# Industry Sector Analysis

## Growth, Core, and Competitive-Advantage Industries

# South Central Michigan

**Hillsdale, Jackson, and Lenawee 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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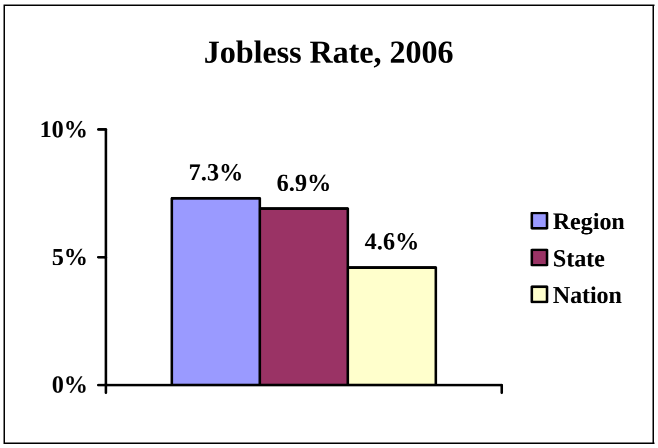
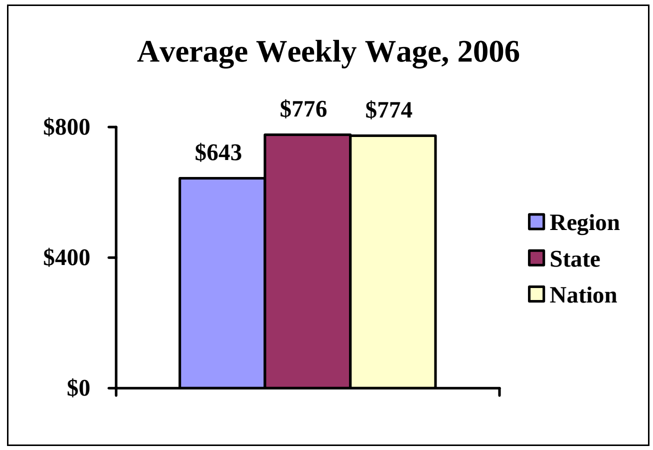
## CURRENT LABOR MARKET INDICATORS

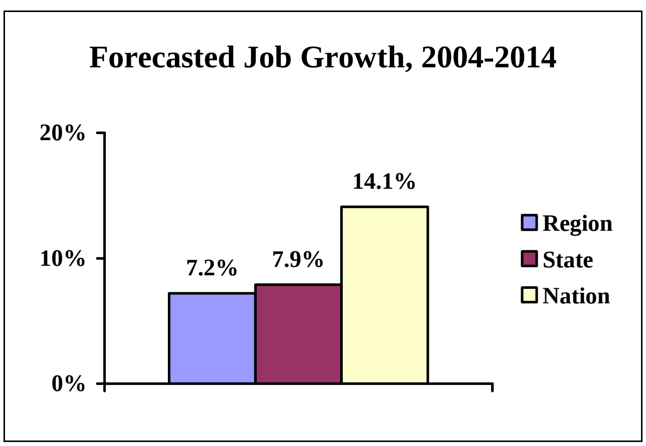
| | Change (2004 to 2006) | | | Jobless Rate (2006) | Weekly Wage (2006) | Per Capita Income (2004) | Forecast Job Growth (2004-2014) |
|---|---|---|---|---|---|---|---|
| | Population | Labor Force | Industry Jobs | | | | |
| **Region** | +0.6% | +1.0% | -3.4% | 7.3% | $643 | $27,024 | +7.2% |
| **State** | 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% |



