



Michael Preston
SECRETARY OF COMMERCE
Charisse Childers, Ph.D.
DIRECTOR,
DIVISION OF WORKFORCE SERVICES

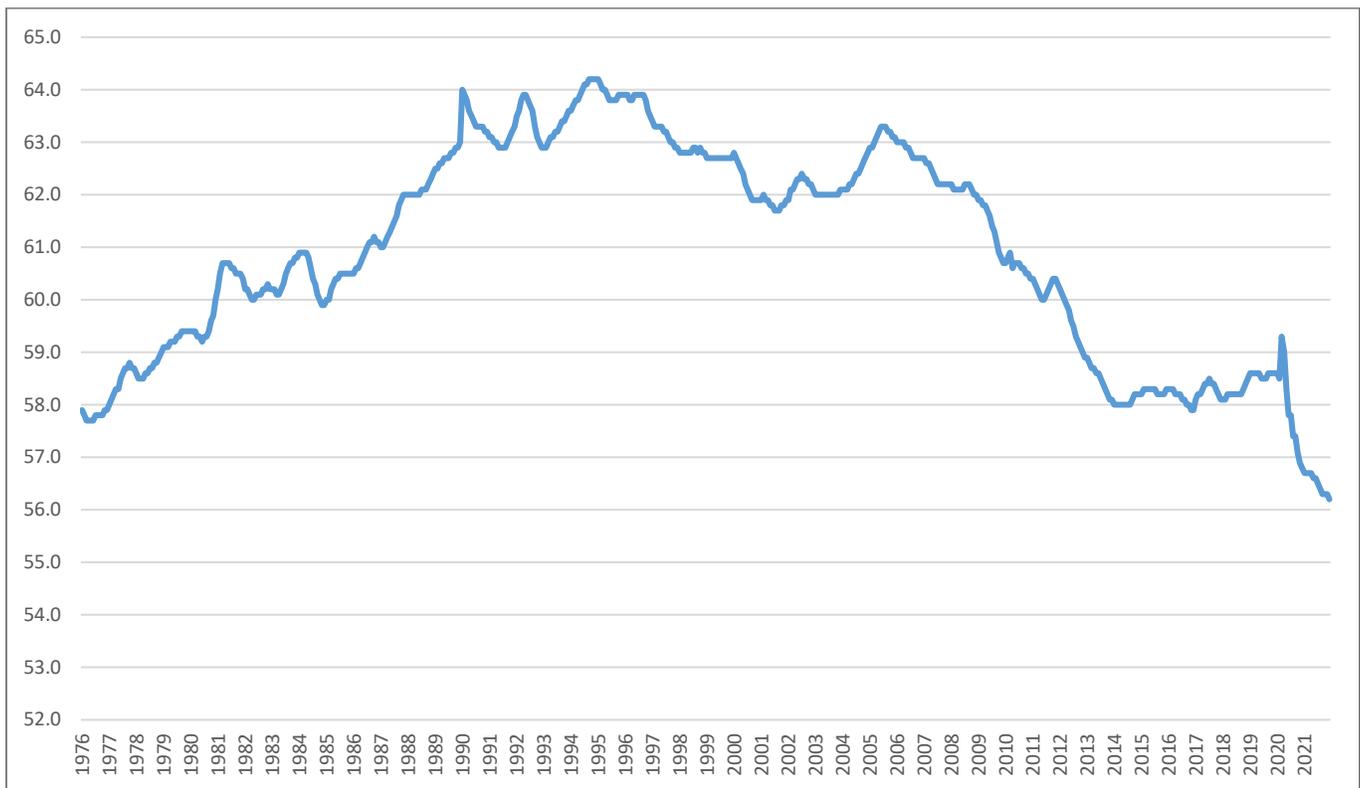
Understanding Labor Force Participation

Arkansas Division of Workforce Services- Labor Market Information

The national Labor Force Participation Rate (LFP) peaked at 67.3% in 2000 and remained just above 66% through 2008, when rates began to decline slowly and steadily. The country's LFP Rate fell to a record low of 60.2% in April 2020, during the peak of the pandemic closures, but rebounded to 61.9% in December 2021 (Bureau of Labor Statistics, 2022).

In Arkansas, LFP Rates were at their highest in the early and mid-1990s. The highest rate ever reached was 64.2%, which occurred several times in 1994 and 1995. Comparable rates were reached again in 2005 (63.3%) but have steadily declined since then. LFP Rates in Arkansas reached a new low of 56.2% in December 2021 (ADWS Labor Market Information, 2022).

