



TARGET BUSINESS AND INDUSTRY ANALYSIS

PHASE ONE REPORT

BACKGROUND, SITUATION ASSESSMENT AND INDUSTRY IDENTIFICATION

PREPARED FOR

**The Sussex County
Vision 2020 Economic Strategy Committee**

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**BACKGROUND, SITUATION ASSESSMENT
AND INDUSTRY IDENTIFICATION**

I. Background

In September of 2004 the Board of Chosen Freeholders adopted the Sussex County Strategic Growth Plan. This comprehensive document incorporated the goals of the *New Jersey State Development and Redevelopment Plan*, reflected the concerns of the County's residents and businesses, and articulated a clear and concise vision for the County. The Strategic Growth Plan provides a wealth of data on the County, its infrastructure, its land and land uses, as well as identifying the critical issues that the County must face in the years ahead.

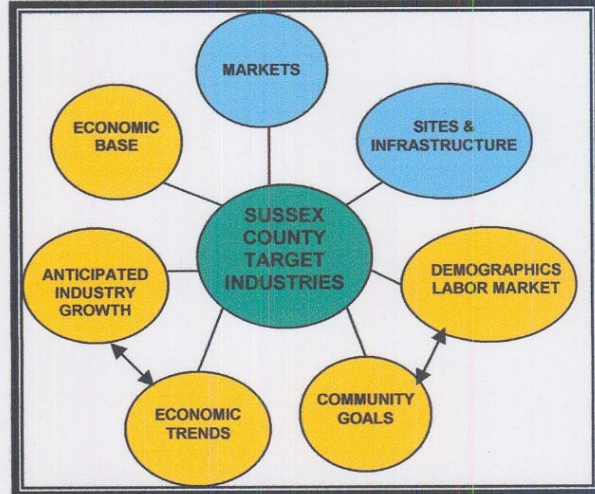
One of the focal points in the Strategic Growth Plan is that of economic development. The Strategic Growth Plan (SGP) notes that in large measure Sussex County lacks the higher wage jobs of nearby labor markets, inducing County residents to commute to neighboring areas for jobs. The document notes that many of the local jobs, centered on recreation and tourism, cannot provide the family sustaining jobs needed to cover ever-increasing expense for housing, food, fuel, and taxes. Wages to cover these costs of living often come to Sussex County residents from employment by firms outside the County. Thus, attracting and growing firms, whose activities, processes and employment needs best fit the County's strengths, aims, and environment becomes an important aspect of implementing the SGP.

In order to implement the SGP, the County created the Vision 2020 Economic Development Initiative to identify and implement strategies that that will grow the business sector in accordance with the principles of both the County Strategic Growth Plan and the State Development Redevelopment Plan. The Vision 2020 Economic Strategy Committee was created to execute this program and the ten member group developed a set of objectives and a work plan. The Committee obtained data on business migration trends in the New York – northern New

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Jersey – Sussex County area and has embarked upon a more detailed analysis of industry targeting, of which this analysis is the first part.

Industry and business targeting is a process in which local or regional factors (labor, sites, infrastructure, demographics, markets), industry needs and prospects, economic trends and outlooks, and local goals and preferences are reviewed and assessed. The objective of any targeting study is to identify those types of businesses and industries that can lead to the expansion of the area's sustainable economic base, the creation of new jobs for County



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residents, and the enhancement of the County's tax base. The illustration shows the key elements considered in identifying industries for targeting. While all of the elements shown are important, some factors are crucial to determining appropriate targets, especially adequate workforce, infrastructure, and the availability of sites. This report focuses on the orange factors.

This analysis has three inter-related objectives that will lead to the creation of a strategy intended to develop a sustainable business and industrial base that will provide good, family sustaining jobs for County residents, increase the County's tax base without sacrificing the County's quality of life and natural resources, and broaden the County's economic base. In broad terms these objectives are:

1. To identify and target economic sectors with the greatest economic, growth, and public benefit potential;
2. To enhance intergovernmental planning and coordination to promote the desired growth; and
3. To identify ways to streamline local regulatory processes to promote obtaining economic development objectives.

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II. Assessment of Location Factors

A. The Broad Economic Background

The County's economic development efforts are affected by the events and trends of the national, regional and state economy. These general trends should be recognized, understood, and factored into, not so much goals and objectives, as into expectations and timing of results. Thus, this analysis begins with a brief overview of the state of the economy as of the fall of 2006.

Overview – the US

The last year has been one of uncertainty for the US economy and all manner of problems and concerns have been expressed from every quarter. However, despite this constant barrage of warnings from doomsayers and pessimists, the economy has continued to grow overall. According to the pessimists the nation could have stumbled into recession or worse because of, among other things, the growing current account balance and trade deficit; the growing wage and income gap; rising energy costs; deflation of the housing market; the growing amount of government indebtedness (let alone consumer debt). And this comes on top of the usual worries about inflation (rising), interest rates (increasing), consumer spending (or lack of it); consumer debt (too much of it), unemployment (too much of it), and productivity (not enough of it). While the diligent work of Mr. Greenspan and the Federal Reserve Board throughout 2005 can account for some of the economy's resilience, it would appear that much of the success stems from nothing more than luck, or perhaps, inertia. Under new leadership the Federal Reserve Board continued the balancing act and kept the economy on solid, though sometimes shaky ground. The first two quarters of 2007, however, saw the economy slow down and by the fall of the year interest rate cuts were deemed necessary to spur economic activity.

Despite all this negativism, the national economy performed well in 2005 – the Gross Domestic Product grew faster than most economists had predicted – ranging as high as 4.1 percent in the third quarter. Unemployment fell to 5.2

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percent in the first quarter of the year and declined even lower over the year. Inflation, closely monitored by the Federal Reserve Bank Board, averaged 3.9 percent for the year. Housing starts, despite the continued predictions of a bursting bubble, averaged over two million starts each quarter for the first three quarters of the year, though industrial production lagged most estimates by some fifty percent.

After struggling through 2006, the economic news has taken on a negative drumbeat – rising energy prices are seen as dampening spending on everything from vacations to cars, especially among lower income households. Durable goods sales – items such as refrigerators and airplanes – fell, the housing crisis has also dampened other consumer spending, and mortgage loan applications have declined. Ominously, credit card delinquencies and housing foreclosures have increased in recent months and bankruptcies have surged. Each of these is a sign of a slowing economy, and it appears that most forecasters are predicting a slowdown, at least, as the year progresses. Though some observers feel that a recession is not in the cards, slower growth surely is.

Overview – New Jersey

The New Jersey economy struggled through 2005 and into 2006, outperforming 2004, but underperforming the nation. Personal income rose at an estimated 5.4 percent in 2005, slightly less than the 5.5 percent of the preceding year. Manufacturing jobs continued their steady decline across the state and now constitute 7.9 percent of jobs in New Jersey – one in thirteen and a far cry from the one in three jobs of the 1970s. Interestingly, the number of government sector jobs grew by over 48,000 positions and the sector had become the second largest employment sector in the state.

However, the growth among the high paying positions in information, business and professional services, and finance showed a job loss over the past five years. Though there have been job gains in the finance sector, the losses in the other two areas have far overshadowed these gains. At the same time the state's fastest

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growing sectors have been those that typically pay the lowest. These sectors include education and health services, leisure and hospitality, and other services. As James Hughes and Joseph Seneca note in the latest Sitar-Rutgers Regional Report, the state lost over 126,000 high-paying jobs though it gained 124,000 low-paying service jobs – not a good tradeoff. The table below, taken from the February 2006 Regional Report illustrates the problem very clearly.

TABLE 1: New Jersey Nonfarm Payroll Employment:
December 2000 to December 2005
(Seasonally adjusted, numbers in thousands)

	December 2000	December 2005	Change: 2000-2005		2004 Average Annual Pay
			Number	Percentage	
TOTAL NONFARM	4,024.0	4,069.4	45.4	1.1%	\$48,042
TOTAL PRIVATE SECTOR	3,430.0	3,426.8	-3.2	-0.1	\$47,608
GOODS PRODUCING	575.3	492.9	-82.4	-14.3	\$55,959
Natural Resources and Mining	1.9	1.5	-0.4	-21.1	\$28,740
Construction	151.4	168.5	17.1	11.3	\$51,320
Manufacturing	422.0	322.9	-99.1	-23.5	\$59,134
PRIVATE SERVICE-PROVIDING	2,854.7	2,933.9	79.2	2.8	\$46,066
Trade, Transportation, & Utilities	908.0	889.8	-18.2	-2.0	\$41,446
Information	127.5	95.6	-31.9	-25.0	\$72,468
Financial Activities	266.1	283.7	17.6	6.6	\$74,789
Professional and Business Services	602.3	589.4	-12.9	-2.1	\$58,018
Educational and Health Services	505.1	566.2	61.1	12.1	\$41,065
Leisure and Hospitality	303.6	348.0	44.4	14.6	\$20,065
Other Services	142.1	161.2	19.1	13.4	\$30,565
GOVERNMENT	594.0	642.6	48.6	8.2	\$50,412

