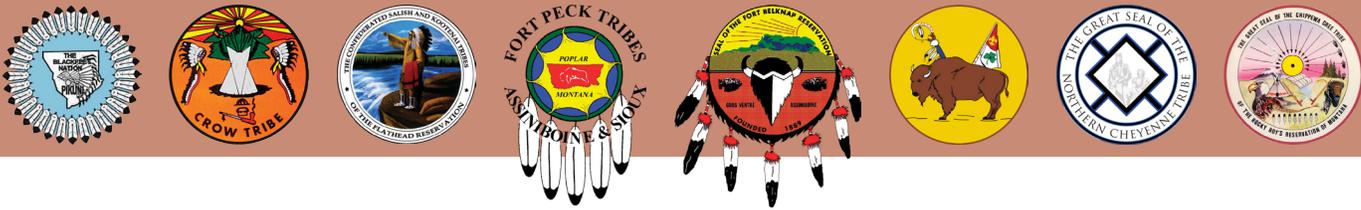


Montana Reservation Labor Markets *by Amy Watson, Economist*



According to the U.S. Census Bureau, approximately 6.3 percent of the Montana population identifies as American Indian, making Montana home to the 5th most concentrated population of American Indians in the nation. Only Alaska, New Mexico, South Dakota, and Oklahoma have a larger percentage of American Indians residing within their state. The concentration of American Indians makes Montana unique and also emphasizes the importance of this cultural minority in our economy. Montana is home to seven Indian reservations and the state-recognized Little Shell Tribe of Chippewa Indians. These reservations are spread throughout the state, each with their own unique labor market. However, reservation labor market statistics are often hard to measure and inconsistently reported. This article summarizes data from the U.S. Census Bureau and the Bureau of Labor Statistics on the American Indian population and reservations in Montana to provide a more complete picture of this population and the unique labor markets on the reservations.

Demographic Characteristics of Montana American Indian Population – U.S. Census Bureau

Demographic data on the American Indian population in Montana is available through the U.S. Census Bureau. These data describe characteristics of people, and are designed to be representative of the entire population of American Indians living in Montana, regardless of whether they are living on or off a reservation area. One strength of this data source is that it includes American Indians who do not live on a reservation, an often under-represented population in other statistical sources. Figure 1 compares the demographic characteristics of the American Indian population in Montana to the American Indian population in neighboring states and in the nation as a whole.

The American Indian population in Montana is younger than American Indians nationally by an average of three and a half years. The Montana American Indian population is also younger than the majority of Montanans. The average age of all Montanans is approximately 40 years old compared to a median age of 26.6 for Montana American Indians, making the American Indian population over 13 years younger than the state, on average. Montana American Indians provide an influx of youth into our population at a time and when an aging and retiring workforce is restricting labor supply in Montana.

Figure 1: Demographic Characteristics of American Indian Population by State

	US	Montana	North Dakota	South Dakota	Wyoming	Idaho
Percent of Total Population	0.8%	6.3%	5.3%	8.8%	2.3%	1.2%
Median Age	31.1	26.6	24.9	23.2	26.5	30
High School Diploma +	71.5%	73.2%	73.24%	69.5%	66.1%	69.6%
Not moved over last year	82.2%	81.1%	83.3%	78.9%	73.8%	80.8%
Median Household Income	\$37,469	\$29,759	\$28,691	\$24,129	\$40,344	\$37,167

Source: 2008 to 2012 American Community Survey 5 Year Estimates produced by the U.S. Census Bureau

