

# LFPR

 **TALENTFIRST**  
Vision. Insights. Solutions.

## Michigan's Shrinking Workforce: Examining a 20-year Problem

OCTOBER 2022

**Labor Force Participation Rate Study: A Summary**

### WHAT'S INSIDE:

- A decade's look at Michigan's declining workforce
- Who is and isn't in the workforce
- Root causes
- Strategies to reverse the trend



# WHERE DID ALL THE TALENT GO?

## AND HOW DO WE GET THEM BACK?

The evidence is clear that the workforce is undergoing a generational transformation. The causes – and remedies – have not been so clear.

It has been easy to explain declining labor force participation on aging baby boomers reaching retirement. Other popular explanations include the disruption of COVID-19, stagnating wages, technological change, and international trade. While these factors contributed challenges, our report finds that they cannot fully explain increasing inactivity among able-bodied residents of Michigan.

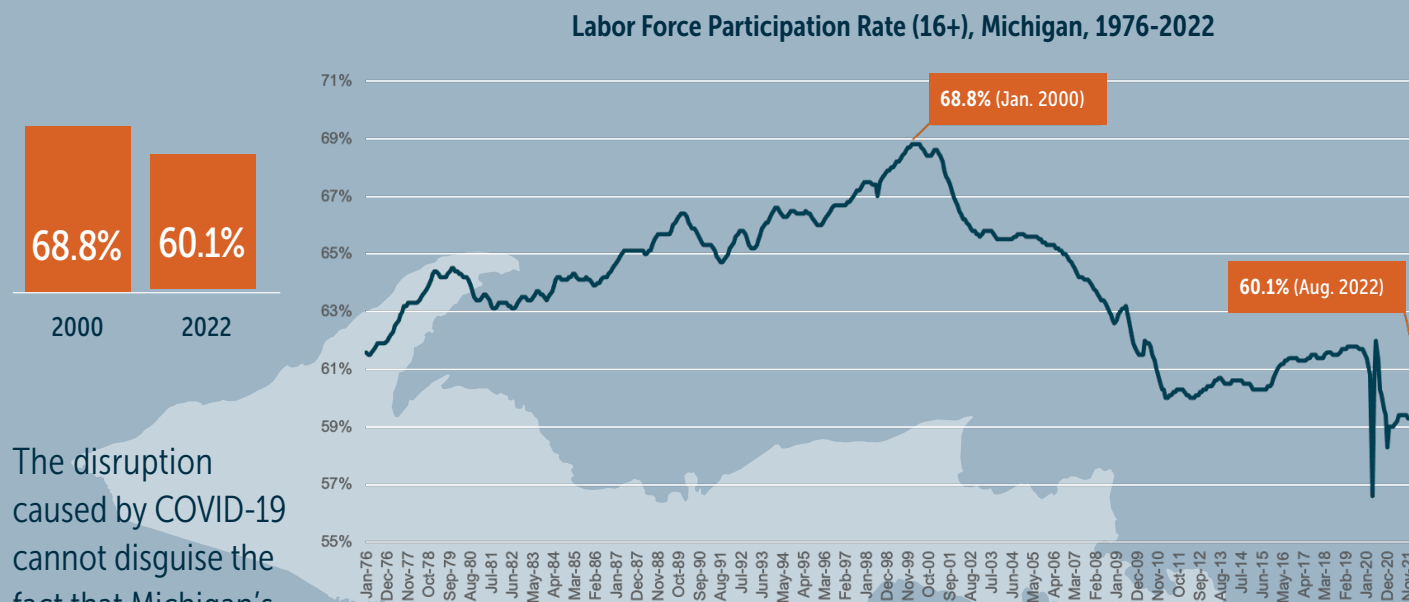
From April through September 2022, TalentFirst collected insights from national experts in a series of deep dives into the factors holding back our labor force participation. This summary report previews the comprehensive final report we will use to guide strategies to make Michigan a leader in labor force participation – ensuring employers have access to a steady supply of talent to meet their current and future needs.

