Labor Report presented to the Consensus Economic Forecasting Commission and Revenue Forecasting Committee

September 6, 2024

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Current Labor Market Conditions

Overview

The number of jobs changed little in the last six months, but is up 6,100 from a year ago. Nearly all of the over the year private sector increase was in the healthcare and social assistance and the leisure and hospitality sectors. Those two sectors had lagged the job recovery of previous years.

The unemployment rate has held steady in recent months, at 2.8 percent in July. Unemployment has been below four percent for 32 months – the second longest such period – and below the U.S. average for all but two months for more than 16 years.

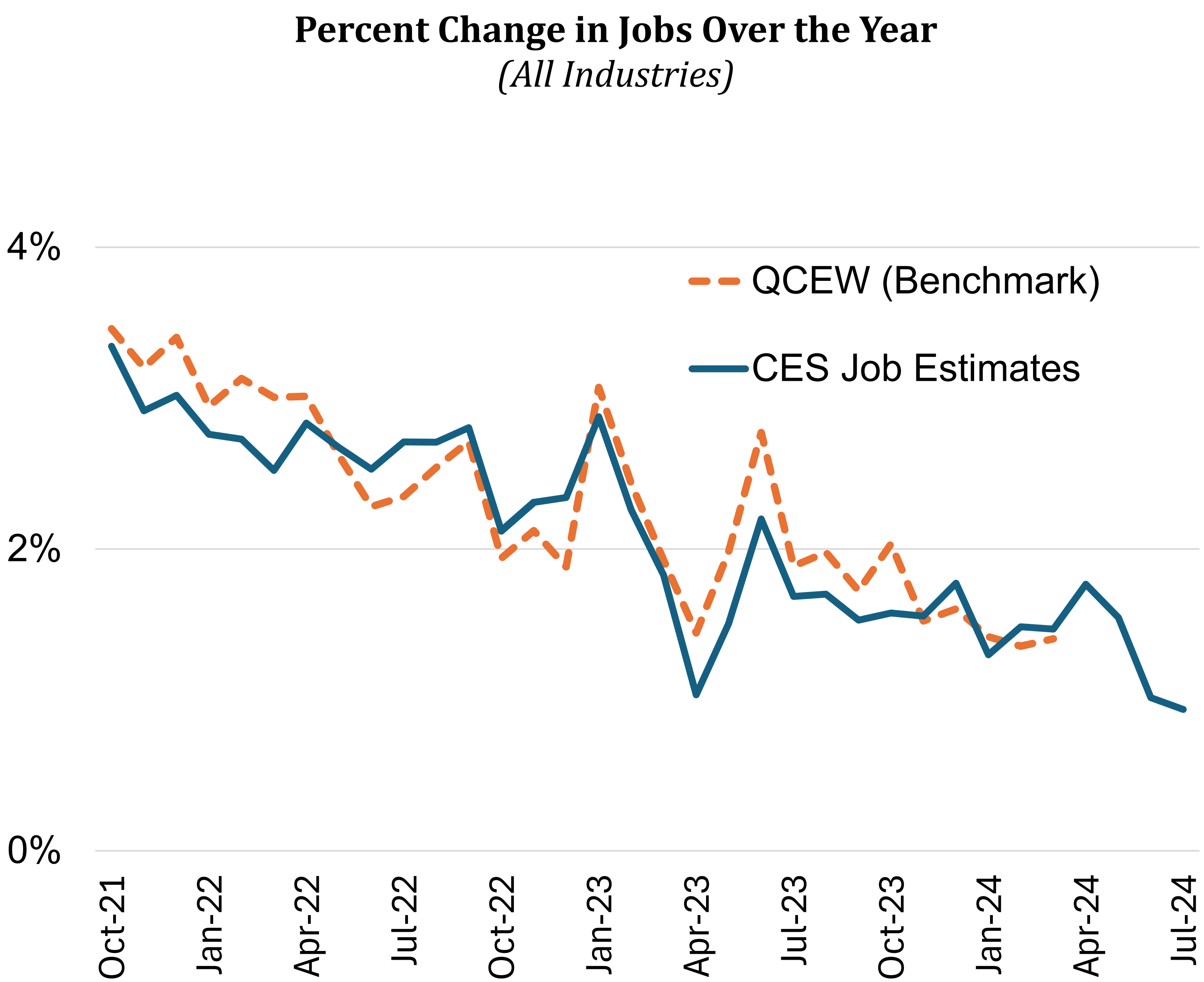
The job opening rate has fallen, bringing labor demand and labor supply in somewhat more balance. The labor market remains quite competitive for employers.

Job growth has gradually slowed over many decades, primarily from sliding birth rates which yield smaller numbers of labor force entrants. Combined with thousands of retiring baby boomers, the number of jobs is not expected to change appreciably in the decade through 2032, even as the population continues to increase in size.

Jobs are growing steadily, at a moderating pace

Nonfarm wage and salary jobs are increasing at a rate of just under one percent per year. Since regaining the 2019 level in 2022, job growth has moderated from around two percent per year.

