



FEATURED ARTICLE:

The Montana Labor Day Report 2022: A Summary

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PAYROLL EMPLOYMENT BY INDUSTRY

In Thousands - Seasonally Adjusted*

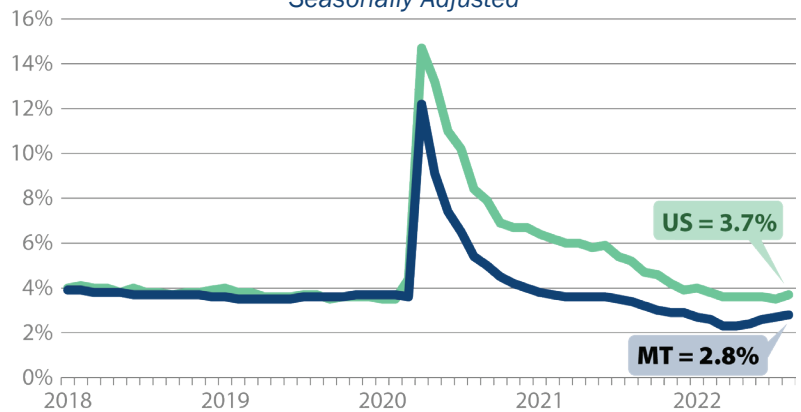
Industry	Aug 2022 (prelim)	July 2022	Net Change	% Change
Total Non-Ag Employment	506.3	506.8	-0.5	-0.1%
Natural Resources & Mining	7.0	7.0	0.0	0.0%
Construction	33.5	34.0	-0.5	-1.5%
Manufacturing	22.6	22.6	0.0	0.0%
Trade, Transportation, & Utilities	98.8	99.0	-0.2	-0.2%
Information	5.6	5.6	0.0	0.0%
Financial Activities	27.7	27.6	0.1	0.4%
Professional & Business Services	49.0	49.2	-0.2	-0.4%
Education & Health Services	82.6	82.3	0.3	0.4%
Leisure & Hospitality	72.2	72.1	0.1	0.1%
Other Services	19.0	18.8	0.2	1.1%
Total Government	88.3	88.6	-0.3	-0.3%

*Excludes self-employed and agricultural employment

Montana's total non-agricultural payroll employment decreased by 500 jobs over the month, for a total of 506,300 non-agricultural jobs in August 2022.

UNEMPLOYMENT RATE

Seasonally Adjusted

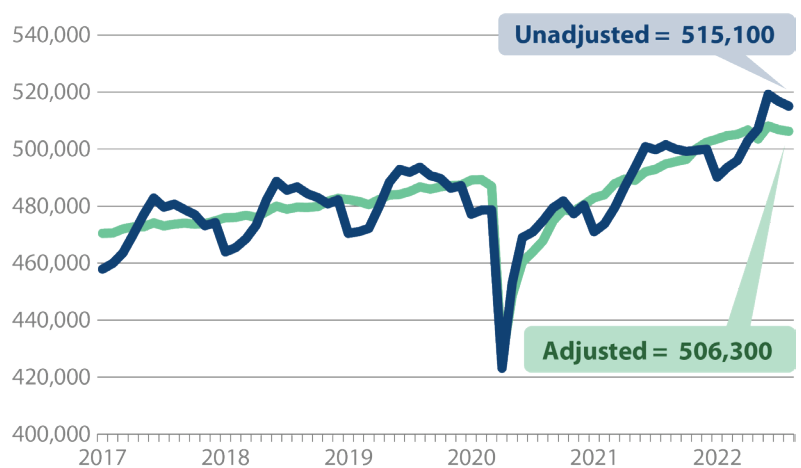


Montana's unemployment rate increased over the month, reaching 2.8% for August 2022 from July's rate of 2.7%.

Over the same time period, the U.S. unemployment rate also increased, rising to 3.7% in August from July's rate of 3.5%.

NON-AGRICULTURAL EMPLOYMENT

In Thousands



Montana Department of
LABOR & INDUSTRY

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MONTANA LABOR DAY REPORT 2022

A Summary

By Nichlos Holom, Senior Economist

Each year on Labor Day, the Montana Department of Labor & Industry issues a report on the Montana economy called the Labor Day Report. This article summarizes this year's report. The full report is available at lmi.mt.gov/publications.

