Montana, much like the rest of the nation, is in the midst of a slow economic recovery with unemployment maintained at levels not seen in decades. Despite the proclaimed end to the “Great Recession,” thousands of Montana’s families continue to feel the effects of the economic downturn. This is especially true for over seventy thousand Montana workers who can’t find work or can’t get the hours of work they need to make ends meet.1

Stagnant, high unemployment is not just a problem for the jobless. A strong economy is dependent upon a strong middle class. This means access to good jobs, wages, and benefits for a hard day’s work. When tens of thousands of Montana workers are unemployed or underemployed, economic growth and prosperity are limited for all Montanans.

It doesn’t have to be this way. The middle class did not just happen; it was built by decades of choices to create an economy that works for everyone. The Montana that we know and love exists because the people who came before us chose to invest in schools and roads, make college affordable, and create strong, safe communities. These are the very investments that support a strong middle class. Now, more than ever, we need more of these investments that support economic security and stability.

We can make deliberate policy choices that restore a strong middle class, and help create prosperity for all Americans, not just those at the top.

This issue of the State of Working Montana focuses on the unemployed and underemployed in our state; they are the workers who have been most affected by recession, yet still feel no relief from the sluggish and jobless recovery. These workers continue to seek employment, while often struggling to meet their families’ basic needs.

Montana has not seen so many people looking for work in the thirty-five years of published Bureau of Labor Statistics data. In September 2011, approximately 38,000 Montanans could not find jobs.2 Still, thousands more need more hours than their current jobs provide or have become so disheartened by the lack of opportunity that they have given up looking for work completely.
We hope that this report will serve as a reminder to Montanans who want work — or more work — that they are not alone. Pervasive unemployment is certainly not a sign of personal failings or poor work ethic; it is a sign of the policy choices that maintain or exacerbate a basic lack of jobs in our state. At the same time, we hope this report will remind our policymakers that our first and primary focus must be on building an economy in Montana that will encourage job growth. Reducing the jobs deficit, not cutting the state or federal budget, will put Montana’s families and the economy on the path to long-term prosperity.

**Unemployment: Stubbornly High**

Since the start of the Great Recession in December 2007, unemployment in Montana has risen dramatically and remained high. Currently, 7.7% (38,697) of Montana’s workforce is unemployed—they are actively looking for work and unable to find it. Unemployment is more than double what it was at the beginning of the recession and is higher than it was at the official end of the recession (Figure 1). Montana’s jobs deficit, or the difference between the number of jobs Montana has and the number it needs to regain its pre-recession employment rate, is 25,100. That number includes the 10,700 jobs Montana lost during the recession, plus the 14,400 jobs it needs to keep up with population growth.

Unemployment is troubling for more than the jobless. A weak labor market has widespread, negative effects in communities across our state.

Persistently high unemployment leads to lower wages and benefits for those Montanans who have jobs. In addition, these high jobless figures cause economic “scarring.” Unable to get a proper footing at the start of their careers, young workers suffer lower lifetime earnings, older workers see their retirement security vanish, and the productive potential of the economy falls as innovation and investment suffer.

Unemployment insurance can help bridge the gap between jobs for some of the unemployed. However, benefits are substantially lower than previous earnings and less than half (48%) of Montana workers considered unemployed receive unemployment insurance benefits.

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**Employment and Unemployment Defined**

- People with jobs are *employed*.
- People who are jobless, looking for work and available to work are *unemployed*.
- People who do not fit either of the above are *not in the labor force*.

Source: U.S. Bureau of Labor Statistics

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![Figure 1: Montana Unemployment Rate Continues to Rise after Official End of Recession](source: U.S. Bureau of Labor Statistics)
Beyond Unemployment

Long-Term Unemployment at Unprecedented Levels

Figure 2 shows dramatic growth in Montana unemployment and underemployment and a shift toward longer spells of unemployment (underemployment will be discussed in the next section). In fact, despite the economic “recovery,” over 30% of unemployed Montanans have been out of work for more than six months. This figure is three times higher than it was in 2000 and marks the highest extended unemployment rate in thirty years. In other words, not only are Montanans more likely to be unemployed today, but they are more likely to experience long-term unemployment.

Unemployment Understates Labor Market Misery

More Hours Needed

Unemployment is just one measure of hardship in Montana’s labor market. An increasing number of employed Montanans report wanting more hours of work than their current jobs will allow. The underemployed, known as “involuntary part-time workers,” are the victims of weak demand in the labor market (see Figures 3 and 4). Furthermore, these workers often lack the ability to negotiate for more hours of work, because they know many other unemployed workers would accept even a part-time, irregular schedule. The number of “involuntary part-time workers” in Montana has increased by 60 percent over the past decade, rising from 4 percent of the workforce in 2000 to 6.4 percent in 2010. One in sixteen Montana workers gets fewer hours than they want from their job.
Discouraged Workers

Some workers stop looking for work after months of unemployment. They are no longer “actively seeking work,” and thus are no longer considered part of the “labor force” or included in the “unemployed.” These discouraged workers are missing from the traditional measure of unemployment. As a result, their plight is often overlooked. The Bureau of Labor Statistics estimates discouraged workers are less than 1% of the Montana labor force. However, labor force participation rates in Montana have fallen over 5% since 2000. Labor force participation rates can fall for a number of reasons, including aging of the population or an increase in discouraged workers.

