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Michigan losing tech jobs

State sheds 6,100 positions in usually robust industry as economy worsens.

Christina Rogers / The Detroit News

Michigan's deepening economic troubles are casting a shadow over the state's technology industry, hampering the growth of high-tech startups and prompting established companies to trim workers in anticipation of a further slowdown in business.

Within the past year, the state has lost 6,100 technical and scientific jobs, including engineers, computer programmers and researchers, according to data compiled by the Michigan Department of Labor and Growth.

The vast majority of those jobs -- about 5,200 -- were shed in the latter half of the year, as the nation's economy buckled. That's accelerated a slide in many areas of the tech industry, long-regarded as a bright spot in Michigan's lackluster economy. While the cuts are not as deep as in other sectors, they suggest that even an industry as robust as technology won't be spared.

Employment in scientific research and development, for example, has dropped by 17 percent, or 4,300 jobs, in the last two years, according to state records. By November, as Michigan's unemployment rate neared double-digits, the state had lost about 400 R&D jobs in a matter of months.

But the impact is by no means uniform. The life sciences sector, which includes pharmaceuticals and medical research, continues to remain strong, largely buoyed by increasing demand for new health technologies and goods. And some tech companies are seizing the recent economic turmoil as fertile ground for new ideas, especially in the areas of clean energy and alternative fuel.

"In the long term, some significant innovations will begin to take shape as a result of the economic pressures," said Scott Watkins, a senior consultant for the Anderson Economic Group, a research firm in Lansing.

Firms tied to autos hit hard

Among the hardest-hit tech firms are those with ties to the automakers, a segment that's lost

about 530,000 jobs since 2000 and is expected to undergo significant cuts in the coming year as Detroit's Big Three streamline their operations to meet shrinking demand for cars and trucks.

But the reductions aren't limited to any one sector.

Included among businesses cutting back is ePrize, an Internet advertising firm in Pleasant Ridge that laid off 20 employees, or 5 percent, of its workforce this month, hoping to bolster its financial outlook at a time when many retailers are cutting marketing budgets.

The ePrize cuts come after several years of steady growth, climbing sales and workforce expansions, which brought the company's employment to 350 workers.

In November, Compuware Corp., the highly visible business anchor in downtown Detroit, announced layoffs of about 300 workers. The software and services company said it hoped the cuts would save about \$80 million annually and better position Compuware for what economists are expecting to be a prolonged downturn.

Bob Paul, Compuware's president and chief operating officer, said many of the company's clients are facing smaller IT budgets in the coming year and delaying new software purchases because they're trying to conserve during these financially volatile times.

"It's been a little bit of a slowdown," Paul said, adding that he hopes business will pick up once customers have gotten over the initial shock of this sharp and sudden downturn.

Startup funds limited

A prolonged recession could spell trouble for startup tech businesses that rely heavily on venture capital to transform research into market-ready products, said Larry Freed, who is on the board of advisers for University of Michigan TechTransfer, an organization that helps bring university technology to the marketplace.

"The high-growth companies go through a lot of cash," Freed said, noting that the pool of venture capital is shrinking as investors commit fewer dollars. And that's making fund managers more discriminatory about which companies they invest in.

"What's happening is that if you're not on the right track, you're not going to be able to raise that money," he said.

That could mean weeding out some startups. Those with stable cash flow or that have solid product development plans will likely survive, while others will fall away. "I would anticipate in the next three to six months, we face the risk that they'll be a lot of tech companies that have run out of cash and are in a situation where they need to fold or bailout," Freed added.

Still, some areas grow

There are bright tech spots, however. Strong growth in alternative energy and biosciences has helped mitigate downturns in other areas.

"I think you'll see some tech companies being leaner and more focused on where the

business opportunities are, watching their dollars and being conscious of budgets," said Ken Rogers, executive director of Automation Alley, a regional technology consortium based in Troy. "We'll see some spots of downsizing. We'll see opportunities to grow."

To nurture that growth, the state has doled out generous tax breaks to companies committed to expanding their hi-tech workforces here -- a move Michigan leaders hope will help diversify the economy and create high-paying, knowledge-based jobs.

For instance, Hemlock Semiconductor Corp., a solar power technology company in the Saginaw Valley, announced last week that it would create 300 full-time jobs through a \$1 billion expansion of its Michigan manufacturing plant -- a project spurred by new state tax breaks.

Likewise, many tech companies with ties to the health-care industry are growing. CareTech Solutions, a Troy-based IT outsourcing firm that works with several Metro Detroit hospitals, has added nearly 150 jobs this year.

"It's not all doom and gloom," Rogers said. "We get some going out the back door, but there are new entrepreneurs coming in."

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