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Oklahoma Employment Security Commission
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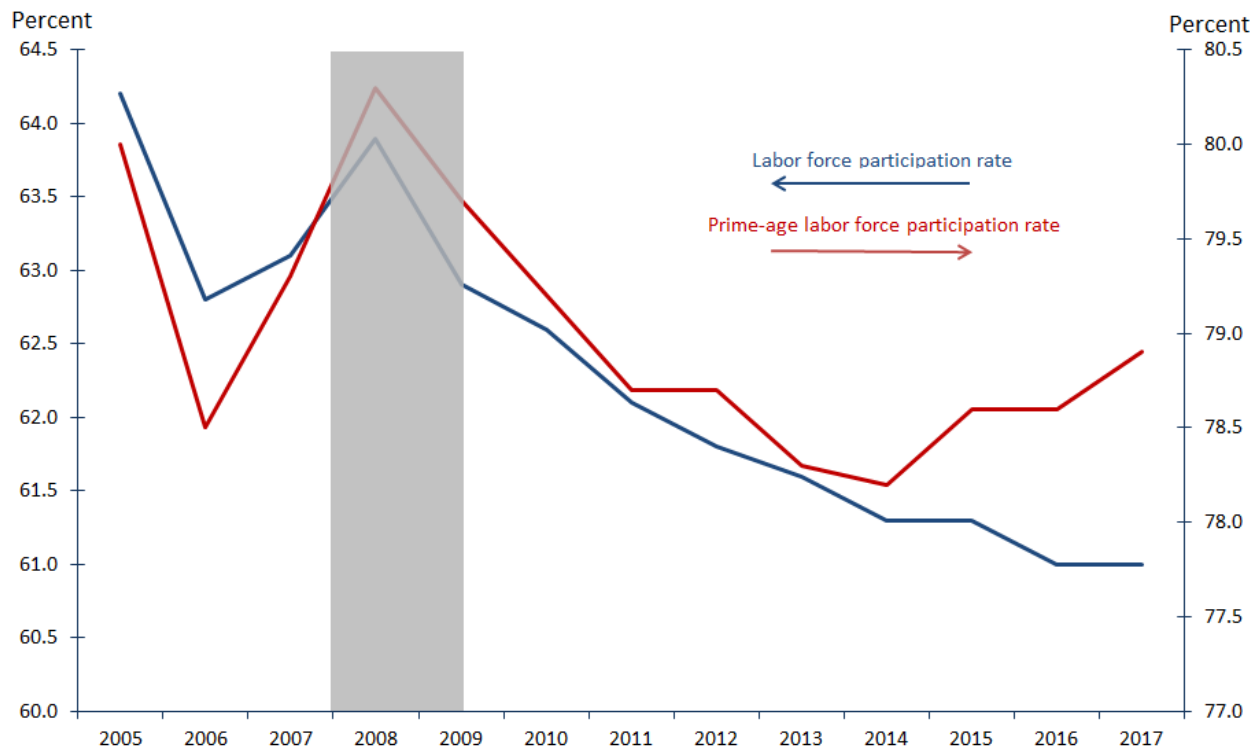
Changes in Oklahoma’s Labor Force Participation Help Explain Recent Job Gains

The Federal Reserve Bank of Dallas recently completed an analysis of changes in the U.S. labor force participation rate and how that might explain job creation even as the unemployment rate reached historically low levels.¹ In that study, it was found, among other things, that an important factor in the leveling off of the labor force participation rate and continued job creation is a recent rebound in the prime-age (25 to 54 years) participation rate. Has Oklahoma’s labor market followed the trends observed nationally? This analysis investigates the answer that question.

Oklahoma’s labor force participation rate—the number of people either employed or unemployed as a proportion of noninstitutionalized working age (16 years and older) population—declined after the Great Recession to a low of 61.0 percent in 2016.

The labor force participation rate for Oklahoma held steady at 61.0 percent through 2017, although the statewide labor market has continued to add jobs despite the unemployment rate reaching historically low levels. One important factor driving continued job creation despite low labor force participation rates is a recent rebound in the prime-age (25 to 54 years) participation rate (see Chart 1, below).

Chart 1
Prime-Age Participation Rate in Oklahoma Increased Since 2014



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.
SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates

¹ Alex Richter, Tyler Atkinson and Laton Russell, “Changes in Labor Force Participation Help Explain Recent Job Gains.” February 19, 2019, *Dallas Fed Economics*, Federal Reserve Bank of Dallas.

