WSI RECRUITMENT AND STAFFING

HIRE WIRE

OCTOBER 2025

STEADY RESILIENCE

Michigan's job market strengthens as the national economy proves durable

As we enter the final quarter of a turbulent 2025, one of the biggest puzzles of the moment is how the U.S. economy is growing at almost 4% without creating many jobs. The answer may lie in artificial intelligence and other productivity gains, but proving that will be a challenge. U.S. markets, after wavering in the spring over tariff concerns, have since roared back. The S&P 500 has climbed more than 30% from its lows, while corporate capital expenditures remain strong. GDP growth is tracking at 3.9% annualized as the third quarter closes, signaling a level of resilience that has surprised many analysts.

At the same time, labor markets tell a different story. Payroll growth has slowed to fewer than 30,000 jobs per month this summer, compared to more than 80,000 at the same time last year. Economists note that such a decoupling between output and employment is rare in the past six decades. Some cuts of the labor market even resemble early recession signals, leaving the Federal Reserve in a difficult position as it balances monetary easing with concerns about a potential stall in hiring. For many manufacturers and employers, this creates an unusual environment: order books and sales may look healthy, but workforce growth remains sluggish.

MARKET	JULY	AUG	SEPT*
BATTLE CREEK	6.7	7.4	6.3(p)
GRAND RAPIDS	5.3	5.5	4.8(p)
KALAMAZOO	5.6	5.9	5.2(p)
DETROIT	5.3	6.9	5.3(p)
MICHIGAN	5.3	5.3	5.2(p)
U.S.A.	4.2	4.3	shutdown

** preliminary estimate*

Despite the lack of federal unemployment data this month due to the government shutdown, state and local figures provide a telling snapshot of Michigan's labor market. Unemployment in Grand Rapids eased to 4.8% in September, down from 5.5% earlier in the summer, while Kalamazoo also showed improvement at 5.2%. Battle Creek remains elevated at 6.3%, although that too is down from 7.4% in August. Michigan overall registered 5.2%, suggesting that conditions are stabilizing but still soft compared to the national rate of 4.2%, last reported before the shutdown. Detroit also stands out with a higher 5.3% rate, underscoring the uneven recovery across regions.

These mixed labor dynamics are unfolding against a booming economy. U.S. GDP is expanding at nearly 4% annualized, fueled by capital spending and equity markets. Yet job growth has stalled, with payroll gains averaging fewer than 30,000 per month this summer. Economists cite artificial intelligence, automation, and productivity gains as drivers of the disconnect between output and hiring. For employers, this could mean greater emphasis on retaining skilled labor while investing in technology to sustain growth without expanding the workforce. Another force shaping the landscape is tariffs. Federal receipts hit a record $30 billion in September, contributing to $152 billion collected over the past six months. While tariffs reduce the fiscal deficit and encourage onshore production, they also create pressure for companies that cannot fully pass costs along to consumers. Many businesses, particularly in manufacturing, are navigating this reality by cutting prices or offering incentives to maintain sales volume. Corporate profits, while still high in many sectors, have softened as companies absorb some of these costs.

For manufacturers in Michigan and across the Midwest, this environment represents both opportunity and challenge: strong demand and capital investment support growth, but uneven job creation, rising service-sector costs, and tariff-related pricing pressures complicate planning for labor needs and wage strategies. The final months of 2025 will test whether productivity gains can sustain expansion without broader job growth—and how employers adapt to this unusual combination of booming output and fragile labor markets.

