

The Case for Unemployment Reform

Monday, June 7th, 2021

Challenge: Getting People Back to Work

Low-education, low-skill adults took the brunt of the economic downturn

- 600,00 adults in Michigan lack a high school diploma/GED
- Comprise 5.6 percent of Michigan workforce but 20 percent of dislocated workers and an unemployment rate 3 times higher than the average

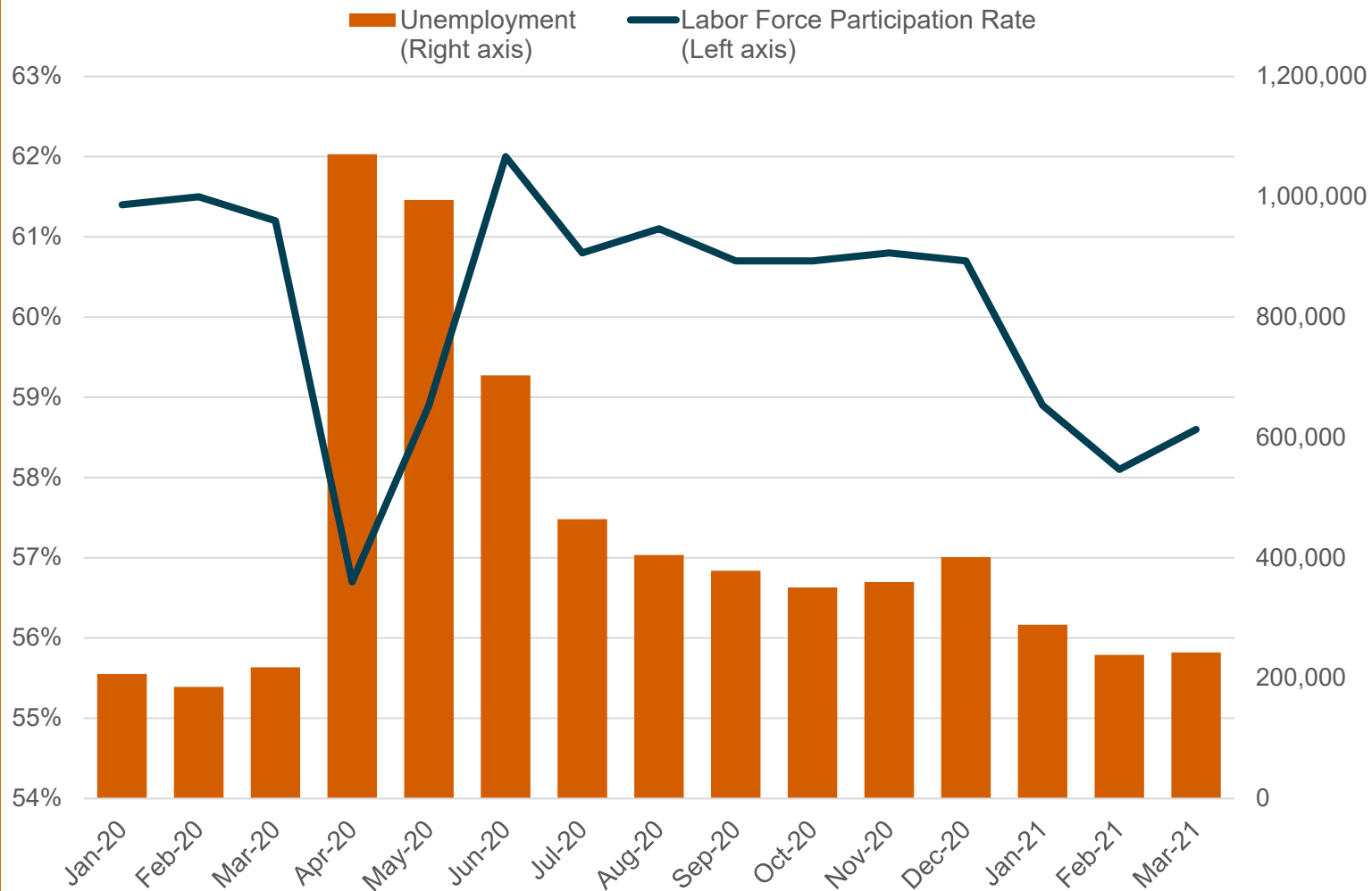
Expanded unemployment benefits impairing recovery in employment

