



## Seeding or ceding the future?

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By Mark Sanchez

marks@mbusinessreview.com

As a broader debate unfolds on how to pursue a better economic future for the state, the latest initiative in western Michigan reflects a course already set down.

The basic premise behind InnovationWorks is to connect inventors with people who can take their ideas to market, ultimately creating new jobs for the region.

In a broader sense, the backers of InnovationWorks are embracing western Michigan's manufacturing heritage and acumen while at the same time pursuing the coveted so-called knowledge workers and industries of tomorrow -- a strategy some advocate should become the sole thrust of economic development.

In that regard, InnovationWorks represents one more front in the far bigger effort toward building a better economic future by playing into the region's strengths. And few areas of the nation are more engaged or as capable of producing things as western Michigan, where nearly one out of every four jobs is in the manufacturing sector.

"It's absolutely vital to this area," InnovationWorks manager Jim Ross said.

Funded by the region's \$15 million WIRED initiative, Innovation Works is an online data base where inventors can post their ideas and companies can post their needs for a new product or process.

InnovationWorks staff aims to bring together both sides of the equation, providing support to the inventor to test, validate and market the idea and in accessing needed capital.

The goal is to translate intellectual property generated here into new products produced by local manufacturers.

Ross considers it economic development at its purest and likens the initiative to lighting a match to create fire.

"If you don't put that flame to a candle very quickly, it's going to go out," said Ross, noting only one out of about every 32 patents is ever commercialized. He hopes to see the InnovationWorks site -- [innovationworkswestmichigan.org](http://innovationworkswestmichigan.org) -- carry 1,000 entries within a year.

"It doesn't do any good to have people with ideas and people with resources if you don't connect them," he said. "This is a seed and hopefully that seed is going to grow."

The creation of InnovationWorks -- which targets ideas for sustainability, advanced manufacturing and technology -- comes as economic developers and economists preach the need for innovation to drive economic growth and amid the painful transition to a knowledge-based economy that some believe means steering away from manufacturing as an economic driver.

"I don't see how staying the course is the answer if you want high prosperity," said Lou Glazer, president of the Ann Arbor think tank Michigan Future Inc. "If you care about what people earn, if you want high prosperity, west Michigan and the state have to change."

Economist George Erickcek, senior regional analyst at the W.E. Upjohn Institute for Employment Research in Kalamazoo, urges a more balanced approach.

In creating new economic opportunity, Erickcek argued for a mix of knowledge workers in the new

economy while supporting an existing economic base that's carried the region for generations. In Michigan, that means supporting advanced manufacturing and driving innovation, he said.

"We want an environment that nurtures all. We must try to create a fertile landscape so almost any seed can grow," he said during a recent address to the Economic Club of Grand Rapids. "The one thing we can't do is to say, 'manufacturing is over.'"

"Manufacturing is not over."

But Michigan Future Inc., in partnership with the University of Michigan, has a report that says differently.

"Michigan's Transition to a Knowledge-Based Economy: First Annual Progress Report" stressed the financial imperity of the state moving beyond manufacturing and posits it is not doing so fast enough.

"Manufacturing is not going to make us economically prosperous," said Donald Grimes, senior research associate at U of M's Institute of Labor and Industrial Relations, who visited Grand Rapids this month to present the report to the Grand Rapids Area Chamber of Commerce.

Instead, the state needs to attract so-called high-education attainment industries, such as education and health care, which accounted for 75 percent of the nation's job growth from 2001-2005. The average wage in these industries, the report states, is nearly \$53,000.

But Ross and others cited the investments western Michigan has made in health care and life sciences, for example, as reflective of the region's pursuit of the knowledge economy as well.

Those investments are made in concert with initiatives to support advanced manufacturing and innovation as part of a broader economic development strategy.

"This is only one piece of the pie," he said of InnovationWorks. "To me it's not a battle. You have to have it all."

Right Place Inc. President Birgit Klohs noted that advanced manufacturing is indeed a knowledge industry, from workers on the production floor operating sophisticated high-tech equipment to the designers, engineers and finance professionals in the front offices.

And "it's about the talent," said Klohs, who terms the notion of abandoning manufacturing as "very short-sighted."

"The report doesn't reflect the work that is going on in retaining and attracting talent," she said.

Whereas Erickcek's data examines employment, the Michigan Future report looked at per-capita income, in which Michigan ranked 26th of all states in 2006 -- 10 spots lower than six years earlier.

To raise the state's wealth, the report suggested, Michigan must boost the per-capita incomes of its three largest cities -- Detroit, Lansing and Grand Rapids -- or keep getting poorer.

"You can't make it work without a vibrant central city," Glazer said.

To do that, the cities must boost their number of college-educated adults -- and there's a long way to go. Of 53 metropolitan areas with populations of one million or more, Grand Rapids ranked 49th in per capita income and 45th in college attainment. Detroit ranked 37th in college attainment.

And Michigan should naturally shift toward the higher-education attainment industries, as the state pays those workers less than elsewhere, U of M's Grimes said. Michigan pays its college grads about \$49,000, compared to the national average of \$53,000, giving the state a "compelling advantage in attracting those industries," he said.

That is, companies that employ these college grads want to locate here as they can pay a lower wage -- the reverse of what has happened with manufacturing companies adverse to paying Michigan's higher wages for manufacturing workers.

"We tend to pay our low-education attainment industries \$36,000. Nationally it's \$32,000," Grimes explained.

Within that, manufacturing employees here make \$3 more an hour on average, discouraging manufacturing companies from locating in the state.

And that seems to be the transition that's happening -- slowly. Whereas Michigan has lost jobs every year since 2000, health care and education employment in the state has grown every year in that time, Grimes noted.

"West Michigan's numbers are interesting," Michigan Future's Glazer added.

"Overall the data is not great. The per-capita income is below Alabama. But progress data over the last five years or so compared to the rest of the state, it's better."

"Compared to the rest of the state, it's phenomenal," Grimes said, noting that Grand Rapids leads Michigan metro cities in college attainment, despite its low national ranking.

Twenty-eight percent of residents in 2006 held college degrees, compared to Detroit's 11 percent and Lansing's 22 percent.

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