

# Workforce Development Board Michigan Works! Southwest September 21, 2023

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Michael W. Horrigan – President  
Upjohn Institute

# Agenda

- Inflation
- Payroll employment trends
- Employment to population ratios and labor force participation rates
- Labor shortages



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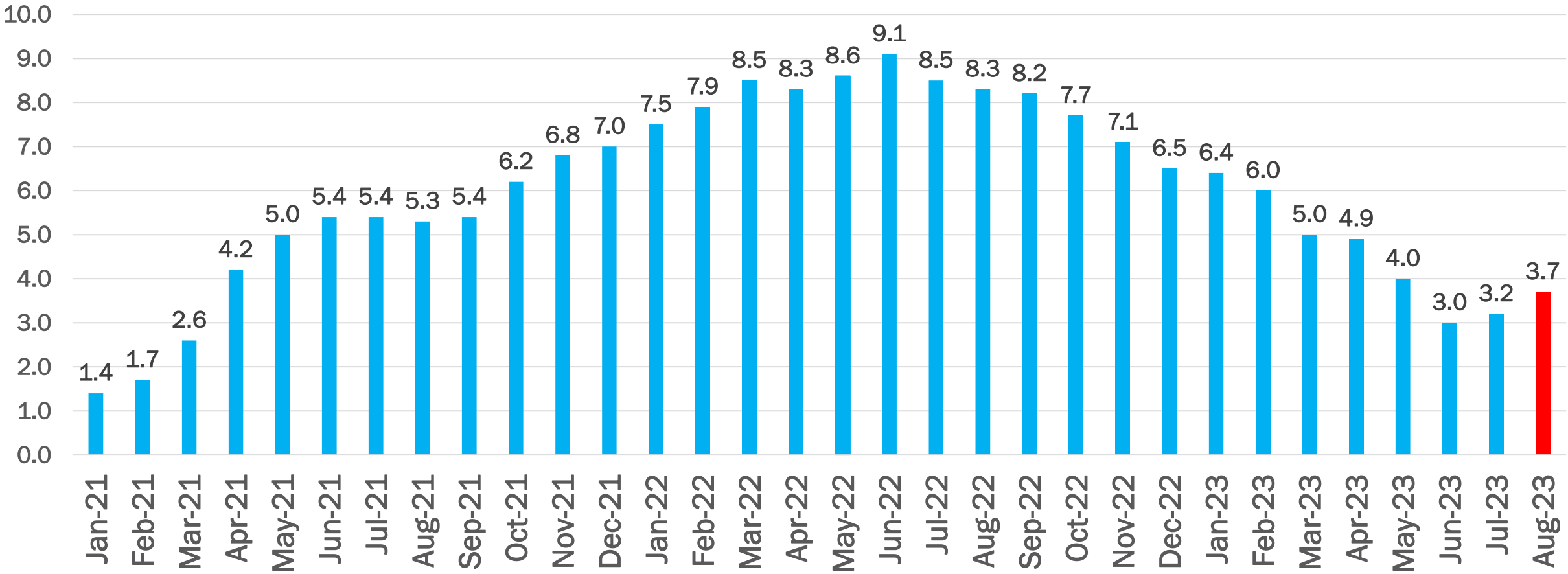
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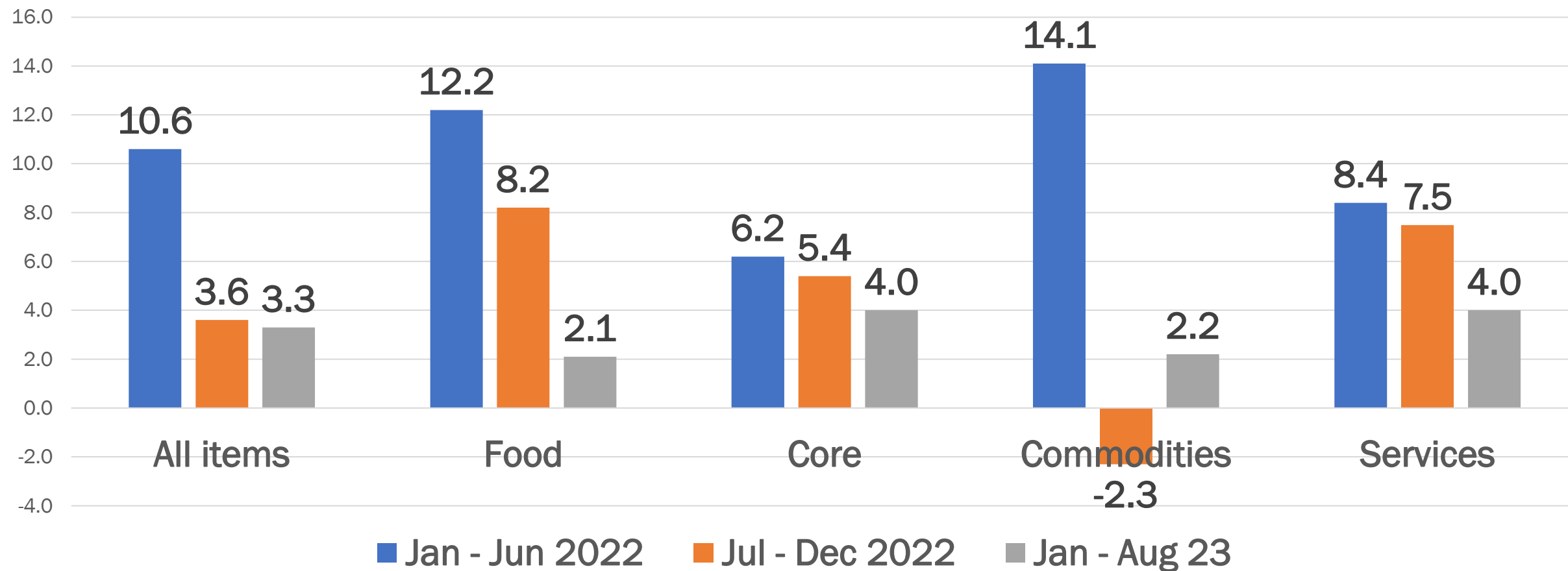
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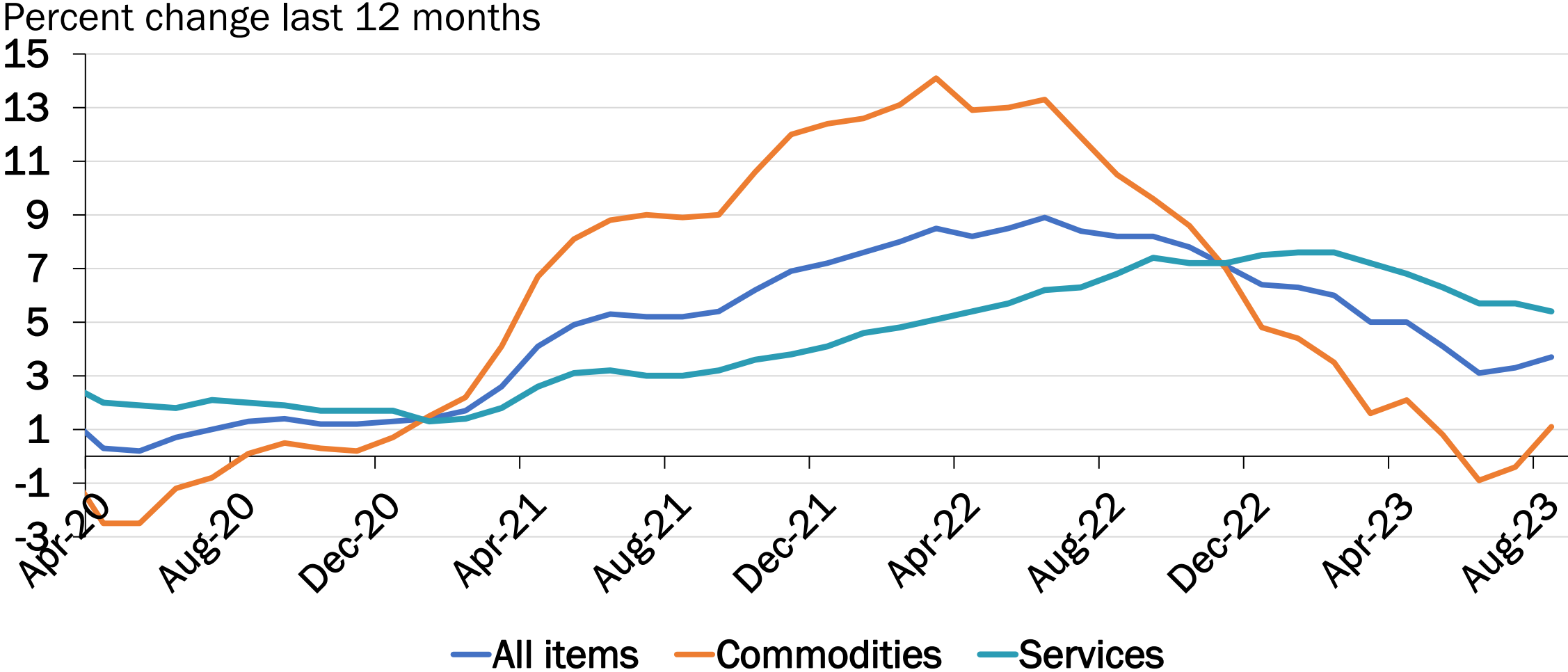
# At 3.7%, the percentage change in overall prices from 12-months rose in August 2023



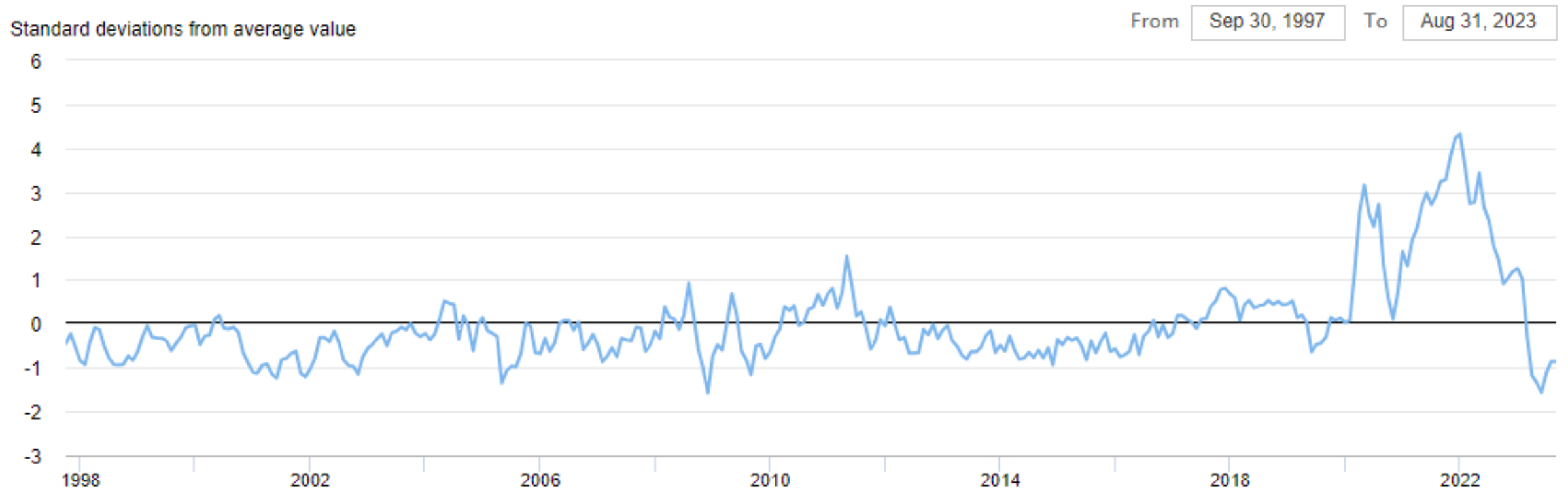
# Comparison of annualized rate of inflation for selected CPI categories between the 1<sup>st</sup> and 2<sup>nd</sup> half of 2022 and Jan-Aug 2023



# Inflation in commodities has fallen faster than inflation in services



# The Global Supply Pressure Chain Index has slowed significantly in recent months



70 expenditure categories in the CPI-U



Food  
Energy goods  
Household goods  
Apparel  
Transportation goods  
Medical care goods  
Recreation goods  
Education  
Other goods

Energy services  
Shelter  
Medical care services  
Transportation services  
Recreational services  
Education services  
Other personal services

