

Jobs and the Massachusetts Economy, Labor Day 2011

INTRODUCTION

After a deep recession that officially began in December of 2007 and ended in June of 2009, the US economy is now in a period of weak and fragile recovery, one that features both slow growth and high levels of unemployment. For many Americans, the current recovery feels little different than the recession itself.

This certainly holds true for the many Massachusetts families who have felt the direct effects of this historic downturn - Labor Day 2011 offers little cause for celebration among the Bay State's thousands of unemployed and underemployed workers. By many measures, however, Massachusetts has fared far better than most other states during the Great Recession and its aftermath. We have experienced lower rates of unemployment, lost a smaller share of our jobs, and maintained higher median wages for many of our workers.

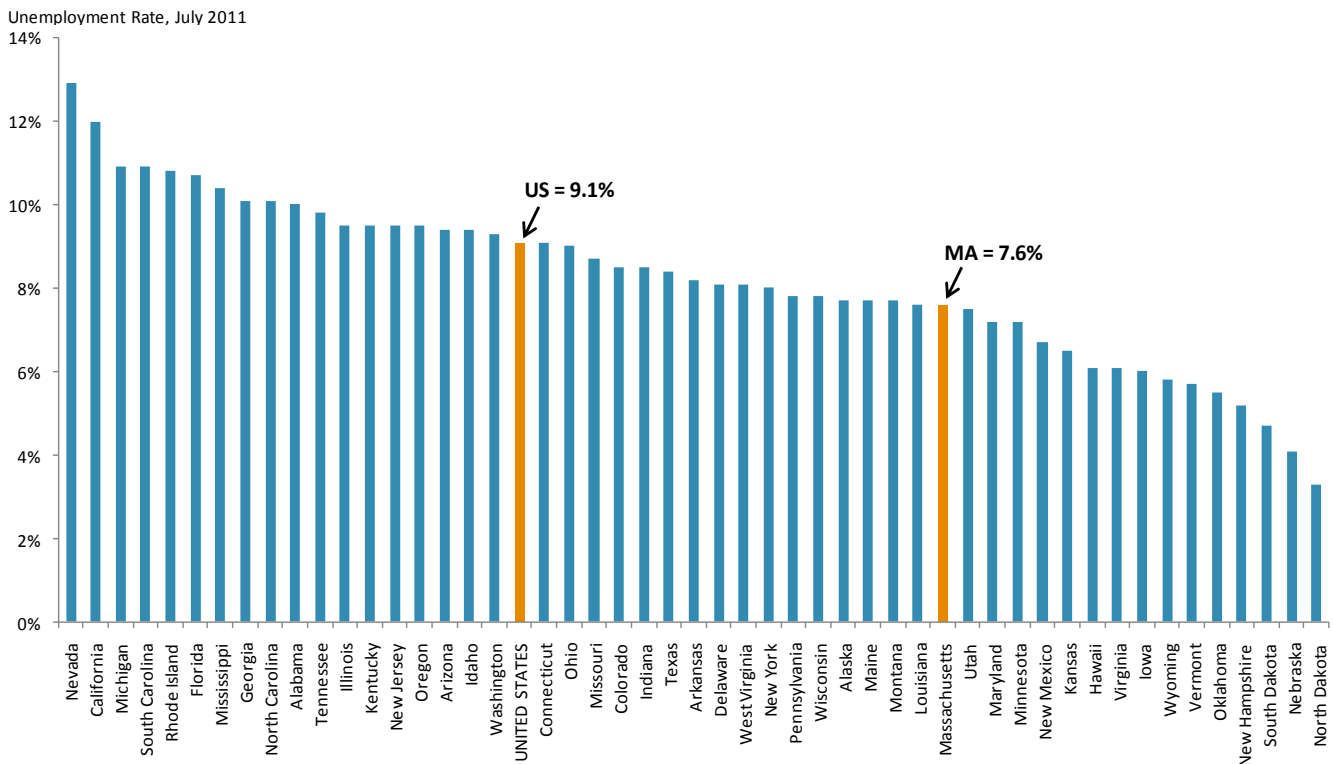
Still, both the national and state economies have a long way to go toward achieving the levels of robust growth that can generate good quality jobs, reduce unemployment rates quickly, and boost wages for a broad swath of low and middle income workers. The real solutions to our near term economic challenges are to be found at the national level through the application of additional, substantial fiscal stimulus and other measures aimed at job creation (see Berger and Tannenwald, June 2010: http://www.massbudget.org/documentsearch/findDocument?doc_id=729).

State level policies, however, can have important long term effects on the state's overall economic growth, job growth and job quality. Massachusetts's prior decisions to invest in education and to raise the state's minimum wage have helped to mitigate the effects of the national economic crisis here in the Commonwealth. Further action in these areas can help prepare the state to take advantage of future opportunities when a more robust national economic recovery eventually takes hold.

UNEMPLOYMENT

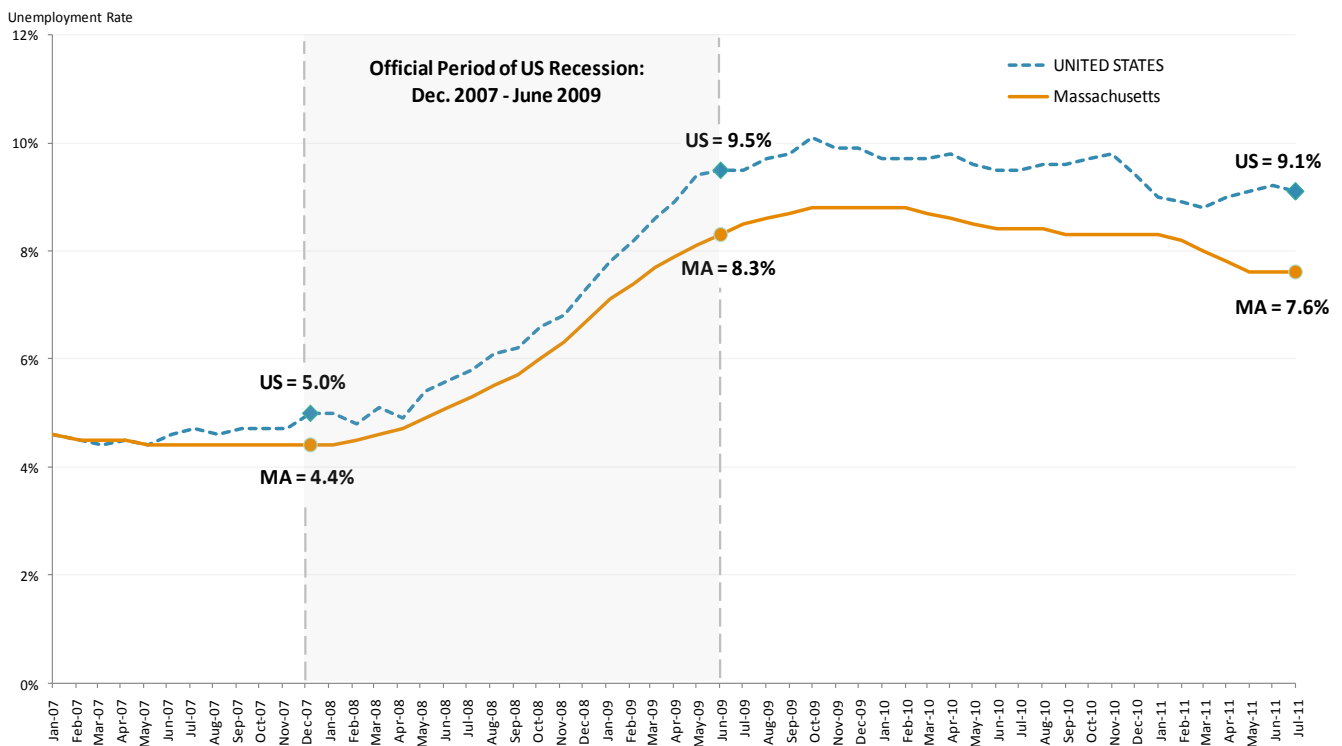
Forty-three months after the start of the Great Recession, Massachusetts has lower levels of unemployment than most other states.

