



# A Path to Good-paying Careers for all Michiganders: A 21st Century state policy agenda

Funded by:

Skillman Foundation  
Hudson-Weber Foundation  
Frey Foundation  
Charles Stewart Mott Foundation  
Ralph C. Wilson, Jr. Foundation

April 2017



MICHIGAN FUTURE INC.  
A Catalyst for Prosperity



# Table of Contents

- Our work..... 4
- About this report ..... 5
- The transformation of work requires transformed economic policies ..... 7
- Our policy framework..... 13
- Preparing Michiganders for good-paying 21st Century careers ..... 15
- Creating places that retain and attract talent ..... 20
- Sharing prosperity with those not participating in the high-wage knowledge-based economy..... 22
- Paying for our recommendations..... 23
- What we read..... 26

## Michigan Future Inc. Board of Directors

Tonya Allen (Chair)  
President and CEO  
Skillman Foundation

Sandy Baruah (Treasurer)  
President and CEO  
Detroit Regional Chamber

Vernice D. Anthony (Secretary)  
CEO  
VDA Health Connect

Lou Glazer  
President  
Michigan Future, Inc.

Paul Hillegonds  
President  
Michigan Health Endowment Fund

Steven M. Wilson  
President  
Frey Foundation

## Advisory Committee

David Egnor  
President and CEO  
Ralph C. Wilson, Jr. Foundation

## Staff

Patrick Cooney  
Policy Associate

Sarah Szurpicki  
Policy Associate

Kim Trent  
Policy Associate

# Our work

We are Michigan Future, Inc. We are Michiganders with diverse backgrounds and political beliefs. What brought us together was a common concern about Michigan's future and a belief that as citizens all of us can help shape that future. Our goal is to offer ideas that will engage readers in a conversation about how Michigan can meet the economic challenges of the future.

Our commitment is to finding common ground: using our diverse experiences, beliefs and insights as assets in developing practical and effective recommendations. We don't all agree on every policy included in the menu of ideas we recommend for consideration in this report. But what unites us far exceeds what divides us.

We are data driven. We go where our findings take us. That is the foundation of all that we do.

We believe that globalization and increasingly technology are mega forces that are transforming the economy. The places that will do best in the future are those that align with—rather than resist—these new realities. What we have learned most is that what made us prosperous in the past won't in the future.

We are committed to the goal of recreating a high prosperity Michigan. We believe the goal of state economic policy should be raising household income for all Michiganders. High prosperity is different from the most often-used measure for economic success, low unemployment. It is being a place with a broad middle class where wages and benefits allows one to pay the bills, save for retirement and the kids' education and pass on a better opportunity to the next generation.

Places with low unemployment rates, but also low personal income, aren't successful to us. The same is true for other commonly cited measures of economic success such as gross state product and doing well on business friendly rankings. States and regions to us are not successful unless they are a place with a broad middle class.

We agree with President Reagan when he said a job is the best social program. To us a good-paying job is the best social program. Except for those not retired or unable to work at a good-paying job due to physical or mental disability, the best path to a middle class forty-year career is a good-paying job.

# About this report

Nearly all of our previous reports have been about presenting and explaining data. This one is different. It has very little data. The data we primarily relied on for this report comes from our previous work: *Michigan's Transition to a Knowledge-Based Economy: 2007-2014* and *The New Path to Prosperity: Lessons for Michigan from two decades of economic change*. Both can be found at [michiganfuture.org](http://michiganfuture.org)

At the end of this report is a list of the books and reports that we learned from in helping us develop our analysis and recommendations.

This report is about state policy. It is a reflection on what we have learned from 25 years of researching and writing about the national and Michigan economies. And what we have learned from two long-term human capital development projects we were involved in: The Reducing Chronic Unemployment Initiative and the Michigan Future Schools High School Accelerator. Although both provided services exclusively to residents of the City of Detroit, we believe our learnings are applicable across the state.

The basic conclusion of our years of research: Michigan will not have a mass middle class again until we transition to the knowledge economy that is the path to prosperity in the 21st Century.

Our motivation in doing our first ever policy agenda is a sense of urgency that across the political spectrum we need a different set of policy options. Ideas not about how we can turn the clock back and make the old economy work again, but rather ideas about how we can position all Michiganders for economic success in an economy being constantly altered by smarter and smarter machines taking over work traditionally done by humans.

This report lays out a state policy agenda designed to connect people to a career of good-paying work in the context of an economy constantly being reshaped, largely by technology. It will be followed by the release of three white papers that detail specific policy options in the areas where state government action can make the biggest impact to raising household incomes of all Michiganders: education, placemaking and shared prosperity.







# The transformation of work requires transformed economic policies

In the seventh year of a national economic expansion and an even stronger rebound from near bankruptcy of the domestic auto industry—too many Michigan households are struggling. Michigan’s substantial economic challenges are clearly structural.

