

# A Slow Comeback Is Better than Nothing

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George A. Erickcek

W.E. Upjohn Institute for Employment Research

April 12, 2010

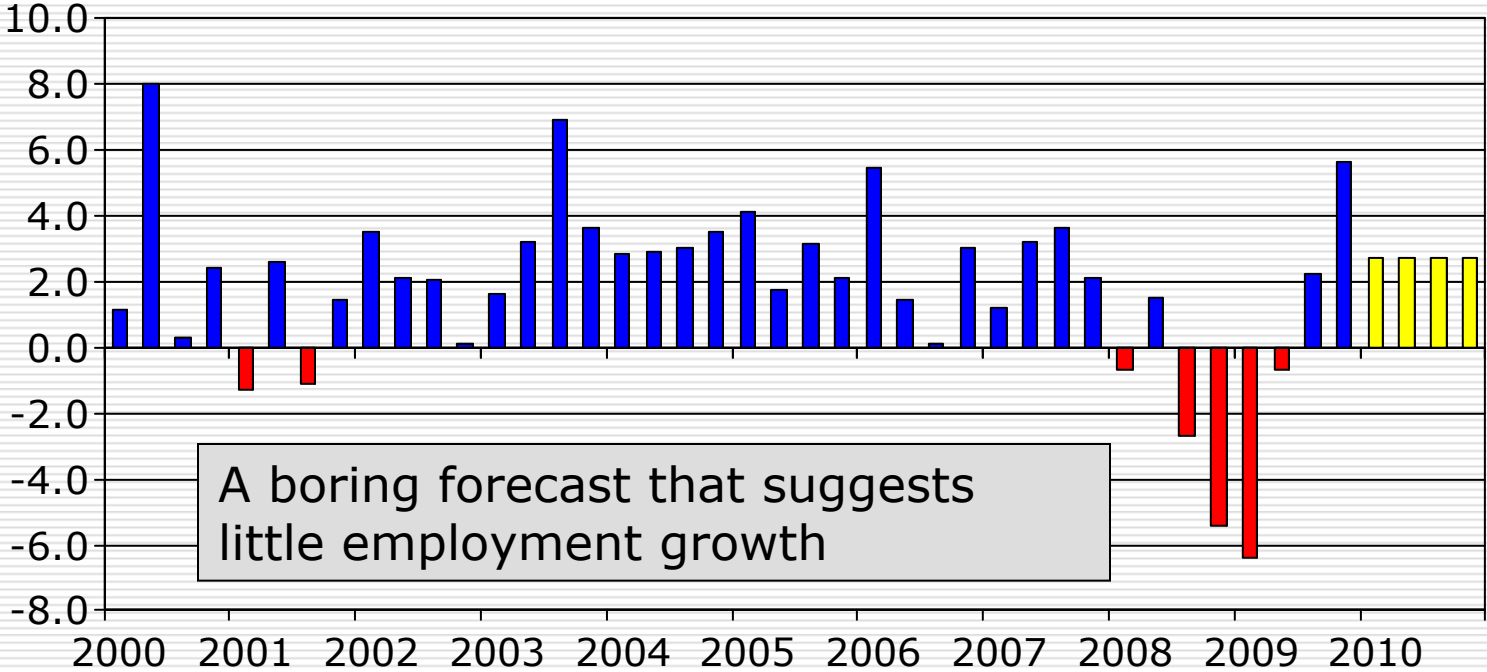
# Agenda

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- ❑ Why 2010 is looking better and better.
- ❑ The state will probably not get an invitation to the nation's party—*in fact, it is still waiting for the 2002 invitation.*
- ❑ Employment trends are improving but still in negative territory.
- ❑ Some promising trends.

# Nationwide, GDP increased by 5.6 percent in the fourth quarter.

## Annualized Percent Change in GDP



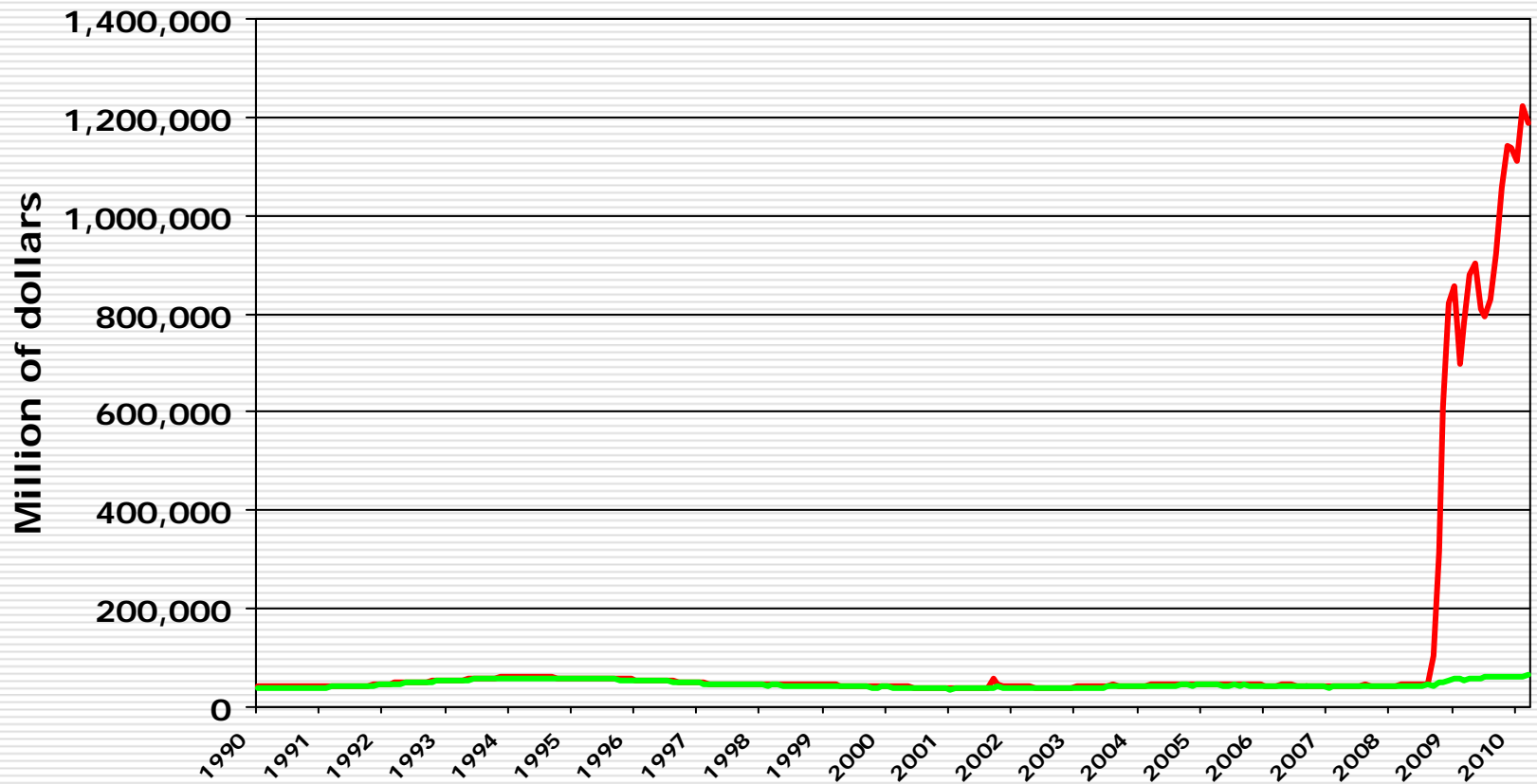
Source: BEA, Philadelphia Federal Reserve Survey of Professional Forecasters.

# Ok, where is the bad news?

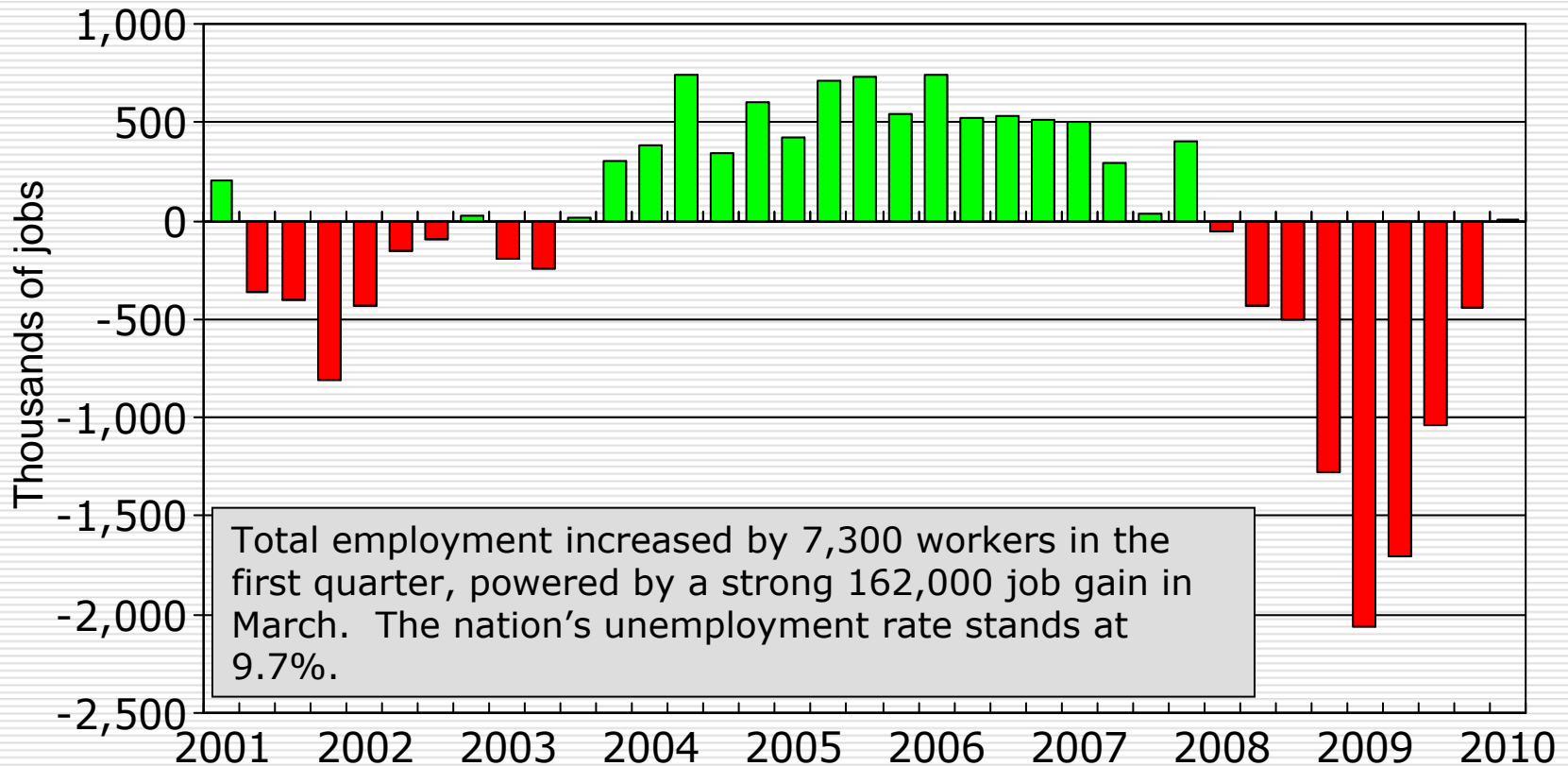
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- ❑ Banking system— *The banks have a lot of money to lend but are not.*
- ❑ Employment outlook— *Employers are starting to hire; however, we may not return to pre-recession levels until 2012 or later.*
- ❑ Consumer confidence— *Rose in March, but it's still dependent upon employment.*
- ❑ The auto industry— *2010 is expected to be better than the latter half of 2009.*

