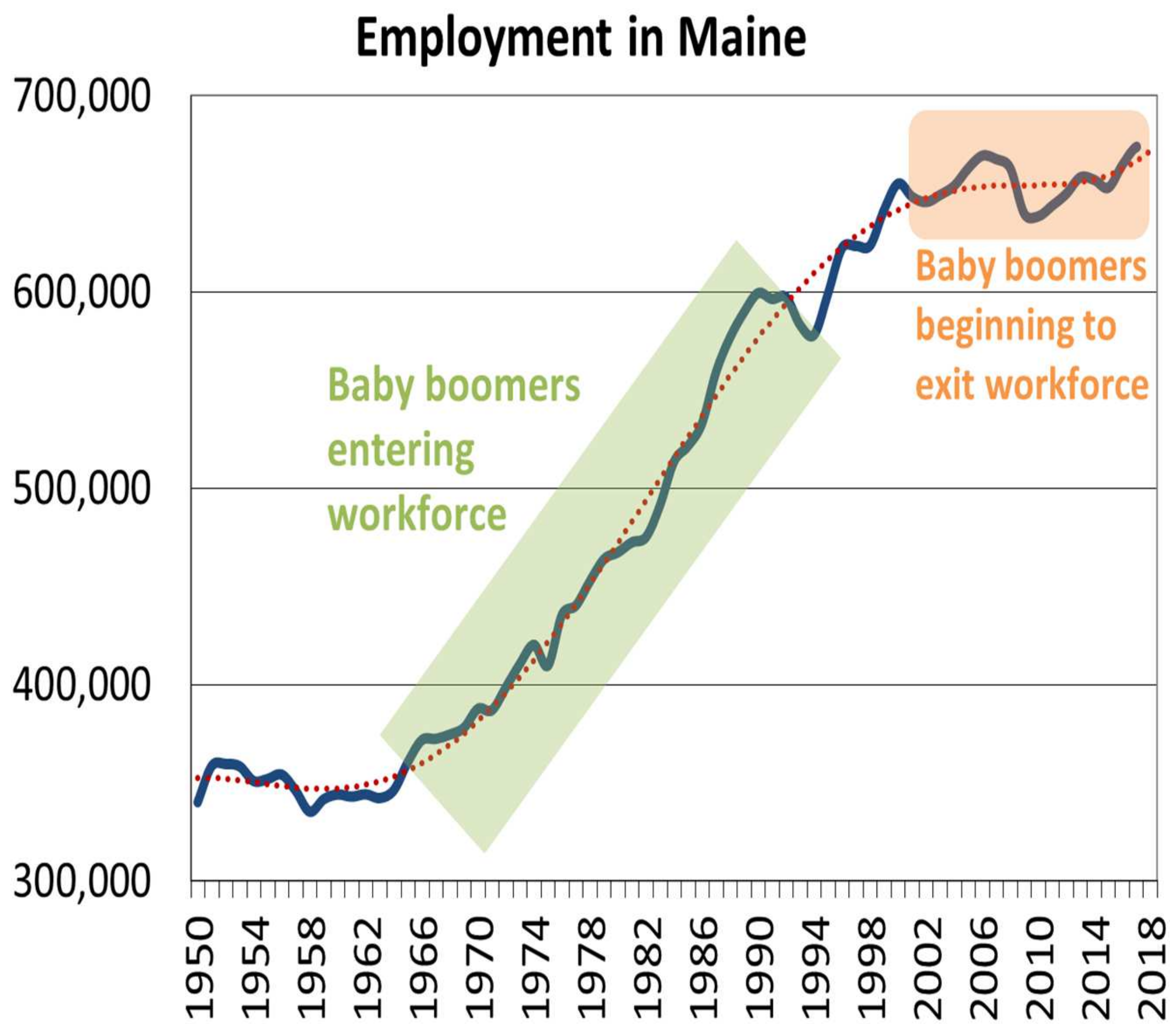
Maine Employment Outlook

2018 to 2028

