



Montana
Department of Labor and Industry

Labor Day Report to the Governor

September 2009



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On December 1, 2008, the National Bureau for Economic Research (NBER), the organization that officially determines when a recession starts and ends, declared that the United States was in a recession that started in December 2007. From December 2007 to the most recent data in July, the U.S. unemployment rate has increased by 4.5%, with losses of almost 6.7 million payroll jobs. The June unemployment rate of 9.5% was the highest unemployment rate experienced by American workers since 1982.

Montana’s economy has performed well during this period of economic downturn, with an unemployment rate much lower than the national rate (Montana’s rate was only 6.7% in July). Within Montana’s borders, there are areas that have been battered by the national economic woes, particularly the northwestern portion of the state. Yet, there are other regions where the economy has continued to grow despite the national turmoil. This report provides a brief summary of how Montana’s economy is performing during the national recession, comparing the performance of various regions of the state and describing when renewed job growth is expected.

Figure 1 compares the unemployment rates from 1976 for the U.S. and Montana. The cyclical nature of both the U.S. and Montana economies is one of

the most prominent features of Figure 1. The current recession is yet another spike in the cycle, with the unemployment rates in both Montana and the U.S. increasing in recent months.

For the period shown, the Montana economy is less volatile than the U.S. economy, with the U.S. series having higher peaks and lower valleys than the Montana unemployment rate. The Montana rate varies from a low of 3.2% in 2006 and 2007 to a high of 8.7% in 1983, for a total range of 5.5%. The U.S. rate has a wider range of 7%, varying from a low of 3.8% in 2000 to a high of 10.8% in 1982. The Montana unemployment rate is more stable than the national rate, with a standard deviation of 1.4% for the U.S. rate and 1.3% for the Montana rate.

Figure 1: Montana and US Unemployment Rate, 1976 to Current



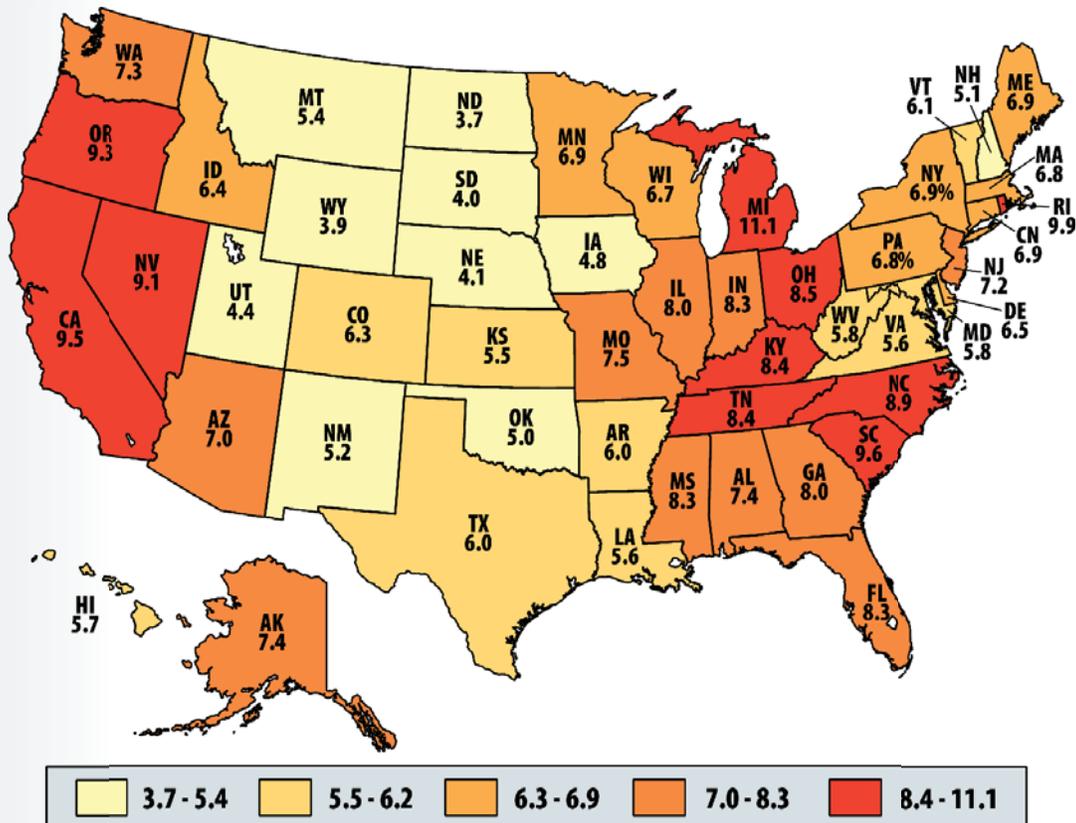
Data Sources: Local Area Unemployment Statistics (LAUS) program and Current Population Survey (CPS)

