

The Upper Peninsula of Michigan: Opportunities for growth and development in the 2007-2015 economy!

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Action Upper Peninsula

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Overview

- This presentation summarizes the state of the economies of the state and nation. It then places the economy of the Upper Peninsula of Michigan into the context of the state and national wholes. There the strengths, weaknesses, challenges and threats to the fifteen counties of this rural area are identified. Possible opportunities for growth and development are then presented and a conclusion is drawn.



The National Economy

2008: A Year of “Crisis” and Political, Economic and Social Uncertainty

Output Falls

Unemployment Rises

Price Volatility

Housing Bubble

Stock Market Plummets and Is Volatile

Consumer Debt Continues to Rise

“Interesting” Fiscal and Monetary Policies of the Bush Administration and Before

Presidential Election Promises to Bring in New Federal Policies

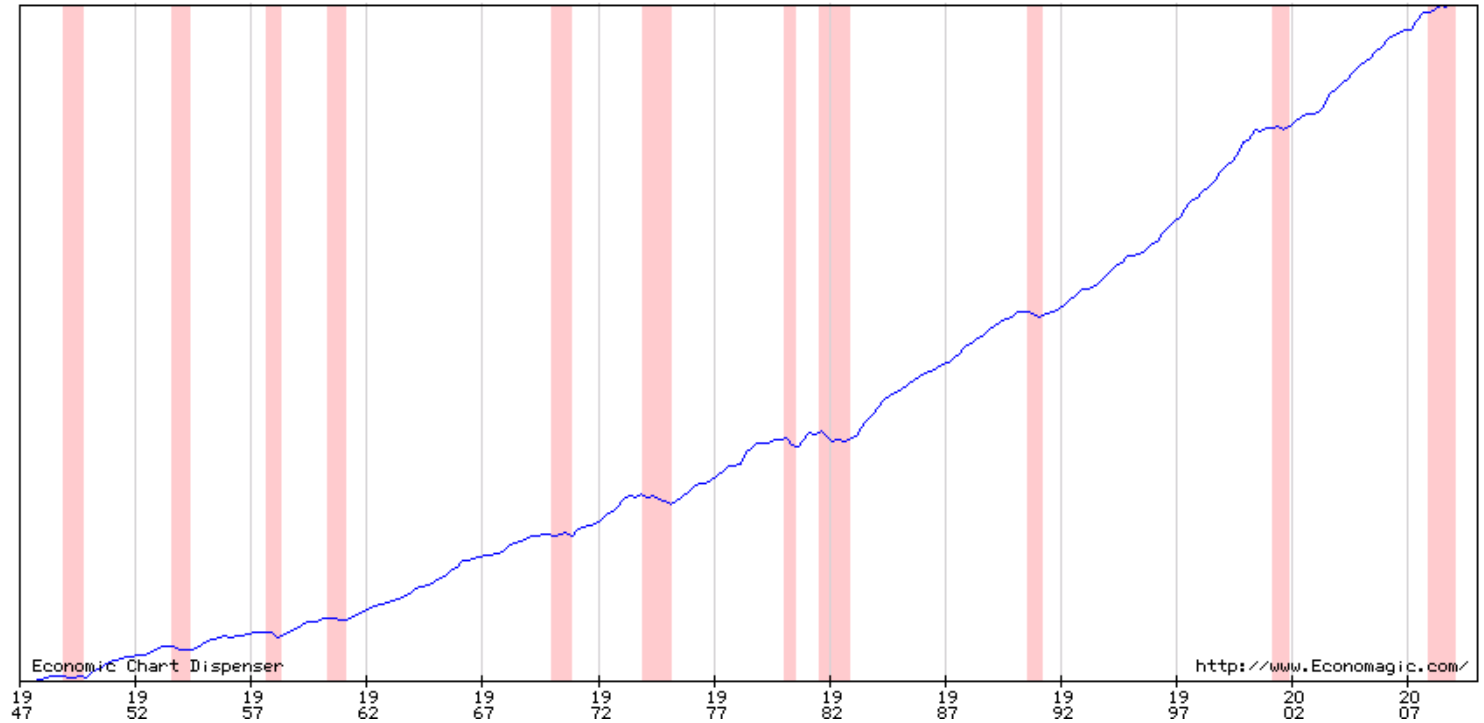
Global Uncertainties and Wars (War on Terrorism/Iraq)