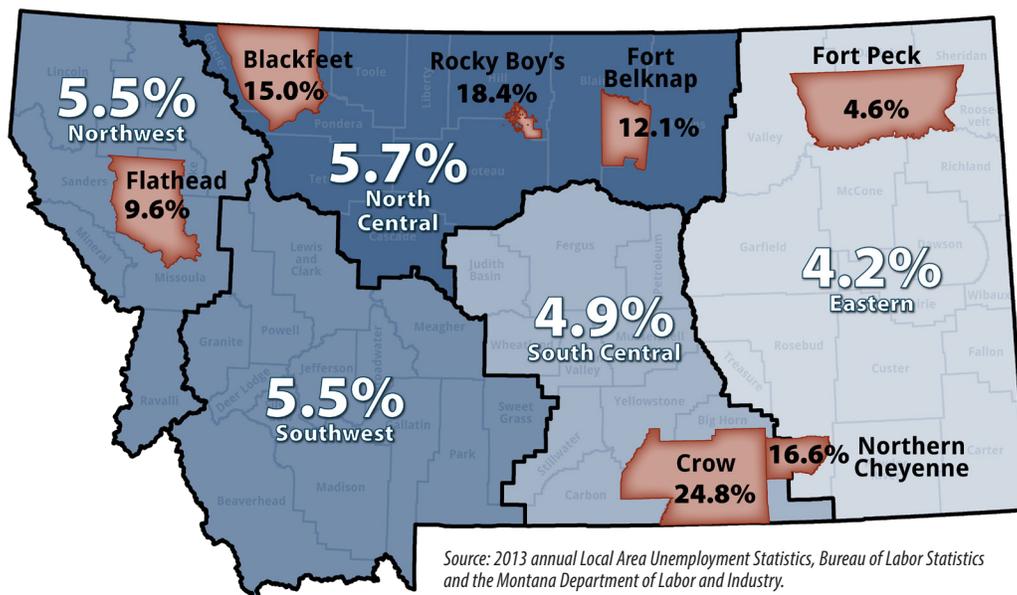
Montana American Indians graduate high school at higher rates than American Indians in other states. According to the U.S. Census Bureau, over 73 percent of the American Indian population in Montana has at least a high school diploma, surpassing North Dakota, South Dakota and Wyoming. Yet the American Indian population still falls behind Montana’s statewide high school graduation rate. An estimated 92% of all Montanans have obtained a high school diploma or equivalent. Consistent with the state trend, the majority of the American Indian population in Montana has at least some college experience, allowing them to be better prepared for the changing workforce opportunities in the state.

In addition to age and education level, another critical element for a successful labor force is mobility. If workers are willing to move in pursuit of better employment opportunities, then the labor force can more-easily adapt to changes in the Montana economy. As workers demonstrate a willingness to move, then employers have access to the labor force in all regions of the state, which leads to lower unemployment rates and increased productivity. Labor force mobility is a particularly difficult task for the American Indian people because moving often means leaving the reservation

and their cultural heritage behind. The American Indian population in Montana appears slightly more mobile than the national average. 16.7 percent of the American Indian population reported moving within Montana over the past year. However most of the population, 81.1 percent, has not moved. South Dakota and Wyoming report higher rates of mobility among the American Indian population.

A more-educated and mobile labor force generally results in lower unemployment rates and higher wages, because workers are qualified to fill higher-skilled positions and are willing to move to accept them. However, even though the American Indian population in Montana is slightly more educated and mobile than the national population of American Indians, they report lower median household income than the national average. According to the data presented in Figure 1, median household income for American Indians in Montana is approximately \$7,000 less than the national average for American Indians. This income gap is not necessarily due to characteristics of the American Indian population, but can be attributed to the lower wages and income in Montana as a whole when compared to the nation.

Figure 2: 2013 Unemployment Rates in Montana by Region and Reservation



Even though Montana’s American Indian population outperforms the national American Indian average in many categories, they lag behind the Montana average in a number of factors. Educational attainment is lower, and unemployment rates are higher among the Montana American Indian population compared to the rest of the state. They also fall behind in terms of wages and income. In Montana, the American Indian population reports the lowest per capita income of all racial groups. Furthermore, the reported per capita income for the American Indian population is less than half of that

reported by the majority racial group, which is white. The lower wage and income levels among American Indians are due in part to the high unemployment rates on the American Indian reservations. The high percentage of unemployed American Indians brings down per capita income because per capita income is calculated as an average across all people regardless of their employment status. The consistently high unemployment rates, and lower wage and educational attainment levels, emphasize the harsher economic realities faced by the American Indian population in Montana.

