

CLOSUP Student Working Paper Series
Number 6

December 2016

Policy Analysis: Brain Drain in The State of Michigan

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This paper is available online at <http://closup.umich.edu>

Papers in the CLOSUP Student Working Paper Series are written by students at the University of Michigan.
This paper was submitted as part of the Fall 2016 course *Public Policy 475: Michigan Politics and Policy*,
made possible through funding provided by the University of Michigan Third Century Initiative.

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Political Science 496

December 12, 2016

I. Introduction

Michigan enrolls roughly 300,000 students in its fifteen public universities every year,¹ but many of these students will never work or reside in Michigan after graduation. The state is currently experiencing a mass exodus of highly skilled young professionals and recent college graduates who are leaving Michigan in search of better employment opportunities and more attractive living conditions. This phenomenon, known as “human capital flight” or “brain drain,” is a serious threat to Michigan’s future. The demographic of young professionals and recent college graduates are vital to the state’s growth and economic recovery, not only because they provide unique perspectives and innovative ideas, but also because they will need to fill the impending talent void in Michigan’s workforce. Employers will likely experience a sharp demand for educated and qualified professionals as baby-boomers begin to approach retirement age.² With an estimated 40% of recent college graduates fleeing Michigan,³ it will become increasingly difficult to bridge the growing talent gap. Furthermore, brain drain has proven to cause multi-faceted economic damage by hindering the functionality of important social services, and creating a static state of income distribution.⁴ It is thus in the best interest for local and state officials to reverse this alarming trend and increase the abysmal college-graduate retention rate. In order to accomplish this, Michigan must emphasize the place-based model of economic development, cultivate an environment conducive to entrepreneurship, and incentivize recent college graduates with efficient transportation services.

¹ Jason Horwitz, Samantha Superstine, *The Economic Footprint of Michigan’s Fifteen Public Universities* (Anderson Economic Group, 2013), pg 1.

² Brandon Rigoni, Amy Adkins, *As Baby Boomers Retire, It’s Time to Replenish Talent* (Gallup Business Journal, 2015)

³ Presidents Council, *Mobility and Employment- Michigan’s Millennial Talent: Where Are They Going?* (Detroit Regional Chamber, 2013), pg 2.

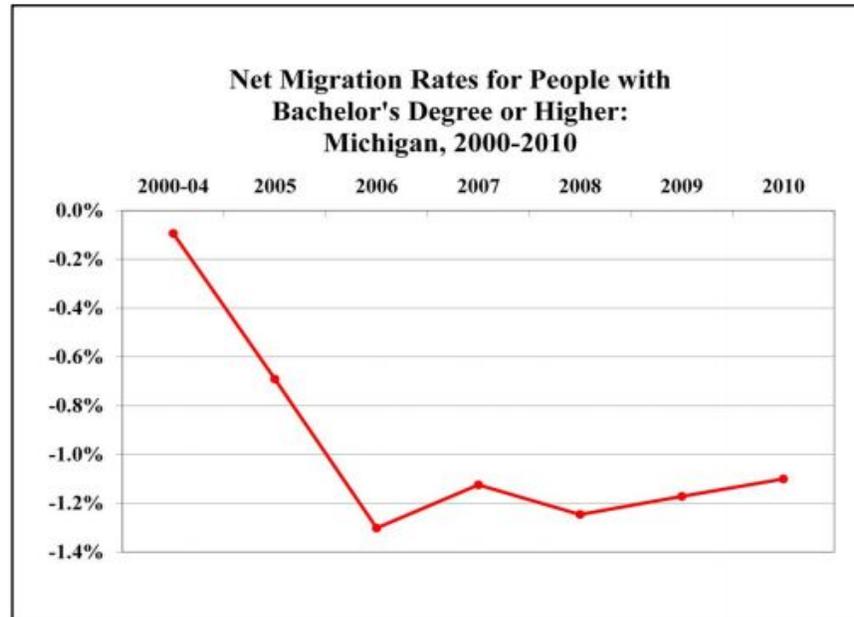
⁴ *Ibid.*, 1.

