



August 2009

Sizing Up Maine's Economy

In June the U.S. Bureau of Economic Analysis released 2008 gross domestic product data for states. GDP is the most comprehensive indicator of economic activity, measuring the value of all goods and services produced. BEA estimated GDP in Maine totaled \$49.7 billion in 2008, up 1.4 percent from 2007. U.S. GDP totaled \$11.5 trillion, up 0.7 percent.

Following the release local news coverage primarily focused on the faster growth in Maine than the nation in 2008. Headlines each of the three prior years focused on Maine's slower than average growth. Looking at a longer period, total real (inflation-adjusted) GDP increased 21 percent in Maine between 1998 and 2008, lagging national growth of 28 percent. From that limited perspective it appears we fell behind the nation.

As a state with slow population and labor force growth, comparisons of our rate of economic growth to the nation can be misleading – one might reasonably expect a state with slower population growth to yield slower growth in the size of its economy. A better way of comparing our economic performance to the nation is to standardize on a per worker basis. During the ten-year period through 2008 Maine's output per job increased five percent compared to 14 percent nationally, so even adjusted for population growth our economic growth did not keep pace with the nation.

Growth tells us only so much about how we stack up versus the nation. Maine's GDP per job – a good indicator of productivity – was just 76 percent of the national figure in 2007. Productivity and wages tend to be correlated. Our lower average productivity largely explains our lower than national average wages.

A long list of companies found the workforce here to be more productive than their locations in other states, and economic development agencies have long marketed the strong Maine work ethic. Those notions seem at odds with the statistics. Is it that we work hard, but inefficiently? Or are our beliefs about ourselves wrong?

The answer is complex. One factor is that in many industries output per job is somewhat lower in Maine, but higher than 76 percent of national average. The primary factor is the differing industry structure between Maine and the nation. Productivity varies significantly among industries and is generally highest in industries associated with tangible property, energy, or moving people and goods, such as manufacturing, real estate, utilities, mining, oil and gas extraction, pipelines, and air and rail transportation. Maine has a comparative disadvantage in most of those industries due to our location and lack of energy reserves, so it is no surprise that a lower than average share of our economy and employment are in those industries. Maine has a higher than average share of our economy and employment in relatively labor-intensive service industries with lower than average productivity, especially those associated with tourism and caring for others, such as lodging, restaurants and pubs, retail, education, government, health care, and social assistance.

The way for Maine to close the income gap with the nation is to close the productivity gap. To close the productivity gap our economic and workforce development efforts must foster growth in highly productive industries, especially those in which we are not at a comparative disadvantage.

The table below includes a breakdown of output per job by sector. Among sectors with lower productivity than the all industries national average, Maine had a higher share of employment in most. Among the ten most productive sectors Maine had a smaller share of employment than the nation. Much greater industry detail is available at www.bea.gov/regional.

2007 Gross Domestic Product per Job and Share of GDP and Jobs by Industry Sector							
Industry	GDP per Job			Share of Total GDP		Share of Total Jobs	
	Maine	U.S.	Maine to U.S. ratio	Maine	U.S.	Maine	U.S.
All industry total	47,926	63,220	75.8%	100.0%	100.0%	100.0%	100.0%
Health care and social assistance	36,453	41,916	87.0%	10.5%	6.7%	13.7%	10.1%
Government	44,384	49,773	89.2%	12.5%	10.6%	13.5%	13.4%
Retail trade	41,767	48,123	86.8%	11.5%	8.1%	13.1%	10.7%
Construction	21,403	30,619	69.9%	3.5%	3.1%	7.7%	6.4%
Manufacturing	80,597	111,534	72.3%	13.0%	14.1%	7.7%	8.0%
Accommodation and food services	21,413	24,514	87.4%	3.1%	2.6%	6.9%	6.8%
Other services, except government	19,094	23,216	82.2%	2.0%	2.1%	5.1%	5.6%
Professional and technical services	48,684	75,553	64.4%	5.1%	7.8%	5.0%	6.6%
Administrative and waste services	25,164	29,599	85.0%	2.3%	2.9%	4.3%	6.2%
Finance and insurance	80,533	112,232	71.8%	6.3%	8.3%	3.8%	4.7%
Real estate and rental and leasing	177,225	173,668	102.0%	13.2%	12.4%	3.6%	4.5%
Wholesale trade	91,275	104,840	87.1%	5.5%	6.1%	2.9%	3.7%
Transportation and warehousing, excluding Postal Service	46,444	61,778	75.2%	2.4%	3.2%	2.4%	3.3%
Arts, entertainment, and recreation	20,020	28,428	70.4%	0.9%	0.9%	2.2%	2.1%
Educational services	20,535	23,428	87.7%	0.9%	0.8%	2.1%	2.1%
Forestry, fishing, and related activities	26,694	29,113	91.7%	1.1%	0.3%	2.0%	0.6%
Information	110,000	191,176	57.5%	3.7%	5.9%	1.6%	2.0%
Management of companies and enterprises	64,656	91,250	70.9%	1.1%	1.6%	0.8%	1.1%
Utilities	381,598	354,222	107.7%	2.0%	1.8%	0.2%	0.3%
Mining	21,635	113,135	19.1%	0.0%	1.0%	0.1%	0.5%