

**Labor Market Performance in Michigan,
2001-2004:
Michigan Lags Behind the Nation**

By John Schmitt¹

September 2004

CENTER FOR ECONOMIC AND POLICY RESEARCH • 1611 CONNECTICUT AVE., NW, SUITE 400
WASHINGTON, D.C. 20009 • (202) 293-5380 • <WWW.CEPR.NET> • EMAIL: CEPR@CEPR.NET

¹ John Schmitt is a Senior Research Associate at the Center for Economic and Policy Studies.

From the peak of the last business cycle in March 2001 through the summer of 2004, the national labor market has struggled. Over the same period, the labor market in Michigan has performed even worse. Michigan has seen a greater loss in jobs, a higher increase in unemployment, a bigger decline in the share of the working-age population in jobs, and a bigger increase in the loss of "long-tenure" jobs, than the economy as a whole. By the summer of 2004, all four of these key indicators stood worse in Michigan than they did nationally.

Four key indicators

Table 1 and Figures 1-4 summarize four key labor-market indicators over the period 2001-2004. Wherever possible, the figures compare data from March 2001 – the peak of the last business cycle as established by the National Bureau of Economic Research (see <http://www.nber.org/>) – with the most recent data available (as late as July 2004).

Job creation

Between March 2001 and July 2004, the national economy lost a total of over 1.4 million jobs (see Table 1 and Figure 1), or about 1.1 percent of employment at the height of the last business cycle. Over the same period, Michigan lost more than 247,000 jobs – a 5.4 percent decline in state payrolls.

Unemployment

Between March 2001 and July 2004, the national unemployment rate increased 1.2 percentage points, to 5.5 percent (see Table 1 and Figure 2). Over the same period, the unemployment rate in Michigan increased 1.8 percentage points, to 6.5 percent. The 6.5 percent rate translates to about 343,000 Michigan residents.

Employment rates

The current economic recovery has been unusual in that the unemployment rate has not fully captured the weakness in the labor market. The period of sustained employment growth and low unemployment rates from about 1996 through 2000 led many individuals to enter the workforce for the first time or after long absences from work. As the economy faltered and employment fell in 2001, many of these workers seem to have withdrawn from the labor force altogether, and have not appeared in official unemployment statistics. In the current economy, data on employment rates – the share of the working-age population in jobs – help to complete the picture presented by the unemployment rate.

Panel (c) of Table 1 and Figure 3 present employment rates for Michigan and the national economy. Between the first four months of 2001 and the first four months of 2004 (the most recent, comparable data available), employment rates in Michigan fell from just above the national average – 76.0 percent in Michigan, compared to 75.4

percent for the United States – to well below the national average (71.1 percent in Michigan, 73.0 percent for the whole country). As mentioned above, the 4.9 percentage-point decline in employment rates is much larger than the 1.8 percentage-point increase in the unemployment rate. The difference is accounted for by workers who decided to leave the labor force altogether – a number that is actually larger than the increase in unemployment.

Displacement rates

Every two years, the Bureau of Labor Statistics (BLS) tracks "displacement" from long-tenure jobs (those held at least three years). The BLS counts a worker as displaced if he or she lost a long-tenure job due to a plant closing or insufficient demand, or because his or her position or shift was abolished (without the expectation of a recall within six months). Job displacement from long-tenure jobs captures a particular kind of job loss that is likely to have more negative consequences for workers than other kinds of job separation. By definition, displaced workers have involuntarily lost a long-term job through no fault of their own.

The last panel of Table 1 and Figure 4 summarize data from the two most recent BLS surveys of displaced workers. The first, conducted in January 2002, covered job displacement over the period 1999-2001; the second, conducted in January 2004, covered the period 2001-2003. Nationally, displacement increased noticeably (0.9 percentage point) between the two surveys. In Michigan, however, the rise in displacement was almost twice as large (up 1.7 percentage points). In the three years before 2001, displacement was lower in Michigan (2.5 percent) than nationally (3.1 percent). In the three years preceding 2004, displacement in Michigan (4.2) was just above the national average (4.0 percent). By 2004, about one of every 25 workers in Michigan had been displaced from a long-term job sometime between 2001 and 2003.

Probably the most important reason for the large increase in displacement rates in Michigan is the high concentration of manufacturing jobs in the state. Over the last decade, manufacturing has had high and rising rates of displacement, relative to the rest of the economy (see John Schmitt, "The Rise in Job Displacement, 1991-2004: The Crisis in American Manufacturing," Center for Economic and Policy Research Briefing Paper, August 2004, available at <http://www.cepr.net/>).

References

Schmitt, John. 2004. "Job Displacement Over the Business Cycle, 1991-2001," Center for Economic and Policy Research Briefing Paper (<http://www.cepr.net/>).

