

Understanding Labor Force Participation Rates

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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.

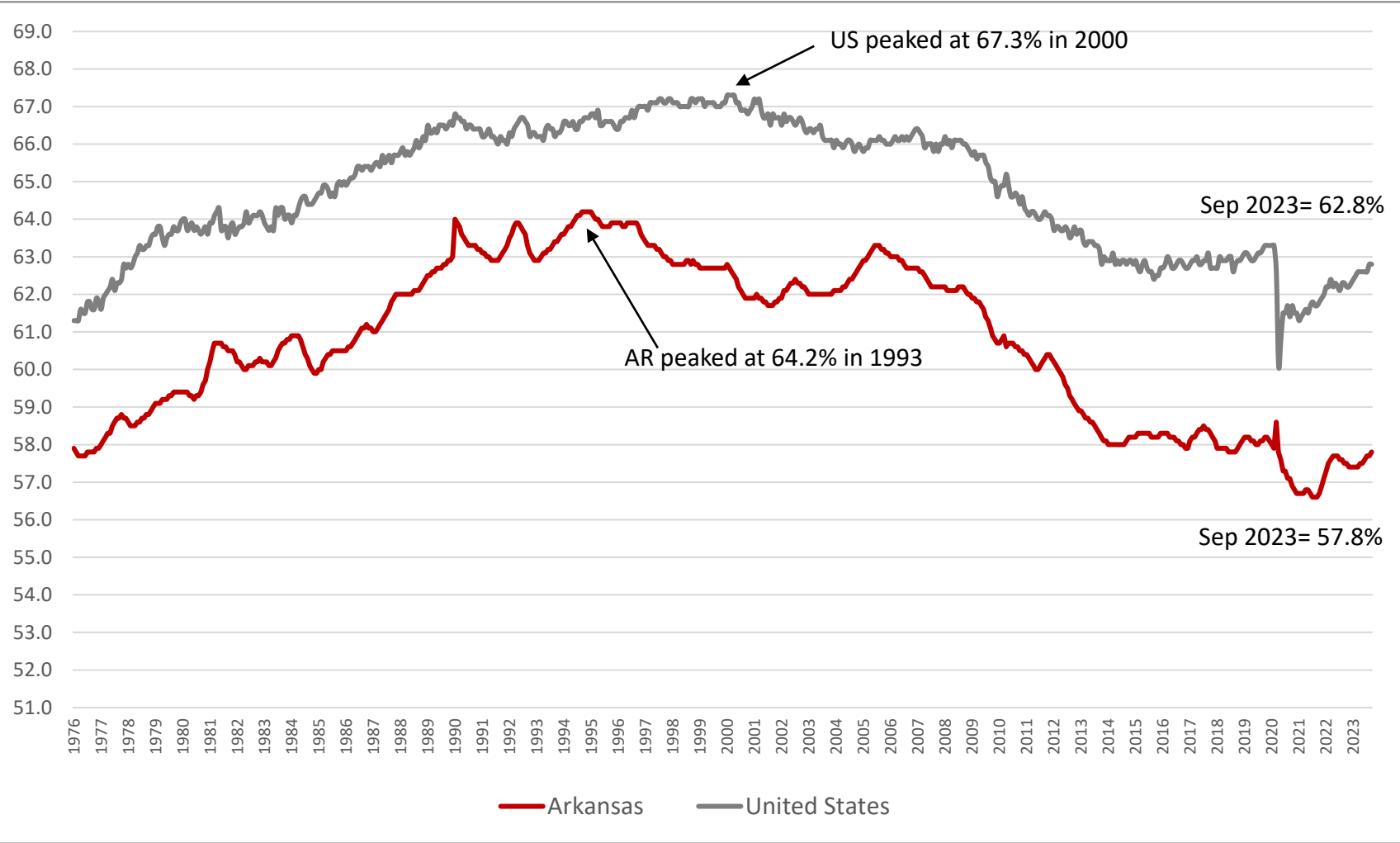
Importance

- ❑ 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



Labor Force Participation Rates (Seasonally Adjusted) January 1976 – September 2023



