

Opinion

PATH TO PROSPERITY: Michigan needs to develop smarter job sector

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Of The Oakland Press

If there is one myth that is dying hard, it is that for Michigan to succeed, we have to find a new product to make as the auto industry diminishes.

Lou Glazer, who has probably done as much thinking about Michigan's future as anyone, points to the example of Nike.

Nike employs more than 30,000 people globally. Its world headquarters, located near Beaverton, Ore., is home to more than 6,000 employees.

For the fiscal year ending May 31, 2008, Nike reported record revenues of \$18.6 billion, a \$2.3 billion increase over the previous year's earnings.

Now you would think Nike makes shoes. It doesn't. It may design and market them — plus its apparel and equipment — but it used almost 700 contract factories in 52 countries to manufacture all Nike products. That may have provided jobs for 800,000 workers, but none were Nike employees.

"Nike has never made a shoe in America," Glazer said.

No one would say Nike is not a successful company or that it doesn't provide good-paying jobs. In a sense it does make things — it makes designs, ideas and sales and service.

These are all things that require brain power, hence, the emphasis on the so-called knowledge-based or high-education attainment industries.

It illustrates what Michigan's goal should be: Prosperity.

"It's not true that you can't be prosperous without making products," Glazer said. "It is not true of London or Hong Kong."

Ann Arbor-based Michigan Future Inc., which Glazer heads, has drawn the road map toward that objective. Michigan leaders and citizens just need to buy in.

Doing so will require a change in attitudes and culture.

Michigan Future Inc. has not changed its prescriptions for success since issuing them in June of 2006. In fact, its just-released progress report, largely the work of an outstanding researcher named Don Grimes of the Institute for Research on Labor,

Employment, and the Economy, at the University of Michigan, shows a stunning acceleration of the trends that were originally identified.

The key remains education.

“The trends that we have written about in our previous reports have accelerated in the downturn,” the report states. “When the recession began in December 2007, through January 2009, low education attainment industries (primarily manufacturing, construction, retail and hospitality) have suffered job losses of 3.735 million, while the high-education attainment industries have added 163,000 jobs.”

“What made Michigan prosperous in the past is no longer a path to prosperity. The knowledge-based economy is now the path to prosperity for Michigan,” the report states.

Just what are knowledge-based or high-education attainment jobs?

“National employment in the high-education industries is highly diversified across the economy,” the report states. “They are not narrowly focused in industries commercializing new technologies. They are concentrated in, but not limited to, five broad sectors of the economy: Information; finance and insurance; professional and technical services (including management of companies); health care and education.

“In fact, health care and education, which dominated job growth during the 2001-2007 expansion, account for nearly 40 percent of the employment in high education attainment industries.

“Across the country, states and regions are focusing their economic development efforts on a few technology-based industries, based on the belief that these are the drivers of future growth. (They are) primarily information technology, the life sciences, alternative energy and/or green technology.

“The data lead us to believe that this narrow focus on new technologies is unlikely to be the best economic growth strategy. That’s because it is the broad knowledge-based economy where most of the good-paying job growth is occurring in the American economy. The high-education attainment industries we have identified in 2007 were 44 percent of national employment and 58 percent of the wages earned by American workers. The average wage in these industries is nearly \$59,000 as compared to just above \$33,000 in all other industries.”

Thus, this puts the Michigan Future Inc. folks at odds with Gov. Jennifer Granholm’s strategy of focusing on green energy.

“Every governor is saying the same thing,” Glazer said. “We’re skeptical of government’s ability to pick industries.”

Glazer said the same of life sciences.

“Everyone is seeking it. There’s nothing wrong with that, but it can’t be your only strategy.”

There is a chicken-egg sequence at work, according to the research. Which comes first? The new industries or the brain power?

Rich Karlgaard, publisher of Forbes magazine, summed it up best, according to the report.

“The most valuable natural resource in the 21st century is brains. Smart people tend to be mobile. Watch where they go! Because where they go, robust economic activity will follow,” Karlgaard stated.

This explains the Michigan Future Inc. emphasis on desirable places to live. Increasingly, they are larger cities, such as Chicago and Portland.

“We don’t know why,” Glazer said. “It’s really interesting and it’s true across the planet.”

For instance, despite Portland’s high unemployment rate, “kids are still flocking there.”

What Michigan needs to do is try to develop appealing regions. Grand Rapids, Lansing and southeast Michigan appear to have the greatest potential.

“Metropolitan Detroit and metropolitan Grand Rapids and, to a far lesser degree, metropolitan Lansing are the main drivers of a prosperous Michigan. In fact, it is hard to imagine a high prosperity Michigan without an even higher prosperity metropolitan Detroit,” the progress report states.

In any event, Michigan’s precipitous decline in recent years helps define where it ought to head. The goal should be higher per capita (per person) income, not just growth.

“High prosperity is different from the most often used measure for economic success — low unemployment. We believe that the goal should be to create an economy with lots of good-paying jobs — a place with a broad middle class where there is a realistic chance for families to realize the American Dream. There are many areas across the country with low unemployment, but low incomes. That isn’t success to us.”

An interesting comparison is Alabama and Minnesota, two states with virtually identical unemployment rates.

“If unemployment is your goal, they are equally successful. But, if your goal is income, the choice is clear. You want to be like Minnesota.”

For 2007, Alabama had per capita income of \$32,401 while Minnesota’s was \$40,969. Michigan’s was \$34,342.

“In 2000, at the end of the boom years, Michigan still ranked 16th in per capita income. We were 34th in bachelor’s degree attainment,” the report stated. “In many ways 2000 marked the end of an era when you could have high prosperity with low education attainment. No more! In 2007, Michigan ranked 33rd in per capita income, an unprecedented drop of 17 places in a seven-year period.”

The path to prosperity is clear for Michigan. The question is whether we can look at things in a new way.

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