

## **The Economic Impact of Western Michigan University on the Kalamazoo-Portage Metropolitan Statistical Area**

*George A. Erickcek*

*W.E. Upjohn Institute for Employment Research*

### ***Executive Summary***

Western Michigan University (WMU) has a significant economic impact on the Kalamazoo-Portage Metropolitan Statistical Area (MSA) economy, which includes Kalamazoo and Van Buren Counties. WMU is the third largest employer in the MSA; however, the university's economic impact goes well beyond its direct employment.<sup>1</sup> This brief economic assessment report provides an estimate of this impact.

In this analysis, the university's regional economic impact is separated into the following four components:

- The impact of the direct operating expenditures by the university in the area. These expenditures include both the consumption impact of its staff and faculty, as well as the university's impact on its local suppliers through the purchases of goods and services.
- The impact of construction activities at the university.
- The impact of student expenditures in the area.
- The impact of visitors' expenditures.

All four components also include the impact of second and sequential rounds of purchases. For example, the impact estimate of student expenditures includes the consumer purchases made by workers employed in the area's retailers and restaurants that are dependent upon the spending of WMU students.

In total, an estimated 9,500 jobs were created in the Kalamazoo-Portage MSA due to the presence of WMU in 2010. Every 10 university employees, on average, generated another 13 jobs in the region, if the impact of the university's students is included as well. Every dollar in wages and salaries paid by the university generated an additional \$0.82 in wages and salaries for residents of the MSA in 2010. WMU activities generated an estimated \$820 million in total sales of goods and services in the two-county MSA. Overall, the university contributed \$500

---

<sup>1</sup> Business Review of West Michigan, *The 2011 Lists*, December 30, 2010 Vol. 15 Issue 43.

million to the MSA's total 2010 gross regional product, which is the regional counterpart to the nation's Gross Domestic Product (GDP).

***Direct operations:***

This component of the analysis estimates the impact of the university's ongoing operations, including its payroll and payments to local suppliers. In most economic impact analyses of existing businesses, this component would be the sole impact measured; however, WMU also attracts students and their expenditures into the area, as well. Direct operating expenditures impact the local economy through the local consumer purchases by the university's faculty and staff, as well as the increase in local economic activity generated by the university's suppliers. As shown in the table below, more than 6,300 workers in the two-county MSA are directly or indirectly employed due to the ongoing operations of WMU. Not surprisingly, retail trade, health care, and food services are strongly impacted. State and local government includes public K-12 schools. On average, for every 10 individuals that WMU employs, another five workers are hired in the MSA from the impact of WMU's ongoing operations alone.

Table 1

<b>Employment impact of Ongoing Operations at WMU</b>		
	2009	2010
<b>Direct employment</b>	<b>4,163</b>	<b>4,163</b>
<b>Indirect employment</b>	<b>2,198</b>	<b>2,239</b>
Utilities	31	29
Construction	238	324
Manufacturing	17	14
Wholesale Trade	76	75
Retail Trade	350	362
Real Estate and Rental and Leasing	137	131
Professional and Technical Services	73	66
Administrative and Waste Services	164	156
Private Educational Services	11	2
Health Care and Social Assistance	237	223
Arts, Entertainment, and Recreation	43	44
Accommodation and Food Services	182	190
Other Industries	204	190
State and Local Government (exc WMU)	435	433
<b>Total Employment</b>	<b>6,361</b>	<b>6,402</b>
Employment Multiplier	1.5	1.5

***Student expenditures***

According to inflation-adjusted estimates on the 2000-2001 student survey, 2010 per capita expenditures of students at WMU range from \$4,085 during the second summer session to

\$7,137 during the spring semester. These estimates exclude tuition and room and board expenditures for students living in WMU-provided student housing. In total, WMU students are estimated to have spent more than \$360 million per year in the Kalamazoo area.

Table 2

Per Capita Student Expenditures	
2009	
Spring	\$7,076
Summer I	\$4,100
Summer II	\$4,084
Fall	\$7,192
2010	
Spring	\$7,137
Summer I	\$4,108
Summer II	\$4,085
Fall	\$7,046

As shown in table below, we estimate that these expenditures generated nearly 2,700 jobs in 2009 and just over 2,500 jobs in 2010. These jobs include part-time positions and are calculated as year-round jobs. For example, four 20-hours per week jobs that are three months long count as one “year-round” job. This consideration is important since many of the jobs dependent upon student expenditures exist only during the “academic year”—September to May. Total earnings generated in the two-county region due to these expenditures reached \$91 million in 2009 and \$93 million in 2010.

