

Labor Day Report: Michigan Has Lost 326,000 Workers Since 2000

THE LOST WORKERS

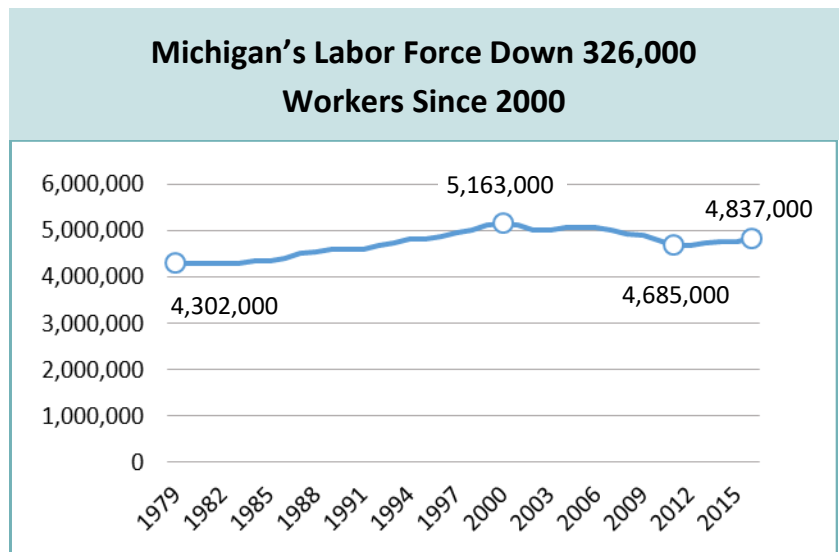
In July 2017, Michigan’s monthly unemployment rate dropped to 3.7%. This was the lowest jobless rate since 2000, the state’s best economic year in several decades according to most measures. While falling unemployment is certainly something to celebrate, using the unemployment rate alone to gauge Michigan’s economic recovery ignores important long-term trends in Michigan’s employment situation.

The *unemployment rate* is defined as the percent of the civilian labor force that is unemployed. Two other measures, when added to the unemployment rate, tell a more comprehensive story of the attrition of workers from Michigan’s job market: the *labor force participation rate*, which measures the percent of the civilian population 16 years old and over that is in the labor force (that is, working or looking for work), and the *employment-population ratio*, which measures the percent of the population that is actually employed (and will directly reflect the relationship between the unemployment rate and the labor force participation rate).

Workers drop out of a state’s labor force in several ways: physically leaving the state, death, institutionalization (i.e., incarceration), or stopping both work and the search for work (i.e., retirement, disability, staying home with children, etc.). Michigan’s labor force, after nearly two decades of steadily climbing, reached its numerical peak of

5.16 million in 2000. During the severe economic downturn in the decade that followed, that number fell to as low as 4.7 million in 2011-12 and has risen slightly in the years since then. The size of Michigan’s labor force is now where it was in the mid-1990s, but well below its peak in 2000. In 2016, Michigan had a net loss of 326,000 workers since 2000 (Figure 1).

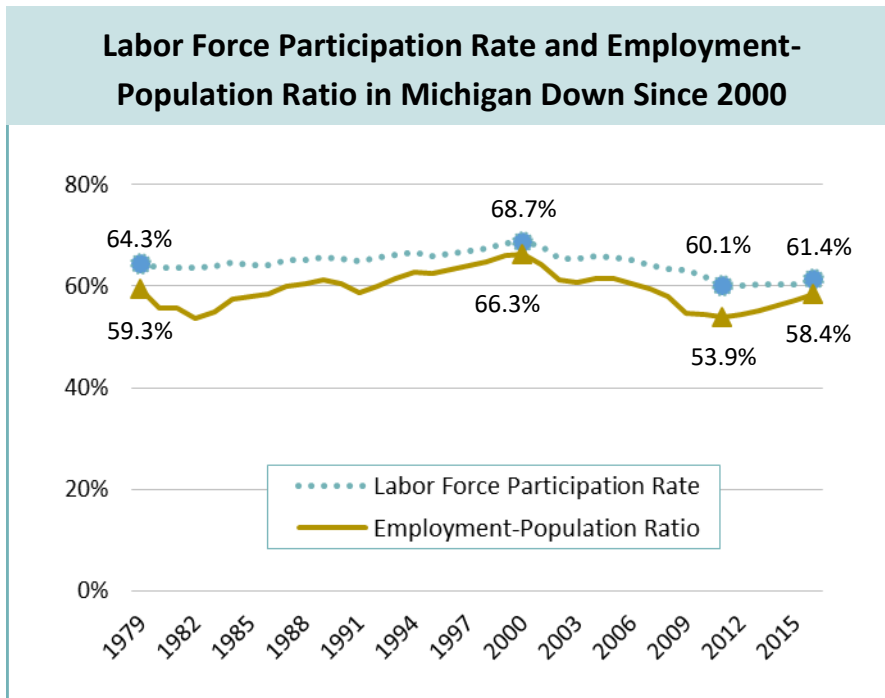
Figure 1



Source: MI DTMB LMISI Local Area Unemployment Statistics

While changes in the actual size of the labor force tell a modest story, far more illuminating is Michigan’s labor force participation rate, which for several years has been at a historic low. As seen in Figure 2, even during the severe recession during the early 1980s when the state’s unemployment rate reached as high as 15%, the labor force participation rate remained steady at around 64% before gradually rising to a peak of nearly 69% in 2000.

