



# Labor Day Report 2007



## Investing in Montana's Economic Future



RESEARCH & ANALYSIS BUREAU  
WORKFORCE SERVICES DIVISION  
MONTANA DEPARTMENT OF LABOR & INDUSTRY

**The Montana Department  
of Labor & Industry's**

# **Labor Day Report 2007**

Brian Schweitzer, Governor  
John Bohlinger, Lieutenant Governor

Montana Department of Labor and Industry  
Keith Kelly, Commissioner

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All data used in the creation of the document is available upon request.

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## A Message from Commissioner Keith Kelly

On behalf of the Montana Department of Labor and Industry, I am honored to present the **2007 Labor Day Report** to Governor Brian Schweitzer and you, the citizens of Montana. By *Investing in Montana's Economic Future*, we invest in people - for it is the hard working men and women of our state that continue to move Montana forward and grow our economy.

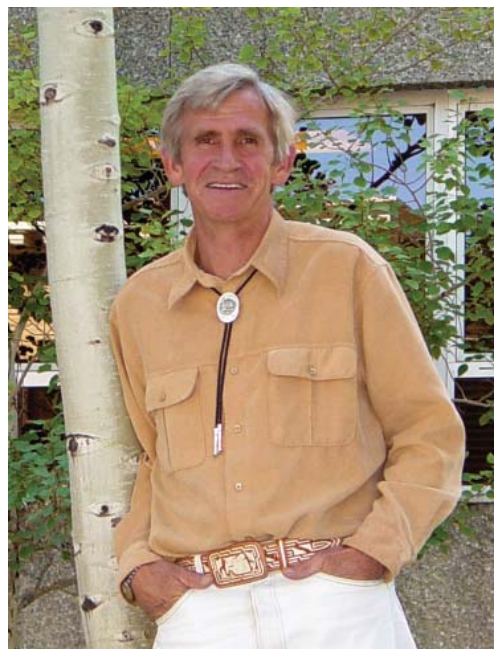
Montana is on the move. Montana continues to enjoy record low levels of unemployment. The statewide rate dropped to 2.0 percent in March of 2007, becoming the lowest rate in the nation. Wages also continued to grow, helping to improve the take home pay for workers in Montana. The average annual wage per job increased by 5.0 percent, which ranked 11th nationally in 2006. The yearly growth in wages, from \$29,155 to \$30,606, was the largest increase seen over the last ten years and illustrates the rapid growth in Montana's economy.

Employment also saw strong growth in 2006. The number of jobs grew by 3.1 percent between 2005 and 2006, which was the 8th highest level of growth in the nation. This level of growth was the largest recorded over the past ten years and has been particularly strong in high wage industries such as mining, finance, and professional services.

However, we also grapple with the challenges of a growing economy. Unemployment rates show that only a small percentage of Montanans are currently looking for work. This presents new challenges for businesses who are currently struggling to fill jobs or who desire to expand their services.

The 14th Annual Report focuses on this topic and addresses the question, if Montana is facing a labor shortage, how do we engage those not currently in the workforce system? Whether it is a lack of skills, differences in priorities, or lack of access to work, many obstacles may block the way for groups such as high school drop-outs, high school graduates, single mothers, American Indians, offenders, and senior citizens towards gaining entry into Montana's labor force.

The growing demand for new workers is an opportunity for Montana. By helping to improve the employability of its citizens and increasing the number of available workers in the pipeline for businesses, the economic growth the state has enjoyed can be maintained. Montana must continue to invest in its people if it is to remain on the move.



