

Understanding Labor Force Participation Rates

Cara Benton-Kozon

Labor Market Information

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Definition

The Labor Force Participation Rate (LFPR) is the percentage of the civilian non-institutionalized population (aged 16+) that is either working or actively looking for work.

Importance

- ❑ An estimate of an economy's active workforce
- ❑ Represents the amount of labor resources available for the production of goods and services

Source: US Department of Labor, Bureau of Labor Statistics



National Trends

- ❑ National LFPR peaked at 67.3% in 2000
- ❑ Rates hovered around 66% until 2008, when rates began to steadily decline after the Great Recession
- ❑ US LFPR was 62.3% in September 2022

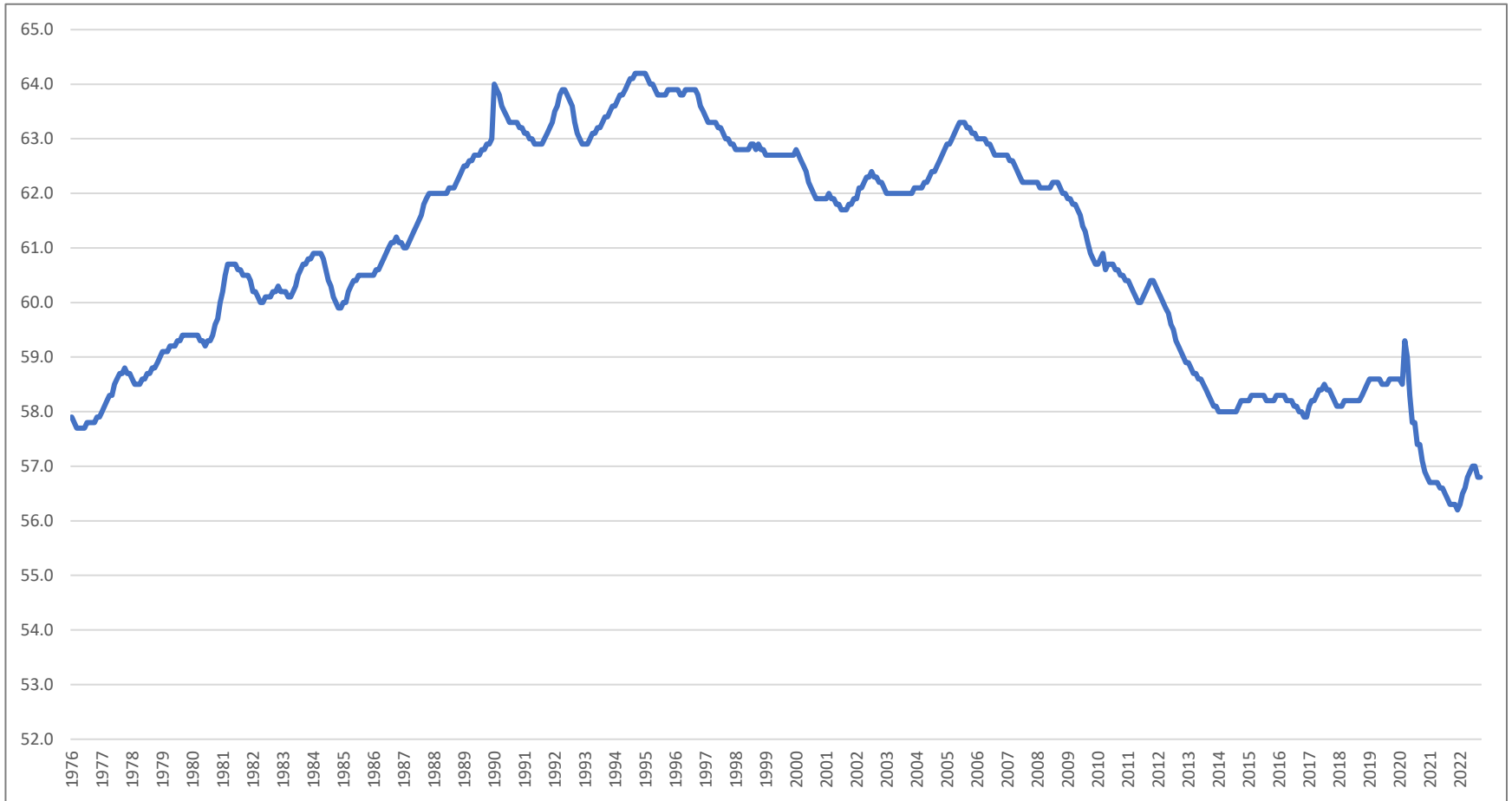
Arkansas Trends

- ❑ Arkansas' LFPRs were at their highest in the mid-1990s, reaching 64.2%
- ❑ Similar levels were seen again in 2005, but rates have steadily declined since then
- ❑ Current LFPR of 56.8% was reported in September 2022

Source: US Department of Labor, Bureau of Labor Statistics



Arkansas' Labor Force Participation Rates (Seasonally Adjusted) January 1976 – September 2022