Massachusetts Has Lower Levels of Unemployment Than Most Other States



In addition, Massachusetts has maintained lower unemployment rates than the US throughout the duration of the Great Recession and its aftermath.

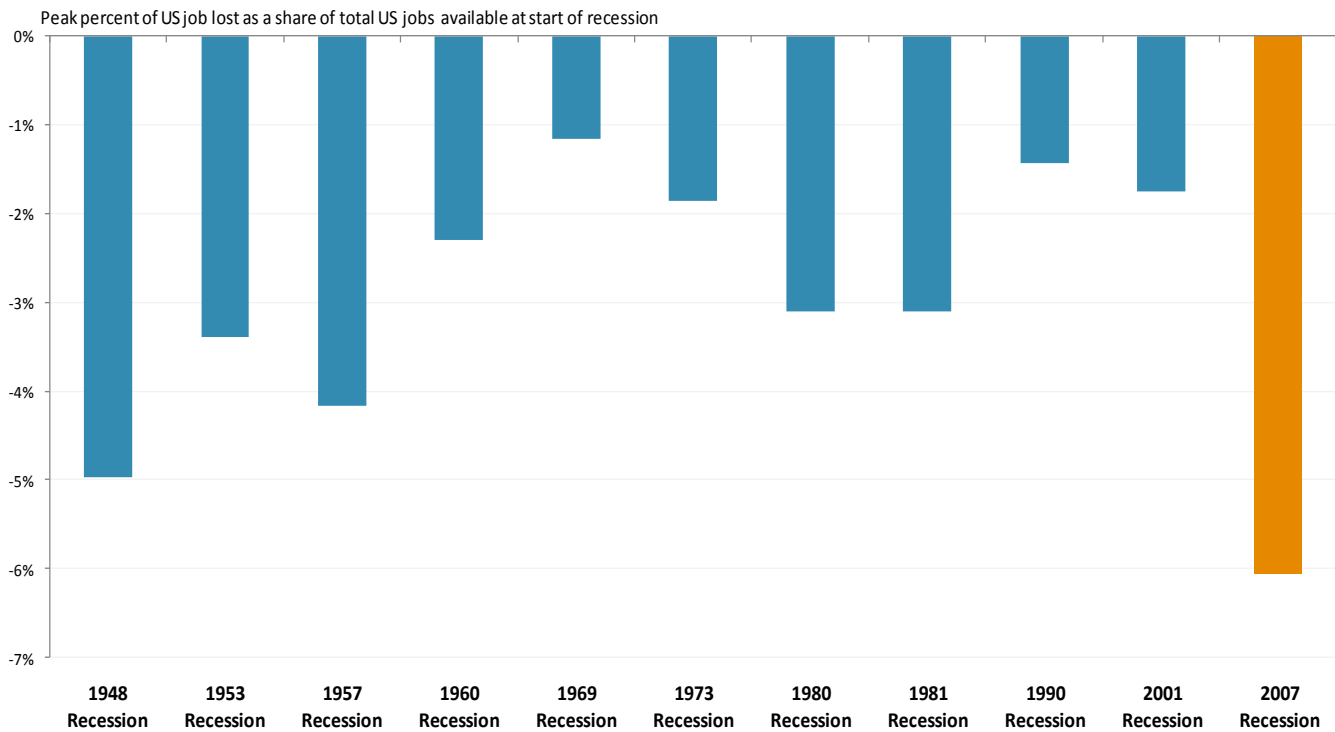
Throughout the Great Recession and Its Aftermath, Massachusetts Has Maintained a Lower Unemployment Rate Than The US



JOBS

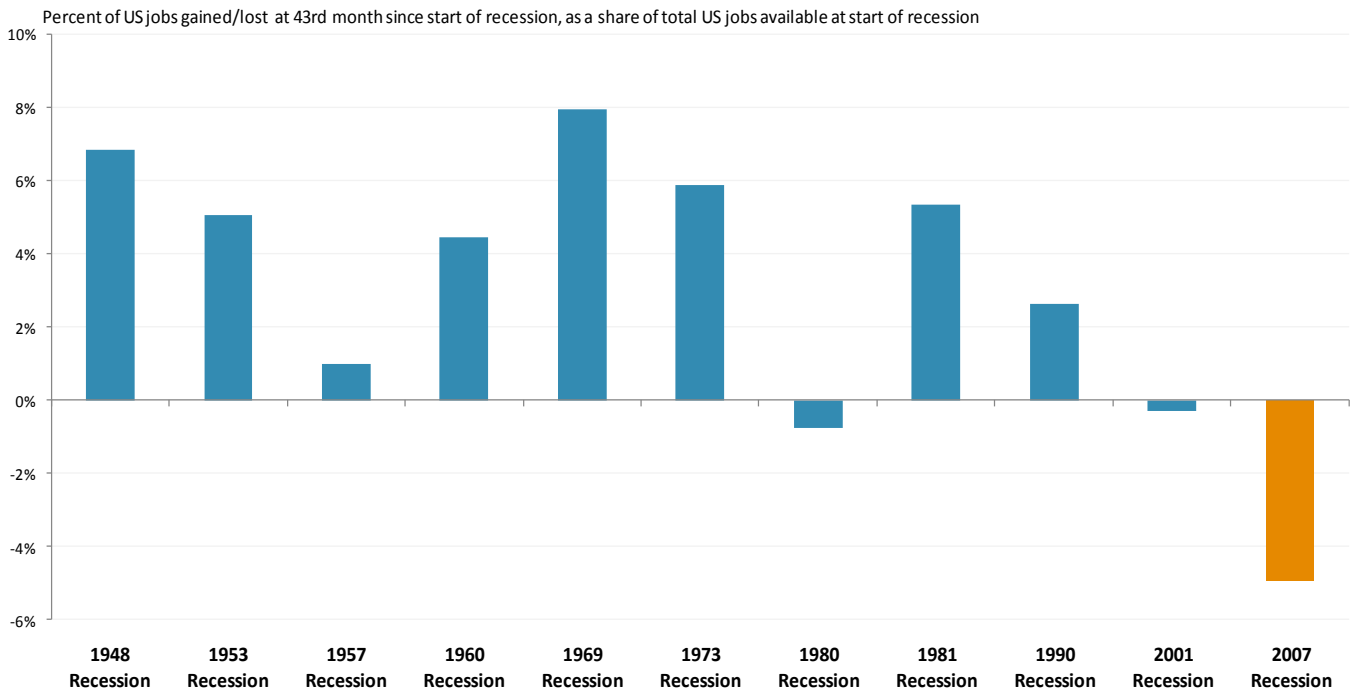
The most recent recession is the worst on record for the US since the Great Depression in terms of the peak share of jobs lost. By this measure, the depths of the recession in terms of share of jobs lost was reached in February of 2010, with the US having shed 6.2 percent of the jobs it had in December 2007, the official start of the recession.