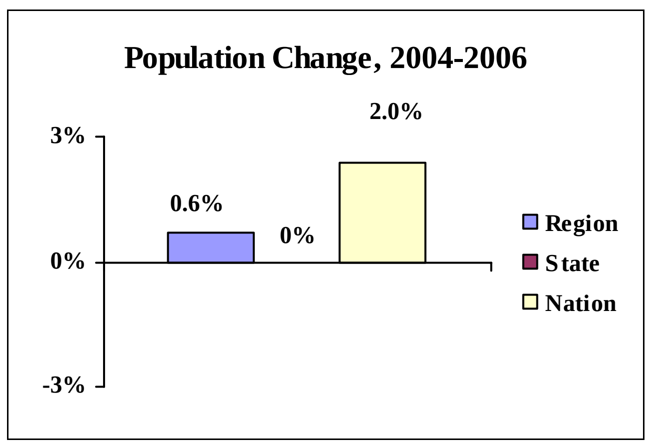

The region's jobless rate was higher than the statewide and national average. The area continued to lose jobs in manufacturing and retail trade. Together, these two sectors represent over 40 percent of the region's private industry jobs.




Average weekly wages were approximately 17 percent lower in the region than statewide. High wages in manufacturing were partially offset by low wages in retail trade, and accommodation and food services.