Federal Reserve

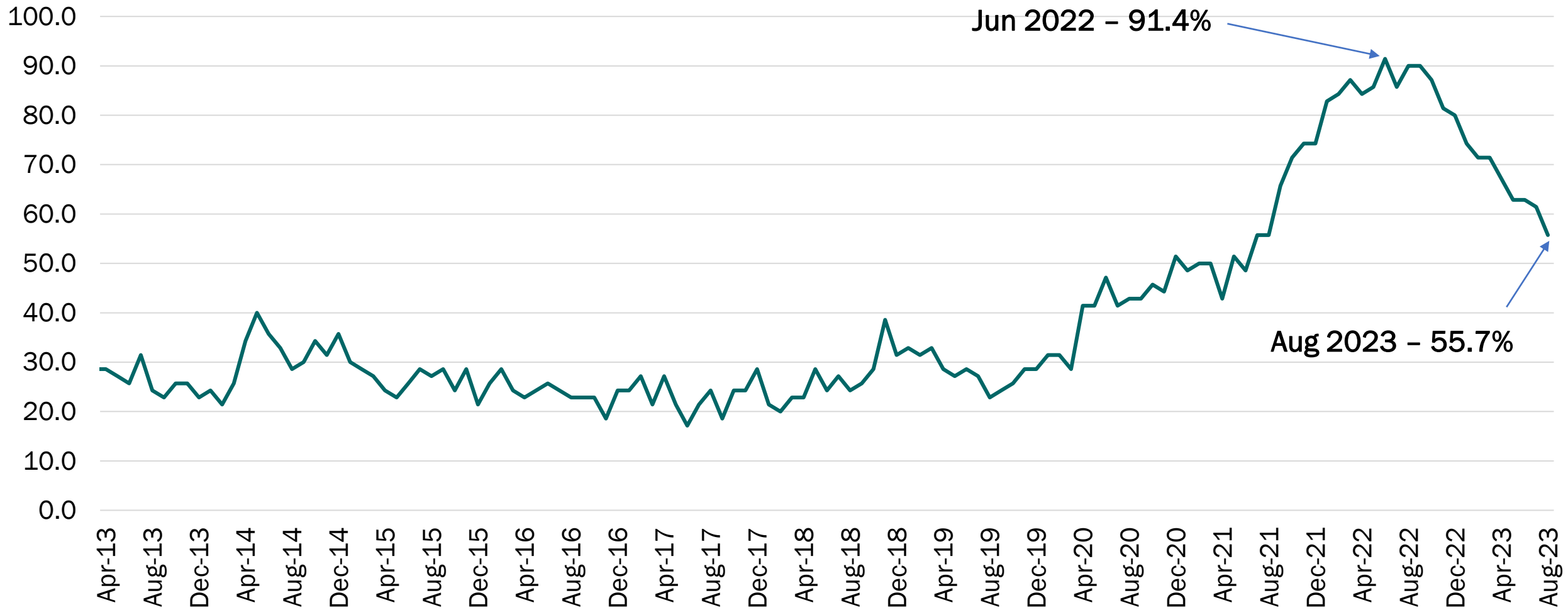
Target Inflation rate  
PCE Index  
2%



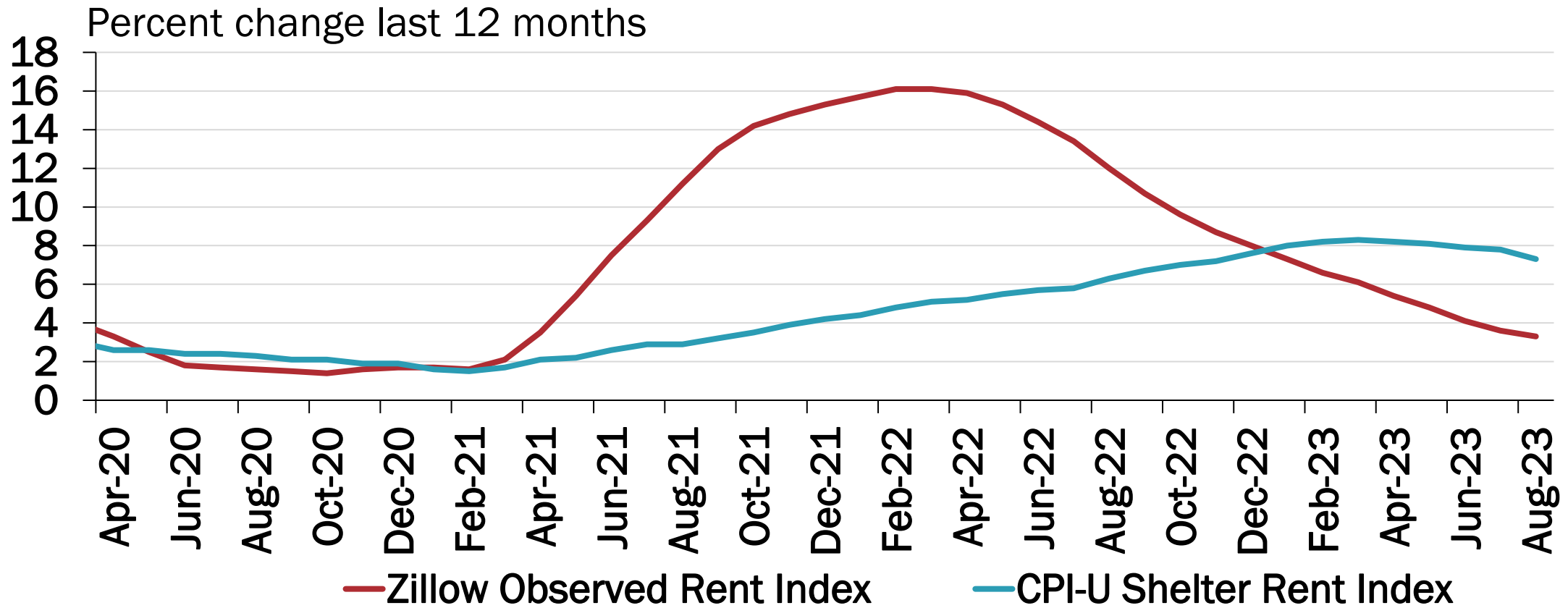
Percentage of expenditure categories with inflation rates > 2.5%



# Percentage of CPI expenditure items with inflation rates over the prior 12-months that are greater than 2.5%



The Zillow Index, which captures changes in rent prices 6-12 months before the CPI-U shelter index, shows a coming downturn in rental inflation



Despite the recent lowering of inflation rates, the average prices of goods that form our views of inflation may seem stubbornly high

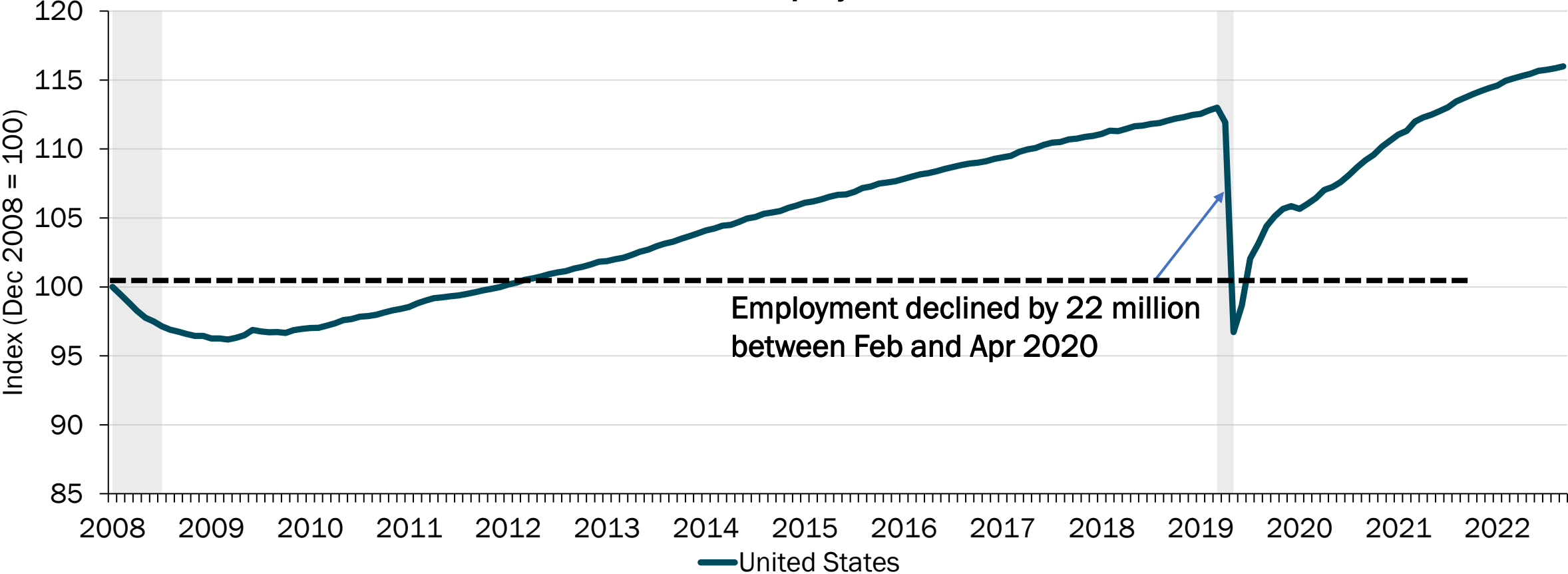
Concept	Feb-20	Max price month	Max price	Aug-23
Fuel Oil #2 per gallon	\$ 2.81	May-22	\$ 5.90	\$ 4.16
Eggs Grade A large per dozen	\$ 1.45	Jan-23	\$ 2.80	\$ 1.75
Milk, fresh, whole, gallon	\$ 3.20	May/Jun-22	\$ 4.00	\$ 3.79
Gasoline, unleaded, regular	\$ 2.47	Jun-22	\$ 4.92	\$ 3.83

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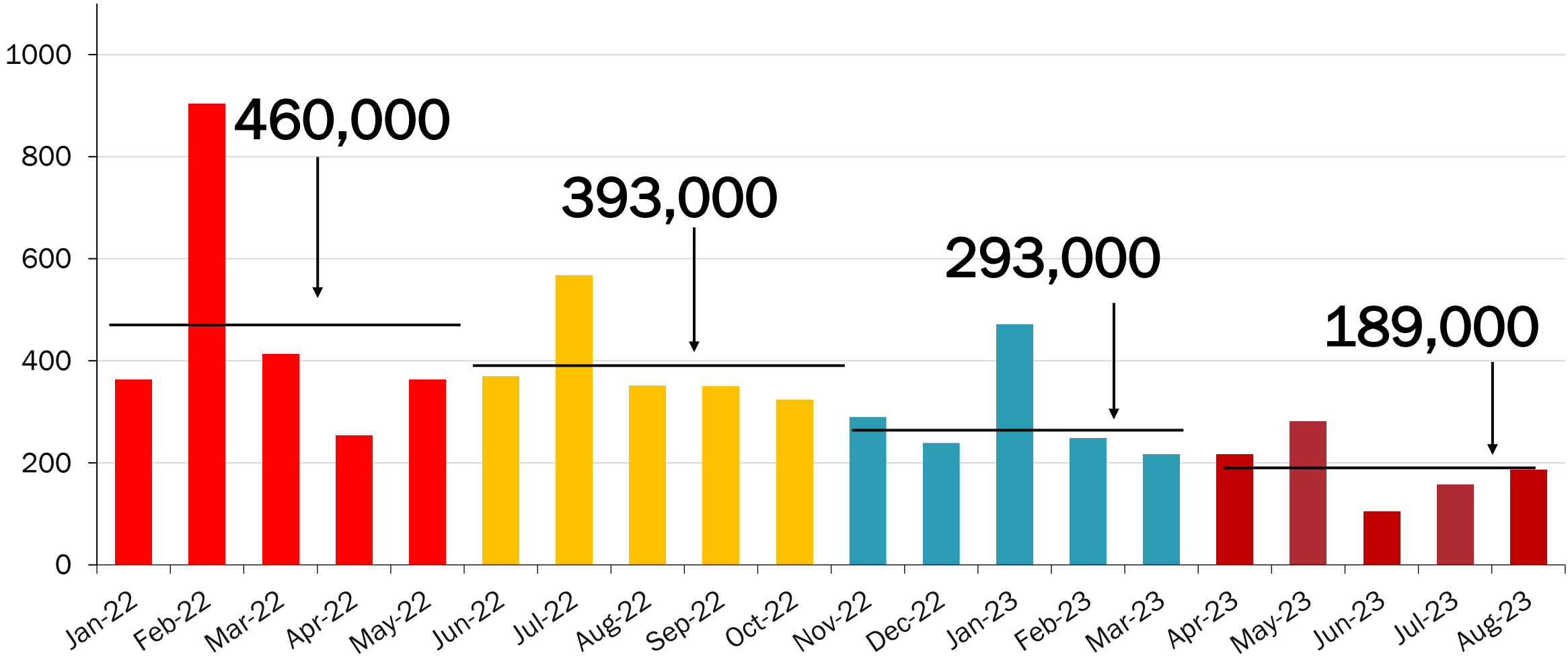
**Labor markets continue to  
be very strong**

