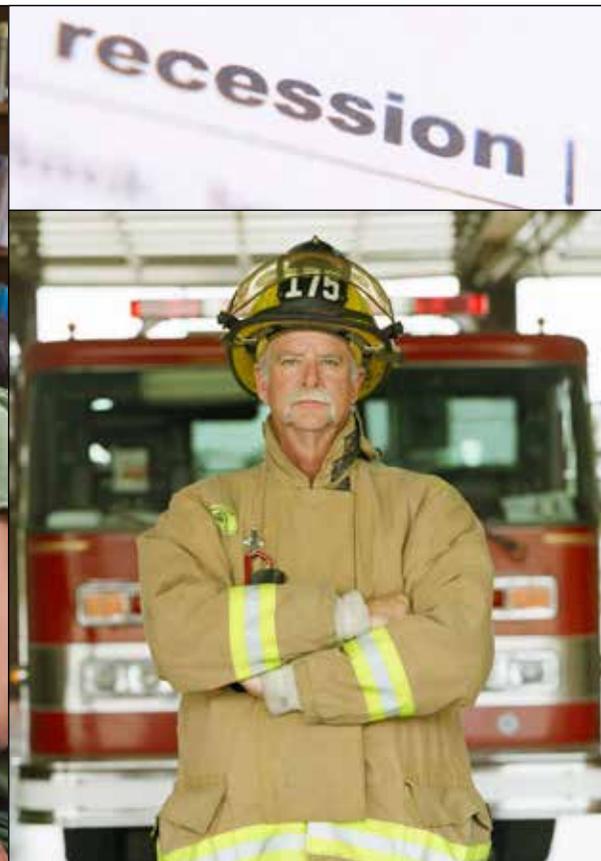


Oregon's Falling Labor Force Participation:

A Story of Baby Boomers, Youth, and the Great Recession



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- Provide access to child care that is safe, high quality, and affordable.

Oregon's Falling Labor Force Participation:
**A Story of Baby Boomers, Youth,
and the Great Recession**

June 2013

**Oregon Employment Department
Workforce and Economic Research Division**

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Table of Contents

Executive Summary	3
An Overview of Oregon’s Declining Labor Force Participation Rate	4
Oregon’s Trends Are Not Unique	5
Three Major Reasons for the Labor Force Participation Rate Decline	5
<i>Aging Workforce</i>	5
<i>Younger Workers’ Declining Participation</i>	5
<i>Results of the Great Recession</i>	5
Putting Today’s Labor Force Participation Rate in Context	6
Long-Term Trends Driven by Baby Boomers and Changes in Women’s Participation	7
Oregon’s Declining Labor Force Participation Rate	9
Aging Workforce Accounts for One-Half of Falling Participation Rate	9
<i>Older Workers Buck the Trend of Declining Labor Force Participation</i>	10
<i>Is it Time to Expand the “Prime Working Age”?</i>	10
Participation Rates Among Younger Workers Have Fallen Since 2000	11
The Great Recession Shaped Recent Trends in Oregon’s Participation Rates	12
Discouraged Workers are a Small Part of Labor Force Decline	13
Further Declines in Participation Rate Projected	15
Oregon’s Participation Rate Ranks 31st Among the States	17
Participation Rates Vary Widely Across Oregon’s Counties	18
Labor Force Participation Varies by Race and Ethnicity	20
Other Factors Can Affect Labor Force Participation	21
Conclusions and Potential Impacts	22
References	23
Technical Note	24
Appendices	25

Executive Summary

- Oregon's labor force participation rate is at its lowest level since records began in 1976.
- Oregon's labor force participation rate peaked at 68.9 percent in 1998 and declined to 63.4 percent in 2012.
- The aging of Oregon's population explains roughly half of the decline in Oregon's labor force participation rate since 2000.
- Sharp declines in the labor force participation rates of Oregon's youth and young adults (ages 16 to 24) account for more than one-quarter of the decline in Oregon's labor force participation rate since 2000.
- Oregon's older population (ages 55 and above) is the only age group projected to have a growing labor force participation rate through 2020.
- Even though labor force participation rates for Oregon's older population are increasing, this age group still has lower participation rates than the prime working age group (ages 25 to 54). Therefore, as the older age group makes up a larger share of the population, Oregon's overall labor force participation rate will fall.
- Labor force participation rates among Oregon's youth and young adults (ages 16 to 24) and prime working age group (ages 25 to 54) are projected to decline through 2020. The sharpest decline will occur among Oregon's teenage population.
- Oregon's labor force participation rate ranks 31st highest among the 50 states.
- Across Oregon's counties there is a fairly strong correlation between high unemployment rates and low labor force participation rates. In addition, many counties with high unemployment rates are rural counties that also have older populations. Both of these factors – high unemployment and an older population – contribute to lower labor force participation rates.



An Overview of Oregon's Declining Labor Force Participation Rate

Oregon's labor force declined by more than 12,000 persons (-0.6%) between 2011 and 2012. This was the largest annual decline the state has ever experienced. A reduction in the state's labor force is an unusual event. Prior to 2012, Oregon's labor force contracted only twice in the history of the series, which began in 1976. The first time was in the depths of the recession of the early 1980s: from 1981 to 1982, Oregon's labor force contracted by more than 3,100 persons, or -0.2 percent. The second time was a small decline between 2004 and 2005 (-300 persons).

Even as the state's labor force declined, Oregon's working age population (ages 16 and older) continued to grow. As a result, Oregon's labor force participation rate (LFPR) has fallen.

Oregon's LFPR climbed gradually from 63.0 percent in 1976 to 68.9 percent in 1998. Long-term trends have been driven largely by the Baby Boom Generation and increases in women's participation. After peaking in 1998, the labor force participation rate declined over the following years. Much of the drop occurred during and following Oregon's recession that began in 2001; the rate declined from 68.2 percent to 65.7 percent between 2001 and 2005. This was the biggest drop Oregon has ever experienced over a four-year period.

Between 2005 and 2008, Oregon's labor force participation rate remained fairly stable, hovering around 65.7 percent.

Civilian Noninstitutional Population: Everyone ages 16 and older who is not on active duty in the Armed Forces or residing in prisons or homes for the aged.

Labor Force: The subset of the civilian noninstitutional population ages 16 and older who is employed or unemployed.

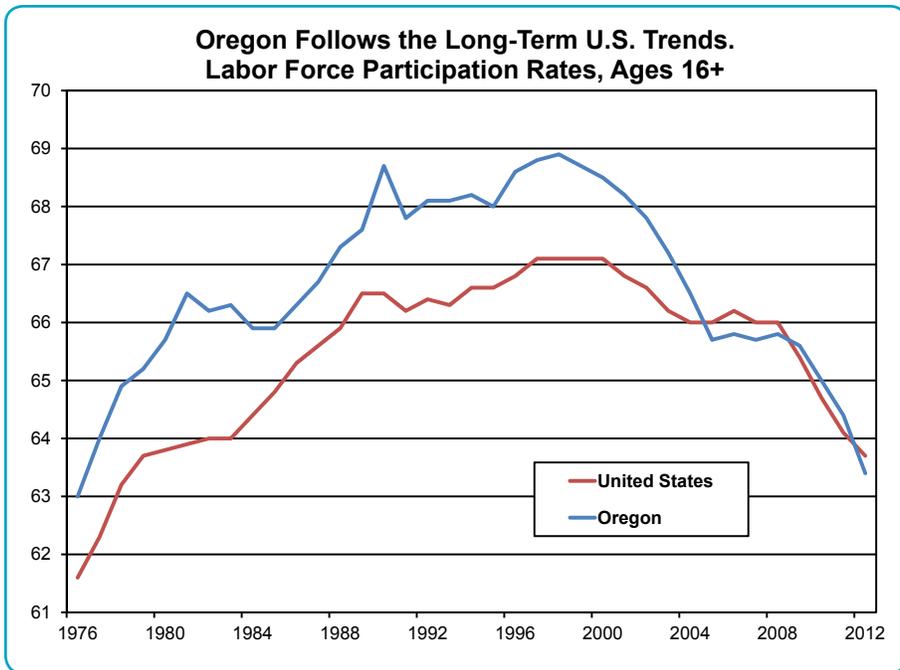
Labor Force Participation Rate (LFPR): The percentage of the population ages 16 and older who is employed or unemployed. Calculated by dividing the labor force by the civilian noninstitutional population.

