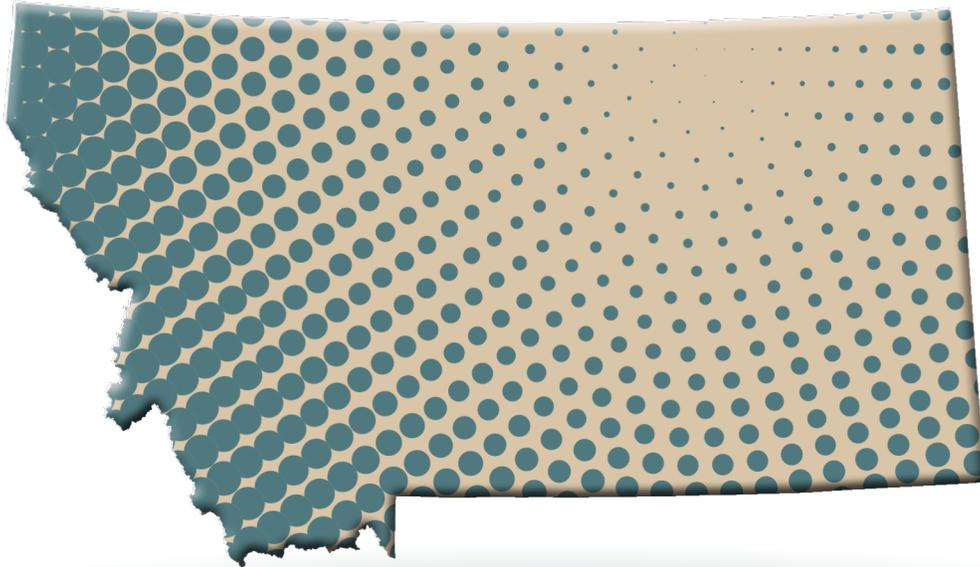
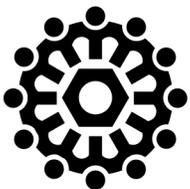


STATE OF MONTANA



LABOR DAY REPORT

2013



Montana Department of
LABOR & INDUSTRY

Research and Analysis Bureau • Workforce Services Division

Labor Day Report

2013

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Montana Department of **LABOR & INDUSTRY**

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Governor Steve Bullock,

As the Commissioner of the Montana Department of Labor and Industry, it is my privilege to present the 2013 Labor Day Report to you and to the citizens of Montana. Montana has a well-educated and entrepreneurial workforce, with businesses that are committed to our state while continuing to maintain their global competitiveness.

Montana outperformed the nation during the 2007 Recession, and our economic recovery has outpaced other states. In fact, Montana's unemployment rate, at 5.3% in July, is back to a level economists consider healthy—ensuring that Montanans have job opportunities and continued economic security. Few other states can boast such strong growth, and Montanans should be proud of this economic performance—hard work and ingenuity have truly paid off.

Montana had an excellent year for economic growth in 2012, with above average job growth and private sector wage growth that was the second-fastest growth among states. Montana's personal income growth, GDP growth, and unemployment levels are better than the nation. Economic indicators point to a stronger Montana economy, with higher wages and a better standard of living for our workers, and a more vibrant environment for our business community.

But we did not reach this point by resting on our laurels. Montanans are driven and hardworking, and we here at the Department of Labor and Industry remain committed to meeting and exceeding Montana's workforce needs. Our local job service offices are committed to helping displaced workers find training programs in their home communities to fill in-demand jobs. Our Apprenticeship and Incumbent Worker programs partner with Montana businesses to provide on-the-job training for Montana's workers. Our career planning and economic reporting help workers know which careers will be profitable in the future, and what education and training are needed to quickly be employable. Montana's workers are our greatest natural resource, but to maintain our excellence, we must always look ahead to emerging industries and opportunities. We must ensure that our workers are competitive and prepared for the ever-changing global economy.

This year's Labor Day Report will show you that Montana is poised for the future; we have an unprecedented opportunity to get our workforce ready for tomorrow's jobs. New opportunities also mean new challenges. I am looking forward to our work together to meet those challenges head on, grow Montana's economy from the ground up, and to set a course for economic prosperity for all Montanans.

Pam Bucy, Commissioner
Department of Labor & Industry



Labor Day Report

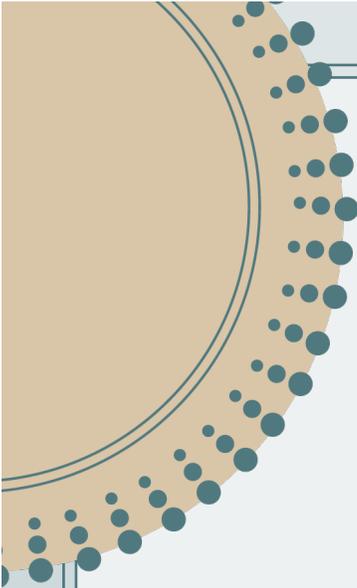
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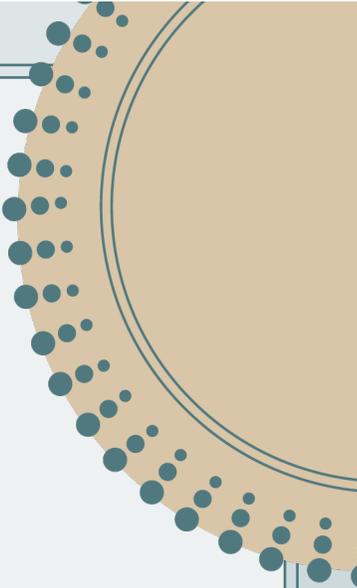


Executive Summary

Montana's workers and businesses are in a better economic position on Labor Day 2013, with lower unemployment, more jobs, and higher income levels than before. Although Montana survived the recession better than other states, the economic downturn has affected many Montana businesses and workers, and recovery has been slow. But in 2012, Montana's economy hit overdrive, with above-average employment growth, strong wage growth, and a sizeable drop in the unemployment rate. Montana has led the nation for performance in several different indicators. However, some areas of the state continue to struggle to recover the jobs lost during the recession, and certain demographics have not enjoyed the same success as other workers. The 2013 Labor Day Report presents Montana's strong economic performance over the last year, and reviews challenges that face our state.

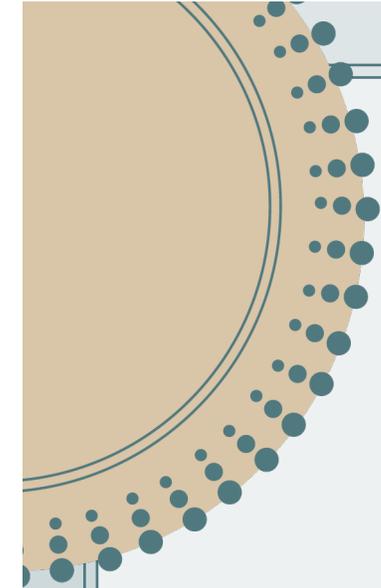
Montana's economy posted strong gains in 2012.

- Montana's unemployment rate continued to decline during 2012 and is now approaching normal levels. Montana's rate remains a full three percentage points below the U.S. average, and has outperformed the nation since the 2001 recession. Leading indicators suggest that Montana's unemployment rate will continue to decline throughout 2013, although federal government spending cutbacks have slowed job growth.
- Montana added 10,700 jobs in 2012 at a growth rate of 2.3% -- faster than national job growth, faster than the long-term average growth rate, and faster than expectations. Private sector job growth grew even faster at 2.8%. Montana's payroll employment is on track to regain its pre-recession employment peak during 2013.
- Montana is a leader in entrepreneurialism, ranking as the 6th best state for new business startups in the nation. New businesses started since 2007 have added over 70,000 new jobs to Montana's economy.
- Montana was the 5th fastest state for personal income growth in 2012, at 4.5%.

- 
- Over the last five years, Montana's GDP growth has outpaced the U.S. with growth of 3.1% compared to 2.3% nationally, placing Montana as the 15th fastest-growing state since 2008.
 - Private sector wage growth increased by 4.2% in 2012 – the second fastest wage growth in the nation. Public sector workers had slower wage growth of 1.9% overall. State workers faced wage losses over the past five years.
 - Montana's workers can achieve a higher standard of living than before with real wage growth of 1.5% in 2012 and 1.1% annually since 2008.
 - South Central Montana (including Billings and surrounding areas) added 2,940 jobs in 2012 – more than any other area of the state. The Southwestern region including Bozeman was not far behind, adding 2,860 jobs (2.2% growth). However, Eastern Montana was the fastest growing region, growing at a rate of 5.1% and adding 1,870 jobs.
 - Health care, Mining, Leisure Activities, and Trade continue to lead job growth during economic recovery, with the Manufacturing sector also posting strong job growth in 2012. Government employment has fallen during both 2011 and 2012.

Montana has a well-educated workforce, but we must strive to fully integrate disadvantaged demographics into our labor force.