West Michigan is not a net importer of talent. Our best strategy is to develop and retain the existing workforce. Doing so requires understanding the root causes of declining labor force participation.

This is how we can drive a new era of success and prosperity.

# IT'S NOT JUST THE PANDEMIC

Michigan's LFPR has been declining since 2000.



The disruption caused by COVID-19 cannot disguise the fact that Michigan's LFPR has fallen by 8.7 percentage points since 2000, nearly doubling the nationwide decline of 5.1 percentage points

# -703,353

FEWER PARTICIPANTS SINCE JANUARY 2000

# -80,845

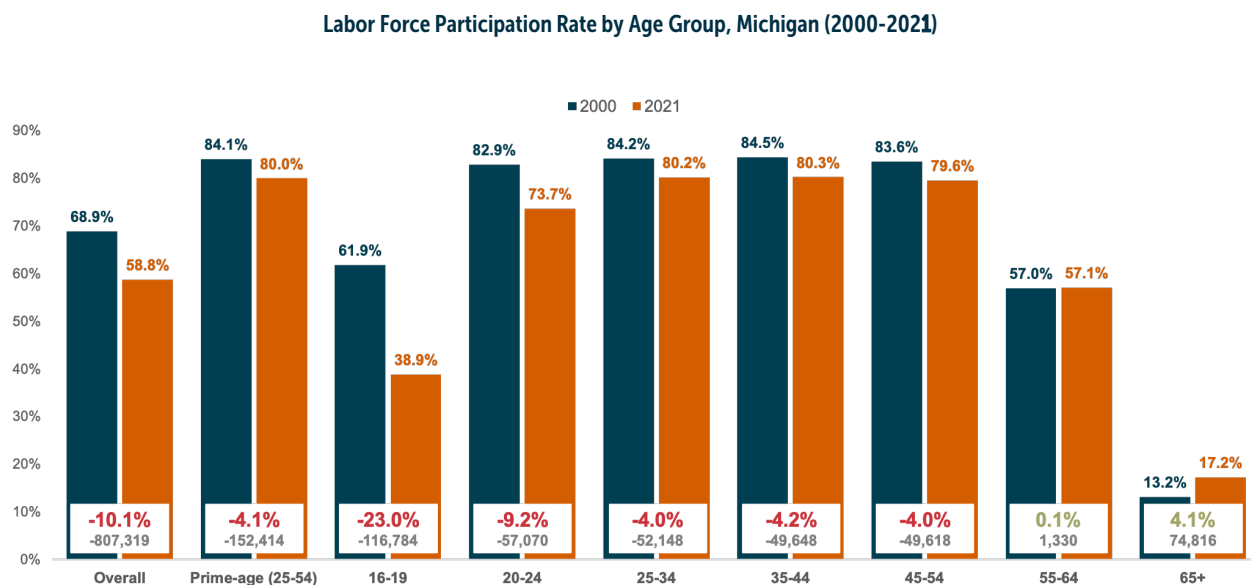
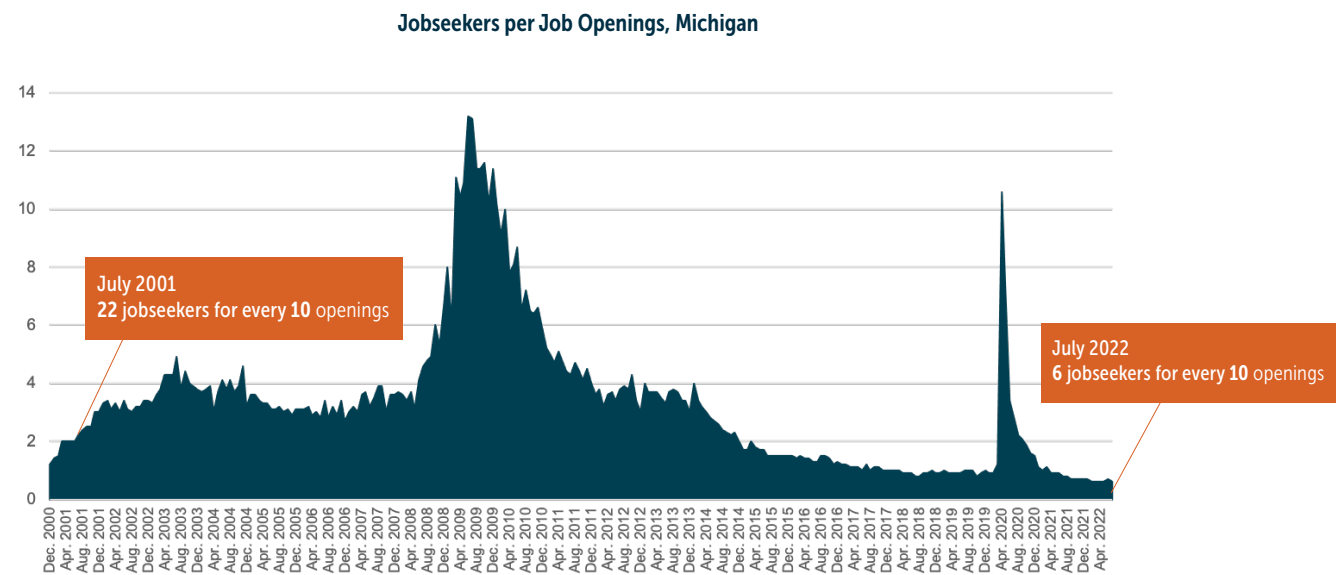
FEWER PARTICIPANTS SINCE COVID