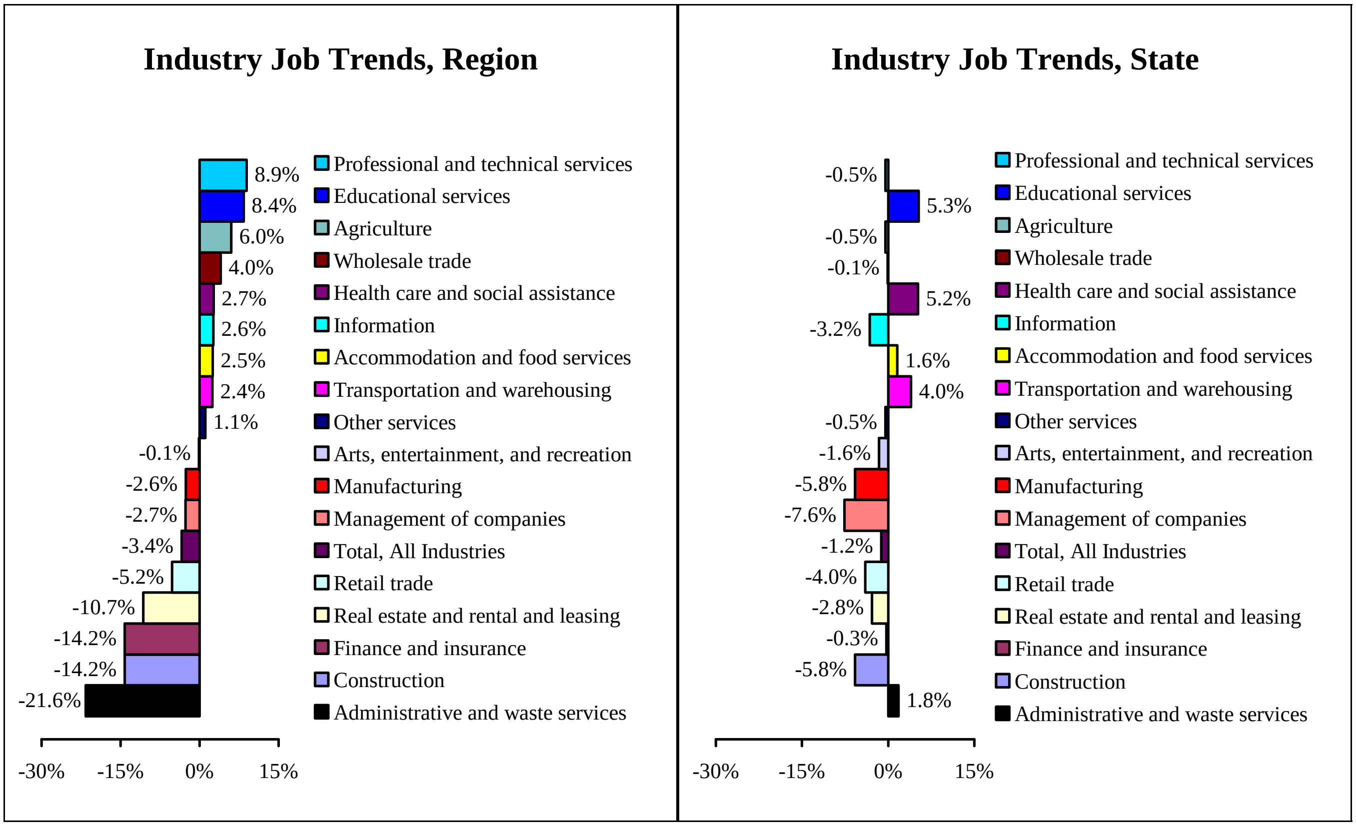



Regional industry jobs are expected to grow more slowly than the pace of job gain in the state and nation. Most of the regional gains will be concentrated in the administrative and support service, professional service, and health care sectors. Manufacturing jobs will drop by 5.8 percent by 2014.




The region's population gain can be attributed to both a natural population increase (births exceeding deaths) **and** a positive net migration as more individuals moved into the area than moved out of the region.

## INDUSTRY JOB TRENDS (2004 –2006)



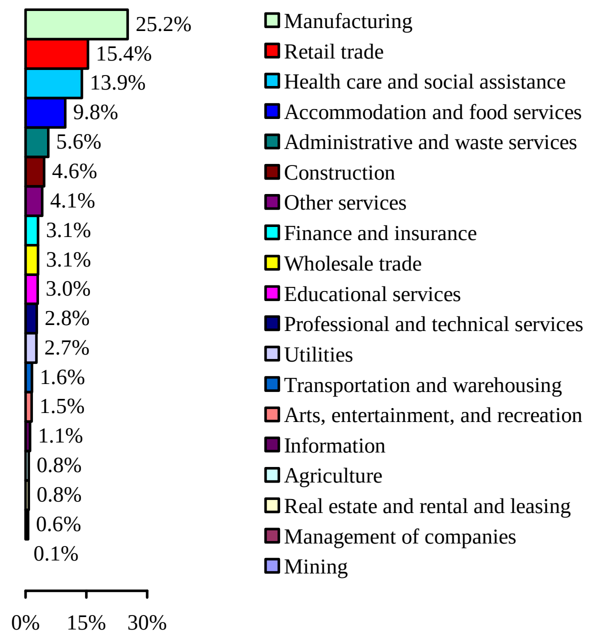

- In recent years (between 2004 and 2006), the area recorded job expansion above the statewide average in *Professional and Technical Services*, *Educational Services*, *Agriculture*, and *Wholesale Trade*. *Health Care and Social Assistance* also recorded some gains over this period but below the statewide growth rate.

- Between 2004 and 2006, employment in *Manufacturing* continued to decline (-570 jobs). Jobs in *Administrative Support Services*, which include temporary services companies, whose employment depends greatly on manufacturing, also fell over the period (-1,300). The loss of manufacturing revenues had a negative impact on *Retail Trade*, which declined by 700 jobs over the period. *Construction*, *Finance and Insurance*, and *Real Estate and Rental and Leasing* also recorded employment reductions partly due to the recent downturn in the housing/mortgage sector. Overall, total private payroll jobs declined by 2,900 or 3.4 percent.

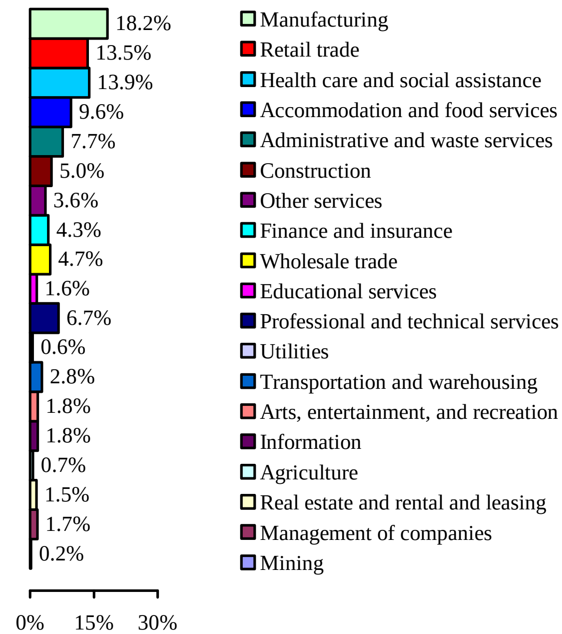
- Statewide, job loss was recorded at 42,700 over the period – representing a decline of 1.2 percent. The largest declines were seen in *Manufacturing*, which lost 40,900 jobs (5.8 percent). *Construction*, *Information*, and *Management of Companies* also posted large reductions over the period.

## INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)

**Distribution of Jobs, Region**




**Distribution of Jobs, State**




- Despite the recent fall in manufacturing employment, this sector is still the single largest employer in South Central Michigan, accounting for over 25 percent of regional jobs. Close to seventy percent of private employment in the region is concentrated in five industries: *Manufacturing* (25.2 percent), *Retail Trade* (15.4 percent), *Health Care and Social Assistance* (13.9 percent), *Accommodation and Food Services* (9.8 percent), and *Administrative and Waste Services* (5.6 percent).

- As manufacturing jobs continue to decline, jobs in some service sectors are being created, particularly in *Health Care Services* due to an aging population and in *Educational Services*. These two sectors account for around 17 percent of the region's total private employment.

- The region has a higher share of jobs in *Manufacturing*, *Retail Trade*, *Educational Services*, and *Utilities* than the state. However, the statewide economy has a higher job share in the knowledge sectors of *Professional and Technical Services* and *Financial Activities*.

## 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 |
| Food Manufacturing | 1,461 | $933 | +23.2% | -5.6% |
| Furniture and Related Product Manufacturing | 1,471 | $826 | +14.3% | +1.7% |
| Educational Services | 2,524 | $541 | +11.3% | +2.0% |
| Membership Associations and Organization | 1,507 | $351 | +11.2% | -7.5% |
| Professional and Technical Services | 2,370 | $729 | +8.9% | +8.4% |
| Merchant Wholesalers, Durable Goods | 1,717 | $845 | +8.6% | +7.2% |
| Hospitals | 3,782 | $732 | +6.3% | -6.2% |
| Nursing and Residential Care Facilities | 2,962 | $443 | +4.3% | +6.5% |
| Food Services and Drinking Places | 7,841 | $208 | +2.6% | +2.0% |
| Machinery Manufacturing | 2,364 | $842 | +2.0% | +4.1% |

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

| Industry | Jobs | Average Weekly Wage | Percent Change 2004-2006 | |
|---|---|---|---|---|
| | | | Jobs | Weekly Wage |
| Specialty Trade Contractors | 2,724 | $715 | -13.7% | -0.8% |
| Transportation Equipment Manufacturing | 6,152 | $960 | -9.9% | +6.4% |
| Building Material and Garden Supply Stores | 1,387 | $464 | -9.7% | +2.6% |
| Real Estate | 475 | $423 | -9.2% | +8.6% |
| Clothing and Clothing Accessories Stores | 571 | $310 | -8.5% | +8.9% |
| Motor Vehicle and Parts Dealers | 1,598 | $734 | -8.3% | +0.8% |
| Personal and Laundry Services | 939 | $285 | -6.8% | +0.3% |
| Merchant Wholesalers, Nondurable Goods | 606 | $772 | -6.7% | +7.7% |
| Fabricated Metal Product Manufacturing | 4,117 | $771 | -6.2% | +4.2% |
| Repair and Maintenance | 1,009 | $536 | -4.3% | +7.1% |

**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 |
| Utilities* | P | P | P | P |
| Transportation Equipment Manufacturing | 6,152 | $960 | -9.9% | +6.4% |
| Fabricated Metal Product Manufacturing | 4,117 | $771 | -6.2% | +4.2% |
| Furniture and Related Product Manufacturing | 1,471 | $826 | +14.3% | +1.7% |
| Primary Metal Manufacturing | 1,192 | $1,013 | -1.4% | +5.9% |
| Machinery Manufacturing | 2,364 | $842 | +2.0% | +4.1% |
| General Merchandise Stores | 3,541 | $357 | -1.2% | +6.5% |
| Membership Associations and Organization | 1,507 | $351 | +11.2% | -7.5% |
| Educational Services | 2,524 | $541 | +11.3% | +2.0% |
| Nursing and Residential Care Facilities | 2,962 | $443 | +4.3% | +6.5% |

