

9-2010

## **A Cycle of Change, A Brief profile of the Automotive Industry in West Michigan, 2007-2010**

Community Research Institute-Johnson Center

Follow this and additional works at: <https://scholarworks.gvsu.edu/jcppubs>

---

### **ScholarWorks Citation**

Community Research Institute-Johnson Center, "A Cycle of Change, A Brief profile of the Automotive Industry in West Michigan, 2007-2010" (2010). *Research, Reports, and Publications*. 93.  
<https://scholarworks.gvsu.edu/jcppubs/93>

This Article is brought to you for free and open access by the Dorothy A. Johnson Center for Philanthropy at ScholarWorks@GVSU. It has been accepted for inclusion in Research, Reports, and Publications by an authorized administrator of ScholarWorks@GVSU. For more information, please contact [scholarworks@gvsu.edu](mailto:scholarworks@gvsu.edu).

# A Cycle of Change

A brief profile of the Automotive Industry  
in West Michigan, 2007 - 2010

September 2010

# Table of Contents

<b>Overview and Acknowledgements .....</b>	<b>Page 3</b>
<b>Executive Summary .....</b>	<b>Page 4</b>
<b>Methodology .....</b>	<b>Page 5</b>
<b>The Automotive Contraction and West Michigan .....</b>	<b>Page 6</b>
<b>The West Michigan Autoworker .....</b>	<b>Page 12</b>
<b>Recent Stabilization in West Michigan .....</b>	<b>Page 18</b>
<b>Conclusions .....</b>	<b>Page 20</b>
<b>References .....</b>	<b>Page 21</b>

# Overview and Acknowledgements

This exploratory study investigates the impact of the recent recession on West Michigan autoworkers, their families, and their communities. *A Cycle of Change* describes the impact of the auto industry sector contraction on the West Michigan community, presents descriptive data about West Michigan autoworkers, and explains how the West Michigan region is positioned to face recovery. While the auto industry's struggles have had far-reaching consequences for the state of Michigan, this report focuses on the effects of the automotive industry contraction on Grand Rapids and the surrounding counties. We conclude by highlighting the projected future of West Michigan's automotive industry, along with predictions about the coming recovery.

The Community Research Institute of the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University extends appreciation to the following organizations and community members for their participation in this study:

- W.K. Kellogg Foundation ([www.wkkf.org](http://www.wkkf.org)),
- The Right Place ([www.rightplace.org](http://www.rightplace.org)),
- Heart of West Michigan United Way, 2-1-1 ([www.hwmuw.org/211.php](http://www.hwmuw.org/211.php)), and
- network180 ([www.network180.org](http://www.network180.org)).

The Community Research Institute offers a special word of gratitude to Dorothy A. Johnson whose leadership made this study possible.

# Executive Summary

Michigan's automotive industry suffered a rapid, substantial contraction from 2007-2009. Revenue dropped considerably for the three biggest automakers in the United States: Ford, Chrysler, and GM. The "Detroit Three," as they are called, have downsized and restructured just to survive in the evolving automotive market. The employment losses have been significant. In Michigan, over 165 thousand manufacturing employees filed for unemployment benefits due to mass layoffs between October 2008 and June 2009 (Michigan Department of Energy, Labor, and Economic Growth, 2010a).

Though the Detroit Three are concentrated in East Michigan, West Michigan industry has undergone its fair share of downsizing, as well. Because West Michigan is home to many of the second- and third-tier parts suppliers that contract with the Detroit Three, many of these firms have suffered similarly. The unemployment rate in West Michigan has risen from 5.5% in April of 2008 to 13.3% in March of 2010 (United States Department of Labor, 2010).

The human service sector in West Michigan is also experiencing a heavy burden as it attempts to alleviate the recession's damaging effects on area workers. Local service providers—particularly those who offer basic needs assistance—are severely stretched. A director whose agency provides mental health and substance abuse counseling services notes an increase not only in the number of new clients, but also an increase in the severity of cases. Recent research on the effects of unemployment can explain this change in caseload, which suggests that unemployment is associated with a host of mental health symptoms for unemployed individuals and their families.

Three characteristics distinguish West Michigan autoworkers from autoworkers in the rest of the state: West Michigan autoworkers generally earn a lower income, have a lower level of education, and are more likely to rent, rather than own, their homes. While these factors may appear negative, combined data reveal that West Michigan may actually be poised for a faster recovery than other regions in the state.

Reports (Long, 2010; Strauss & Lombardi, August 2010) indicate that West Michigan is recovering from the recession. Over the past year, West Michigan automotive manufacturing firms have reported slow growth. While unemployment has not decreased significantly, employment levels in the auto industry have stabilized and even made modest gains in recent months.

Though West Michigan still struggles with high unemployment, the region should expect to see slow industrial growth over the next few years. These gains will likely lead to an eventual decrease in unemployment.

*A Cycle of Change* uses both primary and secondary sources to investigate the current and future state of the West Michigan automotive industry. For the purposes of this study, West Michigan, unless otherwise noted, refers to the Grand Rapids–Muskegon–Holland Combined Statistical Area (CSA), which includes seven counties: Kent, Barry, Ionia, Newaygo, Ottawa, Muskegon, and Allegan.

The Community Research Institute gathered a number of secondary datasets to investigate the automotive industry in West Michigan. First, Community Research Institute made use of data from the Bureau of Labor Statistics' (BLS) Local Area Unemployment Statistics (LAUS) and Current Employment Statistics (CES) programs and the Michigan Department of Energy, Labor, and Economic Growth's (DELEG) Mass Layoff Statistics (MLS) program to understand the scope of the recession's impact on West Michigan workers. Additionally, data made publically available by DELEG regarding WARN (Worker Adjustment and Retraining Notification Act) notices were compared with a list of West Michigan automotive suppliers provided by The Right Place ([www.rightplace.org](http://www.rightplace.org)) to offer a partial picture of the number of auto suppliers that downsized from 2007 to 2010.

Second, the Community Research Institute used data from the American Community Survey's Public Use Microdata Sample (PUMS) to obtain a profile of West Michigan and Kent County's autoworkers, paying particular attention to the ways they differ from autoworkers in the rest of the state.

The Community Research Institute also used various local and regional reports and scholarly articles to supplement secondary data sources. The Community Research Institute focused on studies and reports regarding the West Michigan economy, the auto industry in West Michigan, and the effects of unemployment on the well-being of individuals and their families.

Finally, to provide a qualitative perspective, the Community Research Institute interviewed four community leaders from various sectors. Two interviewees are directors/managers of private human service agencies, one is a local economist, and one is an administrator at the Department of Human Services. Roles in the West Michigan community and unique perspectives on the impact of the recession were qualifications for selections of interviewees. The Community Research Institute conducted interviews either in person or over the phone. Each respective interviewee received their transcript to ensure that transcriptions were accurate and representative of interviewees' opinions. These transcripts guided some interpretations of secondary data, and provided narratives from community leaders who have seen the recession's human toll first-hand.

# The Automotive Contraction and West Michigan

The automotive industry reformation that began in the 1980s has continued through the current economic recession. However, the rapid decline in recent years found many manufacturing plants across the country unprepared to deal with such a steep and sudden decline in sales. From October of 2007 to April of 2009, revenue from auto sales dropped 32 percent, from an estimated \$7.1 billion to \$4.8 billion (Monthly Retail Trade Survey; NAICS Codes include 4411 and 4412). The state suffering the most significant blow from these declining sales is Michigan. From 1998 to 2008, Michigan lost 179,000 (54 percent) of its automotive jobs. The other 49 states combined lost 253,000 (28 percent) of their auto jobs (Luria, 2009). Because Michigan produces more cars, the “rest of the economy is quickly harmed when the auto sector weakens” (p. 20). The Director of Research for the Michigan Manufacturing Technology Center, Dan Luria, Ph.D. reflected in a 2009 analysis of *The State of Manufacturing in Michigan*, “When auto sneezes, Michigan gets the flu; Ohio and Indiana get a bad cold: and much of the rest of the country—outside of a handful of communities dependent on a large assembly or parts plant—shrugs” (p. 20, 21).

