

# MONTANA Economy at a Glance

NOVEMBER 2009

## EMPLOYMENT BY INDUSTRY

(Does not include self-employed or agricultural employment)

Industry Employment (in thousands)	Nov.(P) 2009	Oct. 2009	Net Change	Percent Change
<b>Total Non-Agricultural</b>	436.5	439.0	-2.5	-0.6%
Natural Resources & Mining	8.4	8.4	0.0	0.0%
Construction	25.2	24.9	0.3	1.2%
Manufacturing	19.2	19.1	0.1	0.5%
Trade, Transportation, & Utilities	89.6	89.4	0.2	0.2%
Information	7.2	7.2	0.0	0.0%
Financial Activities	21.6	21.8	-0.2	-0.9%
Professional & Business Services	39.1	38.5	0.6	1.6%
Education & Health Services	61.9	62.6	-0.7	-1.1%
Leisure & Hospitality	58.3	59.6	-1.3	-2.2%
Other Services	17.1	17.2	-0.1	-0.6%
<b>Total Government</b>	88.9	90.3	-1.4	-1.6%

(P) denotes preliminary figures

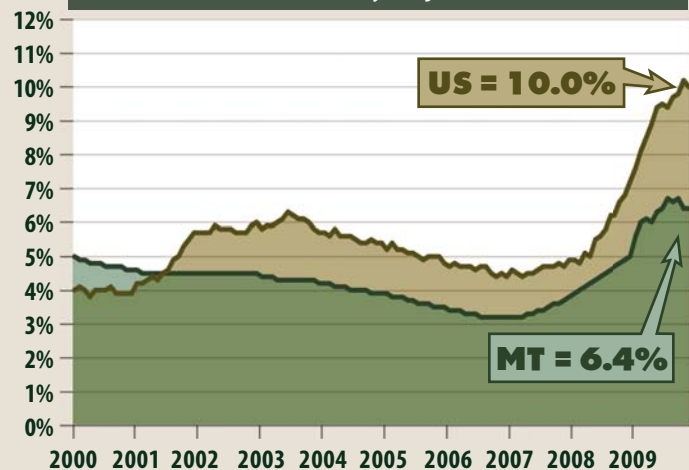
Montana's seasonally-adjusted, non-agricultural payroll employment fell by 2,500 jobs (-0.6%) from October to November 2009. The largest loss occurred in the Total Government sector, with 1,400 (-1.6%) fewer jobs over the month. Leisure and Hospitality followed closely with 1,300 (-2.2%) fewer jobs.

## Montana Department of Labor and Industry



## UNEMPLOYMENT RATE

Seasonally Adjusted



Montana's seasonally-adjusted unemployment rate remained steady over the month at 6.4% for October 2009. The national unemployment rate decreased to 10.0% from 10.2% during the same time period.

## NON-FARM EMPLOYMENT

In Thousands



**Research and Analysis Bureau**  
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 P.O. Box 1728 Helena, MT 59624-1728  
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# Economic Recovery and the Effects of Montana's Aging Workforce

by Barbara Wagner, Economist

It may be odd to talk about tight labor markets during this period of high unemployment, but with signs of a tepid recovery, Montanans have started to look forward to a return to economic prosperity. However, challenges remain for the Montana economy; arguably, the most significant of these challenges is the aging Montana workforce. With a median age of 39.3 compared to the national average of 36.8, Montana has the 8th oldest population in the country. If these 2.3 years seem insignificant, consider that the traditional working age population aged 16 to 65 is expected to start declining in Montana starting in 2012 – just over two years from now (the U.S. population aged 16 to 65 is not expected to decline before 2030). Over 19.3% of Montana's workers are over the age of 55 and approaching retirement.