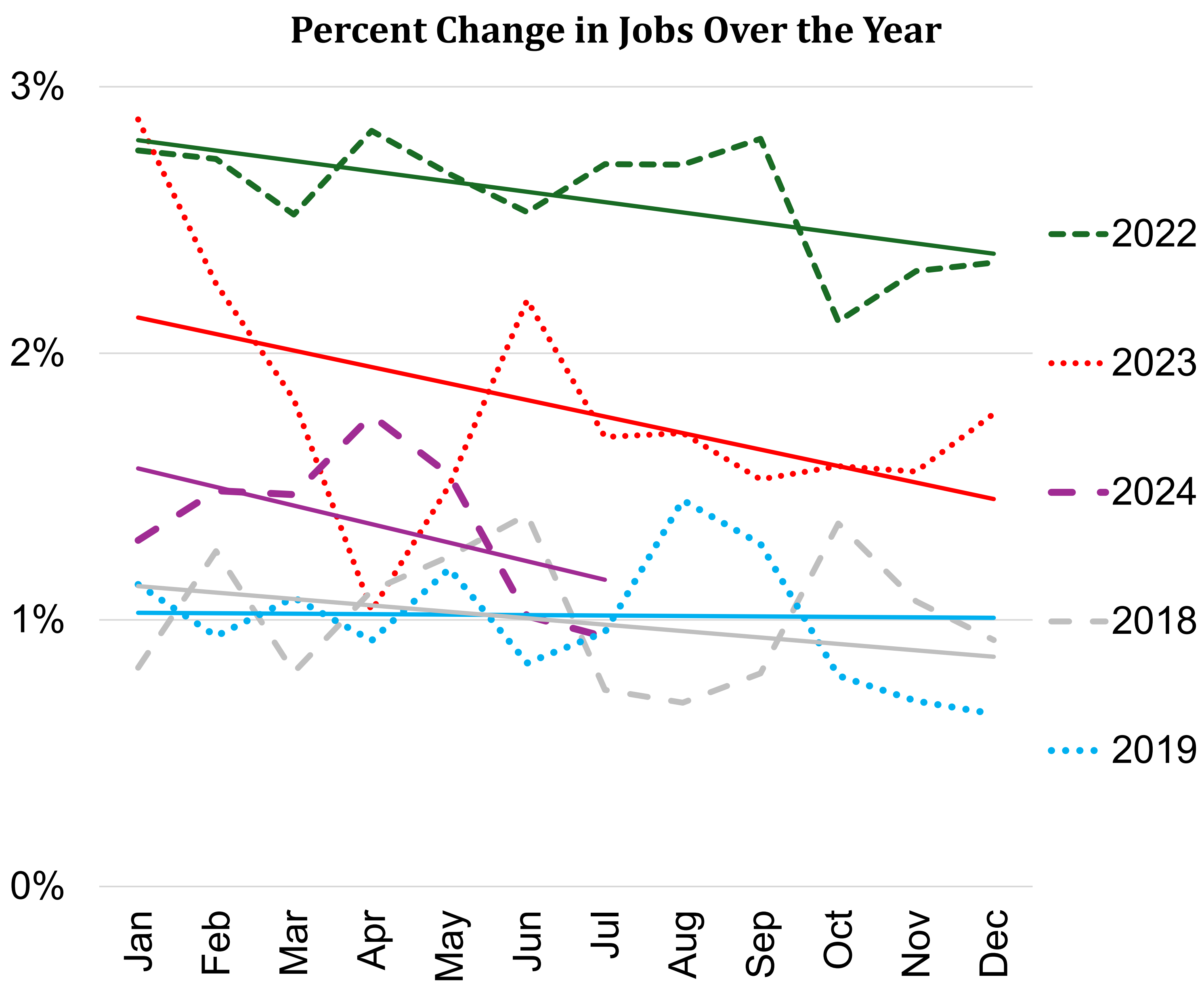
Benchmarked data have replaced preliminary estimates through the end of the 3rd quarter of 2023. With two additional quarters of tax filings (2024 Q1 and 2023 Q4), recent preliminary estimation from the monthly payroll survey (which provides the most up to date indicator of job trends) is on track with its benchmark.



Job growth is moderating toward one percent per year

Growth rates trended toward 2 percent per year in 2022 and early 2023.