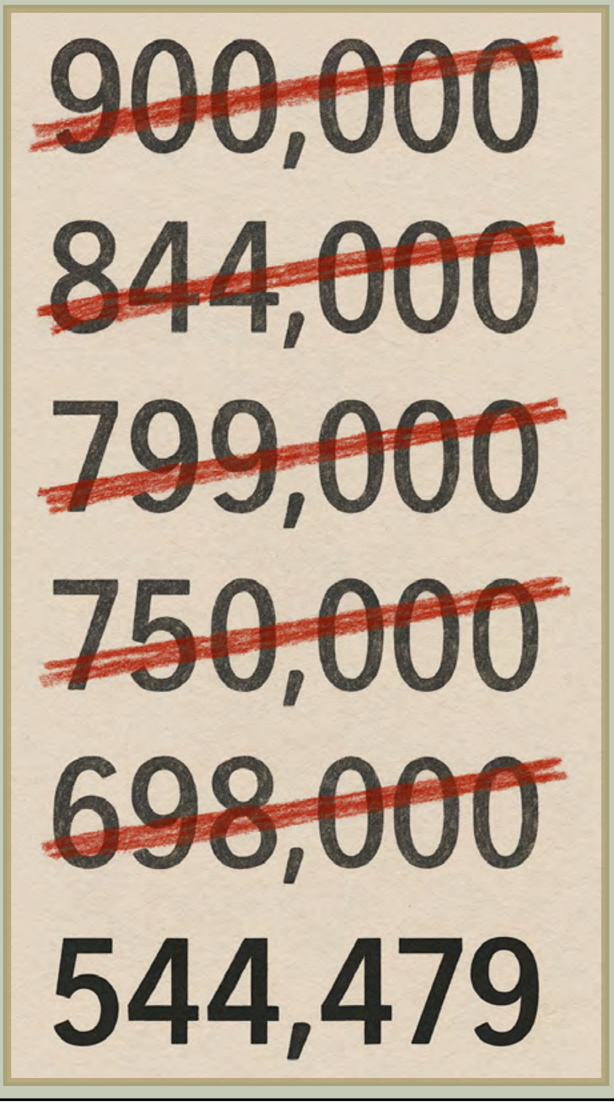
ARE UNEMPLOYMENT REPORTING METRICS OUTDATED?

Concerns are mounting that U.S. employment data is increasingly unreliable, skewing decisions by markets and the Federal Reserve. In a recent editorial, Kitco News reporter **Ernest Hoffman argued** that persistent inconsistencies in labor statistics misdirect policymakers.

The problem has worsened thanks to repeated revisions. Months are downgraded, then upgraded, then downgraded again as new data trickles in. Those shifts complicate efforts by business leaders and planners who depend on stable trend lines.

The issue sharpened when President Trump abruptly dismissed Bureau of Labor Statistics Commissioner Erika McEntarfer after the July report showed weak hiring and large downward revisions. He accused her, without evidence, of manipulating the numbers and pledged to replace her with a “more competent” official. That move alarmed economists and statisticians who warned it endangered trust in independent data gathering.

For manufacturers in Michigan and the Midwest, that combination of volatile revisions and political interference makes forecasting nearly impossible. Employers may need to lean more on localized, real-time indicators like job postings, turnover data, or supplier signals until clarity returns.



FALLOUT

Federal Government Shutdown threatens supply chains, consumer confidence, and hiring across Michigan's manufacturing base.

Once again, Michigan's business community is caught in the crosswinds of Washington gridlock. The federal government shut down early Wednesday after Congress failed to reach a budget deal, marking the nation's first shutdown in six years. Roughly 750,000 federal workers are sidelined nationwide, including nearly 30,000 in Michigan.

Essential personnel like border agents, military members, and air traffic controllers are still reporting to duty without pay. But the shutdown injects another dose of uncertainty into an economy already wobbling from inflation, high interest rates, and supply chain headaches. For Michigan manufacturers — who have been carrying much of the state's growth over the last decade — the timing could hardly be worse.

Immediate Economic Impacts in Michigan

Even in its first days, the shutdown is rippling through daily business activity. Federally funded services are scaling back. National parks like Isle Royale and Sleeping Bear Dunes are closed, undercutting fall tourism at a time when northern Michigan depends heavily on visitor dollars.

More critically, business processes that require federal approval are now stuck. Real estate closings tied to the National Flood Insurance Program have been delayed. Environmental permits needed for construction and factory expansion projects are on hold. The Detroit Regional Chamber **has warned** that these bottlenecks can quickly snowball into broader slowdowns if the shutdown drags on.

