



**MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION**

Equitable and Resilient Growth Strategy

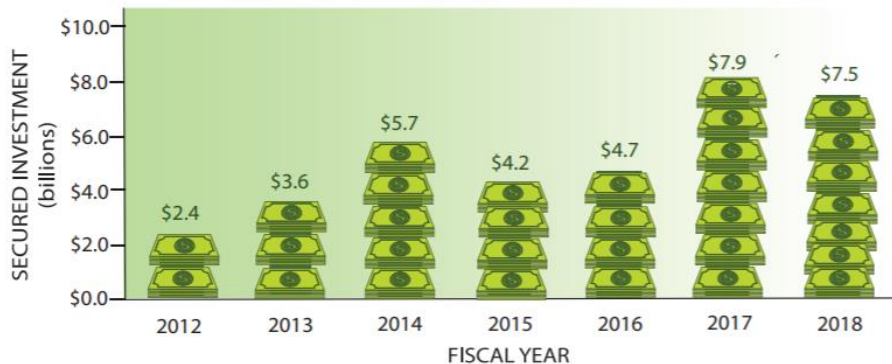
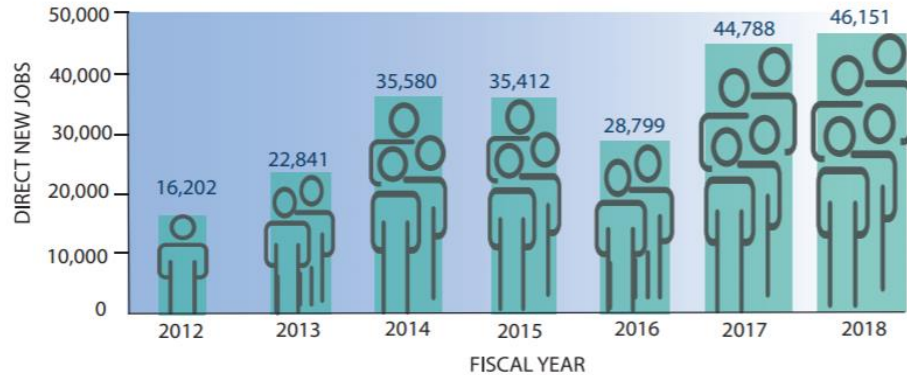
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MEDC's Strategy from 2012-2018 focused on Michigan becoming a Top 10 state in low unemployment and GDP growth

MEDC Primary Metrics and Outcomes



2018 Economic Indicators

December 2018 Unemployment Rate
Michigan 4.1%, US 3.9%

GDP Growth: Between 2009 and 2018, Michigan's real GDP grew at a 2.3 percent annual rate, ranking 8th

Over 200k new direct jobs and over \$35B in investments committed

2020 Strategic Planning: Critical Questions to Inform Decision-making

RESEARCH QUESTIONS	STUDY	  		
<p>1. How does Michigan and the MEDC compare to other states?</p>	▶	<p>EDO Benchmarking (two reports)</p>	<p>State Comparison of Tax Climate & Key Site-Specific Costs</p>	<p>Industry Cluster Analysis</p>
<p>2. How have the MEDC's flagship programs performed? How is assistance currently distributed?</p>	▶	 		 
<p>3. What major trends should the MEDC consider?</p>	▶			
<p>4. What happens if the economy slows down?</p>	▶	<p>MEDC Recession Scenario Planning Workgroup</p>		
<p>5. What industries should the MEDC focus on? How healthy is MI's auto industry?</p>	▶			

While growth is essential, the measure of the health of our economy is widely shared prosperity

2019 economic assessment, still relevant today



MEDC 2020-2025 Strategy, supports a post-COVID recovery

Uneven growth and support

Pockets of urban and rural areas still experiencing high unemployment rates. Only 43% of MEDC incentives and services directed to geographically disadvantaged areas.

Regional Impact

Empower and support every region

Established a target of 65% of MEDC assistance directed to geographically disadvantaged areas.

Lack of resiliency in sectors

Analysis by McKinsey showed Michigan has the second least resilient economy, measured as the percentage of GDP in sectors that retracted during the last five recessions.

Transforming Sector Mix

Grow resilient sectors in the State

Attract and proactively support the high growth services clusters to diversify economy, such as tech, engineering, research, and design.

Struggling working families

From 2010 to 2017, the number of working poor in the economy grew. According to United Way's ALICE report, 43% of Michigan families were beneath the ALICE threshold in 2017, a 6% increase.

Increase equity and inclusivity in economic outcomes

Grow sectors that provide opportunities for all

Focus on industries that provide the highest potential to create good and promising jobs, less susceptible to automation. Reposition business incentives toward workforce investments and community outcomes. Established a target of 35% of MEDC assistance directed to diverse business owners (women, minority, and veteran-owned)

Not enough good jobs

An analysis of Michigan's workforce by Brookings Institute showed that only 31% of the jobs held by Michiganders are considered good or promising jobs and more than 50% of manufacturing jobs are susceptible to automation

Lead in Industry 4.0

Prepare the workforce, next generation of talent, and small/medium size manufacturers for the digitization of the factory. "COVID has exposed the technology have and have-nots" - McKinsey

Regular Evaluations and Reforms Can Address Criticisms

Common Criticism of Economic Development Nationally

It's just picking winners and losers.

- ✓ Implement the use of “best-in-class” REMI variable that assesses how much of the business activity is “new” to Michigan, versus substituting other activity.
- ✓ Created a metric to encourage projects that are identified by local partners, regardless of industry.
- ✓ Focus on tradeable sectors (e.g. “grow the pie”)

MEDC's Reforms

Experts Consulted



It's just corporate subsidies for investments that would happen anyway.

- ✓ Implemented “But For” assessment and now discount ROI by that %.
- ✓ Focus on historically under-supported places and people.
- ✓ Focus incentives on community and people outcomes.
- ✓ Creation of Job Ready Michigan – incentives tailored to investing in people.



McKinsey & Company

The jobs numbers are not credible.

- ✓ More scrutiny on the front-end on the types of jobs (good/promising) and their wages and benefits.
- ✓ Activities are now tied more directly to intended outcomes, not just aggressive counting of jobs for every program.

BROOKINGS

Detroit Manufacturing Systems

- Certified minority-owned Tier-1 automotive supplier
- 225 new jobs with \$31.9 million in private investment
- MEDC provided a \$1.5M performance-based grant to establish a Leadership Academy, maximizing the potential and capabilities of DMS's emerging leaders and current team members
- Company is also investing in new technologies and automated equipment with the ultimate goal of becoming a "Smart Factory" through Industry 4.0, allowing the company to streamline its production processes, increase output, and reduce waste.
- The installation of Smart Factory technology will also require more skilled labor, resulting in the addition of more skilled, higher-paying positions.



Attract, retain and
support businesses