II. Historical Context

The term “brain drain” was first used by the British Royal Society to label the prodigious departure of scientists and scholars in the 1950’s and 1960’s from the United Kingdom to North America.⁵ In the traditional sense, brain drain is employed to describe the phenomenon of human capital flight on a country-wide level, but the general idea can be applied more specifically to states and even cities as well. While brain drain is not occurring on the national, it has been affecting a handful of American states- Michigan being one of them.

Census Data shows a decrease in the number of “young, single, and college educated” individuals beginning in Michigan as early as 2000 and these numbers have been gradually declining since then.⁶ Predictably, the most dramatic spike in migration of college educated individuals coincided with Michigan’s recession of 2006 to 2009 (figure 1).⁷ It was a period

Figure 1: Michigan Department of Technology



⁵ Mario Cervantes, Dominique Guellec, *The Brain Drain: Old Myths New Realities* (OECD Observer, 2007).

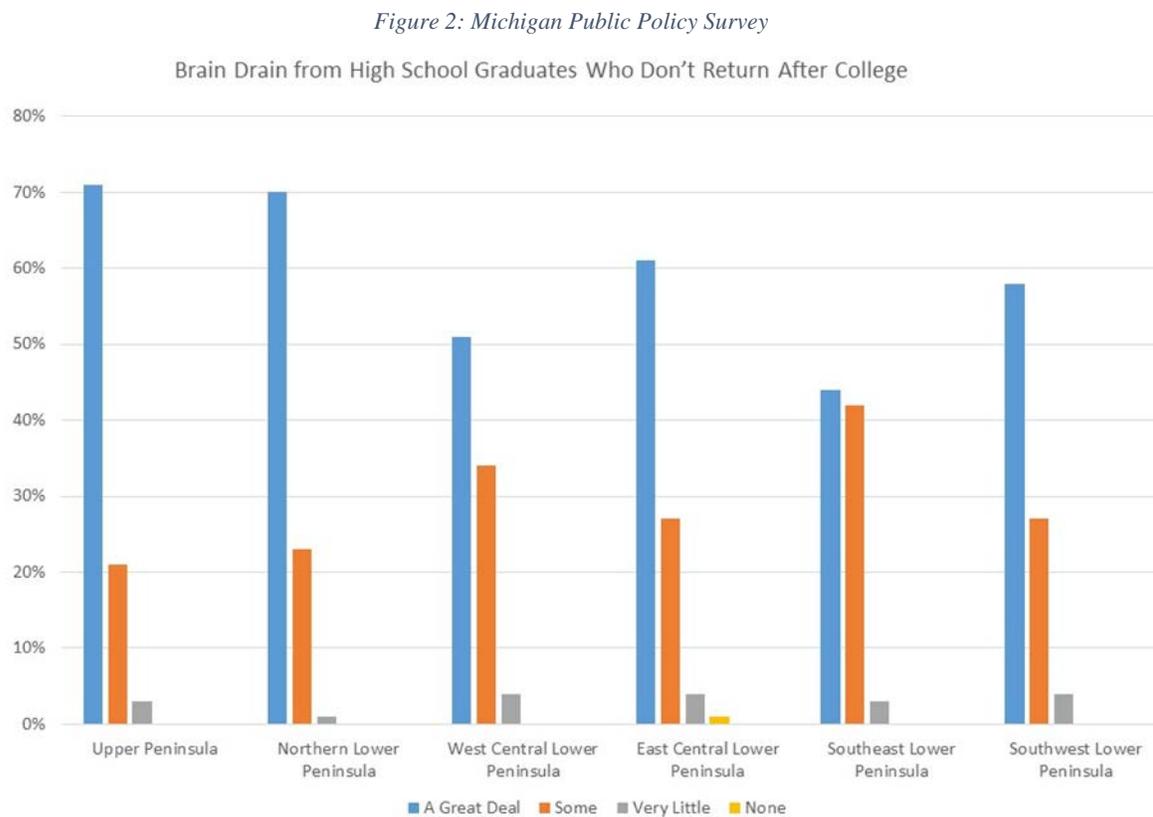
⁶ Rachel S. Franklin, *Migration of the Young, Single, and College Educated: 1995 to 2000* (United States Census Bureau, Special Report, 2003), 1-3.

