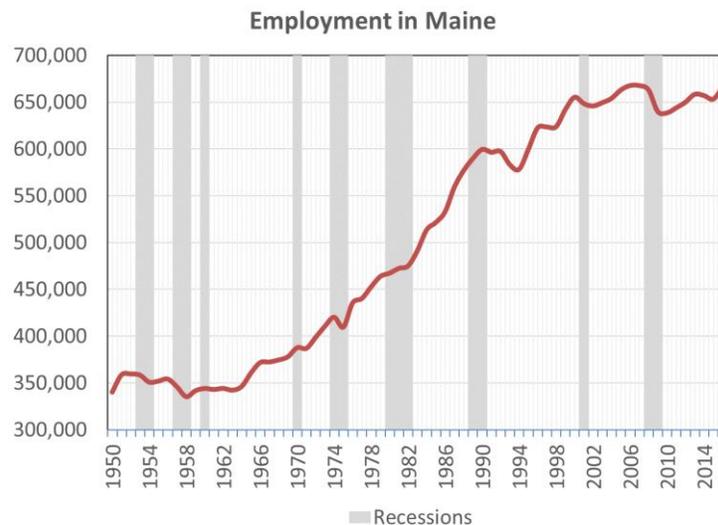


Employment Outlook to 2026

Workforce conditions in Maine are very tight in 2018, with unemployment and other measures of labor market slack at historically low levels. This is a positive development for individuals, but a challenge for employers who are concerned about future labor availability. This blog provides context to how this situation developed, then looks at our forecast for employment through 2026.

How We Reached This Point

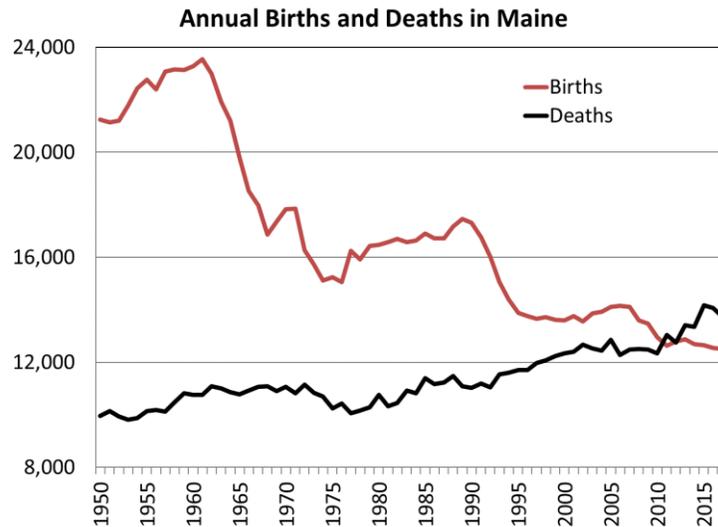
From the early 1960s until 2007, employment in Maine nearly doubled. The rate of growth slowed in the 1990s, and, except for the decline and recovery during and after the 2008 and 2009 recession, employment has been relatively unchanged over the last decade. This recent lack of growth is because the prime working-age population of the state has contracted modestly. Combined with strong economic conditions, this has created a very competitive hiring and retention environment that has driven inflation-adjusted average wages up at the fastest rate in nearly two decades over the last three years.



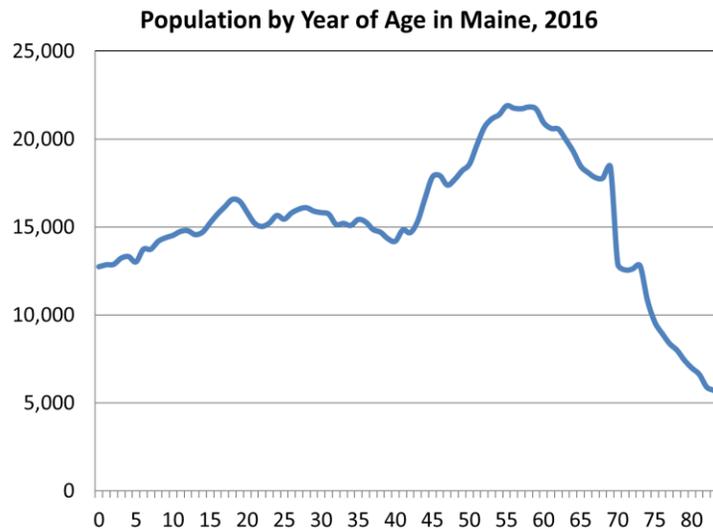
The relative flatness of the last decade is not without precedent. The state experienced a similar period in the 1950s and early 1960s. Though there are many differences between conditions five or six decades ago and today, there is a commonality underpinning those two eras of little growth: both were preceded by a protracted period of lower numbers of births. This matters because the number of births in a period impacts the number of young adults entering the workforce close to two decades later.

The important distinction between the two periods is that the decline in births that preceded the 1950s and early 1960s was because of the adversity of the 1930s depression and World War II; it gave way to the two decade-long baby boom following the war. The decline in births that preceded this decade occurred during the peace and prosperity of the 1990s; it is the result of societal changes in which families generally have fewer children than previous generations. The number of births has gotten so

low that for the first time in our history the state had more deaths than births in six of the seven years through 2017.



The trend of declining births is not unique to Maine. This has occurred throughout the nation and the entire advanced world, but has been especially sharp in northern New England, leaving the region with an imbalanced population age structure. We now have many more people in their 50s and 60s who are approaching retirement than young people who will age into the workforce.

