



Idaho Economic Outlook and
Revenue Assessment Committee

Craig Shaul, Research Supervisor
Idaho Department of Labor
January 2, 2020

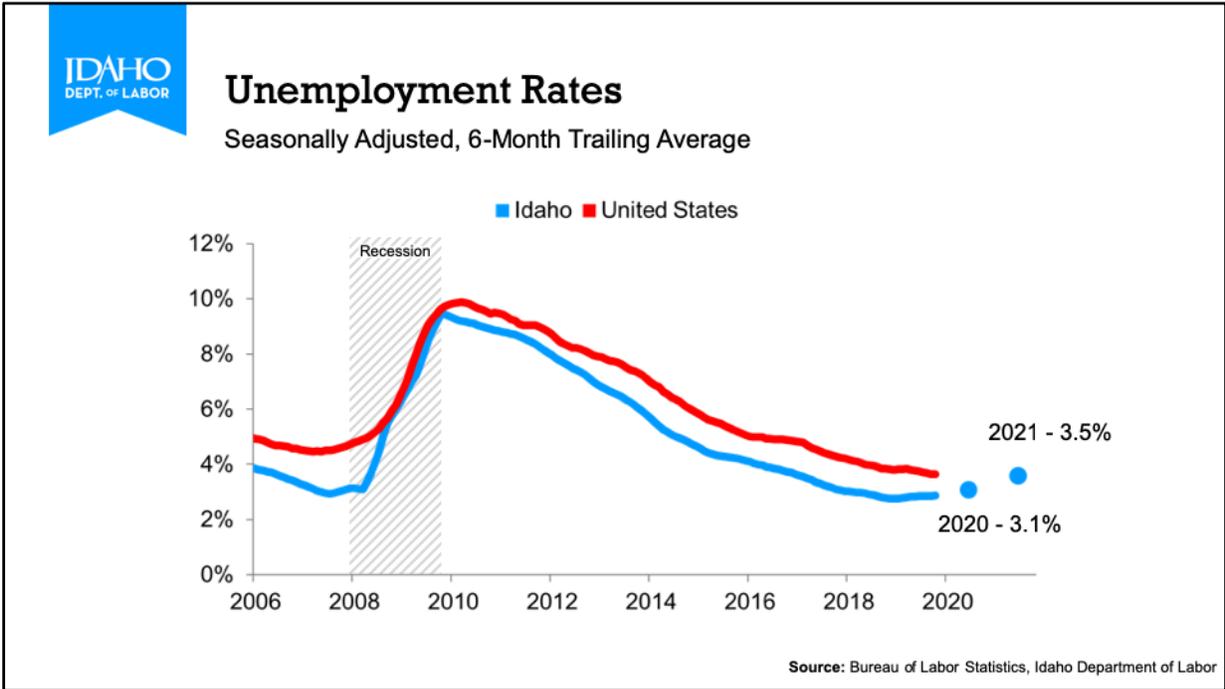


Idaho's Labor Market Outlook SFY 2019-2021

2019 marks the ninth consecutive year of growth in Idaho's labor market, with population, labor force, employment, jobs and wages climbing to higher levels over the past year.

-

Looking forward through to 2021, Department analysts expect low unemployment and economic growth to continue for the state.

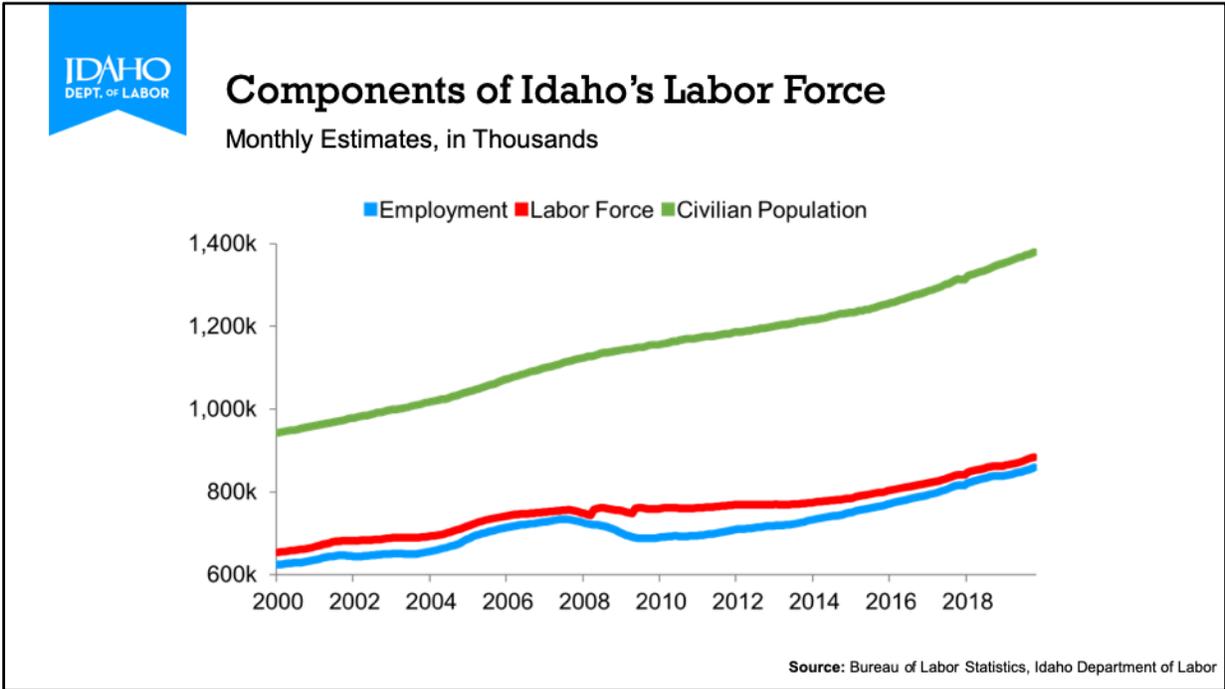


Idaho’s unemployment rate is the launching point of our examination of the state’s labor market.