Source: US Department of Labor, Bureau of Labor Statistics

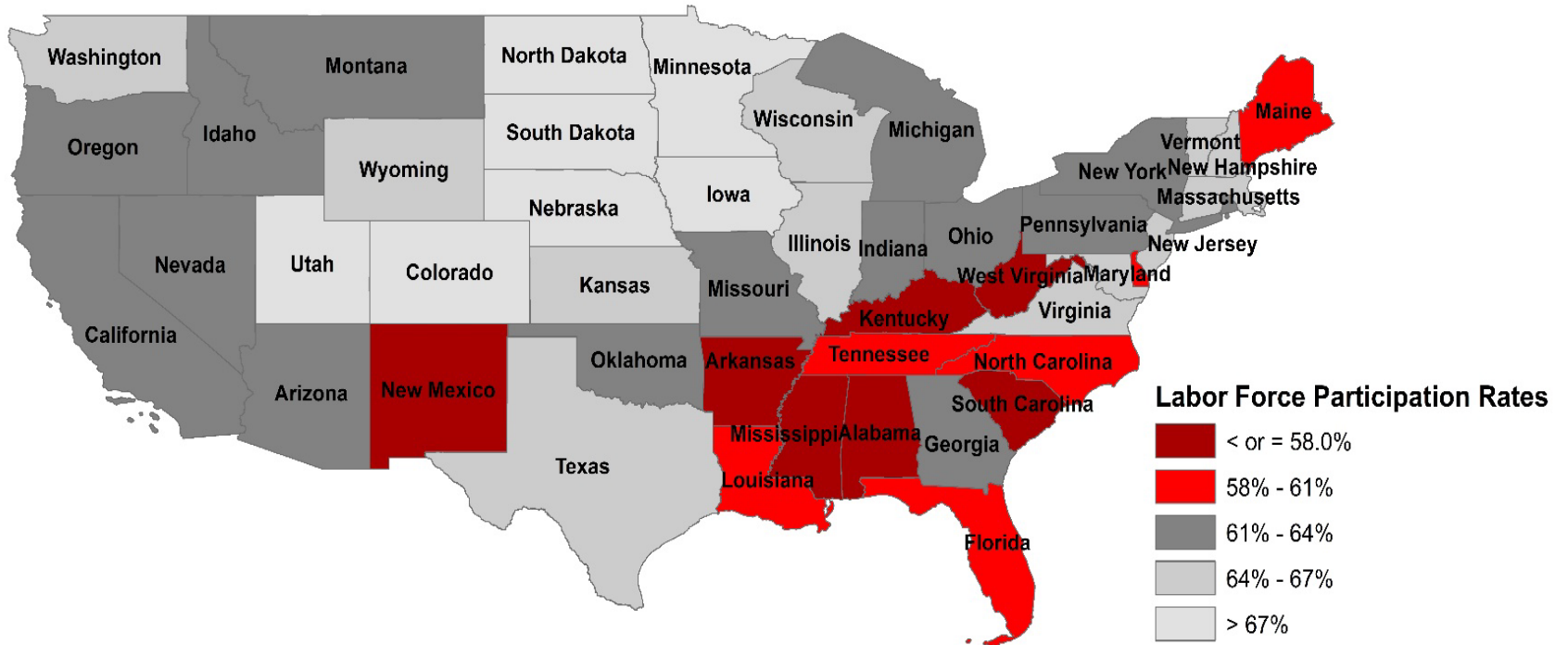


Regional Trends

- ❑ LFPR trends can be seen at the regional level
- ❑ States in the Southern Region of the US have the lowest average LFPR of 61.3%
- ❑ The Midwest Region of the US has the highest average LFPR of 64.4%
- ❑ In September 2023, 6 states reported lower LFPR rates than Arkansas
 - Mississippi = 54.1%
 - West Virginia = 55.1%
 - Alabama = 57.0%
 - South Carolina = 57.0%
 - New Mexico = 57.2%
 - Kentucky = 57.4%
 - **Arkansas = 57.8%**

Source: US Department of Labor, Bureau of Labor Statistics

Labor Force Participation Rates by State (Seasonally Adjusted) September 2023



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 2023)

- | | | | |
|---------------|-------|-----------------|-------|
| ▪ Texas = | 64.2% | ▪ Louisiana = | 58.9% |
| ▪ Missouri = | 63.7% | ▪ Arkansas = | 57.8% |
| ▪ Oklahoma = | 62.1% | ▪ Mississippi = | 54.1% |
| ▪ Tennessee = | 59.4% | | |

