

# **Industry Sector Analysis**

## **Growth, Core, and Competitive-Advantage Industries**



## **Kalamazoo-St. Joseph-Calhoun**

Barry, Branch, Calhoun, Kalamazoo, and St. Joseph Counties

**A Regional Profile  
Prepared by:**

**Michigan Department of Labor & Economic Growth  
Bureau of Labor Market Information and Strategic Initiatives**

## Introduction

Information is a key to the creation of a 21<sup>st</sup> century workforce. Developing a successful regional strategy requires a clear understanding of the scope of the regional economy, as well as the ability to identify key industries or clusters of industries with real significance to the regional economy.

The Bureau of Labor Market Information & Strategic Initiatives within the Department of Labor & Economic Growth produces a substantial volume of data on local economies and regional labor markets. This profile provides information on current labor market economic indicators and key industries for the local region.

### Current Labor Market Indicators and Industry Job Trends

Page 4 of the profile presents information on **Current Labor Market Indicators**. This table compares regional performance with state and national trends and includes the current jobless rate, per capita income, and the average weekly wage for private sector industries. The rate of change is calculated over the past two years for population and labor force as well as the growth rate for private industry jobs. Also provided in the table is the expected ten-year forecast growth rate for jobs in all industries. These indicators provide some of the necessary information to evaluate the overall performance of the regional economy as it compares to the state and national economy.

**Industry Job Trends** on Page 5 is a chart containing the two-year growth rate in employment for several major industry sectors. This allows a comparison of the pace of local job gains with Michigan, and quickly identifies local industry sectors with recent job gains or losses. **Industry Job Distribution**, a chart on Page 6, presents the percent distribution of jobs in each of the major industry sectors. This is important because the share of jobs by industry is a key determinant of overall income in a region. Large shares of jobs in high wage sectors will produce an above average income stream for a region. Additionally, these shares help demonstrate the diversity of a regional economy. The chart gives a quick identification of local industries with job shares above or below statewide averages.

### Profile of Regional Industries

Various regional and national indicators were used to sort the local area's detailed industries into five distinct categories: growth, declining, core, developing, and competitive-advantage industries. A description of each element follows.

The table of **Growth Industries** presents regional industries with faster than average employment gains since 2004. The **Declining Industries** table lists regional industries with declining employment.

**Core Industries** identify industries with a higher share of jobs in the local economy than the same industry produces in the national economy. If a region has a greater than average share of jobs in a given industry, that industry may be a core sector because it is generating jobs above and beyond what is typically needed to support local needs. This makes a core industry important because it is often a base industry that brings income from outside the region, thus generating additional local jobs throughout other sectors. A core industry can also form the basis for a regional industry cluster, as suppliers and other

support service firms locate in the region because of its presence. One should note that a core industry does not necessarily record job growth. Although employment growth is an important variable to look at, regional strategies can be built around an industry of critical local importance, even if recent job trends have not been positive.

**Developing Industries** are defined as industries whose regional share of jobs is advancing faster than the average for that industry nationally. In other words, these industries locally are outpacing the nation in terms of job growth. A developing industry may represent an emerging sector with potential steady gains in regional importance.

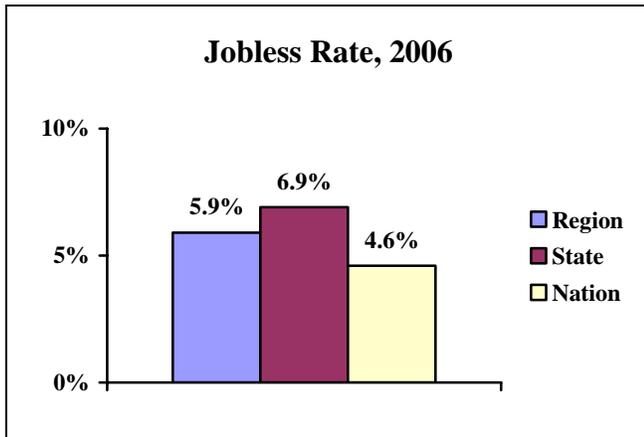
**Competitive-Advantage Industries** are especially attractive because they rank high in several important variables beneficial to the regional economy and its workforce. They have a high combined rank in wage, employment size, employment growth and competitive employment performance. The importance of competitive-advantage industries is clear; they represent a combination of good economic indicators; are likely to have a local employment performance above what would be expected from national trends, supply some jobs with positive wages, provide a reasonably high number of jobs locally, and may have a good growth trend.

