

**Economic Analysis of the
Calhoun County Economy:
What Needs to be Done for the Future?
Final Report**

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Section 1 - Introduction

The Calhoun County economy rebounded in the 1990s. County employers created over 5,800 new jobs from 1990 to 2000, an increase of 8.3 percent. The county's unemployment rate plunged from 7.5 percent in 1990 to 4.3 percent in 2000. In comparison, employment fell by 1.0 percent during the 1980s. In March of 2001, the 1990s expansion ended, and for the past year, the nation's business community has been working to adjust to new market conditions and to address the economic excesses created during the period. Not surprisingly, the growth of the county's economy has also slowed, and its unemployment rate has crept back up to 5.9 percent during the first four months of 2002. Moreover, Hayes-Albion, Albion's largest employer, closed in June of 2002 after losing a major contract with Visteon. The foundry employed 500 workers.

It seems appropriate at this juncture for the Calhoun County Economic Development Forum to revisit its mission and explore its future options. Formed at the start of the 1990s' expansion, the Forum successfully created a beneficial environment for the county's businesses and economic development communities to address key economic opportunities and barriers facing the county's economy. Has it served its purpose? In short, the organization is facing two key questions:

1. What are the current countywide economic development issues that could harm the county's economic health and hinder its growth?
2. Is the Forum the right organization to address these issues?

With these questions in mind, the Calhoun County Economic Development Forum requested the W.E. Upjohn Institute for Employment Research to revise and update its 1990 report, *A Structural Analysis of the Calhoun County Economy*. This report, funded by the Kellogg Foundation, presents the findings and recommendations of this research effort.

In this section, we provide a brief overview of the county's economic performance in the 1990s and review the findings and recommendations of our 1990 report. Although the report is more than ten years old, many of its findings and recommendations still ring true. In Section 2, we take a more in-depth look at the county's economic structure, including its robust manufacturing sector as well as its lackluster non-manufacturing sector. Section 3 provides an analysis of the county's population trends. We fear that the county's lack of population growth could have a dampening effect on the county's performance during the next ten years.

As previously mentioned, the county's outstanding economic performance of the 1990s was due in part to a robust national economy. A better test of the county's performance is to compare it to the growth experienced by other similar areas in the Great Lakes Region. This is done in Section 4 where we compare Calhoun County with 10 other urbanized counties. Section 5 provides the "words from the street" as we present the results of 45 one-on-one interviews with county business and community leaders. In Section 6 we examine the factors that affect the county's quality of life. An area's quality of life affects not only its ability to attract new businesses but also highly influences residential decisions of households to either locate in the area or to commute from neighboring counties. Section 7 provides our high, medium, and low forecasts for the

county. Finally, we sort through all of the presented statistics, comments, and analyses and present our conclusions and recommendations in Section 8.

The Expansionary 1990s

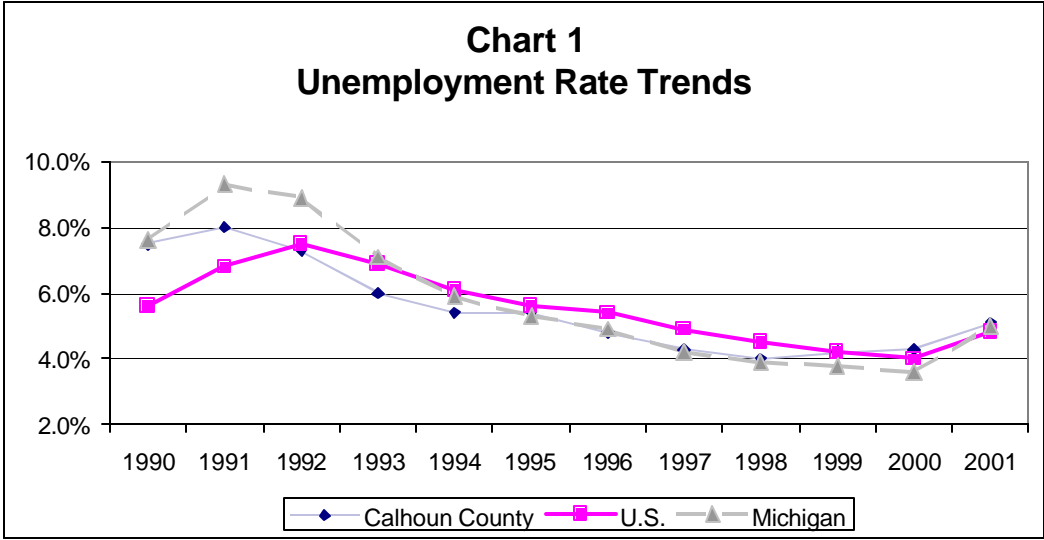
The 1990s' record-breaking national expansion pulled Calhoun County out of the realm of high unemployment and negative job growth. From 1990, near the peak of the 1980's expansion, to 2000, near the peak of the 1990's expansion, total employment rose by 8.3 percent in Calhoun County.¹ Overall, 5,815 jobs on net were created in the county during the ten-year period.² In sharp contrast, total employment fell by 1.0 percent in the county during the previous period, 1979 to 1989, which was a peak-to-peak period in the business cycle. The county's strong job growth pushed its unemployment rate down to 4.3 percent in 2000 (Chart 1), before going back up to 5.9 percent in the first four months of 2002 due to the current national economic slowdown.

At the close of the decade, Calhoun County employers had over 75,500 workers on their payrolls, up from 69,711 in 1990 (Table 1). Strong employment gains occurred in the county's construction, manufacturing, services and retail trade sectors. Employment gains were not reported across all sectors, however, as wholesale, transportation and utilities, and finance, insurance and real estate all posted losses during the 1990s.

As shown in Table 2, the county's manufacturing sector made a dramatic turn around from declining by 21.7 percent in the 1979 to 1989 period to climbing 7.9 percent in the 1990s. Impressive gains were made across many of the county's non-manufacturing sectors as well. Employment in the county's non-manufacturing sectors rose by 9.1 percent in the 1990s, compared to a lower 8.1 percent increase in the 1980s.

¹ 2000 is the last year of available data on workplace employment on the county level generated by the Bureau of Economic Analysis (BEA). The Michigan Department of Career Development (MDCD) releases more current estimates but only for the Kalamazoo-Battle Creek Metropolitan Statistical Area which includes Kalamazoo and Van Buren Counties, as well as Calhoun County. While this limitation in the available BEA data does not allow us to monitor current conditions, it does not harm the data's usefulness in tracking trends.

²In our earlier April 15, 2002 draft, it was reported that 11,107 jobs were created in the county during the 1990s. Approximately 55 percent of the substantial revision in the county's employment growth estimates is due to BEA revising its employment growth estimates for the 1989 to 1999 period. BEA now estimates that only 7,959 jobs were created from 1989 to 1999. The remaining 45 percent of the difference is due to change in the period's end points.



Source: MDCD and BLS

Table 1 Total Employment by Sector - 1990 to 2000 Growth

	1990	2000	% Change
Total Employment	69,711	75,526	8.3%
Mining	122	94	-23.0%
Construction	2,481	3,234	30.4%
Manufacturing	16,541	17,855	7.9%
Transportation and public utilities	2,724	2,135	-21.6%
Wholesale trade	1,969	1,491	-24.3%
Retail trade	12,457	14,291	14.7%
Finance, insurance, and real estate	3,908	3,487	-10.8%
Services	16,252	19,070	17.3%
Government	11,148	11,684	4.8%
Other	2,109	2,185	3.6%

Source: BEA-REIS

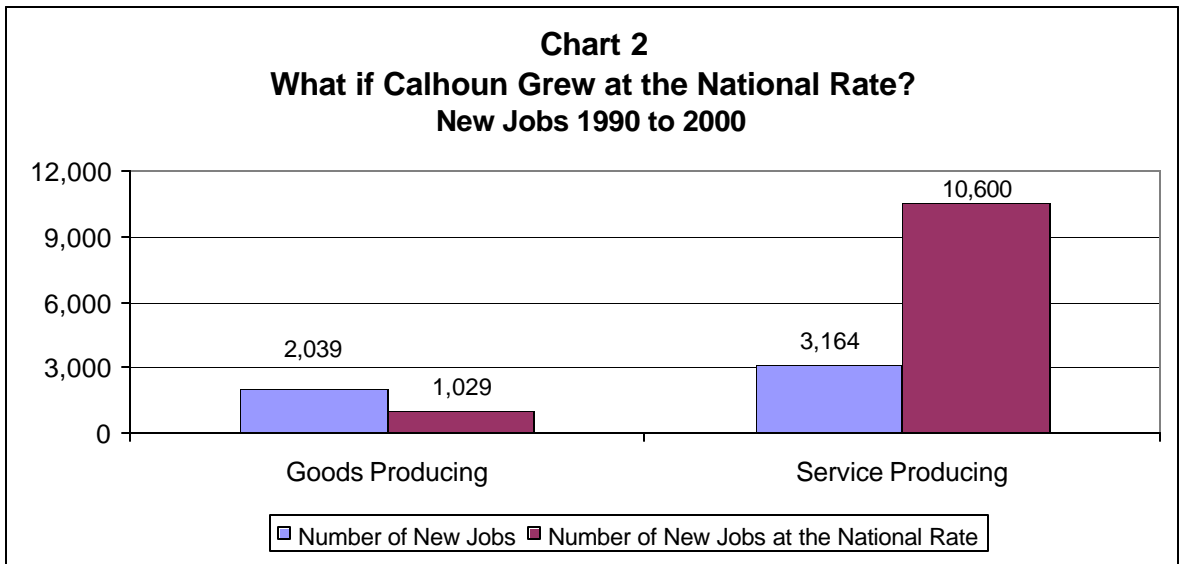
With more of the county's residents working, personal income in the county also rose during the 1990s. In real terms, personal income rose by 15.9 percent from 1990 to 2000, compared to only 1.7 percent during the 1979 to 1989 period. More revealing, between 1990 and 2000, per capita income rose from \$22,375 to \$25,596 in 2000 dollars, a real increase of buying power per person of 14.4 percent. Comparatively, real per capita income growth was essentially stagnant during the 1980s, declining by 2.0 percent.

Table 2		
The Turn Around		
(percent change in employment)		
	1979 to 89	1990 to 00
Manufacturing	-21.7%	7.9%
Non-Manufacturing	8.1%	9.1%
Mining	-19.0%	-23.0%
Construction	5.0%	30.4%
Trans & Utils	-2.1%	-21.6%
Finance, Ins., Real Estate	-27.4%	-10.8%
Retail	13.7%	14.7%
Wholesale	19.6%	-24.3%
Services	18.0%	17.3%
Government	8.5%	4.8%
Total Employment	-1.0%	8.3%

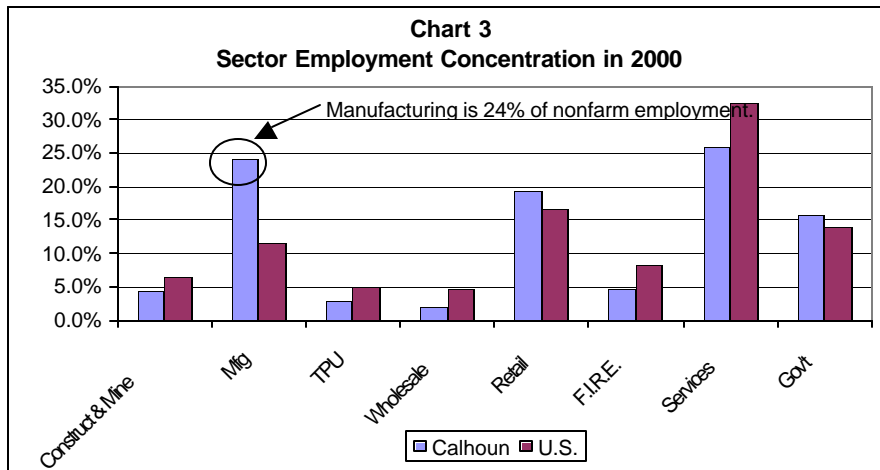
Source: BEA-REIS

While the county's overall performance in 1990s was a vast improvement over its performance during the 1980s, it did not match the nation as a whole. Although total employment rose by 8.3 percent in Calhoun County during the 1990s, it increased by 20.1 percent, nationwide. Across the nation, real personal income also grew 29.2 percent and real per capita income increased 14.3 percent in real terms.

To aid in understanding the county's overall performance during the 1990s, we compare Calhoun County's actual employment growth during the 1990s to what it would have been if it simply matched the national rate during that period. As shown in Chart 2, total employment in the county's good-producing sector (manufacturing and construction) rose by more than 2,000 workers. If instead, employment in this sector had grown by the overall national rate, it would have gained only 1,029 jobs. In other words, if the county had only matched the national rate of growth, it would have had close to 1,000 fewer goods-producing jobs in 2000. However, the reverse is true for the county's private service-producing sector. Employment in the county's private service-producing sector rose by 3,164 workers; however it would have had 7,436 more workers if it had increased at the national growth rate. In short, Calhoun County's success during the 1990s was due to its robust manufacturing sector and its local efforts to nurture that growth.



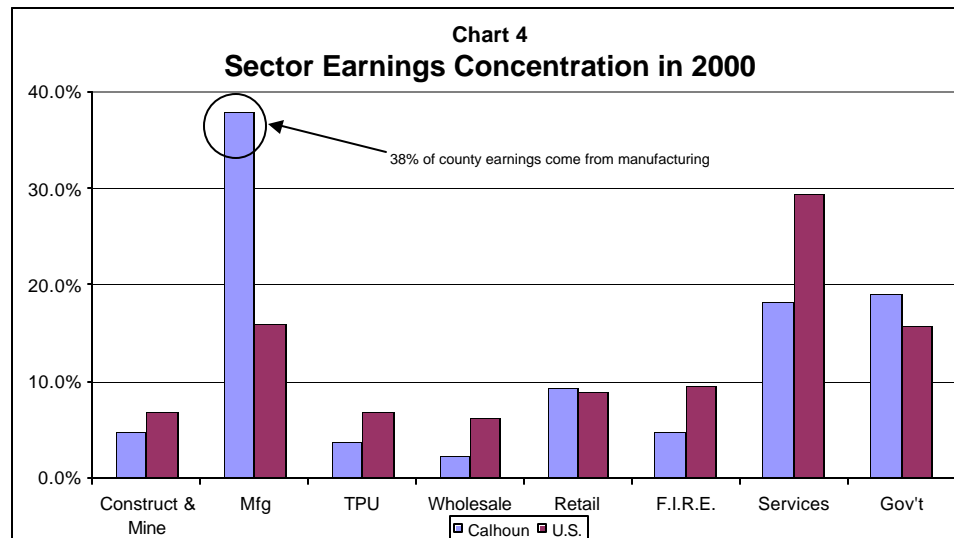
Source: BEA-REIS



Source: BEA-REIS

As a result of its robust manufacturing sector, the county finds itself entering the new decade with an exceptionally strong concentration in manufacturing activity. As shown in Chart 3, manufacturers accounted for 23.6 percent of the county's total non-farm workforce in 2000, more than double the nation's 11.6 percent. In 1990, manufacturers represented 24.3 percent of the county's workforce and 14.5 percent of national employment.

In many respects, a sector's impact on total earnings is a better measure of its importance to a local economy than its employment impact because it takes into account the quality of the jobs in terms of pay. By using this yardstick, the importance of manufacturing to the Calhoun County economy is firmly established. Manufacturers accounted for 38 percent of the county's non-farm earnings in 2000 (Chart 4). While this measure is somewhat misleading since it includes the earnings generated at Kellogg's world headquarters and its research and development laboratories, it still properly measures the importance of manufacturing to the economic health of the county.



Source: BEA-REIS

The most disturbing aspect of the county's performance during the past decade was its lackluster population growth. Total county population increased by only 1.5 percent for the entire decade, compared to the nation's 13.2 percent gain. The past decade's performance was only slightly better than the 1980s when its population declined 2.5 percent. Worse yet, an age analysis of the county's population change during the 1990s reveals a loss of many adults in the 18 to 44 age groups. In short, the lack of population growth, if it were to continue into the next decade, could create a serious constraint on job growth due to county employers being unable to find qualified workers.

Review of the 1990 Report

In September 1990, the W.E. Upjohn Institute completed its *Structural Analysis of the Calhoun County Economy*. Our study painted a pessimistic picture of the future of Calhoun County, which fortunately did not come true. Essentially, the report called for the negative trends recorded in the 1980s to spill over into the 1990s. Total employment in Calhoun County was forecast to decline at a 0.3 percent average annual rate from 1989 to 2000. Moreover, the forecasted decline in employment growth was expected to push the county's population down by 1.1 percent per year from 1990 to 2000.

Nationwide, the 1990s proved to be far more robust than almost all forecasters had expected. In fact, the nation enjoyed its longest economic expansion on record, and the nation's auto companies achieved record-breaking sales volumes, year after year. In Calhoun County, employment increased by 8.3 percent, a 0.8 percent annualized rate from 1990 to 2000.

The errors in our forecast were twofold. First, our U.S. baseline forecast for the national economy was too low. We were forecasting an average annual increase in Gross Domestic Product of only 2.7 percent, significantly lower than the 3.2 percent annual average rate achieved during the decade. National employment was forecasted to increase only 1.0 percent per year; instead, it rose by 1.8 percent annually during the 1990s. Second, we did not foresee the strong rebirth of the county's manufacturing sector nor the county's employment gains in retail trade.

We called for the county's manufacturing employment to fall by 1.4 percent per year, when it rose about 0.8 percent annually, with the county's manufacturers hiring 1,300 additional workers during the period.

While the forecast offered in the previous report was off the mark, the major findings and recommendations of the report, in many respects, are still germane:

1. ***The greatest general economic problem facing Calhoun County is not high costs but population decline.*** While the county's population did not decline as forecasted, it grew by only 1.5 percent during the 1990s, compared 13.2 percent nationwide. To quote from the 1990 report:

Policymakers should consider what steps can be taken to improve both the actual and perceived quality of life in Calhoun County in order to attract more in-migrants and reduce out-migration. Population growth is an oft-neglected component of economic development policy, which tends to focus on directly encouraging business growth.

This recommendation still holds true today. Moreover, the lack of a growing labor supply of qualified workers could become a significant barrier to future economic growth in the county. In this situation, new job openings in Calhoun County may only be providing income for commuters from neighboring counties.

2. ***Economic development programs should target medium- and high-wage industries that offer the potential for exporting outside the county or substituting for imports.*** While, Calhoun County's outstanding performance in manufacturing cannot be attributed to a "low-wage" strategy, it is still true that several of the county's faster growing industries pay relatively low wages. Given its excellent training institutions and superb location, the county offers a very competitive location for high-performance firms which pay good wages.
0. ***Individuals, government, and the private sector will need to increase their investments in higher quality education in order to achieve the goal of high wages for Calhoun County residents in the future.*** As discussed in Section 5, many of the business and community leaders interviewed stressed the importance of both investing in the physical infrastructure of the area's schools,

as well as increasing efforts to ensure that young children are ready to learn when they enter kindergarten. At the same time, many of the individuals interviewed gave very high marks to the Kellogg Community College and its ongoing drive to meet the needs of the business community.

