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Measuring Economic Diversification Four-Year Comparison 2010 through 2013

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Prepared by
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for
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Introduction

Increasing the diversification of the employment base and increasing the number of high-paying jobs are two of the key goals of the Greater Wichita Economic Development Coalition (GWEDC).

As part of its contract to evaluate the effectiveness of the GWEDC, the Center for Economic Development and Business Research (CEDBR) at Wichita State University was asked to measure and provide a report on the economic diversification of the Wichita metropolitan area's employment and earnings base over time. Among the questions to address were:

- Is the employment base becoming more or less diversified over time?
- Is the earnings base becoming more or less diversified over time?
- Is diversification occurring among targeted industries?

This report presents measures of the current employment mix in the Wichita MSA based on annual 2013 data, with comparisons to annual 2012, 2011, and 2010 benchmark measurements. Data allowing, annual updates of this report are produced by the CEDBR to examine the progress made towards raising the average earnings and increasing the diversity of the employment base in the Wichita MSA.

How Diverse is the Wichita MSA Job Base?

Economists use concentration percentages to measure the percentage of total business being done by the largest companies or industries. Concentration percentages can range from 1 to 100. A higher concentration percentage indicates a less diverse economy, while a low concentration percentage indicates a more diverse economy, all else being equal.

Between 2012 and 2013, the employment concentration percentage for the five largest industries in the Wichita MSA decreased.¹ In 2013, 38.64 percent of all employed persons worked in just five industries in Wichita. The decline in concentration in the five largest industries from 2011 through 2013 indicates the largest industries in the metro area have not yet fully recovered from the recession.

¹ For this report, 78 private sectors (3-digit NAICS code industry sectors) were considered, due to data suppression in some sectors. Government employment was excluded from the analysis. Data source: Kansas Department of Labor, Labor Market Information Services.

Table 1. Percentage of Private-Sector Employment, Wichita MSA

	2010	2011	2012	2013
5 largest industries	39.22%	39.25%	39.16%	38.64%
10 largest industries	55.51%	55.60%	55.40%	55.19%
20 largest industries	73.05%	73.37%	73.63%	73.75%
30 largest industries	83.64%	83.77%	83.85%	83.95%
40 largest industries	91.27%	91.08%	90.95%	91.17%
50 largest industries	95.72%	95.54%	95.60%	95.74%
60 largest industries	98.33%	98.26%	98.31%	98.41%
70 largest industries	99.61%	99.61%	99.63%	99.74%
78 largest industries	100.00%	100.00%	100.00%	100.00%

Table 2. Top 10 Private-Sector Industries Ranked by Employment, Wichita MSA, 2013

Industry Sector	Employment
336 Transportation Equipment Manufacturing	29,931
722 Food Services and Drinking Places	22,105
561 Administrative and Support Services	17,823
621 Ambulatory Health Care Services	13,598
622 Hospitals	9,824
541 Professional and Technical Services	9,586
238 Specialty Trade Contractors	8,833
623 Nursing and Residential Care Facilities	7,867
624 Social Assistance	7,012
452 General Merchandise Stores	6,652

How Diverse is the Wichita MSA Payroll Base?

Between 2010 and 2013, the earnings concentration percentage for the five largest industries in the Wichita MSA decreased from 46.42 percent to 45.06 percent.² In other words, 45.06 percent of all earnings are generated in just five industries in Wichita. It should be noted that the continued concentration percentage decline is due to the weakness of the transportation equipment manufacturing and hospital sectors relative to other large sectors in the area. Although those two sectors are somewhat weak, they did experience some growth in their total payroll base between 2010 and 2013.

² For this report, 78 private sectors (3-digit NAICS code industry sectors) were considered due to data suppression. Government employment was excluded from the analysis. The data in this section are nominal. Data source: Kansas Department of Labor, Labor Market Information Services.

Table 3. Percentage of Payroll Earnings Accounted for by the Largest Industries, Wichita MSA

	2010	2011	2012	2013
5 largest industries	46.42%	46.08%	45.61%	45.06%
10 largest industries	60.94%	61.00%	61.46%	60.99%
20 largest industries	76.96%	77.00%	76.83%	76.73%
30 largest industries	87.31%	86.91%	86.51%	86.56%
40 largest industries	92.34%	92.12%	92.26%	92.28%
50 largest industries	96.29%	96.02%	96.15%	96.23%
60 largest industries	98.72%	98.69%	98.78%	98.84%
70 largest industries	99.73%	99.74%	99.75%	99.78%
78 largest industries	100.00%	100.00%	100.00%	100.00%

Table 4. Top 10 Industries Ranked by Total Payroll, Wichita MSA, 2013

Industry Sector		2010	2011	2012	2013	2012-2013 Pct. Change	2010-2013 Pct. Change
Total Top 10 Industries		\$ 5,838,193,103	\$ 6,051,095,831	\$ 6,322,764,392	\$ 6,365,539,293	0.68%	9.03%
336	Transportation Equipment Manufacturing	\$ 2,199,368,659	\$ 2,223,078,581	\$ 2,239,139,724	\$ 2,226,398,126	-0.57%	1.23%
621	Ambulatory Health Care Services	\$ 737,775,312	\$ 761,076,774	\$ 796,547,126	\$ 790,592,354	-0.75%	7.16%
561	Administrative and Support Services	\$ 605,932,988	\$ 633,777,563	\$ 682,372,696	\$ 703,235,363	3.06%	16.06%
541	Professional and Technical Services	\$ 456,669,718	\$ 482,392,848	\$ 511,682,011	\$ 531,702,556	3.91%	16.43%
622	Hospitals	\$ 447,577,838	\$ 471,302,072	\$ 462,722,504	\$ 451,403,943	-2.45%	0.85%
551	Management of Companies and Enterprises	\$ 279,111,300	\$ 318,011,514	\$ 414,329,964	\$ 421,453,167	1.72%	51.00%
238	Specialty Trade Contractors	\$ 316,477,296	\$ 326,176,261	\$ 358,698,724	\$ 372,382,761	3.81%	17.66%
722	Food Services and Drinking places	\$ 276,720,671	\$ 285,357,735	\$ 292,416,900	\$ 299,394,837	2.39%	8.19%
333	Machinery Manufacturing	\$ 224,651,899	\$ 262,018,698	\$ 275,971,602	\$ 289,806,456	5.01%	29.00%
423	Merchant Wholesalers, Durable Goods	\$ 293,907,422	\$ 287,903,785	\$ 288,883,141	\$ 279,169,730	-3.36%	-5.01%

Have we made progress on diversification over the past year?

The concentration percentage for employment decreased by 0.53 percentage points for the largest five industries, indicating a somewhat more diverse economic base in 2013 compared to 2012. Earnings data for the five largest industries also indicated a more diversified economic base, with a decreasing concentration percentage. The earnings concentration percentage declined by 0.55 percentage points between 2012 and 2013.

Employment data indicate the level of workforce demand reliant upon an industry. Earnings data indicate the reliance of the base economy on an industry. Taking that into account, in order to measure diversification of the base economy, one should rely more heavily upon earnings information. In all, the earnings concentration percentage for the five largest industries is likely to continue to indicate less concentration as other sectors continue to recover from the recession more quickly than transportation equipment manufacturing, hospitals, and merchant wholesalers (durable goods).