

# **Michigan: The #1 Quality Workforce in the Nation?**

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It would be comforting to believe that the traumatic changes in Michigan' economy and labor markets could be forestalled by 'passing a law' or by 'caring political leaders'. However, in reality, political leaders in neither Michigan nor the Nation have the power to stop the inexorable global, demographic, and technological evolution that is currently underway. The plain fact is the US is competing with countries that offer increasingly large numbers of highly educated workers willing to work for lower wages. Certainly India and China, but also most developing countries are investing in the education of their rapidly growing younger populations.

Throughout most of the 20<sup>th</sup> Century the US took pride in having the best educated workforce in the world. It simply is no longer true. Over the past 30 years, one country after another has surpassed us in the proportion of their entering workforce with the equivalent of at least a High School diploma, and many more are on the verge of doing so. Thirty years ago we had 30% of the world's population of college students. Today the US share has fallen to 14% and is continuing to drop. (NCEE, 2006). Thirty-three (33) million young professionals with university degrees and work experience now live in 28 low-wage countries, compared with 15 million in eight high-wage nations, including 7.7 million in the US. (McKenzie, 2006).

These dramatic changes in education have occurred even as we experienced dramatic shifts in industrial structure, technology, work processes, and skill requirements. More and more of the world's work is digitalized reducing the need for rote mechanical applications and increasing the need for more broadly educated employees. Where once the US led the world in building highly successful, vertically integrated, self-contained industries, global competitors are now engaged in destructing, downsizing, and reorganizing these industries. They are creating horizontal organizations which shed all work that can more efficiently be performed by other means in other places. These firms contract with the best providers for each of these services and keep only those functions that they can do better than anyone else. Successful companies will be those with ever specialized skills who offer increasingly personalized products. A flatter world will demand ever increasingly flatter corporate structures. (Economist 2006).

These technological developments will play havoc with patterns of economic growth, but will certainly favor those countries with strong education systems, younger populations, and a culture of innovation. As the life cycle of traditional industries, companies, and jobs grows ever shorter, the economic necessity of a more highly and broadly educated workforce becomes increasing critical.

In the US we have begun to see these trends in the changing demands for occupational preparation. 85% of all new jobs already require some level of postsecondary education. 80% of the fastest growing occupations as well require postsecondary preparation. In contrast, about 2/3 of the fastest declining jobs are in low skill occupations and almost 3/4 of them are in the lowest earning quartiles. (BLS, 2006) The days of high wages and benefits for skilled and semi-skilled jobs alike are gone forever. Indeed, the education achievement levels of today's high school graduates are essentially the same whether they go directly to work or to higher education. The skilled and semi-skilled jobs of tomorrow require the same level of reading and math preparation as those requiring postsecondary degrees.

The net result is the growing correlation of education achievement to higher earnings, employment security, health costs, retirement costs, lower crime, welfare rates, and reduced remediation costs. Social and economic equity can no longer be guaranteed in legislation alone, they are increasingly defined by the quality and productivity of the public education system. Indeed, the economic security of the country, our

state, corporations, and the individual will depend on the universality of accesses to quality education and effective student achievement.

### **The American Crisis.**

At the very time the global premium on education has exploded, America is facing other daunting forces that challenge its capacity to compete in this new global market. While the developing world's workforce is growing younger and better educated, America's workforce is becoming smaller, older, more diverse, and less well educated.

#### **Slowing Population/Workforce Growth.**

Over the coming decades America will experience very slow growth in both its population and labor force. Our population currently grows at only 1% a year and is projected to slow to .03% by 2030. The growth in the workforce is slightly slower due to significant growth in older workers, increasing retirements and lower percentages of young workforce entrants. (Census Bureau, 2006)

#### **Increased Diversity.**

Not only is our workforce growth minimal, it is increasingly diverse. From 1980 to 2020 the percent of traditional white workers will have decreased from 82% to 63% while the percent of minority workers will have increased from 18% to 37%. For all practical purposes our country will reach majority/minority equity by 2050. By far the greatest growth will be in the Hispanic community which will constitute over a quarter of our workforce by 2050. (BLS, 2006)

#### **Less Well Educated.**

Along with these shifts our workforce is losing the educational advantage we had over other countries in the latter half of the past century. Our traditional workforce was made up of 80.4% with high school degree or better and 30% with BA degree or better. But the new growth in the workforce is comprised of groups with significantly lower high school and postsecondary education experience. While the education gap has continued to narrow in this country, it remains the case that only 57% of the Hispanic entrants have an HS degree and 11% have a BA or higher. While the percentages among the black population are better, the fact remains that these new entrants are far less educationally prepared than their counterparts who are leaving the workforce. (Census Bureau, 2005)

