



Where are the Workers?

Understanding Montana’s Labor Force Participation Rate

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Help wanted. These days it seems those two words are everywhere—at retail stores, restaurants, grocery stores, and a long list of other businesses. These words are a real-life reminder that Montana is experiencing tight labor markets, and many employers are having a hard time finding workers. Low unemployment rates that accompany these frequent job postings seem to suggest that nearly every person in Montana is working. But that’s not true – only 62.3% of the noninstitutionalized population age 16 and older are working or are actively seeking work opportunities. This rate is called the labor force participation rate (LFPR), and it suggests that the other two-fifths of this population, about 317,000 people in Montana, are not working or looking for work. This group of people are often attending school, enjoying retirement, or taking care of family. As businesses continue to struggle to find workers, employers may want to explore opportunities to bring these nonworkers into the labor force, possibly by creating new incentives or reducing existing barriers to work. To help understand these nonworkers, this article examines trends in the LFPR, how Montana’s rate compares to the U.S. average, and the reasons people give for not participating in the labor force.

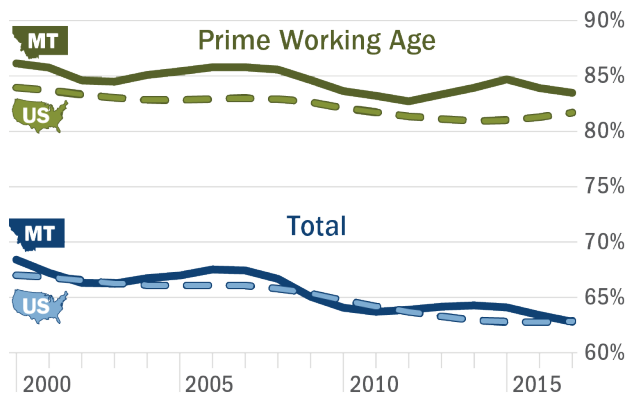
Montana’s LFPR compared with National Trends

The LFPR has been gaining attention as unemployment reaches historically low levels and employers attempt to recruit nonworkers to fill vacant positions. Although the LFPR usually increases during tight labor markets as wages increase and job opportunities are plentiful, employers can also choose to take an active approach to recruiting nonworkers by addressing workforce barriers or creating additional incentives. Because tight labor markets are not unique to this state, Montana’s employers may want to explore

national solutions addressing nonworkers. However, solutions at the national level are most appropriate when the LFPR is trending similarly to Montana, and there are some differences between the two.

Montana’s overall LFPR is only slightly lower than the U.S.– at 62.3% in Montana compared with 62.9% in the U.S. **Figure 1** shows that the statewide rate has followed similar long-term trends as the U.S. The U.S. LFPR declined steadily after 2000, and despite a long economic expansion, it continues to be below

FIGURE 1:
Labor Force Participation Rates



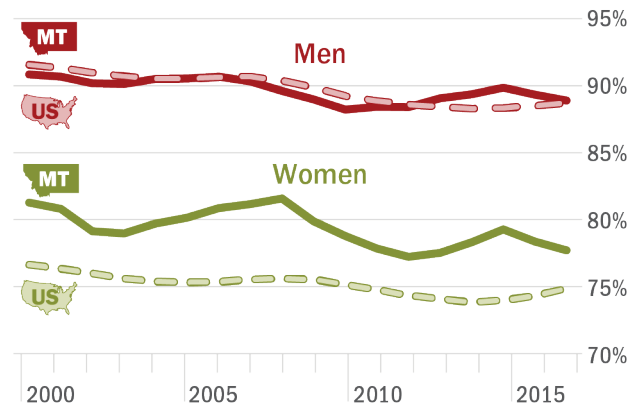
Source: Data for LFPRs by demographic is from the Bureau of Labor Statistics CPS. Note: LFPRs shown in this graph are a three-year moving average of the annual rates.

precession levels. Montana’s rate has declined as well, but with more variation around the economic cycles. Montana’s LFPR is also below its precession level. The major driver of this decline is the large baby boomer population reaching retirement age. This group started reaching the primary retirement age of 65 in 2009 and will continue to reach that age until 2029. Montana’s baby boomers make up a higher share of the population than the U.S. average, suggesting that retirements affect the LFPR more significantly in this state.

