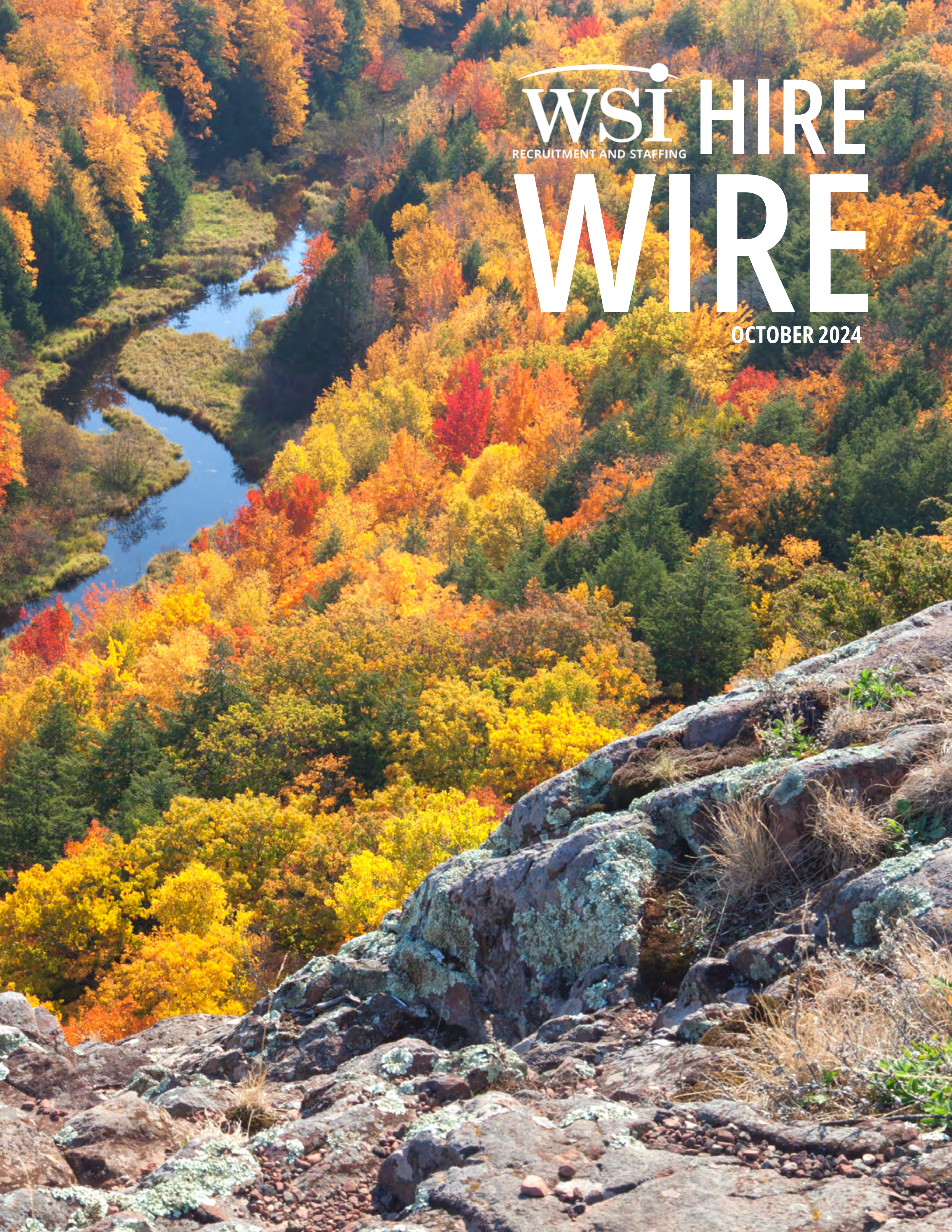
WSI RECRUITMENT AND STAFFING

HIRE WIRE

OCTOBER 2024



UNEMPLOYMENT NUMBERS TICK UP

In August 2024, nonfarm payroll employment increased by 142,000 jobs, showing steady growth but falling short of the previous 12-month average gain of 202,000. Key sectors contributing to this growth were construction and healthcare, while manufacturing experienced a slight setback.