**The 2007 Recession is The Worst Since The Great Depression
for Peak Percent of US Jobs Lost**



At the same time, it is taking much longer for the US to regain these lost jobs than in past recessions. As of July 2011, forty-three months from the official start of the Great Recession, the US continues to have 4.9 percent fewer jobs than were available at recession's start. Historically, this many months from the onset of a recession, the US typically has regained all the jobs lost during the recession and added substantially to the number of jobs available in the economy. In the few instances where this has not been the case, remaining job losses forty-three months out have been far smaller in magnitude than is currently the case.¹

The 2007 Recession and Its Aftermath Have Been The Worst Since The Great Depression for Duration of Deep Job Losses

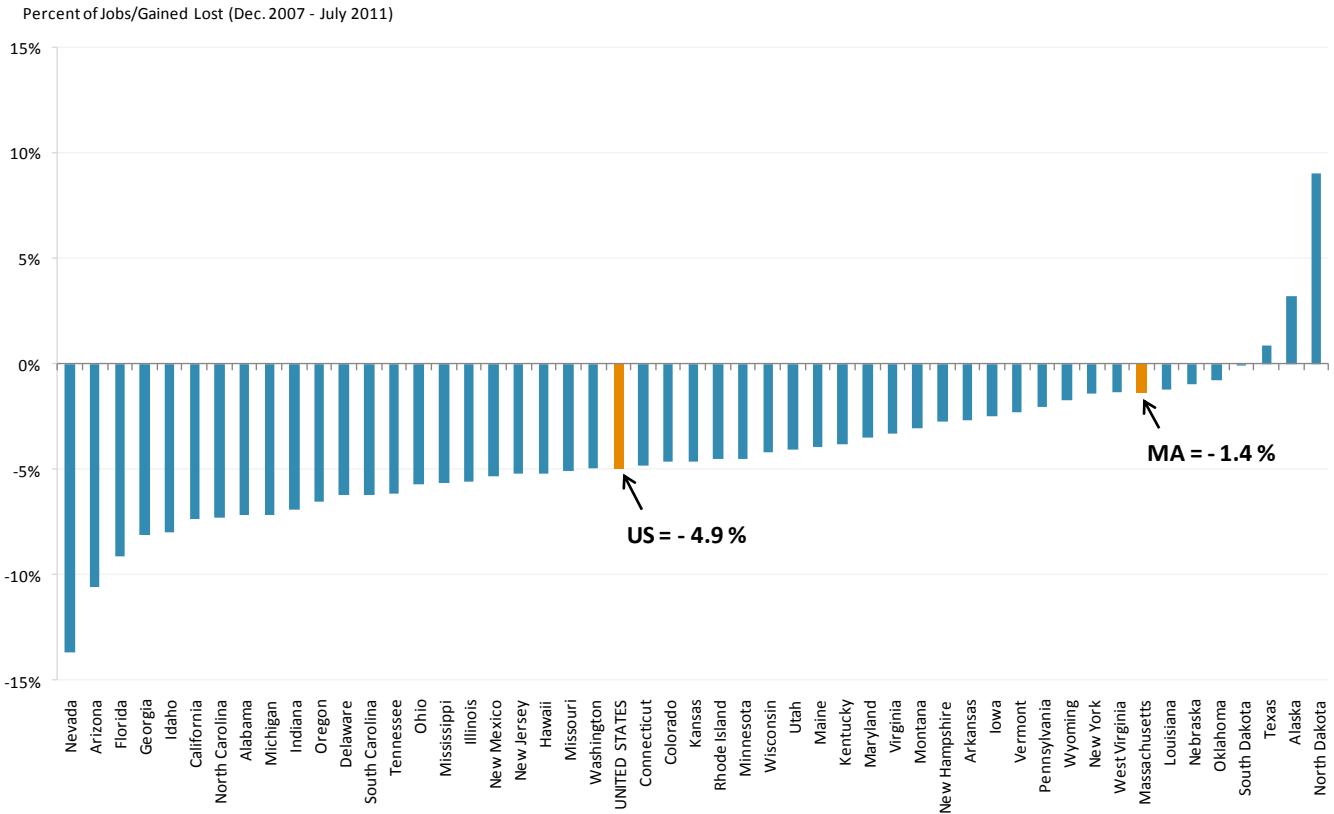


* The most current data presently available run through July 2011, the 43rd month since the 2007 recession officially began (in December of 2007).

¹ The 1980 and 1981 recessions are best understood as a single, protracted, double-dip recession. The 1980 recession was just seven months long, with all the lost jobs regained within five months of that recession's official end date. Recovery from the 1980 recession, however, was quickly followed by a return in 1981 to another 17 months of recession, after which the nation took most of another year to regain the jobs it again had shed. At 43 months from the start of the 1980 recession, therefore, the nation was still working its way out of this second "dip".

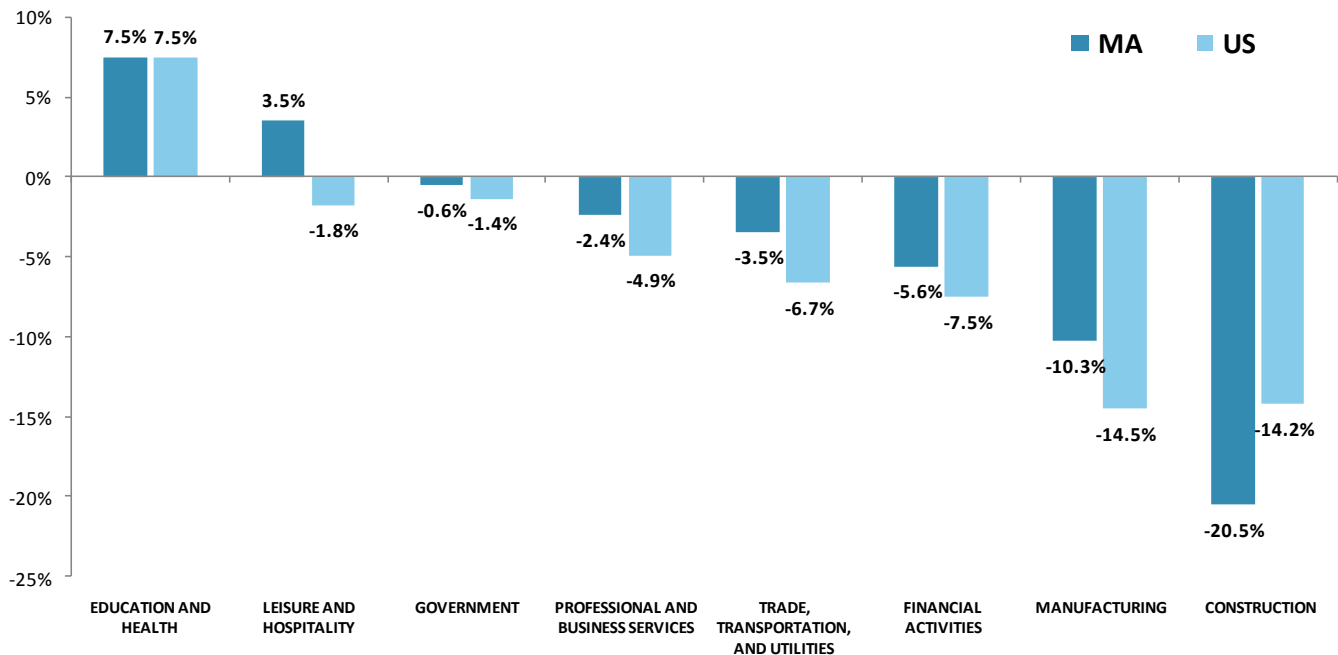
Massachusetts, however, has lost a far smaller share of its jobs (1.4 percent) than most other states have (US average = 4.9 percent).

