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George A. Erickcek
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Introduction

The purpose of the Berrien County Economic and Social Dashboard is to provide the county stakeholders a better understanding of the county's current economic situation and performance. It can be considered as the first step in cultivating the groundwork for the development of a comprehensive economic development strategies plan for the county. While it does not provide a complete assessment of the county's economic and social assets and challenges, it does highlight the county current economic and social conditions and performance.

It was designed to meet this goal without overwhelming the reader with too many tables and graphs. Its construction followed the principle that less is often more.

The first step in any endeavor is to have an idea of where you are going. With this in mind, we first provide an economic forecast for Berrien County.

Future Job Growth in Berrien County

Berrien County employers eliminated 7,500 jobs during the Great Recession, from August 2007 to November 2009. Since then, employers have added 1,200 jobs. While the national economy continues to recover slowly, it is not unreasonable to forecast that employment growth in Berrien County could be more robust, however. In Figure 1 below, we present our employment forecast for Berrien County. We expect county employment to grow at a 0.55 percent annualized rate from 2013 to 2020. This would result in the county's employment growing by 5.0 percent during the next five years—2013 to 2018. There are several factors that will contribute to this growth.

1. There are early signs that the county's housing market is rebounding.
2. The area's location on Lake Michigan, within easy driving distance from the greater Chicago region, makes it an attractive residential location for professional workers.
3. In addition, the quality of the county's beaches should encourage employment gains in its hospitality sector.

If this forecast holds true, county employment levels in 2020 would reach their 1998 levels.

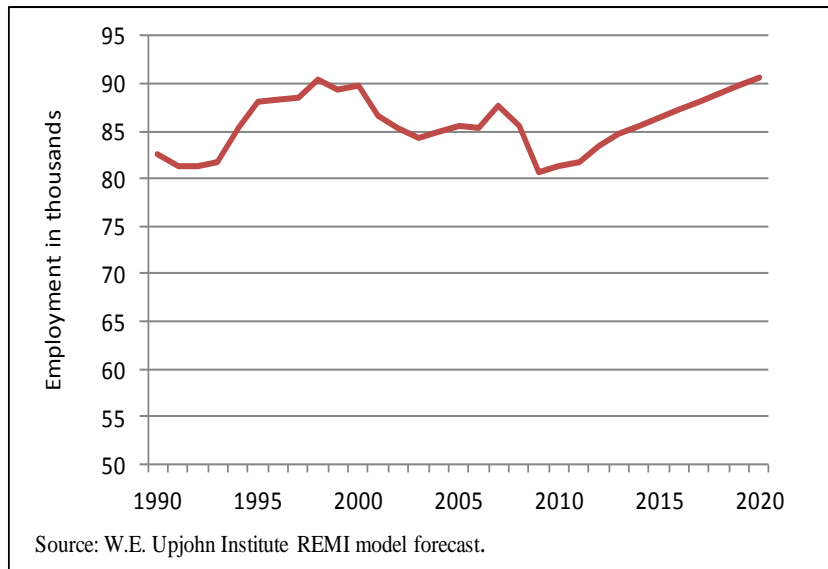


Figure 1 Total Employment in Berrien County, 1990 to 2020

A more complete breakdown of the county's employment forecast is provided in Table 1 below. The forecast calls for strong employment gains in the county's construction industry, as the residential housing market rebounds. Moreover, employment in the county's service-providing sectors, especially professional services, health care, hospitality, and private education is also expected to grow substantially during the coming years. The only sector where employment reductions will likely occur is in manufacturing because of continuous productivity improvements and government because of ongoing budgeting constraints.

Table 1 Employment Forecast by Industry in Berrien County

Industry	2013	2014	2015	2016	2017	2018	2019	2020	Annual Change 2013–2020
Total	82,600	83,500	84,500	85,300	86,100	86,900	87,900	88,600	1.0%
Goods Producing	17,600	17,600	17,600	17,700	17,700	17,700	17,800	17,800	0.2%
Forestry, Fishing, and Related Activities	300	300	300	300	300	300	300	300	0.0%
Mining	200	200	200	200	200	200	200	200	0.0%
Utilities	900	900	900	900	900	900	900	900	0.0%
Construction	4,000	4,100	4,100	4,200	4,300	4,300	4,400	4,500	1.7%
Manufacturing	12,200	12,100	12,100	12,100	12,000	12,000	12,000	11,900	-0.4%
Services Providing	55,900	56,800	57,800	58,600	59,400	60,200	61,100	61,900	1.5%
Wholesale Trade	2,200	2,200	2,300	2,300	2,300	2,300	2,300	2,400	1.3%
Retail Trade	9,000	9,100	9,100	9,100	9,100	9,100	9,100	9,100	0.2%
Transportation and Warehousing	2,000	2,000	2,100	2,100	2,100	2,200	2,200	2,200	1.4%
Information	800	800	800	800	800	800	800	800	0.0%
Finance and Insurance	2,800	2,900	2,900	3,000	3,000	3,100	3,100	3,200	1.9%
Real Estate and Rental and Leasing	3,600	3,700	3,800	3,800	3,900	4,000	4,100	4,100	1.9%
Professional, Scientific, and Technical Services	3,300	3,400	3,400	3,500	3,600	3,700	3,800	3,800	2.0%
Management of Companies and Enterprises	400	400	400	400	400	400	400	400	0.0%
Administrative and Waste Management Services	7,000	7,100	7,200	7,300	7,500	7,600	7,700	7,900	1.7%
Educational Services	2,600	2,600	2,700	2,700	2,700	2,800	2,800	2,800	1.1%
Health Care and Social Assistance	9,900	10,200	10,500	10,800	11,100	11,300	11,700	12,000	2.8%
Arts, Entertainment, and Recreation	1,500	1,500	1,600	1,600	1,600	1,600	1,600	1,600	0.9%
Accommodation and Food Services	6,300	6,400	6,400	6,500	6,500	6,500	6,600	6,600	0.7%
Other Services, except Public Administration	4,500	4,500	4,600	4,700	4,800	4,800	4,900	5,000	1.5%
Government	9,100	9,100	9,100	9,000	9,000	9,000	9,000	8,900	-0.3%
State and Local	8,400	8,400	8,400	8,300	8,300	8,300	8,300	8,200	-0.3%
Federal Civilian	400	400	400	400	400	400	400	400	0.0%
Federal Military	300	300	300	300	300	300	300	300	0.0%

Source: W.E. Upjohn Institute REMI model forecast.

The above forecast is based on national, state, and local industrial trends. It does not include the impact of any successful economic development efforts pursued by the county's economic development organizations. While it is impossible to predict the impact of the county's ongoing economic development efforts, it is possible to estimate overall economic impact of specific economic developments if they are successful. In the following tables, we illustrate the impact of the following two economic development scenarios.

1. An addition of 1,000 new entrepreneurs in the county—a 23 percent increase
2. An addition of 1,000 new manufacturing jobs—an 8.4 percent increase

In the first scenario, we allocated 1,000 additional entrepreneurs in the county proportionally to the current industrial distribution of self-employed persons. For example, in 2011, 16.1 percent of all self-employed persons in the county worked in construction, 6.7 percent in manufacturing, and 19 percent in professional services. As can be seen in Table 2 below, 1,000 new entrepreneurs would generate 400 additional jobs in the county. In other words, on average, every 10 entrepreneurs generate 4 additional employment opportunities in the county. As shown in the table, the indirect jobs would be created in a wide array of industries. In addition, 1,000 new entrepreneurs would generate an increase in the county's personal income of \$78.4 million, directly and indirectly.

Table 2 Impact of 1,000 New Entrepreneurs

Industry	Direct	Indirect	Total
Forestry, fishing, and related activities	56	1	57
Mining	-	-	-
Utilities	-	1	1
Construction	161	48	209
Manufacturing	67	9	76
Wholesale trade	16	16	32
Retail trade	107	54	161
Transportation and warehousing	26	-	26
Information	11	1	12
Finance and insurance	40	2	42
Real estate and rental and leasing	41	18	59
Professional, scientific, and technical services	190	11	201
Management of companies and enterprises	-	-	-
Administrative and waste management services	-	50	50
Educational services	-	1	1
Health care and social assistance	87	39	126
Arts, entertainment, and recreation	79	7	86
Accommodation and food services	-	27	27
Other services, except public administration	119	22	141
Government	-	95	95
Total	1,000	402	1,402

Source: W.E. Upjohn Institute REMI model estimates.

We followed the same approach in estimating the impact on the county's economy of an increase of 1,000 manufacturing jobs. We distributed the additional jobs proportionally among the current industries in the county as shown in Table 3 below. Currently, nearly 30 percent of the county's manufacturing workforce is in automotive. The second major industry in the county is electrical machinery and equipment.

As shown in Table 4, an overall increase of 1,000 manufacturing jobs would generate another 1,000 jobs in the county. In other words, for every manufacturing job generated, another indirect job would be created in the county. These jobs are created through the area's supplier networks or in consumer services.

**Table 3 Manufacturing Employment Distribution
in Berrien County**

Industry	Percentage
Wood products	0.4
Nonmetallic mineral products	0.6
Primary metals	4.6
Fabricated metal products	8.6
Machinery	9.1
Computer and electronic products	3.9
Electrical equipment and appliances	14.1
Motor vehicles, and parts	28.6
Other transportation equipment	0.6
Furniture and related products	1.0
Miscellaneous manufacturing	0.2
Food products	3.2
Beverage and tobacco products	1.0
Textile mills; Textile product mills	0.7
Apparel	0.0
Paper	5.2
Printing	9.5
Petroleum and coal products	0.1
Chemicals	2.1
Plastics and rubber products	6.6
	100.0

Source: W.E. Upjohn Institute REMI model.

Table 4 Employment Impact of 1,000 Manufacturing Jobs

Industries	Direct	Indirect	Total
Forestry, fishing, and related activities		-	-
Mining		-	-
Utilities		6	6
Construction		97	97
Manufacturing	1,000	47	1,047
Wholesale trade		82	82
Retail trade		136	136
Transportation and warehousing		1	1
Information		2	2
Finance and insurance		4	4
Real estate and rental and leasing		41	41
Professional, scientific, and technical services		27	27
Management of companies and enterprises		1	1
Administrative and waste management services		97	97
Educational services		4	4
Health care and social assistance		106	106
Arts, entertainment, and recreation		10	10
Accommodation and food services		65	65
Other services, except public administration		60	60
Government		230	230
Total	1,000	1,016	2,016

Source: W.E. Upjohn Institute REMI model estimates.

