



NWMI Regional Recovery and Investment

May 15, 2020

Authored by Fourth Economy



BENCHMARKS[▲]NW

Networks  Northwest
Talent / Business / Community

Impacts

COVID-19

**Analysis of the
Economic Impacts
on Northwest
Michigan**

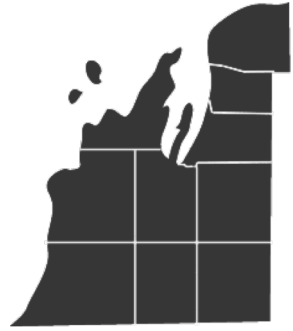


1. Baseline
2. Business closure status & impacts in Northwest Michigan
3. Impacts by sector, by county
4. Impacts on vulnerable businesses
5. Impacts on vulnerable workers & child care



What did Northwest Michigan's economy look like before COVID-19?





122,800 jobs

Networks Northwest's member counties are: Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford.



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.



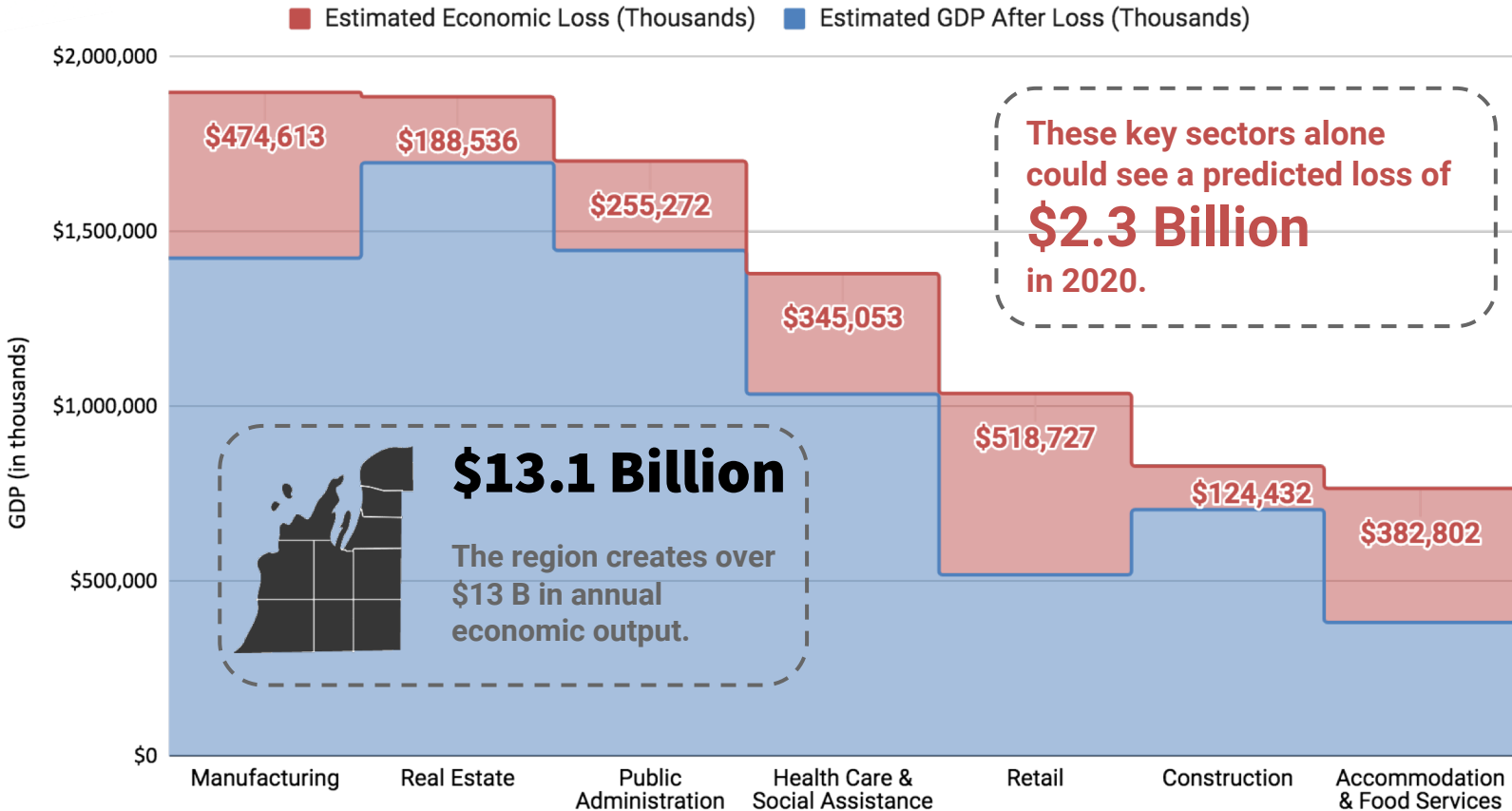
Percent of GDP by Industry

75% of the region's GDP is concentrated in these industries.

| | Percent of All GDP in Northwest Michigan | Percent of All GDP in the state of Michigan |
|-----------------------------------|------------------------------------------|---------------------------------------------|
| Manufacturing | 15% | 19% |
| Real Estate | 15% | 12% |
| Public Administration | 13% | 11% |
| Health Care & Social Assistance | 11% | 9% |
| Retail | 8% | 6% |
| Construction | 7% | 4% |
| Accommodation & Food Services | 6% | 3% |
| Finance & Insurance | 5% | 5% |
| Other Services | 3% | 2% |
| Wholesale Trade | 3% | 7% |
| Professional & Technical Services | 2% | 8% |



