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The Benton Harbor Area Benchmarking Study

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The Benton Harbor Area Benchmarking Study

Seventh Edition

September 2003

Prepared for
Cornerstone Alliance

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TABLE OF CONTENTS

Executive Summary	i
Introduction	1
Table 1: Cornerstone Alliance's 1999-2003 Strategic Plan by Focus Area.....	2
The Benchmarking Study	3
Identification of Key Economic and Social Attributes	3
Table 2: Key Site Selection Factors.....	3
Method Used in Selecting the 16 Comparison Metropolitan Area	4
Table 3: Characteristics of the Berrien County and 16 Comparison Metropolitan Areas.....	4
Berrien County - An Industrial Overview	6
Table 4: Berrien County Core Industries.....	7
Chart 1: Industrial Growth Quadrants.....	7

Availability of a Qualified Workforce

Summary Findings	8
Chart 2: MSA population growth.....	8
Table 5: 1993-2001 Net migration, persons and income.....	8
Table 6: Population change by age cohort.....	9
Chart 3: Unemployment rates.....	10
Chart 4: Components of Berrien County employment growth.....	11
Chart 5: Web analysis: Local unemployment rates.....	12
Table 7: Public school MEAP test score comparisons.....	13
Table 8: Enrollment in technical programs at Lake Michigan College.....	14

A Growing and Diversified Economy

Summary Findings	15
Chart 6: Per capita income as a percentage of the comparison average.....	15
Chart 7: Annual growth in per capita income.....	16
Table 9: Earnings per worker by sector.....	17
Chart 8: Personal bankruptcy filing rate.....	18
Chart 9: Employment growth.....	19
Chart 10: Manufacturing employment growth.....	20
Chart 11: Patent filings, 1990 to 1999.....	21
Chart 12: Retail capture rates, 1991 to 2001.....	22
Table 10: Detailed retail analysis.....	23
Chart 13: Growth in the number of business establishments.....	24
Chart 14: Average value of single family housing under construction.....	25
Chart 15 and 16: Room assessment collections and tourism inquiries received.....	26

Quality of Life

Summary Findings	27
Chart 17: Violent and property crime.....	27
Chart 18: Suburban and urban violent and property crime.....	28
Table 11: United Way contributions.....	29
Chart 19: Child well-being.....	30
Conclusions	31
Appendix	33

7th Annual Benton Harbor Area Benchmarking Study

Executive Summary

The following are the key findings of the 7th annual Benton Harbor Area Benchmarking study. The purpose of the study is to establish an economic database that enables Cornerstone Alliance to monitor changes in the area's key economic attributes which businesses examine when selecting plant locations.

During the time since the previous edition of this benchmarking study was released, the nation has endured a period of recession and slow economic recovery. For Berrien County, the data confirms the damage has been done, and suggests an even more disturbing conclusion: the area is more susceptible than expected to the fluctuations of the business cycle, and thus has been harder hit by the 2001 recession.

Positive Developments

- In manufacturing, earnings per worker reached \$50,231 in 2001 and were nearly 15% higher than the average for the comparison areas, \$43,971.
- In 2002, Berrien County's unemployment rate, 6.1 percent, was just slightly below the comparison group average of 6.2 percent.

Negative Developments

- Berrien County continues to struggle to maintain residents. Between 2000 and 2002 total population fell 0.2 percent.
- Per capita income for Berrien County fell 0.4 percent in 2001.
- Total employment in Berrien County fell 3.8 percent during 2001 and did not recover in 2002, declining an additional 1.3 percent.
- Manufacturing has taken a substantial hit in Berrien County. Employment in the manufacturing sector dropped 12.6 percent in 2001 and 6.9 percent in 2002.
- In 2002, county retailers were only able to capture 58.8 percent of the area's effective buying income, as opposed to an average capture rate of 82.4 percent in the comparison counties.
- Between 1998 and 2001 the number of business establishments in Berrien County dropped 1.5 percent, compared to 0.7 percent in the comparison group.
- The average price of a new-construction single-family home in Berrien County fell 7.9 percent in 2002—the first decline in nine years.
- In the 2001-2002 school year, test scores declined in Berrien County's urbanized school districts.

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The Benton Harbor Area Benchmarking Study Seventh Edition September, 2003

INTRODUCTION

The purpose of this seventh annual update of the Benton Harbor Area Benchmarking Study remains the same as in previous editions:

To establish an economic database that enables Cornerstone Alliance to monitor changes in the area's key economic attributes which businesses examine when selecting plant locations.

The study takes a comparison analysis approach that contrasts the area's performance and conditions with a set of similar metropolitan areas throughout the U.S. As in the world of sports, one never knows their own strength until they stand up to their competition.

The findings of this year's update are unique for they present statistics on Berrien County's relative performance during an economic downturn. Unfortunately, the report reveals that Berrien County may be more negatively affected by economic downturns than similar areas.

This edition of the report will, however, mark the beginning of a more focused analysis of Ber-

rien County's core economic performance. Many "auxiliary" indicators, such as school performance, quality of life rankings and state-level tax statistics were eliminated, because they either lacked a clear connection to county economic development goals, could not be satisfactorily updated on an annual basis, or were seen as unchangeable on the local level.

Many of these issues, however, were addressed in another report released in 2003: *Quality of Life and Diversity in the Benton Harbor Metropolitan Area*. In it, specific issues of education, poverty, culture and even climate are addressed in detail as they relate to the future success of Berrien County.

As in the past, the data restrictions of this benchmarking study remain high. Since this report is meant to monitor current community conditions, the data series that are included

- have at most a three-year time lag,
- must be available on at least an annual basis, and

- be fairly inexpensive to update.

The preparation of this annual update takes on the tasks tackled in the first report:

- Identification of key economic and social attributes businesses examine when they make their location decisions.
- Selection of similar metropolitan areas to serve as a comparison group by which to measure the relative economic performance of the Benton Harbor MSA (Berrien County).
- Development of a consistent and timely economic data series for Berrien County and the comparison metropolitan areas that monitors the county's relative economic performance.

**Table 1
Cornerstone Alliance's
1999-2003 Strategic Plan by Focus Area**

Focus Area	Performance Measurements
1. Physical Development	Generate \$30 million of investment along the Corridor for Development.
2. Job Creation	Conduct 45 prospect visits annually, leading to new investments and 200 new jobs per year.
3. Retail Growth	By the year 2001, be equal to all of the benchmark communities in retail capture.
4. Small Business and Leadership Development	Provide technical assistance to five businesses per annum which are ultimately funded for either start-up or expansion. Create direct investments in at least two small- to medium-size microlending enterprises per year.
5. Enhanced Government Cooperation	Annual survey of government and community leaders. Generate a total of \$16.5 million of grant funding for cooperative projects by the end of 2003
6. Transportation/ Telecommunication Advantages	Target a 2% growth per annum in state and federal sources for road improvements. Grow the number of commercial passengers at the regional airport to 15,000 per year.
7. Business and Education Partnerships	Get 22% of the area's businesses to participate in school-to-work initiatives by the year 2000.
8. Workforce Development and Delivery	Achieve unemployment parity with all of the benchmark communities.
9. Public Relations in the Midwest	Obtain one positive story annually about the area in the regional and/or national press.
10. Revolving Loan Fund	The loan fund shall operate with loan loss reserves and annualized growth mechanisms necessary to achieve a \$5 million corpus base by the end of 2003.
11. Improve Business Climate	Develop a tracking system that measures the state's business climate and works toward passage of five key initiatives with each legislature.
12. Existing Business Support	Create a plan which will push the area's employment growth to exceed that of the average of all other benchmark communities.
13. Art Initiatives	Develop a performing loan balance of \$700,000 or greater by 2003.
14. Implementation of the Edgewater Plan.	60% completion of the total mixed-use development contemplated by the Edgewater plan.

Periodically, we reexamine the comparison cities included in the report. In order to maintain continuity, we attempt to maintain the same group of metropolitan areas, as long as none has significantly changed to the degree where it is no longer an appropriate fit with Berrien County. While this edition's group is the same as the last, we anticipate a dramatic overhaul sometime in

the near future, as the U.S. Census Bureau begins a dramatic modification to their definitions of a metropolitan statistical area.

Also, as mentioned earlier, the number and scope of data series used in this year's report is significantly smaller than last year. It is our hope to return to a format more strictly focused on

Berrien County's most pressing economic concerns.

This report contains 19 charts and 11 tables compared to a combination of 53 in the previous edition.

THE BENCHMARKING DATA SYSTEM

Identification of Key Economic and Social Attributes

Since its first release in 1996, this report continues to track conditions for the economic attributes that are important to businesses when they make capital expenditure decisions:

- Availability of a qualified workforce.

- A growing and diversified economy.
- Infrastructural capacity to support growth and availability of industrial sites.
- Quality of life.

These attributes are very similar to those identified by business executives in the annual corporate survey published by *Area Development: Site and Facility Planning*. As shown in Table 2, availability of skilled labor topped the 2002 polling, despite a cooling of the job market from the late 1990s.

Site Selection Factors	1996	1997	1998	1999	2000	2001	2002
Availability of Skilled Labor	87.9	84.4	88.0	95.8	87.7	91.6	90.9
Labor Costs	94.2	92.7	84.8	93.8	91.6	91.5	89.9
Tax Exemptions	86.4	76.0	77.9	85.9	81.6	82.7	88.2
State & Local Incentives	87.8	77.8	80.9	90.3	83.6	81.4	88.0
Highway Accessibility	93.9	90.7	91.5	94.6	95.9	87.9	86.6
Corporate Tax Rate *	n.a.	n.a.	n.a.	n.a.	84.7	79.0	84.6
Proximity to Major Markets	74.5	78.7	76.9	75.6	76.8	80.2	83.7
Occupancy or Construction Costs	90.2	85.5	85.7	87.5	83.0	82.3	82.4
Energy Availability and Costs	89.6	80.5	78.9	85.2	77.7	86.4	80.9
Environmental Regulations	86.5	77.6	78.6	79.0	80.9	78.8	76.7
Avail. Of Telecom Services	80.2	83.5	82.0	85.1	77.1	83.3	76.1
Low Crime Rate	86.6	79.4	81.3	79.9	74.0	74.4	75.9
Availability of Land	83.7	82.0	81.1	85.0	75.5	79.7	75.2

Source: *Area Development Site and Facility Planning, Corporate Survey, December 1995-2002.*

* The response "corporate tax rate" was not included in the survey prior to 2000.

Method Used in Selecting the 16 Comparison Metropolitan Areas

In selecting the comparison metropolitan areas, the following five guidelines were adopted. Relative to Berrien County, the comparison metropolitan areas must

- be of similar size,
- have a comparable industrial base,
- be as economically competitive as the Benton Harbor area,

- have a similar racial composition,
- represent a wide range of geographic regions.

In order to identify the comparison group of metropolitan areas, we put all of the nation's 344 metropolitan areas through a series of data screens. First, we identified those metropolitan areas that had similar populations and employment levels to the Benton Harbor MSA. The next two screens identified metropolitan areas having economic bases

similar to and equally competitive as Berrien County's. Berrien County is a manufacturing center with manufacturers generating about 37 percent of the county's private wage and salary earnings. Therefore, we attempted to select only those metropolitan areas where manufacturing earnings accounted for a greater share of local total earnings than the national average. The sole exception is Wheeling, West Virginia, which was roughly equal to the national average; 15.3 percent versus 15.9 nationwide in 2001. At the same time, we aimed to

Table 3
Economic and Social Characteristics of Berrien County and the Comparison Areas

<u>Metropolitan Area</u>	<u>2002 Population</u>	<u>2002 Employment</u>	<u>2000 % African Americans *</u>	<u>2001 Manufacturing Earnings/Total Private Earnings **</u>	<u>Positive Industrial Mix</u>	<u>Positive Local Competitiveness</u>
Benton Harbor, MI	162,285	69,600	15.9%	37.4%	no	Yes
Average	163,185	81,400	11.8%	31.2%	no	Yes
Cedar Rapids, IA	194,970	118,500	2.6%	25.0%	no	Yes
Dubuque, IA	89,387	50,700	0.9%	26.5%	no	Yes
Elkhart-Goshen, IN	186,465	117,000	5.2%	53.9%	no	Yes
Erie, PA	280,370	131,300	6.1%	31.9%	no	Yes
Florence, SC	127,237	59,300	39.3%	24.1%	no	Yes
Fort Smith, AR	212,045	100,400	4.0%	27.8%	no	Yes
Jackson, TN	109,290	n.a.	29.2%	29.1%	no	Yes
Jamestown, NY	138,332	57,400	2.2%	35.1%	no	Yes
Janesville-Beloit, WI	154,092	67,500	4.6%	37.6%	no	Yes
Lima, OH	154,584	77,300	8.6%	38.1%	no	no
Longview--Marshall, TX	212,288	92,100	19.5%	20.9%	no	Yes
Mansfield, OH	174,424	78,000	7.1%	41.4%	no	no
Owensboro, KY	91,694	43,800	4.3%	21.4%	no	Yes
Racine, WI	191,012	79,700	10.5%	43.1%	no	Yes
Rocky Mount, NC	144,293	n.a.	43.1%	28.7%	n.a.	n.a.
Wheeling, WV	150,472	66,600	1.2%	15.3%	Yes	no

n.a. - not available

* Includes only census respondents of one race.

** 2001 manufacturing based on NAICS definition.

compare Berrien County with areas that have performed well, despite their industrial mix. In other words, we identified metropolitan areas like Berrien County, which have highly competitive firms in industries that have experienced slower-than-average growth. To make this determination, we used a statistical method called shift-share analysis.¹ We attempted to in-

¹Shift-share analysis separates an area's growth into two major components: a national/industrial component and a local competitiveness component. The former estimates the impact on the area's growth of the national performance of its industries. If an area's major firms are in industries that are growing slower than the national average, then the area can expect to achieve slower-than-average growth as well. The second component of the shift-share analysis measures the competitiveness of the

clude only those metropolitan areas that had a negative industrial mix of industries (an area with industries that have experienced slower-than-average growth nationwide) and a positive local competitiveness factor (an area with firms that have outperformed their national counterparts). Unfortunately, Lima, Mansfield, and Wheeling did not fit these criteria; however, they were kept in the sample due to their other similarities.

The next screen checked the racial composition of the possible

area's firms relative to their national counterparts. Our goal in using this technique is to identify areas in which firms are gaining market share in slow-growing industries, as has been the case in Berrien County.

comparison group areas. African Americans represented 15.9 percent of Berrien County's population in 2000. We found very few metropolitan areas that shared Berrien County's high concentration in both manufacturing and African Americans. As shown in Table 3, it was necessary to include some metropolitan areas with strong manufacturing concentrations and small African American populations, as well as metropolitan areas that have a high concentration of African American residents and small manufacturing sectors.