Source: US Department of Labor, Bureau of Labor Statistics

Impacts on Labor Force Participation Rates

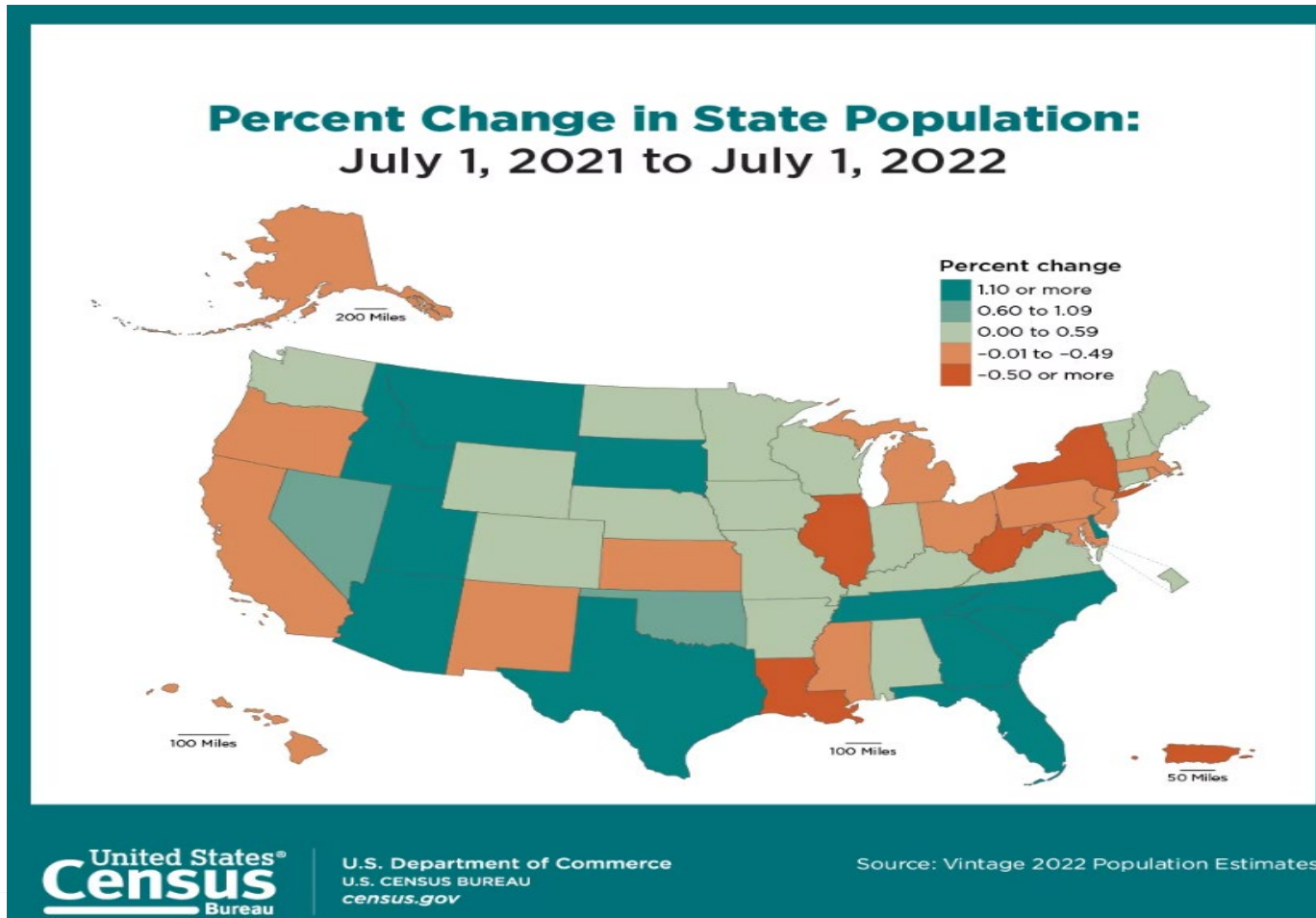
Researchers from various fields and governmental agencies have conducted studies on declining LFPR and have isolated 6 potential causes:

- Slowing Population Growth
- Aging Population
- Decline of Men in the Workforce
- Number of Disabled
- High Incarceration Rates
- Addiction and Drug Abuse