Source: US Department of Labor, Bureau of Labor Statistics

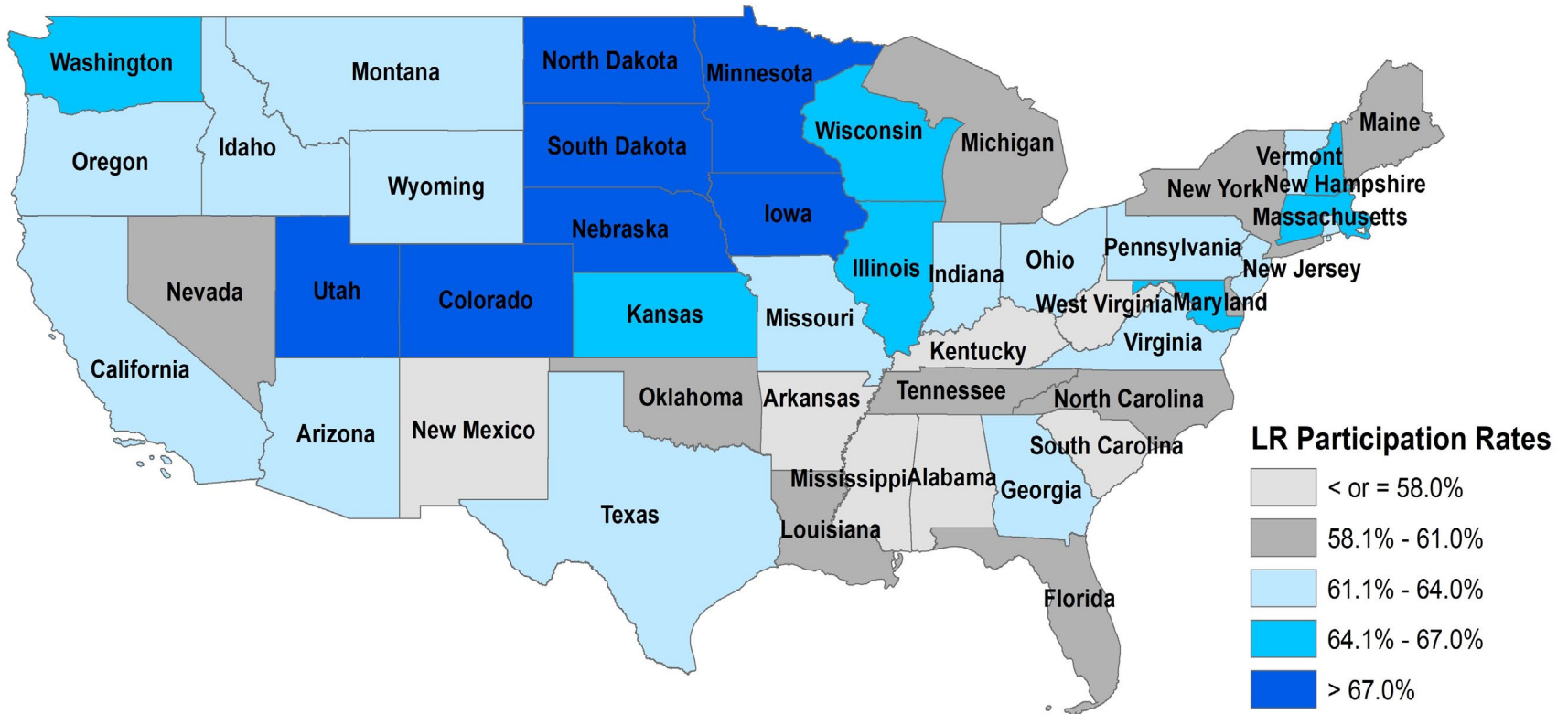


Regional Trends

- ❑ LFPR trends can be seen at the regional level
- ❑ States in the Southern Region of the US have the lowest average LFPR of 61.0%
- ❑ The Midwest Region of the US has the highest average LFPR of 63.9%
- ❑ In September 2022, only 3 states reported lower LFPR rates than Arkansas
 - New Mexico = 56.3%
 - Mississippi = 55.2%
 - West Virginia = 55.1%

Source: US Department of Labor, Bureau of Labor Statistics- September 2022

Labor Force Participation Rates by State (Seasonally Adjusted) September 2022



Source: US Department of Labor, Bureau of Labor Statistics

Trends in Surrounding States

□ Arkansas has the 2nd lowest LFPR of all the surrounding border states (September 2022)

- | | | | |
|---------------|-------|-----------------|-------|
| ▪ Texas = | 63.6% | ▪ Louisiana = | 58.5% |
| ▪ Missouri = | 62.4% | ▪ Arkansas = | 56.8% |
| ▪ Oklahoma = | 60.6% | ▪ Mississippi = | 55.2% |
| ▪ Tennessee = | 60.5% | | |

Source: US Department of Labor, Bureau of Labor Statistics

Impacts on Labor Force Participation Rates