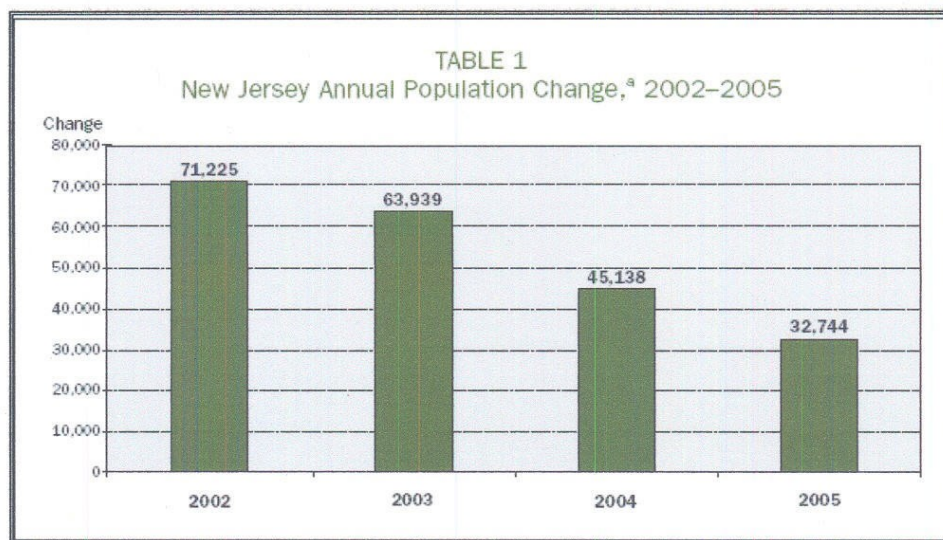
Note: North American Industrial Classification System (NAICS) employment sectors.
Source: New Jersey Department of Labor; U.S. Bureau of Labor Statistics.

More immediately, the state's jobless rate, which had been below that of the nation for three years, has moved ahead of the national figure and in August the unemployment rate in New Jersey rose even as the nation's rate declined. The Federal Deposit Insurance Corporation added to the negativism in early October, highlighting the flat job growth across the state and noting the decline in sales of existing homes. Thus, the economic outlook is gloomy.

It is also interesting to note that at the state level the population is growing, but the rate of increase is slowing. New Jersey is losing its position as the eighth or ninth most populous state to the likes of Georgia and North Carolina, and recent

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newspaper articles, based upon a survey of families moved by Mayflower Transit, have emphasized this loss of households. Immigration from abroad to New Jersey, historically a strong element in the state's growth, has slowed recently and is predicted to continue to slow, even as domestic migration out of the state has increased dramatically. The natural increase of births over deaths has kept the state's overall increase positive. The table below, taken from the most recent Regional Report shows the decline in the rate of growth; the 2005 growth is less than one-half of that of 2002 – a mere three years earlier.



Though there are some benefits to a slower rate of growth – less demand for services, less pressure for housing, and lower congestion – there are distinct and serious problems. Out migration is thought to be driven in large part by high taxes, high cost of living and poor economic opportunities – none of which bodes well for the state's economic future. At the same time some researchers suggest that the out migration includes the better educated, more highly skilled portion of the population, again not a good indicator for the state's future. Finally, regardless of who leaves or who stays, the continued decline in population will result in a loss of representation in Congress and lower levels of federal funding.

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Projections and Problems

The good news is that New Jersey's situation is not expected to worsen dramatically in 2007. The state's unemployment percentage is expected to rise gradually over time toward 5 percent. Job growth in the state will be in the range of one percent per year for the foreseeable future, but this is in line with US growth so that New Jersey is expected to maintain its current three percent of US jobs, according to the latest projections by the Rutgers Economic Advisory Service. Personal income is expected to rise at about 5.5 percent per year in the coming decade, a figure that is slightly ahead of inflation. The Federal Reserve Banks of both Philadelphia and New York concur in the general direction of economic movement, the New York Bank being perhaps more optimistic about the future than Philadelphia or the pundits in New Brunswick.

The bad news is that the problems are not going away. As noted, economists being an anxious sort, have identified many perils, which will not be recounted here. However, these concerns for the longer haul merit attention and have relevance for Sussex County as well. First, the continued erosion of high-paying jobs, not just in manufacturing but in information and business and professional services, creates a long-term economic environment that is at best stagnant at worst discourages business growth. In late June and early July the two deans of New Jersey economics, James Hughes and Joseph Seneca, went on a media blitz stressing that the long-term economic health of New Jersey is in jeopardy because of this erosion of high-paying jobs and that New Jersey's former competitive advantage – location – does not matter as much any more. Second, the relative lack of affordable housing combined with modest or non-existent increases in spending power for many workers increases the number of reasons to look elsewhere (Georgia or North Carolina perhaps?) for jobs and places to live. Third, the economic perils, ranging from the increasing size of the current account deficit to falling housing sales and prices, all will have an effect upon the Sussex County economy, no matter how remote the threat might seem.

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Two key points relevant to industry and business targeting emerge from this discussion. The first is that it is appropriate and forward-thinking, and even necessary, to assess the state of the County's economy in the face of global, national, and regional changes. Knowing the problems and identifying the weak spots will help develop policies and programs that can strengthen and broaden the local economy and thus mitigate the effects of downturns and change. This same knowledge will hopefully lead to the realization on the part of the County's leadership, both public and private sector, that assisting the County's economic development is a process that will require time, consistent effort, and patience.

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B. County Goals and Vision

The Sussex County Strategic Growth Plan has articulated a clear vision for the County. It describes Sussex County as a place where:

- The air is clean.
- The water is pure.
- The view is of fields, hills, valleys and lakes.
- Agriculture remains a viable sector of the economy
- Traffic is smooth and transit is readily available.
- Towns, villages and hamlets hum with activities where one may walk in safety.
- Homes are available to all, regardless of income.
- Good jobs and education are close to home.
- Open space will always be abundant.

The Plan then goes on to detail five “landscapes” for the County and to assess the objectives and aspirations for each landscape through a visioning process. Specific objectives for each landscape were then set forth.

The topic of economic development was addressed through the objectives for the Job Creation Centers landscape. Based upon the materials presented there and from conversations with the Vision 2020 Committee, the consultant has developed a vision statement specific to industry and business targeting for the County. This economic development/targeting vision statement states that the objective of this effort is:

To create more and better paying local jobs across a range of diverse and sustainable industries in order to strengthen the County's economic base, increase tax ratables, and provide better career opportunities and a higher standard of living for residents, while preserving the County's natural resources and environment.

This statement is still very broad in terms of defining the specific types of business and industry that are desired and the attributes that the County has to offer to develop or attract those industries. Again, calling upon the SGP and input from the Vision 2020 Committee, the consultant prepared a list of Strengths, Challenges, Opportunities and Threats that will influence growth and attraction

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efforts. The ideas that emerged from a review of the SGP and information from the Committee included:

STRENGTHS

- ↳ Quality of Life
 - Natural Beauty
 - Recreation Opportunities
 - Low Crime
 - Positive Growth Culture
 - Community Spirit
- ↳ Good Workforce
- ↳ Good Educational System
 - Willingness of Community College to Assist
- ↳ Community Spirit
- ↳ Higher Income Levels
- ↳ Diversity in Industrial/Business Base

CHALLENGES

- ↳ Limited Number of Sites
- ↳ Limited Incentives
- ↳ Business Climate
 - High Taxes
 - State Business Regulations
 - Environmental Regulations
- ↳ Limited Infrastructure
- ↳ Housing Affordability
- ↳ Lack of Awareness of Local Businesses and Business Assistance Programs
- ↳ Distance to Markets and Employment
- ↳ Apathy

OPPORTUNITIES

- ↳ Local Job Creation
- ↳ Local Growth Plans and Planning
- ↳ Sussex County Community College Training Potential
- ↳ Assistance from State through Plan Endorsement
- ↳ Improved Municipal Coordination
- ↳ Improved Information Availability (GIS, e.g.) and Awareness
- ↳ Clearly Identified Growth Areas

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THREATS

- ↳ Loss of Middle Income Households
- ↳ Continued Sprawl
- ↳ Increasing Tax and Regulatory Burden
- ↳ Loss of Developable Land

Thus, based upon this community vision and this review of strengths and challenges, the growing or attracting types of businesses and industries the community appears to prefer entails:

- ⇒ Focusing on “Clean” Industries
- ⇒ Focusing on Employing the Resident Labor Force
- ⇒ Growth in Appropriate Areas
- ⇒ Capitalizing upon the Quality of Life Asset
- ⇒ Emphasizing/Developing Education and Workforce Skills
- ⇒ Developing/Maintaining a Business-Friendly Climate
- ⇒ Raising Visibility and Market Awareness Internally and Externally
- ⇒ Focusing on Technology and “Cutting Edge” Industries

These concepts provide the lens through which the other aspects of this industry and business targeting analysis will be viewed. These elements provide the framework and direction for the selection of key targets for retention, expansion, and attraction efforts.

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C. The Economic Base

In order to evaluate the types of businesses and industries that are most likely to prosper and grow in Sussex County it is necessary to understand the make-up of the present economy and the reasons for that structure. This analysis of the economic base identifies not only strengths, but gaps or weak areas in the economy. The strengths are aspects upon which the County can build while the weak spots or gaps represent areas for consideration or exploration as part of building a diversified County economy.

