

# 2020 MONTANA LABOR DAY REPORT



Montana Department of  
**LABOR & INDUSTRY**

## EXECUTIVE SUMMARY

From July 2009 to February 2020, Montana and the nation experienced the longest economic expansion in history. During this thriving period, Montana workers expanded their economic output by roughly 20%, and the economy added nearly 50,000 payroll jobs.<sup>1</sup> The state's economy became more diverse and robust, increasing real personal income, wages, and Montanans' standard of living.

The last year of the expansion, 2019, posted above-average economic growth with increasingly robust employment growth.

In March of 2020, the Novel Coronavirus Disease, or COVID-19, was declared a pandemic. Montana declared a state emergency, and a national emergency was announced in the United States shortly after. Montana recorded its first Coronavirus case on March 11, prompting the state's economic performance to quickly change when public health and safety measures enacted to address the COVID-19 virus kept nonessential businesses closed and consumers in their homes to slow the spread of the virus. These early and aggressive actions allowed Montana to be one of the first states in the nation to begin reopening, and maintain a healthy and safe workforce, which is essential to protecting the state's long-term potential for economic growth.

The COVID-19 mitigation measures caused a large but temporary impact to short-term economic performance, resulting in sharp increases in Unemployment Insurance claims and a need for relief for individuals, businesses, and industries. While variable and dynamic conditions during the pandemic make forecasts challenging, recent economic data suggests the state is on a long-term path toward restoring and expanding economic growth.

The pandemic-induced recession appears to have been quite short, with employment levels quickly rebounding after the phased reopening of the economy. Montana had the 16th-smallest job loss among states, giving the state a smaller hurdle to overcome in the recovery.<sup>2</sup> Unemployment claims hit a peak in April and continue to decrease steadily.

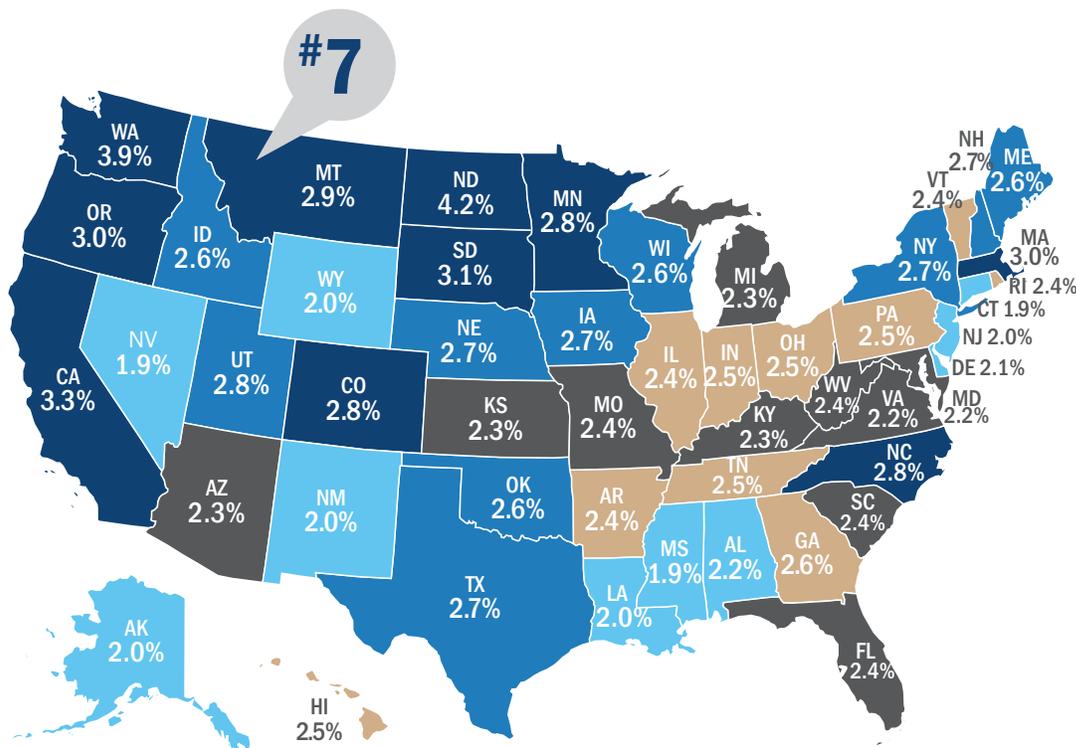
Jobs have been quick to return with roughly 40,000 payroll positions added in May and June, which marks the fastest two-month gain in Montana's history. Thus far, the experience exiting the pandemic recession creates confidence that Montana's economy can recover swiftly and resume its steady progress. Even with a strong recovery and rapid job growth, there are uncertainties created by the pandemic. A mix of further responsive public health containment measures and state and federal support programs, such as passage of another federal stimulus package like the CARES Act, make it likely the pandemic will have continued impacts on our economy.

