

Tightening Labor Market

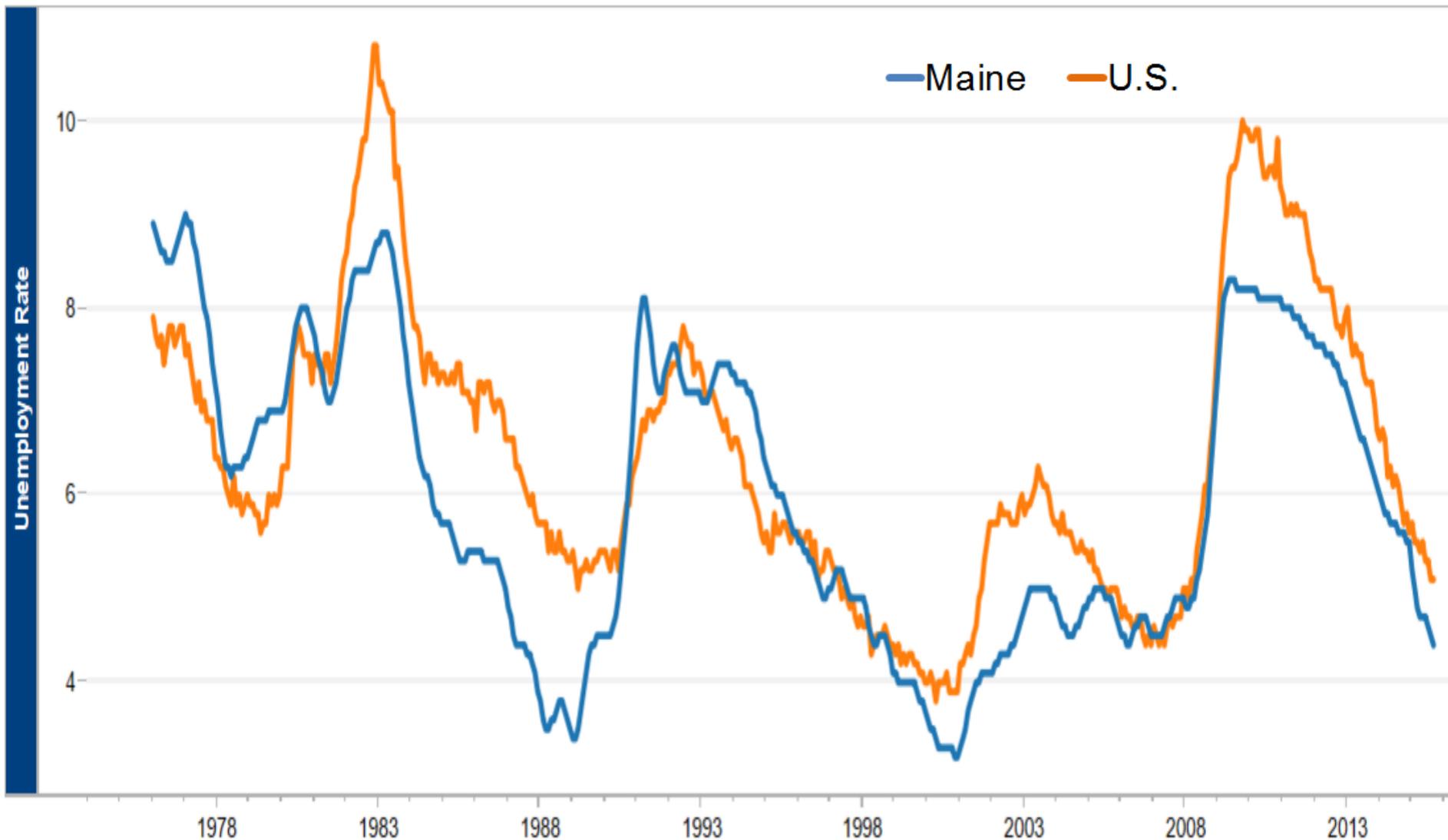
Consensus Economic Forecasting Commission

