EMPLOYMENT DYNAMICS IN DETROIT AND THE IMPACT OF LABOR FORCE REBOUNDERS

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DETROIT METRO AREA COMMUNITIES STUDY

OVERVIEW

This report is part of a series of reports highlighting findings from the most recent survey of the Detroit Metro Area Communities Study (DMACS). The survey was fielded between January 26 and March 29, 2023, and captures the views of a representative sample of 1,911 Detroit residents. This report revises and extends the findings from earlier data waves on employment trends in Detroit, including an exploration of residents' financial precarity related to labor market participation and inequities in opportunities to telework. See full results from DMACS surveys here.

KEY FINDINGS

- Detroit's estimated unemployment rate in March 2023 was 16%, maintaining the same rate as estimated in August 2022.

- One group of non-workers contributing to the high unemployment rate are "labor force rebounders," residents who would typically be identified as out of the labor force because they are retired, disabled, students, have family or personal obligations, or otherwise chose not to work but who appear to be re-entering the labor force and are actively searching for work.. Omitting this group from the labor force lowers the unemployment rate to 10%.

- Labor force rebounders may be seeking employment in response to financial precarity. Seventy percent of these residents say they would be unable to cover an emergency $400 expense.

- The majority of working Detroiters say they do not work remotely. Sixty-eight percent say they have not teleworked or worked from home at all in the past seven days.

- The flexibility to work remotely is unequally distributed, with more advantaged workers being significantly more likely to work remotely compared to other residents.

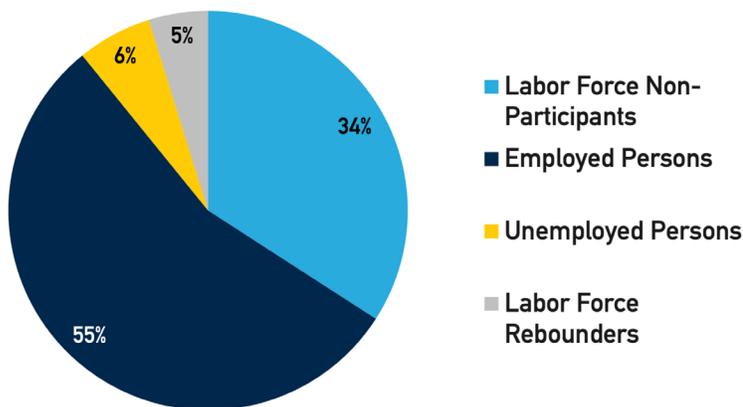## DETROIT'S UNEMPLOYMENT RATE HOLDS STEADY AS OF MARCH 2023[1]

- As of March 2023, DMACS estimates that Detroit's unemployment rate—the proportion of adults in the labor force who are not working but are actively seeking work or who believe they are likely to return to work soon—sits at 16%.[2,3]

  - This latest unemployment estimate essentially holds steady from the previous DMACS estimate in August 2022.

  - The current unemployment picture suggests that unemployment has declined and stabilized from the dramatic economic upheaval at the beginning of the COVID-19 pandemic, when unemployment spiked to 43%.

  - However, the current unemployment rate in Detroit remains higher than the estimated pre-pandemic unemployment rate of 8%.