The rate has held to record low territory for 2019. November’s rate – and the most recently reported - was 2.9 percent, with only about 25,800 unemployed people looking for work, out of a total labor force of almost 887,000.

Idaho’s unemployment rate has been at or below 3 percent for two solid years. The average for calendar year 2019 to date is 2.9 percent, only a tick higher than the 2.8 percent average for 2018. November also marks the fourth solid year that the unemployment rate has been at or below four percent.

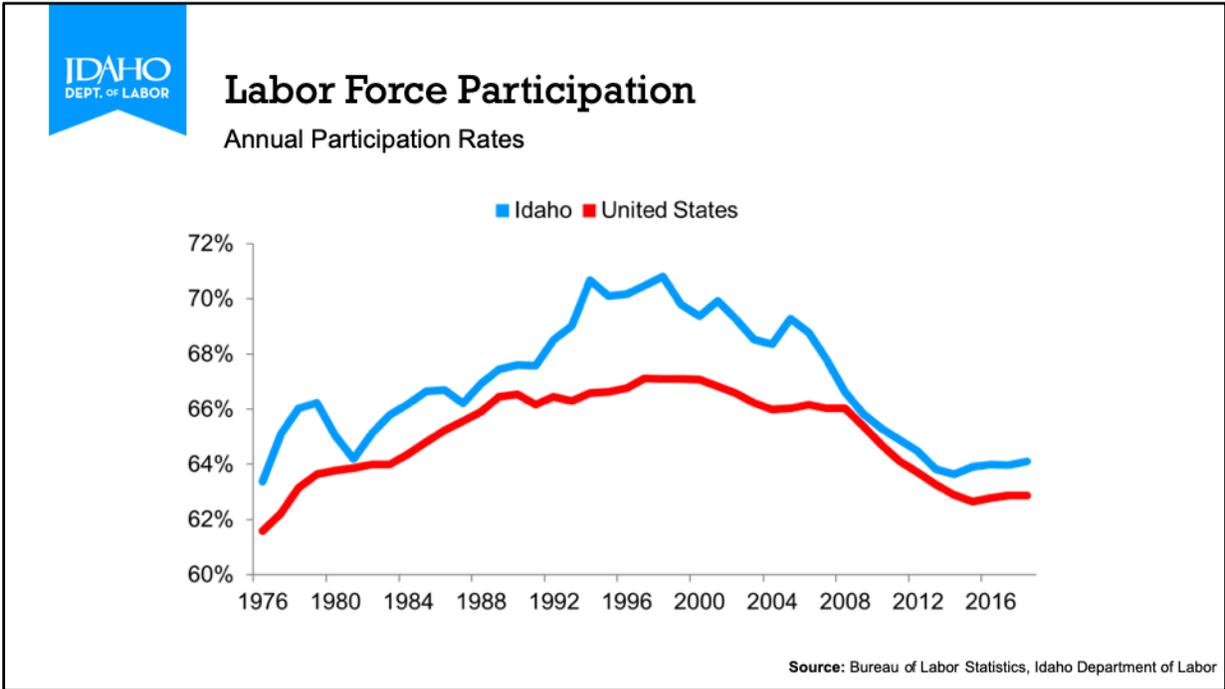
Our analysts expect Idaho’s unemployment rate to edge upward to an average of 3.1 percent for state fiscal year 2020 and 3.5 percent for 2021. This forecast is based on an expectation of continued gains in population, labor force, participation rates, and job growth. Even as the expected averages are higher than the current one, the limited supply of labor still poses a challenge and potential constraint to the economy.



Year over year, Idaho's labor force increased by over 24,000 people - 2.8 percent from November 2018 to November 2019. This number is represented in this graph by the red line. The blue line represents employment which also increased by a similar degree – almost 22,200 additional people employed for growth of 2.6 percent. The tiny sliver of white space between the red and blue lines represents the 25,800 unemployed and 2.9 percent unemployment rate mentioned on the previous slide.

Idaho's labor force has grown at an average two and a half percent rate since 2016, and 2019's pace has held consistent with that trend.

The green line represents Idaho's civilian population – those 16 years of age or older who are not institutionalized or in the military. This population has increased by almost 33,500 people over the year this last November for an increase of 2.5 percent. For context, this number of people is approximate in size to the population of Lewiston.



Idaho’s labor force participation rate tells us the proportion of the civilian population that is in the workforce – the portion that is working or looking for work.