In good times and bad far too many Michigan households are experiencing declining or stagnant incomes. Over the last decade and a half—no matter who was in control in Lansing and Washington—Michigan has moved from being a high-prosperity to a low-prosperity state.

As the map from the Harvard Business School depicts every county in Michigan has suffered a major decline in median household income over the past fifteen years. In terms of

per capita income—the best measure of economic well being—Michigan has gone from two percent below the national average in 2000—the last time the domestic auto industry was booming—to eleven percent below in 2015.

Most concerning, the Michigan Association of United Ways found that 40 percent of Michigan households do not have sufficient income to pay for the necessities: Primarily housing, childcare, food, health care and transportation. Its report makes clear that this is an all Michigan problem: in every county, among all races and all ages.

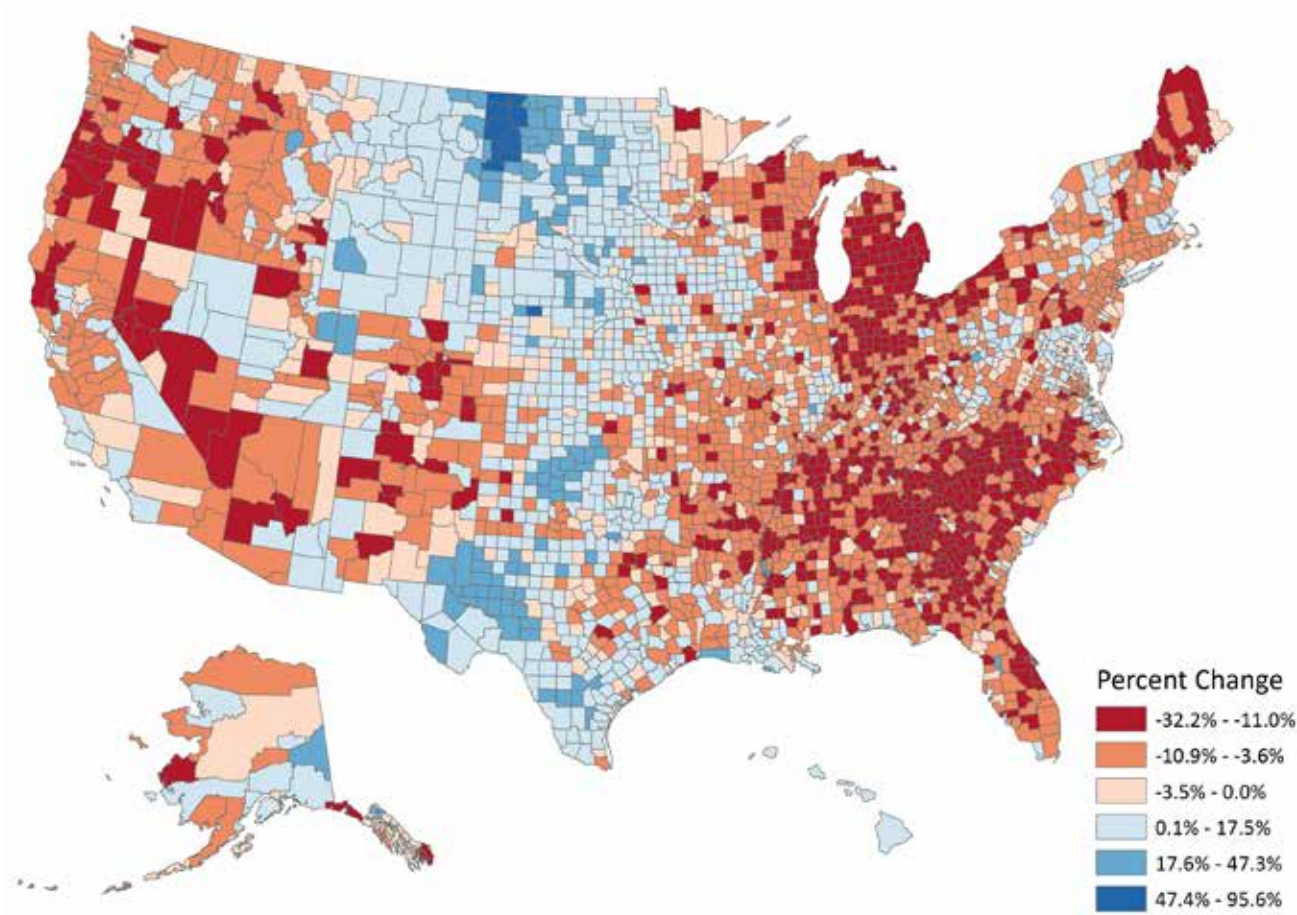
---

We are not talking about the underpinnings of all of that which is the transformation in the economy and the nature of work from stable lifelong jobs to unstable, occasional, part time, flex jobs where everyone is going to have to become a lifelong learner. ... And we are not wrestling with any of those questions and neither political party has a response.

