

# purpose of analysis

This snapshot has been prepared to review components integral to the City of Huntsville's economy. A diverse group of indicators were collected and analyzed in order to gain an accurate picture of the health of the local economic base for the City.

While understanding the quantitative components of the City's economic dynamics is important, it is also valuable to note that the business climate and the actions of the local government are inextricably linked. It is crucial not to forget that qualitative issues do translate into hard dollar cost items for all segments of a community -- businesses, residents, government -- as well.

Key economic factors have been reviewed for the City of Huntsville, and compared to the nation where appropriate, through four sections in this document.

**Workers:** Information on labor force and employee characteristics, commuting patterns, educational attainment, and age distribution is provided.

**Jobs:** Characteristics on current employment, employment trends, industry sectors, occupations, employers, and business size are profiled.

**Money:** Data related to income [sources, household, poverty] and earnings [by jobs and sectors] is reviewed.

**Major Findings:** Summary of trends and issues for the City of Huntsville.

The data analyzed in this document is from a variety of sources, including: US Census Bureau, US Bureau of Labor Statistics, US Bureau of Economic Analysis, Claritas, and City of Huntsville.

# workers

## Labor Force<sup>1</sup> & Employees

The City of Huntsville's resident labor force totals approximately 118,100, equaling about 63% of the City's total population. The labor force accounted for 64% of the Huntsville MSA's population. By comparison, the nation's labor force accounted for 62% of its total population. These proportions are essentially on par with each other, demonstrating Huntsville's population age range constitutes a solid local workforce for a community of Huntsville's size.

However, as is common in this day and age, people who live in Huntsville do not necessarily work in Huntsville. There is no question that the City of Huntsville is the job center of the region, so many non-resident workers commute into the City every day. There are approximately 178,900 employees in the City of Huntsville.<sup>2</sup>

There are approximately 70,000 people that both live and work in the City of Huntsville. For residents, approximately 60% of residents work inside the City and 40% of residents work outside the City. For workers, approximately 40% of workers live inside the City and 60% live outside the City.

## Commuting Patterns

### Residents' Commutes

As in many communities across the nation, the vast majority (85%) of Huntsville residents drive alone to work. Approximately three percent of Huntsville residents worked from

<sup>1</sup> Labor force is defined here as all persons between 18 and 65 years of age that live in the jurisdiction. This effectively excludes the elderly and children. However, these parameters should be considered conservative, as many more retirees are remaining active in the workforce.

<sup>2</sup> Source: City of Huntsville, Claritas, Market + Main, Inc.

home. Not surprisingly, very few took public transportation or cycled or walked to work, but seven percent did carpool.

Most City of Huntsville residents had commute times of 30 minutes or less. A solid proportion (36%) commute less than 15 minutes, and nearly half (48%) commute between 15 and 30 minutes. About 12% of residents had commute times between 30 and 45 minutes; only four percent have commute times longer than 45 minutes. The average commute time is 20.1 minutes for residents of Huntsville, which is lower than the national average of 27.9 minutes.

### **Workers' Commutes**

For residents that both live and work in Huntsville, most commutes (69%) are a distance of 10 miles or less. For workers that live outside of Huntsville, nearly half (47%) commute less than 10 miles and approximately 28% commute between 10 and 24 miles. There is also a notable proportion (14%) that commute a distance of greater than 50 miles. About half of workers that live outside of the City of Huntsville commute from nearby cities located in Madison and Limestone counties; the other half are in smaller towns and areas mostly located in Alabama. As mentioned previously, most residents work within the City, for those that work outside the City, approximately 15% work in nearby cities or areas of Madison or Limestone counties. Another 15% of residents work in distant locations, which represent workers that likely telecommute or travel to clients or corporate headquarters.

## Educational Attainment

The City of Huntsville has a highly educated resident population as compared to the nation. Huntsville has fewer residents with less than a high school education and more with a college education. Approximately 11% of Huntsville residents have less than a high school level of education, with only three percent having less than a ninth grade education. Nationally, 14% have less than a high school education, with six percent having less than a ninth grade education.

Those with some college but no degree account for 24% of the population in Huntsville. For the U.S. as a whole, the figure is 21%. Those with some type of college degree -- Associates through Doctorate -- make up approximately 44% of Huntsville's population, but only 36% of the nation's; Huntsville's proportion of college graduates is higher than the national average.

In terms of workers, Huntsville's educational attainment is quite high. Approximately 54% of Huntsville's workers have a Bachelor's or more advanced college degree. About 13% of Huntsville's workers have a high school diploma with no college; while about 17% have some college education or an Associate's degree. Slightly less than 4% of Huntsville's workforce has less than a high school education.<sup>3</sup>

## Age Distribution

The City of Huntsville is essentially on par with the national average (38.5 years), with an average age of 39.2 years in the City. The proportion of residents under age 18 (21%)

<sup>3</sup> For the remaining 13% of workers, educational attainment data is not available.

is slightly lower than the national proportion (23%). The other contributing factor for a moderately aged population is the proportion of older folks, with 16% of Huntsville's residents aged over 65 years, which is slightly higher than the national average (14%).