0. ***Cooperative efforts with Kalamazoo County should be focused on specific projects that offer mutual benefits.*** The previous report recommended that a joint Kalamazoo County-Calhoun County committee with staff support be formed to address issues of mutual concern and to “overcome the understandable economic rivalry between the two counties.” This recommendation may have been too premature in that, as several county business leaders suggested, both counties need to resolve internal issues before considering the benefits of working together.

In summary, the report was too pessimistic regarding the county’s 1990 performance. Yet, its findings still touched upon the same fundamental challenges that the county faces today, as will be shown in this report.

Section 2 - Industrial Analysis

Manufacturing Soared Back

Calhoun County's manufacturing sector stood at the heart of the county's turn around in the 1990s. Manufacturing employment during the 1980s had plunged by nearly 22 percent due to major plant closings during the 1981-82 recession. Manufacturing employment in the county rose by 7.9 percent from 1990 to 2000 due to strong performance in the county's durable goods sector. In comparison, manufacturing employment nationwide fell by 3.0 percent from 1990 to 2000, and rose by only 4.6 percent, statewide.

The importance of manufacturing to the county's economy can clearly be seen in Charts 3 and 4 previously presented in Section 1. Manufacturers employed 23.6 percent of the county's non-farm workers and generated 38 percent of the county's total earned income in 2000. Nationwide, only 11.6 percent of the nation's workers made goods, and manufacturers generated just 15.9 percent of the nation's earned income in 2000.

The county's high concentration in manufacturing activities is furthered verified through the calculation of its industries' location quotients. Location quotients are a well-known economic technique used to measure an area's industrial concentration. They are derived by dividing the employment share of a given local industry by that same industry's share of employment on the national level. If the industry's share of local employment matches its national share, then we can conclude that the area does not hold any special level of concentration in that industry. Table 3 presents the 1989 and 1999 location quotients for the major manufacturing sectors in Calhoun County.³ As shown, the county is highly concentrated in motor vehicle production (Denso Manufacturing), primary metals (Harvard Industries - now closed), food products (Kellogg, Kraft and Ralston), printing (EPI), paper, and fabricated metals. Table 3 clearly indicates the growing importance and dominance of the motor vehicle sector to the area's economy. Starting the decade with an already high location quotient of 7.11, the motor vehicles' location quotient at the end of the decade reached above 12. In comparison, the motor vehicles' location quotient was only 8.1 for Michigan in 1999. Still, the county's manufacturing base is fairly diversified in that it holds a high concentration in six industries and not just one.

While the county's manufacturing base grew faster than the nation's overall, it remains to be seen whether this growth was truly due to the county becoming more competitive. An alternative explanation could be that the county achieved its better-than-average growth solely because it housed average-performing firms in fast-growing manufacturing sectors. If an area is fortunate enough to have a majority of its firms in strong growing industries, then these firms need not be competitive because they are facing growing markets. If this is the case, then the area can take little credit for its success other than having simply "lucked out" in its industrial mix.

³Unfortunately, while we have 2000 employment estimates for the county's major industries, we are still restricted to using 1999 data for the more detailed employment estimates needed to calculate location quotients. The same is true for the data requirements of the shift-share analysis shown below.

Table 3
Manufacturing Concentration
Relative to the U.S.
Location Quotients

	1989	1999
Manufacturing	1.64	1.93
Lumber	0.18	0.14
Furniture	0.44	1.15
Stone, Clay, etc.	0.95	1.04
Primary Metals	3.23	2.94
Fabricated Metals	1.88	1.39
Machinery & Computers	0.95	1.27
Electric Equipment	0.45	1.19
Motor Vehicles	7.11	12.35
Rest of Transp. Equipment	0.09	0.07
Instruments	0.06	0.01
Misc. Manufacturing	1.18	0.91
Food	7.87	5.08
Textiles	0.06	0.06
Apparel	0.00	0.03
Paper	1.70	1.32
Printing	1.16	1.45
Chemicals	0.12	0.19
Petro Products	0.01	0.02
Rubber	0.61	1.11

If the Location quotient = 1, the industry's concentration in the county is the same as the nation.

Source: W.E. Upjohn Institute

To measure an area's competitiveness, shift-share analysis is often used. Shift share is a statistical analysis which separates an area's growth into two categories:

1. growth that can be attributed to national and industrial trends that are driven by factors outside the local area and
2. growth due to the area's firms out-competing their national counterparts.

In Calhoun County both factors contributed, almost equally, to its growth. Of the 1,708 jobs created, on net, in the county's manufacturing sector from 1989 to 1999, 49 percent could be attributed to positive national and industrial trends. Table 4 shows that if the county's motor vehicle firms did no better than the industry's average, then they would have generated an additional 612 jobs in the county. Similarly, food products makers would have hired 233 workers if they did no better than the average firm in their industry.

	National & Industry Trends	Local Competitiveness	Total Change
Manufacturing	834	874	1,708
Lumber	7	-24	-17
Furniture	10	198	208
Stone, Clay, Etc.	-18	21	3
Primary Metals	-116	-128	-244
Fabricated Metals	106	-404	-298
Machinery & Computers	4	316	320
Electric Equipment	-15	598	583
Motor Vehicles	612	2,510	3,122
Rest of Transportation Equip	-14	-7	-21
Instruments	-5	-19	-24
Misc Manufacturing	21	-70	-49
Food	233	-2,474	-2,241
Textiles	-5	1	-4
Apparel	-1	11	10
Paper	-19	-136	-155
Printing	-2	211	209
Chemicals	-1	36	35
Rubber	37	234	271

Source: W.E. Upjohn Institute

In short, Calhoun County's manufacturing sector would have increased by 5.1 percent if its firms were simply average in their competitiveness. By itself, this would not have been a bad performance given that, nationwide, manufacturing employment fell by 3.0 percent between 1990 and 2000. However, this is less than half the story since 51 percent of the county's manufacturing employment gain was due to firms out-performing their national rivals. For example, while the county's motor vehicle companies would have been "expected" to hire 612 additional workers, they hired an additional 2,510 workers due to their competitive advantage.⁴

⁴ Again, these figures are based on 1999 employment estimates and thus are more optimistic than more current 2000 estimates. Nevertheless, the overall proportion of workers employed due to the area's strategic advantages is still representative of important economic factors in Calhoun County.

The competitiveness of the county's manufacturing sector is due to a variety of reasons including firm-specific factors such as effective management policies, productive labor-management relationships, the use of state-of-the-art manufacturing, and strong and productive relationships between the firms and local government/economic development organizations. Unfortunately, shift-share analysis does not shed light as to which of these factors is truly key.

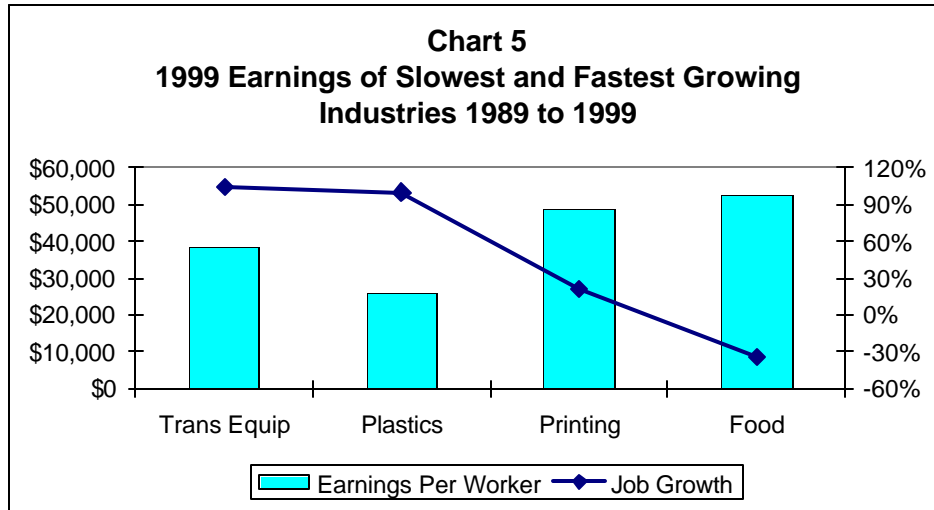
One concern that has been voiced by residents in Calhoun County is that the area's strong employment growth may be due to the county following a "low-wage" strategy. It is to this concern that we now turn.

Wage Structure

The overriding goal of economic development should be advancing the economic well-being of the area's residents, not just the creation of jobs. An often heard concern is that the community has focused too heavily on job creation without regard to the type of jobs being created. Over the years, Calhoun County economic development organizations have shouldered the brunt of accusations that they were subsidizing the generation of low-paying jobs. As shown in Charts 5 and 6 and in Table 5, these accusations appear to be unsupported. Additional evidence is found in our comparison analysis which is presented in Section 5.

Part of the reason why local economic development organizations are under fire for attracting relatively low-paying jobs is the fact that several of the county's higher-paying industries, food products (cereal) and printing are losing employment while lower-paying industries are gaining. This is clearly shown in Chart 5. As shown by the line, employment in the county's two highest-paying industries declined or grew at a much slower pace than the faster growing transportation and plastics companies during the 1990s. The decline in the area's food industry was due to reasons that were clearly outside the influence of the local economic development organization, while transportation equipment and plastics were among the fastest growing manufacturing sectors in the nation.

The key question is whether the county's growth is due to its manufacturers paying lower-than-average wages for the type of occupations and skills they require. In Table 5, we show a detailed comparison of the average wages by specific production occupation in the Kalamazoo-Battle Creek area compared to the nation. In total, the average wage for blue collar workers in the Kalamazoo-Battle Creek MSA was \$13.75 in 2001 compared to \$13.41 in the U.S. (Chart 6). Furthermore, many manufacturing-specific occupations such as precision production workers and machine operators are also significantly above the national average wages (Table 5). It is worth noting, however, that two common manufacturing occupations (assembler and inspector) do seem to provide lower-than-average wages in Kalamazoo-Battle Creek MSA. Albeit, there is little evidence that the success of the area's manufacturing sector rests on a low-wage strategy.

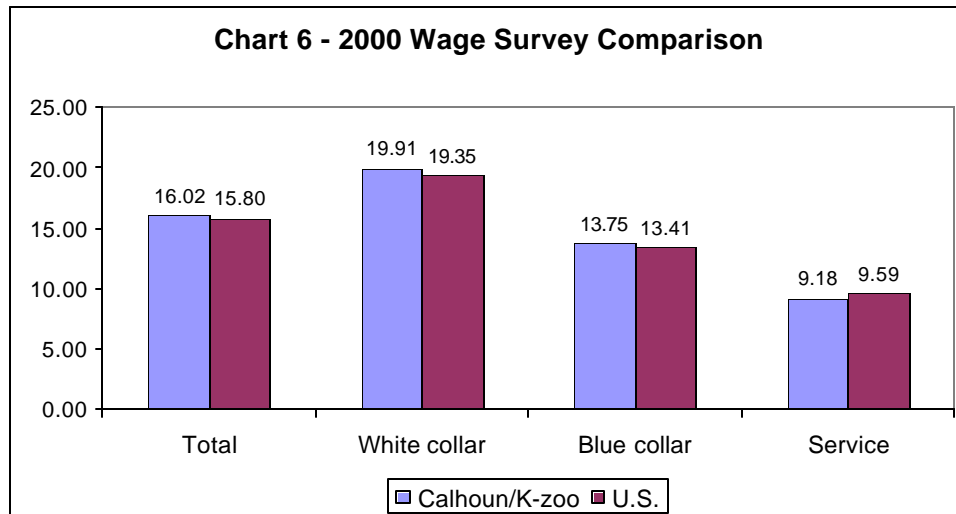


Source: REMI

Table 5
Average 2000 Hourly Wage Comparison

	Kalamazoo- Battle Creek MSA	U.S.
Blue collar.....	13.75	13.41
Precision production, craft, and repair.....	19.56	17.01
Supervisors, mechanics and repairers.....	22.14	16.72
Industrial machinery repairers.....	18.66	17.80
Mechanics and repairers, n.e.c.....	18.47	15.90
Electricians.....	21.91	19.80
Machine operators, assemblers, and inspectors.....	12.50	11.88
Packaging and filling machine operators.....	13.80	11.59
Miscellaneous machine operators, n.e.c.....	14.90	12.05
Welders and cutters.....	19.11	14.52
Assemblers.....	11.00	11.63
Production inspectors, checkers and examiners.....	10.44	11.80
Transportation and material moving.....	13.79	13.31
Truck drivers.....	14.16	12.95
Industrial truck and tractor equipment operators.....	12.96	13.18
Handlers, equipment cleaners, helpers, and laborers....	10.58	10.15
Production helpers.....	13.13	10.07
Stock handlers and baggers.....	9.07	9.02
Hand packers and packagers.....	9.16	9.45

Source: BLS



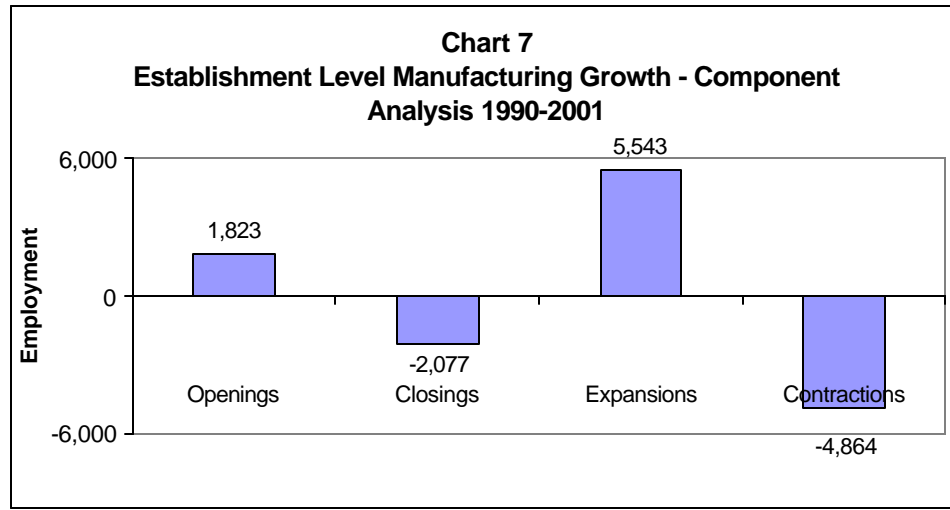
Source: BLS

Job Creation - An Establishment Analysis

Jobs are created through start-ups and expansions of existing firms, while employment losses are the result of firms closing and downsizing.⁵ Chart 7 shows the number of jobs gained and lost due to each of these four components in Calhoun County from 1990 to 2001. Expansions represented 75 percent of the county's gross employment gains. Contractions, the downsizing of existing firms, accounted for approximately 70 percent of the area's gross employment losses. These findings support the standard argument that economic developers should focus on meeting the needs of their existing businesses. In fact, the business leaders interviewed praised Battle Creek Unlimited in providing quality "after the sale" service.

A more detailed analysis of the decomposition of the county's manufacturing sector is presented in Table 6. Employment gains through expansion of existing firms were reported across nearly all sizes of establishments with the county's larger firms reporting strong gains. In fact, expansions in establishments employing more than 500 workers accounted for 37.4 percent of all jobs created during the period. Employment at Denso Manufacturing, the county's largest employer, for example rose from 1,100 in 1990 to 2,500 in 2001. Employment contractions, on the other hand, were heavily concentrated in the county's larger employers, with more than 60 percent of the jobs lost through downsizing occurring in establishments employing 500 or more workers.

⁵ This analysis uses an establishment database derived from Harris Infosource. The database is based on a voluntary annual survey of manufacturing firms in the county. Total employment of the firms surveyed rose by only 2.3 percent, 424 jobs, from 1990 to 2001. This difference from the BEA data is not surprising given that the establishment data are survey based. It is possible that many of the county's smaller but growing establishments are not captured in the survey. The Harris Infosource data suggest that from 2000 to 2001, employment among the surveyed Calhoun County manufacturers fell by 3.7 percent, reflecting the recent general slowdown in the national economy, a reality not yet depicted in most of the trend data available for this report.



Source: HarrisInfo

Table 6

	Net Growth in Manufacturing 1990-2001	Employment Expansion in Existing Firms	Employment Contraction in Existing Firms	Employment Loss to Firm Closures	Employment Gain from Firm Openings
All Sizes Total	424	5,542	-4,864	-2,077	1,823
Firms 1 - 50 Employees		26.9%	6.7%	40.1%	42.8%
Firms 51 - 250 Employees		25.9%	12.5%	47.4%	57.2%
Firms 251 - 500 Employees		9.9%	18.8%	12.5%	0.0%
Firms Over 500 Employees		37.4%	61.4%	0.0%	0.0%

Source: Harris InfoSource

Employment gains and losses due to births and deaths were concentrated in the county's smaller manufacturers; in fact, no firm younger than 11 years old employed more than 250 in 2001. The number of jobs lost through closures outnumbered employment gains from start-ups by 250 jobs.

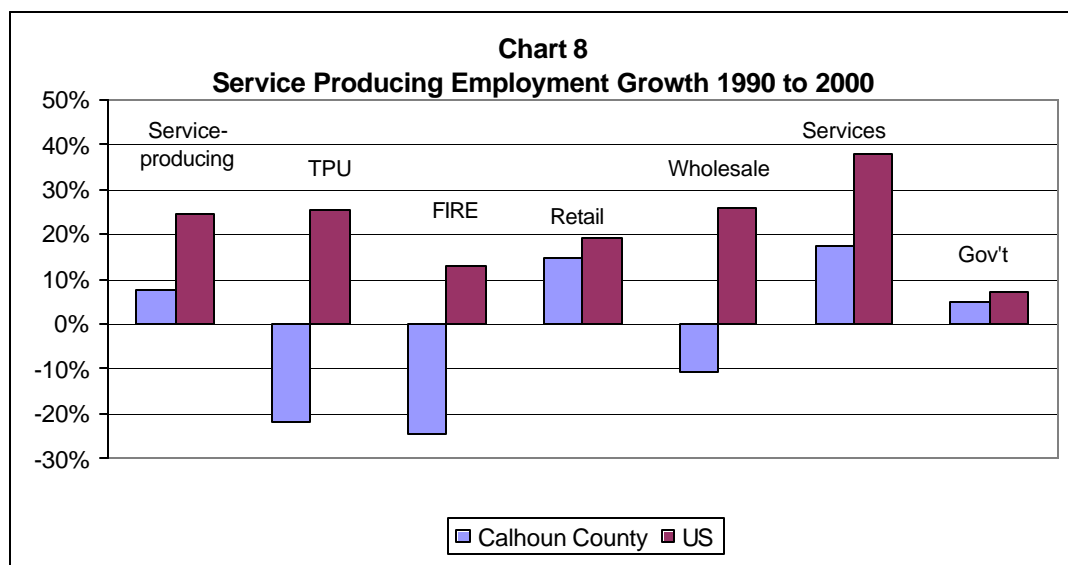
National studies have shown that employment declines due to downsizing and closures are fairly uniform across regions. The difference between growing areas and declining areas is the presence of expanding firms and new start-ups, not the ability "to save" troubled companies facing deteriorating markets.

