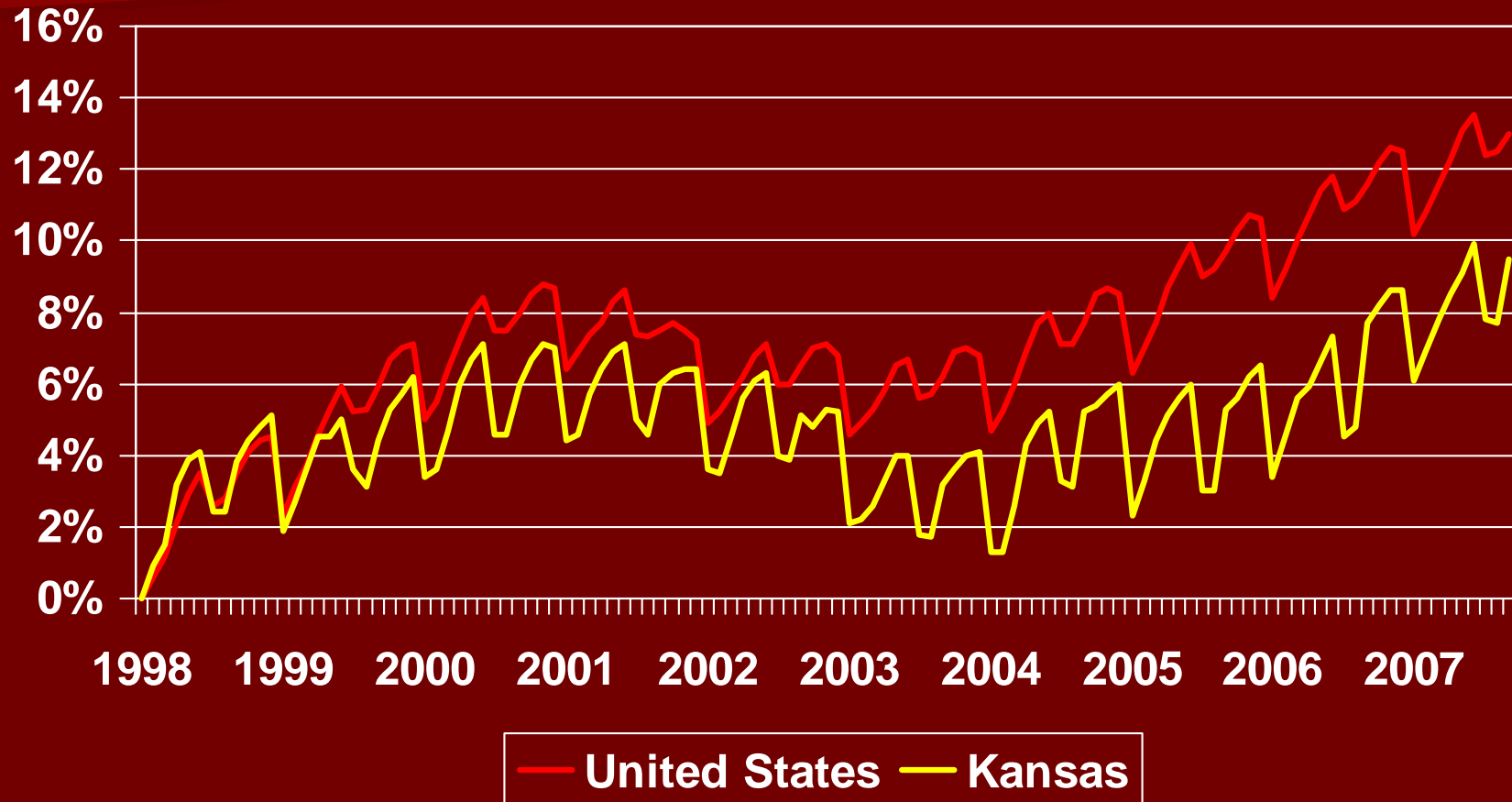
Observations: Income Trends

- Personal income growth is not keeping up with rest of the country
- On average, PCPI levels are higher in metropolitan areas
- Our non-metropolitan areas are keeping up with their counterparts
- More rural – lower average PCPI

Observations: Population & Income

- Population growth is correlated with income and job growth.
 - While certainly not consistent across all states and regions, on average, population growth is accompanied by income and job growth.
 - The question remains, however: Which one comes first, population growth or job growth?

