



Idaho Economic Outlook and
Revenue Assessment Committee

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Idaho Department of Labor
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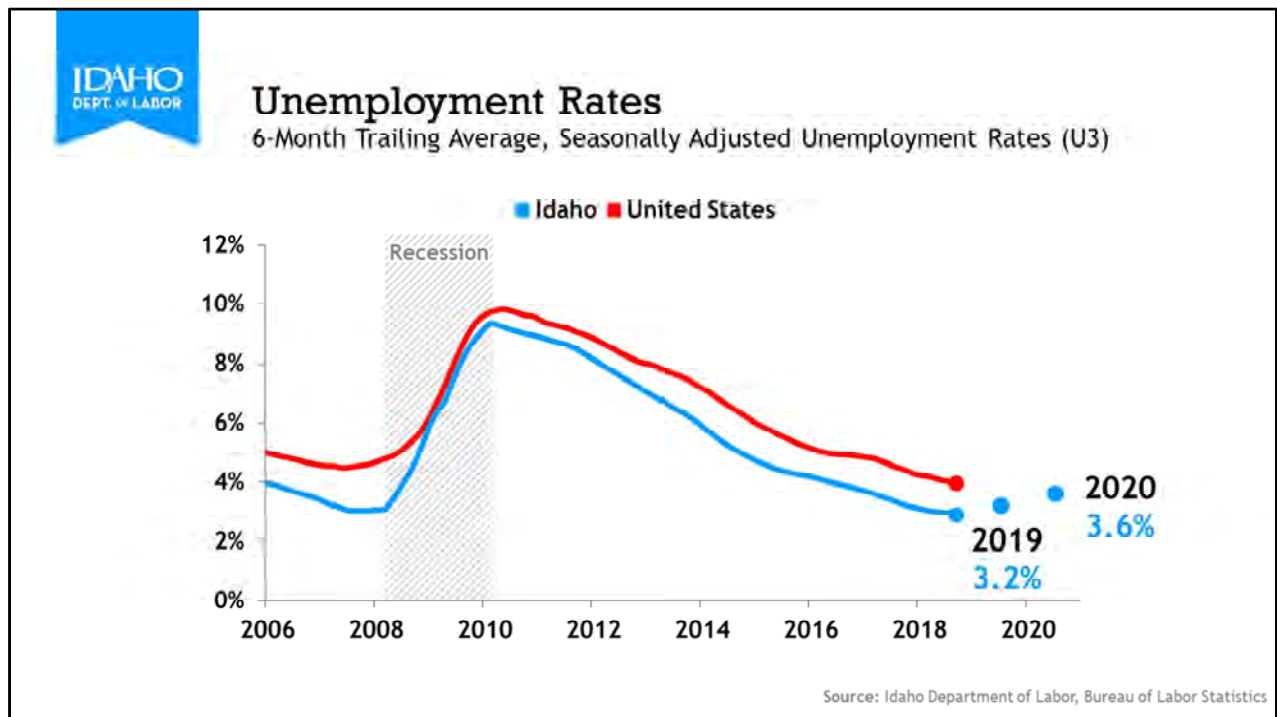
IDAHO
DEPARTMENT OF LABOR



Idaho's Labor Market Outlook SFY 2018-2020

Idaho completed its eighth consecutive year of labor market growth in 2018, with gains in labor force, total employment and jobs.

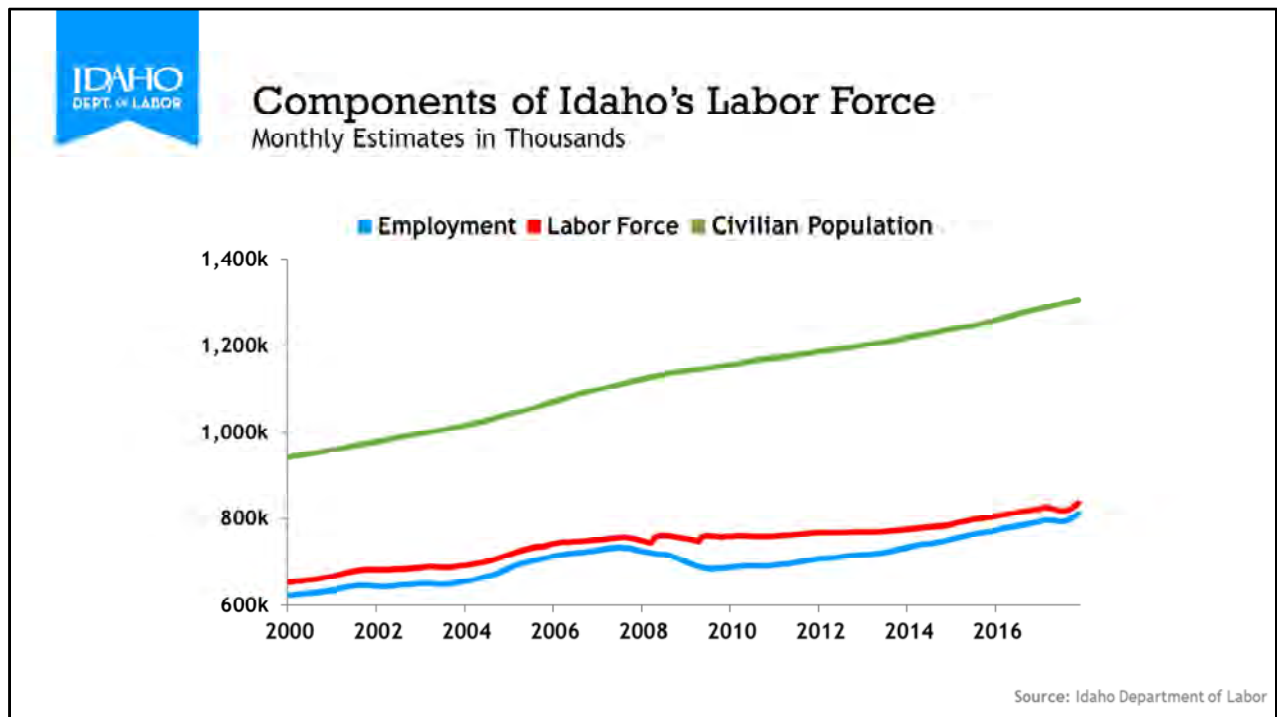
Looking forward through 2019 and 2020, Idaho Department of Labor analysts project continued growth, but moderate compared to the state's growth rate for prior years.



Department analysts project Idaho's unemployment rate will edge upward to an average of 3.2 percent for calendar year 2019 and 3.6 percent for 2020. Our forecast is based on an expectation of continued gains in labor force, participation rates, job growth and population.

Idaho's unemployment rate for November 2018 was 2.6 percent – the lowest on record and four-tenths of a percent lower than the 3 percent it held the previous November. The state's unemployment rate has been at or below 3 percent for the last 15 months and under 4 percent for 34 consecutive months.

