

Workforce conditions & demographic challenges to growth

Presented to the
Consensus Economic Forecasting Commission
& Revenue Forecasting Commission

July 23, 2013

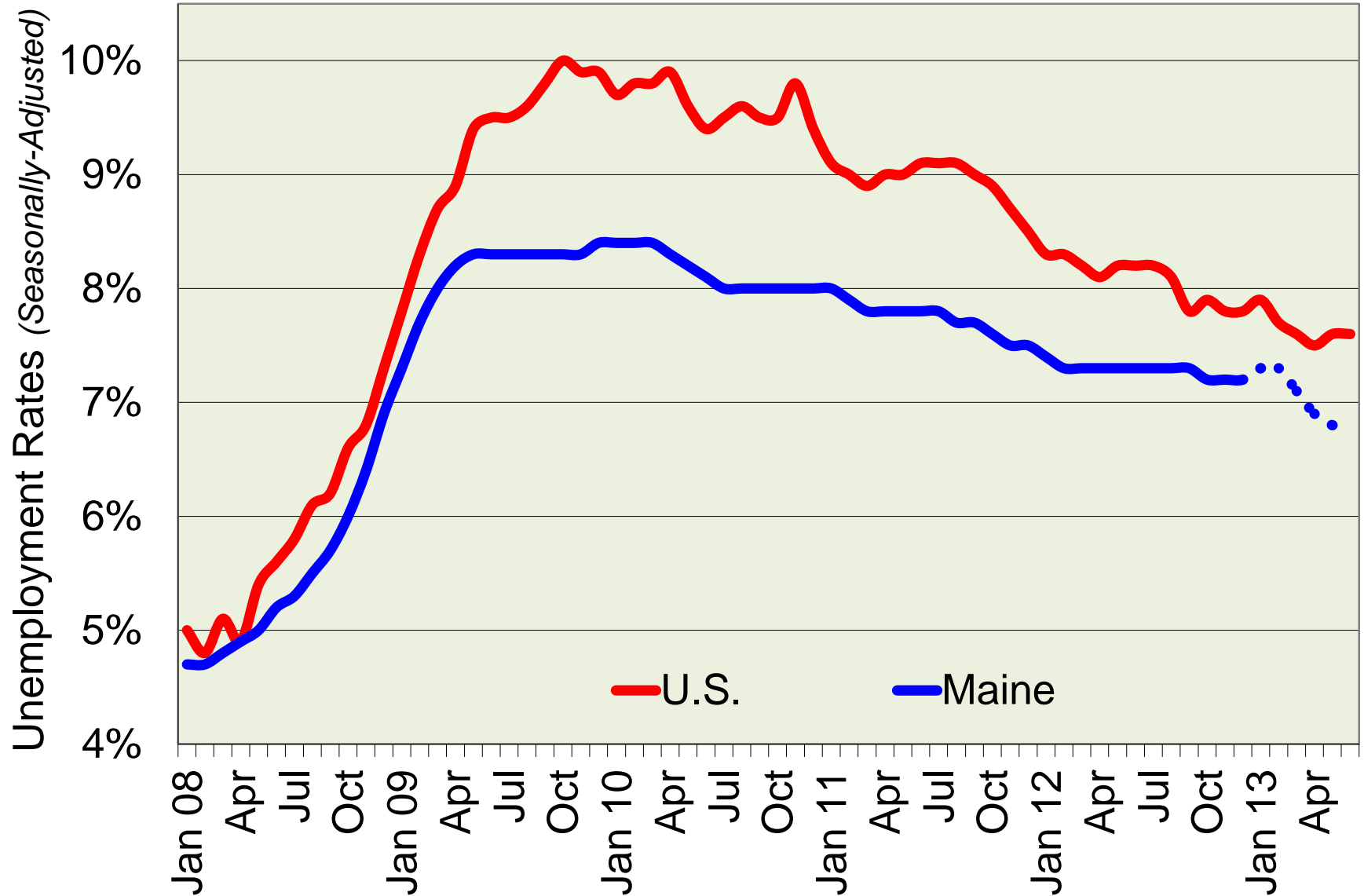
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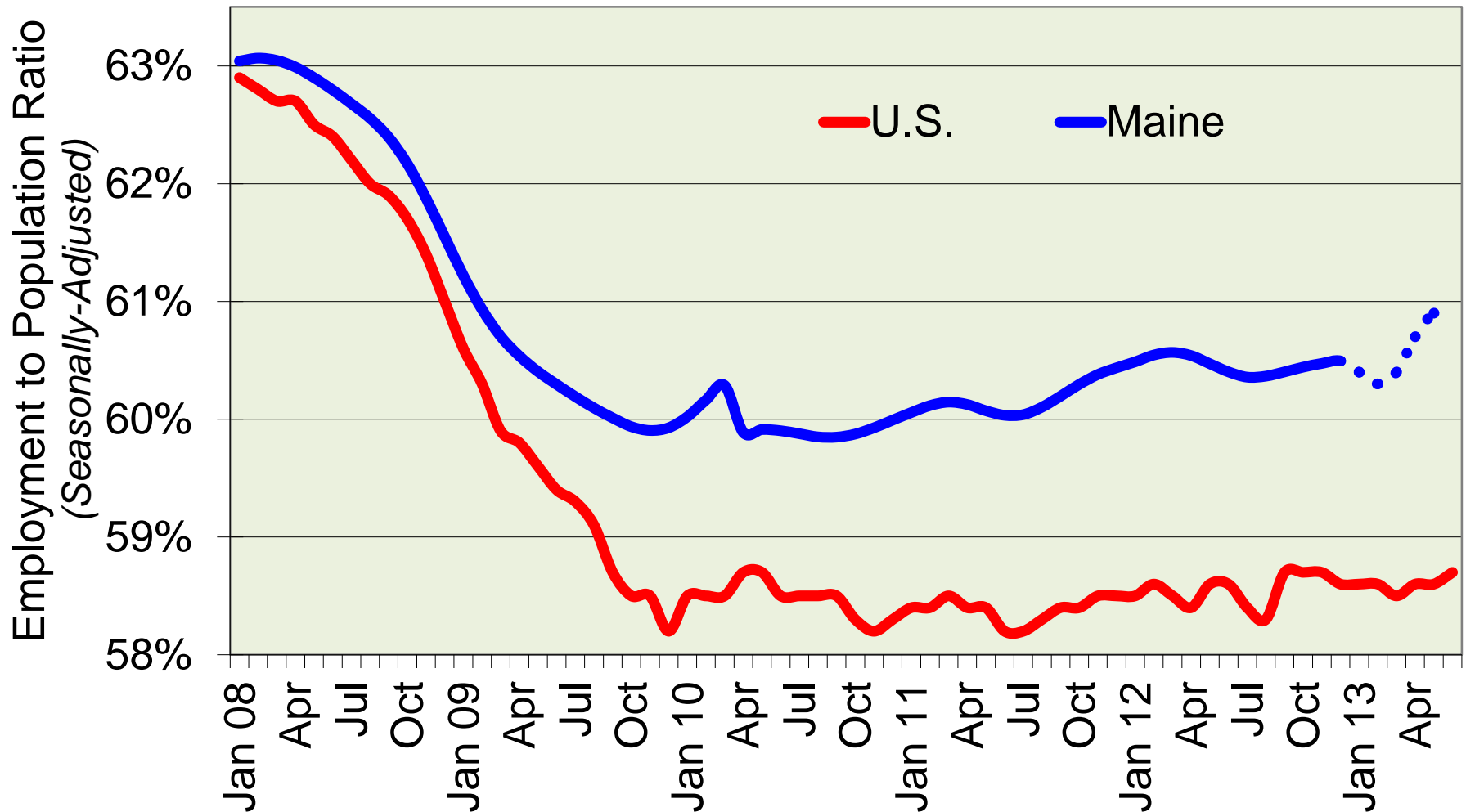
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Labor force & unemployment

Unemployment rates continue to trend lower...

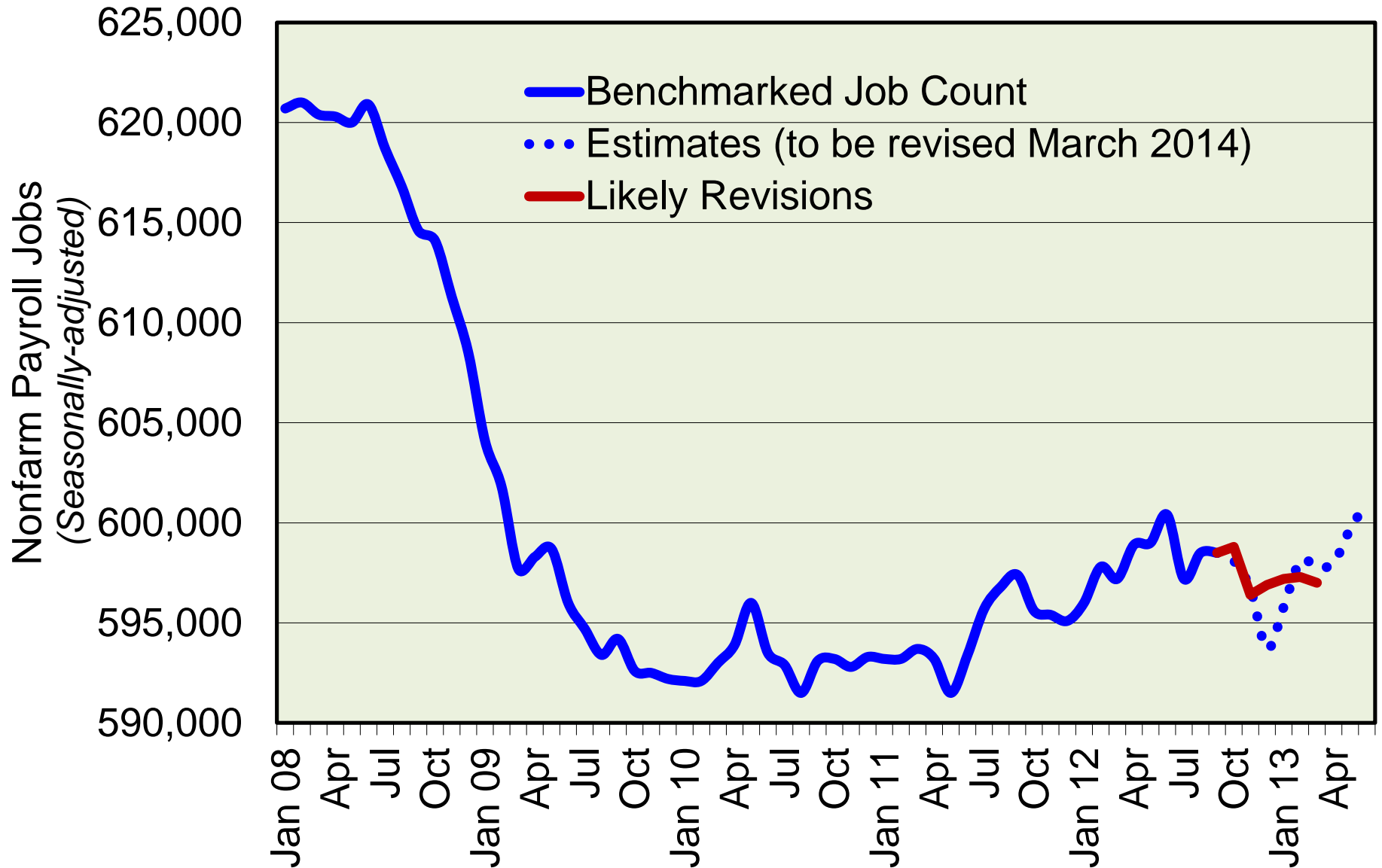


...a rising share of employed population is the primary reason Maine unemployment is lower. Nationally, the share of employed population is not up; lower labor force participation is the reason unemployment is down.

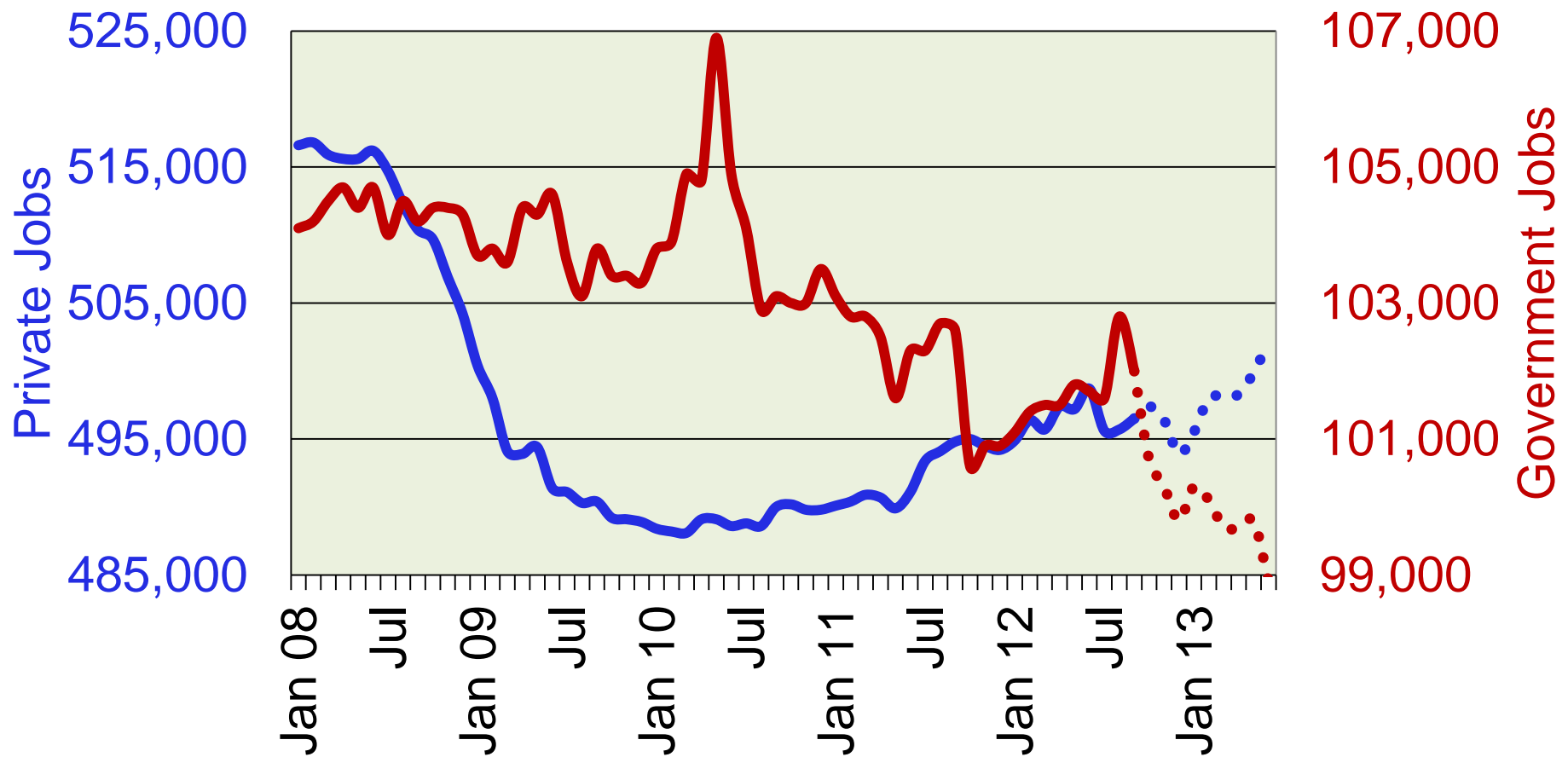


Jobs & Wages

The gradual upward job trend continues...

