



Montana 2023 Labor Day Report

A Summary

by Amy Watson, State Economist

The Montana economy continued its strong expansion in 2022. Employment reached an all-time high, unemployment rates fell to record lows, and economic production continued to grow at a steady pace despite tight labor markets and inflationary headwinds. This article provides an overview of the annual report provided to the Governor on the status of the Montana economy. The full report, entitled 2023 Montana Labor Day Report, is available at lmi.mt.gov/publications.

More Montanans Working than Ever Before

2022 was a year of extraordinary growth in the Montana labor market. The state added over 20,000 jobs in 2022 – the most jobs added in one year in the history of the data series. To put this record-breaking growth into historical perspective, in the decade of expansion prior to the pandemic employment grew by an average of 7,100 jobs per year. Montana’s 2022 job growth was nearly three times that pace.

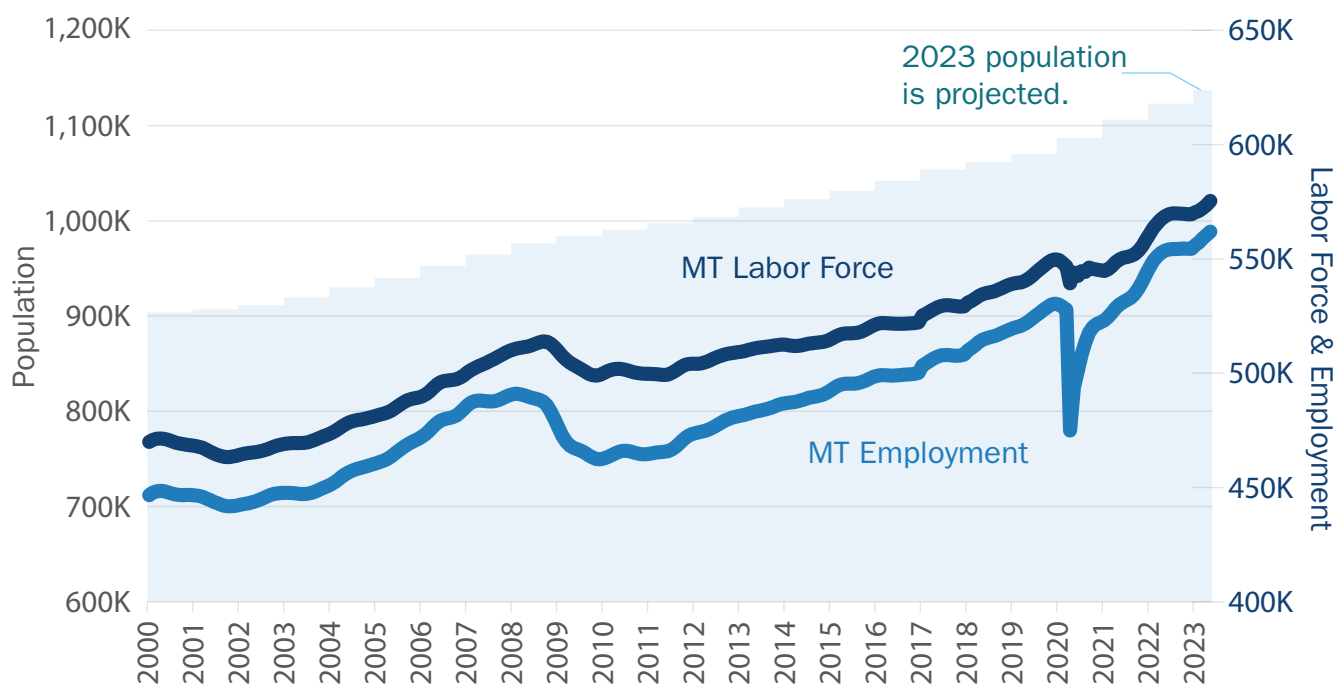
Rapid employment growth in the post-pandemic era means there are now more Montanans working than ever before. **Figure 1** shows the change in Montana’s population, labor force, and employment levels over the past twenty years. Through the first half of 2023, the Montana economy employed over 68,000 more people

than it did three years earlier. This is the same number of jobs added during the entire decade of expansion following the Great Recession in 2009.¹