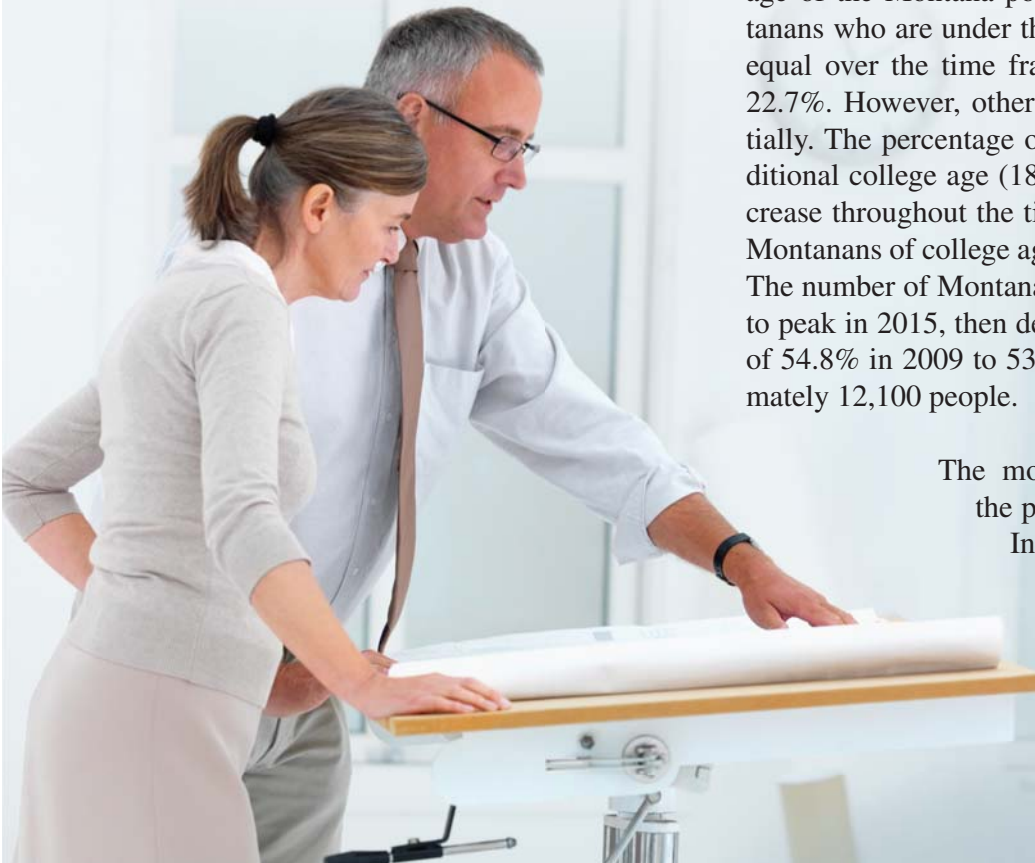
The changing age demographics in Montana could have considerable impact on our economy, potentially resulting in decreased job growth and worker shortages if current trends continue. However, the aging workforce also presents opportunities for the businesses and workers who are willing to adapt to the changing demographics. Now is the time to prepare for this challenge by retooling workplace culture and worker training programs.

## Montana's Changing Demographic

Figure 1 shows the Montana population by age demographic from 2008 to 2023, as projected by the U.S. Census Bureau. Overall, the Montana population is expected to grow steadily at a rate of approximately 0.5% annually. But there is a significant shift in the age of the Montana population. The share of Montanans who are under the age of 18 remains roughly equal over the time frame, moving from 22.2% to 22.7%. However, other age groups change substantially. The percentage of Montanans who are of traditional college age (18-24 years) is expected to decrease throughout the timeframe, with 14,600 fewer Montanans of college age in 2023 compared to 2009. The number of Montanans aged 25 to 64 is expected to peak in 2015, then decrease, moving from a share of 54.8% in 2009 to 53.5% in 2023, losing approximately 12,100 people.

The most dramatic shift occurs in the population over the age of 65.

