

# BEYOND THE HEADLINES

## At a Glance: Jobs, Workers & the Economy

JUNE 2014

FOCUS: UNITED STATES & SEATTLE

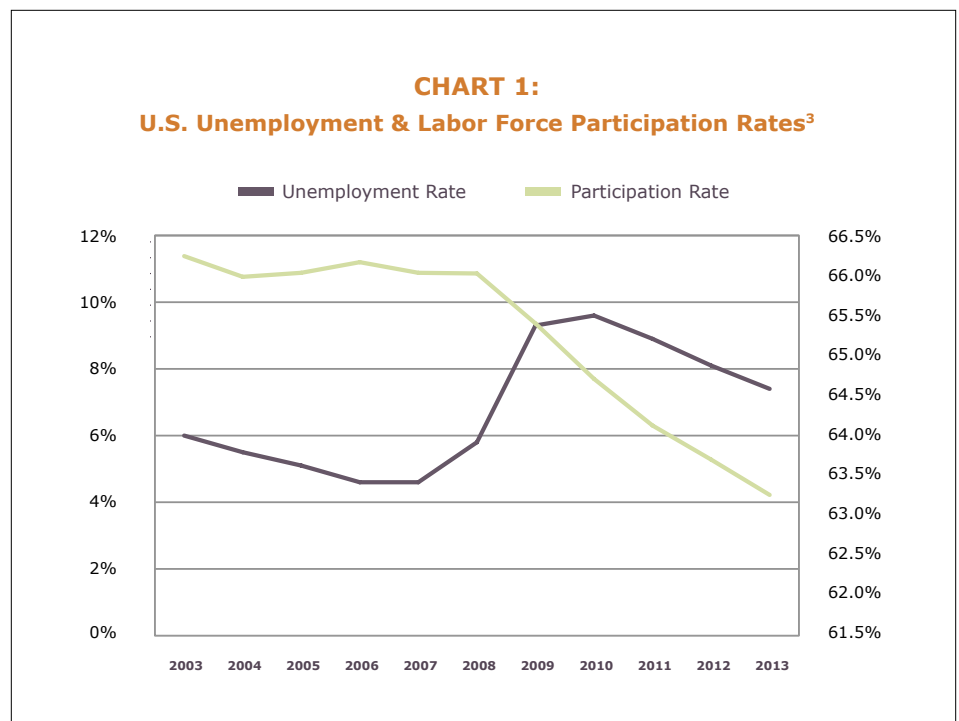
### Labor Force Participation & Unemployment: What It Means For Seattle's Economic Recovery

Nationally, the unemployment rate has been on the decline since 2008. However, the labor force participation rate has also steadily declined with the unemployment rate, an indication that more people are dropping out of the labor force entirely and are thus not captured in the unemployed. Seattle has not followed this same trend, as the unemployment and labor force participation rates indicate actual gains in employment. From December 2007 through June 2009, the United States experienced its longest, and arguably, worst economic recession since the Great Depression. Now, five years have passed since the end of the recession and the millions of jobs lost have largely been recovered.<sup>1</sup>

The unemployment rate is the most commonly used measure of a healthy workforce. The unemployment rate is calculated as the number of unemployed workers as a percentage of the labor force. The labor force includes all employed and unemployed persons, except those who are not actively seeking employment.<sup>2</sup>

The labor force participation rate is another, less commonly used

measure of a healthy workforce. The labor force participation rate is calculated as the ratio of the labor force to the total civilian, noninstitutionalized population. Specifically, it captures retirees, students, and discouraged



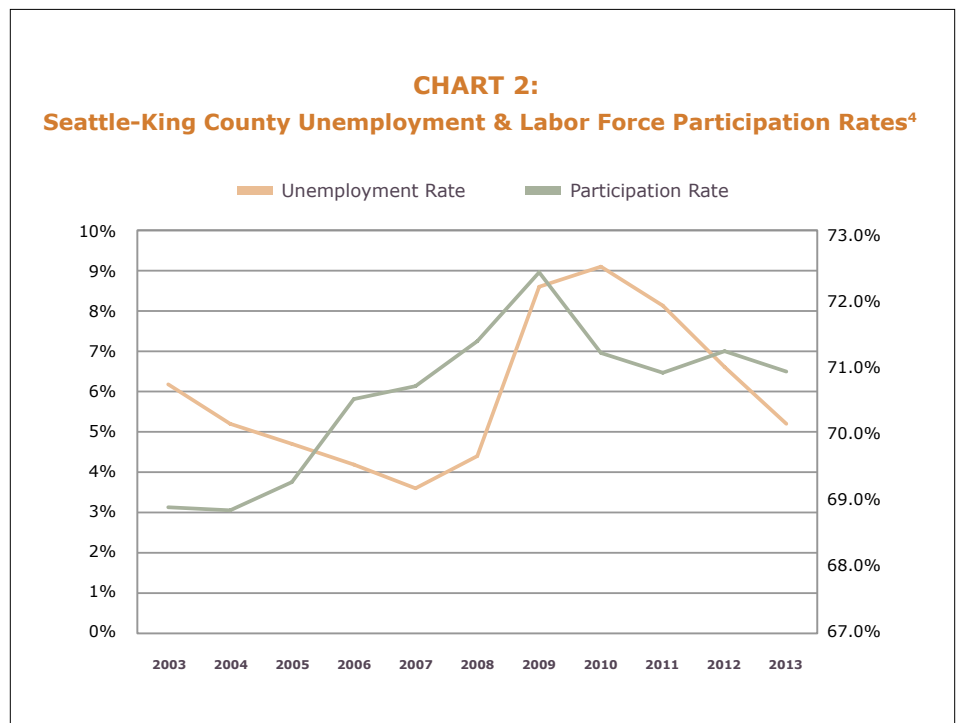
SOURCE: US Bureau of Labor Statistics - Current Population Survey, Labor Force and Local Area Unemployment Statistics

