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Michigan's Transition to a Knowledge-Based Economy 2007-2014

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A Catalyst for Prosperity



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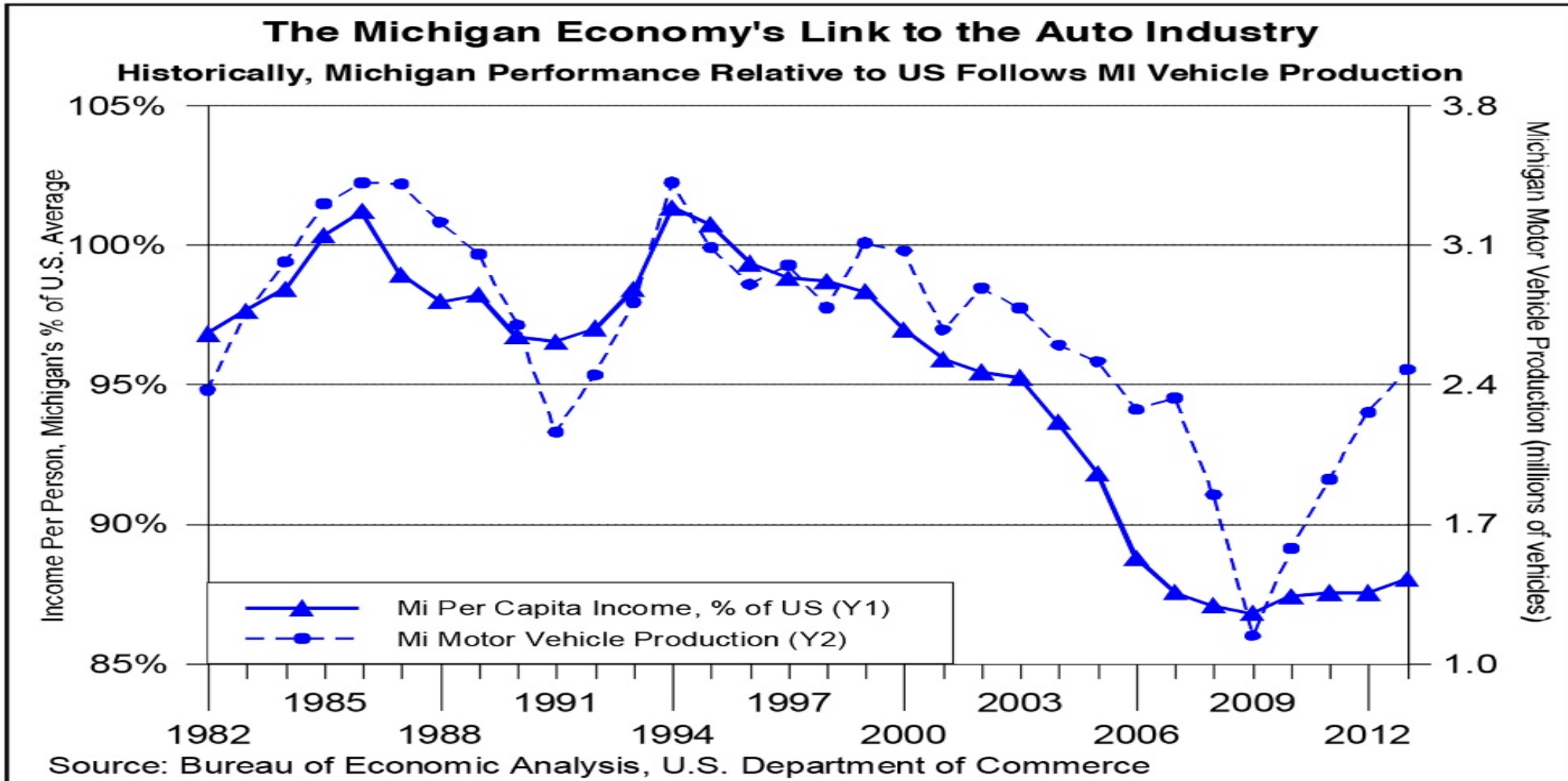
Our goal:

A high prosperity Michigan

Michigan income ranking vs 50 states

Year	Personal income per capita	Personal income except transfers per capita
1999	17	16
2000	18	16
2001	21	25
2002	24	25
2003	24	27
2004	26	28
2005	28	29
2006	34	35
2007	37	37
2008	38	39
2009	38	42
2010	37	41
2011	35	41
2012	38	41
2013	36	39
2014	35	38

Michigan's income disconnects from auto production



Our takeaways

- Michigan is now structurally one of the nation's low-prosperity states
- In the fifth year (2014) of a national expansion—and an even stronger domestic auto industry recovery—Michigan, on nearly all the metrics, is a national laggard
- Gone are the days when the auto industry—still the prime engine of the Michigan economy—drives a prosperous economy

Most prosperous states

	Rank net earnings per capita	Rank person income per capita	Rank in bachelor's degree or better
Connecticut	1	1	4
Massachusetts	2	2	1
New Jersey	3	3	5
Maryland	4	5	3
North Dakota	5	6	31
New York	6	4	9
New Hampshire	7	8	8
Alaska	8	9	26
Virginia	9	10	6
Minnesota	10	13	10

Least prosperous states

	Rank net earnings per capita	Rank person income per capita	Rank in bachelor's degree or better
Montana	41	35	21
Florida	42	28	30
Alabama	43	44	44
Kentucky	44	45	45
Idaho	45	46	38
South Carolina	46	48	40
New Mexico	47	47	37
West Virginia	48	49	50
Arkansas	49	42	48
Mississippi	50	50	49

Traits of prosperous states

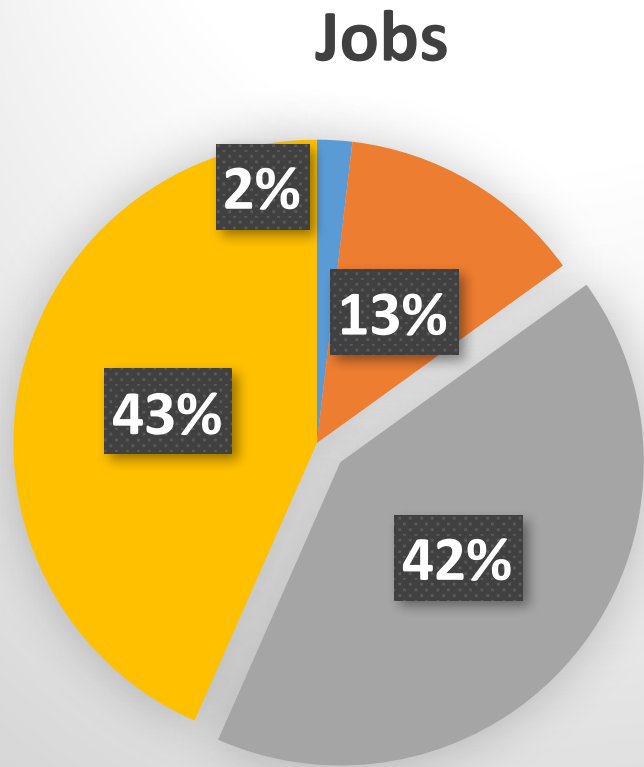
- High proportion of wages from knowledge-based services
- High proportion of college grads
- Big metro with higher per cap income than state
- Largest city in that metro has high proportion of college grads

What is the knowledge economy?