*Keith Kelly*





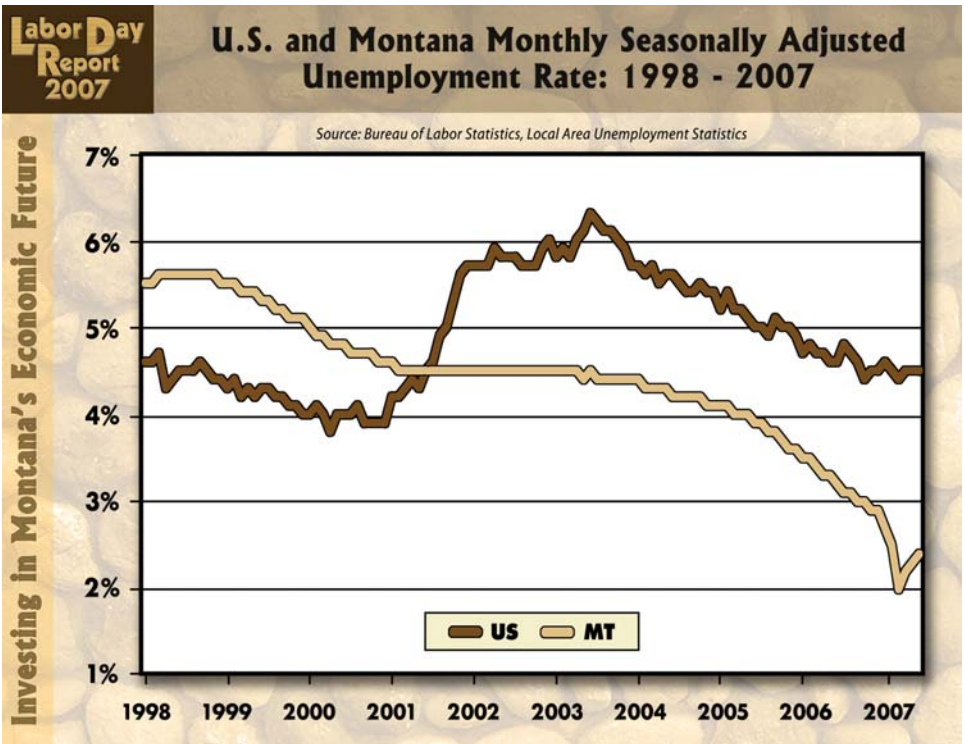
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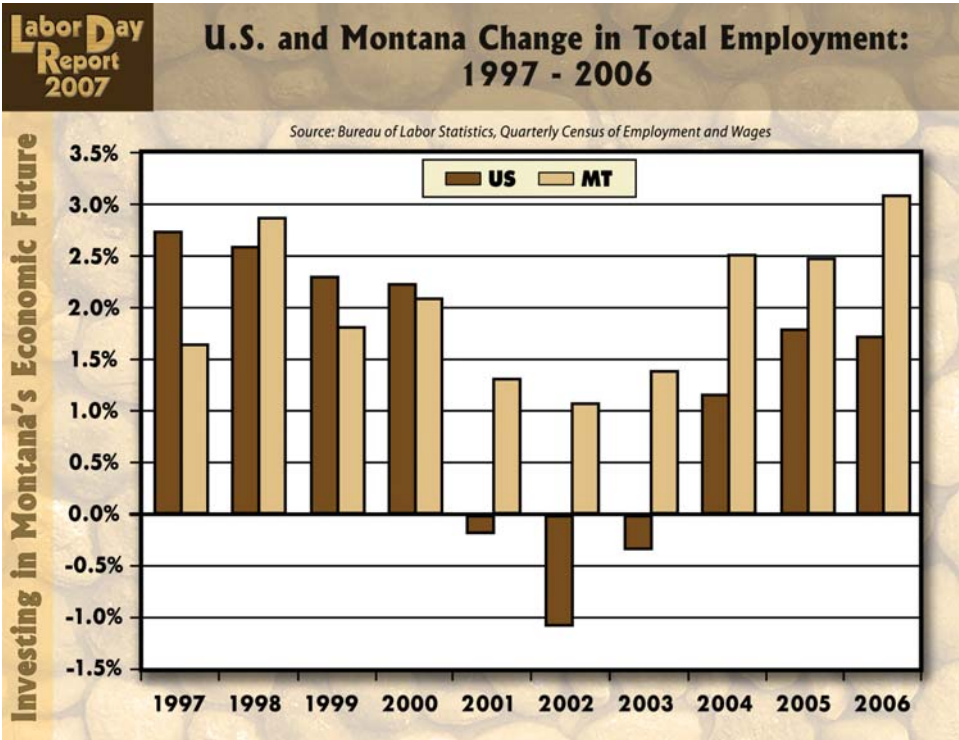
**Part One: Overview of the Montana Economy**

**Investing in Montana's Economic Future**

**Economist Tyler Turner**

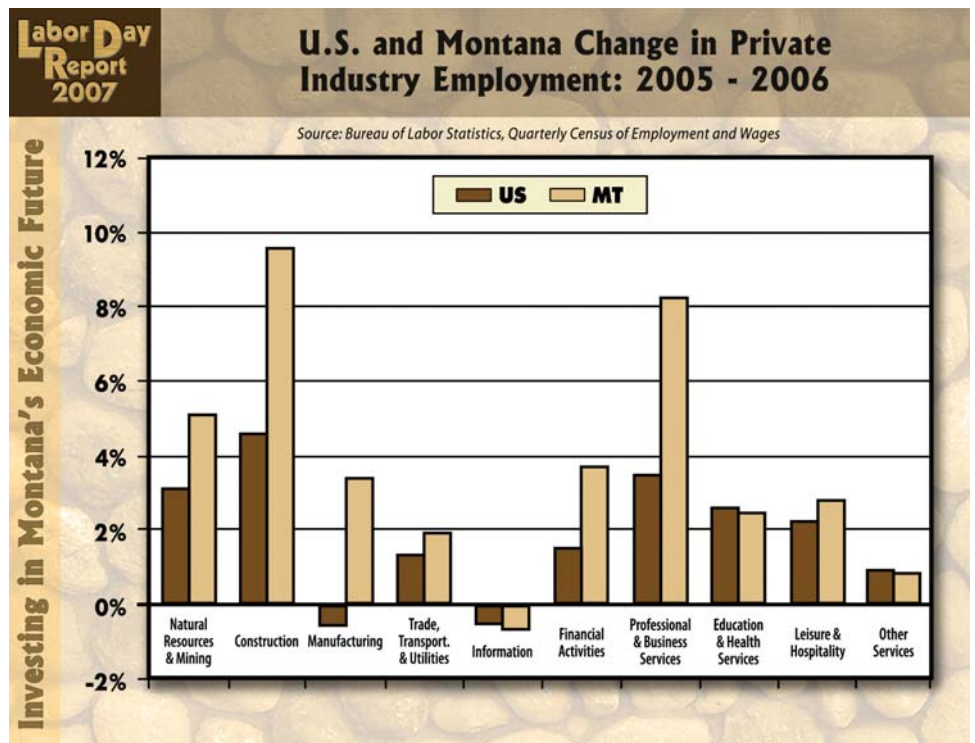




Montana's seasonally adjusted unemployment rate has continued to trend well below the national rate. The series reached an all-time low of 2.0% in March of 2007 and the state has consistently maintained one of the lowest rates among the fifty states over the last year.



Montana has experienced larger changes in total employment than the U.S. as a whole since 2001. The change in 2006 of 3.1% was the largest over the past ten years and represents the eighth highest level of growth among all states between 2005 and 2006.