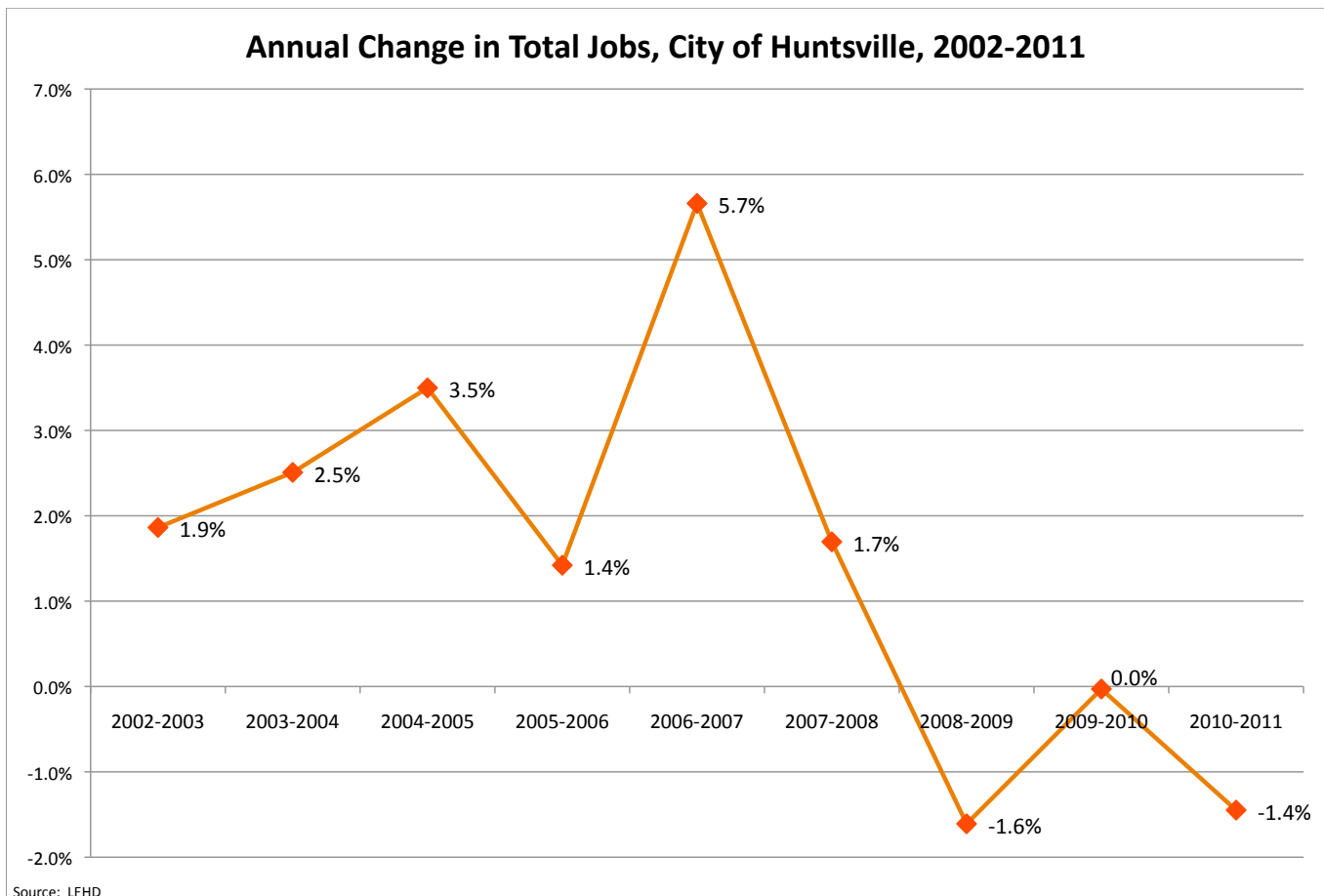
In terms of workforce, the bulk of Huntsville's workers (59%) are between 30 and 54 years of age. About 24% of workers are aged less than 29 years and 18% of people that work in Huntsville are aged 55 years or older.

# jobs

## Total Employment

The total daytime population, or employees, for Huntsville is approximately 178,900.<sup>4</sup> Employment in Huntsville has grown steadily and significantly over the last decade. Historical data on employment is available from different sourcing that, unfortunately, has a lag time due to reporting guidelines. It is valuable to consider what has been happening in the City over the last several years, even with the gap in timeline from current year.

Jobs grew steadily between 2002 and 2008 in Huntsville, with a total growth of approximately 18%. The chart below demonstrates year-over-year change to show annual fluctuations, reflecting mostly stable incremental increases.



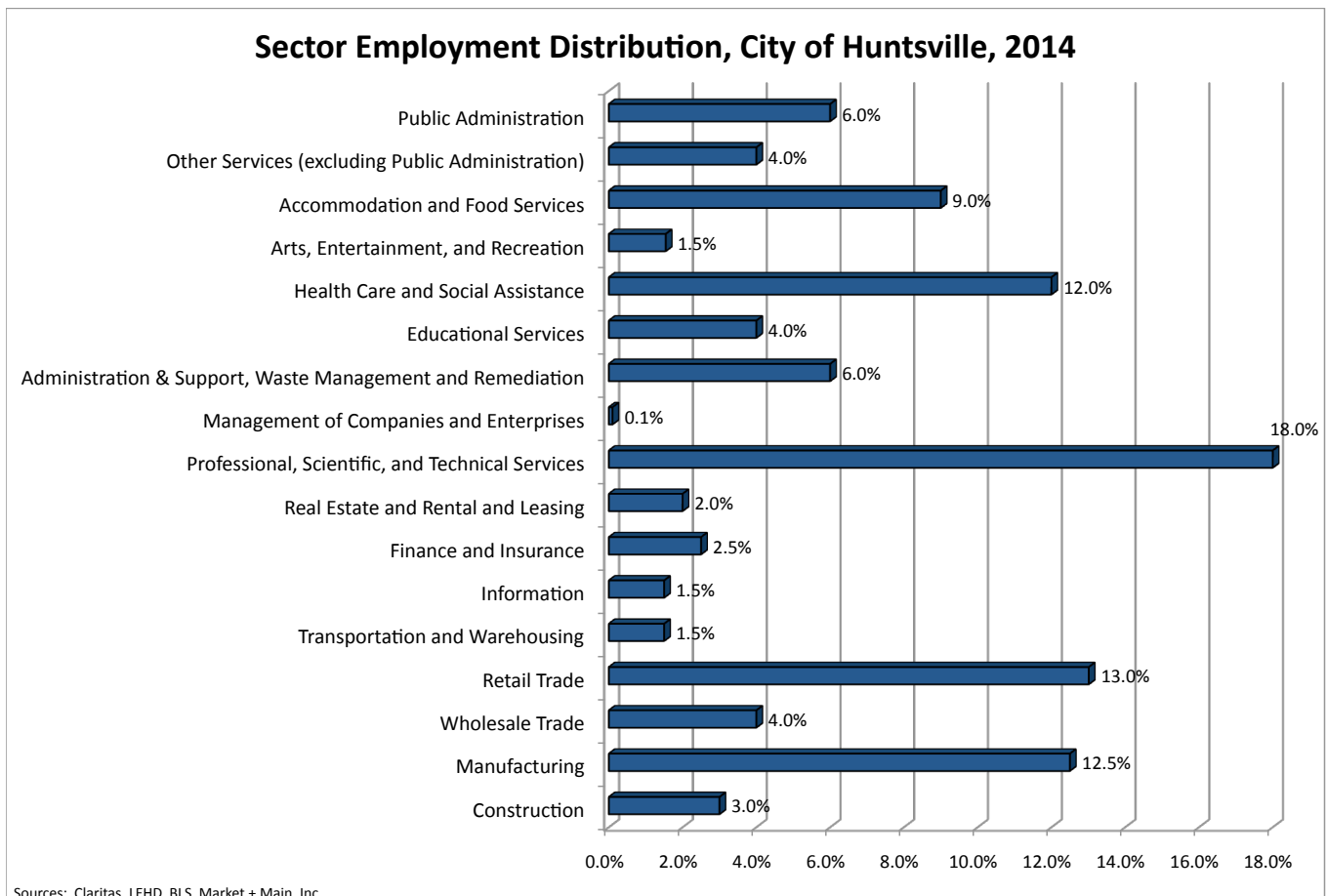
<sup>4</sup> Source: City of Huntsville, Claritas, Market + Main, Inc.