Source: US Department of Labor, Bureau of Labor Statistics

Slowing Population Growth

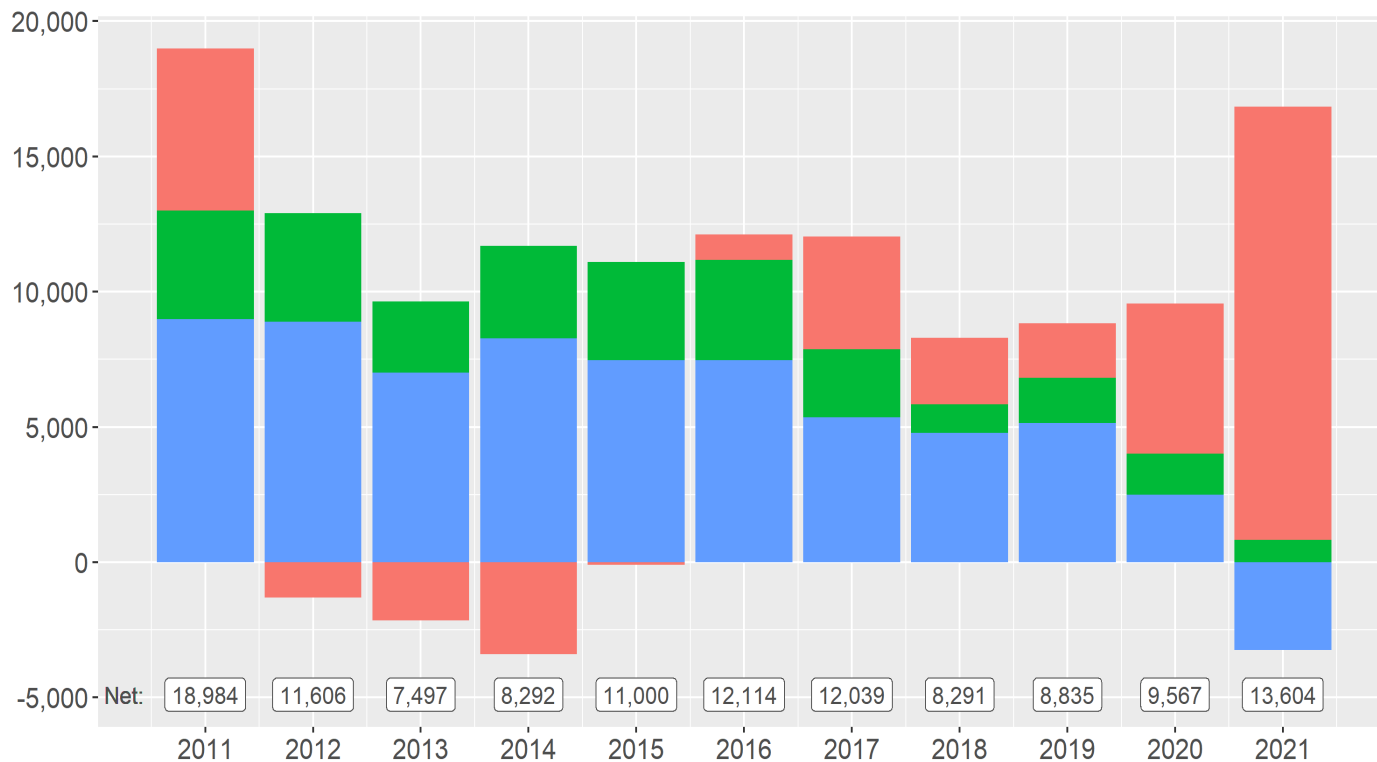
- ❑ Population growth is declining within most developed countries, including the US



Source: US Census Bureau

Slowing Population Growth

- In Arkansas, death rates exceeded birth rates in 2021
 - If trend continues, Arkansas will rely on domestic and international migration to increase population in the future