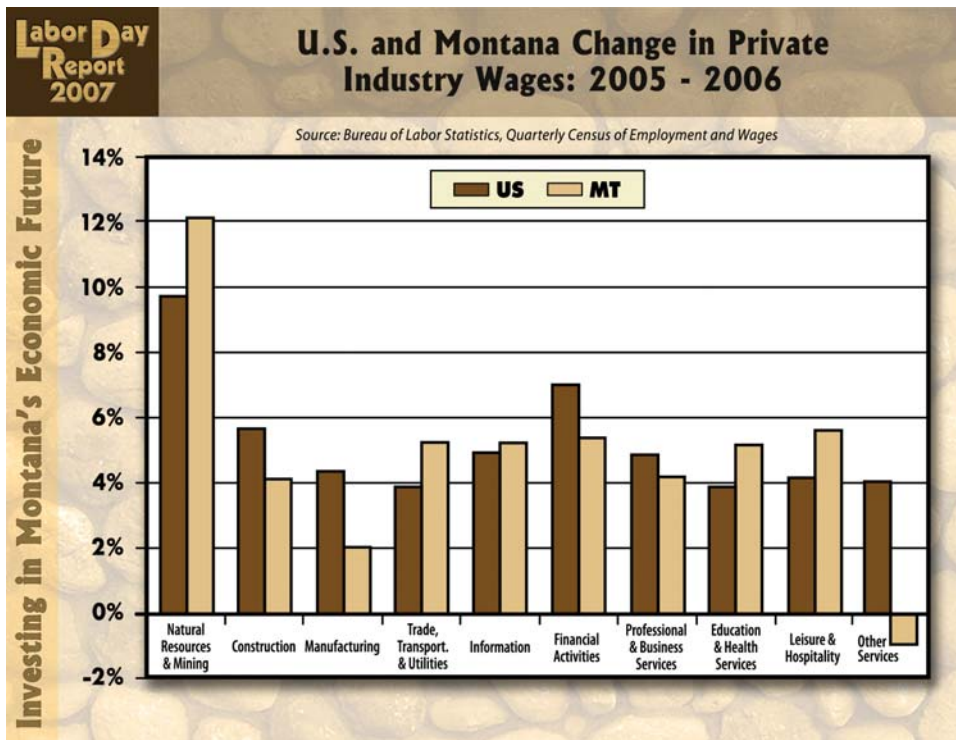
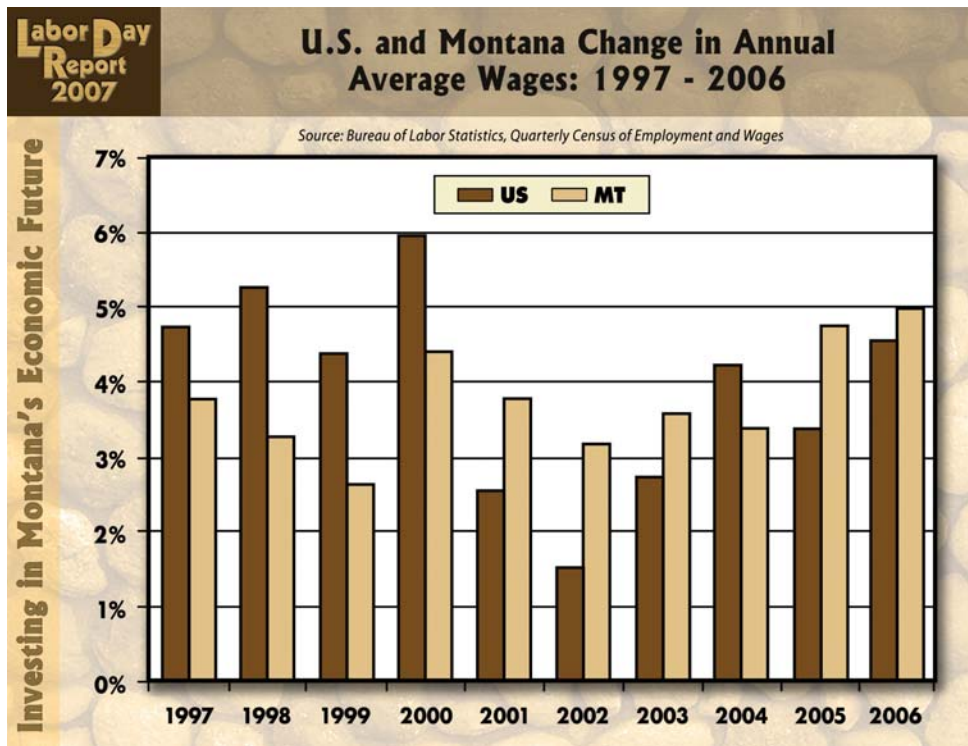
Construction continued to grow rapidly in Montana, outpacing the nation by a wide margin. Growth was also strong in Natural Resources and Mining, Professional Services, and Financial Activities, all of which are among Montana's highest paying industries.





