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Maine Center for Workforce Research and Information

Glenn A. Mills

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Putting Maine Job Growth in Context

Report for Labor Commissioner Jeanne Paquette
May, 2014

Glenn Mills
Chief Economist
Center for Workforce Research
Maine Dept. of Labor
www.maine.gov/labor/cwri/

Glenn.mills@maine.gov

207-621-5192

In recent months many news headlines, statements, op-eds and interest group reports have portrayed workforce and economic conditions in Maine negatively. Here is a sample of headlines:

“Maine’s falling unemployment rate isn’t all good” *Portland Press Herald, March 26, 2014*

“Deeper dive into employment data finds continuing weakness” *Bangor Daily News, Aug. 27, 2014*

“Maine remains in the pits on job creation” *Bangor Daily News, July 6, 2013*

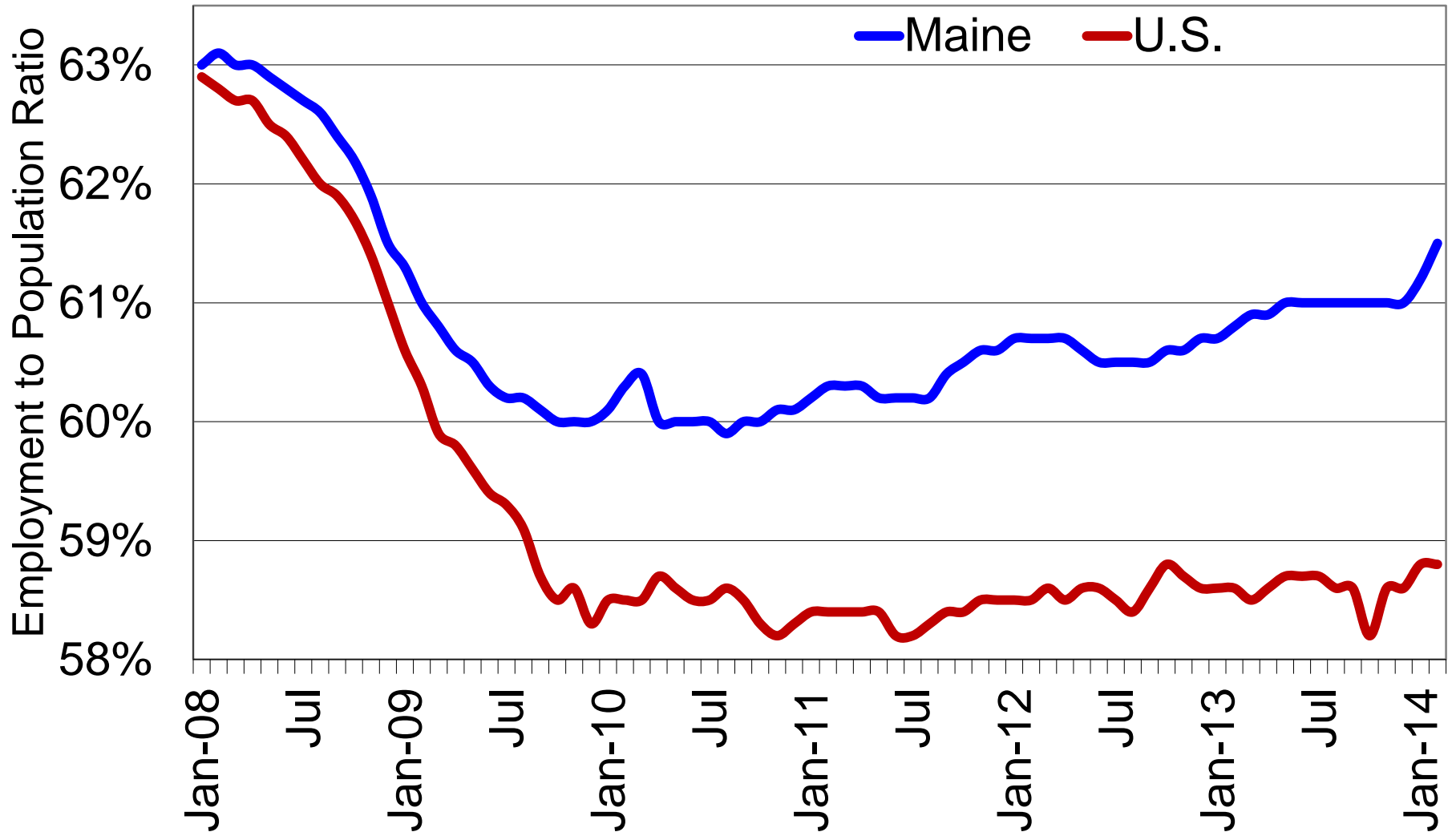
“Employment growth among older Maine workers outpaces nation” *MaineBiz, April 1, 2014*

