Recruiting Montana

Why Unfilled Jobs are at an All-time High in the Big Sky State

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In September 2021, Montana’s economy reached a record high employment level, with the labor force just shy of its pre-pandemic peak. Continued economic growth faces a barrier – a labor force at full employment. With an unemployment rate at 3.3% in September, nearly all Montanans seeking work are employed. The number of unemployed workers has not been this low since 2007, making it difficult for businesses to fill open positions. As a result, monthly unfilled job openings have reached levels well above any observed data. This month’s article explores data on job openings and labor turnover to better understand trends in the labor market and where the worker shortage is having the most effect.

Montana’s Job Openings, Hires, and Separations

Job openings in Montana surged in 2021, with Montana’s job openings level hitting 39,000 in August 2021 (Figure 1). Increasing consumer demand coupled with a shortage of available workers led to more job openings remaining unfilled, even after businesses made 27,000 hires during August. Job openings are a strong barometer of economic trends, increasing as the economy expands and declining during a downturn. From 2002 to 2015, hires in Montana were above job openings. As hiring levels get closer to or below that of job openings businesses

Job Openings: All positions that are unfilled on the last business day of the month. The positions must be ready to hire and be actively recruiting workers from outside the business.

Hires: All additions to the payroll during the month.

Layoffs & Discharges: Involuntary separations initiated by the employer. Referred to as discharges throughout the article.

Quits: Employees who left voluntarily. Excludes retirements and separations due to disability.
have more difficulty recruiting workers and positions remained unfilled for longer. During the expansion leading up to the 2007 recession, Montana’s unemployment rates reached 3.2%. Worker shortages became a concern as levels of hires and job openings converged.

In the expansion leading up to 2020, worker shortages became an issue again as hires and job openings converged, with job openings eventually surpassing hires in 2018. The fact that hires fell behind job openings suggests that there is more difficulty in worker recruitment than during previous expansions. Montana’s population has been aging, with the large baby boomer population retiring without enough people in the younger generation to replace them. The pandemic has worsened this issue as challenges like childcare, school schedules, risk of illness, and caring for yourself or family members have decreased the work hours that Montana’s workers have available for work. In the past year, the gap between job openings and hires expanded, illustrating even more difficulty for businesses to fill jobs. Job openings will remain high until labor force growth resumes or businesses find productivity gains that eliminate the need to hire.
Job openings can be created by businesses growing, but also from regular worker turnover. Businesses often need to hire replacements when a worker quits or retires, or when an employee is let go (called a discharge). Figure 2 shows discharges and quits in Montana. During periods of economic expansion, quits often outpace discharges as workers make regular job switches to move up the career ladder, and business layoffs are less frequent. On the other hand, during downturns and recessions, discharges by businesses increase and quits are less frequent because workers become less confident in the availability of other jobs.

At the start of the pandemic in 2020, Montana had a combined 81,000 layoffs and discharges in March and April, along with elevated levels of layoffs in the fall and winter. For many businesses, these workers were quickly rehired following short-term closures. However, issues such as a lack of childcare and COVID risk led many workers to leave the labor market around this time. Additionally, many workers switched to other jobs. In the second quarter of 2020, about one in four workers who left their primary job quickly found work with a new employer. Businesses looking to fill positions that these workers left likely took an extended time to fill, pushing job openings levels up. Quits in Montana also quickly rose back to pre-pandemic levels in 2020. Workers were likely attracted into job switches by rising wages and a more favorable job market—average annual wages rose by $3,500 in Montana in 2020. Additionally, some workers may have quit jobs when community spread of the coronavirus was high.

**Job Openings and Quits are Above the National Average**

Historically, the rate of job openings and quits in Montana’s labor market is above the national average (Figure 3), a reflection of the seasonal nature of Montana’s economy. As a percentage of total employment, job openings are at 7.5% in Montana compared to 6.6% nationally. Quits were 3.3% of employment in Montana compared to 2.9% nationally.

In Montana, the rate of quits was high prior to the pandemic. Through the latter half of 2020 and 2021, quit rates quickly returned to high

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1 US Census Bureau, LEHD, Job-to-Job Flows 2021Q2 Release
levels after quits dropped significantly during the first two months of the pandemic. In contrast, the national quits rate has not only rebounded, but exceeded levels from before the pandemic.

