

# Restoring Prosperity:

THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

## State Profile: Michigan

### What are Michigan's "older industrial cities?"

The term older industrial cities is used here to describe a specific set of communities that are lagging their peers on a set of eight indicators of economic health and well-being (see table on bottom of p. 2). We began with an analysis of 302 U.S. cities—eight of which were in Michigan—that in either 1990 or 2000: (1) had a population of at least 50,000 and were the largest city

in a metropolitan area; (2) were at least 50 percent of the population of the largest city in a metropolitan area; or (3) had a population of at least 150,000 regardless of whether they were the largest city in a metropolitan area. This analysis revealed that Michigan has four economically struggling cities: Detroit, Flint, Kalamazoo, and Saginaw.<sup>1</sup>

### A quarter of the 24 Michigan cities examined for this analysis are struggling economically



The list grows longer if we examine some of the state's smaller cities. When we expanded our dataset to include an additional 74 cities—16 of which were in Michigan—that had at least 30,000 people and that were either central cities in 1990 or principal cities in 2000, we found that East Lansing and Muskegon, too, are experiencing some of the same economic challenges as their larger counterparts.<sup>2</sup>

### Why "older industrial cities?"

Michigan's cities share an economic history dominated by manufacturing. In 1970, the average share of residents in the six older industrial cities employed in manufacturing was almost 31 percent, with all of but one of the six (East Lansing) having a manufacturing employment share of at least 25 percent. But deindustrialization over the past several decades has left these cities still struggling to find their economic niche:

From 1970 to 2000, the average number of these cities' residents who were employed in manufacturing declined by over 46 percent so that by 2000, only about 18 percent held jobs in the sector.

**Michigan ranks fifth highest among seven states based on the share of its cities identified as "older industrial cities"**

State	Number of older industrial cities in original analysis (percent)	Number of older industrial cities in additional analysis (percent)	Total number of older industrial cities (percent)
Pennsylvania	9 of 10 (90%)	3 of 4 (75%)	12 of 14 (86%)
New York	7 of 8 (87.5%)	5 of 9 (56%)	12 of 17 (71%)
New Jersey	2 of 3 (67%)	3 of 9 (33%)	5 of 12 (42%)
Ohio	8 of 11 (73%)	1 of 11 (9%)	9 of 22 (41%)
<b>Michigan</b>	<b>4 of 8 (50%)</b>	<b>2 of 16 (12.5%)</b>	<b>6 of 24 (25%)</b>
Connecticut	3 of 7 (43%)	0 of 8 (0%)	3 of 15 (20%)
Massachusetts	3 of 5 (60%)	1 of 17 (6%)	4 of 22 (18%)

Source: Analysis by Hal Wolman, Kimberly Furdell, and Pamela Blumenthal, The George Washington University

All told, then, six of the 24 Michigan cities we examined are among 80 U.S. cities identified as economically weak relative to the other 296 cities in the complete dataset. These six cities—referred to here as “older industrial cities”—had a total population of 1.3 million in 2000, and were home to approximately 13 percent of Michigan residents.

***What are the economic characteristics of Michigan's older industrial cities?***

Taken together, Michigan's six older industrial cities were characterized by slow—or declines in—economic growth from 1990 to 2000. On average,

these six cities lost 13 percent of their jobs from 1990 to 2000, while employment actually grew by over 15 percent in the other 296 cities in the dataset. Flint, for example, lost 34 percent of its jobs over the decade; Detroit lost nearly 13 percent. These six older industrial cities saw their real average payroll increase by less than 12 percent and their number of business establishments grow just over 7 percent, compared to 42 percent and 16 percent, respectively, among the other cities.<sup>3</sup>

These six cities' performance on measures of residential economic well-being looks much the same. Their average per capita income in 2000 was

**Michigan's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being**

	Detroit	East Lansing	Flint	Kalamazoo	Muskegon	Saginaw	Average for Six MI Cities	Average for Other 296 Cities in Dataset*
<b>City Economic Condition Index (1990-2000)</b>								
Change in Employment	-12.8%	-4.6%	-34.1%	-8.6%	-6.9%	-11.8%	-13.1%	15.3%
Change in Annual Payroll (County)	13.2%	12.4%	-6.3%	16.3%	15.4%	18.7%	11.6%	42.3%**
Change in Establishments (County)	1.9%	8.3%	7.6%	10.0%	10.1%	6.3%	7.4%	16.3%**
<b>Residential Economic Well-being Index (2000)</b>								
Median Household Income	\$29,526	\$28,221	\$28,015	\$31,189	\$27,934	\$26,485	\$28,562	\$39,999
Per Capita Income	\$14,717	\$16,333	\$15,733	\$16,897	\$14,283	\$13,816	\$15,297	\$20,886
Unemployment Rate	13.8%	10.4%	12.9%	12.5%	7.1%	13.1%	11.6%	6.3%
Labor Force Participation Rate	56.3%	63.6%	58.5%	67.5%	53.0%	58.8%	59.6%	65.3%
Poverty Rate	26.1%	34.8%	26.4%	24.3%	20.5%	28.5%	26.8%	14.4%

Sources: U.S. Department of Housing and Urban Development, State of the Cities Data Systems; U.S. Census Bureau, County Business Patterns 1990 and 2000; U.S. Census of Population and Housing 2000. Analysis by Hal Wolman, Kimberly Furdell, and Pamela Blumenthal, The George Washington University

\*Doesn't include the 80 cities that were on the original (65) and expanded (15) older industrial cities list

\*\*Doesn't include Carson City, NV (data not available)

less than three-quarters of the average for the other 296 cities (\$15,297 compared to \$20,886), as was their average median household income (\$28,562 compared to \$39,999). These older industrial cities had an average unemployment rate of nearly 12 percent and a labor force participation rate of less than 60 percent, compared to an average 6 percent unemployment and 65 percent labor force participation rate in the other cities. The average poverty rate in these six cities was almost 27 percent, compared to an average of just 14 percent in the other cities in the dataset.