There have been slight losses between 2008 and 2011, an approximately three percent decline, but at significantly lower rates than the rest of the country.

## Sector Employment

### Local Sector Employment

While overall employment numbers are an important economic and social indicator, the types and nature of jobs vary greatly between different regions, and also within regional economies. The following chart gives a breakdown of employment by category within the City of Huntsville.



The largest proportion of jobs is in the Professional, Scientific, and Technical Services sector (18%). The next-largest job sectors are Retail Trade (13%) and Manufacturing (13%). The Health Care and Social Assistance sector accounts for 12% of total employment. Together, these sectors comprise approximately 55% of all jobs in the City.<sup>5</sup>

Professional Services, Manufacturing, and Health Care Services are generally higher-paying, higher-skill jobs, while Retail Trade are generally lower-paying, lower-skill jobs. In the City of Huntsville, Professional Services are comprised mostly of engineering and computer systems design jobs. The Manufacturing sector's details are not available (suppressed due to the large proportion of government-related work) but it is identifiable that this sector is dominated by value-added jobs. Health Care Services are mostly ambulatory and hospital jobs in the City.<sup>5</sup>

In addition to the four largest employment sectors, there are three sectors that each provide between five and ten percent of jobs, and 10 other sectors provide less than five percent of jobs each. However, given how the statistics are reported, there are eight sectors delineated that, taken together, really make up a "super sector" of Services. When taking these eight sectors together, it points to Services essentially functioning as the largest employment type, with about 57% of the jobs in Huntsville.

Services historically has been a "mixed bag" when it comes to jobs, including restaurant workers to doctors to garbage collectors to teachers to amusement park operators. These sub-sectors are now delineated individually in most data sources as stand-alone sectors to gain a better understanding of a local economy's working parts, as demonstrated in the preceding chart.

## Sector Employment Comparison

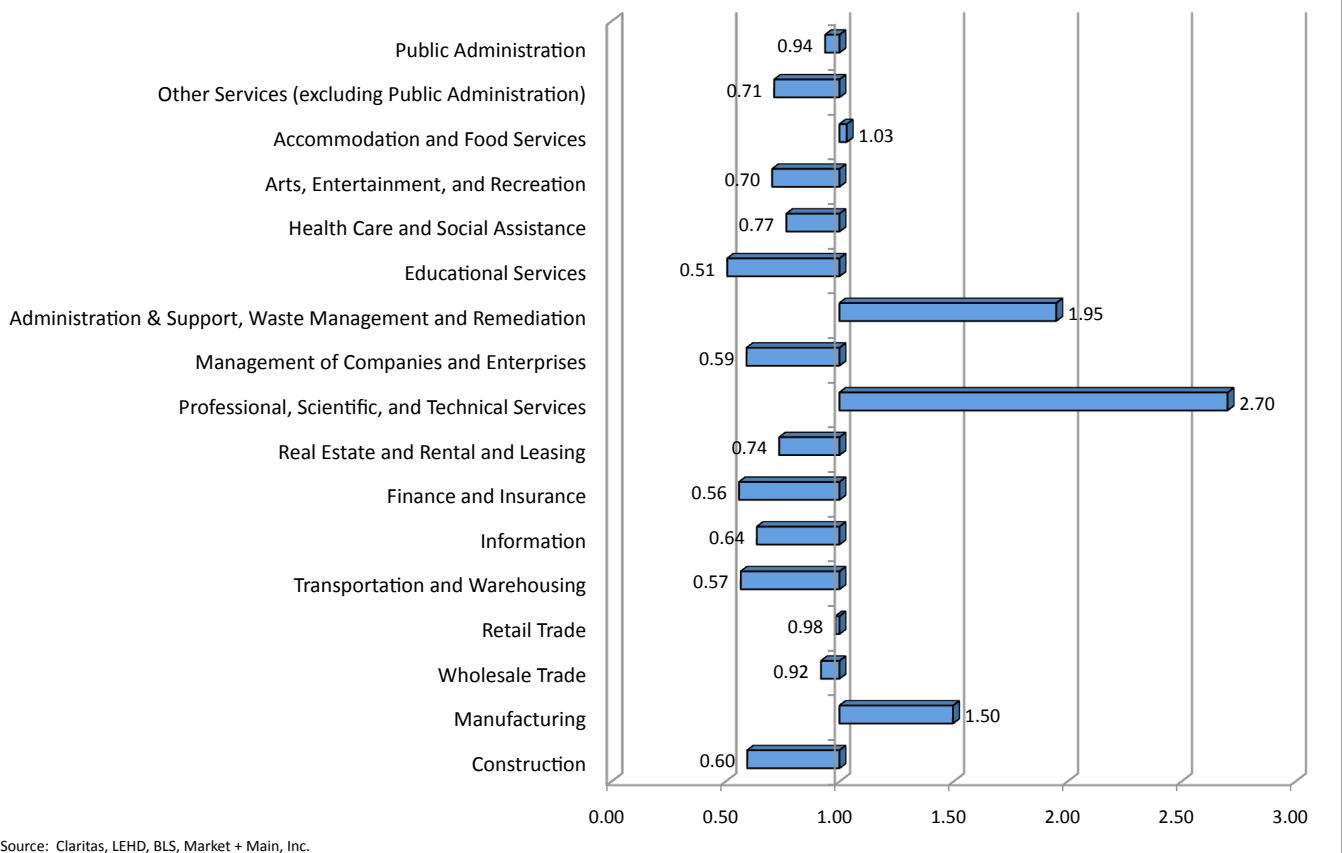
Location quotients<sup>6</sup> demonstrate concentrations in the local economic base in comparison to the nation as a whole, as depicted in the chart on the next page. Huntsville has significantly higher proportions of employment in three employment sectors: Professional, Science, and Technical Services; Administrative and Support Services; and Manufacturing. There are four employment sectors that are essentially on par with the national proportions of employment: Food Services & Accommodations; Retail Trade; Public Administration; and Wholesale Trade. The remaining 10 sectors are all below the national proportions of employment.