Figure 2



Source: Economic Policy Institute analysis of Current Population Survey data

With the economic downturn of the 2000s, the rate fell to a low of 60% in 2011 and 2012. At 61.4% in 2016, it has not significantly moved despite the improving unemployment rate.

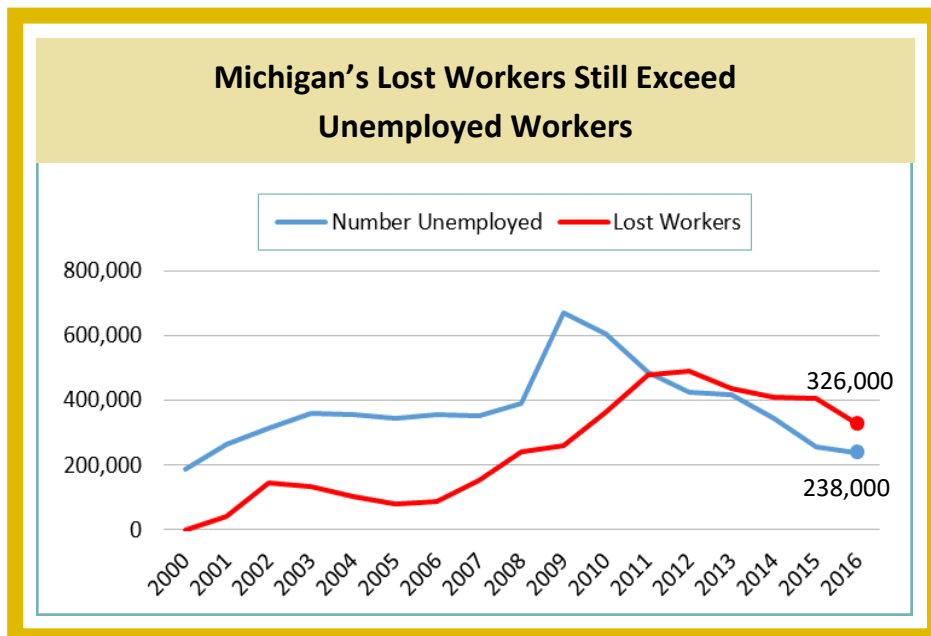
In the same way, while Michigan’s 2016 employment-population ratio shows clear improvement since 2011 con-

current with falling unemployment, it is below where it was during the economically difficult years of the early and mid-2000s and the 20 years prior. The unemployment rate tells us the short-term story that more people who are looking for work are finding it. It masks the longer-term story that a smaller share of people in the state are working or looking for work.

Using Michigan’s peak employment year of 2000 as a baseline, we can measure the number of net “lost” workers against the number of currently unemployed workers in a given year. As mentioned earlier, Michigan in 2016 had 326,000 fewer workers in its labor force than in 2000,

and these lost workers outnumbered the 238,000 unemployed workers that year. Between 2009 and 2011, a jaw-dropping 219,000 workers dropped out of Michigan’s labor force, and the number of lost workers has exceeded the number of currently unemployed workers in each year since then (Figure 3).

Figure 3



Source: MI DTMB LMISI Local Area Unemployment Statistics

In Michigan’s three largest counties, which comprise roughly one-third of the total state population, the net number of workers lost from the labor force since 2000 is considerably higher than the number of currently unemployed workers (Figure 4). And in the sparsely-populated Upper Peninsula, the workforce continues to shrink while the number of lost workers continues to rise (Figure 5).