* 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 |
| Animal Production | 307 | $495 | +18.9% | +10.3% |
| Paper Manufacturing | 370 | $891 | +21.7% | -5.6% |
| Wood Product Manufacturing | 407 | $638 | +11.2% | -5.7% |
| Hospitals | 3,782 | $732 | +6.3% | -6.2% |
| Nonmetallic Mineral Product Manufacturing | 739 | $858 | +1.3% | -3.9% |
| Health and Personal Care Stores | 778 | $554 | +4.1% | +8.0% |
| Merchant Wholesalers, Durable Goods | 1,717 | $845 | +8.6% | +7.2% |
| Insurance Carriers and Related Activities | 905 | $827 | +4.9% | +3.6% |
| Food Services and Drinking Places | 7,841 | $208 | +2.6% | +2.0% |
| Professional and Technical Services | 2,370 | $729 | +8.9% | +8.4% |

**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 |
| Food Manufacturing | 1,461 | $933 | +23.2% | -5.6% |
| Utilities* | P | P | P | P |
| Furniture and Related Product Manufacturing | 1,471 | $826 | +14.3% | +1.7% |
| Merchant Wholesalers, Durable Goods | 1,717 | $845 | +8.6% | +7.2% |
| Hospitals | 3,782 | $732 | +6.3% | -6.2% |
| Educational Services | 2,524 | $541 | +11.3% | +2.0% |
| Nursing and Residential Care Facilities | 2,962 | $443 | +4.3% | +6.5% |
| Membership Associations and Organization | 1,507 | $351 | +11.2% | -7.5% |
| Professional and Technical Services | 2,370 | $729 | +8.9% | +8.4% |
| Insurance Carriers and Related Activities | 905 | $827 | +4.9% | +3.6% |

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- The profile of regional sectors reveals a set of industries that are favorable across many indicators considered (positive employment growth, higher share of jobs than the nation, faster job growth than the nation, and competitive advantage). These industries include *Educational Services, Membership Associations and Organization, and Nursing and Residential Care Facilities*.

- Despite the job decline in manufacturing, some segments of this sector still managed to record solid growth rates from 2004-2006 (*Food, Furniture and Related Products, and Machinery*).

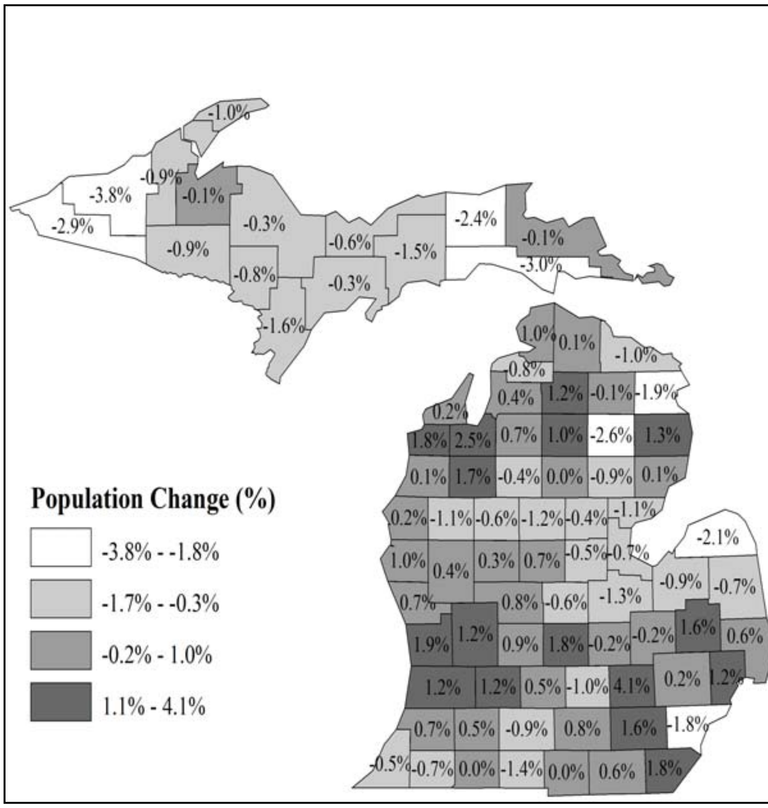
- The fact that five out of the top ten regional core industries (those with a higher share of jobs than nationally) are in manufacturing shows the ongoing importance of this sector to the region.