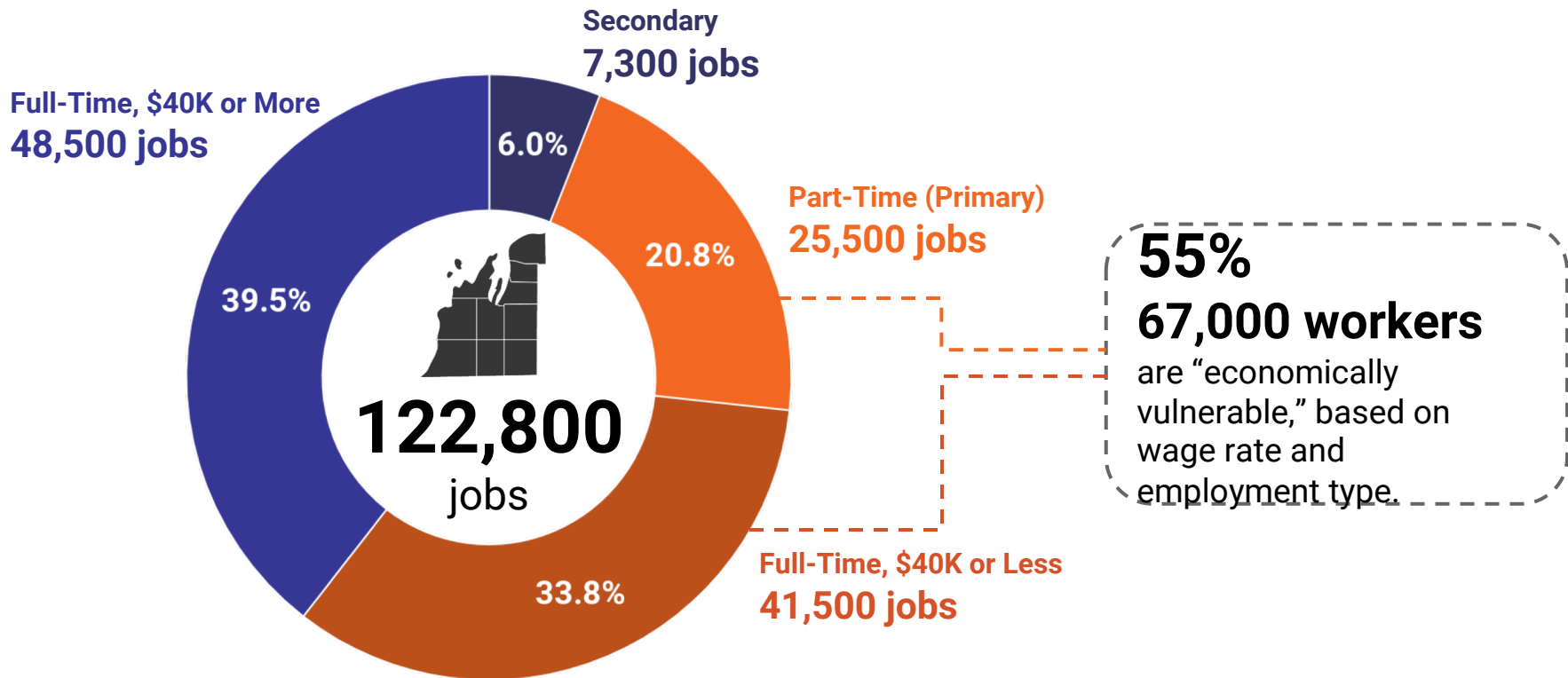
Estimated Economic Loss in Northwest MI, 2020



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.



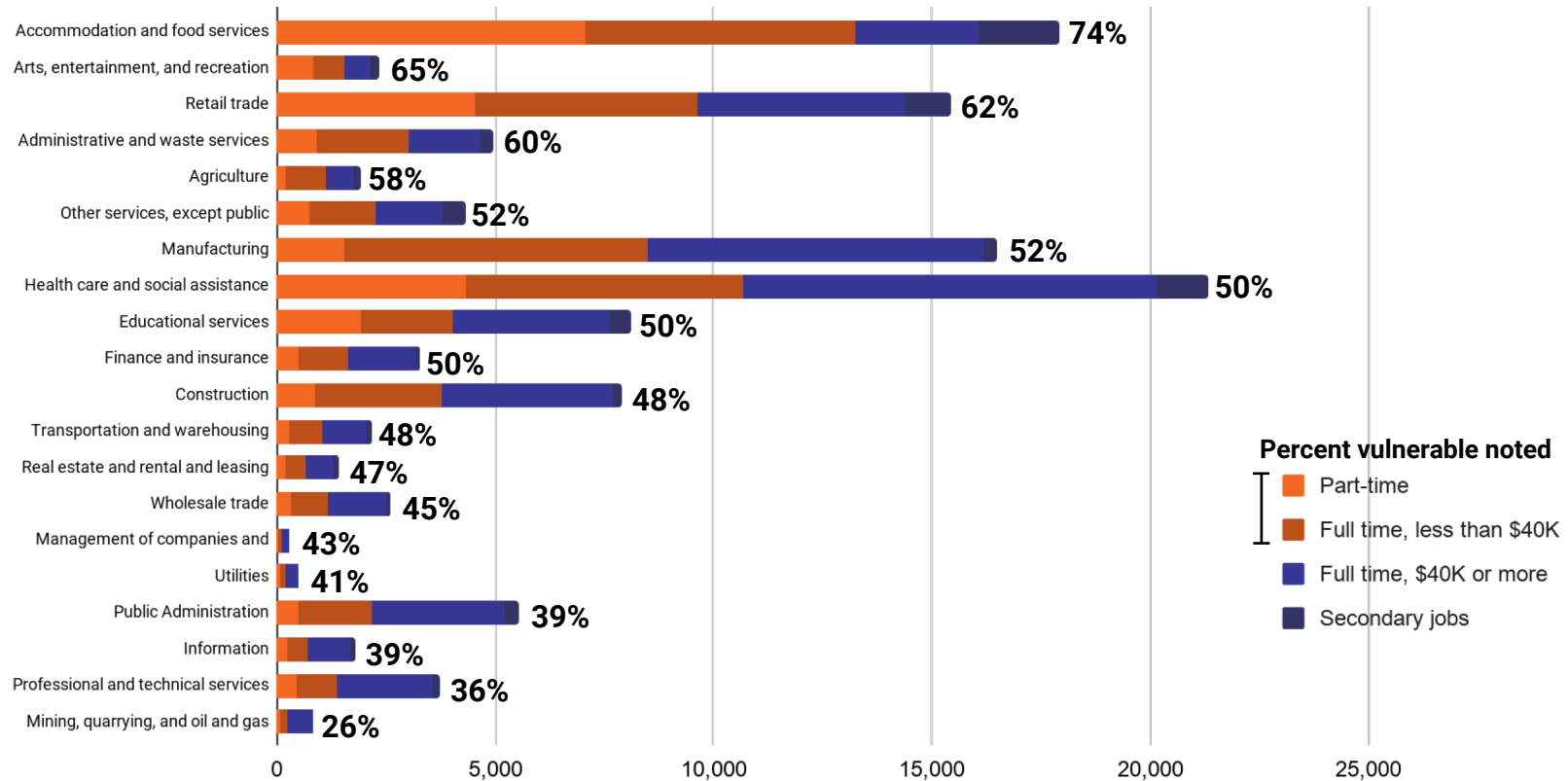
Economically Vulnerable Workers



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



Jobs in NW Michigan



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.