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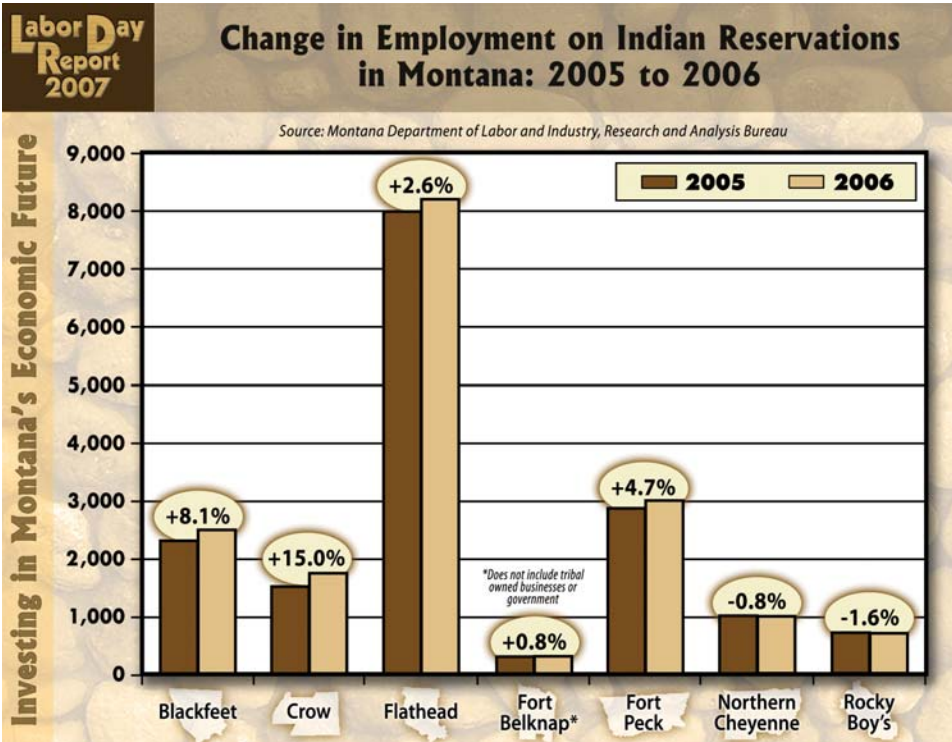
Montana has outpaced the nation in wage growth five of the past six years. The 5.0% rate of growth in 2006 ranked eleventh nationally and was the highest level seen over the past ten years.



Natural Resources and Mining led all industries in wage growth, increasing by over 12% between 2005 and 2006. All but two sectors enjoyed growth of at least 4%, indicating that many workers in the state enjoyed significant increases in their pay.

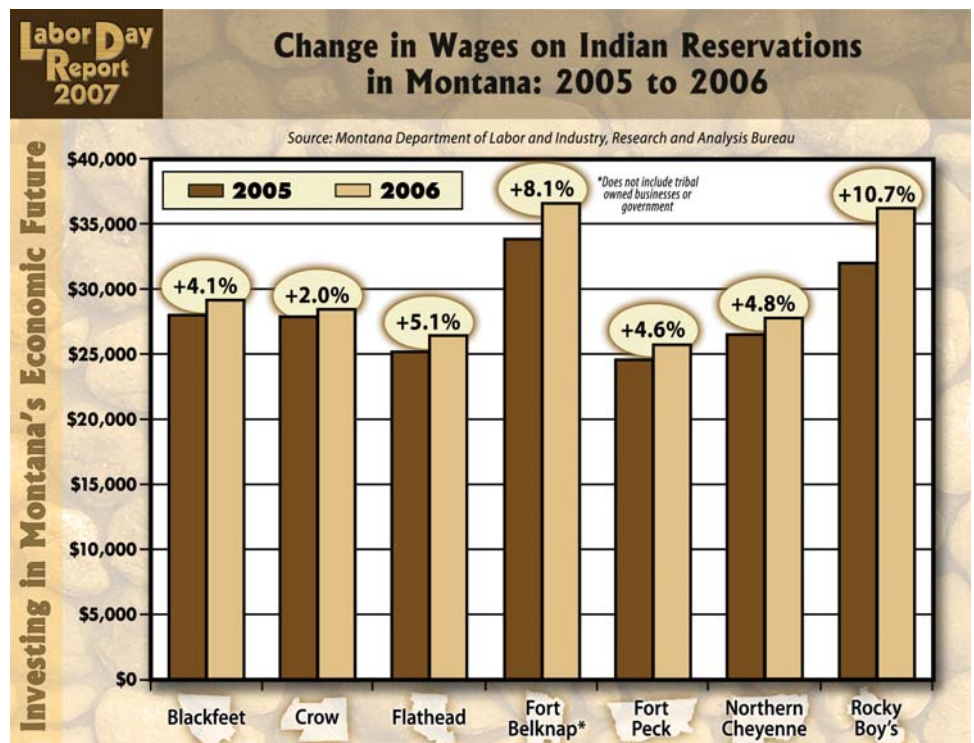


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Employment gains were seen on five of the seven Indian Reservations in Montana between 2005 and 2006. Growth was strongest on the Crow Reservation, where more than 200 new jobs were added.

Wages increased on all seven Indian Reservations over the past year. The largest percentage changes were found on the Fort Belknap and Rocky Boy's Reservations, where growth was 8.1% and 10.7% respectively.







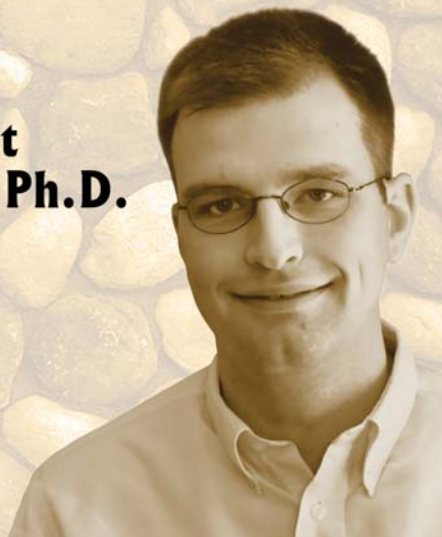
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## Part Two: Montana's Tightening Labor Market