If the prime-age participation rate had remained at its 2014 average (78.2 percent) through 2017, and the path of the unemployment rate was unaffected, Oklahoma’s economy would have added approximately 22,000 fewer jobs.

Considering which demographic groups in Oklahoma are driving the changes in the labor force participation rate, it was also found that educational groups, individuals claiming disability status and female participation are also behind its recent rise, though to differing degrees.

Greatest Labor Force Participation Found Among More-Educated Groups

Table 1A, below, shows the average participation rate in Oklahoma by education level in 2008 and 2014—the period that captures the decline in the labor force participation rate. Over this period, the participation rates decreased for each education group. However, college-educated individuals, who participate at a higher rate, experienced the smallest decline (-1.2 percent).

Table 1: Most-Educated Individuals Show Greater Labor Force Participation

Table 1A: Participation Declined Since Great Recession Onset					
	College	Some College	High School	No Degree	Total*
2008	86.2	79.5	72.6	59.9	76.5
2014	85.0	75.8	69.8	56.8	74.0
Difference	-1.2	-3.7	-2.8	-3.1	-2.5

Table 1B: Participation Rebounds in Recent Period of Labor Tightness					
	College	Some College	High School	No Degree	Total*
2014	85.0	75.8	69.8	56.8	74.0
2017	86.0	76.1	69.5	56.5	74.5
Difference	1.0	0.3	-0.3	-0.3	0.5

SOURCE: U.S. Census Bureau, American Community Survey Survey 1-Year Estimates

*Population 25 to 64 years

Table 1B, above, summarizes the recent rebound, showing the average participation rates for Oklahoma by educational group from 2014 to 2017. Participation rates increased for the more-educated groups with college-educated individuals increasing by 1.0 percent and those with some college adding 0.3 percent. However, for the less-educated individuals rates continued to decline. For those with a high school education, participation rates dropped 0.3 percent as did those with less than a high school degree. Also, the overall participation rate in 2017 remained 2.0 percentage points below its 2008 pre-Great Recession level of 76.5 percent.

Considering Disability Status in the Labor Force

Tables 2A and 2B, on the next page, show Oklahoma’s average labor force participation rate by disability status for the two periods, 2008 to 2014 and 2014 to 2017. Both tables show that the participation rate, in general, moved in the same direction for people with and without disabilities; however, the changes were much larger for people with disabilities.

Table 2: Disabled Led Labor Force Participation Drop-off, Rebound

Table 2A: Participation Declined Since Great Recession Onset			
	Disability	No Disability	Total
2008	47.9	65.9	63.9
2014	42.2	63.6	61.3
Difference	-5.7	-2.3	-2.6

Table 2B: Participation Rebounds in Recent Period of Labor Tightness			
	Disability	No Disability	Total
2014	42.2	63.6	61.3
2017	43.1	63.2	61.0
Difference	0.9	-0.4	-0.3

SOURCE: U.S. Census Bureau, American Community Survey Survey 1-Year Estimates
Population 16 years and over

For individuals with disabilities, the labor force participation rate sank 5.7 percent between 2008 and 2014, while rates for those without disabilities only fell 2.3 percent (see Table 2A above). From 2014 to 2017, labor force participation rates for those with disabilities increased 0.9 percent while individuals with no disabilities rates fell 0.4 percent (see Table 2B above).

Females' Labor Force Participation Rising While Males' Decline

From 2005, the labor force participation rate for males in Oklahoma has overall been declining. In 2005, Oklahoma's male labor force participation rate was 84.0 percent while the female rate was 67.9 percent (see Chart 2, next page).