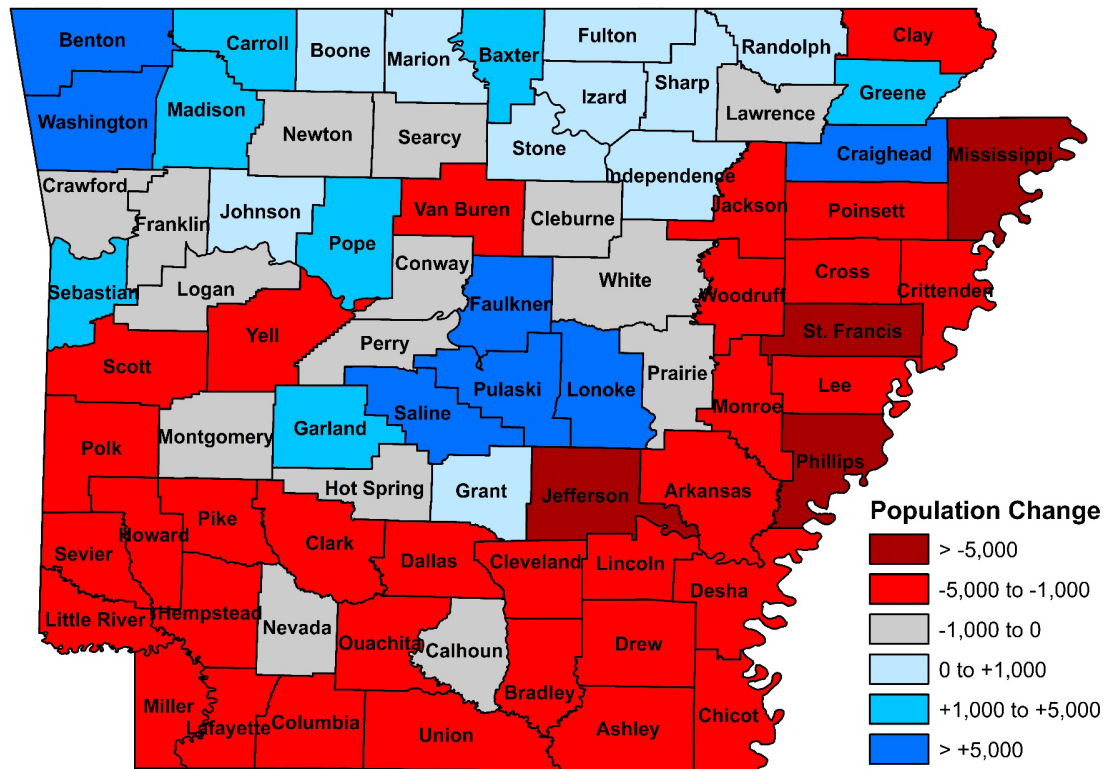


Domestic migration International migration Natural increase

Source: US Census Bureau

Slowing Population Growth

- Between 2012 and 2022, Arkansas' total population increased by 92,761 to reach 3,045,637
- 51 counties reported population declines; 24 counties added population



