



Policy Brief

#30, March 2012

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About This Report

This report focuses on the employment situation in Southeast Michigan in the wake of the Great Recession. It analyzes data collected in the first wave of the Michigan Recession and Recovery Study (MRRS), a panel study of a stratified random sample of 914 English-speaking adults aged 19 - 64 who lived in the Detroit Metropolitan area (Wayne, Oakland and Macomb counties). Wave 1 data collection began in October 2009 and was completed in April 2010, with a response rate of 82.8%. A second wave of data collection took place between April and August 2011, with a response rate of 93.9%. Analysis of the second wave of data is forthcoming.

This research was funded by the Office of the Assistant Secretary of Planning and Evaluation, U. S. Department of Health and Human Services, the Office of the Vice President for Research at the University of Michigan, the Ford Foundation and the John D. and Catherine T. MacArthur Foundation.

Employment Problems in the Wake of the Great Recession: Findings from the Michigan Recession and Recovery Study

Alix Gould-Werth and Sarah A. Burgard, University of Michigan

Report Overview

From December 2007 through June 2009, the United States experienced its most severe recession since the Great Depression. Though the National Bureau of Economic Research officially declared the end of the recession in June of 2009, high rates of unemployment have persisted into 2012. Michigan is among the states hit hardest by the recession, especially the Detroit Metropolitan area, which has long been the center of the automobile industry.

The Great Recession and its aftermath have impacted the employment and incomes of a wide swath of residents. Black and non-black, male and female, blue-collar and white-collar Michiganders experienced layoffs, furloughs, wage cuts and other employment and economic shocks. As is the case nationally, employment problems were concentrated among workers who are less-educated, blue-collar and African American.

This report examines the employment problems of three groups at the time of the first survey: those who were employed, those who were unemployed; and those who were not in the labor force.

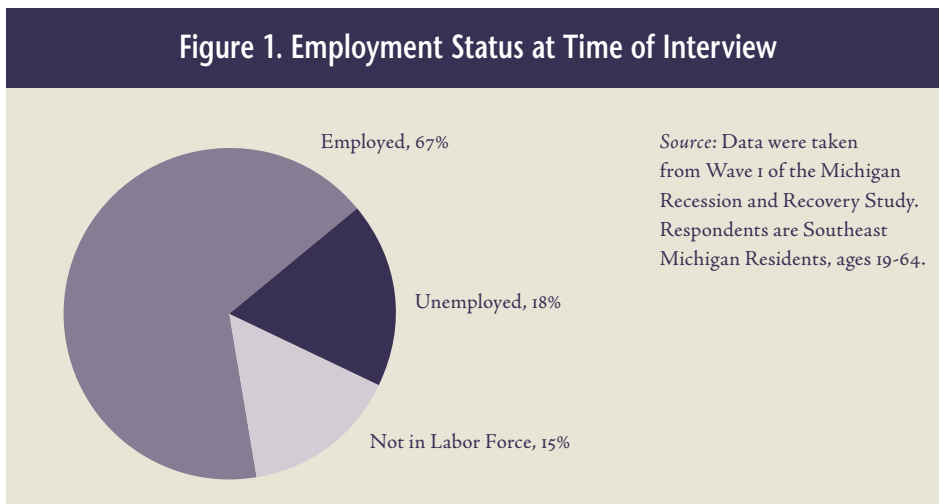
Unemployment

A person is counted as unemployed when she/he is not working for pay and is actively searching for employment. If we consider their status at the time of their interview, which occurred for respondents over the months of October 2009 through March of 2010, 18% of MRRS respondents were unemployed.

The unemployment rate is calculated by dividing the number of unemployed individuals by the number of people in the labor force (unemployed plus employed individuals). The unemployment rate for MRRS respondents in October 2009 was 21.6%, about twice the national rate in October 2009, which was 10.2%, according to the Bureau of Labor Statistics. The rate is also significantly higher than the October 2009 unemployment rate for the state of Michigan, 15.3%, likely because of the area's high numbers workers in the auto and other manufacturing industries which were hard-hit by the Great Recession.