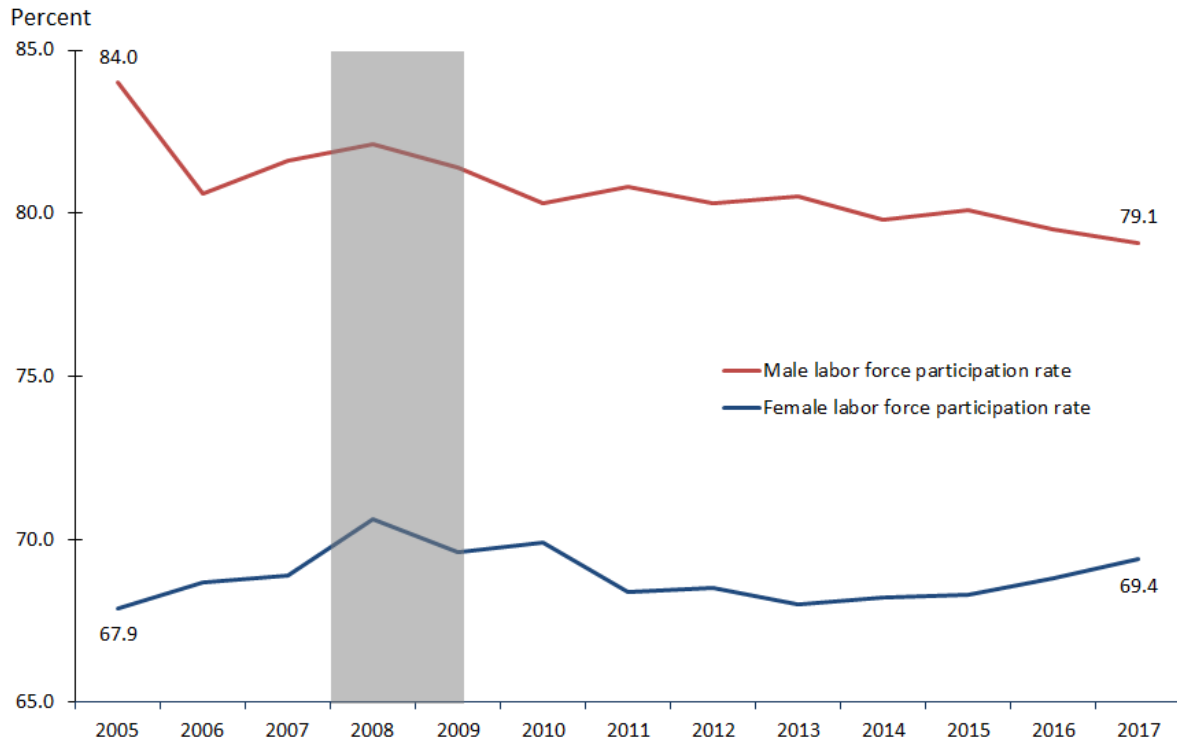
By 2009, the end of the Great Recession, Oklahoma's male labor force had declined to 81.4 percent, sliding to 80.3 percent by 2010 and finally settling at 79.1 percent in 2017. During the period 2005 to 2017, Oklahoma's male labor force participation rate fell by 4.9 percent, following the trend of the overall rate labor force participation (see Chart 2).

Meanwhile, Oklahoma's female labor force participation rate jumped from 67.9 percent in 2005 to 70.6 percent in 2008, increasing while the male rate was declining. The female labor force participation rate plunged following the Great Recession, falling to 68.0 percent by 2013. However, since then Oklahoma's female labor force participation rate has climbed to 69.4 percent. During the period 2005 to 2017, Oklahoma's female labor force participation rate increased by 1.5 percent (see Chart 2).

Unemployment rates for males and females reflect the statewide trends in labor force participation rates. In 2013, the estimated unemployment rate for males in Oklahoma was 5.3 percent compared to 6.4 percent for females. However, that trend has gradually reversed and by 2017 the male unemployment rate in Oklahoma was 5.0 percent while the female rate had dropped to 4.7 percent.

If the female labor force participation rate in Oklahoma had remained at its 2013 average of 68.0 percent, there would have been approximately 30,492 fewer workers in Oklahoma's labor force between 2014 and 2017.

Chart 2
Male-Female LFPRs in Oklahoma Moving in Different Directions



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.
 SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates (Population 16 years and over).

Conclusion

The labor force participation rate in Oklahoma has been declining since 2005, reaching a low of 61.0 percent in 2016 and leveling off there in 2017. At the same time, Oklahoma’s labor market continues to grow and the state’s economy continues to add jobs even as the unemployment rate has been reaching historic lows. Part of the reason for this can be attributed to a rebound in several special demographic components of the participation rate.

The prime-age (25 to 54 years) labor force participation rate in Oklahoma has increased from a low of 78.2 percent in 2014 to 78.9 percent in 2017, the highest rate since 2010. College-educated individuals had the least decline among all educational groups in labor force participation during and immediately after the Great Recession and also led the rebound of participation after the recession from 2014 to 2017. Other demographic components contributing to growth in Oklahoma’s labor force include disabled individuals, whose change in participation rate was well above those without disabilities between 2014 and 2017. Finally, Oklahoma’s female labor force participation rate has seen an overall increase from 67.9 percent in 2005 to 69.4 percent in 2017. During this time period the male labor force participation rate has contracted from 84.0 percent to 79.1 percent, as the gap between male and female participation rates has declined from 16.1 percentage points in 2005 to 9.7 percentage points in 2017.

These groups’ participation in Oklahoma’s labor force has allowed the statewide labor market to expand even as the overall participation rate in the state has declined.

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