WSI HIRE

RECRUITMENT AND STAFFING

WIRE

OCTOBER 2026

PRICES WON'T BUDGE. SO THE FED PUSHED.

Inflation cooled less than hoped, rates went up, and consumers noticed.

GASOLINE PRICES	ENERGY PRICES	U.S. INFLATION
27.4%	**16.3%**	**3.4%**
FROM A YEAR AGO	FROM A YEAR AGO	FROM A YEAR AGO

Inflation slowed in August. Just not enough.

Consumer prices rose 3.4% from a year earlier, coming in under the 3.7% economists expected. The monthly number moved the wrong way, though, climbing 0.3% after a 0.1% gain in July. Core inflation, which strips out food and energy, held at 3% annually and rose 0.2% for the month. Americans kept spending anyway.

Three years of progress have flattened out. Bill Adams, chief U.S. economist at Fifth Third Commercial Bank, put it this way: the long-term trend points down, but the needle stopped moving.

The Fed wasn't willing to wait. On Sept. 16, it **raised its benchmark rate** from 3.75% to 4.00%. Fed Chair Kevin Warsh said inflation is "too high, and has been for too long." Economists expect at least one more hike before year end.

Households already feel it. The University of Michigan's **consumer sentiment index** fell 7% in September to 48.1. Respondents named living costs, fuel prices and trade disputes as the drivers. The more telling number is expectations: Americans now see prices rising 4.6% over the next year, up from 4.0% in August.

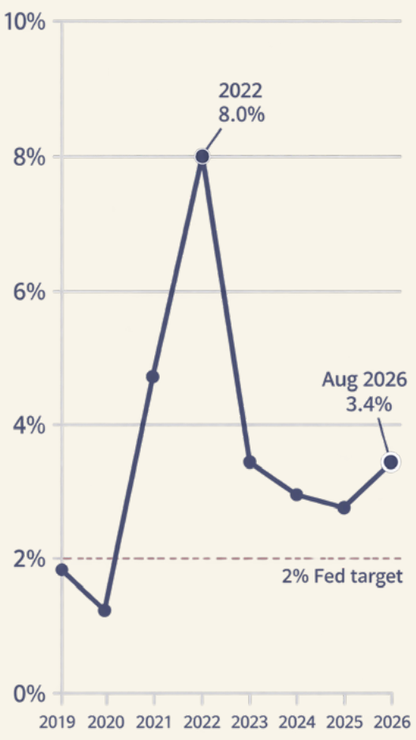
That matters to employers. When workers expect prices to climb faster, raise requests follow. And wages are already losing the race (see page 3).

"Too high, and has been for too long."

KEVIN WARSH,
— FEDERAL RESERVE CHAIR, ON INFLATION

U.S. Inflation Continues to Moderate

Consumer Price Index (CPI)
Year-over-year change



HIRING STALLED NATIONALLY. MICHIGAN GOT THERE FIRST.

Michigan's unemployment rate sits nearly a full point above the national rate.

	JUN	JULY	AUG
Battle Creek	5.1	5.8	5.3
Grand Rapids	4.2	4.3	4.2
Kalamazoo	4.5	4.6	4.5
Lakeshore/Musk	5.1	5.2	5.3
Michigan	5.0	4.9	5.0
U.S.A.	4.2	4.1	4.1

SOURCE: BLS.GOV

Every market **we track** runs above the U.S. unemployment rate except Grand Rapids. Battle Creek spiked to 5.8% in July and gave back only part of that. Along the West Michigan Lakeshore, unemployment increased in each of the three summer months.

Nationally, hiring slowed sharply. Employers added just 29,000 jobs in September, below the 45,000 monthly average of the past year. Unemployment held at 4.2%.

Revisions made the picture weaker. July was revised down to a loss of 10,000 jobs, while August was cut to 133,000. Together, that erased 60,000 previously reported jobs.

Manufacturing was one of the brighter spots **over the summer**, adding about 35,000 jobs from June through August. September added another 9,000. Health care added 17,000 positions in September, though even that was below its recent pace. Financial activities lost 7,000, while most other private sectors changed little. Unemployment among Black workers rose to 7.0%.

