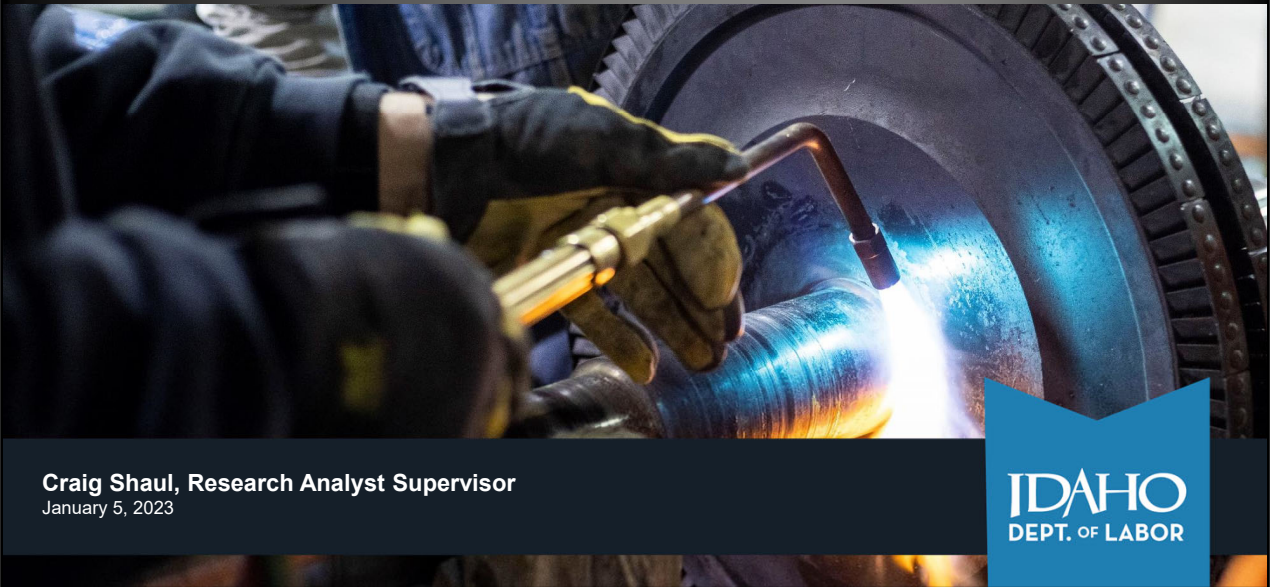


Idaho's Labor Market

Economic Outlook and Revenue Assessment Committee - 2023



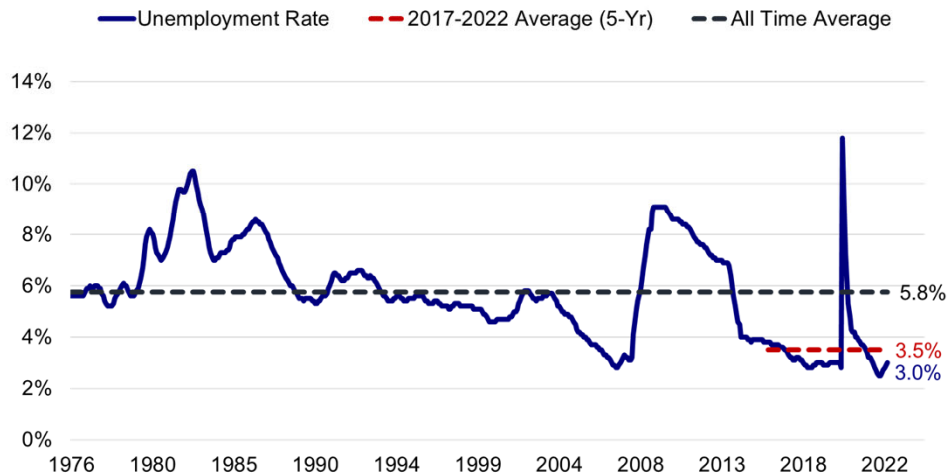
Craig Shaul, Research Analyst Supervisor
January 5, 2023

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This presentation is the product of a group effort of the dedicated team of the Idaho Department of Labor's Communications and Research Division.

