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MI 36th In Private Sector Income

Michigan ranks 36th nationally in private sector income due to its lagging big metros and low percentage of people with college degrees, according to data compiled by the nonprofit group Michigan Future.

President Lou **GLAZER** said the data is the most important economic indicator when examining states and metro areas. This is the first year that Michigan Future looked at this indicator and he said he's not aware that other groups have examined it. The group uses data from the U.S. Census and Bureau of Labor Statistics (BLS).

The top 10 states in private sector earnings are: Massachusetts, Connecticut, New York, New Jersey, Minnesota, New Hampshire, Illinois, Delaware, Colorado and California.

The bottom 10 states are: Alabama, Oklahoma, Kentucky, Montana, South Carolina, Arkansas, Idaho, New Mexico, West Virginia and Mississippi.

"The proportion of four-year degrees is driving everything," Glazer said.

The top 10 states all had four-year degree completion rates of 28 percent or higher, with Massachusetts close to 40 percent. The bottom 10 ranged from 17.5 percent to 28.8 percent.

Michigan ranked 34th in percentage of its citizens with college degrees in 2000 and 2010.

Metro areas are what are driving state economies, like Chicago with Illinois and Boston with Massachusetts, Glazer said. If you take the big metros out, states would probably look like others, he said.

"There's no such thing as a state economy," he said. "Economies happen at the metropolitan level."

And for Michigan, that's a problem for its three biggest metro areas -- Detroit, Grand Rapids and Lansing. Grand Rapids is the third-poorest metro in the country compared to 53 other areas with 1 million people or more.

Private employment earnings are "way over-concentrated" in big metros, while Glazer said contrary to conventional wisdom, the most government-dependent areas -- with transfer payments like Social Security or welfare -- are small rural areas.

Glazer said his group was inspired to look at the private sector income indicator after former Gov. Jennifer **GRANHOLM** did a "throwaway line" in her last State of the State about Michigan not becoming Mississippi. The free-market Mackinac Center for Public Policy then did a piece on how Michigan would want the economy of the Magnolia State.

So Michigan Future decided to look at four categories of income: private employment earnings, government employee earnings, investment earnings and government transfer payments like Social Security, Medicare and food stamps.

Glazer found that transfer payments are growing in Mississippi, which accounted for its economic growth. But he said that's the least desirable category to see growth.

"The notion we have in our head that the South has the strongest economy, when you look at the data, it doesn't add up," he said.

For the last 20 years, Glazer has been banging on the need for Michigan to develop a knowledge-based economy, as that's where the job growth is. The goal is getting Michigan back to a broad middle class, he said.

Michigan Future has five policy recommendations: align Michigan culture with the flat-world realities, create places where talent wants to live, ensure success of vibrant higher ed system, develop new public and private sector leaders and reinvent K-12 education to align with new realities.

He acknowledged the political realities.

"No one can win an election on this stuff," he said.

Glazer said that when now-Gov. Rick **SNYDER** was running for office, one of his white papers talked about the need to attract young people and boost Higher Education.

"But the first thing he does is propose the largest cut to Higher Ed in history," Glazer said.

Glazer cited this "spectacular" quote from Snyder during his 2011 special message on talent:

"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."

MIRS asked what side is winning.

"The financial and material side has been winning since the former Gov. [John] **ENGLER** administration," Glazer said.

Asked why he doesn't seem to be making headway with Snyder, Glazer said, "No clue." He said he has talked with Director of Strategy Bill **RUSTEM**. Glazer noted there hasn't been much interest from the Legislature.

MIRS asked him about Snyder's statement to young people: "Would you rather be a yuppie in Chicago or make a difference in Detroit?"

Glazer said most Michiganders are choosing Chicago or Minneapolis -- and not to live like yuppies, because most of them aren't. But they're welcoming cities that don't have anti-gay or anti-immigrant policies where you don't need a car, he notes. He said Michigan needs to invest in cities, revenue sharing, education and transportation policy. Michigan is the third-fastest aging state in the country, as the college kids are leaving.

Industries have more than 33 percent with a college degree are part of the knowledge economy, and it's not just high tech jobs. Education and health care are the two biggest industries.

The knowledge economy accounts for 45 percent of American jobs and 60 percent of wages, Glazer said.

The percentage of people nationally with college degrees is growing but "very slowly." And the reason for the increase, Glazer said, is because the people who are dying are those without college degrees -- those from the pre-Baby Boom era. In 1970, only 11 percent of people had four-year degrees, but that changed

rapidly with Boomers, he said.

Michigan was 39th in per-capita income in 2010, down from being 18th in 2000.

"We fell off a cliff. No one has fallen that far that fast," Glazer said.

During that time, Michigan's college attainment stayed stagnant at 34th in the nation, he said. Based on preliminary 2011 data, Michigan has improved, but Glazer notes numbers can change. The bottom line, he said, is that "we're not going substantially up" without beefing up the knowledge economy.

"We invented the 20th Century middle class with manufacturing," he said.

That boosted Michigan's per-capita income, but those days are over, Glazer said. With Michigan's three biggest sectors being factory, agriculture and tourism, that's not the way to grow the economy, as those are increasingly low-wage fields.

Three of the top 10 states for per-capita income are not following the higher education model, Glazer noted. North Dakota is benefiting from energy resources and low population. Alaska and Wyoming have high transfer payments.