

Region Two: Gazelle, New Business and Resilience Analysis

Part of the Michigan
Prosperity Initiative



The Michigan Prosperity Initiative

The Michigan Prosperity Initiative (MPI) is an innovative effort by Michigan State University, in partnership with the Michigan Department of Energy, Labor and Economic Growth, the Michigan Economic Development Corporation, the Michigan Association of Regions, the Michigan Municipal League, the Michigan Townships Association, the Michigan Association of Planning, Michigan State's College of Agriculture and Natural Resources (CANR), MAES Research and Michigan State University Extension (MSUE) to help return economic prosperity to the state. The MSU Land Policy Institute (LPI) is leading this effort. From mid-April to mid-June, one-hundred training programs were offered across the state by LPI and MSUE educators. There were three separate training programs. New Economy 101 described how Michigan's present economic circumstances developed and emphasized that because Michigan has many assets there is good reason to be hopeful about our economic future. The New Economy 201 program focused on developing a common vision for prosperity; it described in detail Michigan's critical assets and identified place-based strategies to help us create new prosperity on a regional basis. The New Economy 301 program focused on detailed economic analyses that can be performed to help inform Regional Strategic Growth Plans and the key strategies necessary to implement those plans. Following this statewide educational effort, MSU is assisting each of the fourteen State Planning and Development Regions in creating a new Regional Strategic Growth Plan, the results of which will be used to create the first-ever State Strategic Growth Plan by the end of 2010.

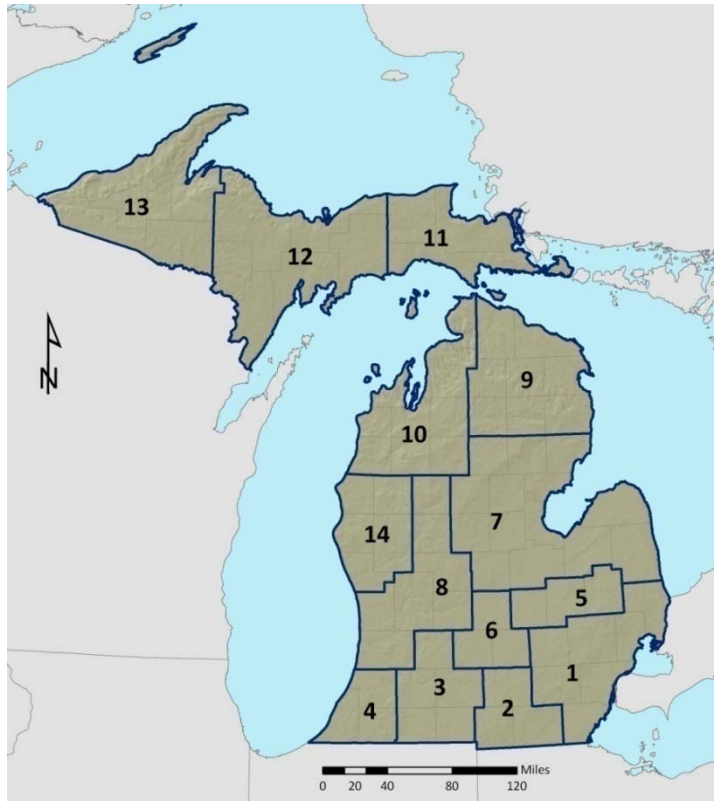
Michigan Prosperity Initiative Partners



Gazelle, New Business and Resilience

This analysis provides a snapshot of the business community in Region 2, focusing on three primary measures of health: *gazelles*, *new business formation*, and *resiliency*. These metrics are indicators of the ability of the region to both create opportunity and maintain its economic output.

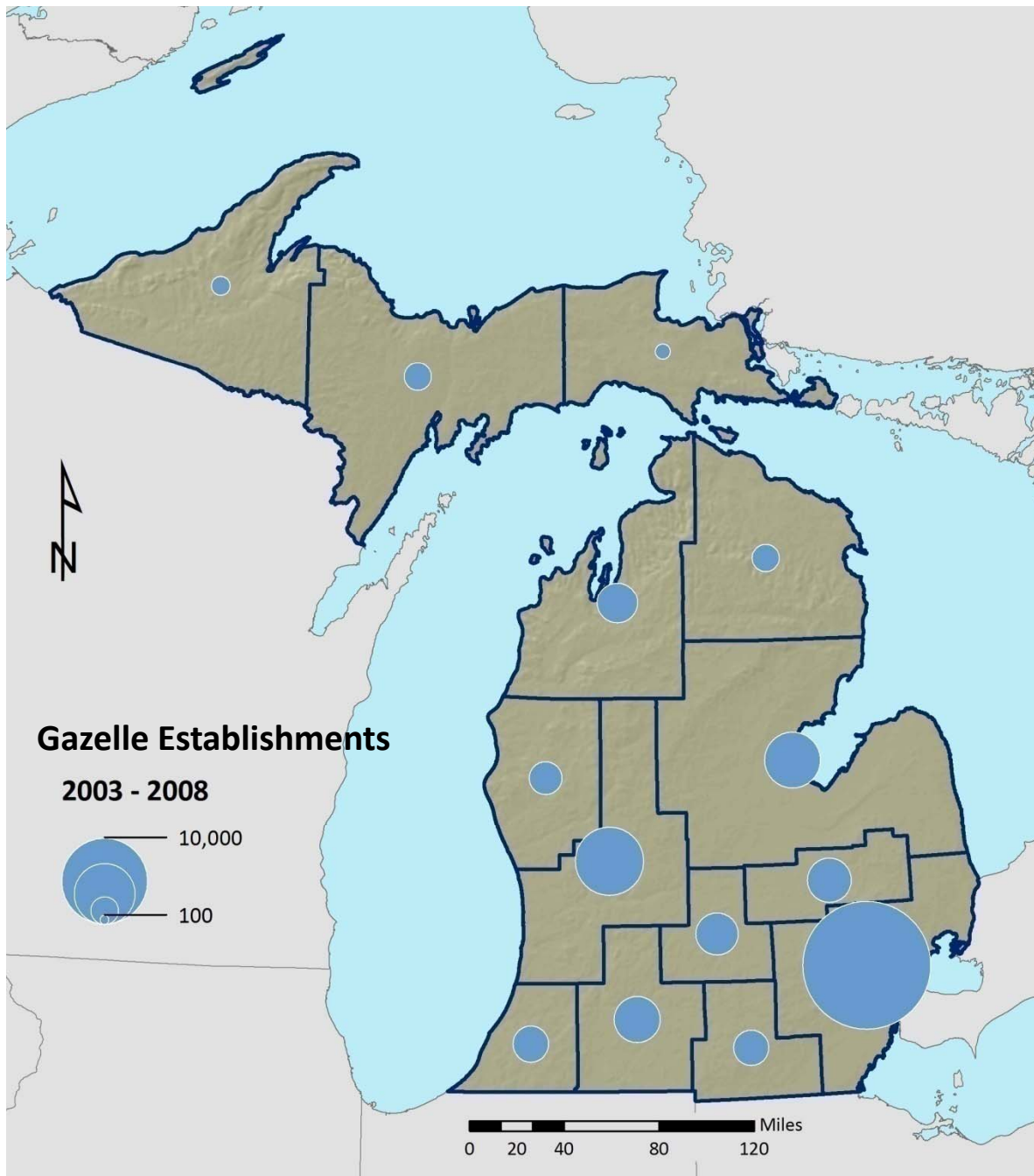
The National Establishment Time Series (NETS) Database was used to compile business information in Michigan. It includes employment and sales data on private businesses as well as NGO's and public sector establishments based on rating tracking from Dun and Bradstreet. Businesses included in the NETS database range from sole proprietorships to large corporations. The NETS database is the most comprehensive accounting of businesses and their performance. Businesses are categorized within the NAICS code in which they are primarily engaged.



