

Case Study



Michigan's Transition Office

Steering Workforce Development Toward Net Zero



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Michigan's Transition Office: Steering Workforce Development Toward Net Zero is funded by the Government of Canada's [Future Skills Program](#).

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To cite this document: Robson, J., & Bruno, J. (2025b). *Michigan's Transition Office: Steering workforce development toward net zero*. Future Skills Centre and Institute for Research on Public Policy.

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Acknowledgements

This case study was prepared under the research direction of Shaimaa Yassin (Institute for Research on Public Policy). The manuscript was copy-edited by Paul Carlucci.

Publication Date:

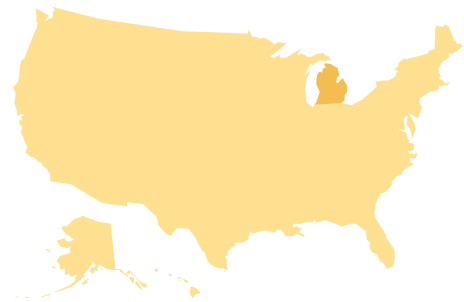
December 2025



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Overview



Location	Michigan, United States
Initiative	<i>Community and Worker Economic Transition Office and Michigan Works</i> programs for unemployed working-age residents
Program snapshot	The Michigan Department of Labor and Economic Opportunity has created a new office to co-ordinate activities in support of the net-zero transition with a state-wide mandate, rather than as a response to highly localized economic shocks from employment loss. However, the office was created without earmarked funding and must find ways to leverage existing resources, particularly from federal sources created by the Biden administration. As of the time of writing, funding under the <i>Inflation Reduction Act</i>, the <i>Infrastructure Investment and Jobs Act</i>, and the <i>CHIPS and Science Act</i> has all been paused. However, the Michigan Department of Labor also maintains the U.S.’s only state-wide integrated network of workforce development agencies, <i>Michigan Works</i>, that delivers federally funded workforce training and employment development programs, including career counselling, vouchers for skills training, apprenticeship programs and outreach to hard-to-serve populations. However, there is not, as yet evidence of collaboration between the two bodies. This case study highlights the challenges involved in adapting existing services and funding for transition-related goals, even when there is considerable place-based flexibility.
Sector focus	The <i>Community and Worker Economic Transition Office</i> focuses on the automotive and energy sectors because of Michigan’s longstanding concentration of automotive manufacturing and ancillary businesses. <i>Michigan Works</i> programs are not sector-specific and, instead, target eligible unemployed workers.
Time frame	Created by state legislation in November 2023, with service eligibility retroactive to 2020 and anticipated until 2040, determined at the municipal, county or regional level. Existing <i>Michigan Works</i> programs are ongoing, but the regional board for Detroit has developed a new strategic plan for 2024-27.



Foundations of the Transition

Background and context

Michigan is home to more automotive suppliers in North America than any other U.S. state (Michigan Economic Development Corporation, n.d.). More automotive manufacturing, and research and development in automotive technology take place in the state than anywhere else in the U.S. For the automotive and transportation sector, Michigan is at the very centre of the net-zero transition. This is reflected in local employment patterns. As of 2023, the state ranked fifth highest in the U.S. in headcount of clean-energy jobs¹, behind California, Texas, New York and Florida. Detroit had the ninth highest concentration of these jobs among all metro areas across the U.S.

In 2022, the state governor set a target to make Michigan carbon neutral by 2050 and set an interim goal of reducing greenhouse-gas emissions by 52 per cent from 2005 levels by 2030 (5 Lakes Energy et al., 2023). By 2020, Michigan had already reached a 28 per cent emissions reduction (from 2005 levels) primarily by closing coal-powered electricity plants. State policymakers recognized that additional measures would be required for the next phase of progress

toward a net-zero economy, with particular attention on boosting clean electric power generation, and making changes in the transportation (including automotive manufacturing), building and construction sectors (5 Lakes Energy et al., 2023).

As part of the policy package, workforce development was identified as a key requirement to equip the local workforce to meet the emerging skills demands in priority sectors for the net-zero transition. In two surveys of members of the Michigan Energy Innovation Business Council², respondents noted that they intended to expand in the coming years but cited access to qualified labour as the most frequent challenge to meeting its business goals (5 Lakes Energy et al., 2023; 5 Lakes Energy, 2024). The studies' authors concluded that a workforce development strategy would be a key requirement for success in the state's net-zero transition.