Source: US Census Bureau

Aging Population

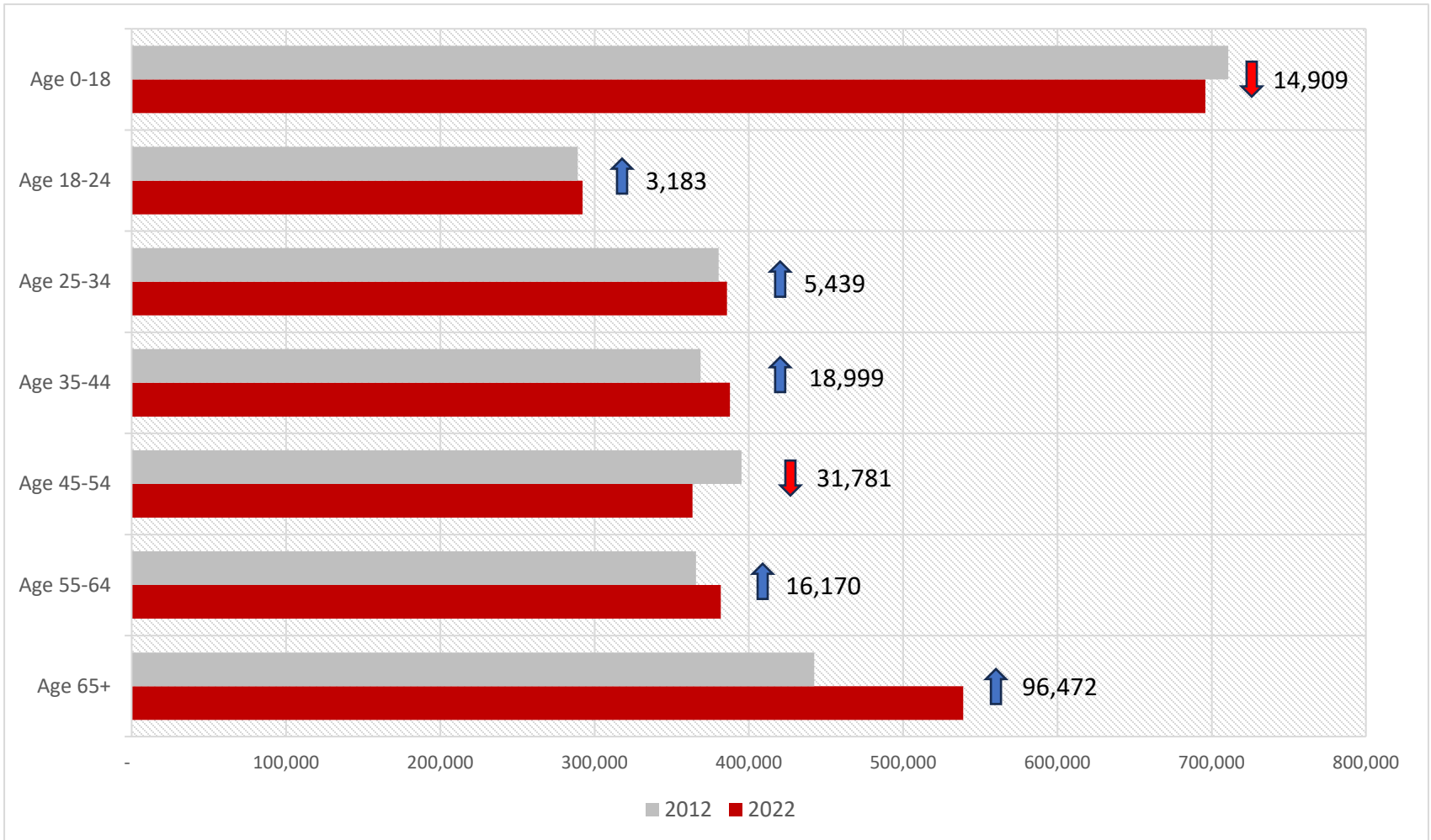
- ❑ The Bureau of Labor Statistics predicts that the country's aging population will have lasting impacts on the Labor Force

- ❑ The entire Baby Boomer generation is now over the age of 59
 - In 2022, 23.8% of the US population was Age 60+

 - In 2022, 24.3% of Arkansas' population was Age 60+

Source: US Census Bureau

Population by Age Cohort (2012 vs 2022) State of Arkansas



Source: US Census Bureau, American Community Survey



**Labor Force Participation Rates by Age Range
State of Arkansas (Annual Average 2018-2022)**

	2018	2019	2020	2021	2022
Age 16-19	32.2	34.8	36.2	37.4	39.5
Age 20-24	68.5	73.4	69.9	72.7	77.1
Age 25-34	77.1	78.9	79.7	79.7	81.2
Age 35-44	80.4	80.5	78.3	78.8	81.1
Age 45-54	76.1	76.4	75.7	76.1	73.2
Age 55-64	57.1	58.6	56.5	54.3	55.0
Age 65+	16.1	17.0	18.7	16.9	15.3



