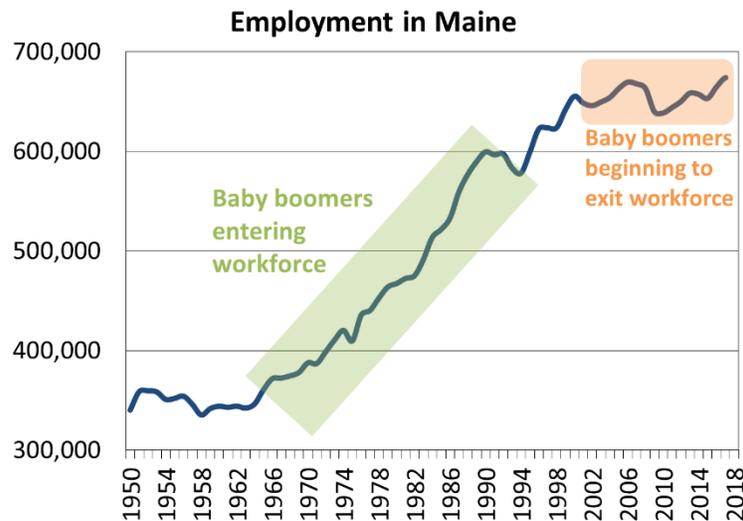


## Employment Outlook to 2028

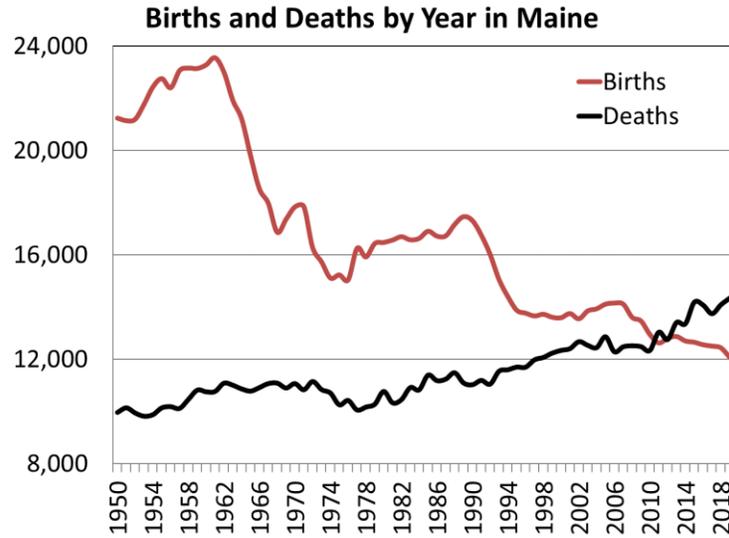
Workforce conditions in Maine were very tight with historically low unemployment in the four-year period through the beginning of 2020. The COVID-19 pandemic sent the economy into a steep decline in the spring, and now, in the middle of 2020, the recovery is underway. At this point, it is unclear how long full recovery will take or what all the long-term impacts will be, though there are likely to be many. This forecast covers the period from 2018, the base year, to 2028. It does not include years in between, though we cannot ignore the fact that employment today is well below 2018 levels. It considers some of the longer-term impacts we expect in the aftermath of the pandemic, though the full range of impacts cannot be fully understood at this point.

### Long Term Employment Growth Context

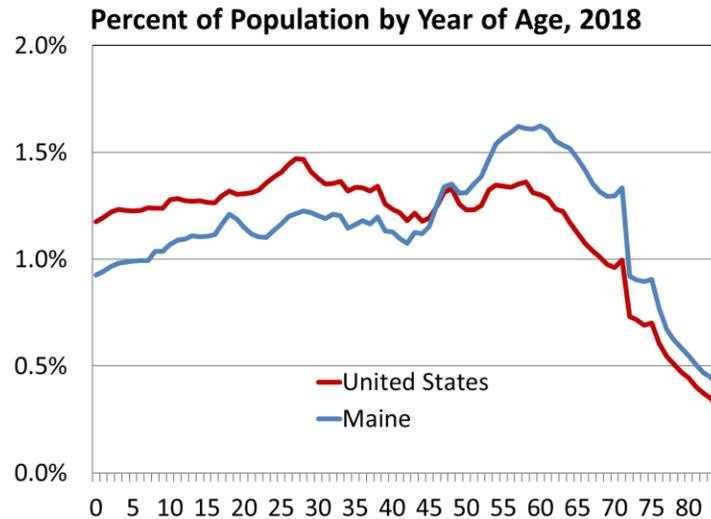
The rate of change in employment in Maine has varied significantly over the last seven decades, with long periods of little change and of rapid growth. In both cases, the number of births was the key factor. Births in a period establish the number of young labor force entrants close to two decades later.