Idaho's Unemployment Rate

with comparison of averages: 1976 to 2021, 2017 to November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor

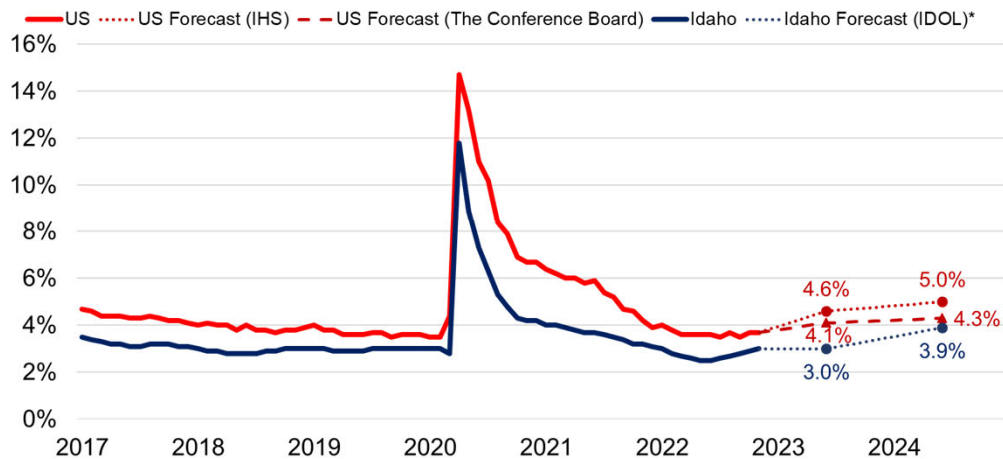
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- a. During 2022, Idaho's labor market continued to experience the same extremely low unemployment rates it has dealt with since 2016.
- b. Comparison of averages:
 - i. The unemployment rate for Idaho remains very low. The most recent rate available was 3% this past November.
 - ii. Idaho's rate is considerably lower than the 3.7% national average and ranks 14th lowest among the states.
 - iii. Utah, with 2.2% unemployment, ranks the lowest in the nation.
- c. Even though this is an increase from our low point of 2.5% in May and June of this year, the rate remains in very low territory.
- d. Consider Idaho's 3.5% average over the past five years. Even though this includes the pandemic employment shock, it is still 2.3 percentage points below the all-time average of 5.8%.
- e. In addition, we are using a five-year average from the most recent full year, but Idaho's unemployment rates below 4% stretch back to 2016.
- f. The experience of unemployment as expressed through unemployment rates has been distinctly different in the past five to eight years from the majority of Idaho's history, dating back to 1976.
- g. What does this mean? Idaho's unemployment rate indicates that employers are still straining against a limited supply of labor, or tight labor force.
- h. The increase from the midpoint of 2022 can be directly tied to the Federal Reserve's interest rate changes to combat inflation, which continues to be a pressing concern nationally.