- U.S. Senator Ben Sasse

# FROM COMPETITIVENESS TO SHARED PROSPERITY

## Change in real median household income by county, 1999-2014



Source: U.S. Census Bureau, calculations by Harvard Business School

Map courtesy of Harvard Business School



## Why?

- Not enough of us work: Michigan is 40th in the proportion of adults who work. 400,000 fewer Michiganders are working today than in 2000.
- Not enough of us work in good-paying jobs: 16 percent below the national average in wages and benefits per capita. In 2000 Michigan was 1 percent below.
- Too low education attainment. 32nd in the proportion of adults with a four-year degree or more. And even lower in all the rankings of K-12 student outcomes

More broadly, our challenges in Michigan are similar to those Robert Putnam documented in his book, *Our Kids*: that the top quarter of American households are doing well and the other three quarters are struggling to keep up, many falling farther and farther behind. On measure after measure of economic and social well-being of households and their children, Putnam presents charts that look like open scissors with those in the top quartile advancing and those in the bottom three quarters declining.

Once again this pattern is true irrespective of race. Racial discrimination is an ongoing reality in employment, education, housing and the criminal justice system; but class is now the main dividing line in the American economy and increasingly class is defined by college attainment.

The preeminent challenge of our times is figuring out how to reverse what is being called the Great Decoupling. Where even when the economy is growing—as it has been in Michigan since the end of the Great Recession—only those at the top are benefiting from that growth. The policy priority needs to be reestablishing an economy where as the economy grows all Michigan households enjoy rising incomes.

We believe to meet this challenge requires the transformation of state economic policy. Starting with a new mission. It should now be clear that having a growing economy, or a low unemployment rate, or being business friendly—all of which have been the goals of state policymakers now and in the past—does not lead to an economy that benefits all.

The first essential step on the path to recreating an economy where all benefit from economic growth is explicitly establishing as the mission of state economic policy a rising household income for all. A Michigan with a broad middle class where wages and benefits allows one to pay the bills, save for retirement and the kids' education and pass on a better opportunity to the next generation.

Second is understanding that the key to having an economy with rising household incomes for all are good-paying jobs and careers. Where careers are for forty years, not a first job. The prime focus of economic policy must be helping people have a career of good-paying work.

---

**The first essential step on the path to recreating an economy where all benefit from economic growth is explicitly establishing as the mission of state economic policy a rising household income for all.**

Also understanding that good-paying work today and, even more so, tomorrow looks much different than good-paying work in the past. Trying to turn the clock back to recreate the economy of the past has not worked. Both political parties in Michigan have been promising they can do that for decades without success.

Trying to turn the clock back won't succeed in the future either. The changes in the nature of work are driven by powerful forces—primarily smarter and smarter machines increasingly able to do more and more of the work that humans have traditionally done. But also globalization, changing consumer preferences, and changes in how employers contract for work. This requires state policies that are aligned with, rather than resist, the new realities of work.

To reestablish an economy where as the economy grows all Michigan households enjoy rising incomes a policy agenda must start with an understanding that what made Michigan prosperous in the past won't in the future.

### There are five big ongoing changes in the nature of work:

**1. Jobs are increasingly service-providing not goods-producing.** Goods-producing is primarily work in farming, mining, manufacturing and construction. Now about 20 percent of American employment and continuously declining as a share of national employment. The likely transformation of the auto industry from primarily selling cars to providing mobility will change Michigan's most important industry from mainly good-producing to mainly service-providing.

- 2. Good-paying work is increasingly going to professionals and managers who work in offices, schools and hospitals.** Including the pre- and post-production work of the auto industry and other manufacturing enterprises (engineering, design, logistics, marketing, management, etc.) Yes there are good-paying jobs that do not require a four-year degree. And certainly there are good-paying jobs not done in offices, schools and hospitals. But good-paying work with good benefits is increasingly going to those with four-year degrees or more and is increasingly concentrated in knowledge-based services.
- 3. Smarter and smarter machines are accelerating the creative destruction of jobs, occupations and even industries.** But which jobs, occupations and industries will be most affected and when is unpredictable. So your job and occupation today are less secure than yesterday and will be even less secure tomorrow than today.
- 4. Because of smarter and smarter machines, work is increasingly right brain—the skills that are the hardest to automate.** Daniel Pink in his book *A Whole New Mind* posits that new good-paying jobs increasingly will go to people who are creators, empathizers, pattern recognizers and meaning makers.
- 5. Work is increasingly contingent:** More and more jobs will go from stable and life-long—predominantly full time with benefits from an employer—to unstable, occasional, part-time, flex jobs—far more working for yourself where you are responsible for your employment salary and benefits.

