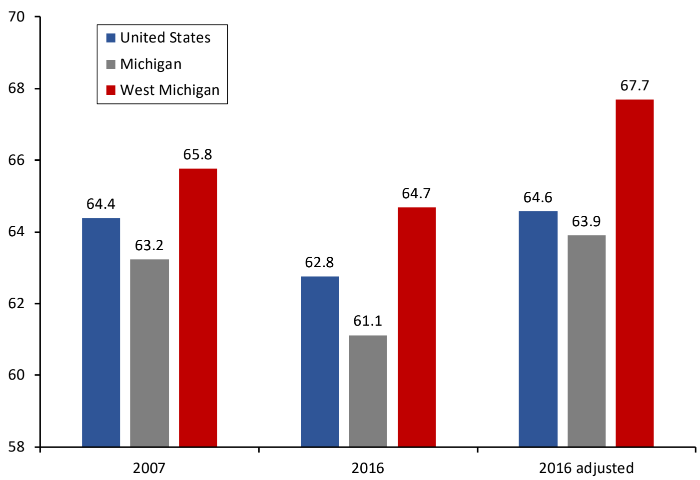
WEST MICHIGAN VIEWPOINT

This edition of *Business Outlook* offers a retrospective on the Great Recession, its aftermath, and how elements of the economy have changed over the past 10 years. In particular, the issue examines how the recession affected labor force status, employment change, auto manufacturing, housing construction, and other aspects, and where they stand currently.

Michigan Labor Force Participation Rate, 2007 and 2016



SOURCE: U.S. Census American Community Survey (ACS).

The third set of bars shows how the labor-force participation rates in 2016 for national, state and west Michigan would have been affected if the age distribution that existed in 2007 had stayed the same. Under this hypothetical, the nation and the state of Michigan experience growth of only a few tenths of a point from 2007, but west Michigan shoots up by nearly two points, to a labor-force participation rate approaching 68 percent.

The Great Recession officially began in December 2007 and persisted through May 2009. In June of that year, it hit its trough and began an expansion that is approaching the second-longest in U.S. history. In this edition, we refer to 2007 generally as the high point before the recession started, and 2009 as the depth of the recession.

Across the United States, across Michigan, and across the west Michigan region, elements of the economy such as employment and housing starts rose and fell differently in this 10-year period. Have we made up the economic ground that was lost during the 18 months of the recession, before recovery started in June 2009? That is the question this issue is devoted to examining from various perspectives—national, state, region, and local metropolitan area.

Here in west Michigan, employment has largely recovered. In 2007, right before the Great Recession, unemployment stood at 6.3 percent. Currently, the unemployment rate for west Michigan is 4.1 percent, the same as the nation's and lower than the state's, which is 4.5 percent. As of last quarter, there are 39,000 people in our area of west Michigan considered unemployed and looking for work, and, according to Burning Glass Technologies, a database of online job postings, there are 40,184 job openings. In comparison, in 2007 there were 58,738 people in west Michigan unemployed and 68,175 job openings.

The other part of the employment equation is the labor-force participation rate (LFPR)—the share of people 16 and over in the economy who are part of the labor force—in other words, either working or looking for work. West Michigan has outpaced both the nation and the state in LFPR (see figure above). According to the Bureau of Labor Statistics, west Michigan had a higher LFPR in 2007 (65.8 percent) than in 2016 (64.7 percent). (Final figures for 2017 aren't available yet.) However, the folks that accounted for the higher LFPR in 2007 were nine years older in 2016, and some of them had by then, of course, retired.

So the theoretical question arises: if the various age cohorts had kept the same percentages of the overall age distribution in 2016 as they made up in 2007, how would that affect the LFPR, assuming we kept constant the current age-based participation rates for each age cohort? The impact is dramatic. Using this approach, west Michigan would increase 3.0 percentage points, to a rate of 67.7 percent—far more than nationally or statewide.

That hypothetical would translate into another 196,000 workers to fill job openings currently going wanting, if somehow the demographics could reverse course. But with the baby boomers inexorably reaching retirement age, west Michigan needs to find another solution to its tight labor market.