*The data presented in this report reflects the most recent available.*

# DISCONNECTED, DISENGAGED

## Opting out: it's not just boomers.

The ratio of jobseekers per job openings is at a **historic low of 0.6** – reversing the prepandemic trend when there were more people looking for work than there were jobs available. The problem is not solely due to boomers retiring: We see a significant drop in LFPR across all age categories (except older workers).



8.7%

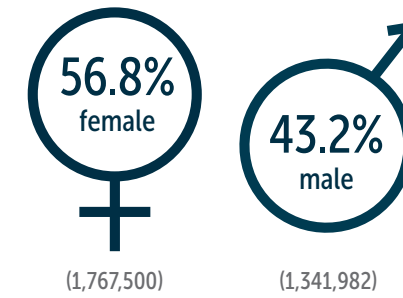
more Michiganders (aged 16+) have disconnected from the workforce (2000-2020)

3,109,565

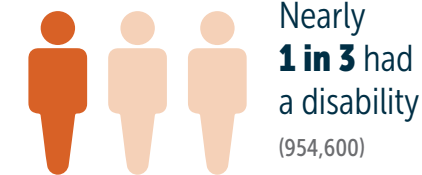
We don't expect to reach full participation, but helping 1/3 of this population would add more than 1M to today's workforce

## A snapshot of who is *not* in the labor force.

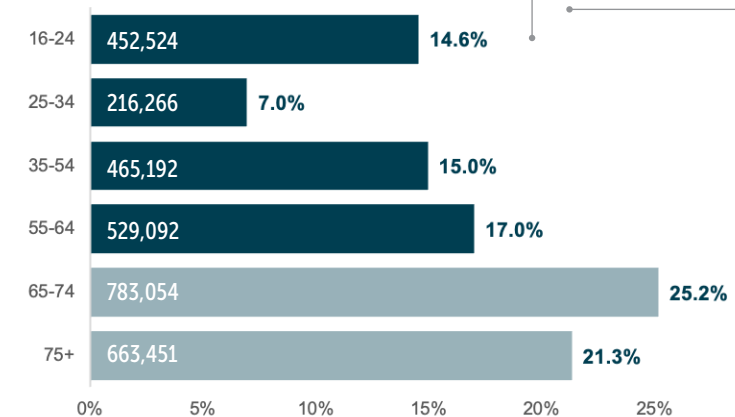
### GENDER



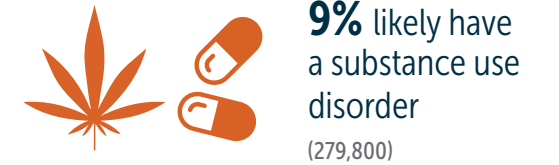
### DISABILITY



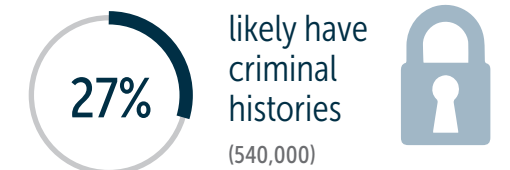
### AGE: AN OVERVIEW



### SUBSTANCE USE



### CRIMINAL HISTORY



### EDUCATION

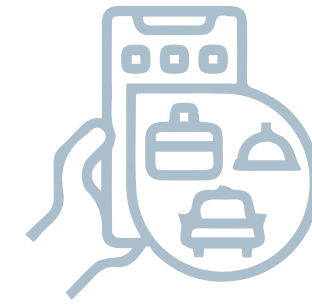


53.5% of the disconnected are working-age (16-64)

Official statistics suggest Michigan is finally at "full employment," with the unemployment rate falling to 4.3 percent as recently as May 2022. But if we include the men and women who have dropped out of the labor force since the pandemic alone, **Michigan's unemployment rate would look more like 7.2 percent – representing 137,000 potential workers.**

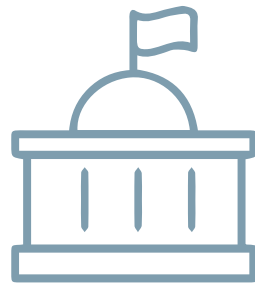
# DEATH BY 1000 CUTS

Many would-be workers are voluntarily disconnected from work, and government programs and policies have likely made work less attractive for these Michiganders. Here is a look at some of the many seemingly small factors that add up to big losses for our workforce.



Adults without a high school diploma are **2x** more likely to be out of the workforce; skilled workers are turning to gig work – which is difficult to measure