Comparison Areas

In developing the Indicators Report, we are also cognizant that Berrien County's economic situation and performance are strongly impacted by national and international factors that are well outside of its influence. Moreover, we question the usefulness of statewide or national comparisons, since the economic and social structure of Berrien County is not similar to that of these larger, more diversified territories. Therefore, we have selected 10 metropolitan areas to be considered in our comparison analysis of the Niles–Benton Harbor MSA (Berrien County) as shown on Map 1.

In preparing this list we used the following criteria.

- The area does not house a major university or a state capitol. Jackson, Tennessee, and Michigan City–LaPorte, Indiana, have the largest college populations as a percent of total population, but they are still relatively small.
- All metro areas are within 500 miles of Berrien County.
- All metro areas are between +/- 33 percent of Berrien County's total population—year-round residents.
- All metro areas have at least 10 percent of their workforce in manufacturing. Elkhart–Goshen is the clear outlier in this criterion.

- All metro areas have at least 15 percent of their residents, 25 years and older, holding a Bachelor's degree or higher.
- Regarding population diversity, we required that minority populations represent at least 15 percent of the metro area's population.

As a group, the economic performance of these 10 MSAs is slightly better than Berrien County during the 2007 to 2012 period (Table 5). Of course, the past five years have been difficult for nearly all regions and, to no surprise, all 10 of the MSAs lost employment from 2007 to 2012. Racine, Wisconsin, has clearly enjoyed the best economic performance in the group. It lost only 1.1 percent of its total employment during the five-year period, and in 2011 its unemployment rate was under 10 percent. In addition, its labor participation rate is 63.0 percent.¹

Table 5 Comparison Metropolitan Area Statistics

Metro Areas	2012 Pop.	2012 Pct. Mfg.	2011* Pct. Bach. or higher	2011* Pct. minority	2011** College pct. of pop.	2007 through 2012 Emp. change	2007 through 2012 Mfg. emp. change	2012 Unemp. rate	2011* Labor participation rate
Niles–Benton Harbor, MI	156,067	19.9	23.9	24.0	2.3	-8.0	-17.9	9.0	58.0
Comparison Average	151,543	20.6	19.1	23.2	2.3	-6.5	-12.7	8.8	57.9
Battle Creek, MI	135,099	20.0	18.7	20.1	0.0	-3.9	-9.7	7.4	55.7
Decatur, IL	110,122	20.5	21.9	21.6	2.1	-4.5	-9.2	10.6	55.3
Elkhart–Goshen, IN	199,619	44.7	17.9	22.9	0.5	-12.4	-18.9	9.6	56.5
Jackson, TN	130,450	14.2	22.5	37.6	6.1	-1.6	-20.9	8.2	53.0
Janesville–Beloit, WI	160,418	14.5	18.8	15.5	0.9	-11.0	-33.3	8.4	64.7
Lima, OH	105,141	14.8	16.2	17.8	0.0	-7.0	-12.5	7.8	57.0
Michigan City–La Porte, IN	111,246	18.5	17.4	18.7	4.7	-8.7	-14.1	10.0	61.2
Muskegon, MI	170,182	20.5	16.8	22.8	2.9	-6.0	-2.3	8.8	56.0
Racine, WI	194,797	24.9	22.7	25.7	0.0	-5.7	-1.1	8.5	63.0
Saginaw, MI	198,353	13.3	18.3	29.5	5.4	-4.1	-5.0	8.6	56.5

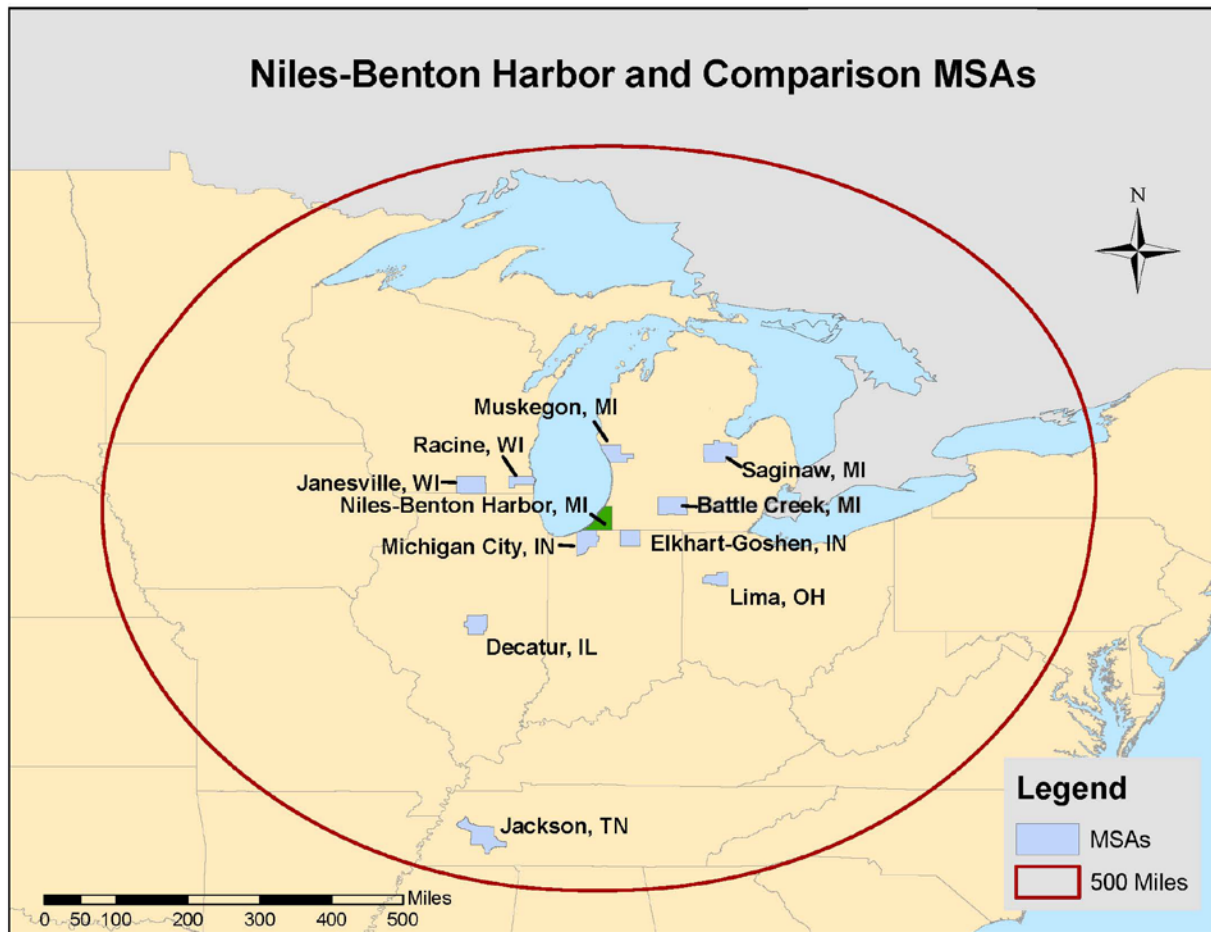
Sources: Census Population Estimates; Bureau of Labor Statistics, Local Area Unemployment Statistics and Current Employment Statistics.

* 2011 data used because 2012 data are not available. U.S. Census American Community Survey.

** 2011 data used because 2012 data are not available. Integrated Post-Secondary Educational Data System.

¹ A region's labor participation rate is the percent of working age adults who are employed or actively seeking employment. Given the historically high number of persons who have unfortunately stepped away from the labor market across the country, a region's labor participation rate has become a more valuable measurement of the region's labor market situation than the unemployment rate.

Map 1



Source: Keith Waters, UNC Charlotte, Urban Institute.

Economic Indicators

The next step is to identify the appropriate social and economic indicators to populate the report. This is the list of criteria used in the selection of the indicators.

- **Timeliness**—The reporting period for the indicators is a maximum of two years.
- **Comparability**—The data must be available for all the metropolitan areas included in the study.
- **Relevance**—The data must be directly related to the economic and social health of the county. A common pitfall of many indicator reports is to include variables that closely duplicate each other.
- **Quality and the lack of duplication**—All data have their flaws; however, it is preferable to select the “best” indicator than to rely on one or more weaker duplicative indicators to monitor key conditions or trends in the county.

The following are the indicators included in the report:

Table 6 Economic Performance

Indicator	Justification	Reporting lag	Source
Employment change	Monitors economic performance	Two-months; however, subject to significant annual revisions	BLS
Number of job postings	Monitors economic performance	Current	BurningGlass (Private Provider)
Per capita income	Monitors standard of living	18 months	BEA-REIS
Number of persons living in poverty	Monitors standard of living	18 months	Census ACS
Unemployment rate	Monitors economic conditions	Two months	BLS-LAUS
Labor participation rate	Monitors economic conditions	18 months	Census ACS
Change in self-employed in professional service	Entrepreneurship	18 months	Census ACS
Job creation	Monitors employment opportunities	18 months	BLS
Construction Activity	Tracks building activity	3 months	BEA

Table 7 Economic Capacity

Indicator	Justification	Reporting lag	Source
Percent of population with post-secondary degree	Measures human capital	18 months	Census ACS
Percent of 25- to 34-year-olds with a BA or higher	Measures attractiveness of the area to young professionals	18 months	Census ACS
Number of establishments and industries in economic base industries	Measures economic diversification	2 years	County Business Patterns
Industry growth relative to the nation	Competitiveness	2 years	County Business Patterns

Table 8 Social Indicators

Indicator	Justification	Reporting lag	Source
Population Dependency—percent of population under 16 and over 65	Economic vitality	18 months	Census ACS
Percent of children living in poverty	Child welfare	18 months	Census ACS
Dissimilarity Index of poverty and race	Tracks geographic economic disparity	2 years	Census ACS

General Findings

Economic Structure

An old adage in economic development is that if you tell me your industries, then I can tell you your future. The health of a region's base industries, those that sell their goods or services to customers outside the region, will drive the region's economic performance. Of course, no region is "stuck" with the hand that they are dealt; they can grow or attract new industries and their existing industries can explore new markets or develop new products. Still, as the negative side of cluster analyses has shown time and time again, regions can become "path dependent" in that their industries, support services, and community leadership can become too dependent on one economic activity. Finance and business services can become too focused on the region's existing industry mix and may be hesitant to explore or support new industries or new markets.