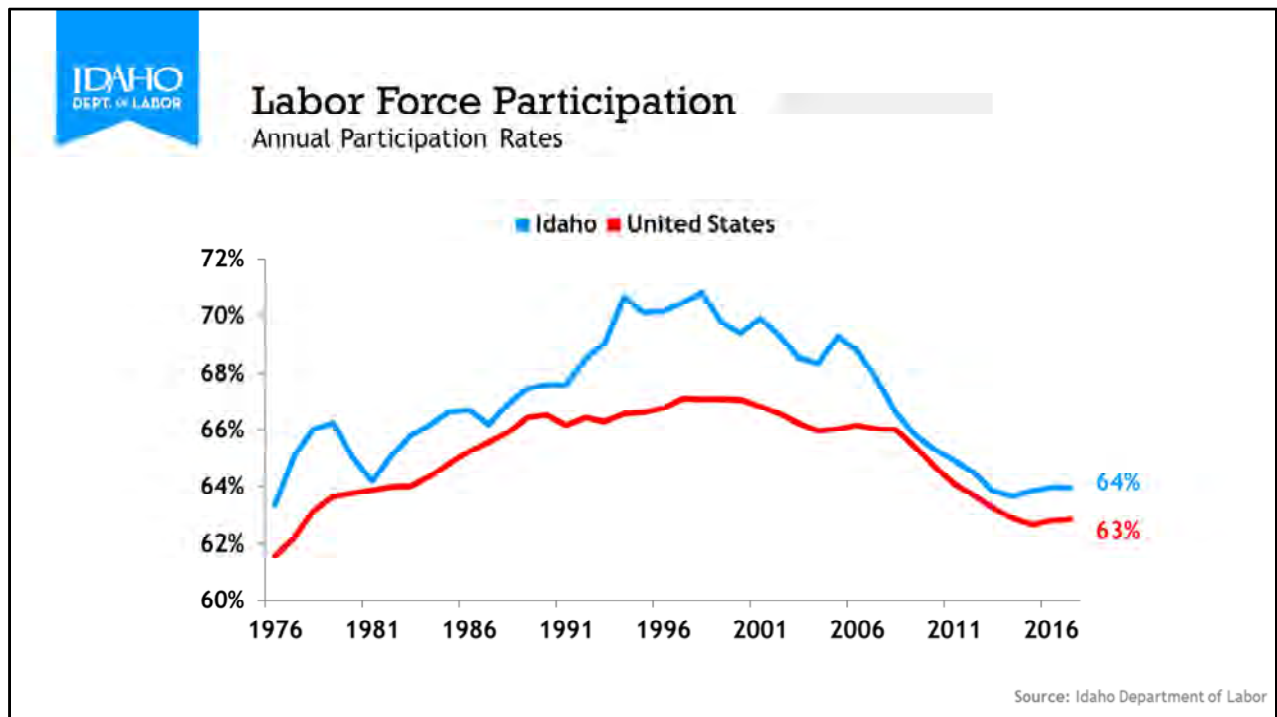
The length of time Idaho's unemployment rate has been at these historic lows is unprecedented. The lower rates speak to an intensifying challenge for Idaho employers to find the workers they need to fill new positions or replacements, and the unintended consequences of increasing costs and restrained growth due to a lack of available workers.



Year over year, Idaho's labor force increased by more than 12,000 people or 1.4 percent from November 2017 to November 2018. Employment increased by 14,900 or 1.8 percent. These increases are slower than the November 2017 over-the-year labor force increase of 2.8 percent (22,600 people) and employment's increase of 3.4 percent or more than 26,800 people.

The slower growth rates indicate Idaho may have reached a peak for its labor force and employment growth in 2017. Even as the increase in the state's available workforce and employment numbers fluctuated, our economy's appetite for job growth was strong, yet Idaho's labor force was not able to pull in workers fast enough to meet employer demand. This is clear with the number of unemployed Idahoans driven down to 22,392 for November 2018 – over 2,700 lower than November 2017. The last time there were so few unemployed was in March of 2008.

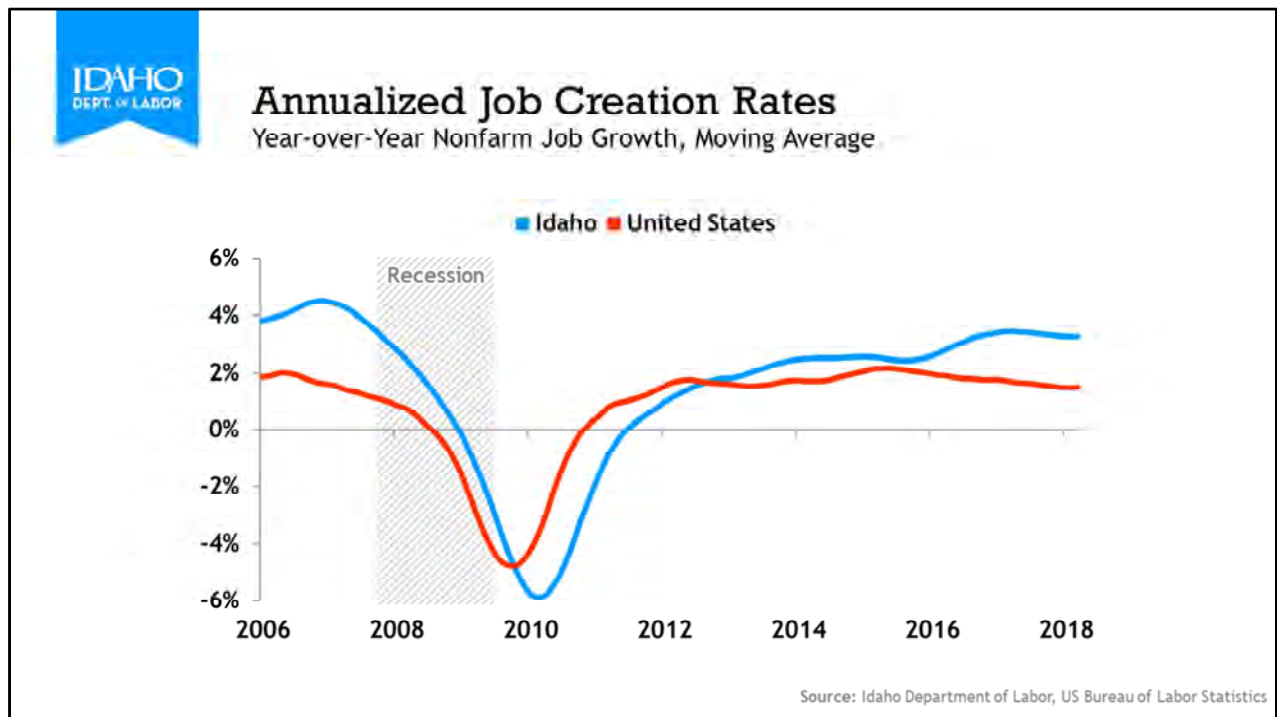
Idaho's civilian population – those people age 16 years or older who are not institutionalized or in the military – has increased by more than 2.5 percent (32,700) over the year as of November 2018, the same percentage increase as 2017.



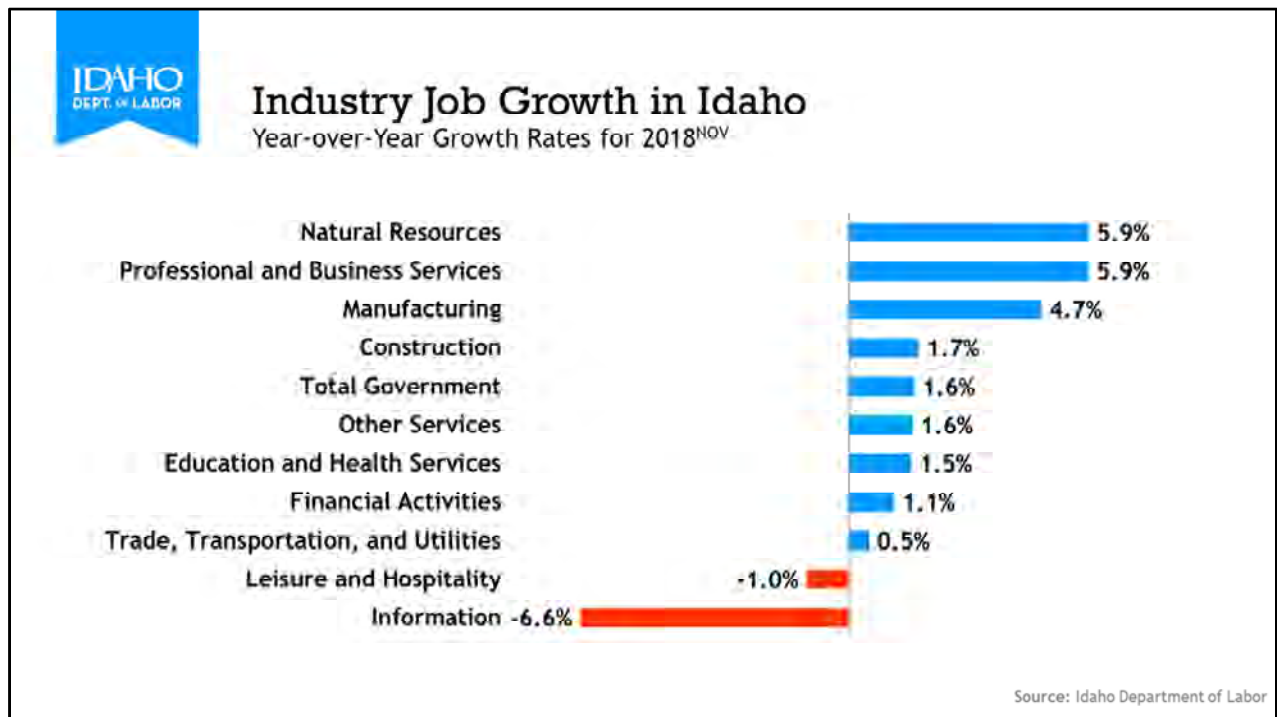
Idaho's labor force participation rate tells us the proportion of the civilian population that is in the workforce.

