

Maine's Labor Market Recovery: Far From Complete

by Joel Johnson and Garrett Martin

Nearly five years after the end of the worst recession since the 1930s, Maine's economic recovery is still far from complete. Maine has recouped only half the jobs lost as a result of the recession and ranks near the bottom of all states in job growth since January 2011.¹ Mainers are still looking for work and having a hard time finding it. This is especially true for those between the ages of 25 and 54, who are most likely to be raising children and saving for their families' future. Despite this, Maine's unemployment rate remains slightly lower than the nation as a whole.

The seemingly contradictory data of limited job growth and falling unemployment may be partially explained by demographic factors, but other important labor market indicators also paint a mixed picture of Maine's recovery. Maine fares no better than other states on several key benchmarks. Where there are signs of improvement, they are mostly limited to Maine's urban areas and are being driven by part-time and older workers. For now, a more robust recovery – one that grows the economy and creates better opportunities for workers of all ages in Maine and from other states and countries – remains elusive.

By assessing current labor market conditions more thoroughly, the Maine Center for Economic Policy hopes to improve understanding of recent trends and highlight areas of concern and opportunity. This report depicts labor market conditions in greater detail based on the most recent jobs and employment data available from the Bureau of Labor Statistics (BLS). Key findings include:

- **Maine's jobs recovery lags other states.** Maine ranks 49th among the 50 states and District of Columbia in total job growth since January 2011. Maine has recovered 49 percent of jobs lost as a result of the recession compared to 96 percent for New England and 93 percent for the U.S.
- **Private-sector jobs are up, but not as much as in other states.** Maine has added 15,800 private-sector jobs since January 2011. The state ranks 42nd among the 50 states and the District of Columbia in private-sector job growth since January 2011.
- **Public-sector job losses are significant and have limited Maine's recovery.** Declines in state and local government employment account for 4,600 of the 4,900 public-sector jobs lost since the beginning of the recession in December 2007.
- **Maine's unemployment rate remains below the national average.** At 6.1 percent, Maine's unemployment rate ranks 22nd lowest in the nation and remains below the national rate of 6.7 percent. The national unemployment rate is declining at a faster rate than in Maine due in part to more people dropping out of the labor force nationally compared to steady labor force participation in Maine. The state's return to pre-recession unemployment levels is 59 percent complete and ranks 28th among states.

- **Portland, Lewiston, and Bangor are driving Maine's employment recovery.** Of the 9,900 net jobs Maine employers have added since the end of the recession, 8,200 have been located in the vicinity of Maine's three largest cities, with the greater Portland area alone accounting for 6,400 of the additional jobs. Unemployment rates in Maine's three metropolitan areas have fallen faster than the rates in most other metropolitan areas in the nation.
- **Rural Maine is falling further behind.** Outside of Maine's three largest cities, Maine has added only 1,700 jobs since the end of the recession. Unemployment rates remain stubbornly high in most of Maine's rural counties. Among states where unemployment is higher in rural areas than in urban areas, the difference in Maine is one of the largest in the nation.
- **The percentage of Maine's adult population that is employed has improved.** Since the end of the recession, Maine ranks 4th in the nation for the increase in the percentage of adults who are employed. Currently 61.5 percent of Mainers 16 years of age and older are employed compared to 58.8 percent in the nation.
- **Older Mainers are driving improvements in overall employment levels.** Not only do Mainers age 55-and-older represent a disproportionately large share of Maine's total population, they have increased their attachment to the labor force and employment more than their peers in every other state since the end of the recession. This trend is driving increases in the percentage of adults who are employed since the end of the recession.
- **Lack of improvement in employment among prime-working-age Mainers is a serious concern.** In contrast to older Mainers, the percentage of Mainers age 25 to 54 who have jobs has not increased at all since the end of the recession. In addition, their unemployment rate was 6.5 percent compared to 6.3 percent nationally in 2013. These are the men and women most likely to participate in the labor force and most likely to need a job to support a family.
- **Nearly 100,000 Mainers want more work but can't find it or have stopped looking for work altogether.** The standard unemployment rate paints an incomplete picture of the challenges Maine workers face. In addition to Maine's 48,000 workers who were unemployed in 2013, some 41,600 part-time Maine workers wanted more work but couldn't find it. These men and women represent 6.3 percent of Maine's employed population – the 6th highest rate in the nation. Also, on average in 2013, some 9,100 unemployed workers were no longer counted in the official unemployment rate because they stopped looking for work since they could not find a job or opted to take care of family, go back to school, or retire.
- **Long-term unemployment remains a problem in Maine and across the nation.** Approximately 30 percent of Maine's unemployed workers have been looking for work for more than six months. The pre-recession rate was 14.2 percent.