Employed: People who did any work for pay during the week, did unpaid work in a family-owned enterprise, or were temporarily absent from their regular jobs.

Unemployed: People who do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work.

Not In Labor Force: People who are neither employed nor unemployed.

Beginning in 2009 and continuing to the present, Oregon's LFPR is again showing sharp declines. The rate fell from 65.8 percent in 2008 to 63.4 percent in 2012, nearly as steep of a decline as occurred between 2001 and 2005. The only other time the rate was this low was in the first year of the series, at 63.0 percent in 1976. Based on national historic trends, we can assume that Oregon's LFPR was lower than this in years prior to 1976.



Graph 1

Oregon's Trends Are Not Unique

The story of declining labor force participation rates is not unique to Oregon. Both Oregon and the U.S. have reversed the long-term trend of increasing labor force participation that occurred up until the late 1990s (Graph 1). Oregon's participation rate followed national trends but was consistently higher than the U.S. until about a decade ago. After peaking in the late 1990s, Oregon's LFPR began to fall. A steep decline between 1998 and 2004 lowered it enough that Oregon's rate tracked fairly closely with the U.S. ever since.

Three Major Reasons for the Labor Force Participation Rate Decline

Aging Workforce

As the Baby Boom Generation ages, they are moving out of the "prime" working years (ages 25 to 54) and entering an age group where labor force participation rates decline significantly. Roughly half of the decline in Oregon's labor force participation rate since 2000 is due to the aging of the workforce. This trend is expected to continue

as Oregon's population continues to age.

Younger Workers' Declining Participation

The labor force participation rate among Oregon's youth and young adults (ages 16 to 24) has been falling for more than two decades, with the sharpest decline among teenagers. There are two main reasons: a growing number of adults working in jobs

historically held for teens; and increasing emphasis on school and college. More than one-quarter of the decline in Oregon's overall LFPR since 2000 can be explained by the falling LFPR among Oregon's youth.

Results of the Great Recession

In the early stages of the Great Recession, the male-dominated construction and manufacturing industries experienced particularly large job losses. As a result, Oregon's male LFPR declined. The LFPR of Oregon's female population started a sharp decline in 2011. Part of this is due to more recent job losses in female-dominated sectors, notably local government education.

Putting Today's Labor Force Participation Rate in Context

Labor force participation rates are impacted by a number of factors. Demographic trends and changes in cultural trends have produced gradual, long-term changes in labor force participation.

Participation rates vary by race, ethnicity, gender, and age. As Oregon's population shifts and demographic groups comprise a larger or smaller share of the total population, these changes impact overall LFPR. In addition, demographic groups can change their labor force participation over time.

Changes in the business cycle also affect labor force participation rates. During an economic slowdown, unemployed workers may choose to temporarily drop out of the labor force. Some may be discouraged due to a lack of job opportunities in the current labor market. Others may take the opportunity to further their education and learn new job skills. High enrollment numbers at Oregon's universities and community colleges in recent years provide supporting evidence of that trend. At the other end of the spectrum, during times of rapid employment growth and low unemployment rates such as Oregon experienced in the 1990s, qualified workers can be in very high demand. This can entice people who would normally be outside of the labor market to seek employment.

Historically, the effects of business cycles on the LFPR have been relatively small compared with long-term demographic and cultural changes. That said, economic contractions of the magnitude Oregon and the U.S. experienced during The Great Recession are rare, and thus it is difficult to find appropriate historic comparisons.

Two Sources for Participation Rates

This report uses two estimates of Oregon's total labor force participation rate. Each source contributes different levels of detail to the analysis. The overall rate may be slightly different depending on the source, but trends are similar.

Local Area Unemployment Statistics: The official monthly estimate of state-level labor force participation rate. The 2012 annual average was 63.4 percent.

Current Population Survey: Provides demographic estimates as annual averages. The 2012 labor force participation rate estimate was 63.2 percent.

See Technical Note (page 24) for more information.

Separating short-term cyclical changes in labor force participation from long-term structural changes can be very challenging. That's especially true right now, with a long-term decline in the LFPR that started around 2000, coupled with the recent severe recession.

The labor force participation rate is calculated by dividing the number of employed and unemployed by the civilian noninstitutional population ages 16 and older (Figure 1). Fewer numbers of employed and unemployed puts downward pressure on the participation rate, as does a growing population.

For the overall population, Oregon's number of employed and unemployed fell in 2012 while the population grew, lowering the participation rate to 63.4 percent. Within the overall population, different groups are showing different trends in participation. Oregon's declining labor force can be explained by looking at participation rate trends for various groups.

Long-Term Trends Driven by Baby Boomers and Changes in Women's Participation

From the end of World War II to the present, the nation's labor force participation rate can be separated into three distinct time periods. From 1948 to the mid-1960s, the nation's LFPR showed very little change. That was followed by a steady increase in the LFPR from the mid-1960s to its peak in 2000. Since 2000, the nation's LFPR has been declining.

Gender certainly played a major role in changes to labor force participation rates over the last 60 years. Nationally, the LFPR of women nearly doubled over a 50-year period. In 1948, only one out of three (32.7%) women in the U.S. was in the labor force. By 1999, that level rose to 60.0 percent.

From 1948 to the mid-1960s, the LFPR of women increased while the LFPR of men began its six-decade decline (Graph 2). Even though the participation rates

$$\text{Participation Rate} = \frac{\text{Employed} + \text{Unemployed}}{\text{Civilian Noninstitutional Population}}$$

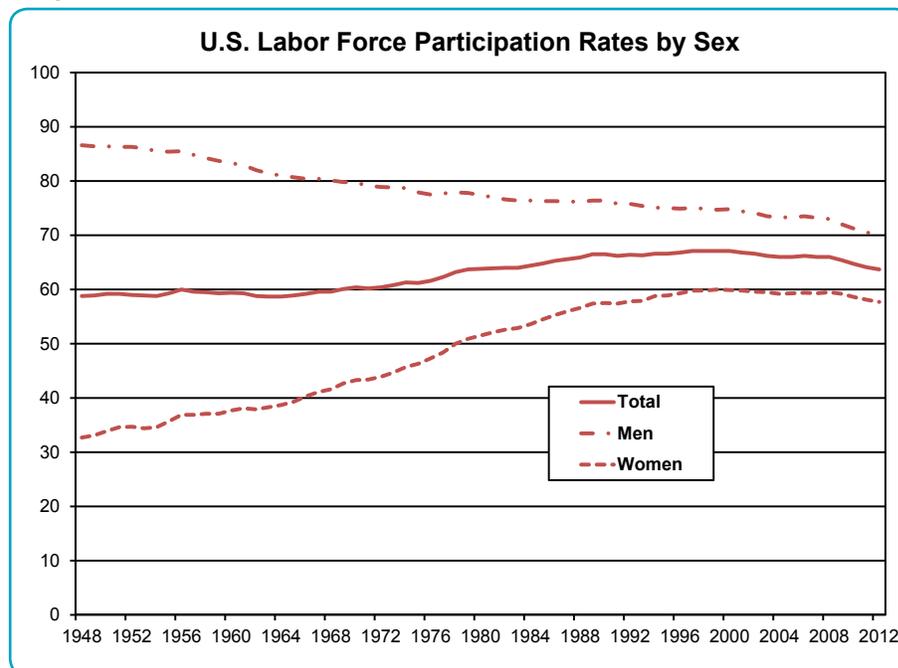
$$\text{In 2012, 63.4\%} = \frac{1,792,000 + 171,000}{3,097,000}$$

Figure 1

shifted for both sexes during this period, the overall U.S. LFPR remained fairly constant from post-World War II until the mid-1960s.