In other words, the region's current industrial concentration and the performance of its base industries have a strong influence on its future trajectory. To no surprise, the county has a strong concentration in manufacturing. According to the county's location quotient,² the county is twice as concentrated in manufacturing as the nation as a whole (Table 9). As shown in Figure 1, unfortunately, manufacturing employment has been declining during the past decade; and it is following a trend that is occurring in the comparison areas as well. From 2002 to 2012, Berrien County manufacturers eliminated 4,300 jobs. From 2002 to 2007 during the previous national expansion, county employers cut 1,700 jobs, a reduction of 10 percent. During the Great Recession, the county manufacturers laid off another 3,000 workers. It is only in the last three years, from 2009, that the county manufacturers added 400 jobs.

What is surprising is that the education and health services and the leisure and hospitality sectors are not strongly concentrated in the county. In fact, employment in these two industries is at or slightly below the national average as shown in Table 9.

Table 9 Niles-Benton Harbor MSA Industrial Composition

Area	Pct. of total private emp.	Location quotient
Natural resources and mining	2.5	1.5
Construction	3.1	0.6
Manufacturing	23.4	2.2
Trade, transportation, and utilities	20.6	0.9
Information	1.1	0.4
Financial activities	4.3	0.6
Professional and business services	12.3	0.8
Education and health services	17.8	1.0
Leisure and hospitality	11.5	0.9
Other services	3.5	0.9

Source: BLS QCEW 2011.

² The percent of the county's employment in the specific industry divided by the percentage of workers, nationwide, who work in the same industry.

In the three trend-line figures below (Figures 2, 5, and 6) employment levels are indexed so that 2000 levels equal 100. This allows the reader to both identify the percent change in employment during the period and monitor employment movements for areas having different employment levels.

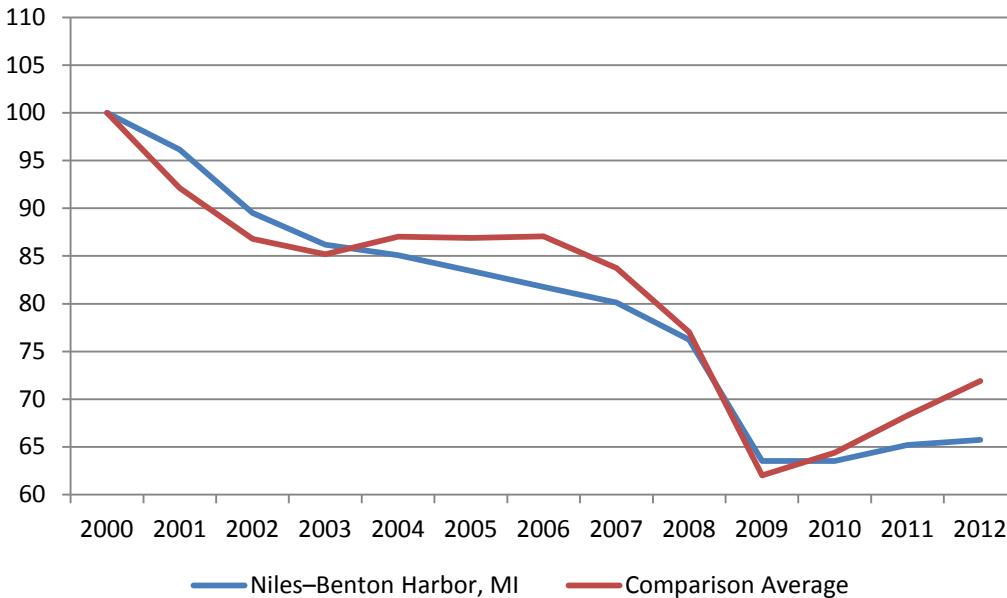


Figure 2 Manufacturing Employment Index (2000=100)

The key question regarding the county's manufacturing sector is whether its historical subpar performance is due to:

- **National trends:** If this is the case, there may be very little that the county can do: continued productivity gains and international competition are making it very difficult for local manufacturers to add workers.
- **Industrial mix:** It is possible that the county is concentrated in low-growing or high-growing manufacturing sectors. This would not reflect on the production competitiveness of its firms. However, it does suggest that the county economic development effort should focus on either 1) working with existing firms to explore new products or markets; or 2) attracting or growing firms in new high-growth manufacturing sectors.
- **Competitiveness:** The final factor monitors the county's firms' success in retaining market share relative to their national competitors. The loss of market share could be due to the quality or cost of the area's resources including labor and transportation costs. More often it can be due to the firms' products not meeting the needs of a changing market. In this situation, lean manufacturing techniques can be introduced; however, most surviving firms are already very productive. The issue may be the attractiveness of the products being made.

As shown in Table 10, unfortunately, a combination of negative national trends and a lack of competitiveness dragged Berrien County manufacturers into negative territory in the period 2004 to 2011. Of the nearly 4,700 jobs lost in the period, 46 percent can be attributed to an apparent lack of competitiveness. Again, competitiveness is impacted by both the cost of doing business in the county, as well as the demand for its the products. On the plus side, the county’s existing mix of manufacturing sectors does not appear to be a problem—unlike Elkhart–Goshen.

Table 10 Shift Share Analysis, 2004 to 2011

Metro area	National Growth	Industrial Mix	Competitive Share	Total Change
Niles–Benton Harbor, MI	-2470	-60	-2163	-4694
Battle Creek, MI	-2480	133	443	-1904
Decatur, IL	-1428	515	1208	295
Elkhart–Goshen, IN	-12495	-2943	1799	-13639
Jackson, TN	-2014	99	25	-1889
Janesville, WI	-2845	-114	-3323	-6282
Lima, OH	-1782	121	-496	-2157
Michigan City–La Porte, IN	-1725	228	123	-1375
Muskegon–Norton Shores, MI	-2817	237	-51	-2632
Racine, WI	-3168	380	-22	-2810
Saginaw MI	-2983	-261	-4561	-7806

Sources: U.S. County Business Patterns and Upjohn Institute.

Figure 2 highlights the employment change due to competitiveness relative to the region’s overall employment change for the comparison MSAs. Only two—Decatur and Elkhart–Goshen—recorded modest employment gains due to the competitiveness of their industries (for Elkhart–Goshen this small gain was swamped by the losses due to its industrial mix—RV and manufactured homes).

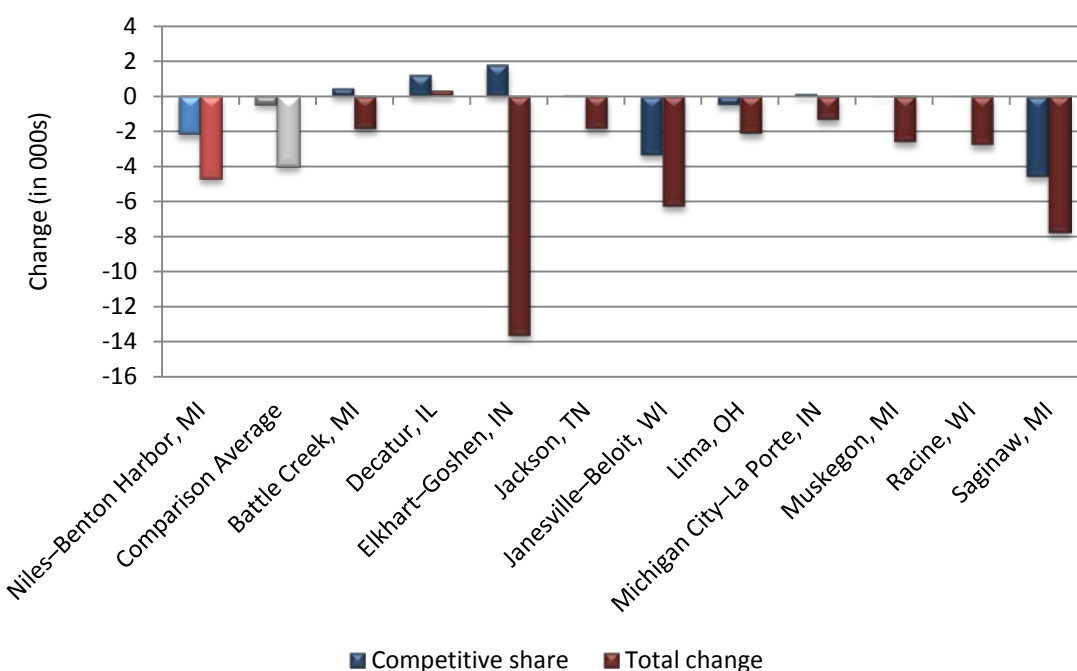


Figure 3 Shift Share Analysis—Competitiveness and Total Change

Finally, a well-established concern regarding the economic base of regional economies is whether it is overly dependent upon one or two industries. “One-industry” regions are clearly vulnerable to dramatic changes. This can be seen clearly in Figure 4 for the Saginaw MSA where the Herfindahl Index dropped from 36 to 8 in seven years. The Herfindahl index is the standard tool used to estimate the level of economic concentration in a region. An index reading of one would mean that all of the region’s economic activity is concentrated in one firm, while a reading of 0 would mean that the regional economic activity is dominated by hundreds of very small firms. As can be seen in the figure, the manufacturing sector of the Niles–Benton Harbor MSA is very diversified. Moreover, it has remained diversified during the period; its current diversification is not due to the loss of a major industry, as was the case with Saginaw.

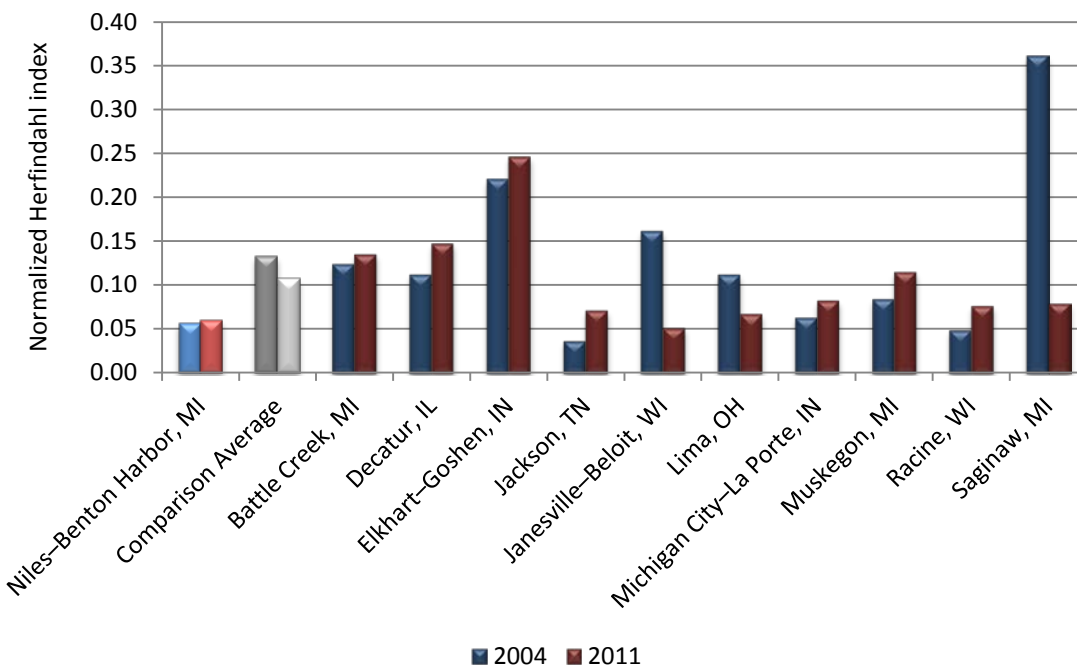


Figure 4 Normalized Herfindahl Index

Unlike the county’s manufacturing sector, employment in the county’s private education and health care sector has grown by 10 percent since 2000; however, average employment in the comparison areas increased by 23 percent (Figure 5). The aging of the population and the advent of new medical procedures has increased both demand and the capacity to meet this demand in health care, which is reflected in the growing employment in the sector. In Berrien County, the growth in the sector may be hindered by the close proximity of South Bend and its medical facilities.

