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The national economy is entering its thirty-third quarter of an expansion, and there are few signs that the economy will slow down anytime soon. Most macro-based measures are positive. These include second-quarter gross domestic product growth of 3.1 percent, national unemployment unchanged at 4.4 percent, and 222,000 jobs added in June ($77,000 for the quarter), well above the year-to-date average of 180,000. Even so, the limited number of available workers in such a tight labor market may create a drag.

For now, though, the state of Michigan, like the nation, appears to be doing well. Although forecasts for 2017 suggested a potential reduction in the manufacturing workforce, manufacturing employment (along with most other sectors) grew between the second quarters of 2016 and 2017. And while sluggish light-vehicle sales of late are cause for concern in the dominant auto industry, the longer-run trend appears to point to a continued pace of 16.8 million units annually. Meanwhile, the state’s unemployment rate fell from 5.2 percent in January to 3.8 percent in June.

University of Michigan forecasters say that while the state’s annual GDP growth from 1990 to 2015 fell below that of the nation (1.4 versus 2.3 percent), they predict average annual growth for 2015–2045 at 1.9 percent for the nation and 2.0 percent for the state. And in manufacturing, they peg Michigan’s GDP growth over the next 30 years at 2.3 percent, versus 1.6 percent for the nation.

So where is the fly in the ointment? Well, the same forecasters are saying Michigan will lose population to other areas of the country during that time. Also, the natural rate of population growth (births minus deaths) will continue to slow. If the state is to grow, the U of M says, it will be based on net growth from international migration. In the next 30 years, the U of M forecasts population loss for the 0-to-17 and 18-to-24 age groups (89,000 and 107,300, respectively), slight growth for the 25-to-64 age group (87,700), and massive growth for the 65-and-older age group (877,300).

Things are better than that in west Michigan (see figure), which has a higher percentage of the population in the 16-to-24 and 25-to-34 age groups than either the state as a whole or the nation. But these shares may be a function of Holland, Grand Rapids, and Kalamazoo having both private and public universities. The question remains, “How do we retain the talent developed in the region?”

In looking at what job opportunities exist to keep workers—and newly minted college graduates—in the region, we find that the categories with the lowest median age (i.e., half of jobholders above that age, half below) include sales and related occupations with a median age of 39, health care–related jobs at 40, and office and administrative support at 41. Collectively, these three occupational groups account for about one-third of all job postings in west Michigan.

Furthermore, west Michigan job growth by industry is concentrated in three areas: 1) leisure and hospitality, 2) manufacturing, and 3) government. Employment declines have occurred in only two areas: 1) education and health and 2) professional and business services.

West Michigan needs to retain its higher-education graduates if it wants to avoid relying on international migrants for growth. Job postings indicate that many employers are in fact seeking workers with college degrees. Whether they can land them may say something about the state’s long-term prospects.
During the presidential election campaign, then-candidate Donald Trump promised a doubling of growth in the domestic economy to between 3 and 4 percent. Many question whether that is possible. The first-quarter gross domestic product (GDP) came in at 1.1 percent, well below the longer-run average of slightly less than 2 percent.

**Gross Domestic Product and Nonfarm Employment**

Growth in gross domestic product looks solid for the next 12 months at between 2 and 3 percent.

Despite the modest first-quarter numbers, the revised second-quarter GDP came in at 3.1 percent. Moreover, the forecasters are convinced that the second-quarter rate is fairly sustainable: University of Michigan economists are now predicting an upwardly revised rate of 2.6 percent for 2018. However, they continue to hold to their prediction for 2017 of 2.2 percent. The Federal Reserve Bank of Philadelphia’s Survey of Professional Forecasters is nearly as optimistic, with expectations of growth of 2.1 percent for this year and a rate (revised slightly downward) of 2.4 percent for next year.