Michigan manufacturers who depend on government contracts face uncertainty over payments. Federal loans and grants that many small and mid-sized firms count on to finance growth are frozen. And in an economy built on consumer demand, every missed paycheck for a federal employee translates into fewer household purchases. As one Chamber report put it bluntly: when confidence erodes, the slowdown spreads across the economy like a ripple in a pond.

Strains on Manufacturing and Supply Chains

Michigan's manufacturing base was already facing stiff headwinds before this latest disruption. Tariffs on steel, aluminum, and imported auto parts have driven up costs. The automotive supply chain — which supports about 1.2 million Michigan jobs — has been tested by higher input prices, shifting trade rules, and uneven demand.

Speaker of the US House of Representatives, Mike Johnson

Governor Gretchen Whitmer recently **underscored the risk,** noting that auto parts often cross the U.S.–Canada and U.S.–Mexico borders multiple times before a car rolls off the line. A 25% tariff on imported parts, combined with ongoing duties on steel and aluminum, has only added volatility. "Uncertainty breeds paralysis. And paralysis costs jobs," Whitmer warned. Manufacturers who plan investment cycles five to ten years out are struggling to commit capital in such an unpredictable environment.

Now, with the federal shutdown, those challenges deepen. Customs and border staff are still on the job, but working without pay. Supply chains could seize up if inspections, export licenses, or product certifications begin to backlog. For agriculture and automotive — Michigan's two largest industries — the risks are tangible. Farmers depend on federal crop reports, loan programs, and inspections. Automakers need reliable logistics, steady consumer demand, and timely regulatory approvals.

Tariffs, policy swings, and pandemic-era scars had already tested manufacturers' resilience. A prolonged government shutdown would amplify those pressures, leading many firms to pause expansion, hold off on new hires, or push back investment decisions.

Consumer Confidence and Workforce Ripple Effects

Michigan's economy tends to "catch the flu" when the U.S. catches a cold. In recent months, the national outlook has been shaky: inflation has stayed stubborn, interest rates remain high, and industrial production has shown signs of softening. **Surveys indicate** that 87% of Michigan business leaders were already bracing for a downturn in 2025, even before the shutdown hit.

Now, with thousands of Michigan families missing federal paychecks, consumer sentiment could dip further. Families of furloughed workers are likely to cut back on discretionary purchases — everything from new cars to household appliances. Local small businesses near federal offices, courts, and research facilities are already reporting a drop in customers as workers stay home.

If the shutdown lingers for weeks, those lost paychecks will start to echo through the wider economy. Auto dealers may see potential buyers postpone big-ticket purchases. Restaurants and retailers may see foot traffic decline. For a state that leans heavily on consumer-driven industries, the strain could mount quickly.

The shutdown also freezes parts of the workforce pipeline. Proposed cuts to the Department of Labor budget had already raised alarms about job training programs like Job Corps. While the cuts are not yet in effect, the funding lapse has stalled new enrollments and slowed apprenticeships. Business groups argue this couldn't come at a worse time, with manufacturers struggling to fill skilled trades jobs.

Grand Rapids — Michigan's second-largest city — has shown resilience in real estate and consumer spending. But even there, business **leaders admit** that local strength can only cushion so much if Washington gridlock continues.

HERE'S HOW THE SHUTOWN TIMELINE COULD PLAY OUT:

Week 1: Federal employees miss their first paycheck. Household budgets tighten immediately. Federal contractors begin to slow or suspend work. Businesses treat it as a nuisance but hope for a quick fix.

Week 2: A second missed payday looms. Strain on households deepens. Contractors idle projects or lay off staff. Auto dealers notice customers backing away. Business investment decisions get shelved.

Week 4: (One Month): The shutdown nears record length. Backlogs grow at agencies like the EPA, FDA, and Commerce Department. Plant permits, product approvals, and export licenses are delayed. Infrastructure projects in Michigan grind to a halt. By now, billions have been lost nationwide, and Michigan's manufacturing-heavy economy feels the pinch directly.