Arkansas' Labor Force Participation Rates (Seasonally Adjusted)
January 1976 – December 2021



While the years of peak LFP Rates do not mirror one another, the long-term trends in Arkansas are similar to those seen at the national level. There are also regional trends and similarities. States in the Southern Region of the US have the lowest average LFP Rate of 60.5%. That is significantly lower than the rate of Midwest Region states, which have a LFP Rate of 63.5% (Bureau of Labor Statistics, December 2021).

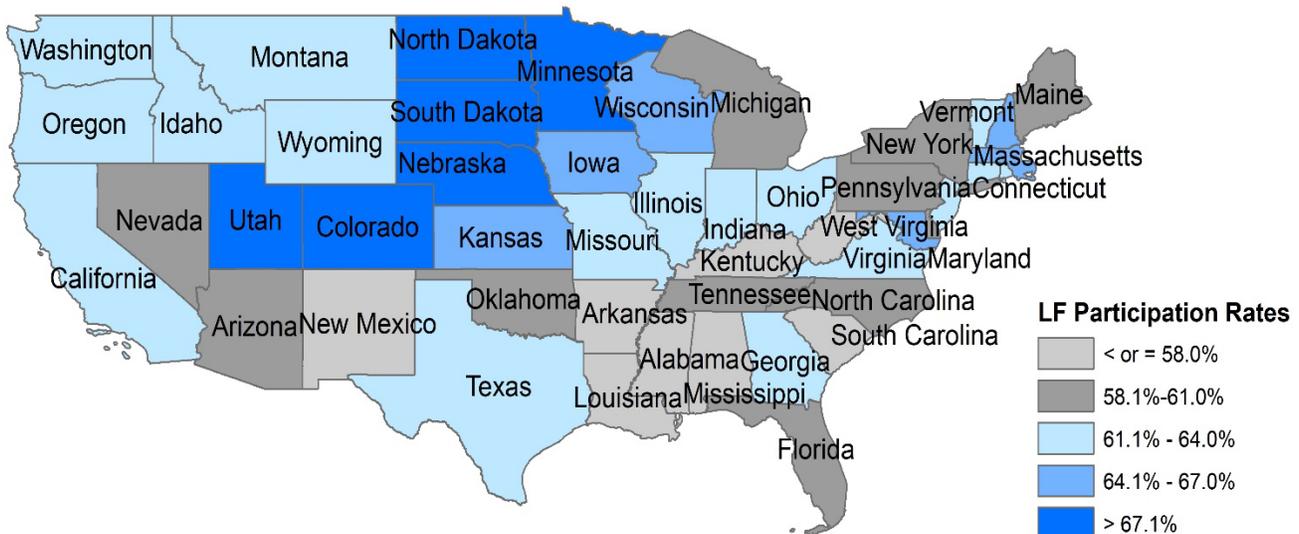


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**Labor Force Participation Rates by State (Seasonally Adjusted)
 December 2021**



In December 2021, only two states reported LFP Rates lower than Arkansas—Mississippi (55.2%) and West Virginia (55.1%). Arkansas’ Rate ranks low, even when compared to the surrounding states (Bureau of Labor Statistics, December 2021):

Missouri	= 62.9%	Louisiana	= 57.7%
Texas	= 62.7%	Arkansas	= 56.2%
Oklahoma	= 60.4%	Mississippi	= 55.2%
Tennessee	= 60.1%		



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Researchers from various fields and governmental agencies have conducted studies on declining LFP and have determined multiple potential causes:

- Aging Population
 - 30.2% of Arkansas' population is over the age of 55 (Census Bureau, 2019)
 - That is a 2.1% increase in individuals over the age of 55 compared to 2016
 - The state is attractive to retirees due to a relatively low cost of living and the mild climate

- Decline of Men in the Labor Force
 - Slow decline in LFP Rates for men aged 25-54 over the last 60 years, especially those with less education
 - Attributed to loss in employment opportunities due to technological advancements and globalization
 - Manufacturing jobs in Arkansas were as high as 247,300 in mid-1995 (when LFP Rates peaked)
 - Lowest job levels of 149,300 were reported in the months following the pandemic
 - Lowest pre-pandemic job levels of 152,500 were reported in 2013/2014
 - Manufacturing jobs have begun to increase in 2021, with 160,900 jobs reported in September 2021 (Bureau of Labor Statistics, Current Employment Statistics)