- The region displays a competitive advantage in some sectors that are expected to grow nationally and locally. These sectors include knowledge-based industries such as *Hospitals, Educational Services,* and *Professional and Technical Services.* The competitiveness of the region in *Utilities* has been reinforced by the expansion of Consumers Energy headquarters in downtown Jackson. Dawn Food Products relocated some of its manufacturing operations to Jackson, contributing to the region's competitiveness in *Food Manufacturing.* The area also contains numerous private colleges and universities (Adrian, Baker, Hillsdale, Sienna Heights, and Spring Arbor).

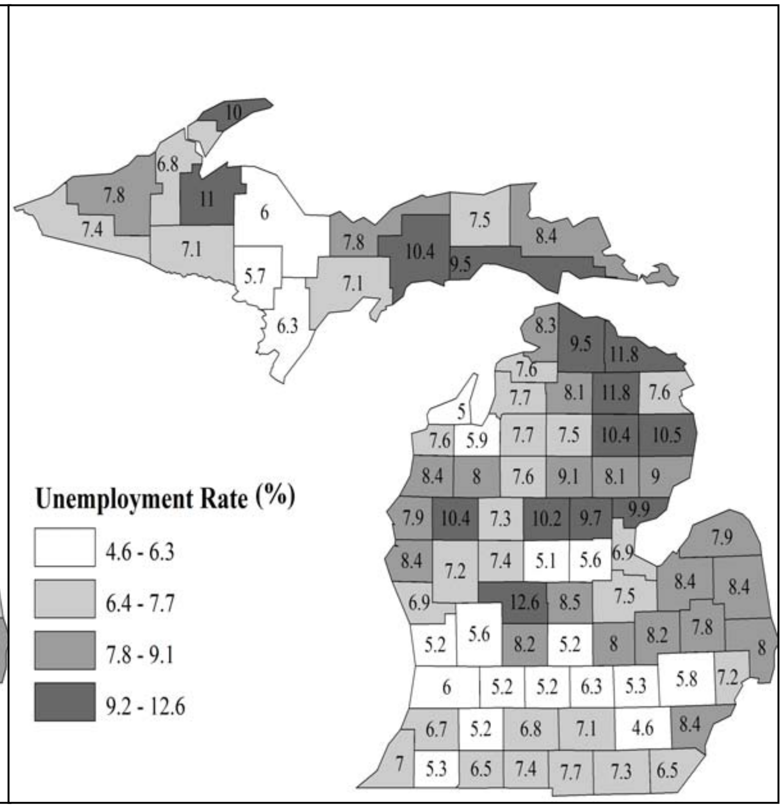
- Almost all the top ten declining industries in terms of jobs have registered a rise in weekly average wages over the 2004-06 period (with the exception of *Specialty Trade Contractors*). Three of the declining industries (*Specialty Trade Contractors, Fabricated Metals, and Transportation Equipment*) still display a very large employment base and very high average wages.