Unemployment Rate

January 2017 to forecast averages for 2023 and 2024



* Forecast averages for SFY'23 & SFY'24

Sources: Idaho Department of Labor, IHS Markit, The Conference Board

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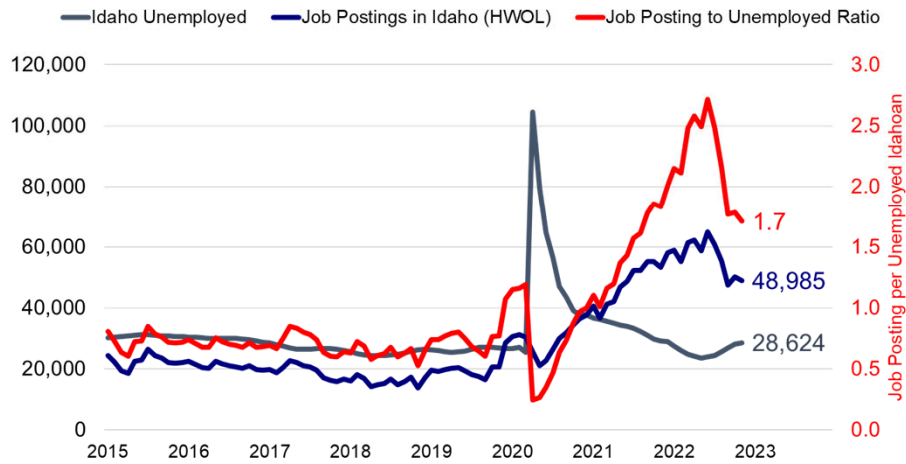
- a. Does this increase portend a recession with high rates of unemployment?
- b. Looking ahead, Idaho Department of Labor analysts anticipate the answer to that question as not likely.
- c. IDOL analysts anticipate that due to trends with the labor force and jobs that are expected to persist into the future, Idaho's unemployment rate can be expected to rise but will remain within very low-rate levels.
 - i. The unemployment rate can be expected to continue to rise from November's rate through the close the current fiscal year, landing the average at 3% for state fiscal year 2022 and an average of 3.9% for state fiscal year 2024.
- d. For much of 2022 national economic models anticipated a light national recession to start early 2023.
- e. Even as the Federal Reserve increased interest rates, even lagging in effect, the labor market has proven to be stubbornly strong.
- f. Here I have two forecasts from national think-tanks to demonstrate that there is both agreement and differences between forecasts on what path the national unemployment rate will do next year.
- g. IHS Markit's forecast anticipates a stronger change to the unemployment rate, and perhaps a stronger effect of the recession, with an average of 4.6% forecast for 2023 and 5% for 2024.
- h. The forecast for another think-tank, The Conference Board, also anticipates a slowdown but with less of an effect, forecasting averages of 4.1% for 2023 and 4.3% for 2024.
- i. It's important to clarify that models are not predictions of the future but anticipations made to the

best of our knowledge.

- j. As knowledge changes, these forecasts change and are updated. Our unemployment rate forecast exercise happens once a year, but IHS, The Conference Board and analysts like them are all constantly updating their forecasts. Changes to forecasts don't mean they are wrong, as assigning right or wrong to forecasts like these misses the point of why they exist.

Online Job Posting Index

Jobs per unemployed in Idaho, January 2015 to November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor, The Conference Board-HWOL

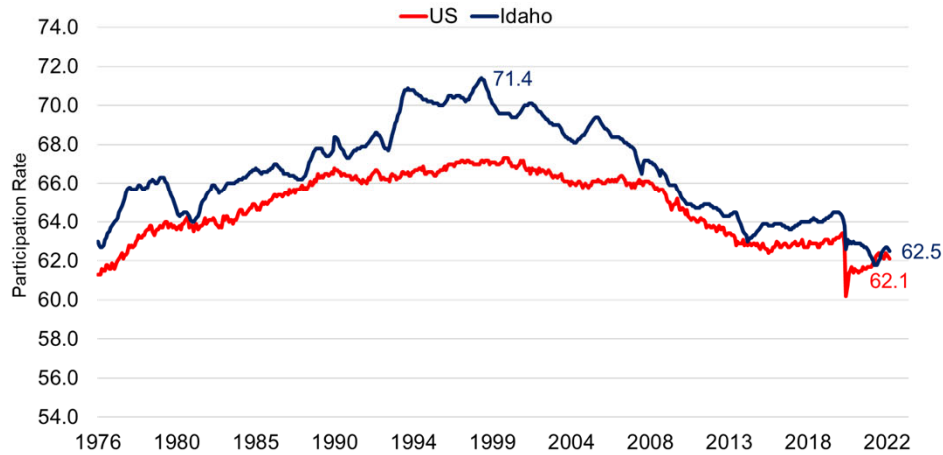
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- Part of why we expect any economic weakness in the next year to have relatively little adverse effect on the state's labor market is the persistent strong demand of workers by employers, compared with the pool of available workers.
- According to Help Wanted Online, help wanted postings for jobs in Idaho in November totaled 48,985, and compared with the 28,624 Idaho's total unemployed, there are an estimated 1.7 job postings per unemployed person.
- This number has come down from the peak of 2.8 earlier this year. The decline is evidence that the Federal Reserve's interest rate hikes is having an effect in reducing the demand for workers. It will likely further decline in 2023, but we may be hard pressed to get to the state of the labor market in which talent and available workers are abundant like they were before 2016.