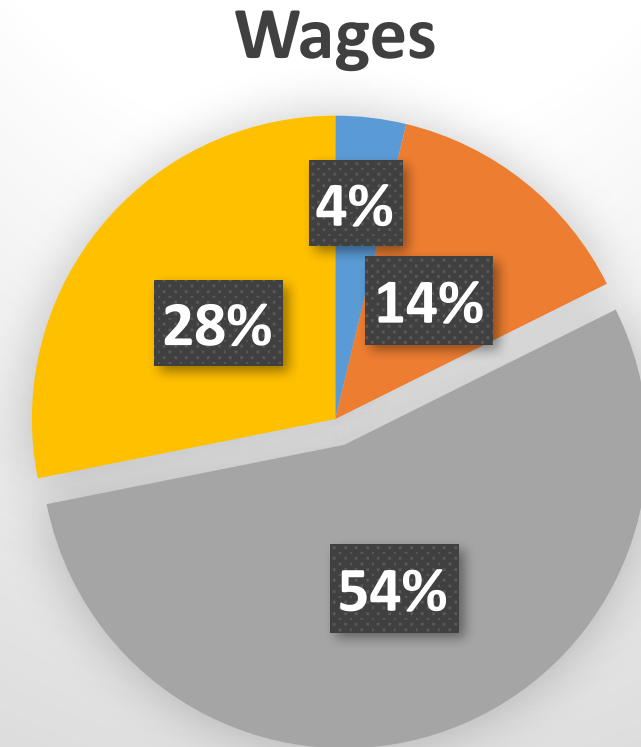
Knowledge-based services

- Finance and insurance
- Information
- Professional services
- Management of companies
- Health care
- Education

2014 share of jobs, wages by sector



- High education goods
- Low education goods
- High education services
- Low education services



High education services = 42% US employment; 54% of wages
Goods producing services = 15% of employment; 18% of wages

Michigan rank vs. nation

Category	Rank vs. 50 states
Income Per Capita, 2013	37
Transfer Payment Income Per Capita, 2013	10
Net Employment Earnings Per Capita, 2013	38
Employment to Population Share, 25 to 64, 2013	42
Average Wage, 2014	19
High Education Services Share of Total Wages, 2014	26
Bachelors or more Share of Population 25 and older, 2013	33
Bachelors or more Share of Population 25 to 34, 2013	29

Detroit rank vs. 52 major metros 1 m+

Category	Detroit
Income Per Capita, 2013	38
Net Employment Earnings Per Capita, 2013	40
Transfer Payment Income Per Capita, 2013	6
Employment to Population Share, 25 to 64, 2013	49
Average Wage, 2014	18
High Education Services Share of Total Wages, 2014	33
Bachelors or more Share of Population 25 and older, 2013	42
Bachelors or more Share of Population 25 to 34, 2013	35

Grand Rapids rank vs. 52 major metros

Category	Grand Rapids
Income Per Capita, 2013	49
Net Employment Earnings Per Capita, 2013	48
Transfer Payment Income Per Capita, 2013	38
Employment to Population Share, 25 to 64, 2013	21
Average Wage, 2014	49
High Education Services Share of Total Wages, 2014	52
Bachelors or more Share of Population 25 and older, 2013	34
Bachelors or more Share of Population 25 to 34, 2013	27

College attainment in population

(Bachelor's degree or better, age 25 and older)

Area	Metro	Central City	Suburbs
Detroit MSA	29.0%	13.0%	31.8%
Grand Rapids MSA	30.6%	33.5%	30.0%
Boston MSA	44.8%	45.2%	44.7%
Milwaukee MSA	33.2%	23.2%	38.6%
Minneapolis MSA	39.3%	43.9%	38.2%
Pittsburgh MSA	32.2%	39.7%	31.2%

College attainment in population

(Bachelor's degree or better, age 25-34)