Total Employment Growth US versus Kansas



Source: U.S. Bureau of Labor Statistics

Small Annual Differences Large Differences Over Time

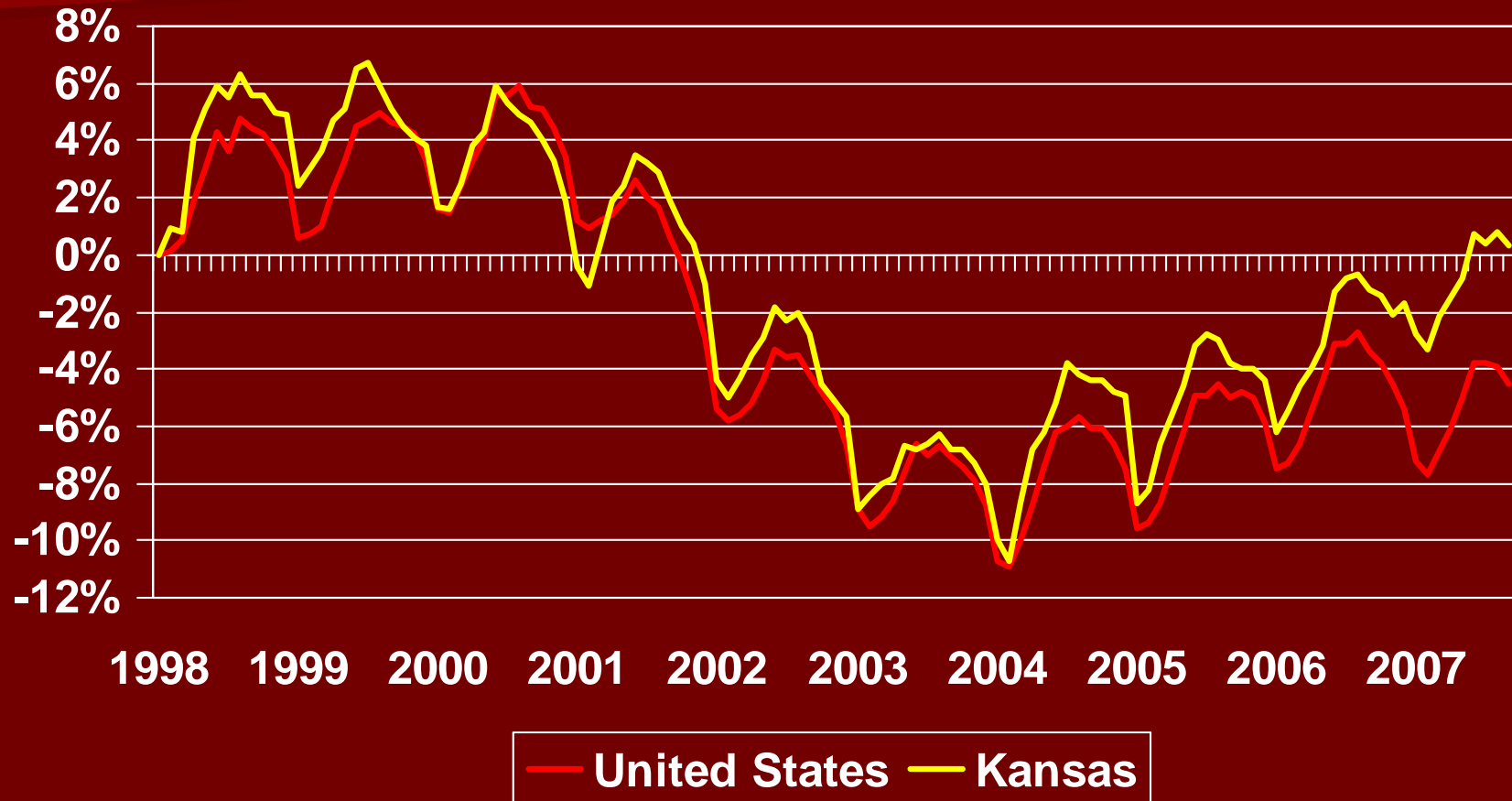
■ Decade Total Employment Growth

- U.S.: 13%
- Kansas: 9.5%

■ Difference in Job Gains/Losses

- Actual: 121,200 jobs
- At U.S. Rate: 165,600 jobs
- Difference: 44,400 jobs

Goods Producing Employment US versus Kansas



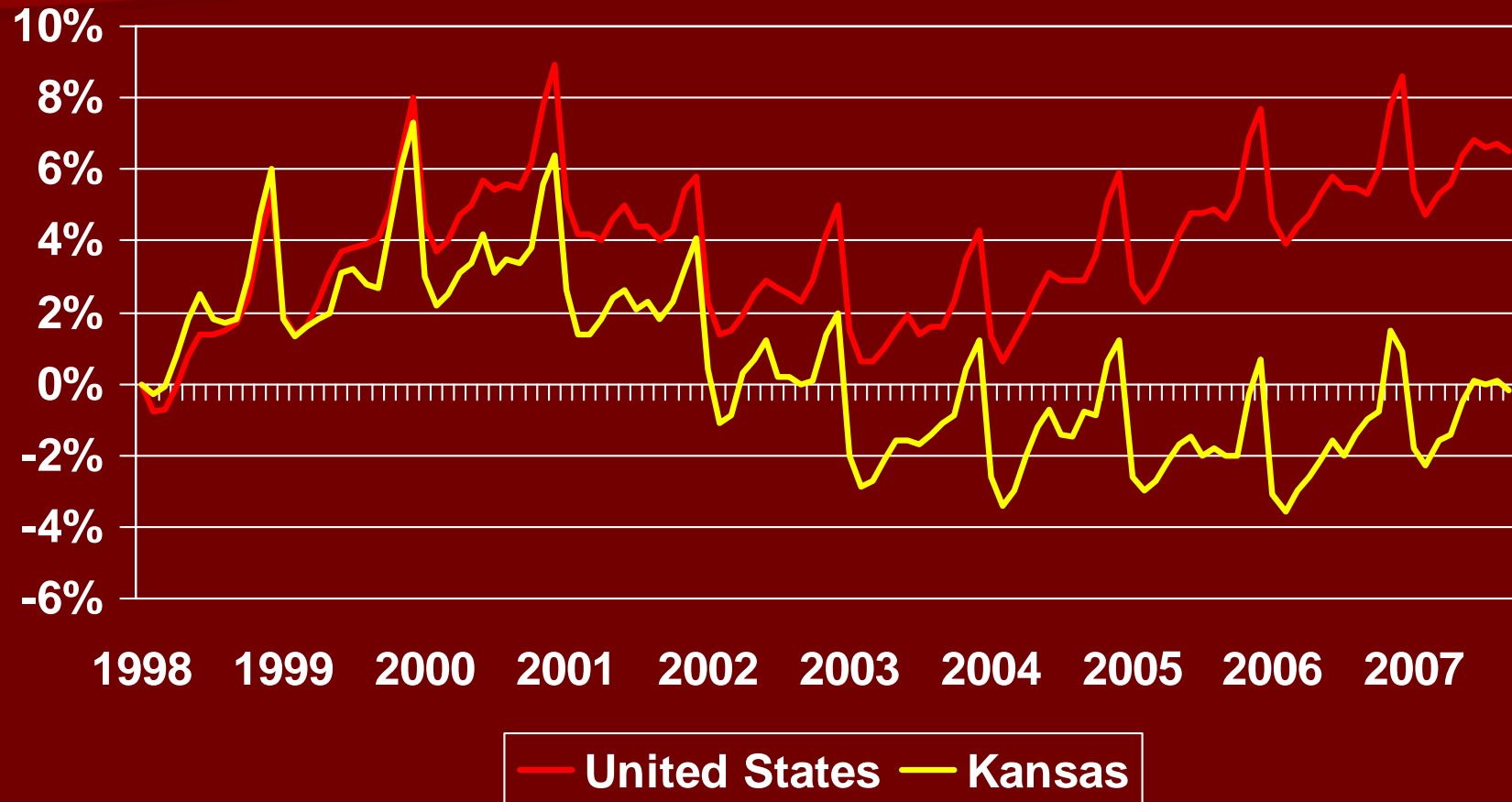
Source: U.S. Bureau of Labor Statistics

