

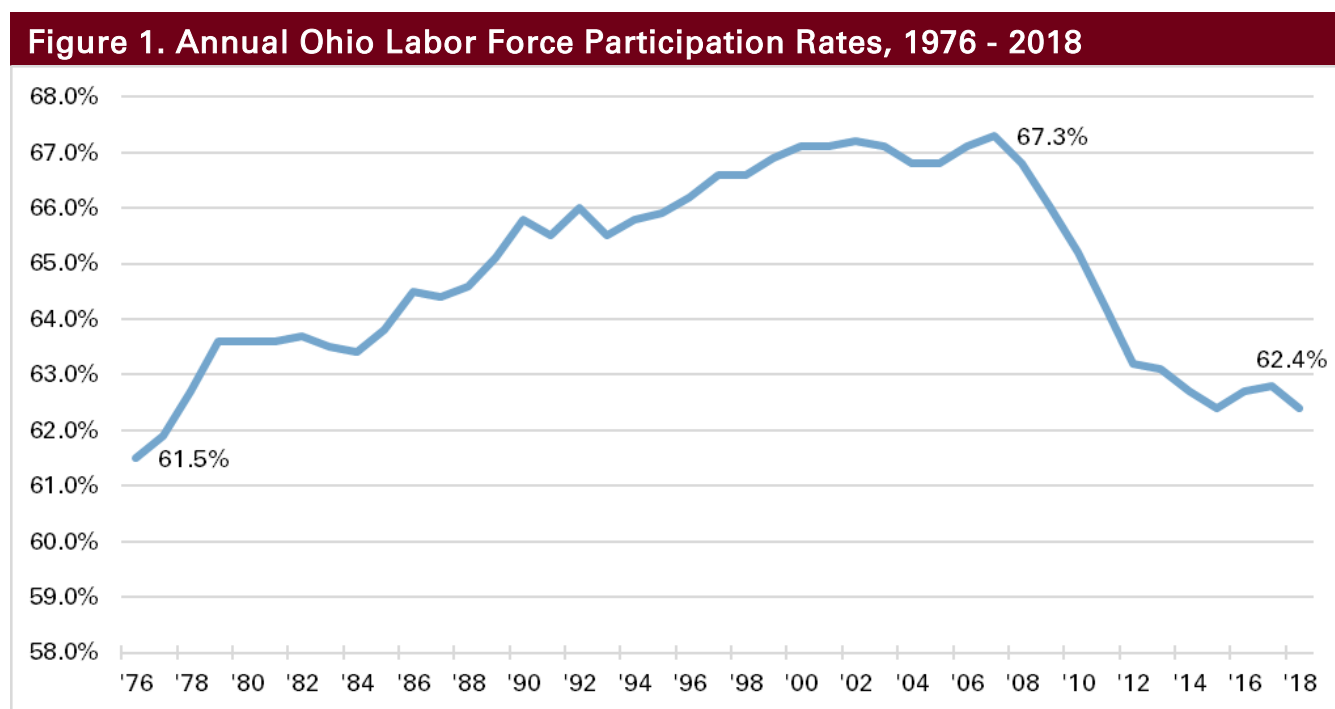
Ohio Labor Force Nonparticipants: An Asset for Increasing Participation?



Ohio is experiencing its lowest unemployment rates in years. A consequence of the low unemployment rates is a smaller pool of unemployed workers; some employers have reported having difficulty finding workers. Looking ahead, Ohio's labor market likely will get tighter. Population projections suggest that the number of prime working-age Ohioans, those ages 25 to 54, will shrink through 2025 and will not match its 2015 level until after 2050.¹ Other than increasing migration into the state, the only way to grow the labor force is to increase labor force participation. This means turning labor force nonparticipants into participants and keeping participants from becoming nonparticipants. This report explores factors related to labor force participation and nonparticipation, with an eye toward increasing labor force participation among some groups.

The Labor Force: Participation and Nonparticipation

Traditional labor force statistics focus on two groups: the employed (those with jobs) and the unemployed (those who are able and available to work and who are actively seeking work). The employed and unemployed are both considered "participants" in the labor force. Those who are not working and are not able, available, or actively seeking work are "nonparticipants" in the labor force. One of the reasons for the declining unemployment rate is a declining labor force participation rate.