- **Gazelle companies** are defined in this context as those companies with 20% or greater growth in sales from 2003 to 2008. While some gazelle companies are in traditional industries, many are in emerging sectors of the economy. Quantifying these establishments allows for deeper cluster analysis and also gives an indication of the viability of the clusters to be analyzed in the next step.
- **New businesses** are those that existed in 2008, but not in 2006. Business emergence analysis evaluates the birth rate of businesses and its impact on the region. New business emergence is a sign of entrepreneurial activity.
- **Resilient businesses** are those which retained at least 90% of their pre-recession employment since 2001 (measured in two increments- 2001 to 2005 and 2005 to 2008). As the global economic downturn has had severe impacts in the U.S. and in Michigan, these resilient businesses may be part of long-term strategies for economic health. This measure uses employment rather than sales, because employment is a lagging indicator of recovery and a leading indicator of recession or sector difficulty.

There are some N/A values for public administration because sales are not always applicable to government departments.

Statewide Gazelle Distribution



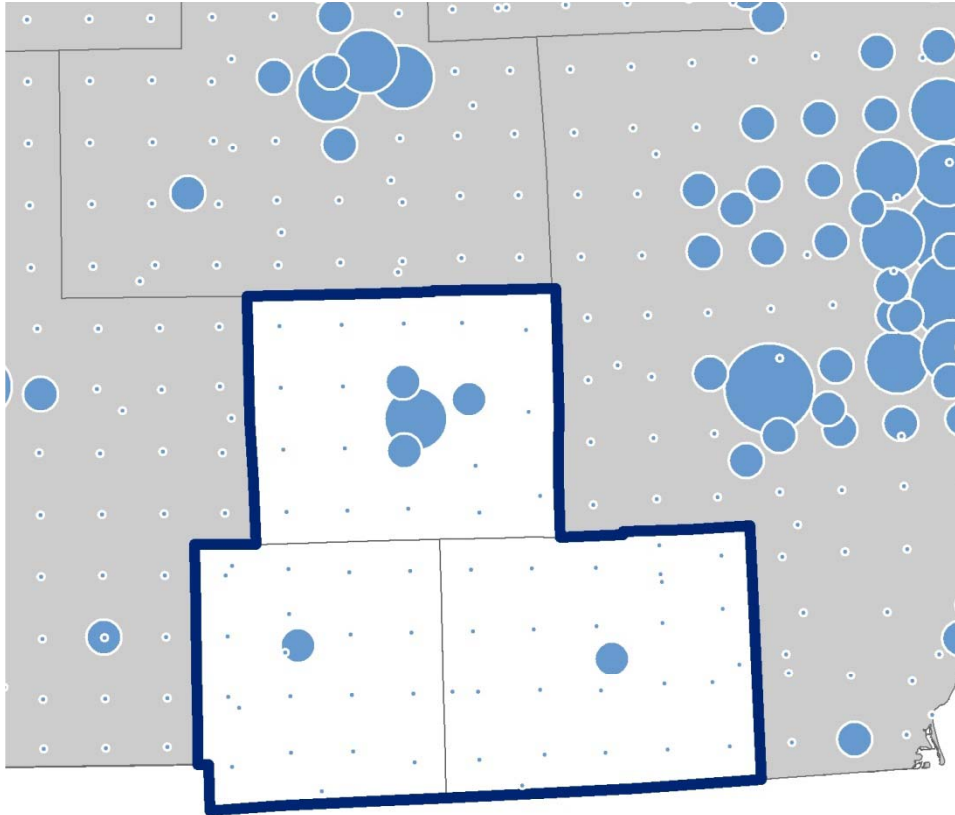
Statewide Gazelle Performance

Planning Region	No.	Gazelle Establishments 2003 - 2008	Portion of Statewide Gazelle Establishments 2003 - 2008	Gazelle Establishments as a Portion of the Total Establishments within the Region
Southeast Michigan Council of Governments	1	22,459	44.1%	7.6%
Region 2 Planning Commission	2	1,635	3.2%	9.7%
Southcentral Michigan Planning Council	3	2,907	5.7%	9.4%
Southwest Michigan Planning Commission	4	1,714	3.4%	9.2%
Genesee-Lapeer-Shiawassee (GLS) Planning and Development Commission	5	2,659	5.2%	7.9%
Tri-County Regional Planning Commission	6	2,458	4.8%	8.7%
East Central Michigan Planning and Development Commission	7	4,256	8.4%	9.0%
West Michigan Regional Planning Commission	8	6,368	12.5%	9.5%
Northeast Michigan Council of Governments	9	996	2.0%	10.0%
Northwest Michigan Council of Governments	10	2,190	4.3%	8.9%
Eastern Upper Peninsula Regional Planning and Development Commission	11	323	0.6%	9.3%
Central Upper Peninsula Planning and Development Regional Commission	12	1,021	2.0%	10.3%
Western Upper Peninsula Planning and Development Region	13	493	1.0%	10.0%
West Michigan Shoreline Regional Development Commission	14	1,469	2.9%	9.2%

The map to the left shows gazelle establishments aggregated to the state planning and development regions.

The table above shows how many gazelle establishments are in each region, the percentage of the state total in each region, and what percentage of establishments within the region are gazelles.

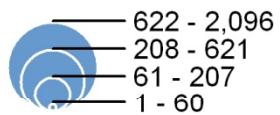
Gazelle Establishments in the Region



0 4 8 16 24 Miles



2003 - 2008



Prepared by Land Policy Research at the Land Policy Institute, Michigan State University, 2010.

