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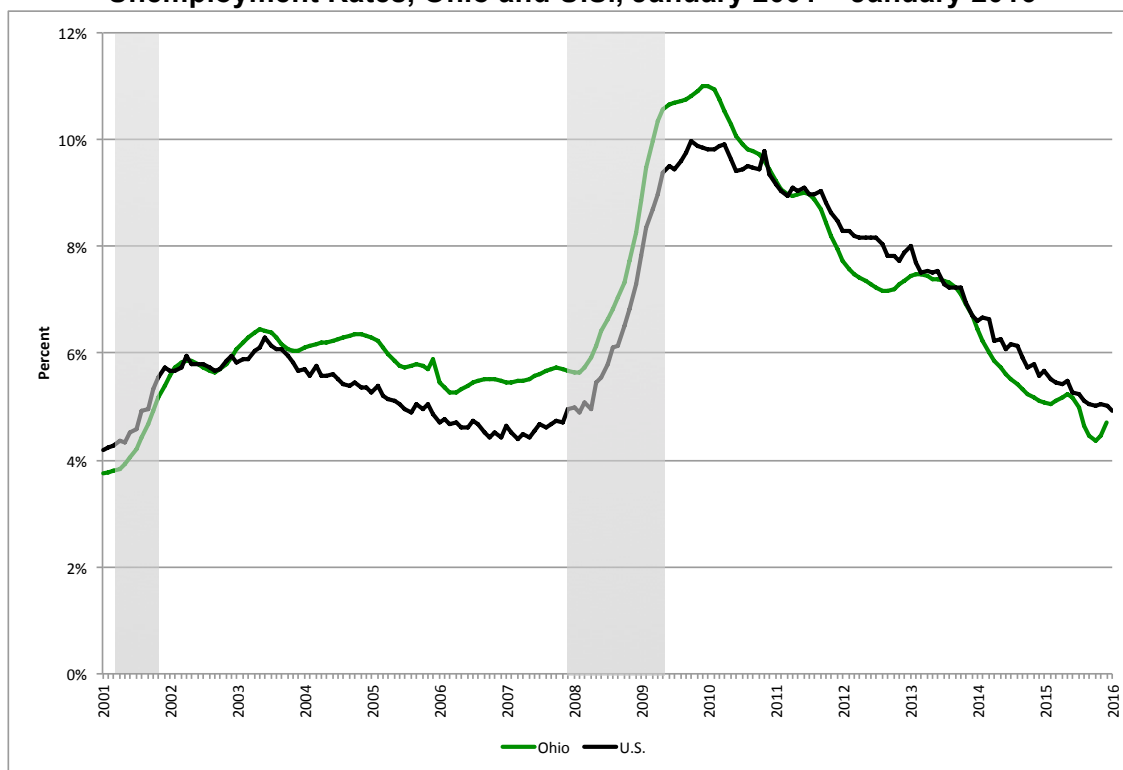
Characteristics of Ohio's Labor Force

The June 12, 2015, issue of *On the Money* (Vol. 131, No. 11) examined general trends in labor force, resident employment, and unemployment in Ohio. This article is a sequel to that one: it takes a more detailed look at the demographic characteristics of Ohio's labor force.

Update of Labor Force Trends and Review of Concepts

Figure 1 charts seasonally adjusted unemployment rates for Ohio and the U.S. since the beginning of 2001. Shaded areas indicate recessions. Since peaking at 11 percent at the beginning of 2010 – a percentage point higher than the national average – Ohio's unemployment rate has declined to 4.7 percent, slightly below average.

