

The State of Working Montana

November 12, 2010



The State of Working Montana series explores the state of Montana's economy from the perspective of its workers and documents how they are faring. In this installment on jobs, and in every report in this series, our analysis goes beyond the top-level indicators that many use to evaluate the Montana economy. Instead, we focus on what matters to people who work in Montana.

Public Service Job Losses Threaten Montana's Recovery

The Great Recession cost Montana thousands of jobs. Montana has experienced recessions in the past, but this time job losses have been more severe and continued longer than in previous recessions.

Although experts report that the national recession ended in June 2009,¹ Montana's unemployment rate has continued to grow long after the recession officially ended. Unemployment in our state is expected to remain above 7 percent through September of 2011.²

Very few industries in Montana have been spared from job losses this recession, although construction and manufacturing have been hit the hardest.

From April to September (the most recent six months for which data is available), Montana continued to lose jobs, but many industries started to recover. State and local government jobs accounted for most of the job loss in the last six months.

Montana can respond to the recession-induced economic challenges in ways that protect families and prepare us for a more prosperous future. In order to protect Montana's job numbers from slipping further, state policymakers can protect the economy by taking a balanced approach to the budget that includes revenue increases to meet today's needs and start planning for our future. Balancing the budget through cuts alone will lead to unnecessary lay-offs and a further drag on an economy struggling to recover.

If the recession is over, why are we still losing jobs?

The National Bureau of Economic Research (NBER) is the organization that determines the official start and end of a recession. NBER follows the U.S. economy through business cycles.

To determine if we are in a recession, the NBER uses a variety of measures of economic activity, including gross domestic product, employment, and income.

A recession is the period between a peak and a trough (or bottom) in the business cycle. By contrast, an expansion is the period between the trough and the peak.

In September 2010, NBER declared that the recession had ended over a year earlier in June of 2009. The delay allows NBER to evaluate changes to determine if they are short-term changes or evidence of a substantial change in the direction of the economy.

When NBER declares that the recession is over, this means that the economy appears to have turned a corner according to several indicators. This can be true even if one of the major indicators, in this case jobs, does not show the same signs of growth as other indicators like GDP.

A balanced approach will help sustain job training programs, well maintained infrastructure, higher education, quality health care and other keys to creating jobs and helping Montana’s economy grow stronger.