Source: Ohio Bureau of Labor Market Information

¹ Ohio Development Services Agency, <https://development.ohio.gov/files/research/P6001.pdf>.

The labor force participation rate is the proportion of those 16 and older who are working or actively seeking work. Ohio's labor force participation rate increased for years, largely driven by increased participation among women. Figure 1 shows Ohio annual labor force participation rates from 1976 to 2018. Ohio's labor force participation rate peaked in 2007 at 67.3 percent; it began to decline in 2008 during the Great Recession. Recessions often lead to temporary declines in the labor force participation rate because of the lack of jobs; the rates typically rise during the subsequent recovery. However, after the Great Recession the participation rate continued to decline well into the recovery. Even as the economy began to grow again, a smaller proportion of those 16 and older were working or actively looking for work.

Another event occurred during the recession that would have started the decline in labor force participation even if the recession had not occurred. In 2008, the first Baby Boomers turned 62 and became eligible for Social Security retirement benefits. When workers retire, they become nonparticipants in the labor force. Because Baby Boomers account for a large share of labor force participants, their retirements will keep the labor force participation rate low for years.²

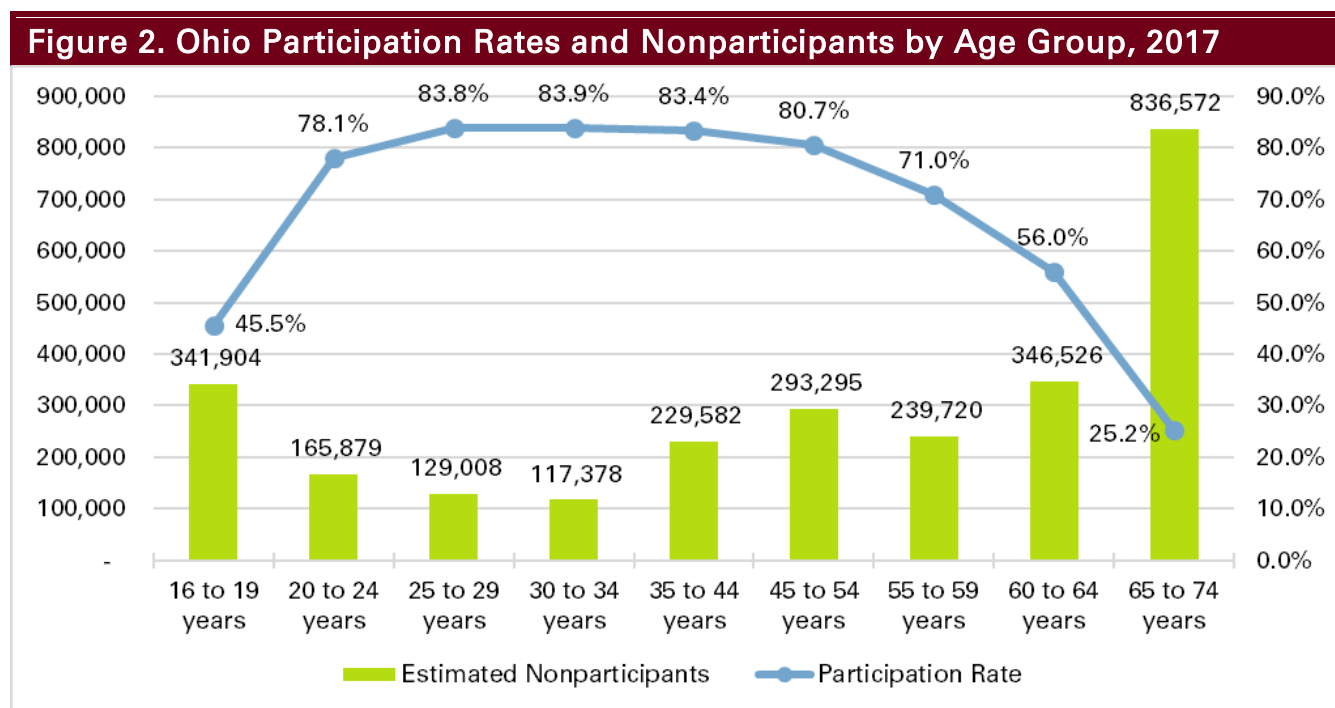
² There is no upper age limit on labor force participation for the working age population. Retirees who never seek work again will be nonparticipants in the labor force for as long as they live. The accumulation of Baby Boomer retirees will result in the decline of total labor force participation for some time.