Figure 1
Unemployment Rates, Ohio and U.S., January 2001 – January 2016



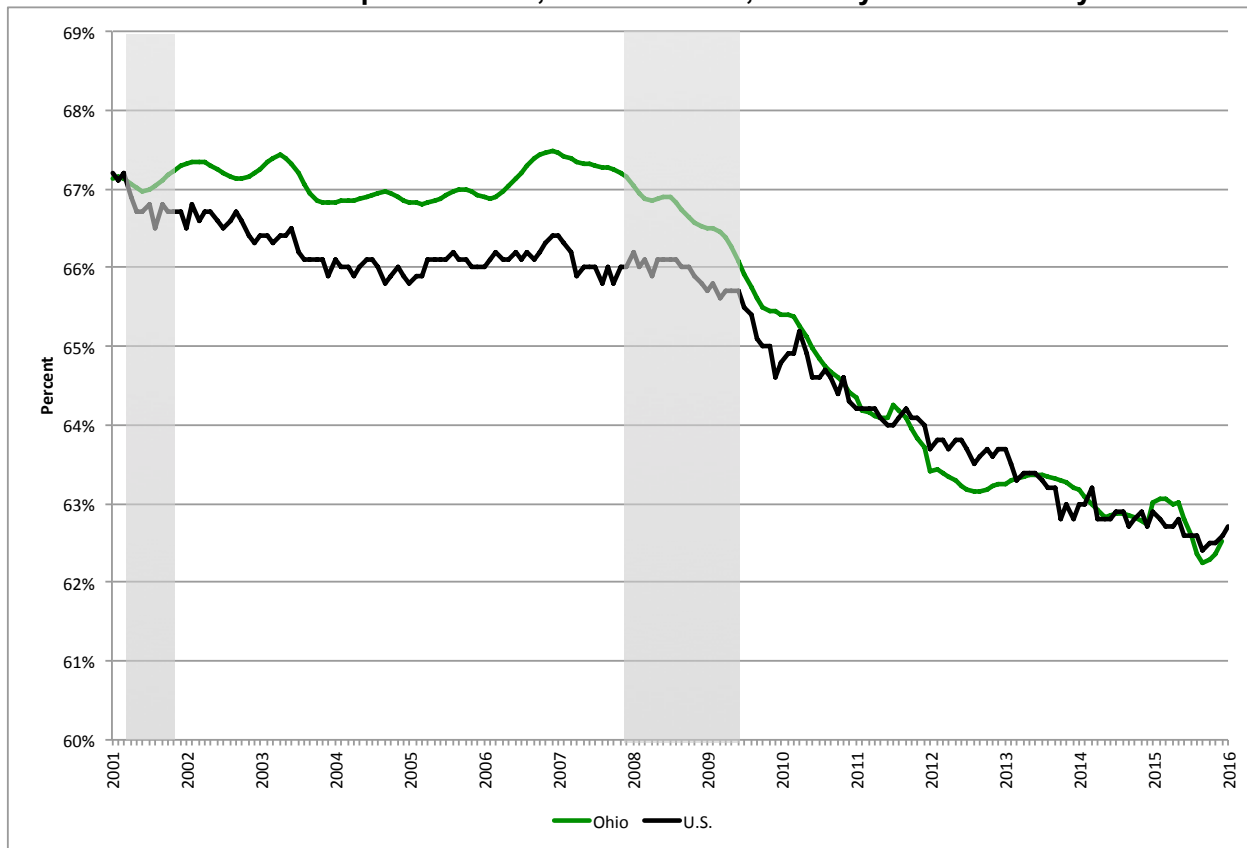
Source: U.S. Bureau of Labor Statistics.

As discussed in the June 2015 article, the unemployment rate is the ratio of the number unemployed to the labor force, where labor force is *defined as* the number employed plus the number unemployed. These measures are obtained from a national survey, the Current Population Survey. Essentially, the survey asks respondents whether they worked at all – even for one hour – during a specific week or were ill, on vacation, or on strike. One can work in any type of business, in one’s own business, as a domestic, or as an unpaid worker in a family business. Those who answer “yes” to this question are in the labor force and employed.

Those who answer “no” are asked whether they actively looked for a job during the last month, were waiting to be called back from a temporary layoff, or planning to report to a new job within 30 days. “Actively looking for a job” involves more than looking at want ads. One must have sent out resumes, gone on interviews, or attended job fairs – actions that could directly lead to employment. Those who answer “yes” to this question are in the labor force and unemployed; those who answer “no” are not included in the labor force – regardless of whether they are able and willing to work. Thus, unemployment rates can decline not only when more people are becoming employed, but also when fewer people are looking for work.

Those not in the labor force can be discouraged, but may also be retired: the working-age population is defined as 16 years and older with no upper bound. The percentage of those in the labor force relative to the working-age population is the participation rate, which is graphed for Ohio and the U.S. in Figure 2.

Figure 2
Labor Force Participation Rates, Ohio and U.S., January 2001 – January 2016



Source: U.S. Bureau of Labor Statistics.

As was discussed in the June 2015 article, the participation rate typically declines in recessions as people become discouraged over their job prospects and leave the labor force. But usually the rate returns to its pre-recession level as conditions improve and people resume their job search. Visible in Figure 2 is a slight downward drift in the national participation rate (but not Ohio's) following the mild 2001 recession, but the sharp drop during and after the 2007-2009 recession is unprecedented. The U.S. participation rate's low of 62.4 set in September 2015 was its lowest level since September 1977; the 67.2 percent in January 2001 was close to its all-time high.

