MICHIGAN CHOOSES ITS

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The Decade Ahead Shows Promise, Problems

"See a bright future for Michigan in the decade and decades ahead; a vibrant diversified agriculture, a rich industrial base, a trained disciplined work force, developed infrastructure, multiple institutions of higher learning and surrounded by the valuable resources of the Great Lakes," The present reality is the basis for the optimism expressed in the quote from the "Say 'Yes' to Michigan" campaign. But if these rich natural and human resources are to be retained and improved, they will need the attention of Michigan's citizens, you and me.

The magnetic flight trains of Germany, the TGVA (Train a' Grande Vitesse) of France, and the bullet trains of Japan are promising alternatives to the congested highways of urban America. At speeds of 150, 200 and even 300 miles per hour now achieved by such trains the cities of Michigan and surrounding states would become close neighbors. In the decade ahead, thousands and hundreds of thousands of family owned airplanes may crisscross our skies with safety records better than the automobile. Even with these possible changes, we will need to retain and improve our extensive road systems because most of the people and cargo of Michigan will move via automobiles and trucks.

The transportation needs of our cities must also be met. New above ground transportation systems are alternatives that will remove the automobile congestion of urban America.

The past decade has shaken Michigan's confidence in itself and its industrial future. International competition has usurped its claim as the automobile capital of the world. Electronic goods manufacturers in other states and countries overseas have reduced Michigan's share in the marketplace. Neighboring states have increased efforts to bid Michigan's prize businesses and industries to join them. The international competition will become even more intense in the decade ahead in automobiles, steel, chemicals and microelectronics.

Yet Michigan has the natural and human capital resources to capture its share of the multibillion dollar markets now being developed. In his book, "The Technology Edge," Gerard K. O'Neil explores in detail the mass transportation technology now awaiting multibillion dollar market exploitation. The state of technology and world markets is examined for microengineered products, robots, genetic hardware, magnetic flight, family planes, rockets and satellites. O'Neil urges the U.S. and Michigan to revive its creative production genius.

Our state is not only an industrial state, but it has a vibrant diversified agriculture. Dry beans, tart cherries and wines are just a sample of a varied and profitable agriculture industry with an international impact.

The future of Michigan's agriculture is certainly promising if we can visualize the opportunities and seize them. We ship milk out of state and import large amounts of cheese and other processed dairy products. We export soybeans to other states and import feed concentrates and products made from soybeans. We ship feed grains to other states and import great quantities of beef, pork and poultry products.

The processing of such products, plus a more intensive use of our forest resources, could enrich our state with employment opportunities and industries. Some see the increasing number of small farms as a safety valve to the economic gyrations of an industrial state. Others see roadside markets and a more labor intensive agriculture as the wave of the future as expected energy costs spiral upward. Agriculture will continue as an important industry in Michigan's future.

Michigan is home to nine million people. It also has more two-residence families than any other state, and many of these second homes and cottages are on lakes and streams. This multitude of recreation homes depends on a good highway system.

In addition to serving its own people's recreational needs. Michigan is an inviting tourist attraction to millions. The thousands of interior lakes plus the waters of four Great Lakes that touch our shores attract many travelers. Over half of Michigan's surface is covered with forests, more than 11,000 lakes and streams are included in its borders, it has excellent state parks and forest campgrounds-all close to major population centers of the Midwest and Eastern U.S. Many urban centers have developed their own tourist attractions including the Henry Ford Museum, Auto World, Holland Tulip Festival and Frankenmuth Bavarian Village. Other possibilities for the future tourist industry of Michigan will be covered in a later publication. With this in mind, there is reason for optimism for Michigan's tourism industry.

The Downside

Such a bright, prosperous future for Michigan is not a foregone conclusion nor will a better quality of life necessarily await us. There are storm clouds on the horizon and many citizens have already felt the damaging winds of economic and social change.