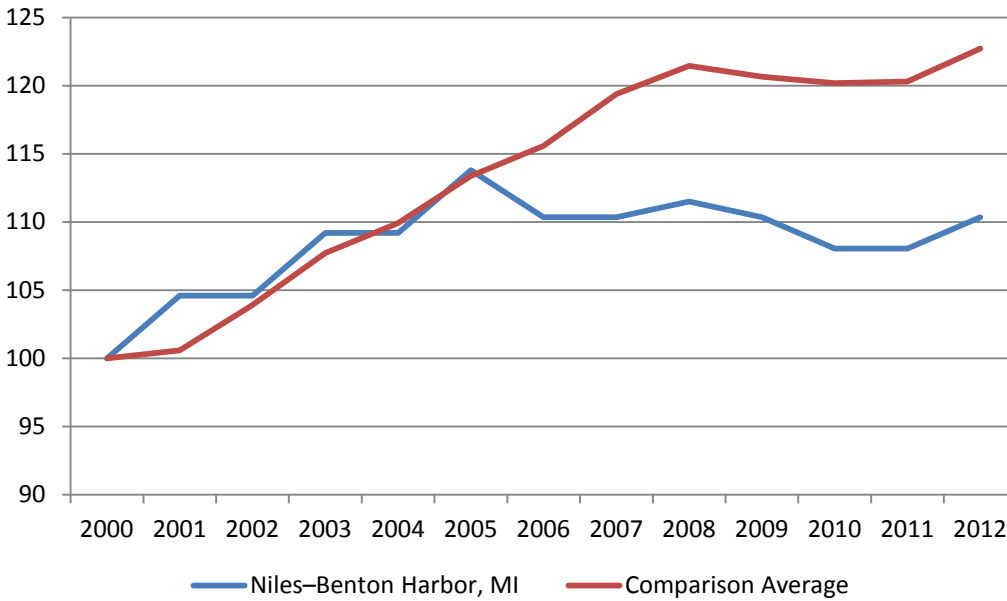


Figure 5 Employment in Private Education-Health Care Index (2000 = 100)

Employment in the Berrien County's leisure and hospitality sector has declined by nearly eight percent during the past decade, while it has remained largely unchanged in the comparison areas. This is a surprising result given Berrien County's location on Lake Michigan and its proximity to Chicago. Moreover, many of the MSAs in the comparison group lack the level of natural amenities that are available in Berrien County. Recent reports are encouraging: the Southwestern Michigan Tourist Council report that inquiries were up eight percent in 2012.

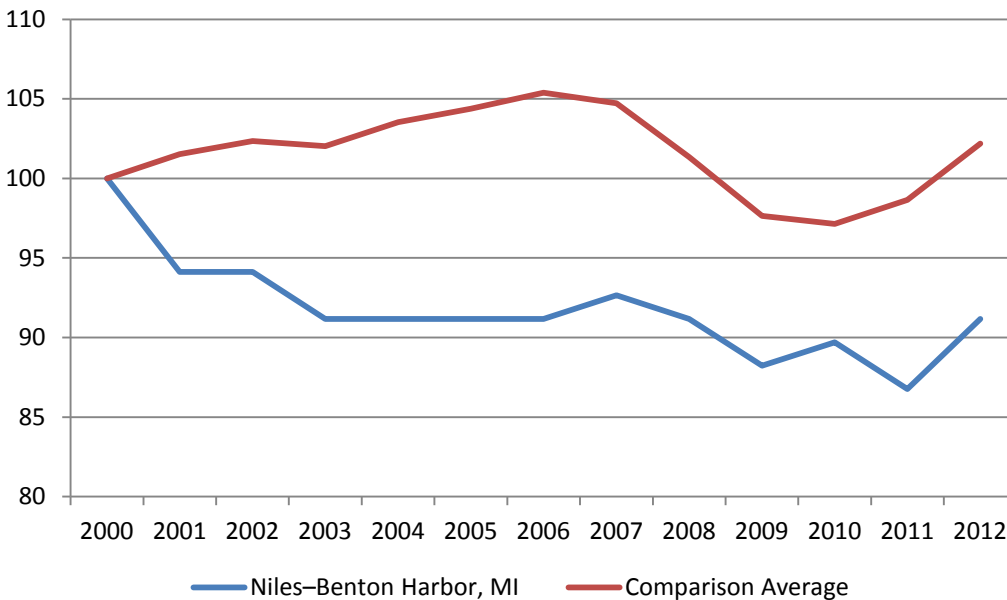


Figure 6 Employment in Leisure and Hospitality Index (2000 = 100)

Because both retail and many hospitality activities, such as eating and drinking places, also depend upon local support, we analyzed the estimated capture rate of local demand for both

services. To do so, we asked the following question: *Is the actual level of retail and leisure and hospitality activities in the region below or above what you would expect given the size of the local area, assuming that purchasing and consuming patterns of area residents do not vary greatly from the average national household—controlling for personal income.* We used the industries' gross regional product or value added—wages, profits, and interest—as our measure of economic activity.

As shown in Table 11, we estimate that in 2011 retailers in Berrien County captured just over 90 percent of the local demand for retail services. Only in Racine, did the area retailers fair worse. Many of the MSA areas, especially Muskegon–Norton Shores have become retail centers. Their retail activity captures more than 130 percent of their local potential.

Table 11 Estimation of the Local Capture of the Potential Retail Value Added Generated in the MSAs

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Niles-Benton Harbor, MI	97.5%	95.7%	94.6%	92.3%	90.9%	88.9%	89.7%	88.3%	95.3%	89.8%	90.9%
Battle Creek, MI	105.0%	104.9%	105.0%	105.3%	96.4%	99.6%	102.3%	99.0%	100.9%	96.7%	98.5%
Decatur, IL	107.5%	110.6%	107.7%	97.7%	98.2%	98.9%	97.8%	96.4%	101.6%	104.7%	103.8%
Elkhart–Goshen, IN	104.2%	100.3%	98.3%	98.3%	99.0%	98.8%	99.1%	107.9%	107.0%	107.1%	108.2%
Jackson, TN	132.2%	131.5%	135.1%	136.1%	137.1%	131.3%	130.6%	127.7%	127.1%	129.5%	130.9%
Janesville, WI	112.6%	110.1%	108.9%	115.2%	118.0%	115.7%	118.2%	120.7%	122.4%	122.0%	119.7%
Lima, OH	121.9%	123.2%	128.6%	133.9%	133.9%	130.0%	128.1%	130.8%	129.1%	128.9%	129.4%
Michigan City–La Porte, IN	99.4%	95.8%	97.0%	101.1%	103.5%	103.5%	103.3%	108.1%	110.6%	106.1%	103.6%
Muskegon–Norton Shores, MI	122.0%	129.2%	128.3%	129.1%	133.5%	134.1%	134.2%	135.3%	137.4%	136.8%	136.2%
Racine, WI	69.5%	66.2%	63.3%	65.3%	63.6%	62.1%	62.7%	64.9%	64.7%	62.0%	65.1%
Saginaw, MI	118.5%	116.1%	113.6%	111.9%	114.1%	115.9%	119.4%	123.3%	125.0%	123.8%	124.5%

Sources: BEA and Upjohn Institute.

Note: The percentage of potential value added (wages, profits, and interest payments) in retail trade generated in the MSA that is captured by local consumers.

Supporting the disappointing employment trends in Berrien County for the hospitality and leisure sector, we found that the industry's local capture rate is low as well. According to our estimates lodgings, restaurants, and amusement places in the county are only capturing 60 percent of what is the estimated potential activity generated by area residents. Only the Michigan City–La Porte MSA is identified as a tourism center among all of the MSAs.

The disappointing performance of Berrien County's tourism industry may reflect the type of activities it is attracting. Day trippers and long-term cottage/condo or cabin dwellers contribute less to the local economy, on average, than do visitors who stay in hotel/motels.³

³ Unfortunately, the impact and performance of the Four-Winds Casino is excluded from our analysis because its activities are included in government since it is operated by an Indian nation.

Table 12 Estimation of the Local Capture of the Potential Value Added Generated Hospitality and Leisure Industries in the MSAs

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Niles–Benton Harbor, MI	63.7%	66.4%	64.5%	64.8%	72.5%	70.0%	66.6%	59.9%	69.8%	66.4%	59.5%
Battle Creek, MI	79.7%	73.4%	58.9%	64.5%	67.6%	68.9%	59.7%	52.7%	54.7%	47.5%	41.9%
Decatur, IL	47.9%	59.8%	57.5%	55.0%	58.0%	57.6%	55.7%	58.7%	63.0%	61.0%	58.8%
Elkhart–Goshen, IN	50.3%	45.5%	34.7%	36.3%	37.8%	35.0%	35.7%	41.7%	43.0%	39.2%	39.4%
Jackson, TN	Data not available										
Janesville, WI	44.6%	42.2%	37.5%	46.2%	46.7%	42.6%	44.8%	44.5%	49.7%	47.1%	41.3%
Lima, OH	68.4%	67.4%	69.2%	81.6%	79.6%	80.3%	75.7%	77.8%	80.4%	83.4%	81.0%
Michigan City–La Porte, IN	119.3%	122.1%	119.9%	120.0%	123.0%	126.4%	124.1%	115.7%	123.5%	122.1%	118.2%
Muskegon–Norton Shores, MI	68.5%	67.5%	66.5%	75.1%	71.2%	79.6%	75.1%	71.1%	71.6%	68.5%	69.0%
Racine, WI	7.1%	-0.7%	5.8%	11.9%	12.0%	12.2%	14.0%	4.5%	9.7%	8.8%	7.1%
Saginaw MI	80.8%	84.1%	79.5%	78.1%	77.4%	79.0%	77.6%	74.3%	81.6%	79.3%	80.4%

Sources: BEA and Upjohn Institute.

