Montana's Diverse Economies

A Regional Labor Market Analysis

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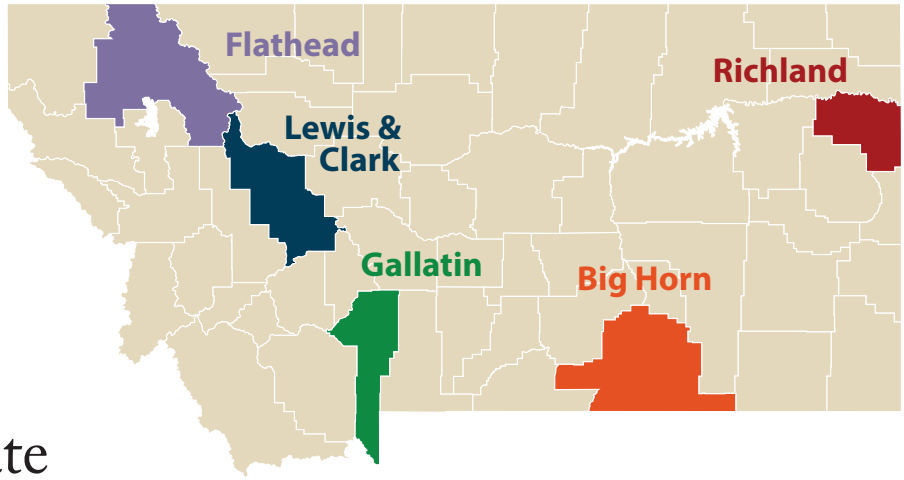
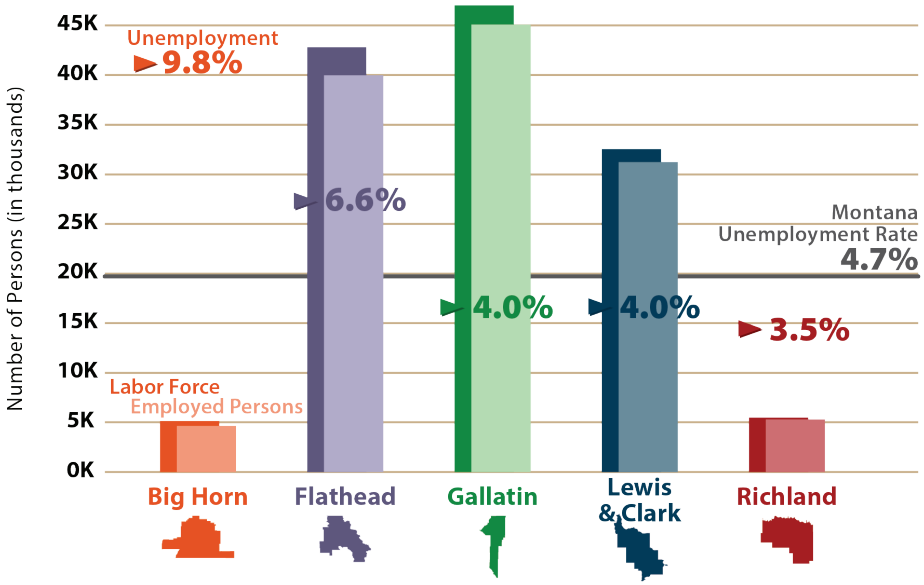


Montana's unemployment rate has been on the decline over the past few years, signaling stronger job growth throughout the state. Since 2001, Montana's unemployment rate has been below the U.S. unemployment rate, even during the most recent recession. The gap between the two rates was the widest in October of 2009, when the U.S. unemployment rate peaked at 10.1 percent, 3.6 percentage points higher than Montana's rate of 6.5 percent. Yet underneath Montana's unemployment rate, different regions of the state have experienced very different situations. To demonstrate the diversity in Montana's local labor markets, this article examines five Montana counties, Big Horn, Flathead, Gallatin, Lewis and Clark, and Richland, to illustrate how demographic and economic differences resulted in widely divergent labor markets during the 2007 recession. The differences between each county's labor force, employment and unemployment rate are highlighted in Figure 1, which illustrates the average over the 2000 to 2013 period.

As Figure 1 illustrates, Flathead, Gallatin, and Lewis and Clark are much more populated counties than Richland and Big Horn, with a significantly larger labor force and employed population. Population has little relationship to the unemployment rate, however, as the two rural counties represent both the high and the low unemployment rates. Big Horn County has the highest unemployment rate followed by Flathead, both of which are above the statewide average. Gallatin County has the next highest unemployment rate, followed by Lewis and Clark, then Richland. The differences in the average unemployment rates of the last thirteen years are better explained as a combination of the long-term demographic, population, and industry trends and the short-term impacts of the recent recession on the industries in each area.