# With August's gain of 187,000 jobs, employment exceeds the Feb 2020 peak by 4 million jobs

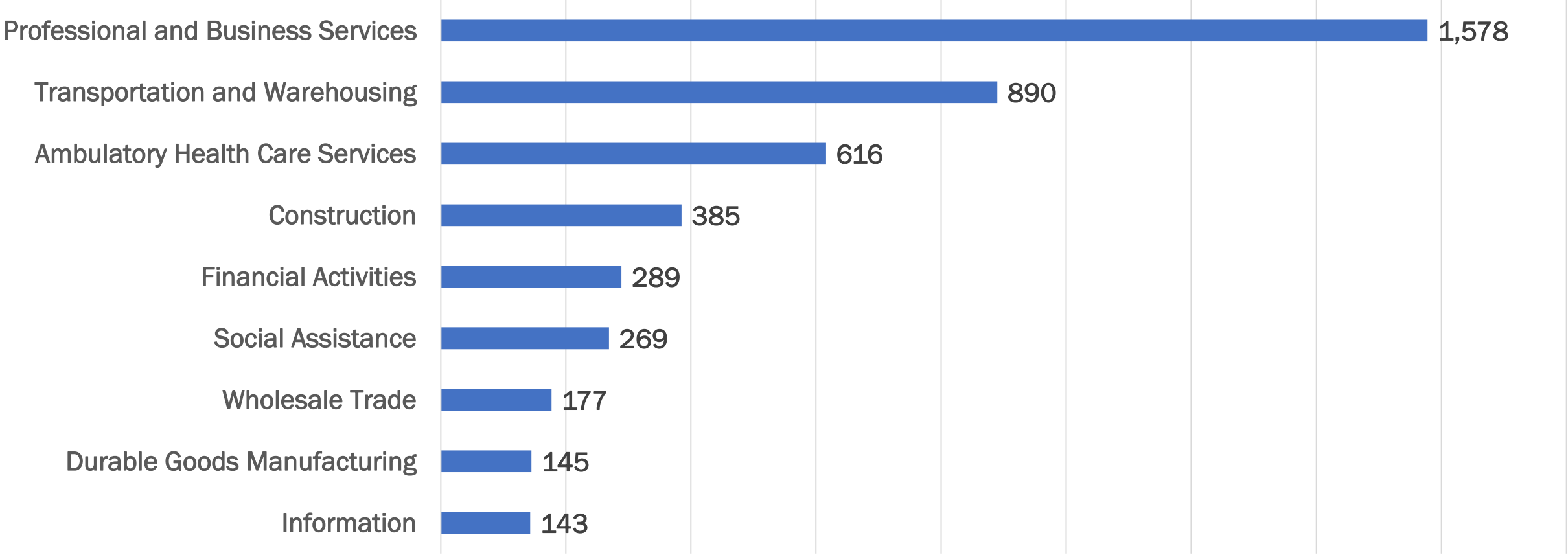
Nonfarm Employment Index



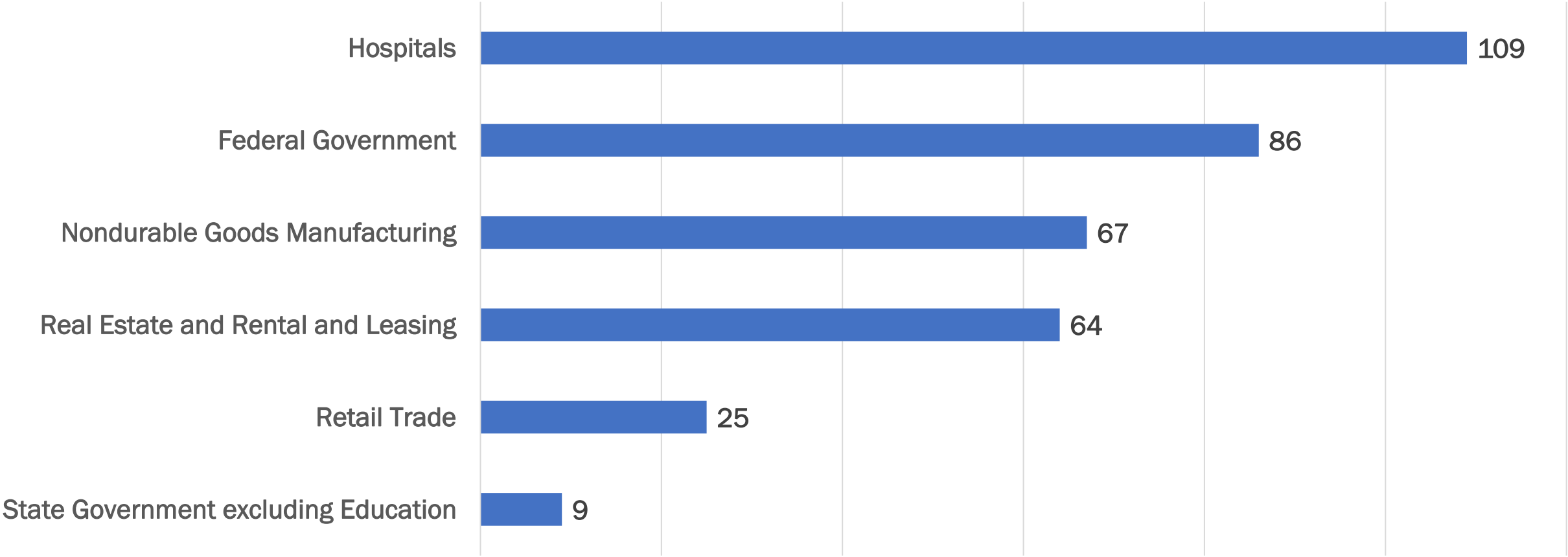
# Monthly payroll changes have eased throughout 2022 and 2023