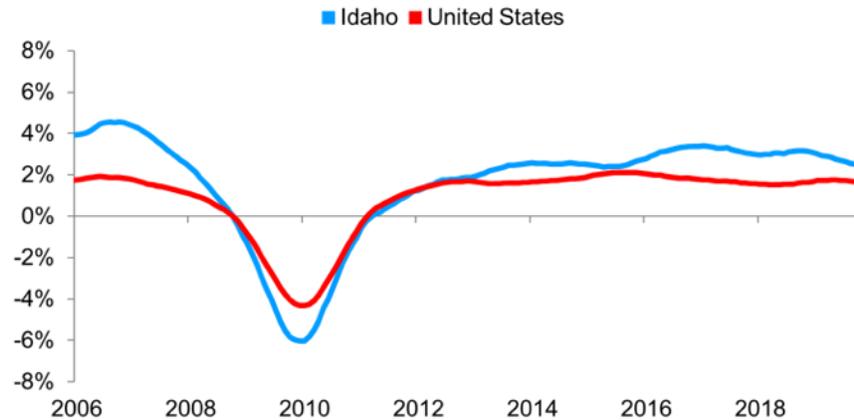
Idaho’s average participation rate for 2019 stands at 63.9 percent, a decrease from last year’s average of 64.1 percent. The rate started to decline slightly late last year to 63.8 percent and held there for the first and second quarter 2019. Since then, it has steadily increased to 64.1 percent this last November.

Nationally, the average for 2019 has been 63.1 percent, a two-tenths improvement over 2018’s average.

Even slight changes in this measure translate to large impacts to the economy for the nation and for Idaho; and it is important to remember that the majority of those not participating in the labor force are people in retirement. Others include those staying at home to care for dependents, and in the case of younger age groups, pursuing post-secondary education in some form that results in delaying their entry into the labor force.

Annual Job Creation Rates

Year-over-Year Nonfarm Job Growth, Annualized Averages



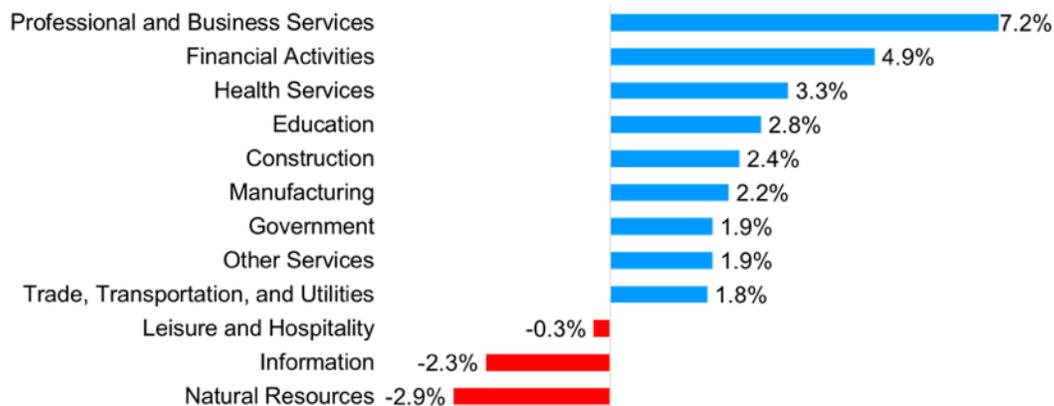
Source: Bureau of Labor Statistics, Idaho Department of Labor

Idaho's job creation rate as of November 2019 was 2.7 percent.

The state continued to increase its jobs at a faster pace than the national average rate in 2019. However this rate has decelerated from the 3.1 percent average for the last half of 2018, and the 3.4 percent Idaho experienced from fourth quarter 2016 to first quarter 2017. This deceleration is attributable to the labor supply shortage as the unemployment rate held firm at 2.9 percent. Lower job creation rates due different economic reasons would likely result in higher numbers of unemployed Idahoans.

Industry Job Growth in Idaho

Year-over-Year Growth Rates, Nov. 2018 to Nov. 2019



Source: Bureau of Labor Statistics, Idaho Department of Labor

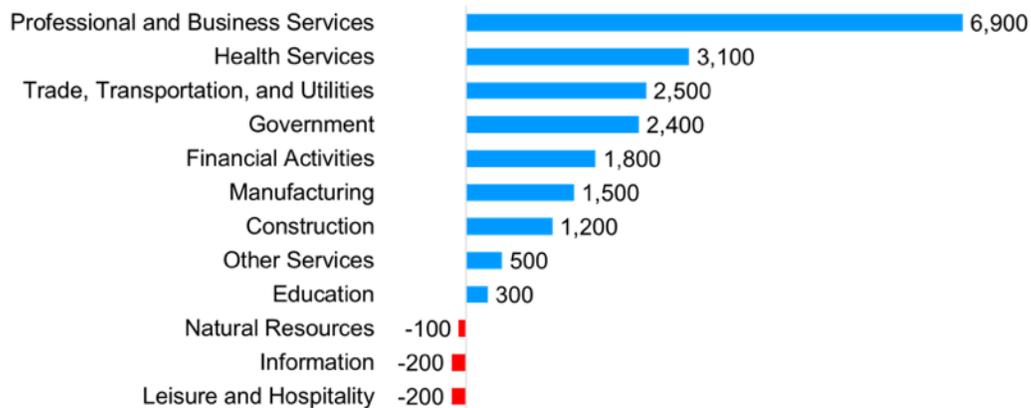
Breaking down the over-the-year job creation by Idaho's industry sectors; from November 2018 to November 2019 jobs in Professional and Business Services increased at the fastest rate with 7.2 percent. Idaho's rate of increase in this sector is faster than the national average of 5 percent. This sector represents the aggregate of industries that among others include Accounting, Architectural, Computer Systems Design, as well as Scientific and Technical Services.

Leisure and Hospitality, Information and Natural Resources were the only job sectors in Idaho to show declines from November 2018 to November 2019.