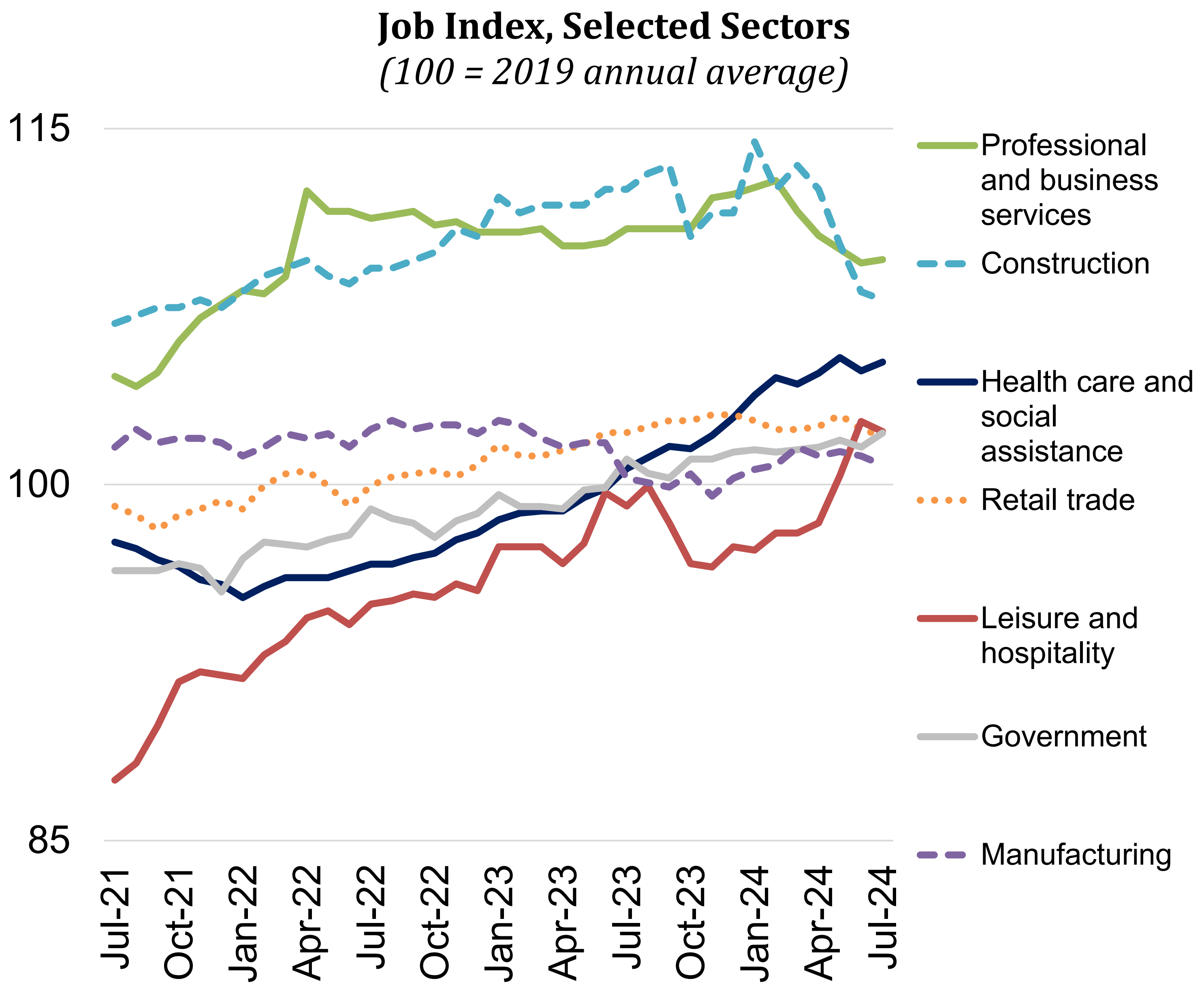
In the last year, job growth rates are trending toward one percent per year, comparable to the 2018 and 2019 time period.



The healthcare and social assistance and the leisure and hospitality sectors are driving recent gains

Compared to the 2019 job level:

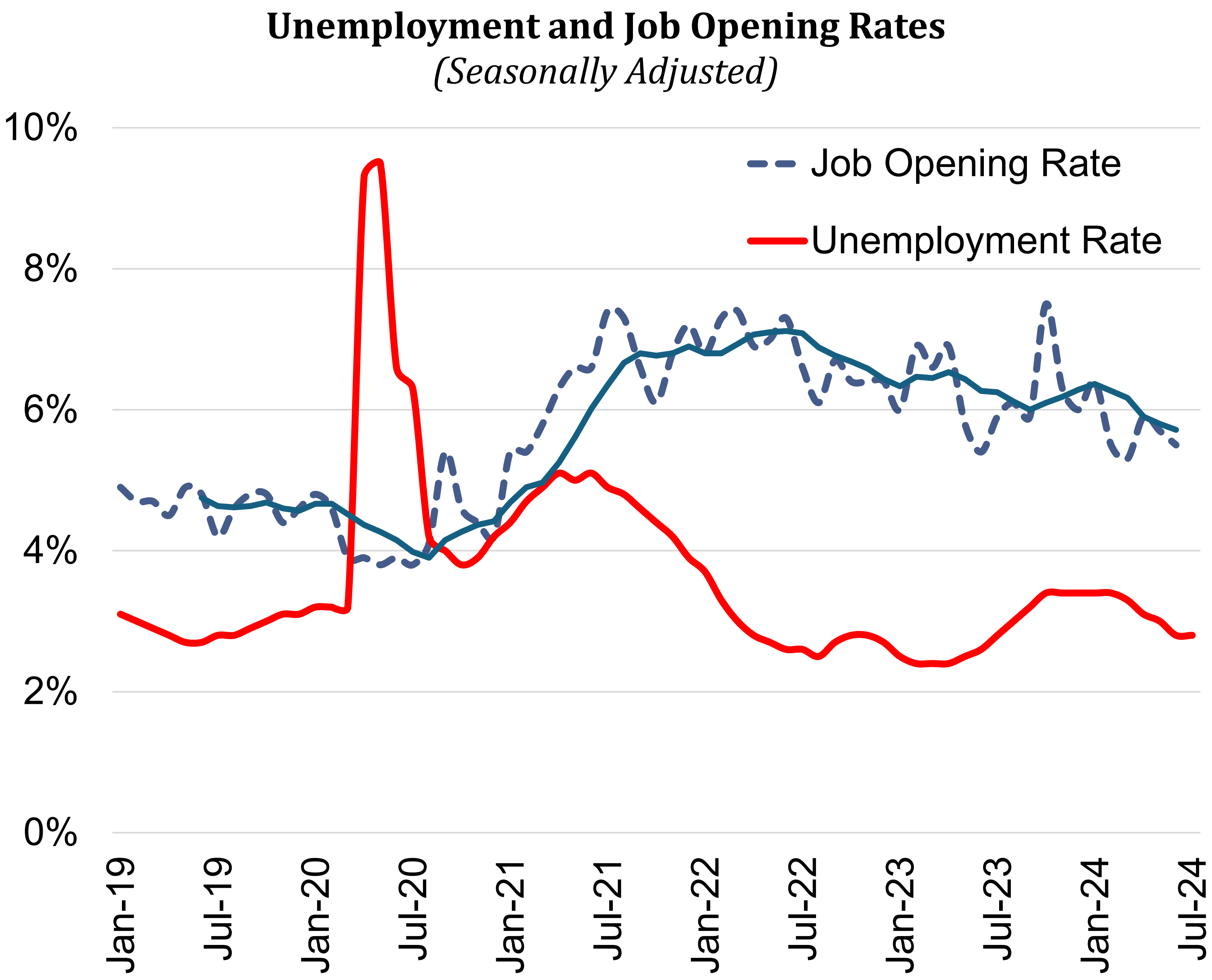
- Health care and social assistance has climbed from about 5 percent below in early 2022 to 5 percent above today.
- Leisure and hospitality has risen from 8 percent below in early 2022 to just above today.