Regional Gazelle Performance

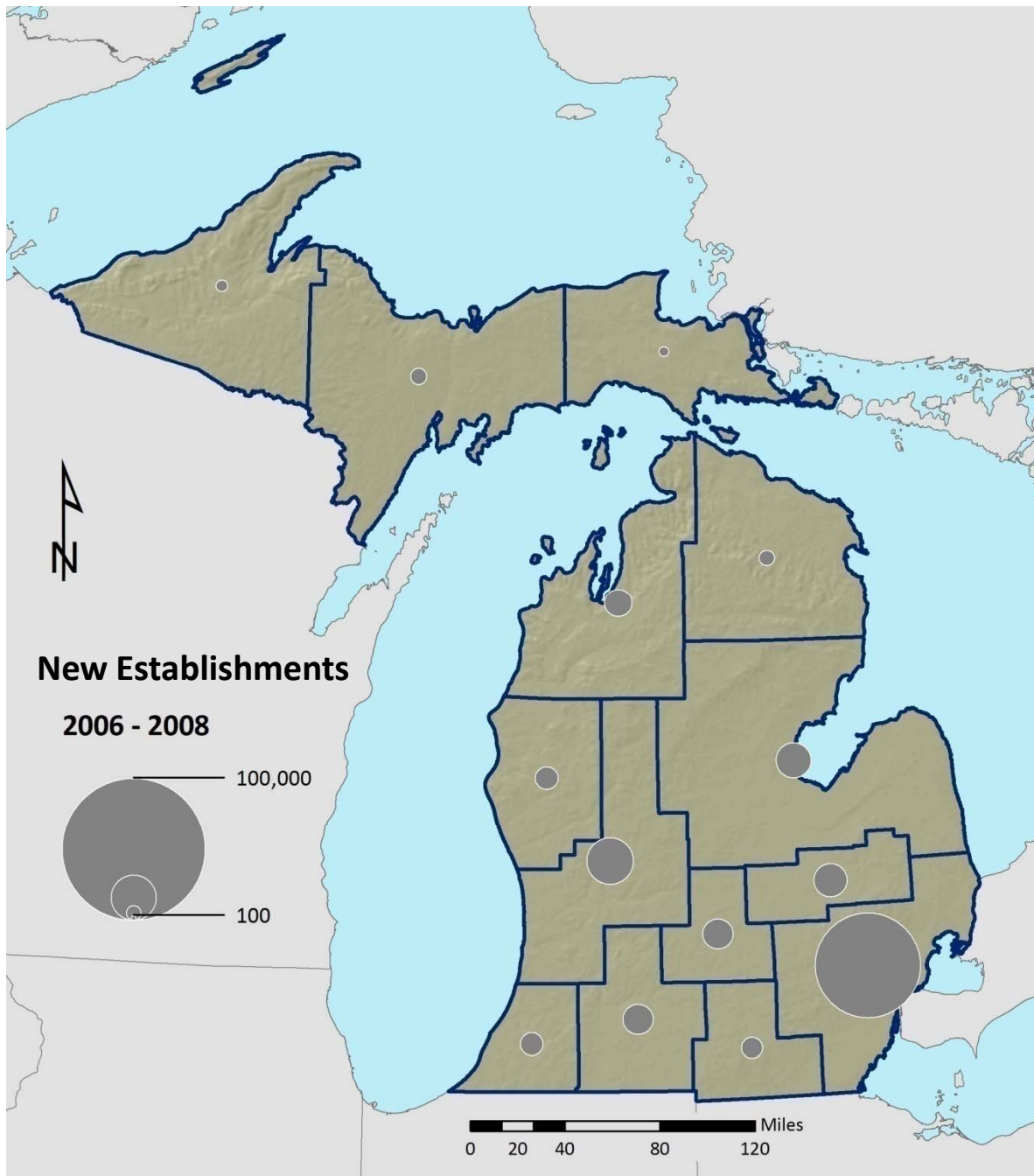
Industry*	Gazelle Establishments 2003 - 2008	Employment in 2008	Sales in 2008	Portion of Regional 2008 Sales
Agriculture, Forestry, Fishing and Hunting	96	326	\$45,754,400	26.02%
Mining	7	125	\$30,954,400	38.36%
Utilities	10	1,946	\$1,343,425,624	92.11%
Construction	191	1,230	\$146,224,858	22.09%
Manufacturing	176	8,120	\$1,236,686,759	23.37%
Wholesale Trade	99	1,128	\$544,934,478	40.17%
Retail Trade	221	3,091	\$436,088,902	21.31%
Transportation and Warehousing	42	594	\$58,859,698	24.78%
Information	19	173	\$13,769,264	11.85%
Finance and Insurance	60	890	\$341,619,778	41.57%
Real Estate and Rental and Leasing	55	530	\$41,536,833	21.76%
Professional, Scientific, and Technical Services	93	671	\$84,697,403	23.54%
Administrative and Support and Waste Management and Remediation Services	73	921	\$254,114,319	54.34%
Educational Services	35	2,382	\$224,288,401	35.86%
Health Care and Social Assistance	139	4,201	\$385,802,754	38.73%
Arts, Entertainment, and Recreation	29	386	\$99,735,334	61.97%
Accommodation and Food Services	82	1,313	\$41,970,900	15.96%
Other Services (except Public Administration)	208	1,152	\$54,677,181	15.61%
Total of all Gazelles	1,635	29,179	\$5,385,141,286	34.33%

* Industries are NAICS 2-digit industrial sectors. See the Appendix for a description of each sector.

The map to the left shows the gazelle distribution within the region, aggregated at the minor civil division geography (city or township level).

The table above shows the gazelles within the region broken out to the 18 National Industrial Classification System industries at the two-digit level. It details the number of establishments, their employment in 2008, the total sales in 2008, and what percentage of regional total sales in that industry are accounted for by gazelle companies.