Small Annual Differences Large Differences Over Time

- Decade Goods Producing Employment Growth
 - U.S.: (4.5%)
 - Kansas: 0.3%

- Difference in Jobs
 - Actual: 800 jobs
 - At U.S. Rate: (11,900) jobs
 - Difference: (12,700) jobs

Trade Sectors Employment US versus Kansas



Small Annual Differences Large Differences Over Time

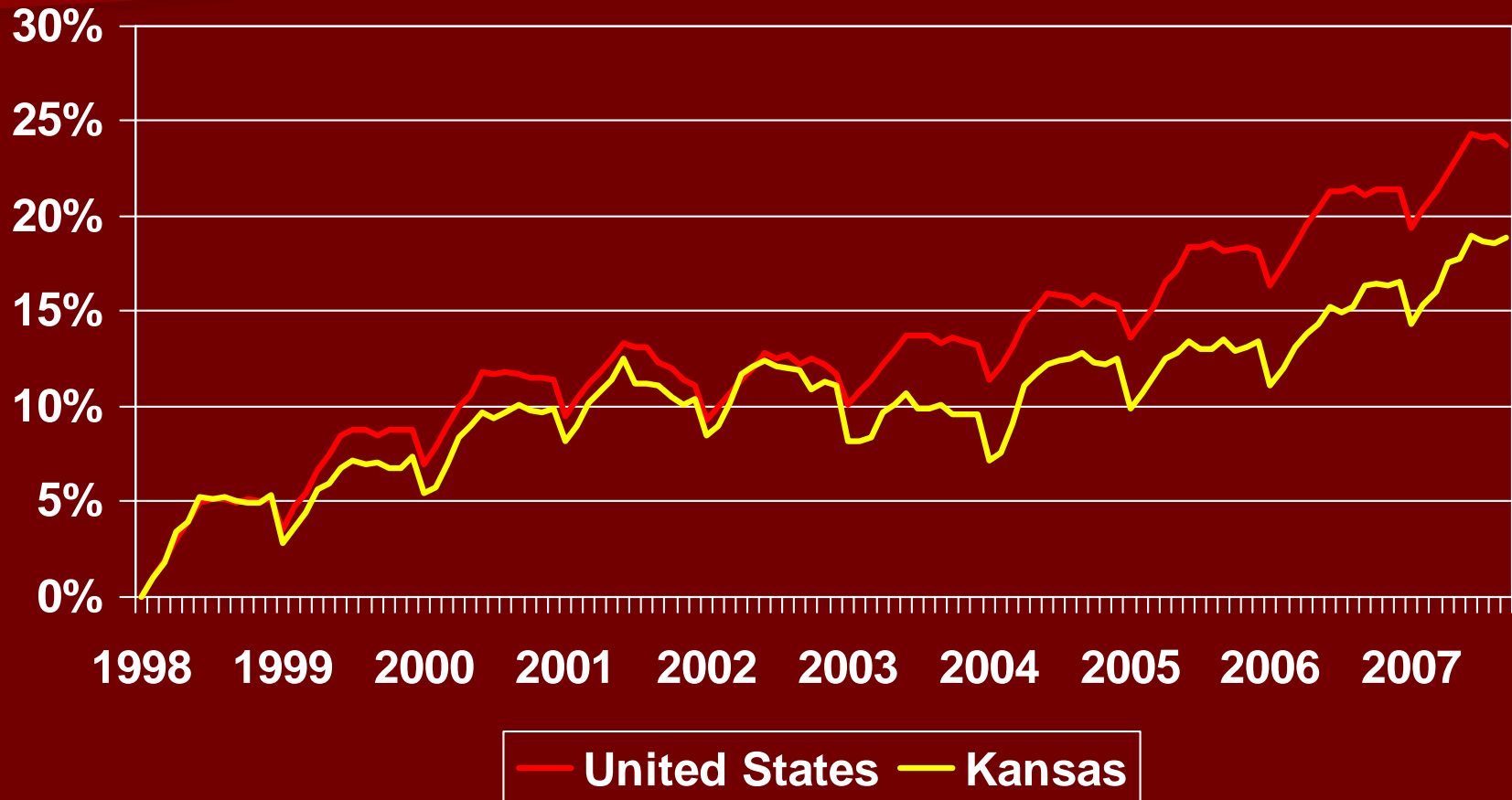
■ Decade Trade Sectors Employment Growth

- U.S.: 6.5%
- Kansas: (0.2%)