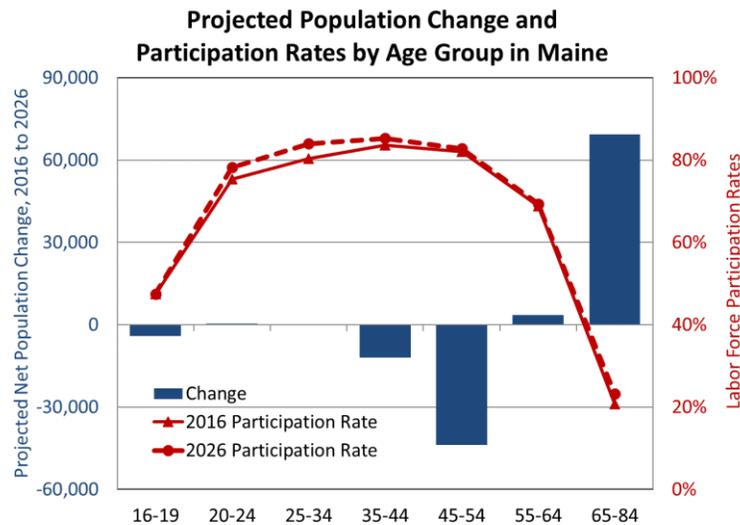


Because of the population imbalance we are increasingly dependent on in-migration from other states and nations to maintain our labor supply. Improved labor market conditions contributed to a significant uptick in net migration to the state in 2016 and 2017 after an eight-year period of the lowest net migration since the 1960s.

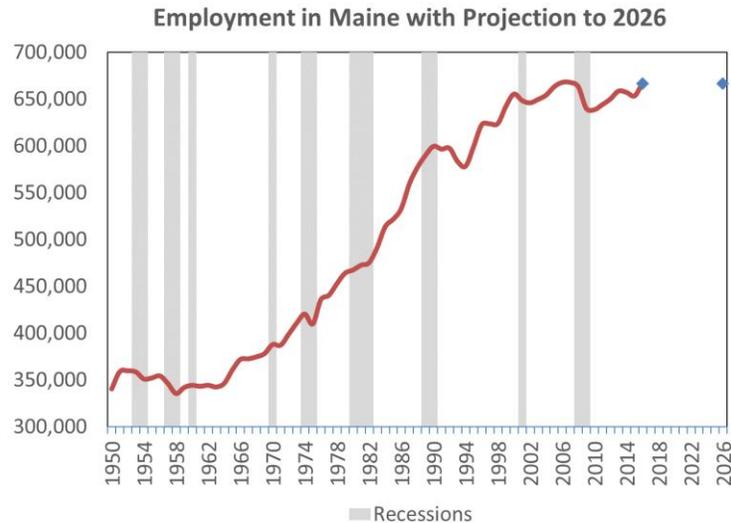
Outlook

The working-age population of current Maine residents is expected to continue to decline through 2026 as more baby boomers reach retirement age. The recent uptick in net migration of working-age people to the state is expected to continue as employers cast a wider recruiting net to attract staff, initiatives to promote the state pay dividends, and the earnings landscape becomes more competitive with other regions of the nation.

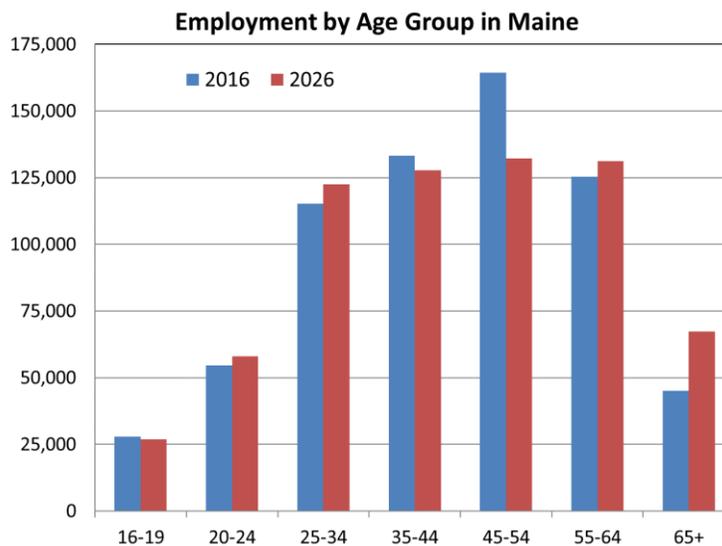
The size of the labor force depends on changes in the working-age population, but also on changes in rates of participation in the labor force. Participation rates are highly associated with age, rising until around age 40, then gradually declining through the early 60s, and more sharply thereafter. Additionally, participation is associated with opportunity. Continuing tight labor market conditions are expected to drive participation up in all age groups.



Despite higher participation across the age spectrum, the participation rate for the entire labor force age 16 and over is expected to decline from 63.4 to 61.8 percent, reflecting a larger share of retired population. The net result of aging and higher participation across age groups is that we expect employment in 2026 to be nearly unchanged from 2016 levels.



Though total employment is not expected to change much, the employment structure will skew older as the population ages. Employment of those age 55 and over is expected to increase by 28,000 in the ten years through 2026, offset by 38,000 fewer age 35 to 54. Employment under age 35 is expected to rise by 10,000, mostly in the 25 to 34 age group.



The demographic challenges to growth will increase with each advancing year. Though our forecast is for employment to be little changed between 2016 and 2026, we expect the number of jobs will rise modestly in the early part of the decade and peak before 2026. To maintain our workforce, it will be increasingly imperative that we pursue policies and initiatives that reduce barriers to employment, and that encourage young people to stay or to move here. If we do not, the challenges employers already face attracting staff will increase.

Detail on the outlook for workforce change in total and by age group is at www.maine.gov/labor/cwri/outlookDemographic.html.