

**Economic Scan and Workforce Development Profile
Barry, Branch, Calhoun, Kalamazoo, and St. Joseph Counties**

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Table of Contents

Executive summary	1
Introduction	2
Regional conditions	3
Survey of workforce needs	20
Regional forecast	30
The economic impact of employment changes	42
Regional approaches	48
Summary and recommendations	51
Appendix	55

Executive Summary

This report, *Economic Scan and Workforce Development Profile*, looks at economic and workforce conditions for the five-county area of Barry, Branch, Calhoun, Kalamazoo, and St. Joseph counties in the state of Michigan. Information provided includes a general overview of economic conditions, the results of a survey of workforce needs, a 15-year forecast of employment, population, and income growth trends, generic economic impact estimates for use in understanding changes in the regional market, and a brief look at ongoing regional activities.

Highlights of report findings:

- Regional growth has been slow. From 1990 to 2006, regional population grew by 37,397 persons and now totals 547,262 residents—a 0.4 percent annual average rate of increase. From 1990 to 2005, total employment in the region increased at an average annual rate of 0.8 percent. In all cases, the region has grown at a slower pace than either Michigan or the nation during the respective periods.
- Compared to Michigan or the U.S., the five-county region is highly dependent on manufacturing and has a less educated workforce. The region also faces a higher unemployment rate than the nation; however, its rate is lower than the overall Michigan average.
- Workforce characteristics and economic conditions vary significantly between the individual counties that comprise the regional definition examined in this report.
- Area employers most frequently cited finding new workers and dealing with basic job skill issues as the most important and problematic workforce issues. The top issues of future concern for regional employers are the quality of high school graduates, the ability of employers to find “mid-level” workers, and retraining for the existing workforce.
- From 2007 to 2022, employment in the five-county region is forecast to grow at a 0.3 percent annual average rate (AAR)—equal to the addition of 11,950 more jobs. This is slower than either Michigan or the nation, which are expected to grow at annual average rates of 0.4 percent and 0.7 percent, respectively.
- During the same 15-year period, population is expected to increase by 30,000, which also represents a 0.3 percent annual average growth rate. Again, this is slower than the forecast growth rates for Michigan or the U.S., 0.5 percent AAR and 0.9 percent AAR, respectively.
- Personal income is forecast to grow at a 4.0 percent annual average rate, compared to 4.2 percent AAR in Michigan and 4.3 percent AAR nationwide.
- Occupational employment growth between 2007 and 2022 is forecast to be strongest for food service positions, educators, health care practitioners, health care support positions, and personal service occupations. Large employment declines are expected in the number of production workers, office support positions, construction trades, and farming, fishing, and forestry occupations.
- Manufacturing employers have the largest economic impact on the region, due to their export sales, strong local supplier base, and above-average wage structure.

Introduction

Understanding the regional economy, ongoing trends, and the needs of the business community are essential to facilitate workforce development and economic development planning. This report focuses specifically on economic, demographic, and workforce related issues in a five-county area of Michigan (region) comprised of Barry, Branch, Calhoun, Kalamazoo, and St. Joseph counties. To support planning efforts within the region and assist leaders with the necessary decision-making tools, we have compiled five report sections, each dedicated to a different informational role.

- **Regional conditions.** The first section provides an overview of the current and near-term historical economic and demographic conditions of the region.
- **Survey of workforce needs.** This section provides the results of a survey of regional employers regarding their impressions of the local workforce, and current and future workforce needs.
- **Economic forecast.** To facilitate long-term regional planning, we generated a 15-year forecast of employment and population for the region. Additionally, several scenarios are presented to show how both micro- and macro-level changes could impact the regional economy.
- **Economic impacts.** We present information on the relative economic impact of employment changes in 66 major industries. These multipliers show how future job openings and closings could impact the overall regional economy.
- **Regional approaches.** A discussion of ongoing regional approaches within the five-county area.

Regional Conditions

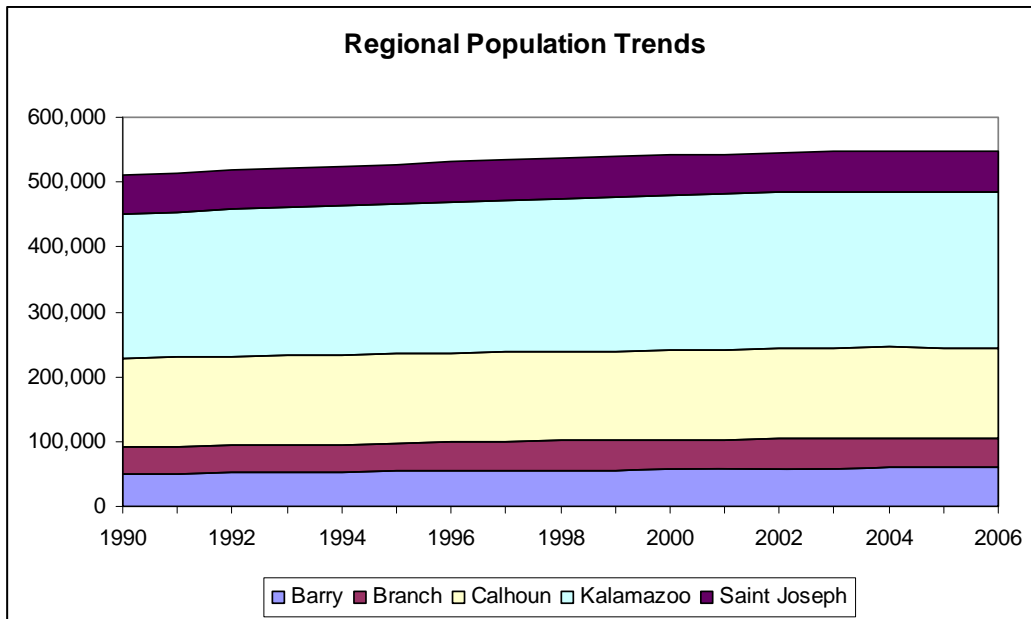
The five-county region faces many of the same demographic and economic situations that are hampering the rest of the state. It is highly dependent upon a manufacturing base with a large automotive component and it struggles to nurture knowledge-based activities. At the same time, the area is significantly different from other regions of the state, such as the densely populated east side or the rural northern regions. This is likely to create both advantages and challenges for the region in terms of its prospects for future growth. On the one hand, the regional economy is more diversified and less dependent on the automotive sector than other parts of the state; however, at the same time some areas may lack the human capital, infrastructure, and amenities necessary to support the growth of high-tech firms.

In general, the regional conditions experienced today and in the recent past are unlikely to undergo a radical transformation during the next 15 years if current trends continue. The future will likely be determined by a mix of factors including the influences of existing resources and national trends as well as the ever-growing impact of global economic trade and investment.

Population Trends

Between 1990 and 2006, the region's total population has grown by 37,397 persons and now totals 547,262 residents. This represents a 0.4 percent annualized rate for the 16-year period—a rate that is lower than both Michigan as a whole, 0.5 percent, and the nation, 1.2 percent. This population change has not been evenly distributed amongst the five counties in the region. Figure 1 shows the relative contribution of each county to total regional population and the overall trends of population growth.

FIGURE 1



Not surprisingly, the largest population growth, in terms of the raw number of new residents, occurred within the region's largest county, Kalamazoo, which added 17,309 people, for an annualized increase of 0.5 percent, and accounted for 46.3 percent of all regional population growth. However, the second highest population addition occurred in Barry County.

Although relatively rural in nature, Barry County is rapidly growing due to its position as an accessible bedroom community to the major urban area of Grand Rapids as well as Kalamazoo and Battle Creek. From 1990 to 2006, Barry County added 9,842 new residents to the region, equal to a 1.1 percent AAR for the period.

FIGURE 2
1990 to 2006 Population Change

Area	Population Change	Annual Avg Rate
Barry	9,842	1.1%
Branch	4,373	0.6%
Calhoun	2,009	0.1%
Kalamazoo	17,309	0.5%
Saint Joseph	3,864	0.4%
Region Total	37,397	0.4%

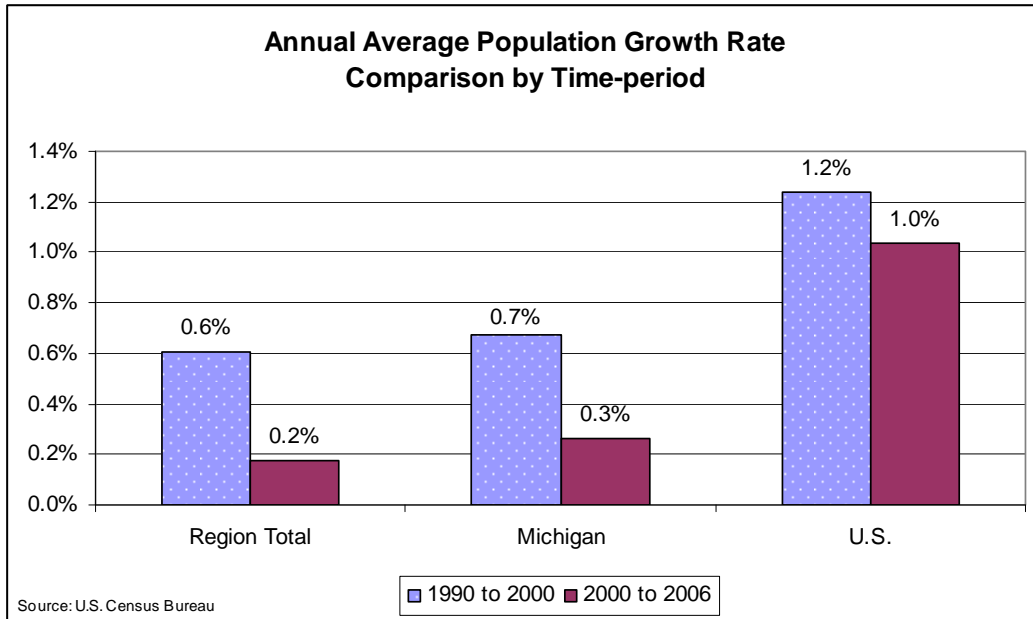
Source: U.S. Census Bureau

At the opposite extreme, the region's second most populous county, Calhoun, added the fewest number of residents during the period: 2,009. The other two region counties, Branch and St. Joseph, each added around 4,000 new residents. The values for each county's population growth are shown in Figure 2.

More important than gross population numbers for the period, however, may be the apparent break in trend that occurred after the 1990s. As shown in Figure 3, annual average population growth rates varied significantly between geographic areas and time periods. During the 1990s, the population of the five-county region was growing at just half the rate of the nation; however, it decelerated to about one-fifth of the national rate from 2000 to 2006. In addition, during both periods it lagged the overall state growth rate.

This lack of population growth may surprise some since the west side of the state has typically outperformed the east side. However, this often includes the larger Grand Rapids region to the north.

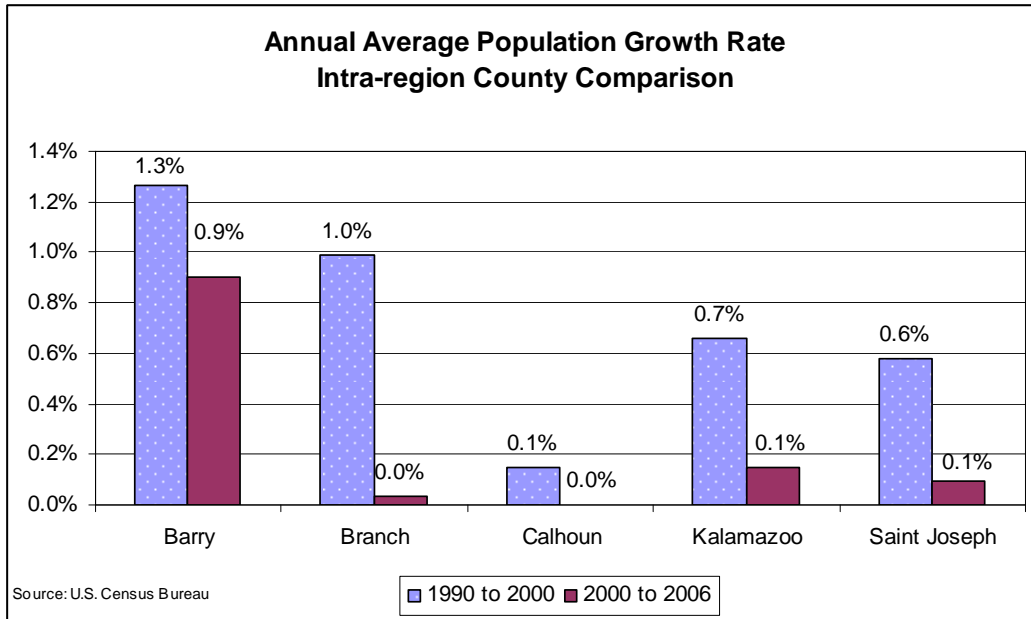
FIGURE 3



Within the region there has also been significant variation in annual average population growth rates between counties. Since 2000, population growth has slowed greatly in all of the regional counties, with the exception of Barry County, which continues to grow at an annual average rate similar to the nation. Barry County is part of the Grand Rapids-Wyoming MSA, and its relatively strong growth reflects its strong ties to that region.

The other four counties have all experienced one or more years of population decline between 2000 and 2006, which has greatly slowed overall growth trends during the period. Since 2000, the region's overall population growth has been almost entirely driven by Barry and Kalamazoo counties, which have each grown by approximately 3,100 and 2,100 residents, respectively, while the other three counties combined have added fewer than 500 (Figure 4). As discussed later, larger urban areas—the Grand Rapids-Wyoming MSA and the Kalamazoo-Portage MSA—tend to experience greater growth than more rural areas for a variety of reasons.

FIGURE 4



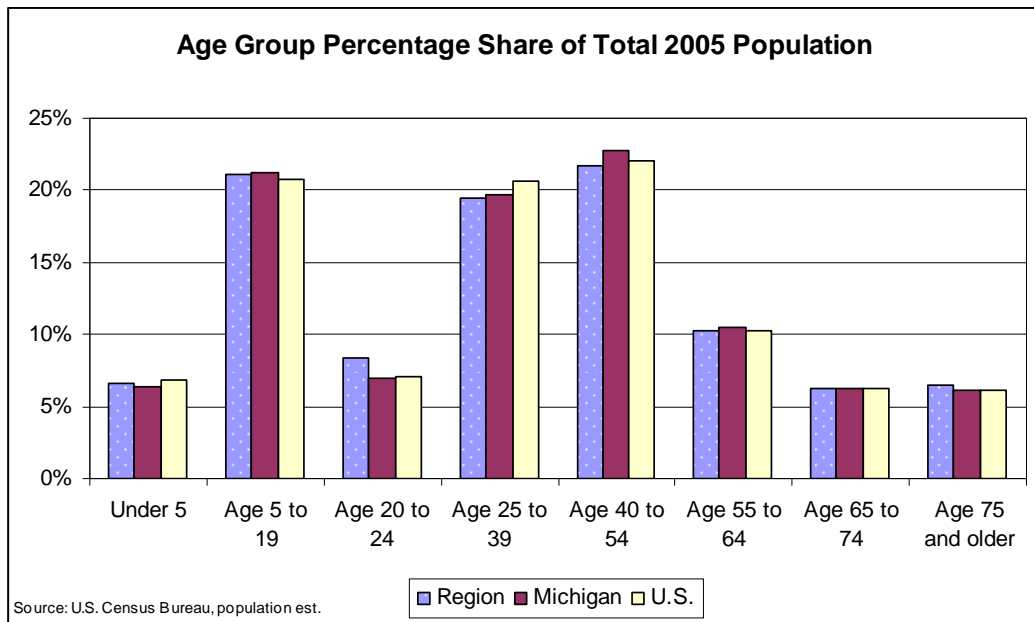
Growth is by no means the only trait of the population that has a bearing on the social and economic conditions of the region. The age distribution of the region greatly impacts both the future service needs of the community as well as the region’s workforce growth potential. Areas that can attract or retain younger households are typically at an advantage for supporting workforce and population growth; however, locations with a growing retirement-age population can also become economic hot-spots if the non-working older residents are relatively affluent. If not, a large retirement population can become a serious burden to the county and local governments and its medical sectors. Additionally, regions home to an above-average concentration of residents in their 50s and 60s may find themselves facing workforce shortages in another decade if they are unable to attract persons in their 30s or 40s in sufficient numbers to fill the jobs vacated by retiring workers.

