

## Labor force participation in Mississippi: where are the workers?

J. Corey Miller, State Economist  
January 23, 2024

Thank you, Senator Sparks. I appreciate the opportunity to address this committee today. I will discuss the labor force participation rate and why it is important, why it is low in Mississippi, what has happened to the rate in the last two years, and I will conclude with a brief mention of potential approaches to increase the rate in Mississippi.

As I am sure the members of the Committee are aware, Mississippi has had one of the lowest labor force participation rates in the country for many years. The U.S. Bureau of Labor Statistics (BLS) has compiled monthly and annual data on labor force participation rates by state back to 1976. By my determination, on an annual basis the labor force participation rate in Mississippi has never ranked higher than forty-third among all states over this period. Furthermore, in each year since 2013 the annual rate for Mississippi has ranked forty-ninth among all states, besting only West Virginia. In 2022 the labor force participation rate in Mississippi was 54.9 percent, in contrast to the 62.2 percent rate for the United States.

Why is a low labor force participation rate a concern? A 2018 Congressional Budget Office report notes that a lower labor force participation rate “is associated with lower gross domestic product (GDP) and lower tax revenues,” as well as “larger federal outlays, because people who are not in the labor force are more likely to enroll in certain federal benefit programs.” The same report also finds, “Greater labor force participation is associated with higher tax revenues because the number of employed people, and therefore the number of people paying income and payroll taxes, tends to rise.” I roughly estimate that if the labor force participation rate in Mississippi had been the same as the U.S. rate in 2022, the state’s real GDP would have been around 10.0 percent larger, and the size of the state’s labor force would have been more than 13.0 percent larger.

BLS calculates the labor force participation rate as the sum of the employed and the unemployed in the state divided by the state’s civilian noninstitutionalized population. This population is all residents in Mississippi age sixteen and older who are not in the military or facilities such as hospitals, nursing homes, or prisons. No upper age limit exists on this population. When an individual moves from the ranks of the unemployed to the employed or vice versa, the labor force participation rate does not change if the state’s population remains the same. Therefore, the labor force participation rate can remain unchanged while the unemployment rate increases or decreases. The only way the labor force participation rate changes as the population remains the same is some number of individuals stop working or stop looking for work, or some number of individuals come in “off the sidelines” and seek employment. BLS calculates the labor force participation rate using the same survey data it uses to compute the unemployment rate, from a survey of a sample of U.S. residents.

I have written at length before and since becoming state economist on the likely reasons Mississippi has a relatively low labor force participation rate. I say likely reasons because the state-level data released by BLS do not indicate *why* respondents are not in the labor force. However, other research has identified a set of reasons why individuals may not participate in the labor force, and I will briefly identify which of these reasons apply to Mississippi.

First—and I would argue foremost—is educational attainment. The Congressional Budget Office report I mentioned earlier notes that in 2017, the labor force participation rate for men aged twenty-

five to fifty-four with a bachelor's degree or higher was 9 percentage points higher than for men in the same age group without a college degree. The labor force participation rate for women of the same age group with at least a bachelor's degree was 13 percentage points higher than for women in the same age group without a college degree. Educational attainment in Mississippi is lower than for the U.S., as the share of the state's population aged twenty-five and older with at least a high school diploma in 2021 was 2.9 percentage points below the U.S. share. Moreover, only about 25 percent of Mississippians aged twenty-five and older held at least a bachelor's degree in 2021, compared to about 35 percent of the comparable U.S. population.

Second, disability substantially affects the labor force participation rate in Mississippi, as the share of the state's population with a disability is well above the share for the U.S. According to the Census Bureau, in the 2022 civilian noninstitutionalized population, the share of residents of the state that had a disability and were not in the labor force was 15.9 percent. For the U.S., the share of individuals with a disability not in the labor force was 10.8 percent. The Congressional Budget Office report states that in 2017 the most common reason men aged twenty-five to fifty-four gave for not participating in the labor force was illness or disability.

I also will note at this point that the population share of retirees in Mississippi does not appear to be a major factor in the state's relatively low labor force participation in my view. According to an analysis of Census data by 24/7 Wall Street, the share of the state's population that was retired in 2020 was 14.8 percent, which was tied for twenty-fifth among all states. Moreover, this share was less than in Alabama, Arkansas, and Tennessee, states with higher labor force participation rates. In addition, my examination of Census data finds that the share of Mississippi's population in 2022 that was at least sixty-five years old was 16.5 percent, which was tied for thirty-first among all states, which would appear to corroborate the preceding analysis. As before, this share was less than in the neighboring states of Alabama, Arkansas, and Tennessee.