"Unemployed," "laid-off" and "unemployable" are devastating words in our society. Not since the days of the Great Depression have so many families and income earners faced such threats. "For more than 10 million Americans who desperately need and want jobs, recovery is not in sight."¹ An additional 1.5 million have given up looking for jobs and 5.9 million more are employed part-time because that is all the work they can get.

Michigan's percentage of unemployed competes with West Virginia for highest in the nation. One out of eight is unemployed and the percentage is much higher among blacks, women and working age youth.

And the problem is not likely to be resolved in the near future.

"Michigan is facing massive unemployment problems in the decade ahead. They are of tidal wave proportion and little is being done to meet the unemployment wave" says Dr. Fritjoff Bergmann, a University of Michigan professor.

The Coldwater News carried the headline "Another Business Plans to Walk Across the Border to Indiana Where the Hospitality is Warmer."

The Detroit Free Press quoted author John Naisbitt as saying, "The U.S. auto industry isn't really recovering in a long-term way. Smokestack industries are inexorably leaving the U.S. for countries like Korea and Brazil where labor is cheaper. Even if Detroit did recapture the auto market from foreign competitors, it would be like winning the championship of a declining sport."²

¹U.S. News and World Report, February 12, 1984, pg. 67.

²The Detroit Free Press, March 21, 1984.

As evidence of the depressed economic conditions in the state, statistics show that Michigan had a net out migration from January 1, 1980 to July 1, 1982 of 183,500.³

What are we to conclude from these reports and observations? Are we looking at the sunset or sunrise of Michigan's economic future?

A hotly debated business climate study published in April 1984 by Alexander Grant and Company ranks Florida first, South Dakota second and Michigan dead last in terms of business attraction.⁴ Michigan's defenders are quick to point to controversial weightings in the report. There is also doubt cast because many of the states listed in the top ten have, in fact, little industry.

Although there will be challenges to any analysis of Michigan's economic future and employment condition, this report will present relevant data to help clarify some of the issues and trends facing us.

The Population Effect

The employment issue is an important aspect of identifying and evaluating Michigan's economic choices in the decade ahead. A critical component in this search is the population and its composite parts of youth, working age and the retired. Our population trends are changing rapidly with dramatic effects on our K-12 educational institutions, prime age work force numbers and the number of senior citizens.

As Chart One shows, Michigan's population grew more rapidly from the end of World War II through 1970 than did the nation as a whole. Migrants from the South and Southeast came to Michigan to build automobiles, refrigerators, chemical plants and electronic equipment and to raise their families.

Our population continued to increase during the seventies, but the rate was slower than the nation as a whole. As a result, Michigan's share of the U.S. population declined and since 1980 there has been an actual decline in population (Table One).

The decline in population could be applauded as evidence that the market system works. If there are more jobs relative to the work force in other parts of the U.S. compared to Michigan, then an outflow from Michigan might be expected until some equilibrium of employment is reached.

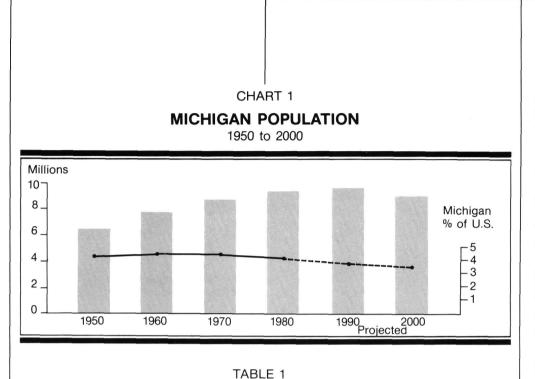
Not factored into such expectations are the tremendous human and social costs involved. In 1981-82 thousands of unemployed Michigan residents headed for Texas and other Southern states. On arrival they found the expected jobs filled, housing tight and when their savings ran out, they were not accepted by the relief agencies of those states.

In nearly all communities of persistent heavy unemployment, social workers report higher rates of family abuse, mental health problems, crime and social stress. There are persuasive arguments for bringing the job to the worker rather than expecting the worker to uproot the family and look for a job, especially in the volatile industrial changes of today.

