



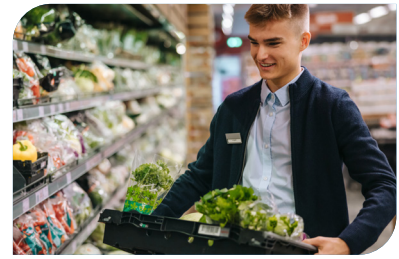
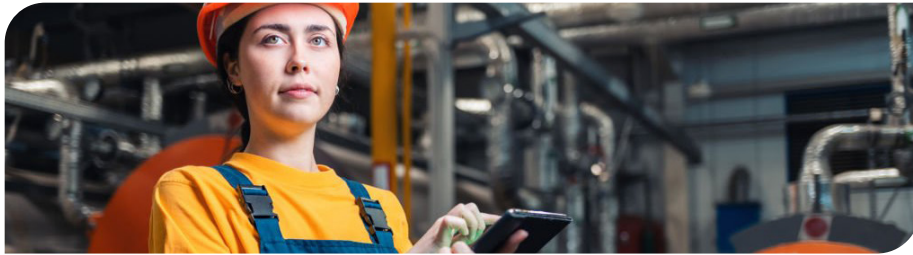
Young Montanans & the Labor Force

Challenges and Opportunities

by Nick Holom, Senior Economist



Montana Department of
LABOR & INDUSTRY

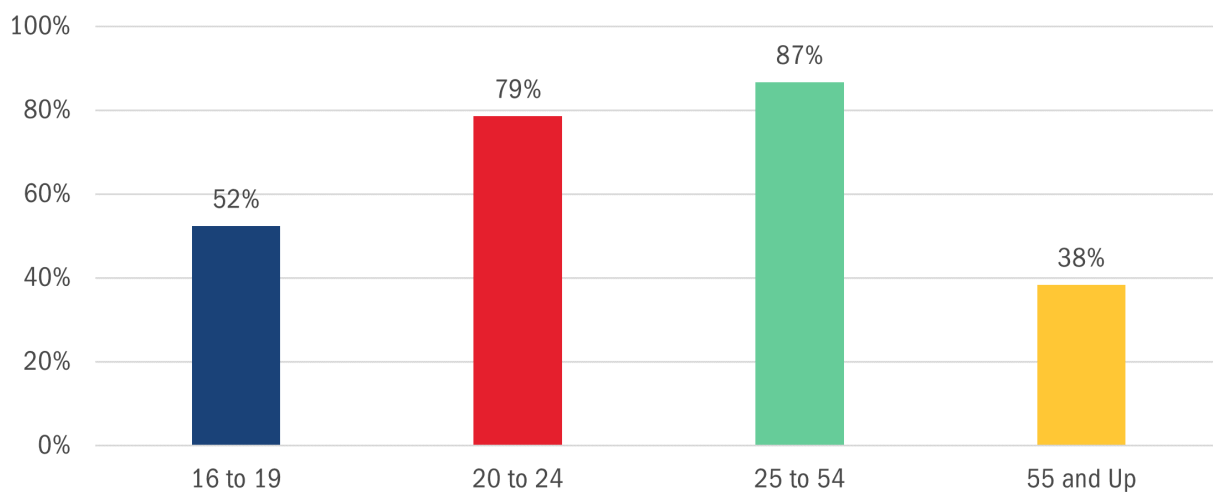


Montana's economy has flourished in recent years, marked by robust growth and record-low unemployment rates. Montanans actively engaged in the labor force have enjoyed a favorable job market, with rising wages and employers vying for skilled workers. However, there's a significant opportunity to harness the potential of the younger demographic. Close to 42,000 Montanans between the ages of 16 and 24 find themselves neither working nor actively seeking employment. While young adults are participating in the workforce at rates similar to those of the 1990s, attracting more young people into the labor market may be one way to close the gap on the current worker shortage. Understanding the diverse array of factors influencing youth labor force participation is crucial for supporting the economic well-being of young Montanans and for meeting the state's ever-growing workforce needs.

Labor Force Participation Among Young Adults

Most young Montanans are participating in the labor force, with 66% of those aged 16 to 24 either working or actively seeking employment. Within this age group, labor force participation increases significantly with age. Only about half (52%) of teenagers aged 16 to 19 are in the labor force, with the rate increasing to 79% for those aged 20 to 24 (**Figure 1**).