- Announced on March 30, 2020; intended for self-employed, 1099 contractors, low wage workers
- Necessary during steep decline in economic activity and concerns over health and safety



Slow Recovery to LFPR and Employment

Unemployment and Labor Force Participation, Michigan (Jan 2020-Mar 2021)



1-month after expanded UI benefits:

LFPR **-4.5%** (365,000 fewer participants)

Unemployed **+443.4%** (+878,000 jobseekers)

1-year after expanded UI benefits:

LFPR **-2.6%** (208,000 fewer participants)

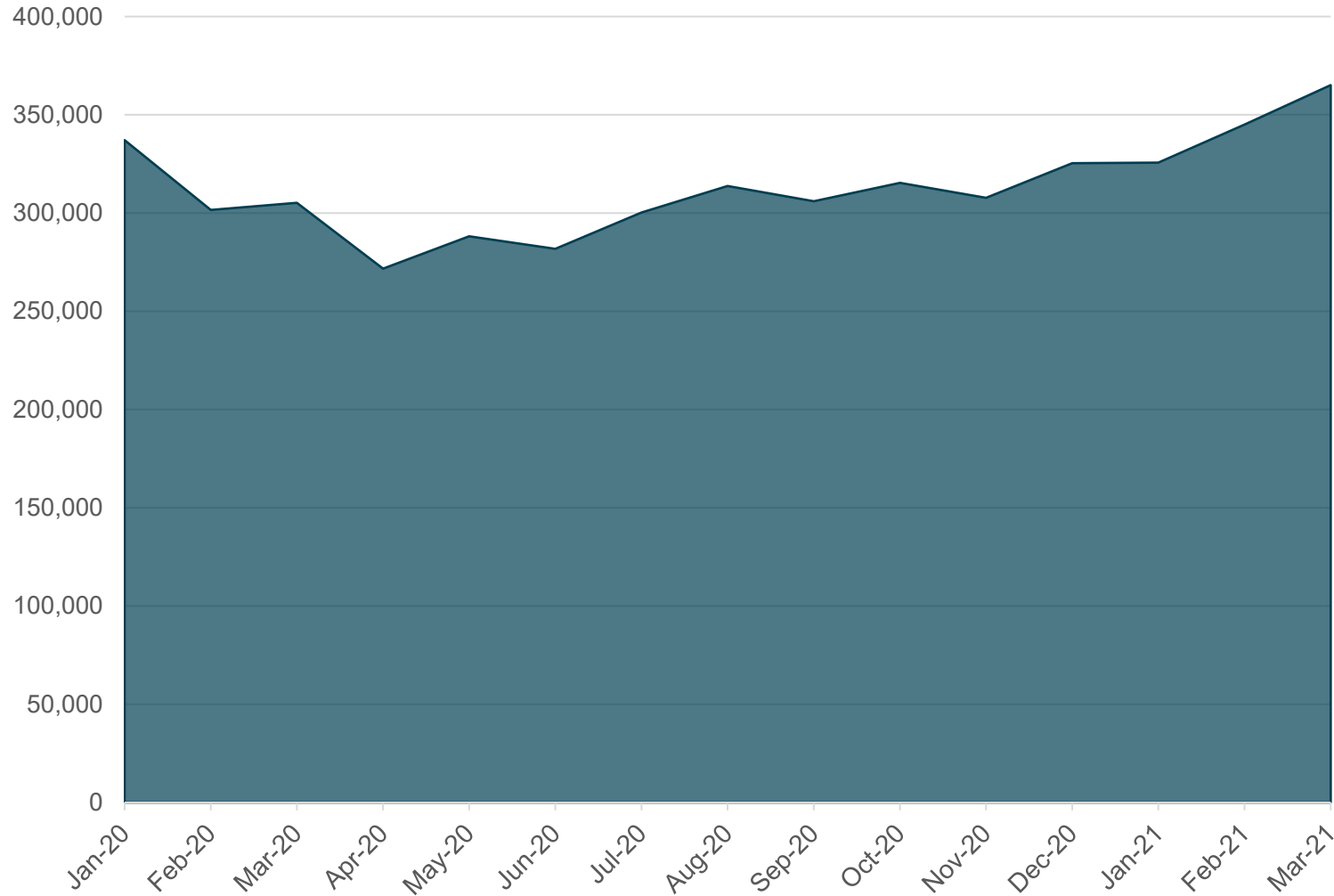
Unemployed **+11.3%** (+25,000 jobseekers)