An analysis of the Census Bureau's County Business Patterns publication for 2004, the most current data available, provides the starting point in assessing the area economy. The table below shows the major industry sectors with the number of employees and percentage of the total County employment for each.

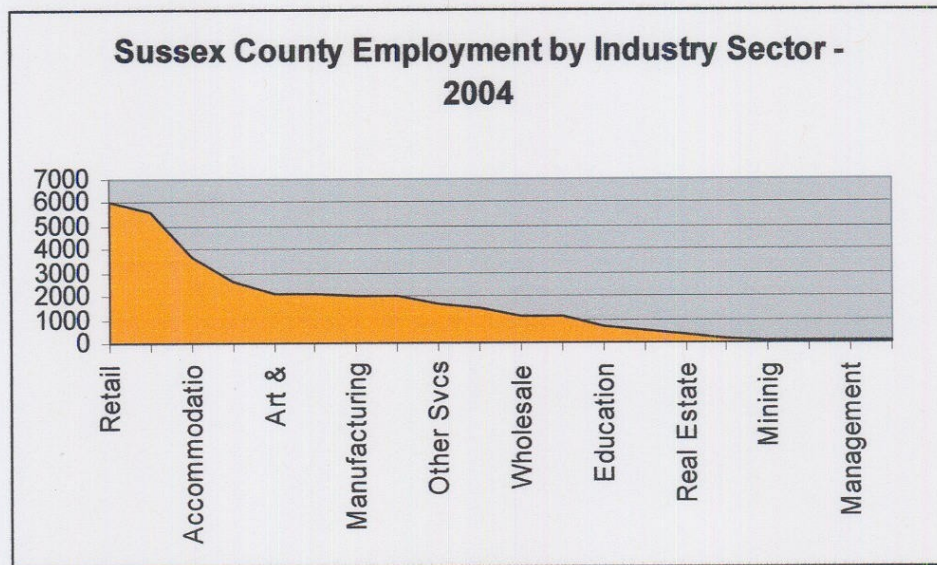
**Sussex County Employment – 2004
Ranked by Number of Employees**

Industry	# Employees	% of Employees
Total Employees	33603	100.00%
Retail	6003	17.86%
Health Care	5559	16.54%
Accommodation and Food Svcs	3679	10.95%
Construction	2668	7.94%
Art & Recreation	2136	6.36%
Prof & Tech Svcs	2091	6.22%
Manufacturing	2031	6.04%
Finance and Ins	1972	5.87%
Other Svcs	1686	5.02%
Admin support	1481	4.41%
Wholesale	1134	3.37%
Transport & Warehouse	1131	3.37%
Education	658	1.96%
Information	553	1.65%
Real Estate	350	1.04%
Utilities	195	0.58%
Mining	128	0.38%
Unclassified	50	0.15%
Management	50	0.15%
Forestry/Ag	48	0.14%

Source: County Business Patterns 2004

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Not surprisingly, retail and health care are the largest employers across the County, employing over one-third of workers. (Nationally these two sectors account for 13.34% and 13.74% of employment respectively.) Accommodation and Food Service workers rank third, while Construction ranks fourth. (The national figures for comparison are 9.34% and 5.78 %.) The top four sectors employ 53.3 percent of workers in the County. Art and Recreation rank high mostly on the strength of the ski and resort establishments in the County. (Nationally, this sector employs only 1.64% of workers.) Thus, the top five employers account for 60 percent of employment in the County, while these same sectors at the national level constitute 43.8 percent of employment. Professional and Technical Services and Manufacturing are strong sectors, though the number of employees in each is only one-third of that of the Retail sector. The graph below shows the industry categories ranked by number of employees, and emphasizes the high number of workers in the leading employment sectors.



Source: County Business Patterns 2004

The table below shows the industry categories, employment, the number of establishments for each, and the average number of employees for each category, as well as the percentage of businesses that each category represents, ranked by the number of establishments.

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**Sussex County Number of Establishments and
Average Number of Employees**

Industry	# Employees	% of Employees	# Businesses	Average Number of Employees per Establishment	% of Businesses
Total Employees	33603	100.00%	3716	9	
Construction	2668	7.94%	663	4	17.84%
Retail	6003	17.86%	514	12	13.83%
Prof & Tech Svcs	2091	6.22%	405	5	10.90%
Other Svcs	1686	5.02%	405	4	10.90%
Health Care	5559	16.54%	324	17	8.72%
Accommodation and Food Svcs	3679	10.95%	277	13	7.45%
Admin support	1481	4.41%	208	7	5.60%
Wholesale	1134	3.37%	174	7	4.68%
Finance and Ins	1972	5.87%	150	13	4.04%
Manufacturing	2031	6.04%	134	15	3.61%
Transport & Warehouse	1131	3.37%	111	10	2.99%
Real Estate	350	1.04%	95	4	2.56%
Art & Recreation	2136	6.36%	86	25	2.31%
Information	553	1.65%	54	10	1.45%
Education	658	1.96%	41	16	1.10%
Unclassified	50	0.15%	36	1	0.97%
Mining	128	0.38%	13	10	0.35%
Utilities	195	0.58%	10	20	0.27%
Forestry/Ag	48	0.14%	10	5	0.27%
Management	50	0.15%	6	8	0.16%

Source: County Business Patterns 2004

There is no consistent correlation between employment and number of businesses. The high number of Construction, Professional and Technical Service, and Other Services establishments reflects the nature of those enterprises – small establishments such as home construction and home repair firms, accountants, attorneys, and beauty and barber shops that constitute these categories. The higher average employment among retail establishments is indicative of the presence of supermarkets and “big box” retail operations, such as Home Depot or Wal-Mart. The relatively high number of health care

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establishments reflects the number of individual doctor's offices, while the high average employment figure reflects the presence of the hospital and clinics. The chief point of this analysis is that the County has a significant number of small establishments. However, one-third of these jobs are concentrated in two sectors – retail and health care.

County Business Patterns also provides information about quarterly and annual payroll for each industry sector. The table below shows the industry sectors ranked by average pay per employee. The first four sectors are shown as N/A because publishing the data could reveal confidential firm data.

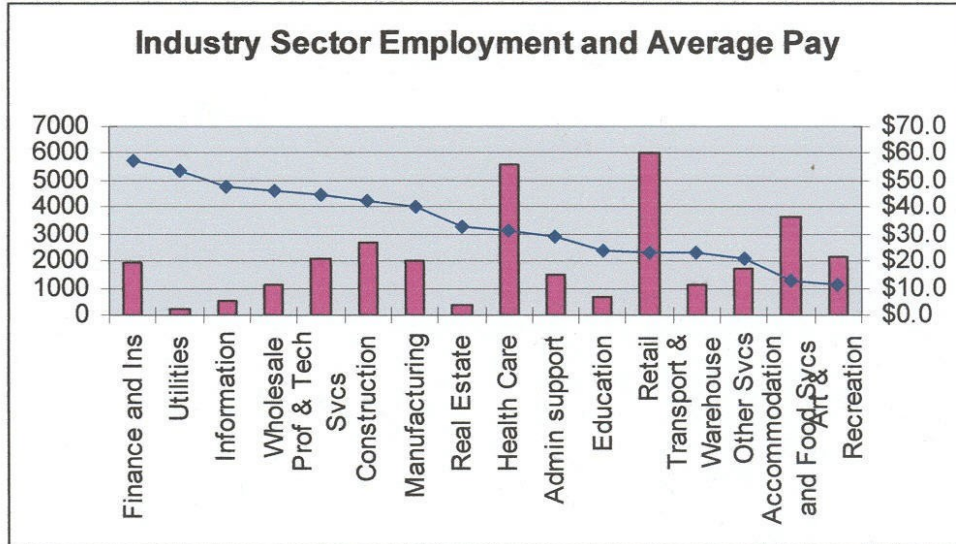
Sussex County Industries Ranked by Employee Pay

Industry	# Employees	Annual Pay in \$1,000	Average Pay Per Employee in \$1,000
Total Employees	33603	\$1,015,503	
Mining	128	N/A	N/A
Unclassified	50	N/A	N/A
Management	50	N/A	N/A
Forestry/Ag	48	N/A	N/A
Finance and Ins	1972	\$112,959	\$57.3
Utilities	195	\$10,385	\$53.3
Information	553	\$26,422	\$47.8
Wholesale	1134	\$52,753	\$46.5
Prof & Tech Svcs	2091	\$93,611	\$44.8
Construction	2668	\$112,440	\$42.1
Manufacturing	2031	\$82,138	\$40.4
Real Estate	350	\$11,419	\$32.6
Health Care	5559	\$175,231	\$31.5
Admin support	1481	\$42,848	\$28.9
Education	658	\$15,753	\$23.9
Retail	6003	\$138,406	\$23.1
Transport & Warehouse	1131	\$26,074	\$23.1
Other Svcs	1686	\$34,805	\$20.6
Accommodation and Food Svcs	3679	\$45,874	\$12.5
Art & Recreation	2136	\$23,962	\$11.2

Source: County Business Patterns, 2004

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The top five employment sectors are noted in bold italics. Construction ranks high in this list in large measure because many of these workers possess specific skills, experience, or training that command a premium. The Health Care sector has a high figure in part because there is a significant number of physicians and technicians whose expertise warrant a high salary or wage. At the same time there are many other Health Care workers (orderlies, home health care aides), whose services do not command substantial wages. The graph below compares employment with average pay per the County Business Pattern figures and makes the point that the more numerous jobs tend to be on the lower end of the pay spectrum.