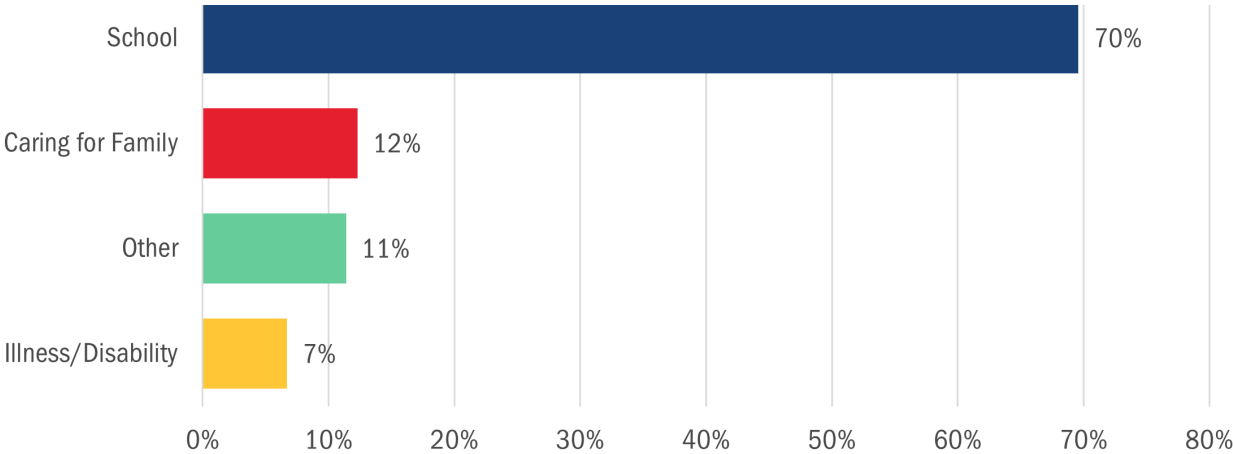
FIGURE 1
Labor Force Participation Rate by Age Group



Source: IPUMS CPS 2023, Montana 2-Year Average.

Most young adults cite school as the reason they aren't participating in the labor force. Over two-thirds (70%, **Figure 2**) of those not participating in the labor force under 25 report that they are pursuing an education, highlighting the importance they place on developing skills and credentials for future job opportunities. With many still financially dependent on parents or family, young people may prioritize investing time in education or building a robust resume for college applications over immediate employment.

FIGURE 2
Those Not Participating in the Labor Force by Main Reason, Ages 16-25



Source: IPUMS CPS, Montana, 2-Year average ending March 2024.

Providing affordable education and training pathways could play a pivotal role in helping young non-workers develop the skills they need to thrive in the workforce. Montana's data reveals a significant wage advantage for graduates with work experience, with these individuals earning an average of \$13,000 more one year after graduation and maintaining higher wages and employment rates a decade later.¹ Employers can engage with students by offering internships, mentorships, and on-the-job training programs, equipping young workers with practical experience while advancing their careers.

While education is the primary reason for non-participation in the labor force, a portion of those 16 to 24 (12%) are not participating because they are providing unpaid care to family members. Notably, non-working young adults provide elder care at higher rates than other age groups. An estimated 9% of non-workers in this age group provide care for elderly family members.²

These findings highlight the contributions of young adults to their families and communities through caregiving responsibilities. However, such responsibilities can also create barriers to pursuing educational or employment opportunities, potentially hindering long-term economic prospects and financial independence. Practices that support work-life balance could help these young adults balance responsibilities more effectively and engage in the labor force without sacrificing caregiving roles.