Labor Force Participation Rate

January 1976 to November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor

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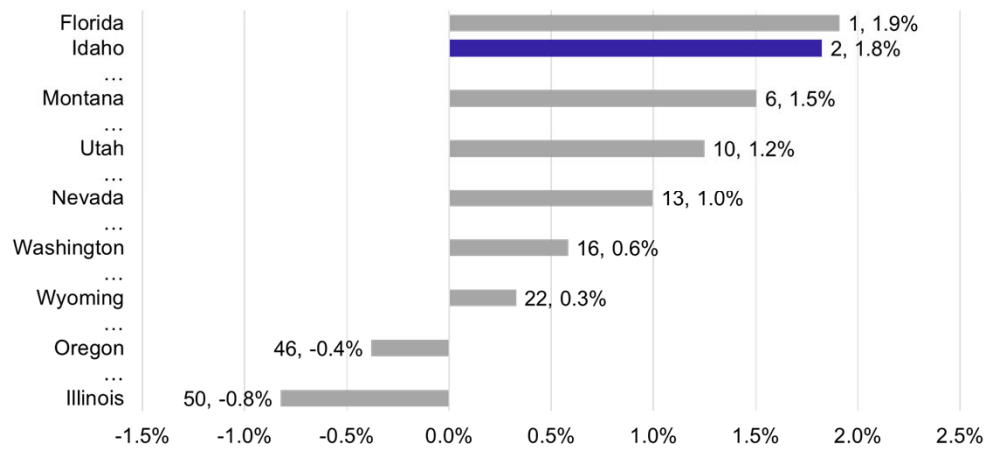
- a. The reason that the labor supply is a challenge for employers looking to fill open and new positions is best explained by the labor force participation rate.
 - b. This is the proportion of the civilian non-institutionalized population that is either employed or looking for work if unemployed.
 - c. The civilian non-institutionalized population is an estimate of those 16 years and older and does not include those in the military or institutionalized. This number is estimated by the Bureau of Labor Statistics using Census Bureau data.
 - d. Idaho's current participation rate is 62.5%.
 - e. Idaho's all-time average LFPR to date is 66.7%, peaked at 71.4% in September 1998. Its lowest point was 61.8%, held from December 2021 to February of this year.
 - f. The climb from 1976 to the 1998 peak was due primarily due to women joining the labor force fully in those two decades, as well as both the Baby Boomer and Gen X generations being in the prime working ages between 24 and 54.
 - g. The decline has commensurately been due to the aging out of older Americans, starting with the Silent Generation that were born in the World War II era, followed by the Baby Boomers, the first of which began entering retirement age around 2009.
 - h. Due to the demography of the population and well-earned retirements of the Baby-Boomer generation, we anticipate the participation rate to stay near this range for the foreseeable future.
 - i. Idaho is above the national average LFPR of 62.1%, and among its surrounding states,

Idaho has the fifth highest participation rate:

1. Utah: 67.9% - 5th in the nation
 2. Washington: 64.4% - 14th
 3. Oregon: 63.1% - 22nd
 4. Wyoming: 63.0% - 23rd
 5. Idaho: 62.5% - 24th
 6. Montana: 62.4% - 26th
 7. Nevada: 61.1% - 32nd
- a. Nebraska has the highest LFPR with 69.4%.