The workweek held at 34.4 hours, and hourly pay rose just 5 cents. Even so, employers across our region are still struggling to find enough dependable workers.

For job seekers, that means opportunity remains strong. Higher unemployment has not suddenly produced an easy supply of people ready to work.

Real pay is shrinking. Hourly earnings are up 3.0% from a year ago. Prices are up 3.4%. **The gap is where retention problems start.**

29K

JOBS ADDED IN SEPTEMBER
Nonfarm payrolls, seasonally adjusted

4.2%

UNEMPLOYMENT RATE
September 2026

61.8%

LABOR FORCE PARTICIPATION RATE
September 2026

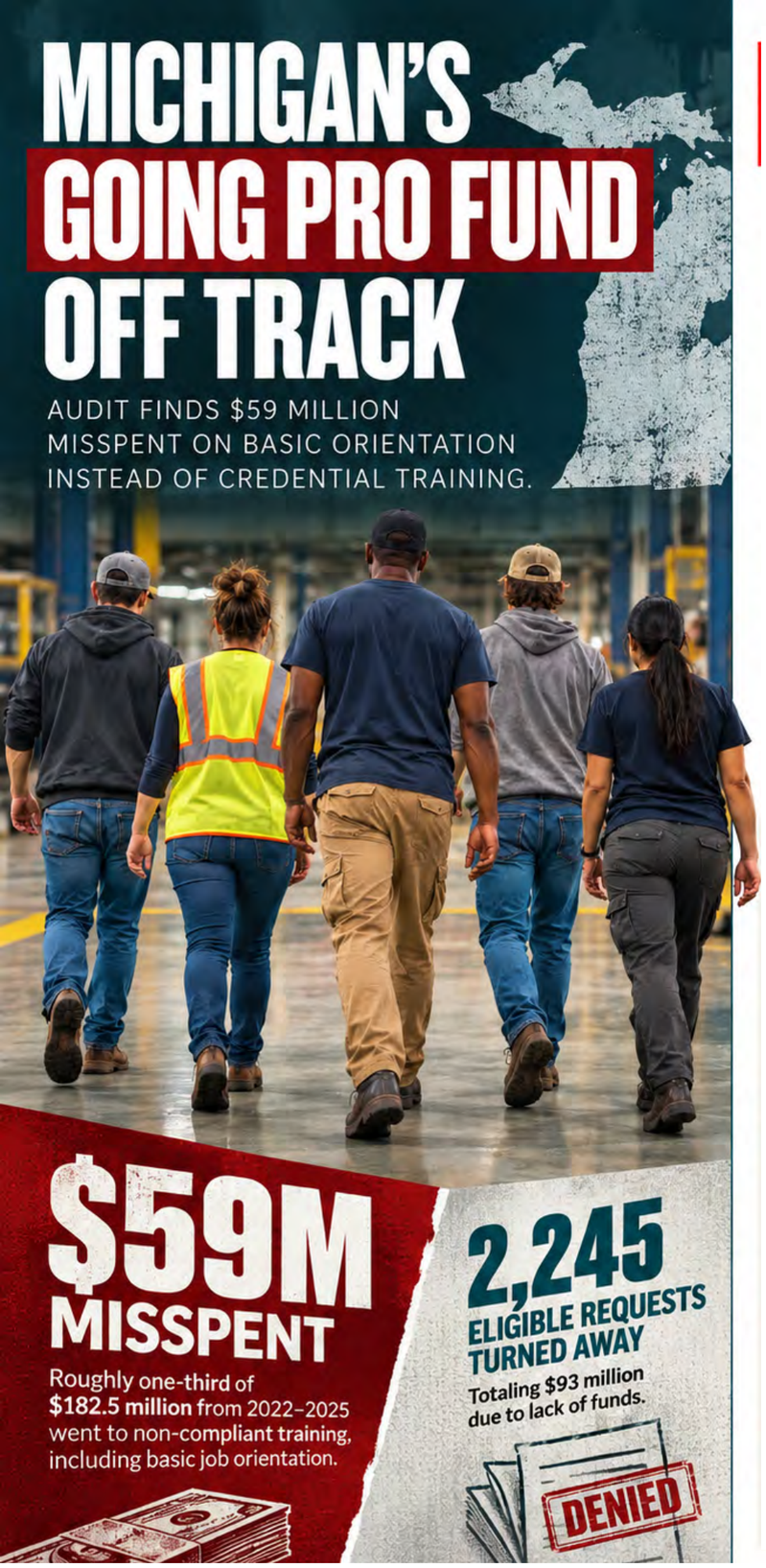
3.0%

AVERAGE HOURLY EARNINGS
Year-over-year growth, September 2026

7.1M

OPEN JOBS