Labor demand and labor supply are slowly coming toward more balance

The job opening rate has fallen to 5.7 percent (six month average) from a peak of just over 7 percent two years ago.

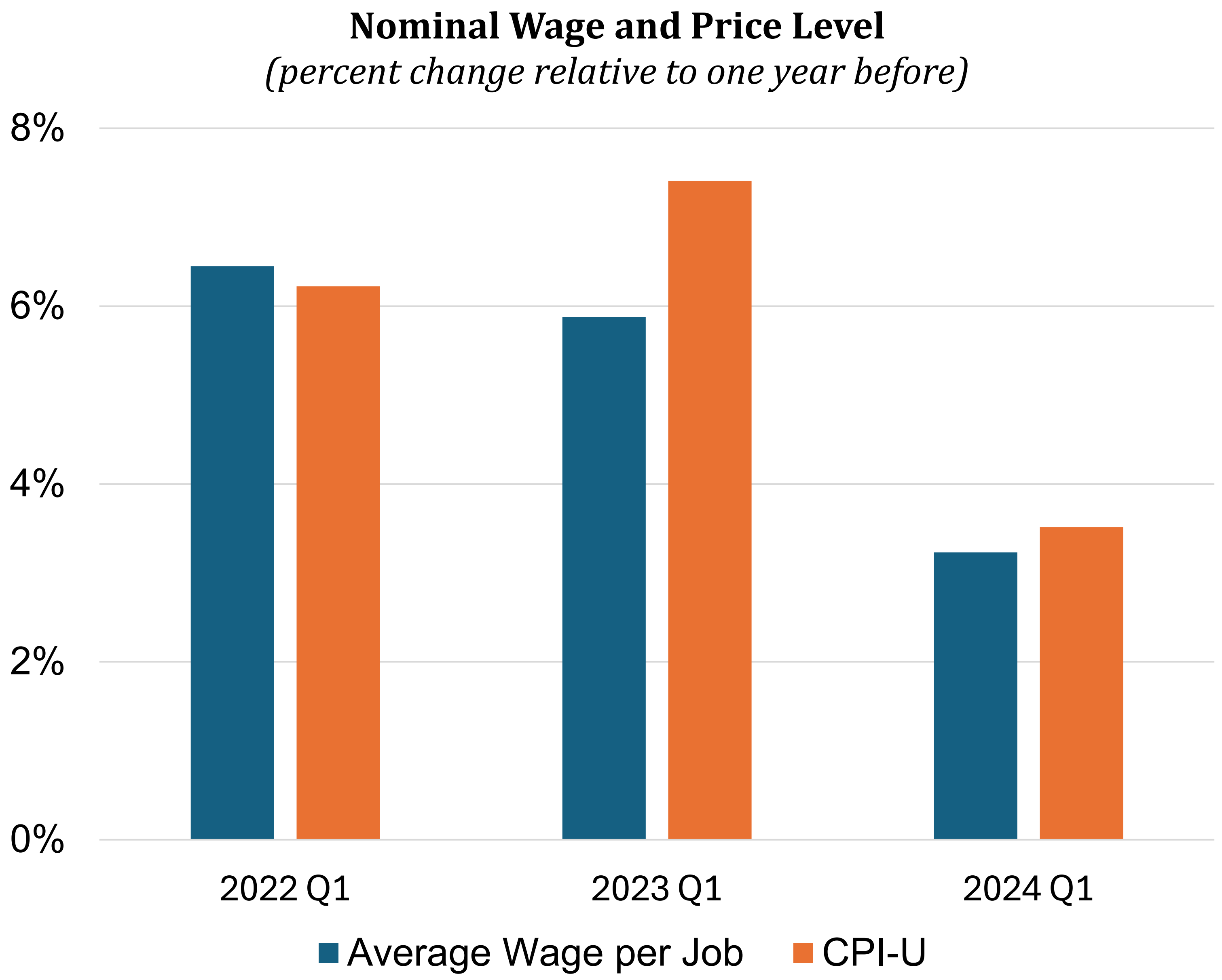
Vacancies remain high relative to unemployed job seekers, continuation of a competitive labor market for employers.



Average wage per job and consumer prices are changing at similar rates; both are moderating

In the year through 2024 Q1, the average wage per job was just over 3 percent higher than the year before, about the same change as overall consumer prices in the same time.

Consumer prices increased more rapidly than wages in the year through 2023 Q1.