<sup>5</sup> Source: US Bureau of Labor Statistics

<sup>6</sup> Location quotients compare the local employment contribution of any given sector to its contribution nationally. A location quotient of 1.0 indicates that sector is providing the same percentage of employment locally and nationally. Above or below 1.0 means the industry is larger or smaller than the national average, respectively.



### Employment Location Quotients, City of Huntsville, 2014



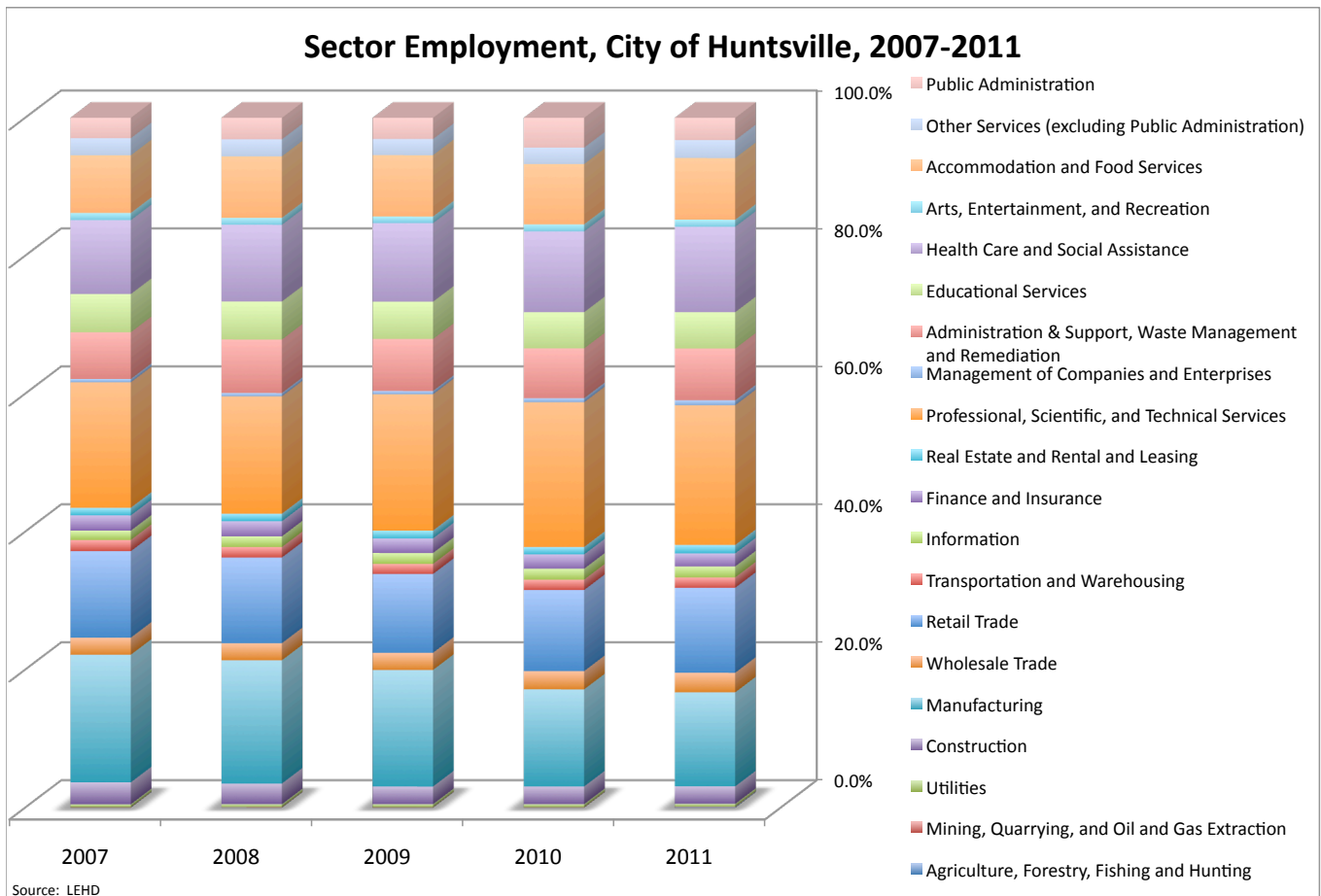
The Educational Services sector, Finance and Insurance sector, Transportation and Warehousing sector, and Management of Companies and Enterprises sector are under-represented when compared to the nation.

### Sector Employment Trends

The following chart illustrates the sector employment trends in the City of Huntsville

between 2007 and 2011. Over the years considered, most of the sectors have remained relatively stable in terms of proportion in the local economy.

The largest gains were in the Agriculture (202%) and Management (44%) sectors. The Agriculture employment increases were primarily due to annexation, but the Management of Companies increase is due to the increase in firms and jobs that manage other companies. The other sectors with double-digit gains during this five-year period were: Information (17%), Health Care Services (14%), and Wholesale Trade (13%); all generally high-paying sectors.



Between 2007 and 2011, the following sectors declined by double-digits, in terms of proportionate share of employment: Manufacturing (-27%); Construction (-21%); Finance & Insurance (-16%); and Mining/Quarry (-16%).

## Occupations

The largest occupational categories for workers in the City of Huntsville are:

- Office and Administrative Support (14%);
- Sales and Sales Related (12%); and
- Management (9%).

Only a few other occupations constitute more than five percent of total employment each, including: Food Preparation/Serving; Production; Transportation/Moving; and Health Practitioner/Technician.

## Largest Employers

The largest employers in Huntsville/Madison County are listed below.