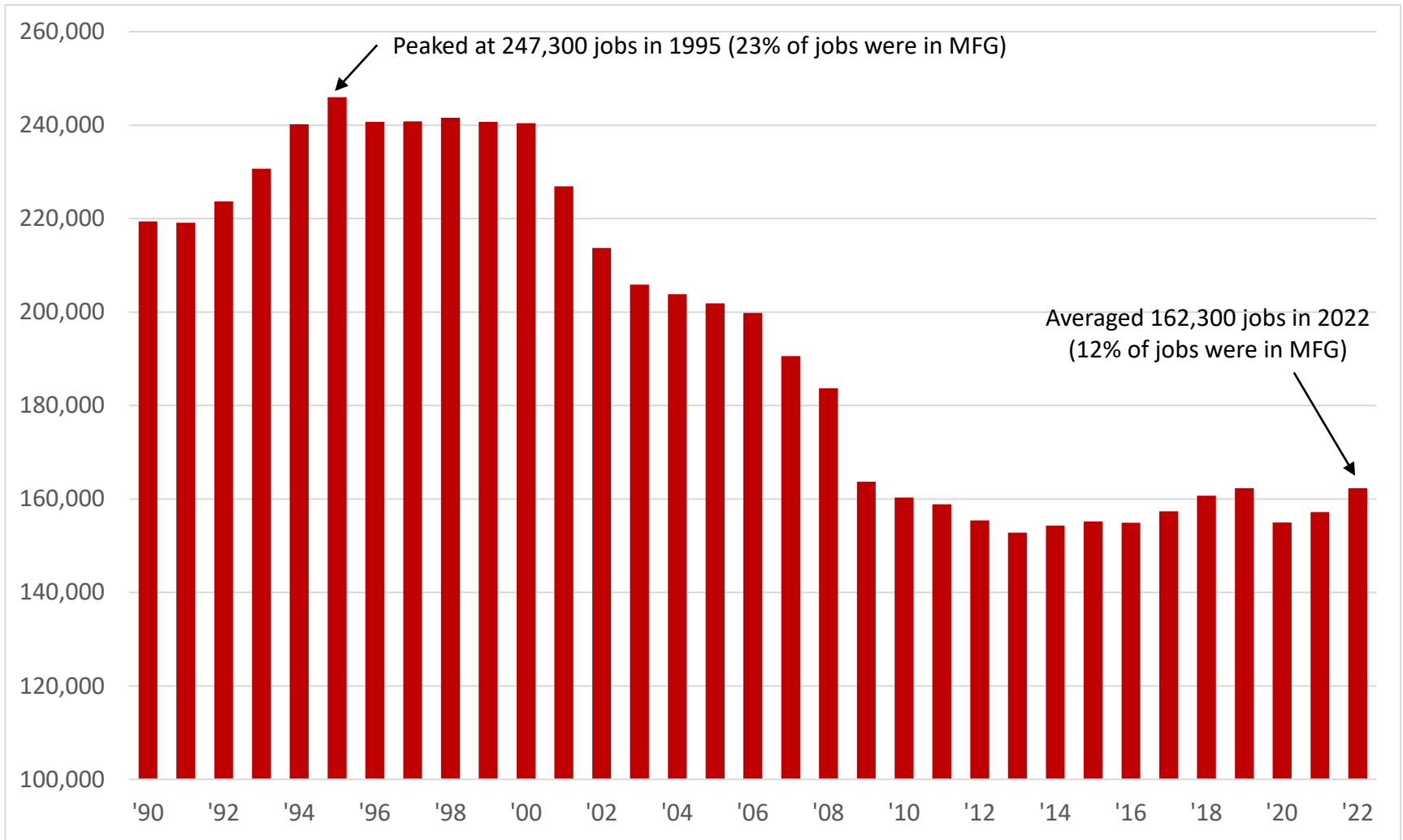
Source: US Census Bureau, Current Population Survey

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% of men aged 25-54 were in the labor force in the US
- ❑ In 2022, 88% of men aged 25-54 were in the labor force in the US (73% in AR)
- ❑ 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: US Department of Labor, Bureau of Labor Statistics

Manufacturing Jobs in Arkansas 1990 – 2022 (Annual Average)



Source: Current Employment Statistics, Bureau of Labor Statistics

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:

- ❑ 440,147 Arkansans (Aged 16+) reported having a disability in 2012
 - 74.6% of disabled Arkansans report that they are not participating in the labor force due to the disability (328,350 Arkansans)

- ❑ 503,186 Arkansans (Aged 16+) reported having a disability in 2022
 - 73.1% of disabled Arkansans report that they are not participating in the labor force due to the disability (367,829 Arkansans)

- ❑ 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, American Community Survey

High Incarceration Rates

- ❑ Some researchers have established a link between high incarceration rates and decreased LFPR

- ❑ 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)