Third, based on BLS data, race likely impacts labor force participation rates in Mississippi. Among the prime working age population of individuals ages twenty-five to fifty-four, whites and Asians have higher labor force participation rates than African Americans and Hispanics. African Americans aged twenty-five to fifty-four made up 4.9 percent of the U.S. population in 2021, compared to 14.0 percent of the Mississippi population. Thus, the larger share of African Americans in the prime age working population of Mississippi compared to that of the U.S. likely explains part of the state's lower labor force participation rate. I will point out the Congressional Budget Office report mentions differences in labor force participation rates across racial groups but does not offer any potential reasons for why these differences exist.

Fourth, Mississippi's prison population, while not a part of the state's civilian noninstitutionalized population and therefore not a part of the calculation of labor force participation, likely still impacts the rate. According to the National Institute of Corrections, in 2020 the rate of incarceration in Mississippi was 584 individuals per 100,000 people. This rate ranked sixth among all states and compared to the rate for the U.S. in 2020 of 359 individuals per 100,000 people. Employers are less likely to hire someone with a criminal record and employers are more likely to pay lower wages to previously incarcerated employees compared to other workers. These two factors reduce the likelihood of previously incarcerated individuals participating in the labor force.

Finally, research from the Federal Reserve Bank of San Francisco specifically finds "about half or more of the decline in prime-age participation since the year 2000 is attributable to the disappearance of manual labor positions in manufacturing and other industries." These positions include skilled and semi-

skilled jobs centered in the manufacturing industry, which I believe are particularly relevant to Mississippi. In 2000, more than 19 percent of payroll employment in Mississippi was in the manufacturing sector; in 2022, this share was less than 13 percent. Improvements in technology have replaced many of these jobs as well as the dissemination of technologies to countries with lower labor costs. In my opinion, the retreat of these jobs over the last twenty-five years—particularly in the manufacturing sector—likely accounts for some portion of the decrease in the labor force participation rate in Mississippi over the same period.

The preceding explanation of the labor force participation rate hopefully will structure the remainder of my discussion, which is about the most recent labor force participation rate for Mississippi reported by BLS. In December, the rate for Mississippi was 53.8 percent, the lowest among all states. Moreover, in monthly data for Mississippi reported by BLS since 1976, only three other months had lower rates: April, May, and June of 2020 at the onset of the pandemic. The pre-recession peak of the labor force participation rate in Mississippi occurred in September 2019 at 56.3 percent. The rate in April 2020 was 53.0 percent and the lowest monthly labor force participation rate for Mississippi ever reported by BLS—and only 0.8 percentage point below the December 2023 rate. After falling to the all-time low of 53.0 percent in April 2020, the rate ebbed and flowed but slowly trended up until March 2022, when it hit a post-recession peak of 55.3 percent. Since that time, the rate has steadily trended lower, increasing in only two of the last twenty-two months. In contrast, the U.S. labor force participation rate fell from a pre-recession high of 63.3 percent in February 2020 to a low of 60.1 percent in April 2020. The rate slowly increased until it, too, reached a peak in March 2022 of 62.4 percent and remained relatively flat the rest of the year. However, in 2023 the U.S. rate resumed its climb, and reached a post-recession peak in November 2023 of 62.8 percent. As of December, the rate stood at 62.5 percent. The U.S. labor force participation rate was only 0.8 percentage point below its pre-pandemic level in December, while the Mississippi labor force participation rate was 2.5 percentage points below its pre-pandemic peak.

In truth, even if the pandemic had not occurred both the U.S. and Mississippi labor force participation rates would likely be lower in January 2024 than in February 2020 because of demographics as the Baby Boom generation ages out of the labor force. However, the previous two years of data begs the question: “Why has the rate in Mississippi recovered much less?” Mathematically, the explanation is between February 2020 and December 2023 the labor force in Mississippi *decreased* 3.5 percent, while the U.S. labor force *increased* 1.8 percent. The civilian population in Mississippi increased 0.4 percent while the U.S. civilian population rose 3.2 percent, so the changes in the labor force for both the state and the nation were less than the changes in the population. Unemployment in Mississippi fell by more than 33,000 individuals between February 2020 and December 2023, a decrease of 45.4 percent. However, employment in Mississippi over this period also decreased by almost 12,000 workers, a drop of 1.0 percent. U.S. unemployment, on the other hand, rose by 539,000 workers, a 9.4 percent increase, and U.S. employment rose by almost 2.5 million workers, an increase of 1.8 percent. To summarize, although the labor force participation rates in both Mississippi and the U.S. were lower in December 2023 than in February 2020, the rate in Mississippi recovered less than the rate for the U.S. because the labor force in Mississippi decreased while the U.S. labor force increased.