MA Has Lost a Smaller Percentage of Its Total Jobs During the Current Downturn Than Most States (Dec. 2007 - July 2011)



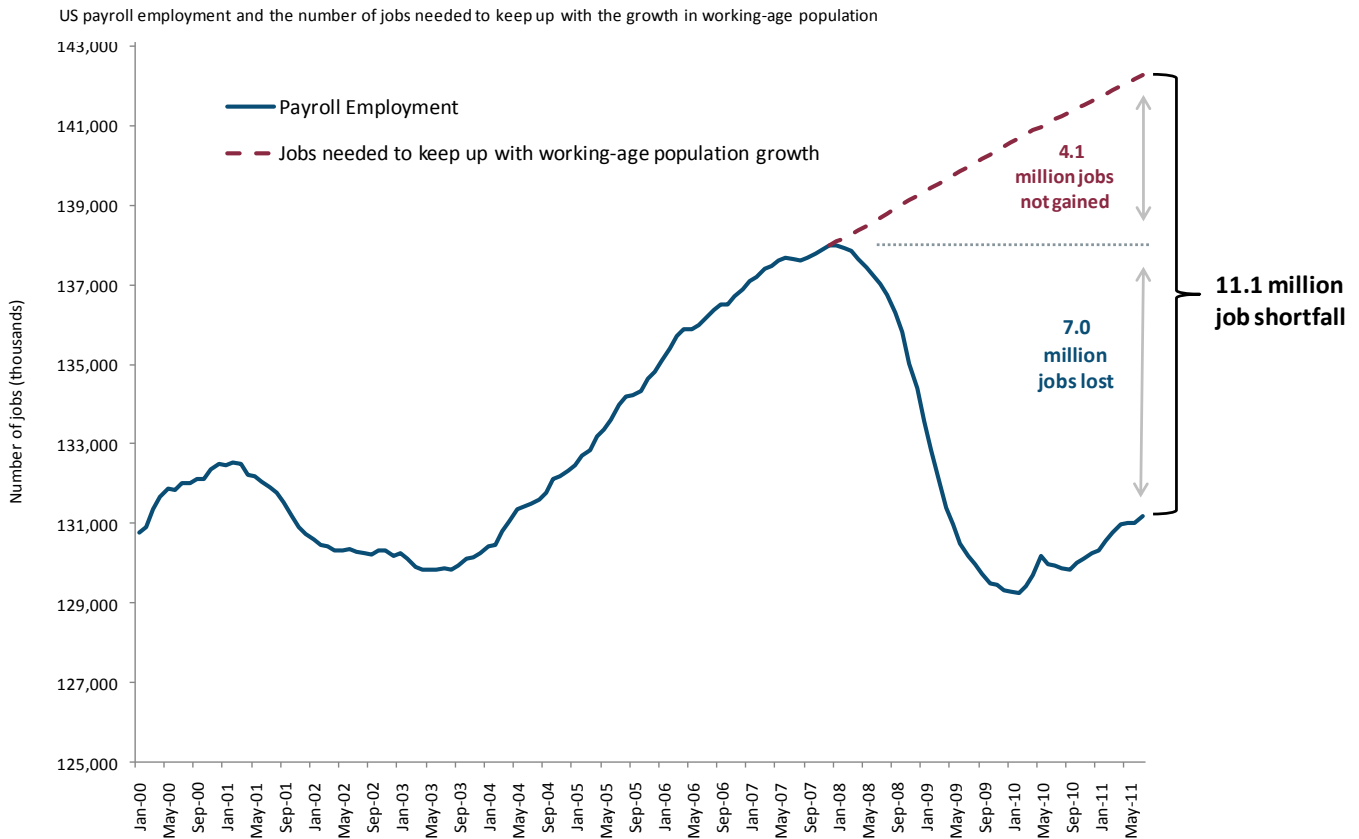
The jobs that have been lost in Massachusetts to date – a net loss of some 46,000 since the start of the recession in December 2007 – have not been spread evenly across all employment sectors. Both Construction and Manufacturing jobs have been hard hit, while the Education and Health sector and the Leisure and Hospitality sector both have seen modest growth in the number of jobs available in Massachusetts. With few exceptions, a similar pattern of sectoral job losses/gains has been true for the US as a whole as well.

In Massachusetts and US, The Share of Jobs Lost or Gained Has Varied Substantially by Employment Sector (Dec. 2007- July 2011)



As noted above, at the same time that the nation lost a record share of its jobs during the Great Recession, it also has failed to produce many jobs since the recovery officially began. Simultaneously, the population of working age adults has grown throughout this period. The result is a combined shortfall of more than 11 million jobs needed in order to restore the US economy to rates of employment in effect prior to the recession's onset.

**From The Start of The Great Recession To The Present (Dec. 2007- July 2011),
The Total US Job Shortfall Is Over 11 Million**