■ Difference in Jobs

- Actual: (500 jobs)
- At U.S. Rate: 17,200 jobs
- Difference: 17,700 jobs

Service Sectors Employment US versus Kansas



Source: U.S. Bureau of Labor Statistics

Small Annual Differences Large Differences Over Time

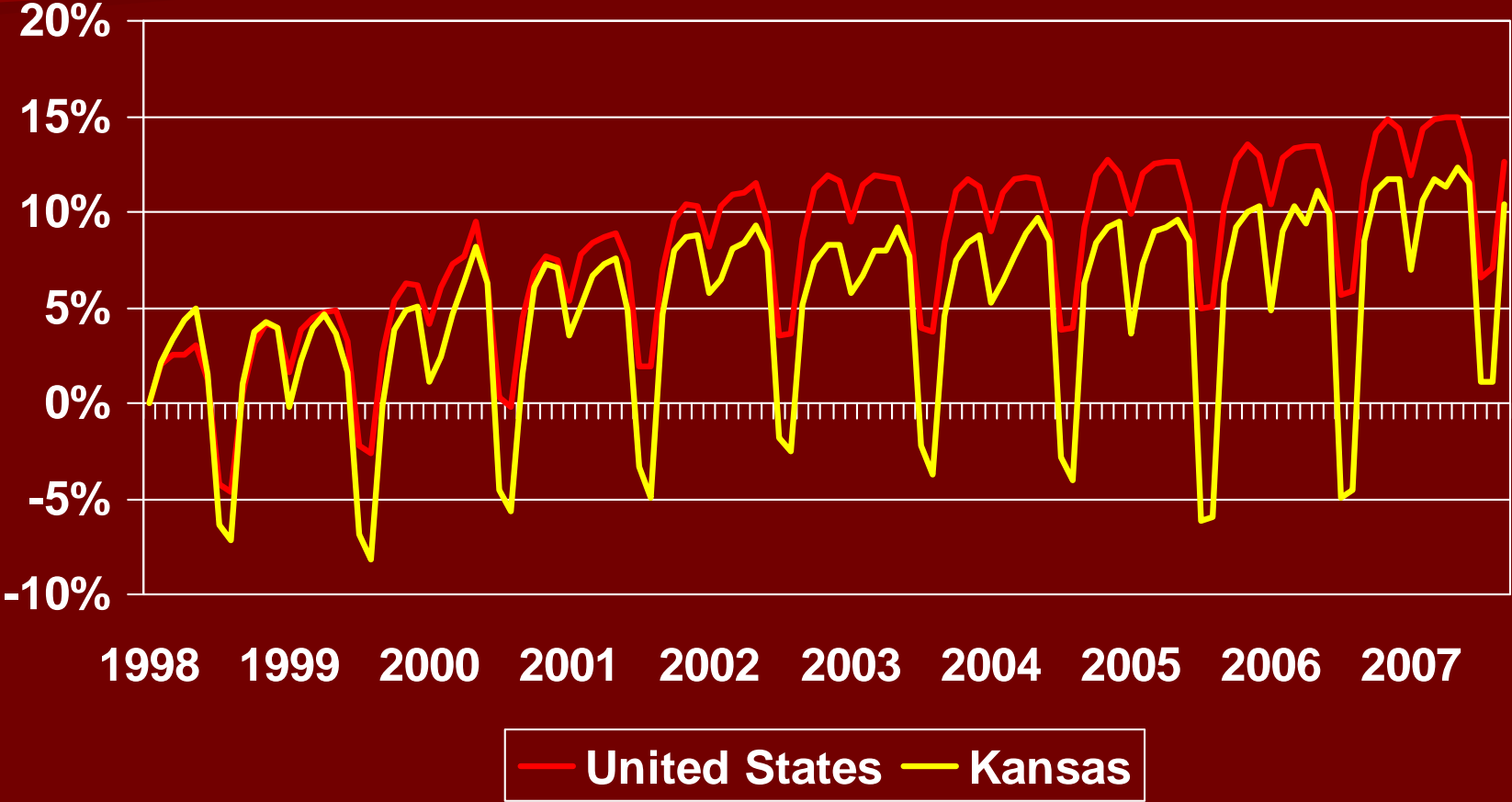
■ Decade Service Sectors Employment Growth

- U.S.: 23.7%
- Kansas: 18.9%

■ Difference in Jobs

- Actual: 96,200 jobs
- At U.S. Rate: 120,200 jobs
- Difference: 24,000 jobs

Government Sectors Employment US versus Kansas



Source: U.S. Bureau of Labor Statistics

Small Annual Differences Large Differences Over Time

■ Decade Government Sectors Employment Growth

- U.S.: 12.6%
- Kansas: 10.4%

■ Difference in Jobs

- Actual: 24,700 jobs
- At U.S. Rate: 29,900 jobs
- Difference: 5,200 jobs

Observations: Employment Trends

- Employment growth is slower than rest of the country past decade
- Good producing sectors are only areas Kansas outperformed U.S.

Key Question: Why is Kansas' Economic Performance Sub-Par?

- Possible answers:
 - Slow population growth leads to slow growth in consumer driven markets such as retail trade and health care
 - State's industrial base is primarily in slow growth industries
 - Combination of factors

Location Quotients

- Location Quotients (LQs):
 - Ratios that allow an area's distribution of employment by industry to be compared to a reference or base area's distribution (in this case the United States).
 - LQs allow areas to be easily compared to each other.

Interpreting a Location Quotient

- If $LQ = 1$: Then the industry has the same share of Kansas employment as it does in the US
- If $LQ > 1$: Kansas industry has a greater share of the local area employment than in the US overall
- If $LQ < 1$: Kansas industry has a lesser share of the local area employment than in the US overall

How to Calculate a LQ

- LQs are calculated by:
 1. Dividing local industry employment by the all industry total of local employment.
 2. US industry employment is divided by the all industry total for the US.
 3. Local ratio (calculated in step 1) is divided by the US ratio (calculated in step 2)

Identifying Clusters

- Kansas has 34 industry sectors with LQs greater than 1
- Of those, there are 5 industries with
 - LQ > 1.5 AND
 - Industry employs 10,000 or more

Existing Target Clusters

- Transportation equipment mfg (aviation)
- Food mfg
- Telecommunications
- Machinery mfg.
- Printing and related support activities