There has been a debate about the reasons for the decline. Are workers prevented from entering the labor force because they lack the necessary skills or because employers are wary of their long spell of unemployment? Or are people leaving the labor force because they are voluntarily retiring? This is much more than an academic question: if people are involuntarily out of the labor force, they can be provided the support and training to reenter. In this is the case, there is a substantial overhang of disengaged workers and the economy is further from full employment than the current low unemployment rate would suggest. If the participation rate is being driven down mostly by retirements, the unemployment rate is genuine and is warning that the economy is approaching full employment and the labor shortages that this entails. The analysis presented below suggests that retirements are indeed the determining factor.

Labor Force and Unemployment by Age

Not surprisingly, one's likelihood of being in the labor force is highly influenced by one's age. Relatively few people age 21 and younger are in the labor force because many people in this age group are in school and being supported by parents or guardians. The rate is stable at slightly more than 80 percent between ages 22 and 54, and falls off for older age groups.

Figure 3 on the next page shows this pattern for Ohio and the U.S. Ohio participation rates are slightly higher than the national average for brackets below age 25, but nearly identical for older groups. Figure 4, also on the next page, graphs national and statewide unemployment rates by age group. Unemployment rates for those younger than age 25 are alarmingly high, approaching 23 percent for those younger than age 20. The unemployment rate is a percentage point less than average for Ohioans in their 60s.

Figure 3
Participation Rates by Age Group, Ohio and U.S., 2014

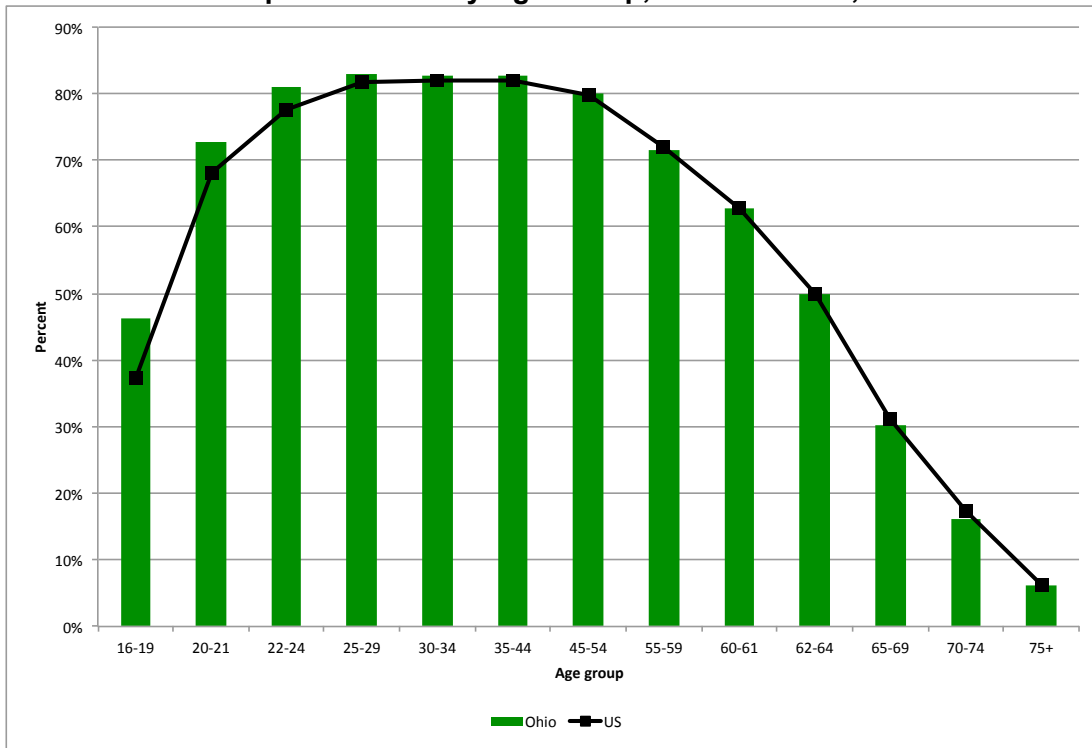
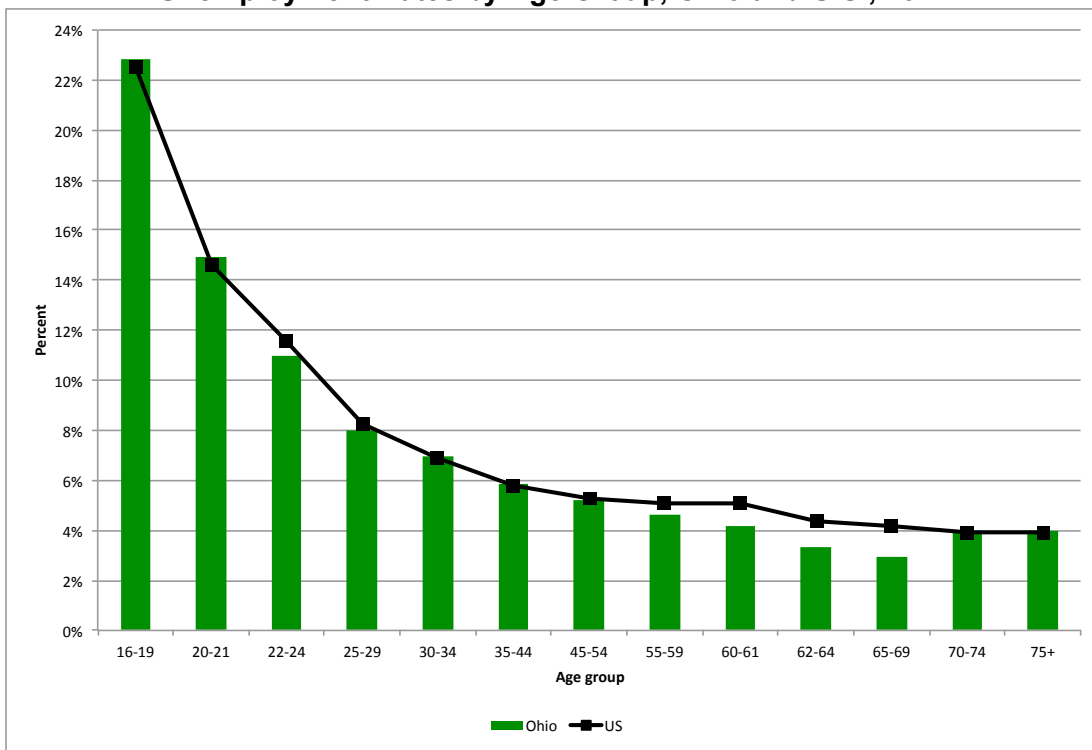