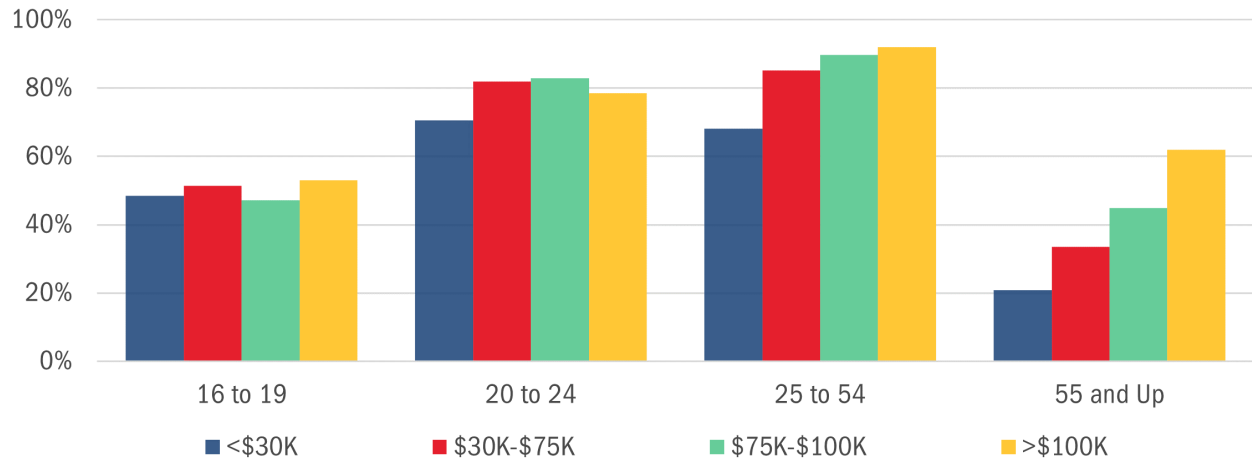
An additional 7% report being unable to work due to illness or disability, underscoring the need for greater engagement of Montana's population with disabilities. Resources for employers who want to hire workers with disabilities are available through Montana's Vocational Rehab Program.

¹ Montana Post-Secondary Workforce Report. Watson et al. 2022. P15. MTCollegeReport2022.pdf
² Average percent across Census Bureau 2023 Household Pulse Survey.

The Influence of Income and Mental Health on Participation in the Labor Force

Young adults 16 to 19 are the only age group in which participation in the labor force shows little relationship with income level (Figure 3). This may be attributed to the fact that many young people, regardless of household income, are still living with parents or other family members, diminishing the immediate financial pressures of employment. Young people who do participate in the labor force may do so due to lack of financial support from family, which would account for higher participation rates among those in the \$30K-\$75K income bracket.

FIGURE 3
Family Income and Labor Force Participation



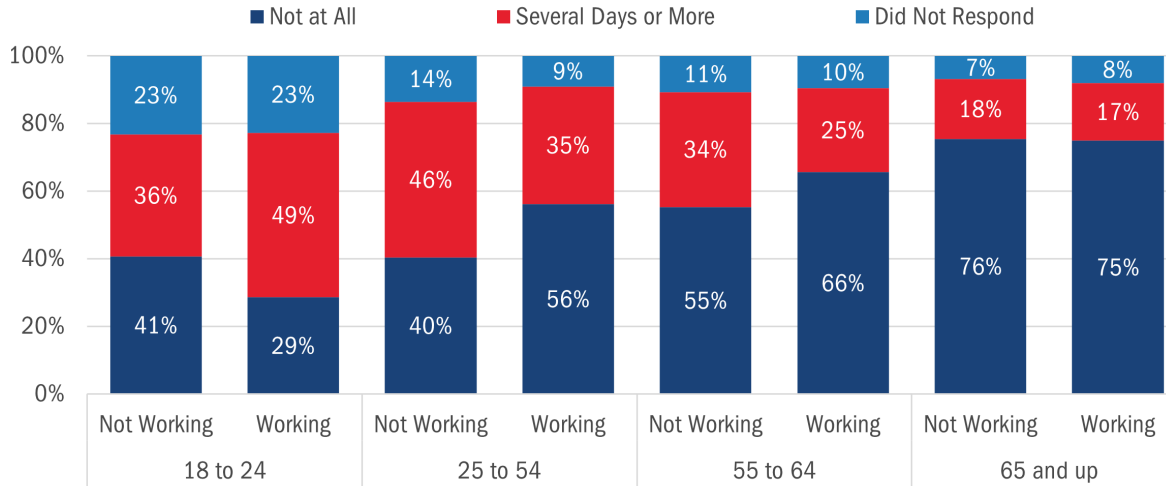
Source: IPUMS CPS, Montana 2-Year average ending March 2024.

For those age 20 to 24, a pattern similar to older age groups emerges, with the lowest income group having the lowest participation rate. One exception to this is that those in the highest income households have a lower labor force participation rate than middle income groups. Those who come from highest income households are also more likely to cite attending school as their reason for not participating, which suggests that financial support from family enables some young adults to focus on education full-time, rather than juggling work and studies.