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)



Employer Demand Rebounded as early as August

Online Job Ads, Michigan



1-month after expanded UI benefits:

Job ads shrunk by **11%** (33,525 fewer ads)

1-year after expanded UI benefits:

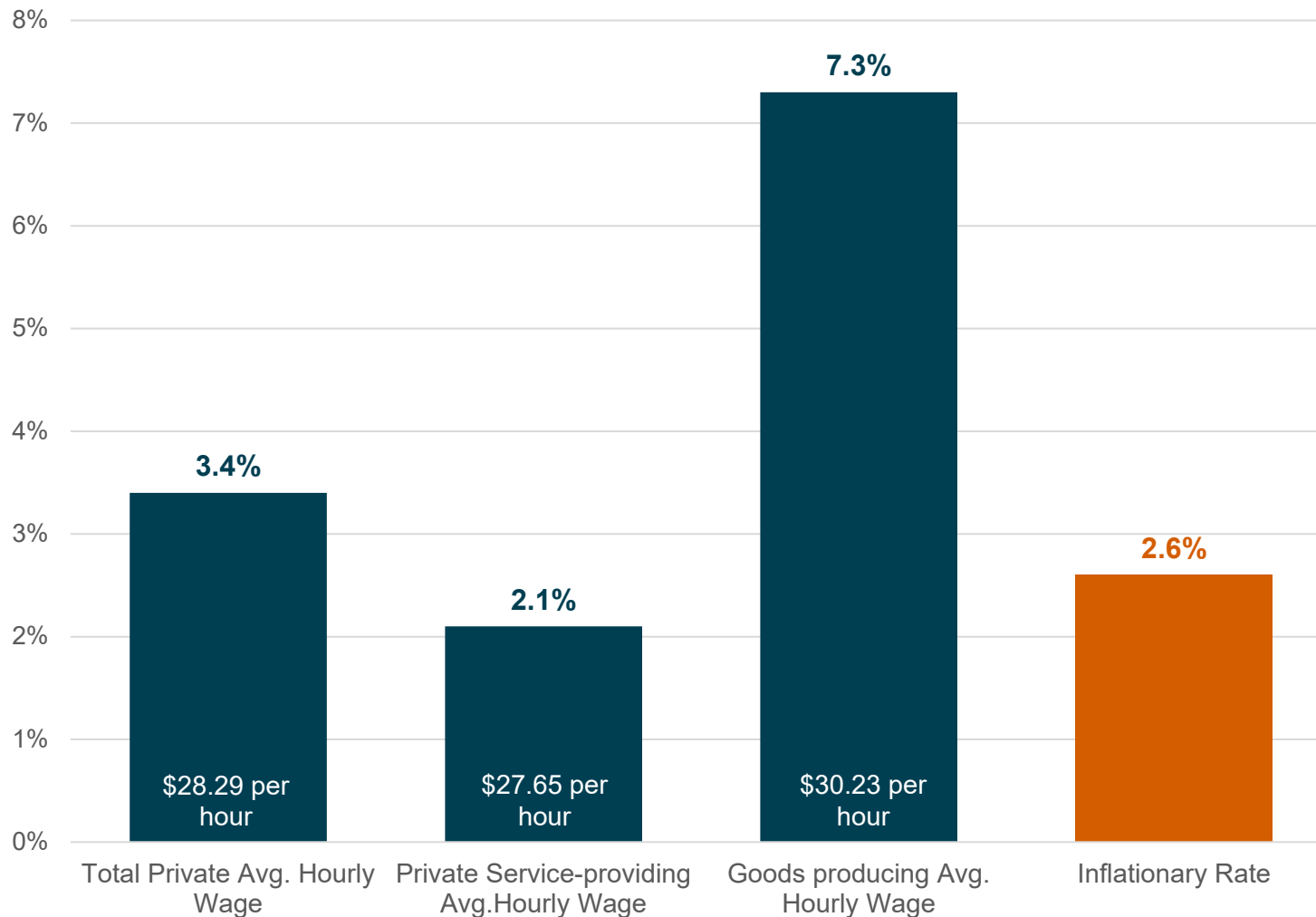
Job ads grew by **20%** (60,000 more ads)