Employer	Jobs
U.S. Army/Redstone Arsenal	31,500
Huntsville Hospital System	7,129
NASA/Marshall Space Flight Center	6,000
Huntsville City Schools	3,079
The Boeing Company	2,600
Madison County Schools	2,389
SAIC	2,229
City of Huntsville	2,206

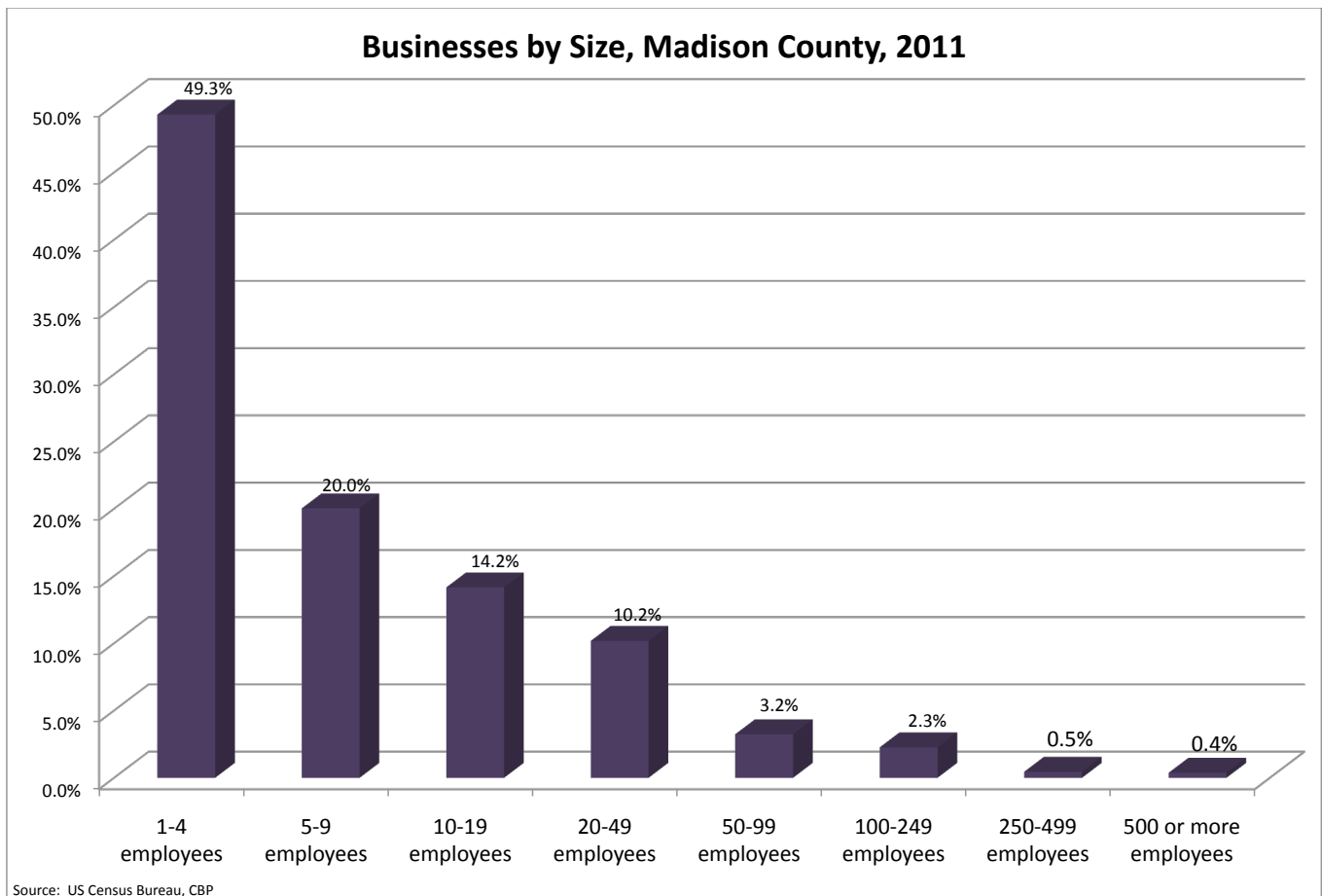
<b>Employer</b>	<b>Jobs</b>
ADTRAN, Inc.	1,740
UAHuntsville	1,675
CINRAM, Inc.	1,450
Sanmina-SCI Corporation	1,365
Qualitest	1,350
Intergraph Corporation	1,325
Madison County Commission	1,242
Northrop Grumman Corporation	1,238
Verizon Wireless	1,200
Wyle CAS Group	1,156
Lockheed Martin Corporation	1,150
Toyota Motor Manufacturing Alabama, Inc.	1,150
Madison City Schools	976
Teledyne Brown Engineering	900
DirecTV	858
Science & Engineering Services, LLC	825
Crestwood Medical Center	822
Yulista Management Services, Inc.	800

Source: Chamber of Commerce of Huntsville/Madison County, July 2013.

## Business Size<sup>7</sup>

### Businesses by Employee Size

The bulk of Madison County's employers are small businesses. Approximately 69% of area businesses employ fewer than 10 people, with approximately 49% of those businesses employing fewer than five people. Further, for the most part, as number of employees/size of business increases, the total number of businesses decreases. This can clearly be seen graphically in the chart below.