JOLTS, August 2026

Source: U.S. Bureau of Labor Statistics



By all acounts, the program was a complete failure. There is plenty of blame to go around.

Michigan's flagship Going PRO Talent Fund misspent more than $59 million by reimbursing employers for basic job orientation instead of required credentialed training, **according to a state audit.**

The audit by the Michigan Office of the Auditor General revealed that roughly one-third of the $182.5 million distributed between 2022 and 2025 failed to comply with credential guidelines.

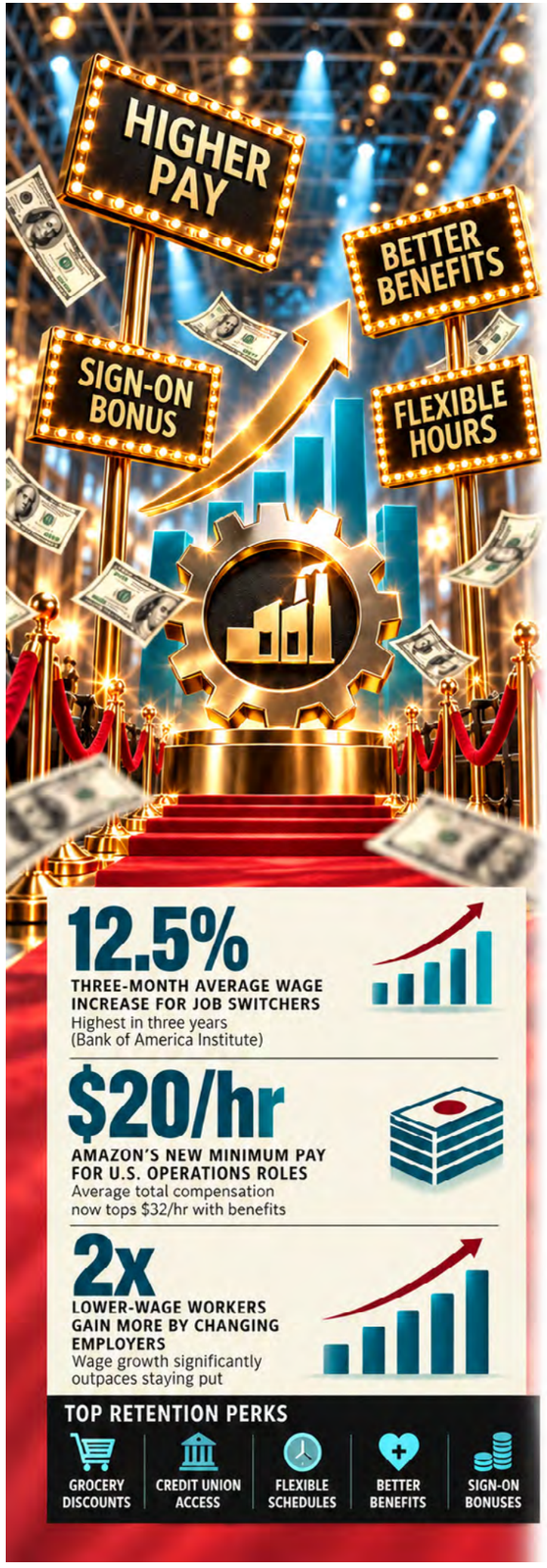
Auditors found instances where grants covered routine 160-hour onboarding for machine operators and packers at manufacturing facilities.