Despite strong population growth, not everyone in or relocating to Idaho is working or looking for work. Idaho's average participation rate for 2018 stands at 64 percent- only six-tenths above the 63.4 percent average for 1976, which was the start of this historical data series.

Both Idaho and the nation experienced steady declines in the labor force participation rate from the late 1990s until the past couple of years due to an increase of people reaching retirement age and taking themselves out of the labor force. In addition, the participation rate for younger age groups between the ages of 16 to 24 has declined as these people delay entering the labor force and focus on their post-secondary education.



Idaho's job growth rate has been higher than the nation's since 2012, and despite the state's historically low unemployment rates, accelerated in recent years. Nationally, job creation has remained somewhat consistent between 1.5 and 2 percent over the past six years, with a slight downward trend since 2016. In contrast, Idaho's job growth rate has actually increased in that same time period to over 3 percent.

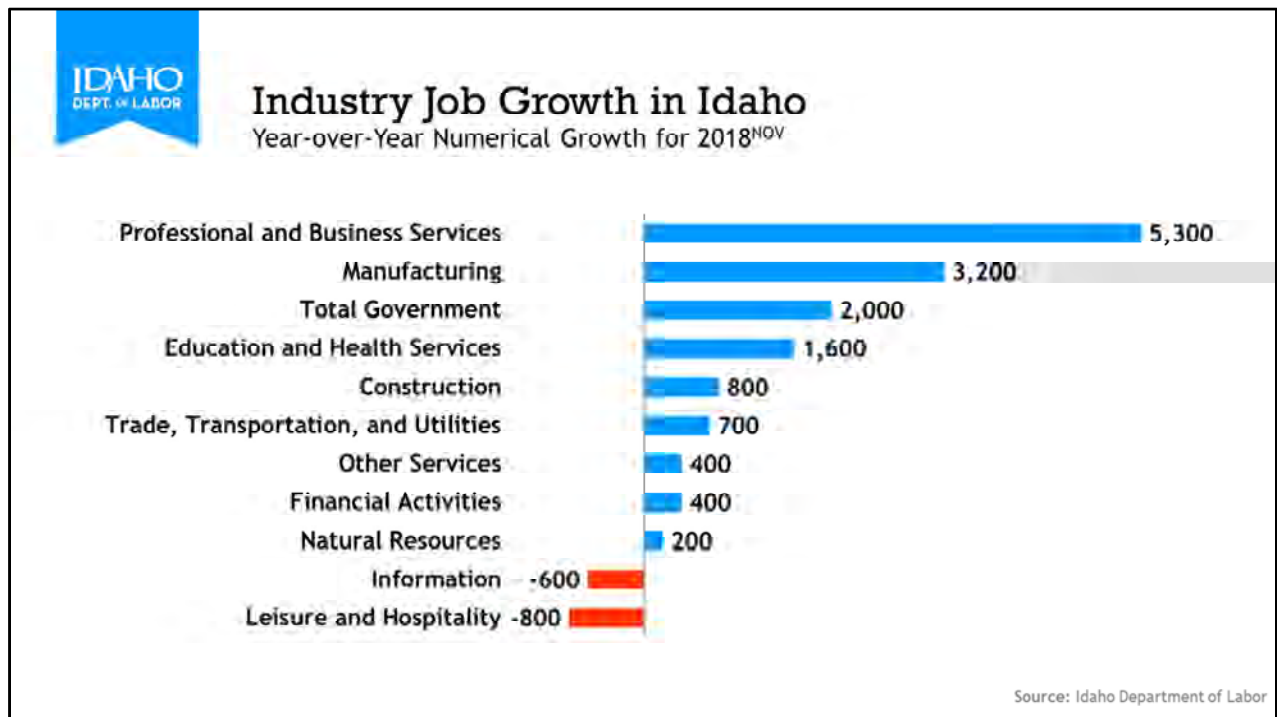


A group of diverse industries deserve credit for creating a record number of jobs between November 2017 and 2018.

Natural Resources and Professional and Business Services showed the fastest job growth increases at 5.9 percent. Manufacturing followed at 4.7 percent. Construction jobs increased by 1.7 percent, a significant contrast from the 9.1 percent over the year increase from November 2016 to November 2017. Among other issues, the difference between the two years speaks to a construction market squeezed by a limited supply of skilled workers.

Leisure and Hospitality and Information were the only two Idaho job sectors to report declines. Information's decline in jobs comes primarily from losses in the media and telecommunications sectors.

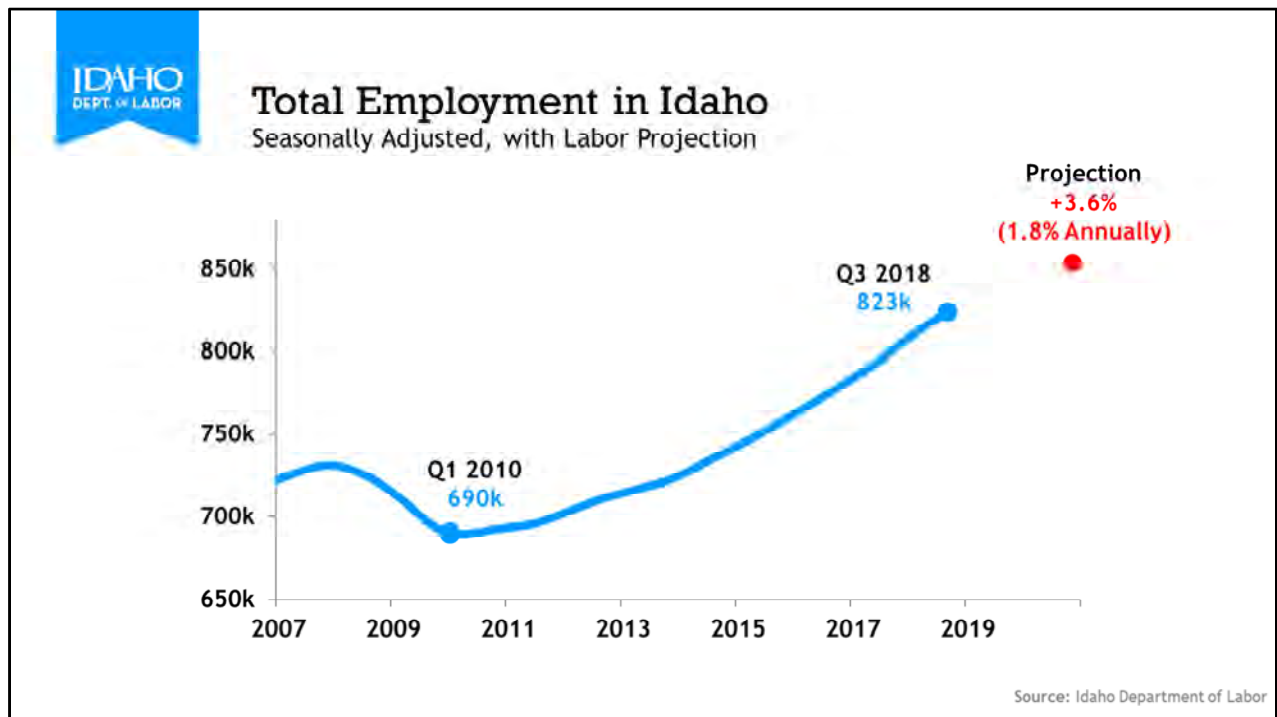
It is a common misconception that tech companies reside in this sector. Only a handful of tech companies are included in Information.