In contrast, young adults in lower-income households who are not in the labor force are less likely to be in school. These young adults are more likely to cite caring for family members or their own illness or disability as barriers to employment. This highlights how financial pressures, caring for family, and disability may hinder their ability to engage in the labor market or focus on education.

Mental health issues may also impact labor force participation for young adults in Montana. A greater share of young people self-report mental health concerns, such as anxiety and depression, compared to other age groups (Figure 4). Interestingly, the relationship between work status and mental health is reversed for the youngest age group compared to older age groups. Young adults who are employed are more likely to report anxiety and depression (49%) compared to their non-working counterparts (36%). This trend contrasts with older age groups, where employment is generally associated with better mental health outcomes. The prevalence of mental health issues among employed young adults may be linked to financial stress, as a greater proportion of working youth come from lower-income households.

FIGURE 4
Percent Reporting Anxiety or Depression Over the Previous Week by Age Group and Work Status



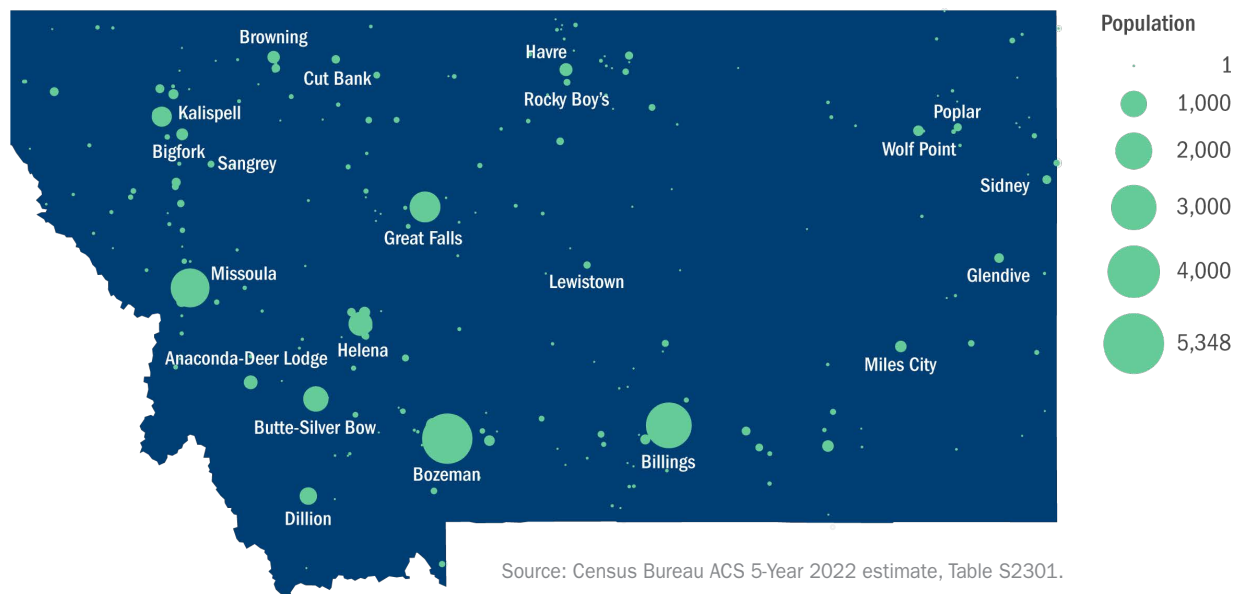
Source: Census Bureau Household Pulse Survey, Montana 2023.

Young People Out of the Labor Force Across Montana

The geographic dispersion of non-labor force participants across the state largely follows the pattern of population distribution, with an increased concentration near colleges and universities – a significant contributor to those not in the labor force (Figure 5).

Bozeman has the highest rate of non-working young adults among the state’s largest cities. About a third (34%) of those under 25 years old living in Bozeman are not in the labor force. Billings has the second highest rate of non-working young adults with 32%. Mid-size cities have similar shares of young people not in the labor force, with Butte, Helena, and Great Falls all at 30%, followed by Kalispell (27%). Less than a quarter (23%) of young people living in Missoula are out of the labor force, despite having a significant student population.

FIGURE 5
Number of Young People Not in the Labor Force by Geographic Location



Source: Census Bureau ACS 5-Year 2022 estimate, Table S2301.

