Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries

Upper Peninsula

Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon and Schoolcraft 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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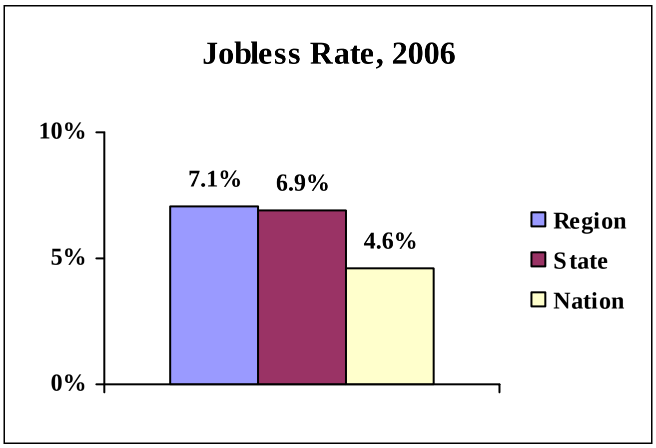
CURRENT LABOR MARKET INDICATORS

	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	-0.9%	+2.8%	0.0%	7.1%	$526	$24,137	+5.9%
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 state and national averages. Seasonal labor market patterns coupled with job loss in the manufacturing and retail industries contributed to the higher rate.

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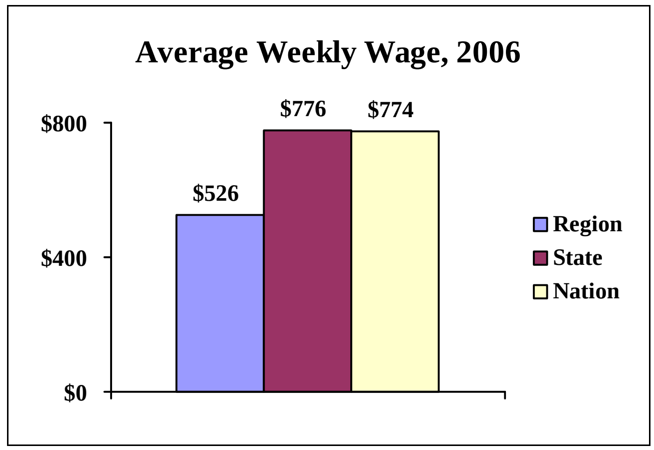
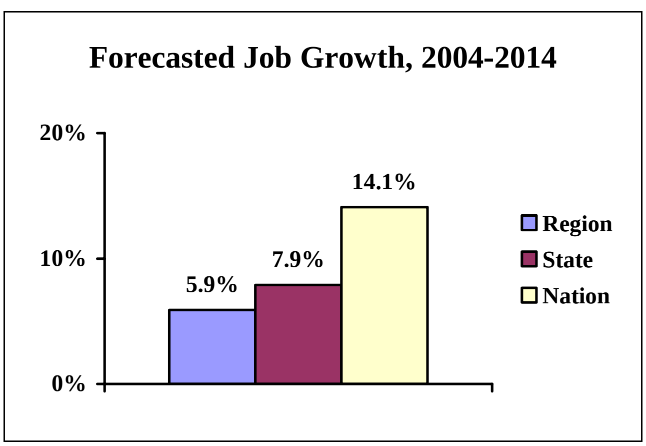
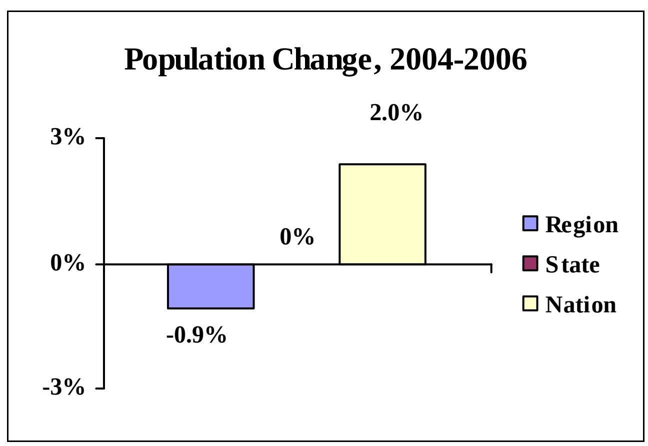


Average weekly wages were approximately one-third lower in the region than statewide, partly due to a higher concentration of jobs in the lower-paying leisure and hospitality and retail trade industries.