Manufacturing jobs fell by 24,000, largely due to a drop of 25,000 in durable goods. Over the past year, manufacturing employment has stayed relatively flat. The manufacturing workweek held steady at 40 hours, with overtime slightly rising to 3.0 hours.

On earnings, private nonfarm workers saw a 14-cent rise in average hourly wages in August, bringing the average to $35.21—a 3.8% increase over the past year. Production employees also saw their earnings rise by 11 cents, to $30.27.

Regional unemployment rates provide added context. From June to August 2024, Kalamazoo's rate increased from 4.1% to 5.1%, while Grand Rapids saw a rise from 3.5% to 4.4%. Detroit experienced a sharper increase, going from 4.2% in June to 6.4% in August. Battle Creek saw a similar jump, rising from 4.6% to 6.3% over the same period.

Michigan's overall unemployment ticked up from 4.1% in June to 4.5% by August, while the national average reached 4.2%.

Unemployment - Summer 2024

	JUNE	JULY	AUGUST
Kalamazoo	4.1	4.7	5.1
Detroit	4.2	5.2	6.4
Battle Creek	4.6	5.5	6.3
Grand Rapids	3.5	4.0	4.4
Michigan	4.1	4.4	4.5
United States	4.1	4.3	4.2

WHAT'S CHEAPER? WHAT'S NOT?

This summer, the Consumer Price Index (CPI) revealed steady increases in the price of goods, with July and August rising by 0.2%.

Over the past 12 months, overall prices rose 2.5%, with notable growth in housing costs, up 5.2%, and food prices increasing 2.1%. Energy prices, however, dropped significantly, down 4%, including a 10.3% drop in gasoline. Shelter prices remained a key driver of inflation throughout the year.

Item	June	July	Aug	12 month change
All items	-0.1	0.2	0.2	2.5
Food	0.2	0.2	0.1	2.1
Food at home	0.1	0.1	0	0.9
Food away from home	0.4	0.2	0.3	4
Energy	-2	0	-0.8	-4
Energy commodities	-3.7	0.1	-0.6	-10.1
Gasoline (all types)	-3.8	0	-0.6	-10.3
Fuel oil	-2.4	0.9	-1.9	-12.1
Energy services	-0.1	-0.1	-0.9	3.1
Electricity	-0.7	0.1	-0.7	3.9
Utility (piped) gas service	2.4	-0.7	-1.9	-0.1
All items less food and energy	0.1	0.2	0.3	3.2
Commodities less food and energy commodities	-0.1	-0.3	-0.2	-1.9
New vehicles	-0.2	-0.2	0	-1.2
Used cars and trucks	-1.5	-2.3	-1	-10.4
Apparel	0.1	-0.4	0.3	0.3
Medical care commodities	0.2	0.2	-0.2	2
Services less energy services	0.1	0.3	0.4	4.9
Shelter	0.2	0.4	0.5	5.2
Transportation services	-0.5	0.4	0.9	7.9
Medical care services	0.2	-0.3	-0.1	3.2

NATIONALLY #3, MICHIGAN REMAINS THE TOP CLEAN ENERGY EMPLOYER IN THE MIDWEST

A recent report from E2, based on data from the U.S. Department of Energy, places Michigan sixth in the nation for clean energy jobs.

The 2024 Clean Jobs America Report highlights that Michigan is home to nearly 128,000 clean energy jobs, with the sector growing at almost twice the rate of overall employment in the state. This growth positions Michigan as a leader in clean energy, behind only Texas and California in the energy sector's job growth.

Clean energy jobs, which include energy efficiency, renewable energy, and clean vehicle manufacturing, are becoming a significant part of the state's economy. In Detroit alone, clean energy jobs have placed the city in the top 10 nationwide for this sector.