Startup Establishments Statewide



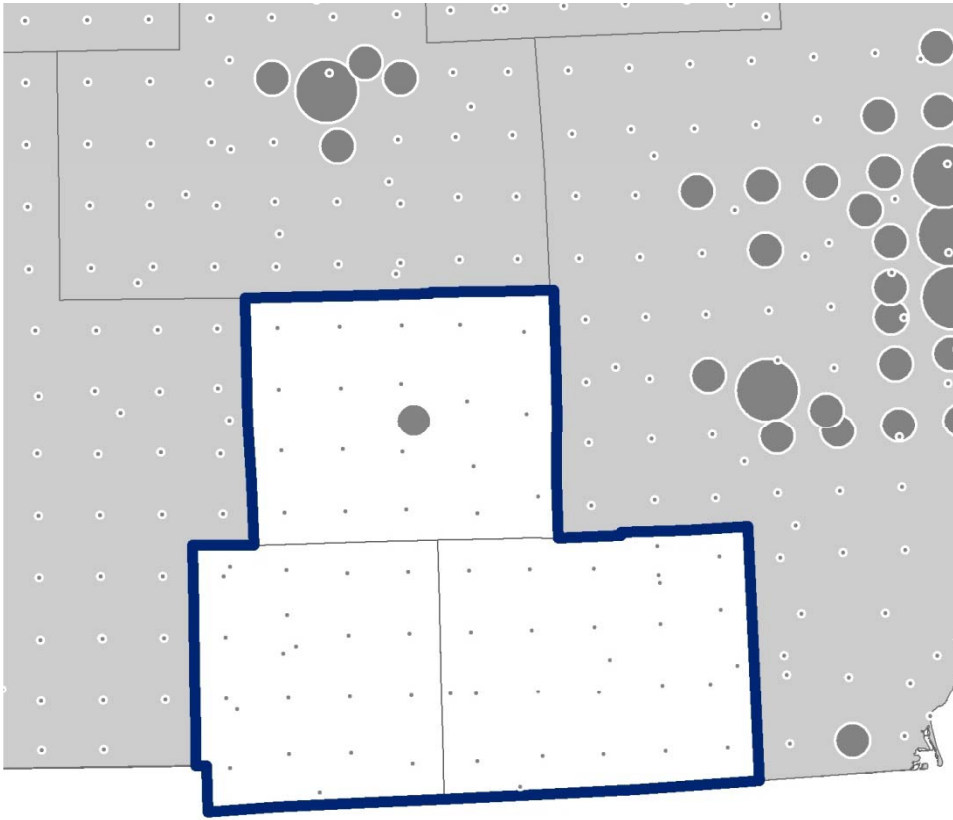
Statewide Startup Performance

Planning Region	No.	New Establishments 2006 - 2008	Portion of Statewide New Establishments 2006 - 2008	New Establishments as a Portion of the Total Establishments within the Region
Southeast Michigan Council of Governments	1	54,598	54.4%	18.5%
Region 2 Planning Commission	2	2,256	2.2%	13.4%
Southcentral Michigan Planning Council	3	4,415	4.4%	14.2%
Southwest Michigan Planning Commission	4	2,570	2.6%	13.7%
Genesee-Lapeer-Shiawassee (GLS) Planning and Development Commission	5	5,416	5.4%	16.1%
Tri-County Regional Planning Commission	6	4,433	4.4%	15.7%
East Central Michigan Planning and Development Commission	7	6,021	6.0%	12.7%
West Michigan Regional Planning Commission	8	10,828	10.8%	16.1%
Northeast Michigan Council of Governments	9	1,188	1.2%	11.9%
Northwest Michigan Council of Governments	10	3,689	3.7%	14.9%
Eastern Upper Peninsula Regional Planning and Development Commission	11	456	0.5%	13.1%
Central Upper Peninsula Planning and Development Regional Commission	12	1,391	1.4%	14.0%
Western Upper Peninsula Planning and Development Region	13	697	0.7%	14.2%
West Michigan Shoreline Regional Development Commission	14	2,472	2.5%	15.4%

The map to the left shows new establishments aggregated in the 14 planning and development regions.

The table above shows the number of new businesses, the portion of the statewide total, and the percentage of new establishments broken down by region.

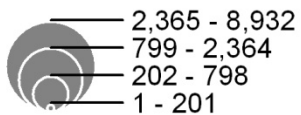
Startup Establishments in the Region



0 4 8 16 24 Miles



2006 - 2008



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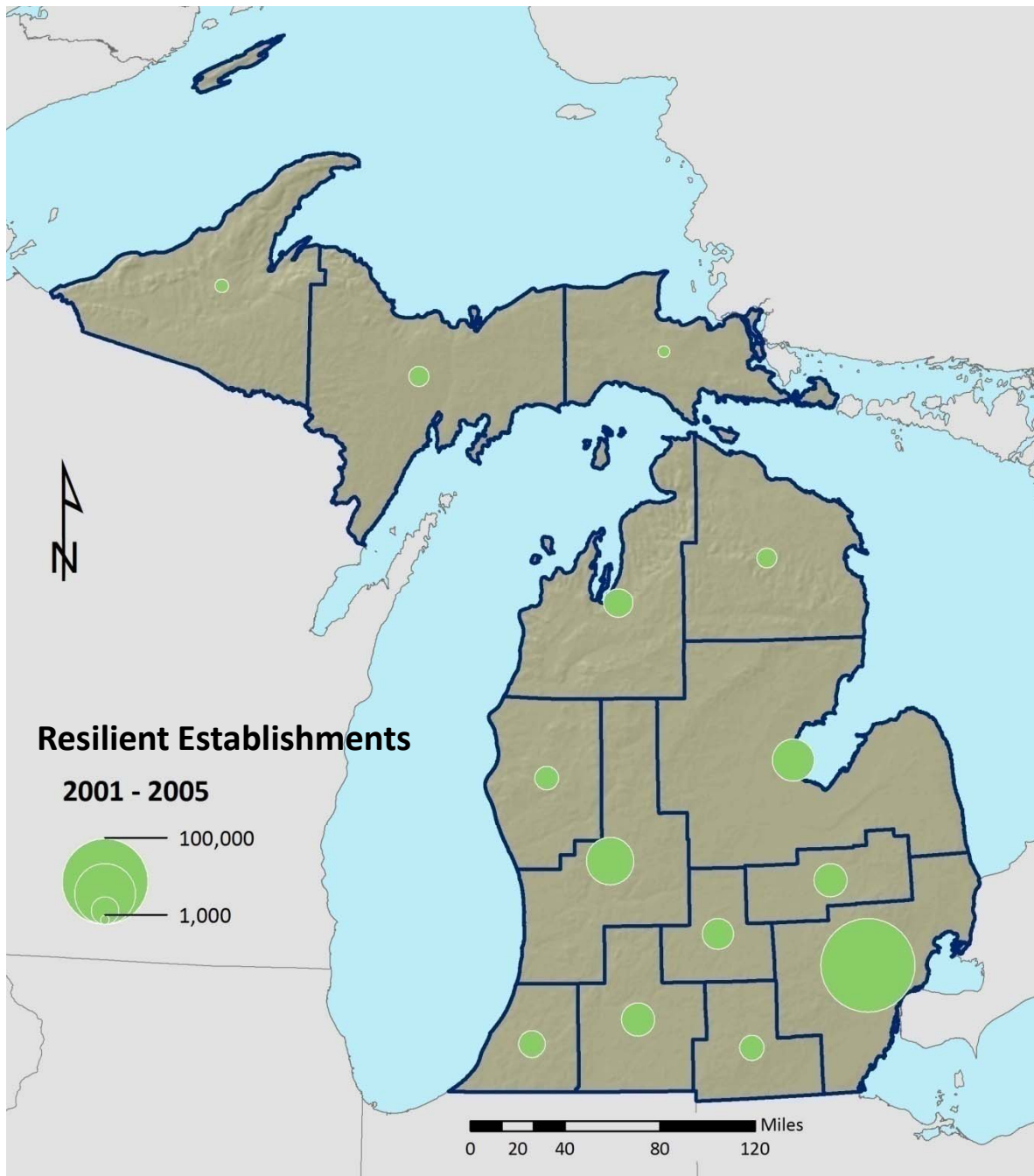
Regional Startup Performance