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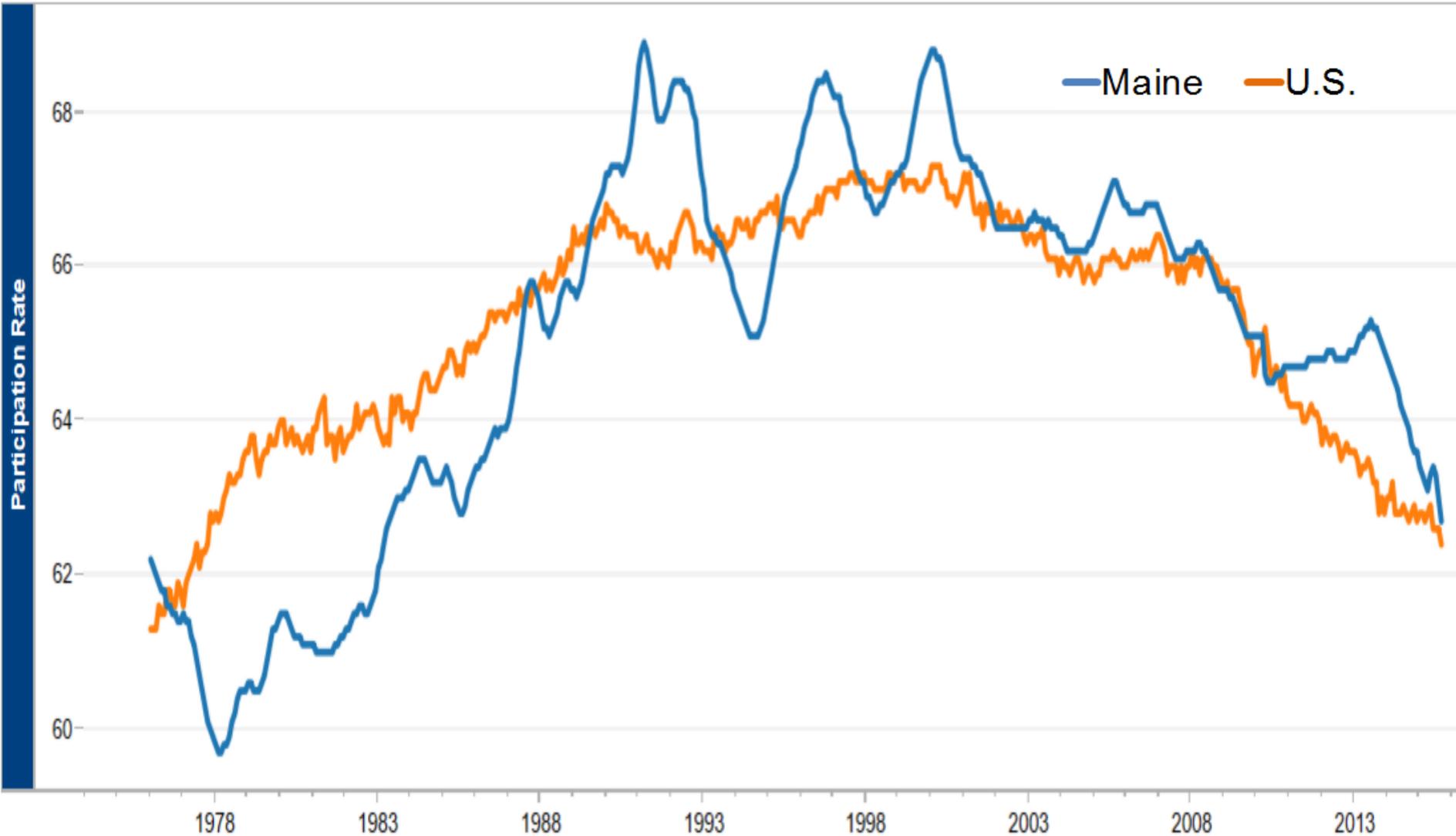
The unemployment rate was 4.4% in September. It has been lower only for short periods in the last 40 years.

Monthly (Seasonally Adjusted)

