

November 22, 2023

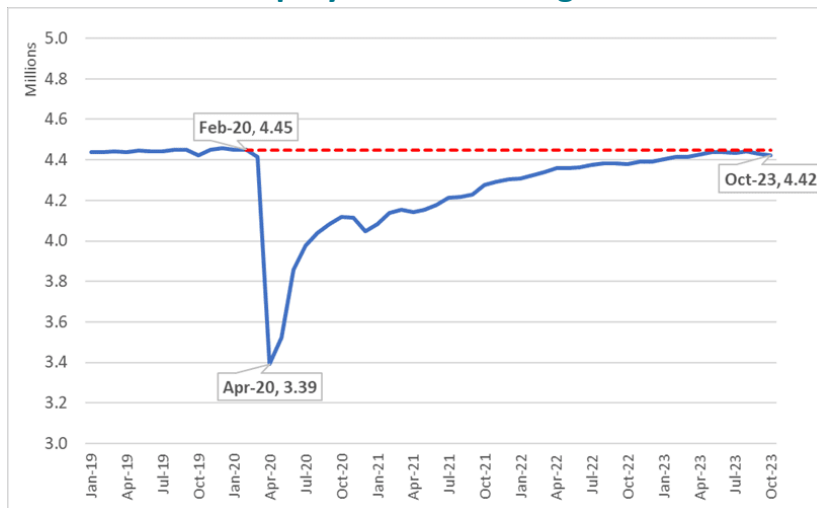
Are We There Yet? Michigan’s Job Market Closes in on Pre-COVID Benchmarks

In a Nutshell

- October data show that, despite the recent UAW strike, total employment in Michigan is less than one percent below its pre-COVID level from February 2020
- Michigan has also experienced a small but notable employment shift to higher-wage sectors of the economy. While manufacturing employment remains down, total employment across high-wage sectors is 1.0 percent above pre-pandemic levels.
- Beginning in early in 2023, the state also saw a jump in its labor force participation rate, reversing what had been a persistent dip for the last two and a half years; that suggests that Michigan’s tight labor market may finally be drawing residents back into the labor force.

Three and a half years after the onset of the COVID-19 pandemic, total jobs in Michigan finally appear poised to reach their pre-COVID level, marking another important benchmark in the economic recovery from the pandemic’s economic disruptions. In August, federal data showed total Michigan employment exceeded 4.44 million jobs, just 6,700 jobs short of its February 2020 peak. Unfortunately, employment has now dipped for two consecutive months, with job losses particularly exacerbated in October by the recent UAW strike. Even with this decline, however, employment remains less than one percent below its pre-COVID level.

Total Nonfarm Employment in Michigan



Source: U.S. Bureau of Labor Statistics, seasonally-adjusted data.

With the strike now behind us, it appears likely that Michigan will fully gain back those COVID-related job losses in the coming months. However, there are also some positive signs with regard to the mix of employment across high-wage and low-wage industry sectors. And during 2023, the state has also seen a sudden jump in labor force participation, another sign that some residents may be ready to make a return to the workforce.

Private Employment Has Shifted Toward Higher-Wage Sectors

In October, total private sector employment in Michigan was about 3.80 million jobs – or about 28,400 jobs below the pre-COVID peak of 3.83 million in February 2020. Like total employment, private employment has retreated somewhat from a peak of 3.83 million achieved in May (then just 3,700 jobs below February 2020).

Clearly, the UAW strike was a significant factor affecting the October numbers, but the slight employment downturn started even before the strike. Still, private sector employment currently stands just 0.7 percent below its pre-COVID mark with a bump in jobs likely coming with the ratification of new labor contracts following the strike.

Again, then, it seems the state will reach that pre-COVID jobs benchmark in the very near future. Beyond achieving that benchmark, though, the state has also experienced a small but notable employment shift toward higher-wage sectors of the economy in its jobs recovery.

Over 1.7 million Michiganders (about 46 percent of the private sector workforce) were employed in October 2023 within the five large and relatively low-wage industry sectors listed below. Average weekly earnings for production workers in all five of these sectors fall below Michigan’s average weekly earnings for all Michigan workers of \$1,093.