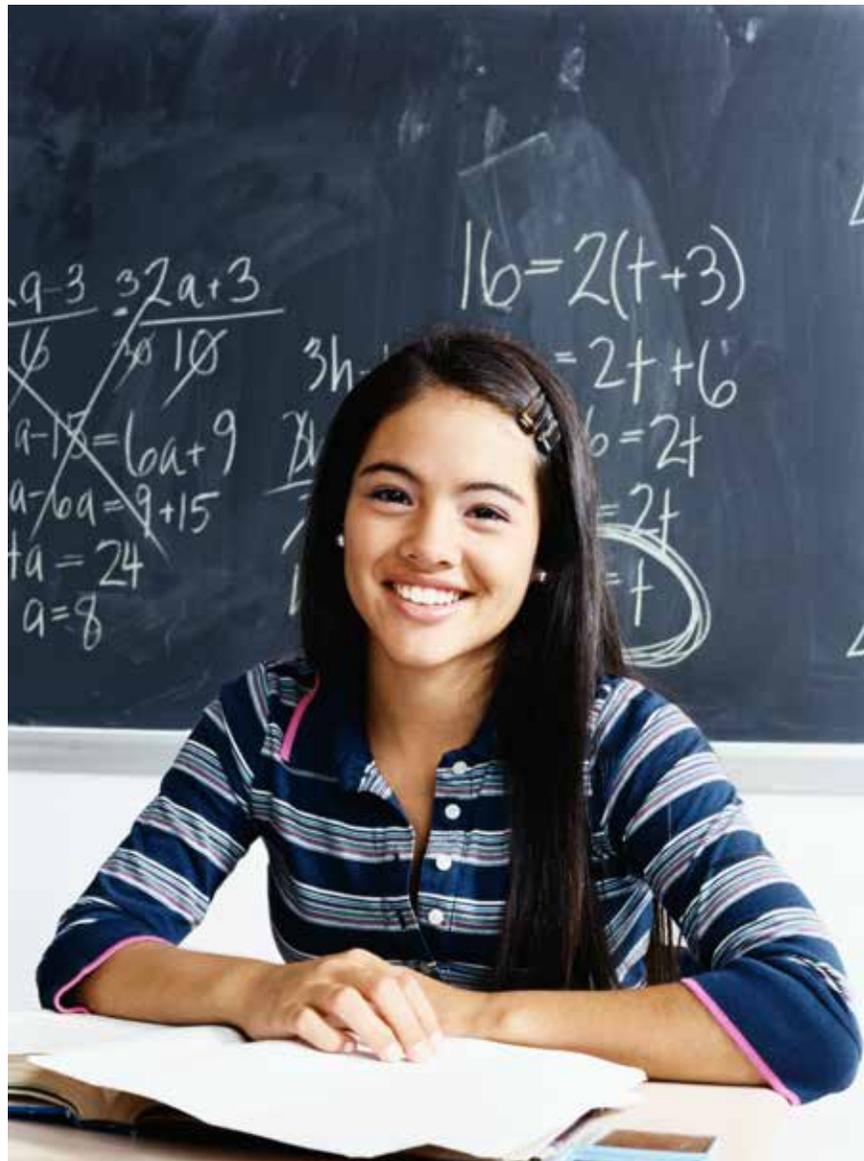
From the mid-1960s to 2000, the U.S. experienced steady increases in labor force participation. These gains are largely explained by two factors. First, more women entered the labor force. Second, the Baby Boom Generation (born between 1946 and 1964) grew older and gradually moved into the prime working age group (ages 25 to 54), a segment of the population with a high LFPR. Because this generation is large relative to other generations, their shift into the prime working age group caused the nation's LFPR to steadily increase during the 1970s and 1980s.

Graph 2



Demographic factors also explain a significant amount of the decline in the LFPR since 2000. One of the main factors behind the drop is that older workers make up a larger share of the population as the Baby Boom Generation ages and moves out of the prime working age group. The rise in the share of older workers decreases the LFPR because this group has a lower

participation rate than workers in the prime working age group. A second cause of the declining labor force participation is the steady reduction in the LFPR of young workers (ages 16 to 24) since 2000. Also, the LFPR of women in the U.S. stopped increasing and in fact declined since 2000, halting a half-century trend of rising labor force participation rates.



Oregon's Declining Labor Force Participation Rate

Aging Workforce Accounts for One-Half of Falling Participation Rate

The Baby Boom Generation, usually defined as those born between 1946 and 1964, and the largest generation in U.S. history, is reaching retirement age. Discussions about the effect retiring baby boomers might have on the labor force have been around for years. It looks like we are starting to find out the true consequences.

According to the Social Security Administration, nearly 10,000 Americans per day will become eligible for Social Security benefits over the next two decades. A typical baby boomer becomes eligible to receive full Social Security benefits at age 66. In 2012, 12,500 more Oregonians turned 66 years old compared with previous years. The number of people reaching age 66 should remain high in the coming years.

The Federal Reserve Bank of Chicago used a statistical model of national labor force participation rates to study changes in LFPR trend. They estimated that two-thirds of the drop in the national labor force participation

rate between 2000 and 2011 was caused by people aging out of the prime working age group (between 25 and 54). The remaining one-third of the drop was due to other demographic shifts, such as the sharp drop in teen participation rates.

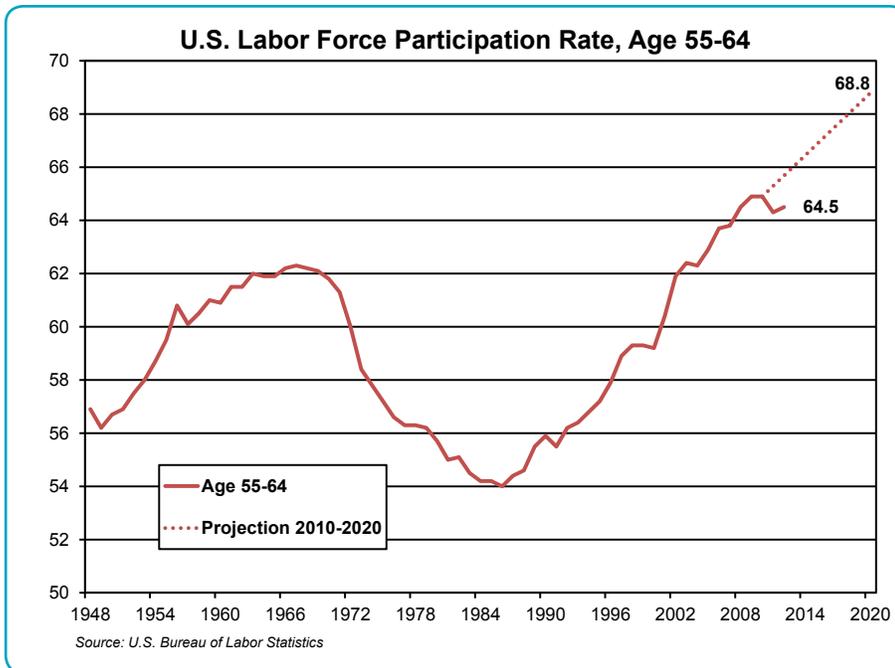
In Oregon, more than one-half of the 5.9 percentage point drop in participation since 2000 was due to the aging population. Table 1 suggests that the movement of Oregon's population into older age groups accounts for 3.2 percentage points of the overall drop. In other words, the aging of the population into age groups with lower participation rates brings the overall rate down, even as participation rates in the older groups are on the rise.

The remaining 2.7 percentage points of the drop is due to other factors that lowered participation among younger age groups, such as the slow job growth since 2000 and an increased emphasis on education.

Table 1

Aging Population Accounts for One-Half of Falling Participation Rates Oregon's Population and Labor Force Participation Rates by Age Group				
Age Group	2000		2012	
	Population Share	LFPR	Population Share	LFPR
16-19	7.2	56.9	6.3	36.5
20-24	8.7	82.1	8.7	73.3
25-34	17.6	85.6	16.6	80.1
35-44	20.5	85.6	16.4	82.5
45-54	19.3	84.9	16.4	80.5
55-64	12.6	57.1	16.9	67.0
65+	14.1	11.9	18.7	17.0
Total	100.0	69.1	100.0	63.2
Percentage Points				
Total LFPR change, 2000-2012			-5.9	
Due to aging			-3.2	
Due to other effects			-2.7	

Source: Oregon Employment Department, using Current Population Survey data



Graph 3

force participation was in large part due to the dramatic increase in women's LFPR compared with previous generations. As more boomers move into this age group, the Bureau of Labor Statistics expects the upward trend in the LFPR to continue; the population ages 55 and over is the only age group expected to increase labor force participation from 2010 to 2020.

