Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries

West Michigan

Allegan, Kent, Muskegon, Oceana, and Ottawa 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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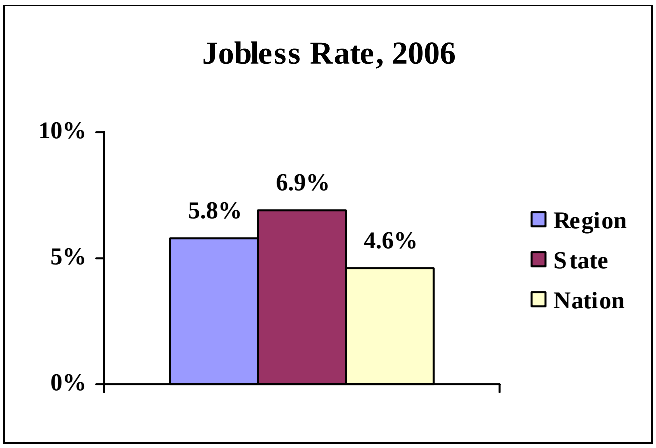
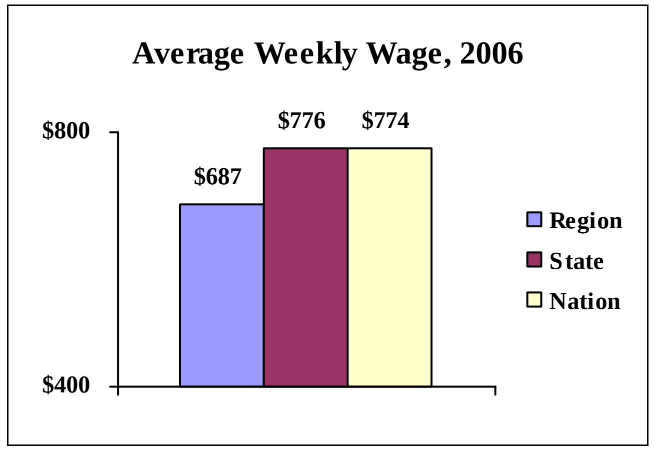
CURRENT LABOR MARKET INDICATORS

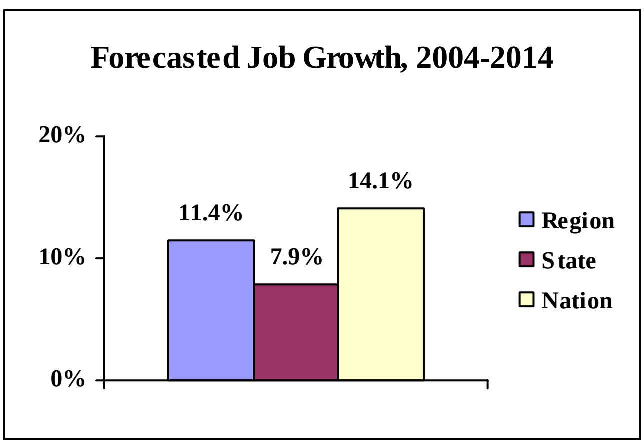
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	+1.3%	+2.7%	+1.6%	5.8%	$687	$30,057	+11.4%
State	0.0%	+0.6%	-1.2%	6.9%	$776	$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	$774	$33,050	+14.1%



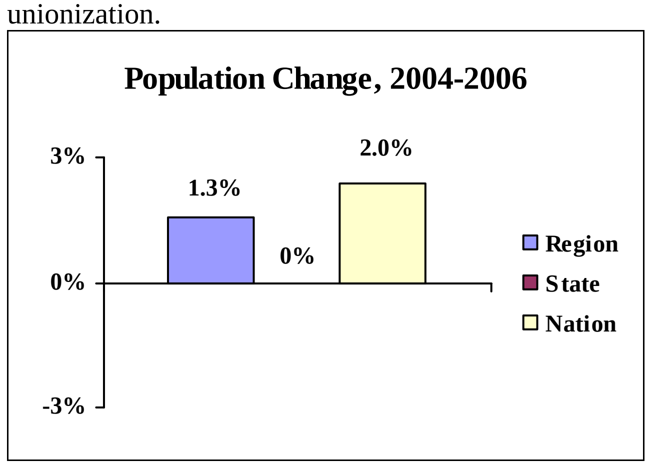
The West Michigan Region recorded a jobless rate lower than the 2006 Michigan average. The regional economy added 8,100 private payroll jobs while the statewide economy lost jobs. Most industry-by-industry job gains were higher and declines were lower in the region when compared to the state.



