

Labor Day Report 2010



Labor Day Report 2010

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Brian Schweitzer, Governor John Bohlinger, Lieutenant Governor

Montana Department of Labor and Industry Keith Kelly, Commissioner

Created by the
Research & Analysis Bureau
P.O. Box 1728
Helena, MT 59624-1728
(406) 444-2430
www.ourfactsyourfuture.org

Contributors:
Barbara Wagner, Senior Economist
Aaron McNay, Economist
Robert C. Marvin



Executive Summary

- Montana's economy has outperformed the national economy during the 2007 recession, losing only 5.9% of state employment compared to 6.1% nationally. In terms of personal income, Montana only had two quarters of negative growth in the fourth quarter of 2008 and the first quarter of 2009. Montana had larger personal income growth than the U.S. throughout the recession.
- Montana's economy is now in recovery, having gained over 5,000 jobs since the start of 2010 and posting positive personal income growth since the second quarter of 2009. Because of the smaller total job loss, Montana is expected to regain its pre-recession peak employment level sooner than the rest of the nation.
- Despite our better performance, many Montanans have experienced job losses in the last two years. The Construction industry experienced the largest impact, losing over 8,300 jobs from 2007 to 2009 a 24% loss. Retail and Wholesale Trade lost over 3,700 jobs, while Manufacturing jobs declined by 3,000 during the two year timeframe. The majority of Manufacturing jobs occurred in the Wood Products Manufacturing sector.
- The Northwestern region of the state was the most impacted by the recession because of a high
 concentration of the impacted industries of Construction, Manufacturing, and Retail and Wholesale Trade.
- Throughout the recession and now in recovery, the Montana Department of Labor and Industry
 has worked to efficiently and appropriately distribute Unemployment Insurance to dislocated
 workers and their families. This counter-cyclical spending prevents job losses from spreading to
 other industries. The Montana Department of Labor and Industry has also strived to help dislocated workers quickly find new employment or enter into suitable worker training programs that
 will improve their wages and employability as the economy recovers.
- The Healthcare, Education, and Government industries added jobs from 2007 to 2009. Healthcare was the fastest growing industry in the state with a job growth of 4,100 jobs. Government grew more slowly, adding 1,200 jobs, while Education added 641 jobs.
- The average wage in Montana increased slightly over the past year, changing from \$33,300 in 2008 to \$33,760 in 2009. However, because of the large number of job losses, the total wages paid to Montana's workers declined. Wages increased in nearly every industry except Transportation, Agriculture, and Mining.
- Montana's American Indian reservation areas outperformed non-reservation areas of our state, with no change in employment and a 2.2% growth in wages compared to job losses and a 1.1% increase for the full state.

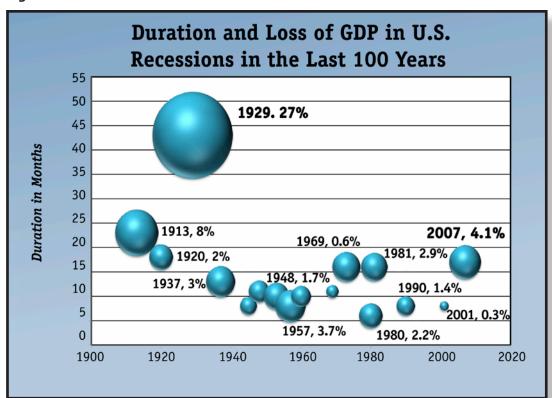
2010 Labor Day Report

A Slow Recovery

On Labor Day 2010, the Montana economy appears to be recovering from the impacts of the national recession. Even though Montana outperformed the nation during the recessionary period, many Montana workers and their families have been affected by the economic downturn. The Montana Department of Labor and Industry has worked hard to efficiently process and distribute unemployment insurance benefits claims to provide short-term relief for these families. The Department also has encouraged workers to enter into worker training programs to maintain and update their skills during their period of unemployment so that workers can quickly be rehired as the economy recovers.

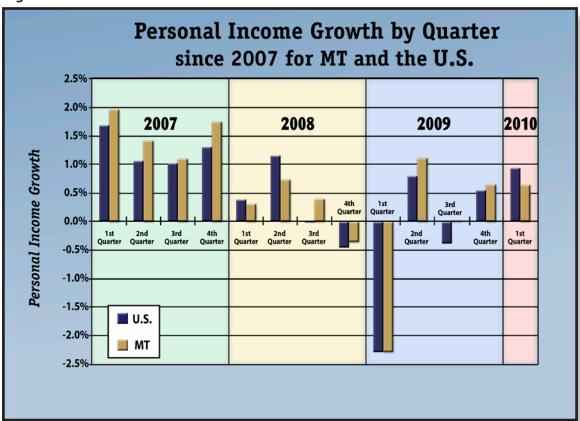
The national economy is slowly emerging from recession. From the fourth quarter of 2007 to the third quarter of 2009, the U.S. economy lost 4.1% of GDP. Historically, the 2007 recession was the worst recession since the Great Depression in terms of GDP loss. However, the size of the recent recession was miniscule in comparison to the 27% GDP loss during the Great Depression (*Figure 1*). Although the National Bureau of Economic Research has not yet declared the recession to be over, the national economy has experienced GDP growth since the third quarter of 2009, with slow employment growth for most of 2010.