What has happened to the roughly 45,000 workers who have left the Mississippi labor force since February 2020? I have asked myself that question repeatedly in recent months and I searched Census data for potential answers. As I mentioned, we know the U.S. and Mississippi populations are aging. Between 2019 and 2022, the share of the U.S. population age sixteen and older that was at least sixty-five years old rose about 1.0 percentage point. The same share of the Mississippi population also

rose about 1.0 percentage point over this period. I then looked at the prime working age population. As a share of the population age sixteen and older, between 2019 and 2022 the U.S. prime working age population fell about 1.0 percentage point. The Mississippi prime working age population as a share of the population age sixteen and older fell 1.0 percentage point over the same period, again a change similar to the U.S. The absolute number of individuals in the U.S. ages twenty-five to fifty-four increased 1.0 percent between 2019 and 2022. However, the absolute number of individuals in Mississippi aged twenty-five to fifty-four fell 2.7 percent, a decrease of just over 30,000 residents. Because of the nature of the data, I can only hypothesize but given that Mississippi's civilian population was essentially flat between 2019 and 2022, a shift in the composition of the state's population may very well account for much of the decrease in labor force participation over roughly the last two years. Without the type of overall population growth experienced by the U.S., the tendency for labor force participation in Mississippi to fall intensifies as fewer residents are in the age range when they are most likely to be working. I will note neighboring Louisiana experienced shifts in population similar to Mississippi between 2019 and 2022, but not the subsequent decrease in labor force participation. The comparatively smaller share of retirees and residents age sixty-five and older could be a potential explanation, but more investigation is needed to understand why the two states differ in this measure.

How can Mississippi increase labor force participation? While a detailed discussion is beyond the scope of my comments today, I will briefly highlight potential remedies. Like most states, efforts to increase the rate in Mississippi are confounded by an aging population and declining birth rates. The most obvious answer is to address the primary causes I outlined earlier. However, these longstanding systemic issues like educational attainment and disability take time to improve. Other recommended policies include public-private partnerships to increase the level of job training in the economy. These partnerships include consortiums between employers and post-secondary institutions. AccelerateMS, the state's current workforce development agency, is already performing some of these functions through its district-based offices. Reforming occupational licensing requirements is another recommendation, and the Secretary of State's "Tackle the Tape" program to reform or remove additional occupational licensing requirements is an effort to address this issue. More options to provide for the care of children and other family members, such as flexible working arrangements, likely would increase the probability that prime working age adults enter or remain in the labor force, which should raise the participation rate. In a February 2022 survey by Indeed Hiring Lab, 35 percent of female respondents and 18 percent of male respondents aged twenty-five to fifty-four cited childcare responsibilities as a reason they had not "urgently" searched for a job that month. This response rate reflects the importance of childcare options to prime working age adults. Flexible work arrangements could potentially help firms retain older workers as well. A number of workers chose retirement after the onset of the pandemic and have not returned to the labor force. These retirees, some of whom were early retirees, are one of the reasons the labor force participation rates in the U.S. and most states remain lower than the rates prior to the pandemic. The non-profit research organization The Conference Board recommends firms allow older employees to use non-wage benefits that in most instances only full-time employees can utilize to increase the desirability of employment. There are, of course, additional potential solutions to increasing labor force participation.

In closing, while low labor force participation is a longstanding issue in Mississippi, today I wanted to focus attention on the recent downward trend in the rate. In my opinion the current rate of 53.8 percent is startlingly low given current economic conditions. While I am admittedly hypothesizing, recent data appear to indicate the lack of population growth in Mississippi is exerting downward pressure on the rate. If so, a focus on the lack of population growth in the state is even more important,

as it is negatively impacting the economy. The state faces another challenge from population growth that will require public policy to address quality of life issues to generate a stronger, more sustainable labor force.

Thank you for your attention. I conclude my remarks and will be glad to take any questions from the Committee.