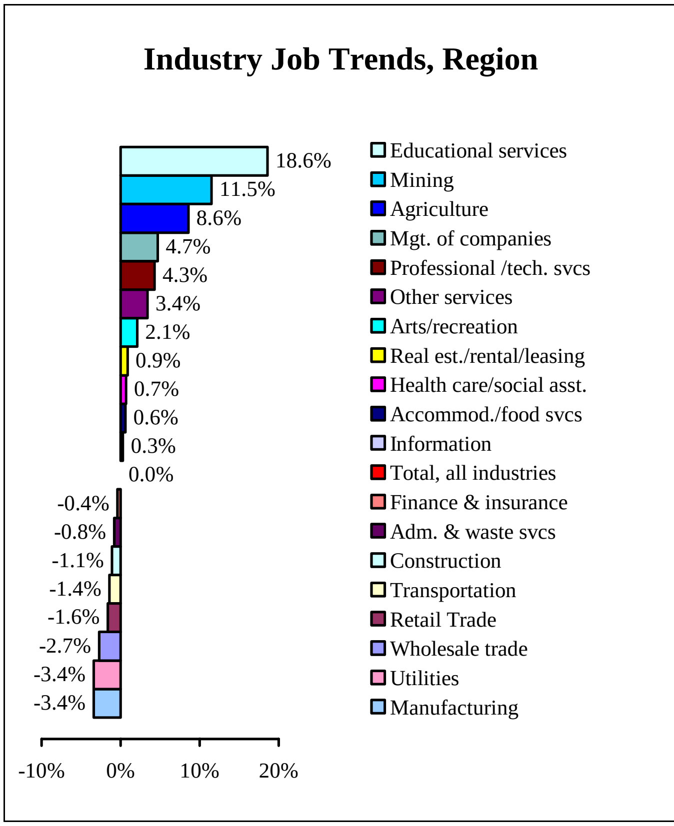


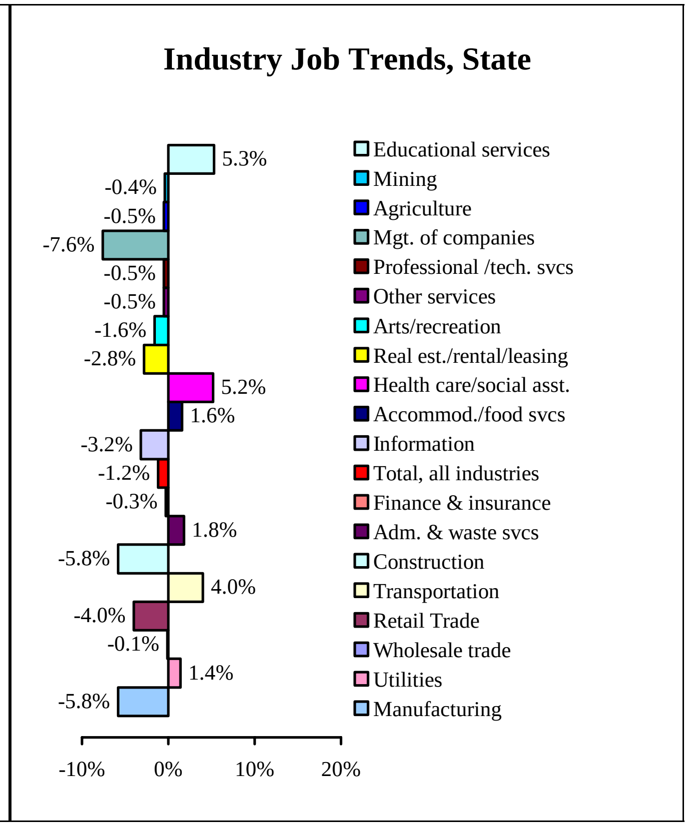
According to forecasts, regional job growth will be concentrated in the professional and business service, retail trade, leisure and hospitality service, and health service sectors.