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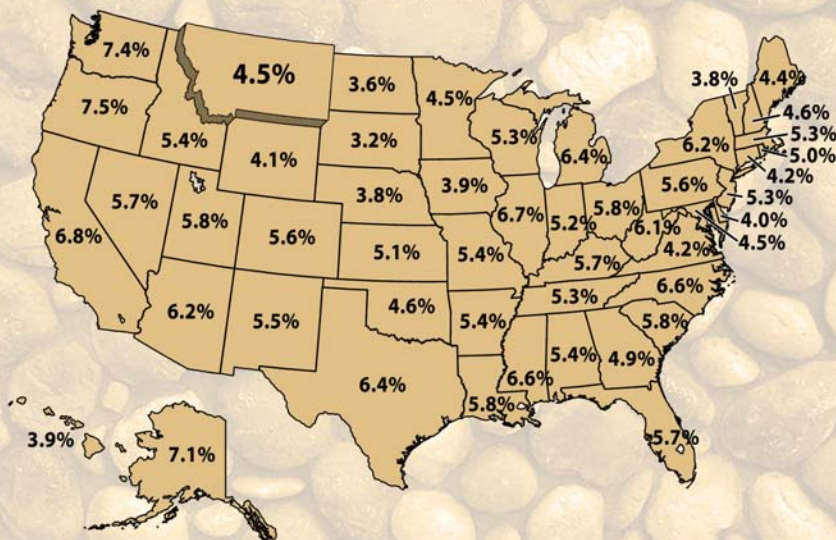
Chief Economist  
Brad Eldredge, Ph.D.



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## State Unemployment Rates: June 2002

Source: Bureau of Labor Statistics



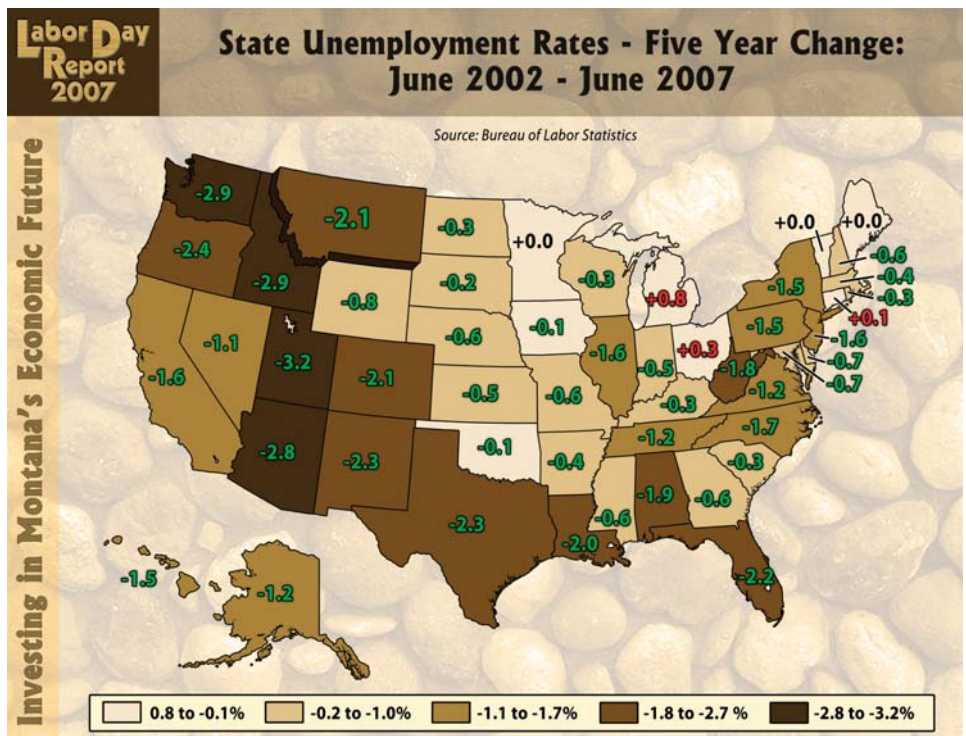
Montana's unemployment rate of 4.5% in June 2002 was among the lowest in the nation. This was due, in part, to the state being sheltered from the 2001 recession and the collapse of the high-tech sector.

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Montana's current unemployment rate of 2.4% in June of 2007 is the lowest in the nation. Over the past five years, Montana's economy has expanded rapidly and has taken advantage of high commodity prices and a strong housing market.