Figure 4
Unemployment Rates by Age Group, Ohio and U.S., 2014

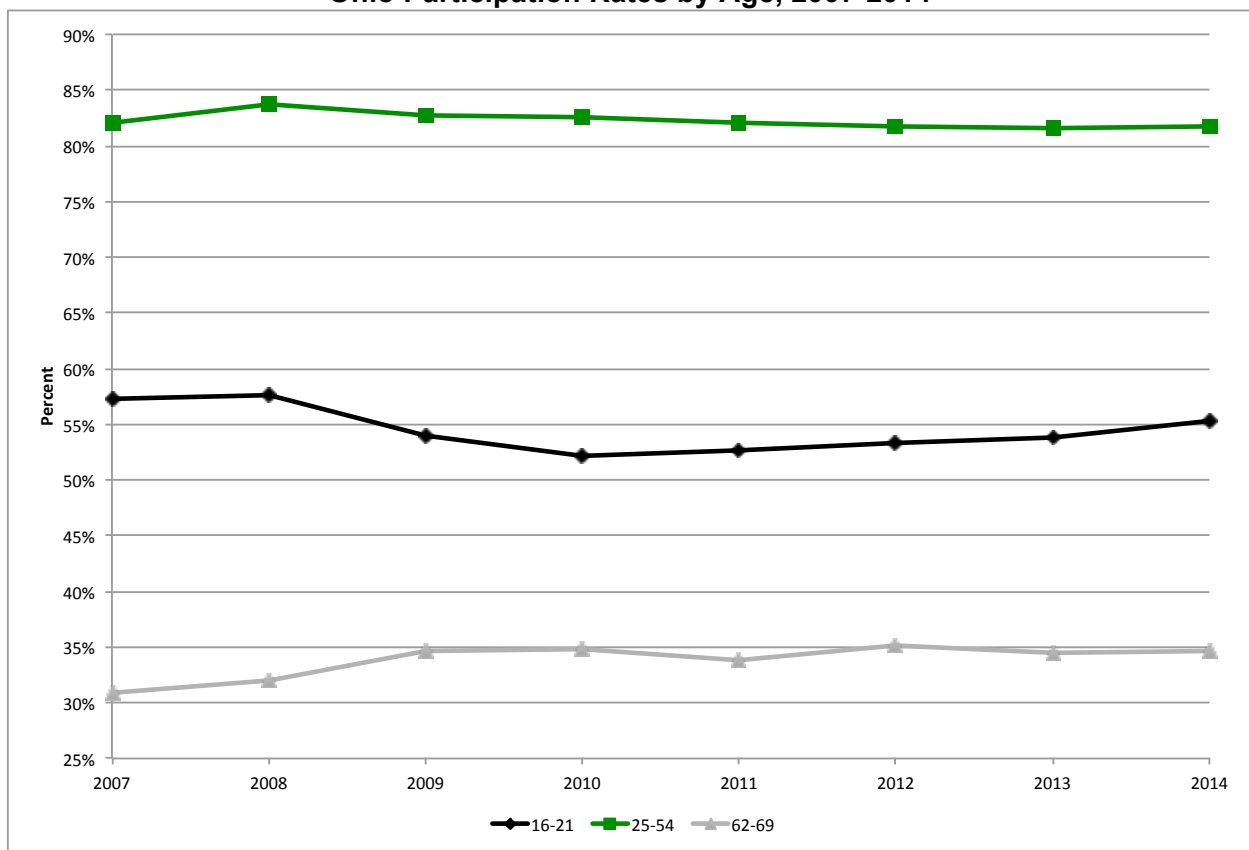


Source: Calculated from American Community Survey, U.S. Census Bureau.

Figure 5 tracks Ohio participation rates between 2007 and 2014 for three broad age groups: 16 to 21 years, 25 to 54 years, and 62 to 69 years. This figure reveals that participation rates declined markedly during the recession only for individuals between 16 and 21 years. The rate declined more than five percentage points between 2008 and 2010, and has recovered three of those five points since then. The 25 to 54 age group has declined only slightly – from 83.7 percent in 2008 to 81.8 percent in 2014. In contrast, the 62 to 69 age group actually increased its participation rate during the recession – from 30.9 percent in 2007 to 34.6 percent two years later. The rate has remained nearly constant since then. Although it is certainly true that individuals in their 60s are healthier than they were formerly, the suddenness of the increase suggests that the primary reason for the increase in participation of older individuals is that the decimation of retirement accounts in the recession has made retirement less financially feasible.

In any case, the fact that the participation rate has been relatively stable for those in their prime working years implies that the decline in the overall participation rate is primarily due to the aging of the overall population and the generally lower participation rates of older Ohioans. Drawing from the earlier discussion, there is not a large population sitting on the sidelines that will reenter the labor force to fill the job openings of Ohio’s employers.

Figure 5
Ohio Participation Rates by Age, 2007-2014



Source: Calculated from American Community Survey, U.S. Census Bureau.