## ECONOMIC GAINS 2009 – 2020

More than 10 years of economic expansion have added significant wealth and prosperity to the Montana economy. The consistent annual growth in employment, real personal income, and real Gross Domestic Product (GDP) are shown in **Figure 1**. From 2009 to 2019, real GDP expanded by 19.8% from \$39.3 billion in 2009 to over \$47.1 billion in 2019. Personal income expanded by 52% to \$52.4 billion.<sup>3</sup>

Business owners in particular benefited from the economic expansion, with nonfarm proprietor income increasing by 45% from 2009 to 2019, and dividends, royalties, and rents from property owners increased by 73.2% over the decade.<sup>4</sup> With increases in these income components, Montana's real per capita personal income has posted the 13th-fastest growth among states since 2009.<sup>5</sup> Montana's per capita income was \$49,074 in 2019.<sup>6</sup>

**FIGURE 1: Montana's Wage Growth 7<sup>th</sup> among States**  
10-Year Compounding Annual Growth Rates 2009-2019



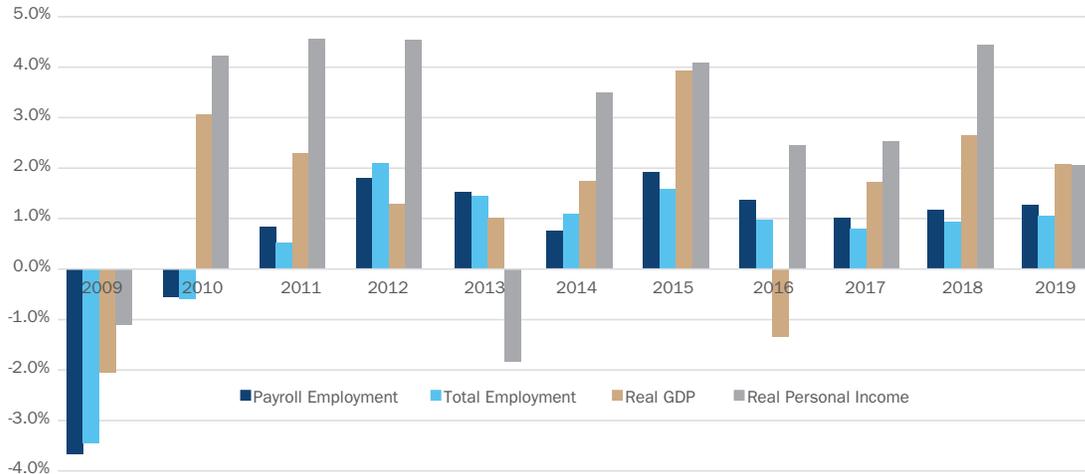
Source: Montana Department of Labor & Industry (MTDLI) using data from the Quarterly Census of Employment and Wages (QCEW) published by the Bureau of Labor Statistics (BLS) and MTDLI.