Discussions of Social Shifts

Historical Perspective: Real Output and Income Increase

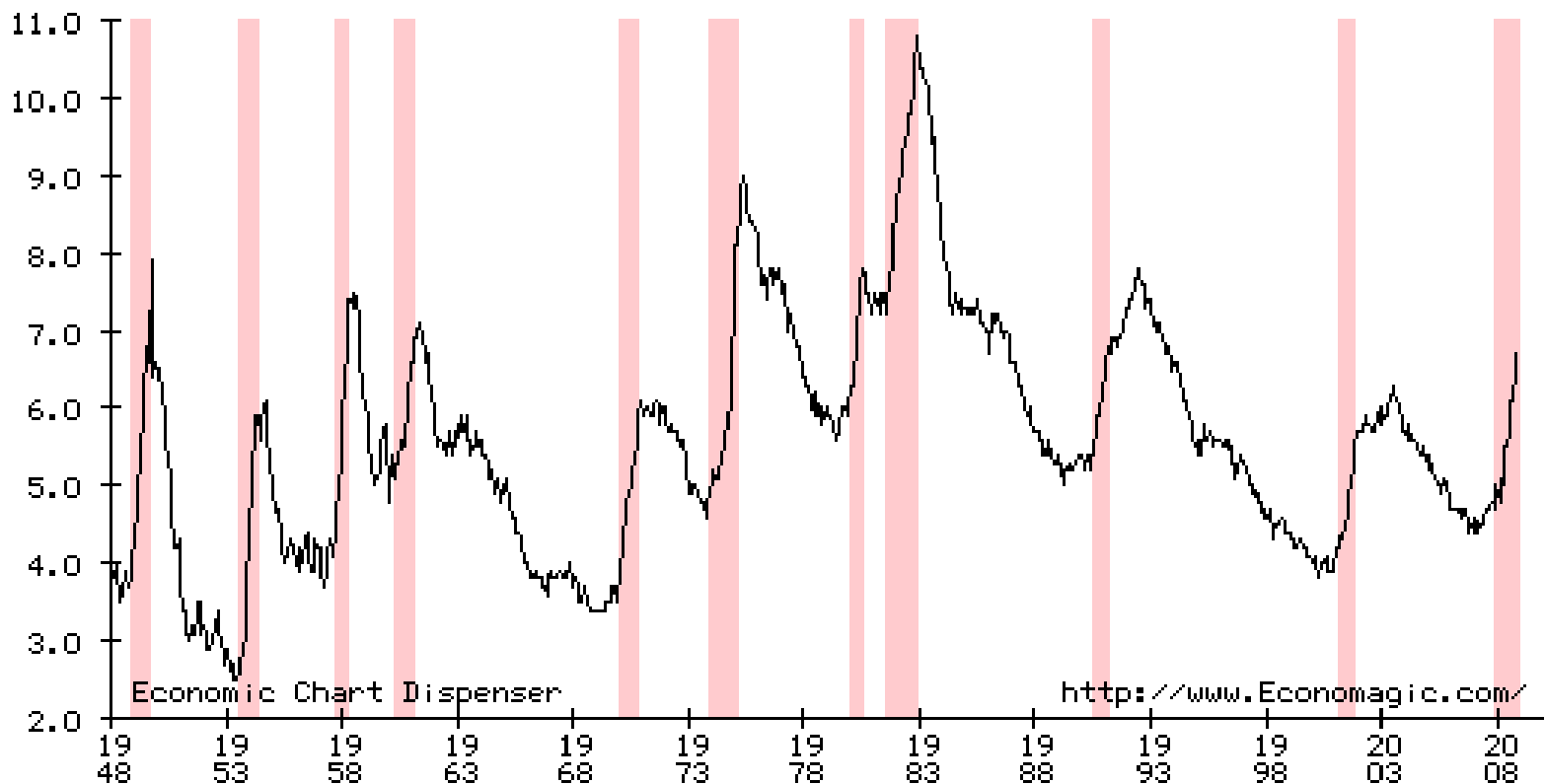
RGDP, 2000 Chained Dollars

— Gross domestic product Real Gross Domestic Product, Chained Dollars: Billions of chained 2000 dollars; SAAR (quarterly)



Historical Perspective: Unemployment Changes

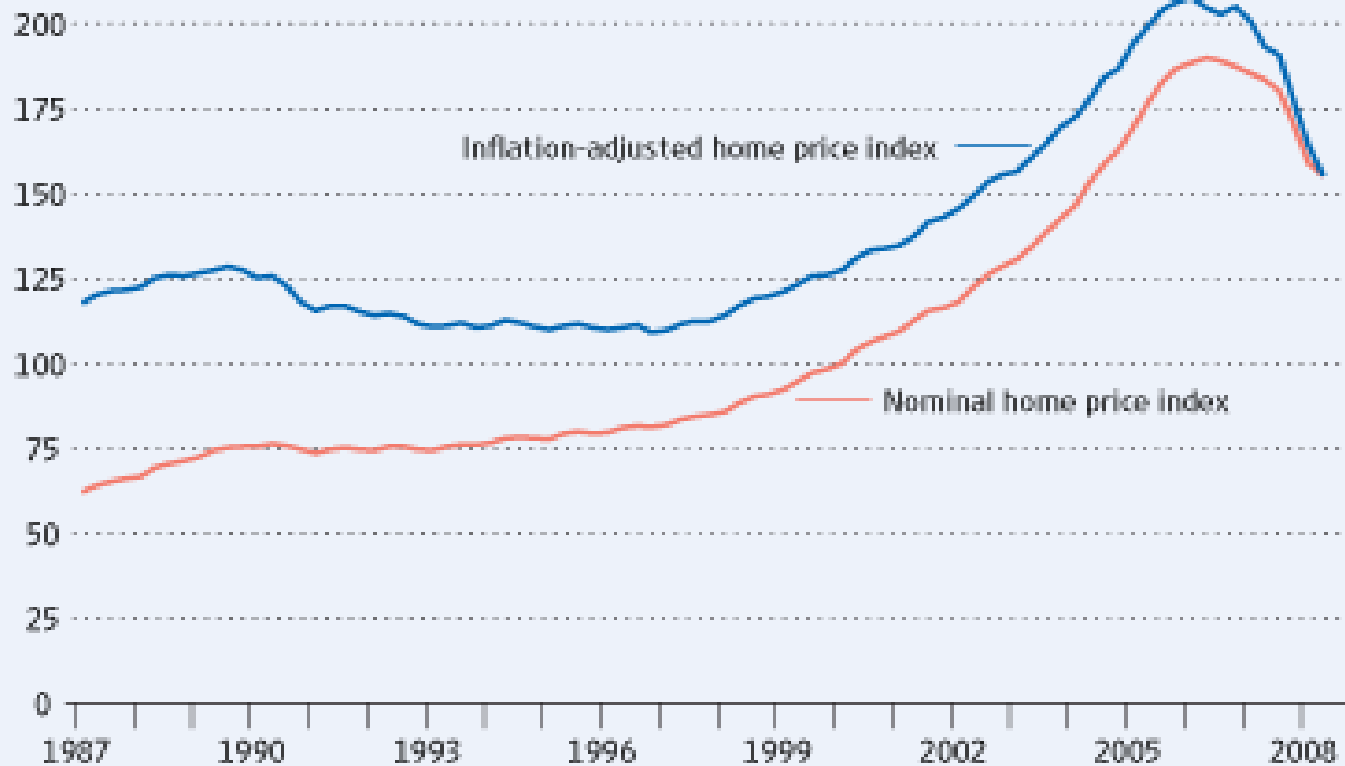
Unemployment rate, Civilian labor force: SA



