

APPENDIX L

Regional Economies in Michigan

The Michigan economy has made a spectacular recovery from the 1990–91 recession.

- The state *unemployment* rate was 4.2 percent in 1997. It jumped from 7.1 percent in 1989 to 9.2 percent in 1992 before falling sharply in the past five years. In relation to the nation as a whole, in 1992 the state rate was 2.5 percentage points above the U.S. average but by 1997 was 0.7 percentage points *below* it, marking the fourth consecutive year that the Michigan unemployment rate has been more favorable than the U.S. rate.
- Michigan *employment* increased 12.5 percent from 1992 to 1997. This surpasses the nationwide increase of 9.3 percent during the same period.

Almost all of the state's 68 labor markets (as defined by the Michigan Employment Security Agency) are sharing in this economic resurgence. In 1992, 43 labor markets were suffering double-digit unemployment, with rates as high as 19 percent in Montmorency County. In 1997 the rates exceeded 10 percent in only seven labor markets, with the highest being 13 percent in Ontonagan county and the rate in Montmorency having dropped to 11.6 percent.

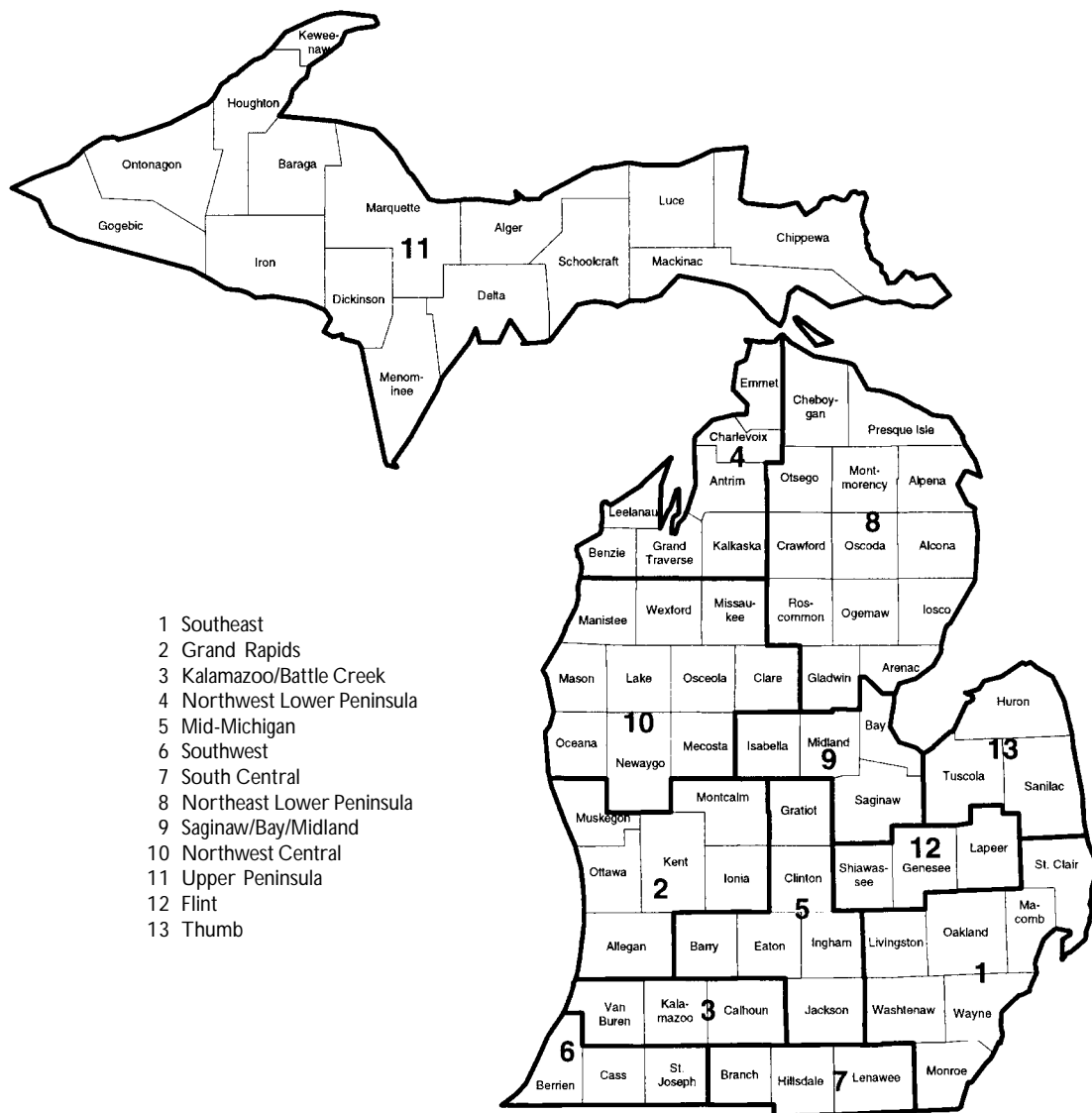
In recent years—from 1992 to 1997—only three labor markets suffered employment dips, and all were due to closures: In Iosco and Marquette counties, air force bases (Wurtsmith and K.I. Sawyer) were shut down, and in Ontonagan County, the White Pine copper mine closed, which also affected Gogebic County. In four counties, employment growth was almost flat: Gogebic, Lake, Montmorency, and Presque Isle.