Industry	New Establishments 2006 - 2008	Employment in 2008	Sales in 2008	Portion of Regional 2008 Sales
Agriculture, Forestry, Fishing and Hunting	45	69	\$4,611,700	2.62%
Mining	4	32	\$5,552,200	6.88%
Utilities	5	28	\$4,766,000	0.33%
Construction	243	342	\$36,662,800	5.54%
Manufacturing	74	777	\$1,448,624,600	27.38%
Wholesale Trade	99	282	\$57,266,600	4.22%
Retail Trade	253	568	\$63,268,100	3.09%
Transportation and Warehousing	69	127	\$8,394,200	3.53%
Information	48	94	\$5,941,000	5.11%
Finance and Insurance	101	231	\$22,565,200	2.75%
Real Estate and Rental and Leasing	110	283	\$21,384,284	11.20%
Professional, Scientific, and Technical Services	206	316	\$20,741,400	5.76%
Management of Companies and Enterprises	9	17	\$1,729,000	10.09%
Administrative and Support and Waste Management and Remediation Services	371	607	\$38,053,600	8.14%
Educational Services	14	29	\$915,000	0.15%
Health Care and Social Assistance	229	885	\$46,781,688	4.70%
Arts, Entertainment, and Recreation	36	78	\$3,012,300	1.87%
Accommodation and Food Services	88	460	\$16,766,500	6.37%
Other Services (except Public Administration)	244	357	\$18,442,600	5.26%
Public Administration	8	244	N/A	N/A
Total of all Startups	2,256	5,826	\$1,825,478,772	11.64%

The map to the left shows the distribution of new establishments within the region aggregated at the minor civil division scale.

The table above shows the new establishments within the region broken down to the two digit National Industrial Classification code level. It details the number of new establishments, their employment in 2008, their 2008 sales, and the percentage of total regional sales in each NAICS industrial sector accounted for by new establishments.

Statewide Resilient Establishments 2001-2005



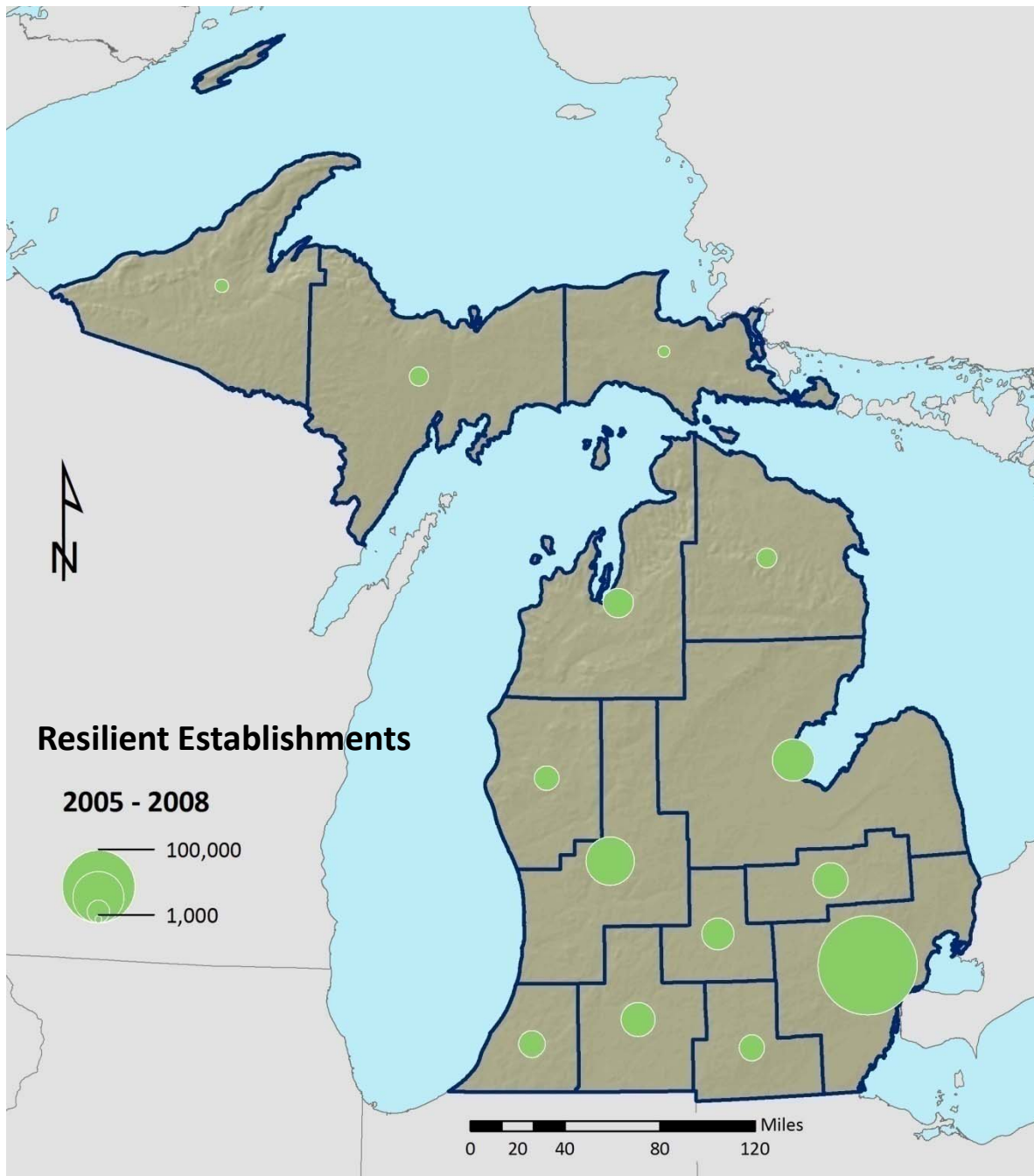
Statewide Resilient Establishment Performance 2001-2005

Planning Region	No.	Resilient Establishments 2001 - 2005	Portion of Statewide Resilient Establishments 2001 - 2005	Resilient Establishments as a Portion of the Total Establishments within the Region
Southeast Michigan Council of Governments	1	119,498	44.3%	47.5%
Region 2 Planning Commission	2	8,475	3.1%	54.3%
Southcentral Michigan Planning Council	3	15,066	5.6%	52.8%
Southwest Michigan Planning Commission	4	9,321	3.5%	55.6%
Genesee-Lapeer-Shiawassee (GLS) Planning and Development Commission	5	14,892	5.5%	49.4%
Tri-County Regional Planning Commission	6	12,840	4.8%	49.9%
East Central Michigan Planning and Development Commission	7	24,276	9.0%	55.4%
West Michigan Regional Planning Commission	8	30,667	11.4%	51.1%
Northeast Michigan Council of Governments	9	5,371	2.0%	57.2%
Northwest Michigan Council of Governments	10	11,931	4.4%	53.9%
Eastern Upper Peninsula Regional Planning and Development Commission	11	1,812	0.7%	56.6%
Central Upper Peninsula Planning and Development Regional Commission	12	5,240	1.9%	58.2%
Western Upper Peninsula Planning and Development Region	13	2,611	1.0%	58.0%
West Michigan Shoreline Regional Development Commission	14	7,818	2.9%	53.9%

The map to the left shows the distribution of resilient establishments (2001-2005) by planning region.

The table above shows the number of resilient establishments, the percentage of resilient establishments statewide from 2001-2005, and the percentage of resilient establishments as a proportion of total regional establishments.