Source: Economic Modeling Specialists International (EMSI)



Wage Growth Exceeds Inflation

Wage Growth and Inflation, Michigan (March 2021)



Maximum UI benefit = **\$16.55/hr**

Total Private Sector Wage Growth

1.5x rate of inflation from March 2020-2021

\$27.65/hr on average in March 2021

Goods Producing Wage Growth

3x rate of inflation from March 2020-2021

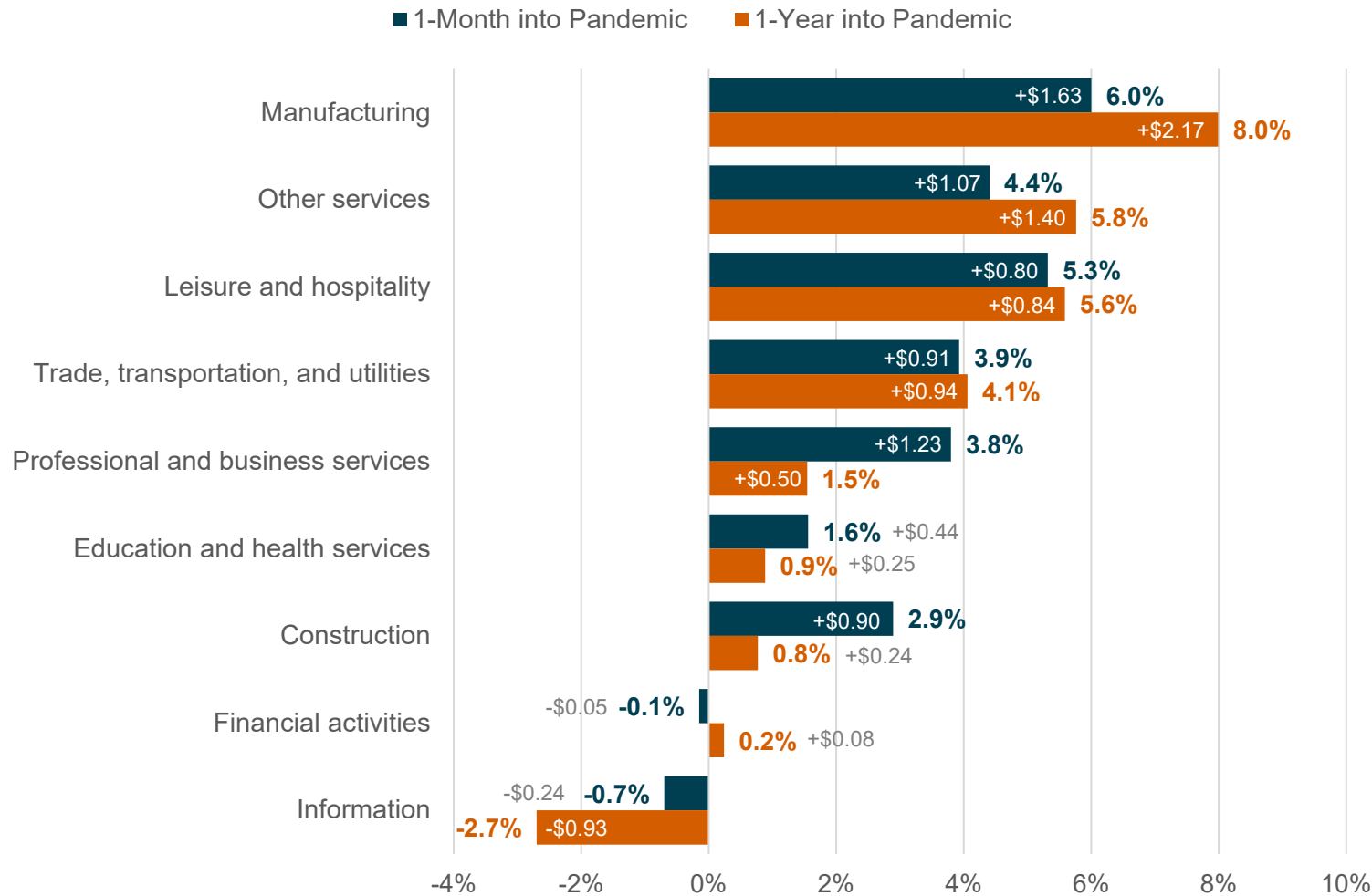
\$30.23/hr on average in March 2021

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES)



Highest Wage Growth in Industries with Lowest Pre-Pandemic Wages

Average Hourly Wage Growth by Industry, Michigan (Mar 2020-Mar 2021)



Highest wage growth in industries with lowest pre-pandemic wages (and highest share of low-skill workers)

- Manufacturing
- Other Services (Mechanics, Hair Stylists, etc.)
- Leisure and Hospitality
- Trade, Transportation, and Utilities