- Our workers are well-educated, with 96% of the labor force having a high-school diploma, placing Montana as the 4th best among states. 34% of workers have a bachelor's degree. Highly educated workers are more likely to be employed, receive higher wages, and are more likely to participate in entrepreneurial activity.
- Full-time, year-round female workers in Montana earn roughly 73% of the median earnings of men, making Montana one of the worst states for gender pay equity. Female workers tend to earn less than their male counterparts at all education levels.
- Disabled workers are less likely to participate in the labor force and face higher unemployment rates than other Montanans. Roughly 43% of the disabled are employed.

- 
- Montanans with American Indian heritage face an unemployment rate of 24%, much higher than other Montana workers. Montana's seven reservation areas have unemployment rates that are two to three times higher than the surrounding areas. However, job growth on reservation areas was positive in 2012, and reservation communities faced lower job losses during the recession than other areas in the state.

Montana's aging workforce will challenge our state to find additional workers and to improve productivity.

- Montana has the highest level of workers 65 and older in the nation, with nearly one-quarter of older people in the labor force. The unemployment rate for older workers is lower than for other workers, at 3.3% compared to 6.1% for the state as a whole.
- Montana's working-age population is projected to level off in the future, creating a shortage of workers of traditional working age. Montana will need to increase labor force participation rates and enhance productivity in order to maintain economic growth.
- Productivity in Montana is lower than expected given our highly-educated workforce. Both businesses and workers must enhance productivity to maintain growth with a limited labor supply.

State of Montana 2013 Labor Day Report

Montana workers and businesses are experiencing a stronger economy on Labor Day 2013. Employment grew at a fairly rapid pace of 2.3%, faster than expected and faster than the long-term average growth rate of 1.2%.¹

Montana's unemployment rate remains over two percentage points below the national average and has been steadily falling throughout the last two years, now down to a reasonably low 5.3%, roughly 1.5 points lower than the recessionary peak unemployment of 6.8%. Wage growth has been strong, particularly in the private sector. Montana's private sector experienced the second fastest wage growth in the nation in 2012.

Our economy is strong, but risks remain. Federal government spending cutbacks and tax increases have slowed economic growth in 2013, delaying Montana's return to pre-recession employment levels. Some regions of the state are struggling to regain the jobs lost during the recession, and other areas are struggling to keep up with rapid economic expansion. Workers from industries harmed by the recession must be retrained for new and expanding industries. Certain types of workers (such as low-skilled workers, youth, disabled workers, Native Americans, and women) face lower wages and higher unemployment rates than the average population. Despite high unemployment rates for certain regions and demographics, Montana's aging population threatens to create worker shortages within the next ten years.

Montana's Unemployment Rate

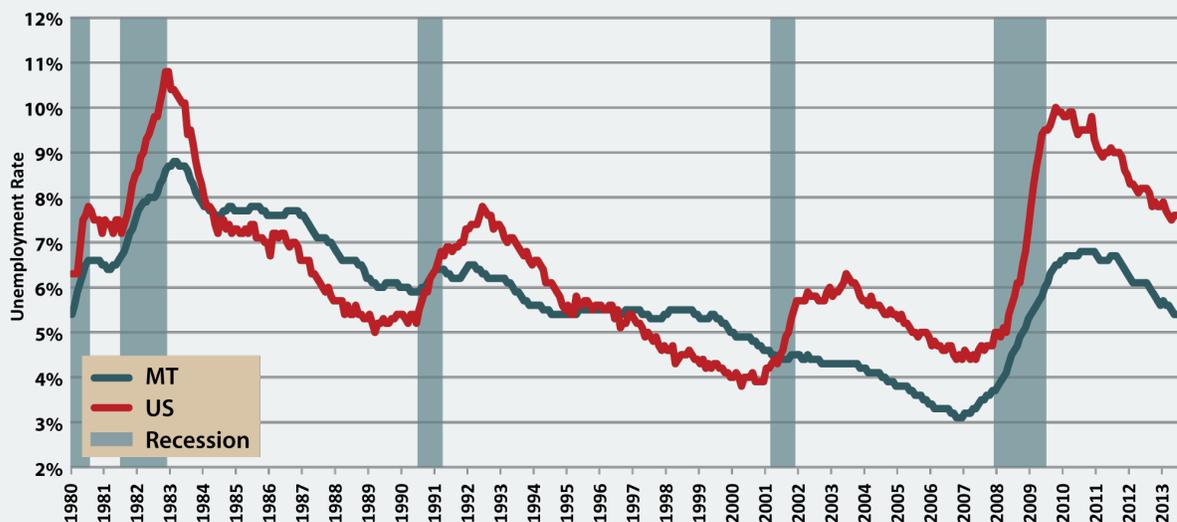
One of the most-watched economic statistics, the unemployment rate, is shown in Figure 1. The cyclical nature of both the U.S. and Montana economies is prominently featured. In every recession shown, Montana's unemployment rate has outperformed the U.S. rate, remaining more stable with smaller spikes than the national average. In the 2001 and 2007 recessions, Montana outpaced the U.S. in the recovery with faster job growth. Montana's unemployment rate has remained lower than the national rate since the 2001 recession, hitting a low of 3.1% in 2006. The recession caused Montana's unemployment rate to increase 3.7 percentage points up to a recent high of 6.8% in 2010. The U.S. unemployment rate increased more dramatically than Montana's, moving up 5.6 percentage points from 4.4% in

2007 to a recent high of 10% in 2009. Although much higher than desired, the unemployment levels during the 2007 recession and recovery remained lower than the historic high unemployment, which occurred after the 1981 recession for both Montana and the U.S.

Montana's unemployment rate has remained lower than the national rate since the 2001 recession.

Since the recent high of 6.8% in 2010, Montana's unemployment rate has steadily declined, hitting 5.4% in the second quarter of 2013. Montana's unemployment rate is expected to continue to decline throughout the next year, reaching normal unemployment levels of 4 to 5%. Unemployment rates lower than 4%, like those experienced in 2006 and currently experienced in counties at the eastern edge of Montana, benefit workers because jobs are easy to find and wages increase rapidly. However, tight labor markets make it difficult for businesses to find the right workers and also can result in inflation as businesses pass on higher labor costs to customers. Economists generally like to see unemployment rates around 5%, where jobs are relatively easy to find yet businesses can find workers with the right skills.

Figure 1: Montana and U.S. Unemployment Rates since 1980



Source: Bureau of Labor Statistics, Current Population Survey, and Local Area Unemployment Statistics

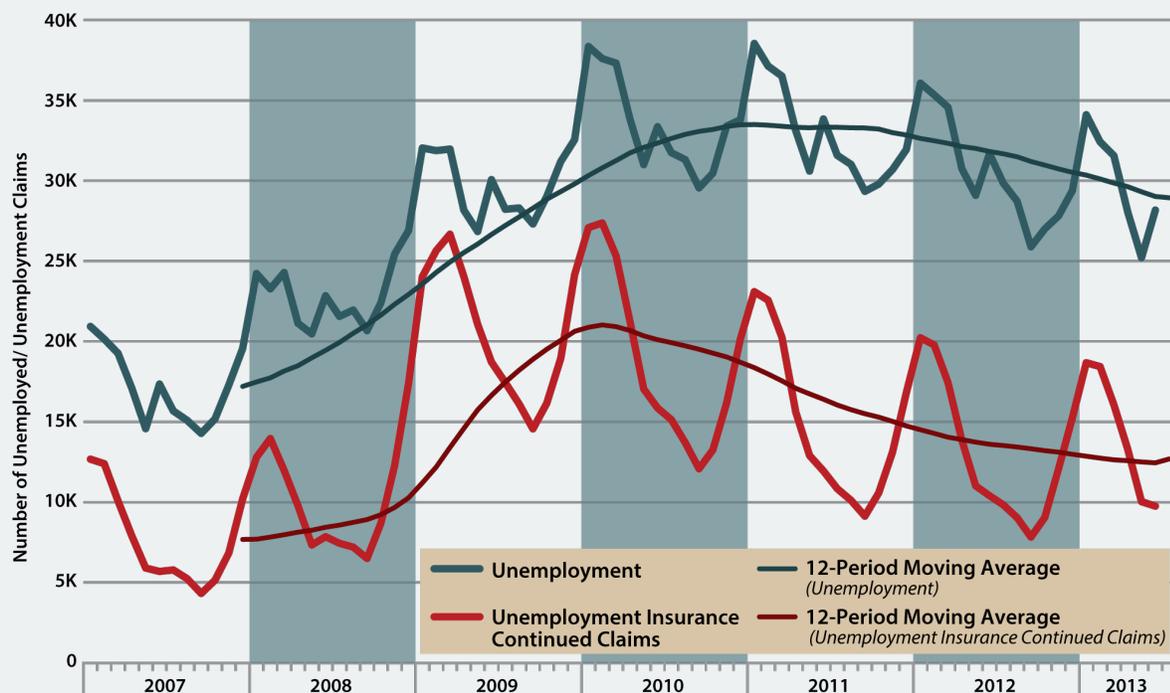
Unemployment Insurance Claims

Along with the decline in Montana's unemployment rate, there has been a decrease in the number of unemployment insurance claims, as shown in Figure 2. Figure 2 plots the number of unemployed persons in Montana on

Claims data suggest that Montana's unemployment rate will continue to decline throughout 2013.

