Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries

Southeast Michigan

Macomb, Monroe, Oakland, St. Clair and Wayne Counties

A Regional Profile
Prepared by:

Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives

Introduction

Information is a key to the creation of a 21st century workforce. Developing a successful regional strategy requires a clear understanding of the scope of the regional economy, as well as the ability to identify key industries or clusters of industries with real significance to the regional economy.

The Bureau of Labor Market Information & Strategic Initiatives within the Department of Labor & Economic Growth produces a substantial volume of data on local economies and regional labor markets. This profile provides information on current labor market economic indicators and key industries for the local region.

Current Labor Market Indicators and Industry Job Trends

Page 4 of the profile presents information on **Current Labor Market Indicators**. This table compares regional performance with state and national trends and includes the current jobless rate, per capita income, and the average weekly wage for private sector industries. The rate of change is calculated over the past two years for population and labor force as well as the growth rate for private industry jobs. Also provided in the table is the expected ten-year forecast growth rate for jobs in all industries. These indicators provide some of the necessary information to evaluate the overall performance of the regional economy as it compares to the state and national economy.

Industry Job Trends on Page 5 is a chart containing the two-year growth rate in employment for several major industry sectors. This allows a comparison of the pace of local job gains with Michigan, and quickly identifies local industry sectors with recent job gains or losses. **Industry Job Distribution**, a chart on Page 6, presents the percent distribution of jobs in each of the major industry sectors. This is important because the share of jobs by industry is a key determinant of overall income in a region. Large shares of jobs in high wage sectors will produce an above average income stream for a region. Additionally, these shares help demonstrate the diversity of a regional economy. The chart gives a quick identification of local industries with job shares above or below statewide averages.

Profile of Regional Industries

Various regional and national indicators were used to sort the local area's detailed industries into five distinct categories: growth, declining, core, developing, and competitive-advantage industries. A description of each element follows.

The table of **Growth Industries** presents regional industries with faster than average employment gains since 2004. The **Declining Industries** table lists regional industries with declining employment.

Core Industries identify industries with a higher share of jobs in the local economy than the same industry produces in the national economy. If a region has a greater than average share of jobs in a given industry, that industry may be a core sector because it is generating jobs above and beyond what is typically needed to support local needs. This makes a core industry important because it is often a base industry that brings income from outside the region, thus generating additional local jobs throughout other sectors. A core industry can also form the basis for a regional industry cluster, as suppliers and other support service firms locate in the region because of its presence. One should note that a core industry does not necessarily record job growth. Although employment growth is an important variable to look at, regional strategies can be built around an industry of critical local importance, even if recent job trends have not been positive.

Developing Industries are defined as industries whose regional share of jobs is advancing faster than the average for that industry nationally. In other words, these industries locally are outpacing the nation in terms of job growth. A developing industry may represent an emerging sector with potential steady gains in regional importance.

Competitive-Advantage Industries are especially attractive because they rank high in several important variables beneficial to the regional economy and its workforce. They have a high combined rank in wage, employment size, employment growth and competitive employment performance. The importance of competitive-advantage industries is clear; they represent a combination of good economic indicators; are likely to have a local employment performance above what would be expected from national trends, supply some jobs with positive wages, provide a reasonably high number of jobs locally, and may have a good growth trend.

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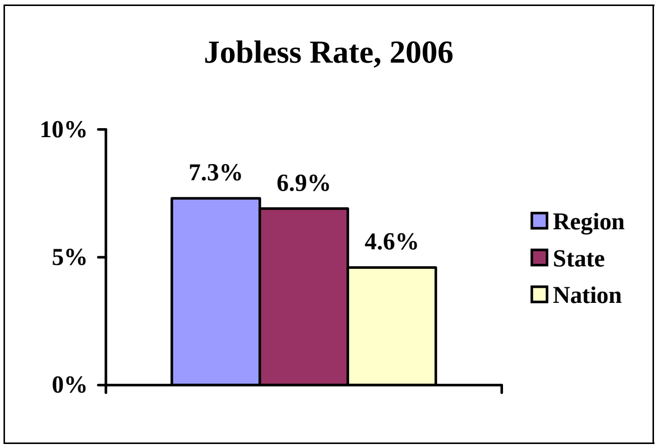
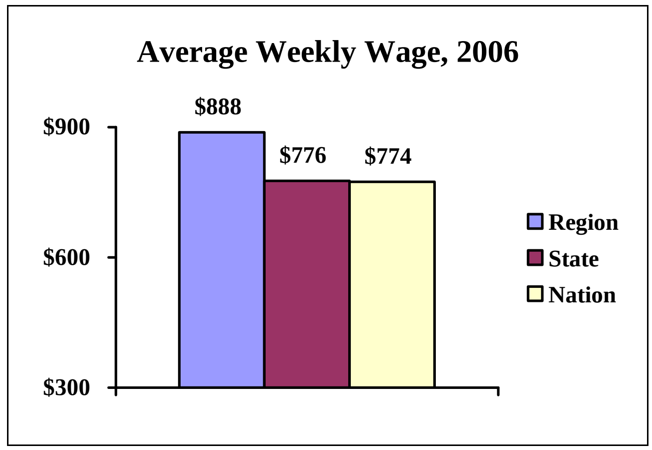
CURRENT LABOR MARKET INDICATORS