In 2009, Montanans over 65 represented approximately 14.8% of the population; in 2023, this age group will represent over 24.5% of the population. This dramatic shift will cause many changes in





our way of life, with potential impacts ranging from a greater attention to elder care to a greater tax burden per worker. The aging workforce will also cause changes in Montana's labor markets and workplaces, likely causing worker shortages, greater attention to worker productivity, and resulting in a more age-diverse workplace.

### Impact on Certain Industries

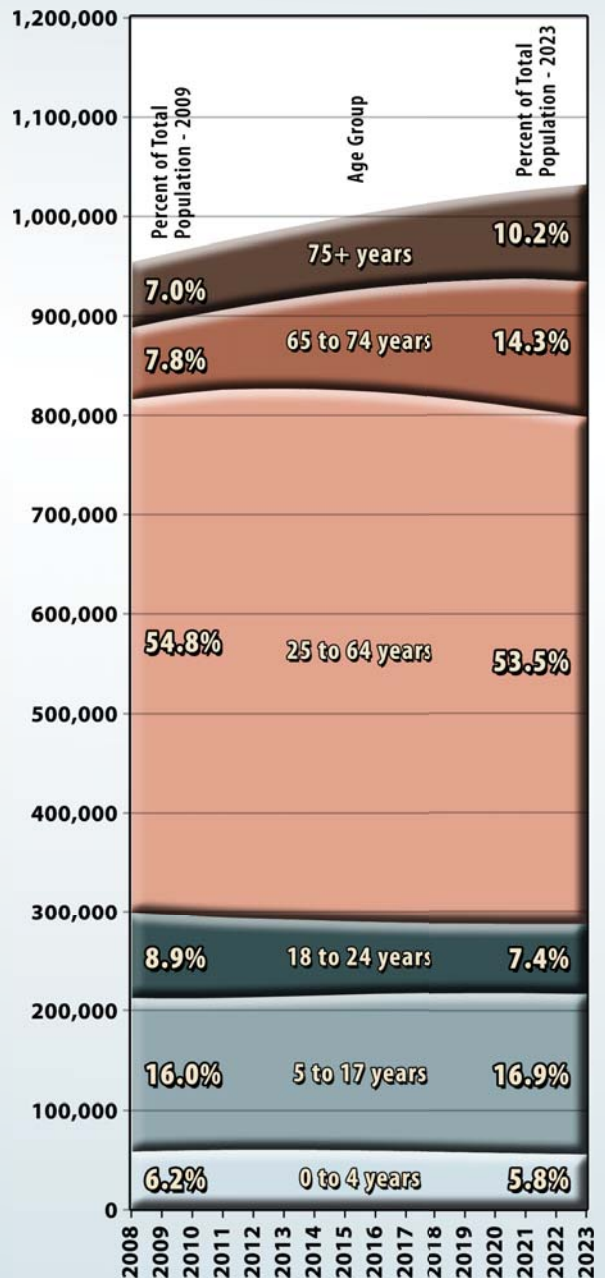
The changing age demographic will affect certain industries more than others. The larger number of older Montanans will place greater demands on our health care industry and long-term care facilities, along with the government institutions that regulate or provide health services. The increased demand for health services presents good opportunities for economic growth, but the health industry already struggles to find sufficient workers. According to projections completed by the Research and Analysis Bureau, there will be 330 openings for healthcare support positions in Montana during 2010, despite slow economic growth in the overall economy. As the workforce ages, the need for these workers will increase to about 400 open positions per year.

Other industries will be affected as well. Looking at Figure 1, the number of children aged 0-4 is expected to reach a peak of about 60,300 in 2013, but will begin to decrease in 2014. The smaller number of children of pre-school age will result in lower demands in the child care industry, likely reducing the number of workers needed. Given their caregiving aptitudes, child care workers may find similar job satisfaction in the healthcare industry, but training programs are needed to make the transition successful.