State Population Growth

Percentage growth 2021-2022 with rank, Idaho and neighboring states



Source: Census Bureau, Idaho Department of Labor

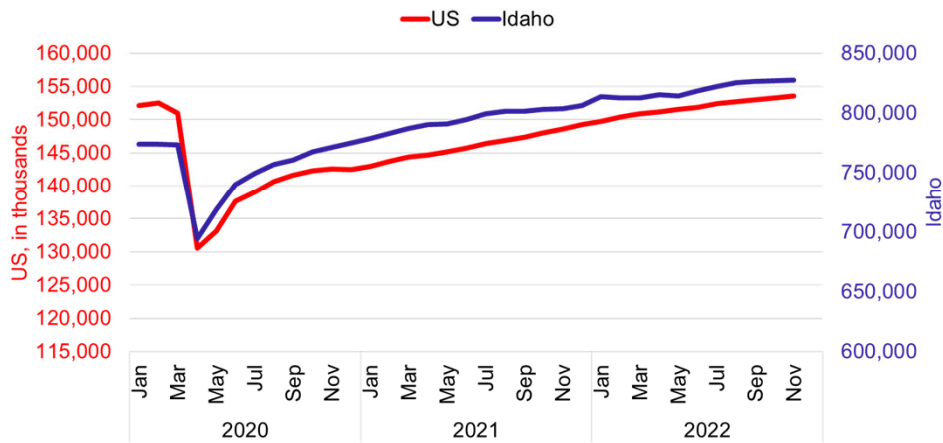
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- a. Data released by the U.S. Census Bureau shows that Idaho's population increased by 1.8% from 2021 to 2022. This was the second largest percentage change in the nation.
- b. This was the first time in five years Idaho has not had the nation's largest population percentage increase.
- c. Even while this year's 1.8% is second in the nation, it is a substantial reduction from the 3% change in 2021 and the 3.4% change in 2022. Both of these figures were initially reported at 2.9% when the Census first released them and were subsequently revised up.
- d. Idaho's 1.8% increase represents 34,719 new residents in the state. Of these:
 - i. 87.8% came from 30,483 migration, of which 94% was domestic.
 - ii. Only 12.2%, or 3,686, of Idaho's population increase in 2022 was due to natural population increase — the number of births minus deaths.
- e. Idaho's 1.8% change was four times the national percentage increase of 0.4%.
- f. Florida's 1.9% was the largest percentage among the states, and the nation's southern region experienced the larger population increase as factors that include remote work and housing affordability keep current residents and attract new ones.

Total Nonfarm Jobs in Idaho

January 2020 to November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor

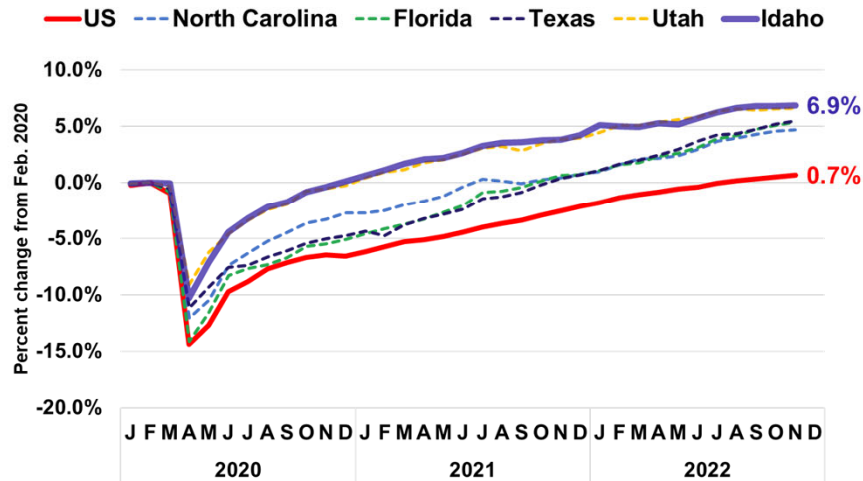
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- Idaho's increasing population has helped the state add jobs to its economy.
- As of November 2022, Idaho's nonfarm jobs totaled 827,400, increasing by 500 jobs from October (0.1%) and 23,800 (3.0%) from the previous November.
- For the same time period, the nation's nonfarm jobs also increased by 263,000 (0.2%) month to month and 4.9 million (3.3%) year to year.
- Like with other measures in the labor force, Idaho has performed better than the national average in the growth of jobs. By measuring changes from the peak of job growth before the pandemic, we can really see how Idaho's job growth performance stands out.