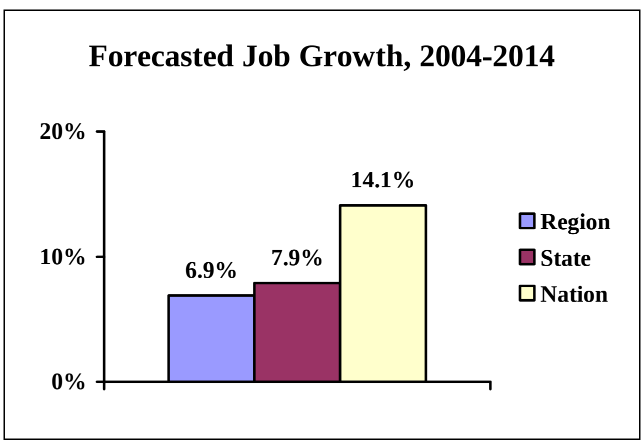
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	- 0.5%	- 1.0%	-1.6%	7.3%	$888	$36,646	+6.9%
State	0.0%	+0.6%	-1.2%	6.9%	$776	$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	$774	$33,050	+14.1%



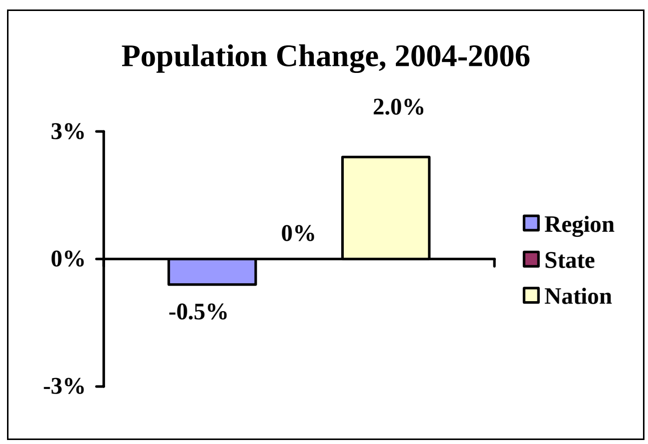
The region's jobless rate was slightly higher than the state average. Contributing to this higher rate was continued job loss in manufacturing, construction, and retail; these industries represent a large share of the region's private industry jobs.



Average weekly wages were approximately 14 percent higher in the region than statewide, primarily due to a larger concentration of jobs in higher paying automotive and related manufacturing industries.