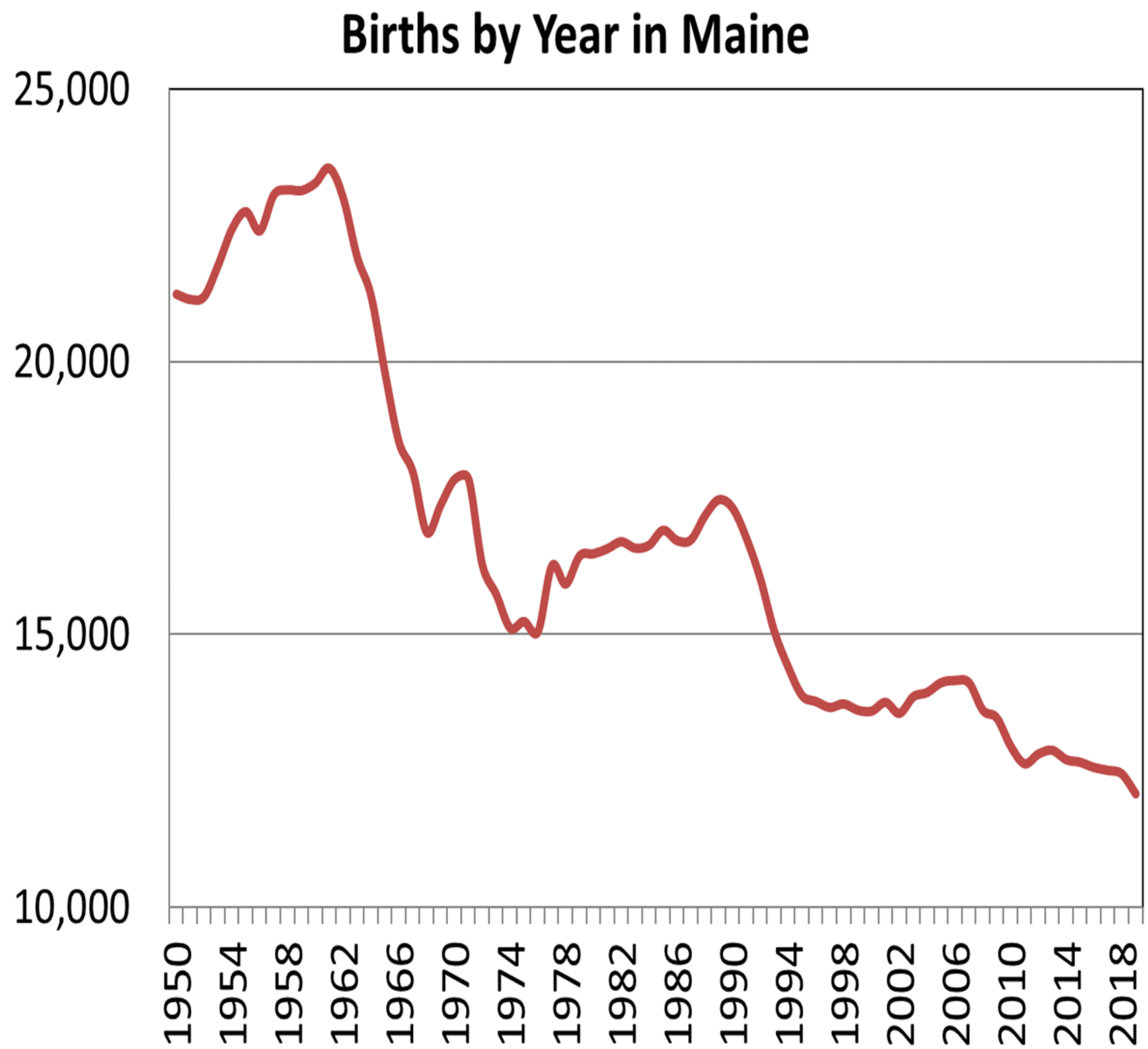
MAINE DEPARTMENT OF LABOR
Center for Workforce Research and Information