“Maine’s economy a mixed bag” *Portland Daily Sun, April 8, 2014*

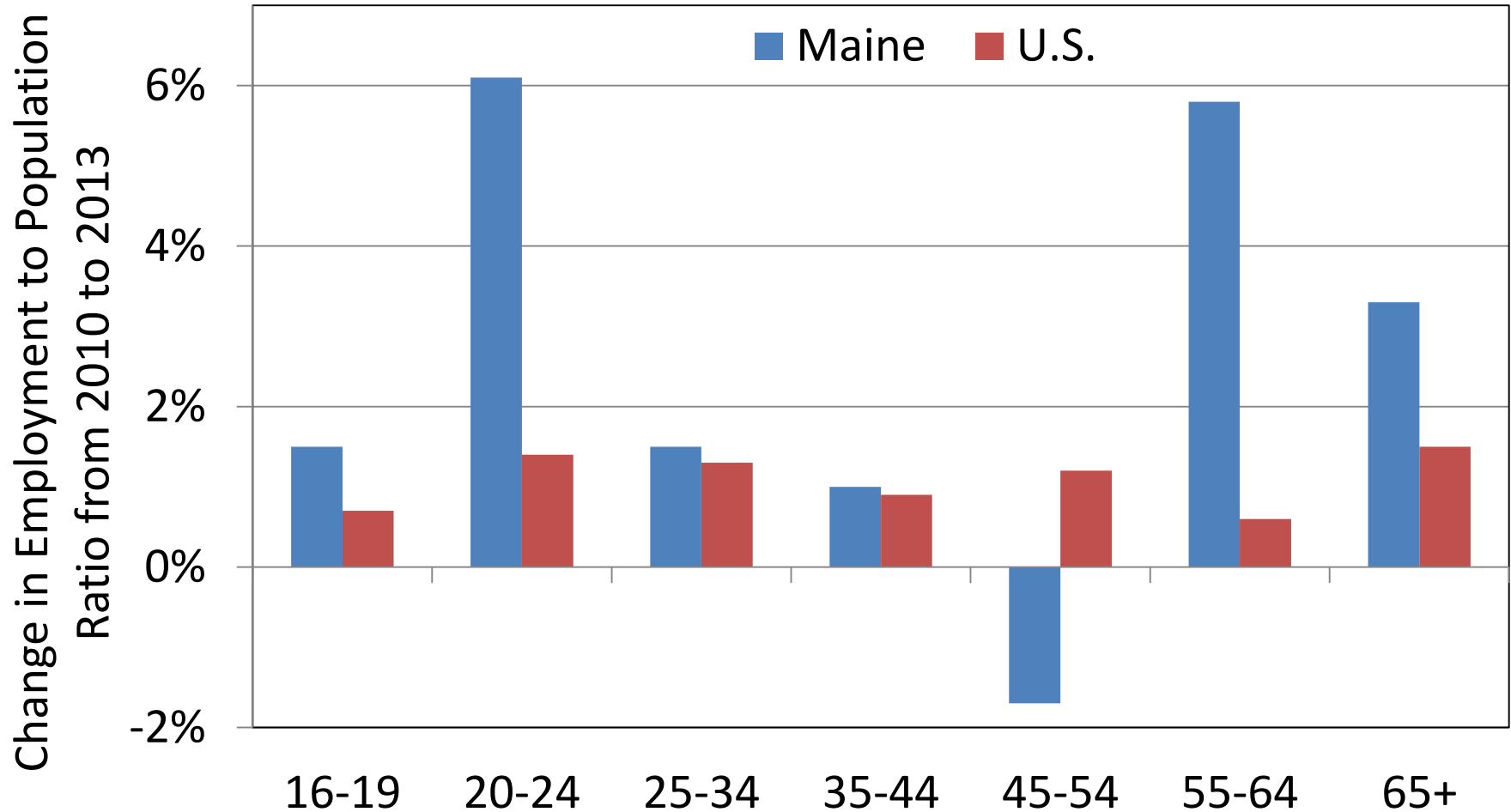
Our chief economist has consistently characterized trends since the recession more positively than news accounts portray in conversations with me and in presentations to groups. While Maine is outperforming the nation and most states getting people re-employed during the recovery, our chief economist warns that we face constraints to growth with our more advanced age structure. I asked for this brief presentation *Putting Maine Job Growth in Context*. The following charts provide a clear, honest picture of improving workforce conditions and trends since 2010 and early 2011.