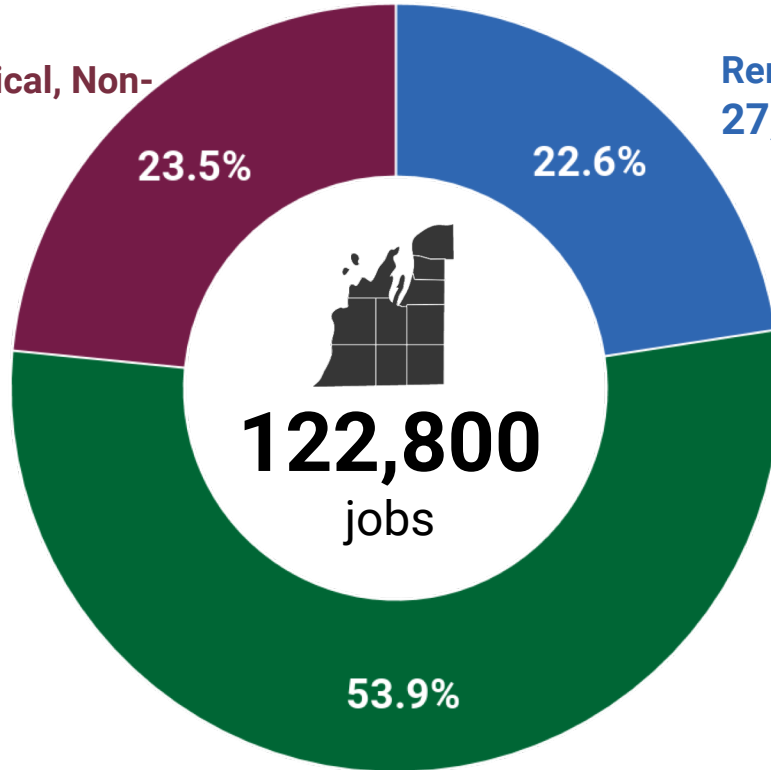


Critical/Remote Worker Status



Non-Critical, Non-Remote
28,800

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



Remote
27,700

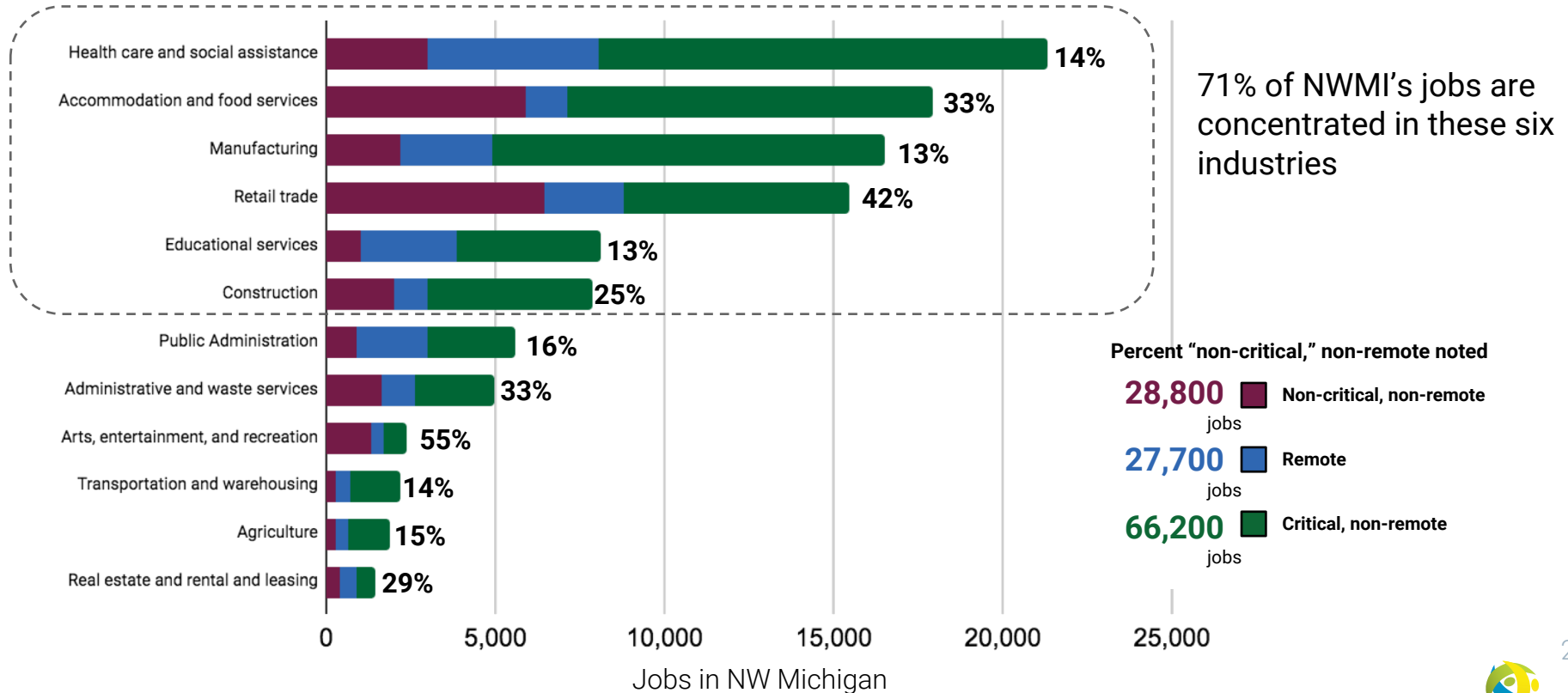
We estimate that at least **27,700** jobs can be done remotely in Northwest Michigan. The national average for remote work capability is 28.8% – 6 percentage points higher than Northwest Michigan.



Critical, Non-Remote
66,200

At least **66,200** people work in jobs that are "critical."

