



Economic Bulletin



In July **Michigan's unemployment rate** dipped to its lowest level on record, plunging to a seasonally adjusted 3.8 percent from 4.0 percent in June. The July rate is one full percentage point below the national rate and marks the 28th consecutive month that Michigan's rate has bested the country's.

◆ The August index of **consumer confidence** set a near 28-year record, rising to 129.1 from July's 126.3 rate. Consumer expectations for the U.S. economy were boosted in August by faith in the job market, with 37.6 percent of those surveyed believing that jobs are "plentiful." The index, which sits at 85 to 100 when the economy is strong, has been enjoying an upward trend since 1993 and shows no signs of leveling off.

◆ **Sales of existing homes** rose 2.2 percent in July, to a seasonally adjusted annual rate of 4.24 million homes, from June's 4.15 million rate. The July rate, which is about the same as a year ago, is fueled by a strong economy and a drop in mortgage rates. The month's **new home sales** also are up, edging up one percent over the June level, to a seasonally adjusted annual figure of 817,000.

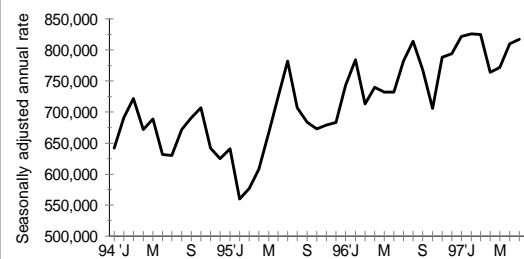
◆ **Motor vehicle sales** crept up a modest 1.1 percent in August, well below the July increase of 4.6 percent. Nevertheless, the seasonally adjusted annual sales rate is a healthy 15.6 million units, about the same as in July. Together, Big Three sales are up 0.8 percent: Although Ford and Chrysler posted declines of 0.2 percent and 3.3 percent, respectively, GM enjoyed a 3.4 percent increase. Overall, sales of Japanese models weakened, up only 1.6 percent from August, 1996, despite a robust 33.6 percent sales gain for Honda. For the first eight months of 1997, total vehicle sales are down 0.8 percent.

◆ The Bureau of Labor Statistics announced that **inflation** rose slightly in August but not enough to trigger an alarm. The consumer price index was up 0.2 percent in August, after rising the same amount in July. The core index—which excludes the volatile food and energy sectors—also increased a scant 0.2 percent. August's price data keep

inflation at a modest 2.2 percent rate for the last 12 months.

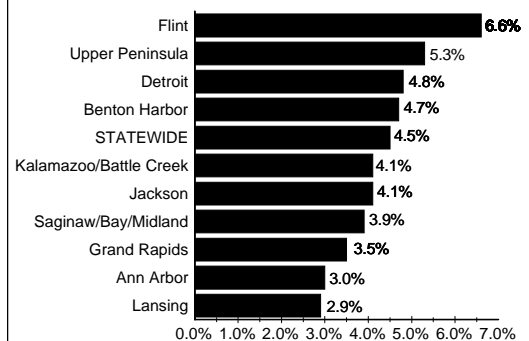
◆ The seasonally adjusted **U.S. unemployment rate** rose 0.1 percentage point in August, to 4.9 percent. However, excluding the effects of United Parcel Service strike, which took 185,000 workers off of the payroll in August, the jobless rate was roughly the same as in July—4.8 percent. While it is unclear whether August job growth would have been higher or lower than in July if not for the strike, underlying job growth remains strong, and many areas of the nation are experiencing labor shortages.

New Single-Family Home Sales, United States, January 1994 to July 1996



SOURCE: U.S. Department of Commerce.

Unemployment Rates in Major Michigan Labor Markets, July 1997 (unadjusted)



SOURCE: Michigan Employment Security Agency.

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MONTHLY FOCUS

THE PART-TIME JOB MYTH

The recent United Parcel Service (UPS) strike put the national spotlight on part-time employment. Workers walked the picket line, objecting to UPS's having replaced full-time jobs with part-time jobs and maintaining that the national growth in part-time employment should be stopped. A recent Wall Street Journal article by Michael Phillips takes issue with the belief held by UPS employees and others that part-time workers are becoming commonplace in today's economy.¹

Historical Trends

Phillips advises that the percentage of the U.S. workforce that works part-time has remained

¹Michael M. Phillips, "The Outlook," *Wall Street Journal Interactive Edition*, Dow Jones & Company, Inc., <https://interactive.wsj.com/edition/current/articles/TheOutlook.html>, August 11, 1997.

relatively stable throughout the 1990s: From 1968 to 1993, the percentage grew from 14.0 to 17.6 percent, but that most of the increase occurred before 1975. The article cites U.S. Department of Labor (DOL) statistics showing that from 1994 to 1996, part-time employment actually fell—from 18.9 to 18.3 percent of the workforce.