Researchers from various fields and governmental agencies have conducted studies on declining LFPR and have isolated 6 potential causes:

- Aging Population
- Decline of Men in the Labor Force
- Trends in Young Workers and Educational Attainment
- Increase in the Number of Disabled
- High Incarceration Rates
- Addiction and Drug Abuse

Source: US Department of Labor, Bureau of Labor Statistics



Aging Population

- ❑ The Bureau of Labor Statistics predicts that the country's aging population will have lasting impacts on the Labor Force
- ❑ The entire Baby Boomer generation is now over the age of 58
- ❑ In 2021, 23.4% of the US population was Age 60+
- ❑ In 2021, 23.7% of Arkansas' population was Age 60+
- ❑ Arkansas is attractive to retirees, due to the low cost of living and mild climate

Source: US Department of Labor, Bureau of Labor Statistics



**Labor Force Participation Rates by Age Range
State of Arkansas (Annual Average 2017-2021)**

	2017	2018	2019	2020	2021
Age 16-19	32.1%	35.1%	38.9%	35.9%	35.5%
Age 20-24	75.4%	73.8%	78.0%	73.4%	75.4%
Age 25-34	86.5%	81.3%	85.4%	85.4%	87.9%
Age 35-44	85.2%	85.8%	86.5%	86.2%	85.9%
Age 45-54	82.1%	81.6%	82.5%	80.4%	82.1%
Age 55-64	58.4%	63.2%	63.0%	60.6%	57.0%
Age 65+	20.8%	19.8%	19.0%	21.2%	19.8%

