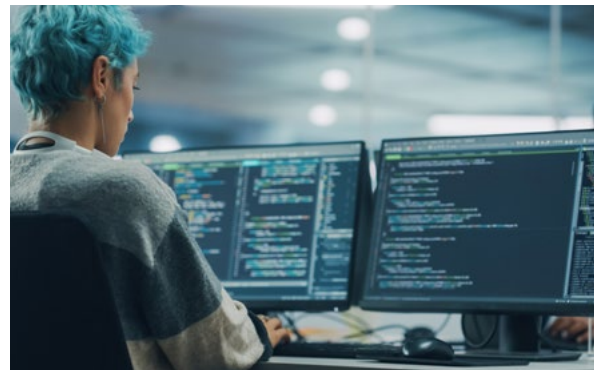
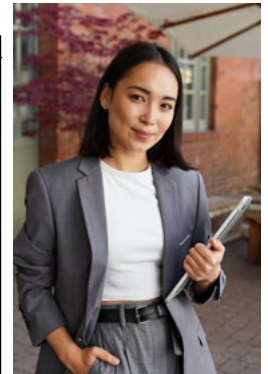
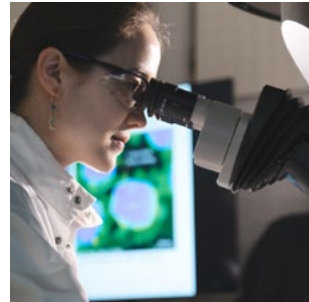


Compete to Win: Michigan's Path to Top 10

A framework for holistic economic development





Executive Summary

The late great Yogi Berra once said, “The future ain’t what it used to be.” Michigan has struggled with that concept for decades. In a way, it’s understandable. For much of the 20th century, with just a high school degree, many Michiganders could earn a family-sustaining wage and build generational wealth. While race, gender and educational inequities still meant many didn’t have full access to these pathways, thousands flocked to Michigan seeking a brighter future for themselves and for their kids. Our population and incomes grew and our communities thrived. This growth made it easier to support schools, infrastructure and communities. But the future shifted.

Michigan’s economy, like the national and global economy, has undergone significant change since the middle of the last century. The jobs providing higher wages today are knowledge-based and require more education than 70 years ago. Many of the solutions we’ve pursued in trying to grow income and create a more diversified economy have been too narrowly focused, lacked broad consensus and tried to recreate a world that no longer exists. To change Michigan’s long-term trajectory, it’s time to focus on building our future together through a holistic economic development strategy – one that strengthens our fundamentals and makes Michigan a leader in income and population growth.

We can learn some lessons from our competition, which has worked hard, over decades, to improve their ability to attract people and jobs to their states. States that are succeeding are growing in educational attainment and have put aside rhetoric and internal divisions to advance their state’s interests.

Michigan has certainly seen success since the Great Recession, and recent bipartisan actions have just started to bear fruit. But there’s much more that needs to be done if Michigan is to become a magnet for jobs, people and prosperity. Changing our state’s course will require us to come together around a bold approach for the Michigan we want in 10 years. Michiganders are tough and tenacious. We’ve shown time and again how we can work together to overcome obstacles. Now is the time to unite around a consistent, holistic economic development strategy so that Michigan can compete to win.

In 2022, Business Leaders for Michigan released its “Compete to Win: Michigan’s Path to Top 10” plan, which provides a high-level strategic view of the four key priority areas the state needs to focus on to be more competitive:

Do better by our kids

Invest in people

Accelerate our economy

Get the fundamentals right

This report takes a deeper look at holistic economic development under the Compete to Win strategy

Holistic Economic Development Framework

We all want a Michigan where people prosper, education helps everyone reach their full potential, entrepreneurs grow, young people stay, we lead in mobility and have a diverse economy, we expand off of our manufacturing base, diversify our economy, attract and retain talent, and help entrepreneurs grow. This report lays out a framework for a holistic approach to achieving that future, one that recognizes the multitude of combined efforts it will take to drive long-term success. It includes data to make a compelling case for why change is needed, where Michigan has struggled and how other states have built a playbook for success.

While any economic development strategy should be nimble to react to changing trends and conditions, it should start with clear principles that remain consistent.