Figure 1:



Montana's economy outperformed the nation during the recent recession. Because quarterly state-level GDP statistics are not available, personal income statistics are often used to spot a recovery in state economies. According to personal income data, Montana has joined the nation in its economic recovery with positive personal income growth since the second quarter of 2009. With the growth in the past year, Montana has nearly regained the peak personal income level prior to the recessionary losses. *Figure 2* illustrates the personal income growth by quarter since 2007 for Montana and the United States. Montana outperformed the U.S. economy throughout the time period, with the exception of the first half of 2008 and the most recent first quarter of 2010.

Figure 2:



The 2007 recession is notable not because of the decline in GDP or personal income, but because of the loss of jobs and the duration of unemployment for workers. Montana was able to avoid significant job loss in both of the last two national recessions in 1991 and 2001, and employment returned to peak levels within a year (*Figure 3*). During the 2007 recession, Montana continued to outperform the nation, starting job losses three months after the national economy and losing fewer jobs overall (Montana lost 5.9% of jobs peak to trough compared to 6.1% nationally). However, the loss in employment was significantly higher than in past recessions, and the economy has taken longer to return to job growth. As of July 2010, 28 months have passed, and Montana has not yet regained the pre-recession employment peak.

Figure 3: Employment Loss and Duration for the Last Three Recessions

		US		MT		
	Official Duration of Recession (months)	Percent Loss of Employment, Peak to Trough	Months until Employment Recovered*	Percent Loss of Employment	Months until Employment Recovered *	
1990	8	1.5%	32	1.0%	4	
2001	8	2.0%	48	0.5%	10	
2007	17**	6.1%	31 and counting	5.9%	28 and counting	

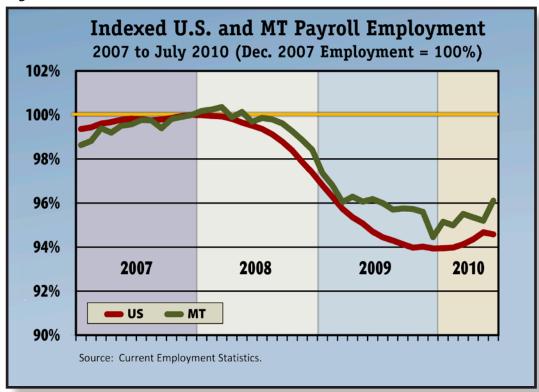
^{*} Number of months from the first decline in employment until employment regained the peak and remained above the peak for three months or more.

Source: Current Employment Statistics, Bureau of Labor Statistics. National Bureau of Economic Research

Montana has already started to recover some of our lost jobs with a slow job gain of over 5,000 jobs since the start of 2010. **Figure** 4 illustrates the change in employment for the U.S. and Montana during the recession. Employment is indexed to the employment level at the start of the recession so that employment in December 2007 is equal

to 100%. In July 2010, Montana was at 95.3% of its peak employment, a recovery from the trough of 94.1%. In comparison, the U.S. economy had greater employment loss of 6.1% and recovered more slowly than the MT economy, placing the loss at 94.4% of its December 2007 level in July.

Figure 4:



^{**} The official end of the 2007 recession has not yet been determined, but this figure represents the time between the official declaration in December 2007 to the start of GDP growth in the third quarter of 2009.

Throughout the recession and recovery, the Montana Department of Labor and Industry has worked hard to efficiently and appropriately distribute Unemployment Insurance (UI) benefits to Montana's dislocated workers and their families. The Department has always worked to connect laid off workers to unemployment insurance, career counseling, and job search assistance to minimize the time of unemployment. During this recession, the Department has coordinated with other agencies, including the Departments of Public Health and Human Services, Commerce, Transportation, and the Offices of Public Instruction and Higher Education to streamline the delivery of government services. This rapid response effort has allowed dislocated workers to quickly receive benefits and additional training with reduced paperwork and difficulty.

