



Decades of Decline, but Opportunities Remain

“In 1980, of the ten U.S. communities with the highest average earnings, five were in Michigan. Today, no Michigan city finds itself on the list.”

- Michigan Growing Together Council Final Report, p 16

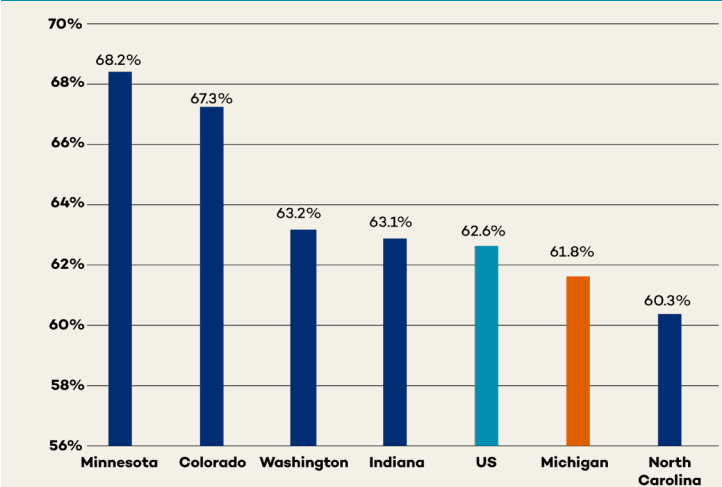
If Michigan is to grow and thrive in the coming decades, economic and financial security for residents, businesses, and the municipalities that serve them is critical. Our once robust manufacturing and innovation economy has declined since the late 1990s, and Michigan was hit particularly hard during the 2008–2010 recession. We’ve slipped from 11th in per capita income in 1950 to 38th in 2022.¹ While there have been both growth and bright spots in recent years, Michigan has not fully rebounded to a pre-recession economy, and our population growth has lagged well behind the U.S. (8.8 versus 46.3 percent between 1980 and 2021).²

Despite these poor economic trends, there are opportunities for growth the state could capitalize on—particularly among young people. A survey of young Michiganders found more than 80 percent of respondents said they would choose a job in Michigan over Texas, California, or Chicago if it had a comparable position and salary. But only 64 percent of survey respondents said they saw themselves living in Michigan in 10 years—a sign that there is a mismatch between desire and opportunity. Of those considering leaving, lack of jobs and opportunities in their fields, and the desire for welcoming and walkable communities were the most cited factors.³

Michiganders Need More Opportunities for Income and Wealth-Building

Michigan is suffering from both low labor force participation rates and high unemployment, a negative sign for our economy and communities. Michigan ranks 46th out of 50 states and the

Peer High Growth State Comparison: Labor Force Participation Rate 2024

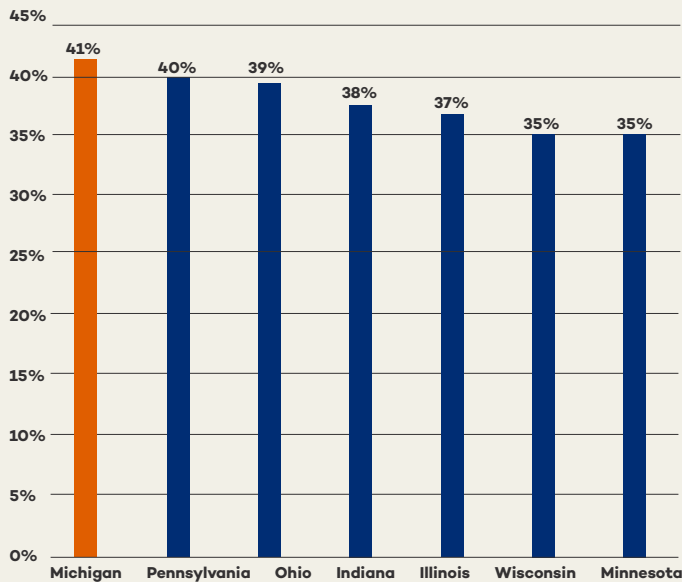


District of Columbia on unemployment, and 36th on labor force participation—worse than the U.S. average and below most of our higher-growth peer states.^{4&5}

These employment patterns, combined with wage growth not keeping up with costs, mean an estimated 41 percent of households in Michigan were living below the Asset Limited, Income Constrained, Employed (ALICE) threshold (a basic needs budget) in 2023, and 14 percent of those were below the federal poverty line, worse than four out of five high-growth peer states.⁶

This also impacts longer-term wealth creation. **Michigan households are in the bottom half of states (ranked 28 of 44 states reporting data) in terms of median value of assets held** (including equity in homes, bank accounts, vehicles, retirement accounts).⁷ When households cannot meet basic needs, it leads to social stresses and challenges in buying homes, building assets, or becoming an entrepreneur. Without action, Michigan will continue our vicious cycle of stunted economic growth, shrinking tax base, lost productivity, and higher dependency on social services.