For further information on the Kalamazoo-St. Joseph-Calhoun Region, please contact:

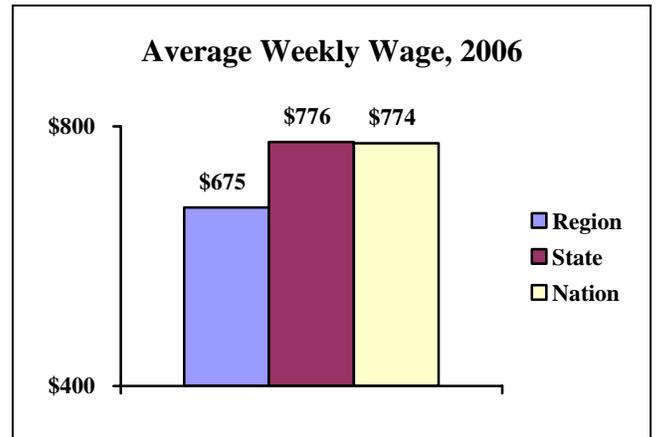
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**CURRENT LABOR MARKET INDICATORS**

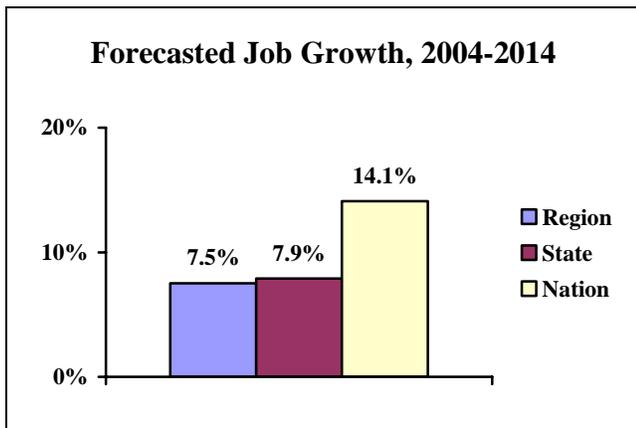
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
<b>Region</b>	0.0%	+1.7%	-1.1%	5.9%	\$675	\$28,940	+7.5%
<b>State</b>	0.0%	+0.6%	-1.2%	6.9%	\$776	\$32,079	+7.9%
<b>Nation</b>	+2.0%	+2.7%	+4.0%	4.6%	\$774	\$33,050	+14.1%



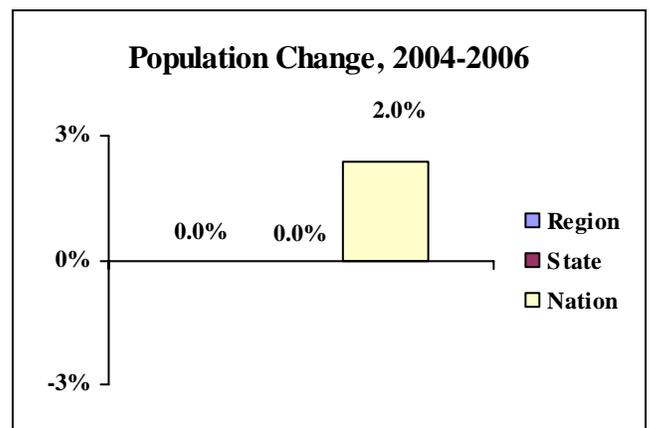
The region’s jobless rate was higher than the national average, but lower than the statewide rate, mostly due to above state average employment growth in transportation and warehousing, wholesale trade, educational services, finance, and others. Also, job cuts in manufacturing were less dramatic locally than statewide (-3.8% in Kalamazoo vs. -5.8%).



The region’s average weekly wages were \$100 (13 percent) below the state and national averages in 2006. High wages in manufacturing and health care were moderated by low wages in retail trade and accommodation and food services.