Housing Prices

The Housing Bubble

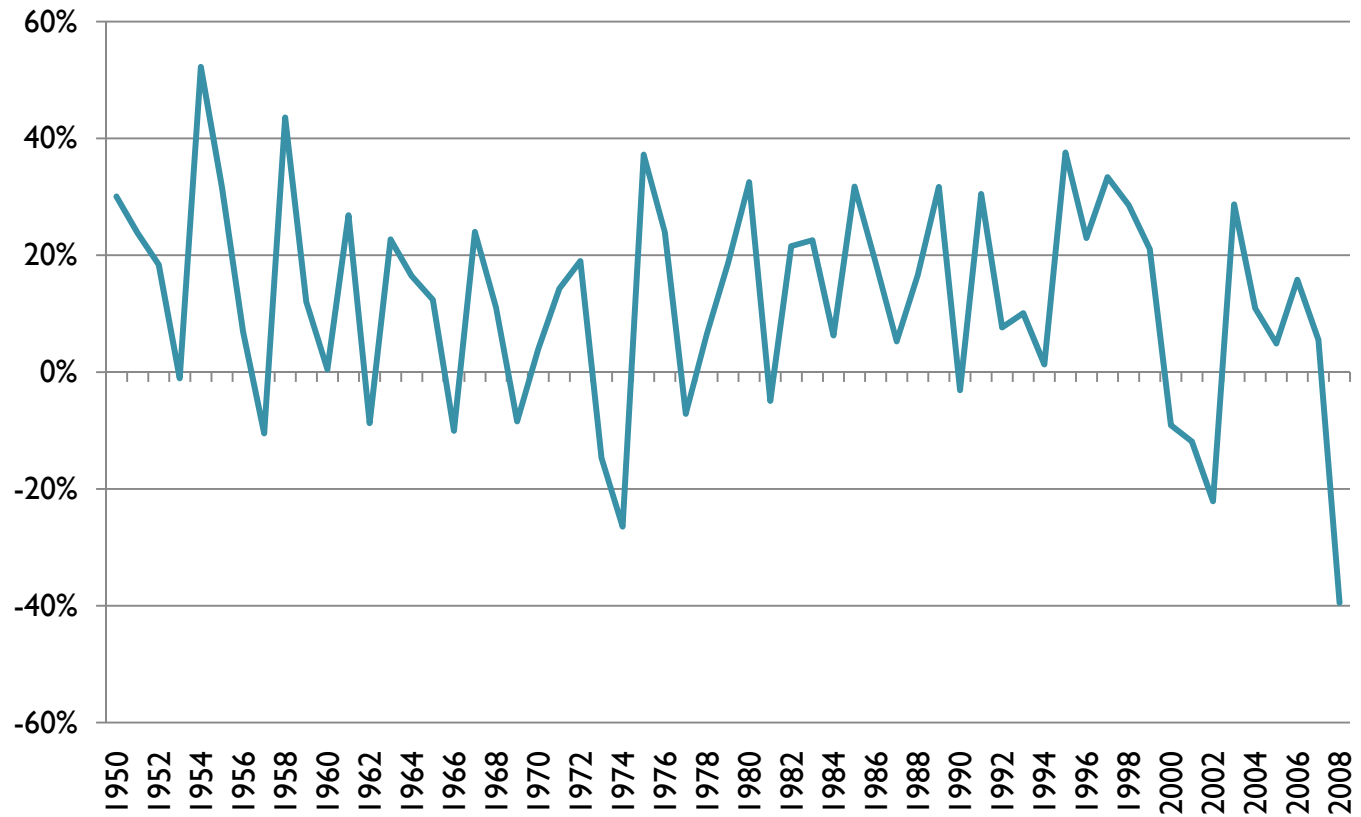
S&P/Case-Shiller National Home Price Index, 1987-2008



