

# Economic Update

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**Presentation to the Michigan Works! Southwest  
Workforce Development Board**

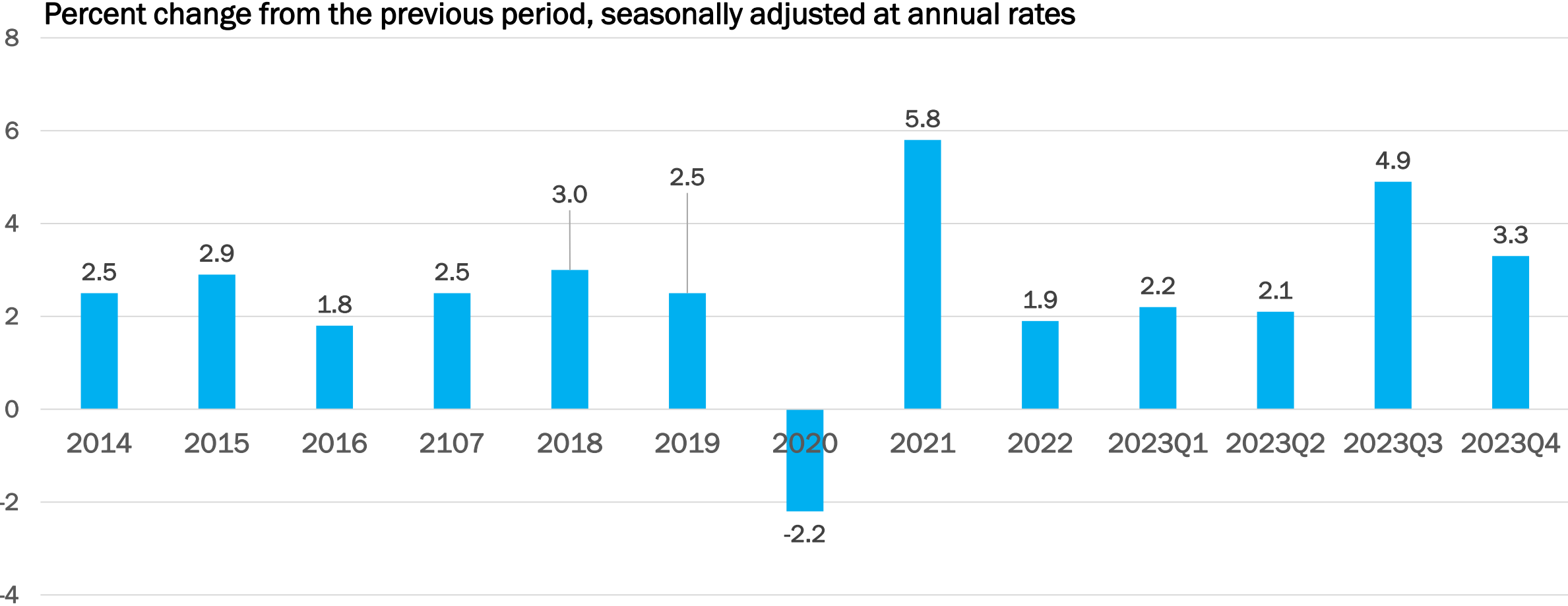
**February 15, 2024**

**Mike Horrigan, President**

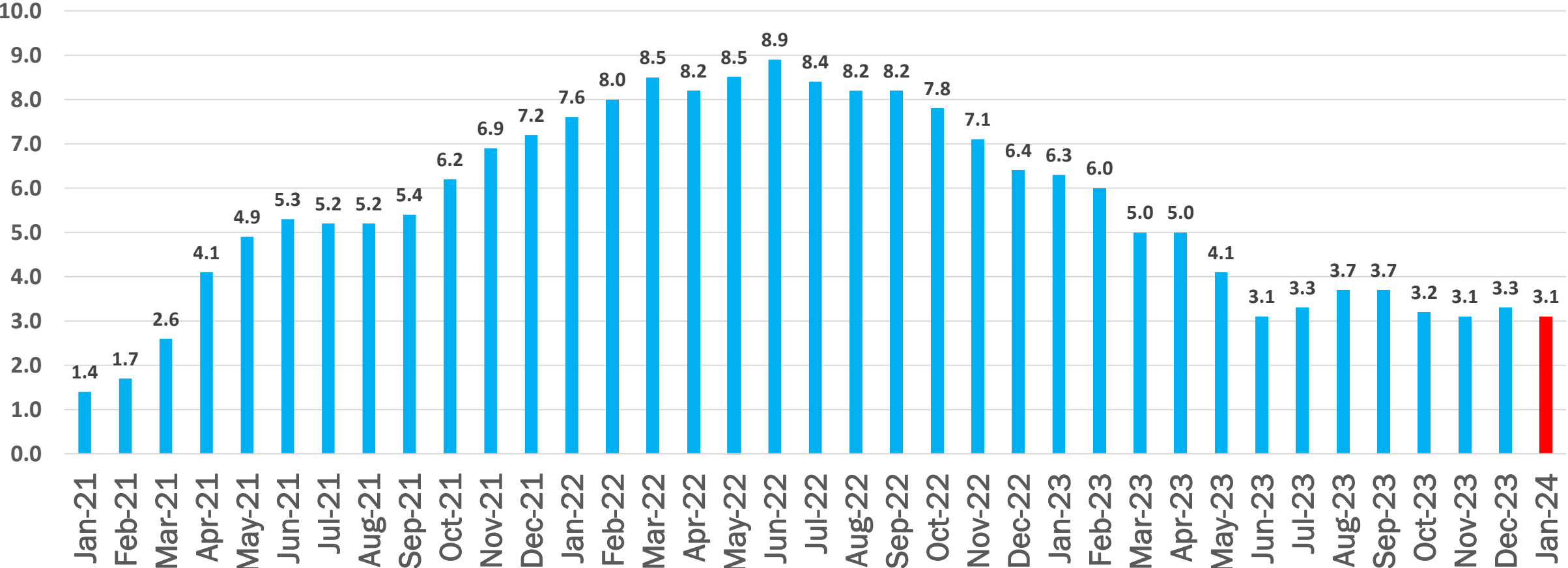
# Agenda

- Recent national trends in real GDP and inflation
- Payroll employment, employment-population ratios, and labor force participation rates
- Labor shortages by industry
- Who is being left behind in the current economic expansion
- Long-run demographic and labor market trends – the need for workforce training

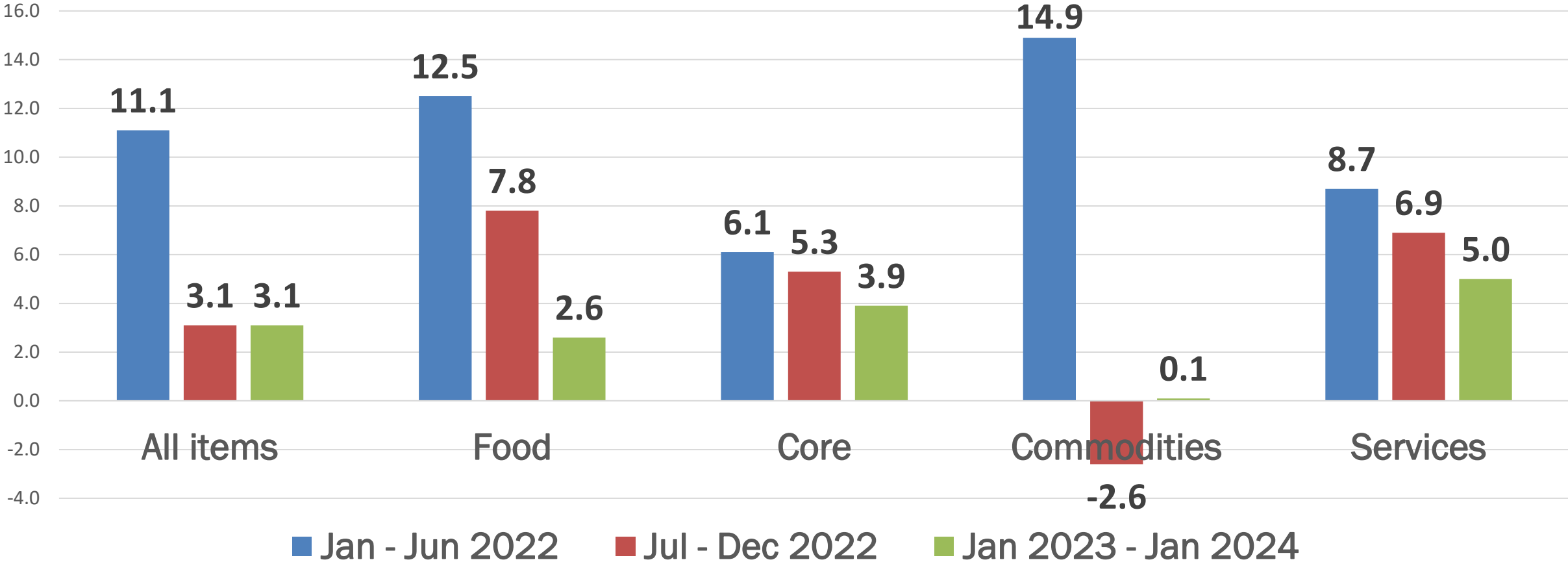
# Real GDP growth has normalized to rates seen prior to the pandemic



