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Michigan's Economy, Michigan's Families: Overcoming the 2001 Recession

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The Recession of 2001

The nation's economy is struggling to recover from the 2001 recession, a process that has been slower than other economic recoveries since World War II. Jobs nationwide declined through 2003, and personal income growth from 2001-2003 was the slowest since the Great Depression. In the six previous recessions, job growth after the end of the recession picked up at a rapid pace. However, for this recession, national job growth continued to lag well after the official end of the recession [1, 2].

In Michigan the effects have been particularly dramatic. At the peak of the 1990s economic expansion, Michigan's county unemployment rates were mostly better than the national average, as was the unemployment rate for the state as a whole. During the recession of 2001 Michigan's unemployment picture became dismal, with almost all parts of the state having unemployment rates above the national average. By December of 2005 only a few rural counties had seen some modest improvement, and the most populous counties had made little progress, if any. Only Washtenaw County had recovered to the pre-2001 levels of unemployment [2].

The most notable loss of jobs in Michigan has been in the manufacturing sector, which contains many of the higher paying jobs in Michigan. The decline in this sector continues although it is beginning to level off [2]. Because the national recovery has been slow in terms of job growth, it is not surprising that Michigan's unemployment rate is still so poor. Typically, Michigan's recovery from recession lags the national economy by six months to two years.

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Some Rays of Sunshine

A few factors lend some hope to the Michigan economic forecast:

- ◆ Job creation at the national level has picked up in the past few months
- ◆ Michigan is ranked 9th among the states and District of Columbia for improvement in the unemployment rate – from 7.5% in 2004 to 6.7% in Dec, 2005. This change is because of job creation. However, since December, 2005 there has been some regression in the Michigan jobs picture [2].
- ◆ Michigan wage increases have outpaced inflation, even with the loss of well-paying manufacturing jobs (see Figure 1) [1].
- ◆ The number of new business establishments in Michigan grew in 2003-04 for the first time in several years. This reversal is a positive sign because new establishments create new jobs [2].
- ◆ Nationally and in Michigan, health care employment is robust [2].

Health care wages in Michigan continued to grow, from average annual earnings of somewhat less than \$34,000 in 2001 to more than \$37,000 in 2004.

Growth in Health Care Employment

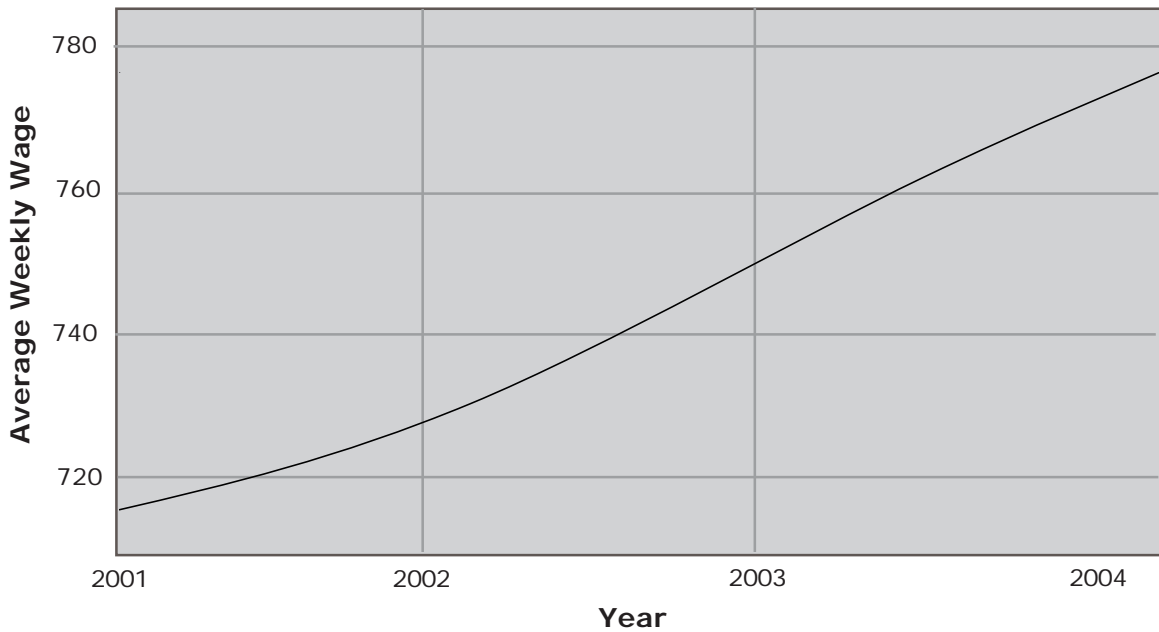
Health care employment is an important part of economic growth in the Michigan economy. Since 1991 health care employment in Michigan has increased steadily with only a slight pause in the late 1990s (see Figure 2). Health care jobs have an average wage of \$16.50 per hour, but health care wages vary quite a lot. Jobs requiring a higher level of skill and more stressful jobs command higher wages [1,2]. Here is a sample of average annual earnings in different types of health care jobs:

◆ Nursing and Long Term Care	\$22, 698
◆ Home health care	\$25, 570
◆ Hospitals	\$39, 768
◆ Medical laboratories	\$49, 184

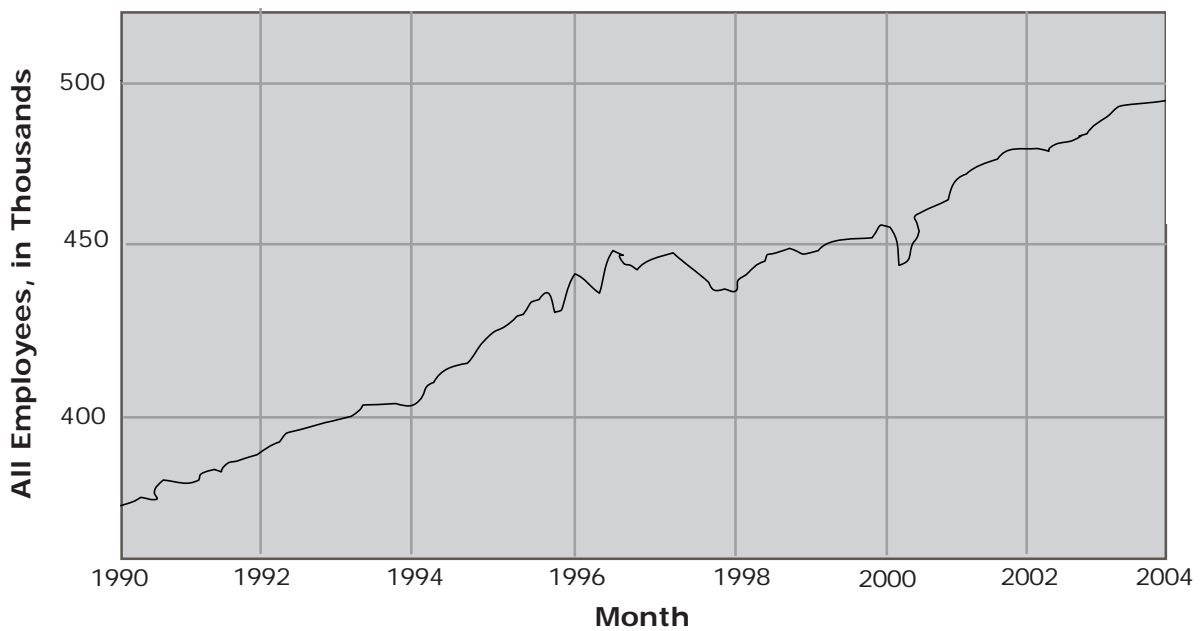
Nurses may make more than the wages shown here, depending on what they do and the education and skill required. Within job types, and across health care jobs, wages rise with greater skills requirements.

Another positive factor is that health care wages in Michigan continued to grow, from average annual earnings of somewhat less than \$34,000 in 2001 to more than \$37,000 in 2004 [1]. This increase is particularly significant in the midst of an overall economic recession and was faster than the rate of inflation.

**Figure 1.
Michigan Wage Increases
have Outpaced Inflation**



**Figure 2.
Nationally, and in Michigan,
Health Care Employment is Robust**



In Michigan, health care wages average about \$16.50/hour

Source: Bureau of Labor Statistics

The demand for health care services and employment will continue to grow.

Finally, we think that the demand for health care services and employment will continue to grow for several reasons. First, increases in obesity in the population will most likely result in a greater need for health care down the road. Second the population of Michigan is aging and as people age they consume more health care. Many retirees are "aging in place" – that is, staying in Michigan after retiring. Retiring "boomers" from Chicago may spread up the shores of Lake Michigan into Wisconsin and Western Michigan. There is anecdotal evidence that people from Canada are coming to Michigan for health care to avoid long waits for some health care services in Canada.

In conclusion, although Michigan's economy continues to struggle, evidence suggests that there are some higher paying jobs available, particularly in health care. In general, wages for these jobs depend on the skill sets required.