Jeanne Paquette, Commissioner, Maine Department of Labor

The share of employed population has been rising steadily for four years, while the U.S. employment to population ratio has been virtually unchanged and is much lower.

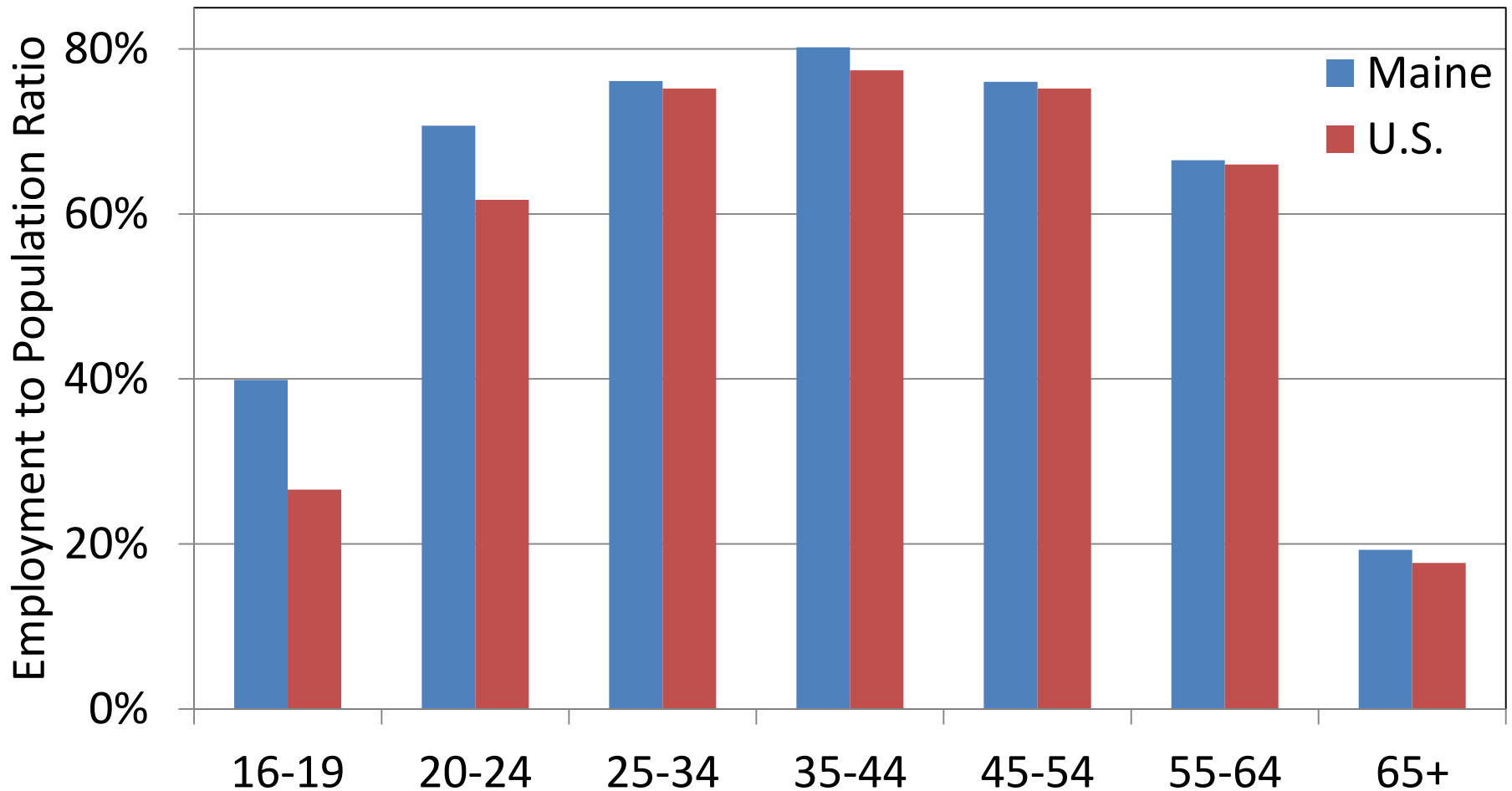


Focusing on a rising share of employed age 55 and over ignores the faster than national rise in the share employed in six of seven age groups from 2010 to 2013...