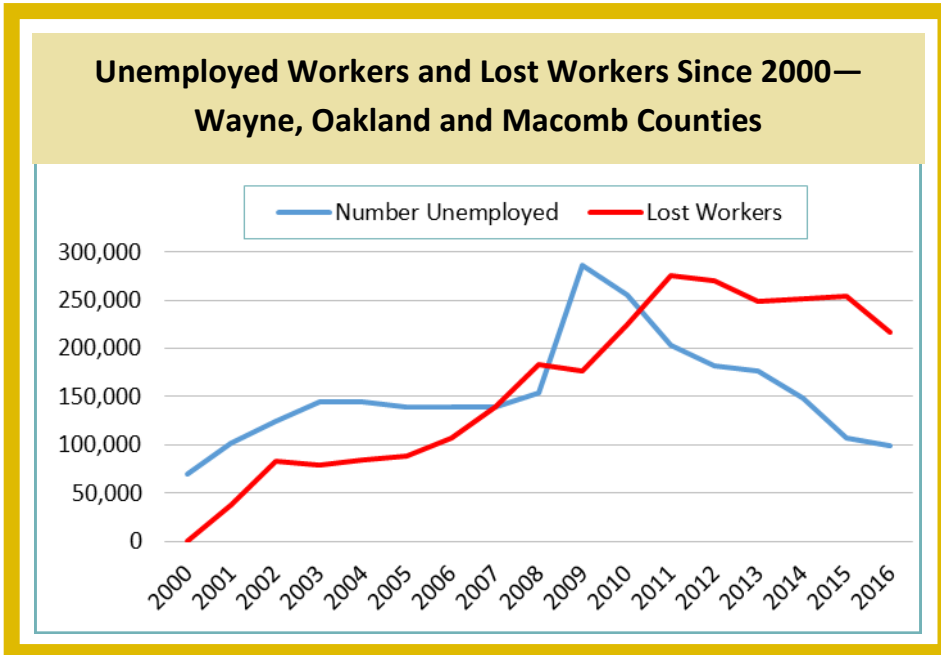
For a table of the unemployed and lost workers in each county in Michigan, please see the appendix.

MICHIGAN'S GRAYING LABOR FORCE

Not only has Michigan's labor force shrunk over time, its composition has begun to shift toward older workers. From 1979 (the earliest year data on worker ages is

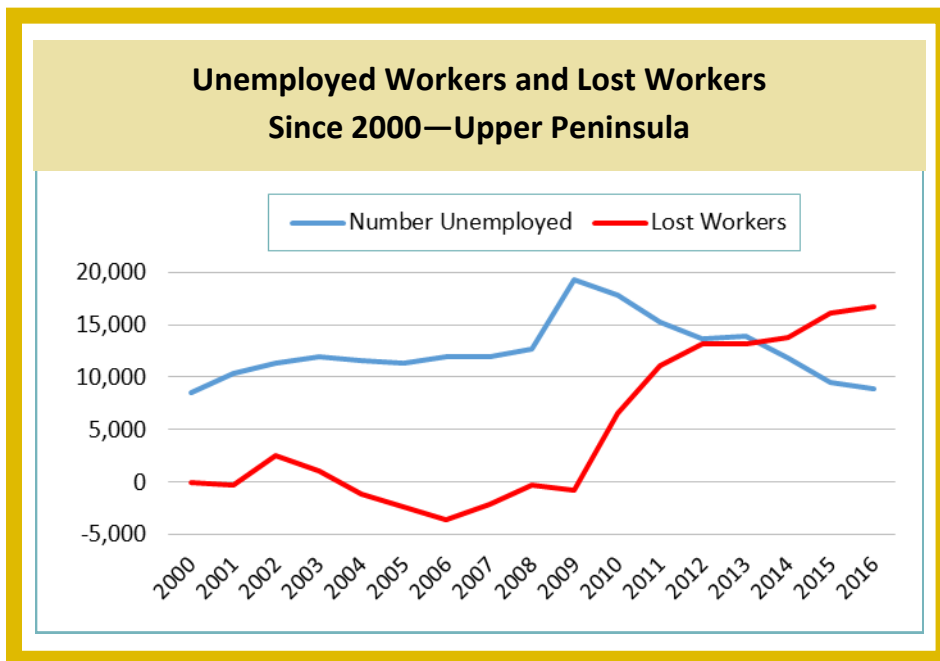
available) to 1982, the share of Michigan's labor force that was 55 years of age or older was between 12% and 13.2%, leveling out at 10-12% from 1983 to 2000. Following 2000, however, this age group began comprising a steadily larger share of the workforce, and in 2016 their share