# Employment in nonfarm industries, Feb 2020 – Aug 2023, in thousands

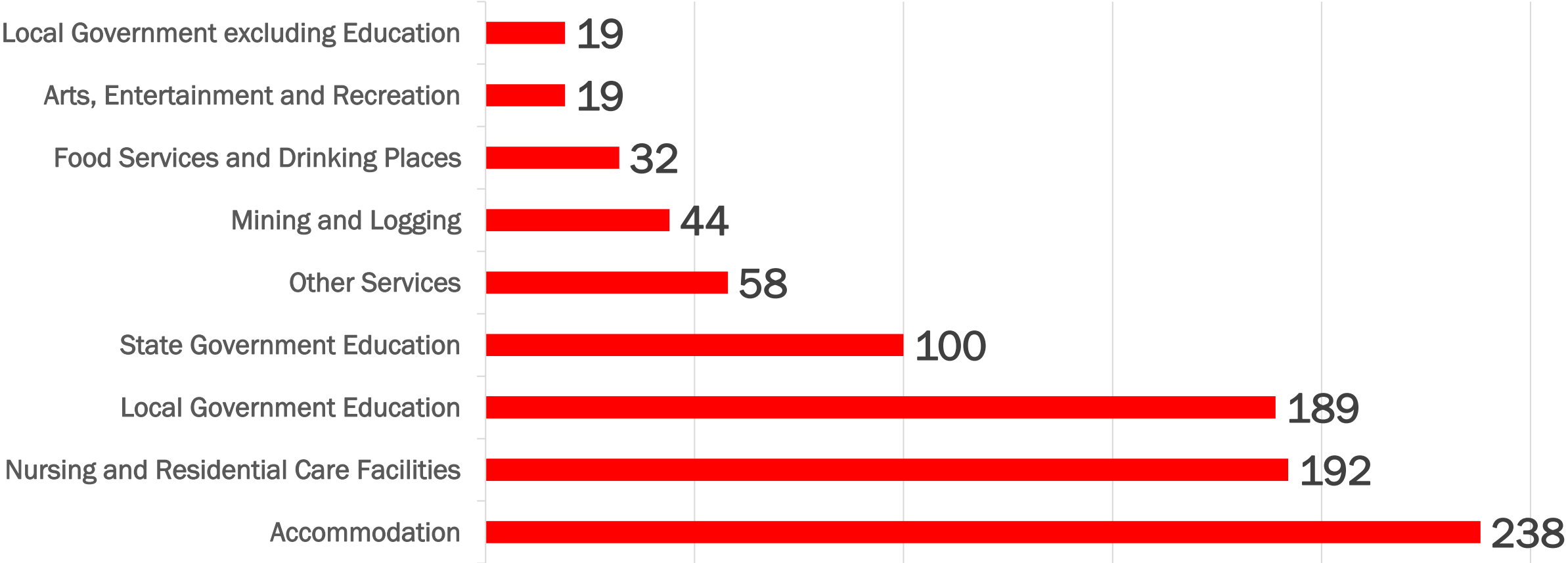


# Employment in nonfarm industries, Feb 2020 – Aug 2023, in thousands



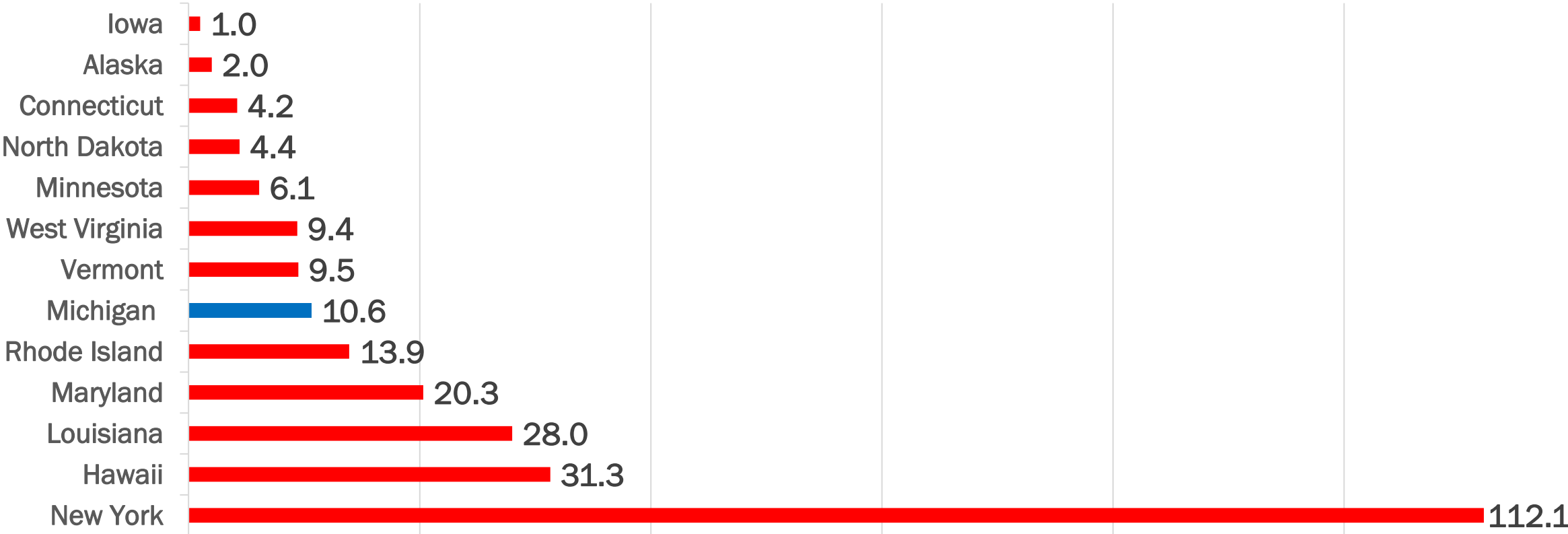


# Employment in nonfarm industries, Feb 2020 – Aug 2023, in thousands

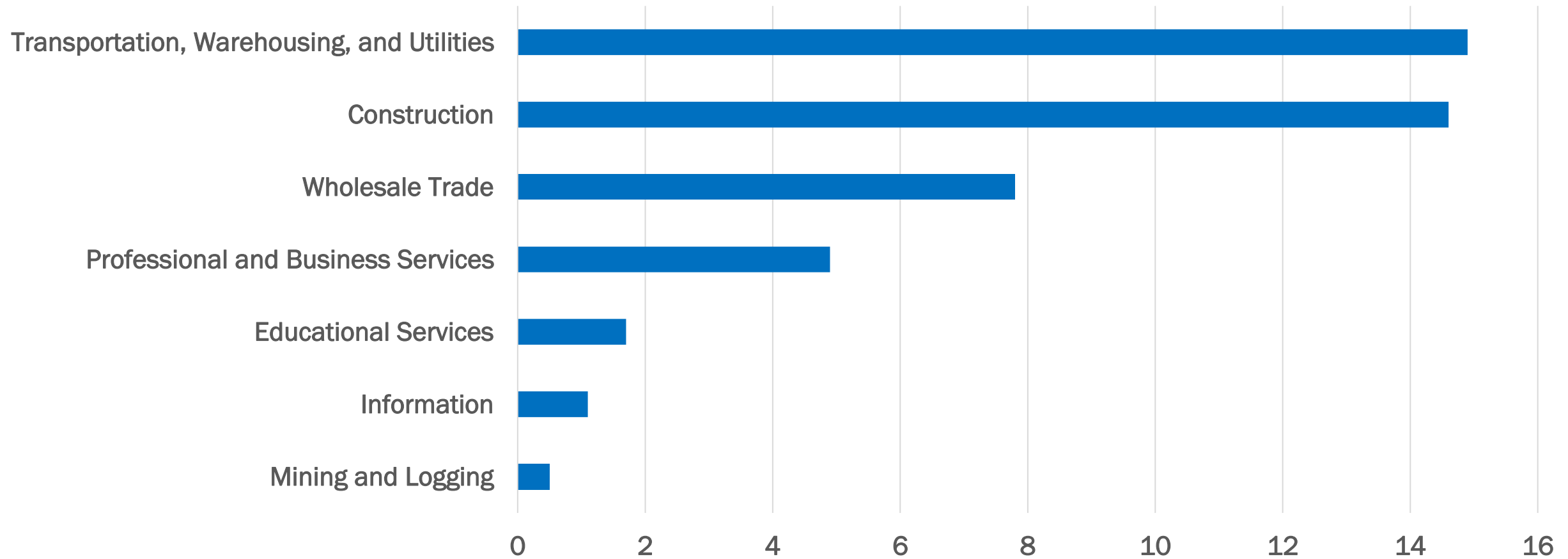


# As of August 2023, 13 states are still recovering from pandemic employment losses. Michigan has 10,600 jobs left to recover its Feb 2020 level.

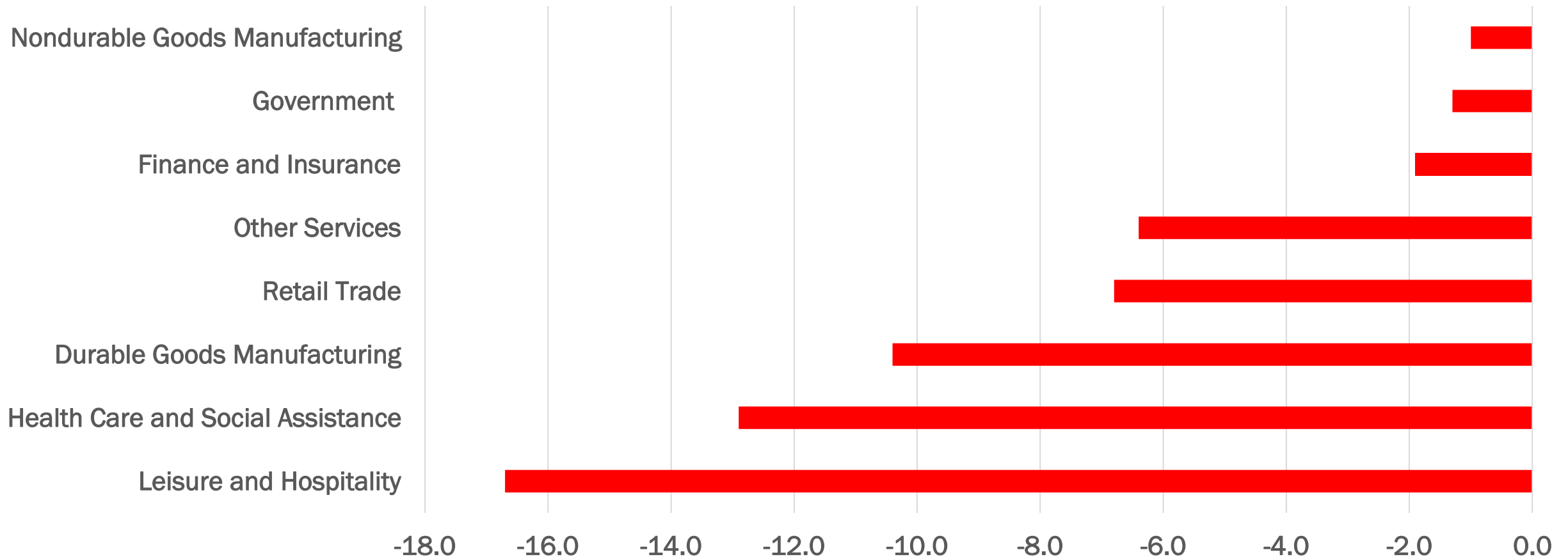
Nonfarm Employment: Feb 2020 – Aug 2023, thousands



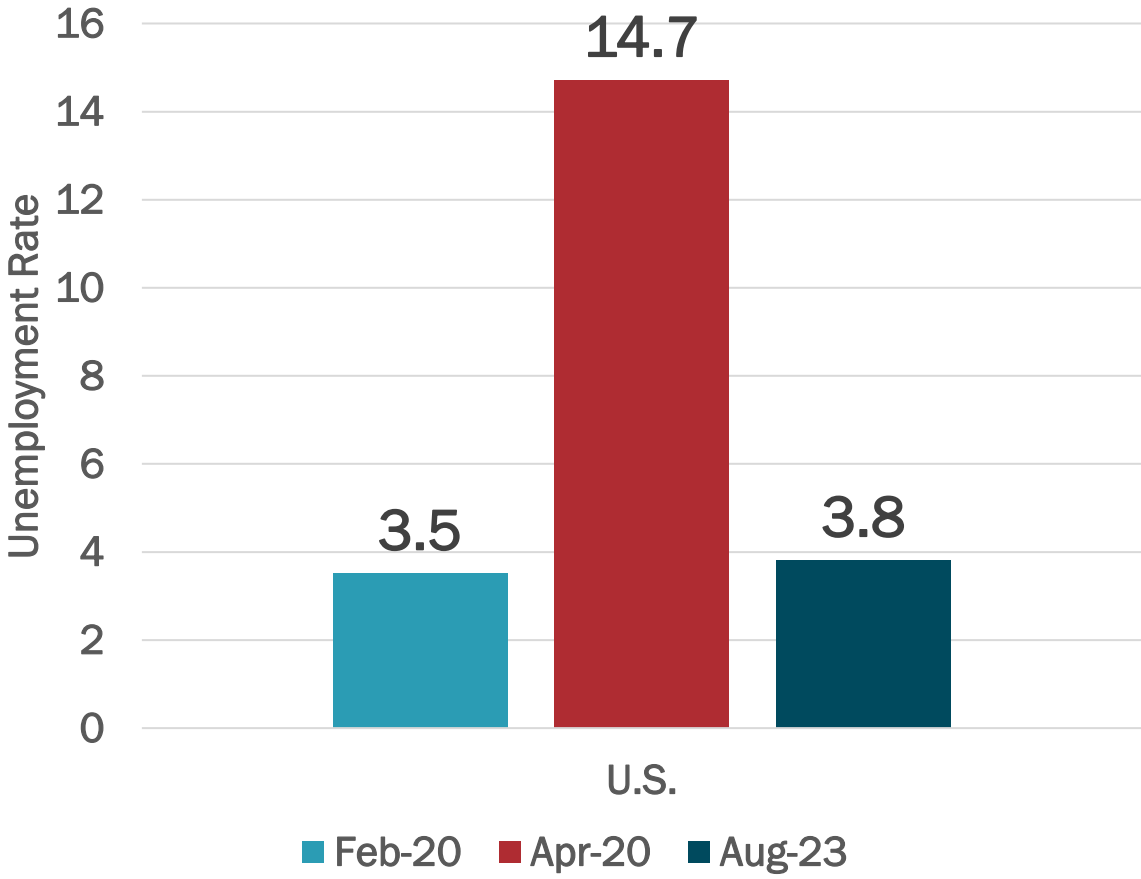
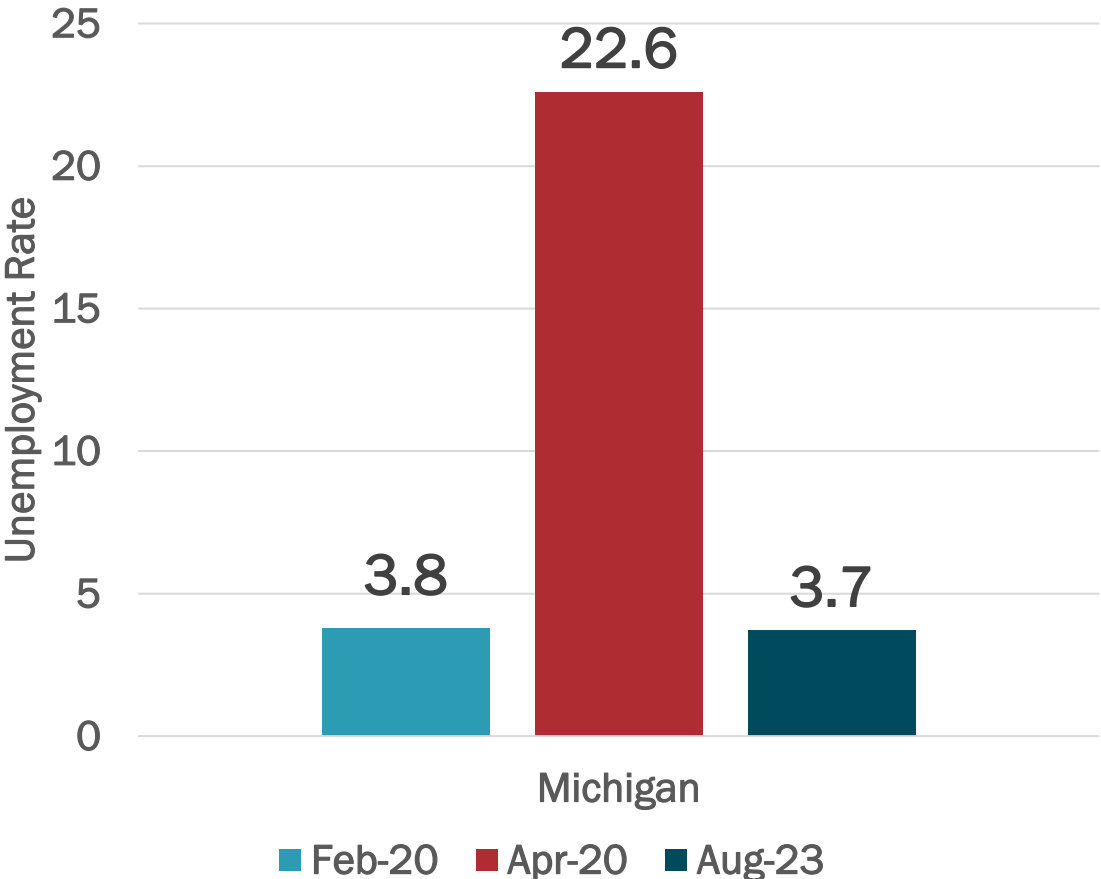
# Michigan industries that have recovered their pre-pandemic levels by August 2023, thousands.