Looking at the November 2018 over-the-year job growth by the numbers - the highest percent increases shown on the previous slide for Professional and Business Services and Manufacturing represent substantial increases of 5,000 and 3,000 jobs respectively. Natural Resources' 5.9 percent gain represents an increase of 200 jobs for a sector that totals 3,600.

Information's decline of 6.6 percent on the previous slide represents 600 jobs, and Leisure and Hospitality's one percent decline translates to 800 fewer jobs.

About 80 percent of the 2,000 increase in total government jobs is in local Administration, and Education and correlates with Idaho's population increase.

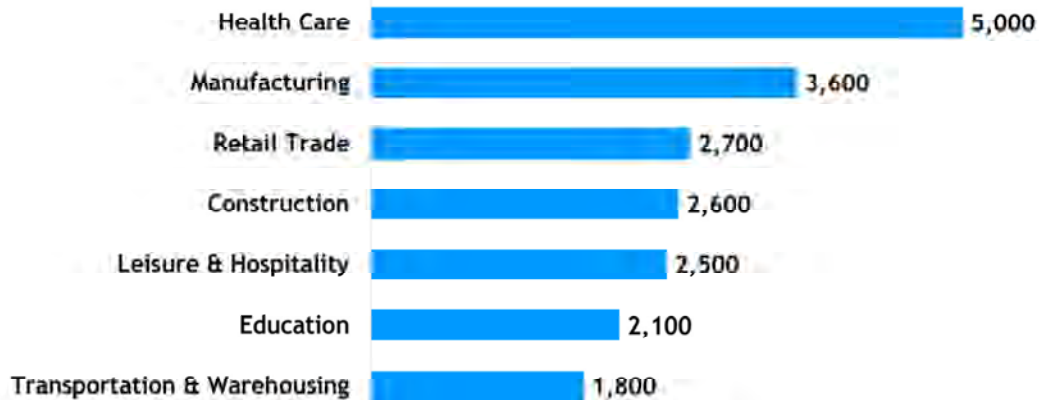


From August 2009 – the trough of the last recession - Idaho’s total employment numbers have steadily increased by 16.2 percent. That’s an increase of 115,800, up from 690,000 in the first quarter of 2010 to 823,300 by third quarter 2018.

Looking forward through the first quarter of 2020, Idaho Department of Labor analysts project total employment will continue to grow by 3.6 percent, or at an annual rate of about 1.8 percent for a total increase of 27,300 new jobs to the state’s economy.

Key Growth Industries

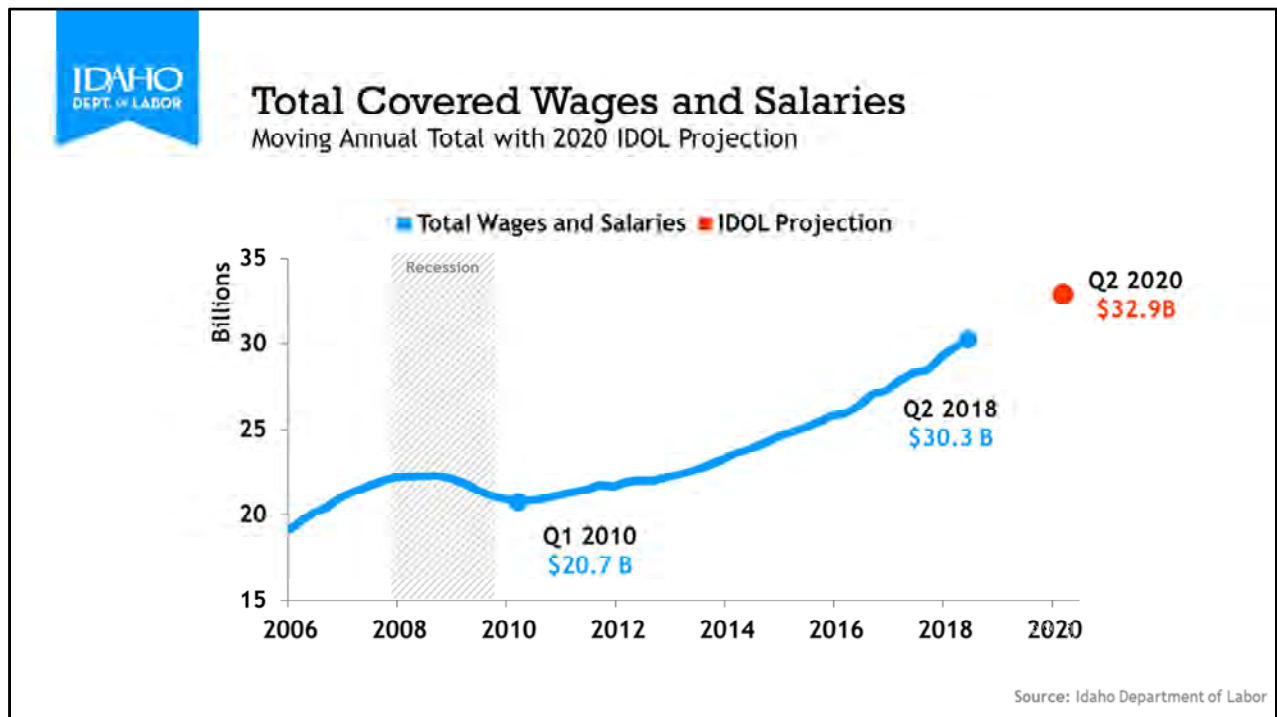
Projected Growth, Q1 2018 to Q1 2020



Source: Idaho Department of Labor

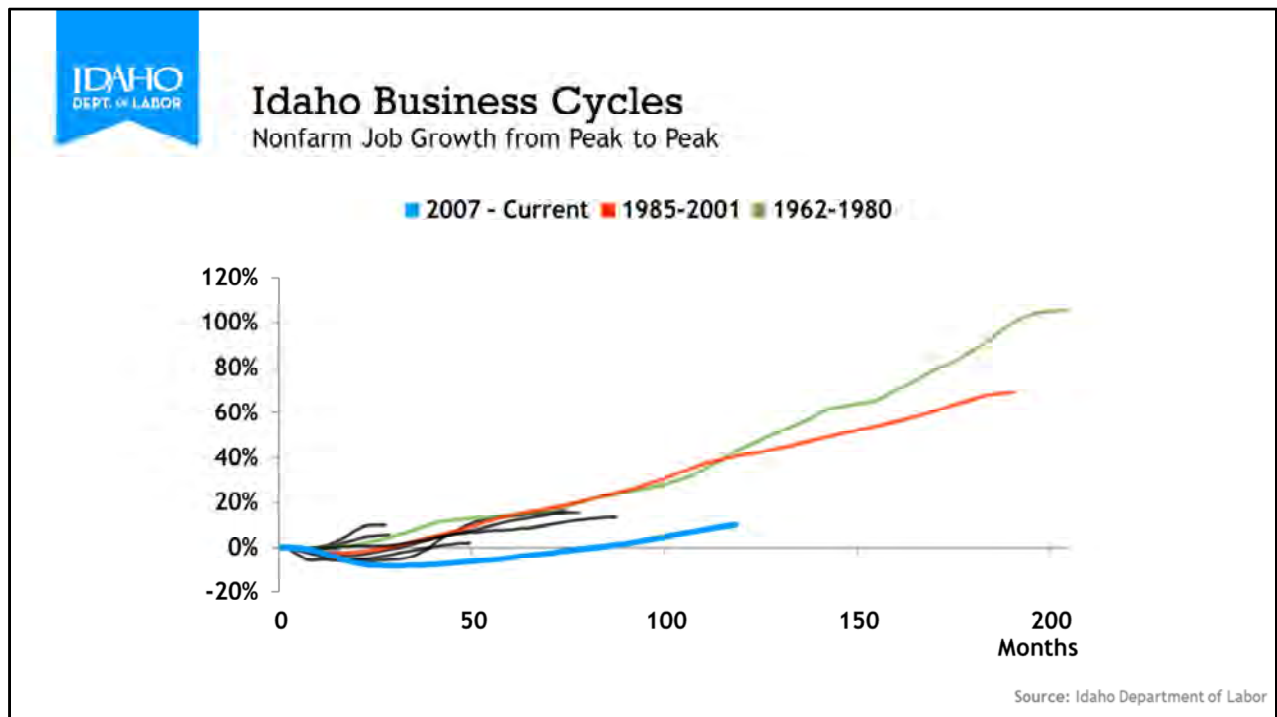
Health Care jobs are expected to grow by 5,000 between now and 2020 - the largest industry job gains expected for Idaho. Manufacturing jobs are also expected to grow, adding 3,600 jobs. Construction jobs are expected to increase by 2,600.