Figure 4



Source: MI DTMB LMISI Local Area Unemployment Statistics

Figure 5

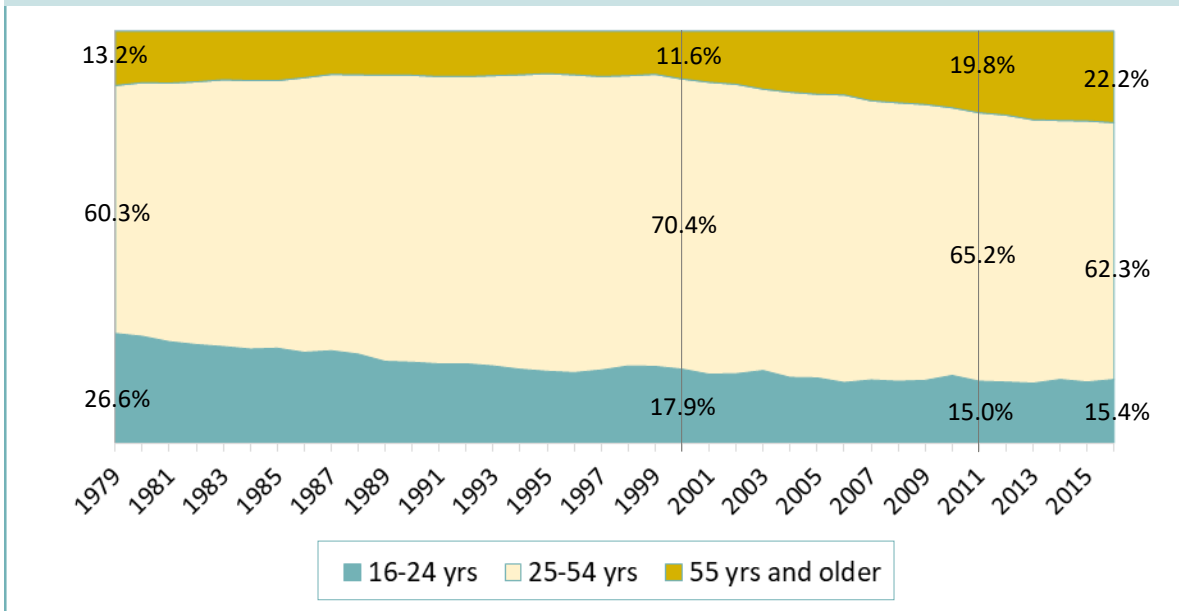


Source: MI DTMB LMISI Local Area Unemployment Statistics

(22.2%) nearly doubled that in 2000, while the portion in prime working age decreased from 70.4% to 62.3%. Younger workers, those from age 16-24, comprised a moderately smaller share of the workforce in 2016 (15.4%) than in 2000 (17.9%) but considerably smaller than in 1979, when they accounted for more than a quarter of the workforce (Figure 6).

To understand Michigan's shrinking labor force and the shift in its composition, it is helpful to look at the labor force participation rate of each of the three age groups. In recent years, a larger percentage of Michigan residents 55 years and older are participating in the workforce than before. In 1995, participation by this age group was at its ebb (26%), but has risen fairly steadily since then and by 2016, nearly 37% of residents 55 and older were in the workforce either employed or looking for work (Figure 7). The lack of a "big dip" in the participation rate of older workers suggests that the decline in the labor force was not driven significantly by unemployed workers choosing to retire early.

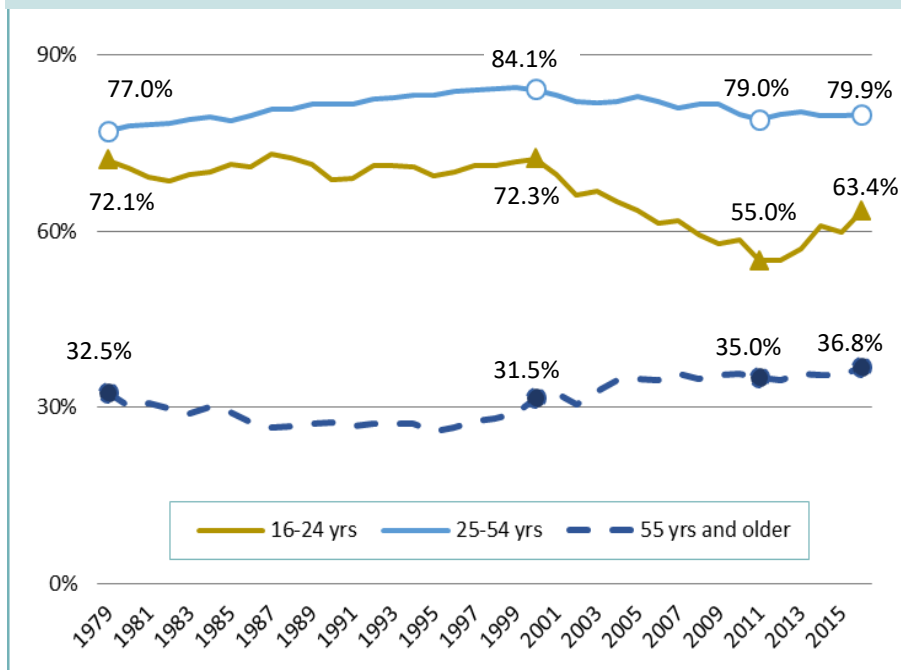
Since 2000, the Share of Michigan's Labor Force That is 55+ Has Almost Doubled