## West Michigan Suppliers

Many West Michigan workers have lost their jobs due to plant closings and mass layoffs. Fortunately, the federal Worker Adjustment and Retraining Notification Act (WARN) mandates that plants notify their employees of a plant closing or a mass layoff at least 60 days in advance. The advance notice required by the WARN Act is meant to provide workers and their families some time to prepare for loss of employment. Workers can use the time to look elsewhere for employment or enter skills training to improve their ability to compete successfully in the job market.

Table 1 shows WARN notifications for some automotive plant closings and layoffs within West Michigan’s seven-county region over the past three years. This list is not comprehensive, however, and only includes some plants that the Community Research Institute researchers were able to verify as being auto industry-related. Moreover, only businesses with over 100 employees that intend to lay off 50 employees or more are required to report their layoffs according to WARN legislation. Though some smaller businesses or businesses that laid off fewer than 50 employees did notify their workers 60 days in advance (as seen in Table 1), this notification is not a requirement, and many of these businesses did not report their mass layoffs.

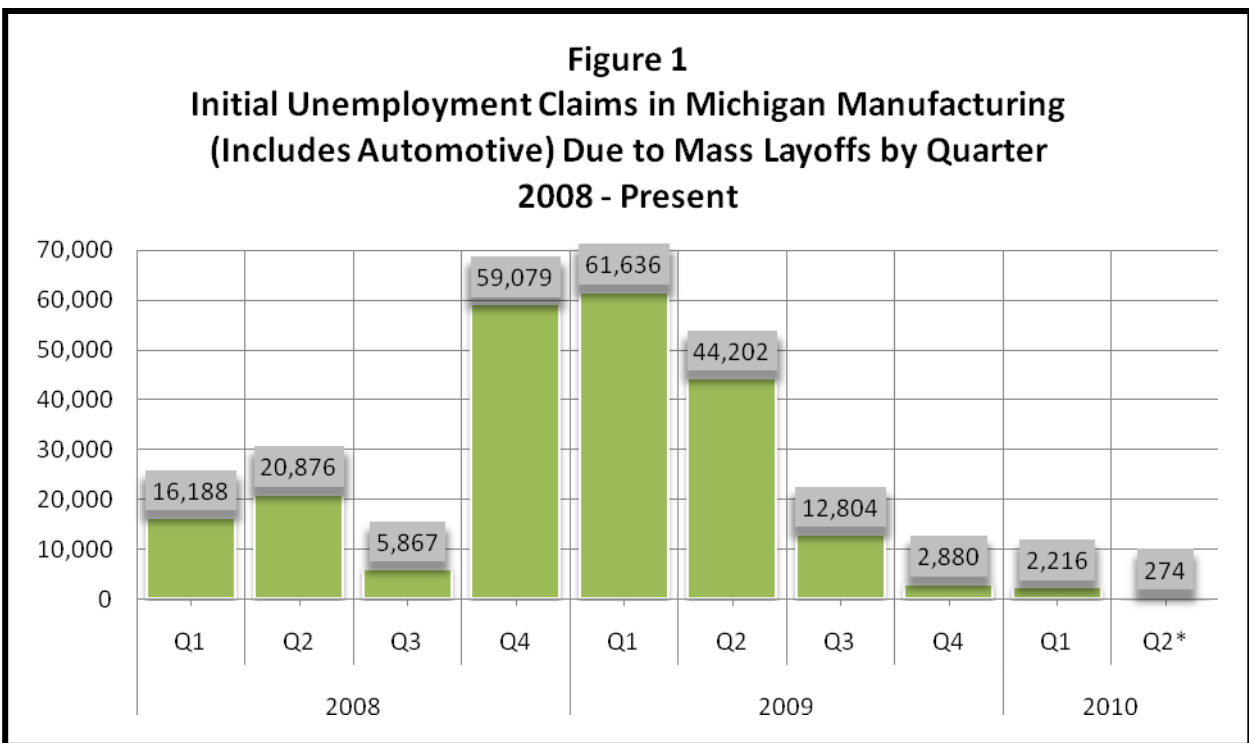
**Table 1: WARN Notifications for Automotive Plants in West Michigan, 2007-2009**

Date	Downsize Type	Organization Name	Location	Number of Workers Laid Off
3/2/2007	Mass Layoff	Paulstra CRC	Grand Rapids	72
3/2/2007	Plant Closing	Paulstra CRC	Grand Rapids	12
5/16/2007	Plant Closing	Mahle Valve Train, Inc.	Holland Twp.	62
7/13/2007	Plant Closing	Mahle Engine Components	Muskegon	55
7/13/2007	Plant Closing	Mahle Engine Components	Muskegon Heights	70
8/8/2007	Plant Closing	Magna Donnelly	Grand Haven	300
4/1/2008	Plant Closing	Dura Automotive Systems	Mancelona	300
6/13/2008	Plant Closing	Plastech	Grandville	39
8/28/2008	Mass Layoff	Action Distribution	Grand Rapids	60
10/13/2008	Plant Closing	GM - Grand Rapids Metal Center	Grand Rapids	1,500
12/8/2008	Mass Layoff	Ventura Manufacturing	Zeeland	35
12/22/2008	Mass Layoff	Shape Corp.	Grand Haven	400
1/8/2009	Plant Closing	Wolverine World Wide (Tannery)	Rockford	73
2/17/2009	Plant Closing	Nicholas Plastics LLC	Allendale	103
3/6/2009	Mass Layoff	Michigan Casting Center	Fruitport	40
3/10/2009	Plant Closing	Center Manufacturing	Wayland	46
4/20/2009	Mass Layoff	American Refractories Company	White Cloud	60
4/22/2009	Plant Closing	Johnson Controls, Inc.	Holland	55
5/1/2009	Plant Closing	Metaldyne	Middleville	125
<i>Source: Michigan Department of Labor and Economic Growth (2007; 2008; 2009a)</i>			<b>Total:</b>	<b>3,407</b>



## Unemployment

The Michigan Department of Labor and Economic Growth (DELEG) revealed (2009b) job loss numbers that illustrate the extent to which the automotive industry decline has affected Michigan workers. From October of 2008 through June of 2009, DELEG (2009a) reported 164,917 initial unemployment claims in the manufacturing sector alone, many of which were auto-related. **Figure 1** shows this spike (Q1, 2009), and documents the point at which the manufacturing industry suffered the most in the last two years. According to DELEG, the automotive industry was responsible for 165 (37 percent) of the 441 mass layoffs in Michigan in 2009. In terms of actual job loss, however, autoworkers made a much larger share—69 percent or 113,220—of the 163,863 resulting initial unemployment claims (2009b). These data reveal how heavily Michigan relies on the auto industry for economic vitality as well as how deeply the current recession affected the automotive industry.



