

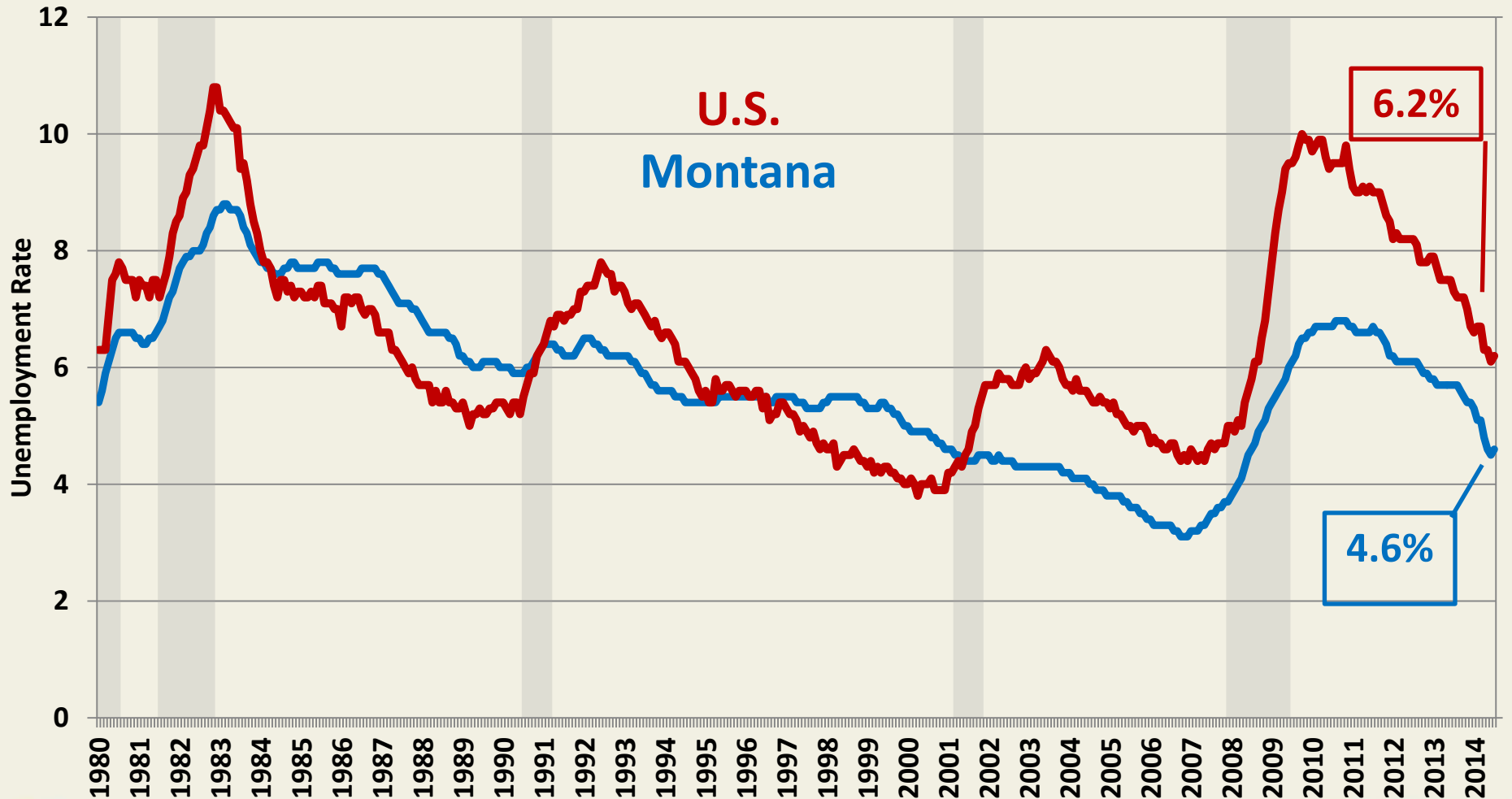


# Update on Montana's Economy

Presented to the Revenue and Transportation  
Interim Committee,  
Helena, Montana  
September 4, 2014

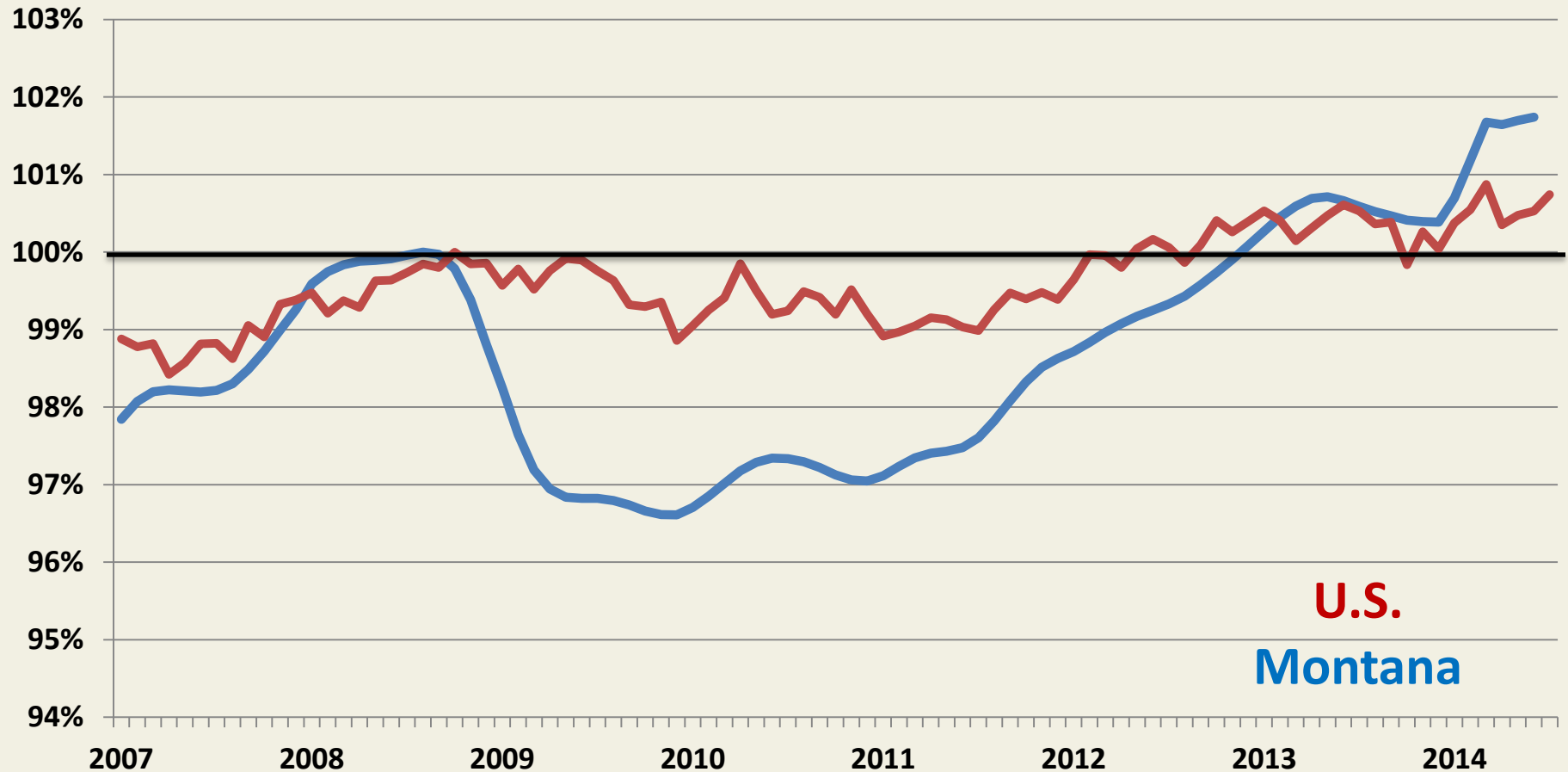
**Barbara Wagner**  
Chief Economist  
MT Dept. of Labor and Industry

# Montana's Unemployment Rate Much Lower than the Nation



# Montana's Labor Force Above Pre-Recession Peak

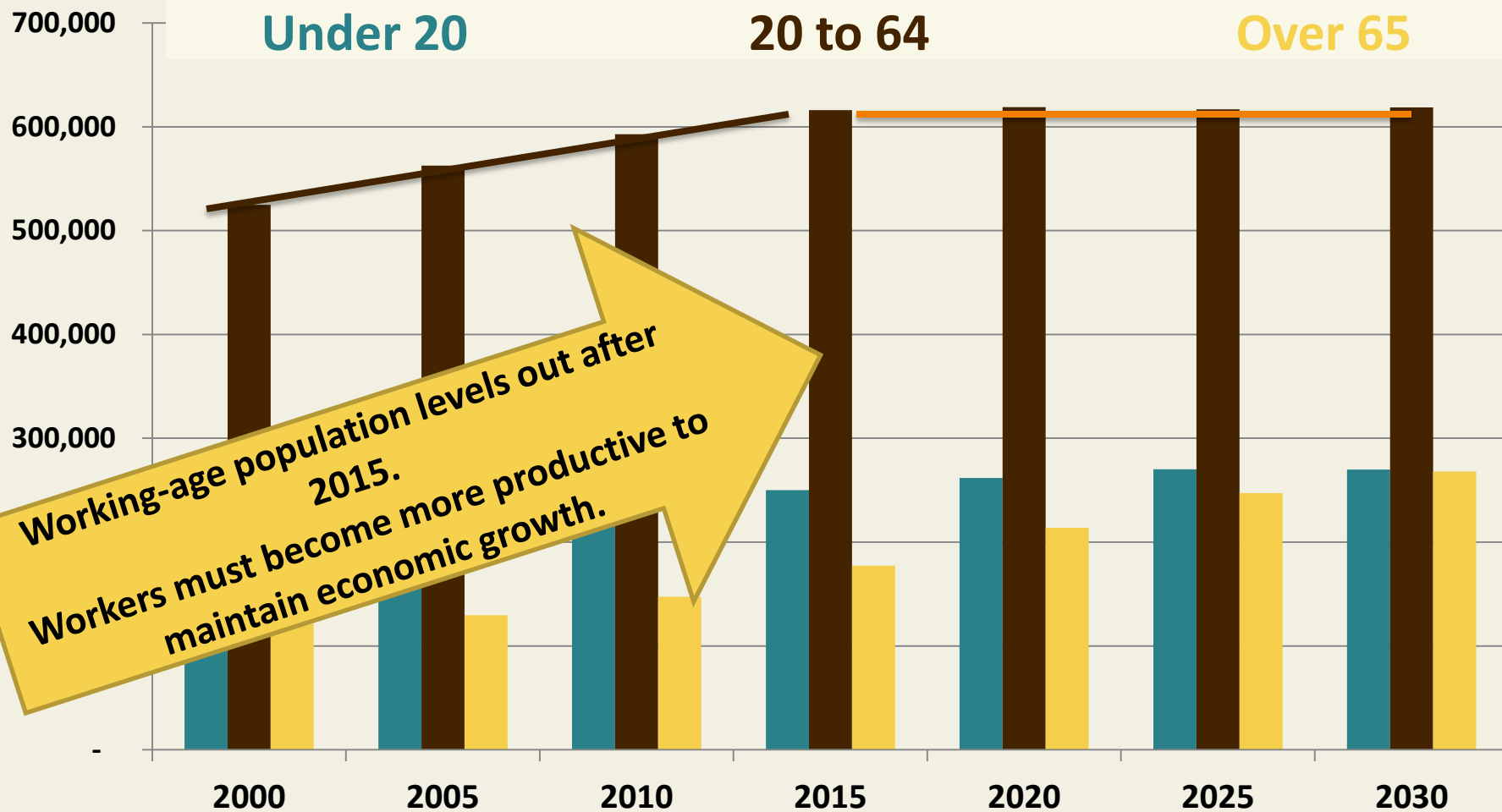
Montana and U.S. Labor Force Indexed to 2008 Peak