Source: Standard & Poors

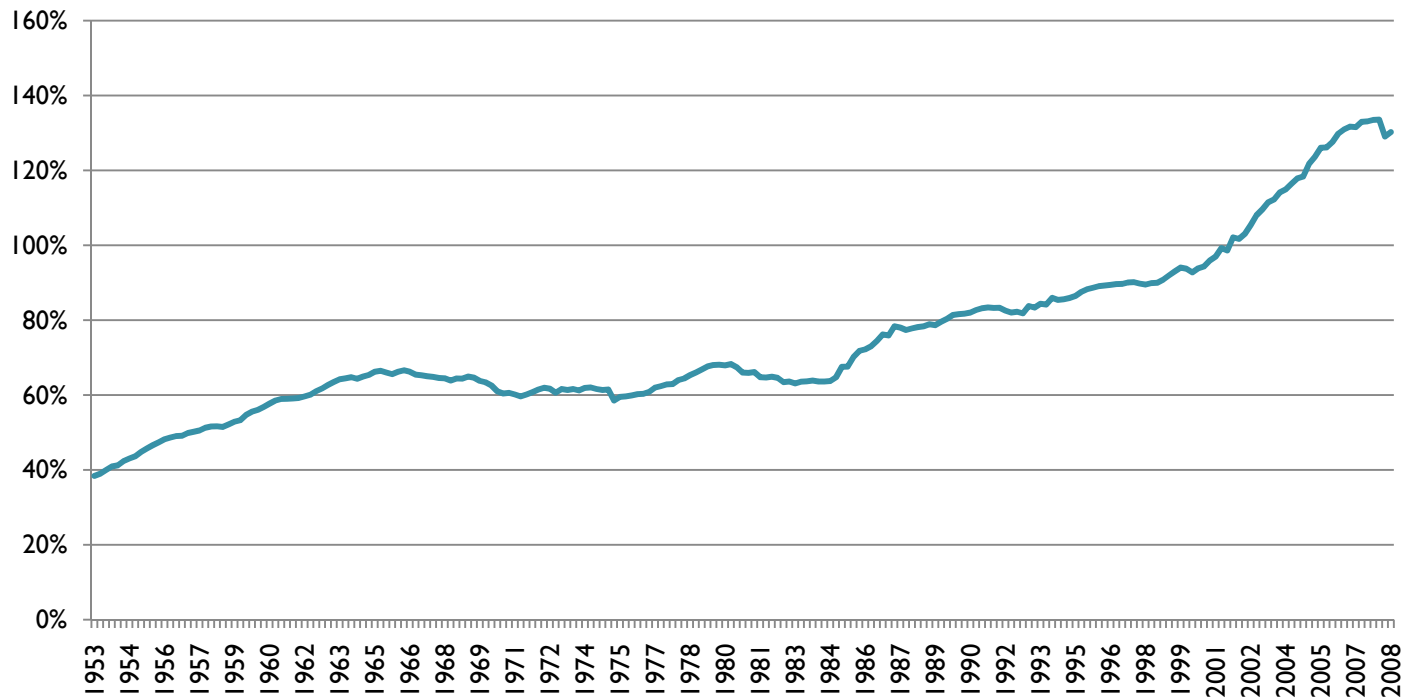
Stock Prices

Standard and Poor's 500 Total Return



Household Debt Rises

Household Debt to Disposable Personal Income Ratio



Federal Actions

- Well intended government and Federal Reserve officials
 - “Interesting” Fiscal and Monetary Policies of the George W. Bush and Previous Administrations
 - Community Re-Investment Act of 1975, ‘95
 - Loose Monetary Policies
 - Financial and Auto Bailouts Addressing Special Interests
 - War on Terrorism including Wars in Iraq and Afghanistan
 - New President Elect



The Michigan Economy: What Can We Say?

- The Michigan economy is in its ninth year of decline with the automobile industry leading the way.
- The auto industry continues to seek federal support to help move through their problems.
- Kalamazoo MI appears to be bucking state trends.
 - Southwest Michigan First
 - Attracting new businesses, helping existing one shift focus, and tracking activities
 - Innovation Center at Western Michigan University
 - Helps researchers , leaving Pfizer, start up life science companies of their own. Tracks and reports success to the community.

The UP Economy Now

- UP Economic Base 2007: Jobs and Earnings
 - Review which groups of industries drove the UP's regional economy in 2007. The primary criteria is:
 - By group that brings in the most dollars into a region and does not just simply circulate existing dollars.
- Look at 2007 People, Business and Sales Landscape
- Project the 2007-2015 growth patterns based on a 2007* start year, not 2008.

2007 Gross Regional Product, Consumption and Investment

Area	Earnings (\$M)	Profits (\$M)	Tax (\$M)	GRP (\$M)
Region	\$5,615.7	\$1,750.5	\$525.6	\$7,891.7
State	\$261,386.4	\$93,905.5	\$24,511.8	\$379,803.6
Nation	\$8,854,964.6	\$4,036,201.8	\$873,558.1	\$13,764,724.5