The officials in the state responded with what they term as a comprehensive climate transition package. This brief looks at one specific element of that package: the creation of a new state-level office to co-ordinate workforce development and to help direct existing resources and programs to support skills training and

¹ The study's authors define clean-energy jobs in terms of employment in occupations in which the majority of the time spent at work is in low- or zero-emission energy sectors, but exclude ancillary occupations (such as excavation or energy transmission lines) that may overlap with fossil fuel sectors.

² The Michigan Energy Innovation Business Council is an umbrella organization for businesses in the renewable and advanced energy sectors.

employment for communities in transition. Communities in transition are defined as those that lose 50 or more jobs at any point between 2020 and 2040 in industries that have historically been emissions intensive and important sources of economic activity for the state. It is a model that highlights the importance of a co-ordination function to address the demand for new labour force skills in the net-zero transition, particularly in an environment of fiscal restraint in which new resources for skills training and development may not be readily available. However, given more recent changes in federal policy direction³, it is also a model that highlights the vulnerability of approaches that depend on co-ordinating resources provided by a government whose policy priorities may change.

3 As of the time of writing, several funding programs under the *Inflation Reduction Act* have been paused (see <https://iratracker.org/actions/>), the future of the *CHIPS and Science Act* funding is uncertain and funding under the *Infrastructure Investment and Jobs Act* has likewise been put on pause by executive order (see <https://www.governing.com/politics/what-trumps-infrastructure-announcements-mean-for-states>).





Program Implementation

Michigan's Senate Bill 519 created a new *Community and Worker Economic Transition Office* within the state's Department of Labor and Economic Opportunity (State of Michigan, 2023). The office is mandated to identify and work with "transition communities," defined as a municipality, county or region of the state that can demonstrate a loss of 50 or more jobs in a "transition-impacted industry" between September 2020 and January 2040. These industries are defined in the legislation as including, but not limited to:

- Fossil fuel energy workers involved in energy, generation, transportation and refinement of fossil fuels
- Internal combustion engine workers and those in the associated supply-chains
- Workers in the building and construction trades

The statute authorizes the new office to engage in activities that include educating workers about various programs available to them, providing services such as education, training and career counselling, and "replacing lost income, gaps in income and benefits." The bill did not, however, allocate any new funding to support the activities of the office. Instead, it directs the new office to realign existing programs, services and spending, and to identify potential external sources for

funding. As a first milestone, a state-wide transition plan prepared by the office is expected to be tabled in the Michigan legislature by the end of 2025.

The bill was signed into law by the governor of Michigan (Governor's Office, 2023) alongside new legislative standards on a clean-energy standard, increases to programs to promote energy efficiency, and home and building retrofits. However, no new funding appears to have been part of the legislative package. It is also important to note that the legislation was drafted and passed at the state-level in the context of generous federal incentives provided under the *Inflation Reduction Act (IRA)*. In fact, an arm's length analysis published in August 2023 suggested that the legislative package (particularly cleaner electrification) would attract up to US\$5.3 billion in new federal funding from the IRA and associated federal infrastructure spending (5 Lakes Energy et al., 2023). With the change of administration in the White House, these sources of funding have been paused and their future remains uncertain.⁴

⁴ See footnote 3.