Using the most recent figures for the month of July, Montana’s unemployment rate is substantially lower than the national rate (by 2.7%) and has increased less than the national rate during the recession. The Montana unemployment rate has increased by only 2.9% since the start of the recession in December 2007 compared to an increase of 4.5% nationally. Montana’s economy has outperformed the U.S. economy since 2000, with an unemployment rate that has been, on average, 1.1% lower than the U.S. rate for the 2000-2009 period.

Figure 1 provides insight into one other interesting trend in Montana’s economy. In general, Montana’s unemployment rate appears to recover from national recessions slightly behind the nation. During the 1982 recession, the U.S. unemployment rate hit its peak at 10.8 in December 1982 and began a recovery in the first quarter of 1983. In comparison, Montana’s

rate hit its peak in the first quarter of 1983 and began its recovery one quarter later, slightly behind the nation. During the 1992 recession, the U.S. unemployment rate started its decline in July; Montana’s unemployment rate did not start its recovery until two months later in September. If this trend holds true in the current recession, Montana’s unemployment rate will not begin to decline until after a national turnaround. However, this trend was not evident in the prior national recession in 2001, when the Montana unemployment rate did not respond significantly to the national increase, and continued to move downwards before the national recovery. If the economy reacts similarly to the 2001 recession, Montana may recover before the nation. Regardless, it is likely that Montana’s economy will continue to outperform the nation, with the unemployment rate remaining below the national rate.

Figure 2: State Unemployment Rates - Average Rate, August 2008 through July 2009



Data Source: Local Area Unemployment Statistics (LAUS) program

Figure 2 illustrates the geographical impact of the recession across the U.S. using the average unemployment rate over the last year (August 2008 to July 2009). The regions hardest hit by the national recession are the coastal regions that were severely impacted by the housing and financial crises, and the states surrounding the Great Lakes that have experienced significant job losses in the auto and manufacturing industries. On the other hand, Montana and many other states in the interior of the country have weathered the recession fairly well because of high oil and commodity prices and smaller impacts of the housing bubble.

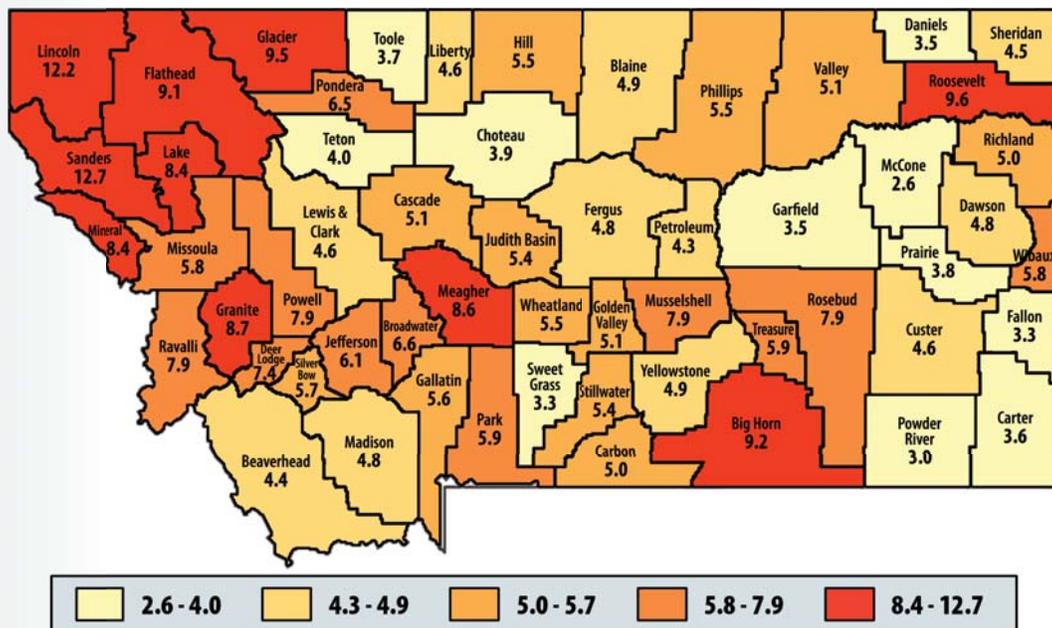
Like the nation, there is a wide variation in the economic health of different regions within the state. Figure 3 shows the unemployment rates in Montana counties for the month of July. The county unemployment rates are not seasonally adjusted. The northwest corner of Montana is experiencing the highest unemployment rates, with Sanders County having the highest unemployment rate in the state at 12.7%. However, much of the state has maintained reason-