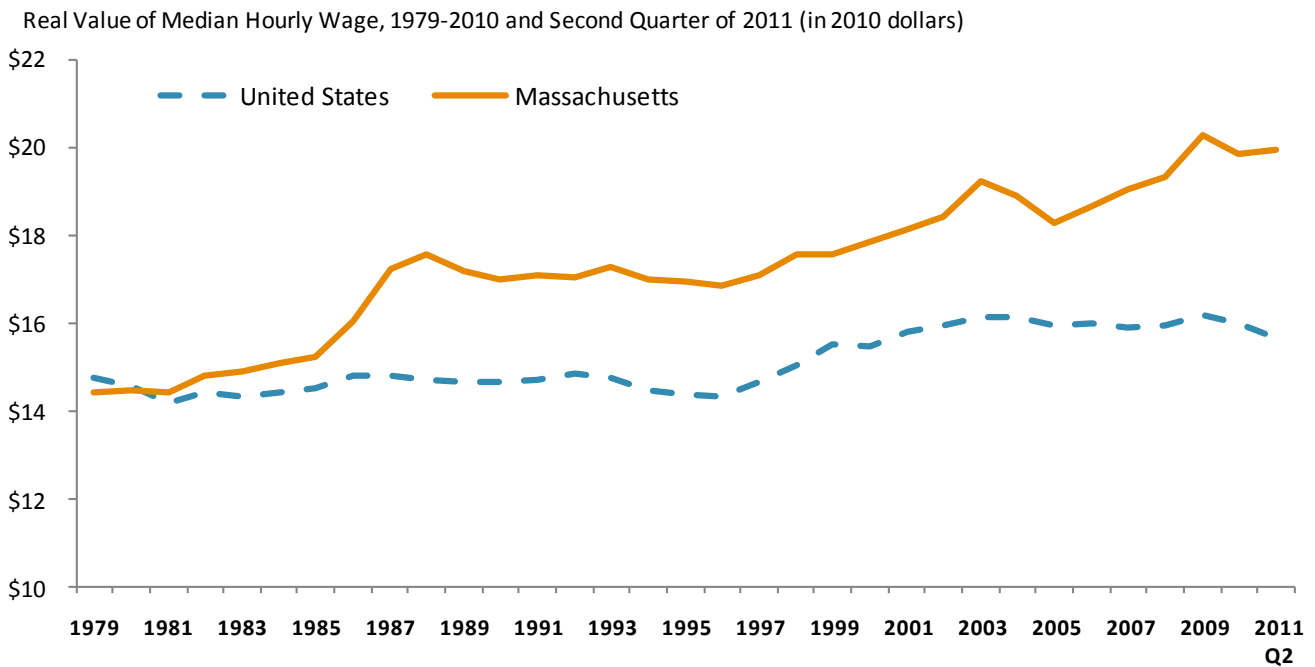


Source: EPI analysis of Bureau of Labor Statistics data.

WAGES

In terms of wage growth, Massachusetts has also done better than most other states, especially looking at the experience of the last three decades. Between 1979 and 2010, the state's hourly median wage grew at an average annual rate of 1.0 percent above inflation, more than three times faster than the average U.S. growth of 0.3 percent. Median wage growth in Massachusetts outpaced that of every other state; only the District of Columbia reached a similar level of growth.

In Recent Decades Median Wages Have Grown Faster In Massachusetts than in Other States

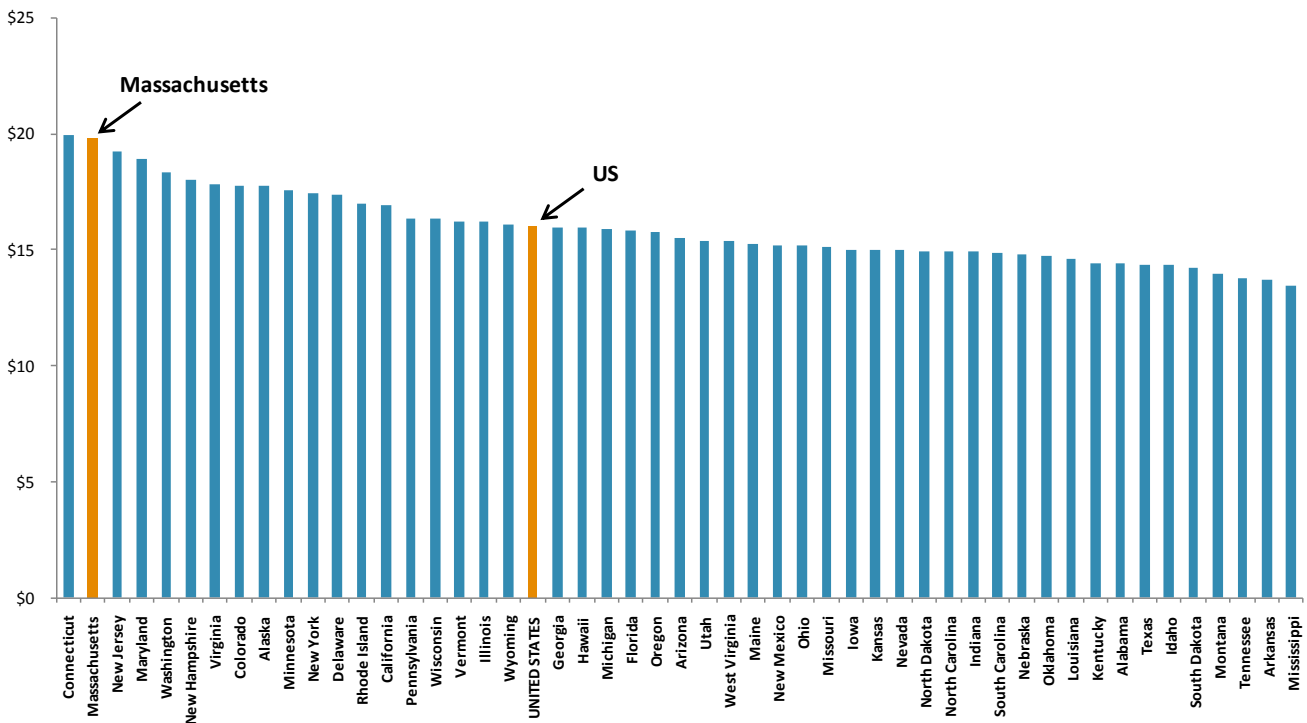


Source: Economic Policy Institute analysis of Current Population Survey data

Given the higher rates of growth in the median wage in recent decades, it is not surprising that Massachusetts has one of the highest hourly median wages in the country. Although the recent recession and higher unemployment have tended to suppress wage growth over the last few years, only Connecticut had higher median hourly wages in 2010, a fact that is likely related to the higher educational levels of the state’s workforce and the types of jobs that the state has been able to attract.