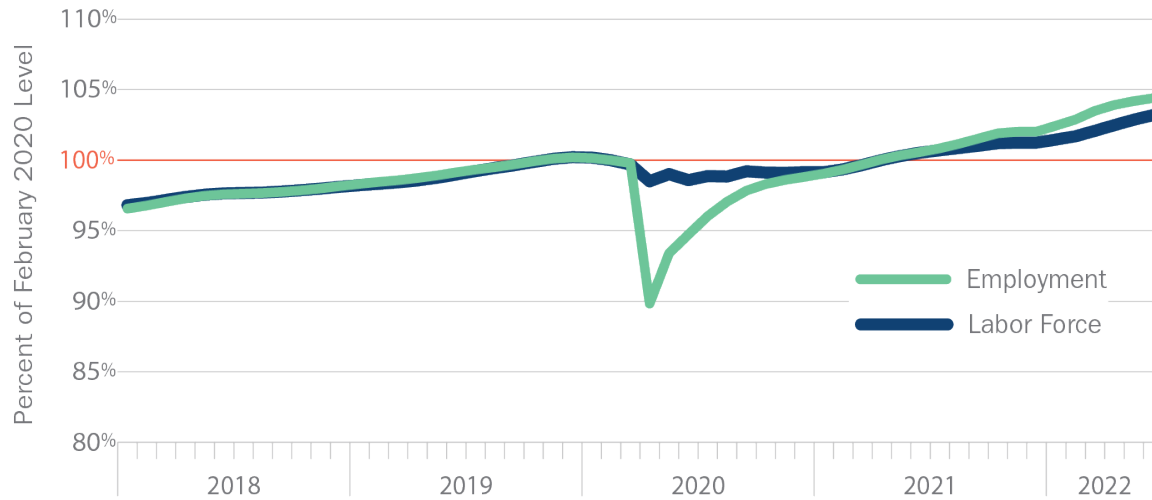
Montana's Strong Economy Meets Tight Labor Markets

Following a quick recovery from the pandemic, Montana's economy moved into expansion territory and continues to grow two years after the fallout from the pandemic. Employment growth in 2021 was the fastest ever recorded and Montana's GDP (a measure of the total production of Montana's economy) had its fastest growth since 1980. Montana has had strong economic performance compared to other states, with the 7th highest growth in GDP and the 5th fastest employment growth. However, headlines about labor market tightness and surging prices loom over an otherwise vibrant economy and are sending mixed signals about the economic outlook. This article provides a summary of Montana's economy on Labor Day 2022.

Labor Market Recovers Quickly

The pandemic shutdown in 2020 brought large layoffs and a loss of 10% of pre-pandemic employment within a month (**Figure 1**). As the COVID vaccine became available in early 2021, consumer activity resumed urged on by economic stimulus that put more spending money in peoples' pockets. Total employment recovered to the pre-pandemic levels in April of 2021 and has continued to grow. In 2021 Montana added 19,568 jobs—the highest one-year growth in the history of the data series. With employment growing rapidly, the unemployment rate fell to its lowest level ever in March and April of 2022 (2.3%). Compared to other states, Montana experienced the 5th fastest total employment growth (4.4%) and 3rd fastest payroll job growth (3.8%) since February 2020.

