Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries

Northwest Michigan

Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford 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 21st 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.

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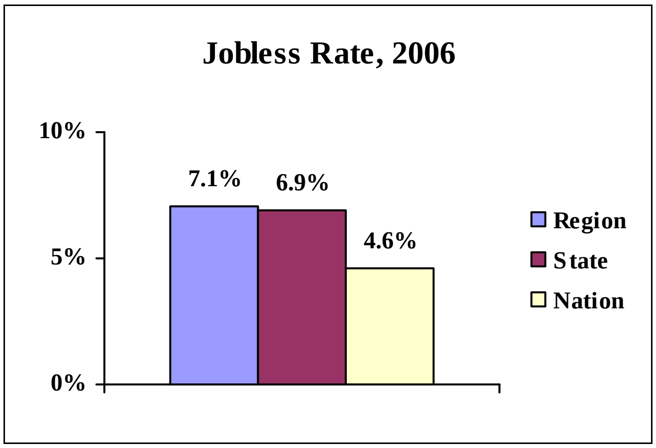
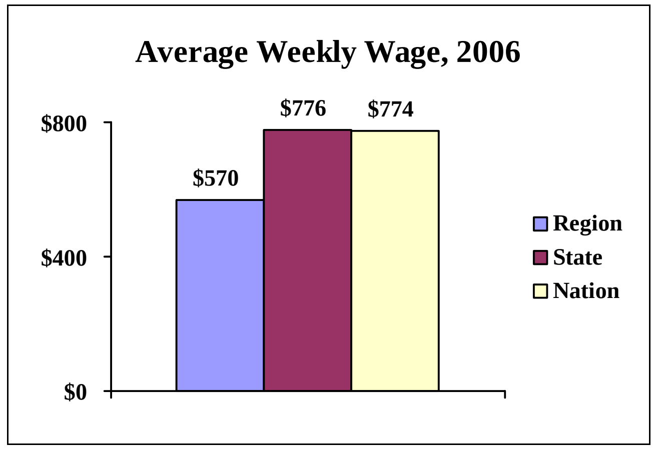
CURRENT LABOR MARKET INDICATORS

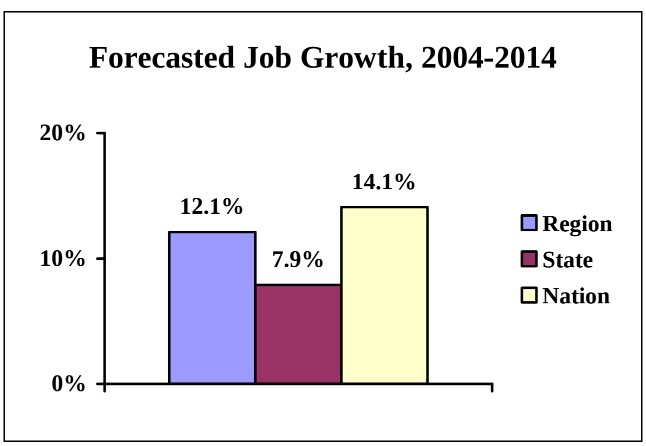
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	+1.1%	+3.2%	-0.3%	7.1%	$570	$28,503	+12.1%
State	0.0%	+0.6%	-1.2%	6.9%	$776	$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	$774	$33,050	+14.1%



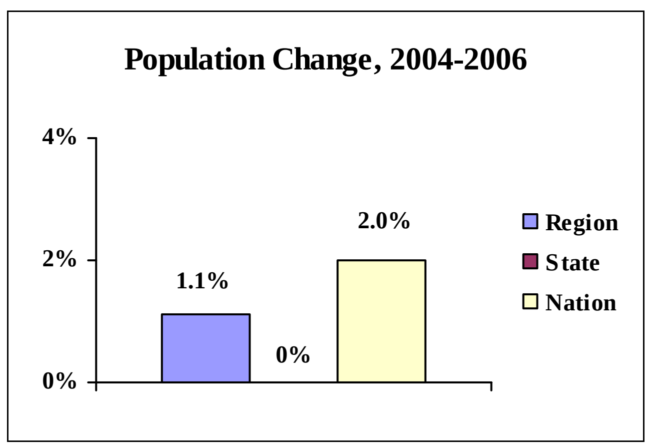
The region's jobless rate was slightly higher than the state and well above national averages. The seasonal nature of some industries, coupled with job loss in manufacturing and retail trade, contributed to the higher rate.