Average weekly wages were lower in the region than statewide. One reason for this difference is the region's distribution of *Manufacturing* jobs, some of which are concentrated in lower wage manufacturing industries than found statewide. Another explanation could be the region and statewide differences in unionization.

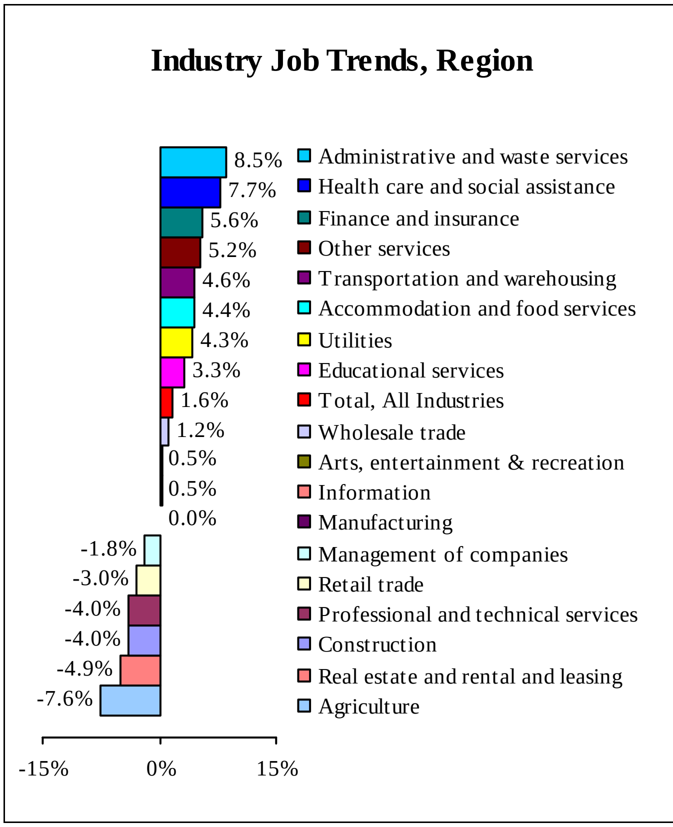


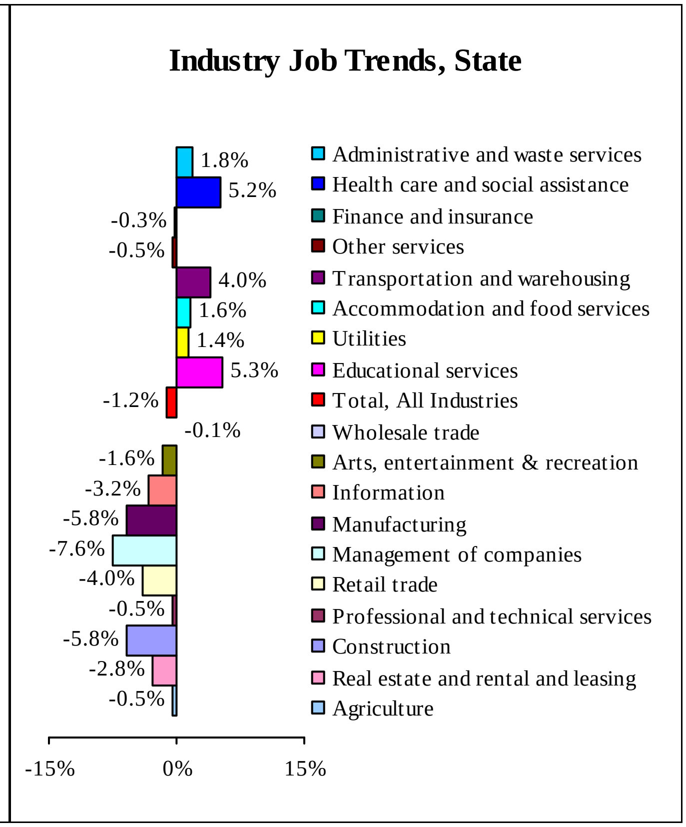
Regional job expansion is expected to be much more positive than statewide growth, but still lag the nation. Job gains are expected in several industries including *Professional and Business Services*, *Educational and Health Services*, and *Leisure*.