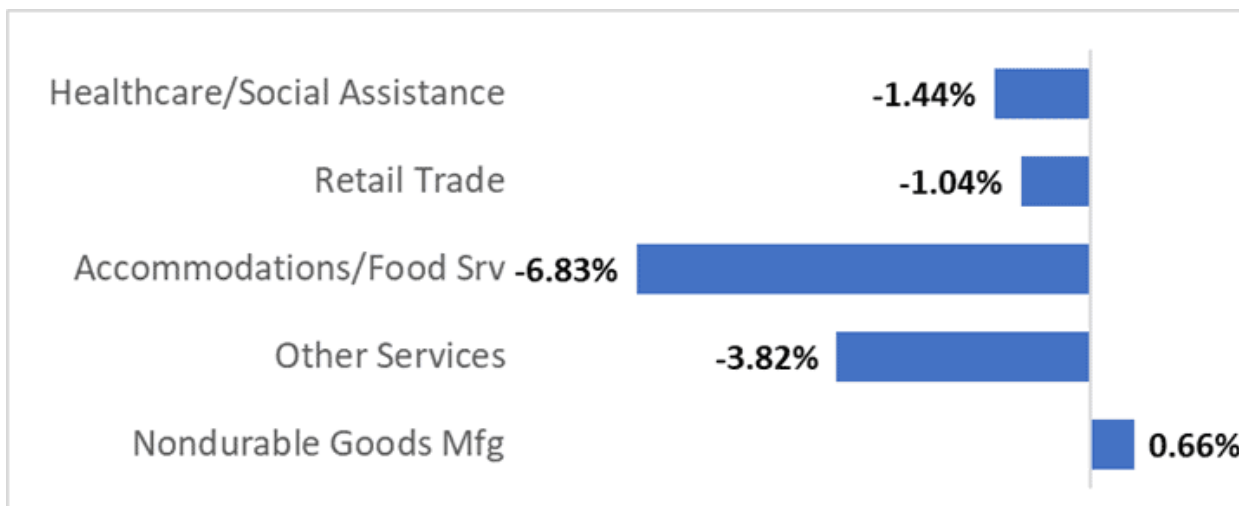
Employment and Earnings in Five Lower-Wage Sectors in Michigan – October 2023

	<u>Employment</u>	<u>Avg Weekly Earnings</u>
Health Care & Social Assistance	609,800	\$833.23
Retail Trade	456,700	\$553.44
Accommodation & Food Services	355,900	\$401.83
Other Services	161,000	\$945.77
Nondurable Goods Manufacturing	153,200	\$880.28

Source: U.S. Bureau of Labor Statistics. Average weekly earnings reflects earnings of production workers except for the “Other Services” sector which includes available data for all workers.

Through October 2023, combined employment within these five sectors remains down by just over 2.5 percent (about 45,200 jobs) from its pre-COVID peak. This decline is driven by a large 6.8 percent decline that remains in the Accommodations and Food Services sector and a 3.8 percent decline within the Other Services sector. Employment within the Retail Trade and Healthcare/Social Assistance sectors remains down by 1.0 percent and 1.4 percent, respectively. Within the five sectors, only the Nondurable Goods Manufacturing sector has seen a small rise in employment of 0.7 percent from its February 2020 level.

Employment Change by Sector: February 2020 to October 2023



Source: U.S. Bureau of Labor Statistics, seasonally-adjusted data.

In contrast, Michigan has seen overall employment growth in important higher-wage sectors of the economy. The five sectors listed below accounted for over 1.3 million Michigan jobs (about 34 percent of the private sector workforce) in October 2023 and have average weekly earnings for production workers that exceed the Michigan average. Note that Transportation Equipment Manufacturing – which accounts for Michigan’s automotive industry employment – is a subsector within the broader Durable Goods Manufacturing sector.