Political Implications: This population decline has both economic and national political implications. Congressional seats are allocated on the basis of population. When populations decline relative to other parts of the U.S., then congressional representatives are fewer.

There is a regional effect as well. The Midwestern states and the Northeast are seeing these population changes taking place. By the year 2000, the Sunbelt will likely pick up 38 house seats at the expense of the Snowbelt. Such votes are important in the federal laws governing export and import

³*The Michigan Statistical Abstract*, 1982-83. ⁴Alexander Grant and Company. This company makes annual projections on the relative attractiveness of each state's business climate.



Population—Michigan and United States

	Рор	ulation	Percent Increase		Michigan	
Year	Michigan	U.S.	Michigan	U.S.	Percent of U.S.	
1950	6,372,000	151,326,000	15.3	14.5	4.2	
1960	7,823,000	179,323,000	22.8	18.5	4.4	
1970	8,875,000	203,235,000	13.5	13.3	4.4	
1980	9,258,000	226,505,000	4.3	11.5	4.1	
Projected						
1990	9,394,000	249,203,000	1.2	9.7	3.8	
2000	9,208,000	267,462,000	-2.0	7.3	3.4	

SOURCE: U.S. Department of Commerce, Bureau of the Census.

quotas and subsidies. The votes are also decisive as to in which states defense dollars will be spent and where harbours and dams and military bases will be located.

Presently, Michigan gets back the smallest percentage of federal tax dollars due to the transfer of dollars from Michigan's citizens to those of other states.

A growing population generates additional economic activity. There are homes to be built and furnished, public services to be provided, transportation services to be purchased and maintained and food and medical services purchased. But if the population and the economy are flat or declining, then a state must look to increased export goods and services to provide an economic impetus.

Age Distribution Effects

The changing age distribution of Michigan's population will have an impact on many programs. School age registrants are projected to decline 400,000 during the eighties. The closing of grade and high schools has been a traumatic experience to many neighborhoods.

According to Dr. Stan Hecker, Professor of Education at Michigan State University, the K-12 system will have thirty-three percent fewer students in the mid-nineties than at the peak of their enrollment in the seventies. There will be a similar decline in college age students in the '80s and '90s. For the first time, senior citizens will outnumber youth. This older population has very heavy medical costs which will have impacts on the medicare/medicaid programs.

Regarding employment, more than ten percent of Americans are over 65. We are seeing the rise of a powerful "gerontocracy," according to a recent article in U.S. News and World Report. This gerontocracy is healthier, richer, better educated and politically more active than past older generations. Their needs, their contributions and their wishes will affect our employment choices.

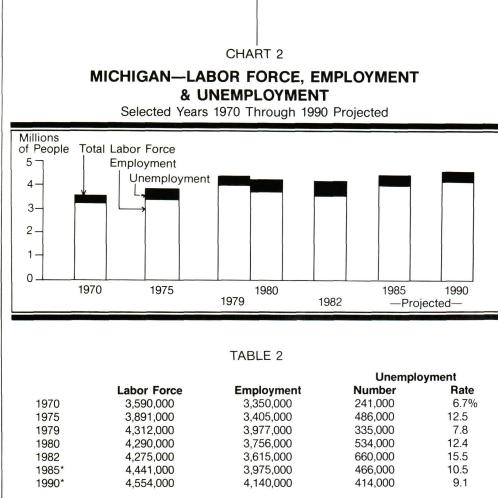
Labor Force— Employed and Unemployed

The Michigan labor force grew from 3.6 million in 1970 to 4.3 million in 1980, an increase of twenty percent. By 1990 the labor force is expected to reach 4.6 million or a six percent increase over 1980.

In recent years male percentage participation in the labor force has been going down, while female participation is increasing. Seventy percent of the increase in the labor force over the last ten years has come from women. Now over fifty percent of the women of work force age are working outside the home.