#### **Increased Job Growth.**

Meanwhile, job growth and demand for high skilled workers outpaces the availability of qualified workforce entrants. While our economy sheds old industries, jobs, and skills, it continues to create new opportunities, requiring new skill sets, faster than the availability of qualified workers. While the population grows at 1% a year the new jobs have grown at 1.4% a year. And as outlined above, almost all of this growth is in jobs requiring postsecondary education. As a result, the Bureau of Labor Statistics (BLS) projects major labor shortages of 7 million by 2010 and 21 million by 2020. While this is not the first time in our history that this has happened, it is a significant change from the old industrial economy for which most of our economic, social, and economic policy was designed. (BLS, 2006)

In the coming years, the developing nations of the world will continue to invest in education, technology, R&D, and economic policies that will make them stronger competitors in the global economy. America cannot, and should not, hope to deter the impact of these forces on our own economy and

workforce. Rather, we must recognize the social, economic, trade and educational policies that were designed for the postwar era of the last century are not designed to empower our competitive advantage in this new global economy.

### **The American Challenge**

For the American economy to compete and grow in this new global market, it will have to produce the *best workforce in the world*. Our competitive edge will always be our commitment to innovation, creativity, and the development of new high demand products. The only way we can achieve that goal is to mobilize the most highly educated and skilled workforce in the world. The New York Times recently stated:

*“The United States can still prosper in a world where our labor costs are higher than the competition’s, but it cannot do that if the cheaper workers abroad are also better educated.”*

Our resource for this challenge is the existing diverse generation of students that populate our schools and the experienced workers in our current workforce. There are no other options. The days of ‘cherry picking’ the best workers from a large oversupply are gone. The math, science, technology challenges of the future cannot be met by increasing a few more top performing students, but only by significantly increasing the overall base of students prepared for the new jobs of tomorrow. The cultural challenge for parents, educators, business leaders, and policy makers is to recognize the need for significant increases in the educational attainment of those we have traditionally neglected. America’s economic future is directly based on significantly raising the educational achievement of the diverse populations in our schools and our workforce. This cannot be stated strongly enough. The one great truth of Michigan’s and America’s future is that the standard of living for our country, and for each citizen, is directly dependent on our commitment to raising the education level of the 50% of our population who, in the past, were able to achieve economic success with a high school degree or less. This challenge is not a social or political issue. It is an **economic imperative**.

### **What’s the Status in Michigan?**

Michigan is a microcosm of the forces transforming the world’s economies. The state’s economy has endured the double impacts of increasing global competition while threatened with significant shifts in productivity, technology, and increasing demands for higher skilled workers. Yet, in assessing its labor market assets for the future it finds:

- The population is growing far slower than the rest of the US and dramatically slower than the developing world. From 2005 to 2020 Michigan’s population is projected to grow by only 5% or about 0.33% per year. Meanwhile, the percentage of its population over 55 will increase by 10% in just 10 years. More to the point, the proportion of prime working age population (25-54) will decrease 5% during the same time period. Finally, the number of young people entering Michigan’s workforce will drop dramatically. By 2020 Michigan will experience a decrease of 4% in public school enrollment and a drop of 1% in high school graduates. By 2030 Michigan will still rank 11<sup>th</sup> in population, but its rate of growth is falling to 40<sup>th</sup> in the nation. Michigan cannot compete on numbers alone. (Michigan DLEG, 2006) (Census Bureau 2006)
- Not only is Michigan facing a smaller workforce, it is also facing a more diverse workforce. By 2020 the white population will have fallen from 86% to 77%, while the various ethnic groups will have grown from 13.6% to 23% of the workforce. In the school system itself a significant shift occurs from

2000 to 2014. While white enrollment decreases from 82% to 75%, blacks increase from 12% to 14%, and Hispanics double to around 4 % (Census Bureau, 2005). As with the Nation as a whole, these shifts carry the challenge of closing the education gap between whites and the various ethnic groups. The HS drop-out rates for minorities is higher while the enrollment in core curriculum, higher level math/science, and graduation rates are all lower than whites. While 44% of young white adults are enrolled in college only 36% of ethnic groups are participating. As a result, 28% of the whites complete a BA degree but only 23% of ethnic minority groups complete. If current trends continue, while 34% of the current workforce have an AA degree or higher, the workforce of 2020 projects only 20% with AA degree or higher. Based on current trends Michigan will not maintain the title as one of the best qualified workforces in the world. (NCPP&HE, 2006).