the same graph as the number of unemployment insurance (UI) claims paid by the Department of Labor and Industry. Not every unemployed person receives unemployment benefits. Some workers are not required to pay into the UI system, and therefore do not receive benefits. Other workers did not have sufficient earnings to qualify for benefits. Some long-term unemployed workers qualified for benefits, but are no longer receiving them because they exhausted their benefits without finding employment. Roughly one-third of the unemployed receive benefits, with the percentage increasing during the period when federal and state policymakers expanded UI benefits due to high unemployment during the 2007 recession. From January 2008 to January 2010, the number of people receiving UI benefits more than

Figure 2: Comparison of Unemployment Insurance Claims to the Unemployed



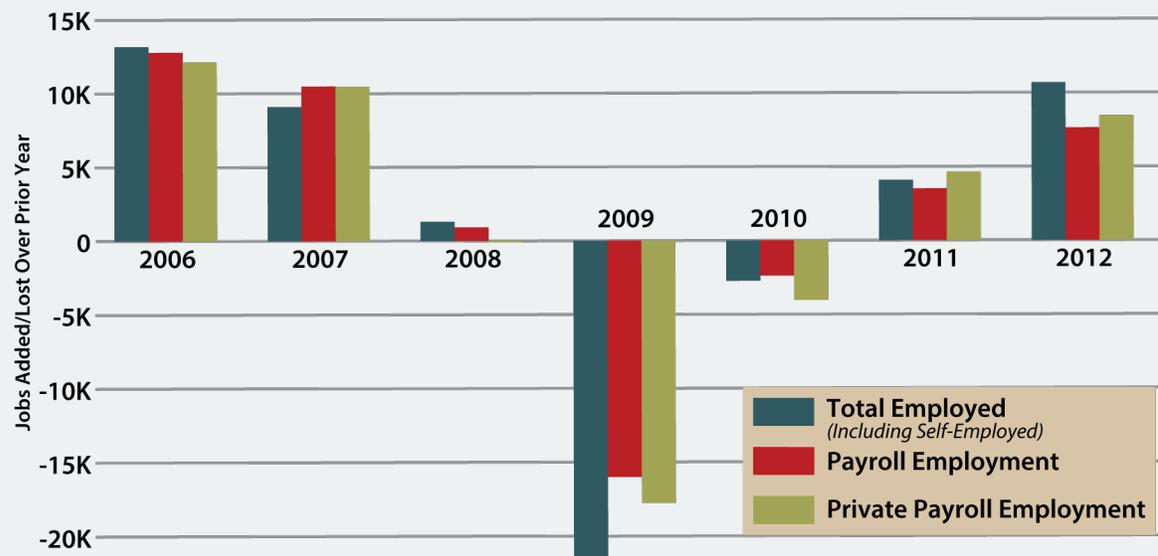
Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, and Montana Department of Labor and Industry (DLI). Claims data from DLI.

doubled, moving from 12,800 to 27,000. The number of UI claims hit a peak in 2010 before declining by about 9,000 claimants to current levels. In contrast, the number of unemployed persons continued to increase until January of 2011, hitting a peak of 38,536 before declining to roughly 34,000 in January of 2013. The earlier turnaround in UI claims compared to overall employment suggests that UI claims are a leading indicator of Montana’s economy. The recent behavior of the claims data suggests that Montana’s unemployment rate will continue to decline throughout 2013, although at a slower rate of decline than in 2012.

Job Growth

Montana’s unemployment rate has been decreasing for the last two years because of stronger employment growth, shown in Figure 3. Montana added roughly 10,700 jobs in 2012 for a growth rate of 2.3%, faster than the national growth rate of 1.9%. Job growth in 2012 was higher than expected and higher than the long-term average growth rate of 1.2%.² Payroll employment grew slightly slower than total employment (total employment includes both payroll employment and the self-employed), adding roughly 7,600 jobs at a growth rate of 1.8%.³ Both total and payroll employment growth were held back by job losses in the government sector. Public employment hit a peak in 2010 because of federal stimulus funding and hiring for the 2010 Census. Since 2010, government employment has fallen by roughly 2,000 jobs. Private sector job growth has been strong at 2.8%, adding over 8,400

Figure 3: Employment Change Over Prior Year



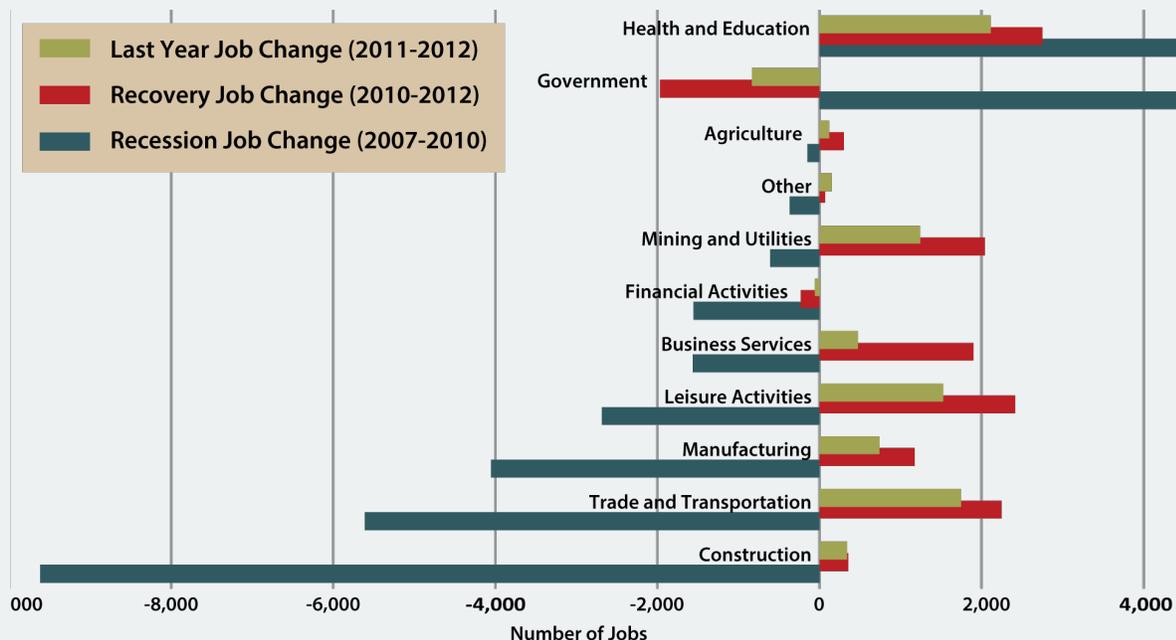
Source: Local Area Unemployment Statistics and Quarterly Census of Employment and Wages, Bureau of Labor Statistics and MT Dept. of Labor and Industry.

jobs. Although employment growth has been robust, Montana has not yet recovered its pre-recession employment levels. Payroll employment is likely to regain its pre-recession peak during 2013, although total employment may take until 2014 to recover the significant losses that occurred in 2009.

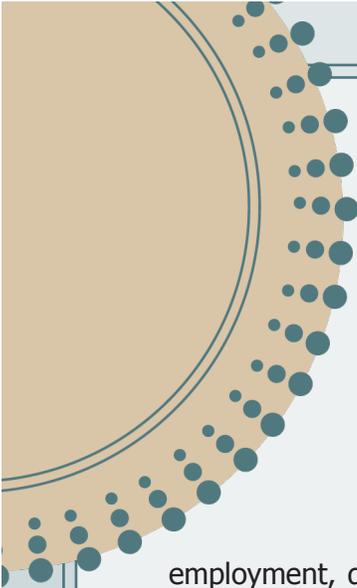
Montana added roughly 10,700 jobs in 2012 for a growth rate of 2.3%, faster than the national growth rate of 1.9%.

Much of Montana's positive employment picture can be attributed to the growth of the health care industry, as shown in Figure 4. Throughout the recession and recovery, the health care sector continued to add jobs and provide economic opportunities for Montana's workers, adding 7,000 jobs since 2007. Health care provides relatively high-paying jobs, with an average private wage of \$40,100, roughly \$4,100 more than the private sector average. The government sector also added counter-cyclical support during the recession by adding jobs, then reducing employment as the private sector recovered. Health care and government are among the largest employing industries in Montana, along with the trade sector and leisure activities industry.

Figure 4: Montana Employment Change in Recession, Recovery, and Last Year by Industry



Source: Quarterly Census of Employment and Wages (QCEW), Annual Averages, U.S. Bureau of Labor Statistics and Montana Department of Labor and Industry.



All other industries (other than health care and government) lost employment during the recession, with construction, trade and transportation, and manufacturing losing the most jobs. The construction industry lost over 9,000 jobs from 2007 to 2010, while manufacturing lost over 4,000 jobs.

Now in 2012, all private industries are in recovery with job gains, except the financial activities industry. Agriculture, business services, mining and utilities, government and health care are at or above their previous 2007 employment levels. The leisure activities sector is close to regaining peak employment, displaying strong momentum in 2012, adding over 1,500 jobs. Construction and manufacturing employment have not recovered quickly. Workers previously employed in construction or manufacturing have been retrained to work in faster-growing sectors with greater job opportunities, such as mining, health care, and business services.