## APPENDIX I: MAPPING ECONOMIC TRENDS

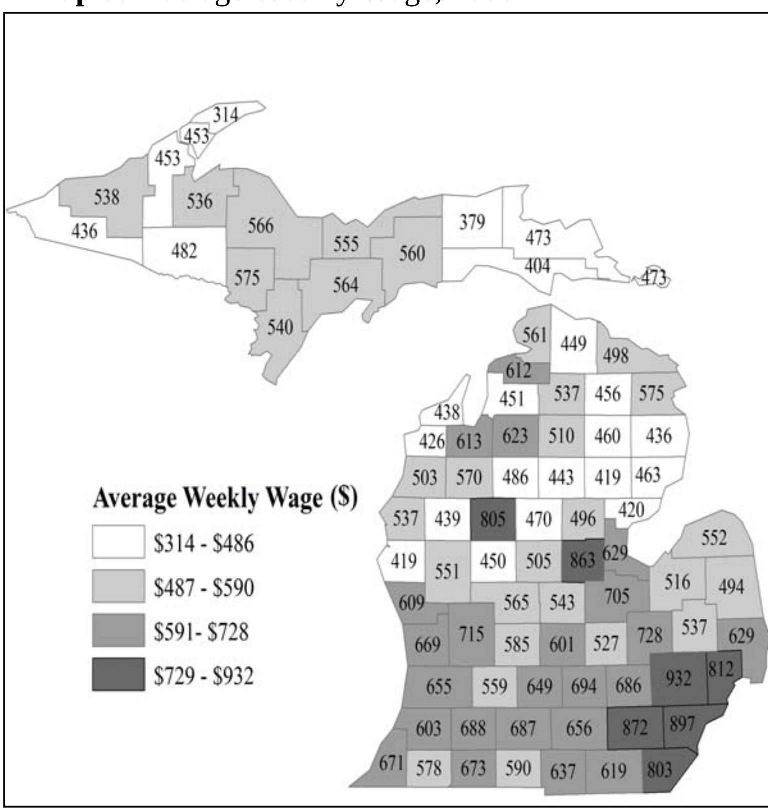
**Map 1:** Change in Population, 2004-2006