---

Manufacturing is still very important to us, but we are much more diversified state. And furthermore, anybody that says the steel mills are coming back to Youngstown is not telling the truth. They're not coming back. If you look even at Pittsburgh, where I grew up, you've now replaced steel jobs with technology jobs, and they pay better. For the best interest of the people of our state, having a big mix of technology, healthcare, IT, financial services, and manufacturing is the ticket.

- Ohio Governor John Kasich

We want to be clear that this description of the changes in the demand for goods-producing and service-providing occupations is not a value judgment on our part. If we had been writing this report at the turn from the 19th to the 20th Century we would have written that the demand for farmers was declining and the demand for factory workers increasing. Then and now we think that farming is an honorable profession. But the trends were clear then that we were going to need far fewer farmers and far more factory workers.

The same is true today. Working in factories and other goods-producing industries is honorable work. And we value those who do those jobs. We need a far better system for helping prepare people who want to work in those occupations and industries. But the reality is that the economy is demanding a smaller and smaller proportion of workers in those occupations and industries.

Another reality is that there is a lot of work that is not good paying. Maybe as much as half the jobs in the Michigan economy today don't pay enough in wages and benefits to pay for family necessities as defined by the Michigan Association of United Ways. There is no evidence that the proportion of low-paid work, most without benefits, is going to decline going forward.

We are living in a world where the gales of creative destruction blow stronger and faster. In an economy increasingly characterized by rapid and discontinuous change, successful individuals, enterprises, and communities will need to be agile: able to let go of what is no longer working and embrace—or better yet, create—the next wave.

This, of course, is the role Michigan played at the beginning of the Industrial Age. Because we embraced the new—and left behind the old—quicker than anyone else, we became one of the leading-edge communities in the world for most of the 20th Century.

We were both the place where entrepreneurs led by Henry Ford invented the next economy and also the place where many people migrated across the landscape and went to a city to get a totally different kind of job in the growing factory-based mass middle class. By and large Michiganders who took the risk of leaving the declining farm economy for the rising factory economy did the best.

Once again, success is tied to letting go of the old and embracing the new. Michigan needs to get on a new path if we are to succeed in the knowledge-driven and entrepreneurial economy of the future.

We are not naive. We know that, just as in the Industrial Age, not all of us will be economic winners. We understand that for many Michiganders the transition to a new economy means a reduction in their standard of living. Some will lose their job. Others, who keep their job, will see their wages reduced. Some who lose their job will have a hard time finding a new job, and many will only find new jobs that pay less. A lot of us will have our employer provided health care reduced or eliminated. Most of us will have less job security.

But the mega forces that are transforming the economy trump policy and politics. Rather than pursue a policy agenda that tries to make the old economy work for us again, which has not succeeded for the past fifteen years and cannot succeed in the future, we recommend a state policy agenda designed to help all Michiganders succeed in the economy of today and tomorrow.

---

The people who are writing software, unless you are doing advanced things, they're gone. ... I personally think there's going to be a greater demand in 10 years for liberal arts majors than there were for programming majors and maybe even engineering. When the data is all being spit out for you, options are being spit out for you, you need a different perspective in order to have a different view of the data. In particular, experts in philosophy or foreign languages will ultimately command the most interest from employers in the next decade.

- Business leader and investor Mark Cuban







## Our policy framework

At the core of our agenda for raising Michiganders' household income is the conviction that human capital is the asset that matters most to individual and state economic well-being. We agree with Governor Snyder when he wrote in his Special Message on Developing and Connecting Michigan 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."

### **Our research has led us to conclude that the state policy actions that matter most to raising household income for all Michiganders are:**

- Increasing education attainment, particularly those with a four-year degree or more, to prepare Michiganders for good-paying 21st Century careers.
- Creating places where mobile talent wants to live and work, particularly vibrant central city neighborhoods, to retain and attract college-educated Millennials.

- Sharing prosperity with those not participating in the high-wage knowledge-based economy by increasing both labor force participation and the returns from working.

What follows is a summary of our recommendations in each of these areas. The recommendations are based on our understanding of what works. The recommendations are a menu of what we consider most effective options. We understand that some of the options will not be acceptable to some. As mentioned earlier not all of the Michigan Future board and staff agrees with every recommendation.

Taking some options off the table means needing to utilize other options more to achieve the needed results. From our perspective if the state doesn't act aggressively in each of the three areas the chances are high that Michigan will remain a low-prosperity state with a high proportion of households struggling to meet basic needs and/or not enjoying a rising household income.

---

The United States is a competitive location to the extent that firms operating in the U.S. are able to compete successfully in the global economy while supporting high and rising wages and living standards for the average American

- Harvard Business School, U.S. Competitiveness Project







# Preparing Michiganders for good-paying 21st Century Careers

By far the most reliable way to raise Michiganders' living standards is increased education attainment. The data are clear: the higher one's education attainment the more one works and earns. The power of education attainment in raising one's income has been growing for decades. The odds are great that the income gap by education attainment will continue to widen.