However, three factors would seem to argue against robust growth: 1) Labor markets are tight, as unemployment nationally remains at less than 5 percent, a mark that puts the nation arguably at or near full employment. Labor force participation continues to be subpar at 62.8 percent. 2) At the beginning of the year, the dollar was very strong and was thought to be a rate-limiting factor for exports. 3) Administration-supported measures like health care reform and tax reform have not come to pass—nor does there seem to be a sufficient consensus in Congress to produce such change in the near term. So with all of these headwinds, how can GDP growth be expected to accelerate?

**Major Activity Contribution to GDP Change in Current Quarter**

Personal consumption remains strong as consumers express high confidence in the economy.
One thing that may be providing a bit of a tailwind is the weaker dollar. According to MarketWatch, the dollar has lost significant ground this year. At the beginning of 2017, MarketWatch’s index for the dollar was at 102.78. It slided to 95.63 by the end of June and continued to decline in the third quarter. One impact of a weaker dollar is to reduce the cost of exports and increase the cost of imports. There may be some evidence of this effect when looking at the GDP breakdown for the quarter (see bottom figure, p. 2), as exports contributed almost one-half of 1 percent to GDP growth. While that was less than the contribution of exports in the first quarter, the negative impact of imports was much smaller in Q2 than in Q1.

One potential drag on the economy is the market for light vehicles. Even though this sector is roughly on pace with the long-run yearly average of 16.8 million units of cars and light trucks (16.9 million annualized units were sold during the first six months of the year), that number represents a significant decline from the mark of 17.5 million units for 2016. Sales peaked at 18.1 annualized million units last December, but lower-than-average sales in May and June underscored a trend of declining sales since the beginning of the year. In Michigan, while production for the first six months was down 12.5 percent, the state still produced more than 1.1 million light vehicles.

With this slowing of sales, notably for the “car” market, inventories are up, and it is having the expected effect. While crossovers and trucks continue to do well, some companies are announcing short-term layoffs to help reduce supply. Also, incentives on nearly all product lines are up over last year, as manufacturers try to get rid of inventory to make room for the new-model-year production.

One factor that may support continued GDP growth is consumer confidence, which is near its highest point since the end of the recession. Even so, consumer debt for the quarter remains only moderate compared with some other recent quarters (figure below). But as shown in the bottom figure on the opposite page, personal consumption was responsible for nearly 2 percent of GDP growth in the second quarter—in other words, about two-thirds of the growth. Clearly, when we look at the drivers of GDP growth, the consumer is royalty.

After years of steady growth in the economy, consumer confidence is going through the roof.
Looking at the median age of the employed population in the Great Lakes region shows a mixed picture. While it might be assumed that workers in cities are younger and those in rural areas are older, the situation is more varied.

It’s true that the northernmost counties across Wisconsin and Michigan tend to have an older population, with an average age in many counties of over 46 (see map). However, many rural areas in Illinois and Ohio have a median age in the 41–42 range. And counties with major cities often have a higher median age than smaller counties with a university presence (shown in white). Notice that the youngest counties in Michigan are those that are home to the University of Michigan (Washtenaw County), Michigan State University (Ingham County), Central Michigan University (Isabella County), and Western Michigan University (Kalamazoo County). In contrast, Michigan’s two largest cities, Detroit and Grand Rapids, are located in counties (Wayne and Kent) with higher median ages for workers than these other university towns.

OFFICE FURNITURE INDUSTRY

The furniture industry in west Michigan posted a solid second quarter, according to the consulting firm Michael A. Dunlap and Associates (MADA). The MADA office furniture industry index finished the quarter at 57.49, up from 55.41 in the first quarter. (Index values above 50 indicate the industry is growing.) Index components “sales” and “hours worked” showed substantial gains in the quarter: the “sales” component improved from 50.13 to 60.29, while the “hours worked” component increased from 51.82 to 58.33, suggesting that employers are relying on increased overtime to meet their production needs. Shown as the dashed red line in the figure below, the employment index for the region has tapered off slightly since 2016. Employment grew at about 4.7 percent per year from 2014 through 2016 but has slowed to 2.4 percent so far in 2017.