During the last state fiscal year, the Montana Department of Labor and Industry has issued over \$360 million in unemployment insurance benefits to over 62,000 unemployed Montana workers. These UI benefits are not only critical to keeping food on the table, but also help our economy through counter-cyclical spending that prevents job losses from spreading to other industries. According to Moody's Economy.com, a national economic analysis firm, every dollar of UI benefits results in \$1.64 in economic activity. In other words, the \$600 million in UI benefits distributed by the Department in the last two years supported just under \$1 billion in economic activity in the state, preventing further economic decline and job losses from occurring.

The Montana Department of Labor and Industry has also strived to help dislocated workers quickly find new employment or enter into suitable worker training programs that will improve their wages and employability as the economy recovers. During periods of long unemployment, work skills can

deteriorate; training helps to retain and improve skills so that the worker can maintain or increase their wage levels in the next job. Further, many jobs lost during the recession will take years to regain, such as jobs specific to the Construction and Timber industries. Workers in these jobs may need to be retrained into growing occupations in order to shorten their unemployment period. Using primarily federal funding, the Department has provided training to over 8,000 workers during the last state fiscal year. These training programs provide better employees for Montana's businesses and increased wages and shorter unemployment for workers.

THE RECESSION'S IMPACT ON WAGES AND EM-PLOYMENT BY INDUSTRY

Overall, average wages grew in Montana, from an average salary of \$33,300 in 2008 to \$33,760 in 2009. As shown in *Figure 5*, workers in nearly every industry shared in the average wage gains, with Utilities posting the largest increase in average wages from 2008 to 2009. The average wage in the Mining industry lost ground after advancing by 6.8% in 2008. However, due to the large number of job losses, the total amount of wages paid by all Montana businesses declined by 2.3%, even with an increase in the average wage.

Despite the recession, several industries added jobs between 2007 and 2009, as illustrated in *Figure 6*. Public Administration employment, aided by government stimulus and countercyclical spending, added 1,660 jobs between 2007 and 2009 for a 4.6% employment increase. Most of the growth in government employment has occurred at the local and federal levels. Education, which also received some stimulus funding, added approximately 641 jobs, or 1.7% of

Figure 5: Change in Average Wage by Industry, 2007 to 2009

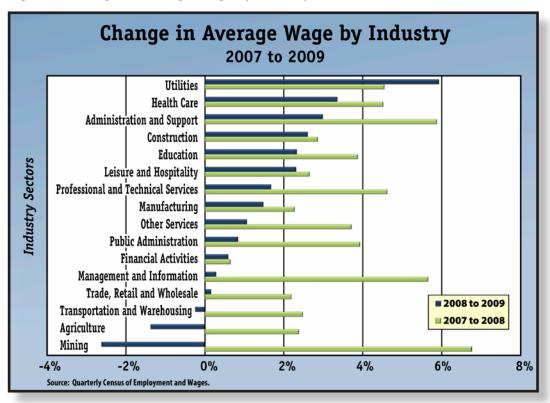
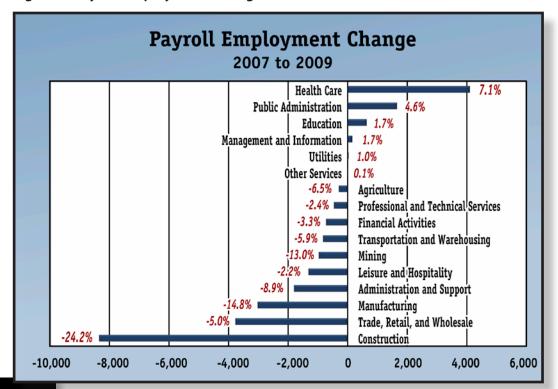


Figure 6: Payroll Employment Change, 2007 to 2009



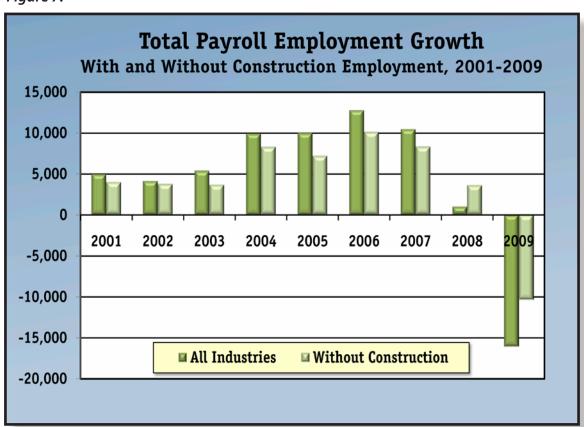
2007 employment. Health Care, however, outpaced growth in both Public Administration and Education with an increase of 7.1% and a job gain of almost 4,100 employees. Health Care related occupations, such as registered nurses, nurses' aides, and home health care aides, have continued to grow during the recession and are expected to continue to grow as the baby boom generation ages and demands more health care services. These growing health care occupations provide employment opportunities many workers who lost their jobs during the recession.