Phillips also points out that many of those working part-time do so voluntarily, to spend more time with their children, attend college, or for other reasons. In 1996, 76.7 percent of people working part-time stated that they were doing so out of choice rather than the lack of opportunity for full-time work.

While there has not been a notable upward trend in part-time employment in the 1990s, Phillips states that there have been some "ripples," likely explained by a small increase in involuntary part-time employment. The ripples likely are due, however, to fluctuations in the business cycle (with part-time employment increasing during downturns and decreasing during

upturns) rather than a long-term trend of replacing full-time with part-time workers.

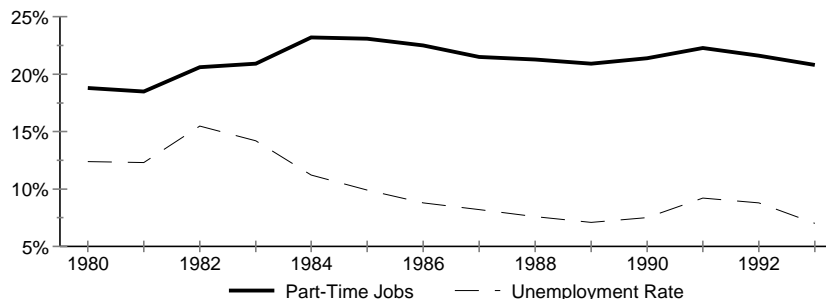
Michigan

The exhibit shows 1980–93 Michigan unemployment rates and the percentage of employment in the state that was part-time (1993 is the latest year for which comparable data are available). It can be seen that Michigan part-time employment rose sharply between 1981 and 1984, likely because these were recession years during which the unemployment rate also rose sharply. Since 1984, however, the rate of part-time employment has remained relatively flat, challenging any misconception that such jobs are becoming more prevalent in Michigan.

Conclusion

In light of Phillip's article, it seems that lack of full-time work is not a serious problem for U.S. workers. American workers still have plenty of worries, such as growth in employer demand for temporary employment, increased "contracting out," and growth of other strategies to lower employer costs by reducing employee pay and benefits. And, at companies like UPS, where part-time employment has become common, workers rightfully can complain about inequities between compensation for full- and part-time jobs. While it is clear that the U.S. employer-employee relationship is going through some important and perhaps lasting changes, part-time employment shouldn't be made the scapegoat.

Part-time Jobs in Michigan as a Percentage of All Jobs and the Michigan Unemployment Rate, 1980–93



SOURCE: *Michigan Statistical Abstract* and Michigan Employment Security Agency.

NEWS FROM
THE STATE
CAPITOL

**STATE TO PAY
SCHOOLS \$1 BILLION**

The Michigan Supreme Court's August ruling in *Durant v. State of Michigan* required the state to pay \$211 million plus legal fees to 84 districts that sued Michigan for violating the so-called Headlee Amendment to the state constitution. The court ruled that the state had violated the constitution by mandating special education and other programs without reimbursing districts for their costs. The ruling did not address the issue of whether taxpayers must reimburse the remaining 440 K-12 school districts, which operated under the

same unfunded mandates but did not sue. While the state is not required by the court to reimburse these districts, doing so could prevent future lawsuits similar to the *Durant* case.

A state Department of Management and Budget official reports that it will cost an estimated \$700-800 million to reimburse these districts. If the state does decide to compensate the nonplaintiff districts, it will owe Michigan schools approximately \$1 billion, including the settlement to the plaintiff districts. While it is yet unclear how the state would pay this large sum, it likely would occur over the course of several years and may include using some monies from the state's rainy day fund.

**EFFORT TO HALT
GASOLINE TAX FAILS**

An effort to put the brake on the state's recent 4-cent-a-gallon in-

crease in the gasoline tax has failed. Michigan Taxpayers United filed for an injunction against the increase, stating that the tax legislation was not properly given "immediate effect"—legislative authority, requiring a two-thirds majority vote, to put a law into effect without a waiting period. The gasoline tax went into effect on August 1, about two weeks after being enacted.

The dispute centers around procedural technicalities involved in passing HB 4872, the bill that contained the tax hike. While this bill was given immediate effect by the House, it did not contain a gasoline tax increase at the time—only later did lawmakers add it. Ingham Circuit Court Judge Lawrence Glazer ruled that the House was not required to vote again on the immediate effect, and thus the increase in the tax is lawful.