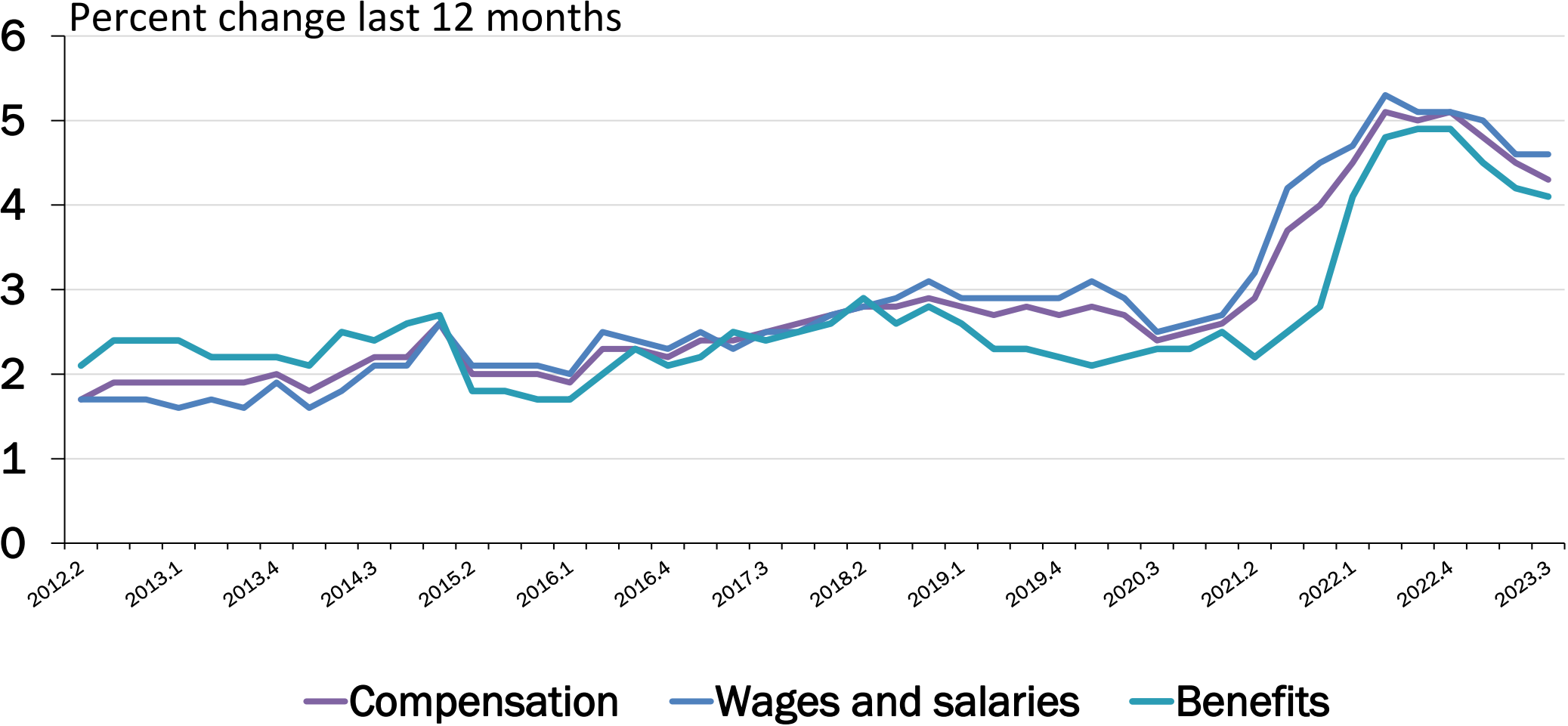
# At 3.1%, the percentage change in overall prices over the prior 12-months declined slightly in January



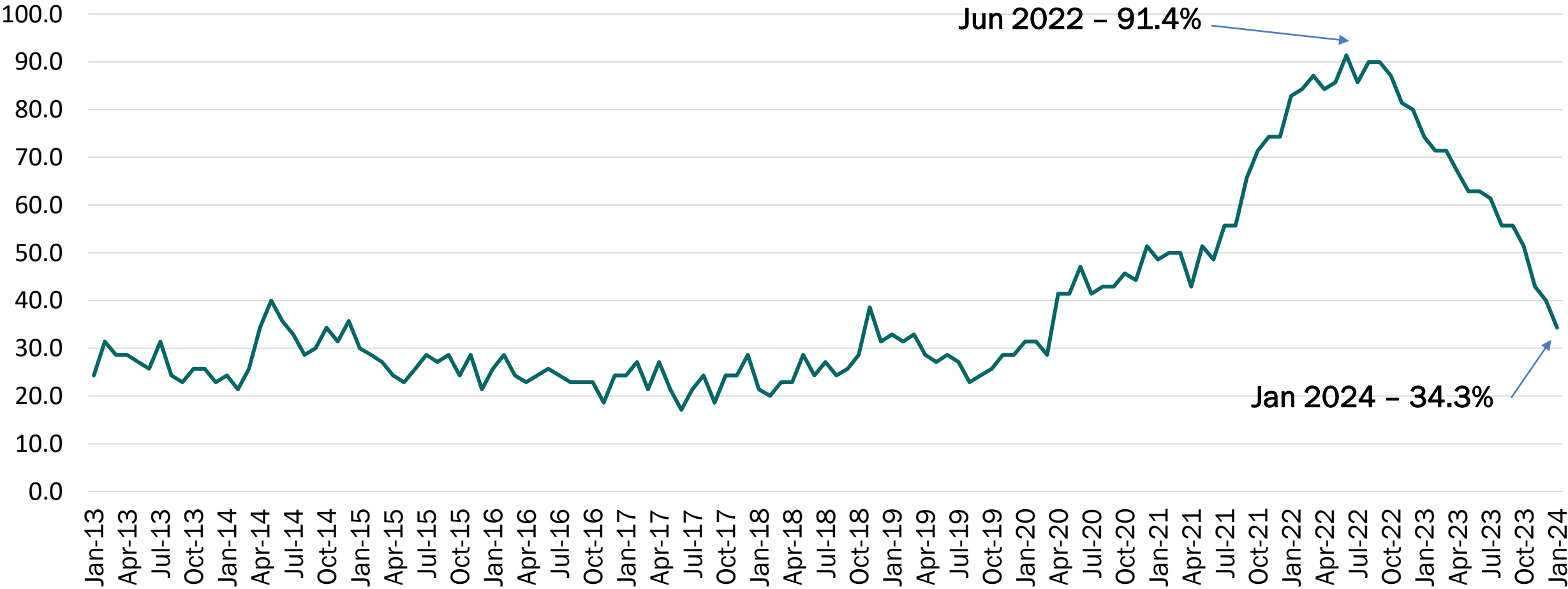
# Comparison of annualized rate of inflation for selected CPI categories between the 1<sup>st</sup> and 2<sup>nd</sup> half of 2022 and Jan 2023 – Jan 2024



# Employer costs for total compensation, wages and salaries, and for benefits started rising in 2021Q3 and have eased recently



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



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

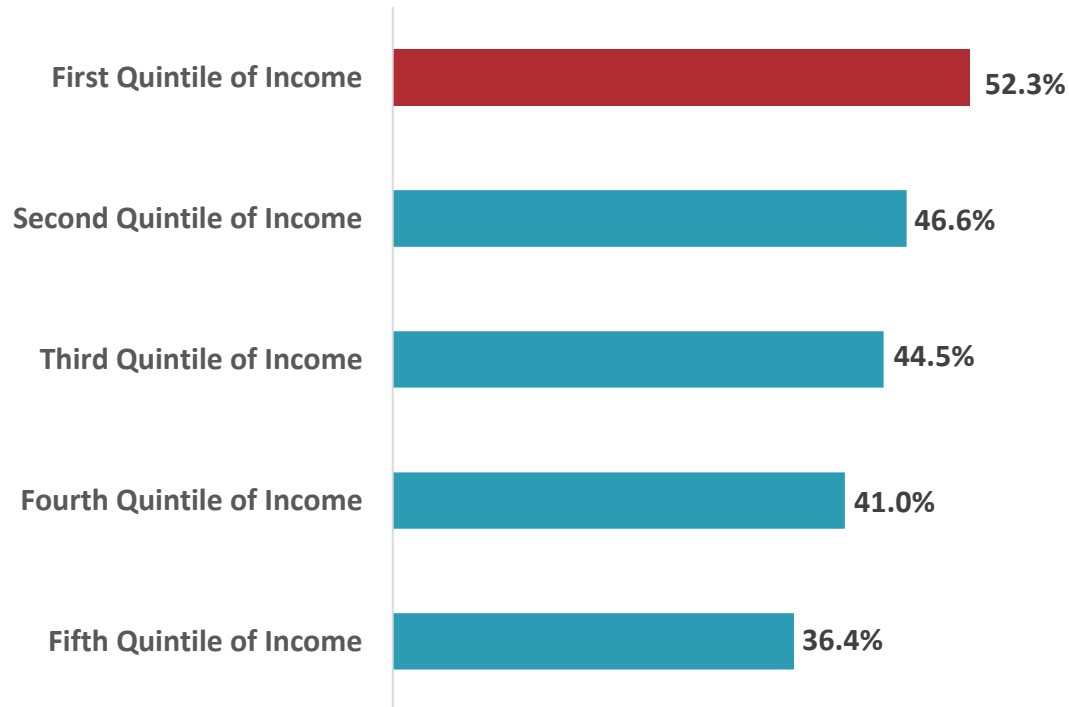
Concept	Feb-20	Max price month	Max price	Jan-24
Fuel Oil #2 per gallon	\$ 2.81	May-22	\$ 5.97	\$ 3.77
Eggs Grade A large per dozen	\$ 1.45	Jan-23	\$ 4.82	\$ 2.52
Milk, fresh, whole, gallon	\$ 3.20	Nov-22	\$ 4.22	\$ 3.96
Gasoline, unleaded, regular	\$ 2.47	Jun-22	\$ 5.06	\$ 3.22





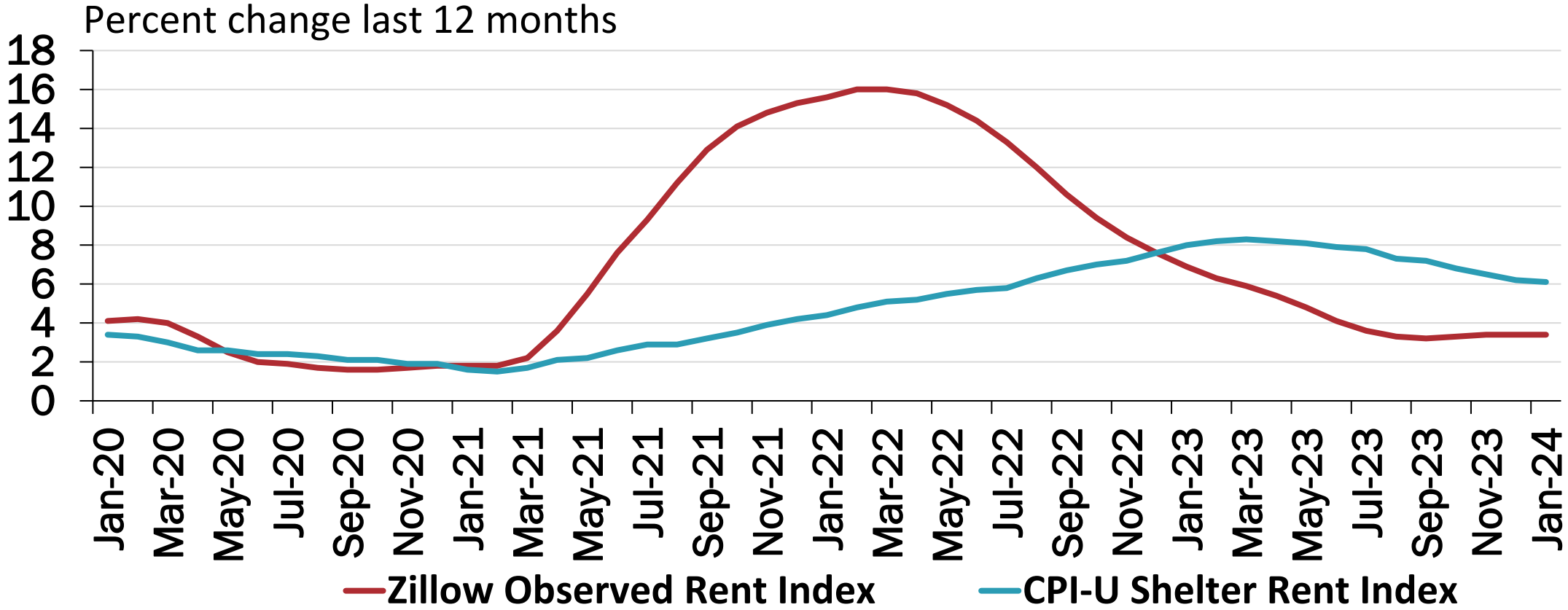
# Lower Quintiles of Income contribute a disproportionate share of total expenditures to necessities – Food, Clothing, Shelter and Utilities (FCSU)