Business Startups

Montana's jobs recovery has been led by new business startups. New businesses since 2007 have added over 70,000 new jobs to Montana's economy, as illustrated in Figure 5. New businesses added jobs regardless of size class, with the largest firms of 50 or more employees adding the most jobs (over 22,400 by 2012), and the two smallest size classes

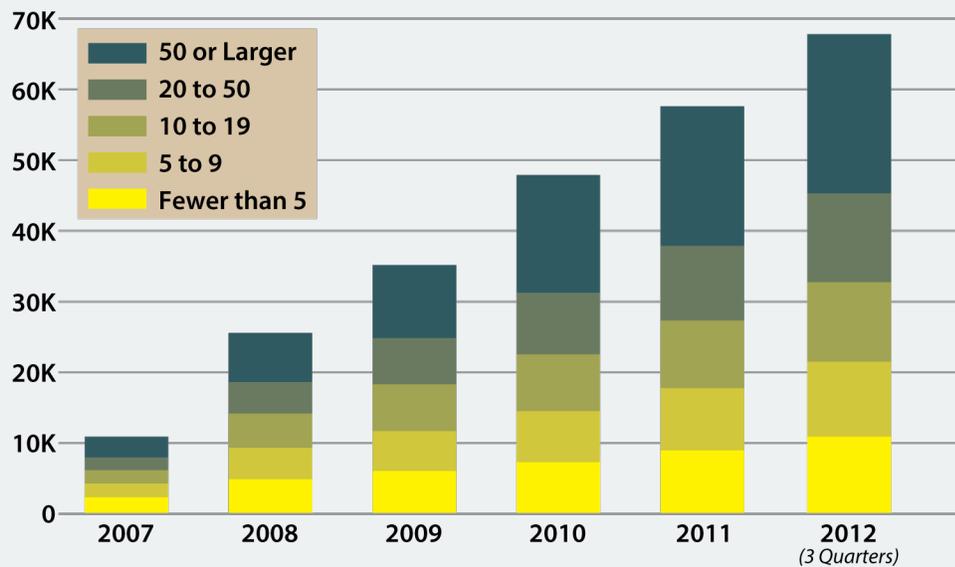
**New businesses since 2007
have added over 70,000 new
jobs to Montana's economy.**

of fewer than five employees and six to ten employees adding over 10,600 each.⁴ Montana has a high level of business startups compared to other states, ranking as the sixth best state for employer startups and the 15th best state for net business startups (starts minus closures).⁵ Montana also ranks as the third highest state for the percent of households owning a business.⁶

Gross Domestic Product and Personal Income

Two broader measures of Montana's economic performance, Gross Domestic Product (GDP) and personal income, also suggest Montana's economy outperformed other states during the recession and within the last year. Over the last five years, Montana's GDP growth has outpaced the U.S. with growth of 3.1% compared to 2.3% nationally, placing Montana as the 15th fastest growing state since 2008. GDP growth in 2012 increased to 3.8%.⁷ Mon-

Figure 5: Jobs Added by New Firms Started Since 2007 by Size Class



Source: Research and Analysis Bureau, MT Dept. of Labor and Industry using microdata from the QCEW and predecessor/successor files from the Local Employment Household Dynamics Program of the U.S. Census Bureau. Data from 2012 only includes 3 quarters.

tana’s personal income growth, shown in Figure 6, has also outperformed the nation. Our state had the 12th fastest personal income growth among states since the trough in the third quarter of 2009. Montana’s personal income continued to grow fairly rapidly in 2012, with 4.5% growth over 2011, making Montana the fifth fastest-growing state in the last year.⁸

The personal income statistics also provide a timeline to understand the multiple shocks experienced by the Montana economy during the recession and recovery, giving greater understanding to why the current economic recovery has been slower than prior recessions. Although the recession started in the fourth quarter of 2007, Montana’s personal income continued to expand until the financial crisis and stock market crash in the fall of 2008. Montana regained positive personal income growth in the fourth quarter of 2009, but had only a few quarters of growth before the recovery was stalled by international and domestic debt concerns. First, the Eurozone sovereign debt crisis moderated growth in the second quarter of 2010. The Eurozone debt crisis and the related economic slowdown reduced the demand for Montana exports in Europe and in other countries impacted by the Eurozone crisis.

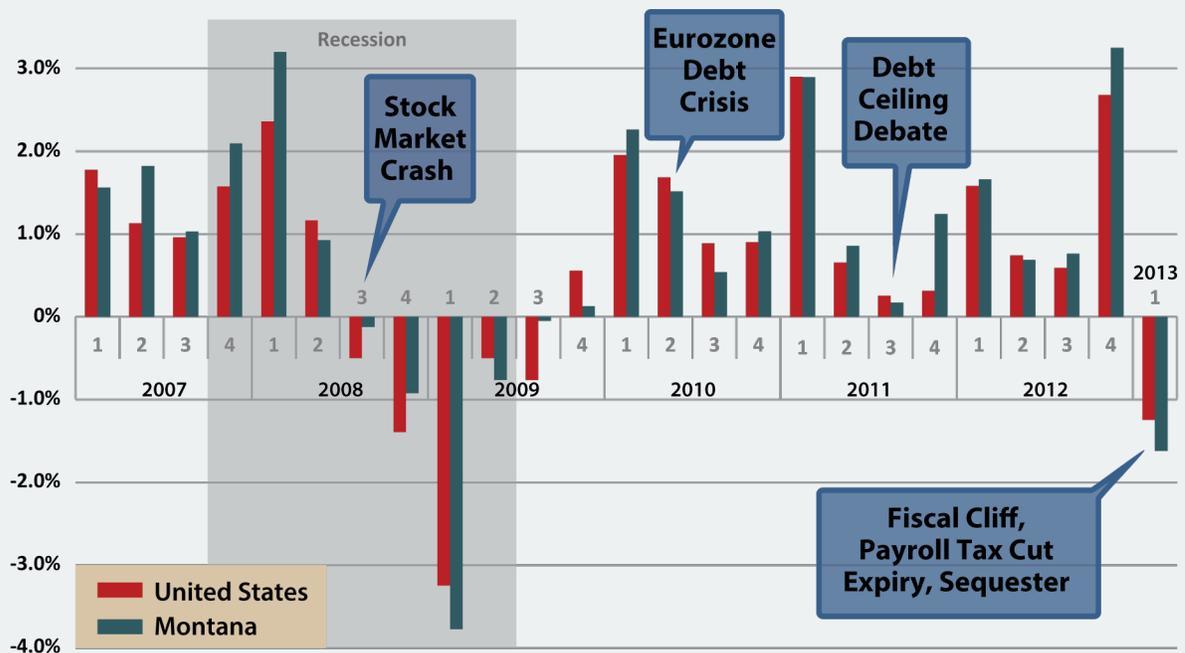
Then, during the summer of 2011, the debate over the federal debt ceiling increase caused heightened uncertainty among businesses and consumers about future government spending and the safety of U.S. debt instruments. Government spending comprises roughly 20% of GDP, thus cuts to government spending decreases current GDP growth.⁹ That being said, lower federal debt leaves the country in a better financial position to respond to future economic threats and may result in stronger economic growth in the future. In addition to pro-

viding about a fifth of our GDP, government spending also has other crucial roles in the economy, including the protection and enforcement of private property rights, provision of shared public goods like roads, detection of unfair trade practices, and establishing incentives for innovation.

Over the last five years, Montana's GDP growth has outpaced the U.S. with growth of 3.1% compared to 2.3% nationally.

The federal budget debate ultimately led to substantial government spending cuts occurring in the first quarter of 2013, pushing personal income growth into negative territory for the first time in over three years. In Montana, the largest portion of federal funding is sent directly to Montanans as social security (about 19% of Montana's funding), agriculture assistance and crop insurance (about 9.5%), home loan guarantees (about 9%), and Medicare (about 8%).¹⁰ Federal funds also comprised roughly 42% of the State of Montana's general revenue in 2011.¹¹ Cuts to these federal dollars reduce the amount of money in Montana's economy, slowing economic growth.

Figure 6: U.S. and Montana Personal Income Growth



Source: State Quarterly Personal Income, Bureau of Economic Analysis.

Although the spending cuts dragged down national GDP growth by approximately 1% in the first quarter of 2013, private business investment and consumer spending remained fairly strong.¹² Consumer spending has remained relatively solid in 2013 due to the housing recovery, even though consumers lost approximately 1% of disposable income with the January expiration of the payroll tax cut.¹³ Although the economy is struggling to adjust to lower government spending levels, the strong business investment, consumer spending, and job growth in the first half of 2013 promises that the recovery will continue for the rest of the year, although at a slower pace.

The personal income growth statistics also illustrate how integrated Montana's economy is with the U.S. and global economies. Although Montana's economy is less volatile and more stable than the nation during economic downturns, national and international influences have battered our economy in the last few years, highlighting the need for economic diversity to mitigate global economic impacts and the need for workforce training to keep Montana workers at the forefront of changing economic conditions.