These figures come from the Current Population Survey. Estimates for individual age groups are based on small samples and can vary from year to year.

...And ignores the fact that employment to population ratios are higher in Maine than the U.S. in every age group in 2013, especially among those under 45

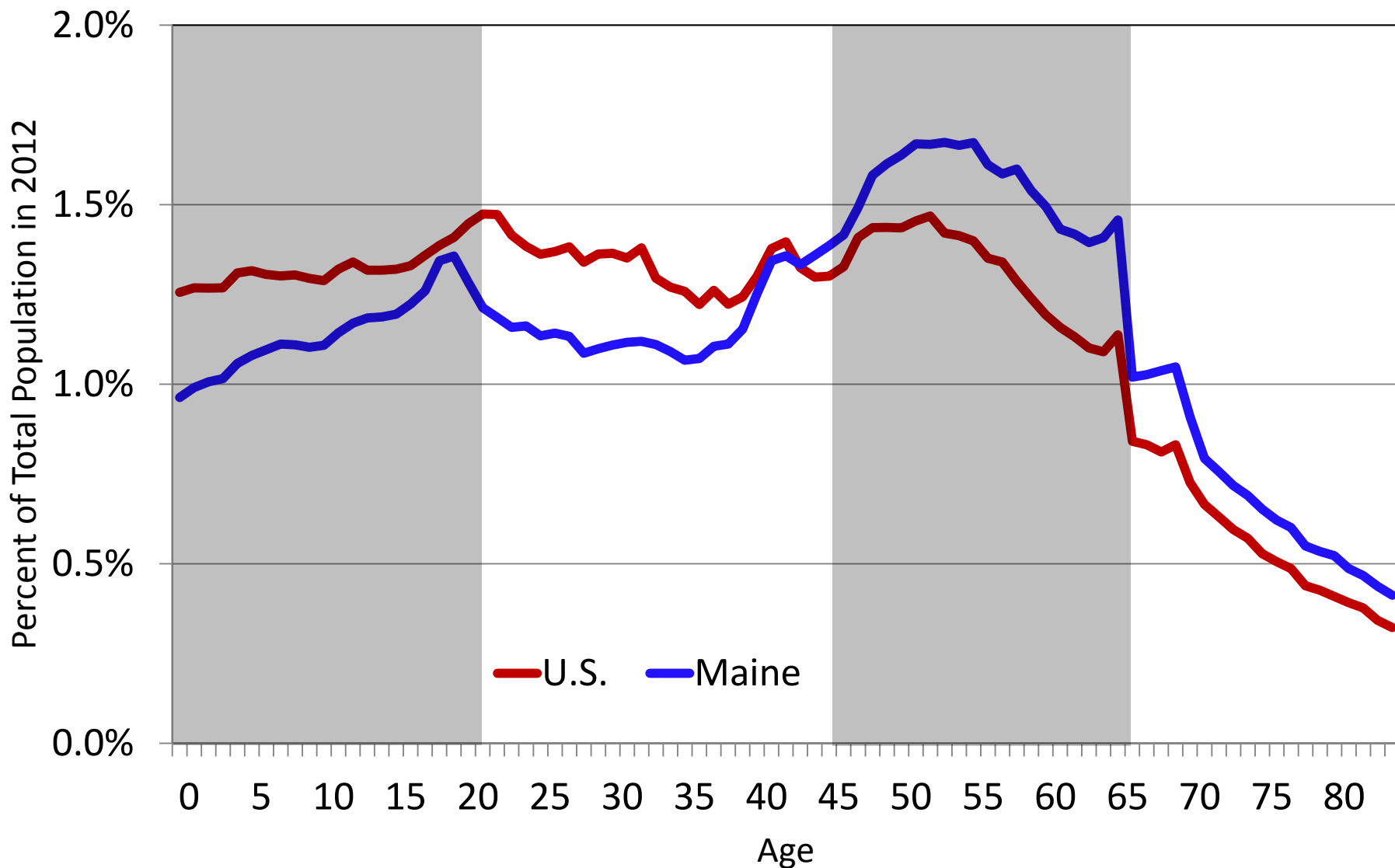


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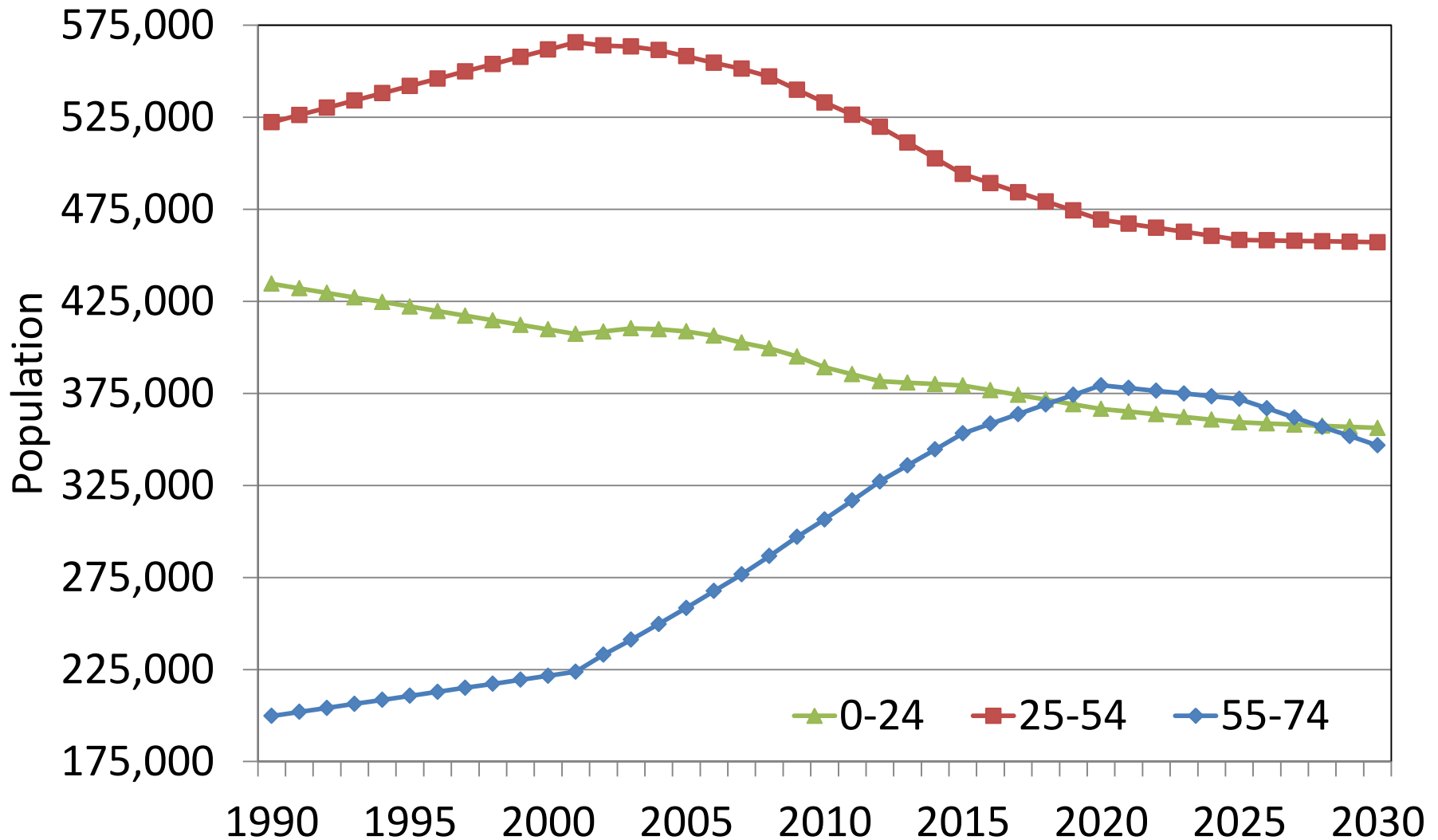
If Maine is outperforming the nation getting people re-employed, how can we be 49th in net job growth since January 2011? Why is the U.S. much closer to pre-recession job levels than Maine?

Like many northeastern states, Maine has little population growth and a much larger share of people aging beyond their peak years of labor force participation. This situation developed over decades; it is more extreme in Maine than other states.