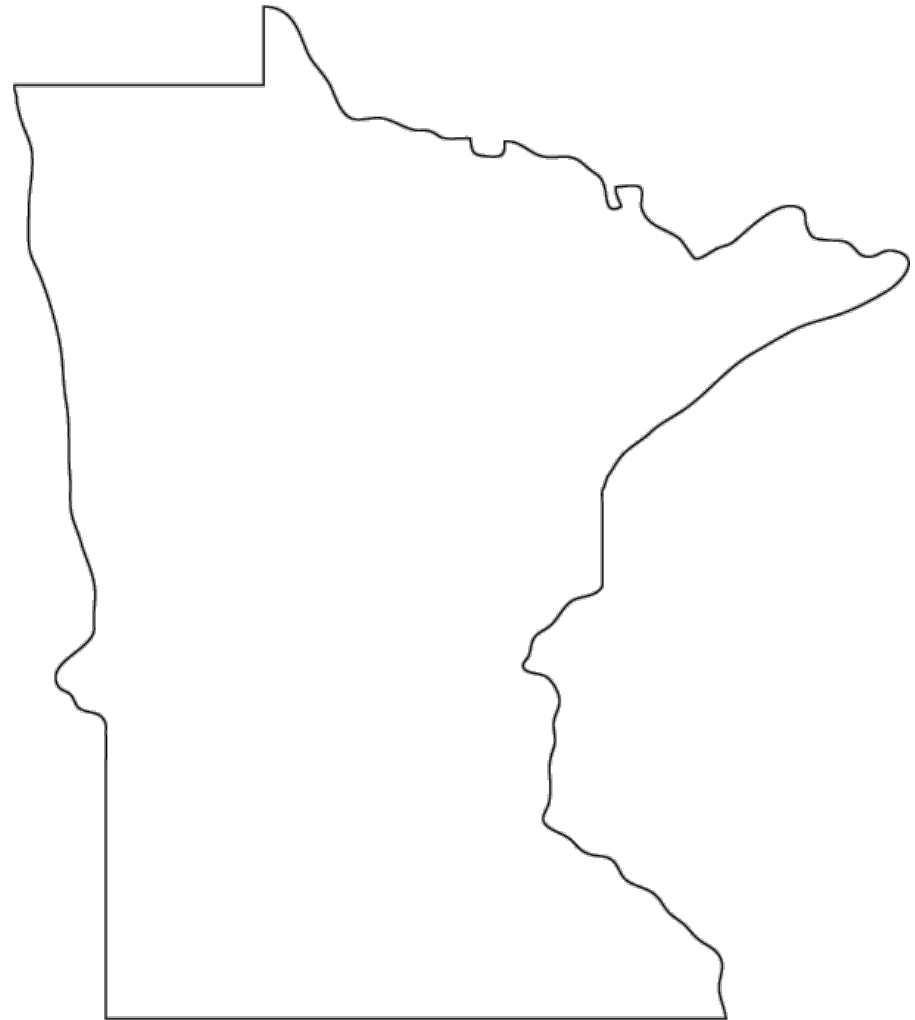
Area	Metro	Central City	Suburbs
Detroit MSA	32.9%	13.2%	37.0%
Grand Rapids MSA	35.6%	42.1%	33.4%
Boston MSA	55.0%	64.2%	52.4%
Milwaukee MSA	39.3%	30.2%	47.2%
Minneapolis MSA	43.8%	49.1%	41.7%
Pittsburgh MSA	44.2%	56.0%	41.5%

Our conclusion:

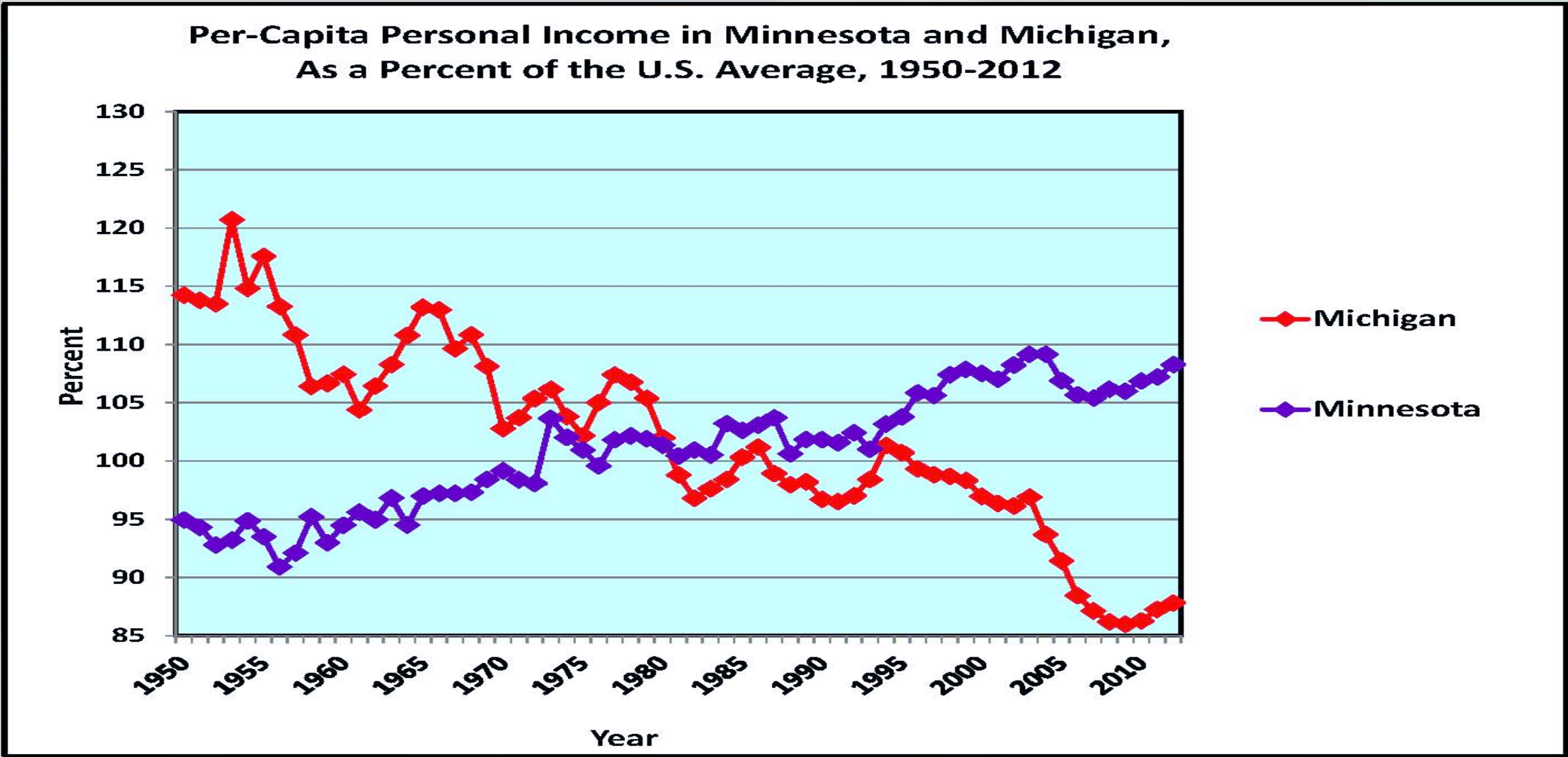
**The places with the greatest
concentration of talent win!**

A pattern for the future?