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 area counties than moved out of the region.

INDUSTRY JOB TRENDS (2004 –2006)





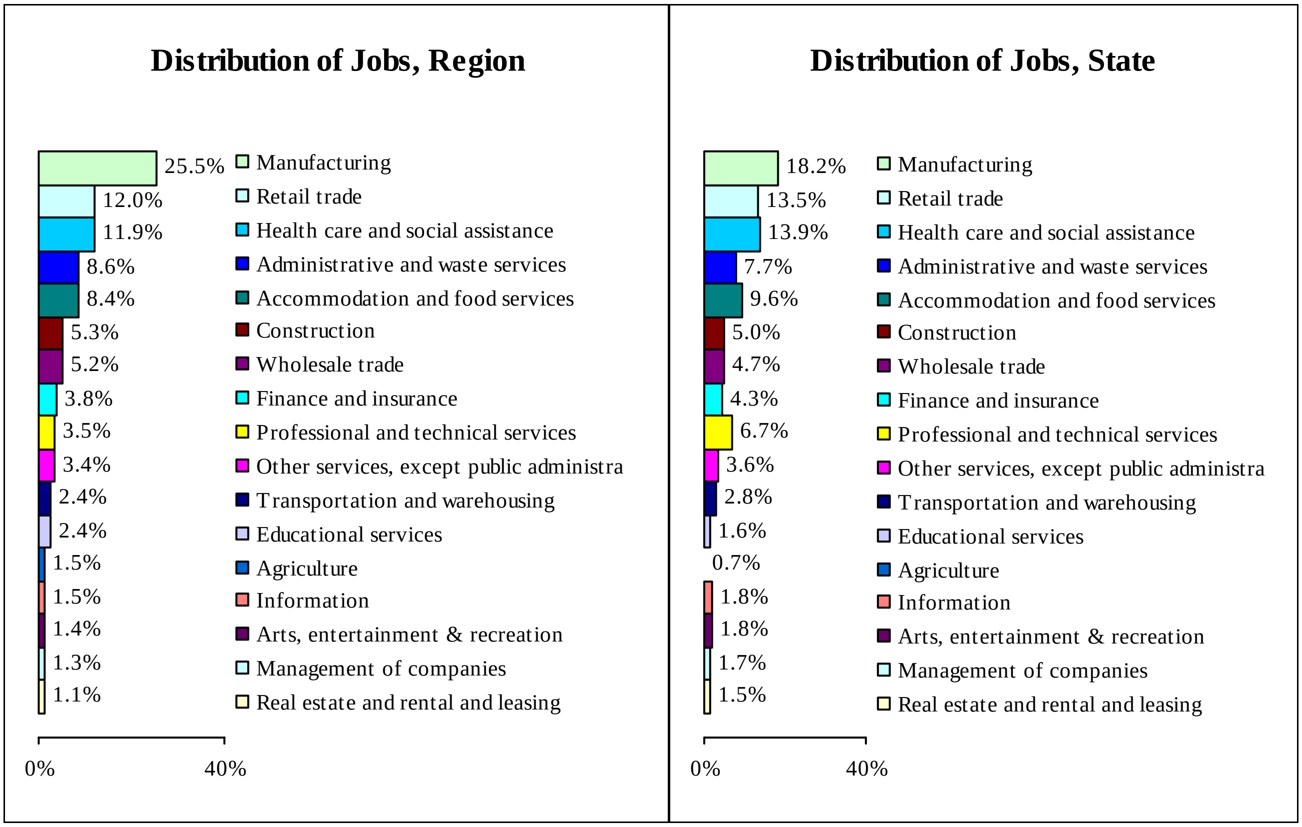
- Between 2004 and 2006, private payroll jobs increased by 8,100 or 1.6 percent. A large number of new jobs were added in *Health Care and Social Assistance* (+4,300 jobs), *Administrative and Waste Services* (+ 3,400), *Accommodation and Food Service* (+1,800), and *Finance and Insurance* (+1,000).