Source: Economic Policy Institute analysis of Current Population Survey data

Figure 7

Labor Force Participation by Age Group in Michigan



Source: Economic Policy Institute analysis of Current Population Survey data

The higher labor force participation rate for workers 55 years old and over is likely driven by a number of reasons. According to one study, factors include: rule changes in Social Security and pensions that incentivize later retirement, improved longevity, higher levels of education, less physically demanding jobs and the decline of retiree health insurance.¹

YOUNGER MICHIGAN RESIDENTS ARE NOT JOINING THE WORKFORCE AS BEFORE

A moderately smaller percentage of prime working-age residents are in the workforce compared to 2000, but the most significant change in labor force participation is with younger workers. In keeping with the pattern of the previous 20 years, 72% of

1. Munnell, A.H., *The Average Retirement Age—An Update*, Center for Retirement Research at Boston College, March 2015. (http://crr.bc.edu/wp-content/uploads/2015/03/IB_15-4_508_rev.pdf, accessed on August 7, 2017).

residents aged 16-24 were either working or looking for work in 2000, but that percentage took a sharp and steady plunge over the following decade. By 2011, only a bit more than half of all 16-24-year-olds in Michigan were in the workforce. The percentage has gone up in fits and starts since then, but at 63% remains significantly lower than in any year prior to 2006.

It is quite telling to compare the younger workforce during the Great Recession of the late 2000s with that during previous recessions, particularly the deep recession of the early 1980s. While the employment-population ratio for young people in 1982 plunged to just under 51% and took several years to rebound, the labor force participation rate dipped only slightly (as reflected in the high unemployment rate during those years). The same was true in the milder recession of the early 1990s.

In the years following 2000, the labor force participation rate for young workers began a startlingly different pattern from previous economic downturns. Not only did

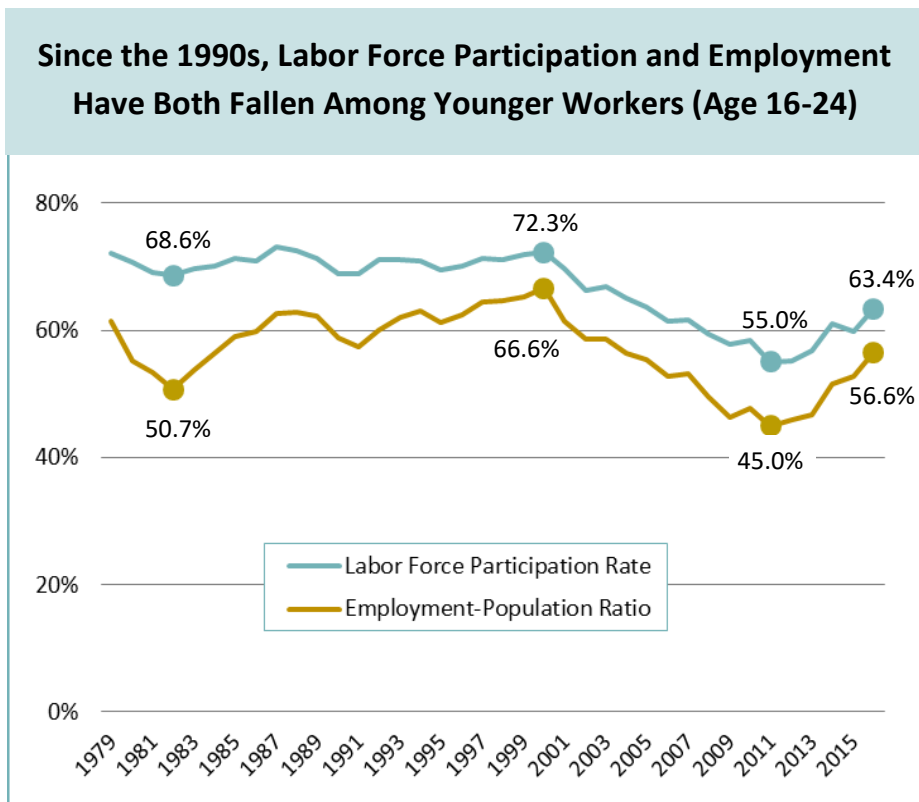
the employment-population ratio for young people go down steadily to record lows over the next decade, but so did the labor force participation rate, which fell from 72% in 2000 to 55% in 2011. That year saw a record low of only 45% of Michigan residents age 16-24 employed, and fewer than half employed during the six years from 2008 to 2013, yet the recorded unemployment rate for those years was considerably lower than in the early 1980s (16-19% compared to 21-26%) due to the very low workforce participation (Figure 8).