**A look at another cold
weather Midwest state**



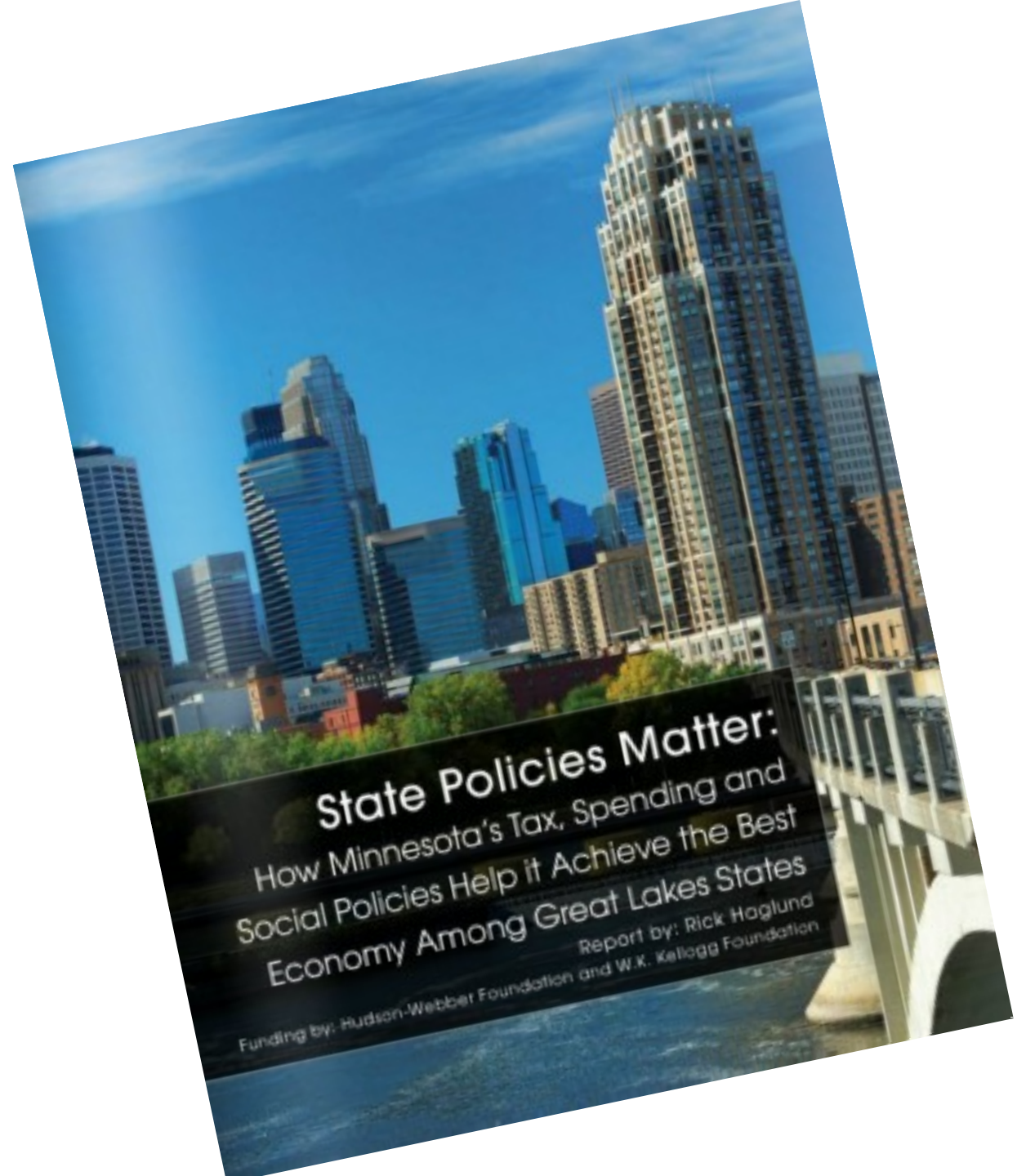
A tale of two states



A tale of two states

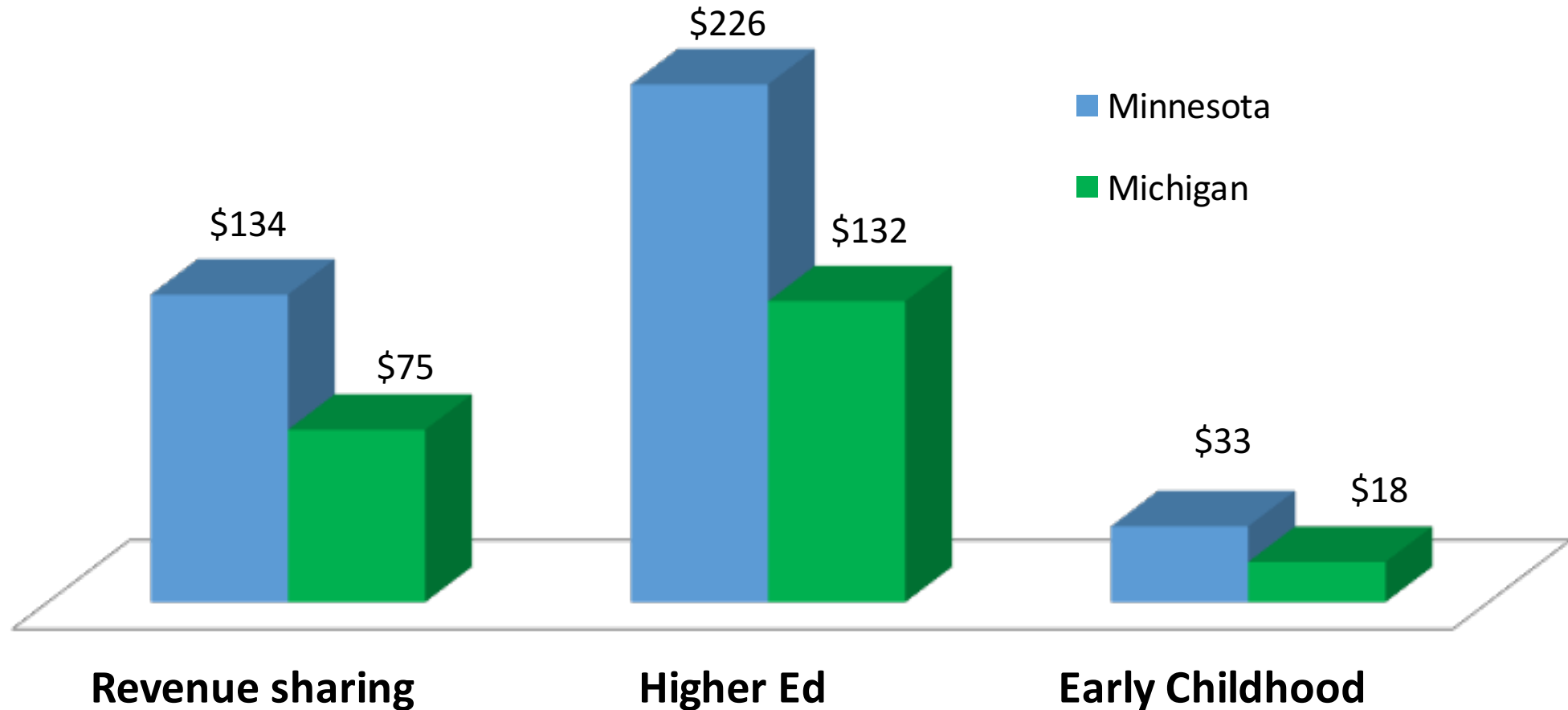
	Michigan	Minnesota
Unemployment rate (Dec. 2015, U.S. BLS)	5.1%	3.5%
Per capita income (2014, U.S. BEA)	\$40,740	\$48,998
Percent of wages from high education service sector (2014, U.S. BEA) ??????????	49.4%	XXX
Per capita public goods investment per resident, state and local (2012; Tax Foundation)	\$3,630.62	\$5,184.78