Schmitt, John. 2004. "The Rise in Job Displacement, 1991-2004: The Crisis in American Manufacturing," Center for Economic and Policy Research Briefing Paper (<http://www.cepr.net/>).

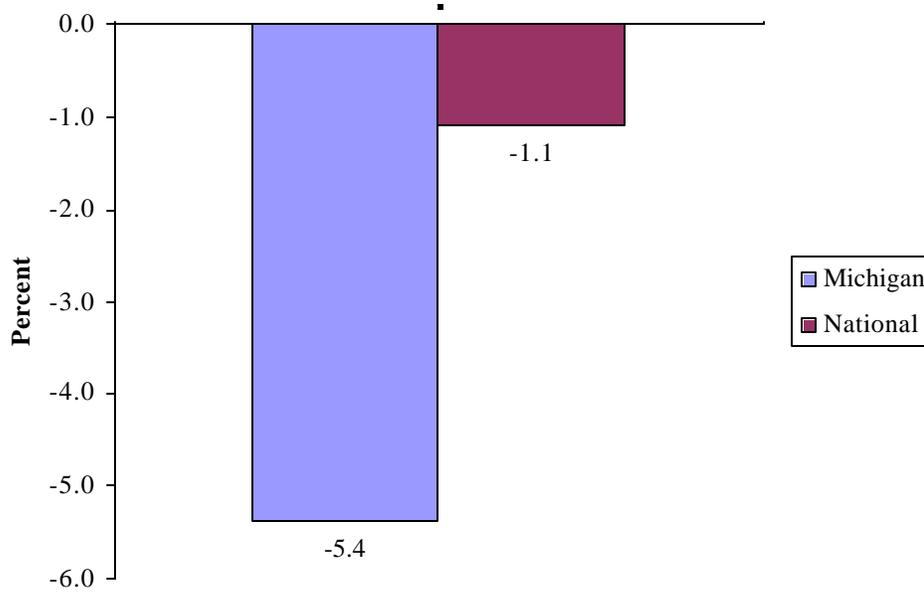
Tables and Figures

TABLE 1: Labor-market performance, 2001-2004

	2001	2004	Change
<i>(a) Total employment (thousands; % change)</i>			
Michigan	4,597.4	4,350.3	-5.4
National	132,397.4	130,956.9	-1.1
<i>(b) Unemployment rate (%; %age-point change)</i>			
Michigan	4.7	6.5	1.8
National	4.3	5.5	1.2
<i>(c) Employment rate (%; %age-point change)</i>			
Michigan	76.0	71.1	-4.9
National	75.4	73.0	-2.5
<i>(d) Job displacement (three-year rate %; %age-point change)</i>			
Michigan	2.5	4.2	1.7
National	3.1	4.0	0.9

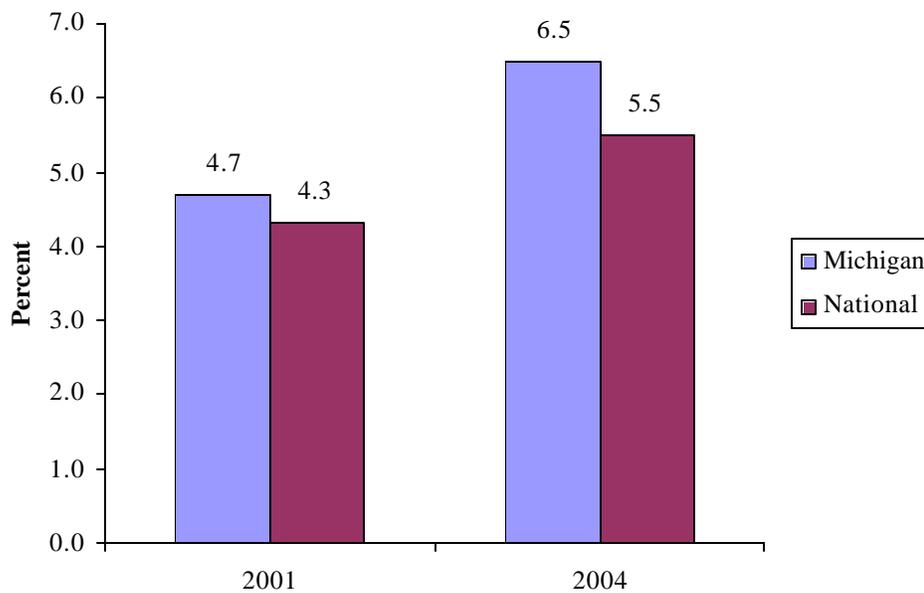
Notes: Total nonfarm employment from BLS, Current Employment Statistics, for March 2001 and July 2004, seasonally adjusted; unemployment rate from BLS, Current Population Survey, for March 2001 and July 2004, seasonally adjusted; downloaded from BLS web page <http://www.bls.gov/>. Employment rate for 18-64 year olds from CEPR extract of the Current Population Survey Outgoing Rotation Group for January-April 2001 and 2004. Three-year job displacement rates from CEPR extract of CPS Displaced Workers Survey for 2002 (covering 1999-2001) and 2004 (covering 2001-2003); see Schmitt (2004) for details. Figures in final column may not equal difference in figures in columns 1 and 2 due to rounding error.