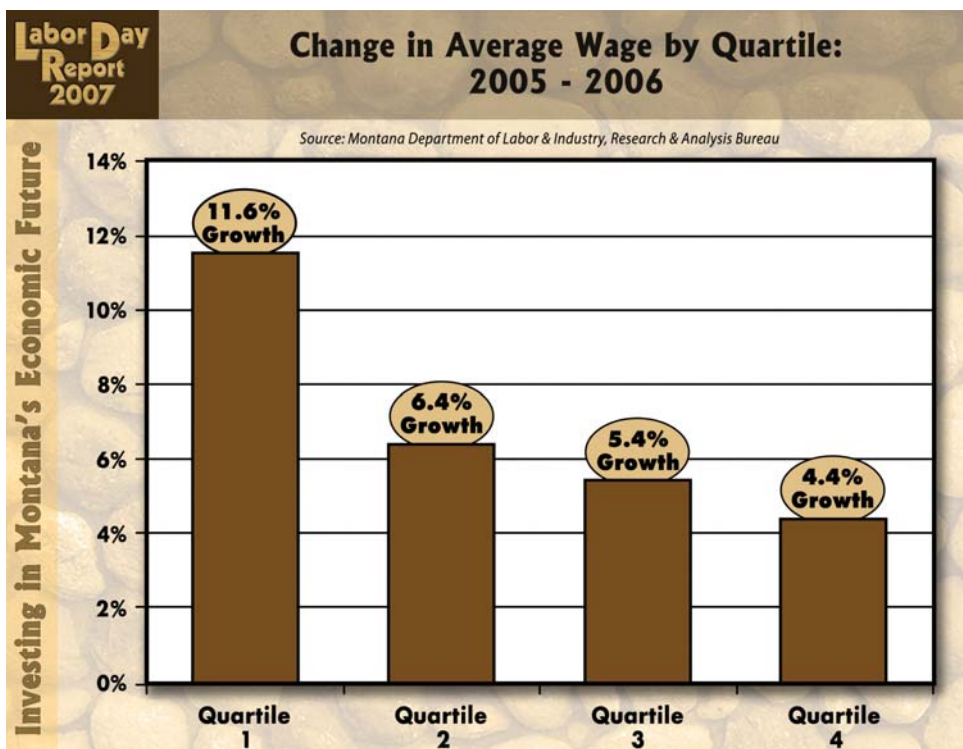
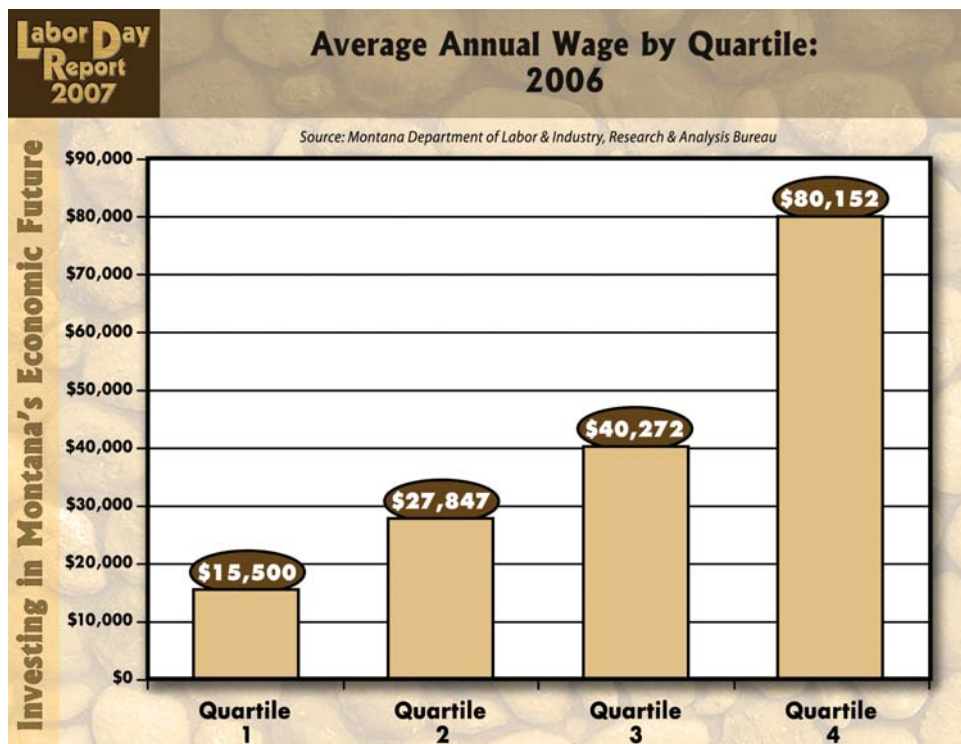
Though Montana does not have the largest shift in its unemployment rate between 2002 and 2007, it is among the largest overall changes in the nation. Because Montana did not have as high a rate as neighboring states such as Idaho and Washington in 2002, it has not seen as large a change.



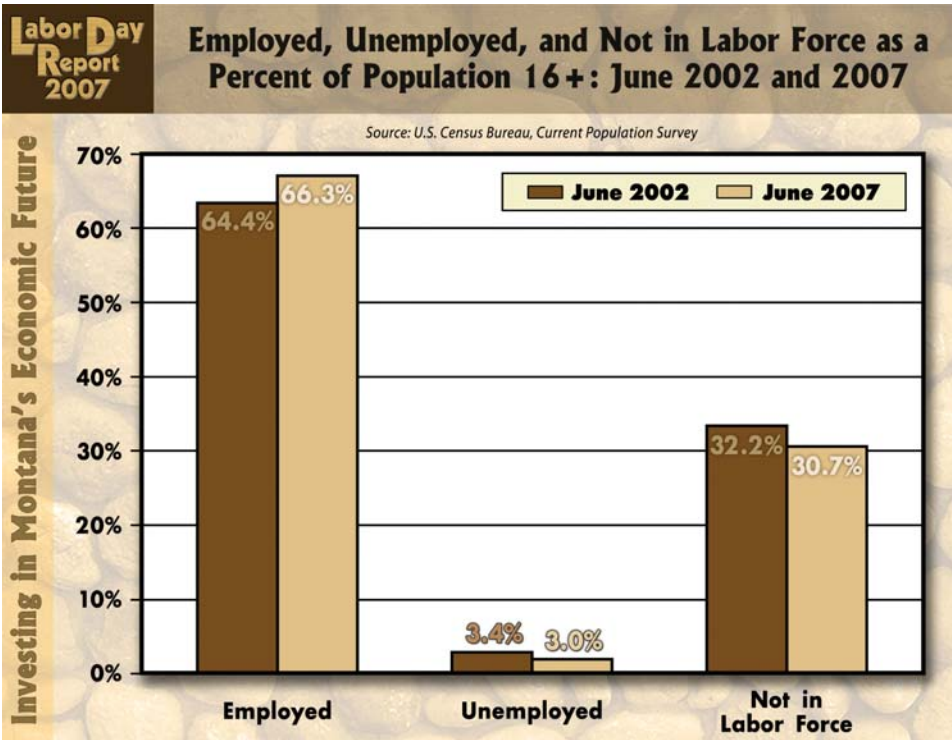


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An examination of average annual wages for workers holding employment in all four quarters in 2006 reveals that significant differences exist if they are placed in quartiles. Low wage workers earned 417% less than high wage earners. Even workers in the second highest category earned almost 100% less than the highest quartile.