Source: US Census Bureau, Current Population Survey



Decline of Men in the Work Force

- ❑ For the last 6 decades, the US has seen a slow decline of men aged 25-54 participating in the labor force
- ❑ In the 1950s, 97.4% of men aged 25-54 were in the labor force in the US
- ❑ In 2021, 77.1% of men aged 25-54 were in the labor force in the US
- ❑ The decline of men's LFPR has been attributed to several factors:
 - Loss of employment opportunities due to technological advancements and globalization
 - Decline in the number of manufacturing jobs
 - Increased availability of lower paying and less desirable jobs, particularly for those with lower levels of educational attainment

Source: Bureau of Labor Statistics and US Census Bureau

Decline of Men in the Work Force

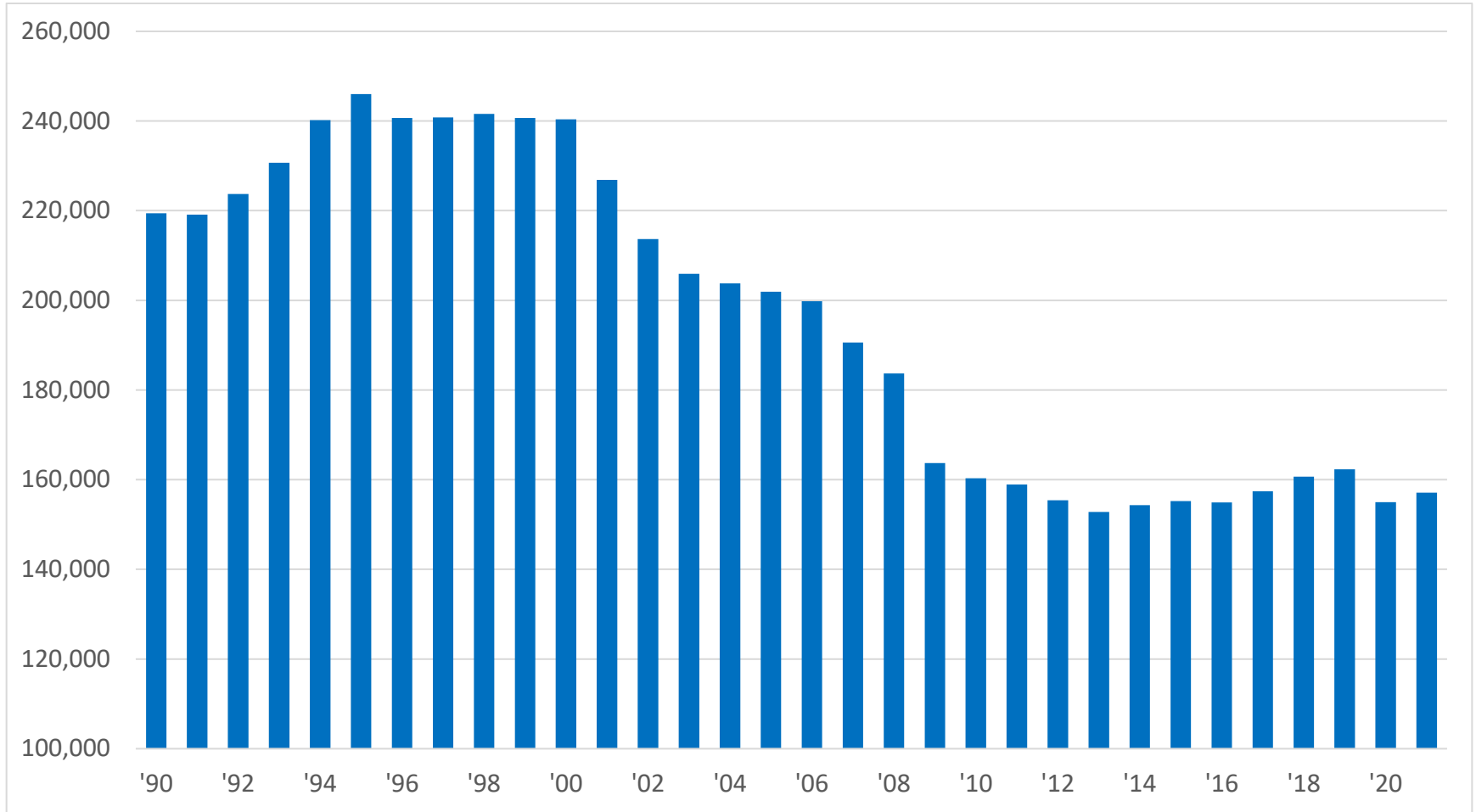
Manufacturing jobs have declined significantly since the 1990s, due largely to a shift to overseas production