Finally, we enlarged our net to include metropolitan areas that represented a diversity of regional locations.

Berrien County - An Industrial Overview

The economic strength of Berrien County depends upon the competitiveness of its core industries. An area's core industries are those that are highly concentrated in the area and which export most of their produced goods or services to customers located outside the county. Location quotients are often used to identify an area's core industries. Location quotients are calculated by taking the ratio of the industry's percent share of the area's workforce to the industry's share of the national workforce. If the industry is more concentrated in the area, it will have a location quotient that is greater than one. In Table 4, we list the core industries of Berrien County and their location quotients. Motor vehicles is the most concentrated industry in the county followed by primary metals, machinery, and plastics.

To illustrate the economic competitiveness of the area's core industries, we place each of the above core industries on a grid, showing both the industry's national growth and its local competitiveness (Chart 1). Local

competitiveness is defined as the percent change in the industry's area employment minus the percent change in employment in the industry nationwide. The grid is divided into four quadrants:

Quadrant A: National decline and local growth - This quadrant contains local firms that have outperformed their national rivals, but are in industries that have declined in terms of employment, nationwide. At this time, no industries fall into this category.

Quadrant B: Strong national and local growth - The county's motor vehicle suppliers and furniture industry are in this quadrant. Firms in this quadrant are matching or exceeding national growth trends.

Quadrant C: National decline and poor local growth - This quadrant contains firms that have both performed poorly in Berrien County, relative to their national competitors, and are in national industries that have fallen behind. Primary metals, utilities,

instruments, machinery and the printing industry fall within this quadrant.

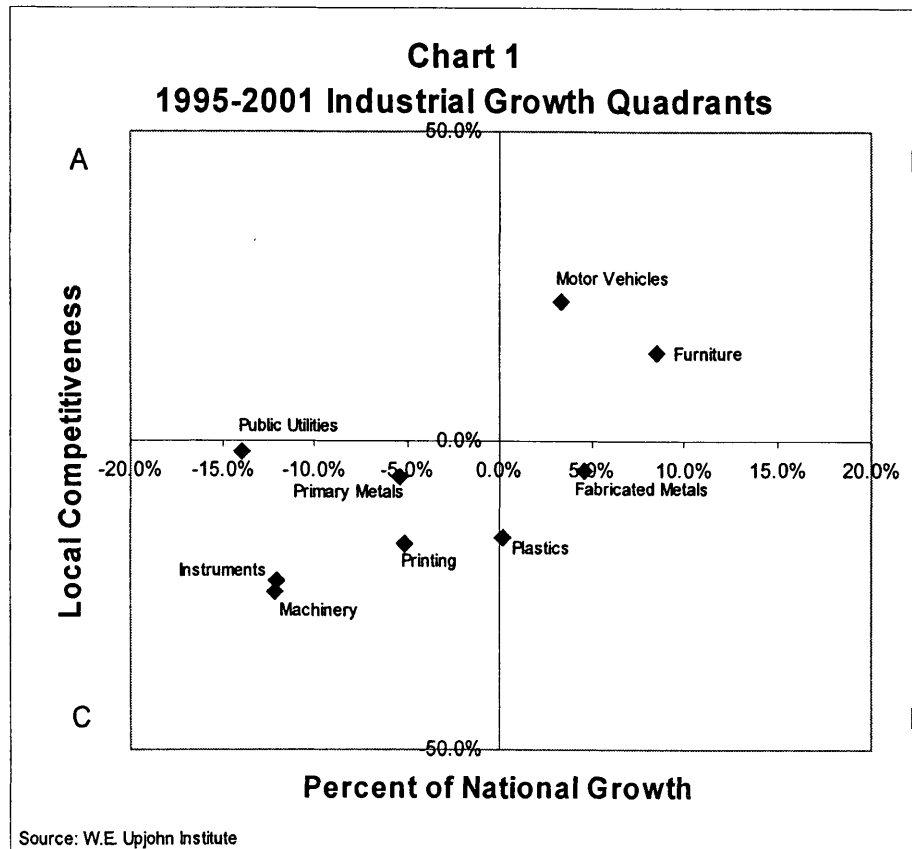
Quadrant D: Strong national growth but poor local performance - This quadrant highlights retention and expansion candidates because these industries hold growth potential but seem to be facing barriers locally. The area's plastics and fabricated metal industries are in this sector.

Unfortunately, most of the county's core industries are not performing well, regardless of positive or negative national trends. The two standouts, motor vehicles and furniture, are industries which fared well nationally in the strong economy of the late 1990s, but whose prospects have dimmed over the last two years. As always, the future prospects of these industries rests on the ability of individual firms located in Berrien County to compete successfully in the marketplace.

Table 4

Berrien County Core Industries Identified as having a 2001 Location Quotient >1.3	
Industry	Location Quotient
Motor Vehicles	6.26
Primary Metals	6.11
Machine & Computer	3.62
Rubber & Plastics	3.13
Furniture	1.90
Printing	1.84
Fabricated Metals	1.84
Instruments	1.49

Source: WE Upjohn Institute - REMI employment levels



Availability of a Qualified Workforce

- *Berrien County suffered a decline in population during the 2001 economic downturn, and has lost income to out-migration.*

Population growth is both an indicator of past success and a driver of future success. As an indicator, population growth generally points out places that are prosperous and attractive to new residents. As a driver, population growth provides needed consumers to maintain and expand the retail and service sectors. Furthermore, a growing population provides a supply of workers to fuel the growth of successful firms.

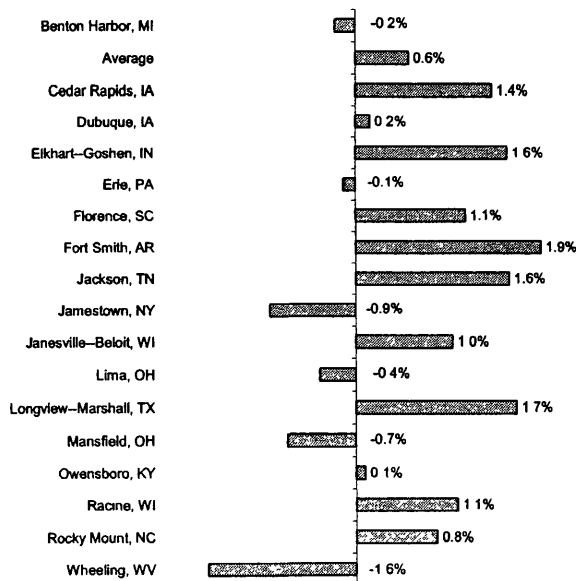
As shown in Chart 2, during the two-year period, 2000 to 2002, Berrien County's popu-

lation declined by 0.2 percent. Of the 16 comparison communities, four others also suffered population declines. However, many of the remaining MSAs grew substantially, making the comparison group average growth rate equal 0.6 percent.

The county's decline in population, although modest, reflects its vulnerability to changes in the nation's business cycle. Unfortunately, this vulnerability will be a reoccurring theme throughout the report.

Ultimately, the cause of Berrien County's slow population growth is out-migration. Between 1993 and 2001, an analysis of Internal Revenue Service data shows that the county lost 4,832 people and over \$100 million in total income due to households leaving the county. In contrast, the average comparison group community lost 992 residents and \$58.5 million in income during the eight-year period. (Table 5)

Chart 2
MSA Population Growth: 2000 to 2002



Source: US Census

Table 5
Net Migration Gain/Loss

	1993-2001	Migration as a Percent of 1993 Population	Total Income (000's)
Benton Harbor, MI	-4,832	-3.0%	-100,332
Average	-992	-0.5%	-58,536
Cedar Rapids, IA	1,645	0.9%	-71,980
Dubuque, IA	-2,984	-3.4%	-100,296
Elkhart-Goshen, IN	1,598	1.0%	-74,873
Erie, PA	-8,582	-3.1%	-213,045
Florence, SC	1,969	1.6%	21,045
Fort Smith, AR	4,512	2.4%	49,880
Jackson, TN	3,020	3.1%	23,592
Jamestown, NY	-5,106	-3.6%	-87,123
Janesville, WI	476	0.3%	-49,699
Lima, OH	-5,213	-3.3%	-111,148
Longview-Marshall, TX	526	0.3%	32,399
Mansfield, OH	-3,603	-2.1%	-109,497
Owensboro, KY	-434	-0.5%	-15,917
Racine, WI	-2,071	-1.1%	-108,696
Rocky Mount, NC	1,111	0.8%	-44,558
Wheeling, WV	-2,739	-1.7%	-76,659

Source: IRS Migration Data, U.S. Census

- *The age composition of the county's workforce is similar to that of the comparison metropolitan areas.*

In Berrien County, as well as across the state, analysts and employers worry about the aging of the workforce. Reports and interviews suggest the median age of workers in many of the county's firms is climbing into the mid-forties, if not in the fifties.

As shown in Table 6, Berrien County saw a serious decline

in the number of young working age adults. The number of young adults between the ages of 25 and 34 fell by 21.3 percent from 1990 to 2000. The county also witnessed a 14.1 percent decline in the number of persons between 18 and 24 years of age.

It is important to note that most of the other comparison

counties also witnessed the similar demographic shifts in the 1990s. It is a problem shared by most small metro areas. Still this is cold comfort if Berrien County is downgraded by businesses seeking new expansion locations because of labor supply concerns.

Table 6
Percent Change by Age Cohort -- 1990 to 2000

	Under Age 5	5 to 17	18 to 24	25 to 34	35 to 54	55 to 64	65 to 74	75 and up
Benton Harbor, MI MSA	-11.0%	0.3%	-14.1%	-21.3%	19.6%	4.5%	-6.0%	22.6%
Average	-1.4%	5.6%	-0.4%	-12.5%	25.5%	8.5%	-1.4%	22.2%
Cedar Rapids, IA	12.5%	14.7%	4.6%	-5.4%	28.7%	14.5%	3.8%	28.0%
Dubuque, IA	-1.6%	-3.0%	-2.3%	-18.9%	22.4%	5.5%	-0.7%	18.0%
Elkhart--Goshen, IN	11.5%	21.8%	9.0%	2.4%	29.0%	18.6%	3.0%	27.1%
Erie, PA	-12.7%	2.7%	-8.5%	-17.3%	22.2%	-1.4%	-13.3%	35.3%
Florence, SC	-1.8%	1.2%	0.7%	-3.7%	25.7%	22.0%	-0.4%	45.2%
Fort Smith, AR	17.7%	15.6%	10.5%	-0.5%	33.2%	29.9%	6.5%	17.4%
Jackson, TN	17.2%	18.0%	15.1%	0.2%	39.8%	16.7%	0.5%	12.1%
Jamestown, NY	-17.6%	0.1%	-8.0%	-24.8%	18.9%	-3.3%	-7.7%	9.9%
Janesville--Beloit, WI	-4.8%	11.2%	-4.1%	-10.0%	29.4%	8.3%	4.8%	16.9%
Lima, OH	-12.1%	-2.1%	-3.2%	-22.5%	20.7%	-1.8%	-6.0%	23.4%
Longview-Marshall, TX	-1.2%	5.6%	8.2%	-15.7%	26.7%	11.2%	4.3%	8.6%
Mansfield, OH	-6.9%	-3.5%	-10.4%	-15.9%	15.4%	4.4%	-0.7%	22.5%
Owensboro, KY	-3.2%	0.8%	-2.8%	-17.6%	24.5%	4.5%	2.9%	26.8%
Racine, WI	-3.0%	7.8%	-0.6%	-17.8%	30.5%	7.5%	-1.2%	25.7%
Rocky Mount, NC	0.1%	6.4%	-5.7%	-12.9%	26.5%	9.7%	-2.1%	25.0%
Wheeling, WV	-16.1%	-7.7%	-9.1%	-19.1%	14.7%	-10.2%	-16.4%	12.8%

Source: U.S. Census

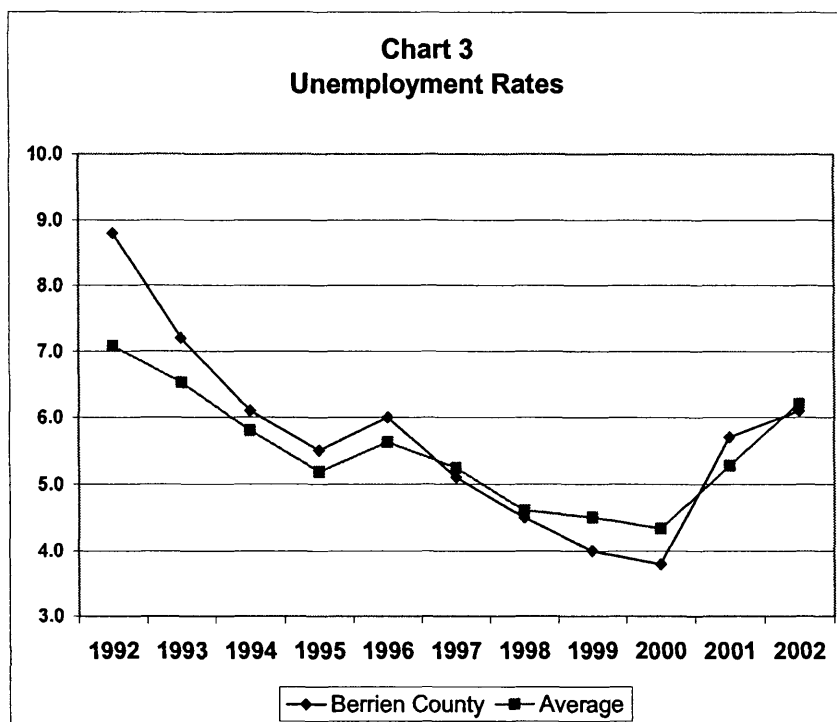
- *In 2002, Berrien County's unemployment rate was about equal to the average for the comparison group after climbing above the average in 2001.*

Between 2000 and 2002, Berrien County's unemployment rate increased from 3.8 percent to 6.1 percent. Although the county's jobless rate rose dramatically in 2001, it managed to stay roughly equal to the average rate of the 16 compari-

son metropolitan areas (Chart 3).

Ever since the national recession that occurred during the first half of 2001, employment conditions have lagged behind other economic indicators, such as gross domestic product

and industrial orders. As shown later in Chart 9, the area's jump in unemployment was due to a significant decline in total employment. In 2001, total employment fell by 3.8 percent followed by a smaller 1.3 percent drop in 2002.