The most reliable path to a good-paying career is with a bachelor's degree or more, in both STEM and non-STEM fields.

The Georgetown University Center on Education and the Workforce reports of the 2.9 million net new good-paying jobs—those that pay at least \$53,000 a year—added during the first five years after the end of the Great Recession, 2.8 million went to those with a bachelor's degree, 152,000 to those with some college or associate's degree and 39,000 fewer with a high school degree or less.

Of those jobs 881,000 were in STEM occupations and 445,000 were health care professionals and technicians. That is a little more than 1.3 million of the 2.9 million net new good-paying jobs. More than 1.9 million net new high-wage jobs were in managerial and professional office, and sales and office support, occupations—the kind of jobs filled largely by liberal arts and business majors. Blue-collar occupations lost 71,000 good-paying jobs.

Clearly not all good-paying jobs require a four-year degree. There are many good-paying jobs that can be obtained with an associate's degree or occupational credential. But the preponderance of good-paying jobs are going to those with four-year degrees or more.

---

Preparing people for one job, and one job only, creates a temporary and rigid work force. ... Your education must prepare you for a long career that meets constant changes in the job market, and supports your own growth. The only constant during a life-long career is that you'll need to adapt. The important question for our education system: Are you prepared for all the changes that may come in the future?

- Ann Arbor software entrepreneur Bill Wagner

Those who will do the best in a labor market characterized by accelerated creative destruction are those who have the agility and ability to constantly switch occupations. The notion of a career ladder—predictable and linear steps upward—in a world that is constantly changing is obsolete. Rather people will need to be like rock climbers—constantly adjusting to new opportunities and challenges, and then resourceful to take advantage of those opportunities. Add to that increasingly the ability to be your own employer. Finding good-paying work and good benefits and managing your own finances. These are the kind of skills that are developed best by earning a four-year degree, particularly in the liberal arts.

Unfortunately Michigan is a national laggard in education attainment, consistently ranking in the thirties among states in the proportion of adults with a four-year degree or more, and even lower in K-12 student achievement.

Many believe that Michigan's low student achievement is largely a result of what children bring with them to school, not poor schools. That family and neighborhoods trump schools. Families and neighborhoods, of course, matter. But the reality is, across the country, there are many early childhood programs (both home based and center based), K-12 school districts (both traditional public and charter), and higher education institutions that are demonstrating that quality education can get high student outcomes no matter what the students' background.

One can make a strong case that we have a human development system that tolerates high levels of student failure. Too many kids leaving early childhood programming not ready for kindergarten; way too many students leaving high school not ready for post-secondary education; far too

many who enroll in post-secondary institutions failing to earn a degree or even a meaningful credential. If anything the performance of the adult training system is even worse with very low completion rates and many who do complete not finding good-paying work.

We need to both raise the bar so that all education institutions are accountable for meaningful success of their graduates and that those held most accountable are those in charge of the institution/enterprises. Policy incentives should drive—not discourage—all education providers to serve well children growing up in non-affluent households.

The reality is there is no path back to a rising standard of living for most Michiganders that is not built on a foundation of high-quality education for all children from early childhood through college.

Our education policy recommendations are built on two core principles:

First, that all children deserve the same education no matter whom their parents are. Without that we cannot live up to the core American value of equal opportunity for all. We are on the opposite track at the moment as both a country and a state.

The education that is provided for affluent kids is, by and large, designed and executed differently than it is for non-affluent kids. One system delivers a broad college prep (dare we say liberal arts) education, the other delivers an increasingly narrow education built around developing discipline and teaching what is on the test or too narrowly preparing non-affluent children for a first job.

The second is that none of us has a clue what the jobs and occupations of the future will be. Today's jobs are not a good indicator of what jobs will be when today's K-12 students finish their careers in the 2050s or 2060s. We simply don't know how smarter and smarter machines are going to change labor markets. So the purpose of pre K-12 education (maybe even pre K-16) is to build foundation skills that allow all Michigan children to have the agility and ability to constantly switch occupations. To be successful rock climbers.

To thrive in the new economy, workers have to be adaptable, have a broad base of knowledge, be creative problem-solvers and be able to communicate and work well with others. In other words, workers need to be really good at all of the non-algorithmic skills computers aren't good at yet.

**The best definition we've found for this complex set of skills comes from the book *Becoming Brilliant*, by learning scientists Roberta Michnick Golinkoff and Kathy Hirsh-Pasek, who label these skills the six Cs:**

1. **Collaboration**, the ability to work and play well with others, which encompasses a wide range of soft skills necessary for success in the modern workplace.
2. **Communication**, the ability to effectively get your point across and back it up with evidence, both verbally and in writing, and the ability to listen and be empathetic.