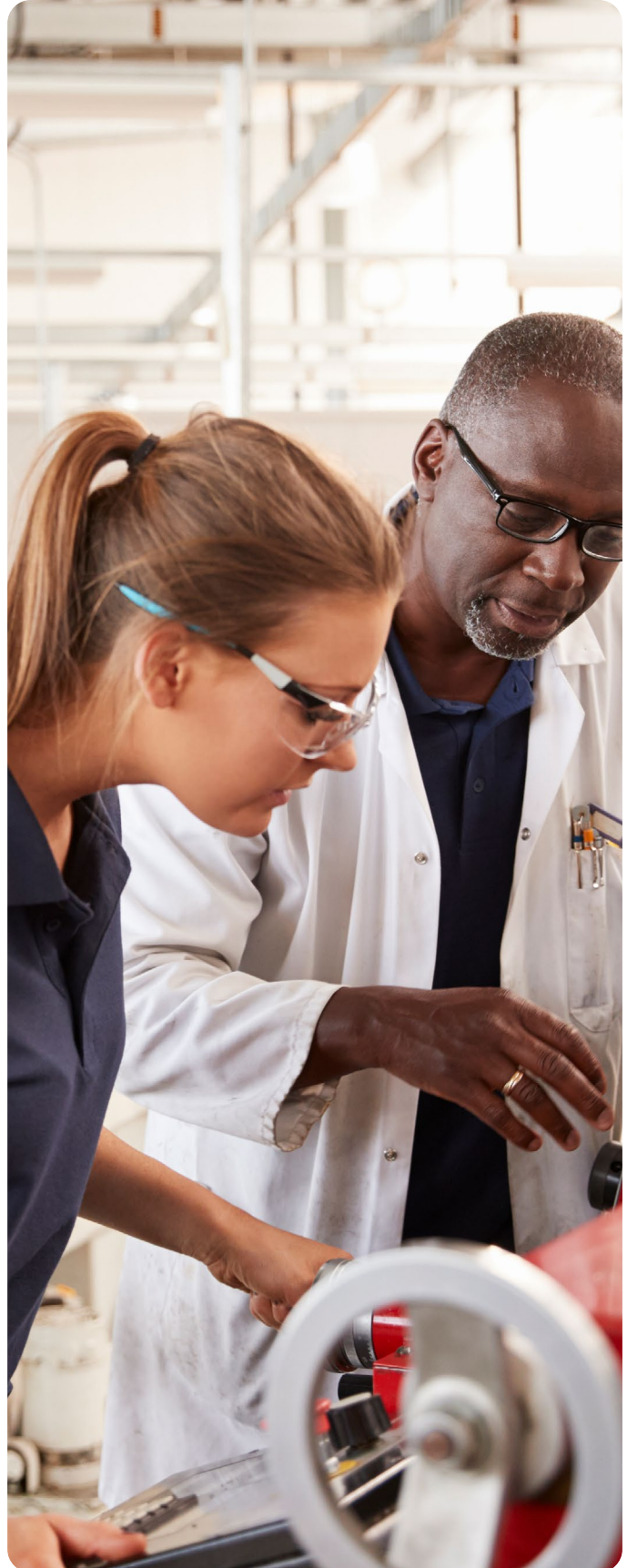
According to the state's Department of Labor and Economic Opportunity, the *Community and Worker Economic Transition Office (Transition Office)* differs in important ways from similarly named bodies in other state governments. Instead of focusing on individual communities facing imminent changes from, for example, a mine or plant closure, Michigan's *Transition Office* has a state-wide but sectoral focus that reaches up to 20 per cent of the state's economy (Labor and Economic Opportunity, n.d.). In its first full year of operations, the *Transition Office* had no funding to even hire staff (Community and Worker Economic Transition Office, 2024).

For the 2025 fiscal year, the *Transition Office* has requested US\$5 million for ongoing general operating funding, as well as a US\$10-million fund for pilot projects (State Budget Office, 2024). The operating funding would enable the office to hire staff to engage in outreach, data collection and analysis, and to develop the forward-looking transition plan that is core to the office's mandate. The one-time funding for pilot projects would be used to test interventions in communities across the state, with a focus on supporting affected workers through retraining, wage supplements and navigational support to existing resources.

The *Transition Office* falls under the same departmental portfolio as the primary delivery agency for Michigan's regional workforce development boards known as *Michigan Works*. *Michigan Works* represents the first co-ordinated workforce development network in any U.S. state (Michigan Works! Association, n.d.). Regional boards that are part of the state-wide network are tasked with delivering programs for unemployed workers funded by the federal *Workforce Innovation and Opportunity Act* (WIOA) legislative transfers (Eberts, 2019). Programs funded by the WIOA include initiatives for dislocated workers⁵, with a strong focus on skills development including support for skills upgrading, on-the-job training, and entrepreneurial and occupational training. The state-wide network of offices is organized into 16 regions, each with the autonomy to determine local priority target populations for the WIOA-funded programs.⁶ The common criterion, established in federal

5 To be eligible for *Michigan Works* programs, a worker must be out of work and show some prior employment within the previous five years. This includes self-employed workers and employees affected by business closures or layoffs.

6 LEO-DW 2024-2027 Combined State Plan, pp. 127, 128.



legislation, is a focus on working-age adults who are unlikely to be able to achieve self-sufficiency⁷ through low-touch career counselling services alone (United States Congress, 2013). By law, veterans and their spouses also receive priority for WIOA-funded programs.