Older Workers Buck the Trend of Declining Labor Force Participation

Falling participation rates is not the story for every age group. Labor force participation has been on the rise for people aged 55 to 64 since 1986 (Graph 3). A number of factors are driving this trend. One factor has been improvements in health that allow workers to continue in the labor force longer than workers of past generations. A second factor has been the shift towards a service economy and away from a manufacturing economy. The shift resulted in less labor intensive "blue collar" jobs and more "white collar" jobs that are less physically demanding. A third factor is that workers have to work longer to build savings for retirement due to the move away from defined-benefit pensions and towards 401K plans. Dramatic financial market swings in recent years provide an additional challenge to older workers trying to determine if they have built up sufficient savings to retire.

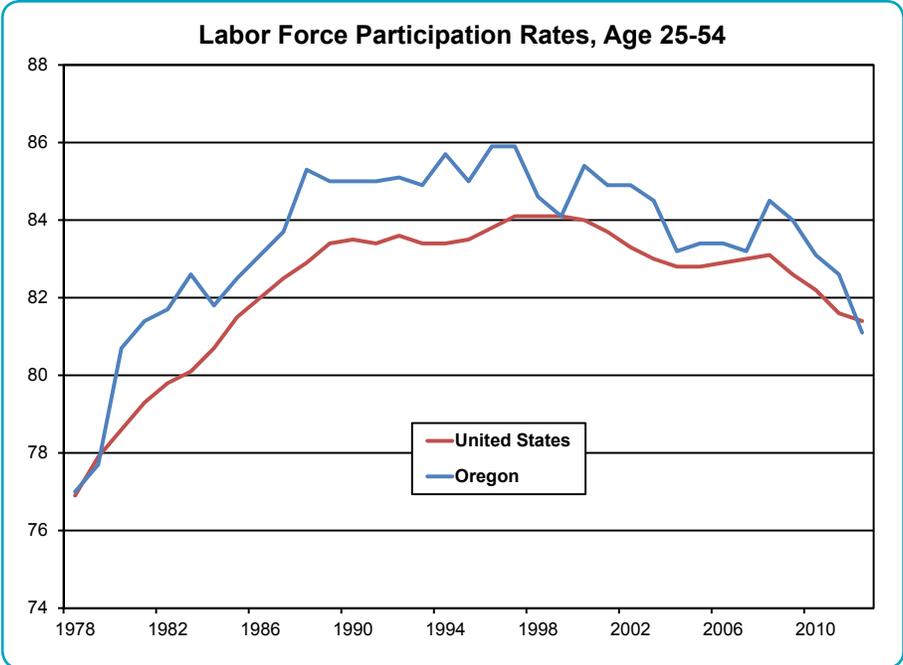
An additional factor in recent years is that the oldest boomers turned 55 beginning in 2001. The Baby Boomer Generation has higher labor force participation than the generations that came before them. The higher labor

Is it Time to Expand the "Prime Working Age"?

People between the ages of 25 and 54 have traditionally been considered of prime working age because participation rates are much higher for this group than for other age groups. In 2012, 81.1 percent of Oregonians in this age group were in the labor force, down from the record high of 85.9 percent in 1997. National participation rates showed a similar trend for this age group (Graph 4).

The 25 to 54 age group does not include people who reached a typical retirement age, so the drop in participation in this group has more to do with economic weakness. However, demographic trends can still affect participation rates in this group. One possible reason for declining participation among those ages 25 to 54 is that as the oldest baby boomers with high participation rates aged out of this group, they were replaced by younger workers with lower participation rates, bringing down the overall participation rate for this group.

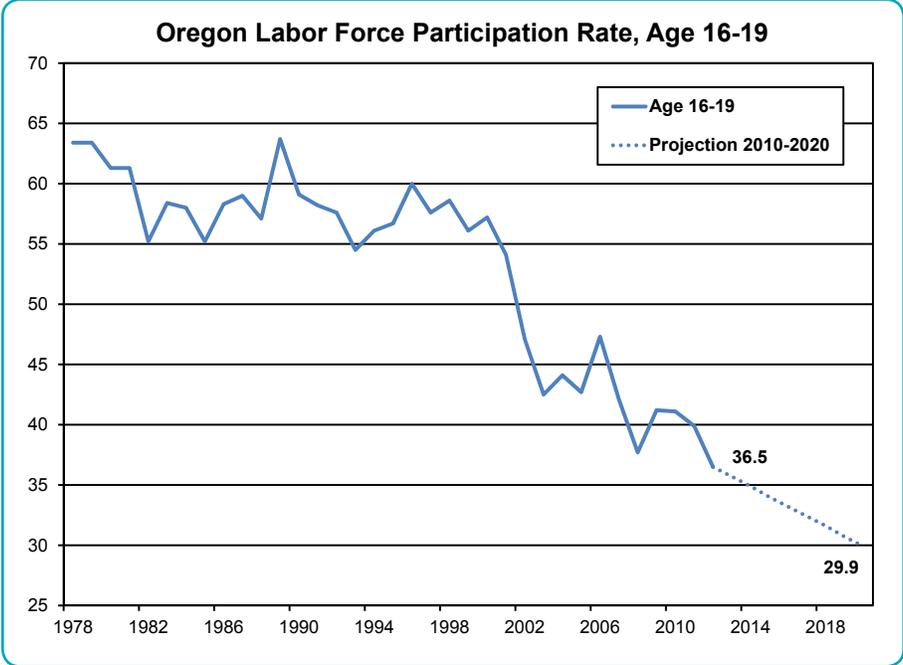
As labor force participation increases among the older population, particularly among those between the ages of 55 and 64, it may



Graph 4

Participation Rates Among Younger Workers Have Fallen Since 2000

Labor force participation rates for youth and young adults (ages 16 to 24) have been declining for more than two decades in Oregon. A number of studies note that a large part of this decline is due to increased student enrollment in high school, college, and summer school. From 2000 to 2012, Oregon's LFPR for young people ages 16 to 19 dropped from 57.2 percent to 36.5 percent, a huge decline (Graph 5). The decrease was not as dramatic for the 20-to-24 age group: their participation rate dropped from 82.1 percent in 2000 to 73.3 percent in 2012.



Graph 5

be time to expand the idea of prime working age to 25 through 64 years of age. The participation rate of Oregonians ages 55 to 64 is projected to pass 70 percent by 2020, still lower than participation rates of the 25 to 54 crowd, but enough to be a significant share of the overall labor force.

in young workers' LFPR, the steepest declines occurred when Oregon experienced very slow employment growth. From 2001 to 2012, Oregon's total nonfarm employment added only 33,400 net jobs, growing 2.1 percent. In contrast, Oregon's nonfarm employment grew 349,900 between 1990

and 2001, expanding employment nearly 27.9 percent over that period of time. In a slow growing economy, it is easy to imagine that workers with limited skills and work experience may find it increasingly difficult to obtain suitable employment. Workers with more work experience may “crowd out” less experienced applicants from jobs that would normally be entry-level positions held by workers with less experience.

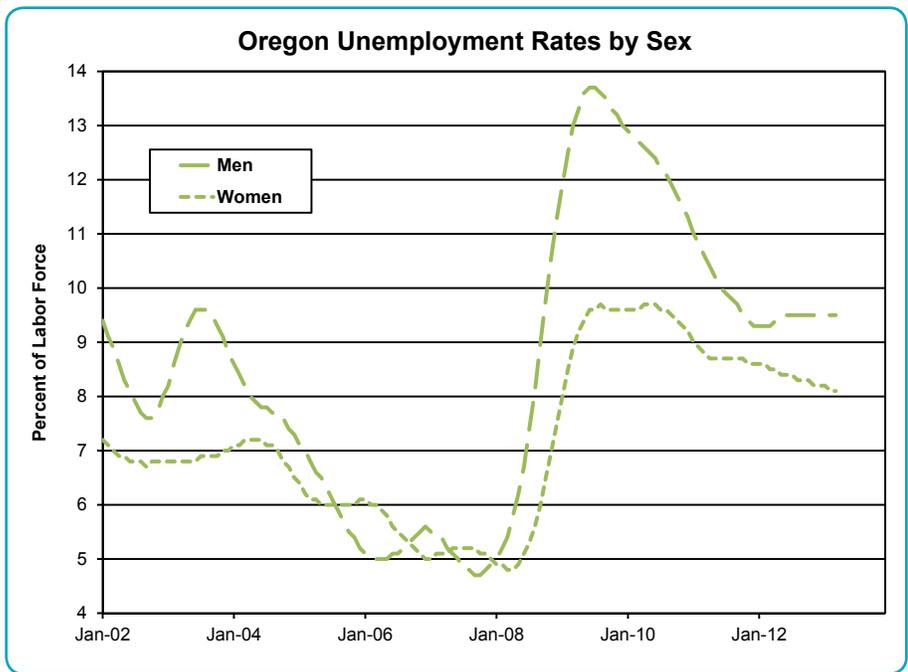
Students who are either employed or actively seeking employment are included in the civilian labor force.