The furniture index increased during the second quarter from 55.41 to 57.49. Employment increased as well, but at a slower pace compared to previous years. While the index has shown some volatility over the past year, it continues to operate in positive territory (above 50), indicating industry growth.
To paraphrase Apollo 13 astronaut Jack Swigert, “Detroit, we have a problem.” Actually, several problems. The workforce has aged. Sales have slowed. The need to offer increased incentives has adversely affected some automakers’ profitability. And the problems affect not just Detroit but other cities in Michigan that are part of the supply chain, as well as final-assembly plants around the country.

While 2016 was a great year for the auto industry, coming in at 17.5 million units—well above the long-term average of 16.8 million units—sales of light vehicles (cars and light trucks) declined in the first half of this year. Although December 2016 saw annualized sales of 18.1 million units, the figure for June 2017 was only 16.6 million units. (On a more optimistic note, the forecasting unit at the University of Michigan has projected sales of 16.9 million for both this year and the next.) Data from Automotive News show that sales for June 2017 compared to June 2016 were down 2.9 percent, while a year-to-date comparison for the first halves of 2016 and 2017 shows that sales were down 2.1 percent, having dropped from 8.61 million to 8.45 million units. Ford, General Motors, and Chrysler were all down for the year to date, Honda was about even, and Nissan and Subaru saw gains. The surprise may have been Toyota, whose sales have plummeted 3.6 percent so far this year.

Slipping sales result in increased levels of inventory, and those rising inventories affect how long a car sits on the lot. According to Automotive News, the average time a car spent on the lot as of June 30 was 77 days, up 4 days from last year but still lower than in June 2009, when the number was 87 days. When looking at how many days’ supply was reported by the industry, the 74-day supply was well above the long-run average of 60, and it was up 9.2 percent year-over-year.

In response to the glut of vehicles, manufacturers are trimming production across North America—in some cases temporarily shutting plants down. Again according to Automotive News, they are also cutting back on production of lines that have struggled with lower sales. While trucks and crossover vehicles remain in demand, the traditional car market is falling. Additionally, manufacturers are increasing incentives, either by offering 0 percent interest or by giving cash incentives. In some cases, they are offering options for both. The impact of these incentives, of course, is to reduce the profitability of the vehicle makers.

While there is much debate in the industry about the direction it is taking, including such innovations as electric cars, autonomous cars, and possibly unattainable average fuel economy by 2025—greater than 50 miles per gallon—one problem continues to plague manufacturers and their supply chains: workforce. Almost 45 percent of production workers in the auto industry are aged 45 or older, and nearly 20 percent are 55 or older. The percentages are very similar for engineers in those age groups. Across the country, automobile manufacturers and suppliers are struggling to find workers. If this situation is not remedied, it could eventually hamper production and affect regions, such as west Michigan, that are dependent on vehicle production.
So far this year, Michigan's economy has exceeded forecasters' expectations. Nearly all the state's industrial sectors have been growing, with only retail and educational services shedding jobs in the second quarter, as shown in the figure below. Given the move to more online purchasing, which is cutting into sales at more traditional brick-and-mortar stores, the employment loss is not surprising. A pleasant surprise, however, is the continued growth in manufacturing employment.

In their outlook for 2017, forecasters at the University of Michigan expected to see a pullback in manufacturing employment by the second quarter. Likewise, our own forecasts for many of the regions in west Michigan also suggested some reversals in manufacturing employment. One of the key reasons was the expected slowdown in the production of light-vehicle sales and its effect on production. Light vehicle sales, which include autos, SUVs, and pickup trucks, slipped nationwide from an annualized rate of 17.3 million units in January to 16.6 million in June. The University of Michigan forecast sees a slight uptick in sales moving into 2018 and continuing through 2019 at about the 10-year annual average of 16.9 million units. The forecast notes that companies are purchasing fewer fleet vehicles, which could cut into auto sales going forward, but such cuts could be offset by a shift toward light trucks.