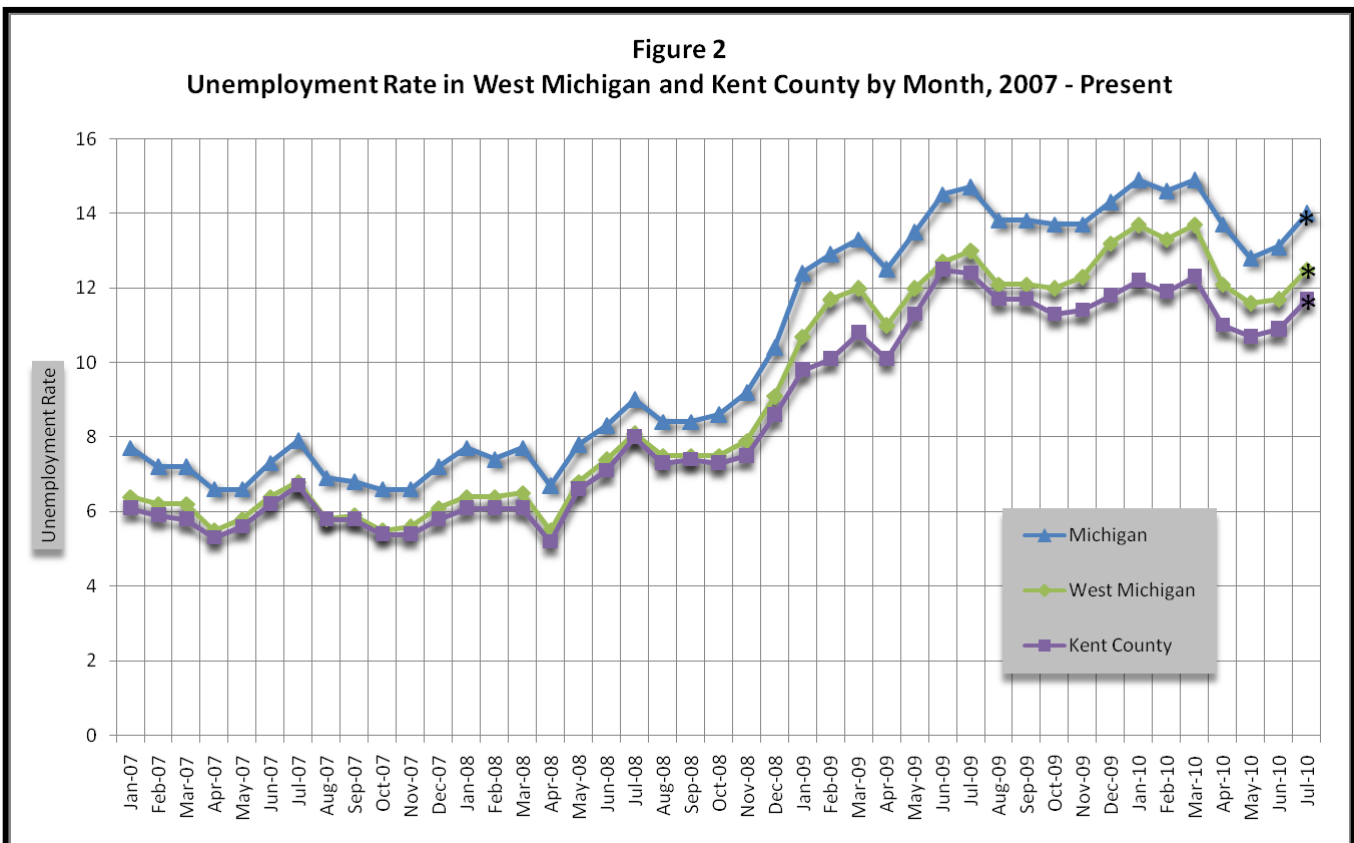
Source: Michigan Department of Energy, Labor, and Economic Growth (2010a)

\*Preliminary figure

For the unemployed autoworker, Emergency Unemployment Compensation (EUC) is one resource to assist families from experiencing economic catastrophe. EUC is a federally funded program that extends benefits to those whose regular state unemployment benefits have expired. Soon after the unemployment swell at the end of 2008 and beginning of 2009, unemployed workers became keenly aware that their economic support would soon expire. The Kent County Essential Needs Task Force's (ENTF) *Basic Needs Quarterly Status Report* from the second quarter of 2009 perceptively notes the number of expiring unemployment benefits through the rest of

2009. From Sept. 24, 2009, through Jan. 8, 2010, they projected that 4,787 jobless, Kent County residents would lose their unemployment benefits (ENTF, 2009). This projection, of course, did not account for the many extensions to EUC that occurred after the publishing of that report. Congress has enacted several extensions to this program since June of 2008 (Geisel, 2010) to lessen the burden on the unemployed. Michigan allowed benefits for up to 99 weeks of unemployment. While nearly two years of benefits may seem like enough, many of these so-called “99ers”—those who have maxed out their benefits—have few job opportunities on the horizon.

To some, 99 weeks of unemployment benefits may seem like plenty of time to find a new job; however, the unemployed can only hope for such an option if jobs have returned to the region. Otherwise, the steady receipt of benefits becomes a ticking clock for those still out of work. Indeed, the employment situation is still bleak as the automotive industry shows only the earliest signs of recovery. **Figure 2** shows the unemployment rates of



Note: Data are not seasonally adjusted; “West Michigan” includes Kent, Newaygo, Muskegon, Ottawa, Ionia, Allegan, and Barry

\*Preliminary figure

Source: United States Department of Labor (2010)

Michigan, West Michigan, and Kent County from 2007 to July 2010. According to the Bureau of Labor Statistics, West Michigan’s unemployment rate continued to rise since the beginning of 2008. The period with the highest

rate of increase was between November 2008 and January 2009, during which the unemployment rate in West Michigan increased 3.2 percentage points. Unemployment did seem to peak in March of 2010 at 13.7 percent and began to slowly decline thereafter. However, preliminary figures for Michigan's unemployment rate saw another jump to 14 percent in July of 2010. As will be discussed in the next section, there are a few reasons why West Michigan may see a quicker recovery than the rest of the state, but, at the moment, West Michigan and Kent County employment rates mirror the rest of Michigan. A telling indicator of West Michigan's recovery in the coming months is whether these respective unemployment rates remain in tandem or West Michigan's rate begins a healthy, independent decline on its own.

### **Human Service Sector Stretched**

In our research with various community leaders, we found a clear indication that human service organizations—those that provide the public and private safety nets for our citizens in need—are being stretched. One leader affiliated with Kent County's Essential Needs Task Force noted a particular burden on private organizations that provide basic-needs assistance like food. Pantries across Kent County are having difficulty keeping up with the demand as donations spiral downward. Another community leader, the director of a non-profit that provides mental health and substance use counseling services, explained that the new client numbers are very high. Ironically, many of these clients financially supported the organization in the past. He explained that “. . . people [who] have lost jobs who have maybe given to local food banks or local church outreach efforts . . . now are in a position of having to have handouts.” This particular organization is seeing an increase in the severity of cases as well. The director notes “. . . economic stress on a family is complicated and causes multiple issues, including the fact that the children of those families . . . absorb some of that stress—and they have problems in the home, as well.”

