

Overview

“Industry cluster” is an economic development concept championed by Dr. Michael Porter, a worldwide respected expert in global economic strategies from the Harvard Business School. Dr. Porter was among the first to recognize the power of clusters to boost regional economies.

A cluster is defined as a concentration of companies and industries in a geographic region that are interconnected by the markets they serve and the products they produce, as well as their suppliers, trade associations and educational institutions. Clusters have been forming naturally for years, both in the US and abroad (i.e. Silicon Valley for its microelectronics, biotechnology, and venture capital markets.)

Connecticut’s Economic Competitiveness Strategy

The Industry Cluster Initiative

Connecticut’s cluster-based economic development initiative is built around the idea that nurturing the state’s key industries improves the competitiveness of businesses within these industries, in turn boosting our economy. By combining the market knowledge and expertise of businesses with the talents and resources of government, education and economic development organizations, Connecticut’s industry clusters better prepare each of their members to face the challenges created in the global marketplace.

Creating a business environment in which clusters can grow and prosper takes an enormous amount of cooperation between government and industry. In 1998, a task force of 125 business leaders from Connecticut was assembled to study the best method of implementing cluster-based economic development in our state. The task force identified six industry areas key to Connecticut’s economic competitiveness: manufacturing, financial services, telecommunications and information, health care services, high technology and tourism. The task force’s research led to the legislation passed in 1998, effectively launching Connecticut’s Industry Cluster Initiative under the Department of Economic and Community Development.

Plastics

In February 2001, the seventh operational cluster, Plastics, was recognized. The Connecticut Plastics Council (CPC) is dedicated to workforce development and eliminating threats to the industry such as labor pool depletion, market share erosion and relocation pressures from other states and countries. The cluster plans to develop its image and membership and to activate programs in the areas of workforce development, progressive manufacturing, business practices and shared services.

One of the CPC's many successes and learning experiences was the creation of the first plastics lab in a state vocational training center, the Theodore Stoughton Plastics Lab at Emmett O'Brien Vocational Technical School in Ansonia. Now fully equipped with state of the art plastics equipment, CPC's Workforce Development Committee is working in collaboration with the school's administration on the hiring of a part-time plastics instructor. Model curriculums have been researched and classes will be offered in the upcoming exploratory session of entering freshman and their parents. Improvement in the regulatory aspects of working within the vocational school system is an area needing improvement.

CEO's of plastics companies continue to support with dollars, equipment, time and resources the Connecticut's educational system assisting in Connecticut's high rating of a highly trained and educated workforce.

Governor's Council on Economic Competitiveness and Technology

Throughout 1998, progress was made in a number of areas related to nurturing industry clusters; one of the most important was the establishment of the Governor's Council on Economic Competitiveness and Technology. Composed of CEOs from a cross-section of industries, legislative leaders, heads of key educational institutions, labor representatives, officials of industry associations and several state commissioners, the Council monitors cluster progress and finds ways to enhance and support it. With the Council's support, a number of other cluster-related projects have taken shape over the last year in areas including lean manufacturing, workforce development, legislation, transportation, infrastructure, capital, regulatory and tax climate, international trade and marketing. These cross-cutting issues are a significant part of improving the state's business climate, and therefore, a significant part of Connecticut's cluster initiative.

A Public-Private Partnership

Teamwork is the key to making Connecticut competitive in today's global economy. The Industry Cluster Initiative puts Connecticut companies on the fast track; develops the resources needed to complete globally; achieves sustained, measurable growth in jobs, educational levels, startups and R&D funding; and ensures that positive results extend beyond a single contract, company or city.

Connecticut's Inner City Business Strategy

Another cross-cutting issue is the competitiveness of Connecticut's cities. The Inner City Business Strategy strives to bring about urban revitalization through business development and to increase the income, wealth and job opportunities of inner city residents within the NVC area. Waterbury the largest community in the NVC, is one of the ten inner cities that has prepared a strategy.

To the south of the NVC, the City of Bridgeport also prepared a Business Strategy Initiative following many of the components of the Waterbury Strategy.

The following information excerpts were taken from the “Waterbury Inner City Business Strategy”.