Figure 1. Detroit City Unemployment Rate Estimates

Legend: DMACS, BLS LAUS, CPS
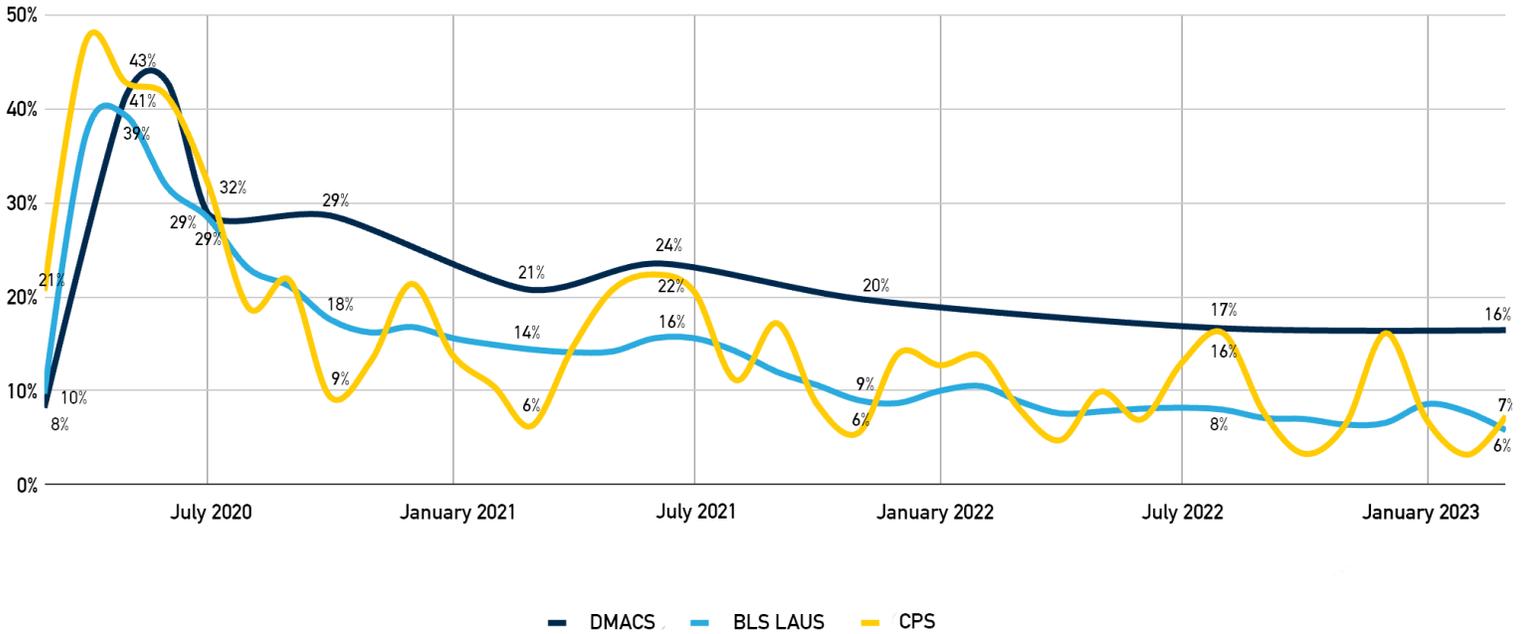
ESTIMATES OF UNEMPLOYMENT ARE SENSITIVE TO HOW LABOR FORCE REBOUNDERS – JOB SEEKERS LOOKING TO RE-ENTER THE LABOR FORCE – ARE CLASSIFIED