# Banks are still holding a trillion dollars in excess reserves.



# Nationwide, the rate of employment decline is slowing.

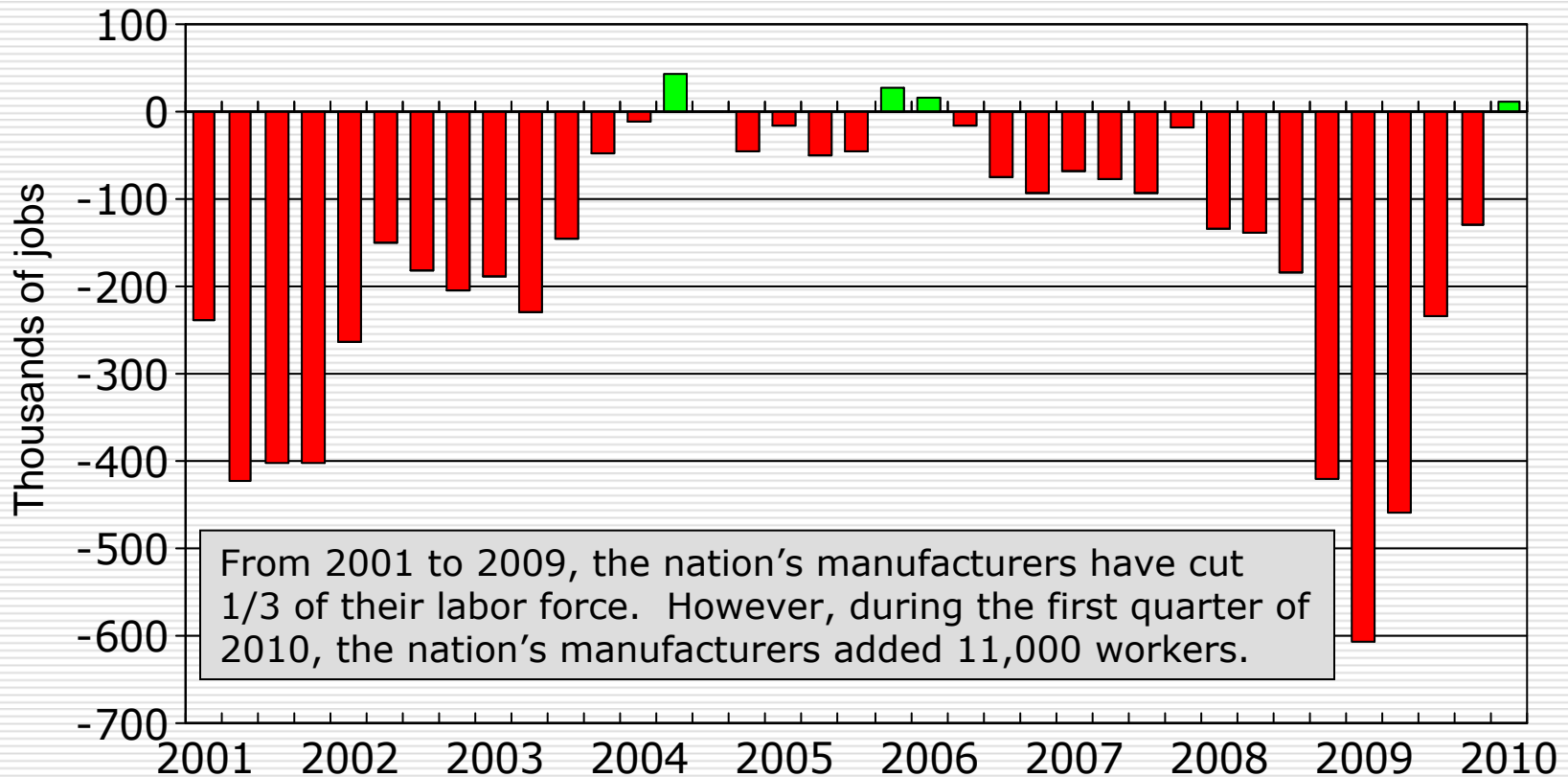


Source: BLS.

# How long will it take for employment to reach its pre-recession level?



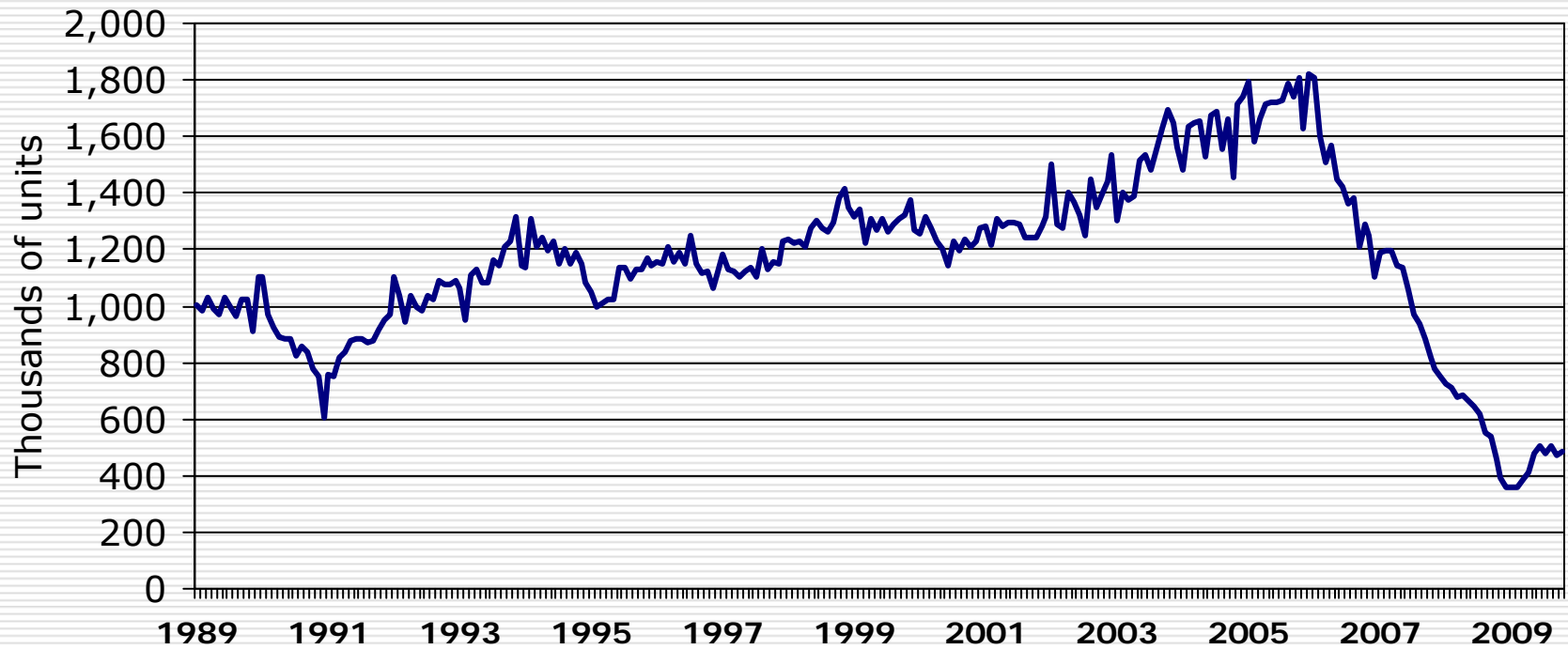
# Manufacturing employment decline has stopped, *In fact, according to the ISM, it is growing at the fastest rate since 2004!*



Source: BLS.