Montana’s record-breaking employment growth in 2022 was generated by job growth in several of the state’s high-demand industries. Construction, leisure activities, and business services were key contributors to Montana’s job growth in 2022, making up 60% of total job gains. However, job growth was not isolated to a few high-performing industries. Nearly all industries experienced job growth in 2022 and have surpassed pre-pandemic levels of employment (**Figure 2**).

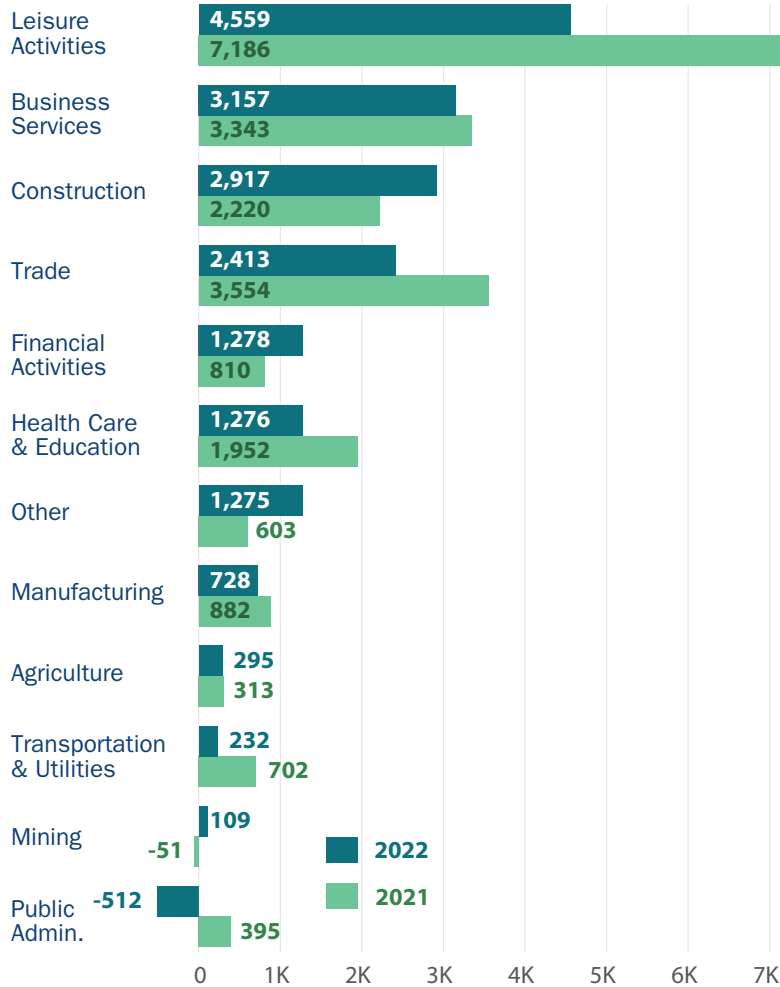
Leisure activities added the most jobs in 2022, with over 4,500 additional jobs in the industry

FIGURE 1
Montana Population, Labor Force, and Employment Growth since 2000



Source: US Census Bureau and Local Area Unemployment Statistics (LAUS)

FIGURE 2
Montana Payroll Job Growth by Industry



Source: Quarterly Census of Employment and Wages (QCEW)

compared to the previous year. The demand for restaurants, hotels, and recreation took off once the pandemic-related travel restrictions and social distancing requirements were lifted. As a result, businesses have been hiring quickly to keep up with elevated demand. The rate of hiring slowed to 6.8% from leisure activities' record-breaking pace of 12% employment growth in 2021. Despite this slow down, leisure activities was the largest contributor to employment growth in 2022.