The region's population loss can be attributed to both a natural population decline, as deaths exceeded births, and out-migration as more individuals moved out of area counties than moved into the region.

INDUSTRY JOB TRENDS (2004 –2006)





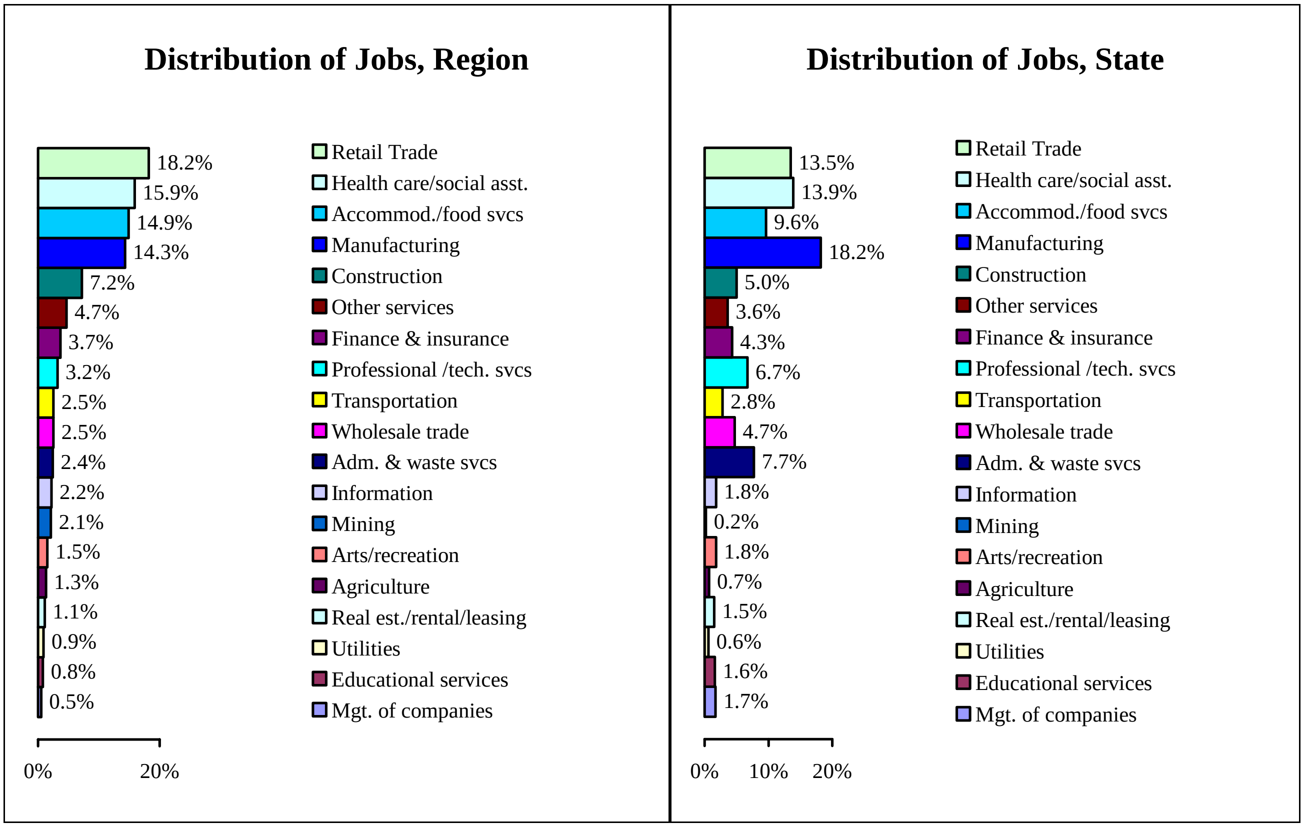
- Between 2004 and 2006, the total number of private sector payroll jobs in the region was unchanged. During the same period, statewide job loss totaled 42,700, a decline of 1.2 percent. More than half of the region's twenty major private industry sectors expanded during the two-year period. At the statewide level, only six of the twenty major industries gained employment.

