Section I: Economic Performance

National economic growth, measured by GDP, is at historically low levels. A new report by the Harvard School of Business shows a marked fall-off in GDP growth since the 1960s, with "a particular step-down since around 2000". The prognosis for a return to higher levels is poor, as business investment and other growth factors are below historic levels.

On a state level, Connecticut's recovery from the Great Recession has been slow and lags all but one of the other New England states. Connecticut's job recovery is 50% of the national average. While Connecticut has recovered 80% of the jobs it lost, Massachusetts has recovered 2.5 times what it lost. New York's job recovery rate is similar.

Connecticut narrowed the gap in GDP growth with New England in 2013 and 2014, but last year its GDP growth rate was less than 50% that of New England as a whole, and one quarter of the national rate.

Fairfield County had a negative .24% growth rate in employment between 1998 and 2015. Growth in annual wages was 2.7% between 1998 and 2014, below the national growth rate of 2.99%.   However, from 2010 to 2014, annual wages barely registered growth (.39%), while nationally annual wages grew 2.69%.

According to the US Cluster Mapping Project, Fairfield County was significantly above the US average, but significantly below Hartford County, in GPD per capita, a measure of prosperity. Growth in GDP per capita occurred faster in New Haven, New London, and Hartford counties.

Conclusion for discussion: Fairfield County had weaker GDP and employment growth than Connecticut, which in turn significantly lagged surrounding states and the national growth rate. The County had a few bright spots (financial services, education and knowledge creation). Slow growth since 2010 has had a significant impact on annual wages.

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Section II: Fairfield County's Business Base

Fairfield County had 27,022 non-government establishments employing 409,000 people in 2012. Below are the predominant industries by:

Employment:

- Health care and social assistance
- Retail trade
- Finance and insurance
- Professional, scientific, and technical services
- Accommodation and food services

Number of establishments:

- Professional, scientific, and technical services
- Retail
- Health care and social assistance
- Other services
- Finance and insurance

Annual payroll:

- Finance and insurance
- Professional, scientific, and technical services
- Health care and social assistance
- Wholesale trade
- Manufacturing

Based simply on their appearance in the above three indicators, the top four industries are Health Care and social assistance, Professional, scientific, and technical services, Finance and insurance, and Retail.

Business Size:

86% of all Fairfield County industries have less than 20 employees. By comparison:

- High value per establishment categories such as Professional, scientific, and technical, and Finance and Insurance are overwhelming small establishments (92% have less than 20 employees)
- Information, Manufacturing, and Accommodation and Food Services establishments tend to be slightly larger than overall

Similarly, CT Department of Labor data on worksite size indicates that 29.7% of Fairfield County employment is at worksites with less than 20 employees, compared to 26.9% for New Haven County and 21.9% for Hartford County.

Business ownership:

In Fairfield County, one in five white-owned firms have paid employees at a rate 6 2/3 times greater than for African American-owned firms, and nearly 3 times greater than Hispanic-owned firms.

A greater percentage of Asian-American firms have paid employees than white-owned firms.

Only 10% of Female-owned firms have paid employees.

Conclusion for discussion: In addition to the "expected" presence of Health care and social assistance, and Retail (based on demographics and wealth attributes), two industries with an important presence in Fairfield County are Finance and insurance and Professional, scientific, and technical services. Employment across all industry group occurs in small establishments, and a larger percentage of County employment occurs at very small establishments versus the other two large Connecticut counties. Minority, especially African-American, and female-owned firms lag white, male-owned firms in employment of workers. With the region having a significant presence of immigrants (see Section VII)

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Section III: Industry Clusters

The US Cluster Mapping Project, an initiative of the US Department of Commerce and Harvard University, identifies Traded Industry Clusters as those industries that primarily sell goods and services outside of the region where they are located. Traded clusters have a disproportionate impact on their local economy because they bring in outside revenue. Businesses within traded clusters tend to compete nationally or internationally and may seek talent from outside the local market.

A strong cluster is a cluster that has high employment specialization in a region (ranking in the top 25% of all regions by specialization and also meeting minimum criteria for employment and establishment).

Specialization is measured by the value of a cluster's location quotient. Each regional economy has a particular pattern of specialization in a number of clusters, which drives productivity and growth in the economy. Source of Data: U.S. Census Bureau.