Further, 32% of all MRRS respondents reported being unemployed in at least one month between January 2007 and

Figure 1. Employment Status at Time of Interview



September 2009. Even among those with a bachelor’s degree or more education, 20% of respondents were unemployed in at least one month during this period of 33 months. However, experiences were even worse among those with less than a high school diploma, among whom 45% experienced at least one month of unemployment.

African American respondents were much more likely than non-blacks to have experienced a month of unemployment between January 2007 and September 2009: the figures were 46% and 28% respectively. Blue-collar workers were more likely to be unemployed in any month than white-collar workers: 42% versus 25%.¹ Female workers were less likely to experience unemployment than male workers, 28% versus 37%.

The length of unemployment spells also varies by race, gender, educational attainment and occupation. Longer spells of unemployment are associated with increased rates of material hardship, mortgage default, and difficulty securing re-employment. About one in four respondents experienced six or more months of unemployment, and the rate

was higher — one in three — among blue-collar workers. Blue-collar workers were both more likely to experience unemployment and more likely to experience a long spell of unemployment. Further, black workers who experienced at least one month of unemployment between January 2007 and their interview were also unemployed for a greater number of months than non-black respondents: 16 months compared to 11 months.

Unemployed respondents reported extensive financial hardship: 96% indicated that it was a financial problem that they were not working. This percentage was higher among those who had experienced six or more months of unemployment (98%) and blue-collar respondents (99%).

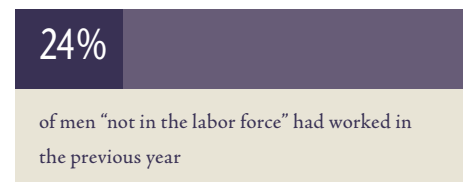
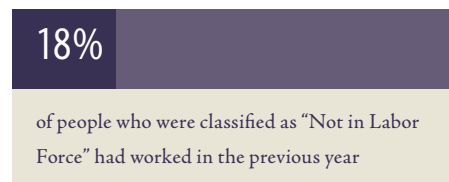
A variety of social programs exist to assist the unemployed and the poor: 37% of the currently unemployed had received unemployment benefits prior to the time

of interview; 5% received Temporary Assistance for Needy Families; and 32% received Supplemental Nutrition Assistance Program benefits (formerly known as Food Stamps). At the time of interview, 42% of unemployed respondents reported that they were not receiving assistance from any of these three programs.

Job Problems among the Currently Employed

Many employed respondents were also affected by the Great Recession. Among those who were working when interviewed, about one in four had experienced at least one month of unemployment during the 33 months preceding the interview. Further, 36% had experienced one or more of the following problems in the 12 months prior to the interview: a lay-off, furlough, or wage reduction. These problems were more concentrated among black, male, and blue-collar respondents: 42% of black respondents reported experiencing a layoff, furlough, or wage reduction in the previous year, as did 40% of males and 47% of blue-collar respondents.