The education sector, which currently employs about 5,500 Montanans, will experience conflicting changes in the demand for their services. On one hand, the need for greater worker productivity may increase demand for professional or short-term training. On the other, the number of college-aged Montanans, or those 18 to 24 years of age, is also expected to decrease steadily throughout the timeframe, moving from about 85,100 to 70,518 in 2023, potentially reducing the demand for education services. The Montana education system is facing both challenges and opportunities due to the aging workforce, but has plenty of options to address these changes, such as increasing the percentage of students going to college, increasing the number of out-of-state students, or recruiting students in older age groups.

Setting aside demand changes, the industries of Real Estate, Other Services, Agriculture, and Transportation and Warehousing have above-average concentrations of older workers. All of these industries had more than 6.6% of their workers aged 65 and above in 2008 (compared to 3.9% for all industries). These industries will likely face the largest challenge in replacing the retiring workforce. Government also has an above-average

Figure 1: Montana Population by Age - 2008 to 2023





concentration of workers approaching retirement age; the State of Montana anticipates that 89% of current executive branch employees will be eligible for full or partial retirement within the next ten years.

### A Shortage of Workers

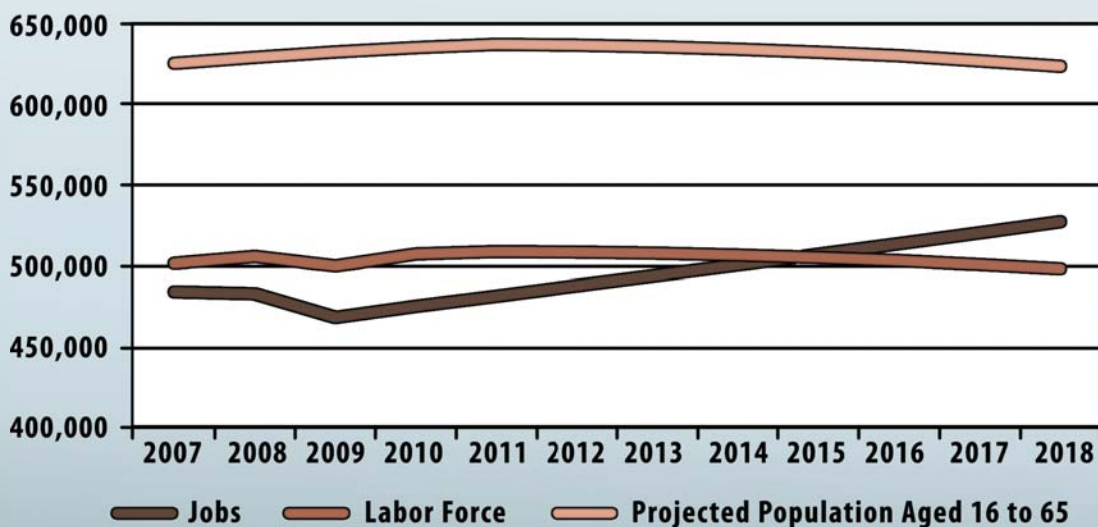
The aging workforce may seem like an abstract concept or a problem for the distant future, but the future may be sooner than you think. Figure 2 focuses on the U.S. Census Bureau's projections from 2007 through 2018 for the number of Montanans of traditional working age, or those between the ages of 16 to 65. As mentioned, this number in this age group begins to decrease in 2012.

The Montana labor force, or those employed or looking for work, is roughly equal to 80% of the traditional working-age population of 16 to 65 years. Not everyone in the 16-65 age group is available for work; some people choose to pursue educational opportunities or fulfill family obligations. There are also workers outside this age group that are in the labor force. This 80% relationship varies depending on economic conditions, increasing in the rapid economic expansion and decreasing in the current recession, but has remained roughly equal to 80% since 2000. Assuming that the 80% ratio continues, the Montana labor force will also start to decrease in 2012 when the traditional working age population begins to decrease.

