

FACTS AT A GLANCE

Sept. 6, 2009

The State of Working Massachusetts, Labor Day 2009

Massachusetts, like the rest of the nation, has been hard hit by the current recession and the state's workers are feeling the pain. As is true throughout the country, Massachusetts is shedding jobs by the thousands and the unemployment rate now is approaching highs not seen here since the depths of the recession of the early 1990s.

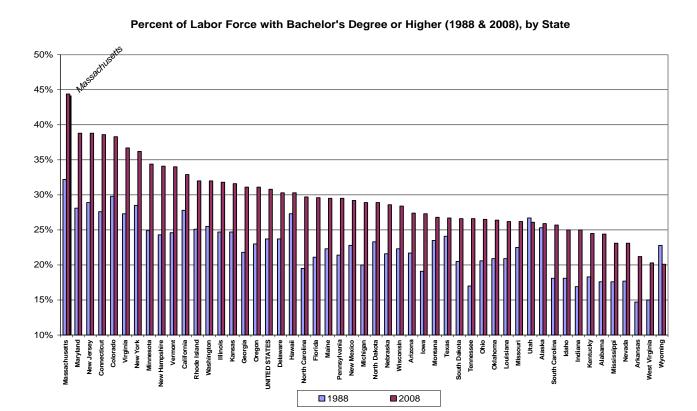
As bad as this is, however, the data also reveal that, by many measures, Massachusetts is faring somewhat better in this downturn than is the US as a whole. The unemployment rate in Massachusetts thus far has remained well below that of the US -- now at 8.8 percent in the Bay State compared to a national figure of 9.4 percent. Similarly, Massachusetts has lost a smaller percentage of its total jobs (-3.2 percent) than has the nation as a whole (-4.8 percent).

MA unemployment now at levels not reached since the early 1990s



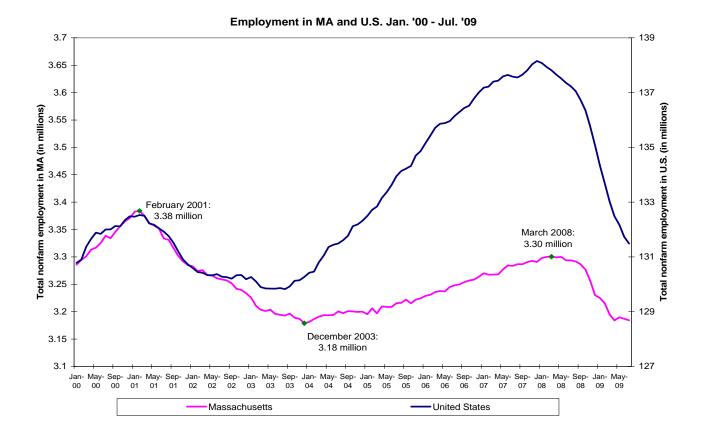
Massachusetts also has some important long-term strengths to build on coming out of the recession. With over 44 percent of the Massachusetts workforce holding a Bachelor's Degree or higher, Massachusetts has -- by a sizable margin -- a larger percentage of highly educated workers than any other state in the nation (the US

average is just 31percent). Workers with higher levels of education not only earn higher incomes overall, but are also less likely to face unemployment during economic downturns. While there have been increases in unemployment among highly educated workers, and rates are even somewhat higher in Massachusetts than in other states, the unemployment rate among college educated workers is approximately one-third the rate among workers with low-education levels, both in Massachusetts and nationally.



Employment

The current recession has produced a sharp loss of jobs in the Bay State and a steep rise in unemployment. After adding some 120,000 jobs since December of 2003 – the bottom of the Massachusetts job trough reached during the 2001-2003 recession – in March of 2008 the Bay State's modest but steady job growth leveled off and the number of jobs in the state began to fall. Even then, initial job losses in Massachusetts were not particularly severe, with the state shedding fewer than 14,000 jobs through to September of 2008 (or about 12 percent of the jobs lost to date). Nationally, by contrast, once the tide turned from job growth to job losses, the decline was abrupt and severe.

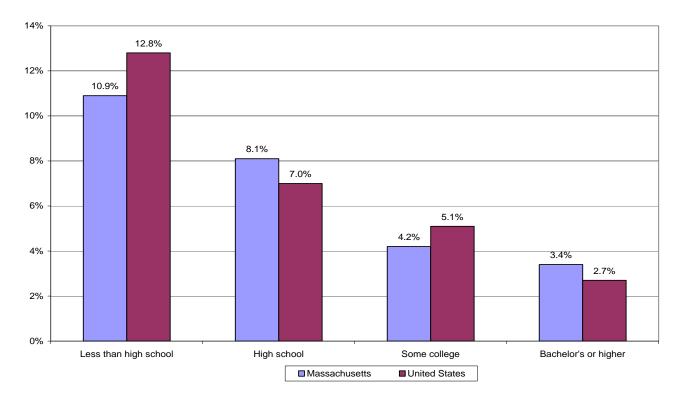


Since September of 2008, however, the rate of job losses in Massachusetts has accelerated, returning Massachusetts almost to the lows set following the 2001 recession. At the same time, the working age population in Massachusetts has continued to grow, expanding the need for employment even as the economy sheds ever more jobs.

