NWMI Regional Recovery and Investment

May 15, 2020

Authored by Fourth Economy
Impacts

COVID-19 Analysis of the Economic Impacts on Northwest Michigan
1. Baseline
2. Business closure status & impacts in Northwest Michigan
3. Impacts by sector, by county
4. Impacts on vulnerable businesses
5. Impacts on vulnerable workers & child care
What did Northwest Michigan’s economy look like before COVID-19?
Networks Northwest’s member counties are: Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford.

122,800 jobs

Source: Census LEHD data, 2018 annual average
Region vs State

$13.1 Billion
The region creates over $13 B in annual economic output.

2.5%  
The region creates 2.5% of the state’s GDP.

2.8%  
The region is home to 2.8% of the state’s jobs.

3.0%  
The region is home to 3.0% of the state’s population.
### Percent of GDP by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of All GDP in Northwest Michigan</th>
<th>Percent of All GDP in the state of Michigan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Retail</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Construction</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Other Services</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Professional &amp; Technical Services</td>
<td>2%</td>
<td>8%</td>
</tr>
</tbody>
</table>

75% of the region’s GDP is concentrated in these industries.
Estimated Economic Loss in Northwest MI, 2020

- The region creates over $13 B in annual economic output.
- Estimated Economic Loss in Northwest MI, 2020: $13.1 Billion
- These key sectors alone could see a predicted loss of $2.3 Billion in 2020.

Data source: Bureau of Economic Analysis, 2018 with Fourth Economy Analysis. Notes: Percent of Estimated GDP Decrease is based on national and regional projections of industry impacts. Estimated Economic Loss in Region does not consider any Federal CARES Act impacts. Estimated GDP in Northwest MI may be slightly lower than actuals, due to undisclosed data in certain sectors.
Economically Vulnerable Workers

- Full-Time, $40K or More: 48,500 jobs (39.5%)
- Part-Time (Primary): 25,500 jobs (20.8%)
- Full-Time, $40K or Less: 41,500 jobs (33.8%)
- Secondary: 7,300 jobs (6.0%)

55% of 67,000 workers are “economically vulnerable,” based on wage rate and employment type.

Source: Estimates were created by combining Census PUMS data, BLS OES data, and Census LEHD data. Estimates represent 2018 annual averages.
Economic Vulnerability by Industry

2018 estimates based on Census PUMS data, BLS OES data, and Census LEHD data
What did the Governor’s closure order mean for Michigan businesses and workers?
Initial Closure Order Impacts on Workers

Temporary Closures to Protect Health and Safety

- In response to widespread harm posed by the COVID-19 pandemic, in March 2020 Governor Whitmer declared a state of emergency and a state of disaster across the State of Michigan. The Governor also issued orders to temporarily restrict in-person work, travel, and gatherings in public places in order to mitigate the spread of COVID-19, protect the public health, and provide essential protections to vulnerable Michiganders.

- Some businesses are already starting to re-open in the state. The following analysis represents a preliminary baseline of what impacts the initial order might have had.
Critical/Remote Worker Status

Occupation profiles were classified using BLS and O*NET data.

We estimate that at least 27,700 jobs can be done remotely in Northwest Michigan. The national average for remote work capability is 28.8% — 6 percentage points higher than Northwest Michigan.

At least 28,800 people work in jobs that are not “critical” or able to be done remotely.

At least 66,200 people work in jobs that are “critical.”

122,800 jobs

Non-Critical, Non-Remote 28,800

Critical, Non-Remote 66,200

Remote 27,700
71% of NWMI’s jobs are concentrated in these six industries.
Unemployment Claims for NWMI

23% of employed residents* (during the same week, the rate was 20% for the state)

Source: Networks Northwest; includes continued claims and initial claims

*Employed residents refers to ACS 2018 estimates
How will specific sectors in the region be impacted?
Tourism in Northwest Michigan

19,200

JOBS | supported by direct tourism spending in Northwest Michigan in 2018

Travel - 95% decrease in inbound passengers this April compared to last year. Departures are down 73%.

$1.96 B

VISITOR SPENDING | in Northwest Michigan in 2018

Events - The National Cherry Festival, recently cancelled, attracts over 500,000 visitors over the course of two weeks each summer.

