

WEST MICHIGAN VIEWPOINT

2001 Revisited: Worse Than We Thought

For the nation as a whole, the 2001 recession may have been more of a speed bump than a dip in the road. In west Michigan, recessionary conditions did take hold during the year, however, especially in the region's office furniture, paper, and automotive industries. Yet, despite pessimistic employment reports in the region's key industries, last year's employment estimates indicated that the region's employers increased their payrolls by 1.0 percent during the year. It turns out that those estimates were overly optimistic.

During the course of the year, the Michigan Department of Career Development (MDCD) provides timely employment estimates by place of work for all labor market areas in the state. These estimates are based on a monthly voluntary survey of employers and individual contacts made by MDCD's labor analysts. Every spring, MDCD reestimates these employment statistics for the previous two years using establishment-level unemployment insurance records (ES-202 records). Unlike the monthly surveys, the ES-202 database provides a complete census of employers who have at least one person on their payroll. In May, MDCD released its annual revision of local employment statistics for the past two years.

As shown in the table below, MDCD now reports that employment fell by 0.8 percent during 2001 in the three metropolitan areas of west Michigan. Instead of hiring 9,000 additional workers, west Michigan employers eliminated 7,200 jobs. Not only were employment losses in the region's goods-producing industries much greater than previously reported, but these losses slowed consumer and business spending on services as well, sharply reducing the region's employment growth in retail, financial, and general services. As shown below, the economic conditions in each of the three metropolitan areas of west Michigan were much more harsh in 2001 than previously reported. Only in the Kalamazoo-Battle Creek MSA did employment levels remain stable.

The revised numbers also take some of the glitter off of the "new" Michigan economy. Before, it appeared that the state's economy successfully avoided being seriously harmed by the national downturn, losing fewer than 7,000 jobs, just a 0.1 percent decline. Now, it is estimated that employers in fact eliminated more than 87,000 jobs in 2001, a 1.9 percent drop.

Overall, the revised numbers simply confirm that the region's goods-producing sector did not avoid the pain of the well-reported national manufacturing recession. Employment declines in the region's goods-producing sector were nearly double what was reported previously. Moreover, the link between the region's goods-producing and service-producing sectors remains strong.

Whereas the previous estimates suggested that the region's service-producing employment had a "life of its own," it now appears that this new-found freedom from the constraints of the region's goods-producing sector may have been exaggerated.

Finally, the magnitude of this year's revisions in MDCD's employment statistics points to the growing challenge of monitoring the region's economy. As more workers are employed in smaller firms and as long as research budgets remain tight and survey response rates continue to fall, it will only become more difficult to track current economic conditions, especially in times of dynamic changes as we unfortunately experienced in 2001.

Table 1
Revised Employment Growth Estimates for 2001

	Employment change		Percentage Change	
	Previous	Revised	Previous	Revised
Benton Harbor MSA				
Total employment	700	-1,200	0.9	-1.6
Goods-producing	-400	-800	-1.9	-3.6
Service-producing	900	-600	2.2	-1.4
Government	200	200	2.2	2.2
Grand Rapids-Muskegon-Holland MSA				
Total employment	5,900	-6,000	1.0	-1.0
Goods-producing	-4,000	-7,400	-2.1	-3.9
Service-producing	8,500	400	2.4	0.1
Government	1,400	1,000	2.5	1.8
Kalamazoo-Battle Creek MSA				
Total employment	2,400	0	1.1	0.0
Goods-producing	-400	-1,000	-0.7	-1.7
Service-producing	2,200	600	1.8	0.5
Government	600	400	1.7	1.1
West Michigan				
Total employment	9,000	-7,200	1.0	-0.8
Goods-producing	-4,800	-9,200	-1.8	-3.4
Service-producing	11,600	400	2.3	0.1
Government	2,200	1,600	2.2	1.6

SOURCE: MDCD