maine.gov/labor/cwri/publications/pdf/Outlook2028abbreviated.pdf

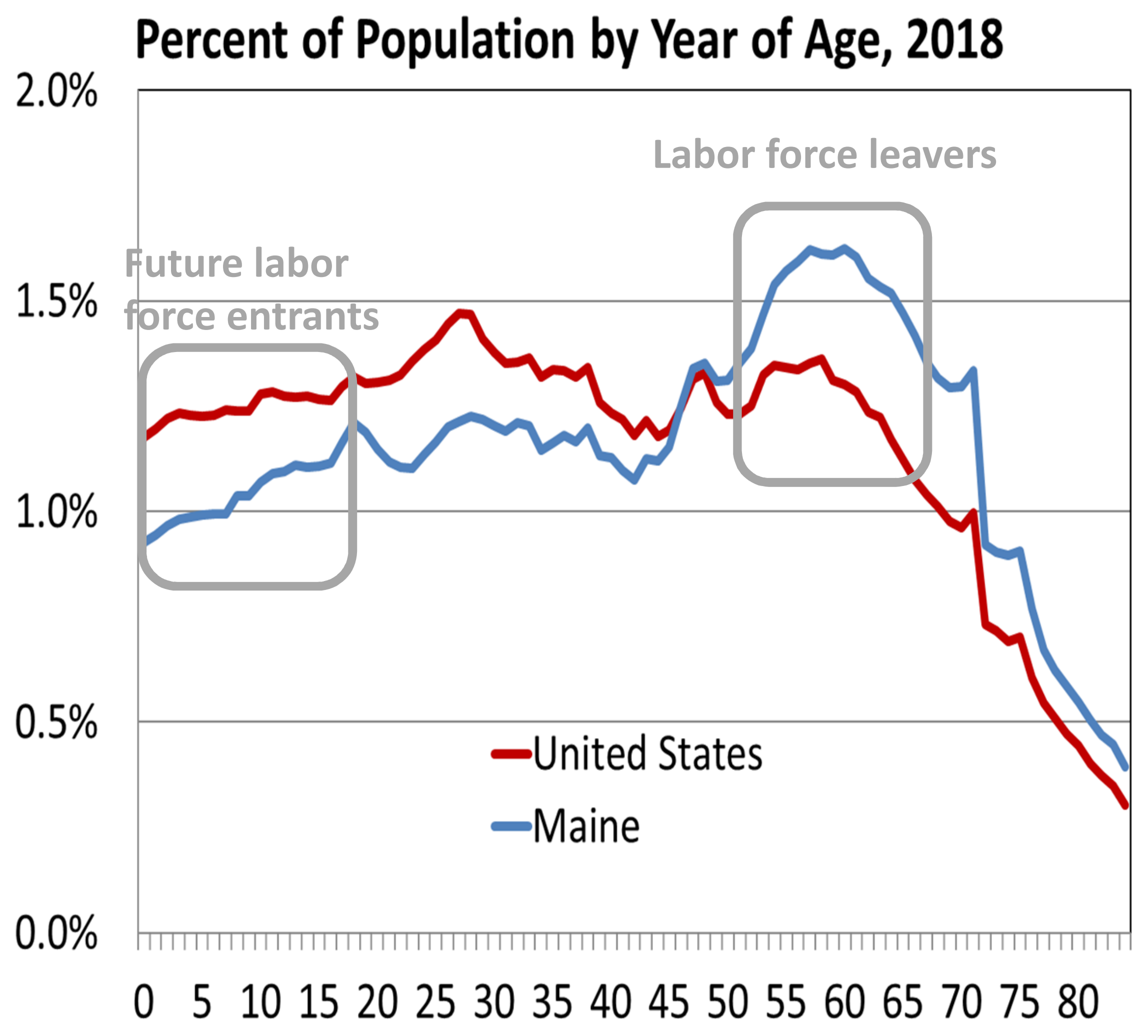
Employment has been relatively unchanged for the last 15 years, except for the decline and recovery during and after the last two recessions. This prolonged period of little change in employment occurred because the working-age population remained relatively unchanged.