Table 3

Employment Impact of WMU Student Expenditures		
Category	2009	2010
Construction	76	94
Wholesale Trade	226	207
Retail Trade	994	939
Real Estate and Rental and Leasing	195	188
Professional and Technical Services	26	22
Administrative and Waste Services	102	95
Health Care and Social Assistance	56	50
Arts, Entertainment, and Recreation	53	51
Accommodation and Food Services	505	490
Other sectors	256	241
State and Local Government	206	200
<b>Total</b>	<b>2,695</b>	<b>2,577</b>

### *Capital Outlays*

In 2009 and 2010, \$17.7 million and \$16.9 million, respectively, were spent on ongoing construction activity on the WMU campus. These activities generated an estimated 291 jobs in 2009 and 265 jobs in 2010. Not surprisingly, as shown below, most of these jobs were in construction. Again, it should be noted that these are “year-round jobs,” meaning, for example, that two six-month jobs are counted as one “year-round” job. In total, construction activity will generate \$14 million in total earnings in the two-county MSA in 2009 and \$13 million in 2010.

Table 4

Employment Impact of Construction Activity		
Industry	2009	2010
Construction	213	195
Manufacturing	2	2
Wholesale Trade	4	4
Retail Trade	14	13
Professional and Technical Services	5	4
Administrative and Waste Services	5	4
Health Care and Social Assistance	9	8
Accommodation and Food Services	6	6
Other sectors	14	12
State and Local	19	17
<b>Total</b>	<b>291</b>	<b>265</b>

### *Visitor Expenditures*

Based on the findings of a survey of WMU students conducted in 2000, each student, on average, receives nearly six visitors per term who stay a little more than two days and spend approximately \$30 per day of the visit. As shown in the table below, the employment impact of these visitors is significant. Total earnings generated in the MSA due solely to presence of these visitors reached \$7.7 million in 2009 and \$8.2 million in 2010.

Table 5

Employment Impact of WMU Student Visitors		
	2009	2010
Retail Trade	50	49
Administrative and Waste Services	34	32
Arts, Entertainment, and Recreation	57	54
Accommodation and Food Services	129	123
Other services	37	37
<b>Total</b>	<b>307</b>	<b>295</b>

### *Total Economic Impact of WMU on the Kalamazoo-Portage MSA*

The total economic impact of Western Michigan University on the Kalamazoo-Portage MSA is summarized in the following table. In total, an estimated 9,500 jobs were created in the Kalamazoo-Portage MSA due to the presence of WMU in 2010. Every university employee, on average, generated another 1.3 jobs in the region if the impact of the university's students is included in the analysis. The university generated \$435 million in addition wages and salaries to the county residents. Every dollar in wages and salaries paid at university generated an additional \$0.82 in wages and salaries for the MSA residents in 2010.

Table 6

<b>Economic Impact of WMU</b>		
<b>Employment</b>	<b>2009</b>	<b>2010</b>
Direct Employment	4,163	4,163
Indirect Impact	2,198	2,239
Student Expenditures	2,695	2,577
Capital Outlays	291	265
Student Visitors	307	295
Total impact	9,654	9,539
<i>Full Employment Multiplier</i>	<i>2.3</i>	<i>2.3</i>
<b>Wages &amp; Salaries (\$millions)</b>	<b>2009</b>	<b>2010</b>
Ongoing Operations	\$309.4	\$325.9
Student Expenditures	\$66.7	\$93.3
Capital Outlays	\$9.8	\$9.5
Student Visitors	\$5.9	\$6.3
Total impact	\$391.8	\$435.0
<i>Full Earnings Multiplier</i>	<i>1.67</i>	<i>1.82</i>
<b>Gross Regional Product (\$million)</b>	<b>2009</b>	<b>2010</b>
On-going Operations	\$306.3	\$314.2
Student Expenditures	\$160.7	\$161.2
Capital Outlays	\$15.0	\$14.1
Student Visitors	\$10.1	\$10.2
Total impact	\$492.1	\$499.7
<b>Total Sales (\$million)</b>	<b>2009</b>	<b>2010</b>
On-going Operations	\$520.0	\$535.0
Student Expenditures	\$242.5	\$242.6
Capital Outlays	\$26.2	\$25.5
Student Visitors	\$16.4	\$16.6
Total impact	\$805.1	\$819.7

WMU generated an estimated \$820 million in total sales of goods and services in the two-county MSA in 2010. Finally, the university contributed \$500 million to the MSA's total gross regional product in 2010, which is a measure of the total value of goods and services generated in the two-county area due solely to the presence of WMU.

This analysis falls far short in measuring the overall impact of the university on the Kalamazoo region. Numerous studies have shown that the presence of a major university adds significantly to the area's quality of life. The full impact of WMU would include the cultural and sporting events it offers and the benefits to the area's employers of having access to graduating students for potential employees.