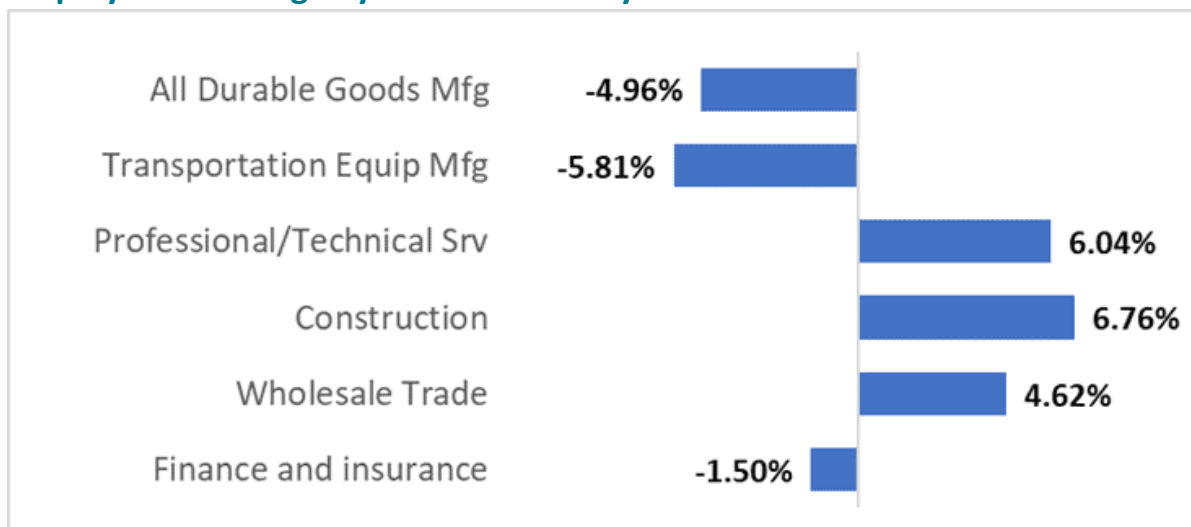
Employment and Earnings in Five Higher-Wage Sectors in Michigan – October 2023

	<u>Employment</u>	<u>Avg Weekly Earnings</u>
Durable Goods Manufacturing	444,200	\$1,088.31
<i>Transportation Equip Manufacturing</i>	<i>176,700</i>	<i>\$1,128.58</i>
Professional & Technical Services	318,000	\$1,298.45
Construction	189,600	\$1,409.69
Wholesale Trade	181,100	\$1,231.65
Finance and insurance	170,300	\$1,153.94

Source: U.S. Bureau of Labor Statistics. Average weekly earnings reflect earnings of production workers.

October employment data show total employment within these five sectors has actually grown by almost 1.0 percent from its pre-COVID level. This growth is driven by particularly strong employment growth in the Professional and Technical Services (6.0 percent above pre-COVID level), Construction (6.8 percent above), and Wholesale Trade (4.6 percent above) sectors where total employment is now significantly above pre-COVID levels.

Employment Change by Sector: February 2020 to October 2023

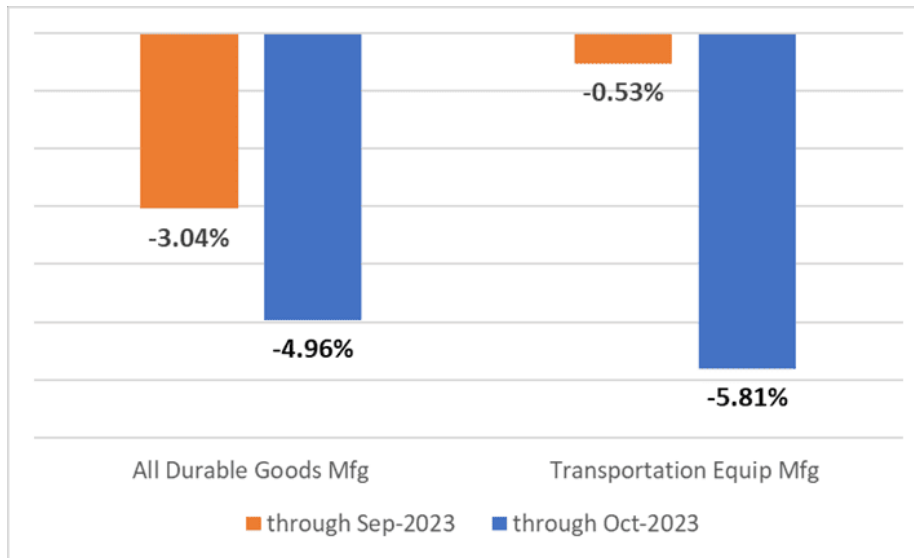


Source: U.S. Bureau of Labor Statistics, seasonally-adjusted data.