Nationally, clean energy jobs are increasing 200% faster than the economy-wide average, with nearly 150,000 jobs added in the past year alone. Currently, there are 3.5 million clean energy workers in the U.S., and over half of these jobs are in energy efficiency, followed by renewable energy and clean vehicles.

Michigan's clean energy sector thrives due to its strong advanced manufacturing industry—highlighted by significant investments in electric vehicle production by companies like General Motors and Ford—and a dedicated effort to reduce reliance on fossil fuels.

The state's commitment is reflected in policies such as the Clean Energy Jobs Act, aiming to increase renewable energy use to 35% by 2035. This focus has created numerous job opportunities, from solar panel installation to wind turbine maintenance, and has driven innovation in battery technology and energy storage.

Michigan's continued investment in clean energy is expected to boost job growth and promote long-term sustainability, contributing significantly to the nationwide transition towards renewable energy.

For more details on the Clean Jobs America report and to explore the data, you can visit this link.

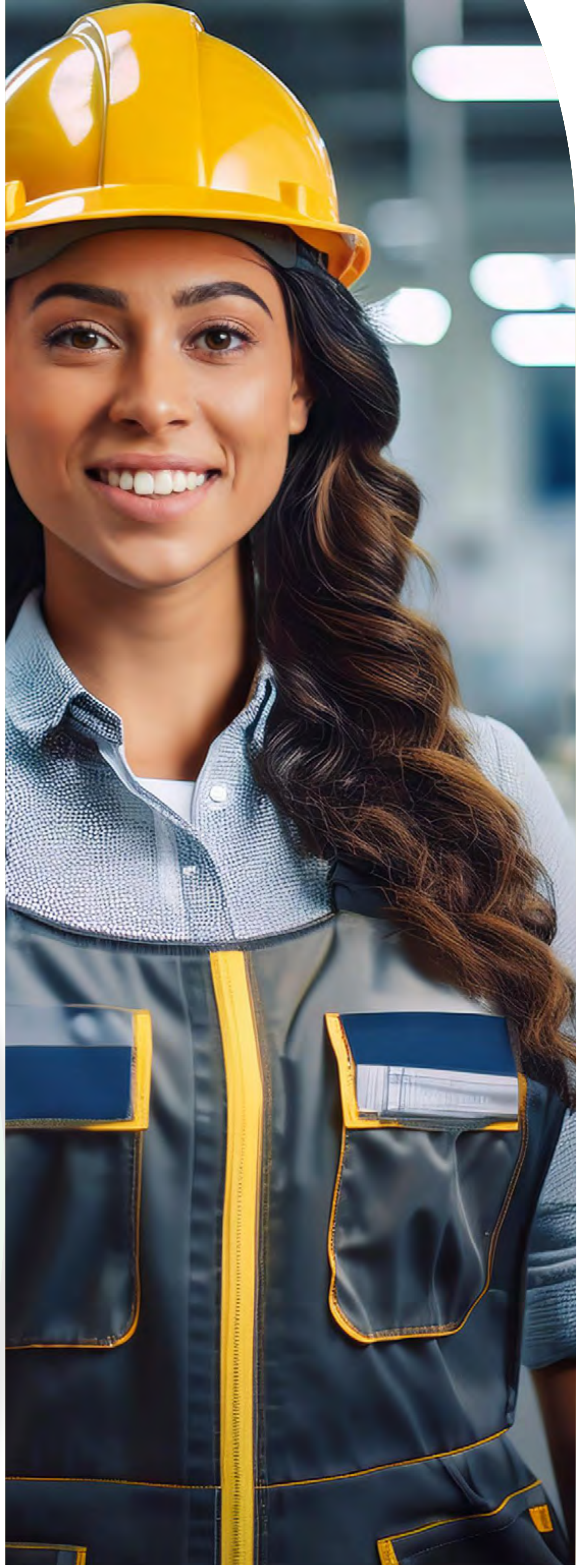
GROWTH IN CLEAN ENERGY JOBS:

Clean Vehicles: +60% over the past three years

Renewable Energy: +14% since 2020

Storage & Grid Modernization: +15% since 2020

Other: +11% since 2020



UNDERSTANDING THE IMPACT OF THE FEDERAL RESERVE'S RECENT RATE CUT

On September 18, 2024, the Federal Reserve cut interest rates by half a percentage point and hinted at further reductions. This move aims to stimulate the economy by making borrowing cheaper. While there are immediate benefits, it's crucial to understand how this decision affects inflation, housing values, wage demands, and potential long-term risks.

Impact on Inflation

Stimulated Demand

Lower interest rates reduce borrowing costs, encouraging consumers to spend more and businesses to invest. This increased demand can lead to higher prices if supply doesn't keep up, potentially causing a rise in inflation.

Inflation Expectations

If people anticipate ongoing inflation, they might change their behavior—such as demanding higher wages or making purchases sooner—which can further drive up prices. The Federal Reserve targets a 2% inflation rate; aggressive rate cuts risk exceeding this goal.

Period	Unemployment Peak	Inflation Rate
Early 2000's	Over 6%	Steady around 2%
2009	Around 10%	Period of deflation
2020	Approximately 15%	Significant rise in inflation rates.

Previous historic economic benchmarks triggering Federal Reserve rate cuts.

Effect on Housing Values

Lower Mortgage Rates

Interest rate cuts typically lead to reduced mortgage rates, making home loans more affordable and enticing more people into the housing market.

Rising Home Prices

Increased demand can push up housing prices, benefiting current homeowners but potentially making homes less affordable for new buyers. This demand might also stimulate construction activity, boosting related industries.

Impact on Wage Demands

Tighter Labor Market
An invigorated economy often leads to job growth and lower unemployment rates.

Increased Bargaining Power
Employees gain more leverage to negotiate higher wages and better benefits when unemployment is low. While this is positive for workers, it can lead to increased operational costs for businesses. Companies may respond by laying off workers, or raising prices to maintain profit margins, contributing to a wage-price spiral that further escalates inflation.

Long-Term Risks
of Continued Rate Cuts

Asset Bubbles
Prolonged low rates can inflate asset prices like stocks and real estate beyond their true value, creating bubbles that may burst and cause economic downturns.

Inflation Overshooting
High inflation erodes purchasing power, especially for those on fixed incomes. The Fed might need to hike rates aggressively later to combat inflation, potentially slowing economic growth.

Debt Accumulation
Easier borrowing can lead to excessive debt levels for consumers and businesses, increasing default risks if economic conditions worsen. Government debt may also rise due to increased borrowing.

Reduced Monetary Policy Effectiveness
With rates already low, the Fed has limited tools to stimulate the economy during future downturns. Persistently cutting rates could even lead to negative interest rates, with uncertain effects.

"This recalibration of our policy stance will help maintain the strength of the economy and the labor market, and will continue to enable further progress on inflation as we begin the process of moving forward a more neutral stance."

Jerome Powell
Federal Reserve Chairman
September 19th, 2024

Rate cuts come with positive and negative outcomes. These examples detail what triggered the cut and its implications.

Early 2000s Recession (2001-2003)

Actions: Rates cut significantly after the dot-com bubble burst and other economic challenges.

Outcomes: Unemployment rose; housing market boomed; modest wage growth.

Implications: Contributed to the housing bubble leading to the 2008 crisis.

Positive Aspects of Continued Rate Cuts

Economic Stimulus Lower rates encourage spending and investment, boosting economic growth and job creation.

Financial Market Support
Investors may seek higher returns in stocks, potentially boosting market performance. Businesses benefit from cheaper loans, improving profitability and supporting expansion.

Debt Relief
Consumers and businesses can refinance existing debts at lower rates, reducing interest expenses. Affordable mortgages support the housing market.