Even though Michigan employs far fewer workers in the auto industry today than it did in 2000, that industry is still an important sector of Michigan's economy. Michigan's final assembly plants turned out 1.1 million of the 9 million units produced in North America during the first half of the year. Furthermore, Michigan's final assembly plants, which employ 41,485 workers—about 13 percent of total North American employment—are supported by an extensive supply chain, contributing even further to jobs and income in the state's economy.

To offer a deeper perspective on the importance of light vehicle production to Michigan, we used the REMI (Regional Economic Models Inc.) input-output model to estimate the effect of Michigan's auto industry on the state's economy, and we compared its multiplier effect to the multiplier effects of two other prominent industries in the state—management consulting and hospitals. These two sectors employ 29,914 and 196,381 workers, respectively, about 5.5 times the employment in the automobile final-assembly sector.

To compare their relative impacts on the Michigan economy, we examined the indirect and induced employment resulting from an additional 100 direct jobs created by each of the three sectors. As shown in the table on the next page, we found, using the REMI model, that for every 100 jobs directly created by the final assembly of light vehicles, 441 additional jobs were created by companies supplying the assembly plants or by businesses supported by the purchases made by the additional employees. The total 541 additional jobs in the economy (100 direct plus the 441 indirect and induced jobs) contribute an estimated $43 million to the state economy. In contrast, 184 additional jobs are created in the Michigan economy for every 100 jobs.
directly created by the management consulting sector, and 297 jobs result from an additional 100 hospital jobs. Combined, these two sectors create fewer indirect and induced jobs than motor vehicle manufacturing (381 vs. 441) and contribute less to personal income ($41 million vs. $43 million). The auto final-assembly sector, while employing fewer workers than the two sectors featured in this example, has a larger impact per direct job created on the Michigan economy, due primarily to the extensive supply chain that supports the auto industry.

Unfortunately, being a large contributor to the Michigan economy works both ways: in good economic times, it can give the economy an extra boost, but in bad economic times, it can cause an even greater loss of jobs. That is one reason we keep such a close eye on the auto industry when looking at the Michigan economy.

For now, the sector appears to be humming along, albeit a little slower than at its recent peak. However, we are somewhat concerned that the industry could hit some headwinds from a tight labor market, in the short term, and an aging workforce in the longer term. The state’s unemployment rate was 3.8 percent in June, a half-point below the national rate. While the auto sector, primarily the high-paying assembly sector, can easily attract workers, the suppliers have a more difficult time and the tight labor market might continue to weigh heavily on their ability to keep and expand their workforce.

Another factor in the longer term is the aging of the workforce. For now, Michigan’s production workers in general are slightly younger than those in the nation, as shown in the figure below: Some 46.4 percent of production workers in Michigan are 45 years of age or older. The national share of this age cohort is 51.1 percent. On the other hand, Michigan’s engineering cohort is slightly older than the nation’s: 41.1 percent of engineers in Michigan are 45 years of age or older, while the national share is 38.5 percent for those age cohorts. As the auto industry continues to depend more on robotics and artificial intelligence, Michigan will need to take steps to sustain a younger cohort of engineers.

An aging workforce in the auto industry may present certain challenges for Michigan as it seeks to maintain its position in designing and producing the next generation of automobiles.
In this edition, we take a look at factors related to the aging workforce, including occupations and job postings. The age distribution of the workforce can show whether there is a looming crisis of a large population about to retire or whether an area is well balanced with a group of young workers moving up to fill vacancies.

Battle Creek has a similar age distribution of workers to the state and the nation. Only workers aged 16 to 24 represent a notable difference: they make up over 15 percent of the employed population in Battle Creek, compared to about 13 percent in the United States (figure above).

Production workers in Battle Creek are relatively young compared to workers in other occupations, and the sector does not appear to face a looming retirement problem: the largest age group in the distribution is made up of those aged 25 to 34 (figure below).