The decline of the Information sector is due primarily to changes in the Publishing, Broadcasting, and Telecommunications subsectors that are the result of evolving structural changes for these industries. Other parts of the information sector continue to grow steadily and include Recording, ISPs and other Information Services. Many of the tech companies we associate with the knowledge economy are not in fact classified as information companies for our purposes, but reside in the Professional and Business Services, or in the industry for which their software provides its service.

Industry Job Growth in Idaho

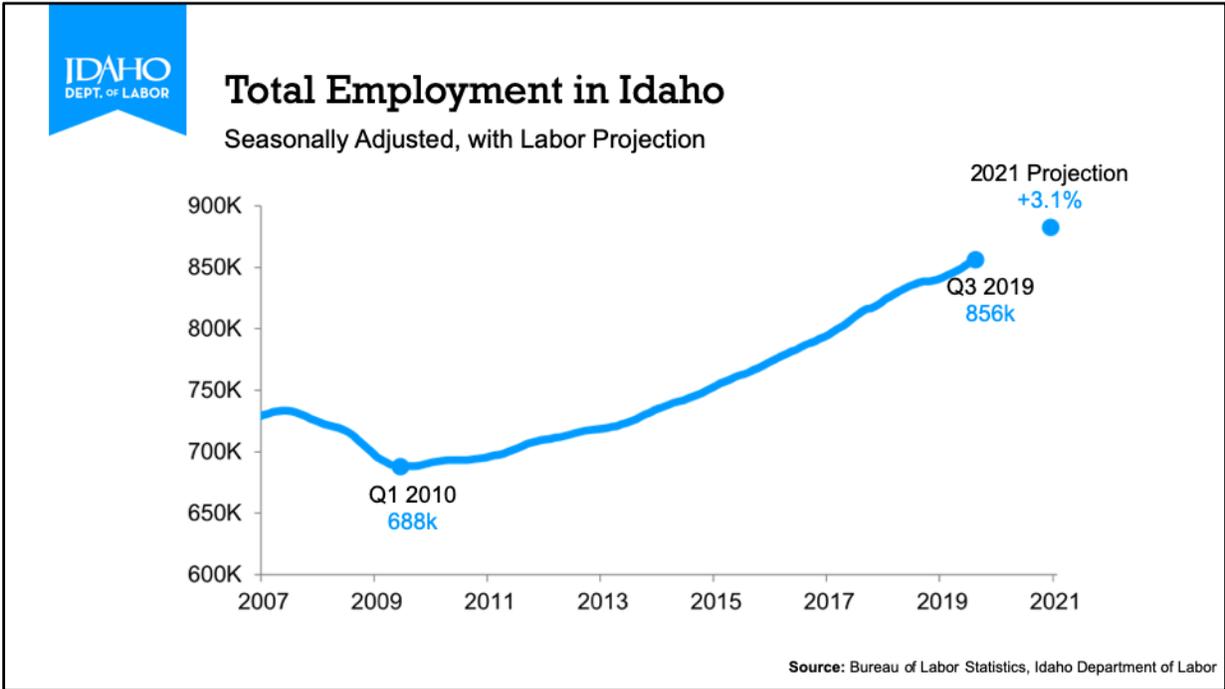
Year-over-Year Growth, Nov. 2018 to Nov. 2019



Source: Bureau of Labor Statistics, Idaho Department of Labor

Viewing the over-the-year numeric changes in Idaho's Industry sectors - the highest percent increases shown on the previous slide for the Professional and Business Services are shown here to represent a substantial increase of 6,900.

The declines of Natural Resources, Information, as well as Leisure and Hospitality aggregate to only 500 fewer jobs over the year.



Looking forward through to the first quarter of 2021, Idaho Department of Labor analysts expect total employment to grow by 3.1 percent, or an annual rate of 1.5 percent and adding 23,700 to the state’s current employment level of 861,000. This is a moderated rate from previous short-term projections that we have provided to the Committee. This is not because we expect an economic turn, but the expected rate of labor force growth to govern potential employment and growth.

Key Projected Growth Industries

Projected Growth, Q1 2019 to Q1 2021



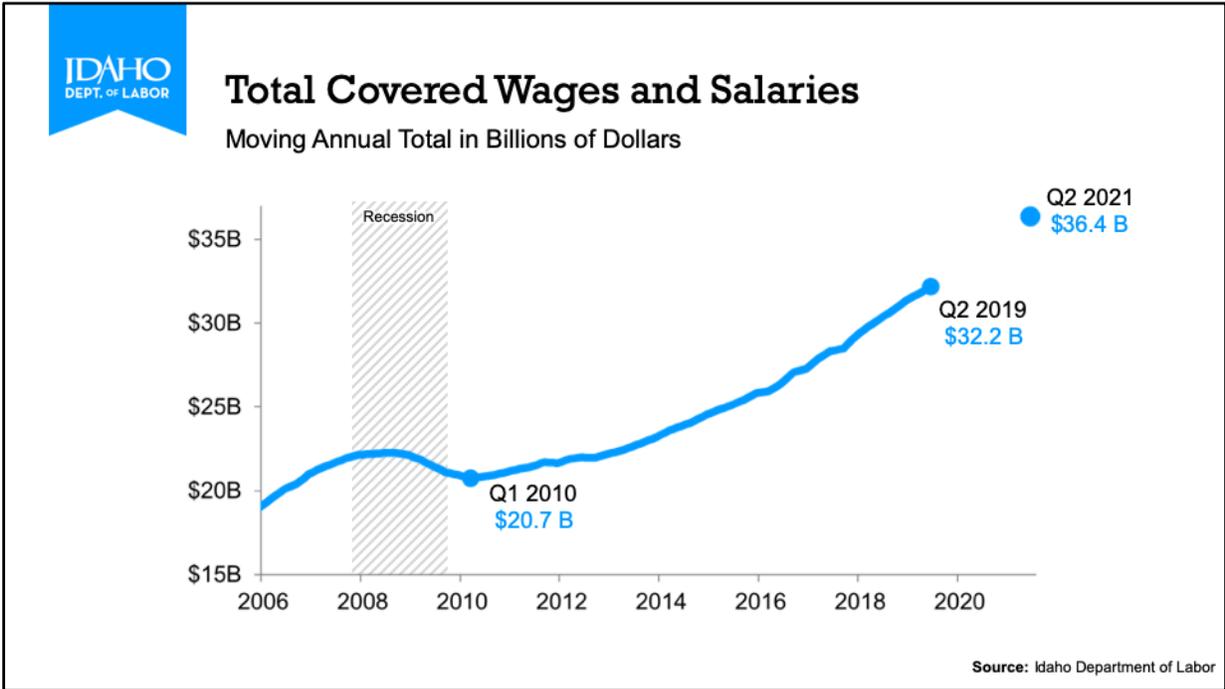
Source: Bureau of Labor Statistics, Idaho Department of Labor

