

Michiganders at Risk of Unemployment

Identifying and Aiding Workers in Need

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The COVID-19 pandemic and subsequent stay-at-home orders have brought about extraordinarily high levels of business closures and unemployment. In Michigan, the unemployment rate has reached 22%, a dramatic shift from the low rate of 3.6% in February 2020. There is great uncertainty about the future of work and how quickly economic activity will expand and return to its pre-COVID-19 trajectory. It is increasingly likely that, at least in the near future, public health safety recommendations such as screening, social distancing, and use of personal protective equipment in the workplace will be necessary, and those who are able to perform their jobs from home will continue to do so. Unknown is how businesses will respond to the additional costs of implementing these measures, to the need for adequate space to ensure the safety of their workforce, or how quickly they will return to pre-COVID-19 employment levels. This brief examines the characteristics of individuals at risk of layoffs in Michigan due to COVID-19 and proposes considerations for workforce development practitioners and policy makers moving forward.

Unemployment by Sector

As is widely reported, the economic sector hit most hard by the 2020 economic lockdown in response to COVID-19 has been leisure and hospitality, which recorded a 47% drop in employment nationally in April of 2020. Although this sector represents 9.8% of Michigan jobs, this is somewhat less than the 11% national average. All other sectors also experienced job losses, but of a much smaller scale. Education, health, construction, manufacturing, retail, professional and business services, and transportation each lost between 10% and 14% of their jobs.¹ Combined with leisure and hospitality, these sectors comprise two-thirds of all Michigan jobs.

Who is Most at Risk?

Researchers at the Federal Reserve Bank of St. Louis took a detailed look at the workers most at risk of unemployment.² They rated occupations that were deemed essential, capable of being performed from home, or salaried as low-risk, with all other occupations rated as higher risk for layoffs. The estimate found nearly half (46%) of all US occupations were in the high-risk category, and metro-area workers tended to have lower risk of layoffs. In Michigan, 49% of occupations fall into the high-risk category. The Grand Rapids metro area had one of the nation's highest shares of high-risk workers (ranked 3rd nationwide with 47%).

We expanded on the Federal Reserve's analysis by applying the same coding scheme to the state of Michigan using American Community Survey (ACS) microdata. Using the 2017 five-year sample (with respondents from the



49% of Michigan occupations are at high risk of layoffs due to COVID-19

2013-2017 survey waves),⁴ we matched each self-reported occupation to the Federal Reserve codes as either at high or low risk of layoffs. Despite the fact that we employed an entirely different survey, we also found that 49% of Michigan's workers were at higher risk of being unemployed due to COVID-19 shutdowns.

The risk of unemployment due to COVID-19 is not distributed equitably. Making use of the ACS data allowed us to examine differences by race, ethnicity, income, gender, education, and region of the state. Our analysis suggests that disparities exist in who bears the most risk of job loss due to COVID-19. While other demographic characteristics play a role, education and gender were the most important factors in determining risk of unemployment.

- Individuals with at least some college education are much less likely to work in high-risk occupations (36%) than those with only a high school diploma (67%). An even larger share of non-high school completers are at risk (79%).
- Because of the character of their work, men (57%) are much more likely to be vulnerable to layoffs at this time than women (40%).
- Hispanic (59%) and African-American (53%) workers are at much greater risk of unemployment than non-Hispanic Whites (48%). This is in part because both groups are much less likely to be able to perform their jobs at home: only 21% of Hispanics and 25% of African-Americans compared with 33% of all workers. In general these inequalities are similar to national

averages, although African Americans in Michigan are relatively more at risk than those elsewhere (53% vs. 47% nationally).

- Overall, workers outside of major metro areas are also at greater risk of layoffs (54% vs. 47%).
- Broken out by region of the state, the Upper Peninsula and Northern part of the state have more workers at risk of being laid off (53%), while the Southeast has the lowest risk for layoffs (47%).
- Workers with the highest risk of layoffs have much lower incomes than low-risk workers. The average annual wage of workers at low risk of layoffs was \$52,286 compared with \$32,285 average annual wages for workers at high risk.
- Younger workers (under age 25) are much more likely to be at risk of layoffs (67% vs. 42-48% for other age groups).

Implications

There is no question that the recovery will bring about a fresh set of challenges for workforce practitioners and policy makers, as well as those providing social and economic supports. It is possible that many of the people that have become unemployed due to COVID-19 will not be hired back by their previous employers; a recent study estimated that 42% of recent job losses could be permanent.⁵ Lessons learned during the previous recovery are likely to have varying degrees of applicability to the current crisis, so new ways of thinking, forging of new partnerships, and sharing of promising approaches will be of paramount importance. We think it is important at this time, as the state begins the process of reopening the

economy, that policymakers and practitioners consider the following questions.

Questions to Consider

- How can communities of color be meaningfully engaged with partner agencies and businesses to facilitate job retention and re-employment?
- What new approaches are needed to accommodate the learning and upskilling needs of both youth and adult workers?
- How does the workforce system more deeply engage employers to help workforce boards understand current local labor market conditions and skill sets needed?
- What changes to service delivery for both employers and job seekers will be required?
- How should the system be adapted to meet the needs of the workers that experience longer-term unemployment and the expiration of unemployment insurance benefits?

Suggested Practices and Policies

Form advisory groups that reflect the populations most at risk.

Representatives from these populations can offer insights on community-level experiences, concerns, and needs valuable to response planning.

Target supports to the most at-risk groups. With nearly half of Michigan workers at high risk of being laid off, limited resources should be aimed at preventing layoffs and mitigating the economic effects of existing unemployment for those sectors and occupations.

Leverage the Michigan Works! system and their partner networks to provide additional supports to businesses and employees. Each of the 16 Michigan Works! agencies have robust relationships with community partners, businesses, education providers, and economic development agencies in their regions. The Michigan Works! agencies are well positioned to

communicate increased levels of information, tools, resources, and other supports to both business and workers affected.

Use a coordinated case management and service approach. Workforce agencies, community colleges, and other regional and community-based organizations can work together to fast-track re-employment for

individuals who have the skills to transition into available jobs and to assist people facing longer-term unemployment.

References

¹ U.S. Bureau of Labor Statistics, “Payroll Employment down 20.5 Million in April 2020,” *TED: The Economics Daily*, May 12, 2020, <https://www.bls.gov/opub/ted/2020/payroll-employment-down-20-point-5-million-in-april-2020.htm>

² Charles Gascon, Federal Reserve Bank of St. Louis, “COVID-19: Which Workers Face the Highest Risk?,” *On the Economy Blog*, March 24, 2020, <https://www.stlouisfed.org/on-the-economy/2020/march/covid-19-workers-highest-unemployment-risk>

³ Charles Gascon and Devin Werner, Federal Reserve Bank of St. Louis, “COVID-19 and Unemployment Risk: State and MSA Differences,” *On the Economy Blog*, April 3, 2020, <https://www.stlouisfed.org/on-the-economy/2020/april/covid-19-unemployment-risk-state-msa-differences>

⁴ The most recent five-year ACS was 2018, but it used a different occupational classification system than earlier years and hence was inappropriate for producing a five-year sample.

⁵ Jose Barrero, Nicholas Bloom, and Steven Davis, “COVID-19 is Also a Reallocation Shock,” National Bureau of Economic Research Working Paper No. 27137, May 2020, <https://www.nber.org/papers/w27137>