

Glossary of Terms

Average Annual Earnings: Average annual earnings measure total employee compensation, including both wages and salaries as well as employer-paid benefits such as health insurance, retirement contributions, and other wage supplements.

Average Annual Wage: Measures the average amount paid to employees in wages and salaries over the course of a year.

Economic Base: The portion of the regional economy comprised of export clusters. It acts as an engine of growth, often utilized to forecast regional employment and development.

Economic Cluster: Geographic concentrations of related companies, specialized suppliers, service providers, and associated institutions (like universities or trade associations) present in a region in a particular field.

Export Clusters: Clusters enhancing regional productivity and competitiveness; they drive economic growth by bringing external revenue from producing goods and services that are predominantly consumed outside the region. These clusters foster innovation and boost employment in key sectors.

Gross Regional Product (GRP): The total market value of all final goods and services produced within a specific subnational region usually over a year. It is a regional equivalent to national gross domestic product (GDP). GRP is calculated by summing total industry earnings, taxes on production and imports, and profits, while subtracting subsidies. It measures the economic size and health of a regional economy, often illustrating industry performance. GRP is smaller than Output and measures the net "value added" (final goods/services) in a region, while Output (or gross output) measures the total value of all sales, including intermediate inputs. For example, if a firm produces \$200 worth of goods but spends \$80 on materials to make these products, the Output would be \$200, and the GRP would be \$120.

Industry effect: The industry mix effect identifies if the regional industries are growing or declining at the national level, regardless of local performance.

Local Competitive Advantage: Indicates how much of the job (or GRP) change is due to unique local factors or a competitive advantage/disadvantage, comparing local industry growth against the national average.

Location Quotient (LQ) or Relative Concentration: Calculation that indicates industry's relative concentration compared to the national average. An LQ of 1 means that the relative concentration for this industry (or cluster) is on par with the United States. LQs over 1 indicate an above-average concentration, suggesting an export-oriented industry that has a local competitive advantage. The value less than 1 suggests local product and service orientation. Formula: $(\text{Regional Industry Count} / \text{Regional Total Count}) / (\text{U.S. Industry Count} / \text{U.S. Total Count})$

Population-Serving Clusters: Industry clusters that produce goods and services that serve the local population. Establishments in these clusters are typically spread evenly across the region. Examples include grocery stores, restaurants, educational services, dentists.

Productivity: Calculated as GRP divided by employment (GDP per employee), this indicator shows the average contribution of each employee to the economy and is used as a proxy measure of productivity.

Regional Clusters: Industry clusters that are concentrated in one or two counties but provide goods and services that serve the entire region. Examples include utility companies, construction companies, logistical hubs, law offices. While they do not export their products outside the region, these clusters offer stable jobs and high wages regionally.

Shift-Share Analysis: An economic technique used to break down regional job (or GRP) growth or decline into three components—national growth, industry mix effect, and regional competitive advantage effects—over a specific period. It helps identify whether a region’s industries are changing because of broader economic trends or due to more specific local advantages.

Southwest Michigan (SWMI): The region comprised of Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph, and Van Buren counties. This region is also called Prosperity Region 8.