Our “oldest state in the nation” status is primarily due to an unusually high share of Baby Boomers in their 50s & 60s at or near retirement...who didn't have many kids

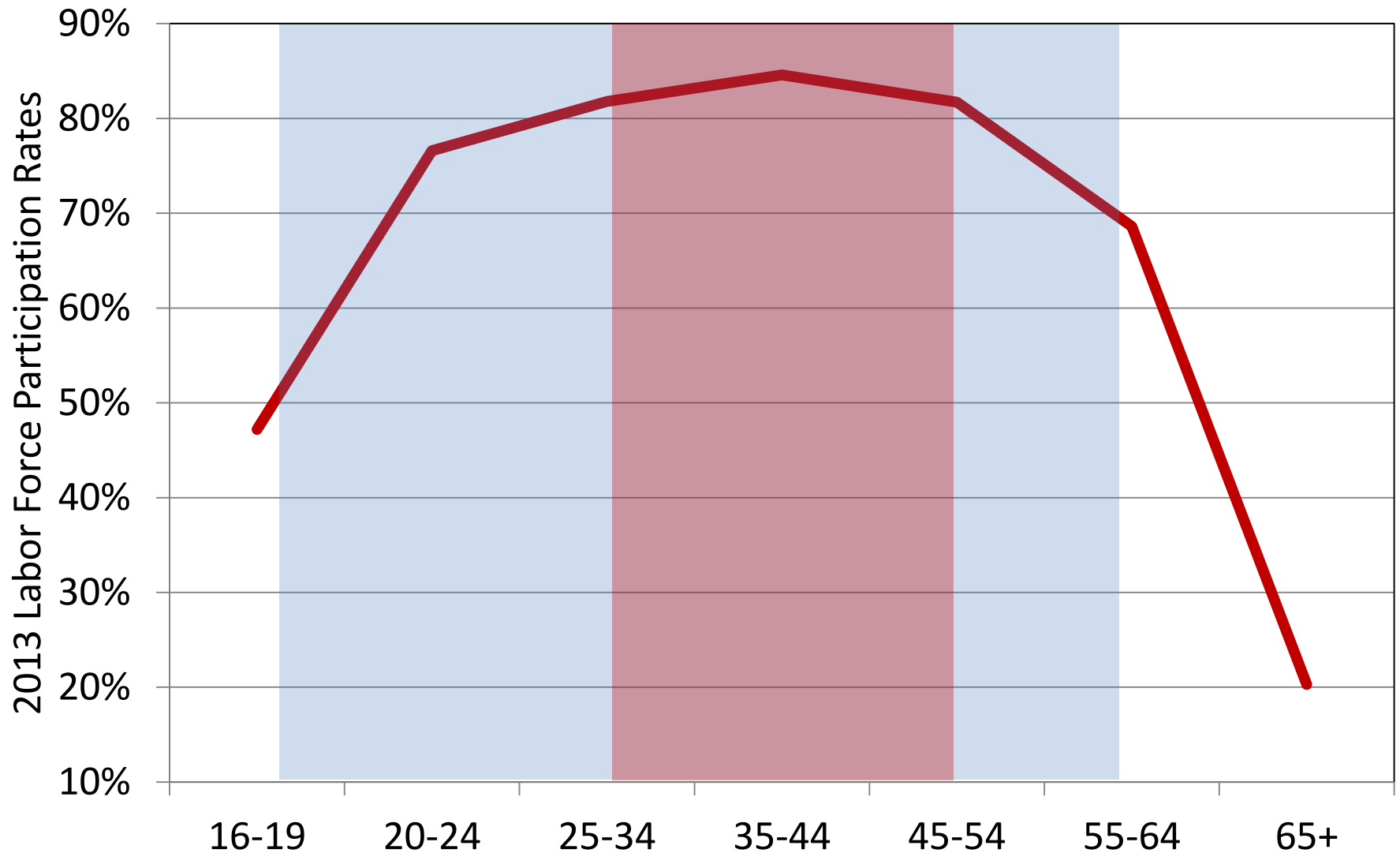


As Baby Boomers advance in age, our 25 to 54 prime working-age population is declining. The fastest rate of decline of this age group is occurring this decade.