Exhibit 1 displays the 13 areas in Michigan that Public Sector Consultants, Inc. configures as economic regions. Exhibit 2 presents recent income, employment, and population data as well as projections (from the National Planning Association [NPA], a private economic forecasting firm) for 2000 and 2005. Exhibit 3 provides information regarding regional growth, as measured by changes in employment and property values (state taxable value).

Region 1 SOUTHEAST

This seven-county region (the Detroit metropolitan statistical area) is the Michigan economy's mainstay, providing about one half of the state's job base and almost 54 percent of its income. This is the only region in which per capita

EXHIBIT 1. Michigan Economic Regions, 1998



SOURCE: Public Sector Consultants, Inc.

income is above the state average: In 1996 it exceeded the average by 7.3 percent.

Regional employment has increased 11.6 percent since 1992, compared to an 12.5 percent increase statewide. Region 1 benefits from the strength of the motor vehicle industry, and from 1991 to 1996 motor vehicle production in Michigan increased 34.2 percent. These seven counties are home to the world's greatest concentration of expertise in designing and producing vehicles, and a number of foreign vehicle producers have established research and development

EXHIBIT 2. Economic Projections by Region, Michigan, 1990–2005 (real annual growth rates)

Region	Employment Growth			Real ^a Personal Income Growth			Per Capita Income Growth			Population Growth		
	1990–1996	1996–2000	2000–2005	1990–1996	1996–2000	2000–2005	1990–1996	1996–2000	2000–2005	1990–1996	1996–2000	2000–2005
1	1.3%	0.9%	0.7%	2.8%	1.5%	1.2%	2.5%	1.6%	1.3%	0.2%	0.1%	0.0%
2	2.6	1.9	1.5	4.3	2.9	2.4	2.7	2.0	1.6	1.3	1.1	1.0
3	1.8	1.2	1.0	2.9	2.1	1.8	2.3	1.7	1.3	0.6	0.6	0.5
4	2.7	2.7	2.2	4.1	3.5	2.8	2.1	1.7	1.3	1.9	1.8	1.6
5	1.6	0.8	0.7	3.0	2.4	2.0	2.3	2.2	1.9	0.6	0.4	0.3
6	1.3	0.5	0.4	2.9	1.9	1.6	2.7	2.0	1.7	0.2	0.1	0.0
7	1.7	0.2	0.1	3.3	3.0	2.4	2.3	2.6	2.1	0.8	0.5	0.3
8	1.3	1.7	1.4	2.9	3.4	2.8	1.9	2.1	1.7	1.0	1.4	1.1
9	1.3	0.5	0.4	2.8	1.6	1.3	2.4	1.7	1.4	0.2	0.0	-0.0
10	2.5	1.6	1.4	3.8	3.2	2.7	2.2	2.0	1.7	1.5	1.2	1.1
11	1.7	1.2	1.1	2.7	2.3	2.0	2.1	1.8	1.5	0.0	0.5	0.5
12	1.5	0.3	0.2	3.1	1.6	1.4	2.4	2.3	1.9	0.5	0.1	0.0
13	2.8	0.7	0.5	3.2	2.9	2.3	2.7	2.4	2.0	0.8	0.5	0.3
STATE	1.6%	1.0%	0.8%	3.1	2.0%	1.6%	2.5%	1.5%	1.3%	0.5%	0.4%	0.3%

SOURCE: National Planning Association, Washington, D.C.
^aAdjusted for inflation.