<u>Annual Unemployment Rates</u>	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Berrien County	8.8	7.2	6.1	5.5	6.0	5.1	4.5	4.0	3.8	5.7	6.1
Average	7.1	6.5	5.8	5.2	5.6	5.2	4.6	4.5	4.3	5.3	6.2
Cedar Rapids, IA	4.2	3.4	3.2	2.7	2.9	2.6	1.9	1.8	1.8	2.8	4.4
Dubuque, IA	5.2	4.0	3.7	3.3	5.7	3.8	3.2	2.7	3.3	4.2	3.8
Elkhart-Goshen, IN	6.3	4.9	3.9	3.7	3.9	3.3	2.4	2.2	2.8	5.4	4.9
Erie, PA	7.7	7.1	6.6	6.4	5.8	5.9	5.2	5.0	4.9	5.8	7.4
Florence, SC	6.8	8.8	7.8	6.4	8.4	5.7	4.5	5.5	4.6	5.8	6.7
Fort Smith, AR	7.5	6.5	5.6	5.2	5.3	5.3	5.3	3.7	3.5	4.2	4.6
Jackson, TN	6.1	5.6	4.4	5.0	4.7	4.7	3.5	3.3	3.5	4.6	5.6
Jamestown, NY	8.3	6.8	6.6	5.9	5.2	5.7	5.2	5.2	4.7	5.4	6.3
Janesville-Beloit, WI	6.6	6.1	5.2	3.9	3.8	4.2	4.6	4.0	5.0	6.4	7.0
Lima, OH	7.7	7.7	6.3	5.6	6.0	5.2	4.6	4.5	4.2	4.8	6.3
Longview-Marshall, TX	9.5	9.1	8.2	7.6	7.7	7.4	6.7	7.1	5.7	5.4	6.7
Mansfield, OH	9.6	8.1	7.9	6.1	6.0	5.9	5.9	6.2	5.5	5.6	7.1
Owensboro, KY	7.4	6.3	5.1	5.6	5.8	5.8	4.5	5.1	4.4	5.4	5.5
Racine, WI	6.4	6.0	5.8	4.4	4.2	4.4	4.1	4.4	4.8	6.7	7.6
Rocky Mount, NC	4.7	4.7	4.7	4.7	8.5	7.3	6.9	6.2	5.9	7.6	10.2
Wheeling, WV	9.3	9.4	7.9	6.4	6.1	6.7	5.2	5.2	4.8	4.3	5.3

Source: State Labor Market Information

- *Berrien County continues to struggle with declines in both population and labor force.*

Employment growth among the county's residents can occur in only three ways:

- *An increase in the area's employment rate (the reverse of its unemployment rate).* The county's employment rate is the percentage of its civilian labor force that is employed. The county's employment rate, in large part, reflects the ability of the county's unemployed workers to compete with out-of-county job seekers.
- *An increase in the county's participation rate:* the number of employed and unemployed workers as a percentage of the area's 16 years and older population
- *An increase in population.*

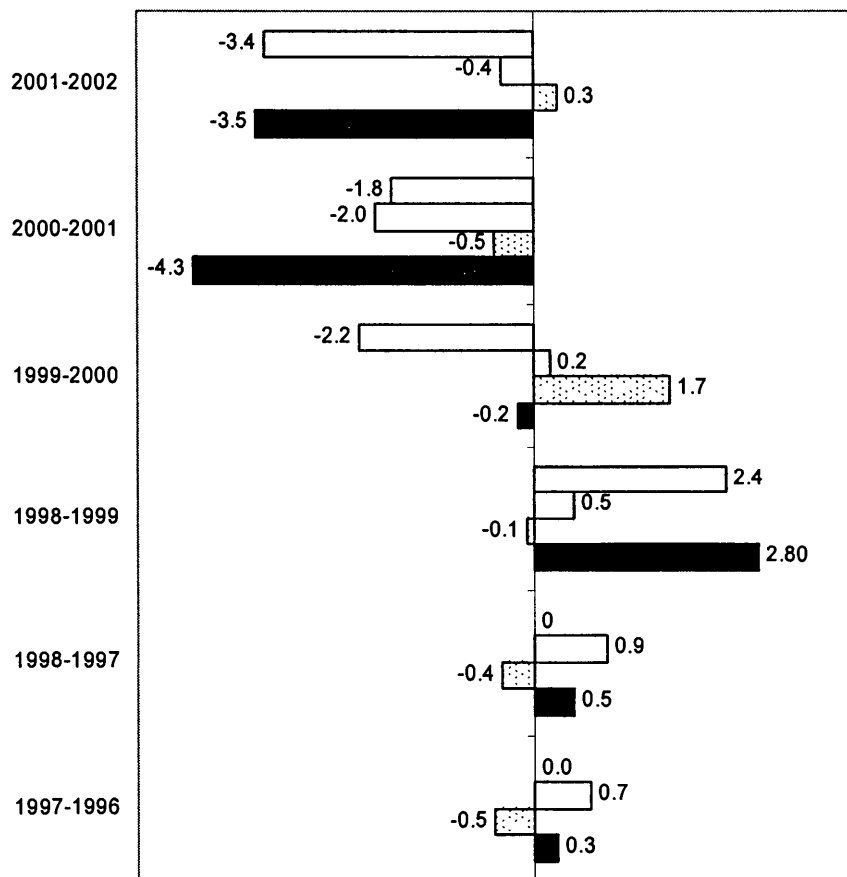
As shown in Chart 4, the successes of the late 1990's faded quickly during the 2001 recession. In 2002 significant losses in employment were accompanied by both a smaller rate of labor force participation and a lower population to employment ratio. Total population rebounded slightly, however not enough to make up for the loss that occurred in 2001.

All measures of residential employment growth have fallen simultaneously. As recently as the 6th issue of the Benton Harbor Benchmarking report found us concerned about the ability of local firms to locate qualified

workers to fuel expansion. Now, however, many residents would likely argue that jobs in Berrien County are significantly harder to come by, and that quality workers can be recruited with much greater ease. While this is certainly true in the short-term, a return to the out-migration patterns that dominated the early and mid nineties will ultimately limit the pool of potential employees available for hire once the economy completely recov-

ers. This is especially true given the struggles the area has faced regarding its perceived quality of life and safety—particularly in recent months. We fear that many workers who choose to leave now will be difficult to attract back once the economy recovers.

Chart 4
Components of Berrien County Residential Employment Growth



Source: MDCD and Census

■ Employment
□ Population
□ Emp/Civilian Labor Force
□ Civilian Labor Force/Population

- *The area's unemployment remains concentrated in the City of Benton Harbor.*

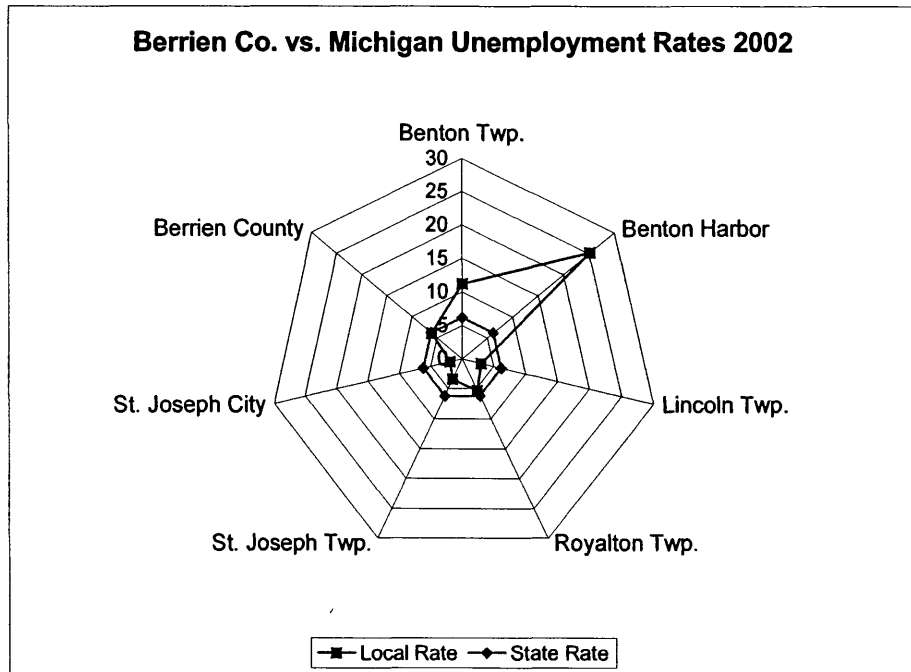
Unemployment in the Cornerstone Alliance's primary service area remains concentrated in the City of Benton Harbor. In fact, the 2002 unemployment rates of Lincoln, Royalton, St. Joseph Townships, and St. Joseph City are below that of the state (Chart 5). The unemployment rate in the City of Benton Harbor soared

to over 25 percent in 2002, while the unemployment rate in Benton Township reached more than 11 percent.

Although increases in the unemployment rate have occurred in all areas of the county over the past two years, the abysmally high rates found in the City of

Benton Harbor have been a persistent problem, averaging over 15 percent even in 2000—the peak of the historical 1990s economic expansion. Clearly, this suggests the area houses many workers who have difficulty finding a job, even during the good times.

Chart 5



Source: MDCCD

- *Test scores in Benton Harbor are down, despite some areas of improvement during the past five years.*

Unfortunately, during the 2001-2002 school year, MEAP scores fell in most of the area school districts. The drop in performance is clearly seen in the Benton Harbor schools, where the percentage of 4th graders passing the Reading MEAP fell from 67.8 percent to 38.8 percent, and in 7th grade the passing rate fell from 32.2 percent to 15.8 percent. In fact, the percent of students achieving “satisfactory” declined in every subject and grade level we examined; 4th grade math, 4th grade reading, and 7th grade reading. This is especially disappointing given the slight trend towards improvement which can be seen between 1997-1998 and 2000-2001.

Certainly, one year does not make for a trend. In fact, Table 7 seems to suggest that scores are down across the board. Even the county’s historically higher-performing districts—Lakeshore and St. Joseph—posted lower scores in one or more of the subject areas.

Table 7
MEAP Test Scores
(percent receiving satisfactory scores)

	Math				
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
4th grade					
Lakeshore	65.0	83.0	86.9	85.9	76.2
St. Joseph	79.5	80.0	82.9	81.9	84.7
Benton Harbor	68.4	58.2	62.4	65.5	45.6
Urbanized Berrien County*	71.9	70.8	73.2	73.1	64.2
State of Michigan	74.1	71.7	74.8	72.3	67.7
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
7th grade					
Lakeshore	75.0	67.2	72.9	n.a.	n.a.
St. Joseph	83.0	78.0	84.0	n.a.	n.a.
Benton Harbor	14.3	12.5	20.5	n.a.	n.a.
Urbanized Berrien County*	51.7	50.5	53.2	n.a.	n.a.
State of Michigan	61.4	63.2	62.8	n.a.	n.a.
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Reading					
4th grade					
Lakeshore	52.9	59.9	63.9	70.7	68.5
St. Joseph	65.2	66.5	74.9	68.7	68.8
Benton Harbor	49.9	40.1	54.0	67.8	38.8
Urbanized Berrien County*	56.1	54.3	63.2	67.7	54.8
State of Michigan	58.6	59.4	58.2	60.4	60.7
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
7th grade					
Lakeshore	60.5	69.7	61.1	68.5	69.0
St. Joseph	65.8	69.3	70.0	70.4	64.4
Benton Harbor	24.0	16.6	13.2	32.2	15.8
Urbanized Berrien County*	45.6	44.3	45.0	53.5	47.1
State of Michigan	27.9	53.0	48.4	57.9	54.2

* Urbanized Berrien County is a weighted average of the school districts of Benton Harbor, St. Joseph, Lakeshore, Eau Claire, and Coloma.

The 7th Grade math section of the MEAP was discontinued in 2000-2001.

Source: Michigan Dept. of Education

• *Technical class enrollments at Lake Michigan College are down from their peak.*

Enrollments in 10 selected technical programs offered at Lake Michigan College fell 22.8 percent during the 1992 to 2002 period (Table 8). Only Computer Information Systems has seen an overall increase, while all other program enrollments have fallen.

However, even Computer Information Systems enrollment fell 6.4 percent from 2001 to 2002.

Interest in technical programs seems to have peaked sometime in the mid-1990s. However, according to preliminary admis-

sions estimates, total 2003 enrollment at Lake Michigan College is up 6 percent, with students showing strong interest in nursing and a new graphic design program.

Table 8
Fall Enrollment in Technical Programs at Lake Michigan College
1992-2002

Course Title & Number	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	% Change 1992-2002*
CIS Computer Information Systems - 160	106	91	88	73	109	109	121	128	128	156	146	37.7%
Drafting and Design - 320	89	81	61	61	41	57	55	59	55	61	41	-53.9%
Electronics Technology - 330	76	83	59	79	66	56	52	57	49	76	52	-31.6%
General Technologies - 340	0	0	1	10	11	15	11	8	11	9	8	-20.0%
Machine Tool Technology - 345	60	57	46	42	21	15	18	28	27	49	40	-33.3%
Manufacturing Technology - 350	17	12	13	15	9	5	4	1	0	1	0	-100.0%
Electromechanical Technology - 360	30	27	23	16	18	12	13	19	19	36	18	-40.0%
Apprentice Training/Trade Related Instruction - 380	184	179	199	207	179	192	190	162	139	132	83	-54.9%
Skilled Trade Technology - 381	0	0	21	50	55	48	47	32	27	23	14	-33.3%
Skilled Trade Technology - 382	0	0	25	66	95	106	63	70	63	37	32	28.0%
Total	562	530	536	619	604	615	574	564	518	580	434	-22.8%

Source: Lake Michigan College

* For programs started after 1992, percent change is from course inception.

Note: 2003 Fall enrollments were incomplete at time of publication and have been excluded.