Within each region, local *Michigan Works* agencies develop multi-year plans for local workforce development programming to meet local priorities. The local agency in Detroit has released a plan for its priorities in the 2024 to 2027 period (Weems et al., 2024). The plan identifies the knowledge, skills, abilities and certifications that are key to successful employment outcomes in several occupational categories in the region. The plan also commits to improving outreach to underserved and hard-to-serve populations through collaborations with the Department of Corrections, among others, and targeted outreach to youth in low-income neighbourhoods. Finally, the plan also proposes to direct an industry engagement team to work with local employers, for example in roundtables or sector-working groups, to identify common workforce challenges and expand employer-based training.

⁷ Michigan has adopted a minimum threshold of US\$60,000 in family income to determine self-sufficiency.



In the Detroit region, *Michigan Works* is involved in two ongoing programs that are designed to support the net-zero transition:

- The Global Epicenter of Mobility program was launched in 2022 as a partnership between the Detroit region, industry associations and state bodies, including *Michigan Works*, with the aim of expanding the region's economic and workforce investments in emerging mobility industries, including zero-emission vehicles (Global Epicenter of Mobility, 2024). The role of *Michigan Works* is primarily to promote awareness among its service clients of local opportunities for employment in the sector.
- The Electric Vehicle Jobs Academy is a partnership of Michigan's Department of Labor and Economic Opportunity, local employers in the electric-vehicle sector and local educational institutions. Its role is to encourage workforce training for in-demand skills in the sector through tuition assistance for eligible learners and training programs, and a registered apprenticeship program. The role of *Michigan Works* is primarily to administer the tuition assistance benefit to eligible clients (Weems et al., 2024).

Michigan Works in the Detroit region reports on collaboration with state-wide offices when a rapid response is required in cases of business closures or mass layoffs. However, the latest mandatory⁸ multi-year service plan does not reference the *Transition Office*. Instead, interventions are governed by state-level labour laws (for example, on advance notice of mass layoffs), and provide access to ongoing state and federally funded adjustment programs, such as assessing the potential for retraining services to reduce layoffs, and funding for custom-tailored projects to serve dislocated workers affected by the closure or layoff (Weems et al., 2024).

⁸ All state agencies delivering WIOA-funded programs are required to produce four-year detailed plans, under applicable federal law.



Relevance and Impact

As yet, there seems to be no real evidence of collaboration between these two bodies of the state's Department of Labor and Economic Opportunity. The *Transition Office* was created to bring about better coordination in existing programs and to plan for impacts from the net-zero transition before they happen in communities across Michigan. Without its own funding, the office has struggled to even hire staff until recently. In its first full year of operations, the *Transition Office* reported holding 14 roundtables across the state that reached 300 participants with the aim of soliciting stakeholder feedback on how to structure the office and prioritize future programming (Community and Worker Economic Transition Office, 2024). A newly formed advisory committee will begin meeting in 2025 to help the office build its strategy and future plans.

The *Transition Office* has been able to secure some new federal funding for local projects, such as a US\$22.6-million federal grant to support capital investments by small manufacturers in the local supply chain that want to retool to serve the electric-vehicle sector instead of the combustion engine sector. An additional US\$9.1 million in federal funding will be used by the *Transition Office* to help small manufacturers access technical advice to support their retooling investments, including access to legal and accounting services (Community and Worker Economic Transition Office, 2024).

In terms of workforce development, the *Transition Office* has indicated that it plans to “identify and fill resource gaps,” with recommendations for policy changes at the state-level and new services to help workers in the state “navigate existing, local, state and federal supportive services” (Community and Worker Economic Transition Office, 2024, p. 16). However, the *Transition Office* makes no mention of the worker-level programs and funding already available through the network of *Michigan Works* boards.

By the same token, the limited attention to the net-zero transition in the *Michigan Works* forward-looking plans is somewhat surprising. In 2023, the National Governors Association published a report aimed at providing guidance to its own state-level workforce development boards (such as Michigan Works) to encourage all boards to consider the opportunities created by the federal *Infrastructure Investment and Jobs Act*, the *CHIPS and Science Act* and the *Inflation Reduction Act* as they prepared their legally required forward-looking plans (National Governors Association, 2023). The report provided an overview of these new federal programs and guidance on how state workforce development boards might be able to attract new federal funding for training, retraining, apprenticeships, recruitment initiatives and more in the green sectors targeted by the federal legislation.