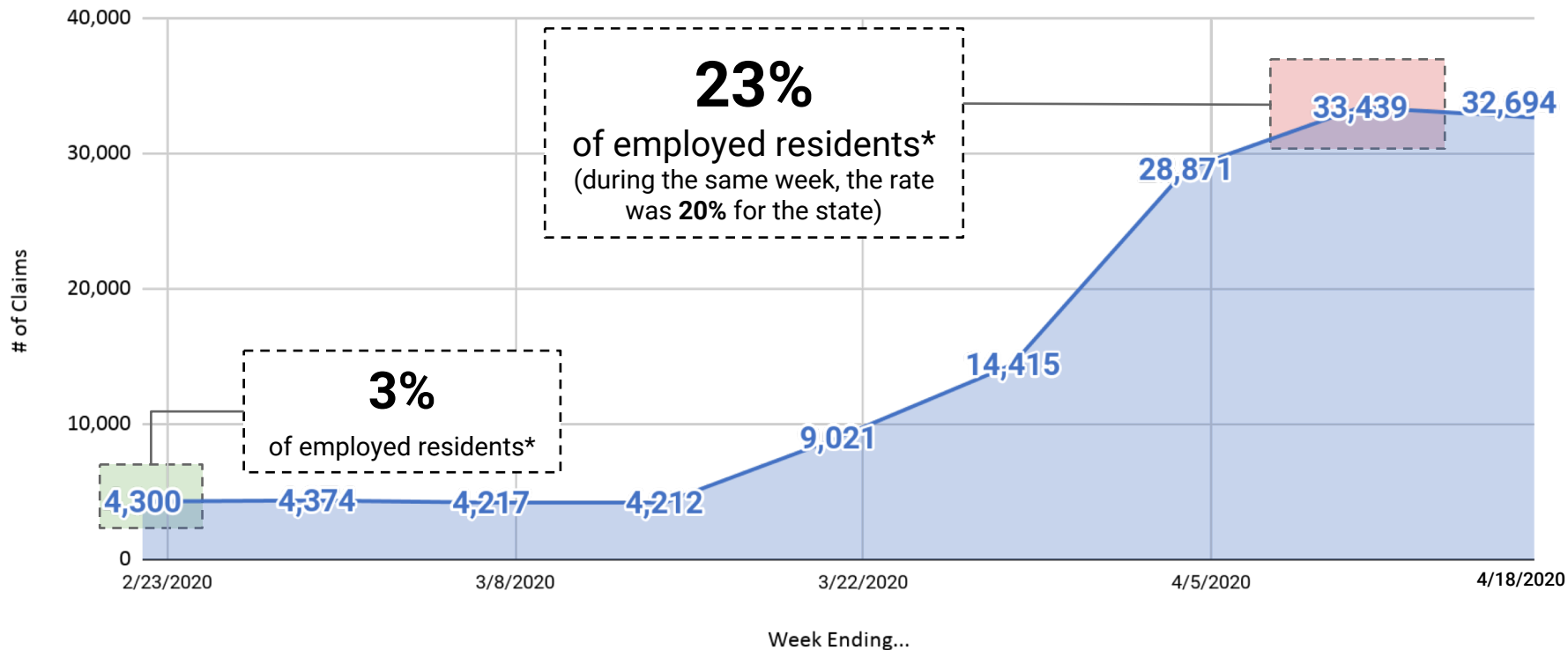
Critical/Remote Status by Industry (select industries)



Note: Not all industries are pictured here.



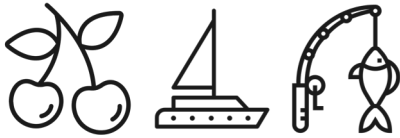
Unemployment Claims for NWMI



How will specific sectors in the region be impacted?



Tourism in Northwest Michigan



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

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.

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

JOB

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

JOB

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.

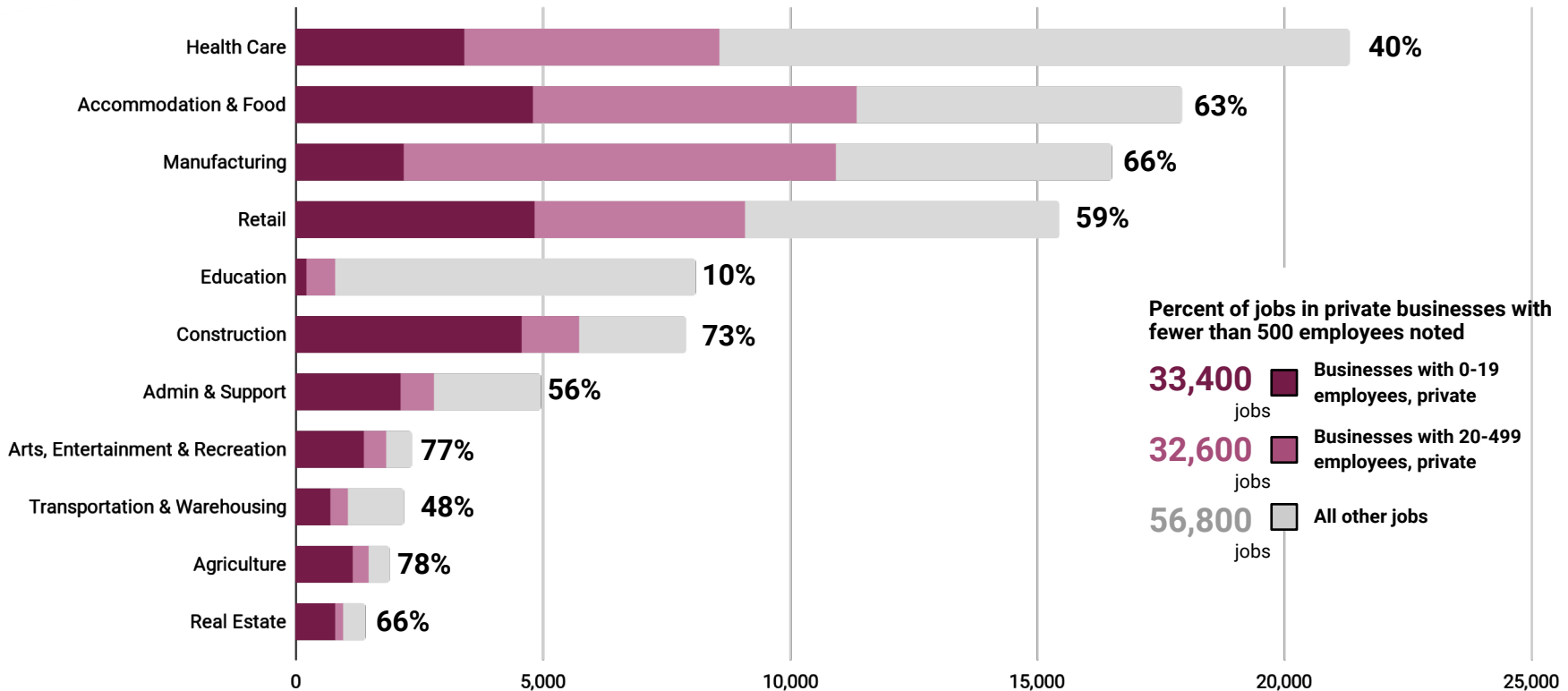
With a median of only 27 cash buffer days, the typical small business has a low margin of error in the face of economic headwinds and shocks.