Employment growth began to slow in the 1990s and for the last 15 years has been near zero, except for the decline and recovery during and after the 2008 and 2009 recession. This prolonged period of little to no employment growth occurred because the working-age population remained relatively unchanged, the result of fewer births in the 1990s and early 2000s than in previous decades. The number of births has fallen so low that the state experienced negative natural population change (more deaths than births) in eight of the nine years through 2019.

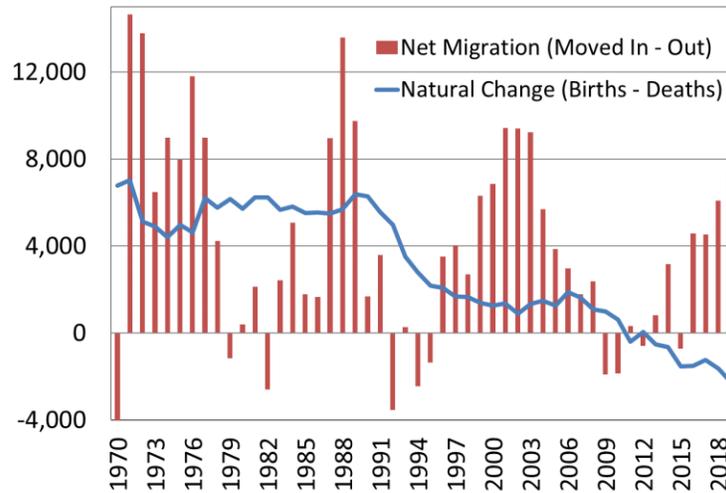


The trend of declining birth rates has occurred throughout the developed world and has been especially sharp in northern New England. This has left the region with an imbalanced age structure with more people in their 50s and 60s approaching retirement than young people who will age into the workforce. Maine’s population structure is more imbalanced compared to the nation.



Improved labor market conditions after 2015 contributed to a significant uptick in net migration to the state, a trend we expect will continue through 2028. The aftermath of the pandemic is likely to spur more migration to Maine as some people opt to leave large metropolitan areas for places with less population density and lower cost of living. In 2020, many companies invested in tools that allow their workforce to effectively operate remotely. There is little doubt that there will be more remote work occurring in the years ahead than prior to this year. More migration to the state is likely to partially offset the downward trend in the working-age population of current residents of the state.

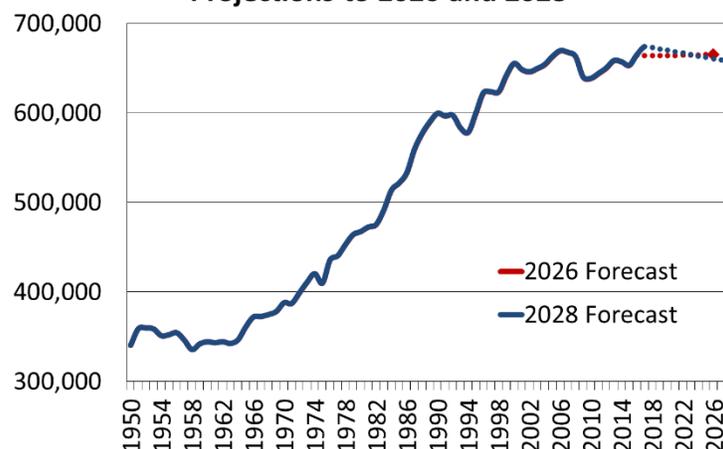
**Annual Population Change by Source in Maine**



**Outlook**

When the pandemic’s impact on the labor market has receded, long-term structural forces in our population are expected to return as the dominant factor impacting the rate of change and the level of employment. From 2018 to 2028, employment in Maine is expected to decrease by 15,800 or two percent. Our last forecast for the decade to 2026 was for little change in employment (+100), with a gradual increase to a high sometime between 2022 and 2024, followed by a gradual decrease to 2026. Today, the path is less clear because of uncertainty about if and when vaccines for the coronavirus will be widely available. Still, it seems likely that employment will peak before 2028.