During this period of high unemployment, a decrease in the labor force may not seem a large concern. However, many economists have indicated that the recession is now improving, and job growth will resume in 2010. According to the employment projections produced by the Research and Analysis Bureau, job growth will be slow throughout 2010, but will resume growth of slightly over 1% in future years. These job forecasts are based on prior and current employment trends and are forecasted independently of any labor force projections, intrinsically assuming that there are an unlimited number of workers. In the past, this assumption was reasonable and appropriate, but the workforce now is becoming more limited. According to this forecast, also shown in Figure 2, there would be more jobs than workers by 2015 – six years from now.

Obviously, this situation could not happen; job growth and labor force participation are not independent, as assumed by the forecasts, but fluctuate in relation to each other. But the superimposition of the simplified job and labor force forecasts demonstrates two important points. First, the aging workforce issue is not something in the far and distant future, but will be something that will need to be addressed as Montana exits the current recession. Second, the aging workforce will have an impact on our labor market; either labor force participation must increase or job growth will be constrained by a limited number of workers.

**Figure 2: Projected Labor Force vs. Available Jobs, 2007 -2018**



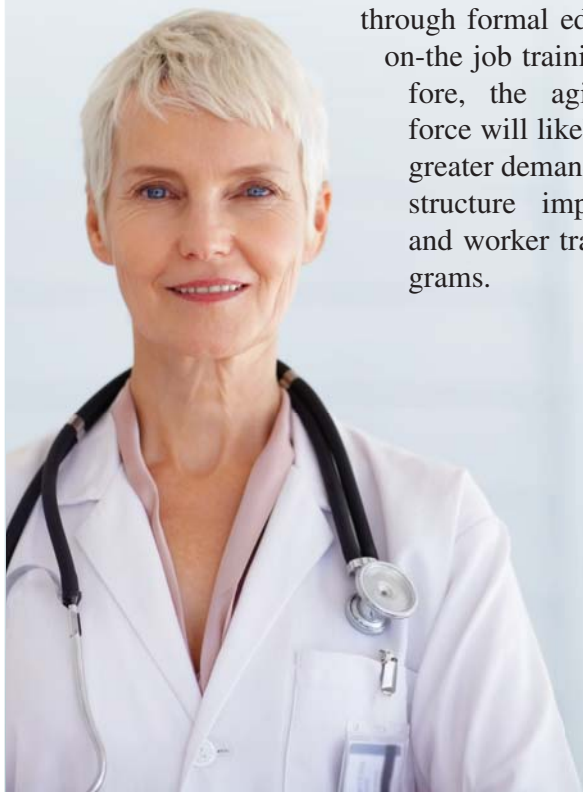


Tight labor markets come with positive aspects for Montana's workers, such as low unemployment, ample job opportunities, and higher wages. But Montana businesses will be facing higher labor costs and have difficulty finding workers. These costs will partially be passed on to consumers through higher prices for Montana-made products, possibly even putting our goods at a competitive disadvantage with those from other areas.

### Meeting the Challenge

One solution to the aging workforce is to reduce the need for more workers while still growing our economy by increasing worker productivity. More productive workers can produce more goods and services, thus maintaining Montana's level of state GDP despite a declining number of Montanans employed. In effect, this would reduce job growth from the expected levels, but make each job more valuable to the economy. As more productive workers are generally paid more, the average wage in Montana should increase.

Productivity can be increased by either technology or infrastructure improvements that make each worker more efficient, or by increasing the skills and knowledge of each worker through formal education or on-the-job training. Therefore, the aging workforce will likely result in greater demand for infrastructure improvements and worker training programs.