Source: County Business Patterns, 2004

Thus, though the County includes the presence of all industry sectors, there is a significant concentration among three of these. Two of these sectors are among the lower paying ones, and while the Health Care sector does have a relatively high pay level, this is in large measure due to the high income levels of physicians and some technicians.

The data discussed above examine the Sussex County economic structure by itself. Economic Development professionals have long used "Location Quotients" to identify industries that are over- or under-represented in an area. The Location

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quotient compares the presence of an industry in an area (based upon employment) to that industry's presence in the national economy. A quotient of one indicates that the local presence matches the presence of that industry nationwide; a quotient of less than one indicates that the industry is under-represented locally, while a quotient of greater than one indicates the industry has a strong local presence. These figures enable planners and developers to identify local strengths and weaknesses and to target industries that they wish to develop.

The table below uses the 2004 County Business Patterns data to determine Sussex County's location quotient for all major industry sectors. Industries with quotients over one are shown in bold red numbers.

Sussex County Location Quotients
2004 Data

Industry	Location Quotient
Forestry & Ag	1.41
Mining	0.73
Utilities	1.05
Construction	1.37
Manufacturing	0.5
Wholesale	0.66
Retail	1.34
Transport & Warehouse	0.94
Information	0.55
Finance & Ins	0.57
Prof and Tech Svcs	0.95
Management	0.06
Admns Support	0.58
Education	0.98
Health Care	1.2
Arts & Recreation	3.87
Accomm & Food	1.17
Other Svcs	1.07
Unclassified	3.18

Source: County Business Patterns, 2004

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As one would suspect, the largest industry sectors in the County each have a quotient over one, indicating their relative strength in the local economy. The 3.87 figure for Arts and Recreation is a surprisingly high number, but may reflect employment inflated by part-time or seasonal workers at the ski resorts. The low Management of Companies figure indicates the small number of corporate or regional headquarters in the County.

A number of positive location quotients, including several for sub-categories not shown on the table above, emerged from this analysis. Of particular note are:

- Construction – Specialty Trades – 1.45
 - Interior Finishing – 3.40
 - Site Preparation – 3.22
- Plastics Manufacturing – 1.54
- Non-metallic Mineral Products Mfg. – 2.12
- Retail (overall) – 1.34
- Ground Passenger Transportation – 6.93
- Insurance – 1.74
- Prof Svcs. – 0.95
 - Scientific Research and Development – 2.68
 - Other Technical Svcs – 1.39
 - Scientific and Tech. Consulting – 1.18
- Administrative Support – Building Services – 1.27
- Waste Mgmt and Remediation – 3.60
 - Landfill Operations – 23.78
 - Remediation Services – 3.15
- Health Care/Social Svcs (overall) – 1.20
- Recreation – 5.07
- Accommodation & Food Svcs - Special Food Services -8.84

There are some areas for exploration in terms of seeking industries to develop or attract. Despite the presence of Selective Insurance, the Financial Services and Insurance sector overall is under-represented in the County, as is the Manufacturing sector. Education and Professional Services are both close to the national norm, but could be strengthened locally. In particular there are relatively few tax preparers and accountants in the County. The sub-group of Scientific Research and Development has a location quotient of 2.68, and it is worth exploring to determine what factors attracted and keep this sector in the County. The presence of the technical research activities at the nearby Picatinney Arsenal

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merits investigation as potential target industries. These industries include a wide range of activities such as lasers electronics, propulsion, and communications as well a supporting services such as graphics and technical writing.

The high figure for Ground Passenger Transportation shows the presence of several regional school bus operations, but the high figure for Special Food Services bears investigation.

Construction is very strong in the Specialty Trade Contractors sector. The industry is highly dependent upon the state of the economy, but is relatively “clean” and many of the skilled jobs in this sector pay well. The Administrative Support sector shows strength in Sussex County in Building Services – Janitorial Services and Landscaping, while Waste management is strong on the basis of landfill operations and remediation. The latter is, again, a “clean” industry with relatively high paying jobs and a stable, if not growing market.

A detailed table showing location quotients for many sub-categories in the County is included as Appendix A. Appendix D compares the structure of the Sussex County economy with those of competitor counties in New Jersey, Pennsylvania and New York.

The upshot of this analysis is that there are industry sectors that are successfully operating in the County and can serve as a base for expansion. These include **Professional Services** and **Manufacturing** in general. Special attention may be given to the sub-sectors in the list above as they also fit the community vision criteria and match to the demographic and work force factors discussed above. The Committee should consider and discuss **Construction** and **Waste Management and Remediation**. Both show strength in the County and may capitalize upon aspects of the County’s strengths. Whether they fit the community vision and can be accommodated in the limited area available for development and thus should be targeted for growth is a decision for the Committee.

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D. Business and Industry Trends

Industry and Business targeting should also take into account changes or shifts in the economic base in order to present a reasonable and viable set of targets. It does no good to target industries that are not competitive in a state or region or are in a general decline.

Business Migration and Growth

The Vision 2020 Committee obtained a report entitled "Sussex County – Opportunity Patterns Brief" from the Brandow/BizMiner firm in Camp Hill, Pennsylvania. This report is a combination of economic trend data and economic base analysis. It used information from public and private sources to track 1) business migration trends from the New York – Nassau-Suffolk metro area, 2) business migration trends from the Newark area, 3) Sussex County business start-ups, 4) Sussex County business failures, and Sussex County new branch development rates to present an overview of business attraction, expansion, and vitality patterns in the County and region. All of this was done at the four-digit SIC level, which is business-specific. The data covered the period 2003 through 2005.

An analysis of this data provides some very significant and useful insights for a business and targeting effort. The starting point is that Sussex County has a stable business base and that growth in the region as a whole suggests that growth will occur within the County over time. The data also shows that growth activity in the Financial Services and Insurance sector and in the Real Estate sector are "robust", suggesting growth potential, though growth in other service sector does "lag national and state patterns". The report notes that though development in the latter sector is no longer dependent upon "location in urban centers", these firms are moving to central and western New Jersey locations, but not to Sussex County. On the positive side, the report notes that growth can be channeled and expedited with targeting and outreach.

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Though the service sector receives much of the attention in the Brandow/BizMiner report, there is reference to the fact that small to mid-size manufacturing operations are moving from New York and Newark to suburban and rural locations.

The report is also useful in providing some guidelines about actions necessary to foster growth. The need for appropriate infrastructure, suitable space, excellent telecommunications, incubator space, and a concerted and targeted marketing effort are referenced at several points in the analysis. The report summary may be found in Appendix B.

Shift and Share Analysis

The consultant also prepared a Shift and Share for Sussex County, comparing employment changes between 1999 and 2004, based upon County Business Patterns data. In the Shift and Share Analysis local economic activity is broken into three components to measure the effect of employment changes over time. The chart on the following page shows the analysis of Sussex County's major industry sectors.

**COUNTY OF SUSSEX
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**Shift and Share Analysis
Sussex County – 1999 to 2004**

EMPLOYMENT CHANGE				
Industry	National	Industry	Regional	Sussex Actual
Forestry & Ag	0.79	-1.83	56.04	55.00
Mining	5.92	-1.44	-54.48	-50.00
Utilities	3.67	-8.18	106.51	102.00
Construction	77.59	63.80	560.61	702.00
Manufacturing	85.33	-453.62	237.29	-131.00
Wholesale	43.22	-55.13	50.91	39.00
Retail	206.18	109.50	463.32	779.00
Transport & Warehouse	37.77	86.72	49.51	174.00
Information	23.09	19.94	-75.03	-32.00
Finance & Ins	72.66	86.63	-28.29	131.00
Real Estate	10.97	20.52	40.50	72.00
Prof and Tech Svcs	56.44	196.45	408.11	661.00
Management	7.14	-4.77	-133.37	-131.00
Admns Support	48.39	1.66	204.95	255.00
Education	14.84	56.54	210.62	282.00
Health Care	200.22	513.18	-227.40	486.00
Arts & Recreation	27.43	78.10	1335.47	1441.00
Accomm & Food	113.07	217.42	483.50	814.00
Other Svcs	56.91	17.19	169.90	244.00
Auxiliaries				
Unclassified	3.16	-41.79	9.64	-29.00

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The column on the right, entitled "Sussex Actual", shows the job change in each industry sector per the County Business Patterns figures over the period. The three columns to the left divide the change among three factors. The "National" figure represents the change that would have occurred had job changes at the national level been evenly spread across the nation and the various industries. The nation experienced a 3.9 percent increase in employment over the five year period under consideration. Thus, the numbers in the "National" column would indicate that, for example, the County would have gained 85 Manufacturing jobs on the basis of the economy and job force having increased by that percentage.