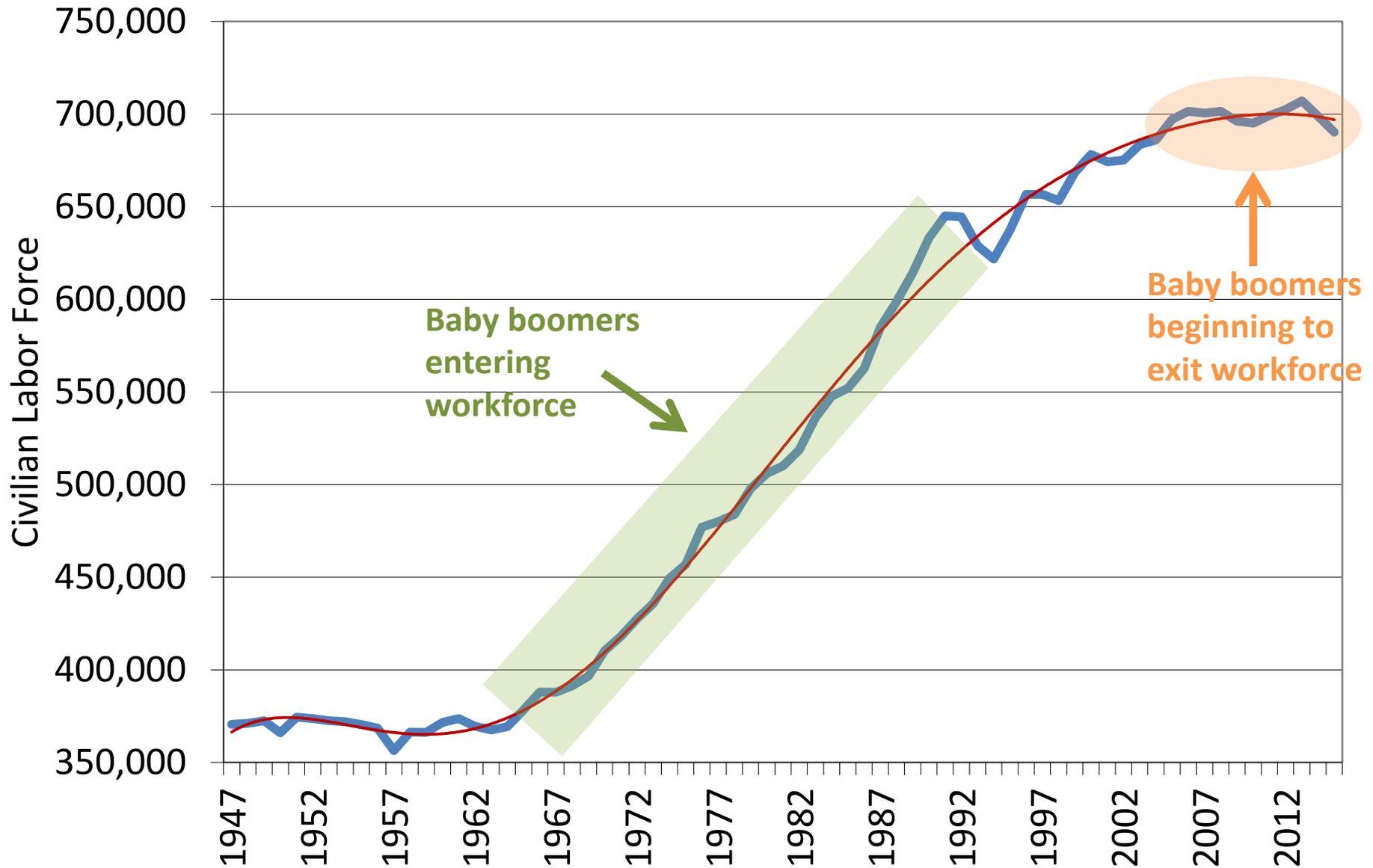


Labor force participation continues to decline as thousands of baby boomers retire

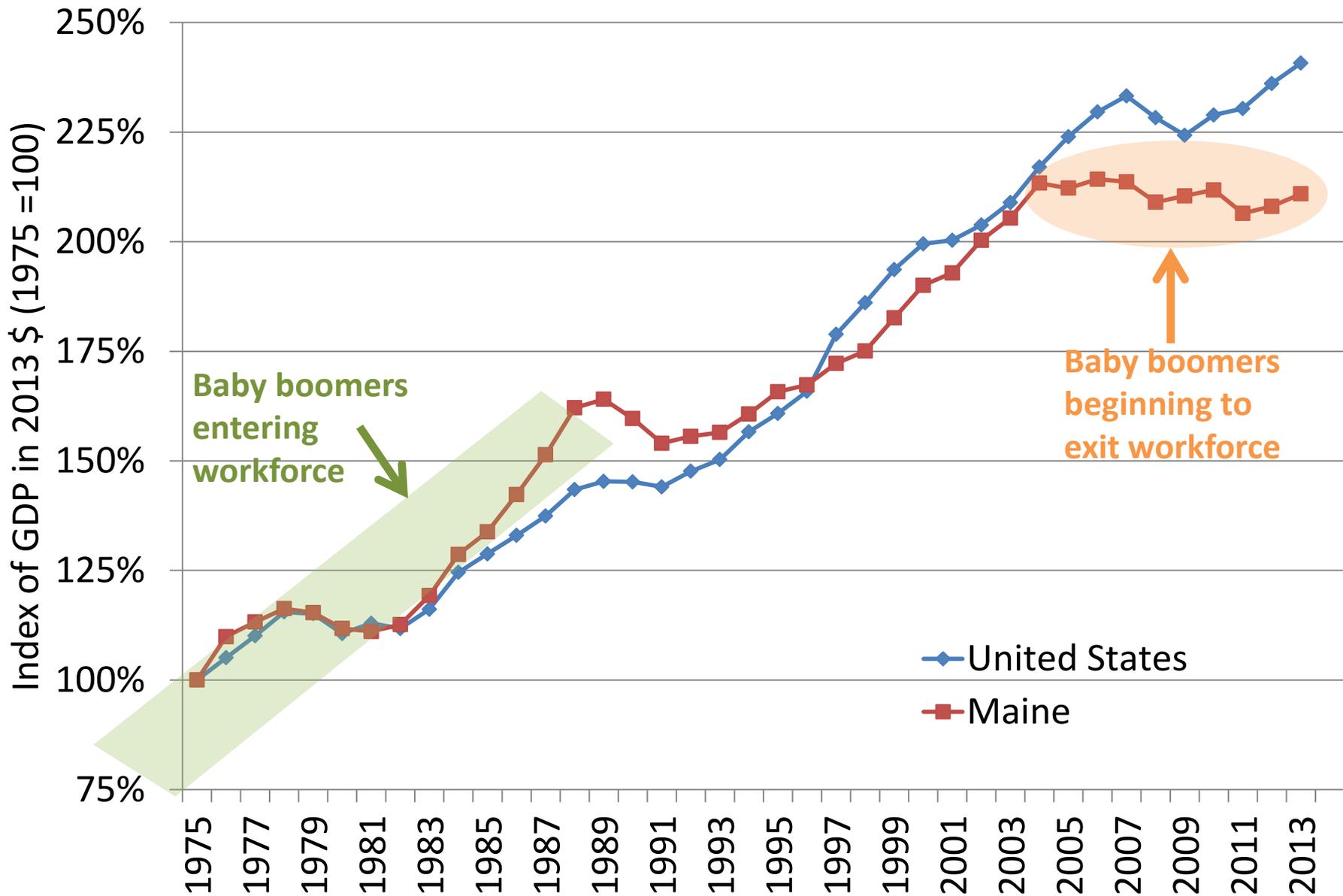
Monthly (Seasonally Adjusted)