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)

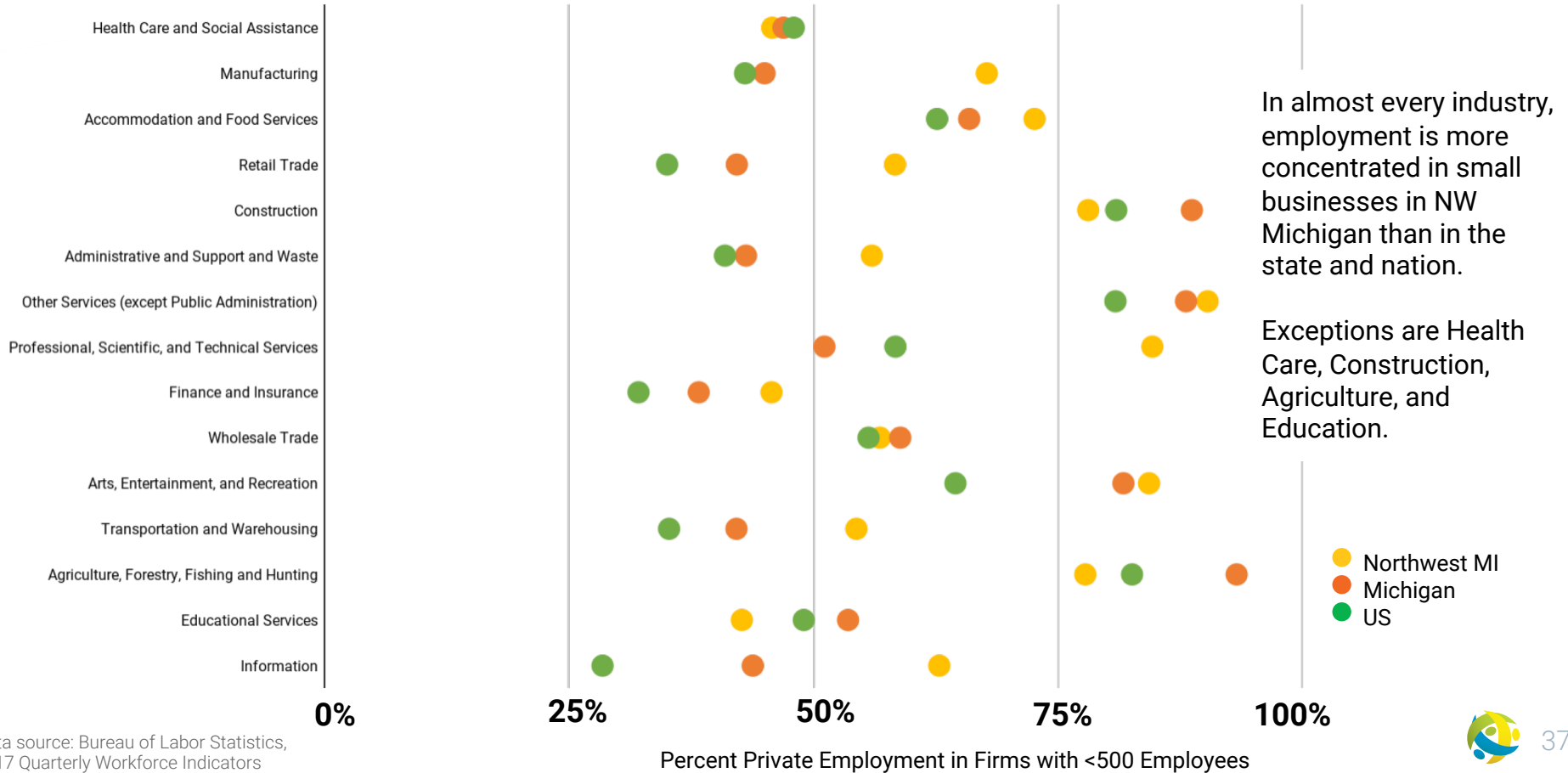


Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators with Fourth Economy Analysis. Note that not all industries are shown here.

Jobs in Northwest Michigan



Small Business Employment by Industry



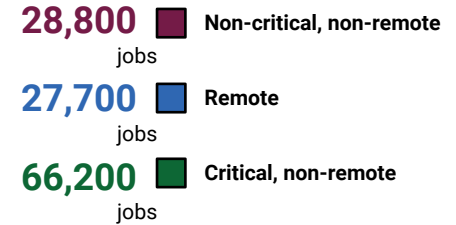
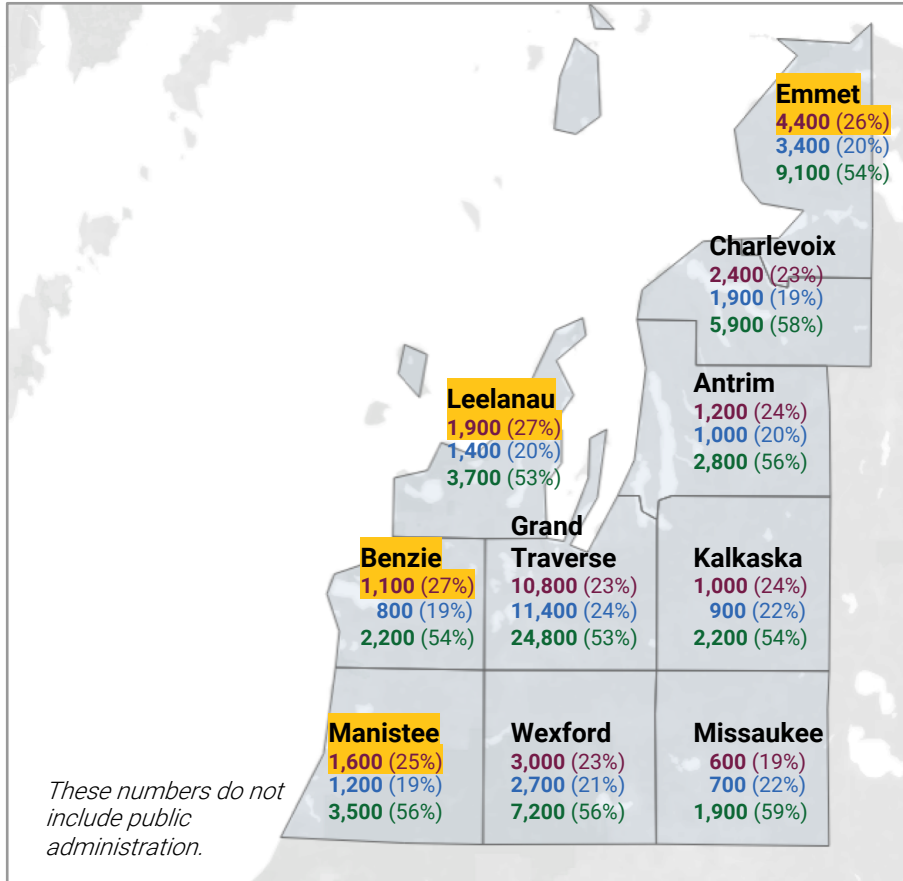
Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators

How and when will specific sectors/industries be impacted?

What counties are most impacted?