“Production” represents a group of occupations that includes manufacturing workers who work directly on the production of goods, as well as their immediate supervisors. In Battle Creek, production workers tend to be younger than nonproduction workers, with the largest age group being those who are 25 to 34 years old. In contrast, for nonproduction workers the largest group is 45 to 54.
The figure above shows the top five occupations for job postings in Battle Creek. The job postings do not appear to be related to age: the two most available occupational groups (i.e., the two numbering the most job postings), health care and sales, have lower median ages for the employed population than the next three occupations.

Total employment improved modestly during the second quarter, increasing by 0.3 percent. Job growth was generally strong across industry sectors, albeit with a few rough spots. The professional and business services sector posted the largest gain over the quarter, adding 140 jobs. Durable goods production increased by 90 jobs. The nondurable goods sector continued its recent decline, shedding 40 jobs over the second quarter. The sector is off by 130 jobs since the second quarter of 2016. Construction and mining employment fell by 50 jobs, coinciding with a 56.7 percent decline in the rate of new home construction over the quarter (figure below).

The unemployment rate fell to 4.0 percent in the second quarter, down from 4.7 percent in the first quarter. Along with the decline in the unemployment rate, initial claims for unemployment insurance fell slightly, by 1.6 percent.

More detail on industry employment change, unemployment, and housing starts can be found on our website at research.upjohn.org/bus_outlook/.

Nonfarm employment in Battle Creek rose by 0.3 percent, led by increases in professional and business services and in durable goods production.
GRAND RAPIDS–WYOMING MSA

In this edition, we take a look at factors related to the aging workforce, including occupations and job postings. The age distribution of the workforce can show whether there is a looming crisis of a large population about to retire or whether an area is well balanced with a group of young workers moving up to fill vacancies.

The employed population of the Grand Rapids–Wyoming MSA is younger than that of the nation and state. Workers aged 16 to 24 and 25 to 34 are a relatively large percentage of the employed population in the area.

The Grand Rapids area is not facing the same looming retirement issues as the nation or the state of Michigan. That’s because Grand Rapids has a lower percentage of workers in the age ranges of 45–54 and 55–64 than either Michigan or the United States. In fact, the single largest age group of workers in Grand Rapids is made up of those aged 25 to 34 (figure above).

Looking more specifically at just production workers, the largest age-group segment for Grand Rapids is the 45-to-54 age group. However, the second-largest age group in the MSA is made up of those aged 25 to 34. The spike in production workers aged 45 to 54 would be more concerning if the younger age groups grew

“Production” represents a group of occupations that includes manufacturing workers who work directly on the production of goods, as well as their immediate supervisors. The largest age group for production workers in the Grand Rapids–Wyoming MSA are those aged 45 to 54, which suggests an aging workforce. However, the next largest are those aged 25 to 34.
progressively smaller. However, some concern remains among nonproduction workers, who are more evenly distributed across age groups (bottom figure, opposite page).

In the figure above, production workers have the second-oldest median age at 43 but are reasonably represented in job postings at about 7 percent in the past year. Notice, though, that both business and engineering occupations have a median age of 42. Over 6 percent of job postings are for business and financial occupations, but only 4 percent are for architecture and engineering.

Industry employment change over the second quarter is shown in the figure below. Employment growth was mixed for industries, as employment increased by a scant 0.1 percent over the quarter. Durable goods production employment increased by 920 jobs in the second quarter, with government employment second at 360 jobs. However, this positive growth was nearly offset by losses in retail trade (at 720 jobs) and in professional and business services (at 380 jobs).

The unemployment rate fell to 2.8 percent. The area’s initial claims for unemployment insurance increased slightly over the quarter, suggesting that the unemployment rate may rise in the third quarter.

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Management occupations were the type most in demand for online job postings in 2016 in the Grand Rapids area. Management also made up the oldest type of occupation, with a median age of 44 for workers.