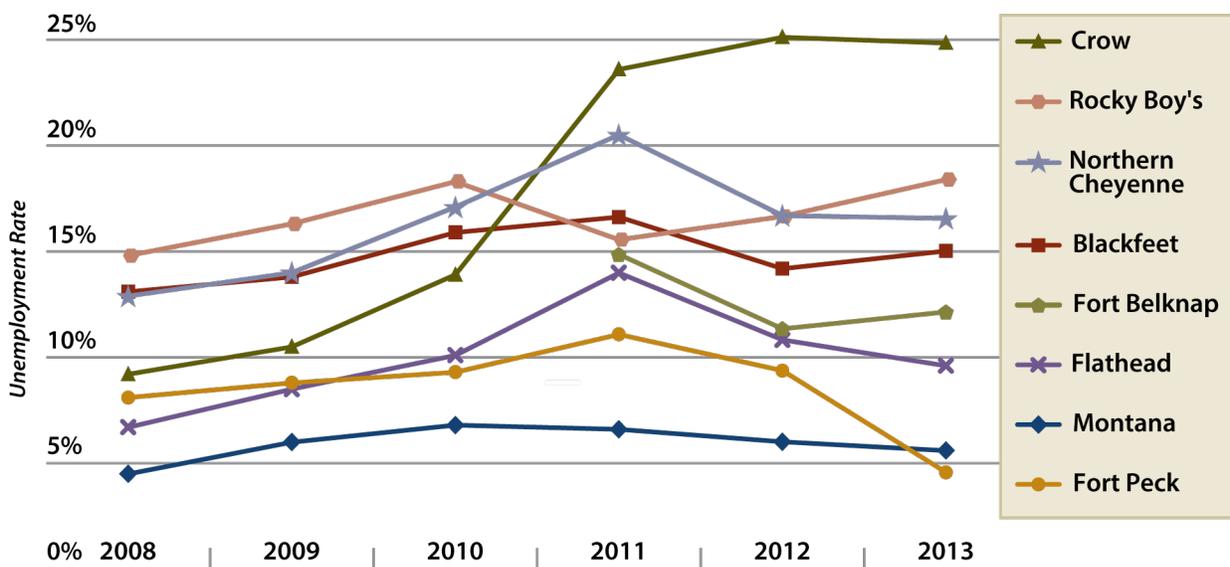
Labor Market Statistics for Montana Reservations – Bureau of Labor Statistics

The Bureau of Labor Statistics and the Montana Department of Labor and Industry (MT DLI) produce labor market statistics for the Indian reservations in the state. These statistics include employment, wages, and unemployment rates for each reservation. Unlike the ACS data that described characteristics of the population based on race, the labor market statistics produced by MT DLI are generated based on geographical location, and describe the labor market that exists within reservation boundaries regardless of the racial or cultural background of the individual. In general, the reservation areas are the most sensitive labor market regions in the

state, with unemployment rates reaching two to three times higher than the regional average. Figure 2 shows the 2013 unemployment rates for Montana regions, and the seven reservations.

The Montana Department of Labor and Industry is not the only entity that calculates reservation unemployment rates. Up until 2005, the Bureau of Indian Affairs (BIA) also produced unemployment rates for the Montana reservations. These estimates were often substantially higher than those produced by MT DLI because they measure different concepts of unemployment. The