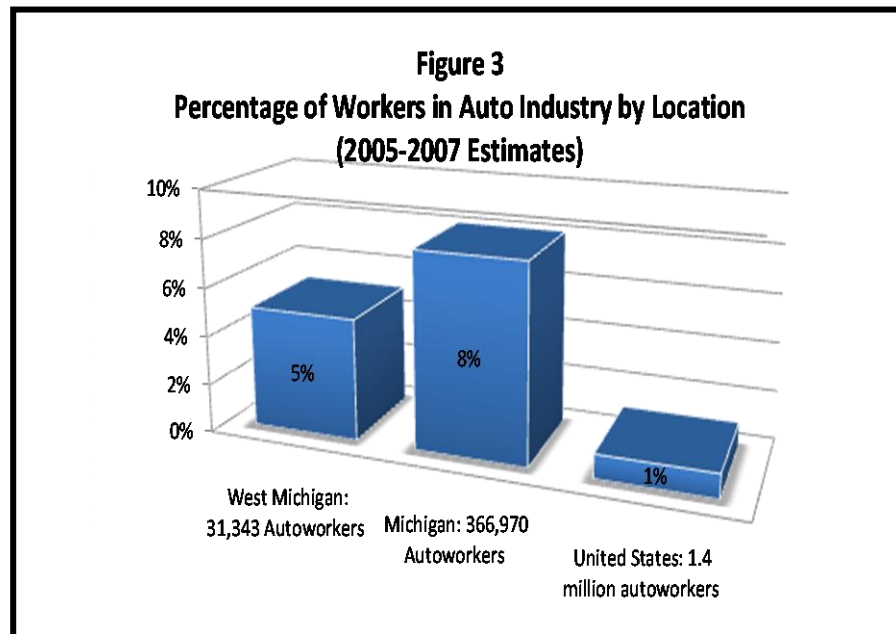
It is unclear whether the increased case severity and increased caseloads this non-profit experienced were direct results of the recession. However, a host of studies suggests there is a link between unemployment and negative mental and physical health symptoms. McKee-Ryan, Song, Wanberg and Kinicki (2005), in a meta-analysis of 104 studies on unemployment found a strong correlation between unemployment and poor mental health across virtually all the studies included in their analysis. Many studies have examined unemployment's other negative effects, such as those which involve the spouses and children of the unemployed. Strom (2003) cites numerous studies that do find correlations between unemployment and adverse effects on families, including the propensity for divorce and the deterioration in the well-being of the unemployed individual's spouse and children of the unemployed. In sum, a multitude of scholars have documented unemployment's various negative effects, including poorer well-being of the spouse, spousal conflict, contemplation of divorce, actions related to divorce, family tension and stress, conflict with one's children, and the physical health of children (McKee-Ryan, Song, Wanberg, & Kinicki, 2005; Strom, 2003; Broman, Hamilton, Hoffman, & Mavaddat, 1995; Dew, Penkower, & Bromet, 1991; Broman, Hamilton, & Hoffman, 1990). Unemployment's many deleterious effects compound the

cumulative demand placed upon those human service agencies whose missions address helping those affected by the recession.

On the other hand, public human service agencies may not have felt the full impact of the recession yet. In our discussion with one Department of Human Services (DHS) administrator, we learned that unemployment benefits often mitigate any immediate spike the recession may cause in the demand they might experience. “Quite often those unemployment benefits are substantial enough to cause people to become ineligible for the FIP (Family Independence Program) . . . It’s a delayed increase in our FIP program depending on when unemployment benefits begin to expire.” Given the huge spike in unemployment claims in fourth quarter of 2008 and the first of 2009, most of those benefits will expire over the next six months, potentially unleashing an enormous burden on both public and private human service agencies.

# The West Michigan Autoworker

The auto industry's condition looms over the entire state of Michigan. However, West Michigan autoworkers are unique in comparison with the rest of the state. In this section, we present a profile of the West Michigan autoworkers to understand their position relative to the recent industry decline better. The differences between autoworkers in West Michigan and those in the rest of the state are of particular interest.

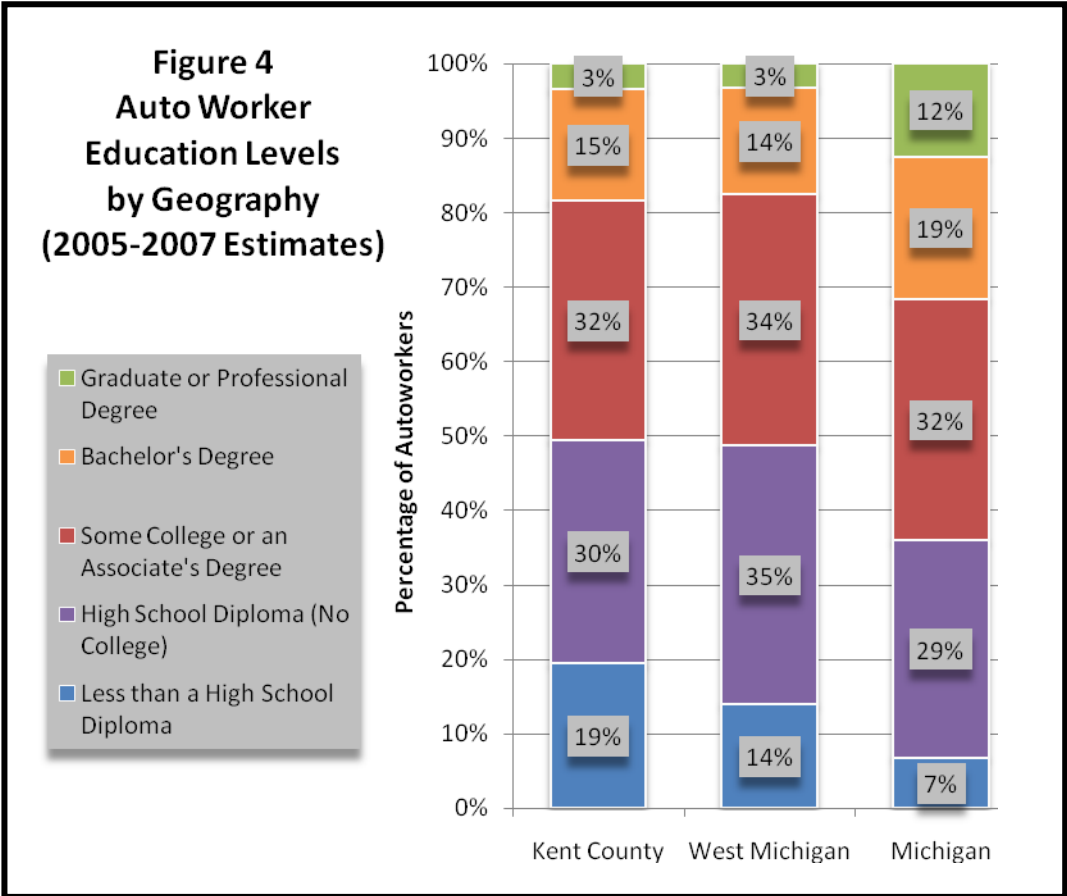


*Source: US Census Bureau (2005-2007)*

**Figure 3** shows the percentage of workers in the auto industry in three locations: West Michigan, Michigan, and the United States. In West Michigan, five percent of the workforce is in the auto industry as opposed to eight percent in Michigan overall with its higher concentration of autoworkers residing and working on the eastern side of the state. The majority of autoworkers in Kent County are white (68 percent) and male (73 percent). Their average age is 41 years and their typical level of educational attainment is “some college or an associate’s degree” (32 percent). 74 percent of the autoworkers in Kent County live in an owner-occupied home. Their average annual personal income is approximately \$40,711, while their average annual household income is just under \$64,000. These figures suggest that many autoworker families in West Michigan rely on two incomes and that a substantial proportion of their household income derives from the auto industry.

