

Labor Market Better — But Not Vigorous

The Metro Detroit unemployment rate continues to show improvement, falling in April 2015 to 6.2 percent from 8.9 percent a year ago. Michigan's unemployment rate dropped to 5.4 percent in April, matching the national rate for the first time since September 2000. At the depth of the Great Recession, the local unemployment rate was 16.3 percent, among the worst rates in the nation.

Progress in the local and state labor markets is a ripple effect from modest national economic growth and the resurgence of the domestic automobile industry. Light vehicle sales in the U.S. are anticipated to exceed 17 million in 2015, up from 10 million in 2009.

Although the unemployment rate has improved, assessing the health of the labor market requires a look at multiple factors. An examination of various indicators shows that the local labor market needs improvement to be considered robust.

The underemployment rate provides a more comprehensive look at the state of the labor market. In addition to unemployed workers looking for jobs, underemployment figures include workers who are employed part-time but want to be working full-time, as well as those who are not actively looking for work but who want a job and have looked for work within the past 12 months. The latter group includes "discouraged workers" who have given up on searching for a job.

Part-time workers occupy a tenuous position, as they rarely receive benefits and are often viewed as expendable by their employers. The latest underemployment rate for Michigan is 14.2 percent.

Another measure of labor market health is the employment-to-population ratio, which measures the degree to which employment is keeping up with the growth of the working-age population. Nationally, it has declined dramatically since the Great Recession and has not recovered. The ratio stood at 62.7 in December 2007, fell to a low of 58.2 in June 2011, and was only 59.3 in April 2015.

There is much debate surrounding the reasons for the persistently low employment-to-population rate. Some of the low rate is due to the retiring baby boomer generation and safety net increases, which have caused some to leave the workforce. However, these factors do not

explain the entire decline. A lackluster labor market is behind some of the decline in the employment-to-population ratio.

The employment-to-population rate in Metro Detroit for April 2015 is 55, substantially below the national figure. The local figure is influenced by the labor market distress in Detroit where the employment-to-population ratio was only 38 in March 2015.

Total employment of Metro Detroit residents stood at 1,864,646 in April 2015, up 21,517 or 1.17 percent from April a year ago. During the same period, the national employment count increased 2.15 percent and the Michigan count increased 2 percent.

Metro Detroit exceeds the national job count growth rate in manufacturing. Other sectors, such as business services and retail, are growing more slowly in Metro Detroit than the nation, however.

Wage growth is another indicator used to measure the health of the labor market — and a critical factor considered by the Federal Reserve. Wage growth in Metro Detroit was negative in April 2015 compared with a year ago. In contrast, the U.S. experienced wage growth of 2.17 percent, slightly above the inflation rate.

Overall, the pace of labor market improvement in Metro Detroit has slowed. While the unemployment rate continues to fall, other measures of labor market health are not showing enough improvement.

Employment growth of Metro Detroit residents is positive but remains below the national and Michigan rates. The number employed part time but looking for full-time work remains elevated. The employment-to-population rate is substantially lower than the national figure. Wages are stagnant. Labor force participation is declining faster than jobs are being added. As a result the workforce is declining.

Six years after the end of the Great Recession, the local labor market is not vigorous.



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