Health Care jobs are projected to grow by 5,200 - the largest industry job gains we expect for Idaho. This is followed by Leisure & Hospitality with 3,700 additional jobs.

Construction - the only goods-producing sector to be in the key projected industries this iteration - is projected to increase by 2,100.

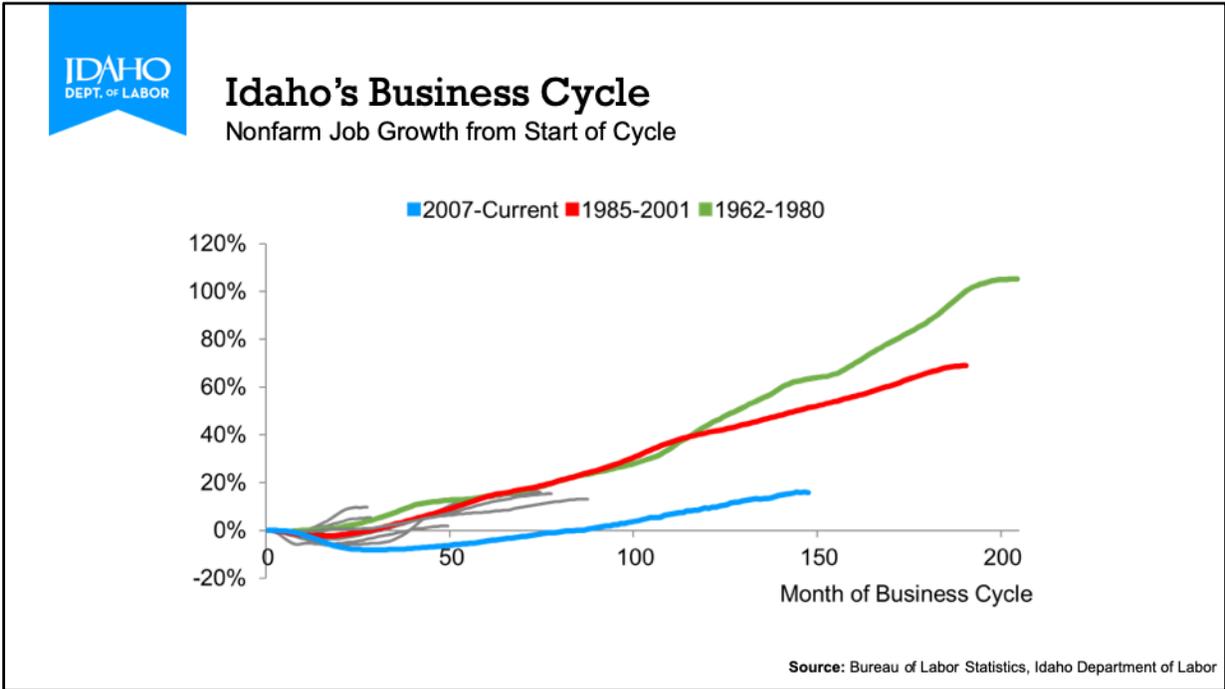
We also expect Retail, Administrative and Support Services, Education as well as Professional and Business Services to be key growth industries in Idaho through 2021.

Given the performance of Professional and Business Services for this past year, it could very well upset this projection, which would be a welcome development.



Total wages for Idaho are expected to increase by \$4.2 billion from second quarter 2019 to the second quarter 2021. This is an annual increase of about 6 percent over the two years, and based on the increase in covered employment that the Idaho Department of Labor has projected and the trend of the total wage increase Department analysts have observed over the past few years.

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.



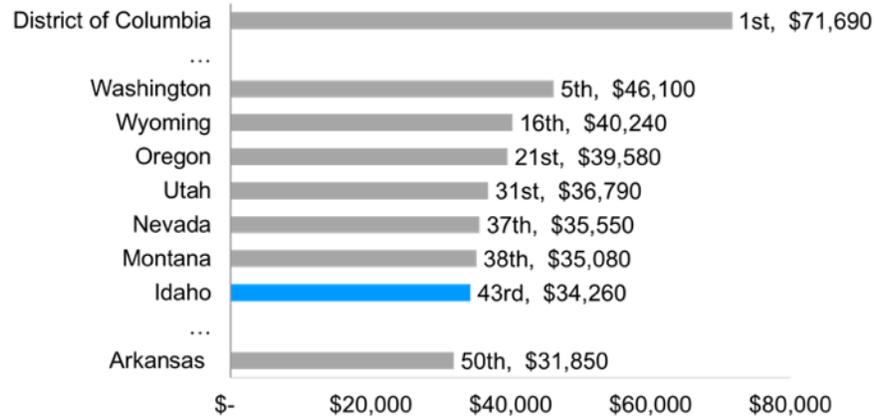
Idaho has experienced 11 discrete business cycles in the years total nonfarm jobs have been counted, dating back to 1939. The average length of these business cycles, measured from peak to peak, is 80 months, or six and a half years.