Note: The percentage of potential value added (wages, profits and interest payments) in hospitality and Leisure Industries generated in the MSA that is captured by local consumers.

Economic Conditions

One of the better measures of the economic well being of a county's residents is its per capita income. As shown in Table 13 and Figure 7, in 2011 the county's per capita income was just over \$2,000 higher than the average of the comparison group, 6.2 percent.

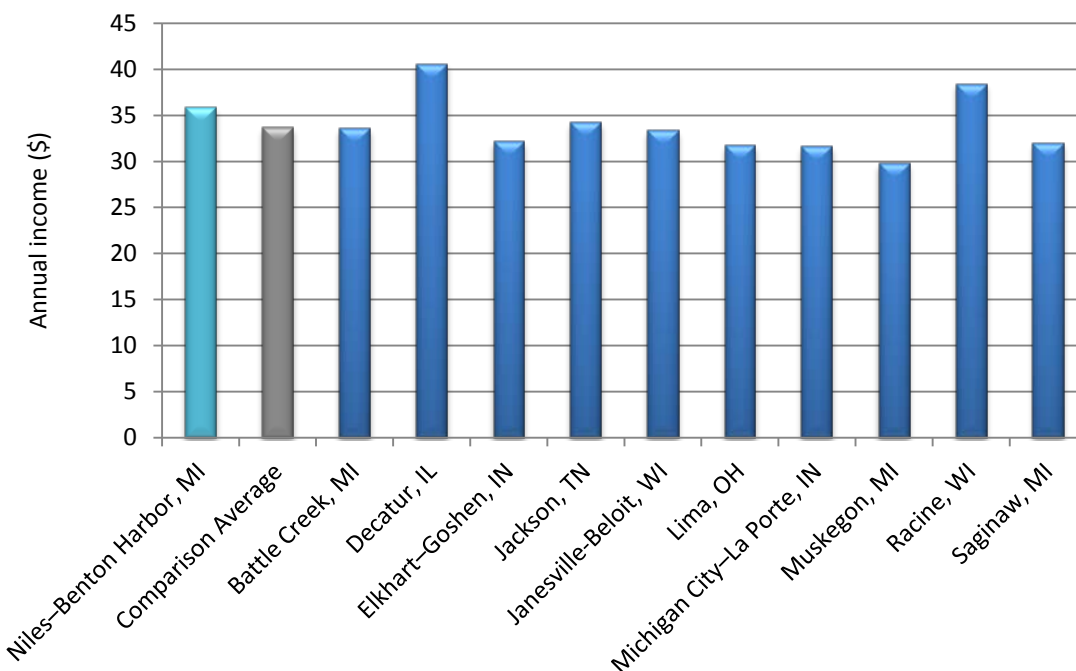
The lion's share of the county income is derived from the wages and salaries of its working residents. In Berrien County workplace earnings accounted for 64 percent of total personal income in the county in 2011.⁴ Unfortunately, the county employment situation is lackluster at best. Employment increased by only 0.3 percent in 2012, and the county's unemployment rate stands at 9.0 percent. Equally troubling is that its labor force participation rate is 61.2 percent. While the county's unemployment rate tracks the number of persons still seeking work, the area's labor force participation rate monitors the workers who have given up.

⁴ Government transfers, social security, and disability payments, make up 26 percent. The remainder is earned income from outside the county and companies' contributions to retirement and health accounts.

Table 13 Economic Performance, General

Area	Per capita income, 2011	Labor force participation, 2011	Jobless rate, 2012	Employment change	
				2003–2012 (Avg. annual)	2011–2012
Niles–Benton Harbor, MI	35,830	61.2	9.0	-1.1	0.3
Difference	2,090	-0.3	-0.2	0.4	-1.1
Comparison average	33,740	61.5	8.8	-0.7	1.5
Battle Creek, MI	33,541	58.1	7.4	-1.0	0.7
Decatur, IL	40,591	60.8	10.6	-0.3	-0.4
Elkhart–Goshen, IN	32,131	65.6	9.6	-0.7	5.3
Jackson, TN	34,237	59.2	8.2	0.5	2.2
Janesville-Beloit, WI	33,305	66.5	8.4	-0.8	2.1
Lima, OH	31,750	62.8	7.8	-1.2	0.4
Michigan City–La Porte, IN	31,650	59.2	10.0	-1.0	0.8
Muskegon, MI	29,766	57.8	8.8	-0.7	2.1
Racine, WI	38,425	66.3	8.5	-0.4	0.9
Saginaw, MI	32,007	58.8	8.6	-1.0	0.6

Sources: BEA, BLS LAUS, BLS CES.

**Figure 7 Per Capita Income**

As shown in Table 14, all of the reduction in Berrien County's unemployment rate in 2012 was due to individuals leaving the workforce after being unsuccessful in their job search. Some of these unsuccessful jobs seekers could have moved out of the county, retired, or simply dropped out of the workforce.

Table 14 Labor Force Change Factors, 2011–2012

Area	Unemployment	Employment	Labor force
Niles–Benton Harbor, MI	-998	-12	-1,010
Difference	-194	-553	-747
Comparison average	-804	541	-263
Battle Creek, MI	-1,090	128	-962
Decatur, IL	16	-761	-745
Elkhart–Goshen, IN	-1,333	2,684	1,351
Jackson, TN	-744	646	-98
Janesville-Beloit, WI	-872	977	105
Lima, OH	-990	11	-979
Michigan City–La Porte, IN	-259	-192	-451
Muskegon, MI	-1,180	1,483	303
Racine, WI	-557	392	-165
Saginaw, MI	-1,029	39	-990

Source: BLS LAUS.

Indeed, the county’s employers have been able to generate only eight percent of the total jobs lost during the recession.⁵ For the comparison areas as a whole, two-thirds of the unemployed workers in 2012 appear to have found jobs, while the remaining one-third dropped out of the workforce or moved.

Current economic indicators, however, are not all negative. As shown in Table 15 and Figure 8, the number of Internet job postings in Berrien County between February and April were more than double the number posted in the comparison areas.⁶ In addition, job creation—the number of jobs created as a percentage of total private-sector employment—reached 4.9 percent during the first quarter of 2012, matching the comparison group’s average rate.

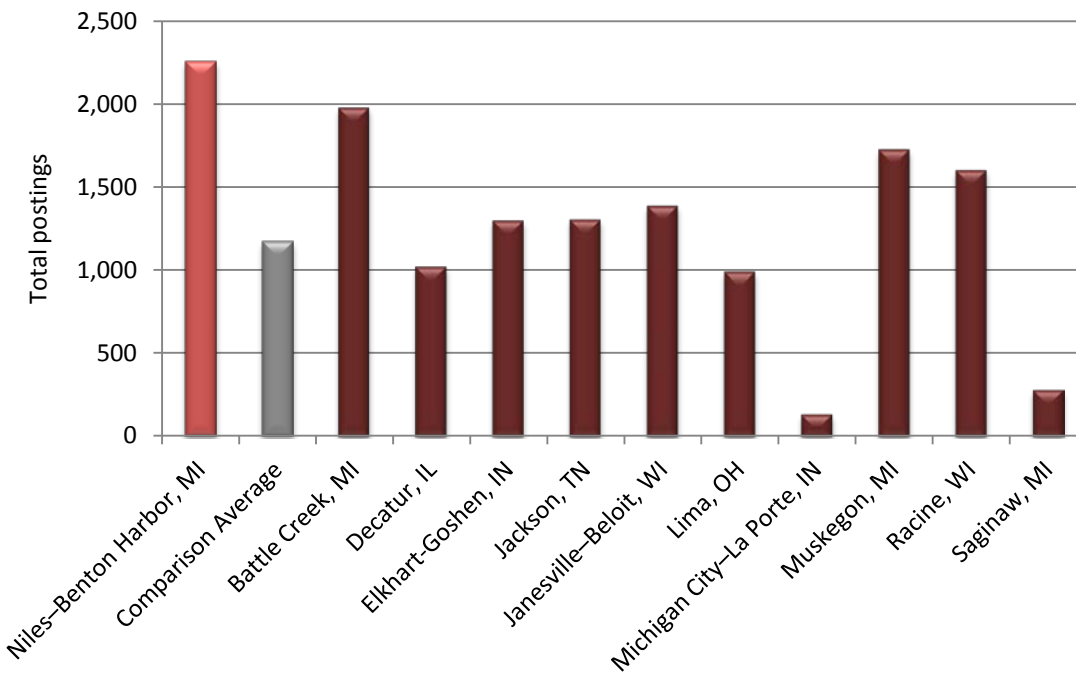
⁵ During the recession, the county employers lost 7,500 jobs. Since August 2009, when the local economy hit bottom, employers have added only 600 jobs.

⁶ The number of Internet job postings may be due to unique regional characteristics. For example, since Berrien County does not have a major newspaper and has, at least, two major labor markets—Niles and the Benton Harbor/St. Joseph areas—it may be the case that area employers have a greater need to post their positions on the Internet. In the future, we will track the change in postings and not just the number of postings.

Table 15 Job Postings and Creation

Area	Internet job postings, previous 90 days	Job creation as a percent of total employment Q1 2012
Niles–Benton Harbor, MI	2,259	4.9
Difference	1,086	0.0
Comparison Average	1,173	4.9
Battle Creek, MI	1,979	4.1
Decatur, IL	1,022	4.2
Elkhart–Goshen, IN	1,300	6.5
Jackson, TN	1,305	6.3
Janesville–Beloit, WI	1,388	4.7
Lima, OH	992	5.7
Michigan City–La Porte, IN	135	4.7
Muskegon, MI	1,727	4.8
Racine, WI	1,603	4.1
Saginaw, MI	283	3.9

Sources: Ruggles et al., IPUMS USA, Burning Glass, Census QWI.

**Figure 8 Internet Job Postings—February to April, 2013**

Recent research studies clearly show that education is a major driver to economic growth and an area's economic vitality; it is not only that a person's education level is directly related to his/her income potential. More importantly, the income of all persons in the metropolitan area improves with the growth of its talent base. The productivity of highly educated individuals grows when

they are able to work with each other, and this gain in productivity spills over to higher wages for all workers. Networks are formed and ideas are shared. Berrien County can boast of one of the better educated talent pools among the comparison areas. Nearly one-third of the county's adults hold a Bachelor's degree or higher, compared to 27 percent for the comparison areas overall (Table 16 and Figure 9).