- In Arkansas, manufacturing jobs peaked at 247,300 jobs in 1995
- At the peak, approximately 23.0% of Arkansas jobs were in manufacturing
- Jobs in manufacturing in the State hit a low in 2013-2014, down to 152,500 jobs
- Manufacturing jobs began to slowly increase again prior to the Pandemic and continue to increase- mostly in food manufacturing
- In September 2022, there were 164,900 manufacturing jobs in Arkansas
- Approximately 12.4% of Arkansas jobs are in the manufacturing industry

Source: US Department of Labor, Bureau of Labor Statistics



Manufacturing Jobs in Arkansas 1990 – 2021 (Annual Average)



Source: US Department of Labor, Bureau of Labor Statistics



Young Workers and Educational Attainment

- ❑ Teen LFPR in the US have been trending downward since the 1970s
- ❑ Rates began to decline even faster after the 2007-2009 recession
- ❑ The decline in teen LFPR has been attributed to several factors:
 - Increased emphasis on education
 - Increased college enrollment and more strenuous coursework
 - Increased competition for jobs that require little or no education

Source: Bureau of Labor Statistics and the US Census Bureau

Young Workers and Educational Attainment

- ❑ While college enrollment has reached record high numbers in Arkansas, the percentage of Arkansans (Aged 20-24) enrolled in school has declined slightly
 - In 2010, 36.7% of Arkansans (Aged 20-24) were enrolled in school
 - In 2021, 30.7% of Arkansans (Aged 20-24) were enrolled in school

- ❑ The LFPR for Arkansans (Aged 20-24) has remained stable over the last 5 years
 - In 2017, 75.4% of Arkansans (Aged 20-24) were participating in the labor force
 - LFPR rose to 78.0% in 2019 before the Pandemic, before dropping back to 75.4% in 2021

Source: Bureau of Labor Statistics and the US Census Bureau

Young Workers and Educational Attainment

- ❑ There is a direct correlation between LFPR and Educational Attainment
- ❑ Individuals (Aged 25+) with higher levels of educational attainment are more likely to participate in the labor force

**Labor Force Participation Rates by Educational Attainment (2021 Annual Average)
State of Arkansas**

	LFP Rate	Total Employed
Less than a High school diploma	40.1%	68,200
High school graduates, no college	51.2%	342,800
Some college or associate degree	57.8%	295,200
Bachelor's degree and higher	67.8%	405,300

Source: US Census Bureau, Current Population Survey

Increase in the Number of Disabled

Research suggests that an increase in the number of individuals on Social Security Disability Insurance and those who identify as being disabled has had an impact on LFPR:

- ❑ 435,000 Arkansans (Aged 16+) reported having a disability in 2010
 - 75.9% of those 435,000 Arkansans report that they are not participating in the labor force due to the disability
- ❑ 476,600 Arkansans (Aged 16+) reported having a disability in 2021
 - 73.4% of those 476,600 Arkansans report that they are not participating in the labor force due to the disability
- ❑ Note that this data is self reported to the US Census Bureau and that not all persons that consider themselves to be disabled are eligible for Social Security Disability Insurance

Source: US Census Bureau

High Incarceration Rates

- ❑ Some researchers have established a link between high incarceration rates and decreased LFPR
 - Incarceration rates began to increase sharply in the 1980s
 - Incarceration rates rose 18% in the US between 2007 and 2016
 - In 2019, roughly 2.1 million adults were incarcerated in the US (0.7% of the population)