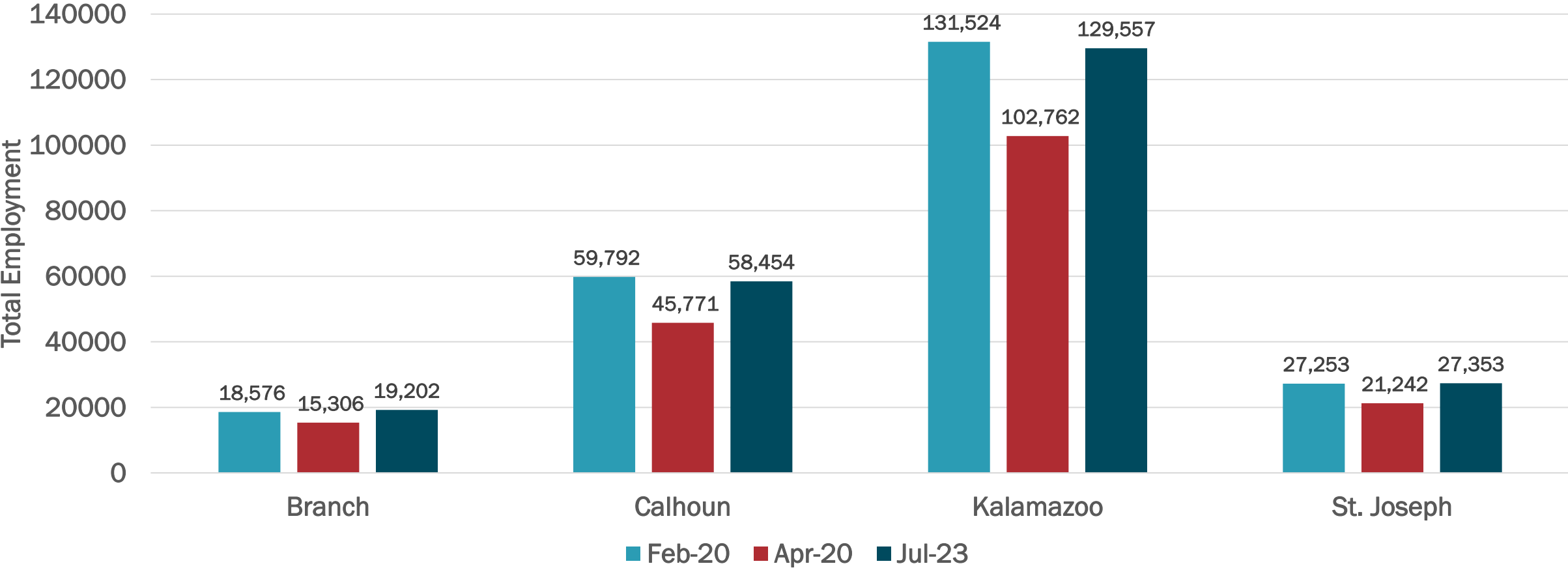
# Michigan industries that have not recovered their pre-pandemic levels by August 2023, thousands



# Michigan and U.S. National unemployment rates have fallen from pandemic peaks, returning to February 2020 levels



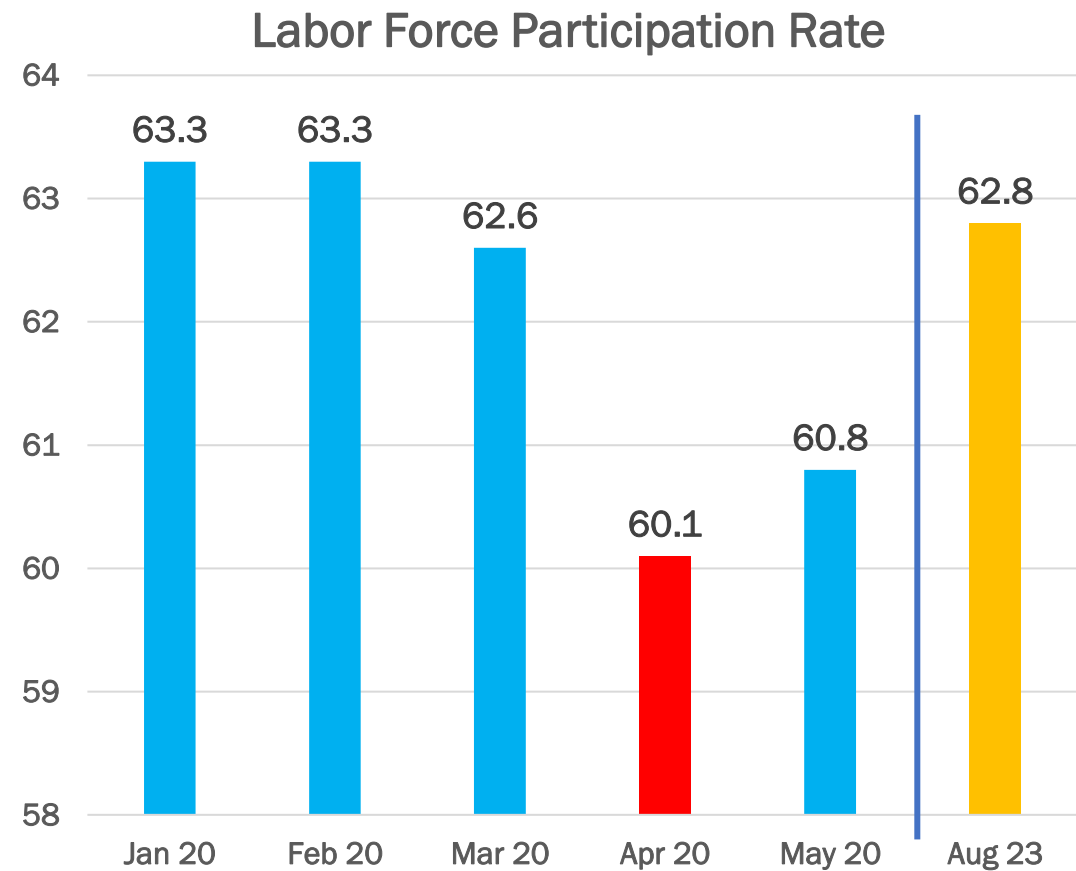
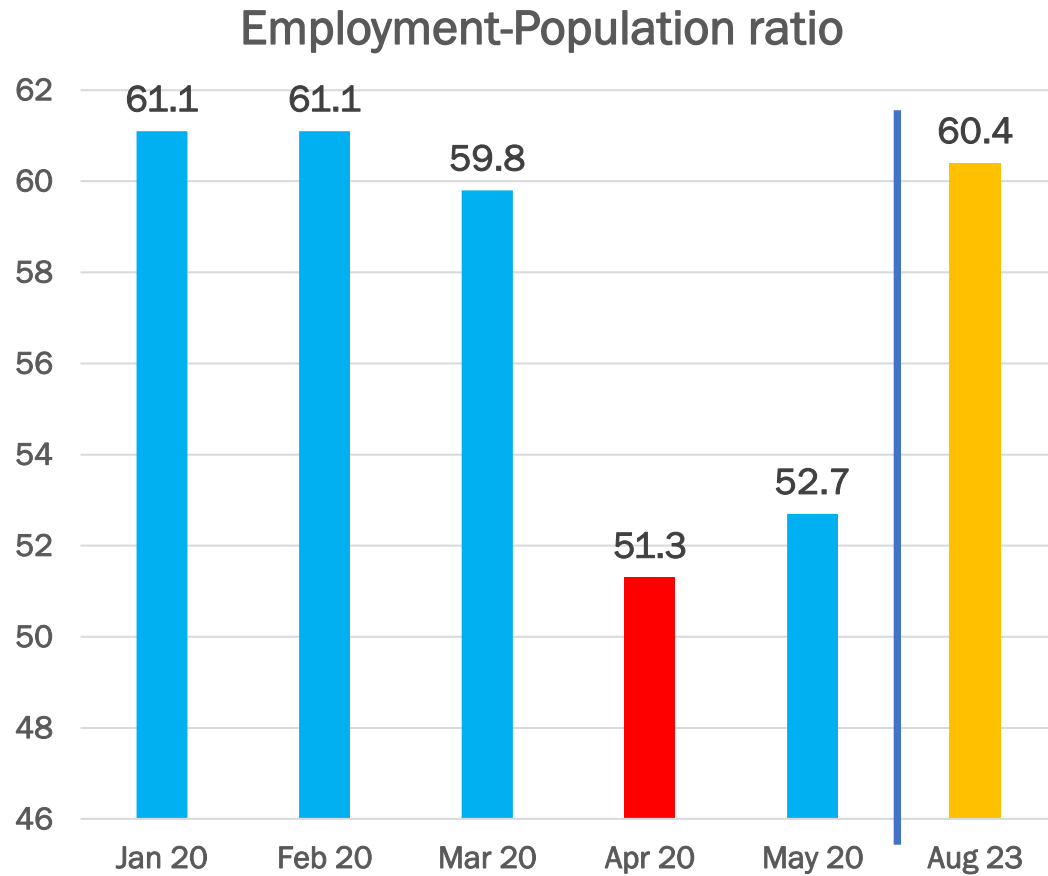
# Employment has recovered its Feb 2020 level in Branch and St. Joseph and is getting close to full recovery in Calhoun and Kalamazoo counties



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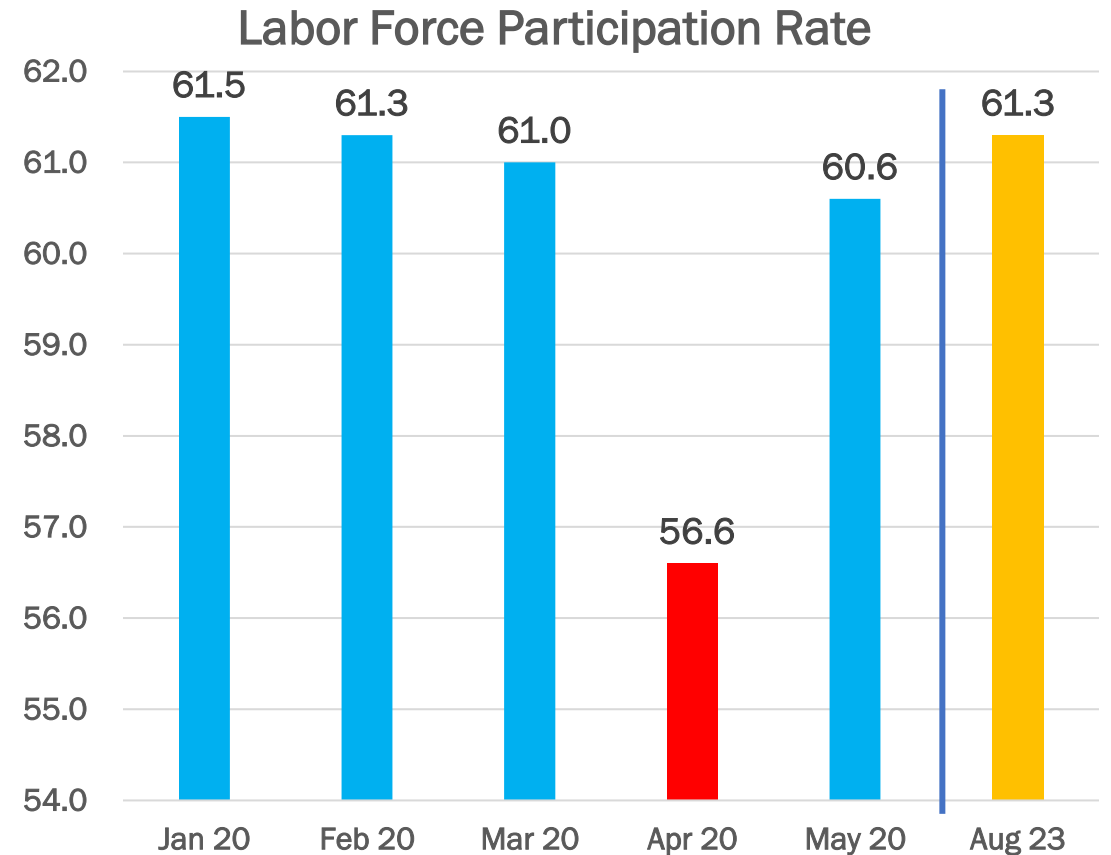
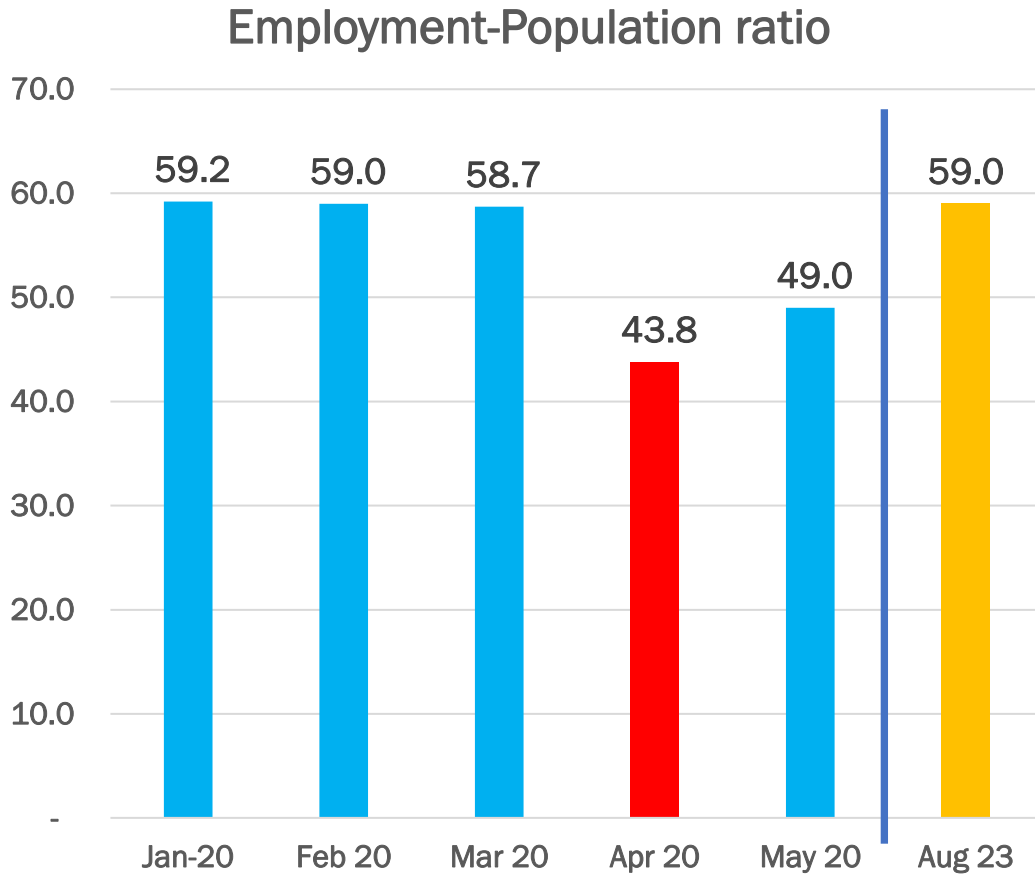
# **Employment/Population Ratios and Labor Force Participation Rates**