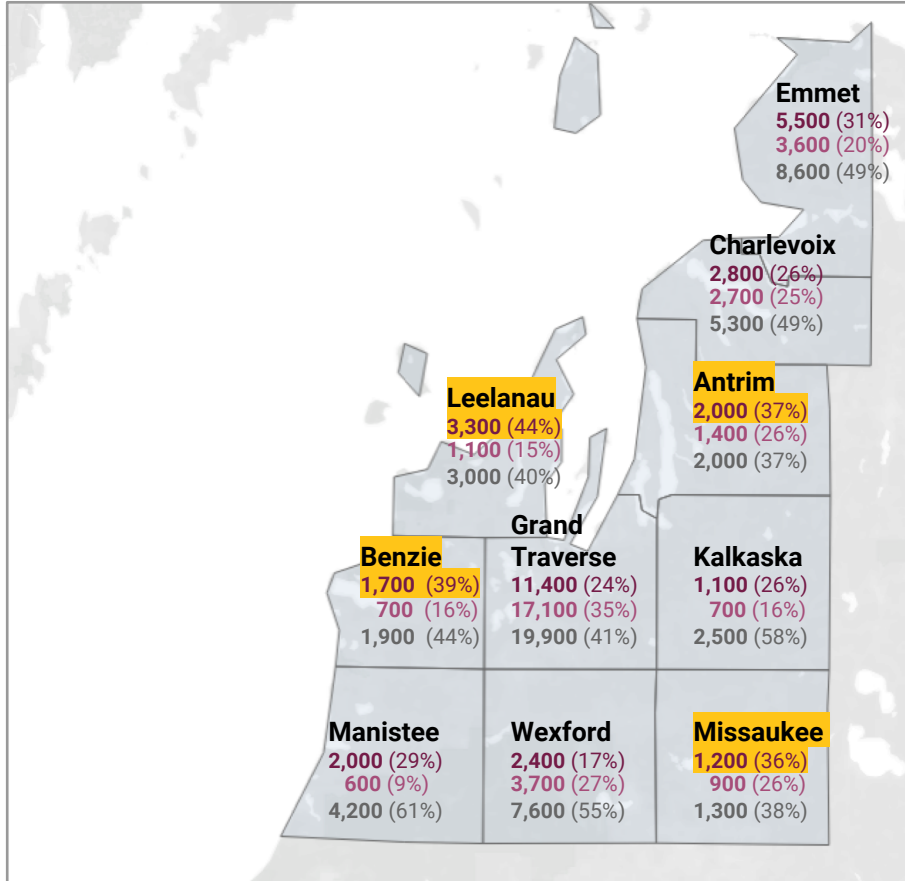
Workforce Impacts by County (critical/remote status)



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



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.

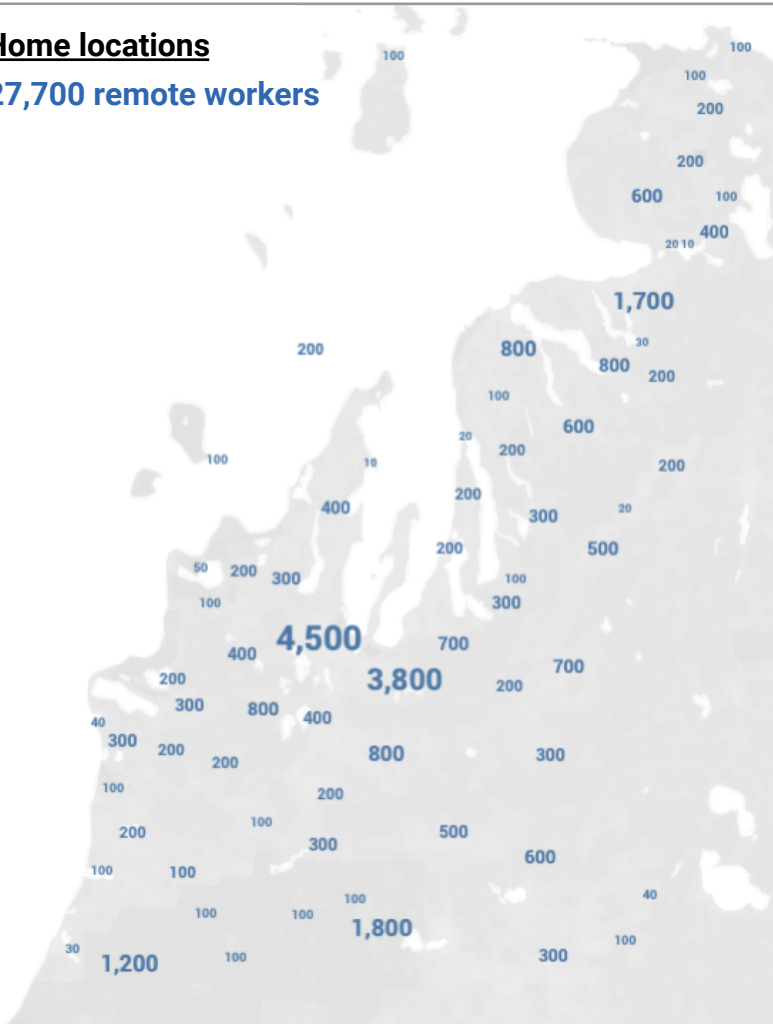


How is remote work affected by access to broadband?



Home locations

27,700 remote workers



Home locations of remote workers

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.

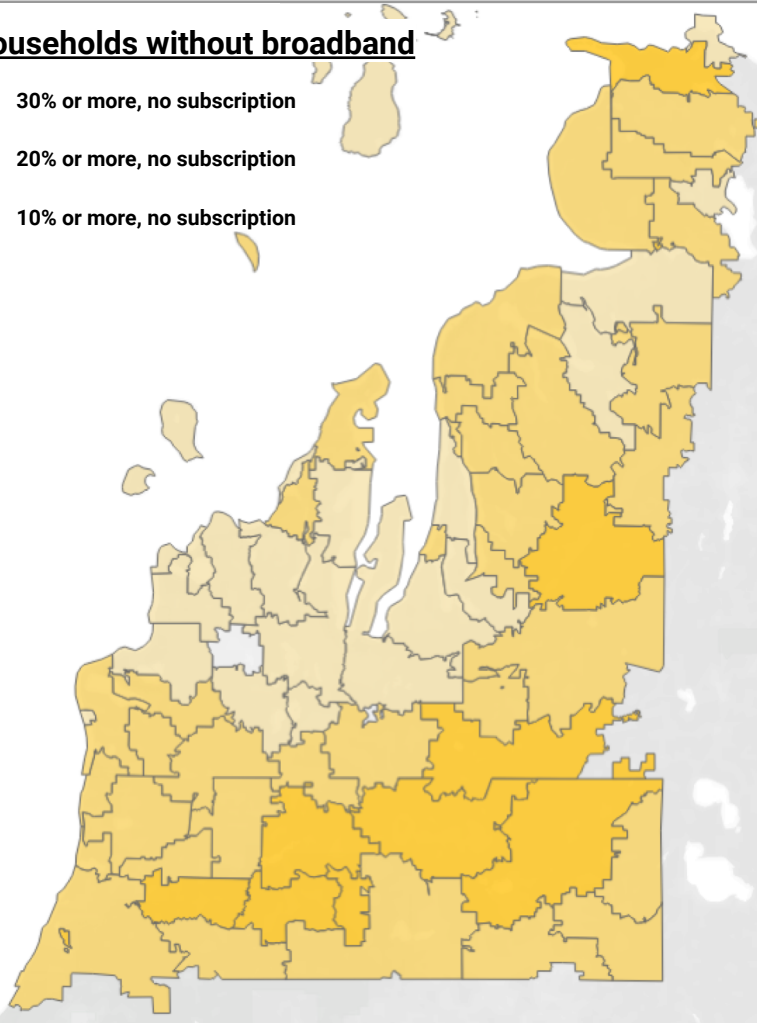
"With much of U.S. staying at home, how many jobs can be done remotely?"
news.uchicago.edu/story/much-us-staying-home-how-many-jobs-can-be-done-remotely