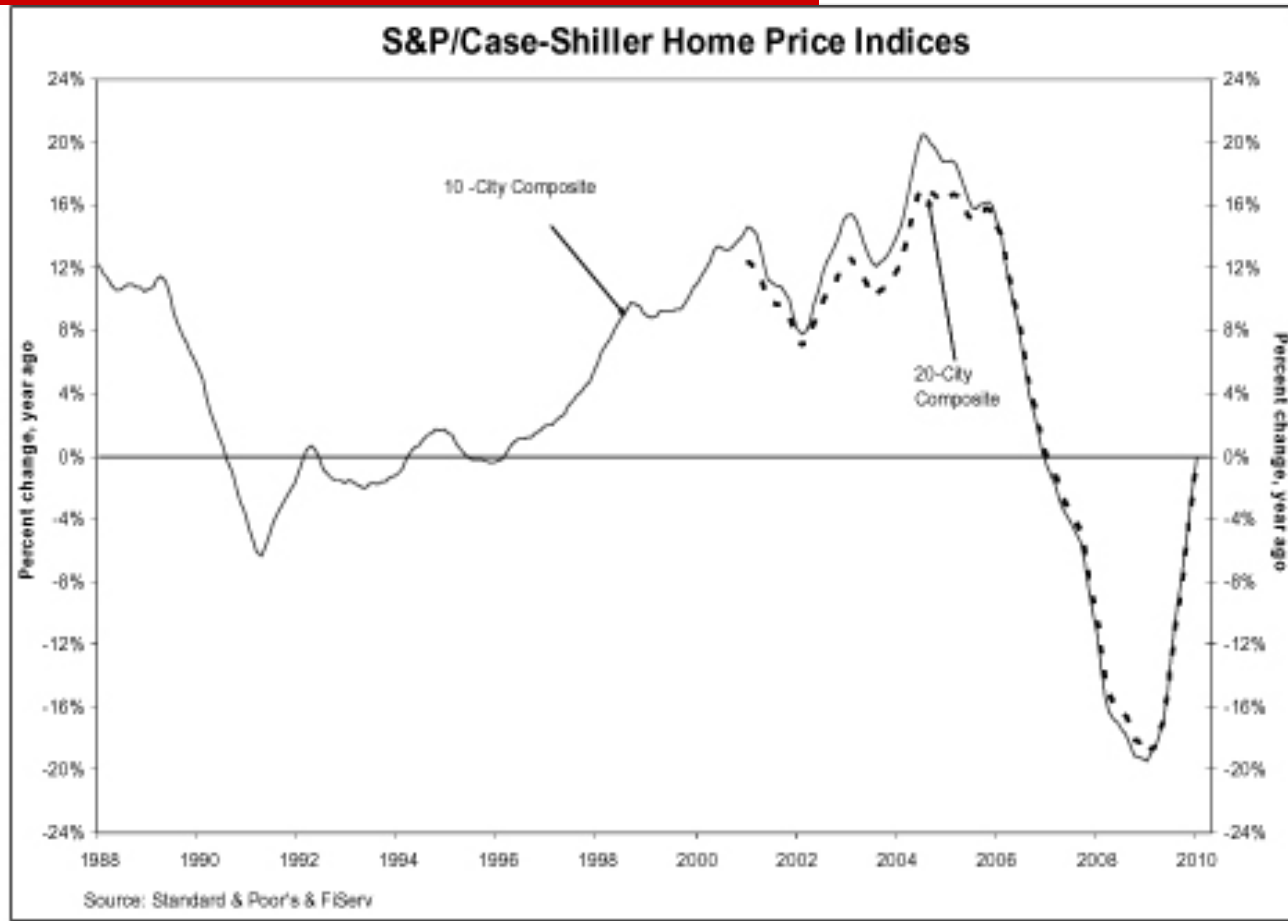
# Single-Family Housing Starts—*We appear to be turning around.*

## Seasonally Adjusted Annual Rates

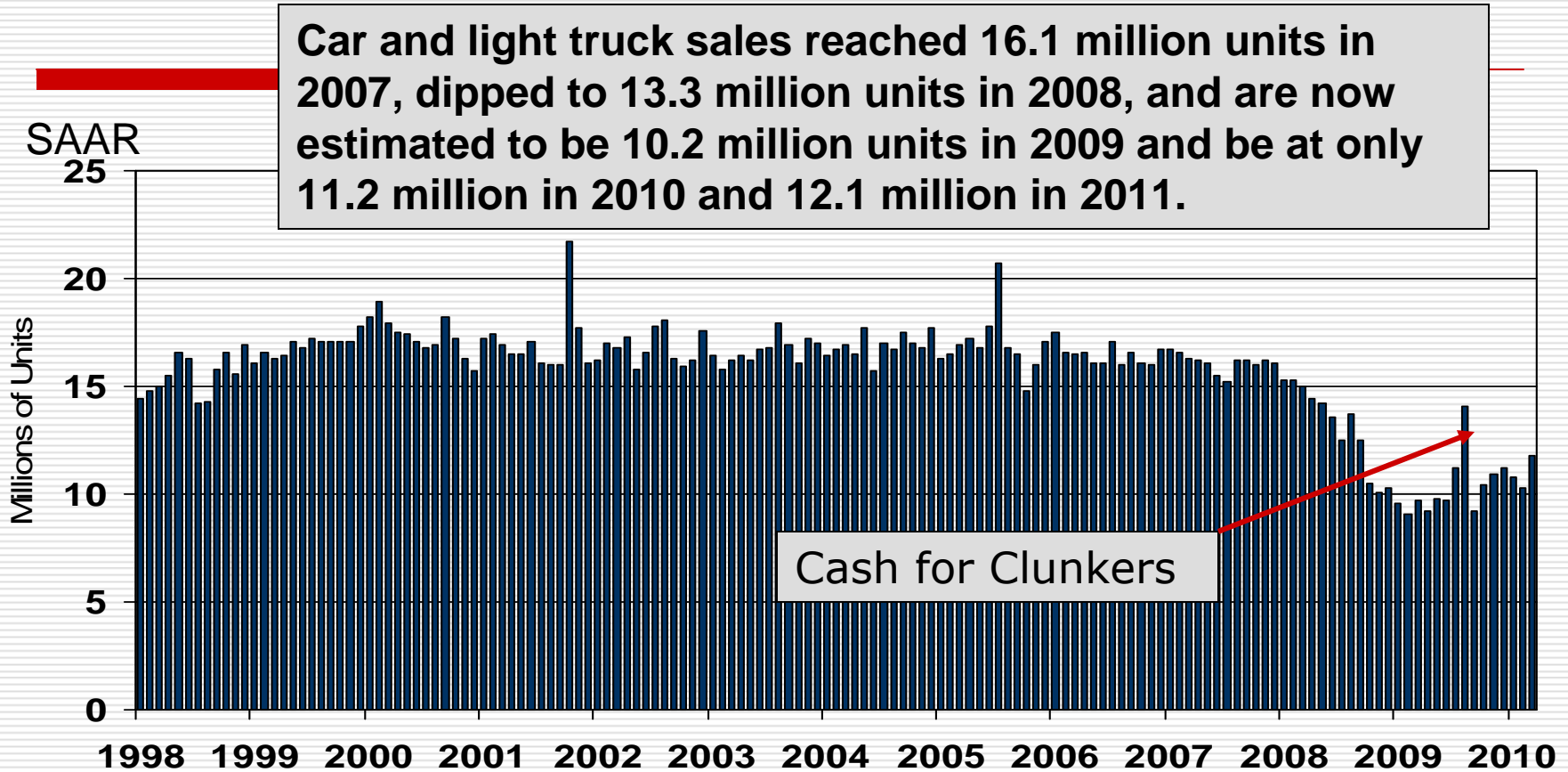


U.S. Census

# Housing prices are starting to slowly rebound across the country.



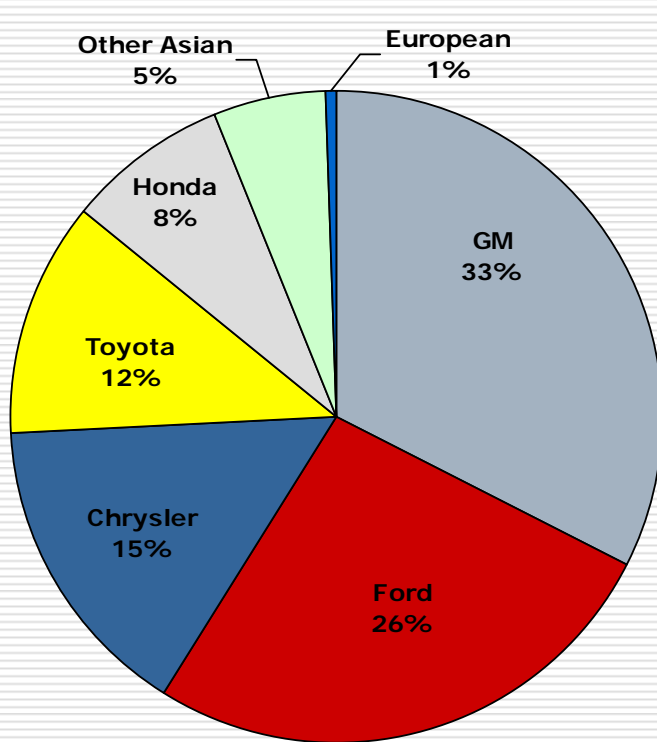
# The showrooms are still pretty quiet.



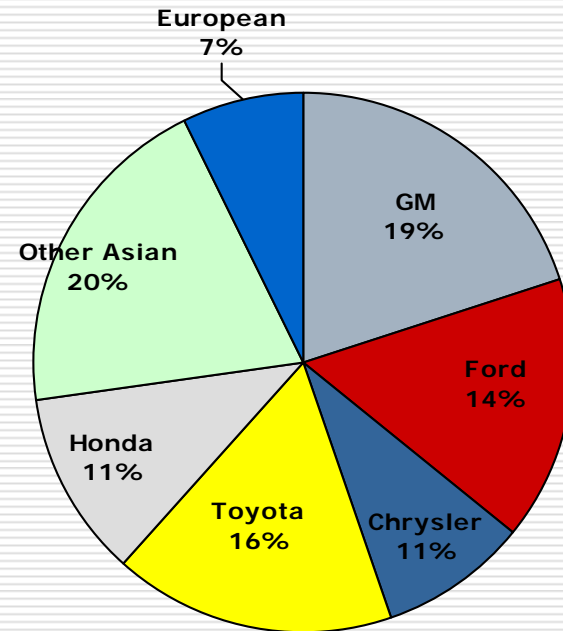
Source: BEA.

Fueled by cash-for-clunkers, sales hit a 14.1 million unit rate in August but have fallen back since. Sales were at 11.8 million unit pace in March.

