

WEST MICHIGAN VIEWPOINT

Labor markets in west Michigan continue to be tight, with many businesses singing the familiar refrain that they cannot find qualified workers. Labor market numbers for west Michigan show that the slack in the labor force from the recession is gradually disappearing. Unemployment rates in the region remain at or below the national rate of 4.9 percent, which many analysts, including those on the Federal Reserve Board, consider to be full employment. Also, the region's labor force participation rate of 65.2 percent (the percentage of the working-age population employed or currently looking for employment) is above the national rate. Together, these indicators signal that there are fewer people "in the wings" waiting for the right moment—higher wages or better career opportunities—to come back into the labor force.

There may be a little more room yet to draw people into the labor force. While west Michigan's labor force participation rate today is 65.2 percent, which is higher than the national rate of 62.7 percent, it is still less than the region's rate before the recession of 68.7 percent. If the region had the same rate now as in 2006 (holding the unemployment rate at today's rate), there would be another 13,500 jobs in west Michigan.

The region actually added 19,210 jobs in the 2016 calendar year, an increase of 2.3 percent from the beginning of that year. Yet areas with higher job growth also experienced higher labor force participation rates, which suggests tight labor markets in growing areas. For example, the Grand Rapids MSA added 12,700 jobs in 2016 while facing a labor force participation rate of 68.7 percent. Muskegon, on the other hand, experienced little job growth and exhibited a labor force participation rate of 57.1 percent. The map displays labor force participation rates of other counties in west Michigan, suggesting a checkerboard of tight labor markets in the region.

Can high participation be an impediment to future growth in west Michigan? A recent survey of business services staff from Michigan Works! Southwest revealed two interesting findings that may address this question, at least in the short run. From talking with area businesses, staff members learned that a large share of employers plan to hire in 2017 but recognize that low wages and little wage increase over the past several years may make it difficult to fill vacancies without raising wages. At the state level, the University of Michigan's latest forecast calls for employment growth of 0.7 percent—or an additional 32,700 jobs—from the fourth quarter of 2016 to the fourth quarter of 2017, a slowdown from the 2.3 percent employment growth the year before. Although west Michigan employment has grown faster than that of the state as a whole, and although the region is slowly gaining in its share of state employment and labor force, employment in the region may slow in 2017, easing hiring and wage pressures.