Figure 2. Composition of Detroit Labor Market

Legend:
- Labor Force Non-Participants (34%)
- Employed Persons (55%)
- Unemployed Persons (6%)
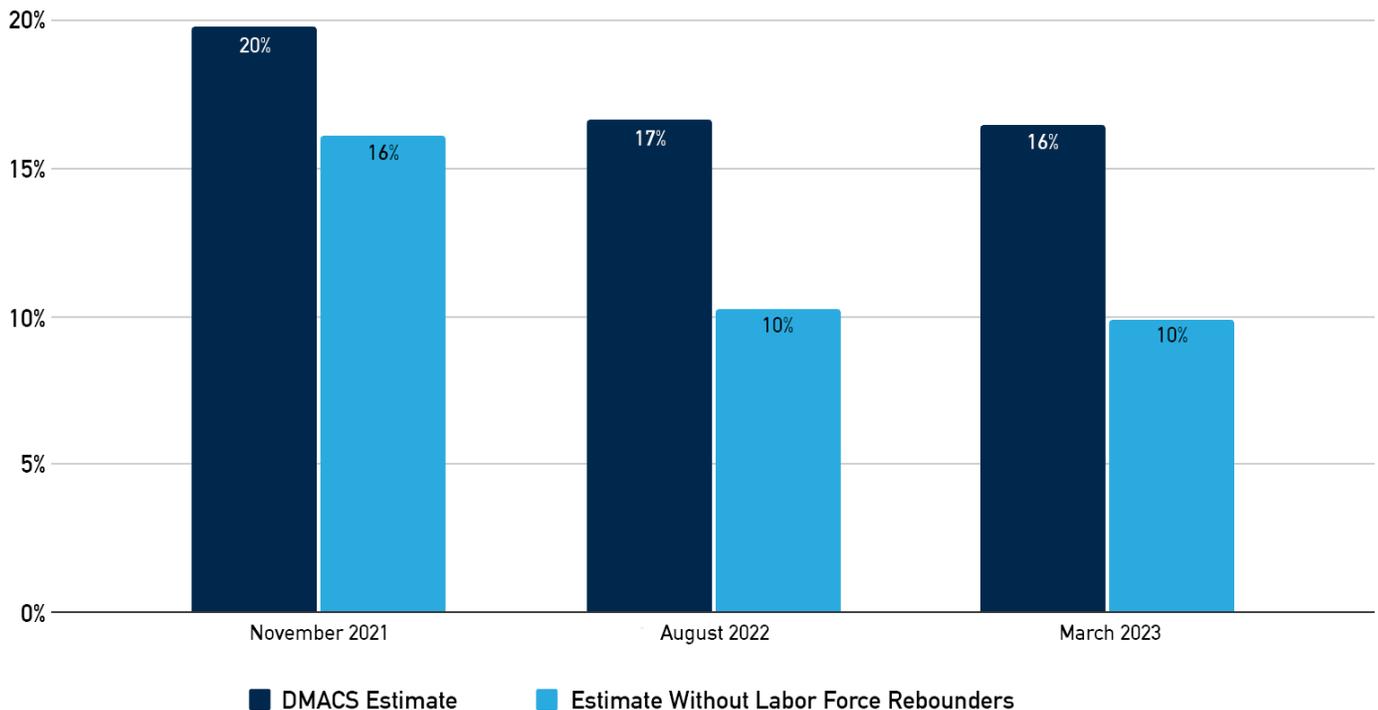- Labor Force Rebounders (5%)

- Detroit's labor market is comprised of four groups of residents:

  - Labor force non-participants: residents considered out of the labor force because they are retired, disabled, students, have family/personal obligations, or otherwise choose not to work. In Detroit, 34% of adult residents are labor force non-participants.

  - Employed persons: residents who report they have worked for pay or profit in the past month. In Detroit, 55% of adult residents are employed.

  - Unemployed persons: residents who have not worked for pay or profit in the past month because they were laid off, but they are actively searching for and available to work. In Detroit, 6% of adult residents are unemployed.

  - Labor force rebounders: residents who are retired, disabled, students, have family/personal obligations, or otherwise choose not to work but report actively searching for a job in the past month. In Detroit, 5% of adult residents are labor force rebounders.

- Estimates of the unemployment rate are sensitive to whether labor force rebounders are included or excluded from the labor force.

  - DMACS follows the [Bureau of Labor Statistics](#) in classifying labor force rebounders as unemployed because they are out of work but have actively looked for work in the prior four weeks.[2]

  - But, labor force rebounders have characteristics that would categorize them as being out of the labor force (and therefore exclude them from the calculation of the unemployment rate) if they were not actively looking for work, including being retired, disabled, students, having family/personal obligations that prevent them from working, or otherwise choosing not to work.

- Excluding labor force rebounders from the unemployment rate reduces DMACS's estimate of the unemployment rate from 16% to 10% in our March 2023 estimate, from 17% to 10% in our August 2022 estimate, and from 20% to 16% in our November 2021 estimate.[4]

  - Since November 2021, the proportion of residents identified as labor force rebounders has increased from 3% to 5%. At the same time, the number of other unemployed persons has fallen from 10% to 6%. These trends together explain the smaller impact of labor force rebounders on revised November 2021 estimates.