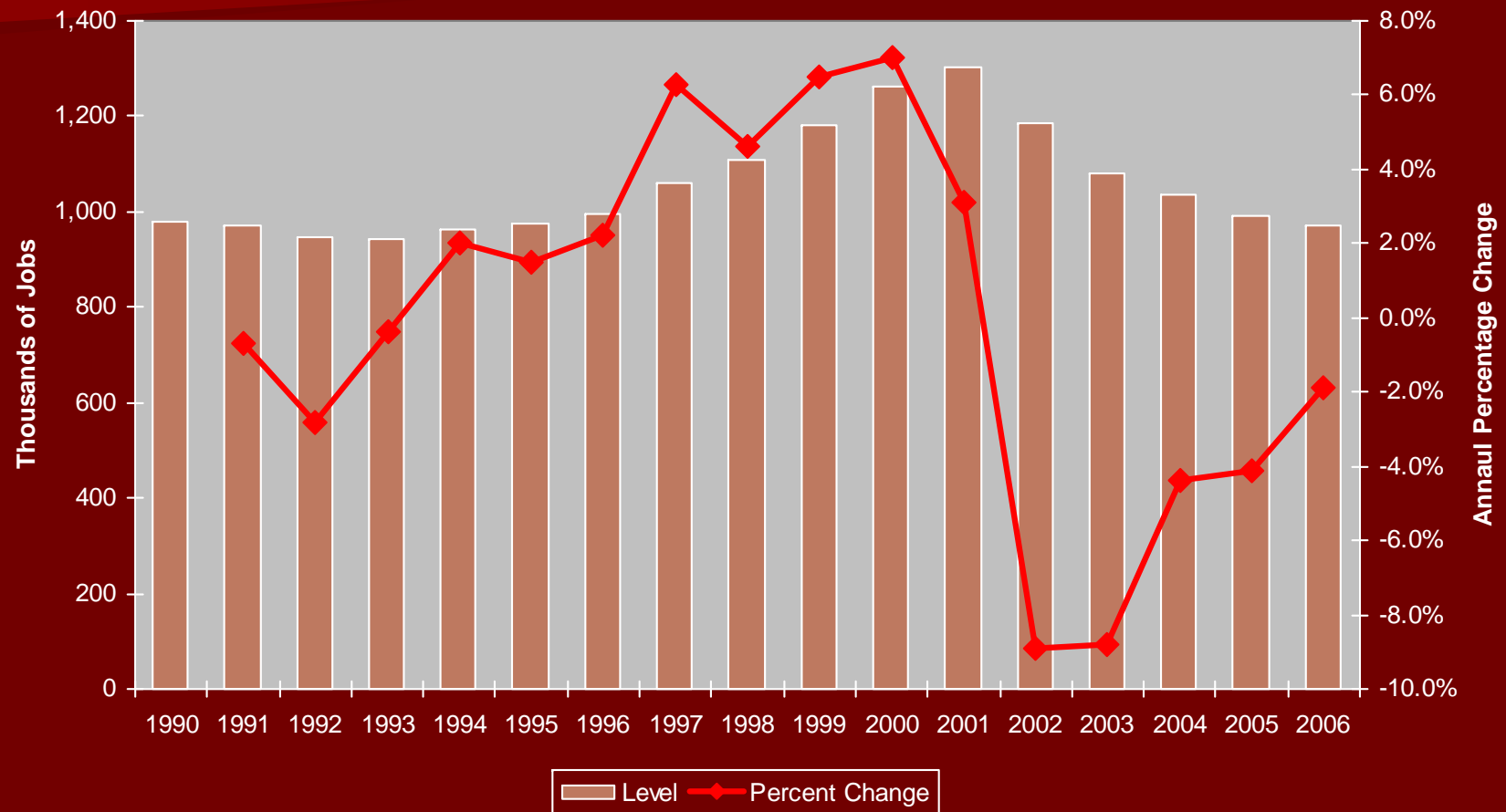
Potential Clusters – high LQ?

- Kansas has 4 industries sectors with
 - LQ > 1.5 AND
 - Employ 1,000 or more
- Animal production
- Support activities for mining
- Oil and gas extraction
- Petroleum and coal products manufacturing

Potential Clusters – high employment?

- Kansas has 4 industries sectors with
 - LQ > 1.25 AND
 - Employ 9,000 or more
- Nursing & residential care facilities
- Truck transportation
- Plastics and rubber products mfg
- Electronic markets and agents and brokers