One final point in this age analysis is the labor force and school enrollment status of individuals in a critical age group: between 16 and 19 years. Table 1 shows, not surprisingly, that participation rates for those not enrolled in school are higher than for those who are. Also, Ohio participation rates are higher across the board for this age group. Unemployment rates are

generally comparable except for the non-enrolled, non-high school graduate group: the unemployed are one-quarter of the labor force rather than one-third. Nevertheless, nearly 22,000 Ohioans in this age group are neither enrolled in school nor are in the labor force. More than one-quarter of the total number who are not currently enrolled have dropped out of high school.

Table 1
Labor Force and School Enrollment Status of 16 to 19-Year-Olds, Ohio and U.S., 2014

	Ohio		U.S.
	Number	Percentage	Percentage
Total	621,982	100.0%	100.0%
Enrolled in school	535,297	86.1%	85.5%
Employed	173,192	27.8%	22.0%
Unemployed	49,591	8.0%	6.0%
Not in labor force	312,514	50.2%	57.5%
Not enrolled in school	86,685	13.9%	14.5%
High school graduate	62,809	10.1%	10.5%
Employed	37,904	6.1%	5.9%
Unemployed	12,219	2.0%	1.7%
Not in labor force	12,686	2.0%	2.9%
Not high school graduate	23,876	3.8%	4.0%
Employed	11,014	1.8%	1.3%
Unemployed	3,713	0.6%	0.7%
Not in labor force	9,149	1.5%	2.0%
Participation rates			
Total	---	46.2%	37.2%
Enrollees	---	41.6%	32.7%
Non-enrollees	---	74.8%	66.1%
High school graduates	---	79.8%	72.6%
Non-high school graduates	---	61.7%	49.2%
Unemployment rates			
Total	---	22.8%	22.5%
Enrollees	---	22.3%	21.3%
Non-enrollees	---	24.6%	24.8%
High school graduates	---	24.4%	22.3%
Non-high school graduates	---	25.2%	34.6%
Non-high school graduates as pct. of non-enrollees	---	27.5%	27.7%
Individuals not in labor force as a pct. of non-enrollees	---	25.2%	33.9%