Key principles:

- 1 Prepare now for the future we want**
- 2 Ensure Michigan's talent is a differentiator**
- 3 Make Michigan the easiest state for people and businesses to grow**
- 4 Take a smart, consistent approach to Incentives**

Five areas necessary for a holistic economic development strategy



The Case for Change

Over the next decade Michigan can become a top state for income and population growth. But we must overcome obstacles that have historically gotten in our way.

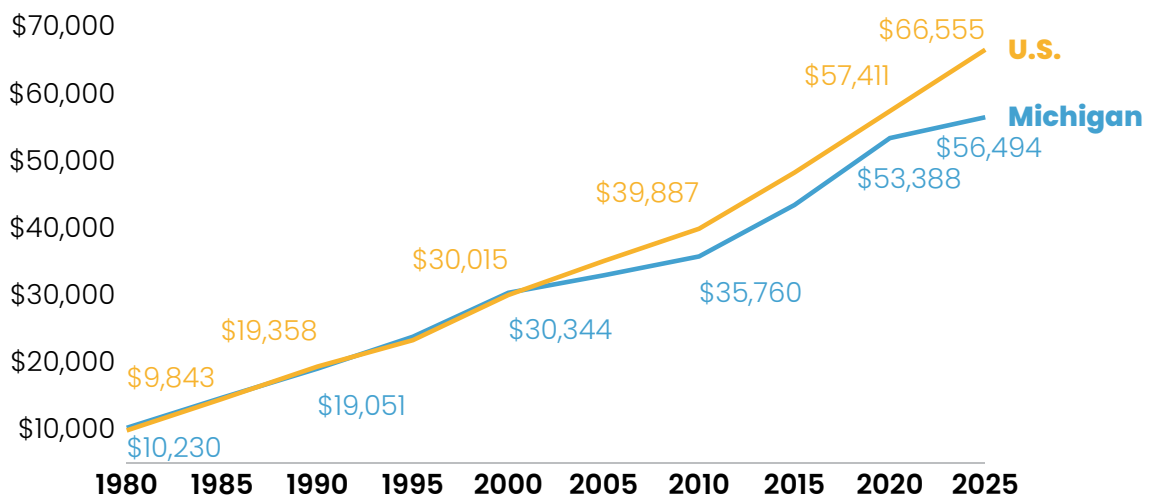
Where Michigan has struggled:

- Michiganders' income has not kept pace.** Since 2000, we have lagged the national average income, and individuals with only a high school diploma have fared worse than those with more education. This divergence coincides with a decline in manufacturing jobs, Michigan's single state recession, the Great Recession and a lack of professional and business service job growth.
- We've underperformed in the knowledge economy.** The U.S. is expected to add over 3 million high-paying jobs through 2030, with two-thirds of that number coming in professional and business services. While Michigan has many research, engineering and design jobs, we still are not capturing our fair share in this area.
- Economic and Education systems designed for the past.** The institutions driving Michigan's economic prosperity were innovative when created, but designed for a different time. Talented people and leaders have been unable to overcome the outdated structure of our K-12, community college, adult training and economic development systems. Reform initiatives have been too limited. States we compete with have reformed and created modern systems driving higher outcomes.

"The Michigan 180" – an inconsistent strategy:

We are consistently inconsistent with efforts to transform our economy. Too often our goals and strategies are not well defined and not widely agreed upon. Where most of our competitors drive change consistently over decades and through disruptions, Michigan's efforts often fail to outlast a term of office or economic disruption, with countless strategies and programs kicked to the curb – or reversed 180° – before they've had a chance to succeed.