In all, 90 percent of gross job gains recorded in the survey data were generated by about 15 percent of all manufacturing establishments. Moreover, these establishments were spread over a wide range of industries, suggesting that industrial targets may be an extremely difficult approach to follow. Instead, since it is very hard to pick winners, it might be better to work on developing a productive environment for all manufacturing activity.

Service-Producing Industries

As a whole, the county's service-producing industries, while experiencing stronger employment growth than its manufacturing sectors, grew at rates that were below the national average, as shown in Chart 8. Employment in the county's service-producing sector rose by only 7.6 percent, compared to 24.2 percent nationwide from 1990 to 2000. As the sector analysis shows, a major factor in the county's sub-par performance is that it suffered employment declines in transportation, public utilities, and communications, due primarily to the downsizing of railroad activity and the reduction of wholesale activity.

Given the county's below-average population growth, it is not surprising that its retail sector grew slower than the national average, 14.7 percent and 19.3 percent, respectively.



Source: BEA-REIS

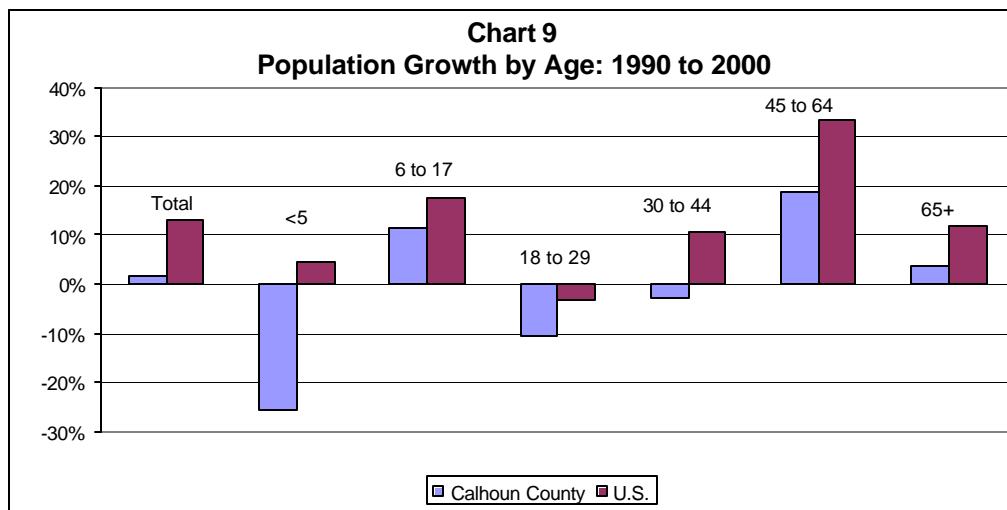
Two major challenges face the county's service-producing sectors:

1. The county's sluggish population growth continues to have a dampening effect on consumer markets.
2. To attract service activity that can serve more than just the local area, employers will have to be able to attract and keep professional, high-skilled employees. This is one of major challenges facing existing firms in the county according to many of the business leaders interviewed.

Section 3 - Demographic Analysis

The debate has yet to be fully resolved as to whether jobs follow people or people follow jobs. However, what is clear is that lack of population growth can limit the expansion of local economies by creating labor supply constraints and by curtailing consumer spending. In addition, slow population growth can have a significant negative impact on the wealth of area residents, due to sluggish home sales and prices. Similarly, local government and school revenues depend directly on population size.

Cited as one of the major challenges facing the county in our 1990 report, population growth remains one of the most difficult problems facing the county. Calhoun County's population grew by only 1.5 percent for the entire decade of the 1990s, compared to 13.2 percent nationwide. As shown in Chart 9, between 1990 and 2000, the county lagged behind the nation in population growth in each of the major age groups identified. In fact, the county lost population in the number of persons between the ages of 18 and 44, the prime childbearing ages. Only part of the loss can be explained by the aging baby boomers advancing to the 45 to 64 age group. Moreover, this decrease in the number of young adults has also caused the number of children less



Source: U.S. Census

than five years old to decline.

The county's sluggish population growth, however, cannot be attributed to migration trends during the last five years of the decade. From 1995 to 2001, the county actually experienced a net gain in households through in-migration. During this time period, more than 20,000 households moved in or out of the county, but when the dust settled, the county had picked up nearly 400 new households. Unfortunately, information on the county's out-migration during the first five years of the 1990s is not available. It is possible that the county's slow population growth for the decade was due solely to major out-migration during the first half of the decade and that the county's population woes are ending. Still, we think it is too early to claim victory on this front.

While the county did pick up nearly 400 households during the past six years due to net in-migration, it is somewhat worrisome that the income of the county's new households was less, on average, than that of the

leavers (Table 7). In fact, despite the increase in households during the period, Calhoun County lost \$8.3 million in personal income due to net out-migration of higher income households.

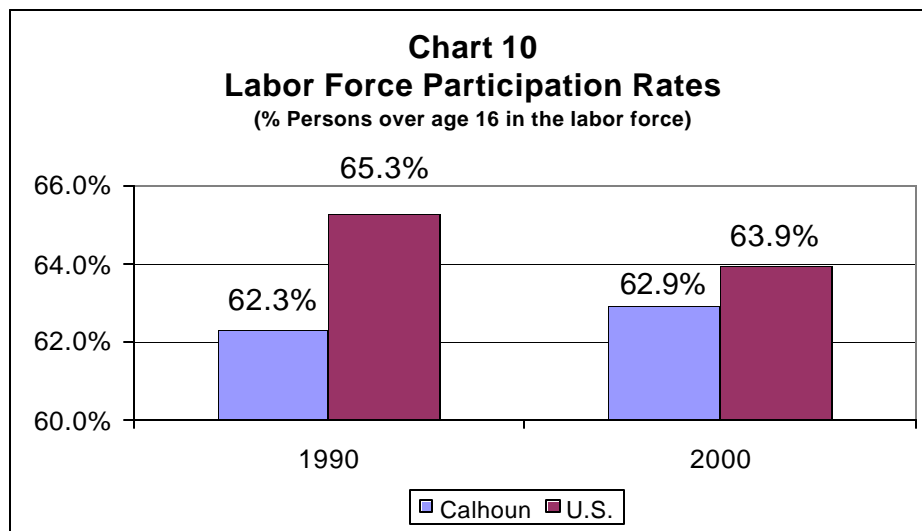
Table 7
Calhoun County Migration 1995 to 2001

Area		Number of Households	Average Household Income
Total	Into Calhoun	20,545	33,075
	Out of Calhoun	20,152	34,135
	Net	393	
Kalamazoo County	Into Calhoun	2,335	31,356
	Out of Calhoun	2,564	33,817
	Net	-229	

Source: Internal Revenue Service

The net migration between Kalamazoo County and Calhoun County tells an even more unsettling story. Calhoun County lost households to Kalamazoo County, on net, from 1995 to 2001, and the incomes of the leavers were greater than the arrivals' incomes. In total, Calhoun County lost \$13.5 million in household income due to the out-migration of residents to Kalamazoo County during the period.

The lack of population growth can be a barrier to employment growth as employers find it more difficult to find qualified workers. However, it increases the employment opportunities of individuals who are marginally attached to the workforce. In 1990, the county's unemployment rate stood at 8.9 percent according to the U.S. Census, and it dropped to 5.8 percent by 2000. As the unemployment rate fell throughout the 1990s, county employers had to entice individuals, who were not previously in the workforce, to join the workforce. In addition they hired, often through temporary employment agencies, workers with spotty work histories or



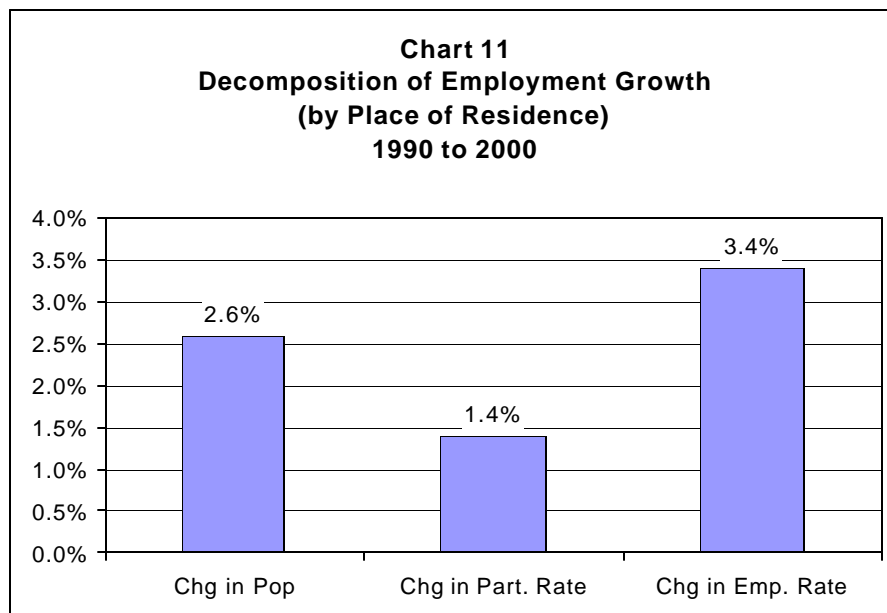
Source: U.S. Census

little experience. As shown in Chart 10, only 62.3 percent of all Calhoun County residents, 16 years or older, were in the workforce in 1990, compared to 65.3 percent, nationwide. By 2000, the county's participation rate had climbed slightly to 62.9 percent while the national rate declined to 63.9 percent.

During the 1990s, employment of Calhoun County residents rose by 7.4 percent according to the U.S. Census, which was slightly below the 8.3 percent increase of employment by place of work. The difference between the two figures provides an estimate of the percentage change in the net number of workers commuting into the county.

A decomposition of the county's employment growth is useful in identifying where employers, in general, are finding workers. In fast-growing areas, population growth can explain a large share of the area's growth, but in slower-growing areas it can take a back seat to the other two components shown in Chart 11: an increase in the employment rate of residents (one minus the unemployment rate) and an increase in the labor participation of residents.

In Calhoun County population growth accounted for approximately 2.6 percent of the county's total 7.4 percent change in employment during the 1990s (Chart 11). The increase in the county's employment rate accounted for an additional 3.4 percent of the county's employment change. Given that unemployed workers can face severe barriers to employment, including lack of child care, transportation problems and a deficit of skills, the fact that the county's improved employment rate accounts for almost half of its employment growth suggests that its social services and job training programs have been effective. An increase in the county's participation rate during the decade contributed to the remaining 1.4 percent of the county's overall employment growth.



Source: W.E. Upjohn Institute

While overall growth in county population was flat during the 1990s, certain areas of the county fared much better than others in capturing residents, as shown in Table 8. Population in two of the county's three major cities fell during the decade, although Battle Creek's decline of 0.3 percent is extremely modest when compared to typical cities of its size. To no surprise, the growing areas are suburban townships, primarily those

Table 8
Total Population Growth

	1980 to 2000	1990 to 2000	1980	1990	2000
Calhoun County	-2.5%	1.5%	141,557	135,982	137,985
Albion city	-17.3%	-9.2%	11,059	10,066	9,144
Albion township	-15.1%	-4.5%	1,413	1,256	1,200
Athens township	13.2%	2.2%	2,272	2,515	2,571
Battle Creek city	-5.3%	-0.3%	56,339	53,540	53,364
Bedford township	-6.3%	-3.0%	10,157	9,810	9,517
Burlington township	1.0%	8.8%	1,909	1,773	1,929
Clarence township	6.1%	-0.9%	1,916	2,051	2,032
Clarendon township	-5.3%	1.3%	1,176	1,100	1,114
Convis township	-3.9%	-4.2%	1,734	1,739	1,666
Eckford township	0.7%	5.3%	1,273	1,217	1,282
Emmett township	7.4%	11.3%	11,155	10,764	11,979
Fredonia township	-1.8%	-1.0%	1,755	1,741	1,723
Homer township	-1.0%	4.7%	3,041	2,875	3,010
Lee township	6.0%	-1.9%	1,186	1,281	1,257
Leroy township	10.6%	7.1%	2,929	3,026	3,240
Marengo township	17.7%	18.3%	1,811	1,801	2,131
Marshall city	3.6%	8.2%	7,201	6,891	7,459
Marshall township	14.0%	10.1%	2,564	2,655	2,922
Newton township	26.0%	23.1%	1,979	2,025	2,493
Pennfield charter township	1.9%	6.3%	8,743	8,386	8,913
Sheridan township	-6.2%	-1.1%	2,257	2,139	2,116
Springfield city	-12.3%	-7.0%	5,917	5,582	5,189
Tekonsha township	-2.1%	-0.9%	1,771	1,749	1,734

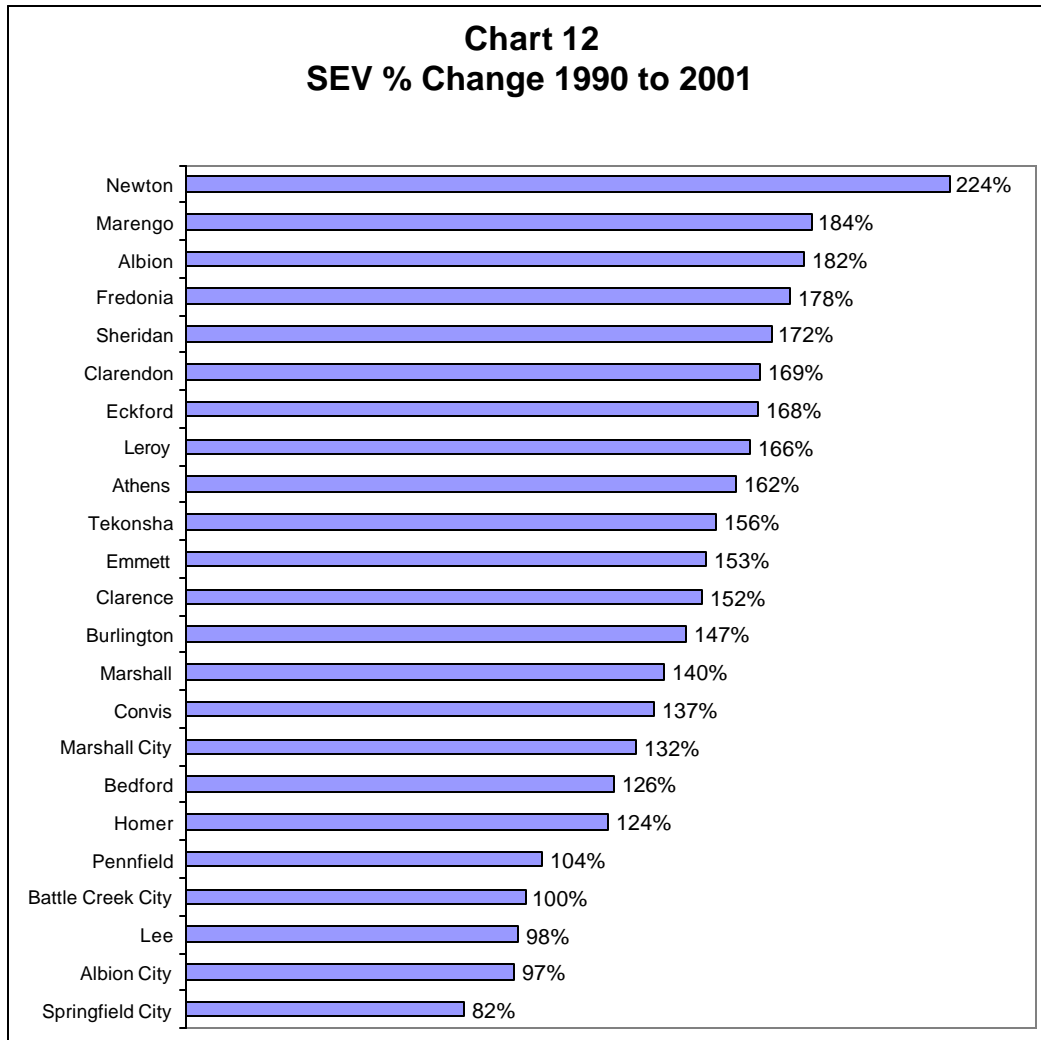
Source: U.S. Census

that offer easy access to the interstates.

During the 1990s, the racial composition of the county remained relatively stable. African Americans accounted for 11.2 percent of the county's population in the year 2000 compared to 10.5 percent in 1990. The county's Hispanics grew from representing 1.9 percent of the population in 1990 to 3.2 percent in 2000.

The county's population became slightly more integrated during the 1990s. In 2000, the county's segregation index, which equals 1 in the extreme case of complete segregation, was 0.61 compared to

0.63 in 1990. Still, 52 percent of the county's African Americans resided in only 5 of the county's 40 census tracts. Moreover, the population of tracts with greater than 20 percent black population have decreased by an average of 5.1 percent since 1990. Living in an area which is suffering a large decline in population threatens homeowners' primary source of wealth and reduces their social network that is often their employment network as well.



Source: Michigan State Property Tax Book.

Chart 12, lists cities and townships according to their percentage growth in SEV (State Equalization Value). The chart reflects the same movement of population and commercial activity as seen in the previous population table.

Finally, and perhaps most troubling, Table 9 shows key school statistics for the county's 13 public school districts. It should not be surprising that the two school districts with the lowest

Table 9
Calhoun County School Districts

District	2000 Graduation Rate	% Free or Reduced Lunch	% Satisfactory 4th Gr MEAP Math	% Satisfactory 7th Gr MEAP Math	89/90 to 99/00 % Change in total Enrollments
Albion	64.5	57.3	68.9	46.6	-12.0%
Athens	92.1	26.5	78.1	67.1	1.4%
Battle Creek	75.7	57.2	52.8	42.6	-5.4%
Bellevue	87.3	23.3	72.3	51.4	n.a.
Harper Creek	89.9	17.6	85.1	63.7	7.1%
Homer	94.3	29.9	71.0	47.8	6.8%
Lakeview	79.1	8.6	81.4	74.1	3.9%
Mar Lee	n.a.	23.5	82.6	72.2	5.0%
Marshall	84.4	14.2	75.3	67.5	8.5%
Olivet	85.8	19.8	69.7	61.3	n.a.
Pennfield	77.8	19.6	60.5	63.2	5.4%
Tekonsha	100.0	39.1	84.0	34.6	-10.3%
Union City	81.3	45.2	71.1	55.7	3.7%

Source: Michigan Dept. of Education and The U.S. Dept. of Education.

graduation rates, Albion and Battle Creek, also have the highest number of students taking free and reduced priced lunches.⁶ Poverty and all of the social/emotional upheaval it can inflict on children may be the greatest challenge facing not only these communities but the county as a whole. It is clear from the 45 interviews with community and business leaders that this problem is already on the minds of many.

⁶A very detailed analysis of the racial and social conditions in the Battle Creek Public Schools is provided in the report, *Description of the Battle Creek Elementary School Catchment Area*, released by the Kellogg Foundation.