Historical Parallels and Long-Term Outlook

Federal shutdowns are not new. Since 1977, there have been 21 funding lapses. Most were short, lasting just a few days. But extended shutdowns have proven costly.

The 2018–2019 shutdown, the longest in U.S. history at 35 days, sidelined hundreds of thousands of workers and **cost the U.S. economy $11 billion,** including $3 billion that was never recovered. The 2013 shutdown, which lasted 16 days, shaved an estimated $24 billion off GDP. Past experience shows that the longer the shutdown lasts, the harder it becomes for businesses to absorb the hit.

Michigan enters this period with mixed footing. State GDP growth was flat in early 2025, and unemployment has crept above the national average at 5.4%. Manufacturing job gains have stalled. Each week that passes without a resolution in Washington adds to the risk of a deeper slowdown.

Calls for Resolution, With Frustration Growing

Republicans and Democrats remain locked in a standoff over federal spending, with each side blaming the other. Both insist they want a solution, yet the longer it drags on, the more pressure builds outside Washington.

In Michigan, leaders from both parties are voicing concern. There is widespread agreement that prolonged gridlock helps no one. The Detroit Regional Chamber and the Michigan Manufacturers Association have urged swift action, warning that prolonged uncertainty undermines investment, hiring, and economic stability.

"We need our leaders to come together — the economy should not be a pawn," one Grand Rapids manufacturer said, noting his company has already delayed adding new jobs because of the unpredictable policy environment.

A State That's Learned Resilience

Michigan's manufacturers are no strangers to disruption. They've endured the financial crisis, the pandemic, trade disputes, and the global supply chain crunch. Many firms now keep contingency plans ready for moments like these. But that doesn't mean the fatigue isn't real.

If Washington resolves the impasse quickly, the impact will likely be contained — an inconvenience rather than a crisis. But if the shutdown stretches into weeks, the cascading effects on supply chains, consumer demand, and investment confidence could weigh heavily heading into winter.

For now, Michigan business owners and workers are doing what they always do: adapting, planning, and hoping Washington finds a way forward. Still, there's a growing sense that each new round of political chaos chips away at the state's ability to build, hire, and grow. And that's a cost Michigan can't afford to keep paying.

THE NUMBERS BEHIND THE NUMBERS.

Fed Slashes Rates in September, Signaling Two More Cuts Amid Labor Market Woes

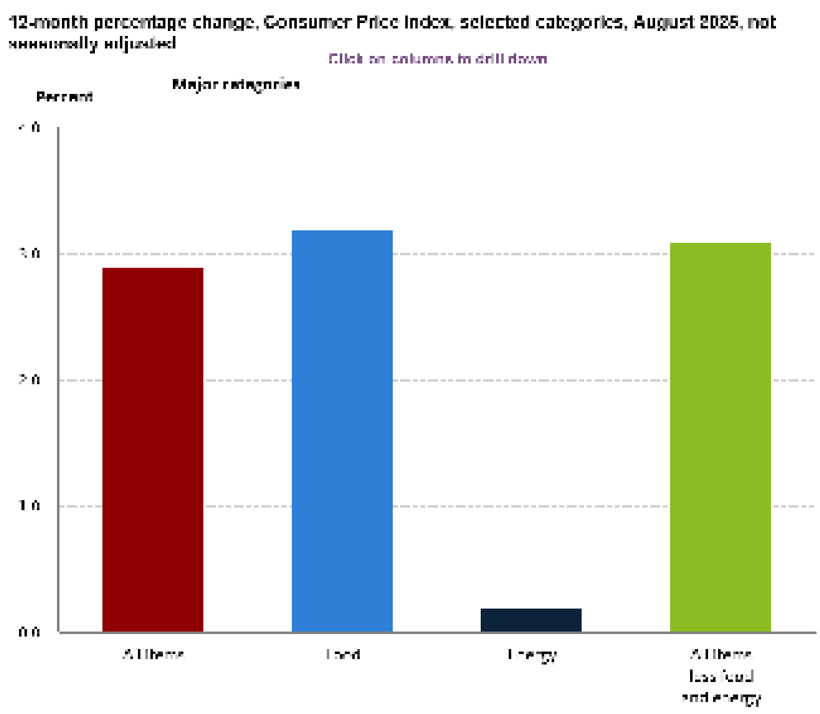
The Federal Reserve approved a widely anticipated quarter-point interest rate cut in September, positioning the benchmark rate at 4.00%-4.25%. The move was driven by intensified concerns over the U.S. labor market, as the Federal Open Market Committee (FOMC) noted that "job gains have slowed". Chair Jerome Powell characterized the reduction as "risk management," acknowledging that downside risks to employment have risen. The cut aims to support the faltering job market. Officials also signaled that two more cuts are likely this year. A majority of the FOMC targets these further reductions, indicating an easing trajectory.