⁷ Michigan Department of Technology, *Statistics on Migration by Level of Education from the American Community Survey: Michigan, 2000-2010* (2010), 5.

characterized by intense economic downturn that negatively impacted many employment sectors. Michigan is not losing as many college educated young professionals today as it was during the recession, but the rate of migration for this essential demographic out of Michigan remains disturbingly high.

III. Evidence of Brain Drain in Michigan

According to the Michigan Public Policy Survey, 70% of local government officials in the Northern Lower Peninsula, and 44% of local government officials in the Southeast Lower Peninsula, expressed that brain drain is occurring “a great deal” (figure 2).⁸ These percentages are



⁸ Center for Local, Urban, and State Policy, *Fall 2009 Survey: Brain Drain* (Michigan Public Policy Survey).

quite high, and reflect an increasing trend of concern among local government officials on the rate of brain drain in their respective jurisdictions.

It is important to note the discrepancy between concern of local government officials in the Northern Lower Peninsula compared to that of local officials from the Southeast Lower Peninsula. This dramatic jump in concern is most likely due to the fact that cities in the Southeast Lower Peninsula (such as Ann Arbor, Detroit, and Royal Oak) rely more on industry than agriculture, have more job openings for recent college graduates, and possess a more vibrant social and entertainment scene that entice Millennials. It also reflects a trend of brain drain occurring on a micro and macro level within Michigan. College educated young professionals are moving from smaller towns and cities in the northern part of the state to the more populated southern part of the state, and on the state wide level this demographic is moving to large cities out-of-state. States currently gaining the most of Michigan's college graduates include Illinois, California, New York, Texas, Wisconsin, and Ohio.⁹

IV. Current Debate and Discourse

Some local and state officials remain unconvinced that the brain drain phenomenon is actually occurring in Michigan, and claim that it is completely normal for recent college graduates to “fly away from the nest” after receiving a degree. On the other hand, there are also officials who acknowledge that the brain drain in Michigan is major problem, and have actively been supporting legislation and policy recommendations aimed at slowing and reversing the brain drain.¹⁰ Michigan's Governor Rick Snyder is among those concerned about brain drain. In a 2011 address

⁹ Presidents Council, *Mobility and Employment- Michigan's Millennial Talent: Where Are They Going?* (Detroit Regional Chamber, 2013), 2.

¹⁰ Michigan Senate Fiscal Agency, *Senate Bill 408: Student Loan Income Tax Credit* (2014).

on “developing and connecting Michigan’s talent,” Governor Snyder said that “at the core of Michigan’s reinvention must be a commitment to ensuring that future generations have career opportunities in our state. In order for our children to stay and thrive in Michigan, we have to provide great educational opportunities, a quality of life that is second to none, and meaningful career options.”¹¹ The latter two are of great importance in attracting and retaining recent college graduates and young professionals.

V. Placemaking

What does Michigan have that other states do not? Four beautiful Great Lakes, golden sandy beaches and dunes, hundreds of in-land lakes, multiple ski resorts, nationally-acclaimed micro-breweries and wineries, stunning fall foliage, art, film, culture, and food festivals, and much more. The place-based model of economic development, or “placemaking,” seeks to bolster and capitalize upon these incredible attributes and amenities of Michigan in order to spur economic growth. This is especially relevant for attracting and keeping Millennials in the state.

Research suggests that unlike the old model of securing a job first and then moving to wherever that particular job is located, Millennials are now picking locations first and then looking for jobs once they arrive.¹² According to the Executive Director of the Michigan Municipal League and placemaking expert, Daniel Gilmarten, one reason for this shift in the status quo is a Millennial rejection of policies that favor the same bland architectural style, superfluous planning and zoning restrictions, and city codes that hamper entrepreneurship.¹³ “Cookie cutter cities that don’t offer

¹¹ Rick Snyder, *Developing and Connecting Michigan’s Talent* (State of Michigan Executive Office, 2011), 1.