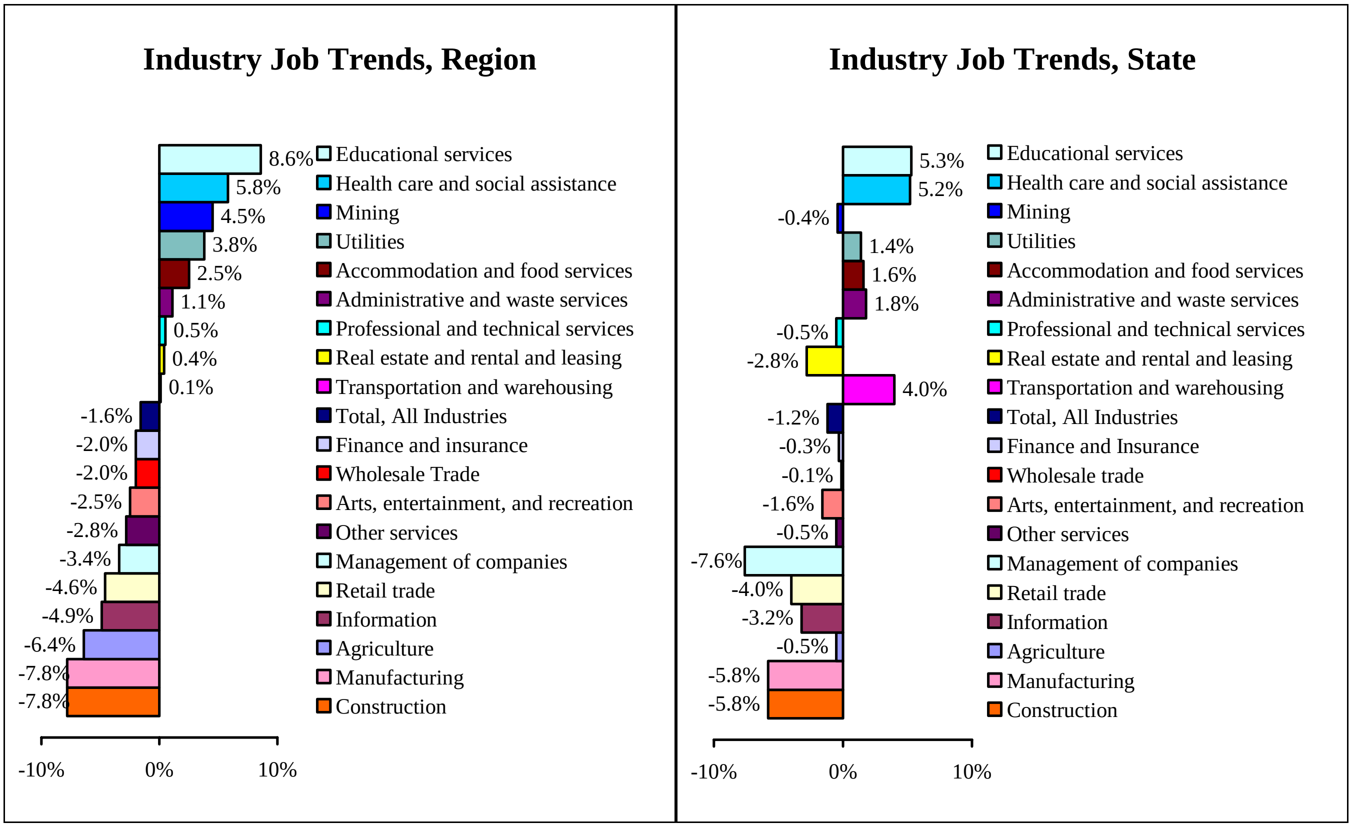


According to forecasts, regional job growth will be concentrated in professional and business services (+19 percent), education and health services (+11 percent), and leisure and hospitality (+11 percent). The manufacturing sector is expected to register an 11 percent job reduction from 2004-2014.



Even though some counties within the region experienced population gains as births exceeded deaths, the slight loss of population in Southeast Michigan can be attributed to out-migration as more individuals moved out of the area than moved in.

Industry Job Trends (2004 –2006)



- Over the last two years, the total number of private payroll jobs in the Southeast Michigan Region declined by 26,800 or 1.6 percent. Between 2004 and 2006, statewide job losses totaled 42,700, a drop of 1.2 percent.

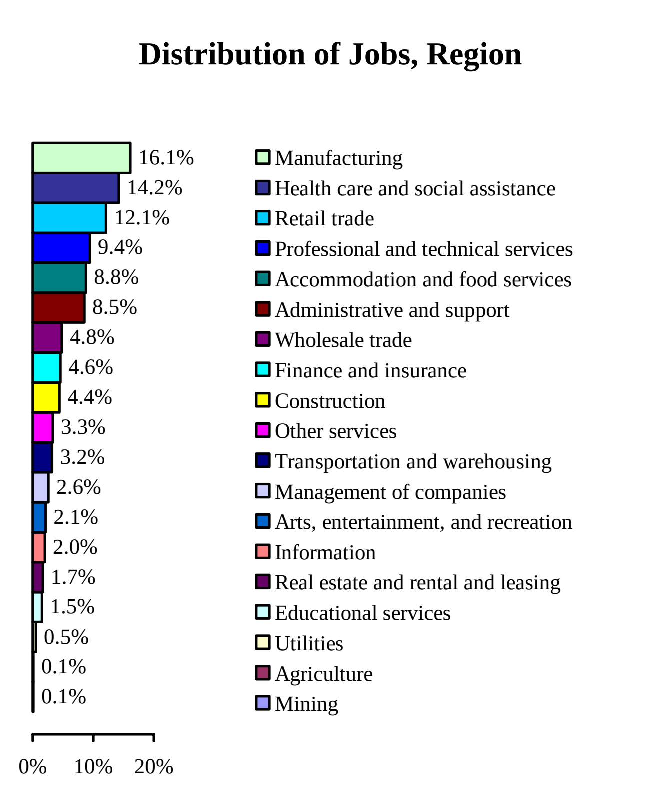
- *Manufacturing* jobs, primarily due to automotive and auto related declines, fell by nearly eight percent or 23,000 between 2004 and 2006. Approximately 85 percent of the total payroll employment decrease in the region was attributed to this sector.