Wages

Wages are an important component in personal income, and strong wage growth over the last few years has helped boost Montana's personal income statistics. Montanans experienced fairly strong wage growth in 2012, with the average annual wage increasing 3.6% to \$37,093, as shown in Figure 7. Wage gains were led by the private sector, which had the 2nd fastest wage growth in the nation at 4.2%. Private sector wages continued to have stronger wage growth than the public sector, which increased by 1.9%.

Montana private sector wage growth was the second fastest in the nation in 2012.

Montana's average annual wage has increased throughout the last five years despite the recession, with a compounding average growth rate of 2.7% from 2008 to 2012, raising wages by \$3,790 in the past five years. These wage gains are highly dependent on the type of employer, however. Federal government workers had the largest nominal five-year gain, adding \$4,380 to their average annual wage over the last five years, followed by private

Figure 7: Montana Average Annual Wage Gains by Sector

	2012 Avg. Annual Salary	Nominal One-Year Growth	Nominal Five-Year Compounding Growth	Five-Year Nominal Gain	Five-Year Real Compounding Growth
Total	\$37,093	3.6%	2.7%	\$3,788	1.1%
Private	\$35,983	4.2%	3.0%	\$4,056	1.4%
Government	\$41,781	1.9%	1.5%	\$2,406	-0.1%
Federal	\$61,861	0.9%	1.9%	\$4,382	0.2%
State	\$42,477	2.1%	-0.2%	-\$264	-1.7%
Local	\$35,503	2.5%	2.3%	\$3,136	0.7%

Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics, and Montana Department of Labor and Industry.

sector workers adding slightly more than \$4,000. Local government workers' average annual wage increased by approximately \$3,100. State government workers, however, are earning lower average wages than five years ago, losing roughly \$265 since 2008.

Real wage growth suggests that Montana workers can achieve a higher standard of living on the average salary than the year before.

Montana workers also experienced real wage growth in the last five years. Real wage growth occurs when wage growth outpaces inflation and suggests that Montana workers can achieve a higher standard of living on the average salary than the year before. Real wage growth averaged 1.1% over the 2008-2012 timeframe, and reached 1.5% in 2012. Real wage growth was highest for private sector workers, with compounding growth of 1.4% since 2008. Local government workers had the second fastest growth at 0.7%. State workers faced negative wage growth in both real and nominal terms.

The Montana Worker

Who are these average workers earning the average wage? Figure 8 provides demographics on the Montana workforce. The Montana workforce is 47.6% female, although women represent 48.1% of the employed. Roughly 93% of Montana's workers are white, with the largest minority group being American Indians at 6% of the labor force. Those younger than 25 represent 13.2% of the workforce and have the highest unemployment rate among age groups at 10.4%, compared to the total workforce unemployment rate of 6.1%. The youngest workers are generally the least educated and least experienced workers, making it difficult for them to compete for jobs with older, more experienced workers.

Age

Montana has an older workforce than other states. About 8.5% of Montana's workforce is 65 or older – the highest percentage in the nation. Montana's high level of older workers is a result of Montana's population being older than other states and Montana's workers retiring later and staying in the workforce longer than in other states. Montana's labor force participation rate for those 65 and older is nearly 25%, meaning that roughly one-quarter of Montanans 65 and older are working, placing the state at third highest in the nation, after Nebraska and Wyoming. Montana's older workers generally have an easier time finding employment than younger workers, with an unemployment rate of 3.3% compared to 6.1% for the state as a whole.

Figure 8: Montana's 2012 Labor Force Status by Selected Demographics

	Civilian Non-Institutional Population	Labor Force Participation Rate	Percent of Montana Labor Force	Percent of Montana Employed	Unemp. Rate
Total	793,000	63.8%	100.0%	100.0%	6.1%
Men	394,000	67.3%	52.4%	51.7%	7.2%
Women	399,000	60.4%	47.6%	48.1%	4.8%
White	726,000	64.7%	92.9%	93.5%	5.3%
American Indian*	46,000	65.2%	5.9%	4.8%	24.0%
Disabled*	67,000	50.7%	6.7%	6.1%	14.1%
Veteran	107,000	51.4%	10.9%	10.9%	6.0%
Age					
16 to 19 years	47,000	42.6%	4.0%	3.8%	10.8%
20 to 24 years	66,000	71.2%	9.3%	8.8%	11.3%
25 to 34 years	133,000	82.7%	21.7%	21.4%	8.0%
35 to 44 years	108,000	84.3%	18.0%	17.9%	6.5%
45 to 54 years	122,000	82.0%	19.8%	20.6%	2.8%
55 to 64 years	142,000	66.2%	18.6%	18.9%	4.5%
65 years and over	174,000	24.7%	8.5%	8.6%	3.3%
Educational Attainment (Population over 25 only)					
Less than High School	42,000	38.1%	3.7%	3.2%	15.0%
High School Graduate	216,000	60.2%	30.4%	30.3%	6.1%
Some College or Associate's	206,000	66.5%	32.1%	31.8%	6.7%
Bachelor's or Higher	196,000	73.5%	33.7%	34.6%	3.3%

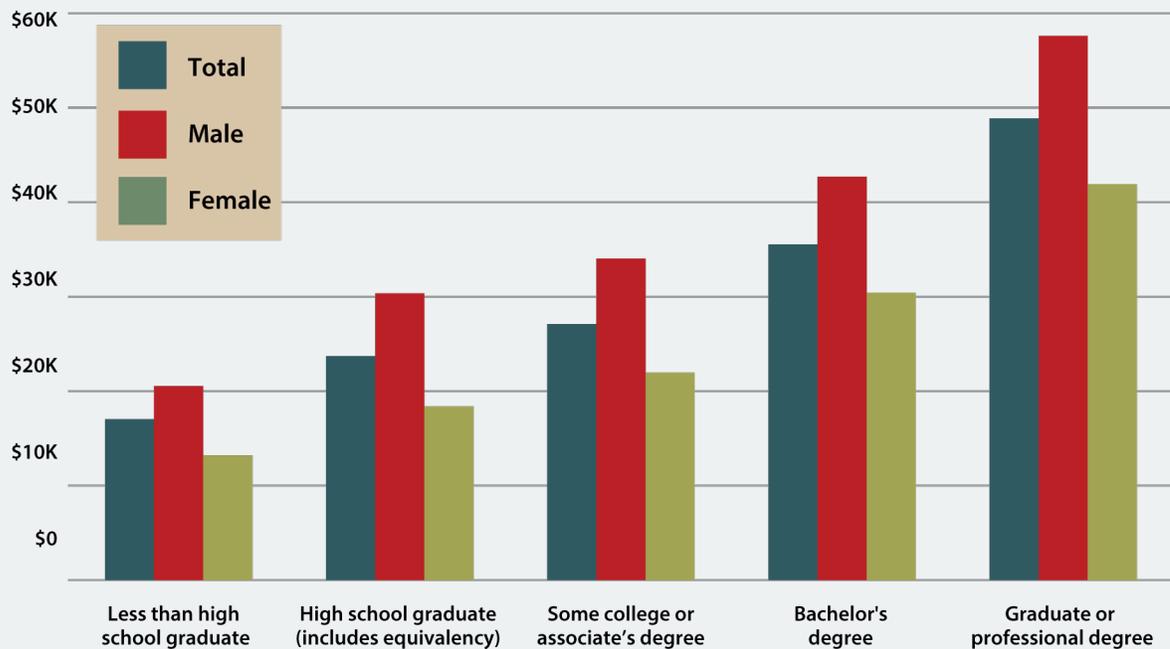
Source: Bureau of Labor Statistics, Current Population Survey, except for information on American Indian workers and disabled workers, which is from the 2011 American Community Survey and therefore may not be comparable to 2012 data from the CPS.

Educational Attainment

Montana workers are well-educated, with 96% of the labor force having a high school diploma or higher and 34% having a bachelor’s degree or higher. According to the American Community Survey, this places Montana fourth best among states for a high school educated workforce, and 21st highest labor force with a bachelor’s degree.¹⁴ Workers with higher levels of education face a better job situation, with a 15% unemployment rate for workers without a high school diploma decreasing to only 3.3% for workers with a bachelor’s degree or higher.¹⁵ Workers with high education levels are more likely to demonstrate entrepreneurialism, thus contributing to Montana’s high level of business startups and business ownership. Continued emphasis on increasing educational attainment and work skills will improve job opportunities for Montana workers.

Workers with higher levels of education also have higher wages, as shown in Figure 9. Figure 9 illustrates the average median wages for workers 25 and older with earnings by education level. Those without a high school degree have earnings of roughly \$17,000. Only those with a bachelor’s degree or above earn more than \$30,000 annually. Those with graduate and professional degrees earn roughly \$49,000 per year.

Figure 9: Median Wages for Montana Workers 25 and Older by Educational Attainment



Source: American Community Survey 3-Year Estimates 2009 to 2011, U.S. Census Bureau.

Gender Pay Equity

Figure 9 also highlights the pay disparity between male and female workers in Montana. Using the data for workers 25 and older, female workers earn about 65% of the median earnings of male workers. The pay gap between males and females occurs at every education level. For high school graduates, the difference in median earnings for men and women is about \$12,000 annually, with women making 60% of men's median wages. Although the ratio between men and women improves with education level, the gap in dollar terms increases. For example, workers with bachelor's degrees face a better pay ratio, with women earning 71% of men's earnings, but the gap is \$12,270 because of higher salaries for workers with bachelor's degrees.