Massachusetts Has a Higher Median Wage Than Most Other States

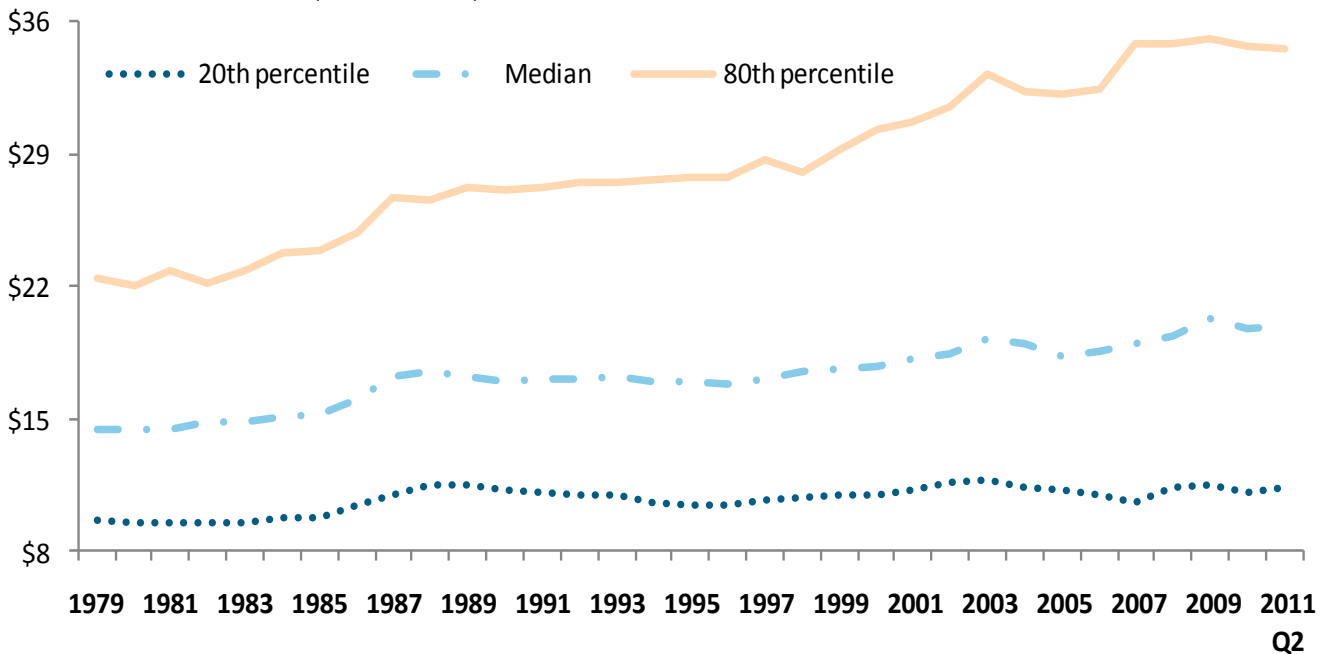
Value of Median Hourly Wage in 2010



While wages in Massachusetts are higher overall, the state’s workers have not shared equally in the growth of the recent decades. After adjusting for inflation, real wages have grown at a steady pace for higher wage earners but growth for lower wage earners has been stagnant. In 1979, wage earners in the 80th percentile earned 2.3 times as much as those at the 20th percentile; today their wages are just over three times higher.

Real Wages Have Grown Faster for Higher Wage Earners and Remained Relatively Flat for Lower Wage Earners

Real Value of Hourly Wage for Selected Wage-Earning Groups in MA, 1979-2010 and Second Quarter of 2011 (in 2010 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey

Although growth in real wages has been tepid for lower wage earners, it appears that that increases in the state's statutory minimum wage (which is higher than the federal minimum wage) may have helped boost wages for this group somewhat. Increases in the MA minimum wage have typically been followed by an increase in the hourly wage for those earning wages slightly above the required minimum level. This trend is consistent with other research that shows that increases in the minimum wage tend to lead to higher wages for all workers at the lower end of the wage earning spectrum, not just those earning the minimum wage.²

Increases in the Massachusetts Minimum Wage Have Typically Been Followed by Wage Increases for Other Low Wage Earners

Real Value of Massachusetts Minimum Wage and Median Hourly Wage for 20th Percentile of Wage Earners, 1995-2010 (in 2010 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data and U.S. Department of Labor

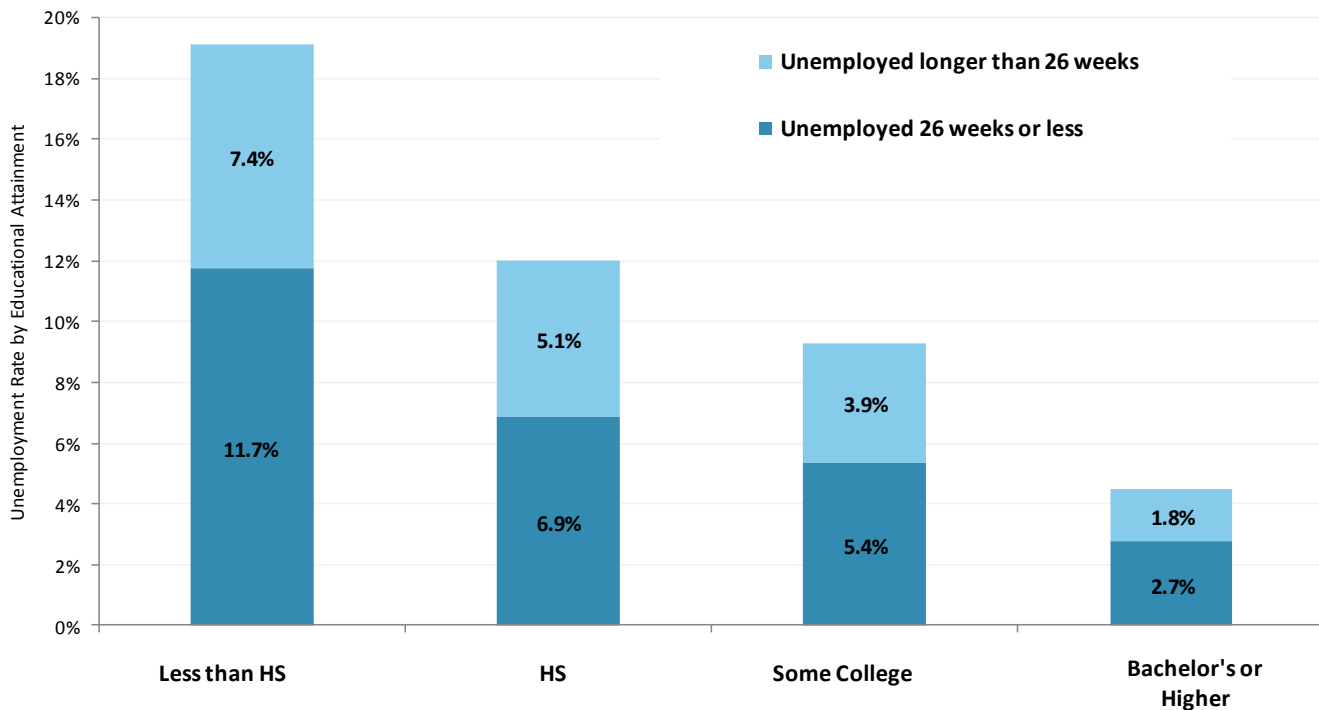
* Years with statutory increase in MA minimum wage (corresponding bars highlighted in orange)

² Spriggs, William and Bruce Klein. 1994. *Raising the Floor: The Effects of the Minimum Wage on Low- Wage Workers*. Washington, D.C.: Economic Policy Institute.

EDUCATIONAL ATTAINMENT

As we have seen, during the latest recession and the current weak recovery, Massachusetts has fared better than many states in terms of its unemployment rate, share of jobs lost and median wage levels. The benefits of the relative strength that Massachusetts has shown, however, have not been shared equally by all the state’s workers. Workers with lower levels of educational attainment have borne the brunt of job losses; these same workers also experienced little or no wage growth even before the recession.