On the downside, employment within the important Durable Goods Manufacturing sector is still down by almost 5.0 percent from its February 2020 level. Further, Transportation Equipment Manufacturing employment is down by 5.8 percent. If there’s good news here, it’s that both employment figures looked significantly better before the UAW strike. Looking back to September data, employment in Transportation Equipment Manufacturing had risen to within 0.6 percent of its pre-COVID level before the strike had its major employment impact. That helped Durable Good Manufacturing on the whole to be only 3.0 percent below the pre-COVID

mark. With the strikes now over, it seems likely the state will experience employment growth in the coming months to get back closer to the September levels.

Manufacturing Employment: Cumulative Change from February 2020



Source: U.S. Bureau of Labor Statistics. Seasonally-adjusted data.

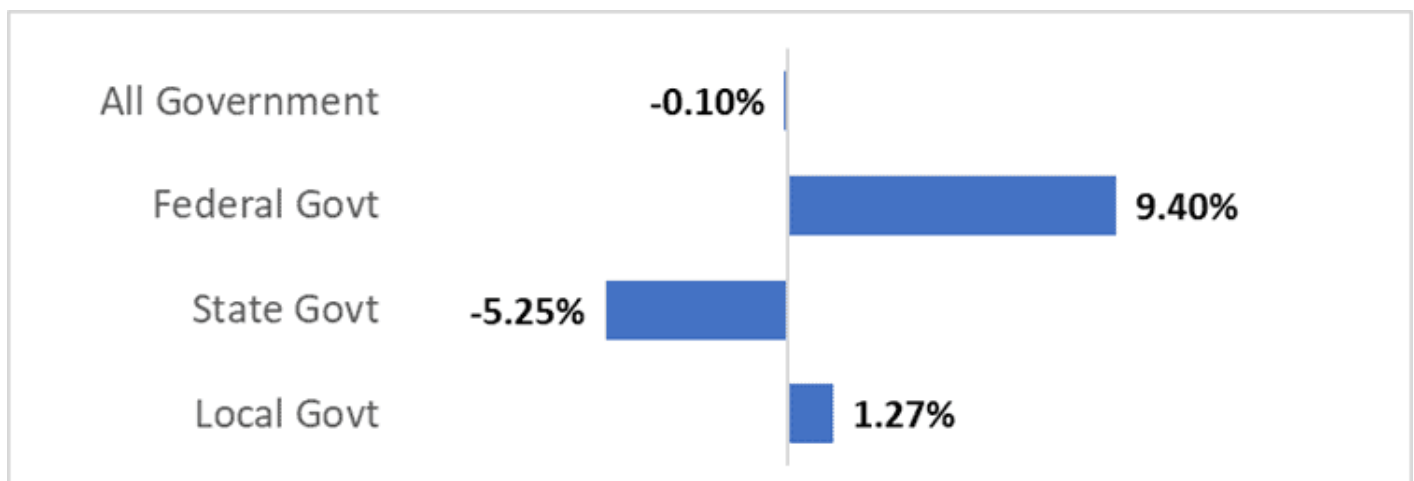
All in all, then, while overall employment nears its February 2020 pre-pandemic level, Michigan’s jobs mix has already shifted somewhat toward higher-wage employment.

Local Government Employment Up; State Employment Down

Within the much smaller public sector (government jobs make up only 14 percent of total employment), employment is also right on the cusp of reaching its pre-COVID level. Total public sector employment across all levels of government reached 616,600 jobs in October, just 0.1 percent below its February 2020 pre-COVID level. However, it’s notable that there is a significant disparity across levels of government.

Federal government employment in Michigan is now 9.4 percent above its February 2020 level. Employment by local governments is also up by around 1.3 percent. In contrast, state government employment remains down by more than 5.2 percent from its pre-COVID level.