Section 4 - A Comparison Community Analysis

An area's economic performance is strongly influenced by its size, location, natural amenities, and its past and present industrial mix. Unfortunately, many comparison studies throw all of the nation's metropolitan areas into the same mix. This can mean that the Kalamazoo-Battle Creek area is compared to Boulder, Miami, San Francisco and other areas which offer a wide range of urban settings. Such studies provide little help. For comparative analyses to be informative, it is key to compare areas with other "similar" communities. This section does just that: Calhoun County's economic performance and condition is contrasted with that of ten other counties of similar size and industrial structure.

The major conclusion of this analysis is rather disturbing. While Calhoun County's economic performance during the 1990s was a vast improvement over its 1980s track record, its total employment and population growth lagged seriously behind selected counties of similar size and economic structure. Moreover, although the county's economic development organizations have been very effective in expanding the county's manufacturing base, the "spillover" or multiplier impacts on its non-manufacturing businesses have been modest.

In this section we compare Calhoun County with the following ten counties:

Blair County, PA	Chautauqua County, NY
Elkhart County, IN	Kenosha County, WI
Jackson County, MI	Lycoming County, PA
Macon County, IL	Marathon County, WI
Muskegon County, MI	Rock County, WI

These counties are very similar to Calhoun County in that they:

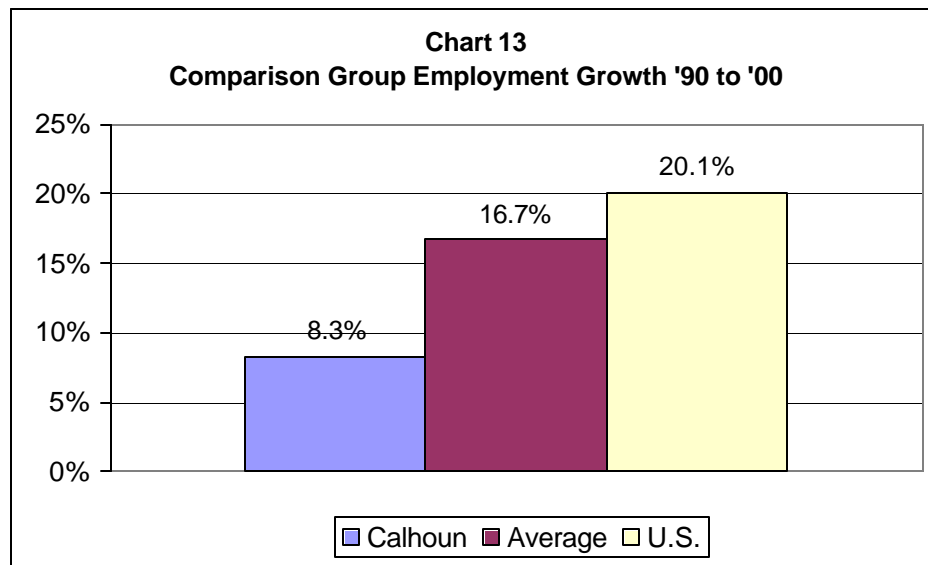
- C Are small urbanized areas with a similar-sized core/central city as Battle Creek.
- C Are not a part of a major metropolitan area.
- C Maintain a strong concentration in manufacturing.
- C Do not house a major university.
- C Do not possess any outstanding national or regionally known natural amenities.

The average major characteristics of the ten selected comparison counties are extremely similar to Calhoun County as shown in Table 10. The average population of the counties and their core cities are very close to those of Calhoun County. Moreover, Battle Creek's 2000 population, 51,039, is only slightly below that of the average of core cities in the other counties, 53,364 persons. On average, manufacturers employ one out of five workers in the comparison counties, slightly below Calhoun County's 23.6 percent but still well above the nation. Finally, the 2001 average unemployment rate for the comparison group was 5.2 percent, only one-tenth higher than Calhoun County's.

	2000 Population	2000 Employment	2000 Per Capita Income
Calhoun County	137,985	75,526	\$25,596
Comparison Average	144,278	83,624	\$24,938
Blair Co., PA	129,144	73,397	\$24,533
Chautauqua Co., NY	139,750	74,327	\$21,208
Elkhart Co., IN	182,791	148,751	\$26,485
Jackson Co., MI	158,422	77,680	\$24,357
Kenosha Co., WI	149,577	67,216	\$26,646
Lycoming Co., PA	120,044	68,017	\$23,252
Macon Co., IL	114,706	72,617	\$27,516
Marathon Co., WI	125,834	85,302	\$26,860
Muskegon, MI	170,200	83,207	\$22,829
Rock Co., WI	152,307	85,726	\$25,694

Source: U.S. Census, BEA-REIS

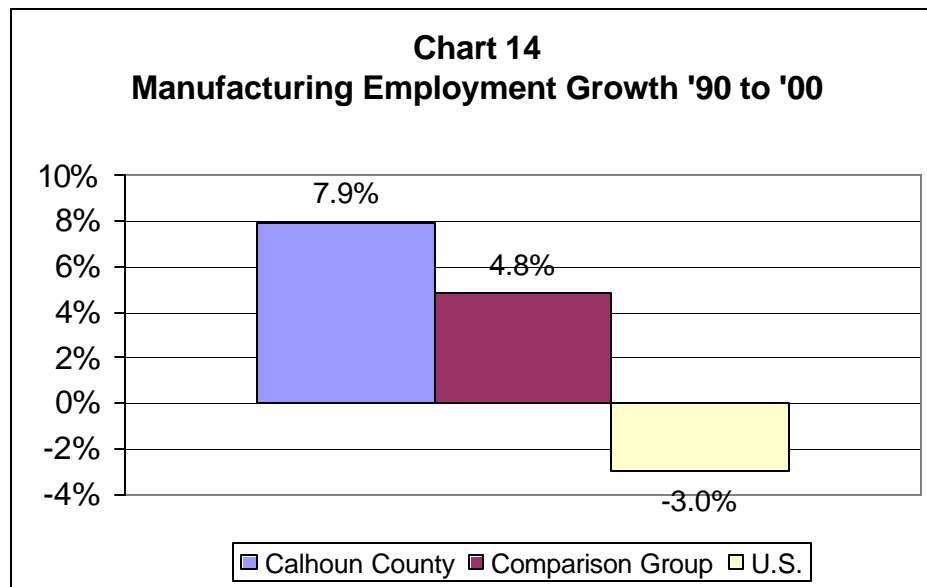
Total employment for the ten comparison counties increased by 16.7 percent, below the 20.1 percent gain in national employment, yet their overall growth was double that of Calhoun County, as shown in Chart 13. While smaller urbanized counties in the Great Lakes Region may share similar constraints to growth, Calhoun County apparently faces additional barriers as well.



Source: BEA-REIS

The overall weak performance of Calhoun County relative to the selected comparison counties is not shared by its robust manufacturing sector, however. While the comparison group outperformed the

nation, Calhoun County's 7.9 percent increase in manufacturing employment stood well above the comparison group's average of 4.8 percent (Chart 14). In general, manufacturers find smaller metropolitan areas attractive expansion locations. Indeed, small metropolitan areas have a lot to offer manufacturers, including the availability of low-cost, greenfield industrial land, low congestion costs, a solid production workforce and, in most cases, easy highway access. Clearly, Calhoun County is one of the more competitive and attractive locations for manufacturing in the Great Lakes States.

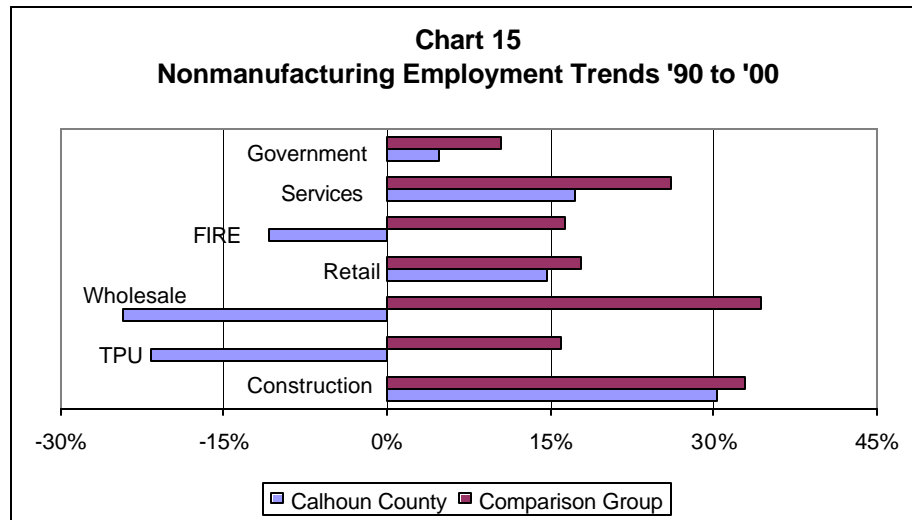


Source: BEA-REIS

Calhoun County's tremendous manufacturing growth cannot be attributed to any one factor, as discussed previously in Section 3. However, comparing the county's earnings per worker in its major manufacturing sectors to the comparison group averages suggests that Calhoun County is not following a low-wage strategy, as verified in Section 3. Earnings per worker in Calhoun County were more than \$5,000 greater than the average for the selected comparison counties and nearly \$14,000 greater than the national average. Of course, the presence of the county's high-wage cereal manufacturers, coupled with strong earnings in its printing industry explain the lion's share of this lead relative to the comparison communities.

However, the key finding is that overall earnings per worker in Calhoun County are similar to, if not higher than, those found in the comparison group.

Non-manufacturing employment in Calhoun County rose only 9.1 percent during the 1990s, compared to a 20.5 percent increase in the selected comparison group. A detailed examination of the major non-manufacturing sectors reveals that the county's sub-par performance was shared across all the sectors. Still, employment declines in the finance, insurance, and real estate, wholesale trade, and transportation and public utilities sectors inflict the greatest damage to the area's growth rate (Chart 15). In short, the county's relative employment performance during the 1990s indicates that:

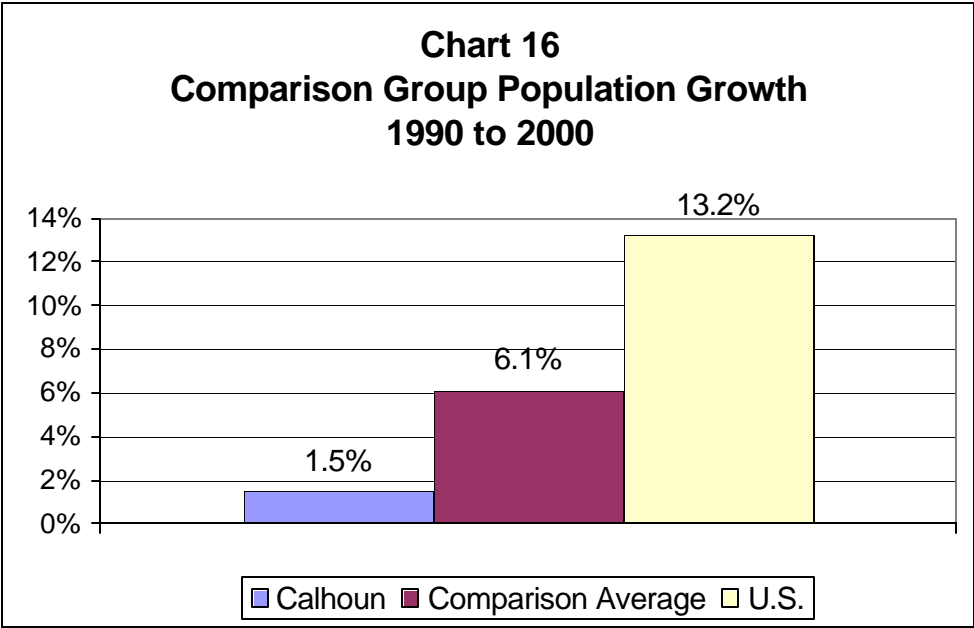


Source: BEA-REIS

1. The linkage between the county's manufacturing base sector and its supporting non-base sectors is weak in Calhoun County. The data suggest that a large share of the county's base industry earnings are being spent outside the county. Due to this weak linkage, we have found that on average 1.0 percent increase in manufacturing employment yields only 0.36 percent change in total employment. In addition, the data support the possibility that many of the business services called upon by the area's base industries are located outside the county.
2. Much of Calhoun County's decline in non-manufacturing employment involves outside and unique factors in only three sectors and may not reflect any worrisome change in its competitiveness. The employment decline in the transportation and public utilities sector reflects in large part the downsizing of railroad activity. The drop in employment in finance, insurance and real estate was due to corporate restructuring.

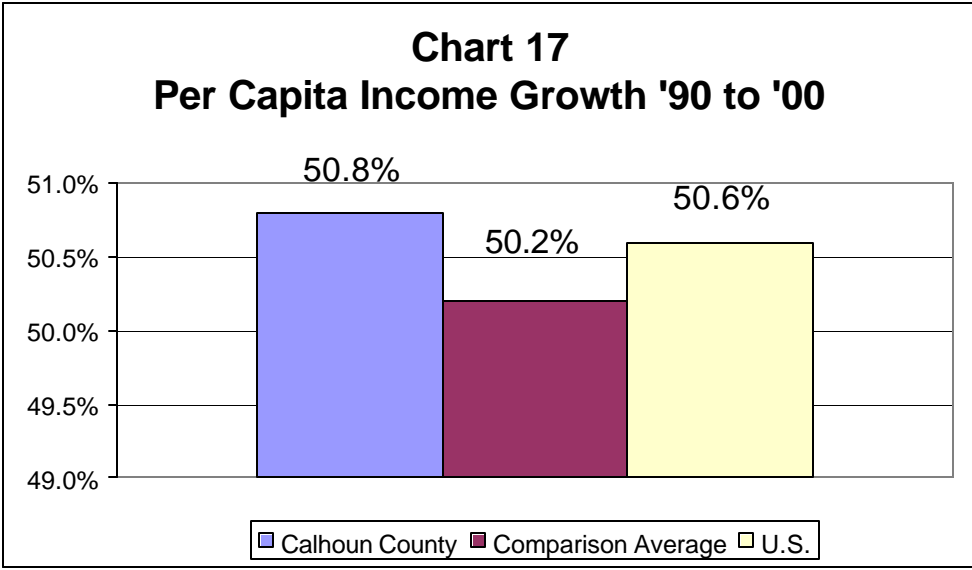
The weak link between Calhoun County's strong performance in its manufacturing base and its retail and service sectors is reflected in its sub par population growth as well. Population in the comparison set of communities grew by an average of 6.1 percent during the 1990s, which was less than half the population increase of the nation as a whole. Still, Calhoun County's population growth lagged substantially behind that of the comparison group as well as the nation (Chart 16). Again, national and regional trends were detrimental to the growth of small metropolitan areas in the Great Lakes States, but Calhoun County must be facing additional burdens, as well.

As mentioned before, national population growth continues to be centered in the western region of the country and in the suburban areas surrounding the nation's larger cities. In addition, improvements in telecommunications have allowed many professional and business service providers to locate in areas blessed with attractive natural amenities. However, excuses aside, the ability of other similarly disadvantaged communities to achieve population growth nearly four-times greater than Calhoun County suggests that there is room for improvement.



Source: U.S. Census

In terms of per capita income growth, Calhoun County and the comparison counties matched the nation's performance. Per capita income in Calhoun County rose 50.8 percent in the ten-year period compared to a 50.2 percent gain, on average, in the selected comparison counties and a 50.6 percent increase nationwide (Chart 17). In 1990, per capita income in Calhoun County, \$16,972, was 2.3 percent above the average for the comparison areas, \$16,597. In 2000, per capita income in the county remained above the

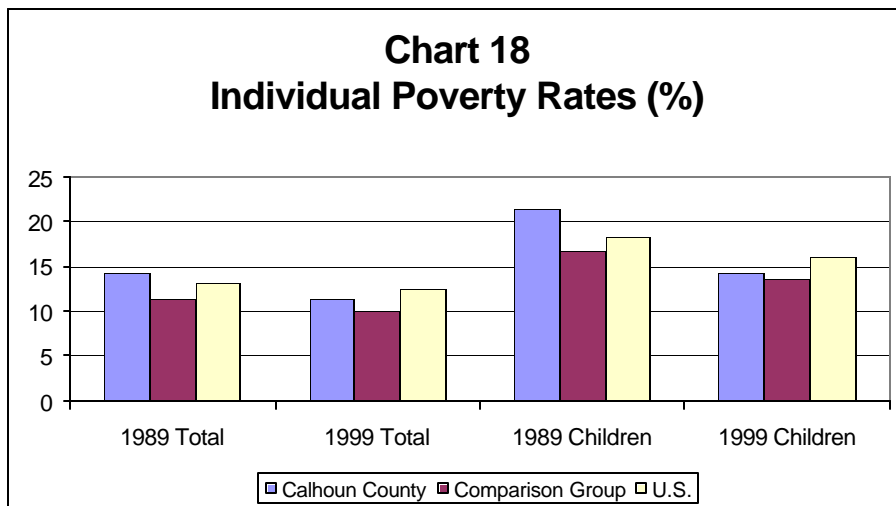


Source: BEA-REIS

comparison group average, \$25,596 versus \$24,938, respectively. On the other hand, in 1990, the county's per capita income was 86.7 percent of the national average, almost the same as in 2000 which was 86.9 percent of the U.S. This finding should come at no surprise since it is a result of above-average earning growth coupled with below-average population gains.

A significant difference between Calhoun County and the comparison counties seems to be that a much greater number of workers commute into Calhoun County than into the other areas. In 2000 alone, the net total of earnings leaving Calhoun County due to workers choosing to reside in surrounding counties reached \$240.2 million dollars. In sharp contrast, on average, the comparison counties netted \$18.3 million in additional earned income, as more of their residents worked outside the county than vice versa. One of the major challenges facing Calhoun County is to entice more county workers to live in the area, where they will in-turn utilize local retailers and provide school and tax revenues.

The robust economic expansion of the 1990s allowed many individuals to escape poverty, improving the standard of living for both adults and children in the county. Calhoun County's poverty rate (Chart 18) fell below that of the U.S. average in 1999 – a noteworthy improvement. However, with a 1999 poverty rate of 11.3 percent for all county residents and 14.2 percent for children under 18, poverty must still be considered a problem.



Source: U.S. Census

Section 5

The Views of Community and Business Leaders

The W.E. Upjohn Institute interviewed 45 business and community leaders in five separate communities who represented public schools, economic development organizations, governmental units, non-profit organizations, and private businesses. A complete list of individuals interviewed and a copy of the questionnaire are included in Appendix A. The structured interviews ranged from 30 to 60 minutes in length.

The views and concerns voiced in these interviews covered a wide range of issues, and as can only be expected, there were conflicting points of views expressed. For example, affordable housing was mentioned as a strength almost as often as it was listed as a weakness. Perceptions about the area's school system were also divided, although many worried about the deterioration of individual school buildings, and others believed that some existing school districts could be consolidated. The following are the key assets and challenges facing the county according to interviewees.

Assets

1. **Strong praise was given to the county's economic development professionals.** While Battle Creek Unlimited received the most accolades, business leaders spoke highly of the Albion Economic Development Corporation and the Marshall economic development office. Finally, the Michigan Economic Development Corporation also received strong praise from several of the individuals interviewed. MEDC was credited with forming effective partnerships with local economic development organizations.

