

Small Business and Main Street

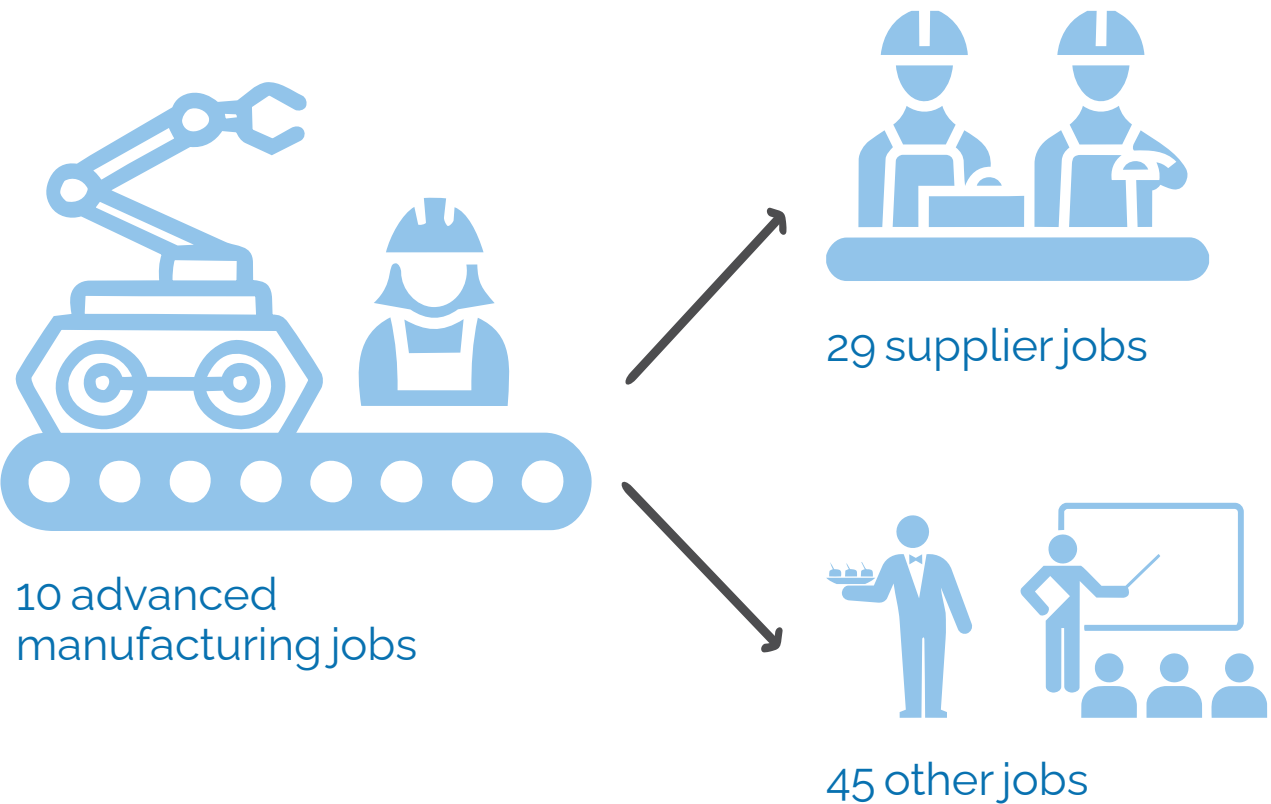
The Opportunity:

Large industrial employers do more than create jobs. They generate economic activity that supports businesses of all kinds across the community. A facility with 500 employees at an average household income of \$70,000 puts roughly \$35 million in annual spending power into the regional economy, not to mention the annual spending the industrial user itself will provide. That spending flows into two distinct small business economies, and communities should be planning for both.

The first is the **supply chain economy**—the industrial contractors, specialty fabricators, logistics providers, and maintenance firms that cluster around a major employer. This agglomeration effect is one of the most powerful but least visible outcomes of industrial development, and it tends to happen in industrial corridors outside of downtown.

The second is the **Main Street economy**—the restaurants, coffee shops, daycare centers, barbers, and retail businesses that serve workers and their families day to day. This is the economy residents see and feel most directly, and it's often what makes the difference between a community that simply has jobs and one that has a functioning downtown.

“For each additional skilled job created, 2.5 jobs were also generated in the local non-tradable goods and services sectors, and an additional unskilled job created 1.6 jobs in the local non-tradable sector.”



EMPLOYMENT MULTIPLIERS PER 100 DIRECT JOBS, BY MAJOR PRIVATE-SECTOR INDUSTRY GROUP

Major industry group	Direct jobs	Supplier jobs*	Induced jobs**	Total indirect jobs
Agriculture, forest, fishing, and hunting	100	93.6	134.8	228.5
Mining	100	224.0	166.0	390.0
Utilities	100	515.4	442.2	957.7
Construction	100	88.0	138.1	226.1
Durable manufacturing	100	289.1	454.9	744.1
Nondurable manufacturing	100	184.8	329.5	514.3
Wholesale trade	100	107.3	128.0	235.3
Retail trade	100	46.7	75.4	122.1
Transportation and warehousing	100	112.8	163.3	276.0
Information	100	252.0	321.1	573.1
Finance and insurance	100	149.7	214.7	364.4
Real estate and rental leasing	100	396.6	483.1	879.7
Professional, scientific, and technical services	100	142.1	276.2	418.3
Management of companies	100	144.4	255.4	399.9
Administrative and support services and waste management	100	45.5	89.1	134.5
Educational services	100	63.8	129.9	193.7
Health care and social assistance	100	69.4	136.2	205.6
Arts, entertainment, and recreation	100	123.3	255.2	378.5
Accommodation and food services	100	53.8	107.4	161.2
Other services (except public administration)	100	70.7	139.6	210.3