A more comprehensive evaluation of Maine's overall economic recovery would include additional data related to income, wages, consumption, and other economic activity. But these basic findings from MECEP's analysis of fundamental jobs, unemployment, and labor force data reinforce the need for policymakers to keep jobs and employment—especially for rural Mainers and young families—at the forefront when they are making decisions.

Maine's jobs recovery lags other states

Maine had 605,400 nonfarm payroll jobs through February 2014. Of the 30,500 jobs lost as a result of the recession, Maine has recovered 14,900, or 49 percent. By comparison, the six New England states combined have recovered 96 percent of jobs lost and the U.S. has recovered 93 percent.

Maine's Jobs Recovery Lags New England and the US

<i>Area</i>	<i>Number of Jobs Lost Due to Recession</i>	<i>Number of Jobs Recovered</i>	<i>Percent of Lost Jobs Recovered</i>
Maine	30.5	14.9	49%
Connecticut	119.1	59.5	50%
Massachusetts	140.8	202.4	144%
New Hampshire	31.4	24.3	77%
Rhode Island	39.3	20.8	53%
Vermont	14.7	12.9	88%
New England	312.8	301.0	96%
United States	8,695	8,044	93%

Source: MECEP analysis of U.S. Bureau of Labor Statistics, Current Employment Statistics Program data

Job growth in Maine has consistently ranked at or near the bottom among states in recent years. Maine ranked 49th among the 50 states and District of Columbia in total job growth from January 2011 through February 2014, and 48th in total job growth from January 2011 through September 2013, the last month of the benchmarked nonfarm payroll employment series.²

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Maine's aging population and limited overall population growth explain some of Maine's slow job growth relative to other states. After adjusting for growth in the working-age population 16 years and older, Maine ranks 34th in total job growth through February 2014.

Maine's demographic destiny is not set in stone. Demographic factors can limit growth in jobs and the economy, but this relationship can also work in the other direction: a growing economy and demand for workers can drive population growth and bring more young people into the state. Maine saw relatively large increases in migration from other states in the 1980s and early 2000s, for example, driven in part by relatively low unemployment rates and better opportunities for workers and their families.

Maine Ranks Near the Bottom in Total Nonfarm Payroll Job Growth Since January 2011

Area	January 2011 Jobs (thousands)	February 2014 Jobs (thousands)	Total Jobs Added (thousands)	Pct. Change in All Jobs (Since January 2011)	National Rank (Based on Percent Change)	National Rank (Adjusted for Population Growth)
Maine	593.0	605.4	12.4	2.1%	49	34
Connecticut	1,618	1,653	35.3	2.2%	47	41
Massachusetts	3,236	3,387	150.5	4.7%	22	28
New Hampshire	626.2	645.6	19.4	3.1%	34	33
Rhode Island	458.3	476.7	18.4	4.0%	28	7
Vermont	298.9	307.8	8.9	3.0%	37	21
New England	6,238	6,470	233	3.7%	N/A	N/A
United States	130,815	137,699	6,884	5.3%	N/A	N/A

Source: MECEP analysis of U.S. Bureau of Labor Statistics, Current Employment Statistics Program data

Demographics are only part of the story behind Maine's slow job growth in the wake of the recession. Limited public investment in transportation, workforce training and development, and education, and poorly-timed public spending cuts in Washington and Augusta have contributed to public and private sector job losses and weak economic growth.³

Maine is falling behind in both private and public sector job growth

Maine added 15,800 private sector jobs from January 2011 to February 2014, which ranked 42nd in the nation. After adjusting for population growth, Maine ranked 33rd.