Table 16 Educational Attainment and Self-Employed Professionals

Area	Self-employed professionals	Bachelor's or higher, 25–34	Bachelor's or higher, 25 and over
Niles–Benton Harbor, MI	24.6	27.4	32.6
Difference	9.5	8.2	5.0
Comparison average	15.1	19.2	27.6
Battle Creek, MI	20.8	12.4	28.0
Decatur, IL	6.4	28.0	31.2
Elkhart–Goshen, IN	2.7	14.1	24.3
Jackson, TN	24.2	12.8	27.8
Janesville–Beloit, WI	15.2	21.5	28.1
Lima, OH	29.0	22.4	25.9
Michigan City–La Porte, IN	23.0	17.3	23.7
Muskegon, MI	7.2	15.8	27.4
Racine, WI	9.4	21.7	30.6
Saginaw, MI	13.3	25.9	28.7

Source: Census ACS 2011.

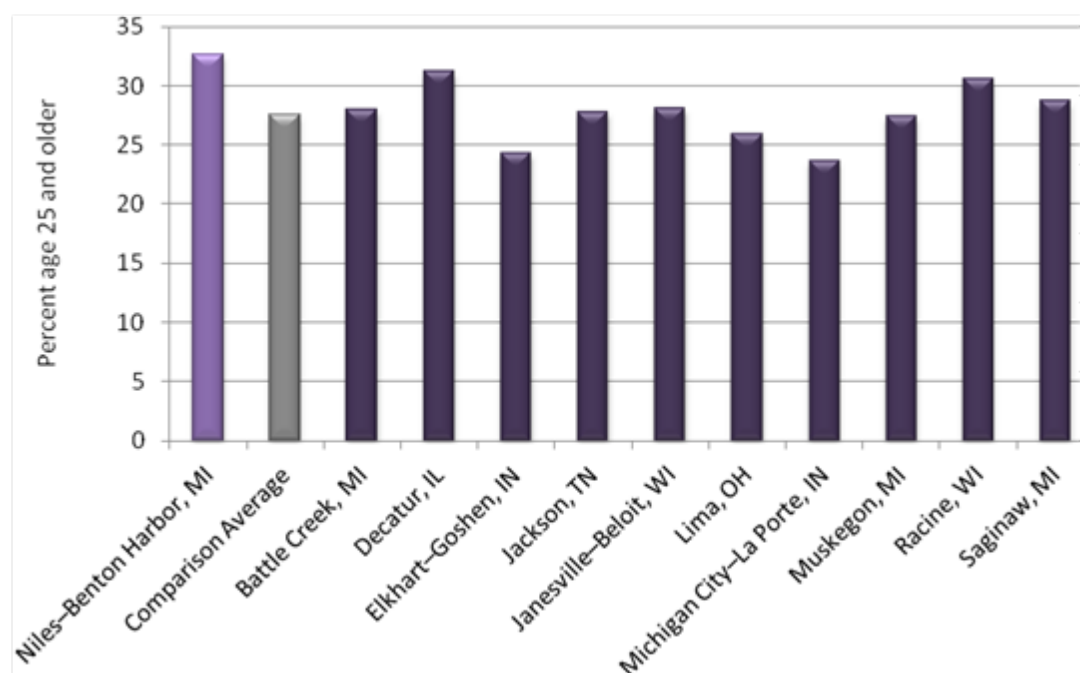


Figure 9 Bachelor's or Higher, 25 and Older

For young adults who have other options and are more mobile than their older coworkers, Berrien County looks more attractive than other comparison areas, as well. Of individuals between the ages of 25 and 34, 27 percent have a Bachelor's degree or higher compared to 19.2 percent for the comparison group's average (Figure 10).⁷

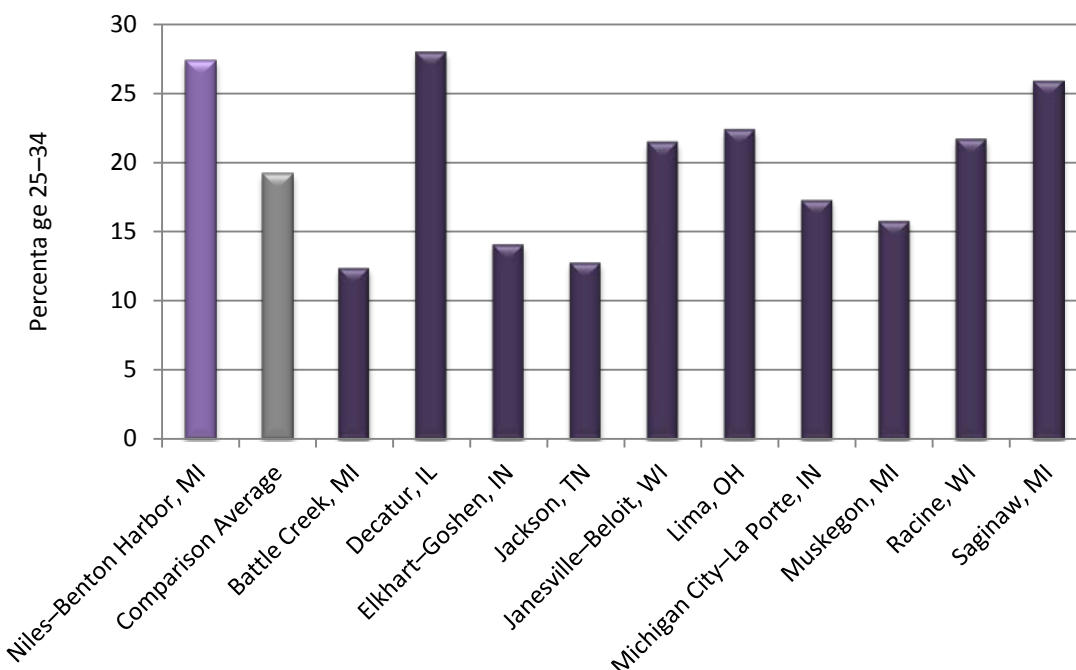


Figure 10 Bachelor's or Higher, 25-34

There are few good measures of entrepreneurship available, unfortunately. Not all self-employed persons are entrepreneurs and not all entrepreneurs are self-employed or operate small businesses. An entrepreneur creates a new product or service; while a self-employed person may offer a standardized service. Nevertheless, self-employed professionals (excluding health care) have the potential to create services that can be sold to customers outside the region. In addition, when an MSA has a sizeable portion of its professional workers choosing to be self-employed, it suggests that the MSA has an entrepreneurial environment. By this imperfect measure, the Niles-Benton Harbor MSA appears to have a healthier entrepreneurial environment than most of the other comparison regions (Figure 11).

⁷ It is somewhat disturbing that young adults are not achieving the same educational attainment levels as older workers; however, this is a national trend, unfortunately.

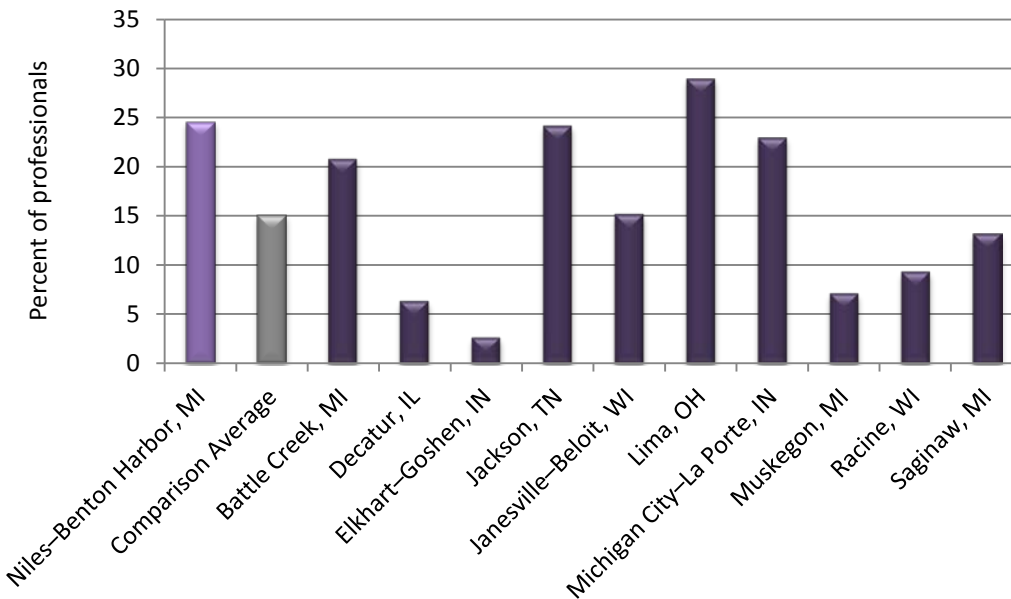


Figure 11 Self-Employed Professionals

Building Activity

Residential construction took a beating across the nation during the Great Recession. While a major employer of skilled trades, the industry is also an indicator of the attractiveness of the MSA. On a per household basis, recent trends in building permit activity suggest that the Niles-Benton Harbor MSA is a more attractive location than most of the other comparison areas. For the latest year, 2012, 145 building permits were issued for single family houses in Berrien County which calculates to 2.8 per household in the county (Table 17).

Table 17 Building Permits Issued Per Household

	2008	2009	2010	2011	2012
Niles-Benton Harbor, MI	4.3	1.9	2.5	2.5	2.8
Comparison average	3.5	2.1	2.1	1.7	2.2
Battle Creek, MI	1.0	0.8	0.7	0.8	0.8
Decatur, IL	2.5	1.3	1.4	1.0	0.9
Elkhart-Goshen, IN	7.6	3.2	4.4	3.6	4.8
Jackson, TN	5.4	4.0	4.0	2.7	3.7
Janesville, WI	5.6	3.8	2.5	2.4	3.0
Lima, OH	2.3	1.3	1.0	0.8	1.0
Michigan City-La Porte, IN	2.6	1.7	2.4	1.9	2.0
Muskegon-Norton Shores, MI	3.0	1.0	1.4	1.6	2.4
Racine, WI	3.6	2.6	2.1	1.3	1.9
Saginaw MI	1.8	1.1	1.5	1.2	1.4

Source: U.S. Department of Commerce.