The Demographics of Labor Force Participation

Labor force participation rates vary across demographic groups. Groups with low participation rates may be potential targets for efforts to increase participation. The next four sections of this report focus on specific demographic groups and include estimates of the number of workers that could potentially be added to the labor force if the group's labor force participation rate increased by one percentage point. Because individuals belong to multiple demographic groups, these estimates count them multiple times.

Age

Labor force participation varies by age group, as shown by the blue line in Figure 2. Younger workers have low participation rates. Participation for the 16-to-19 group is 45.5 percent; it is 78.1 percent for the 20-to-24 age group. Many workers in these age groups are in school and have yet to enter the labor force, or they enter the labor force only during the summer. Participation rates are above 80 percent for the four other age groups, for workers ages 25 to 54. Participation rates then decrease for those 55 and older, dropping sharply for each age group. For the 55-to-59 group, the participation rate is 71.0 percent. It declines to 25.2 percent for those 65 to 74. While many older workers retire from the labor force, others may leave because of illness, disability, or other reasons.



Source: U.S. Census American Community Survey, 2017

The green bars in Figure 2 show the estimated number of nonparticipants for each age group. The number of nonparticipants by age group varies because of their participation rates and group size. Increasing each age group's labor force participation rate by one percentage point would grow the group's labor force by approximately the following numbers of workers:

- 6,275 workers for those 16 to 19,
- 7,575 for those 20 to 24,
- 7,960 for those 25 to 29,
- 7,290 for those 30 to 34,
- 13,830 for those 35 to 44,
- 15,200 for those 45 to 54,
- 8,265 for those 55 to 59,
- 7,875 for those 60 to 64, and
- 11,180 workers for those 65 to 74.³

Increasing participation in some age groups may be difficult. Nationally, labor force participation rates have been declining for those under 55.⁴ In Ohio this has been true for those 16 to 24. Many in that age range may be in school, delaying their entry into the labor force. It may be better in the long term if those workers enter the labor market with more education, but in the short term it means fewer workers participating in the labor market. Ohio's labor force participation rates for those ages 25 to 54 are slightly above or equal to the national participation rates, and they appear to be recovering from the recession.

Those 55 and older could be a prime target for increasing labor force participation. Although participation rates are lower for those 55 and older, their participation rates have been increasing. In other words, individuals in this group are leaving the labor force more slowly than they used to. Between 2004 and 2014, the U.S. Bureau of Labor Statistics reported a decrease in the percentage of those 55 and older who said they were retired.⁵ Some may continue to work because they're healthy and can work longer.⁶ Convincing workers to delay retirement could produce a "longevity dividend" for employers.⁷

³ Based on 2017 American Community Survey estimates.

⁴ Nunn, R., Parsons, J., & Shambaugh, J. (September, 2019). *Labor Force Participation: Trends, Causes, and Policy Solutions*. The Brookings Institution.