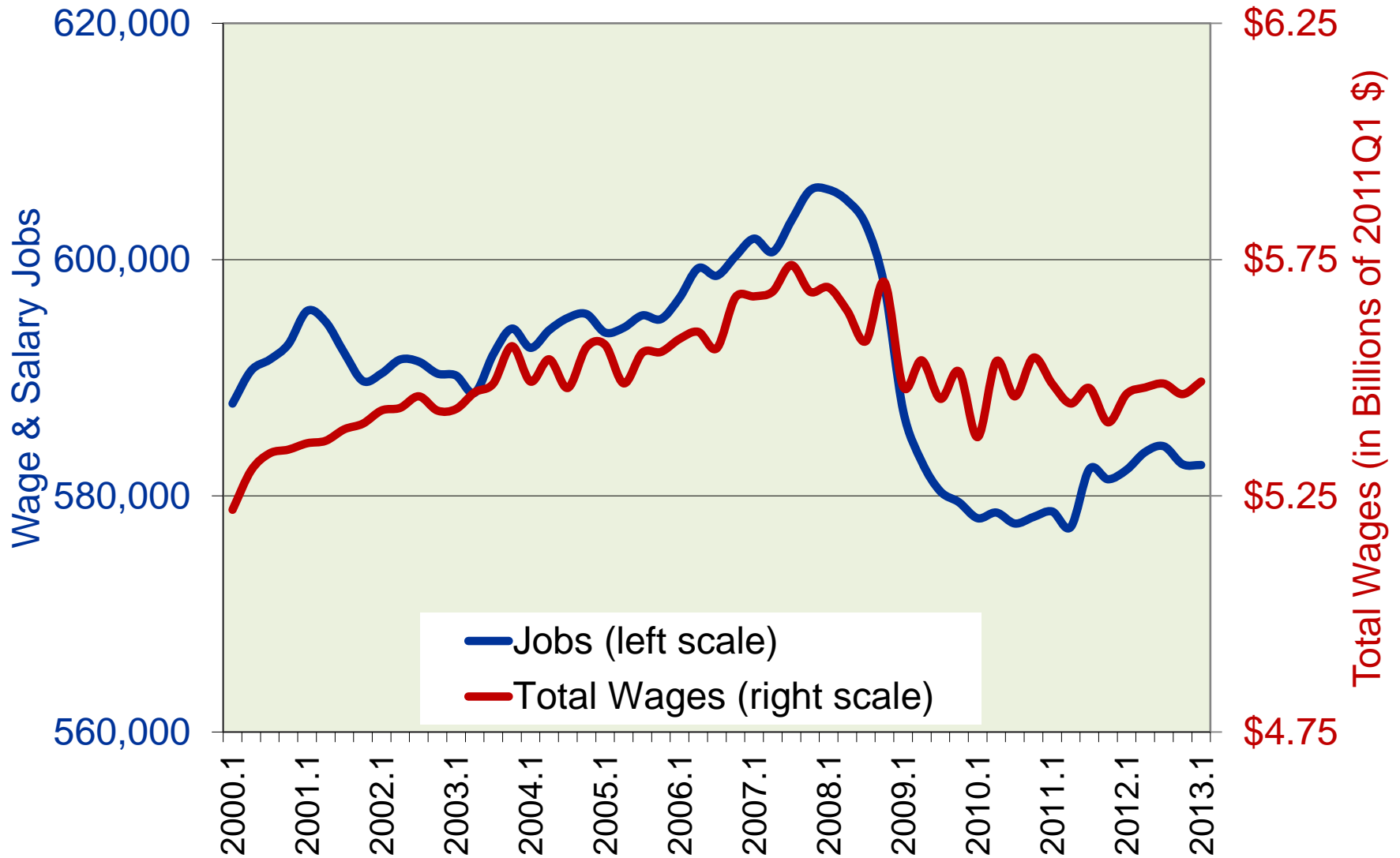


...government declines continue to partially offset private growth

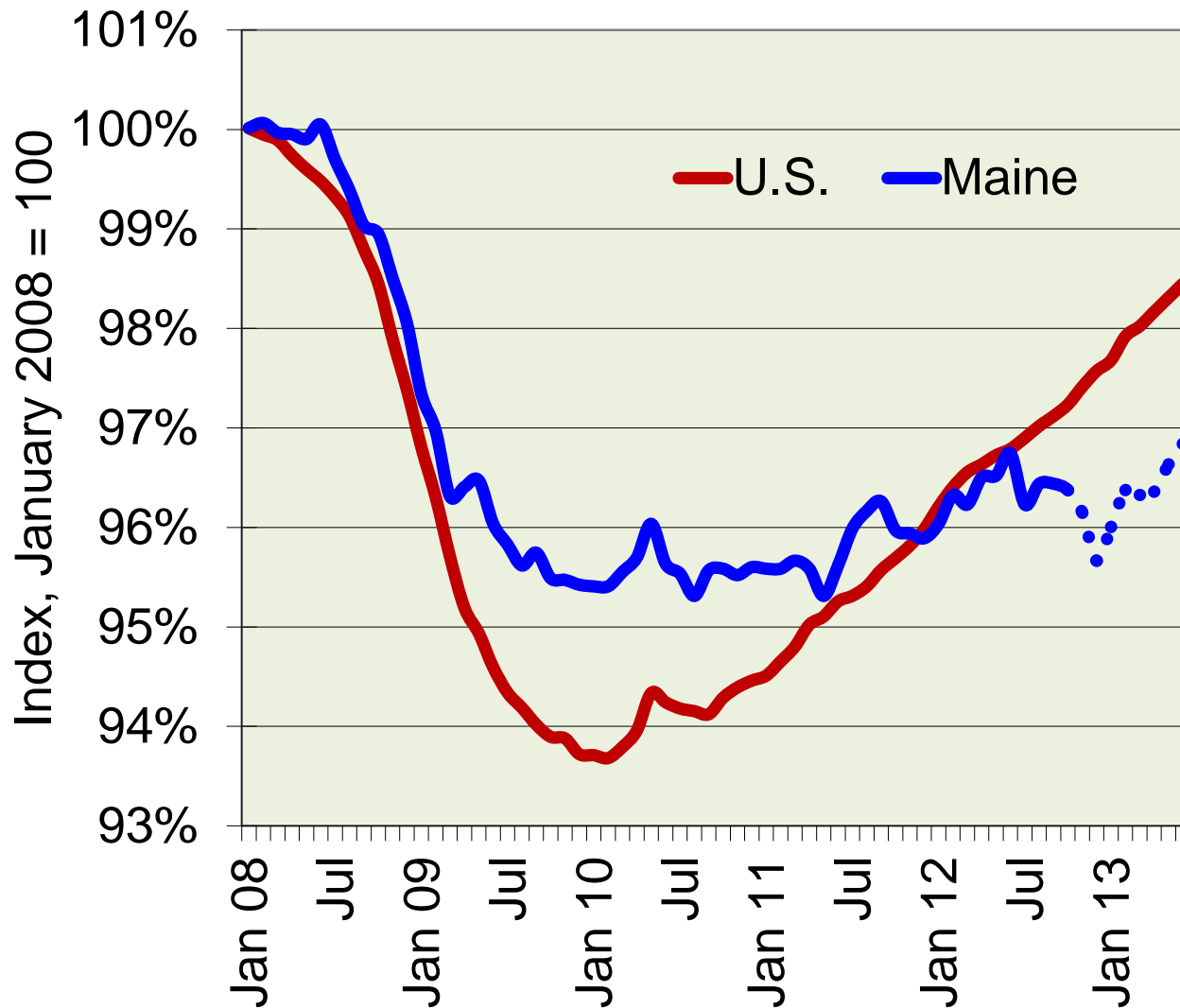


- Private Job Count
- Private Estimates (to be revised March 2014)
- Government Job Count
- Government Estimates (to be revised March 2014)

Job gains...total wages paid? *(adjusted for inflation)*



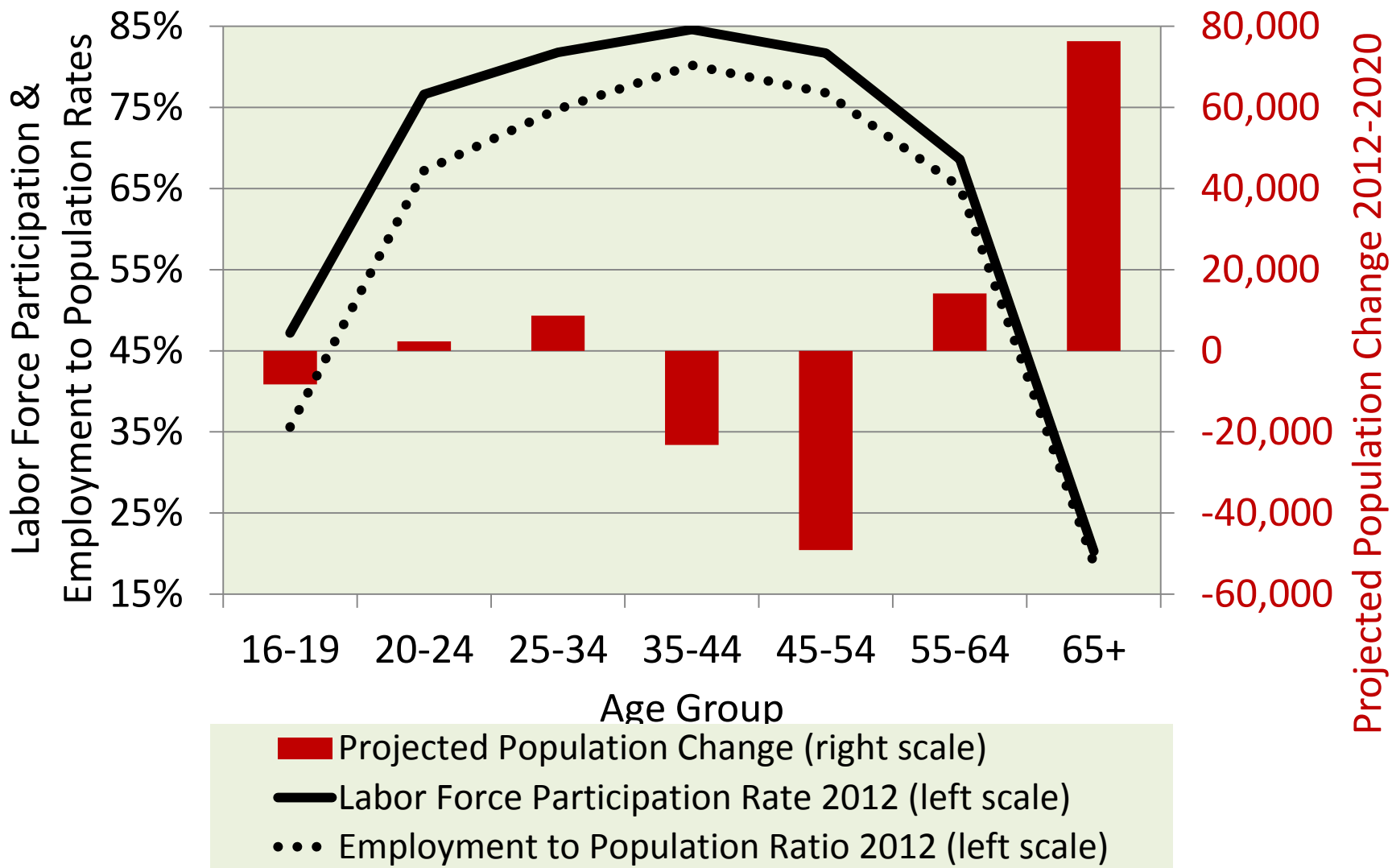
Maine had a lower rate of job loss during the downturn and a slower job recovery (as well as personal income and GDP)



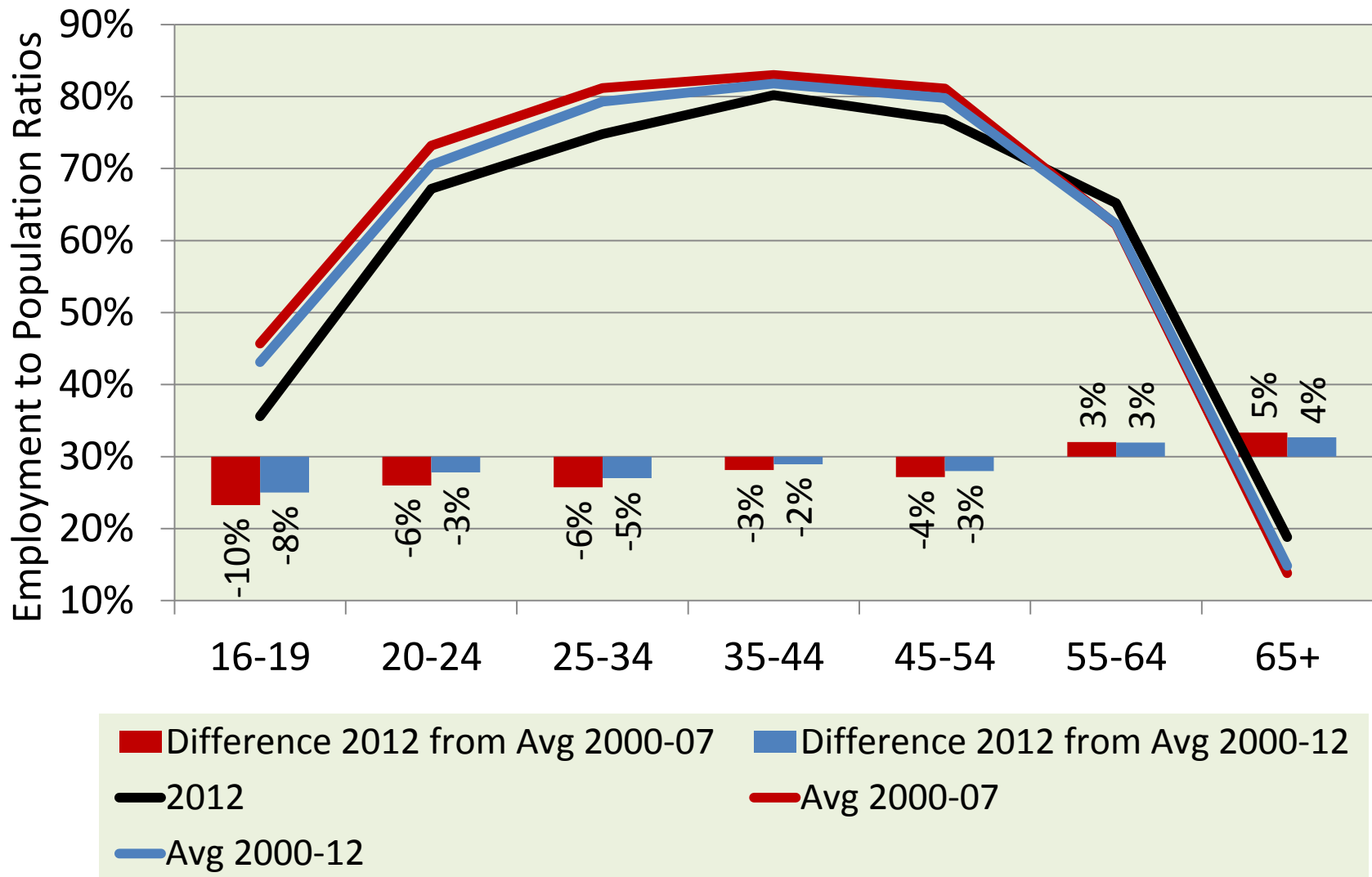
Recent news coverage has prominently announced we rank near the bottom among states in growth, but provided no context as to why this is the case. The age structure of our population is seriously constraining growth.