- Five major industries accounted for approximately 70 percent of the job gains in the region's growth industries. The top five industries posting the most new jobs included *Mining* (+194 jobs), *Other Services* (+136), *Professional and Technical Services* (+114), *Educational Services* (+111), and *Health Care and Social Assistance* (+94). At the state level, only two of the five industries followed a positive trend.

- Two major industry sectors represent approximately 75 percent of the job loss in the region's declining industries. Between 2004 and 2006, *Manufacturing* employment fell by nearly 450, and *Retail Trade* jobs declined by over 250. These two industries also lost jobs statewide, however at a much faster pace.

- The region has not been significantly impacted by Michigan's automotive industry restructuring. Only five percent of the region's total *Manufacturing* employment is in the *Transportation Equipment Manufacturing* industry compared with 35 percent statewide.

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)



- In the regional economy, seventy-one percent of the nearly 88,000 private-sector jobs were concentrated in five industries: *Retail Trade* (18.2 percent), *Health Care and Social Assistance* (15.9 percent), *Accommodation and Food Service* (14.9 percent), M*anufacturing* (14.3 percent), and *Construction* (7.2 percent).

- The Upper Peninsula'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 one-third of the region's private sector jobs; the statewide share is twenty-three percent. A higher concentration of these lower-paying industries contributes to the region's less than average weekly wage.

- The goods-producing sector (*Mining, Manufacturing, and Construction)* accounts for twenty-three percent of the region's jobs. The statewide distribution also totals twenty-three percent. The regional economy is more dependent on the *Mining* and *Construction* industries, and less dependent on *Manufacturing* than statewide.

- Relatively faster growth in the region's elderly 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
Miscellaneous Manufacturing	474	$607	26.5%	4.7%
Fabricated Metal Products Manufacturing	2,095	$795	24.3%	12.4%
Educational Services	708	$355	18.6%	3.0%
Nursing and Residential Care Facilities	2,766	$362	13.7%	0.8%
Mining, Except Gas and Oil	1,868	$1,145	12.0%	0.7%
Forestry and Logging	805	$590	10.9%	16.5%
Transportation Equipment Manufacturing	604	$770	10.3%	-2.3%
Machinery Manufacturing	1,086	$790	9.5%	13.8%
Furniture and Home Furnishings Stores	501	$416	8.7%	-2.2%
Ambulatory Health Care Services	4,135	$749	5.4%	6.3%
Professional and Technical Services	2,790	$680	4.3%	12.3%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Furniture and Related Products Manufacturing	503	$586	-24.7%	13.1%
Wood Products Manufacturing	2,140	$635	-18.7%	6.8%
Social Assistance	2,213	$314	-13.9%	7.3%
Food and Beverage Stores	3,409	$295	-11.7%	10.5%
Plastics and Rubber Products Manufacturing	529	$643	-8.6%	6.5%
Miscellaneous Store Retailers	1,039	$302	-7.3%	13.4%
Health and Personal Care Stores	619	$479	-6.3%	12.3%
Electronic Markets and Agents and Brokers	535	$660	-6.1%	11.8%
Paper Manufacturing	2,561	$1,269	-4.4%	2.3%
Merchant Wholesalers, Durable Goods	1,036	$724	-4.1%	12.9%
Primary Metal Manufacturing	P	P	P	P

P – Protected Data

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
Mining, Except Oil and Gas	1,868	$1,145	12.0%	0.7%
Forestry and Logging	805	$590	10.9%	16.5%
Paper Manufacturing	2,561	$1,269	-4.4%	2.3%
Wood Products Manufacturing	2,140	$635	-18.7%	6.8%
Accommodation	3,061	$255	-1.5%	2.4%
Utilities	822	$1,314	-3.4%	6.5%
Fabricated Metal Products Manufacturing	2,095	$795	24.3%	12.4%
General Merchandise Stores	3,576	$325	2.7%	9.7%
Food and Beverage Stores	3,409	$295	-11.7%	10.5%
Construction of Buildings	2,176	$614	-2.9%	9.4%
Hospitals	4,853	$713	-1.9%	-3.6%
Food Services and Drinking Places	10,086	$166	1.3%	6.0%