ably low unemployment rates, with 43% of counties having unemployment rates less than 5%, and 68% of counties having unemployment rates less than 6%.

Figure 4 isolates the impact of the recession on the unemployment rate in Montana's counties by illustrating the difference between the July unemployment rate and the five-year average for that county. For example, Figure 3 shows Glacier County as being among the counties with the highest unemployment rates. However, unemployment in Glacier County is persistently high, and the national recession has only increased the unemployment rate by 2.4% above average, which is a smaller increase than in many other counties

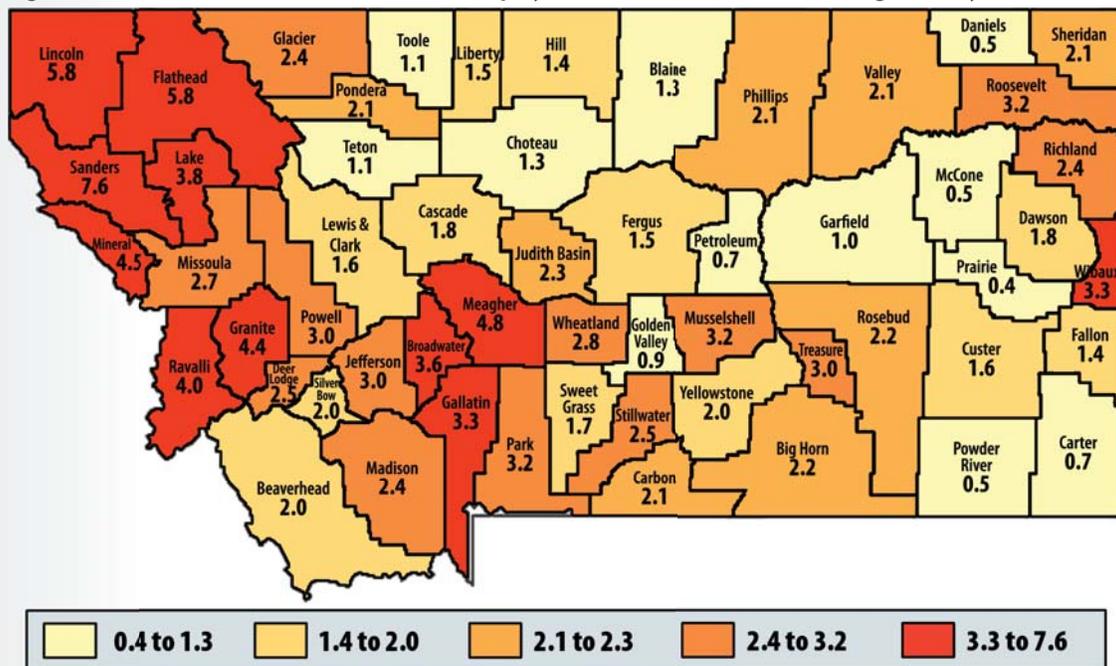
Figure 4 emphasizes the disparity of the recession's impacts on Western Montana in comparison to Eastern Montana. Northwest Montana's timber industry has been severely impacted by the deflation in the housing bubble and the resulting slowdown in demand for building products. Bozeman and the surrounding area, which relied heavily on the construction industry for income growth in recent years, have

Figure 3: County Unemployment Rates - July 2009



Data Source: Local Area Unemployment Statistics (LAUS) program

Figure 4: Difference between the Current Unemployment Rate and the 5-Year Average for July



Data Source: Local Area Unemployment Statistics (LAUS) program

also been harmed by the burst of the housing bubble. The loss of income from the timber and construction industries has led to layoffs in retail and other consumer-based industries.