The pandemic appears to have had a lesser impact on worker quits in Montana. Montana’s tight labor supply prior to the pandemic already contributed to high levels of quits, while the pandemic has reduced worker supply nationally so that the labor market environment is now more like Montana’s. Additionally, Montana’s quits rate only returning to pre-pandemic levels implies that quits are not the cause of Montana’s rapidly rising job openings rate.

At 7.5%, Montana’s job openings rate in August ranks seventh among states. Alaska ranks first at 9%, followed by Kentucky and Georgia. Regionally, states in the mountain west and southeast of the U.S. tend to have higher job openings rates. Kansas, Hawaii, and South Dakota have the lowest job openings rates at about 5.5%.

Much of the Midwest has lower job openings rates than other areas of the country. In terms of quits, Montana is closer to the middle at the 18th highest quits rate. Much of the northeast has lower rates of quits, with the lowest quits rates in Connecticut, New York, and Pennsylvania. Kentucky and Georgia have the two highest rates of quits, which may also explain their high job openings rates as worker quits can lead to job openings when businesses try to replace workers.
Prior to the pandemic in December 2019 Montana ranked fourth for job openings rate and fifth for quits rate among states. The quit rate fell closer to the middle of states as a result of the pandemic having a smaller impact on quits in Montana than many other states. However, Montana continues to have a job openings rate among the highest of states due to a strong economic recovery and impacts that the pandemic has had on labor force participation.

**Industry Changes**

Not all industries have an equal experience when it comes to unfilled job openings and worker quits. Some industries generally have a higher job openings and quits rate, particularly the accommodations and food service and arts, entertainment, and recreation industries. Typically, industries with high rates of worker churn also have lower wages and high levels of seasonal and part-time work. High job openings and quits rates can also be reflective of a growing industry. Since the start of 2020, some industries have seen large changes in their job openings and quit rates, reflecting changes in worker behavior that affects the ability of employers to recruit and retain workers.

While job openings data is only available nationally, some trends may reflect Montana’s industry experience. In 2021, the rate of unfilled job openings grew the most in the accommodations and food service, mining and logging, and manufacturing industries. For each of these industries, the job openings rate has doubled since the beginning of 2020. In accommodations and food service, the job openings rate rose from 5.1% of total employment in January 2020 to 10.2% of employment in August of 2021. In other words, for every 10 jobs in the industry, one unfilled job existed. Mining and manufacturing also had large increases in the job openings rate, in part because each had relatively low job openings rates prior to the pandemic. However, the strong economic recovery and surge in consumption has led to significant demand for the outputs of these industries, increasing demand for workers.

Not all industries have experienced significant increases in quits. In fact, quit rates declined in the real estate and mining industries. Rising quits at the national level is largely driven by changes in quits in the accommodations and food service industry which rose from 4.6% of employment before the pandemic to nearly 6.8% as of August 2021. The industry with the next highest quits rate
is retail trade, at only 4.7%. In August, about one in 14 workers quit a job in the accommodations and food service industry. Many economists and labor market observers attribute the high rate of quits in the accommodations and food service industry to workers seeking higher wages and better working conditions. The wholesale trade industry saw the greatest growth in quit rate, rising nearly 70% since the start of 2020 up to 2.7%. Workers in the wholesale trade industry may be experiencing long hours and a high stress work environment due to the supply chain crunch, leading to increased quits. Worker quits in the manufacturing industry have also increased more than many other industries, contributing to the industry’s rising job openings rate.

**Looking Forward**

Montana’s labor market is experiencing record levels of job openings in its rebound from the pandemic recession. Tight labor market conditions are likely to continue for some time, as much of Montana’s increasing job openings rate can be attributed to a slowly growing labor force. Businesses that are able to streamline the recruitment process or attract workers back into the labor market are likely to have the most success growing and filling open jobs. Simplifying job application processes and increasing transparency on pay and benefits in job postings can go a long way to catching the attention of workers in a limited pool of recruits. Frequently, job seekers are looking for work but have barriers keeping them from applying for jobs. Investments in worker retraining can bridge skill gaps, increasing childcare availability for employees can remove a major barrier to working, and increasing flexible remote work arrangements can expand the pool of potential applicants. The Montana Department of Labor & Industry has numerous resources for businesses, including data dashboards that can be used track the continuously changing labor market, visit [wsd.dli.mt.gov](http://wsd.dli.mt.gov) or [lmi.mt.gov/home/job-tracking](http://lmi.mt.gov/home/job-tracking).