Some of the gap between median wages between men and women can be explained by differences in time spent working. Women are more likely to hold part-time jobs than men, and generally work fewer paid hours than men even among full-time workers. According to the American Time Use Survey, male full-time workers work an average of 8.5 hours per day compared to 7.9 hours for female full-time workers. Women generally make up this difference in household activities, family care, and volunteer work, ultimately spending less time in leisure activities than men.¹⁶ The median earnings of full-time, year-round female workers in Montana were roughly 73% of male workers from 2009-2011, placing Montana in the bottom five states for gender pay equity.¹⁶

Disabled Workers

In addition to women, other demographics of workers also face more difficult employment environments than the average worker. Disabled Montanans are less likely to participate in the labor force and face higher unemployment rates than other Montanans. Roughly 13% of Montana's population has a disability, with the incidence of disability increasing with age. Only 3.8% of those under 18 have a disability, compared to 11% of those aged 18 to 64 years, and 36.9% of those 65 and older. Roughly half of disabled working-age people participate in the labor force, with 43% of the disabled employed. Disabled individuals are more likely than the rest of the population to work part-time and nearly twice as likely to be unemployed. Disabled individuals also have median earnings significantly less than the rest of the population, with median earnings of \$15,250 compared to \$25,000 for those without a disability.¹⁸

American Indians

American Indians in Montana also face unemployment rates higher than the statewide average. Montana's American Indian workers have a labor force participation rate that exceeds the statewide average (although the figures are not statistically different). However, unemployment rates for American Indians in Montana are much higher than the rest of the population at roughly 24% according to the American Community Survey. The higher unemployment rate is partially due to American Indian populations being concentrated in rural areas on reservations, but even American Indians living off reservations face higher unemployment rates than other Montana workers.

The 24% unemployment rate for Montana's American Indian workers includes only those of American Indian ancestry. In contrast, the unemployment rates shown in Figure 10 for Montana's seven reservation areas and the five economic regions of Montana include all workers in the geographical area regardless of race. The reservation areas are the most economically sensitive areas of our state, with unemployment rates two to three times higher than the surrounding region.

Regional Economies

However, even within the reservation areas, the improving economy is bringing stronger job growth and higher wages. Reservation areas overall experienced job growth of 1.4% in 2012, slower than the 1.8% for the state as a whole, but stronger than the 2.2% loss in 2011. Job growth on the Blackfeet reservation was strongest at 10.1% (adding 274 jobs), while the Crow reservation lost approximately 153 jobs. The reservation areas weathered the recession better than the rest of the state, posting employment gains of 1.1% in both 2009 and 2010 while the rest of the state experienced job losses.

Reservation areas weathered the recession better than the rest of the state, posting employment gains of 1.1% in both 2009 and 2010 while the rest of the state experienced job losses.

All five regions of the state experienced employment gains over the last year, with unemployment rates dropping the most in the Southwest region. The Northwest and Southwest regions were hardest hit by the recession because the national housing crisis resulted in

significant job losses in construction and wood products manufacturing, two industries that were concentrated in the western portion of Montana. The rest of the state was bolstered by strong commodity prices for Montana's agricultural products during 2008 and 2009, limiting the economic losses in the two worst years of the recession. Oil and gas development in the Bakken has led to very strong employment growth in the Eastern portion of Montana and also added jobs in the nearby urban center of Billings in the South Central region of Montana.

Figure 10: 2012 Unemployment Rates of Montana's Reservations and Five Economic Regions

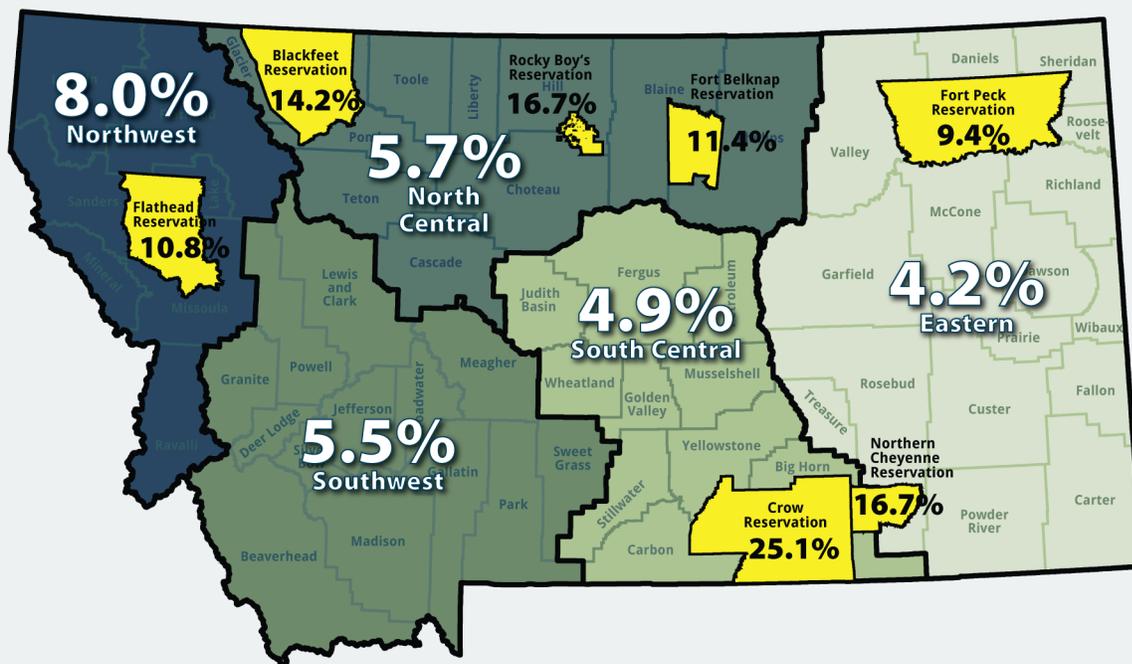
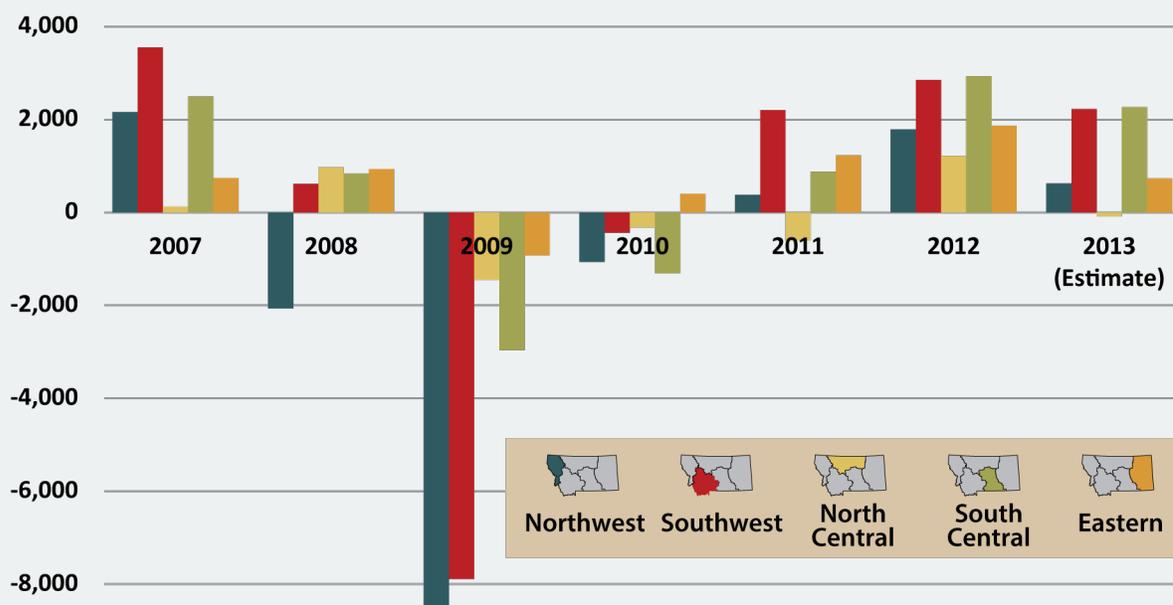


Figure 11 illustrates the job growth by region, showing large employment losses during 2009. The Northwest region experienced job losses earlier and deeper than the rest of Montana, but posted employment gains in 2011 and 2012. The Northwest employment levels remain about 10,000 jobs lower than the pre-recession July peak. The Southwest also had large job losses in 2009, but has generated very strong job growth since 2011, making good progress towards regaining the jobs lost during the recession. The North Central region had more moderate losses during the recession, but has struggled to regain job growth since the end of the recession. The North Central region has experienced job losses in the first half of 2013 partially due to the federal funding cuts to Malstrom Air Force Base in Great Falls.

The South Central region of Montana has regained all jobs lost during the recession, while the Eastern region posted very rapid job growth of 5.1% in 2012.