# Both the Employment-Population ratio and the Labor Force Participation rate for the U.S. have partially recovered from their declines in 2020

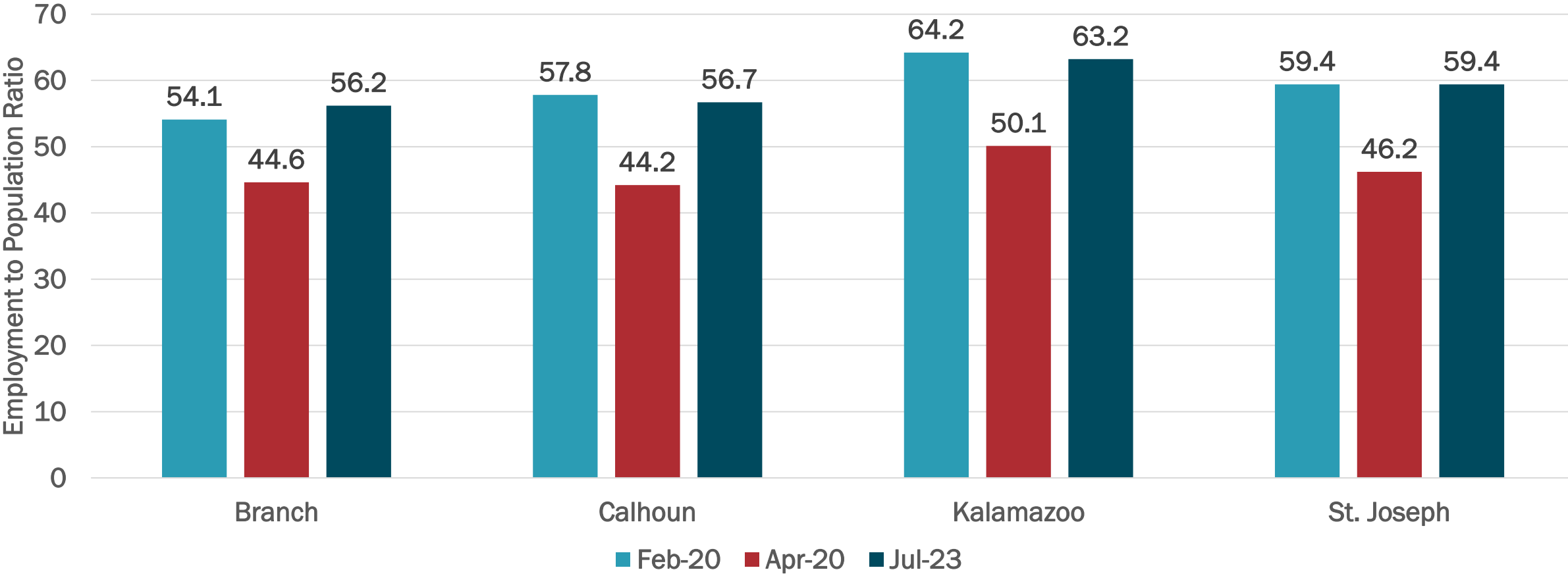




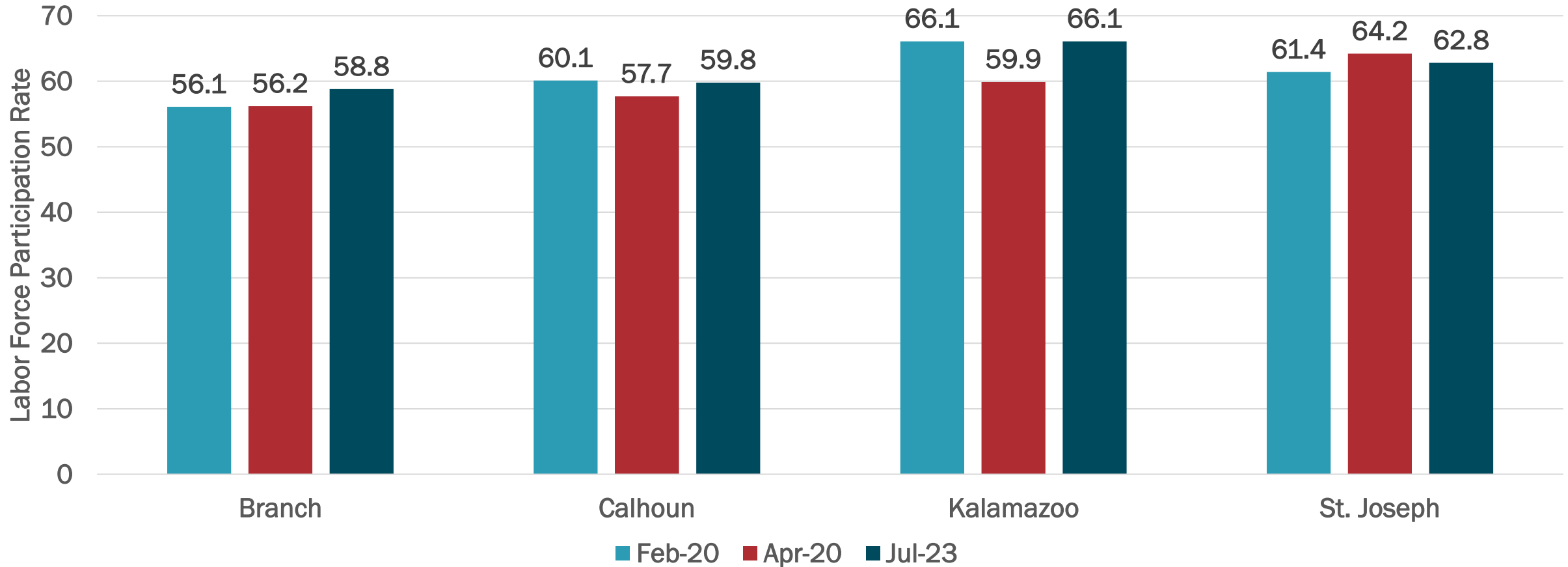
# In Michigan, the Employment-Population ratio and the Labor Force Participation rate have recovered from their declines in 2020



# Regional employment-to-population ratios have recovered in Branch and St. Joseph and are nearly recovered in Kalamazoo and Calhoun counties



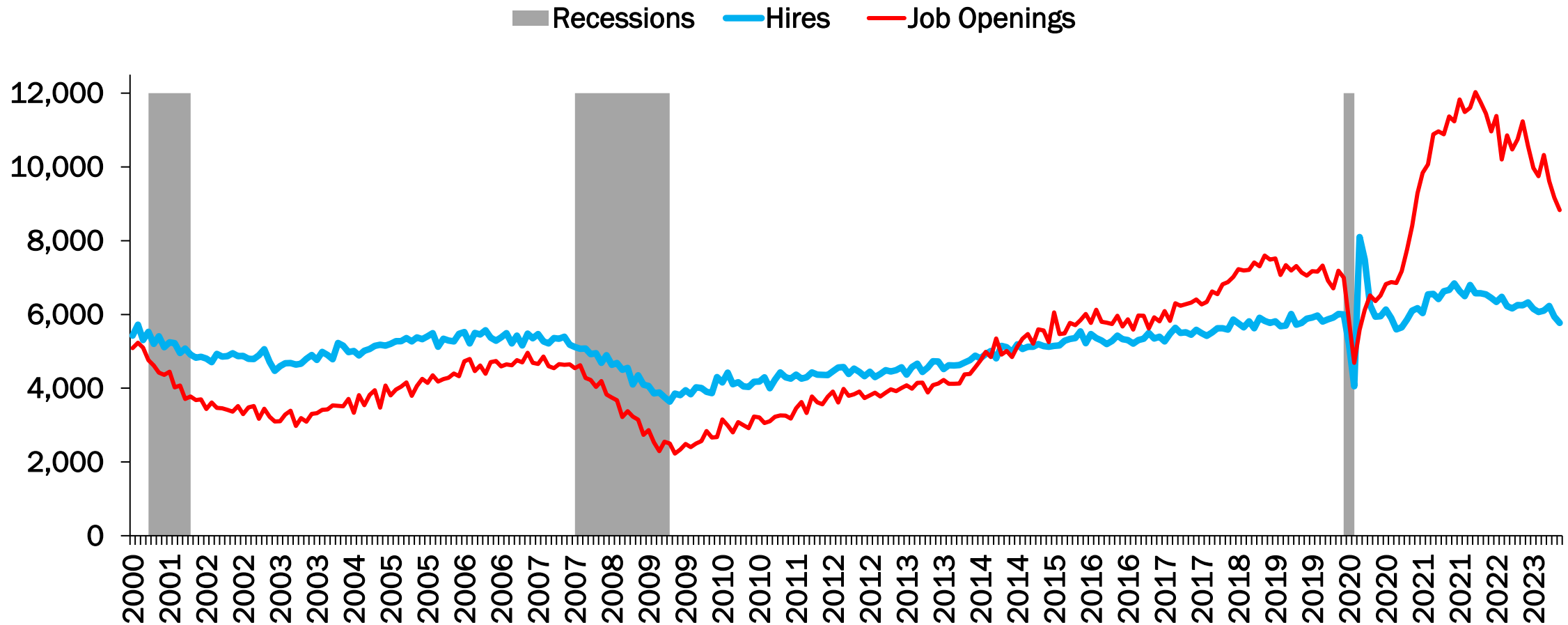
# Labor force participation rates have recovered in Branch, Kalamazoo and St. Joseph counties



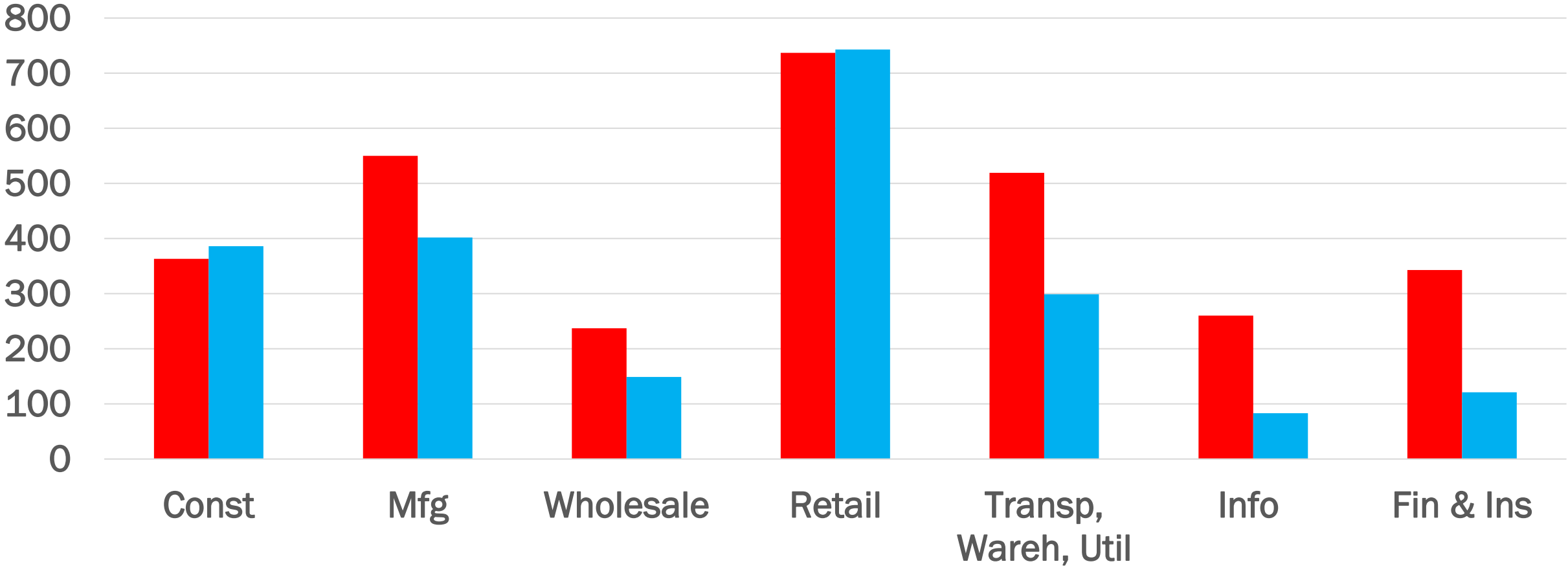
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# Labor shortages