Demographic headwinds & the job outlook

The population in their peak years of labor force participation and earnings is declining, limiting job and economic growth



Compared to before the recession, the share of employed population is up for those age 55+ and down for younger groups. The largest declines occurred among the youngest.



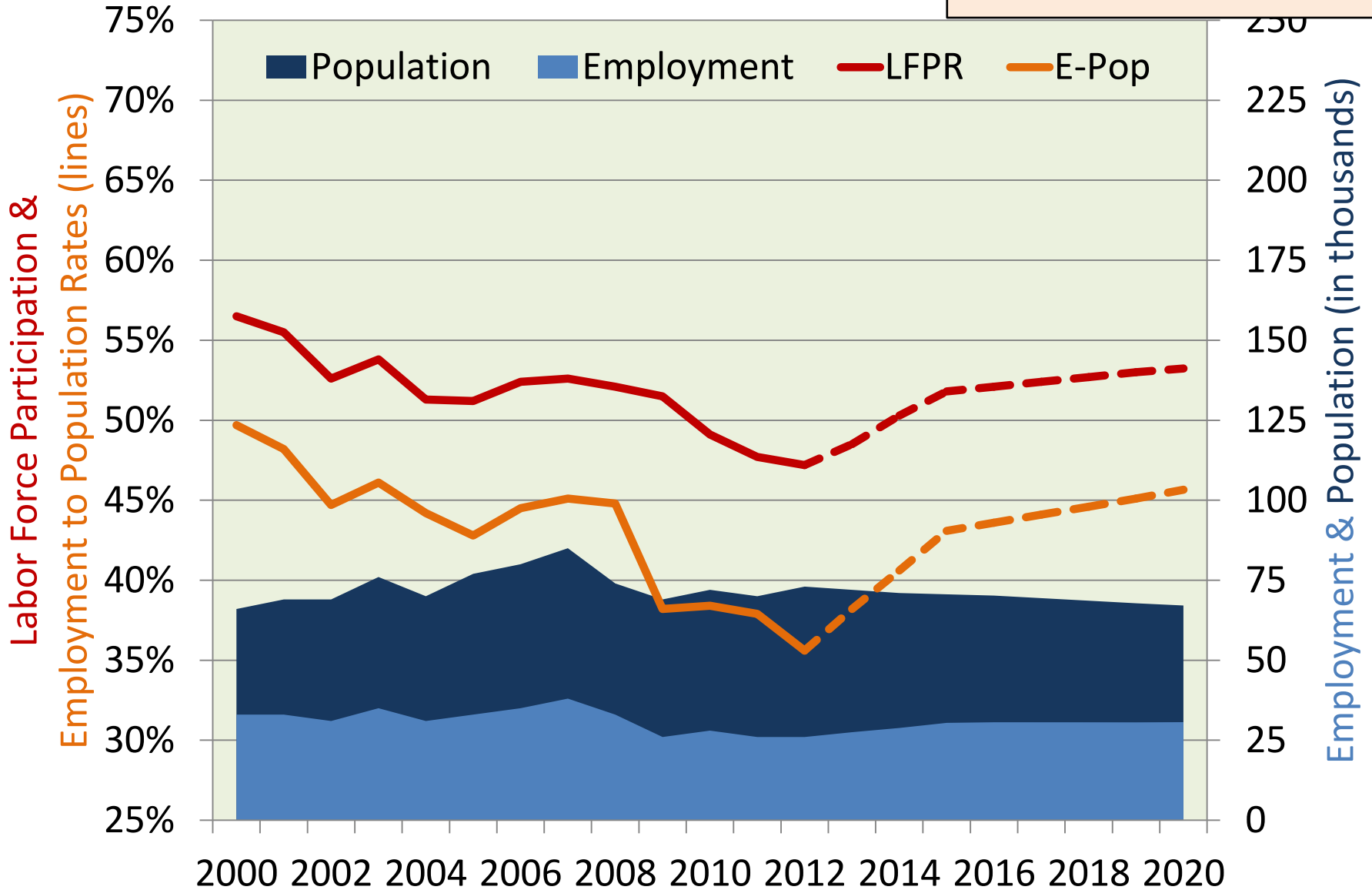
Based on recently published population projections, what would total employment be if the employment to population ratio for each age group recovered to:

-the 2000 to 2012 average by 2015?

-the 2000 to 2007 average by 2020?