Confirming that Montana’s lower overall LFPR is mostly due to having a higher share of retirees than the national average, Montana has a higher prime working age LFPR than the U.S., at 83.4% in Montana compared with the national rate of 82.1%. The prime working age includes workers between the ages of 25 and 54, and it is important because it eliminates the variation in the LFPR that can be caused by demographic changes related to age. However, as shown in **Figure 1**, the LFPR of the prime working age population is also declining in both Montana and the U.S., suggesting other non-retirement factors are contributing to declines in the LFPR.

One reason that Montana has a higher prime age LFPR is that a larger share of Montana’s women are in the labor force compared with national trends, at 77.6% compared to 75.3%. Montana’s LFPR for

FIGURE 2:
LFPRs of the Prime Working Age by Gender



women used to be significantly higher than the U.S., but the U.S. has been catching up to the statewide level in recent years. The prime working age LFPR for men is relatively similar in both Montana and the U.S., and both have been trending downward for the years shown in **Figure 2**.

Why are people not participating in the Labor Force?

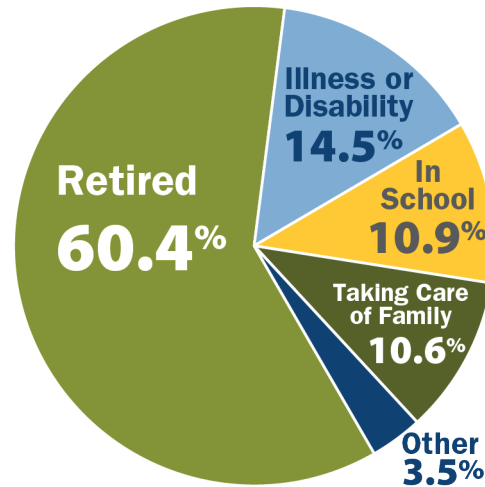
Reversing the trend of a declining LFPR is not only difficult because it is a long-term trend, but also because there are strong reasons why people do not work. Pulling nonworkers into the labor force requires understanding why people do not participate in the first place.

There are many explanations for not working. In Montana, 60% of the nonworking population cite being retired as the reason for not participating in the labor force. Other common reasons include having a disability or an illness, taking care of family, or attending school or other training. **Figure 3** shows the reasons people cite for not participating in the labor force.

Reasons cited for not participating in the labor force are correlated with certain demographics. **Figure 4** explores these demographics and shows their LFPR in Montana. At a rate of 20.2%, people over

the age of 65 have significantly lower LFPR than all other groups, which is expected since the majority of nonworkers cite being retired as the reason they are not working. The population between age 16 to 19 also have low rates at 43.8%. Many of these people are high school students or enrolled in postsecondary education. A little over one-third of the population age 20 to 24 are also students.¹ People in this age group have lower rates than the prime working age population, at 77.6% compared with 83.4%. Women also have a lower LFPR than the prime age population, which is likely tied to taking care of family as the reason cited for not participating in the labor force. Having a disability or illness is cited as the second most common reason for not participating in the labor force, and the LFPR is low for this group at 47.7%.