Currently, the age distribution of the region as a whole looks similar to both Michigan and the nation (Figure 5). At the younger end of the age profile, the five-county region is home to a slightly higher concentration of children and young adults compared to the state and U.S. The large share of residents age 20 to 24 is especially noticeable, and due primarily to the presence of a large public university, Western Michigan University in Kalamazoo, as well as several other small private colleges throughout the region. However, although Western Michigan University and some of the other private colleges attract young adult students both nationally and internationally, the low concentrations of persons in the middle age ranges—age 25 to 39 and age 40 to 54—suggests that the region is unable to provide either the amenities or employment opportunities necessary to retain a significant number of these persons as long-term residents.

In fact, here lies one of the greatest opportunities for the region; to create an environment that is attractive to the area’s college graduates and would increase long-term retention of

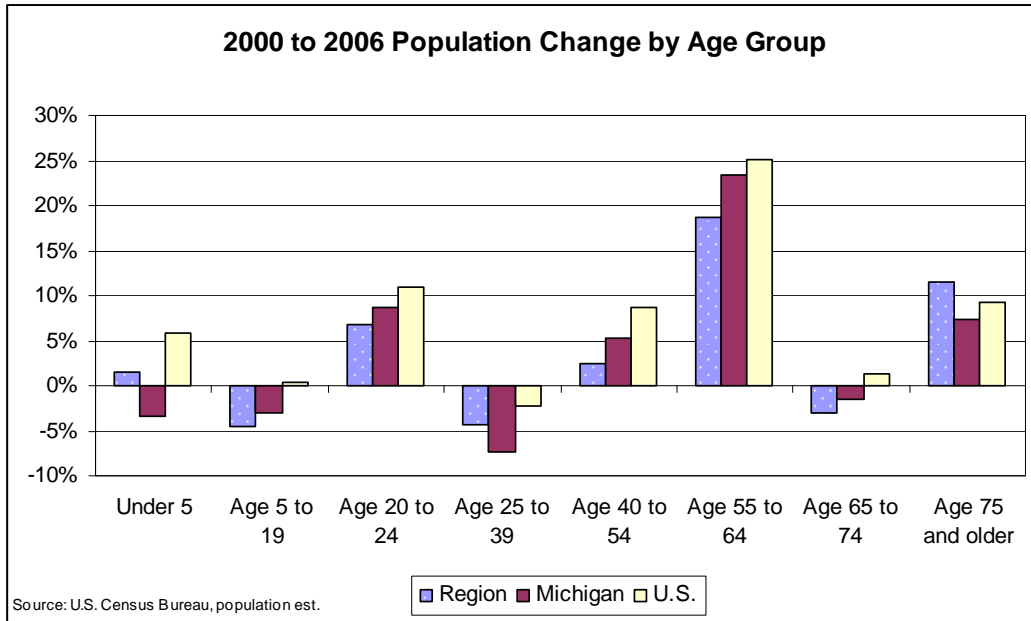
the age group. Having a major university in the region is a valuable resource that few other similar areas possess. In addition to developing a skilled workforce and attracting young adults to the region, university activities can also help develop employment opportunities and support art and cultural amenities that make the area a desirable place to reside.

FIGURE 5



An examination of population growth by age cohort from 2000 to 2006 (Figure 6) shows that most groups are growing at a slower pace or declining at a faster rate than Michigan or the nation. This is not surprising given that the region's overall growth rate for the period is lower than the state or national growth rates (see Figure 3). However, it is worth noting that the population of the region's oldest age group is growing at a faster rate than the nation, which suggests that the area is rapidly aging.

FIGURE 6

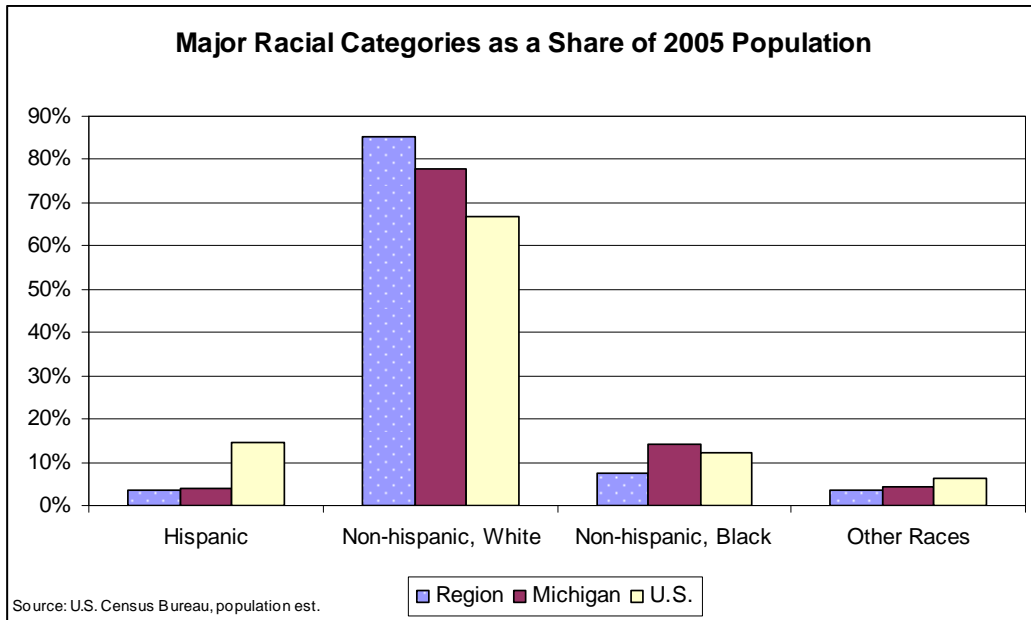


On the one hand, an increasing senior population could be a positive for the region, if it indicates that the area is becoming desirable as a location to remain in or relocate to for retirement. However, the fact that the region is actually losing persons from the 65-to-74 age category suggests that individuals in early stages of retirement are not remaining in or relocating to the area. Instead, the area may simply have been home to a larger population of older residents in the first place. Also, the growth could represent the issue of a growing senior population that lacks the financial resources needed to move to climate- or amenity-based retirement destinations. Whatever the case, the fact that this senior citizen population group has grown at the same time that the younger, working-age group is actually shrinking could have implications for the strengths and needs of the region’s workforce. The region’s growing senior population could burden the region’s social and community programs as well as its health care facilities.

Diversity

As shown in Figure 7, the five-county region is significantly less diverse than Michigan or the U.S. as a whole. White non-Hispanic residents account for the vast majority of the region’s residents—85.5 percent, compared to 77.7 and 66.9 percent for Michigan and the U.S., respectively. The region’s Hispanic population represents a very similar share of total population as in the rest of Michigan; however, it is a much smaller portion than found nationally, where Hispanics have become the second-largest ethnic group with 14.5 percent of total population.

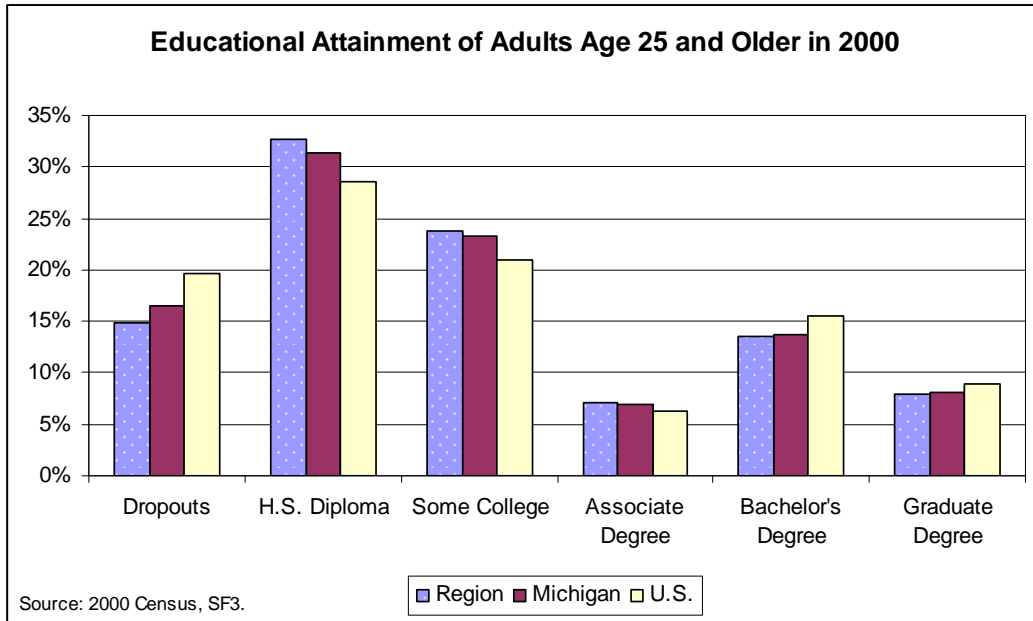
FIGURE 7



Education

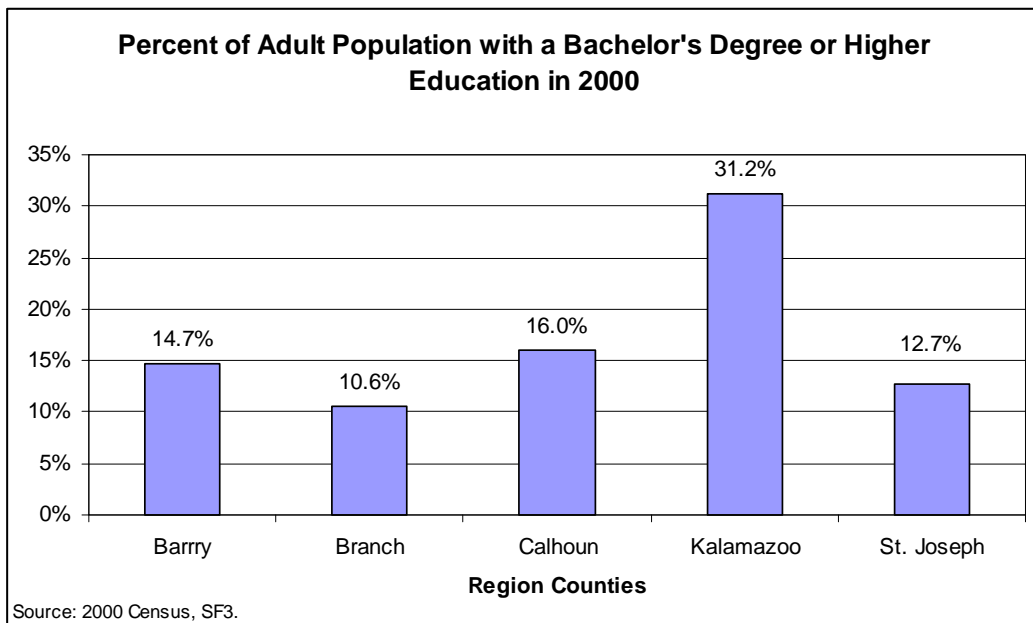
Education levels are a key determinant of the type of workforce that an area possesses and its potential income growth. Limiting the examination to adults age 25 and older accounts for the typical period of time during which individuals are most likely to be pursuing a formal education. By this measure, the five-county region looks very similar to Michigan as a whole, with the share of residents holding only a high school diploma above the national average and the percent with bachelor's and graduate degrees below the national average. This strongly reflects the state's manufacturing legacy. Formerly, a high school diploma was all that was required to obtain a moderate- to good-paying factory job.

FIGURE 8



Of course, when looking at the region, it is important to understand that the educated population and workforce is by no means evenly distributed across the five-county area. Indeed, the area only appears similar to overall Michigan levels due to the influence of Kalamazoo County, whose high concentration of educated residents is able to pull up the average for the entire region (Figure 9).

FIGURE 9



Kalamazoo County, with 31.2 percent of adults age 25 and older possessing at least a bachelor's degree, substantially exceeds both the state and national average levels for the same level of education—21.8 and 24.4 percent, respectively. West Michigan University and major companies such as Pfizer can take some credit for the county's higher-than-average education achievement levels; however, it may also reflect the fact that the county is the area's largest metro area and thus provides a unique environment which is attractive to professional workers.

At the same time, education levels in the other four counties that comprise the region are much lower. These intra-regional differences create a challenge for workforce developers and economic developers, since the type of workforce available to employers is tied to smaller geographic units. Additionally, looking at the region-wide educational attainment levels tends to make the area look average, when in reality the region possesses both workforce strengths and weaknesses on a localized level.

Commuting Patterns

An examination of commuting patterns within the region illustrates the differences in role and interconnectivity between the five individual counties. For example, Kalamazoo and Calhoun are both small urban job centers where the majority of their residents work in the county and a fair number of residents from surrounding counties commute in for employment opportunities. On the other hand, Branch and St. Joseph counties are somewhat self-contained; although rural in nature, they have not become significant bedroom communities for the urban regions nor do they attract a significant number of workers from other regions. Barry County is a bedroom community, with 60 percent of residents commuting to jobs in other counties. However, Barry County's strongest tie is to Grand Rapids—one-in-four Barry County residents work in Kent County. (Figure 10)

Overall, the commuting ties between the individual members of the five-county region are weak. The commuting levels are highest between Barry County and Calhoun County—10.4 percent of Barry residents work in Calhoun—however, this is swamped by the much stronger relationship between Barry County and the Grand Rapids region (Kent County). Only a small percentage of residents in the region's other two rural counties, Branch and St. Joseph, commute to either Calhoun or Kalamazoo for employment. Indeed, these areas have not become attractive bedroom communities. The strongest relationship for Kalamazoo County is with neighboring Van Buren County, where more than 25 percent of residents make the commute into Kalamazoo for employment; however, they are not included in this regional analysis. Calhoun County draws the largest number of workers from Kalamazoo County, although it still represents a small portion, 4.2 percent, of residents from the larger county.

FIGURE 10

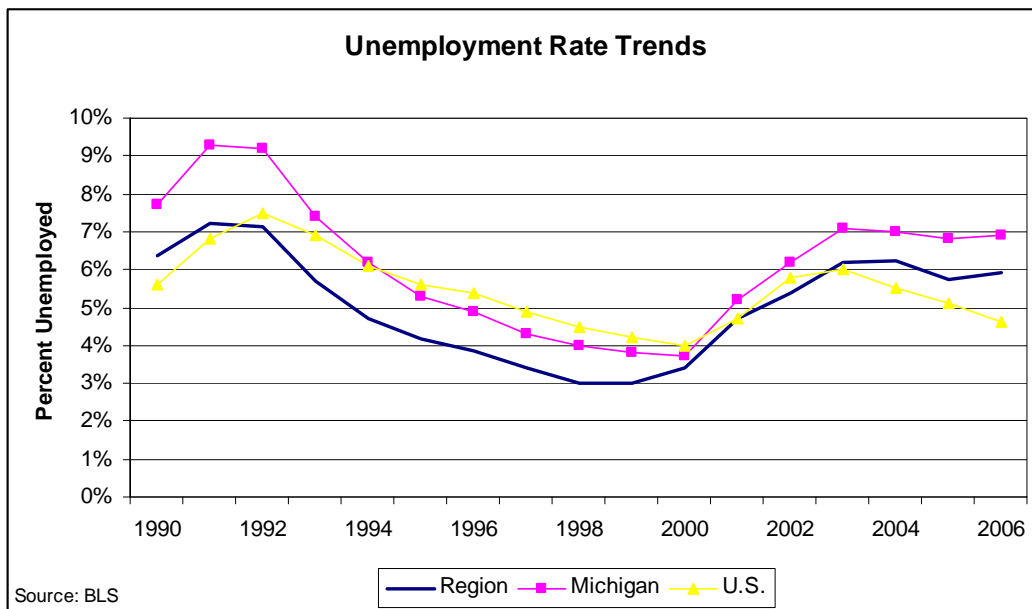
2000 Commuting Patterns Within the Five-County Region

Workplace	Place of Residence											
	Barry		Branch		Calhoun		Kalamazoo		St. Joseph			
	Workers	% of Total	Workers	% of Total	Workers	% of Total	Workers	% of Total	Workers	% of Total		
Barry	10,973	40.8%	17	0.1%	295	0.5%	416	0.4%	15	0.1%		
Branch	19	0.1%	14,673	70.8%	1,231	2.0%	121	0.1%	434	1.5%		
Calhoun	2,807	10.4%	1,395	6.7%	51,146	83.0%	5,003	4.2%	238	0.8%		
Kalamazoo	2,413	9.0%	192	0.9%	3,755	6.1%	101,273	85.7%	2,310	7.9%		
St. Joseph	11	0.0%	970	4.7%	227	0.4%	1,636	1.4%	20,841	71.3%		
All other locations	10,698	39.7%	3,490	16.8%	4,995	8.1%	9,783	8.3%	5,399	18.5%		

Labor Force Conditions

During most of the past 16 years, labor market conditions, as measured by the unemployment rate, have been better in the five-county region than the nation as a whole. Compared to Michigan, the regional unemployment rate has been consistently better in every year from 1990 to 2006. However, since 2000 unemployment in the region has increased in lockstep with the rest of the state to levels that exceed the overall U.S. rate. As of 2006, the region's annual average unemployment rate reached 5.9 percent, versus 6.9 percent for Michigan and 4.6 percent for the nation. The line-chart in Figure 11 illustrates how regional unemployment conditions are both influenced by larger state and national trends yet are able to improve or worsen on a relative scale—i.e. running above or below the national trend curve.