- *Retail Trade* (-1,900 jobs) and *Construction* (-1,100) were the industries that lost the most jobs over the period. Other industries reporting job losses included *Agriculture*, *Real Estate*, *Professional and Technical Services*, and *Management of Companies*. Each of these industries also showed declines statewide although the magnitude varied industry-by-industry.

- West Michigan's manufacturing sector outperformed statewide trends by maintaining its job base from 2004 to 2006, during a time when major manufacturing declines were seen in most regions throughout the state. The region did see job declines in nine manufacturing sectors but these reductions were offset by the twelve manufacturing industries that added jobs. West Michigan, unlike the state, is not as reliant on a single industry (such as autos) for factory jobs which helped it to be one of the few regions to not lose manufacturing jobs over this period.

- Job growth was seen in several industries statewide. Large growth rates were posted in *Educational Services* (+5.3 percent), and *Health Care and Social Assistance* (+5.2 percent). Industries adding a large number of new jobs over the period included *Accommodation and Food Service* (+5,400 jobs), *Administrative and Waste Services* (+4,800), and *Transportation and Warehousing* (+4,000).

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)



- As expected, a high concentration of jobs can be found in *Manufacturing*, *Retail Trade*, and *Health Care and Social Assistance*. In addition, there are many other industries that represent a solid share of regional jobs; many regions throughout the state have much less diverse economies.

- The most striking feature of the employment distribution in West Michigan is the large one-quarter of total jobs supplied by the manufacturing sector. However, the diversity of this sector is a regional strength. In addition to *Transportation Equipment Manufacturing*, major components of the region's manufacturing operation include *Furniture Manufacturing*, *Food Manufacturing*, *Plastics Manufacturing*, *Computer Manufacturing*, and *Chemical Manufacturing*, which set the region apart from other areas that are more reliant on Michigan's traditional auto-related base.

- The regional economy has slightly more job representation in the *Administrative and Waste Service* industry than seen statewide; the industry also posted very solid growth between 2004 and 2006. A larger presence of this industry may suggest that local businesses are realizing an increasing demand for *Employment Placement* and *Temporary Help Services*, which are the primary functions of this industry.

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
Computer and Electronic Product Manufacturing	8,161	$1,021	34.0%	9.5%
Membership Associations and Organization	6,277	$417	22.2%	12.0%
Social Assistance	6,273	$383	16.6%	-0.4%
Nursing and Residential Care Facilities	13,111	$433	14.8%	7.7%
Accommodation	3,749	$301	13.2%	5.7%
Insurance Carriers & Related Activities	8,271	$879	9.1%	-0.4%
Administrative & Support Services	42,461	$439	8.9%	9.6%
Hospitals	21,295	$775	8.3%	15.8%
Truck Transportation	6,603	$789	8.0%	6.8%
Fabricated Metal Product Manufacturing	16,555	$805	5.5%	4.3%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Nonmetallic Mineral Product Manufacturing	3,567	$942	-13.0%	1.2%
Heavy and Civil Engineering Construction	2,447	$899	-11.9%	6.7%
Paper Manufacturing	3,187	$981	-11.4%	11.5%
Food and Beverage Stores	7,748	$366	-10.5%	6.9%
Furniture and Home Furnishings Stores	2,654	$534	-8.7%	-2.2%
Rental and Leasing Services	2,226	$509	-7.7%	9.2%
Electronics and Appliance Stores	3,172	$495	-7.7%	8.3%
Transportation Equipment Manufacturing	22,073	$968	-7.5%	3.4%
Machinery Manufacturing	13,713	$1,056	-7.3%	1.6%
Crop Production	6,115	$386	-6.3%	4.5%

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
Furniture and Related Product Manufacturing	16,639	$1,017	-1.9%	11.5%
Primary Metal Manufacturing	6,902	$937	-0.7%	10.8%
Transportation Equipment Manufacturing	22,073	$968	-7.5%	3.4%
Machinery Manufacturing	13,713	$1,056	-7.3%	1.6%
Plastics and Rubber Products Manufacturing	9,122	$750	3.1%	2.4%
Fabricated Metal Product Manufacturing	16,555	$805	5.5%	4.3%
Crop Production	6,115	$386	-6.3%	4.5%
Chemical Manufacturing	8,146	$1,013	2.5%	6.9%
Nonmetallic Mineral Product Manufacturing	3,567	$942	-13.0%	1.2%
Paper Manufacturing	3,187	$981	-11.4%	11.5%