Construction Jobs Vital to Continued Economic Growth

The construction industry plays a critical role in economic development efforts across the state – including increasing the supply of affordable housing, improving broadband internet access, and other critical infrastructure investments throughout Montana. Significant demand for construction workers in Montana has led to some of the fastest employment growth in the nation.

Construction jobs grew by 8.3% in 2022!
Montana ranks 2nd among states for fastest employment growth!

The construction industry offers competitive wages, with an average annual wage of \$65,000 in 2022. Wages in construction have been growing rapidly,

even outpacing inflation, as a result of the significant demand for workers and limited supply. Construction worker wages grew by 1.5% on an inflation-adjusted basis over the last year.

MTDLI projects over 1,000 new construction job openings per year through 2032 – the most of any industry in the state!

The success of many economic development projects and infrastructure investments throughout Montana will depend on the availability of a highly-skilled construction workforce to fill these critical job openings.

Tight Labor Markets Persist Despite Growth

Montana's workforce shortage has persisted for most of the last decade. However, the shortage has become more severe since the pandemic as the gap between the number of job openings and unemployed people has widened. In March of 2023, the state's unemployment rate fell to 2.3%, the lowest observation since the data began being collected in 1976.¹ The number of unemployed workers dropped to nearly 13,000, also a new low. Without enough workers, businesses are not able to fully meet the demand for their goods and services, dampening economic growth.

The state's population and labor force has grown at a slower pace than employment, leading to a record low number of unemployed and three job openings per every unemployed person. **Figure 3** shows the number of job openings relative to the number of unemployed people in the state.

Montana's unemployment rate reached record-low 2.3% in March of 2023.

Economics Explained:

All Montanans fall into three groups based on their work status:



EMPLOYED

Employed persons are actively working for pay or profit.



UNEMPLOYED

Unemployed persons are actively seeking work.



NOT IN THE LABOR FORCE

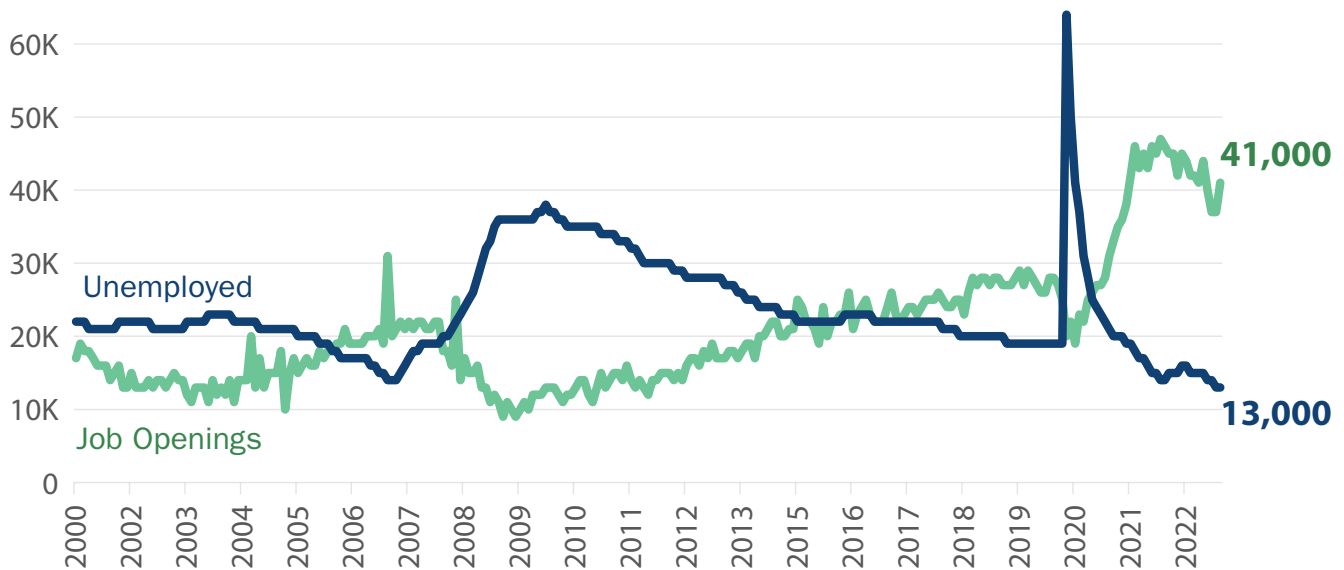
Those not working or seeking work, including:

- retired people
- children
- students
- family caretakers

Together, the **EMPLOYED** and the **UNEMPLOYED** form the **LABOR FORCE**, which includes all Montanans who are either working or looking for work.

Record low unemployment rates have increased competition for workers and driven up wages. The average wage earned by Montana workers grew 6.2% in 2022, the 4th fastest among states. Rapid wage growth helped to dampen the impacts of inflation, which reached a forty-year high in the middle of 2022. On an inflation-adjusted basis, real wages fell 1.6% in 2022 but remained positive

FIGURE 3
Number of Job Openings and Unemployed Persons in Montana

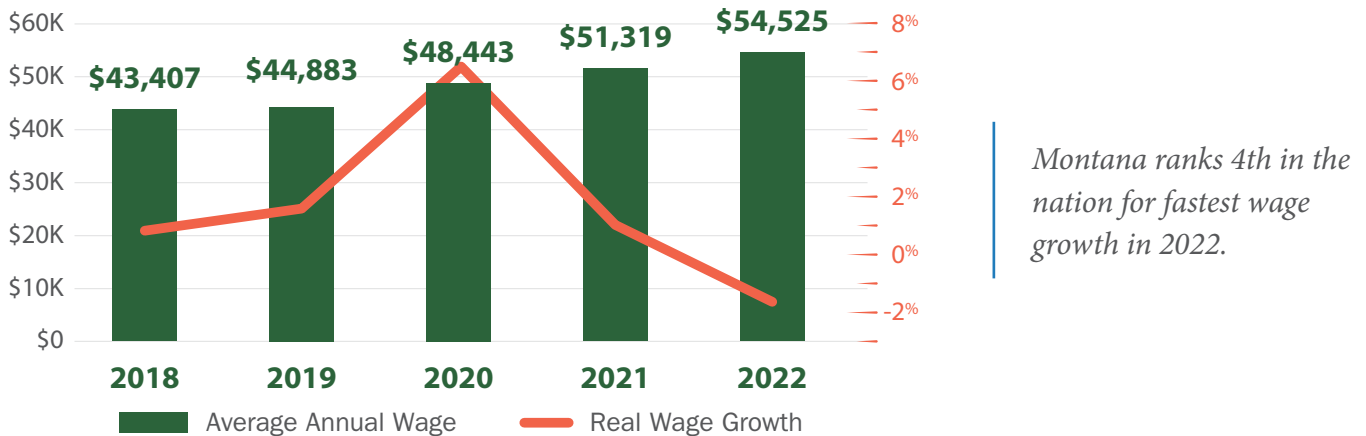


Source: JOLTS and LAUS, January 2000 to April 2023. Unemployment level is rounded to the nearest thousand

over the long-run. Since 2019, real wages grew by an average of 2% per year.² Real wage growth over the long-term suggests coming out of the pandemic recession Montana workers have been able to afford more goods and services with their

wages than before, increasing their standard of living. The average annual wage reached \$54,525 in 2022, ranking 44th highest among states – the highest wage ranking Montana has achieved in the history of the data series (Figure 4).