U.S.  
Montana



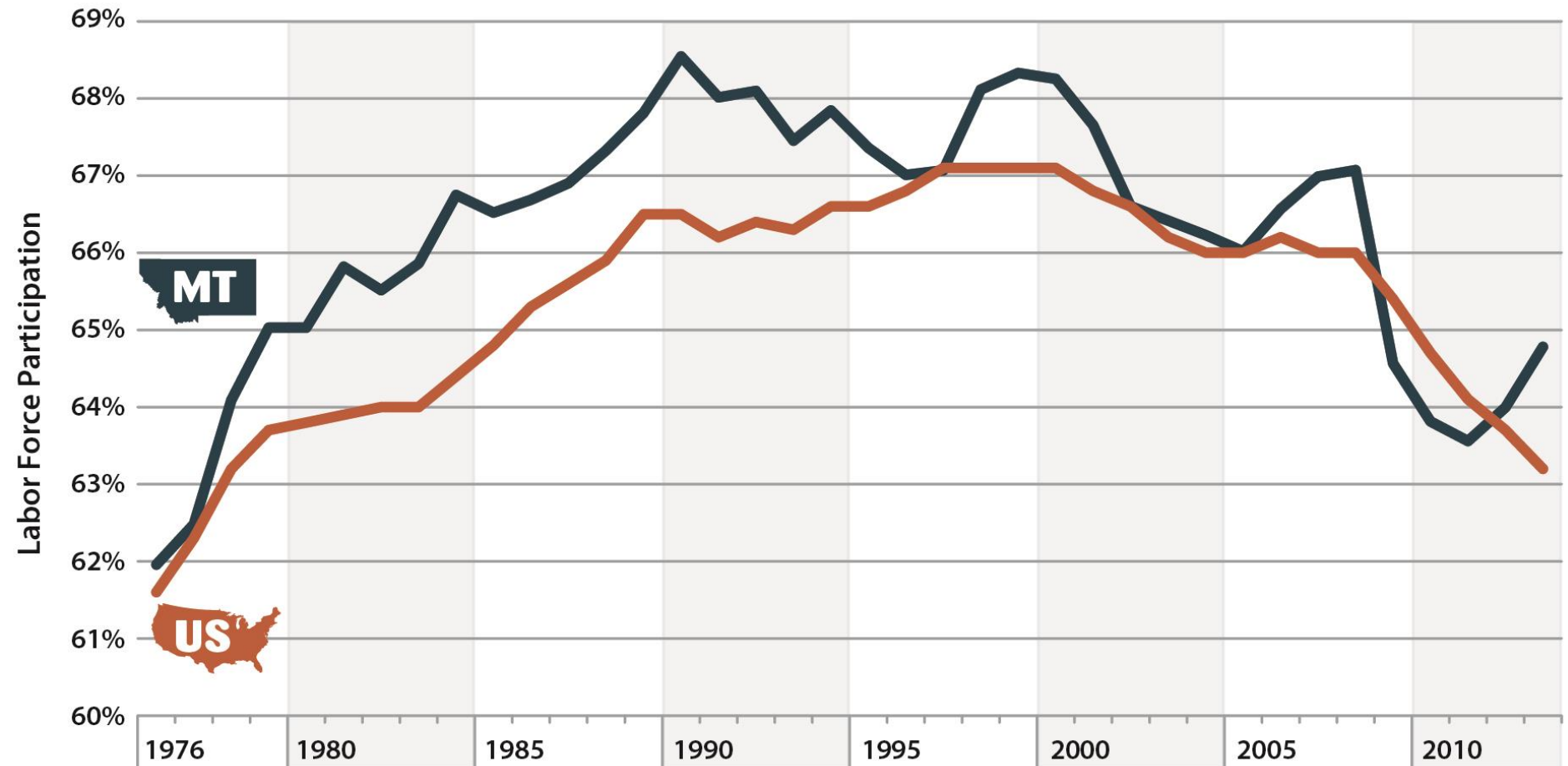
# Montana's Aging Population





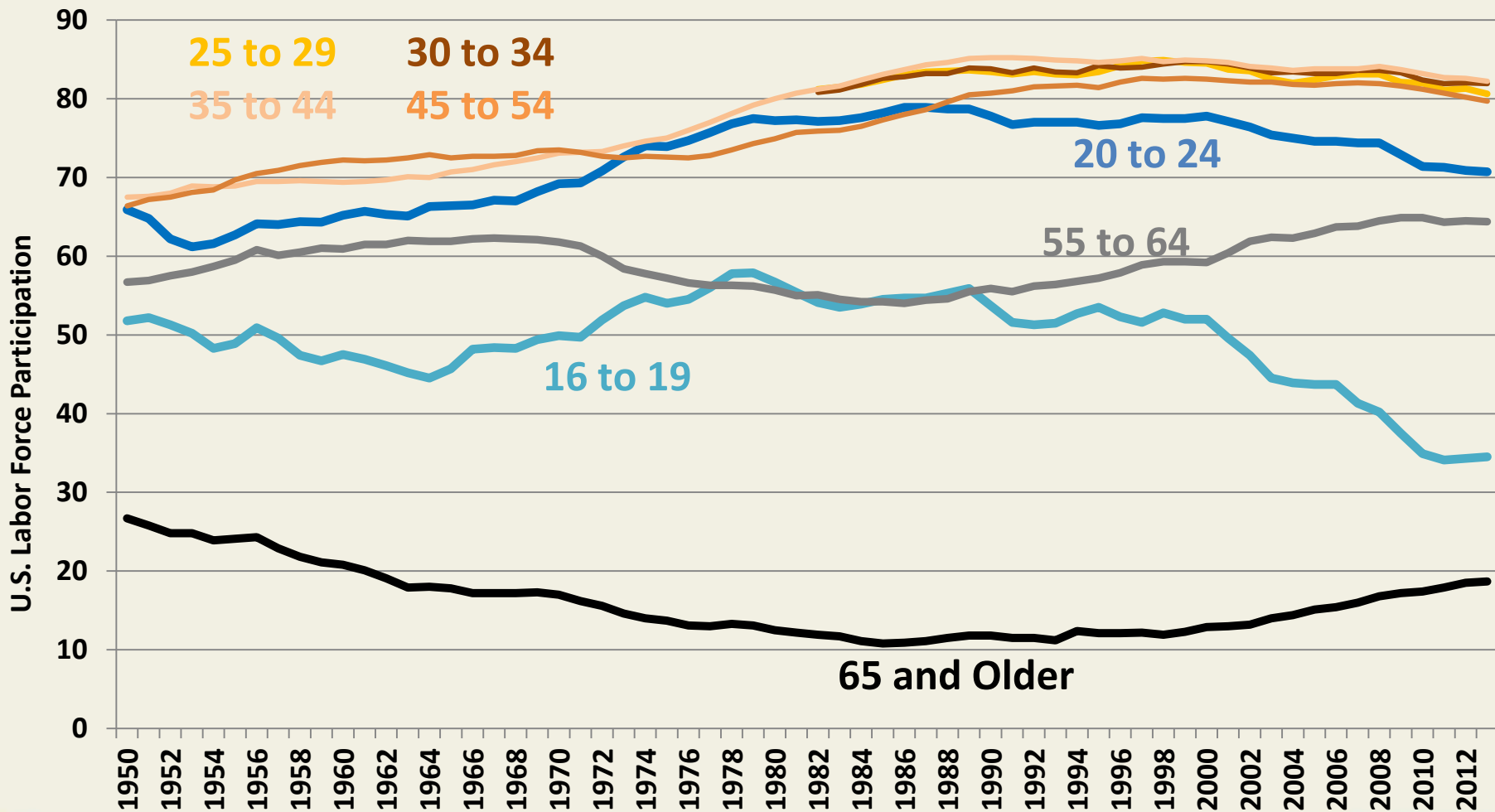
# Labor Force Participation Recovering from Recession in Montana