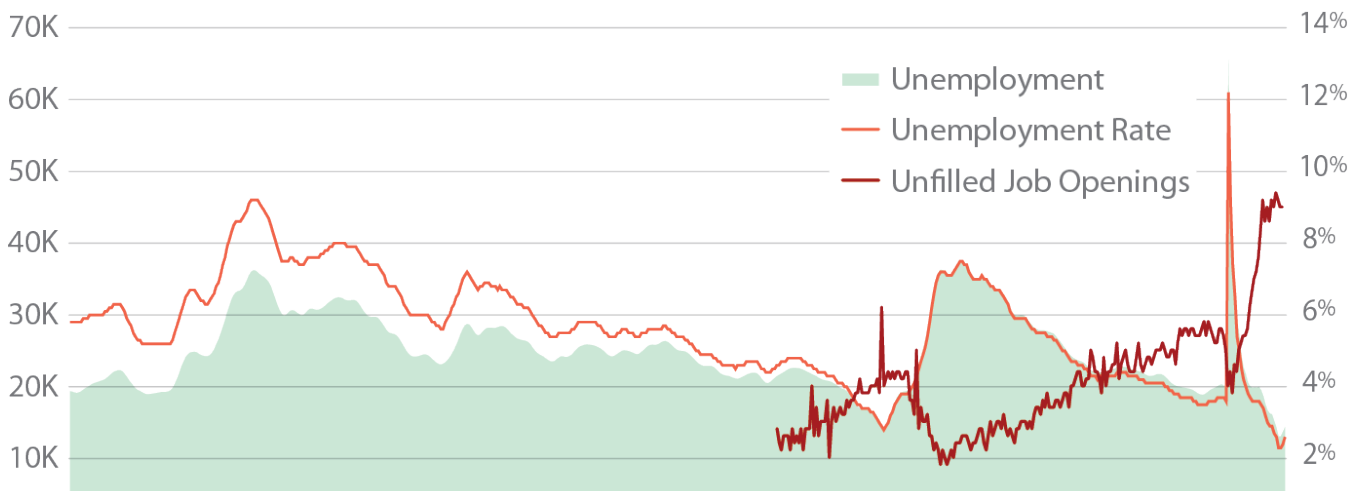
FIGURE 1
Montana Labor Market Recovery and Expansion



Source: Local Area Unemployment Statistics, Montana, Seasonally Adjusted.

Fast employment growth has made it easier for workers to find jobs. By mid-2022, only about 14,000 workers were unemployed (2.6% of the labor force), making it especially difficult for employers to recruit. This difficulty in recruiting workers has led to record high numbers of unfilled job openings, with roughly three unfilled job openings for each unemployed worker in the first half of 2022. Unfilled job openings have had a long-term increasing trend as unemployment rates slowly declined through the last decade. However, following the pandemic unfilled job openings have settled about 18,000 openings higher than they were in February 2020. This increase of unfilled job openings post-pandemic is well above the pre-pandemic trend (roughly 12,000 jobs higher than it would have been had it followed the same trend from 2009 onward), suggesting it is not just a supply side shift that is impacting worker shortages, but an increase in demand for workers as well.

FIGURE 2
Montana Unemployment, Unemployment Rate, & Unfilled Job Openings

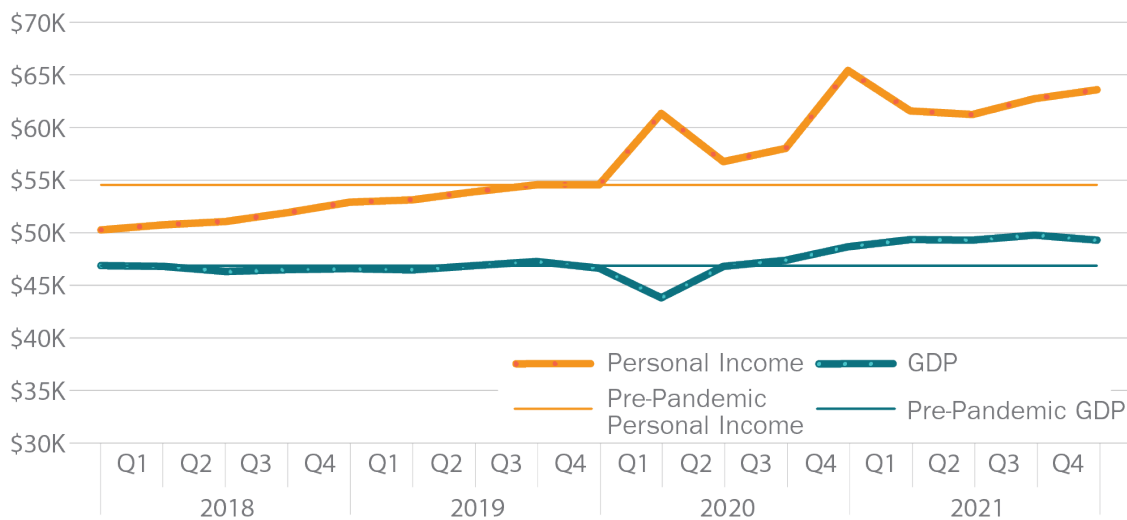


Source: Local Area Unemployment Statistics, Montana, Seasonally Adjusted.