The current business cycle is 149 months old, which makes it the third longest cycle in Idaho's history, behind only the 190-month cycle from 1985 to 2001, and the 204-month cycle from 1962 to 1980.

Despite the length of the current cycle, the job creation rate is low by historical standards. Idaho nonfarm jobs are currently 16 percent higher than the previous peak, but slower than both of the two longer employment cycles. This relatively slow growth can be attributed to demographic factors and also that the contraction phase of the current cycle was the Great Recession; meaning the present growth cycle had to dig itself out of a comparatively larger hole.

Median Wage by State

2018 Annual Median Wage and Rank for Idaho and Surrounding States



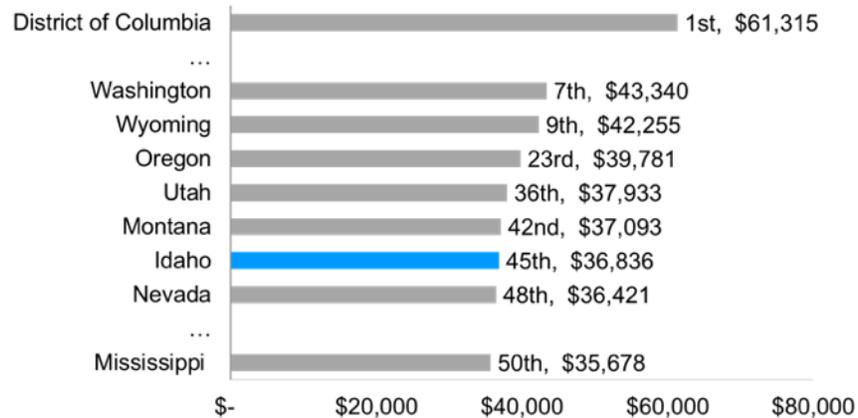
Source: Bureau of Labor Statistics, Idaho Department of Labor

Idaho's 2018 median wage, released May 2019, is \$34,260. This is up \$1,010 over the \$33,250 median wage for 2017 that put Idaho at 44th in the nation. This increase, relative to other states has led Idaho to gain one rank this year to land at 43rd, and still the lowest among the surrounding states.

Idaho's 2018 median wage is \$820 below the next closest state, Montana.

Adjusted Median Wage by State

2018 Annual Median Wage and Rank, Adjusted for Regional Prices



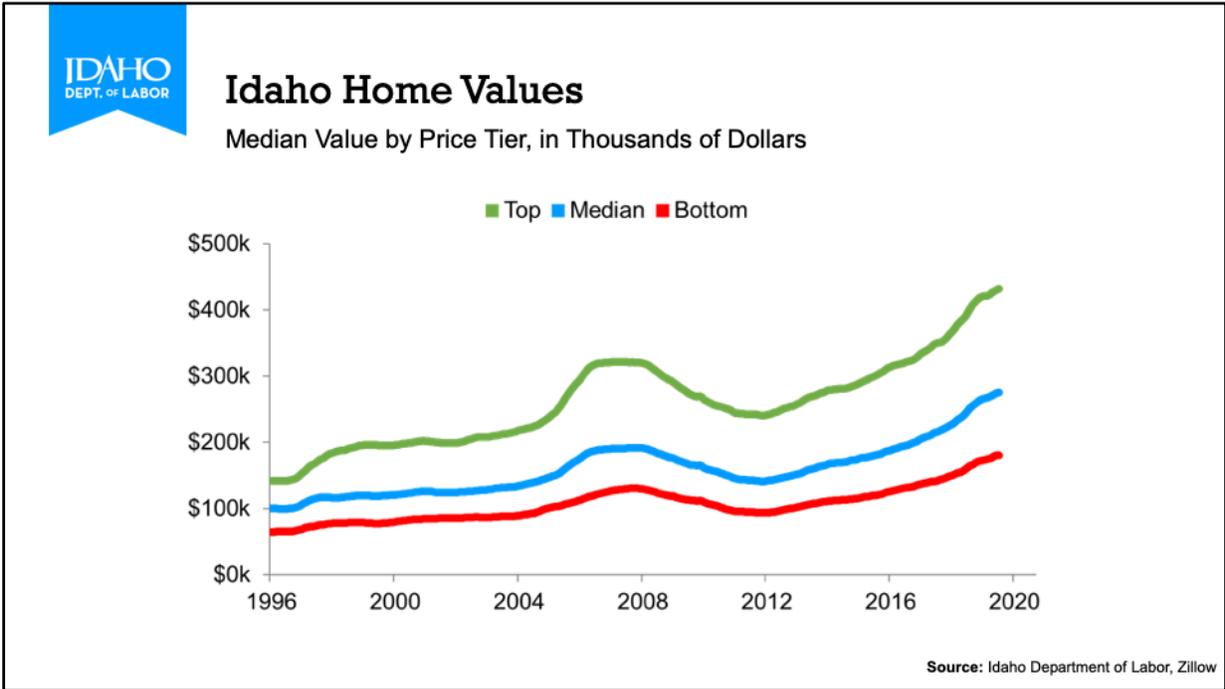
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Idaho Department of Labor

A common refrain in discussions of Idaho's comparative wages is how the state's lower cost of living compared with the rest of the nation compensates for its lower wages. While Idaho's cost of living is indeed lower than the national average, our adjusted 2018 median wage of \$36,836 does not improve Idaho's ranking. Instead for 2018, our adjusted median wage reduces our ranking to 45.