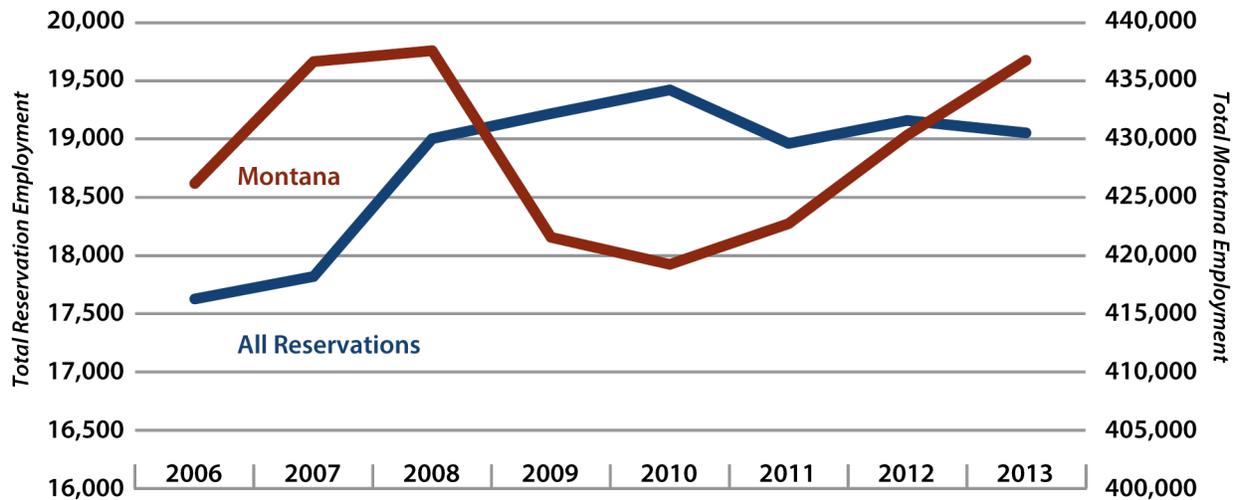
Figure 3: Reservation Unemployment Rates 2008-2013



NOTE: The unemployment rate for the Fort Belknap reservation is only available beginning in 2011.

Source: 2013 annual Local Area Unemployment Statistics, Bureau of Labor Statistics and the Montana Department of Labor and Industry.

Figure 4: Reservation Employment Trend Compared to Montana 2006 – 2013



Source: Quarterly Census of Employment and Wages (QCEW), Bureau of Labor Statistics and the Montana Department of Labor and Industry

MT DLI estimates include anyone who lives on a reservation, while the BIA estimates only looked at American Indians. The BIA and MT DLI also differ in their definition of labor force and employment. The unemployment rates produced by MT DLI use the same definition of labor force and employment as used for all other regions in the state. Keeping the definitions consistent allows for direct comparison of unemployment rates across different regions in the state. The BIA included only tribal members and had more restrictive employment criteria, which resulted in unemployment estimates higher than those reported by MT DLI. The different definitions used by the BIA means that the rates were not comparable to the unemployment rates produced for the state, nation, or other regions.