# Loss of market share: In 2001, the Detroit Three controlled 74%; in 2009 it fell to 44.7%.



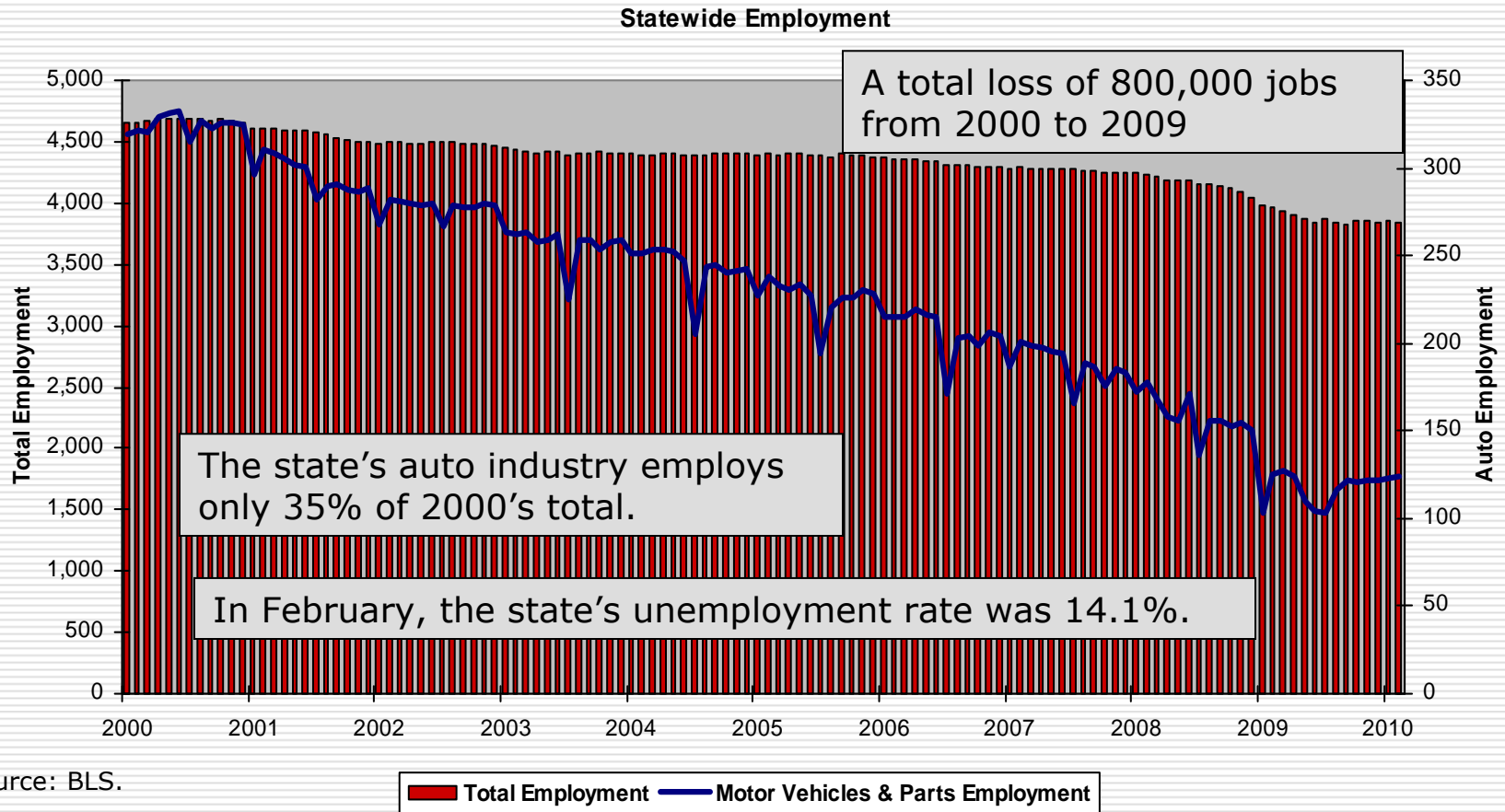
2001



2009

Source: *Wards AutoWorld*.

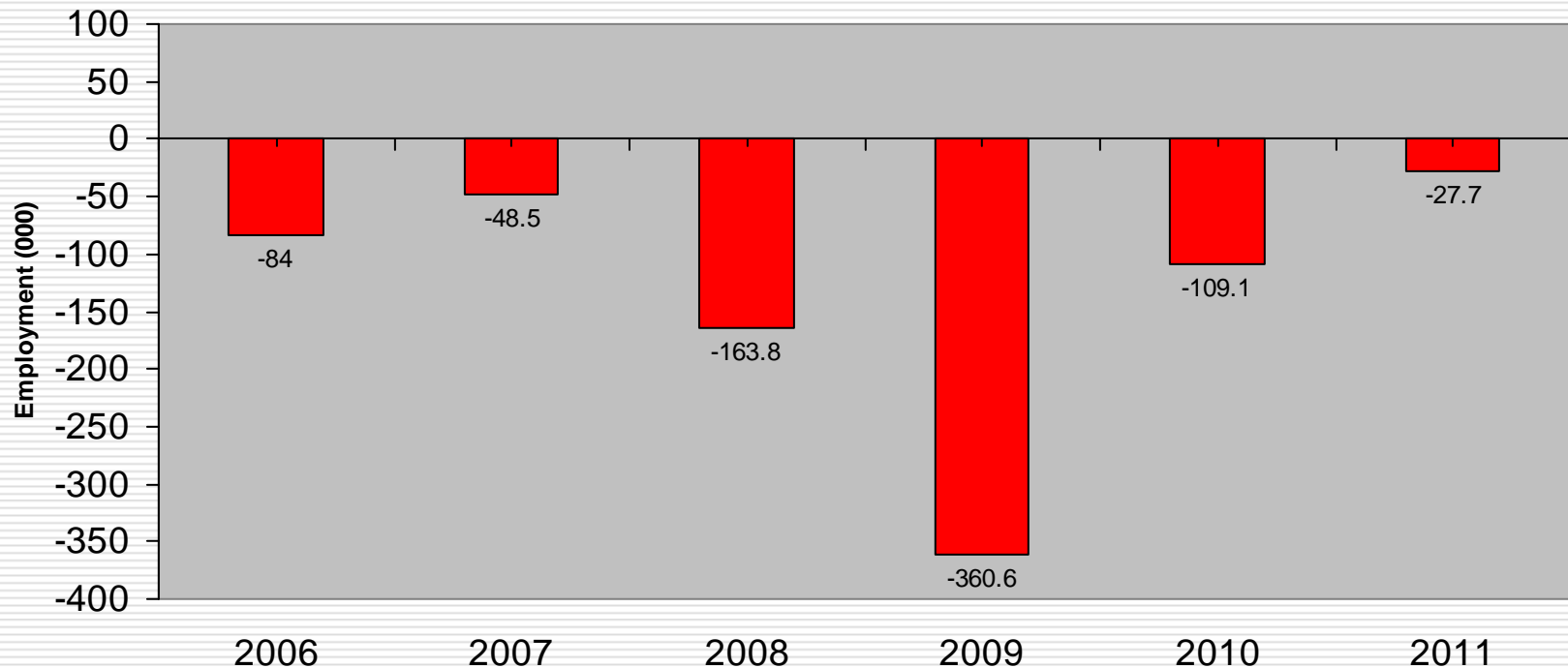
# The state's employment situation is structural not cyclical.



Source: BLS.

# Total employment has declined for 10 straight years and is expected to decline in 2010 and 2011.

## Change in Total Employment



Source: University of Michigan, Nov 2009.

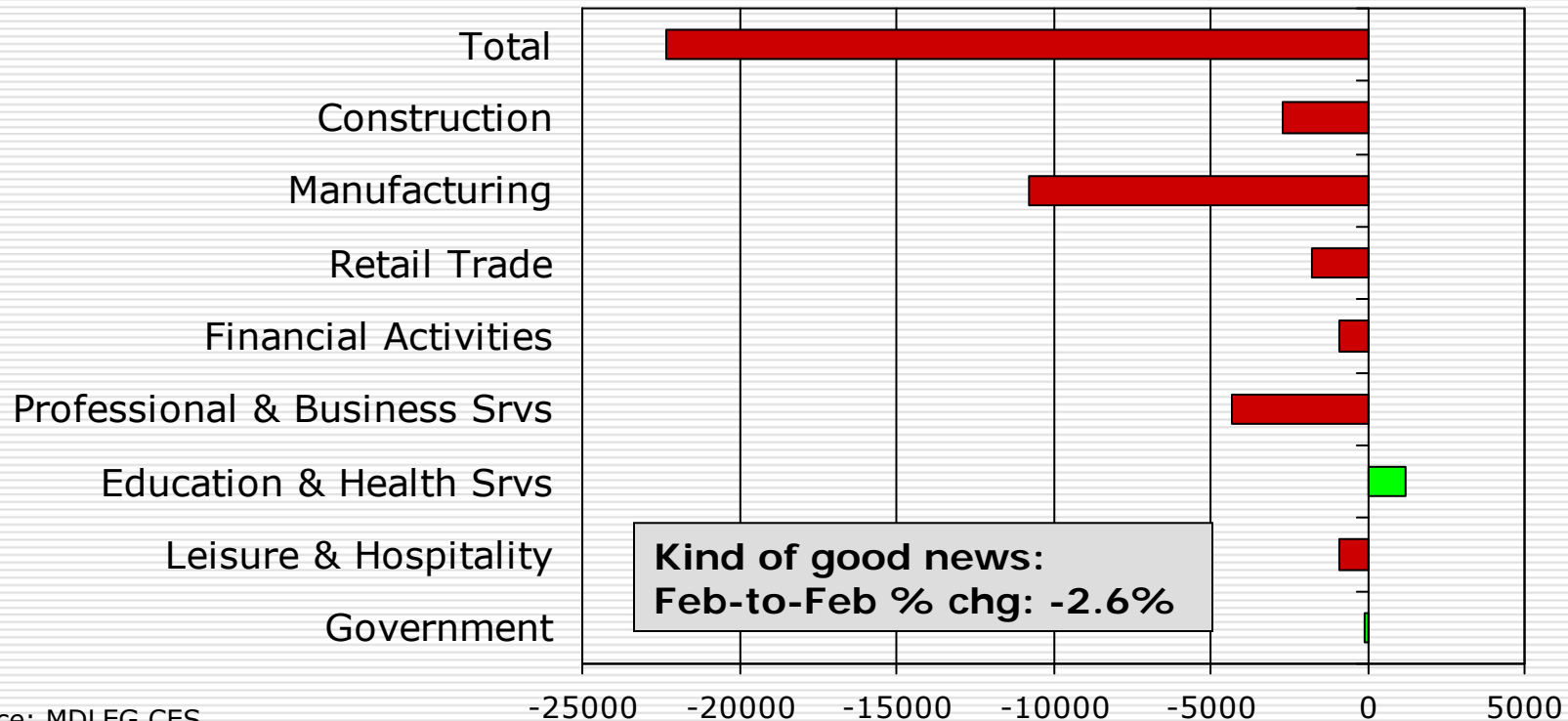
# Grand Rapids MSA

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- ❑ Serious employment declines in 2009
  - ❑ 2010 will be better but still negative.
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# Employers cut 22,300 jobs from their payrolls in 2009 in the Grand Rapids MSA, *(6.2 percent)*

