Workforce Challenges and Solutions in the Maine Forest Products Sector

Maine Forest Products Council Annual Meeting
September 16, 2019

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Maine Center for Business and Economic Research
University of Southern Maine
Employment growth in the Maine economy has been positive…but still lags US growth.
Unemployment is at the lowest level on record; labor force participation has fallen to lowest levels in decades.
Overall labor market conditions are tight across the state

Source: Maine DOL CWRI, 2018
Flat labor force growth and falling LF participation are a result of Maine’s current population profile.
Natural population growth was negative for 14 out of 16 Maine counties between 2010 and 2018.
Components of Population Change, Maine

- **2011**: +518
- **2012**: -459
- **2013**: +505
- **2014**: +2,564
- **2015**: -2,276
- **2016**: +2,886
- **2017**: +3,693
- **2018**: +3,341

Net population change: +3,341

- **Domestic Migration**
- **International Migration**
- **Deaths**
- **Births**

Source: U.S. Census Bureau, Population Estimates Program
COUNTIES WITH POSITIVE NET MIGRATION

2010 - 2018
- Cumberland (10,151)
- York (9,412)
- Hancock (1,408)
- Waldo (1,200)
- Lincoln (1,083)
- Kennebec (1,067)
- Knox (911)
- Oxford (840)
- Sagadahoc (533)

2017 - 2018
- York (1,856)
- Cumberland (1,080)
- Kennebec (386)
- Hancock (382)
- Oxford (366)
- Lincoln (304)
- Sagadahoc (288)
- Somerset (273)
- Franklin (155)
- Washington (85)
- Piscataquis (68)
- Penobscot (51)

Source: U.S. Census Bureau, Population Estimates Program
Total Population, Regions of Maine

Sources: U.S. Census Bureau; State Economist population projections
Maine Population Trends by Age
1950-2026

Sources: U.S. Census Bureau; State Economist population projections
Statewide Summary – Key points

- Population projections show a deficit of 63,000 working age people in 2026 over 2016 levels (*Domestic migration has slightly picked up recently)

- Scenarios will play out differently across the state – rim counties most effected, urban counties may fair slightly better

- Workforce and labor market conditions will continue to be biggest constraint to economic growth and competitiveness

- Geographically concentrated industries with specialized skill sets will need to target recruitment and attraction, both locally and from away
The story across the sector is familiar, though recent developments suggest things are stabilizing, for now...

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Harvesting</td>
<td>3,990</td>
<td>-334</td>
<td>132</td>
</tr>
<tr>
<td>Paper Manufacturing</td>
<td>4,635</td>
<td>-7,620</td>
<td>132</td>
</tr>
<tr>
<td>Pulp, Paper, and Paperboard Mills</td>
<td>3,314</td>
<td>-6,893</td>
<td>190</td>
</tr>
<tr>
<td>Converted Paper Product Manufacturing</td>
<td>1,321</td>
<td>-727</td>
<td>190</td>
</tr>
<tr>
<td>Wood Furniture</td>
<td>882</td>
<td>-613</td>
<td>201</td>
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<tr>
<td>Wood Product Manufacturing</td>
<td>4,875</td>
<td>-2,458</td>
<td>483</td>
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<tr>
<td>Veneer, Plywood &amp; Engineered Wood Product</td>
<td>627</td>
<td>-534</td>
<td>132</td>
</tr>
<tr>
<td>Other Wood Product Manufacturing</td>
<td>2,143</td>
<td>-1,520</td>
<td>115</td>
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<tr>
<td>Sawmills and Wood Preservation</td>
<td>2,106</td>
<td>-404</td>
<td>236</td>
</tr>
<tr>
<td>Forest Products Industry Total</td>
<td>14,383</td>
<td>-11,024</td>
<td>2,612</td>
</tr>
</tbody>
</table>
31% of current workforce size either in or will be in retirement age in next 10 years - needs differ across the sector industries.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Age 14-24</th>
<th>Age 25-34</th>
<th>Age 35-44</th>
<th>Age 45-54</th>
<th>Age 55-64</th>
<th>Age 65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood Product Manufacturing</td>
<td>9%</td>
<td>20%</td>
<td>21%</td>
<td>27%</td>
<td>19%</td>
<td>4%</td>
</tr>
<tr>
<td>Wood Furniture</td>
<td>1%</td>
<td>12%</td>
<td>22%</td>
<td>32%</td>
<td>26%</td>
<td>6%</td>
</tr>
<tr>
<td>Paper Manufacturing</td>
<td>3%</td>
<td>10%</td>
<td>15%</td>
<td>33%</td>
<td>36%</td>
<td>2%</td>
</tr>
<tr>
<td>Harvesting</td>
<td>4%</td>
<td>19%</td>
<td>13%</td>
<td>30%</td>
<td>23%</td>
<td>11%</td>
</tr>
<tr>
<td>FPI Total</td>
<td>6%</td>
<td>16%</td>
<td>17%</td>
<td>30%</td>
<td>26%</td>
<td>5%</td>
</tr>
<tr>
<td>Statewide Total</td>
<td>12%</td>
<td>20%</td>
<td>20%</td>
<td>23%</td>
<td>19%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Replacement demands from expected retirements are significant