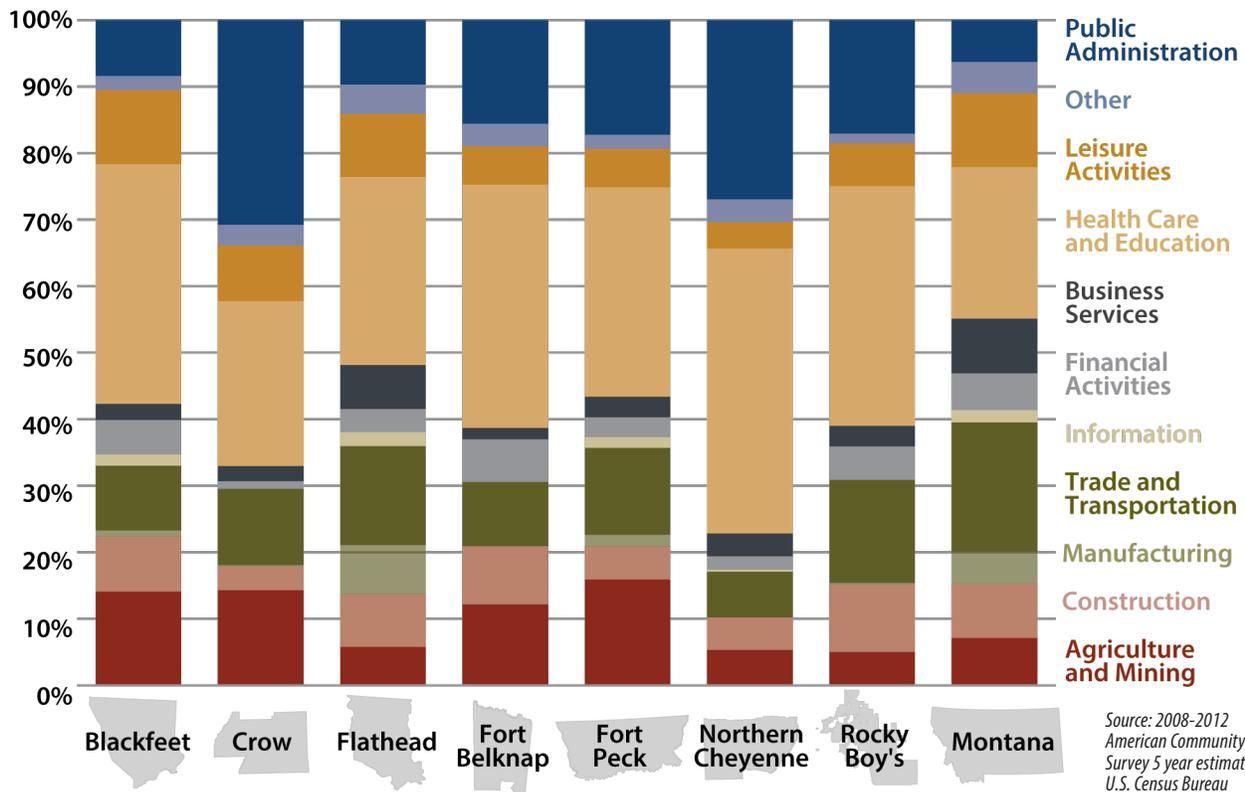
Although the reservations are still experiencing higher unemployment rates than the surrounding region, most reservations saw a drop in unemployment over the last year. Figure 3 shows the unemployment rate for each reservation over the past six years. The unemployment rate dropped most significantly on the Fort Peck reservation, from 9.4% in 2012 to 4.6% in 2013. This represents the first time in over six years that a reservation unemployment rate has fallen below the state average, which was 5.6% in 2013. The unemployment rate drop on the Fort Peck Reservation is due in part to the tight labor market conditions in the Eastern Region of the state. The Eastern Region is experiencing labor shortages due to the increased demand for workers in the Bakken area.

Figure 5: Reservation Employment by Sector in 2013

	Montana	Blackfeet	Flathead	Rocky Boy's	Northern Cheyenne	Fort Peck	Crow	Fort Belknap
Government	18.8%	69.1%	35.0%	91.3%	65.8%	48.3%	77.8%	82.5%
Federal	3.0%	13.4%	0.9%	0.3%	14.1%	5.1%	16.4%	46.3%
State	5.3%	-	0.8%	-	-	2.8%	-	-
Local	10.5%	55.7%	33.3%	91.0%	51.8%	40.3%	61.3%	36.2%
Private	81.2%	30.9%	65.0%	8.7%	34.2%	51.7%	22.2%	17.5%
Total	436,885	2,945	8,164	875	1,335	3,248	2,173	315

Source: Quarterly Census of Employment and Wages (QCEW), Bureau of Labor Statistics and the Montana Department of Labor and Industry

Figure 6: Montana Reservation Employment by Industry



The unemployment rate on the Flathead reservation dropped 1.2 percentage points over the past year, which was the second largest drop of all the reservations. The Crow and Northern Cheyenne Reservation posted the smallest declines over the year, of 0.3 and 0.1 percentage points, respectively. Unfortunately, three reservations experienced increases in their unemployment rates over the year, with the unemployment rate on the Blackfeet Reservation increasing 0.8 percentage points to 15%, the Fort Belknap Reservation increasing 0.7 percentage points to 12.1%, and Rocky Boy's Reservation increasing to 18.4%. All three of these reservations are located in the North Central Region, which is the region that has been experiencing the slowest recovery from the recession.