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

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Computer and Electronic Product Manufacturing	8,161	$1,021	34.0%	9.5%
Membership Associations and Organization	6,277	$417	22.2%	12.0%
Chemical Manufacturing	8,146	$1,013	2.5%	6.9%
Plastics and Rubber Products Manufacturing	9,122	$750	3.1%	2.4%
Nursing and residential Care Facilities	13,111	$433	14.8%	7.7%
Nonstore Retailers	2,367	$747	9.2%	7.4%
Gasoline Stations	3,560	$350	10.9%	-1.3%
Food Manufacturing	9,814	$729	3.3%	9.5%
Telecommunications	2,243	1,044	5.6%	-3.1%
Insurance Carriers and Related Activities	8,271	$879	9.1%	-0.4%

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
Computer and Electronic Product Manufacturing	8,161	$1,021	34.0%	9.5%
Hospitals	21,295	$775	8.3%	15.8%
Insurance Carriers and Related Activities	8,271	$879	9.1%	-0.4%
Merchant Wholesalers, Durable Goods	15,081	$957	5.5%	10.0%
Chemical Manufacturing	8,146	$1,013	2.5%	6.9%
Fabricated Metal Product Manufacturing	16,555	$805	5.5%	4.3%
Administrative and Support Services	42,461	$439	8.9%	9.6%
Nursing and Residential Care Facilities	13,111	$433	14.8%	7.7%
Food Manufacturing	9,814	$729	3.3%	9.5%
Truck Transportation	6,603	$789	8.0%	6.8%

- West Michigan's growth industries include the helping and health related sectors of *Social Assistance*, *Nursing and Residential Care Facilities*, and *Hospitals*, reflecting needs from an aging population. *Computer and Electronic Manufacturing* and *Fabricated Metal Product Manufacturing* also recorded job gains over this period.

- Declining industries included four manufacturing related industries including *Transportation Equipment Manufacturing*. Jobs in this industry fell by 7.5 percent between 2004 and 2006, much less than the 12.8 percent reduction seen statewide. Three retail industries – *Food and Beverage Stores*, *Electronics Stores*, and *Furniture Stores* – were also among the declining industries.

- Core industries in West Michigan are responsible for more than 20 percent of the region's total private jobs. This mix illustrates the importance and vitality of the manufacturing sector in the regional economy. Nine of the ten core industries are manufacturing related and display the very diverse structure of the sector, while, at the same time, highlighting the region's heavy reliance on the manufacturing sector.

- The region's developing industries extend beyond the "core" manufacturing industries to include other industrial sectors such as *Computer and Electronic Product Manufacturing*. *Plastics and Rubber Manufacturing* and *Chemical Manufacturing*.

- Illustrating the cultural and social dynamics of the region is the development of area *Membership Associations and Organizations*; these industries include area religious, civic, volunteering, business, professional, labor and political organizations.