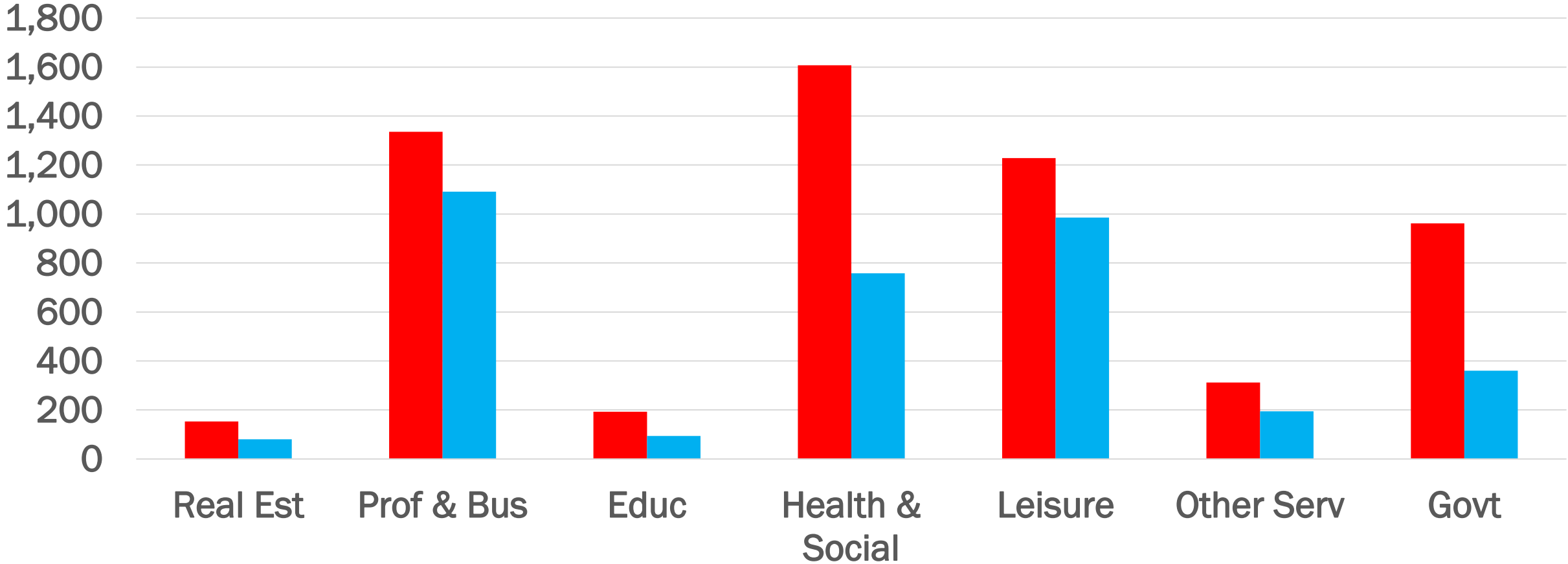
# Job openings have greatly exceeded hires since late 2020, although the gap has closed somewhat in recent months



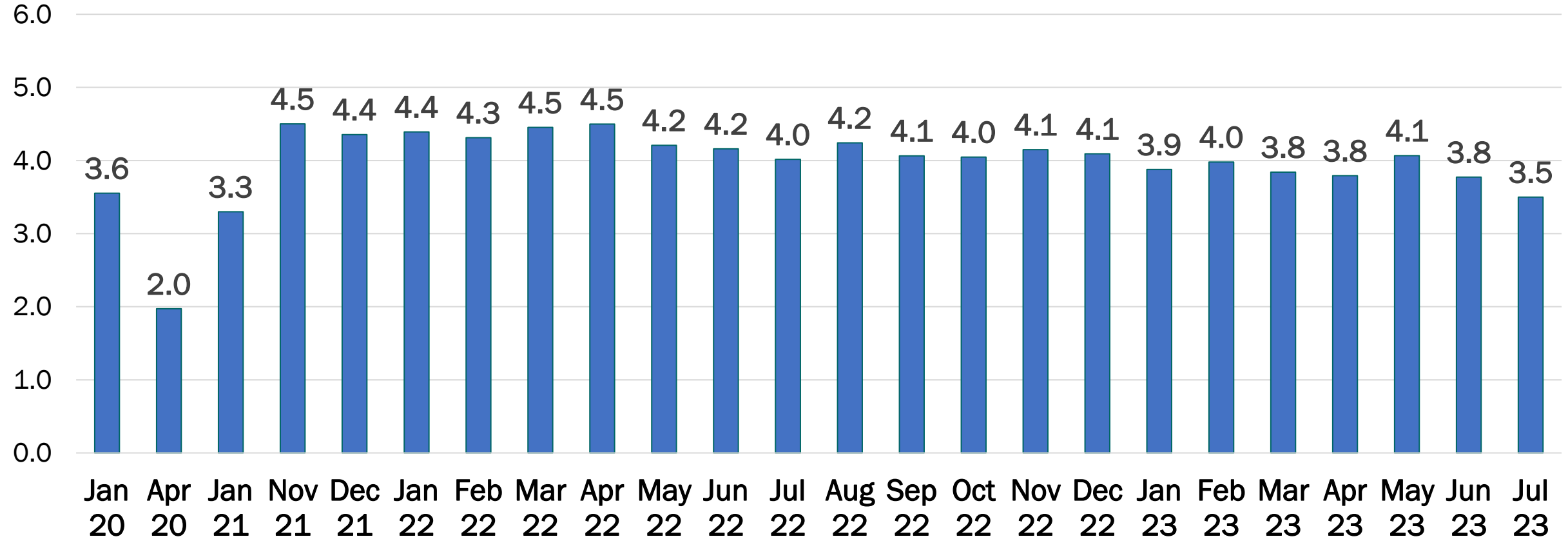
# Job openings and hires by industry in July 2023



# Job openings and hires by industry in July 2023



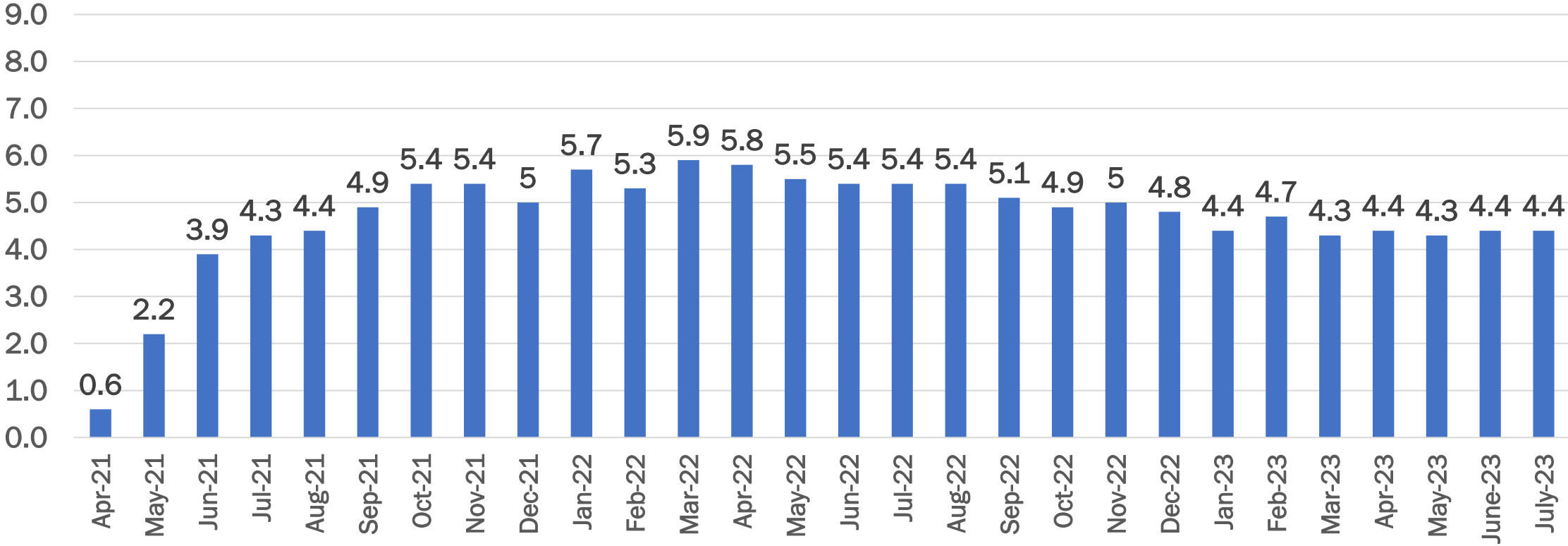
The number of workers quitting their jobs each month was at 3.5 million in July 2023. Late 2021 and early 2022 saw the highest Quits levels ever recorded.