Total Nonfarm Jobs

Top states above pre-pandemic levels as of November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor

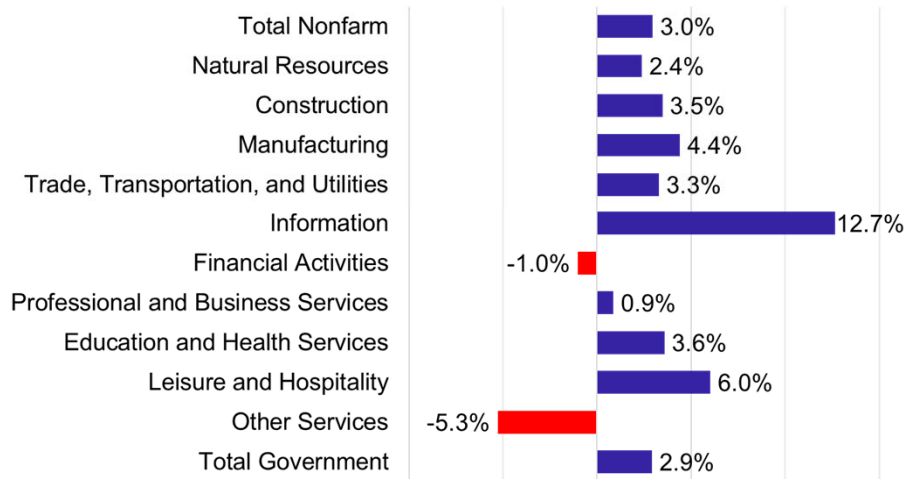
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- For this, we take the level of jobs held in February 2020, the month before the economic turmoil caused by the pandemic and measure the change from that point.
- Measuring the changes in jobs from the pre-pandemic peak in February 2020, Idaho stands at 6.9% above this level in November. This increase leads the nation.
- Idaho was the first state to recover its job level in December 2020.
- Since then, Idaho and Utah have been trading the top spot of this measure back and forth.
- It was only late last year that the U.S. average reached the recovery point to the pre-pandemic peak and stands at 0.7%.
- Job levels for 24 states are still below the levels before the pandemic.

Idaho's Nonfarm Jobs

by industry sector from November 2021 to November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor

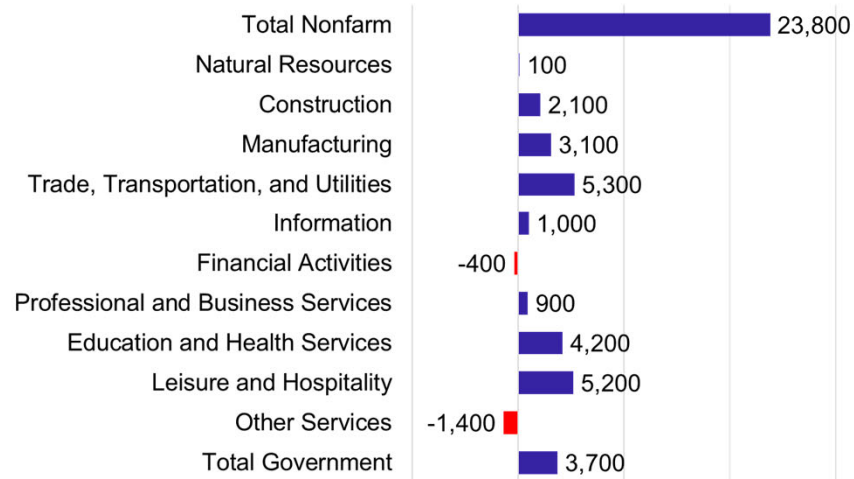
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- a. Looking at the changes from November 2021 to November 2022, we can get a sense of how the variety of industries in Idaho contribute to Idaho's strong job growth.
- b. Idaho total nonfarm jobs increased by 3%, and all but two had robust increases over the last year.
- c. Information's 12.7% was the largest percentage increase.
- d. The top increases were seen in:
 - i. Leisure and hospitality: 6%
 - ii. Manufacturing: 4.4%
 - iii. Education and health services: 3.6%
 - iv. Construction: 3.5%
- e. Sectors with declines include:
 - i. Financial activities: -1%
 - ii. Other services: -5.3%

Idaho's Nonfarm Jobs

by industry sector from November 2021 to November 2022



Source: Bureau of Labor Statistics, Idaho Department of Labor

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- a. This is the same analysis as the previous slide but with the numeric change in place of percentage change.
- b. Of the 23,800 increase in Idaho's nonfarm jobs from November 2021 to November 2022:
 - i. Trade and transportation: 5,300
 - ii. Leisure and hospitality: 5,200.
- c. Information's 12.7% increase represents 1,000 jobs.
- d. The declines represent a change of 1,800 jobs with:
 - i. Financial activities declining by 400, and
 - ii. Other services declining by 1,400.
- e. The decline in financial activities is the most tangible evidence of the effect interest rate increases have had on Idaho's economy.

Key Projected Growth Industries

Projected growth, Q1 2022 to Q1 2024



Source: Idaho Department of Labor

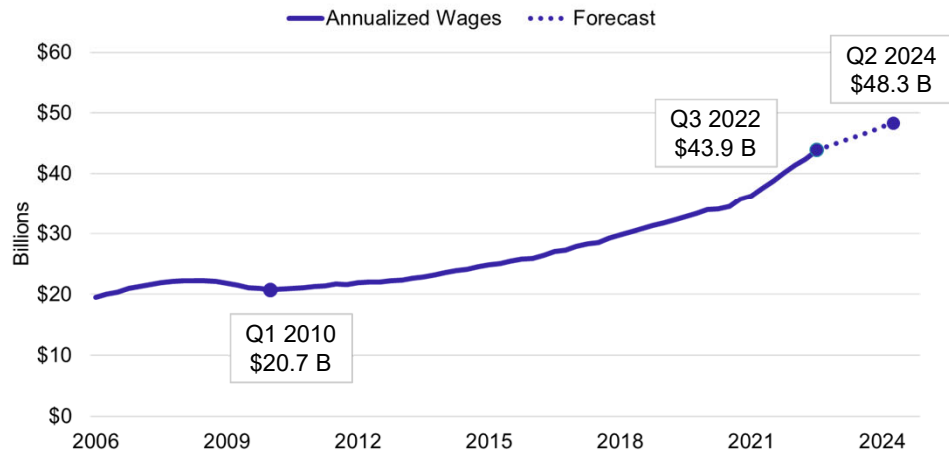
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- a. The top potential movers include:
 - i. Health care and social assistance
 - ii. Construction
 - iii. Education