Due to data limitations, the data utilized to identify the older industrial cities are from 1990 and 2000 (condition indicators are based on year 2000 data, while change indicators reflect change from 1990 to 2000). However, a look at more recent data indicates that trends have remained consistent. According to American Community Survey (ACS) data, for example, in 2005 the average poverty rate for the three older industrial cities in Michigan for which data was available (Detroit, Flint, and Kalamazoo) was over 31 percent, an increase of nearly six percentage points since 2000. The growth of wages and in the number of establishments, meanwhile, has continued to trail that of other cities. County Business Patterns data reveal that from 2000 to 2004 real annual payroll in the six older industrial cities fell by an average of 7 percent, while it grew over 2 percent in the other dataset cities. The number of establishments in the six older industrial cities declined by almost 1 percent during this period, while the number of establishments grew just over 4 percent in the other cities.

### **What is the relationship of Michigan's older industrial cities to their regions?**

While cities are vital entities in and of themselves, markets don't adhere to the arbitrary boundaries that separate them from their surrounding jurisdictions. A look at the economic condition of the 376 sample cities' metropolitan areas demonstrates the relationship between cities and their surrounding regions. By dividing the cities' metros into "weak," "moderate," and "strong" groups based on their rank on a MSA Economic Condition index—which in this case included the change in MSA-level employment, wages, and gross metropolitan product from 1990 to 2000, and the gross metropolitan product per job in 2000—the strong link between the economic health of cities and that of their metropolitan areas becomes evident.

Three of Michigan's six older industrial cities are located in "weak" metropolitan areas: Flint, Saginaw, and East Lansing. Add the 1.09 million people living in these metros to the 1.07 million residents of the other three cities and you have a total of over 2.16 million people—nearly 22 percent of the state's population—living in economically anemic communities, a fact that should surely alarm state leaders concerned about Michigan's long-term competitiveness. At the same time, though, this city-MSA analysis also suggests a potential bright spot for Detroit, Kalamazoo, and Muskegon, as they may be able to capitalize on positive economic growth trends in their comparatively healthy regions.

#### **Michigan's older industrial boast a number of physical, economic, and cultural assets**

<b>City</b>	<b>Historic Properties</b>	<b>Four-Year Colleges &amp; Universities</b>	<b>Two-Year Colleges</b>	<b>Hospitals and Medical Facilities</b>	<b>Museums</b>	<b>Major League Sports Teams</b>
Detroit	227	4	2	14	4	5
Flint	19	5	1	3	2	0
Kalamazoo	40	2	1	4	2	0
Saginaw	29	0	0	5	2	0
East Lansing	4	2	0	0	2	0
Muskegon	11	1	1	4	2	0
<b>Total</b>	<b>330</b>	<b>14</b>	<b>5</b>	<b>30</b>	<b>14</b>	<b>5</b>

Sources: U.S. Department of Education, National Center for Education Statistics, 2007; AHA Annual Survey Database, FY 2005, National Register of Historic Places, 2007; American Association of Museums, 2007; NFL, NBA, NHL, MLB, WNBA, MLS

### ***What are some of these cities' assets?***

For all their economic challenges, Michigan's older industrial cities possess numerous physical, economic, and cultural attributes that, if fully leveraged, could be converted into vital competitive assets. These six cities have a total of 330 properties on the National Register of Historic Places, for example, a number that doesn't include the additional homes and businesses that together help shape the many great neighborhoods located in these communities. These cities also have a concentration of education and medical facilities in their urban core: They boast a total of 14 four-year colleges and universities and five two-year colleges, as well as 30 hospitals and medical centers employing approximately 42,000 people. Finally, these cities are rich with cultural amenities. With 14 museums and (in Detroit) five professional sports teams—not to mention the dozens of galleries, theaters, music venues, and minor league sporting events—these cities offer a range of regional attractions that can help fuel the revitalization of their downtowns and surrounding neighborhoods.

After decades of painful economic restructuring, the time is ripe for Michigan's state and local leaders to seize upon new trends and attitudes that have begun to revalue cities' special characteristics—and to again make them innovative, competitive, high-quality communities where their residents have the choices and opportunities needed to thrive.

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### **Endnotes**

- 1 For a full description of the methodology employed to identify Michigan's older industrial cities, please see Jennifer S. Vey, "Restoring Prosperity: The State Role in Revitalizing American's Older Industrial Cities" (Washington: Brookings Institution, 2007).
- 2 These 74 additional cities were located in seven states: Connecticut, Massachusetts, Michigan, Ohio, New Jersey, New York, and Pennsylvania. Additional cities in other states were not examined.
- 3 Due to data availability constraints, the annual payroll and establishments variables were measured at the county level for all years discussed here (1990, 2000, 2004).



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