The 1980-82 recession reduced employment by 350,000 jobs in Michigan and the unemployment rate rose to 15.5 percent. During the 1982-1990 period Michigan should add over a half million jobs (Chart Two, Table Two).⁵ The same report expected the labor force to grow by half that amount. The combination of these two projections would cause the predicted rate of unemployment to drop to nine percent in 1990. This would result in an average rate of unemployment for the eighties to be over eleven percent, compared to 7.9 percent in the seventies.

⁵Report to the Citizens Research Council, 1983, by Robert Queller.



SOURCE: 1970-1982 Michigan Employment Security Commission. *1985 and 1990 projections by Data Resources, Inc.

A more pessimistic employment picture is suggested by estimates prepared by Dr. Sandra Gleason of the School of Labor and Industrial Relations at Michigan State University. She used estimates of the 1990 Michigan population aged fifteen and older combined with estimates of national labor force participation rates as the basis for predicting the 1990 labor force and unemployment (Table Three). These estimates indicate the potential for substantial unemployment in 1990, ranging from a low unemployment rate of 11.6 percent to a high estimate of twenty-four percent. However, eight of the nine estimates predict an unemployment rate greater than fourteen percent.

This potential level of high unemployment indicates a serious problem which must be addressed by economic development job creation efforts within Michigan. It should be noted that these estimates do not reflect any differences which may exist between the national and Michigan labor force participation rates. Furthermore, they are somewhat upward biased since they do not reflect the increased rate of outmigration from Michigan.⁶ If continued, this outmigration will reduce, but not eliminate, the unemployment problem.

TABLE 3 Michigan Labor Force and Unemployment, 1990^a

Estimate Range	Estimate I ^b		Estimate II°		Estimate III ^d	
	Labor Force	Unemployment	Labor Force	Unemployment	Labor Force	Unemployment
Low	4,972,291	813,891 (16.4%)	4,935,900	777,500 (15.8%)	4,702,660	544,260 (11.6%)
Intermediat	e 5,220,132	1,061,732 (20.3%)	5,152,240	993,840 (19.3%)	4,860,450	702,050 (14.4%)
High	5,474,799	1,316,399 (24.0%)	5,390,590	1,232,190 (22.9%)	5,073,130	914,730 (18.0%)

^aThe unemployment and unemployment rate estimates (in parentheses) are based on an estimated level of 1990 employment in Michigan of 4,158,400. (Michigan Employment Security Commission, "Occupational Projections Program: An Overview," October 1983.)

The estimated labor force ranges reflect the low, intermediate and high labor force participation rates by age group for the nation for 1990. The labor force participation rate for 16 to 19 years was used for the 15 to 19 population group. (U.S. Department of Labor, Employment and Training Administration, *Employment and Training Report of the President, 1982,* Washington, D.C.: U.S.G.P.O., Table E-7, p. 281.) The labor force participation rates were applied by age group to the population estimates of persons 15 years and older for 1990 cited below.

^bState of Michigan, Office of Management and Budget, Population Projections for Michigan to the Year 2000, Lansing, Michigan, 1978.

^cMartin K. Holdrich, *Regional Demographics of the United States, 1982-2000, V. III,* Washington, D.C.: National Planning Association, 1984, Report No. 83-R-3.

^dU.S. Department of Commerce, Bureau of the Census, *Provisional Projections of the Population of States, by Age and Sex, 1980-2000,* Washington, D.C.: U.S.G.P.O., August 1983. CPR Population Estimates and Projections Series P-25, No. 937. These estimates are based on the results of the 1980 Census of Population.

Employment Trends

uring the 1960-82 period, the U.S. economy added fifty percent to its employment roles. By comparison, Michigan slowed from its earlier growth spurt and added thirty percent to its employment figures. During this period of general employment, growth in Michigan and the U.S., manufacturing employment declined by one-third. For Michigan, 300,000 jobs were lost from the 1978 peak. Even with the current 1983-84 recovery, there are 100,000 fewer workers in the motor vehicle and equipment industry than at peak employment. Another 100,000 jobs are missing in the supplier industries.