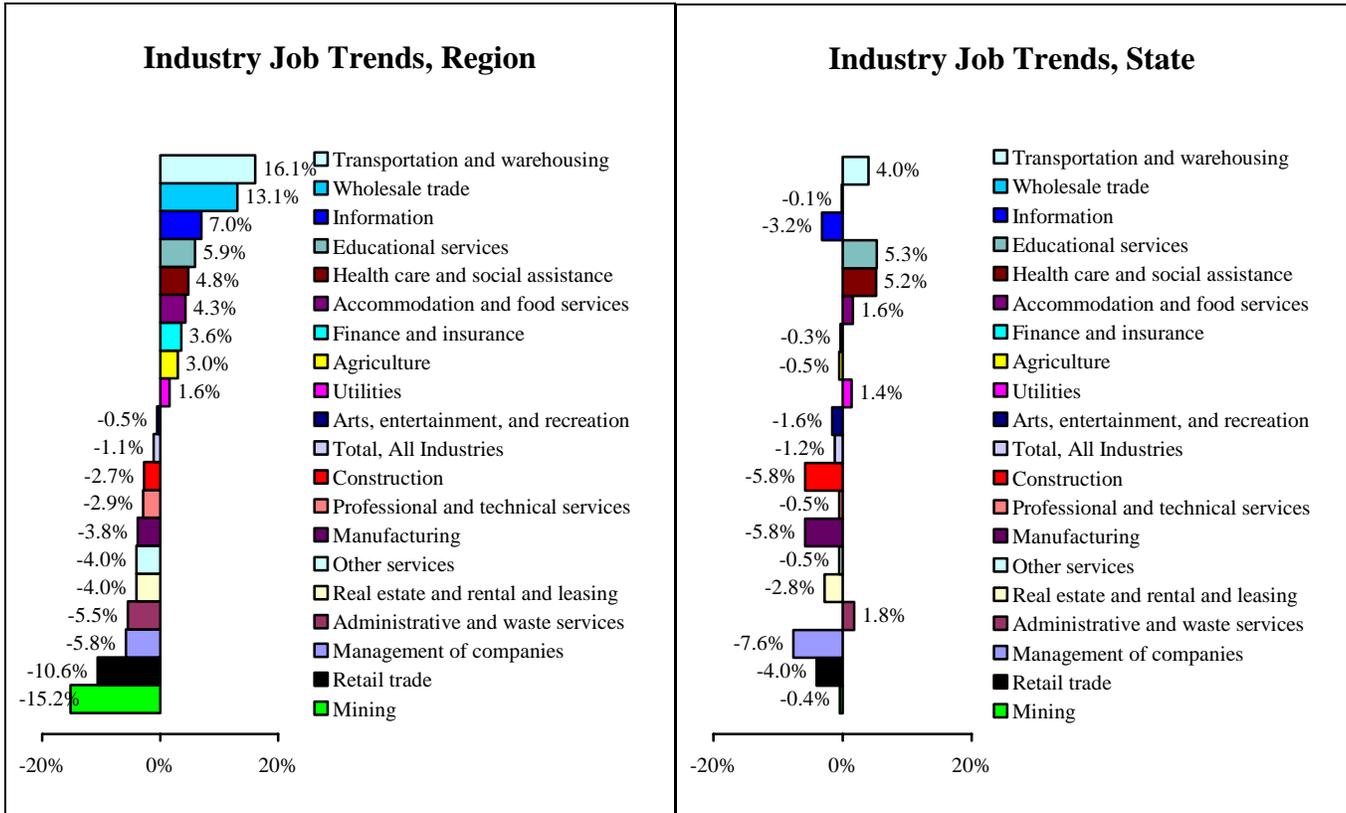


Regional industry jobs are expected to grow close to statewide growth rate. Above average growth is expected in administrative and support, ambulatory health care, professional, and social services.



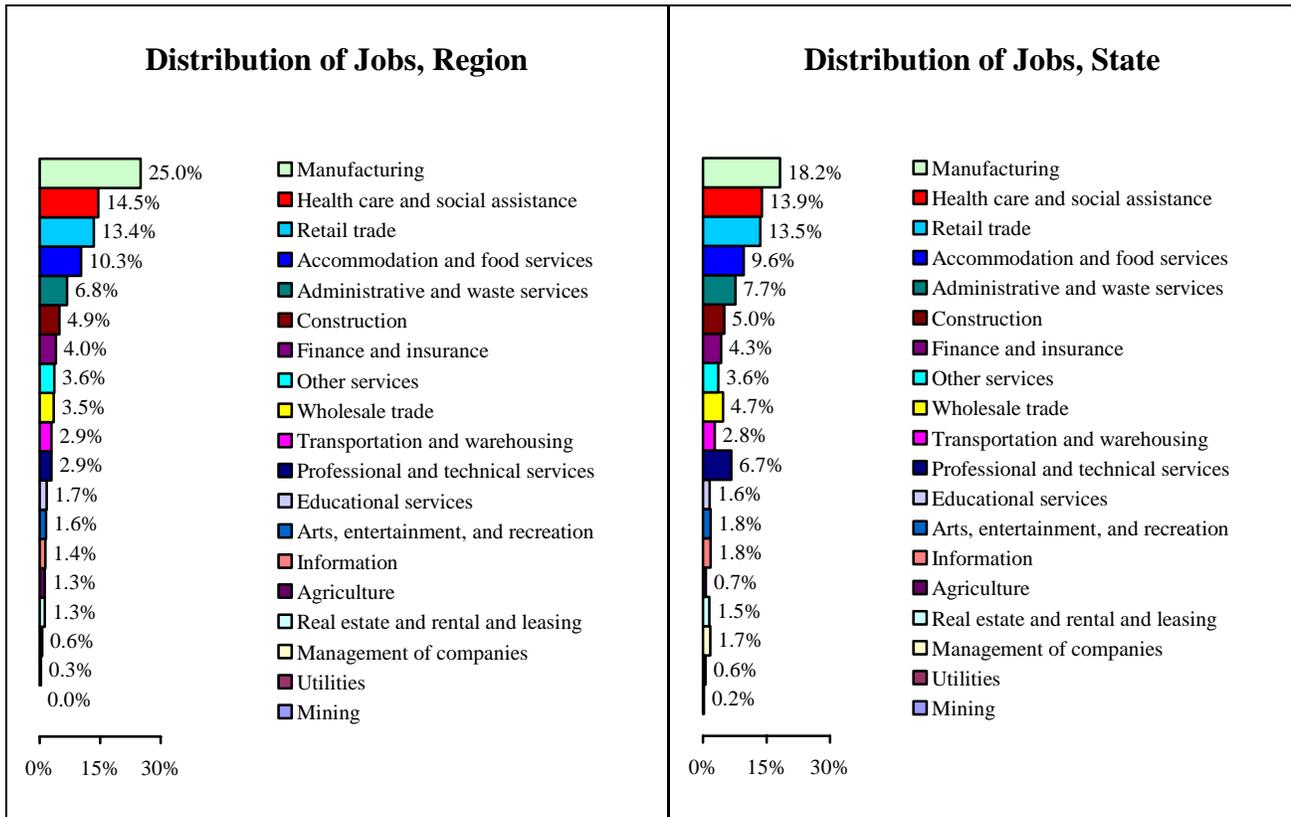
The region’s population remained unchanged between 2004 and 2006. Gains from natural population growth (births in excess of deaths) were offset by net migration out of the region.