Annual Per capita income 1980–2025

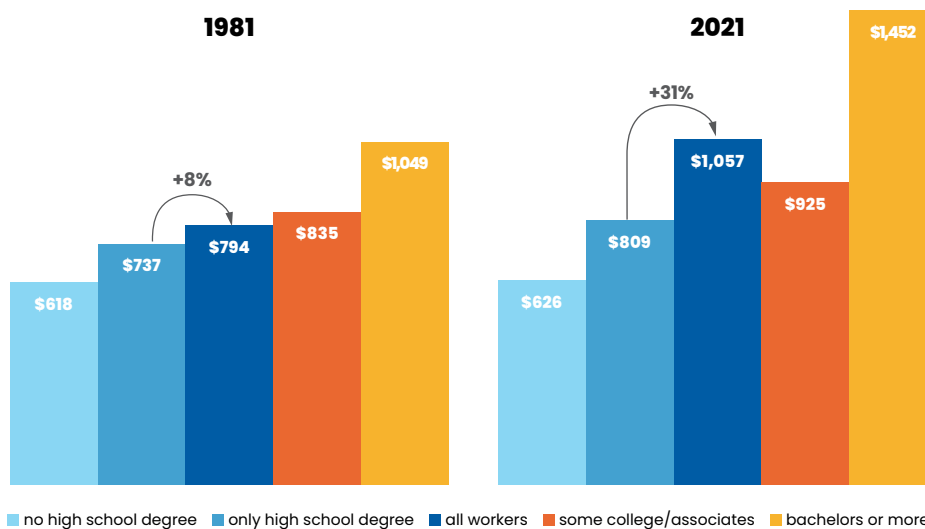


The Case for Change

Income Growth Linked to Education Levels

Gaps in income based on education level have also grown. In 1981, weekly wages for a worker with a high school diploma were nearly as much as the average for all workers, and only 30% below the wages of a worker with a bachelor's degree. By 2021, workers with a high school diploma earned a third less than the average worker and essentially half as much as a worker with a bachelor's degree.

U.S. weekly income 1981–2021 (adjusted for inflation)



Continued skepticism around the value of a college degree

A recent poll conducted for the Detroit Regional Chamber found a quarter of respondents believe a college education is not important. The survey, conducted by The Glengariff Group, showed **only 27% of Michigan voters believe a college education is “very important”** to landing a successful job.

The fact is, people with a bachelor's degree make nearly two times the income of those with only a high school degree.

Knowledge economy is the future for growth

Jobs include:

Professional and business services

Research & Development

Lawyers

Accountants

Consulting

Marketing

Engineering

Other knowledge jobs

Highly skilled manufacturing

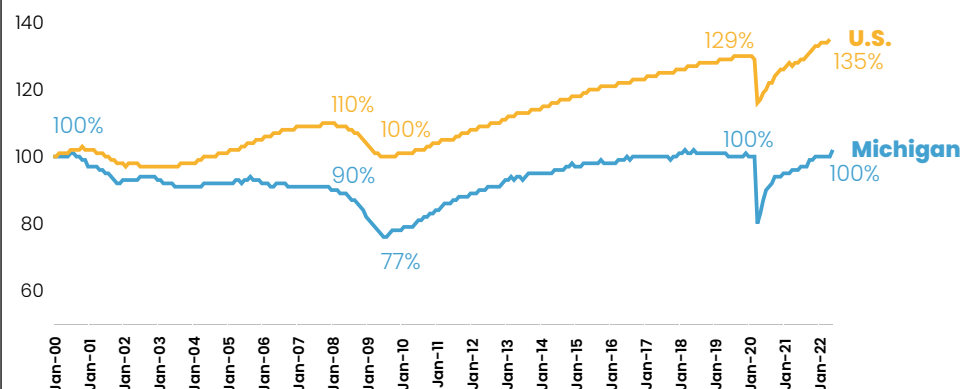
IT

Technology

Financial Services

In the last 20 years: Knowledge economy jobs grew 35% in the U.S. but 0% in Michigan from 2000–2022

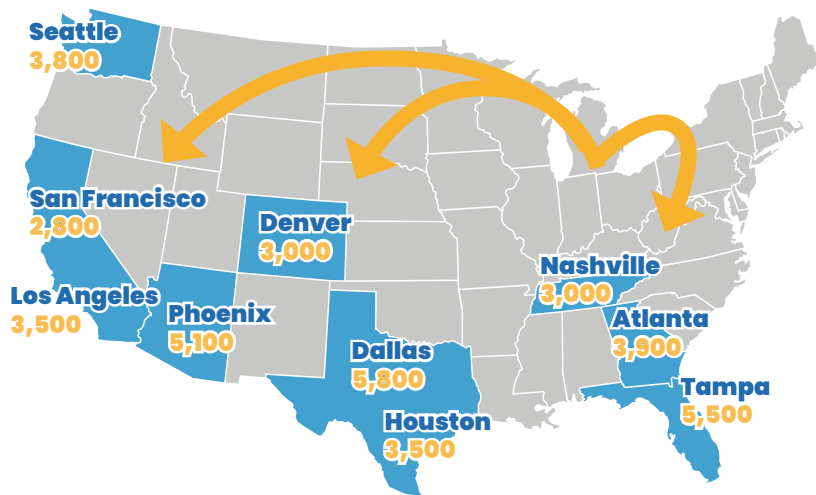
Professional and Business Services Jobs (indexed on 2000 number of jobs)



