

# BEYOND THE HEADLINES

At a Glance: Jobs, Workers & the Economy



SEPTEMBER 2013 | FOCUS: SEATTLE METRO AREA

## Location Quotient: What Industries Make Up the Core of Seattle's Economic Base?

### What is 'Location Quotient' and Why is it Important?

Location quotient (LQ) simply measures how concentrated a particular industry or occupation is in a geographic area relative to other geographic areas, including the nation as a whole. It highlights what is unique about an area's economy when compared to other areas. This edition of *Beyond the Headlines* takes a look at the LQ of industries in the Seattle area<sup>i</sup> to provide a picture of what makes our local economy unique compared to the rest of the nation.

According to Economic Modeling Specialists International (EMSI), industries with high LQs not only make an area's economy unique because of their relatively high concentration, but they are also typically export-oriented industries that are critical to bringing dollars into that economy.<sup>ii</sup> Industries which have both a high LQ and relatively high total job numbers are those that can be said to form an area's economic base.<sup>iii</sup>

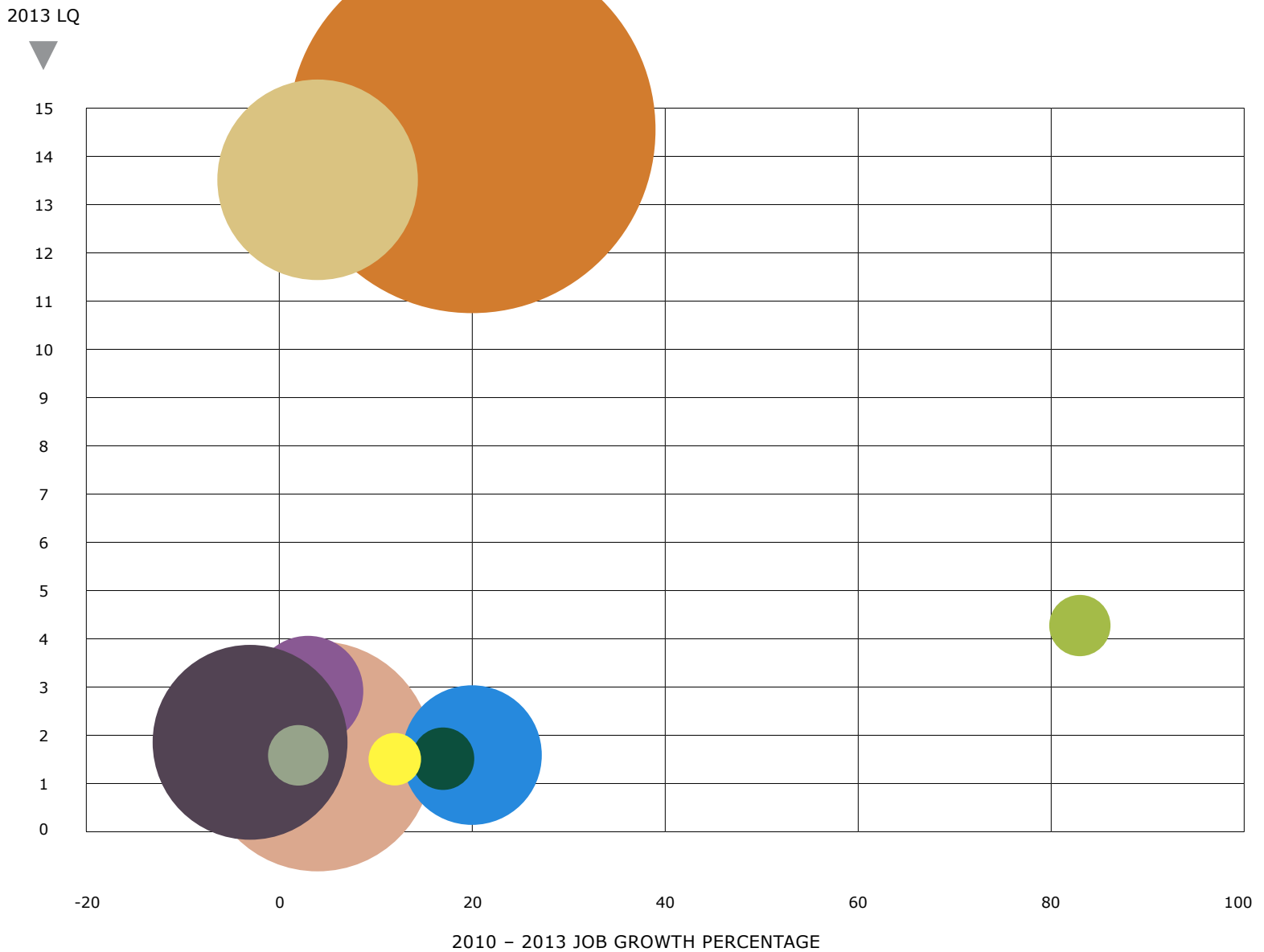
### Seattle Industry Location Quotients

In the chart below, we show the ten industries<sup>iv</sup> in Seattle with the highest LQs in 2013 that also had a minimum of 10,000 jobs. An industry with a LQ of 1.0 means it is equally concentrated in Seattle as it is in the nation as a whole. This means that an industry such as *Outpatient Care Centers*, with an LQ of 1.51, is one-and-a-half times as concentrated in Seattle as it is in the nation, while the *Aerospace Product & Parts Manufacturing* industry (LQ = 14.56) is *nearly 15 times* as concentrated here.

The chart also portrays the relative size (by total number of jobs in 2013) of each high LQ Seattle industry, represented by the size of each industry "bubble". Industries providing large numbers of jobs coupled with high LQs – led by *Aerospace Product & Parts Manufacturing* along with *Software Publishers* – represent the most vital components of Seattle's economic base.