In stark contrast to the economic woes of Western Montana, much of Eastern and North Central Montana have weathered the national recession fairly well. Agricultural commodity prices remained high through most of 2008, which supported the economies in many Eastern and Central Montana counties. In fact, 18% of Montana’s counties have unemployment rates that are less than 1% above their 5-year average, and 43% of counties have rates less than 2% above the 5-year average.

Much of the regional differences of the recession’s impact on Montana’s counties can be explained by examining the job losses by industry. Figure 5 shows the current payroll employment by industry, along with the change and percent change in employment since the start of the recession in December 2007. Although

total payroll employment has only decreased by 2%, some industries have undergone precipitous drops in their employment levels. Construction employment has decreased by 21% since the start of the recession, and employment in durable goods manufacturing (which includes wood products manufacturing) has declined by 11%. Real estate has also lost 9.8% of its employment since December 2007. Northwest Montana and the Bozeman area have above average concentrations of these three industries, which helps explain the large recessionary impacts in these communities. Other industries that have thus far proved to be recession-proof include the Arts, Entertainment, and Recreation industry, the Other Services industry, the Education and Health Services industry, and Government.

Timing of a recovery remains uncertain. The economic consulting firm Global Insight forecasts that Montana’s employment levels will continue to decrease until the first quarter of 2010, with slow em-

Figure 5: Current Payroll Employment by Industry, July 2009

Industry	Current Month	Change since Dec. 2007	Percent Change since Dec. 2007
Total Nonfarm	438,900	-8,900	-2.0%
Mining and Logging	8,200	-100	-1.2%
Construction	25,300	-6,700	-21%
Manufacturing	19,100	-1,300	-6.4%
--Wholesale Trade	16,300	-700	-4.1%
--Retail Trade	55,700	-3,600	-6.1%
--Transportation and Utilities	16,500	-600	-3.5%
Information	7,200	-400	-5.3%
--Finance and Insurance	16,300	400	2.5%
--Real Estate and Rental and Leasing	5,500	-600	-9.8%
Professional and Business Services	39,700	-1,300	-3.2%
Education and Health Services	63,300	3,800	6.4%
Leisure and Hospitality	59,500	400	0.7%
--Arts, Entertainment, and Recreation	13,000	1,300	11%
--Accommodation and Food Services	46,500	-900	-1.9%
Other Services	17,300	100	0.6%
Government	89,000	1,700	1.9%
--State Government	23,700	-1,800	-7.1%

Data Source: Current Employment Statistics (CES) program

ployment growth in the recovery. Global Insight does not expect Montana to regain its pre-recession employment level until the 3rd quarter of 2011. Other forecasts are more optimistic, with the Montana Department of Labor and Industry and the Montana Bureau of Business and Economic Research at the University of Montana predicting recovery starting in the fourth quarter of 2009. Montana’s recovery depends both on the behavior of the national economy and on the economies of our trading partners overseas. Based on the strong performance of the Montana economy in the past few years, Montana will continue to outperform the nation in terms of job growth as we emerge from the recession, although our growth may not reach the rapid growth of over 2.5% annually that Montana experienced in the 2005 to 2007 timeframe.

Even though Montana is performing better than other states, and most counties have not been severely impacted by the recession, there are still a large number of Montanans that have been unemployed because of this last recession. The most recent July figures estimate an approximate 31,900 Montanans that are currently looking for work, an increase from the 2008 average of 22,700. The Montana Department of Labor and Industry, working with many other agencies, have worked hard to provide temporary support for these individuals until the economy recovers. In the last state fiscal year from July 2008 to June 2009, over 53,000 unemployed workers have received over \$234 million in unemployment benefits. In the prior state fiscal year, slightly under 30,800 workers received approximately \$93.5 million in benefits. The larger benefit amount in the most recent fiscal year is largely due to more high-wage

workers receiving unemployment benefits. Unemployment benefits are vital to stabilizing our economy, to preventing foreclosures, and to stopping job losses from spreading to other industries.