FIGURE 11

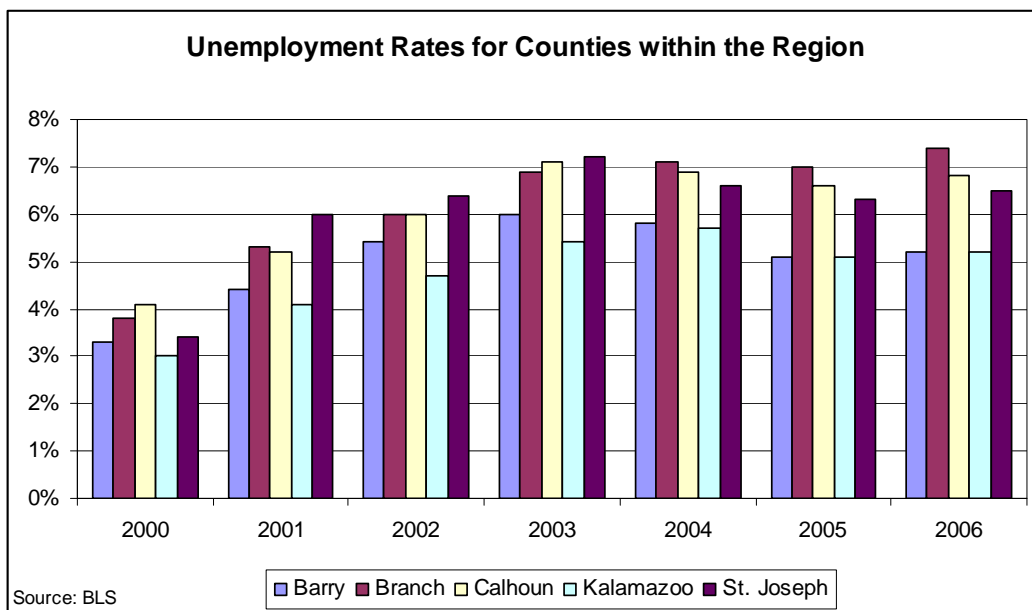


Differences in local employment opportunities and workforce characteristics greatly impact the labor force conditions faced by groups within the region. In 2000, all five counties in the region had similarly low unemployment rates, ranging from 3.3 to 4.1 percent. Since then, unemployment has increased across the board; however, there is now a much greater variance in rates between the counties in the region, which in 2006 range from 5.2 to 7.4 percent.

The bar chart presented in Figure 12 displays the annual average unemployment rate for each individual county in the region, for the recent period from 2000 to 2006. During this period, Kalamazoo County has consistently had the lowest unemployment rate. The county with the highest unemployment has varied from year to year, starting with Calhoun County in 2000, moving to St. Joseph County from 2001 to 2003, and then Branch County during the last three years. Barry County has had the second lowest unemployment rate in the area during this time period, and its unemployment rate has

been roughly even with Kalamazoo County during the last two years. These changes most likely reflect both the impact of significant events—such as individual firm closures—as well as the type and skill level of the labor force, which is not evenly distributed throughout the region (as shown previously in Figure 8). Still, the strong showing of Kalamazoo and Barry Counties once again illustrates the advantage that larger metro areas have over smaller ones (Calhoun County) and rural areas. Finally, locations that have a highly skilled or educated workforce can maintain a low unemployment rate even if local companies are losing workers, since their resident workforce face better job opportunities due to their education achievement levels and thus are more likely to be able to find employment by commuting to neighboring counties.

FIGURE 12



Employment Conditions

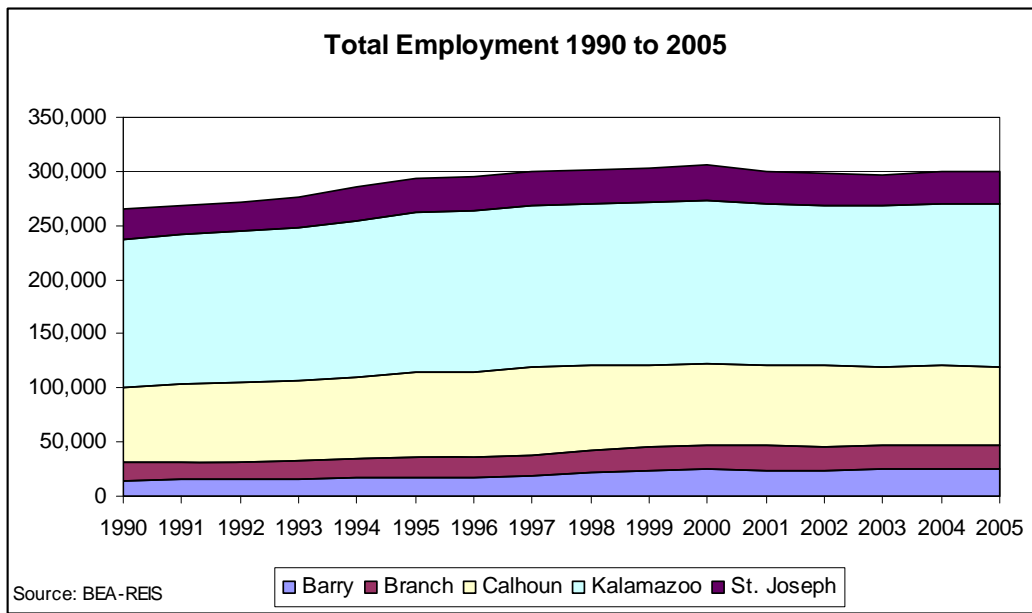
Population growth is, of course, strongly tied to employment growth. As mentioned in the previous section on labor force conditions, employment levels and the type of industries and jobs present in an area highly influence its economic strength. The region’s changing employment environment will ultimately determine the nature of the workforce.

In examining employment trends, it is important to distinguish between two standard measures of “employment” and how they impact workforce and economic development. The term employment is used both to describe the status of an area’s residents—i.e. whether or not they have a job—as well as the strength of a place’s employers in terms of job positions that exist in that location. The first definition, which is of course used in determining the unemployment rate, is important to workforce developers because it describes the conditions faced by workers residing in a given area. Areas with a high unemployment rate are home to a larger share of residents who are in need of job search

assistance, training, or other employability assistance. The second figure, often referred to as employment by place of work, is important to monitor since it denotes the demand level of the area. For example, employment growth indicates an area that will have a need for workers, who may relocate to the area, commute in from other regions, or be re-trained from existing workers in other occupations.

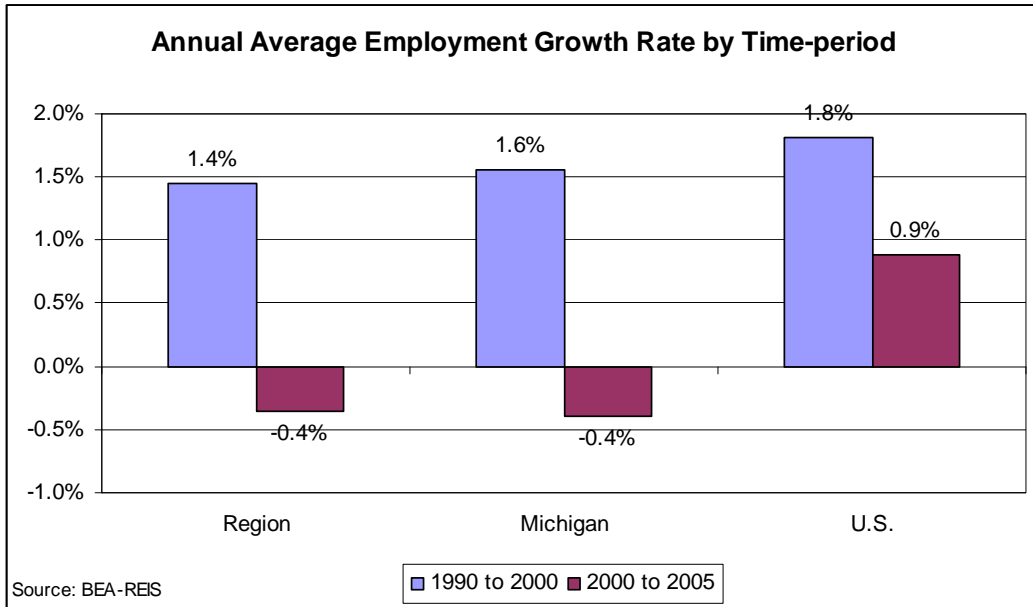
From 1990 to 2005, total employment in the region grew at an average annual rate of 0.8 percent, an increase of nearly 35,500 jobs. However, the majority of this growth occurred during the 1990s—in the number of regional jobs peaked at 305,621 in 2000 and has since declined slightly to 300,203 in 2005. The vast majority—three-fourths of all region jobs—are located in either Kalamazoo or Calhoun counties, which account for 50.3 and 24 percent of all regional employment, respectively, in 2005. (Figure 13)

FIGURE 13



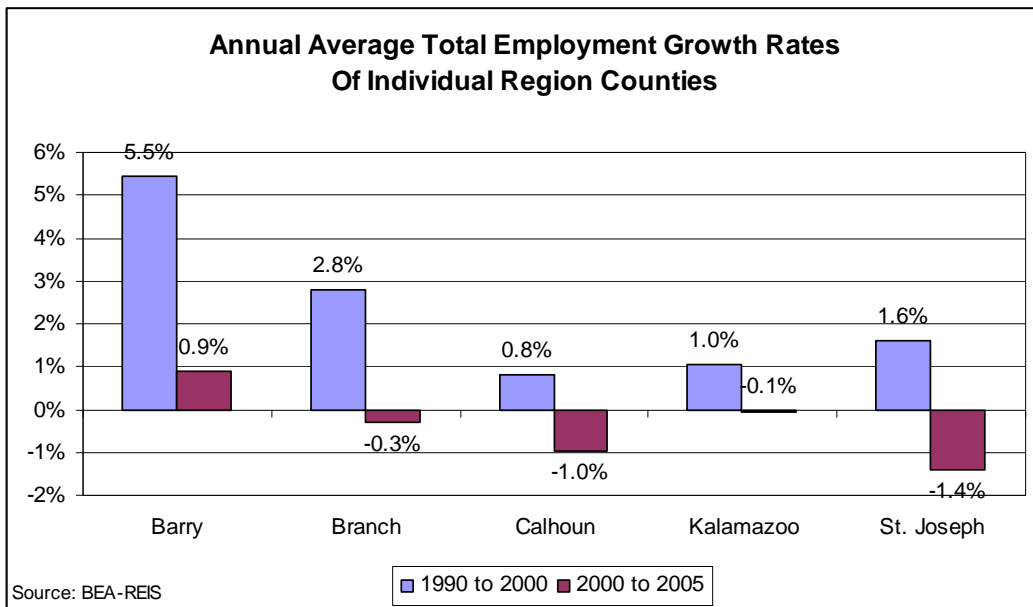
Although the number of new jobs created over the past 15-year period is substantial, the region’s employment grew more slowly than either Michigan or the U.S. Figure 13 shows the annual average growth rate for the 1990s and the period from 2000 to 2005. From 1990 to 2000, the region added jobs at a 1.4 percent annual rate, which was slightly lower than the 1.6 percent annual average rate for Michigan and the 1.8 percent U.S. growth rate. In the more recent five-year period from 2000 to 2005, the region has mirrored Michigan’s rate of job loss, losing an average of 0.4 percent of employment each year during the period. However, despite the recession, the nation as a whole was able to recover and expand employment at a 0.9 percent annual average rate during the same time period.

FIGURE 14



Within the region there was significant variation between the employment growth rates of individual counties. All counties in the region posted positive annual average growth during the 1990s; however, in the following five years, only Barry County was able to maintain net job growth, matching the national rate for the period. The region's largest county, Kalamazoo, was essentially stable, declining at a very slight -0.1 percent annual average rate, while the other three counties experienced a more severe loss of employment (Figure 15).

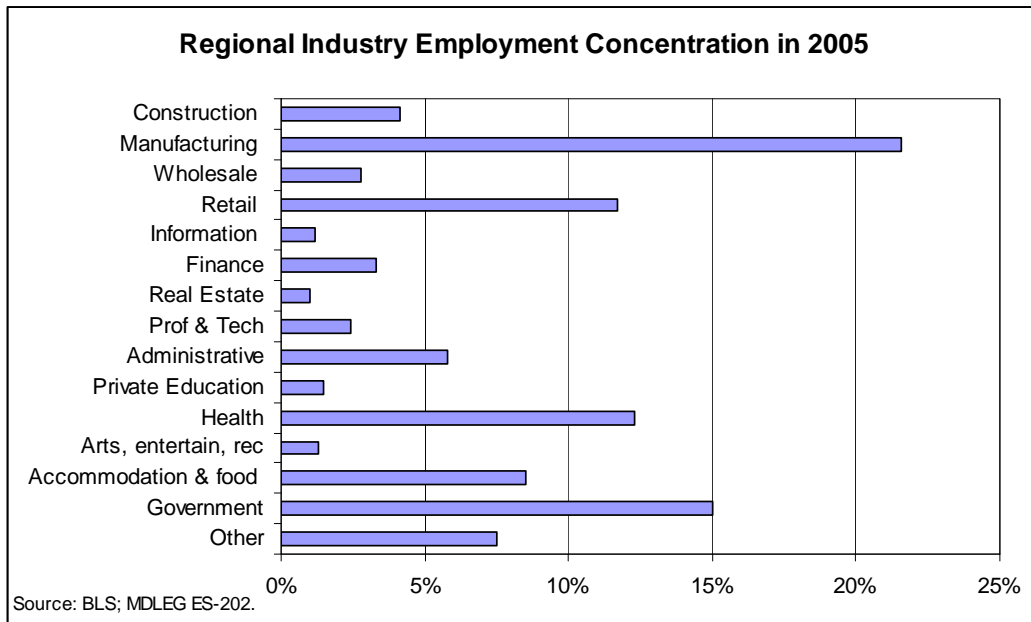
FIGURE 15



Industry Concentration

One of the factors behind both the economic performance of the region as a whole, as well as the variation between economic conditions within the five counties themselves, is the mix of industries that comprise the area's economy. An examination of employment by major industry category (Figure 16 & Figure 17) shows that the manufacturing sector is still dominant in the region, with 21.6 percent of all non-farm employment. The next largest sectors, in terms of employment, are government (which includes local K-12 schools), health care, and retail.

FIGURE 16



In most sectors, the share of employment in the region is similar to that found throughout Michigan and the U.S., as shown in Figure 16. However, the region is unique in that it has a substantially larger share of jobs in manufacturing—21.6 percent, compared to 15.8 percent of Michigan employment and only 10.6 percent of employment nationwide. Additionally, the region has a smaller share of jobs in wholesale trade and professional & technical services than either the state or the nation. This ultimately impacts overall employment growth, since the region is overly-dependant on the declining manufacturing industry and at the same time has an under-developed professional services sector.