FIGURE 4
Montana's Average Annual Wage and Real Growth



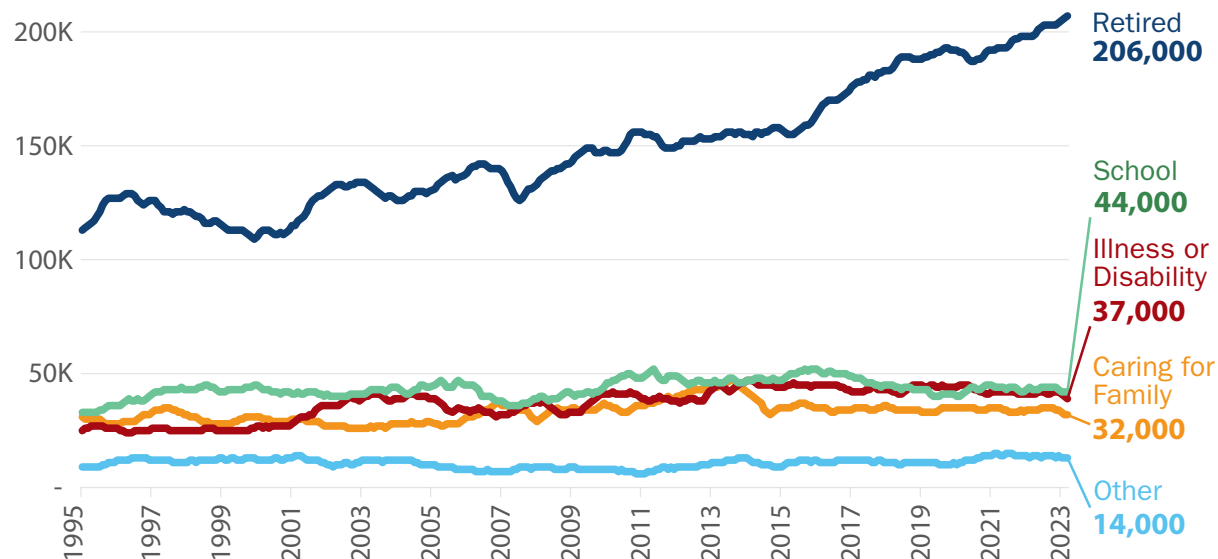
Source: US BLS and Montana Dept. of Labor and Industry, QCEW and CPI-U

Labor Force Participation

Montana's labor force has never been larger, with over 575,000 Montanans working or seeking work in the first half of 2023. However, the tight labor market persists largely due to a long-run decline in the state's labor force participation rate.

As the Montana population has aged, a larger share of the population has reached retirement age and exited the labor force, causing a decline in the labor force participation rate overall.

FIGURE 5
Population Not Participating in the Labor Force by Main Reason



Source: IPUMS Current Population Survey, Jan 1995- May 2023. Twelve-month moving averages, rounded to the nearest thousand