Figure 3. DMACS Estimates of Unemployment Rate With and Without Labor Force Rebounders

Legend: DMACS Estimate (dark) / Estimate Without Labor Force Rebounders (light)

NEARLY HALF OF LABOR FORCE REBOUNDERS CITE HEALTH ISSUES AS THE REASON THEY EXITED THE LABOR FORCE

- Forty-six percent of labor force rebounders – job seekers who report reasons for not working that would typically place them outside the labor force – say the main reason they have not worked in the past month is because they have health/medical limitations or are disabled.

- Nearly 1 in 5 labor force rebounders (18%) say the main reason they have not worked in the past month is because they did not want to work for pay at this time.

- Fourteen percent of labor force rebounders report that personal or family obligations are the main reason they have not worked in the past month, while 13% of labor force rebounders cite going to school as the main reason they are out of the workforce.

- Just 8% of labor force rebounders say the main reason they have not worked in the past month is because they are retired.

- Younger and less-advantaged residents are more likely to be labor force rebounders.

  - Residents under 40 are more than twice as likely (8%) to be labor force rebounders compared to residents over the age of 40.

  - Residents in households earning less than $60,000 per year are significantly more likely to be labor force rebounders than higher-earning households.

  - Five percent of residents with less than a college degree say they are seeking work despite having exited the labor force in the past, compared to 2% of those with at least a college degree.

  - Renters are twice as likely (7%) as homeowners (3%) to be labor force rebounders.

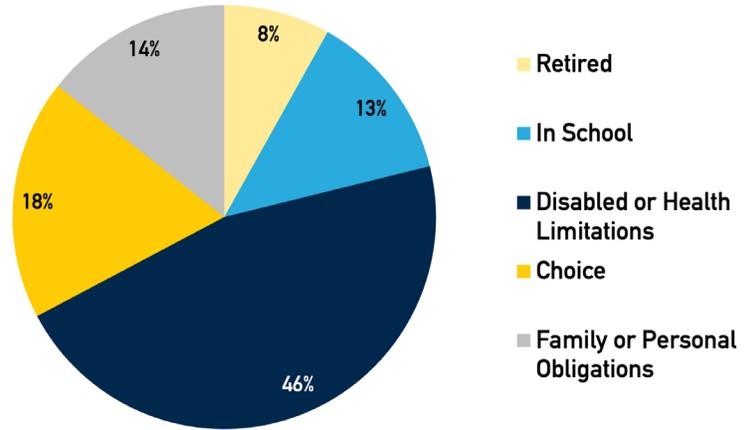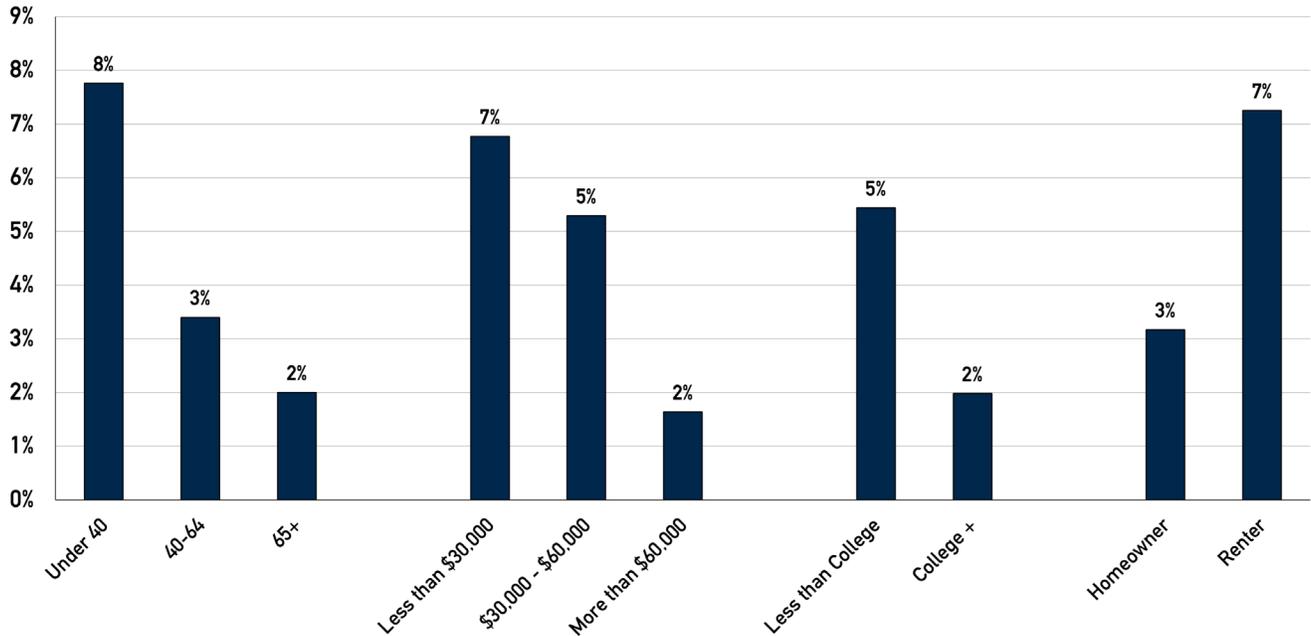**Figure 4. Main Reason Labor Force Rebounders Report Not Working in Past Month**