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

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Fabricated Metal Products Manufacturing	2,095	$795	24.3%	12.4%
Miscellaneous Manufacturing	474	$607	26.5%	4.7%
Telecommunications	800	$866	4.0%	20.8%
Machinery Manufacturing	1,086	$790	9.5%	13.8%
Air Transportation	322	$736	15.4%	-7.5%
Non-store Retailers	389	$561	2.7%	9.3%
Transportation Equipment Manufacturing	604	$770	10.3%	-2.3%
Food Manufacturing	441	$491	3.4%	6.7%
Nursing and Residential Care Facilities	2,766	$362	13.7%	0.8%
Ambulatory Health Care Services	4,135	$749	5.4%	6.3%
Merchant Wholesalers, Nondurable Goods	605	$585	3.2%	7.3%

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
Fabricated Metal Products Manufacturing	2,095	$795	24.3%	12.4%
Machinery Manufacturing	1,086	$790	9.5%	13.8%
Transportation Equipment Manufacturing	604	$770	10.3%	-2.3%
Telecommunications	800	$866	4.0%	20.8%
Nursing and Residential Care Facilities	2,766	$362	13.7%	0.8%
Forestry and Logging	805	$590	10.9%	16.5%
Paper Manufacturing	2,561	$1,269	-4.4%	2.3%
Ambulatory Health Care Services	4,135	$749	5.4%	6.3%
Professional and Technical Services	2,790	$680	4.3%	12.3%
Heavy and Civil Engineering Construction	910	$952	-0.4%	21.2%
Hospitals	4,853	$713	-1.9%	-3.6%
Specialty Trade Contractors	3,269	$648	0.1%	6.7%
Mining, Except Oil and Gas	1,868	$1,145	12.0%	0.7%

- Reliance on the Upper Peninsula's abundant natural resources is evident in the inventory of core industries. One-third of the top industries are directly related to the extraction and processing of the region's raw materials, and each pays a higher-than-average wage.

- Sustained by the Upper Peninsula's many natural amenities, tourism also plays a significant role in the region's economy. Over half of the Upper Peninsula's core employment can be tied to the tourism industry. Unfortunately, many of the jobs are either part-time or seasonal, and most pay a less-than-average wage.

- Although the region has experienced modest job loss in the manufacturing industry overall, durable goods manufacturing stands out in the list of the region's developing industries. *Fabricated Metal Products, Miscellaneous Manufacturing (*especially *Medical Instruments), Transportation Equipment, and Machinery Manufacturing* offer a combined average weekly wage of $769 and a growth rate of 18 percent. Comparatively, the national growth rate for the combined industries is 2.1 percent.

- *Telecommunications*, although a relatively minor industry in the Upper Peninsula, continues to expand. The majority of growth is in the addition of call centers throughout the western and central regions of the U.P., and one of the newest centers has contracted to take reservations for the State of Michigan's campground system.

- One-third of the Upper Peninsula's total private-sector employment is provided by its competitive-advantage industries. Earnings for the region's competitive-advantage industries, a weekly average of $770, are significantly higher than the average of $526 for all Upper Peninsula industries.

- Large iron ore reserves make the region a vital part of the nation's mining industry. Increased demand for iron ore in recent years has lead to the recovery and stabilization of the Upper Peninsula *Mining Industry*, which had experienced short-term closures and layoffs earlier in the decade.