We also expect Retail, Education, and Transportation and Warehousing to become key industries for job growth through 2020.



Total wages for Idaho are expected to increase by \$2.6 billion from second quarter 2018 to the second quarter 2020. This is a modest increase of 8.5 percent over two years and is based on the projected increases in covered employment and total wages.

These numbers represent about 90 percent of Idaho's total employment and does not include self-employed or other wage earners not covered by Idaho's unemployment insurance system.



Since the first years total nonfarm jobs have been counted, Idaho has experienced 11 discrete business cycles dating back to 1939. Measured from peak to peak, the average length of these business cycles is 80 months, or six and a half years.

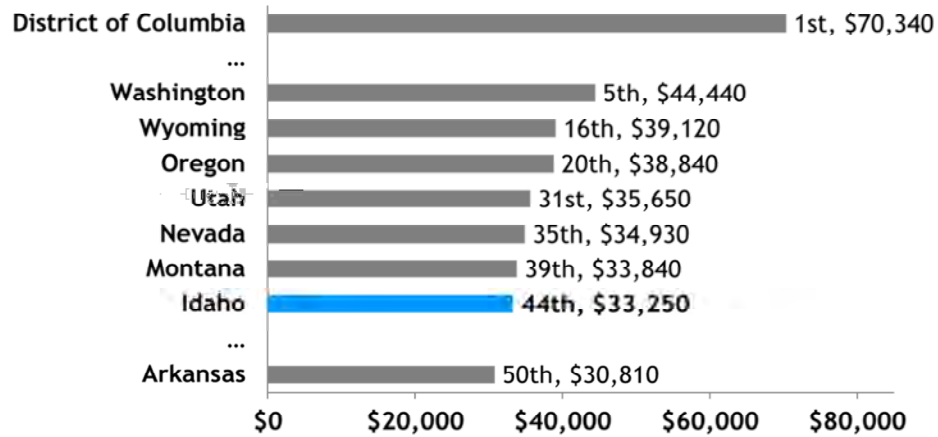
Idaho's current business cycle is 118 months old, which makes it the third longest business cycle in Idaho's history. The only business cycles that exceeded our current cycle were a 190-month cycle from 1985 to 2001, and a 204-month cycle from 1963 to 1980.

However, based on the historically low business cycles described above, Idaho's current job creation rate is low by historical standards and we are currently digging ourselves out of a larger hole. Nonfarm jobs are currently 10 percent higher than at the beginning of the current business cycle, however employment had grown by at least 40 percent at this point in both the first and second of the longest business cycles. Our current relatively slow employment growth can partially be attributed to demographic factors and partially due to the employment contraction phase that occurred during the Great Recession.



Median Wage by State

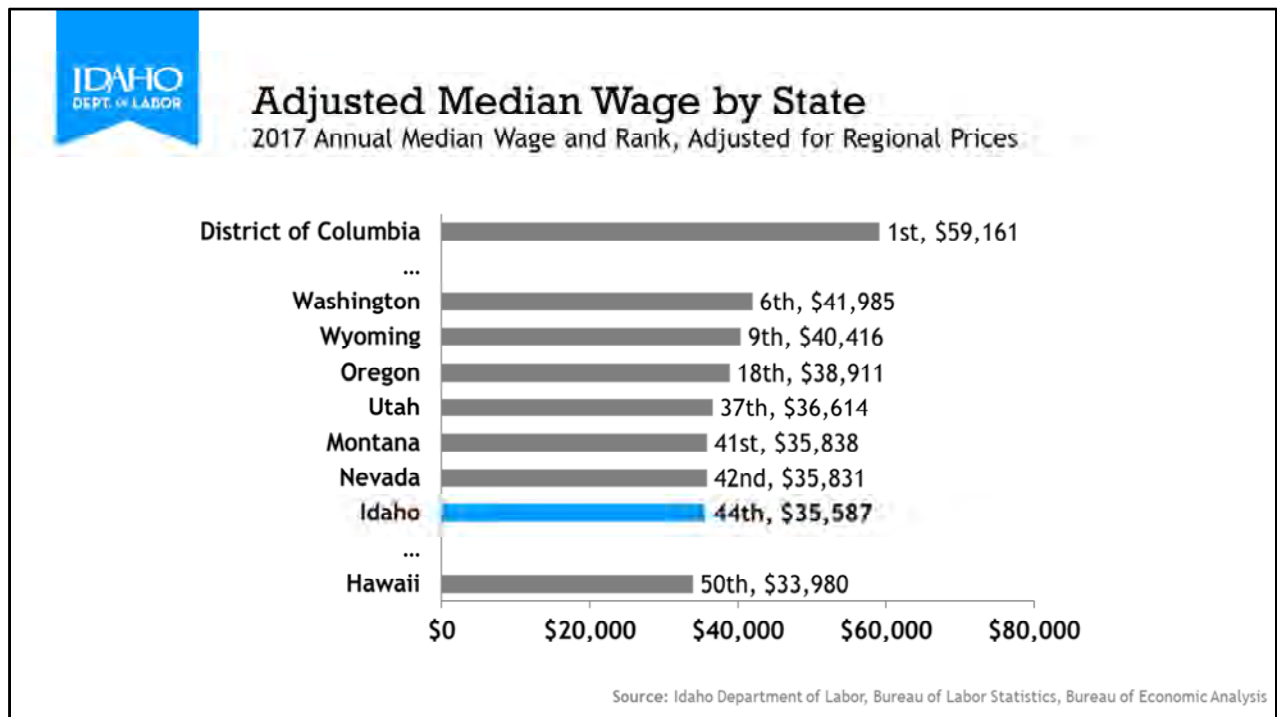
2017 Annual Median Wage and Rank for Idaho and Surrounding States



Source: Idaho Department of Labor, Bureau of Labor Statistics

Idaho's 2017 median wage - the most recently available - is \$33,250, up \$450 over the \$32,800 median wage that ranked Idaho 41st in the nation in 2016. For 2017, the state's rank slipped down three places to 44th as wage increases in other states outpaced Idaho's wage growth.