Figure 1: Average Labor Market Statistics from 2000 to 2013



SOURCE: Local Area Employment Statistics (LAUS) annual data from 2000 to 2013.

Demographic Analysis

Demographic differences among these five counties help to explain their average unemployment levels since 2000. The population, per capita income, age, and racial distribution of each county are highlighted in Figure 2. Montana's median age in 2012 was just under 40 years old. Big Horn and Gallatin Counties have the youngest populations, 8 to 10 years younger than the state median. In Gallatin County,

Figure 2: Demographic Characteristics in 2012

	Population	Per Capita Income	Median Age	American Indian
Montana	1,005,141	$38,555	39.9	7.9%
Big Horn	13,061	$28,535	30.1	65.7%
Flathead	91,633	$37,000	41.2	2.5%
Gallatin	92,614	$40,000	32.4	1.9%
Lewis & Clark	64,876	$41,098	40.7	3.9%
Richland	10,810	$60,430	40.5	2.8%

SOURCE: American Community Survey Demographic and Housing 5-year Estimates 2008-2012 provided median age and percent of total population identified as American Indian. Population and per capita income come from the Bureau of Economic Analysis (BEA).

the younger population is likely due to the presence of Montana State University, which draws college age students, 18 to 22 years old, to the county. In addition, the area employs a large number of seasonal workers in the tourism industry. Seasonal workers tend to be younger, rather than older workers who are often more interested in long-term career opportunities.

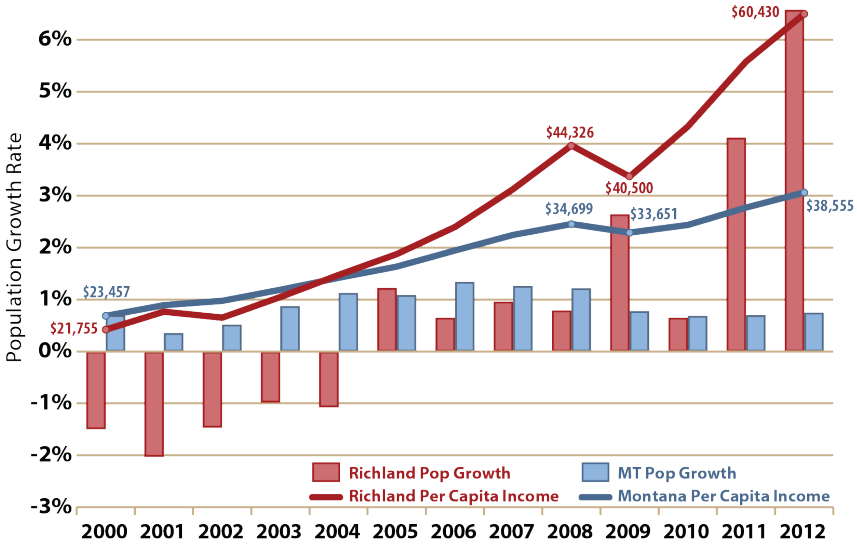
Big Horn County has the lowest median age of the four counties at approximately 30 years old. Although this is low compared to the total state population, it is slightly higher than the median age of all American Indians in the United States, according to the 2010 U.S. Census. The relatively young American Indian population helps explain the younger median age overall for Big Horn County. In general, younger workers are less likely to participate in the labor force and are less likely to be employed. Therefore, a younger workforce tends to contribute to a higher level of unemployment.

Big Horn County is home to the Crow and Northern Cheyenne Indian Reservations, and 65.7 percent of the population identifies as American Indian. In general, the American Indian population faces higher unemployment rates than the population as a whole, which is also true on the Crow and Northern Cheyenne reservations. These reservations have experienced persistently high unemployment rates, reporting 16.7 percent unemployment on the Northern Cheyenne Reservation and 25.1 percent unemployment on the Crow Reservation in 2012. The high unemployment rates on the reservations help explain some of the difference in the unemployment rate trend in Big Horn County compared to the state trend.

In 2012, the average per capita income in the state of Montana was approximately $38,500. Of the five counties considered, Big Horn County reported the lowest per capita income in 2012, approximately $10,000 lower than the state. Richland County had the highest per capita income of over $60,000, approximately $22,000 higher than the state average. In addition to high wages, Richland County also has the smallest population, with fewer than 11,000 people residing there. Richland County, along with the broader region of eastern Montana, has experienced a shrinking population due to out-migration from the mid-1980s until 2005. This out-migration led to reduced unemployment rates because fewer people were available to fill the existing jobs. Since 2004, however, the population has grown as workers are drawn to the Williston Oil Basin. Due in part to the high-wage employment opportunities in Richland County, the population growth rate has surpassed the regional average in every year since 2005. Figure 3 shows the trend in Richland County's population growth and per capita income compared to the state since 2000.