Data source: Longitudinal Employment Household Dynamics with Fourth Economy Analysis. Home locations of remote workers by Zip Code.



Households without broadband

-  30% or more, no subscription
-  20% or more, no subscription
-  10% or more, no subscription



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.

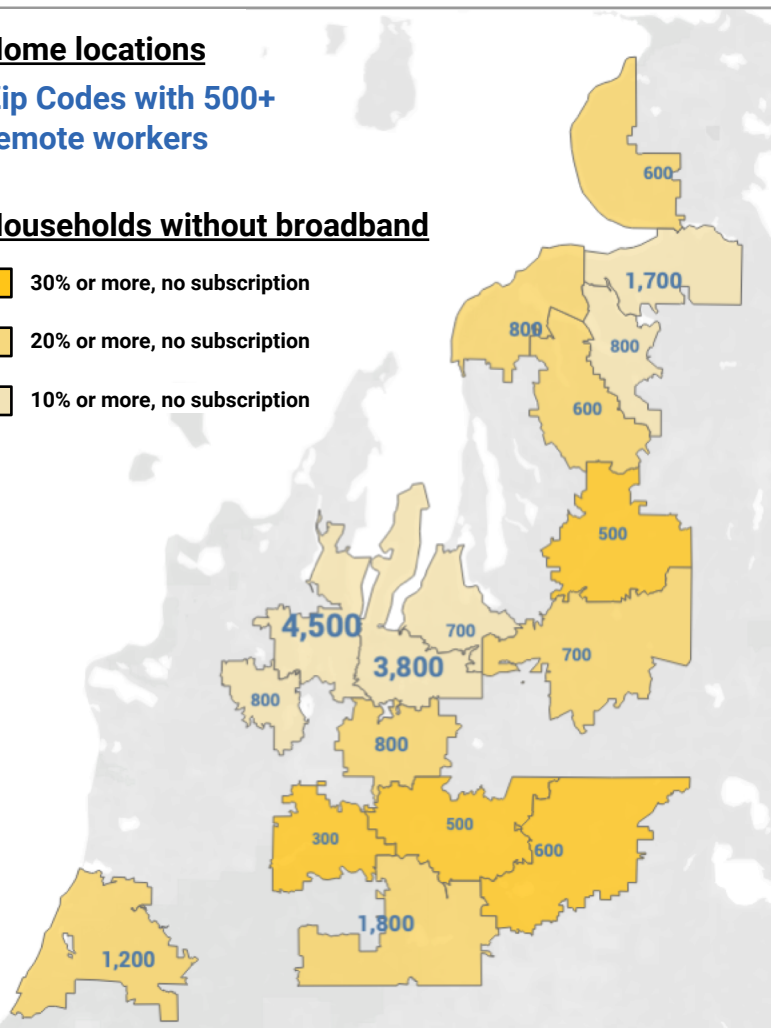


Home locations

Zip Codes with 500+ remote workers

Households without broadband

-  30% or more, no subscription
-  20% or more, no subscription
-  10% or more, no subscription



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.

Data sources: Longitudinal Employment Household Dynamics with Fourth Economy Analysis. Home locations of remote workers by Zip Code. American Community Survey, 2018, Households without broadband subscription service.



How will vulnerable workers be impacted?



Who is ALICE?

Asset **L**imited, **I**ncome **C**onstrained, **E**mployed



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.

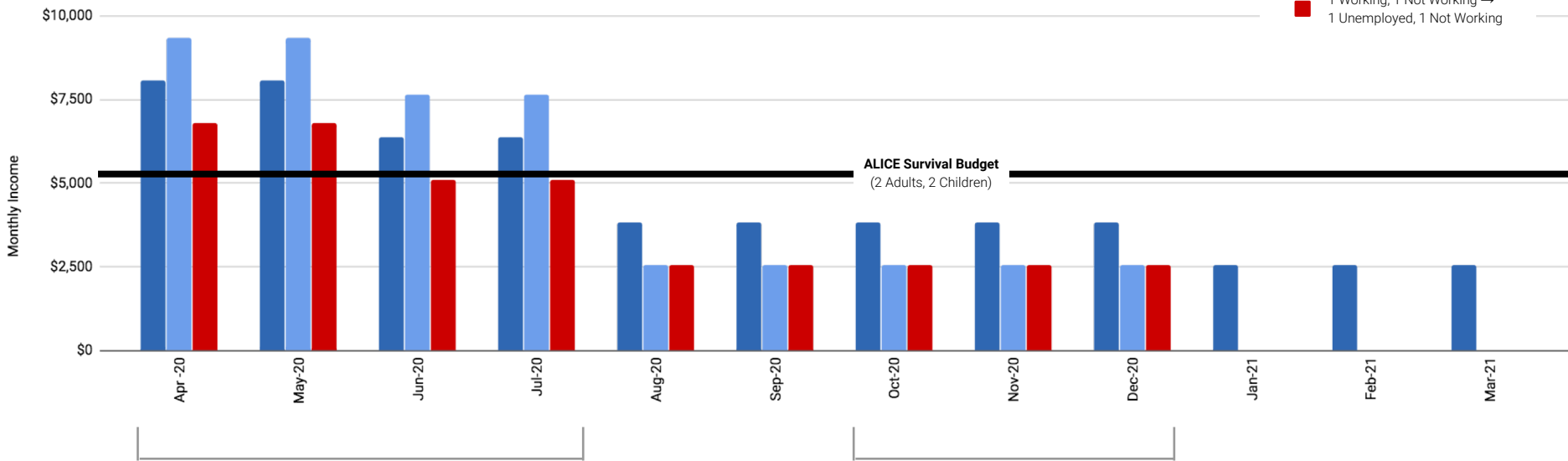
That's **40%** of all households in the region.