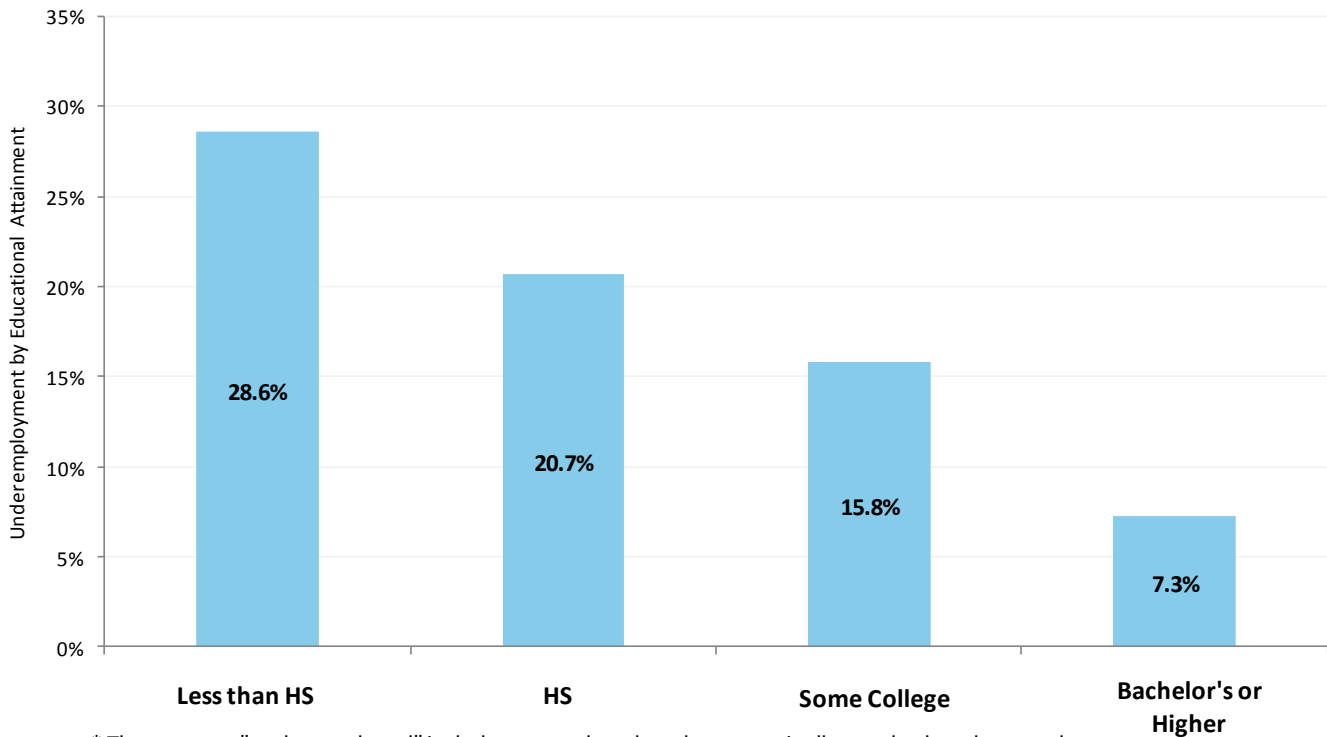
MA Workers with Higher Levels of Education Have Fared Better in The Current Downturn (2010)



Massachusetts workers with less than a high school degree had an overall unemployment rate exceeding 19 percent in 2010, the latest year for which this data is available (see above figure). Included in this total are the more than 7 percent of such workers who had been unemployed for more than 26 weeks. By contrast, Massachusetts workers with a Bachelor’s degree or higher had an overall unemployment rate of 4.5 percent, of which well less than half had been unemployed for more than 26 weeks.

Looking at levels of *underemployment* - a category that includes 1) unemployed workers, 2) those workers who are working part time because full time opportunities are not available, and 3) workers defined as only "marginally attached" to the labor force - it is similarly clear that rates among Massachusetts workers vary greatly by educational attainment.

MA Workers with Higher Levels of Education Have Much Lower Levels of Underemployment* in The Current Recovery (2010)



* The category "underemployed" includes unemployed workers, marginally attached workers, and workers working part time for economic reasons.

This pattern of much higher levels of underemployment among workers with lower levels of education has held constant in good economic times and bad. Whether the economy is doing well or struggling to return to robust growth, lower levels of education significantly increase the likelihood that a worker will be unemployed or working only part time despite having sought full time employment. Notably, the current downturn has produced unusually high levels of underemployment for all workers relative to recent past experience, but this is especially true for those workers with lower levels of education.

MA Workers with Higher Levels of Education Have Had Much Lower Levels of Underemployment* in Recent Expansions (2000, 2007) and Downturns (2004, 2010)

Underemployment Rate by Educational Attainment

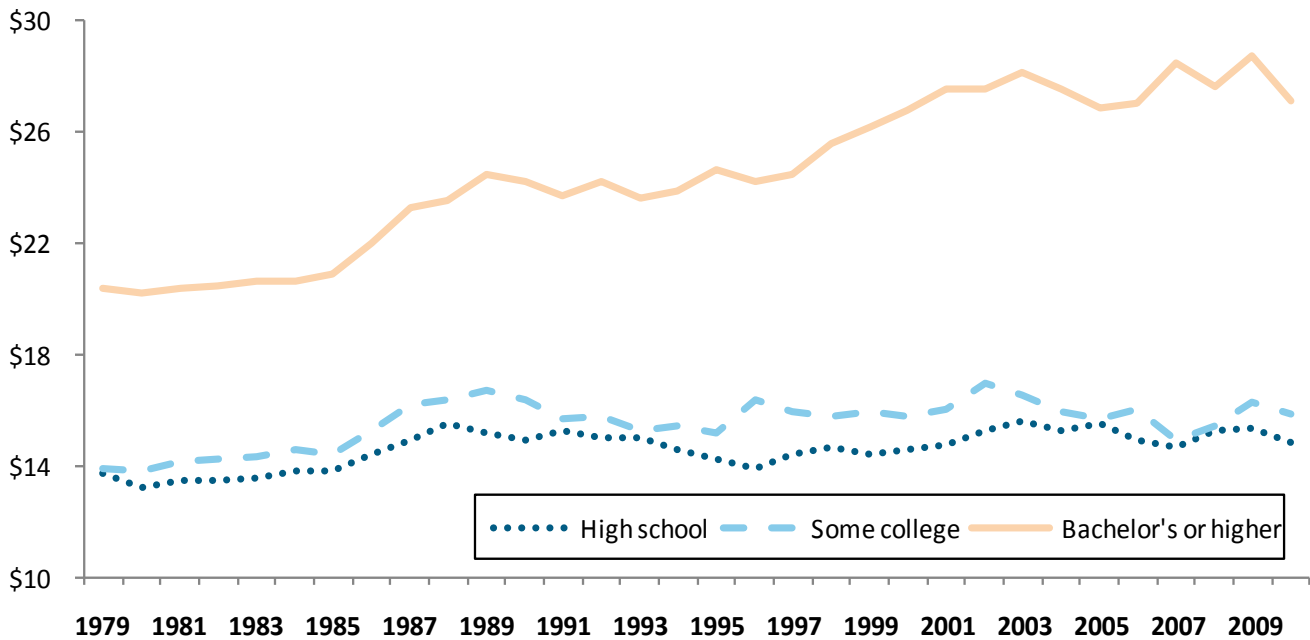


* The category "underemployed" includes unemployed workers, workers working part time for economic reasons, and workers only marginally attached to the labor force.

Over the last three decades, median wages also have varied substantially depending on the level of a worker's education. Wage growth for Massachusetts wage earners with bachelor's or higher degrees has been much more robust than for other workers with less education.