⁵ Hipple, S. F. (2015, December). *People who are not in the labor force: why aren't they working?* Retrieved from Beyond the Numbers: Employment & Unemployment, vol. 4, no. 15 (U.S. Bureau of Labor Statistics: <https://www.bls.gov/opub/btn/volume-4/people-who-are-not-in-the-labor-force-why-arent-they-working.html>)

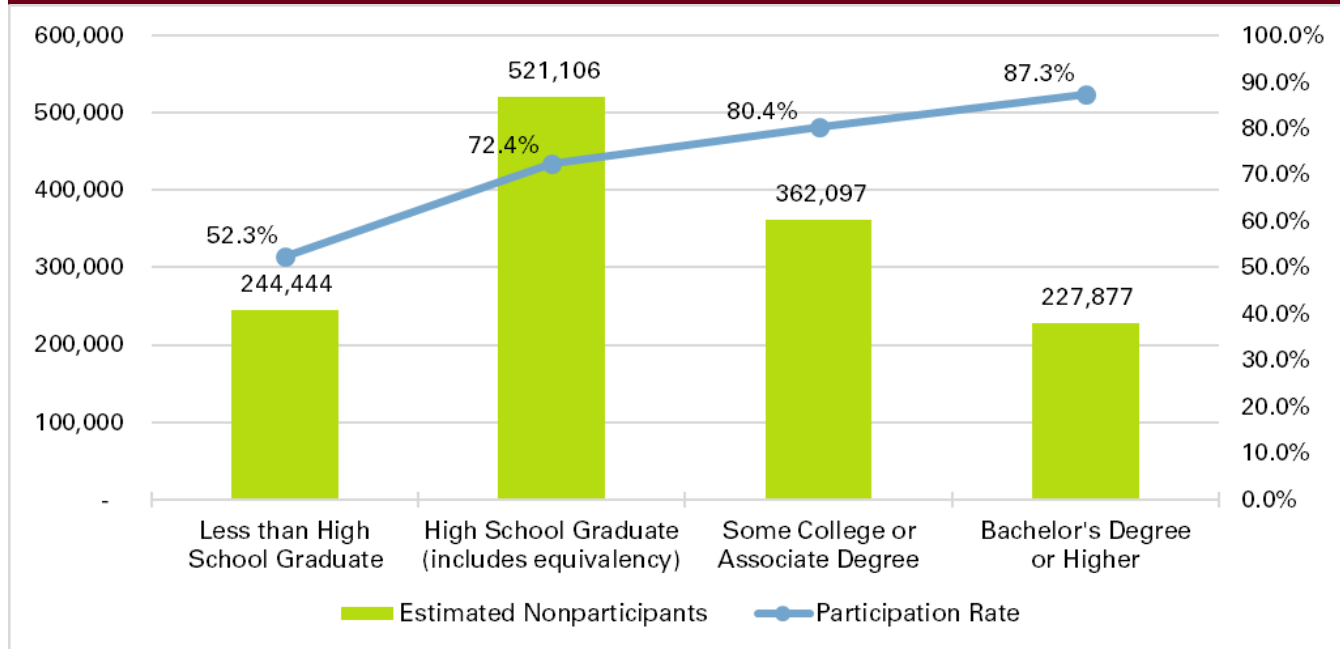
⁶ Hornstein, A., Kudlyak, M., & Schweinert, A. (2019, November 19). The Labor Force Participation Rate Trend and Its Projections. *Economic Letter 2018-25*. San Francisco, California: Federal Reserve Bank of San Francisco.

⁷ Franklin, B. (2018, August). *Towards A Longevity Dividend: Life Expectancy and Productivity Across Developed Countries*. Retrieved from International Longevity Centre--UK: <https://ilcuk.org.uk/towards-a-longevity-dividend-life-expectancy-and-productivity-across-developed-countries/>

Education

Labor force participation rates vary widely by education level. The blue line in Figure 3 shows participation rates by education for those ages 25 to 64. Those with less than a high school education had the lowest participation rate, at 52.3 percent. Those with a bachelor's degree or higher had the highest participation rate, at 87.3 percent.

Figure 3. Ohio Participation Rates and Nonparticipants by Education (25-64), 2017



Source: U.S. Census American Community Survey, 2017

The largest pool of nonparticipants is those with a high school diploma or equivalent, with 521,106. The smallest pool is those with a bachelor's degree or higher, with 227,877. Increasing the labor force participation rate for each education level by one percentage point would add approximately the following numbers of workers to each group's labor force:

- 5,125 workers for those with less than a high school diploma,
- 18,880 for high school graduates or equivalent,
- 18,475 for those with some college or an associate degree, and
- 17,940 for those with a bachelor's degree or higher.