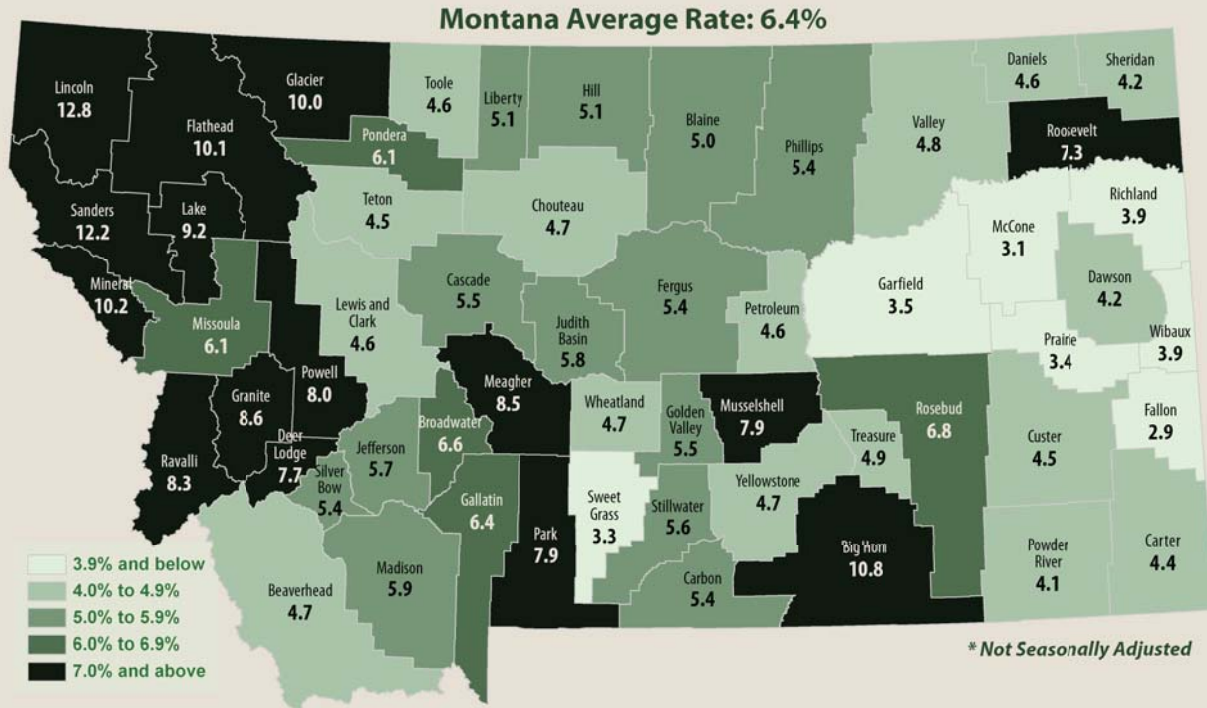


The other solution to the problems posed by an aging workforce is to increase the number of workers either from in-migration of workers from other states, or by increasing labor force participation from its current level. Some increases will naturally occur as higher wages and more opportunities provide greater incentives to join the labor force. But there are certain populations that have lower-than-average participation that may need other changes before joining the labor force. Women, minorities, older workers, and workers with lower education levels all have lower-than-average labor force participation rates. These workers may require changes to the workplace, such as flexible schedules, child or family care services, paid worker training, or even transportation, before they will choose to participate in the labor force.

The future workplace may look significantly different from what we currently expect when we are at work. In addition to the changes above, the rising cost of health care and the recession's damage on many retirement accounts may cause many older workers to postpone retirement. While this will ease the worker shortage, an age-diverse workforce will mean accommodating differing generational attitudes about work. Younger workers may also become frustrated by the lack of advancement opportunities. Businesses will need to adapt to a more diverse workplace in order to find solutions to the aging workforce problem.

Even as Montana exits the current recession, another issue looms. Montana's aging population poses a large challenge to our economic growth, particularly to certain industries, and this challenge can no longer be avoided as something that will occur in the far distant future. The aging workforce will start to affect Montana's labor markets in the next few years, much sooner than other places in the country. Although natural market mechanisms will encourage greater labor force participation through higher wages and greater opportunities, both workers and businesses will be forced to adapt to a more diverse and flexible workplace. Now is the time to plan for these changes by developing flexible worker training and adopting new workplace practices.

# County Unemployment Rates\* - November 2009



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