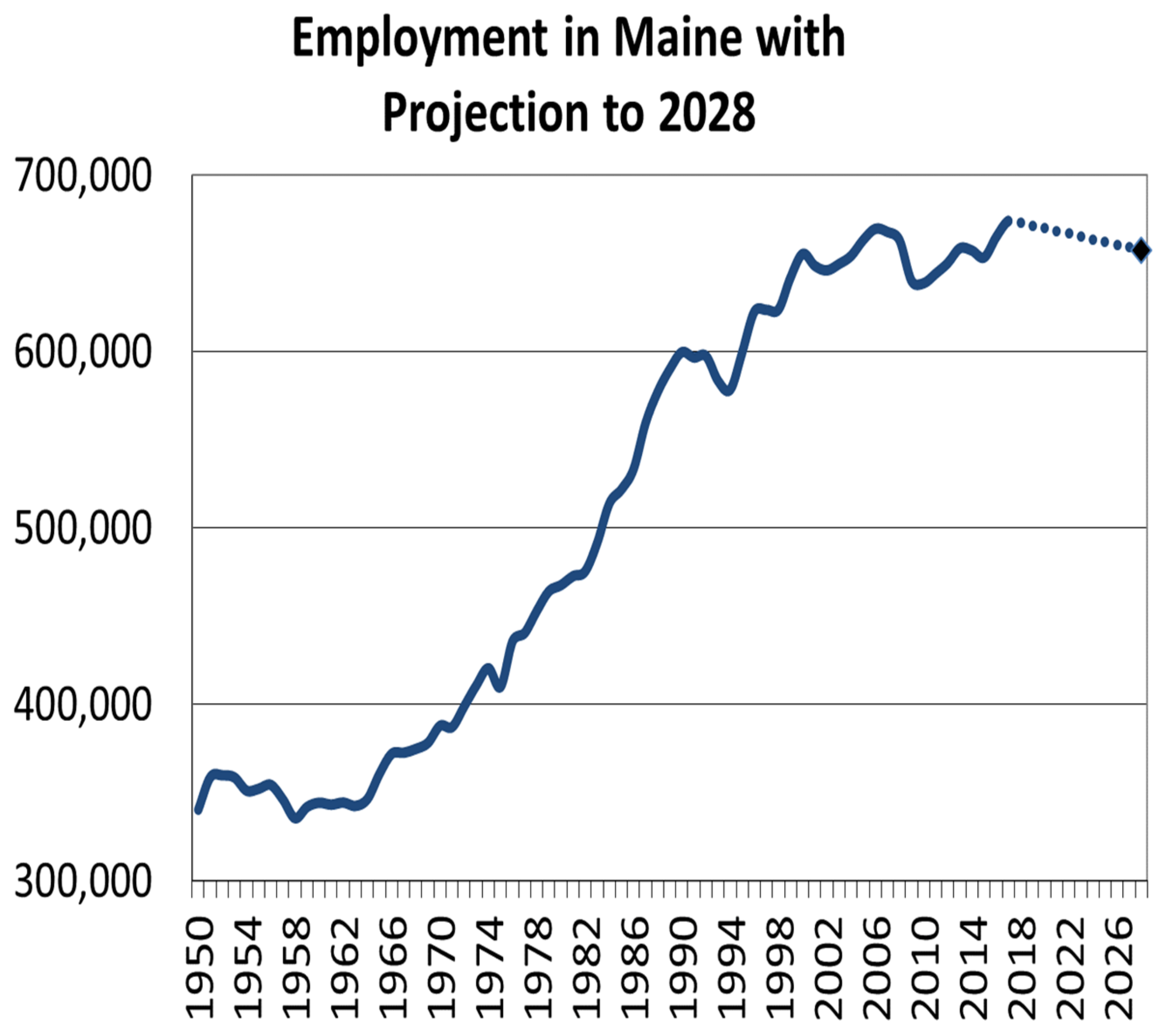
The working-age population hasn't changed much because of lower numbers of births in the 1990s and early 2000s.