A tight labor market and a growing economy enabled Montana to achieve the seventh-fastest annual wage growth among the 50 states since 2009, as shown in **Figure 2**. Montana's average annual wage was \$44,875 in 2019, up by one-third (or about \$11,100) since 2009.<sup>7</sup>

Since 2009, Montana's workers and families have seen real wage gains that improve the standard of living and allow Montana workers to afford more goods and services than in the past. Real wages have increased at a compounding rate of 1.1% annually since 2009, with real wage growth in 2019 at 1.6%. Inflation has been low over the last decade, averaging 1.6% each year, compared to the average of 4.0% per year since 1970.

As Montana entered 2020, the state's economy was accelerating and posting strong employment and output growth. This momentum, continuing from the last decade of economic expansion, provided a secure foundation for Montana to weather the unexpected and unprecedented COVID-19 pandemic.

**FIGURE 2: Montana Annual Growth by Employment, Real GDP, and Real Personal Income**



Source: Real personal income estimated for 2019 using annual personal income growth minus the CPI. Other years adjusted by the Bureau of Economic Analysis (BEA). Personal income and GDP from the BEA. Total employment from the Local Area Unemployment Statistics (LAUS), and payroll employment from QCEW, BLS & MTDLI.

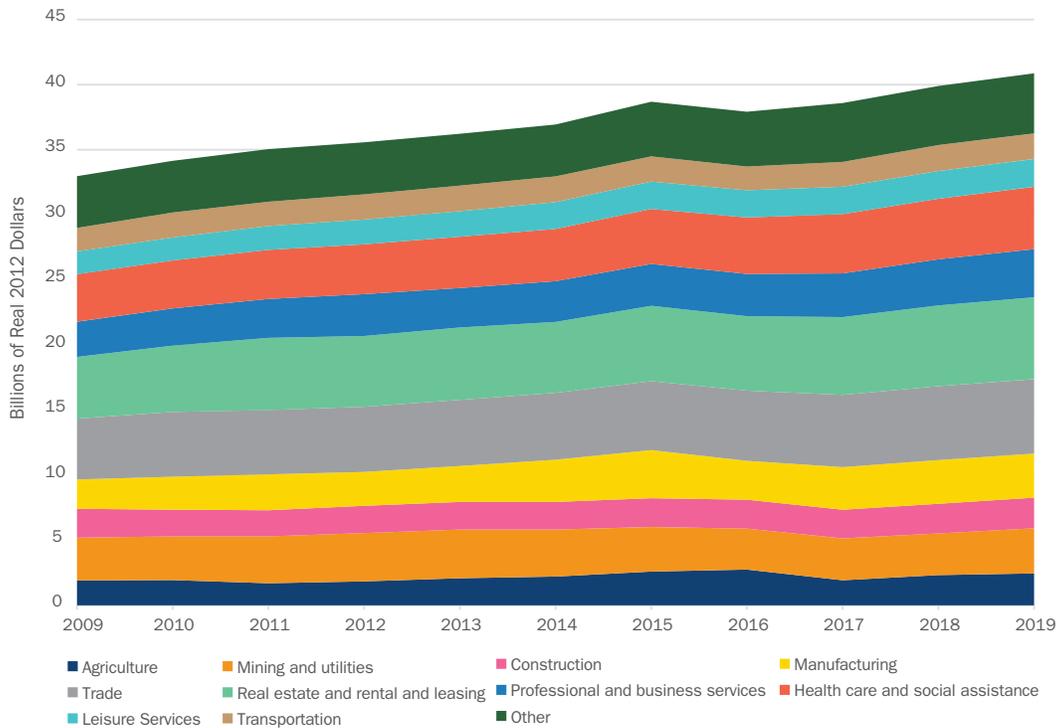
## GDP ANALYSIS BY SECTOR

Montana’s economy has transformed over the last decade. **Figure 3** illustrates the real GDP produced by private Montana industries from 2009 to 2019.

