



## OVERCOMING BARRIERS FOR THE UNDEREMPLOYED: OPPORTUNITIES FOR MICHIGAN TO GROW, LEVERAGE ITS LABOR FORCE

This paper accompanies a longer paper, *Overcoming Barriers for the Underemployed: Opportunities for Michigan to Grow, Leverage its Labor Force*.

That paper is available at <https://crcmich.org/publications/overcoming-barriers-for-the-underemployed>

### Key Takeaways

1. Although much of Michigan's workforce development efforts have been focused on training people for high-skilled jobs, the vast majority of job openings has been and will continue to be concentrated in low- and middle-skilled jobs.
2. The working poor (such as discouraged workers, those marginally attached to the workforce, or those working part-time) and those that have dropped out of the workforce are likely candidates to fill many of the job openings, but they confront several barriers.
3. State workforce development programs generally do not assist these populations. Instead, they focus on the unemployed and those in poverty, as dictated by restrictions on federal funding, leaving those most prepared to contribute to the economy to fend for themselves.

### Summary

Michigan employers continue to report a talent shortage. While a skills gap is often cited as the primary reason for a talent shortage, this is an increasingly unsatisfying explanation. For better or worse, the majority of jobs in Michigan tend to be concentrated in low and middle-skilled jobs, or those that require little formal education or training.

A review of Michigan's changing demographics, socioeconomics and other key indicators suggests that several immediate challenges, beyond the need for education and occupational skills, are contributing to the disconnect between potential workers and em-

ployment. Were resources made available to these workers, who are already demonstrating a desire to work as well as basic employability skills, it is possible that they could help to address the talent gap.

An assessment of Michigan's talent programs demonstrates the limitations of the state government's current approach. Nearly all of Michigan's workforce services are targeted at the unemployed or prioritize those that qualify as being in poverty, according to federal definitions. This leaves those who are employed but struggling, often referred to as the working poor, largely unable to access needed assistance.

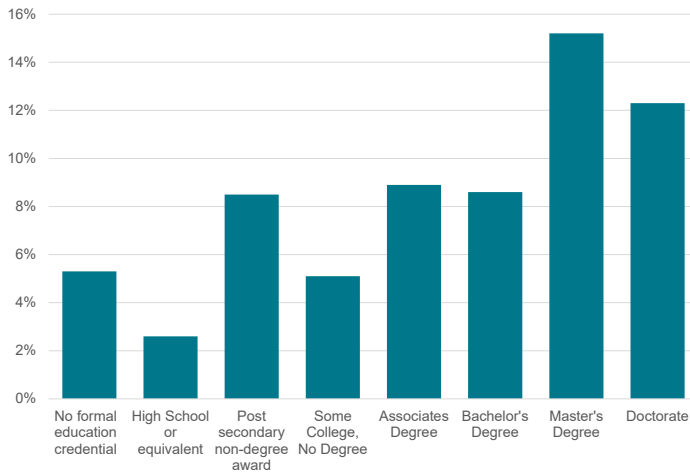
## The Demand for Workers

Statewide demand for workers has grown significantly in recent years. The number of positions posted on the state’s sponsored job website – “Pure Michigan Talent Connect,” 2019, <http://puremichigantalentconnect.org/> – have nearly doubled since 2012. The bulk of available job openings in Michigan are for low and middle-skilled positions.

It is expected that, while *job growth* will be concentrated in occupations that have higher educational requirements (see **Chart 1**), the vast majority of *job openings* will continue to be concentrated in low- and middle-skilled jobs (see **Chart 2**).