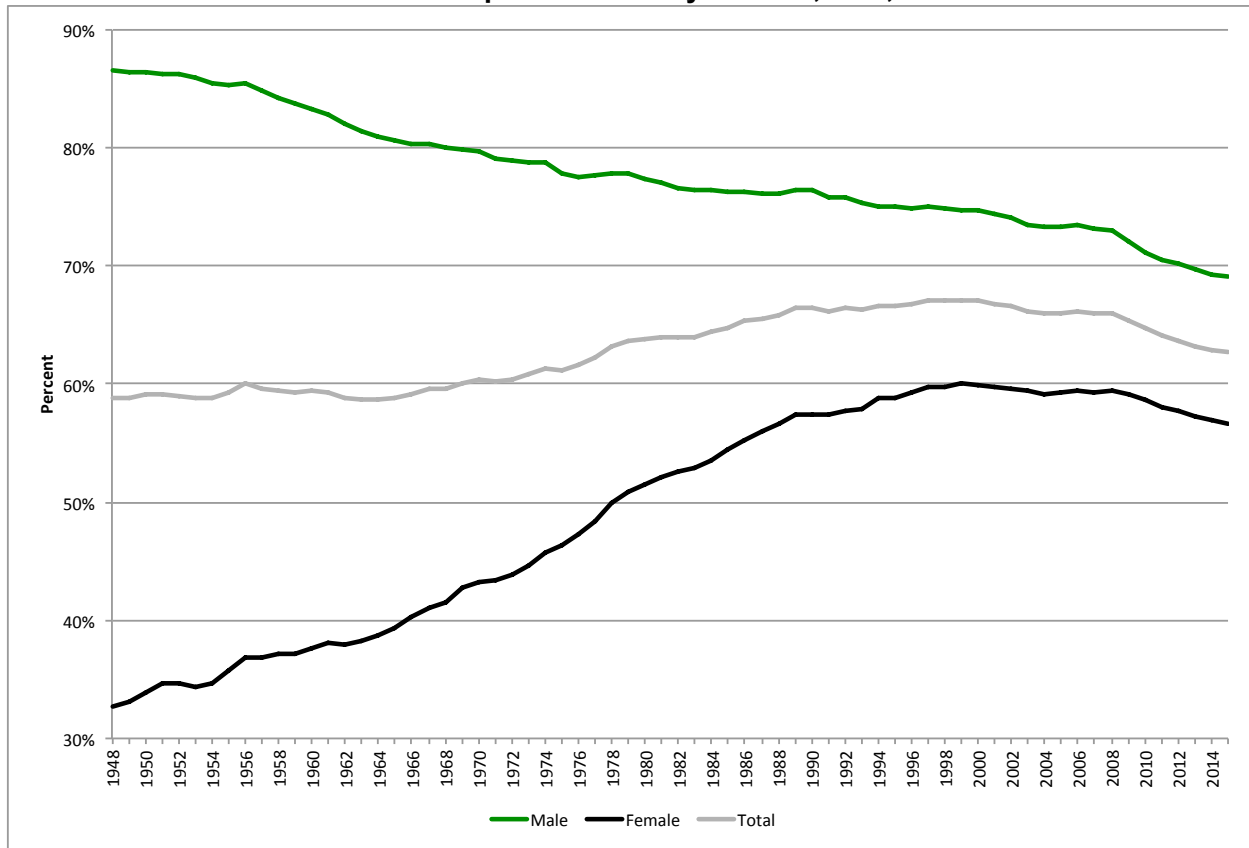
Source: Calculated from American Community Survey, U.S. Census Bureau.

Labor Force and Unemployment by Gender

Figure 6 replicates and updates a chart from the June 2015 article, and tracks U.S. labor force participation rates by gender since 1948 (the first year for which these are available) through 2015. As discussed in that article, the increasing participation of women in the labor force led to a steadily increasing overall participation rate through the 1970s and 1980s, offsetting the declining male rate – again, a function of longer life spans and more retirements. By 2000, however, the female participation rate reached a maximum, and retirements began to outpace entry for women as they were for men. This led to the declining participation rate currently. The

massive increase in the participation of women during the 1950s through the 1990s was driven by cultural shifts of the time and is not likely to be repeated. Thus, these patterns suggest that the decline in the participation rate will continue until demographic shifts lead to a smaller cohort of older individuals and a larger group of younger ones.

Figure 6
Labor Force Participation Rates by Gender, U.S., 1948-2015



Source: U.S. Bureau of Labor Statistics.