<table>
<thead>
<tr>
<th>Industry</th>
<th>Approaching Retirement Age (55-64)</th>
<th>Retirement Age (65+)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Harvesting</td>
<td>944</td>
<td>23%</td>
</tr>
<tr>
<td>Pulp and Paper</td>
<td>1,617</td>
<td>36%</td>
</tr>
<tr>
<td>Sawmills and Wood Products</td>
<td>957</td>
<td>19%</td>
</tr>
<tr>
<td>All</td>
<td>3,519</td>
<td>26%</td>
</tr>
<tr>
<td>Construction</td>
<td>9,162</td>
<td>21%</td>
</tr>
<tr>
<td>Manufacturing (Net of FP)</td>
<td>10,828</td>
<td>21%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>4,228</td>
<td>23%</td>
</tr>
</tbody>
</table>

Industry Number Percent Number Percent
Harvesting 944 23% 464 11%
Pulp and Paper 1,617 36% 121 2%
Sawmills and Wood Products 957 19% 201 4%
All 3,519 26% 785 5%
Construction 9,162 21% 2,576 6%
Manufacturing (Net of FP) 10,828 21% 2,159 4%
Transportation and Warehousing 4,228 23% 1,582 9%
Competition between other industries... and from within

Facing a raft of retirements, BIW seeks 1,000 new hires

The Bath shipyard has contracts to build 11 new DDG-51 Arleigh Burke-class destroyers for the Navy over the next eight years.

| September 03, 2019

BY PETER MCGUIRE
Portland Press Herald
Relative wages are key for recruitment and attraction

Annual average wage in Maine & U.S., 2017

- Converted Paper Products: Maine $71,591, U.S. $73,439
- Veneer, Plywood & Engineered Wood Products: Maine $57,770, U.S. $66,761
- Harvesting: Maine $48,937, U.S. $48,829
- Wood Furniture: Maine $49,456, U.S. $46,463
- Other Wood Products: Maine $49,084, U.S. $41,693
- Forest Products Sector: Maine $61,427, U.S. $62,449

----- Maine avg. $50,752
Uncertainty and wage structure are a challenge to supply chain in very tight labor market – impact on supply access for downstream production.
Figure 16: Hourly wages of heavy truck drivers by industry, 2017


Median and Percentile (10, 25, 75, 90) Hourly Wages of Heavy Truck Drivers Across Industries, 2017
Forest Product Sector Summary – Key points

- Retirement aged workers to exceed 4,000 in next 10 years

- Expansions and restarts call for additional labor demands

- Certainty and predictability important for industry in transition

- Spatial mismatch of displaced labor?

- Wages are a challenge to recruitment, especially supply chain industries
Solutions to build pipeline?
Cultivating local pipeline focused on youth and early career, as well as discouraged workers.
Cultivating internal pipeline includes bringing displaced workers back into the job market.
Ultimately, the Sector needs to consider recruitment from outside the state, both youth, early career, and transferable skill sets.
Messaging and storytelling are critical

What is the story being told and heard?

Who is listening?

How is the messaging being delivered?
What is the role of the workforce development ecosystem?
Let’s see what the panel says…

Jason Brochu – Pleasant River Lumber
Randy Chicoine – Nine Dragons Paper
Jim Contino – Verso
Nancy Lovell – Hardwood Products
Justin Merrill – Merrill Logging
Thank you

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