Maine Private Sector Jobs are Up Since January 2011 but Not as Much as Other States

Area	January 2011 Jobs (thousands)	February 2014 Jobs (thousands)	Private Sector Jobs Added (thousands)	Pct. Change in Private Sector Jobs (Since January 2011)	National Rank (Based on Percent Change)	National Rank (Adjusted for Population Growth)
Maine	490.0	505.8	15.8	3.2%	42	33
Connecticut	1,377	1,420	43.1	3.1%	44	40
Massachusetts	2,800	2,949	149	5.3%	27	30
New Hampshire	533.2	556.1	22.9	4.3%	36	28
Rhode Island	397.4	416.9	19.5	4.9%	31	10
Vermont	244.6	252.6	8.0	3.3%	41	32
New England	5,842	6,100	258	4.4%	N/A	N/A
United States	108,554	115,848	7,294	6.7%	N/A	N/A

Source: MECEP analysis of U.S. Bureau of Labor Statistics, Current Employment Statistics Program data

Public sector job losses related to local, state, and federal fiscal spending cuts have offset some of the impact of private sector job growth. Maine has lost 3,400 public sector jobs since January 2011 and ranks 45th in public sector job growth through February 2014. Adjusted for population change, Maine ranks 33rd in public sector job growth over the same period.

Public Sector Job Losses Limit Total Job Growth

<i>Area</i>	<i>January 2011 Jobs (thousands)</i>	<i>February 2014 Jobs (thousands)</i>	<i>Public Sector Jobs Added/Lost (thousands)</i>	<i>Pct. Change in Public Sector Jobs (Since January 2011)</i>	<i>National Rank (Based on Percent Change)</i>	<i>National Rank (Adjusted for Population Growth)</i>
Maine	103.0	99.6	-3.4	-3.3%	45	33
Connecticut	241.0	233.2	-7.8	-3.2%	43	34
Massachusetts	436.6	438.1	1.5	0.3%	16	15
New Hampshire	93.0	89.5	-3.5	-3.8%	46	39
Rhode Island	60.9	59.8	-1.1	-1.8%	34	23
Vermont	54.3	55.2	0.9	1.7%	11	3
New England	988.8	975.4	-13.4	-1.4%	N/A	N/A
United States	22,261	21,851	-410	-1.8%	N/A	N/A

Source: MECEP analysis of U.S. Bureau of Labor Statistics, Current Employment Statistics Program data

The decline in public sector employment has little to do with a loss of federal government jobs due to the final closure of Brunswick Naval Air Station in 2011. State and local government jobs account for 4,600 of the 4,900 government jobs lost since the beginning of the recession.

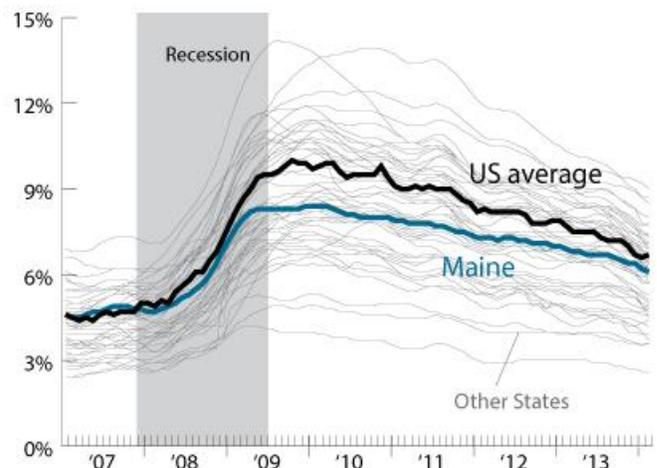
Declines in unemployment are positive but mask growing disparities

Maine's statewide unemployment rate continues to fall, along with the nation as a whole. Maine's unemployment rate of 6.1 percent in February 2014 ranked 22th among states. By comparison, unemployment was 6.4 percent in New England and 6.7 percent in the U.S.

