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## Outlook grim for Michigan prosperity

*Annual study finds state lags in income, new jobs*

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DETROIT - Michigan's dependence on low-skill, high-paying manufacturing jobs is driving the state to the poorhouse, a study shows.

The loss of more than 350,000 manufacturing jobs over the past decade, many of them in the auto industry, has depressed the state's per-capita income to 11 percent below the national average. That is the lowest level since the federal government started collecting data in 1929.

That's the same year the stock market collapsed, pushing the nation into a decade-long Great Depression.

In its 22-page annual report released today on how the state is doing in replacing those jobs, Ann Arbor-based think tank Michigan Future Inc. says the progress isn't encouraging.

The study looked at how the state's prosperity, compared to the nation's, has eroded from 2001 to 2007.

Michigan Future used that time frame because 2007 was the last year for which complete statistics were available. But it said it believes economic trends have continued, if not accelerated, since then.

"While our old pillars are collapsing, we are not doing what we should be doing to build the new pillars of our economy," Michigan Future President Lou Glazer said.

The state needs to put more emphasis on improving the educational attainment of its residents and less on trying to attract new business and industries, he said.

It's a controversial notion that has been criticized by some, including the Midland-based Mackinac Center for Public Policy, which says lower taxes and more business support will attract talented workers.

The state is having some success in attracting jobs in such areas as filmmaking and alternative energy. But no one knows if those industries will be sustained, according to the report.

"State governments and local communities can create communities where people want to live," Glazer said. "There's no evidence they can create new industries."

A smarter, more educated work force also is important in creating new businesses that will be the lifeblood of the state's economic future, said Mark Murray, president of Walker-based retailer Meijer Inc.

"Lou is fundamentally right that the long term prosperity of any region rooted in the skills that can be brought to entrepreneurial innovation and economic growth," said Murray, a former Grand Valley State University president and a former state treasurer.

High-wage, low-education industries such as manufacturing are shrinking and being replaced by a surprising broad range of industries where workers with bachelor's degrees or above make up at least 30 percent of the work forces, according to Michigan Future.

These "knowledge economy" industries include information, finance and insurance, professional and technical services, health care and education.

That even involves much of manufacturing, including design, engineering and management.

To be sure, almost all these industries are shedding jobs in a severe recession that started near the end of 2007.

But the path to a middle-class lifestyle will no longer be low-skill assembly line jobs that pay upwards of \$100,000 a year with overtime, Glazer said.

That dream died in 2000 when the auto industry and other manufacturers went into free-fall.

In 2000, Michigan ranked 16th among states in per-capita income. By 2007, the state had fallen to 33rd.

Michigan Future predicts the state will drop into the bottom 10 states in per-capita income in the next few years unless it can produce more high-income jobs.

"It's got nothing to do with policy or who's in charge," Glazer said. "It's just that those two pillars that made us so prosperous - manufacturing and the auto industry - have crumbled."

That's reflected in statistics showing the state has higher unemployment and poverty rates than the nation as a whole.

Michigan also lags the nation in the percentage of adult population with four-year degrees: 24.7 percent in 2007, compared to 27.5 percent of U.S. adults.

"Quit simply, in a flattening world where work can increasingly be done anyplace by anybody, the places with the greatest concentrations of talent win," according to the Michigan Future study.

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