Montana and U.S. Labor Force Participation Rates Since 1976



# U.S. Labor Force Participation by Age Group

## Fewer Working in Younger Generations

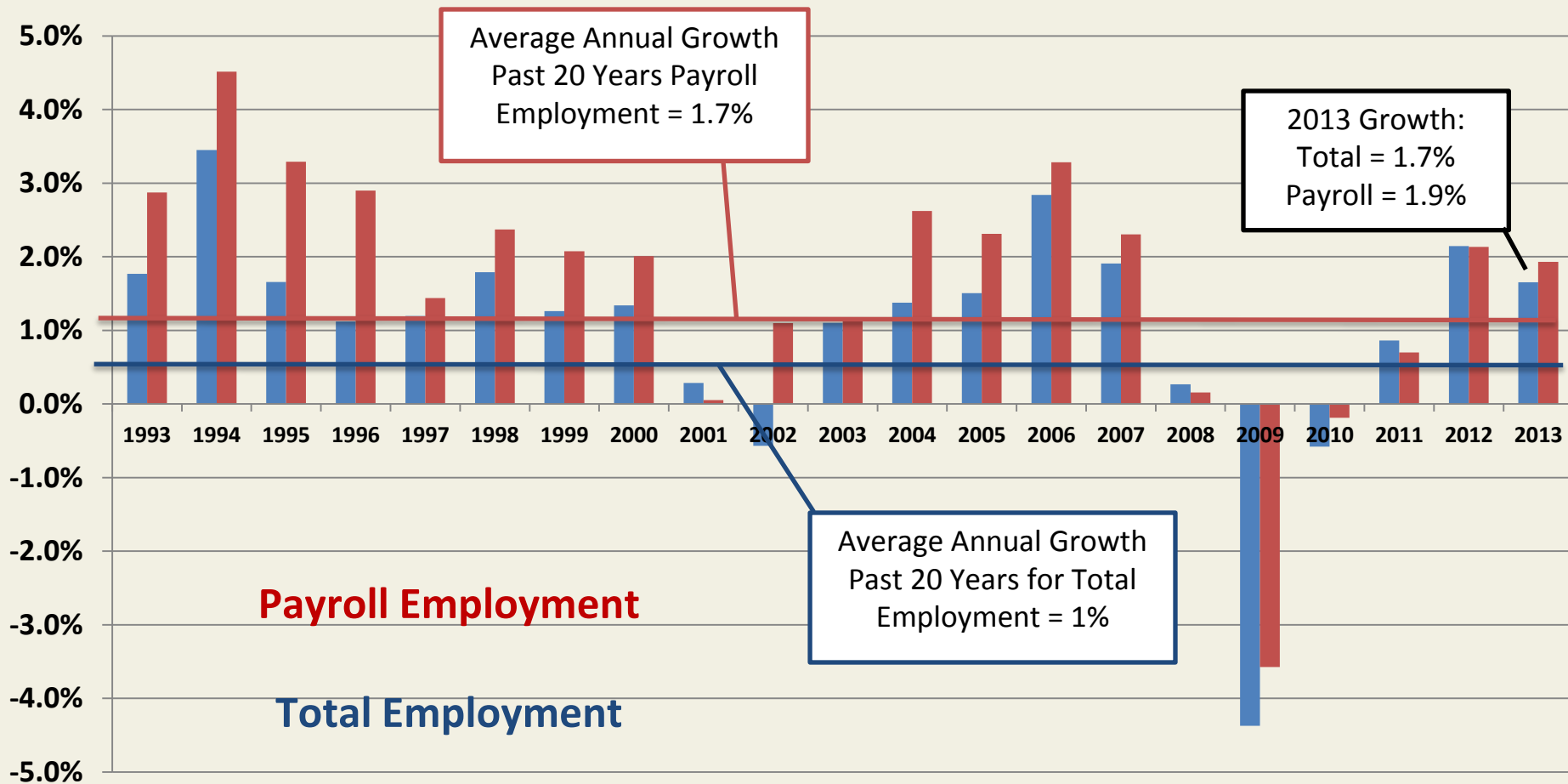




# Take Away Points

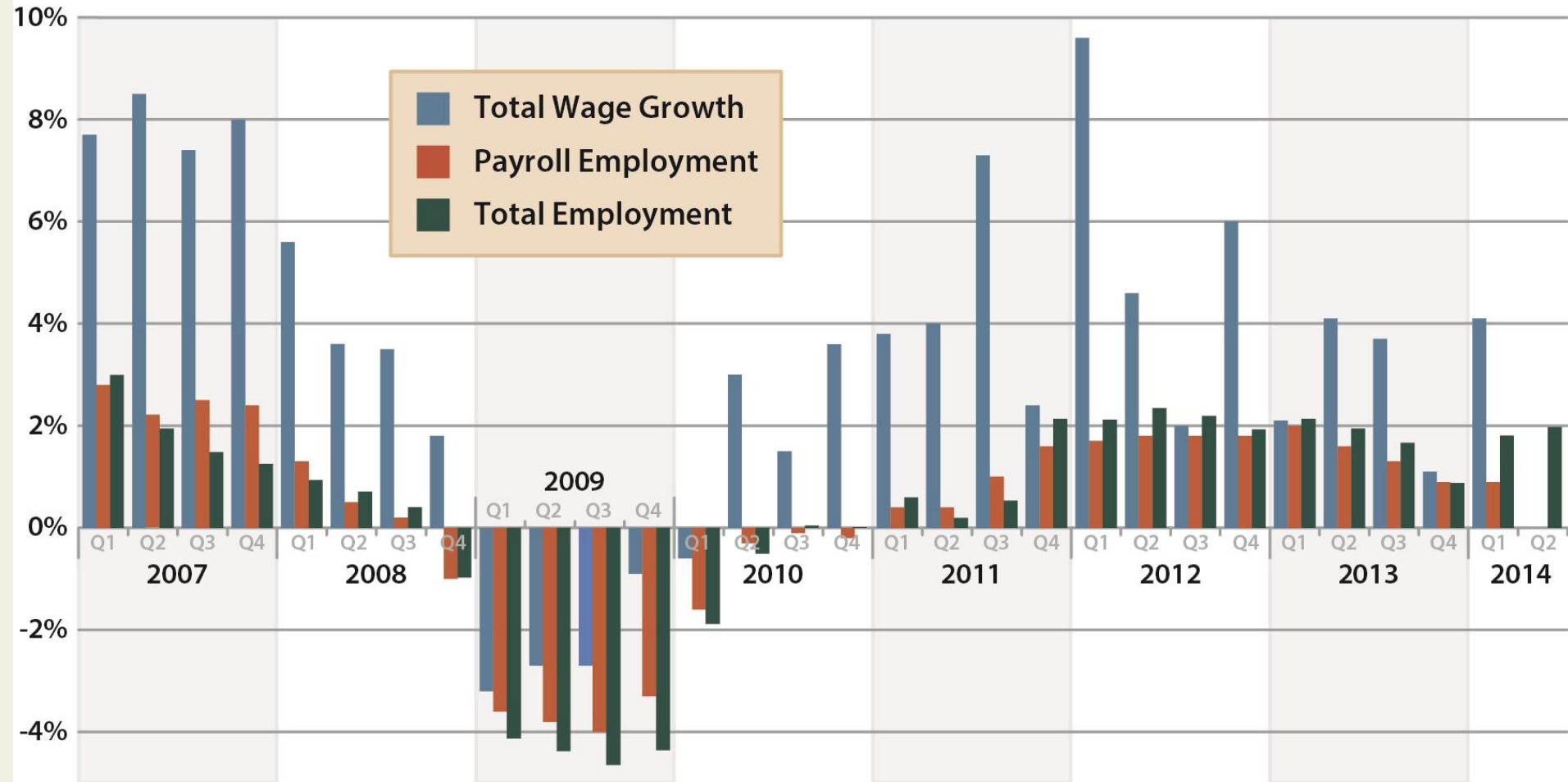
- Montana's unemployment now at ideal levels.
- Ideally, rate stays at this level with both job growth and labor force growth.
  - More workers = greater potential GDP
  - Also need increased productivity and worker training
- Montana labor force levels are recovering better than the U.S. from recession change.
- Aging population and lower participation rates will be an ongoing concern.

# Montana Annual Employment Growth Compared to Average, 1993 - 2013





# Employment Growth Slowed in 2013, but Recovered in 2014





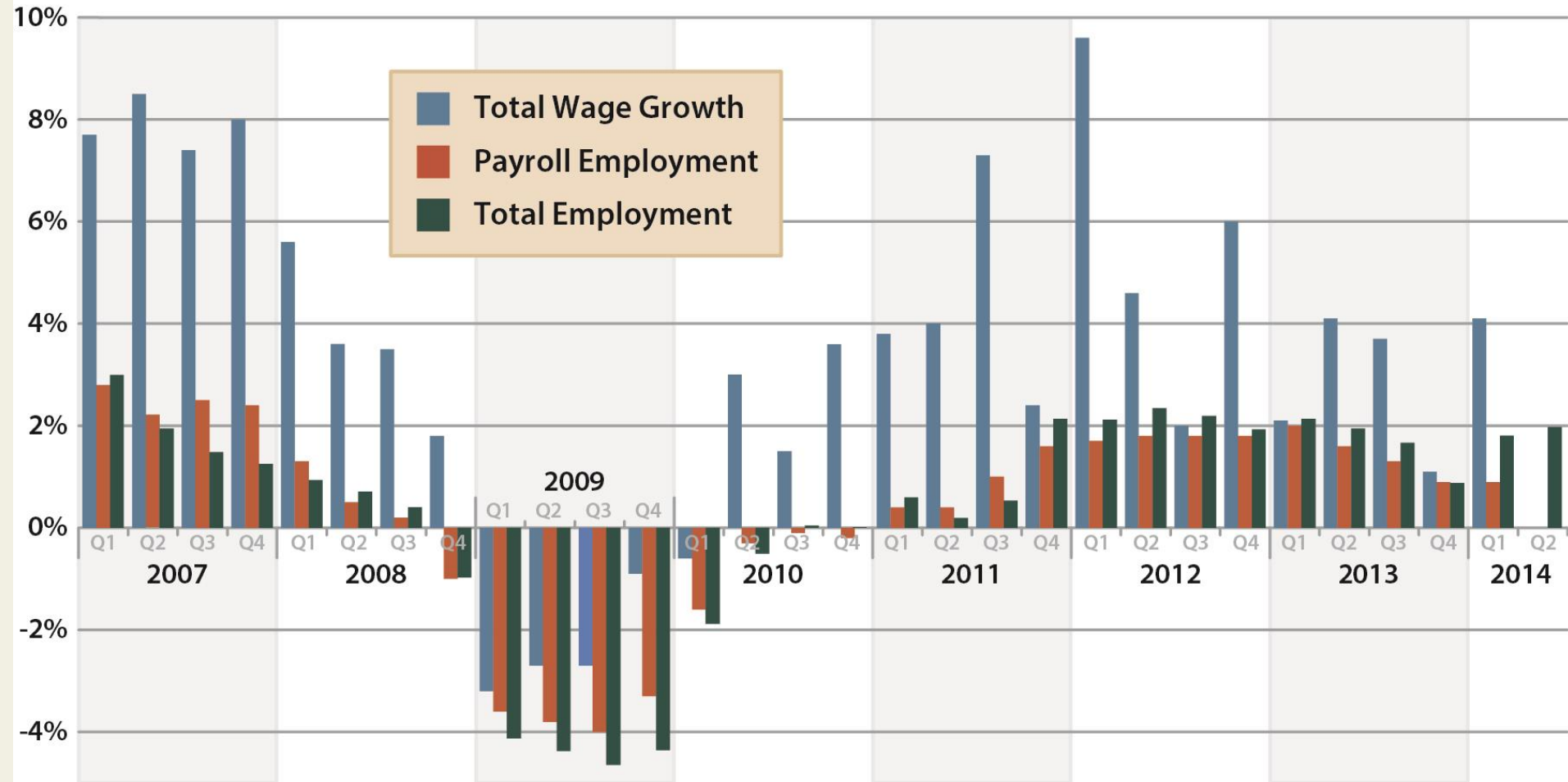
© Photos by Donetta

# 2013 Federal Shutdown and Sequester

- Closure of National Parks
- 500 Fewer Federal Jobs
- \$8.0 B in 2010 to \$5.2 B in 2014