Average weekly wages were approximately 27 percent lower in the region than statewide, partly due to a higher concentration of jobs in the lower-paying leisure and hospitality and retail trade industries.

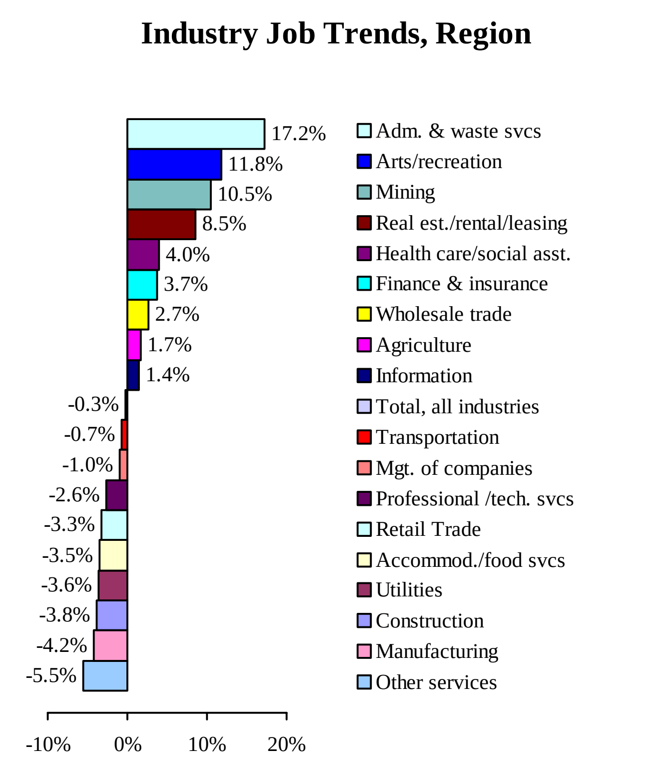


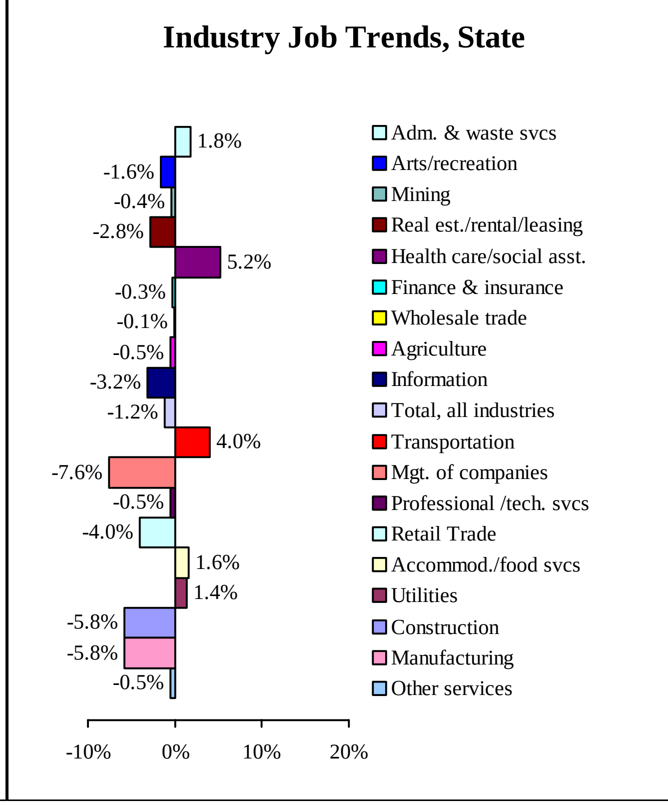
The region is expected to lead the state in the rate of job expansion to 2014. Regional job growth will be concentrated in the construction, retail trade, professional and business service, leisure and hospitality, and health service sectors.