- Retired
- In School
- Disabled or Health Limitations
- Choice
- Family or Personal Obligations

Figure 5. Detroiters Classified as Labor Force Rebounders

FINANCIAL PRECARITY MAY BE DRIVING LABOR FORCE REBOUNDERS BACK TO THE LABOR MARKET

- Labor force rebounders may be pushed to search for work by extreme financial precarity, including difficulty covering a $400 emergency expense, unmanageable household debt, and housing cost burdens.

- Detroiters who are labor force rebounders and those traditionally counted as unemployed are significantly more likely to say they would be unable to cover an emergency $400 expense compared to employed residents.

  - Seventy percent of labor force rebounders and 73% of unemployed residents say they would be unable to cover such an expense, compared to 40% of Detroiters who are currently working.

- Nearly half (43%) of labor force rebounders report they have an unmanageable amount of household debt.

- Labor force rebounders and unemployed Detroiters are significantly more likely to report a housing cost burden – spending more than 30% of their income on housing

costs – compared to employed Detroiters or labor force non-participants.

- Seventy percent of labor force rebounders say they spend at least 30% of their income on housing costs.

- Fifty-eight percent of unemployed Detroiters similarly say they experience a housing cost burden.

Figure 6. Financial Precarity By Labor Force Participation Type

■ Employed Persons   ■ Labor Force Non-Participants   ☐ Unemployed Persons   ☐ Labor Force Rebounders
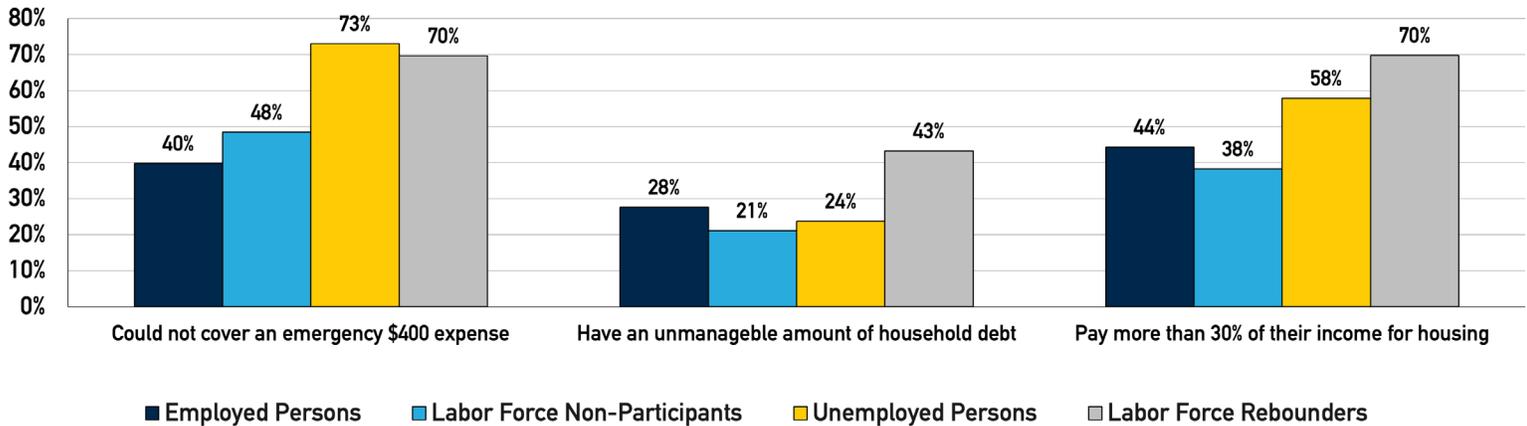
THOUGH THE MAJORITY OF WORKERS ARE WORKING IN PERSON, OPPORTUNITIES FOR REMOTE WORK ARE UNEQUALLY SHARED

