

A TALE OF TWO RECESSIONS

AN ANALYSIS OF THE IMPACTS ON HIGH & LOW-WAGE JOBS

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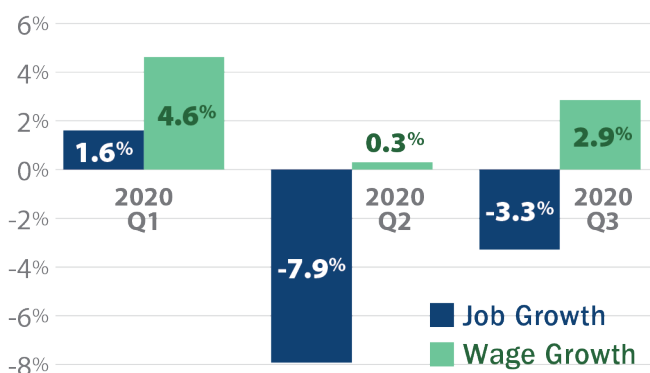
A year has now passed since the coronavirus pandemic came to Montana.

As Montana rebounds from the recession, more data is becoming available to help understand the impacts on the labor market. Montana experienced significant job losses due to the pandemic, yet total wages paid to workers actually increased. This suggests that job losses were concentrated in low-wage jobs, while other jobs saw wages increase enough to offset the job losses. To better understand how this occurred, this month's article will investigate the differing labor market experiences of high- and low-wage jobs in Montana.

2020 Job & Wage Growth in Montana

Montana's total wages grew in 2020 despite the significant job losses that occurred due to COVID-19. **Figure 1** shows over-the-year job and wage growth in Montana for the first three quarters of 2020. In the first quarter of 2020, before the impacts of COVID-19, Montana had positive job and wage growth.

FIGURE 1:
Job & Wage Growth, Over-the-Year, MT 2020



Source: MT DLI Quarterly Census of Employment and Wages

Through the summer and into the fall, employment fell dramatically, while total wages held steady, then increased nearly 3% over the previous year. The divergence of outcomes suggests that job losses were heavily concentrated in low-wage jobs. At the same time, Montana would have had to retain or add high-wage jobs with wage increases large enough to offset the drop in wages from job losses.

To look at job growth trends, jobs will be sorted into high- and low-pay brackets to highlight how outcomes differ depending on earnings. Using Montana's average annual wage (\$44,833 in 2019¹) as a guide, the high-pay bracket is defined as jobs paying over \$50,000 a year, while jobs paying less are placed in the low-pay bracket.²

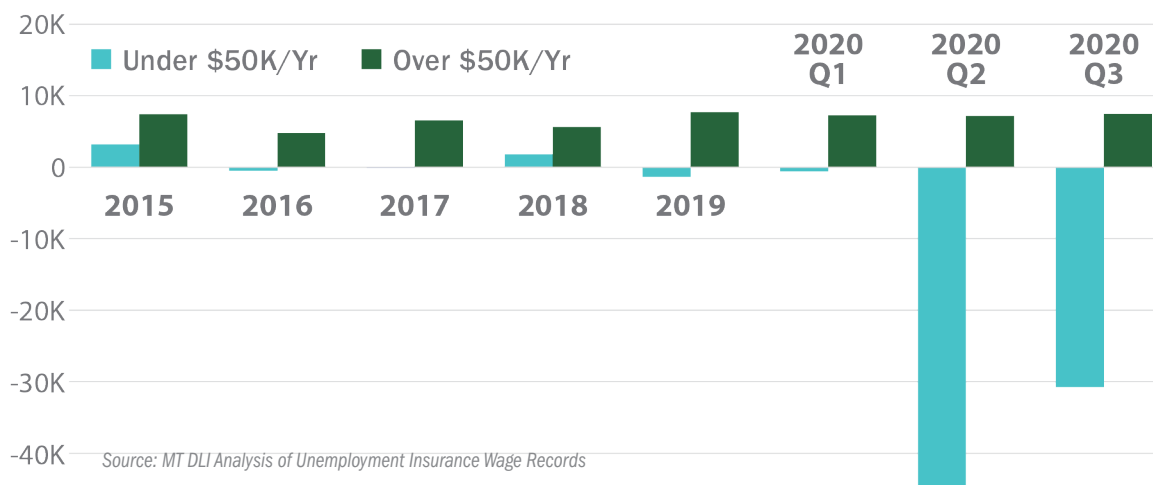
¹ Montana Department of Labor & Industry - Quarterly Census of Employment and Wages (QCEW) for Unemployment Insurance-Covered Employment.