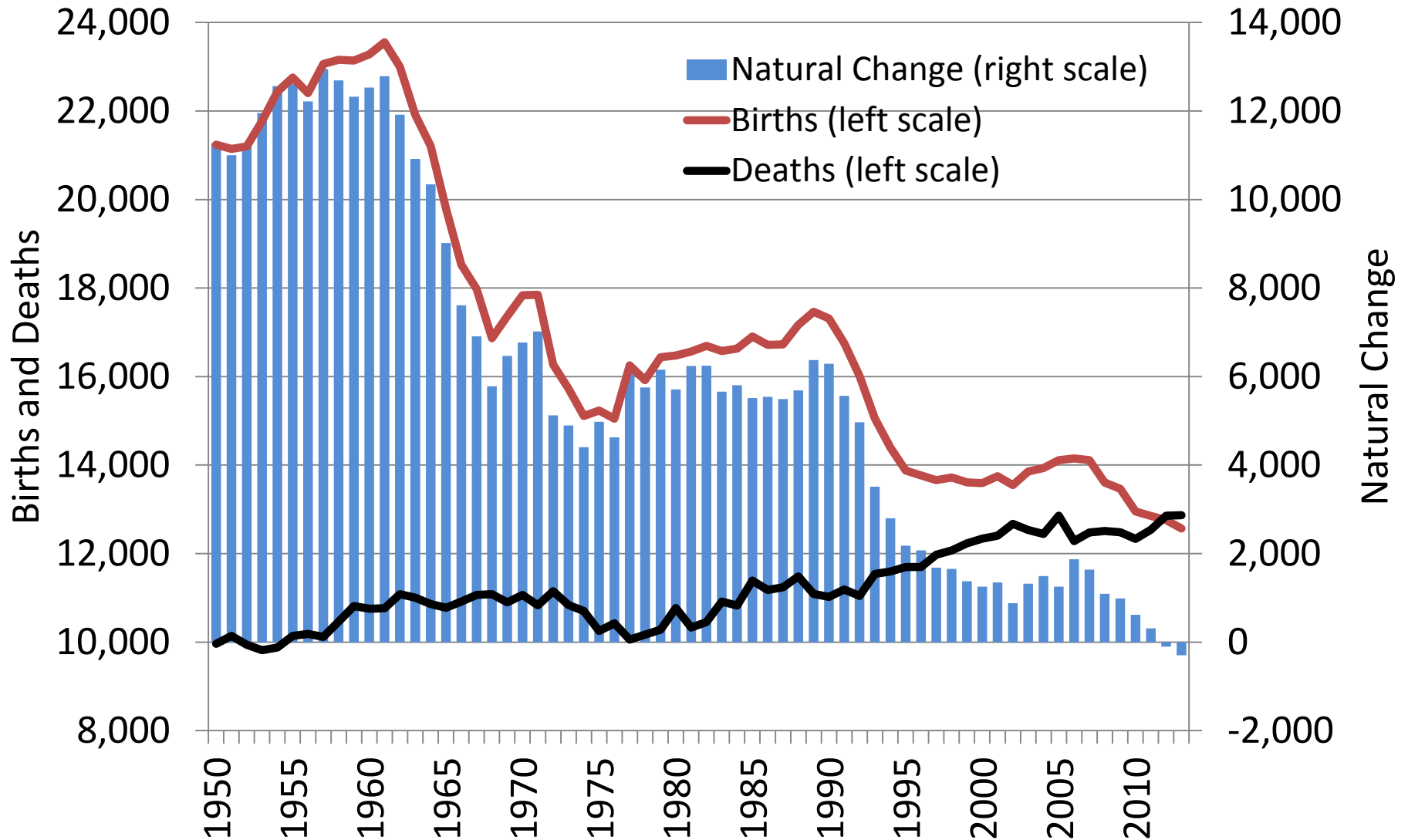


Source: Maine Office of Policy and Management.

This is important because ages 25 to 54 are the peak years of labor force participation. Younger and older people are much less likely to be in the workforce...especially seniors.



We arrived at this point because of far fewer births per year, especially after the 1980s



Despite a better record of getting people re-employed during the recovery, net job growth in Maine is slower than the nation because of our advancing age structure. We have long known that this would be a period in which growth was constrained by thousands aging out of the workforce and much smaller numbers aging into the workforce. The recent recession simply delayed the problem for several years.

Why has our unemployment rate declined less than the U.S. average?

