Economic Bulletin

GOOD news

The **U.S. unemployment rate** remained at a record-low seasonally adjusted 4.3 percent in May. The low rate was fueled by the addition of 296,000 jobs, mostly in the services sector. The economy maintained a low rate for two consecutive months, indicating strength despite the troubled Asian financial markets. Workers also enjoyed wage gains in May, with average weekly earnings increasing four cents, to $12.73.

◆ The Conference Board announced that the **index of consumer confidence** slipped 2.0 points in May from April's 137.2 level. Despite the slight dip, the index, which reads between 85 and 100 when the economy is performing well, remains very high. It is buoyed by consumers' expectations that business conditions will continue to improve and that wages will rise in coming months. Consumers also indicated they will be making major purchases—a near record 37.5 percent of those surveyed said they plan to purchase major appliances in the coming six months.

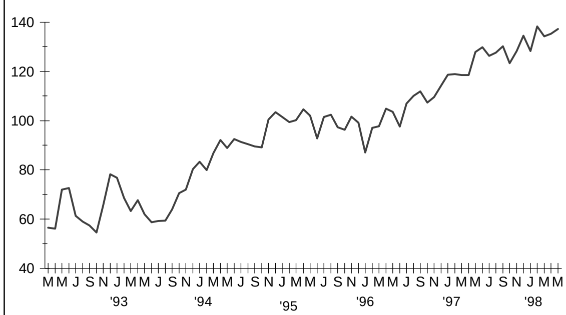
◆ May **motor vehicle sales** increased 7.5 percent, the second consecutive solid sales month following a weak first quarter. Boosted by generous incentives, the seasonally adjusted annual sales rate is a robust 16.2 million units, up from about 15.8 million units in April and 15.1 million units in March. Light truck sales continue strong, jumping 12.8 percent above the year-ago level. Car sales are up 3.2 percent, the largest increase since December. Sales for the Big Three increased 7.5 percent while sales of Japanese models are up 6 percent. Chrysler led the sales surge with a 22.2 percent gain and GM sales rose 8.4 percent, but Ford sales dipped 1.9 percent from the year-ago level. Future months are not likely to be as strong as May because the generous incentive programs advanced some sales from later months.

◆ **New home sales** rose in April to a seasonally adjusted annual rate of 888,000 units, 5 percent above March's rate and 17 percent above the rate for April 1997. Economists attribute the growth to the strong job market and moderate interest rates. In related news, **existing home sales** declined in April from the previous month's record pace, but—at a seasonally adjusted annual rate of 4.77 million homes—the rate remains high.

BAD news

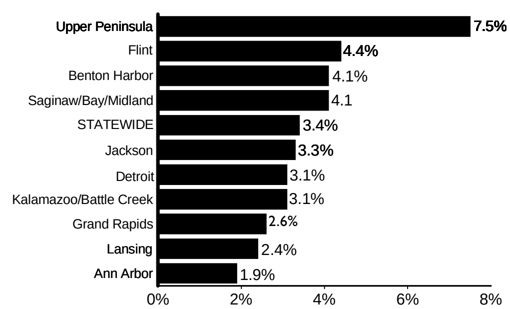
Michigan's unemployment rate inched up slightly in May, to 3.7 percent; the April figure was manufacturing and construction; the April level was 188,000. Despite the slight May rise, the jobless rate remains at a near record low. (The May numbers do not include the effect of the GM strike, which began after these figures were compiled.)

Index of Consumer Confidence



SOURCE: The Conference Board.

Unemployment Rate, Major Michigan Labor Markets, April 1998 (unadjusted rates)



SOURCE: Michigan Employment Security Agency.

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MONTHLY FOCUS

NOT ALL GOOD-PAYING JOBS REQUIRE A DEGREE

A report recently released by Michigan Future, Inc., shows that there are good-paying jobs in the Michigan economy that do not require a four-year degree.[1] Michigan Future collected data on the average earnings in various occupations as well as the education required to obtain them and the average age of the workers. Researchers also collected data to determine which of these occupations were high-paying (defined as the media being more than $30,000 annually) and fast-growing (defined as increasing employment by 20 percent and adding 15,000 or more new jobs over a five-year period).

The aim of the study was to test the idea that there are good-paying Michigan jobs that do not require a four-year college degree and to assess whether these jobs are available to younger workers. It finds that there are, indeed, good-paying jobs in today's economy and that they are available to younger workers. (It should be noted that the earnings data collected pertain to median earnings, not beginning salaries, and that younger workers will reach higher earnings levels only after gaining some years of experience.)