FCSU Expenditures as Share of Total Expenditures, 2022



Total Expenditures and expenditures on Food, Shelter, Clothing, and Utilities (FCSU) by quintile of the distribution of before tax income		
Quintiles of before tax income	Total Expenditures	FCSU Expenditures
First Quintile of Income	\$ 32,612	\$ 17,044
Second Quintile of Income	\$ 47,657	\$ 22,230
Third Quintile of Income	\$ 61,950	\$ 27,582
Fourth Quintile of Income	\$ 81,957	\$ 33,621
Fifth Quintile of Income	\$ 140,654	\$ 51,232

# 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

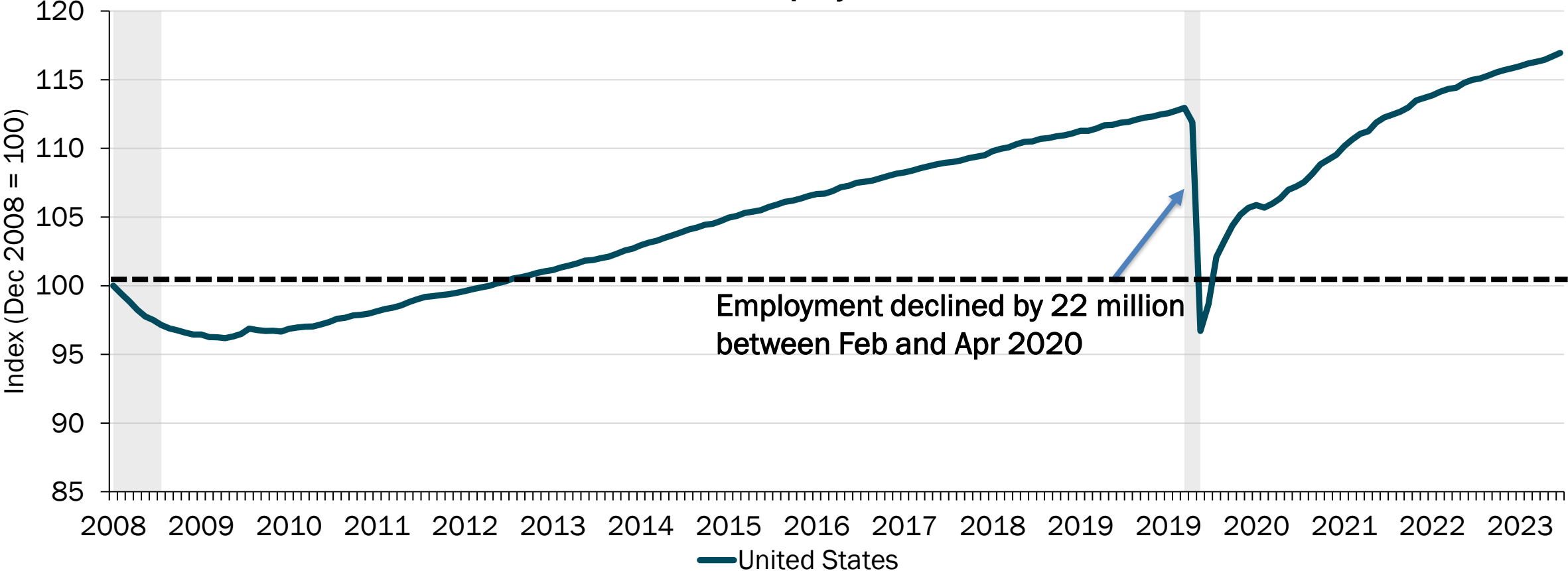


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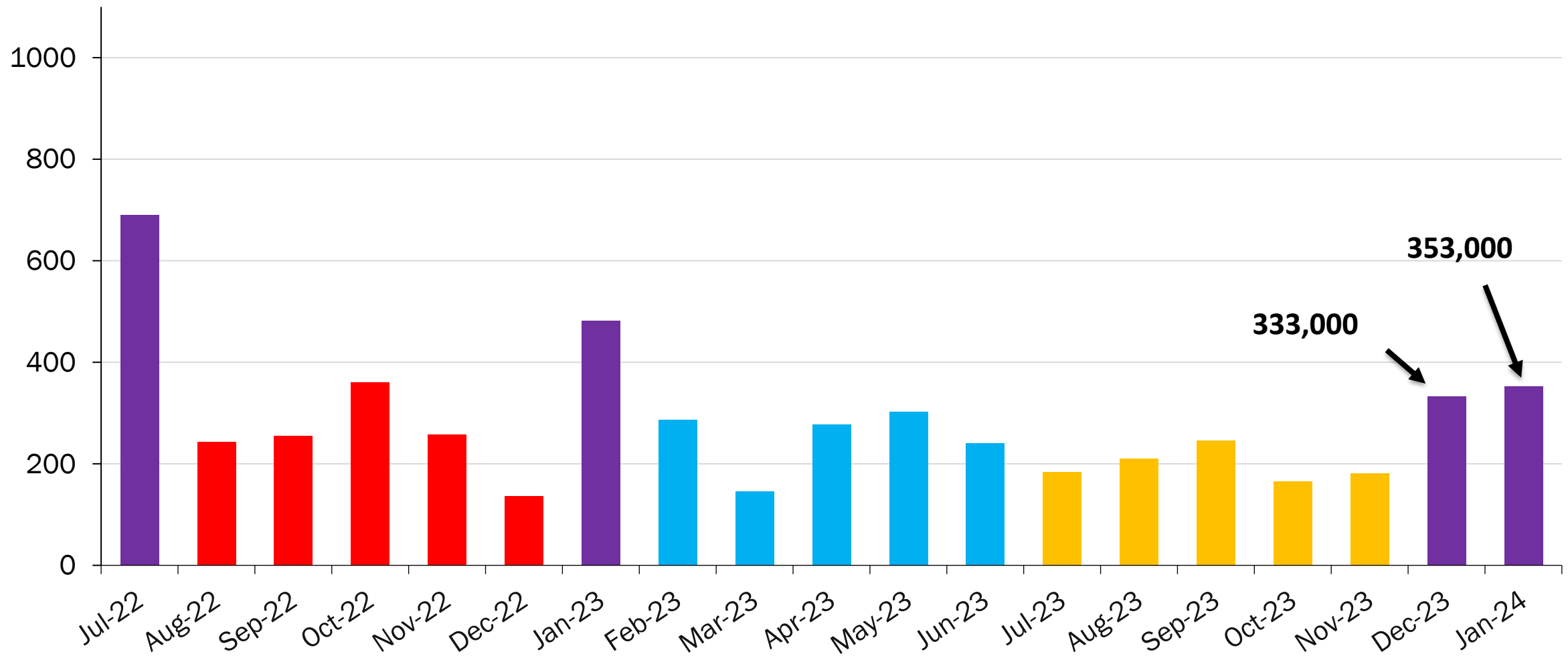
**Trends in payroll employment, employment-  
population ratios, and labor force participation rates**

