

Key Findings
The State of Michigan Employment Update: February, 2004

- Between the state of Michigan's peak employment levels in 2000 and December 2003, the state lost 282,000 jobs. During 2003, while the rest of the nation was maintaining its level of employment, Michigan lost another 79,000 jobs.
- Nationally, employment gains, which were very modest in the second half of 2003 will pick up significantly in 2004, expanding at a national rate of more than 2% by mid-year. The unemployment rate will slowly decline.
- Real GDP in the U.S. will expand by 4.7% in 2004 and 4.0% in 2005, as the economy achieves its potential rate of expansion for the first time since 2000. This expansion will, at last, end the 'jobless recovery' with payroll growth of 1.5% in 2004 and over 2% in 2005.
- Employment in the state of Michigan will expand by the middle of 2004, adding 39,000 jobs this year, and 128,000 over 2005-2006, finally recovering its recession losses in 2008.
- As a result of job cutbacks in the 2001-2003 period, \$13.2 billion was lost in wages in Michigan in 2003 alone, and \$182 billion in the U.S. as a whole.
- Job gains in Michigan, however, will not occur in the same sectors where they were lost during the recession. The average wage in the sectors which lost jobs from 2001-2003, \$46,696, will not be matched by wages in sectors where jobs are expected to return between now and 2006, \$40,037. This is a 14.3% wage gap.
- The annual wages lost in Michigan due to this wage gap will total \$1.1 billion by 2006.
- The U.S. as a whole is expected to recover its recession losses of over 2 million jobs in 2004. The average annual wage of a job lost during the recession, \$43,629 is 18% higher than the average wage of jobs in the growing sectors between now and 2005, \$35,855.
- The annual wages lost in the U.S. due to this wage gap are projected to be \$26 billion between 2004 and 2006.
- Many sectors in which jobs were lost in both Michigan and the U.S. as a whole, including manufacturing and information, have seen jobs outsourced overseas.
- The manufacturing sector, which comprises 18% of the state of Michigan's employment, was the hardest hit by the recession. Michigan lost over 173,000 jobs in Durable and Non-Durable Manufacturing between 2001Q1 and 2003Q4. Durable Manufacturing, which lost the most jobs in Michigan during the recession, averaged a wage of over \$56,500 per year, while Non-Durable Manufacturing, which lost the third most jobs, averaged a wage of nearly \$46,000 per year.
- Durable and Non-Durable Manufacturing are not among the top 10 sectors projected to add jobs between 2004Q1 to 2006Q4.
- In Michigan, Administration and Support Services, which lost over 36,000 jobs between the first quarter of 2001 and the fourth quarter of 2003 and had an average annual wage of almost \$31,000, lost the second-most jobs after Durable Manufacturing. Fourth most jobs lost was in Retail Trade with over 28,000 jobs lost at an average annual salary of over \$23,000, and fifth was Professional,

Scientific, and Technical Services which lost almost 25,000 jobs at an average annual wage of nearly \$65,000.

- The top 5 sectors which are projected to add jobs in Michigan between the first quarter of 2004 and the last quarter of 2006 are Professional, Scientific, and Technical Services, adding almost 28,000 jobs at an average annual wage of \$64,700; Health Care and Social Assistance adding 22,500 jobs at an average salary of over \$38,000; Administration and Support Services adding nearly 22,000 jobs at an average annual wage of \$30,900, Accommodation and Food adding 16,600 jobs at an average wage of \$12,600; and Wholesale Trade adding almost 14,000 jobs at an average annual wage of \$54,700.
- The economic downturn was remarkably broad-based, with declines across the U.S., and the jobs recovery will also be broad-based, though the South and the Mountain states will lead the nation. Michigan, and other Midwestern states will see the smallest gains, and will take longer to regain their pre-recession peak levels of employment.
- During the recovery, the economy will continue to transition away from the older manufacturing economy to a new, new economy. Intangibles will become of greater importance in the composition of the nation's output of goods and services. In this century, therefore, the education and training of the workforce becomes of paramount importance in order to compete globally. Increasing skill levels will lead directly to higher productivity and higher wages.