The exhibit lists 20 of the 47 occupations found by the study to pay well but not require a four-year degree. It also lists the average amount that each pays for full-time, full-year workers and indicates with an asterisk the fastest growing occupations. As the table shows, many of these jobs are skilled production positions (such as tool and die maker), although a few (such as advertising and science technician) may be considered to be white collar.

Conclusion

The study's findings contradict the widely held belief that a four-year degree is the only route to a good-paying job. This is good news for graduating high school seniors who do not have the financial resources or the desire to obtain a four-year degree.

The findings do not mean, however, that post-secondary education is not necessary to obtain a good-paying job. The study finds that nearly all good-paying occupations not requiring a four-year degree still require some training beyond high school. In particular, they require skills typically learned on the job, in apprenticeships, or at community colleges and technical schools.

The lesson to be learned from this study is not that a four-year degree is unimportant. It is rather that some attractive options are available to students who choose not to go the university route, if they are willing to invest in other post-secondary education.

[1]Louis J. Glazer, *Good-Paying Occupations: A Study of Occupations Wages in the Great Lakes States*, Michigan Future, Inc. (Ann Arbor, Mich.), June 1998.

Good-Paying Occupations Not Requiring a Four-Year Degree

Occupation	Median Annual Earnings
Millwright	$60,000
Household-appliance and electrical-equipment repairer	$52,000
Tool and die maker	$50,000
Stationary engineer	$48,000
Advertising and other business occupations	$45,000
Rail and water transportation occupations	$45,000
Firefighting and fire protection occupations*	$45,000
Supervisor, mechanic, and repairer	$44,500
Boilermaker and other precision metal worker*	$44,000
Science technician*	$43,000
Grinding and polishing machine operator	$42,000
Crane and tower operator	$41,600
Other material-moving equipment operator	$41,000
Industrial, mechanical and other engineering technician*	$40,600
Construction supervisor*	$40,600
Electrician and electrical power installer*	$40,000
Plumber, pipefitter, and steamfitter*	$40,000
Operating engineer	$39,450
Postal clerk, mail carrier, postal service*	$38,750
Precision production supervisor	$38,000

SOURCE: Michigan Future, Inc.
* = Fast-growing occupation.

NEWS FROM THE STATE CAPITOL

"SUPERMAJORITY" BILLS INTRODUCED

Although a Senate resolution (SJR A) that would have made it much tougher for the legislature to raise taxes was defeated last month, the issue still is alive. SJR A called for the electorate to vote on a proposed amendment to the state constitution to require that any proposed tax increase receive a two-thirds "supermajority" of the legislature. After the measure failed to win the two-thirds majority approval it required, four members of the Senate introduced bills (SBs 1163–1166) requiring a three-fifths supermajority to raise taxes.

Unlike the resolution, the bills would not require a two-thirds majority to pass the legislature nor would they need voter approval to become law. A simple majority of the House and Senate is all that is required for passage.

Supporters argue that the legislation is necessary to protect tax reductions enacted by the Engler administration. Opponents contend that the bills are likely to be found unconstitutional and that the legislature easily could sidestep the supermajority requirement by wording tax increase legislation in certain ways.

SENATE PASSES REVENUE SHARING BILL

The Senate has passed SB 1181, which would change the way certain state monies are distributed to the cities, counties, and townships. Currently, the formula for allocating this money to local units takes into account a locality's population and its "relative tax effort"—the amount of taxes it levies on its citizens relative to that levied by other Michigan cities (the higher a locality's tax effort, the more state aid it receives). This bill would change the formula, placing more emphasis on population and less on tax effort.

The revenue sharing formula long has been criticized by some lawmakers who contend that it rewards cities that levy relatively high taxes, such as Detroit, and shortchanges cities with a growing population, such as Grand Rapids. Defenders of the current formula say that a formula based in part on tax effort is necessary to account for the fact that Detroit and many other cities are losing population. These cities, they contend, have a greater need for state dollars to maintain services to their residents. The bill now goes to the House, where it is not expected to pass in its current form.

This month's Economic Bulletin was written by Laurie A. Cummings, Senior Consultant for Economic and Education Policy, and Robert Kleine, Vice President and Senior Economist.