- Despite reports of high office vacancy rates and a slow return of workers to downtown, the majority of working Detroiters (68%) say that they are working in person and have not teleworked or worked from home at all in the past seven days.

  - One-third of Detroiters (32%) report working remotely at least once in the past seven days.

  - Roughly 1 in 7 (14%) employed Detroiters say they currently telework or work from home five or more days out of the past seven days.

  - Seven percent of Detroit workers report teleworking or working from home three to four of the past seven days, while 11% report teleworking one or two days.

- The opportunity to telework is not shared equally by working Detroiters. White residents, high earners,

Figure 7. Teleworking in Past 7 Days Among Employed Detroiters

■ No Telework

■ Teleworked 1-2 days

☐ Teleworked 3-4 days

■ Teleworked 5 or more days
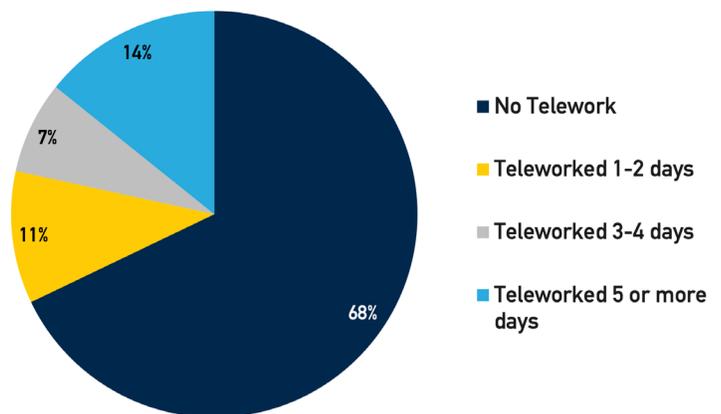
and those with at least a college degree are significantly more likely to be able to work remotely compared to other residents.

- White working Detroiters are twice as likely to say they teleworked or worked from home at least one of the past seven days compared to Black and Latino workers. Nearly two-thirds (61%) of White workers report teleworking at least once compared to 27% of Black and 31% of Latino workers.[5]

  - One-quarter (23%) of White workers report exclusively teleworking compared to 13% of Black workers and 12% of Latino workers.

- Half of workers in households earning more than $60,000 report teleworking or working from home at least one of the past seven days, compared to 20% of workers in households earning $30,000 or less.

- College graduates are three times more likely (64%) to report teleworking on occasion compared to those without a college degree (20%).

- Despite the potential need for greater flexibility in terms of work location, working parents are not more likely to report that they have teleworked in the last week compared to adults without children.