INDUSTRY JOB TRENDS (2004 –2006)



- The recent decision of Target Corporation to build a distribution center in the Kalamazoo area has boosted the area’s employment in *Transportation and Warehousing*, *Wholesale Trade*, and *Transport Support Activities*, which have outpaced statewide job growth rates over the past two years. *Information*, *Accommodation and Food Services*, *Finance and Insurance*, and *Agriculture* also registered above average job expansion over the period. *Health Care and Social Assistance*, and *Educational Services* showed some growth over the period similar to the pace statewide, while *Professional and Technical Services* showed deeper job cuts locally than at the state level.
- The *Manufacturing* sector in the region lost jobs since 2004, but at a slower pace than statewide. The area lost 1,864 jobs or 3.8 percent of its manufacturing base between 2004 and 2006. Manufacturing remains one of the biggest sources of regional income, so any loss of manufacturing revenues can cost jobs in sectors that depend on those revenues, such as *Retail Trade*, which lost more than 3,000 jobs over the period. Another related industry, *Administrative Support Services*, which includes temporary help firms, also recorded major job reductions over this period (-760). *Construction*, *Finance and Insurance*, and *Real Estate and Rental and Leasing* also recorded employment declines partly due to the recent downturn in the housing/mortgage sector. Overall, total private payroll jobs declined by 2,200 or 1.1 percent.
- Statewide, job loss was recorded at 42,700 over the period – representing a decline of 1.2 percent. The largest declines were seen in *Manufacturing*, which lost 40,900 jobs (5.8 percent). *Construction*, *Information*, and *Management of Companies* also registered large job reductions over this period.

INDUSTRY JOB DISTRIBUTION (2<sup>ND</sup> QUARTER 2006)



- The Kalamazoo-St. Joseph-Calhoun region is very diverse in terms of area size of its counties and industry mix. While Kalamazoo County displays a more diversified industry mix, the smaller counties are heavily dependent on manufacturing employment. Manufacturing accounted for 27 percent of total payroll jobs in Barry and Branch counties, 28 percent in Calhoun, and 48 percent in St. Joseph during the second quarter of 2006. Manufacturing employment in Kalamazoo County comprised just 19 percent of private payroll jobs over the same period.
- Close to seventy percent of private employment in the region is concentrated in five industries: *Manufacturing* (25.0 percent), *Retail Trade* (14.5 percent), *Health Care and Social Assistance* (14.5 percent), *Accommodation and Food Services* (10.3 percent), and *Administrative and Waste Services* (6.8 percent).
- Two large service industries with positive job growth in the region (*Health Care Services* and *Accommodation and Food Services*) account for close to 25 percent of the region’s total private employment. Growth in these sectors and others such as *Transportation and Warehousing*, *Wholesale Trade*, *Information*, *Educational Services*, *Finance and Insurance*, and *Agriculture* helped to balance the loss of jobs in manufacturing.
- The region has a higher share of jobs in *Manufacturing*, *Health Care and Social Assistance*, and *Accommodation and Food Services* than the state. However, the statewide economy has a higher job share in the knowledge sectors of *Professional and Technical Services* and *Financial Activities*; two service sectors that are commonly associated with the “emerging” or “new” economy.