Among areas with young populations between 500 and 1,500 people, the places with the highest share out of the labor force include Big Fork (57%), Dillon (55%), Anaconda-Deer Lodge (37%), and Glendive (36%). For Montana’s smaller communities, shares of those not in the labor force are highest in Poplar (87%), Sangrey (86%), Browning (76%), Rocky Boy’s (69%), and Cutbank (68%).

Notably, lack of reliable transportation emerges as a significant barrier to employment for young adults (Figure 6). Lack of transportation may have more significant impacts in rural areas where public transit options are limited. Remote work opportunities as well as supportive services and employer incentives geared towards addressing transportation challenges could help alleviate this issue and enable greater labor force participation among young people facing economic hardship.

Other Barriers to Employment

The Montana Department of Labor & Industry (MTDLI) conducted a survey of those served by job service programs that help the Medicaid and Unemployment Insurance populations. The survey revealed additional barriers to employment faced by young adults. The results presented below include only those who report a barrier to employment by the percent reporting each specific barrier. Respondents can report multiple barriers.

Lack of transportation was the most common barrier to employment for young adults (see Figure 6). Additional barriers include criminal justice issues, poor personal finances/credit history, lack of a telephone, and lack of housing. While these challenges are encountered among all age groups, those indicating lack of material resources, in particular lack of transportation, appear to be equally or more prevalent among individuals under 25. Supportive services and employer incentives geared towards addressing these issues could help alleviate these challenges and enable greater participation in the labor force.

FIGURE 6
DLI Survey Respondents Reporting a Barrier, 2017-2019

	Under 25	25 to 54	55 Plus
Lack of transportation	38%	25%	15%
Criminal justice issue	25%	30%	13%
Lack of childcare	21%	19%	4%
Lack of telephone	18%	11%	4%
Personal finances/credit history	17%	35%	21%
Mental illness	15%	17%	12%
Poor physical health	14%	21%	33%
Lack of housing	13%	14%	6%
Caring for a family member with health issues	10%	12%	16%
Domestic violence	4%	5%	2%
Drug or alcohol addiction	3%	8%	3%
Age/Ageism	2%	5%	92%

Source: The percent of DLI Survey Respondents who reported a barrier by the type of barrier from RESEA and HelpLink Job Service Programs, 2017-2019.

In addition, a quarter of young people in this population cited having a criminal justice issue as a significant barrier to employment. Offering opportunities for stable employment, regardless of past mistakes that do not directly impact job performance, promotes equitable access to economic opportunities.

Addressing these diverse challenges will be key to ensuring that young people are able to participate in the labor force to their full potential and access economic opportunities that can promote long-term financial stability and self-sufficiency.

Conclusion

Young Montanans represent a valuable pool of potential workers and contributors to the state's economy. While many are engaged in education and unpaid work, a variety of complex factors – including material barriers, mental health challenges, family responsibilities, and criminal justice issues – influence their labor force participation.

By providing accessible education and training opportunities, addressing mental health and financial well-being concerns, supporting work-life balance through family-friendly policies, and offering reintegration support for those with criminal backgrounds, Montana can create an environment that encourages and enables young adults to thrive in the labor force.

Investing in the economic and professional development of young workers is not only crucial for addressing the state's workforce needs but also for fostering a prosperous and sustainable economy for generations to come. By understanding and addressing the unique challenges faced by young Montanans, the state can unlock their full potential as valuable contributors to the workforce and ensure a future of economic growth and opportunity for all.

Tips for Engaging and Supporting Young Workers

Engaging young adults in the labor force and supporting their economic and professional development is crucial for Montana's long-term economic success and growth. There are several opportunities and considerations for engaging and retaining young workers:

- 1. Educational and Training Opportunities:** Offer accessible education and training programs, internships, and on-the-job training to develop essential skills.
- 2. Addressing Material Barriers:** Implement supportive services and incentives to tackle material barriers like transportation, childcare, and housing.
- 3. Mental Health Resources and Awareness:** Provide mental health resources, counseling services, and foster a supportive work environment.
- 4. Balancing Work and Family Responsibilities:** Support work-life balance with flexible arrangements to accommodate caregiving responsibilities.
- 5. Criminal Background and Reintegration Support:** Offer support for individuals with criminal backgrounds to transition into the workforce, reducing recidivism.