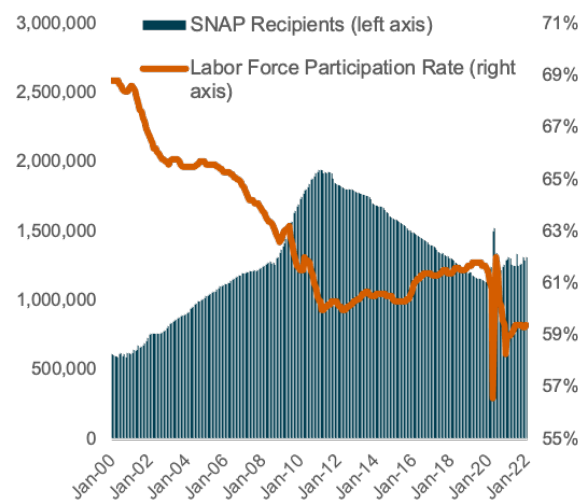
## ▼ How Benefits Hold Us Back



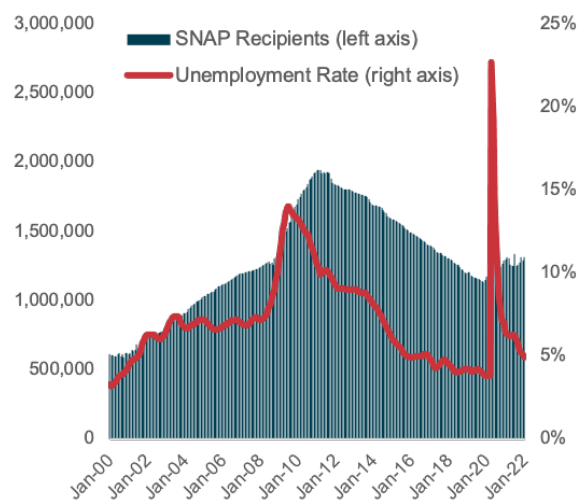
We need a safety net, but suboptimized and outdated policies hold us back and trap people in poverty. For example, disabled adults in Michigan are twice as likely to live in poverty and be disconnected from the workforce. Reforms are needed for social safety net programs, like Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Social Security Disability Insurance (SSDI), and Unemployment Insurance (UI) to encourage employment and economic mobility.

### Concerning Correlations

SNAP Enrollment vs. Labor Force Participation Rate (Jan. 2000-Jan. 2022)



SNAP Enrollment vs. Unemployment Rate (Jan. 2000-Jan. 2022)



**954,636** disabled individuals in Michigan were out of the labor force in 2020

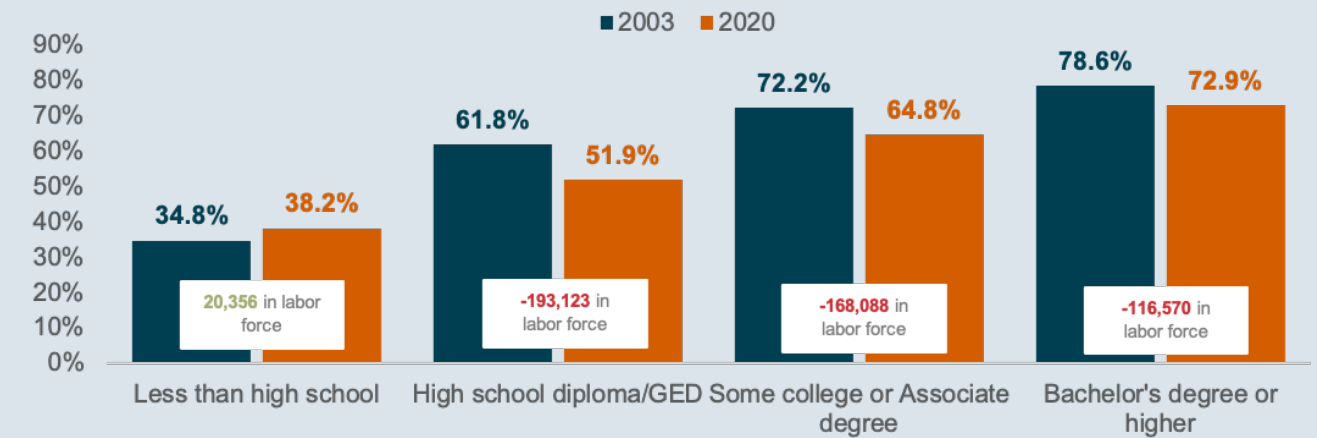
**19.1%** of TANF spending in Michigan is for work or work-related activities compared to a **national average of 60%**

SNAP enrollment **+111%** since 2000, while the share of able-bodied workers not working, but can, increased by **3x**

## ▼ Gig Work Shift Doesn't Explain All

Skilled workers are increasingly turning to nontraditional, flexible employment – such as independent contracting and project-based assignments – but the extent is difficult to measure and may result in overstating the number not in the workforce. Despite the growing popularity of gig work, however, numerous barriers prevent workers from connecting to opportunities. And at the same time that gig work is luring educated adults out of traditional workforce, those without credentials are still significantly more disconnected from any employment.