¹² Presidents Council, *Mobility and Employment- Michigan's Millennial Talent: Where Are They Going?* (Detroit Regional Chamber, 2013), 5.

¹³ Elizabeth P. Foley, Colleen Layton, Daniel Gilmartin, *The Economics of Place: The Art of Building Great Communities* (Michigan Municipal League, 2014), 10.

an array of cultural offerings cannot compete for [Millennials]. Call it the Applebee's Effect. A city that has sameness and order as its calling card is not seen as a desirable destination compared to places that offer grit, unique venues, and the dynamism that comes with those who seek out such destinations.”¹⁴

Placemaking is already being incorporated into the economic development strategies of many Michigan towns and cities, but placemaking efforts can, and should, be expanded. In a state-wide survey conducted in 2013, only one-third of local government officials indicated that their jurisdiction utilizes or plans to utilize placemaking as a strategy of economic development.¹⁵ Interestingly, the survey found that placemaking is used most frequently in jurisdictions with over 30,000 citizens, however placemaking has the potential to produce positive economic growth in less populated areas as well. Northern cities that are currently experiencing the sharpest rate of brain drain such as Marquette, Petoskey, and Traverse City could use “place” as an incentive for attracting and retaining recent college graduates and young professionals. These cities can capitalize on their existing strengths, many of which also happen to be exactly what Millennials covet: eccentric art scenes, homegrown foods, quaint cafés and coffee shops, charming service, single-screen antique theaters, nature trails, and an overall air of authenticity.

Joe Short, the owner and founder of the popular micro-brewing company “Shorts,” is a prime example of how the placemaking strategy can yield extraordinary results, even in rural communities. Like many Northern Michigan high school students, Joe Short left the region to attend college in the southern part of the state and originally had no intention of returning. While attending Western Michigan University, Joe became actively involved in the art of home-brewing

¹⁴ Elizabeth P. Foley, Colleen Layton, Daniel Gilmartin, *The Economics of Place: The Art of Building Great Communities* (Michigan Municipal League, 2014), 10.

¹⁵ Center for Local, Urban, and State Policy, *Spring 2013 Survey: Placemaking* (Michigan Public Policy Survey).

and decided to accept a professional job in the beer industry after graduating. Eventually Joe decided that he wanted to take a risk and start his own brewery, but did not believe southern Michigan was the right place to do so. Defying the trend of most recent graduates in his position, Joe moved back to Northern Michigan and applied for licensing to start the brewery in the small town of Bellaire. He was drawn to the natural beauty, quaint downtown, beneficial location, and above-all the sense of community emitted by Bellaire's friendly and wholesome citizens. With hard work and the help of generous volunteers, Joe renovated Bellaire's 120-year-old hardware store and first opened the doors to the newly established brewery pub in 2004.¹⁶

Today, Short's is a household name for many Michiganders and beer connoisseurs. The pub has been renovated multiple times to accommodate over 460 patrons, with a performance stage to showcase local musicians, an outdoor biergarten, and an entire storefront gift shop down the street. Brewing and bottling operations have expanded to occupy an old manufacturing building in an adjacent town, and now Short's Brewing Company employs over 100 individuals.¹⁷ A once economically-struggling town has transformed into a thriving destination that people drive hundreds of miles to visit. It all started with a twenty-two-year-old college graduate who saw the value in starting an innovative company in a small Northern Michigan town. Entrepreneurship plays an integral role in placemaking, but not all recent college graduates are as business-savvy as Joe Short. Therefore, in order for placemaking to take hold in Michigan, it is imperative that the state expands entrepreneurial opportunities and resources.