In addition, more than one interviewee highlighted the "can do" attitude of community leaders, while several brought up the point that the small size of their communities allowed a positive interaction between business and government that is most likely not available in larger communities.

2. **Location at the crossroads of Interstates 94 and 69 and in the heart of the Midwest.** Since trucks are the primary means of transporting goods, the county's location at the crossroads of Interstates 94 and 69 was mentioned numerous times. The importance of these transportation arteries for commuters was cited as well. In addition, the location of Calhoun County in the center of the Midwest manufacturing belt was cited as a logistical asset for manufacturers.
3. The county's workforce and educational institutions:
 - a. **The availability of a stable and experienced workforce.** Several business leaders spoke highly of the stability of the county workers and their work ethic. Employers cited low turnover rates, and several were appreciative of their experienced workers.

- b. **Training and educational resources.** Many business representatives spoke highly of the training programs offered on the campuses of Kellogg Community College. Moreover, they have found the college to be very responsive to the needs of area businesses. The college not only provides technical training at its Regional Manufacturing Technology Center but also offers many non-manufacturing occupational training opportunities, including associate degrees for Registered Nurses. The KCC Eastern Campus also was mentioned as an important asset to the eastern portion of the county. Finally, Albion College, Davenport College and Western Michigan University were also mentioned more than once.
 - c. **Labor costs are competitive.** Most entry-level production workers start in the \$8.00 to \$9.00 range. One company that has multiple plant operations mentioned that wages at its Calhoun County operations were similar to those in other parts of the country including the southern states. However, another manufacturer claimed that his wages were approximately \$3.00 higher in Calhoun County than they would be in the south.
4. **Quality of Life.** The county offers an excellent environment for raising a family and for households who enjoy the recreational opportunity available in a four season climate. In particular, the county's numerous golf courses were cited more than once. While the area provides a comfortable rural setting, it also offers surprising diversity in its population. One company cited the area's more rural lifestyle as a strength in attracting professional workers tired of congested urban living. The county's closeness to Lake Michigan and to the cultural opportunities found elsewhere in the state were also highlighted. Several individuals interviewed mentioned low housing costs; however, as will be discussed, the lack of available medium-cost housing was often perceived as a liability.
5. **Available land for industrial development.**
6. **The number and activities of the non-profit organizations in the county, including voluntary organizations and foundations.** The Kellogg Foundation was mentioned numerous times as a major community asset and other small non-profit and voluntary organizations were also mentioned. However, others argued that there are too many non-profits, resulting in serious overlap of activities, needless duplication, and higher overhead/administrative costs.
7. **The area is small enough to get a handle on the economic and social issues unlike larger urban areas.**

In short, the area's community and business leaders offered a long list of assets and strengths that help to explain the county's solid performance during the 1990s. Nevertheless, it is only natural for these same individuals, when being interviewed, to focus more intensely on the county's liabilities and challenges.

Liabilities

1. **Lack of access to broadband internet services by the area's smaller businesses and residents especially in the county's more rural areas.** This concern was nearly universal. It is important to note that the larger companies requiring high-speed internet services were indeed able to obtain it. The primary concern expressed was the county's smaller businesses' lack of access to broadband internet service.
2. **Lack of communication which generates an air of distrust in the county.** The only words of concern regarding the county's current delivery of economic development services reflected possible communication problems between and among the economic development organizations and governmental units. A large part of this communication problem, according to those interviewed, is the unwillingness of cities and neighboring townships to work together. The inability of Battle Creek and Emmett Township and Marshall and Marshall Township to work together on key economic development issues was cited several times.

Unfortunately, this lack of communication has generated an air of distrust in the county. This air of distrust has been generated due to several factors besides economic development issues. First, old battles die hard as several of the interviewees claimed that many Marshall residents are still upset at the decision to place the county jail in Battle Creek. Another part of the problem lies in the fact the county is too diverse and broad for all residents to have a common connection. For example, residents of Springfield and Homer share few common interests. In fact, several of the businesses on the eastern side of the county admitted that they feel closer to Jackson than Battle Creek. Furthermore, the geographic separation that many of the residents feel is only heightened by the fact that the county is divided into two telephone area codes.

A major consequence of this lack of trust is that it has thwarted efforts in forming a comprehensive economic development plan for the county.

3. **Hard to keep professional workers in the area.** This is a two-part challenge: the first is to attract and keep professional workers in the area, and the second is to convince them to reside in the county and not in the surrounding areas.

Many of the individuals interviewed lamented that it has been very difficult to attract young professionals into the county. The lack of an urban experience plus the limited career opportunities for spouses, topped by a fear that their careers may suffer from a tenure in a "backwater" or "flyover" community, dissuade many from accepting employment offers.

In addition, if professional workers accept positions in the county, it is very possible that they will choose to reside outside the county. Unfortunately, this is also true for many high-level executives regardless of age. Most of the persons interviewed admitted that Kalamazoo County is seen as being a more attractive place to live for higher income executives. Calhoun County is also handicapped by a lack of high-income

housing options, as well. Still, one person claimed that it is becoming easier to attract professional workers into the county than it was 10 to 15 years ago.

4. **Lack of leadership.** Several of the interviewed leaders expressed their doubts about the commitment to community leadership of young executives and administrators in the 35 to 45 age group. Worse yet, the leadership of the community is splintering into isolated geographic units. Part of the feared “leadership vacuum” is due to the loss of locally-owned companies. One person said that too many “would-be” leaders felt that “I am only one person; I can’t change anything.”

Tied to this perceived lack of leadership is a lack of interest among today’s business CEOs in taking more community responsibility. One interviewed person argued that today’s business leaders should take on leadership duties out of “enlightened self-interest.” Others felt that too few leaders shared a long-term approach to community development. Another person advocated that business executives should accept community leadership roles as a responsibility and duty for their success.

5. **Lack of skilled workers.** Many business leaders worry that there will be an insufficient number of young workers with the capabilities needed to replace the aging skilled workers in the county. One person interviewed suggested that in order to create the skilled workforce for tomorrow, it is vital to get business into the schools today to show the students the world of work. If the county’s population growth remains stagnate, it is mandatory that the county “grows its own workers.”
6. **Depressed downtowns.** Community leaders expressed concern about the health of the downtown commercial area in all three of the county’s major cities: Albion, Battle Creek and Marshall. Depressed downtown areas reflect poorly on the general community.
7. **Too many governmental units.** Several of the leaders argued that not only are there too many government units, but also too much authority is given to these governmental units. This also adds to the overall lack of a countywide view.
8. **Pockets of poverty in Albion and Battle Creek.** Besides being worried about the economic isolation of many of the county’s residents living in these two communities, interviewees stressed the importance of addressing the accompanying problems associated with poverty. These include teenage pregnancy and the need to help young children, 1-to-4 years of age, be ready to learn by the time they enter kindergarten.

One individual interviewed was very worried about “culture of poverty” issues. Many individuals, generally from low-income families, lack basic skills and do not understand the importance of being on time and being ready to work. He was doubtful if schools can make a difference and is disturbed about the negative dependency effects of public social programs.

9. **Negative manufacturing trends.** Several worried about the slow but steady movement of the auto industry to the southern states. In addition, one person expressed fears that area manufacturers will be

forced to keep their wages low in order to compete. One leader interviewed argued that area economic developers should be attracting only high-wage jobs. He further offered that training will be pursued by area residents only if there are good jobs available.

10. **Serious local issues.** Many of the interviewed individuals highlighted local weaknesses and challenges that negatively affect their local areas. These include poor physical conditions of local roads, crumbling infrastructure of local schools, Trillium Hospital closing in Albion, lack of affordable housing, and lack of public transportation, especially in the rural areas.
11. **Lack of small business development services.** This includes the lack of planning for small business development and the lack of information and networking for small businesses.

During the interview, each of the interviewees was asked whether he or she strongly agreed (5), strongly disagreed (1) or were somewhere in the middle regarding the five following statements.

1. **The lack of coordination of existing economic development/community development programs is a major problem**
2. **County government should take a greater role in economic development?**
Several persons interviewed questioned whether county government is simply too political and fragmented to take a leadership role in economic development; however, county government could assume a very important and stronger supportive role. It could generate the necessary data on land use, zoning, the natural environment including groundwater, available industrial and commercial land, and transportation statistics needed for the development of a comprehensive plan.
3. **Regional cooperation with Kalamazoo County on economic development issues would make a major impact on the area's growth.**
Several persons mentioned the lost opportunity of building a new regional airport, and two pointed to the fact that both Kalamazoo and Battle Creek have their own struggling minor league baseball teams as evidence that undue competition between the two communities still exists. Others identified the competitiveness of Battle Creek Unlimited and Southwest Michigan First.

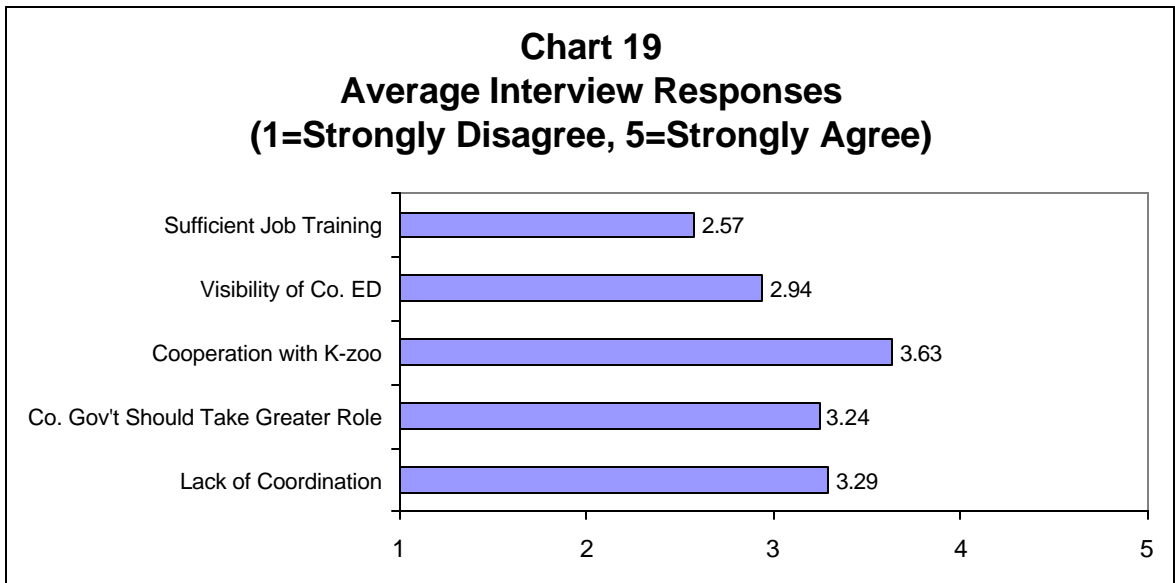
Still, others pointed to positive developments and opportunities including: 1) working together to widen I-94, 2) Western Michigan University's efforts to increase its overall presence in both counties, 3) the mutual benefits of promoting regional tourism, and 4) the ongoing efforts to build a regional leadership program.

4. **Existing economic development programs are highly visible to the business community.**
5. **The county's job training programs are sufficient to meet the changing needs of our business community.**

Chart 19 shows the mean response scores to each of these five statements. Few of the statements generated strong feelings among the interviewees. The highest level of agreement was on the question of the possible benefits of working with Kalamazoo County. The statement getting the most negative response was that existing training programs were adequate to meet the changing needs of the business community. Again, the consensus on this question did not stray very far from the center line.

To obtain a better idea of the number of persons who had strong opinions regarding these questions, Chart 20 shows the percentage of persons who strongly agreed or disagreed on each of the statements. More than 35 percent of the surveyed individuals strongly agreed that working in cooperation with Kalamazoo County on issues of mutual interest had strong potential for generating a positive economic impact. However, nearly 10 percent of the interviewees strongly disagreed. No one strongly agreed that the county’s training programs were sufficient to meeting the needs of county businesses; however, 17.1 percent strongly disagreed to this question.

In short, the responses to these questions do not reveal a strong consensus on the validity of any of these statements.



Perception Regarding the Role and Importance of the Calhoun County Economic Development Forum

Most of the business and community leaders agreed that the Economic Development Forum played a key role in promoting the importance of economic development in the community. Its success rested firmly upon the early support from several of the key economic/community leaders in the county.

Unfortunately, the dependency of the organization on these two or three well-known community and business leaders led to one of its more serious weaknesses. As these leaders moved on to other issues

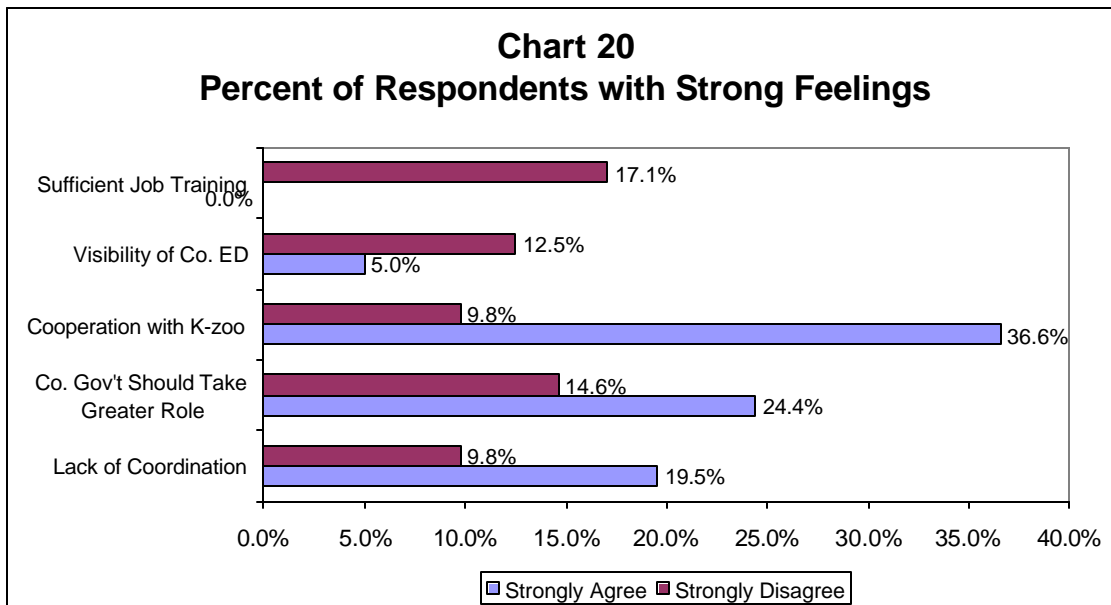
and other interests, many of the Forum’s other steering committee members took it as a sign that the Forum was losing its resources to enact change.

One of the strongest criticisms of the Forum is that its steering committee has become “passive” or has “lost steam.” Others lament that the organization “lacks focus” or has “lost its vision.”

Many believed that the Forum made a good effort in sharing information on countywide issues. However, most who shared this view also agreed that this potential benefit was not sufficient to maintain the organization on its own.

While several of the interviewed persons suggested that the organization disband, others argued that there still remains a need for a countywide comprehensive approach to economic development. Moreover, many felt that a re-energized organization could take on this effort. One person suggested that the challenge this new organization should take on is to dissolve the distance and distrust that exists between municipalities: a difficult task, indeed.

Most all agreed that county government is not suitable for taking on this role, and most believed that Battle Creek Unlimited could not step in to take on the task because it is funded by the City of Battle Creek. Only a new organization or a revitalized Forum could take on this challenge, and it could succeed only if it had a new spirit and its members had a renewed commitment to take on the role of “change agents.”



Section 6

Quality of Life: Factors, Perceptions, and Competitive Elements

As discussed in the previous sections, Calhoun County's population growth failed to keep up with the average for our comparison group of similar counties or with the nation during the 1990s. In the short term, a county can enhance its population growth by attracting in-migrants or slowing the rate of out-migration. There are two clear complementary strategies for generating a positive net migration flow: creation of employment opportunities and/or improve the area's quality of life. Of course, an effective economic development program should strive to do both.

Unfortunately, while Calhoun County has been successful in expanding its manufacturing base, total employment growth has lagged similar counties as well as the nation. Weak linkages between its growing manufacturing sector and its service-producing sector have dampened the county's population growth potential. Moreover, several business and community leaders interviewed shared their concerns that a negative perception of the county as a residential option exists among executive and professional employees. As discussed in more detail later, the lack of cultural activities, shortage of upscale homes, and concerns about the areas' schools have pushed some of the more highly educated professionals out of the county.⁷ In this section we offer both quantitative and qualitative data on the quality of life aspects of Calhoun County.

Environmental quality of life factors have a strong impact on population and employment growth for small- to mid-sized urban regions. Below, we examine the population growth rates of all counties between plus or minus 25 percent of Calhoun County's 1990 population. In total, 56 counties fit this qualification, with an average 1990 population of 130,614 and an average annual growth rate of 1.1 percent, compared to 135,982 and 0.1 percent respectively in Calhoun County during the 1990s. Table 11 below shows the ten fastest and ten slowest growing counties of relative size compared to Calhoun County. An initial look clearly revealed some similarities among the fastest growing communities—they enjoy warm climates and/or are college towns.

As you can see from Table 11, all but one of the fastest growing counties are located in the south or southwestern regions of the nation. Furthermore, four of the counties--Whatcom, WA; Dona Ana, NM; Brazos, TX; Pitt, NC--are home to large state universities, while Webb County, TX benefits from its unique location directly on the U.S.-Mexico border. The ten poorest performing counties, all of which lost population during the 1990s, are conversely located primarily in the midwest and northeastern section of the country, with the exception of two counties--Calhoun, AL and Rapides, LA--situated in the more economically challenged parts of the deep south. Also, not surprisingly, none of the population losers benefitted from the presence of a major educational institution.

⁷The analysis presented in this section is partially based on the results of 18 telephone interviews with individuals with professional occupations working in Calhoun County who have chosen to live outside the county. We also interviewed realtors and residential developers.

Of course, community and economic development leaders in Calhoun County can do little about the weather and an effort to attract a major university would have an extremely slim chance of success. Instead, it is important to look at those places which have out-performed Calhoun County in population growth through the development of attainable amenities such as a strong arts community or above-average recreational opportunities.