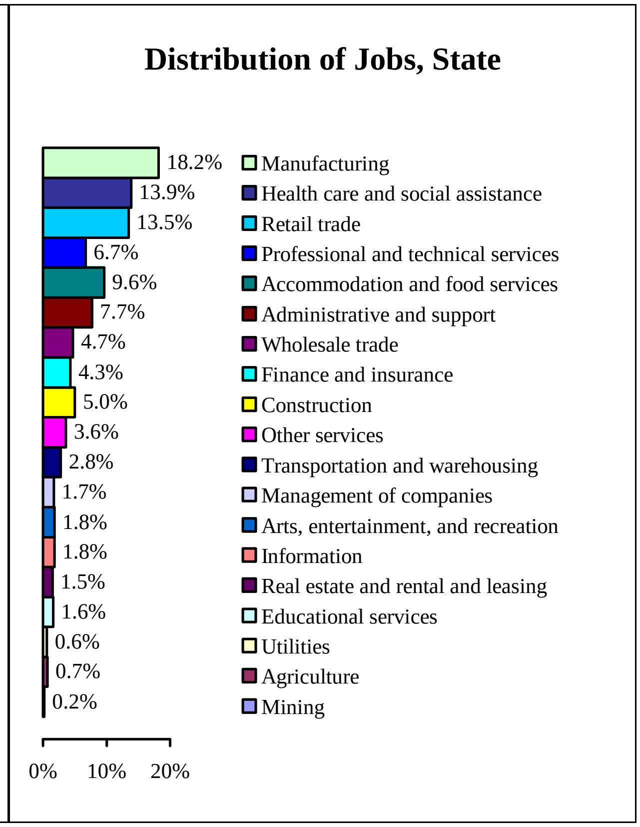
- Between 2004 and 2006, a sluggish housing market, and decreased activity in residential and commercial building, led to an eight percent drop in *Construction* payrolls. Nearly 6,300 jobs were eliminated in this industrial sector.

- Even as total payroll jobs fell over the period, several industries in the region added jobs. Among industries with the largest growth rates were *Educational Services, Health Care and Social Assistance*, *Mining* and *Utilities*.

- The four industries adding the most new jobs over the period included *Health Care and Social Assistance* (+13,000 jobs), *Accommodations and Food Services* (+3,500), *Educational Services* (+2,000) and *Administrative and Waste Services* (+1,500).

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)





- In the Southeast Michigan Region, six major industrial sectors account for over 1.2 million or 69 percent of all private employment.

- The region's industrial mix is representative of an economy that is still closely tied to manufacturing. Even though the region lost nearly 23,000 jobs (8.0 percent) in this sector between 2004 and 2006, manufacturing continues to provide the greatest number of jobs in the area.

- The statewide economy mirrors the Southeast Michigan Region, as the three industries providing the most employment are *Manufacturing, Health Care and Social Assistance* and *Retail Trade.* These three industries provide over 45 percent of all statewide private employment, compared with 42 percent of regional jobs.

- Jobs in the *Professional and Technical Services* sector make up a considerably higher proportion of total employment in the Southeast Michigan Region as compared to the state. Of the 159,000 regional jobs in this sector, (or 9.4 percent of total employment), a significant number of positions are centered in the architectural and engineering services industry and in computer systems design.

- Even though the total number of jobs in *Retail Trade* has decreased by over four percent between 2004 and 2006, the industry remains one of the major sectors in the region as it still provides over 12 percent of total payroll jobs.

PROFILE OF REGIONAL INDUSTRIES

Growth Industries (Regional industries with faster than average employment growth)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Educational Services	24,917	$618	+8.6%	+4.2%
Truck Transportation	16,550	$913	+8.3%	+3.2%
Support Activities for Transportation	8,733	$670	+7.0%	-2.1%
Ambulatory Health Care Services	81,449	$930	+6.9%	+6.4%
Nursing and Residential Care Facilities	38,893	$475	+6.5%	+6.3%
Social Assistance	25,480	$455	+5.5%	+4.7%
Health and Personal Care Stores	16,294	$572	+5.0%	+7.4%
Hospitals	93,031	$879	+4.5%	+6.9%
Membership Associations and Organization	19,573	$565	+4.0%	+4.7%
Plastics and Rubber Products Manufacturing	14,286	$814	+3.6%	-4.2%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Transportation Equipment Manufacturing	125,716	$1,459	-12.2%	+4.8%
Specialty Trade Contractors	51,914	$928	-10.2%	+7.9%
Repair and Maintenance	17,256	$684	-9.3%	+2.9%
Food and Beverage Stores	34,995	$396	-9.2%	+7.5%
Motor Vehicle and Parts Dealers	24,279	$853	-8.2%	+1.0%
Air Transportation	11,972	$1,008	-7.9%	-22.8%
Publishing Industries, except Internet	12,453	$1,357	-7.3%	+8.4%
Construction of Buildings	15,131	$1,024	-6.8%	+6.8%
Miscellaneous Store Retailers	12,673	$458	-6.6%	+7.6%
Insurance Carriers and Related Activities	25,843	$1,127	-5.6%	+7.7%