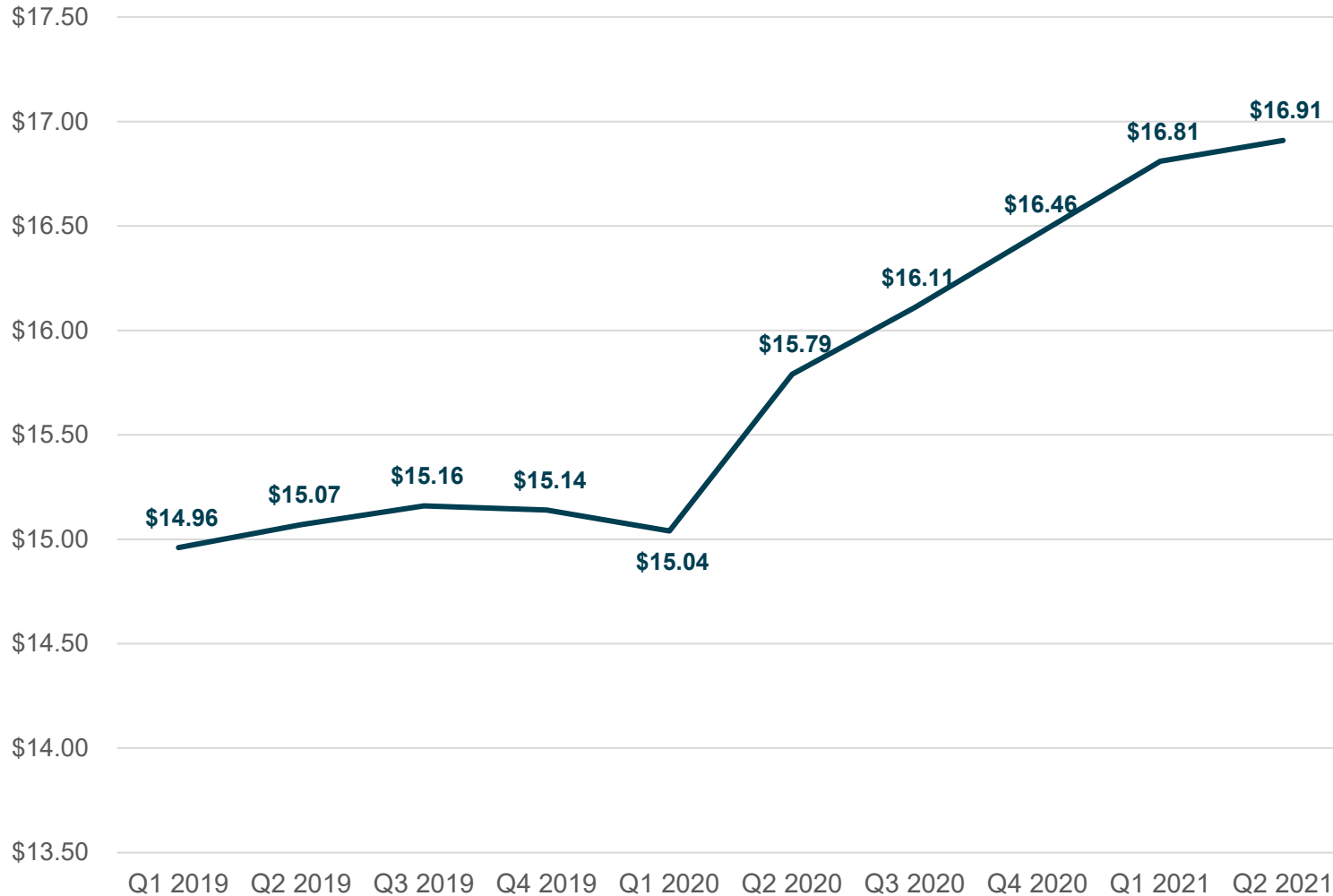
Negative growth in industries with highest pre-pandemic wages and share of skilled workers (those with greatest capacity to work remotely)

- Financial Activities
- Information



Wages Still Climbing

Average Hourly Pay Rate of Placements (Staffing Agency)



1-Quarter after Expanded UI Benefits

Average hourly wage grew **5%** (+\$0.75)

Reversing the trend of declining wages observed since Q3 2019

1-Year after Expanded UI Benefits

Average hourly wage grew **+12.2%** (+\$1.87)

Significantly exceeding the annual growth rate of 0.5% recorded the previous year

Source: Staffing Agency in Kent County; 4,000 placements and 150 employers in light industrial sector



Recommendations

1. Terminate the federal government's \$300 weekly unemployment enhancement on June 27 (currently 25 states ending expanded benefits early)
2. Offer a return-to-work bonus to UI recipients contingent upon maintaining employment for 4 weeks
- ~~3. Allow pursuit of a high school diploma to count toward work search requirements for the unemployed~~
4. Develop a Going Pro-type program to upskill employed adults lacking a high school diploma or equivalent
- 5. Reinstate work registration with Michigan Works! to 21 days; expand requirements to include both virtual and in-person options**
6. Update the Reemployment Services and Eligibility Assessment (RESEA) algorithm to better support UI claimants who are likely to exhaust benefits
7. Create a One-Stop Management Information System (OSMIS) link for Michigan residents to register for workforce development services virtually
8. Create a cloud-based, integrated communication system with shared data to improve data collection, reporting, and customized customer experience