Weak Labor Market Hits The Most Vulnerable the Hardest

Opportunity is not distributed evenly across the labor market, nor is unemployment and involuntary part-time work. Figure 5 (on Page 5) illustrates the different experiences for specific groups of workers. For example, men are more likely to be unemployed than women. However, other differences are much starker. For example, young workers and those with the least education are much more likely to be unemployed or involuntarily part-time.

Unemployment varies geographically as well. The map in Figure 6 (on Page 6) shows unemployment rates by county. Workers in northwest Montana face unemployment rates that are double those in eastern Montana.

Conventional measures of unemployment show that American Indians face unemployment rates twice as high as the Montana population as a whole (Table 1). However, measuring unemployment for the American Indian population in Montana is difficult. The conventional method used by the Montana Department of Labor and Industry (and most other research entities) substantially underestimates unemployment for American Indians, particularly on reservations. The conventional definition of unemployment counts only those individuals who are out of work but are actively seeking a job. This definition excludes those who have become so discouraged by the lack of opportunities that they have stopped seeking employment. The prevalence of discouraged workers is particularly large in small communities where social networks are strong, like reservations, where individuals tend to know when a job is available and do not seek work at other times.

Table 1: Unemployment Rates on Reservations in Montana, 2010

<table>
<thead>
<tr>
<th>Reservation</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackfeet</td>
<td>15.9%</td>
</tr>
<tr>
<td>Crow</td>
<td>13.9%</td>
</tr>
<tr>
<td>Flathead</td>
<td>10.1%</td>
</tr>
<tr>
<td>Fort Belknap</td>
<td>N/A</td>
</tr>
<tr>
<td>Fort Peck</td>
<td>9.3%</td>
</tr>
<tr>
<td>Northern Cheyenne</td>
<td>17.1%</td>
</tr>
<tr>
<td>Rocky Boy’s</td>
<td>18.3%</td>
</tr>
</tbody>
</table>

Source: Montana Department of Labor and Industry

Solutions

The problem of unemployment in Montana is devastating to workers, their families, and our entire state. Several solutions exist at both the federal and state level that can limit the amount of anguish experienced by unemployed workers in Montana. The most immediate and pressing policy action at the federal level is the
Figure 5: The Uneven Distribution of Labor Market Misery

extension of unemployment insurance (UI) benefits.

Federally funded unemployment insurance extensions have been a lifeline to the unemployed throughout the Great Recession. Extended UI benefits have helped unemployed workers across the nation feed their families and stay in their homes and out of poverty. Furthermore, these extended benefits have brought millions of dollars to stressed economies.

State unemployment insurance benefits last for 26 weeks for those workers who involuntarily lose their jobs. Since June of 2008, the federal government has offered extensions of benefits beyond those 26 weeks, at no cost to the state. Currently, Montanans who qualify for unemployment insurance benefits can get an additional 47 weeks with the federal extension.\(^\text{11}\)

If Congress does not extend emergency unemployment insurance, 2,200 Montanans will lose their unemployment insurance benefits.\(^\text{12}\) These families will find it virtually impossible to pay their mortgages, buy groceries, and pay for healthcare. In addition to the hardships of these individual workers and their families, the benefit cutoff will harm Montana’s economy. Without benefits, over two thousand workers in Montana will spend less on groceries, household items, and other products and services in their local businesses. In the last fiscal year alone, federal extended benefits brought over $100 million into the Montana economy.\(^\text{13}\)

If these benefits are not extended, the resulting decline in the economy will cost Montana an additional 1,200 jobs, giving unemployed workers even less hope of finding a job.\(^\text{14}\) Putting money into the hands of people who are most likely to spend it right away is the best way to stimulate the economy. Unemployed workers are among the most likely to spend their benefits immediately in order to help meet their families’ basic needs.

Currently, job seekers already face steep odds when applying for positions. For every job opening, there are over 4 job seekers (for contrast, the ratio was 1.1 to 1 in December of 2000).\(^\text{15}\) Thus, for at least three of those job seekers, there is no job available. Receiving unemployment insurance provides incentives for those workers to keep looking, even when facing such steep odds.\(^\text{16}\)

In addition to investing in extended unemployment benefits, there are many opportunities to put Montanans
back to work. As less than half of those unemployed receive unemployment insurance benefits, much more must be done to address our jobs deficit. Policymakers will need to shift their focus from deficit reduction to ensuring that workers have the opportunities available to train for and find adequate, permanent employment. Cuts to education, health care and public safety that are currently being proposed will be devastating. In fact, in order to reduce the budget deficit, we must first begin to resolve our jobs deficit.

Conclusion

Montana has not faced such a difficult labor market in generations. The state currently has a jobs deficit of 25,100, over two years after the Great Recession officially ended. State and federal policymakers need to focus on rebuilding our economy and ensuring that every American has the opportunity to find employment that will allow them to support their families and contribute to their local economies.

We can have an economy that works for all of us, but we have to make the right policy choices to create it. It will not happen by accident. The most pressing need is to reauthorize the extended unemployment insurance benefits at the federal level. This will bring millions of dollars into the Montana economy and help families struggling with unemployment. In addition, policymakers must turn their focus to building the middle class through investments in schools, roads, safety and other important elements of strong communities.
Endnotes


3. Ibid.

4. Ibid.


16. Unemployment Insurance recipients must demonstrate that they are actively looking for work.