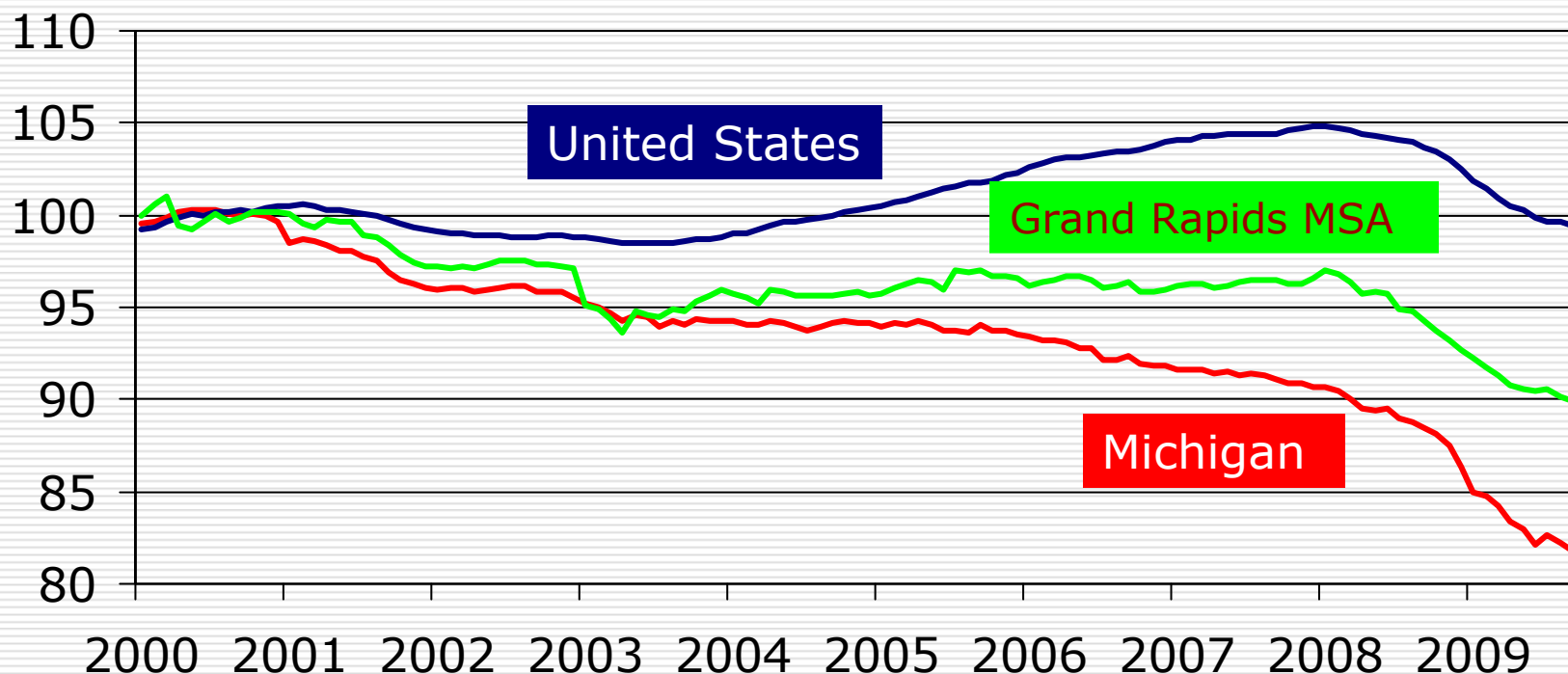
Grand Rapids MSA Change  
2008 to 2009



Source: MDLEG CES

Grand Rapids-Wyoming MSA's employment has dropped by nearly 10% from its 2000 level, while the nation's has dropped back to its 2000 levels.

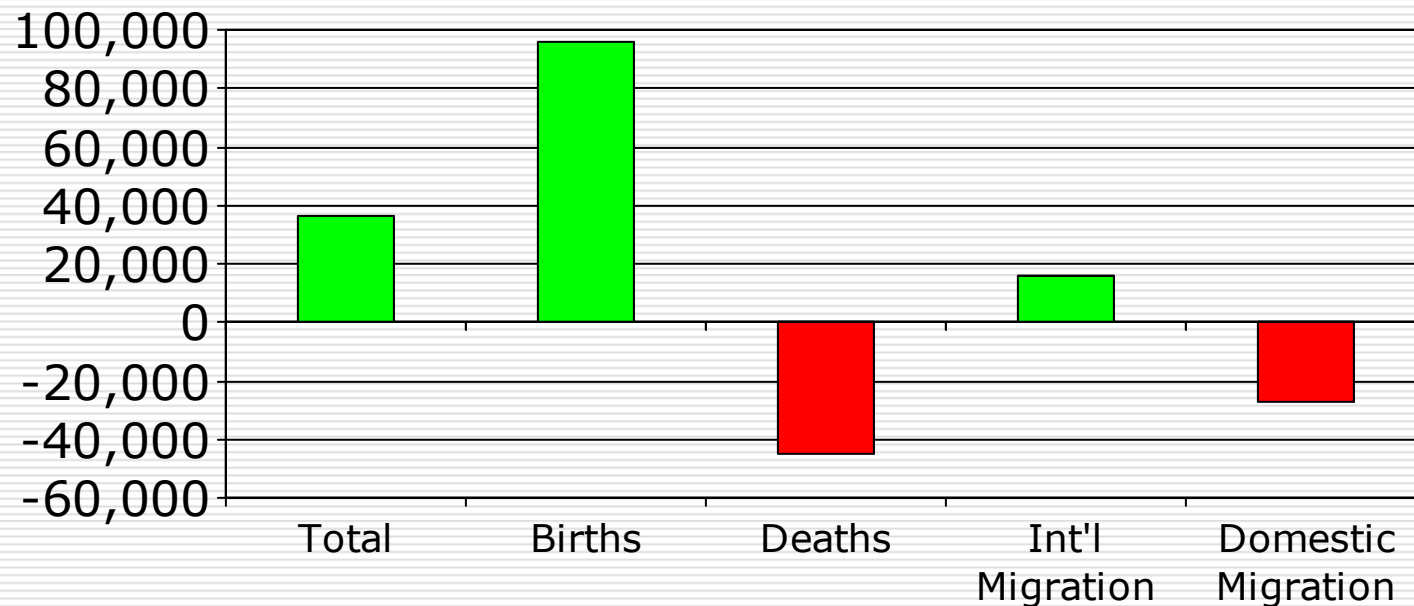
Total Employment Index (2000=100)



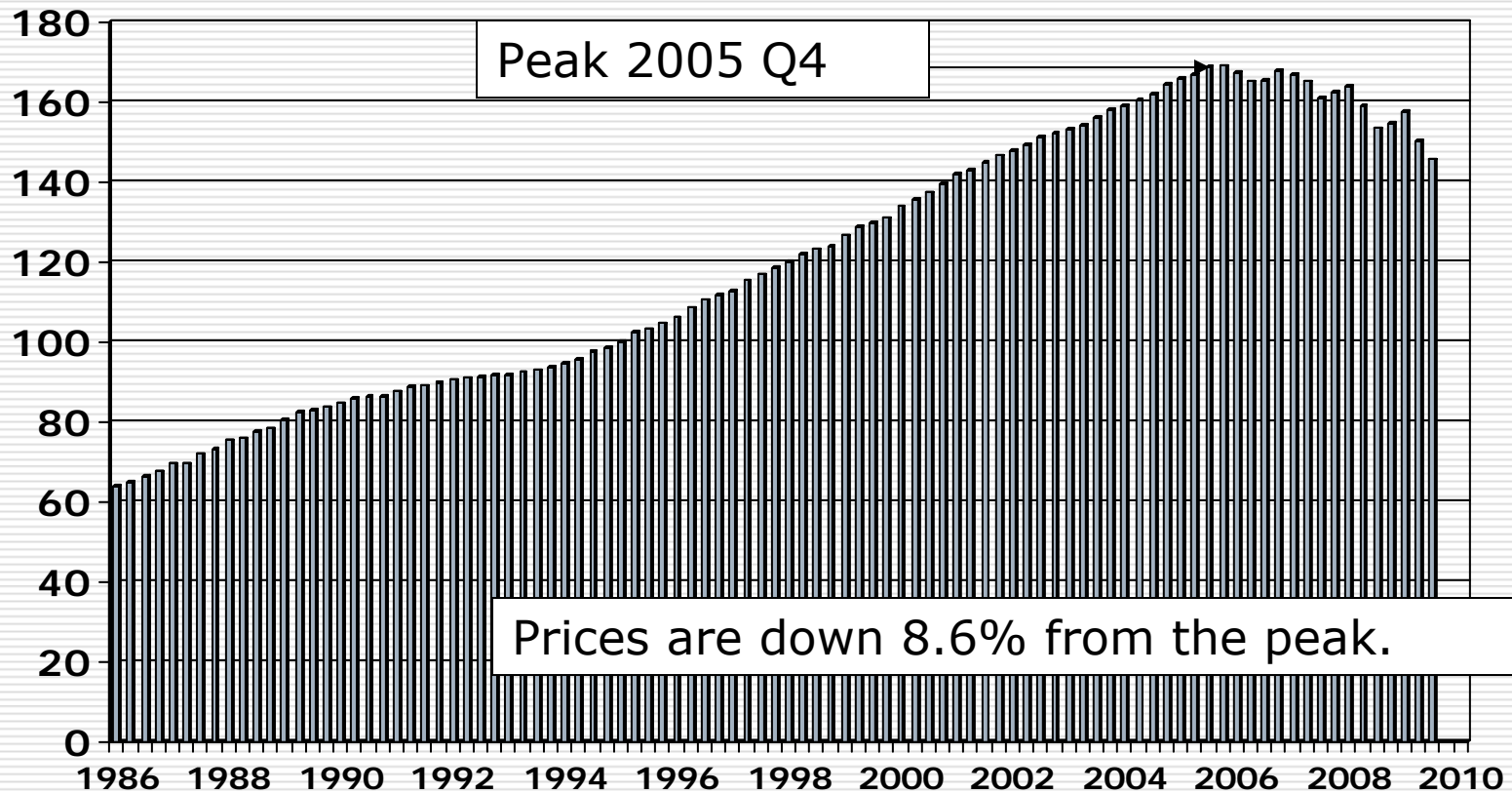
# A net of 26,000 individuals moved out of the MSA from 2000 to 2008.