3. **Content**, deep understanding and a broad base of knowledge in a range of subject areas, rather than simply surface knowledge of reading and math skills.

4. **Critical thinking**, the ability to sift through mountains of information and get a sense of what's valuable and not and to solve unanticipated and unpredictable problems.

5. **Creativity**, the ability to put information together in new ways.

6. **Confidence**, which encompasses capacity such as grit, perseverance and a willingness to take risk.

These are the skills students will need to complement rather than be replaced by machines, solve today's problems, and create new solutions to problems we can't yet envision.

If Michigan is going to be a place with a broad middle class, if employers are going to have the supply of skilled workers they need and if Michigan is going to be a place once again where kids regularly do better than their parents, it will happen because the state made a commitment to provide an education system for all from birth through higher education that builds rigorous broad skills that are the foundation of successful 40 year careers.



A lifelong education system designed around the 6Cs as foundation skills for all no matter what career one chooses requires a transformation in our approach to human capital development. What follows are the areas in which transformation needs to happen. It is written mainly from the perspective of K-12 education, but a similar transformation is needed in all our education institutions.

- **Standards:** From an almost exclusive focus on content to Common Core content standards plus rigorous standards for the five other Cs.
  - **Assessments:** From one right answer standardized tests to measures that are predictive of college and career success. In addition to not being predictive, having standardized test scores as the only measure of student success has driven out of most schools for non-affluent students the arts, music, a rich array of electives and free extra curriculars all important elements in building the six 6Cs.
  - **Pedagogy:** From rote learning to problem solving/project based teaching and learning.
  - **Accountability:** From closing low performing schools to holding management of education institutions at all levels accountable for high-bar standards of student success at the next level.
  - **Talent:** From far too many blaming teachers to valuing, developing and holding accountable all professionals who impact student outcomes. This includes teachers, but also principals, counselors, superintendents and chief academic officers.
- **Funding:** Substantially increasing funding for non-affluent children from birth through college. To us the evidence is clear: The formula for ending what is increasingly becoming an education caste system—where for the first time in American history your parents' education attainment is the best predictor of a child's education attainment—is both far higher quality education providers and substantially more funding for children growing up in non-affluent households starting from birth through college. As Putnam makes clear if you want evidence that investment in education matters just take a look at how much top quartile parents spend on their kids development from birth through college.
  - **Segregation:** Incentives to integrate neighborhoods and schools by race and class. We have known for more than a half century that the most powerful lever to improving outcomes of non-affluent students is attending school with lots of middle class students and yet we are going in the wrong direction.
  - **Operators:** From letting the market decide who operates schools to giving parents choice but only from operators who meet high quality standards and where supply and demand is balanced. We are long-time supporters of charter schools and school choice, but have been disappointed in the results of both. States where choice is working best to improve student outcomes combine increased parental choice with much higher quality bars for those operating schools.







# Creating places that retain and attract talent

Place attracts talent. Talent = economic growth.

Then—New York City Mayor Michael Bloomberg got it right when he wrote in a Financial Times column: “The most creative individuals want to live in places that protect personal freedoms, prize diversity and offer an abundance of cultural opportunities. A city that wants to attract creators must offer a fertile breeding ground for new ideas and innovations. . . . Economists may not say it this way but the truth of the matter is: being cool counts. When people can find inspiration in a community that also offers great parks, safe streets and extensive mass transit, they vote with their feet.”

Our research on the changing American economy has led us to conclude that, quite simply, in a flattening world where work can increasingly be done anyplace by anybody, the places with the greatest concentrations of talent win. The new path to prosperity is concentrated talent.

One might ask “what does quality of place have to do with good-paying careers for all?” The answer is talent is mobile and increasingly where they go high-wage knowledge-based enterprises follow. In his Financial Times article Bloomberg also wrote: “I have long believed that talent attracts capital far more effectively and consistently than capital attracts talent.”

Concentrated talent increasingly is what attracts high-wage employers. Talent is also entrepreneurial, so where it is concentrated increasingly are the places with the most high-wage business start-ups. So talent concentration is essential to high-wage job creation.

Where you have concentrations of high-wage workers you get increased demand for local services. From buying and fixing up homes and second homes, to car and boat purchases to increased demand for retail and hospitality, concentrations of professionals and managers are driving local economies just as high concentrations of high-wage factory workers did in the past.

---

Our research on the changing American economy has led us to conclude that, quite simply, in a flattening world where work can increasingly be done anyplace by anybody, the places with the greatest concentrations of talent win. The new path to prosperity is concentrated talent.

Economies are regional. States and municipalities are political jurisdictions, not economic units. State economies can best be understood as the sum of their regional economies.

The evidence from around the country is that quality of place is an—if not the most—important component in retaining and attracting talent. Places with quality infrastructure, basic services and amenities are the places that retain and attract talent the best.