### Economic Sectors

- Real estate regained losses experienced during the 2009 housing crisis, to once again be Montana’s largest industry for GDP by producing \$6.2 billion, or 15.4% of Montana’s total private GDP in 2019.
- Healthcare output has been steadily increasing its GDP contribution, comprising roughly 11% of private GDP in 2009, then growing to nearly 12% by the end of the decade.
- Professional services – which includes engineering, legal services, and many technology services firms – has also become a larger part of the Montana economy, from \$2.7 billion, or 8.2%, of private GDP in 2009 to \$3.7 billion, or 9.1% in 2019.
- Manufacturing has been one of Montana’s strongest growth industries over the last decade, from producing \$2.2 billion, or 6.8%, of private GDP in 2009 to \$3.3 billion, or 8.3% in 2019.
- Mining GDP was impacted in 2014 with a decline in oil prices, causing activity in the Bakken oil fields to slow, while low prices for coal and other energy put additional pressure on the industry in the following years. Lower commodity prices also reduced petroleum manufacturing output, with GDP in petroleum manufacturing dropping from \$2.3 billion in 2015 to \$1.4 billion in 2016.
- Agriculture also began to face headwinds in 2016 with escalating trade disputes that resulted in lower prices for Montana products. Agriculture real GDP hit a peak of \$2.7 billion in 2016, but then dropped to \$1.9 billion in 2017 – a loss of roughly 30%. Agriculture prices have improved from their lows, with the prices received for U.S. crops averaging about 4% higher for the first six months of 2020 compared to the same time frame in 2019.<sup>8</sup>

**FIGURE 3: Montana Real GDP by Industry from 2009 to 2019**



Source: MTDLI using BEA data.

## ECONOMIC ANALYSIS BY REGION

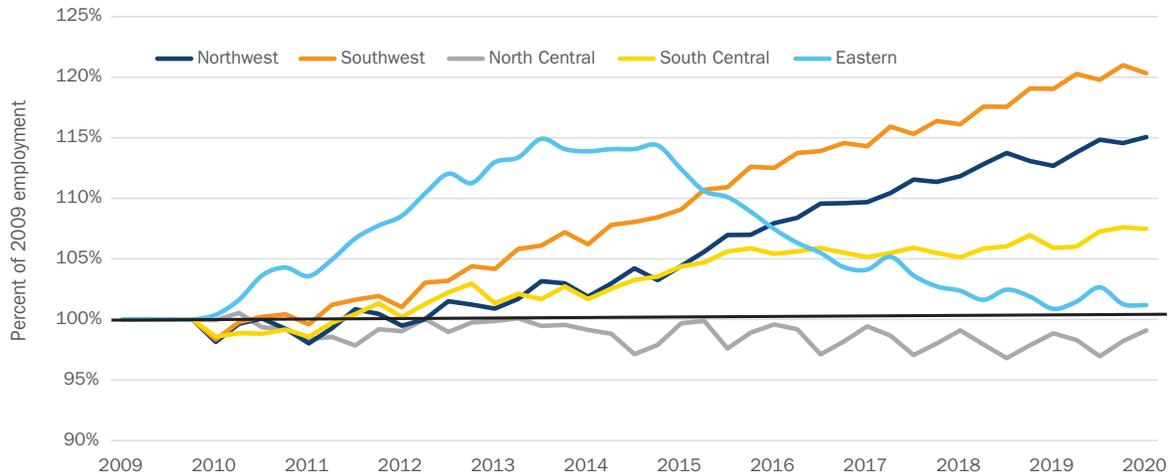
The differences in industry performance over the last decade also resulted in regional disparities in performance across Montana. **Figure 4** illustrates the payroll employment growth in Montana's five economic regions over the previous decade, indexed to the employment level in 2009.

The western regions have been increasing faster in recent years. The expanding service sectors of real estate, healthcare, and professional services are more concentrated in the more populated areas of the state and contributed to strong growth in the Northwest and Southwest regions. The Flathead Reservation also experienced employment growth with the expansion of the service sector.

In contrast, the South Central region around Billings and the Crow and Northern Cheyenne Reservations experienced slower growth since 2016 with the loss of wage earnings from coal and the partial closure of the Colstrip power plant in early 2020. The Eastern region posted strong economic growth during the Bakken boom, up 15% from its 2009 level, but several years of lower mining activity and lower prices for agricultural products have eliminated most of that growth.