² To classify jobs in this way, individual person-employer records from the Montana Unemployment Insurance program were analyzed. Wage earnings for jobs are summed over the preceding 4-quarter period to determine pay bracket.

Job Growth by Pay Bracket

Jobs in the high-pay bracket make up less than a quarter of Montana's jobs. Leading up to 2020 Montana was consistently adding jobs in the high-pay bracket and increasing their share of total employment. Seen in **Figure 2**, the number of jobs in the high-pay bracket increased every year by about 5,000 to 7,000 jobs from 2015 to 2019, a growth rate of about 5% per year. In contrast, job growth was inconsistent in the low-pay bracket, with the number of jobs paying less than \$50,000 per year decreasing in three of the five years leading up to 2020.

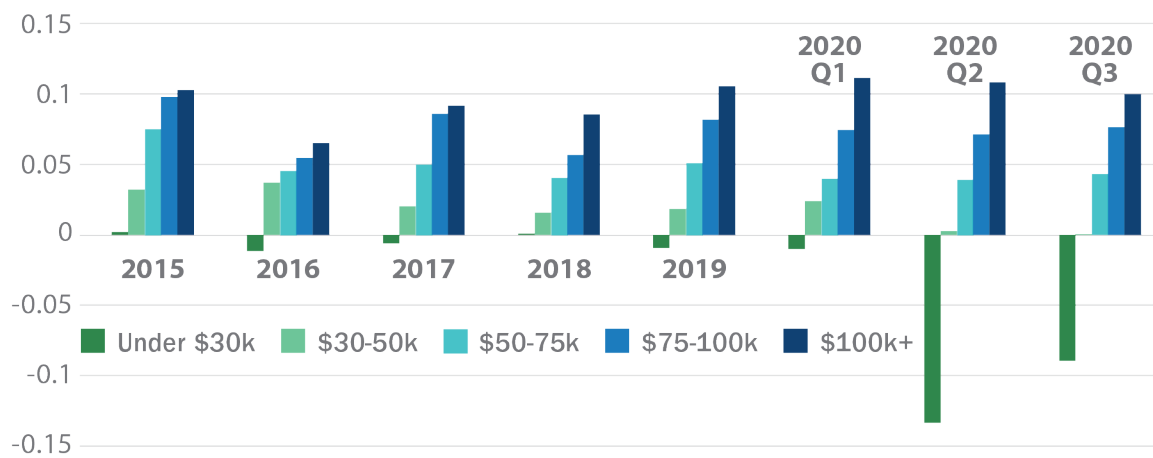
FIGURE 2:
Over-the-Year Job Growth by Pay Bracket



When the COVID-19 recession hit the trajectory of job growth in the high-pay bracket remained positive, with the first three quarters of 2020 putting the state on track for an annual increase of over 7,000 jobs in the high-pay bracket. Job growth in the high-pay bracket can originate from new jobs being created or workers increasing their pay in existing jobs. On the other hand, job losses in the low-pay bracket were steep, with 30,000 (7%) jobs lost over the year in the third quarter of 2020. The 2020 job losses in the low-pay bracket could come from layoffs, a lack of seasonal hiring, as well as workers increasing their pay and moving into the high-pay bracket. The difference in experience for high and low-pay bracket jobs demonstrates the disparate impacts the pandemic has had on the state's workforce.

Within the low-pay bracket, 2020's employment losses were concentrated in jobs paying under \$30,000 per year. As shown in **Figure 3**, the number of jobs paying under \$30,000 per year stagnated leading up to 2020, likely due to low unemployment rates driving up wages above \$30,000 per year for many jobs. Workers had the ability to negotiate higher

FIGURE 3:
Over-the-Year Job Growth by Detailed Pay Bracket



Source: MT DLI Analysis of Unemployment Insurance Wage Records

wages or switch jobs into higher pay brackets, leading to little growth at the lowest pay scale. In 2020 however, the lowest paying jobs were the first to disappear when the recession hit. Sources of these job losses include the slowdown in tourism preventing many seasonal hires, workers in the food service industry being laid off as bars and restaurants closed and/or limited capacity, and customer facing jobs in all industries were affected by decreased business activity in storefront environments.

Employment in all other pay brackets above \$30,000 per year grew prior to and in the first three quarters of 2020. Montana is on track for around 10% growth in the number of jobs paying over \$100,000 per year in 2020, an increase of nearly 1,800 jobs. Similarly, jobs in the \$50,000-\$100,000 range continued to grow through 2020 at a similar pace to previous years. Jobs in the \$30,000-\$50,000 range did not have job losses, but had near-zero growth. Workers at the higher pay levels were more likely to have the ability to telework, have access paid leave or alternative work schedules for handling family care needs, or work in industries that were less-impacted by the recession. The stimulus packages have also played a large role by providing employers with funding to keep their workers employed through the paycheck protection program, covering paid sick leave for COVID impacted workers, offering low cost access to capital, and buoying consumer spending with stimulus checks and enhanced UI benefits.