**PROFILE OF REGIONAL INDUSTRIES**

**Growth Industries** (Regional industries with faster than average employment growth)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Warehousing and Storage	1,924	\$695	+39.1%	+25.4%
Social Assistance	3,813	\$369	+19.4%	-3.6%
Support Activities for Transportation	960	\$857	+16.0%	+17.5%
Merchant Wholesalers, Durable Goods	4,244	\$921	+14.5%	-9.3%
Primary Metal Manufacturing	1,551	\$952	+14.4%	+5.3%
Machinery Manufacturing	4,236	\$936	+10.4%	+8.1%
Ambulatory Health Care Services	9,725	\$906	+8.6%	+9.5%
Accommodation	2,062	\$284	+7.3%	+0.2%
Educational Services	3,179	\$572	+5.9%	-1.4%
Credit Intermediation and Related Activities	3,997	\$763	+5.0%	+4.9%

**Declining Industries** (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Repair and Maintenance	2,082	\$617	-12.9%	+7.4%
Plastics and Rubber Products Manufacturing	3,542	\$767	-9.3%	+12.3%
Real Estate	1,762	\$529	-9.2%	+10.2%
Food and Beverage Stores	3,990	\$314	-9.0%	+6.6%
Nursing and Residential Care Facilities	4,959	\$469	-9.0%	+18.2%
Paper Manufacturing	2,635	\$918	-8.8%	+4.3%
Transportation Equipment Manufacturing	11,870	\$920	-7.2%	-1.9%
Fabricated Metal Product Manufacturing	5,173	\$717	-6.7%	-2.4%
Administrative and Support Services	12,342	\$410	-5.8%	8.9%
Chemical Manufacturing	P	P	P	P

\* P – Protected from disclosure for confidentiality purposes.

**Core Industries** (Region has a higher share of jobs in this industry than nationally)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Transportation Equipment Manufacturing	11,870	\$920	-7.2%	-1.9%
Chemical Manufacturing	P	P	P	P
Paper Manufacturing	2,635	\$918	-8.8%	+4.3%
Plastics and Rubber Products Manufacturing	3,542	\$767	-9.3%	+12.3%
Machinery Manufacturing	4,236	\$936	+10.4%	+8.1%
Fabricated Metal Product Manufacturing	5,173	\$717	-6.7%	-2.4%
Primary Metal Manufacturing	1,551	\$952	+14.4%	+5.3%
Food Manufacturing	4,844	\$1,243	+3.1%	+4.0%
Warehousing and Storage	1,924	\$695	+39.1%	+25.4%
Printing and Related Support Activities	1,608	\$857	1.4%	+11.3%

\* P – Protected from disclosure for confidentiality purposes.

**Developing Industries** (Region’s share of jobs advancing faster than national average)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Warehousing and Storage	1,924	\$695	+39.1%	+25.4%
Social Assistance	3,813	\$369	+19.4%	-3.6%
Support Activities for Transportation	960	\$857	+16.0%	+17.5%
Rental and Leasing Services	598	\$396	+12.1%	+11.3%
Publishing Industries, Except Internet	1,039	\$672	+6.7%	+4.2%
Hospitals	9,116	\$722	+4.2%	+7.2%
Telecommunications	933	\$954	+2.2%	-2.7%
Sporting Goods, Hobby, Book and Music Stores	1,096	\$309	+3.9%	-1.3%
Accommodation	2,062	\$284	+7.3%	+0.2%
Food Services and Drinking Places	17,585	\$207	+4.0%	+4.6%