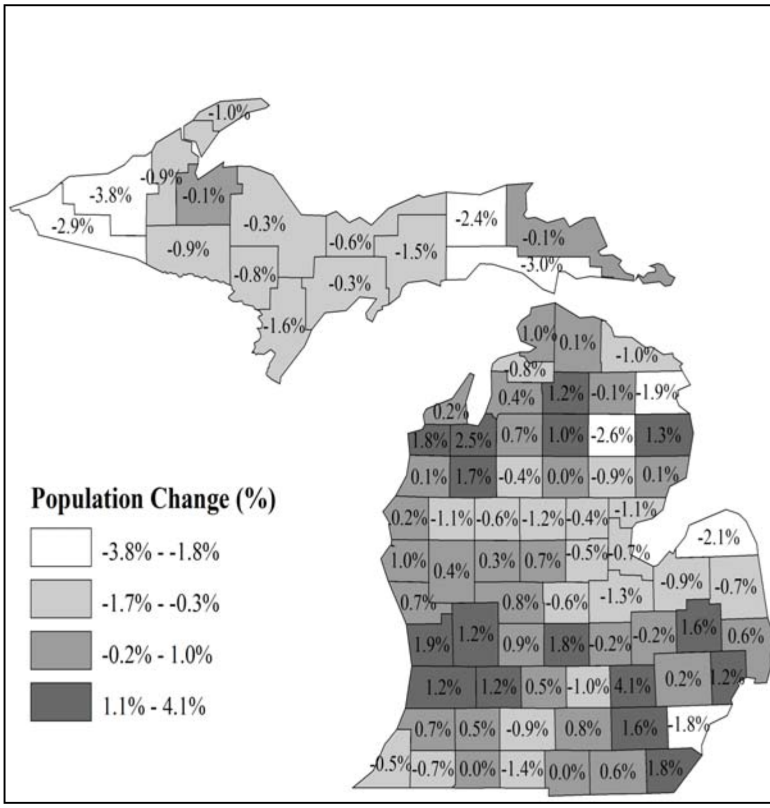
- The regional economy holds a competitive advantage in several diverse industries ranging from high technology *Computer Manufacturing* and *Chemical Manufacturing* to the vital health-related industries of *Hospitals* and *Nursing and Residential Care Facilities.* Also included in the competitive-advantage list are several business and service-related industries including *Insurance Carriers* and *Administrative and Support Services*.

- The *Truck Transportation* industry is competitive in West Michigan as firms in this sector service several major supply chain and distribution operations as well as manufacturing facilities located within the region. Another possible explanation for the relative strength of this industry is West Michigan's proximity to several metropolitan areas in Michigan and its relative closeness to major markets in Illinois and Indiana.

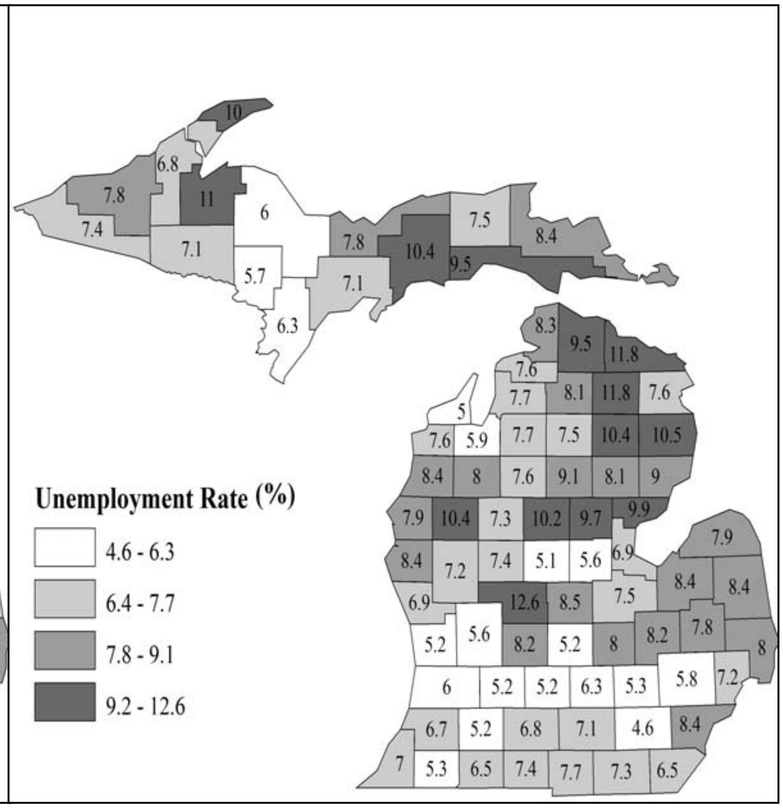
- The *Durable Goods Merchant Wholesalers* industry is well positioned in West Michigan. One quarter of jobs in this industry are concentrated in the *Machinery, Equipment, and Supplies Wholesalers* sector. Firms in this sector are involved in the wholesale distribution of construction, transportation, and industrial machinery, equipment and supplies. As expected, this sector's strength can be explained by the manufacturing industry's presence in the regional economy; each manufacturer representing a potential customer for these wholesalers.