The South Central region of Montana lost about 3,000 jobs during the recession, but has since regained all of their lost jobs, placing them above their pre-recession peak. The South Central region added 3,000 jobs in 2012 for a strong growth rate of 2.9%. This region benefits from its proximity to the Bakken oil development, and many oil and gas exploration-related businesses are creating satellite offices in the Billings region. Finally, the Eastern region posted very rapid job growth of 5.1% in 2012, adding 1,870 jobs. The Eastern region added more jobs in the last year than the Northwest region, despite the fact that the Northwest has three times the number of jobs. In fact, the growth in Eastern Montana has been rapid enough to create negative side effects, such as worker shortages, a lack of housing, insufficient health care facilities, poor transportation infrastructure, and insufficient funding for expanding government services. The development of the oil and gas resources in Eastern Montana will likely persist for the next decade, creating persistent economic growth in the area, but also presenting the need to address the social issues arising from an economic boom.¹⁹

Figure 11: Job Change By Region 2007-2013



Source: Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics and the MT Dept. of Labor and Industry, based on 2013 estimates.

Looking Forward

Although the state has experienced high unemployment rates and job losses in recent years, the low unemployment rates and worker shortages of 2006 and 2007 are not far behind us. In fact, worker shortages are currently an issue in the rapidly growing Eastern region of Montana, and the rest of the state may be close behind due to the retirement of Montana's aging workforce. Figure 12 illustrates the projected Montana population by age category to 2030. Most discussions of the aging population focus on the growth of the 65 and older age group, which is expected to increase by 43% by 2023. However, for Montana's labor markets, the population of interest is the traditional working-age population, shown as workers aged 15 to 65 in Figure 12.

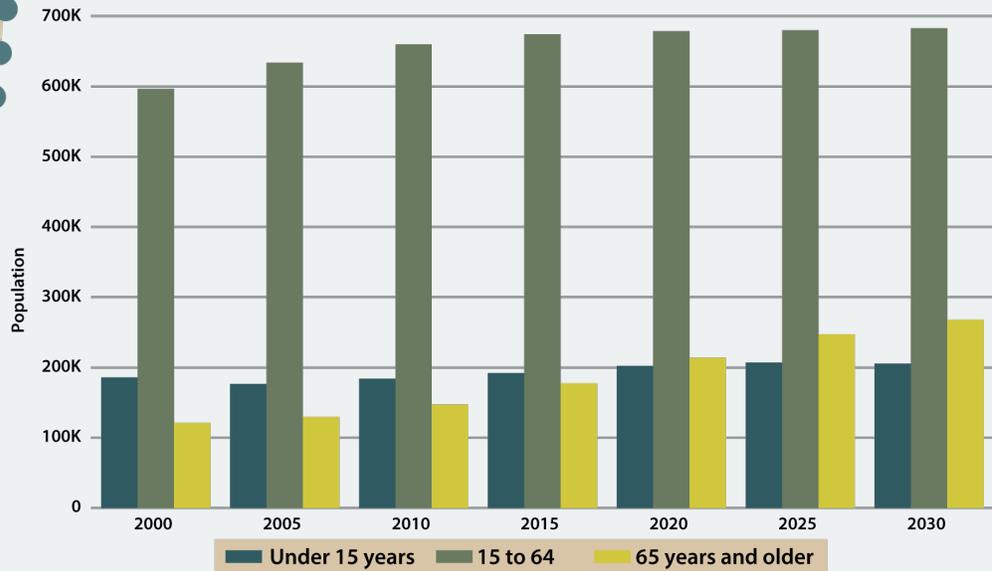
Although the working-age population has always been expanding in the past, providing an ample supply of workers for Montana's businesses, the working age population is expected to flatten out in the next decade, resulting in tight labor markets in the future. Tight labor markets can provide economic benefits for workers because jobs are easy to find and wages increase rapidly. However, economic growth can be constrained if businesses cannot find the right workers, or enough workers, to produce their goods.

Labor Force Participation

The working age population is expected to flatten out in the next decade, resulting in tight labor markets in the future.

One option to address the stagnating growth of the working age population is to increase Montana's labor force participation rate, which measures the percentage of the population that is either working or actively seeking work. Montana has a labor force participation rate of roughly 64%, which is lower than most states and lower than our neighboring states. North Dakota has the highest labor force participation rate in the nation at 72.6%, and South Dakota and Wyoming both rank in the top 10 states with participation rates of roughly 69%. Montana ranks 30th partially because of our older population, as a greater percent of our population is above retirement age.²⁰

Figure 12: Montana Projected Populations by Age Category

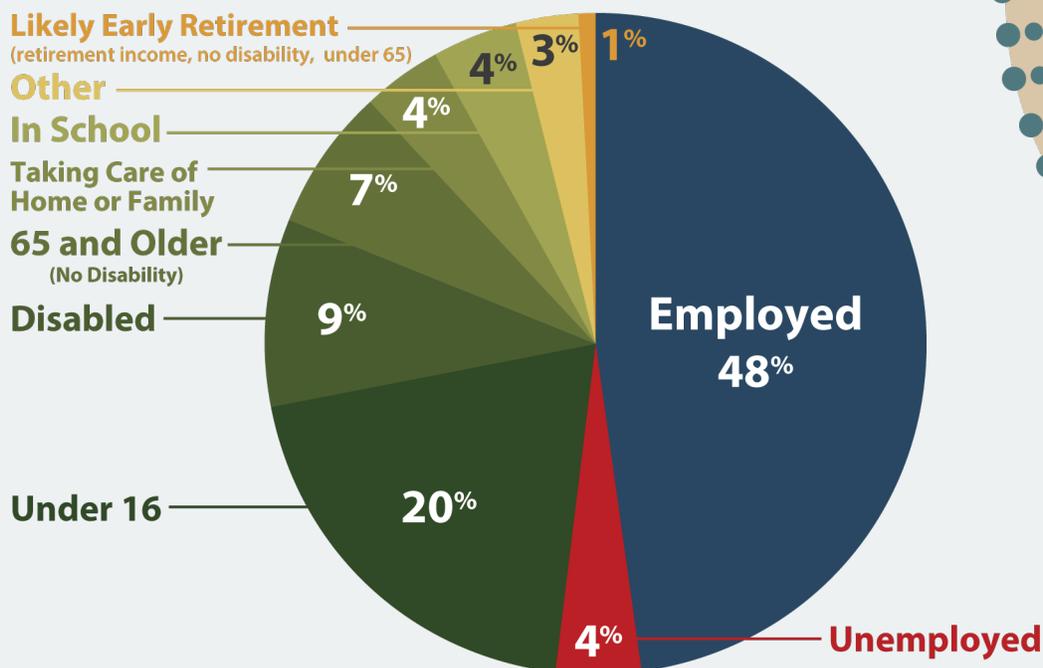


Source: Population Projections, Census and Economic Information Center, MT Dept. of Commerce

Figure 13 illustrates Montana’s population by their workforce status, including those demographics that are not currently in the labor force. Roughly 48% of Montana’s population is employed, and 4% of the population is unemployed. The remainder of the population (shown in the green and yellow shades) is not in the labor force, meaning that they are not currently working or seeking work. There are many reasons Montanans are not in the labor force. Roughly 4% of the Montana population is not in the labor force because they are attending school, while an additional 4% are taking care of home or family. These groups may be able to join the labor force if flexible work schedules or day care were provided.

Many of those not in the labor force are either too young for work or retired. Roughly 20% of Montana’s population is under the age of 16. Although many young Montanans work in family businesses or have paper routes prior to the age of 16, those under 16 are not included in the calculation for unemployment rates or for labor force participation. Those over 65 also make up a sizable portion of those outside the labor force. As previously discussed, Montana’s older workers are more active in the labor force than older workers in other states, with the third highest participation rate among states for workers over 65. However, perhaps with additional accommodations, more older workers would continue to work, providing additional labor for Montana businesses. Older workers generally have many years of work experience, making them productive workers and making their knowledge a valuable resource for businesses.

Figure 13: Employment Status of the Montana Population, 2009-2011



Source: American Community Survey 2009 to 2011 3-Year estimates using micro data from Data Ferret (www.dataferret.com) compiled by MT Dept. of Labor and Industry Research and Analysis Bureau. Not in labor force categories estimated using the 2009-2011 micro data from the Current Population Survey, also from Data Ferret.