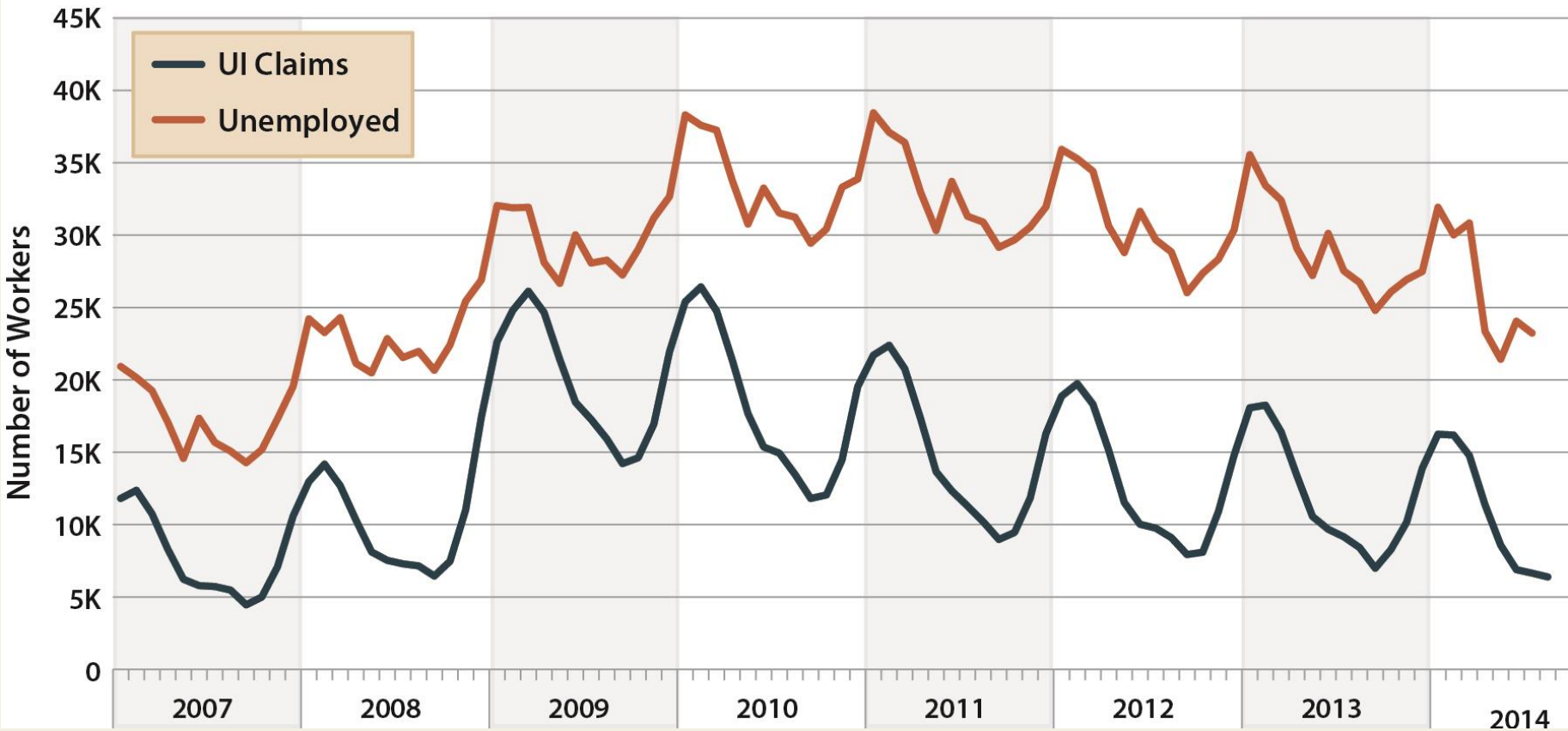


# Employment Growth Slowed in 2013, but Recovered in 2014

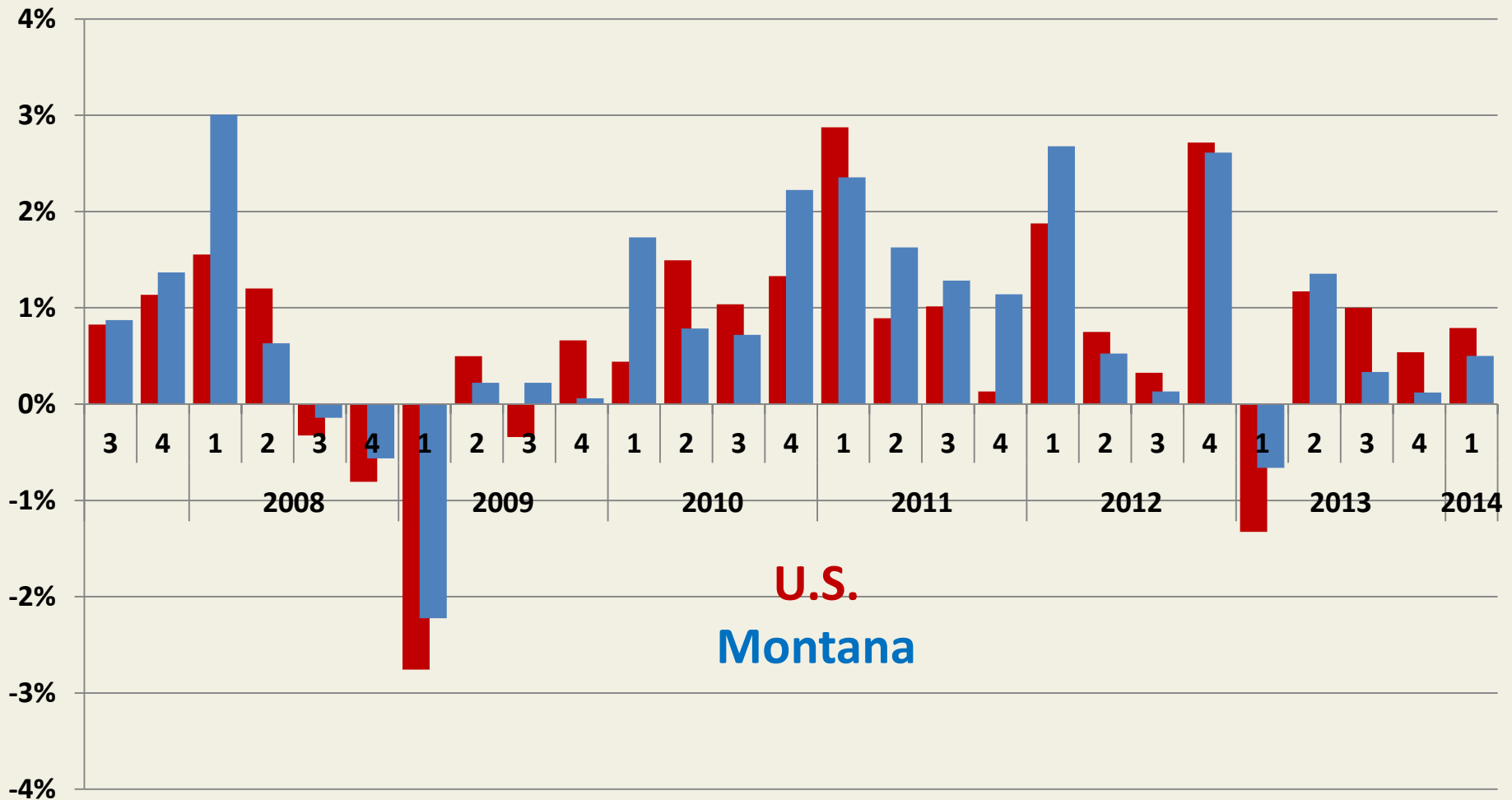




# Claims Data Suggest Improving 2014



# Montana and U.S. Personal Income Growth Recovered in First Quarter








# Take Away Points - Employment

- Job growth in 2012 and 2013 has been above average and faster than the nation.
  - 5<sup>th</sup> fastest state in the nation for employment growth.
- Not at pre-recession pace, but should it be?
- Preliminary employment data suggests record-breaking employment gains in 2014.
- Personal income and claims data suggest economy speeding up from slow end of 2013.



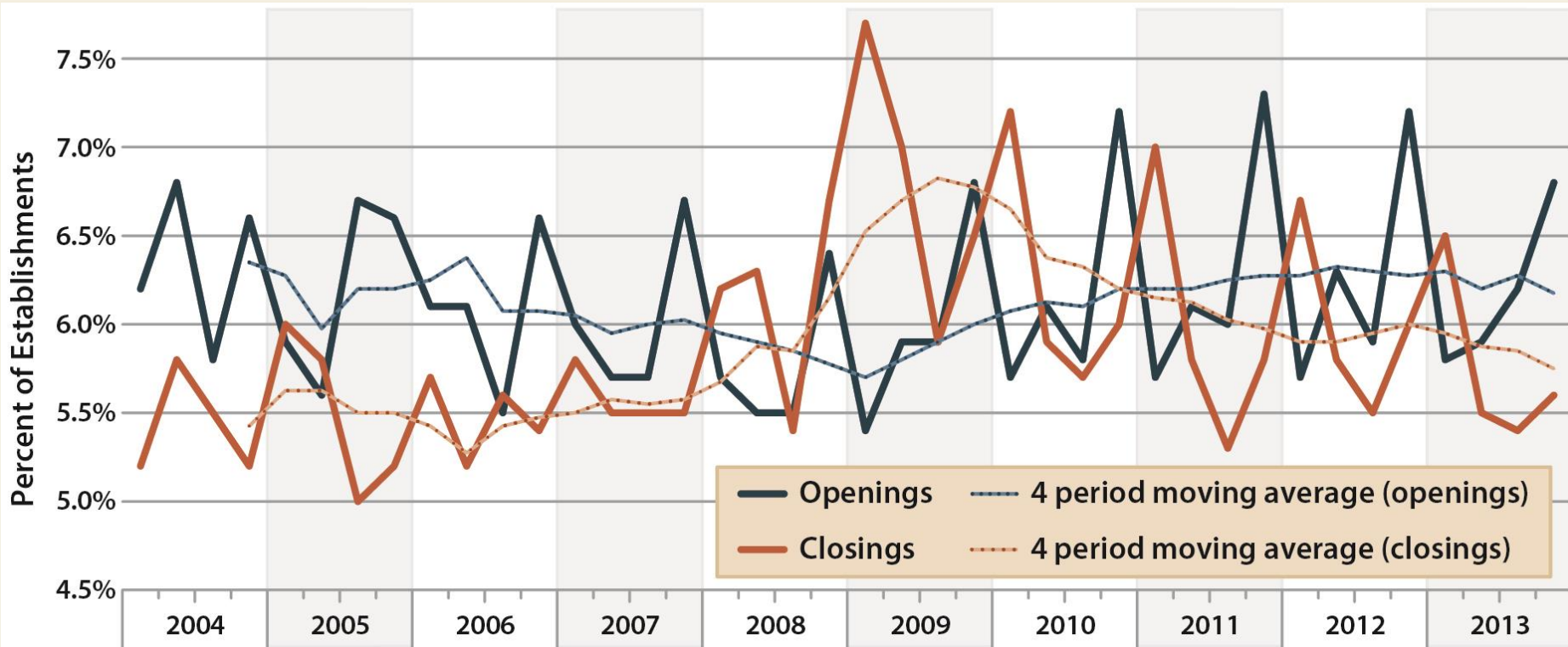


# Montana Continues High Rates of Entrepreneurialism

- **#4** among states for Percent of Households owning a Business (20%)
- **#12** among states for Net Employer Startups
- Business started in last five years have added **60,000** net jobs to the economy
- Entrepreneurialism likely driven by low wages but high quality of life

Source: Employer statistics from Business Employment Dynamics, Bureau of Labor Statistics. Percent of Households from Current Population Survey, two-years of data ending May 2014. Analysis by MT DLI.

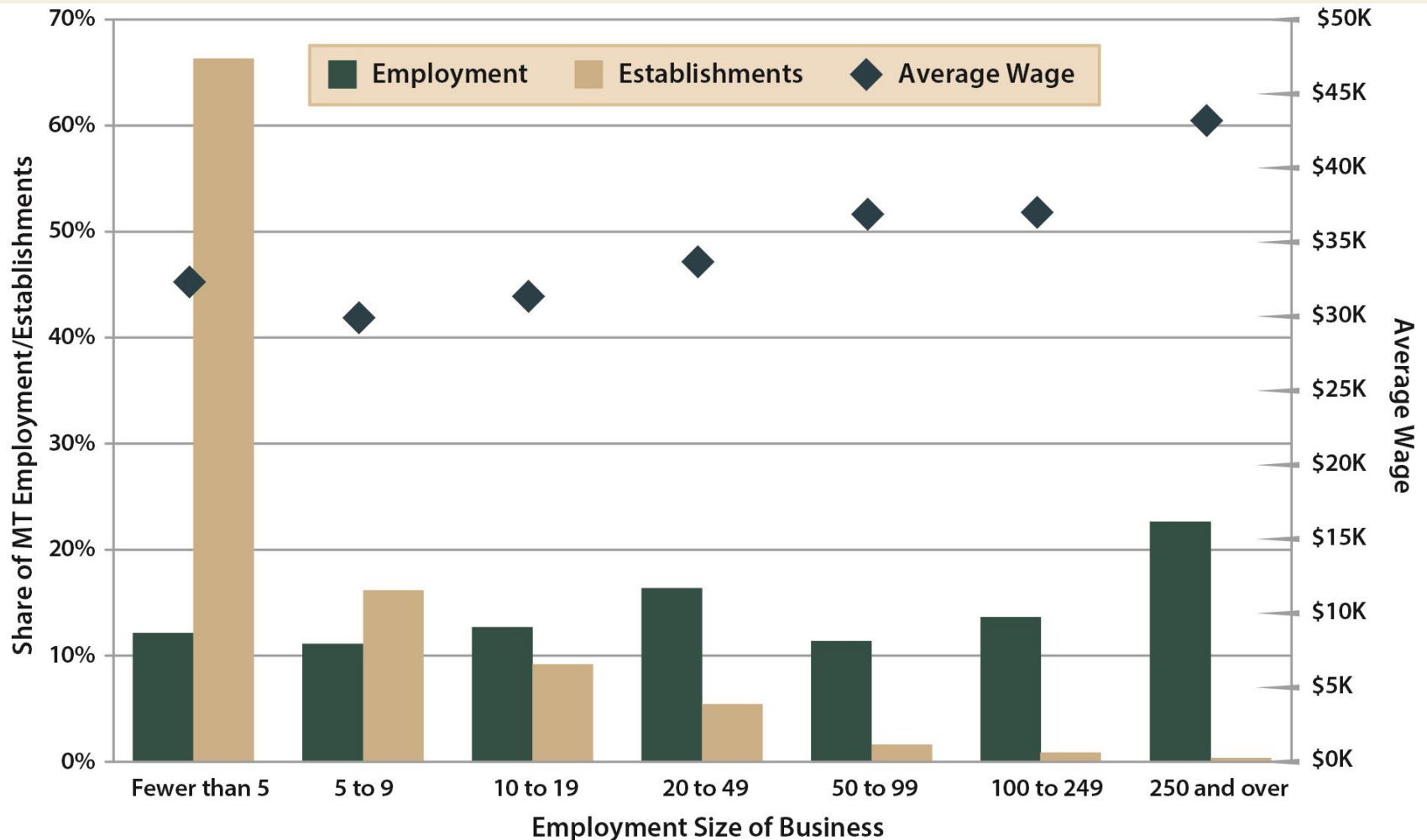
# Business Openings and Closings As a Percent of Establishments



- Business openings and closing rates have returned to pre-recession levels on average.
- Increased seasonality related to construction industry.