Finally, the North Central region has remained stable in the past decade. Its reliance on agriculture has led to more negative impacts from international trade disputes and resulting commodity price declines compared to the more populated regions. A lagging agriculture sector also has slowed economic growth on the Blackfeet and Rocky Boys reservations.

**FIGURE 4: Indexed Payroll Employment Growth by Region**



Source: MTDLI using QCEW data, BLS & MTDLI. Indexed to 2009 same quarter.

## COVID-19 PANDEMIC EFFECTS

As Montana entered 2020, the state's economy was accelerating and posting substantial employment and output growth. The pandemic prompted closures across the world to flatten the curve and keep individuals healthy and safe and sparked a global recession.

In Montana, unemployment claims went from approximately 12,000 people per week in February to five times that level during the peak week of claims in April. Fortunately, the recovery has been rapid, with most jobs coming back as businesses reopened and unemployment rates dropped quickly.

**Figure 5** illustrates the number of people reporting unemployment to the Montana Department of Labor & Industry since March 2020.<sup>9</sup> Claims began to rise in March, reaching a peak of 81,300 people during the week ending April 18.

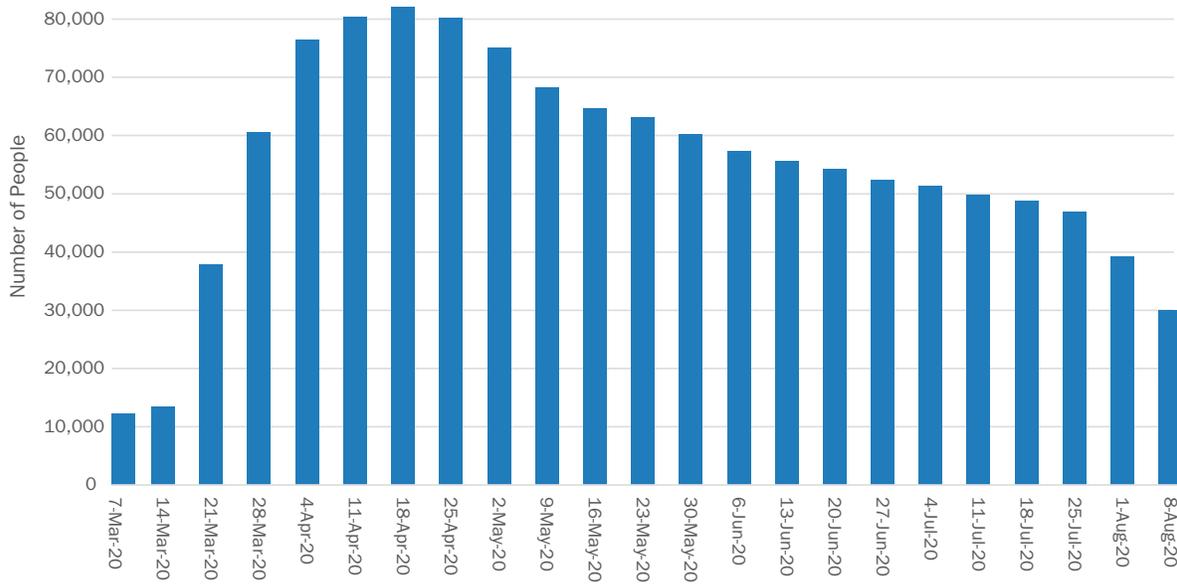
Although economic conditions are the primary reason for the spike in Unemployment Insurance claims, the Unemployment Insurance program has also been considerably expanded through the federal CARES Act stimulus legislation to provide extra benefits each week, extend the length of time individuals can receive benefits, and cover workers who previously would not have qualified for unemployment, including self-employed workers.

Many unemployed Montanans were captured in the April unemployment rate, which peaked at 11.9%<sup>10</sup> but remained several percentage points lower than the U.S. unemployment rate of 14.7% in April.

Fifty thousand fewer Montanans reported unemployment from the April peak in claims to the week ending August 15. An additional 8,000 claimants are working part-time. This rapid decline is the result of businesses reopening and people returning to work.