Stimulus Pushes Incomes and Production Up, Then Prices Rise

With Montanans back to work and consumer spending boosted by economic stimulus, personal income grew quickly through 2021 (**Figure 3**). Montana's personal income, which includes wages and salaries as well as rents and government transfers grew at the 12th fastest rate in the nation in 2021, bringing per capita personal income up to \$56,672. Increases in personal income were due to more than just growing wages and salaries, as passage of ARPA brought another round of economic impact payments and enhanced unemployment benefits that contributed to personal income as well.

FIGURE 3
MT Personal Income and GDP 2018 - 2022 Q1 (In Millions)

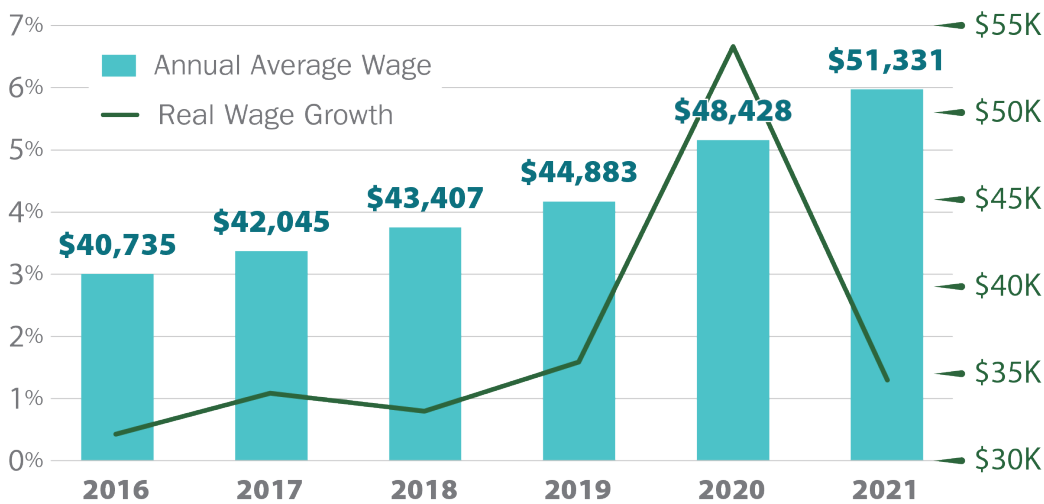


Source: US Bureau of Economic Analysis, Montana. Dashed lines represent pre-pandemic peak.

Montana's GDP recovered from the pandemic by the end of 2020 and continued to grow by nearly \$2.4 billion in 2021 (**Figure 3**). Montana's 2021 GDP growth was the 3rd fastest among states. Montana's GDP growth far surpassed the inflation experienced in 2021, with real (inflation-adjusted) GDP growing by 6.7% in 2021—the 7th fastest real GDP growth among states. For a historic comparison, the average annual real GDP growth in the ten years prior to the pandemic (2009 to 2019) was 1.7% per year. The 6.7% growth in 2021 was nearly four times faster than the pre-pandemic average, and the fastest annual growth experienced in the state since 1980. As of the most recent quarter, 2022Q1, GDP dropped slightly in Montana, but remains well above the pre-pandemic trend.

Employers looking to capitalize on high consumer demand competed over limited workers, putting upward pressure on wages. As a result, Montana's average annual wage rose to \$51,331 in 2021, growing 5.9% for the 10th fastest increase in the nation (**Figure 4**). Rapid wage growth kept real wage gains positive in 2021. Despite accelerating inflation cutting into purchasing power, real wages increased by 1.6% in 2021.

FIGURE 4
MT's Average Annual Wage and Real Wage Growth, 2016-2021



Source: Quarterly Census of Employment and Wages, Montana, and CPI-U.

