Labor Force Participation Rates

By
Jennifer Burnett [1]

Tuesday, October 29, 2013 at 10:40 AM

The labor force participation rate has been on the decline for more than a decade and the rate of decline has increased since the Great Recession began in December 2007. The likelihood of someone not participating in the labor force, as well as the reason for not participating, often depends on a person’s age. Participation rates vary significantly across states and regions, with a range of nearly 20 percentage points between the lowest and highest states.

National Analysis [2]:

What is the labor force participation rate?

- The labor force participation rate is determined by the proportion of those in the labor force to those in the total civilian, noninstitutional population.
- To be considered part of the labor force, one must either have a job or actively be looking for one.
- People fall into the category of not in the labor force for a number of reasons, including because they are retired, disabled or in school. People also may fall out of the labor force because they are discouraged and are no longer actively seeking employment.
The labor force participation rate has been on the decline for more than a decade, and the rate of decline has increased since the Great Recession began in December 2007.

- The labor force participation rate has dropped 2.8 percentage points since the recession began. In August 2013, the rate hit 63.2 percent—the lowest since 1979.
- Between July and August 2013, 312,000 people dropped out of the labor force.
- The recession and feeble recovery have contributed to declining participation rates. Workers have remained unemployed for longer, given up and dropped out of the labor force completely, and young people have chosen school over a weak job market.
- Another significant contributing factor to the decline is a long-term demographic pattern—baby boomers are retiring and leaving the labor force. Economists at the Federal Reserve Bank of Chicago expect this trend to continue even if the recovery picks up speed, and predict the labor participation rate will be lower in 2020 than it is now.⁴
The likelihood of someone not participating in the labor force, as well as the reason for not participating, often depends on a person’s age.

- In 2012, 45.1 percent of those ages 16-24 were not in the labor force. Most of those in this group—80 percent—indicated that school was the reason they were not participating in the labor force.
- On the other end of the age spectrum, 59.5 percent of those older than 55 were not in the labor force in 2012; 80 percent cited retirement as their reason for nonparticipation.
- For those in the middle—ages 25-54—18.6 percent did not participate in the labor market in 2012, but their reasons varied: 31 percent cited disability, 46 percent said family, 9 percent said school and 7 percent cited retirement.
- Since the recession began, participation rates have shifted somewhat across age groups. Nonparticipation rates in both the lower and middle age categories increased from 2007 to 2012—although more dramatically for the lower age group—but decreased slightly for those older than 55.
Participation rates vary significantly across states and regions, with a range of nearly 20 percentage points between the lowest and highest states.

- In August 2013, West Virginia had the lowest labor force participation rate at 53.3 percent, followed by Alabama and Mississippi, both at 57.0 percent.
- Nebraska had the highest participation at 72.5 percent in August, followed by North Dakota at 71.4 percent and Minnesota at 70.3 percent.
- CSG’s Midwestern region had the highest state average participation rate in August at 67.2 percent, while CSG’s Southern region had the lowest average at 60.5 percent.
- Compared to a year ago, seven states—Iowa, Maine, Michigan, Missouri, Nebraska, Utah and Wisconsin—saw an increase in labor force participation rates, while the remaining states all saw declines. Utah’s rate increased by 1.4 percentage points over this period, the largest of any state.
- When compared to prerecession rates, labor force participation rates decreased in every state. Hawaii (-6.3 percentage points), Delaware (-5.7 percentage points) and New Mexico (-4.8 percentage points) experienced the largest rate decreases over this period. Texas and Kentucky, each with a decrease of 0.7 percentage points, had the smallest changes across all states.


Regional Analysis:

- CSG’s Eastern region had the second highest state average participation rate in August 2013 at 65.0 percent, just behind the Midwestern regional average of 67.2 percent. CSG’s Southern region had the lowest average rate at 60.5 percent.
- Delaware had the lowest participation rate in the Eastern region, at 60.5 percent, followed by New York at 61.3 percent. New Hampshire (69.1 percent) and Vermont (68.6 percent) had the highest rates.
From August 2012 to August 2013, Maine was the only one of the East's 11-state region where participation rates didn't decrease. Connecticut's rate fell the most of any state in the region over this time, dropping 1.4 percentage points.

Every state in the region has seen participation rates fall since the Great Recession began. Delaware (-5.7 percentage points) and Connecticut (-3.8 percentage points) had the largest rate decreases in the region, while Maine (-0.9 percentage points) and Pennsylvania (-1.0 percentage points) had the smallest decreases.

CSG’s Midwestern region had the highest state average labor force participation rate in August 2013 at 67.2 percent, while CSG’s Southern region had the lowest average at 60.5 percent.

In CSG’s Midwestern region, Michigan (60.4 percent) and Indiana (62.3 percent) had the lowest labor force participation rates in August 2013, while Nebraska (72.5 percent) and North Dakota (71.4 percent) had the highest rates.

From August 2012 to August 2013, four of 11 states in the Midwestern region—Iowa, Nebraska, Michigan and Wisconsin—saw small increases in participation rates, with Michigan’s rate increasing the most at 0.7 percentage points. Illinois’ rate fell the most of any state in the region over this time, dropping 1.0 percentage point.

Every state in the region has seen participation rates fall since the Great Recession began. Indiana (-4.4 percentage points) and Michigan (-4.0 percentage points) had the largest rate decreases in the region, while Nebraska (-0.9 percentage points) and Minnesota (-0.8 percentage points) had the smallest decreases.

CSG’s Southern region had the lowest state average labor force participation rate in August 2013 at 60.5 percent, while CSG’s Midwestern region had the highest average at 67.2 percent.

West Virginia had the lowest participation rate in the Southern region at 53.3 percent, followed by Alabama and Mississippi, both at 57.0 percent. Virginia (66.0 percent) and Texas (64.9 percent) had the highest rates.

From August 2012 to August 2013, Missouri was the only state in the 15-state Southern region where labor force participation rates didn’t fall. Mississippi’s rate fell the most of any state in the region over this time, dropping 2.1 percentage points.

Every state in the region has seen participation rates fall since the Great Recession began. Arkansas (-4.8 percentage points) and Georgia (-4.7 percentage points) had the largest rate decreases in the region. Texas and Kentucky had the smallest changes, each having rate decreases of 0.7 percentage points.

CSG’s Western region had the second lowest state average participation rate in August 2013 at 63.6 percent, just above the Southern regional average of 60.5 percent. CSG’s Midwestern region had the highest average rate at 67.2 percent.

New Mexico had the lowest participation rate in the Western region at 58.3 percent, followed by Arizona at 59.2 percent. Colorado (68.2 percent) and Utah (68.0 percent) had the highest rates.

From August 2012 to August 2013, Utah was the only state in the 13-state Western region where rates didn’t fall. Oregon’s rate fell the most of any state in the region over this time, dropping 1.7 percentage points.

Every state in the region has seen participation rates fall since the Great Recession began. Hawaii (-6.3 percentage points) and New Mexico (-4.8 percentage points) had the largest rate decreases in the region, while Idaho (-3.0 percentage points) and California (-3.4 percentage points) had the smallest decreases.
Source URL: http://knowledgecenter.csg.org/kc/content/labor-force-participation-rates

Links
[14] http://knowledgecenter.csg.org/kc/category/content-type/content-type
[18] http://knowledgecenter.csg.org/kc/category/content-type/content-type/publications