Statewide Resilient Establishments 2005-2008



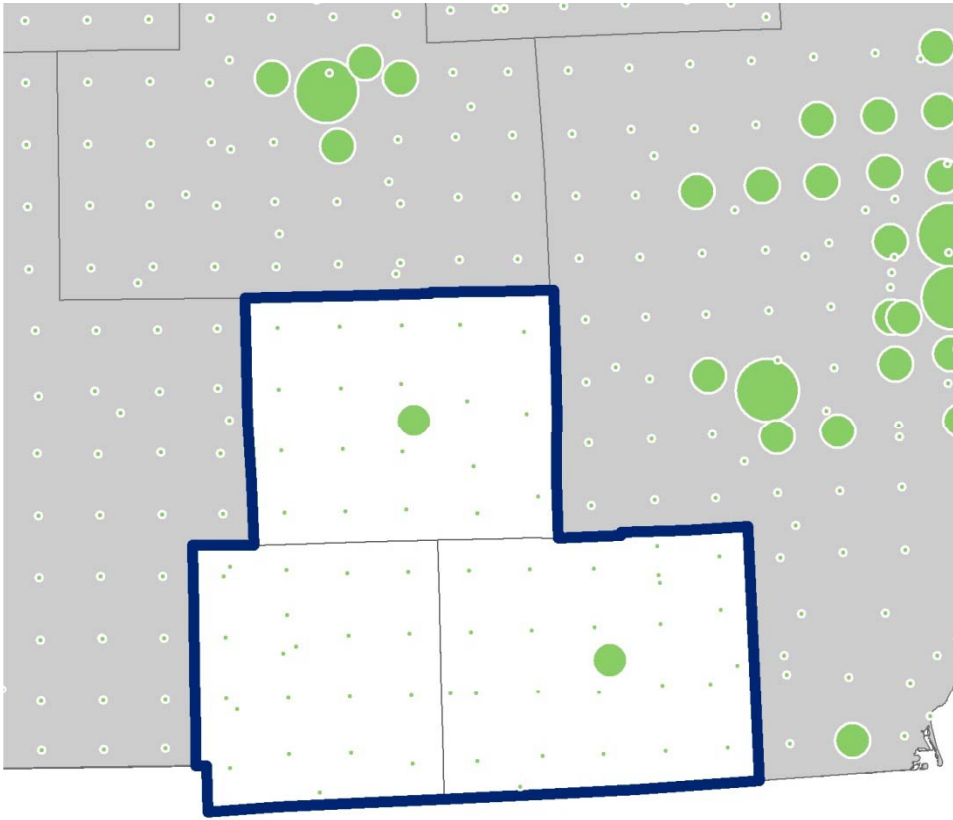
Statewide Resilient Establishment Performance 2005-2008

Planning Region	No.	Resilient Establishments 2005 - 2008	Portion of Statewide Resilient Establishments 2005 - 2008	Resilient Establishments as a Portion of the Total Establishments within the Region
Southeast Michigan Council of Governments	1	186,688	46.3%	63.3%
Region 2 Planning Commission	2	11,997	3.0%	71.1%
Southcentral Michigan Planning Council	3	21,469	5.3%	69.3%
Southwest Michigan Planning Commission	4	12,982	3.2%	69.4%
Genesee-Lapeer-Shiawassee (GLS) Planning and Development Commission	5	22,483	5.6%	67.0%
Tri-County Regional Planning Commission	6	19,216	4.8%	68.0%
East Central Michigan Planning and Development Commission	7	34,285	8.5%	72.4%
West Michigan Regional Planning Commission	8	45,298	11.2%	67.4%
Northeast Michigan Council of Governments	9	7,294	1.8%	73.0%
Northwest Michigan Council of Governments	10	17,002	4.2%	68.7%
Eastern Upper Peninsula Regional Planning and Development Commission	11	2,511	0.6%	72.1%
Central Upper Peninsula Planning and Development Regional Commission	12	7,016	1.7%	70.5%
Western Upper Peninsula Planning and Development Region	13	3,462	0.9%	70.4%
West Michigan Shoreline Regional Development Commission	14	11,121	2.8%	69.4%

The map to the left shows the distribution of resilient establishments (2005-2008) by planning region.

The table above shows the number of resilient establishments, the percentage of resilient establishments statewide from 2005-2008, and the percentage of resilient establishments as a proportion of the total regional establishments.

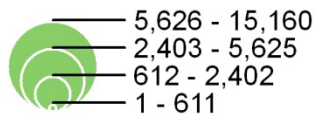
Resilient Establishments in the Region 2001-2005



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2001 - 2005



Prepared by Land Policy Research at the Land Policy Institute, Michigan State University, 2010.

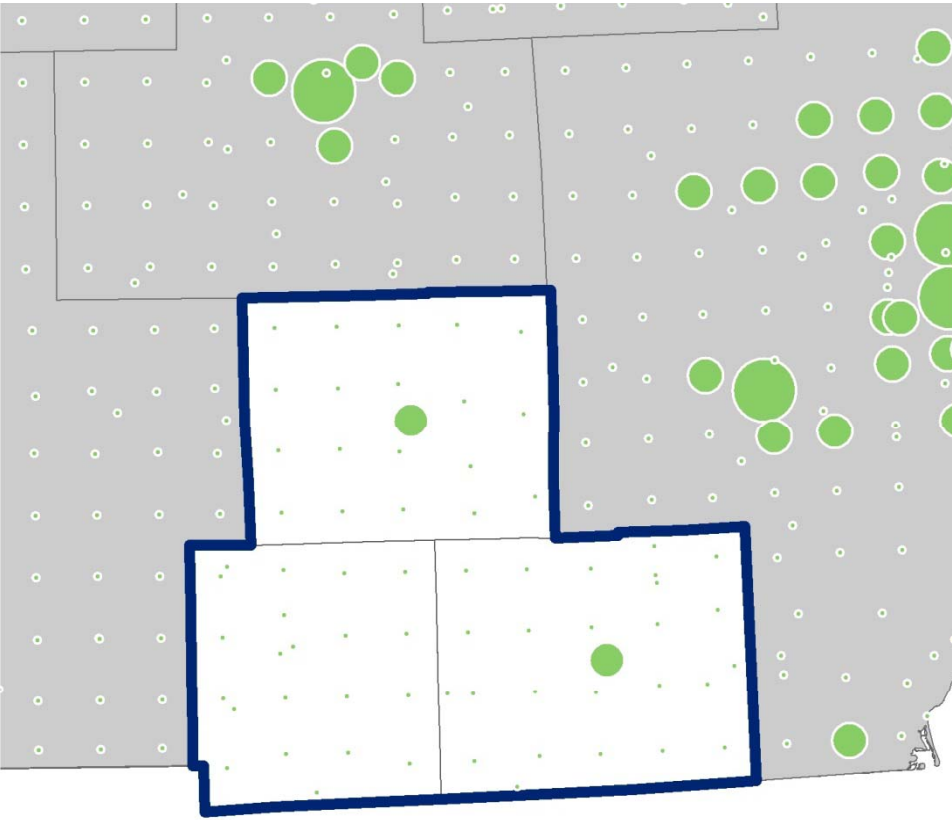
Resilient Establishment Performance in the Region 2001-2005