International Competitiveness
A weaker U.S. dollar resulting from lower rates makes exports more competitive, potentially improving the trade balance.

Did Powell Stick the Landing?
The Federal Reserve's timely rate cut could be a little too late for some, but Chairman Powell has kept the ship on course and protected far better than other economies in the world. Now can the agressive easing of rates stimulate the growth needed to get hiring and production in manufacturing and other sectors humming again after a ho-hum 18 months? Time to find out.

Great Recession (2007-2009)

Actions: Rates reduced to near zero amid the financial crisis.

Outcomes: High unemployment; deflationary pressures; housing market collapse.

Implications: Prevented a deeper depression but resulted in prolonged low rates.

COVID-19 Pandemic Response (2020)

Actions: Rates cut to near zero with additional quantitative easing.

Outcomes: Unemployment spiked; inflation rose in subsequent years; housing prices surged.

Implications: Quick recovery but raised concerns about inflation and asset bubbles.

MICHIGAN'S TIPPED WAGE DEBATE: A SERVICE INDUSTRY SHAKE-UP WITH STATEWIDE IMPLICATIONS

In the heart of Lansing, hundreds of restaurant and bar workers recently [rallied against](#)a Michigan Supreme Court decision that upheld the current tip credit system. The ruling has ignited a statewide conversation—not just about wages in the service industry but about economic ripples that could touch every sector.

The Supreme Court Decision Unpacked
At the center of the controversy is Michigan's minimum wage structure for tipped employees. As of 2023, the standard minimum wage is $10.10 per hour, while tipped workers earn a minimum of $3.84 per hour—about 38% of the standard rate. Employers can pay this lower wage if tips make up the difference to meet or exceed the standard minimum wage. If not, employers are legally required to compensate the shortfall.

The Michigan Supreme Court's decision mandates the gradual elimination of the tip credit, with tipped workers receiving the full minimum wage by 2030. The ruling outlines specific wage increases each year, raising both the minimum wage and the percentage that tipped employees must be paid, ultimately phasing out the tip credit entirely.

TIPPED vs NON-TIPPED WORKERS

Paid minimum wage, Alex enjoys a predictable income without the fluctuations that tipped workers experience.

Alex's Steady Earnings
Base Wage: $10.50/hour
Tips: $0
Total Earnings: $10.50/hour

Emma's Earnings on a Busy Day

Base Wage:
$3.84/hour
Average Tips:
$12.00/hour

Total Earnings: $15.84/hour

On busy days, Emma's earnings exceed the standard minimum wage due to generous tips.

Emma's Earnings on a Slow Day

Base Wage:
$3.84/hour
Average Tips:
$5.00/hour

Total Earnings: $8.84/hour

Emma's income falls below the standard minimum wage. Legally, her employer should make up the difference reach $10.10/hour.

The potential ripple effects on other sectors are noteworthy. Increased consumer spending power could boost demand for goods, but higher operational costs in the service sector might lead to tighter budgets elsewhere.

Legislative Temperature Check
The rally has caught the attention of state legislators. State Representative Linda Foster voiced her support: "Ensuring fair compensation isn't just morally right; it's good economics. When workers thrive, communities thrive."

Senate Bill No. 991 proposes reducing these increases while maintaining the tip credit and is under review by the Senate Committee on Labor. The bill is expected in to come up for a vote in upcoming sessions. The legislative process will need to balance economic viability with social responsibility.

The Bigger Picture: Economic Implications
The debate is more than a human interest story—it's a potential indicator of economic shifts that could affect various industries.

Consumer Spending: Higher wages could increase disposable income, boosting demand for goods and services.

Operational Costs: Businesses across sectors may face pressure to raise wages, affecting profitability.

Competitive Landscape: Michigan's policies could influence regional competitiveness, affecting talent and investment attraction.

As the state grapples with these issues, the outcome of this wage debate could set precedents beyond the service industry, impacting economic policies and business practices statewide.