Figure 8. Teleworking At All in Past Seven Days Among Employed Detroiters
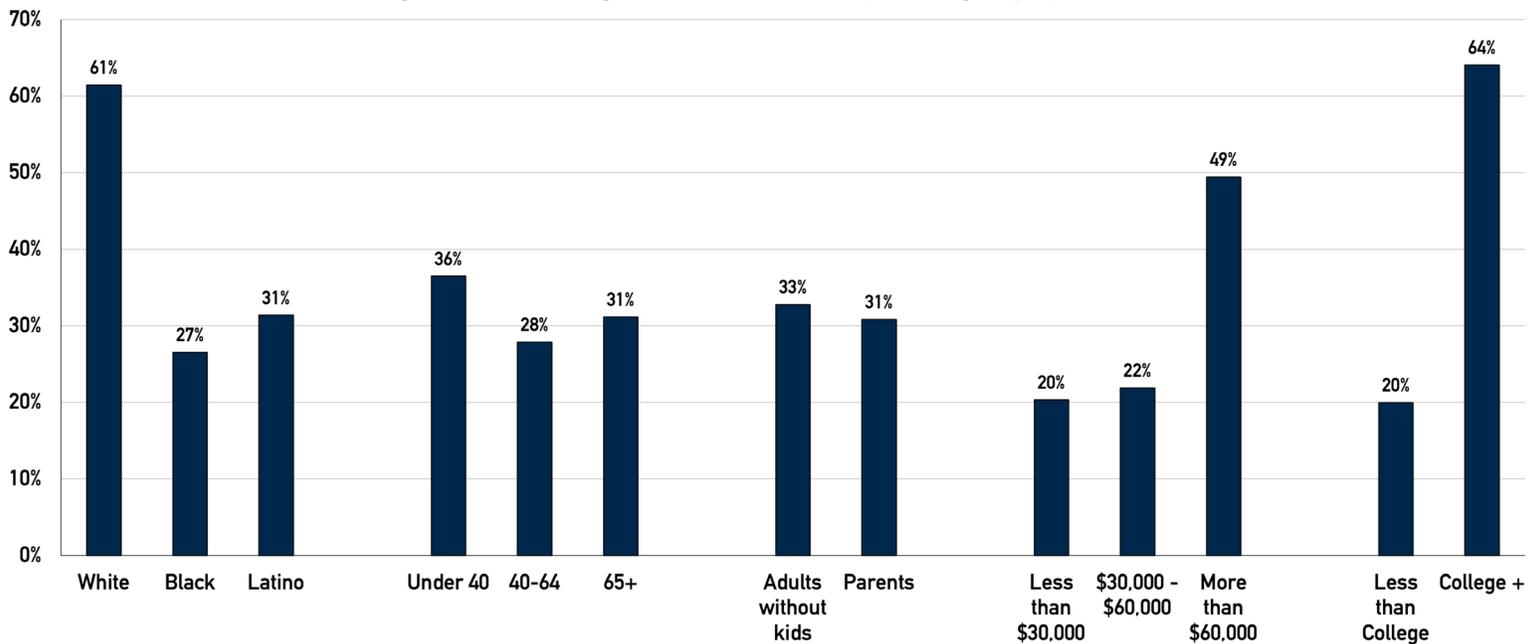
METHODOLOGICAL NOTE

DMACS derives respondents' labor force participation and employment status using a multi-step approach that is similar to the approach used by the Current Population Survey (CPS). First, we identify respondents who are in the labor force and currently employed based on their affirmative response to the question, "In the past month, did you do any work for either pay or profit?" Second, for those respondents who say they have not been actively employed for the past month, we use responses to the question "Did any of the following contribute to your not working?" to determine if the respondent should be coded as in or out of the labor force. Because respondents could select multiple reasons to explain why they are not currently working, we ask respondents to specify the main reason they were out of work if they selected more than one reason. Reasons respondents could select for being out of the labor force were: [1] I am retired; [2] I am going to school or training; [3] I have a health/medical limitations or am disabled; [4] I did not want to work for pay at this time; [5] I am a homemaker or don't work due to family/personal obligations; [6] I have lost my job, been laid off, or am otherwise out of work; [7] Other (specify). Based on their main reason for not working, we code respondents who are retired, who are students, who are disabled or otherwise unfit to work, who are homemakers or caretakers, and who choose not to work as out of the labor force. Respondents who say they are out of work because they have been laid off, lost their job, or are otherwise out of work are coded as in the labor force. We also consider any respondent who reports that they have actively searched for a job in the last month, regardless of if they are working or not, as in the labor force. For respondents whose labor force status remains unclassified based on this coding approach, we use two indicators of recent work or intention to return to work to try to fill in their labor force information. We code respondents who we were otherwise unable to place in or out of the labor force as in the labor force if they received unemployment insurance in the past month or if they think it is very or somewhat likely they will return to work in the next month.