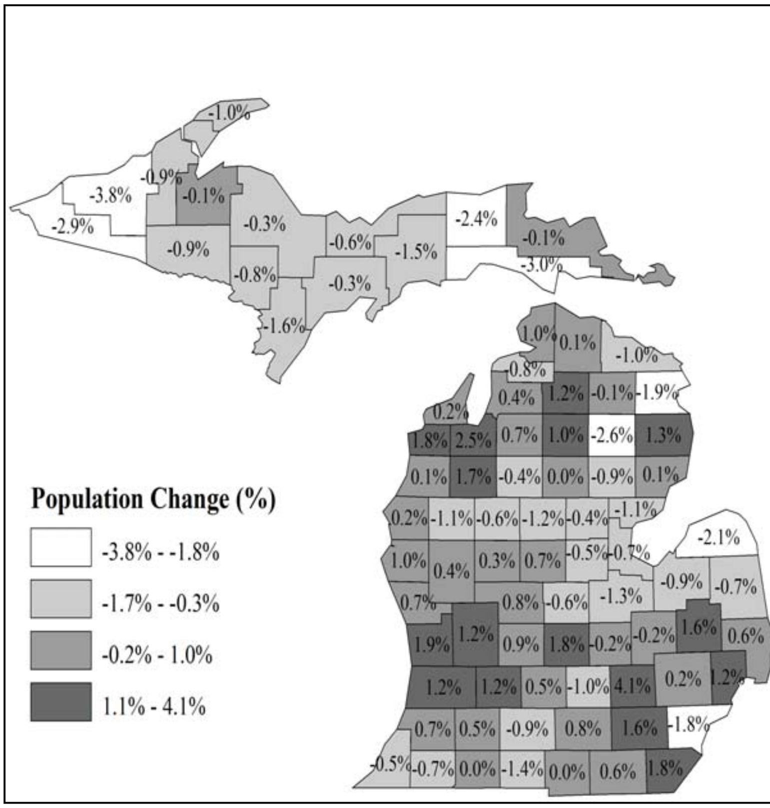
- In addition to large mineral deposits, the Upper Peninsula also has vast tracts of forestland, resulting in a competitive advantage for its lumber and paper industries. Previously owned by paper mills, hundreds of thousands of acres of commercial forest have been sold to private investors, which, in turn, have created many jobs in forestry and land management.

- The *Construction Industry*, which provides over seven percent of the region's jobs, also enjoys a competitive advantage. Several large firms in the *Specialty Trade Contractors Industry* provide labor for maintenance and upgrades at the Upper Peninsula's seven pulp and paper mills, and recently completed a large power plant project. The *Heavy and Civil Engineering Construction Industry* builds the Upper Peninsula's roads and bridges and maintains its utility lines.

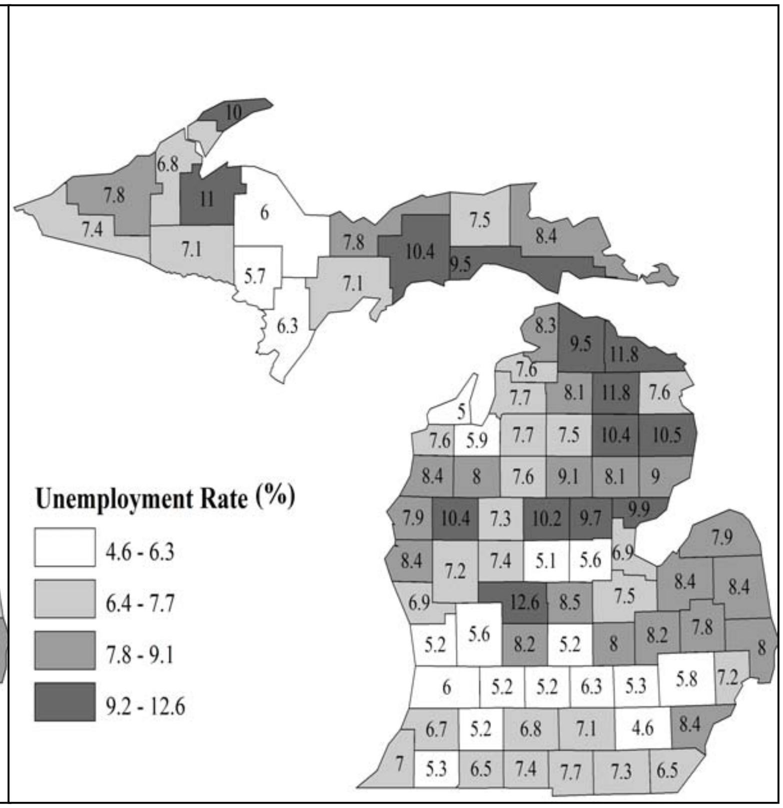
- *Architectural, Engineering and Related Services* is one of the fastest growing detailed industries within the broad *Professional and Technical Services Industry*. *Environmental Consulting Services* and *Scientific Research and Development Services* have also enjoyed recent growth. Many of these high-tech, knowledge industry firms are developed through the Michigan Tech Enterprise SmartZone. The available supply of university engineering students enhances this industry's competitive advantage.