Growing wages and incomes created strong demand for goods and services, putting upward pressure on prices. At the same time, supply of goods and services was strained by ongoing COVID outbreaks affecting global supply chains. The invasion of Ukraine in February 2022 put even more strain on global supply, driving up food and energy prices. In June 2022 energy prices were 42% higher than they were one year earlier and 55% higher than in February of 2020. Despite real wage gains in 2021, other data suggests that hourly wages may not be keeping pace with inflation. Before 2021, real growth in the average hourly wage for private sector workers was strong, but the inflation of the past year and a half has been faster than growth in the hourly wage. Inflation may continue to cut into the purchasing power of peoples' wages, though measures of inflation are starting to show signs that prices may be leveling out.¹

Industry Performance

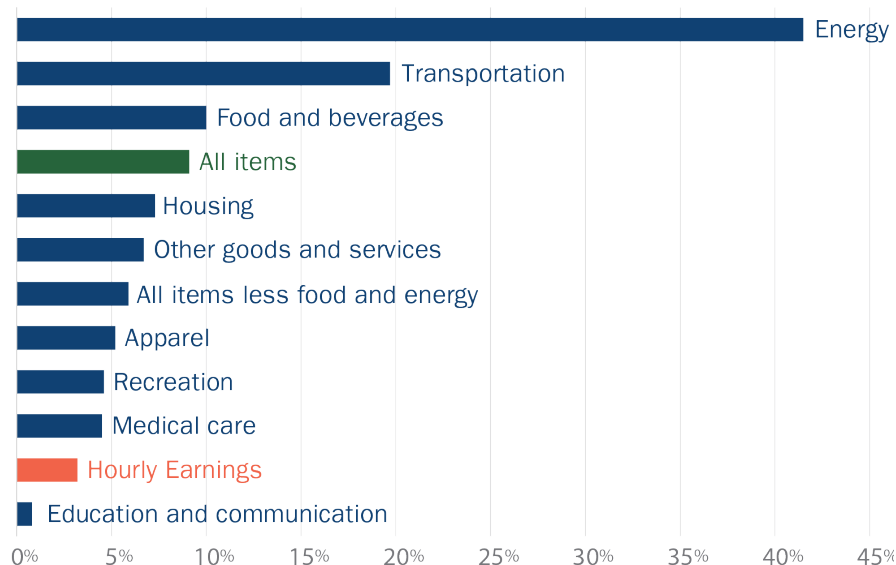
Industries have had mixed performance when it comes to the economic recovery. For some such as construction, the pandemic had very little effect. Construction saw only a small decline in payroll employment in April 2022, and had the largest two-year growth, growing by 10.3% from 2019 to 2021. Business services, which includes accounting and legal services as well as architectural firms, was well-insulated from pandemic effects with most of its employment easily able to shift to work from home. It saw the second largest two-year growth in employment, growing by 8%. The leisure activities industry had one of the steepest drops in employment in 2020, losing 45% of its total employment in April of 2020. It had a strong recovery, but in 2021, average payroll employment remained about 1,000 jobs below employment levels in 2019. Trade, transportation, and utilities had strong performance through the pandemic, with retail trade buoyed by stimulus, though the transportation industry has faced some losses due to fewer people traveling in 2020.

¹ <https://www.bls.gov/news.release/cpi.nr0.htm>

Workers in Short Supply

Though Montana has more workers in the labor force than ever before, it still faces low unemployment rates and tight labor markets. The main driver of the labor shortages continues to be the growing number of retirees, as the baby boomer generation first reached retirement age in 2011 and continues to exit the labor force (**Figure 5**). Since 2011, the number of people who are out of the labor force due to retirement has increased by approximately 50,000 people.