To get an idea of how much the decline in youth participation affected the state’s total LFPR, the historic average LFPR from 1978 to 2000 for ages 16 to 24 was applied to Oregon’s current population in that age group. In this case, there would be an additional 53,000 young workers in Oregon’s labor force. That would raise Oregon’s current LFPR from 63.2 percent to 64.9 percent, or 1.7 percentage points. In other words, a little more than one-quarter of Oregon’s declining

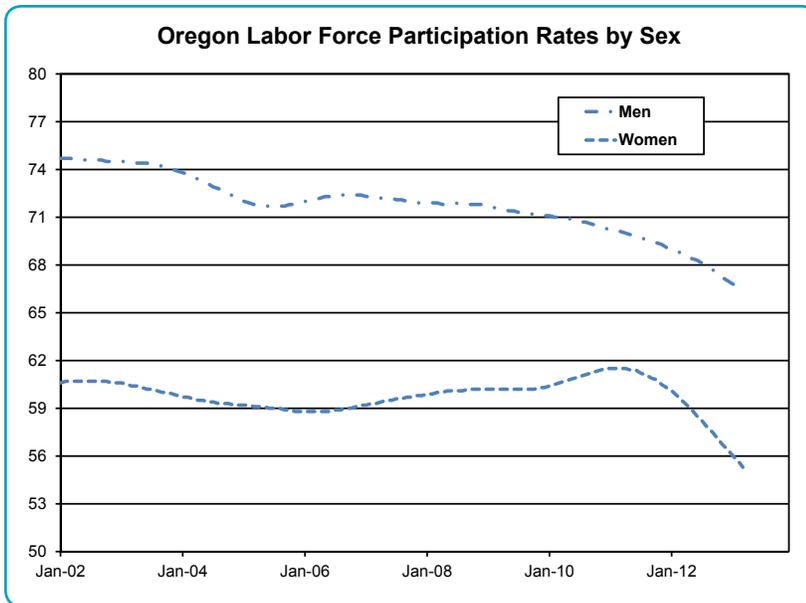
LFPR since 2000 can be explained by the break from the historic average LFPR among Oregon’s youth.

The Great Recession Shaped Recent Trends in Oregon’s Participation Rates

The bursting of the nation’s housing bubble led to the recent recession, with the steepest job losses occurring in the construction and manufacturing sectors. This was the case in Oregon and the U.S. The steep job loss in these two male-dominated sectors led to the unemployment rate for males increasing dramatically at the beginning of the recession relative to females (Graph 6). From the beginning of the recession in December 2007 to June 2009, the unemployment rate for Oregon’s males more than doubled, going from 4.9 percent to 13.7 percent. The unemployment rate for Oregon’s females increased from 5.0 percent to 9.6 percent during that time period, a dramatic increase, but not of the magnitude seen in the male labor force.



Graph 6



Graph 7

The dramatic increase in male unemployment gave rise to the term “mancession” or “hecession” to describe the recent recession. Ironically, it appears that what may have begun as a “mancession” also affected labor force participation rates among Oregon’s females. The LFPR for Oregon’s women actually started to creep upward in the second half of 2006 and 2007 (Graph 7). As the recession hit in 2008, women’s labor force participation continued to grow until the first quarter of 2011. Why would this happen? One hypothesis is that the steep job losses and soaring unemployment that Oregon experienced during the recession, particularly in industries that predominately employ males, may have resulted in even more women entering or re-entering the labor force as they sought to replace incomes from family members who had lost a job. This is known as the “added worker effect.”

Following five years of growing labor force participation among Oregon’s women, in the middle of 2011 women’s LFPR began a sharp decline, dropping from 61.5 percent in April 2011 to 56.4 percent in January 2013. It is difficult to know how much of the sharp decline in Oregon’s LFPR of women is the

result of other household members regaining suitable employment, and thus allowing women the opportunity to leave the labor force. Another explanation is that women are leaving the labor force due to job losses and limited opportunities in their own employment fields.

While job losses early in the recession were often in industries that predominantly employ men, job losses during the recovery phase hit industries with a

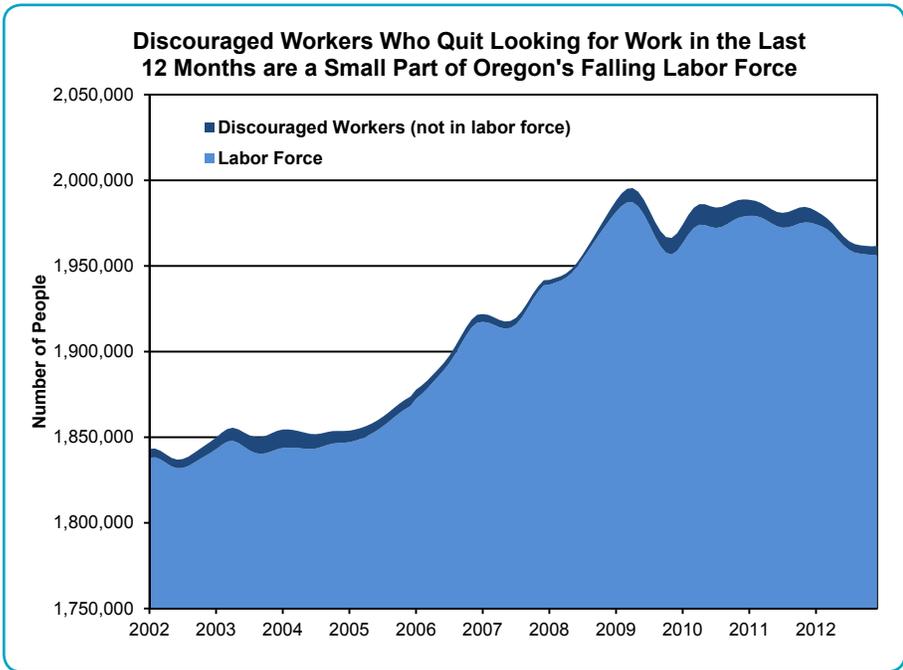
large share of female employment. Local government education employment (K-12 and community colleges) is a good example. These employers have reported employment declines in recent years, more so than early in the recession.

Discouraged Workers are a Small Part of Labor Force Decline

Another possible reason for declining participation among the prime working age group could be that more unemployed people are so discouraged about their job prospects that they have given up looking for work. A person without a job and who has not looked for work within the last month is considered out of the labor force. This discouraged scenario is certainly the case for some people, but according to available data, the number of discouraged workers in Oregon has been falling since 2010. The number of discouraged workers would be rising if they were a significant factor in the recent falling participation rates.

Graph 8 shows that the number of discouraged workers in Oregon (the dark shading at the top of the graph) is small compared with the overall labor force. Oregon had an average of 5,700 discouraged workers in 2012. If they were considered part of Oregon's labor force, the labor force participation rate in 2012 would have been just 0.2 percentage point higher.