Meanwhile, the state turned away 2,245 eligible requests totaling $93 million due to lack of funds.

State oversight gaps contributed significantly, as the Department of Labor and Economic Opportunity went nearly three years without performing required file reviews of local Michigan Works! agencies. Furthermore, none of the audited grant files contained documentation verifying trainee eligibility.

State officials defended the expenditures, arguing on-the-job training is a recognized upskilling method.

However, lawmakers criticized the oversight failures, which come as Going PRO's budget drops to $14.4 million for fiscal year 2027.



THE NEW BIDDING WAR FOR WORKERS

Manufacturers are sweetening pay and perks to win talent - and keep it.

As manufacturers battle high turnover, hourly workers are increasingly jumping ship to secure double-digit pay raises. A recent Bank of America Institute report found that three-month **average wage increases** for job switchers reached a three-year high of 12.5 percent, with lower-paid hourly workers seeing the fastest pay growth. Economists note that while higher-income employees often benefit from staying put, younger and lower-wage workers gain significantly more by changing employers.

Compounding the retention challenge is a widespread skills mismatch, leaving employers struggling to recruit workers with specialized qualifications. This labor scarcity grants job seekers greater bargaining power, forcing businesses to offer premium pay to attract and hold onto qualified talent.

To prevent workers from leaving for better offers, major employers of hourly labor are expanding both hourly wages and non-traditional benefits. Amazon, for example, **raised its minimum starting pay** for U.S. operations roles to $20 an hour, pushing average total compensation past $32 an hour when accounting for benefits. Beyond hourly base pay, the company introduced new retention perks including employee grocery discounts and credit union banking access to support workers outside the job.

For manufacturing leaders, keeping up requires a dual strategy: offering competitive wages that offset the job-switching premium and building total compensation packages that enhance overall employee financial stability.

GREAT LAKES
SWING VOTERS THREATEN MIDTERM BACKLASH OVER CANADA, GAS PRICES

Rising living costs push frustrated swing voters toward midterm backlash.

Great Lakes economic advocates and swing state voters are warning of severe electoral backlash in the upcoming midterms as President Donald Trump's escalating trade war with Canada threatens to deepen an affordability crisis across the region.

In key battleground states like Michigan, Ohio, Wisconsin, and Pennsylvania, retaliatory tariffs on cross-border supply chains, manufacturing, and agriculture are driving up costs for everyday consumers already strained by high gas and grocery prices. Michigan voters who backed Trump on promises of economic relief report growing frustration as cross-border commerce slows, with auto parts crossing the border up to eight times now subject to multiple tariff burdens.

Great Lakes advocates fear these trade disputes will shatter local businesses, prompting swing voters to punish the Republican administration at the ballot box. With nine in 13 surveyed Michigan swing voters expressing fear over rising living costs, analysts suggest an economic wipeout in November could force a dramatic midterm pivot, mirroring historical presidential course corrections following major electoral defeats.

However, experts note that even a major congressional shift might not instantly end the dispute. While a midterm defeat could pressure the administration to fire key advisers or alter its rhetoric, presidents retain broad executive authority over trade policy, leaving border communities anxious that elevated prices and trade disruption could persist regardless of who controls Capitol Hill.

CANADA TRADE WAR ESCALATES AS BILLION DOLLAR IMPORT BAN HITS SUPPLY CHAINS

Michigan auto manufacturing and Great Lakes economies face severe job risks and rising costs if cross-border tariff disputes remain unresolved

The trade dispute between the United States and Canada escalated sharply after **Washington banned roughly $1 billion in Canadian imports,** including spirits, dairy products, and motorcycles. For American consumers, the immediate effect is fewer Canadian goods on shelves and higher prices for those that remain. The ban retaliates for Canada's decision to answer earlier American tariffs with matching duties, extending a cycle in which each response invites the next. The friction now threatens the stability of USMCA, the agreement governing North American trade, while Ottawa courts trade partners overseas to reduce its dependence on its largest customer.