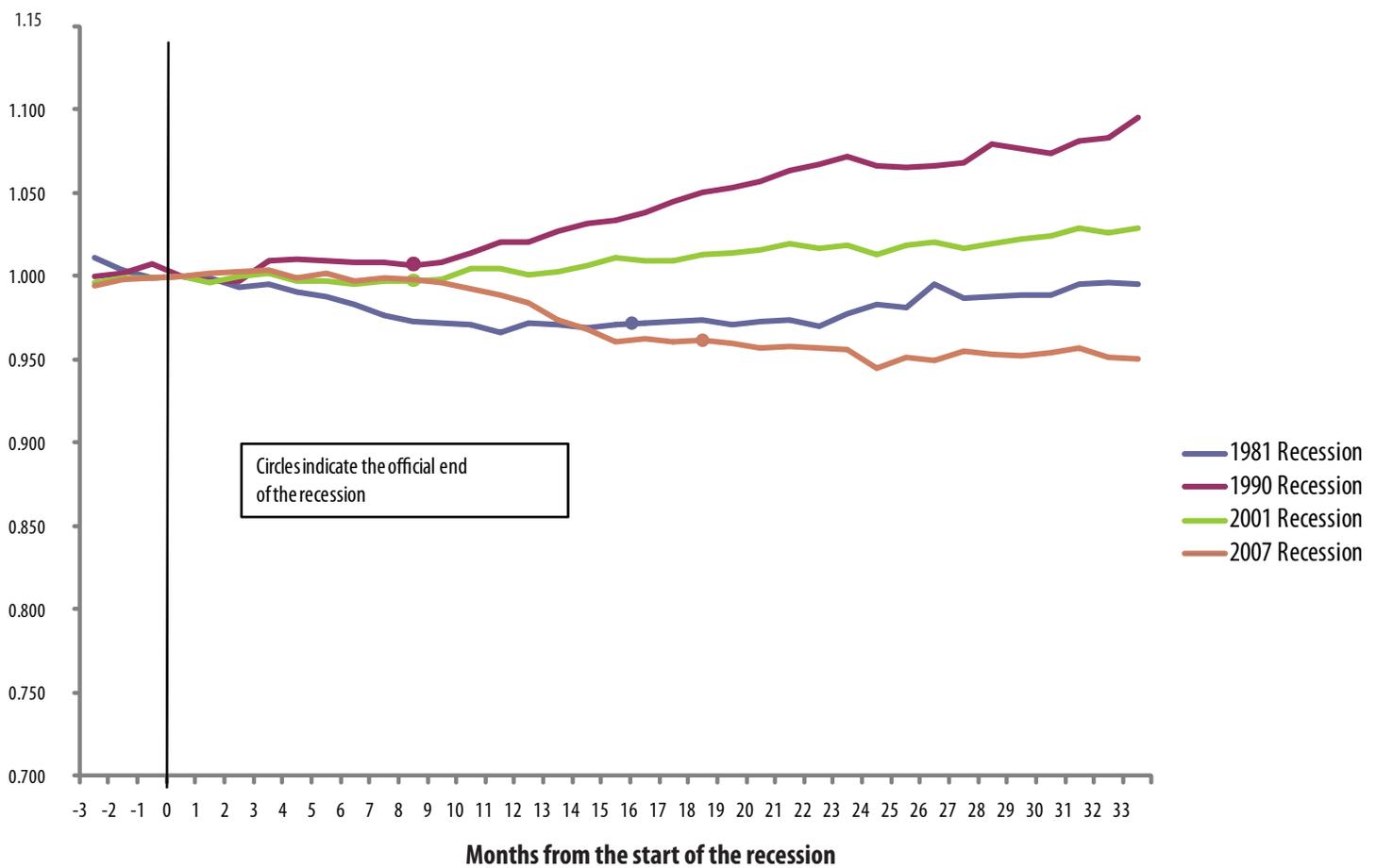
Montana struggles with a jobless recovery

Although the Great Recession officially ended in June 2009, states across the country are still feeling the effects. Today, unemployment rates are higher in every state than they were before the recession began.³ At the national level, there are 4.6 unemployed workers for every job opening.⁴

Nationally, the October jobs report shows the first positive growth in months with growth of 261,000 jobs. This job growth was not enough to make up for the fact that the previous four months tallied job losses of 393,000. For May to October the nation saw an average of 50,000 new jobs created each month, which is slower than population growth.⁵

The most recent recession has been worse than previous recessions. Job losses have been greater, and are continuing longer than in other recessions.⁶ Figure 1 below shows the percentage of jobs lost, also known as indexed job loss, in Montana during the last four recessions. The Great Recession was the longest, lasting 18 months. Job loss has continued well beyond the official end of this recession. In the previous three recessions, jobs began to recover shortly after the recessions were officially over.