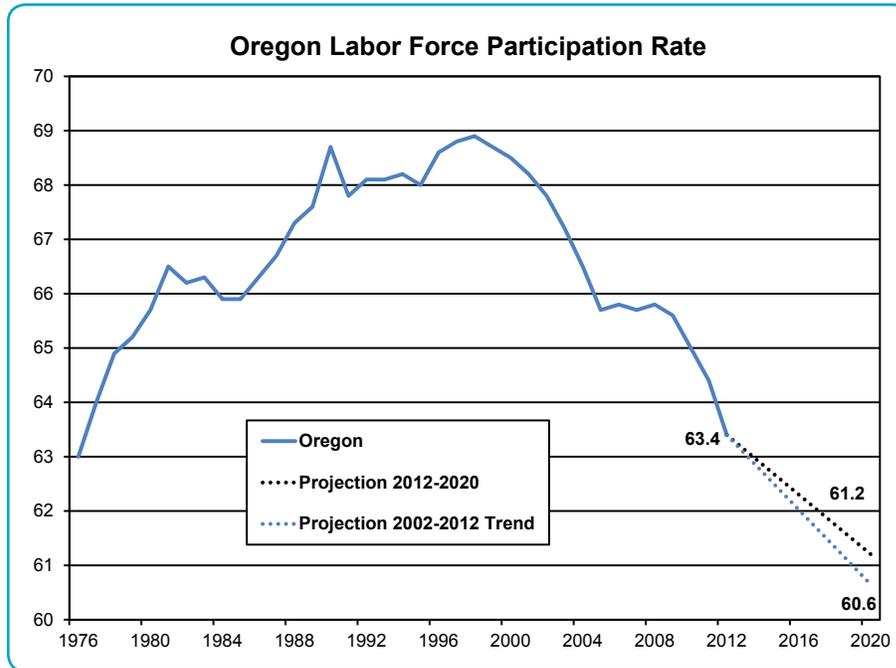
Discouraged Workers: People who want and are available for work, have looked for a job sometime in the prior 12 months, but are not currently looking for work because they believe no jobs are available for them or there were none for which they would qualify. Discouraged workers are not in the labor force.



Graph 8

Further Declines in Participation Rate Projected

The Bureau of Labor Statistics projects that the national labor force participation rate will decrease by 2.2 percentage points from 2010 to 2020. Applying a similar decrease to Oregon's population by age group would lower the state's labor force participation rate to 61.2 percent in 2020. The 2012 to 2020 projection is shown in Graph 9.



Graph 9

Oregon's labor force participation rate decline since 2010 was more than expected, so Graph 9 provides an alternative projection. If the downward trend in Oregon's labor force participation over the past 10 years from 2002 to 2012 continues, Oregon's LFPR would be even lower at 60.6 percent in 2020.

National projections call for the LFPR of men to fall 3 percentage points from 2010 to 2020. Assuming a similar drop for Oregon men means their LFPR could fall from 68.2 percent in 2012 to 65.8 percent in 2020.

The decline in women's LFPR is expected to be half the decline men will experience over the decade. The national labor force participation of women is expected to decline 1.5 percentage points from 2010 to 2020. Assuming a similar drop for Oregon women means their LFPR could fall from 58.5 percent in 2012 to 57.3 percent in 2020.

Oregon Labor Force Participation Rate Projections, 2012-2020

	2012 LFPR	2020 LFPR	2012-2020 Change
Total, 16 years and older	63.2	61.2	-2.0
Men	68.2	65.8	-2.4
Women	58.5	57.3	-1.2
16 to 19	36.5	29.9	-6.6
20 to 24	73.3	68.9	-4.4
25 to 34	80.1	78.8	-1.3
35 to 44	82.5	82.0	-0.5
45 to 54	80.5	80.2	-0.3
55 to 64	67.0	70.1	3.1
65 and older	17.0	21.2	4.2

Source: Oregon Employment Department using U.S. Bureau of Labor Statistics, Labor Force Projections 2010-2020

Table 2

All Oregon age groups under the age of 55 are expected to have decreases in their LFPR from 2012 to 2020. The steepest declines in labor force participation are expected among Oregon's younger workers, continuing a trend of declining participation that began in the late 1990s with rising rates of school enrollment. This downward trend accelerated over the past decade, a decade during which Oregon's economy struggled to add employment.

Oregon's prime working age population (ages 25 to 54) is expected to experience

declines in labor force participation ranging from -0.3 to -1.3 percentage points; not nearly as sharp as the decline projected for Oregon's 16-to-24 age group. Oregon's population groups ages 55 to 64 and 65 and older are expected to have LFPR growth of 3.1 and 4.2 percentage points, respectively. Although both of these groups are expected to have growing labor force participation, their LFPRs will still be significantly lower than the population in the prime working ages, in particular for ages 65 and older, which have the lowest LFPR of any age group.



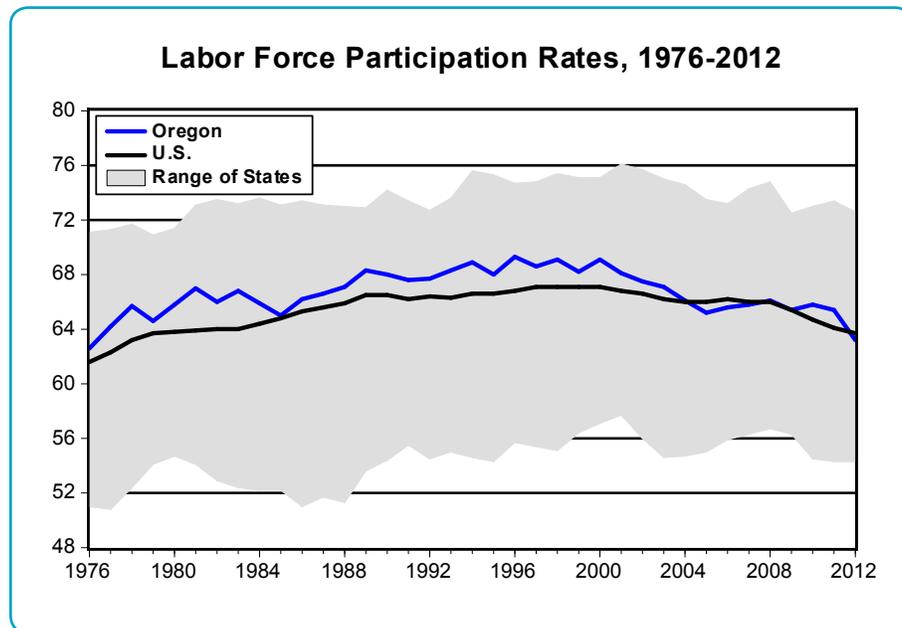
Oregon's Participation Rate Ranks 31st Among the States

In 2012, Oregon had the 31st highest labor force participation rate among the 50 states, near the middle of the pack. Graph 10 shows that Oregon is near the middle of the “range of states” band.

In 2012, 29 states had LFPRs above the national average. West Virginia had the lowest LFPR in the nation at 54.3 percent, with Alabama, Mississippi, South Carolina and Louisiana rounding out the list of the five states with the lowest LFPRs.

At the other end of the spectrum, North Dakota, Nebraska, Minnesota, South Dakota, and Vermont had the highest LFPRs. North Dakota's LFPR of 72.6 percent topped the list. That state's recent oil boom and a lack of available workers have attracted national media attention. However, North Dakota and its neighboring states have historically had high LFPRs, even prior to their recent economic boom.

Graph 10



Participation Rates Vary Widely Across Oregon's Counties

Labor force participation rates vary significantly across Oregon's 36 counties. In 2012 they ranged from a low of 47.4 percent in Curry County to a high of 83.7 percent in Hood River County. The statewide LFPR in 2012 was 63.4 percent.

The map of Oregon in Figure 2 shows very high LFPRs for the counties along the Columbia Gorge, including Wasco, Sherman, Hood River, and Gilliam counties.

As discussed previously, there are a number of demographic and economic factors that contribute to an area's LFPR.

For example, Hood River County has a relatively young population, with a high concentration of its residents in their prime working years of ages 25 to 54. This age group has very high LFPRs. In addition, nearly one-fourth of Hood River County's population above the age of 16 is Hispanic, second only to Morrow

County with 23.8 percent. Oregon's Hispanic population has a significantly higher LFPR compared with Oregon's non-Hispanic population.

Further, Hood River, Wasco, Sherman, and Gilliam counties saw rapid growth in their labor force and total employment during the past five years. From 2007 to 2012, Oregon's labor force expanded 2.2 percent. The four counties in the Gorge all reported

double-digit labor force growth during those years, ranging from 10.2 percent in Wasco County to 15.3 percent in Sherman County.