VI. Entrepreneurship

¹⁶ Short's Brewing Company, *Our Story*

¹⁷ Short's Brewing Company, *People*

In a survey of recent Michigan college graduates aged twenty-eight and younger, a majority of respondents who left Michigan after receiving their degrees cited “career opportunities” and “finding a job they wanted” as the primary reasons why they migrated out-of-state.¹⁸ Economic drivers also played a role; those who left Michigan were more almost 20% more likely to have a full-time job, and were also significantly more likely to earn between \$60,000 to \$100,000 per year compared to their peers who remained in-state.¹⁹ These findings are indicative of a tremendous shortage of professional and entry-level positions for individuals with a bachelor’s degree or higher, especially in Michigan’s northern regions.

Some economists hypothesize that the decline in entry-level jobs is a lingering repercussion of the Great Recession. “Companies bruised by the recession have stayed lean by automating and outsourcing core functions while slashing training budgets and payrolls. But in an effort to cut costs, some companies also have cut entry-level jobs that serve as a crucial first step on the path to a professional career.”²⁰ The President and CEO of Business Leaders for Michigan, Doug Rothwell, stated that among the entry-level job openings available for young professionals, many are in “undesirable” fields like that of automotive manufacturing.²¹ This presents a major challenge for Michigan legislators, policy-makers, and economists: figuring out how to increase the number of professional and entry-level jobs in fields that attract and appeal to Millennials.

One method of generating such jobs is by aiding young professionals and recent college graduates in essentially creating their own jobs through entrepreneurship. Historically, Michigan has maintained an extremely cold and distant relationship with entrepreneurs due to its heavy

¹⁸ Presidents Council, *Mobility and Employment- Michigan's Millennial Talent: Where Are They Going?* (Detroit Regional Chamber, 2013), 3.

¹⁹ *Ibid.*, 2-3.

²⁰ Lauren Weber, Melissa Koran, *Where Did All the Entry-Level Jobs Go?* (The Wall Street Journal, 2014).

²¹ Melissa Anders, *Brain drain: See what percentage of recent graduates leave Michigan, and why they relocate* (MLive, 2013).

reliance on the auto industry and manufacturing sector for employment. Michigan's economy has gradually diversified in recent years, but the state remains only 37th in the nation for the percentage of self-employed citizens.²² According to experts, enhancing access to start-up money and "increasing the business literacy of first-time entrepreneurs," are two key factors in fostering a climate in Michigan that is less hostile towards the needs of entrepreneurs.²³ There is currently a handful of organizations in Michigan that serve as valuable resources for aspiring entrepreneurs, including the Michigan Economic Development Corporation, Small Business Association of Michigan, and the Business Alliance For Local Living Economies,²⁴ but these types of groups are often limited in breadth and funds. It would behoove Michigan to expand upon these types programs like the state of Washington.

Washington is currently ranked the number one state in America for entrepreneurs, beating out California and Texas.²⁵ The state boasts an outstanding small-business survival rate, a high per-capita GDP, ample access to start-up lending, and low business taxes. Additionally, Washington allocates a generous amount of state funds towards entrepreneurial programs that have proven to spawn sustainable economic growth. One such initiative is the Economic Gardening Program sponsored by the Washington State Department of Commerce. The Program utilizes a unique "grow from within" strategy where an emphasis is placed on expanding existing companies within a community, as opposed to attracting new companies. Economic gardening specialists work in collaboration with community businesses and CEOs to strategically cultivate new markets, refine business plans, and conduct consumer research.²⁶

²² Mike Wilkinson, *Michigan and the death of entrepreneurship* (Crain's Detroit Business, 2016).

²³ Ibid.

²⁴ Elizabeth P. Foley, Colleen Layton, Daniel Gilmartin, *The Economics of Place: The Art of Building Great Communities* (Michigan Municipal League, 2014), 143.

²⁵ Chad Brooks, *The Best (and Worst) States for Entrepreneurs*, (*Business News Daily*, 2014).