- While Michigan continues to experience increased competition and loss of manufacturing jobs, it is also facing increases in job growth. While the population is only growing at .33% Michigan Department of Labor Dept projects the State job growth at about 1% per year between 2002 and 2012. But these jobs, like the rest of the country, are largely in occupations requiring postsecondary education. Jobs requiring an AA degree increase 19% and a BA Degree 15% reflecting double-digit growth in Technology, Health, Accounting, Business Management, Engineering, Graphic Designing, Energy, and Education related fields. (Michigan DLEG, 2006).
- Of the Michigan population 24 and older, 87.9% of have an HS degree and 24.4% have a college degree. However, the current workforce lack the education and skills required for the current demand occupations, let alone the new jobs that might be generated by the R&D and University cluster, and are significantly lower than the leading States. For example, only 27% of adults possess the necessary *quantitative literacy* skills for ‘today’s’ jobs, only 26% meet the *prose requirements*, and only 23% can meet the *document requirements*. (NCPP&HE, 2006).
- Net result of these trends is a continuous downward pressure on the States revenue. If the State continues its current track personal income is projected to drop resulting in State budget deficits of 4.8% by 2014. (NCPP&HE, 2006). Currently, the state is losing about \$750 million of life time health care costs for each year’s class of HS dropouts, over \$50 million in annual remediation costs in just the community college system, and the increased costs of unemployment, welfare and crime. (AEE, 2006) Perhaps most telling, if all ethnic groups had the same educational attainment and earnings as the white population, personal income in the state would be \$3.4 billion higher. (NCPP&HE, 2006)

### **Status of Education**

Throughout the postwar years and up to the recent turn of the century, Michigan’s workforce has been recognized as one of the most experienced, most resilient, and most productive in the country and in the world. But the industrial models of the past are no longer effective in mobilizing the workforce for the future. Michigan must mobilize a highly qualified workforce to fill the new jobs or all the job growth, innovation, or technology will be for naught. That workforce will not come from somewhere else. It can only be developed by increasing the economic investment in, and expectations of, the nontraditional populations of the State.

Addressing these challenges, Michigan has begun the process of creating the **#1 Quality Workforce in the Nation**. Through the Cherry Commission, it has committed to “doubling the number of Michigan

citizens with postsecondary education” and “increasing funding for higher education”. It has committed to support 100% of 11<sup>th</sup> graders in taking the ACT and WorkKeys assessment as a part of the State exit exam, and last year passed legislation requiring rigorous core curriculum for **all** Michigan HS students. These are important steps which will make downstream contributions to the goal. But the overall education challenge that confronts Michigan is far more daunting and will require significant political and financial commitments if Michigan is to meet the quality demands of the 21<sup>st</sup> Century workplace.

Where does the Michigan education system stand in addressing the demands of the new economy?

### **Status of K-8**

All students in Primary schools throughout the State are not being brought to standard in the 1<sup>st</sup> grade nor in subsequent grades. Students who fall behind in these early grades have little or no chance of making it up in later grades. According to the National Assessment of Education Progress (NAEP) only 14% of Michigan students are taking algebra in the 8<sup>th</sup> grade while the top states in the country range above 35% of students. By 8<sup>th</sup> grade the numbers of Michigan students who test at the proficient level are 29% in math, 28% in reading, 35% in science, and 24% in writing. These numbers suggest that almost three quarters of Michigan 8<sup>th</sup> grader students are not prepared for high schoolwork. Obviously, among these numbers are high percentages of the minority students who will populate Michigan’s future workforce. (NAEP, 2006)

### **Status of K-12**

Only about 33% of Michigan HS students are currently enrolled in rigorous core curriculum. Yet this is one of the primary indicators of success in both the workplace and college. Of the 68% of students currently taking the ACT exam 32% are ready for college level biology, 45% for algebra, 70% for english, and only a quarter of high school students are college ready in all fields. These numbers suggest that a majority of high school students are not prepared for the postsecondary education required of the new workforce. Yet again, these are the students needed in tomorrow’s workforce. (NAEP, 2006)

