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E-mailed: 03/5/14 (im)

March 5, 2014

Mr. Byron Zuidema, Regional Administrator
U.S. Department of Labor, Region V
Employment and Training Administration
John C. Kluczyniski Building
230 South Dearborn Street, 6th Floor
Chicago, Illinois 60604

Dear Mr. Zuidema:

In an attempt to promote performance accountability and continuous improvement, as authorized in the Workforce Investment Act (WIA) Section 136 (b)(3)(A)(vi), the State of Michigan is requesting a revision to Program Year (PY) 2013 WIA state negotiated levels of performance. The requested revision is a direct result of factors known to impact performance due to significant change in the state's economic conditions and a decrease in WIA funding.

A revision is requested for the following performance indicator:

Performance Indicator:	Current Level	Revised Level
Adult Average Earnings in Six Months:	$21,000	$15,000

In compliance with the U.S. Department of Labor, Employment and Training Administration, Training and Employment Guidance Letter (TEGL) number 11-01 and 11-01 Change 1, *Guidance on Revising Workforce Investment Act State Negotiated Levels of Performance*, dated August 12, 2011, the following information is provided to support this request:

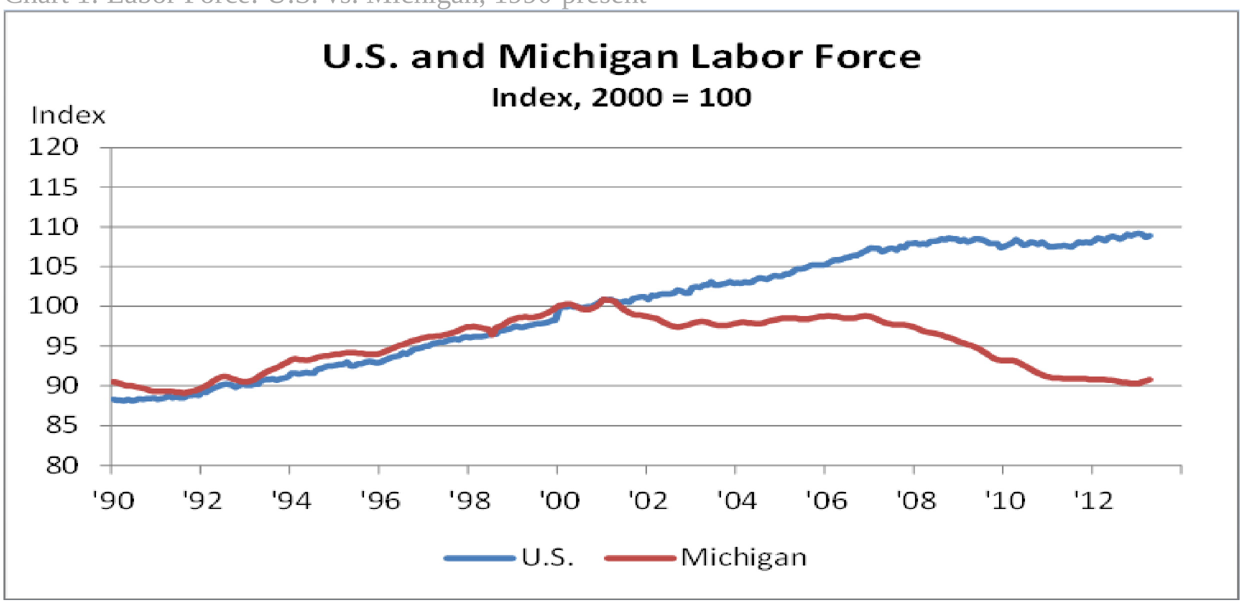
There were significant changes in funding, labor market conditions and the economy, such as plant closings and mass layoffs. The continued high level of plant closings and layoffs, as evidenced by the high number of WARN notices, has led to an unanticipated negative impact on worker earnings, especially for participants in the incumbent worker initiative.

The historical changes and makeup of Michigan's labor market and decreased funding are factors directly related to the adult average earning measures. The degree of impact on performance is presented on Charts 1, 2, and 3, and Table 1.

Although employment levels in Michigan have recently shown signs of improvement, Michigan continues to experience poor employment conditions stemming from a long period of subpar economic growth and from unanticipated plant closings and mass layoffs. In PY 2012 Michigan had over 80 plant closings and another 62 companies had mass layoffs, those numbers are on track to increase for PY 2013 with over 71 plant closures and 58 mass layoffs through the second quarter only. Michigan is projected to exceed 2010, 2011, and 2012 numbers for both plant closures and mass layoffs, and as a result, worker earnings have declined.

Facing job eliminations and poor employment prospects, many Michiganders have become discouraged in their job searches, some abandoning them temporarily and others retiring early. Those who are no longer seeking employment are no longer counted as being in the labor force. The chart below illustrates those who remain in the Michigan labor force-which comprises those who are employed along with those who are unemployed but actively looking for work. Since 2001, Michigan's work force has declined by 10%, while the U.S. work force has grown by almost 10%.