Economic Policy Institute

* Includes materials and capital services supplier jobs
** Includes jobs supported by respending of income from direct jobs and supplier jobs, as well as public-sector jobs supported by tax revenue

The Industrial Small Business Ecosystem

Major employers create clusters of smaller industrial businesses.

When a large manufacturer locates in a community, it creates demand that smaller businesses organize around. Tool and die shops, machine shops, specialty fabricators, industrial maintenance contractors, calibration services, packaging suppliers, or logistics brokers are all types of businesses that often locate near their primary customers to reduce lead times and transportation costs. Over time, that effect builds a self-reinforcing economic cluster where the presence of one business attracts others, and the community develops a concentration of industrial capability that can become a competitive advantage.

This is how the Detroit Region's auto supplier network has developed, built over decades around the major automotive manufacturers. That same dynamic plays out at smaller scales whenever a significant industrial employer anchors a community.

Suppliers and service providers follow the anchor.

Large industrial operations need a wide range of support services, such as industrial maintenance and repair, equipment rental, electrical and mechanical contracting, welding, HVAC, waste hauling, janitorial services, IT support, printing and signage, temporary staffing, and specialized trades. Unfortunately, much of this work is often contracted to vendors from outside the community. A deliberate local procurement effort can redirect money into the local economy, and can be structured as part of a community benefits ordinance. Similarly, major manufacturers often have supplier diversity programs that align naturally with this kind of effort, such as strategic decisions to hire businesses owned by underrepresented groups.

Manufacturing workers become business owners.

Workers with specialized industrial skills, such as welding, machining, electrical, industrial maintenance, controls programming, are natural candidates for small business ownership. Some will eventually want to start their own contracting or specialty firms, often serving the same industries they came from.

Communities that provide entrepreneurship support, small business incubation, and access to capital through Michigan-based [CDFIs](#), combined with resources from [Michigan Small Business Development Centers](#), [SCORE Southeast Michigan](#), and [Michigan Works!](#) agencies, can help convert industrial employment into a permanent base of locally owned businesses. MEDC's [small business programs](#) offer additional support that communities can layer onto local efforts. The plant becomes a talent pipeline for the local business community, not just an employer.

Employees live and spend money in communities.

Industrial development puts money in workers' pockets, and workers spend that money locally. Lunch spots, coffee shops, daycare, barber shops, healthcare, banks, restaurants, and convenience retail all reap the benefits of local job growth. Communities that treat industrial recruitment and downtown vitality as connected strategies, rather than separate departmental efforts, get more from both.

What Communities Can Do

Map the supply chain opportunity. When evaluating a major industrial project, look beyond the direct jobs. Work directly with the manufacturer to identify the goods and services their operation will need, such as maintenance, materials, logistics, or professional services, and assess whether local businesses can provide them. Most manufacturers are willing to share this information if asked, and many prefer local vendors when they're available. The earlier a community starts this conversation, the more likely those contracts stay local.

Establish a local procurement liaison. Assign someone in the economic development office, chamber of commerce, or a community development organization to connect incoming employers with local vendors. Publish a directory of local businesses that can serve industrial clients and facilitate introductions.

Support industrial small business formation. Work with CDFIs, SCORE, Michigan Small Business Development Centers, and community colleges to support workers and entrepreneurs who want to start industrial service businesses.

Ensure that zoning allows small-scale industrial and commercial service uses near major employment centers, not just retail. This can provide critical incubator space for supporting industries and new startups.

Ensure zoning accommodates the full range of supporting uses. Mixed-use commercial corridors near industrial areas should be zoned to allow not only restaurants and retail, but also contractor offices, small warehouses, equipment suppliers, and trade services—the types of businesses that grow alongside industrial employers. Communities should also consider permitting food trucks and pop-up retail adjacent to industrial sites, where demand from workers is immediate. The goal is not to deregulate, but to ensure that zoning frameworks allow businesses to locate where demand already exists—in an orderly way that supports long-term corridor function rather than ad hoc development.

Tie industrial development to downtown reinvestment. Use tax increment financing, DDA revenues, and other tools to reinvest a portion of industrial-generated tax revenue into downtown improvements, facade programs, and small business grants. Make the connection visible: this factory is helping rebuild Main Street.

Engage with the MEDC's Redevelopment Ready Communities program, or its Michigan Main Street program, which helps downtowns and communities more broadly create conditions for new local investments.

Key Takeaway

Industrial development supports two small business economies simultaneously—the industrial ecosystem of suppliers, contractors, and service providers that clusters around a major employer and the Main Street economy of retail and services that household spending sustains. Communities that plan for both capture far more value from every industrial investment.