# With January's gain of 353,000 jobs, employment exceeds the Feb 2020 peak by 5.4 million jobs

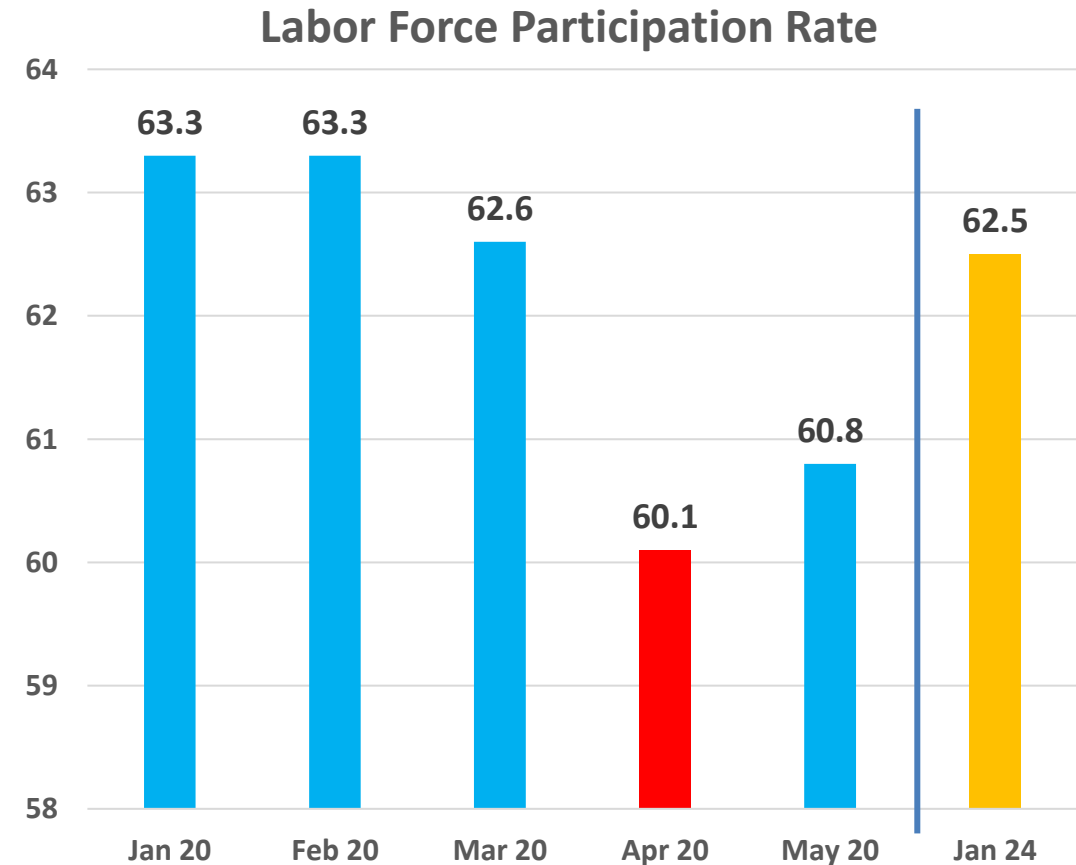
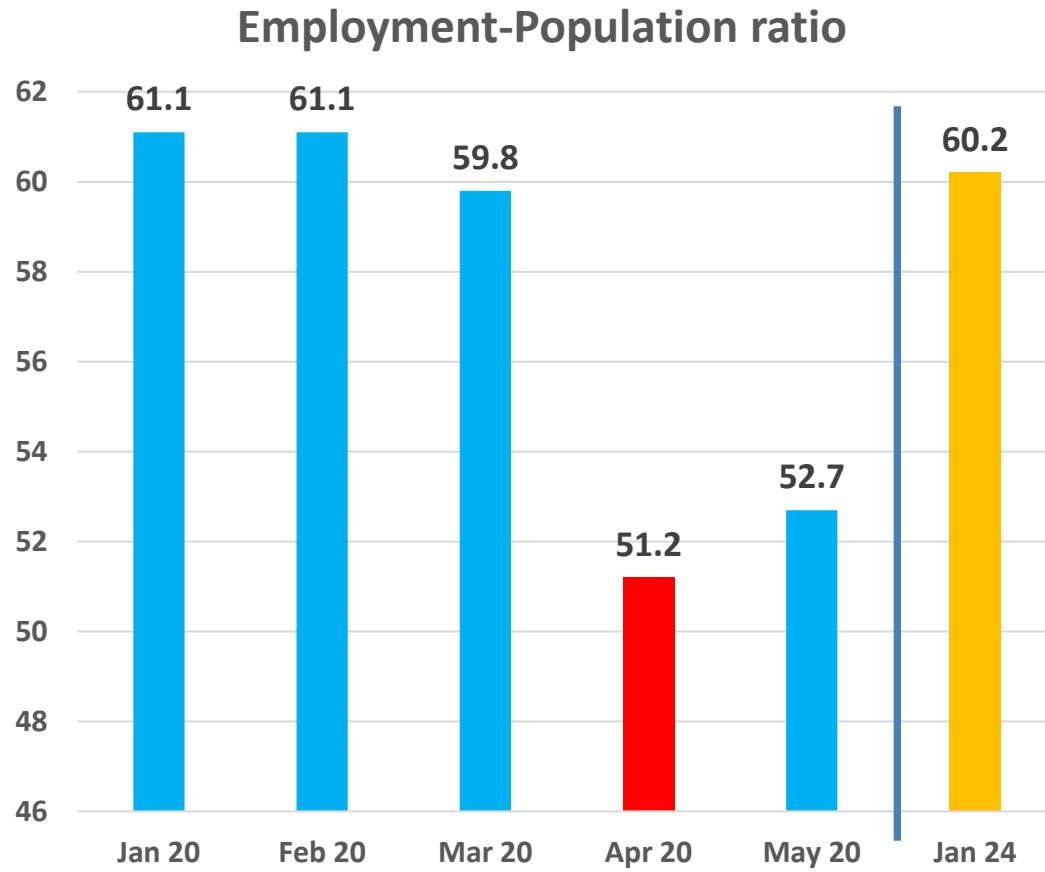
Nonfarm Employment Index



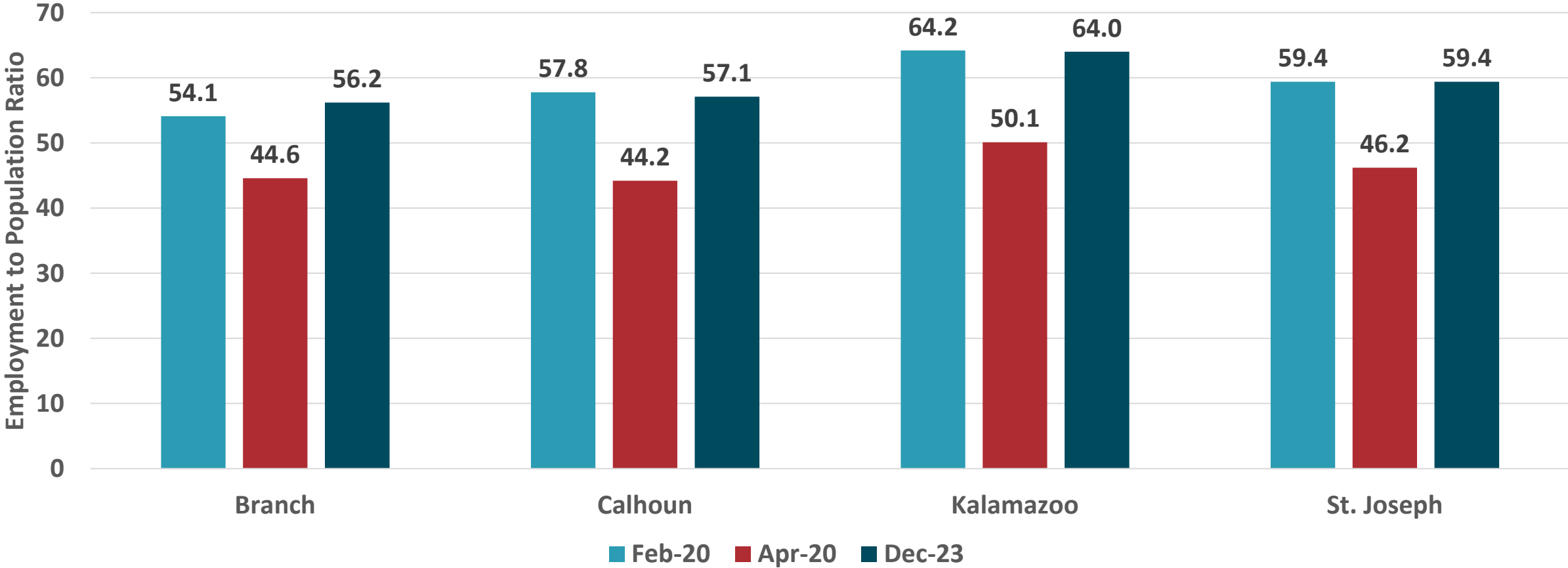
# Monthly payroll changes eased throughout much of 2022 and 2023, but have been showing increased strength the last two months



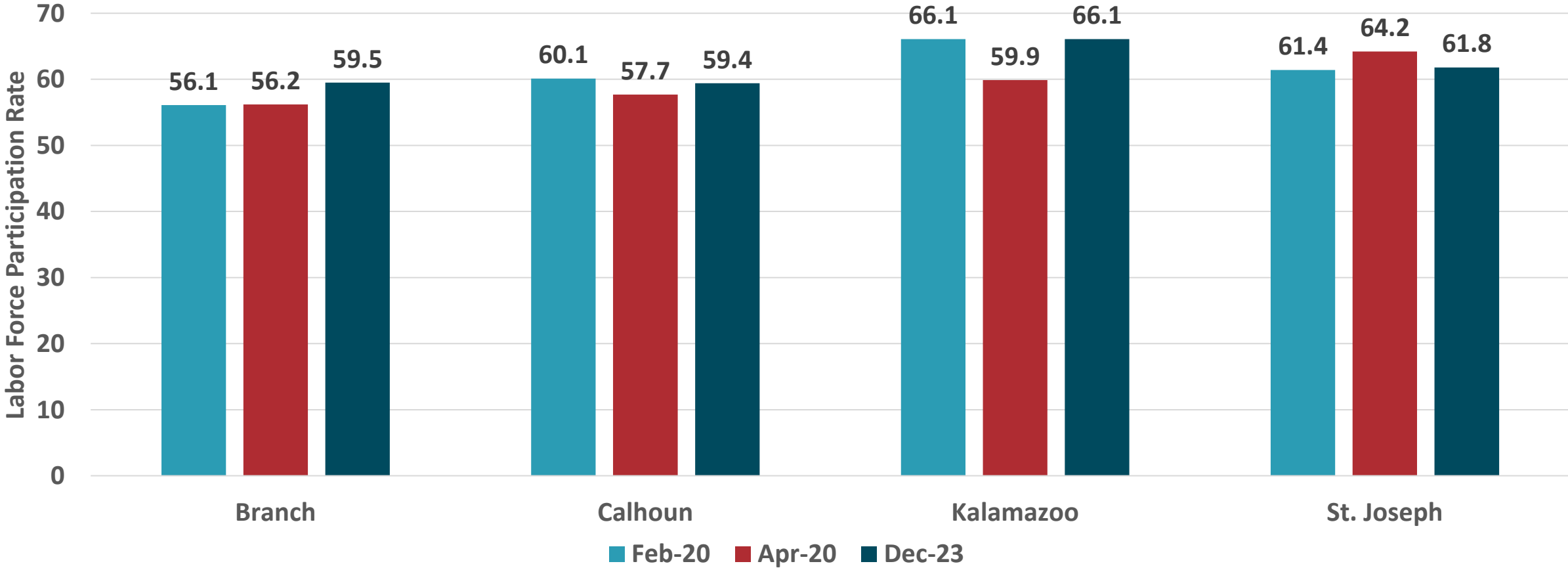
# Both the Employment-Population ratio and the Labor Force Participation rate for the U.S. have partially recovered from their declines in 2020



# Regional employment-to-population ratios fell below 50% within the region during the depths of the pandemic and have recovered in Branch and St. Joseph counties