US Trends in Telecommunications



Source: U.S. Bureau of Labor Statistics

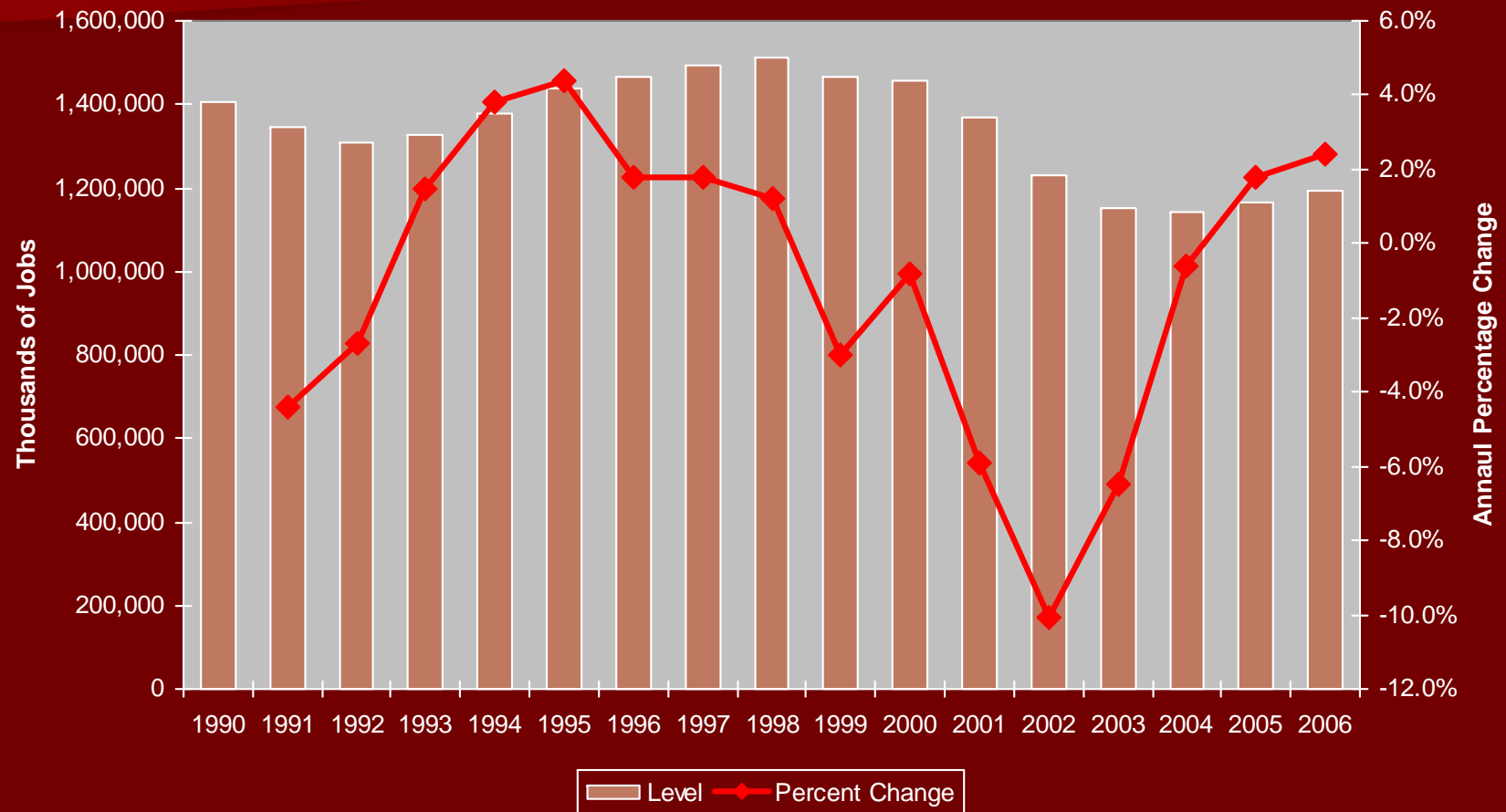
US Trends in Telecommunications

- 1990: 980,300 jobs
- 2006: 972,900 thousand jobs
- Net loss: 7,400 jobs or 0.8%
- 2006-2016: 48,600 or 5%

KS Potential: Telecommunications

- 2006 KS: 2.4% U.S. industry
23,700 jobs
- 2016 KS: 2.4% =
24,900 jobs
net gain 1,250 jobs

