

The Economic Effects on Michigan
of the Haworth Plant Location Decision

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Abstract

The Haworth company is considering locating an office furniture manufacturing plant in Michigan, which by 1999 would employ 340 people. By 2015, we estimate that this facility will have generated a total of 1,101 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would be increased by \$55,771,000 (1995 dollars) due to the presence of the Haworth facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of the Haworth company's locating an office furniture manufacturing plant (SIC 2522) in the state. The new facility would be built in 1995 and 1996, with an investment of \$41.8 million, and would begin production in 1997. The plant would employ 340 workers by 1999 and is expected eventually to generate annual sales of \$75 million (in 1995 dollars).

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package and the property tax abatement, from 1995 to 2015, are shown in the attached table. The MEGA incentive package includes relief from the single business tax and a tax credit to the company equal to the income tax withheld from the plant's employees.

The total employment effects, reported in the first line of the table, include the direct jobs created at the plant itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The construction of the facility is expected to generate 96 total jobs in 1995 and 325 total jobs in 1996; almost all of these jobs are temporary. When production starts in 1997, an additional 823 jobs are generated in the state. By 2015, we estimate that this facility will have generated a total of 1,101 jobs in the state. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of

**Economic and Fiscal Effects on Michigan of the Haworth Plant
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1995	1996	1997	1998	1999	2000	2005	2010	2015	Total 1995-2015
Total employment	96	325	823	870	893	924	1,010	1,064	1,101	—
Manufacturing	3	49	367	374	378	385	393	386	383	—
Durables	3	46	352	360	365	374	384	374	368	—
Nonmanufacturing	93	276	456	496	515	539	617	678	718	—
Retail trade	10	58	101	107	108	110	117	128	138	—
Services	18	87	207	216	219	226	248	274	296	—
Personal income:										
Thousands of current \$	3,300	12,800	33,500	40,500	46,300	52,500	88,300	138,900	207,000	2,031,200
Thousands of 1995 \$	3,300	10,756	27,733	29,392	32,550	35,423	42,179	46,460	49,757	803,996
State revenue:										
Gross (thousands of current \$)	264	1,024	2,680	3,240	3,704	4,200	7,064	11,112	16,560	162,496
MEGA cost (thousands of current \$)*	0	0	431	478	521	566	872	1,310	1,913	19,574
Net of MEGA cost (thousands of current \$)	264	1,024	2,249	2,762	3,183	3,634	6,192	9,802	14,647	142,922
Net of MEGA cost (thousands of 1995 \$)	264	861	1,823	1,935	2,175	2,396	2,916	3,257	3,517	55,771

*These estimates do not include any state government revenue losses due to the property tax abatement.