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Workforce Conditions & Growth Forecast Issues - Presented to the Consensus Economic Forecasting Commission October 25, 2013

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Workforce conditions &
growth forecast issues

Presented to the
Consensus Economic Forecasting Commission
October 25, 2013

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Labor force & unemployment
The unemployment rate gap with the nation has closed over the last three years...
Though the U.S. share of employed population remains flat while it’s been rising in Maine. The national unemployment rate is down entirely due to lower labor force participation.
Jobs & Wages
The gradual upward job trend continues...

Nonfarm Payroll Jobs (Seasonally-adjusted)

- Benchmarked Job Count
- Estimates (to be revised March 2014)
- Likely Revisions
...government declines continue to partially offset private growth
Jobs in labor-intensive sectors involved in making, moving, or selling products are way down. Gains have primarily been in human capital intensive sectors. Many displaced workers do not have the education or experience to qualify for jobs in growing sectors. This mismatch between job seeker qualifications and needs of hiring employers is an impediment that should be considered when forecasting job growth. (*Change in jobs, Dec 2007 to present*)
Total wages paid remain relatively flat
*(adjusted for inflation)*

![Graph showing total wages and wage & salary jobs from 2000.1 to 2013.3.](image-url)

- Total Wages (in Billions of 2011Q1 $)
  - $4.75
  - $5.25
  - $5.75
  - $6.25

- Wage & Salary Jobs
  - 560,000
  - 580,000
  - 600,000
  - 620,000

Legend:
- Blue line: Jobs (left scale)
- Red line: Total Wages (right scale)
Moody’s and Global Insight forecasts
CEFC forecasts in 2010 and early 2011 expected a return to pre-recession job levels by 2013 or 2014...
Forecasts have become more moderate over time, the latest expecting a return to pre-recession job levels by 2017...
...The Moody’s and Global Insight forecasts expect faster population growth than is realistic, pushing job/economic growth expectations too high.

### Population Forecasts

<table>
<thead>
<tr>
<th>Year</th>
<th>Moody's Baseline Forecast</th>
<th>Global Insight October 2013 Forecast</th>
<th>Maine Office of Policy &amp; Management Forecast</th>
<th>Forecast Difference Between OPM &amp;:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,335,730</td>
<td>1,330,921</td>
<td>1,330,000</td>
<td>1,518</td>
</tr>
<tr>
<td>2014</td>
<td>1,339,790</td>
<td>1,333,207</td>
<td>1,332,000</td>
<td>3,595</td>
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<td>2015</td>
<td>1,343,630</td>
<td>1,335,535</td>
<td>1,334,000</td>
<td>5,711</td>
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<td>2016</td>
<td>1,347,500</td>
<td>1,338,035</td>
<td>1,336,000</td>
<td>7,855</td>
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<td>2017</td>
<td>1,351,140</td>
<td>1,340,394</td>
<td>1,339,000</td>
<td>9,857</td>
</tr>
<tr>
<td>2018</td>
<td>1,353,860</td>
<td>1,341,849</td>
<td>1,330,894</td>
<td>10,956</td>
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<tr>
<td>2019</td>
<td>1,356,950</td>
<td>1,343,643</td>
<td>1,331,250</td>
<td>12,392</td>
</tr>
<tr>
<td>2020</td>
<td>1,360,320</td>
<td>1,345,642</td>
<td>1,331,607</td>
<td>14,035</td>
</tr>
<tr>
<td>2021</td>
<td>1,363,360</td>
<td>1,347,233</td>
<td>1,331,450</td>
<td>15,783</td>
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<tr>
<td>2022</td>
<td>1,366,290</td>
<td>1,348,624</td>
<td>1,331,293</td>
<td>17,331</td>
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<tr>
<td>2023</td>
<td>1,349,970</td>
<td></td>
<td>1,331,136</td>
<td>18,835</td>
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<tr>
<td>2024</td>
<td>1,351,166</td>
<td></td>
<td>1,330,978</td>
<td>20,188</td>
</tr>
<tr>
<td>2025</td>
<td>1,352,348</td>
<td></td>
<td>1,330,821</td>
<td>21,527</td>
</tr>
</tbody>
</table>
OPM population forecasts combined with past employment to population ratios for age groups indicate employment would have peaked in 2007 without a recession.