US Trends in Transportation MFG



Source: U.S. Bureau of Labor Statistics

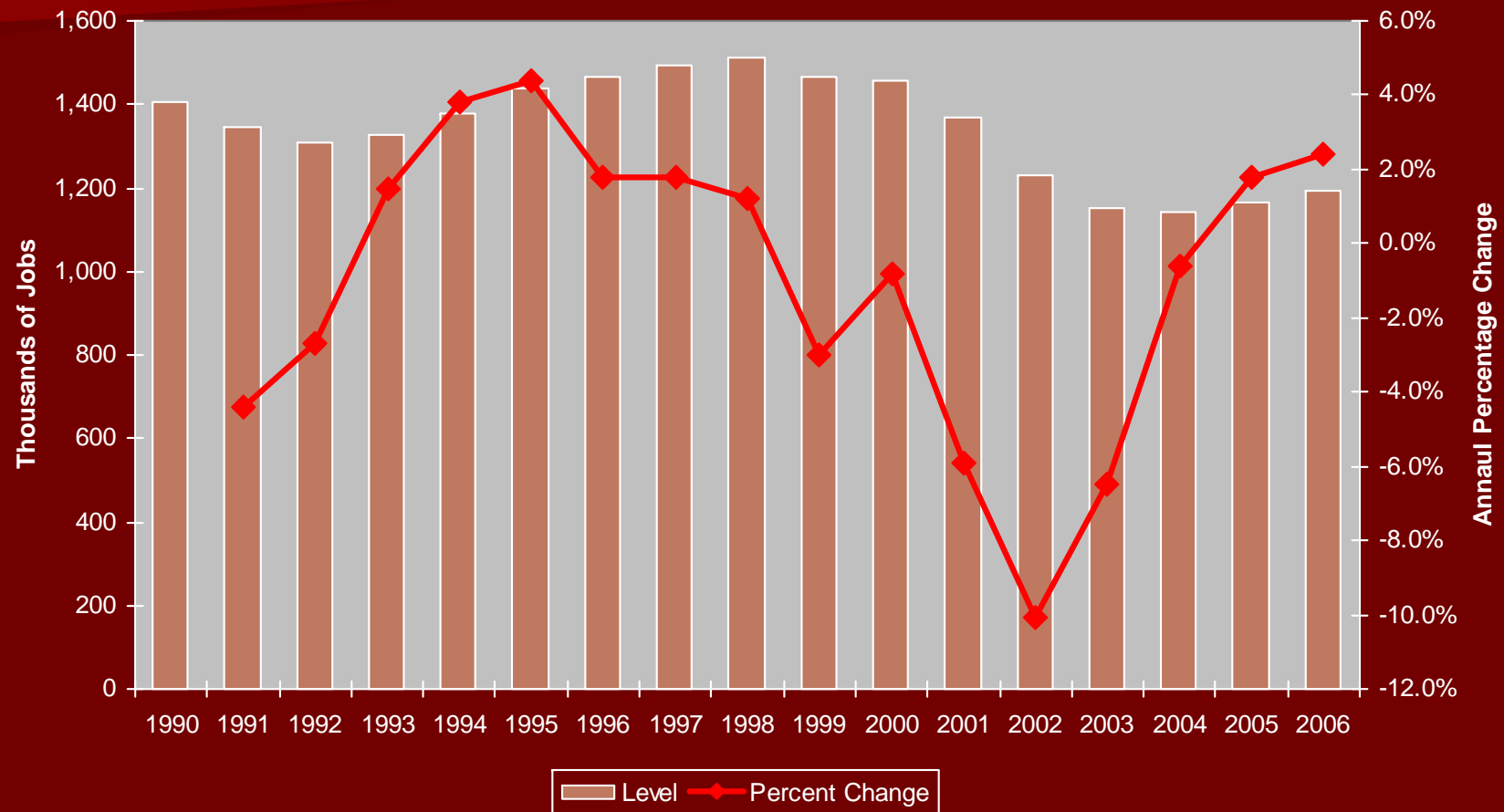
US Trends in Transportation MFG

- 1990: 2.1 million jobs
- 2006: 1.8 million jobs
- Net loss: 368,300 jobs or 17.3%
- 2006-2016: (114,100) jobs or (6.5%)

KS Potential: Transportation MFG

- 2006 KS: 2.8% U.S. industry
48,700 jobs
- 2016 KS: 2.8% =
45,800 jobs
net loss 2,900 jobs

US Trends in Machinery MFG



Source: U.S. Bureau of Labor Statistics

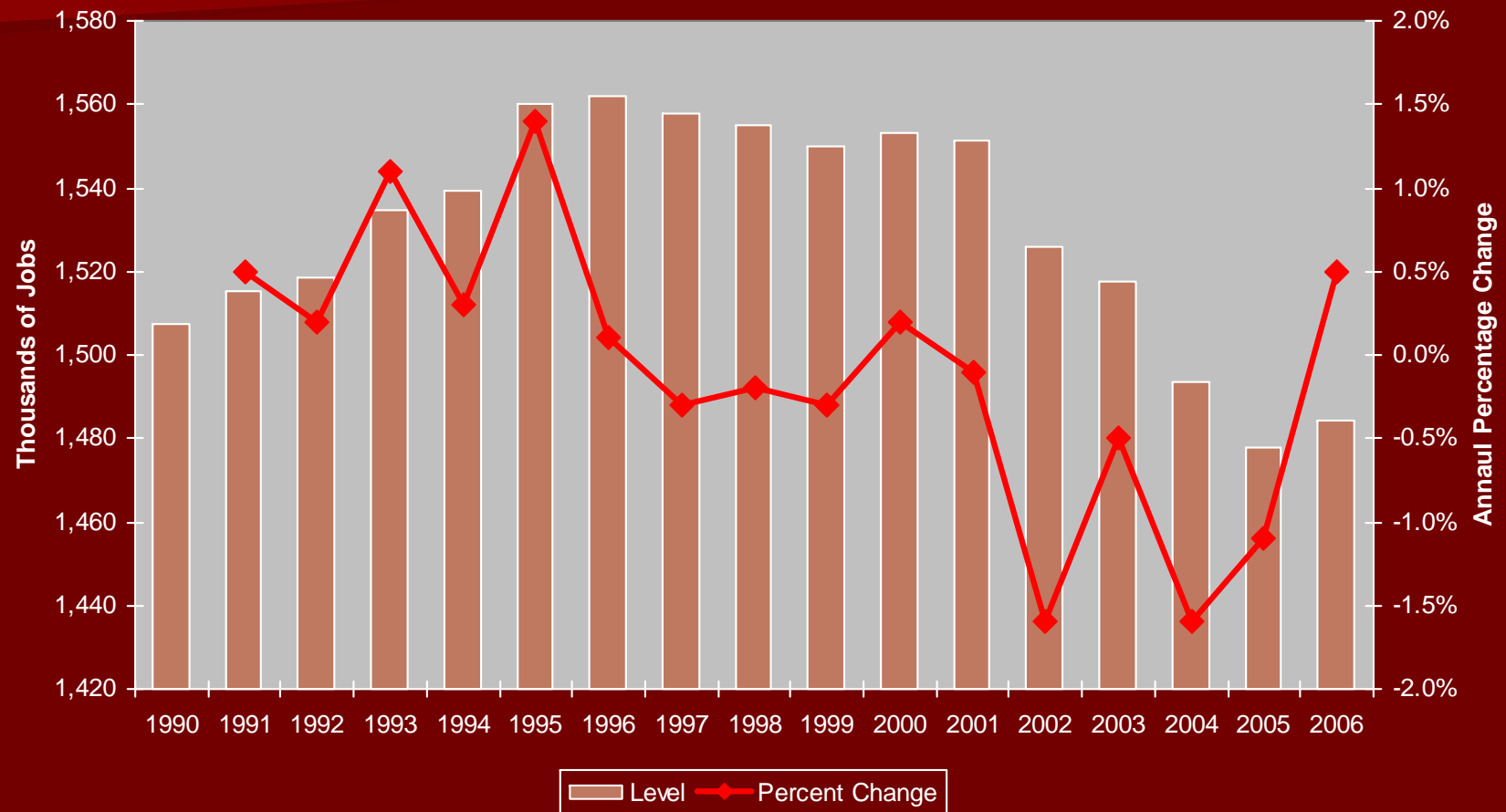
US Trends in Machinery MFG

- 1990: 1.4 million jobs
- 2006: 1.2 million jobs
- Net loss: 216,400 jobs or 15.4%
- 2006-2016: (146,300) jobs or (12.3%)

KS Potential: Machinery MFG

- 2006 KS: 1.4% U.S. industry
17,100 jobs
- 2016 KS: 1.4% =
15,200 jobs
net loss 1,900 jobs