The Case for Change

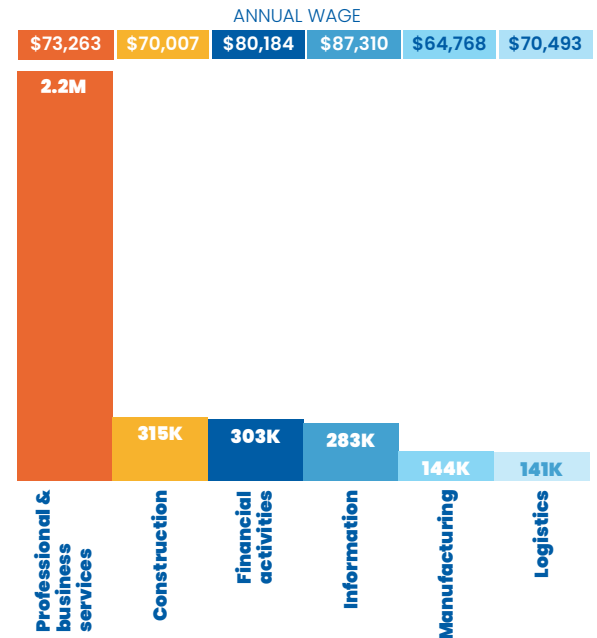
Michigan is losing young educated talent to knowledge economy hubs

Top 10 net worker migration destinations
(2010–2021)



Knowledge economy jobs will make up most of future growth

Projected employment change 2020–2030



Manufacturing still matters

Even as Michigan needs to diversify its mix of key industries to help more Michiganders prosper, we must continue to capitalize on our strength in manufacturing.

Manufacturing provides a pathway to family-sustaining wages. It is the largest individual sector in Michigan:

14% of Michigan's economy

Nearly 600,000 direct jobs, supporting more than 1 million jobs across the state

Thousands of jobs tied to electric vehicle transition

We're in a moment where decisions will be made that will impact us for the next generation. The shift to EVs is the most significant change in the auto industry since the assembly line, and Michigan has an opportunity to come out a winner in this highly competitive race. The transition could potentially affect 170,000 jobs.

Manufacturing benefits from concentration, and Michigan's ability to win transformational projects will be critical.

Michigan's share of battery plants:

September 2021: 20% of those announced

Today: 28% of those announced

Case study: Tennessee

How Tennessee became a Top 10 state

Tennessee has taken a systemic approach to becoming a more competitive state.

Tennessee was 34th six years ago, and now is in the Top 10 thanks to decades-long investment in economic development, K-12 and higher education

- **20 years ago Tennessee created a long-term economic development strategy and set a goal of winning electric vehicle jobs**

- Started investing in site development, and spent \$174 million on the Memphis mega site in early 2010s, which eventually became the Ford Blue Oval Park site
- Tennessee has had consistent incentives, offerings and infrastructure investments since 2015
- The state is united around job growth and is consistently cited as a state that makes job growth easier

- **15 years ago Tennessee took on K-12 reform**

- They took a long-term, holistic approach to K-12 reform, including high goals for outcomes, accountability and resources
- Formed Tennessee SCORE in 2009 (business and philanthropic coalition on reforming education)
- SCORE focused on the following framework: Excellent educators, High expectations, K-12 career alignment

- **10 years ago Tennessee set a goal that 55% of its population would have a higher ed degree/credential by 2025**

- Goal of 55% degree/credentials is attainable due to the connection of all of these programs (set the goal in 2013)
- In order to achieve this goal, they put in place the Hope Scholarship (4-year degree scholarship), Tennessee Promise (tuition free college for high school grads), and Tennessee Reconnect (tuition free college for adults)
- These programs combined help more than 130,000 students a year



6 years ago **#34**

Last year **#16**

This year **#9**

Results

1st in GDP per capita growth

1st in poverty decline

1st in tech job growth

3rd in K-12 academic achievement growth

7th in net talent migration

9th in net business creation

What can we do in the next 18 months?