The "Industry" column shows the number of jobs that would have been created (or lost) because of changes in the industry sector in question. For example, we know that Manufacturing was (and is) a declining sector overall. Sussex County thus can ascribe the loss of almost 464 manufacturing jobs to the restructuring within the industry itself. The "Regional" column focuses on job change within the subject area, ascribing the part of the change that is due to regional strengths or weaknesses. In Sussex County 237 Manufacturing jobs were added because of the strengths of the region, though this analysis cannot not identify those strengths.

To recap in the Manufacturing example, between 1999 and 2004 Sussex County lost 131 Manufacturing jobs. In light of employment growth nationally, however, the County added 85 Manufacturing jobs because of growth in employment as a whole, and added 237 Manufacturing jobs because the County offered opportunities to firms in some areas of the Manufacturing sector – there were strengths that made the County hospitable to some manufacturing firms and they either came to the County or expanded in the County. On the negative side, the County lost 453 jobs because they were in industries that were no longer competitive and went out of business or relocated for some reason.

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Scholars have reservations about the use of Shift and Share Analysis as a predictive tool, but the methodology does provide some insight into industries that offer potential for an area. A review of the table above shows some interesting findings for the County's targeting effort. First, despite its size and importance to the County economy, the growing local Health Care sector lost jobs relative to national trends. This would indicate that the market is being served and that local growth is not consistent with national and industry trends.

Second, as one would suspect, Recreation, Food Services, and Retail are all grew substantially over the period and local conditions created much of that growth. However, as noted earlier, these are not necessarily the industries the County wishes to assist and it appears that they will grow without additional resources or input.

Third, the growth of Professional Services and Construction were significant and much of that growth is attributable to local factors in this analysis. An active program of support and attraction could conceivably enhance this growth and add more high-skill, high-wage positions to the County employment base.

A review if the data from these two perspectives shows that Sussex County has had success in attracting **Business Services, Professional and Technical Services, Manufacturing** (centered upon computer and commercial equipment, and electronic equipment, and instruments), and **Construction** (especially Special Trades Contractors). This growth has been spontaneous and leads to the conclusion that a focused effort to grow and attract firms in these areas could be successful.

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E. Sussex County Demographics

The Strategic Growth Plan document provides much information about the structure of the Sussex County economy, income and cost of living, major employers, and other key economic, demographic, and financial indicators. The sections on Population (pp. 101ff), Housing (pp. 113ff), Economic Development (pp. 138ff), and circulation (pp. 167ff) provide very useful and clear background information and data. This analysis will highlight some of the key points from that document and update or expand upon other topics as they relate to identifying high potential targets for business attraction and retention.

Population

A quick overview shows that the 2000 population of the County was 144,166 persons divided almost evenly between males and females. The median age of this population was slightly higher than the US figure with the Sussex County percentage of persons 65 and older (9.1%) well below the US figure of 12.4 percent. The population is predominantly White (95.7% vs. 75.1% for the US) with a small percentage (3.3%) of persons classifying themselves as Hispanic. The percentage of family households in 2000 in the County was appreciably higher than the US percentage (76.3% vs. 68.1% for the US) and the percentage of households with individuals under 18 was 42.9 percent in Sussex compared to 36.0 percent for the United States. Owner occupied housing units constituted 82.7 percent of housing in the County, a figure well above the national average of 66.2 percent.

This generally positive picture, in terms of demographics and income, is counterbalanced by several factors. Though many Sussex County workers are employed in skilled positions, they spend significant time (over thirty nine minutes each day) in getting to and from work. This compares to the US figure of 25.5 minutes. The Circulation Element of the SGP provides a detailed description of this topic, emphasizing the number of workers who do commute to work and where their jobs are. The point is that the County does not have the types of

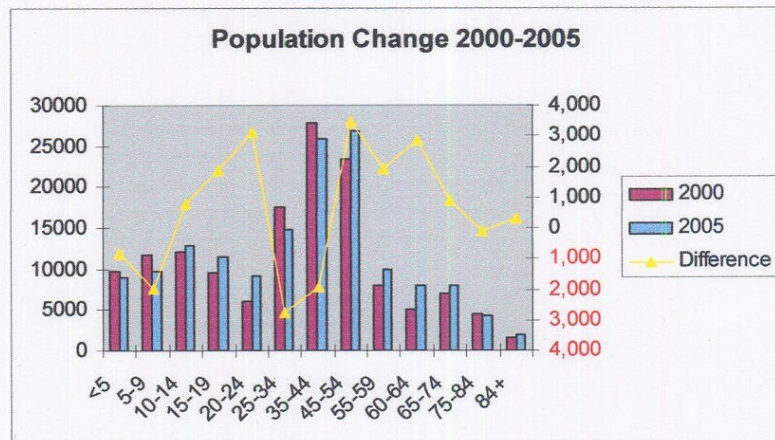
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businesses, industries, and jobs to reduce the number of commuters. Creating local jobs for these often skilled and experienced workers would provide economic benefits for them and the County as well as developing “social capital” for the County. Indeed, one of the primary objectives of this analysis is the creation of more “good” jobs in the County.

A review of more recent demographic data, primarily the 2006 Census Bureau American Community Survey (ACS), reveals several demographic facts that impact the County’s ability to attract and develop business. Though the County population increased by 5 percent (7,657 persons) between 2000 and 2006, there was a significant loss among young adults and children. The 2005 figures indicate that there were 1,700 fewer children and 4,700 fewer adults in the age group 25 to 44 than in 2000. Indeed, the median age in the County rose from 37.1 years to 39.3 over this six year period. A corollary to this is the fact that while pre-school enrollment is stable, kindergarten and elementary school enrollments are down, and high school and college enrollments are up.

There were significant increases in the 45-54, 55-59, and 60-64 age cohorts – that is among “empty-nesters”, pre-retirement, early retirement persons and households. The graph below shows the population change by cohort and the difference between the 2000 and 2005 figures.

While on the one hand this reduces the burden for services such as schools and creates a labor pool of experienced workers, it could pose a problem for firms seeking freshly-trained,



Source: US Census Bureau, 2005 ACS

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technologically oriented workers, or start-up firms seeking to grow a workforce. Also, this shift also impacts the nature and types of services that government can or should provide, as well as altering the area's market for goods and services. Also, it should be noted that this influx of adults increased the overall the size of the County's labor force by 8.3 percent over the period, as will be discussed below.

Education

As noted in the SGP, Sussex County does have an educated workforce. According to the 2005 American Community Survey 30.6 percent of the population has a Bachelor's degree or higher, well above the 24.4 percent for the nation and 92.4 percent of Sussex residents have a high school diploma or better. These educational levels have increased since the 2000 census, again to some degree reflecting the influx of older persons. Over 37 percent of workers indicate that they are in management or professional positions, compared to about 34 percent of workers nationally.

Income

The County's Median Household Income was well above the national average at the time of the census. Median household income in 1999 was \$65,266 for the County, a figure over 50 percent higher than the US Median household income of \$41,903. The current County figure (\$74,488 in 2006) continues to be above the national figure and has increased above the inflation rate for the period. Per capita income figures rank Sussex County 10th among the states twenty-one counties and 104th among the nation's 3,111 counties. The per capita figure is over 120 percent of the national average. Thus, it appears that the County residents are doing well in terms of keeping ahead.

The composition of earnings also reflects a strong employment base. Residents of the county obtained 77.8 percent of their personal income from wages (72.8% statewide), 12.8 percent from interest, rents, and dividends (15.2% statewide), and

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9.4 percent from transfer payments such as welfare and social security payments (12.3% statewide).

However, this high income level is a two-edged sword; on the one hand it indicates that County residents overall have good jobs and offer a solid market for goods and services. At the same time, however, firms locating to or expanding in the County will have to pay Morris or Bergen County wages to attract these workers.

Though the percentage of persons in the County living in poverty remains well below the national percentage, that percentage has increased to 4.8 percent (from 4.0% in 2000), and the number of persons aged 18 or more living in poverty has increased. This is a small indicator that not all County residents have in fact been able to keep up with rising costs.

Housing

Perhaps most troubling of the figures examined for this analysis were those related to housing cost burden. The Department of Housing and Urban Development guideline is that a household should pay no more than 30 percent of income for shelter. Figures from the Census Bureau and the Comprehensive Housing Affordability Strategy tabulations prepared by HUD indicate that for households having less than 80 percent of the County Median Household Income (MHI), 64.8 percent have a cost burden. That is, two-thirds of households with less than 80 percent of the area MHI are spending more than 30 percent of income for housing. This figure places Sussex County 21st in the nation in this category, and tied with Morris County for fifth place in New Jersey. Sussex trails Bergen, Hudson, Somerset and Hunterdon Counties on this roster. More alarming is that 32.7 percent of these households are severely cost burdened, meaning that they spend more than 35 percent of income for shelter.

The implication is two-fold. In the event of an economic downturn, illness or accident, or job layoff these households are very vulnerable, and their plight will

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magnify the local impact of any recession. At the same time this fact may make it difficult for firms seeking to expand or locate in the County to attract workers, who may be unwilling or unable to forego even a modest decrease in income as a trade-off for less commuting time.