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## Components of Population Change 2000-2008



# Housing Prices in the Grand Rapids— Wyoming MSA (1995 = 100)



Source: OFHEO

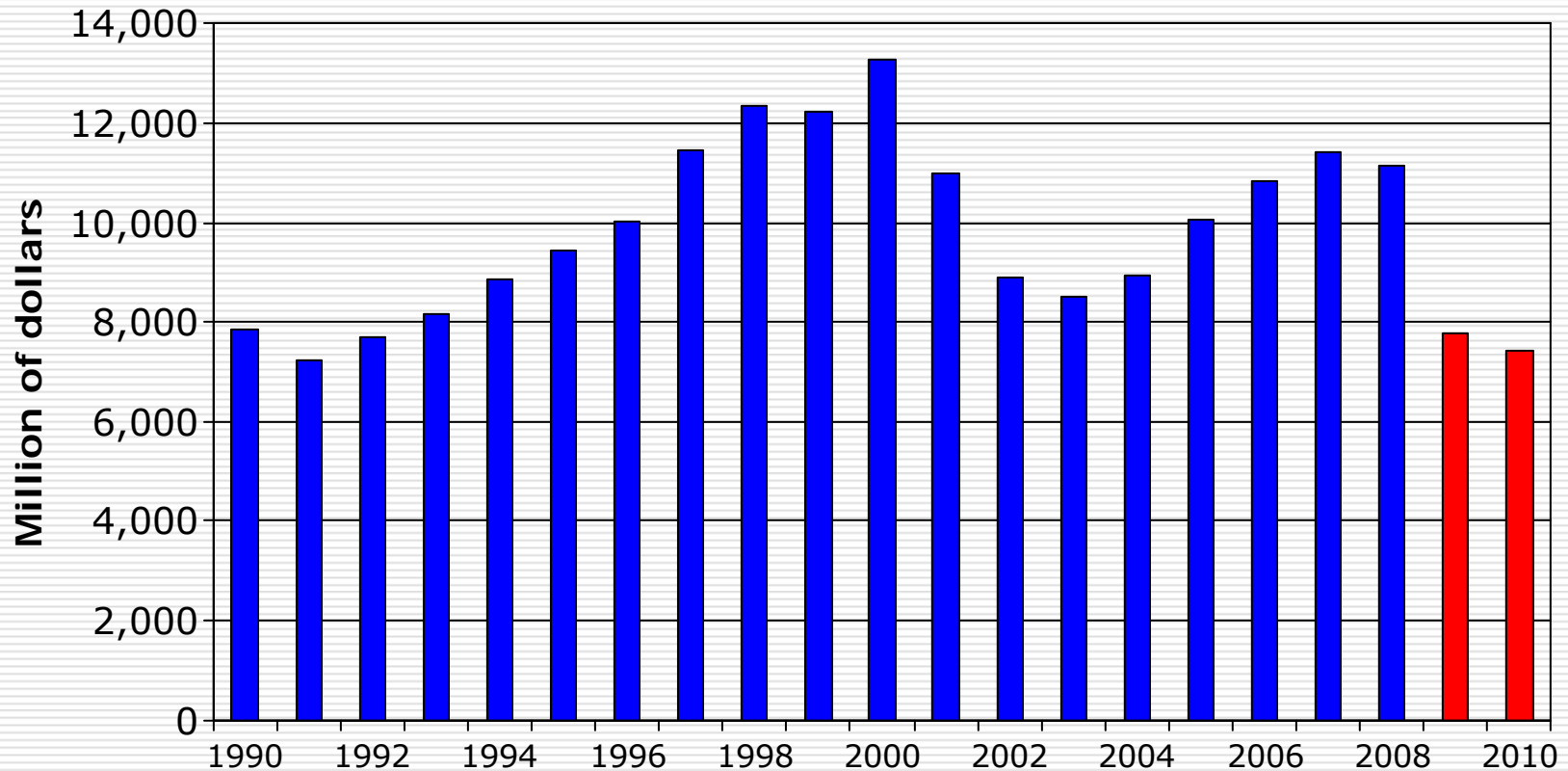
# Current Situation (cont'd)

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- The good news:
  - New unemployment insurance claims were down in the fourth quarter—*Down by 9% from the third quarter.*
  - Housing starts were up 17% in the fourth quarter (from a low base).
  - The region's purchasing managers index is up.
  - Manpower reported fairly positive employment for the first quarter.

# Office furniture production forecast is not promising.

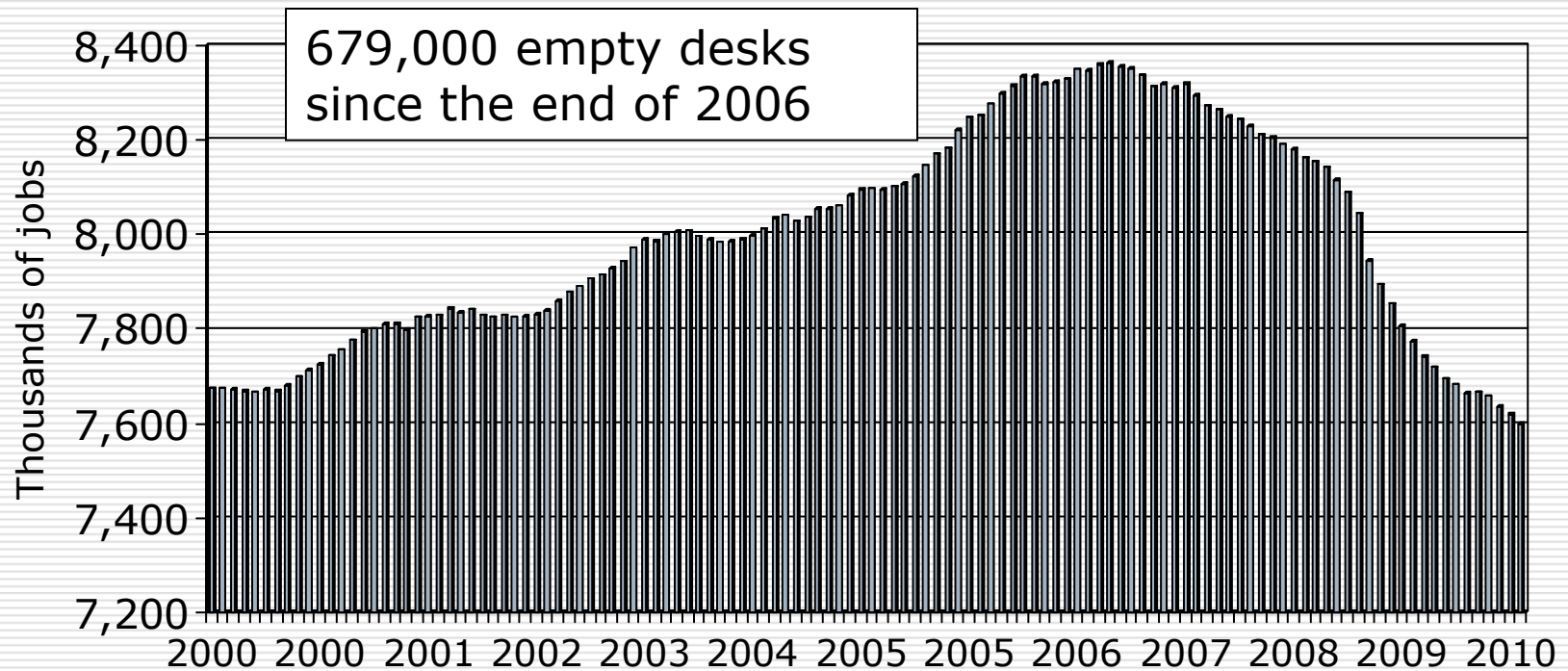
The October reading of the Overall MADA/OFI index stood at 51.45, which is the highest reading since July 2008