EXHIBIT 3. State Taxable Value (STV), Employment, and Unemployment, Michigan Regions, Selected Years

Region	1994 STV (millions)	1997 STV (millions)	Percentage Change	Percentage of Total STV, 1997	1997 Employment (thousands)	Percentage Change from 1992	1997 Employment as % of State Total	1997 Unemployment Rate
1 Southeast	\$91,568	\$105,600	15.3%	52.1%	2,303	9.6%	49.2%	3.7%
2 Grand Rapids	19,619	23,420	19.4	11.5	599	17.0	12.8	3.6
3 Kalamazoo/Battle Creek	7,083	8,311	17.3	4.1	216	5.4	4.6	3.9
4 Northwest Lower Peninsula	6,031	7,077	17.3	3.5	102	15.9	2.2	5.4
5 Mid-Michigan	10,095	11,626	15.2	5.7	348	7.4	7.4	3.4
6 Southwest	5,045	5,689	12.8	2.8	134	8.1	2.9	4.7
7 South Central	2,757	3,200	16.1	1.6	85	7.6	1.8	3.8
8 Northeast Lower Peninsula	5,378	6,231	15.9	3.1	99	12.5	2.1	8.2
9 Saginaw/Bay/Midland	7,931	8,881	12.0	4.4	215	7.0	4.6	4.2
10 Northwest Central	4,618	5,262	13.9	2.6	109	11.2	2.3	7.4
11 Upper Peninsula	4,485	5,193	15.8	2.6	141	8.5	3.0	7.2
12 Flint	8,298	9,636	16.1	4.8	264	9.1	5.6	5.2
13 Thumb	2,371	2,653	11.9	1.3	62	14.8	1.3	5.4
STATE	\$175,279	\$202,779	15.7%	100.0%	4,677	10.2%	100.0%	4.1%

SOURCE: Michigan Department of Treasury, State Tax Commission, and Michigan Jobs Commission. Calculations by Public Sector Consultants, Inc.

laboratories in the area. Major automotive suppliers also find Region 1 to be an attractive place in which to conduct research and development, participate in the North American automotive culture, and be near the network of people who run the industry. Oakland and Washtenaw counties are especially attractive to “high-tech” automotive operations.

The region has enjoyed a construction boom in recent years, with employment in this sector up more than 30 percent in the 1992–97 period. Much of this construction has been commercial, with a large share related to the motor vehicle industry. We expect regional construction activity to continue strong into the next century, with three new casinos, two sports stadiums, water and sewage facilities in the River Rouge basin (required by the EPA), and highway repair and construction (financed by the 1997 increase in the state gasoline tax).

Exhibit 2 shows that the long-term outlook for the southeast region is continued but slower growth. Employment and personal income (adjusted for inflation) in the area will continue to improve. The projected growth rates are well below the 2.8 percent rate of 1990–96 and may be conservative.

Region 2 GRAND RAPIDS

About 12 percent of Michigan’s population and 13 percent of its jobs are located in this six-county region. This has been one of the state’s fastest growing regions in recent years—from 1990 to 1996 it led in income growth and was third in job growth—due mainly to the presence of one of the state’s major growth industries: office furniture and fixtures manufacturing. Total manufacturing employment has increased at about twice the state average in the past five years, and construction has boomed.

Grand Rapids is the area’s largest city, and, unlike many urban centers, it is experiencing above-average growth: From 1992 to 1997 employment in the city jumped about 20 percent, almost twice the state average. This is due in part to its position as the financial/commercial center for western Michigan. Muskegon, the region’s second largest city, is beginning to recover from the loss, in the 1980s and early 1990s, of its old industrial base. Among the region’s counties, Ottawa has been one of the fastest growing in the state, with employment climbing 25 percent in the 1992–97 period.