²⁶ StartUp Washington, *Programs* (Washington State Department of Commerce)

Another area in which Washington particularly excels, is addressing the special needs and demands of the state's rural economies. The "Growing Rural Economies Program" and the "Rural Small Business Initiative" were established specifically with these locations in mind, and provide invaluable resources to its rural constituents. Michigan utterly fails in this regard, as the northern rural economy is largely ignored by government officials and policy-makers in the southern populated part of the state. Between 2006 and 2015, only 51 counties across the U.S. lost more than 20% of its employers, but over one-fifth of these counties belong to rural Northern Michigan.²⁷ In the words of Tim Damon, the President of the Lansing Regional Chamber of Commerce, "if you're not embracing that entrepreneurial culture, you're not going to be sustainable in the future."²⁸ Consequently, Michigan must invest in its future by increasing access to entrepreneurial programs and resources that cater to the state's regional economies. In doing so, Michigan will likely retain a larger share of Millennial entrepreneurs and enjoy heightened success in its placemaking economic initiatives. Increasing transportation and physical accessibility in the state will also provide fertile grounds for the placemaking strategy.

VII. Transportation

It is extremely difficult to get from point A to point B in Michigan without a car. The "car culture" of Michigan is rooted in the state's historical ties with the automobile industry, and the sense of pride and independence derived from auto-ownership. Instead of taking a bus, many Michiganders prefer to travel in their own private vehicle, even if that means paying thousands of dollars in registration, insurance, maintenance, and repairs every year. The excessive rate of car ownership adversely affects traffic, commute times, road conditions, the rate of pollution, as well

²⁷ Mike Wilkinson, *Michigan and the death of entrepreneurship* (Crain's Detroit Business, 2016).

²⁸ Ibid.

as the likelihood of automobile accidents. For these reasons, many Millennials reject Michigan's car culture and favor public transportation, bike trails, and walkability instead. This is part of the reason why cities like Chicago, New York City, San Francisco, and Seattle appeal to recent graduates. They are able to save thousands of dollars by utilizing alternative modes of transportation which are often more environmentally-sound.²⁹

Quality public transportation is also tied to economic health and poverty.³⁰ In an age of globalism and interconnectedness, businesses do best when their customers, and employees, are able to easily travel to the respective business locations. The burden of traveling to a business cannot exceed the perceived value of the services and or products a business provides. According to a report conducted at Hofstra University, "when transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multipliers effects such as better accessibility to markets, employment and additional investments."³¹ Michigan's transport systems are currently inefficient and relatively sparse, but there are some public transit infrastructure plans in the works to better connect major cities, popular vacation destinations, and highly populated areas.

A project recently proposed by an NGO called the "Groundwork Center" advocates for a high-speed passenger train system that will unite the southern half of the state in Ann Arbor with the northern half in Traverse City (figure 3).³² The organization's goal is to "solidify Michigan as a leader in a new era of modern train travel while boosting economic development."³³ Ideally, the

²⁹ Daily Detroit Staff, *Michigan Is The Most Expensive State In Nation To Own A Car, Says Study* (Daily Detroit, 2016).

³⁰ Mikayla Bouchard, *Transportation Emerges as Crucial to Escaping Poverty* (The New York Times, 2015).