Core Industries (Region has a higher share of jobs in this industry than nationally)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Transportation Equipment Manufacturing	125,716	$1,459	-12.2%	+4.8%
Machinery Manufacturing	33,952	$1,185	-1.9%	+7.7%
Air Transportation	11,972	$1,008	-7.9%	-22.8%
Management of Companies and Enterprises	43,916	$1,797	-3.4%	-2.2%
Fabricated Metal Product Manufacturing	36,037	$894	-0.4%	+1.3%
Professional and Technical Services	158,936	$1,379	+0.5%	+6.2%
Hospitals	93,031	$879	+4.5%	+6.9%
Primary Metal Manufacturing	8,581	$1,045	-3.5%	+12.6%
Amusements, Gambling and Recreation	26,356	$418	-3.1%	+3.1%
Plastics and Rubber Products Manufacturing	14,286	$814	+3.6%	-4.2%

Developing Industries (Region's share of jobs advancing faster than national average)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Utilities	8,104	$1,586	+3.8%	+22.1%
Plastics and Rubber Products Manufacturing	14,286	$814	+3.6%	-4.2%
Electronics and Appliance Stores	7,703	$752	+12.6%	+9.2%
Hospitals	93,031	$879	+4.5%	+6.9%
Health and Personal Care Stores	16,294	$572	+5.0%	+7.4%
Membership Associations and Organization	19,573	$565	+4.0%	+4.7%
Securities, Commodity Contracts, Investments	6,591	$1,837	+18.1%	+9.5%
Truck Transportation	16,550	$913	+8.3%	+3.2%
Heavy and Civil Engineering Construction	7,173	$1,234	+11.3%	+15.0%
Food Services and Drinking Places	137,454	$252	+2.9%	+3.0%

Competitive-Advantage Industries (Regional industries with a favorable combination of wage, employment change, and competitive employment performance vs. national trends)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Hospitals	93,031	$879	+4.5%	+6.9%
Truck Transportation	16,550	$913	+8.3%	+3.2%
Educational Services	24,917	$618	+8.6%	+4.2%
Nursing and Residential Care Facilities	38,893	$475	+6.5%	+6.3%
Ambulatory Health Care Services	81,449	$930	+6.9%	+6.4%
Plastics and Rubber Products Manufacturing	14,286	$814	+3.6%	-4.2%
Membership Associations and Organization	19,573	$565	+4.0%	+4.7%
Telecommunications	11,435	$1,090	-3.6%	-1.5%
Health and Personal Care Stores	16,294	$572	+5.0%	+7.4%
Professional and Technical Services	158,936	$1,379	+0.5%	+6.2%
Support Activities for Transportation	8,733	$670	+7.0%	-2.1%
Social Assistance	25,480	$455	+5.5%	+4.7%

- In the Southeast Michigan Region, health care industries dominated the list of growth industries. *Ambulatory Health Care Services, Nursing and Residential Care Facilities, Health and Personal Care Stores* and *Hospitals* combined to account for approximately 230,000 jobs in 2006, an increase of 12,500 or six percent. Many regional health care systems have announced plans to hire additional staff, primarily registered nurses, allied health professionals, and health technicians, to address existing job vacancies and to staff facility expansion projects.

- The Detroit-Windsor border is one of the major international trade corridors in the country and is one of the reasons for the considerable growth in *Truck Transportation* and *Support Activities for Transportation*. Both industry sectors added significant numbers of jobs over the period and rose by 8.3 and 7.0 percent, respectively.

- As expected, *Transportation Equipment Manufacturing* led the list of industries with job decline. Over 17,000 jobs were lost in the Southeast Michigan Region in the last two years. *Specialty Trade Contractors* was another industrial sector that showed double-digit job losses due primarily to the stagnant housing market in the region.

- *Publishing industries, except Internet* in the Southeast Michigan Region registered a seven percent decline as Detroit's two large newspapers went through with a major change in ownership in 2005. MediaNews Group located in Denver, purchased the Detroit News.

- Three of the top five core industries in Southeast Michigan were manufacturing and automotive related. In addition to *Transportation Equipment Manufacturing*, the core industries of *Machinery Manufacturing* and *Fabricated Metal Product Manufacturing* highlight the region's continued dependence on the automotive industry for income and jobs.