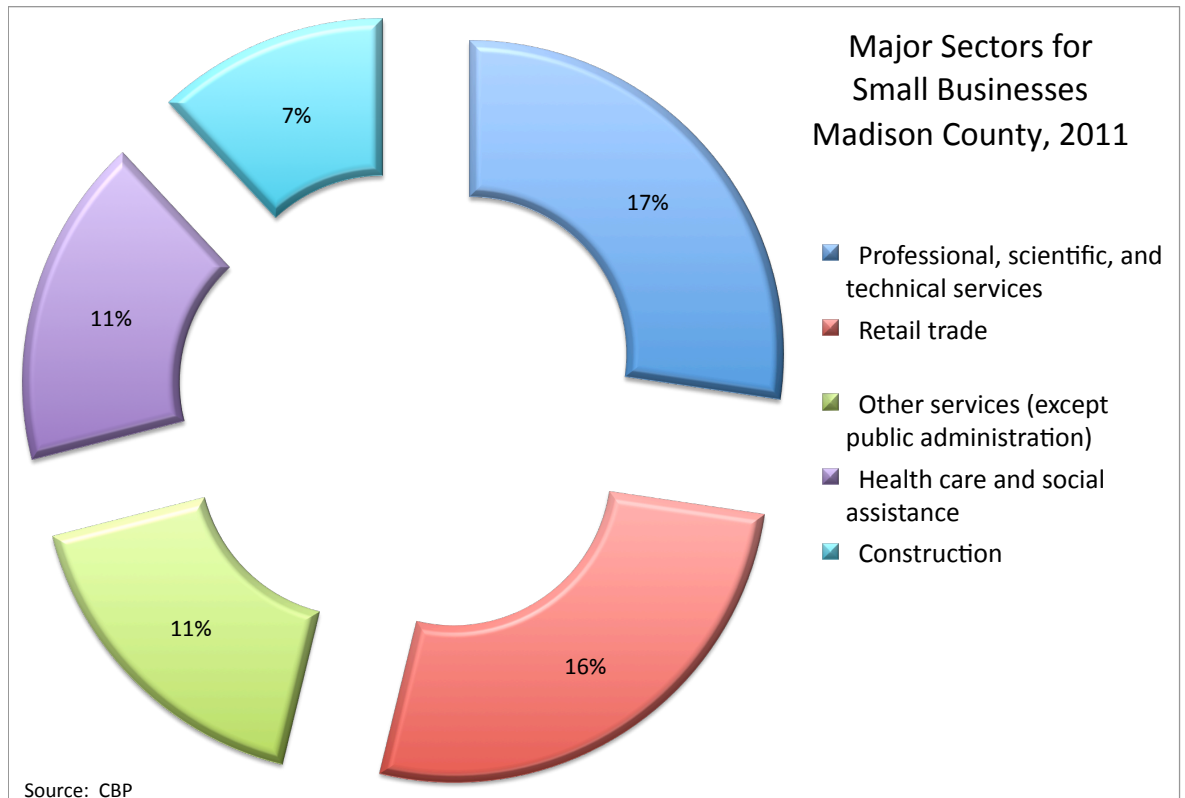


<sup>7</sup> There is a limitation to data accessibility in relation to business size, which is only available at the county level or higher, no geographies smaller in size are available. This data source also has a lag in timing of data reporting and assembly.

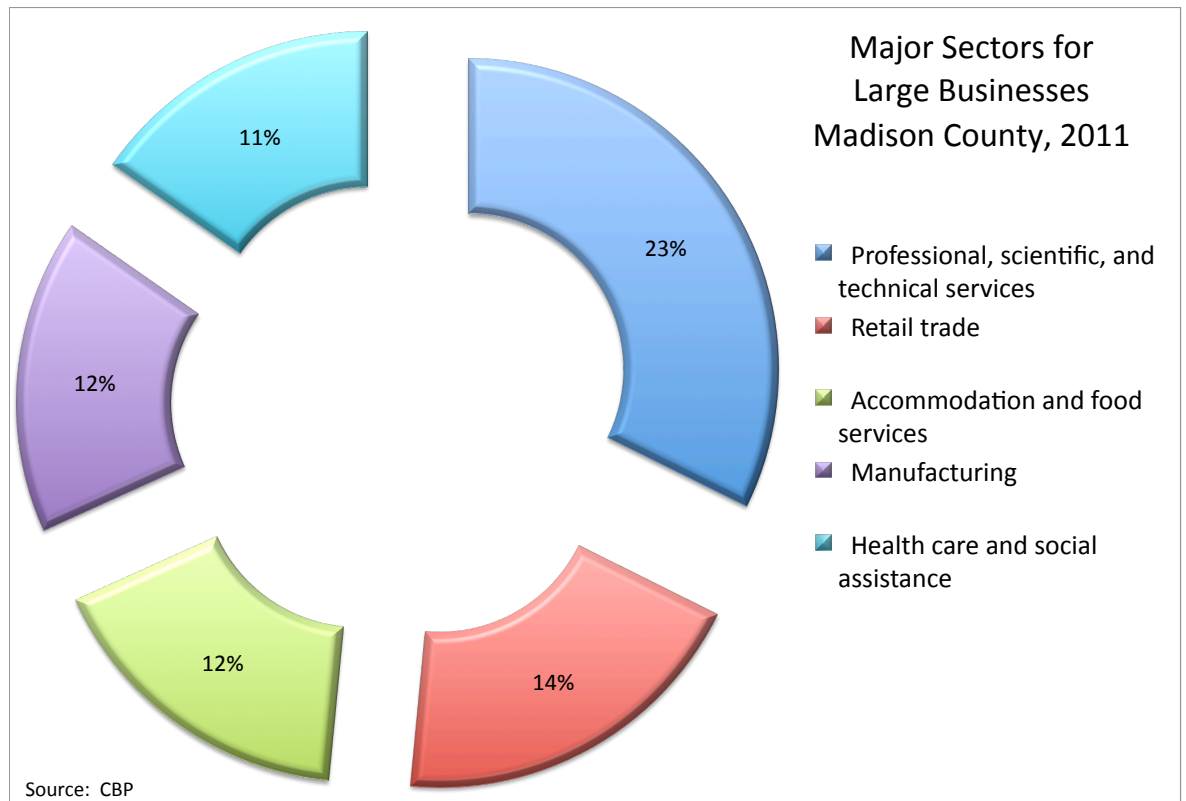
Approximately six percent of area businesses employ more than 50 people; of which, approximately three percent of Madison County's businesses employ more than 100 people.

### Businesses by Size & Sector

The major sectors for Madison County's small businesses (less than 10 employees) are shown in the chart below.



The major sectors for Madison County's large businesses (more than 50 employees) are shown in the chart below.