A Growing and Diversified Economy

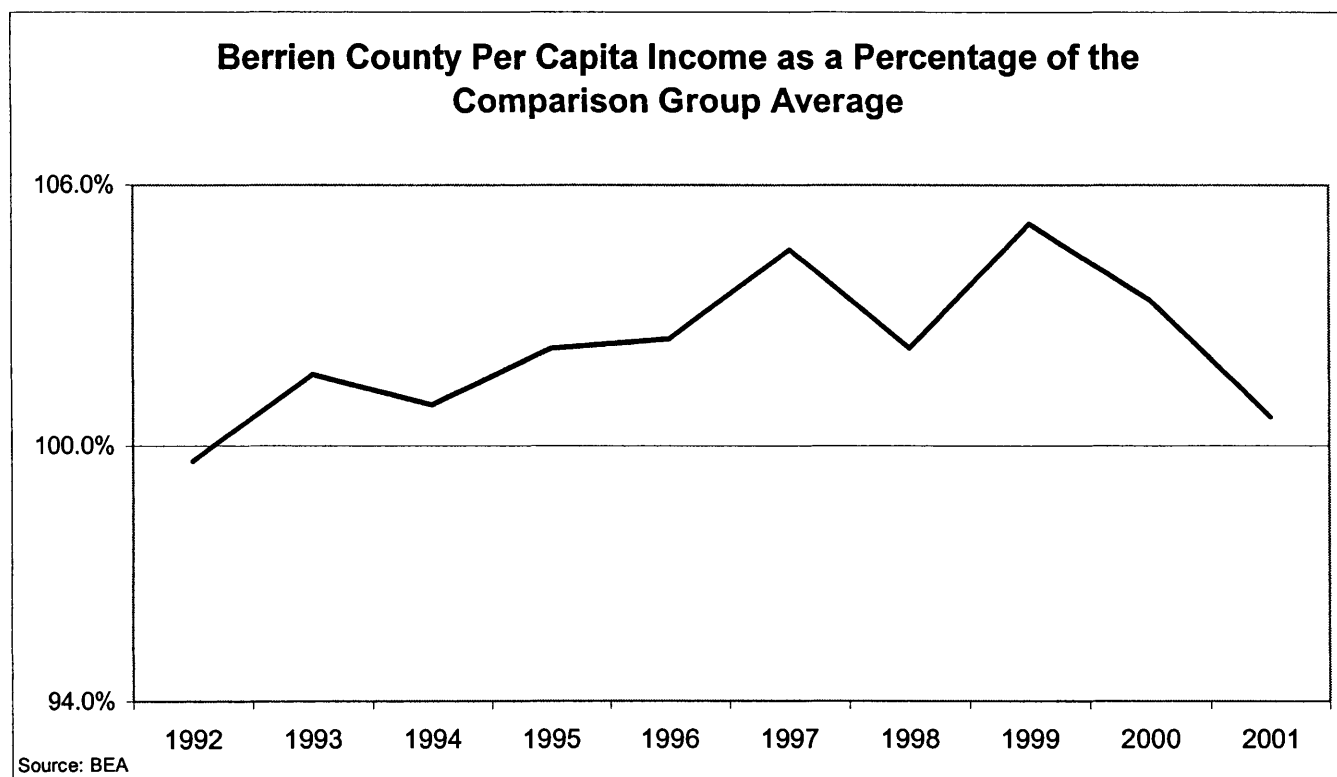
- *Per capita income in Berrien County is average relative to the 16 comparison metropolitan areas.*

There are many measures of an area's economic success: employment growth, total income growth, the unemployment rate, and so on. However, none measures overall prosperity in as comparable of a manner as per capita income.

In 2001, Berrien County's per capita income, \$25,826, was about the same as the average for the 16 comparison metropolitan areas. While not necessarily a bad sign, this represents a decline both in terms of dollars and as relative to the comparison group average

(Chart 6) in previous years. Since 2000, Berrien County's PCI dropped by over \$100, compared to an increase of over \$500 in the comparison group. This suggests a problem of income loss much greater than can be attributed to the ailing national economy.

Chart 6



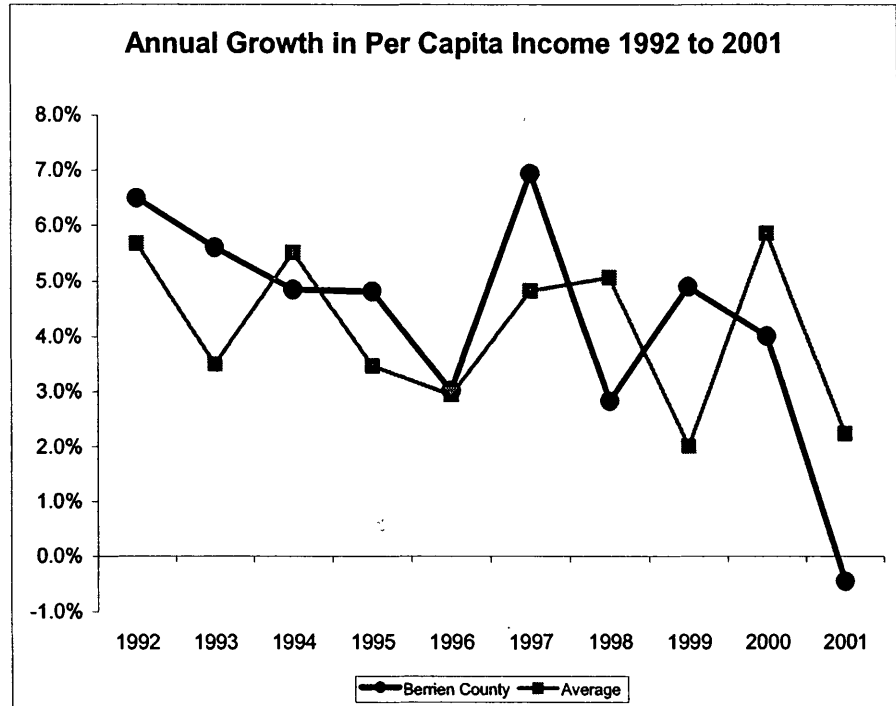
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Berrien County	\$18,083	\$19,096	\$20,022	\$20,986	\$21,621	\$23,121	\$23,776	\$24,941	\$25,942	\$25,826
% of Comparison Group Average	99.7%	101.6%	101.0%	102.2%	102.4%	104.5%	102.2%	105.1%	103.3%	100.7%
Average	\$18,146	\$18,786	\$19,832	\$20,526	\$21,104	\$22,123	\$23,256	\$23,730	\$25,104	\$25,654

- *Per capita income declined for the first time in a decade.*

In 2001, Berrien County's per capita income fell 0.4 percent compared to an average percentage increase of 2.2 percent for the comparison group (Chart 7). This drop reflects, again, the county's vulnerability to swings in the national business cycle. Meanwhile, the majority of comparison areas were still able to achieve growth, albeit at a slower rate than during the late '90s.

Moreover, if per capita income continues to decline over a period of additional years, it will be a cause for major concern. A trend towards declining income, combined with a shrinking population base would clearly suggest an exodus of high-income and professional workers—a group already in short supply in Berrien County.

Chart 7



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Berrien County	6.5%	5.6%	4.8%	4.8%	3.0%	6.9%	2.8%	4.9%	4.0%	-0.4%
Average	5.7%	3.5%	5.5%	3.5%	2.9%	4.8%	5.1%	2.0%	5.9%	2.2%
Cedar Rapids, IA	3.1%	3.3%	5.8%	4.0%	4.3%	4.7%	9.7%	3.8%	5.8%	1.3%
Dubuque, IA	7.2%	2.0%	6.2%	5.3%	2.9%	4.0%	6.4%	-0.1%	5.6%	4.1%
Elkhart-Goshen, IN	7.8%	4.1%	6.1%	2.9%	1.9%	2.1%	6.3%	3.9%	3.5%	-1.5%
Erie, PA	5.7%	3.2%	8.2%	-1.0%	3.9%	4.5%	3.2%	1.9%	5.6%	2.6%
Florence, SC	4.8%	5.0%	4.3%	2.7%	6.0%	4.8%	5.5%	3.5%	6.7%	4.4%
Fort Smith, AR	7.6%	1.0%	5.9%	3.1%	2.5%	3.8%	5.0%	3.2%	5.9%	3.5%
Jackson, TN	7.5%	4.0%	6.5%	4.1%	3.8%	5.3%	5.3%	3.4%	5.6%	-1.6%
Jamestown, NY	5.2%	2.1%	3.2%	2.0%	2.7%	3.5%	5.3%	1.7%	5.1%	2.2%
Janesville-Beloit, WI	8.9%	8.8%	8.5%	6.7%	-8.4%	4.5%	4.8%	2.2%	3.4%	0.4%
Longview-Marshall, TX	6.2%	0.6%	6.3%	3.2%	2.2%	5.0%	5.6%	4.9%	4.0%	1.5%
Owensboro, KY	5.2%	2.1%	4.5%	4.8%	3.9%	6.7%	4.7%	1.5%	6.5%	4.7%
Racine, WI	4.5%	5.0%	5.1%	2.6%	3.2%	5.9%	2.7%	2.0%	5.3%	2.8%
Rocky Mount, NC	5.7%	3.4%	5.1%	3.1%	4.0%	5.9%	3.7%	2.0%	6.8%	2.7%
Lima, OH	2.6%	3.6%	4.9%	3.6%	5.0%	6.2%	4.1%	1.3%	5.0%	2.7%
Mansfield, OH	5.1%	5.2%	3.3%	5.5%	6.0%	6.4%	3.4%	-5.0%	13.6%	2.5%
Wheeling, WV-OH	3.9%	2.6%	4.4%	3.1%	3.2%	4.0%	5.3%	2.1%	5.3%	3.5%

Source: BEA-REIS

- *Berrien County is still strong in manufacturing earnings per worker.*

Perhaps nearly as important as per capita income in measuring an area's economic strength are the average earnings per worker paid by each sector of the economy. Berrien County's 2001 earnings per worker in manufacturing of \$50,231 far exceeded the com-

parison group. This only reaffirms the importance of manufacturing to the community's economy (Table 9).

Earnings per worker in most other sectors, with the exception of professional and technical services, were below the

comparison group average. This perhaps reflects the area's continued inability to capture a significant portion of residents' retail and personal service expenditures, as shown later in Chart 12.

Table 9
2001 Earnings Per Worker by NAICS Sector

	Manufacturing	Retail Trade	Information	Finance and Insurance	Real estate - rental and leasing	Professional and technical services	Arts, entertainment, and recreation	Government and government enterprises
Berrien County, MI	\$50,231	\$17,690	\$34,840	\$30,746	\$10,112	\$36,045	\$12,057	\$35,563
Average	\$43,971	\$18,818	\$39,981	\$32,566	\$12,411	\$33,428	\$14,192	\$36,044
Cedar Rapids, IA	\$57,776	\$21,234	\$46,187	\$42,251	\$21,100	\$46,377	\$12,227	\$37,381
Dubuque, IA	\$43,145	\$18,821	\$36,424	\$31,198	\$11,817	\$34,357	\$52,600	\$33,488
Elkhart-Goshen, IN	\$38,916	\$17,962	\$36,572	\$31,368	\$13,837	\$29,085	\$10,741	\$37,325
Erie, PA	\$44,163	\$20,198	\$40,122	\$37,963	\$18,444	\$36,637	\$10,420	\$38,617
Florence, SC	\$41,366	\$20,242	\$32,588	\$37,705	\$9,898	\$37,753	\$16,467	\$35,371
Fort Smith, AR	\$32,737	\$17,516	\$39,061	\$29,963	\$14,711	n.a.	\$11,653	\$34,629
Jackson, TN	\$40,744	\$21,800	\$32,412	\$28,293	\$11,334	\$34,905	\$12,284	\$35,098
Jamestown, NY	\$38,670	\$16,319	\$29,179	\$27,083	\$8,801	\$26,409	\$11,312	\$35,458
Janesville-Beloit, WI	\$50,931	\$19,142	\$32,450	\$26,485	\$7,354	\$32,528	\$8,694	\$37,704
Lima, OH	\$48,614	\$17,276	\$47,734	\$24,705	\$10,932	\$25,180	\$8,772	\$37,566
Longview-Marshall, TX	\$41,328	\$20,693	\$78,921	\$24,280	\$11,800	\$36,225	\$14,717	\$31,954
Mansfield, OH	\$43,791	\$18,305	\$42,022	\$28,146	\$9,596	\$28,493	\$8,776	\$38,014
Owensboro, KY	\$39,921	\$17,644	\$34,874	\$27,594	\$10,605	n.a.	\$10,595	\$33,384
Racine, WI	\$53,781	\$17,835	\$38,360	\$29,048	\$12,158	\$34,024	\$11,785	\$41,908
Rocky Mount, NC	\$36,737	\$19,006	\$42,219	\$68,984	\$17,793	\$32,583	\$10,126	\$35,031
Wheeling, WV-OH	\$50,919	\$17,092	\$30,576	\$25,987	\$8,392	n.a.	\$15,906	\$33,780

Source: BEA-REIS

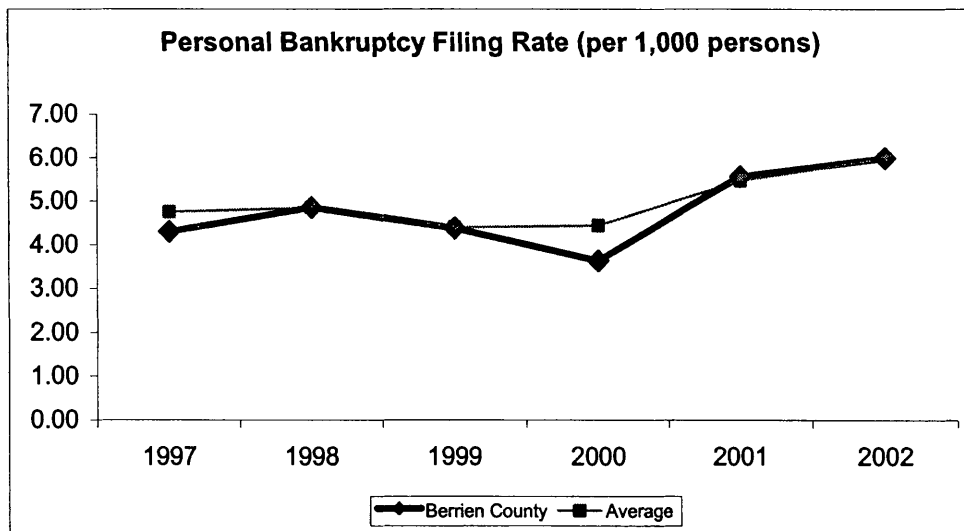
- *Berrien County residents are filing for bankruptcy at an average rate.*

Berrien County's 2002 personal bankruptcy filing rate of 5.99 per 1,000 persons was roughly the same as the 16 county comparison average of 6.00, and represents a 40 per-

cent increase from 1997. Over the past six years, Berrien County's resident bankruptcy filing rates have been similar to, or slightly below the comparison group average. This

suggests only that area families are struggling with current economic conditions and not any phenomenon unique to the Benton Harbor area.