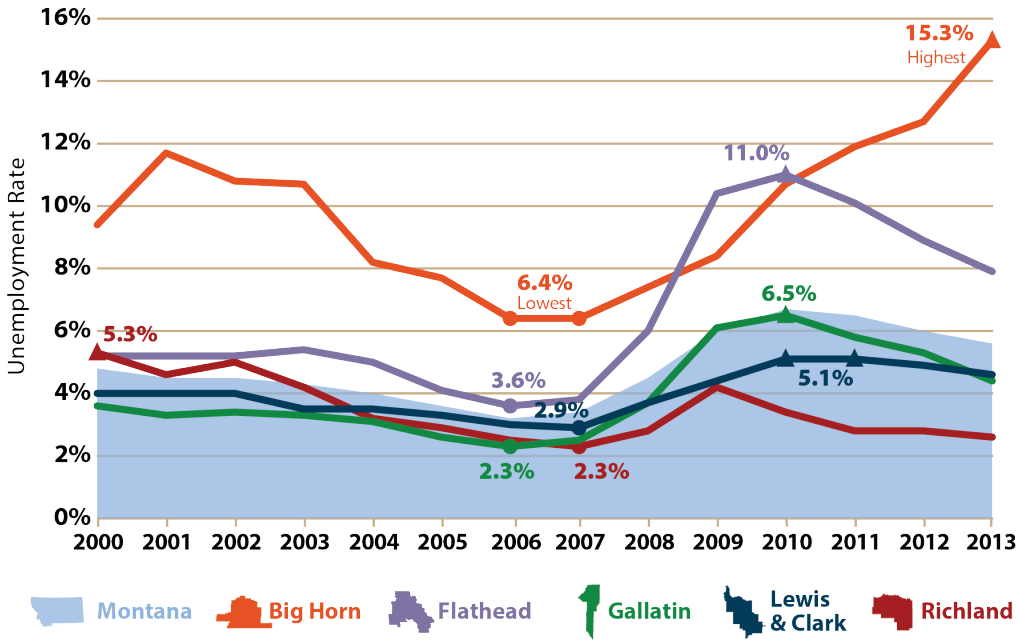
Wages and income are indicators of the relative supply and demand of workers. If wages are high in a particular area then workers are more likely to move there to receive a higher wage, thus helping to meet the demand for workers in that area. Over the past four years, per capita income in Richland County has

Figure 3: Trend in Per Capita Income and Population Growth from 2000 to 2012



SOURCE: Bureau of Economic Analysis (BEA)

Figure 4: County Unemployment Rates from 2000-2013



SOURCE:: Local Area Unemployment Statistics (LAUS) compiled by the U.S. Bureau of Labor Statistics and MT Department of Labor and Industry.

grown by almost 50 percent -- from $40,500 in 2009 to $60,430 in 2012, attracting new workers to the area. Since 2011 the population of Richland County has grown by five percent. The rapid population growth over the past few years has been matched by employment growth. The employment growth in Richland County from oilfield development was great enough that the unemployment rate decreased despite this rapid population growth. Richland County's unemployment rate has fallen from 4.2 percent in 2009 to 2.6 percent in 2013, well below the 5.6 percent state unemployment rate.

Industry Analysis

The impact of the oil and natural gas industry in Richland County underscores how important industry mix is in determining unemployment rates. While the long-term average unemployment rates and labor force population is influenced by demographics, industry mix helps explain the changes in the unemployment rate over the last thirteen years. Figure 4 illustrates how each county's unemployment rate has fluctuated over the last decade, with Flathead County increasing unemployment during the recession, while Richland County's unemployment rate remained fairly stable throughout.

On average since 2000, mining accounts for 11 percent of the total employment in Big Horn County and 8.6 percent in Richland, which is significantly greater than the level of mining employment in the other counties. Mining has been a consistent source of employment in Big Horn County, whereas in Richland County the growth in mining employment has occurred primarily over the past few years. Since 2000, mining has provided over 10 percent of the total employment opportunities in Big Horn County. In Richland County, however, mining employment made up only 3.8 percent of total employment in 2000 and then grew to 11.7 and 12.6 percent in 2007 and 2012, respectively.

The difference in mining employment between these two counties can be attributed in part to differences in the type of mining. Big Horn County relies primarily on coal mining, which has been experiencing a slower growth rate than other energy industries. Richland County is primarily involved in oil and natural gas extraction, which has been increasing with the development of new fracking technology. These differences contribute to the 13 percentage point difference in the unemployment rates between these two counties in 2012.