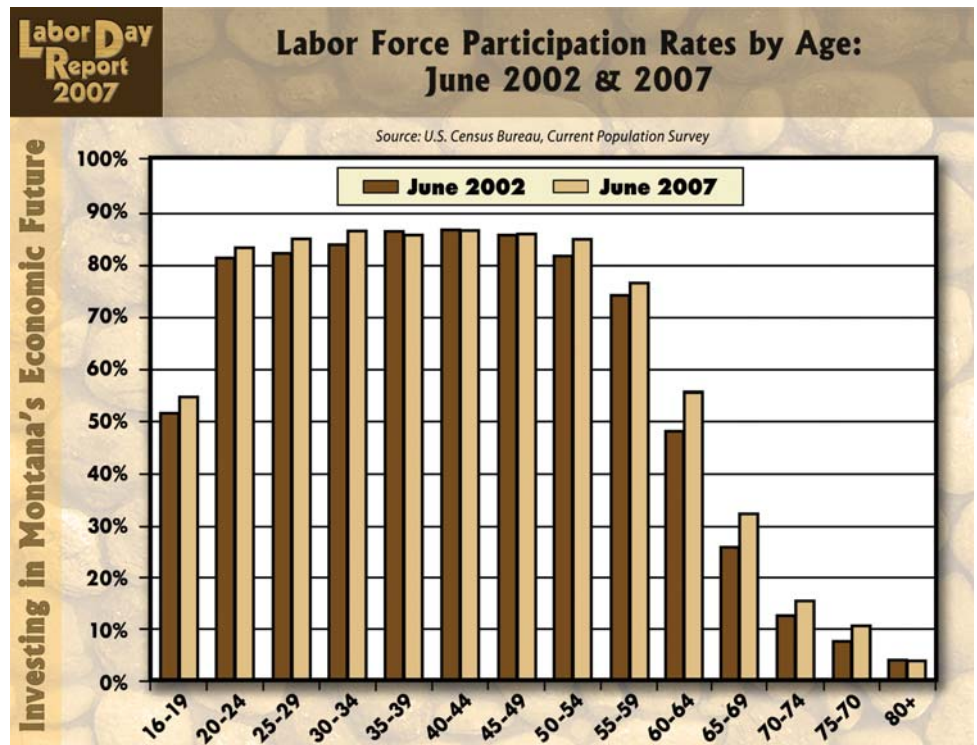


However, wages for workers in the lowest category are increasing at a much higher rate than those of workers in the highest quartile. This increase is encouraging for low wage workers and is likely the result of increased demand for workers at low wage jobs.



Labor force issues have recently become a concern in Montana, as businesses are struggling to fill jobs. Between 2002 and 2007, the percentage of the population that is employed has risen, while the percentage of both the unemployed and those not in the labor force have declined. This indicates an increased demand for workers.

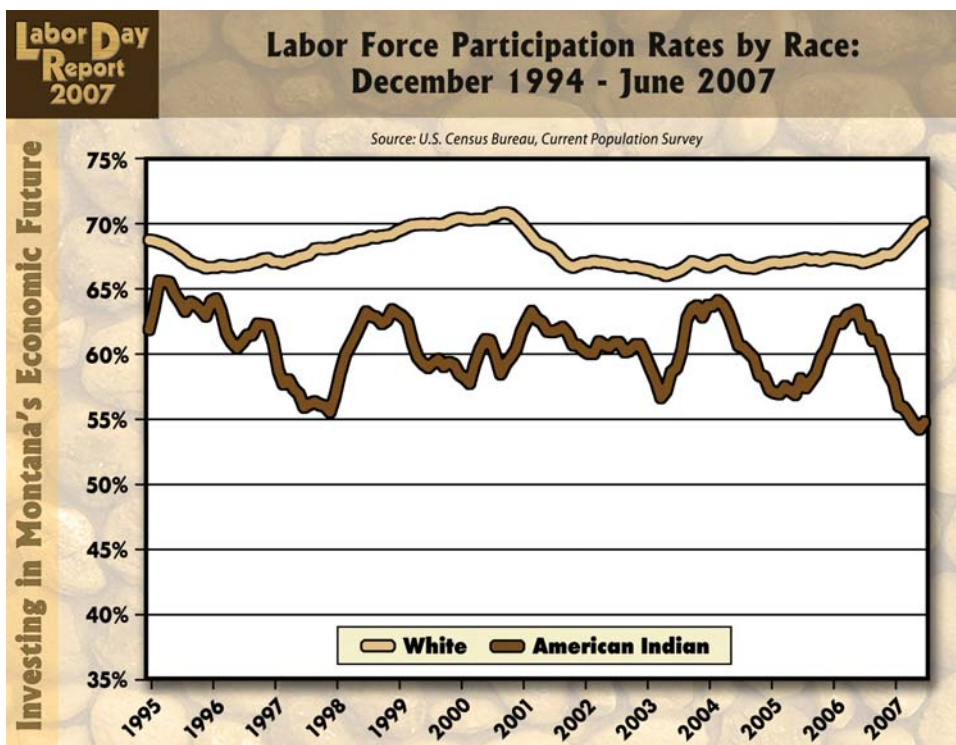
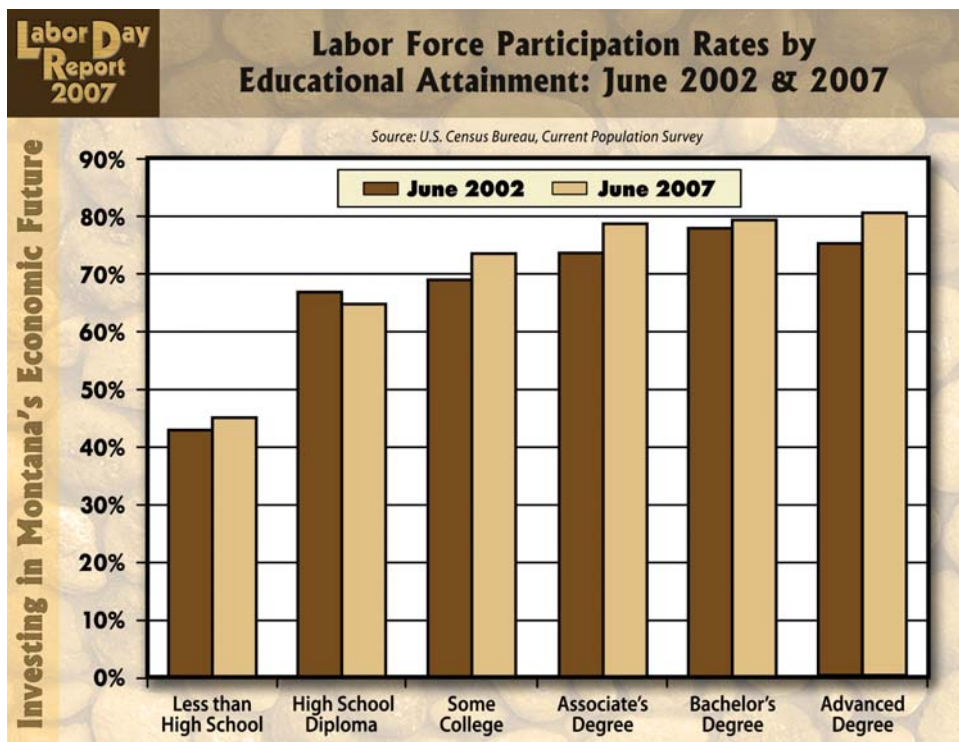
Given that the percentage of the population that is employed has increased, but the demand for workers has not been met, new sources of labor within the state need to be identified. Older workers may be one potential source. Data shows that workers over age 55 participate at lower rates. Businesses might help solve their workforce shortages by attracting more of these workers.