FIGURE 3:
Reasons for Not Being in the MT Labor Force

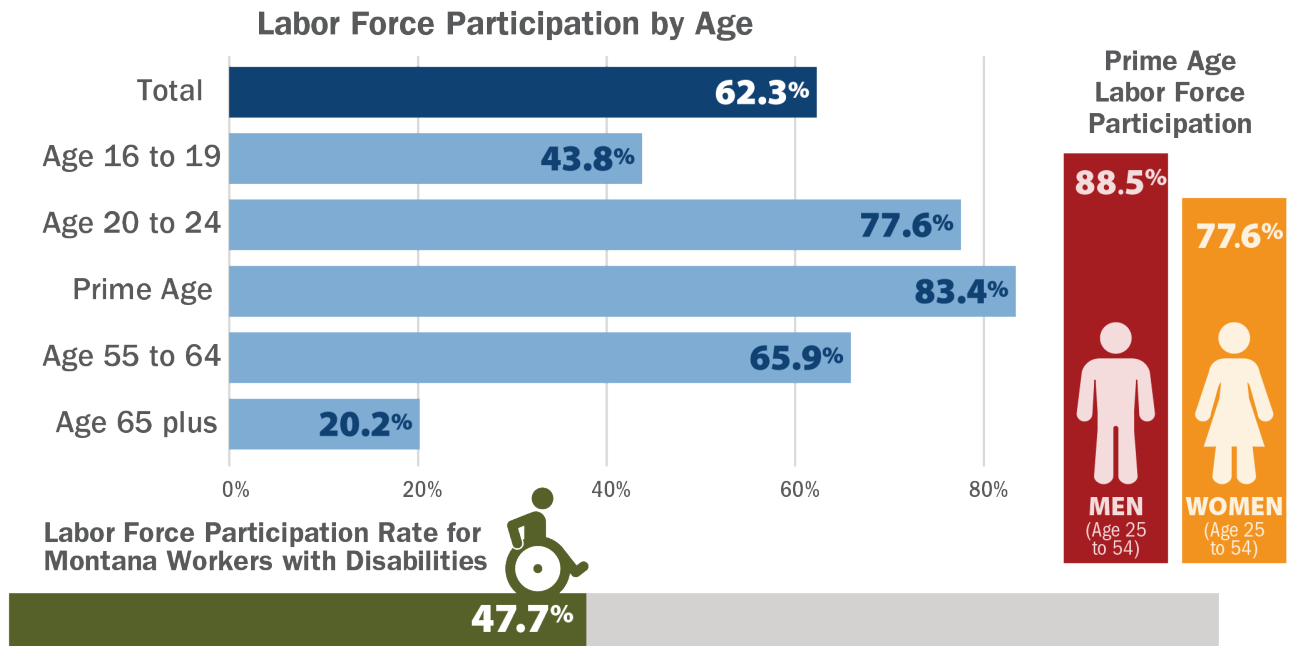


Source: Montana Department of Labor & Industry using 2018 CPS data through Data Ferrret.

Pulling nonworkers into the labor force requires understanding the specific employment barriers related to why they are not working. The next few sections will explore specific reasons for not participating in the labor force.

¹ U.S. Census Bureau. 2013-2017 ACS 5-Year Estimates.

FIGURE 4:
Labor Force Participation Rates by Select Demographic Groups



Source: LFPR for workers with disabilities from the U.S. Census Bureau 2013-2017 American Community Survey. All else from the 2018 Bureau of Labor Statistics CPS.

Not in the Labor Force due to...

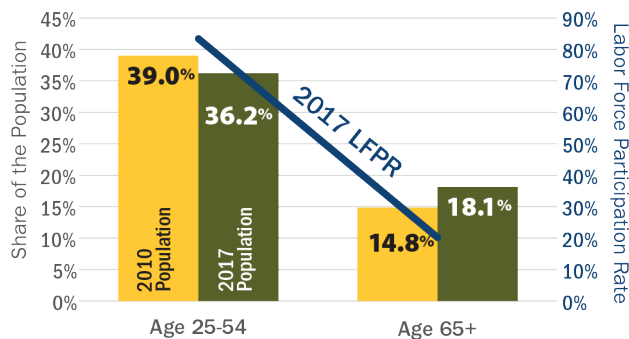


RETIREMENTS

Retirements are the number one reason people cite for not participating in the labor force. Retirements also contribute to the current worker shortage. The large baby boomer population is aging, retiring, and leaving job vacancies that must be filled by the remaining workers. Fewer people remaining in the labor force, combined with steady job growth, has helped push unemployment rates to low levels.

To demonstrate this trend, **Figure 5** shows the 2010 to 2017 share of the prime working age population compared with the share of the population age 65 and older. From 2010 to 2017, Montana's share of the population age 65 and older grew from 15% to 18%, while the share of the population age 25-54 declined from 39% to 36%. The chart also shows the labor force participation rate of each group. The prime age labor force participation rate is much higher at 83.4% than the population age 65 and older at 20.2%.

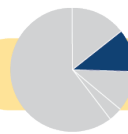
FIGURE 5:
Share of the Population by Age compared with the Labor Force Participation Rate



Source: Population from the U.S. Census Bureau. Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2017. LFPR from the BLS CPS.