In summary, we identify labor force participants as any respondent who:

1. Is currently working (i.e. employed)

2. Is out of work and identified that the main reason they are not currently working is because they "have lost [their] job, been laid off, or [are] otherwise out of work"

3. Reports having actively searched for a job in the past month

4. Is not otherwise coded as in or out of the labor force and has received unemployment insurance in the last month

5. Is not otherwise coded as in or out of the labor force and thinks it is somewhat likely or very likely they will be working in the next month

We identify as out of the labor force any respondent who:

1. Is not currently working or searching for work and told us the primary reason they were out of work is because they are (A) retired; (B) a student; (C) disabled or otherwise unfit to work; (D) choosing not to work; (E) a homemaker or caretaker

ENDNOTES

1   Throughout this report, we use the following definitions in defining the labor force:
- In the labor force - Includes all respondents ages 18 and older classified as either employed or unemployed.
- Employed - Includes all respondents who reported working for pay or profit in the past month.
- Unemployed - Includes all respondents who had no employment in the last month but were classified as in the labor force (see above methodological note).
- Unemployment rate - The unemployed percent of the labor force [i.e., 100 * (unemployed/labor force)].
- Out of labor force - Includes all respondents who are retired, disabled, students, homemaker or caretakers, or otherwise chose not to work.

These definitions match as closely as possible the federal definitions of labor force components used by the Bureau of Labor Statistics (BLS LAUS) and Current Population Survey (CPS).

2   Figure 1 shows the month by month trend estimates from DMACS. Estimates produced by DMACS may differ from employment estimates produced by the BLS LAUS and the CPS due to their different methods of estimation and different sample sizes. DMACS is based on a large, address-based sample of Detroit households, including 2,339 household participants in August 2022. BLS LAUS employment and unemployment estimates are produced from statistical models based on time-series employment data from the CPS, payroll data from the Current Employment Statistics, and unemployment insurance claims from state workforce agencies. LAUS estimates for cities with populations greater than 25,000 are produced through a disaggregation technique using Census Bureau employment and population data and unemployment insurance claims counts. More information on BLS LAUS employment estimate methodology is available here. CPS employment and unemployment estimates are produced from monthly survey data based on a nationwide sample of 60,000 occupied households per month. The CPS uses a series of 16 questions to classify an individual's (age 16+) employment status; including questions about self-employment, job tenure, work status, unpaid family work, hours worked, layoff, active and passive methods of job search, and availability for work. Within Detroit, roughly 100 households are sampled to participate in the CPS every month. This small sample means CPS estimates for the city of Detroit are highly volatile month to month. More information on CPS employment estimate methodology is available here.

3   In interpreting Figure 1, it should be noted that DMACS data were only collected in March 2020, May 2020, June 2020, July 2020, October 2020, March 2021, July 2021, November 2021, August 2022, and March 2023. The trendline between those time periods has been smoothed to connect observations. Readers should take caution in interpreting unlabeled points.

4   This revised estimate is only calculable for data from November 2021, August 2022, and March 2023 because those waves asked if respondents had actively searched for a job in the prior month. Earlier waves of data collection asked about job searching over the previous 12 months rather and thus only used job searching to fill in the labor force status of those otherwise missing information on if they were in or out of the labor force.

5   This report uses the following ethnoracial categories: "Latino" refers to any respondent who identifies as being of "Hispanic, Latino, or Spanish origin." "White" and "Black" refer to respondents who selected only those respective categories (and no other ethnoracial categories) and who do not identify as Latino. Respondents who identified using other ethnoracial categories, who did not identify with any of the ethnoracial categories, or who identified using multiple ethnoracial categories were coded as "Other" (omitted).

ACKNOWLEDGMENTS

FOR MORE INFORMATION

For more information on DMACS, please contact
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