The Outlook for Workforce Growth to 2024

The size of the workforce is constantly in flux. After a stagnant period from the late 1940s to the early 1960s, workforce growth in Maine surged by as much as 22 percent per decade from the middle of the 1960s through the 1980s. Since then, decade by decade, workforce growth slowed to less than 2 percent in the ten years through 2014. Today, the labor market is tighter than it has been in many years; unemployment is low and many businesses are expressing concern about finding enough workers with the right skills.

![Labor force growth has been slowing for three decades](image)

**What is causing growth to slow?**

The supply of workers changes not only with the size of the population, but also with changes in its structure and in labor force participation. Population growth and shifts in its structure are driven by changes in birth rates and migration rates, both to and from the state. With about a two-decade lag, birth patterns are the largest factor. Surging growth from 1964 to 1991 was primarily the result of the baby boom generation (born between 1946 and 1964) coming of age and entering the workforce, as well as strong net in-migration (more people moving into than out of the state), and a rising share of working women. Slowing growth since then is due to a steep decline in the number of births, lower rates of net in-migration, and a flattening in the rate of female participation in the labor force.
The number of births per year is declining

The phenomenon of declining birth rates has been occurring throughout the advanced world, but few places have experienced the rate of decline as has occurred in the northern New England states. In Maine this caused an imbalance in our population age structure to develop, with a high share of people over age 45 and a correspondingly low share under age 45 relative to the U.S. The largest differential in age structure occurs among those in their 50s and 60s and among children – Maine has unusually high and low shares, respectively. Since 2012, the state has had slightly fewer births than deaths each year, providing a small natural decrease in population.

Maine has a higher share of older people than the U.S.

The dearth of children is particularly important for the future of the workforce. As they come of age and enter the workforce, they essentially replace those who retire, but there are far fewer young people than the number who will be retiring over the next two decades.

Migration patterns are changeable from one era to the next. Strong net in-migration in the four decades through 2010 has given way to just enough to offset the recent natural decrease and stabilize the
population at just over 1.3 million. A tight labor market and low unemployment has started to boost average earnings, which may spur an uptick in in-migration of working-age people.

**As natural change has decreased, so has net-migration over the last four decades**

What is the outlook for the next decade?

We expect labor force participation rates to rise among all age groups, providing a positive contribution to the workforce. That said, the share of the population in their peak years of attachment to work will continue to decline as more baby boomers reach retirement age. So, despite rising labor force participation among all age groups between 2014 and 2024, the overall participation rate is certain to decline because of the advancing age structure of the population.

**The population is projected to decline among age groups with the highest rates of labor force participation**

The net result of these trends is that we expect the size of the labor force to decline by about 6,300, or 1 percent, between 2014 and 2024. Despite that, we expect employment to rise by about 5,000 due to a large reduction in the number of unemployed. (The labor force is the sum of employed and unemployed
people. Jobless people actively engaged in job search are counted as unemployed; those not looking for work are not in the labor force. In the middle of 2016 the number of unemployed is down significantly from 2014, to near-historic lows. At this point, the effect of rising employment from declining unemployment is fully played out; little job growth will stem from reductions in unemployment going forward.

The size of the labor force is projected to decline 1 percent in the decade through 2024

With each advancing year, the greater the demographic challenges to growth will become. Though we expect employment to rise modestly between 2014 and 2024, we also expect it will reach a peak before 2024 – unless a surge to 1970s and 1980s rates of in-migration of working-age people occurs.

Additional information on the workforce outlook to 2024 is available at www.maine.gov/labor/cwri/outlookDemographic.html.