Transferability to the Canadian Context

In the Canadian context, many of the programs provided by *Michigan Works* boards are comparable to those funded under Part II of the Employment Insurance program or federal-provincial workforce development agreements (which serve workers who are not eligible for EI). As in Michigan, an important share of the public funding available for workforce adjustment and transition measures involves often complex intergovernmental transfers with some, but imperfect, flexibility in implementation at state and local levels. Intergovernmental relations can add complexity to fiscal and policy frameworks to support net-zero transition efforts involving both employer and employee needs.

The example of Michigan will also resonate with many observers in Canada because of the difficulty of establishing new co-ordinating bodies without new resources or authorities. It is clear that the Transition Office may serve a very useful function in improving the allocation of existing resources to anticipate, rather than only respond to, workforce disruptions as Michigan advances in the net-zero transition. However, without staff or a budget to spend, it has, thus far, limited capacity to effect change.

Further, while it aims to serve a co-ordination function, it appears to be facing important challenges in even mapping and connecting to the complex network of programs and services already in place at the state-level. Finally, with much or all the U.S. federal funding for net-zero initiatives now on pause, or at least uncertain, it is unclear how an unfunded co-ordination body will attract new resources from other orders of government. Again, Canadian readers may be familiar with the challenges of intergovernmental co-ordination when commitments to net-zero program funding are discretionary and subject to sudden and politically motivated change.

Appendix A

URLs and Official Websites

Programs, Initiatives and Strategic Frameworks

Community and Worker Economic Transition Office

<https://www.michigan.gov/leo/bureaus-agencies/economic-transition>

Michigan Works

<https://www.michiganworks.org/>

Electric Vehicle Jobs Academy

<https://www.michigan.gov/leo/news/2023/03/01/gov-whitmer-announces-new-ev-jobs-academy-website-to-connect-michiganders-to-careers-in-ev-industry>

Global Epicenter of Mobility

<https://gemdetroitregion.com/>

Michigan's Comprehensive Climate Transition Package

<https://environmentalcouncil.org/wp-content/uploads/2024/07/Overview-Michigans-landmark-climate-legislation-2023.pdf>

Senate Bill 519 - *Transition Office* Enabling Legislation

<http://www.legislature.mi.gov/documents/2023-2024/billenrolled/Senate/htm/2023-SNB-0519.htm>

Detroit Region's WIOA Four-Year Local Plan (2024-2027)

<https://workforcedetroit.com/wp-content/uploads/2024/06/desc-local-plan-py-2024-through-2027.pdf>

Organizations and Implementing Bodies

Employment and Social Development Canada

<https://www.canada.ca/en/employment-social-development.html>

Michigan Department of Labor and Economic Opportunity

<https://www.michigan.gov/leo/>

Detroit's Workforce Development Board

<https://workforcedetroit.com/>

Federal Legislation and Programs

Workforce Innovation and Opportunity Act (WIOA)

<https://www.congress.gov/bill/113th-congress/house-bill/803/text>

Inflation Reduction Act

<https://www.congress.gov/bill/117th-congress/house-bill/5376/text>

CHIPS and Science Act

<https://www.congress.gov/bill/117th-congress/house-bill/4346/text>

Infrastructure Investment and Jobs Act

<https://www.congress.gov/bill/117th-congress/house-bill/4346/text>

IRA Tracker - Monitoring Implementation Status

<https://iratracker.org/> Employment and Social Development Canada

<https://www.canada.ca/en/employment-social-development.html>

Michigan Department of Labor and Economic Opportunity

<https://www.michigan.gov/leo/>

Canadian Programs, Systems and Bodies Mentioned for Comparison

Employment Insurance Act

<https://laws-lois.justice.gc.ca/eng/acts/e-5.6/>

Federal-Provincial Labour Market Agreements

<https://www.canada.ca/en/employment-social-development/programs/training-agreements.html>

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United States Congress. (2013). *H.R.803 : Workforce Innovation and Opportunity Act*. <https://www.congress.gov/bill/113th-congress/house-bill/803>

Weems, T., Thompson, A., & Williams, D. (2024). *The Workforce Innovation and Opportunity Act (WIOA): Mid-cycle modification four-year local plan for program years 2024 through 2027*. Mayor's Workforce Development Board and Detroit at Work. City of Detroit. <https://workforcedetroit.com/wp-content/uploads/2024/06/desc-local-plan-py-2024-through-2027.pdf>