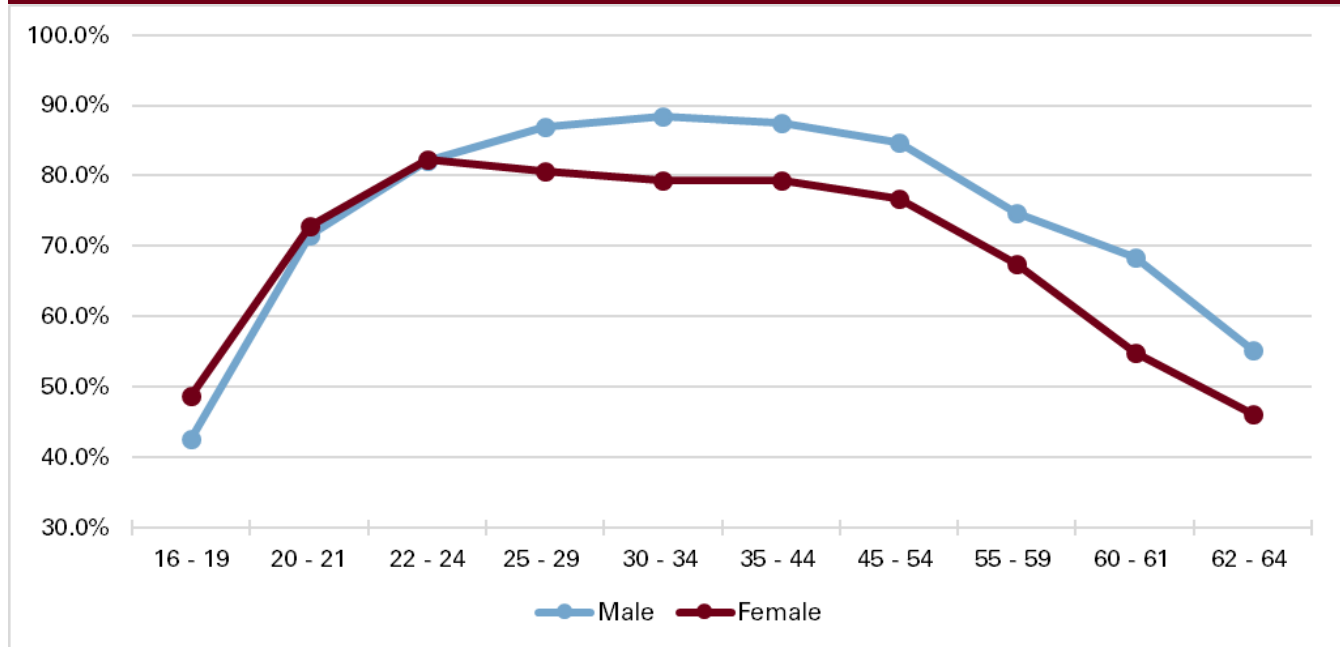
Nationally, labor force participation has declined for those with less than a high school diploma and high school graduates, and it has increased for those with a bachelor's degree or higher. Although this could be caused, in part, by worker age, it could reflect a greater demand for more highly educated workers.⁸

⁸ Nunn, Parsons, and Shambaugh. (September 2019).

Sex

Although the labor force participation growth from 1976 to 2007 was driven largely by women, women generally have lower participation rates than men. Figure 4 shows Ohio labor force participation rates for men and women by age group for 2017. Women ages 16 to 21 had higher participation rates than men, but starting with the 25-to-29 age group, women had lower participation rates than men.

Figure 4. Ohio Labor Force Participation by Age and Sex, 2017



Source: U.S. Census American Community Survey, 2017

The national labor force participation rate for men has fallen since the late 1940s.⁹ From 2005 to 2017, Ohio labor force participation rates fell for men younger than 55. The largest decrease in participation rates was for the 16-to-19 age group, and the smallest decrease was for the 45-to-54 age group. Participation rates increased for men 60 and older, with those 62 to 64 having the largest increase. A 2016 study found that a major factor in declining male labor force participation was declining demand for lower skilled workers.¹⁰ Increasing labor force participation among men ages 16 to 74 would add 42,121 workers to the labor force.

