Michigan Multipliers 2009

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This issue of *Michigan Multipliers* incorporates state and local government employment from the *Census of Government* as well as private employment from *County Business Patterns*. The net effect is to grow the base (and reduce the multiplier) in counties with large numbers of state and local government employees and do the reverse in counties with fewer public employees. The greatest increases in base employment (and shrinkage in multiplier) generally took place in those counties hosting major state institutions.

County	Employment	Estimated Base Jobs	County Jobs Multiplier	County	Employment	Estimated Base Jobs	County Jobs Multiplier
Alcona	1,654	1,031	1.60	**Lake**	1,584	1,214	1.30
Alger	2,663	1,578	1.69	**Lapeer**	22,311	14,064	1.59
Allegan	38,874	14,579	2.67	**Leelanau**	4,863	3,044	1.60
Alpena	15,106	7,925	1.91	**Lenawee**	32,605	10,779	3.02
Antrim	6,923	4,348	1.59	**Livingston**	55,481	26,590	2.09
Arenac	4,266	2,915	1.46	**Luce**	2,415	1,243	1.94
Baraga	2,509	1,296	1.94	**Mackinac**	3,195	1,807	1.77
Barry	13,358	7,151	1.87	**Macomb**	333,624	97,017	3.44
Bay	38,035	26,395	1.44	**Manistee**	6,946	5,594	1.24
Benzie	3,814	2,768	1.38	**Marquette**	26,238	15,141	1.73
Berrien	65,541	19,668	3.33	**Mason**	10,797	5,846	1.85
Branch	15,627	9,722	1.61	**Mecosta**	11,893	6,297	1.89
Calhoun	60,523	26,183	2.31	**Menominee**	7,134	3,817	1.87
Cass	11,281	6,167	1.83	**Midland**	37,316	18,072	2.06
Charlevoix	10,301	7,264	1.42	**Missaukee**	2,547	1,547	1.65
Cheboygan	7,013	5,152	1.36	**Monroe**	45,989	19,397	2.37
Chippewa	11,083	8,226	1.35	**Montcalm**	16,028	10,928	1.47
Clare	7,789	4,312	1.81	**Montmorency**	2,375	1,393	1.70
Clinton	14,585	9,703	1.50	**Muskegon**	62,600	37,721	1.66
Crawford	4,303	3,062	1.41	**Newaygo**	13,078	7,440	1.76
Delta	15,616	7,310	2.14	**Oakland**	780,155	367,177	2.12
Dickinson	15,057	8,629	1.74	**Oceana**	6,247	2,955	2.11
Eaton	33,733	19,615	1.72	**Ogemaw**	7,634	5,410	1.41
Emmet	16,465	10,240	1.61	**Ontonagon**	2,473	2,188	1.13
Genesee	156,140	64,818	2.41	**Osceola**	6,972	4,197	1.66
Gladwin	5,130	3,242	1.58	**Oscoda**	1,964	1,424	1.38
Gogebic	5,623	3,399	1.65	**Otsego**	11,172	5,501	2.03
Grand Traverse	50,503	22,980	2.20	**Ottawa**	110,668	43,575	2.54
Gratiot	13,490	8,437	1.60	**Presque Isle**	2,974	1,423	2.09
Hillsdale	14,860	6,520	2.28	**Roscommon**	6,266	4,006	1.56
Houghton	11,665	7,957	1.47	**Saginaw**	91,488	52,615	1.74
Huron	12,043	8,366	1.44	**St. Clair**	52,539	26,746	1.96
Ingham	138,821	43,469	3.19	**St. Joseph**	22,586	12,279	1.84
Ionia	13,846	9,301	1.49	**Sanilac**	12,450	7,214	1.73
Iosco	9,001	6,662	1.35	**Schoolcraft**	2,613	1,946	1.34
Iron	3,780	2,630	1.44	**Shiawassee**	19,088	13,375	1.43
Isabella	23,413	8,287	2.83	**Tuscola**	13,570	9,413	1.44
Jackson	58,272	30,222	1.93	**Van Buren**	21,443	9,584	2.24
Kalamazoo	118,955	52,045	2.29	**Washtenaw**	163,848	72,519	2.26
Kalkaska	4,522	2,289	1.98	**Wayne**	755,556	241,063	3.13
Kent	351,330	102,875	3.42	**Wexford**	15,696	10,791	1.45
Keweenaw	338	411	0.82				

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The importance of "base jobs" and the *responsible* use of jobs multipliers.

Base jobs are the jobs that create income and wealth for your community and so serve as the foundation, the "base," of that local economy. In the private sector, base jobs are supported predominantly by sales to out-of-county customers. In the public sector, base jobs are typically located in facilities or institutions serving persons from multiple counties. Retaining and expanding local base employment is the objective of most local economic development programs.

One of the most frequent ways that agencies use job multipliers is to explain to relevant parties (elected officials, board, media, public) what we do as economic developers and why we work proactively in some sectors of the local economy (base industries) but only reactively in others (non-base industries). Multipliers can also be used to make broad predictions of the indirect, or "spin-off," job creation likely to someday flow from adding new jobs in your local basic industries. Because they are calculated using aggregate data from the recent past, county-level multipliers will generally do a better job of predicting the long term spin-off employment potential of a group of base job-adding projects (such as several expansions over a year) than in predicting the job creation potential of any single project. As a result, jobs multipliers are not sufficiently reliable to be used as the sole basis for making tax abatement, other development incentive, or public investment decisions for specific projects.

Using multipliers – an example.

To estimate total and spin-off job gains from a group of projects that directly create 100 new jobs in Gratiot County, begin by carefully examining the businesses that will add the jobs. Do (or will) they sell the bulk of their goods or services to out-of-county customers? If so, the new jobs will be base jobs with "spin-off" employment potential. In that case, refer to *Michigan Multipliers 2009* for the correct multiplier with which to estimate the total and spin-off employment potential of the project.

Five facility expansions over a 1-year period in local basic industries	Direct Jobs	Operation	Multiplier		New Jobs	Operation	Direct Jobs		"Spin-off" Jobs
	100	x	1.60	=	160	-	100	=	60

Limits on Multipliers – Some things to remember:

1. Only *net* change in local base employment will produce *net* change in non-base employment. If a community gains 100 base jobs in March but loses 100 base jobs in May, spin-off employment in that community should remain about the same.

2. The multiplier effect works both ways; a net *loss* in base employment will generate "spin-off" *unemployment*. Also, such spin-off job losses will generally appear more quickly than spin-off job gains.

3. Multipliers reflect *historical* relationships between base and non-base employment in your community. So, when using multipliers, be aware that you are assuming that the local ratio of base to non-base jobs will remain more-or-less constant. This could be an enormous problem for using multipliers in communities undergoing economic transitions. For example, heavy industry requires much greater support services than light manufacturing. So, a community with a high multiplier (owing to a history of heavy industry) might tend to over-estimate the spin-off jobs potential of new projects that create base jobs in light manufacturing or the service sector.

4. Multipliers are useful *estimators* and work best for estimating total local spin-off employment likely to result from a group of base job-adding projects (such as all projects an agency does in a year). Actual spin-off employment resulting from a single project, however, could be very different than what the multiplier predicts.

5. Multipliers provide relatively *long-term* estimates of employment growth. It will take some time for all of the spin-off jobs resulting from an increase in local base employment to actually appear.

6. County-level jobs multipliers generally work best in relatively self-contained local economies and less well in major metro areas where many residents will work, shop and live in multiple counties.

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