

# The University of Michigan-Dearborn Innovation Index



## Third Quarter 2010

**Release Date:  
February 28, 2011**

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# Innovation Index Steady as Job Creation Offsets Other Factors

(February 28, 2011) The University of Michigan-Dearborn's Center for Innovation Research – iLabs – today released its Innovation Index for the third quarter of 2010. The Index fell slightly from 85.8 to 85.3. The Index remains below its pre-recession levels (in 2007 it fluctuated between 90 and 100) but above its worst levels of the financial crash (in early 2009 the Index was at 80.0). The Index is also modestly below its year-ago level of 86.9.

The Index is derived from six indicators of innovative activity in the Michigan economy. In the most recent quarter, two rose while four declined. The indicators, along with their performance in the third quarter, are as follows:

- **Gross Job Creation** Gross job creation fell in the second quarter (due to data availability, this measure enters the Index with a one quarter delay), reversing a drop from the previous quarter. The number of gross jobs added by new or expanding companies is also above its year-earlier level. The quarterly increase in job creation was accompanied by a slight decline in gross job losses. The rise in gross new jobs created increased the Index by 4.9 points.
- **Innovation Workers** are estimated by iLabs calculations based on Bureau of Labor Statistics data. The percentage of workers employed in science and engineering was slightly above both its quarter-earlier level and its year-ago level. The quarterly increase added 0.3 points to the Index.
- **Incorporations** and LLC filings in Michigan dropped somewhat in the third quarter, continuing a drop in the earlier quarter. While the levels remain slightly above year-ago numbers, the quarterly drop cost the Index 1.0 points.
- **Small Business Administration Loans** through the Detroit office of the Small Business Administration experienced a drop in the third quarter linked to the expiration of stimulus provisions. The provisions expired during the second quarter and therefore the effects resulted in quarterly decreases for both the second and third quarters. The drop in loans in the third quarter reduced the Index by 1.4 points.
- **Venture Capital Funding** in Michigan, as provided by the MoneyTree™ report prepared by Pricewaterhouse Coopers and the National Venture Capital Association using Thomson Financial data, fell from a very high number reported for the second quarter. Although numbers were still slightly ahead of the same quarter in 2009, the third quarter drop reduced the Index by 1.6 points.
- **Trademark Applications** coming from the State of Michigan fell after two quarters of increases and are now slightly below the year-earlier total. The drop in applications lowered the Index by 1.8 points.

Going forward, indicators currently appear mixed creating a likelihood of the Index holding near its current level in the fourth quarter. The next University of Michigan – Dearborn Innovation Index report, due out in early June, will contain a detailed report of fourth quarter activity with a preliminary indication for the first quarter of 2011.