People are working longer than in the past, largely due to improved health outcomes, and the LFPR for the population age 65 and older has been increasing as a result. However, retirees are the largest group of nonworkers in the state, and Montana employers

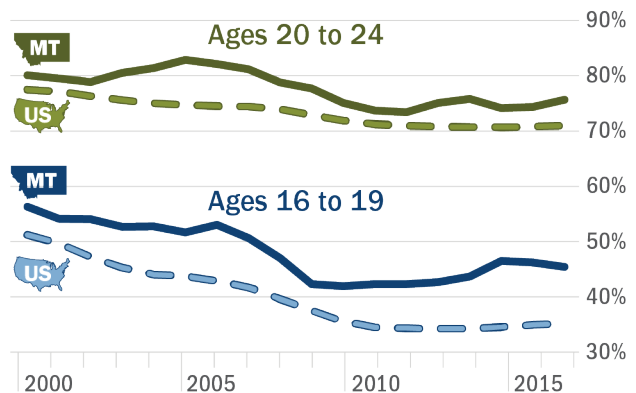
may want to create additional incentives for these people to return to the workforce. Convincing retirees to reenter the labor market may be challenging and employers will likely have to address job flexibility. People choosing to retire may want the additional income from a job, but are not inclined to adhere to a rigorous schedule. Work from home options or jobs that don't revolve around a specific schedule, such as clerical or consulting work, may be attractive to this population. Part-time jobs may also be appealing to this group.



SCHOOL or TRAINING

About 11% of nonworkers say they are not participating in the labor force because of school. The most common ages to attend school is between 16 and 24, when young adults are finishing high school and moving into postsecondary education. These age groups also have relatively low LFPRs. However, both age groups have higher LFPR in Montana than the rest of the U.S. as shown in **Figure 6**. Nearly 44% of people aged 16 to 19 are in the labor force in Montana compared with 35% in the U.S. About 77.6% of adults aged 20 to 24 participate in the labor force compared with 71.1% in the U.S.

FIGURE 6:
Labor Force Participation - Under Age 25



Source: Data for LFPRs by demographic is from the Bureau of Labor Statistics CPS. Note: LFPRs shown in this graph are a three-year moving average of the annual rates.

The teenage age group follows the general declining trend as increased school enrollment and a focus on college preparation take up more of students' time.² Higher levels of education are correlated with higher LFPRs, lower unemployment, and higher average wages, suggesting that the teenage focus on higher education is positive for individuals and the economy. Employers may find they are competing with scholarship opportunities for teenage workers. Some college scholarships reward extracurricular activities, and college-bound students can sometimes earn more from these scholarships than from a part-time job. In recognition of this tradeoff, some employers are offering other financial benefits, such as tuition assistance, to help recruit and retain young workers who plan to pursue postsecondary education.

About 36% of the population between the ages of 20 and 24 are enrolled in school, which contributes to lower LFPR for this age group.³ Work-based learning opportunities, such as internships and apprenticeships, may make it easier for this age group to participate in the workforce. Work-based learning opportunities offer students the benefit of working towards their degree while gaining real-world work experience in their field of study. Employers benefit from these programs by having students trained specifically for their business needs. Student workers are not the only group to benefit from work-based learning, as it can be used to train and educate new workers or career-transitioning adults into a high-paying career.



TAKING CARE of FAMILY

About 11% of the population is not participating in the labor force due to taking care of family, including both children and aging or ill adults. About 17% of Montana's adult population are considered

² Teresa L. Morisi. "Teen Labor Force Participation before and after the Great Recession and Beyond." *Monthly Labor Review*, BLS. February 2017. Available at <https://www.bls.gov/opub/mlr/2017/article/teen-labor-force-participation-before-and-after-the-great-recession.htm>

³ U.S. Census Bureau. 2013-2017 ACS 5-Year Estimates.

caregivers, providing regular care or assistance to a friend or family member with a health problem or disability. This nonpaid work includes managing household tasks and assisting with personal care, and the work can be time-consuming and ongoing. Nearly 50% of caregivers provide care for two or more years, and almost one-third provide care for at least 20 hours per week.⁴ Caregiving is important work, but it limits a person's availability to join the labor force. Flexible scheduling, long-term scheduling that allows caregivers time to prepare to be away, and remote work opportunities are family-friendly policies that benefit caregivers and can also increase labor force participation by allowing nonworking caregivers to join the labor force.