$215 M

TAX REVENUE | generated from state and local taxes via visitor spending

Hospitality - NWMI has seen an 85-90% drop in local hotel occupancy compared to a year ago.

Consumer confidence will have long term effects on businesses and workers in the tourism sector.

Source: Tourism Economics, 2018
Construction in Northwest Michigan

In Michigan, commercial and residential construction was closed from March 24-May 7, while road building and critical infrastructure construction was still open.

1,300
BUSINESSES

7,900
JOBS

25% of workers are non-critical, non-remote.

58% of employment is concentrated in (private) businesses with fewer than 20 employees.
Manufacturing in Northwest Michigan

In Michigan, manufacturing has started to resume operations as of May 11, though many are planning slow ramp-ups.

- **540** BUSINESSES
- **16,500** JOBS

13% of workers are non-critical, non-remote.

13% of employment is concentrated in (private) businesses with fewer than 20 employees.
How will vulnerable businesses be impacted?
Small Business Risk

$12,100

Bank Account Balance
The median balance for small businesses across checking and savings accounts.

Even small changes in cash inflows or outflows — especially if unexpected — can have large impacts on small businesses.

27 days

Cash Buffer Days
The median number of days of outflows a small business could pay were inflows to stop.

With a median of only 27 cash buffer days, the typical small business has a low margin of error in the face of economic headwinds and shocks.

Source: JP Morgan Chase Report | Analysis of bank account balances of 600,000 small businesses to provide information about average daily balances, revenues, and operating expenses to estimate cash buffer days in small business across different industries.

Small Business Definition: Less than 500 employees and bank account balances of less than $20 million.
Small Business Employment (select industries)

- Health Care: 40% of jobs
- Accommodation & Food: 63% of jobs
- Manufacturing: 66% of jobs
- Retail: 59% of jobs
- Education: 10% of jobs
- Construction: 73% of jobs
- Admin & Support: 56% of jobs
- Arts, Entertainment & Recreation: 77% of jobs
- Transportation & Warehousing: 48% of jobs
- Agriculture: 78% of jobs
- Real Estate: 66% of jobs

Jobs in Northwest Michigan

- 33,400 jobs in Businesses with 0-19 employees, private
- 32,600 jobs in Businesses with 20-499 employees, private
- 56,800 jobs in All other jobs

Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators with Fourth Economy Analysis. Note that not all industries are shown here.
In almost every industry, employment is more concentrated in small businesses in NW Michigan than in the state and nation.

Exceptions are Health Care, Construction, Agriculture, and Education.
How and when will specific sectors/industries be impacted?

What counties are most impacted?
Workforce Impacts by County (critical/remote status)

- Emmet: 9,100 (54%) jobs
- Charlevoix: 5,900 (58%) jobs
- Antrim: 2,800 (56%) jobs
- Kalkaska: 2,200 (54%) jobs
- Missaukee: 1,900 (59%) jobs
- Wexford: 7,200 (56%) jobs
- Manistee: 3,500 (56%) jobs
- Benzie: 1,100 (54%) jobs
- Grand Traverse: 24,800 (53%) jobs
- Leelanau: 3,700 (53%) jobs
- Traverse City: 11,400 (53%) jobs
- Kalkaska: 2,200 (54%) jobs

Highlighted counties are those where more than 1 in 4 jobs are non-critical, non-remote.

These numbers do not include public administration.
Workforce Impacts by County (small businesses)

Highlighted counties are those where more than 1 in 3 jobs are in private businesses with fewer than 20 employees.
How is remote work affected by access to broadband?
Remote workers live throughout the region, with employees who hold jobs that have the potential to work remotely in every county and zip code.

A University of Chicago analysis revealed that 34% of U.S. jobs can plausibly be performed at home, with significant variation across geographies.

An estimated 23% of the region’s workforce is employed in jobs that have the potential to work remotely.

*With much of U.S. staying at home, how many jobs can be done remotely?* news.uchicago.edu/story/much-us-staying-home-how-many-jobs-can-be-done-remotely

Broadband internet access varies throughout the region

The ability of workers to work remotely is impacted by access to broadband internet at home.