- The impact of the auto industry is seen even beyond manufacturing. The automotive industry has a major impact on both the *Management of Companies and Enterprises* and *Professional and Technical Services* sectors. For example, many of the jobs generated by the engineering, computer, technical and research divisions in the auto industry are classified in *Professional and Technical Services*, which is a competitive-advantage industry. In fact, approximately 15 percent of regional jobs in the *Professional and Technical Services* sector are directly employed by major automotive manufacturers.

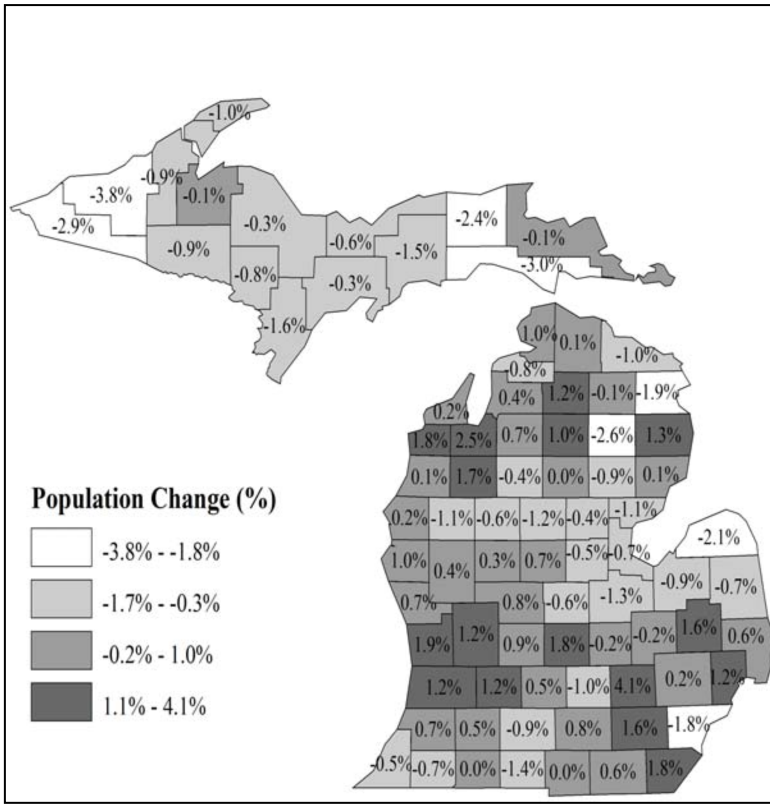
- Even though the number of jobs has increased marginally in the *Professional and Technical Services* sector between 2004 and 2006, some detailed industries within the sector have done considerably better than others. *Management, Scientific and Technical Consulting Services* and *Accounting, Tax Preparation and Payroll Services* have both grown by over five percent over this period.

- Although *Telecommunications* has shown a slight decline in employment between 2004 and 2006, it is still a competitive-advantage industry due to the high wages paid to employees, and its employment performance versus national trends. Comcast, AT&T and Verizon Wireless all have announced plans to increase employment levels in the short-term to meet the growing needs of their customers.

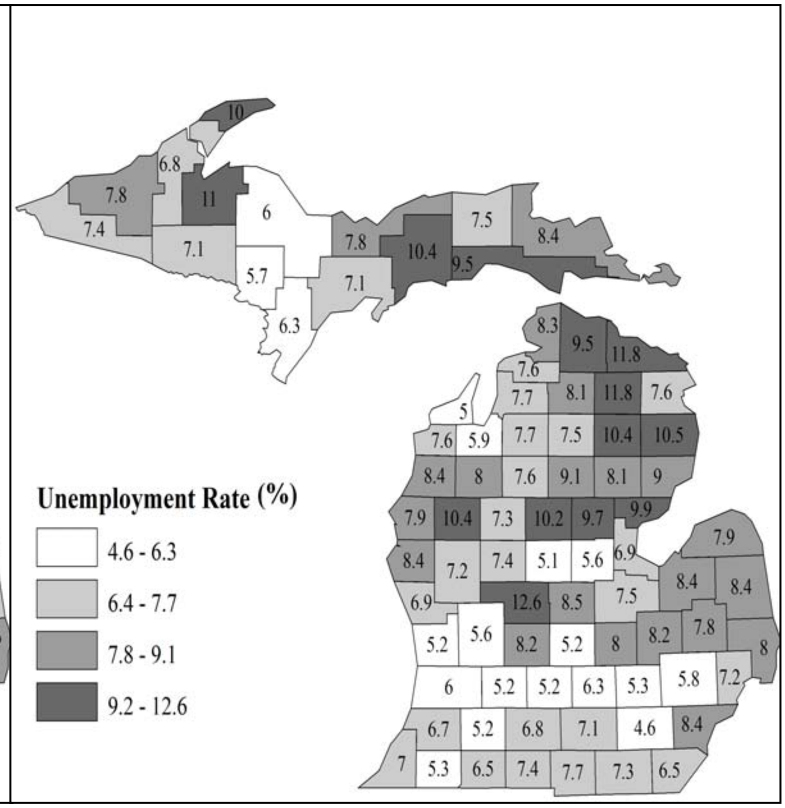
- Between 2004 and 2006, the *Educational Services* industry has become a competitive-advantage industry due to its favorable employment growth rate (+8.3 percent) and competitive job performance compared with national trends. The nearly 2,000 additional jobs generated were concentrated primarily in private K-12 schools.