Once a year, the Bureau of Economic Analysis publishes its Regional Price Parity Index. By their own description, "it allows comparisons of buying power 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 index is unchanged from 2016 at 93; meaning that on average, prices are about 7 cents lower on the dollar than compared with the nation as a whole. Adjusting Idaho's 2018 median wages by this index increases it by almost \$2,600.

Nevada drops 11 places to have the lowest price adjusted median wage among Idaho's and its surrounding states as its costs and prices have grown. It also experienced a relatively small increase to its median wage.



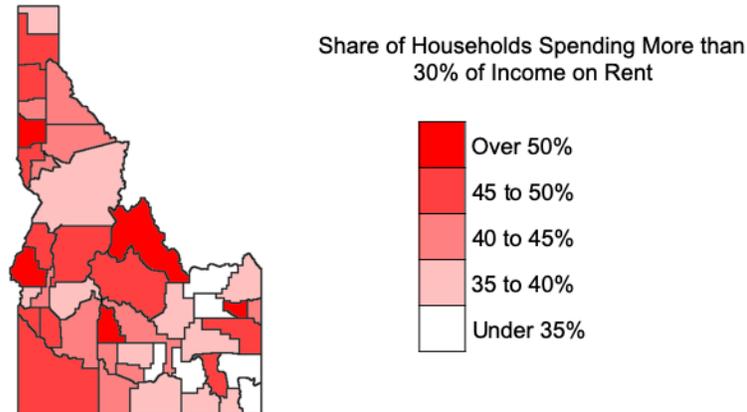
One of the primary economic challenges for the nation is housing costs and availability. In Idaho, increasing home values and rents persist as one of the biggest challenges for the current labor market.

According to October 2019 data from Zillow.com Idaho’s current median home values stand at \$275,100 and have increased 11.2 percent over the year – slightly slower than last year’s increase of 14.6 percent. 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. A person working full time at Idaho’s 2018 median wage of \$34,260 will likely not be able to afford to purchase a home at the current median value of Idaho’s lower tier value homes even with a down payment of \$20,000 and modest living expenses of \$250 per month. Zillow’s affordability calculator places the affordability of Idaho’s median wage at these rates at \$131,128, over 27 percent less than \$180,700 – the lower tier median for Idaho in October 2019.

Rent Burdened Idaho Households

Share of Households Rent Burdened, by County



Source: Idaho Department of Labor, US Census Bureau

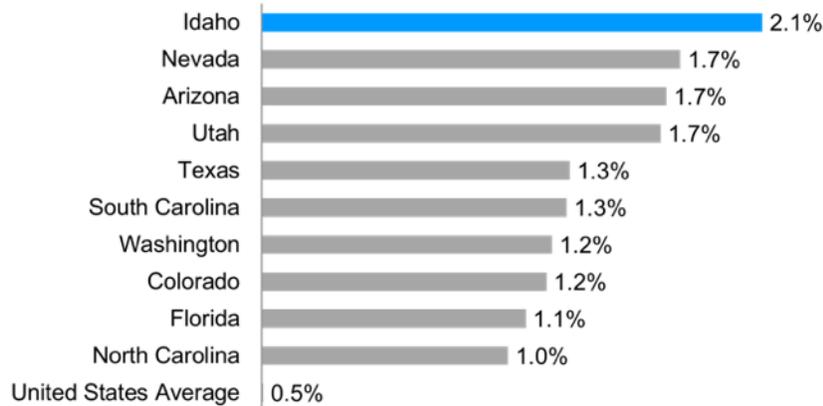
The rising rate of rents has also become a significant challenge for Idahoans and compounds the problem. In 39 of Idaho's 44 counties, 35 percent or more of households are rent burdened – which is defined as households that spend more than 30 percent of their income on rent.

Top five most rent burdened counties include Madison, Washington, Latah, Camas and Lemhi. Ones with less than 35 percent of households experiencing rent burden include Jefferson, Clark, Minidoka, Caribou and Power Counties.

Households challenged by rent burden have a difficult time affording other expenses and may be on the verge of not making ends meet. These households likely will be at risk of further hardship or indebtedness when a financial disaster strikes by way of unplanned, disruptive life events.