In contrast, Construction has been the worst hit industry with over 8,300 lost jobs from 2007 to 2009 – a decline

of 24.2%. Construction jobs represent over 55% of the total number of jobs lost during the recession. In fact, if Construction employment was excluded, Montana would have only lost 1.7% of employment from 2007 to 2009, rather than the 3.4% loss that actually occurred. However, removing Construction also would have reduced overall employment growth during the Construction boom of 2003-2007 (Figure 7). The average wage in Construction increased throughout the recession, as shown in Figure 5, largely because businesses tend to layoff the lowest-skilled workers first during a recession, while the higher-skill, higher-paid workers remain. Due to the large number of job losses, the total amount of wages paid by the Construction industry decreased by 20% from 2007 to 2009.

Retail and Mining also experienced significant employment losses in the last two years (Figure 6). The Retail industry faced losses of over 3,700 jobs, but the percentage of jobs lost is smaller at 5.0% due to the large size of the industry. Average wages for Retail increased during 2008, but only slightly increased in 2009. The total amount of wages paid by the Retail industry declined by about \$57 million over the 2007 to 2009 time frame. by about 2%. Mining had one of the largest job losses in percentage terms of 13.0%. However, Mining employment was small, and the total job loss was less than 1,000 workers. Mining was one of only three industries in which the average wage paid by the industry decreased in the last year, as shown in Figure 5.

Figure 7:



Montana manufacturers also faced plant closures and job losses during the last recession. Manufacturing lost over 3,000 jobs, or 14.8% of its employment, from 2007 to 2009. Over 53% of the Manufacturing losses occurred in the Wood Products Manufacturing industry and were related to the national downturn in the housing market. The Wood Products industry lost approximately 1,600 jobs in the past two years.

Much of the job loss in Manufacturing, and particularly in Wood Products Manufacturing, occurred as a part of a mass layoff. Although all layoffs negatively affect our economy and workers, mass layoffs of 50 workers or more can have a severe and devastating impact to Montana communities. For example, the average wage for a Manufacturing worker in 2009 was \$41,254. A layoff of 60 Manufacturing workers would result in a loss of almost \$2.5 million in wage income for the local economy, which would lead

to job losses in retail, food services, and other consumer industries. In addition, suppliers to the closed business face a decreased demand, and downstream businesses that add value to the manufactured product may have difficulty in finding alternative suppliers.

The Mass Layoff Statistics (MLS) program tracks layoff events that result in 50 or more job losses within a five week period. If a layoff of at least 50 employees occurred, the event is termed a "confirmed mass layoff." In 2009, there were a total of 35 confirmed mass layoffs in Montana, which is a slight increase from the 32 layoffs in 2008. These mass layoffs occurred primarily in the Manufacturing and Construction industries. When compared to the past 10 years, the 35 mass layoff events in 2009 are significantly above the state's historical average (*Figure 8*). In total, mass layoffs resulted in businesses firing 4,994 people in 2009, an increase from the 3,278 workers involved in mass layoffs in 2008.

Figure 8:

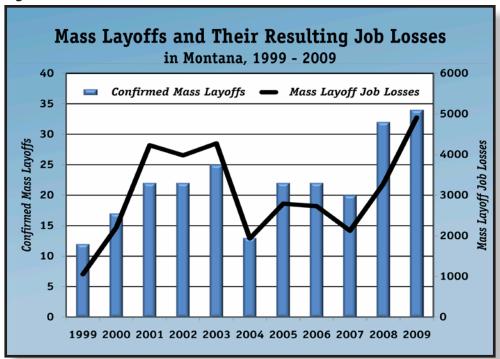
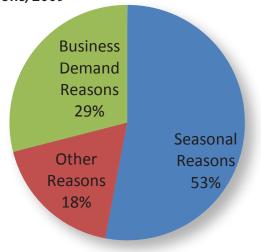