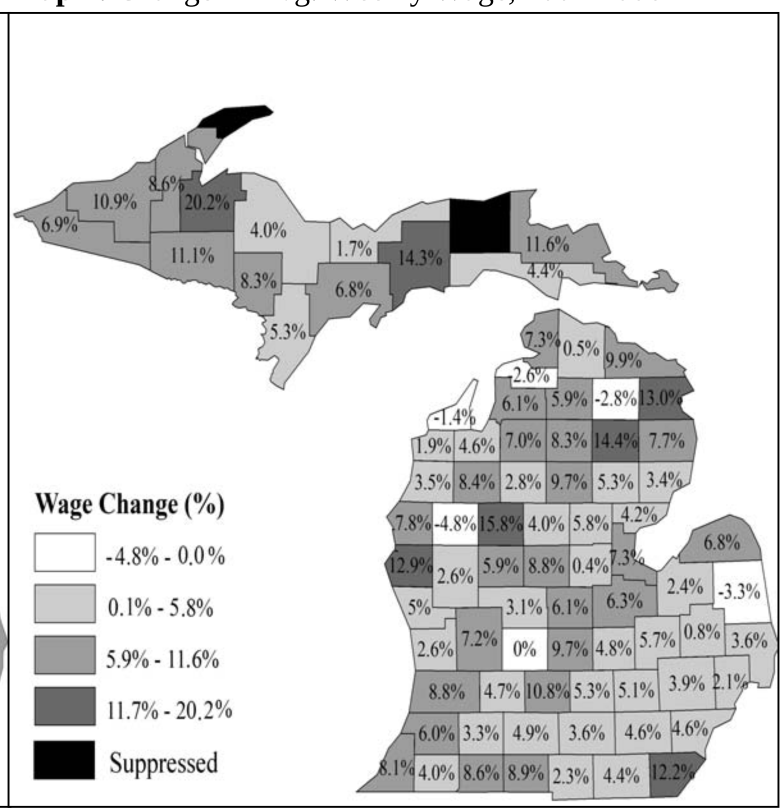

**Map 2:** Unemployment Rate, Average 2006



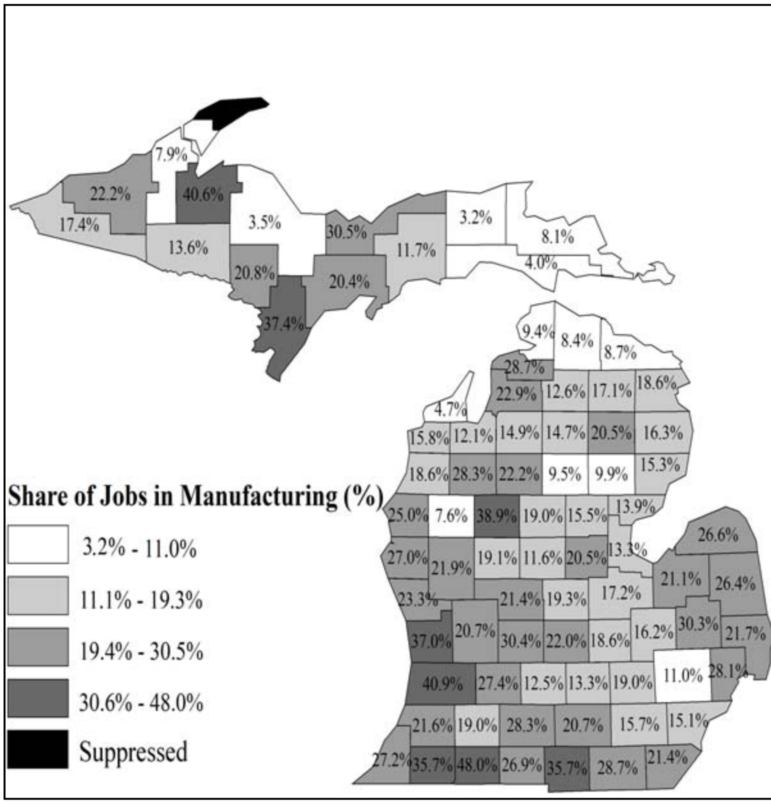

**Map 3:** Average Weekly Wage, 2006



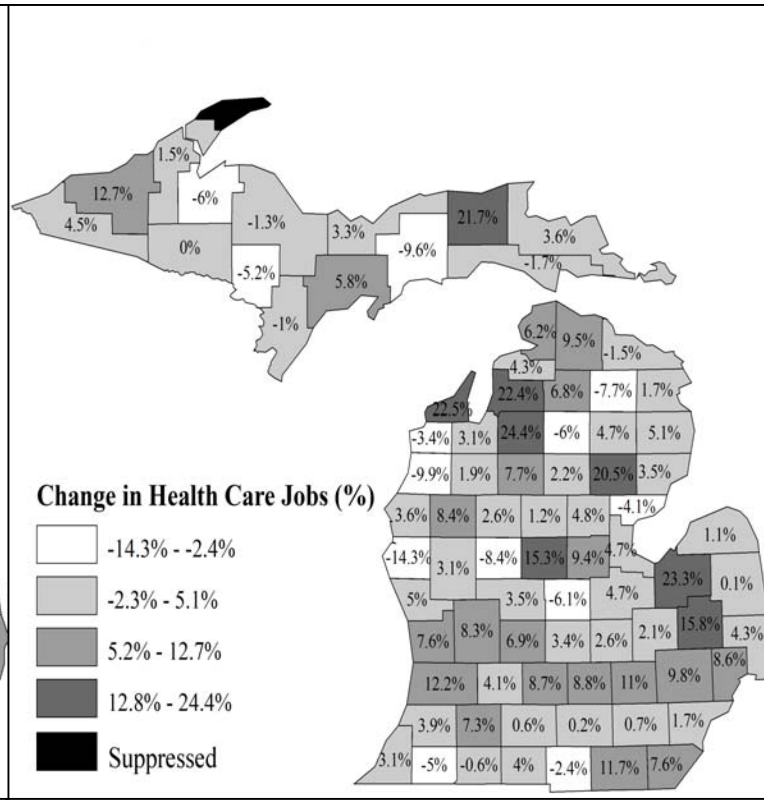

**Map 4:** Change in Avg. Weekly Wage, 2004-2006



**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




Michigan Department of Labor & Economic Growth

**Map Created by:**

**Michigan Department of Labor & Economic Growth**

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