Population Growth Rates

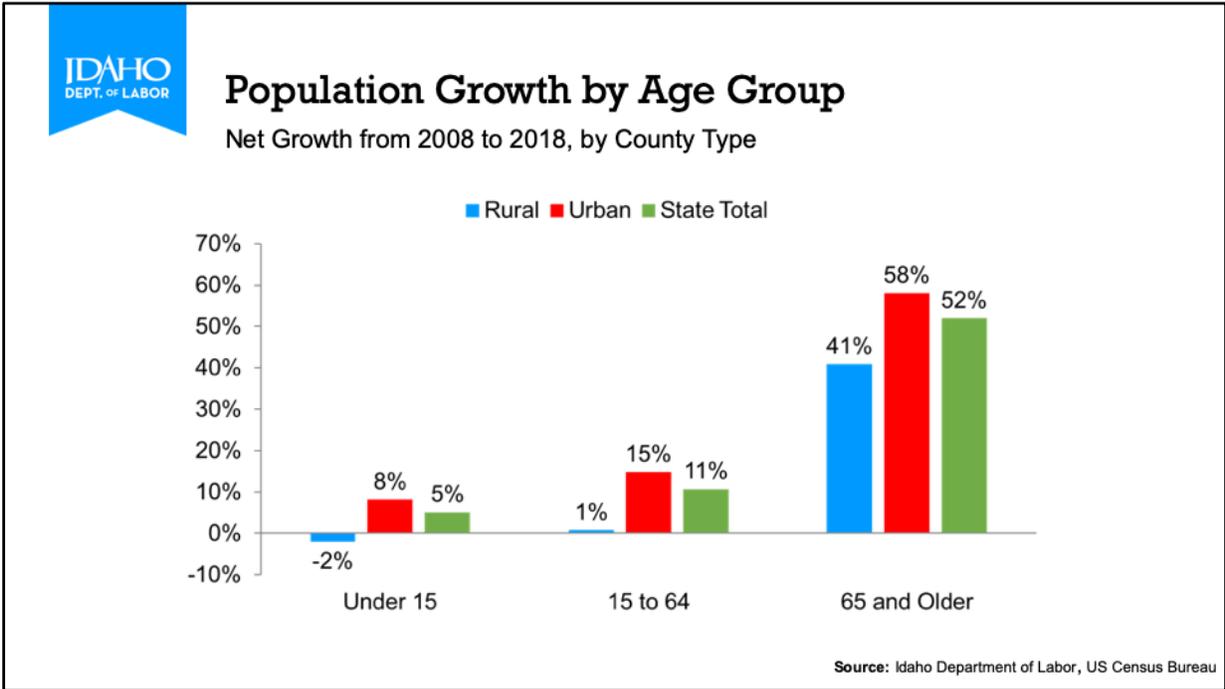
Growth from 2018 to 2019 for Idaho and Surrounding States



Source: US Census Bureau

The most recent release from the US Census Bureau shows that Idaho’s population has grown by 2.1 percent from 2018 to 2019, to 1.787 million. This puts Idaho as having the largest percent growth in the nation for the third year running. Nevada, which we tied with for first last year, is the second fastest with 1.7 percent.

24.4 percent of Idaho’s population growth of 36,529 people was due to natural growth, and 75.4 percent was from people moving into the state. The state’s population growth rate over the last year would have matched the national average of 0.5 percent growth if it relied on the natural rate of growth alone.



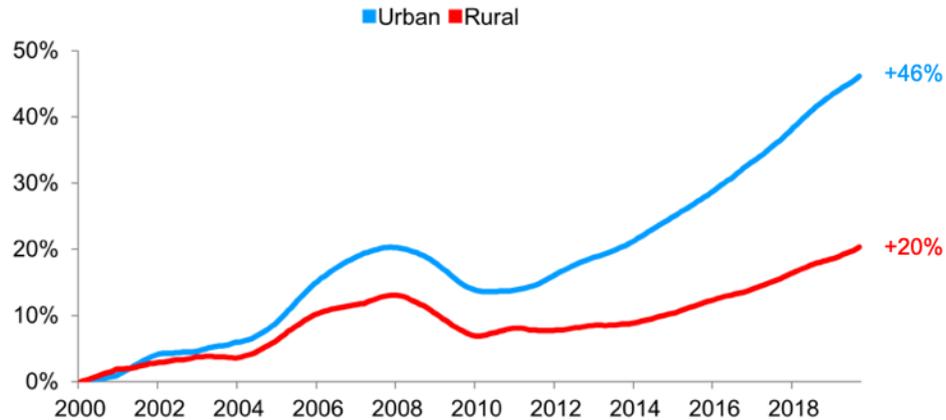
Idaho’s population growth has not been distributed on an equal geographic and demographic basis.

Most of Idaho’s population increase has concentrated in its urban areas. In addition, a demographic shift in the population has become more pronounced for rural areas. Whereas the 65 and older age group has grown by the largest degree for both the urban and rural parts of the state, the growth in those under 15 years of age, and the working age group of 15 to 64 years of age, has been focused in the urban areas. These two groups have not grown in rural Idaho, and the under 15 age groups have declined slightly.

The difference of these rates of growth point to an increasingly older, rural Idaho that is faced with the challenge of retaining or attracting the younger populations that are key to maintaining or growing its workforce.

Employment Growth Geography

Net Percentage Growth in Idaho from Q1 2000



Source: Bureau of Labor Statistics, Idaho Department of Labor

The varied experience of growth between Idaho's rural and urban areas extend to other areas of the labor market, including employment growth. Examining the change from 2008 to 2018, urban Idaho has added almost 125,000 to its employment, and rural almost 28,800 – contrasting growth rates of 27.5 percent and 11.9 percent.

Even as rural employment has been growing in earnest since in 2014, like the rest of the state, it would be a higher increase, if not for the shortage of available labor.

Summary

Estimates for 2019 - 2021

- Idaho's low unemployment rate is projected to rise to an average of 3.1 percent through calendar year 2020 and increase slightly to 3.5 percent into 2021.
- Idaho's annual job growth is projected to increase by 3 percent, or 1.5 percent per year from first quarter 2019 to first quarter 2021.
- By the end of SFY 2020, Idaho's total wages are projected to increase by \$2.1 billion annually to \$36.4 billion.