WSI HIRE WIRE

RECRUITMENT AND STAFFING

SEPTEMBER 2024

Unemployment in WSI markets exceeds rates of state, nation.

LANSING, Mich. (AP) — Michigan's job market is under pressure, with rising unemployment rates and a challenging outlook for the state's manufacturing sector. Unemployment across Michigan climbed from 3.9% in May to 4.4% in July 2024, according to recent data from the Bureau of Labor Statistics. Key manufacturing hubs like Grand Rapids, Kalamazoo, and Battle Creek experienced even sharper increases, reflecting broader economic challenges.

Manufacturing, a cornerstone of Michigan's economy, has been particularly hard-hit. The sector has seen a year-over-year employment decline of approximately 1.6%, driven by global supply chain disruptions,increased material and labor costs, and slowing demand for durable goods.

Despite growth in other sectors like healthcare and construction, the manufacturing industry is facing headwinds that are contributing to a statewide slowdown in hiring.

The rise in unemployment comes as companies grapple with economic uncertainties, leading many to scale back on expansion plans and new hires. The trend is consistent with national figures, where unemployment has also inched up, reaching 4.3% in July.

Month	Kzoo	GR	BC	Michigan	USA
May-24	3.8	3.2	4.4	3.9	4
Jun-24	4.7	4	5.5	4.1	4.1
Jul-24	5.1	4.4	5.5	4.4	4.3

unemployment rate

"The labor market looks weaker than originally reported."

Jeffrey Roach, chief economist at LPL Financial

INFLATION COOLS AGAIN IN JULY

The July PCE (Personal Consumption Expenditures) report, released on August 30, 2024, shows that inflation is continuing on a cooling trend, which aligns with the Federal Reserve's target and could pave the way for upcoming interest rate cuts.

The report reveals a modest increase of 0.2% in both headline and core inflation, with core inflation—excluding food and energy prices—rising by 2.6% year-over-year, slightly below expectations.

However, the U.S. savings rate has dropped to its lowest level since June 2022, putting consumers in a potentially vulnerable position if the economy weakens unexpectedly.

The current inflation figures are reassuring to some economists, like former St. Louis Fed President James Bullard, who believes the data supports a rate cut by the Federal Reserve in September, with further cuts likely in November and December.

COMPANIES STILL WANT STAFFING AGENCIES TO DO THE HIRING FOR THEM

A recent survey by Indeed Flex found that 68% of US hiring managers use staffing firms to recruit staff, manage seasonal fluctuations, and cover for absent employees. However, 70% of managers report low fulfillment rates due to difficulty finding the right workers. Many businesses (61%) work with multiple staffing providers, yet an equal percentage of hiring managers express concerns about the lack of visibility into performance and costs.

Key reasons for using staffing firms include recruiting new staff (44.5%), managing seasonal demands (43.4%), and covering for absentee employees (38.6%). Additionally, 52% of businesses spend $10,000 to over $50,000 annually on vendor management system (VMS) software to improve oversight.

The survey was conducted in August with responses from 1,000 US hiring managers.

WAGE RESET SHIFTS HIRING LANDSCAPE

In the aftermath of the significant wage hikes from 2021 to 2023, the staffing industry, particularly in the manufacturing sector, is witnessing a notable shift in the wage landscape. Companies are increasingly resetting pay levels, marking a clear end to the era of overpaying for talent. This shift is evident as wages for new hires, even in traditionally high-demand sectors like manufacturing, are being scaled back significantly.

With the hiring market cooling, employers now have more leverage to dictate pay rates, often offering salaries that are tens of thousands of dollars lower than just a year ago. This trend is not confined to white-collar roles but is also sweeping through blue-collar sectors, where wage adjustments have become a norm. The strategic move to control labor costs is further emphasized by geographic arbitrage, where jobs are relocated to lower-cost regions or even outsourced overseas, allowing companies to save on wages.

For professionals in the staffing industry, this changing climate is crucial. The aggressive wage hikes we navigated between 2021 and 2023 may now be giving way to a more conservative approach. While this may alleviate some pressures related to internal pay equity, it also presents challenges in talent retention and recruitment. Workers who may accept lower pay today due to current market conditions could become flight risks when opportunities with better compensation arise.