Fairfield County's top industry clusters, with national rank () and *employment* (2014) and percent of County total employment (408,854). One in seven County jobs were in a strong cluster industry.

- Financial Services (8), *28,113* [6.9%]
- Aerospace Vehicles and Defense (10), *9,320* [2.3%]
- Video Production and Distribution (15), *924* [.2%]
- Marketing Design and Publishing (18), *12,050* [3%]
- Performing Arts (33), *2,350* [.6%]
- Education and Knowledge Creation (44), *15,102* [3.7%]
- Medical Devices (49), *1,138* [.3%]

Business Services (*29,177* employees, 7.1%), Distribution and Electronic Commerce (*22,687*, 5.6%), and Hospitality and Tourism (*7,226*, 1.8%) are clusters with large employment ranked within the top 100 regions, but are not considered strong clusters by the Cluster Mapping Project.

Fairfield County's share of all US Traded Cluster employment decreased by almost 1% between 1998 and 2014. Clusters with an employment share greater than the overall share for the County were more likely to have lost jobs than gained them. Business Services had the greatest job loss.

Distribution and Electronic Commerce and Marketing, Design, and Publishing had significant losses, while nationally, these clusters experienced job gains over the time period.

The County's share of cluster national employment was slightly better from 2010 to 2014 compared to 1998 to 2014.

Subclusters represent an area of further research and analysis. For example, in the broad Business Services category, which lost significant jobs and did not rank as a strong cluster, the administrative management and management consulting industry are large employers, and may represent opportunity for growth. Resources like IBIS World Industry Market Reports may shed light on growth factors and trends that inform successful development strategies. (Management Consulting report excerpt below)

Conclusion for discussion: Fairfield County's strongest cluster continues to be Financial Services. Putting aside Aerospace, since those jobs are outside the Western COG region, Education and Knowledge Creation and Marketing, Design, and Publishing are also strong clusters with relative large employment. Video Production and Distribution, and Medical Devices, while strong, are not currently large employment clusters for the region. Of concern is the decline in Business Services employment over the past 16 years. Most troubling is the loss of over 12,000 corporate headquarters jobs, an industry category that generated $2.3 billion in annual payroll in 2012, which was 7% of total County payroll. Other categories of business services, such as Consulting and Computer services, were weak performers relative to national growth rates.

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Section IV: New Business Creation

While the US created over 500,000 new establishments between 1998 and 2013, Connecticut saw a decrease of 3,864 establishments (only three states had a lower rate of new business establishments). According to the SBA, nationally, business starts have increased since the Great Recession, but the rate of starts is still below pre-recession levels. This decline in new establishments was mirrored in Fairfield County. While the number of new establishments in 2013 at 2,321 was roughly 15% higher than the low of 2,041 in 2009, it was still 18% lower (506 fewer new establishments) than the peak reached in 2005.

According to the CT Secretary of State's office, the number of incorporated businesses in the Western COG towns declined by 16% from 2011 to 2015. The number of Limited Liability Corporations increased by 17% during that period. This may be related to the increase in self-employed during and following the recession. Urban locations appeared to do better than suburban.

Conclusion for discussion: While the churn of business creations and exits results in lower net jobs than the common perception, other benefits- like innovation and productivity enhancements –may stem from new businesses. The region's track record in new business starts bears attention.

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Section V: Business Attraction:

Industry cluster information may be helpful in identifying opportunities to recruit businesses from strong clusters in New York City. Below is a list of clusters with national rankings of 5 or higher (among all US counties), with one exception. The cost differential for space and other business factors that have fueled business relocation from Manhattan to Fairfield County should continue. Fairfield County's talent base, exemplified by skilled occupations with an above-average presence in the County (see Occupational Data, below) is also a very important factor in business relocation. However, greater detail on specific occupations within broad categories (for example, Management Occupations includes more than 30 subcategories) might indicate strengths or weaknesses across in-demand occupations.

The cluster rankings may also shed light on "weak" clusters in Manhattan that represent a market for businesses in the same clusters in Fairfield County to "sell in" to meet the market needs.