The labor force has declined more than 15,000 since 2013



Maine has had no real GDP growth in a decade



September 2014

At 5.8% of the labor force, we currently have 40,000 unemployed. At a healthier 4.5% there would be 32,000 unemployed based on the size of the labor force today. For the near-term forecast, the question is if a gain of 8,000 (or more) jobs from lower unemployment will exceed reductions in labor force participation due to retirements. If so, by how much and for how long?

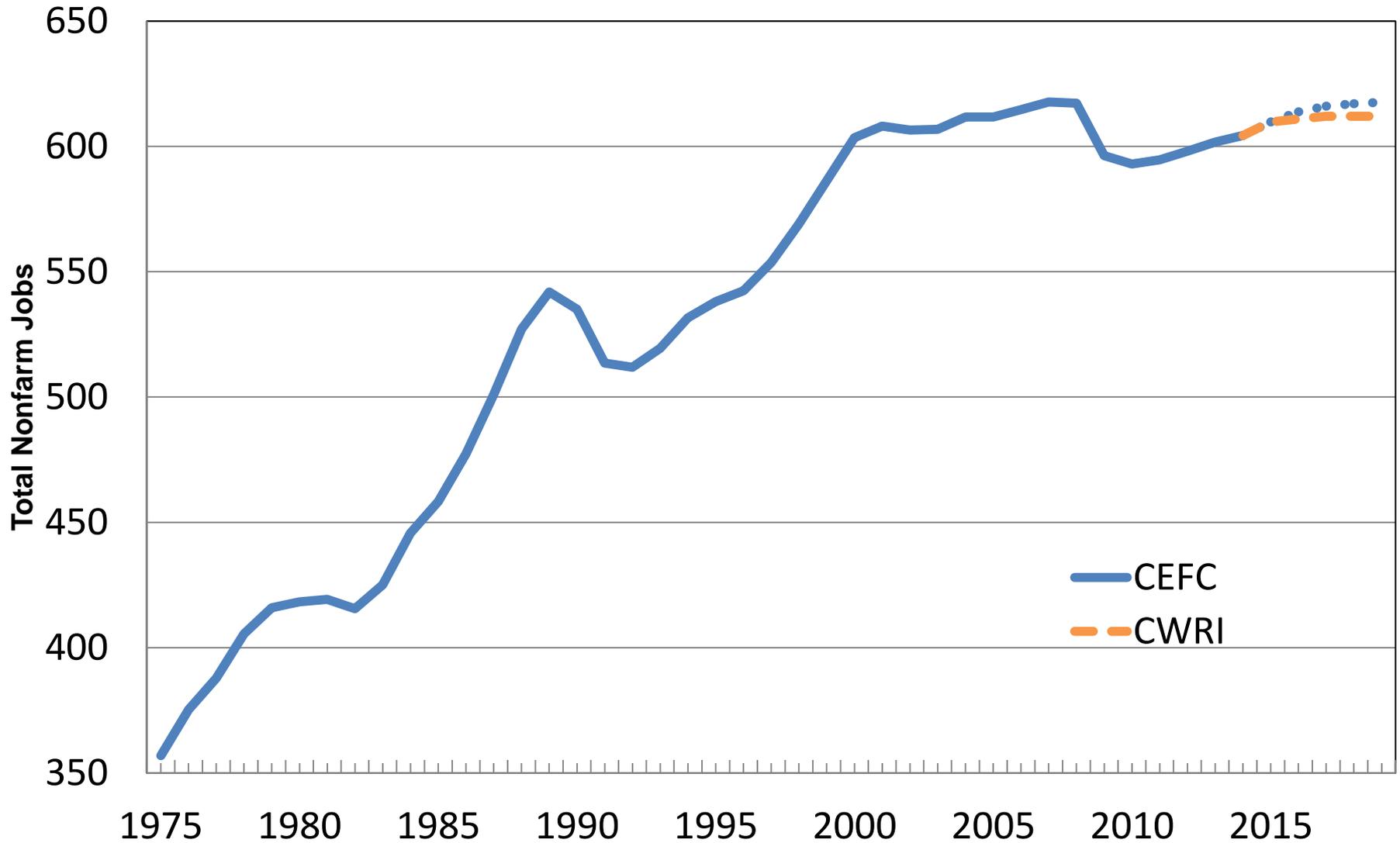
March 2015

At 5.0% of the labor force, we currently have 34,400 unemployed. If the rate declined to a very low 4% there would be fewer than 28,000 unemployed. The question is, will a gain of 6,000+ jobs from lower unemployment and several thousand more from higher labor force participation of younger people be enough to offset labor force exits due to retirement? If so, by how much? For how long?