**Employment in Maine with Projections to 2026 and 2028**



Other than the pandemic, what has changed to cause the forecast to be reduced from little change through 2026 to a decrease of more than 15,000 through 2028? Not much has changed other than the time period. Employment in 2018 was about 10,000 higher than in 2016, so this new forecast starts from

a higher base. And the forecast for employment in 2028 is modestly lower than it was for 2026, reflecting the fact that more baby boomers will retire in those two additional years.

### **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 by mistakenly connecting improvements in living standards with the rate of growth. Our new forecast of a modest decrease in employment is likely to lead to even more dismal conclusions without proper context. We will address some of the characterizations that have been espoused and try to provide a more proper and complete context to the situation.

1. A stagnant economy. The economic metric that matters most is our standard of living – whether it is improving or not. Many people wrongly believe that job and wage growth are positively correlated: when job growth is rapid so are wage gains, and when jobs decline wages stagnate. Often the opposite has been the case. The 1970s was a period of rapid employment growth as tens of thousands of young baby boomers reached working-age. It was also a period of economic turbulence, high unemployment, and weak real wage gains. In contrast, employment growth in the four years preceding the pandemic was quite modest. Strong economic conditions drove unemployment to historically low rates. Competition to attract and retain staff led to the fastest gains in real average wages on record. There is reason to expect similar conditions will return.

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 per 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.

Changes in the composition of the population will impact the types of jobs in demand. More seniors and fewer children will impact demand for staff in healthcare, social services, education, childcare, and other fields. These and other trends will contribute to a gradual reallocation of jobs from certain industries, occupations, and functions, toward others. These trends will be the focus of our next blog on the outlook to 2028.

2. Lack of workers deterring investment; lack of opportunity for young people. These notions are exactly backwards. When labor is readily available and relatively inexpensive, companies are less

likely to invest in tools that make their workforce more productive. When the market for labor is tight, companies have an incentive to invest in productivity enhancing tools and processes. Competition for workers drives wages up, providing an incentive for young people to remain in Maine and for others to move here. This trend occurred in the years immediately preceding the pandemic and is expected to continue.

In the years ahead, information technology tools will continue to become more capable and less expensive. Advances in artificial intelligence are expected to eliminate the need for labor in a wide range of functions. Innovations of the past that eliminated the need for labor in certain functions caused worker displacement in certain industries. This also allowed our society to evolve in different directions, creating demand for labor in other functions. The vast opportunities available to us in recreation, hospitality, other aspects of life that are available today are an outgrowth of the industrial revolution, which freed time and labor to be diverted to those and other endeavors.

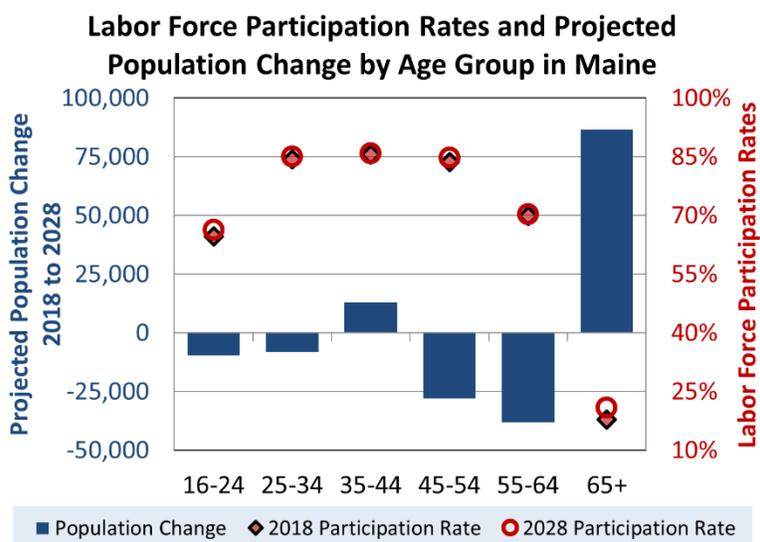
3. More people working in traditional retirement years. Labor force participation of seniors has been increasing for many years. This reflects increased age requirements for retirement benefits, a higher share of jobs that are not physically demanding, rising educational attainment (college educated people are more likely to work for some period after age 65 than those with less education), and a wide range of other factors. It also reflects that the structure of the senior population is shifting younger as tens of thousands of baby boomers reach their upper 60s and early 70s. Labor force participation of those “younger seniors” is much higher than for those in their upper 70s and beyond. The reason we expect the number of working seniors will rise is simply because there will be more younger seniors than there were in 2018. It is not because we think fewer will be able to retire.
4. The staffing challenges employers had before the pandemic were due to our aging population and lack of labor force growth. Many commentators concluded that the very low unemployment and challenges many employers had filling job openings before the pandemic were due to the lack of labor force growth in Maine. Data on job openings indicates otherwise. The job openings rate in Maine was historically high, but it was similar to both the national rate, and to rates in many states that had much 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 have constrained labor force growth.