Labor Force Participation by Education (25+), Michigan



**534,000** Michigan residents likely full-time freelancers in 2020

**1.3M** out of labor force without a postsecondary credential in 2020



## ▼ More Drugs, Less Workers

There is growing evidence that greater access to opioids limits labor force participation – an important factor to consider when Michigan ranks 11th in the U.S. for the rate of opioid prescriptions. One study calculates that 44% of the decline in the labor force participation by prime-age male workers could be blamed on opioids. This is just a portion of the devastating toll that substance dependence takes on individuals, families and communities. 70% of individuals with substance use disorders remain employed, costing employers \$8,817 per worker, per year.



**54.4**  
prescriptions  
filled per  
100 residents  
in Michigan

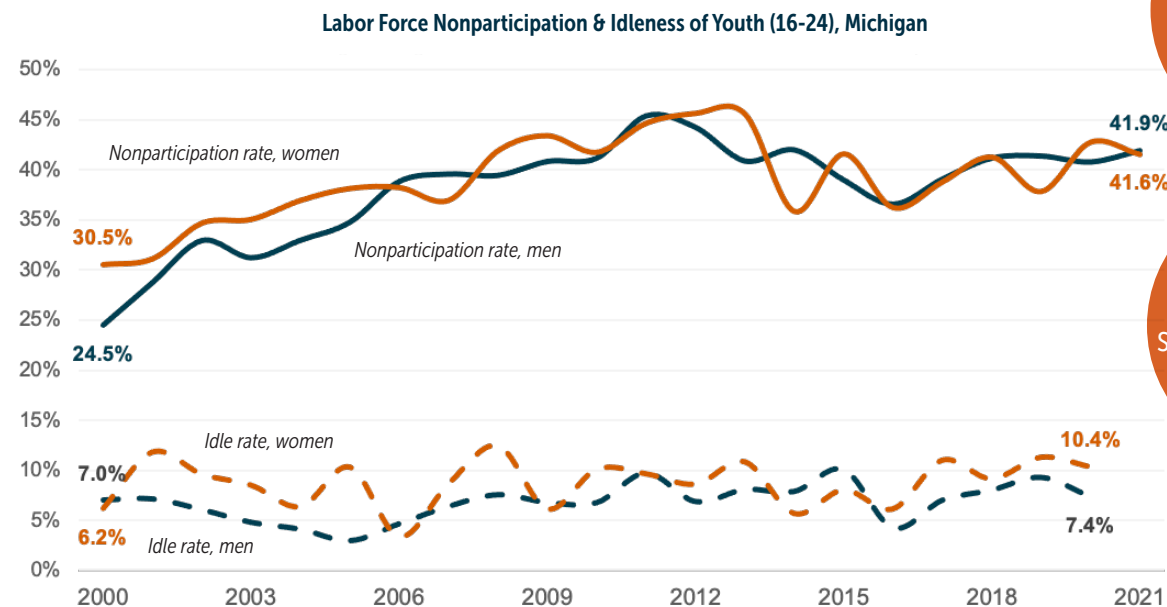
**279,860**  
likely out of the  
workforce due to  
a substance use  
disorder in 2020

**700,000**  
likely still employed  
with a substance use  
disorder in 2020

**\$8,817**  
annual cost for employers  
for each worker with  
an untreated substance  
use disorder

## ▼ Idle Youth

Young people (ages 16-24) in Michigan have exhibited the largest decline in labor force participation of any age group in the past two decades. More are choosing to enroll in postsecondary education – but we also saw increases in the number of those neither working nor enrolled in education. This is important because youth employment is a strong predictor of long-term labor force participation.



**146,480**  
fewer youth  
in workforce  
since 2000

**+2.2%**  
youth not in  
school or workforce  
since 2000

# GROWING OUR TALENT BASE

## Strategies for Now, Next and Later

The full version of this report contains a detailed action plan to address a wide scope of challenges we face. Some of these will require a long-term commitment. Some we can begin work on now; others, later.

These strategies have the potential to benefit millions of lives in Michigan, allowing them to enter the workforce, grow in their careers, and improve their quality of life. Many of the populations these strategies can benefit overlap, so the figures here should not be taken as a sum total.