The outlook for the next decade for the Grand Rapids region is for well-above-average growth. Exhibit 2 shows that employment growth is projected to rise at about double the Michigan average, and real income growth is expected to increase about a full percentage point above the state average.

Region 3 KALAMAZOO/BATTLE CREEK

The economy in this three-county region is well-diversified and sustained by strong companies such as W.K. Kellogg and Upjohn corporations. Noteworthy economic

activity in the region includes food processing, paper manufacturing, pharmaceutical production, automotive supply, and flower and vegetable production. In Battle Creek and Kalamazoo, federal and state government activities also are important. In comparison to the state as a whole, 1990–96 employment growth in the region was slightly above average, while income growth was slightly below.

Exhibit 2 shows that during the next decade both employment and income growth in Region 3 are expected to modestly exceed the state average.

Region 4 NORTHWEST LOWER PENINSULA

This seven-county region anchored by Traverse City—northern Michigan’s commercial/finance center—continues to be one of the fastest growing areas of the state, second among the regions in both employment and income growth from 1990 to 1996. Rapid population growth—11.7 percent during the same period, compared with 3.1 percent statewide—due to migration from down state has fueled a construction boom and growth in retail trade and services. The region depends heavily on tourism and is attracting some manufacturing, but its once-thriving agriculture/food processing sector is diminishing in importance.

Based on the NPA projections in Exhibit 2, during the next decade Region 4 will grow faster than any other by a large margin. Employment is projected to rise at more than double the Michigan growth rate, and real personal income is expected to do nearly as well—about 80 percent above the state growth rate. Real per capita income growth also will exceed statewide growth but only modestly, because of the considerable population growth.

Region 5 MID-MICHIGAN

The presence of the state capital, two major institutions of higher learning, and the state’s largest prison make this six-county region particularly dependent on the ups and downs of the state budget. In addition, Lansing is home to the Buick-Oldsmobile-Cadillac Division of General Motors (GM) and vulnerable to the parent corporation’s problems, and Jackson (the region’s second largest city) is encumbered by an old, declining durable-goods base. The region has been negatively affected recently by cutbacks in state government, including the 1997 early-retirement program, and the transfer of a number of GM employees from Lansing to Detroit. As a result, employment and income growth have been only average, despite solid growth in the services sector. (Employment growth has suffered since 1992, increasing only 10.2 percent), compared with a statewide figure of 12.5 percent.)

Exhibit 2 shows that during the next decade, employment in Region 5 is projected to increase but at a rate slightly below that for the state as a whole. Real personal income, however, is expected to fare better, exceeding the state average by 2 percent or more, due to expected growth in industries paying above-average wages.

Region 6 SOUTHWEST

As a region, this three-county area has seen below-average employment and income growth in recent years. Although St. Joseph County has enjoyed strong growth, this is not the case in Berrien and Cass counties. Berrien County has a large, diverse manufacturing base, but it has shown little growth in recent years. Cass County's already small manufacturing base has declined in recent years, as has government employment in the county. In contrast, manufacturing, much of it linked to motor vehicles, has boomed in St. Joseph County, climbing about 37 percent from 1992 to 1997.

Exhibit 2 suggests that the long-term outlook for Region 6 is for well-below-average employment growth and about average income growth. Little population growth is expected.

Region 7 SOUTH CENTRAL

This three-county area, the smallest of the 13 regions configured for this analysis, has only 1.9 percent of the state's population and 1.8 percent of the jobs. In recent years economic growth has been about at the state average. The region has a large manufacturing base, which provides 29 percent of the employment in Hillsdale County (compared with 21 percent statewide). The region's three counties border Indiana and Ohio and, as a result, a much larger-than-average percentage of the work force is employed out of state.

As may be seen in Exhibit 2, the long-term outlook for Region 7 is for very slow employment growth but above average income growth. This inconsistency likely is due to the expectation that job opportunities in Ohio and Indiana will increase.