**Chart 1**

Projected Percentage Annual Average Job Opening Growth by Educational Requirement, 2016-2026

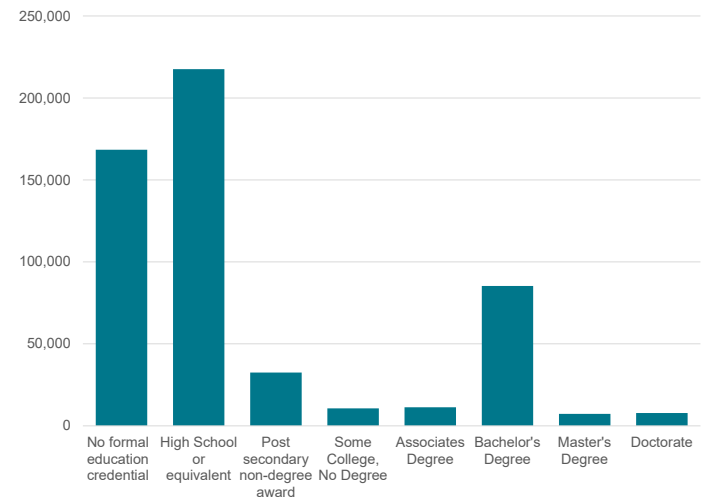


Source: Michigan DTMB, Bureau of Labor Market Information and Strategic Initiatives, Employment Projections Program

Generally, the data shows that the preponderance of Michigan’s current and future job openings will continue to be concentrated in low- and middle-skilled positions. It can be assumed that given the level of skill required, many (though not all) of these positions are also low-wage positions. This is notable because low-skilled, low-wage workers are less likely to have the personal resources to help them overcome barriers to employment – either before or after acquiring a job.

**Chart 2**

Projected Annual Average Job Openings Growth by Educational Requirement, 2016-2026



Source: Michigan DTMB, Bureau of Labor Market Information and Strategic Initiatives, Employment Projections Program

## The Supply of Available Job Seekers

Even while employers report difficulty finding workers to fill open positions, there remain more than 400,000 unemployed and underemployed individuals amongst the state’s labor force.

During 2018, Michigan’s unemployment rate was 4.1 percent, which equates to approximately 200,000 unemployed individuals statewide.

A population, nearly equal in size, of underemployed individuals – discouraged workers, marginally attached to the workforce, or working part-time for economic reasons – is also still present in Michigan’s labor market (see **Chart 3**).

By sheer numbers, there appear to be just enough unemployed and underemployed individuals to meet

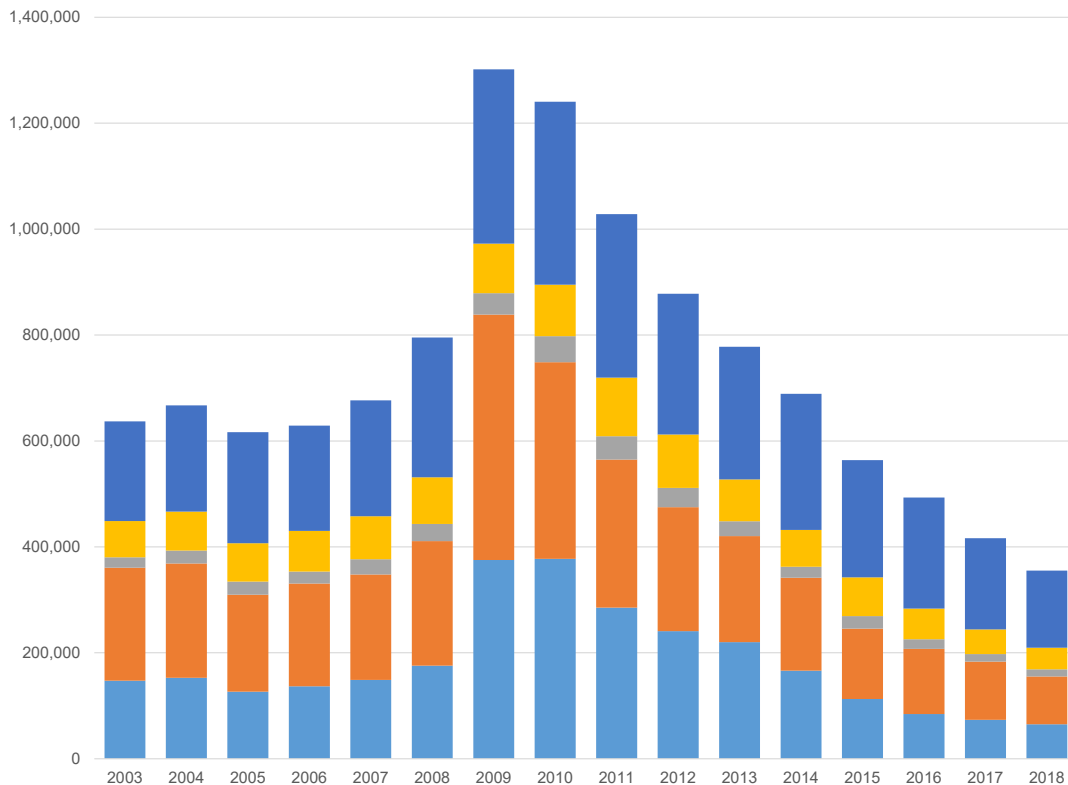
current demand. However, it would be a mistake to equate availability with suitability.