Chart 1: Labor Force: U.S. vs. Michigan, 1990-present



Source: Calculations based on data from the U.S. Bureau of Labor Statistics.

Some part of this gap has come about as hundreds of thousands of Michiganders have left the state in search of better labor market conditions (or have decided to retire out of state). Moreover, since 2000, Michigan's population decreased 0.7%. In stark contrast, according to the U.S. Census Bureau's population estimates, the U.S. population grew 11.3%.

Chart 2: Michigan's Workforce Investment Act Funding

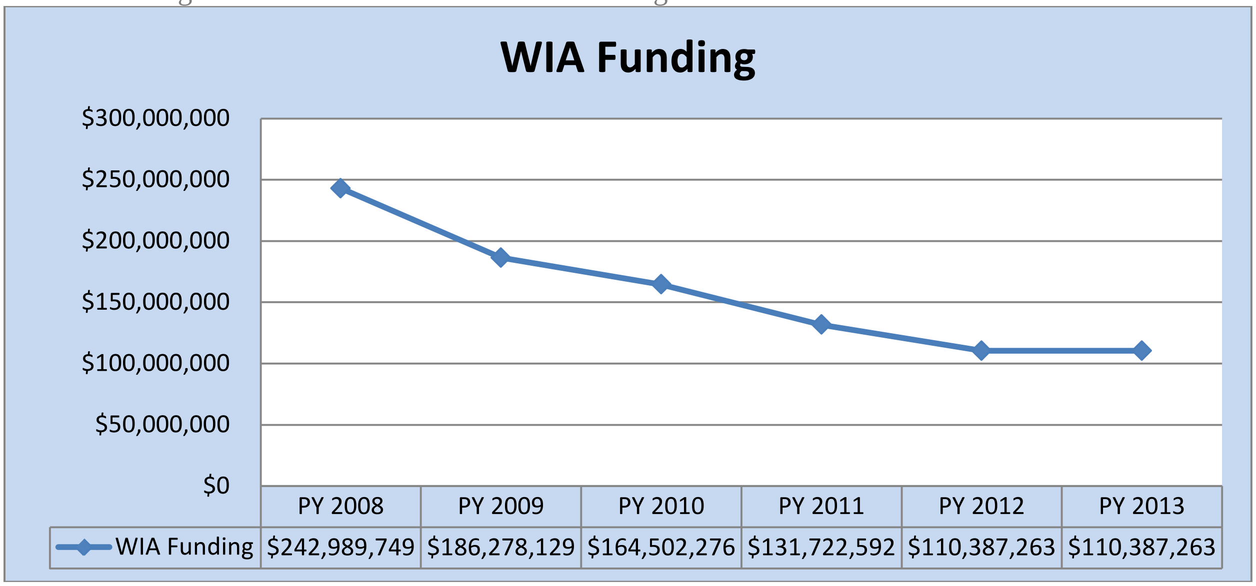
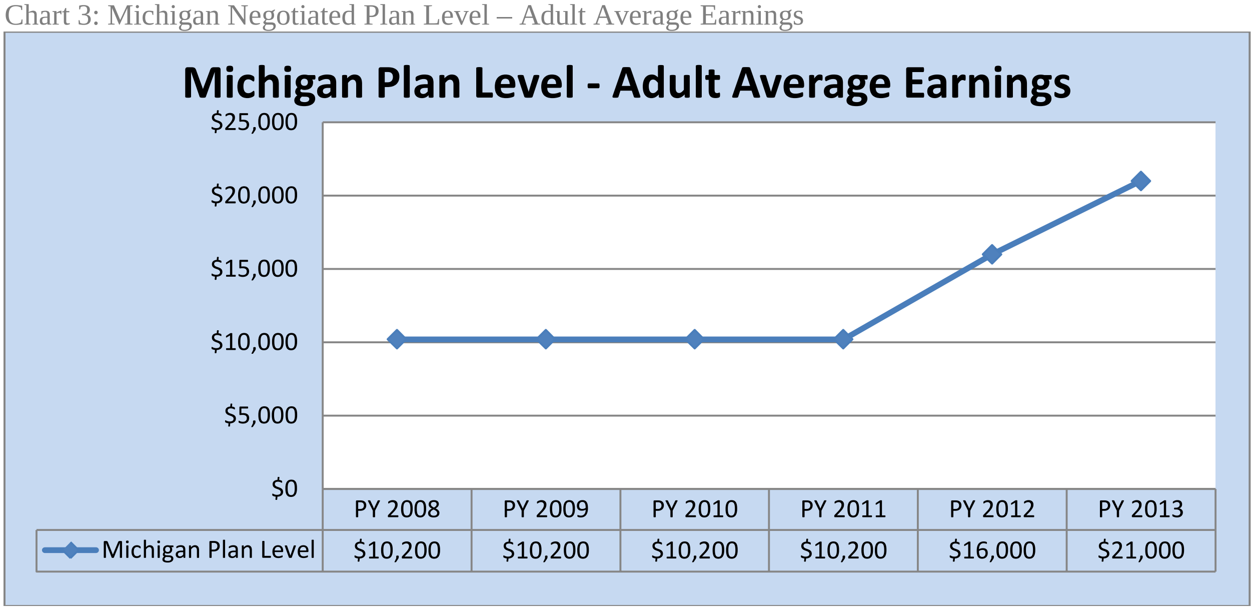