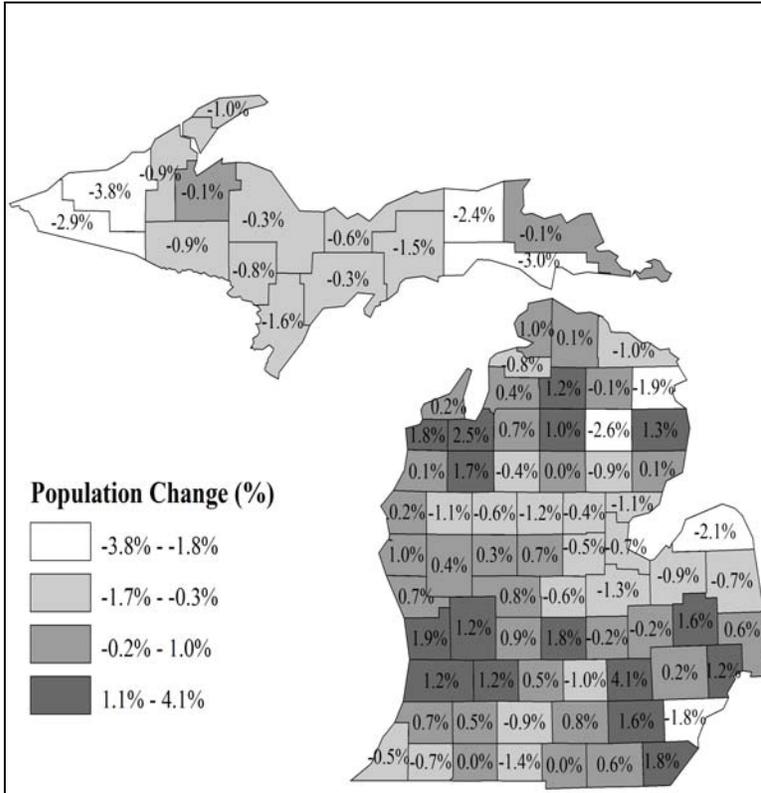
**Competitive-Advantage Industries** (Regional industries with a favorable combination of wage, employment change, and competitive employment performance vs. national trends)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Merchant Wholesalers, Durable Goods	4,244	\$921	+14.5%	-9.3%
Machinery Manufacturing	4,236	\$936	+10.4%	+8.1%
Ambulatory Health Care Services	9,725	\$906	+8.6%	+9.5%
Food Manufacturing	4,844	\$1,243	+3.1%	+4.0%
Primary Metal Manufacturing	1,551	\$952	+14.4%	+5.3%
Warehousing and Storage	1,924	\$695	+39.1%	+25.4%
Hospitals	9,116	\$722	+4.2%	+7.2%
Credit Intermediation and Related Activities	3,997	\$763	+5.0%	+4.9%
Insurance Carriers and Related Activities	2,860	\$861	+2.8%	+3.2%
Educational Services	3,179	\$572	+5.9%	-1.4%
Truck Transportation	1,742	\$871	+3.8%	+5.2%

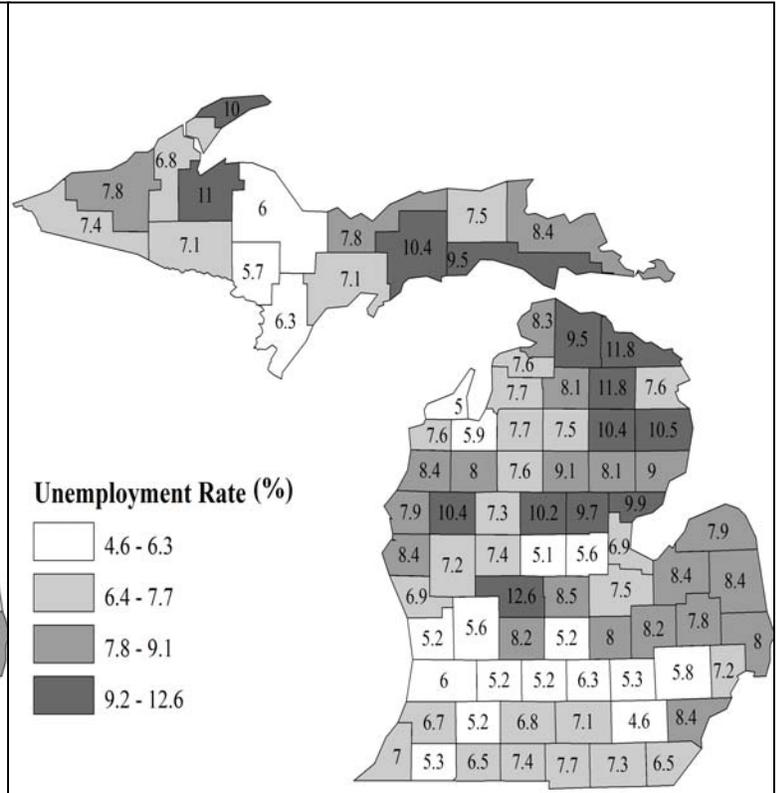
- Target Company’s distribution center in Kalamazoo has given the area a competitive advantage in *Warehousing and Storage*, *Truck Transportation*, and *Transportation Support Services*. *Warehousing and Storage* displays positive employment growth, a higher share of jobs than the nation, faster job growth than the nation, and a competitive advantage.
- The presence of Kellogg Food Industries in Battle Creek also gives the area an edge in *Food Manufacturing*. Kellogg Foods is a major state export industry that brings substantial outside income into the area. Kellogg recently acquired Morningstar Farms® Products. This year (2007), CNNMoney.com ranked Kellogg fifth among the world’s most admired consumer food products companies.
- *Chemical Manufacturing* remains a key core industry in the region (meaning that the region still has a higher share of jobs in this industry than nationally). However, the industry was impacted locally by the merger of Upjohn Pharmacia and Pfizer, which resulted in the loss of many good paying jobs for that industry in the region. The good news is that the recent announcement of job cuts by Pfizer was much less significant in the Kalamazoo area than in Ann Arbor. *Chemical Manufacturing* remains a core industry to the region.
- Manufacturing is still important in the area, contributing over 25 percent of the area’s payroll jobs. In fact, out of the top 10 core industries in the region (those with a higher share of jobs than nationally), eight are in the manufacturing sector. Despite the decline in manufacturing employment, some segments of this sector retain a large employment base and managed to record above average job growth rates between 2004 and 2006 (*Machinery*, *Food*, and *Primary Metals*).