Total Covered Wages and Salaries

Annualized wages with Q2 2024 forecast



Source: Idaho Department of Labor

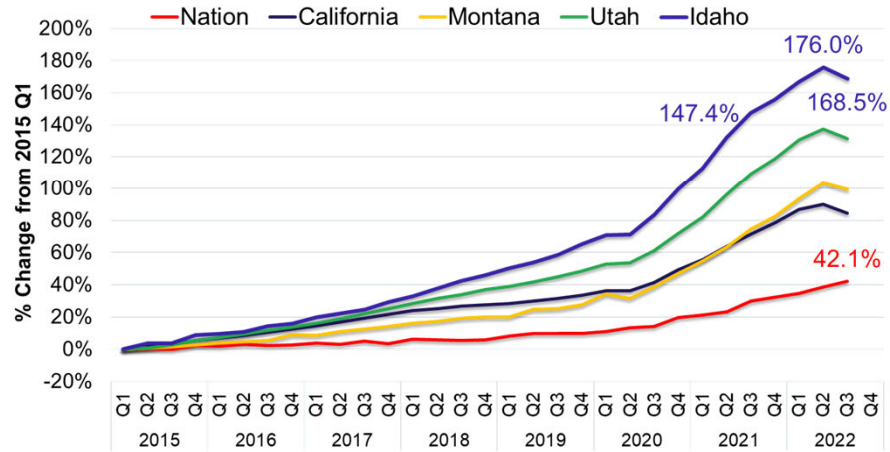
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- a. Idaho Department of Labor analysts anticipate that Idaho's covered wages will continue to increase over the next year and a half.
- b. As a definition, covered just means employment that falls under unemployment insurance law and must be reported to the Idaho Department of Labor.
- c. Annualized total covered wages and salaries:
 - i. From 2021 Q3 to 2022 Q3 increased by \$5.1 billion to \$43.9 billion, an increase of 13.2%.
 - ii. As a comparison, last year I reported a \$4.3 billion/12.5% increase from 2020 Q3 to 2021 Q3.
- d. In the most recent two years, Idaho's total covered wages increased nearly as much as during the six years from 2015 Q3 to 2020 Q3.
- e. This is the result of both wage increases and increases in the total number of employed.
- f. Department analysts expect that by Q2 of 2024, the annualized total of Idaho covered wages and salaries will reach:
 - i. \$48.3 billion
 - ii. Increasing by 10% and \$4.4 billion from third quarter 2022.
- g. The anticipated increase is a conservative approach that anticipates Idaho's labor force and population growth will moderate. The recent Census population estimate seems to be bearing out that rationale.

House Price Index

2015 Q1 to 2022 Q3



Source: Federal Housing Finance Agency, Idaho Department of Labor

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- As measured by the Federal Housing Finance Agency's index, Idaho's home prices stand 168.5% above their 2015 Q1 level.
- While this is higher than the 147.4% level I presented to you last year, it is 17 percentage points below the peak of 176% for the second quarter of this year and evidence that the Federal Reserve's action on interest rate is having an effect on the home market of Idaho.
- The last decrease in Idaho's home price index was 2011 Q2.
- The national home price index still increased in 2022 Q3

Housing Price Index

2015 Q1 to 2022 Q3, 2015 Q1 to 2022 Q2 for income measures



Source: Bureau of Economic Analysis, Federal Housing Finance Agency, Idaho Department of Labor, St. Louis Federal Reserve

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- The recent shift in home prices is no doubt welcome for a market that has endured nearly a decade of ever accelerating increases. However, the difference between the increases in home prices and wages still presents a challenge for Idaho residents and potential new entrants looking to move here for employment.
- We provide three different measures of income to be thorough, but regardless of how income is calculated, there is not much variation, ranging from 27.5% to 35.7% increases.
- This increase in wages is about 25% below the national increase in home prices and is about five times less than the home price index for Idaho.

Summary

- Idaho's economic strength continues to lead the nation.
- It ranks among the lead states with jobs above pre-pandemic levels.
- The largest job increases in the next two years are expected in health care and construction sectors.
- Labor force supply limitations will be a long-term challenge.
- Wages have increased, but housing scarcity and prices continue to pose a challenge to labor force and job growth.

Thank you.

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