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SELWESKI: Talent trumps tax cuts when creating new jobs

In response to a sliding state economy, the governor and Legislature chopped Michigan business taxes by 86 percent, giving 90,000 employers tax-free status and sending a bold message that “Michigan is open for business.”

And the result?

It seems that nobody in the business world noticed.

Chief Executive magazine’s annual state rankings are out and Michigan ranked as the fifth worst business climate. That massive tax cut has accomplished nothing in terms of boosting Michigan’s image or wooing new businesses here.

Michigan’s ranking at No. 46 was the same spot the state was in following the January/February 2011 survey of 650 CEOs nationwide.

Some of the survey respondents complained about the state’s regulations and red tape. Overall, here is a clue that may shed some light on our lowly ratings: the survey not only looked at taxes and regulations, it also judged each state on infrastructure, living environment, workforce quality and educational resources.

At the same time that our leaders in Lansing were slashing business taxes, they were cutting more than \$1 billion from state funding for K-12 and higher education.

Now, some business leaders are coming forward to say that Lansing has everything backward.

At a conference on Monday organized by the group Business Leaders for Michigan, attendees will be told that Michigan is not a destination for young talent — those top-notch students who may stick around and boost the economy. Eleven of Michigan’s 15 public universities rank below the national average for comparable schools in the percentage of out-of-state students enrolled.

If you doubt the ability of higher education to fuel the economy, Snyder said this in December: “In the 20th century, the most valuable assets to job creators were financial and material capital. In a changing global economy, that is no longer the case. Today, talent has surpassed other resources as the driver of economic growth.”

In fact, some researchers who obsess over these kinds of things have suggested that, when describing the 21st Century U.S. economy, the term “capitalism” should be replaced with “talentism.”

Those who focus on the value of talent can explain very simply why Michigan's economy is still struggling.

At a session of the Senate Finance Committee last week, lawmakers were told that Michigan ranks among the bottom 15 states, along with states such as Alabama, Mississippi and West Virginia, in the percentage of adults with a four-year college degree. Lou Glazer, founder of the research group Michigan Future Inc., said it's no surprise that Michigan's rank of 36th in college attainment is accompanied by our 39th place status in per capita income.

The committee, chaired by Republican Sen. Jack Brandenburg of Harrison Township, learned that the top 15 educated states demonstrate an unmistakable correlation between knowledge and earnings. Massachusetts is No. 1 in college attainment and No. 2 in per capita income. New Jersey is fifth in education, third in income. Minnesota is 10th in both categories.

In Michigan, employers don't seem to be celebrating the advent of the Snyder tax cuts. Instead, some are fretting over their inability to find qualified workers.

Our state has 8.2 percent unemployment and 70,000-plus jobs looking for people with the right skills to fill them.

That's not people looking for jobs — that's jobs looking for people.

That is the consequence of our talent gap. We already have developed a shortage in workers who lack the technical skills that come with a two-year degree. The nonprofit Lumina Foundation has concluded that Michigan will need an additional 1.3 million college graduates by 2025 to meet workforce needs.

Yet, the past decade has seen average tuition in Michigan rise by \$3,546 and state funding for our public universities decline by \$3,970 per student over the same 2002-11 time period (both figures adjusted for inflation).

Those numbers are not sustainable.

Senate Democrats have responded with a plan to provide all Michigan high school graduates with free tuition. The system would be funded by ending a series of business tax credits and loopholes.

That "20/20" plan may be unrealistic from a fiscal standpoint and it may go too far from a social standpoint — people tend to misuse free stuff.

But those pushing the idea have their head in the right place.

If you take a close look at the Chief Executive magazine rankings, the states with the best business climate have some of the lowest per capita incomes. These are states with low taxes due in part to a lack of public investments and social services, which leads to high poverty rates, lax environmental regulations, and weak health care systems for the poor.

That's not the path we want to take. States as diverse as North Carolina and North Dakota can show us the way. They have learned to leverage their higher ed system to generate jobs and drive their economy.

In Michigan, we have produced outstanding Pure Michigan ads — thanks to a lot of good material to work with — that demonstrate that our state is a great place to visit.

The next step should be to bolster our image so that we're seen as a great place to live and work.

But first we need to show that Michigan's got talent.

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