APPENDIX I: MAPPING ECONOMIC TRENDS

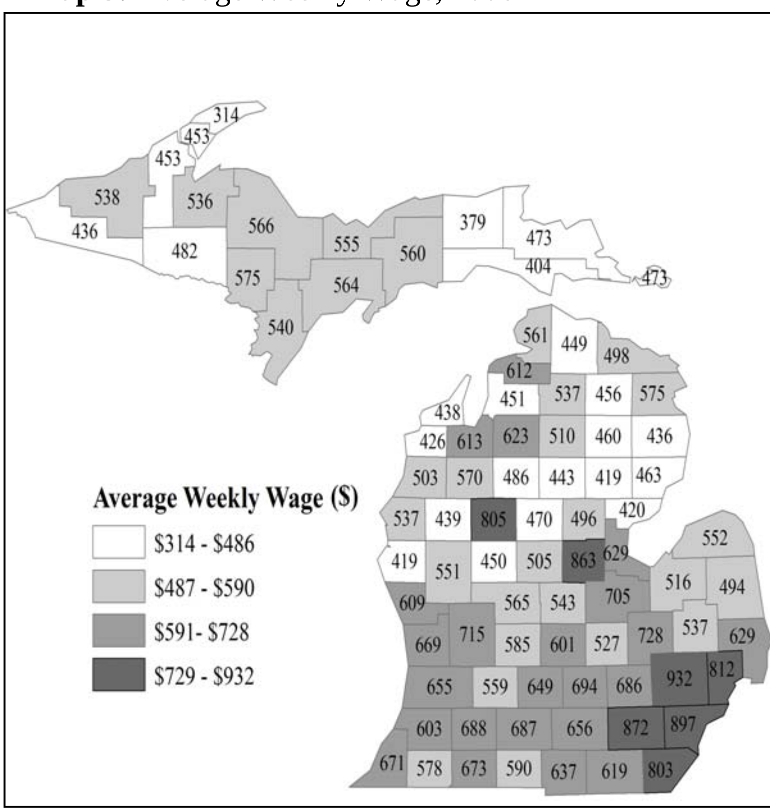
Map 1: Change in Population, 2004-2006



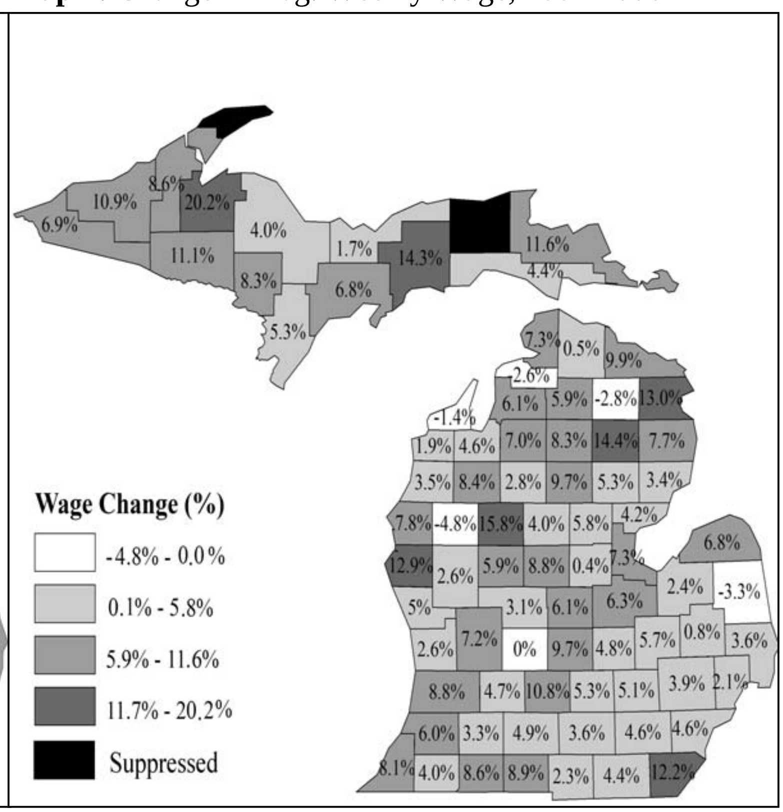
Map 2: Unemployment Rate, Average 2006



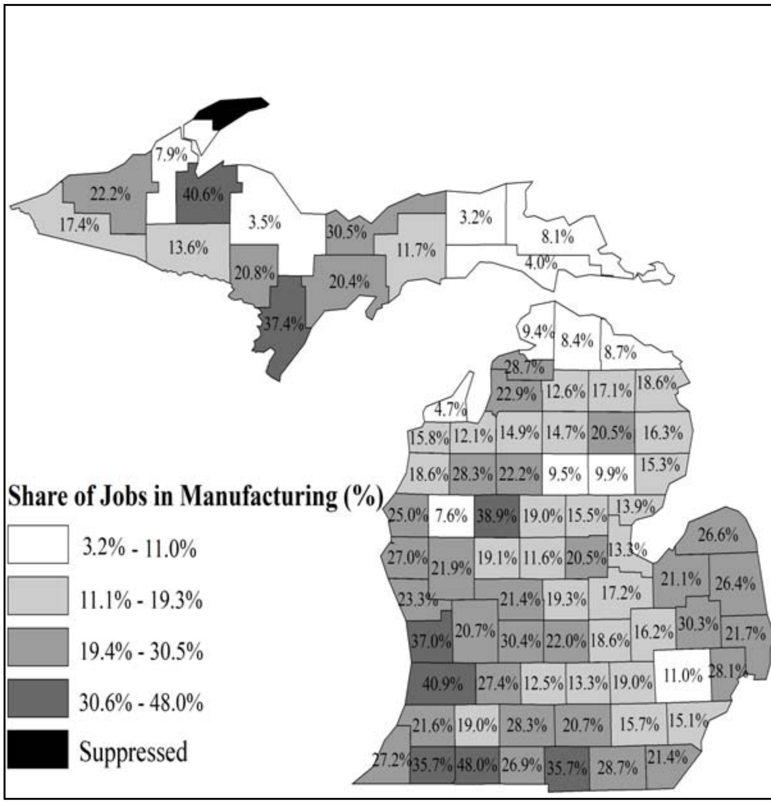