### What We Can Do NOW

#### 1. Unemployment Insurance (UI) (4.8M likely to benefit)

- Create personal unemployment insurance savings accounts funded by employers and owned by individuals, allowing them to draw on their own savings during periods of unemployment
  - These funds could be used to supplement retirement or transferred to heirs, further incentivizing individuals to conserve the benefit and quickly return to work

#### 2. Employer Practices (1.3M likely to benefit)

- Expand use of front-loaded tuition assistance programs to reduce barriers to upskilling
- Expand work-based learning models to contextualize learning for K-12 students and adult learners
- Accelerate skills-based hiring and training to expand talent pool and increase access to good-paying jobs and skill-building opportunities
- Update and expand policies and practices to establish and maintain family-friendly workplaces
- Improve employer policies and resources to cultivate recovery-friendly workplaces
- Expand second chance hiring practices to eliminate the barriers of criminal backgrounds

#### 3. Earned Income Tax Credit (740,000 likely to benefit)

- Restore Michigan's EITC back to 20% of federal credit limit
- Increase state's EITC match for childless workers (25% in Maine; 100% in Maryland; 100% in D.C.)
- Expand eligibility to include some childless workers under 25 (see Colorado, California, Maine, Maryland, Minnesota, New Jersey, and New Mexico)
- Expand the EITC for noncustodial parents who work and regularly pay child support (see New York, D.C.)

#### 4. Adult Basic Education (710,000 likely to benefit)

- Align existing resources, maximize partnership potential, and improve data quality
- Increase funding and spending flexibility and encourage outcome-based funding (beyond WIOA measures)
- Increase compensation and legitimacy among the adult education workforce (credential) and provide more opportunities for professional development
- Increase access to adult education programs and tailor them toward individual barriers and goals

## What We Can Do NEXT

### 1. Supplemental Nutrition Assistance Program (SNAP) (450,000 likely to benefit)

- Stricter and more uniform enforcement of activities that directly lead to employment among able-bodied adults without dependents (ABAWDs)
  - Education and training (or community service time) can only count toward 50% of an individual's time limit work requirement
- Implement more stringent asset tests, documentation requirements, and frequent backend checks to determine if applicants are, and remain, eligible to receive benefits
- Expand state-specific success measures to include outcomes-based KPIs (similar to WIOA)
- Require and enforce that states attempt to place ABAWD in employment or otherwise engage them in assigned work activities (FEDERAL)
  - Only 30% of a state's work requirement can be fulfilled through education and training activities
- Establish and enforce basic eligibility rules and close loopholes that allow states to expand eligibility and benefits beyond federal program rules (e.g., eliminate broad-based categorical eligibility (BBCE) allowing states to waive asset testing) (FEDERAL)
- Expand the ABAWD age category to include those aged 50-54 and expand work requirements to include some able-bodied adults with dependents (FEDERAL)

### 2. Immigration (600,000 likely to benefit)

- Raise cap for legal immigrants and temporary foreign workers (H-1B/H-2B visas) (FEDERAL)
- Examine the recertification needs of foreign-trained immigrants to identify barriers and promising practices
- Implement targeted interventions to ease the transition of skilled foreign workers into their respective fields of study
  - Maryland established a credentialing office to help foreign-trained professionals navigate retraining/career options
  - Washington called for the state's higher ed providers to establish tailored programs to help skilled foreigners transition into their respective fields of study

### 3. Child Support Enforcement (CSE) (790,000 likely to benefit)

- Require SNAP participants to file child support cases before receiving aid, with similar exceptions for abuse cases similar to the TANF-CSE interaction
- Evaluate and scale pilot programs that require noncustodial parents to participate in workforce programs if they regularly fail to make payments
- Expand the EITC for noncustodial parents who work and regularly pay child support (see New York, D.C.)