The region's population gain can be attributed to both a natural population increase, as births exceeded deaths, and in-migration as more individuals moved into the region than moved out.

INDUSTRY JOB TRENDS (2004 –2006)





- Between 2004 and 2006, the total number of private sector payroll jobs in the region fell by 0.3%, a loss of 300 jobs. During the same period, statewide job loss totaled 42,700, a decline of 1.2 percent.

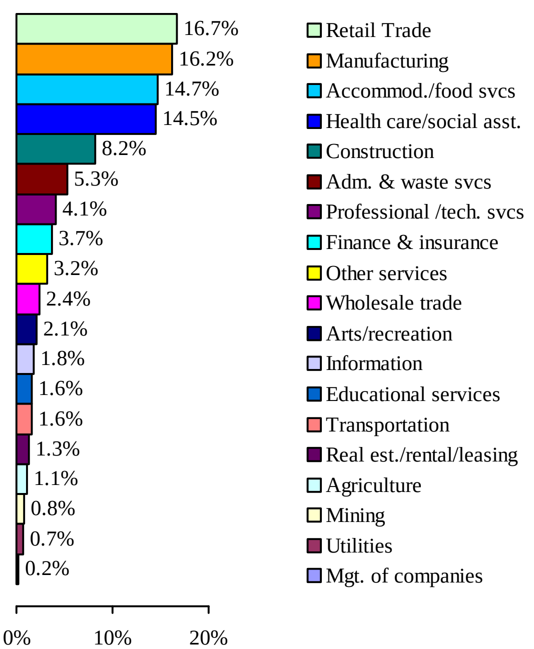
- Half of the region's twenty major private industry sectors added jobs during the two-year period. At the statewide level, only six of the twenty major industries gained employment.

- The top two regional major industries posting the most new jobs were *Administrative and Support Services* (+795 jobs), and *Health Care and Social Assistance* (+560). These two industries accounted for approximately 60 percent of the job gains in the region's growth industries. Each industry followed a positive trend at the state level, as well. Demand for temporary help and employment service workers was responsible for the growth in the local *Administrative and Support Services* sector.

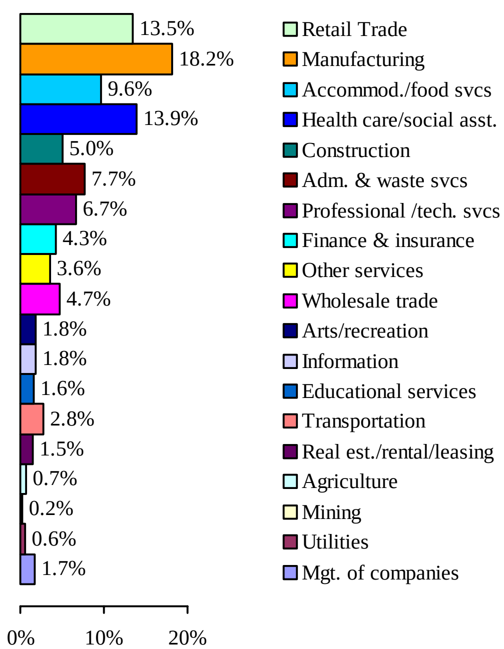
- Two-thirds of the job loss in the Northwest Michigan's declining industries can be attributed to three major industry sectors. Between 2004 and 2006, *Manufacturing* employment decreased by almost 725, *Retail Trade* jobs fell by 575, and *Accommodation and Food Services* lost over 525 jobs. *Manufacturing* and *Retail Trade* employment also declined statewide, however at a slightly faster pace.