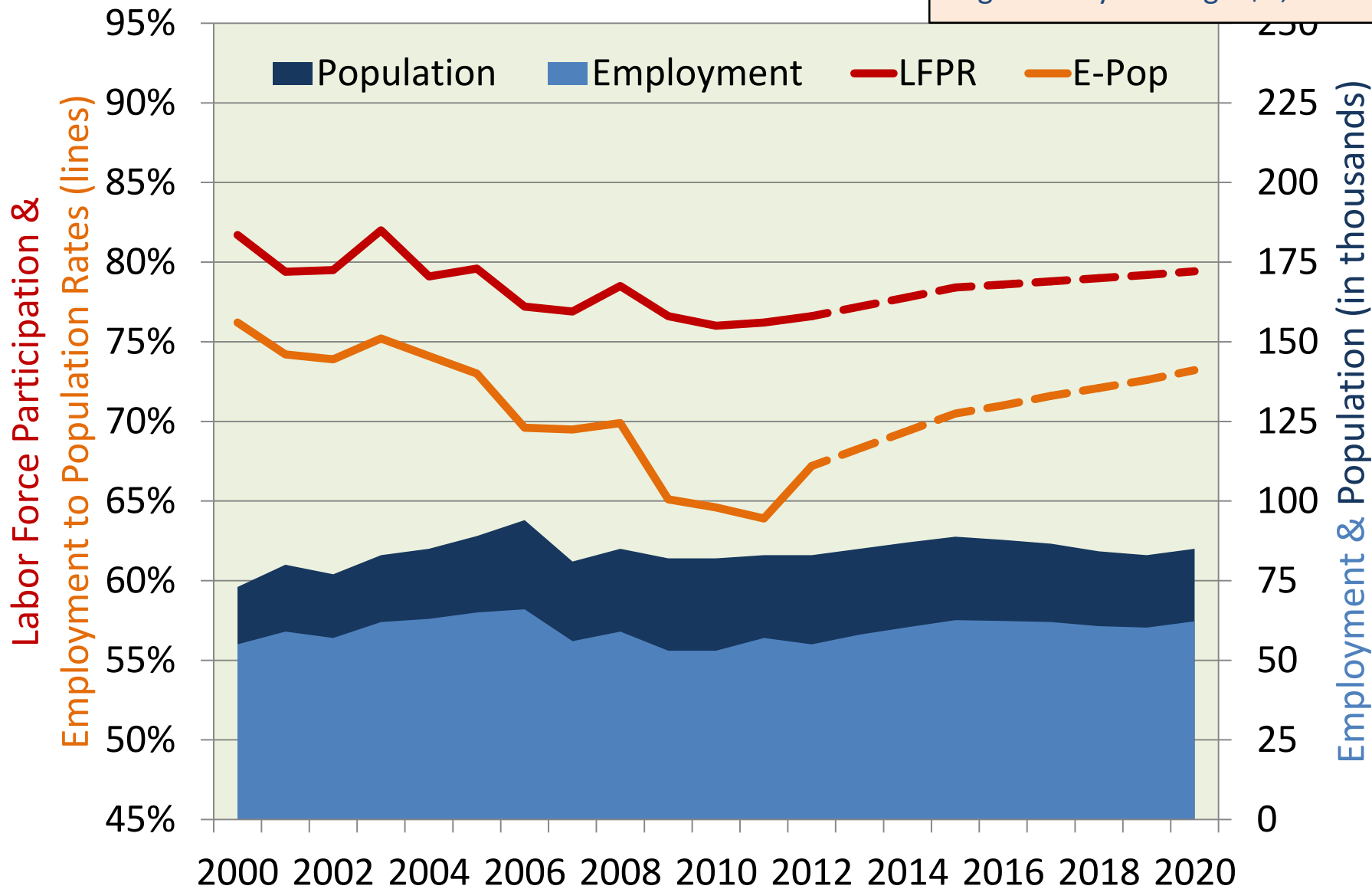
Age 16 to 19

2012 Emp: 26,000
 @avg E-Pop:
 2015 **+2,000**; 2020 **+3,000**
 Avg monthly earnings: \$541



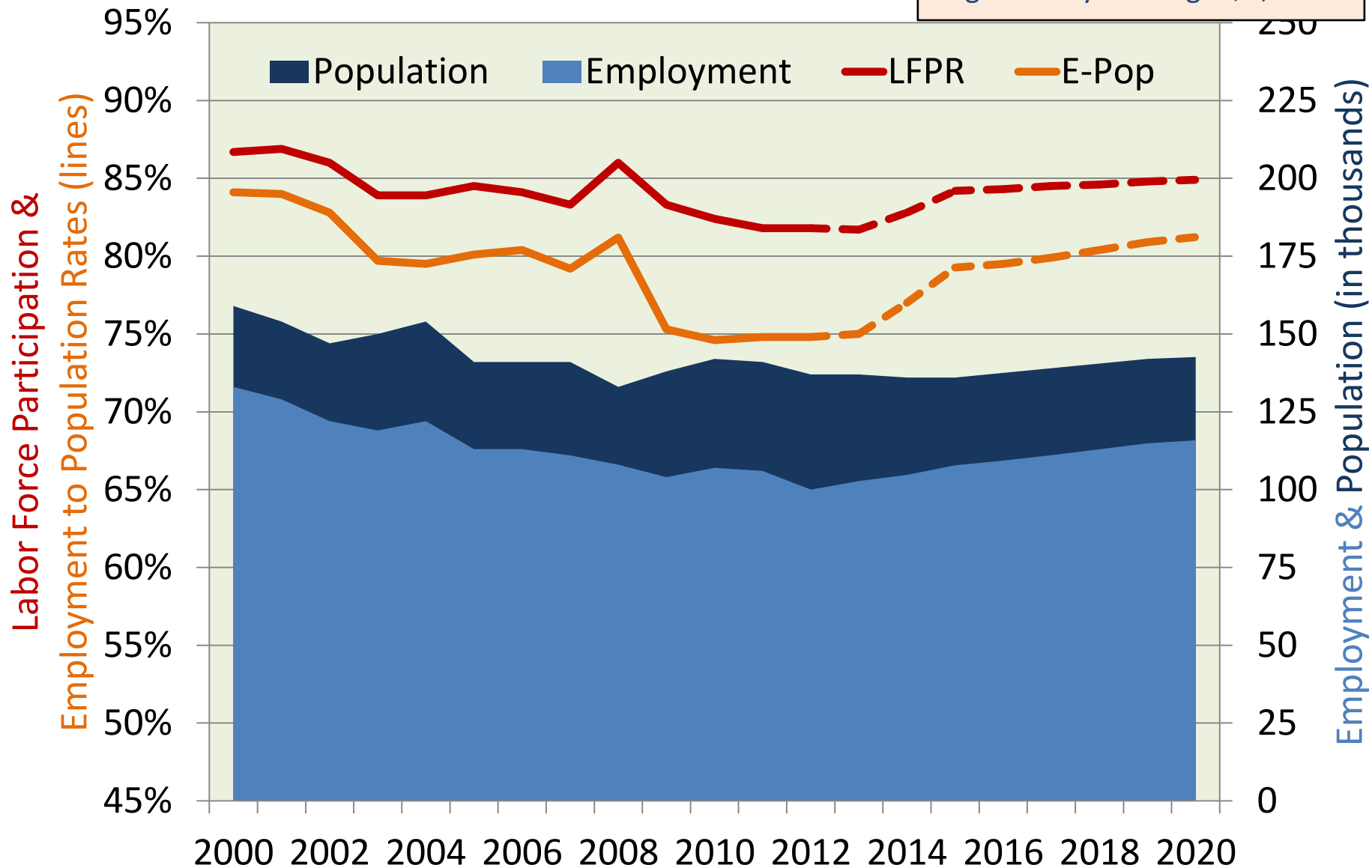
Age 20 to 24

2012 Emp: 55,000
 @avg E-Pop:
 2015 **+8,000**; 2020 **+7,000**
 Avg monthly earnings: \$1,553



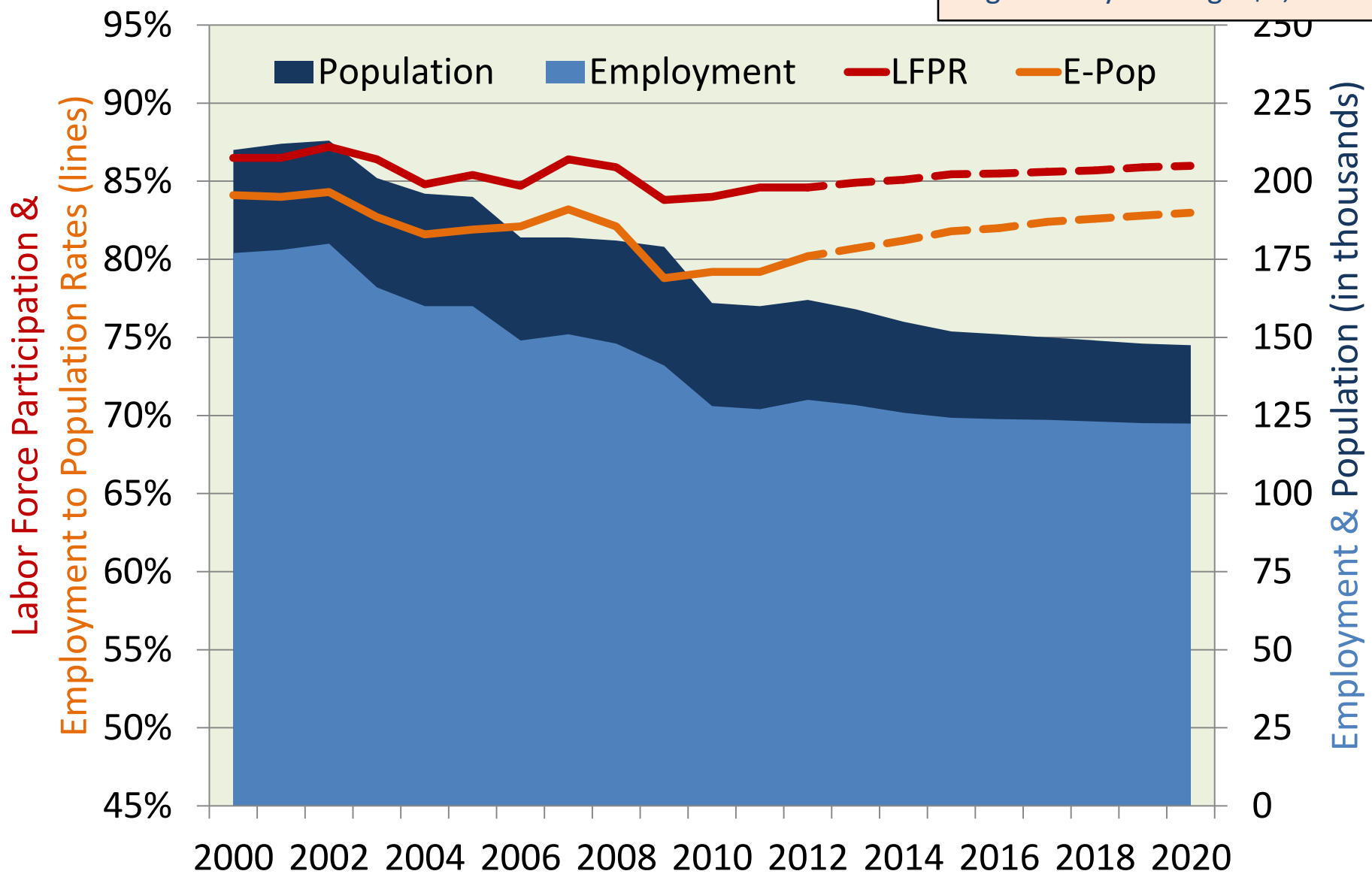
Age 25 to 34

2012 Emp: 100,000
 @avg E-Pop:
 2015 **+8,000**; 2020 **+16,000**
 Avg monthly earnings: \$2,675



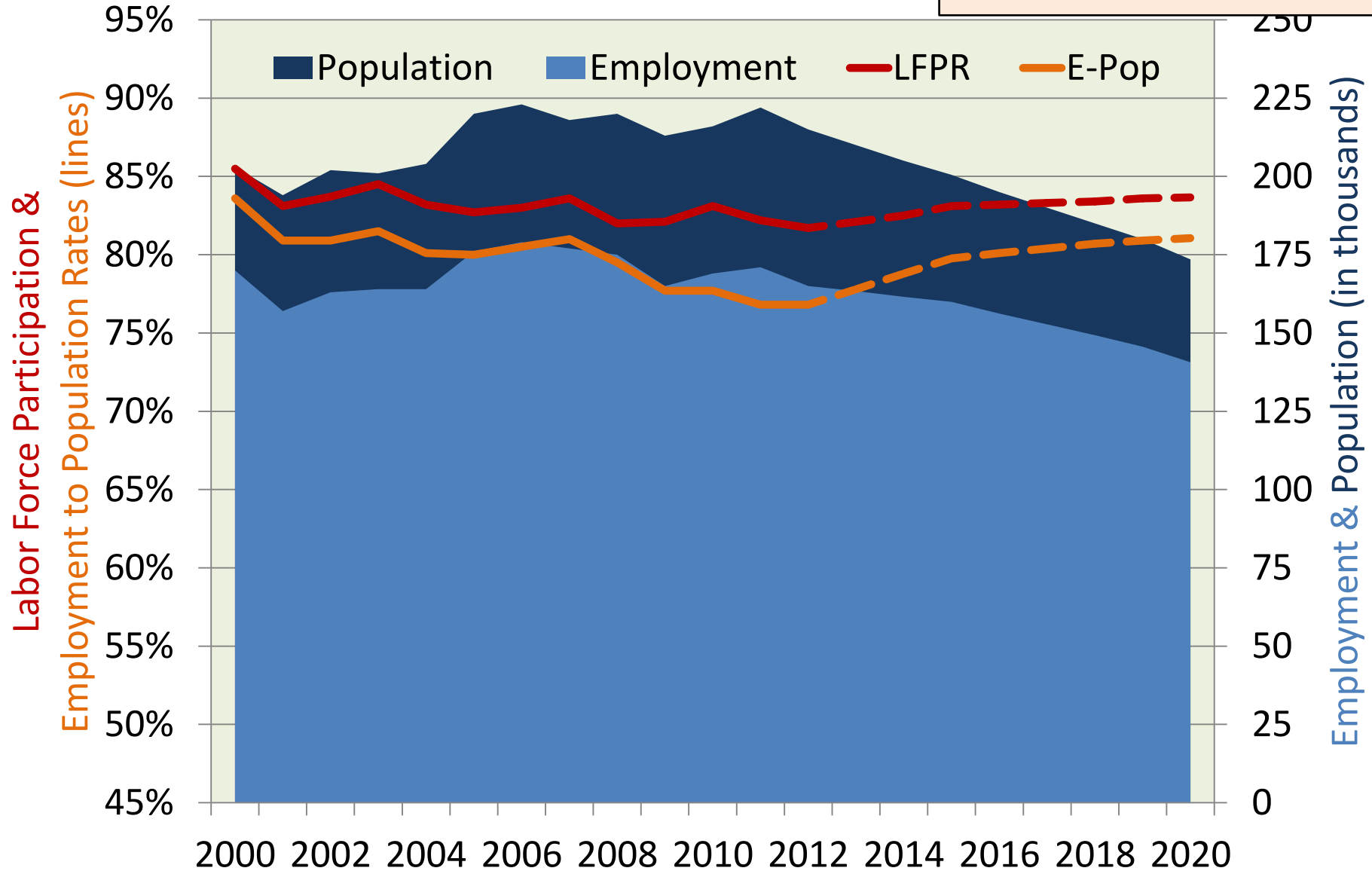
Age 35 to 44

2012 Emp: 130,000
@avg E-Pop:
2015 -6,000; 2020 -8,000
Avg monthly earnings: \$3,614



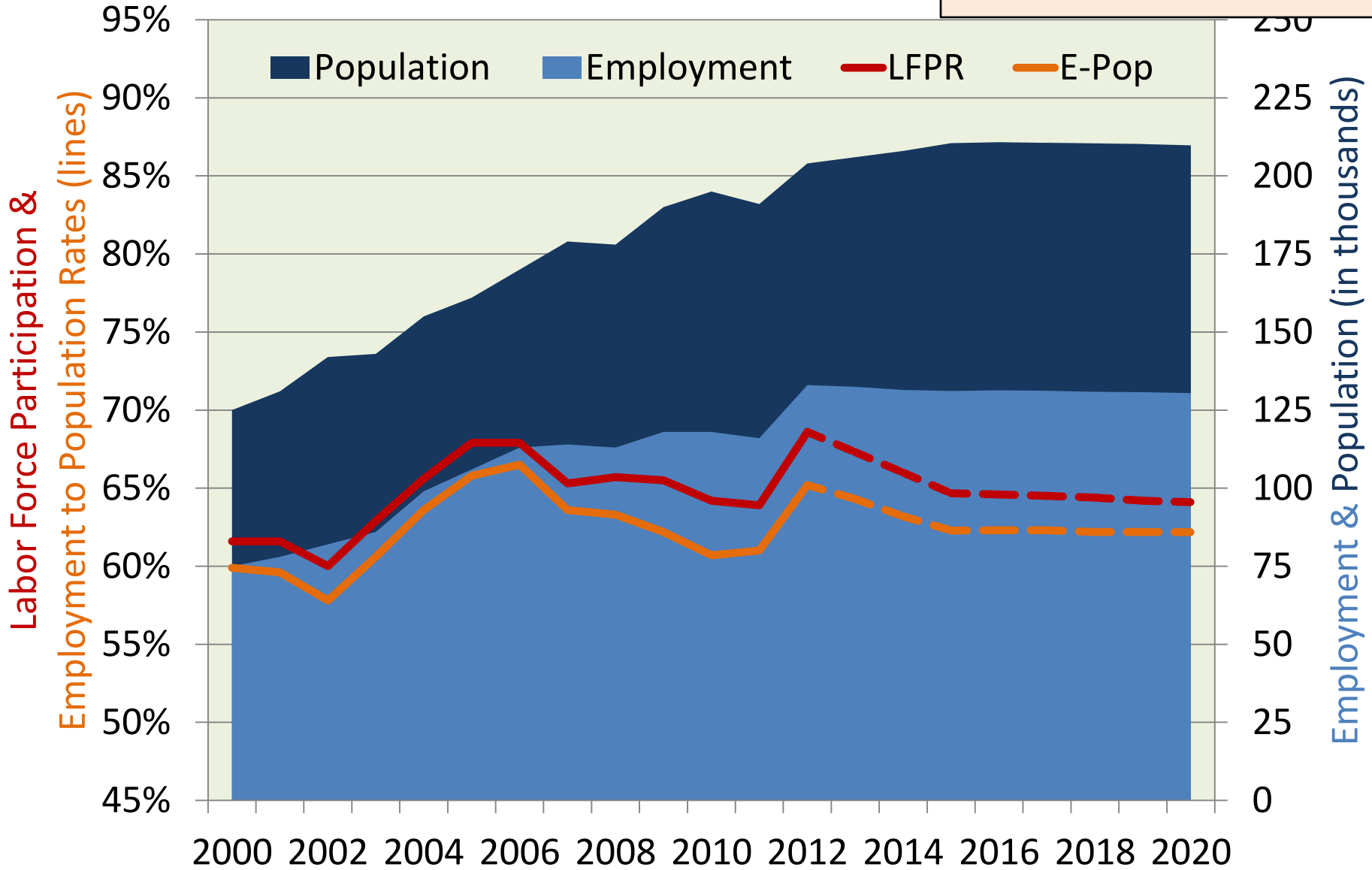
Age 45 to 54

2012 Emp: 165,000
@avg E-Pop:
2015 -5,000; 2020 -24,000
Avg monthly earnings: \$3,897



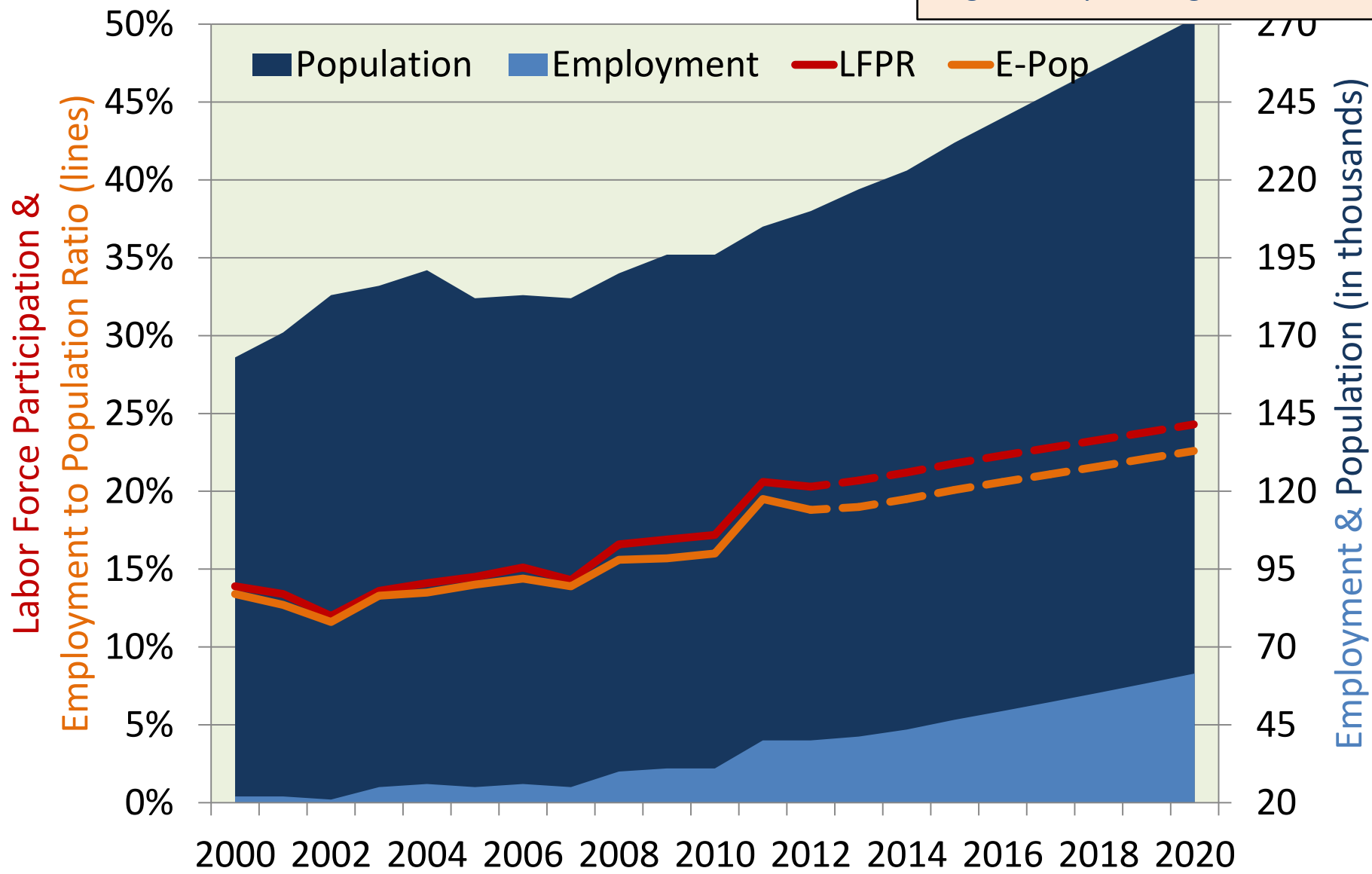
Age 55 to 64

2012 Emp: 133,000
 @avg E-Pop:
 2015 **-2,000**; 2020 **-3,000**
 Avg monthly earnings: \$3,855



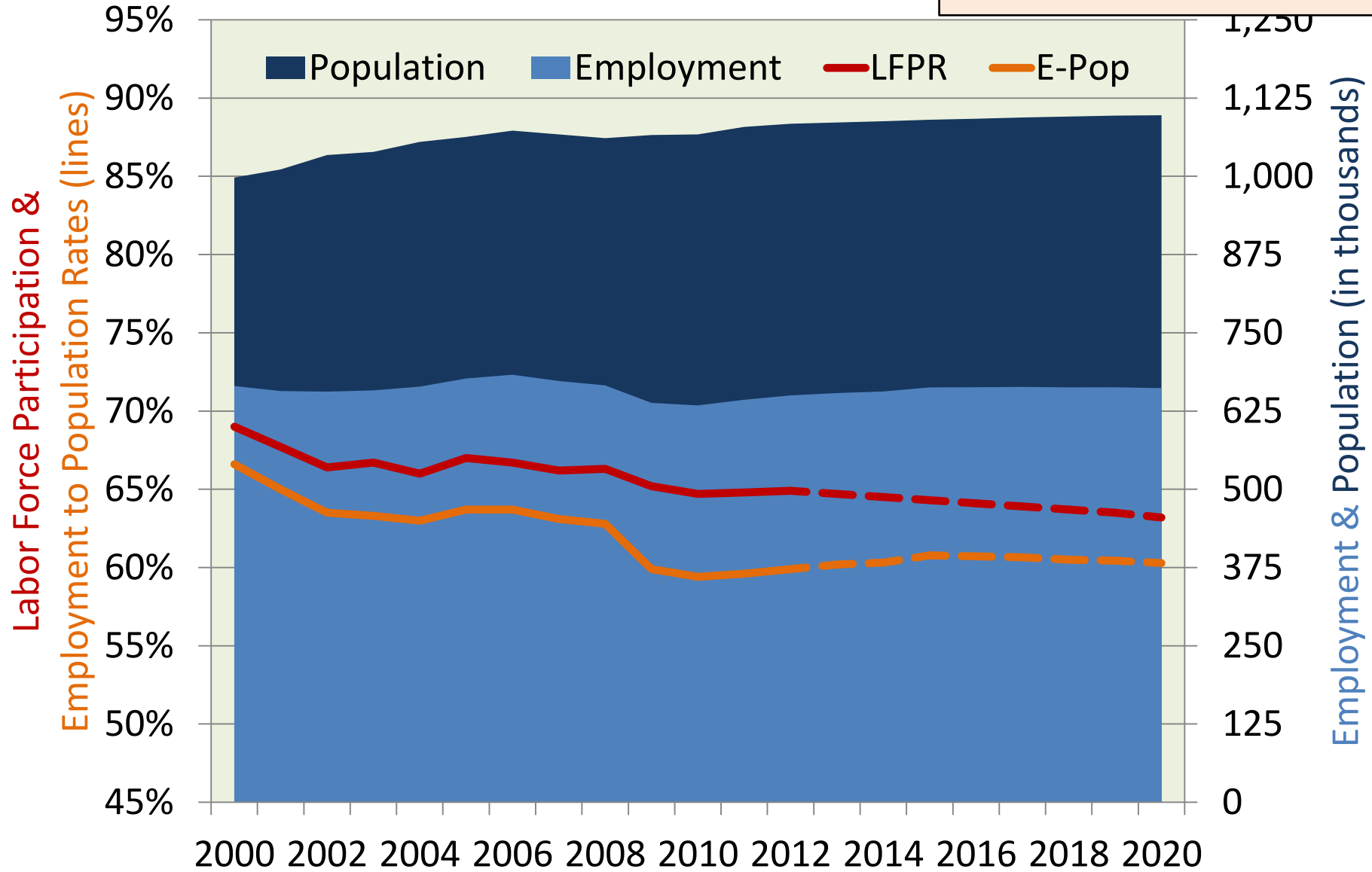
Age 65+

2012 Emp: 40,000
@ projected E-Pop:
2015 +7,000; 2020 +21,000
Avg monthly earnings: \$2,590

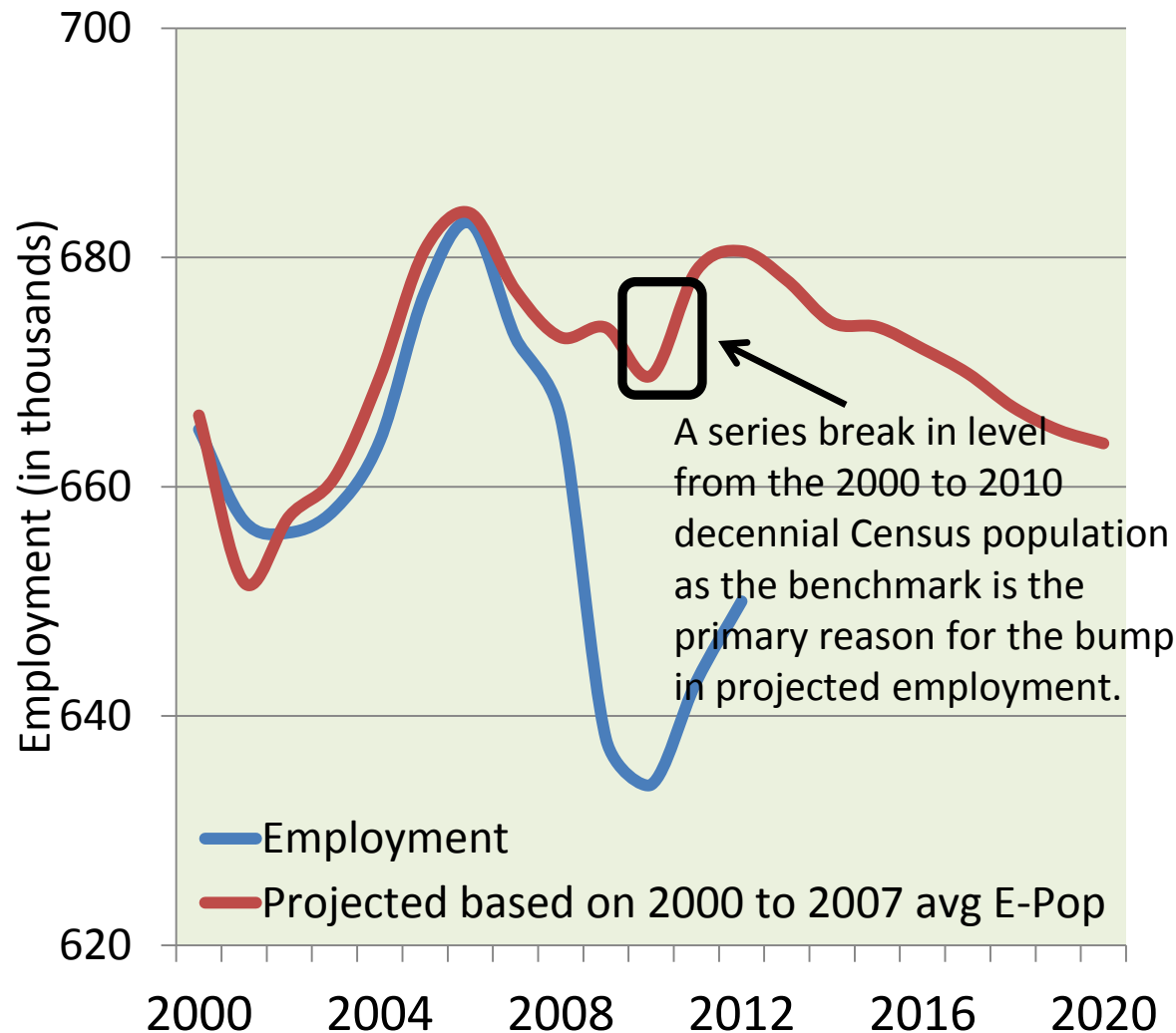


Age 16+

2012 Emp: 650,000
@avg E-Pop:
2015 **+12,000**; 2020 **+13,000**
Avg monthly earnings: \$3,256

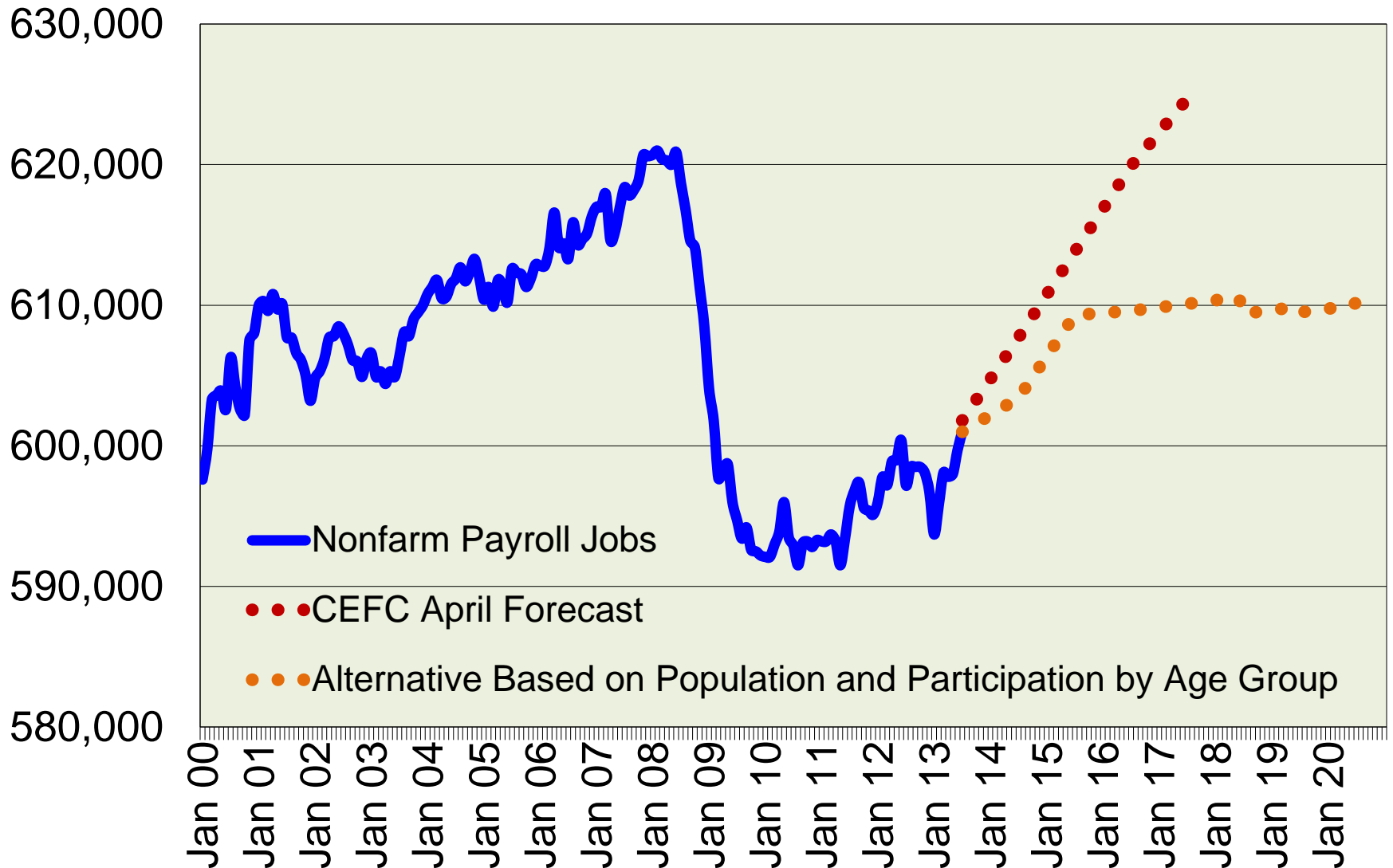


Even if there had not been a recession employment would likely be lower today than in 2007



This finding is based on applying the average employment to population ratio that prevailed for each age group in the eight years before the downturn to the population in that cohort to estimate what employment would have been, other things equal. Once we have recovered to “full employment,” baby boomers aging out of the labor force will take employment lower. Absent significant in-migration of working-age population, we may not see 2007 levels of employment again.

