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## Report: Michigan continues to suffer 'brain drain,' decline

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A report released this morning on Michigan's transition to a knowledge-based economy finds the state lagging the nation and other, more prosperous states on everything from per-capita income to unemployment, poverty and the number of workers with four-year degrees.

The result is that the Michigan economy will continue to decline for the immediate future, until the state can increase the number of highly educated workers here and attract the high-paying, knowledge-related jobs of the new global economy.

The report, released this morning in Detroit by the nonprofit Michigan Future Inc., shows that from 2001-07, Michigan's per capita income growth was half that of states with industries requiring higher levels of education, and with higher concentrations of workers with four-year degrees.

In some cases, income in states with more knowledge-driven economies grew at a rate double the growth in Michigan.

The study, "Michigan's Transition to a Knowledge-Based Economy: Second Annual Progress Report," was compiled by Lou Glazer, president of Michigan Future, and economist Don Grimes of the University of Michigan's Institute for Research on Labor, Employment and the Economy.

The study also found that large, well-educated metropolitan areas were key factors in helping a state reach higher than average income growth.

"High-prosperity states have big metropolitan areas with even higher per capita income," the report states. "It is hard to imagine a high-prosperity Michigan without an even higher-prosperity metropolitan Detroit."

The report notes that the eight years of job losses in Michigan, especially during the U.S. economic expansion from 2001-07, is less the "one-state recession" it's been called and "is far better characterized as a single industry recession."

In 2000, Michigan ranked 16th in the nation for per capita income; by 2007 the state had dropped 17 places, to 33rd in the U.S. and 11 percent below the national average. It was the lowest Michigan has ranked since the federal government started collecting data in 1929.

"Despite all our efforts for decades to diversify, the domestic auto industry is still the engine that drives the Michigan economy," the report declares. "For the foreseeable future, Michigan's economy will continue to lag the nation. With the very existence of the domestic auto industry in doubt, we are, at best, in for a few more years of decline."

The industries seen as drivers of the state economy -- autos, agriculture and tourism -- are either low-wage industries or trending lower.

The average factory wage, the report notes, is about \$35,000 a year, compared with the 2007 average income of \$38,564. Changes in the domestic auto industry have put Michigan on a path away from high-paying, low-education jobs toward lower wages for factory work.

"Factory jobs will not be a source of new high-paid jobs for Michigianians," the authors stated. "If the Michigan economy of the future is built on a base of factory, farms and tourism, we will be a low-prosperity state."

The report notes that high-education industries in Michigan lost 18,655 jobs, or 1.06 percent, from 2001-07, while low-education sectors lost more than 288,000 jobs, or 10.6 percent.

To move forward, the state will need to emphasize competition in the new global economy, attracting mobile, talented and well-educated workers, especially young people, to vibrant metropolitan areas, expanding and improving higher education and a state leadership that moves beyond "a desire to re-create the old economy."

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