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)

Distribution of Jobs, Region



Distribution of Jobs, State



- Over seventy percent of the region's 102,000 private-sector industry jobs were concentrated in five industries: *Retail Trade* (16.7 percent), M*anufacturing* (16.2 percent), *Accommodation and Food Service* (14.7 percent), *Health Care and Social Assistance* (14.5 percent), and *Construction* (8.2 percent).

- The region's industrial mix is representative of an economy that is more reliant on tourism than the statewide economy. Two major industries directly associated with tourism, *Retail Trade* and *Accommodation and Food Services*, account for 31 percent of the region's private sector jobs; the statewide share is just 23 percent. A higher concentration of these lower-paying industries contributes to the region's less than average weekly wage.

- The regional economy is more dependent on the *Construction* industry than statewide. Over eight percent of area jobs are related to this industry. Faster-than-average population growth in recent years created demand for new housing as well as commercial buildings.

- The region's relatively older population contributes to a greater share of *Health Care and Social Assistance* jobs at the local level than statewide.

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
Administrative and Support Services	4,671	$412	22.0%	-0.7%
Machinery Manufacturing	2,310	$824	16.4%	9.3%
Amusements, Gambling and Recreation	2,041	$331	13.1%	14.5%
Nursing and Residential Care Facilities	2,051	$407	9.9%	4.5%
Membership Associations and Organization	1,104	$422	6.9%	10.6%
Wood Products Manufacturing	746	$618	6.4%	12.0%
Real Estate	842	$441	6.2%	-0.8%
Ambulatory Health Care Services	5,525	$881	6.2%	5.2%
Merchant Wholesalers, Durable Goods	1,192	$714	6.0%	4.2%
Credit Intermediation and Related Activities	2,178	$714	4.9%	1.6%
Building Material and Garden Supply Stores	2,272	$538	4.1%	5.2%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Motor Vehicle and Parts Dealers	1,894	$686	-14.9%	1.1%
Repair and Maintenance	1,164	$569	-12.3%	9.2%
Construction of Buildings	2,514	$616	-9.9%	5.7%
Fabricated Metal Products Manufacturing	1,211	$772	-8.2%	-1.3%
Transportation Equipment Manufacturing	3,813	$703	-6.5%	-4.1%
Accommodation	4,873	$290	-6.0%	-4.4%
General Merchandise Stores	3,271	$370	-6.0%	14.8%
Plastics and Rubber Products Manufacturing	2,262	$782	-4.7%	10.2%
Gasoline Stations	1,154	$290	-3.8%	2.6%
Professional and Technical Services	4,138	$783	-2.6%	10.3%
Food Services and Drinking Places	10,126	$208	-2.2%	3.0%

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
Plastics and Rubber Products Manufacturing	2,262	$782	-4.7%	10.2%
Accommodation	4,873	$290	-6.0%	-4.4%
Transportation Equipment Manufacturing	3,813	$703	-6.5%	-4.1%
Primary Metal Manufacturing	951	$968	0.9%	4.2%
Machinery Manufacturing	2,310	$824	16.4%	9.3%
Building Material and Garden Supply Stores	2,272	$538	4.1%	5.2%
Amusements, Gambling and Recreation	2,041	$331	13.1%	14.5%
Construction of Buildings	2,514	$616	-9.9%	5.7%
Hospitals	5,976	$741	1.0%	7.7%
Gasoline Stations	1,154	$290	-3.8%	2.6%
Miscellaneous Store Retailers	1,130	$343	1.2%	-2.9%
Food Manufacturing	1,717	$701	-2.0%	17.7%

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

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Machinery Manufacturing	2,310	$824	16.4%	9.3%
Broadcasting, Except Internet	450	$714	3.8%	-1.7%
Wood Products Manufacturing	746	$618	6.4%	12.0%
Membership Associations and Organization	1,104	$422	6.9%	10.6%
Nursing and Residential Care Facilities	2,051	$407	9.9%	4.5%
Telecommunications	484	$1,027	6.6%	-2.4%
Printing and Related Support Activities	393	$647	3.2%	4.8%
Couriers and Messengers	367	$690	7.9%	7.1%
Health and Personal Care Stores	828	$570	4.0%	10.0%
Insurance Carriers and Related Activities	1,277	$832	3.9%	9.7%
Credit Intermediation and Related Activities	2,178	$714	4.9%	1.6%