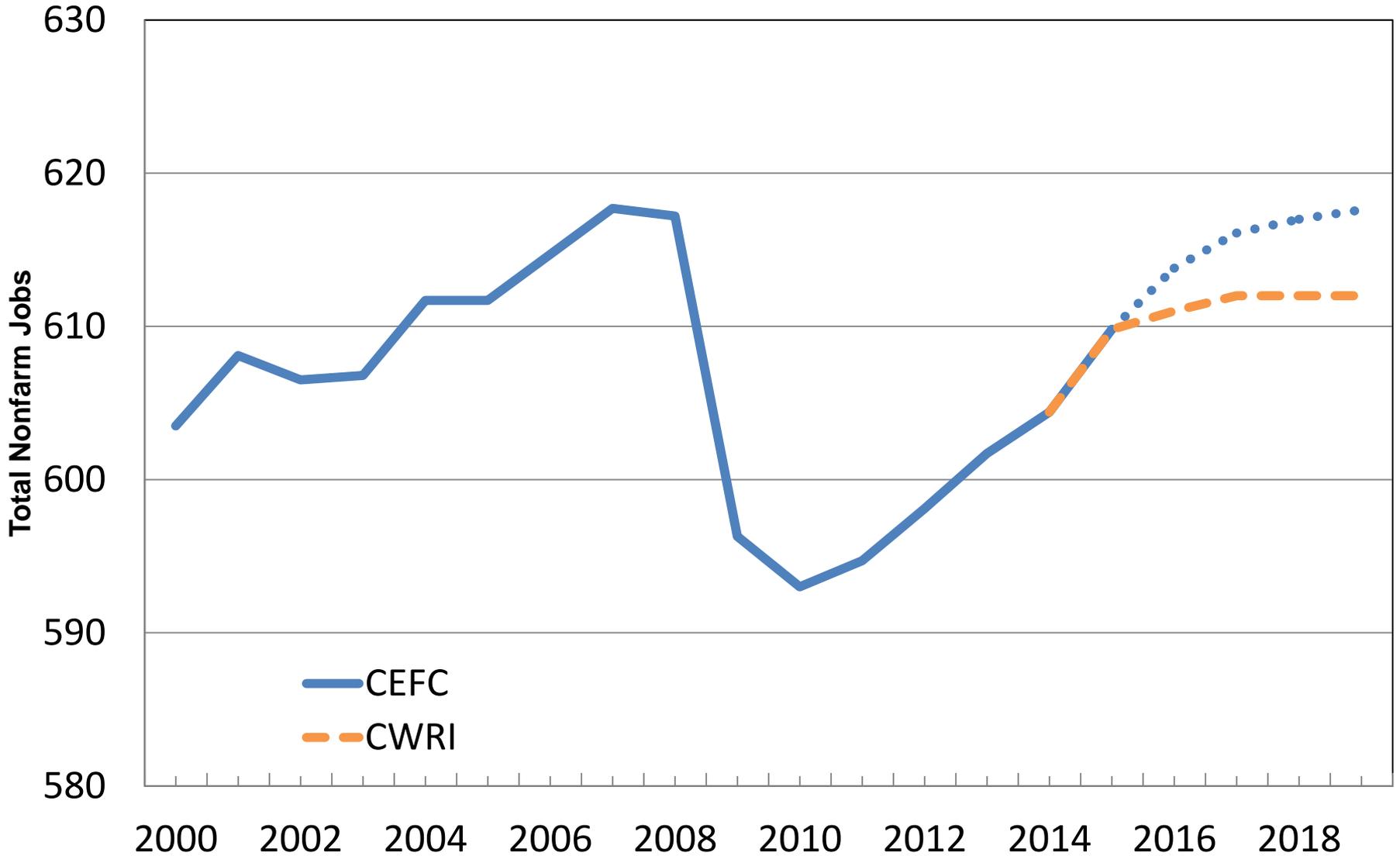
October 2015

At 4.4% of the labor force, we currently have 30,200 unemployed. If the rate declined to a very low 3.5% there would be fewer than 24,200 unemployed. The question is, will a gain of 6,000 jobs from lower unemployment plus some number from higher labor force participation of younger people be enough to offset labor force exits due to retirement? If so, by how much? For how long?