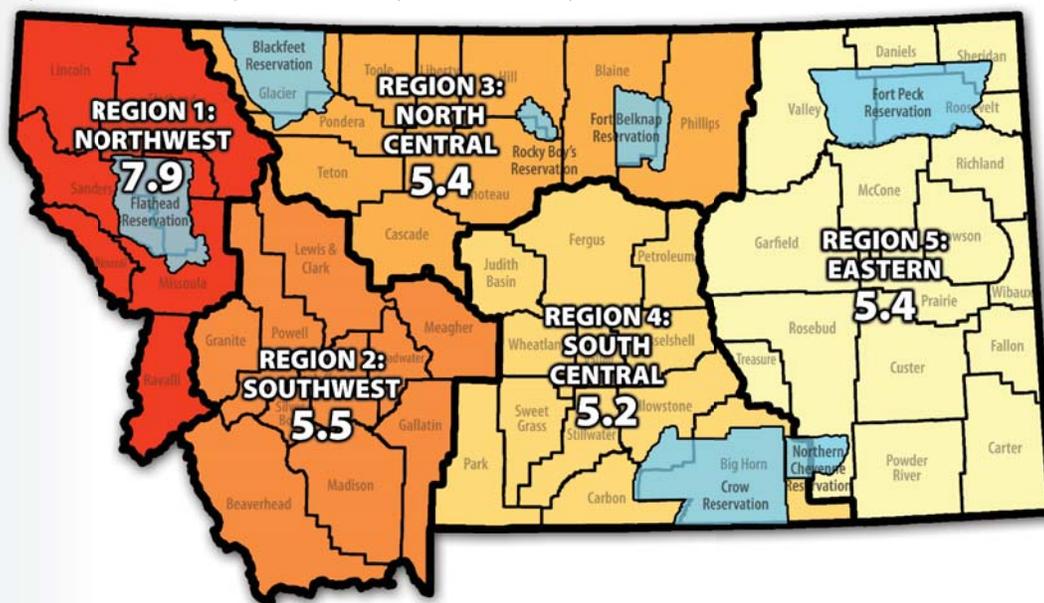
Many of Montana’s unemployed workers have used their unemployment period to receive additional education or job training. In the last fiscal year ending June 30, 2009, the Montana Department of Labor assisted 2,305 individuals in finding appropriate employment or entering education and training curriculum to advance their careers when the economy recovers. Further, the Montana University System reports that enrollment in Montana’s 2-year colleges has increased 11.1% in spring semester 2009 over spring of 2008. Not only are these individuals making the most of their unfortunate situation to improve their job and pay prospects for themselves, but improving the education and skills of our workforce also helps promote economic growth for all Montanans. High-skill workers are more productive and are more likely to develop new, innovative products and procedures that stimulate economic growth.

Regional Analysis

Montana is a diverse state in terms of the types of natural resources, varying population growth, and access to rural landscapes versus urban conveniences. This diversity leads to significant differences in the regional economies within the state. This section of the economic report describes the similarities and differences between five different regions in Montana. The regions used in this report, shown in Figure 6 below, are based on the job service regions of the Montana Department of Labor and Industry. The 56 counties of Montana were grouped into five administrative regions based on similarities in their industry structure, commutes to work and retail centers, and other economic factors in order to best serve regional businesses and address the needs of the regional workforce.

Figure 6 also shows the current unemployment rate for each of Montana’s regions. As mentioned earlier in this report, the Northwest portion of Montana is experiencing the highest unemployment rates during the national recession because of significant job losses in the wood products industry. The unemployment

Figure 6: Montana Regional Unemployment Rates, July 2009



Data Source: Local Area Unemployment Statistics (LAUS) program

rate is lower in the other regions, with the Eastern and South Central regions having comparatively low unemployment because of continued strength in the energy and agriculture sectors.

The economic performance in Montana's five regions during this economic recession is a stark contrast to the job growth during the recent expansion, as shown in Figure 7. Over the past eight years, Regions 1, 2 and 4 all had annual employment growth rates exceeding 2%, with the highest growth occurring in the Southwest region at 2.9%. In comparison, the North Central and Eastern regions had growth of only 1.2% and 0.9% respectively. The economic fortunes of Montana's regions have flipped during the current recession, however, with job growth highest in the Eastern and North Central regions. The Northwest region has lost employment over the last year, but all other regions continued to grow.