**Education**

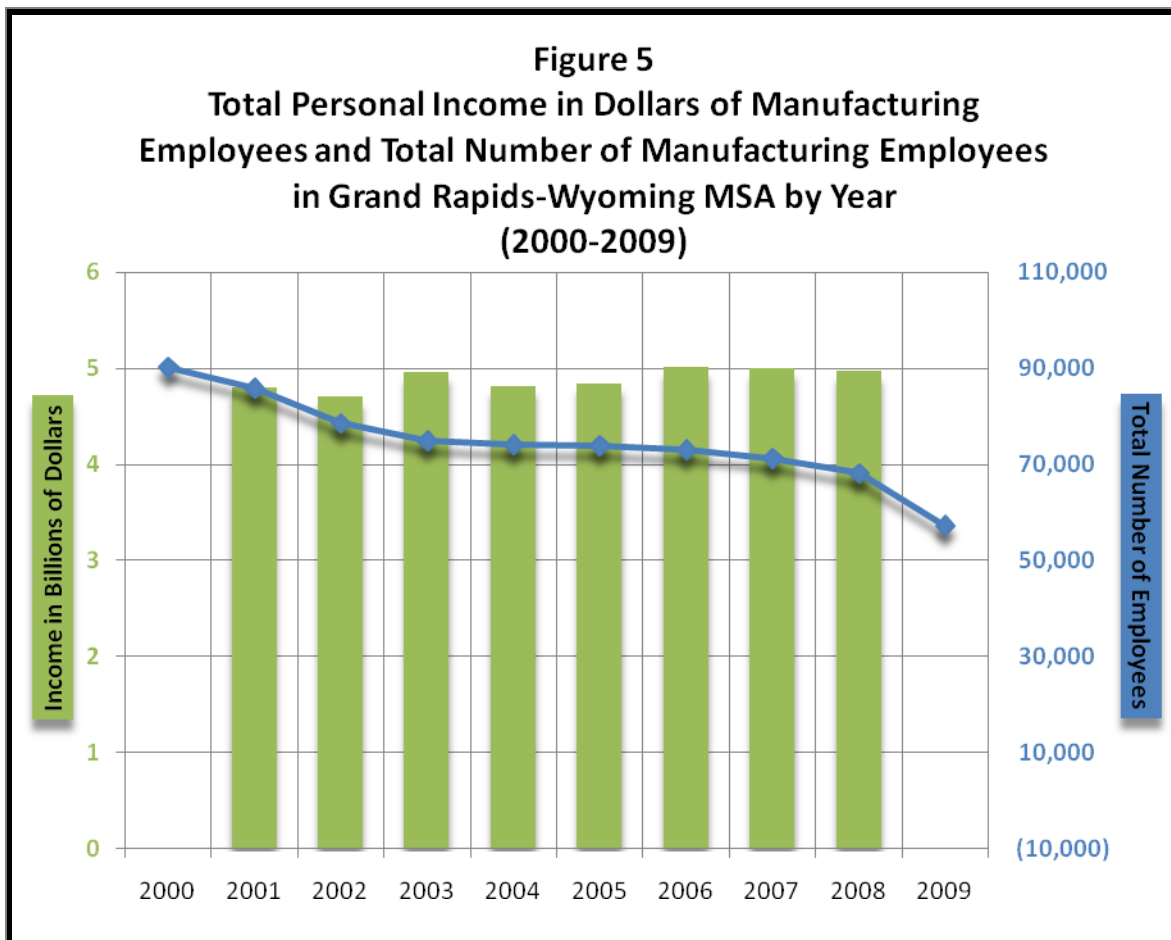
The most striking difference between West Michigan and other regions in the state is the difference in education levels. **Figure 4** shows that the proportions of those who have earned a high school diploma or completed some college or an associate’s degree are roughly the same in West Michigan as in Michigan overall. However, Kent County has a slightly lower percentage of autoworkers who have earned a bachelor’s degree: 14 percent versus 19 percent in Michigan. Moreover, West Michigan has a much higher percentage (19 percent) of those who have earned less than a high school diploma and a much lower percentage (three percent) who have earned a graduate or professional degree. In Michigan overall, only seven percent have less than a high school diploma and 12 percent have earned a graduate or professional degree.



Source: US Census Bureau (2005-2007)

Clearly, West Michigan autoworkers lag behind other autoworkers with regard to education. Historically, this has not been an impediment to local autoworkers because West Michigan has been home to second- and third-tier suppliers for the Detroit Three. These jobs are not as technical. West Michigan was able to grow vibrantly in this niche, benefiting from playing a supporting role in the success of Detroit.

However, the West Michigan industrial economy has been slowly evolving over the past decade and may be emerging as a region less dependent on Detroit than it once was. During the 2001 recession, automotive manufacturers began to diversify their products, looking for opportunities not only to contract with auto-makers other than GM, Chrysler, and Ford, but also to contract outside the automotive industry altogether. Transforming manufacturers, such as Cascade Engineering and Gentex, are working their way into energy and sustainability markets and aircraft manufacturing markets, respectively. This evolution also means a shift to higher-skilled jobs requiring more education and/or training. A piece of evidence substantiating this shift is the steady decrease in the overall number of West Michigan manufacturing employees in the last decade when compared with the total income earned by those workers, which has remained relatively constant. **Figure 5** depicts these data together. The total number of manufacturing employees has decreased by about one third, while the total amount of income generated by those employees has increased slightly. This ratio suggests an increase in efficiency; fewer workers are now able to do what several workers used to do. In order to keep



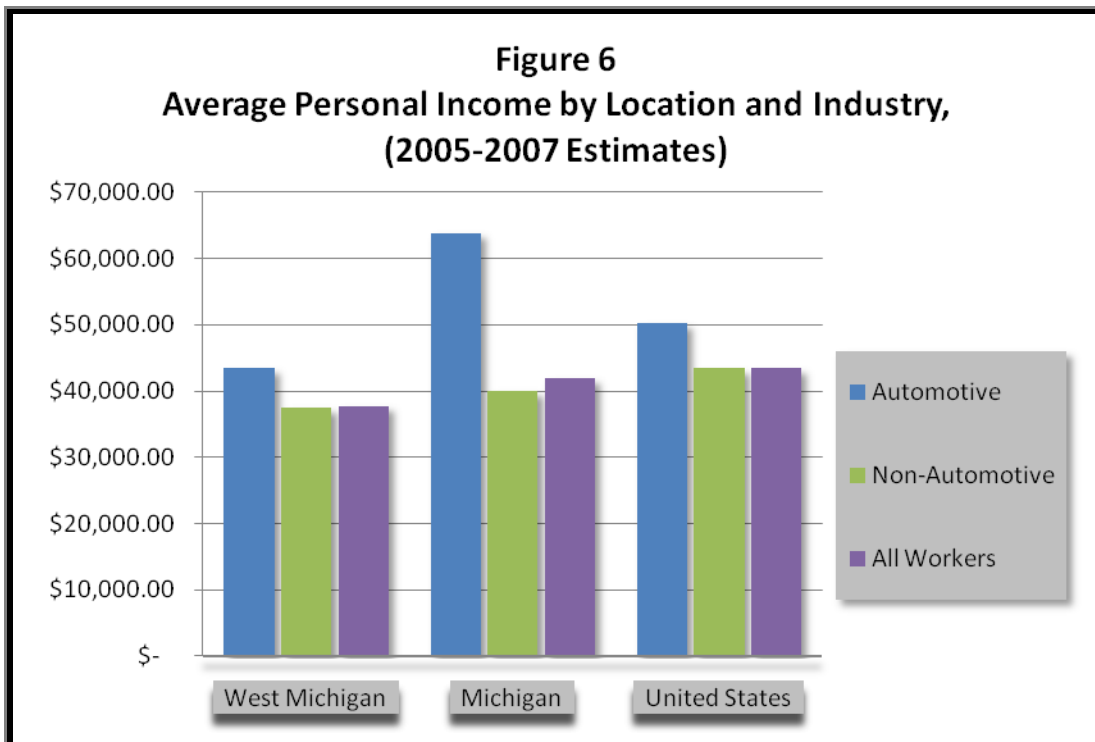
Sources: US Department of Commerce (2008); US Department of Labor (2010)

pace with this transformation, unemployed workers may need to undergo new training and/or education before they find employment comparable to their pre-recession wages.

While it is unfortunate that this transformation has led to such a significant decrease in jobs, West Michigan’s core economy remains vital. West Michigan began its transformation before sustaining the full force of the auto industry contraction. This early adoption curve will likely carry West Michigan through the recession, and position it for a quicker recovery than other regions in the state. Although it does not mitigate the severe job loss experienced over the last decade—particularly in the last few years—West Michigan’s preliminary transformation has enabled the region to quickly adapt to changing environments offering hope for future manufacturing employment opportunities.