# Labor force participation rates have recovered in Branch and Kalamazoo counties

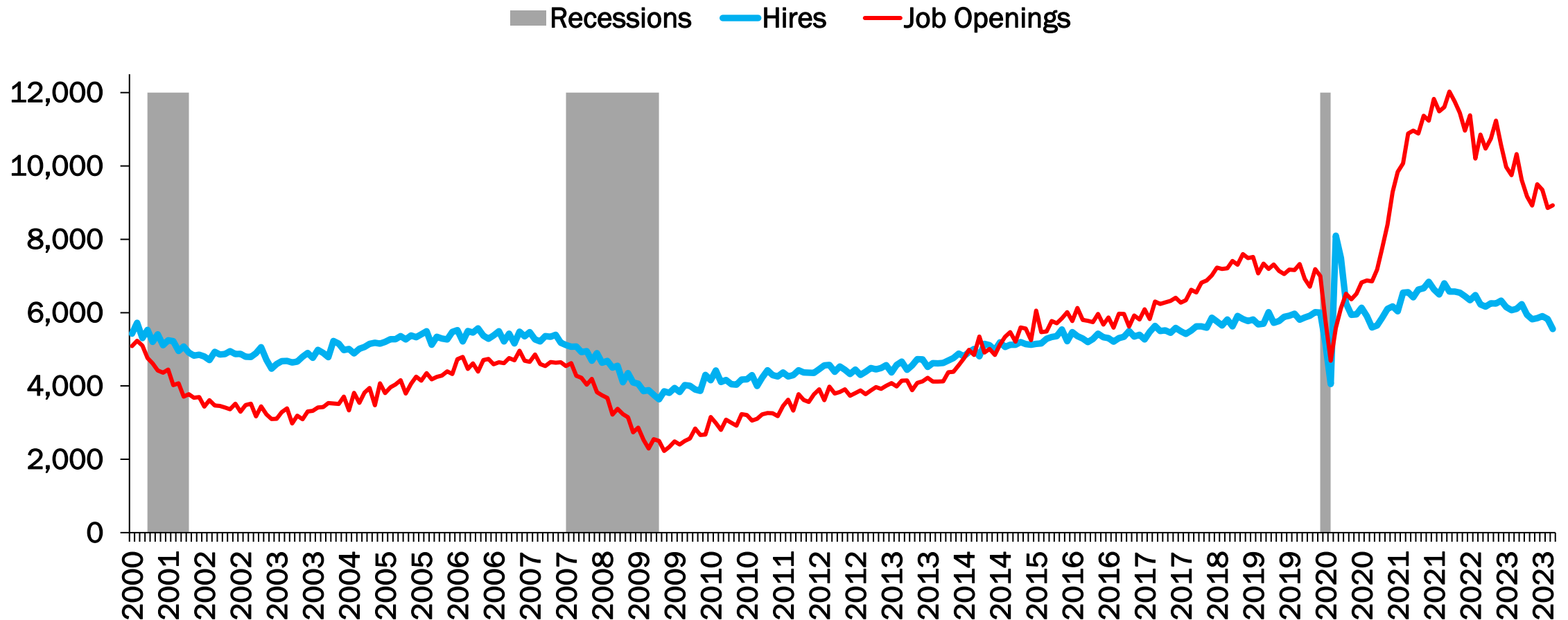




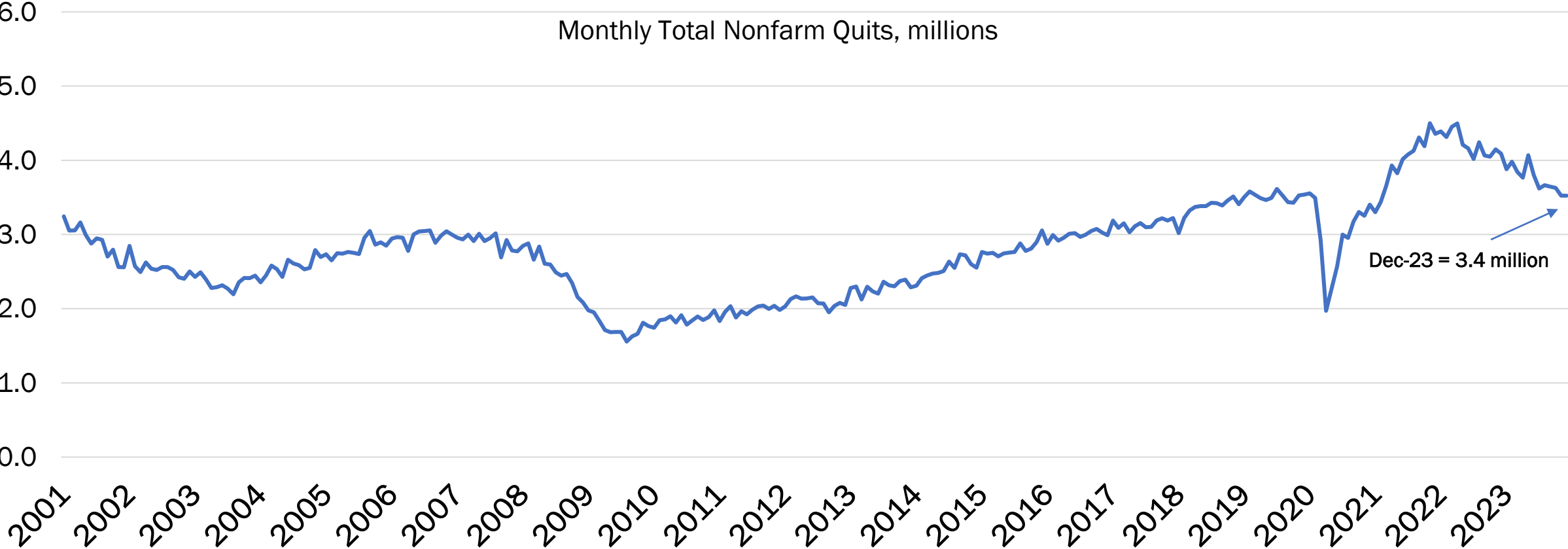
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## Labor shortages by industry

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

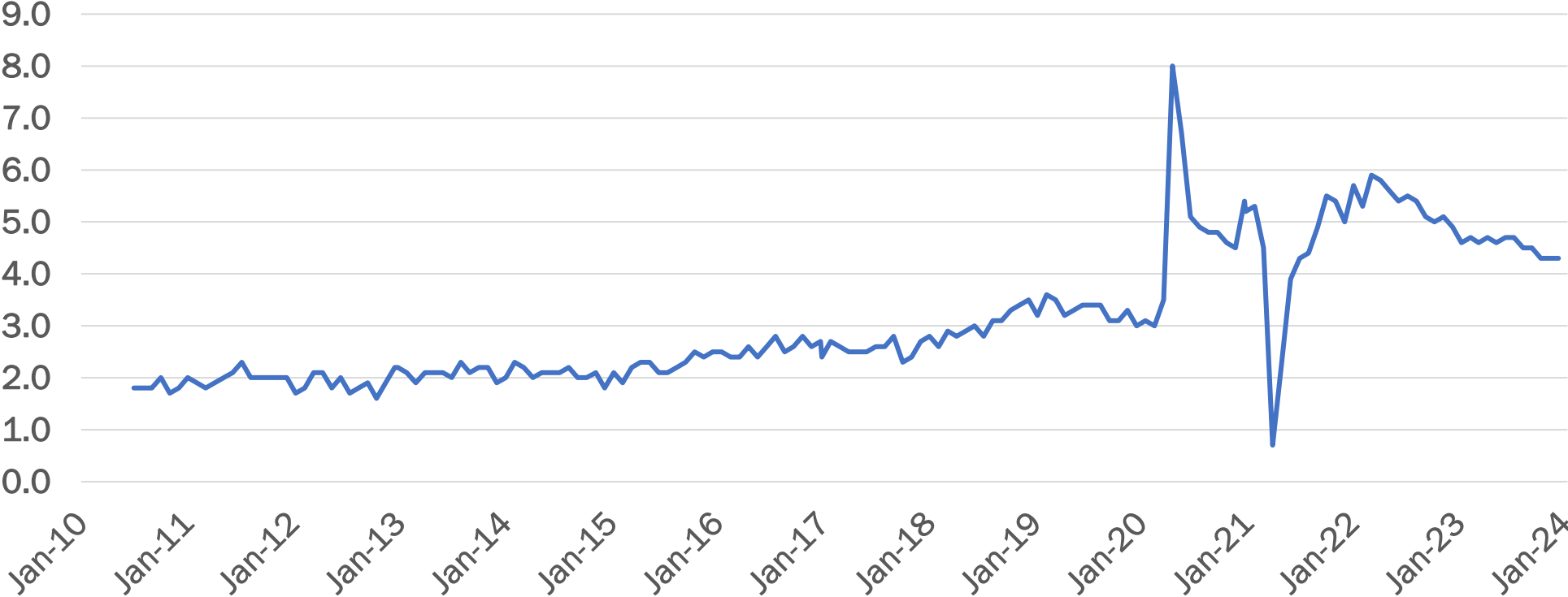


The number of workers quitting their jobs each month was at 3.4 million in December 2023. Late 2021 and early 2022 saw the highest Quits levels ever recorded.



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

Percent change from  
12 months ago



**Hot Market**

**Health Care**

**Strong Markets**

**Durable Manufacturing**

**Wholesale Trade**

**Information**

**Finance and Insurance**

**Real Estate & Rental & Leasing**

**Cooling Markets**

**Construction**

**Retail Trade**

**Business Services**

**Leisure & Hospitality**

**Transp, Wareh, & Util**

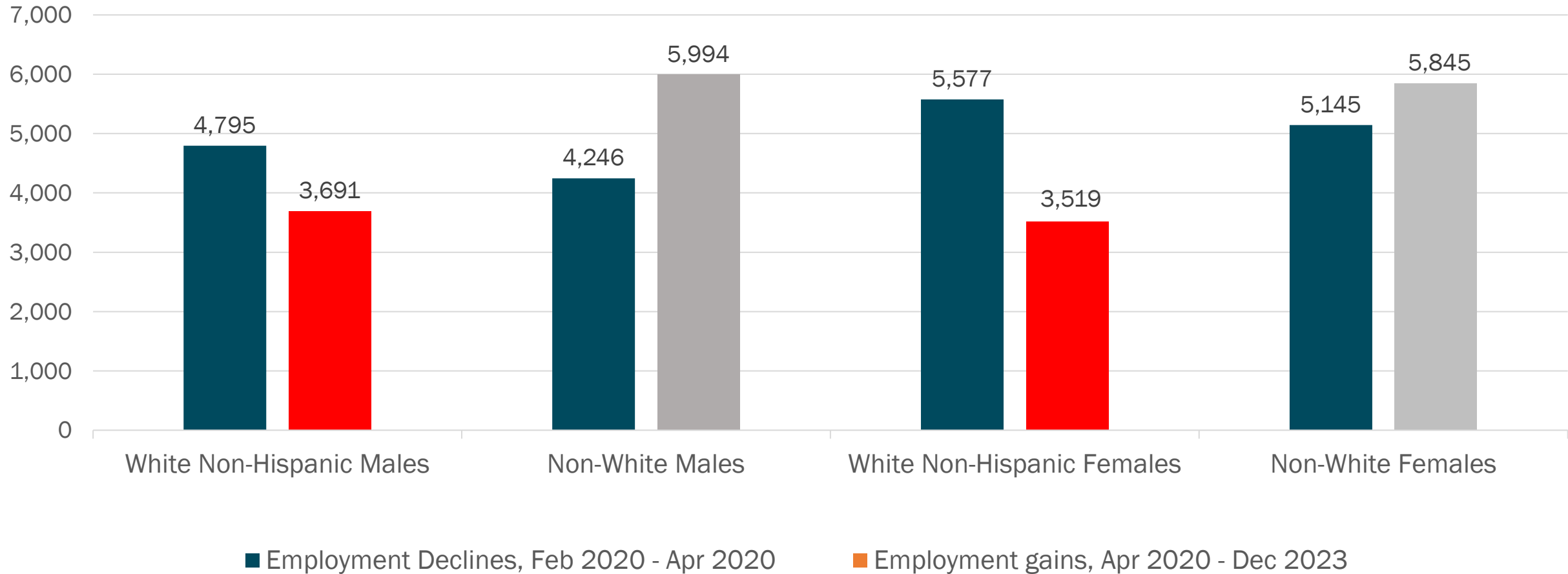
**Weak Market**

**Nondurable  
Manufacturing**

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**Who is getting left behind in  
the current expansion?**