# Share of Montana Employment, Establishments, and Average Wage by Size Class



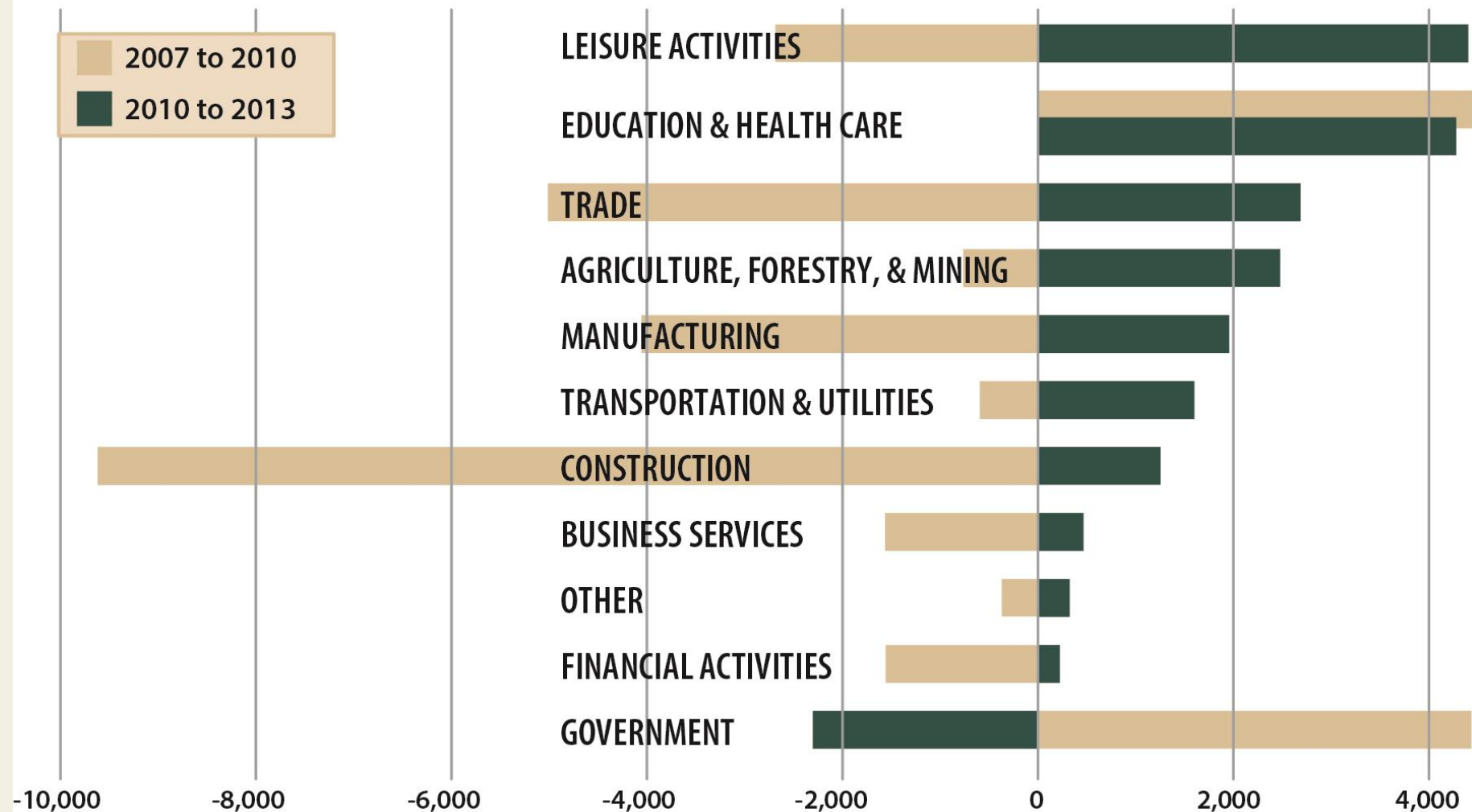


# Take Away Points -Entrepreneurialism

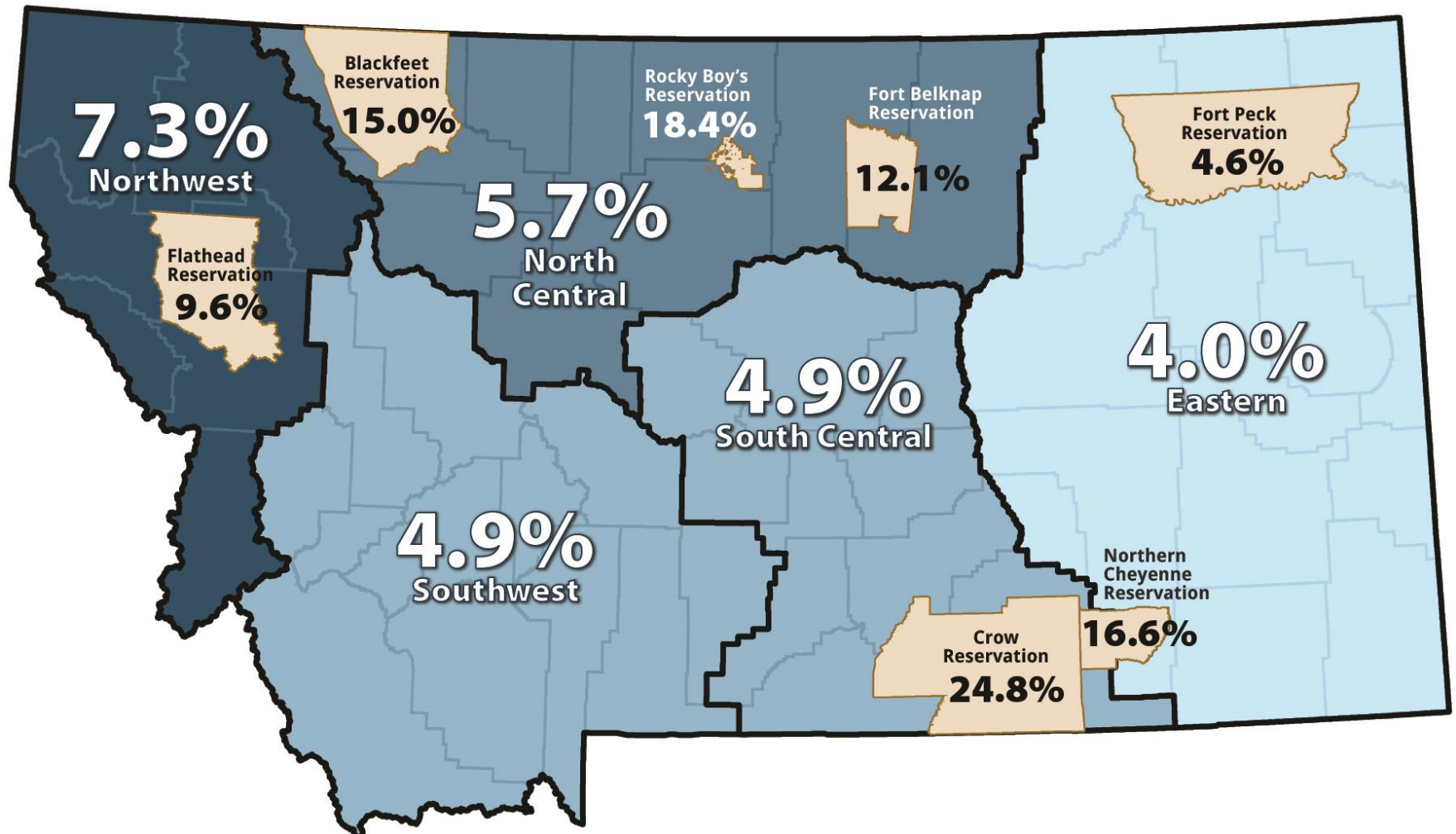
- Montana pretty good at entrepreneurialism.
  - Has been important to job recovery.
- Low wages likely a motivating factor.
  - Montana wages are 47<sup>th</sup> in nation.
  - Montana per capita income is 36<sup>th</sup> in nation.
- We could do better at growing our businesses.



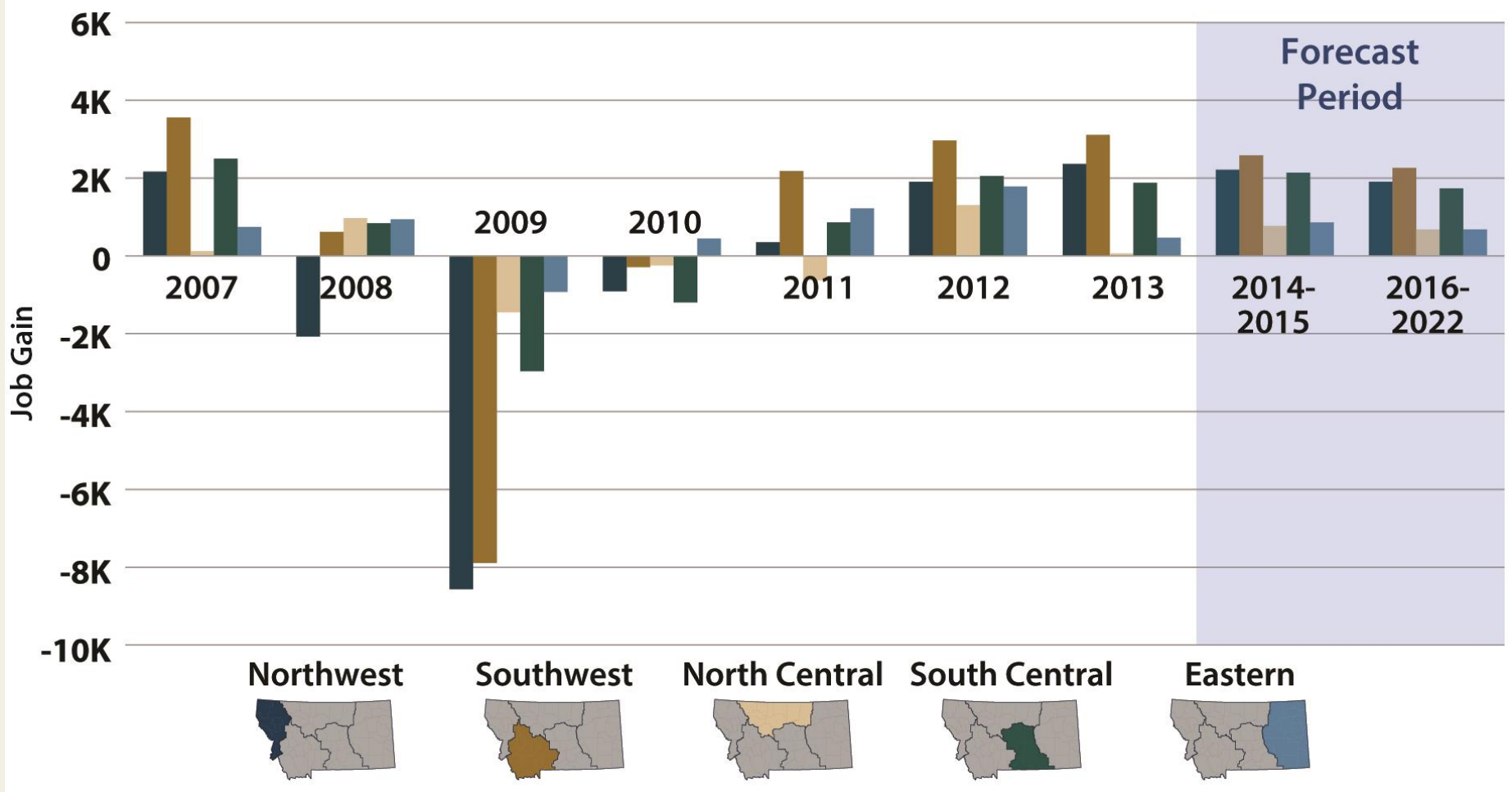
# Montana Employment in Recession and Recovery by Industry