Michigan is not unique; the declining participation rate mirrors the trend for younger workers nationally. The Bureau of Labor Statistics reports that the age group with the largest decrease in labor force participation since 2000 is teenagers age 16-19, with White teenagers being the racial group with the largest decrease and Black teenagers with the smallest. Among teenagers, the most often cited reason for not working was school attendance. However, while teenagers not enrolled in school are generally more

likely to participate in the labor force than those enrolled in school, the labor force participation rate of out-of-school teenagers also fell. The participation rate for adults age 20-24 has also fallen nationally since 2000, but less steeply than that of teenagers.²

For the portion of younger residents who are deferring entering the workforce due to enrolling in postsecondary education, it can be assumed that their foregone wages from not working now will be more than offset by higher wages after completing their education. Younger people not working, looking for work or going to school, on the other hand, are gaining neither educational credentials nor work experience that could help them in the job market. The cause for this lower labor participation

Figure 8



Source: Economic Policy Institute analysis of Current Population Survey data

2. U.S. Department of Labor Bureau of Labor Statistics, *Labor Force Participation: What Has Happened Since the Peak?*, Monthly Review, September 2016. (<https://www.bls.gov/opub/mlr/2016/article/labor-force-participation-what-has-happened-since-the-peak.htm>, accessed on August 7, 2017).

rate among young people not in school is not clearly established, but according to the Bureau of Labor Statistics, could include a lack of desire to enter the workforce due to stagnant wages and competition from low-skilled workers in other age groups.

POLICY SOLUTIONS FOR WORKERS OF ALL AGES

A significant factor, but not the only factor, in the shrinking of Michigan's labor force is the lower likelihood of residents age 16-24 to participate in it, particularly those under 20. Although a higher portion of older individuals are remaining in the workforce, as they retire there are fewer younger workers to replace them.

The participation rate of younger workers remains low, but it is slowly rebounding. While there may not be easily identifiable policy strategies to encourage more young workers to enter the workforce, Michigan can undertake the following actions to help both younger individuals who are not yet in the workforce and older individuals who are choosing to stay employed at a later age:

- Make college education less expensive by lowering tuition and increasing financial aid, which will help cut down on student debt;

- Encourage universities to offer more academically relevant work-study for students with low incomes so that they may gain meaningful work experience;
- Make postsecondary training for “middle skills credentials” (a short-term or two-year credential such as a license, certificate or associate degree) more accessible to young people, especially those who live in areas with high unemployment and poverty and few available jobs;
- Provide support services to young single mothers that encourage them to participate in postsecondary education or training and facilitate their completion and success; and
- Retain Medicaid expansion in order to help provide healthcare for older workers earning lower wages.

Appendix

Net Gain and Loss of Workers in Michigan Counties

County	Civilian Labor Force			Net Gain/Loss of Workers				Population Change 2000-2015		Median Age	% of Pop. Age 65+	% of Pop. Ages 16-24
	2000	2011	2016	2011-2016		2000-2016						
MICHIGAN	5,163,000	4,685,000	4,837,000	152,000	3%	-326,000	-6%	-37,873	-0.4%	40	15%	7%
METROPOLITAN												
Barry	30,548	28,877	30,955	2,078	7%	407	1%	2,392	4.2%	43	16%	5%
Bay	57,036	53,317	52,090	-1,227	-2%	-4,946	-9%	-3,459	-3.1%	43	18%	6%
Berrien	82,832	74,551	73,901	-650	-1%	-8,931	-11%	-6,888	-4.2%	41	17%	6%
Calhoun	70,635	63,216	64,544	1,328	2%	-6,091	-9%	-3,195	-2.3%	40	16%	7%
Cass	27,184	24,419	24,469	50	0%	-2,715	-10%	848	1.7%	44	18%	6%
Clinton	35,681	38,944	40,510	1,566	4%	4,829	14%	12,152	18.8%	40	15%	7%
Eaton	57,995	55,660	57,072	1,412	3%	-923	-2%	4,686	4.5%	41	16%	6%
Genesee	215,846	182,814	183,107	293	0.2%	-32,739	-15%	-20,267	-4.6%	40	15%	7%
Ingham	154,743	145,123	148,845	3,722	3%	-5,898	-4%	4,171	1.5%	32	12%	14%
Jackson	79,369	72,614	74,432	1,818	3%	-4,937	-6%	1,337	0.8%	41	15%	7%
Kalamazoo	133,298	126,186	132,145	5,959	5%	-1,153	-1%	18,149	7.6%	34	13%	12%
Kent	320,150	315,111	351,974	36,863	12%	31,824	10%	48,255	8.4%	35	12%	7%
Lapeer	46,069	39,862	40,485	623	2%	-5,584	-12%	331	0.4%	43	15%	6%
Livingston	90,099	92,626	98,727	6,101	7%	8,628	10%	27,640	17.6%	42	14%	5%
Macomb	435,533	409,065	431,844	22,779	6%	-3,689	-1%	66,540	8.4%	41	15%	6%
Midland	42,694	40,869	41,182	313	1%	-1,512	-4%	750	0.9%	41	16%	6%
Monroe	77,465	73,660	76,929	3,269	4%	-536	-1%	4,491	3.1%	42	15%	6%
Montcalm	29,514	27,300	28,248	948	3%	-1,266	-4%	1,738	2.8%	40	16%	6%
Muskegon	85,904	75,669	77,329	1,660	2%	-8,575	-10%	1,283	0.8%	39	15%	7%
Oakland	678,896	610,881	648,101	37,220	6%	-30,795	-5%	35,347	3.0%	41	15%	6%
Ottawa	136,514	139,598	156,239	16,641	12%	19,725	14%	34,822	14.6%	35	13%	9%
Saginaw	100,589	89,803	88,844	-959	-1%	-11,745	-12%	-13,560	-6.5%	40	17%	7%
St. Clair	87,339	74,208	74,350	142	0%	-12,989	-15%	-3,806	-2.3%	43	16%	6%
Van Buren	39,775	36,445	35,577	-868	-2%	-4,198	-11%	-912	-1.2%	41	15%	6%
Washtenaw	185,811	180,797	191,860	11,063	6%	6,049	3%	31,197	9.7%	33	12%	13%
Wayne	955,276	774,443	773,086	-1,357	0%	-182,190	-19%	-282,193	-13.7%	38	14%	7%