Workforce professionals report that the population that remains unemployed in today’s market is less work ready than their peers who were unemployed during the Great Recession (2007-2009).

There is reason to believe that involuntary part-time workers are inherently more work-ready. These individuals have self-proclaimed a desire for full-time work, a basic level of education, and employability skills. Examining the potential factors preventing this population from fully participating in the labor force could help the state and employers connect with a pool of work-ready individuals better-suited to alleviate current employer demands for workers.

**Chart 3**

Michigan Unemployed and Underemployed Populations, Average Annual Rates 2003 to 2018



Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics.

## Less Unemployment but a Smaller, Poorer Labor Force

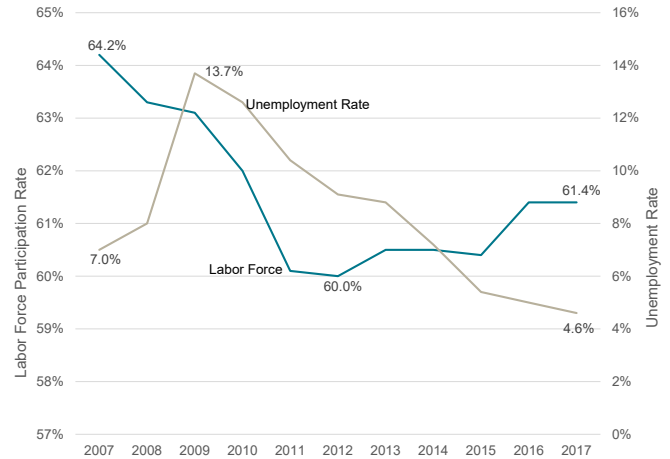
State demographic data highlights troublesome trends for Michigan's labor market. Despite a declining unemployment rate and modest growth in population, the labor force is still smaller today than it was prior to the Great Recession. While fewer individuals are in poverty, more are counted among the working poor and face significant barriers to employment. Existing workforce programs are not designed to account for these shifts in the market, a problem that must be addressed.

The number of individuals actively participating in the labor force has not yet rebounded to 2008 levels (see **Chart 4**).

If Michigan had maintained the same labor force participation rate that it had in 2000, there would be 580,000 additional individuals in the state's labor force, likely rendering concerns about a shortage of talent irrelevant.

### Chart 4

Labor Force Participation and Unemployment Rates in Michigan, 2007-2017



Source: U.S. Department of Labor, Bureau of Labor Statistics

## Headwinds to Greater Labor Force Participation

Several demographic, geographic and socioeconomic factors increasingly restrain participation in the labor market. Unfortunately, Michigan is faring worse than the nation as a whole and worse than many of its Midwestern neighbors on many of these factors.

**Age.** Individuals aged 65 and over comprise an increasing percentage of the state's workers. This presents a serious challenge for Michigan, as near-term retirements are likely to exacerbate the current talent shortage and the declining LFP.

**Childcare.** Accessible and affordable childcare is also increasingly cited as a barrier to employment in Michigan. While Michigan maintains a child care subsidy program to help some families access care, most of the working poor are precluded from accessing assistance.

Michigan had the most restrictive eligibility in the nation for families seeking assistance with childcare

**Geography.** While Michigan's economy has improved significantly since the Great Recession, the recovery has been uneven across the state. Ultimately, the areas of the state with the largest population of available workers are not aligned with the areas that have the most significant and growing demand for workers.