FIGURE 17

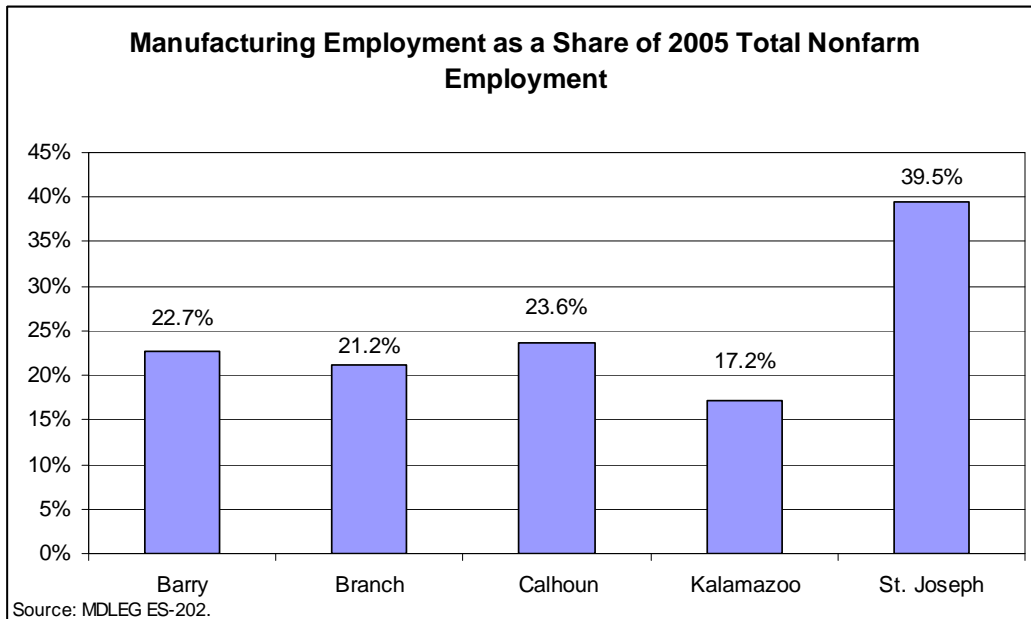
Industry Share of 2005 Total Nonfarm Employment

Sector	Region	Michigan	U.S.
Construction	4.1%	4.4%	5.5%
Manufacturing	21.6%	15.8%	10.6%
Wholesale	2.8%	3.9%	4.3%
Retail	11.7%	11.8%	11.4%
Information	1.2%	1.6%	2.3%
Finance	3.3%	3.7%	4.5%
Real Estate	1.0%	1.3%	1.6%
Prof & Tech	2.4%	5.8%	5.3%
Administrative	5.8%	6.5%	6.1%
Private Education	1.5%	1.4%	2.1%
Health	12.3%	11.5%	10.9%
Arts, Entertain, Recreation	1.3%	1.4%	1.4%
Accommodation & food	8.5%	7.9%	8.2%
Government	15.0%	14.7%	16.3%
Other	7.5%	8.2%	9.5%

Source: BLS; MDLEG ES-202 data.

Within the region manufacturing’s share of employment varies greatly between counties, although all are still more concentrated than either Michigan or the U.S. As shown in figure 17, Kalamazoo County has the least concentration of manufacturing workers, 17.2 percent, which is just slightly more than Michigan overall—15.8 percent—but substantially more than the U.S. level of 10.6 percent. The part of the region most dependent on the manufacturing sector is St. Joseph County, where a whopping 39.5 percent of all non-farm jobs are in the manufacturing sector. Clearly these areas face economic vulnerability if manufacturing as a whole continues with a negative job-growth trend.

FIGURE 18



Summary of Current Conditions

Taken as a whole, the five-county region looks relatively similar to the rest of Michigan. The population is older, less diverse, and growing at a much slower pace than other parts of the nation. Area workers are more likely to be unemployed, which is related to both the smaller-than-average share of residents who possess college degrees and the flat economic conditions tied to the declining manufacturing sector. In short, conditions in the region reflect conditions in Michigan—which unfortunately have been quite poor during the past few years.

At the same time, however, it is important to realize that conditions in the region are more complex than the sum of its five parts. Generally, substantial intra-region differences in conditions exist between the individual counties. For example, even though the region as a whole has not grown its population substantially in recent years, Barry County stands out as a fast-growing community. Although the region as a whole has an average educational profile, in reality Kalamazoo County is one of the most highly educated locations in the state. Conversely, while overall regional employment growth rates have been very similar to Michigan overall, Calhoun County did substantially worse in both the 1990s and the period from 2000 to 2005.

Understanding the variation of conditions across individual counties should be of importance to regional leaders and decision-makers, even though it may at times suggest that the area does not naturally constitute a regional grouping of similar counties. If workforce development and economic development efforts choose to engage in a regional approach, it will be essential to know and understand the strengths and weaknesses hidden beneath what appears to be an average region of Michigan. For example, knowing that Kalamazoo is home to a high number of college educated residents or that St. Joseph is heavily a manufacturing-based community should help developers promote the area to employers with specific workforce needs. Additionally, identifying weaknesses specific to certain areas or individual counties allows planners to better target programs that will address specific issues such as education and training or job search assistance where it will have the greatest impact.

Survey of Workforce Needs

Existing data sets and forecasting models tell us a great deal about the general realities of the region's economy and workforce. However, for planning workforce and economic development efforts, it is important to understand labor force needs as experienced by actual employers within the region. For future efforts to be effective, they should take into account not just the greater trends facing the area—such as aging and retirements or shifts away from manufacturing positions—but also attempt to address the specific aspects of the workforce that are most challenging to local employers. It is inevitable that some changes in the workforce environment will be easier than others for local companies to deal with on their own.

Survey Methodology

To assess the workforce needs and concerns of employers, we conducted a random sample mail survey of companies, organizations, and government entities employing four or more workers within the five-county region. Information on 2000 randomly selected contacts meeting these criteria was purchased from an outside specialty contractor, Dun & Bradstreet, based on a competitive bid process. In an attempt to ensure adequate participation, each selected employer received three survey mailings: a pre-survey postcard describing the process, an initial mailing containing the two-page survey, and a follow-up letter and survey form reminding employers to respond by the final due date. A copy of this survey instrument is included in the appendix.

In total, 503 valid survey responses were returned in time for inclusion in this report. The response rate of 25.2 percent was reasonable and in-line with expectations. Based on an estimated population size of approximately 6,100 employers¹, the collected sample size produces a margin of error of plus or minus four percentage points, assuming a 95 percent confidence level. In other words, we are highly confident that the responses presented in this section—i.e. percentage of respondents stating x—accurately represent employers in the region.

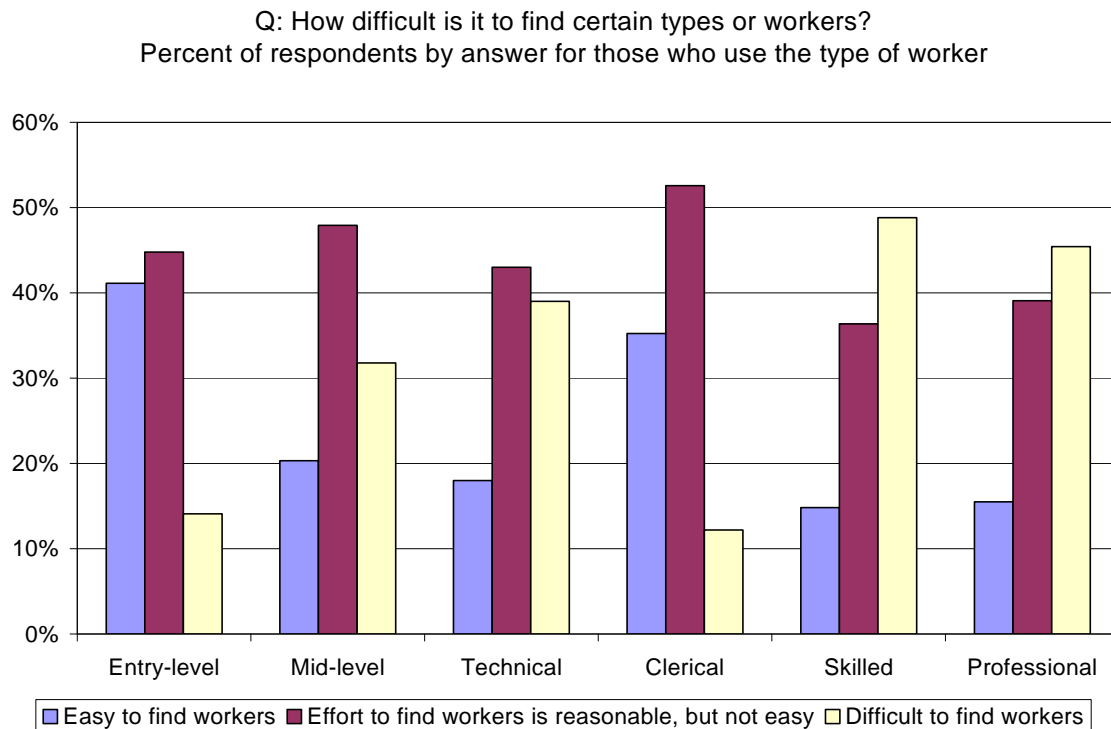
Survey Results

In addition to collecting basic information about the type and size of employer, the survey asked questions about four major topics: the ability of their organization to find workers, the workforce issue that they view as most important, the current issue that is most challenging, and the degree of concern about the impact of major workforce issues impacting their organization in the future. This section provides a summary of these findings, and attempts to discuss the implications of the patterns that appear throughout the analysis.

¹ Population refers to the total number of employers (with five or more workers) that exist in the region. The estimate of 6,100 is based on data from the U.S. Census Bureau, 2005 County Business Patterns.

When asked about the difficulty of finding and keeping the different types of workers they use, only a minority responded that they were easy to find. As shown in Figure 19, entry-level and clerical workers were generally easiest to find and keep, while skilled and professional workers were the most difficult to find and keep. Nearly half of all respondents who employ higher-skill workers report that they are difficult to find and retain. Also, it is worth noting that although a slightly smaller share of respondents employ skilled and professional workers compared to entry-level workers—63 and 65 percent, respectively, versus nearly 75 percent who have entry-level workers—the numbers still represent a majority of employers.

FIGURE 19



The second question asked employers to consider what single workforce issue is most important to their organization. The most popular response was assistance in finding new workers, followed by containment of employee costs such as health insurance (Figure 20). Surprisingly, one of the most traditional workforce development roles, training existing workers, came in a distant third and was mentioned by 15.5 percent of respondents. Recruitment of workers into the region was mentioned by the fewest number of respondents, roughly 2.1 percent, and came in after the other category, which contained a variety of responses typically related to the overall economy or specific situations relevant to their organization.

FIGURE 20

Q: What workforce issue is most important to your organization?

Response	Percent
Finding new workers who are qualified for the job	38.4%
Obtaining resources to help contain employee costs (e.g. discount health insurance)	26.0%
Training or retraining current employees	15.5%
Maintaining or achieving good relations with workers	12.0%
Other	6.0%
Recruiting new employees to relocate to the region to work for my organization	2.1%

Next, survey respondents were asked to report on the most difficult workforce issue currently impacting their organization. The most frequent response was basic job skill issues, followed by screening of qualified workers (Figure 21). Both of these may reflect a frustration with the quality of entry-level and lower-skill workers we have heard frequently mentioned by employers in the past. This time, however, the difference in the share of responses was smaller, with approximately one-in-seven mentioning a lack of technical skills, recruitment issues, and employee retention issues.

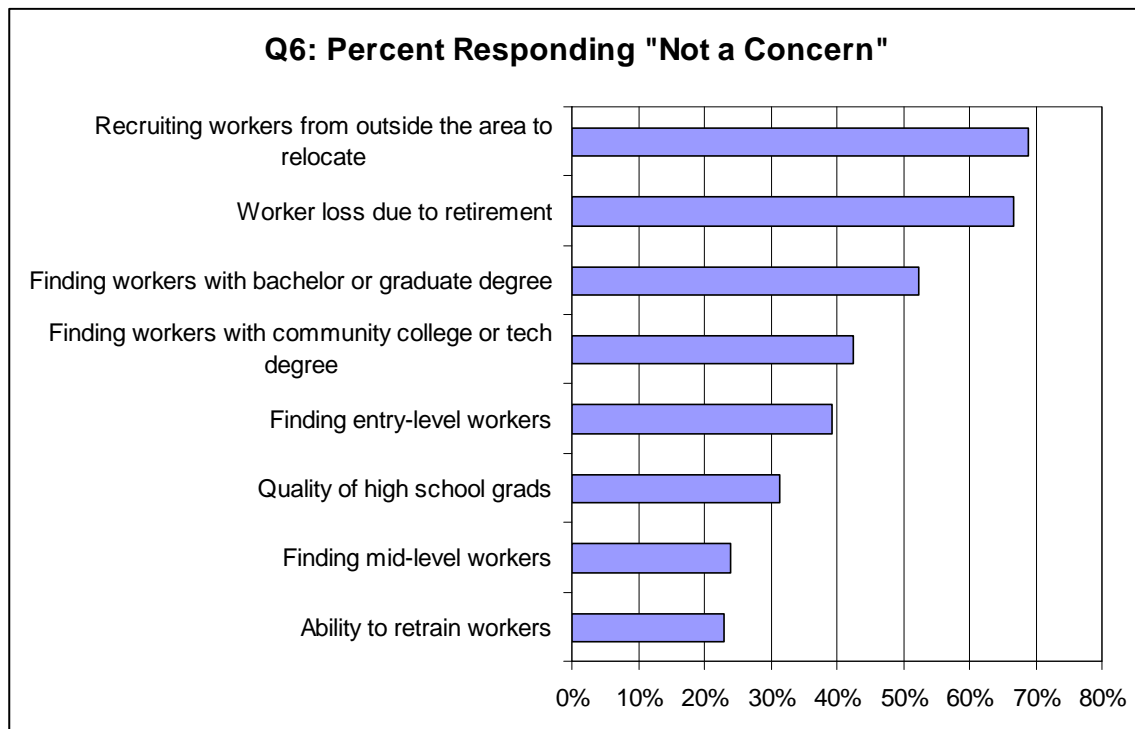
FIGURE 21

Q: What workforce issue is most problematic for your organization?

Response	Percent
Basic job issues or “soft-skills” of workers	29.9%
Screening – identifying qualified job applicants	20.2%
Lack of technical or job-specific skills in workers	15.3%
Recruitment – attracting good candidates to take a job in the region	13.7%
Retention – keeping the best employees	12.4%
Other	8.4%

To address future workforce issues for planners, the survey also asked respondents to rate their level of concern regarding the impact of select workforce issues over the next three-to-five years. A large share of respondents reported having “no concern” about the near-future impact of any of the listed workforce issues, with the percent of respondents rating an issue as being of no concern ranging from a low of just under 25 percent to a high of nearly 70 percent (Figure 22). The majority of employers were not concerned about issues primarily related to experienced and high-skill or professional employment positions—more than 50 percent were not concerned about their ability to recruit workers from outside the area, losing retirees, or finding workers with bachelor’s degrees or higher levels of education.

FIGURE 22

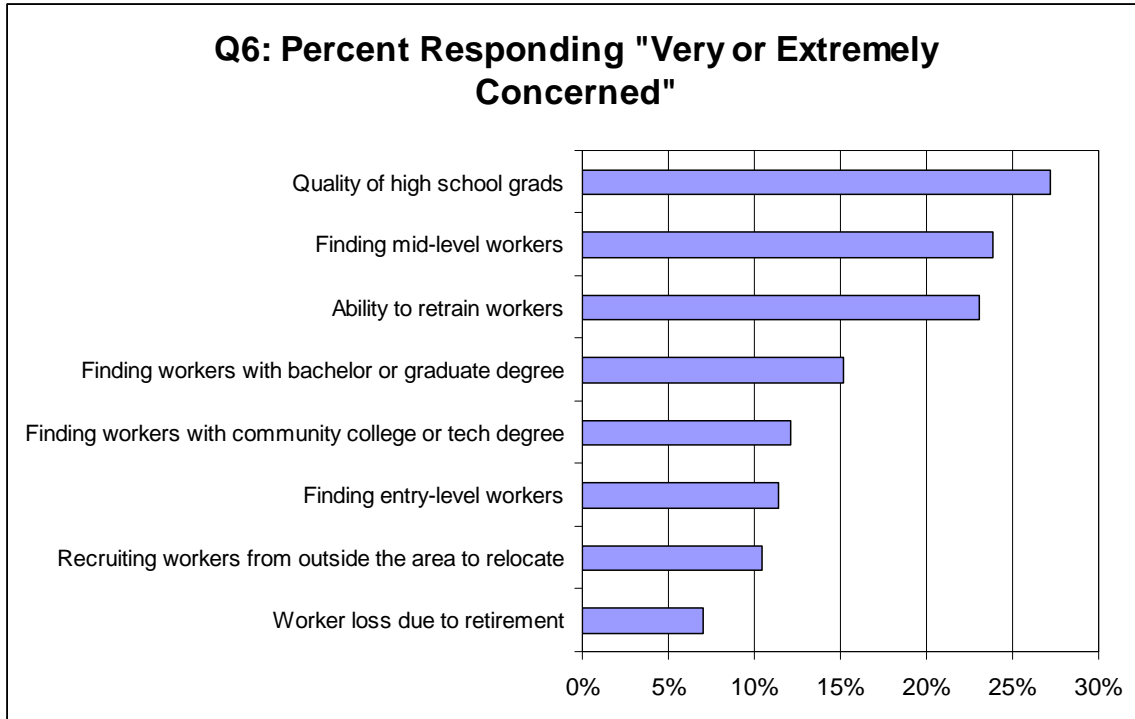


Fortunately, a much smaller percentage of area employers report being either “very” concerned or “extremely” concerned about the future impact of any of the workforce issues listed in the survey. No one issue was ranked as being of a high level of concern by more than 30 percent of employers. Not surprisingly, the issues rated as of high concern by the greatest share of respondents tend to represent issues the opposite of those considered to be of “no concern” by a large portion of respondents. Looking at these two extremes, we can surmise that employers are generally less concerned about skilled and professional workers and more concerned about the quality of the public education system, their ability to find workers for mid-level positions, and the overall retention of workers.