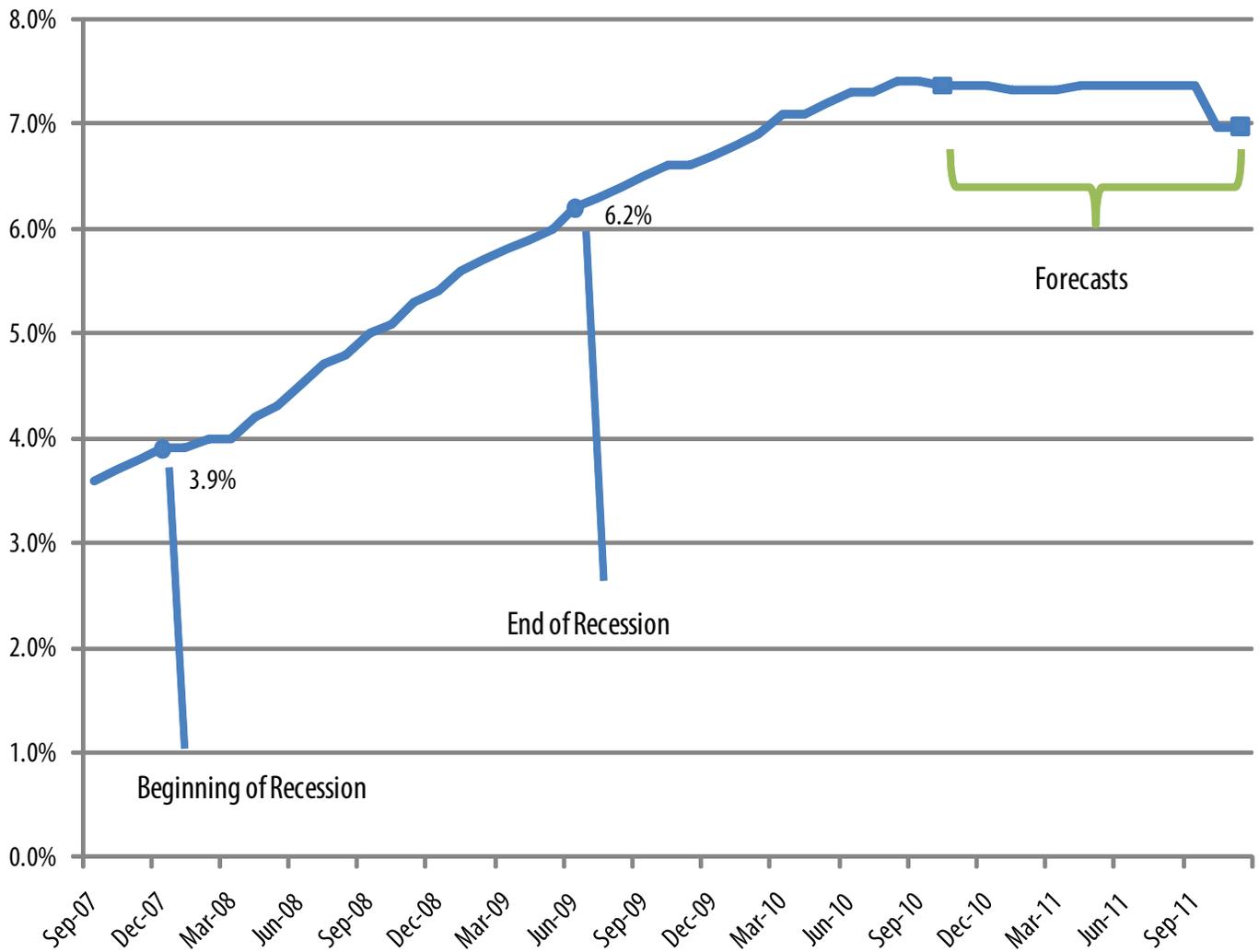
Figure 1: Job Loss in Montana



Unemployment continues to grow

As jobs are lost, Montana's unemployment rate has continued to worsen long after the recession officially ended (figure 2 below). Unemployment has increased by 3.5% since December of 2007. Unemployment is expected to remain above 7% until the 4th quarter of 2011.⁷

Figure 2: Montana's Unemployment Rate Continues to Grow Long After the Recession Ends