Employment growth was flat in the second quarter because of mixed industry employment change. While some industries posted solid gains, that growth was offset by nearly equal losses.
In this edition, we take a look at factors related to the aging workforce, including occupations and job postings. The age distribution of the workforce can show whether there is a looming crisis of a large population about to retire or whether an area is well balanced with a group of young workers moving up to fill vacancies.

The employed population in Ottawa County aged 16 to 24 makes up a much larger percentage of the area’s workforce than in the nation or the state of Michigan. The presence of Grand Valley State University and Hope College may explain the bump.

The figure above shows employment distribution in Ottawa County by age group. Ottawa County has a large spike in workers aged 16 to 24, in contrast to the nation and state, likely due to the presence of Grand Valley State University and Hope College. In a pattern similar to that of the state and nation, workers aged 35 to 44 make up a smaller percentage of the workforce than those immediately older or younger.

Looking at a particular segment of the workforce, we see that production workers are aging in Ottawa County (figure below). While the overall workforce is fairly well distributed across age groups, over 27 percent of production workers are aged 45 to 54. Interestingly, the workers aged 16 to 24 form a larger percentage than those aged 25 to 34—a quirk that is unique to Ottawa County among the metro areas of west Michigan.

“Production” is a group of occupations that includes manufacturing workers who work directly on the production of goods and their immediate supervisors. Ottawa County may have a looming retirement issue with production workers: the largest group is made up of those aged 45 to 54, and the incoming age cohorts look relatively small.
The figure above shows the top five occupations, as a percentage of total job postings, along with the median ages for those occupations. In Ottawa County, production occupations were the highest-posted group over the past year. Whether the large percentage of production postings represents a response to an aging workforce or high demand in general is not known.

Employment industry data in Ottawa County is lagged because of data constraints. Construction and mining led the employment gains in the fourth quarter of 2016, but those gains were nearly offset by losses in professional and business services (figure below). Overall employment improved by 0.5 percent during the last quarter of 2016.

The unemployment rate in Ottawa County fell to a near-record low of 2.6 percent. The last time unemployment rates were this low in Ottawa County was in the late 1990s, when the rate dipped to 2.1 percent in the second quarter of 1998. New claims for unemployment insurance fell slightly, down 2.9 percent in the second quarter.

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Top Job Postings and Median Age of Employed

Area manufacturing employers may be responding to an aging workforce in production, as the largest percentage of job postings was for production workers.

Employment Change, Q3 2016 to Q4 2016

During the fourth quarter of 2016, employment improved by 0.5 percent, led by construction and mining employment gains but nearly offset by losses in professional and business services.
In this edition, we take a look at factors related to the aging workforce, including occupations and job postings. The age distribution of the workforce can show whether there is a looming crisis of a large population about to retire or whether an area is well balanced with a group of young workers moving up to fill vacancies.

Kalamazoo-Portage MSA has a young workforce relative to the state and nation. Its younger workforce is likely a result of the presence of Western Michigan University and Kalamazoo College.

The figure above provides an insight into the distribution of the employed population by age. For Kalamazoo, the data show nearly even distribution of the workforce from ages 16 to 54, at around 20 percent. Kalamazoo has a large student population, which explains the spike in the 16-to-24 age group. While the large percentage of college students may be skewing the youngest age-group data, the 25-to-34-year-old age group is the second largest and is unlikely to contain a large number of college students.

In looking at the category of production workers, it is apparent that Kalamazoo shows no looming retirement crisis. Indeed, 64 percent of production workers are under the age of 45, compared to 61 percent of nonproduction workers. This difference is in marked contrast to other areas of west Michigan.