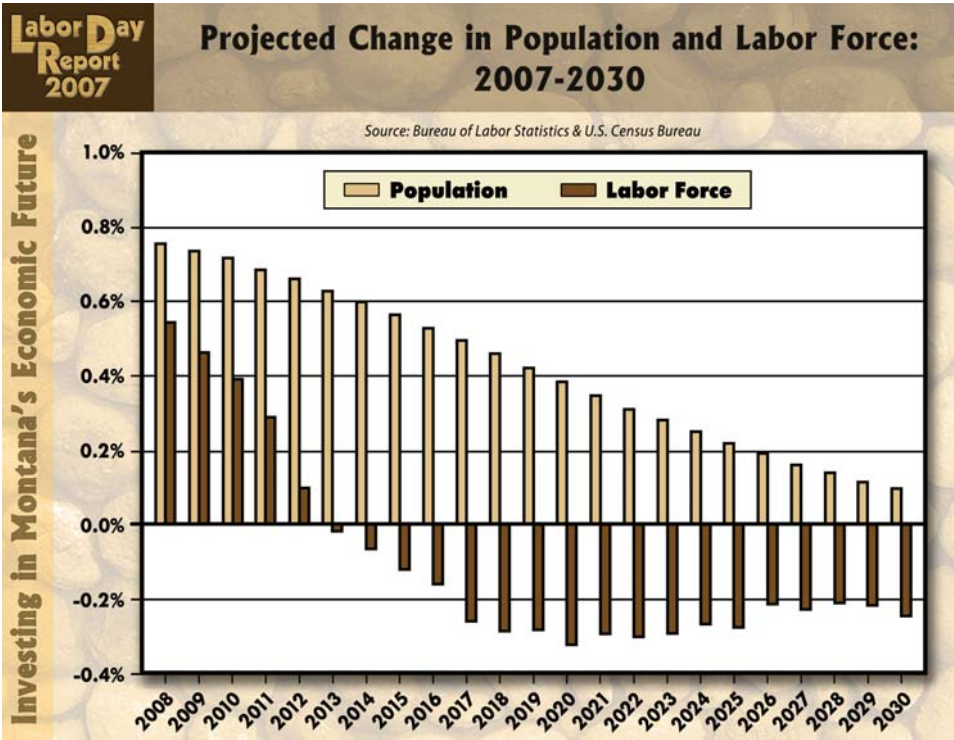


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Another potential pool of workers exists in individuals who have not completed their high school education. A significant gap exists between these individuals and all other education classifications. By helping these workers to complete their education and increase their skills, a new source of labor could be made available to businesses.



Labor force participation rates are lower for American Indians when compared to whites. By drawing more workers from this group into the labor force, economic conditions can be improved for businesses and American Indians.







The shortage of workers is not a short-term issue. If Montana's population continues to increase at its current rate and labor force participation remains stable, the state's workforce will begin to contract in 2013. This, combined with a growing population, would have a negative impact on the state's economy and highlights the need to draw new workers into the labor force.

The effects of Montana's tight labor market will be mixed. Wages will increase, improving earnings for workers, but increasing costs for businesses and prices for consumers. New sources of labor could relieve some of the pressure businesses are experiencing, allowing Montana's economy to keep expanding.

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### Potential Effects of a Worker Shortage in MT

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-  **Some unemployment is inevitable.**
-  **Wages will be bid up.**
-  **Rising wages could induce firms to substitute away from labor by investing in capital. This will increase the productivity of incumbent workers, allowing them to command higher wages.**
-  **Perception of a labor shortage may discourage companies from locating in MT and/or cause MT companies to relocate.**





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