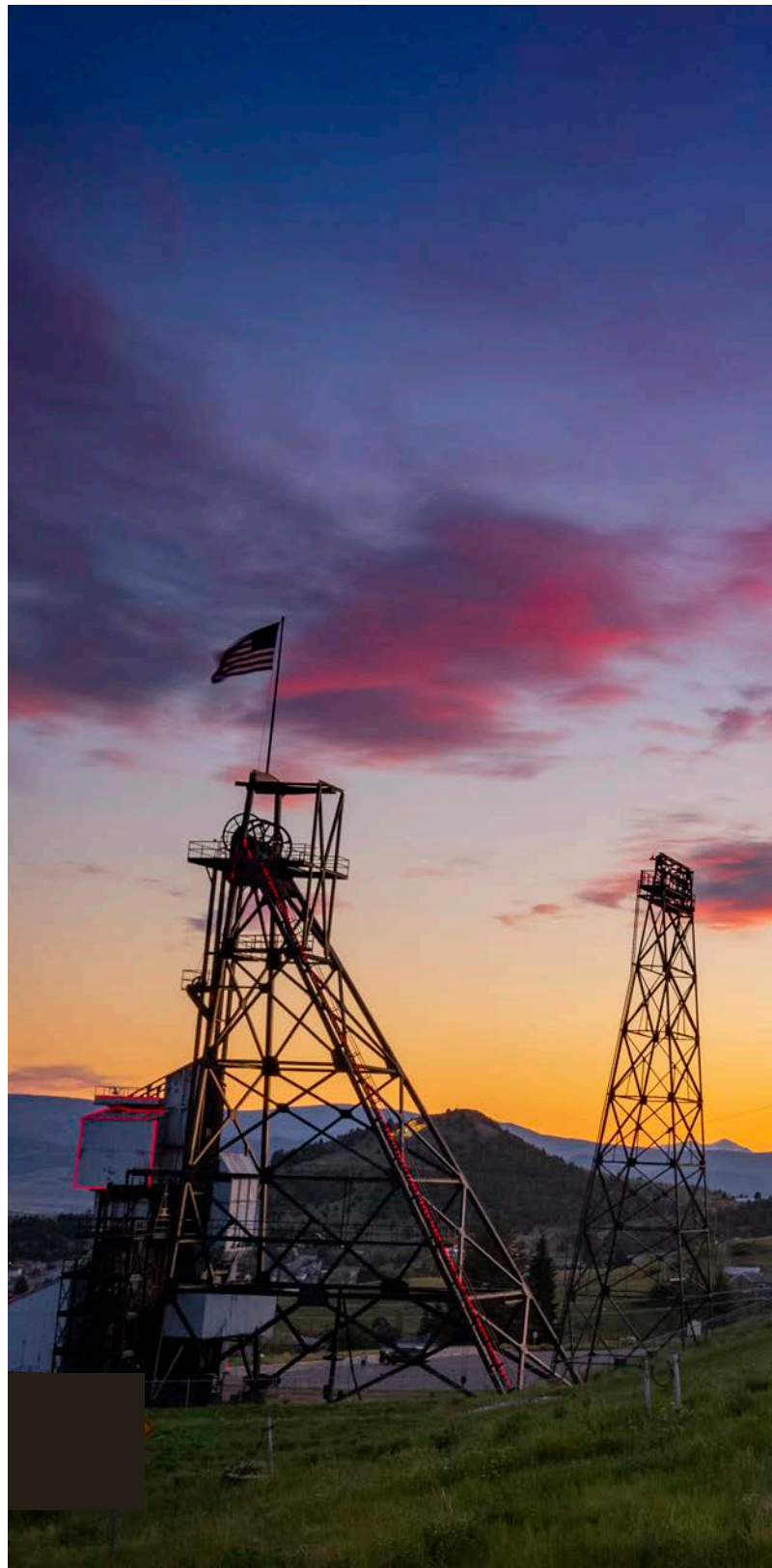
The number of retirees has been steadily increasing in Montana since the 1990s, reaching over 200,000 in 2022 (Figure 5). About 62% of all Montanans not participating in the labor force are retired.³ Other reasons Montanans do not participate in the labor force include attending school, illness or disability, and caring for family. The number of Montanans citing these other reasons has remained relatively stable over time despite population growth.

While the statewide labor force participation rate has been declining over the long-run, labor force participation within age groups has remained stable or increased over the last few years. Pandemic-related closures and health concerns caused a sudden drop in the labor force participation rate in April 2020. However, labor force participation rates have reached or exceeded pre-pandemic levels in every age category as of June 2023.

In-migration has helped offset the state's aging population and declining labor force participation rates. During the pandemic, in-migration rates accelerated to over three times the long run average. Over 40,000 more people moved to the state than left from 2020 to 2022, ranking Montana 2nd in the nation for the largest percentage (3.8%) of net in-migration.⁴ In the decade prior to the pandemic, Montana averaged about 6,300 net in-migrants per year.⁵

Most people moving to Montana participate in the state's labor force, thus increasing labor supply. About 65% of people who recently moved to the state are either employed or actively seeking work, which is higher than the labor force participation rate of existing residents.⁶ The demographic composition of these newcomers helps explain their higher labor force participation rate. Newcomers are younger than the statewide average, helping to slow down the aging of Montana's population.