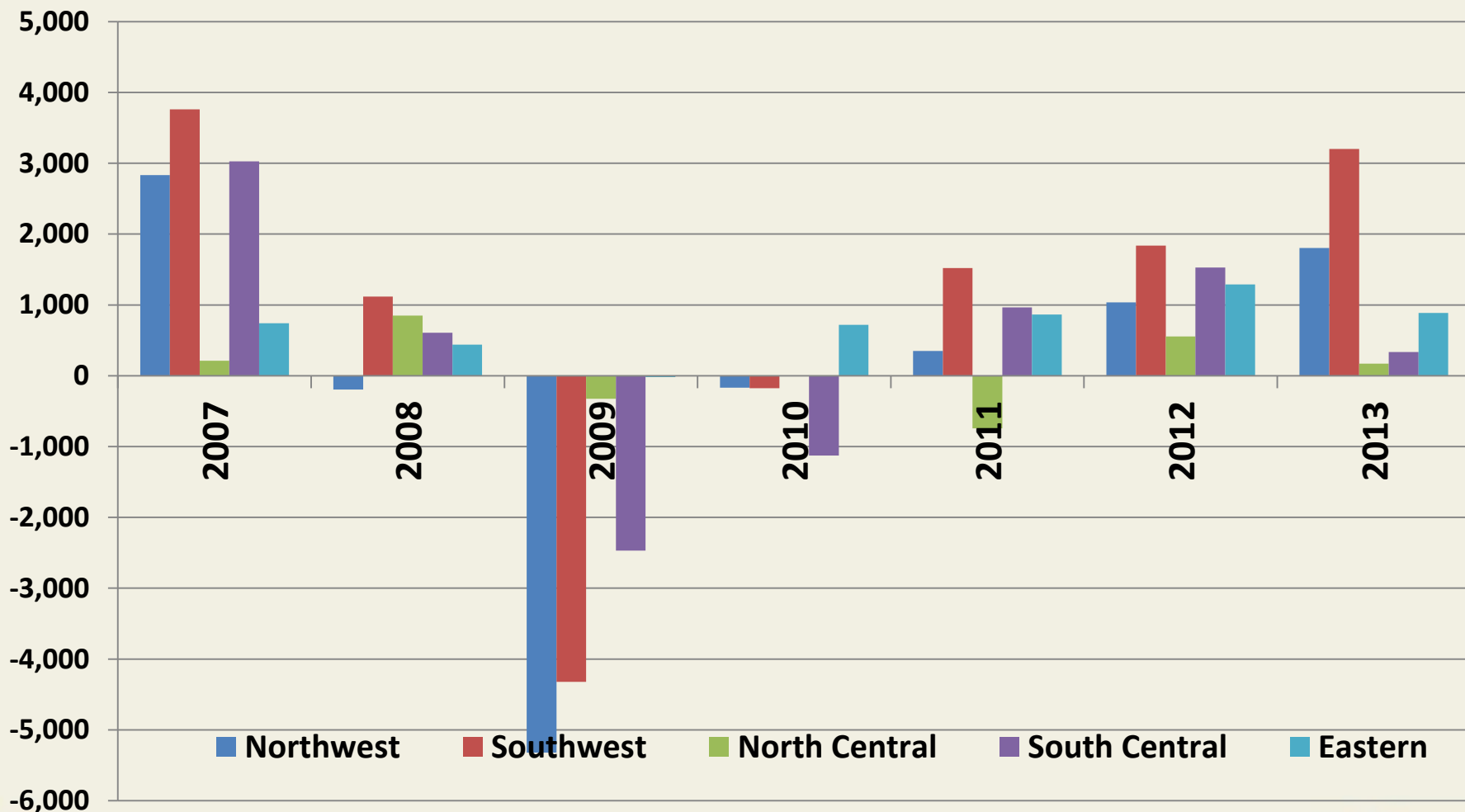
# 2013 Unemployment Rates by Region and Reservation



# Job Change by Montana Region



# Job Growth Based on Location of Business Shows Greater Growth in East vs. South Central



# Reservation Employment Change

- Federal cuts may have caused employment losses in education and health services, tourism on Blackfeet with the closure of the parks.

Figure 12: Employment and Wage Changes on Montana's Reservations

	Employment			Wages		
	2012	2013	Change	2012	2013	Change
Blackfeet	2,995	2,945	-1.7%	\$32,993	\$32,295	-2.1%
Crow	2,081	2,173	4.4%	\$34,870	\$34,696	-0.5%
Flathead	8,054	8,164	1.4%	\$31,339	\$31,567	0.7%
Fort Belknap	326	315	-3.4%	\$42,144	\$43,742	3.8%
Fort Peck	3,250	3,248	-0.1%	\$31,675	\$33,188	4.8%
Northern Cheyenne	1,421	1,335	-6.1%	\$33,617	\$35,160	4.6%
Rocky Boy's	1,032	875	-15.2%	\$43,321	\$46,928	8.3%
Total	19,159	19,055	-0.5%	\$33,036	\$33,471	1.3%

Source: Montana Department of Labor and Industry Reservation Employment Estimates.