The counties shown in Table 12 managed to grow slightly faster than the nation and much faster than

Table 11
10 Fastest & 10 Slowest Comparable Counties

	Population			
	1990	2000	% Chng	AnAvg %
Collier County, Florida	152,099	251,377	65.3%	5.2%
Yuma County, Arizona	106,895	160,026	49.7%	4.1%
Webb County, Texas	133,239	193,117	44.9%	3.8%
Horry County, South Carolina	144,053	196,629	36.5%	3.2%
Whatcom County, Washington	127,780	166,814	30.5%	2.7%
Dona Ana County, New Mexico	135,510	174,682	28.9%	2.6%
St. Lucie County, Florida	150,171	192,695	28.3%	2.5%
Charlotte County, Florida	110,975	141,627	27.6%	2.5%
Brazos County, Texas	121,862	152,415	25.1%	2.3%
Pitt County, North Carolina	107,924	133,798	24.0%	2.2%
Calhoun County, Michigan	135,982	137,985	1.5%	0.1%
Delaware County, Indiana	119,659	118,769	-0.7%	-0.1%
Blair County, Pennsylvania	130,542	129,144	-1.1%	-0.1%
Penobscot County, Maine	146,601	144,919	-1.1%	-0.1%
Androscoggin County, Maine	105,259	103,793	-1.4%	-0.1%
Bay County, Michigan	111,723	110,157	-1.4%	-0.1%
Chautauqua County, New York	141,895	139,750	-1.5%	-0.2%
Macon County, Illinois	117,206	114,706	-2.1%	-0.2%
Berkshire County, Massachusetts	139,352	134,953	-3.2%	-0.3%
Calhoun County, Alabama	116,034	112,249	-3.3%	-0.3%
Rapides Parish, Louisiana	131,556	126,337	-4.0%	-0.4%

Source: U.S. Census

Calhoun County during the 1990's by leveraging situational, geographical, or economic factors that are not necessarily unique. Areas such as Elkhart, IN and Cedar Rapids, IA (Linn County) have found success through a manufacturing-employment growth strategy, while Yellowstone, MT and Olmsted, MN have managed to successfully promote their unique features despite both being located in slow-growth states.

Table 12
Midsized Counties Which Have Outgrown the National Rate Without Climate Advantages or a University

Area Name	Population				Advantage
	1990	2000	% Chng	AnAvg %	
Elkhart County, Indiana	156,198	182,791	17.0%	1.6%	Concentrated Mfg Area
Olmsted County, Minnesota	106,470	124,277	16.7%	1.6%	Medical Care/Research (Mayo Clinic)
Kenosha County, Wisconsin	128,181	149,577	16.7%	1.6%	Lake, Chicago suburb
Kent County, Delaware	110,993	126,697	14.1%	1.3%	Suburban Philly, Baltimore, East Coast
Yellowstone County, Montana	113,419	129,352	14.0%	1.3%	Recreation
Linn County, Iowa	168,767	191,701	13.6%	1.3%	Strong Tech Employment

Population Source: U.S. Census

Kalamazoo: Benefactor or Competitor?

A discussion of quality of life in Calhoun County is incomplete without giving attention to the role played by neighboring Kalamazoo County. After tallying the 1990 Census, the U.S. Census Bureau recognized that the strength of the economic and social ties between the two counties was sufficient to warrant the creation of the Kalamazoo-Battle Creek MSA. With a population of 238,603 in 2000, Kalamazoo County is nearly 73 percent larger than Calhoun County; it also experienced faster population and employment growth during the 1990s. Kalamazoo County's population rose by 6.8 percent versus only 1.5 percent in Calhoun County. Employment from 1990 to 2000 rose by 11.3 percent in Kalamazoo County compared to, the previously cited, 8.3 percent in Calhoun County. Most importantly, Kalamazoo County offers a broad array of cultural activities, housing, shopping, and educational opportunities. As the evidence presented later in this section will suggest, for many quality of life issues, size matters. Unfortunately, evidence also suggests that there is more than just a size discrepancy between the two.

The close proximity of Kalamazoo County to Calhoun County expands the cultural, and entertainment options immediately available to Calhoun County residents. Residents of Battle Creek, Marshall and other neighboring communities are within a thirty-minute drive of a diverse array of sporting events, theater productions, restaurants, shops, museums and festivals that would not otherwise be supported by a small community on its own. Equally important, the presence of Kalamazoo County expands the employment opportunities for new and existing Calhoun County residents. Thick labor markets which offer greater employment options for two-career families are extremely important to a growing share of households. A job offer to a promising professional/research applicant is much more likely to be accepted if a suitable position can be found for the applicant's spouse or partner. Hence, while several Calhoun County employers cited difficulties in recruiting young and professional workers, without the cultural and entertainment options provided in Kalamazoo County, and the presence of Pfizer/Pharmacia, Western Michigan University, National City Bank and hundreds of other employers in the neighboring county, they would face only a more trying effort to attract professional workers.

One way to show the importance of Kalamazoo County in determining Calhoun County's perceived quality of life is to modify the widely-used ranking methodology published in *2000 Places Rated Almanac*, to reflect Calhoun County as an independent metro area.⁸ As part of the greater Kalamazoo-Battle Creek MSA, Calhoun County shares a higher ranking, 130th, than all but one area of similar size to Calhoun County. This shows a clear benefit of sharing the resources of a larger urban community. When viewed on its own, however, Calhoun County's estimated ranking falls significantly to 267th, suggesting that its quality of life is not competitive with that offered in other metro areas (Table 13). In passing it should be mentioned that Kalamazoo County is not a lone buoy since its ranking is also dependent on the amenities contributed by Calhoun and Van Buren Counties. In the position of an independent county, its ranking would also fall, although in a less drastic fashion.

Beyond rankings and statistics, quality of life is still a subjective ideal, tied to individual preferences and perceptions. For example, a couple with young children might most value quality schools, affordable housing and public play areas, while a high-level executive could expect the arts and culture of

⁸ Savageau, David. Places Rated Almanac: Special Millennium Edition. IDG Books, Foster City, CA. 2000.

Table 13
2000 Metropolitan Rankings
Highest Ranking Comprable Midsize Areas

County Area	MSA Name	Rank (of 354)
Calhoun, Kalamazoo and Van Buren Counties, MI	Kalamazoo-Battle Creek	130
Boone County, Missouri	Columbia	116
Penobscot County, Maine	Bangor	142
Whatcom County, Washington	Bellingham	168
McLean County, Illinois	Bloomington-Normal	174
Bay County, Michigan	Bay City-Saginaw	177
Brazos County, Texas	Bryan-College Station	185
Calhoun County, MI	Battle Creek *	267

Source: Places Rated Almanac. See footnote 1.

* Battle Creek rank estimate created by the W.E. Upjohn Institute for theoretical comparison purposes only.

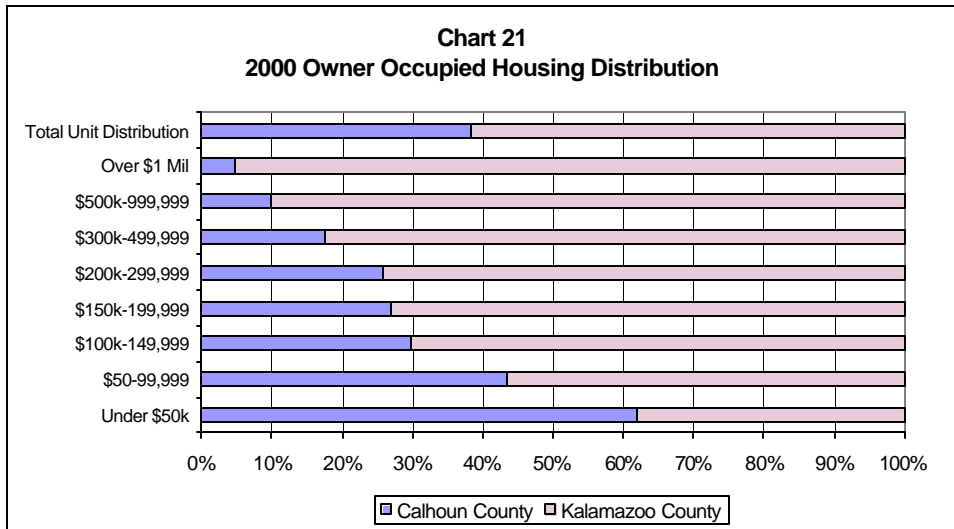
his last urban home. Recent college graduates, on the other hand, would more likely value a thriving nightlife and ample outdoor recreation. In our interviews of professional workers who work in Calhoun County and have chosen to live elsewhere, the following three major issues were mentioned again and again: 1) housing selection and value, 2) public and private schools and 3) entertainment and cultural opportunities.⁹

Housing Availability - Still Feeling the Effects of the 1980s

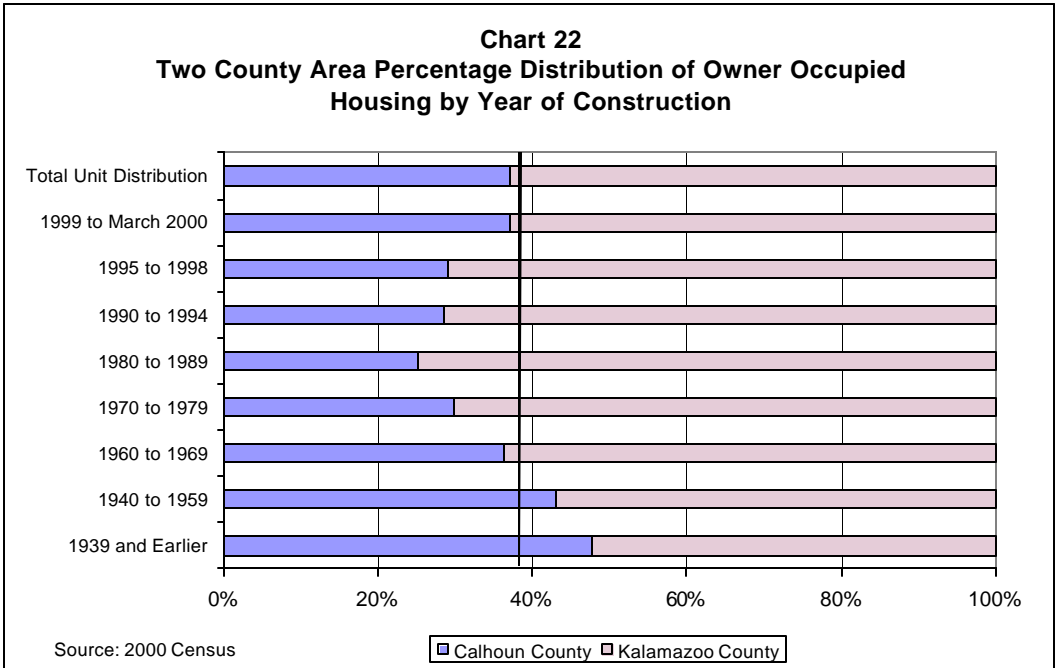
The most often cited weakness of Calhoun County as a residential location was the perceived lack of inventory and the resulting uncertainty of value retention. Kalamazoo County simply offers a wider selection of higher-end housing than Calhoun County, as shown in Chart 21. While Calhoun County accounts for 38.3 percent of the owner-occupied housing units in the two-county area, less than 10 percent of the homes valued by their owners to be above \$500,000 are in the county. The chart clearly shows that as of 2000, Calhoun County simply has a more limited stock of high-end housing than Kalamazoo County.

The lack of inventory of high-end houses creates its own handicap as several of the persons we interviewed adopted the opinion that there is safety in numbers. The greater number of high-end houses in Kalamazoo County was taken as a sign of a greater demand for the housing than in Calhoun County. This, in turn, persuaded individuals to believe that the potential re-sale value of homes in Kalamazoo County is greater than Calhoun County. For several of the professionals interviewed the reasonable probability that they may be transferred out of the area made them very sensitive to the potential re-sale value of their residence.

⁹Richard Florida in his recent work on identifying the geographic preferences of what he calls the “creative class” of professional workers found that successful areas 1) provide immediate opportunities for new residents to find the resources they need to “plug-and-play,” 2) have thick labor markets for professional workers, and 3) have greater diversity in lifestyles. Richard Florida, “The Rise of the Creative Class” *Washington Monthly Online* May 2002.



Calhoun County’s low inventory of newer houses is partially a hangover from the economically-depressed 1980s. As shown in Chart 22, starting in the 1970s and hitting its low in the 1980s, the county’s residential building activity lagged behind that of Kalamazoo County. It has only been in the last several years that the county’s residential building activity has reached its proportional level. The lack of construction activity in the 1980s and early 1990s not only limits the selection of “newer” homes that are currently available, but according to one developer, it also pushes the higher-income market toward Kalamazoo County. He argues that older executives and professionals, who may advise their junior executives about where to live, still perceive Calhoun County’s housing market as limited and more financially risky due to the lack of construction in the past several decades.



No matter what a given area is like, there will always be those who decide to live and work in distinctly different locations. The residential preferences of the interviewed professional workers varied greatly from older homes in established urban neighborhoods to rural/farm environments. For most workers, however, economic and time factors promote the selection of homes and jobs within reasonable proximity to one another. In fact historical Census data suggests that average commutes have risen only slightly over the past four or five decades and they currently average around 24 minutes each way. This suggests that most individuals would prefer to live a short distance from their employer. If the heightened residential activity in the county continues in the coming years, it is possible that the county will address one of the major concerns of its professional workers.

School District Choices

The quality of an area’s school system, be it real or perceived, is a key quality of life factor for families with children. For some, the decision to move into a new home may depend almost entirely on the school options (public and private) that the location would afford. Unfortunately, more than one interviewee cited lackluster educational performance, tired infrastructure, and lack of parental involvement/expectations as being problems in many of Calhoun County’s school districts. It also became clear that some viewed Kalamazoo County’s public education choices as superior.

Table 14
Comparison of Public School Statistics: Kalamazoo and Calhoun Counties

District	1999-2000 Graduation Rate	1998-2001 3 Yr Avg % Free or Reduced Lunch	2000-01 % Satisfactory 4th Gr MEAP Math	2000-01 % Proficient 8th Gr MEAP Science	91-92 to 00- 01 % Change in total Enrollments	2000 Fall Enrollment	1991 Fall Enrollment	ACT Participation (1997-2000 Avg)	ACT Mean Composite (1997-2000 Avg)
Calhoun County School Districts									
Calhoun ISD Average *	79.8	33.3	62.6	17.9	-2.4%	26,185	26,832	56.4	20.4
Battle Creek	75.7	53.2	48.0	10.8	-11.0%	7,653	8,596	52.8	19.6
Albion	64.5	56.8	51.3	11.8	-8.0%	1,984	2,156	48.9	20.2
Athens	92.1	31.6	71.2	17.3	3.2%	907	879	55.9	21.1
Bellevue	87.3	24.4	54.4	17.9	-9.4%	1,015	1,120	60.9	20.9
Harper Creek	89.9	17.1	75.1	20.6	2.6%	2,613	2,546	52.7	21.2
Homer	94.3	33.9	82.4	10.4	9.6%	1,121	1,023	58.9	20.3
Lakeview	79.1	10.1	67.8	27.4	4.3%	3,335	3,198	69.8	21.6
Mar Lee	n.a.	27.5	80.0	0.0	-0.7%	272	274	n.a.	n.a.
Marshall	84.4	15.0	72.1	28.7	3.7%	2,510	2,421	63.3	21.9
Olivet	85.8	20.6	71.3	27.5	5.9%	1,321	1,247	53.2	20.6
Pennfield	77.8	19.2	66.7	24.1	7.0%	1,766	1,651	59.4	21.4
Tekonsha	100.0	40.4	66.7	0.0	-4.3%	404	422	53.4	19.2
Union Citv	81.3	41.9	76.8	17.9	-1.2%	1,284	1,299	55.1	20.8
Kalamazoo County School Districts									
Kalamazoo ISD Average *	89.5	30.9	77.3	18.2	4.3%	33,425	32,048	54.5	22.5
Kalamazoo	87.7	53.7	65.9	10.3	-7.5%	11,113	12,011	44.5	22.2
Climax-Scotts	94.9	15.6	91.9	22.2	3.5%	680	657	55.7	20.8
Comstock	84.2	39.6	73.6	18.2	9.0%	2,916	2,676	48.6	22.3
Galesburg-Augusta	85.4	30.6	64.0	15.8	4.8%	1,206	1,151	50.0	21.3
Gull Lake	90.7	9.6	90.0	25.9	22.5%	3,067	2,504	64.4	22.6
Parchment	86.1	31.6	83.8	17.1	12.7%	1,805	1,602	48.6	22.1
Portage	92.1	13.6	87.1	25.1	8.8%	8,703	7,997	66.3	23.5
Schoolcraft	88.1	8.0	89.3	24.1	23.9%	1,171	945	72.5	22.1
Vicksburg	96.2	15.2	78.5	20.6	10.3%	2,764	2,505	53.6	22.3

Source: Michigan Dept. of Education, Standard & Poor's SES. Note: * ISD Figures are weighted averages based on 4 year average enrollments from S&P's SES.

As discussed in Section 3, it was apparent that students in Battle Creek and Albion public schools were struggling at a greater rate than those in other county districts (Table 9). Table 14 broadens this theme to include a comparison of public school districts in Kalamazoo County to Calhoun County. One difference immediately apparent between the sets of districts is that of growth. Six of the thirteen public school districts serving Calhoun County suffered enrollment declines during the 1990s. In comparison, only the Kalamazoo Public Schools suffered an enrollment loss; 7.5 percent from 1991. Gull Lake Schools, located in the northeastern corner of Kalamazoo County nearest to Battle Creek, grew by over 22 percent, more than double as any Calhoun County district. Given that the state's school financing formula is based on enrollment, these trends do not bode well for Calhoun County schools since ever present fixed-costs such as school maintenance will cut into resources available for teaching.

Enrollments are not an indicator of school performance but merely of demographic trends. Most parents and educators judge educational quality by a statistics such as graduation rates and standardized test scores. Participation rates on college entrance exams may also serve as a rough indicator of college-bound students in a district, while the percent of free and reduced price lunch recipients gauges the number of a school's students struggling with poverty issues in the home. Although these measures are arguably not a good forecaster of an individual student's ability to succeed in a given district, they are still the only available resource for parents wishing to make an informed decision on the future education of their child.

In this arena some school districts in Kalamazoo County appear to offer a performance advantage over Calhoun County. As shown in Table 15, overall average graduation rates, MEAP achievement levels, ACT scores, and participation rates are higher in Kalamazoo County than in Calhoun County. Student poverty rates, as measured by free and reduced price lunch recipients, are lower in Kalamazoo County as well, suggesting that the performance gap may be at least partially the result of differing home-life experiences, not school performance.

It is important to remember that outside of these broad ranging statistics, several school systems in Calhoun County offer competitive choices to parents seeking a high quality education for their children. In fact two of most populous suburban districts, Harper Creek and Marshall, boast above-average test scores which are highly comparable to offerings in suburban Kalamazoo County. Furthermore, these two districts are both currently undertaking construction projects to increase both school capacity and infrastructure quality.

There is nothing to do on a Friday night

For the younger and/or single professional workers we interviewed, Calhoun County simply does not offer the entertainment menus available in Kalamazoo County or other larger communities.¹⁰ Since entertainment and restaurant options are a clear result of the area's population size, income level and make-up, it is very unclear what Calhoun County or any area can do to improve this component of its quality of life.

¹⁰For professionals who recently moved into the area from larger metropolitan areas, neither Kalamazoo nor Battle Creek were particularly impressive, leaving one person to comment that the only good thing about Kalamazoo is that it is a half-hour closer to Chicago.

The perceived lack of recreational outlets in Calhoun County is more than just its limited nightlife. Interviewed professionals also highlighted the public parks available in Portage and other communities in Kalamazoo County. This is somewhat disturbing given the City of Battle Creek's investment in its extensive bicycle paths and numerous parks. As one person observed, the Battle Creek bicycle paths are equally nice to those in Portage, yet Portage's are much more used and just seem "nicer."