“Production” represents a group of occupations that includes manufacturing workers who work directly on the production of goods, as well as their immediate supervisors. Production workers skew younger in Kalamazoo-Portage compared to nonproduction workers, suggesting that Kalamazoo-area manufacturers do not have an aging workforce.
The figure above shows the top five job postings and the median age for those occupations in the area. The top job postings in Kalamazoo appear to be related to occupational demand and turnover rather than age: of the top five occupation groups, three have median ages below 40. Sales and related occupations have the largest percentage of postings, at over 12 percent, and the median age for those workers is 37.

Total employment was virtually unchanged in the Kalamazoo-Portage MSA over the second quarter, as employment increased by just 50 jobs. While most industries grew during the quarter, professional and business services shed 600 jobs, and retail employment shed another 100 jobs. Although the quarterly employment change was lackluster, employment over the course of the year grew by 2.3 percent, and only the sectors labeled “Government” and “Other services” lost jobs during the second quarter of 2016.

During the second quarter, the area’s unemployment rate dropped to 3.5 percent from 4.3 in the previous quarter. The number of new claims for unemployment insurance rose slightly, suggesting unemployment may rise again in the third quarter. New housing starts increased by 51.0 percent, a boost likely tied to groundbreaking on a large mixed-use building in the heart of downtown Kalamazoo.

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Employment growth was nearly flat in the area during the second quarter, growing by just 50 jobs. Job growth, which came mainly from industry, was nearly offset by losses in professional and business services as well as retail employment.
In this edition, we take a look at factors related to the aging workforce, including occupations and job postings. The age distribution of the workforce can show whether there is a looming crisis of a large population about to retire or whether an area is well balanced with a group of young workers moving up to fill vacancies.

Muskegon has a similar age distribution to the state, though it does have a higher percentage of workers in the 55-to-64 and 65-and-over age ranges. Conversely, it has a lower percentage in the 45-to-54 range. This is balanced out by larger percentages in the 25-to-34 and 35-to-44 age groups than the state has.

The figure above shows the age distribution of all workers in Muskegon compared to the state and nation. While Muskegon has a slightly larger percentage of workers aged 55 to 64, the graph also shows it has a larger percentage of younger workers—those between the ages of 25 and 44—than the state. The youngest workers represent a smaller percentage of workers than they do across the state at large, but a similar percentage compared to the nation.

The figure below shows the age distribution of production workers in Muskegon, presenting a picture that is mixed. The largest percentage of workers are those aged 45 to 54, which suggests an aging workforce. However, the second largest group consists of those aged 25 to 34, suggesting there are plenty of workers in the employment pipeline.

“Production” is a group of occupations that includes manufacturing workers who work directly on the production of goods, as well as their immediate supervisors. Production workers in Muskegon are split between older workers and younger workers. While the largest age group is made up of those aged 45 to 54, the next largest is composed of those aged 25 to 34.
The figure above shows the top five occupations for job postings in the area, along with the median age of workers in those occupations. For the occupations with the highest number of job postings, an aging workforce does not appear to be a factor: the top two job-posting occupations both have a median age of 40, younger than the next three occupations.

Nonfarm employment fell by 0.5 percent, or 340 jobs, over the second quarter of 2017. Losses were led by the trade, transportation, and utilities sector, which shed 340 jobs. Educational and health services fell by 200 jobs. Manufacturing employment increased by 300 jobs (figure below).

In spite of the industry employment contraction, the unemployment rate fell by nearly a full point, from 5.3 percent in the first quarter to 4.4 in the second. However, initial claims for unemployment rose in the second quarter by 7.4 percent. This discrepancy suggests that either residents are finding work outside the county or the unemployment rate will rise in the third quarter.

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Nonfarm employment fell by 0.5 percent in the second quarter in Muskegon. Trade, transportation, and utilities employment shed 340 jobs over the quarter.
In this edition, we take a look at factors related to the aging workforce, including occupations and job postings. The age distribution of the workforce can show whether there is a looming crisis of a large population about to retire or whether an area is well balanced with a group of young workers moving up to fill vacancies.