Most jobs are in industries that support their broader local area, including those in retail, banking, food services, construction, education, healthcare, and many other industries. Growth in total demand for products and services is generally related to population growth. Even if productivity gains were less than they have averaged in the last decade, a labor force that is 98 percent as large in 2028 as it was in 2018 will provide greater output of goods and services and should easily meet demand from a population that is modestly larger.

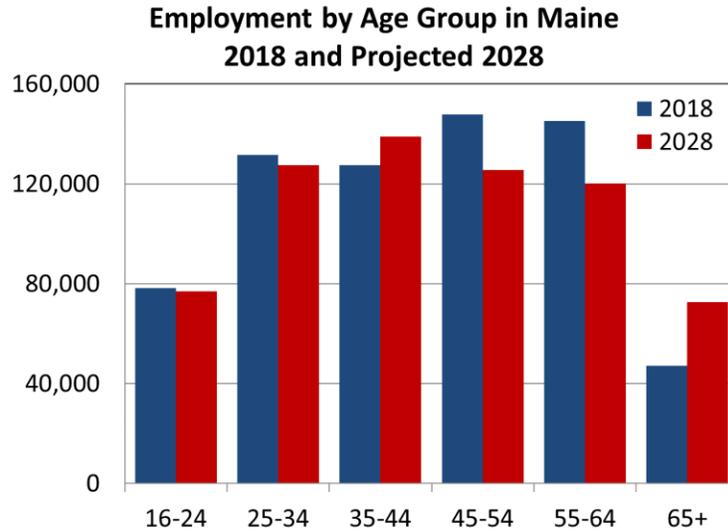
## **Detail on the Outlook**

The working-age population of current Maine residents is expected to modestly decline through 2028 as more baby boomers reach retirement. Continued net in-migration to the state is expected to moderate this as some people opt to leave major metropolitan areas for places of less density in the aftermath of the pandemic. Recent investments by many businesses in tools to help their staff work remotely and to effectively communicate, both internally and externally, as well as changes in policies by many employers, are likely to be more favorable to remote work in the years ahead.

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. Labor force participation rates increase with age up through mid-40s, before they gradually decrease with age through the early 60s, and more sharply thereafter. Additionally, participation is associated with opportunity. The tight labor market conditions that prevailed before the pandemic caused participation to rise in all age groups. In 2028 we expect slightly higher participation rates across the age spectrum, but the total rate (age 16+) is expected to decrease from 63.1 to 60.6 percent, reflecting a larger share of retired people.



The employment structure will become older with the population. Employment of those age 65 and over is expected to increase by 25,400 in the ten years through 2028. That is expected to be offset by a decrease of 47,300 who are age 45 to 64, reflecting that more than half of this group will have advanced in age to 65 or more. Employment is expected to rise by 5,400 among those age 25 to 44 and decline slightly among teens and early 20s adults. These changes simply reflect that those who were in one age cohort advanced in age to the next cohort, not increased or decreased opportunity for any group.



In the decade through 2028, the labor force is expected to become modestly older and smaller. This situation should not be viewed as a crisis. There is every reason to believe that continued productivity gains will be enough to meet the needs of a population that is modestly increasing in size. We do not yet know the extent to which the pandemic and other factors may prompt people to move to Maine. If there is a large upswing in migration to the state, the size of the labor force may not contract at all.

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