Source: Bureau of Justice Statistics and US Census Bureau

High Incarceration Rates

- ❑ Arkansas has a high number of incarcerated individuals compared to other States
 - In 2019, 27,700 adults were incarcerated in Arkansas (0.9% of the population)
 - The percentage of incarcerated adults in Arkansas is higher than the national average
 - The US Dept of Justice predicts Arkansas' incarceration rate will continue to rise through 2028

Source: Bureau of Justice Statistics and US Census Bureau

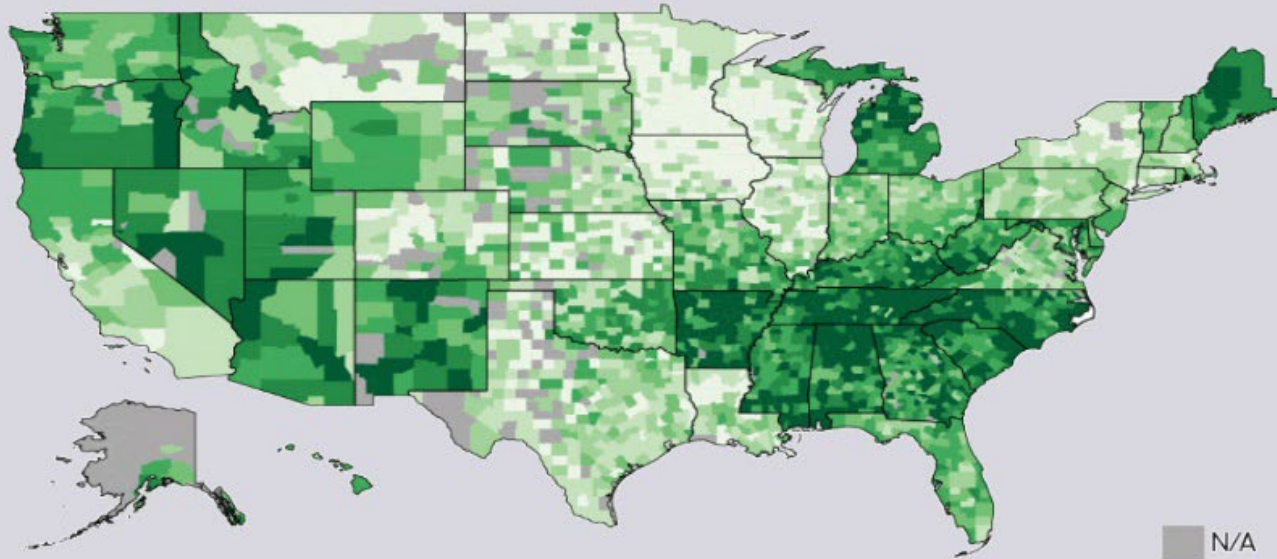
Addiction and Drug Abuse

- ❑ A Princeton University study in 2017 found links between opioid prescriptions and LFPR
- ❑ Counties with high opioid prescription rates saw larger declines in LFPR over the last 15 years

Addiction and Drug Abuse

Combined Effect of Opioid Prescription Rates and Changes in Labor Force Participation Rate

Prime age adults, Ages 25-54



Low Opioid Prescription Rate

Small Change in Labor Force Participation Rate

Source: Brookings Institution

High Opioid Prescription Rate

Large Decline in Labor Force Participation Rate



Addiction and Drug Abuse

- ❑ No exact figures exist for the number of Americans addicted to drugs
- ❑ Data is based on the number of overdoses and legal prescriptions
- ❑ According to the National Institute on Drug Abuse, Arkansas had the 2nd highest number of legal opioid prescriptions per capita in 2018
 - In Arkansas, approximately 93.5 opioid prescriptions were written per 100 people in 2018
 - In the US, approximately 51.4 opioid prescriptions were written per 100 people in 2018
 - Arkansas has nearly twice the national average number of opioid prescriptions written

Source: National Institute on Drug Abuse

A Look at States with High LFPR

- ❑ There are currently 10 States with LFPR that are roughly 10% higher than Arkansas'

▪ New Hampshire =	65.9%	▪ South Dakota =	68.7%
▪ Kansas =	66.1%	▪ North Dakota =	68.8%
▪ Iowa =	67.7%	▪ Colorado =	69.4%
▪ Utah =	68.0%	▪ Nebraska =	69.9%
▪ Minnesota =	68.1%	▪ District of Columbia =	72.7%

- ❑ What do these States have in common??? How are they different than Arkansas???