### Income

The second difference between West Michigan automotive workers and those in the rest of the state is the disparity in income levels. **Figure 6** shows that Michigan autoworkers earn higher personal incomes on average than Kent County autoworkers. Several factors account for this difference, the largest of which is the saturation of automotive industry in the Detroit region. “The problem is that there was so much automotive manufacturing [in the east side of the state] that it drove the entire wage in the region higher. So, any other types of manufacturing that wanted to come in couldn’t,” one economist explained during an interview.



Source: US Census Bureau (2005-2007)



Because automotive manufacturing has a high-value output, the high concentration of automotive manufacturing on the east side of the state drove out lower-value output manufacturing and keeps the east side saturated with automotive industry. The economist went on, "Until this [wage rate] gets down, they're not going to be able to replace it with non-automotive jobs . . . [West Michigan] doesn't have the same problem."

While West Michigan residents may be frustrated with lower wages, this dynamic actually benefits their side of the state. Now that the automotive industry has suffered a terrible blow, only the regions with the ability to offer jobs to diverse industries will retain their competitive edge. Because the automotive industry saturation has not driven up West Michigan's wage , it will remain open to a variety of new manufacturing industries and flexible enough for existing industries to evolve. West Michigan's strength is its potential to remain nimble.

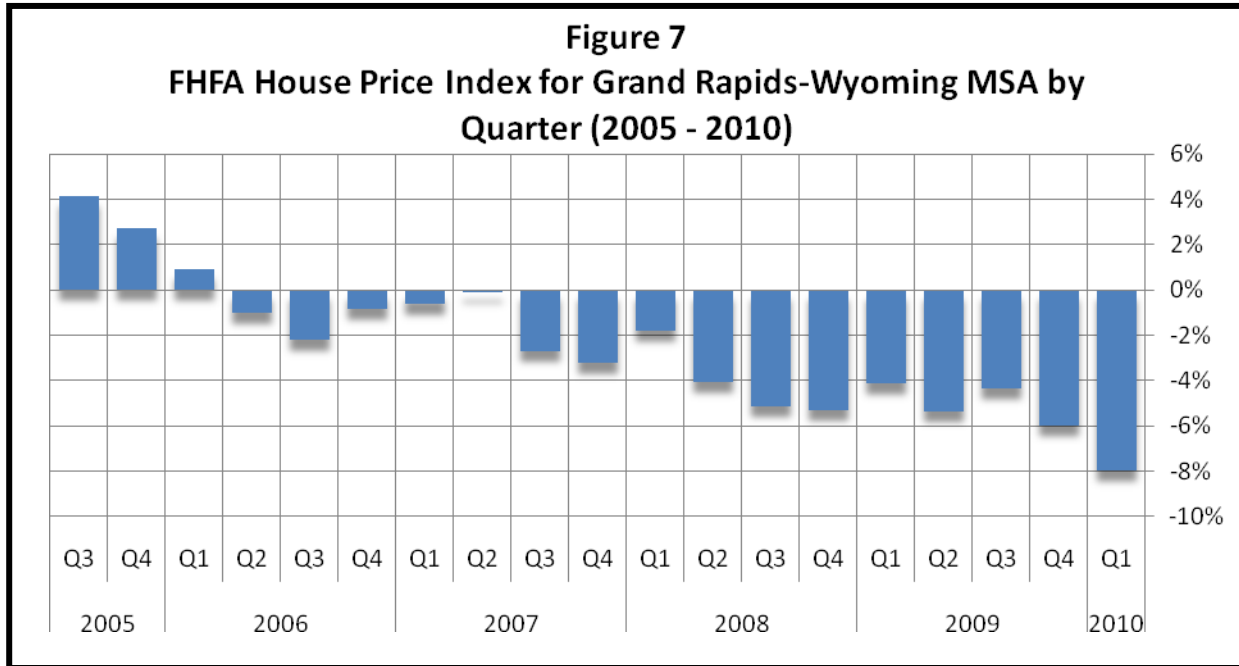
## Housing

Lastly, autoworkers in West Michigan differ from those in the rest Michigan with regard to their housing status. A slightly smaller percentage of autoworkers in West Michigan live in owner-occupied housing (79 percent) than in Michigan overall (85 percent), and still a smaller percentage in Kent County (74 percent), which means more of these autoworkers live in rental units. Given the contraction in the auto industry, wage fluctuations could make families who are renting more vulnerable. Increases in rent or decreases in earnings often force families to find new homes, resulting in increased anxiety and stress. Additionally, renting households often lack a significant amount of equity, which they could leverage to endure tough times.

Nevertheless, households who rent maintain a few distinct advantages, which could prove useful in a harsh economic environment. First, homeowners experiencing a decrease in earnings are at risk of defaulting on their mortgages or falling behind in property taxes, resulting not only in anxiety and stress, but also in damaged credit scores and losses in equity. Though renters do carry other obligations and risks, they do not have quite as much to lose as residents with a mortgage. Second, and perhaps most important, renting households have a unique advantage in their mobility. Renters are able to pick up and move closer to favorable job markets or supportive family networks because they do not have a mortgage .

This advantage is particularly noteworthy when one considers the convergence of the automotive industry contraction and the housing crisis. In the Grand Rapids-Wyoming Metropolitan Statistical Area, the Federal Housing Finance Agency's Housing Price Index (HPI) has been negative since the second quarter of 2006. The HPI is a repeat sales index, which measures "price changes in repeat sales or refinancing on the same properties" (Federal Housing Finance Agency, 2010 b). **Figure 7**, below, displays the average percent change in the index over time. Since the second quarter of 2008, the HPI has been -4.07 percent or lower, the worst being the first quarter of 2010 (-7.97 percent). Unfortunately, the negative HPI has forced many families to make a difficult decision between persevering in a place with few jobs; or selling their house, taking a loss, and looking for

work elsewhere. National Public Radio Correspondent Yuki Noguchi (2010), commenting on the severity of this issue, explains “Americans who once expected mobility now find themselves grounded, with their careers and lives fixed in place” (p. 1).