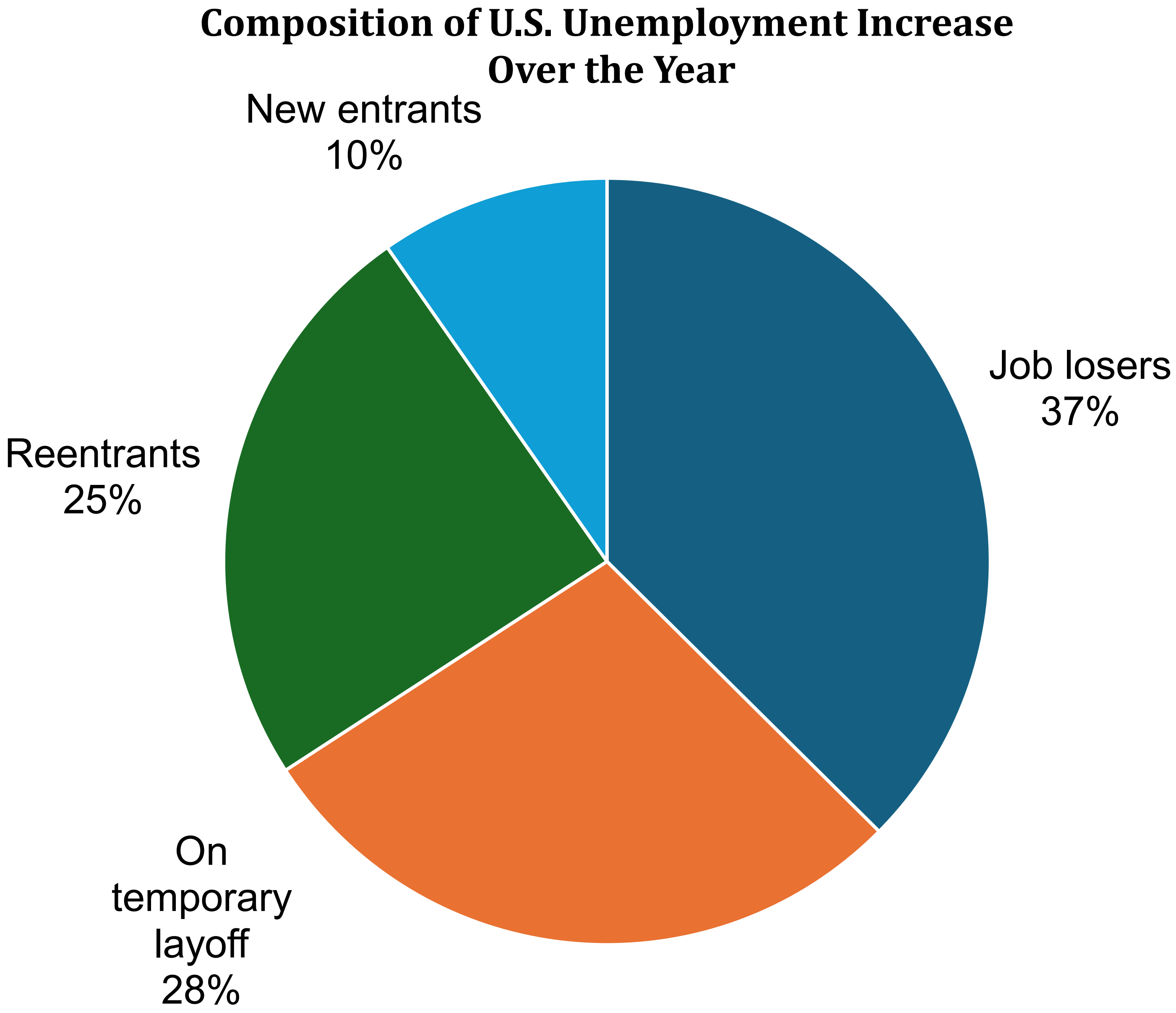
Both rising labor supply and cooling labor demand have contributed to higher unemployment nationally

The U.S. unemployment rate has risen to 4.3 percent from from 3.5 percent one year ago.

Unemployment rates can increase due to falling labor demand, rising labor supply or a combination of the two.

Claudia Sahm writes that:

"There are signs that stronger labor supply, not just weaker labor demand, helped push the Sahm rule past its 0.50 percentage point threshold. Unemployed entrants to the labor force (new or returning) accounted for about half of the increase. That's a notably higher share than in recent recessions, when most of the contribution came from unemployed workers who had been laid off temporarily or permanently."

