

priority list for K-12 curricula. It is now up to businesses and government to put these pieces into play. We now need to focus on the quality not just the quantity of jobs created!

In a recent study by the Progressive Policy Institute, Michigan ranked 23<sup>rd</sup> out of 50 states in its State New Economy Index<sup>3</sup>. This index takes into account such indicators as how many knowledge jobs exist, the level of globalization of products, the level of economic dynamism, education, and the capacity for technological innovation. The states that rank highest are perpetual high-scorers: Massachusetts, California, Washington, and Colorado. The good news is that Michigan is on a steady and positive move up these rankings. In the same index done in 1999, Michigan ranked 35<sup>th</sup>.

#### How about Northwest Michigan?

Our counties on average mirror the state, however, we have some unique challenges and opportunities that separate us from the pack. We are largely rural. Land valuation, land preservation, and

natural resources are key issues that color many decisions. Tourism is a major player in our economy, thus a reliance on service jobs is natural. Manufacturing jobs, though still the backbone of the region's economy, are changing in scope, and in some cases are threatened. In order to head off out-migration of our skilled workers, and employers, we will have to be more creative and forward thinking than competing regions in the state and elsewhere in the country.

In summary, the Knowledge Economy presents some challenges to our region. These challenges are mainly logistical. We already have much of the technical and educational infrastructure in place to be successful. It is simply a matter of transitioning out of the old paradigm of economic development and workforce development into the new world of fast-paced, globally interconnected, information driven business.

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#### References in the text:

1. Source: Milken Institute Website: <http://www.milkeninstitute.org/>
2. Source: Success Strategies for the Knowledge Economy – State of Ohio 9/03
3. Source: 2002 State New Economy Index – Progressive Policy Institute <http://www.ppionline.org/>
4. REMI Model represents data from the five counties of Antrim, Benzie, Grand Traverse, and Kalkaska,.

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# The Knowledge Economy

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## Is Northwest Michigan Meeting the Challenge?

Presented by Bill Palladino



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## What is the Knowledge Economy?

The knowledge economy is a term used to acknowledge a new form of economic function. It recognizes the new world of global business, and the increased importance of information transfer. At the turn of the last century we began to define the economy as an industrial economy, one whose riches were mainly based in manufacturing products and providing services around these products. Agricultural and industrial economies have relied upon labor, capital, and machinery as the foundation of their bottom lines. That definition served us well for well over a century. Unless you've been asleep at the wheel for the past ten or fifteen years, you'll agree that things are changing.

The knowledge economy recognizes the importance of its predecessor, and moves that paradigm to a new level. Knowledge is now of discernable value in the marketplace on its own. The concept of intellectual property was non-existent, or at best vague, in the heyday of the agricultural and industrial economies. Today it is knowledge that acts as a currency to drive industry. The assets of a Microsoft or a Hewlett-Packard cannot be measured by strictly counting the boxes rolling off the assembly line bearing their logos. If you were to ask an executive from one of these companies what their greatest asset is, they would likely point out to you a skinny 20-ish kid wearing khaki pants and a t-shirt. The combined knowledge of the workforce is what companies count on to keep them on the cutting edge of a swiftly changing community of information. This is not new thinking, nor

should it be considered radical or otherwise antithetical to prosperity in this new industrial age.

The Milken Institute, an economic think-tank located in Santa Monica, California, states, *"in the knowledge economy, the skills, experience, and innovation potential of the workforce have greater value than the capital equipment or even capital itself."*<sup>1</sup> These ideas have been around for a while, but it has been difficult for those of us immersed in the old way of doing business to accept and comprehend their importance. In their own report on the knowledge economy, the state of Ohio says, *"a successful business must access, create, and utilize knowledge to sustain competitive advantage and must also provide the required training, information technology, direction and motivation to its employees to ensure that they build new knowledge value."*<sup>2</sup>

## So what does this mean to Michigan?

Thanks to the automotive industry, Michigan has been in the top ranking of manufacturing states for a century now. What is obvious to anyone watching statewide newspaper headlines is that manufacturing is suffering. While manufacturing will continue to be a massive part of the state's economic power for years to come, a look ahead suggests that there are new waypoints to evaluate. Questions arise that seem to threaten some of the basic tenets of our economic identity:

- How long can we endure manufacturing jobs leaving the state at such an astonishing pace?
- Can we continue to afford replacing these relatively high-paying jobs in manufacturing and industry with lower paying service jobs?
- Is there a solution for Michigan and our region?

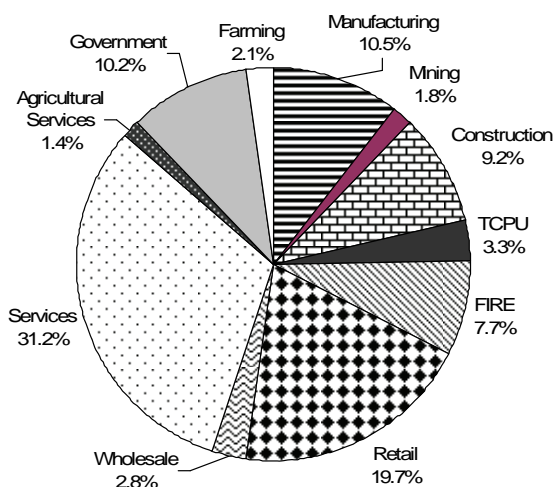
The answers seem to lie in preparation. On the short-term Michigan, (and especially the northwest region,) is creating jobs, but increasingly they are lower paying, service positions. On the long term we already have the physical infrastructure, and some of the tools, but seem to lack a vocabulary of how to move ourselves smoothly into the knowledge economy.

The knowledge economy dictates that companies (and their workers) must be fast on their feet, flexible in skills and production, and be capable of seeing shifts in the marketplace before it becomes too late. To survive these changes businesses will need to rethink past approaches of hiring mono-skilled "laborers." These are exactly the jobs that are leaving the state and the country. Northern Michigan should strive to train a workforce that can meet the demands of this new type of business and employment model. Multi-skilled workers, eager to learn more and stay on the cutting edge of the technology appropriate to their industry, will make it easier for businesses to meet the challenges of the knowledge economy.

## Where do we stand?

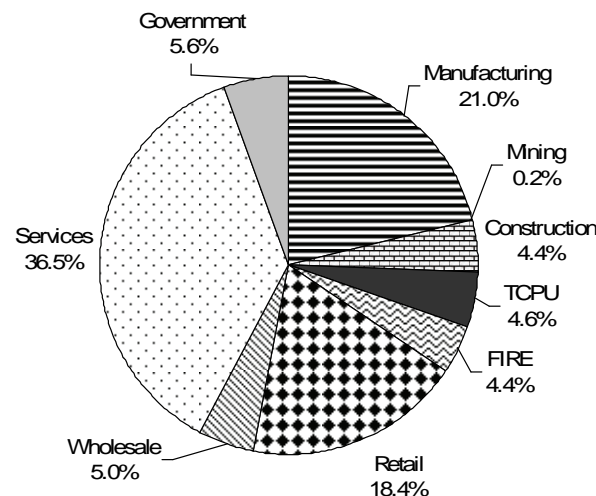
Michigan's universities and community colleges are already stepping up to the plate with program offerings for knowledge-based careers. School districts have certainly taken on the challenge of putting technology, problem solving, and math skills on the

Regional Employment Mix 2000



Source: REMI model

Michigan Employment Mix - 2000



Source: Michigan Department of Career Development