The population age structure will make it difficult to meet the CEFC's April jobs forecast, especially after 2015



The age structure of the population is limiting earnings as well as job growth

Age Group	Average Monthly Earnings	Change in total wages paid from 2012 implied by avg earnings times change in employment (in millions)	
		2015	2020
Total	\$3,256	\$46	-\$268
16-19	\$541	\$12	\$18
20-24	\$1,553	\$137	\$120
25-34	\$2,675	\$236	\$473
35-44	\$3,614	-\$239	-\$319
45-54	\$3,897	-\$215	-\$1,032
55-64	\$3,855	-\$85	-\$128
65+	\$2,590	\$200	\$600

If there were no change in average earnings among age groups, total wages paid would rise modestly through 2015 and then decline through 2020. This is a simple simulation based on possible employment growth in each group. Labor markets are more dynamic than this, of course, but it is impossible to ignore the fact that growth is concentrated among those outside their peak years of productivity and earnings.

Jobs will continue to shift toward human capital intensive functions, many of which cannot be filled by young people who have not yet accumulated the required education or experience.

Appendix

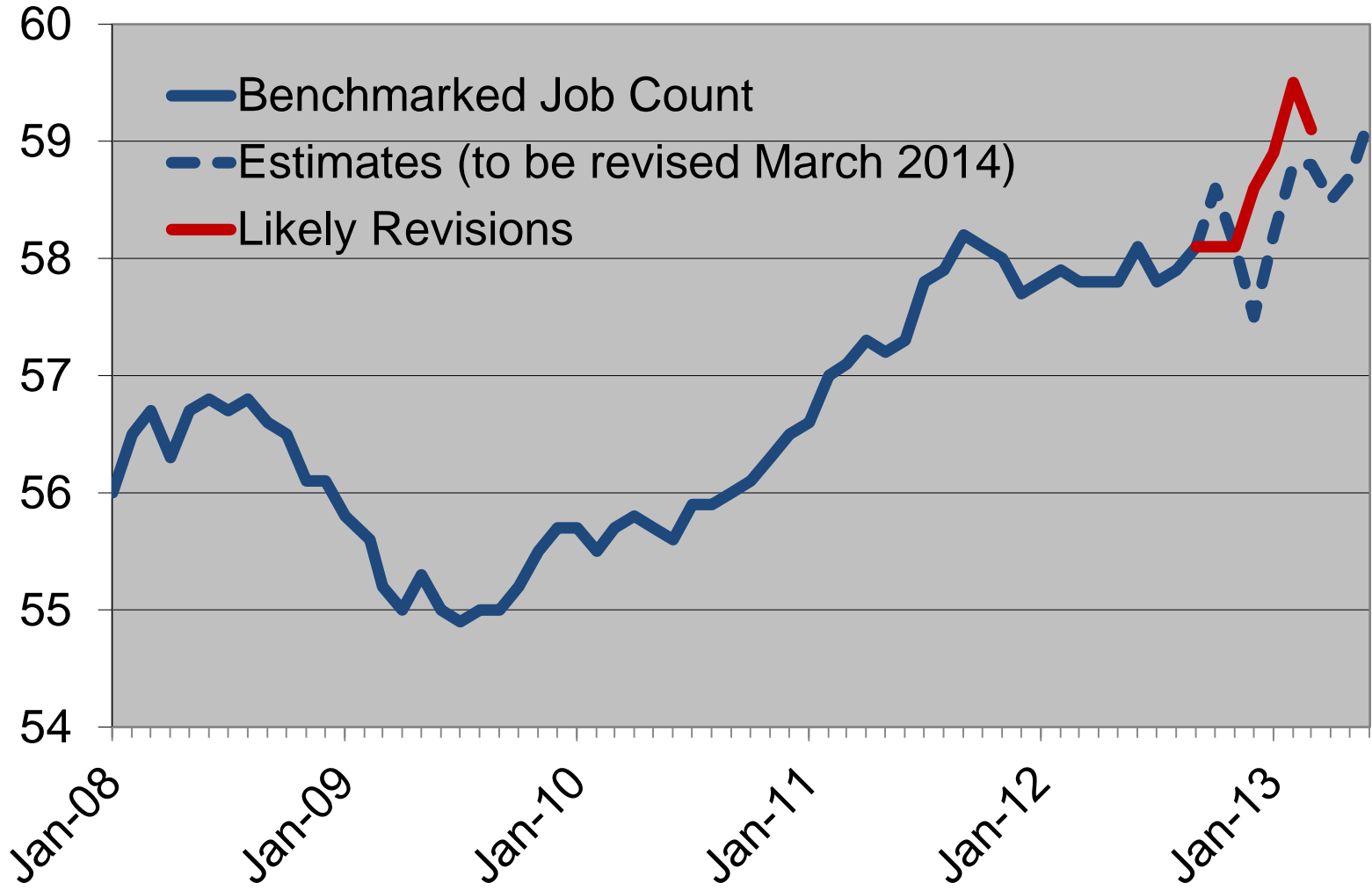
Recent trends in payroll jobs

Highlights:

- Sectors near all-time highs:
 - Healthcare & social services, professional & business services, and educational services. These sectors tend to be human capital intensive, often requiring specialized education, knowledge, or skills.
 - Leisure & hospitality, which tends to be labor intensive.
- Jobs in sectors that make, move, or sell physical products generally have stabilized, but there is no significant growth:
 - Manufacturing, construction, wholesale & retail trade, and transportation, warehousing & utilities.
- All three levels of government continue to shed jobs.