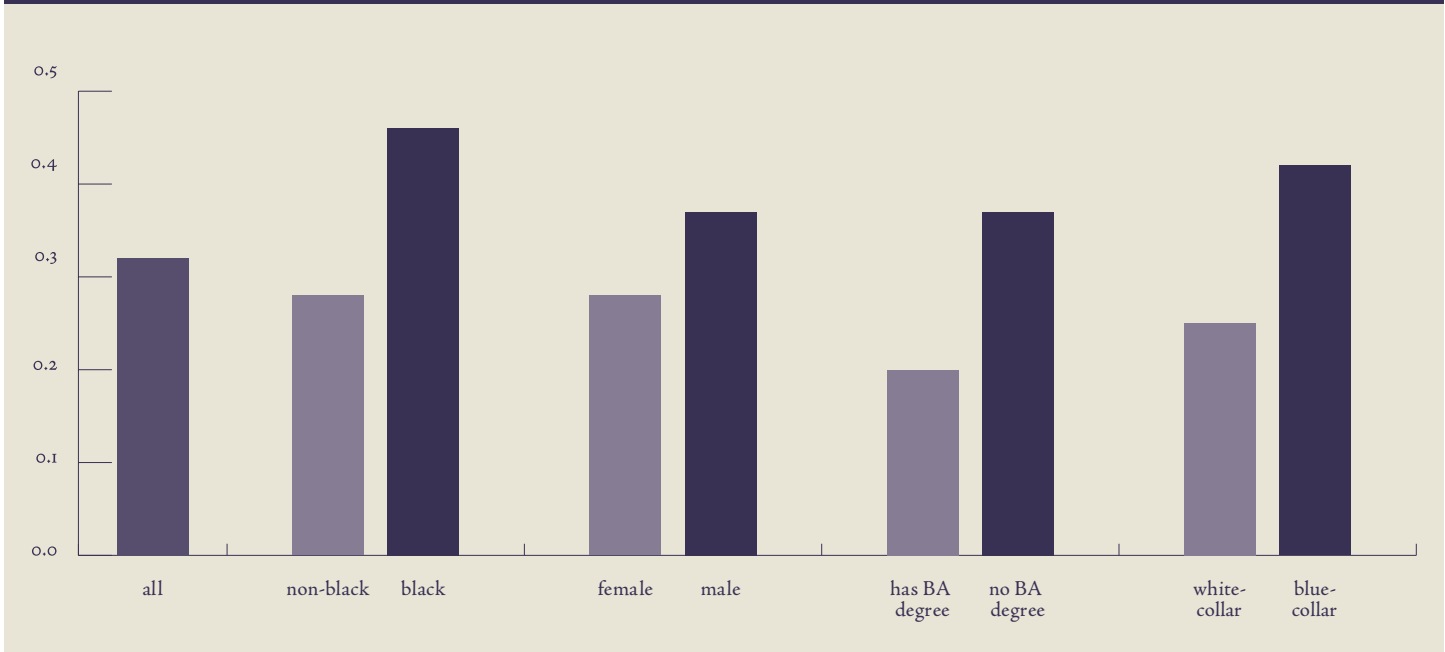
Another less-recognized problem for the employed is perceived job insecurity. Belief that one’s job is at risk can have serious consequences, including worsened health for the worker and lower levels of productivity for the firm.² 17% of employed respondents perceived that they were somewhat or very likely to lose their job in the next 12 months, a high percentage compared to national



1. Respondents are defined as “blue-collar” if their current or most recent occupation is in one of the following fields: manufacturing, extraction, transportation, crafts, farming, fishing, forestry, or service occupations. Respondents are defined as “white-collar” if their current or most recent occupation is in one of the following fields: managerial, professional, technical, sales or office.

2. Burgard, Sarah A., Jennie E. Brand and James S. House. 2009. “Perceived Job Insecurity and Worker Health in the United States.” *Social Science and Medicine* 69(5): 777-785; Greenhalgh, Leonard. 1984. “Managing the Job Insecurity Crisis.” *Human Resource Management* 22(4):431-444.

Figure 2. Percentage of Working-Aged Adults Experiencing Unemployment



rates.³ Perceived job insecurity, too, is more pronounced among African American and blue-collar workers, with 30% of black workers and 27% of blue-collar workers perceiving their jobs to be at risk.

Not in the Labor Force

The third category, “Not in the Labor Force,” includes respondents who are not working for pay and not looking for work. This group includes homemakers, students, early retirees, individuals with disabilities who are unavailable for work, as well as “discouraged workers” who would likely search for work if they thought jobs were available for them.