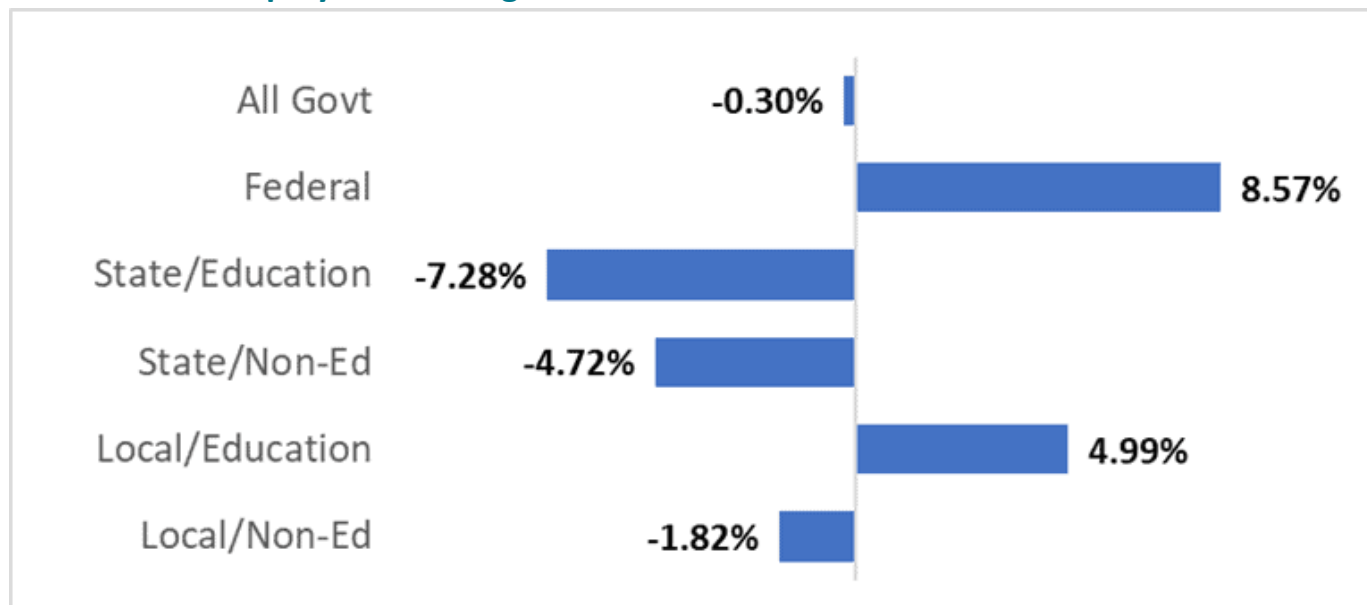
Public Sector Employment Changes: February 2020 to October 2023



Source: U.S. Bureau of Labor Statistics. Seasonally-adjusted data.

A deeper look at these public sector employment adjustments over the four-year period beginning in October 2019 and ending in October 2023 show the significance of both federal employment and local K-12 school employment in fueling the public sector employment recovery. Federal government employment is up 8.6 percent over the period, and local education-related employment is up almost 5.0 percent. As we've noted in recent blogs, the strong growth in K-12 employment can be tied to the massive influx of federal COVID-related support to school districts. As spending deadlines for these one-time federal funds approach, it's quite possible these local education employment levels will recede.

Public Sector Employment Changes: October 2019 to October 2023



Source: U.S. Bureau of Labor Statistics. Data not seasonally adjusted.

Meanwhile, state government employment is down across the board with state education-related employment (e.g., state public universities) down almost 7.3 percent over these four years, and state employment excluding education down by 4.7 percent. Even within local government, employment outside of education functions remains down by 1.8 percent.