Michigan Future looked at policy differences between Michigan and Minnesota

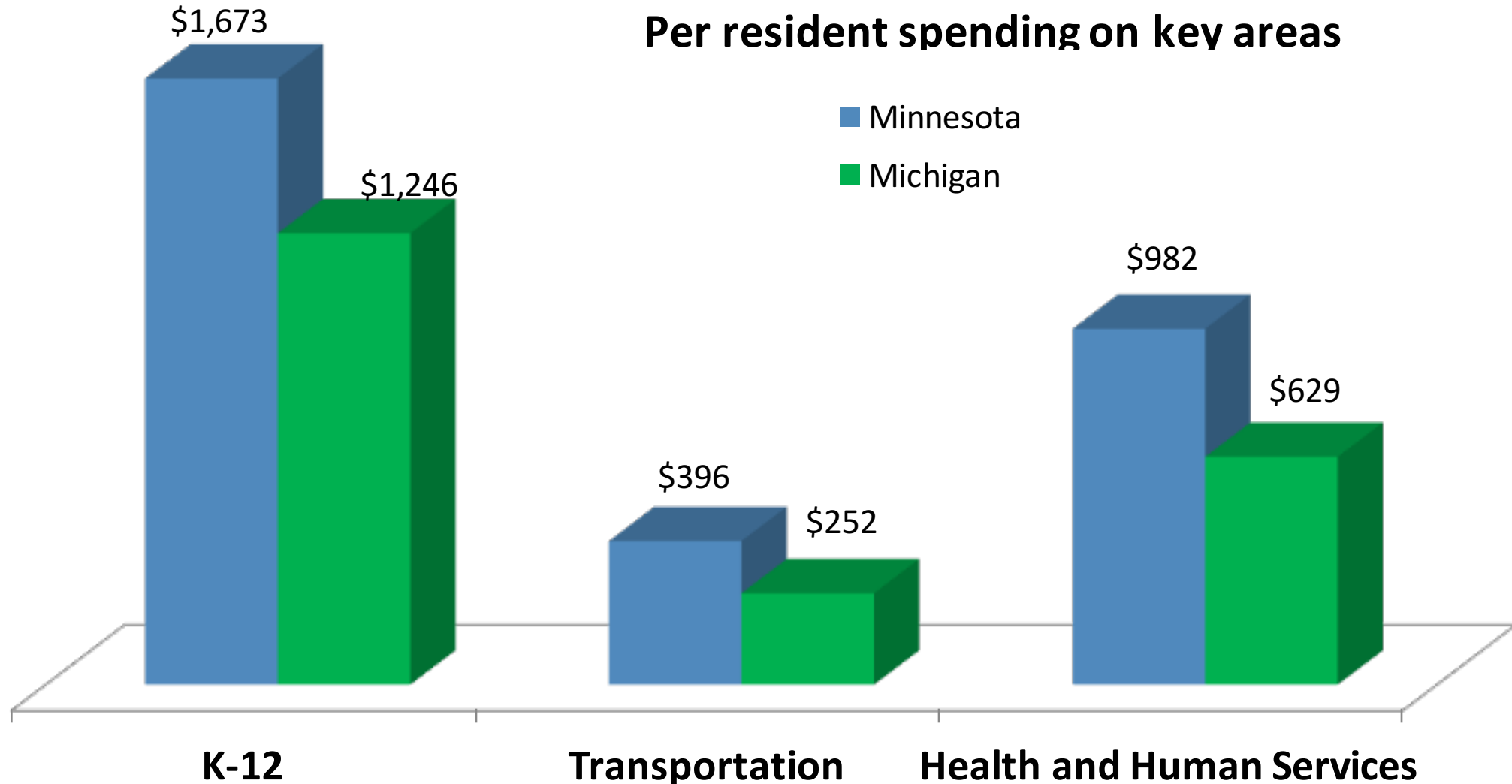


Minnesota and Michigan public goods investment

Per resident spending on key areas



Michigan and Minnesota public goods investment



Minnesota regionalism

- Tax base sharing
 - Portion of tax base in Minneapolis-St. Paul metro area shared by 240 school districts, local governments, and other special taxing districts.
 - Forty percent of commercial-industrial tax base growth since 1971 pooled.
 - Local governments share
 - \$390 million in 2012
 - 37% of commercial-industrial tax base

Minnesota regionalism

- Metropolitan Council
 - 7 county Minneapolis-St. Paul metro area.
 - 17 members are appointed by the governor.
 - Cannot be local government officials.
 - Budget: \$828.4 million
- Metropolitan Council responsibilities
 - Planning
 - Transit
 - Wastewater treatment

American's top state for business: Minnesota

Minnesota is America's Top State for Business in 2015...

Never since we began rating the states in 2007 has a high-tax, high-wage, union-friendly state made it to the top of our rankings. But Minnesota does so well in so many other areas—like education and quality of life—that its cost disadvantages fade away.

—CNBC



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