workers who have given up on finding employment. Using both of these metrics together assists in demonstrating the true employment picture for a given region. The charts in this report display the labor force participation and unemployment rates from 2003 through 2013 for the United States and Seattle-King County.

**Chart 1** on the previous page displays the unemployment and labor force participation rates for the United States from 2003 through 2013. During the recession period, the labor force participation rate began a steady decline while unemployment climbed. Once the recovery began in 2010, unemployment steadily declined, but so, too, did the labor force participation rate. In 2008, the labor force participate rate was 66 percent and it fell by almost 3 percent to 63.3 percent in 2013. The unemployment rate reached its peak in 2010 at 9.6 percent and steadily declined to 7.4 percent by 2013. Even though unemployment continues on a decreasing trend, labor force participation is not increasing. While the recovery period in the U.S. has contributed to an employment increase, it has pushed many out of the labor force completely.

While the recovery period for the U.S. included declining rates of both unemployment and labor force participation, the landscape for Seattle-King County does not mirror that national trend. As demonstrated by **Chart 2**, the recession was characterized by

high rates of both unemployment and labor force participation for Seattle-King County. At its peak, labor force participation was 71.2 percent and unemployment was 8.6 percent. By 2010, labor force participation began to decline while unemployment reached its peak at 9.1 percent. Unemployment continued to fall and reached a sustainable level of 5.2 percent by 2013. At the same time, labor force participation remained constant and at a higher level than its pre-recession levels, hovering around 71 percent.



SOURCE: Employment Security Department/LMEA - Local Area Unemployment Statistics; Washington State Office of Financial Management - Postcensal and Intercensal Population Estimates

The drop in labor force participation is due to the baby boomer generation gradually moving into retirement, 20- to 24-year-olds enrolling into postsecondary programs, and discouraged workers dropping out of the labor force entirely. The discouraged worker between the ages of 25 and 54 is perhaps the most concerning demographic. Nationally, their participation rate fell to the lowest level it has been since 1984.<sup>5</sup> Unemployment has been on a steady decline since the recession's end, nationally, while at the same time many are dropping out of the labor force entirely. The U.S. still faces obstacles to a full economic recovery and if the trend does not change, more people will be forced to turn to social support services and other public assistance resources to make ends meet. Conversely, Seattle-King County has recovered faster as unemployment continues to fall and labor force participation rates remain higher than pre-recession levels. The region has essentially moved away from the recession's devastating effects and into a place of economic stability.

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1. "US Hiring Takes Longer In The Post-Recession Recovery," *International Business Times*, June 13, 2014. Accessed June 16, 2014. <http://www.investing.com/news/economy-news/us-hiring-takes-longer-in-the-post-recession-recovery-289609>.
  2. "Labor Force Statistics from the Current Population Survey," *US Bureau of Labor Statistics*, last modified June 12, 2014, [http://www.bls.gov/cps/cps\\_htgm.htm#nilf](http://www.bls.gov/cps/cps_htgm.htm#nilf).
  3. Working-age is defined as 16 years and older in unemployment and participation estimates. The US Bureau of Labor Statistics' Labor Force Statistics program included in the Current Population Survey was used in the analysis.
  4. Working-age is defined as 16 years and older in unemployment and participation rates. The Washington State Employment Security Department's Local Area Unemployment Statistics program in combination with the Washington State Office of Financial Management's Population Estimates program were used in the analysis.
  5. Washington, Jesse, and Paule Wiseman, "Dropouts: Discouraged Americans leave labor force," *Associated Press*, April, 6, 2013. <http://www.komonews.com/news/business/Dropouts-Discouraged-Americans-leave-labor-force-201772321.html>.

**BEYOND THE HEADLINES:** Policy & Labor Market Updates for Those Working to Help Low-Income and Low-Skill Individuals Advance through Education, Training & Living-Wage Jobs

### **About Seattle Jobs Initiative**

Seattle Jobs Initiative creates opportunities for students, workers and business to succeed by helping education and job training programs meet the demands of a new economy. We find and apply solutions for people to gain the skills they need for good jobs that create prosperity for all in today's marketplace.

***Supported by the City of Seattle Office of Economic Development***

### **Contact Information**

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