Oregon's total employment actually declined 1.7 percent between 2007 and 2012. During that period, 23 of Oregon's 36 counties reported declines in their total employment level. But the four counties in the Gorge reported growth ranging from 6.7 percent in Wasco County to 11.1 percent in Sherman

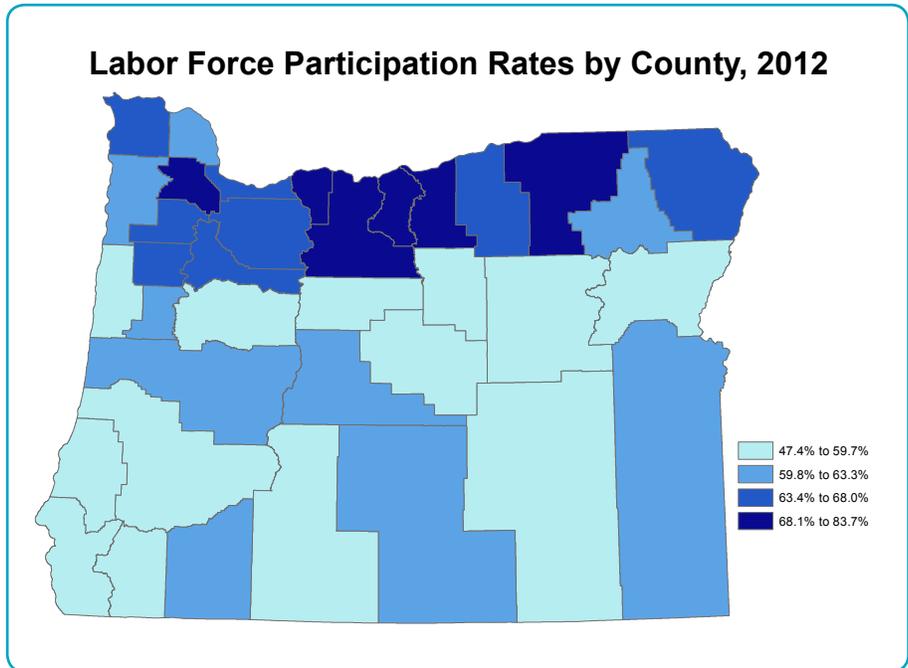


Figure 2

County. While Oregon's overall economy struggled, growth in call centers, wind farms, and the manufacturing of military planes just across the Columbia River in Washington all helped fuel growth in employment and the labor force in the counties along the Columbia Gorge.

Looking around the rest of Oregon, demographic and economic forces are at play in the counties with relatively low LFPRs. In the southwestern part of Oregon

and in parts of Central Oregon and Eastern Oregon, higher-than-average unemployment rates and relatively older populations – with a smaller share of residents in their prime working age of 25 to 54 – contribute to low labor force participation rates.

The Oregon counties that are included in the Portland Metropolitan Statistical Area (MSA) had LFPRs higher than the statewide average of 63.4 percent, with the exception of Columbia County which had an LFPR of 62.6 percent.

In the Salem MSA, both Marion and Polk counties had LFPRs higher than the statewide average.

Oregon's other metropolitan counties – Benton, Deschutes, Jackson, and Lane counties – all had LFPRs that were lower than the statewide average, ranging from 60.4 to 61.0 percent.

Labor Force Participation Varies by Race and Ethnicity

Oregon's labor force participation rate was 63.2 percent in 2012, but the average participation rate of Oregonians varies across different race and ethnic backgrounds. A large majority of Oregon's labor force is white, which includes both non-Hispanic whites and Hispanic whites. Whites comprise 90 percent of Oregon's population for persons age 16 and older and 90 percent of Oregon's labor force. As a result, Oregon's total LFPR deviates only slightly from the 63.1 percent participation rate of whites. The national participation rate for whites was 64.0 percent.

African Americans comprised 1.5 percent of Oregon's labor force in 2012. The LFPR for African Americans in Oregon was 59.9 percent, lower than the state's total LFPR. Nationally, the LFPR for African Americans was 61.5 percent in 2012.

Asians made up 3.7 percent of Oregon's labor force in 2011. The LFPR for Asians in Oregon was 64.9 percent in 2011, just below the statewide average of 65.4 percent. The national participation rate for Asians was 64.6 percent.

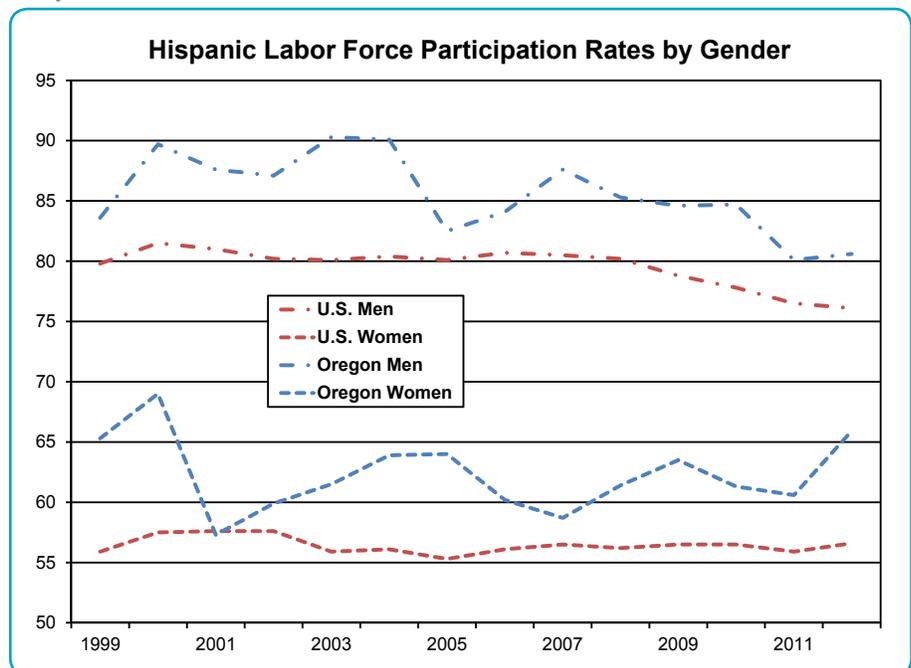
(Participation rates for Asians in Oregon were not available in the preliminary data from the U.S. Bureau of Labor Statistics, so 2011 data is being used for this report.)

Hispanics and Latinos comprised 9.4 percent of Oregon's labor force in 2012. Since the late 1990s Hispanics consistently had higher LFPRs

than non-Hispanics. Part of that is due to the Hispanic population being significantly younger than the overall population.

Oregon's Hispanics and Latinos consistently had higher LFPRs than the national average for these groups (Graph 11). In 2012 the LFPR for Hispanics and Latinos in Oregon was 73.6 percent, higher than Oregon's overall LFPR of 63.2 percent and higher than the national LFPR for Hispanics and Latinos which was 66.4 percent.

Graph 11



Other Factors Can Affect Labor Force Participation

Other factors can affect labor force participation rates in addition to the demographic trends and general economic conditions. However, as they fall outside the scope of the data used in this report, some of the possible factors are noted here.

Productivity improvements in everyday activities impact work and on-the-job productivity. Labor productivity, as measured by output per worker, steadily increased over the years. On average, U.S. workers produced 38 percent more output per hour in 2012 than workers did in 1998, the peak of Oregon's labor force participation. In other words, the economy can produce more goods and services using fewer workers. Those workers will stay employed only as long as demand for products and services continue to increase.

Technological advances can also reduce the demand for some goods or services. For example, 10 years ago a consumer may have purchased a cell phone, camera, GPS unit, and MP3 player separately. Four items, each of which required workers to manufacture, market, sell, and support the product back then can be found in just one smartphone today. The smartphone (or computer or tablet) can take pictures, replacing some film manufacturers and processors; access local news online, replacing some newspaper delivery workers and paper manufacturers; and stream movies, replacing some video rental clerks. This begs the question: can today's economy satisfy consumer needs with fewer people working?

Another consideration is the incentive that people have when deciding whether to join or stay in the labor force. The more a person can purchase with an hour's worth of work, the more likely they will take or look for a job. Recent wage increases may not have provided enough incentive to bring more people into the labor force. Adjusted for price increases in the goods and services that workers typically consume, the average wage in Oregon fell \$0.57 per hour between 2007 and 2012, while the average U.S. wage increased just \$0.13 per hour.



Conclusions and Potential Impacts

Labor force participation rates are falling in Oregon and nationwide because of demographic shifts and weak job growth. The overall decline began in the late 1990s, but accelerated following the recession. Today's younger workers are less likely to participate in the labor force than previous generations, yet older workers are more likely to participate. Despite increasing participation among older workers, more people are nearing retirement age and less likely to be in the labor force. This brings down the overall rate.