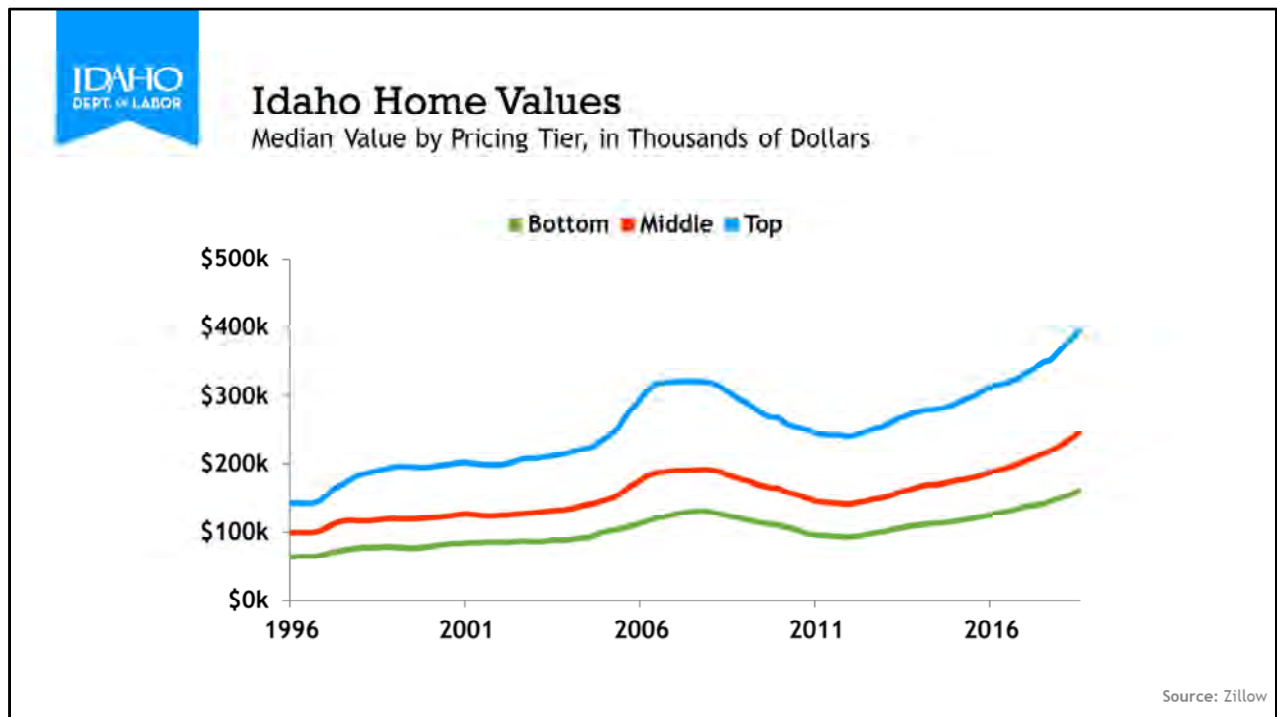
For example, in 2016 Idaho's median wage was lower than all of our surrounding states except for Montana, with our median wage \$900 higher. However, from 2016 to 2017, Montana's median wage increased by \$1,090, increasing its rank from 42nd to 39th.



A common refrain heard when discussing Idaho wages is how the state's lower cost of living – compared to the nation - compensates for its lower wages. While the cost of living is indeed lower in Idaho than the national average, our adjusted 2017 median wage of \$35,587 does not improve Idaho's ranking.

This point is driven home by the Regional Price Parity Index published annually by the Bureau of Economic Analysis. By its own description, "this index allows for buying power comparisons across the 50 states and the District of Columbia [...] for a given year. Price levels are expressed as a percentage of the overall national level."

Idaho's 2017 Price Parity Index is 93, meaning that on average, Idaho prices are about 7 cents lower on the dollar than compared to the nation as a whole. Adjusting Idaho's median wage by this index increases it by about \$2,300. However, this increase is not accompanied by a rank improvement as it remains at 44th.

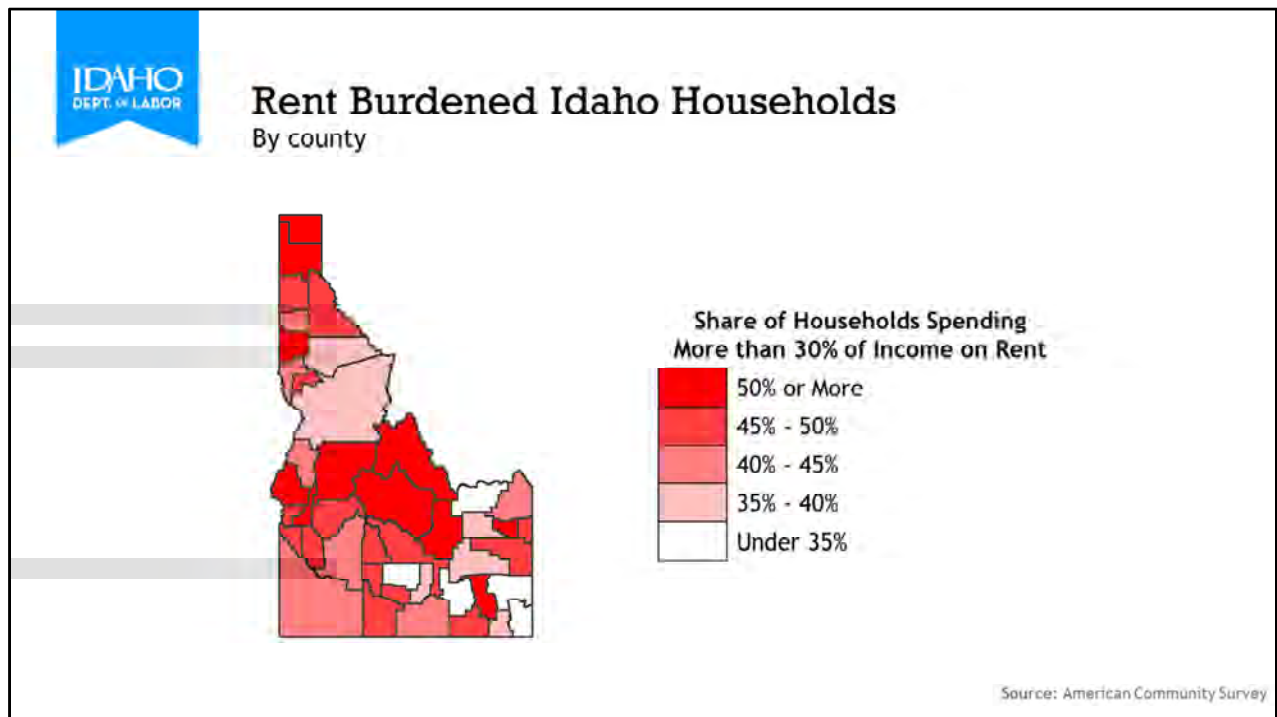


Housing, increasing home values and rents are perhaps the biggest challenge for Idaho's current labor market.

According to October 2018 data from Zillow.com Idaho's current median home values have increased 14.2 percent over the year and stand at \$246,200. Consistent with the last few years, similar median value increases have been experienced for Idaho homes at the top and bottom third tiers of the price spectrum.

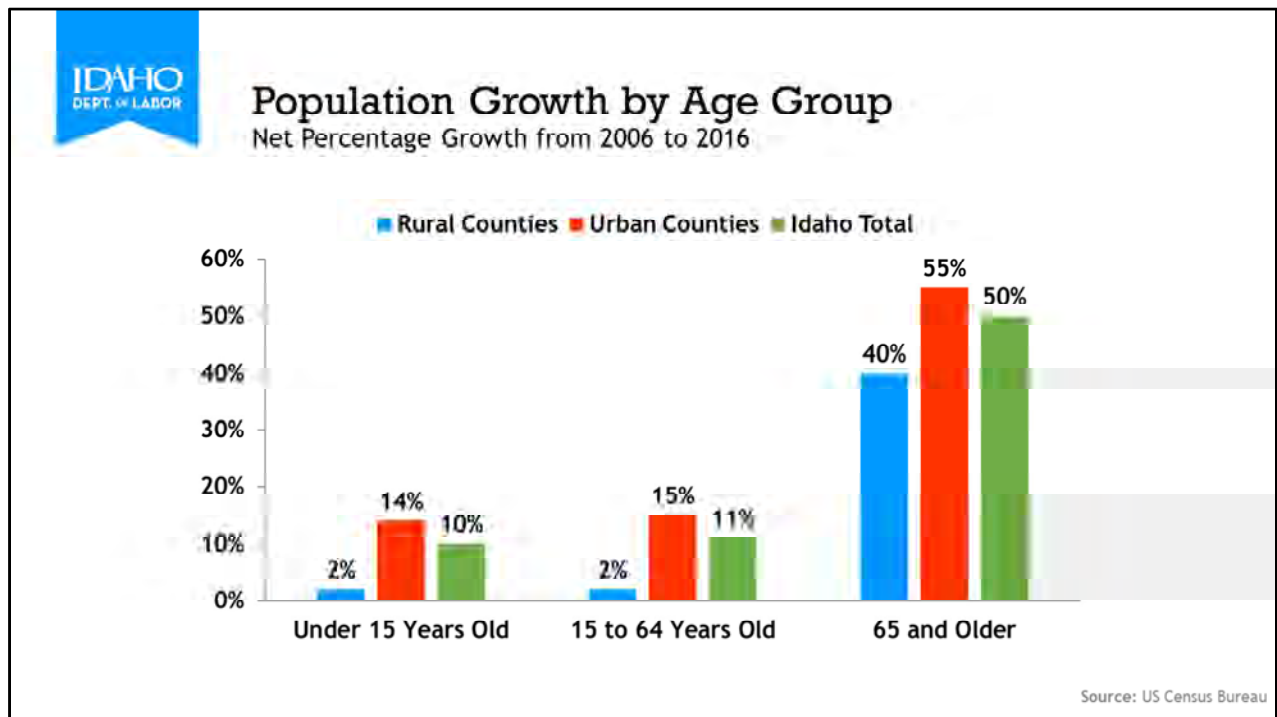
The acceleration in housing prices has been outpacing wage increases. Oftentimes, someone working full time at Idaho's median wage of \$33,250 is not able to afford one of Idaho's lower tier value homes at its current median value even with a \$20,000 down payment and \$250 per month for modest living expenses.