Maine's return to pre-recession unemployment levels is 59 percent complete and ranks 28th among states. This is a useful benchmark since it accounts for the variation in pre-recession lows and recession-related highs in unemployment across states. Maine's unemployment rate climbed from a pre-recession low of 4.5 percent in March 2007 to a peak of 8.4 percent in December 2009. By comparison New England's rate peaked at 8.7 percent from a low of 4.4

Maine's Unemployment Rate is Below the National Average and Declining

Monthly Unemployment Rate, Seasonally Adjusted



Source: US Bureau of Labor Statistics

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percent and the U.S. rate peaked at 10.0 percent from a low of 4.4 percent. The national return to pre-recession levels of unemployment is 61 percent complete, indicating that the nation’s labor market recovery as measured by the unemployment rate is comparable to Maine’s.

Drawing conclusions about the availability of jobs and the health of the labor market from the unemployment rate alone can be misleading. First, statewide unemployment figures mask regional variation. Second, the unemployment rate only accounts for people who are unemployed and actively searching for work. It does not include those people who have stopped looking for work. Finally, the official unemployment rate does not account for “underemployed” workers – those who want to work full-time but are settling for part-time jobs. The sections that follow address these issues in more detail.

Portland, Lewiston, and Bangor drive Maine’s jobs and employment recovery

Statewide jobs and unemployment data can mask large differences between metropolitan and rural areas. In Maine, of the 9,900 jobs added since the end of the recession, 8,200 have occurred in the Portland, Lewiston, and Bangor metropolitan areas.⁴ These three cities and their suburbs account for less than half the population of the state, but 83 percent of the job growth since the end of the recession. The rest of the state saw a net increase of 1,700 payroll jobs over the same period. Job growth in more rural parts of the state may have been undermined in part by public-sector job losses that were more evenly distributed throughout the state.

Among states where unemployment is higher in rural areas than in urban areas, the difference in Maine is one of the largest in the nation.

The unemployment rates in Maine’s three metropolitan areas have fallen faster than the unemployment rates of most of the 372 metropolitan areas in the nation and are responsible for Maine’s overall declining unemployment rate.

Maine’s Metropolitan Areas Drive Declines in Unemployment

<i>Area</i>	<i>Average Unemployment Rate in 2013</i>	<i>National Rank</i>
Bangor, ME Metropolitan NECTA	6.5%	132 of 372
Lewiston-Auburn, ME Metropolitan NECTA	6.6%	144 of 372
Portland-South Portland-Biddeford, ME Metropolitan NECTA	5.6%	71 of 372
Maine	6.7%	27 of 51

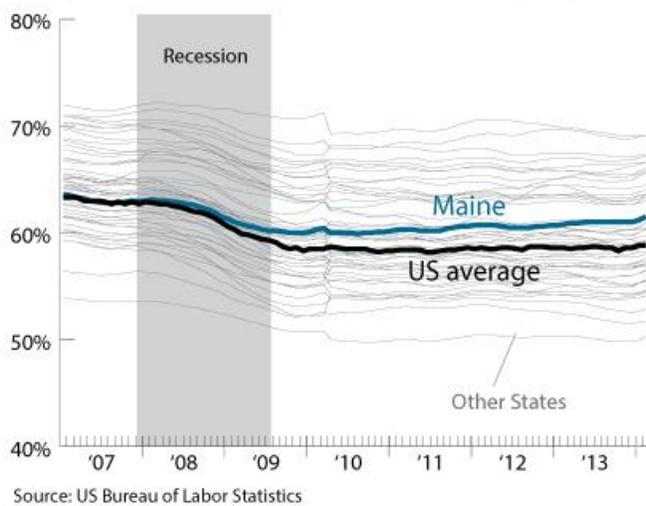
Source: MECEP analysis of U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics Program data

Maine's rural areas continue to experience significantly higher rates of unemployment and compare less favorably with rural areas in other states. The unemployment rate in Maine's seven highest-unemployment counties averaged 8.9 percent in 2013. Among states where unemployment is higher in rural areas than in urban areas, the difference in Maine is one of the largest in the nation.

Despite limited job growth, Maine's labor market shows signs of improvement

A key indicator of the health of a given labor market is the percentage of the adult population who are employed. This is important because the traditional unemployment rate is based solely on the percentage of working-age adults that are unemployed and actively searching for work. It does not account for people who have stopped looking for work, and can paint an overly rosy picture of the labor

Employment Rate Rising in Maine, Flat in US
Monthly Employment/Population Ratio, Seasonally Adjusted



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market particularly during bad economic times when workers tend to leave the labor force for lack of available jobs. By contrast, measuring the percentage of adults who are employed makes it possible to compare the recovery in different geographic areas without having to account for differences in the job search behavior of unemployed workers.