While they were not working or looking for work in late 2009 or early 2010 when interviewed, almost one in five respondents who were not in the labor force had worked in the year prior to interview. Higher percentages of men—about one in four—who were not in the labor force had worked in the past year.

Further, 66% of MRRS respondents who were not in the labor force reported that it was a financial problem that they were not working. This percentage was substantially higher for black respondents: 79% of black respondents reported financial difficulty, compared with 59% of non-black respondents.

Thus, many of the MRRS respondents not currently in the labor force have recent work histories, and even more of them are experiencing financial difficulty.

Social Support in Times of Economic Distress

Three out of four respondents reported that at least one friend or family member lost work during the recession. Of those who reported knowing someone who lost work, 70% reported having three or more friends or family members who lost a job.

Further, 39% of respondents who had a friend or family member who lost a job

74%

of people report having a friend/family member who has lost a job

95%

of those who were asked to provide material assistance to a friend/family member who lost a job, did so

69%

of those who provided support reported that it caused them personal financial strain

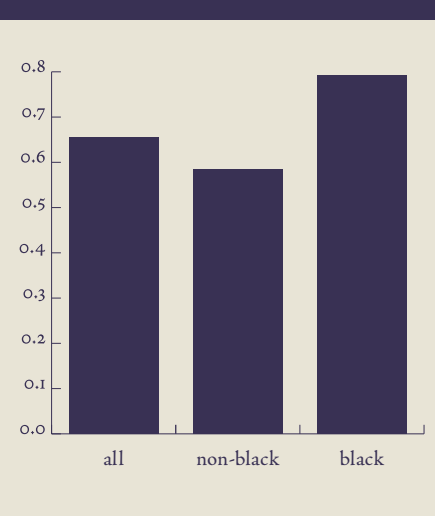
3. Burgard, Sarah A, Lucie Kalousova, and Kristin S Seefeldt. 2012. “Perceived Job Insecurity and Health : The Michigan Recession and Recovery Study.” (January).

reported being asked to provide material help to them. Of those asked for help, 95% provided financial assistance, food, clothing, transportation or housing to someone who had lost a job. They provided help even though two thirds reported that providing assistance caused them personal financial strain. These results suggest that networks of social support are important sources of economic assistance during times of widespread economic distress.

Implications

Findings from the first wave of the MRRS are consistent with results of other surveys conducted during the Great Recession and subsequent recovery: many employed, as well as unemployed, respondents experienced serious labor market and financial hardships. Our data further allow us to look in-depth at the employment situation in the Detroit Metropolitan area—one of the areas hit hardest by the recession—to examine the nature of employment problems and strategies employed by respondents to ameliorate hardship. Though these respondents report helping one another at very high

Figure 3. Percentage of People Not in the Labor Force Who Report Hardship Due to Lack of Work



levels, our data reflect gaps in the coverage of government programs: only 1 of every 2 unemployed respondents had accessed SNAP, Unemployment Insurance or cash welfare in the year following job loss. Further research with Wave 2 data will examine more thoroughly where social support and the social safety net are assisting Michigan residents suffering from job problems, and where these mechanisms are falling short.

About the Authors

Alix Gould-Werth is a Ph.D. student in the joint program in Social Work and Sociology at the University of Michigan. agouldw@umich.edu

Sarah A. Burgard is an Associate Professor of Sociology, an Associate Professor of Epidemiology, and a Research Associate Professor at the Population Studies Center at the University of Michigan. burgards@umich.edu

NPC activities are currently supported with funding from the Ford Foundation, John D. and Catherine T. MacArthur Foundation, Russell Sage Foundation, U.S. Department of Agriculture, as well as generous support from units within the University of Michigan, including the Gerald R. Ford School of Public Policy, Office of the Vice President for Research, the Rackham Graduate School, and the Institute for Social Research.



National Poverty Center
Gerald R. Ford School of Public Policy
University of Michigan
735 S. State Street
Ann Arbor, MI 48109-3091
734-615-5312
npcinfo@umich.edu