Region 8 NORTHEAST LOWER PENINSULA

Since 1990 this 13-county region has endured the slowest employment growth among the state's regions, due in large part to the 1993 closure of Wurtsmith Air Force Base (Iosco County), which cost the region almost 4,000 jobs. Since 1992, however, employment growth has exceeded the state average; some of the jobs were recovered with the conversion of the air base to an industrial park that has attracted several new employers. This region's mainstays are state and local government, forestry, mining, and tourism. The region has a larger percentage of small, family-owned businesses than any other, which may be more an indication of the absence of large employers than a strong entrepreneurial spirit. This is the second smallest region in the state, with only 2.1 percent of the state's employment and 2.5 percent of its population.

Exhibit 2 shows that better times may be ahead for Region 8: Employment and income growth are projected to be well above the state average for the next decade, in part because the region has potential for increased tourism and it is desirable as a retirement location. However, if highway access does not improve,

these projections may be too optimistic. Currently, plans to build a freeway in the region (US-23) are on hold.

REGION 9 SAGINAW/BAY/MIDLAND

Growth in this four-county region has lagged behind the state's in recent years. Automotive employment in Bay and Saginaw counties has been a drag on the area's overall economic growth. From 1992 to 1997, manufacturing growth in the region fell about 6 percent. The fastest growth has been in Isabella county, home to Central Michigan University and the state's largest Indian casino and the headquarters of the state's oil and gas industry.

Exhibit 2 suggests that the long-term outlook for Region 9 is for continued slow growth relative to the state, with employment gaining at about one-half the state average and income growth about 20 percent below it.

Region 10 NORTHWEST CENTRAL

This sparsely populated region accounts for only 2.7 percent of Michigan's population and 2.4 percent of its jobs, but from 1990 to 1997 it was among the fastest growing areas in the state. Food processing, automotive supply, chemical and other light industry, and tourism provide much of the job base in these ten counties; most of the manufacturing activity is concentrated in Wexford, Mason, and Osceola counties. Although the 1990s thus far have brought above-average growth to most of the area, with employment rising at an annual rate of 2.5 percent and income at an annual rate of 3.8 percent, Lake and Mason counties are faring less well, suffering growth rates well below average.

Although, as may be seen in Exhibit 2, the long-term outlook for Region 10 is for a slowdown in growth, the area nevertheless is expected to do much better than the state as a whole. A good deal of the growth will be fueled by above-average population growth.

Region 11 UPPER PENINSULA

This 15-county region lost thousands of jobs when K.I. Sawyer Air Force Base was closed, but the region still depends heavily on government, with three state universities, a major veterans' hospital, a prison, and, at Sault Ste. Marie, the operations of the U.S. Corps of Engineers. Mining and lumber also are vital to this vast, sparsely populated area. Due in large part to the job losses at K.I. Sawyer and also at the White Pine copper mine, from 1990 to 1997 the area's employment increased more slowly than the state average. Much of the employment gain is due to its growing tourist industry.

Exhibit 2 shows that the outlook for Region 11 in the next decade is for above-average employment and income growth, fueled in large part to continued development of the tourist industry.

Region 12 FLINT

As goes General Motors, so goes Flint. In the early 1990s this three-county labor market suffered as much as any from the recession and the cutbacks at GM. In 1992 the unemployment rate in the City of Flint was 20 percent. The region has made a strong recovery, and currently, the unemployment rate is at about half the 1992 level. From 1990 to 1997 employment increased 10.6 percent, below the state average of 12.5 percent.

Exhibit 2 shows that the long-term outlook for the Flint region is for a sharp slowdown in growth, due to its heavy dependence on manufacturing, which will continue to expand more slowly than other economic sectors; employment growth will be particularly weak.

Region 13 THUMB

Farming and food processing are important in this three-county region, which also hosts a number of automotive suppliers, particularly metal stamping and plastic plants. Plastics has been Michigan's fastest growing manufacturing industry in recent years, and, from 1990 to 1996 this, plus the comeback of the farming sector, permitted this region to record the state's fastest annual employment growth (2.8 percent) and above-average real income growth (3.2 percent).

The projections in Exhibit 2 suggest that the next decade will bring a sharp slowdown in growth in Region 13, due mainly to slower expansion in the motor vehicle industry; employment is expected to grow at a rate well below the state average.