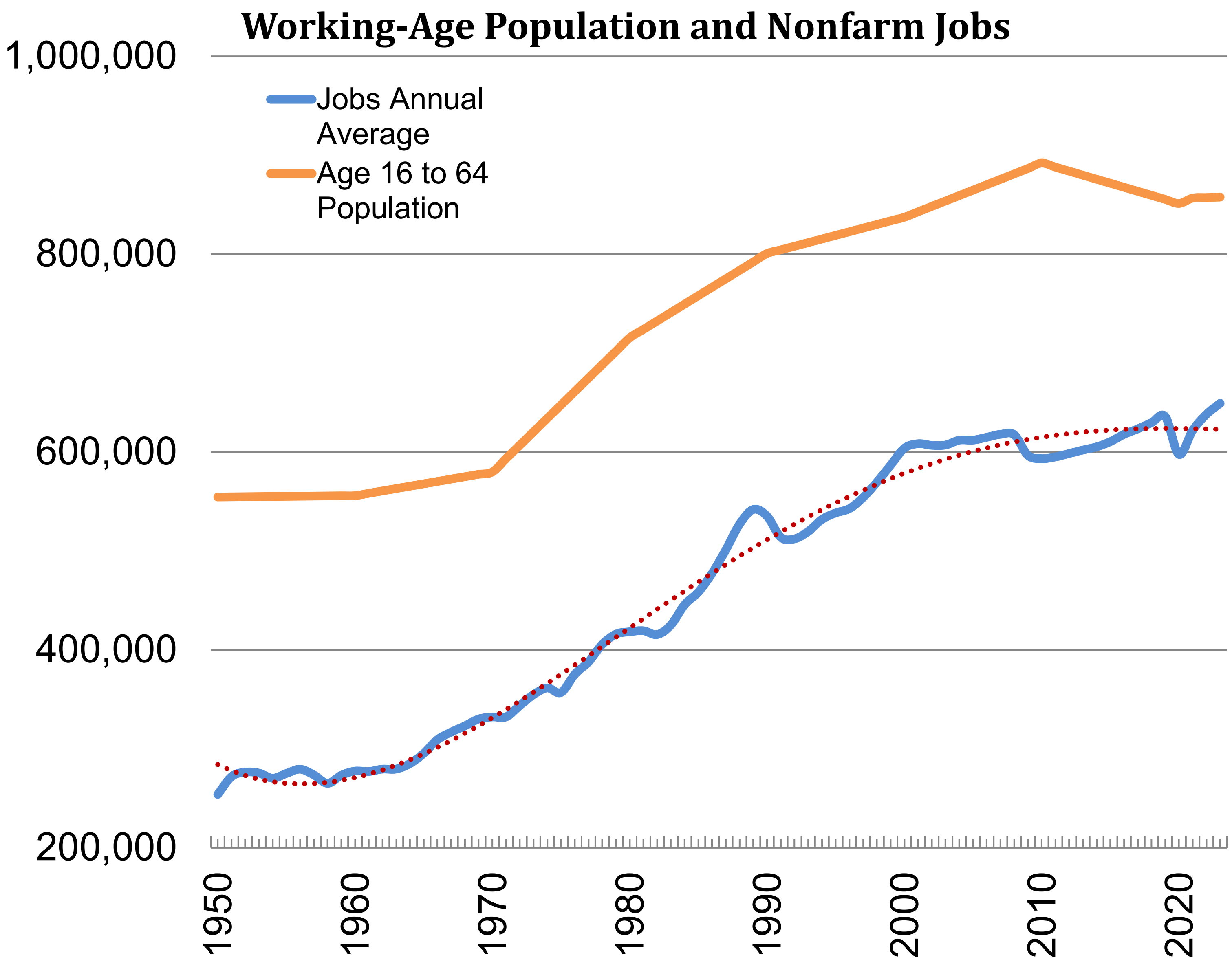


2032 Job Outlook

Job growth has gradually slowed over many decades

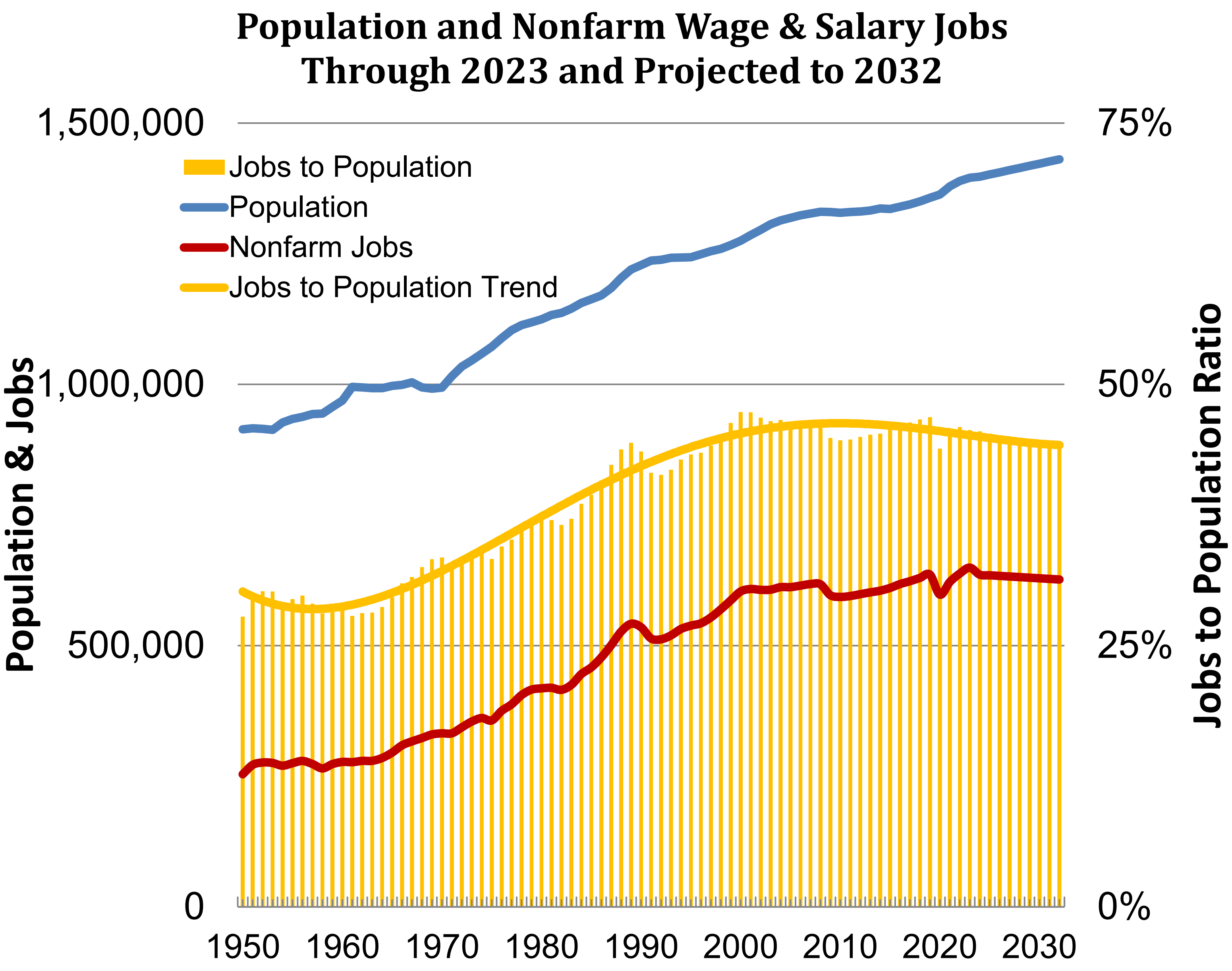
Job growth has progressively slowed since the 1980s, generally parallel to the working-age population. Except for recessions (beginning in 2008 and in 2020) and the following recoveries, net job growth in the 21st century has been quite modest.