In addition to being more resilient to the national recession, and despite having the slowest employment growth since 2000, the Eastern portion of Montana has posted the largest wage growth over the 2000 to 2008 period (Figure 7), largely due to the addition of high-wage energy jobs in the region. In fact, the average wage in the Eastern region increased rapidly

enough to overtake the wage level in the North Central region, which has had the lowest average wage since 2006. The South Central portion of Montana has the highest wages, followed by the Southwest. Figure 7 only includes income earned from wages; income earned by the self-employed or from other income sources are not included in this comparison.

Regional analysis of Montana's economy would not be complete without a review of the economic performance of Montana's Native American reservations. Figure 8 reviews the employment and wage growth on Montana's seven reservations. Overall, employment on Montana's reservations grew by 1.8% from 2007 to 2008, faster than the statewide average of 0.2% and faster than each of the five regions of Montana. However, because of low employment levels in the reservation areas, this growth contributed only 333 jobs to the Montana economy. The unemployment rate on Montana's reservations remains above the 2008 state average of 4.5% and above the unemployment rates in each of Montana's regions (state and regional averages shown in Figure 7). Growth was fastest on the Crow Reservation with an increase of 134 jobs over the year, a 7.5% increase.

Figure 7: Employment and Wage Growth by Region, 2000 to 2008

		Northwest Region 1	Southwest Region 2	North Central Region 3	South Central Region 4	Eastern Region 5	Montana*
Employment	2008 Employment	125,319	113,519	57,747	103,285	30,110	437,620
	2000 to 2008 Growth	2.1%	2.9%	1.2%	2.1%	0.9%	1.8%
	2007 to 2008 Growth	-0.6%	1.1%	1.6%	1.0%	1.2%	0.2%
Wages	2008 Average Wage	31,822	33,717	31,075	35,389	32,135	33,303
	2000 to 2008 Growth	3.6%	4.0%	4.0%	4.1%	5.1%	4.0%
	2007 to 2008 Growth	3.2%	3.1%	3.8%	2.8%	6.4%	3.4%
Unemployment Rate	2008 Average	5.7%	3.9%	4.5%	3.8%	3.9%	4.5%

Data Source: Quarterly Census of Employment and Wages (QCEW) program

*Regions may not sum to Montana total

The average wage paid for jobs on the Native American reservations increased by 3% over the year, moving to \$29,760. Both Fort Belknap and Rocky Boy Reservations have higher average wages than the state average.

Most reservations posted wage increases over the past year, but the average wage decreased on the Crow and Fort Belknap Reservations. Fort Peck Reservation saw the highest increase in the average wage paid, increasing by \$1,252 (4.6%) to \$28,744. Despite this

growth, the Fort Peck Reservation retains the lowest wages of any reservation area, and the average wage on the reservation is lower than the average wage in the region encompassing the reservation, the Eastern Region 5. The Fort Belknap Reservation saw their average wage decrease by \$2,380, a loss of 6%, to \$37,012. The average wage on Fort Belknap Reservation remains the highest average wage of all the reservations at \$37,012, which is also higher than the average wage for Montana as a whole and the average wage for all five Montana regions.

Figure 8: Employment and Wage Growth by Reservation, 2000 to 2008

	Employment		Wages		Unemployment Rate
	2008 Employment	2007 to 2008 Growth	2008 Average Wage	2007 to 2008 Growth	2008 Average
Blackfeet	2,867	2.2%	30,556	3.9%	13.1%
Crow	1,932	7.5%	30,275	-0.7%	9.2%
Flathead	8,339	0.5%	28,976	3.8%	6.7%
Fort Belknap	339	0.0%	37,012	-6.0%	NA
Fort Peck	3,053	2.1%	28,744	4.6%	8.1%
Northern Chyenne	1,126	2.4%	29,114	2.5%	12.9%
Rocky Boy's	834	0.8%	35,274	1.9%	14.8%
Total	18,490	1.8%	29,758	3.0%	NA

Data Source: Quarterly Census of Employment and Wages (QCEW) program



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