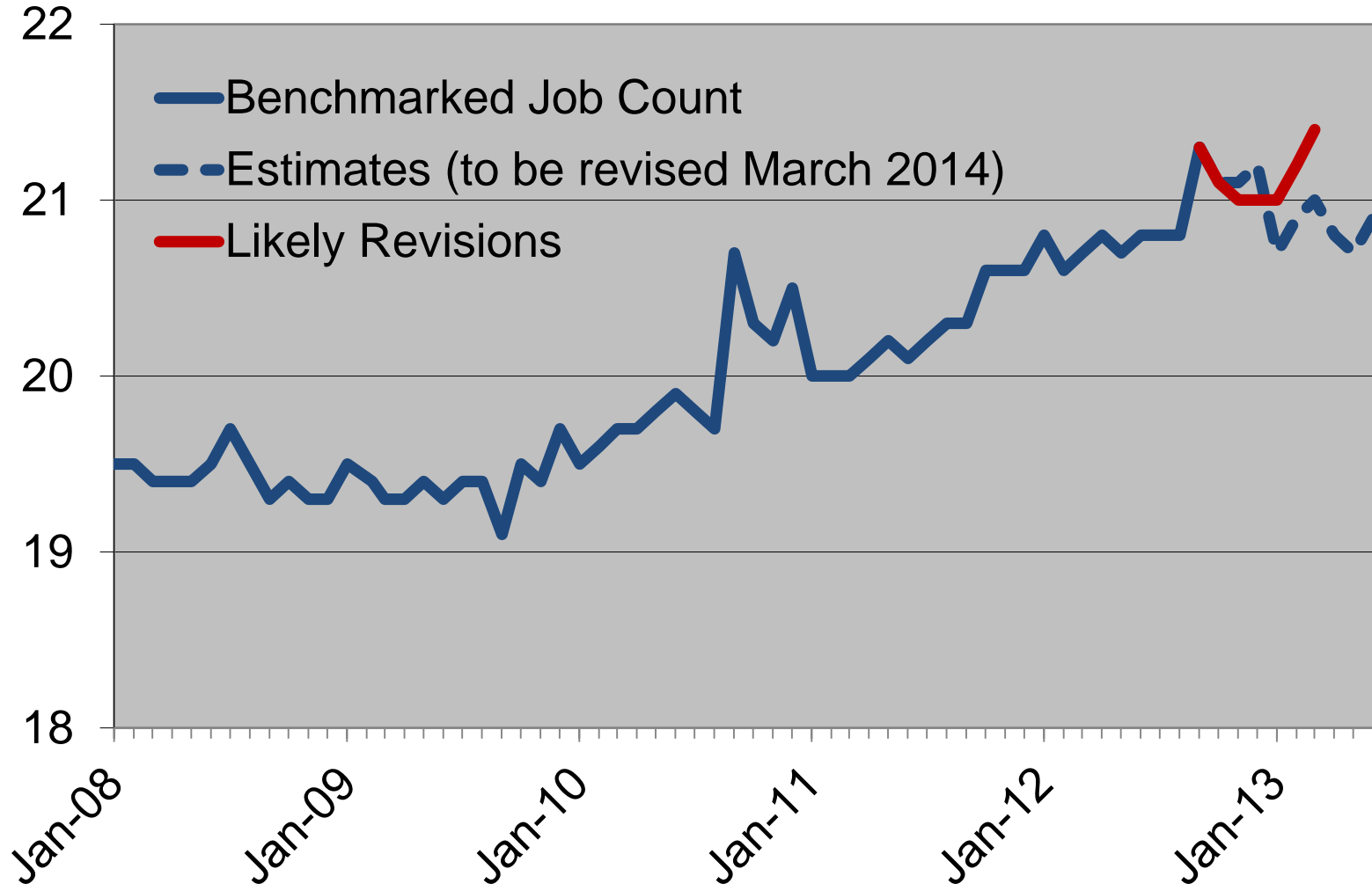
Professional & Business Services Jobs

(seasonally adjusted in thousands)



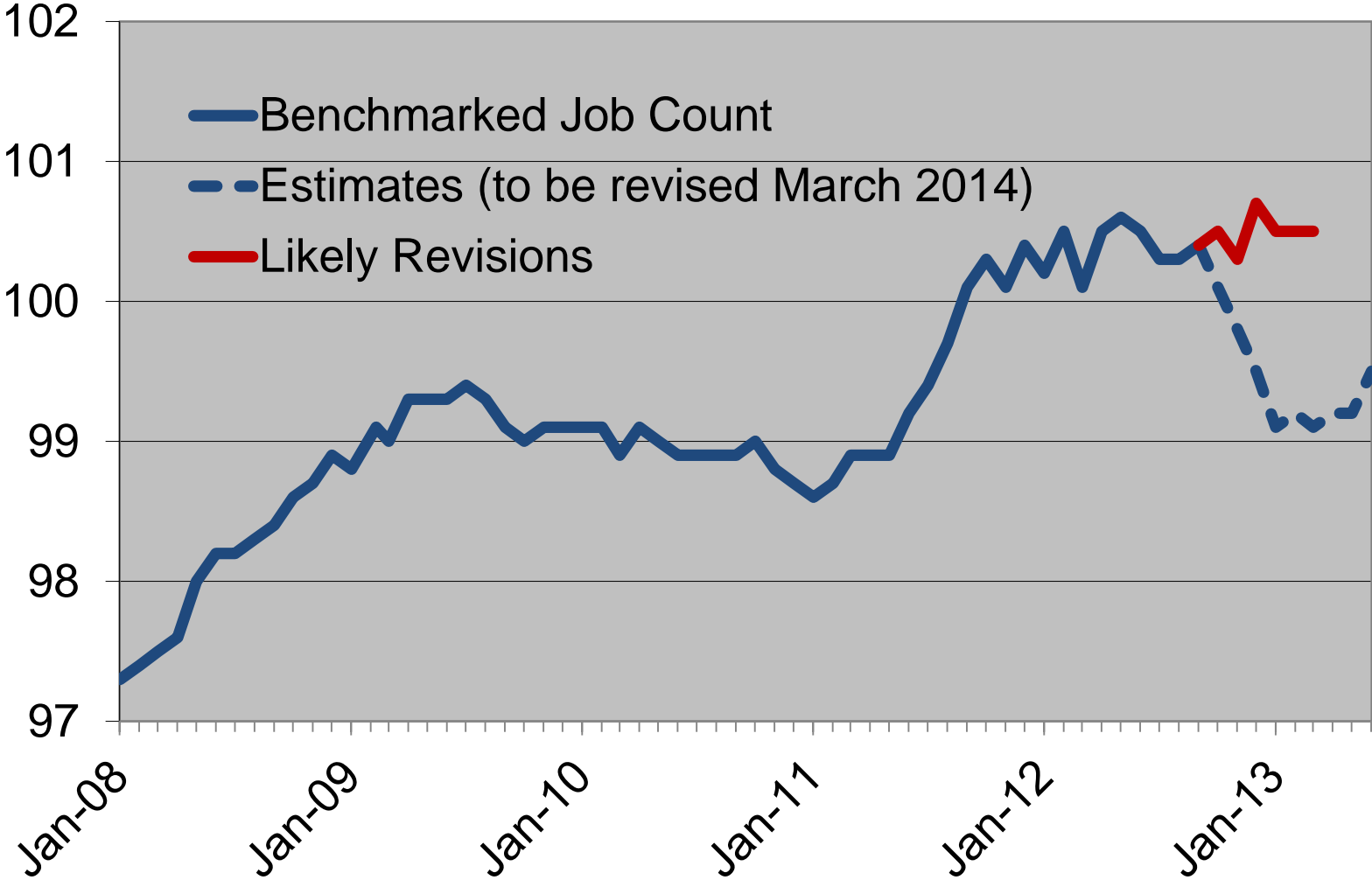
Educational Services Jobs

(seasonally adjusted in thousands)



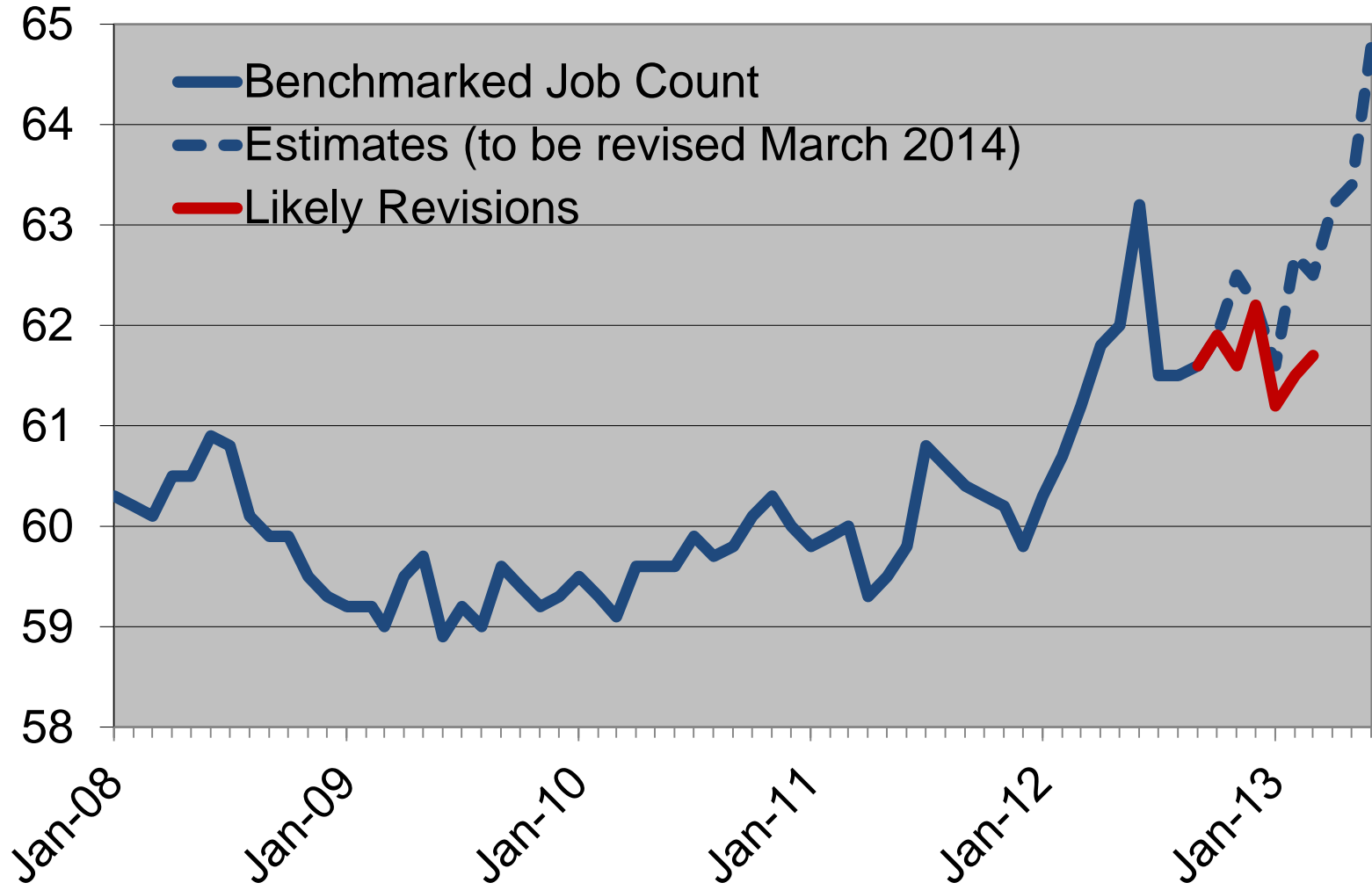
Healthcare & Social Assistance Jobs

(seasonally adjusted in thousands)