Conclusions - Markets are hard to push.

Unfortunately, on quality of life issues, size does matter. Areas having more opportunities in terms of housing, entertainment, recreation and meeting interesting people with similar, as well as diverse backgrounds, are more attractive to professionals and executives. This seems to be especially the case with young professionals. In all of these attributes, Kalamazoo County has the historical advantage, due to mostly its size and Western Michigan University. These advantages will be difficult to challenge.

In selecting residential locations, the safer path is usually followed. Concerns regarding investment appreciation will direct individuals to the more established areas of higher-end housing. There is very little incentive for young professionals to be trailblazers when it comes to housing. Given that their tenure may be less than five years, expected home value appreciation matters. In addition, to lower their search costs they probably depend upon information shared by their professional colleagues about housing options. Such information will likely only preserve the status quo. Finally, existing perceptions regarding schools, cultural offerings, and resale values of houses could discourage many from even looking at Calhoun County as a residential option.

Regarding the quality of the schools in Calhoun County, the numbers do not tell the complete story. As previously shown, Calhoun County's schools serve a higher percentage of children who are living in poverty than Kalamazoo County's schools. Poverty and poor school performance are, unfortunately, highly correlated. We believe that it can be safely argued that all of the schools in the county can provide a solid education for their students. Several of the areas schools are handicapped by their tired facilities, however. Still, it was neither the schools' facilities nor the quality of the teaching that were the major concerns of the people we interviewed. It was the level of academic expectations which existed among their fellow parents.

For young professionals, a healthy and energized downtown matters as well. While, downtown Battle Creek offers several good restaurants, bars and meeting places, it does not match the offerings of downtown Kalamazoo. Options for Calhoun County to push the entertainment/recreation markets are extremely limited. Moreover, both the City of Battle Creek with its downtown river front improvements, bicycle paths and numerous parks and the City of Marshall with its historical downtown have done an excellent job. Short of an ill-advised subsidization of private entertainment providers, it is very unclear what the economic development community or the public sector can do to make Calhoun County more "hip."

Section 7 - Economic Forecast for Calhoun County

Calhoun County's future rests on both the overall performance of the U.S. economy and the county's ability to retain its world class status as a highly competitive manufacturing center. Using the Upjohn Institute's regional forecasting model (REMI), we offer three separate employment forecasts for Calhoun County based on three differing economic growth assumptions for the U.S. economy. When making these forecasts, we assumed that Calhoun County will retain its relative standing among the nation's manufacturing centers. In other words, we presume there will not be any major changes in its cost structure or industrial make-up. We also accounted for the abrupt closure of Harvard Industries's Hayes-Albion plant in Albion. In addition to the closed plant's 500 workers, we estimate another 250 individuals will lose their jobs in the county due to reduced consumer expenditures and the loss of business at the plant's local suppliers.

As shown in Table 15, if the U.S. Gross Domestic Product (GDP) grows at only a 1.5 percent annualized rate during the first decade of the new century, total employment in Calhoun County would be expected to decline by 0.4 percent per year. Employment would decline in half of the sectors of the county's economy as the paltry 1.5 percent increase in national output would be insufficient to spur local performance. Retail and government employment would be negative due to poor sales and tax revenues. Still, even if the nation stayed in a "growth recession" during the decade, we are predicting that employment in the county's durables manufacturing sector would increase at an annual average rate of 0.4 percent. Furthermore, the county's Gross Regional Product, its counterpart to the national GDP, would grow faster than the nation's.

Table 15
Employment Forecast 2000 to 2010
Annual Average Growth Rates by Macroeconomic Conditions

Sector	Recessionary	Moderate	Expansionary
Total Employment	-0.4%	0.9%	2.0%
Durables Manufacturing	0.4%	1.8%	3.0%
Nondurables Manufacturing	-3.7%	-2.2%	-0.9%
Construction & Mining	0.5%	1.8%	2.9%
Transportation & Utilities	0.1%	1.4%	2.6%
F.I.R.E.	-0.9%	0.5%	1.7%
Retail	-0.9%	0.4%	1.6%
Wholesale	-0.4%	1.0%	2.2%
Services	0.9%	2.2%	3.2%
Government	-2.0%	-0.8%	0.2%
Gross Regional Product	1.9%	3.2%	4.4%
Population	0.0%	0.1%	0.3%

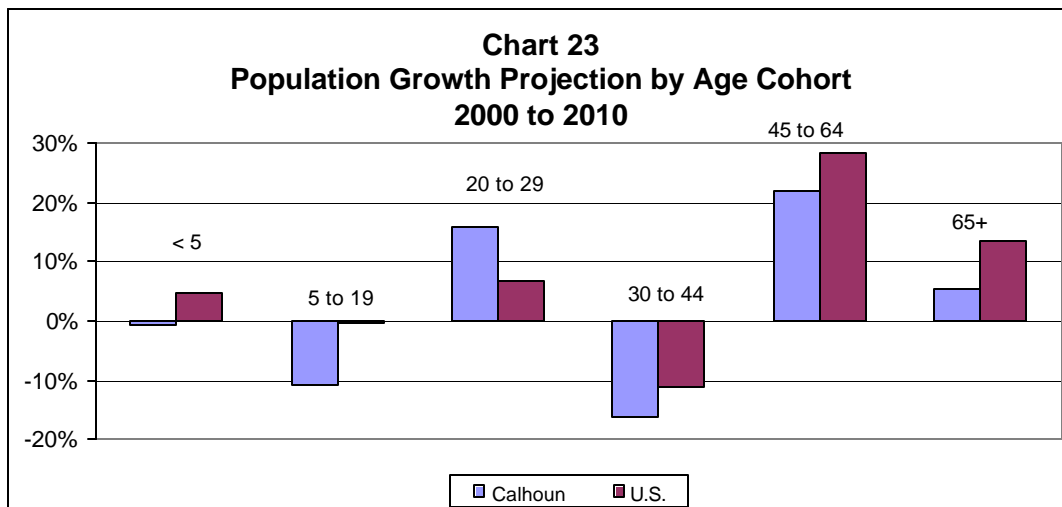
Source: W.E. Upjohn Institute

Under the more likely situation that the nation’s GDP will grow at a 2.5 percent annualized rate during the next 10 years, which would be well below the 3.1 percent average growth rate for the 1990s, total employment in the county could be expected to increase by 0.9 percent a year. Employment in all of its major sectors would expand, except for nondurable goods manufacturing (i.e. cereal) and government. Again, due to its high manufacturing concentration, the county’s GRP would be stronger than the nation’s.

Finally, if the nation’s GDP grew at 3.5 percent annually, employment in the county would grow at a strong 2.0 percent annualized rate, with employment gains occurring in all of the area’s major sectors except, again, nondurable goods manufacturing.

In summary, the long-term employment forecast for Calhoun County is fairly promising. Negative employment growth would occur only in the unlikely event that the national economy stumbled into a long-term “growth recession.” It is most likely that total employment in the county will grow between 0.7 percent and 1.1 percent per year in the coming decade. Again, the county’s employment growth will most likely be below that of the nation. One factor that will continue to hinder the county’s employment growth will be its lackluster population growth. We are forecasting population growth of only 0.2 percent per year.

The age breakdown of our 2010 population forecast is shown in Chart 23. Except for an above-average increase in persons between the ages of 20 and 29, population growth by all age cohorts is expected to be below national averages. The number of children living in the county is expected to decline by 2010, as will the number of persons between the ages of 30 and 44 years of age. If these projections hold true, the county will be facing three major challenges in the coming years. First, school enrollments will fall, putting greater financial pressure on area school districts. It is projected that the number of school-age children, 5 to 19 years of age, could decline by at least 3,400 individuals in the county from 2000 to 2010. It is possible that falling enrollment may force one or more districts to merge.



Source: W.E. Upjohn Institute. Based on "moderate" growth scenario.

Second, the projected increase in young adults, 19 to 29 years of age, could be a strong asset to the county's economy if they take advantage of available education and training opportunities and decide to remain in the county. A major outreach effort directed toward today's high school and middle school students should be seriously considered.

Third, the county could lose as many as 5,000 persons between the ages of 30 and 44 years of age, the prime working years. Much of this projected loss is due to national demographic trends. However, the county's decline is projected to be greater than the nation as a whole, suggesting prevalent out-migration of certain age categories.

Section 8 Conclusions and Options

Conclusions

Calhoun County successfully turned itself around from being one of several stagnating small urban areas in the Great Lakes States to a dynamic manufacturing center. During a period when manufacturing employment declined by 3.0 percent nationwide, Calhoun County's manufacturers hired 1,300 more workers, a 7.9 percent increase. Correspondingly, the competitiveness of Calhoun County's manufacturing base stands clear when compared to similar areas. The success of Calhoun County rests upon many factors including its location at the crossroads of Interstates 94 and 69, near the center of the Great Lakes manufacturing belt, its workforce and training centers, the Fort Custer Industrial Park, and Battle Creek Unlimited.

Moreover, our economic outlook for the county is promising. Total employment is forecast to increase between 0.7 and 1.1 percent per year until 2010.

Unfortunately, Calhoun County's success in cultivating a fruitful manufacturing environment has not spilled over into other aspects of its economy. The county is still facing:

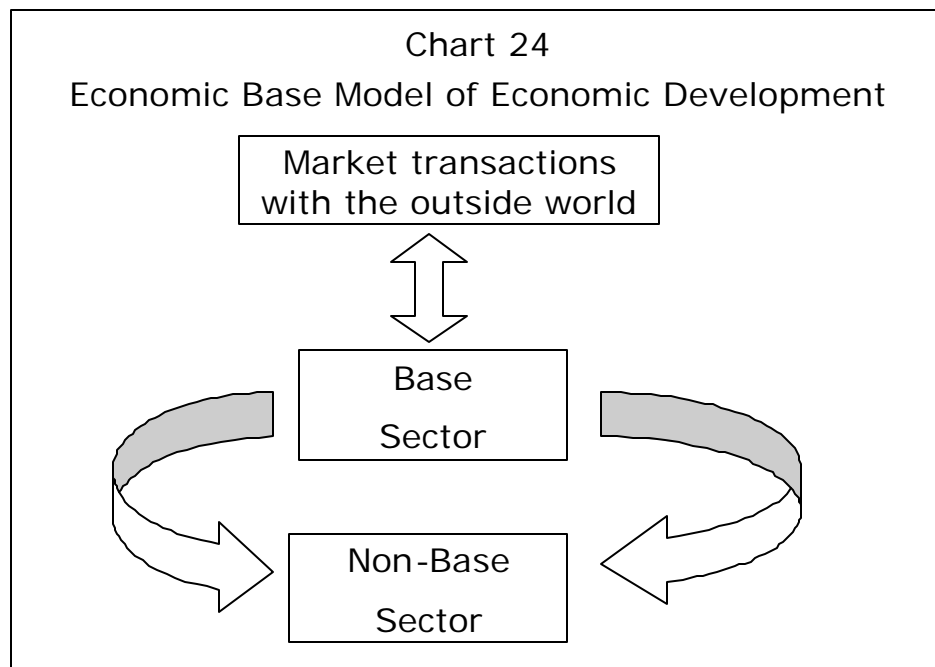
1. ***Sluggish population growth*** that stems from too many of its young adults moving out of the area. Although Calhoun County has experienced modest in-migration during the past six years, the above-average loss of young adults has slightly lowered its birth rate.
2. ***Lackluster employment growth in its service-producing sectors.*** Calhoun County's 7.6 percent growth in service-producing employment during the 1990s pales when compared to the 19.5 percent gain reported in the comparison areas and the much larger 24.3 percent increase nationwide.
3. ***Lagging income.*** The county's per capita income has remained at around 87 percent of the national average during the past ten years.
4. ***A persistent perception that Calhoun County offers, at best, an "average" quality of life.***

The county's success in nurturing a strong manufacturing base cannot be blamed for its poor performance in other aspects of its economy. Nor is the county's economic development community unaware of the underdevelopment of its non-manufacturing base. For instance, Battle Creek Unlimited has recently broadened its duties to include the redevelopment of Battle Creek's downtown as an employment center. In addition, the economic development organization is working to develop the scenic Harts Lake area in the Fort Custer Industrial Park as a premier business park/campus.

Still, it is clear that Calhoun County's economic performance has been unbalanced. Moreover, it is questionable that "more of the same" in the county's current economic approach will be effective in further changing the economic situation.

Manufacturing has gained its prominence in economic development circles due to a well known and basically correct “economic base” model of local growth (Chart 24). In short, communities grow by “exporting” goods and services to customers outside the area. Not so long ago, the national market was the “outside area.” Today, it is the world market. This only reinforces the need for Calhoun County to strive to maintain world-class status. The revenues generated by its base sector, through the sales of goods and services to out-of-the-area customers, support its non-base sectors primarily through consumer spending and local suppliers.

Manufacturing has traditionally been the major component in an area’s economic base. This has been especially the case for smaller metropolitan areas. We estimate that manufacturing represents 48.1 percent of the county’s base sector. As larger metropolitan areas have evolved from being goods-producing centers to information and control centers, manufacturing activities and the more routine service processing functions have migrated to smaller urban areas. Smaller urban areas offer plenty of “greenfield” land for building, adequate public infrastructure and services, less congestion, lower wage costs, and a less regulatory and “friendlier” business environment in most cases.



One of the problems of this traditional economic development approach is the limited impact that the county’s manufacturing base sector has on the county’s non-base sector. For example, we estimate that 100 new jobs in the county’s fabricated metals industry will only generate approximately 30 additional jobs in the county. We further estimate that 100 additional jobs in motor vehicles would create 90 additional jobs in the county. In general, a 1.0 percent increase in manufacturing employment in the county will generate only a 0.36 percent increase in total employment in the county. Clearly, the county cannot expect the strong efforts of its economic development organizations in attracting new manufacturing activities to the county to stimulate sufficient overall growth.

Fortunately, Calhoun County's economic base contains more than its highly competitive manufacturing industries. Its insurance industry (State Farm), Albion College, and the Federal Center, to name a few, also bring new dollars into the county and support hundreds of non-base jobs.

However, this traditional pattern of economic development may bar smaller areas from developing a more "balanced" growth and thereby reaching their full potential. The last thing anyone wants is for Calhoun County to be considered as only a manufacturing community. It is possible that the traditional economic development strategy based on the economic base model may truncate an area's future development by creating an unattractive environment for more wealth-generating activities to evolve. A comprehensive regional product cycle approach to economic development may be more appropriate.

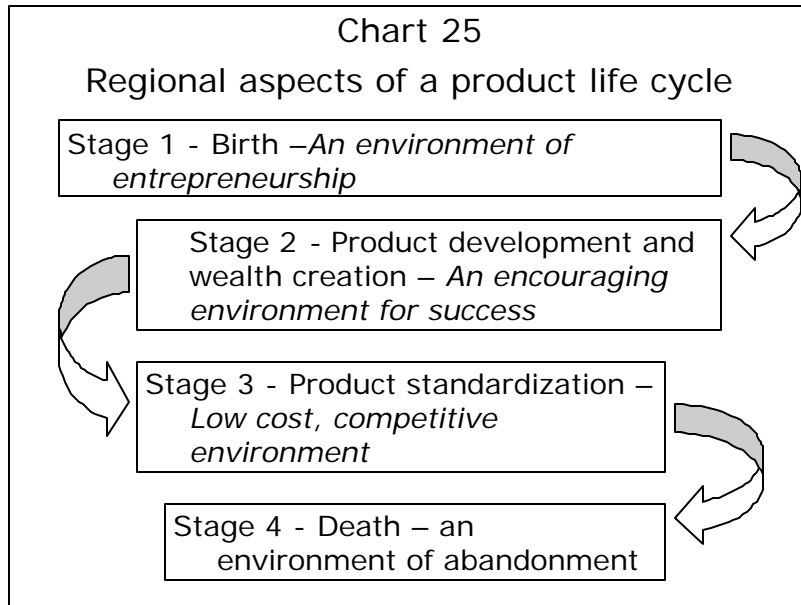
Like living organisms, businesses and their products have a life cycle, and each stage of this life cycle has important regional consequences that can greatly influence an area's growth potential (Chart 25). The birth of a business or new product is an exhilarating but dangerous time. In addition, while it is an exciting time, it is not very profitable, and there is little job growth. Many do not survive, and research suggests that it is impossible to reliably pick survivors beforehand. Of those that do survive, most remain small. Only a very few grow to become major employers and competitors in the national or international markets.

Entrepreneurs come from a variety of backgrounds. Most have acquired experience in their field of interest, but many need marketing, technical, and financial support. This suggests that an area's current industrial mix and its business environment are highly influential in determining the number and type of new business start-ups.

The second stage in the product cycle is the most dynamic. The business is grabbing market share from competitors and hiring workers. With strong market demand, cost considerations, while always important, are still secondary. During the transition between the first and second stages, businesses seldom move. The business networks established in the first stage are simply too valuable to sever.

The duration of this golden second stage of business and product development is highly variable and differs among industries. In the more dynamic sectors it can be relatively short, while in other fields it may take years before the competition finally catches up with the innovative firm. But, sooner or later, the competition does catch up with the lead firm, and the product becomes "standardized." It is at this stage that costs start to matter significantly, making this the time when the firm looks for a new cost-efficient location. The product and firm may still have a long life remaining, but its processes have become routine, and its profits have fallen to industry averages.

The final stage is seldom pleasant. At best, the company merges with a more competitive rival and remains viable. Often it becomes a niche player or closes all together. If an area's economy is dominated by firms in this final stage, it will likely be left with many brownfields, distressed local governments, structural unemployment and an air of abandonment. Once in a while, firms bounce back with a new product; however, the area's economic environment is not very suitable for new start-ups. Benton Harbor and Flint are struggling in this environment.



The importance of this business/product cycle approach to regional economic development is that it suggests that the success of an area’s economy depends upon the number of firms it has in each of these stages. An ideal situation would be for the community to have most of its businesses in the second stage. This would, of course, require a highly dynamic environment, for as businesses and products enter the third stage, the area would have to have a continuous flow of firms graduating from the first stage.

One of the major conclusions of this approach, however, is that communities that view themselves as only highly competitive production locations may be cultivating an environment that is dominated by stage three companies - branch plants. Moreover, the presence of these businesses may unduly influence the type of support services in the area as well. For example, it is possible that the financial community may become more conservative in an environment of stage-three firms.

In addition, it is worrisome that the type of employee that works well in a “standardized” routine environment may not have the opportunities or “taste” to become entrepreneurs. Worse yet, the location could be branded as simply a “production location.”