As we continue to adapt to this evolving environment, balancing cost control with the need to attract and retain skilled workers will be paramount. The long-term success of staffing strategies will depend on how well we navigate this new wage landscape in the manufacturing sector.

Read the article about how employers are keeping wages stable in this week's Wall Street Journal.

AUTO
NEWS

MICHIGAN'S BIG EV DREAM HAS ITS CHALLENGES

Ford Motor Company's ambitious plans for the BlueOval Battery Park in Marshall, Michigan, signify a major step in the state's role in the electric vehicle (EV) revolution. Despite a scaled-down scope, the project is set to kick off production of lithium iron phosphate (LFP) batteries by 2026, aiming for an annual capacity of 20 gigawatt-hours. This move is critical in Ford's strategy to lower EV costs, as these domestically produced batteries are expected to reduce reliance on rare minerals, making electric cars more affordable.

However, Ford's journey into the EV market has been anything but smooth. Recently, Ford announced a significant shift in its strategy by shelving plans for a three-row electric SUV and delaying the release of a new electric version of its best-selling F-150 pickup. This decision is part of a broader cost-cutting initiative as Ford responds to slower-than-anticipated consumer adoption of EVs. Instead, Ford is doubling down on smaller vehicles, particularly mid-sized pickups and commercial vans, segments where the company has traditionally excelled. Additionally, Ford is increasing its investment in hybrid vehicles, which combine electric motors with gasoline engines, offering consumers a more cost-effective transition from traditional combustion engines.

The plant in Marshall is anticipated to create over 1,700 jobs, providing a significant boost to Michigan's economy. The facility itself, sprawling over 1.8 million square feet, is about 20% complete. Though initial projections were higher, the project's scale-down reflects the broader uncertainties in the EV market. Despite these challenges, Ford's commitment remains strong, evident in their environmental focus.

The company has allocated 245 acres along the Kalamazoo River for conservation and is investing in advanced stormwater management and air quality technologies.

Meanwhile, Toyota is taking a different approach in Michigan, emphasizing its long-standing expertise in hybrid technology. The company is building a $50 million battery lab in the state to advance its battery technology, not just for fully electric vehicles but also for hybrids and plug-in hybrids. This cautious yet deliberate expansion contrasts with Ford's more aggressive push into full electrification. Toyota's strategy, which has seen the successful sale of over 23 million electrified vehicles globally, highlights the diverse paths automakers are taking as Michigan becomes a hub for innovation in the automotive industry.

As Ford and Toyota navigate the challenges of transitioning from traditional combustion engines to an electrified future, Michigan stands at the forefront of this shift. The BlueOval Battery Park and Toyota's battery lab represent not just investments in the state's economy but a commitment to sustainable innovation in the heart of America's automotive industry.