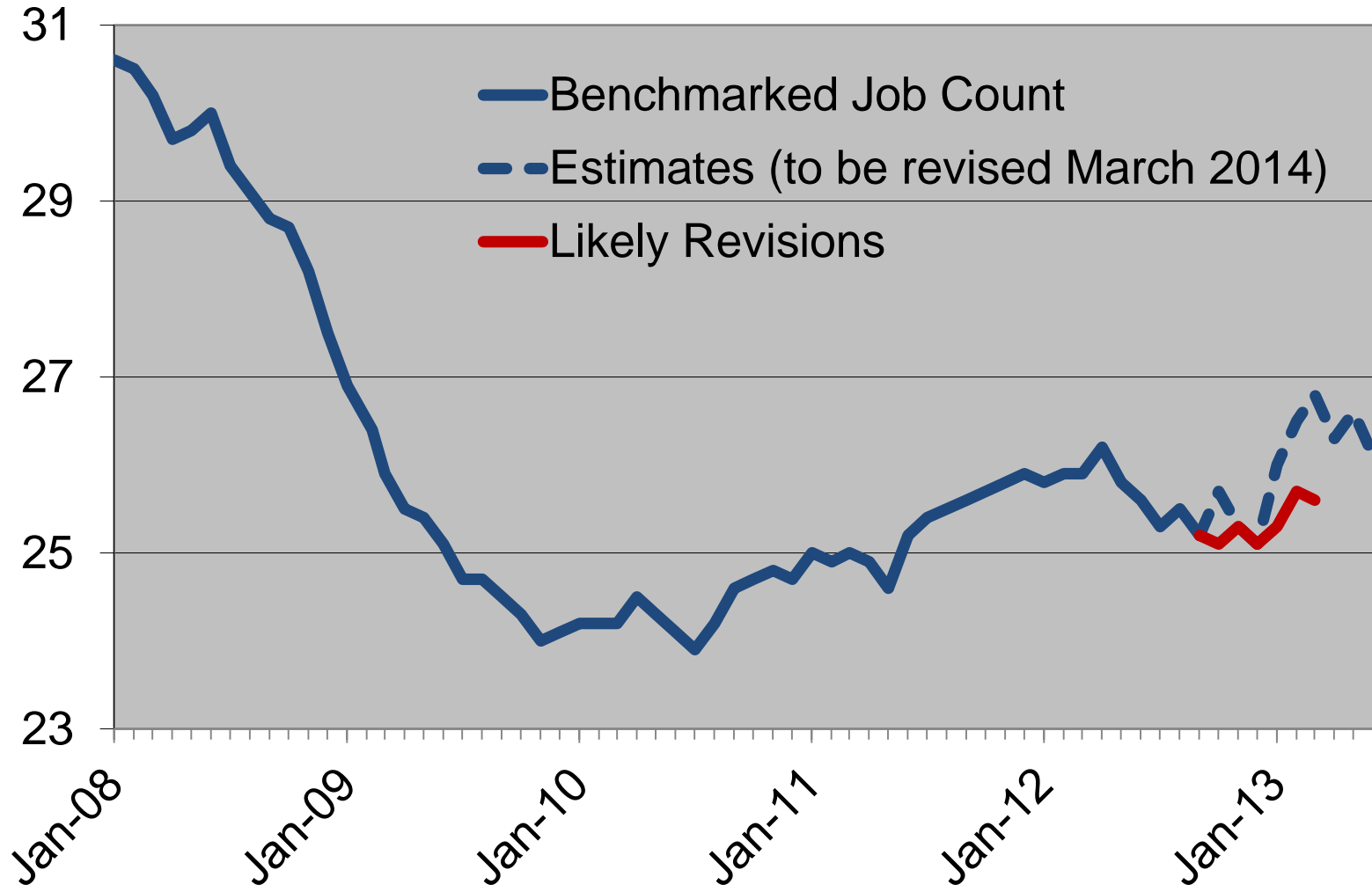
Leisure & Hospitality Jobs

(seasonally adjusted in thousands)



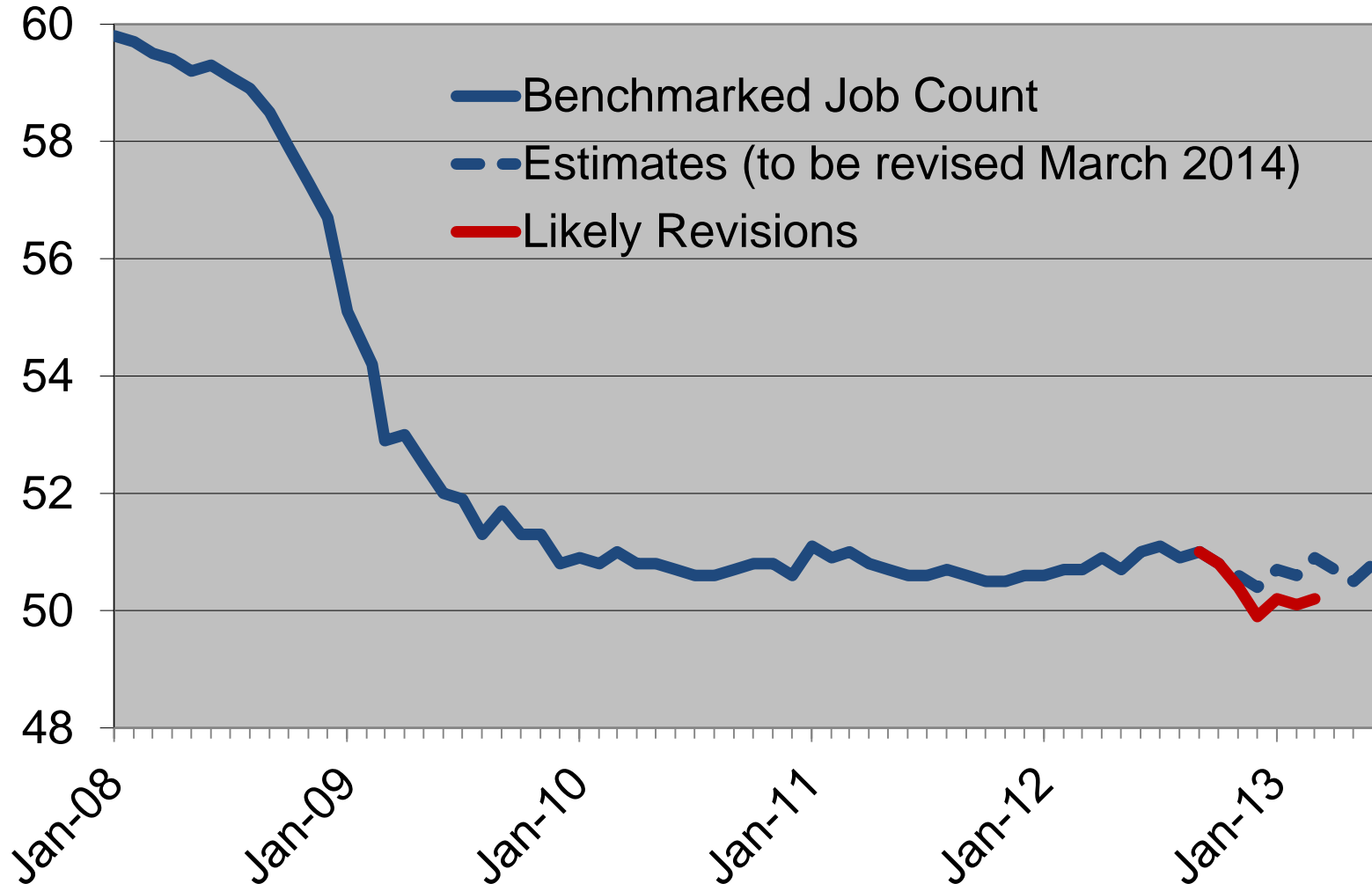
Construction Jobs

(seasonally adjusted in thousands)



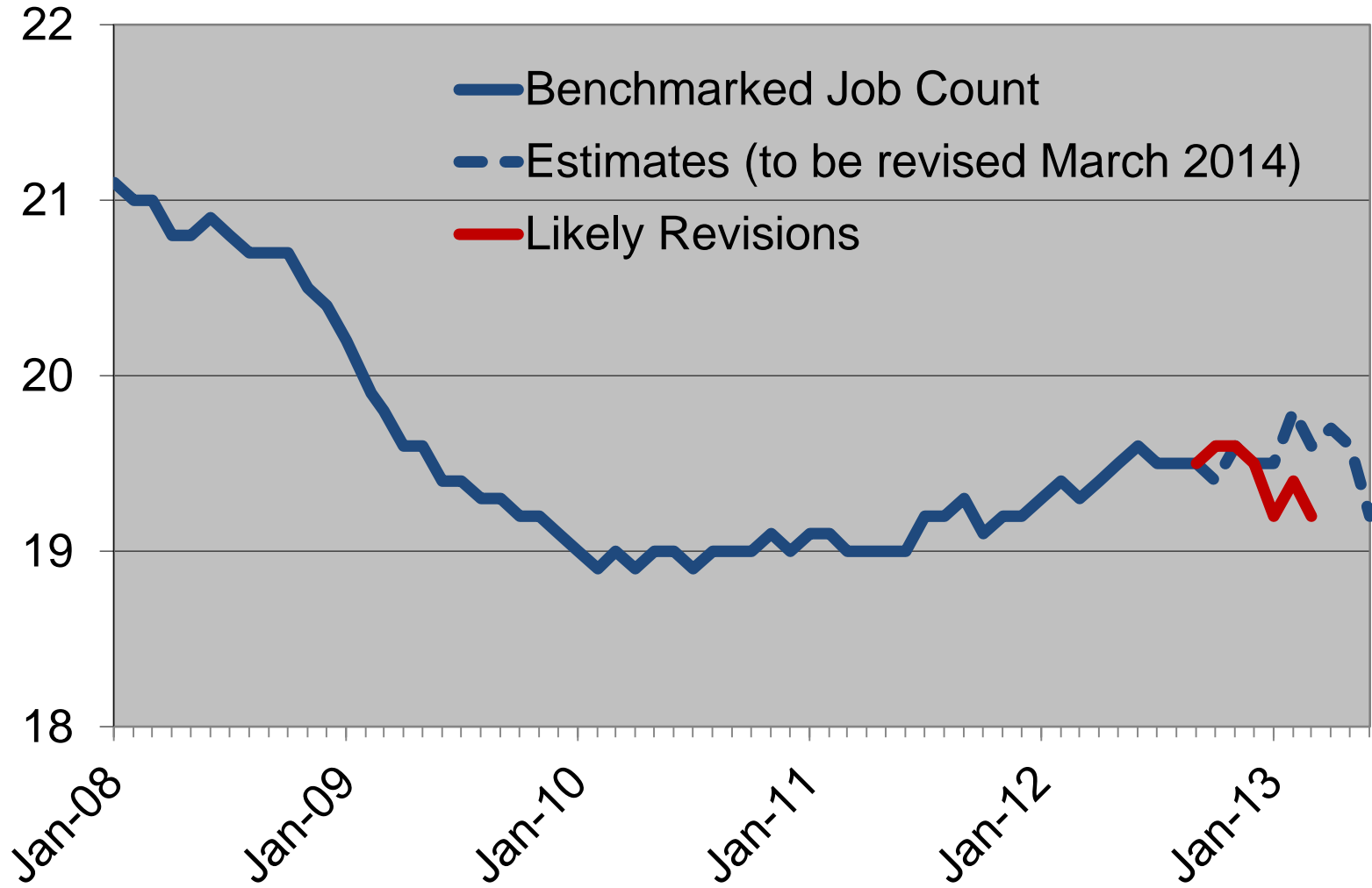
Manufacturing Jobs

(seasonally adjusted in thousands)



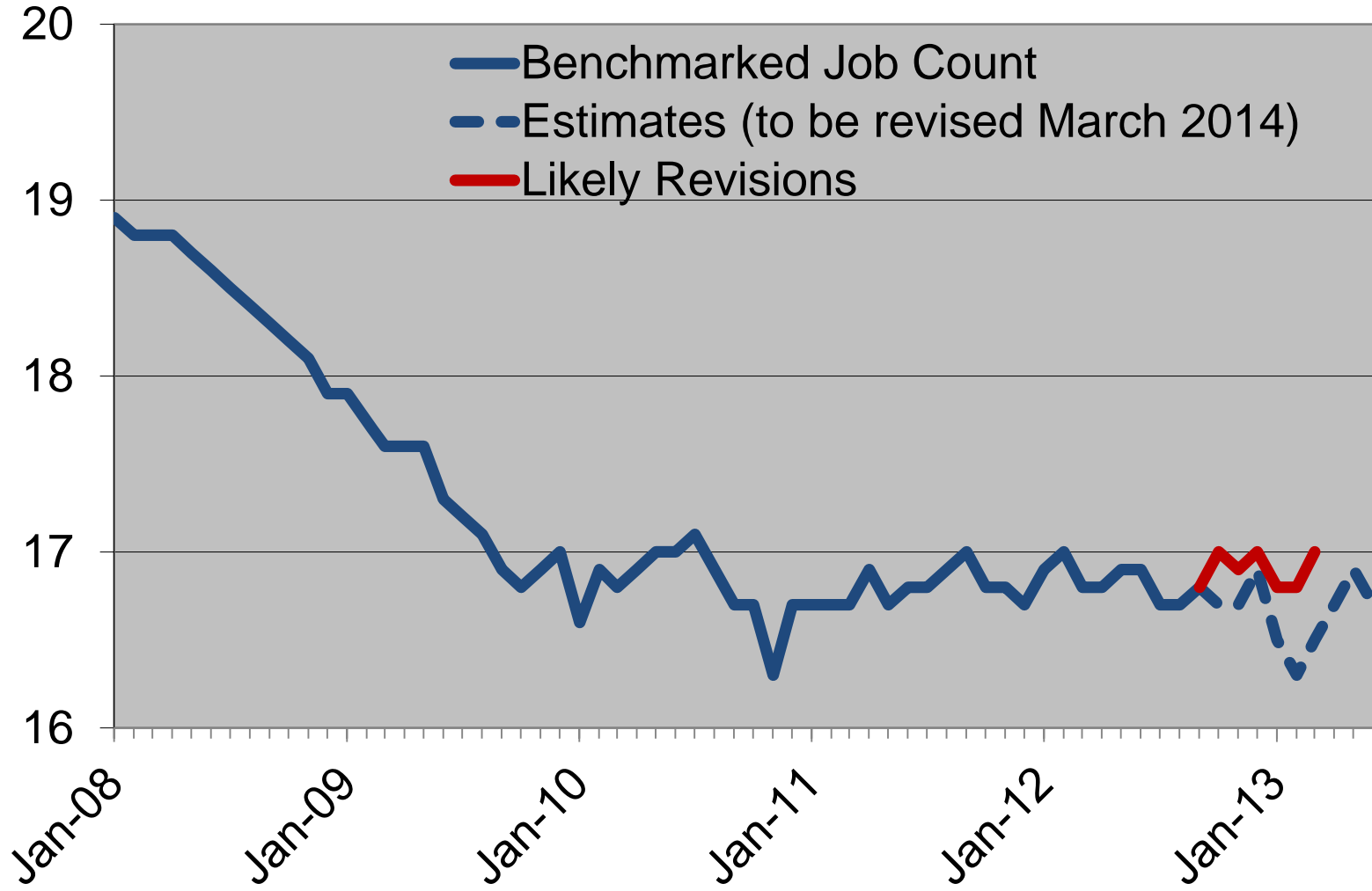
Wholesale Trade Jobs

(seasonally adjusted in thousands)