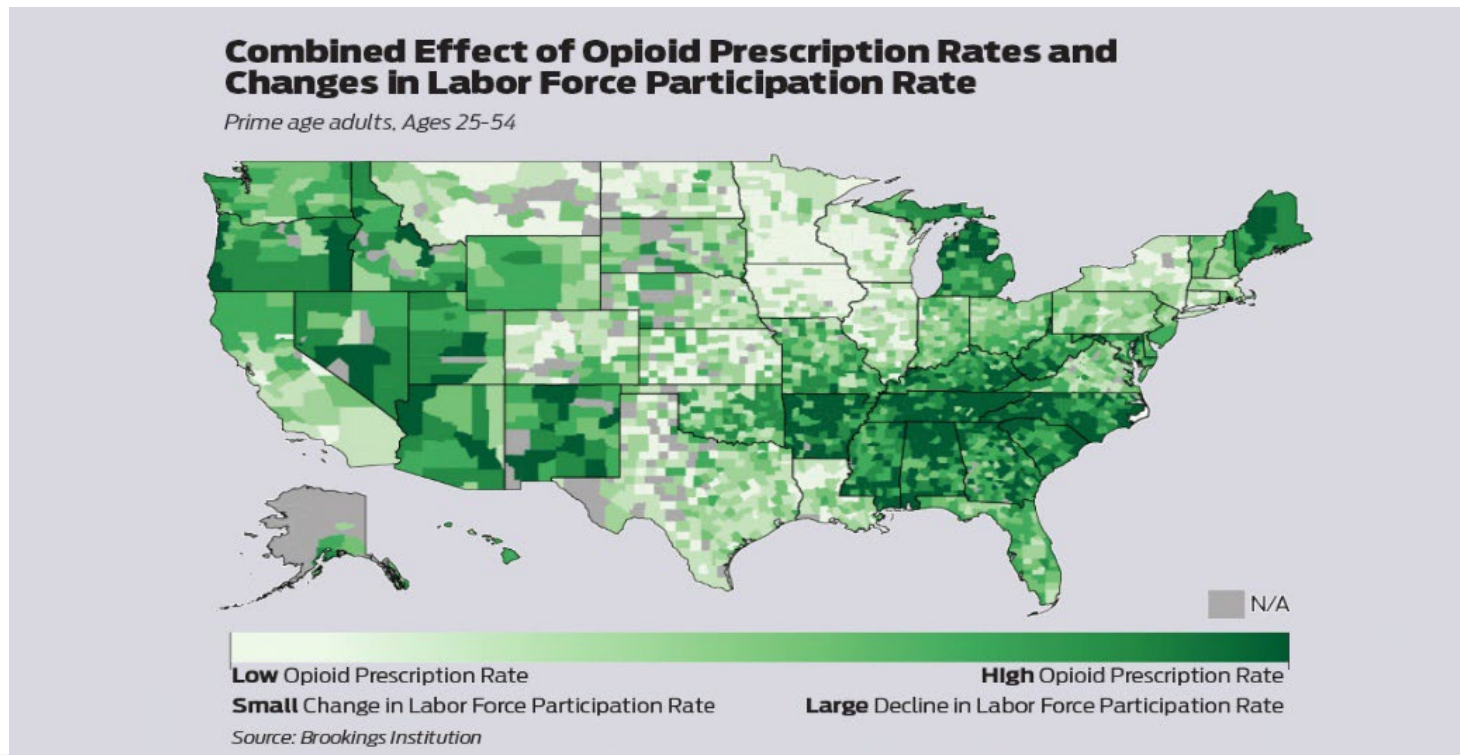
 - Only Mississippi and Louisiana have higher incarceration rates than Arkansas:
 - Mississippi = 575 prisoners per 100,000 residents
 - Louisiana = 564 prisoners per 100,000 residents
 - **Arkansas = 559 prisoners per 100,000 residents**
 - Oklahoma = 555 prisoners per 100,000 residents

 - US Total = 350 prisoners per 100,000 residents

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



Source: Princeton University

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 Centers for Disease Control, Arkansas had the 2nd highest number of legal opioid prescriptions per capita in 2020
 - In Arkansas, approximately 75.9 opioid prescriptions were written per 100 people in 2020
 - In the US, approximately 43.3 opioid prescriptions were written per 100 people in 2020
 - Opioid prescription rates are currently at a 15-year low

Source: Centers for Disease Control and Prevention

Recap on Labor Force Participation

- ❑ Slowing Population Growth – Arkansas’ population growth coming from domestic migration as natural growth declines
- ❑ Aging Population- Arkansas’ population is aging while birth rates decline
- ❑ Decline of Men in the Workforce – fewer manufacturing jobs and a decline of higher paying jobs for those with lower education levels
- ❑ Number of Disabled- low levels of labor force participation among the disabled population
- ❑ High Incarceration Rates- high incarceration rates creates a smaller labor force population
- ❑ Addiction and Drug Abuse- high levels of drug abuse creates a smaller labor force population