Non-Standard Industries	Sales(K)
Consumption	\$5,174,333
Investment	\$503,187

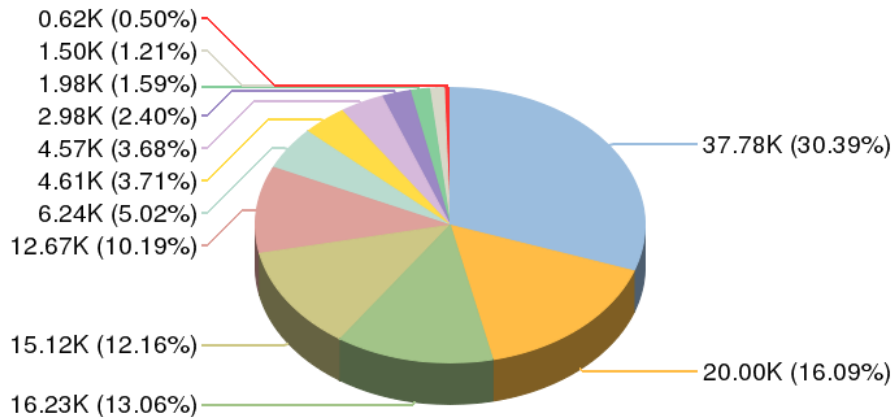
Description	2007 Regional Jobs	% Regional Jobs	2007 State Jobs	% State Jobs
Agriculture, natural resources, and mining	3,131	2.5%	27,481	0.6%
Construction	6,196	5.0%	163,491	3.9%
Manufacturing	11,990	9.6%	621,921	14.7%
Trade, transportation, and utilities	23,180	18.6%	816,940	19.3%
Information	2,008	1.6%	64,739	1.5%
Financial activities	4,202	3.4%	206,515	4.9%
Professional and business services	5,511	4.4%	579,660	13.7%
Education and health services	14,743	11.9%	576,660	13.6%
Leisure and hospitality	14,409	11.6%	403,833	9.5%
Other services	4,189	3.4%	128,584	3.0%
Government	34,756	28.0%	641,732	15.2%

2007 Economic Base: Jobs, Earnings, Sales

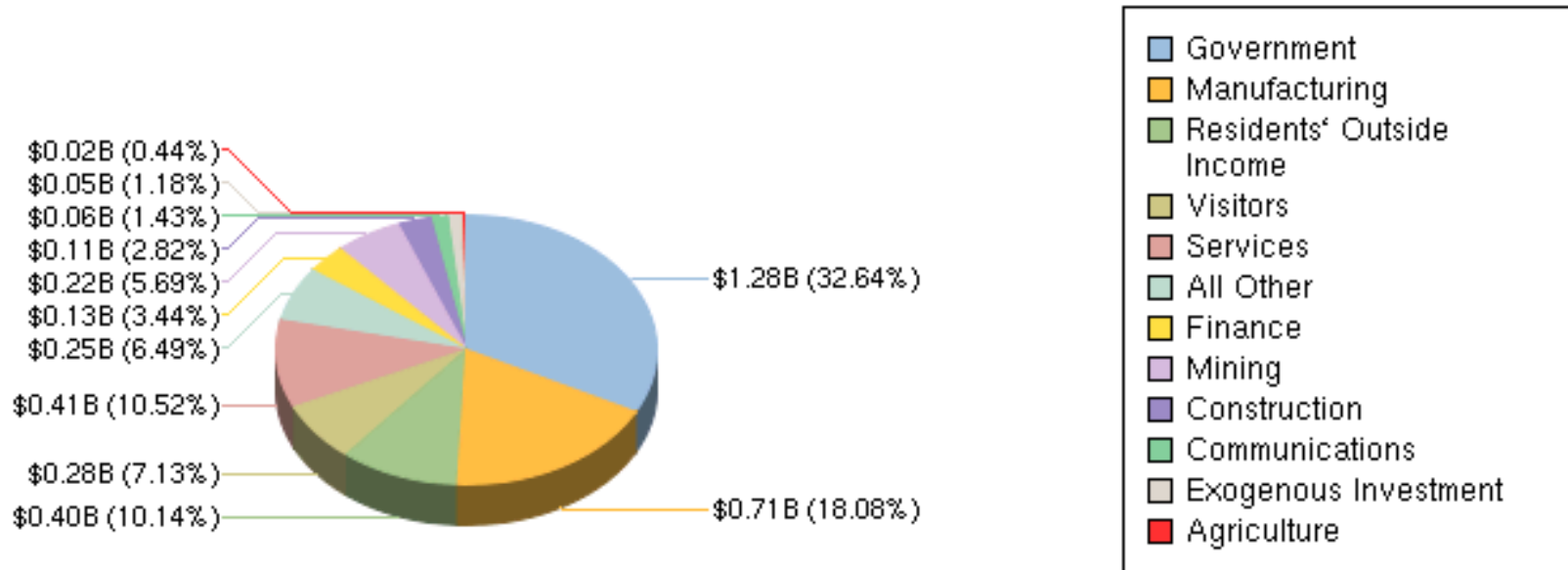
NAICS Sectors That Drive the UP Economy	Jobs	Earnings(K)	Jobs %	Earnings %	EPW(K)
Government	37,784	\$1,280,404	30%	33%	\$34
Manufacturing	20,002	\$709,188	16%	18%	\$35
Residents` Outside Income	16,232	\$397,768	13%	10%	\$25
Visitors	15,117	\$279,769	12%	7%	\$19
Services (Health, Education, Recreation and others)	12,671	\$412,807	10%	11%	\$33
All Other	6,245	\$254,758	5%	6%	\$41
Finance	4,609	\$134,984	4%	3%	\$29
Mining	4,569	\$223,206	4%	6%	\$49
Construction	2,980	\$110,658	2%	3%	\$37
Communications	1,981	\$56,246	2%	1%	\$28
Exogenous Investment	1,503	\$46,160	1%	1%	\$31
Agriculture	621	\$17,238	0%	0%	\$28
Totals	124,314	\$3,923,186			\$32 Avg

2007 UP Economic Base

~ 124,000 Jobs Across the UP



UP Economic Base: \$3.9 Billion in 2007 Earnings



Future Projections Based on Using Previous Production, Consumption and Investments Patterns