Chart 8



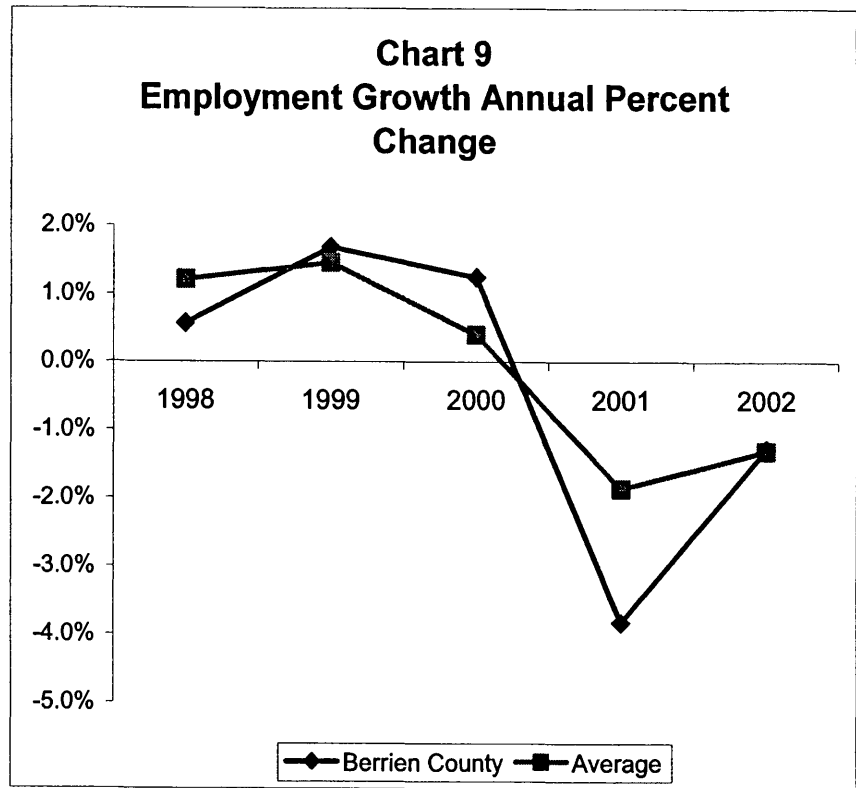
	1997	1998	1999	2000	2001	2002
Berrien County	4.30	4.85	4.38	3.64	5.57	6.00
Average	4.75	4.85	4.40	4.44	5.47	5.99
Cedar Rapids, IA	3.49	3.38	3.06	2.96	3.61	4.20
Dubuque, IA	2.35	2.32	2.27	2.20	2.49	3.31
Elkhart-Goshen, IN	5.88	6.59	6.19	6.31	8.13	9.45
Erie, PA	2.70	3.14	2.73	2.74	3.19	3.70
Florence, SC	2.40	2.36	2.44	2.88	2.93	3.39
Fort Smith, AR	5.73	6.36	6.24	6.09	6.99	7.77
Jackson, TN	11.96	11.08	9.18	9.77	11.31	11.81
Jamestown, NY	6.08	5.70	4.61	4.48	5.42	5.52
Janesville-Beloit, WI	3.86	3.94	4.39	4.36	5.63	6.11
Lima, OH	3.78	4.25	3.66	3.66	5.32	5.64
Longview-Marshall, TX	2.93	3.33	3.10	2.47	3.05	3.44
Mansfield, OH	4.48	4.47	4.08	4.76	5.90	6.19
Owensboro, KY	5.80	5.61	4.72	5.18	6.31	6.05
Racine, WI	4.63	4.62	4.67	4.58	5.99	6.64
Rocky Mount, NC	5.01	5.19	4.59	3.94	5.73	6.30
Wheeling, WV-OH	4.91	5.18	4.45	4.74	5.54	6.33

Source: FDIC Regional Economic Data

- *Employment in Berrien County fell dramatically in 2001 and has not recovered.*

In 2001, as the nation slipped into a recession, employment in Berrien County fell by 3.8 percent. The county's decline was significantly greater than the average 1.9 percent fall of the comparison counties. In 2002, the county's employment continued to decline by 1.3 percent.

Still, during the last two "peak" years of the 1990s boom, however, Berrien County's employment generally outpaced the comparison group, growing 1.7 percent in 1999 and 1.2 percent in 2000 compared to 1.5 and 0.4 percent, respectively, for the comparison group.



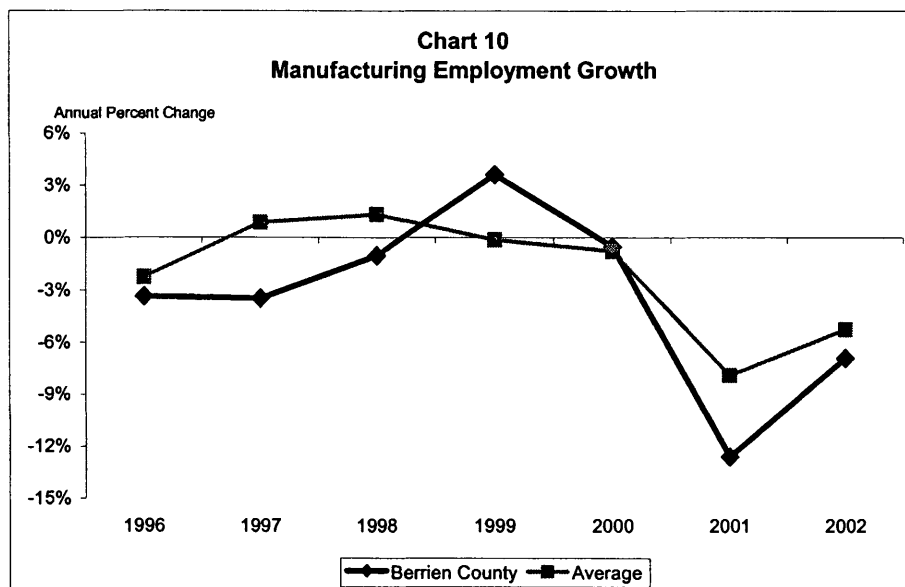
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Berrien County	0.6%	1.7%	1.2%	-3.8%	-1.3%
Average	1.2%	1.5%	0.4%	-1.9%	-1.3%
Cedar Rapids, IA	4.1%	4.4%	2.7%	-2.6%	-2.6%
Dubuque, IA	1.4%	1.8%	0.0%	-2.7%	-0.4%
Elkhart-Goshen, IN	3.3%	4.1%	0.8%	-6.8%	-0.6%
Erie, PA	1.3%	2.3%	1.7%	-2.0%	-1.6%
Florence, SC	0.5%	-1.8%	0.3%	-0.7%	-0.7%
Fort Smith, AR	1.7%	2.8%	1.8%	0.4%	-1.8%
Jackson, TN	0.4%	2.7%	1.8%	n.a.	n.a.
Jamestown, NY	-0.9%	-2.3%	-6.5%	-0.3%	-1.9%
Janesville-Beloit, WI	1.0%	1.4%	-0.4%	-2.4%	-1.9%
Lima, OH	1.4%	2.8%	1.5%	-3.4%	-1.8%
Longview-Marshall, TX	2.3%	0.8%	1.3%	0.5%	-0.9%
Mansfield, OH	-0.1%	0.7%	0.6%	-1.6%	-2.3%
Owensboro, KY	2.1%	1.8%	0.4%	-2.0%	-0.5%
Racine, WI	1.6%	0.9%	0.1%	-2.3%	-0.9%
Rocky Mount, NC	-2.8%	0.2%	-0.3%	n.a.	n.a.
Wheeling, WV-OH	2.0%	0.8%	0.4%	-0.1%	-0.6%

Source: State Labor Market Information

- *The manufacturing sector has taken a hit in Berrien County.*

In 2002, manufacturing employment declined by 6.9 percent in Berrien County after tumbling by 12.6 percent in 2001. Manufacturing employment, on average, decreased 5.2 percent in the comparison group during 2002, and fell 7.9 percent in 2001.

The drastic nature of these losses is, of course, easily blamed on the 2001 recession. However, the trend toward a shrinking manufacturing sector has been consistent throughout even the best years of the 1990s expansion—a sheer fact of life given the economics of a competitive and cheap world economy. Ultimately, the concern for Berrien County’s manufacturing sector should perhaps not be that it is shrinking, but that it is shrinking faster than the comparison group average during five of the past seven years. Moreover, it appears to be more cyclical than in the comparison counties.



	1996	1997	1998	1999	2000	2001	2002
Berrien County	-3.3%	-3.5%	-1.0%	3.6%	-0.5%	-12.6%	-6.9%
Average	-2.2%	0.9%	1.3%	-0.1%	-0.8%	-7.9%	-5.2%
Cedar Rapids, IA	-1.5%	3.0%	3.9%	-0.5%	-0.5%	-3.8%	-9.5%
Dubuque, IA	-12.7%	5.8%	2.8%	0.0%	-5.4%	-8.5%	-7.2%
Elkhart-Goshen, IN	-2.4%	1.0%	4.7%	5.6%	-0.3%	-12.7%	2.9%
Erie, PA	-2.9%	-0.3%	1.2%	0.6%	-0.9%	-7.8%	-9.1%
Florence, SC	-4.8%	1.7%	-1.7%	-4.2%	1.8%	n.a.	n.a.
Fort Smith, AR	-2.2%	0.4%	-0.7%	4.1%	-0.4%	-3.9%	-3.7%
Jackson, TN	2.8%	11.6%	3.2%	-0.8%	7.8%	n.a.	n.a.
Jamestown, NY	-0.7%	-1.4%	0.7%	2.2%	-1.4%	n.a.	n.a.
Janesville-Beloit, WI	-2.9%	-0.5%	-1.5%	-3.0%	-5.7%	-7.1%	-8.2%
Lima, OH	-1.0%	-0.5%	3.1%	2.0%	1.0%	-9.2%	-5.3%
Longview-Marshall, TX	0.0%	2.3%	4.0%	-4.3%	-4.0%	-5.3%	-8.8%
Mansfield, OH	1.8%	1.8%	0.9%	0.4%	0.9%	-6.5%	-5.5%
Owensboro, KY	2.9%	1.4%	1.4%	1.4%	-1.4%	-12.3%	-4.7%
Racine, WI	0.4%	-0.4%	1.7%	0.0%	-1.7%	-10.1%	-5.6%
Rocky Mount, NC	-6.0%	-8.4%	-4.3%	-5.4%	-2.1%	n.a.	n.a.
Wheeling, WV-OH	-6.7%	-3.6%	1.9%	0.0%	0.0%	-7.3%	2.0%

Source: State Labor Market Information

- *The number of patents issued in Berrien County declined throughout the 1990s.*

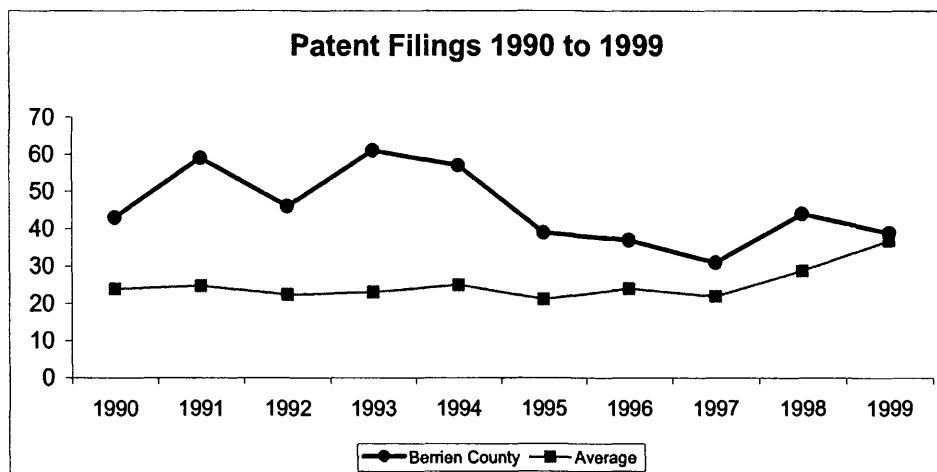
Since patents are typically the result of strong research and development efforts, the number of patents tends to indicate the degree to which the area is home to thriving, innovative companies. Unfortunately, the most recent year of patent data available on the metropolitan level at the writing of this report is still 1999. However, the trends of the 1990s suggest

that while Berrien County has historically been more innovative than the comparison group, it is perhaps now slipping in this regard.

Despite being home to manufacturing giant Whirlpool, as well as numerous high-tech automotive and electronics related firms, the number of patents issued has declined from a

high of 61 in 1993 to 39 in 1999. The comparison group, on the other hand, has finally caught up—averaging 37 patents in 1999. It should be noted, however, that the competition is highly lopsided, with many weak performers offset by powerhouse R&D communities such as Cedar Rapids, IA and Racine, WI.