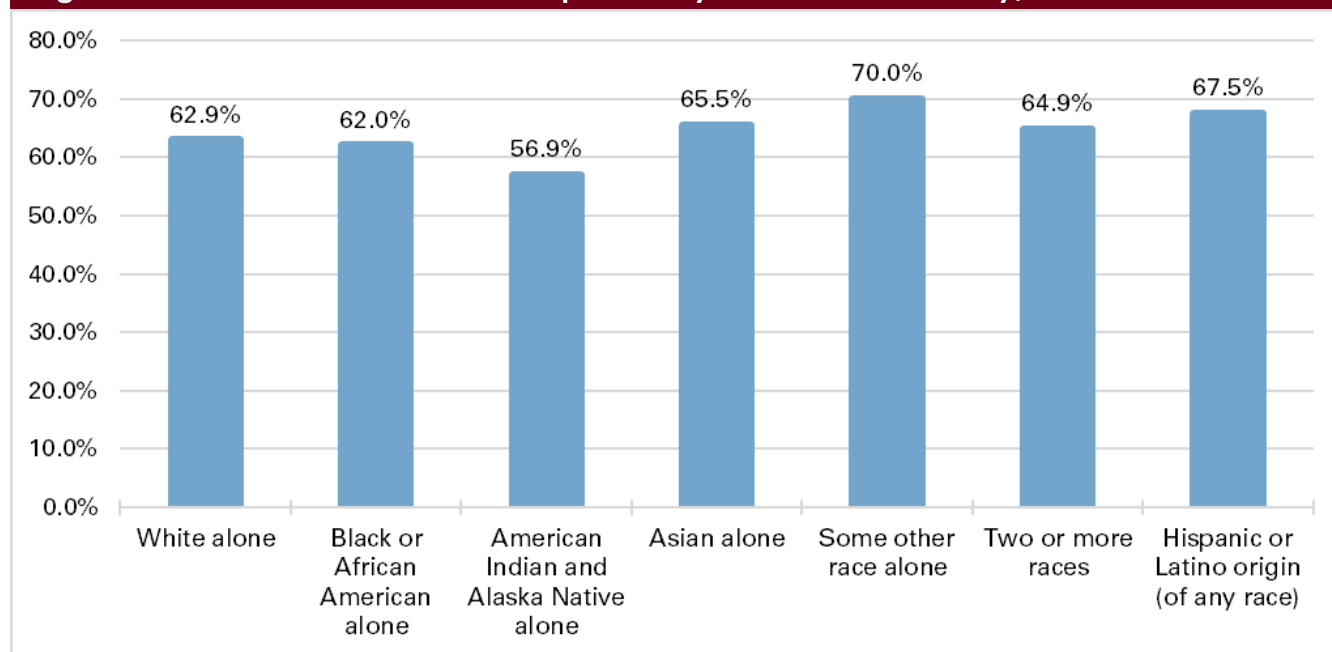
From 2005 to 2017, Ohio labor force participation rates fell only for women 16 to 21, with the largest decrease among the 16-to-19 group. Participation rates increased for Ohio women 22 and older, with the largest increases among the 60-to-61 and 62-to-64 age groups. Increasing labor force participation among women ages 16 to 74 would add 43,334 workers to the labor force.

⁹ The Executive Office of the President of the United States. (June 2016). The Long-Term Decline in Prime-Age Male Labor Force Participation.

¹⁰ Ibid.

Race and Ethnicity

Figure 5. Ohio Labor Force Participation by Race and Ethnicity, 2017



Source: U.S. Census American Community Survey, 2017

Compared to age or education, there is limited variation in labor force participation by race or ethnicity. Those identifying as “some other race” had the highest participation rate in 2017, at 70.0 percent. Those identifying as American Indian or Alaska Native had the lowest participation rate, at 56.9 percent. Increasing the labor force participation rate for each racial or ethnic group by one percentage point would add approximately the following numbers to the labor force of each group:

- 77,640 workers for identifying as white,
- 11,084 for identifying as black or African-American,
- 202 for identifying as American Indian or Alaska Native,
- 2,062 for identifying as Asian,
- 801 for identifying as some other race,
- 1,843 for identifying as two or more races, and
- 2,956 workers for identifying as Hispanic or Latino of any race.¹¹

¹¹ Based on 2017 American Community Survey estimates. The data for Hispanic/Latino duplicate data in race categories.