APPENDIX I: MAPPING ECONOMIC TRENDS

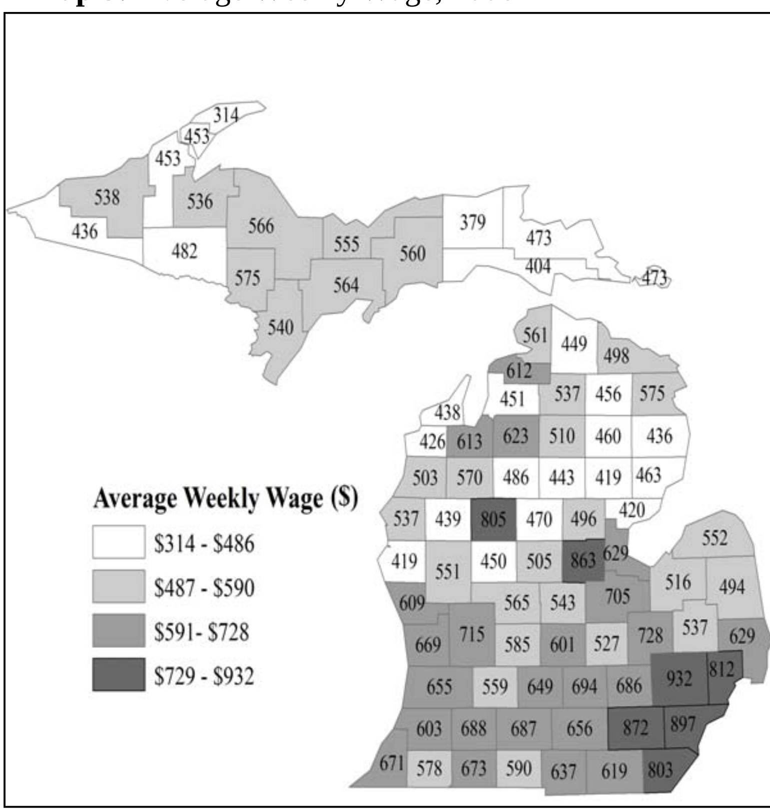
Map 1: Change in Population, 2004-2006



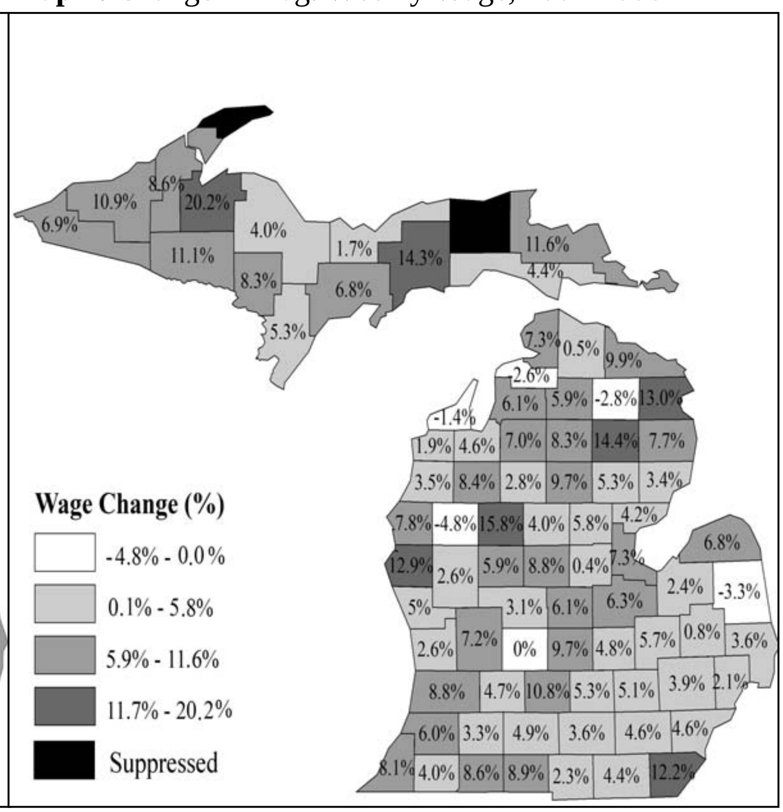
Map 2: Unemployment Rate, Average 2006



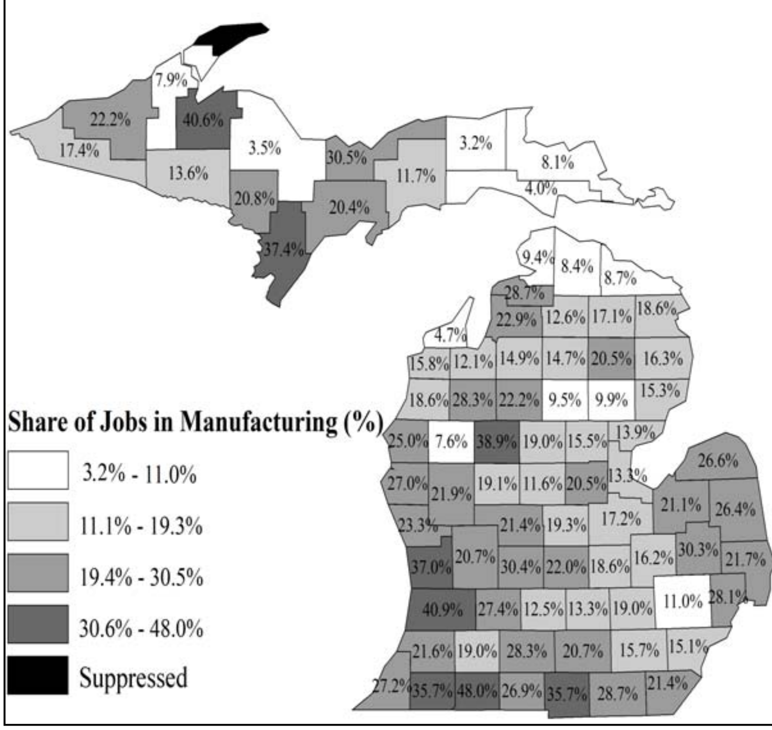