- Holding all fiscal and monetary policies constant
- Assuming no new financial and/or global uncertainties

2007-15 Some Industries Likely Grow and Expand Job Base While Others Do Not

NAICS Code	Description	2007 Jobs	2015 Jobs	Change	% Change	2007 EPW
93000	Local government	23,442	22,149	-1,293	-6%	\$30,538
92000	State government	9,008	9,361	353	4%	\$44,491
62211	General medical and surgical hospitals	5,045	5,880	835	17%	\$42,477
72221	Limited-service eating places	4,612	5,609	997	22%	\$9,233
72211	Full-service restaurants	3,868	3,831	-37	-1%	\$10,580
44511	Supermarkets and other grocery stores	2,992	2,811	-181	-6%	\$15,685
72111	Hotels and motels, except casino hotels	2,746	3,036	290	11%	\$15,538
45211	Department stores	2,363	2,072	-291	-12%	\$18,244
32212	Paper mills	1,948	793	-1,155	-59%	\$57,263
62311	Nursing care facilities	1,505	1,333	-172	-11%	\$21,745



Replacement Jobs:

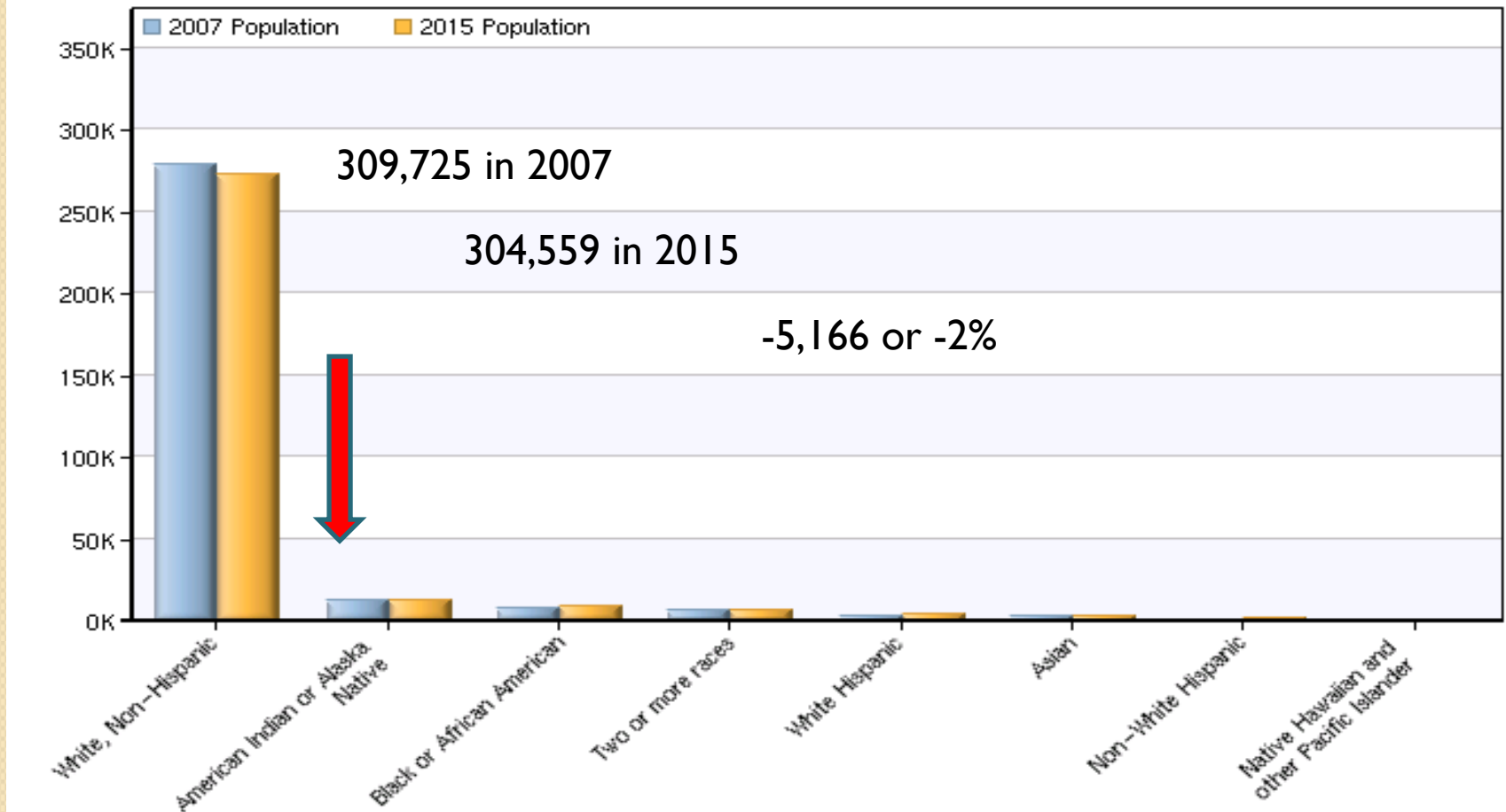
A key component for finding in-demand jobs across the U.P.