Industry	Resilient Establishments 2001 - 2005	Employment in 2005	Sales in 2005	Portion of Regional 2005 Sales
Agriculture, Forestry, Fishing and Hunting	768	1,506	\$123,135,694	69.26%
Mining	25	315	\$68,326,677	89.12%
Utilities	14	467	\$249,014,187	19.60%
Construction	877	3,411	\$372,911,061	61.56%
Manufacturing	648	19,688	\$2,539,481,258	67.73%
Wholesale Trade	321	2,954	\$730,084,680	70.80%
Retail Trade	1,128	10,758	\$1,452,499,865	71.08%
Transportation and Warehousing	239	1,668	\$134,729,779	66.11%
Information	122	1,035	\$73,060,686	72.63%
Finance and Insurance	276	2,426	\$578,922,024	74.34%
Real Estate and Rental and Leasing	346	1,404	\$131,831,879	70.60%
Professional, Scientific, and Technical Services	546	2,555	\$181,151,377	59.57%
Management of Companies and Enterprises	4	108	\$6,912,500	69.28%
Administrative and Support and Waste Management and Remediation Services	340	1,853	\$128,958,293	25.56%
Educational Services	195	7,146	\$398,901,155	75.49%
Health Care and Social Assistance	743	10,367	\$639,367,159	80.60%
Arts, Entertainment, and Recreation	161	1,161	\$41,982,634	29.07%
Accommodation and Food Services	394	5,144	\$156,121,029	66.50%
Other Services (except Public Administration)	1,210	4,471	\$238,039,230	65.39%
Public Administration	118	4,595	\$8,719,100	100.00%
Total	8,475	83,032	\$8,254,150,266	62.93%

The map to the left shows resilient establishments within the region from 2001-2005, aggregated at the minor civil division level.

The table above shows the resilient establishments from 2001-2005 within the region broken down to the two-digit National Industrial Classification code levels. It details the number of establishments, their 2005 employment, their 2005 sales, and the percentage of the regional total sales in each NAICS industrial sector from resilient businesses.

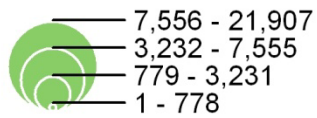
Resilient Establishments in the Region 2005-2008



0 4 8 16 24 Miles



2005 - 2008



Prepared by Land Policy Research at the Land Policy Institute, Michigan State University, 2010.

Resilient Establishment Performance in the Region 2005-2008

Industry	Resilient Establishments 2005 - 2008	Employment in 2008	Sales in 2008	Portion of Regional 2008 Sales
Agriculture, Forestry, Fishing and Hunting	881	1,855	\$158,812,279	90.30%
Mining	37	385	\$75,132,977	93.12%
Utilities	22	2,178	\$1,451,794,624	99.54%
Construction	1,409	4,998	\$489,717,424	73.97%
Manufacturing	862	23,721	\$3,323,907,123	62.83%
Wholesale Trade	464	4,021	\$1,056,629,522	77.89%
Retail Trade	1,606	13,526	\$1,823,276,952	89.12%
Transportation and Warehousing	344	2,351	\$184,681,017	77.76%
Information	183	1,317	\$92,844,270	79.88%
Finance and Insurance	408	3,087	\$550,562,427	66.99%
Real Estate and Rental and Leasing	490	1,941	\$134,417,085	70.41%
Professional, Scientific, and Technical Services	846	3,643	\$295,556,205	82.13%
Management of Companies and Enterprises	9	125	\$8,200,000	47.87%
Administrative and Support and Waste Management and Remediation Services	680	3,149	\$387,192,717	82.79%
Educational Services	236	8,383	\$553,873,878	88.57%
Health Care and Social Assistance	993	12,306	\$854,748,044	85.81%
Arts, Entertainment, and Recreation	230	1,551	\$145,612,770	90.47%
Accommodation and Food Services	517	7,059	\$217,841,429	82.82%
Other Services (except Public Administration)	1,636	5,996	\$282,083,791	80.52%
Public Administration	144	5,423	\$8,857,100	95.47%
Total	11,997	107,015	\$12,095,741,634	77.11%

The map to the left shows resilient establishments within the region from 2005-2008, aggregated at the minor civil division level.

The table above shows the resilient establishments from 2005-2008 within the region broken down to the two-digit National Industrial Classification code levels. It details the number of establishments, their 2008 employment, their 2008 sales, and the percentage of the regional total sales in each NAICS industrial sector from resilient businesses.

Appendix One: Sector Definitions

The following sector definitions are taken from: <http://www.census.gov/epcd/naics02/naicod02.htm>

The Agriculture, Forestry, Fishing and Hunting sector comprises establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural habitats. The establishments in this sector are often described as farms, ranches, dairies, greenhouses, nurseries, orchards, or hatcheries. A farm may consist of a single tract of land or a number of separate tracts which may be held under different tenures. For example, one tract may be owned by the farm operator and another rented. It may be operated by the operator alone or with the assistance of members of the household or hired employees, or it may be operated by a partnership, corporation, or other type of organization. When a landowner has one or more tenants, renters, croppers, or managers, the land operated by each is considered a farm.

The Mining sector comprises establishments that extract naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas. The term mining is used in the broad sense to include quarrying, well operations, beneficiating (e.g., crushing, screening, washing, and flotation), and other preparation customarily performed at the mine site, or as a part of mining activity.

The Utilities sector comprises establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. Within this sector, the specific activities associated with the utility services provided vary by utility: electric power includes generation, transmission, and distribution; natural gas includes distribution; steam supply includes provision and/or distribution; water supply includes treatment and distribution; and sewage removal includes collection, treatment, and disposal of waste through sewer systems and sewage treatment facilities.

The Construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector. Construction work done may include new work, additions, alterations, or maintenance and repairs. Activities of these establishments generally are managed at a fixed place of business, but they usually perform construction activities at multiple project sites. Production responsibilities for establishments in this sector are usually specified in (1) contracts with the owners of construction projects (prime contracts) or (2) contracts with other construction establishments (subcontracts).

The Manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except in cases where the activity is appropriately classified in Sector 23, Construction. Establishments in the Manufacturing sector are often described as plants, factories, or mills and characteristically use power-driven machines and materials-handling equipment. However, establishments that transform materials or substances into new products by hand or in the worker's home and those engaged in selling to the general public products made on the same premises from which they are sold, such as bakeries, candy stores, and custom tailors, may also be included in this sector. Manufacturing establishments may process materials or may contract with other establishments to process their materials for them. Both types of establishments are included in manufacturing.