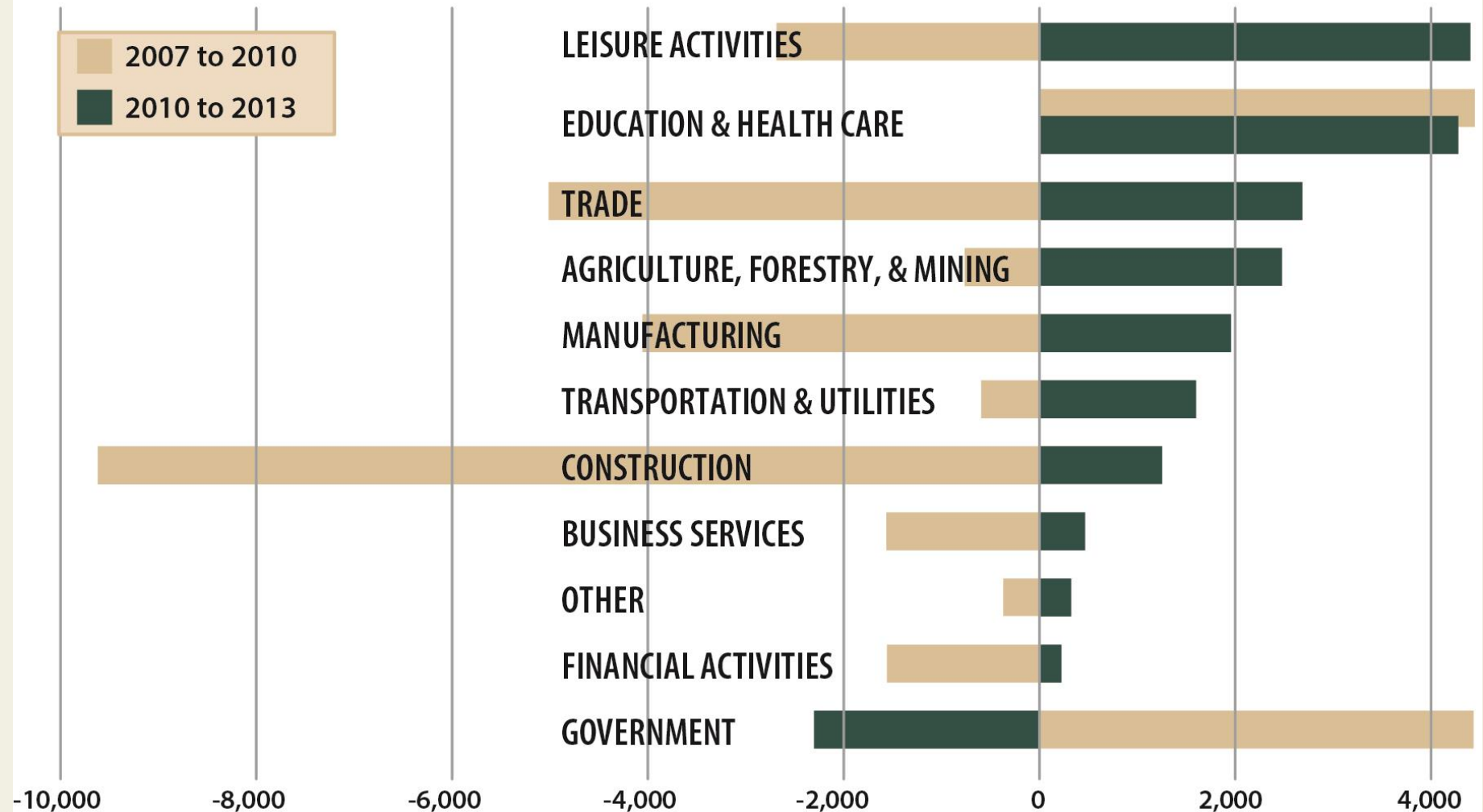




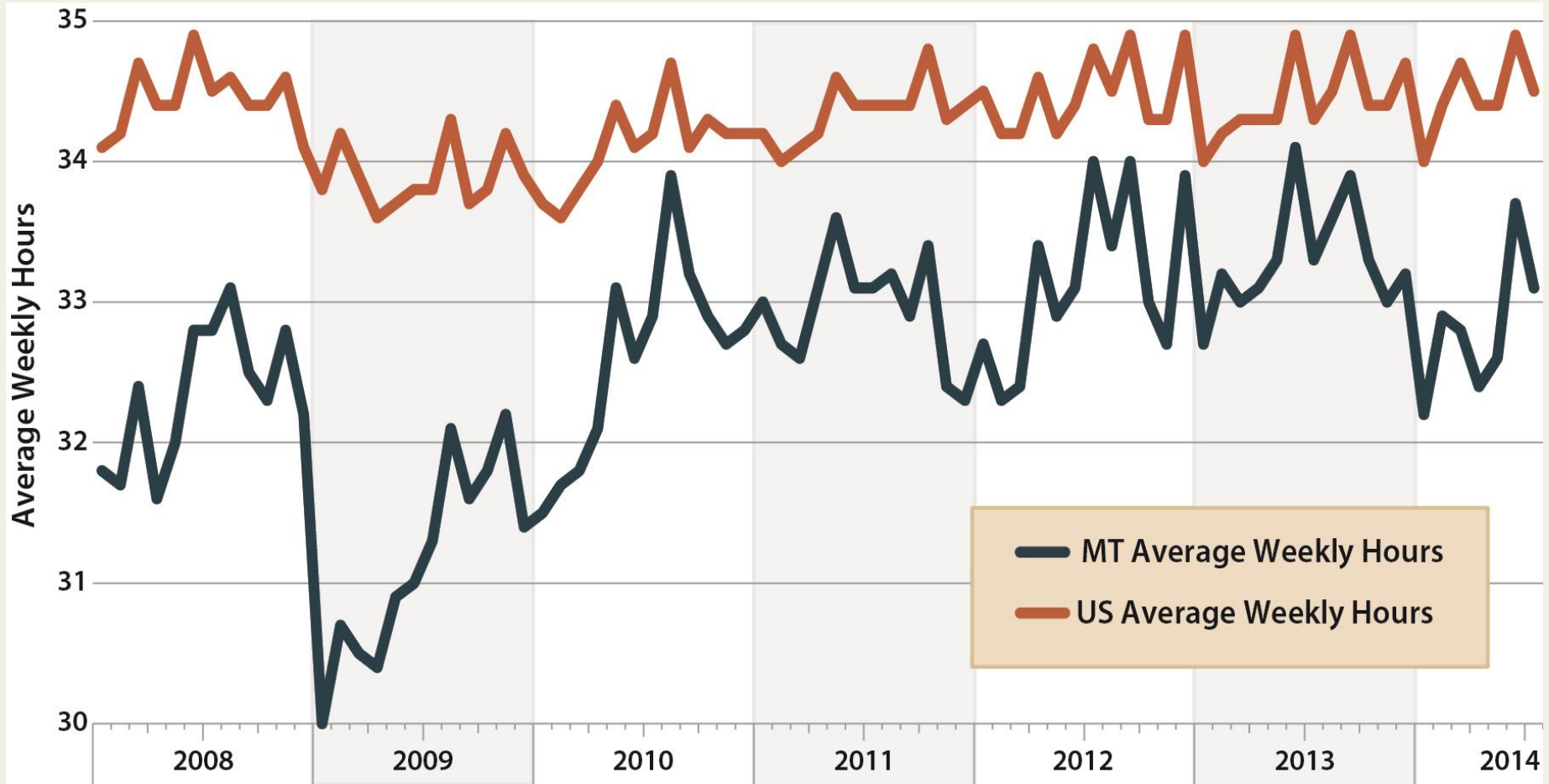
# Take Away Points – Regions and Industries

- All industries adding jobs except government.
  - Coding change in Business Services hides growth.
  - Most jobs added in Healthcare.
- Eastern Montana has posted strong growth for last few years.
- Western Montana posted good growth recently.
- Reservation economies underperforming the state.

# Are Recovery Jobs Good Quality Jobs?

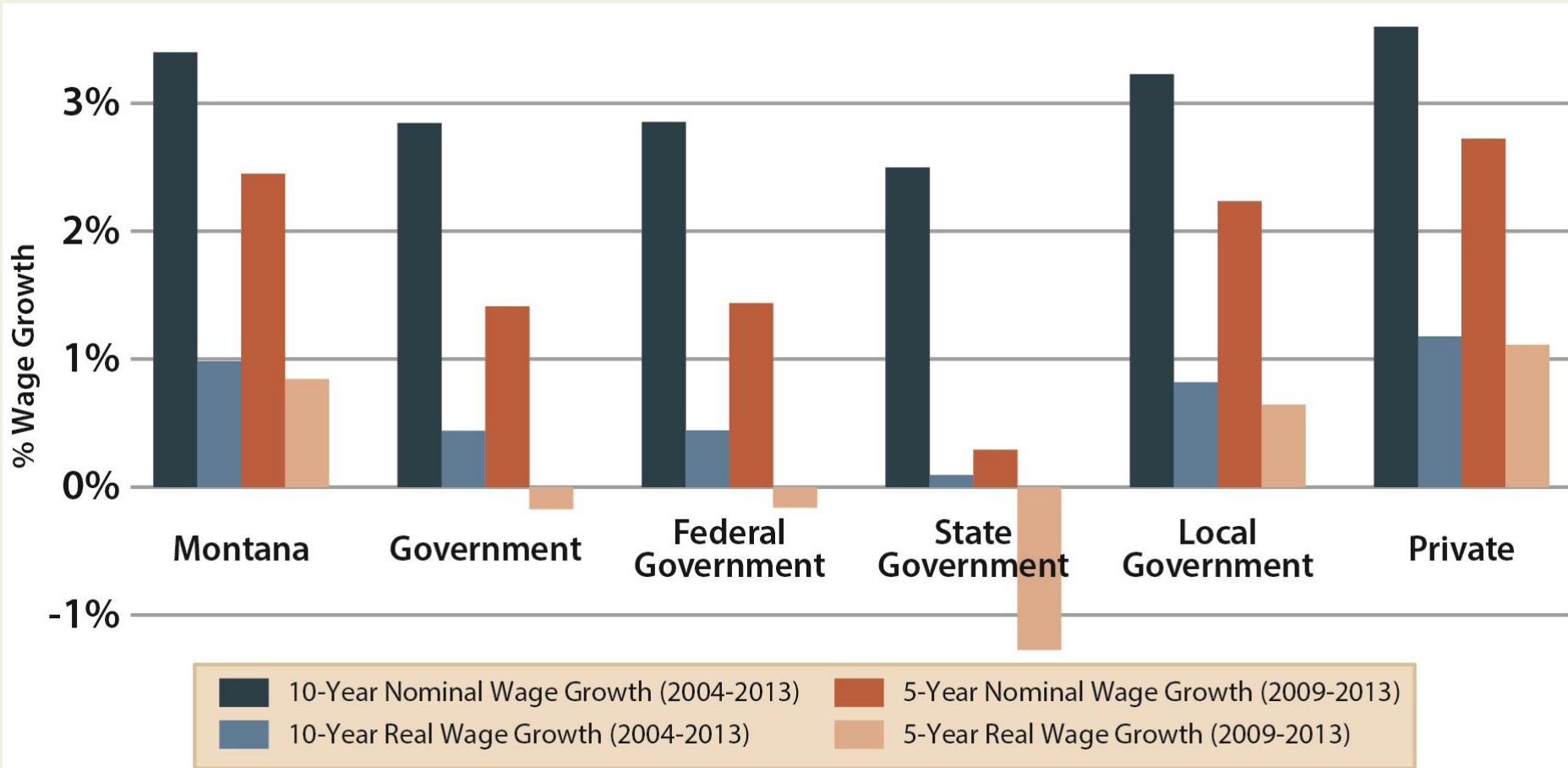


# Average Weekly Hours of Payroll Jobs Recovered from Recession Lows



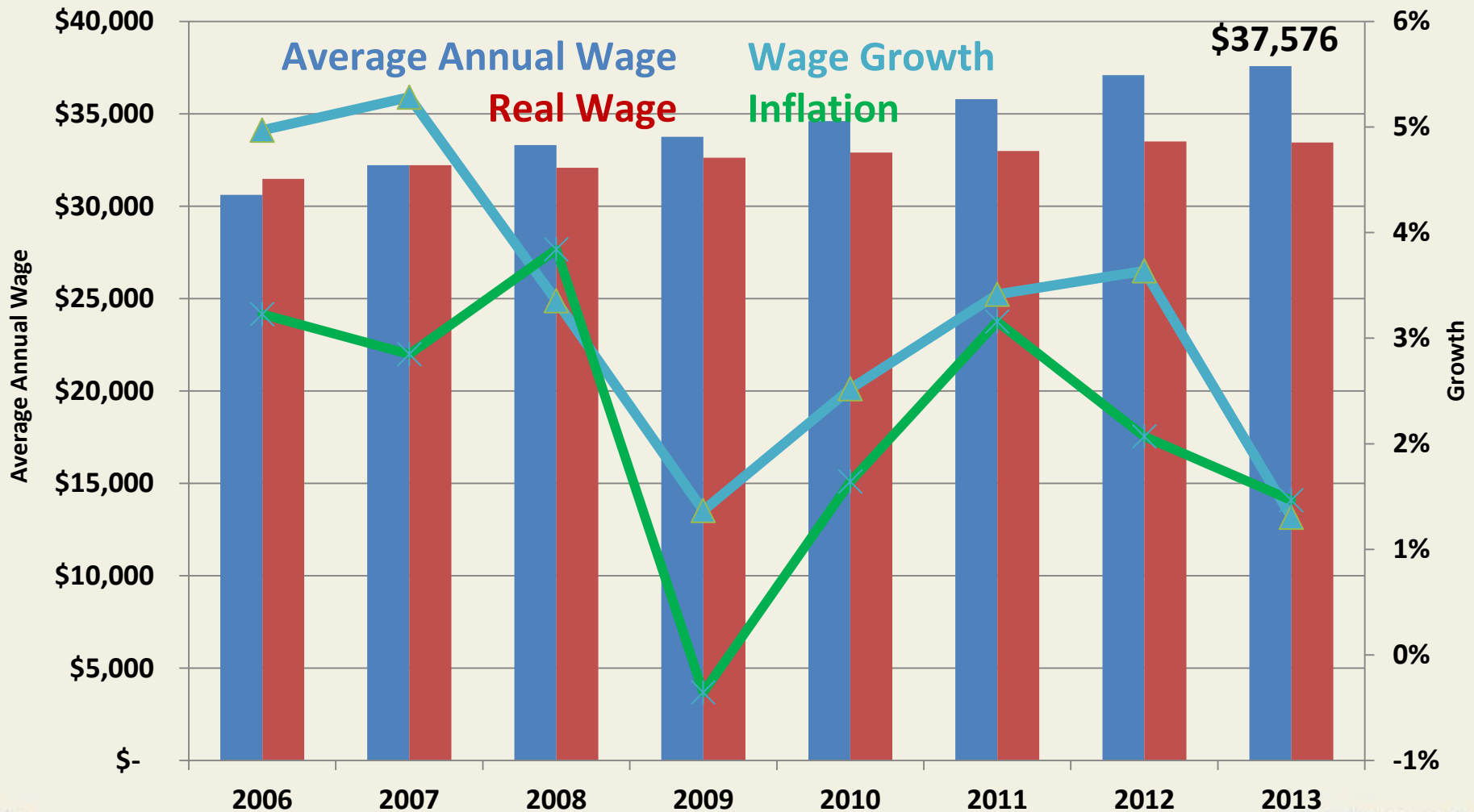
# Average Annual Wage Growth by Sector

- Montana has had the 5<sup>th</sup> fastest wage growth among states over last ten years.