Though the 16 to 64 population peaked a decade ago, it is notable that nonfarm jobs increased somewhat since then. The ratio of nonfarm jobs to working-age population was the highest on record in 2023, matching the level previously achieved in 2019.



The number of jobs is not expected to change appreciably in the decade through 2032, even as the population continues to increase in size

The ratio of nonfarm jobs to population* is expected to dip from nearly 46 to about 44 percent in the decade through 2032. Jobs rising at a much faster rate than population in the four decades through 2000 was an aberration in our history. This was from an increased share of women working and from the large baby boom generation aging into and reaching their peak age of labor force participation. That period is now partially playing out in reverse as baby boomers retire. The projected jobs ratio in 2032 is not significantly different from what it was for most of the 2000s – and it is higher than for any year prior to 1997.

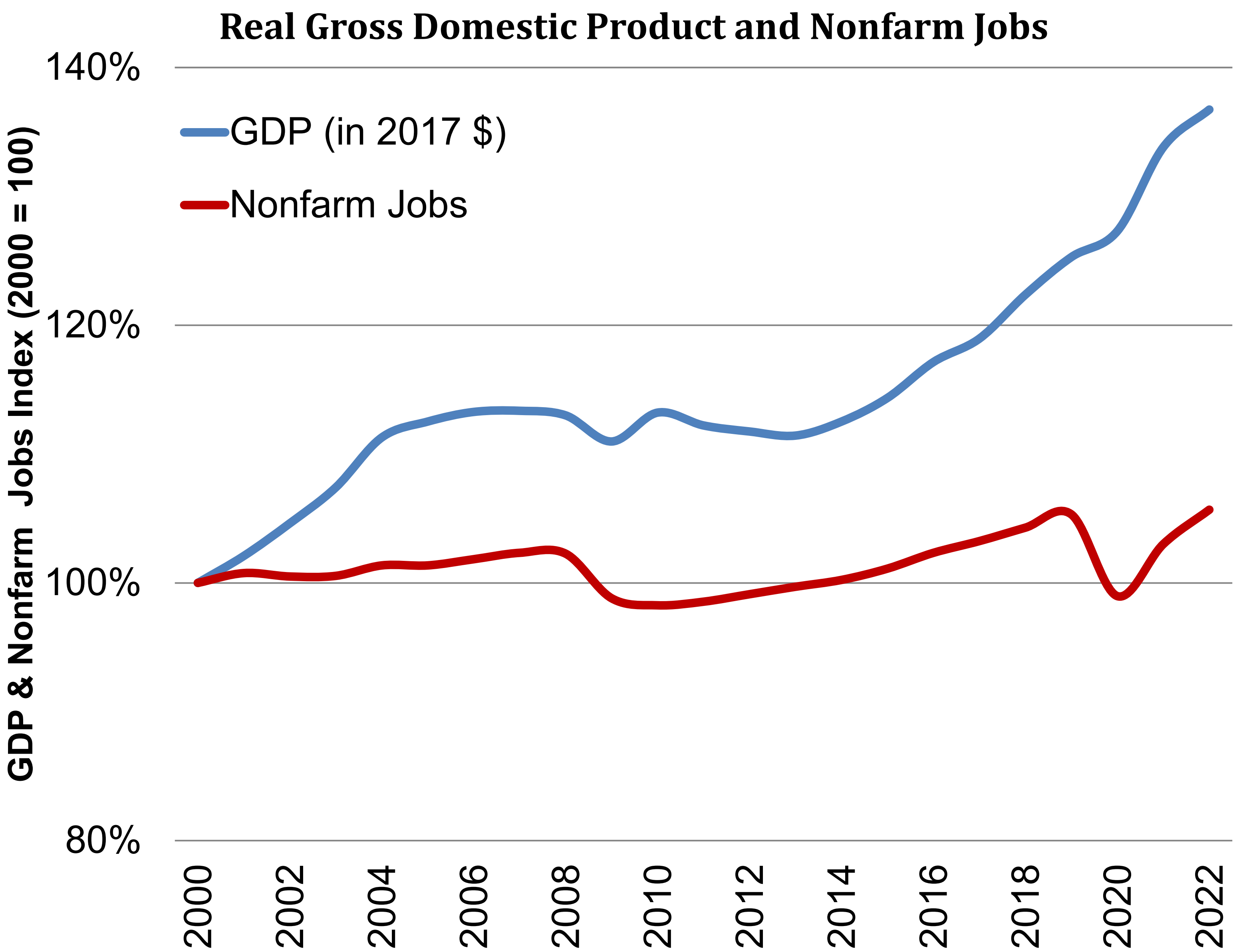


Jobs to population is conceptually different from published labor force participation or employment to population rates. The jobs rate is based on the entire population, since those that are working provide the labor to meet the demand of all people. Labor force participation and employment rates represent the share of people age 16 and over that are working or seeking work.