Figure 9: Reasons Given for Montana Mass Layoffs, 2009



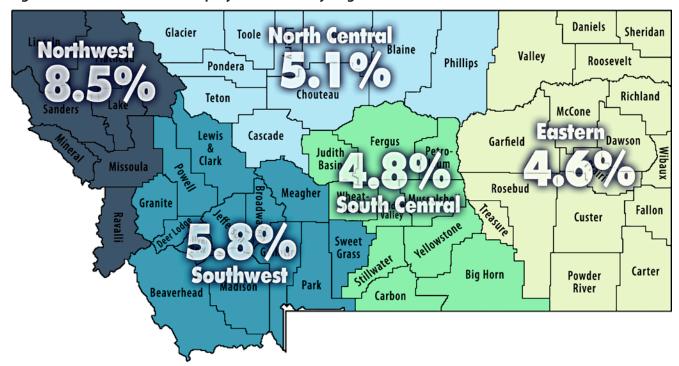
Seasonal layoffs are the most common reason for mass layoffs in Montana – an average of 65% of mass layoffs were due to seasonal causes in the past 10 years. During periods of economic growth, the mass layoffs due to seasonal causes are around 90%. However, the recession has increased the share of layoffs due to non-seasonal events. Non-seasonal mass layoffs, or those

due to economic reasons, increased to 45% during 2008 and 2009 due to the national recession. Of the mass layoffs due to non-seasonal events, over 62% occurred in the Northwestern portion of the state. The relative share of seasonal layoffs should return to around 90% within a couple years as Montana's economy recovers.

REGIONAL IMPACT

The affected industries of Construction and Wood Products Manufacturing and the location of the mass layoffs help to explain the regional differences in economic performance in various parts of Montana. The five workforce regions of Montana, along with the regional unemployment rates for 2009, are shown in *Figure 10*. The Northwest portion of Montana was by far the hardest hit during the recession, with an unemployment rate of 8.5%. In comparison, all of the other regions have unemployment rates below 6.0%.

Figure 10: 2009 Annual Unemployment Rates by Region



The large impact of the recession in the Northwest region is largely due to industry mix. Recall from Figure 6 that the industries of Construction, Retail and Wholesale Trade, and Manufacturing were the industries that lost the greatest number of payroll jobs from 2007 to 2009, while Utilities, Public Administration, and Health Care gained payroll jobs. Figure 11 helps to illustrate the importance of these industries in each region by displaying the industry's share of total payroll wages for each region. For example, the Construction industry paid 9.7% of all Montana wages in 2007. The Construction industry was concentrated in the Southwest, South Central, and Northwest regions of the state, where Construction wages represented a greater portion of wage income than the state average. These regions were therefore more impacted by the job losses caused by the slowdown in the national housing market.

The Northwest portion of the state was also more highly concentrated in the Retail and Manufacturing industries, although the Southwest and South Central regions also had above-average concentrations in these industries. Thankfully, the Northwest and South Central have significant Health Care jobs in their regions, which provided much needed jobs during the recession and which may provide growth opportunities in the future.

In contrast, the Eastern portion of Montana boasts an above-average concentration in Utilities and Public Administration, with slightly below-average concentration in Health Care. The growth in these industries supported the Eastern Montana economy during the recession. In addition, the Eastern region was not as heavily reliant on the declining industries of Construction, Retail, and Manufacturing as other parts of the state. Not shown in Figure 11 are two other industries important to the Eastern Montana economy - Agriculture and Mining, primarily mining of coal, oil, and natural gas. The Agriculture and Mining industries posted relatively strong performances during 2008 due to the high commodity prices, but these industries retracted when commodity prices declined. These industries have a large percentage of workers who are considered self-employed, rather than payroll workers, and are not be well-represented by the payroll wage data.

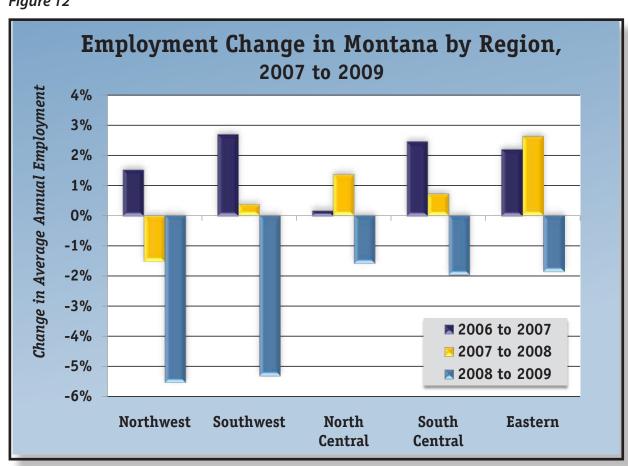
Figure 11: Percent of Pre-Recession 2007 Total Wages Paid to Payroll Workers by Industry and Region