Chart 11



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Berrien County	43	59	46	61	57	39	37	31	44	39
Average	24	25	22	23	25	21	24	22	29	37
Cedar Rapids, IA	67	60	59	72	74	56	73	70	92	141
Dubuque, IA	13	24	11	11	5	9	7	8	13	12
Elkhart-Goshen, IN	37	46	42	58	37	36	48	36	51	58
Erie, PA	54	49	56	46	55	50	60	46	57	84
Florence, SC	9	11	10	12	21	17	19	22	19	22
Fort Smith, AR	12	11	15	10	16	8	8	16	16	15
Jackson, TN	4	8	5	10	10	7	9	5	12	21
Jamestown, NY	9	12	4	9	9	11	10	5	22	12
Janesville-Beloit, WI	31	31	26	27	28	23	32	22	38	39
Lima, OH	32	29	15	23	11	9	5	15	9	14
Longview-Marshall, TX	26	27	24	23	24	28	26	14	25	35
Mansfield, OH	15	16	10	17	30	13	19	12	17	17
Owensboro, KY	4	4	4	1	8	4	4	3	2	6
Racine, WI	61	53	64	38	55	49	50	64	71	94
Rocky Mount, NC	3	6	6	3	3	10	7	2	4	7
Wheeling, WV-OH	5	8	6	9	14	9	7	11	13	13

Source: US Patent Office

- *Berrien County retailers captured a significantly smaller share of consumer dollars than the comparison group, a situation that has only worsened during the recession.*

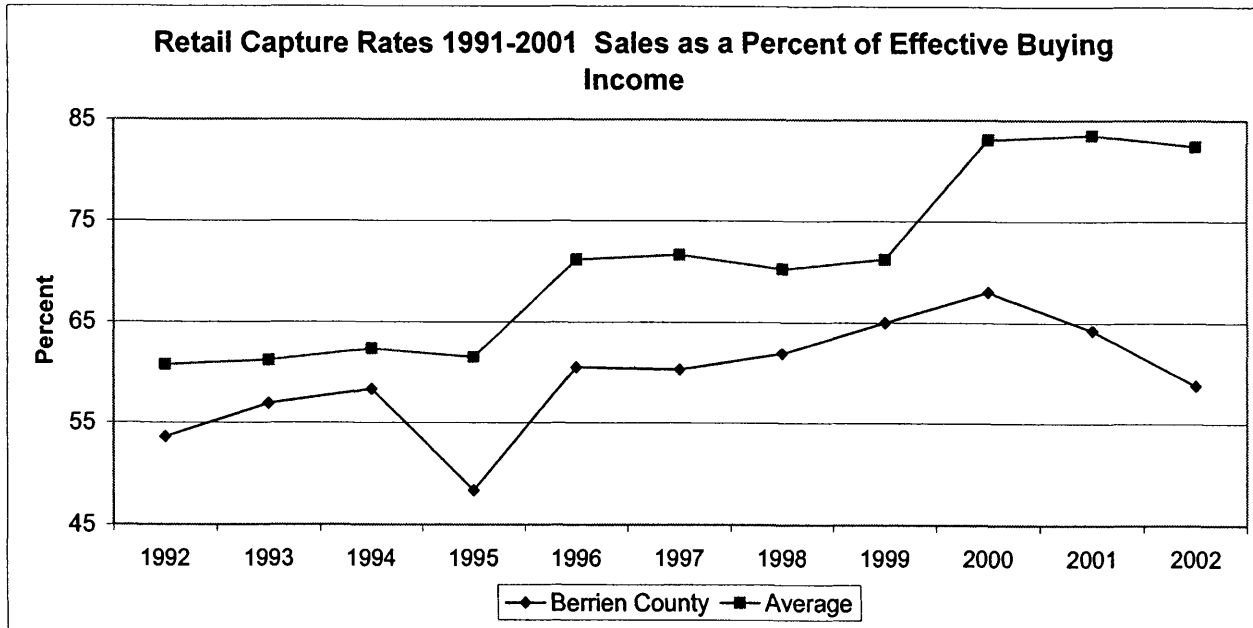
In 2002, the county's retail sales accounted for only 58.8 percent of the county's effective buying income, in contrast to 82.4 percent, on average, for the comparison group (Chart 12). This is a smaller share than captured by

any other member of the comparison group. In fact, area retailers are now capturing a smaller portion of potential sales than at any time since 1995.

It is unclear why the 2001 down-

turn would impact the county's retail capture rate so severely. In fact, we would expect hard times to provide a boost to local stores providing basic products and discount prices.

Chart 12



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Berrien County	53.6	56.9	58.3	48.4	60.5	60.3	61.9	65.0	68.0	64.2	58.8
Average	60.7	61.2	62.4	61.5	71.2	71.6	70.2	71.2	83.1	83.5	82.4
Cedar Rapids, IA	54.9	57.4	60.8	60.5	76.0	77.1	76.4	77.9	75.3	75.5	74.1
Dubuque, IA	64.0	68.2	72.9	65.7	78.7	78.3	76.8	78.3	86.4	88.1	89.4
Elkhart-Goshen, IN	55.9	54.7	56.4	52.8	63.0	62.2	60.0	59.4	84.7	81.0	78.5
Erie, PA	49.0	54.4	54.0	57.1	62.0	66.3	66.9	68.2	71.2	71.3	71.4
Florence, SC	73.8	71.9	73.9	78.8	93.3	95.0	92.2	94.1	106.0	102.3	87.6
Fort Smith, AR	63.3	59.1	59.3	62.0	70.4	68.2	67.3	67.8	77.6	75.6	74.0
Jackson, TN	68.0	73.7	75.7	70.8	78.6	77.3	71.3	71.0	108.7	107.1	97.6
Jamestown, NY	61.1	60.7	58.5	58.5	58.8	59.5	57.6	59.1	73.0	71.6	76.5
Janesville-Beloit, WI	56.7	60.8	61.2	60.2	69.7	67.9	66.4	67.1	86.3	89.2	93.4
Lima, OH	66.0	68.6	74.2	72.1	82.4	82.8	83.6	85.4	94.1	93.8	96.5
Longview-Marshall, TX	68.1	67.1	64.3	63.1	76.4	75.9	74.7	75.5	82.0	97.5	93.9
Mansfield, OH	59.3	55.6	60.2	60.0	73.2	73.1	71.8	73.8	77.6	82.1	86.4
Owensboro, KY	61.1	60.1	59.8	60.9	55.5	77.9	77.6	79.2	83.1	79.0	75.8
Racine, WI	49.2	50.8	48.9	45.5	65.6	52.7	50.4	50.7	65.5	65.8	64.6
Rocky Mount, NC	65.1	59.1	58.5	54.7	64.1	63.0	61.7	61.5	75.1	76.3	79.9
Wheeling, WV	56.4	56.9	59.0	61.4	71.1	68.9	68.9	70.7	83.0	80.5	79.5

Source: Sales & Marketing Management Survey of Buying Power, 1991-2001

Sector analysis of the area's retail capture rates suggests that Berrien County's retail difficulties are widespread. The county's general merchandise stores, which could be negatively affected by Indiana's outlet malls, captured only 10.7 percent of effective buying income, compared to 13.3 percent in the

comparison group (Table 10). What is surprising is that the county's 2002 capture rate for eating and drinking places was no better than the average for the other communities despite its strong tourism market.

Ultimately, low retail capture across the board points to a

shortage of quality retailers and/or a preference of local residents toward shopping in more urban centers south and west of the area. As we've stated in the past, this retail shortage should be considered a point of concern for the community.

**Table 10
2002 Detailed Retail Analysis
Sales as a Percentage of Effective Buying Income**

	Food	Eating & Drinking	General Merchandise	Furniture	Auto
Berrien County	9.7%	4.4%	10.7%	1.7%	15.2%
Average	9.0%	6.3%	13.3%	3.1%	21.3%
Cedar Rapids, IA	8.4%	6.2%	11.5%	5.3%	20.2%
Dubuque, IA	11.4%	6.2%	12.4%	3.0%	20.3%
Elkhart-Goshen, IN	6.6%	5.7%	9.4%	1.3%	26.1%
Erie, PA	9.5%	7.0%	5.3%	2.2%	21.3%
Florence, SC	7.8%	6.0%	13.5%	2.9%	19.8%
Fort Smith, AR	7.1%	6.6%	15.7%	3.5%	21.2%
Jackson, TN	10.0%	7.0%	16.2%	8.5%	14.8%
Jamestown, NY	9.1%	5.9%	14.0%	1.3%	25.5%
Janesville-Beloit, WI	9.1%	6.2%	14.8%	2.4%	31.7%
Lima, OH	8.8%	7.9%	19.2%	3.7%	29.1%
Longview-Marshall, TX	11.4%	6.8%	22.4%	2.4%	22.1%
Mansfield, OH	9.6%	7.4%	16.3%	3.2%	21.1%
Owensboro, KY	8.5%	7.3%	9.2%	2.1%	18.0%
Racine, WI	0.9%	5.0%	10.6%	2.4%	17.7%
Rocky Mount, NC	14.1%	3.2%	8.4%	2.2%	15.0%
Wheeling, WV	11.2%	6.8%	14.4%	2.7%	17.0%

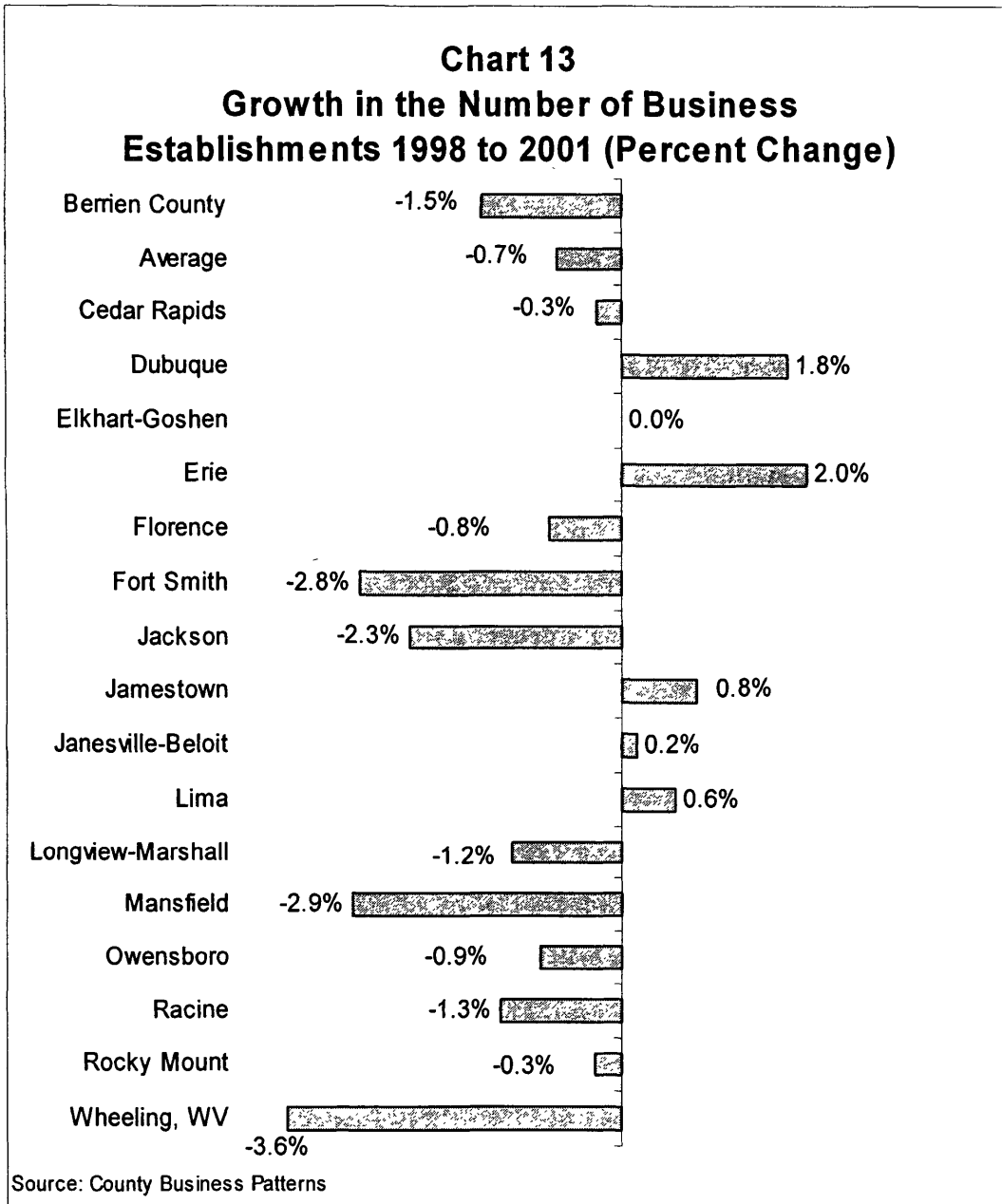
Source: Sales & Marketing Management Survey of Buying Power

- *Berrien County has lost business establishments during the recession as well.*

The number of business establishments declined 1.5 percent in Berrien County compared to a 0.7 percent drop in the 16 comparison metropolitan areas

(Chart 13). The loss of business establishments between 1998 and 2001 isn't too surprising given the declining economic conditions and lackluster retail

capture rates discussed earlier in the report. However, the fact that Berrien County lost businesses at twice the rate of the comparison average is troubling.



- *For the first time in nine years, housing prices in Berrien County fell.*

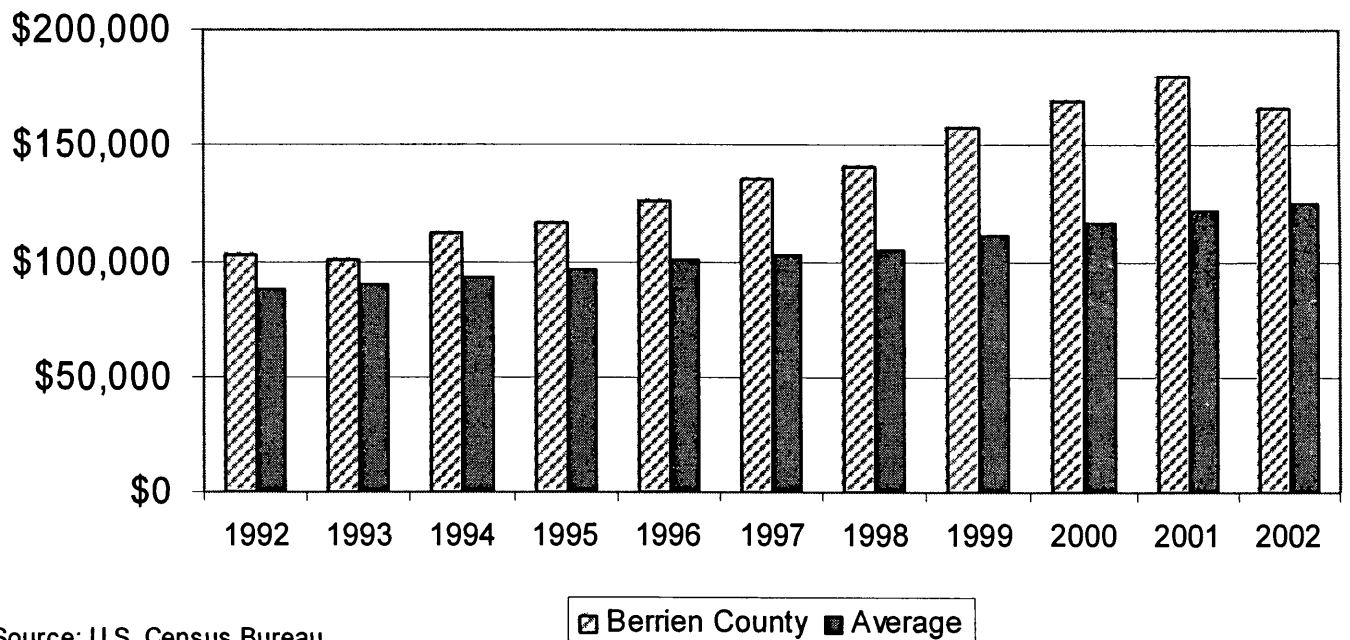
For years, “the lake effect” has helped keep the average prices of new homes in Berrien County substantially above those in the comparison group. In 2002 the average new home price of approximately \$166,000 in Berrien County was still far above the comparison group; \$125,000.