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
Machinery Manufacturing	2,310	$824	16.4%	9.3%
Administrative and Support Services	4,671	$412	22.0%	-0.7%
Insurance Carriers and Related Activities	1,277	$832	3.9%	9.7%
Credit Intermediation and Related Activities	2,178	$714	4.9%	1.6%
Merchant Wholesalers, Durable Goods	1,192	$714	6.0%	4.2%
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Hospitals	5,976	$741	1.0%	7.7%
Professional and Technical Services	4,138	$783	-2.6%	10.3%
Food Manufacturing	1,717	$701	-2.0%	17.7%

- Northwest Michigan's natural beauty and local events are an attraction to travelers worldwide, which makes tourism an important aspect of the regional economy. Over a third of the region's core employment can be tied to the tourism industry. Unfortunately, many of the jobs are seasonal or part-time, and most pay a less-than-average wage.

- Durable goods manufacturing also stands out in an inventory of the region's core industries. *Plastics and Rubber Products, Transportation Equipment, Primary Metal, and Machinery Manufacturing* offer a combined average weekly wage of $780 and a relatively static growth rate of -0.4 percent. *Food Manufacturing*, a non-durable goods industry related to local crop production, is also important.

- *Construction of Buildings*, a core industry with recent declining employment trends, should experience some job gains from new projects, such as the construction of a new ethanol plant and several hotel/condominium projects, including a downtown redevelopment in Petoskey.

- The region's population has experienced positive growth trends for several years. Migration to this popular retirement destination has created a need for service industries to accommodate the higher resident base. The vast majority of the region's developing industries are directly related to providing services to area residents.

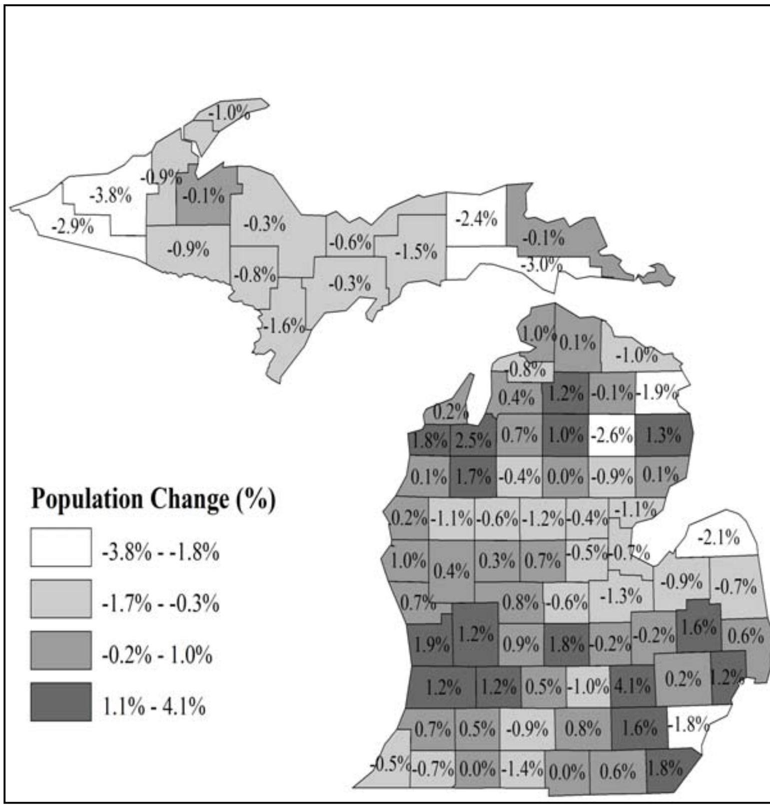
- One-third of the region's employment is provided by its competitive-advantage industries, and the service-producing sector dominates the list. The private *Health Care Industry*, providing nearly 14,000 local jobs, holds an especially significant competitive advantage as a result of Northwest Michigan being the home to two regional medical centers that attract residents from neighboring areas.

