

CUE



NOTES

Location Quotients

It compares an area's business composition to that of a larger area (i.e., nation or state)

$$LQ = \left(\frac{\text{Regional Industry Employment}}{\text{Regional Total Employment}} \right)$$

$$\left(\frac{\text{~~State~~ ^{Country} Industry Employment}}{\text{~~State~~ Country Total Employment}} \right)$$

Value	Implication
$LQ > 1$	Area has proportionally more workers employed in a specific industry sector than larger comparison area
$LQ < 1$	May indicate opportunity to develop businesses in the local area
$LQ \geq 1.25$	Area industry has potential to be classified as exporter

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Shift Share Analysis

Shift share is an economic indicator that tells you which industries (or occupations) are competitive in your region.

It shows you the national growth (in terms of jobs) of a particular industry.

Based on this national growth, it then calculates how much the industry is likely to grow in your region, and compares this estimation with how much the industry actually grew.

It includes 3 components:

- Industrial Mix effect
- National Growth effect
- Competitive effect

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Shift share equation

$$\Delta e_i = e_{i,t} - e_{i,t-1} = NS_i + IM_i + RS_i$$

$$\begin{array}{c} \text{Change in} \\ \text{employment} \\ \text{in a certain} \\ \text{industry} \end{array} = \begin{array}{c} \text{Employment} \\ \text{in that} \\ \text{industry in} \\ \text{the most recent} \\ \text{year} \end{array} - \begin{array}{c} \text{Employment} \\ \text{in that} \\ \text{industry in} \\ \text{the first} \\ \text{year} \end{array} = \begin{array}{c} \text{Change} \\ \text{due to} \\ \text{National} \\ \text{trends} \end{array} + \begin{array}{c} \text{Change} \\ \text{due to} \\ \text{Industrial} \\ \text{Mix} \end{array} + \begin{array}{c} \text{Change} \\ \text{due to} \\ \text{Industrial} \\ \text{shift} \end{array}$$

National share

National Economy Growth Rate

$$NS_i = e_{i,t-1} * \frac{E_t - E_{t-1}}{E_{t-1}}$$

It shows the no. of jobs an industry is expected to gain or lose according to the industry's national job growth.

$$\begin{array}{c} \text{Change in} \\ \text{employment} \\ \text{due to National} \\ \text{trends} \end{array} = \begin{array}{c} \text{Employment} \\ \text{in the region} \\ \text{in that industry} \\ \text{in the first year} \end{array} * \begin{array}{c} \text{Total national} \\ \text{employment in} \\ \text{all industries in} \\ \text{the most recent year} \end{array} - \begin{array}{c} \text{Total national} \\ \text{employment} \\ \text{in all industries} \\ \text{in the first} \\ \text{year} \end{array}$$

Total national employment
in all industries in
the first year

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It is the no. of jobs we would expect to see added (or lost) within an industry in your region based on the industry's national growth or decline.

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Industrial Mix

$$IM_{i,t} = E_{i,t-1} * \left(\frac{E_{i,t} - E_{i,t-1}}{E_{i,t-1}} - \frac{E_t - E_{t-1}}{E_{t-1}} \right)$$

Industry Growth Rate - National Economy Growth Rate

Change in employment due to industrial mix = Employment in the region in that industry in the first year *

Total National employment in that industry in the most recent year - Total national employment in that industry in the first year

Total national employment in that industry in the first year

$$= \left(\frac{\text{Total National employment in the most recent year} - \text{Total National employment in the first year}}{\text{Total national employment in the first year}} \right)$$

Total national employment in the first year

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It indicates how much of the job change within a given region is the result of some unique competitive advantage of the region

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Regional Shift

$$RS_i = e_{i,t-1} \times \left(\frac{\text{Regional Industry Growth Rate}}{e_{i,t-1}} - \frac{\text{National Industry Growth Rate}}{E_{i,t-1}} \right)$$

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