As noted earlier, however, in important respects Massachusetts is faring better than many other states and the nation as a whole. Massachusetts now ranks 33rd among states for the percentage of total jobs lost since December of 2007 (-3.2 percent, compared to the US average of -4.8 percent). And our unemployment rate (8.8 percent) is below that of the US (9.4 percent).

High levels of educational attainment among workers in Massachusetts may help explain our above average performance during the current recession. An analysis of US Census data through 2008 (the most current annual data available), shows that less educated workers experience greater levels of unemployment. In 2008, Massachusetts workers with less than a high school education (just 7.9 percent of the work force) suffered unemployment rates of 10.9 percent, while those with Bachelor's degrees or higher (44.4 percent of the workforce) had an unemployment rate of 3.4 percent. The pattern is similar at the federal level, with the least-educated workers experiencing unemployment rates of almost 13 percent and the most-educated workers experiencing rates under 3 percent. With such a large percentage of Bay State workers falling into the high education/low unemployment portion of the workforce, Massachusetts has remained well below the levels of unemployment seen at the national level.

Unemployment by Educational Attainment in MA & US, 2008



Wages

At the national level, between 2001 and 2008, there was very limited real wage growth for most workers and declines for lower-wage workers (the most current annual wage data now available is for 2008). In Massachusetts, the experience was somewhat better, with slow wage growth among lower-wage workers and more significant wage growth among high-wage workers.

14% 12% 10% 8% 6% 4% 2% 0% 20th percentile rcentile 40th percentile 50th percentile 60th percentile 70th percentile 80th percentile 90th percentile (Median) -2% -4%

■United States

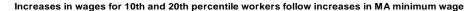
Percent Change in Real Wages by Percentile (2001-2008), MA and US

Clearly, low-wage workers in Massachusetts have fared considerably better than the national average. Though the data presented here do not offer a definitive explanation for this, interesting correlations and trends are evident. Notably, the sporadic growth in real wages for low-wage workers in Massachusetts that began in 1996 has occurred primarily in the years following three sets of minimum wage increases.

■ Massachusetts

What does "percentile" mean in the context of wages?

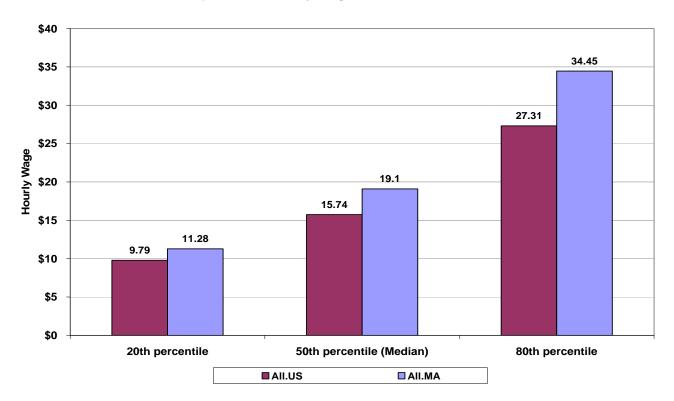
In this report, much of the discussion is focused on the changes experienced by people with different levels of income or wages. This range of incomes or wages is also known as the "income distribution" or "wage distribution". People at the top of the distribution are earning more than people at the bottom. How MUCH more they earn depends on how wide the range is. The term "percentile" is used to locate people within the range or "distribution". If we use a group of 100 people with different wages as an example, the person in the 10^{th} percentile of the wage distribution will have a lower wage than do 90 of the other people in the group. The person in the 50^{th} percentile will be right in the middle of the distribution, with half of the people earning higher wages and half earning lower wages. The person in the 100^{th} percentile will earn more than anyone else in the group.





Looking at the wages of workers across the income spectrum, we see that average wages in 2008 were higher here in the Bay State than in the US generally, continuing a long-term trend. Average hourly wages in Massachusetts for workers in the 20th percentile (\$11.28/hour) exceeded the US average by more than 15 percent; for MA workers in the 50th percentile (\$19.10/hour) wages exceeded the US average by over 21 percent; and for MA workers in the 80th percentile (\$34.45/hour) wages exceeded the US average by more than 26 percent. While Massachusetts workers, as a group, fared better in 2008 than their national counterparts, high-wage workers in Massachusetts fared best of all.

Comparison of Hourly Wages, MA and the US, 2008



Again, the high levels of education enjoyed by many Massachusetts workers may help explain some of these differences. Higher levels of education are associated both with higher wages and with lower levels of unemployment. Many Massachusetts workers may therefore be better positioned to command higher wages than other, comparatively less well-educated US workers.

\$25 \$20 \$15 \$10 \$5

Less than high school

Wages increase with greater levels of educational attainment

Conclusion

Despite significant challenges in the current economic downturn, Massachusetts workers have fared slightly better than US workers generally. Massachusetts also has significant long-term strengths, with the highest share of college-educated workers of any state in the nation, and higher wages than the national average across the income spectrum. Because Massachusetts is also a high-cost state, it is important to maintain and build on the strengths that allow our people to secure high-wage jobs.

High school

Bachelor's or higher

Data sources

This budget brief is based on U.S. Census Bureau and other data compiled by the Economic Policy Institute, a non-partisan research organization based in Washington, D.C., in connection with its annual State of Working America report. This budget brief also examines data collected by the Massachusetts Department of Workforce Training on employment levels and wages in various subsectors of the state's economy.