Montana ranks 2nd in the nation for the largest percentage of in-migration from 2020 to 2022.



Steady Economic Growth

After a record-setting year in 2021, the Montana economy grew at a pace more consistent with long-run growth in 2022. Montana’s total economic output, as measured by real gross domestic product, grew by 1.6%. The economy contracted slightly during the first two quarters of 2022. However, economic growth turned positive during the second half of 2022 as inflation pressures began to moderate. The first quarter of 2023 shows continued economic strength. The Montana economy grew by 6% in the first quarter of 2023, ranking 5th in the nation for fastest economic growth.⁷ **Figure 6** shows real GDP growth in Montana and the nation since 2013.

Montana’s economic growth in recent years can be attributed, at least in part, to the enterprising nature of Montanans. When compared to other states, Montana boasts the third highest rate of individuals engaged in proprietary employment, with nearly 28.5% of the workforce running their own businesses. This has contributed to the rise in personal incomes in Montana, with proprietary income accounting for approximately 9.1% of the state’s total personal income in 2022.

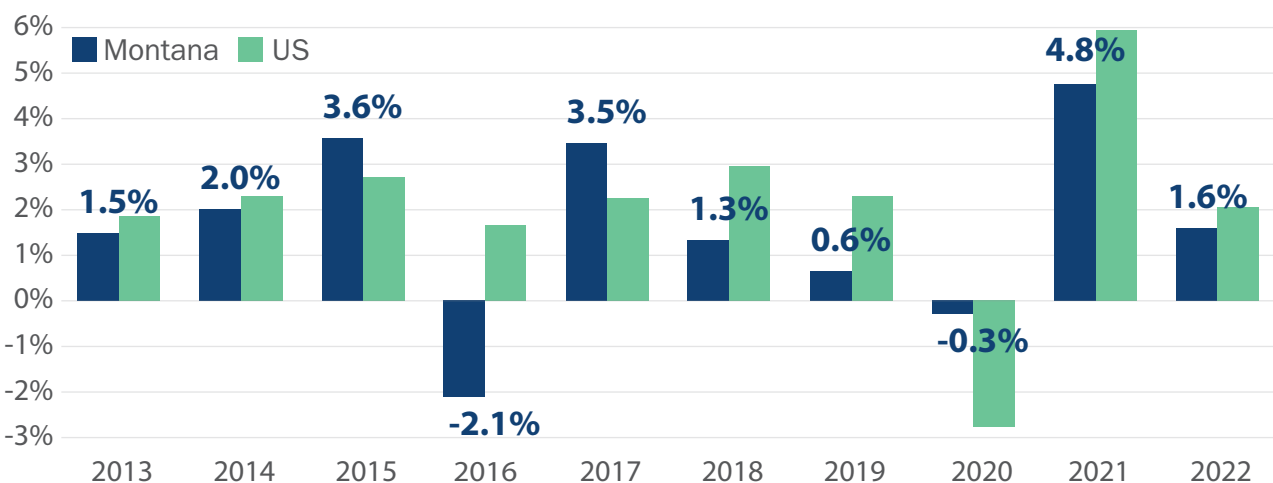
Economics Explained:

Gross Domestic Product (GDP) measures the total value of all goods and services produced in Montana, while **personal income** measures the value Montanans receive from economic activity, regardless of whether that activity occurs within Montana or outside the state. Both GDP and personal income are used as overall measures of economic activity.

Personal income, which measures the value Montanans receive from their economic activity, grew steadily in 2022. After rapid personal income growth in 2020 and 2021, growth moderated to 3.1% in 2022 – ranking Montana 19th in the nation for fastest personal income growth.

On a per capita basis, average income rose to \$57,719 in 2022 – ranking 29th highest among states. While Montana’s per capita income still

FIGURE 6
Real GDP Growth in Montana and the U.S.