Finally, the chart illustrates the recent performance of each high LQ Seattle industry in terms of job growth over the past three years. This sheds some light on which of these industries – exemplified by *Electronic Shopping & Mail-Order Houses* – are increasing in relative strength and consequently may have an increasing demand for workers.

## Seattle Industry Location Quotients



### COLOR KEY & CHART DATA

	INDUSTRY	2013 JOBS	2013 LQ	2010-13 JOB GROWTH %
●	Aerospace Product & Parts Manufacturing	95,107	14.56	20%
●	Software Publishers	51,955	13.52	4%
●	Electronic Shopping & Mail-Order Houses	15,883	4.28	83%
●	Private Households	28,670	2.92	3%
●	Federal Government, Military	50,489	1.86	-3%

	INDUSTRY	2013 JOBS	2013 LQ	2010-13 JOB GROWTH %
●	Building Finishing Contractors	15,684	1.74	2%
●	Computer Systems Design & Related Services	36,171	1.58	20%
●	Education & Hospitals (State Government)	59,622	1.57	4%
●	Community Care Facilities for the Elderly	16,177	1.52	17%
●	Outpatient Care Centers	13,604	1.51	12%

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- i. Seattle-Tacoma-Bellevue Metropolitan Statistical Area, which includes King, Pierce and Snohomish counties.
  - ii. Economic Modeling Specialists International (EMSI) Resource Library document: "Understanding Location Quotient". See <http://www.economicmodeling.com/2011/10/14/understanding-location-quotient-2/>
  - iii. *Ibid.*
  - iv. Industries are described here at the four-digit NAICS Code level.

**BEYOND THE HEADLINES:** Policy & Labor Market Updates for Those Working to Help Low-Income and Low-Skill Individuals Advance through Education, Training & Living-Wage Jobs

### **About Seattle Jobs Initiative**

Seattle Jobs Initiative creates opportunities for students, workers and business to succeed by helping education and job training programs meet the demands of a new economy. We find and apply solutions for people to gain the skills they need for good jobs that create prosperity for all in today's marketplace.

***Supported by the City of Seattle Office of Economic Development***

### **Contact Information**

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