Among the Great Lakes battleground states, Michigan has the most to lose. Our auto industry runs on a supply chain fused with neighboring Ontario, where a single component can cross the border up to eight times before final assembly. Each crossing is a new opportunity to be taxed, so tariffs land on the same parts repeatedly and compound production costs at every stage. States with simpler, regional supply lines absorb a single hit. Michigan absorbs several on every vehicle.

The proposed steep **import taxes** on Canadian vehicles and materials would push new car prices sharply higher and strain supply chains that operate on tight, just-in-time schedules. Tier-one parts suppliers, which work on thin margins and cannot easily pass costs to automakers, face the earliest pressure. Assembly plants follow when parts arrive late or overpriced. The likely result is factory closures and **manufacturing job losses** across the region, along with severe and lasting damage to the state economy if the dispute drags on.

The uncertainty may prove as costly as the tariffs. Automotive executives are diverting money into contingency planning instead of long-term investment in factory technology and equipment, a decision that **weakens competitiveness** for years. Meanwhile, higher costs move down the chain from suppliers to dealers to households, who pay at the showroom and the grocery store. For Michigan workers already stretched by rising living expenses, the trade war is no longer a policy abstraction. It is a monthly bill, and it is shaping how they vote.

WHY DO THE NUMBERS LOOK GOOD, YET WORKERS FEEL WORSE?

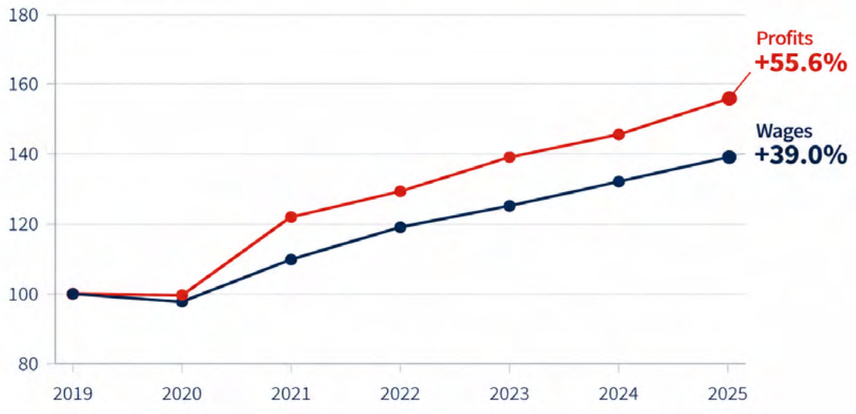
America has grown wealthier since the pandemic. That fact sits uneasily beside another: many workers have less room in their budgets than they expected from six years of raises. They see a growing economy from the outside and a stack of bills from the inside.

From 2019 to 2025, aggregate wages and salaries rose 39%. That sounds like a windfall until you remember the total includes more workers and more hours. It is not the raise received by a typical employee. Consumer prices rose 25.9% over the same years, while real median household income gained 2.5% (BEA; BLS; Census). Pay grew. So did the cost of maintaining life.

Corporate profits tell another part of the story. After-tax profits climbed 55.6% over those six years, **faster than aggregate wages.** That does not mean every company simply charged whatever it pleased. Researchers found higher markups in some sectors, but a roughly flat economy-wide measure early in the recovery.

Profits outpaced pay

S&P 500 profits vs. average hourly earnings | Indexed to 2019 = 100



Source: LSEG (S&P 500 operating profits); BLS (average hourly earnings, all private). Indexed to 2019 = 100.

+55%
S&P Profits
2019-2026

+39%
Avg hourly earnings increase
2019-2026

+24%
Consumer Prices Increased
2019-2026

Still, the contrast matters: businesses collectively gained far more room to maneuver than the median household did.

The federal government **provided about $4.65 trillion in pandemic relief** while production and shipping were disrupted. The money helped people through a shutdown and supported demand when goods were scarce. San Francisco Fed researchers estimate fiscal support added about three percentage points to inflation through 2021. Russia's invasion of Ukraine then jolted oil and other energy markets, adding a wave of costs.