- Northwest Lower Michigan's ski resorts and water parks are included in the *Amusements, Gambling and Recreation Industry*. The industry enjoys a competitive advantage because of positive growth trends, and a large concentration of jobs in the region. One should note that tribal gaming establishments are classified as government employment, and those jobs are not reflected in the private sector *Amusements, Gambling and Recreation Industry*.

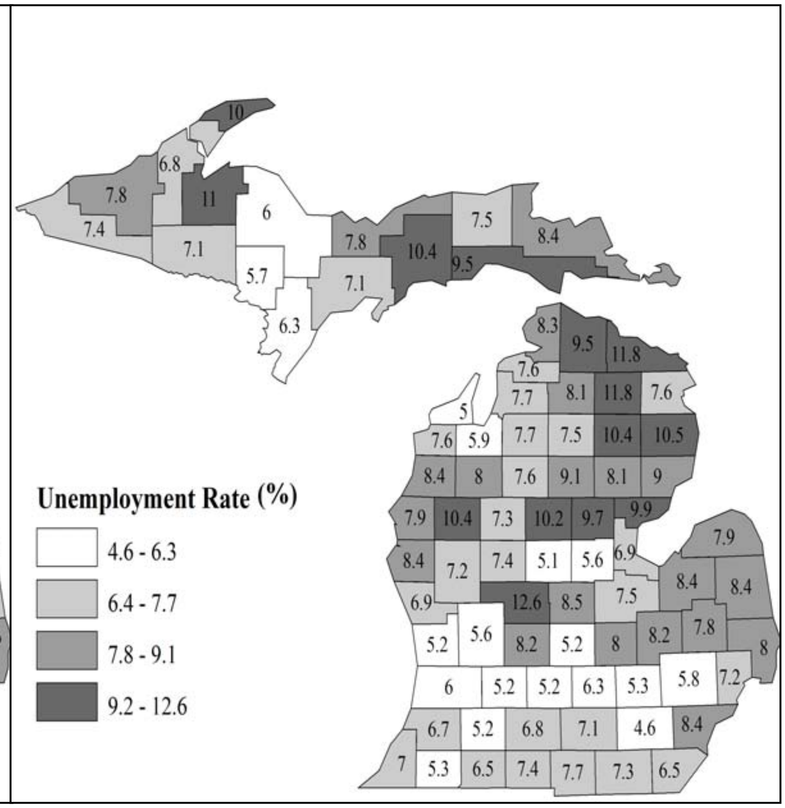
- Over 7,500 workers are employed in the region's *Insurance, Credit Intermediation*, and *Professional and Technical Services Industries*. Weekly earnings, which range from $714 to $832, are substantially higher than average. Grand Traverse County, which serves as the region's hub, is home to nearly 650 establishments providing services to residents of Northern Lower Michigan. Many of the firms within the three detailed industries employ less than ten workers, which is especially true for legal, accounting, computer, marketing, and scientific research and development services. These industries, with a healthy forecast growth rate of twenty percent, offer a competitive advantage for entrepreneurial development.