# Among groups with less than a BA, white non-Hispanic males and females have had an especially difficult time regaining employment since April 2020

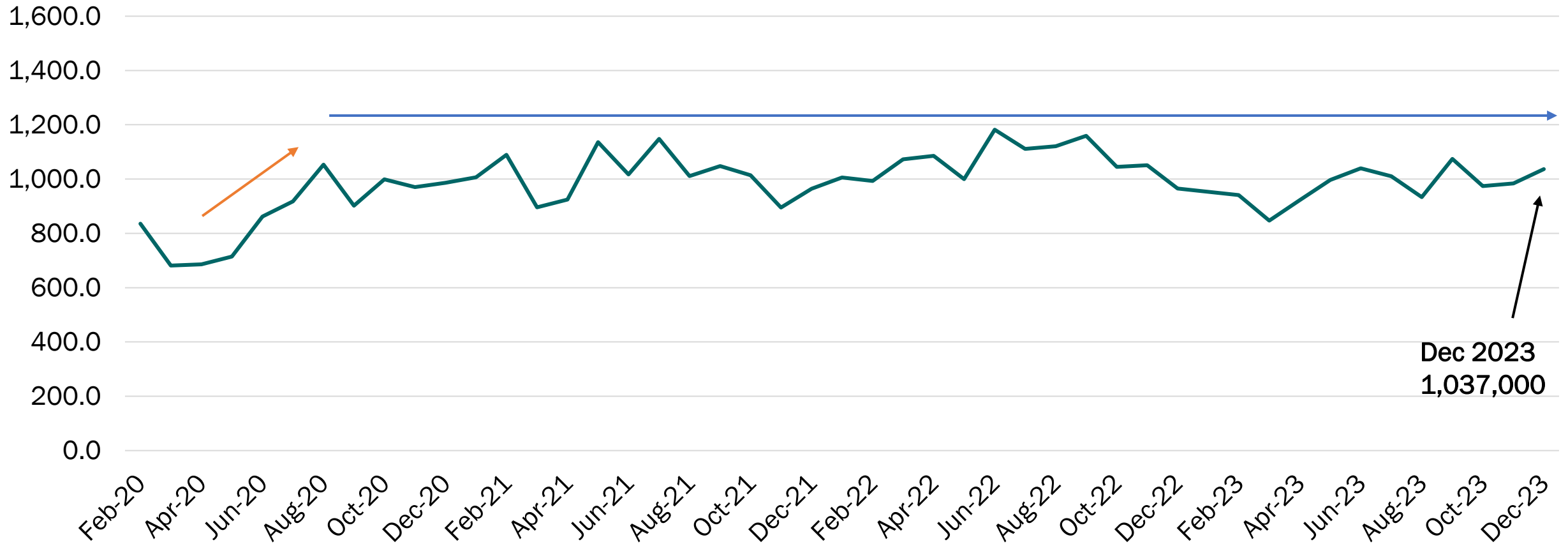


**Compared to Feb 2020, as of Dec 2023, there are over 3.5 million fewer White/Non-Hispanics with less than a BA, ages 25 and older in the labor force**

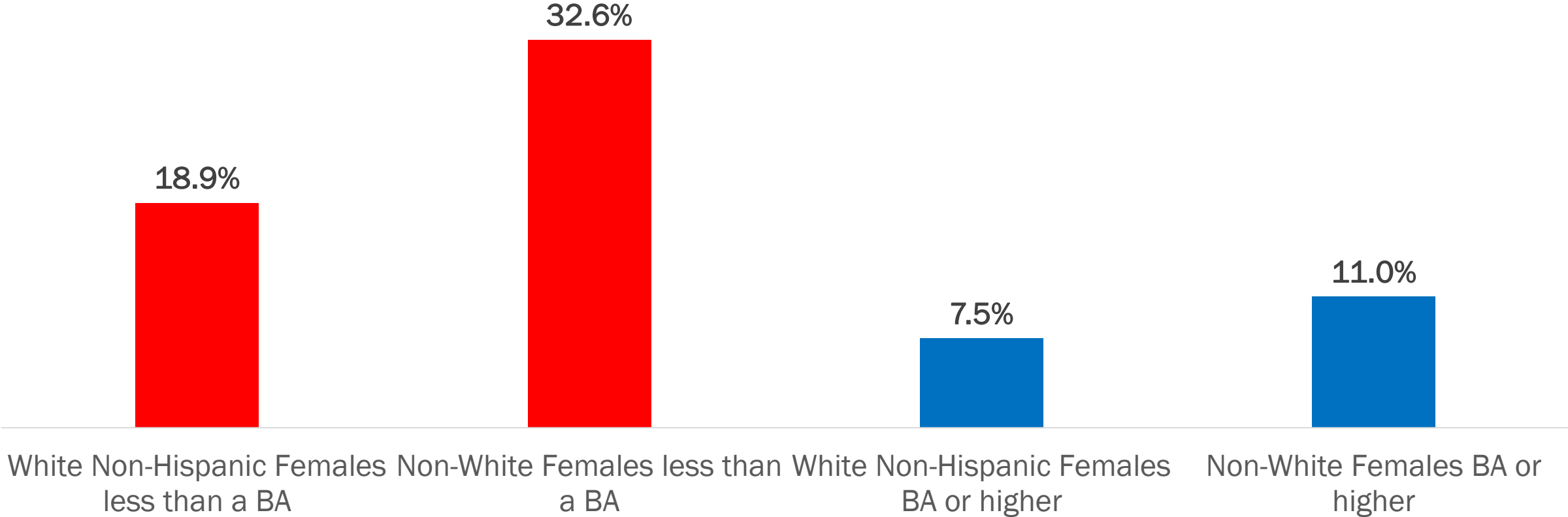
<b>Males, White/Non-Hispanic with less than a BA degree</b>	<b>Feb-20</b>	<b>Dec-23</b>	<b>Potential lost labor supply</b>
25-54	18,041,000	17,406,000	-635,000
55-64	6,248,000	5,431,000	-817,000
65 and older	2,400,000	2,467,000	67,000
<b>Females, White/Non-Hispanic with less than a BA degree</b>	<b>Feb-20</b>	<b>Dec-23</b>	<b>Potential lost labor supply</b>
25-54	13,274,000	12,015,000	-1,259,000
55-64	5,372,000	4,502,000	-870,000
65 and older	2,260,000	2,209,000	-51,000
<b>White/Non-Hispanic with less than a BA degree</b>	<b>Feb-20</b>	<b>Nov-23</b>	<b>Potential lost labor supply</b>
Males	26,689,000	25,304,000	-1,385,000
Females	20,906,000	18,726,000	-2,180,000
<b>Total</b>	<b>47,595,000</b>	<b>44,030,000</b>	<b>-3,565,000</b>



# The number of individuals who want to work but cite childcare, family responsibilities or transportation as barriers has stubbornly remained around 1 million since the summer of 2020



# As of December 2023, 52 percent of that group are females with less than a BA

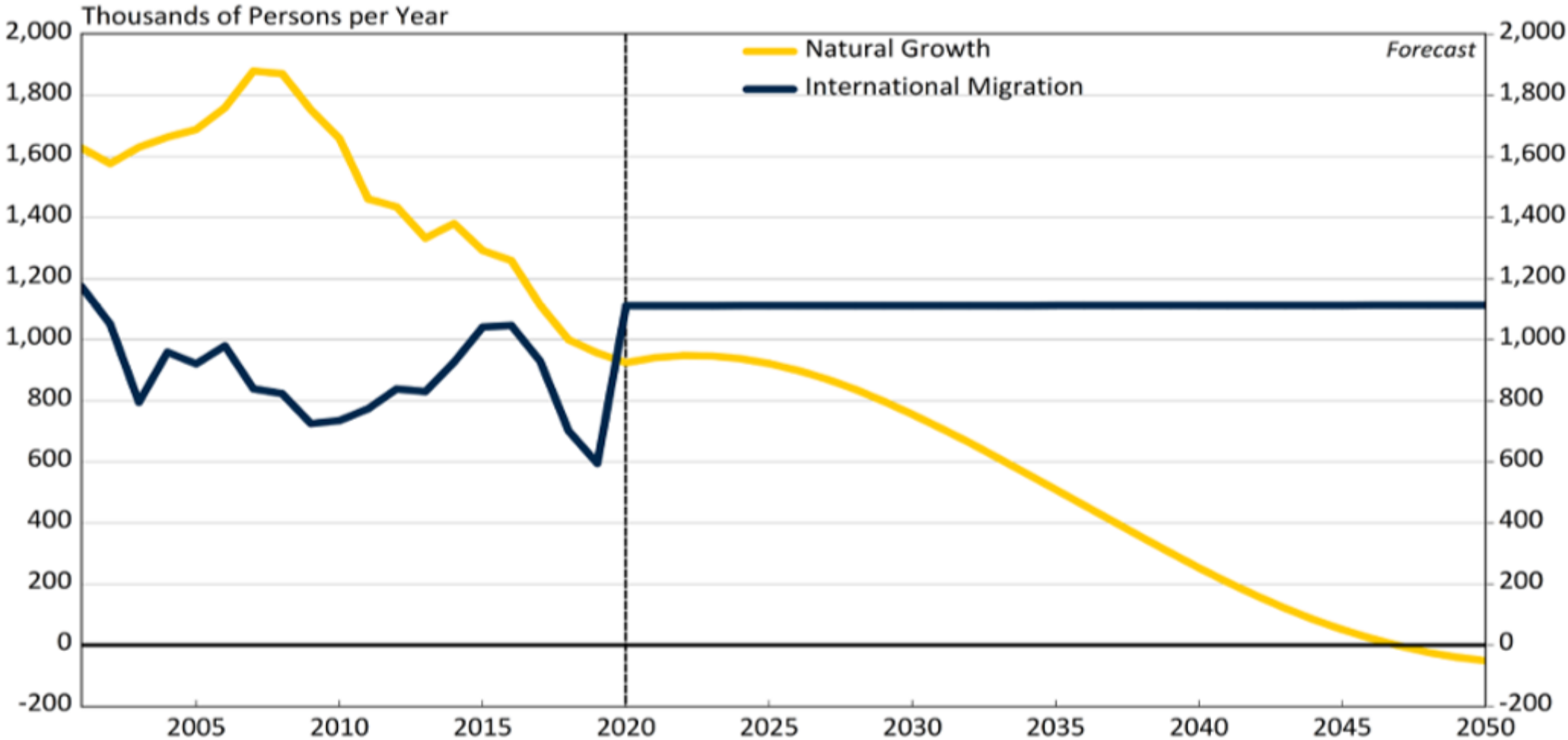


# A LOOK TO THE FUTURE

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Long-term population and  
employment trends