Not only is Berrien County experiencing stronger building activity than most of the other comparison MSAs, the houses being constructed are in the higher end of the market. In fact, in 2012 the average value for single-family housing construction in the county—\$299,000—was higher than that in any of the comparison MSAs. Of course, much of this construction could be the construction of seasonal homes along the lakeshore (Table 18).

Table 18 Average Building Permit Value of Single-Family Housing (000)

	2008	2009	2010	2011	2012
Niles—Benton Harbor, MI	285	310	275	235	299
Comparison Average	190	194	194	193	196
Battle Creek, MI	194	167	154	176	198
Decatur, IL	165	151	293	158	197
Elkhart—Goshen, IN	191	184	175	181	178
Jackson, TN	137	132	165	183	168
Janesville, WI	186	188	198	189	183
Lima, OH	151	184	185	192	185
Michigan City—La Porte, IN	195	194	163	192	239
Muskegon—Norton Shores, MI	167	179	183	178	180
Racine, WI	87	79	213	280	230
Saginaw MI	432	486	210	196	197

Source: U.S. Department of Commerce.

Social Indicators

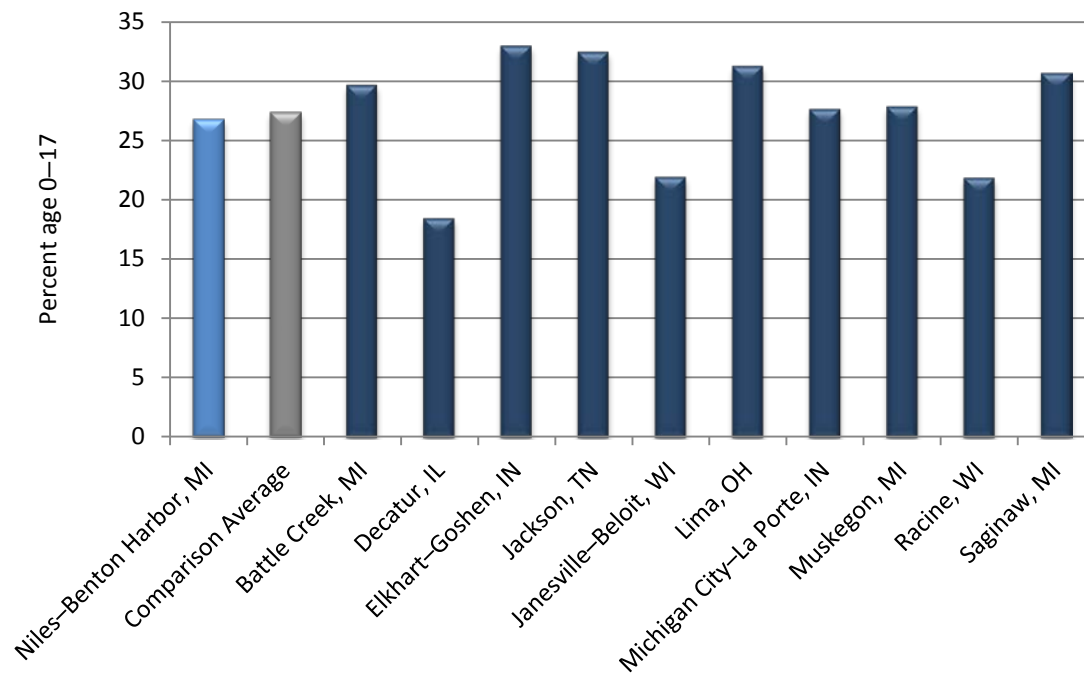
The percentage of persons—young and old alike—who are struggling in poverty in Berrien County is approximately the same as for the comparison areas. Children living in poverty are particularly harmful because it has major negative impacts on their academic achievement. As shown in Table 19 and Figure 12, the percent of children living in poverty in Berrien County is 26.8 percent which is slightly below the average of the comparison group.

While this percentage of people living in poverty is still too high, it does not reflect the more challenging situation in Berrien County. In the county, African American and minority populations are isolated in a limited number of neighborhoods (Census Tracts). As shown in Table 19 and Figure 13, according to the dissimilarity index, more than 70 percent of the African Americans would have to “relocate” into other neighborhoods in the county for it to achieve racial balance in its population distribution. This is higher than the average 58.6 percent of African Americans who would have to relocate to gain racial balance in the comparison areas, on average. The same story holds true for the county’s minority population—African Americans, Hispanics, Native Americans, and low-income individuals.

Table 19 Poverty and Dissimilarity Indexes

Area	Percent in poverty	Children in poverty	Dissimilarity Index			
			African American population	Minority population	Population in poverty	Percent dependent
Niles–Benton Harbor, MI	17.0	26.8	73.2	54.5	35.6	40.0
Difference	0.9	0.6	-14.6	-8.4	0.7	-1.7
Comparison average	17.9	27.4	58.6	46.1	36.3	38.3
Battle Creek, MI	19.6	29.6	58.5	44.7	36.5	38.8
Decatur, IL	13.9	18.4	56.8	49.1	47.0	39.1
Elkhart–Goshen, IN	20.6	32.9	54.8	40.3	33.1	40.1
Jackson, TN	20.6	32.4	50.2	44.9	29.9	37.3
Janesville–Beloit, WI	15.0	21.9	58.0	44.2	35.4	38.2
Lima, OH	19.3	31.2	53.8	44.8	45.7	38.4
Michigan City– La Porte, IN	18.0	27.6	57.6	38.0	25.6	37.0
Muskegon, MI	20.0	27.8	74.9	54.3	33.5	38.2
Racine, WI	12.7	21.8	55.2	46.5	36.7	37.6
Saginaw, MI	19.4	30.6	66.3	53.9	39.5	38.6

Source: ACS 2007–2011 Average.

**Figure 12 Children in Poverty**

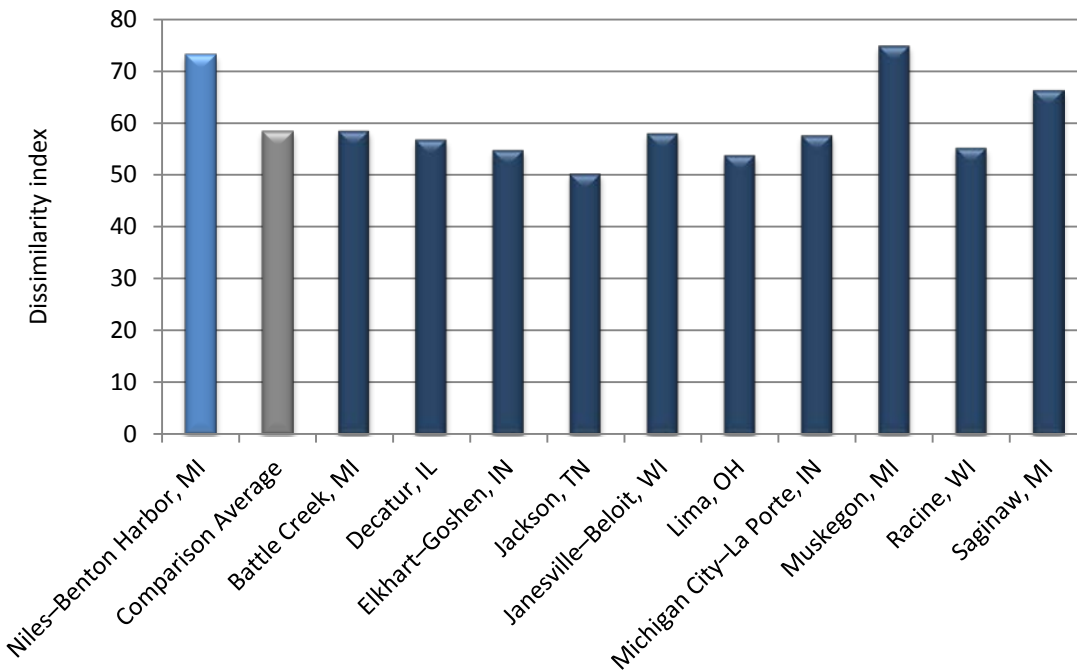


Figure 13 Dissimilarity Index for Population Black or African-American

Non-comparison Indicators

For many data series, comparison data for similar metropolitan areas are not available for a variety of reasons; however, they are still important to track because they monitor key attributes and characteristics of Berrien County. The primary reasons why comparison data for similar metro areas are not available are the lack of consistent definitions and the use of unique assessment tools. For example, high school graduation rates are defined differently across states and, clearly, test scores.

Education Indicators

In Michigan, graduation rates are defined as the percentage of entering 9th graders (minus the net of transfers out and transfers in) who graduate within six years. So, for example, 79.8 percent of the 2007 entering 9th graders in the Berrien ISD graduated high school in 2010, 81.9 percent completed in 2011 and, in all, 83.1 percent earned their diploma by 2012. These percentages do not include persons who earn their GEDs. The graduation trends for the Benton Harbor schools, while still too low, are promising: in 2008 less than 60 percent of 9th graders completed in four years compared to nearly 75 percent in 2012.

The importance of completing high school to future earnings supports efforts to encourage students, who do not complete in the four years, to work to attain their diploma in the fifth and, if necessary, the 6th year.

Table 20 Graduation Rate, by Year and Years Required to Graduate (%)

Year of Completion:		4 th year	5 th year	6 th year
Berrien ISD	2012	74.95		
	2011	76.20	77.58	
	2010	79.82	81.93	83.07
	2009	80.07	82.48	82.99
	2008	80.51	83.07	82.95
		4 th year	5 th year	6 th year
Benton Harbor	2012	75.38		
	2011	68.12	71.97	
	2010	67.91	73.62	74.75
	2009	64.49	69.18	70.98
	2008	58.45	63.61	64.93
		4 th year	5 th year	6 th year
Lakeshore	2012	93.55		
	2011	91.08	95.15	
	2010	93.24	93.72	94.62
	2009	93.36	94.82	94.84
	2008	93.36	96.25	96.25
		4 th year	5 th year	6 th year
St. Joseph	2012	92.67		
	2011	91.40	92.41	
	2010	95.10	95.90	97.11
	2009	91.76	92.42	92.11
	2008	94.92	95.74	95.74

Source: Michigan CEPI.

Research clearly shows that the academic performance of 3rd graders is highly correlated with their future academic success. In short, performing at grade level in 3rd grade can be considered a necessary condition for successfully completing a post-secondary degree. Of course, it is not sufficient; students must continue to perform, at least at grade level in the later grades, as well; however, it is extremely difficult for students who are performing poorly in third grade to catch up.

In examining Tables 21 and 22, the academic performance of third grade students is improving at several of the region's school districts in both reading and math. However, the MEAP scores for the Benton Harbor School District are particularly disheartening, especially for math: fewer than 15 percent of the district's 3rd graders achieve proficiency for the past four years.