Percent Households Below ALICE Threshold



Strong Municipal Budgets Make It All Work

Robust service offerings like public safety, recreation, infrastructure, and placemaking are the cornerstone of a great community. Too often, we fail to recognize that those services rely on strong municipal budgets. In Michigan, property taxes are the primary revenue source for local governments, and they are tightly limited by the Headlee Amendment and Proposal A's caps, which have hindered municipalities' abilities to keep pace with inflation or recover lost revenue. During the "great recession," aggregate taxable value dropped by over \$50 billion statewide and did not return to 2008 levels until 2019. Many Michigan communities have only recently returned to 2008 taxable values.

Additionally, state revenue sharing has drastically reduced over the past two decades, with local governments losing roughly \$13 billion in purchasing power. As a result, municipalities have been significantly limited in their ability to provide the services and infrastructure which make thriving communities that attract and retain both residents and businesses.

Thriving Michigan evaluates how well Michigan is fostering thriving communities where people want to live, work, and build their futures. This series benchmarks the state's performance across key indicators that contribute to long-term prosperity. Each report presents a clear, data-driven snapshot of how state policies and investments are impacting one of the key indicators in Michigan communities, including health and safety, economic and financial security, natural resources, virtual and physical infrastructure, arts and cultural, lifelong learning opportunities, and housing.

Small Businesses Equal Big Impacts

While attention often focuses on large company attraction or development projects, creation and growth of Michigan's small businesses are critical for our long-term economic security. Michigan's small businesses make up 99.6 percent of all businesses in the state and employ 47.9 percent of Michigan's workforce. Entrepreneurship in Michigan is relatively strong compared to neighboring states,⁸ and Michigan is among top-performing states on the Experian Small Business Index, pointing to "easier credit access, lower delinquencies, and solid financial stability."⁹

However, while Michigan has seen an increase in the number of businesses in all stages, the rate of growth over the last two decades is well below the national average. And that growth has not been realized equally: The share of minority-owned small businesses in Michigan continues to lag.¹⁰

The Path to Thriving

For a thriving Michigan, the state must commit to strong economic and financial policies that ensure the well-being of people living and working here.

- Grow multi-sector job opportunities in all regions of the state, including opportunities for higher wages in both small and large businesses.
- Create more opportunities for people to build wealth and financial security by removing barriers keeping people out of the labor force (lack of regional opportunities, childcare, lack of transportation).
- Invest in the entrepreneur and innovation economy, providing better access to capital at all stages (and for minority, underserved, and immigrant communities) to boost entrepreneurship.
- Restore municipal service capacity with a resilient mix of funding.

1 Growing Michigan Together Council, December 2022. Growing Michigan Together Council Report, <https://www.growingmichigan.org/wp-content/uploads/2022/12/14-GMTC-Final-Report-2.pdf>. 2 Laphin, Eric, Robert Schneider, and Eric Paul Dennis, Citizens Research Council, 2023. Michigan's Path to a Prosperous Future: Economic, Workforce, and Talent Challenges and Opportunities. Page 2 in a Five-Part Series. 3 Detroit Regional Chamber, September 20, 2023. "New Statewide Survey Reveals Priorities for Michigan Residents Ages 18-39: Get the Fundamentals Right, Diversify the Economy, Create a Welcoming State." Detroit Regional Chamber. Accessed August 10, 2023. <https://www.detroitregionalchamber.com/en/30-yield/1-united-for-alice-2023>. 4 The State of Alice in Michigan 2023 Update on Financial Wellbeing. <https://www.aliceinmichigan.org/>. 5 Rate data for Michigan, North Carolina, Minnesota, Colorado, Indiana, and Washington. Accessed 8/10/2023. High growth peer states were selected based on indicators endorsed by the Growing Michigan Together Council. 6 <https://www.aliceinmichigan.org/>. 7 Bureau of Labor Statistics, Local Area Unemployment Rates for States, 2023. <https://www.bls.gov/charts/tables/tables/8-bureau-of-labor-statistics>. 8 Entrepreneurship in Michigan is relatively strong compared to neighboring states. 9 Experian Small Business Index, pointing to "easier credit access, lower delinquencies, and solid financial stability." 10 The share of minority-owned small businesses in Michigan continues to lag. 11 U.S. Census Bureau, Survey of Income and Program Participation, Survey Year 2020, Public Use Data. <https://www.census.gov/ipeds/data/sipp/2020/summary.html>. Accessed 8/10/2023. 12 Small Business Association of Michigan, 2023. State Annual Reportcard 2023. Accessed 8/10/2023. <https://www.sbam.org/michigan-entrepreneurship-score-card/>. 13 Experian Small Business Index. Accessed 8/10/2023. <https://www.aliceinmichigan.org/>. 14 U.S. Census Bureau, Survey of Income and Program Participation, Survey Year 2020, Public Use Data. <https://www.census.gov/ipeds/data/sipp/2020/summary.html>. Accessed 8/10/2023. 15 Total state taxable value from Michigan Department of Treasury annual reports for these years. <https://treasury.michigan.gov/ReportSelectedForm.aspx>. 16 Calculated based on revenue sharing amounts provided by the Michigan Department of Treasury. <https://www.michigan.gov/treasury/fiscaldata>.