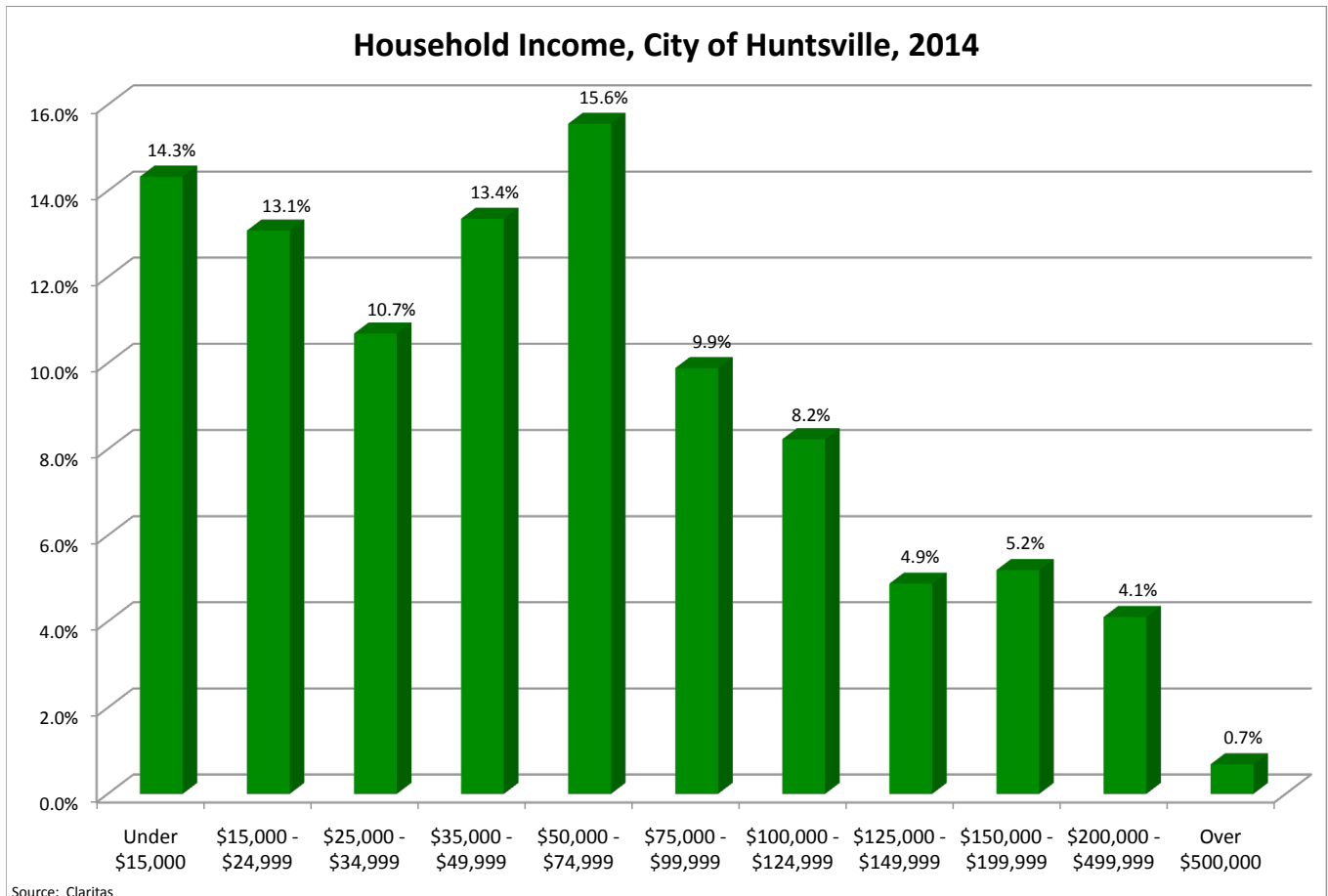
In Madison County, small and large businesses share three major employment sectors in common: Professional, Science, and Technical Services; Retail Trade; and Health Care Services. The Other Services and Construction sectors are the other major employment sectors for small businesses, while the Food Services and Manufacturing sectors are the others for large businesses.

# money

## Income

### Household Income

Household income levels represent all the sources of income for residents of Huntsville, not workers. The average household income in the City of Huntsville is on par with the national average. Huntsville's average household income is approximately \$71,000 annually; this is 99.6% of the national average. Huntsville's average is much higher than the State of Alabama average household income of \$58,620, which is only 82% of the national average.





Approximately 23% of Huntsville households have incomes at or above \$100,000, as shown in preceding chart. Another 26% have incomes between \$50,000 and \$100,000. Approximately 27% of Huntsville households have incomes less than \$25,000.

### Sources of Income<sup>8</sup>

Earnings provide the most significant proportion of income for households in Huntsville (78%). Approximately 28% of Huntsville households receive Social Security at some level and another 22% receive other retirement income sort. About 13% of households in the City receive some sort of public assistance.

### Poverty Levels<sup>9</sup>

The level of poverty for City of Huntsville's residents is slightly higher than the national average (11%), but lower than the Alabama average (15%). Families at or below the poverty level account for approximately 13% of all households in the City.

