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Michigan's non-auto industries showing promise

BY KATHERINE YUNG • FREE PRESS BUSINESS WRITER • JULY 21, 2008

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For a state struggling to find answers, the stark forces at work in reshaping Michigan's economy are revealing more clearly than ever the direction in which the state is headed.

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Last week, both sides of an economy in transition saw their paths cross on a single day.

The state's auto industry suffered another major blow from new cutbacks at General Motors Corp. However, Michigan also gained the headquarters for a new Dow Chemical petrochemicals joint venture. And state officials announced a flurry of expansions at

existing companies in the pharmaceutical, [financial services](#) and other non-automotive industries.

Slowly but surely, Michigan's economy is diversifying beyond the auto industry. But at the moment, the job losses outnumber the gains, leading to the country's worst jobless rate, a shrinking population and the prospect of a lower standard of living.

"We're diversifying in a painful and backward way," said Patrick Anderson, chief executive of the Anderson Economic Group in East Lansing. "The good side of the economy we are doing well at. But the bad news is outweighing the good."

The dual nature of the Michigan economy is most evident in the fortunes of two of the state's most important industries, health services and manufacturing.

Health services is poised to overtake manufacturing as the state's biggest source

ONE DAY IN MICHIGAN

On Tuesday, both good and bad news reverberated throughout the state's economy.

The bad

- General Motors Corp. sent new tremors through the auto industry and millions of households with yet another move to cut jobs, freeze pay, trim retiree benefits and sell assets.

- Michiganders learned that yet another foreign automaker, this time Volkswagen AG, had chosen to locate a new billion-dollar plant in the South.

The Good

- Midland-based Dow Chemical Co. and a subsidiary of the Kuwait Petroleum Corp. announced the launch of a new international petrochemicals company with headquarters in metro Detroit that will eventually employ 800 workers.

- On the western side of the state, Perrigo Co., the world's largest manufacturer of over-the-counter, store-brand pharmaceutical products, said it planned to invest \$10.5 million to expand its headquarters in Allegan, adding 400 jobs over the next five years.

- State officials detailed expansions by other Michigan companies in the financial services, logistics, aviation and technology sectors expected to generate thousands of jobs.

- Michigan's 15 public universities said they had formed a new initiative to create 200 start-up companies over the next decade.

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of jobs. It now employs 525,000 Michiganders, only 50,000 fewer than manufacturing, according to Bruce Weaver, an economic analyst at the Michigan Department of Labor & Economic Growth.

One company in this growing sector is HealthMedia Inc., an Ann Arbor-based developer of health coaching software programs. It started in the labs at the University of Michigan, employs 144 workers and has been adding customers around the country.

"We've been hiring by the droves," said company spokeswoman Mia Cupp.

Across the state, businesses are also taking root or expanding in other industries including life sciences, alternative energy, advanced manufacturing and homeland [security](#) -- even as GM and Chrysler LLC battle bankruptcy rumors.

For example, Adaptive Materials Inc., a producer of portable power units made of fuel cell systems, started manufacturing its products at a new facility in Ann Arbor this spring.

With more than 60 employees, Adaptive has six open positions, ranging from an information-technology specialist to engineers and an accountant.

As the auto companies downsize, many Michiganders are also racing to start their own businesses. Almost every week, some organization in the region is holding a seminar about becoming your own boss.

The growth of start-up companies in the state has gone hand-in-hand with an increase in the number of venture capital firms. Nearly 20 of them now operate offices in Michigan, more than ever before.

This kind of shift is already showing up in the economic data. Today, auto and auto parts manufacturing accounts for 4% of all Michigan jobs, down from 7% six years ago, said Dana Johnson, Comerica [Bank's](#) chief economist.

"We're going to get through this" downturn "because the auto sector is becoming a much less important part of the structural economy," he told some of the bank's Michigan clients last month.

This gradual transformation is posing serious challenges for the state, however.

Some businesses that are growing are having a difficult time finding the high-skilled, educated workers they need.

Though Michigan suffered from an 8.5% unemployment rate in May, the rate for those with at least a bachelor's degree was only 2.7%, Carlos Gutierrez, the U.S. Secretary of Commerce, told the Detroit Economic Club last week.

When it comes to the percentage of residents with a college degree, Michigan ranks 34th among the states, according to Lou Glazer, president of Michigan Future Inc., an Ann Arbor think tank.

Another challenge is the need for effective government policies to help move the economy forward.

Gov. Jennifer Granholm's administration can point to a variety of initiatives that

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have stimulated investment and created jobs. But some say that the budget crisis and the passage of higher taxes and a surcharge on some businesses have hurt Michigan's reputation.

"Unless you're trying to shoot a Hollywood movie, right now the state isn't a very good business partner," Anderson said. "Much of the business community has very little confidence in government right now."

Contact **KATHERINE YUNG** at kyung@freepress.com

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vforvendetta2 wrote:

The most important part of this article is here:

"Though Michigan suffered from an 8.5% unemployment rate in May, the RATE FOR THOSE WITH AT LEAST A BACHERLOR'S DEGREE WAS ONLY 2.7%, Carlos Gutierrez, the U.S. Secretary of Commerce, told the Detroit Economic Club last week.

When it comes to the percentage of residents with a college degree, Michigan ranks 34th among the states, according to Lou Glazer, president of Michigan Future Inc., an Ann Arbor think tank."

 Sadly this goes a LONG LONG way in explaining the reason why hitching your wagon onto manufacturing is a losing equation, why restructuring is so painful, why racial tensions in Michigan are so bad and why too many idiots either rely on the govt. to bail them out or blame it/Granholm for misfortune caused by their own ignorance.

regards,

V

7/21/2008 6:54:28 PM

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jrll60 wrote:

One Michigan-based non-automotive company that doesn't get as much press as it deserves is Energy Conversion Devices (and their subsidiary United Solar Ovonic). They have a few offices in Oakland County, and are at the forefront of solar energy, an industry that has been getting a lot of attention lately. Here's hoping ECD continues to grow, prosper, and expand in the state of Michigan.

7/21/2008 3:32:31 PM

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umich07 wrote:

Replying to russp:

DON'T TRUST GOV. JOB-KILLER

For the 1,000,000th time --

Job-creators don't trust Gov. Tax-and-Waste. To propose \$150,000,000 in new spending during a depression is just moronic

I'm guessing you've never stepped into a history or economics classroom.

7/21/2008 1:29:35 PM

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umich07 wrote:

Replying to smokeachee:

"Some businesses that are growing are having a difficult time finding the high-skilled, educated workers they need." I take it you're in the other category. Must be Granholm's fault.

Bingo. I'm working on an EE degree from Michigan right now. I had a bunch of internship offers in-state for the summer, and if I chose to stay in-state when I graduate, I am very confident that I will have no trouble finding a good-paying job. The auto industry is dead. Granholm couldn't stop it and nothing short of huge help from the feds will reverse the tide. Trouble in the auto industry is going to continue to shake the state's foundations. The days of turning bolts for \$80,000/year are over.

7/21/2008 1:26:35 PM

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