The workforce in Niles–Benton Harbor is on average older than the workforce in the state and the nation. Workers in the age groups 45 to 54, 55 to 64, and 65 and over all form larger percentages of the employed population than they do statewide or nationally, and the three age groups younger than 45 all have smaller percentages than the state.

The Niles–Benton Harbor MSA has an older workforce than does the nation or the state of Michigan. The three age groups over 45 all form larger percentages of the employed population than they do statewide or nationally, and the three age groups younger than 45 all have smaller percentages than the state.

The workforce in Niles–Benton Harbor is on average older than the workforce in the state and the nation. Workers in the age groups 45 to 54, 55 to 64, and 65 and over all form larger percentages of the employed in this MSA than those same groups do for the nation or the state of Michigan (figure above).

Manufacturing firms in the Niles–Benton Harbor MSA face a looming retirement issue with their production workers: the largest age group consists of workers aged 55 to 64, meaning 25 percent of the workforce may be poised to retire in the next 10 years.

“Production” represents a group of occupations that includes manufacturing workers who work directly on the production of goods, as well as their immediate supervisors. The Niles–Benton Harbor MSA shows a looming retirement issue for production workers: the largest age group consists of those 55 to 64, meaning 25 percent of the workforce may be poised to retire in the next 10 years.
Despite the looming retirement of many production workers, the occupation is not well represented in the job postings. Postings over the past year for the top five occupational groups are shown in the figure, along with the median age for the workers in those occupations. For this MSA, production workers fell outside the top five. All of the occupations in the top five have a median age of at least 44.

Total employment fell by 0.7 percent, or 450 jobs, during the second quarter of 2017. Job losses were largest in trade, transportation, and utilities, a sector that includes wholesale and retail trade employment, which shed 330 jobs. Educational and health services and professional and business services dropped by 220 and 140 jobs, respectively. Only three industries saw job gains in the second quarter: leisure and hospitality at 180 jobs, manufacturing at 120 jobs, and financial at 30 jobs.

In spite of the loss of jobs by place of work in the area, the unemployment rate fell a full point during the second quarter, to 4.0 percent from 5.0 percent in the first quarter. The rate of new claims for unemployment insurance fell as well, both from the first quarter and from the same quarter of the previous year.

More detail on industry employment change, unemployment, and housing starts can be found on our website at research.upjohn.org/bus_outlook/.

Even though production workers are older relative to workers in other occupations, production jobs are not among the top five online posted positions in the Niles–Benton Harbor MSA.

**Employment Change, Q1 2017 to Q2 2017**

Total nonfarm employment fell by 0.7 percent during the second quarter of 2017. Losses were led by employment decline in the trade, transportation, and utilities sector.
The west Michigan area Purchasing Managers Index has fallen over the past few months. The blue line in the figure below shows the index dropping since its peak in early 2017, similar to the patterns that occurred in 2013 and 2015. According to Brian Long of the Institute of Supply Management at Grand Valley State University, the slowdown is due to declining auto sales affecting local parts suppliers, slower capital equipment production, and flat furniture sales.

The rate of growth in the manufacturing industry has slowed in the past few months. While index values above 50 indicate growth, the index has declined from a peak at the start of the year.

Of the elements that make up the index, “new orders,” one of the key indicators of business growth, stalled in the middle of the summer but since then has resumed its slow growth. “Production” also rebounded after a slow midsummer. “Employment” had been at a five-year high, Long said, but retreated slightly in September.

The figure below shows Google searches related to “welfare and unemployment” in west Michigan. The data were recently revised. Before last year, the index had been on a generally downward trend since 2011, interrupted only by a spike in 2014. However, the number of searches abruptly picked up at the beginning of 2016 and registered peaks in both 2016 and 2017. We know from the data that new claims for unemployment did not rise accordingly, so the searches may have reflected uncertainty rather than actual job losses.

Interest in the Google topic of “welfare and unemployment” appears to peak with each new year. The index has rebounded since the end of 2015, possibly indicating a rise in job uncertainty.
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