Since the official end of the recession in June 2009, Maine has experienced the 4th largest increase in the percentage of the adult population who are employed, meaning it is growing at a faster rate than in most other states and the nation.

At the start of the recession, 63 percent of Mainers 16 years of age and older were employed, about the same as the national figure (62.7 percent) and ranking 31st among states. The remaining one-third of adults were retired, in school, taking care of family, disabled, or otherwise unemployed.

Since the end of the recession, employment rates in Maine and the U.S. have diverged. Maine's employment rate bottomed out at 59.9 percent in August 2010 and improved to 61.5 percent in February 2014. The U.S. ratio continued to fall through the end of 2009 before stabilizing between 58 and 59 percent. It was 58.8 percent in February 2014.

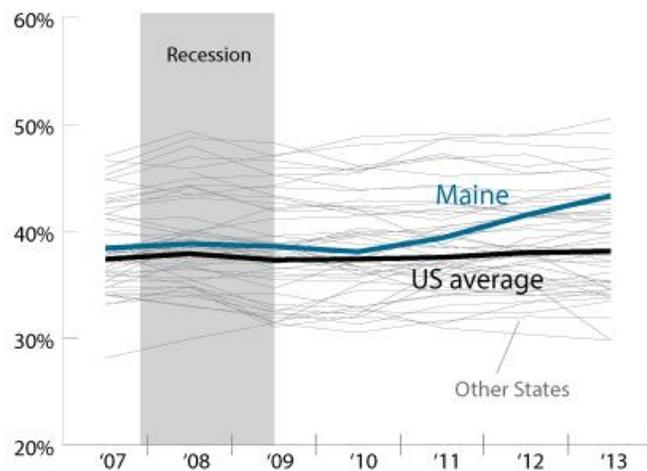
At the start of the recession, 63 percent of

Older Mainers are driving improvements in labor market conditions

A growing percentage of adults who have jobs is a sign of improving labor market conditions, but in Maine the gains are not evenly distributed across age groups. Older Mainers are driving the state's employment recovery and stabilizing the state's overall labor force participation rate in the wake of the recession. Not only do 55-and-older Mainers represent a disproportionately large share of Maine's total population, the number who have jobs has grown faster than in any other state over the past four years. In 2010, 38.1 percent of Mainers over the age of 55 were employed. By 2013, that number had jumped to 43.3 percent.⁵

Employment Rate for Older Adults Rising in Maine, Flat in US

Annual Employment/Population Ratio, 55-and-Older Population



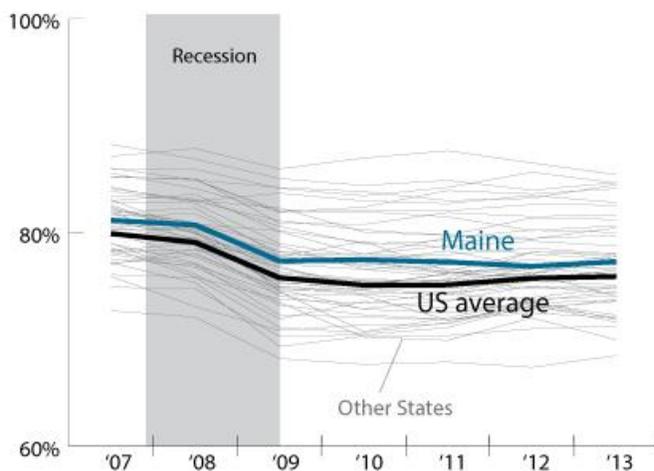
Source: US Bureau of Labor Statistics

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Lack of improvement for prime-working-age Mainers is a problem