Manhattan Clusters to Recruit:	Manhattan Clusters to Sell To:
• Business Services • Financial Services • Marketing, Design, and Publishing • Education and Knowledge Creation • Distribution and Electronic Commerce • Insurance Services • Performing Arts • Communications Equipment and Services • Video Production and Distribution • Music and Sound Recording • Information Technology & Analytical Instruments • Apparel	• Food Processing and Manufacturing • Construction Products and Services • Furniture • Biopharmaceuticals • Aerospace Vehicles and Defense • Medical Devices • Metalworking Technology • Lighting and Electrical Equipment

Conclusion for discussion: The region can better inform its own and the state of Connecticut's business attraction efforts by increasing the understanding of subcluster industries, focusing on trends impacting the industry, growth outlooks, and the talent and skills require for success. The region may choose to survey or speak to managers and talent recruiters in key industries to gain insight into their needs.

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Section VI: Occupational Data:

According to US Bureau of Labor Statistics, the location quotient is the ratio of the area concentration of occupational employment to the national average concentration. A location quotient greater than one indicates the occupation has a higher share of employment than average, and a location quotient less than one indicates the occupation is less prevalent in the area than average.

For the Bridgeport – Stamford – Norwalk region:

Top occupations with Location Quotients greater than 1:

- Management 1.65
- Arts, Design, Entertainment, Sports, and Media 1.45
- Business and Financial Operations 1.41
- Building & Grounds Cleaning & Main. 1.23

Top occupations with Location Quotients less than 1:

- Construction & Extraction .62
- Installation, Maintenance, and Repair .71
- Production .72
- Healthcare Practitioners and Technicians .92
- Life, Physical, and Social Science .91

For the Danbury region:

Top occupations with LQ greater than 1:

- Personal Care & Service 1.35
- Sales and Related 1.27
- Community and Social Service 1.21
- Education, Training, and Library 1.18
- Management 1.16

Top occupations with LQ less than 1:

- Protective Service .57
- Computer and Mathematical .62
- Life, Physical, and Social Science .63
- Legal Occupations .70
- Business & Financial Operations .78

Highest Annual Mean Wage:

- Management
- Legal
- Healthcare Practitioners
- Architecture and Engineering

Conclusion for discussion: Compared to the national average, the Bridgeport-Stamford- Norwalk area has a greater presence of management, arts, design, entertainment, sports, and media, and business and financial operations occupations, all of which relate to the industry types that the region has successfully attracted and sustained. However, these occupations should be considered as positive factors for attracting new businesses to the region, as well as a key resource for local small businesses that need talent for growth. The region may, however, want to consider strategies to attract and grow more Computer and Mathematical Occupations, especially in the Danbury region, to meet the demand for these occupations.

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Section VII: Talent

Esri's Tapestry segmentation data for the Western COG towns may help illuminate the talent pool for both existing and start-up businesses in the region.

Generally, the region exceeds national averages for older, wealthy, highly-educated categories. For example, the region has 16 times the national average of Top Tier and 3 times the number of Golden Years households.

The region has 10 times the average for International Marketplace households, which are 40% foreign born, with one in four having residents that do not speak English.

Of concern is the region's below-average presence of categories reflecting younger professionals. Categories such as Trendsetters, Laptops and Lattes, and Bright Young Professionals are less than 60% of the national average for those groups.