**Figure 1**  
**Components of U.S. Population Change**



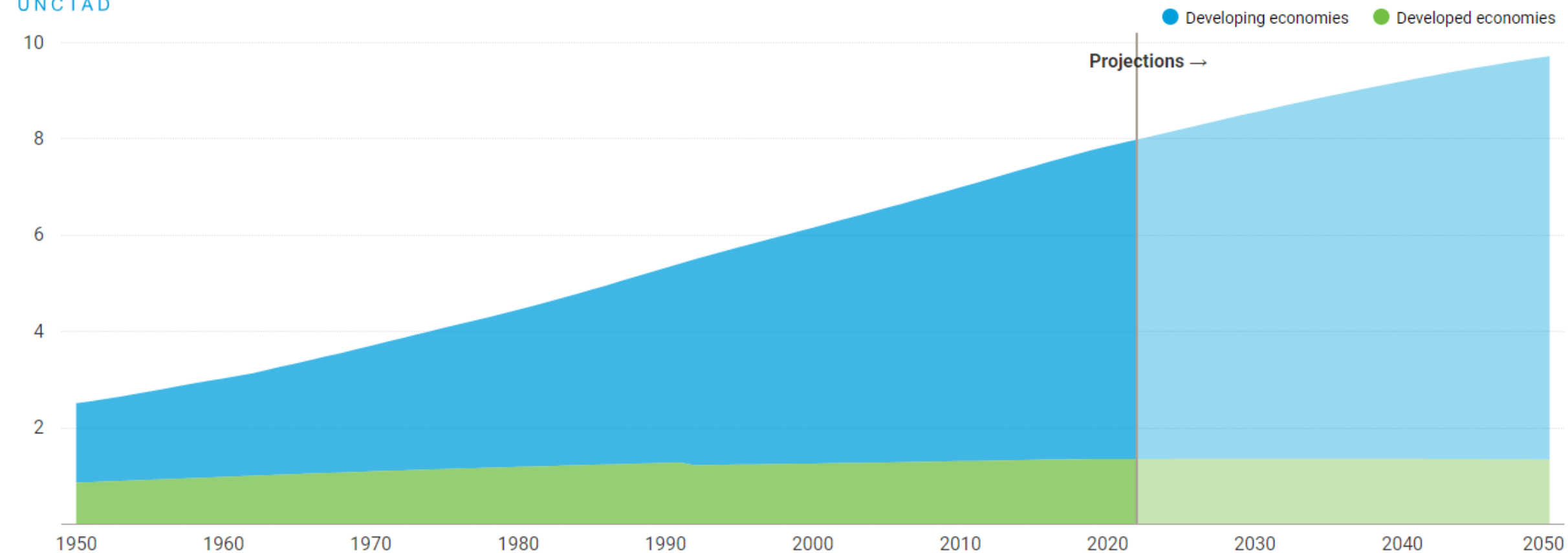
The world's population growth has become increasingly concentrated in developing countries, highlighting the need to address inequalities and ensure a just transition towards a low-carbon future.



UNITED NATIONS  
UNCTAD

## World population growth is mostly in developing economies

People living in developing and developed economies, billions



Source: UNCTADstat based on UN DESA Population Division, World Population Prospects 2022.

Note: The graph provides estimates from 1950 to 2021 and projections from 2022 to 2050 of total population

# Average monthly changes in employment will slow down significantly over the next ten years

*BLS US Occupational Employment Projections 2022-2032*

Year	BLS Projections Current Employment Statistics and Current Population Survey data	Average Monthly Employment Change
2012	145,356,000	--
2022	164,482,600	159,388
2032	169,148,100	38,879

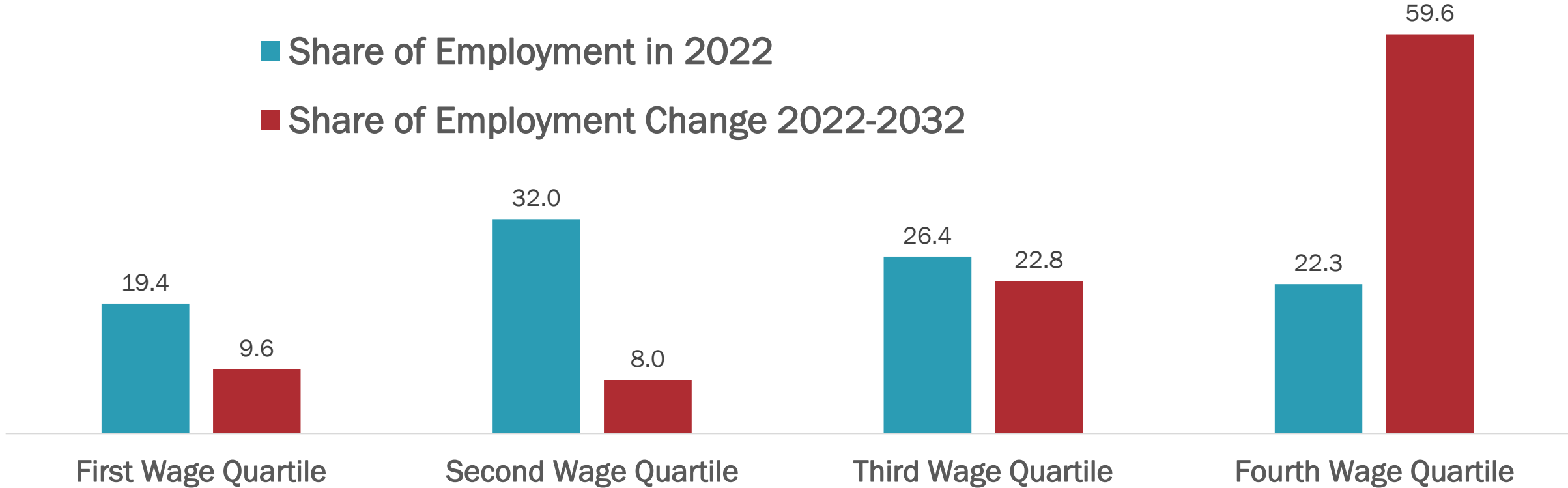
*Published September 2023*

*CBO Budget and Economic Outlook 2023-2033*

Year	CBO Baseline Projections Civilian Employment Current Population Survey concept	Average Monthly Employment Change
2012	142,474,000	--
2022	158,255,000	131,508
2032	164,637,000	53,183

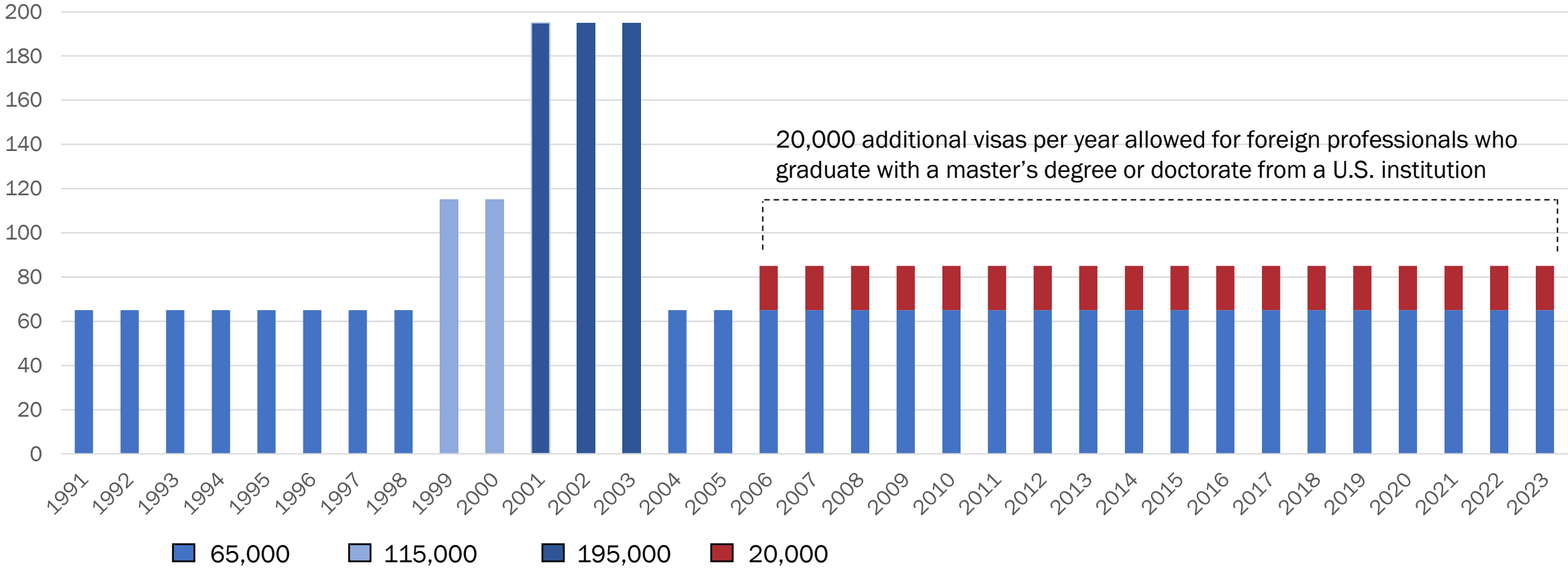
*Published July 2023*

# Projected employment change is centered on high-skill, high-wage occupations



# H1-B Visa allocations for foreign professional workers have remained largely unchanged since the program's creation in 1990