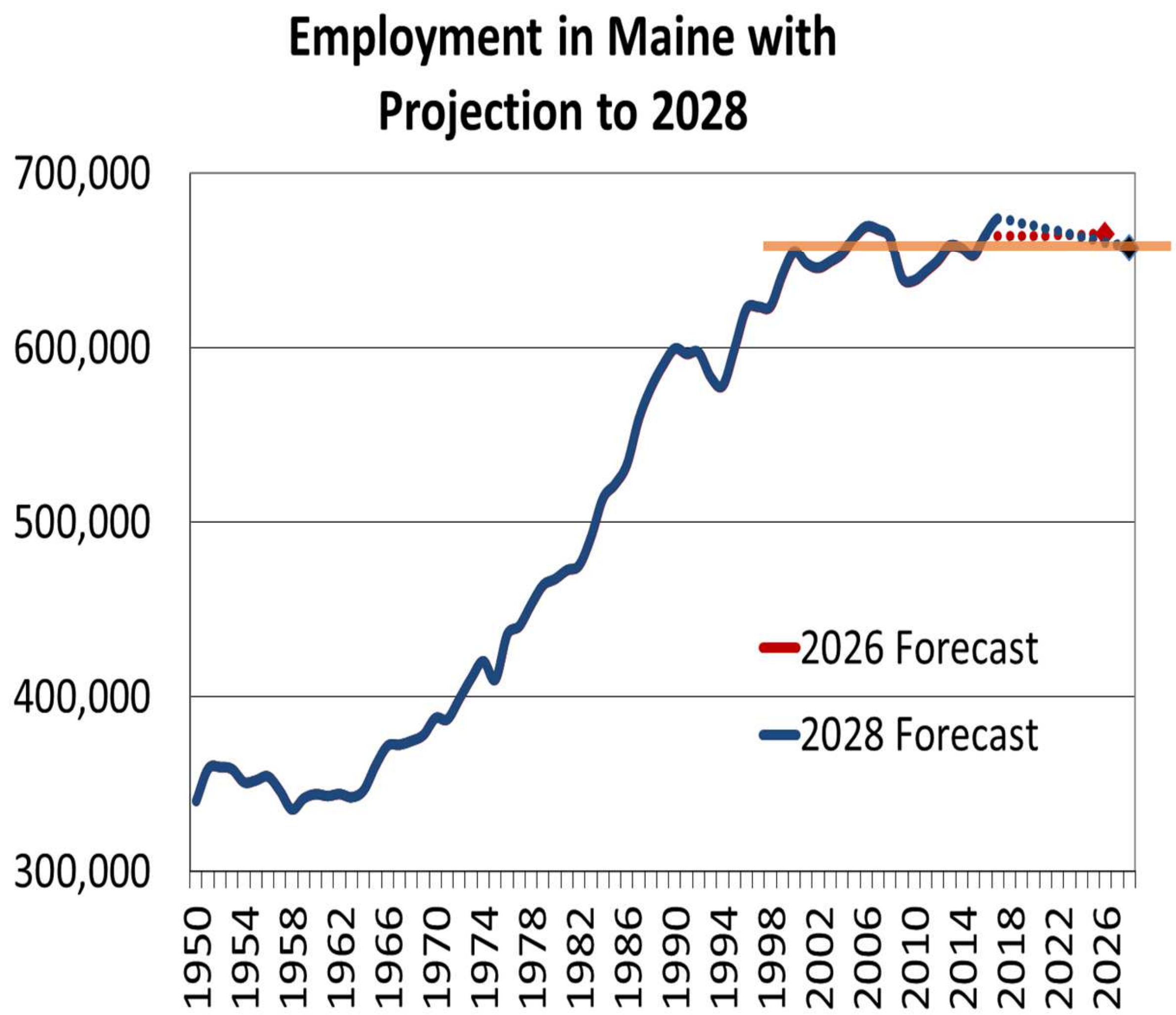
Declining birth rates have occurred throughout the developed world. This trend has been especially sharp in northern New England, resulting in an imbalanced population age structure with more people approaching retirement than young people who will age into the workforce.