As the median wage on this chart indicates, half of Idaho's workers earn less than the median wage and find it a challenge, if not impossible, to afford a home. Of the total households in Idaho about half are home owners and are the other half are renters.



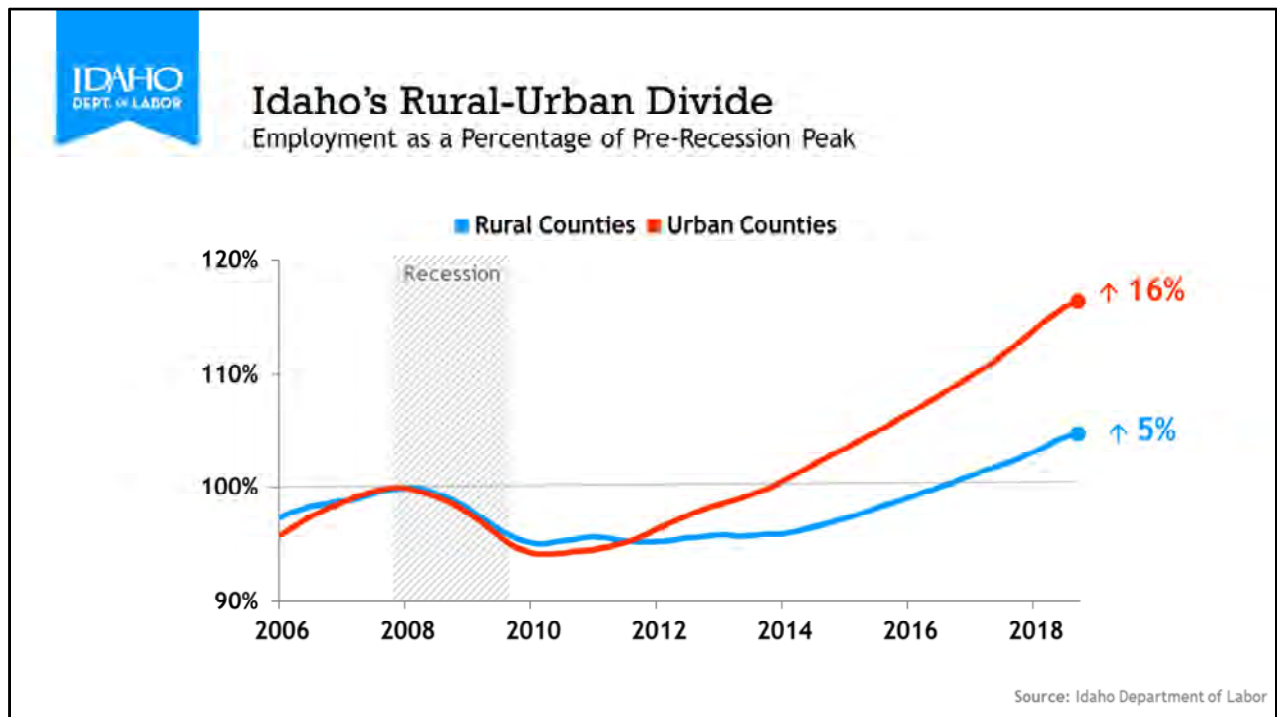
The rising rate of rents has also become a significant challenge for Idahoans and compounds the problem. In 39 of Idaho's 44 counties, 35 percent or more of households are rent burdened.

Rent burdened is defined as households that spend more than 30 percent of their income on rent. Households that are rent burdened have a difficult time affording other expenses and may be on the verge of not making ends meet. These households are likely to be heavily indebted and at risk of financial disaster if faced with an unplanned medical expenses or other disruptive life events. Planning and saving for the future or investing in education will be a challenge.

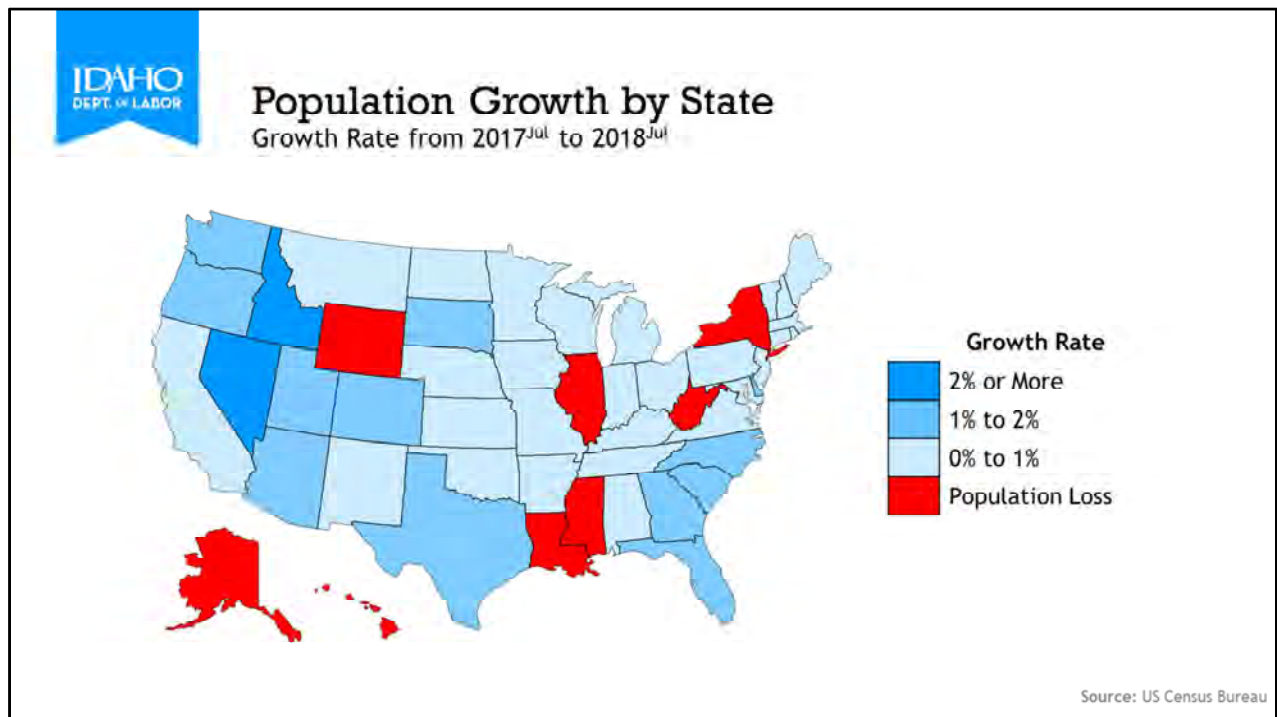


Idaho's aging population poses additional economic challenges which are even more pronounced for rural counties. The state's current population growth is concentrated in the urban areas particularly for age groups 15 years old and younger and the prime working ages of 15 to 64 years of age.

While the aging of Idaho as a whole is apparent in this graph, it is clear the growth of people age 15 years old and younger and those between ages 15 to 64 in rural Idaho counties has been low. As these population growth rates continue, rural Idaho will grow older without retaining or attracting the younger populations that can maintain current economic levels.