Chart 3: Michigan Negotiated Plan Level – Adult Average Earnings



Charts 2 and 3 illustrate trends that have affected Michigan's performance outcome. As WIA funding has declined in recent years, the performance goal for Average Earnings has increased substantially. The decline in funding has restricted the state's ability to serve incumbent workers through the WIA program. When comparing second quarter results for the last three program years, incumbent workers made up 43% of Average Earnings exiters in PY 2011, 51% of exiters in PY 2012, but are only 29% of Average Earnings exiters in PY 2013. This unanticipated drop in the percentage of exiters who are incumbent workers has had a significant impact on earnings in Michigan.

In PY 2011 and PY 2012, the incumbent worker participants were responsible for over 50% of the adult average earnings. Michigan's current Adult Average Earnings plan level is based on the expectation that the incumbent worker participant earnings would continue to support a higher and higher earnings goal for the program. However, due to declining funds, and even more so due to a continued high level of plant closings and layoffs, there has been a significant downward trend in worker earnings.

Chart 4: Adult and Incumbent Worker Average Earnings

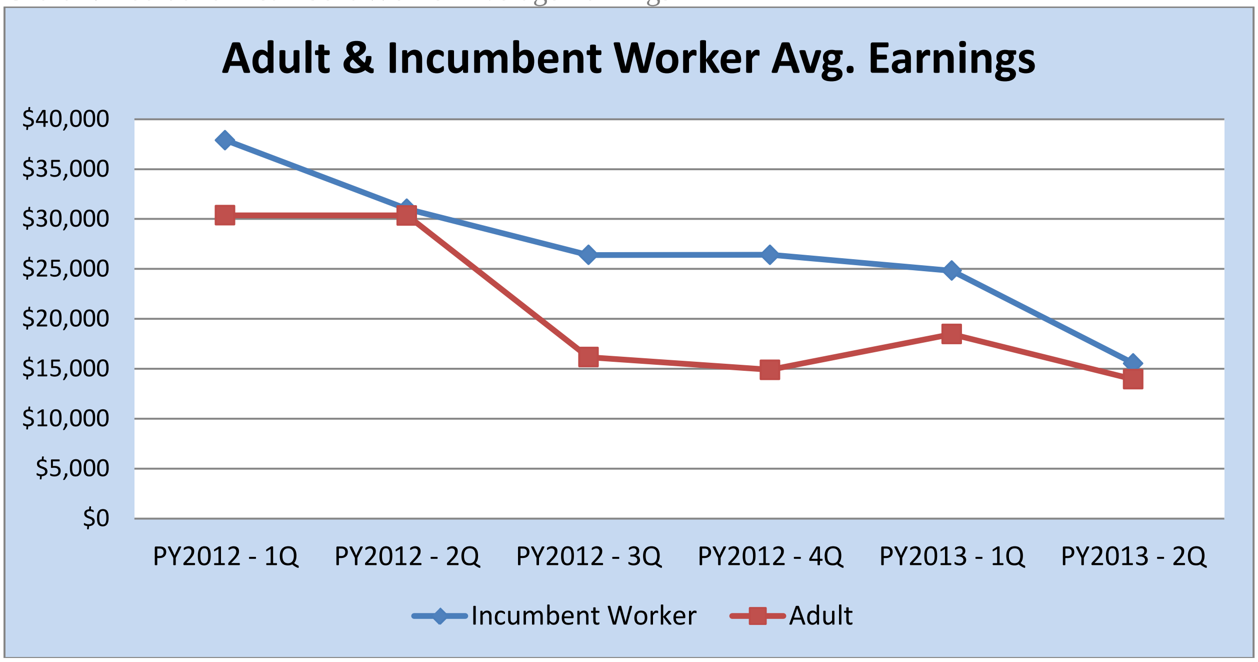


Chart 4 highlights this downward trend in earnings. Since early PY 20012, overall Adult Average Earnings has dropped from $30,374 to $13,947 for the second quarter of PY 2013. The decline in earnings for participants who are incumbent workers has been even more dramatic. Earnings for this population have fallen from nearly $38,000 in PY 2012 to just over $15,500 by the second quarter of PY 2013. This is a decline of over 59% in just one and one half years. Michigan contends that this decline is a result of unexpectedly high job loss related to plant closings and layoffs. Therefore, a revised plan level of $15,000 is requested. This revision, if approved, places Michigan $4,800 above PY 2011 plan level and slightly above the GPRA target.

We look forward to speaking with you and your staff concerning this renegotiation process.

Sincerely,

Christine Quinn, Director
Workforce Development Agency

CQ:JG
Enclosures
cc: Gary Clark
Joe Billig
Henry Christian
Michael Pohnl
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