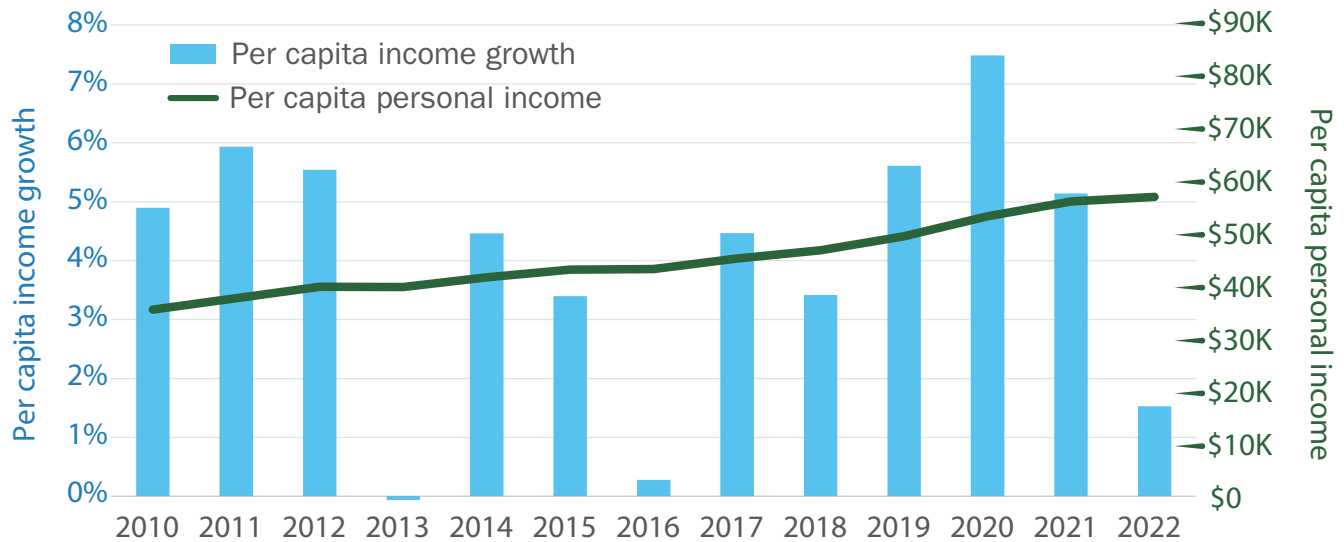
Source: US Bureau of Economic Analysis

falls below the national average, it has been growing more rapidly in recent years. Since 2019, per capita income has grown by 4.7% per

Montana boasts the 3rd highest rate of business ownership among states.

year, compared to 3.8% prior to the pandemic. **Figure 7** shows the growth in per capita income since 2010. Accelerated income growth has helped Montana households' weather economic uncertainties exiting the pandemic recession.

FIGURE 7
Per Capita Person Income Growth in Montana



Source: US Bureau of Economic Analysis

Conclusion

Extraordinary job growth and accelerated wage growth have strengthened Montana households and supported continued economic expansion throughout the state. High consumer demand and entrepreneurialism have made Montana businesses more profitable, bringing more income back to owners. Through productivity improvements, investments in worker training, and tapping into underutilized labor sources, Montana's economy will continue to flourish. To read more in-depth about Montana's recent economic performance and dive into other topics not covered in this summary, the full report is available at lmi.mt.gov.

References

- 1 BLS Local Area Unemployment Statistics
- 2 US BLS and Montana Dept. of Labor and Industry, QCEW and CPI-U
- 3 IPUMS Current Population Survey, twelve-month moving average ending May 2023.
- 4 Census Bureau State Population Totals and Components of Change: 2020-2022. <https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html>
- 5 Census Bureau Annual Resident Population Estimates, Estimated Components of Resident Population Change 2011-2019.
- 6 Census Bureau Annual Resident Population Estimates, Estimated Components of Resident Population Change 2011-2019.
- 7 Montana's quarterly GDP tends to be volatile because of timing with sales in the agricultural sector.