- Trends in Young Workers and Education
 - The LFP of Young Workers (aged 16-24) has dropped significantly since the early 2000s and is projected to decline further by 2024 (Bureau of Labor Statistics)
 - School enrollment for Arkansans aged 20-24 declined from 36.7% in 2010 to 35.4% in 2019
 - Arkansans aged 20-24 had a LFP rate of 75.4% in 2021, the same as in 2017
 - After age 25, there is a direct correlation between educational attainment and increased LFP and average wages (Current Population Survey)

- Increase in the Number of Disabled
 - Research indicates that an increase in the number of Disabled individuals has contributed to the decline in LFP Rates (Bureau of Labor Statistics)
 - Approximately 484,700 Arkansans (aged 16+) were living with a disability in 2019
 - Of those, 75.6% are out of the labor force (Census Bureau, 2019)

- High Incarceration Rates
 - High levels of adult incarceration also impact the LFP Rate
 - 2.1 million adults were imprisoned in the US, with 27,753 inmates in Arkansas (Census Bureau, 2019)
 - The US Department of Justice predicts that Arkansas' incarceration rate will increase 0.9% each year through 2028

- Addiction and Drug Abuse
 - A recent Princeton study established a link between opioid prescription levels and low LFP Rates
 - Arkansas has the 2nd highest opioid prescription rate per capita (Arkansas Department of Health, 2020)



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Aging Population

“After reaching its historical peak at 67.3 percent in 2000, the United States’ labor force participation rate for all workers (age 16 and over) is projected to decline to 61.0 percent in 2026. The decline in the rate is largely the result of the aging population, as more and more workers move into higher age groups that tend to have lower participation rates. The overall labor force participation rate has been declining since 2000, dropping sharply following the 2007–09 recession (The Economics Daily, Bureau of Labor Statistics 2017).”

“The continued shift of the population into older age groups will have long-lasting effects on the labor force and the overall labor force participation rate. In 1996, the entire baby-boom generation was in the 25-to-54-year-old group, with a labor force participation rate of 83.8 percent. In 2001, the first of the baby boomers moved into the 55-and-older age group (The Economics Daily, Bureau of Labor Statistics 2017).”

As of 2019, approximately 30.2% of Arkansas’ population was over the age of 55. That is slightly higher than the national average of 29.3% and an increase from the 28.1% reported in 2016 (Census Bureau, 2019). The relatively high number of aging residents can be attributed to the low cost of living and mild climate.

Decline of Men in the Workforce

“A noteworthy development in the nation’s labor force over the past six decades has been the slow decline in the labor force participation rate of men 25–54 years. After peaking at 97.4 percent in the mid-1950s, the participation rate of men 25–54 years fell to about 88 percent in 2015. The rate fell by an average of 1.2 percentage points per decade between 1960 and 1990, and it declined more rapidly between 1990 and 2015 (Monthly Labor Review, Bureau of Labor Statistics 2016). Within the 25-54 age group in Arkansas, men 45–54 were less likely to participate in the labor force than those in the 25-34 and 35-44 age groups. Below is a comparison of LFP by age cohorts in Arkansas over the last 5 years (Current Population Survey, 2017-2021):

**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



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Educational attainment also plays a role in labor force participation rates. Individuals with more education are more likely to participate in the labor force. In 2021, participation rates ranged from 40.1 percent for Arkansans with less than a high school diploma to 67.8 percent for those with at least a bachelor’s degree (Current Population Survey, 2021).

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

	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

“One reason for the large decline in participation, particularly among men who did not attend college, could be that the types of jobs available to this group might have become less desirable and lower paying. Among men in the US, inflation-adjusted wages for those with less than a high school diploma and those with a high school diploma (no college) fell over the 2000–15 period by 6.8 and 6.6 percent, respectively; by contrast, inflation-adjusted wages for those with at least a bachelor’s degree edged up by 1.2 percent over this period. Researchers have suggested that employment opportunities of less-educated men have deteriorated in part because technology has changed and globalization increased (Monthly Labor Review, Bureau of Labor Statistics 2016).”

Technological changes and globalization have had a sizable impact on manufacturing, particularly since the 1990s. In Arkansas, manufacturing jobs peaked in 1995 with as many as 247,300 jobs in the industry. This was also the same time that LFP Rates in the state were at their highest levels. Since the mid-1990s, manufacturing jobs in the State have declined significantly due in large part to a shift to overseas production. Arkansas’ lowest number of manufacturing jobs (not including the months following the pandemic) occurred in 2013-2014, when job levels reached as low as 152,500. While jobs in the industry have been slowly increasing in 2021 (particularly in food manufacturing), there were still only 160,900 manufacturing jobs in Arkansas in September 2021 (ADWS Labor Market Information, 2021).