About 25% of Montana households have children under the age of 18, and 11% of all households have children under six years old.⁵ There are many reasons parents may choose to stay home with their children, including the cost and availability of childcare. Average toddler care cost in Montana is \$8,000 a year. Average infant care is \$9,000.⁶ Working full-time at Montana's minimum wage, \$8.50 an hour or \$17,680 a year, is barely enough money to cover childcare costs for two young children. For families earning the median income in Montana, childcare costs for two young children range from 24% to 27% of median family income.⁷ Even when a family can afford childcare, there may not be slots available. Montana has about 45,000 children under the age of six in households where both parents participate in the labor force, but licensed childcare providers only have the capacity to care for 20,000 children. This means that licensed providers only have the capacity to care for 41% of children who are potentially in need of childcare.⁸

⁴ All caregiving statistics are from the Centers for Disease Control and Prevention. 2016 Behavioral Risk Factor Surveillance System (BRFSS) Data. Fact sheet available at <https://www.cdc.gov/aging/data/pdf/2016-brfss-montana-caregiving-h.pdf>.

⁵ U.S. Census Bureau. 2013-2017 ACS 5-Year Estimates.

⁶ Economic Policy Institute. April 2016. Available at <https://www.epi.org/child-care-costs-in-the-united-states/#/MT>

⁷ Median family income is \$65,843 according to the U.S. Census Bureau 2013-2017 ACS estimates.

⁸ Watson, Amy. *Economy at a Glance*. October 2018. "Childcare in Montana." Available at lmi.mt.gov/Publications/PublicationsContainer/childcare-in-montana

In addition to family-friendly scheduling, some businesses are adding childcare facilities to their workplace or subsidizing off-site childcare to address this issue.



OTHER REASONS INCLUDING ILLNESSES & DISABILITIES

Having an illness or disability was the second most common reason for not participating in the labor force. Not participating due to an illness or disability can be related to either physical or mental health. This breakdown is apparent in **Figure 7**, which shows cited workforce barriers from a Medicaid survey. Nearly 14% of respondents cited poor physical health as a workforce barrier, 11.7% cited a mental illness, and 9.5% cited a physical disability. Because this survey asked both workers and nonworkers about barriers to employment, these barriers affect people’s ability to find a job, find a higher paying job, or simply find a better job.⁹

This survey also highlights some other reasons that nonworkers may not be participating in the labor force, such as a lack of transportation. Transportation costs make up a higher share of income in Montana than the rest of the U.S., at 9.7% compared with 7.4%.¹⁰ Part of the reason for this difference is because Montana is a large state, and it costs more money to get across it. Employers can help address workforce constraints related to transportation costs by providing on-site vehicles, travel stipends, or offering remote work. Local governments can address these issues by ensuring there is reliable public transportation.

Conclusion

Pulling nonworkers into the labor force is not a simple task. However, with employers struggling to find workers and numerous job vacancies going unfilled, attempting to hire people from outside

⁹ For more information about this survey see the MT DLI’s “HELP-Link 2018 Fiscal Year End Report.” Available at lmi.mt.gov/Publications/PublicationsContainer/help-link-2018-fiscal-year-end-report.

¹⁰ Bureau of Economic Analysis.

**FIGURE 7:
Barriers to Employment**

Barrier	% with Barrier
Personal finances/credit history	26.3%
Felony/misdemeanor conviction	22.6%
Lack of transportation	20.4%
Lack of childcare	14.5%
Poor physical health	13.9%
Mental illness	11.7%
Lack of housing	10.5%
Lack of telephone	9.9%
Physical disability	9.5%
Caring for a family member with health issues	8.6%
Probation	6.2%
Learning disability	5.7%
Drug or alcohol addiction	4.7%
Domestic violence	3.5%
Court mandated programs or classes	2.7%
Pending felony/misdemeanor	2.5%

Source: HELP-Link 2018 Fiscal Year End Report

of the labor force might be necessary. Addressing scheduling constraints through flexible scheduling, long-term scheduling, or remote work is a simple solution for many employers that can help bring more students, caregivers, and retirees into the labor force. Providing help with transportation expenses may be a solution when workers have difficulties getting to the job. Some solutions to workforce barriers are more complex, such as addressing childcare availability for stay-at-home parents or creating a work-based learning program for students. Developing ways to encourage retirees to remain in the labor force may be challenging but essential, as retirees make up the largest group of nonworkers. While this article offered some ideas to address workforce barriers, there are many other solutions waiting to be brainstormed. Understanding Montana’s LFPR, the population that makes up the nonworkers in the state, and any barriers to their employment are the first steps to discovering solutions that can help bring nonworkers into the labor force and help fill some of the many job openings that remain vacant in the state.