Selected Industries	Change, 2007 to 2009	North- west	South- west	North Central	South Central	Eastern	State Average
Construction	-8,341	9.2%	11.4%	8.7%	9.9%	7.2%	9.7%
Retail	-3,787	11.0%	9.6%	10.5%	9.0%	7.7%	9.7%
Manufacturing	-3,024	8.8%	4.8%	2.7%	6.1%	2.4%	5.7%
Utilities	34	1.7%	5.8%	3.5%	5.5%	16.4%	5.1%
Public Administration	1,661	7.8%	11.7%	12.7%	7.5%	13.5%	9.6%
Health Care	4,094	15.5%	12.2%	16.2%	15.9%	13.2%	14.3%

The Northwest portion of the state lost the most number of jobs, but was also the first region to experience job losses. Figure 12 shows the annual change in total employment, including selfemployed workers, illustrating that the Northwest region was the only region to have job losses during 2008. The first impacts of the recession were felt in the Construction, Forestry, and Wood Products Manufacturing industries, all of which are concentrated in the Northwest region. All areas of the state experienced losses in 2009 as the recession spread to other industries and regions, with the Southwest region joining the Northwestern region with job losses exceeding 5%. Despite the impact of the recession, the Northwest and Southwest regions still have more jobs than other parts of Montana (Figure 13). The more vibrant economies of Western Montana will likely regain their status as the economic drivers in our state after our economy recovers from the recession.

Montana's American Indian reservations have also felt the impact of the national recession, with their economic performance mirroring the performance of the surrounding regions. The reservations in the hard-hit Northwestern region had weaker performance than those located in Eastern Montana. As shown in *Figure 14*, employment on Montana's reservations remained unchanged from 2008 to 2009, outperforming the statewide average of -3.9%. Growth was fastest on the Crow Reservation, with an increase of 62 jobs over the year, a 3.2% increase.

Figure 12



The average wage paid on the American Indian reservations increased by 2.2% to \$30,815 over the year. The Fort Belknap Reservation saw the highest increase in the average wage paid, increasing by \$3,195 (8.6%) to \$30,623. With this growth, the Fort Belknap Reservation retains the highest wages on any reservation in Montana. Both the Fort Belknap and Rocky Boy Reservations have higher average wages than the state average. The lowest wage among the reservations was on the Flathead Reservation, while the average wage decreased on the Blackfeet Reservation. The decrease in wages on the Blackfeet Reservation, along with the employment decreases in the Flathead, is reflective of the severity of the recession's impact in the Northwest portion of Montana.

Although the reservations outperformed the state in terms of employment growth, the reservation employment growth was slower than last year's growth of 1.8%. Further, the unemployment rates on Montana's reservations remain above the 2009 state average of 6.2% and above the unemployment rates in each of Montana's regions.

Figures 15 and 16 further illustrate the disparate geographical impact of the recession by providing employment information on the county level. Figure 15 shows the annual county unemployment rates for 2009, which helps illustrate two economic trends in the Montana economy. The first trend is that the counties that are on or near Montana's reservations tend to have higher unemployment

Figure 13

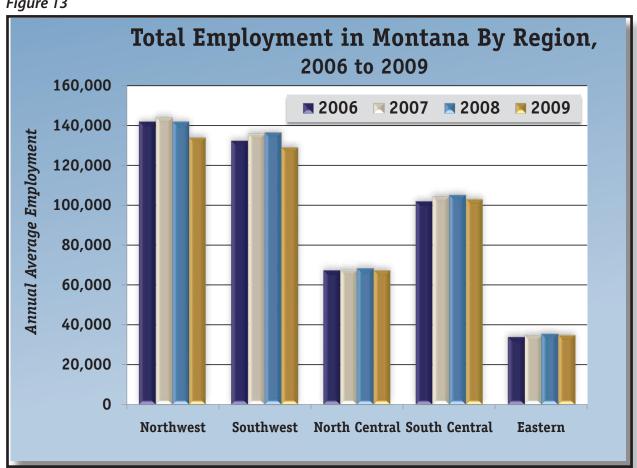




Figure 14: Employment and Wage Growth on Montana's Native American Reservations, 2008 to 2009

2000 10 2007	Employn	nent	Wages		Unemployment Rate
	2009 Employment	2008 to 2009 Growth	2009 Annual Average	2008 to 2009 Growth	2009 Average
Blackfeet	3,007	0.3%	31,169	-0.9%	13.8%
Crow	2,004	3.2%	30,932	1.9%	10.5%
Flathead	8,186	-1.9%	29,690	2.4%	8.5%
Fort Belknap	324	-4.7%	40,274	8.6%	N/A
Fort Peck	3,209	2.0%	30,623	1.7%	8.8%
Northern Chyenne	1,429	2.1%	30,496	4.5%	14.0%
Rocky Boy's	847	1.6%	37,794	7.1%	16.3%
Total	19,006	0.0%	30,815	2.2%	N/A

rates because of the high unemployment experienced on the reservations. This trend is long-term and has not been altered by the recession, despite job growth in the reservation areas. The second trend is the impact of the recession on the Northwestern counties, which have much higher unemployment than usual.