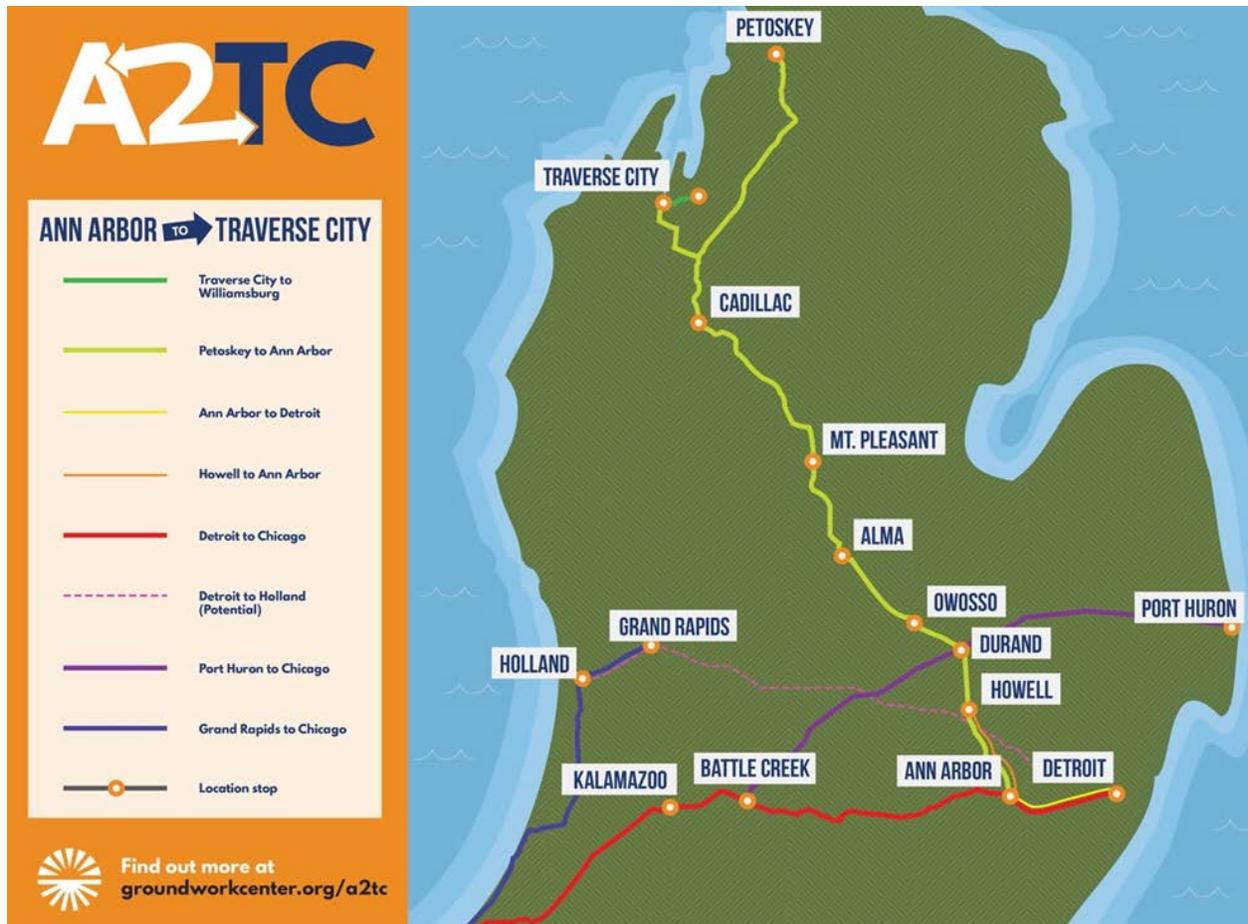
³¹ Jean-Paul Rodrigue, Theo Notteboom, *Transportation and Economic Development* (Hofstra University, 2016).

³² Groundwork, *A2TC: Train from Ann Arbor to Traverse City* (2016).

³³ Ibid.

Ground Work Center hopes that the route will eventually be expanded to connect with cities in Western Michigan. Opponents of this project claim that the costs will be far too exorbitant for the

Figure 3: Groundworks Project Goal



state to presently take on, but Groundworks plans on making use of existing railroad infrastructure and retrofitting it to accommodate modern trains and technology. Such a system is worth the investment for Michigan. Citizens residing in southern part of the state will be much more likely to make weekend-getaway trips up north, and citizens from the north will have better accessibility to shopping, health specialists, higher education, and professional sports games. Connecting these cities and towns will serve as a unique incentive for recent college graduates who do not want the financial responsibility of owning a car; but who also seek mobility.

Another way for legislators to easily increase transportation options in a given jurisdiction is by permitting cellular ride-sharing applications such as Uber and Lyft. At no expense to local governments, these services provide safe, convenient, affordable, and reliable transportation to their consumers. Ride-sharing applications are useful in places like Traverse City, where it is impossible to partake in the nightlife scene without bringing along a designated driver.

VIII. Conclusion

Michigan is a wonderful state with so many incredible attributes, but unless local and state government officials push the placemaking agenda, recent college graduates are going to continue to move to places they find more encouraging of employment and entrepreneurial opportunities that also boast physical accessibility.

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