### 4. Temporary Assistance for Needy Families (TANF) (34,000 likely to benefit)

- Invest in full-time DHHS caseworkers and caseworker training to improve the way recipients deal with barriers to work and help them get the work-support benefits for which they qualify (i.e., EITC, CTC, SNAP, and childcare)
- Codify pursuit of a high school diploma (or equivalency) to count toward work participation activities
- Emphasize the long-term benefits of work/training in communications with recipients and frequently share information on local job opportunities
- Implement asset tests, documentation requirements, and frequent backend checks to determine if applicants are, and remain, eligible to receive benefits in lieu of evaluating reported income or self-attestation
- Expand state-specific success measures to include outcomes-based KPIs (similar to WIOA)

### 5. Occupational Licensing (1.3M likely to benefit)

- Reduce or repeal unnecessary or unproductive occupational licensing requirements and ensure robust implementation of recent expungement reform
- Reduce licensing fees
- Expand reciprocity through interstate contracts
- Establish an independent commission to review existing laws

## What We Can Do LATER

### 1. Medicaid (1M likely to benefit)

- Require able-bodied, prime-age adults covered by Medicaid to participate in work or work-related activities for a minimum of 20 hours per week

### 2. Criminal Justice (540,000 likely to benefit)

- Form a dedicated task force to identify and evaluate reforms that address barriers restricting the employment opportunities of the formerly incarcerated, including legal restrictions to work in certain occupations, secure housing, and receive public assistance
- Expand "Certificate of Employability" criteria to include authorized programs designed for individuals who are no longer incarcerated
- Expand vocational villages to include training for a broader array of in-demand credentials offered at more locations
- Move Offender Success program and reemployment services from MDOC to LEO

### 3. Skill-Building (1.3M likely to benefit)

- Develop career pathways mapped to high-quality, stackable credentials
- Integrate digital skills instruction into foundational skill development and industry-specific digital skill development into technical training, providing real world examples and materials

### 4. Gig Work (540,000 likely to benefit)

- Shield independent contractors from reclassification (or reinstate DOL rule clarifying the definition of independent contractors)
- Work with state government to measure gig work more accurately (e.g., income tax filings)
- Establish universal savings accounts (USAs) and portable benefits for employees in non-standard arrangements
- Improve questions in the Contingent Worker Supplement (CWS)

### 5. Social Security Disability Insurance (950,000 likely to benefit)

- Shift from an "all-or-nothing" benefits structure to one that enables temporary and partial benefits scaled by earnings potential to enable capable beneficiaries who have a disability or temporary impairment to continue working (FEDERAL)
- Restructure policies and incentives to promote accommodation and rehabilitation first, using long-term cash benefits as a last resort once rehabilitation and accommodation have failed (FEDERAL)
  - Standardize the disability screening process and hold disability gatekeepers accountable for engaging applicants in work rehabilitation plans
  - Implement a new benefit assessment procedure requiring eligible claimants to provide evidence that they were unable to obtain employment through vocational rehabilitation or other employment services over a period of up to 2 years
  - Reduce/eliminate benefits to impaired workers who don't comply with their rehabilitation and accommodation plans
  - Improve incentives for employers to retain and rehabilitate partially disabled workers and mandate that employers document how they attempt to accommodate impaired workers
- Update the "medical-vocational grid" guidelines for determining benefit eligibility to account for advances in medicine and technology (e.g., remote work) that make employment opportunities more feasible for disabled workers (FEDERAL)
- Improve funding for early interventions to curtail growth of new recipients and remove limitations forcing SSA to focus on current recipients in favor of workers with health-based work limitations (FEDERAL)
  - Fund programs and supports that coordinate employer action (rehabilitation or accommodation) following employees' particular health shocks

# WHY THIS IS IMPORTANT

The absence of work not only harms business but it also causes people and communities to suffer.

The rising disconnection from employment over the past few decades represents a tremendous loss of economic potential and equally steep costs for communities.

We owe it to our community and the people who live here to reverse these losses.



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