Figure 16 illustrates the job losses from pre-recession peak employment to the employment level in July 2010. Only two counties, Sweet Grass and Treasure, have experienced over 20% loss of employment; these counties have small employment overall so the loss of jobs is a high percent of existing employment. Northwest Montana and the area around the city of Bozeman have also experienced job losses ranging from 10 to 20 percent. Three counties, Missoula, Musselshell, and Wibaux, have gained employment from their pre-recession peak. Musselshell and Wibaux Counties did not experience significant job losses from the recession. Missoula County had large recession job losses, but has regained the lost jobs plus more because the area entered into economic recovery earlier and had stronger job growth than the rest of the state.

THE RECESSION'S IMPACT ON UNEMPLOYMENT AND WORKERS

In the past few years, Montana's workers have been faced with significant job losses, high unemployment, difficulty in finding work, and stagnant wages. While all Montanans have suffered economically, workers with less education, older workers, and men were more likely to become unemployed during the 2007 recession.

The large employment declines in male-dominated sectors, such as Construction and Manufacturing, has resulted in males becoming a larger portion of the unemployed. According to data from the Current Population Survey for Montana, the percent of the unemployed who were males was an average of 55% from 2005 to 2008. During 2009, the percentage male increased to 63%. Further, males represented over 66% of displaced workers receiving unemployment insurance benefits in 2009.

Younger workers are also disproportionately represented among workers claiming unemployment insurance benefits in 2009. As shown in *Figure 17*,

Figure 15: 2009 Annual Unemployment Rates by County

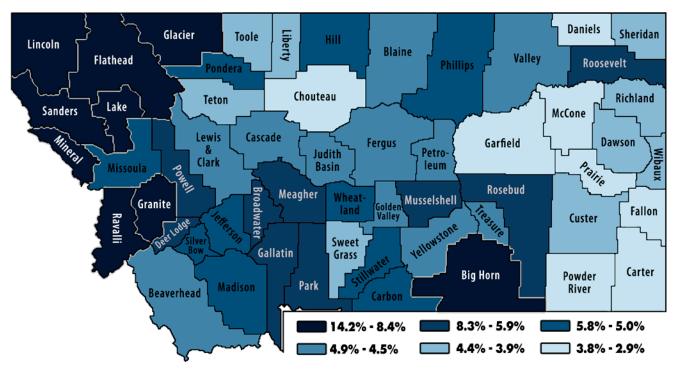
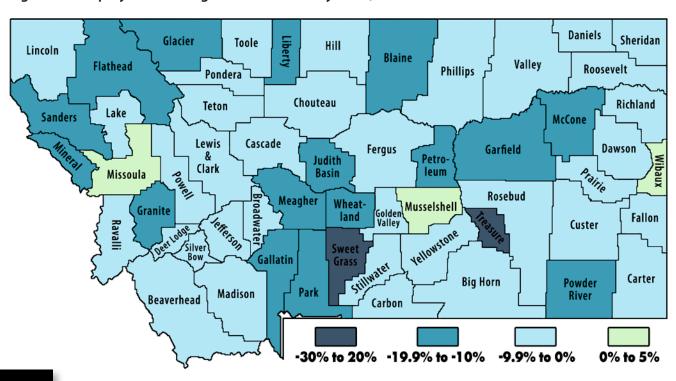


Figure 16: Employment Change from Peak to July 2010, LAUS



workers aged 20 to 25 represent 10.3% of the labor force, but made 12.8% of UI claims in 2009. Similarly, workers in the 25 to 44 age group made almost 47% of claims, but only represent 40% of workers. Older age categories were underrepresented in the unemployed workers claiming UI benefits; workers aged 55 to 65 represent almost 16% of the labor force, but only 14% of claims.

The difference among employment levels among different age groups can likely be contributed to the greater amount of education and experience among older workers. Less educated workers are also more likely to be unemployed during this recession. Figure 18 illustrates the U.S. unemployment rates from 2006 through 2010. Workers with less education have higher unemployment rates overall, and the unemployment rate for these workers increased more rapidly than for more-skilled workers during the recession. For example, workers without a high-school diploma

had an unemployment rate of 15.3% in July 2009, a 8% increase from their rate of 7.0% in July 2006. In contrast, workers that are college graduates remained in high demand during 2009 with a comparatively low unemployment rate of 4.3% in July 2009. Unemployment did not increase as drastically for college-educated workers, increasing only 2.3% from the 2.0% rate in July 2006.