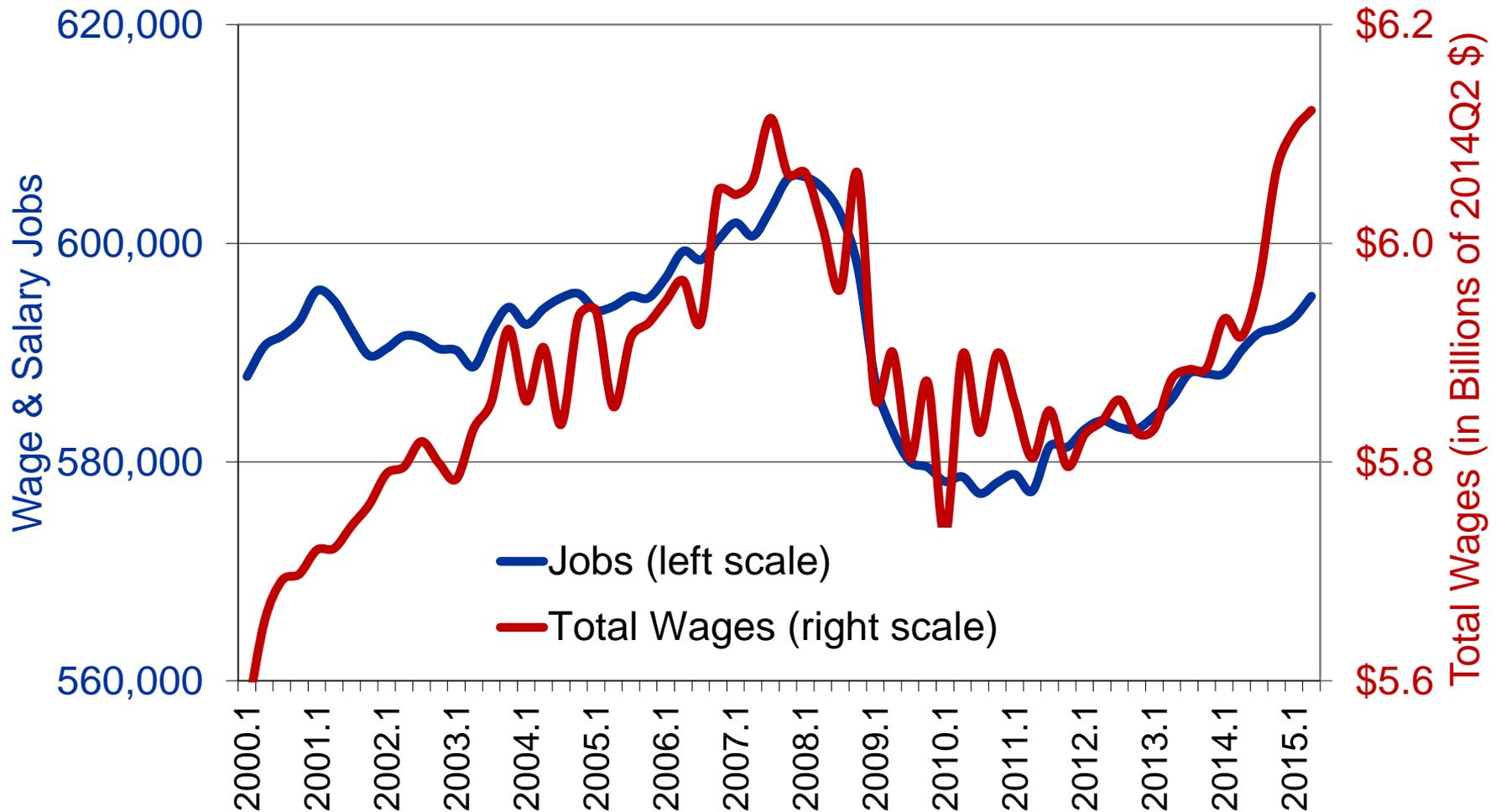
In light of now very low unemployment and a contracting labor force, it seems unlikely job growth will match the current forecast, especially after 2016