Looking ahead to Figure 23, the quality of area high school graduates is rated as being of high concern by the largest share of respondents, 27.2 percent, followed by the issue of

finding mid-level workers and retention of workers—23.8 and 23.1 percent, respectively. The issues with the smallest portion of respondents rating as points of high concern include worker loss due to retirement and recruitment of workers from outside the area, with only a respective 7 percent and 10.5 percent submitting a rating of very concerned or extremely concerned.

FIGURE 23



Variation of Results by Size and Industry

Survey results were also examined to identify any response traits unique to specific types of employer organizations or size category of the employer. It is highly likely that workforce development needs and concerns may vary considerably between different types of businesses and organizations. For example, a small retail operation or landscaping business may be run by its owner and hire only entry-level or low-skilled workers, which will greatly limit their concerns to issues such as the quality of area high school graduates or screening workers. Conversely, an engineering firm may predominantly employ experienced, college educated workers, making them more likely to worry about recruitment or retention issues, since finding employees with the necessary skills may require a more difficult search process.

Employment Size

The limited number of survey participants makes it impossible to examine a large number of employment size categories without running into sample size issues. Therefore, we examined only two general classifications: small organizations with fewer than 50 employees, and larger employers with 50 or more workers. Although a few underlying

differences were identified, in general, both small and large businesses tend to identify the same major issues as most important for developers to address and most difficult to their organization. Greater divergence occurred with secondary or lesser concerns, though none of the results can be considered surprising given the expected differences between the types of employer that tends to be large versus the types that are typically small in employment size.

Figure 24 displays the percentage of respondents picking each possible response to the question *Which of the following workforce issues is currently most important to your company or organization?* Both small and large employers picked “finding new workers who are qualified for the job” and “obtaining resources to help contain employee costs” as the most important issues to be addressed. However, large employers picked these responses to an even greater degree than small employers. Additionally, large employers are more concerned with recruiting, while the small respondents more frequently indicated interest in issues related to maintaining relations with workers and training.

FIGURE 24

**Q: Which issue is most important to your organization?
Response by Employment Size of Respondent**

Response	Under 50	More than 50
Training or retraining current employees	16.4%	10.1%
Finding new workers who are qualified for the job	37.5%	43.5%
Recruiting new employees to relocate to the region	1.5%	5.8%
Obtaining resources to help contain employee costs (e.g. health insurance)	25.2%	30.4%
Maintaining or achieving good relations with workers	13.1%	5.8%
Other	6.3%	4.3%

Next, Figure 25 lists response shares by employment size to the question, *which of the following workforce issues is the most difficult or problematic for your organization?* Once again, the largest share of respondents from both size categories selected the same response most frequently: that “basic job issues or ‘soft skills’” are the biggest workforce difficulty for their organization. However, the percent selecting each of the other possible responses differed greatly. Large organizations are far more concerned with recruitment, technical skills, and retention compared to smaller organizations. Conversely, respondents with fewer than 50 employees choose screening of job applicants as their organization’s primary difficulty at a much higher rate than large employers. Indeed, 21.4 percent of small employers selected screening as their biggest difficulty, making it the second most highly selected response for the size category; conversely for the large employers the same response was selected by the smallest share of respondents, 13.9 percent, with the exception of “other”.

FIGURE 25

**Q: Which issue is most difficult to your organization?
Response by Employment Size of Respondent**

Response	Under 50	More than 50
Lack of technical or job-specific skills	14.8%	18.1%
Basic job issues or “soft-skills”	30.9%	25.0%
Retention – keeping your best employees from leaving	11.6%	16.7%
Recruitment – finding good workers, attracting candidates	12.4%	20.8%
Screening – identifying job applicants truly qualified for the position	21.4%	13.9%
Other	9.0%	5.6%

In general, the small employers responding to the survey indicate that they are struggling with basic job skills problems and issues of finding a quality workforce. Conversely, while large employers also appear to have difficulty finding workers, the issues appear to be more oriented toward recruiting new hires into the region and retaining their best employees. It is likely that large employers are more likely to have the resources to address issues such as training and pre-employment screening on their own. Small businesses that lack a HR department or the ability to put forth enough students to justify specialized training programs will need to rely on workforce development programs for assistance in these areas.

Type of Business or Organization

When selecting the regional workforce issues of top concern, the employers completing our survey tended to be in agreement regarding what is most important and what is most difficult to their own organization. In both cases, there was little deviation, with only two answers being picked in either case by the majority of respondents (Figure 26 and 27).

Answering the question regarding the most important workforce development issue, the largest share of respondents from nearly all industries selected “finding new workers who are qualified for the job”. The response “training and retraining of current workers” was selected by only a majority of hospitality and restaurant employers. The other top pick, “obtaining resources to help contain employee costs” was selected by the largest share of education employers, and was also a tie selection for respondents from the health care categories. Concern from educators regarding employee benefit costs is not surprising given the current state budget and its effect on school district budgets.

The other question examined on the industry level addresses the workforce development issue of greatest concern to the respondent’s organization. Again, only two responses were selected by the largest share of respondents in each industry category: “basic job issues or soft skills” and “screening”. Only respondents from the professional services and education industry categories choose “screening” at the highest rate. Government and non-profit respondents tied, with 23.1 percent selecting both the top selections. All

other industry groups had the highest percentage of respondents select the former response of “basic issues or soft skills”.

FIGURE 26

Top Responses by Industry Category
Which issue is most important to your organization?

Most Frequent Response	Industry of Respondent	Share Selecting Response
Finding new workers who are qualified for the job	Retail	32.8%
	Professional Services	37.8%
	Manufacturing	52.7%
	Wholesale, Warehouse	42.1%
	Construction	50.0%
	Health Care*	27.6%
	Financial	50.0%
	Government, Non-profit	30.2%
	Other	38.0%
Obtaining resources to help contain employee costs	Health Care*	27.6%
	Education	42.9%
Training or retraining current employees	Hospitality, Restaurants	31.8%

* Indicates two responses tied with identical rates

FIGURE 27

Top Responses by Industry Category
Which issue is most difficult to your organization?

Most Frequent Response	Industry of Respondent	Share Selecting Response
Basic job issues or “soft-skills”	Retail	28.1%
	Manufacturing	46.3%
	Wholesale, Warehouse	27.8%
	Construction	23.6%
	Health Care	32.1%
	Hospitality, Restaurants	50.0%
	Financial	31.3%
	Government, Non-profit*	23.1%
	Other	31.1%
Screening – identifying job applicants truly qualified for the position	Professional Services	32.6%
	Education	37.5%
	Government, Non-profit*	23.1%

* Indicates two responses tied with identical rates

Generally speaking, employers appear to share the same main concerns and interests in terms of workforce issues. We believe that greater variation is likely related to individual employer characteristics, such as the specific activities of the firm or organization in question, as well as the employment mix. For example, in the financial category, we would expect that local neighborhood retail bank branches might be primarily concerned with filling entry-level customer service positions and obtaining basic training, while a larger banking center or headquarters may be more concerned with recruiting and retaining managers, accountants, and other professionals.

Comments and Additional Trends

In addition to the more traditional structured portion of the survey, we also asked employers to provide, in their own words, general comments and points of concern regarding workforce issues and workforce development in the region. This process both allows a chance for the respondent to voice opinions on subjects related to workforce development but not addressed directly in the survey and provides an opportunity to uncover possible explanations for the concerns identified through analysis of the quantitative results of the survey questions. The downside to this question, however, is that it can take additional time and thought to complete, thus reducing the likelihood that the respondent will provide a response. Additionally, qualitative data is significantly more difficult to analyze in a way that provides answers; instead, it tends to provide insight and explanation to the data provided through other formats.

Although 503 surveys were returned, only 126 employers provided a comment or concern as requested in the final question. These responses fell into four general classifications in terms of their subject matter:

1. General economic conditions and the weakness of the Michigan economy. Many respondents cited weak business conditions as limiting their ability to afford to hire employees or provide competitive wages and benefits. Michigan's reputation as a troubled and economically weak state was also mentioned as a factor making it difficult to recruit workers to take jobs here and retain the best employees.
2. Complaints about basic job skills of entry level workers such as punctuality, basic math, language, and ability to learn and follow instructions. Frustration with the quality of high school graduates and young entry-level workers was expressed more frequently than any other.
3. Issues related to costs. Not surprisingly, health care costs and overall benefits costs were listed as substantial barriers to some companies. Taxes, unemployment insurance, and pay rates were also mentioned.
4. Comments on the respondent organization's workforce stability or success. The comments were not all doom-and-gloom. Respondents reporting stable staffing or ease in finding workers tended to mention unique approaches that they felt gave them an advantage. Strategies mentioned include having a unique mission, recruiting from WMU, and maintaining a steady workforce through retention.

Overall, the comments to the open-ended section of the survey generally reinforced that the primary workforce development issues examined in the previous questions were the correct selections of concern. Employers tend to complain most loudly about basic skills and the state of the overall economy—both of which are broad, difficult issues to tackle from a workforce development stance. Still, it is important to recognize that these large issue problems may be first and foremost in the minds of area employers, and as such they should be properly acknowledged—even if pragmatism dictates that development resources must ultimately be directed toward more obtainable goals.

Regional Forecast

This section details our 15-year economic and general demographic trend forecast for the five-county region. The forecast was developed using a computer model from Regional Economic Models, Inc.² (REMI) modified for the Upjohn Institute to reflect the specific geographical region examined in this report. Using current economic trend forecasts for the nation and Michigan, an underlying macro-level forecast was created to simulate a reasonable, conservative growth environment at the national level, which ultimately affects conditions on the local level. Additionally, an overlying Michigan forecast was also developed that accounts for the unique low-growth situation the state is currently experiencing apart from national growth trends. The result is a forecast that reflects the influence of the local market mix, as well as realistic state and national economic trends.³

Baseline 15-year Forecast

From 2007 to 2022, we forecast that total employment in the five-county region will increase at a modest 0.3 percent annual average rate, creating approximately 10,900 new jobs. During the same time period, regional population is expected to increase at a similar 0.3 percent annual average rate, which translates into approximately 30,000 additional residents. Personal income, as measured in nominal dollars, will grow by \$10.6 billion—a 4.0 percent annual average rate of increase, which should be slightly faster than the rate of inflation. (Figure 28)

FIGURE 28

2007 to 2022 Regional Forecast Summary

	Change	Annual Average Rate
Total Nonfarm Employment	11,950	0.3%
Resident Population	30,000	0.3%
Personal Income (\$bil)	\$10.6	4.0%

Overall, these forecast growth rates are quite modest. As was discussed in the *conditions* section of this report, the five counties have generally experienced slower growth relative to Michigan and the U.S. overall—a trend we expect to continue. Figure 29 compares the 15-year forecast growth rate for the region with the state and national forecasts used in our forecasting model. The annual average employment growth rate for the region is forecast to be slightly less than the Michigan growth rate, but less than half the national rate. The difference in forecast population growth is even more severe, with the region's AAR of 0.3 percent representing no more than one-third the forecast national growth rate of 0.9 percent.

² More information on the REMI model and economic modeling in general is provided in the appendix, section 2.

³ For more information on what variables were considered in generating the forecast, see the appendix, section 3.

FIGURE 29

Comparison of 2007-2022 Growth Forecasts

Annual Average Growth Rates	Region	Michigan	U.S.
Total Employment	0.3%	0.4%	0.7%
Resident Population	0.3%	0.5%	0.9%
Personal Income (\$bil)	4.0%	4.2%	4.3%

Components of Forecast Growth

The modest growth forecast for the region will not occur in a uniform manner. In reality, some industry groups and specific occupations are likely to balloon in size over the next 15 years, while others will actually decline. Figure 30 displays a summary of the 2007 to 2022 forecast broken down by major industry sector. In general, job growth is forecast for the service-providing sectors—especially health care and professional and technical services—while traditional goods-producing sectors are expected to lose employment.

The fastest growth is expected to grow in the private education sector, which is forecast to grow at a 2.6 percent annual average rate and add 2,220 new jobs during the period. However, several larger industry sectors are actually expected to add a greater number of total jobs—the largest increase coming from the health care sector, which is forecast to add over 7,300 jobs during the period.

Unfortunately, all three major goods-producing sectors—resources & utilities, construction, and manufacturing—are expected to shrink their employment between 2007 and 2022. Manufacturing is forecast to decline at the fastest rate, -0.8 percent AAR, and shed the greatest number of jobs, -5,440. Losses are also forecast for retail employment, the information sector, and wholesale trade (which is tied to both the manufacturing and retail sectors). Additionally, the transportation and warehousing sector, which is also heavily dependent on manufacturing and retail activity, is expected to remain essentially flat with an employment increase forecast of only around 20 jobs during the 15-year period.

FIGURE 30

2007-2022 Industry Employment Forecast

Industry Sector	Annual Average Rate	Employment Change
Total	0.3%	11,950
Resources, Utilities	-0.3%	-160
Construction	-0.7%	-1,700
Manufacturing	-0.8%	-5,440
Wholesale	-0.7%	-680
Retail	-0.1%	-370
Transport & Warehouse	0.0%	20
Information	-0.1%	-40
Finance & Real Estate	0.2%	580
Mgmt, Professional, Admin	0.6%	3,080
Private Education	2.3%	2,220
Health Care	1.2%	7,320
Arts, Entertainment	1.6%	1,520
Accommodation & Food svc	0.8%	2,830
Other services	0.6%	1,570
Government	0.2%	1,200

Another way of examining the underlying elements of employment change is to examine how different occupations are forecast to expand or decline from 2007 to 2022. The type and quantity of workers needed by each industry varies considerably. By using estimates of the standard mix of workers demanded by each detailed industry sector, we are able to generate estimates of the growth or decline of individual occupations over the next 15 years. Figure 31 provides a summary of employment by major occupational group and full occupational detail estimates are available in the appendix.

Not surprisingly, the major occupational groupings with the largest job growth tend to be associated with growing industry sectors. Health care professions and support occupations are forecast to experience large job growth, along with educators and librarians—occupations that are associated with the growth in private education services (as well as traditional public schools). Additionally, general types of service positions such as personal services, food service, and grounds and maintenance are expected to offer a large number of new job opportunities during the next 15-years. Increase in the number of these types of positions can be associated with general population growth as well as the fact that these positions may be utilized by a number of industries.

The occupations suffering the largest job losses between 2007 and 2022 are expected to be those involving the production of goods—both manufactured product production and construction trades. This is not surprising given the employment declines forecast for the manufacturing and construction industries. However, some may be startled to see that the number of engineers working in the region is forecast to decline during the period. Although these are high-skill positions essential to the product development process, the

ongoing decline of the manufacturing sector (a major employer of engineers in the region) suggests that the number here in the region will not grow over the next 15 years.

FIGURE 31

2007-2022 Occupational Employment Forecast

Major Occupation Group	Annual Average Rate	Employment Change
Management	0.4%	960
Business & Financial	0.5%	880
Computer & Mathematical	0.9%	690
Architects & Engineers	-0.1%	-50
Scientists & Social Sciences	0.6%	220
Community & Social Services	1.2%	920
Lawyers and Legal Professions	0.1%	30
Educators & Librarians	1.1%	2,790
Artists, Entertainers, and Media	0.7%	360
Health Practitioners	0.9%	2,210
Healthcare Support	1.6%	2,110
Police, Fire, and Protection	0.4%	350
Food Service Positions	0.8%	2,910
Grounds & Maintenance	0.6%	1,150
Personal Services	1.4%	2,110
Sales	0.0%	-210
Office Support	-0.3%	-2,410
Farming, Fishing, Forestry	-0.9%	-650
Construction Trades	-0.4%	-770
Installation & Repair Services	0.3%	550
Production Occupations	-0.6%	-3,080
Transportation Workers	0.0%	-110

Alternate Scenarios

All forecasts are based on basic assumptions about what is going to happen in the future; however, these assumptions are, at best, educated guesses based on current conditions. There are many alternate paths that can be readily envisioned—both as a result of decisions and policies instituted with the goal of changing the future, as well as external events far outside the control of local agents. For example, aggressive development efforts may net new successful businesses into the area during the next 15 years—or the nation may slip into a prolonged economic recession. Whatever the case, it is important for planning purposes to examine how the forecast outlook could change, based on scenarios that are worth considering as plausible options for the future.