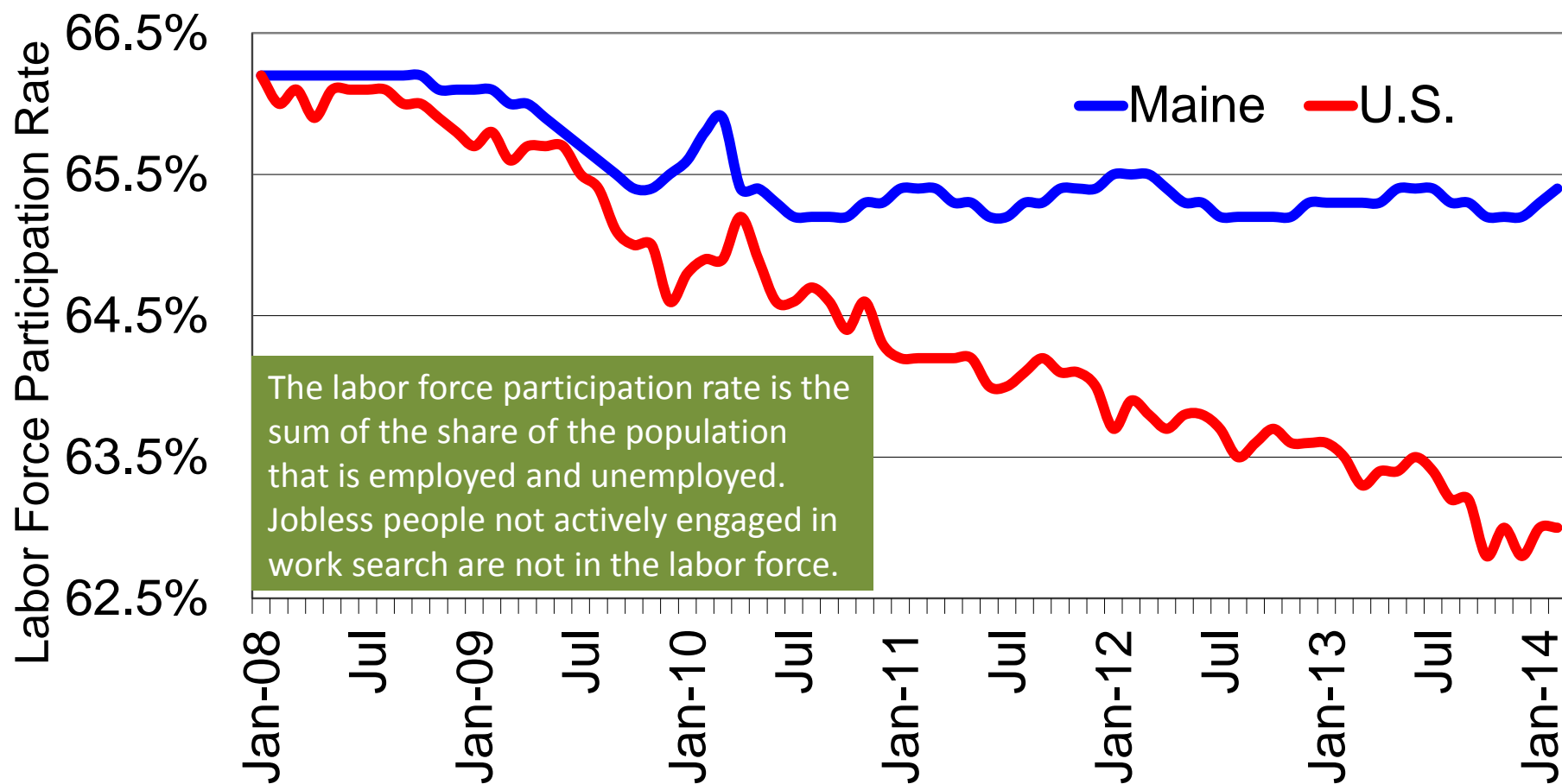
Unemployment rates can go down two ways:

1. A rising share of people find work, or
2. A rising share of jobless people stop looking for work*

Maine's unemployment rate decline is nearly entirely due to a rising share of employed population; the U.S. unemployment rate decline is nearly entirely due to millions of jobless people stopping looking for work.

**Those not looking or available to work are not counted as unemployed – they are not in the labor force.*

Labor force participation has been flat in Maine since 2010, but continued to decline nationally. A rising share of employed population is driving Maine's unemployment rate decline; lower labor force participation is driving the U.S. unemployment rate decline.



If national labor force participation were as high as it is in Maine, the U.S. unemployment rate would be 10%; if Maine labor force participation were as low as the nation, our unemployment rate would be near 3%

	U.S.	Maine
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Official Estimates for February 2014:

Labor Force Participation Rate	63.0%	65.4%
Unemployment Rate	6.7%	6.1%

Unemployment Rates Adjusted for Labor Force Participation:

U.S. Unemployment Rate if Labor Force Participation Were as High as it is in Maine	10%	
Maine Unemployment Rate if Labor Force Participation Were as Low as it is in U.S.		3%