Employment Rate for Prime-Working-Age Adults Flat in Maine and US

Annual Employment/Population Ratio, 25-54 Population



Source: US Bureau of Labor Statistics

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In contrast to older Mainers, the rate at which prime-working-age (age 25 to 54) Mainers are employed or looking for work has not increased at all since the end of the recession. After plummeting from 81.2 percent in 2007 to 77.4 percent in 2009, the employment rate for this age group is virtually unchanged four years later at 77.3 percent. The difficulty these Mainers are having finding jobs is not due to a lack of effort: the percentage of them who were unemployed and actively searching for work in 2013 was 6.5 percent compared to 6.3 percent in the nation as a whole. The labor force participation rate for Mainers age 25 to 54 confirms this finding. The percentage of

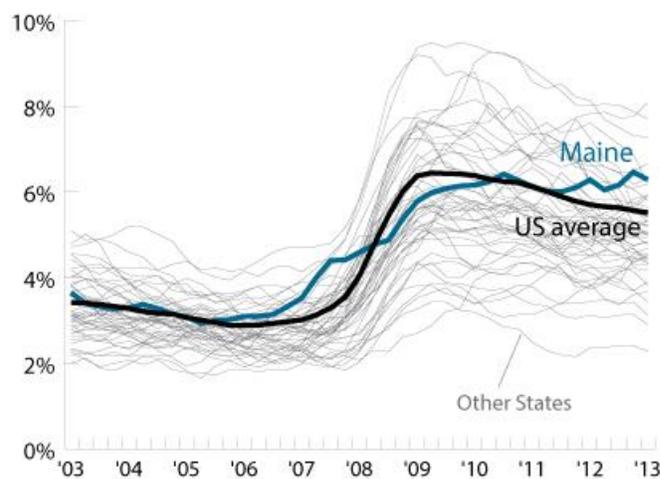
workers who were employed or unemployed and actively looking for work fell from 83 percent in 2009 to 82.4 percent in 2013, which was the 10th smallest decline in the nation. These are troubling trends because these men and women are most likely to need a job to support a family and save for the future.

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More comprehensive unemployment figures raise additional concerns

Share of “Involuntary” Part-time Workers Remains High in Maine, Falling in US

Part-time workers who want more work but can't find it, as a percentage of all employed workers, Rolling 4-Quarter Average



Source: US Bureau of Labor Statistics

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Since the unemployment rate only counts workers who are employed part-time or full-time or who are unemployed but actively searching for work, it paints an incomplete picture. Approximately 41,600 part-time Maine workers want more work but can't find it. These workers represented 6.3 percent of the state's employed population in 2013, which was the 6th highest rate in the nation. At the end of the recession that percentage was 5.8 percent, 25th highest in the nation.

Since 2009, the growth of “involuntary” part-time workers in Maine ranks 3rd highest in the nation. This helps explain a portion of the state's relatively large increase in the number of working-age adults who are employed or looking for

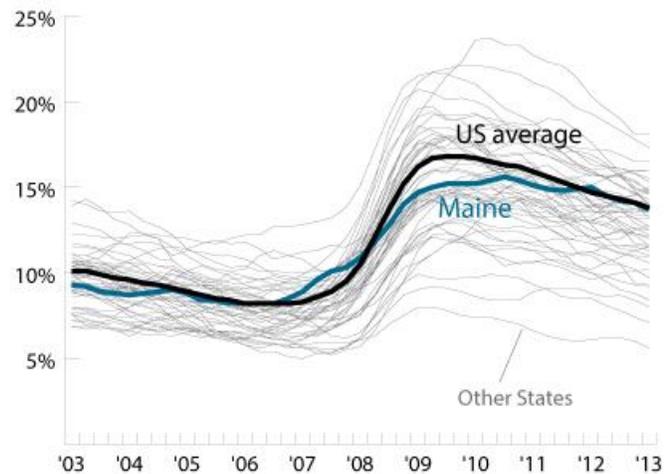
work since the end of the recession. While a greater proportion of Maine workers were willing to accept part-time work (even if they wanted more work), more part-time workers in other states either succeeded in finding more work or pursued other options such as education, caring for family, or retirement.

Since 2009, the growth of “involuntary” part-time workers in Maine ranks 3rd highest in the nation.