In addition to reservation unemployment rates, the Montana Department of Labor and Industry calculates employment and wages for the reservation areas. Figure 4 shows the total employment for all reservations over the last eight years compared to the state employment

totals over the same period. According to Figure 4, the reservations did not experience the same drop in employment that the state felt from 2007 to 2009. Total employment for Montana's reservations rose over those years. The reservations did experience a decrease in employment from 2010 to 2011 and from 2012 to 2013, but in general reservation employment has hovered around 19,000 workers since 2008.

Government employment, particularly within the local government, appears to dominate the employment opportunities on most reservations. This is a unique element of the labor force dynamics on Montana reservations, and helps explain why employment and wage trends on reservations differ from the state trends. Employment on Montana reservations mirrors counter-cyclical government employment patterns, whereas employment across all Montana is more closely correlated with trends in the private sector. Figure 5 shows employment by sector for each of the seven Montana reservations as a percentage of total employment in

2013. Public and private sector employment also helps explain the difference in wage growth on and off the reservations. Most of the wage growth in Montana comes from growth in the private sector, particularly in industries related to the Bakken developments, health care, and tourism. Over the past five years, the public sector has seen a drop in real wages. This has dampened wage growth on Montana's reservations compared to the state as a whole. Since 2006, reservation wages have grown by 1.94% compared to 2.98% for the state.

Although Figure 5 suggests reservation employment is heavily concentrated in government, the distinction of public and private sector employment is less clear on reservations. On reservations, businesses such as restaurants, casinos, and gas stations, are often operated as a communally-owned business. Communally-owned businesses are considered public sector businesses even though they are subject to private sector demand. Categorizing these communally-owned businesses in the public sector underestimates the business activity on the reservations. It is important to recognize the impact of entrepreneurialism on the reservations, which may not be captured through the traditional categorization of businesses by sector.

Of the private sector industries, health care and education provides a consistently large percentage of total employment across all reservations. Health care and education comprise at least twenty-five percent of total employment on every reservation, making it the number one employer on all reservations except for the Crow Reservation. The predominance of health care employment exists not only within reservation boundaries but throughout the state as well, and employment in this industry is projected to grow into the future. Figure 6 shows Montana reservation employment by industry, represented as a percentage of total employment.

The industry composition differs across reservations, reflecting the economy of its surrounding region. The Blackfeet reservation is a gateway to Glacier National

Park in Northwest Montana, and therefore has a higher percentage of employment in the tourism industry compared to other reservations. The Flathead Reservation, also located in the Northwest Region, has a larger percentage of total employment dedicated to manufacturing than the other reservations. Manufacturing is a dominant industry throughout the Northwest Region, and that is reflected in the industry composition of the Flathead Reservation. The Fort Peck Reservation is located in Eastern Montana and its proximity to the Bakken oil field development has impacted the reservation's industry composition. Approximately 16% of the employment opportunities on the Fort Peck Reservation are in mining, making it the third largest employment industry. The dominance of mining and agriculture employment on the Fort Peck Reservation is consistent with the Eastern Region as a whole.

Conclusion

Montana is a unique state with varying demographic and geographic characteristic, and the American Indian reservations are no exception. The American Indian population remains a largely untapped labor pool available for businesses. Compared to American Indian populations in other states, Montana's American Indian population has higher high school graduation rates and are slightly more mobile, allowing them to be better prepared for the changing workforce opportunities in the state. However, Montana reservations remain one of the most sensitive labor market areas in the state. In some cases, the unemployment rate on the reservations reaches two to three times higher than the regional average. The consistently high unemployment rates, and lower wage and educational attainment levels, emphasize the harsher economic realities faced by the American Indian population in Montana. Employment on reservations appears to be concentrated in the public sector, and in the health care and education industry. However, each reservation has its own unique labor market strongly influenced by the economy of the surrounding region and state.