Introduction

This study explores ways in which the inner city area of Waterbury, Connecticut can become more competitive as a business location. Central to this study is the premise that the inner city’s long-term vitality depends upon its ability to foster and compete for business development within the region, the state, and the nation. A large body of research has focused on the competitive disadvantages of the inner city, and many programs have been designed to address these disadvantages, usually through subsidy mechanisms. While these programs have value, a growing body of work is substantiating that there are, in fact, significant competitive advantages to private investment in inner city locations.

Several premises form the foundation for this study:

- The inner city is an untapped resource for business development.
- Strategies for inner city development should leverage unique competitive advantages.
- Development in the inner city should be linked to strong economic clusters in the regional economy.
- Many of the traditional barriers to inner city business development are based on inaccurate perceptions.

Waterbury’s Inner City

The Inner City study area contains an estimated 33,800 persons, or roughly one-third of Waterbury’s total population. Although diverse, this population differs from the city and Labor Market Area (LMA) in a number of key ways: it is heavily minority, with substantially lower household incomes, higher rates of single-parent headed households, and significantly lower levels of educational attainment.

Waterbury’s inner city currently accounts for about one-quarter of the economic activity in the region, and about one-half of the activity in the city. Jobs in the inner city are disproportionately concentrated within the retail sector. This is due to the city’s success in converting old industrial and located near some of the city’s poorest neighborhoods into prime development space for retail: first at the Brass Mill Mall and Commons, and second in the South End with Waterbury Crossing. As a result, Waterbury has maintained its status as a retail center for the surrounding suburbs.

The inner city area also contains one of the city’s largest hospitals – St. Mary’s – along with many elder care facilities, resulting in a concentration of employment in health services. The inner city also encompasses Waterbury’s downtown area, which houses a concentration of bank offices, including Webster Bank and Bank Boston.

The inner city study area does not include many of Waterbury's industrial parks. In spite of this, a significant number of manufacturing jobs are located in the inner city, as well as some of the area's most prominent manufacturers, including MacDermid. Approximately 37 percent of the city's manufacturing jobs, and 14 percent of the region's, are located in the inner city. Also, many of Waterbury's small metal manufacturers are widely dispersed throughout the inner-city area, providing accessible job opportunities to inner city residents.

Major Findings: Business Environment

According to the business interview results, the top four competitive advantages of the inner city are, in order of importance:

- Access/proximity to interstate/transportation
- Workforce availability
- Productivity of workforce
- Skills of workforce

The top four competitive disadvantages are, in order of importance:

- City of Waterbury Personal Property Tax
- City of Waterbury Real Estate Tax
- Cost of Utilities
- Perception of Crime

Major Findings: Regional Economic Clusters

This project focused on three primary clusters located in the Waterbury Region, and worked to identify opportunities to link inner city businesses to these clusters.

Metal Manufacturing

The precision metal manufacturing cluster currently employs over 8,000 people, comprising around 10 percent of the regional employment. In addition, this cluster also accounts for almost 13 percent of the region's economic output, in terms of sales. This cluster sells to national and international markets, making it a true export-oriented engine of the regional economy. At a time when manufacturing employment generally has been in decline in the United States, the precision metal manufacturing sector has been adding jobs in the region, attesting to its continuing strength and importance.

Financial Services

Historically, Waterbury has been a regional center for financial services, serving as a headquarters for banks such as Webster Bank, and a regional office location for other national and local banks. With increasing merger activity and consolidation, this cluster has declined in importance. The sector remains a major employer, but now serves an

increasingly local market. Future growth may rest on the ability to capture back-office operations of financial firms, either through Information Technology Zone (ITZ) incentives, or through the ability to offer an attractive real estate and employee training package.

Health Care

The health care sector has long been an important industry in Waterbury, which contains two of the region's major hospitals. While once a dependable growth industry, the need for cost control and the ascendancy of managed care has led to a downsizing of hospitals and an upsizing of outpatient facilities and home health care services. Most recently, hospital employment in Waterbury has stabilized, and local hospitals are facing a shortage of nurses and radiology technicians. While the sources of further growth – an expanding or an aging population – are not projected to impact the Waterbury region over the next decade, this sector will remain one of the largest sources of jobs for local and regional residents.