Michigan policymakers can drive actions today.

Start by setting clear, widely supported goals around population and income growth tied to education and job growth.



Talent

Drive systemic K-12 reform by implementing Launch Michigan framework – www.launchmichigan.org

Strengthen higher education outcomes and drive degree completion

Remove barriers to career advancement and entering the workforce

Improve talent attraction and retention strategies (expanded internships, career connections, immigration support, Pure Michigan talent campaign, etc.)



Place

Support site preparation (50 small, medium and large shovel ready sites)

Create a statewide housing and community development strategy that supports economic growth and safety

Invest in hardening infrastructure and expanding transit solutions



Entrepreneurs/ Innovation

Make Michigan a scale-up state by creating a statewide growth strategy for entrepreneurs

Support centers of innovation, incubator spaces and anchor institutions to better serve the entrepreneurship community



Customer Service

Maintain regulatory certainty

Become a leader in cutting red tape and making growth easier

Make processes easy, predictable and efficient

Increase Michigan's ranking on the ease of doing business



Competitive Incentives

See detailed recommendations on following page

Take a smart, consistent approach to incentives

Ensure we strengthen fundamentals so we rely less and less on incentives

Incentives should help close a deal or fill a competitiveness gap

Ensure return on investment through “earn as you go” incentives, claw back and/or other accountability measures

Use “but for” tests with qualitative and quantitative inputs

Finance incentives through future tax revenue generated by new investments when possible

Avoid arduous requirements that diminish competitiveness

Avoid creating artificial markets which require incentives to sustain them

Michigan has struggled to put together a holistic approach and long-term economic development success goals – leading to an over reliance on incentives alone. **If we want to drive income and population growth, a holistic approach is imperative.**

Tactical recommendations:

Streamline incentive process and reporting to allow for accountability and speed

Provide clear return on investment analysis and “but for” metrics on every project

Grow knowledge economy jobs and close the gap with other states through a payroll tax credit and entrepreneurship support

Grow research and development (R&D) jobs through a new R&D tax credit as Michigan is one of 10 states in nation without one

Use the Strategic Outreach and Attraction Reserve (SOAR) fund strategically to drive transformational growth across the state, including site development

Expand transformational brownfields program to encourage redevelopment and ensure benefit is felt broadly



Photo Courtesy of The Dow Chemical Company

Building a future that inspires

Just as it was in the 20th century, Michigan can be a leader in income and population growth, with a more equitable pathway to prosperity for all.

The time to act is now. Michigan must move away from one-off solutions. To be successful we have to address economic development in a holistic manner.

To replicate the success of states like Tennessee and others, Michigan must have a united front and put the needs of the state first.

A Top 10 Michigan would provide:

Opportunities for our kids so they don't have to OR WANT TO move away

A welcoming state that acts as a magnet for talent and entrepreneurs from across the world

World class education and pathways to prosperity for all residents

High quality and affordable childcare, healthcare, housing and a feeling of security

Vibrant communities with high quality of life, supported downtowns and small business growth



About Business Leaders for Michigan

Business Leaders for Michigan, the state's business roundtable, is dedicated to making Michigan a Top 10 state for jobs, education, widely shared prosperity and a healthy economy. Our work is guided by the Compete to Win Plan, a comprehensive strategy for how government, community, education and business leaders can improve Michigan's economic growth. The organization is composed exclusively of the executive leaders of Michigan's largest companies and universities. Our members drive 40% of the state's economy, generate over \$1 trillion in annual revenue, employ more than 540,000 people in Michigan, and educate more than half of all Michigan public university students.

Please follow us on Facebook and LinkedIn to stay up to date on how Michigan can compete to win.

**Find out more at
www.businessleadersformichigan.com.**