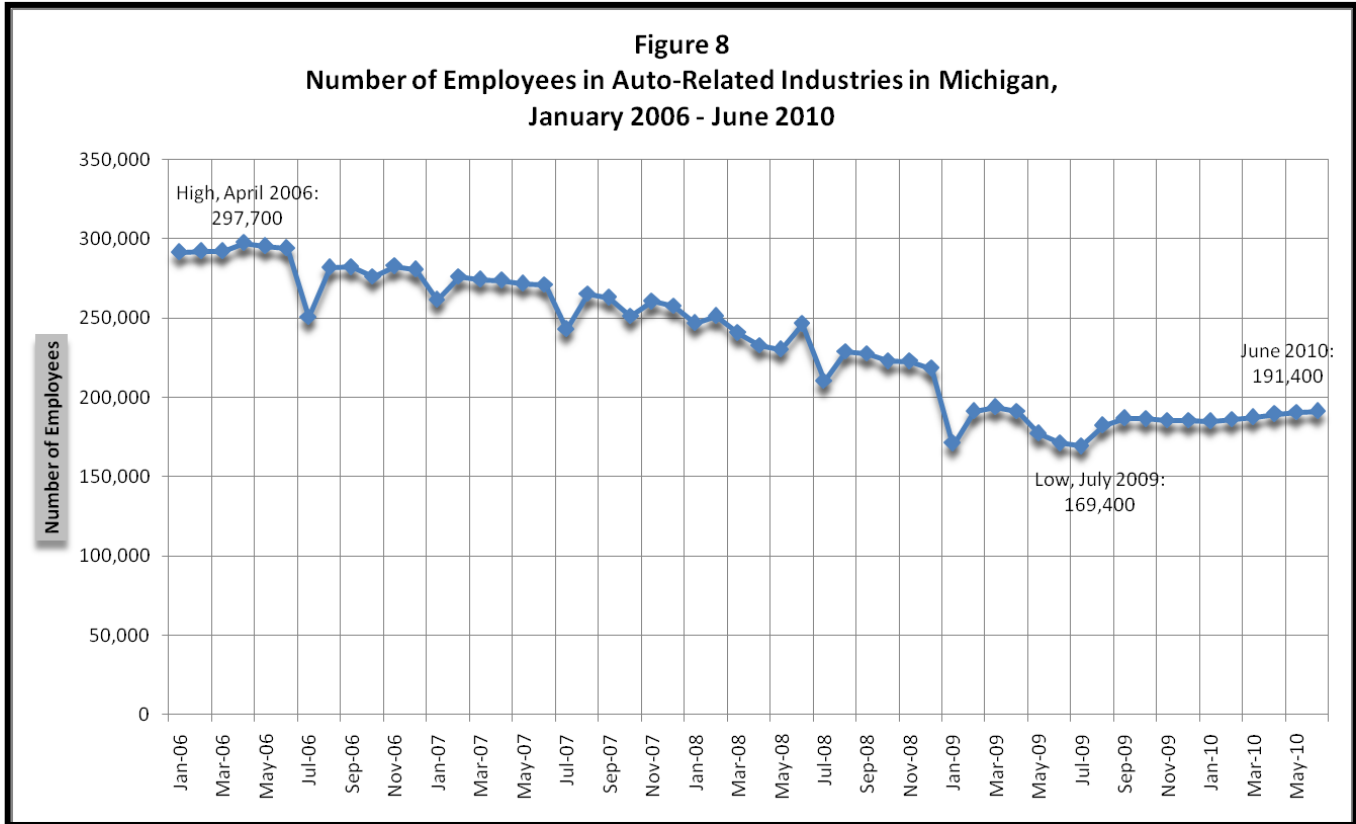
*Source: Federal Housing Finance Agency (2010a)*

In light of these circumstances, Kent County’s autoworkers maintain a slight advantage over other parts of the state where homeowners may find themselves trapped. Nevertheless, this should not discount the many autoworkers in Kent County who are struggling to sell their home, nor should it cause us to overlook the breadth of impact from the current housing market. In her article, Noguchi hosts real estate professor Joe Gyourko from the University of Pennsylvania who believes that “this phenomenon is hurting the efficiency of the labor market. ...Outside of outright foreclosure itself and the loss of wealth, it’s probably the most important impact of overleveraging the housing market that we’re going to have in this cycle” (2010, p. 1). While it is fortunate that fewer West Michigan residents are affected in this way, their mobility can also pose a challenge to the area’s ability to retain talent and skilled labor. It is possible that the longer a recovery takes in West Michigan, the more likely it is that mobile families will seek employment in other areas of the country.

# Recent Stabilization in West Michigan

Recent months have yielded positive reports regarding West Michigan's recovery. The automotive industry, in particular, has seen modest growth for about a year. The Car Allowance Rebate System, better known to the public as "Cash for Clunkers" program, was the turning point. The program, which ran from July 1, 2009 to August 24, 2009, subsidized the sale of 678,024 new vehicles, jumpstarting the recovery of the auto industry in Michigan (US Department of Transportation, 2010a; 2010b; 2010c). Brian Long, the director of Supply Management research for the Seidman College of Business at Grand Valley State University, credited the CARS program for giving buyers "the nudge they needed to trade for a newer, more fuel efficient vehicle. ...By the end of the year, sales had stabilized, and several manufacturers began posting modest gains" (Long, 2010).

Employment in the auto industry has also stabilized. **Figure 8** displays the number of Michigan employees in auto-related industries. As shown in the figure, the start of the program marked a turnaround for auto-related employment levels; they even rose slightly in August and September—perhaps to deal with the demand brought on by the program. The stabilization of auto industry employment levels likely results from several months in a row of reported gains from all of the major automakers. Long also conducts a monthly survey of local purchasing managers in the greater Grand Rapids area. In the monthly report *Current Business Trends*, (Long, July 2009 - September 2010), Long has regularly noted the success auto suppliers in Grand Rapids have experienced over the past year. In the June, 2010 report, Long points out that "automotive is still leading the recovery, much as it has been since last year's Cash for Clunkers program" (June 2, 2010, p. 1). Unfortunately, Long observes that firms are reluctant to add capacity (May 4, 2010). **Figure 8** also reflects this uncertainty. Despite positive reports for nearly a year, auto industry employment levels have risen only slightly. Many reasons exist for this hesitancy, but employers primarily want to see hard evidence of a steady, long-term recovery before adding permanent staff. For now, many are getting by with existing capacity and temporary staff (May 4, 2010). Lombardi and Lavelle (January 2010) of the Chicago Federal Reserve relate insights from an expert panel discussing the future of the auto industry in the Midwest; he explains that "temporary employment agencies are employing more assembly workers than any other industry in the country, but at much lower wages than in their previous jobs—e.g., as low as \$23,000 per year in Michigan, compared with \$50,000-\$60,000 for a UAW (United Auto Workers) job" (p. 4). As West Michigan suppliers see more signs of a steady recovery, temporary staff should evolve into permanent positions with higher wages.



*Note: Data are not seasonally adjusted; "Auto-related Industries" include Motor Vehicle Manufacturing, Motor Vehicle Parts Manufacturing, Motor Vehicle and Motor Vehicle Parts and Supplies Merchant Wholesalers, and Motor Vehicle Parts and Dealers (NAICS Codes 3361, 3363, 4231, and 441)*

*Source: Michigan Department of Energy, Labor, and Economic Growth (2010b)*

West Michigan has suffered much hardship in the last few years. The recession affected Michigan severely, and the Grand Rapids metropolitan region felt the impact, as well. In 2007 and early 2008, the West Michigan unemployment rate wavered between five and seven percent. Now, the rates are double, fluctuating between 12 and 13 percent. In June 2010, over 78,000 West Michigan workers were unemployed, providing undeniable evidence that this region is struggling through the deepest recession in several decades.

Many families are struggling. As unemployment benefits expire over the next several months, the severely stretched human service sector must dig even more deeply to find resources. The situation will not improve as more workers lose benefits and start relying on local churches and nonprofits for basic needs assistance. As families seek ways to cope with difficult times, West Michigan might also be in danger of losing talented workers to job opportunities in other states.

Amidst this recession, however, West Michigan maintains a core economic vitality. Engineering firms are beginning to diversify their products and contract with other automakers as well as firms in other industries altogether. Furthermore, West Michigan's competitive wage rate will make it easier for existing businesses to expand, other businesses to move into the region, and new businesses to emerge in the coming years. Moreover, West Michigan industry may not be quite as dependent on the Detroit Three in the coming years, but instead may emerge using its own initiative, talent, and innovation.

Though it may take time employment will likely return. If the West Michigan auto industry continues expanding as it has, employment will correspondingly rise. Over the next few years, West Michigan will likely see slow automotive and industrial growth, eventually leading to a decrease in unemployment. Although firms may be reluctant to add workers until there is evidence of a steady recovery, the signs are pointing to a promising future.