In contrast to the dominance of mining in Richland and Big Horn Counties, Gallatin and Flathead Counties tend to rely

on more volatile industries for employment opportunities. As rapidly growing population centers, both counties had vibrant construction industries prior to the recession. In 2006, construction accounted for over 10 percent of total employment in both counties. However, job losses during the recession caused this percentage to fall. Both Gallatin and Flathead Counties experienced their highest unemployment rates in 2010. However, in that year Gallatin County's unemployment rate was still lower than the state average, whereas Flathead County experienced an unemployment rate 4.3 percentage points higher than the state average. In general, the construction industry has recovered faster in Gallatin County than in Flathead County. As a percentage of total employment, the construction industry in Flathead County has yet to reach prerecession levels. Figure 5 highlights the changes in county employment by selected industry since 2000.

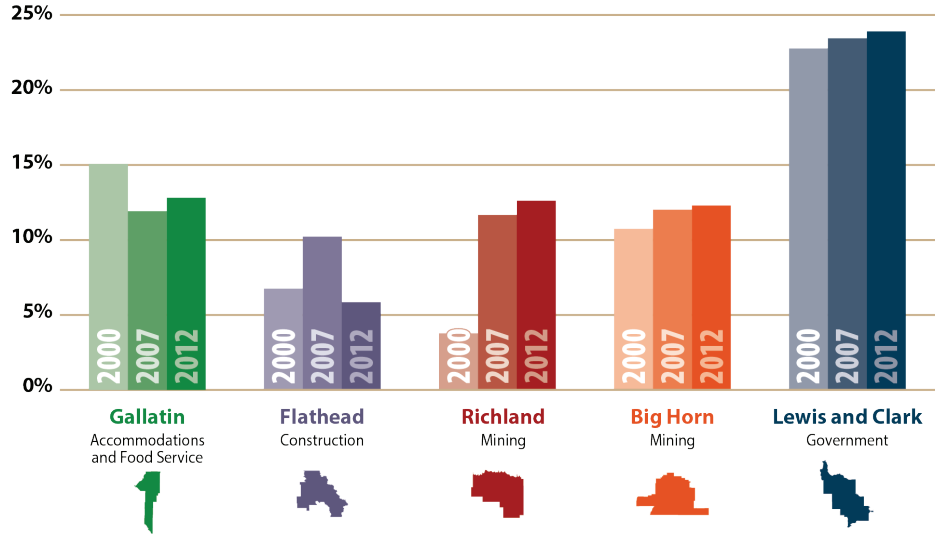
In Gallatin and Flathead counties, with their tourism-based economies, jobs in the accommodation and food service industry make up approximately 12 percent of total employment. During the more recent recession, their reliance on this industry resulted in a more dramatic increase in their unemployment rates. In Gallatin County, employment in accommodation and food service fell from 2000 to 2007. Since then, however, employment in the industry has surpassed prerecession levels by approximately one percentage point. Although Flathead County did experience a seven percentage point increase in unemployment between 2007 and 2010, the health care sector helped to stabilize the labor market, providing over eleven percent of total employment and close to five thousand jobs. In more recent years, the health care sector has grown to almost 15 percent of total employment, corresponding to over 6,000 jobs.

Lewis and Clark County employment is dominated by federal and state agencies. On average since 2000, approximately one in every four workers in the county is employed by the federal or state government. Consistent with a more stable government-based economy, Lewis and Clark County has seen employment growth in the government sector since 2000. Even through the more recent recession, government employment consistently provided approximately 24 percent of the total employment opportunities in the county. In absolute terms, the total number of people employed in federal and state agencies hovered around 8,450 jobs. The stability of the government employment sector is reflected in Lewis and Clark County's unemployment rate trend. In every year since 2000, the annual unemployment rate in Lewis and Clark County has been below the state average and less volatile than the other four counties examined.

Conclusion

Examining the demographic and economic differences in Flathead, Gallatin, Lewis and Clark, Big Horn and Richland Counties demonstrates the diversity of Montana's local economies and how that diversity can result in widely divergent labor markets. In order to make more informed policy and business decisions, it is important to understand the complexity of local economies in Montana.

Figure 5: Employment by Industry from 2000 to 2012



SOURCE: Quarterly Census of Employment and Wages (QCEW) annual employment data from 2000 to 2012.

To help promote understanding of local economies and labor markets throughout the state, the Montana Department of Labor and Industry provides localized economic information in easy-to-access fliers. If you would like to learn more about your local area, please visit www.lmi.mt.gov and click on Local Area Info on the left-hand tool bar. This will direct you to the state, county and reservation economic fliers, as well as local area profiles that provide information on local labor markets, and allow you to compare your local area to others in the state.