Entrepreneurship Initiative

Developing Competitive Residents

- Job Readiness Initiatives
- Skilled Training Initiatives
- Entrepreneurial Training Initiatives

Building a Competitive City

- Brownfields Initiatives
- ITZ Site Initiatives
- Downtown Initiatives

Bridgeport's Inner City

The initiative focuses on private, for-profit business growth and job development. Because it is based on real competitive advantages and market opportunities, the strategy detailed in this report has the potential to create sustained economic growth in Bridgeport, which will also work its way into the NVC.

The Bridgeport strategic vision is based on the following three interlocking determinants of inner city competitiveness:

Building Competitive Industry Clusters

- Create a Bridgeport metal manufacturing network

Building Competitive Cities

- Improve perceptions of Bridgeport

Building Competitive Inner City Residents

- Enhance workforce development and job training

Competitive Advantages & Disadvantages

Strategic location and an available workforce were the most common competitive advantages for Bridgeport business owners.

Recommended Action

Form a cluster network to boost Bridgeport's substantial metal manufacturing base by:

- Fostering inter-firm relationships
- Improving industry competitiveness
- Upgrading skills and technology

Why Metal Manufacturing?

Metal manufacturing is a critical part of Bridgeport's economy. This cluster, made up of industries such as fabricated metals, electronic components, metal stamping, and machine tools, generates a higher share of total city revenue than any other cluster. The cluster ranks second in share of Bridgeport employment, accounting for over 6,500 jobs in 1999.

Growth in the metal manufacturing cluster can:

- Many metal manufacturing companies are located in economically distressed areas. Their presence provides proximate jobs for inner-city residents.
- These companies often participate in the revitalization of their neighborhoods and hire locally.
- New jobs due to company growth and/or retiring workers can be linked to unemployed and underemployed inner-city residents through targeted recruitment and training programs.
- Manufacturing multiplier effect: In manufacturing industries, an average of 13.6 jobs are created per \$1 million increase in sales, as compared to 8.4 jobs created per \$1 million increase in sales in other industries.

Within its metal manufacturing cluster, are the following industries: metal-cutting machine tools, fabricated metal products, current-carrying wiring devices, electronic components, and metal stamping. On a national level, two of these – fabricated metals

and electronic components – are among the highest-performing metal manufacturing industries.

Although the metal manufacturing cluster is made up of many diverse companies and industries, there are clear opportunities for interlinkages among the rest of the economy.

Full copies of the Waterbury Inner City Business Strategy and the Bridgeport Inner City Business Strategy can be accessed on the web site “You Belong In CT”.

The NVC Cluster Initiatives

Building on the Industrial Cluster

Waterbury and Bridgeport Strategies for the metal manufacturing network have expressed an interest in working with the NVC to expand the precision metals network, which would aid current small and medium sized metal manufacturers. The focus would be on workforce development, marketing, consolidated purchasing, and shared manufacturing opportunities. The cluster would be in keeping with the state’s initiative for cluster development, open funding from state and private resources, and would encourage greater cooperation among the manufacturing businesses in the NVC.

Building on the Plastics Cluster

The state in 2001, created the seventh cluster for the purpose of assisting current industries involved in plastics with research and development, vocational training or retraining of displaced workers. Industry leaders should familiarize themselves with the Emmett O’Brien School Lab, which is vital to the plastics industry’s research and development initiatives. Will aid businesses to improve their competitiveness, recognize new technologies and reduce costs, permit targeting skilled training programs.

Building on the Health Care Cluster

The Lower Valley area in conjunction with Griffin Hospital and associated health care suppliers should interface with the health care cluster initiated by the Greater Waterbury Region centered a round their major hospitals. As outlined in the job creation generation segment of the strategy report, the health care remains one of the largest sources of employment opportunities for both skilled and semi-skilled workers.

Build on Financial Services

The NVC and Waterbury specifically have been a center for financial services. Shelton is home to several financial service firms with most communities hosting a local or national bank. The area needs to market its ITZ capability, back-office opportunities access to 84 to Rt. 8 North and South, trained workforce attraction, real estate and fiber system.