US Trends in Food MFG



Source: U.S. Bureau of Labor Statistics

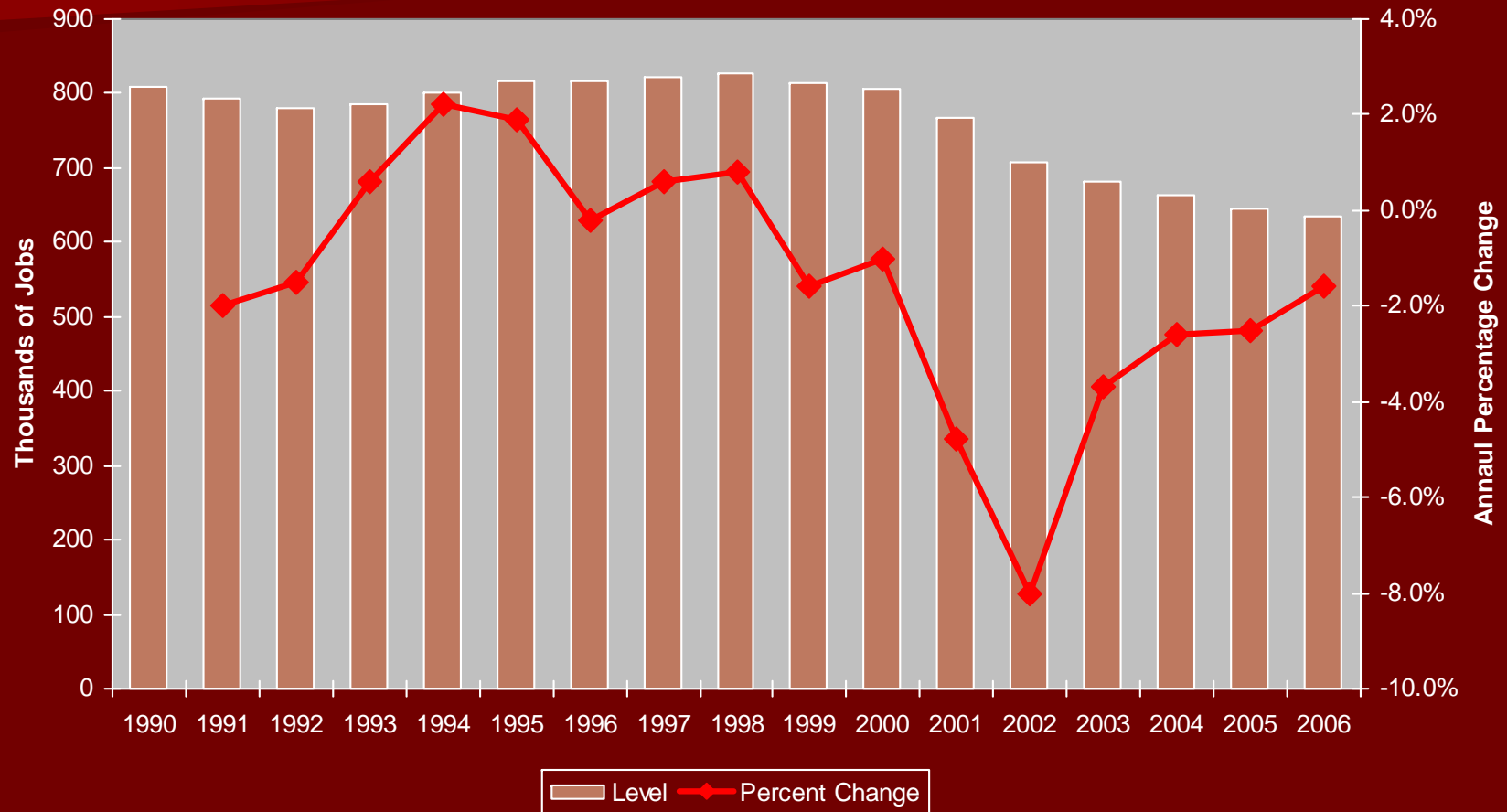
US Trends in Food MFG

- 1990: 1.51 million jobs
- 2006: 1.48 million jobs
- Net loss: 23,000 jobs or 1.5%
- 2006-2016: 5,000 jobs or 0.3%

KS Potential: Food MFG

- 2006 KS: 2.2% U.S. industry
32,100 jobs
- 2016 KS: 2.2% =
32,500 jobs
net gain 400 jobs

US Trends in Printing & Related Services MFG



Source: U.S. Bureau of Labor Statistics

US Trends in Printing & Related Services MFG

- 1990: 808,600 jobs
- 2006: 635,900 jobs
- Net loss: 172,700 jobs or 21.4%
- 2006-2016: (138,500) jobs or (21.8%)

KS Potential: Printing & Related Services MFG

- 2006 KS: 1.7% U.S. industry
10,750 jobs
- 2016 KS: 1.7% =
8,450 jobs
net loss 2,300 jobs

Observations: KS Cluster Analysis

- Employment is either declining or growing very slowly in top 5 clusters
- If state maintains share of employment in top 5 clusters between 2006 and 2016:

**Loss of 5,460 jobs
or 4.1% decline**

Summary Observations

- Trends suggest:
 - Continued slow growth in employment, income and population
 - State needs to institute changes to the economy and community to retain and attract population and jobs
 - State needs to diversify its economy

Caveats for BOR

- Net job gains/losses do NOT equal training/educational needs
- Need to factor in replacement needs

Nursing Needs in Sedgwick County 2000 and 2010

- Need an additional 2,300 nurses
 - 1,000 needed as a result of turnover/retirement
 - 1,300 needed as a result of increased economic demand (occupational growth)

BOR Role

1. Retain Kansas students
 2. Attract more out-of-state students
 3. Attract more international students
- Political issues
 - Cultural issues
 - Budget impact BOR system