APPENDIX I: MAPPING ECONOMIC TRENDS

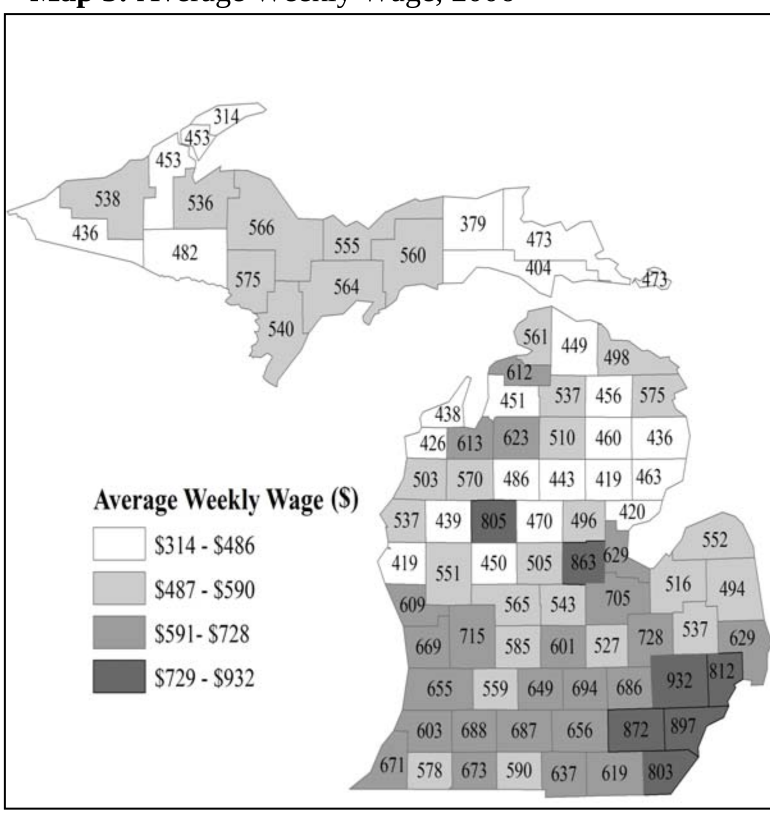
Map 1: Change in Population, 2004-2006



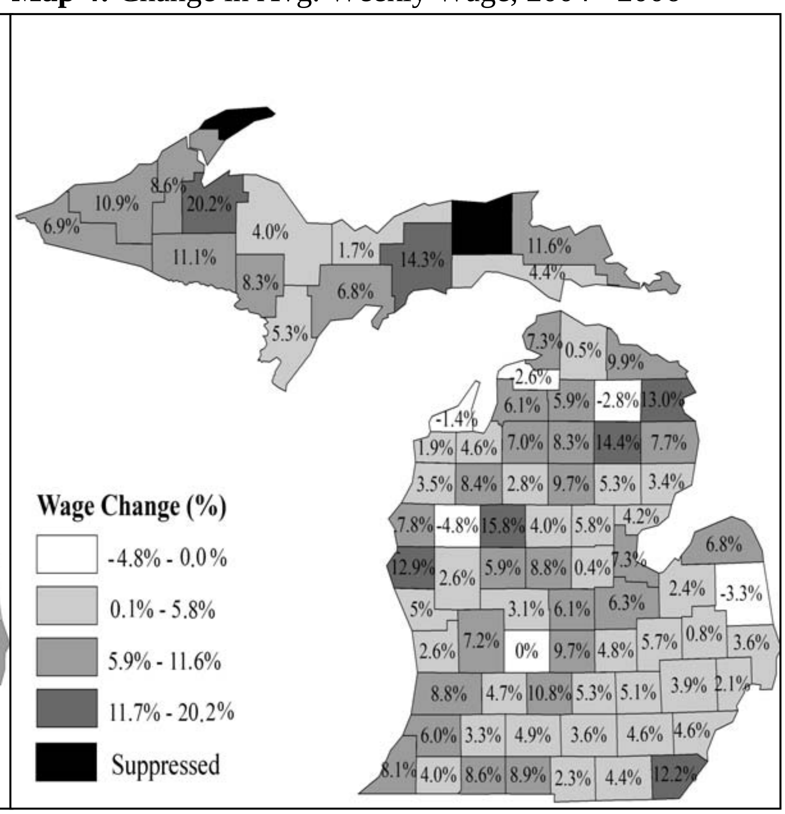
Map 2: Unemployment Rate, Average 2006



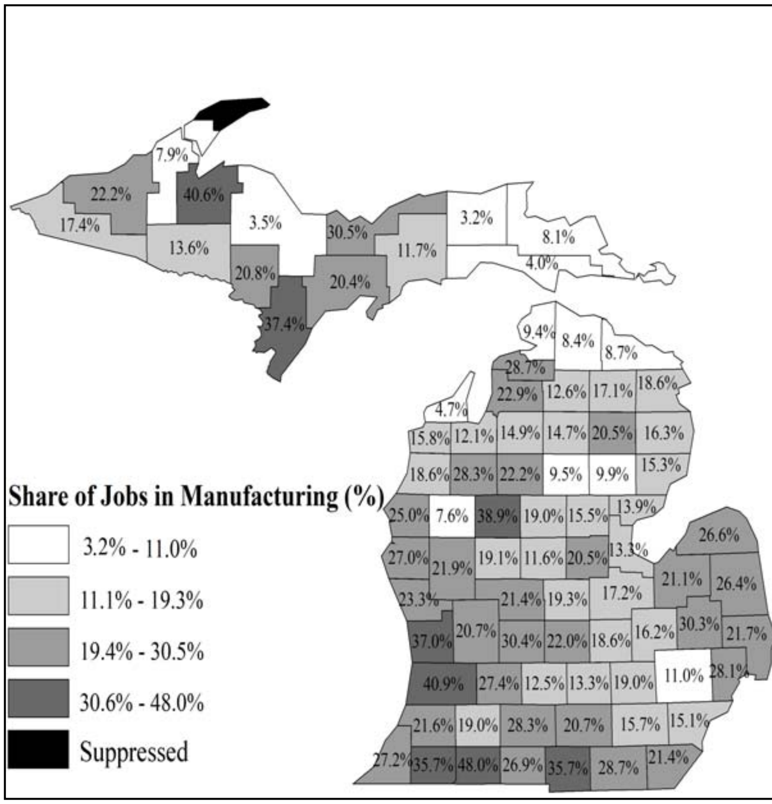
Map 3: Average Weekly Wage, 2006



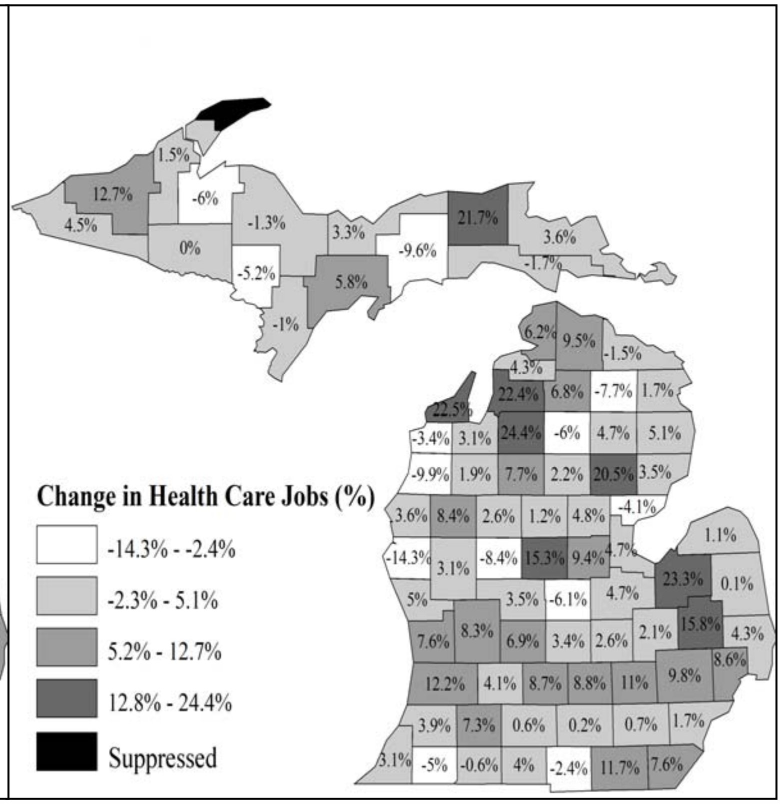
Map 4: Change in Avg. Weekly Wage, 2004 - 2006



Map 5: Percentage of Total Private Jobs in the Manufacturing Sector, 2006



Map 6: Change in Private Health Care & Social Assistance Sector Jobs, 2004 to 2006



Map Created by:

Michigan Department of Labor & Economic Growth

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