Changes in the value of economic output have outpaced employment

The inflation adjusted value of goods and services produced in the state has increased at a much faster rate than jobs in the 2000s.

While CWRI does not publish a GDP projection, national projections through 2033 released last week* point to a continuation of this trend. U.S. GDP is projected to grow at a 1.9 percent annualized rate while jobs are projected to increase at 0.4 percent annually. U.S. job growth is projected be about one third of the 1.3 percent annual growth rate during the previous ten-year period through 2023, primarily due to the population age structure and slowing rate of population growth.



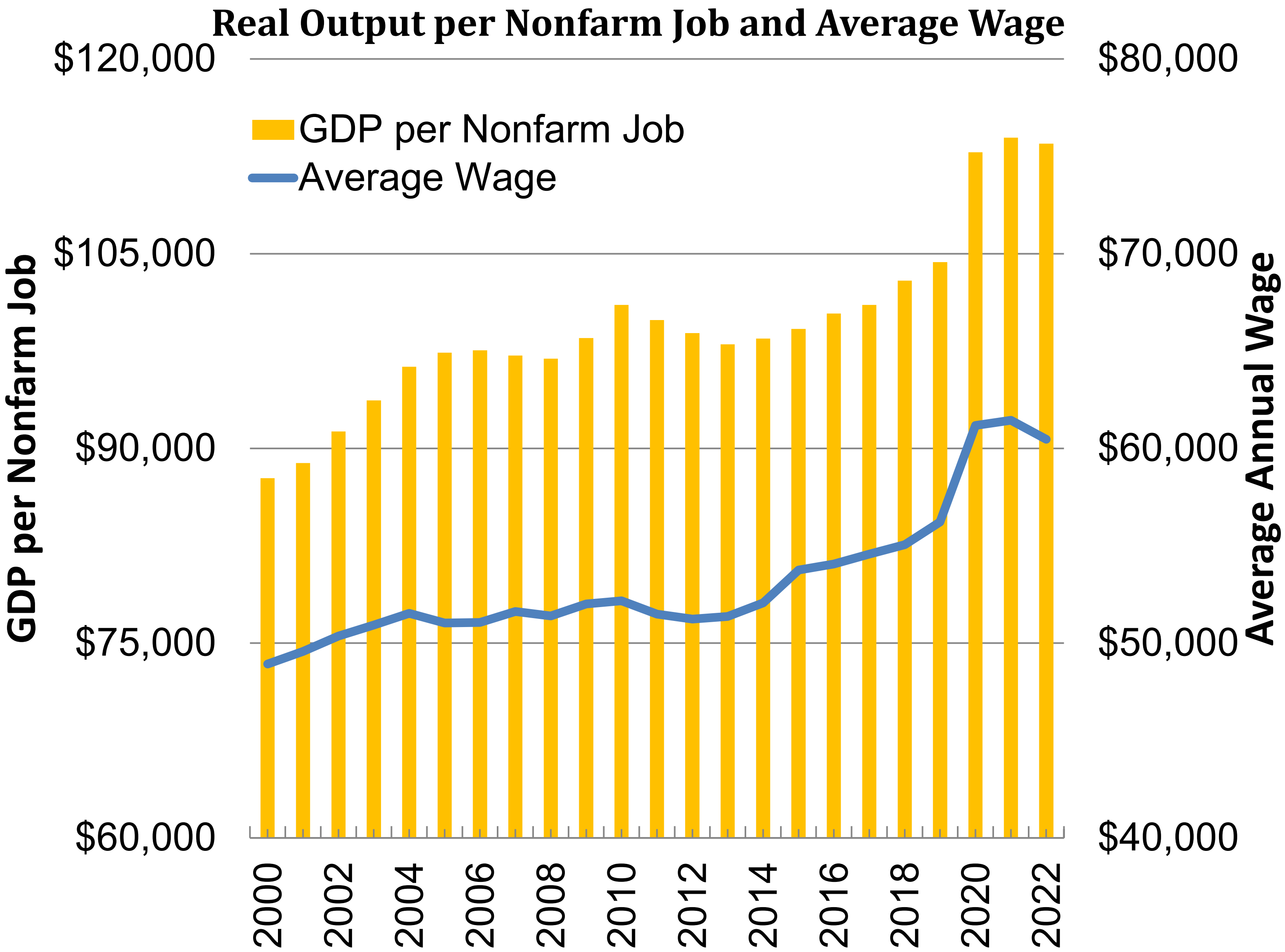
*See Labor force and macroeconomic projections overview and highlights, 2023–33
Employment Projections — 2023–2033

Increasing labor productivity has resulted in higher living standards

This was the result of rising productivity. Adjusted for inflation, output per job increased 39 percent between 2000 and 2022, an average of 1.8 percent per year.

Changes in productivity drive changes in wages. The sharp gains in real wages after 2019 were the result of similarly sharp gains in productivity.

Further increases in labor productivity are exapted help meet the increased demand from a population projected to be 2.5 percent larger for a workforce little changed in size in the decade through 2032 – and keep real wages rising.



Summary

The rate of job change is similar to the 2018-2019 time period of one percent per year. The health care and social assistance and the leisure and hospitality sectors stand out in terms of job gains in the recent data. Changes in wages and salaries have also moderated and are comparable to consumer prices.

Maine's unemployment rate remains low historically and relative to the nation. Rising U.S. unemployment has resulted from both rising labor supply and cooling labor demand.

Job growth has gradually slowed over many decades. The number of jobs is not expected to change appreciably in the decade through 2032, even as the population continues to increase in size. Productivity gains are likely to exceed the differential in population and job growth. This should be enough both to meet demand from a larger population and to boost living standards.