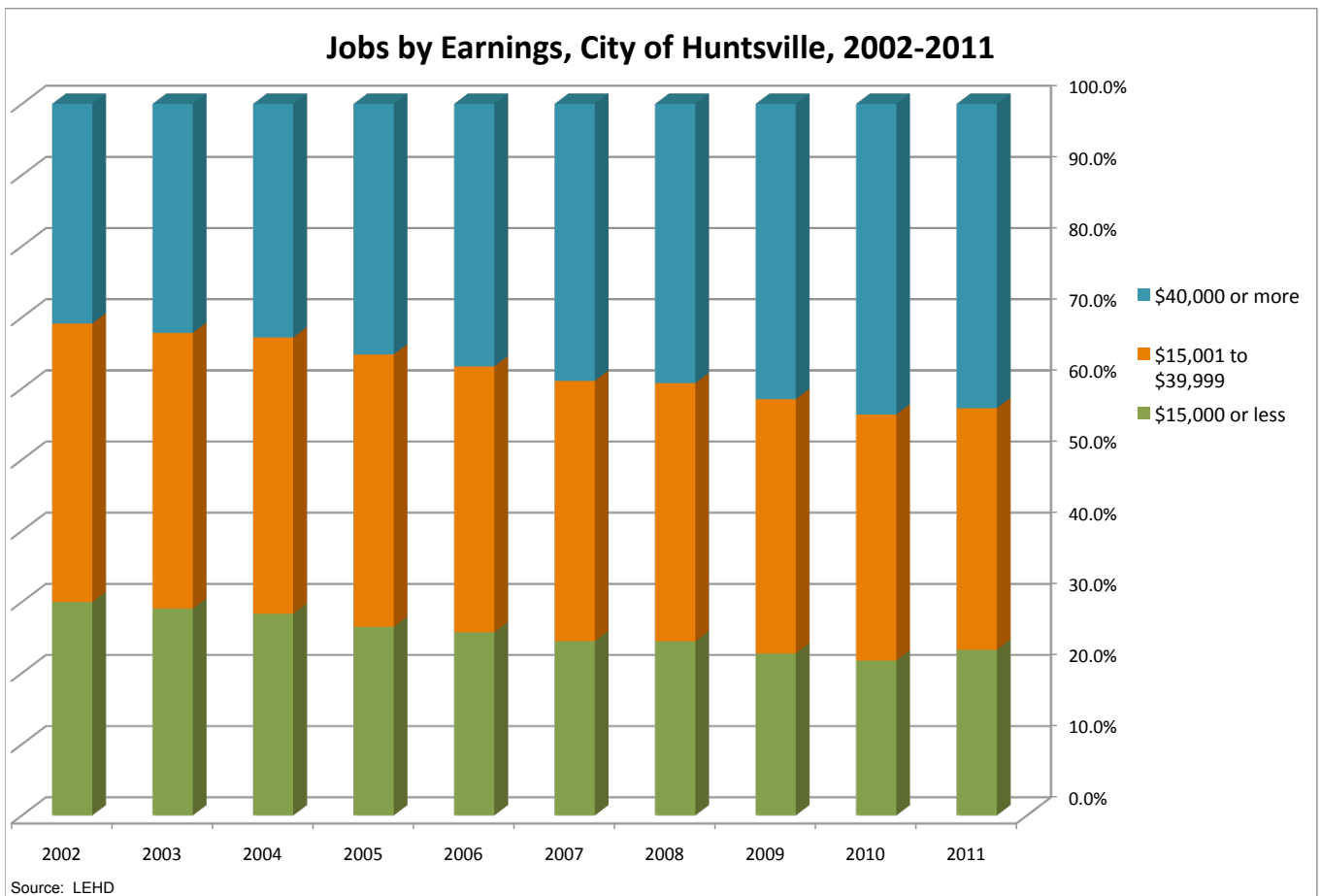
## Earnings

### Earnings by Jobs

Earnings represent the job-related income for workers in Huntsville, not residents. The detail available for worker-related data is limited. It also suffers from lag time due to reporting guidelines, but it is still worthwhile to examine. In the City of Huntsville, the high-earnings category (\$40,000 or more) is the largest proportion (43%). The mid-earnings level (\$15,001 to \$39,999) accounts for 34% and the low-earnings level (\$15,000 or less) is the smallest proportion, at 23%.

<sup>8</sup> Source: US Census Bureau

<sup>9</sup> The poverty rate for a family of four in 2014 is defined at an income of \$23,850 annually.



### Earnings by Sector

While the average earnings for an area can convey a great deal about overall economic health, sector earnings provide a better sense of the inner workings of the local economy.

The highest paying and lowest paying sectors for Madison County are shown in the following table.

**EARNINGS BY SECTOR, MADISON COUNTY, 2012**

<b>Highest-Paying Sectors</b>	<b>Avg Annual Earnings</b>		<b>Lowest-Paying Sectors</b>	<b>Avg Annual Earnings</b>
Prof, Science & Tech Services	\$86,200		Retail Trade	\$25,900
Management of Co's	\$81,000		Arts, Entertain & Rec	\$17,300
Manufacturing	\$63,500		Food Services & Accom	\$14,800
Finance & Insurance	\$61,300			

Source: US Bureau of Labor Statistics

There is no question that the Redstone Arsenal is a primary driver of the greater Huntsville economy, through both direct employment and government contracts. However, it might be unexpected the depth of the impact on earnings across multiple employment sectors that are not a direct link to Redstone. The table below shows the difference in earnings when including federal government-related jobs compared to considering private sector or local government only for Madison County.

**FEDERAL GOVERNMENT IMPACT ON EARNINGS, MADISON COUNTY, 2012**

<b>Sector</b>	<b>Increase</b>
Admin & Support Services	62%
Public Administration	44%

<b>Sector</b>	<b>Increase</b>
Educational Services	35%
Transportation & Utilities	24%
Arts, Entertain., and Rec.	23%
Retail Trade	19%
Food Services & Accommodations	15%
Finance & Insurance	5%

Source: US Bureau of Labor Statistics

The impact on earnings is notable enough that the average for individual sector earnings change slightly when including or excluding federal government jobs. The two lists that follow show which employment sectors have earnings above the national average, when including federal government jobs and when excluding.

Including Federal Government:

1. Admin & Support Svcs
2. Public Administration
3. Retail Trade
4. Manufacturing
5. Health Care Services

Excluding Federal Government:

1. Health Care Services
2. Manufacturing
3. Prof, Science & Tech Services

As seen in the lists above, there are two sectors that have earnings higher than the national average with or without federal government jobs: Health Care Services and Manufacturing.

# major findings

As with any community, the results and conclusions of this Economic Base Analysis are mixed for the City of Huntsville. Since community capacity and business climate are really the accumulated sum of numerous individual factors, any individual shortcomings can result in a negative perception of the community. Conversely, strengths and assets can be leveraged to establish a positive reality, and thus, project a more positive image of the community.

POSITIVE	NEGATIVE
Anchor of regional economy	Only 40% of workers live inside City
Steady growth in jobs	Small job loss during Recession
Strong proportion of jobs in higher-paying, higher skill jobs	Two of largest sectors in lower-paying, lower-skill jobs
Majority of small-sized employers	Small-sized businesses not growing as fast as national rate
Resident average household income on par with national average	Resident households of families at or below poverty level is above national average
Impressive growth in higher-paying jobs	Loss of mid- and lower-paying jobs
Federal government impact on sector employment & wages is positive	Federal government impact on sector employment & wages is deep

Overall, the City of Huntsville has strong positives in relation to workforce, types of jobs, and business size. However, there are notable negatives in relation to economic base

diversification and residents both living and working in City.

The decision before Huntsville now in terms of economic base viability and vitality is essentially about the type of community that is desired. Huntsville is likely to remain the economic engine of the greater region, particularly with Redstone Arsenal as an incredible and unique driver and asset. However, there are some early indicators in the statistics reviewed here that the City of Huntsville is perhaps not capturing and leveraging its assets to the full benefits of all residents, and is supporting many more in the surrounding region. While this is a natural dynamic for the center of any regional economy, the goal would be to ensure that the City of Huntsville is capturing as much economic impact locally as feasible.

Huntsville can purposefully move towards a more diversified local economy enabling people to both live and work in the City. This would need to be pursued through sector diversification, job type/wage diversification, and the expansion and enhancement of locational amenities. Huntsville has been and is performing relatively well in today's economy, but positioning for tomorrow's economy in this global environment is truly the next step for City leadership for meaningful community and economic development.