Impediments to Increasing Participation

Research suggests that declining demand for workers with lower education levels may be a major factor in declining labor force participation among men.¹² Wages, an indicator of labor demand, have been declining or stagnant for workers with less than a bachelor's degree and increasing for workers with a bachelor's degree or higher. Foreign trade and technology are thought to be part of the reason for declining demand for less educated workers, especially in manufacturing.

Some nonparticipants in the labor force may have disabilities preventing them from working, or they may have difficulty finding work requiring accommodations. A significant number of nonparticipants report having a disability. Among those ages 18 to 64, those who said they have a disability accounted for 31.2 percent of nonparticipants, more than 489,000 people in 2017.¹³ Economic conditions may influence the rate at which those with disabilities participate in the labor force. A recent study found that applications for Social Security Disability Insurance were unusually high for several years during and after the Great Recession.¹⁴

Some Ohio employers have had a hard time filling jobs because applicants fail pre-employment drug screens.¹⁵ Opioid use is associated with lower labor force participation rates.¹⁶ A study by the Federal Reserve Bank of Cleveland estimated that prescription opioids accounted for 44 percent of the decline in male labor force participation nationally from 2001 to 2015.¹⁷

Local competition for jobs may influence participation rates. There is a moderate negative correlation between the number of private industry jobs in Ohio counties and the labor force participation rates of those 16 to 64.¹⁸ Counties with fewer jobs per adult (ages 16 to 64) tend to have lower labor force participation rates. Figure 6 shows the ratios of the 16-to-64-year-old population to private industry jobs by county in 2017. The Appalachian counties tend to have more people than jobs, making their labor markets more competitive. The difficulty of finding work in counties with higher levels of job competition may keep some people out of the labor force.

¹² Nunn, Parsons, and Shambaugh. (September 2019).

¹³ The U.S. Census American Community Survey, 2017.

¹⁴ Maestas, N., Mullen, K. J., & Strand, A. (2018, December). The Effect of Economic Conditions on the Disability Insurance Program: Evidence from the Great Recession. Retrieved from NBER Working Paper #25338: <https://www.nber.org/papers/w25338>.