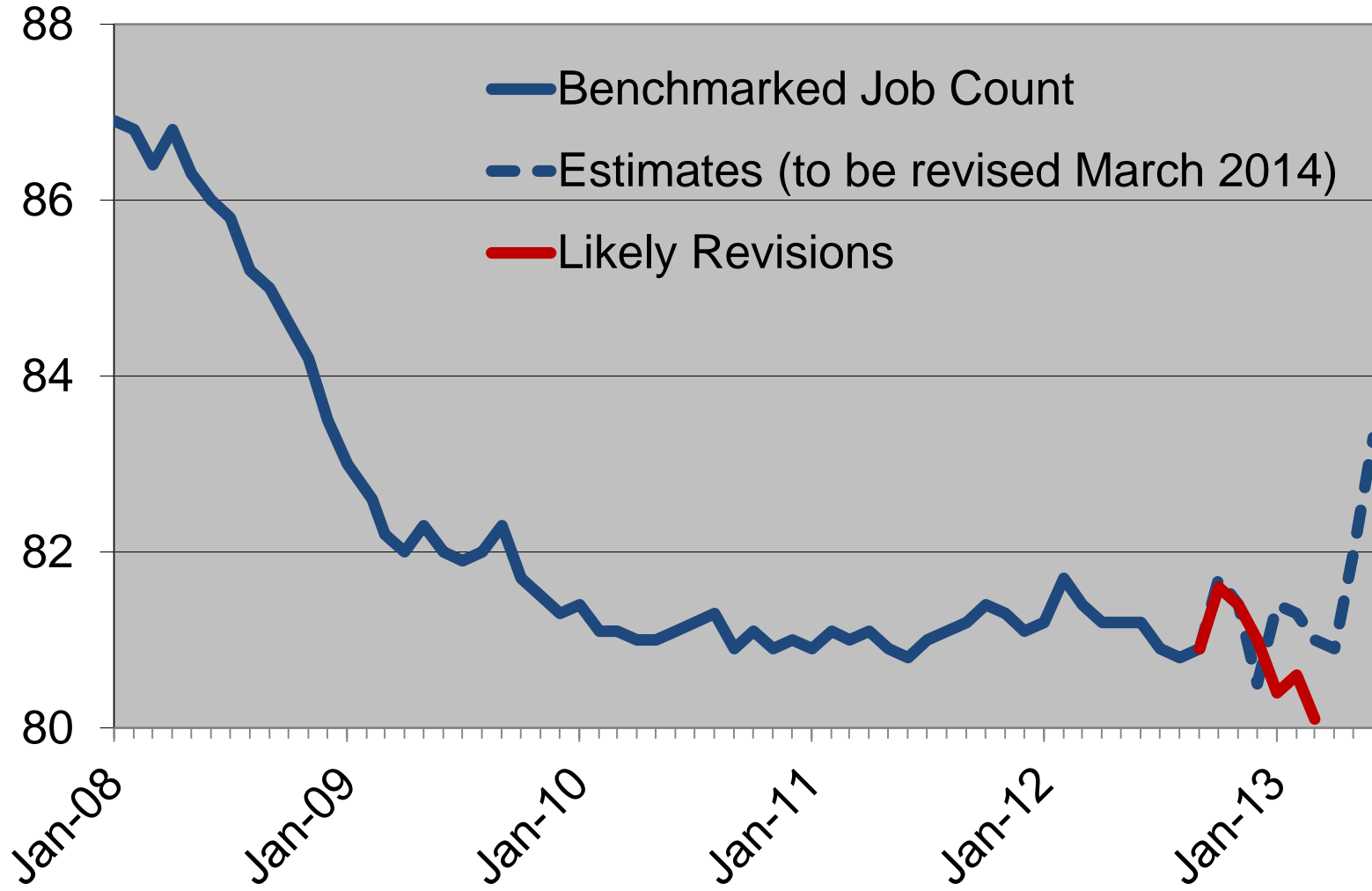
Transportation, Warehousing & Utilities Jobs

(seasonally adjusted in thousands)



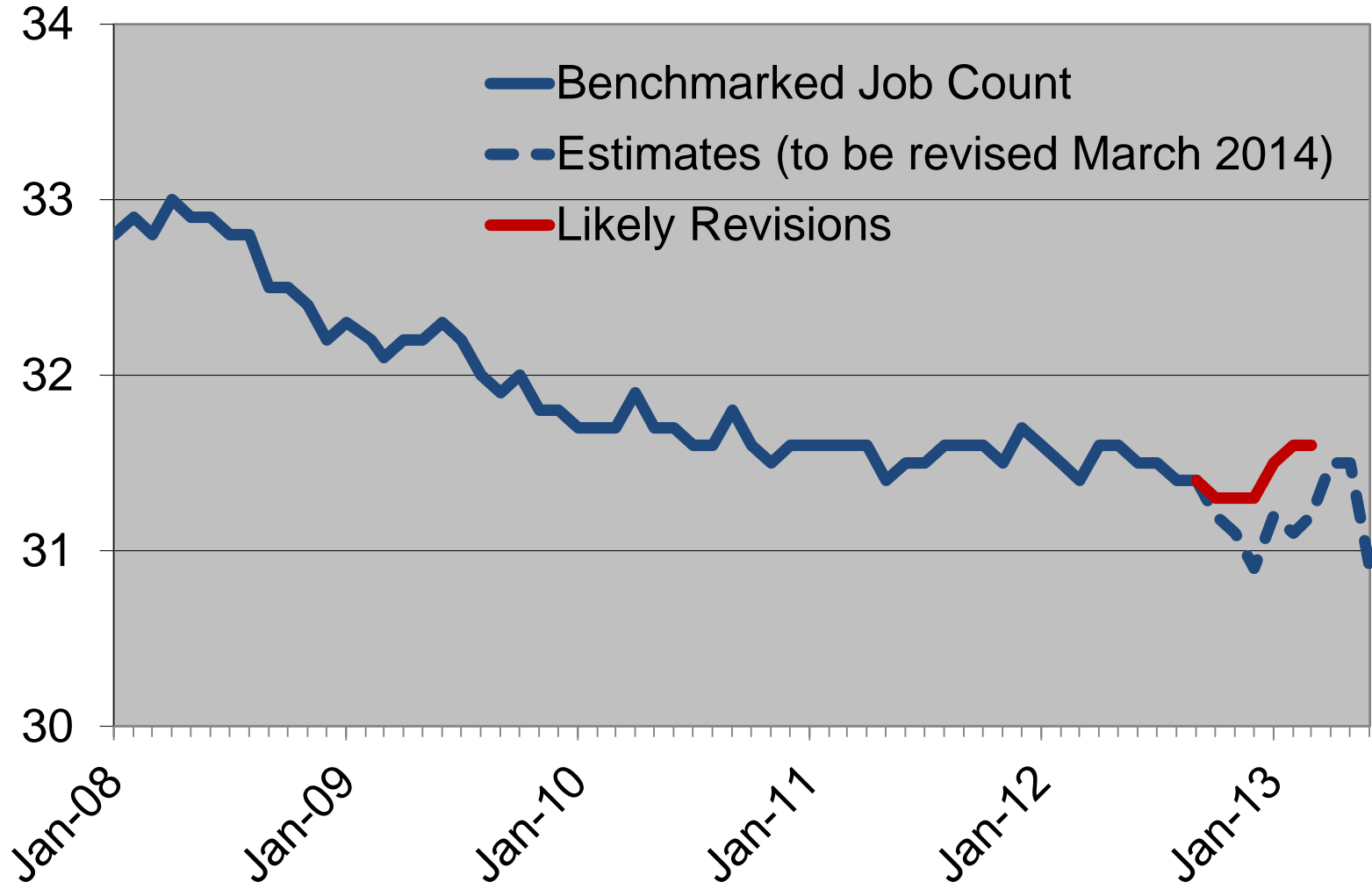
Retail Trade Jobs

(seasonally adjusted in thousands)



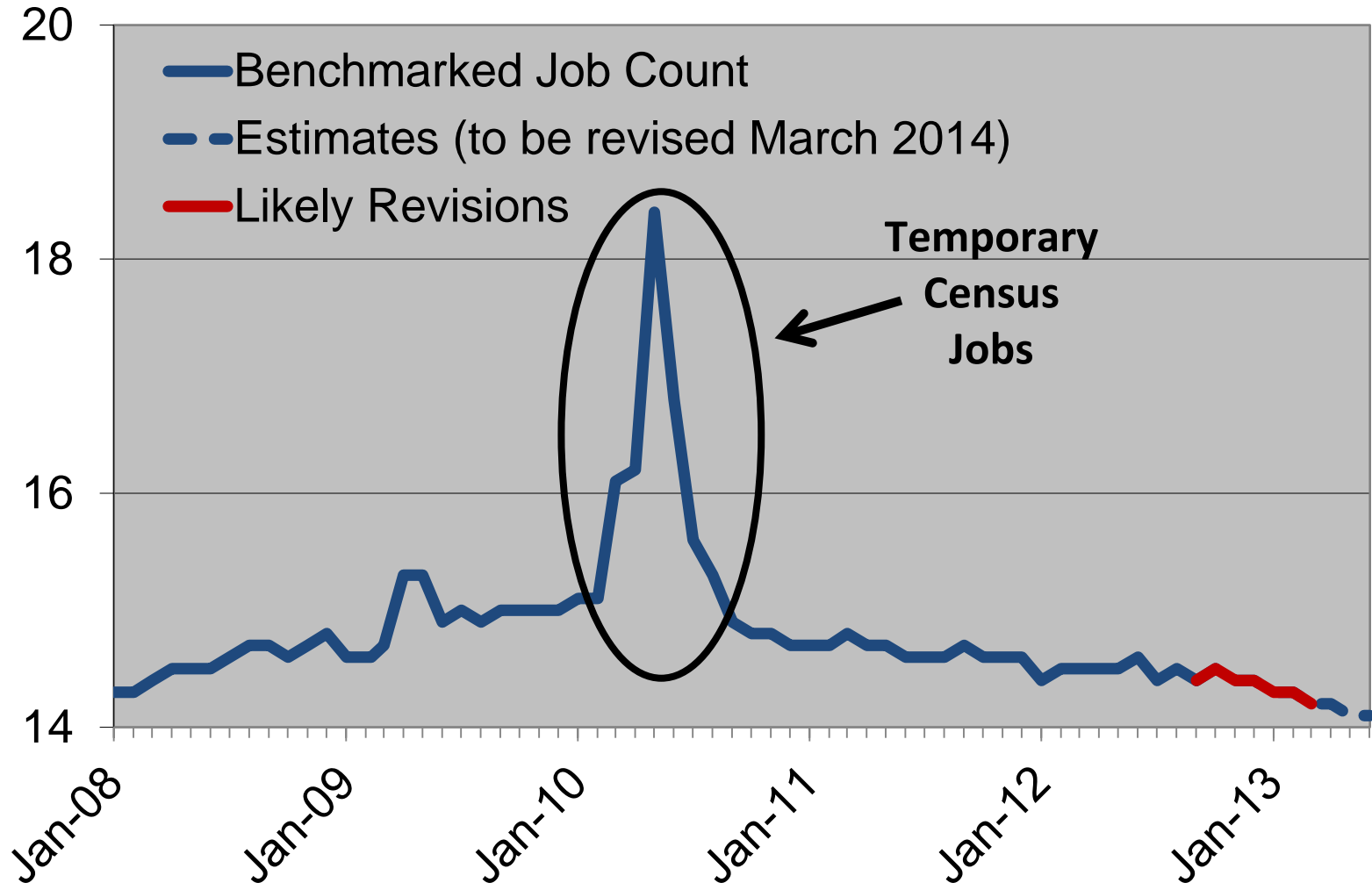
Financial Activities Jobs

(seasonally adjusted in thousands)



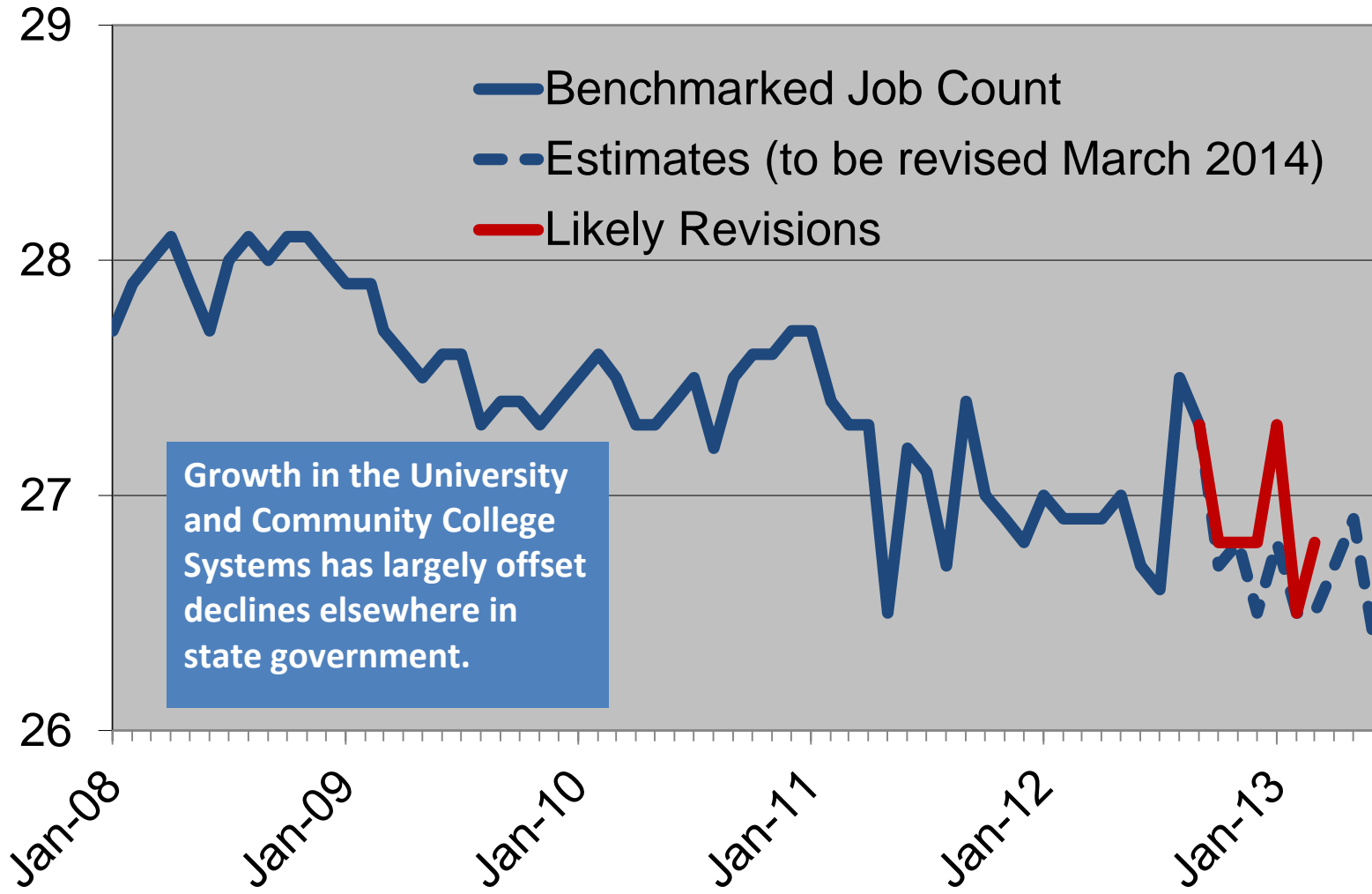
Federal Government Jobs

(seasonally adjusted in thousands)



State Government Jobs

(seasonally adjusted in thousands)



Growth in the University and Community College Systems has largely offset declines elsewhere in state government.

Local Government Jobs

(seasonally adjusted in thousands)