It is also clear that the desirable mix of infrastructure, basic services and amenities differ from region to region. What makes small towns and rural communities attractive places to live and work are different than what makes big metros and their big cities attractive places to live and work. So Michigan's diverse regions need the resources and flexibility to develop and implement their own strategies to retain and attract talent. It's the key to their future economic success.

The places where talent is concentrating are increasingly big metros with vibrant central cities. Central cities because mobile talent increasingly wants to live in high-density, high-amenity neighborhoods where you don't have to own a car. Every high-prosperity state that is not energy driven has an even higher prosperity big metropolitan area that has a high proportion of residents with a four-year degree or more. Michigan won't be a high-prosperity state unless metro Detroit and metro Grand Rapids are able to compete with national talent magnets like Chicago and Minneapolis for mobile talent.

### **These are placemaking policies that matter most to Michigan and its regions retaining and attracting talent:**

- Welcoming to all. Talent is both diverse and mobile. If a place is not welcoming, it cannot retain and attract talent. People will not live and work in a community that isn't welcoming. That means state policies that provide everyone with basic civil rights and treat everyone the same no matter where they are born, their sexual orientation, race, religion or ethnic background.
- Increased public investments in the provision of quality infrastructure, basic services and amenities as state, regional and local priority.
- Understanding that economies are regional and each region needs the flexibility to develop and implement their own retaining and attracting talent strategies.
- Substantial increase in returning state revenue from the state to local governments in a way that encourages regional cooperation.
- Removing restrictions on local government taxing authority, including a local/regional sales tax option.
- State and local development friendly regulations that facilitates the creation of high-density, walkable, high-amenity neighborhoods in our cities and inner ring suburbs.



## Sharing prosperity with those not participating in the high-wage knowledge-based economy

Most jobs now and in the future will not be high skill. And therefore will not be high paid. That is the fundamental shift that has occurred in our economy over the past several decades. The high-paid, low-education-attainment jobs that were the backbone of Michigan's mass 20th Century middle class are gone forever.

In their book *The Second Machine Age* Erik Brynjolfsson and Andrew McAfee project that in an age of brilliant technologies economic growth will accelerate substantially but the distribution of economic gains will concentrate even more than today at the top. So there is little reason to believe going forward that there will be a higher proportion of good-paying jobs.

This means Michigan cannot reach the goal of rising household incomes for all unless it finds ways to increase the amount of work and the pay and benefits of that work for those with low education attainment.

Our recommended policy menu includes expanding the safety net. Michigan has been doing the opposite recently, at least in part due to the belief that a too generous safety net discourages people from working. Minnesota's experience has been the opposite. As we document in our *State Policies Matters* report, Minnesota has a far more generous safety net than Michigan. It is third in the proportion of those 16 and older working, Michigan is 40th. If the same proportion of Michiganders age 16 and above worked as Minnesotans there would be 830,000 more Michiganders working today.

---

The high-paid, low-education-attainment jobs that were the backbone of Michigan's mass 20th Century middle class are gone forever.

## Our agenda for accomplishing getting more Michiganders working and to make work pay more for those in low wage jobs is:

- Helping Michiganders get family supporting employment through a combination of income supports and comprehensive and customized case management. As chair of the House Ways and Means Committee, Paul Ryan proposed an opportunity grant system where folks eligible for public assistance would receive benefits and services needed to get on the path to self sufficiency, all coordinated by a case manager. Services could include housing, child care, transportation, substance abuse support, mental health, job training, financial education, etc. With services continuing beyond a first job.
- Using TANF (Temporary Assistance to Needy Families) funding to help those out of work or underemployed get family supporting jobs.

To provide low income families with a safety net that acts as a trampoline rather than a snare (as described by former Massachusetts Governor William Weld). Michigan instead has been a leader in getting out of the business of providing cash grants or services designed to help people get to self sufficiency.

- Augmenting wages and benefits through some combination of employer mandates and/or a strengthened safety net. The employer mandate recommendations is the area where we have the most disagreement amongst the Michigan Future Board and staff. But we all recognize that to achieve the goal of getting all Michiganders on the path to good-paying careers that income from work will need to be supplemented for many.
- Reforming the criminal justice system so that fewer are imprisoned, shorter time is spent in prison and barriers to work are removed after release.



# Paying for our recommendations

As you have seen many of our recommendations involve increasing public investments. As the table on page 25 shows the most prosperous non-energy driven states are those with the highest college attainment rates.

We have long believed, and the data show, that the states and regions with the most prosperous economies—the broadest middle class—will be those that make public investments in the assets needed to prepare, retain and attract talent. Ultimately it is talent concentrations, not low taxes, that matter most to economic prosperity. And it is increasingly clear to us that public investments are part of what is needed to broadly share prosperity.