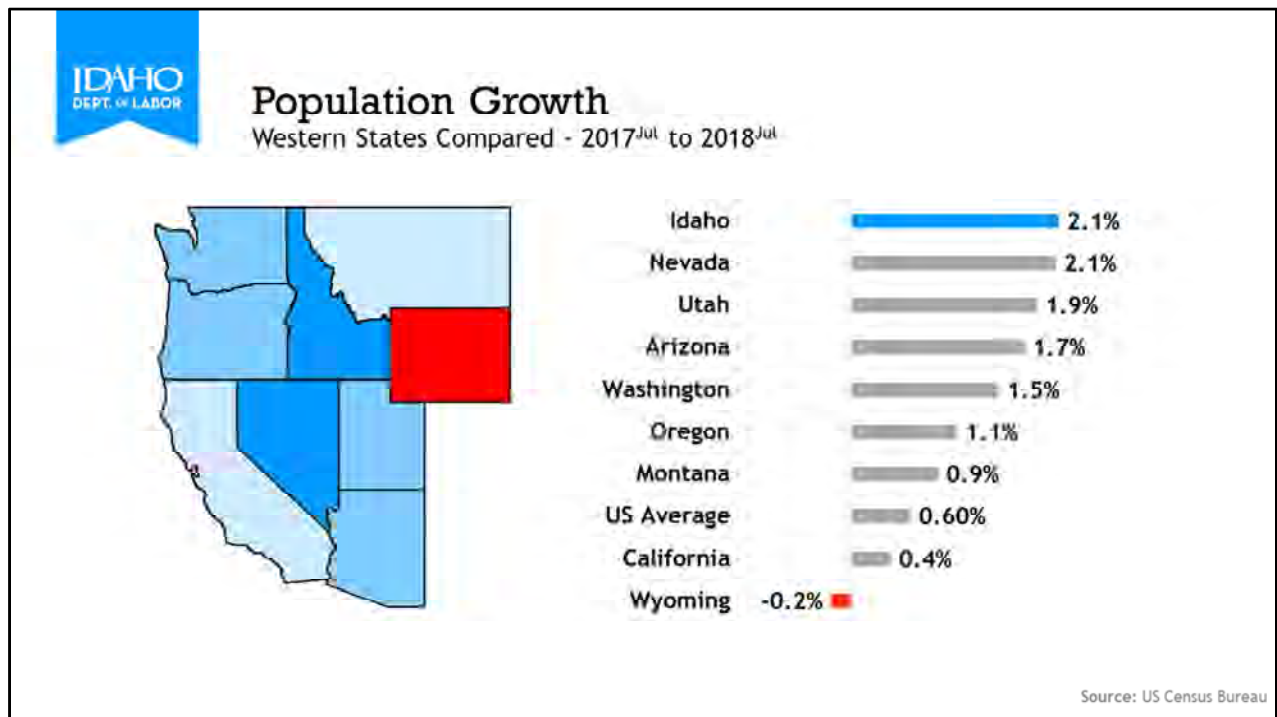


Rural Idaho's economic growth and recovery from the Great Recession has been slower than in Idaho's urban counties. Rural Idaho employment recovered to pre-recession levels in late 2016 and have since grown an additional 5 percent. In Idaho's urban counties, total employment numbers recovered to pre-recession levels in 2014 and at a growth rate three times faster that in rural areas.



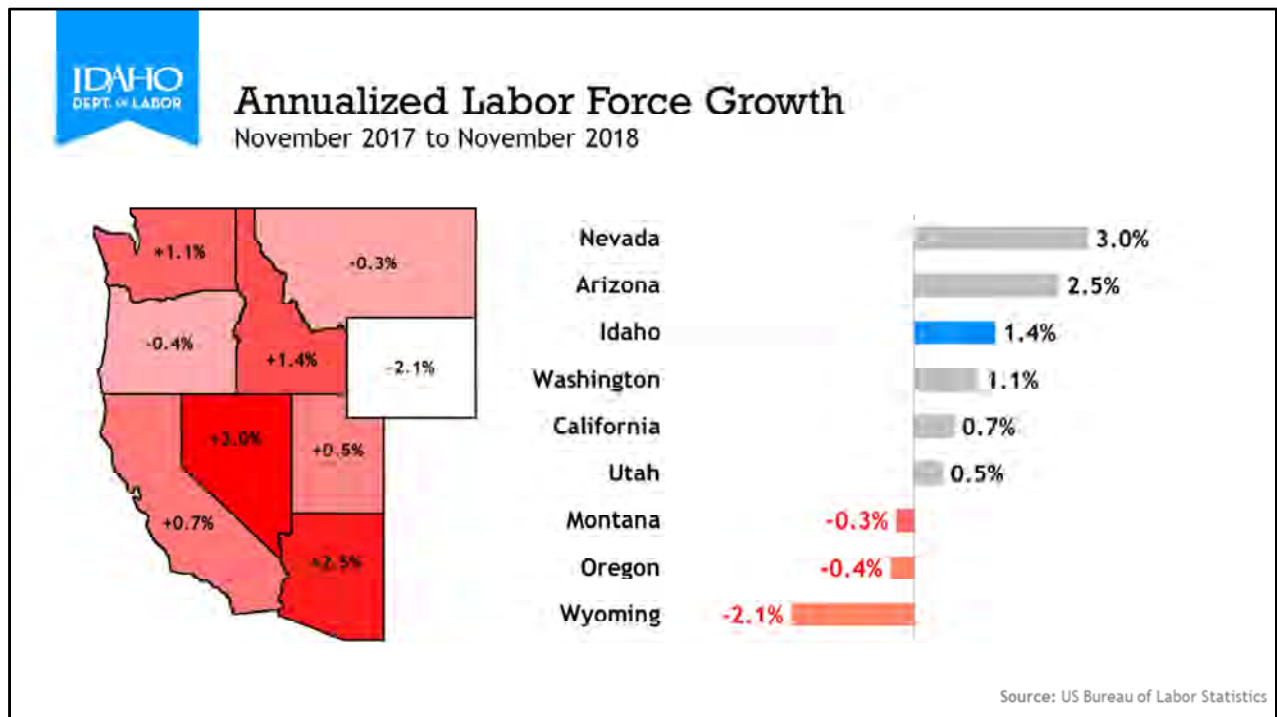
Idaho's population now stands at 1,754,208 and with a 2.1 percent population gain from July 2017 to July 2018, tied with Nevada for the fastest growth rate in the nation.

Nationally, the fastest population growth rates are concentrated in the West, with the exception of Wyoming, Alaska and Hawaii. All three experienced population decline. Five of the eight states with population declines were in the East.



Focusing in on the Western U.S., Wyoming was the outlier for the continental states. States in the Intermountain West have increasingly and consistently been a popular choice for people wishing to move or relocate.

We expect this trend to continue for the foreseeable future as more people move to Idaho and the West, however, according to United Van Lines' 2018 National Movers Study, about one third of its clients move to Idaho and Nevada for retirement.



Population growth does not necessarily translate to labor force gains. As baby boomers continue to retire and other groups pursue alternative employment options from just two decades ago, this will be the economic reality for Idaho and the nation for quite sometime.

Idaho's 1.4 percent labor force increase is the about half as fast as Nevada's 3 percent increase.



Summary

Estimates for 2018 - 2020

- Idaho's low unemployment rate is projected to rise to an average of 3.2 percent through calendar year 2019 and increase slightly to 3.5 percent into 2020.
- Idaho's annual job growth is projected to increase by 3.6 percent, or 1.8 percent per year from first quarter 2018 to first quarter 2020.
- By the end of SFY 2020, Idaho's total wages are projected to increase by \$2.6 billion annually to \$32.9 billion.

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Key growth industries:

- Health Care & Social Assistance
- Manufacturing
- Retail Trade
- Construction
- Leisure and Hospitality
- Education
- Transportation, & Warehousing

By the end of SFY 2020, Idaho's total wages are projected to increase by \$2.6 billion to \$32.9 billion.

Questions?

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