**Health and Substance Abuse.** Michigan suffers from a population that is generally less healthy than its peers nationwide or in the Midwest, specifically reporting high rates of disability and substance abuse problems. In addition, the Midwest has been disproportionately impacted by the nation's opioid crisis, with several states reporting higher than average drug overdose deaths.

**Housing.** The affordability and prevalence of workforce housing is also creating a challenge for the labor market. Average rent costs in Michigan, while lower than the national average, are continuing to climb despite relatively stagnant wage growth.

**Transportation.** Michigan has a widely acknowledged problem with transportation and infrastructure. The state is prone to unreliable and uncoordinated public

transportation systems and crumbling roads, and, historically, the highest in the nation auto insurance rates.

**Wages.** Depressed wages are also believed to be impacting the size of the labor force and the ability of employers to attract workers. Despite strong economic growth and low unemployment, wages have not kept pace with rising costs.

### An Overview of Michigan's Talent Programs

While new proposals are being considered in Lansing, there is already a sizeable suite of workforce programs operated by state departments and their local partners. An inventory of state programs reveals several notable findings regarding these ongoing efforts.

**Plethora of Programs.** First, the State of Michigan runs nearly 30 different talent programs across seven departments and agencies. Though the Michigan Talent Investment Agency (TIA) administers the majority of these programs, several continue to be operated independently by other departments or agencies. Large-scale coordination presents a continued challenge, particularly as these programs often do not have a shared goal or metric for success.

**Driven by Federal Funding.** Second, the majority of talent programs statewide rely on at least some portion of federal funding. Each of program carries with

it specific federal requirements and limitations regarding who it can serve, what services can be provided, reporting metrics and more. Over-reliance on federal funds to support talent programs has meant not only a restriction on the use of such dollars, but in some cases a declining overall investment as well.

**Mismatch of Services.** Third, an assessment of available programs indicates an emphasis on job search, job placement and, to a more limited extent, job training among existing services. Meanwhile, far fewer resources exist that assist job seekers with work readiness, work supports and basic education.

**Not All Populations are Being Served.** Fourth, in general, programs are targeted at the unemployed, those in or very near poverty, and specific sub-sects of the workforce, such as ex-offenders.

### Opportunities for Change

Several opportunities exist to expand and improve Michigan's current response to the talent gap.

**Expand Eligibility.** First, state officials should consider expanding eligibility for workforce programs and taking an asset management approach to workforce development. Asset management would mean inventorying, building upon and investing in existing assets (workers) and preventing them from falling into disrepair (unemployment).

Changing eligibility for state funded programs would be a relatively straightforward task and many fully state-funded programs already have expanded eligi-

bility (such as Going Pro). However, for programs that receive a bulk of their funding from federal dollars, there would need to be a long-term, deliberate effort to seek policy change from the relevant federal departments, primarily from the Department of Labor.

**Measure Labor Market Health Differently.** Second, coinciding with expanded eligibility, policymakers should advocate for a more holistic measure of labor market health to be used to determine the distribution of federal workforce funds. Metrics like labor force participation, number of part-time unemployed for economic reasons, average wages, and more should be considered.

## OVERCOMING BARRIERS FOR THE UNDEREMPLOYED

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**Broaden Scope of Talent Strategy.** Third, while investing in traditional education and occupational skill training is a necessary and valuable component of the talent strategy, it is important to recognize that it is indeed one component. Investing in programs that aim to assist workers through supportive services and to increase the potential pool of workers is and will continue to be of critical importance.

**Coordinate Programs.** Finally, successfully addressing the overarching changes in the labor market requires a greater level of coordination than currently exists. To the extent possible, Michigan needs to develop a shared goals and metrics for its workforce programs that could serve to better facilitate coordination between programs and the agencies responsible for them.

## Conclusion

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Overcoming the challenges that constrain labor force participation, as well as those that related to improving state programs to better benefit workers, will not be easy. But attention to them is paramount for the state to return to the prosperous economic engine it was for many decades. It will require paradigm shifts to approach many of these issues differently than has been the practice. Difficulty is not a disqualifier, but is a call to action.

## A Fact Tank Cannot Run on Fumes

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