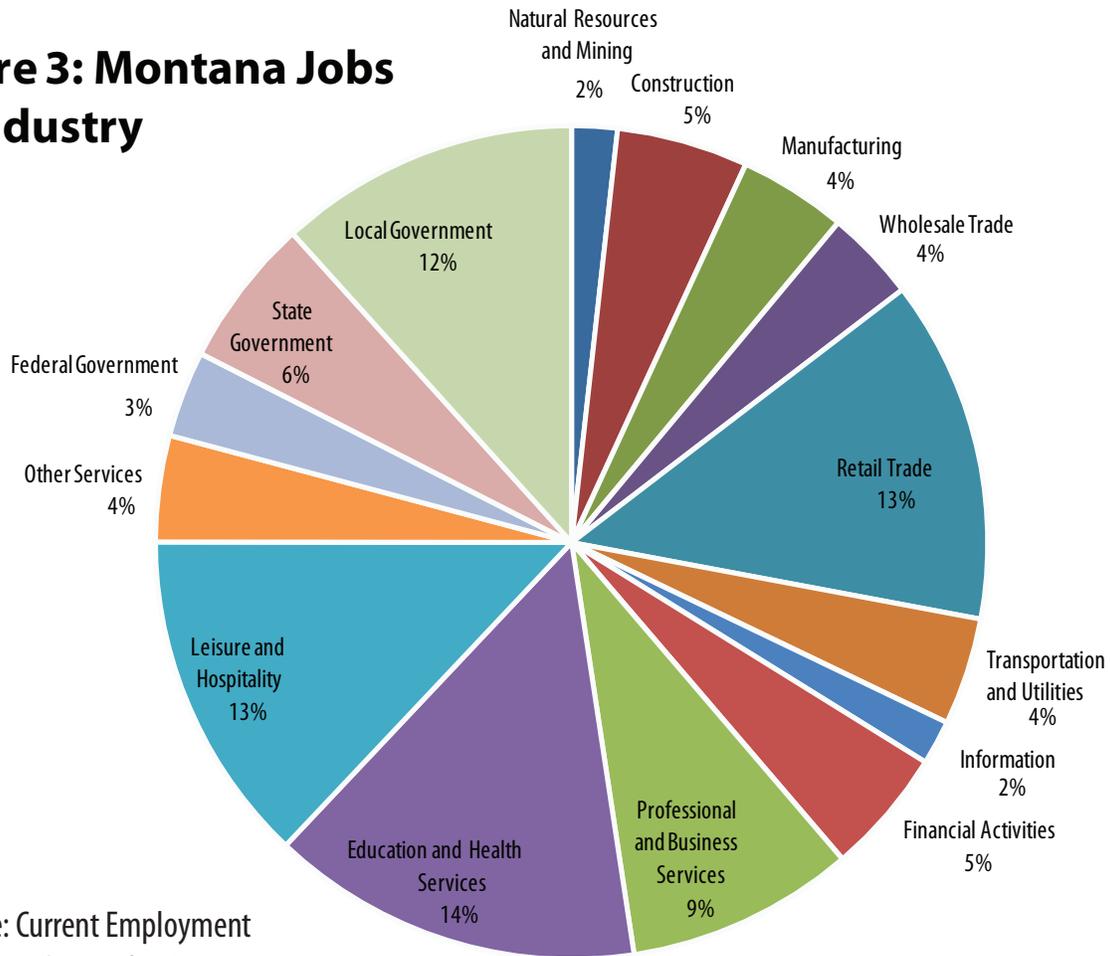


Source: Moody's Economy.com and Economic Policy Institute analysis of Bureau of Labor Statistics Data

No industry has been spared, but some hit much harder by the Great Recession

Figure 3 shows the makeup of Montana's jobs by industry. The largest sectors are government, education and health services, retail trade, and leisure and hospitality. Local governments are the source of most government jobs, including schoolteachers, police officers, fire fighters, snow plow drivers, and many other public service professionals.

Figure 3: Montana Jobs by Industry



Source: Current Employment Statistics, September 2010

Not all industries were equally affected by the Great Recession in Montana. The biggest job losses were in construction, manufacturing, wholesale trade, professional and business services, and leisure and hospitality (Table 1).

Table 1: Industries with largest job losses in Montana since the beginning of the recession (December 2007 to September 2010)		
	Change in Jobs	Percent Change in Jobs
Construction	-10,300	-32.2%
Manufacturing	-2,600	-12.7%
Wholesale Trade	-1,900	-11.2%
Professional and Business Services	-3,200	-7.8%
Leisure and Hospitality	-3,800	-6.5%

Source: Economic Policy Institute analysis of Current Employment Statistics, seasonally adjusted

From April to September (the last six months for which data is available), some industries showed signs of recovery despite overall job losses in the state (Table 2 below). However, more than half of the industries were still losing jobs.

Both state and local government jobs have declined in the last six months, while federal jobs were unchanged (see appendix).⁸ If the government sector had not lost jobs, Montana’s economy would be in much better shape. Of the 1500 jobs lost in the last 6 months, 1400 were in government. The private sector lost 100 jobs. Of the 1400 jobs lost in the public sector, 1200 were at the local level.

The decline in government jobs has stalled Montana’s recovery. The recession has had a damaging ripple effect on federal, state and local government: people buy less and earn less, reducing what the local, state and federal governments collect in taxes. At the same time, schools still need to run, the garbage needs to be picked up and fires need to be put out. The costs of providing labor-intensive services like teaching and policing are hard to reduce. To make matters worse, the demand for public services that support struggling families has increased.

