

# WEST MICHIGAN VIEWPOINT

## 2003 Revisited: West Michigan Fared Slightly Worse than Previously Thought

### Layoffs Harsher Than Thought

Now that the dust has settled, it seems that employment conditions in west Michigan last year were worse than previously reported by the Bureau of Labor Statistics (BLS). In short, there were 3,400 fewer jobs in the three metropolitan areas of west Michigan in 2003, and overall employment fell by 1.8 percent during the year, instead of by a lower 1.3 percent, as was previously estimated. In particular, employment conditions in the Grand Rapids–Muskegon–Holland MSA were much harsher than previously reported, with 7,500 more jobs having been lost during the year.

Monthly employment statistics on the national, state, and especially the local level are only estimates based on monthly surveys of firms. The methodology used by the Bureau of Labor Statistics to estimate current employment statistics has been thoroughly tested and evaluated and has been found to be sound. Nevertheless, no estimating procedure is perfect; all can and do generate errors. Employment estimates for local areas are particularly vulnerable to error because the number of employers responding to the monthly surveys can be uncomfortably small. To correct for possible survey errors, each March the BLS taps into the tabulated unemployment insurance records for the previous two years, which provide a nearly complete employment census of local and statewide employers, and revises its previous monthly employment estimates.

### Large Swings From Previous Estimates

Revisions vary by MSA, with some having done better than previously estimated. As shown in Table 1, employment declines in the Benton Harbor and the Kalamazoo–Battle Creek MSAs in 2003 were not as severe as previously reported. In the Benton Harbor MSA the revision is modest; actual employment fell by 1.0 percent instead of 1.1 percent. In the three-county Kalamazoo–Battle Creek MSA the employment correction was more pronounced; actual employment fell by only 0.8 percent, not the previously estimated 2.0 percent. This translated into 3,600 more jobs for the area in 2003 than had been earlier estimated.

However, 2003 employment conditions in the larger Grand Rapids–Muskegon–Holland MSA were far worse than previously reported. Actual employment in the four-county MSA fell by 2.3 percent, which was more than double the previously estimated 1.0 percent decline. The area lost 7,500 more jobs during the year than had been

earlier believed. In percentage terms, the area's employment level for 2003 was 1.3 percent less than previously estimated.

### Gains and Losses

In Table 2, I highlight the industries where the most significant employment revisions were made in each of the region's MSAs. On a bright note, the region's tourist-related leisure and hospitality sector did much better than previously estimated. The industry gained 500 jobs in the Benton Harbor MSA from the previous estimate, and the more specific accommodations sector in the Grand Rapids–Muskegon–Holland MSA picked up 1,400 more workers.

To no one's surprise, however, the revised statistics clearly show that major components of the region's manufacturing sector took more of a beating than previously estimated. In the Grand Rapids–Muskegon–Holland MSA, actual employment in furniture plunged by 18.3 percent during the year instead of by 10.2 percent, as the industry eliminated 1,700 more jobs during the year than previously reported. On the other hand, the area's motor vehicle parts producers did better in the MSA, generating 700 more jobs than previously estimated. The same was not true in the Kalamazoo–Battle Creek MSA for motor vehicle parts producers; a previously reported 9.4 percent increase was revised sharply downward to an 8.6 percent decline, a negative swing of 1,600 jobs.

Turning to the region's service-providing industries, the monthly surveys did not capture the harsh conditions facing professional and administrative services in the Grand Rapids–Muskegon–Holland MSA. Employment in the area's professional services sector was previously reported to have declined by 0.6 percent in 2003, while employment in the area's administrative sector was estimated to have increased slightly, by 0.3 percent. Now the revisions show that employment actually fell by approximately 5.0 percent in both sectors during 2003, with the sectors' combined employment levels for the year being nearly 5,000 less than previously estimated. Similarly, the surveys failed to detect growth in the same fields in the Kalamazoo–Battle Creek MSA. But the largest corrections occurred in the private education and health sectors. In both cases, earlier estimates of employment declines of 2.5 and 2.7 percent, respectively, were dramatically reversed. Employment in the area's private education sector rose by 3.5 percent for the year, and employment in the area's health sector increased by 4.6 percent. Each sector had about 1,700 more employees than previously estimated.

**Table 1**  
**Employment Estimates**

	2003 Employment		Change	
	Old estimate	New estimate	Percent	Number
Benton Harbor MSA	68,300	68,800	0.7	500
Change from 2002 (%)	-1.1	-1.0		
Grand Rapids–Muskegon–Holland MSA	568,300	560,800	-1.3	-7,500
Change from 2002 (%)	-1.0	-2.3		
Kalamazoo–Battle Creek MSA	206,300	209,900	1.7	3,600
Change from 2002 (%)	-2.0	-0.8		
West Michigan	842,900	839,500	-0.4	-3,400
Change from 2002 (%)	-1.3	-1.8		

SOURCE: BLS pre- and post-benchmarked employment statistics.

**Table 2**  
**Major Employment Revisions by Industry Sector**

	Percent change		Employment change
	Previous	Revised	
<b>Benton Harbor</b>			
Education and health	1.5	-6.9	-900
Leisure and hospitality	-6.1	2.2	500
<b>Grand Rapids–Muskegon–Holland</b>			
Furniture products	-10.2	-18.3	-1,700
Motor vehicle parts	-6.3	-3.0	700
Retail	-0.4	-3.0	-1,700
Finance, insurance, real estate	-4.9	-1.2	900
Professional	-0.6	-5.0	-2,900
Administrative	0.3	-5.1	-2,000
Accommodations	-3.6	0.0	1,400
Government	0.0	0.0	-1,200
<b>Kalamazoo–Battle Creek</b>			
Motor vehicle parts	9.4	-8.6	-1,600
Retail	3.3	-2.5	-1,500
Finance, insurance, real estate	9.8	-3.1	-900
Professional	-4.5	0.7	1,000
Administrative	-5.8	3.5	1,000
Education	-2.5	3.5	1,700
Health	-2.7	4.6	1,700
Food service	-0.1	-7.4	-1,200
Government	-6.5	-0.5	2,100

SOURCE: BLS pre- and post-benchmarked employment statistics.

## **Statistics Only Go So Far**

My purpose in analyzing the errors that occurred in last year's employment estimates is threefold. First, to those individuals whom I talked to during the year who disagreed with the statistics I was presenting: OK, you were right.

Second, I strongly believe that the U.S. Bureau of Labor Statistics should be better funded so that it can better do its job. As I said earlier, the BLS methodology is statistically sound, but the sample sizes for local areas are often too small to avoid the high probability of making major revisions in the employment estimates when more complete data become available. Employment data are no different than anything else: you get what you pay for. Most all economists—conservatives and progressives alike—agree that the provision of timely and accurate economic statistics is a valuable service which warrants public support.

Finally, the demonstrated potential for error in the collection of local data only confirms the need for the public to accept monthly employment estimates as good-faith estimates that are subject to error. If a major business decision is being considered, don't simply rely on government statistics (or on privately generated statistics—who knows how those are made?). Instead, accept the wisdom of Yogi Berra: "If you look around, you might see something."