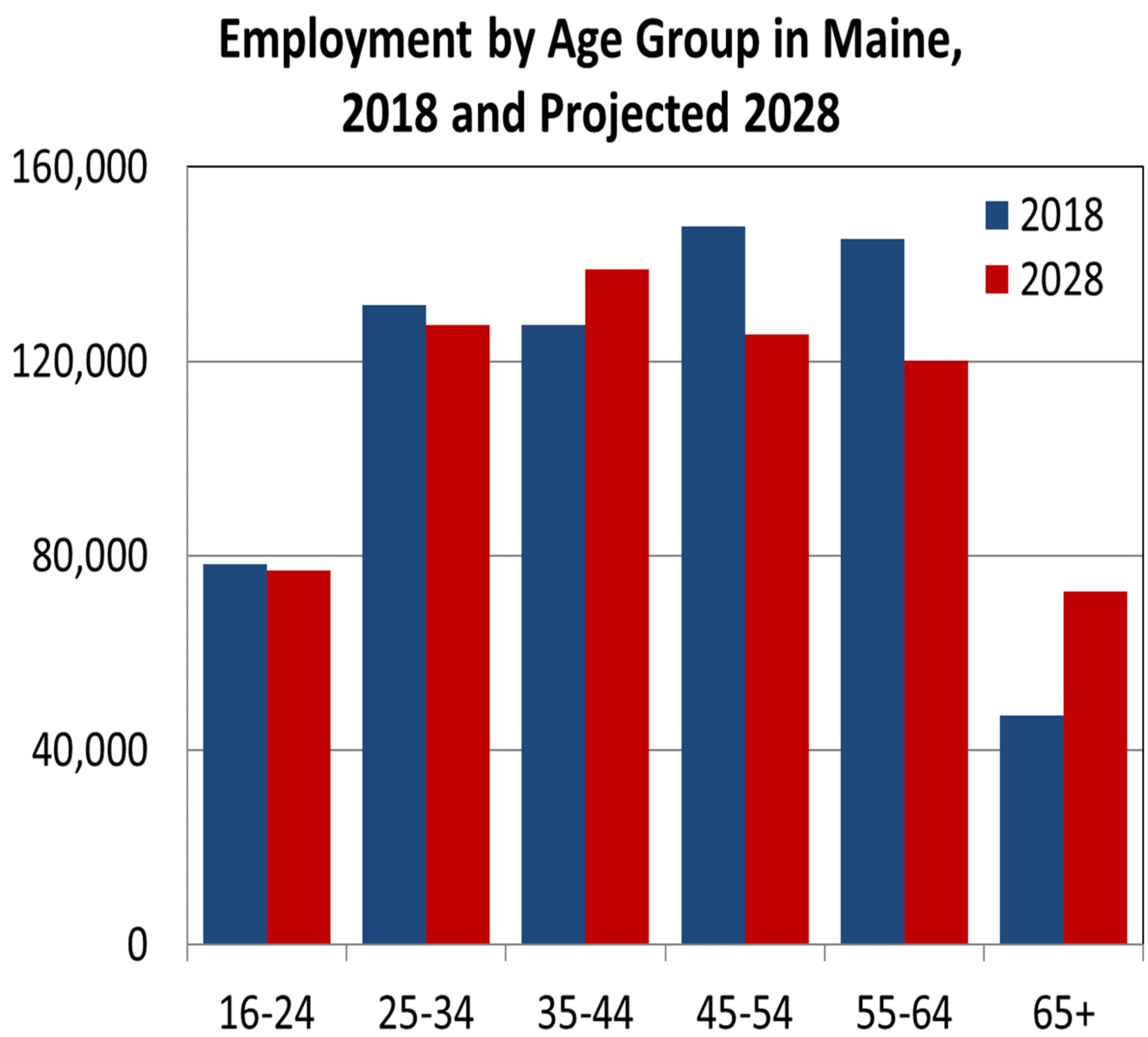
Long-term structural forces in our population are expected to return as the dominant factor impacting the rate of change and level of employment after the pandemic's impact has receded. From 2018 to 2028, employment in Maine is expected to decrease by 15,800 or two percent.



This is not significantly different from our last forecast for 2016 to 2026 of little change in employment. Other than the pandemic, all that has changed is the 2018 base is 10,000 higher than the 2016 base was, and in 2028 there will be somewhat more retired baby boomers than in 2026.



Employment of those age 65 and over and age 35 to 44 is expected to increase in the ten years through 2028. This will be offset by a decrease of those under age 35 and age 45 to 64. These changes mostly reflect that those who were in one age cohort will advance in age to the next.