However, for the first time since 1993, the average price of a new construction home in Berrien County actually dropped—from prior levels of \$170,000 in 2000 and nearly \$180,000 in 2001. While too early to be considered a trend, this suggests both hard times for area builders and de-

clining demand for new lakefront and luxury homes.

In comparison, the group of 16 similar communities posted no such decline in 2002, instead increasing 3.1 percent in price over 2001; from \$121,000 to \$125,000.

Chart 14
Average Value of Single Family Housing Under Construction



- *The county's tourism sector is growing, despite slipping in 2001.*

The 2001 recession also took its toll on the county's tourism industry, suggesting that it does not serve as a stabilizing sector. Room assessment collections fell

by 10.9 percent in 2001, before rebounding to 7.4 percent in 2002 (Chart 15). The percent change in tourism inquiries rose by only 26.8 percent in 2001. In

2002 they jumped a strong 104.6 percent (Chart 16), suggesting that the tourism business may be quick to recover.

Chart 15

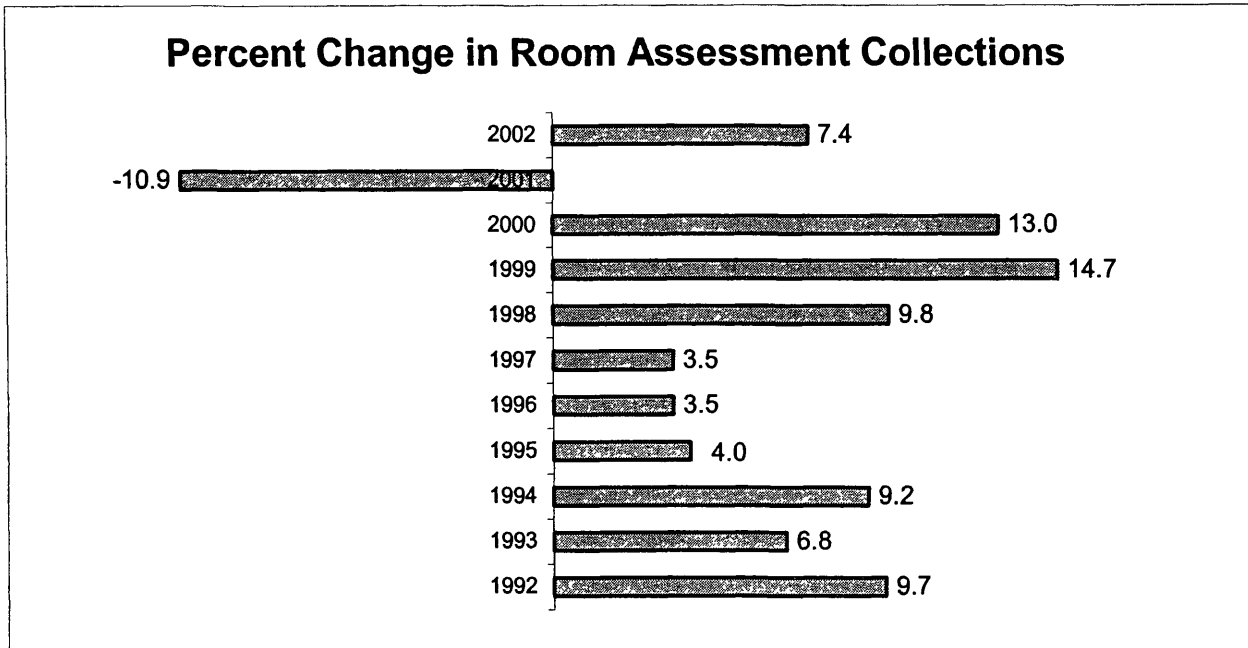
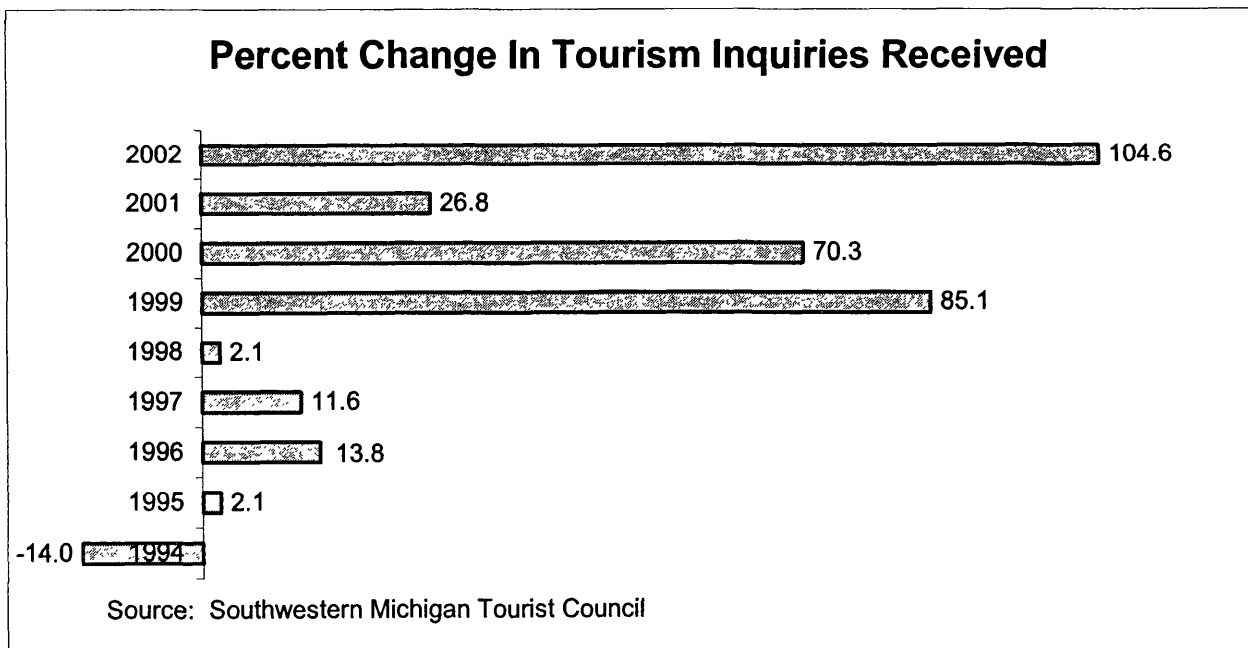


Chart 16



Quality of Life

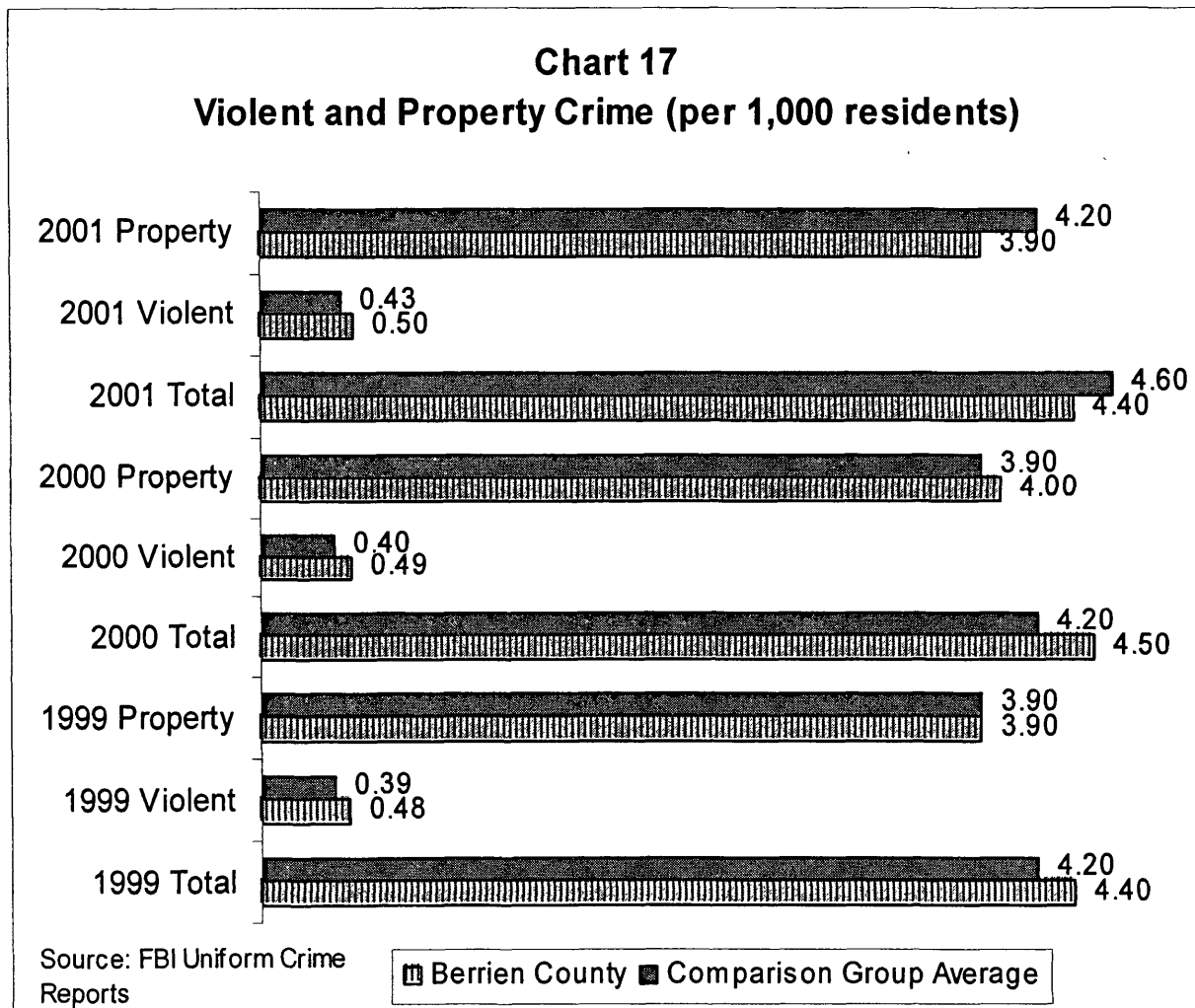
With improvements in communication and production technology allowing for greater choice in business locations, quality of life factors are playing a greater role in economic development. Being on Lake Michigan and only 90 minutes away from downtown Chicago, Berrien County offers a very attractive physical location. The fact that the county's tourism industry continues to grow shows that for many, the county's quality of life is so good that they want to spend their vacation time in the county. Still, the area is not without its problems.

- *Berrien County's overall crime rate has dropped below the comparison group average.*

In 2001, the total crime rate for the county stood at 4.38 per 1,000 residents, which was 5.8 percent lower than the average for the comparison group. How-

ever, violent crime is still a problem, with 0.5 incidences per 1,000 residents in 2001, versus 0.43 in the comparison group. Furthermore, over the past two

years, rates of violent crime have actually increased slightly—a disturbing trend overshadowing the declining rates of property crime.



• *The City of Benton Harbor's crime rate is on the rise again.*

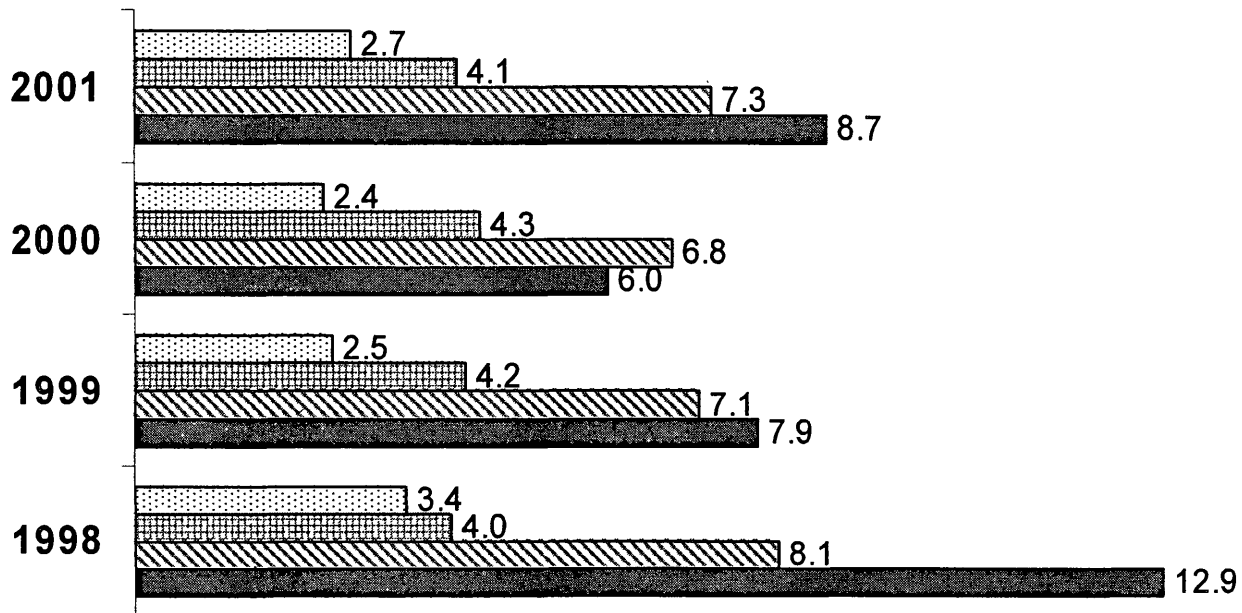
In 2001, the crime rate in Benton Harbor City rose to 8.7 per 1,000 residents (Chart 18) compared to 7.3 crimes per 1,000 residents in the comparison group. This represents the first increase in

four years—a jump of 46 percent over the prior year.

Suburban crime has remained relatively stable, decreasing slightly from 4.1 crimes per 1,000 residents in 2000 to 4.3 in

2001. This is, however, still substantially higher than the average comparison group suburban area, which recorded only 2.7 crimes per 1,000 residents in 2001.

Chart 18
Suburban and Urban Crime Rates
(per 1,000 residents)



Source: FBI Uniform Crime Reports

Benton Harbor
 Berrien County Suburban
 Comparison Group Urban
 Comparison Group Suburban

- *The charitable giving of Benton Harbor area residents has declined slightly.*

Community commitment is difficult to measure, because it comes in many different forms. Volunteering time, donating food and clothing, or pledging money are three of the most common ways of reaching out to improve the lives of other community residents. Although many worthy charitable organizations exist in every community, the national presence and broad scope of the United Way make it a good indicator of an area's willing-

ness and ability to support charitable activities.