Source: US Department of Labor, Bureau of Labor Statistics- September 2022

A Look at States with High LFPR

☐ Younger Population

- In the US, 23.4% of the population is over the age of 60
- In Arkansas, 23.7% of the population is over the age of 60
- 7 of the 10 states with high LFPR have a younger population than Arkansas (Census Bureau, 2021)

Source: US Census Bureau

A Look at States with High LFPR

❑ Manufacturing Jobs

- In the US, 8.4% of jobs are in the manufacturing industry
- In Arkansas, 12.4% of jobs are in the manufacturing industry (September 2022)
- There does not appear to be a strong link between manufacturing jobs and states with high LFPR
- Only 1 of the 10 states have a higher percentage of manufacturing jobs than Arkansas
- Some of the states do have a large presence of other male-dominated industries, such as mining and farming

Source: Bureau of Labor Statistics, Nonfarm Payroll Jobs

A Look at States with High LFPR

☐ More Educated Population

- In the US, 89.4% of the population graduates from HS and 35.0% (over the age of 25) have a college degree or higher
- In Arkansas, 88.7% graduate from HS and only 25.3% have a college degree or higher
- All 10 of the states with the highest LFP Rates have a more educated population than Arkansas
- All 10 states have a higher HS graduation rate than the national average
- 6 of the states have higher college+ educational attainment than the US average (Census Bureau, 2021)

Source: US Census Bureau

A Look at States with High LFPR

❑ Fewer Disabled People Out of the Labor Force

- In the US, 70.3% of the Disabled population (over the age of 16) is out of the Labor Force
- In Arkansas, 73.4% of the Disabled population is out of the Labor Force
- All 10 of the states with the highest LFP Rates have a lower percentage of Disabled persons Out of the Labor Force compared to Arkansas
- These states ranged between 60.2% - 67.3% of the Disabled population out of the LF (Census Bureau, 2021)

Source: US Census Bureau

A Look at States with High LFPR

❑ Lower Incarceration Rates

- In the US, 0.7% of the adult population was incarcerated in prisons and jails in 2019
- In Arkansas, 0.9% of the adult population is incarcerated
- All 10 of the states with the highest LFP Rates have lower percentages of incarcerations than Arkansas
- 5 of the states have half or less than half the percent of incarcerated adults compared to Arkansas (2019)

Source: Bureau of Justice Statistics

A Look at States with High LFPR

❑ Fewer Opioid Prescriptions

- In the US, approximately 51.4 opioid prescriptions were written per 100 people in 2018
- In Arkansas, approximately 93.5 opioid prescriptions were written per 100 people in 2018
- All 10 of the states with the highest LFP Rates have much fewer opioid prescriptions written
- Prescriptions per 100 people range from a low of 25.0 in the District of Columbia to a high of 64.3 in Kansas (National Institute on Drug Abuse, 2018)

Source: National Institute on Drug Abuse

Recap on Labor Force Participation Rates

- Aging Population- need a younger workforce to compensate for the aging population
- Decline of Men in the Labor Force- need an increase in jobs for men, particularly those with lower education levels
- Trends in Young Workers and Education- need to promote and increase educational attainment
- Increases in the Number of Disabled- increase LFP of disabled Arkansans
- High Incarceration Rates- invest in programs to help previously incarcerated Arkansans return to the workforce
- Addiction and Drug Abuse- invest in programs to combat drug dependency and addiction