In this section we compare several forecasts scenarios to the baseline 15-year forecast for the region. Each scenario represents either a possible policy direction relevant to workforce and economic development leaders, or a situation that would envision the

region if it were able to boost certain characteristics to look more like the national average.

Scenario 1: Keeping Manufacturing

In the 15-year regional forecast, manufacturing sector employment losses are expected to have a significant dampening effect on the region’s overall economic outlook. Not only is manufacturing responsible for an above-average portion of total regional employment, but local sectors are forecast to face more severe declines than the nation as a whole. Furthermore, manufacturing accounts for a large portion of the region’s export base and tends to provide higher wage employment positions than many other sectors. Needless to say that retaining manufacturing employment could have a significant economic impact on the region.

This scenario simulates the effects of eliminating job losses in declining sectors of the manufacturing industries. Changing the assumption used in our REMI model, we simulate the effect of maintaining 2007 employment levels in all manufacturing sub-sectors that are forecast to decline by 2022; at the same time, all manufacturing sub-sectors that are forecast to increase maintain their predicted rate of growth.

As shown in Figure 32, regional employment, population, and income growth would be substantially higher under this scenario. If the region’s economic competitiveness were such that it were able to maintain steady employment in all manufacturing sectors that are otherwise forecast to decline—the equivalent of a 0.01 percent AAR gain in manufacturing between 2007 and 2022 instead of a -0.8 percent AAR loss as forecast in the baseline scenario—the region would have 12,980 more jobs and 13,200 more residents by 2022 than currently predicted. This is equal to a 0.5 percent annual average employment and population growth rate. Additionally, personal income growth would increase to 4.3 percent AAR.

FIGURE 32

Forecast Comparison: Scenario 1

Measure	Forecast Scenario	Baseline Forecast
Annual Average Employment Change	0.5%	0.3%
Annual Average Population Change	0.5%	0.3%
Annual Average Rate of Personal Income Growth	4.3%	4.0%
Employment Change 2007-2022	24,930	11,950
Population Change 2007-2022	43,020	30,000

Of course, even in this most optimistic of scenarios, regional employment and population growth rates would still fall short of national average rates (see Figure 29). Additionally, it should be considered a highly unlikely scenario, since it would mean far outperforming the national forecast for manufacturing employment growth between 2007 and 2022—a 0.6 percent annual average rate of decline for all employment in the sector. Still, the scenario is worth considering if for no other reason than to appreciate the magnitude of

impact associated with maintaining manufacturing employment. Even efforts not as successful as presented in this scenario will have a major effect on employment; yet at the same time, the area is unlikely to reach growth levels similar to the national average without becoming more diversified into service activities.

Scenario 2: Developing a Competitive Service Sector

One of the reasons the five-county region has underperformed the national average on many economic measures is the relative weakness of its service-providing sectors. Firms that provide services—particularly export-base services and high value-added service functions—make up a smaller-than-average portion of regional employment. In the past the area has instead relied on a successful manufacturing sector to support much of the area’s employment opportunities and income; however, now that manufacturing is in decline nationwide and services have taken on a life of their own, the region as a whole is missing out on growth due to its underdeveloped service-providing sectors.

Under this scenario, the effect of improving the region’s environment for service industries is simulated by adjusting the growth rate of each individual sector to approximate the rate of growth forecast at the national level. As shown in Figure 33, the difference between the baseline forecast and the scenario is relatively modest. Employment and population growth would increase from a 0.3 percent to a 0.4 percent annual average rate and income growth would occur at a 4.1 percent annual average rate instead of a 4.0 percent AAR. In 2022 there would be approximately 5,480 more jobs in the region and 2,410 more residents than in the baseline forecast.

FIGURE 33

Forecast Comparison: Scenario 2

Measure	Forecast Scenario	Baseline Forecast
Annual Average Employment Change	0.4%	0.3%
Annual Average Population Change	0.4%	0.3%
Annual Average Rate of Personal Income Growth	4.1%	4.0%
Employment Change 2007-2022	17,430	11,950
Population Change 2007-2022	32,410	30,000

It is important to understand the reasons why merely improving service sector employment growth rates has such a modest effect on the region’s economy. Most importantly is the fact that the existing mix of service-providing employment is substantially different than the national average. The service firms currently located in the region tend to provide basic, locally-supported services that pay lower wages and add less value than many of the services offered in other locations throughout the country. For example, despite the presence of a few backroom and headquarters activities, most banking activity in the five-county area consists of customer service and retail bank branch activities—not the commercial banking, financial management, and decision-making activities that are located in other, larger urban areas.

Many of the service employment activities currently in the region focus on small local market activities, pay lower wages, and have a lower overall effect on the larger economy. This analysis should not be taken to suggest that service sector employment cannot be an important potential catalyst to the region. However, the effect of merely increasing the growth rate of the existing service sector mix will be small, unless the type of activity and job is also shifted to higher-skill and higher-value service-providing positions.

Scenario 3: Population Growth

Many regions of the U.S. that are typically thought of as “successful” are those that are experiencing high levels of population growth as citizens of other parts of the nation as well as international migrants flock to an area for employment opportunities or to take advantage of quality-of-life amenities. Examples that spring to mind are places such as Phoenix, Arizona or Las Vegas, Nevada, which have been among the fastest-growing places in the country during recent years.

Although population growth on its own cannot create a dynamic economy, the addition of new residents typically does have some positive spin-off effects, such as increased demand for population-based services such as retail, health care, residential construction, and other personal services. Indeed, new residents sometimes bring with them substantial financial resources in the form of savings and retirement pensions, or they may bring new skills to start business activities. Additionally, new employers from outside the region are likely to consider moving into high-growth regions to take advantage of the plentiful workforce, particularly if the movers possess relevant education or skills. However, if the regional economy is not expanding fast enough, the added population pressures can drive up unemployment rates and local housing costs, while at the same putting downward pressure on wages through excess competition for jobs. In short, population growth tends to reflect good economic conditions, but is not in itself a guarantee.

Scenario three simulates how regional economic change would look between 2007 and 2022 if the region’s total population were to grow at approximately the same rate as the forecast national average, 0.9 percent AAR. By the end of the 15-year period, the area would be home to 11,800 more jobs and 61,340 residents than projected in the baseline forecast. (Figure 34)

FIGURE 34

Forecast Comparison: Scenario 3

Measure	Forecast Scenario	Baseline Forecast
Annual Average Employment Change	0.5%	0.3%
Annual Average Population Change	0.9%	0.3%
Annual Average Rate of Personal Income Growth	4.2%	4.0%
Employment Change 2007-2022	23,750	11,950
Population Change 2007-2022	91,340	30,000

Scenario 4: Quality of Life Compensation

Another non-traditional approach to workforce and economic development involves focusing efforts on improving the region’s quality of life. This is no longer considered a far-fetched idea and is in fact advanced by the research of such economic development experts as Richard Florida⁴, who suggests that places that are attractive to the “creative class” of professional workers are also home to the most successful economies in the nation.

As an economic development and workforce development strategy, quality of life reduces employment costs by making it easier to attract and retain skilled workers in the region, and by lowering the overall compensation necessary to attract workers, since individuals may be willing to take less pay to live in a vibrant, desirable location. Additionally, regions that possess high quality of life amenities can also attract new residents, such as retirees or college students, who are not part of the labor force but will bring money to spend in the local economy.

Of course, the impact of quality of life is nearly impossible to measure given the subjectivity and personal nature of desire for factors such as climate, arts and cultural activities, or recreation and sporting opportunities. Still, although the value placed on quality of life factors will vary greatly across individuals, at an aggregate level widespread improvements should have some net cumulative effect on the regional economy. In order to simulate the effect of quality of life on the five-county area, we simulated what would happen if regional amenities were increased so as to represent an additional 2.0 percent of worker compensation by 2022 (Figure 35). In other words, this scenario presents the results of local employers essentially increasing worker compensation by 2.0 percent with no additional cost to local employers.

FIGURE 35

Forecast Comparison: Scenario 4

Measure	Forecast Scenario	Baseline Forecast
Annual Average Employment Change	0.3%	0.3%
Annual Average Population Change	0.5%	0.3%
Annual Average Rate of Personal Income Growth	4.1%	4.0%
Employment Change 2007-2022	14,210	11,950
Population Change 2007-2022	50,430	30,000

With quality of life improvements, the greatest impact occurs to total population, which would be forecast to increase by 50,430 persons from 2007 to 2022—over 20,000 more than would be expected in the area in the baseline forecast. Employment growth is more modest, with the annual average rate of growth remaining essentially unchanged. Ultimately, an increase in regional quality of life equivalent to 2.0 percent of compensation would add about 2,260 more jobs to the 15-year regional employment forecast.

⁴ For more information see: Florida, R. *The rise of the creative class*. Basic Books, 2002.

The challenge of this economic development strategy is significant. First, it requires that the communities in the five-county region improve their quality of life above that of similar areas. Many cities throughout the U.S. are working to revitalize their downtowns, improve their public amenities, and adopt better land use plans. For the five-county region to achieve the impact suggested by this scenario, it must not only keep up with the improvements made in the other communities (on average) but improve upon them.

Second, Florida's research which is supported by others strongly suggests that there is a strong urban bias in regard to quality of life for professional workers. Places that offer career opportunities, cultural and social amenities, diversity, and networking possibilities are attractive to members of the "creative class" and they are more readily found in larger metro areas.

Scenario 5: Controlling Health Care Costs

One of the fastest growing costs to both workers and employers is health insurance. The U.S. spends a greater portion of GDP—13 percent—on health care than any other industrialized nation, due primarily to increasing costs for both health insurance premiums and out-of-pocket payments.⁵ Currently, the bulk of health care coverage is provided by employers as a benefit to employees and their family members. According to the Agency for Healthcare Research and Quality, in 2003 employer-provided health insurance covered approximately 2/3 of the under-65 population. Unfortunately, this means the sizable health care cost increases that have occurred in recent years have had a widespread impact on employers—indeed rising health insurance costs are one of the most frequently cited complaints of regional businesses.⁶

There appears to be no limit to the ideas for controlling health care costs, ranging from elaborate national health care plans, to regional and state-level insurance price negotiation pools, and even simple localized employee wellness efforts. However, despite wide-ranging interest, there has yet to be any approach agreed upon as a workable approach to providing high-quality, yet reasonably priced, health care. This makes it difficult for any one region to reasonably expect to conquer the issue alone. Still, we felt it prudent to illustrate the potential impact of even a modest cost-controlling effort, since the social and political environment appears ripe for such an attempt.

This fifth scenario simply presents the impact of achieving a 5.0 percent reduction in consumer health care costs by 2022 within the five-county region. Such a cost savings would have an impact primarily through freeing up monies for additional consumer

⁵ U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality. *The high concentration of U.S. healthcare expenditures, 2006 and Employer-sponsored health insurance: Trends in cost and coverage, 2004.*

⁶ Based on other Upjohn Institute research activities, such as focus groups and surveys conducted in the Grand Rapids area, and Cass-Branch-St. Joseph counties.

expenditures in the region—although some of the employment gains will be offset by reduced employment gains in the health care sector.

As shown in Figure 36, health care cost reductions would make the region desirable to new residents as well as spur additional employment growth. The 15-year employment forecast increases only slightly, providing an estimated 1,510 more jobs than the baseline forecast. Population growth rates would increase from a 0.3 percent annual average rate to 0.4 percent, which would represent the addition of around 3,450 more residents than would be added in the baseline employment forecast scenario. Additionally, personal income would be expected to grow at a slightly faster annual average rate, 4.1 percent versus 4.0 percent in the baseline forecast.

FIGURE 36

Forecast Comparison: Scenario 5

Measure	Forecast Scenario	Baseline Forecast
Annual Average Employment Change	0.3%	0.3%
Annual Average Population Change	0.4%	0.3%
Annual Average Rate of Personal Income Growth	4.1%	4.0%
Employment Change 2007-2022	13,460	11,950
Population Change 2007-2022	33,450	30,000

Overall, the impact of a 5.0 percent reduction in health care costs is quite modest. However, it may be an attainable goal, given it would only require a slight slowing of the ongoing insurance rate increases. Furthermore, a greater impact could certainly be obtained through larger cost reductions.

Scenario 6: More major automotive losses in Michigan

Up until this point, we have presented scenarios that illustrate the magnitude of impact associated with theoretical events that could occur as a result of regional economic and workforce development efforts. However, for planning purposes it is also worth considering how the regional economic situation could be impacted by outside forces. This final scenario explores the possible magnitude of economic decline the region could face if conditions in Michigan’s automotive sector decay at an even faster rate than expected.

Figure 37 displays the results of a forecast generated in state economic environment where Michigan’s automotive industry lost 75,000 automobile manufacturing jobs—in addition to the loss of over 17,000 jobs forecast in the baseline scenario. This devastation would represent a reduction of approximately one-third the current auto manufacturing sector in the state of Michigan, and is intended to represent the devastation that could be associated with the sudden bankruptcy or closure of one of the Big Three car companies headquartered in Detroit.

Although the five-county region is not as heavily dependent on automobile parts and assembly activities as other areas of the state, such a huge reduction would have a ripple

effect across multiple sectors of the economy. The 15-year outlook for the region would most certainly turn negative, with negative annual average employment change and reduced population and income growth. By 2022, we estimate that the region would have approximately 28,800 fewer jobs than found in the baseline scenario, the result of a -0.4 percent annual average rate of employment decline. Income growth would slow to an annual average rate of 3.6 percent, which indicates almost no real income growth after inflation. Surprisingly, the forecast model predicts that population change would be affected to a much slighter degree, with the area adding only 2,280 fewer residents between 2007 and 2022. However, it is fair to assume that the profile of the area will look quite different, since fewer residents will be employed and incomes will be lower.

FIGURE 37

Forecast Comparison: Scenario 5

Measure	Forecast Scenario	Baseline Forecast
Annual Average Employment Change	-0.4%	0.3%
Annual Average Population Change	0.3%	0.3%
Annual Average Rate of Personal Income Growth	3.6%	4.0%
Employment Change 2007-2022	-16,850	11,950
Population Change 2007-2022	27,720	30,000

Forecast Outlook

Over the next 15-years, the five-county region as a whole is forecast to chug along with extremely modest employment, population, and income growth. Of course, this prediction is essentially an educated guess, based on current conditions and industry mix combined with long-term forecasts of the national situation. In reality, local outcomes will vary significantly from predicted annual average growth rates if the U.S. enters a prolonged recession, returns to an economic boom like the 1990s, or experiences any major shocks in terms of rapid technological, political, social, or economic change. What is more important to consider is the general economic position forecast for the region—which suggests that, regardless of what happens, the regional growth rates will be significantly less than the U.S. average, and similar to but most likely slightly less than—the state of Michigan as a whole.

To some degree, if one wishes to see what the region will look like in 15 years, they need only look out the window today. This is not to say that the region will not change—indeed it most certainly will—however, much of the region’s economic and demographic composition will be based on factors already in place today. In many ways, the region is on a path, from which only minor deviation can occur. The high concentration of employment in declining manufacturing industries, the age of the population, and the skill mix of the workforce cannot change overnight; therefore planners must make the best of what they have and maintain realistic expectations for the future as well as the fruits of their own efforts.

The six forecast scenarios above reflect the degree to which the region's future course is already plotted. Even the most aggressive efforts to shore up regional employment, such as the first scenario of somehow hanging on to manufacturing employment or the second scenario of developing service industries, could hope for little more than boosting the region's 300k+ employment level by a couple of percentage points over the next 15 years. Certainly the effort to make such a change is worthy; however, it should be stated that when considering large-scale regional changes, both realistic expectations and patience are required.

The Economic Impact of Employment Changes

Over the next 15 years, it is inevitable that many employers will expand, contract, open, or leave, throughout the five-county region. The impact each individual change has on the regional economy will vary greatly, depending on the number of workers affected, the overall wages paid by the employer, and the degree of interaction the effected organization has with other area businesses. For workforce and economic developers, understanding the general principles of how and why employment changes are felt throughout the larger regional economy should help foster better preparation for job losses and planning to target support for the most fruitful employment expansions.

Economic Impact of Job Changes by Industry

Anytime a business expands, a new business hires workers, or an existing business downsizes or closes, it has a ripple effect on the regional economy. For example, when a business hires 100 new workers, the impact resonates through other sectors of the regional economy via the spending of workers who reside in the region as well as the purchases made by the hiring firm from other suppliers and service-providers in the community. Conversely, when a business closes or is forced to lay off workers, the effect is similarly felt throughout the region, as unemployed workers curtail their spending and companies that had business relationships with the affected firm suffer a reduction in sales.