How are ALICE Households Impacted?

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

2 Adults

- 2 Working, 0 Unemployed → 1 Working, 1 Unemployed
- 2 Working, 0 Unemployed → 0 Working, 2 Unemployed
- 1 Working, 1 Not Working → 1 Unemployed, 1 Not Working



ALICE Survival Budget
(2 Adults, 2 Children)

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

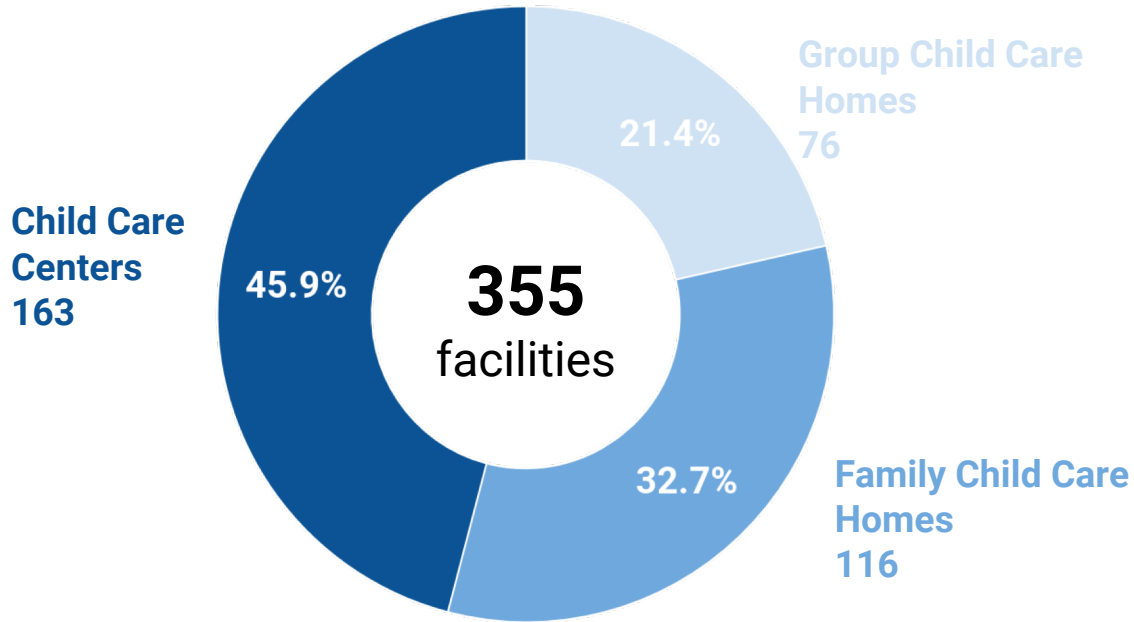
Unemployment compensation extends by an additional three months, for a total of nine months of coverage. Unemployment Benefits end December 31.



**What will impacts on child care mean
for economic recovery?**



Licensed Child Care Facilities



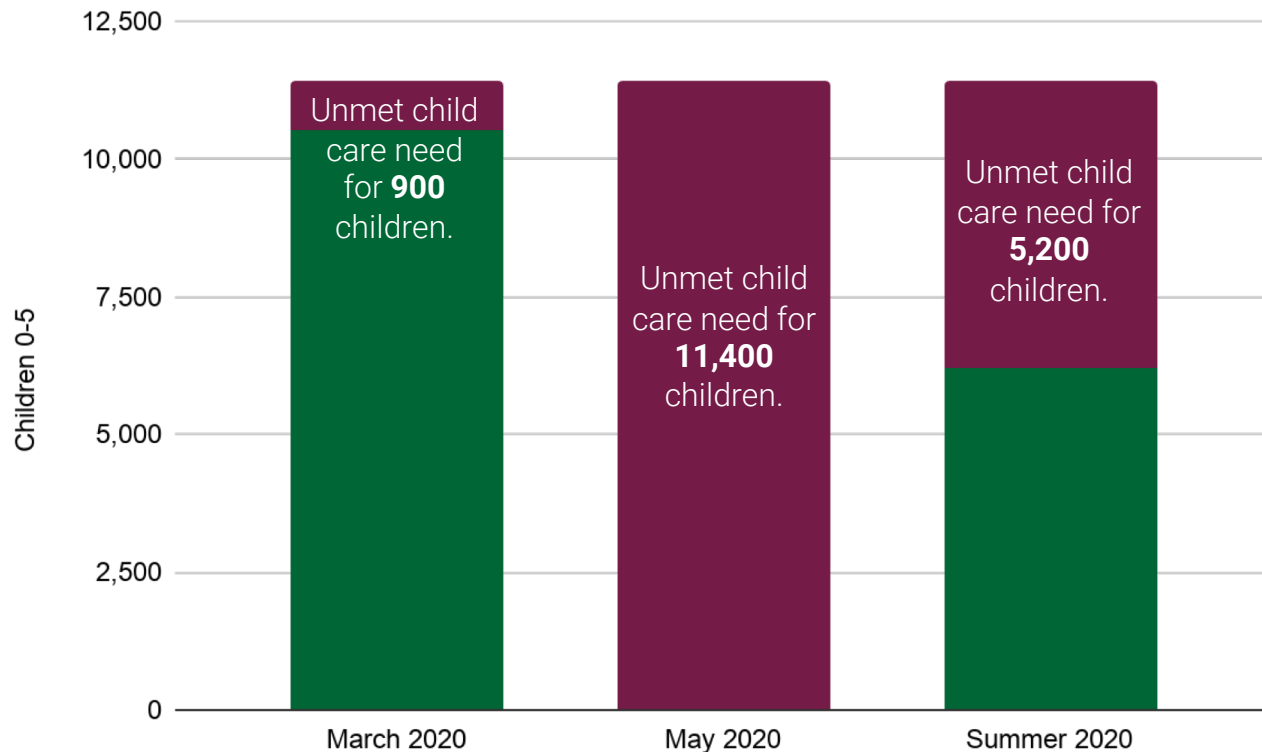
According to LARA's most updated list (April 4), there are no "disaster relief child care centers" located in Northwest Michigan.

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.

Child Care Need & Capacity

11,400 children need child care in Northwest Michigan



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.**



Recovery Roadmap

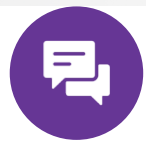


Networks Northwest Economic Response to Resilience Framework



Economic Crisis Intervention

IMMEDIATE
(60 days)



Economic Impact Mitigation

SHORT TERM
(2-4 months)



Economic Asset Activation

MID TERM
(4-12 months)



Economic Resilience

LONG TERM
(1-3 years)

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

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Growth &
Investment Areas

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Opportunity Zones

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Community
Marketing Plans

