POLICY UPDATE: Responding to Unemployment and Economic Dislocation

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National Employment Law Project
<table>
<thead>
<tr>
<th>Year</th>
<th>Period</th>
<th>Labor force</th>
<th>Employment</th>
<th>Unemployment</th>
<th>Unemployment rate</th>
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<tbody>
<tr>
<td>1996</td>
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<td>4,888,192</td>
<td>4,647,116</td>
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<td>4,963,077</td>
<td>4,748,691</td>
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<td>1998</td>
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<td>5,143,916</td>
<td>4,953,421</td>
<td>190,495</td>
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<td>2001</td>
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<td>5,143,869</td>
<td>4,876,338</td>
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<td>5,097,457</td>
<td>4,753,822</td>
<td>343,635</td>
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Michigan Labor Market

- Labor Market
  - 6.5 percent unemployment rate this year
  - Annual Rate now up 2 percentage points since March 2001 (4.7 to 6.7 percent in 05)
  - Average monthly unemployment of 343,000 last year
Real Wages in Michigan

- Average real wage has only grown by 10 cents from 1979 to 2004 for the bottom 20th wage percentile (2000 $).
- Average real wage has grown by $3.20 over same period for 80th wage percentile.
Real Wage Inequality in Michigan

- 1979: For every dollar earned by bottom 20\textsuperscript{th} wage percentile, $2.41 earned by 80\textsuperscript{th} percentile.
- 2004: For every dollar earned by bottom 20\textsuperscript{th} wage percentile, $2.76 earned by 80\textsuperscript{th} percentile.
Dislocation: At a Glance

- Job Loss is Widespread
  - 1.8 million mass layoffs in 2005
  - 9.7 percent of labor force (15.1 million individuals) experienced unemployment in 2004
  - A median spell of unemployment was 15 weeks in 2004
Dislocation: At a Glance

- USDOL Displaced Worker Survey
  - 11.4 million displaced 2001-2003 with 5.3 million of these “tenured” (over 3 years)
  - Of tenured workers, only 65% were reemployed at time of January 2004 survey
  - Of those reemployed, 57% had lower wages, and 33% had wages at least 20% or more below prior wages
  - Of the 35% not in workforce, 20% of displaced were unemployed and 15% were out of workforce at time of survey
Unemployment Insurance: Where is Michigan in 2006?

- Michigan’s UI trust fund remains below desirable levels (rank 48), a persistent problem since 1970s.
- Main causes are Michigan UI tax cuts in late 90s, along with state’s sour economy.
- Michigan’s UI benefit levels are below accepted standards (rank 30), hurting jobless workers and state’s economy.
- Part-time eligibility restrictions hurt low-wage and women workers.
Michigan UI: Steps Toward Stronger Safety Net

- Raise Taxable Wage Base ($9000) and Index TWB to Growth in Wages
- Raise UI Benefits and Restore UI Benefit Formula
- Provide UI to Part Time Jobless Workers
- Link UI with Approved Training
- Increase Duration of Benefits for Individuals in Training in Key Occupations
- Adopt State Dislocated Worker Tax, as in MN and other states.
Trade Adjustment Assistance
At a Glance

- TAA provides training and cash benefits to workers dislocated by impact of U.S. “free” trade policies.
- Core of program--TAA training and/or TRA.
  - Up to 104 weeks duration
  - Plus, potentially 26 weeks remedial education
- Alternative TAA is a wage subsidy paid to certified workers 50 or older (new in 2002).
- Health Coverage Tax Credit (HCTC) is a refundable tax credit for TRA certified workers or PBGC pension recipients (new in 2002).
<table>
<thead>
<tr>
<th>Year</th>
<th>Participants</th>
<th>Funds</th>
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<tr>
<td>FY 04</td>
<td>2772</td>
<td>$8.5 M</td>
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<tr>
<td>FY 05</td>
<td>2777</td>
<td>$8.5 M</td>
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<tr>
<td>FY 06</td>
<td>2005 (early Feb.)</td>
<td>$9.4 M</td>
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Michigan Responds to Dislocation: An Emerging Agenda

- Stronger Safety Net, including UI and TAA
- Better Links Between Income Support and Training
- Longer Duration of UI Benefits for Individuals Training for Targeted Occupations
- Reliable Funding Sources for Dislocated Worker and UI programs
- Community Mobilization -- better coordination, preparation and planning for coming job losses
Good Things That Can Happen Because Bad Things are Happening

- Stronger Safety Nets Identified as Policy Helping Low-Income AND Middle-Income Families
- Job Training and Education Gain Resources and Attention
- Communities Mobilize to Respond to Dislocations with Support from many Partners
- New Policies and Programs Emerge to Enable Us to Better Respond to Dislocations and Joblessness
For More Information

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