Cluster Code	REPLACEMENT POSITIONS OPEN Cluster Name	2007 Jobs	2015 Jobs	Change	Replacement	% Change/Rep.	2007 Hourly Earnings
08	Health Science	14,638	15,912	1,275	2,056	23%	\$17.54
09	Hospitality & Tourism	23,210	24,088	879	4,812	25%	\$12.83
10	Human Services	9,396	10,046	650	1,655	25%	\$14.85
04	Business, Management & Administration	23,040	23,630	584	4,607	23%	\$15.00
06	Finance	5,407	5,729	322	1,111	26%	\$17.80
12	Law, Public Safety, Corrections & Security	4,906	5,190	284	1,011	26%	\$22.62
16	Transportation, Distribution, & Logistics	16,445	16,701	260	2,880	19%	\$16.84
14	Marketing, Sales & Service	21,138	21,283	145	5,402	26%	\$10.81
15	Science, Technology, Engineering & Mathematics	3,086	3,211	129	564	22%	\$25.46
11	Information Technology	1,210	1,327	116	228	28%	\$24.25
01	Agriculture, Food & Natural Resources	8,238	8,313	83	1,447	19%	\$19.82
07	Government & Public Administration	2,830	2,879	51	465	18%	\$22.72
03	Arts, A/V Technology & Communications	2,018	2,048	32	416	22%	\$21.94
05	Education & Training	7,702	7,652	-54	1,385	17%	\$24.32
02	Architecture & Construction	8,598	8,502	-94	1,351	15%	\$19.39
13	Manufacturing	5,631	5,458	-172	803	11%	\$20.01

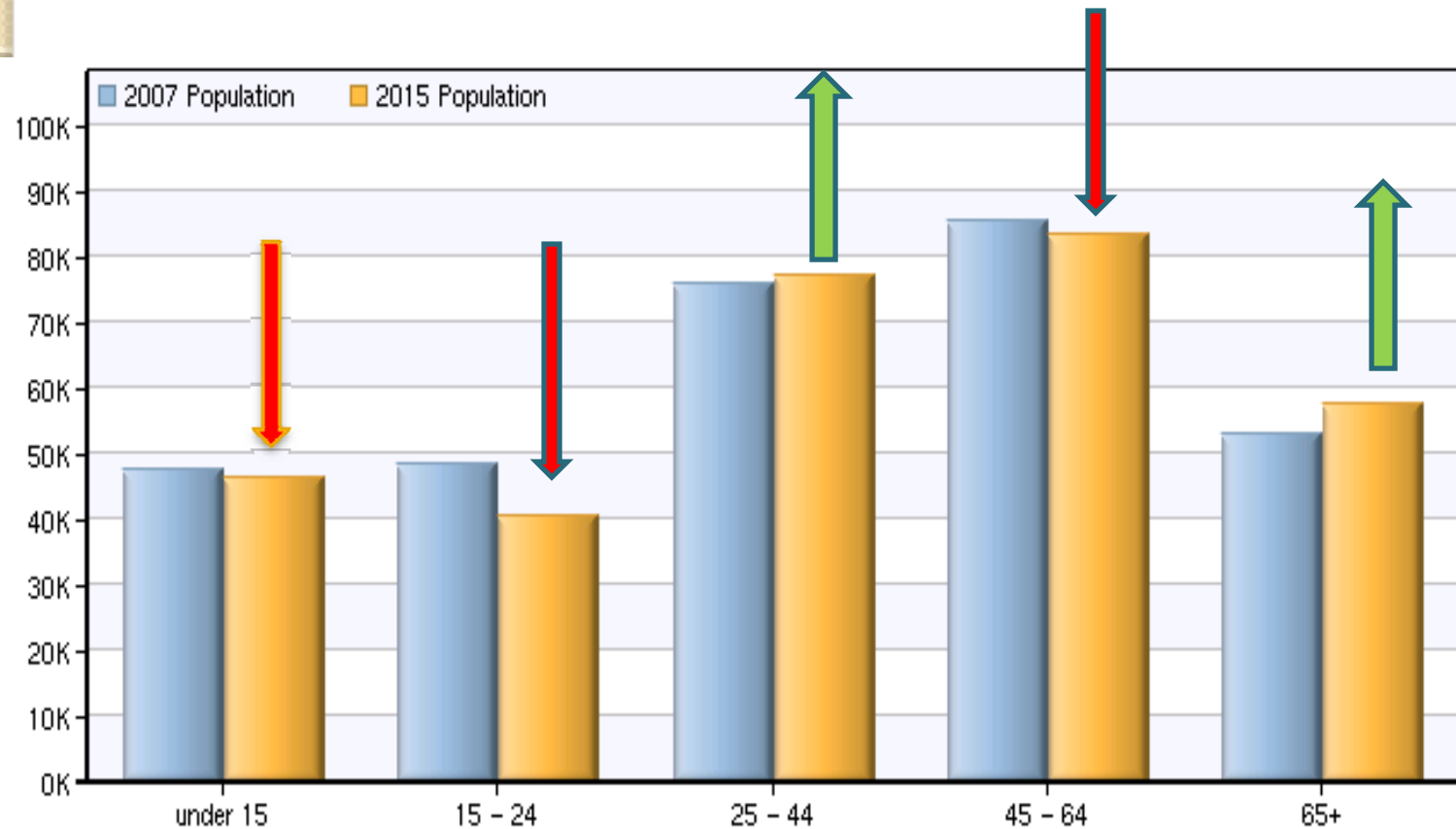
Current and Long Run Mining Opportunities Expand

- Iron ore
- Nickel
- Zinc, gold, silver and copper mining opportunities are explored.