Annual Cap on H1-B Visas FY 1991-2023, thousands





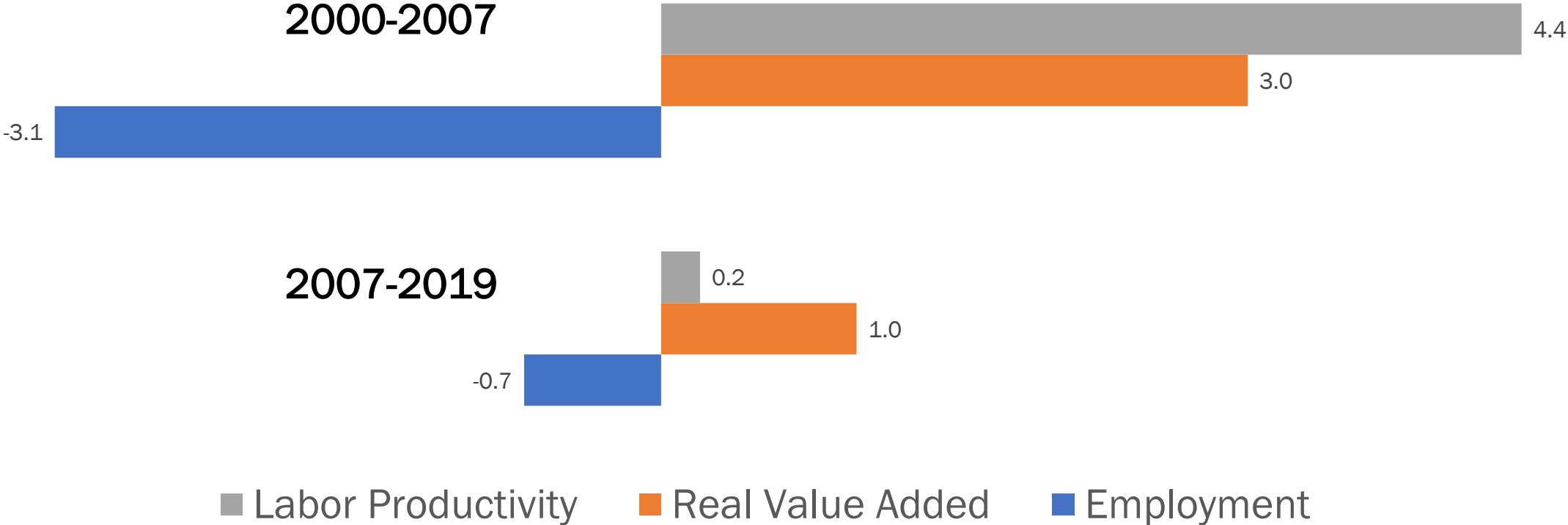
# PAST AS PROLOGUE

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Trends in manufacturing  
employment, skill demand,  
productivity and real value  
added

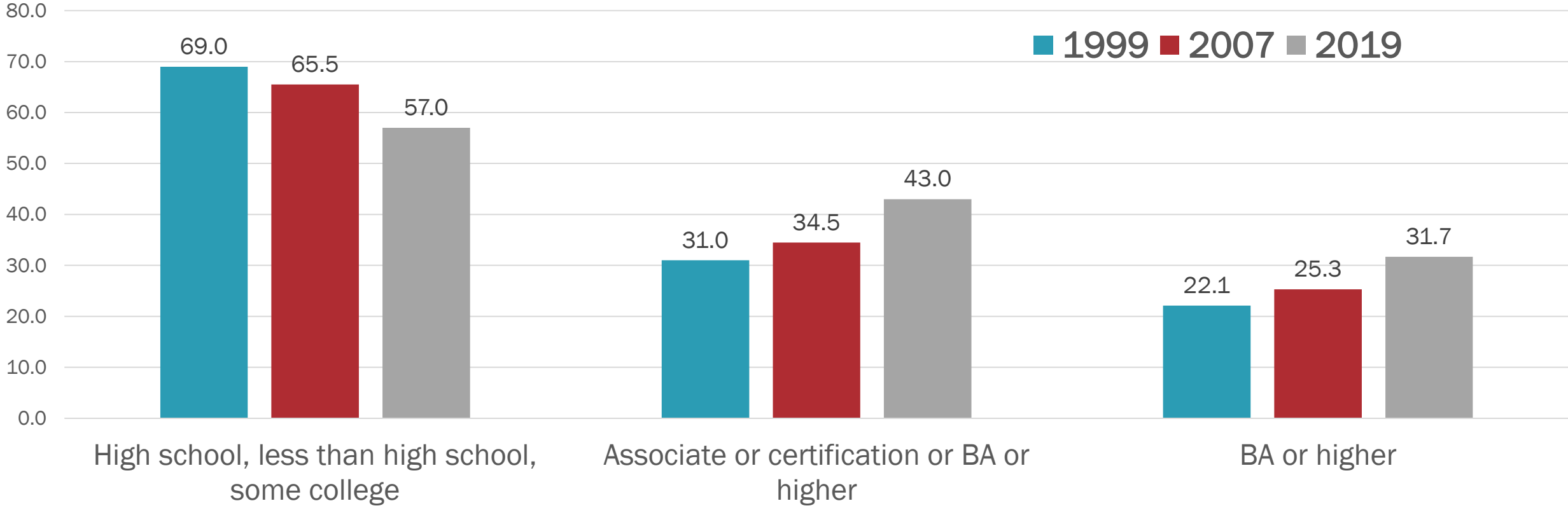
# Even as employment in manufacturing fell, real value-added output and labor productivity grew over the last 20 years

Productivity, Value Added, and Employment in Manufacturing, 2000-2019, % change



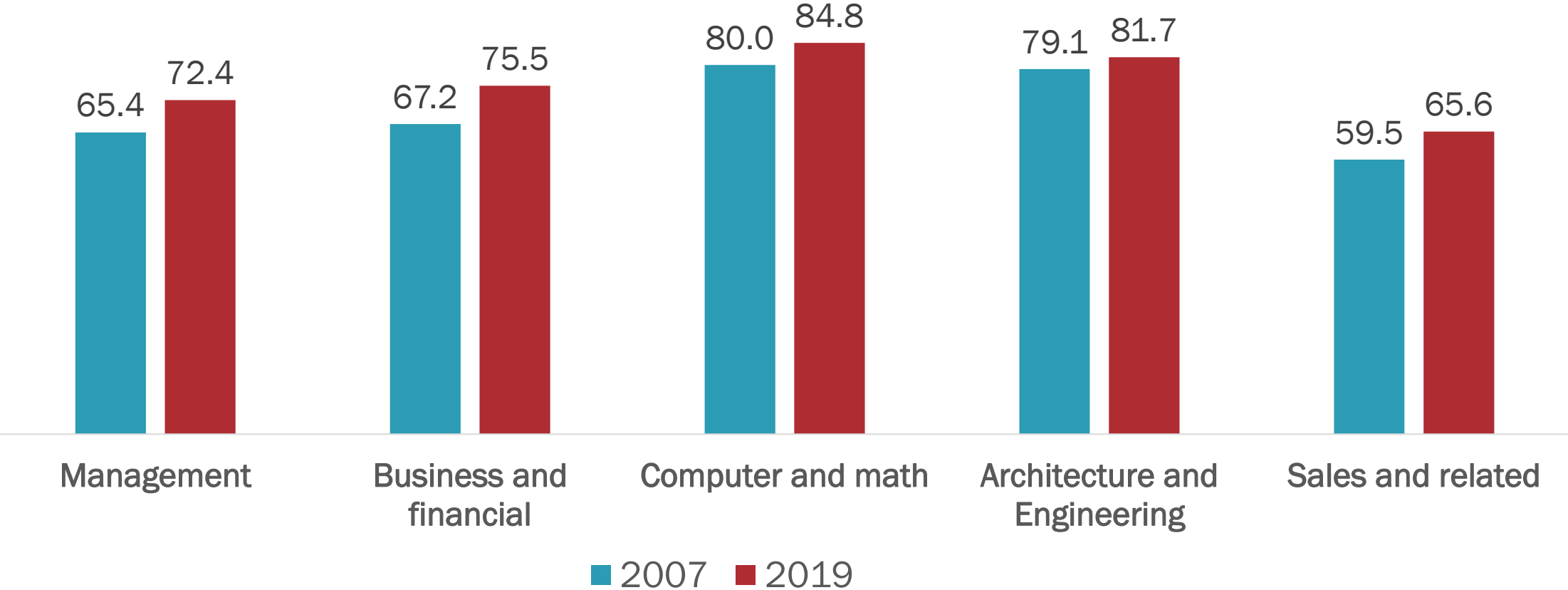
# Manufacturing employment has shifted significantly toward a more educated workforce since 1999

Percentage of individuals ages 25 or older employed in manufacturing by level of educational attainment



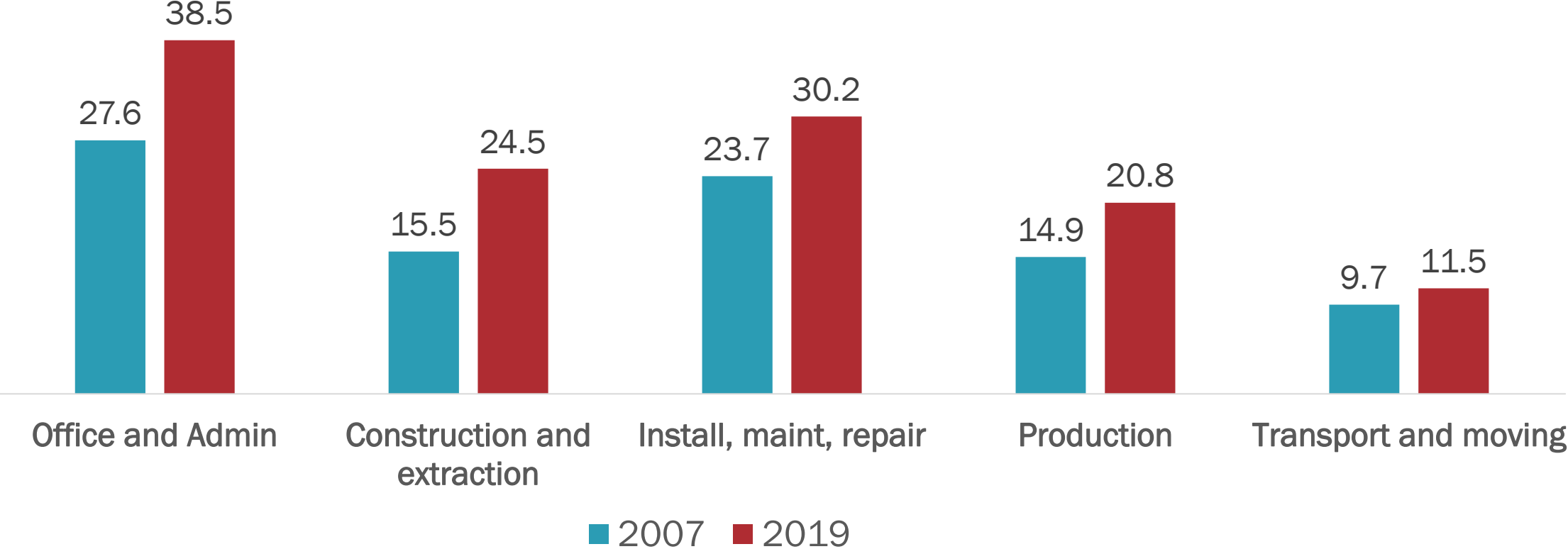
# Manufacturing occupations have seen a shift toward a more educated workforce since 2007

Percentages of employees ages 25 or older with at least an Associate degree or certification (includes BA degree or higher)



# Except for transportation and material moving, manufacturing occupations have seen a shift toward a more educated workforce since 2007

Percentages of employees ages 25 or older with at least an Associate degree or certification (includes BA degree or higher)



# Contact

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