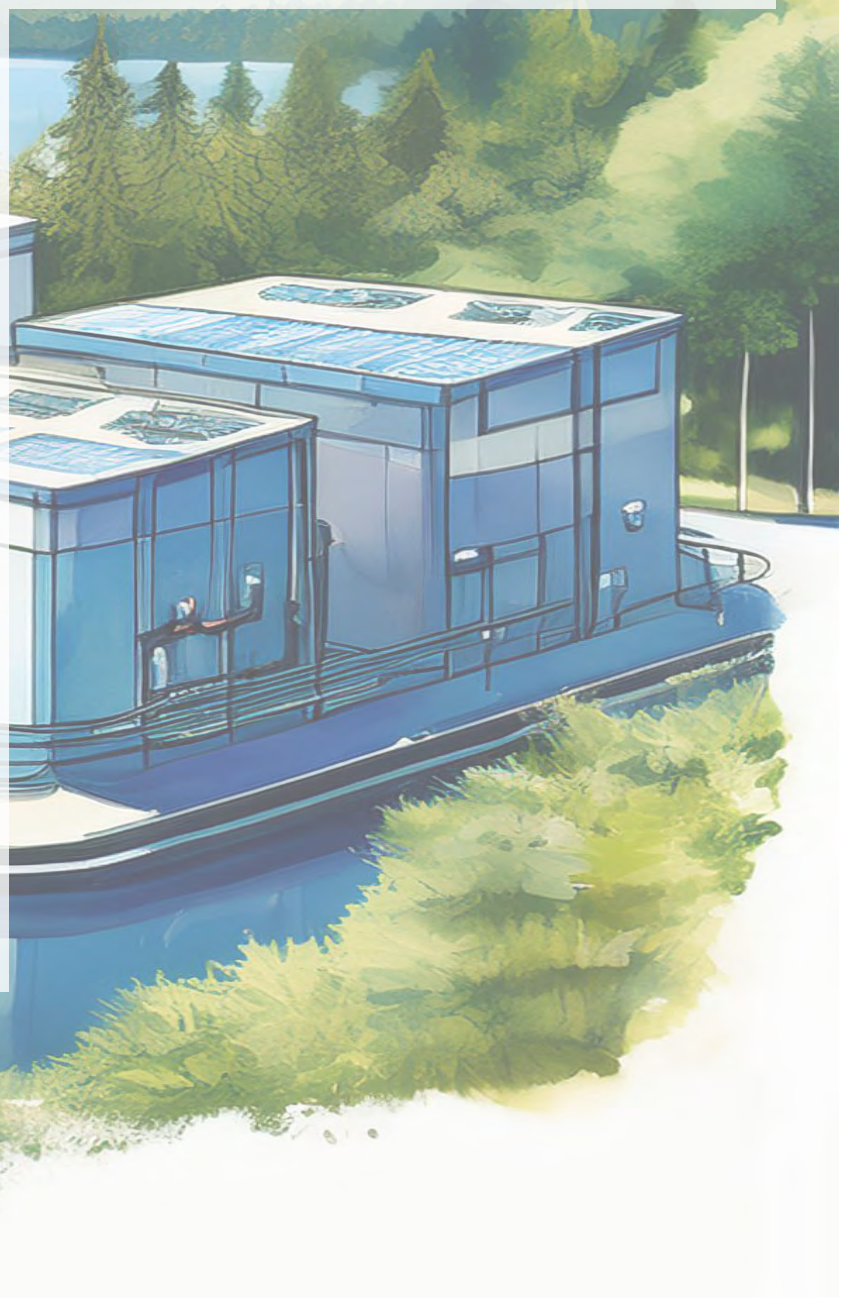
The proposed Gotion battery plant near Grand Rapids has become a flashpoint in Michigan's ongoing debate over foreign investment and national security. The $2.36 billion project, planned for Green Township, has faced fierce opposition from local residents and political figures alike due to its ties to China. Republican Vice Presidential nominee J.D. Vance, along with other GOP leaders, has criticized the plant, claiming that Gotion Inc.'s connection to the Chinese Communist Party poses a significant threat to U.S. national security. At a recent rally in Big Rapids, Vance argued that the plant, supported by state and federal funds, could undermine Michigan's auto industry and put the state's workers "*under the thumb of the Chinese Communist Party.*"

The project is expected to create 2,350 jobs in the Big Rapids, MI area.

The controversy surrounding the Gotion plant has not only sparked concerns about national security but also about environmental impacts. Critics, including former gubernatorial candidate Tudor Dixon, have raised alarms about the potential use of hazardous chemicals at the facility and its high water consumption—over 700,000 gallons per day—posing risks to local waterways. This opposition has turned Green Township into a "political battleground," with many residents fearing the long-term consequences of the project. The debate underscores the complex challenges Michigan faces as it navigates the intersection of economic development, environmental stewardship, and global geopolitical tensions.

Ford's fourth cell plant in Marshall, Michigan will produce lower cost lithium iron phosphate (LFP) cells in 2026. Ford hasn't specified which vehicles will use cells from this plant, although replacing the current supply of Chinese-made CATL LFP batteries in the standard range Mach-E will certainly be a priority for Ford. According to Forbes, these cells will probably also be used in the Lightning, the midsize truck, e-Transit and the new van as well.

The Mach-E also uses the same LG cells from Poland that are in the e-Transit and Ford is working with LG to resource those from its plant in Holland, Mich. that is currently being expanded. That transition should occur sometime in 2025 and make the Mach-E again eligible for IRA tax credits.



Battle Over Noncompetes Continues

On August 20th, a federal judge in Texas struck down the U.S. government's impending ban on noncompete agreements, which was slated to take effect on September 4, 2024. Judge Ada Brown ruled that the Federal Trade Commission (FTC) exceeded its authority in approving the ban, stating that the agency overstepped its rulemaking powers.