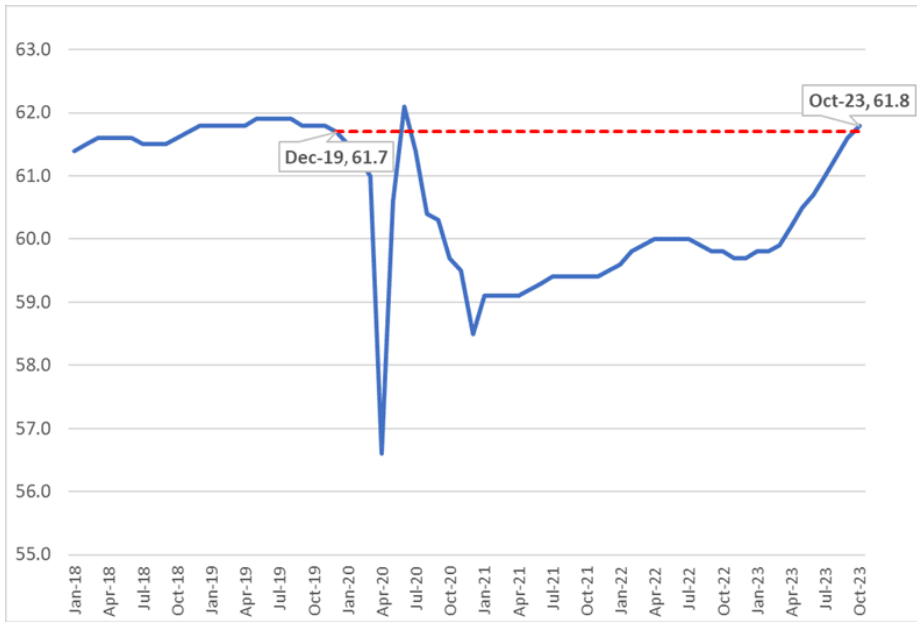
In short, as with private employment, while total job counts have largely returned to pre-COVID levels, there has been a considerable shift in how these jobs are spread across the public sector.

Labor Force Participation Jumps Back in 2023

The final piece of good news is that Michigan appears to be experiencing a significant rebound in labor force participation – measured in the chart below as the number of Michiganders either working or actively seeking work as a percentage of the total civilian population aged 16 years or older.

In the years prior to the COVID pandemic, the labor force participation rate generally floated between around 61.5 percent and 61.9 percent of this civilian population. That rate, however, plunged following the onset of COVID-19, and while it temporarily bounced back in June 2020, it reverted to a lower level between 59 and 60 percent for much of the next two and half years. Lingering COVID-19 fears and the “Great Resignation” following the pandemic have been posited as important factors in this decline, which has generally been more significant in Michigan than it has nationally.

Michigan’s Labor Force Participation Rate



Source: U.S. Bureau of Labor Statistics

However, beginning in early 2023, that trend changed and the labor force participation rate began to rise again. It first popped above 60 percent in April 2023, and October data show the rate reached 61.8 percent, back to the pre-COVID range and its highest level since December 2019. The trend change suggests that Michigan's tight labor market may finally be drawing some workers back into the job market,

which is especially significant in Michigan where the state's aging population (which means slower growth in the prime working-age population) will be downward pressure on that rate over time.

So, there is good news on the employment front. While state employment has yet to fully recover from pre-COVID levels, the end of the auto strike increases hope that the state will reach that important benchmark soon. Further, the state's economic recovery has been driven by employment growth in relatively higher-wage sectors of the economy, and wage growth appears to be drawing more workers back into the labor market after a long prolonged dip in the labor force participation rate.

With national recession fears subsiding to some extent, there is some promise that 2024 may bring an even greater return to normalcy in the Great Lakes State.

ABOUT THE AUTHOR

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Bob is in his second stint with the Citizens Research Council, having worked for the organization from 2013 to 2015. He has spent most of his time in state government, having worked in the Office of Health and Human Services – State Budget Office and as Associate Director for the non-partisan Michigan House Fiscal Agency (HFA). He has extensive expertise and has provided non-partisan advice and analysis on state policy and budget matters in areas including corrections, human services, and transportation. Prior to joining HFA, he was a research assistant and project manager from 1994 to 1996 for Public Policy Associates, a Lansing-based policy research and consulting firm. He also served for two years within the Michigan Department of State working on department budget and financial issues.

Bob received his B.S. in Economics from Central Michigan University and his M.A. in Economics from Michigan State University.

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