The checks ended, but the price level did not reset. **By August 2026**, grocery prices were 33.4% and primary rent 35% above August 2019 (BLS). Nearly half of renters spent more than 30% of their income on housing in 2024 (Harvard JCHS). A homeowner with an old fixed mortgage experiences this economy differently from someone renewing a lease.

For would-be buyers, the median e**xisting-home price** rose from $278,200 in August 2019 to $429,100 in August 2026. Late-August mortgage rates climbed from 3.58% to 6.66%. With 20% down, an illustrative monthly principal-and-interest payment more than doubled. Housing shortages that predated COVID made that divide harder to close

Goldman Sachs suggests a decline in happiness may darken consumer sentiment. Perhaps. Yet a worker deciding whether to renew a lease or buy groceries has a concrete reason for unease. A raise is occasional; rent is due every month.

Put all these factors together, and you can see how workers feel they're falling behind, and fast.

What's driving the disconnect?

Higher everyday costs
Prices for essentials, including housing, food and energy, remain well above pre-COVID levels.

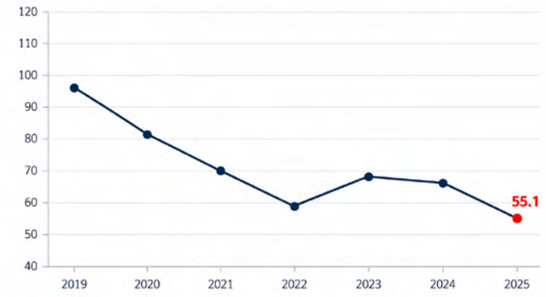
Housing affordability pressure
Home prices and mortgage rates have kept housing out of reach for many, straining household budgets.

Slower job growth
Job gains have cooled, adding to uncertainty about future income.

Low consumer confidence
Consumer sentiment remains near historic lows, even as profits and wages are higher.

Consumer sentiment remains low

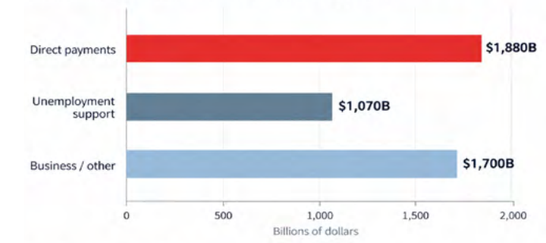
UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX



Source: University of Michigan, Index of Consumer Sentiment.

Federal COVID relief provided a short-term boost

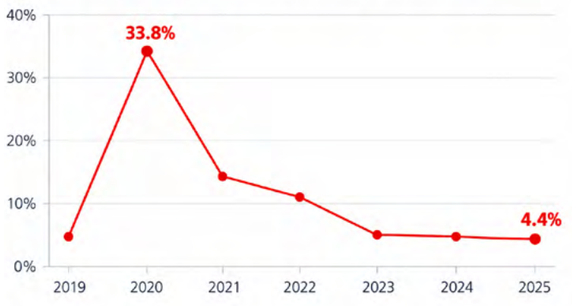
Total federal COVID relief: $4.65 trillion (approx.)



Source: Congressional Research Service.

Household savings are down from the peak

PERSONAL SAVING RATE (% OF DISPOSABLE INCOME)