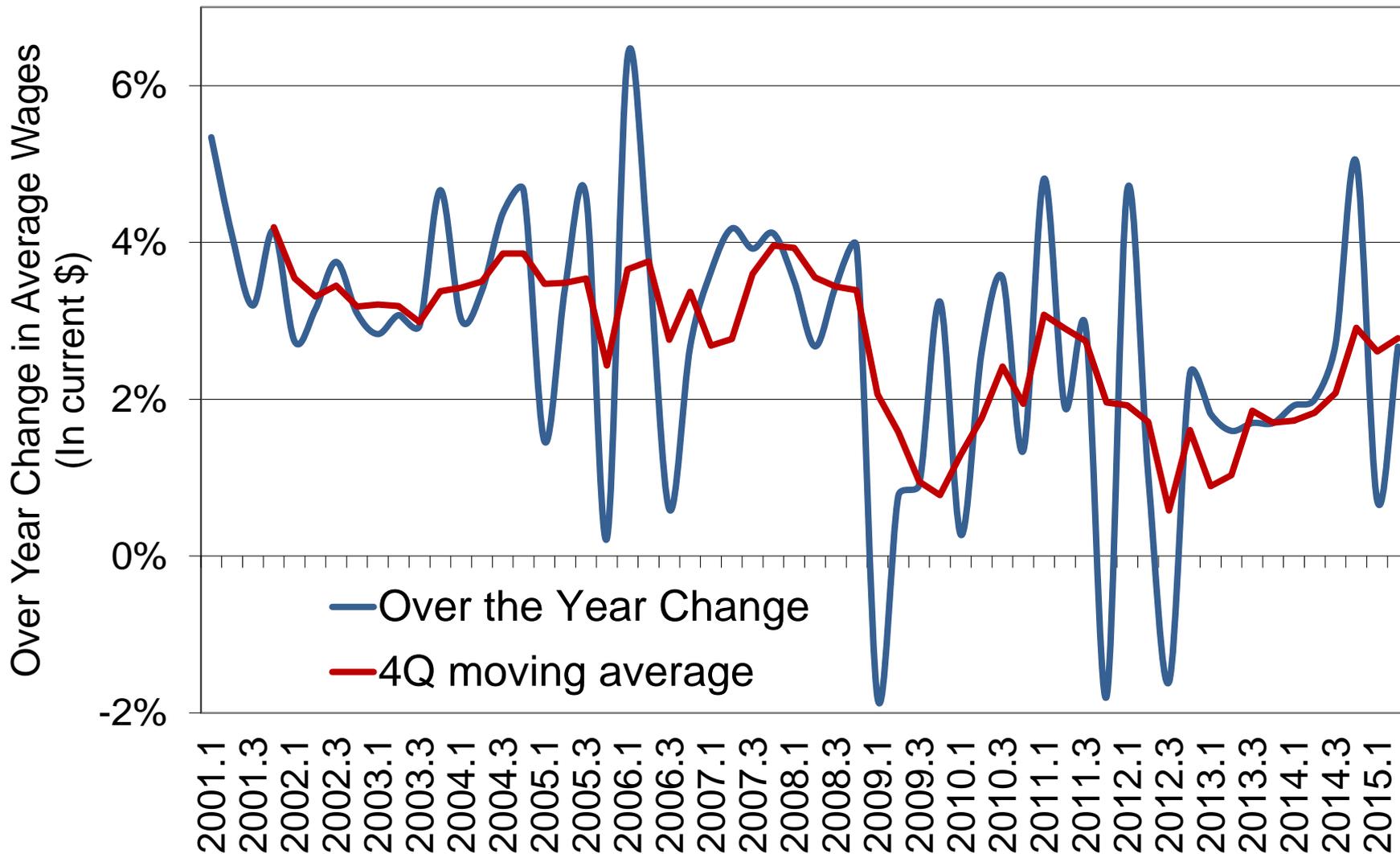
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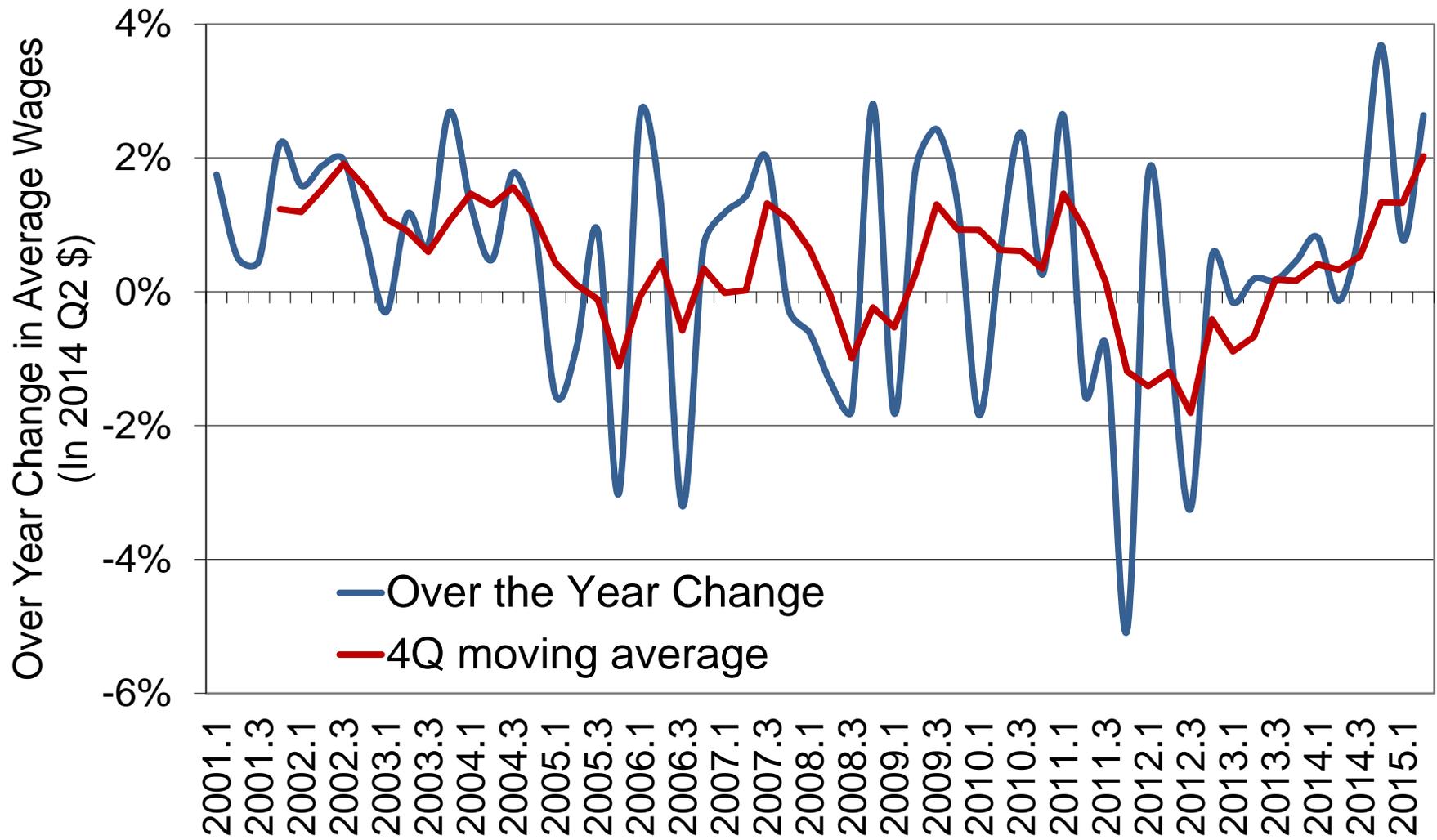
Inflation-adjusted total wages have started to rise faster than employment. This is primarily due to near zero inflation. In nominal dollars the recent increases are about in line with previous quarters.