Figure 7 on the next page compares the recent U.S. and Ohio trends in the participation rate of men and women. These are obtained from a source different from those in Figure 6, so the U.S. rates are not strictly comparable to the rates in that chart, but they are comparable to the Ohio rates. The participation rates for Ohio men are slightly less than those of their counterparts elsewhere, while the rates for Ohio women are slightly greater than those of women nationwide.

Figure 8 charts gender-specific unemployment rates. The unemployment rate for women has been consistently less than that for men, both nationally and in Ohio. Further, the recession peak unemployment rate for women matched the national average, while the rate for men peaked 1.3 percentage points higher than average. Since the recession, the unemployment rate of Ohio men has tracked the national average while the rate for Ohio women has been consistently less than average.

Figure 7
Male and Female Participation Rates, Ohio and U.S., 2007-2014



Figure 8
Male and Female Unemployment Rates, Ohio and U.S., 2007-2014



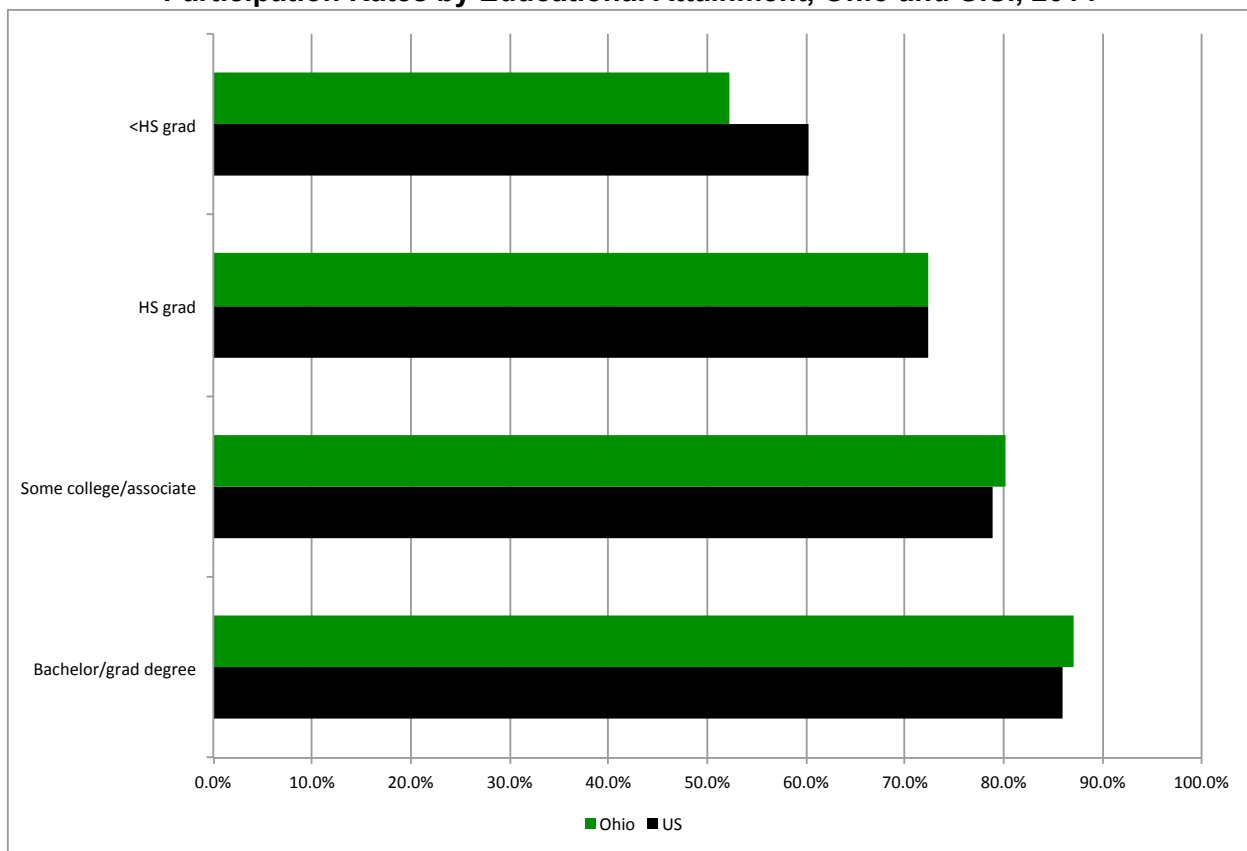
Source: Calculated from American Community Survey, U.S. Census Bureau.

Labor Force and Unemployment by Educational Attainment

Figures 9 and 10 report the participation and unemployment rates of individuals who have not graduated from high school; those with a high school diploma or GED; those with some college or an associate degree; and those with a bachelor's, graduate, or professional degree. There may be some impact of age on the participation rate. Older individuals are as a group less likely to have a college degree than younger ones, so we would expect the lower participation rates of older age groups to depress the participation rates of high school non-graduates and graduates to a greater extent than the rates of degree holders.