Tariff Windfall Hits Record High, Squeezing Corporate Profits

The federal government collected a record $30 billion in tariffs in September, generating a potential $360 billion annually which could significantly reduce the fiscal deficit. This unexpected cash flow represents a surprise fiscal benefit. Yet, the tariffs present a key challenge: corporate pre-tax profits are falling because companies find the costs difficult to pass on to price-resistant consumers. The primary goal of these duties, however, is not lasting revenue, but rather changing corporate math to prioritize production in the US. If production successfully shifts stateside, this would replace tariff revenue with domestic income tax receipts, inherently limiting the tariff cash flow's longevity.

Inflation Accelerates in August

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.4 percent on a seasonally adjusted basis in August 2025, accelerating from the 0.2 percent rise seen in July. Over the last 12 months ending in August, the overall index rose 2.9 percent. The index for shelter was the largest factor in the monthly increase, rising 0.4 percent. Key sectors saw sharp gains: the food index rose 0.5 percent, and the energy index rose 0.7 percent, driven by a 1.9 percent increase in gasoline. The index for all items less food and energy (Core CPI) rose 0.3 percent, matching July's increase.



America's AI Ambitions Crippled by Blue-Collar Deficit, Says Ford CEO

Ford CEO Jim Farley is sounding the alarm on what he calls a crisis in America's "essential economy," pointing to a growing shortage of blue-collar workers needed to build factories and data centers.

Artificial intelligence is projected to grow into a $4.8 trillion market by 2033, but Farley cautioned that the U.S. risks falling short without the workforce to construct and operate the infrastructure behind it. "*How can we reshore all this stuff if we don't have people to work there?*" **he told Axios**.

> *"How can we reshore all this stuff if we don't have people to work here?"*
>
> *Jim Farley - Ford CEO*

The country is already short 600,000 factory workers, 500,000 construction workers, and will need 400,000 auto technicians within three years, according to Farley. He argues the issue is as much about awareness and training as it is about policy.

Michigan highlights the challenge. Several large-scale data center projects are planned or underway in the state, including a $1.2 billion University of Michigan facility in Ypsilanti Township, expansions by US Signal in metro Detroit, and proposals in Howell Township, Livingston County, and Washtenaw County. A northern

Michigan community, Kalkaska, is also considering a data center development tied to energy production. Each of these projects depends on skilled trades and construction labor already in short supply.

Still, industry leaders see opportunity. Training providers across Michigan are expanding apprenticeship pipelines, while employers are working more closely with schools to introduce students to advanced manufacturing and trade careers earlier. Federal and state funding for workforce development continues to grow, and new technology is opening paths for faster skill-building in fields like robotics maintenance and power systems.

To make these ambitions a reality, experts stress the need for alignment across employers, educators, and policymakers. Expanding high school and community college vocational programs, modernizing immigration pathways for specialized labor, and investing in on-the-job training are all critical steps. At the same time, raising the profile of skilled trades—presenting them as attractive, stable careers—remains essential to draw in the next generation of workers.