APPENDIX I: MAPPING ECONOMIC TRENDS

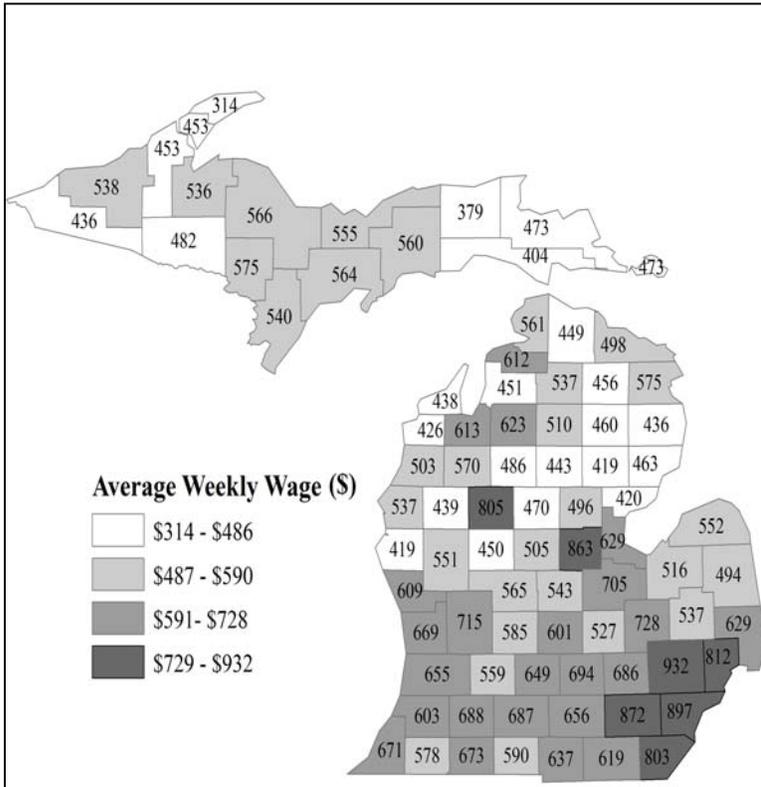
Map 1: Change in Population, 2004-2006



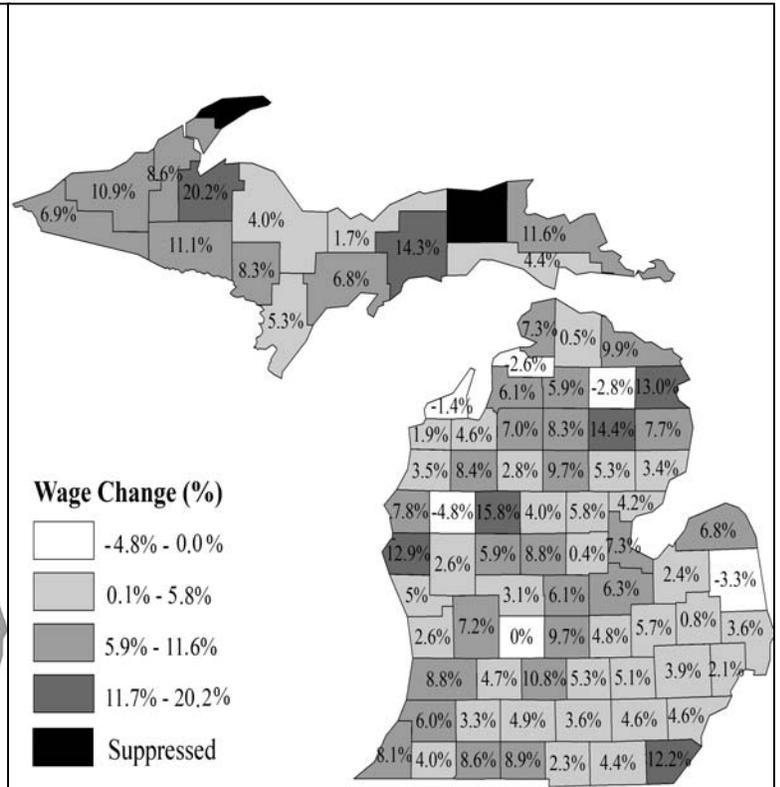
Map 2: Unemployment Rate, Average 2006



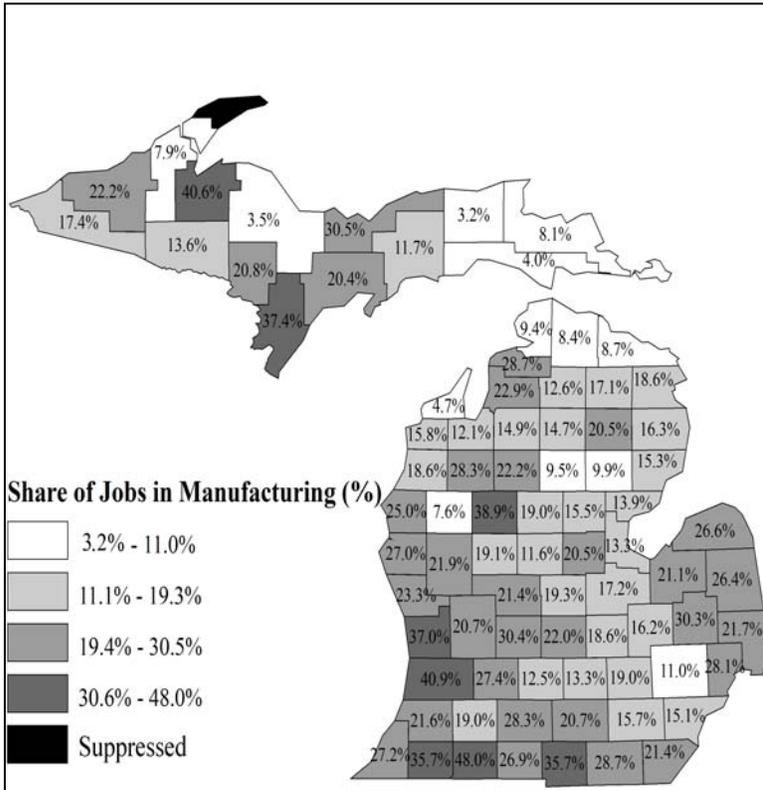
Map 3: Average Weekly Wage, 2006



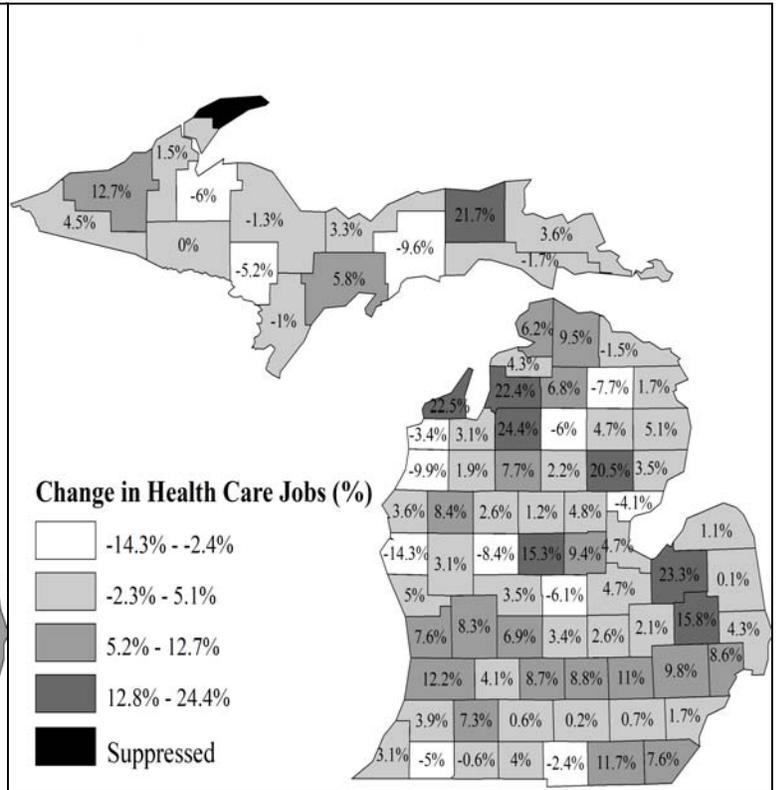
Map 4: Change in Avg. Weekly Wage, 2004-2006



**Map 5:** Percentage of Total Private Jobs in the Manufacturing Sector, 2006



**Map 6:** Change in Private Health Care & Social Assistance Sector Jobs, 2004 to 2006



Map Created by:  
**Michigan Department of Labor & Economic Growth**  
**Bureau of Labor Market Information and Strategic Initiatives**