Map 3: Average Weekly Wage, 2006



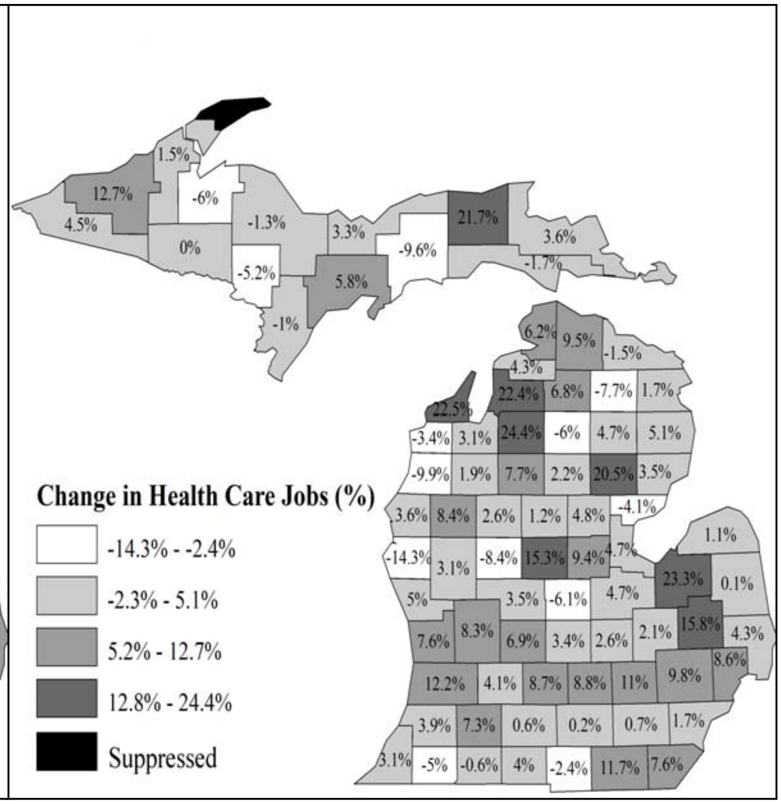
Map 4: Change in Avg. Weekly Wage, 2004-2006



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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