The economic impact of a positive or negative change in employment can vary greatly depending on the wages of the affected workers, the business linkages between the changing firm and other supplier firms, and the size and nature of the geographic region under consideration. So, for example, a loss of 100 jobs from an automotive assembly plant would be expected to have a greater economic impact on a given region of Michigan than the loss of 100 jobs from, say, a railroad transportation company, due to the difference in wages and interconnectedness with suppliers located throughout the state. However, there can be no universal statement of economic impact, since the wages and supplier networks of individual firms and entire industries can change greatly between locations. Instead, economic impact is a concept which can, at best, be estimated for a given region based on typical wages and supplier linkages.

Although the best economic impact analyses carefully take into consideration the specific characteristics of the situation, for planning purposes it may be important to have a general understanding of how changes in general industry categories might, on average, impact the regional economy. Economic development and workforce development activities will be most effective if they can take into account the indirect effects of business changes on the local economy. Questions such as “how hard hit will the community be following the closing of a major employer?” and “how will the expansion of an existing company benefit workers and other businesses in the area?” can be addressed, to at least some degree, through the use of economic impact estimates.

To facilitate planning and understanding of the variances in economic impact between different types of businesses and non-business employers, we have developed a series of generic economic impact scenarios, each based on a gain of 100 jobs, distributed proportionally to current employment patterns, in the five-county region of Barry, Branch, Calhoun, Kalamazoo, and St. Joseph. In each case, the impact scenario is based on a “typical” situation involving jobs with industry-average wages and supplier linkages typical for the industrial sector and region. Using the REMI⁷ model, customized with current economic data for the region, scenarios were generated for each of 66 private industrial sectors plus government activities, providing economic impacts estimates in the form of total employment change, Gross Regional Product⁸, personal income, labor force, and population.

The following tables (Figure 38a-38c) provide economic impact estimates by industry sector based on a gain of 100 jobs. Because our economic modeling assumes a linear relationship exists between direct and indirect economic impacts, these scenarios may be used to estimate proportionally larger or smaller job changes, as well as job losses.

FIGURE 38a

Construction and Manufacturing					
Industry Sector	Total Employment Impact	Gross Regional Product (millions chained 2000 \$)	Personal Income (millions \$)	Population	Labor Force
Construction	146	\$5.4	\$4.7	28	29
Wood product mfg	138	\$6.4	\$4.0	36	36
Nonmetallic mineral mfg	183	\$14.1	\$8.5	54	52
Primary metal mfg	182	\$13.1	\$7.5	42	42
Fabricated metal mfg	162	\$11.1	\$6.5	40	40
Machinery mfg	189	\$14.0	\$8.6	47	46
Computer, electronic mfg	246	\$27.6	\$9.8	28	34
Electrical equip, appliance mfg	203	\$19.2	\$10.3	61	58
Motor vehicle mfg	267	\$22.4	\$13.5	72	70
Transp equip mfg. exc. motor veh	198	\$11.1	\$12.4	24	28
Furniture, related prod mfg	175	\$12.0	\$7.6	59	55
Miscellaneous mfg	181	\$15.0	\$7.4	41	42
Food mfg	195	\$13.4	\$8.1	54	54
Paper mfg	233	\$20.6	\$10.6	53	54
Printing, rel supp act	165	\$10.1	\$6.6	40	41
Chemical mfg	174	\$10.8	\$6.8	40	41
Plastics, rubber prod mfg	165	\$13.6	\$6.0	41	40

⁷ For more information on REMI and the economic modeling process, see the appendix.

⁸ Gross regional product (GRP) is essentially the same as Gross domestic product (GDP), only calculated for a smaller area.

FIGURE 38b

Information, Media, Entertainment, Accomodations, Food Services

Industry Sector	Total Employment Impact	Gross Regional Product (millions chained 2000 \$)	Personal Income (millions \$)	Population	Labor Force
Publishing	177	\$10.6	\$5.4	16	22
Broadcasting	189	\$16.7	\$6.2	17	24
Performing arts, spectator sports	115	\$1.3	\$1.1	18	21
Museums et al.	126	\$2.3	\$2.0	17	21
Amusement, gambling, recreation	121	\$3.3	\$1.8	22	24
Accommodations	127	\$3.8	\$2.5	21	24
Food services - import substitution	116	\$2.3	\$1.6	25	27
Food services - existing competition	21	\$0.4	\$0.3	5	5

Business, Financial, and Professional Services

Industry Sector	Total Employment Impact	Gross Regional Product (millions chained 2000 \$)	Personal Income (millions \$)	Population	Labor Force
Banking	195	\$14.4	\$7.2	30	33
Securities, investments	159	\$6.6	\$6.5	-3	7
Insurance carriers	148	\$8.3	\$5.5	20	23
Real estate	189	\$17.3	\$7.0	32	35
Rental, leasing services	183	\$19.1	\$5.8	29	32
Professional, technical svcs	145	\$6.2	\$4.7	17	21
Management of companies	191	\$16.5	\$9.8	28	32
Administrative, support services	123	\$3.3	\$2.5	24	26
Waste management	191	\$10.6	\$7.1	35	38

Trades, Transportation, Warehousing, and Utilities

Industry Sector	Total Employment Impact	Gross Regional Product (millions chained 2000 \$)	Personal Income (millions \$)	Population	Labor Force
Wholesale trade	170	\$13.6	\$6.7	29	32
Retail trade - import substitution	127	\$4.9	\$2.8	27	28
Retail trade - existing competition	22	\$0.8	\$0.4	5	5
Trucking, couriers	155	\$8.9	\$5.7	41	40
Sightseeing trips	157	\$6.7	\$5.8	33	34
Warehousing, storage	155	\$8.2	\$6.4	58	55
Utilities	228	\$15.6	\$6.9	2	14

It should be noted that our economic impact estimates include two values for the retail sector and for food services. This is because new retail and restaurant operations (and conversely closures and downsizings) are frequently the result of market-share competition, not new sales that would otherwise have gone to firms from outside the region. So, if a retail outlet were to open in the region providing goods that prior to its arrival had to be purchased from outside the region, then the impact would be larger (as measured by the “import substitution” category of retail impact estimate). However, in most cases the opening or closure of these types of firms is a result of competition for an existing market within the region—i.e. when a Wendy’s opens, it will primarily steal lunch business from other fast food restaurants in the region, as opposed to capturing sales from customers who had previously traveled outside the region to eat at Wendy’s.

This substitution effect—the fact that new retail employment often merely displaces existing jobs in the sector—results in a net employment substantially less than the total number of “new” jobs observed. On average, the net impact of 100 retail sector jobs is only 22, based on the loss of employment expected to occur from other less competitive firms within the region. The number is similar for food services, 21. (Figure 38b)

Of course, it is important to note that retail and food services are not the only sectors in which displacement can occur when a new firm opens to compete with existing business within the region. For example, service firms in fields such as banking, real estate, and professional services also can end up displacing existing firms if they are not primarily capturing business either from outside the area or in the form of business that formerly left the region. However, in these fields intra-regional competition and displacement are not as common as in retail and food services, where it is the dominant form of firm-level business change. The only industry sectors for which displacement is almost never an issue is manufacturing, since most manufactured goods are supplied to a national or international market, making the sales of manufacturing firms “export based” and unlikely to displace even other similar firms. However, even in this sector, the opening of a new bakery or print shop will likely have a displacement effect.

FIGURE 38c

Private Education, Health Care, Non-profits, and Other Private Services

Industry Sector	Total Employment Impact	Gross Regional Product (millions chained 2000 \$)	Personal Income (millions \$)	Population	Labor Force
Private Education	134	\$3.3	\$3.1	26	28
Ambulatory health care services	158	\$8.0	\$6.1	32	34
Hospitals	160	\$6.6	\$5.4	29	32
Nursing, residential care facilities	128	\$3.2	\$3.0	28	30
Social assistance	114	\$1.6	\$1.6	24	25
Repair, maintenance	140	\$5.7	\$3.6	31	32
Personal, laundry services	131	\$4.3	\$2.7	28	29
Non-profit & member organizations	133	\$3.4	\$3.3	30	31

Government and Military

Industry Sector	Total Employment Impact	Gross Regional Product (millions chained 2000 \$)	Personal Income (millions \$)	Population	Labor Force
State Gov't (includes schools)	155	\$7.4	\$5.7	31	33
Local Gov't	147	\$6.8	\$5.3	29	30
Federal Civilian	177	\$11.4	\$9.0	38	40
Military	133	\$5.1	\$3.6	11	5

Assessing the estimated economic impact of a business change event in the region is relatively easy. Each industry impact scenario in the tables above is based on a change of 100 workers, allowing for the quick mathematical conversion for firms of all sizes. For example, the average per worker impact of a typical plastic manufacturing operation could be calculated as shown in Figure 39:

FIGURE 39

$\frac{\text{Total employment impact}}{100}$	=	$\frac{165}{100}$	=	1.65
$\frac{\text{Gross Reg. Product}}{100}$	=	$\frac{13,600,000}{100}$	=	\$136,000
$\frac{\text{Personal Income}}{100}$	=	$\frac{6,000,000}{100}$	=	\$60,000
$\frac{\text{Population}}{100}$	=	$\frac{40.7}{100}$	=	0.4
$\frac{\text{Labor Force}}{100}$	=	$\frac{39.7}{100}$	=	0.4

To estimate the impact related to a specific situation, one would only need to multiply these figures by the actual number of jobs being added or lost. For example, if the new plastic manufacturing firm was forecast to employ 143 workers, the economic impact would be estimated by multiplying each of the average per worker values by 143.

FIGURE 40

143	x	1.65	=	236
143	x	\$136,000	=	\$19,448,000
143	x	\$60,000	=	\$8,580,000
143	x	0.41	=	58
143	x	0.40	=	57

If the situation involved a job loss the calculations would be the same, however, the results would be negative. In our model, economic impacts have a linear relationship, meaning that the impact magnitude from a job loss will be the same as from a job gain, with the only direction being whether the impact is positive or negative.

Although the estimates provided in these tables can provide a great deal of information about the impact of job changes, it is important to understand that these figures are, at best, a rough tool for understanding the relative magnitude of employment changes across regions. It is not a substitute for a complete economic impact analysis, which would take into account the unique characteristics of the individual firm or project. Furthermore, these estimates should in no way be construed as “universal” impact multipliers. For one, these estimates are for impact only across the five-county region—not other parts of Michigan or individual counties within the region. Secondly, the effect of wages on economic impact is significant, meaning that the impact of individual firms can vary significantly compared to these estimates based on average industry pay rates.

Understanding Economic Impact

The numbers presented above provide a rough idea of how the impact of the average firm in one industry compares to the average firm in another industry. In reality, a proper assessment of the economic impact of a project must take into account a far larger range of variables, such as specific firm or organization activities, one-time construction costs, actual payroll, and the proper geographic area of concern. Put simply, *we ask that you do not use these figures to make or publish your own economic impact estimates.* Instead, we recommend that these multipliers be used for internal purposes, such as planning and decision-making for economic development or other types of investment projects.

Generally speaking, regional economic impact is maximized by economic activities that bring in dollars from outside the community *and* which circulate a large number of those dollars throughout the area via local suppliers and wages to local employees. Such high-impact, export-base activities include firms from traditional industries such as manufacturing as well as export-base services, which are typically professional activities such as insurance, corporate headquarters, marketing, consulting, and architectural or engineering services—anything that serves a clientele that at least partially resides outside the region. Additionally, non-local government activities such as military bases, and state or federal offices can also bring in substantial income from outside the area and generate substantial earnings and employment impacts for the region.

Regional Approaches

One of the reasons this economic scan report examines a five-county region is that there is growing interest and activity in approaches that are collaborative, regionally based, or that somehow involve the efforts of multiple interests, jurisdictions, and organizations. This section examines a few of these regional efforts that have occurred in the past, with the hope of providing examples of how regionalism is currently occurring.

Major Regional Initiatives

In addition to the many existing regional activities, the Federal and State government are encouraging increased regional activity to spur economic growth. Three recent initiatives, the Federal WIRED initiative, the State of Michigan's Regional Skills Alliances and its 21st Century Workforce Initiative highlight the increased attention to regionalism. The five-county region has played a major role in all three initiatives.

U.S. Department of Labor Workforce Innovation in Regional Economic Development (WIRED) Initiative

In its Solicitation for WIRED Grant Applications, the U.S. Department of Labor states, "To stay ahead of global competition, we must identify strategies to further integrate workforce development, economic development, and education at the regional level—where companies, workers, researchers, entrepreneurs and governments come together to create a competitive advantage." Launched in 2006, the U.S. Department of Labor's WIRED initiative focuses on the role of talent development in driving regional economic competitiveness, job growth and new opportunities for workers. The goal of WIRED is to expand employment and advancement opportunities for workers and catalyze the creation of high-skill and high wage opportunities in regional economies.

In April 2007, the five-county region, along with six other counties, encompassing four Michigan Works Agencies along the I-94 corridor from Benton Harbor to Jackson, recently worked with the Governor's Office and the Michigan Department of Labor and Economic Growth to submit a WIRED grant. The proposal, titled, SMART² (South Michigan Alliance for Regional Technology Training), focuses on the transformation of the regional industrial base through demand-driven training programs and business expansion projects at regional manufacturers. For example, coordinated training programs in automation and process technology at all five community colleges in the region will assist expansion activities at automotive, bio-medical, chemical, and food product industries. Additionally, training programs that focus on entrepreneurial skills, chemical science, bio-technology, agri-business, and nanotechnology will diversify the industry base through the development and attraction of high technology, high-growth businesses. Although our application was not funded, partners in the SMART² project have agreed to continue working together in order to develop new partnerships across the regional and sectoral boundaries to advance our regional economic advantage.

Michigan Regional Skills Alliances (MiRSA's)

MiRSA's are part of the State of Michigan's larger strategy to develop public/private partnerships that address workforce needs in specific regions and industry clusters. A MiRSA is a regional and industry-based partnership among employers, educational institutions, training providers, economic development organizations, and public workforce system agencies designed to solve key workforce issues common to the specific industry cluster. The State of Michigan is the only state in the nation that has implemented regional, industry-based skill alliances statewide. There are now over 31 MiRSA's representing eight industry sectors across Michigan.

Locally, our five-county region partnered with Berrien, Cass and Van Buren counties to create the Southwest Michigan Regional Healthcare Skills Alliance. The Alliance promotes the economic health and welfare of local healthcare providers and their workers. In addition to workforce development organizations, Alliance partners include training and education partners and economic development entities. In 2006, the Alliance enrolled 455 students in skills training for 15 different healthcare occupations—a 22% increase over the first year. Healthcare providers continue to meet with Alliance partners to discuss new strategies to support the growth of their sector.

21st Century Workforce Initiative

Because all Michigan communities are faced with the challenge of realigning their economies to adapt to numerous market changes, the 21st Century Workforce Initiative is focused on supporting key community sectors such as economic development, workforce development and education coming together to establish a common vision and to execute a plan that collectively creates a competitive advantage for Michigan.

The Kalamazoo-St. Joseph MWA has partnered with the Calhoun-Barry-Branch MWA to establish one of 13 regional partnerships across the state. Beginning with a planning summit in the fall of 2006 to bring all stakeholders together to identify regional issues and opportunities, the Initiative is now focusing its efforts on:

- transitioning the Michigan Works system from a supply-side to a demand-driven system, capable of providing effective business retention and expansion information and referral services in addition to traditional job placement activities;
- increasing cooperation with regional economic development and education sector partners in order to provide comprehensive and coordinated business solutions to retain, enhance, and attract businesses to the Southwest Michigan region;
- developing a stronger regional infrastructure through improved technology;
- developing a regional identity based on current and future regional assets.

Our 21st Century Workforce Initiative is a collaboration among the economic development, workforce development, and education sectors to create a competitive community advantage for the Southwest Michigan region.

Final Thoughts on Regional Activities

Common to the three new initiatives is a focus on regionalism as a key strategy to advance our economic competitiveness. However, it is important to note that each initiative has created a different region. Therefore, partners within the region may benefit from adopting a flexible attitude to defining its region in order to take advantage of new opportunities. Additionally, while these initiatives focus on geographically defined regions, as a result of our increasingly “flattened” world, there are new opportunities for partnerships emerging all the time, therefore creating the opportunity to establish a “region” that extends far beyond geographic boundaries. Therefore, while our five-county region may benefit from increased partnership and collaboration with our geographic regional partners, our region may benefit most from increasing our capacity to partner and collaborate in order to take advantage of new and emerging opportunities that may arise from any sector in any part of the world. Thus, by increasing our collaborative competencies, such regional thinking as well as an innovative mindset and consensus building approach, all partners within this region may be able to adapt to the continually changing environment and guide our region toward a stronger, more vibrant future.