Sources: Labor Force: Michigan Bureau of Labor Market Information and Strategic Initiatives. Population and Age: American Community Survey Five-Year Estimates, 2015.

Appendix (continued)

County	Civilian Labor Force			Net Gain/Loss of Workers				Population Change		Median Age	% of Pop. Age 65+	% of Pop. Ages 16-24
	2000	2011	2016	2011-2016		2000-2016		2000-2015				
MICROPOLITAN LOWER PENINSULA												
Allegan	58,011	56,816	61,542	4,726	8%	3,531	6%	7,172	6.8%	40	15%	6%
Alpena	15,598	13,684	13,705	21	0%	-1,893	-12%	-2,246	-7.2%	47	21%	5%
Benzie	8,420	8,693	8,813	120	1%	393	5%	1,439	9.0%	48	23%	5%
Branch	23,502	19,173	19,171	-2	0%	-4,331	-18%	-2,081	-4.5%	41	16%	6%
Gr. Traverse	45,707	46,656	49,359	2,703	6%	3,652	8%	12,253	15.8%	42	16%	6%
Gratiot	19,609	19,075	18,254	-821	-4%	-1,355	-7%	-407	-1.0%	39	16%	8%
Hillsdale	24,256	20,651	21,331	680	3%	-2,925	-12%	-349	-0.8%	42	17%	7%
Ionia	30,120	29,106	29,758	652	2%	-362	-1%	2,546	4.1%	38	13%	7%
Isabella	34,909	34,911	35,432	521	1%	523	1%	7,318	11.6%	26	11%	21%
Kalkaska	8,580	7,595	7,744	149	2%	-836	-10%	659	4.0%	44	18%	5%
Leelanau	11,358	10,324	10,721	397	4%	-637	-6%	653	3.1%	52	27%	5%
Lenawee	51,888	48,269	47,618	-651	-1%	-4,270	-8%	12	0.0%	41	16%	7%
Mason	14,786	14,263	14,298	35	0%	-488	-3%	437	1.5%	46	21%	6%
Mecosta	18,987	19,137	19,174	37	0%	187	1%	2,748	6.8%	36	16%	13%
Missaukee	7,025	7,037	6,994	-43	-1%	-31	-0.4%	510	3.5%	43	19%	5%
St. Joseph	32,684	27,609	29,436	1,827	7%	-3,248	-10%	-1,400	-2.2%	39	16%	6%
Shiawassee	37,531	33,632	33,646	14	0%	-3,885	-10%	-2,574	-3.6%	42	16%	6%
Wexford	15,654	14,656	14,764	108	1%	-890	-6%	2,267	7.4%	42	17%	5%

Sources: Labor Force: Michigan Bureau of Labor Market Information and Strategic Initiatives. Population and Age: American Community Survey Five-Year Estimates, 2015.