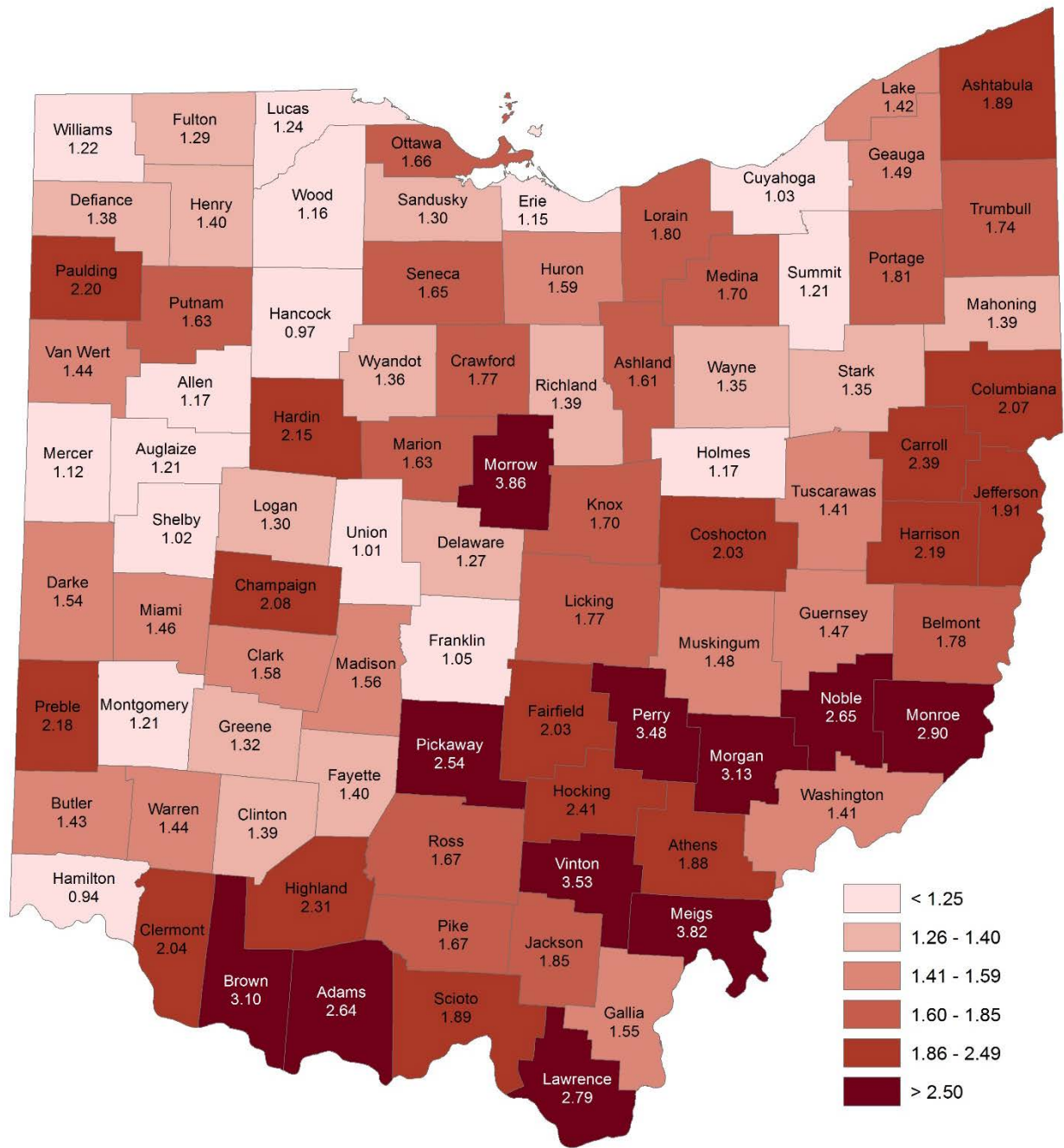
¹⁵ Schladen, M. (2017, August 13). Failed Drug Tests Keep Ohio Jobs Unfilled. *The (Columbus) Dispatch*.

¹⁶ Aliprantis, D., Fee, K., & Schweitzer, M. E. (2019). Opioids and the Labor Market. Federal Reserve Bank of Cleveland Working Paper (18-07R).

¹⁷ Aliprantis, Fee, and Schweitzer. (2019).

¹⁸ Ohio Bureau of Labor Market Information calculation.

Figure 6. 18-64 Population to Private Industry Jobs Ratio by County, 2017



Source: Ohio Bureau of Labor Market Information Calculation

Summary

With unemployment rates dropping and some employers having difficulty hiring workers, nonparticipants in the labor force could be a potential source of additional workers. The overall labor force participation rate is expected to decline, in Ohio and other states, mostly because of retiring workers in the Baby Boom generation. Still, there may be opportunities for increasing participation.

Although labor force participation is lower for those 55 and older, their participation rates have been increasing. Encouraging this group to stay in the labor force longer, or rejoin the labor force if they have left it, may be an opportunity for increasing participation. This may require adapting to the needs and desires of older workers.

Demand is growing for workers with bachelor's degrees or higher. While it is not possible or practical to provide every worker with a bachelor's degree, it might be possible to assist workers with increasing their education levels or obtaining training desired by employers. Rehabilitation and assistance with workplace accommodations might increase participation among individuals with disabilities. Making inroads against opioid and other substance use disorders may have an indirect effect of increasing labor force participation. Finally, increasing the number of private industry jobs in areas with high job competition also would increase labor force participation.

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