# Montana Wage Growth, All Payroll Workers

## Nominal and Real

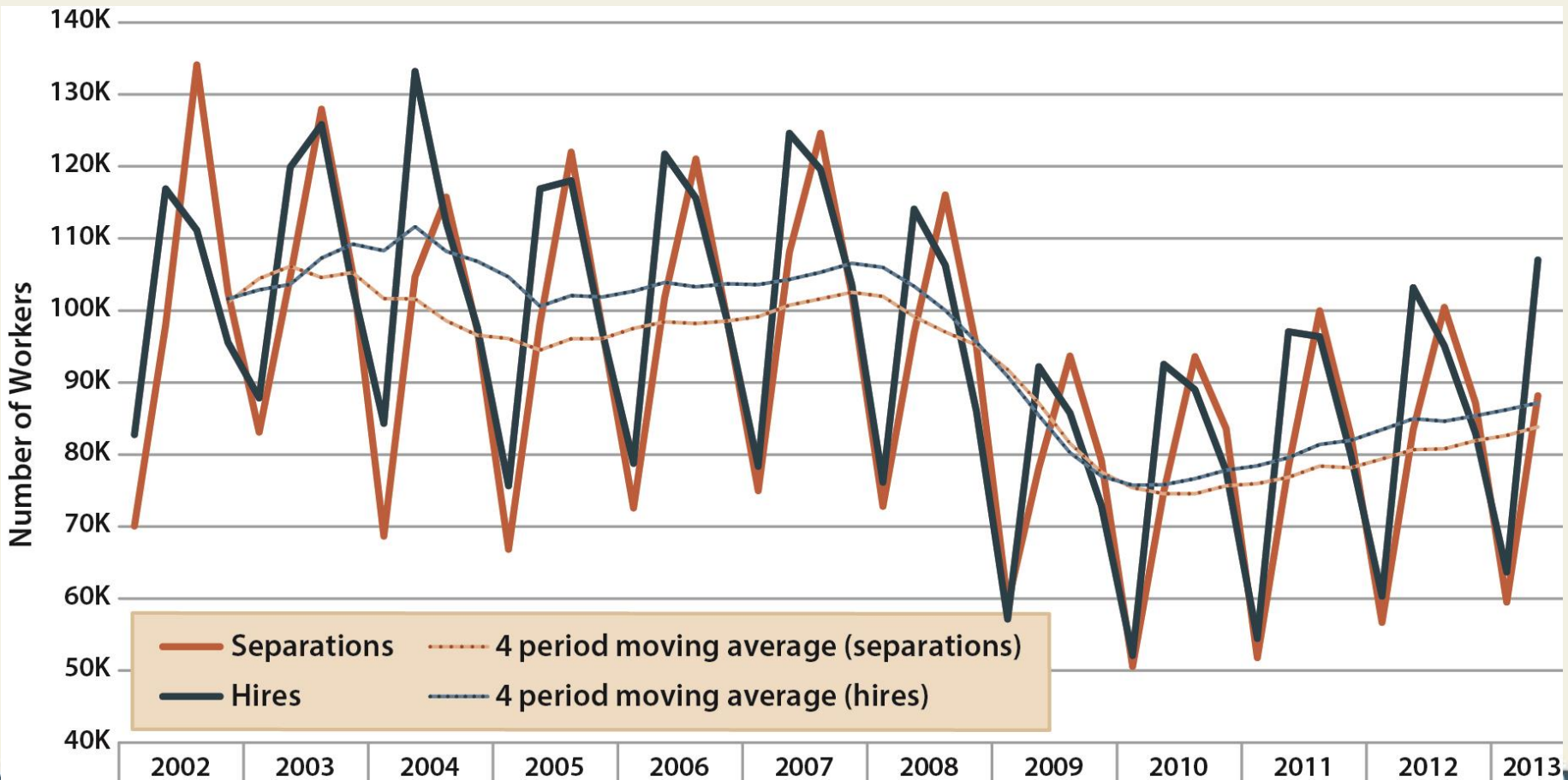


Source: QCEW, BLS and MT DLI.



# Separations and Hires Rate Still Below Pre-Recession Levels

- Low separation and hire rates despite good unemployment suggests labor market frictions. (i.e. skills gap, geographical gap, wages not responding, etc.)



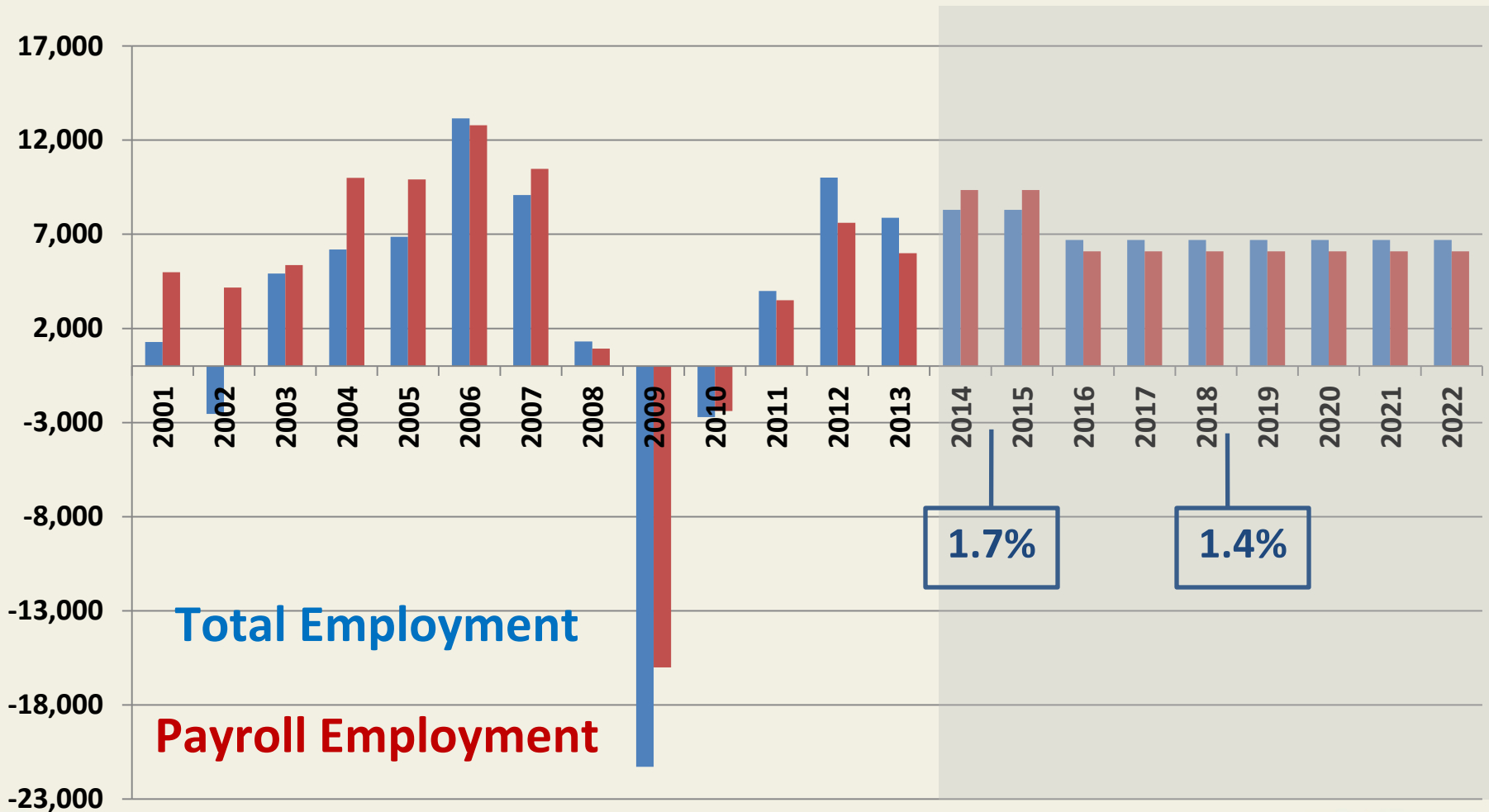


# Take Away Points - Job Quality

- Job quality is of greater concern nationally than Montana.
  - Quality and wage growth improves with tighter labor markets.
- Data suggests Montana adding more full-time jobs.
- 5<sup>th</sup> among states for wage growth over last 10 years
  - Wage growth in 2013 kept pace with inflation, with losses in the Southwest and North Central. Gains elsewhere.
- Montana's average annual wage still low, and 36% of part-time workers would like full-time work.



# Projections for Payroll and Total Employment, Historic (2001-2013) and Projected (2014-2022)





# Fastest Growing Industries

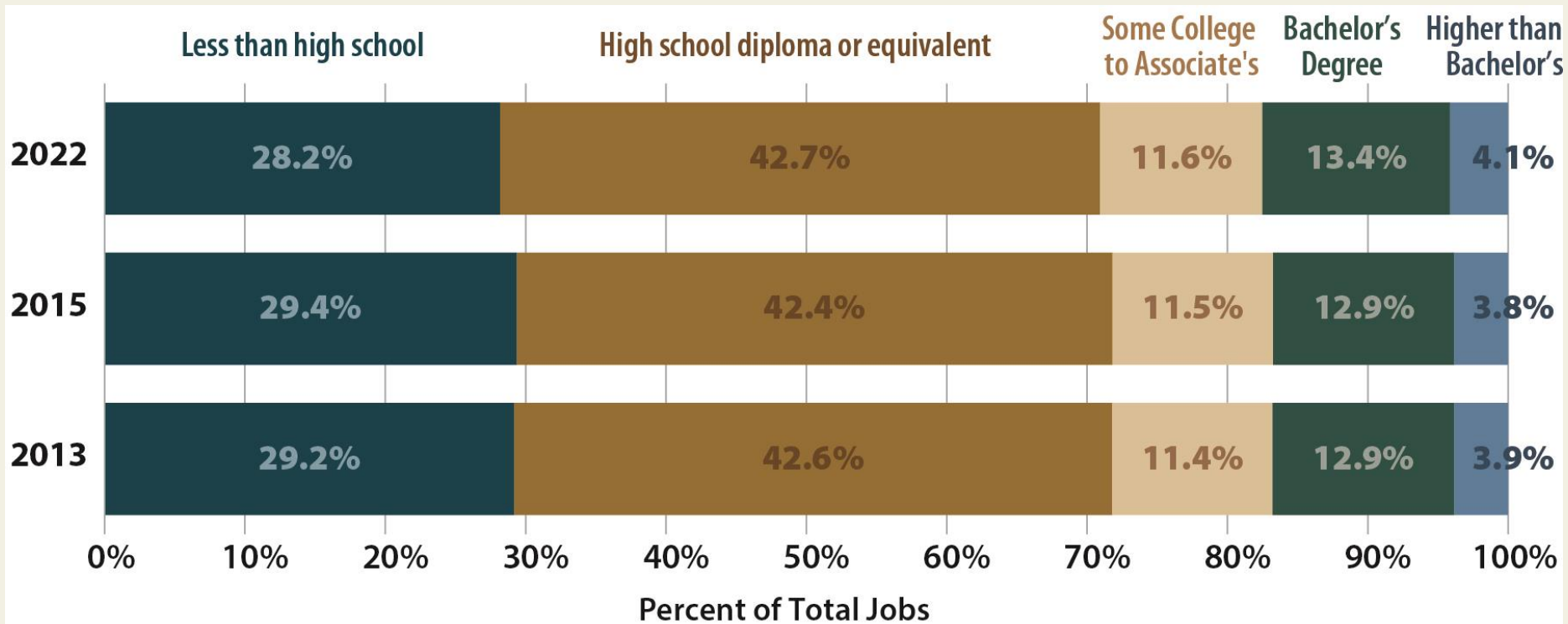
1. Health Care – 1,300 per year
2. Trade – 1,000 per year
3. Accommodation and Food – 950 per year
4. Construction – 700 per year

Mining growth continues at slower pace.

Slow growing industries include government, information, agriculture, and education.

# Montana Jobs by Minimum Education Required, Current and Projected

- Montana population needs to be more educated to fill job mix in the future.





# MORE INFORMATION AVAILABLE:

[WWW.LMI.MT.GOV](http://WWW.LMI.MT.GOV)

LABOR DAY REPORT LINK:

[HTTP://OURFACTSYOURFUTURE.ORG/ADMIN/UPLOADEDPUBLICATIONS/5686\\_LDR14.PDF](http://OURFACTSYOURFUTURE.ORG/ADMIN/UPLOADEDPUBLICATIONS/5686_LDR14.PDF)

JOB PROJECTIONS REPORT LINK:

[HTTP://WWW.OURFACTSYOURFUTURE.ORG/ADMIN/UPLOADEDPUBLICATIONS/5621\\_EMP PROJ.PDF](http://WWW.OURFACTSYOURFUTURE.ORG/ADMIN/UPLOADEDPUBLICATIONS/5621_EMP PROJ.PDF)