APPENDIX I: MAPPING ECONOMIC TRENDS

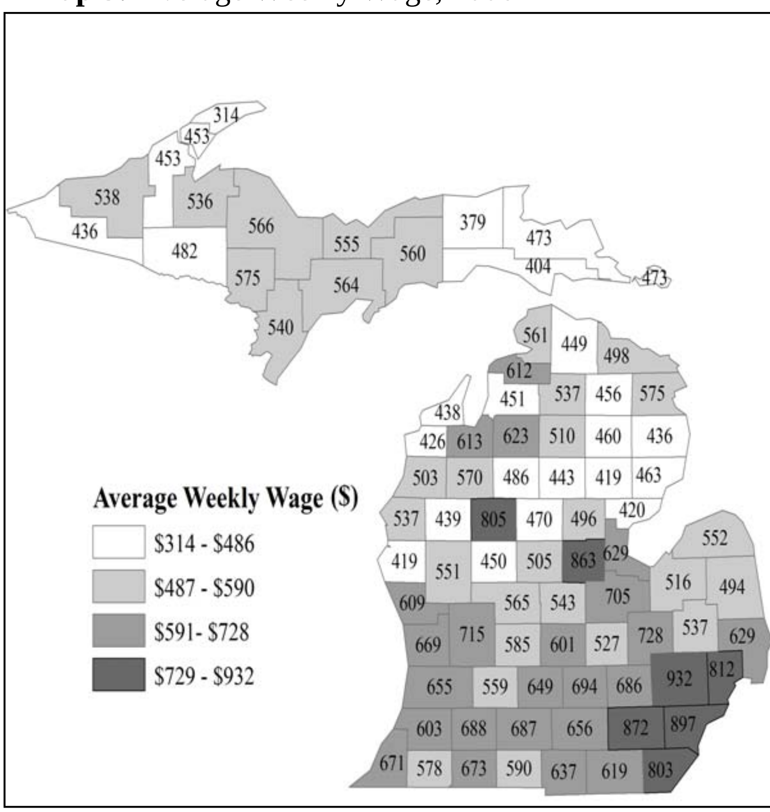
Map 1: Change in Population, 2004-2006



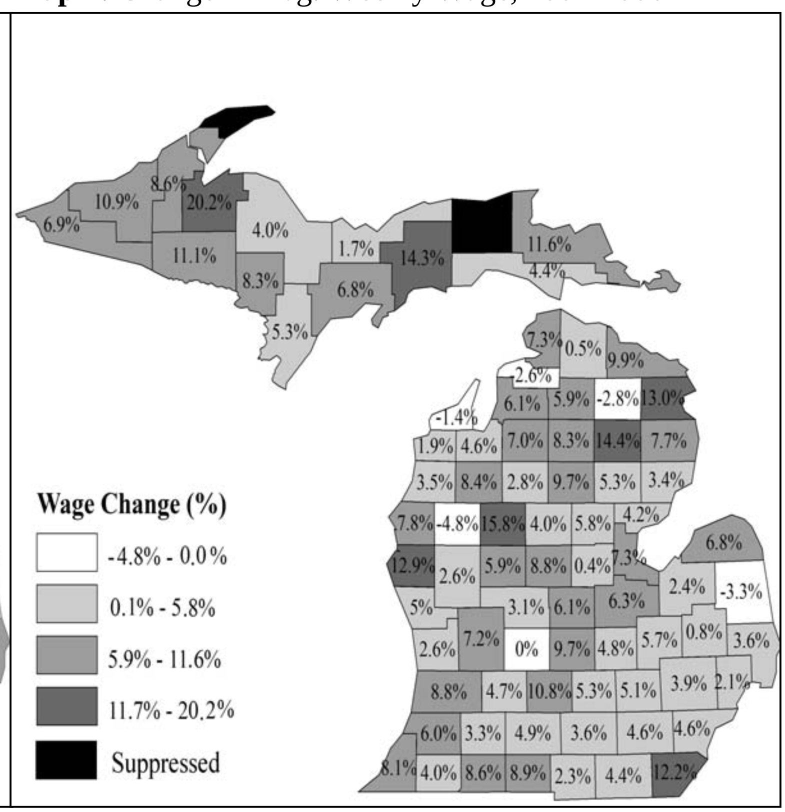
Map 2: Unemployment Rate, Average 2006



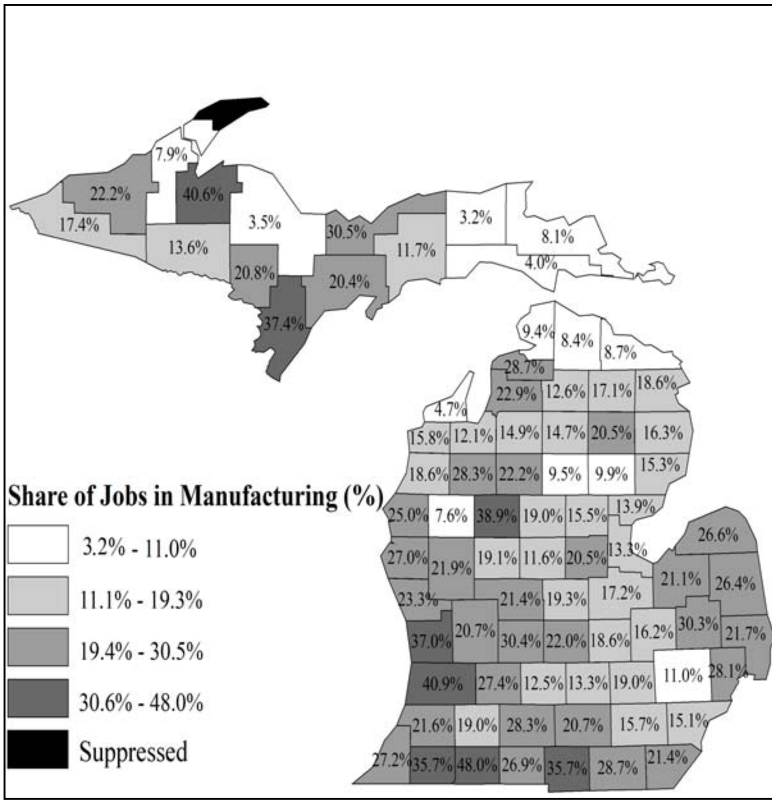