Table 21 MEAP Percent Proficient 3rd Grade Reading (%)

	2008	2009	2010	2011	2012
Berrien ISD	58.5	61.5	56.3	60.1	62.1
Benton Harbor	40.7	41.2	35.6	31.7	35.0
Lakeshore	69.8	74.4	60.0	75.1	77.4
St. Joseph	74.5	79.0	68.5	69.8	79.5

Table 22 MEAP Percent Proficient 3rd Grade Math (%)

	2008	2009	2010	2011	2012
Berrien ISD	38.7	33.5	33.7	36.2	37.9
Benton Harbor	18.5	12.9	9.5	7.6	11.8
Lakeshore	48.1	41.5	44.5	57.2	57.4
St. Joseph	59.0	52.8	47.5	57.6	61.0

Source: Michigan MDE.

School enrollments are falling, in line with the overall decline in the county of the number of children under the age of 17 years (Table 23 and Table 24). Total population in Berrien County has held steady since 2010; however, the number of children living in the county is falling, suggesting that the county's population is aging. Given that school funding depends upon enrollment, the decline in the number of students can trigger the elimination of key school services and course offerings. For example, although most researchers and educators believe in the importance of career counseling in all grades, especially in the secondary grades, funding for such program is declining.

Table 23 Total Headcount

	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013
Berrien ISD	26,110	26,141	25,887	25,800	25,623
Benton Harbor	3,525	3,562	3,199	3,089	2,789
Lakeshore	2,927	2,929	2,931	2,934	2,869
St. Joseph	2,846	2,825	2,820	2,786	2,819

Source: Michigan CEPI.

Table 24 Population, Berrien County

	2010	2011	2012
5 to 13 years	18,351	18,135	17,889
4 to 17 years	8,736	8,538	8,391
Total	156,813	156,489	156,067
Pct. 5 to 13 years	11.7%	11.6%	11.5%
Pct. 14 to 17 years	5.6%	5.5%	5.4%
Pct. Total	17.3%	17.0%	16.8%

Source: U.S. Census Intercessional Estimates.

Health Issues

Unfortunately, statistics are not available on the number of persons in Berrien County who smoke or have diabetes. Moreover, statistics are not available on the number of persons who are currently afflicted with cancer, heart disease, or other serious illnesses in the county. The only countywide data that are available is the number of persons who died due to cancer, emphysema, or diabetes, as shown in Table 25. Overall, the life expectancy of Berrien County residents has improved during the past 20 years (Table 26).

Table 25 Underlying Cause of Death

Deaths				
Year	Persons	Cancer of trachea, bronchus or lung	Emphysema	Diabetes
2006	157,537	111	13	75
2007	157,378	129	24	56
2008	157,380	116	14	69
2009	157,059	103	20	66
2010	156,813	114	13	61
Total	786,167	573	84	327

Rates (per 1,000)

2006	157,537	0.7	Unreliable	0.5
2007	157,378	0.8	0.2	0.4
2008	157,380	0.7	Unreliable	0.4
2009	157,059	0.7	0.1	0.4
2010	156,813	0.7	Unreliable	0.4
Total	786,167	0.7	0.1	0.4

Source: CDC Wonder (<http://wonder.cdc.gov>).

Table 26 Life Expectancy Average Years

	1989	1999	2009
Male	71.0	73.0	74.9
Female	77.9	78.8	80.3

Source: healthmetricsandevaluation.org

Child welfare indicators

Three key indicators of child welfare: confirmed cases of abuse and neglect, birth with less than adequate prenatal care, and children without health insurance, shown in Table 27, suggest that conditions, countywide, have held steady at best. The number of abuse and neglect cases for persons under 17 years of age has remained unchanged during the past five years, while the number of births without adequate prenatal care and number of children with health insurance have fallen.

Table 27 Child Welfare Indicators in Berrien County

Confirmed Cases of abuse and neglect 0-17					
	2007	2008	2009	2010	2011
Number	782	743	771	794	704
Rate per 1000	19.7	19	20.1	20.7	19.2

Births with less than adequate prenatal care					
	2007	2008	2009	2010	2011
Rate	39.6	39.6	38.2	37.5	36.3

Children without health insurance					
	2006	2007	2008	2009	2010
Number	3,436	3,194	2,422	2,421	1,721
Percent	8.4	7.9	6.1	6.1	4.5

Source: Michigan League for Human Services.

Government Indicators

Property taxes remain the chief source of revenue for local governments and, unfortunately, property values lost ground from 2010 to 2012, resulting in a revenue squeeze for local governments (Table 28). Fortunately, business reports and preliminary real estate data suggest that property values could be improving in 2013.

Table 28 Taxable Values and Property Tax Changes (dollar values in millions)

	2008	2009	2010	2011	2012
Total taxable value	9,279	9,500	9,126	9,020	8,683
Pct. change		2.4%	-3.9%	-1.2%	-3.7%
Residential taxable value	6,582	6,765	6,351	6,271	6,012
Pct. change		2.8%	-6.1%	-1.3%	-4.1%
County property taxes levied	75.3	78.7	78.4	79.8	80.2
Pct. change		4.5%	-0.4%	1.7%	0.6%

Source: Michigan Dept. of Treasury.

Table 29 Millage for Principal Residence or Ag Exemption with Special Millages

Cities	Rate
Benton Harbor	43.53
Bridgman	34.14
Buchanan	40.23
Coloma	39.27
New Buffalo	29.15
Niles city	33.05
St. Joseph	35.98
Watervliet	40.48

Townships	
Bainbridge	19.82
Baroda	22.37
Benton	32.42
Berrien	19.73
Bertrand	22.11
Buchanan	20.83
Chikaming	21.94
Coloma	28.49
Galien	21.61
Lake	21.09
Lincoln	24.31
New Buffalo	18.29
Niles	26.18
Oronoko	24.88
Pipestone	20.08
Royalton	22.81
Sodus	22.64
St. Joseph	27.13
Three Oaks	18.57
Watervliet	26.32
Weesaw	19.09
Villages	
Baroda	34.80
Berrien Springs	36.23
Eau Claire	35.17
Galien	31.16
Grand Beach	25.53
Michiana	27.82
Shoreham	29.01
Stevens	34.07
Three Oaks	31.51

Source: Michigan Property 2012 Millage Rates.

Table 29 lists the current millage rates for local governments in Berrien County. Several of the units of local governments are at their limits and, even if they are not, the current tax environment is not conducive for an increase in property taxes. Moreover, Proposition A and the Headlee Amendment will only allow local governments to increase taxable property valuation at the rate of inflation. While property values will likely rebound in the coming years, local property tax revenue will grow at a more modest rate.

Finally, in Table 30 we show the budget situation for three of the local governmental units in the greater Benton Harbor/St. Joseph area which are readily available. Clearly, the government units are facing severe budget constraints that will continue to limit their ability to provide needed services.

Table 30 Budget Totals for Municipalities (dollar values actual)

		2009–10	2010–11	2011–12
Benton Harbor city	Revenues	20,433,909	16,975,028	16,261,357
	Expenditures	17,028,529	15,175,260	18,500,172
	Difference	3,405,380	1,799,768	-2,238,815

		2009–10	2010–11	2011–12
St. Joseph city	Revenues	NA	NA	25,674,843
	Expenditures	NA	NA	26,321,366
	Difference	NA	NA	-646,523

		2009	2010	2011
Benton Township	Revenues	8,586,816	8,701,067	8,517,863
	Expenditures	10,855,158	8,257,022	8,191,180
	Difference	-2,268,342	444,045	326,683

Sources: Benton Harbor city site, St. Joseph city site, Benton Township site.

Concluding Comments and Policy Directions

The county's economic recovery from the Great Recession has been painfully slow. Employers have only regained eight percent of the jobs lost during the recession. This lack of job growth is generating a growing number of discouraged workers whose skills and confidence may be waning, making their future employment opportunities dimmer. During last year, more than 1,000 workers dropped out of the labor force in Berrien County due to the lack of job growth.

The county's manufacturers are facing serious competition and negative national trends. The data suggest that many of the county manufacturers have lost market share during the past seven years.

The county's retailers and hospitality industries are also performing at disappointing levels given their location along the shores of Lake Michigan.

At the same time, it is important to note that Berrien County does have its strengths and its biggest asset is the quality of its workforce. The county holds the highest percentage of adults with a Bachelor's degree or higher of any of the 10 comparison areas. Further, it has been successful in attracting and retaining young adults with four-year college degrees. Finally, its job posting and job creation levels are robust relative to the comparison group.

In closing, this analysis suggests that attention should be given to the following factors in the preparation of the region's economic development strategy.

1. The area's lackluster employment performance is being hindered on several fronts. First the areas manufacturers, health providers, retailers, and leisure and hospitality sectors are all being negatively impacted by stiff competition. For each sector, the following questions should be explored:

- a. Is the sector being harmed due to stronger organizations or clusters in neighboring communities? For example, the county health care and retail sectors could be held back by competing facilities in South Bend, for example.
 - b. Is the sector being held back because it is serving either 1) a segment of the market that has a small impact on the local economy, as may be the case for its tourism industry, or 2) a slowly growing segment of the industry, as may be the case for its several of its manufacturers? For the county's hospitality sector it is possible that many of the recreational users are long-term stayers or daytrippers, both have a smaller impact than those who stay in hotel/motels. For the area's manufacturers, new product or market development may be required; however, these are decisions made by company management and are rarely influenced by economic development organizations. However, the Manufacturing Extension Partnership (Michigan Manufacturing Technology Center [MMTC]) is pushing the management of participating companies to explore new markets and product, as well as incorporate better management processes.
2. The area has been effective in attracting and retaining an educated workforce relative to the comparison areas. Study after study has shown that a highly educated workforce is strongly tied to income growth and economic performance. Place-making activities such as the ongoing redevelopment of Benton Harbor's downtown as well as the Harbor Shore Development are both welcomed initiatives to improve the attractiveness of the area. Still other avenues should also be explored so that the area's talent advantage is maintained.

Appendix: Brief Description of the REMI model

The W.E. Upjohn Institute maintains an economic computer model specially designed to estimate the economic impact of changes in Berrien County. The model was constructed by Regional Economic Models Incorporated (REMI) and contains three separate components that together capture the resulting total impact to the local economy due to a change in employment.

These components are:

- An input-output model that estimates the impact of changes in inter-industry purchases on the local economy. 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.
- A forecasting and demographic component that forecasts the resulting changes in future employment and population levels due to a change in economic activity.