

WEST MICHIGAN VIEWPOINT

2006 Was Worse Than We Thought

No one in west Michigan whom we polled said that 2006 was a great year. Except for the office furniture industry coming back to life and some welcome business reports of local firms expanding and hiring, 2006 was pretty mediocre. Employment in the region inched up by an estimated 0.2 percent for the year—or so we thought.

Every March, analysts at the U.S. Department of Labor and the Michigan Department of Labor and Economic Growth (MDLEG) “rebenchmark” the previous two years’ employment estimates. The original estimates are generated by a monthly survey of employers. Of course, resources do not allow for the surveying of all employers, so there is considerable room for error. Therefore, every March, analysts take the more complete unemployment insurance employment records (ES-202) and reestimate all of the previous employment statistics for the state’s metropolitan areas.

What the reestimate shows is that 2006 was a rough year: instead of growing by 0.2 percent, employment in the six metropolitan areas of west Michigan declined by 0.3 percent. So instead of the region having just over 1,700 jobs created during the year, it lost more than 2,800 jobs. As shown below, the impact of the reestimation varies among the region’s MSAs.

The first thing that caught my eye is that the analysts nailed Muskegon–Norton Shores on the first try. However, for all of the other MSAs the original estimates were simply too robust. For the areas of Grand Rapids–Wyoming and Holland–Grand Haven, the revisions were large enough to turn a record growth year, as previously estimated, into a year of employment decline.

Turning back to the regional level, it is interesting to note in what sectors the more significant adjustments were made. The region lost many more construction, retail, and government jobs than previously estimated. Because many retailers and construction contractors are small, it is not surprising that the original survey could be so far off the mark. The reason for the wide discrepancy between the two estimates for government employment, however, remains a puzzle. The region’s private educational and health services sector and its manufacturing sector also proved not to be as robust as originally estimated.

Of course, one could compare these new estimates for last year’s employment levels to the forecast we made back in 2005—but let’s not.

West Michigan						
Estimated 2006 Employment Change by Major Sector						
	Previous estimates			New rebenchmarked estimates		
	2006 estimate	% change from 2005	Employment change	% change from 2005	Employment change	Difference
Total nonfarm	851,438	0.2	1760	-0.3	-2830	-4590
Manufacturing	176,406	-1.0	-1800	-1.3	-2240	-440
Construction	38,656	0.0	10	-2.5	-940	-950
Retail	95,778	-0.4	-400	-2.2	-2130	-1730
Financial activities	38,587	0.4	150	2.1	820	670
Professional and business svcs	95,434	0.7	680	1.0	950	270
Education and health svcs.	117,868	1.8	2080	1.1	1290	-790
Leisure and hospitality	76,181	0.7	560	0.9	650	90
Other services	36,627	-0.2	-60	-0.3	-100	-40
Government	105,727	-0.1	-50	-1.0	-1060	-1010
Total Employment						
Estimated 2006 Employment Change by Area						
	Previous estimates			New rebenchmarked estimates		
	2006 estimate	% change from 2005	Employment change	% change from 2005	Employment change	Difference
Metropolitan Area	851,438	0.2	1750	-0.3	-2830	-4580
Battle Creek	62,153	-0.4	-280	-1.0	-630	-350
Grand Rapids–Wyoming	395,404	0.4	1730	-0.2	-690	-2420
Holland–Grand Haven	117,018	0.6	740	-0.1	-110	-850
Kalamazoo–Portage	145,253	0.1	70	-0.2	-310	-380
Muskegon–Norton Shores	66,787	-0.2	-150	-0.2	-150	0
Niles–Benton Harbor	64,823	-0.6	-360	-1.5	-940	-580
West Michigan	851,438	0.2	1750	-0.3	-2830	-4580