INFORMATION OF INTEREST

Crain Communications, Inc., *Automotive News: 1998 Market Data Book* (Detroit, MI: Crain Communications, Inc.), May 27, 1998. 313/446-0361.

This 160-page publication presents automotive market data for 1997 and 1998. It lists production and sales information for cars and trucks for (1) the worldwide market and (2) the North American market. The document also contains registration data for the United States, including 1997 top-15 makes by region, new-car and truck registrations by state, and overall vehicle population. It also includes a 9-page table of specifications that consists of 1998-model car dimensions, engines, capacities, safety features, and more. The document concludes with directories of automakers and national associations.

Orr, Bloom, Bell, Doolittle, Lin, and Cave, *Does Training for the Disadvantaged Work?: Evidence from the National JTPA Study* (Washington, DC: Urban Institute Press), 1996.

This 290-page book explores the effect that federal job-training programs for the unemployed and economically disadvantaged have on employment and earnings. To this end, it discusses and analyzes information gathered in the National Job Training Partnership Act (JTPA) Study. The book explains that unlike previous studies, the JTPA study measures the real effect of these training programs by using two groups of eligibles—those who were allowed to enter the Title II year-round programs and those who were not. The book details the effect of these programs on the earnings of target groups and various subgroups and discusses their costs and benefits. It concludes with policy implications of the JTPA study's findings.

MICHIGAN REVENUE REPORT

May revenue collections increased 11.6 percent above the year-ago level, easily the largest gain in the current fiscal year. All major revenue sources turned in strong performances.

Personal income tax withholding collections continued strong, recording a robust 12.1-percent increase. As has been the case in recent months, gross collections were even stronger—up 17.4 percent—due to an 18.8 percent gain in annual payments.

Sales tax collections increased 5.2 percent, following a lackluster 0.7 percent increase in April. Motor vehicle sales taxes were down 5.3 percent, but all other collections were up 7.2 percent, the largest increase in more than a year. Use tax revenue, which may vary widely from month to month, increased 7.3 percent.

SBT collections (including insurance) also recorded an usually large increase in May—14.5 percent. Year-to-date collections, however, are up only 1.9 percent.

Lottery sales were down 4.4 percent in May, following near record-level sales in March and April.

Last month the Consensus Revenue Estimating Conference met and agreed on revised estimates for FY 1997–98 and FY 1998–99. The current year GF/GP and School Aid Fund estimates have been upped $37.1 million in response to large upward revisions in income tax revenue that offset shortfalls in sales, use, and SBT revenue. The revenue estimate for FY 1998–99 has been increased by $12.2 million, again with large upward revisions in income tax revenue and downward revisions in sales, use, and SBT revenue.

May 1998 Revenue Collections (millions)

Source	May Collections	Percentage Change, Year-ago	Percentage Change, Year-to-date	May 1997 Actual	FY 1997–98 Consensus Est. Less Tax Cuts (% Change)
Income tax					
Withholding	$494.9	12.1%	6.8%	$441.4	5.6%
Quarterly	13.6	94.3	16.6	7.0	10.9
Annual	61.6	65.6	18.8	37.2	14.9
Subtotal: gross income tax	570.1	17.4	8.9	485.6	6.8
Sales tax	456.3	5.2	2.3	433.9	3.5
Motor vehicles	67.9	–5.3	5.2	71.7	—
Other	388.4	7.2	1.8	362.2	—
Use tax	97.0	7.3	1.0	90.4	1.0
Subtotal: sales/use/withholding	1,048.2	8.5	4.4	965.7	4.3
Tobacco tax	42.3	1.7	–3.4	41.6	–4.0
SBT	369.5	12.5	1.9	328.4	2.2
Insurance	12.7	139.6	–16.6	5.3	–17.7
Subtotal: SBT + insurance	382.2	14.5	0.5	333.7	0.7
State education property tax	28.8	19.0	–0.6	24.2	5.0
Real estate transfer tax	17.4	35.9	20.5	12.8	11.5
Estate/inheritance tax	8.3	–10.8	29.6	9.3	13.2
Intangibles tax	23.0	–5.7	–45.6	24.4	–46.2
Severance tax	3.2	–3.0	–16.5	3.3	–12.6
TOTAL	$1,628.5	11.6%	4.1%	$1,459.2	4.0%
Gross lottery sales (prel.)	$134.0	–4.4%	3.3%	$140.2	

SOURCE: Senate Fiscal Agency.
NOTE: November is the first month of the new fiscal year for all revenue sources except the lottery.