Despite the court's decision, the FTC has expressed its disappointment and is considering an appeal, emphasizing that it will continue to challenge non competes through individual enforcement actions. The ban would have mostly exempted senior executives but required employers to notify workers that existing agreements were no longer enforceable.

GR Riverfront Renovation is Hot To Go

Grand Rapids is undergoing a $700 million transformation along its riverfront, thanks to the approved Transformational Brownfield Plan. On August 27th, Michigan awarded $252 million in public funding through tax gains to support a development project that community partners say will remake Grand Rapids' waterfront district.

Spearheaded by Grand Action 2.0 and the City of Grand Rapids, the project includes a 12,160-seat Acrisure Amphitheater, a scenic riverwalk, and a 21-story mixed-use building with 475 apartments.

Additionally, an 8,500-seat soccer stadium will anchor the development, accompanied by The Stadium District Tower, featuring retail, office spaces, and 260 apartments.

The initiative aims to create 735 residential units, 250 jobs, and establish Grand Rapids as a premier urban destination.

With inflation falling below the Fed's target of 3%, signs point to an announcement of a rate reduction from the Federal Reserve.

When the Federal Reserve lowers interest rates, borrowing costs for businesses decrease, making loans more affordable and encouraging expansion. This reduction also benefits consumers, leading to lower payments on mortgages, car loans, and credit cards. With reduced borrowing costs, businesses can invest in growth, hire more employees, and expand operations.

Simultaneously, consumers have more disposable income, which boosts spending and stimulates economic growth. Lower rates can also invigorate the housing market, as affordable mortgage rates make homeownership more accessible. Ultimately, reduced borrowing costs for both businesses and consumers drive economic expansion.

WHAT HAPPENS WHEN THE FEDERAL RESERVE ISSUES A RATE CUT?

January	No change	5.25% - 5.50%	The Fed maintained its rate, focusing on monitoring inflation trends.
March	No change	5.25% - 5.50%	Rates held steady as inflation showed signs of stabilizing but remained a concern.
May	No change	5.25% - 5.50%	Fed remained cautious, keeping rates unchanged to further assess inflation control.
July	No change	5.25% - 5.50%	The Fed continued to monitor inflation, with no rate changes amid economic uncertainty.
Sep 2024 (Expected)	Potential rate cut by 25-50 basis points	4.75% - 5.25% or 5.00% - 5.25% (Expected)	Markets anticipate a rate cut due to cooling inflation and economic slowdown concerns.
Dec 2024 (Expected)	Potential further rate cut	4.25% - 4.50% (Expected)	Depending on economic data, a further rate reduction is likely by year-end.

MAJOR JOB REVISION CREATES CONCERNS

A new report showed that actual job growth through March of 2024 was about 20% less than the reported numbers. It was the largest revision of job numbers in fifteen years.

Employers added 818,000 fewer jobs than originally reported for the year through March, marking the largest downward revision since 2009.

The revised data, released on August 22nd and based on state unemployment tax records, highlights a slight cooling in the labor market. Average monthly job gains from April 2023 to March 2024 were adjusted to 173,500, down from nearly 242,000.

Despite this adjustment, job growth remains historically strong, and the US economy continues to show resilience. So, instead of adding a robust average of 242,000 jobs a month during that 12-month period, the nation gained a still solid 174,000 jobs a month, according to the latest estimate.

As the final figures are expected in February 2025, there's cautious optimism that the nation can still avoid a recession.

For September, we’re spotlighting Grand Rapids in our Hire Wire issue, celebrating the remarkable strides our local branch has made this year.

The year began with a leadership change and the proliferation of a nearly all brand new team, led by veterans with only a year or so under their belts.

But that hasn’t stopped our Grand Rapids branch from being on fire in 2024. We’re proud of the success stories and excited about the future opportunities in this vibrant market.

As of mid-2024, Grand Rapids’ employment landscape presents a mix of growth and challenges. While total employment has increased, particularly in healthcare, the unemployment rate edged up to 4.4% by August due to seasonal auto industry slowdowns.

Despite this, the local labor market remains strong, with a consistent rise in workforce levels. While sectors like manufacturing and government have seen some decline, Grand Rapids’ overall employment health remains resilient, setting the stage for continued success.