Source: BIFMA

# A lot of empty desks and chairs in the financial sector.

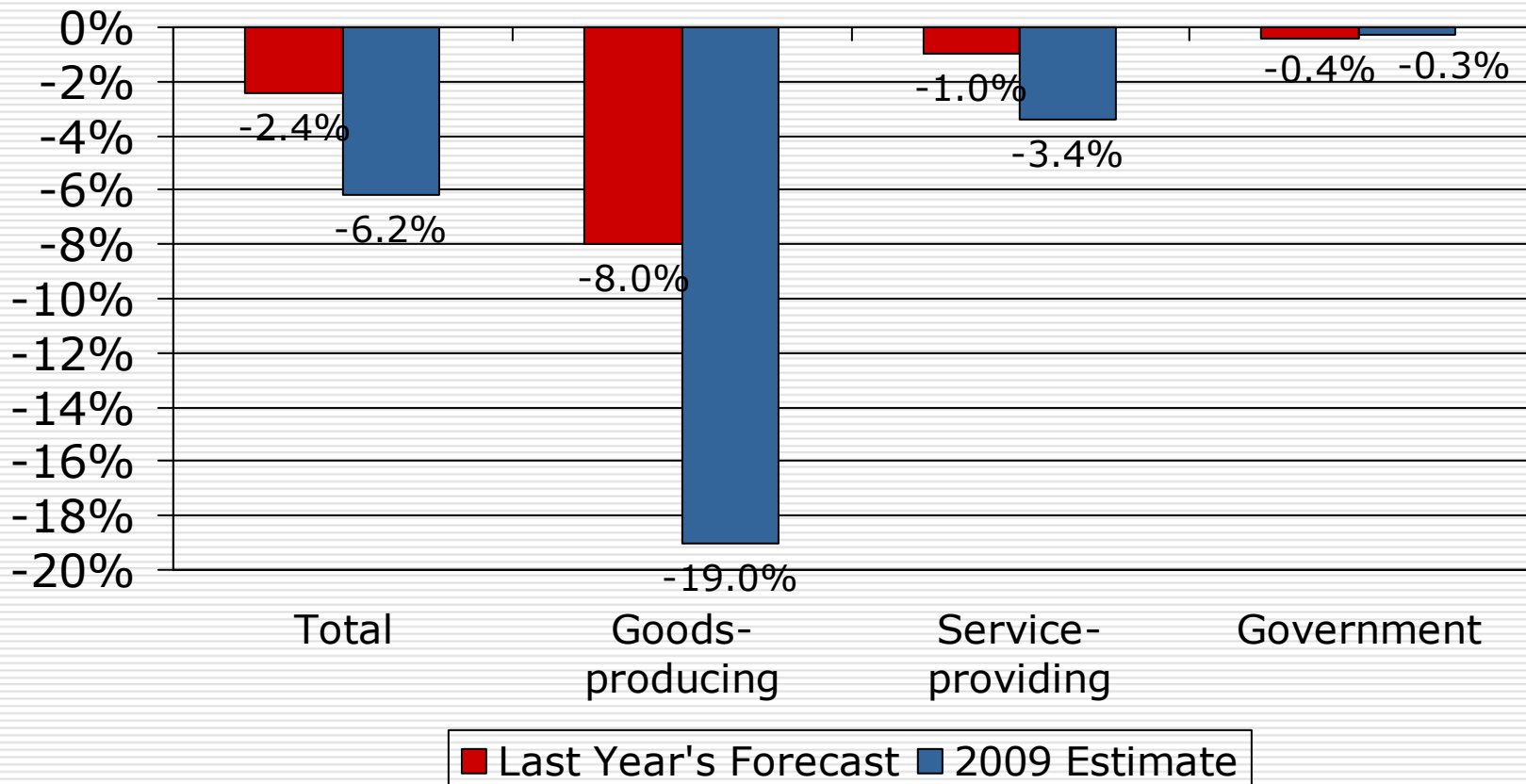
## Employment in Financial Activities



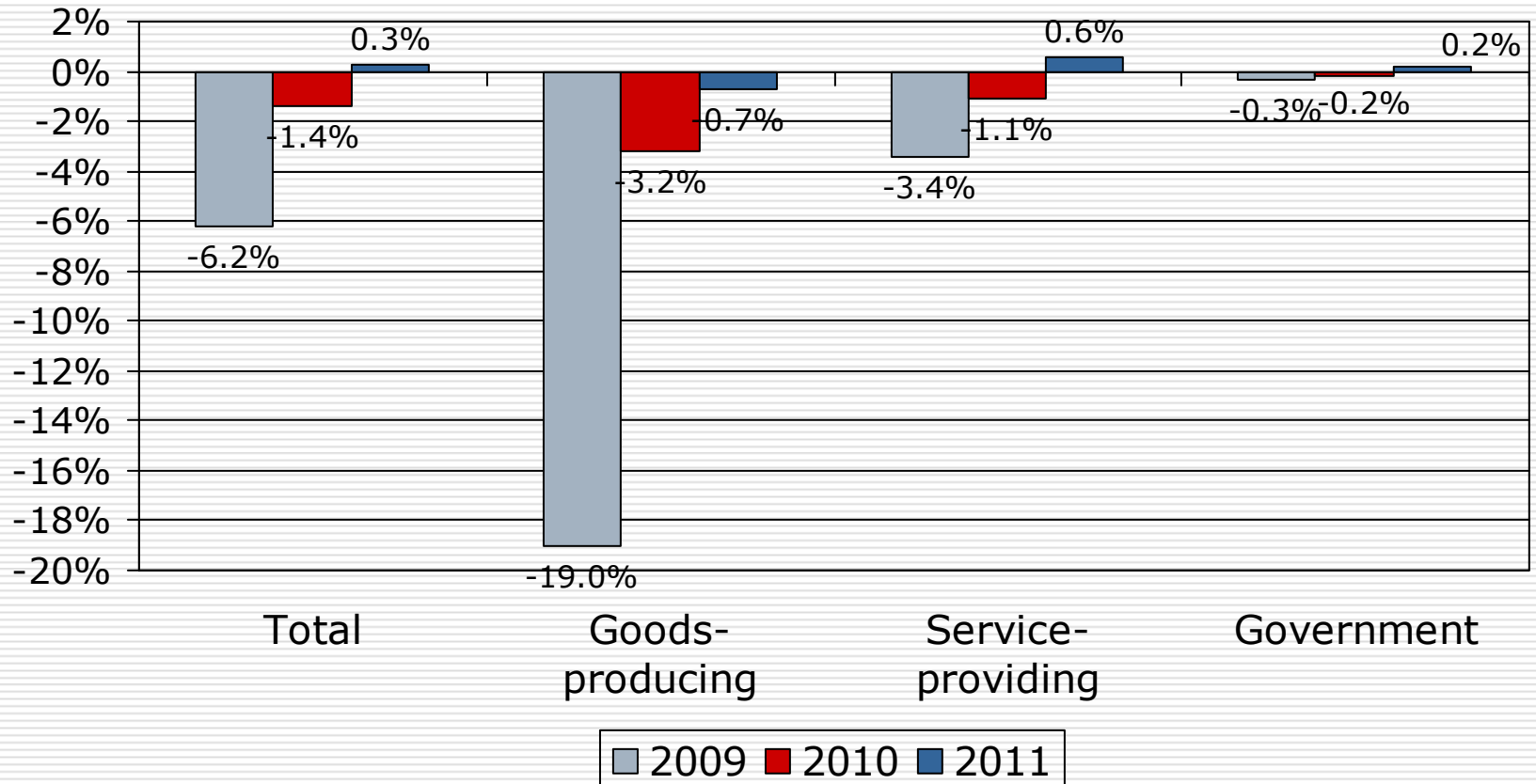
Source: BLS

# So, how did we do last year?

*Lousy.*



# Our employment forecast for 2010— down by 1.4 percent

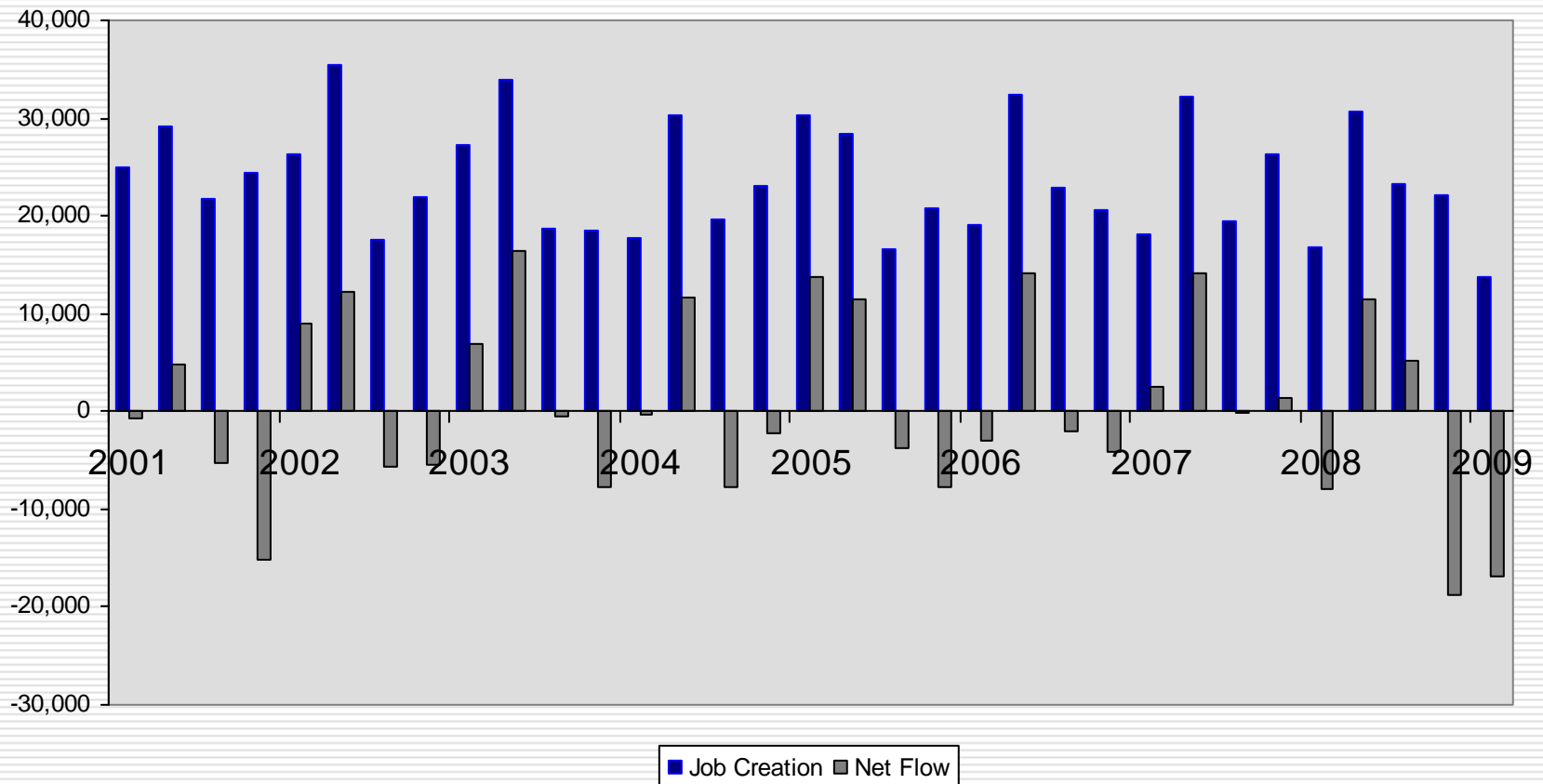


# Some encouraging data

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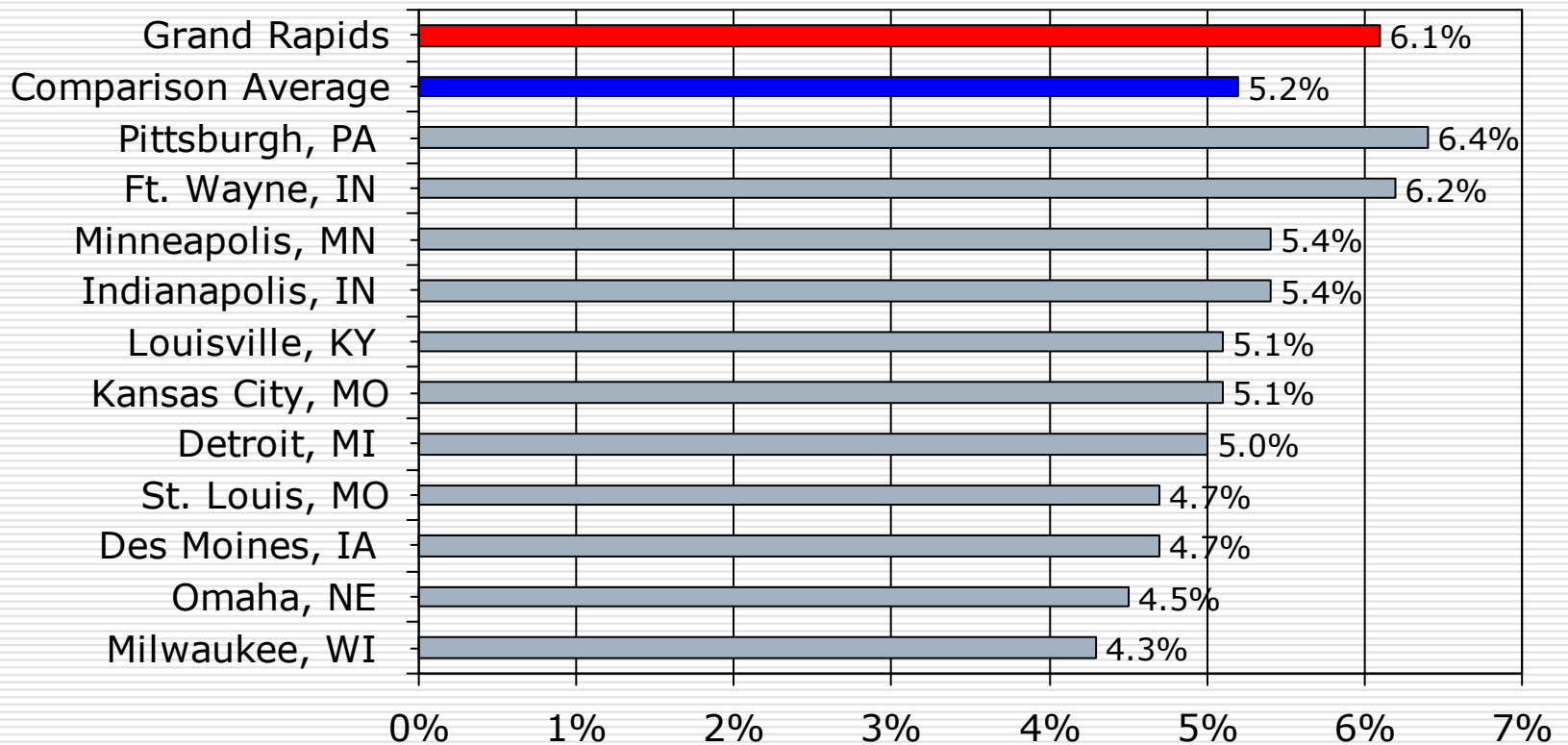
- ❑ Employers are still creating jobs.
- ❑ Grand Rapids still retains a solid entrepreneurial environment.
- ❑ But on the other hand....

# On average, MSA employers create 24,000 jobs per quarter.



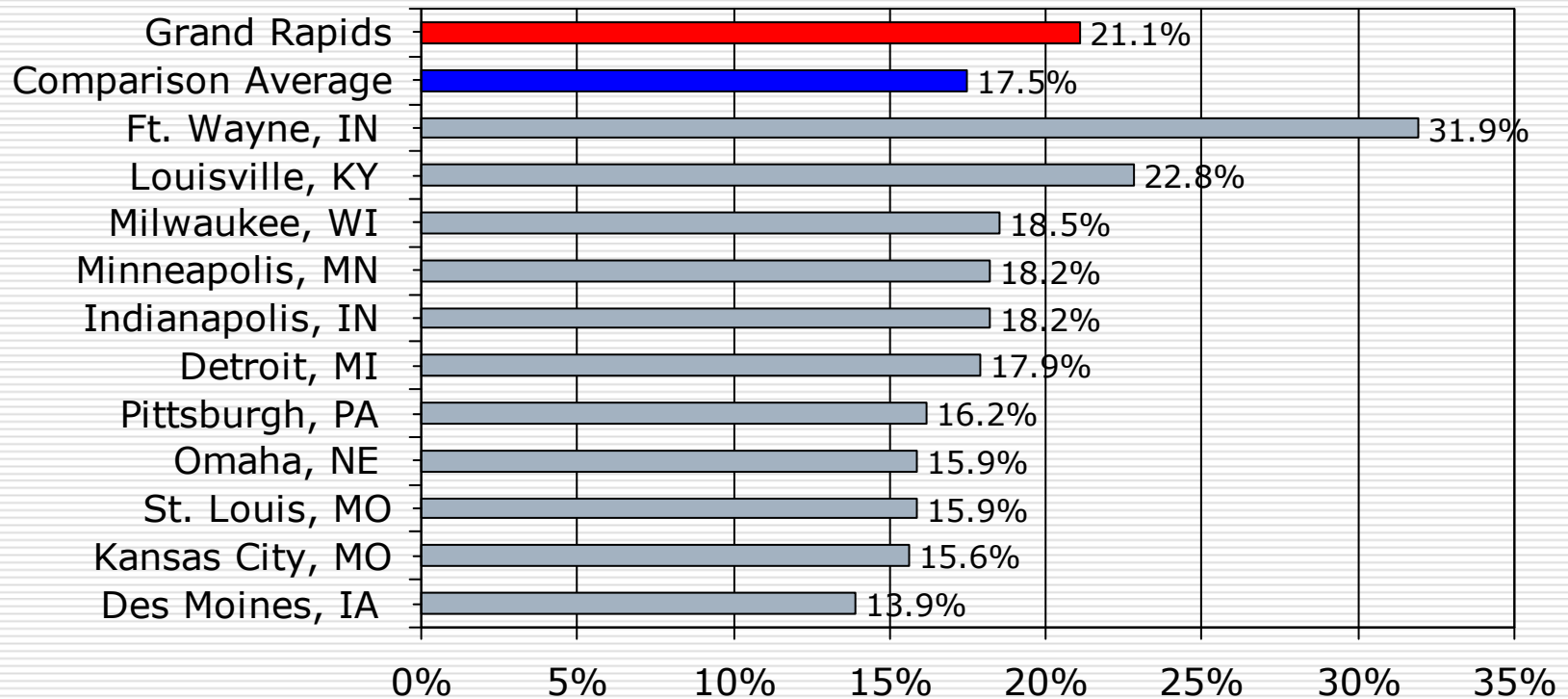
# And it ranks high in job creation among comparison metro areas.

Job Creation as a Percent of Total Employment in 2008



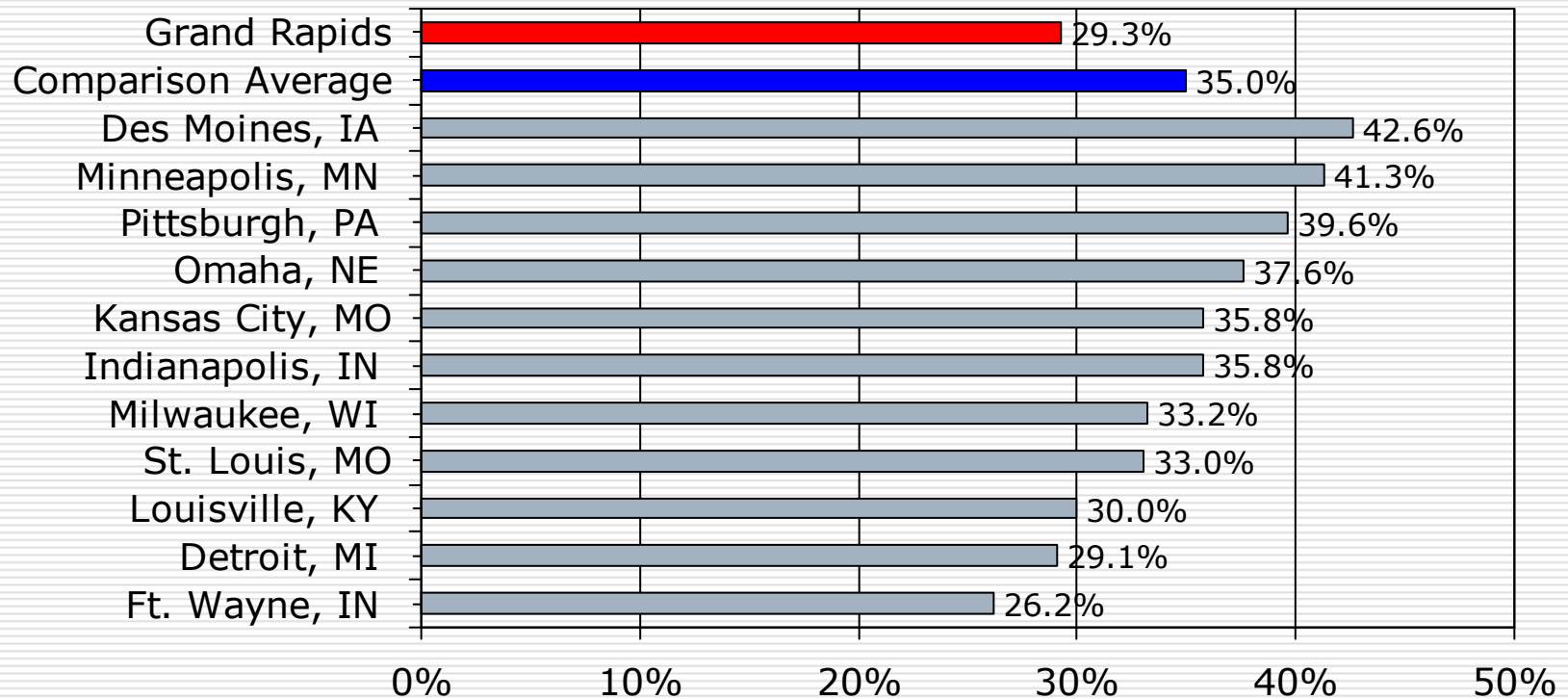
# In addition, Grand Rapids maintains an entrepreneurial environment.

Percent of Self-Employed in Professional, Scientific, or Technical Industries



# One of the long-term challenges facing the region is its lagging education achievement of its young adults.

Percent of 25-34 Year-Olds with Bachelor's Degree or Higher



# Stages in a Firm's Product's Life Cycle

Stage 1: Birth—*An environment of entrepreneurship*

Stage 2: Product development and wealth creation—*An environment for success*

Stage 3: Product standardization—*Low cost, competitive environment*

Stage 4: Death—*An environment of abandonment*

# Innovative ideas can happen and do happen in almost any industry.

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- According to the Europeans, Innovation happens when:
  - Strong inter-industry networks and “third places” are created.
    - Marshall (1890) innovation happens when there are “ideas in the air.”
  - Design matters.

# Ongoing Research Effort on the Importance of Design

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- What we found so far:
  - Design is risky, but inaction can be fatal.
  - Design can beat out engineering.
  - Design is expensive; being an industry leader invaluable.
  - Design is customer-focused, while it is too easy to become provider-focused.
  - It is easier to lose Design than to regain it.

# A Slow Comeback is Better than Nothing.

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This presentation is available in the West Michigan section at [www.upjohninstitute.org](http://www.upjohninstitute.org)

Or e-mail me: [erickcek@upjohn.org](mailto:erickcek@upjohn.org)