Industry Impacts

Prior to and through 2020, every industry except Mining was adding jobs in the high-pay bracket. Meanwhile, low-pay bracket job growth was inconsistent across industries. Throughout 2020's first three quarters, every Montana industry except Agriculture had jobs in the low-pay bracket. The greatest job losses during the pandemic were in the Accommodations and food service, Education, and Arts, entertainment, and recreation industries. The across the board losses in low-wage jobs is, in part, a reflection of a slowdown in hiring new and seasonal workers during the pandemic. With businesses facing an uncertain outlook, putting off hiring new workers or replacing exiting employees would result in fewer low-wage jobs.

Regardless of industry, job growth in the high-pay bracket was better than the low-pay bracket. The industries that added the most jobs in the high-pay bracket were Healthcare, Government (federal, state, and local), and Construction. An increase in work hours due to pandemic response increased hours in the Healthcare and Government industries, potentially contributing to their increases. Construction's employment growth in the

FIGURE 4:
Job Growth by Pay Level, Pre- & Post-2020

By Industry

Industry	Annual Averages		Annual Averages	
	Jobs Earning Under \$50K/Yr		Jobs Earning Over \$50K/Yr	
Healthcare	-1,746	302		
Government	-767		976	747
Construction	-311	105		
Professional Services			910	550
Finance & Insurance	-631	-302		
Education	-3,591		603	482
Retail Trade		-262		
Admin Spt & Waste Mgmt	-653	424	372	390
Manufacturing		-13		
Other Services	-1,680	155	193	227
Wholesale Trade		-377		
Transportation	-324		177	176
Real Estate			98	
Agriculture	54	146		85
Utilities	-128	-40	63	
Accommodation & Food	-7,639	1,348		164
Information	-484	-153		
Management		16	33	13
Arts, Entertainment, & Rec	-1,902			
Mining		-149	-27	-233

Source: MT DLI Analysis of Unemployment Insurance Wages and the Quarterly Census of Employment and Wages

2020
Q1- Q3

2015-
2019

2020
Q1- Q3

2015-
2019

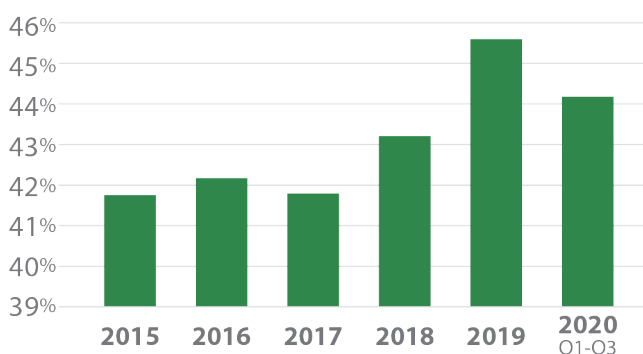
high-pay-bracket reflected an increase in lockdown-inspired home improvement and low interest rates providing cheap financing for both residential and commercial projects. The Finance and insurance and Real estate industries had fewer numbers of new high-pay bracket jobs, but had high growth rates in percentage terms. This reflects the impact of historically low interest rates and the strong real estate market. Even industries that had large losses in low-pay bracket jobs, like Accommodation and food services and Arts, entertainment, and recreation, had slight growth in high-pay jobs.

New High-Pay Bracket Jobs

Growth in high-pay bracket jobs comes from a combination of new jobs and rising wages for existing jobs. **Figure 5** shows the percent of growth in high-wage jobs that comes from new jobs. From 2015 through the first few quarters of 2020, new jobs comprised between 40-46% of the new high-paying jobs in the state. The remaining 54-60% of growth came from workers in existing jobs receiving pay increases through raises, promotions, or increased hours. A new job can originate from a newly created position or job turnover (job switching). When Montana's unemployment rates fell below 4% in 2018 and 2019, the percent of growth coming from new jobs increased, reflecting an increase in job switching that is common in tight labor markets. In 2020, new jobs remained a large part of high-pay bracket job growth

but declined slightly, suggesting that uncertainty in the labor market reduced job switching. Workers that remained with their employers were a significant part of growth in high-pay jobs in 2020, suggesting that many workers were able to adjust their work in the face of the pandemic and increase their total wages.