Trends in Young Workers and Education

“Teen labor force participation in the US has been on a long-term downward trend. Since reaching a peak of 57.9 percent in 1979, the rate fell to 52.0 percent in 2000, just prior to the 2001 recession. The rate then dropped rapidly during and after the 2007–09 recession to reach 34.1 percent in 2011, and since then, it has stayed within a narrow range. The latest



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projection of labor force participation from the U.S. Bureau of Labor Statistics (BLS) points toward an even lower teen participation rate by 2024 (Monthly Labor Review, Bureau of Labor Statistics 2017).”

The participation rates of both 16-to-19-year-olds and 20-to-24-year-olds have decreased sharply over the past several decades. A number of factors are contributing to this trend: an increased emphasis toward school and attending college, reflected in higher enrollment; more summer school attendance; and more strenuous coursework. Parental emphasis on the rewards of education has contributed to the decline in youth labor force participation. Teens who do in fact want jobs face competition from older workers, young college graduates, and foreign-born workers (Monthly Labor Review, Bureau of Labor Statistics 2017).”

Arkansas had experienced the same trend in education and youth LFP Rates as the rest of the country, up until recently. In 2017, 74.7% of Arkansans aged 20-24 were enrolled in school. In 2019, that number had declined to 72.9%. During that same time, labor force participation rates for the age cohort increased from 75.4% in 2017 to 78.0% in 2019. Rates dropped during the pandemic but rebounded to 75.4% again in 2021 (Current Population Survey, 2017-2021).

Increase in the Number of Disabled

“Researchers have suggested that an increase in the number of people receiving Social Security disability insurance (SSDI) benefits has contributed to the decline in labor force participation among both men and women. The SSDI program was enacted into law in 1956 and was meant to provide income for people with severe disabilities who are unable to work. Over time, changes in eligibility requirements for SSDI benefits may have increased the number of beneficiaries. The number of men 25–54 years who received SSDI benefits rose from 1.6 million (or 2.7 percent of men in this age group) in 2000 to 2.0 million (or 3.2 percent) in 2014. The decline in labor force participation of men over this period coincided with the increase in disability recipients (Monthly Labor Review, Bureau of Labor Statistics 2016).”

According to the Census Bureau, approximately 484,700 Arkansans (age 16+) are living with a disability (not the same as the number drawing SSDI benefits). Approximately 75.6% of disabled Arkansans’ were not participating in the labor force in 2019. That is up from 435,000 disabled Arkansans in 2010, with 75.9% out of the labor force (Census Bureau, 2010).

High Incarceration Rates

A recent study conducted by the Organization for Economic Development and Cooperation (OECD) found that the high number of incarcerated men aged 25-54 is a contributing factor to the decline in LFP Rates in the United States. Incarceration rates in the US began to increase in the 1980s, a result of the “War on Drugs” and later the mandatory minimum sentencing enacted in the 1990s. According to the Bureau of Justice Statistics, incarceration rates declined 18% between 2007 and 2016. As of 2019, roughly 2.1 million inmates were in prisons and jails in the US.

In Arkansas, there were approximately 27,753 adult inmates incarcerated in federal, state, county, and city facilities in 2019. This represents 0.9% of Arkansas’ population. In 2019, 0.7% of the US population was incarcerated (Census