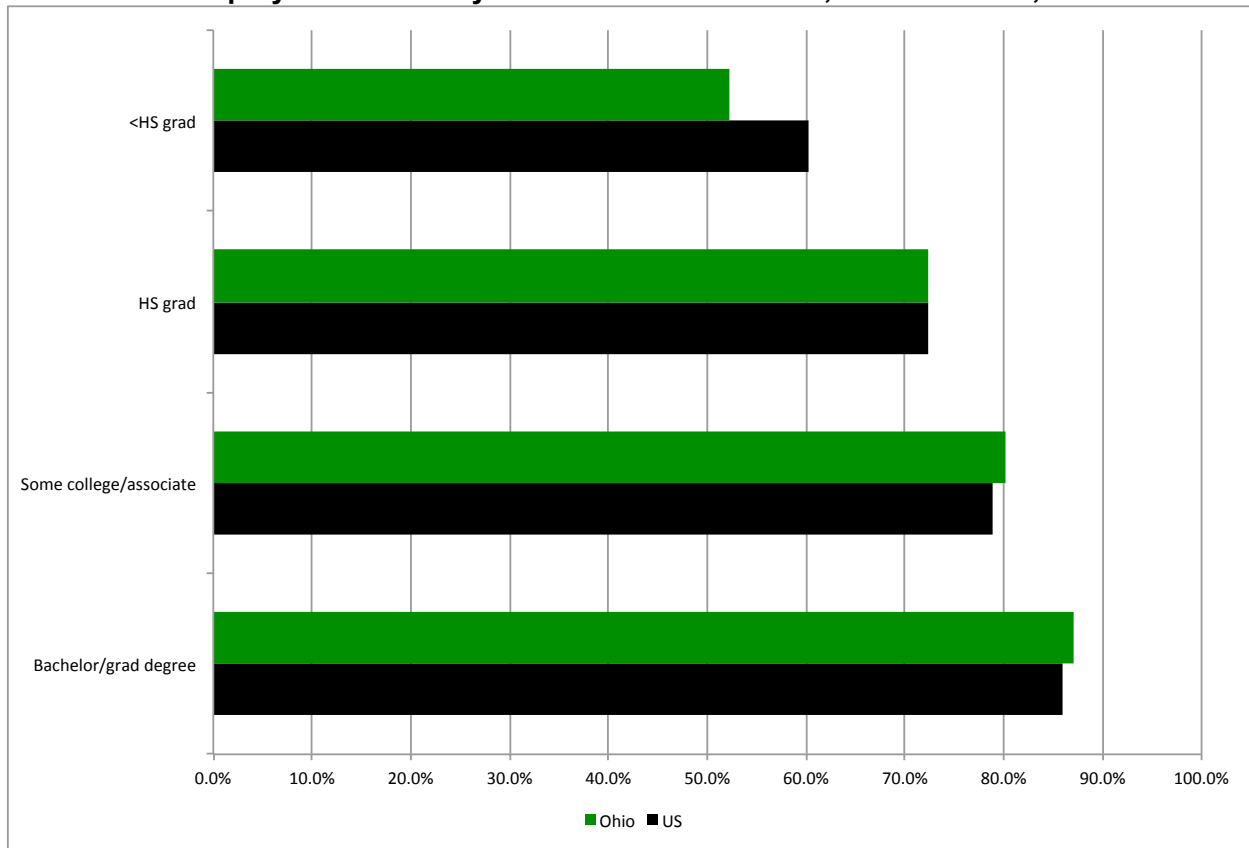
These two graphs make clear that those without a high school diploma do not fare well in general and fare worse than average in Ohio. This group had a participation rate of 52.3 percent in 2014, eight percentage points less than the national average, and an unemployment rate of 15.5 percent, compared to a national average of 10.8 percent for non-high school graduates nationwide. The 15.5 percent Ohio unemployment rate was six times the 2.6 percent rate for those with bachelor's and graduate degrees. The peak recession annual average unemployment rate for high school dropouts in Ohio was 23 percent; that of bachelor's and graduate degree holders was 4.2 percent.

Figure 9
Participation Rates by Educational Attainment, Ohio and U.S., 2014



Source: Calculated from American Community Survey, U.S. Census Bureau.

Figure 10
Unemployment Rates by Educational Attainment, Ohio and U.S., 2014



Source: Calculated from American Community Survey, U.S. Census Bureau.

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