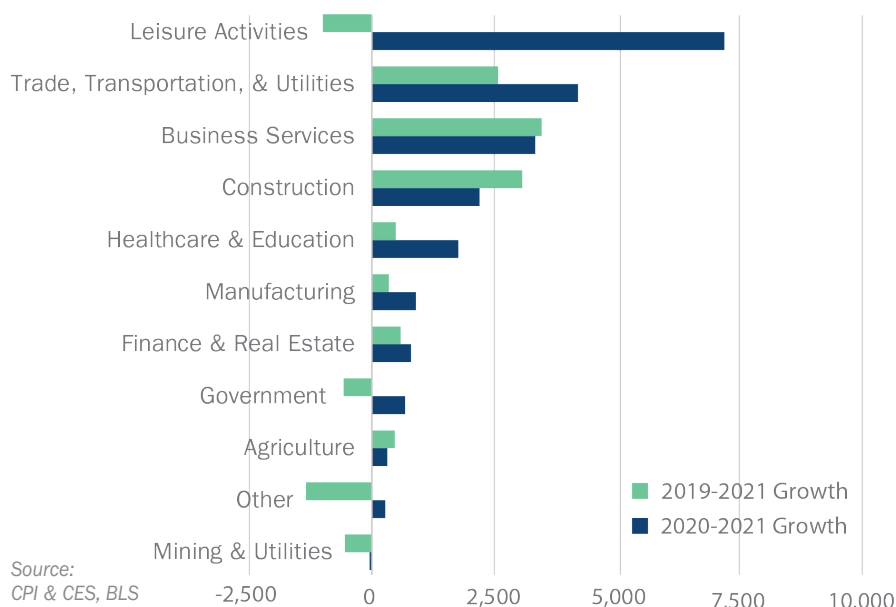
FIGURE 5
Percent Change in Prices
June 2022 compared to June 2021



Source: Quarterly Census of Employment and Wages, Montana 2019-2021.

As the labor shortage is unlikely to be alleviated any time soon, employers will need to find better ways to engage populations currently not participating the labor force. Many retirees are interested in working but only under the conditions that allow them to enjoy their retirement.² For parents, better access to affordable, consistent childcare could improve their ability to participate in the labor force and increase the hours they are available, as many continue to work reduced hours post-COVID.³