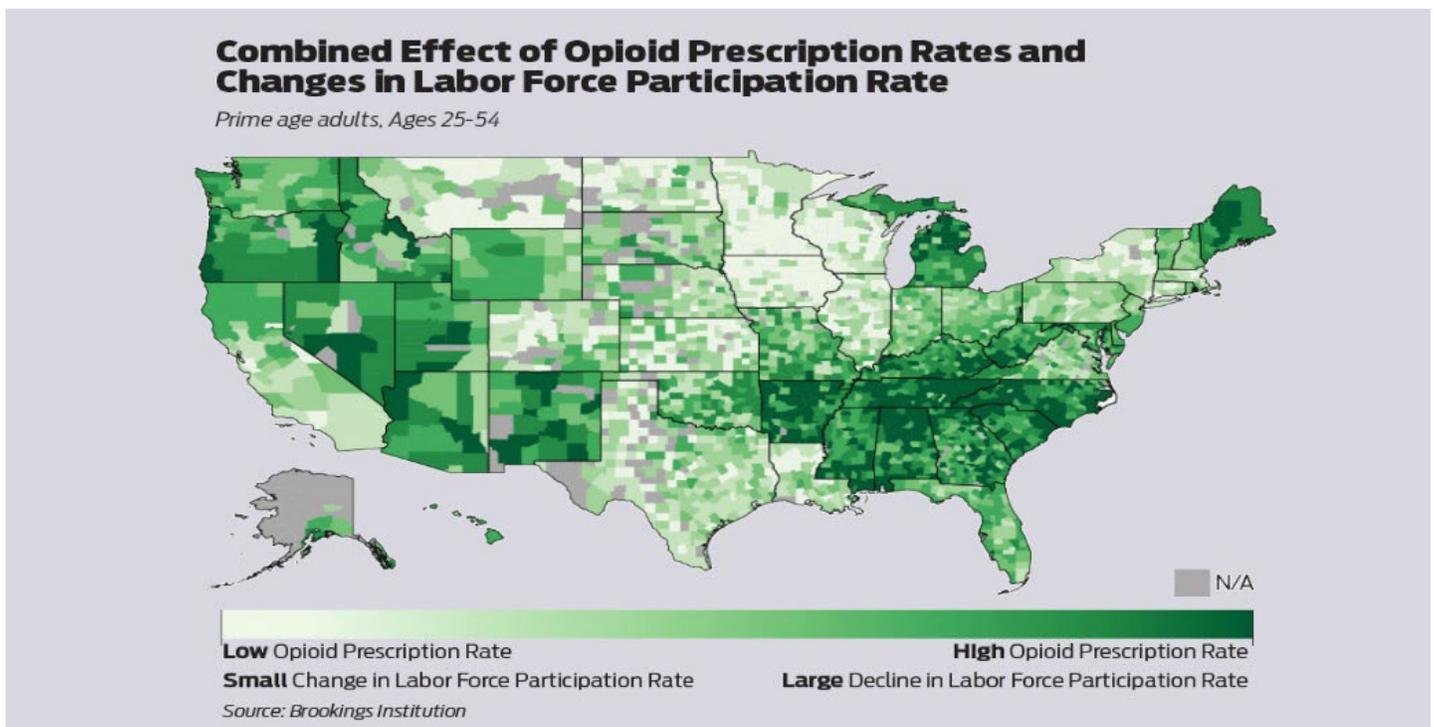
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Bureau, 2019). The US Department of Justice predicts that Arkansas' incarceration rate will increase 0.9% each year through 2028.

Addiction and Drug Abuse

Princeton University conducted a study in 2017 on the decline in LFP Rates across the country. The study found links between high levels of opioid prescriptions and low LFP, where counties with higher prescription levels had experienced greater losses in LFP over the last 15 years. The map below, published in the paper, shows that Arkansas has both a large drop in LFP Rates and a high level of opioid prescriptions:



The National Institute on Drug Abuse has been trying to quantify the number of Americans that are addicted to opioid drugs. While no exact figures exist, they have collected data on the number of overdoses and legal prescriptions. Arkansas ranked as the state with the 2nd highest number legal prescriptions per capita in 2020. The data is still inconclusive, with no way to quantify how many Arkansans are addicted to opioid pain killers and how much this addiction impacts the state's LFP Rate.



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While Arkansas' Labor Force Participation (LFP) Rate has remained below 57.0% throughout 2021, there are ten states in the US with LFP Rates more than 10% higher in December 2021: Wisconsin (66.4%), Iowa (66.9%), Kansas (66.9%), Minnesota (67.7%), Utah (68.2%), Colorado (68.3%), North Dakota (68.4%), Nebraska (68.5%), South Dakota (68.5%), and the District of Columbia (70.5%).

These states are spread throughout various regions of the country, across the political spectrum, and have significantly different population levels. So, what do these states have in common other than high LFP Rates?

- Younger Population
 - In the US, 29.3% of the population is over the age of 55
 - In Arkansas, 30.2% of the population is over the age of 55
 - 8 of the 10 states with the highest LFP Rates have a younger population than Arkansas (Census Bureau, 2019)
- More Educated Population
 - In the US, 88.6% of the population graduates from HS and 33.1% (over the age of 25) have a college degree or higher
 - In Arkansas, 87.5% graduate from HS and only 23.3% have a college degree or higher
 - All 10 of the states with the highest LFP Rates have a more educated population than Arkansas does
 - 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, 2019)
- Fewer Disabled Out of the Labor Force
 - In the US, 72.2% of the Disabled population (over the age of 16) is out of the Labor Force
 - In Arkansas, 75.6% 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 61.9% - 73.0% of the Disabled population out of the LF (Census Bureau, 2019)
- Lower Incarceration Rates
 - In the US, 0.7% of the adult population is 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
 - 4 of the states have half or less than half the percent of incarcerated adults compared to Arkansas (Census Bureau, 2019)
- 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



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- 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)