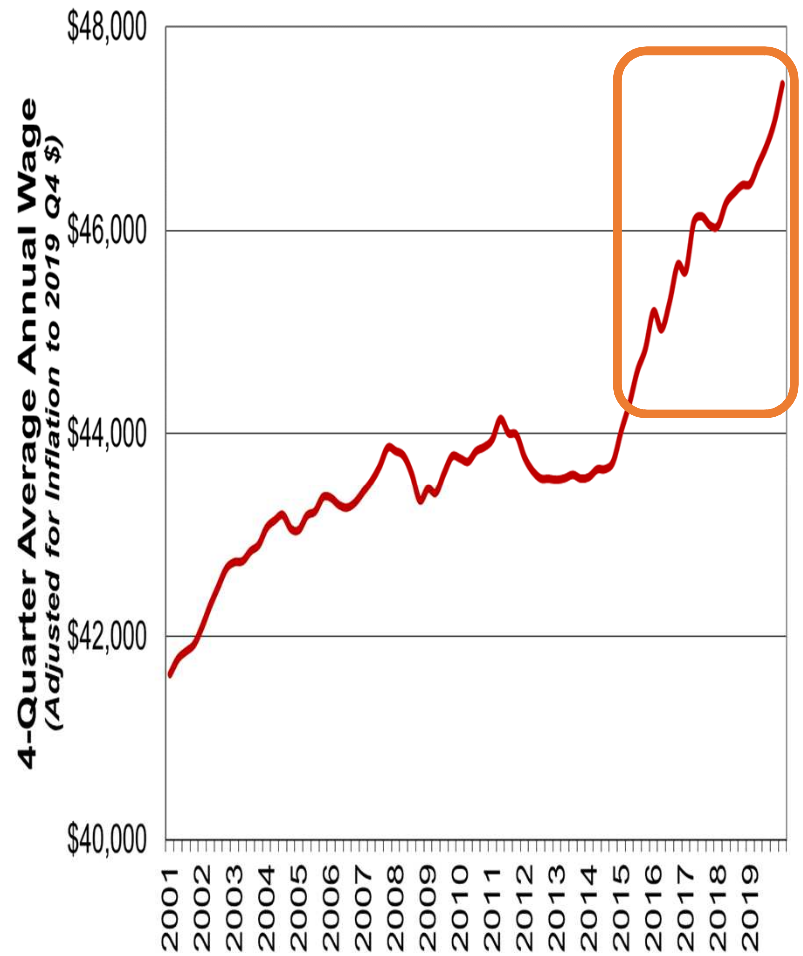
Addressing Popular Misconceptions about an Outlook of Decreasing Employment

After our ten-year forecast to 2026 was published, some editorial commentary and news articles portrayed a bleak situation of economic stagnation that would cause companies not to invest in the state because a lack of workers; that would cause young people to leave the state because of lack of opportunity; and that would force older people to work later in life because they would have to. These dramatic characterizations gained a lot of attention, but they lacked important context.

Addressing Popular Misconceptions about an Outlook of Decreasing Employment

A stagnant economy

Job and wage growth are not as correlated as many think. The 1970s was a period of rapid employment growth, but high unemployment and weak real wage gains. The four years preceding the pandemic was a period of little employment change and the strongest real wage gains on record. Similar conditions are likely to return after the pandemic's impact on the labor market has fully receded.



Addressing Popular Misconceptions about an Outlook of Decreasing Employment

A stagnant economy

There is a constant flow of people into and out of the workforce and into and out of different industries, companies, and occupations. The job openings rate provides a better indication of labor market opportunity than the net change in jobs. In the decade through 2028 we expect about 11 percent of jobs to turnover each year, an average of 75,100 openings annually. The 751,000 expected job openings in the decade is more than the number of jobs there are today. Many openings will be to replace those who retire, others will stem from job mobility as people gain new skills, experience, and education that allows them to advance their careers into higher levels of responsibility. This environment would better be described as dynamic than as stagnant.

Addressing Popular Misconceptions about an Outlook of Decreasing Employment

<u>Lack of workers deterring investment; lack of opportunity for young people</u>

When labor is readily available and relatively inexpensive companies have less incentive to invest in tools that make their workforce more productive. When the market for labor is tight, companies are incentivized to invest in productivity enhancing tools. Information technology tools are constantly becoming more capable and less expensive.

Competition for workers drives wages up. That incentivizes young people to remain in Maine and others to come here.