Labor Force

The Labor Force in the County has increased from 76,605 in 2000 to 87,077 according to the 2005 American Community Survey. This represents an 813.8 percent increase in the size of the labor force, accountable in large measure to the growth of the population, as noted above, and to the fact that the resort industry is moving increasingly to year-round operations. Labor force participation in Sussex County is high. The national average is about 64.0 percent – in Sussex the percentage is 72.1. This could indicate an overall shortage of labor to firms considering the area, though it overlooks the objective of creating new, local positions.

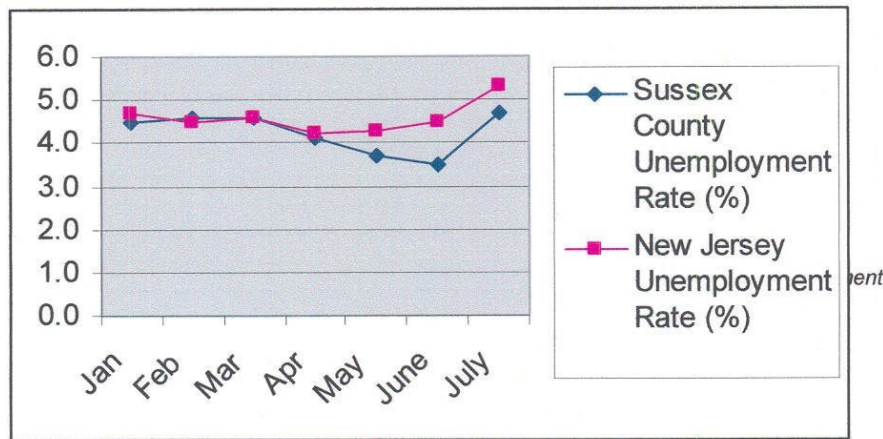
As the SGP and other documents indicate, the County's labor force is twice the size of the County's employment base. This fact alone indicates that many of the County's workers commute to other locations for employment. The County has undertaken studies that expand upon the Census Bureau's place of work analyses and determined that over 55 percent of the County labor force works outside the County. This translates to over 45,000 commuters. The ACS data showed that 82.8 percent of workers commuted to work alone, compared to 76.9 percent nationally. It is interesting to note that 57.2 percent of workers worked at home compared to 3.6 nationally.

Unemployment in the County has historically been lower than in the state. Figures for 2005 show that the County's unemployment percentage was 3.8 while the state had unemployment of 4.4 percent. This trend continued in 2006 but the County's average unemployment percentage rose to 4.5 percent as the state's average rose to 5.0 percent. The graph below shows the 2007 percentages.

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SUSSEX COUNTY AND NEW JERSEY UNEMPLOYMENT PERCENTAGES

2007



Though the two percentages were very close early in the year, the gap increased as the year wore on, rising to a one percent difference in September. The average difference was 0.3 percent. The number of persons seeking employment has averaged 3,600 per month.

The Vision 2020 committee requested an analysis of the County population by industry and occupational. The rationale is to determine what types of jobs County residents currently hold as a means to identifying the types of industries and jobs that might be attracted to the County to locally employ persons now commuting to Morris or Bergen County or New York City. Though the 2000 census data provides some insights, more current and detailed information is available and the consultant did obtain 2006 data from ESRI Business Information Solutions along with 2000 data for comparative purposes. The table below indicates the number and percentage of total employment for the Census Bureau Occupational categories.

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Employed Civilian Population 16+ by Occupation Base	78258	
Management incl Farmers/Farm Mgrs	9440	12.06%
Business/Financial	3258	4.16%
Computer and Mathematical	2136	2.73%
Architecture/Engineering	1673	2.14%
Life/Physical/Social Science	596	0.76%
Community/Social Services	1144	1.46%
Legal	931	1.19%
Education/Training/Library	5689	7.27%
Arts/Design/Entert/Sports/Media	1283	1.64%
Healthcare Practitioner/Technician	3871	4.95%
Healthcare Support	1008	1.29%
Protective Service	2173	2.78%
Food Preparation/Serving Related	3158	4.04%
Building/Grounds Cleaning/Maint	2105	2.69%
Personal Care/Service	2050	2.62%
Sales/Related	9886	12.63%
Office/Administrative Support	11086	14.17%
Farming/Fishing/Forestry	189	0.24%
Construction/Extraction	5898	7.54%
Installation/Maintenance/Repair	3121	3.99%
Production	3028	3.87%
Transportation/Material Moving	4535	5.79%

Source: ESRI Business Information Solutions

The largest numbers of workers in the County are employed in Office/Administrative positions, followed by Sales, and then Management. Construction and Education are fourth and fifth respectively, with Health Care surprisingly coming in sixth.

The ESRI data set indicates that the County gained 4,345 jobs between 2000 and 2006. The table below shows that the four industries that added the most jobs were Construction, Retail, Education, and Health Care. The latter three industries each added about 1050 jobs while Construction added over 1,300 jobs in the County. As might be expected, Manufacturing was the largest loser, shedding 2,225 jobs. Information, a category that has been steadily declining in New Jersey for several years, lost 651 positions in Sussex County.

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In terms of occupations Construction jobs had the greatest increase, adding 1,333 positions, followed by Education with 899 jobs, Management with 829 new jobs and Sales with 685 positions. The occupational category losing the most jobs was Production (-1,137), followed by Office/Administrative support with a decline of 833 jobs. Interestingly, Business/Finance lost 192 positions and Computer and Mathematical lost 101 positions. Tables showing the numbers of jobs and the comparison between 2000 and 2006 appear below.

SUSSEX COUNTY EMPLOYMENT BY INDUSTRY AND OCCUPATION 2000 VS. 2006

	2000	2006	Diff.		2000	2006	Diff.
Employed Civilian Population 16+ by Industry Base	73913	78258	4345	Employed Civilian Population 16+ by Occupation Base	73913	78258	4,345
Agric/Forestry/Fishing/Hunting	389	410	21	Management incl Farmers/Farm Mgrs	8611	9440	829
Mining	242	191	51	Business/Financial	3450	3258	(192)
Construction	6118	7450	1332	Computer and Mathematical	2237	2136	(101)
Manufacturing	9840	7585	2255	Architecture/Engineering	1541	1673	132
Wholesale Trade	3094	3153	59	Life/Physical/Social Science	596	596	0
Retail Trade	9682	10735	1053	Community/Social Services	924	1144	220
Transportation/Warehousing	3501	3704	203	Legal	710	931	221
Utilities	576	458	118	Education/Training/Library	4790	5689	899
Information	2865	2214	651	Arts/Design/Entert/Sports/Media	1283	1283	0
Finance/Insurance	4312	4755	443	Healthcare Practitioner/Technician	3233	3871	638
Real Estate/Rental/Leasing	1231	1563	332	Healthcare Support	1038	1008	(30)
Prof/Scientific/Tech Services	5066	5322	256	Protective Service	1764	2173	409
Mgmt of Companies/Enterprises	128	199	71	Food Preparation/Serving Related	2672	3158	486
Admin/Support/Waste Mgmt Svcs	2406	2642	236	Building/Grounds Cleaning/Maint	1703	2105	402
Educational Services	6784	7867	1083	Personal Care/Service	1729	2050	321
Health Care/Social Assistance	7035	8064	1029	Sales/Related	9201	9886	685
Arts/Entertainment/Recreation	1115	1304	189	Office/Administrative Support	11919	11086	(833)
Accommodation/Food Services	3183	3421	238	Farming/Fishing/Forestry	163	189	26
Other Services (excl Publ Adm)	2984	3544	560	Construction/Extraction	4565	5898	1,333
Public Administration	3362	3677	315	Installation/Maintenance/Repair	3345	3121	(224)
				Production	4165	3028	(1,137)
				Transportation/Material Moving	4274	4535	261

Source: ESRI Business Information Solutions

Thus, in terms of a labor supply, Sussex County can offer over 3,500 unemployed persons actively seeking work in addition to over 40,000 workers many of whom

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commute significant distance or time to work. These workers include 9,000 managers, 3,000 persons in business and finance, 2,000 persons in computers and mathematics, and 11,000 persons in office and administrative support positions.

Commuters

The number of persons commuting to work outside the County has been discussed earlier. However, a survey taken by the New Jersey Herald in the fall of 2000 provides additional insight into the desire of Sussex residents to commute to work outside the County. Though three-quarters of responding commuters said they would not take a job in the County for less pay, slightly over twenty percent said they would take a position locally. Almost two-thirds of these had either a high school diploma or some college, thirty percent had college degrees, and only five percent held an advanced degree. However, over two-thirds of those willing to take a job locally were making over \$50,000 per year and sixteen percent were making over \$100,000. Also, two-thirds of those willing to take a new position would do so for 90 percent of their current salary. The upshot is that the County does have a number of well-paid workers, most likely skilled trades people, who would be willing to forego up to ten percent of their salaries in order to work in Sussex County.

The positives in all of this demographic and labor force data, from an economic development perspective, are the relatively high education level of the workforce, the skill levels of many of these workers, the fact that many workers currently commute significant distances (or time) to work, and the growth in the number of experienced workers in the labor pool. There is a pool of workers who would be willing to take a salary cut in order to avoid commuting. On the negative side is the high rate of labor force participation, the diminution of the younger working age cohorts, and the high cost of housing. The high per capita and household income figures are a two-edged sword.