Map 3: Average Weekly Wage, 2006



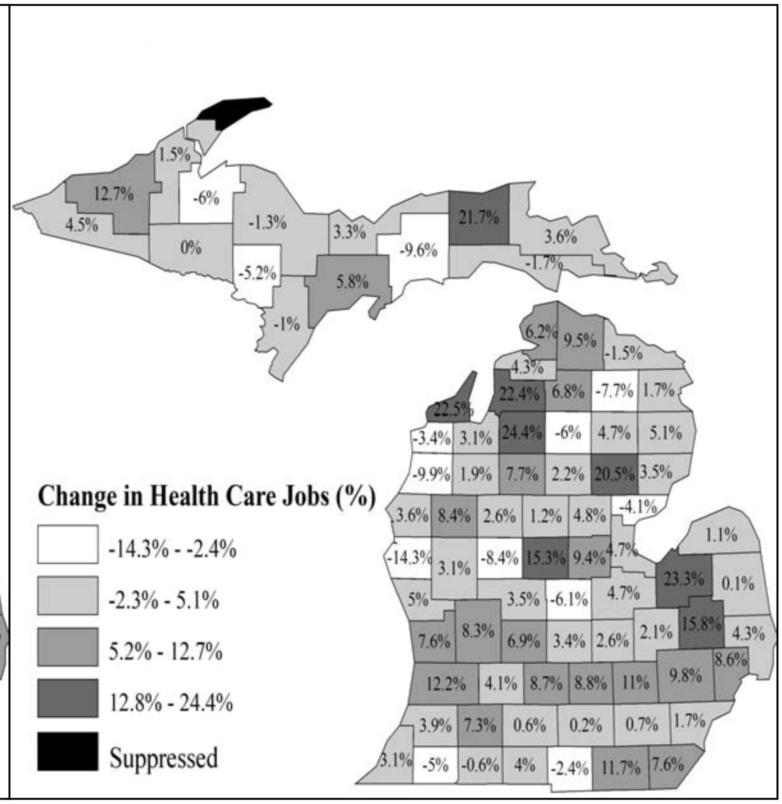
Map 4: Change in Avg. Weekly Wage, 2004-2006



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

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