Massachusetts Workers with Higher Levels of Education Have Seen Much Higher Real Wage Growth in Recent Decades

Real Value of Median Hourly Wage for Selected Education Groups In Massachusetts, 1979-2010 (2010 dollars)

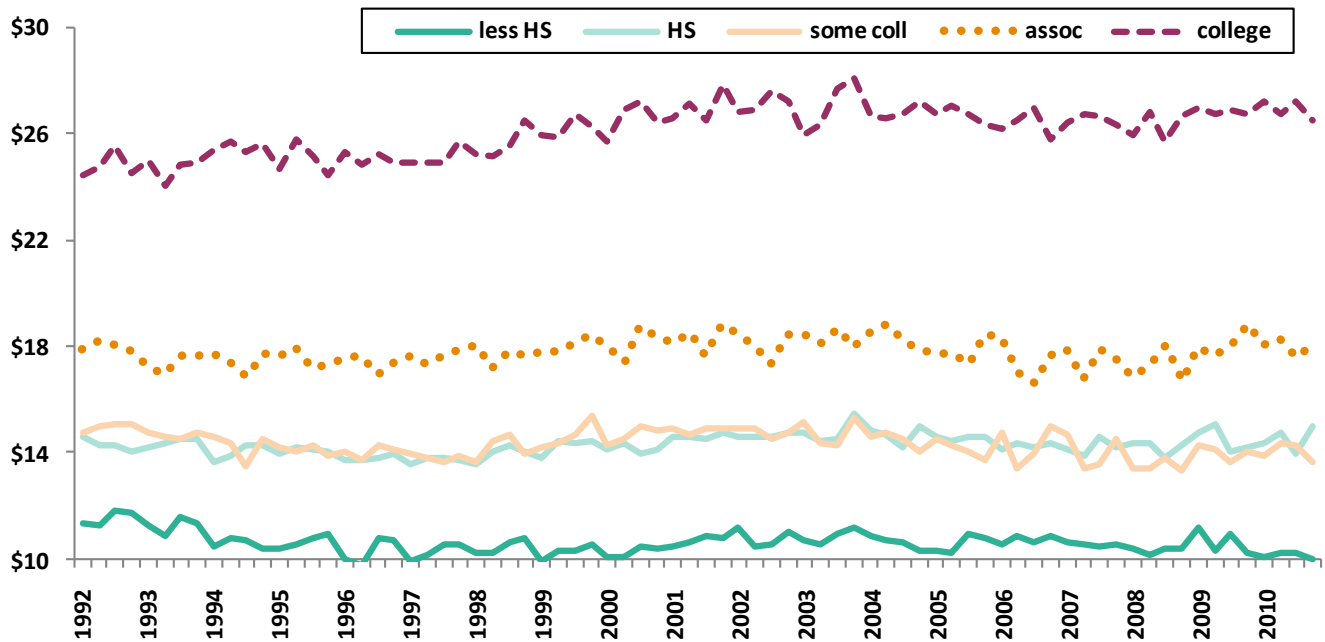


Source: Economic Policy Institute analysis of Current Population Survey data

Taking a closer look at wage differentials between those workers with an associate's degree and those with only some college coursework but no degree, the data show that having an associate's degree raises earning power. (Note that the data here looks at the entire Northeast region; there is not sufficient sample size to do this analysis for Massachusetts alone.)

Workers with Associate Degrees Earn Higher Wages than Less Educated Workers, But Still Lag Behind Those with Bachelor's or Higher Degrees

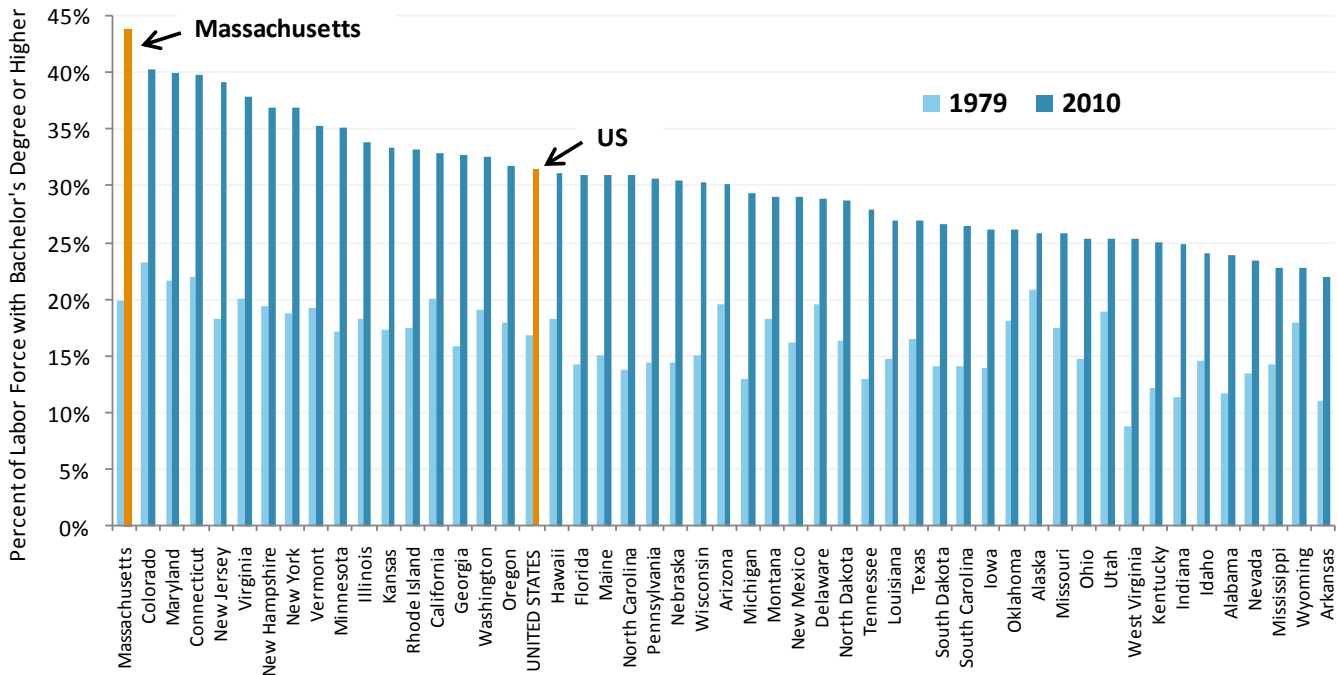
Real Value of Quarterly Median Hourly Wage, Selected Education Groups, Northeast Region, 1992-2010 (moving average, 2010 dollars)



Source: MassBudget analysis of Current Population Survey data

Since 1979, Massachusetts has outpaced the nation in terms of growth in the share of our workforce that holds a Bachelor's degree or higher. Massachusetts now has the most educated workforce of any state in the nation, with 44 percent of the labor force holding a 4-year college degree or a more advanced degree. Having a well-educated workforce has allowed the state to attract and grow jobs that command higher wages and, given our clear advantage in educational attainment, this trend is likely to continue over the long term.

A Greater Percentage of The Massachusetts Labor Force Has A Bachelor's Degree (or Higher) Than in Any Other State



CONCLUSION

Despite real hardships for many Massachusetts families during the Great Recession and its aftermath, overall, Massachusetts workers have fared better than those in most other states during this historic downturn. We have experienced lower rates of unemployment and lost a smaller share of our jobs. High levels of educational attainment in the Massachusetts work force have allowed us to maintain higher median wages for many of our workers. At the same time, our higher minimum wage has helped raise wages for lower wage workers who typically have less education.

While the *near term* solutions to slow overall economic growth, high rates of unemployment and weak wage growth for most workers lie primarily at the national level, in Massachusetts we can adopt policies that set the stage for shared prosperity over the *longer term*, when a stronger national recovery takes hold. Maintaining and cultivating a well-educated workforce can help the state to attract high wage employers, while maintaining an adequate minimum wage can help raise the incomes of our lowest wage workers.