In addition to significant increases in “involuntary” part-time workers, Maine currently has 9,100 workers who have stopped looking for work altogether and don't show up in the official unemployment count as a result. On average in 2013, approximately 99,000 Mainers fell into one of these two categories or were unemployed and actively searching for work. The state's comprehensive “U6” rate of unemployment, which accounts for all of these men and women struggling to find work, was 14.1 percent in 2013, which ranked 39th among states. The pre-recession rate was 8.5 percent, and Maine's slow progress getting back there ranks 44th in the nation.

Broadly Measured Unemployment Remains High in Maine and the US

“U6” Unemployment Rate, Rolling 4-Quarter Average



Note: The U6 includes unemployed workers who recently stopped searching for work and part-time workers who want more work but can't find it.

Source: US Bureau of Labor Statistics

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Another legacy of the Great Recession in Maine and across the nation is the high number of unemployed workers who have been without a job for a very long time. Approximately 30 percent of Maine's unemployed workers have been looking for work for more than six months. The pre-recession rate was 14.2 percent.⁶

Approximately 30 percent of Maine's unemployed workers have been looking for work for more than six months.

Conclusion

A closer look at job growth and unemployment statistics paint a mixed picture of Maine's economic recovery from the worst recession since the Great Depression. Despite improvement in the statewide unemployment rate and growth in the number of Mainers with jobs, the recovery from the recession is still far from complete. On many key measures Maine fares no better than other states and faces continued challenges. The recovery is uneven based on geography, with stark differences in job growth and employment prospects for Mainers living in rural and urban areas. Public sector job losses have been a drag on the economy, especially in rural parts of the state. At the same time, nearly 100,000 Mainers cannot find the work they need, and prime-working-age Mainers between ages 25 and 54, in particular, have seen almost no improvement in the labor market since the end of the recession. Meanwhile, Maine's older population have thus far returned to work in greater numbers than their peers in any other state and helped drive the state's employment recovery.

Endnotes

¹ All nonfarm payroll jobs figures in this report, including private and public sector payroll jobs figures, come from the U.S. Bureau of Labor Statistics' Current Employment Statistics Program, which estimates the number of jobs in states and metropolitan areas in each month on a seasonally-adjusted basis. Each year, these sample-based estimates are benchmarked to a census of payroll employment based on unemployment insurance filings by employers. Currently, the benchmarked data series ends in September 2013, and the estimates from October 2013 through February 2014 are sample- and model-based estimates. These beyond-the-benchmark estimates proved to be unreliable in 2011 and 2012, but the Bureau of Labor Statistics improved their accuracy in 2013. We use the unbenchmarking data in this report because of this improvement in BLS estimation and because it provides more timely information on Maine's labor market recovery. Furthermore, the conclusions highlighted in this report are consistent with the benchmarked data series through September 2013.

² See endnote 1.

³ For example, this report documents Maine's disproportionately large reduction in school funding: <http://www.cbpp.org/cms/index.cfm?fa=view&id=4011>. Public spending cuts as a result of the federal budget sequester have also hit Maine hard. For estimated state-by-state impacts, see this report: <http://www.washingtonpost.com/wp-srv/special/politics/sequestration-state-impact/>. Policymakers in Maine have also failed to take full advantage of the state's ability to borrow money for critical public investments at a time when borrowing costs are low and many capital and labor resources are underutilized.

⁴ The Bureau of Labor Statistics uses New England City and Town Areas to define the boundaries of Maine's metropolitan areas. The NECTA boundaries and a list of towns in each can be found in this document, from the Office of Management and Budget: <http://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b-13-01.pdf>

⁵ The employment/population ratio for specific age groups comes from data published by the Bureau of Labor Statistics and is based on the Current Population Survey. The BLS has minimum standards for statistical accuracy of these estimates, and the Maine Department of Labor publishes these estimates on their website. We want to note, however, that the American Community Survey, which surveys a much larger number of households, also publishes labor force statistics by age group. Although the ACS data only extended through 2012 at the time of publication of this report, they do not show the same increase in the employment/population ratio for the 55-and-older age group or for the 16-and-over adult civilian population as a whole. MECEP will evaluate these discrepancies in more depth when the American Community Survey 1-year estimates for 2013 are released in September 2014.

⁶ Long-term unemployment data come from the Economic Policy Institute's analysis of Current Population Survey, Outgoing Rotation Group.