Top Twenty Tapestry Segments

		2016 Households		2016 U.S. Households		
			Cumulative		Cumulative	
Rank	Tapestry Segment	Percent	Percent	Percent	Percent	Index
1	Top Tier (1A)	27.6%	27.6%	1.7%	1.7%	1607
2	International Marketplace (13A)	12.4%	40.0%	1.2%	2.9%	1,007
3	City Lights (8A)	11.9%	51.9%	1.5%	4.4%	811
4	Savvy Suburbanites (1D)	8.5%	60.4%	3.0%	7.4%	286
5	Urban Chic (2A)	8.0%	68.4%	1.3%	8.7%	605
	Subtotal	68.4%		8.7%		
6	Pleasantville (2B)	7.6%	76.0%	2.2%	10.9%	341
7	Enterprising Professionals (2D)	4.9%	80.9%	1.4%	12.3%	355
8	Golden Years (9B)	4.2%	85.1%	1.3%	13.6%	316
9	Exurbanites (1E)	2.5%	87.6%	1.9%	15.5%	129
10	Metro Renters (3B)	2.0%	89.6%	1.5%	17.0%	135
	Subtotal	21.2%		8.3%		
11	Young and Restless (11B)	1.7%	91.3%	1.7%	18.7%	99
12	Parks and Rec (5C)	1.3%	92.6%	2.0%	20.7%	65
13	NeWest Residents (13C)	0.8%	93.4%	0.8%	21.5%	102
14	Green Acres (6A)	0.8%	94.2%	3.2%	24.7%	24
15	Metro Fusion (11C)	0.7%	94.9%	1.4%	26.1%	50
	Subtotal	5.3%		9.1%		
16	Trendsetters (3C)	0.6%	95.5%	1.1%	27.2%	59
17	Professional Pride (1B)	0.6%	96.1%	1.6%	28.8%	36
18	Laptops and Lattes (3A)	0.5%	96.6%	1.1%	29.9%	49
19	Bright Young Professionals (8C)	0.5%	97.1%	2.2%	32.1%	22
20	Soccer Moms (4A)	0.4%	97.5%	2.8%	34.9%	15
	Subtotal	2.6%		8.8%		
	Total	97.6%		35.0%		279

Conclusion for discussion: The tapestry profile data confirms generally accepted perceptions that Fairfield County has more than its share of wealthy, successful, and highly educated older people, and well below national averages in many categories of younger well-educated people. The real value of the data, however, may rest with the more detailed characteristics of inhabitants of these segments – their housing, social, financial, and lifestyle preferences – and insight on their most prevalent occupations.

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Section VIII: Small Business Challenges

Since 86% of Fairfield County establishments have employ less than 20 people, policy makers and economic development professionals may choose to understand the issues and challenges facing small businesses in their region.

A survey by the Federal Reserve Bank of New York which included responses from Fairfield County small businesses, identified the following key challenges for respondents:

Start-ups (less than 5 years in business)
1. Lack of credit availability
2. Difficulty attracting customers
3. Uneven cash flow

Growers (profitable and increased revenues)
1. Uneven cash flow
2. Lack of credit availability
3. Difficulty hiring and/or retaining employees

Mature (more than 5 years in business, 10+ employees, holds debt)

1. Uneven cash flow
2. Increased costs of running business
3. Lack of credit availability

Challenges in attracting customers and maintaining cash flow are no doubt related to the weak economic recovery following the recession, as well as the structural challenges of a slow growth County and state economy. For growing firms, an important target for most economic development strategies, both the need for additional credit and the difficulty of hiring and keeping employees are challenges that can be addressed by the public and private sectors.

The Connecticut Small Business Development Center assisted 515 small businesses and start-ups in the region since 2013, helping many of them secure over $14 million in capital over that time. Both clients of and callers to CTSBDC typically mention the need for capital, whether relatively small amounts for start-ups or larger amounts to fund expansion. CTSBDC has also experienced the need to provide management training and support to fast growing businesses who must quickly implement systems and processes, as well as minority-owned business owners in general who may lack professional or family support need to sustain and grow their business.

Regulatory compliance is a factor that is increasingly cited in surveys of both large and small businesses, but small businesses often are burdened with fewer resources to deal with compliance requirements. Thumbtack surveys small businesses annually on their local and state business issues; Connecticut typically fares poorly on this survey. However, one potentially useful insight for economic development strategies is revealed in this excerpt from the survey summary:

> "Effective licensing was just as friendly as no licensing – small business owners who found licensing compliance to be "very easy" were just as favorable towards their city governments as respondents who weren't required to be licensed at all. By contrast, licensed professionals in cities with complicated requirements or inconsistent enforcement reported the lowest approval rates."
>
> The survey concludes that providing small businesses with training on regulations will have a meaningful impact on regulatory compliance issues. "Training experience was the top factor in both state and city rankings – Offering training on developing a business and navigating the local economic and policy environment was the single biggest factor that influenced perceptions of friendliness. In cities, training was 78 percent more important than the number two factor".

Conclusion for discussion: Regional and local economic development strategies should include a focus on address small business needs related to capital and technical assistance for growth and minority companies. Municipal governments might ease small business compliance issues by working to improve service delivery related to licensing and regulations, and teaming with economic development and business assistance organizations to develop and offer training on compliance related topics.