Addressing Popular Misconceptions about an Outlook of Decreasing Employment

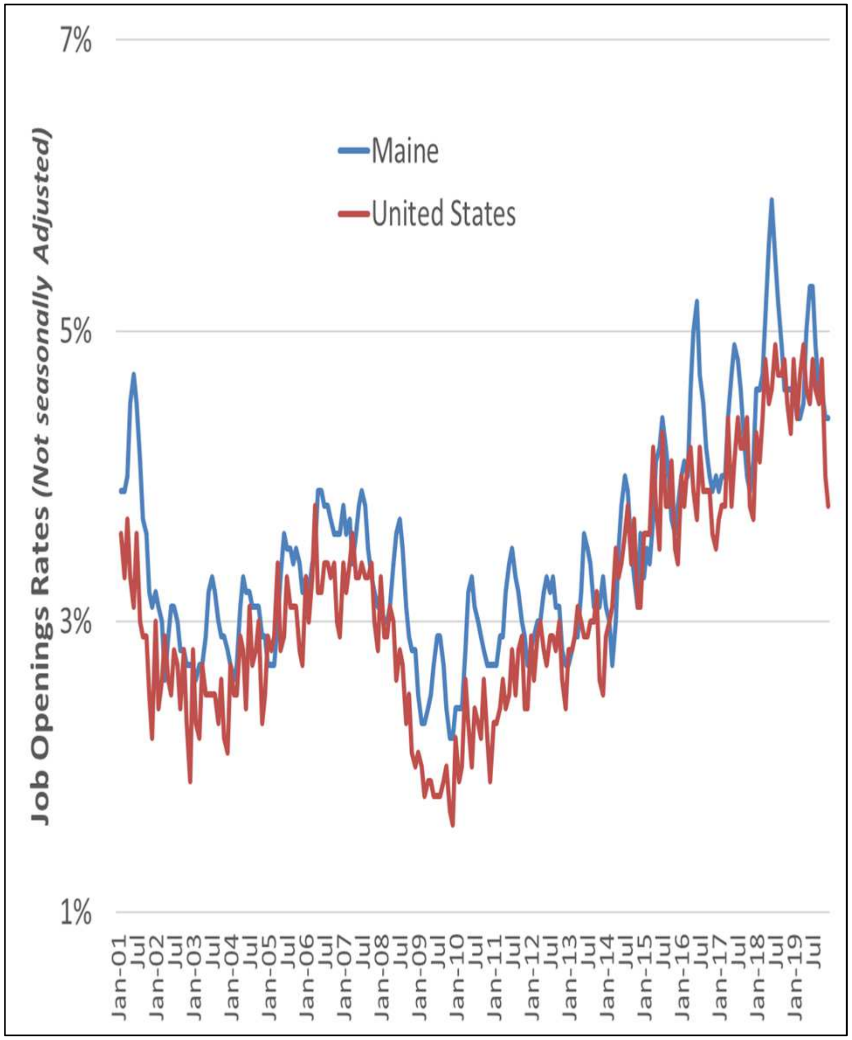
More people working in traditional retirement years because they have to

Employment of seniors is expected to continue to rise reflecting that there will be more "younger seniors" in their upper 60s and early 70s. Younger seniors participate in the labor force at higher rates than those who are 75+. It is not because we think fewer will be able to retire.

Addressing Popular Misconceptions about an Outlook of Decreasing Employment

<u>The staffing challenges employers had before the pandemic were due to lack of labor force growth from an aging population</u>

Many concluded that the low unemployment and challenging hiring environment before the pandemic was due to lack of labor force growth. Data on job openings indicates otherwise. The high job openings rate in Maine was similar to the national rate and to rates in many states with faster labor force growth. The pre-pandemic staffing challenges were due to the strong economic conditions that prevailed, not due to the population trends that are constraining labor force growth.



Addressing Popular Misconceptions about an Outlook of Decreasing Employment

<u>The staffing challenges employers had before the pandemic were due to lack of labor force growth from an aging population</u>

Most jobs are in industries that support their broader local area. Growth in total demand for products and services is generally related to population growth. With normal productivity gains a labor force that is 98 percent as large in 2028 as in 2018 will provide <u>greater output</u> of goods and services and should meet demand from a population that is modestly larger.