### **Status of Higher Education.**

The chance of a 19-year old Michigan student enrolling in college is only 38% and has dropped by 7% over the past two years. High income students are almost twice as likely to enroll in college as low income. Of those students enrolling in community college over 57% return for the 2<sup>nd</sup> year and 74% of freshman in 4yr Colleges and Universities return for a 2<sup>nd</sup> year. While this number appears high it has declined by over 6% in the last two years. Only 55% of Michigan students who do attend college complete a bachelors degree within 6 years of enrollment. Minority graduation and retention rates are about 20% lower than whites. Both retention and graduation rates are well below that expected by tomorrow’s economy. (NCPP&HE, 2006)

### **Affordability of Higher Education**

State support for higher education in Michigan has dropped by about 30% over the past 25 years. In particular, needs based assistance available to low income and minority students has dropped while tuition costs have increased. For 40% of the population with lower income it would currently take 37% of their family income to attend community college, 53% to attend Public 4yr, and 71% to attend private 4yr college. Once again, this is the precise population that most need quality education if Michigan residents are to succeed and participate in the workforce. (NCPP&HE).

While the education challenges are clear, Michigan has demonstrated significant progress in some critical areas. Its eighth graders score well on national science assessments and over two thirds of secondary students are taught by qualified teachers. Michigan is one of the leading states in narrowing the gap between white and minorities in college attendance and it has shown significant improvement in the 2<sup>nd</sup> year retention of community college students. Despite some recent slippage, Michigan is still one of the leading states in adults enrolled in part-time college level education and training.

Finally, in the recently released *Education Counts* report, Michigan was ranked as the #1 State in “Aligning Education from Cradle to Grave”, #18 in its establishment of education “Standards, Assessments, and Accountability”, and #37 in the academic “Performance of its Elementary and Secondary” education systems.

### **Michigan’s Next Steps**

For the State of Michigan, the goal of significantly improving the quality of its workforce is far more a management issue than one of education reform. The challenge is in establishing a culture of performance and achievement. There must be a public commitment to clear performance oriented management systems, to essential investments supporting student achievement, and to holding policy makers, educators, the public, and parents accountable for these outcomes. A recent report by the National Center on Education and the Economy titled *Tough Choices or Tough Times* highlighted the need for a new management structure in public education based on “contracting for quality and achievement”. The old model of structures, systems, and programs is not designed for the education system of the next century. (NCEE, 2006)

### **K-12 Goals**

Moving the K-12 system to the next level will require a specific statewide focus and commitment to the goals that ensure that every Michigan student is prepared for the escalating demands of the workforce or postsecondary education.

- Bring all students in each grade to standard
- Focus on minority/low income student achievement
- Ensure all students are in rigorous core curriculum
- Bring all students to college/work readiness by the 12<sup>th</sup> grade

### **Postsecondary Goals**

Essentially all jobs will require some degree of postsecondary education. The challenge is for the State to invest in new public policies reflecting the economic necessity of continuous access to the educational system that will provide its future workforce.

- Establish partnerships with k-12 system. (standards, curriculum, and student support)
- Increase financial support for higher education.
- Increase needs based support.
- Ensure universal access to postsecondary education
- Require a 21<sup>st</sup> Century curriculum for students.
- Ensure institutional accountability for student outcomes.

### **Michigan’s Future**

Michigan has all the resources and tools to continue its leadership role in the economy of the 21<sup>st</sup> Century. It has the R&D and creative assets of one of the finest network of research universities in the

country. It has a strong industrial base and a committed and experienced workforce. Its public education system has the capacity to change its structure and expectations to meet the requirements of the new economy. It is blessed with strong and committed business leaders willing to work with policy makers, educators, and the public in support of the public school system

The challenge is to change the educational expectations of the past century. Can policy leaders communicate the new economic realities effectively to the citizens of Michigan? Will the public accept the fact that their economic standard of living depends on effectively educating those traditionally left behind? Will they come to understand the absolute need for postsecondary education for their own economic security? Will they understand that their own security in this new labor market is determined by their education and training assets....and not guaranteed by law, history, or the expectations of lifelong employment?

Those states that are having success in moving this agenda (i.e. Massachusetts, New York, Texas) have effectively communicated this broader economic imperative to their citizens. They have raised the debate well above the more limited and contentious discussion of education reform.

Michigan's success will depend on the public's awareness of the need for universal postsecondary education and on their willingness to support the financial and policy investments necessary to ensure the quality of life and standard of living that Michigan citizens have come to expect.

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