The effect on the economy of fewer people participating in the labor force is difficult to predict. However, a few potential impacts are worth mentioning.

- Falling labor force participation means there are fewer workers supporting the population. This can hinder other measures of economic prosperity, such as per capita personal income (PCPI). Since PCPI is income measured against the total population, any person working, even at below average wages, helps to increase the PCPI. Falling participation rates could translate into stagnant or falling PCPI.
- Falling participation rates among the younger age groups delay their ability to gain on-the-job training and experience. The tendency to not participate could remain with the cohort as they age. This lack of experience could be a hindrance as young people move into what should be ages of increased participation.
- Falling participation rates are not expected to lead to wide-ranging worker shortages. Regions and industries with a large proportion of older workers may face a relative shortage of workers as more baby boomers reach retirement age. Statewide, there are enough younger people and their participation rates are far enough below historic averages that there should be enough replacement workers if they are given appropriate training and offered sufficient job opportunities.

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Technical Note

Labor force data in this report are from the Current Population Survey (CPS), the Local Area Unemployment Statistics (LAUS) program, and the Oregon Employment Department.

The CPS is a survey of households conducted by the U.S. Census Bureau each month for the Bureau of Labor Statistics (BLS). CPS household selection is based on a probability sample designed to represent the civilian noninstitutional population (CNP) of the U.S. The CNP includes all people who are age 16 and older, excluding those on active duty in the U.S. Armed Forces and the institutional population. Data collected from the CPS are used to produce labor force estimates directly for the United States and indirectly for the individual states and the District of Columbia. Nationally, there are 60,000 eligible households in the sample. In Oregon, the sample size is around 1,000 assigned households. More information about the CPS can be found in the BLS Handbook of Methods: http://www.bls.gov/opub/hom/homch1_itc.htm.

Local Area Unemployment Statistics (LAUS) is a Federal-State cooperative program that is responsible for producing labor force estimates for states and geographies within states, such as Metropolitan Statistical Areas, counties, and cities. The concepts and definitions used in the LAUS program are from the Current Population Survey. Monthly labor force data for states are based on mathematical models of CPS data. Detailed demographic labor force data for Oregon are based on annual averages directly from the CPS. Labor force data for geographies within states are based on the “Handbook Method.” More information about the LAUS program can be found on the BLS website: <http://www.bls.gov/lau/>.

Labor force participation rates for Oregon’s counties and monthly trend estimates from Oregon’s CPS data are based on calculations made by the Workforce and Economic Research Division of the Oregon Employment Department. Labor force participation rates for Oregon’s counties were produced using the LAUS labor force for each county divided by an estimate of the CNP for the respective county, multiplied by 100. The CNP estimate for each county in 2012 was developed from a factor based on the relationship between the CNP and total population for the respective county at the time of the 2010 Census, applied to the most recent population estimates for the county published by the U.S. Census Bureau. Monthly trend estimates of demographic data from Oregon’s CPS are based on math procedures that smooth data series, similar in principle to a moving average. County LFPR’s and monthly CPS trend estimates are not official BLS or U.S. Census Bureau data.

Appendices

Appendix 1: Labor Force Participation Rates by Sex, Race, Hispanic or Latino Ethnicity, and Age, Oregon and United States, 2012

Appendix 2: Labor Force Participation Rates by County, 2012 Annual Average

Appendix 3: Labor Force Participation Rates by State, 2012 Annual Average

Appendix 1

Labor Force Participation Rates by Sex, Race, Hispanic or Latino Ethnicity, and Age Oregon and United States, 2012

Population Group	Oregon	United States
Total	63.2	63.7
Men	68.2	70.2
Women	58.5	57.7
White	63.1	64.0
Black or African American	59.9	61.5
Asian (2011)*	64.9	64.6
Hispanic or Latino ethnicity	73.6	66.4
Hispanic or Latino ethnicity, men	80.6	76.1
Hispanic or Latino ethnicity, women	65.9	56.6
Total, 16 to 19 years	36.5	34.3
Total, 20 to 24 years	73.3	70.9
Total, 25 to 34 years	80.1	81.7
Total, 35 to 44 years	82.5	82.6
Total, 45 to 54 years	80.5	80.2
Total, 55 to 64 years	67.0	64.5
Total, 65 years and over	17.0	18.5
Men, 16 to 19 years	35.2	34.0
Men, 20 to 24 years	72.6	74.5
Men, 25 to 34 years	87.4	89.5
Men, 35 to 44 years	88.6	90.7
Men, 45 to 54 years	84.6	86.1
Men, 55 to 64 years	71.4	69.9
Men, 65 years and over	21.4	23.6
Women, 16 to 19 years	37.8	34.6
Women, 20 to 24 years	74.2	67.4
Women, 25 to 34 years	73.3	74.1
Women, 35 to 44 years	76.0	74.8
Women, 45 to 54 years	76.6	74.7
Women, 55 to 64 years	62.8	59.4
Women, 65 years and over	13.4	14.4

* 2012 Oregon participation rate not available for Asian.

Source: Bureau of Labor Statistics, Current Population Survey

Appendix 2

Labor Force Participation Rates by County, 2012 Annual Average

Area	Labor Force Participation Rate (LFPR)	LFPR Ranking (Highest to Lowest)
Oregon	63.4	
Baker County	58.2	27
Benton County	61.0	18
Clackamas County	65.9	8
Clatsop County	68.0	7
Columbia County	62.6	16
Coos County	54.6	32
Crook County	53.1	33
Curry County	47.4	36
Deschutes County	60.9	20
Douglas County	51.3	34
Gilliam County	73.6	3
Grant County	56.9	30
Harney County	57.6	29
Hood River County	83.7	1
Jackson County	60.4	23
Jefferson County	58.8	26
Josephine County	50.6	35
Klamath County	56.9	30
Lake County	60.7	22
Lane County	60.8	21
Lincoln County	58.1	28
Linn County	59.0	25
Malheur County	63.3	15
Marion County	65.0	12
Morrow County	65.6	11
Multnomah County	65.8	10
Polk County	64.5	13
Sherman County	74.9	2
Tillamook County	61.0	18
Umatilla County	72.2	5
Union County	61.3	17
Wallowa County	65.9	8
Wasco County	73.5	4
Washington County	70.1	6
Wheeler County	59.7	24
Yamhill County	64.2	14

Source: Oregon Employment Department, Local Area
Unemployment Statistics

Appendix 3

Labor Force Participation Rates by State, 2012 Annual Average

Area	Labor Force Participation Rate (LFPR)	LFPR Ranking (Highest to Lowest)	Area	Labor Force Participation Rate (LFPR)	LFPR Ranking (Highest to Lowest)
United States	63.7				
Alabama	58.1	49	Montana	63.8	29
Alaska	68.2	11	Nebraska	72.5	2
Arizona	60.4	42	Nevada	64.7	23
Arkansas	59.6	45	New Hampshire	69.4	6
California	63.0	32	New Jersey	65.9	19
Colorado	68.6	9	New Mexico	59.7	44
Connecticut	66.2	16	New York	61.4	38
Delaware	62.2	36	North Carolina	62.7	34
Florida	60.6	40	North Dakota	72.6	1
Georgia	64.4	27	Ohio	63.4	30
Hawaii	60.5	41	Oklahoma	62.8	33
Idaho	64.6	24	Oregon	63.2	31
Illinois	66.1	17	Pennsylvania	64.0	28
Indiana	62.6	35	Rhode Island	66.0	18
Iowa	68.8	8	South Carolina	59.3	47
Kansas	67.9	12	South Dakota	69.6	4
Kentucky	61.1	39	Tennessee	61.6	37
Louisiana	59.4	46	Texas	65.5	20
Maine	64.9	22	Utah	67.3	14
Maryland	67.8	13	Vermont	69.5	5
Massachusetts	65.3	21	Virginia	66.4	15
Michigan	60.0	43	Washington	64.5	25
Minnesota	70.3	3	West Virginia	54.3	50
Mississippi	58.9	48	Wisconsin	68.6	9
Missouri	64.5	25	Wyoming	69.2	7

Source: U.S. Bureau of Labor Statistics, Current Population Survey



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