"We're not swimming in profits. If wages jump that high that fast, we might have to shut down. Then nobody wins."

– Michael Thompson
owner of a Michigan family-run diner

MICHIGAN STATE SUPREME COURT DECISION

On September 18, 2024, the Michigan Supreme Court clarified its ruling on minimum wage increases and the gradual phaseout of the tip credit, effective February 21, 2025.

Starting next year, the minimum wage will begin to increase from $10.00 to $12.48, with tipped workers earning 48% of that. By 2030, the tip credit will be fully eliminated, and tipped workers will receive the full minimum wage.

Year	Minimum Wage	Effective Date (New Wage)	New Minimum Wage	Tipped Workers' Wage
2019	$10.00	February 21, 2025	$12.48	48% of minimum wage
2020	$10.65	February 21, 2026	$13.29	60% of minimum wage
2021	$11.35	February 21, 2027	$14.16	70% of minimum wage
2022	$12.00	February 21, 2028	$14.97	80% of minimum wage
		February 21, 2029	$14.97 + CPI	90% of minimum wage
		February 21, 2030	2029 Wage + CPI	100% of minimum wage (No tip credit)

The Road Ahead:
Michigan stands at a pivotal point. The decision on minimum wage laws will have significant consequences for workers, businesses, and the economy. Stakeholders across all industries should stay informed and consider how these changes might affect them.

"Depending on the kindness of strangers shouldn't be a business model. We deserve fair wages like anyone else."

– Jessica Martinez, a server from Detroit.

The Workers' Rallying Cry
Organized under the "One Fair Wage" movement, the rally in Lansing was a demand for systemic change. Workers are calling for the elimination of the tip credit and the establishment of a universal minimum wage that doesn't discriminate based on job title.

The movement highlights issues such as wage theft, harassment, and the precarious nature of tip-based income. Supporters argue that a fair, livable wage would stabilize workers' earnings and improve overall job satisfaction and service quality.

ALL SIDES ARE PREPARING FOR THE CHANGE.

IMPACT ON EMPLOYERS:

Increased Labor Costs: Significant wage hikes could strain budgets.

Price Adjustments: Businesses might raise prices, risking customer loss.

Operational Changes: Automation and efficiency measures may become necessary, impacting employment.

IMPACT ON TIPPED WORKERS

Income Stability: A higher base wage reduces dependence on tips.

Financial Security: Predictable earnings help with budgeting.

Reduced Exploitation: Less opportunity for wage theft or tip misappropriation.

Tip Reduction: Customers might tip less, assuming higher wages compensate.

Employment Concerns: Employers may cut hours.

IMPACT ON NON-TIPPED WORKERS

Wage Increases: Higher earnings improve living standards.

Workplace Equity: Narrowed wage gaps foster a more cohesive environment.

Job Availability: Higher labor costs could lead to reduced hiring.

As the leaves change and the days shorten, now is the perfect time to reflect on the growth we've experienced and prepare for what's ahead. The American economy grew a robust 3% from April through June, fueled by strong consumer spending and business investments. This is a significant jump from the 1.6% growth seen in the first quarter. Consumer spending increased at a 2.8% pace, while business investments, particularly in equipment, surged 8.3%.

The inflation outlook continues to improve. The Federal Reserve's PCE index rose by only 2.5%, down from 3.4% earlier in the year, marking a notable decline from the peak inflation of 9.1% in mid-2022. While inflation eases, job growth has slowed, with employers adding an average of just 116,000 jobs per month from June through August, the lowest since mid-2020. The unemployment rate ticked up slightly to 4.2%.

Looking ahead, recently announced lower interest rates promise growth in housing, manufacturing, and retail sectors. Consumer spending remains strong, signaling confidence as we enter a new season, both for the economy and for businesses planning for future growth. Now is the time to take stock of how far we've come and to plant the seeds for success in the year ahead.