Automobile executives expect further reductions in the immediate years ahead. This will affect on-line workers, white collar and management ranks. New communication technology, computers and high tech robots will have their effect. Product competition from overseas will continue to pressure our industries. Multi-national industries are already farming out labor intensive parts of production to third world nations where labor costs per unit are lower.

We may well see international coalitions of major industrial companies in the years ahead. It is already well along in the automobile industry.

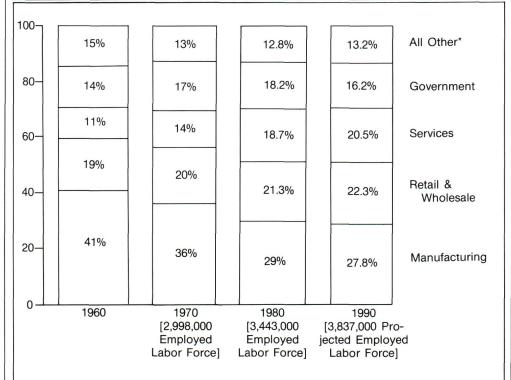
There are bright spots in employment categories. Chart Three projects service jobs up by 400,000 since 1960. Most projections are that government employment will remain near present levels for the decade ahead.

Michigan's economy is becoming more diversified due to the decreased employment in manufacturing and greater employment in services, high tech, white collar and management. The shift from high paying jobs in manufacturing to lower paying positions in services and trade is now evident in Michigan's personal income figures.

⁶From 1970 to 1980, 299,974 more people left Michigan than moved into it, (David I. Verway, ed., *Michigan Statistical Abstract, 1982-83*, Detroit, Michigan: Wayne State University, 1983, Table I-5, p. 33.

WAGE & SALARY EMPLOYMENT BY INDUSTRY GROUP AS A PERCENT OF TOTAL

CHART 3



*All other includes transportation, communications, utilities, finance, insurance, real estate, construction and mining.

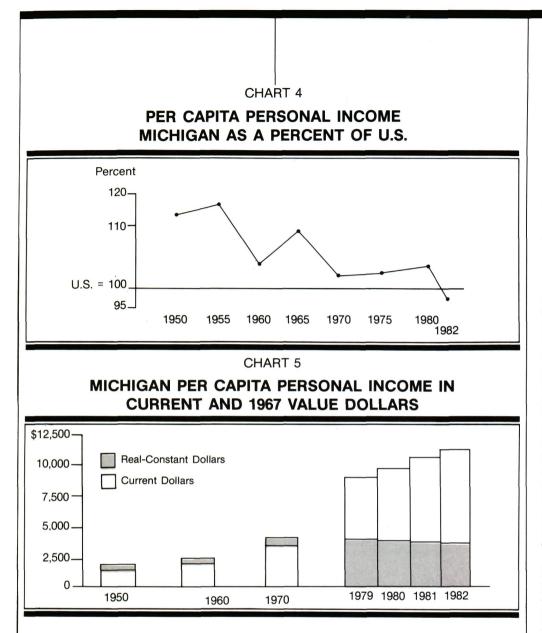
Personal Income

verage personal income is a relevant indicator of Michigan's economic well-being. By definition, it includes the income of all individuals from all sources. Total personal income for Michigan residents was over 100 billion dollars in 1983. This gave a per capita personal income of some 11,000 dollars.

Historically, Michigan has been a relatively affluent state. As shown in Chart Four, per capita income for Michigan was some fifteen percent above the national average during the fifties. In 1982, our per capita income fell below the national average. This trend follows a regional pattern. For decades the Midwest and East have been sliding downward to the national average while the South and Plains states have moved upward.

Historically, Michigan has had high per capita spending for state and local services. With high personal incomes, the burden seemed less burdensome. With lower incomes now and projected for the future, the investment in state and local governments is being reassessed. We may decide to reduce public expenditures and demand more efficiencies in governmental services.

Michigan tends to ride the roller coaster of economic changes (Chart Five). During the fifties, real per capita personal income increased by fifteen



percent, by thirty percent during the sixties and slowed to thirteen percent during the seventies. Between 1978-1982 real personal income declined thirteen percent. The recession was felt throughout Michigan's economy.