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.

INTEREST
OF

· **GPO Gate, a new web site:** <http://www.gpo.ucop.edu/>

· GPO Gate, operated by the University of California, gives access to certain documents issued through the federal government's publishing agency, the Government Printing Office (GPO). This web site simplifies finding GPO documents by allowing users to locate them by title or subject area and also to search all databases for specific information. Some of the titles that can be accessed via this site include Economic Indicators (a monthly publication of major economic data), The Economic Report of the President (an annual book describing the national economy and economic policy), Budget of the U.S. Government, FY 1997, and the Constitution of the United States.

· **Congressional Budget Office, *The Economic Effects of Comprehensive Tax Reform*, (Washington, D.C.: GPO), July 1997. 202/512-1800.**

· This 78-page report analyzes the major economic effects of several proposals to replace the current federal income tax with a consumption tax, particularly three plans that call for a retail sales tax, a value-added tax, and a personal cash-flow tax, respectively. The report presents estimates of the effect of these taxes on several aspects of the macro economy—including the national savings rate and investment, productivity, economic output, and interest rates—and analysis of the potential effects of the three consumption taxes on changes in the way U.S. industry operates and on economic efficiency. No recommendations are made.

MICHIGAN REVENUE REPORT

August revenue collections fell 1.3 percent from the year-ago month, the first decline in the current fiscal year, which ends this month. Modest gains in sales tax collections were offset by weaknesses in those from the use, income, and single business taxes.

Overall, sales tax collections are up 4.5 percent despite a 1.2 percent decline in collections from motor vehicle sales; all other sales tax collections are up 5.7 percent. Use tax collections,

which can vary widely from month to month, increased only 1.9 percent, following last month's 8.3 percent gain.

Personal income tax withholding collections increased only 1.2 percent in August. A better indication of the current strength of this tax can be seen in its performance over the last three months: 4.5 percent above the same year-ago period,

Single business tax (SBT) collections (including insurance taxes) were very weak in August, falling 15.6 percent below August 1996 collections. Collections for the quarterly payments received in July and August were down 5.1 percent from the year-ago level. The reason for this weakness is unclear. One possible explana-

tion is that the tax cuts enacted in the past two years have reduced revenue more than expected.

Compared to a year ago, lottery sales dropped 6.7 percent in August, but it must be kept in mind that sales were particularly strong last August. Even with the recent dip, year-to-date lottery collections are up 13.2 percent above the year-ago level.

The recent weakness in SBT collections and modest growth in other major revenue sources may result in FY 1996-97 revenue falling below the consensus estimate reached in May by state officials, unless September and October collections are stronger than expected. If there is a shortfall, it is not expected to exceed \$75 million.

August 1997 Revenue Collections (millions)

Source	August Collections	Percentage Change Year-ago	Percentage Change Year-to-Date	August 1996 Actual	FY 1996-97 Consensus Est. Less Tax Cuts (% Change)
Income tax					
Withholding	\$423.9	1.2%	5.6%	\$419.0	6.3%
Quarterly	5.2	4.0	13.4	5.0	6.1
Annual	12.3	20.6	35.1	10.2	33.0
Subtotal: gross income tax	441.4	1.7	8.3	434.2	7.9
Sales tax	462.7	4.5	3.9	442.6	4.2
Motor Vehicles	72.2	-1.2	0.0	73.1	—
Other	390.5	5.7	4.6	369.5	—
Use Tax	92.5	2.0	6.0	90.7	5.4
Subtotal: sales/use/withholding	979.1	2.8	4.9	952.3	—
Cigarette tax	51.8	-4.4	-5.9	54.2	-4.4
SBT	173.6	15.3	1.0	205.0	5.5
Insurance	12.4	-19.0	-5.1	15.3	-2.9
Subtotal: SBT + insurance	186.0	-15.6	0.5	220.3	4.8
State education property tax	45.6	9.6	14.2	41.6	5.0
Real estate transfer tax	18.9	-0.5	14.7	19.0	15.4
Estate/inheritance tax	7.5	-62.7	-13.2	20.1	-3.4
Intangibles tax	0.3	-70.0	-29.3	1.0	-23.1
Severance tax	2.5	8.7	6.7	2.3	19.6
TOTAL	\$1,309.2	-1.3%	5.1%	\$1,326.0	5.4%
Gross lottery sales (prel.)	\$126.0	-6.7%	14.8%	\$135.1	1.0%

SOURCE: Senate Fiscal Agency.

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

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