This finding is based on applying the average employment to population ratio that prevailed for each age group in the eight years before the downturn to the population in that cohort to estimate what employment would have been, other things equal. Once we have recovered to “full employment,” baby boomers aging out of the labor force will take employment lower. Absent significant in-migration of working-age population, we may not see 2007 levels of employment again.
Based on our age structure and rates of labor force attachment among age groups, it will be difficult to meet the CEFC’s April jobs forecast.
Appendix 1: assumptions to alternative forecast based on employment to population ratios by age group
The population in their peak years of labor force participation and earnings is declining, limiting job and economic growth.
Compared to before the recession, the share of employed population is up for those age 55+ and down for younger groups. The largest declines occurred among the youngest.
Based on recently published population projections, what would total employment be if the employment to population ratio for each age group recovered to:

-the 2000 to 2012 average by 2015?

-the 2000 to 2007 average by 2020?
Age 16 to 19

2012 Emp: 26,000
@avg E-Pop:
2015 +2,000; 2020 +3,000
Avg monthly earnings: $541

Population & Employment (in thousands)
Age 20 to 24

Labor Force Participation & Employment to Population Rates (lines)

Population
Employment
LFPR
E-Pop

2012 Emp: 55,000
@avg E-Pop:
2015 +8,000; 2020 +7,000
Avg monthly earnings: $1,553
Age 25 to 34

Labor Force Participation & Employment to Population Rates (lines)

Population  Employment  LFPR  E-Pop

2012 Emp: 100,000 @avg E-Pop:
2015 +8,000; 2020 +16,000
Avg monthly earnings: $2,675
Age 35 to 44

Labor Force Participation & Employment:
- Population (dark blue)
- Employment (light blue)
- LFPR (red)
- E-Pop (dashed orange)

2012 Employment: 130,000 @ avg E-Pop:
2015 -6,000; 2020 -8,000
Avg monthly earnings: $3,614

Population:
- 2015 - 6,000
- 2020 - 8,000

Monthly earnings:
- 2012 Avg: $3,614

Graph shows trends over time from 2000 to 2020.
Age 45 to 54

Labor Force Participation & Employment to Population Rates (lines)

- Population
- Employment
- LFPR
- E-Pop

2012 Emp: 165,000
@avg E-Pop:
2015 -5,000; 2020 -24,000
Avg monthly earnings: $3,897

Population & Employment (in thousands)

2012
Emp: 165,000
E-Pop: 155,000

2015
Emp: 160,000
E-Pop: 150,000

2020
Emp: 155,000
E-Pop: 145,000

Avg monthly earnings: $3,897
Age 55 to 64

- 2012 Emp: 133,000
- @avg E-Pop:
  - 2015 -2,000
  - 2020 -3,000
- Avg monthly earnings: $3,855
Age 65+

- 2012 Emp: 40,000
- @ projected E-Pop:
  - 2015 +7,000; 2020 +21,000
- Avg monthly earnings: $2,590

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment (in thousands)</th>
<th>LFPR</th>
<th>E-Pop</th>
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<tbody>
<tr>
<td>2012</td>
<td>40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>47,000</td>
<td></td>
<td>+7,000</td>
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<tr>
<td>2020</td>
<td>61,000</td>
<td></td>
<td>+21,000</td>
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</table>

Avg monthly earnings: $2,590
Appendix 2:

Recent trends in payroll jobs

Highlights:
• Growing sectors tend to be human capital intensive, often requiring specialized education, knowledge, or skills:
  • Healthcare & social services, professional & business services, and educational services.
  • Leisure & hospitality, which tends to be labor intensive, also is growing.
• Jobs in sectors that make, move, or sell physical products generally have stabilized, but there is no significant growth:
  • Manufacturing, construction, wholesale & retail trade, and transportation, warehousing & utilities.
• All three levels of government continue to shed jobs.
• The experience of those displaced from labor intensive work generally does not match the education and skill requirements of growing sectors.
Total Nonfarm Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count
Estimates (to be revised March 2014)
Likely Revisions
Healthcare & Social Assistance Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count

Estimates (to be revised March 2014)

Likely Revisions
Leisure & Hospitality Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count
Estimates (to be revised March 2014)
Likely Revisions
Wholesale Trade Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count
Estimates (to be revised March 2014)
Likely Revisions
Financial Activities Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count
Estimates (to be revised March 2014)
Likely Revisions
Construction Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count
Estimates (to be revised March 2014)
Likely Revisions

Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13
Retail Trade Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count

Estimates (to be revised March 2014)

 Likely Revisions
Federal Government Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count

Estimates (to be revised March 2014)

Likely Revisions

Temporary Census Jobs
Local Government Jobs
(seasonally adjusted in thousands)

Benchmarked Job Count
Estimates (to be revised March 2014)
 Likely Revisions

Jan-08  Jan-09  Jan-10  Jan-11  Jan-12  Jan-13