Population projections have been presented, employment trends have been estimated and per capita income figures tabulated. But what do these figures tell us about the future? What economic choices are available to Michigan citizens? What alternatives can be considered seriously? Opinions vary.

Proposed Alternatives Abound

There are business and political leaders in Michigan that contend the state government is overly active in trying to solve our economic and social problems. They say that a free market will solve Michigan's economic problems and the state's efforts in behalf of business and industries have made matters worse. Less government activity is an alternative to be considered. A second proposal is that business, government and labor become fully active in collaborative efforts to rejuvenate needed basic industries, encourage new businesses, industries and services, streamline governmental procedures, and institute governmental policies and programs. This will ensure that Michigan has the possibility to meet national and international competition. This proposal points to a highly skilled labor force as a source of pride.

In attempting to follow this alternative, the State of Michigan has attempted to rejuvenate its basic industries by tax incentives, lowering unemployment compensation costs, and reducing paper work and red tape procedures. Michigan seeks to retain present businesses and expand job opportunities by direct loans and leveraged loans. It seeks to be a catalyst to bring local and state officials together with business interest by moving as quickly as possible through required ordinances, legal and procedural requirements. Government, business and labor organizations are now retraining workers to handle the new machines and skills required in the decade ahead.

A third alternative is to set up new institutional linkages such as the high tech centers that bring together university, industry and state agencies. Centers, such as bio-tech, industrial robotics, the business middle management effort in Detroit and powdered metals industries would hopefully spin off new industries and business.

Another alternative would be an aggressive long term commitment to the agricultural industry. As stated earlier, the future is promising for Michigan's agriculture. The added contribution it makes in creating employment opportunities and balancing our economy will be decided by the success in establishing processing industries for agricultural products. Export markets will be needed for tart cherries, white beans, soybeans, milk and milk products. If these are exported in processed form, more jobs will be created in Michigan.

Two other areas of promise in

Michigan inviting attention are tourism and forestry. Tourism is already ranked as the state's third largest industry and brings in billions of dollars annually. It is only recently that the industry has begun to sense a unity of purpose and to plan for a dynamic future. Michigan's thousands of lakes and streams, good road system, nearness to heavily populated cities and new communication technologies show great promise for this industry.

Forestry has not achieved the high hopes held for it in terms of employment generation, product or byproduct use. The past two years have shown renewed attention to the forest industry. Production can be greatly increased by scientific management of our forest resources. Much of the presently wasted annual growth can be utilized. Present and new businesses using wood products and by-products can increase employment by the thousands and be located in areas where unemployment has been traditionally high. Later publications in this series will focus on the tourism and forestry industries.

Alternatives to Consider

Shared Work: Over fifty percent of women in America are now employed outside the home. There are benefits to the family in terms of added income, but there are literally millions of 'latch key' children coming home to empty houses. The trauma that this causes to both children and parents is covered daily in our newspapers.

One alternative worked out by some families and companies are shared-time arrangements. Reduced hours and altered schedules for both husband and wife allows a parent to be at home when children leave for school and return home. For the single parent, the choices are more limited, but modern technology is allowing more professional jobs to be completed at home via computer telecommunication system. Fritjoff Bergmann, Professor of Philosophy at the University of Michigan, promotes the shared-time concept in a more elaborate form. Modern technology, he argues, has allowed the industrial nations to produce an excess of goods with fewer and fewer person-hours of effort. Therefore, we can either slow down our production technology, face higher and higher rates of unemployment or reduce the work hours used in the production of goods.

If the latter alternative were chosen, Bergmann thinks it should not be shorter work weeks, but should be a month, six months or even a year off the job. Government and business would jointly protect the workers' income level. This would allow the worker to utilize skills in community activities, have more time with families, and be a positive incentive for workers to invite new technology into their industry. It would also reduce unemployment rates and their social costs.