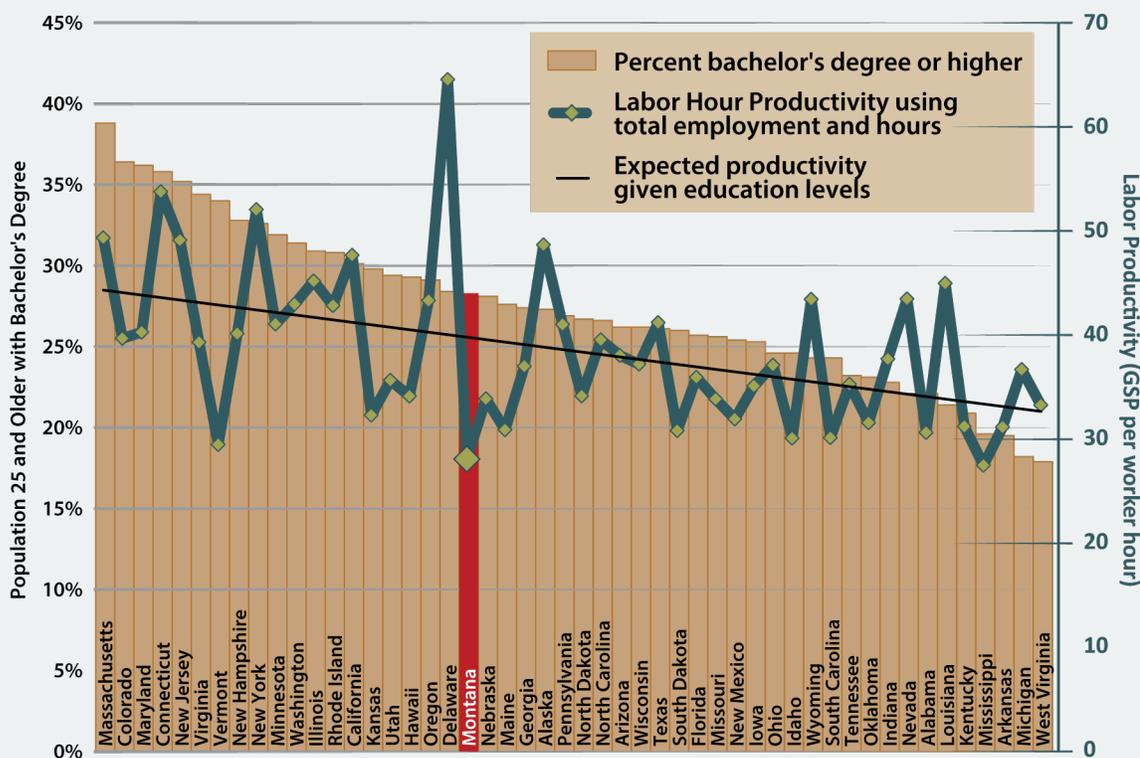
An additional 9% of those outside the labor force are disabled and may experience difficulty in finding employment adaptable to their needs. Finally, there are a small percentage of potential workers whose reasons for not looking for work are unknown. These workers may be discouraged from being unable to find employment during the recession and may reenter the workforce when better employment opportunities and higher wages emerge.

Productivity Growth Needed

In addition to expanding Montana’s labor force to address the stagnating supply of workers, Montana workers will need to become more productive, with each worker producing more output so that economic growth can continue despite tight labor markets. Productivity growth also benefits workers because it results in higher wages. In general, labor productivity is strongly associated with higher education and training levels, as shown in Figure 14. Montana’s workforce is in the top half of states for the percent of the population with a bachelor’s degree or higher. However, our labor productivity, shown in Figure 14 by the dotted line, is lower than expected given these high education levels, trailing behind states with much lower education levels. High productivity is associated with higher levels of technology, larger business size, faster transfer of best practices between businesses,

better matching of worker education and experience to the right job, and greater business investment into tools and technology that helps workers do their jobs smarter and more efficiently. Montana businesses can address the stagnating working-age population by making investments into worker productivity and worker training, which will make Montana workers more efficient and cost-effective at their jobs while also increasing wages throughout the state.

Figure 14: Montana's Labor Productivity is Lower than Expected Given Education Levels



Source: Percent bachelor's and higher from the American Community Survey 2009-2011, U.S. Census Bureau. Labor productivity measure compiled by the MT Dept of Labor and Industry Research and Analysis Bureau from GSP and Employment from the Bureau of Economic Affairs and hours worked data from the Current Employment Statistics, Bureau of Labor Statistics.

Conclusion

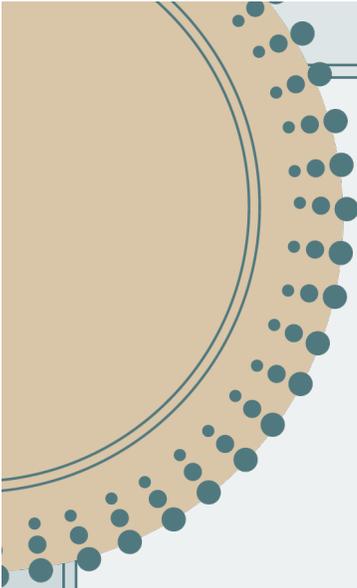
On Labor Day 2013, Montana workers are in a position of strength compared to the past years of recession and recovery. Job growth in 2012 was above average and strong enough to put many Montanans back to work, reducing unemployment and increasing personal income, GDP, and wages. Although many areas of our state are still struggling to regain the jobs lost in the recession, particularly the Northwest and the North Central regions,

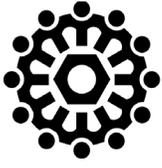
our economy is moving forward in the right direction. Challenges remain, however. Federal spending and tax issues have reduced growth rates in 2013, and further changes that pull government spending out of the economy would also impact growth. Although the country needs to address the federal deficit situation, the solutions come with drawbacks for Montana workers and businesses.

Certain demographics within Montana also continue to face challenges. Women, disabled workers, and American Indians all face lower median wages and more difficult employment situations, while younger workers are struggling to find jobs when competing with more experienced older workers. As Montana's older generation retires and leaves the labor force, the employment situation for these demographics will improve. However, the lack of employment opportunities in the past few years may require these workers to receive additional education and worker training, including on-the-job training, to catch up to the knowledge and experience they missed during the recession. In addition to investments in worker training, businesses can improve the productivity of their workforce by making investments into productivity-enhancing tools and technology and making sure their workers learn the leading-edge best practices in their industry. With a strong and improving economy, a well-educated workforce, and investments into our state by businesses, Montana will continue to outperform the nation in our economic growth, strengthening our economy and making Montana an even better place to live and do business.

Endnotes

- 1 Long-term average since data collection began in 1976. Local Area Unemployment Statistics, Bureau of Labor Statistics and the Montana Department of Labor and Industry. Annual average employment.
- 2 Local Area Unemployment Statistics, Bureau of Labor Statistics and Montana Department of Labor and Industry. National growth rate in prior sentence is from the comparable Current Population Statistics.
- 3 Quarterly Census of Employment and Wages, Bureau of Labor Statistics and Montana Department of Labor and Industry.
- 4 See Wagner, Barbara. "Fact or Myth: Checking What you Know about Business Size in Montana" Economy at a Glance, Montana Department of Labor and Industry, Research and Analysis Bureau. March 2013.
- 5 Business Employment Dynamics, 2010Q2 – 2012Q3, Bureau of Labor Statistics.

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- 6 Current Population Survey, 2009-2012 data available through Data Ferret, U.S. Census Bureau. Data compiled by Montana Department of Labor and Industry.
 - 7 Gross Domestic Product, Bureau of Economic Analysis.
 - 8 5th fastest statistic uses annual averages, while 15th uses quarterly personal income. Personal Income Statistics, Bureau of Economic Analysis.
 - 9 National Gross Domestic Product, NIPA tables, Bureau of Economic Analysis.
 - 10 U.S. Census Federal Funds Report, 2010. www.census.gov/govs. The federal funds report is no longer published by the Census Bureau, so 2010 expenditures were used as a proxy.
 - 11 U.S. Census Bureau, Government Finance Statistics, 2011. Available at www.census.gov/govs/.
 - 12 Government consumption expenditures reduced GDP by 1.3% in 2012Q4, 0.8% in 2013Q1, and 0.08% in 2013Q2 (annualized rates). Contributions to Percent Change in GDP, Bureau of Economic Analysis. Incidentally, preliminary data suggests that Great Falls area is most impacted by the government spending cuts, likely due to lower military spending at Malstrom Air Force base.
 - 13 Disposable spending loss of 1% from Global Insight, "U.S. Economy Analysis, U.S. Economy: The Sequester" on February 27, 2013.
 - 14 American Community Survey 3-year estimates 2009-2011. Table B23006: Educational Attainment by Employment Status of the Population 25 to 64 Years. Downloaded at americanfactfinder.gov on August 6, 2013.
 - 15 Current Population Survey, U.S. Census Bureau.
 - 16 American Time Use Survey 2012 Results, Bureau of Labor Statistics.
 - 17 2009-2011 American Community Survey 3-year estimates for Montana, U.S. Census Bureau.
 - 18 2009-2011 American Community Survey 3-year estimates for Montana, U.S. Census Bureau. Table B18140 Median Earnings in Past 12 Months by Disability Status for Civilian Population 16 Years and Older with Earnings. Available at factfinder2.census.gov. Accessed August 3, 2013.
 - 19 Wirtz, Ronald. "Congratulations on your Oil Boom...Now the Real Work Begins" Fedgazette, July 2013 issue, Federal Reserve Bank of Minneapolis. Available at http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=5124.
 - 20 Employment Status of the Civilian Noninstitutional Population by sex, race, Hispanic or Latino ethnicity, and detailed age, 2012 annual averages. Current Population Survey, Bureau of Labor Statistics, available at <http://www.bls.gov/lau/>, accessed August 2, 2013.



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