Montana's unemployment rate has dropped to 6.4% in July, which is closer to normal unemployment levels. Montana had the sixth lowest unemployment rate among states in July.

**FIGURE 5: Montanans Reporting Unemployment Since March**

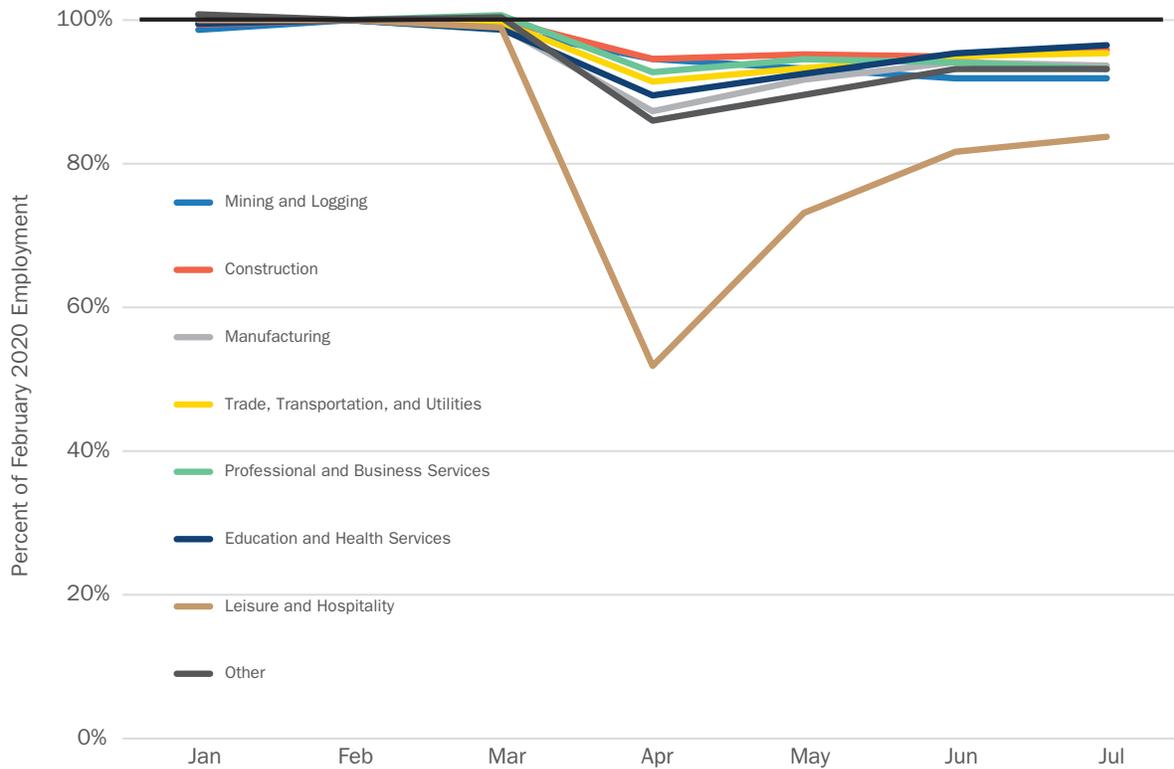


Source: MTDLI unemployment claims data

## PANDEMIC EFFECTS BY SECTOR

- **Figure 6** illustrates payroll employment levels by sector in 2020, indexed to the February peak. All industries have shown improvement from the April recessionary low except the mining and logging industry, which have experienced more permanent job losses unrelated to the pandemic and due to partial closure of the Colstrip power plant.
- The construction industry experienced the smallest impact from the pandemic, losing only 5.4% of its February employment levels.
- Healthcare and the retail sector also had large initial recession impacts, but these sectors have added back 5,600 and 4,000 jobs respectively since April.
- The leisure services industry has been the most impacted by the pandemic recession. The leisure and hospitality industry includes hotels, restaurants, museums, and sporting event venues. The industry quickly regained over 21,000 jobs after lifting the COVID-19 business restrictions, but the industry remains at roughly 84% of its previous employment levels.<sup>11</sup> This industry is likely to recover quickly when consumer confidence is boosted once a vaccine becomes available.