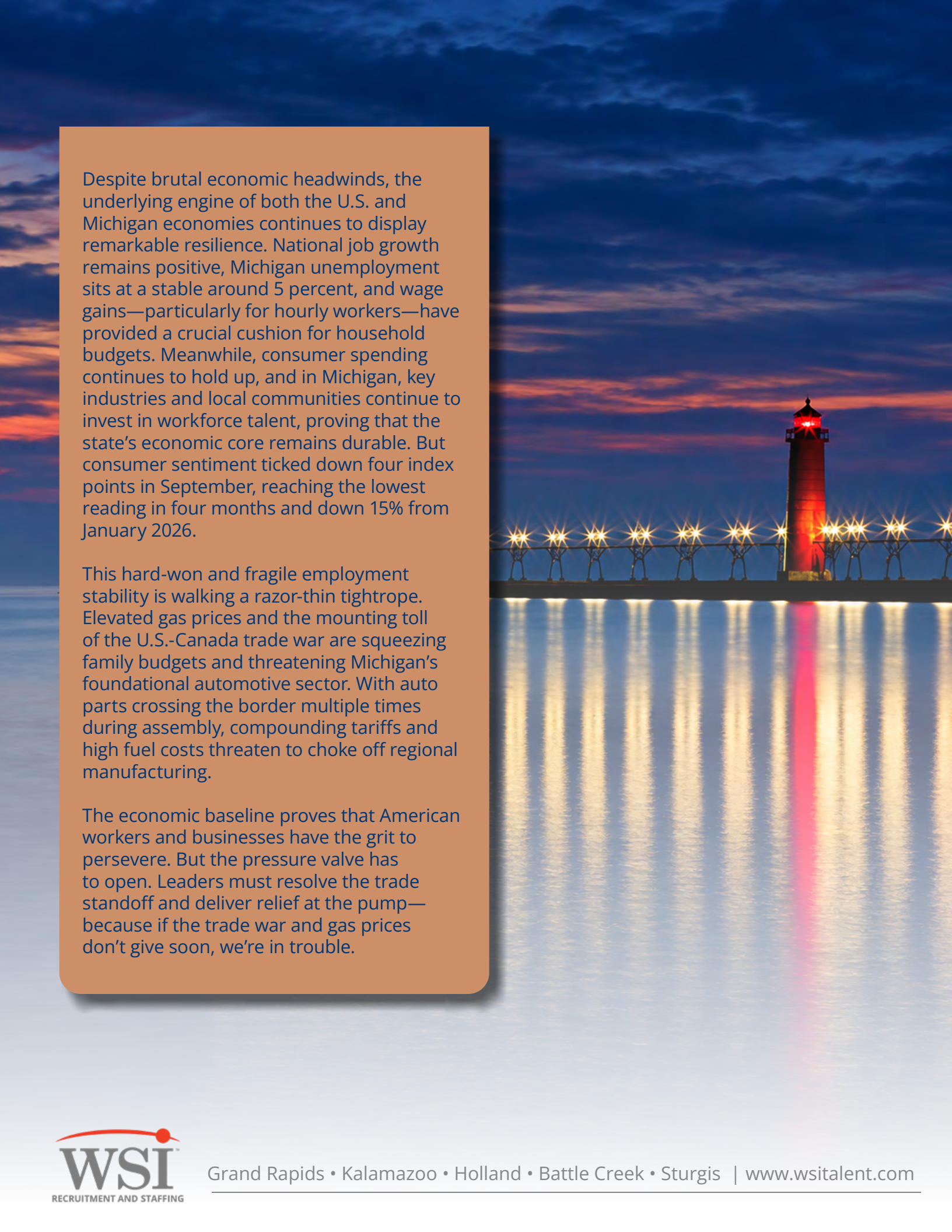


Source: BEA, personal saving rate.

Household finances show only modest progress

Median household income (in 2025 dollars)

Source: U.S. Census Bureau, real median household income (2025 dollars).



Despite brutal economic headwinds, the underlying engine of both the U.S. and Michigan economies continues to display remarkable resilience. National job growth remains positive, Michigan unemployment sits at a stable around 5 percent, and wage gains—particularly for hourly workers—have provided a crucial cushion for household budgets. Meanwhile, consumer spending continues to hold up, and in Michigan, key industries and local communities continue to invest in workforce talent, proving that the state's economic core remains durable. But consumer sentiment ticked down four index points in September, reaching the lowest reading in four months and down 15% from January 2026.

This hard-won and fragile employment stability is walking a razor-thin tightrope. Elevated gas prices and the mounting toll of the U.S.-Canada trade war are squeezing family budgets and threatening Michigan's foundational automotive sector. With auto parts crossing the border multiple times during assembly, compounding tariffs and high fuel costs threaten to choke off regional manufacturing.

The economic baseline proves that American workers and businesses have the grit to persevere. But the pressure valve has to open. Leaders must resolve the trade standoff and deliver relief at the pump—because if the trade war and gas prices don't give soon, we're in trouble.