Appendix One: Sector Definitions

The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing. The wholesaling process is an intermediate step in the distribution of merchandise. Wholesalers are organized to sell or arrange the purchase or sale of (a) goods for resale (i.e., goods sold to other wholesalers or retailers), (b) capital or durable non-consumer goods, and (c) raw and intermediate materials and supplies used in production. Wholesalers sell merchandise to other businesses and normally operate from a warehouse or office. These warehouses and offices are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic. Wholesalers do not normally use advertising directed to the general public. Customers are generally reached initially via telephone, in-person marketing, or by specialized advertising that may include Internet and other electronic means. Follow-up orders are either vendor-initiated or client-initiated, generally based on previous sales, and typically exhibit strong ties between sellers and buyers. In fact, transactions are often conducted between wholesalers and clients that have long-standing business relationships.

The Retail Trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise; retailers are, therefore, organized to sell merchandise in small quantities to the general public. This sector comprises two main types of retailers: store and non-store retailers.

The Transportation and Warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation related facilities as a productive asset. The type of equipment depends on the mode of transportation. The modes of transportation are air, rail, water, road, and pipeline. The Transportation and Warehousing sector distinguishes three basic types of activities: subsectors for each mode of transportation, a subsector for warehousing and storage, and a subsector for establishments providing support activities for transportation. In addition, there are subsectors for establishments that provide passenger transportation for scenic and sightseeing purposes, postal services, and courier services.

The Information sector comprises establishments engaged in the following processes: (a) producing and distributing information and cultural products, (b) providing the means to transmit or distribute these products as well as data or communications, and (c) processing data. The main components of this sector are the publishing industries, including software publishing, and both traditional publishing and publishing exclusively on the Internet; the motion picture and sound recording industries; the broadcasting industries, including traditional broadcasting and those broadcasting exclusively over the Internet; the telecommunications industries; the industries known as Internet service providers and web search portals, data processing industries, and the information services industries. The expressions "information age" and "global information economy" are used with considerable frequency today. The general idea of an "information economy" includes both the notion of industries primarily producing, processing, and distributing information, as well as the idea that every industry is using available information and information technology to reorganize and make themselves more productive.

Appendix One: Sector Definitions

The Finance and Insurance sector comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions. Three principal types of activities are identified:

1. Raising funds by taking deposits and/or issuing securities and, in the process, incurring liabilities. Establishments engaged in this activity use raised funds to acquire financial assets by making loans and/or purchasing securities. Putting themselves at risk, they channel funds from lenders to borrowers and transform or repackage the funds with respect to maturity, scale, and risk. This activity is known as financial intermediation.
2. Pooling of risk by underwriting insurance and annuities. Establishments engaged in this activity collect fees, insurance premiums, or annuity considerations; build up reserves; invest those reserves; and make contractual payments. Fees are based on the expected incidence of the insured risk and the expected return on investment.
3. Providing specialized services facilitating or supporting financial intermediation, insurance, and employee benefit programs.

In addition, monetary authorities charged with monetary control are included in this sector.

The Real Estate and Rental and Leasing sector comprises establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services. The major portion of this sector comprises establishments that rent, lease, or otherwise allow the use of their own assets by others. The assets may be tangible, as is the case of real estate and equipment, or intangible, as is the case with patents and trademarks. This sector also includes establishments primarily engaged in managing real estate for others, selling, renting and/or buying real estate for others, and appraising real estate. These activities are closely related to this sector's main activity, and it was felt that from a production basis they would best be included here. In addition, a substantial proportion of property management is self-performed by lessors. The main components of this sector are the real estate lessors industries; equipment lessors industries (including motor vehicles, computers, and consumer goods); and lessors of nonfinancial intangible assets (except copyrighted works).

The Professional, Scientific, and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services.

The Management of Companies and Enterprises sector comprises (1) establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or (2) establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decisionmaking role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise. Establishments in this sector perform essential activities that are often undertaken, in-house, by establishments in many sectors of the economy. By consolidating the performance of these activities of the enterprise at one establishment, economies of scale are achieved.

Appendix One: Sector Definitions

The Administrative and Support and Waste Management and Remediation Services sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. These essential activities are often undertaken in-house by establishments in many sectors of the economy. The establishments in this sector specialize in one or more of these support activities and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services. The administrative and management activities performed by establishments in this sector are typically on a contract or fee basis. These activities may also be performed by establishments that are part of the company or enterprise. However, establishments involved in administering, overseeing, and managing other establishments of the company or enterprise, are classified in Sector 55, Management of Companies and Enterprises. These establishments normally undertake the strategic and organizational planning and decision making role of the company or enterprise. Government establishments engaged in administering, overseeing, and managing governmental programs are classified in Sector 92, Public Administration.

The Educational Services sector comprises establishments that provide instruction and training in a wide variety of subjects. This instruction and training is provided by specialized establishments, such as schools, colleges, universities, and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. They may also offer food and accommodation services to their students. Educational services are usually delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct learning. Instruction is imparted in diverse settings, such as educational institutions, the workplace, or the home through correspondence, television, or other means. It can be adapted to the particular needs of the students, for example sign language can replace verbal language for teaching students with hearing impairments. All industries in the sector share this commonality of process, namely, labor inputs of instructors with the requisite subject matter expertise and teaching ability.

The Health Care and Social Assistance sector comprises establishments providing health care and social assistance for individuals. The sector includes both health care and social assistance because it is sometimes difficult to distinguish between the boundaries of these two activities. The industries in this sector are arranged on a continuum starting with those establishments providing medical care exclusively, continuing with those providing health care and social assistance, and finally finishing with those providing only social assistance. The services provided by establishments in this sector are delivered by trained professionals. All industries in the sector share this commonality of process, namely, labor inputs of health practitioners or social workers with the requisite expertise. Many of the industries in the sector are defined based on the educational degree held by the practitioners included in the industry.

The Arts, Entertainment, and Recreation sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. This sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

Appendix One: Sector Definitions

The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both accommodation and food services establishments because the two activities are often combined at the same establishment.

The Other Services (except Public Administration) sector comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grantmaking, advocacy, and providing drycleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. Private households that engage in employing workers on or about the premises in activities primarily concerned with the operation of the household are included in this sector. Private households that engage in employing workers on or about the premises in activities primarily concerned with the operation of the household are included in this sector.

The Public Administration sector consists of establishments of federal, state, and local government agencies that administer, oversee, and manage public programs and have executive, legislative, or judicial authority over other institutions within a given area. These agencies also set policy, create laws, adjudicate civil and criminal legal cases, provide for public safety and for national defense. In general, government establishments in the Public Administration sector oversee governmental programs and activities that are not performed by private establishments. Establishments in this sector typically are engaged in the organization and financing of the production of public goods and services, most of which are provided for free or at prices that are not economically significant. Government establishments also engage in a wide range of productive activities covering not only public goods and services but also individual goods and services similar to those produced in sectors typically identified with private-sector establishments. In general, ownership is not a criterion for classification in NAICS. Therefore, government establishments engaged in the production of private-sector-like goods and services should be classified in the same industry as private-sector establishments engaged in similar activities.

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