Appendix (continued)

County	Civilian Labor Force			Net Gain/Loss of Workers				Population Change		Median Age	% of Pop. Age 65+	% of Pop. Ages 16-24
	2000	2011	2016	2011-2016	2000-2016	2000-2015	2000-2015					
RURAL LOWER PENINSULA												
Alcona	4,487	3,807	3,842	35	1%	-645	-14%	-1,169	-10.0%	57	34%	3%
Antrim	11,647	10,165	10,058	-107	-1%	-1,589	-14%	157	0.7%	50	25%	4%
Arenac	7,683	6,688	6,117	-571	-9%	-1,566	-20%	-1,845	-10.7%	48	22%	5%
Charlevoix	13,867	12,925	13,127	202	2%	-740	-5%	44	0.2%	47	21%	5%
Cheboygan	13,007	10,839	10,850	11	0%	-2,157	-17%	-758	-2.9%	49	24%	5%
Clare	13,080	12,169	11,927	-242	-2%	-1,153	-9%	-542	-1.7%	46	21%	6%
Crawford	6,728	5,498	5,348	-150	-3%	-1,380	-21%	-378	-2.6%	49	23%	5%
Emmet	18,124	18,043	17,673	-370	-2%	-451	-2%	1,581	5.0%	44	19%	5%
Gladwin	11,006	10,115	9,837	-278	-3%	-1,169	-11%	-522	-2.0%	49	24%	5%
Huron	17,668	16,412	16,107	-305	-2%	-1,561	-9%	-3,789	-10.5%	48	23%	5%
Iosco	11,661	10,130	10,052	-78	-1%	-1,609	-14%	-1,938	-7.1%	52	28%	5%
Lake	4,476	3,858	3,783	-75	-2%	-693	-15%	93	0.8%	52	26%	4%
Manistee	11,877	10,684	10,587	-97	-1%	-1,290	-11%	9	0.0%	48	23%	6%
Montmorency	4,106	3,346	3,101	-245	-7%	-1,005	-24%	-914	-8.9%	55	29%	4%
Newaygo	23,132	22,463	23,401	938	4%	269	1%	155	0.3%	42	17%	6%
Oceana	13,272	12,988	12,252	-736	-6%	-1,020	-8%	-644	-2.4%	42	19%	6%
Ogemaw	9,640	8,786	8,283	-503	-6%	-1,357	-14%	-423	-2.0%	49	24%	5%
Osceola	11,214	10,170	10,490	320	3%	-724	-6%	37	0.2%	43	18%	5%
Oscoda	3,912	3,149	2,907	-242	-8%	-1,005	-26%	-974	-10.3%	51	26%	4%
Otsego	12,394	11,452	11,722	270	2%	-672	-5%	840	3.6%	44	19%	6%
Presque Isle	6,532	5,569	5,342	-227	-4%	-1,190	-18%	-1,374	-9.5%	53	28%	4%
Roscommon	10,422	8,383	7,928	-455	-5%	-2,494	-24%	-1,401	-5.5%	54	29%	4%
Sanilac	22,018	19,505	19,402	-103	-1%	-2,616	-12%	-2,533	-5.7%	44	19%	5%
Tuscola	28,835	25,165	24,230	-935	-4%	-4,605	-16%	-3,846	-6.6%	43	18%	6%
UPPER PENINSULA												
Alger	4,391	3,475	3,244	-231	-7%	-1,147	-26%	-386	-3.9%	49	23%	6%
Baraga	4,138	3,661	3,249	-412	-11%	-889	-21%	-56	-0.6%	44	18%	7%
Chippewa	17,529	17,390	16,491	-899	-5%	-1,038	-6%	43	0.1%	39	16%	9%
Delta	19,888	17,814	17,189	-625	-4%	-2,699	-14%	-1,808	-4.7%	46	21%	5%
Dickinson	14,051	12,810	12,577	-233	-2%	-1,474	-10%	-1,460	-5.3%	46	20%	5%
Gogebic	7,758	6,947	6,418	-529	-8%	-1,340	-17%	-1,546	-8.9%	48	23%	6%
Houghton	17,186	17,322	16,447	-875	-5%	-739	-4%	644	1.8%	33	16%	15%
Iron	5,684	5,170	5,255	85	2%	-429	-8%	-1,631	-12.4%	53	28%	4%
Keweenaw	1,054	1,017	926	-91	-9%	-128	-12%	-103	-4.5%	55	30%	3%
Luce	2,765	2,412	2,425	13	1%	-340	-12%	-547	-7.8%	44	20%	6%
Mackinac	6,909	5,289	5,230	-59	-1%	-1,679	-24%	-899	-7.5%	51	25%	4%
Marquette	34,294	33,939	33,374	-565	-2%	-920	-3%	2,948	4.6%	39	16%	12%
Menominee	13,319	11,815	11,418	-397	-3%	-1,901	-14%	-1,609	-6.4%	48	21%	5%
Ontonagon	3,665	2,777	2,239	-538	-19%	-1,426	-39%	-1,520	-19.4%	56	31%	3%
Schoolcraft	3,943	3,678	3,318	-360	-10%	-625	-16%	-615	-6.9%	50	23%	5%

Sources: Labor Force: Michigan Bureau of Labor Market Information and Strategic Initiatives. Population and Age: American Community Survey Five-Year Estimates, 2015.