**FIGURE 6: Private Payroll Employment During Pandemic**



Source: MTDLI using CES data.

## PANDEMIC EFFECTS BY REGION

Geographically, the economies in Montana’s rural areas have performed better during the COVID-19 recession than the urban areas of the state, largely because the highly impacted sectors of leisure activities and trade are concentrated in urban areas. Lower population density in rural areas allows for easier social distancing within stores, allowing consumers to feel more comfortable conducting in-store purchases.

Reservation areas experienced similar losses to their surrounding regions. Some tribal communities experienced more significant impacts due to prolonged restrictions at the local level to prevent transmission or fight the virus.

## LOOKING FORWARD

The Montana Department of Labor & Industry’s employment projections suggest that Montana saw the worst pandemic-related effects in April 2020, and the economic contraction is largely over. Economists predict a stable recovery, with continued efforts to address the spread of the COVID-19 virus, protect the health and safety of Montanans, and encourage consumers to return to full spending safely. The forecasts depend on the COVID-19 case counts to stay steady or decrease and the successful development and timely distribution of a vaccine.

Even with a strong recovery and rapid job growth, it is likely that the pandemic will have continued impacts on our economy. The magnitude of the job loss during the first months of the pandemic means that it may take several years for employment levels to come back completely. The desire to provide good employment opportunities for Montanans will drive Montana businesses to continue to innovate in providing protective equipment for their employees and customers, flexible work arrangements, and more remote work opportunities for professionals.

Montanans have already demonstrated their resiliency and have overcome many of the challenges presented during the first six months of the pandemic, and the state is prepared to continue addressing challenges into the future with cooperation, compassion and ingenuity. Working together, Montanans will overcome pandemic-related economic obstacles and ensure economic growth and prosperity for themselves, their families, and their communities for many years to come.

## Endnotes

---

<sup>1</sup>Payroll jobs from Quarterly Census of Employment and Wages (QCEW), Bureau of Labor Statistics (BLS) and the Montana Department of Labor & Industry (MTDLI). Accessed July 2020. Economic output as measured by GDP, Bureau of Economic Analysis. Comparing 2009 and 2019 annual.

<sup>2</sup>Trautman, Emily. "The COVID-19 Recession: Frequently Asked Questions" June 2020 Economy at a Glance, Montana Department of Labor & Industry. Available at [lmi.mt.gov/Publications](http://lmi.mt.gov/Publications).

<sup>3</sup>All real GDP and personal income estimates throughout the report are from BEA.

<sup>4</sup>Bureau of Economic Analysis, not in real terms

<sup>5</sup>Through 2018, the most recent year of data available. Real per capita personal income, BEA.

<sup>6</sup>Not adjusted for inflation. BEA, per capita income by state 2019.

<sup>7</sup>QCEW, BLS & MTDLI. Real wages calculated using the Consumer Price Index for Urban Consumers (CPI-U), BLS.

<sup>8</sup>National Agriculture Statistics Service, U.S. Department of Agriculture. Prices Received by Crop Sector, July 2020.

<sup>9</sup>Figure 5 illustrates the number of people reporting any type of unemployment claim (both regular and PUA). Not all individuals completed a valid claim, and numbers will differ from the number of claims reported to federal agencies.

<sup>10</sup>All unemployment rates here and throughout the rest of the report are from Local Area Unemployment Statistics, LAUS from BLS and MTDLI.

<sup>11</sup>All employment in this paragraph and the next come from the Current Employment Statistics, BLS and MTDLI.

This report is a publication of the Montana Department of Labor & Industry.

**State of Montana**

Steve Bullock, Governor

Mike Cooney, Lieutenant Governor

**Montana Department of Labor & Industry**

Brenda Nordlund, Acting Commissioner



Montana Department of  
**LABOR & INDUSTRY**

This document printed at State expense. Information on the cost of publication may be obtained by contacting the Department of Administration.