There are many areas throughout the region where upwards of 20% to 30% or more of households do not have subscription service to broadband internet.

Data source: American Community Survey, 2018, Households without broadband subscription service.
Highlight: areas with at least 500 remote workers

Many areas where a large number of remote workers live are places where home access to broadband may be an issue.

How will vulnerable workers be impacted?
Who is ALICE?

Asset Limited, Income Constrained, Employed

ALICE Households

ALICE households earn more than the Federal Poverty Level, but less than the basic cost of living for the state. The “ALICE Threshold” is based on the “Household Survival Budget,” a measure that estimates the minimal cost of the six basic household necessities — housing, child care, food, transportation, health care, and a basic smartphone plan.

ALICE Workers

ALICE workers primarily hold jobs in occupations that build and repair our infrastructure and educate and care for the workforce — sometimes referred to as “maintainers.” This range of jobs is broader than the service sector, and these occupations ensure that the economy runs smoothly. Many ALICE workers hold low-wage jobs that do not meet the “Household Survival Budget.”
ALICE in Northwest Michigan

49,800 households in Northwest Michigan are in poverty or below the ALICE threshold.

That’s 40% of all households in the region.
How are ALICE Households Impacted?

Scenarios for 2 Adult, 2 Child Households
with pre-impact income at ALICE Survival Budget

A majority of CARES Act benefits, like the one-time stimulus and additional weekly unemployment benefit, occur before July 31.

Unemployment compensation extends by an additional three months, for a total of nine months of coverage.

Unemployment Benefits end December 31.
What will impacts on child care mean for economic recovery?
Licensed Child Care Facilities

According to LARA’s most updated list (April 4), there are no “disaster relief child care centers” located in Northwest Michigan.

All 355 facilities might be closed right now.

According to Michigan Labor Market Information, the average hourly wage for a childcare worker in Michigan is $9.42, with an average annual wage of $19,611.

Sources: MI Department of Licensing & Regulatory Affairs
Before COVID-19, there was a gap in needed childcare of about 900 children.

Currently, there may be no child care centers open.

Without strong federal support, 41% of child care capacity could be lost, according to an analysis by the Center for Progress using National Association for the Education of Young Children data. The gap would then grow to 5,200 children.

Sources: KIDS COUNT Data Center and MI Department of Licensing & Regulatory Affairs
Recovery Roadmap
## Networks Northwest Economic Response to Resilience Framework

<table>
<thead>
<tr>
<th>Economic Crisis Intervention</th>
<th>Economic Impact Mitigation</th>
<th>Economic Asset Activation</th>
<th>Economic Resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMMEDIATE (60 days)</td>
<td>SHORT TERM (2-4 months)</td>
<td>MID TERM (4-12 months)</td>
<td>LONG TERM (1-3 years)</td>
</tr>
</tbody>
</table>

### STAKEHOLDERS
- **Social services, nonprofit organizations, municipal government agencies, philanthropic partners, financial institutions**
- **Regional convener, multi-county EDOs, county government, local economic development organizations, business support organizations**
- **Regional convener, recovery taskforce working groups and implementation teams**
- **Regional convener, multi-county EDOs, local economic development organizations, philanthropic partners, financial institutions, community organizations**

### GOAL
- **Provide immediate relief**
- **Develop recovery plan framework**
- **Deploy community assistance**
- **Build a stronger future**

### ACTIONS
- **Respond to immediate needs for food, shelter, and other necessities**
- **Quantify the scale of economic disruptions including impact on small businesses & workers**
- **Create infrastructure for convening stakeholders, sharing resources, and targeting funding**
- **Form working groups**
- **Identify gaps in the ecosystem**
- **Develop models of response**
- **Form implementation teams, develop timeline and expected outcomes**
- **Define metrics and monitor progress**
- **Deploy resources to lessen the impacts of business operating standards amid ‘new normal’**
- **Assess the community's civic infrastructure and engage implementation teams**
- **Regular performance monitoring of key economic indicators**
- **Evaluate community confidence**
Beyond Recovery
Request for Information for Investment Documents

- Growth & Investment Areas: 31
- Opportunity Zones: 8
- Community Marketing Plans: 11