Summary, Conclusions, and Recommendations

In general, the research presented in this report is not intended to answer any one specific question about the region. Instead, the data and analysis were developed as a tool to be used by those involved in workforce development and economic development as they plan long-term strategies and contemplate regional approaches. Understanding the condition, needs, and overall outlook for the region should only improve any decisions that are made or plans that are developed within the five-county area.

Still, there are several important points that the authors of this report wish to highlight for readers, with the hope that the importance of these issues will be recognized and factored into any activity or planning that might occur as a result of this economic scan activity and its associated meetings and collaborative efforts.

Major Conclusions and Recommendations for the Region

- **In terms of general composition, the five-county region analyzed in this report looks similar to the rest of Michigan.** However, the individual counties are very different from one another and possess unique strengths and weaknesses that should be considered when planning workforce development. It is essential to consider these intra-regional differences and not lump the area's strengths and weaknesses together into a singular entity, even when working together regionally. Instead, highlight unique strengths for attracting new businesses and residents, and understand localized weaknesses so they can better be dealt with through regional efforts.
- **The region is more dependent on manufacturing than the U.S. or Michigan as a whole.** Although the region is not as tied to automobile manufacturing as other parts of the state, the prevalence of manufacturing employment still ties the area to activities that are declining nationwide. This is reflected in slow overall employment growth rates and higher-than-average unemployment rates.
- **One of the greatest resources in the region is the presence of a significant young, college population.** Having a major university in the region is a valuable resource that few other similar areas possess. In addition to developing a skilled workforce and attracting young adults to the region, university activities can also help develop employment opportunities and support art and cultural amenities that make the area a desirable place to reside. Both the rapid aging of the region's population and the low educational profile of the workforce could be addressed through efforts to attract and retain college graduates in the region.
- **The extreme differences in workforce characteristics between counties within the region will be a challenge to regionalism.** Looking at the region-wide educational attainment levels tends to make the area look average, when in reality the region possesses both workforce strengths and weaknesses on a localized level. This

presents a challenge to regional approaches, since the type of workforce available to employers is tied to smaller geographic units.

- **Although the region’s demographic profile currently also looks rather “average”, be aware that change is on the horizon.** The number of persons age 75 and older living in the region grew quickly between 2000 and 2006, and currently represents a larger share of the local population than the state or nation. Although well-heeled retirees have brought prosperity to some retirement destination regions in the southern U.S., the rapid growth of a dependent population at the same time the region’s working-age population is shrinking could burden the region’s social and community programs as well as its health care facilities.
- **The weak commuting ties among the region’s five counties suggest the existence of separate small labor market areas which may be adding inefficiency to the region’s employment environment.** Limited information flows regarding employment opportunities between the counties increases the likelihood that employers are unable to find qualified workers and vice versa. This spatial mismatch in the region’s employment environment can lead to longer periods of unemployment as well as greater employee turnover, as businesses are unable to find the right workers. If communications between these markets could be improved, it would be to the benefit of workers and employers alike. In reality, most of the counties in the region are located within commuting distance.
- **Our survey suggests that regional workforce development needs are similar across employers and traditional in nature.** The largest share of respondents was concerned about screening new hires and the basic skills of workers. Overall, these findings suggest that workforce development efforts should focus on helping employers find workers and screen new hires. Interest in training and concern about technical skills was mixed. Only a small percentage of respondents selected job training issues as most important or difficult to their organization; however, training also was also most frequently reported as a concern, which suggests that although the issue is not the most important workforce problem faced by employers, it is the most widely felt concern.
- **The assistance needed by employers varies greatly depending on the type of worker they are utilizing.** Although employers had issues with the basic job skills and screening necessary for hiring general workers, most reported that entry-level and clerical workers were easy to find. Conversely, nearly half of respondents (who employ these types of workers) reported that skilled workers and professional employees are difficult to find. This issue will need to be addressed if the area is to add employment in areas such as high tech or professional services.
- **The region is forecast to grow at a slower pace than either the U.S. or Michigan as a whole over the next 15-years.** Workforce and economic development planners should prepare for a situation where they may be working hard to maintain the region’s employment levels. It is important to acknowledge that even the most

successful development efforts will not create an economic or population “boom” to occur; however, these efforts are worthwhile and can result in thousands of jobs, even without significantly altering overall long-term regional growth rates.

- **The economic impact of changes in the regional economy will vary dramatically depending on the industry, occupational mix, wages, and supplier-base of the individual firm opening or closure.** To maximize regional economic impact, focus on projects involving employers that pay high wages and provide a good or service that is not currently available in the region, or which is supplied to a customer base located primarily outside of the region. Retail, health care, and personal service types of businesses generally add little new activity to the regional economy—except in unique cases. Manufacturing, state and federal government activities, and some professional services usually have a larger economic impact—although there are exceptions.
- **Benefits to regionalism may not be clear-cut.** Currently there are a number of collaborative regional efforts underway, which proves that regionalism has at least some role to play in local development efforts. However, the data suggests that the five counties examined in this report differ greatly and do not necessarily share strong, natural ties, such as overlapping job markets or a similar mix of employers or workers. This will likely make it difficult to justify beginning any regional efforts that do not address a specific, shared, cross-regional problem. Instead of creating formal regional groups or authorities, the workforce and economic development communities may consider ways to increase their informal communications, with the goal of increasing awareness of potential regional issues. Fostering working relationships and knowledge of regional assets should make it easier for developers to come together in the future as specific, regionally relevant problems or opportunities arise.

Examined as a region, the five-county grouping faces significant struggles. This should come as no big surprise to those already involved in workforce and economic development issues, who are certainly already experts in the happenings of their own communities and service areas. The question that remains is whether or not some form of regionalism could represent an appropriate, effective approach for future activities. In terms of economic, social, or ecological ties, the five counties examined in this report do not meet the criteria of a natural region. However, successful regional efforts can also be driven by specific reasons⁹, such as:

1. To save money
2. To deliver quality services
3. To achieve greater political clout
4. To achieve economic clout

⁹ Center for Governmental Studies at Northern Illinois. 2002. *Regionalism: An Economic Development Driver*.

5. To solve a specific problem
6. To share scarce federal and state resources
7. To plan more realistically
8. To work on environmental and other concerns
9. To create a sense of local and regional harmony
10. To complement strengths and weaknesses

If a specific project with goals or potential benefits matching these criteria arises—or if it already exists—then the time may be right to look at regionalism as an approach for workforce and economic development efforts. Otherwise, it may be best to cultivate regional knowledge and relationships in a more informal way. Working together to examine the trends, forecasts, and needs presented in this report should help in the process of deciding which issues should continue to be addressed through individual efforts, and which ones might benefit from a regional approach.

APPENDIX SECTION 1

OCCUPATION DETAIL

Detailed Civilian Occupations Employment Forecast - 2007 to 2022

Occupation	Job Change	Annual Average Change
Management		
Top executives	260	0.3%
Advertising, marketing, promotions,	90	0.5%
Operations specialties managers	120	0.2%
Other management occupations	500	0.5%
Business & Financial		
Business operations specialists	710	0.7%
Financial specialists	170	0.3%
Computer & Mathematical		
Computer specialists	690	0.9%
Mathematical science occupations	0	0.0%
Architects & Engineers		
Architects, surveyors, and cartographers	-10	-0.2%
Engineers	30	0.1%
Drafters, engineering, and mapping	-70	-0.3%
Scientists & Social Sciences		
Life scientists	80	1.1%
Physical scientists	20	0.3%
Social scientists and related occup	60	0.5%
Life, physical, and social science	60	0.5%
Community & Social Services		
Counselors, social workers	470	1.2%
Misc community and social service	340	1.6%
Religious workers	110	0.6%
Lawyers and Legal Professions		
Lawyers, judges, and related worker	10	0.1%
Legal support workers	20	0.2%
Educators & Librarians		
Postsecondary teachers	980	1.9%
Primary, secondary, and special edu	1,190	1.0%
Other teachers and instructors	230	1.0%
Librarians, curators, and archivist	30	0.3%
Other education, training, and libr	370	0.8%
Artists, Entertainers, and Media occupations		
Art and design occupations	30	0.2%
Entertainers and performers, sports	230	1.3%
Media and communication occupations	70	0.5%
Media and communication equipment op	30	0.6%

Occupation	Job Change	Annual Average Change
Health Practitioners		
Health diagnosing and treating prac	1,490	1.0%
Health technologists and technician	690	0.8%
Other healthcare practitioners	30	0.7%
Healthcare Support		
Nursing, psychiatric, & home health	1,390	1.6%
Occupational and physical therapist	80	1.6%
Other healthcare support occupation	640	1.4%
Police, Fire, and Protection		
First-line supervisors/managers, prevention	30	0.4%
Fire fighting and prevention worker	80	1.0%
Law enforcement workers	120	0.4%
Other protective service workers	120	0.3%
Food Service Positions		
Supervisors, food preparation	260	0.8%
Cooks and food preparation workers	740	0.7%
Food and beverage serving workers	1,560	0.8%
Other food preparation and serving	360	0.8%
Grounds & Maintenance		
Supervisors, building and grounds	90	0.8%
Building cleaning and pest control	760	0.6%
Grounds maintenance workers	310	0.8%
Personal Services		
Supervisors, personal care and serv	100	1.6%
Animal care and service workers	60	1.0%
Entertainment attendants and relate	290	1.4%
Funeral service workers	10	0.5%
Personal appearance workers	120	0.6%
Transportation, tourism, and lodging	30	0.6%
Other personal care and service	1,490	1.6%
Sales		
Supervisors, sales workers	-110	-0.2%
Retail sales workers	60	0.0%
Sales representatives, services	-20	-0.1%
Sales representatives, wholesale	-70	-0.1%
Other sales and related workers	-70	-0.2%
Office Support		
Supervisors, office and administrat	-80	-0.2%
Communications equipment operators	-120	-1.9%
Financial clerks	-270	-0.2%
Information and record clerks	160	0.1%
Material recording, scheduling	-1,090	-1.0%
Secretaries and administrative assist	-460	-0.4%
Other office and administrative sup	-560	-0.4%

Occupation	Job Change	Annual Average Change
Farming, Fishing, Forestry		
Supervisors of farming, fishing, forestry	-20	-0.6%
Agricultural workers	-620	-0.9%
Fishing and hunting workers	-10	-1.5%
Forest, conservation, and logging	0	-0.1%
Construction Trades		
Supervisors, construction	-70	-0.4%
Construction trades and related	-700	-0.4%
Helpers, construction trades	-90	-0.6%
Other construction trades	90	0.7%
Extraction workers	0	0.0%
Installation & Repair Services		
Supervisors of installation, maintenance	60	0.3%
Electrical and electronic equipment	-70	-0.4%
Vehicle and mobile equipment mechanics	330	0.5%
Other installation, maintenance	230	0.2%
Production Occupations		
Supervisors, production workers	-120	-0.4%
Assemblers and fabricators	-520	-0.5%
Food processing occupations	-240	-0.6%
Metal workers and plastic workers	-1,090	-1.0%
Printing occupations	-110	-0.8%
Textile, apparel, and furnishings makers	-70	-0.3%
Woodworkers	-80	-0.8%
Plant and system operators	-20	-0.2%
Other production occupations	-850	-0.6%
Transportation Workers		
Supervisors, transportation	20	0.2%
Air transportation occupations	0	0.2%
Motor vehicle operators	360	0.3%
Rail transportation occupations	-20	-0.8%
Water transportation occupations	0	0.1%
Other transportation workers	-40	-0.4%
Material moving occupations	-440	-0.3%

APPENDIX SECTION 2

INFORMATION ON THE REMI MODEL

For this project, the W.E. Upjohn Institute obtained an economic computer model especially designed to estimate the economic impact of changes within the five-county region of Barry, Branch, Calhoun, Kalamazoo, and St. Joseph, as well as Michigan and the U.S. as a whole. The model was constructed by Regional Economic Models Incorporated (REMI) and contains three separate components that together capture the resulting total impact on the local economy because of a change in employment. These components are:

- An input-output model that estimates the impact on the local economy of changes in inter-industry purchases. This component of the model captures the impact of an increase in orders to local suppliers of goods and services as well as the impact of households increasing their purchases of consumer goods and services.
- A relative wage component that estimates the impact of the expected changes in the area's cost structure due to changes in economic activity. For instance, when a major employer moves into the area, it can cause wages to increase across almost all industries due to the increased demand for workers and other local resources. This boost in wages, while generating additional consumption expenditures, increases the cost of doing business in the area, making the area slightly less attractive to other industries. Because the focus of this economic scan project was on general economic activities and future outcomes, standard industry average wages were relied on in all cases.
- A forecasting and demographic component that forecasts the resulting changes in future employment and population levels due to a change in economic activity.

APPENDIX SECTION 3

CONSIDERATIONS IN GENERATING THE FORECAST

In addition to the national and statewide growth rates discussed throughout the report, the baseline forecast for the five-county region was developed based on the following assumptions:

- The proposed casino in Calhoun County will open by 2009 and ultimately employ 600 direct workers.
- Hospital employment in Calhoun and Kalamazoo counties was increased slightly to better reflect trends of health care growth and consolidation in urban areas.

Survey of Workforce Needs

Thank you for taking a moment of your valuable time to complete this survey. Your answers will help the MichiganWorks! Agency, in conjunction with the local economic development community, to identify and tackle workforce issues that are most relevant to the business community.

Please mail this survey in the postage-paid envelope no later than Friday, May 4, 2007!

1. What type of business or organization do you represent? (Please check only one)

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="radio"/> Retail <input type="radio"/> Professional Services (legal, accounting, design, architecture, etc.) <input type="radio"/> Manufacturing <input type="radio"/> Wholesale, Warehouse, Distribution <input type="radio"/> Construction Trades, Installation | <ul style="list-style-type: none"> <input type="radio"/> Health care <input type="radio"/> Hospitality, restaurants <input type="radio"/> Financial, banking, insurance <input type="radio"/> Education <input type="radio"/> Government or non-profit agency <input type="radio"/> Other: _____ |
|---|--|

2. Approximately how many workers does your organization currently employ? _____

3. Please rate, to the best of your knowledge, how easy it is for your organization to find and keep workers within each applicable classification category.

Employee Classifications (and examples)	Easy to find workers	Effort to find workers is reasonable, but not easy	Difficult to find workers	My organization does not employ this category of worker
Entry-level (retail clerk, laborer, basic assembly)	1	2	3	0
Mid-level (fork lift operators, experienced machine operators, cooks)	1	2	3	0
Technical (computer tech, electrician, CNC operator)	1	2	3	0
Clerical (administrative asst., receptionist, office asst.)	1	2	3	0
Skilled (sales, customer service rep, machinery repair, supervisors)	1	2	3	0
Professional (management, accountants, engineers)	1	2	3	0

4. Which of the following workforce issues is currently most important to your company or organization? Please select (X) only one.

- _____ Training or retraining current employees (e.g. training for new duties or processes).
- _____ Finding new workers who are qualified for the job.
- _____ Recruiting new employees to relocate to the region to work for my organization.
- _____ Obtaining resources to help contain employee costs (e.g. discount health insurance).
- _____ Maintaining or achieving good relations with workers
- _____ Other: _____

SURVEY CONTINUES ON BACK.

5. Which of the following workforce issues is the most difficult or problematic for your organization? Please select (X) only one.

- _____ Lack of technical or job-specific skills – e.g. computers, customer service skills.
- _____ Basic job issues or “soft-skills” – e.g. basic math, attendance, communication, attitude.
- _____ Retention – keeping your best employees from leaving for other positions or locations.
- _____ Recruitment – finding good workers, attracting candidates to take a job in the region.
- _____ Screening – identifying job applicants truly qualified for the position.
- _____ Other: _____

6. Finally, think about future conditions that your organization expects to face. Please consider how the following issues might affect your company or organization over the next three-to-five-years and rate your level of concern.

1=Not a concern 2=Little concern 3=Somewhat concerned 4=Very concerned 5=Extremely concerned

Ability to find entry-level workers	1	2	3	4	5
Ability to find mid-level, experienced, skilled workers	1	2	3	4	5
Ability to find workers with technical college training or community college degrees	1	2	3	4	5
Ability to find and recruit professional workers with a bachelor's degree or graduate degree	1	2	3	4	5
Ability to retain workers	1	2	3	4	5
Loss of many workers due to retirement	1	2	3	4	5
Recruiting employees from outside the area to relocate into the region	1	2	3	4	5
The quality of area high school graduates	1	2	3	4	5

7. Do you have any comments or concerns about the local workforce or any workforce development issues that are of concern to your organization? (optional)