For manufacturers and data center developers, the challenge is significant—but not insurmountable. With stronger partnerships and a renewed emphasis on workforce readiness, Michigan is positioned to capture much of the investment flowing into AI and high-tech infrastructure. Farley agrees that if the U.S. can solve its workforce needs, "*we'll take on bigger, higher-class problems.*"

AI BOOM FUELS GROWTH, BUT FEARS OF BUBBLE RISE

The surge of investment in artificial intelligence is reshaping the U.S. economy, driving growth well beyond the technology sector and raising concerns that the momentum may not be sustainable.

According to reporting by The Washington Post, major technology firms including Microsoft, Amazon, and Google are spending heavily on data centers and infrastructure to support AI development. That wave of capital has rippled outward, fueling demand for construction, manufacturing, and logistics. Economists note that this type of business investment, rather than consumer spending, has become a key driver of recent economic growth.

The enthusiasm has lifted stock markets and generated optimism about AI's long-term potential. Yet some analysts warn that many companies chasing AI opportunities remain unprofitable, drawing comparisons to past speculative bubbles such as railroads in the 19th century and the dot-com era in the early 2000s. In both cases, heavy investment ultimately outpaced immediate returns, leading to sharp downturns before stabilizing into lasting industries.

A slowdown in AI-related spending could weigh on the broader economy, as the S&P 500's performance has grown increasingly tied to the technology sector. Concerns about overbuilding and uncertain profitability have prompted calls for caution, even as venture capital continues to flow toward experimental applications.

Supporters argue that AI remains in its early stages, with the true economic transformation yet to be realized. For now, the question facing executives, investors, and policymakers is whether the current wave of investment will establish a lasting foundation or set the stage for another correction. **Read the full Washington Post analysis here:**

CONSUMER CONFIDENCE DIPS AS INFLATION, TARIFFS WEIGH ON OUTLOOK

U.S. consumer sentiment fell in August, with the University of Michigan Index of Consumer Sentiment slipping to 58.2, down 6% from July. The decline was broad-based across age, income, and wealth groups, and marks a setback after modest gains earlier this summer.

Buying conditions for durable goods dropped to their lowest level in a year, with consumers citing high prices, tariffs, and tax considerations as barriers. Inflation expectations ticked higher, with year-ahead projections rising to 4.8% and long-run expectations inching to 3.5%.

Labor market perceptions weakened as 63% of consumers now anticipate rising unemployment, up from 57% in prior months. Meanwhile, 36% expect lower interest rates in the year ahead, the highest share since December.

September data confirmed a further decline, with sentiment down about 5% from August but still above April and May lows. Sentiment fell across most groups, though consumers with larger stock holdings held steady. By political affiliation, sentiment dropped 9% among independents and 4% among Republicans, while Democrats saw an uptick. High prices remain the top concern, with 44% of households citing erosion of personal finances—the highest in a year. Year-ahead inflation expectations edged down to 4.7%, while long-run expectations rose to 3.7%.

Even with the turbulence of tariffs, shutdowns, and shifting job data, the broader story is one of persistence. Output is strong, investment continues to flow, and technology is reshaping how growth is achieved. Michigan is seeing it firsthand: local unemployment rates are easing, new data centers and industrial projects are underway, and employers are sharpening their focus on productivity and workforce readiness.

Yes, challenges remain. Consumer sentiment has dipped, and federal gridlock adds uncertainty. Yet businesses across the state and nation are proving adaptive. Manufacturers are leaning into automation, training programs are expanding, and communities are finding ways to keep momentum alive.

As autumn settles in, there is reason for measured optimism. The foundation of resilience—capital strength, skilled talent, and local ingenuity—remains in place. Cycles shift, but preparation is what positions companies for the next surge forward. The opportunities ahead will demand speed, scale, and focus. When the economy regains full stride, those who invested in people and planning now will be ready to lead.

WSI™
RECRUITMENT AND STAFFING