FIGURE 1: Change in total employment, 2001-2004



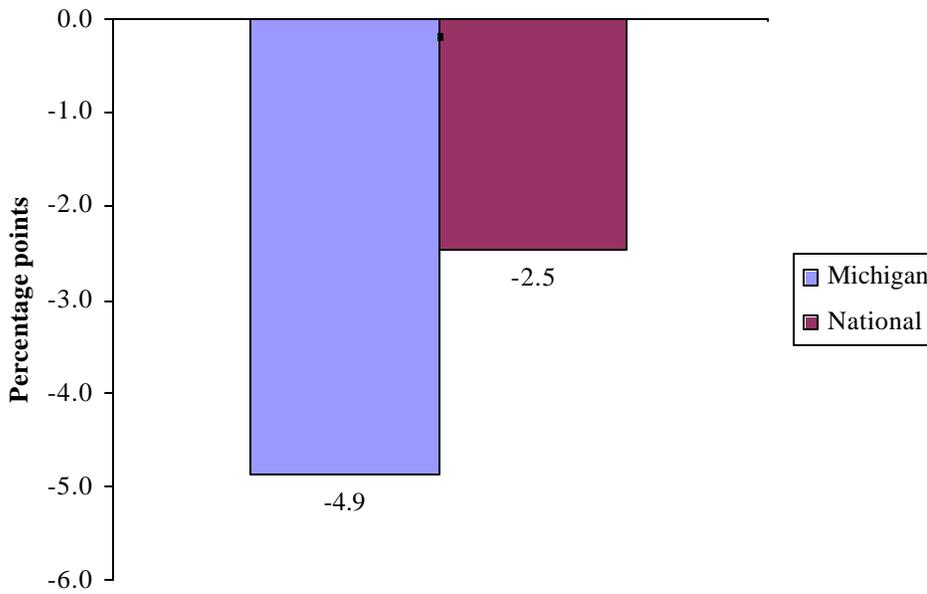
Source: BLS, Current Employment Statistics. See Table 1.

FIGURE 2: Unemployment rate, 2001 and 2004



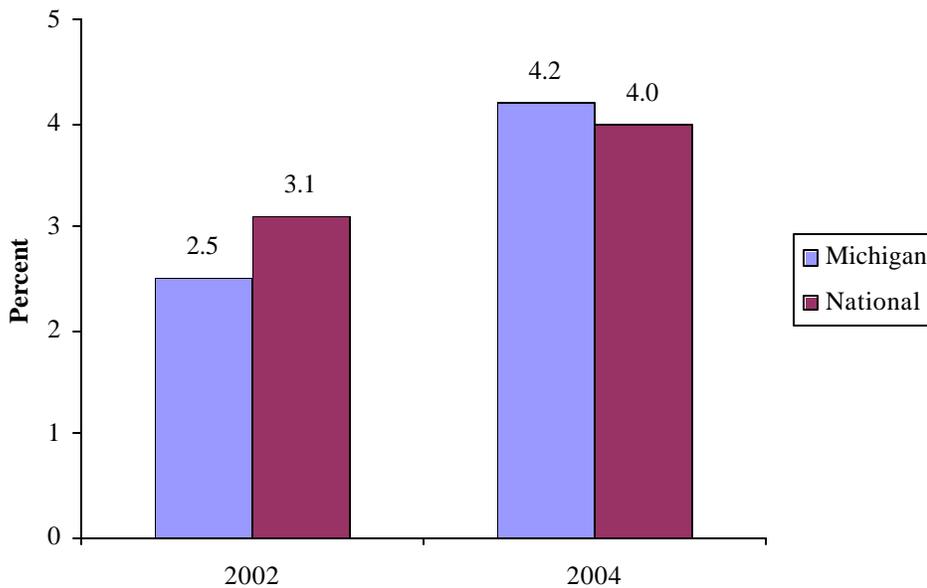
Source: BLS, Current Population Survey. See Table 1.

FIGURE 3: Change in employment rate, 2001-2004



Source: CEPR extract of Current Population Survey Outgoing Rotation Group. See Table 1.

FIGURE 4: Job displacement rate, 2002 and 2004



Source: CEPR extract of Current Population Survey Displaced Workers Survey. See Table 1.