FIGURE 5:
New Jobs % of High Pay Bracket Job Growth



Source: MT DLI Analysis of Unemployment Insurance Wages

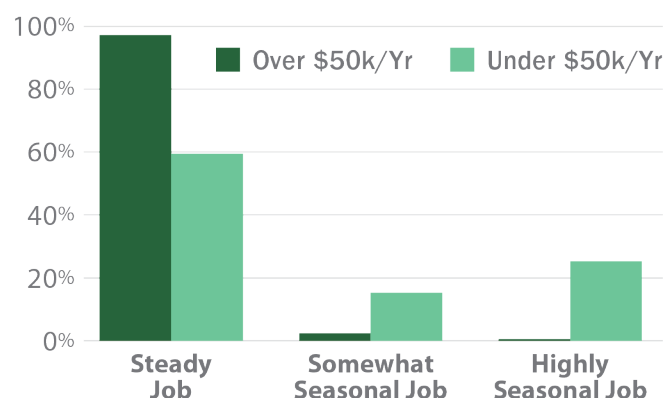
Characteristics of Jobs/Workers by Pay Bracket

Montana's jobs in the low-pay bracket are much more likely to be seasonal and only have earnings for part of the year. **Figure 6** shows the breakdown of high and low-pay jobs by the seasonality of their wage earnings by dividing the job's highest earning quarter's wages by annual wages.³ Just over 25% of low-pay bracket jobs were highly seasonal, suggesting

³ Steady Job = Highest earning quarter is 25-50% of annual wages; Somewhat Seasonal Job = Highest earning quarter is 50-75% of annual wages; Highly Seasonal Job = Highest earning quarter is 75-100% of annual wages.

that a significant portion of the low-pay bracket jobs only lasted one or two quarters of the year. In contrast, 97% of Montana's high-pay bracket jobs had steady pay, suggesting that they paid wages more consistently over the course of the year. With the pandemic coming to Montana in March, just before summer hiring, changes in seasonal hiring could have contributed to a large portion of 2020's job losses. For people who earn the bulk of their income in seasonal employment, losing these earnings would cause significant hardship.

FIGURE 6:
Seasonality of Earnings by Pay Bracket

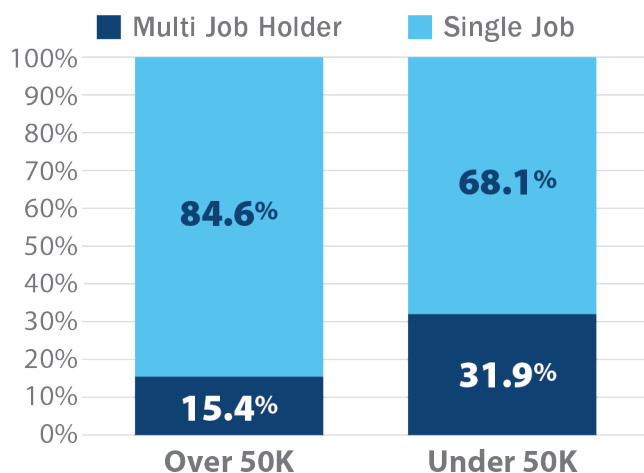


Source: MT DLI Analysis of Unemployment Insurance Wages

Workers with jobs in the low-pay bracket are more likely to have multiple jobs than workers who have jobs in the high-pay bracket. Nearly a third of workers whose jobs fall in the low-pay bracket have a second job that provides an additional source of wages. In contrast, only 15% of workers who have a job in the high-pay bracket earn additional income from a second wage-paying job. For multiple job holders in the low-pay bracket a second job can bring total wages up to a level comparable to holding a single high-pay bracket job. About 14% of those multiple job holders earned over \$50,000 in a year when combining

the wages of multiple jobs. While multiple job holders who lost jobs during 2020 may have been able to continue to work in their second jobs, these workers are more likely to be in low-pay bracket jobs and have lost a significant share of their wage earnings. It is important to note that all these workers may have other “side gigs” or self-employment income on top of their primary job's earnings that isn't captured in wage data.

FIGURE 7:
Multiple Job Holding By Pay Bracket
Montana 2019



Source: MT DLI Analysis of Unemployment Insurance Wages

Conclusion

While the pandemic changed many aspects of Montana's economy, the number of high-pay jobs in Montana continued to grow. Job losses in 2020 were concentrated in low-wage jobs that paid below \$30,000 per year. The inconsistency of job growth between high and low-wage jobs suggests the pandemic had disparate impacts on the state's workforce. While many Montanans still find themselves out of work, the growth of high-pay bracket jobs in a bright spot for the state's recovery.