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F. Industry and Occupation Projections

The New Jersey Department of Labor and Workforce Development prepares and updates workforce projections on a regular basis. The Department recently released these projections at the state level for the period 2004 – 2014, updating the existing 2002 – 2012 materials. At this writing the projections for the counties were not yet available. This report will summarize the 2004 – 2014 state level projections but refer to the 2002 – 2012 projections for Sussex County in particular.

At the state level job growth in New Jersey is expected to increase at about 1.0 percent per year over the decade; this will lag anticipated national growth of 1.3 percent for the same period. Industry Projections indicate that the service-producing private sector firms will create most of these jobs and the broad service-producing sector will increase from 71.5 percent of employment in the state to 74.5 percent by 2014. Of the industries in the service sector only Utilities, Information and the Federal Government are expected to lose jobs or remain stable; all others will grow to some extent. The greatest increases are expected in Health Care, Education, and in Business and Professional Services. The latter super-sector is expected to add 37,300 jobs statewide with an annual growth rate of 1.3 percent. Administrative support and waste management services, which includes services such as call centers, temporary help services and the collection and disposition of waste materials, is expected to add 42,300 jobs at a growth rate of 3.5 percent per year.

It should be noted that though Manufacturing is expected to continue its decline in employment, the state has done relatively well in this sector in large measure due to the strength of the Pharmaceuticals industry on a statewide basis. However, the Labor Market analysis note that increased productivity in this sector statewide has been important in stemming losses and keeping industry in the state. This productivity gain was also noted in an article about American manufacturing in the July 1, 2006, edition of The Economist. This article, entitled “Lean and Unseen”,

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noted that some analysts see manufacturing increasing productivity even faster than the rest of the economy, an offer of hope for firms in New Jersey and Sussex County.

At the state level Occupational Projections show that Management, Business and Financial Occupations will add almost 50,000 jobs statewide and grow at an 11.6 percent annual rate. Most of these jobs will require a bachelor's degree (and many require experience plus a bachelor's or higher degree). Professional Occupations, such as computer specialists, educators, technicians, and librarians, will gain 133,400 new jobs and constitute one-fifth of the workforce. Service Occupations will add 139,300 new jobs by 2014, the most of any major occupational group.

The following table is taken in its entirety from the "Industry and Occupational Employment Projections for New Jersey: 2004-2014" by Thomas Sheppard and Robert Vaden of the Labor Market and Demographic Research Division of the Department of Labor. It provides a complete summary of the projected growth by occupation and shows the importance of replacement in evaluating employment changes, as well as demonstrating that Low Educational Requirement jobs will still dominate the number of jobs available. Indeed, as this report notes "Over one-half of all jobs in 2014 will be in occupations having low training and education requirements".

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Table 3

Occupation	2004		2014		Change: 2004-2014		Annual Average Job Openings		
	Number	Percent	Number	Percent	Number	Percent	Total*	Growth*	Replacements
Total, All Occupations	4,321,650	100.0	4,732,600	100.0	411,000	9.5	149,540	48,150	101,390
Total High Requirements	1,083,700	25.1	1,242,650	26.2	158,950	14.6	36,610	16,290	20,310
First professional degree	61,950	1.4	70,600	1.5	8,700	14.0	1,780	870	910
Doctoral degree	26,100	0.6	30,650	0.6	4,600	17.6	1,040	460	580
Master's degree	98,700	2.3	114,350	2.4	15,650	15.9	3,640	1,580	2,070
Work experience plus bachelor's or higher degree	179,200	4.1	200,600	4.2	21,400	12.0	5,390	2,170	3,210
Bachelor's degree	552,650	12.9	628,250	13.3	75,600	13.7	18,350	7,880	10,460
Associate degree	165,100	3.8	198,100	4.2	33,000	20.0	6,410	3,330	3,080
Total Moderate Requirements	854,000	19.8	934,500	19.8	80,500	9.4	26,470	8,740	17,740
Postsecondary vocational training	262,900	6.1	301,050	6.4	38,150	14.5	9,240	3,910	5,330
Work experience in a related occupation	337,950	7.9	359,050	7.6	21,100	6.2	9,340	2,300	7,040
Long-term on-the-job training	253,150	5.8	274,400	5.8	21,250	8.4	7,890	2,530	5,370
Total Low Requirements	2,383,900	55.1	2,555,450	54.0	171,550	7.2	86,510	23,150	63,350
Short-term on-the-job training	807,700	18.6	839,550	17.6	31,850	3.9	22,350	6,060	16,290
Moderate-term on-the-job training	1,576,200	36.5	1,715,900	36.3	139,700	8.9	64,160	17,090	47,060

* "Average Annual New Jobs" will not equal annualized "Employment Change" since, for declining occupations, new jobs are tabulated as zero since no net job growth is projected, while the employment change is based solely on the difference between 2004 and 2014 employment totals.

Note: Occupational data include estimates of self-employed and unpaid family workers and are not directly comparable to the industry employment total. Totals may not add due to rounding. Employment data are rounded to the nearest fifty, job openings to the nearest ten. Percentages and percent changes are based on unrounded data.

Source: New Jersey Department of Labor and Workforce Development, Division of Labor Market & Demographic Research, Bureau of Occupational Research.

At the County level New Jersey Department of Labor and Workforce Development also prepares "Regional Community Fact Books which contain much useful demographic and labor force data on the counties. The Sussex County Edition was released in June of 2006 and incorporates the 2002 – 2012 industry and employment projections mentioned earlier. The table below shows the ten industries expected to have the greatest employment growth in that period.

Sussex County, 2002 - 2012					
Ten Industries with the Greatest Employment Growth					
Industry Title	2002 Jobs	2012 Jobs	Change: 2002-2012		
			Number	Percent	
				Total	Annual
Ambulatory health care services	1,900	2,950	1,050	54.0	4.2
Professional and technical services	2,300	3,150	850	38.2	3.2
Food services and drinking places	2,800	3,350	550	19.0	1.7
Administrative and support services	1,300	1,700	400	32.5	2.8
Nursing and residential facilities	1,700	2,100	400	24.5	2.2
Specialty trade contractors	1,800	2,150	350	19.5	1.8
Food and beverage stores	1,850	2,150	350	17.7	1.6
Amusements, gambling and recreation	1,350	1,650	350	24.7	2.2
Local government educational services	4,500	4,850	350	7.6	0.7
Membership assoc. and organizations	750	950	200	29.8	2.6

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The County is projected to add 6,700 jobs with 73 percent of all new jobs coming from these ten industries. Though Health Care is the leader, it should be noted that Professional and Technical Services is second and will be 12.7 percent of these new jobs. This is encouraging and points to the prospects for success if a plan of business retention and attraction is put into place.

The County's Occupational Demand for the period 2002 – 2012 is perhaps less sanguine in terms of high skill job demands. The table below notes the twenty occupations with the anticipated highest number of openings. It also shows the Annual Wage, Skill Level and Employment Outlook for each.

Occupation	Annual Average Job Openings			2004	Skill Level ²	Outlook
	Total ¹	Growth	Replacements	Annual Wage		
Cashiers	80	20	60	\$17,930	Low	Good
Retail Salespersons	60	20	40	26,500	Low	Good
Child Care Workers	50	30	20	18,140	Low	Good
Food Preparation and Serving Workers, Including Fast Food	40	20	30	17,020	Low	Good
Registered Nurses	40	30	20	62,330	High	Good
Receptionists & Information Clerks	40	20	10	24,810	Low	Good
Waiters and Waitresses	30	10	30	17,250	Low	Good
Sales and Related Workers, All Other	30	20	10	48,340	Moderate	Good
Office Clerks, General	30	10	20	27,530	Low	Good
Food Preparation Workers	30	10	20	17,860	Low	Good
General & Operations Managers	30	10	10	126,160	High	Good
Auditing Clerks	30	0	20	35,380	Low	Good
Stock Clerks and Order Fillers	30	0	20	24,120	Low	Good
Medical Secretaries	30	20	10	28,540	Moderate	Average
Landscaping and Groundskeeping Workers	20	10	10	24,710	Low	Good
Secondary School Teachers, Except Special and Vocational Education	20	10	20	60,640	High	Good
Bus Drivers, School	20	10	10	26,340	Low	Average
Licensed Practical and Licensed Vocational Nurses	20	10	10	44,680	Moderate	Good
Home Health Aides	20	20	0	19,580	Low	Good
Middle School Teachers, Except Special Education and Vocational	20	0	20	54,990	High	Good

1. "Growth" and "Replacements" may not add to "Total" due to rounding.
2. High Skills: Associate's degree or higher.
Moderate Skills: Long-term on-the-job training, work experience or post secondary/vocational/technical training.
Low Skills: Short-term or moderate-term on-the-job training, including up to 12 months of on-the-job experience and informal training.

Source: Division of Labor Market Research and Demographics, Sussex County Regional Community Fact Book

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Only four of the top twenty occupations are high skill and only three are moderate skill. These top twenty occupations will account for forty percent of all openings over the period. The top four occupations, which are all low skill positions, will account for 13.7 percent of openings. However, the four high skill occupations on this list are among the best paid.