FIGURE 6
Payroll Job Growth by Industry

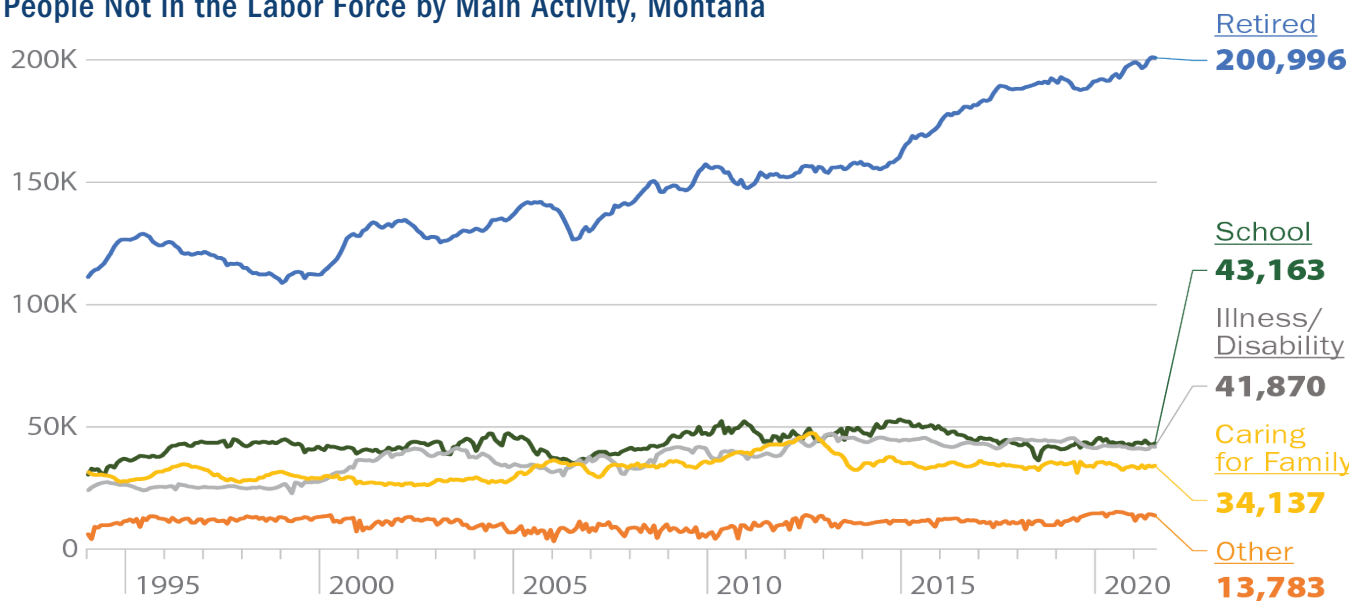


Source:
CPI & CES, BLS

Younger workers, many of whom are attending school, would benefit from opportunities that provide training and give them marketable skills that progress their careers. Those with an illness or disability may need accommodations in the workplace or remote work opportunities which could make it easier for those who have difficulty with mobility. Finally, employers may need to better analyze and streamline the tasks performed in the workplace and make more efficient use of the workers they already have.

² The American Working Conditions Survey Finds That Nearly Half of Retirees Would Return to Work. Maestas, et al, 2019. https://www.rand.org/pubs/research_briefs/RB9973-1.html

FIGURE 7
People Not in the Labor Force by Main Activity, Montana



Source: IPUMS CPS

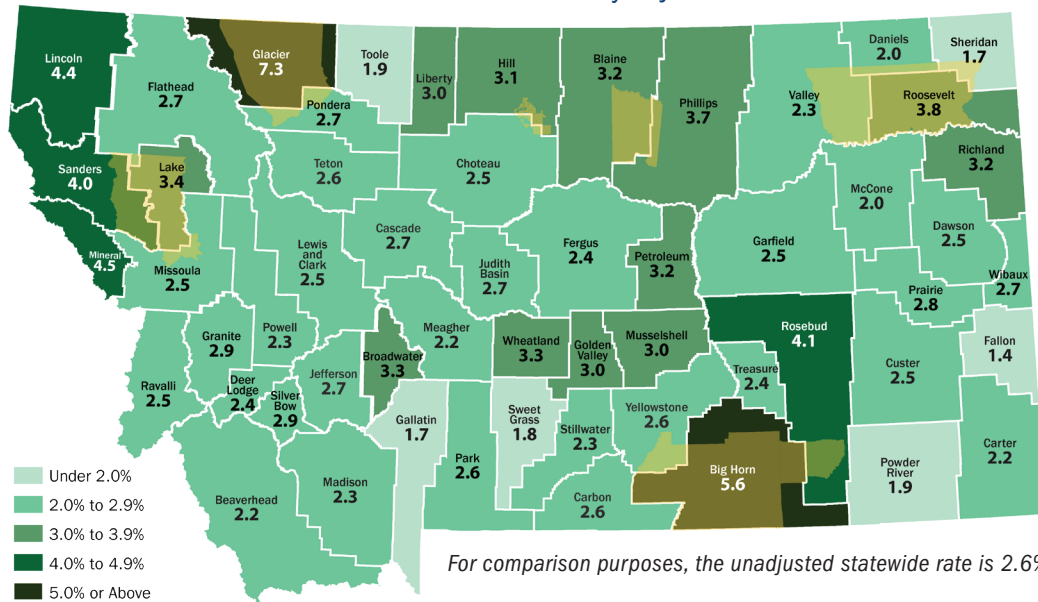
Conclusion

Coming out of the COVID pandemic, Montana's economy had a strong recovery and continues to expand, offering plentiful opportunity to all Montanans. Montana has more workers in the labor force than ever before, and growth in Montana's GDP remains well-above pre-pandemic trends. Rapid growth has contributed to some difficulties, such as rising prices and the exacerbation of demographic-driven labor shortages, but also brought prosperity to Montana workers who have seen their incomes rise. Continuing to bring workers into the labor market, either by tapping into retirees or those with other life constraints, will be key for sustained economic success, as will investments in new business practices and innovative products. This Labor Day, Montana is well-positioned to continue addressing these challenges and grow into the future.



COUNTY AND RESERVATION UNEMPLOYMENT RATES – AUGUST 2022

Not Seasonally Adjusted



For comparison purposes, the unadjusted statewide rate is 2.6%

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