In Montana, the unemployment rate disparity is even more extreme. For the first half of 2010, Montana workers without a high school diploma faced an average unemployment rate of 18%, while college educated workers had an unemployment rate of 3.5%. Workers with an Associate's degree had an unemployment rate of 8.0%.

Unfortunately for those without high levels of education and training, the high unemployment rates for low-skilled workers are expected to con-

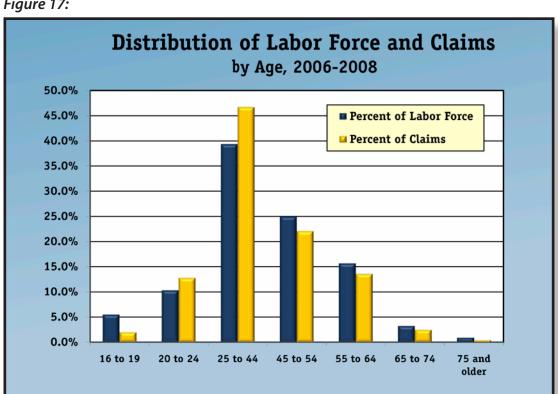


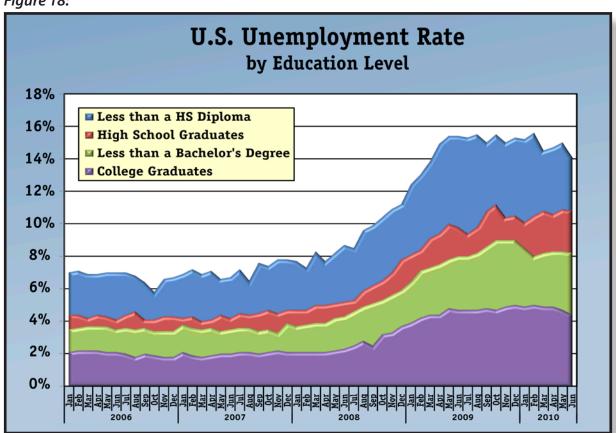
Figure 17:

tinue. In an analysis comparing occupational losses in the past two years with projected growth for the upcoming two years, the Research and Analysis Bureau has shown that workers with low skills may need to seek additional education and worker training in order to find new employment. Figure 19 illustrates the 2007-2009 employment change and projected two-year growth by education and training category. Occupations requiring short to moderate on-the-job training lost over 12,500 jobs during the recession, yet only about 6,000 of these jobs are expected to return. As a result, workers interested in these occupations will likely continue to experience difficulty in finding employment and slow wage growth due to the oversupply of labor.

In contrast, jobs requiring an associate's degree or doctoral or professional degrees have actually grown during the recession and are expected to continue to grow within the next two years. Workers with lower education and skills may want to enter into education programs to improve their employability during their period of unemployment.

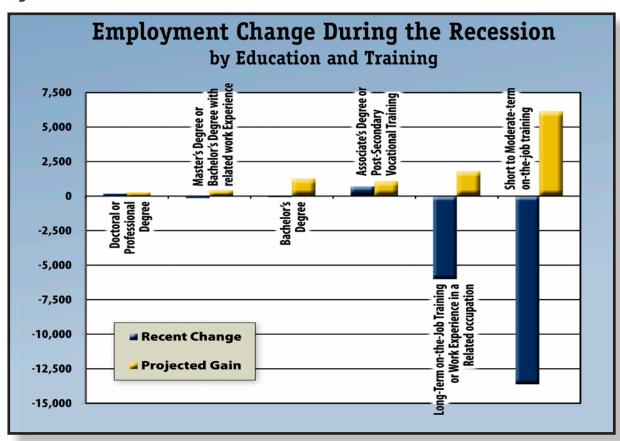
On this Labor Day, Montana's workers have endured one of the largest and longest recessions in recent history, but the future is rosier. Montana continues to outperform the nation in terms of personal income and job growth, and is likely to regain our pre-recession employment levels sooner than the U.S. economy. Certain workers

Figure 18:



have felt the recession's impacts more acutely than others, particularly workers in Northwestern Montana, workers that are younger or less educated, and workers in the Construction or Manufacturing Industries. The Montana Department of Labor and Industry has worked hard to help those workers displaced from jobs, providing temporary UI benefits and helping workers plan and retrain for more certain employment in the future. Montana looks forward to stronger economic and job growth for both the state and nation in the next year.

Figure 19:





Montana Department of Labor and Industry



P. O. Box 1728 Ph Helena, MT 59624-1728 Tollwww.ourfactsyourfuture.org

Phone: (406) 444-2430 Toll-free: (800) 541-3904 Fax: (406) 444-2638

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