However... Between 2007 and 2015: Total Population Is Expected to Decrease By 2%



2007-15: EMSI Population Shifts



“Middle Age Flight”

Regional Challenges

- In 2007, approximately 310,000 live in the region across 10.5 million acres. The majority is of the same ethnicity and race implying it somewhat insulated from the effects of an increasingly diversified global culture.
- In the knowledge based national economy, the 2007 regional population lags behind the nation and state in its population with some college education and above.

2007 Population with Some College Education		
Area	Population	% of 25+ Cohort
Region	110,998	51.84%
State	3,856,655	57.98%
Nation	112,766,251	56.89%

2007 Population with a Postgraduate Education		
Area	Population	% of 25+ Cohort
Region	14,555	6.8%
State	638,144	9.59%
Nation	20,408,507	10.3%

Challenges: Continued

- In-demand jobs are there but there is some concern we may not have the skills, knowledge and work experience needed **at** this time.
- Paper wealth has decreased. Credit markets have tightened, and confidence is shaken.
- Consumer spending will likely continue to drop as credit tightens, unemployment rises and uncertainty and media hype continue to overwhelm us.
- Businesses continue to adjust production, employment and investment levels.
- A “new” government emerges.
- State economy will likely continue to struggle.

Capitalize on UP Strengths and Technologies

- Relatively diversified regional economy*
- Rich in natural resources, opening new water and mineral opportunities
- 2007-2015 New and **Replacement** Positions Need to Be Filled
- Strong base of educational institutions

Area	Educational Institutions	Per 100,000 People
Region	9 institutions	2.91
State	178	1.77
Nation	6,868	2.28

- Technology makes remote work possible.

Choose New Responses to Long-standing Problems: Educate, Collaborate and Network!

- Educate and Collaborate
 - Educational institutions and businesses work together to identify the skill sets needed by the future workforce.
 - [MSU Extension University's Connecting Rural Youth & Rural Enterprise Forum in an Information Based Economy, 28 Mar 09 at NMU](#)
- Networking Among Leaders and Businesses
 - Actively participate in regional organizations and local efforts committed to economic growth and development like the [Economic Club of Marquette County](#), [Operation Action U.P.](#) and others.

University-based resources

- University and college based commitments help ensure that their programs are responsive to the needs of the region. Commercialization and entrepreneurship initiatives at U.P. institutions include: technology transfer, university-industry commercialization programs, entrepreneurship education related to economic development, and economic development/outreach.
 - [Bay College M-Tec](#)
 - [Bay Mills Community College](#)
 - [Finlandia University](#)
 - [Gogebic Community College](#)
 - [Lake Superior State University](#)
 - [Michigan Technological University](#)
 - [Northern Michigan University](#)
- Development professionals prepare workforce investment strategies that involve post-secondary and K-12 schools.

Government

- Join conversations and committees linked to local and state government initiatives.
 - Get involved in the [NMU Center for Rural and Local Studies](#)
 - NMU hosted “Innovations in Local Government Management Symposium” on February 6, 2009
 - Contact Brian Cherry, bcherry@nmu.edu for upcoming events.



Private Sector: Seize Opportunities to Cluster!

- Look at businesses that are linked vertically or horizontally in the production chain and/or share common labor pools. That is, identify, evaluate and compare regional clusters and create channels to share resources, information and market knowledge.
- Cluster growth and decline correlates with the growth and decline of the those industries employing workers found along the same or linked production chains.
- Health care, Information Technology & Telecommunications, Timber/Logging, Manufacturing, Recreation and Education

Capitalize on Regional Resources

- Work with private individuals, development organizations and chambers of commerce to
 - Revise operational plans to adjust for changes in the economy and government;
 - Determine current value in local, regional and global markets;
 - Identify other firms and businesses in your cluster;
 - Devise an exit strategy.

Communicate Workforce Needs

- Devise Strategic Responses to Layoffs for Re-employment
- Encourage employees to with Michigan Works! The Job Force if they are gainfully employed, employed but facing unemployment, unemployed or returning to work after being unemployed.

Be Active

- [Michigan Works! The Job Force Board](#) (East, Central and West) and the Upper Great Lakes Economic and Workforce Development Summit
- **Functional** ~ To establish and implement a regional workforce investment system.
- **Strategic** ~ Assess regional global workforce issues based upon local business and industry needs and offer solutions. Convene community leaders to help seek solutions and amass resources to implement them.
- **Operational** ~ Establish and control a system of Michigan Works! Service Centers where regional labor exchange and services are offered to any and all regional employers and any and all job seekers.

Tap Into Outside Resources

- Complete online training, get on mailing lists and use the resources provided by the federal government to:
 - proactively seeking new markets
 - engage in innovative action to meet local
 - market needs
 - be able and willing to take strategic risks by venturing into previously unknown markets.
- [Export.gov](#)
- [Small Business Administration's Office of Advocacy](#)

Conclusion

- Unlike the lower peninsula of Michigan, the UP is not directly tied to one industry.
- Continued analysis of the regional strengths, weaknesses, opportunities and threats will speed the process by which the regional economy grows and develops within the context of the global economy.
- Regional and external resources combined with an informed citizenry can capitalize on regional strengths and compensate for existing weaknesses.
- Strategic and prudent consumption, investment and production decisions can help the region move through economically uncertain times.

Action Items for the OAUP Audience

- Network!!!!
- Update the websites of your businesses and make others aware of these updates.
(Challenge all to do so by September of 2009!)
- Educate and inspire others to do the same!
- Participate in the **Michigan Upper Peninsula/Wisconsin Border Region Economic Study**
 - <http://riginfo.uphome.com/default.asp>

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