Shorter Work Week: Western Germany has very recently been torn by a massive strike in the metal working industry. Workers demanded a 35-hour work week without a pay cut. According to their figures this would provide jobs for nearly half the unemployed. Industry and government representatives argued that this would further price them out of the world market and cause a further loss of jobs. The strike was settled with a reduction in the work week to 38.5 hours.

Job and income security are overriding issues in current labor management negotiations, especially in those industries where new technology or imports are having an impact. Job security is now considered a top priority by the U.A.W.

The Japanese Solution: The Japanese system of lifetime employment with one company, covers only thirty percent of its work force. Even in this work force, there are growing pressures of under-employment and in some cases unemployment. Japan is finding greater resistance in many world markets for increased exports of its products. In some of its markets, quotas and import levies are now in effect. With new technology generally pushing production upward, Japan is beginning to give national attention to this under-employment problem that has been troubling Western industrial nations.

Youth Corp and Job Training Efforts: In Michigan, a very high percentage of youth cannot find summer employment. In its industrial cities, a high percentage of older youths seeking full-time employment cannot find jobs.

To help offset youth unemployment, temporary youth corp programs were put in operation in the summer of 1983-84. The arrangements for a permanent corp in Michigan are being made.

With tens of thousands of manufacturing jobs being terminated each year in Michigan, the question arises as to whether there aren't other jobs being created that the terminated workers can fill. The answer is "yes" if the worker can meet the new job skill specifications. This "skill twist," as some characterize it, is being confronted by companies and government efforts. Training centers are being set up in various areas for displaced workers for the new jobs. One thing that has been learned from past experience is that the training should be job specific if it is to be beneficial.

Set Up Regional Associations and Networks: This proposal will enhance the resources and comparative advantages of the upper Midwest region. Such efforts should also seek to nullify beggar thy neighbor programs.

Work for a National Industrial Policy: This policy would take into account the cartelization of world markets as well as establish a protection for basic industries deemed essential for the nation's economic and/or security goals.

This publication is the second in a series of articles dealing with Michigan's policy choices in the decade ahead.

The next publication will focus on issues in the K-12 education system. It is titled *In Search of Excellence in Education*.

By **Garland P. Wood**, Professor and Extension Specialist in Public Policy, Department of Agricultural Economics.

Summary

Michigan's citizens are living in a complicated, confusing and stressful time. Not only are there economic pressures from specific overseas nations, but there are political/economic thrusts by groups of nations. It would seem that each group has its own political/economic agenda for the world; the Russian Block, the OPEC nations, the third world nations, or countries of the common market.

It is a matter of record that the U.S. has lost its once dominant role in the automobile industry, steel products, electronic goods and thousands of items consumed by the American public. It is a matter of national concern and state debate as to what ought to be produced in the future. Japan has decided that its comparative advantages do not lie in the heavy industry of steel, ship building and even automobiles. Instead, Japan is choosing to invest in human capital and the information processing industries that complement the human investment.

Michigan has other choices than those of Japan and Germany due to its resource base. The alternatives discussed here cover some of the relevant options. It is admittedly difficult in our system to mobilize public effort even on major policy issues before they strangle us. The lead time to make and implement major policy issues, whether industrial, educational, governance or environmental, may be one year, five years or a decade. However, Michigan must make those clear-cut policy choices to marshal the human and physical resources for a better tomorrow. You have a part in the choice process.

Where to Start

- Recognize that as a citizen of Michigan you can make a difference in the realization of Michigan's economic and social goals. Be proud of Michigan, but recognize the necessary changes.
- Michigan is dominantly a private enterprise economy. Decisions by tens of thousands of businesses large and small hire the workers, produce the goods and pay salaries and taxes. Government at federal, state and local levels can facilitate and encourage these business decisions. You can be a participant in determining government's role.
- It's important to work as a team with your neighbors, local leaders and political representatives.
- Be an informed citizen. Have your state senator or representative meet with you and your neighbors and discuss the issues raised in this and other publications.
- If you need more information, contact your local Cooperative Extension Service office.
- Choose an issue and start!



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