So yes, to implement our recommendations will almost certainly require state taxes/revenue to be higher than it is today. But we think that what that revenue can purchase has the best chance of obtaining a higher standard of living for all Michiganders.

That said raising taxes is not our goal. It is a means to making the kind of public investments we think are essential to the goal of good-paying careers for all Michiganders. Getting to the goal is what is important. We are open to any and all ideas on how achieve the goal.

What about low taxes as a path to prosperity? As we documented in our *State Policies Matter* report, Minnesota has the Great Lakes best economic outcomes and the highest taxes in the Great Lakes. Minnesota ranks 46th

in the latest Tax Foundation state business tax index. Michigan ranks 12th. High taxes have not prevented Minnesota from having the economic outcomes all Michiganders want: third in the proportion of adults who work, 14th in per capita income and eighth in employment earnings per capita. Michigan on those measures ranks 40th, 32nd and 36th. One can make a strong case that the increased public investments those higher taxes enabled is a major reason for Minnesota being the most prosperous Great Lakes state.

Michigan's experience over the last twenty years provides ample evidence that cutting taxes is not a way to increase state prosperity. In 1993 Michigan taxes (state and local combined) per capita were 3 percent above the national average and the state's per capita income was three percent below the national average. In 2004 the state's taxes per capita had fallen below the national average by three percent but we had fallen even farther behind the nation in per capita income, trailing the nation by six percent. And in 2013 (the last year for which tax data is available) the state was twelve percent below the national average in taxes per capita and twelve percent below the national average in per capita income. (The tax data comes from a *2013 Tax Revenue Comparisons: Michigan and the U.S. Average* report by the Citizens Research Council.)

---

Many newly successful cities on the global stage—such as Shenzhen and Dubai—have sought to make themselves attractive to businesses based on price and infrastructure subsidies. Those competitive advantages can work in the short term, but they tend to be transitory. For cities to have sustained success, they must compete for the grand prize: intellectual capital and talent.

- Former New York Mayor Michael Bloomberg

The places with the strongest economies are those that combine high quality education systems and high quality of place that retains and attracts mobile talent. Both education and placemaking require public investments. These types of public investments, paid for by our taxes, are the state policy playbook most likely to return Michigan to high prosperity, creating an economy with lots of good-paying jobs. Add to that making shared prosperity a priority and it gives the state the best chance of getting Michigan on the path to good-paying careers for all.

By adopting policies that transforms education from birth through retirement and investing in it the state can best help all Michiganders have the skills necessary to have good-paying, 40-year careers. By creating regions across the state that are places where talent from across the planet wants to live and work the state can attract high-wage employers and entrepreneurs that start high-wage businesses. And by establishing and investing in policies that help those not in high-wage work work more and earn more we can share prosperity widely. This is the recipe for a Michigan where each of us can pay the bills, save for our retirement and the kids' education and pass on a better opportunity to the next generation.

States	Rank in per capita income, 2015	Rank in college attainment, 2015
Connecticut	1	4
Massachusetts	2	1
New Jersey	3	5
New York	4	9
Alaska	5	24
Wyoming	6	39
Maryland	7	3
North Dakota	8	27
New Hampshire	9	8
California	10	14
Virginia	11	6
Washington	12	11
Colorado	13	2
Minnesota	14	10
Illinois	15	12
Michigan	32	32

# What we read

## Books

*The Second Machine Age*, Eric Brynjolfsson and Andrew McAfee

*A Whole New Mind*, Daniel Pink

*Becoming Brilliant: What Science Tells Us About Raising Successful Children*, Roberta Michnick Golinkoff and Kathy Hirsh-Pasek

*Our Kids: The American Dream in Crisis*, Robert Putnam

## Reports

**From Michigan Future, Inc. available at [michiganfuture.org](http://michiganfuture.org)**

Michigan's Transition to a Knowledge-Based Economy 2007-2014, November 2015

State Policies Matter: How Minnesota's Tax, Spending and Social Policies Help It Achieve The Best Economy Among the Great Lakes States, June 2014

The New Path to Prosperity: Lessons for Michigan From Two Decades of Economic Change. June 2013

**From the Georgetown University Center on Education and the Workplace**

America's Divided Recovery: College Haves and Have-Nots, June 2016

Good Jobs are Back, August 2015

## Additional Reports

2013 Tax Revenue Comparisons: Michigan and the U.S. Average, Citizens Research Council, May 2016

Expanding Opportunity in America, A Discussion Draft from the U.S. House Way and Means Committee, July 2014

Asset Limited, Income Contained, Employed (ALICE), 2017 Update, United Ways of Michigan, April 2017

Michigan Future Inc.  
P.O. Box 130416  
Ann Arbor, MI 48813  
734.747.8120  
[michiganfuture.org](http://michiganfuture.org)