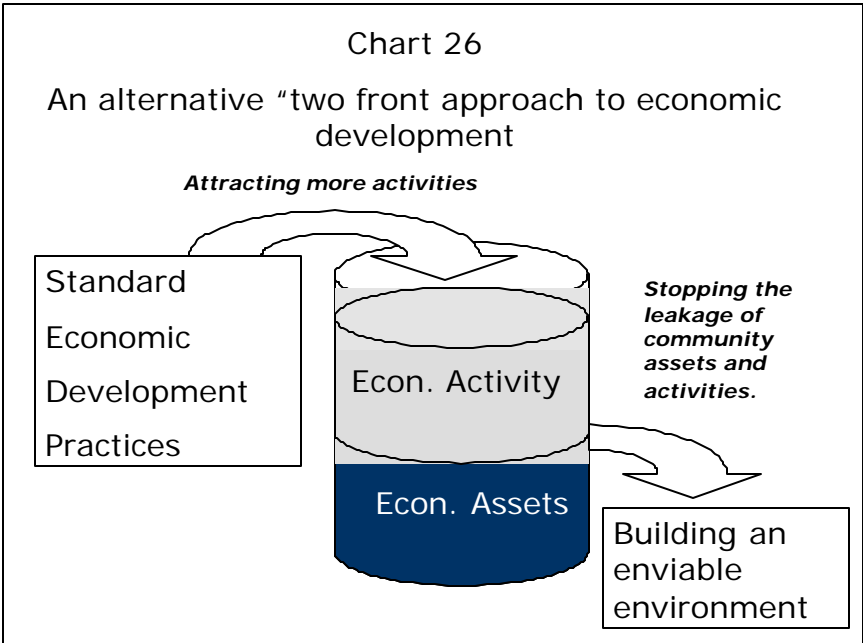
Where does Calhoun County stand in the business/product regional model? Fortunately, it has healthy firms in the first three stages and, unfortunately, a couple in stage four. ***The challenge facing Calhoun County is to ensure that it continues to cultivate stage one and stage two businesses while maintaining a competitive environment for its existing stage three firms.***

We believe that a successful effort to change the “production center” perception of the county into something that is more dynamic would also generate an environment that would be more conducive to the cultivation of Stage 1 and Stage 2 firms.

The Calhoun Area Millennium Partnership (CAMP) has already taken steps toward providing the necessary telecommunication environment needed to support information-based firms. If successful, CAMP will not only create a more fertile soil for the growth of Stage 1 and Stage 2 information-based businesses, it will also change the way education and health services are delivered and how business is transacted. In short, it is an effort to build a more enviable environment for Calhoun County.

Most economic development efforts strive to attract new economic activity in the area. Calhoun County is very fortunate in having several economic development organizations who are effective in both attracting new firms into the area and assisting the continued growth of existing firms. While the decentralized approach to economic development may cause an occasional “turf war” and some duplication of services, it is our recommendation that they receive their communities’ full support in their efforts.

As shown in the following model, however, there is more than one field of battle in regards to local economic development (Chart 26). The second front is to ensure that the area develops and maintains an enviable community for its current and future residents. This equates to an effort to slow the leakage of economic activities and assets from the community. The community is losing assets every time an executive chooses to live outside the county, every time a small business does not get the support it needs to grow, and every time a teenager decides to quit school. Moreover, the two fronts are highly related. ***A growing challenge for many communities in their attraction efforts is “selling” their quality of life. The lack of population growth, the leakage of millions of dollars from the county as professional workers choose to live elsewhere, and the growing isolation of many of the county’s residents stuck in areas of poverty all suggest that this may be Calhoun County’s greatest challenge.***



It is an extremely difficult task to change the perceived quality of life of an area. Our interviews with professional workers who have chosen to reside outside the county identified three major weaknesses of Calhoun County as a place to live.

1. **Housing.** Many of the individuals interviewed stressed both the limited selection of higher-end housing options in the Calhoun County and the concern that houses in the county do not retain their values as well as in Kalamazoo County. Fortunately, evidence suggests that the county's housing market may be coming back. Since perceptions die hard, it may be several years before a majority of the area's professional workers feel secure in purchasing a home in Calhoun County. Still, the trend is in the right direction.
2. **Perceived Quality of the County's Schools.** Calhoun County has good schools, but they do not stand out when compared to schools in Kalamazoo County. Moreover, several of the interviewed professional workers did not even look at the schools in Calhoun County but simply accepted the opinions of their co-workers. Those who did examine the county's schools found that MEAP scores were not exceptionally high and that in several districts the school buildings were in need of remodeling. In addition, more than one person interviewed negatively commented on the mediocre academic expectations of the parents (not the teachers or administrators) in the schools they visited. Finally, part of the challenge facing Calhoun County's schools is that they are generally serving a more impoverished student body than Kalamazoo County's schools.
3. **Entertainment and Recreation.** In terms of entertainment activities, the combination of being the smaller urbanized area and not having a large university population puts Battle Creek, as well as all of Calhoun County, at a strong disadvantage in comparison to Kalamazoo County. Battle Creek does have good restaurants and meeting places, but it does not have a sufficient threshold number of offerings to become an entertainment center relative to Kalamazoo.

Strengths and Weaknesses of the Calhoun County Economic Development Forum

Before presenting our recommendations for the future role of the Calhoun County Economic Development Forum, it is important to review the strengths and weaknesses of the organization as viewed by area business and community leaders, as well as, through our own analysis of the Forum's efforts.

Strengths

1. **Provides an opportunity for business and community leaders to discuss and set economic development priorities on the county level.**

Unlike most metropolitan areas, Calhoun County does not have a countywide economic development organization which can both set the economic development priorities for the county and monitor the success of the county's efforts. Instead, economic development policies are established and implemented on the city, village and township levels. While the county houses several highly qualified economic

development organizations, this decentralized approach can and has led to an uncoordinated approach to economic development.

Part of the problem lies in the state's allowance of townships and villages to determine their own land use and zone ordinances. However, Grand Rapids, Lansing, and Muskegon all have countywide economic development efforts that work around township, village, and city difficulties.

In addition, a large number of the business and community leaders we interviewed were highly doubtful that county government could take a lead role in providing economic development services. County government may be able to take a stronger supporting role by establishing countywide information and statistics on land use, developing an inventory of existing industrial sites, and addressing transportation infrastructure issues.

Without the Forum, it is unclear who, if anyone, would take on the role of setting the economic development priorities of the county and/or monitoring the success of the various economic development strategies being conducted by the county's local governmental units.

2. **Has the support of several of the county's most respected business and community leaders.**

The Forum still holds the hope of several of the county's key community and business leaders that a more comprehensive economic development approach can be adopted.

Weaknesses

1. **Lacks focus.**

The Forum is perceived by many to lack focus and to spread itself too thinly across a wide range of issues. This is mostly due to the overly broad scope of the organization which does not provide the Forum any direction as to what should be its primary focus.

2. **A passive steering committee and an insufficient budget to support staff activities.**

For organizations to be successful they can either:

- a. have a small budget but strong and committed board involvement where the board takes on both leadership and staff responsibility or
- b. have a sufficient budget to support capable staff to carry out the tasks as envisioned by the board.

Unfortunately, the Forum fell right in the middle, depending on a capable but part-time director without any support staff. Also, the Forum's steering committee has limited its activities to being an advisory board to the director. It is a structure that has little hope of generating long-lasting change in the county's economic development environment.

3. **A dependency on the active involvement and support of a handful of longtime community leaders.**

The Forum was set up through the efforts of three or four longtime and highly respected business and foundation leaders. Over time, the original handful of leaders decreased their involvement in the organization due to a variety of reasons. The other steering committee members took their declining attendance as a sign that the organization's ability to be a "change agent" was waning, and they adopted a less active stance. In short, there was insufficient buy-in from many steering members regarding the Forum's mission.

Future Options for the Forum:

1. **Congratulate the Forum for a job well done.**

All communities face the two economic development fronts as shown in Chart 26. Most spend their efforts on attracting new activity and not in reducing the leakage of its current assets. The reason for this is clear: the attraction/expansion approach is well understood, and its success is easily measured. One of Calhoun County's strengths is the quality of its existing economic development organizations. In particular, Battle Creek Unlimited is recognized as one of the best and most professional economic development organizations in the Midwest. Albion and Marshall also house effective and professionally staffed economic development organizations. There is little to no role for the Economic Development Forum on this front.

The second front, building an enviable environment, is very broad and potential implementation strategies are untested. In Calhoun County attacking this front is extremely challenging and warrants careful consideration. The county's sluggish population and employment growth is strongly related to its perceived and actual quality of life. Millions of dollars leave the county annually due to professional workers choosing to live elsewhere. Instead of building off the strengths and assets of neighboring Kalamazoo County, Calhoun County continues to compete from a position of weakness against its larger neighbor.

Kalamazoo County's residential housing market offers more selection and is considered as being more stable than the Calhoun County market. Evidence suggests that this may be changing, but housing markets adjust slowly. Calhoun County schools are perceived as weaker than Kalamazoo County schools, due to a tired infrastructure in some districts and too many parents not demanding excellence. Finally, Kalamazoo County, due to its size and the presence of Western Michigan University, has more entertainment and recreational opportunities.

It has become clear through our research and interviews with area leaders that the current structure of the Forum is not adequate to take on most of these challenges. It currently lacks the resources to play more than a minor role in economic development. Moreover, it is very difficult to effectively push an area's residential and entertainment markets toward a higher level of activity. Clearly, policies, such as offering low-cost housing grants to middle and upper-middle income families or subsidizing upper-end restaurants, are socially unacceptable.

In addition to these difficulties, the Forum faces several other political barriers. First, many of the interests and individual challenges facing individual communities in Calhoun County are fairly unique, and unfortunately, there exists a lack of trust between the communities. It would be very difficult for any organization, no matter how well funded or staffed, to be effective in this environment. Second, and equally damaging, the major challenges facing Calhoun County are multifaceted and grounded in demographic and historic trends. To be honest, it is unclear whether there exists any effective strategies that would effectively address these challenges.

In summary, the Forum should be proud of its accomplishments and, if it should decide to dissolve, it should do so knowing that it did its job. Although, current statistics now show that the county did not achieve its goal of "10,000 by 2000", the Forum brought attention to the need for the county to focus on economic development efforts. In addition, it created a welcomed environment to share ideas and to address key economic development issues on the countywide level. It will be an environment sadly missed but one that is unable to continue on its own.

2. Refocus the Forum's efforts on key economic development issues

There are two clear economic development issues facing Calhoun County which could be addressed by a countywide economic development effort.

As mentioned before, one of the major challenges facing the county's economic development community is encouraging the creation of new base firms that are in Stage 1 and, more importantly, in Stage 2 of their product life cycle. Entrepreneur development has always been a key component to most economic development strategies; however, it has taken a secondary position in most of the current economic development efforts in the county. Part of the problem is the general lack of state funding for small business development activities. Another problem is that most small businesses start small and stay small and are not a part of the county's economic base. Most serve local consumer markets. While they may help to improve the area's quality of life by offering better products and services, they do not directly enlarge the county's economic base. Finally, a large share of new businesses do not survive.

To be effective, a countywide small business development program must be focused on assisting entrepreneurs who are striving to produce a product or service that would be sold to customers outside the county. At the beginning, the program should offer assistance in the development of a business plan and provide linkages to financial institutions as well as training and resource institutions such as KCC and WMU.

The other area of possible engagement for the Forum is to assist the county's K-12 schools in developing more active parental involvement and to lend support to their capital improvement campaigns. Conducting parent informational meetings stressing the importance of education in today's economy, establishing college scholarship programs, and/or providing support services to struggling families are all possible strategies worthy of consideration. Care should be taken in these strategies not to generate a harmful stigma about the impacted schools, however, as it may suggest that they are serving a "troubled" community. If a school is tagged with such a stigma, middle and upper-middle income families may hesitate in sending their children to the school and move elsewhere.

It is unclear if the current steering committee is suitable to take on either of these proposed initiatives. A move toward either one of these strategies would require the Forum to restructure both its governing board, staff resources, and funding base. Still, both areas of activities hold great potential in improving the economic environment of the county.

Revitalize the Forum

Nationwide, regional partnerships have grown dramatically during the past 20 years. For example, in a national survey of 133 regional partnerships, nearly 80 percent were established after 1980 with the average age standing at 12.8 years.¹¹ Traditionally, regional partnerships perform the following tasks:

1. ***Provide economic information for the region's economic development decision-makers*** from secondary published sources and through their own efforts in gathering primary data. Primary data are collected by tabulating existing but decentralized data including building permit reports which are recorded on the township level as well as surveys to business and community sectors. Other activities can include the preparation of an industrial/commercial land inventory and compilation of land use/zoning regulations in the area.
2. ***Monitor and establish benchmarks to gauge the effectiveness of the area's economic development efforts.*** Since the county's economic development efforts are decentralized, it is very difficult for county governmental and business leaders to get a firm grasp of the level and effectiveness of on-going activities. Without benchmarks it is very hard to judge the performance of existing programs or to obtain a good understanding of where the county's limited economic development resources should be directed. The Forum is in an ideal position to take on this task for it does not have any "turf" to protect. With the proper representation of the county's economic development community, it could develop an agreed upon monitoring and benchmarking system that would be beneficial to all involved in economic development.
3. ***Develop marketing brochures.*** Some partnerships have taken on the responsibility of being the centralized source of existing marketing information prepared by participating economic and community development organizations, real estate professionals, and governmental units.
4. ***Serve as a forum to facilitate the development of new or coordinate existing regional development strategies.*** Regional partnerships are particularly useful in the development and enactment of industrial cluster strategies. An industrial cluster, which includes a region's core industries and their suppliers (including its workforce) and local customers, can easily stretch across county lines. For example, the tourism industries of Calhoun and Kalamazoo Counties joined in a mutual beneficial marketing campaign under the auspices of the former Regional Edge effort.

¹¹Olberding, Julia Cencula, "Diving into the "Third Waves" of Regional Governance and Economic Development Strategies: A Study of Regional Partnerships for Economic Development in U.S. Metropolitan Areas." *Economic Development Quarterly* Vol. 16 No.3, August 2002.

5. ***Be a lobbying arm for the region.*** In certain projects, such as road and other public infrastructure improvements, a regional response may require a statewide presence. In these instances, a common, unified voice will have a stronger impact than if the impacted communities/businesses go it alone.

Given the proper funding, the Forum could take on any of these activities to the benefit of the county. Moreover, the Forum could take a more comprehensive approach to economic development than is currently being pursued by the county's existing economic development organizations through partnerships. A possible model for the Forum to consider is the Cornerstone Alliance in the St. Joseph/Benton Harbor area. Cornerstone Alliance takes a very comprehensive approach to economic development through the development of partnerships with existing organizations. The Cornerstone Alliance's activities include the development of a "brand strategy" (*The Michigan's Great Southwest*), housing programs, small business development, property development and demolition, lifelong learning programs, and community health issues. Clearly, one organization cannot do all of these activities alone. Cornerstone Alliance leverages its resources by partnering with the leading organizations in each of these areas. In fact, a key element of the success of the Cornerstone Alliance is its willingness to accept a secondary, behind-the-scenes role in any of these efforts.

Consideration of this option would require both a major restructuring of the Forum as well as a sharp increase in its funding level. The Cornerstone Alliance, for instance, obtains a substantial share of its funds from the Whirlpool Corporation as well as local governmental units.

A. Broaden the Scope of the Forum Activities to Include Partnerships with Organizations in Calhoun County

The economic ties between Calhoun and Kalamazoo Counties will only grow in the future. The challenge facing Calhoun County is to ensure that these economic ties do not bind it to playing a "secondary supporting" role to Kalamazoo County. Calhoun County should strive to become an equal partner to Kalamazoo County, knowing that it has unique characteristics which will always set it apart. Calhoun County should not settle for being the "manufacturing area" or a "blue collar area" for the region. Instead, it should offer and support the same environment for residential options and business opportunities as found in Kalamazoo County, but with its own sense of pride. The probability of achieving this goal will only increase with the development of an effective regional partnership between the two counties.

The business and community leadership of Calhoun County could take another look at forming a larger regional economic development partnership with Kalamazoo County. A strong potential partner could be Western Michigan University. WMU with its soon-to-be-announced TIER Initiative is already looking to develop regional partnerships for technology, innovation, engineering and research. Other potential partnerships could also be the area's Workforce Development Boards and Intermediate School Districts. The areas' Chambers of Commerce have already made attempts at forming partnerships as have the counties' Leadership programs. The Cities of Battle Creek and Kalamazoo can point to several creative partnership efforts, as well.

Several shared challenges facing Calhoun and Kalamazoo Counties could be addressed by such a partnership including:

1. The widening to three lanes of traffic of Interstate 94 from U.S. 131 to the west to I-69 to the east.
2. Improvement of internet and telecommunications service to all residents and businesses.
3. Redevelopment of the Kalamazoo River into a recreational resource.
4. Address the shared problems of inner-city blight and the growing isolation of low- income households in several of their inner-city neighborhoods.

In closing, we believe that it is up to the Forum's steering committee to determine the future of organization. To be honest, the current environment in Calhoun County is not very conducive to a regional approach to economic development. Few of the pre-conditions necessary for sustaining a regional effort, such as the Forum, currently exist in Calhoun County. Research indicates that regional partnerships are more likely to be sustainable and effective when 1) the region is facing a major crisis, 2) a government and/or business leader(s) take a strong lead position, 3) the general public is supportive of the effort, and 4) there is a clear policy option identified that will address the region's problem without inflicting undue burdens on any segment of the region's business or community population. Still, despite the current unsupportive environment, we believe that the potential benefits to Calhoun County of an effective countywide economic development organization could be substantial. Inaction, at best, will simply allow the County's current lackluster economic trends to continue.

Business and Community Leaders Interviewed

Tyrone Baines	W.K. Kellogg Foundation
Jim Baldwin	Baldwin Consulting
John Bromley	The Planning Group
Charles Burnham	Burnham Ins., BC
Craig Carrel	Team One Plastics
Chris Christ	Vandervoort, Christ & Fisher
Thomas Cogswell	Village of Homer
Charles Cook	Marshall Saving Bank
Michael Cope	Comerica Bank
Rob Covert	Oaklawn Hospital
Ted Dearing	Battle Creek Chamber of Commerce
Bill Dobbins	Caster Concepts
Richard Frantz	South Central Michigan AFL-CIO Labor Council
Pat Garrett	Battle Creek Health System
Doyle Hayes	Pyper Products
Michael Herman	City of Albion
Robert Herwarth	Albion Machine & Tool
Jim Hettinger	BCU
Steve Jessup	The Jessup Group
Mike Kinter	Mole Hole
Timothy Knowlton	Kellogg Company
Bernard Konkle, Sr	Decker Mfg
Mark Lancaster	Employment Group
Janet Langford Kelly	Kellogg Company
Sue Marcos	Greater Albion Chamber of Commerce
Joseph McCorkle	Michigan National Bank
John McGill	Borg-Warner
Jim McHale	Kellogg Foundation
Peter Mitchell	Albion College
Arlin Ness	Starr Commonwealth
Mark Odland	State Farm Insurance
Paul Ohm	KCC
Greg Purcell	Calhoun County
Howard Riggs	Village of Tekonsha
Ann Rosenbaum-Petredan	Calhoun County Treasurer
Hans Schuler	Schulers
James Shirk	Dane Towing
Peggy Sindt,	EDC- Albion
Robert Spencer	Lakeview Schools
Joyce Spicer	Hayes-Albion
Joe Stewart	Stewart Industries
William Stoffer	Albion Economic Development Corporation
Stan Tooley	Denso Manufacturing
Rick Tsoumas	The Planning Group
Chris Wigent	Calhoun Intermediate School District