# References

- Broman, C. L., Hamilton, V. L., and Hoffman, W. S. (1990, October). Unemployment and Its Effect on Families: Evidence from a Plant Closing Study. *American Journal of Community Psychology*, 18(5), 643-659. doi: 0091-0562/90/1000-0643506.00/0
- Broman, C. L., Hamilton, V. L., Hoffman, W. S., and Mavaddat, R. (1995, December). Race, gender, and the response to stress: Autoworkers' vulnerability to long-term unemployment [Electronic version]. *American Journal of Community Psychology*, 23(6), 813.
- Dew, M. A., Penkower, L. and Bromet, E. J. (October 1991). Effects of Unemployment on Mental Health in the Contemporary Family. *Behavior Modification*, 15(4), 501-544.  
<http://bmo.sagepub.com/cgi/content/refs/15/4/501>.
- Essential Needs Task Force (2009). Basic needs quarterly status report. *Community Snapshot Basic Needs*. 7.2(April to June, 2009).
- Federal Housing Finance Agency (2010a). *House Price Index*. Available from <http://www.fhfa.gov/Default.aspx?Page=14>
- Federal Housing Finance Agency (2010b). *About HPI*. Available from <http://www.fhfa.gov/Default.aspx?Page=81>
- Geisel, J. (2010). Lawmakers pull back support of COBRA subsidies. (consolidated omnibus budget reconciliation act). *Business Insurance*, 44(23), 1-1.
- Gillette, J. (2005). Keeping west the michigan auto industry strong. *Seidman Business Review*, 11(01). Retrieved from <http://scholarworks.gvsu.edu/sbr/vol11/iss1/5>
- Lombardi, B. and Lavelle, M. (January, 2010). Automotive industry outlook: Understanding the impact on workers and communities. *The Federal Reserve Bank of Chicago*. Number 270a. Retrieved from: [http://www.chicagofed.org/digital\\_assets/publications/chicago\\_fed\\_letter/2010/cfljanuary2010\\_270a.pdf](http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2010/cfljanuary2010_270a.pdf)
- Long, B. G. (2010). West michigan supply management: a year in review. *Seidman Business Review*, 16(1).

- Long, B.G. (September 2, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (August 3, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (July 6, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (June 2, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (May 4, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (April 2, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (March 2, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (February 2, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Long, B.G. (January 4, 2010). Current business trends. *Institute for Supply Management*. Available from <http://www.gvsu.edu/business/scblogistics/past-survey-results-39.htm>
- Luria, D. (2009). The State of Manufacturing in Michigan [Electronic version]. *ManufactLine*, (1), 18-23.
- Mckee-Ryan, F. M., Song, Z., Wanberg, C. R., Kinicki, A. J. ( 2005). Psychological and Physical Well-Being During Unemployment: A meta-Analytic Study. *Journal of Applied Psychology*, 90(1), 53-76. DOI: 10.1037/0021-9010.90.1.53.
- Michigan Department of Energy, Labor, and Economic Growth (2010a). Initial claims by industry group. *Michigan Mass layoff statistics*. Available from [http://www.milmi.org/admin/uploadedPublications/585\\_mlsc\\_ind.htm](http://www.milmi.org/admin/uploadedPublications/585_mlsc_ind.htm)

- Michigan Department of Energy, Labor, and Economic Growth (2010b). *Current Employment Statistics*. Available from <http://www.milmi.org/cgi/dataanalysis/AreaSelection.asp?tableName=Ces>
- Michigan Department of Energy, Labor, and Economic Growth (2009a). *2009 Michigan WARN List: Through December 31, 2009*. Available from [http://www.milmi.org/admin/uploadedPublications/1559\\_warn2009.htm](http://www.milmi.org/admin/uploadedPublications/1559_warn2009.htm)
- Michigan Department of Energy, Labor, and Economic Growth (2009b). *Mass layoff statistics annual review Michigan: 2009*. Available from [http://www.milmi.org/admin/uploadedPublications/1645\\_MLS\\_Annual\\_Report.pdf](http://www.milmi.org/admin/uploadedPublications/1645_MLS_Annual_Report.pdf)
- Michigan Department of Energy, Labor, and Economic Growth (2009c). *Michigan – statewide extended mass layoffs fourth-quarter 2009*.
- Mass Layoffs Statistics Program. Michigan Department of Energy, Labor, and Economic Growth. Bureau of Labor Market Information and Strategic Initiatives. Labor Market research and forecasting section.
- Michigan Department of Energy, Labor, and Economic Growth (2008). *2008 Michigan WARN List: Through December 31, 2008*. Available from [http://www.milmi.org/admin/uploadedPublications/1320\\_warn2008.htm](http://www.milmi.org/admin/uploadedPublications/1320_warn2008.htm)
- Michigan Department of Energy, Labor, and Economic Growth (2007). *2007 Michigan WARN List: Through December 31, 2007*. Available from [http://www.milmi.org/admin/uploadedPublications/1172\\_warn2007.htm](http://www.milmi.org/admin/uploadedPublications/1172_warn2007.htm)
- Noguchi, Y. (August 26, 2010). Devalued homes anchor prospective job seekers. *National Public Radio*. Available from <http://www.npr.org/templates/story/story.php?storyId=129427659>
- Price, R. H. (1992). Psychosocial Impact of Job Loss on Individuals and Families. *Current Directions in Psychological Science*, 1(1), 9-11, <http://www.lib.umich.edu/7fast>.
- Strauss, W. A. and Lombardi, B. (August 2010). Economy on cruise control in 2010 and 1011. *The Federal Reserve Bank of Chicago*. Number 277. Retrieved from: [http://www.chicagofed.org/digital\\_assets/publications/chicago\\_fed\\_letter/2010/cflaugust2010\\_277.pdf](http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2010/cflaugust2010_277.pdf)



- Ström, S. (2003). Unemployment and families: A review of research. *Social Service Review*, 77(3), 399-430.  
doi:10.1086/375791
- United States Department of Commerce. (2008) *Personal Income and Detailed Earnings by Industry*. [Data File]. Available from <http://www.bea.gov/regional/reis/default.cfm?selTable=CA05>
- United States Department of Labor. (2010) *Local Area Unemployment Statistics* [Data file]. Available from <http://www.bls.gov/lau/>
- United States Census Bureau. (2005-2007). *American Community Survey Public Use Microdata Sample* [Data file]. Retrieved from [http://factfinder.census.gov/home/en/acs\\_pums\\_2007\\_3yr.html](http://factfinder.census.gov/home/en/acs_pums_2007_3yr.html)
- United States Census Bureau. (1992-2009). *Annual Revision of Monthly Retail and Food Services: Sales and Inventories—January 1992 Through March 2009* [Data file]. Retrieved from <http://www.census.gov/retail/mrts/www/benchmark/2009/html/annrev09.html>
- United States Department of Labor. *The Worker Adjustment and Retaining Notification Act (WARN)*. Department of Labor, OASP/Office of Compliance Assistance Policy. Retrieved from <http://www.dol.gov/compliance/laws/comp-warn.htm>
- United States Department of Transportation. (2010a) Requirements and procedures for consumer assistance to recycle and save program. Retrieved from <http://www.cars.gov/files/official-information/rule.pdf>
- United States Department of Transportation. (2010b) Requirements and procedures for consumer assistance to recycle and save program. Retrieved from <http://www.cars.gov/files/official-information/wind-down-strategy.pdf>
- United States Department of Transportation. (2010c) Requirements and procedures for consumer assistance to recycle and save program. Retrieved from <http://www.cars.gov/files/official-information/November2Stats.pdf>
- W.E. Upjohn Institute. (2009, June) [Electronic version]. *Business Outlook for West Michigan*, XXV(2).
- Wial, H. (2008, December 12). *How a Metro Nation Would Feel the Loss of the Three Automakers*. Retrieved from [http://www.brookings.edu/papers/2008/1212\\_automakers\\_wial.aspx](http://www.brookings.edu/papers/2008/1212_automakers_wial.aspx)

Zielenziger, M. (2009, July 1). Jobless Auto Workers Go Back to School [Electronic version]. *AARP Bulletin*. Retrieved from [http://bulletin.aarp.org/yourmoney/work/articles/fresh\\_start.html](http://bulletin.aarp.org/yourmoney/work/articles/fresh_start.html)