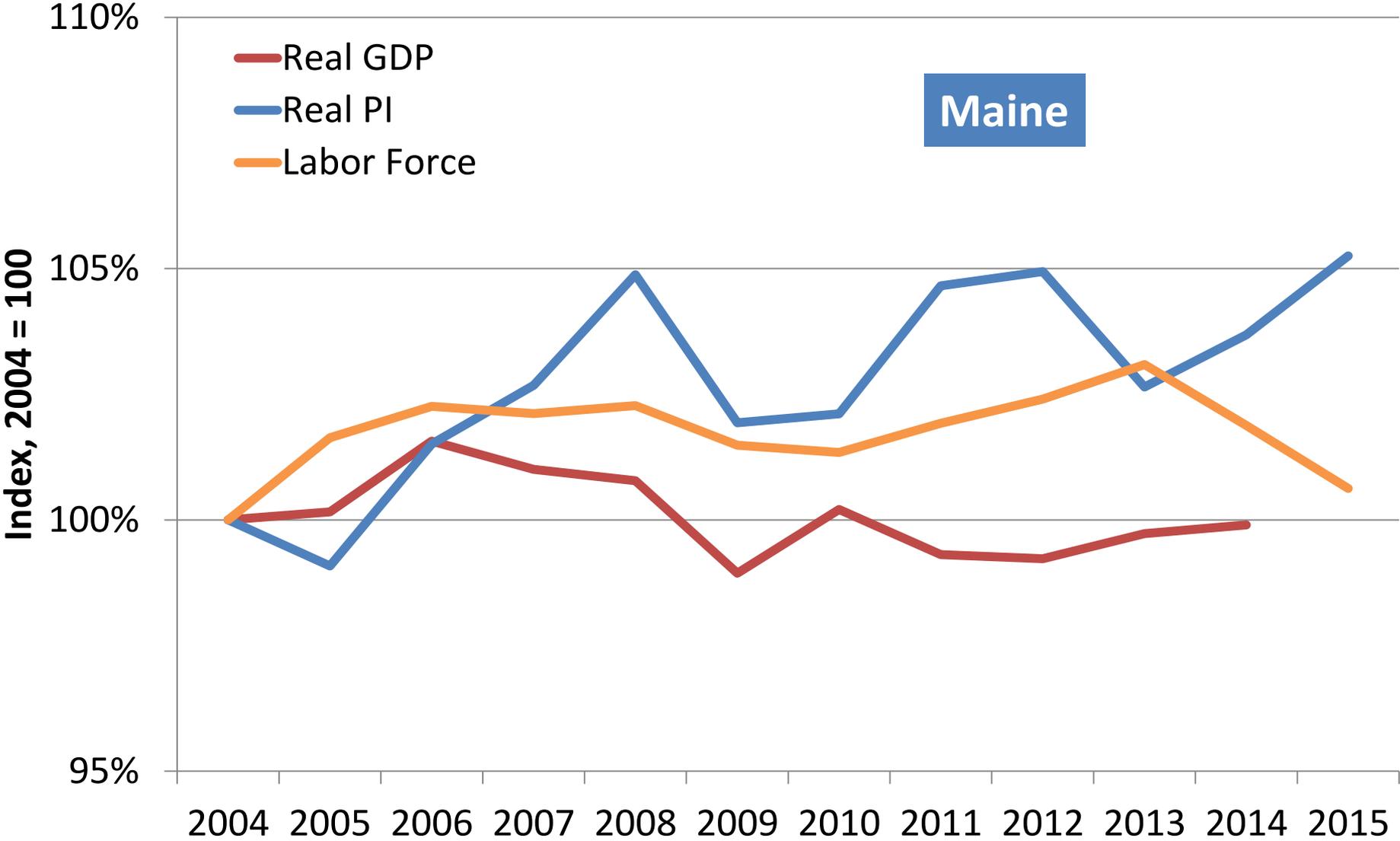
In current dollars, over the year increases in quarterly average wages are up slightly from two years ago



After inflation adjustment the rise is more pronounced. It will be some time before we know the extent to which a tightening labor market may or may not be pushing wages up.



For the revenue forecast, the big question is the extent to which a contracting labor force will impact the rate of change in personal income



United States