These projections are of limited assistance in developing a business growth and attraction strategy. Though there are several industries and occupations that merit consideration and which match to County strengths and objectives, most of the projected growth does not center upon industries or occupations that are the County's focal points. Growth is anticipated in some of the industries, such as Professional Services, that mesh well with other County strengths and existing growth patterns. The outlook for high-skill, high-pay positions appears to be more problematic according to the occupational projections. However, those figures are just that – projections - subject to change by the course of events.

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G. Chief Executive Officers in Sussex County

The Vision 2020 Committee requested that the consultant prepare a list of businesses with the Chief Executive Officer residing in Sussex County. The Committee agreed to a list in which these businesses were defined as establishments (excluding educational organizations, social service organizations, public administration, and unclassified businesses) with five or more employees, sales in excess of \$500,000 and with their headquarters listed as a Sussex County address. Using these parameters, the consultant researched the Dun and Bradstreet Sales and Marketing Solutions database (known as Zapdata) to identify such firms. The result was the identification of 87 firms listed by Standard Industrial Classification code. The roster contains 21 Retail establishments of various types, 11 Manufacturing operations (four of which deal with computer equipment or machinery), 10 Health Services organizations, 8 Financial Services organizations, 6 Construction establishments, and 5 Wholesale operations among others.

Though many of these firms are relatively small, there are some surprises. For example, the one printing/publishing firm has 1,000 employees, while two insurance firms have over 2,000 between them. Professional Services has over 1,300 employees and Health Services shows over 900 employees. These are firms listing Sussex County as their headquarters. It should be noted that Miscellaneous Manufacturing shows 450 employees in one firm, and rubber and Plastics 220 employees with 100 of these in Sussex County. There are four Industrial and Commercial Machinery Equipment manufacturers in Sussex County, each with over 100 employees.

Thus, this list provides an excellent starting point to investigate what firms are based in Sussex County and, through interviews with their CEOs, to determine the factors that enable them to operate successfully in the County. A detailed list of these CEOs was provided to the Committee.

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The result of analyzing this list is a focus on **Professional and Technical Services, Insurance, and Manufacturing**. Each of the firms in these sectors not only has its headquarters in the County, but has a solid employment presence as well.

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III. Summary, Conclusions and Recommendations

This report has covered much ground on a range of disparate, but closely related topics. This section of the report will summarize these findings and identify the key proposed targets for Sussex County's retention, expansion, and attraction efforts.

It is important to remember that this targeting effort is a process. It will require time, consistent effort and patience to achieve success, and some aspects of the effort will be influenced by events well beyond the control of the County or the Vision 2020 Committee. Also note that throughout this report the consultant has referred to business retention and expansion, as well as attraction. The CEO list should be an important focal point for the Committee's work going forward. The reasons why some of these firms in areas such as Manufacturing, Professional Services and Construction are located in the County and remain in the County are important for attracting other firms, but are also of great value in determining what the County can do to assist these existing firms and help them expand.

The County's vision and objectives provide the first filter in determining the businesses and industries for attention. These objectives and an assessment of the County's Strengths and Challenges are critical because they determine what the County wants to become and the means it has to achieve those goals. The vision that emerged in the course of research centered upon a clean and beautiful environment and a high quality of life.

Focusing more specifically upon economic development elements, the objectives of more and better paying jobs in industries that would not harm the environment while expanding and strengthening the County's economic base emerged. A review of the County's Strengths, Challenges, Opportunities and Threats focused on the high quality of life and the quality of the work force, though the limited number of sites and infrastructure concerns, as well as a lack of awareness about economic development issues were cited as negatives. Opportunities for the

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County centered upon planning, focused effort and improved coordination while threats focused around the loss of developable land, the erosion of middle income households and tax and regulatory burdens. The focal point of the economic development effort then became the attraction and development of “clean” and “high tech” industries that would create more and better jobs for County residents in businesses that could capitalize upon the County’s high quality of life and excellent labor force.

The assessment of the national and regional economies emphasized the need to further broaden and strengthen the County’s economic base, and pointed out that the nation and the state were very likely to face a period of slower growth in the immediate future. Though many of the industries in the County that have the most employees are also among the lower paying employment sectors, the County does possess strengths in other sectors, most notably, Professional Services, some aspects of Manufacturing, Construction (especially Special Trades Contractors), and Waste Management. These sectors appear again in the course of examining industry and business trends. Both data on industry migration from one data source and a shift and share analysis from government data indicate that Professional and Technical Services, Manufacturing, and Construction have seen growth in the County without any focused marketing or development support.

An analysis of key demographic factors shows that the County’s population is growing and that the labor force, which has increased more rapidly than the population as a whole, includes a substantial number of experienced persons. The labor force residing in the County is twice the size of the number of employees working in the County and studies indicate that some 45,000 persons commute out of the County each day for employment. An analysis of the occupations of County residents shows over 9,000 managers, 11,000 office and administrative support personnel, 3,000 business and finance workers and 2,000 computer and mathematics employees. Though not all of these workers could be induced to work in the County even if jobs were available, these figures lead one

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to believe that there are significant numbers of potential employees for positions requiring experience or high skill levels, such as those required in the industries mentioned above. In addition a review of unemployment statistics indicates that some 3,700 persons are seeking employment each month.

It should be noted that the state projections for industry and occupational growth for Sussex County show that most new and replacement jobs will be in the low skill and lower paying industries and occupations. Significant growth is expected statewide in a number of the high skill and higher training requirement jobs. However, projections for Sussex County do not reflect the County capturing a large part of this growth. In some sense this is to be expected, 1) because there are more of these types of jobs and they typically have a higher turnover rate, and 2) these projections are based upon historic trends and the current job mix, a concerted and focused effort on higher skill jobs can alter these projections – which are, after all, only projections.

There are a number of mitigating factors of which the Committee should be aware. First, is the loss of younger workers (and their children) from the general population. While the increase in the number of older and more experienced workers augers well for many businesses, the decline in the number of younger, and most likely more technology oriented workers, could be a negative to firms seeking a new location. The cost of housing is another concern, not just in Sussex County, but across the nation. The situation in Sussex County is exacerbated by the high percentage of persons who are cost burdened because of housing costs. Not only are such households vulnerable to economic downturn, job loss, or work interruption, but the fact of their tight budget will make it difficult to accept even a modest pay cut to take a position with a firm in the County.

Related to that, the high income levels of Sussex County households make it an attractive location for many types of retail and service firms. At the same time,

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however, such income levels make it difficult for firms to obtain any cost advantage (vis a vis wages) by operating in the County.

Finally, though not noted elsewhere in this analysis, access/transportation/proximity to airports concerns do impact the County's economic development marketability. The SGP notes that transportation infrastructure (and thus market access) is a concern, but at the same time that preserving the environment is a critical concern. The emphasis upon creating jobs for County residents and reducing commuting helps to resolve this issue. Still, all marketing efforts must be prepared to address the access/distance to markets/proximity to airports issue. For some businesses even in targeted industries, this may be a crucial issue that the County cannot overcome.

In the final analysis we recommend that the County choose **Professional Services** and selected sub-sectors of **Manufacturing** for targeting. These industries and businesses match the County's aims and vision as well as capitalizing upon identified strengths and current business and industry migration and development trends. Overview descriptions of Professional Services, the Insurance industry, and Plastics Manufacturing are attached as Appendix C.

It should be noted that the course of action the Vision 2020 Committee proposes flies in the face of the projections and the existing economic trends. Developing and implementing a course of action that broadens and strengthens the economy and focuses on higher-skilled, better paying positions will take a concerted, consistent, and long-term effort, not only in the area of business development, but in education and training, capital planning and improvements, and issues such as affordable housing and quality of life concerns.

A number of specific Action Elements emerge from the preceding analysis. These will be discussed in more detail in the third section of this report, but several items warrant discussion here. The first is that the County should contact CEOs residing

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in the County to determine the strengths and attributes that made them locate in Sussex County. In addition, interviews with these business leaders should attempt to identify supplier, competitors, and customers they would like to see locate in Sussex County. But, perhaps most important, it is vital to determine what the County and its economic development programs can do to assist these firms with any plans for growth or expansion. These are firms operating in Sussex County now, providing jobs for residents, and assisting them in remaining in the County and expanding in the County is a top priority.

Related to this, the County's economic development entity should develop a newsletter, blog, or other communication mechanism to keep business apprised of events and information, touting local successes and providing useful information.

The economic development community should develop a mechanism to monitor regional economic, real estate, and business trends -- e.g., programs and RFPs from Picatinney, the Wall Street West concept, regional communications, RE vacancy rates in Morris County, construction trends and the like. This task could be assigned to a specific person as part of duties related to business attraction or retention efforts.

The County should also develop an internal marketing or awareness campaign about the County, its businesses and its assets. Though some of this information about recruiting, business development, business assistance programs, sites/buildings job opportunities for residents is already available, it should be organized and systematically broadcast.

The next portion of this study will focus on three items:

1. Describe the key location decision factors for the target industries
2. Assess the County's Job Creation Centers and other potential sites in light of the site selection criteria for the key targets, noting in particular any issues related to infrastructure and zoning
3. Review and evaluate the County's current GIS system in its ability to support economic development