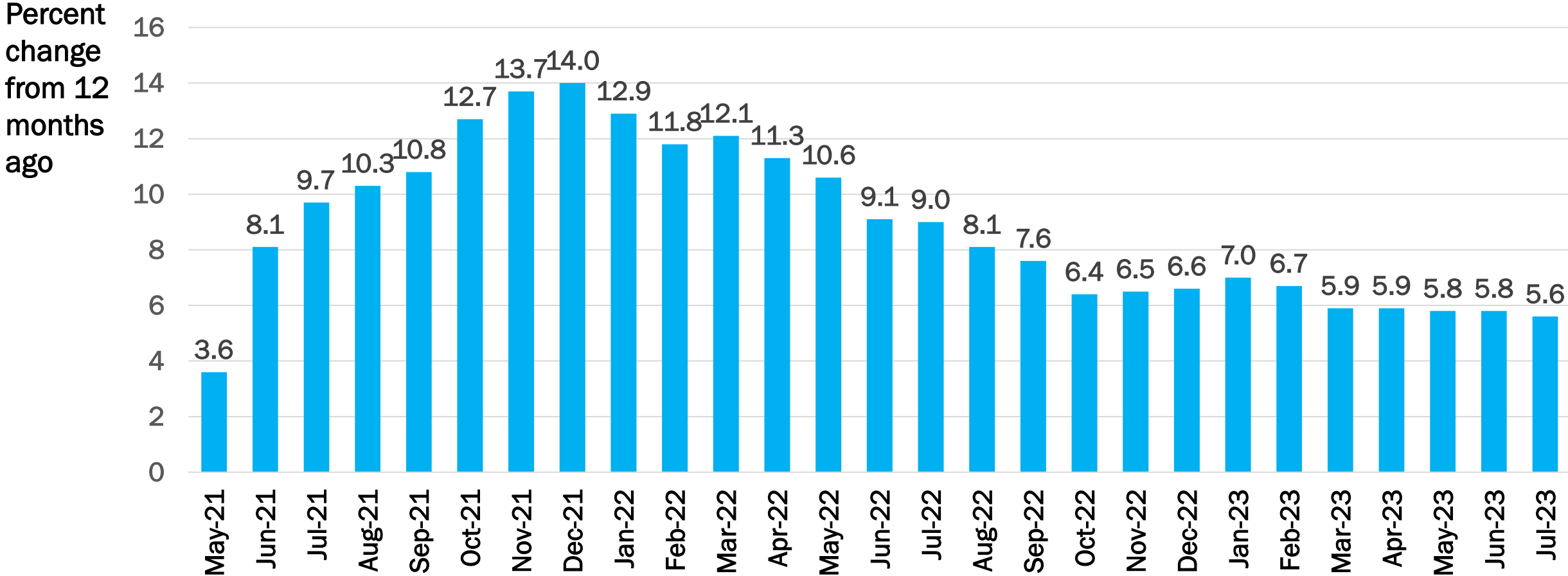


# After sharp swings related to the pandemic, average hourly earnings remain elevated relative to historical trends

Percent change from 12 months ago

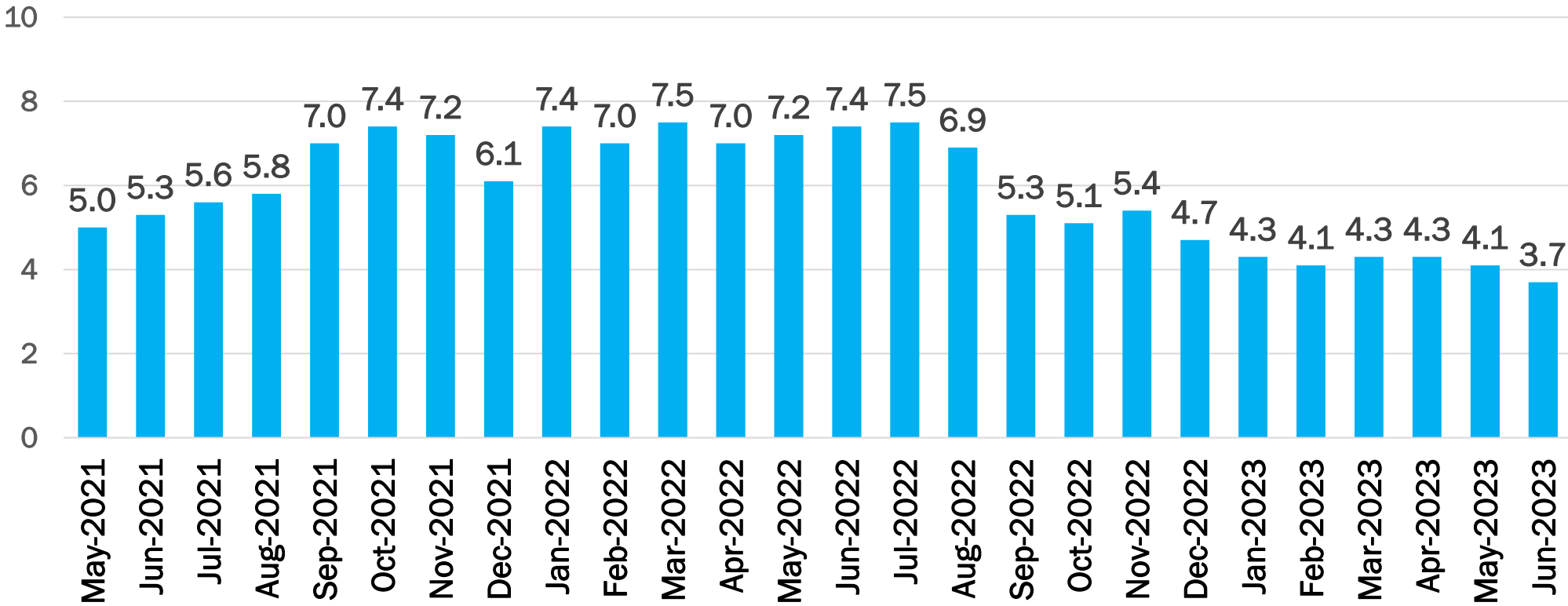


# Changes in Average Hourly Earnings in the Leisure and Hospitality industry



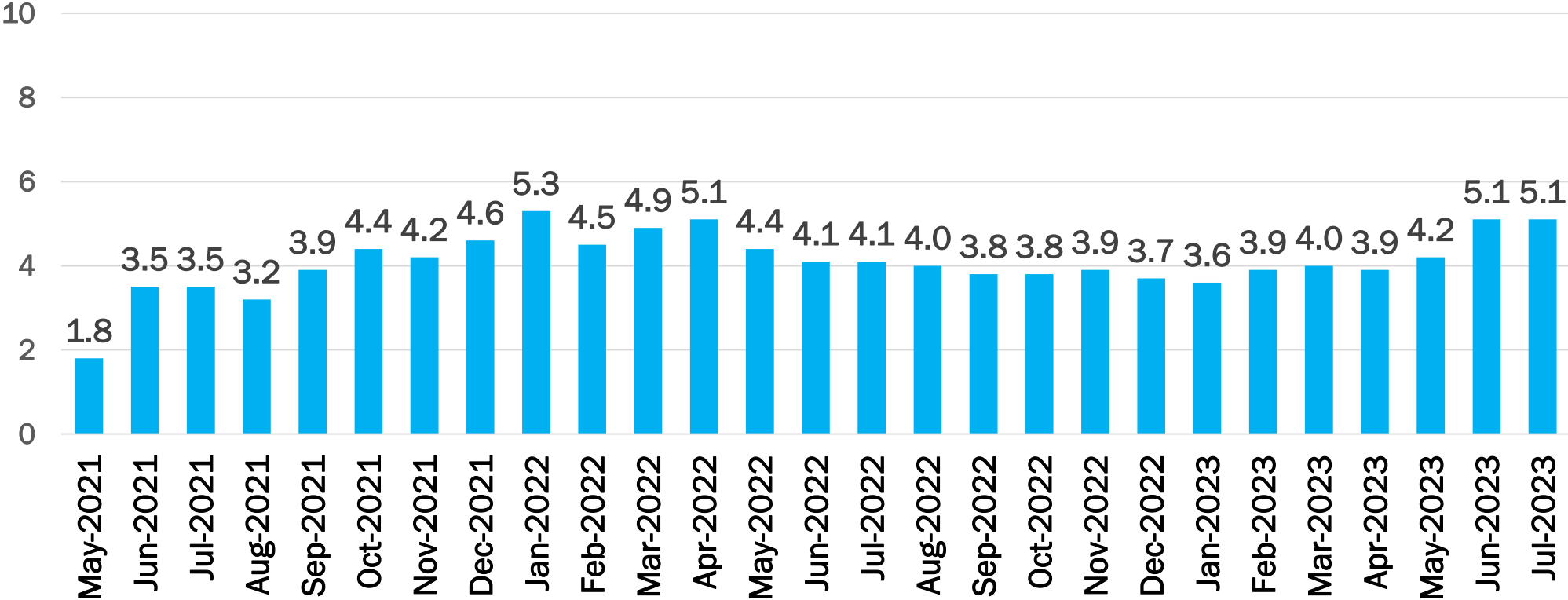
# Changes in average hourly earnings in Health Care

Percent change from 12 months ago



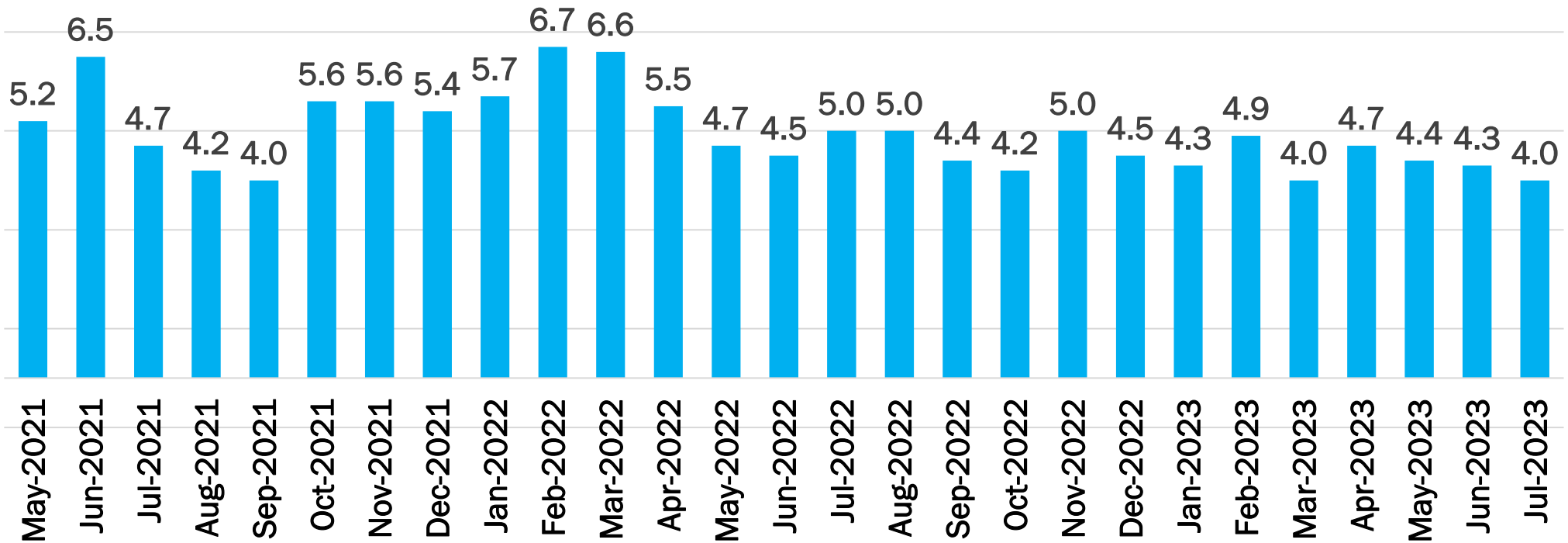
# Changes in average hourly earnings in Manufacturing

Percent change from 12 months ago

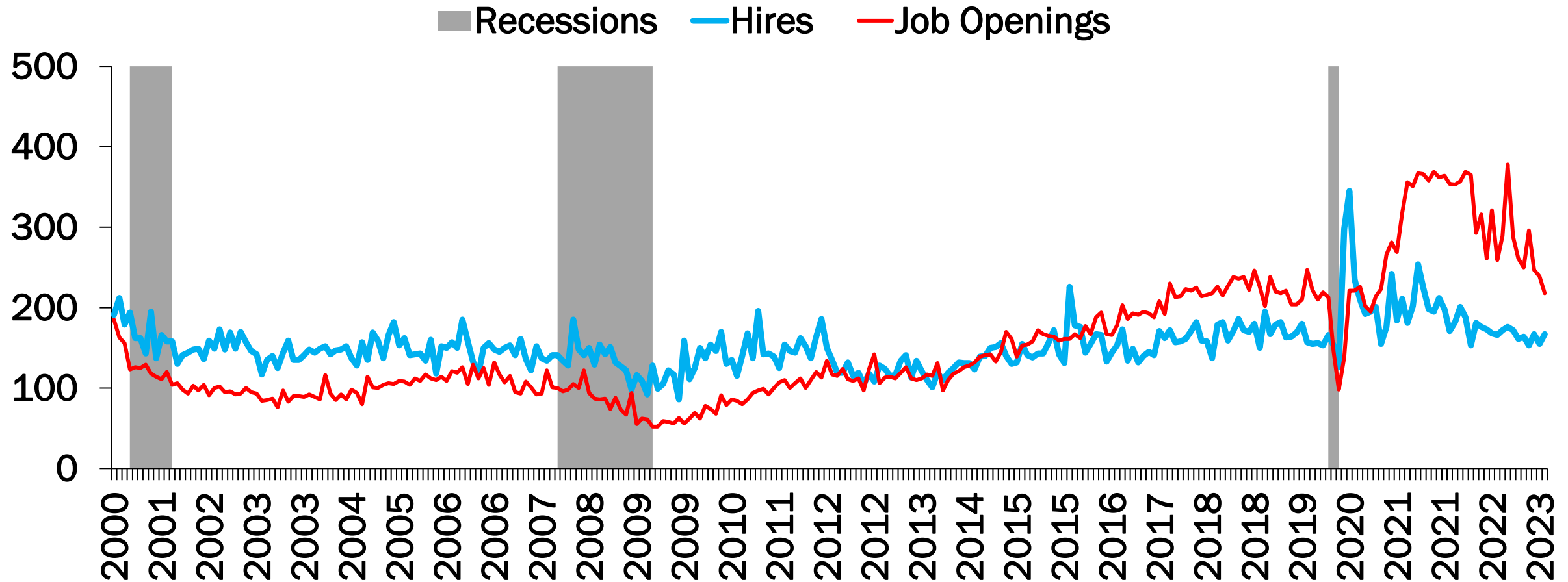


# Changes in average hourly earnings in Retail Trade

Percent change from  
12 months ago



# In Michigan, like the nation, job openings greatly exceed hires, with the gap closing somewhat in recent months



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**Labor shortages longer term**

**Average monthly changes in employment will slow down dramatically over the next ten years**

Year	BLS Projections US Employment	Average monthly employment change
2012	145,356,000	
2022	164,482,600	159,388
2032	169,148,100	38,879

Year	Michigan Projections	Average monthly employment change
2010	4,084,320	
2018	4,678,014	6,184
2020	4,279,580	
2030	4,654,510	3,124



# Questions?

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