As shown in Table 11, Benton Harbor area residents donated an average of \$19.54 per person to the United Way of Southwest Michigan in 2001. During the same period, the comparison group donated an average of \$16.70 per capita. This marks a slight decline from the year 2000, when per capita charitable giving was \$20.68 in Berrien County and

\$17.17 in the comparison group.

The decline is unfortunate, especially given the fact that cases of need tend to increase in times of recession. However, some comfort should come from the fact that rates of giving in the Benton Harbor area are decidedly above average, suggesting that United Way of Southwestern Michigan does indeed benefit from a high level of community generosity.

Table 11
Per Capita United Way Contributions

Area	Organization Name	2000	2001
Benton Harbor, MI	United Way of Southwest Michigan	\$20.68	\$19.54
Average		\$17.17	\$16.70
Cedar Rapids, IA	United Way of East Central Iowa	\$24.75	\$26.22
Dubuque, IA	United Way Services	\$11.85	\$11.46
Elkhart, IN	United Way of Elkhart County	\$18.09	\$17.21
Erie, PA	United Way of Erie County	\$20.20	\$19.80
Fort Smith, AR *	United Way of Fort Smith Area	\$25.90	\$9.58
Jackson, TN *	United Way of West Tennessee	\$9.95	\$7.63
Jamestown, NY	United Way of Southern Chautauqua Co.	\$18.85	\$18.59
Janesville-Beloit, WI	United Way of North Rock Co.	\$21.53	\$20.75
Lima, OH	United Way of Greater Lima	\$22.87	\$23.30
Longview, TX	Greater Longview United Way	\$11.21	\$12.57
Mansfield, OH	United Way of Richland Co.	\$15.31	\$15.39
Owensboro, KY	United Way of the Ohio Valley	\$14.45	\$14.67
Racine, WI	United Way of Racine Co.	\$26.90	\$27.24
Rocky Mount, NC *	Rocky Mount Area United Way	\$10.64	\$9.37
Wheeling, WV	United Way of the Upper Ohio Valley	\$4.98	n.a

Source: United Way of America

Note: Local United Way coverage areas differ in scope, and are subject to error.

Quality of Life

- *Despite improvements in other areas, cases of abuse and neglect have increased dramatically.*

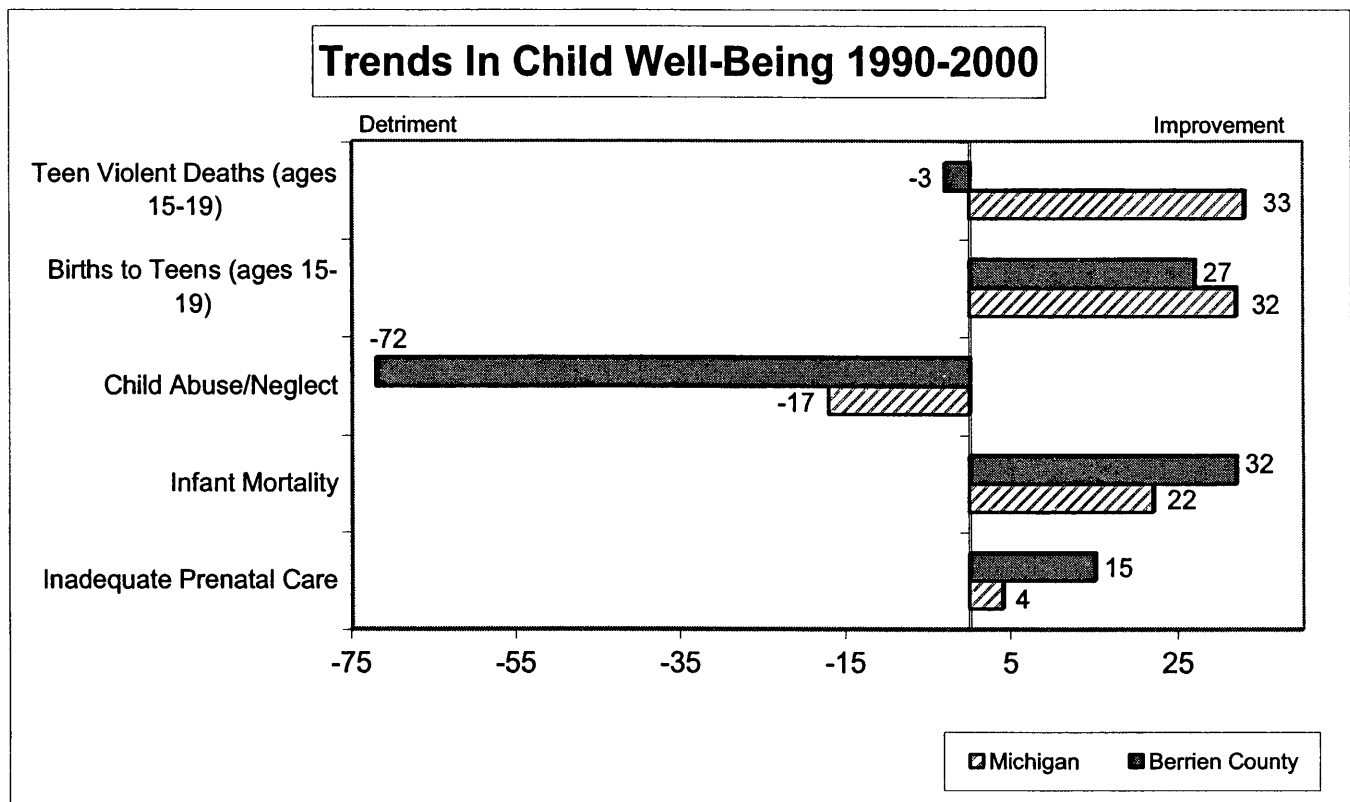
As shown in Chart 19, the care received by Berrien County's youngest residents has improved over the last decade. Both the delivery of prenatal care and the prevention of infant mortality have improved at faster-than-expected rates. The teen birth-rate has also shown improve-

ment, dropping by 27 percent over the past ten years—although Berrien is still ranked 79th out of 81 counties in terms of total births per 1,000 teens.

Unfortunately, things are still harsh for many older children. Violent teen deaths increased

slightly, despite dropping by one-third statewide. Even more disturbingly, cases of child abuse and neglect skyrocketed 72 percent during the period; a situation we can only hope is a result of improved enforcement and not increasing cases.

Chart 19



Source: Kid's Count in Michigan Data Book 2002.

CONCLUSIONS

This edition of *The Benton Harbor Area Benchmarking Study* clearly shows the dramatic effects the faltering national economy has had on Berrien County. In just the past two years, some of the most significant drops in overall performance have occurred since we first began benchmarking the area in the mid-1990s. Moreover, the data indicates that the county is more vulnerable to the swings in the nation's business cycle than are the comparison areas.

While to many, the results of this report will seem less encouraging than in the past, readers should take comfort in the fact that these numbers are likely a measurement of the worst year—2001—in a relatively short downturn.

Of first and foremost concern is Berrien County's cyclical declines in total employment, manufacturing employment, and per capita income. Because they measure such broad variables—ones which impact the lives of all county residents, these three variables should be considered *the* indicators of economic health in the county. Here's where they stood:

- In 2002, manufacturing employment dropped 6.9 percent after falling by 12.6 percent in 2001.

- In 2002, total employment dropped 1.3 percent after tumbling down by 3.8 percent in 2001 which was well below the average for the comparison group.
- In 2001, per capita income declined 0.4 percent.

While these numbers provide a very real view of declining overall economic conditions in Berrien County, they also hint at a more positive story. Despite significant weakness in the manufacturing sector, increasing wages and a growing service-producing sector were able to hold their own. For the long-term health of the area this may be a good sign, since it suggests that the area is slowly developing more of an independent economic base.

However, other aspects of the report paint more of a mixed-picture of the county's economic strength. Many issues the area struggled with in the 1990s are far from solved. Moreover, in many aspects of the economy, the comparison communities outperformed Berrien County despite experiencing the same national economic effects. Some examples from the report:

- Berrien County's population fell by 0.2 percent in the first two years of the

decade, compared to an average 0.6 percent increase for the comparison group.

- Shift share analysis suggests that Berrien County is still heavily concentrated in industries which are weak both nationally and locally.
- The city of Benton Harbor has improved neither its performance nor public image. In 2001 and 2002, the progress made in the 1990s in terms of violent crime, unemployment, and MEAP scores seems to have been lost.
- Local retailers continue to capture a far smaller share of potential sales than any of the comparison communities. A more successful retail community could both generate employment and enhance quality of life for area shoppers.

Ultimately, the findings of this report point to a fairly straightforward conclusion: Berrien County was harder hit by the 2001 recession than the comparison counties. This reveals a weakness in the economy that was unknown before. It is particularly disheartening given the encouraging improvement which began taking place during the late 1990s.

Conclusion

Finally, this report closes with the same words of caution as its previous editions: *It is inappropriate to use this data system as an evaluation tool to determine the effectiveness of the area's economic development efforts.*

Unlike a business, economic development organizations do not control their economic resources. The area's economic industrial structure, demographic situation, and market location play significant roles in determining the area's economic future, and all

are beyond the control of area economic developers. In fact, the authors of this report respect Cornerstone Alliance's willingness to let the numbers speak for themselves.

APPENDIX

The following are brief descriptions of the data series and sources used in contrasting Berrien County with the 16 comparison metropolitan areas.

Availability of a Qualified Workforce

Population Growth - An area's population growth depends upon both its natural increase (births over deaths) and net migration. Since the natural rate of population growth varies little among similar metropolitan areas, net migration explains a large share of the relative differences between areas' population changes. Areas with positive net migration offer a larger labor pool for their industries than areas with slower or negative migration. Moreover, since professional and highly skilled technical workers tend to be more mobile, sluggish population growth suggests that the area's workforce may be lacking in these types of skills. Finally, positive net migration supports retail sales and the area's real estate market. **Sources:** U.S. Census and the IRS.

Unemployment Rate - An area's unemployment rate monitors both the availability of workers and the economic condition of the area's economy. A high unemployment rate suggests that area employers have a large pool of job seekers from which to select new hires. On the other hand, it also suggests that the area's economy is weak and not growing fast enough to provide suitable employment opportunities for its residents. Unfortunately, the unemployment rate by itself does not provide any information on the quality of the area's unemployed workforce. **Sources:** Bureau of Labor Statistics.

Local Unemployment Rates - Unemployment statistics on the township and city level are subject to a high degree of error. Still, they are useful in indicating the economic discrepancy among the area's governmental units. **Source:** Michigan Department of Career Development.

Enrollment in Area Technical Training Programs - Enrollments in technical programs at Lake Michigan College and at Berrien County Intermediate School District provide information on the skill levels of new, entry-level workers, and they reflect the level of support being given by the area's public education institutions to area manufacturers. **Sources:** Lake Michigan College and Berrien County Intermediate School District.

Performance on the Michigan Educational Assessment Program (MEAP) Test - For all its faults, the MEAP test still serves as an indicator of how well area students are doing academically relative to the rest of the state. In this database, we selected average test scores for the 4th and 7th grade exams. The percent of students scoring at least "satisfactory" serves as both an indicator of the desirability of the district to parents, as well as the potential quality of future workforce being produced by the areas' public schools. **Source:** Michigan Department of Education.

A Growing and Diversified Economy

Per Capita Income Growth - The nominal level and growth rate of an area's per capita income serves as a measure of residents' standard of living, as well as an indicator of the overall economic strength of the region. **Source:** Bureau of Economic Analysis, REIS.

Total Employment Growth - Growth in employment is another key indicator of an area's economic performance. It is often used as a proxy for output growth. **Source:** State Employment Security Commissions.

Employment Growth in Manufacturing - Manufacturing is a major component of an area's economic base. An area's economic base comprises those industries that bring new income into the area through the sale of their goods and services. **Source:** State Employment Security Commissions.

Value and Number of Housing Units Authorized by Building Permits - These measures indicate the number and quality of housing units being constructed in Berrien County relative to the comparison metropolitan areas. **Source:** U.S. Bureau of the Census, *Housing Units Authorized by Building Permits*.

Tourism - Tourism is a major component of Berrien County's economy. It is an activity that crosses several different industries including retail, eating and drinking places, lodging, and personal services. We therefore include *percent change in room assessment collections* and *percent change in tourism inquiries received*. The former provides an indicator of trends in overnight stays, while the latter provides a much broader indicator of visitors' interest in the area. **Source:** Southwestern Michigan Tourist Council.

Retail Capture Rates - The size of an area's economy depends on the number of dollars attracted into its boundary and *how long these dollars stay in the local economy*. We compare Berrien County's sales-to-income ratio with that of the average of similar metropolitan areas. If Berrien County's sales-to-income ratio is the same as the average of similar areas, the county's retailers are doing as well as can be expected. **Source:** Sales & Marketing Management, *Survey of Buying Power*.

Infrastructural Capacity to Support Growth

Industrial Land Availability - The availability of site-ready industrial space of various sizes is an important indicator of the area's readiness to attract new firms into the area and provide the environment for existing plants to expand. **Source:** Cornerstone Alliance.

Quality of Life

Violent and Property Crime Rates - Personal safety is a prime concern for all individuals. A high level of crime costs businesses money (in terms of security costs, product theft, and lost customers) and makes an area less desirable to residents. The crime rate used in this report is a comparison of the incidents of crimes, both violent and property, per 1,000 residents in Berrien County relative to the average for the comparison group of metropolitan areas. In addition, we compare the crime rate for the county's central city, Benton Harbor, and for the county's suburban area (all areas outside of Benton Harbor) with similar areas in the comparison group. **Source:** FBI Uniform Police Reports.

Community Livability Ratings - For most individuals, there are a multitude of small factors that combine to make one community more desirable to live in than another. These ratings use a percentile scoring system to compare the available facilities of one metropolitan area to another, based upon

how they compare to the best and worst areas in each category. The mean score is then used to rank each metropolitan area from 1 to 354. **Source:** Places Rated Almanac 1993 and 2000.

Child Well-being - There are several important indicators that monitor the well-being of children outside of school from low birth-weight to the rate of violent deaths of teenagers. While policies that address these issues are outside of even the most comprehensive economic development effort, these indicators monitor another facet of the area's quality of life and commitment toward its youngest members. **Source:** Kids Count In Michigan Data Book.