Map 3: Average Weekly Wage, 2006



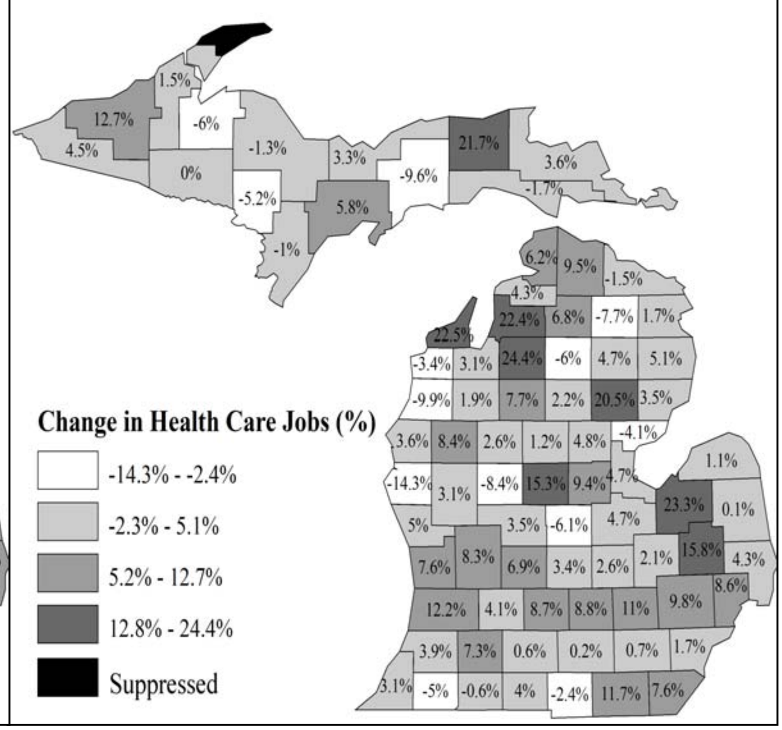
Map 4: Change in Avg. Weekly Wage, 2004-2006



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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