Cities and counties have already had to cut back by laying off employees or not re-hiring when jobs open up. Both actions reduce the number of jobs in the economy. Cities across the state have eliminated jobs including firefighters, police officers, and parks department employees.⁹

Nationally, the jobs picture is similar to Montana. October showed positive job growth. The private sector has produced jobs, but from May through September the private sector did not produce enough jobs to offset the losses in the public sector.¹⁰ Public sector job loss has occurred at every level--local, state and federal. In states across the country, budgets--and the public service jobs they fund--have been cut to deal with revenue shortfalls. Most states were hit earlier and harder by the recession and have already had to balance budgets with declining revenue.

In January 2011, the state legislature will meet again to set the budget for the next two years and will have to address a possible 10% revenue shortfall due to the recession. In order to balance the budget, legislators will have to raise revenue, cut spending or both.

When states cut services, they lay off public service employees and cancel contracts with private vendors, which would cost Montana more jobs. Relying exclusively on cuts to deal with the economic crisis will only further damage the state’s economy. A balanced approach to the crisis that includes new sources of revenue will help Montana keep people working and spur both short- and long-term economic recovery.

Table 2: Job growth in Montana by industry: April-September 2010	
	Percent Change in the Last 6 Months
Total Nonfarm	-0.35%
Wholesale Trade	-4.43%
Construction	-3.56%
Government	-1.56%
Leisure and Hospitality	-0.90%
Retail Trade	-0.53%
Education and Health Services	-0.32%
Transportation and Utilities	0.00%
Information	0.00%
Professional and Business Services	1.89%
Financial Activities	1.96%
Manufacturing	2.30%
Other Services	3.55%
Natural Resources and Mining	4.17%

Source: Economic Policy Institute analysis of Current Employment Statistics

Appendix

Public Service Employment in Montana (in thousands)							
	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	Change from April to September
Total	90.0	92.7	92.7	90.6	89.5	88.6	-1.4%
Federal	14.2	16.3	14.9	14.7	14.0	14.2	0.00%
State	24.9	24.7	27.2	26.5	26.2	24.7	-0.20%
Local	50.9	51.2	50.6	49.4	49.3	49.7	-1.2%

Source: Current Employment Statistics, seasonally adjusted.

Endnotes

1. Business Cycle Dating Committee, National Bureau of Economic Research, September 20, 2010.
2. Moody's Economy.com, October 2010 forecast.
3. Economic Policy Institute, "Every State Still Feeling Effects of Great Recession," August 20, 2010, http://www.epi.org/publications/entry/news_from_epi_every_state_still_feeling_effects_of_great_recession/.
4. Heidi Shierholz, "Far more unemployed workers than job openings," Economic Policy Institute, October 7, 2010, http://www.epi.org/analysis_and_opinion/entry/job_openings_per_unemployed_worker_unchanged_in_august/.
5. Economic Policy Institute analysis of Current Employment Statistics and Bureau of Labor Statistics population data.
6. Comparing job loss across time can be a difficult task. As Montana's population has grown, so has the number of jobs. For example, losing 5,000 jobs today (when there are around 425,000 jobs in Montana) is a very different story from losing 5,000 jobs in 1939 (when there were 108,000 jobs in Montana). For this reason, we express job loss, or job gain, as a percent of total jobs. In the example, losing 5,000 today is equivalent to 1.2% loss. But in 1939, it is equivalent to 4.6%.
7. Moody's Economy.com, October 2010 forecast.
8. Bureau of Labor Statistics, Current Employment Statistics, seasonally adjusted, released October 22, 2010.
9. See, e.g., Molly Priddy, "County Commissioners Approve 2011 Budget", Flathead Beacon, September 9, 2010, Myers Reece, "No Fire, Police Layoffs as Whitefish Hammers Out Budget", Flathead Beacon, July 23, 2010, Amanda Ricker, "Bozeman approves 2011 Budget: Average Resident Will Pay \$43 More", Bozeman Chronicle, September 14, 2010, Allison Maier, "City Leaders Respond to 2011 Budget", Helena Independent Record, July 14, 2010.
10. Bureau of Labor Statistics, "The Employment Situation - September 2010," U.S. Department of Labor, October 8, 2010, <http://www.bls.gov/news.release/empsit.nr0.htm>.