

Labor force participation in Mississippi: where are the workers?

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Labor force participation in Mississippi is an issue that has received attention from economic researchers, members of the media, and state officials in recent years. The reason, of course, is the state has one of the lowest labor force participation rates in the country. 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. Each year since 2013, Mississippi's rate has ranked forty-ninth among all states, besting only West Virginia. In 2022 the labor force participation rate in Mississippi was 54.9 percent, which compares 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,” and “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.” My rough estimate is 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.

As a reminder, 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 16 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, by surveying a sample of residents in a state.

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 surveys conducted by BLS do not determine 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 shares of the state's population aged 25 and older with at least a high school diploma as well as with at least a bachelor's degree are both below the U.S. share. 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. Third, based on BLS data, race likely impacts labor force participation rates in Mississippi. Among the prime working age population, whites and Asians—for whatever reasons—have higher labor force participation rates than African Americans and Hispanics. The population of prime working age African Americans in Mississippi is almost three times that of the U.S. Finally, 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 affects the rate. In 2020 the rate of incarceration per 100,000 people in Mississippi ranked sixth among all states. Research by the Congressional Budget Office notes employers are less likely to hire someone with a criminal record and employers are more likely to pay lower wages to employees who were incarcerated compared to other workers. These two factors reduce the likelihood formerly incarcerated individuals will participate in the labor force.

I gave that extended introduction to the labor force participation rate to frame the remainder of my discussion, which is about the most recent labor force participation rate for Mississippi reported by BLS. In October, the rate for Mississippi was 53.9 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 April 2020 rate was 53.0 percent and the lowest monthly labor force participation rate for Mississippi ever reported by BLS—only 0.9 percentage point below the October 2023 rate. The pre-pandemic peak of the labor force participation rate in Mississippi occurred in September 2019 at 56.3 percent. 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 nineteen months as it descended to 53.9 percent, 2.4 percentage points below the pre-recession peak. Contrast this movement with that of the U.S. labor force participation rate over the same period. The U.S. rate fell from a pre-pandemic peak 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 as of November was at a post-recession peak of 62.8 percent, only 0.5 percentage point below the pre-pandemic level.

In truth, both the U.S. and Mississippi labor force participation rates would likely be lower in December 2023 than in February 2020 even in the absence of a pandemic because of demographics as the Baby Boom generation ages out of the labor force. However, the data begs the question: “Why has the rate in Mississippi recovered much less?” Mathematically, the explanation is between February 2020 and October 2023 the labor force in Mississippi decreased 3.3 percent, while the U.S. labor force increased 2.0 percent. The civilian population in Mississippi increased 0.3 percent while the U.S. civilian population rose 3.1 percent. Unemployment in Mississippi fell by more than 33,000 individuals between February 2020 and October 2023, a decrease of 45.3 percent. U.S. unemployment rose by 798,000, a 14.0 percent increase. However, employment in Mississippi over this period decreased by about 9,000 workers, a drop of 0.7 percent, while U.S. employment rose by almost 3.3 million workers, an increase of 2.0 percent. Summing up, the labor force participation rates in both Mississippi and the U.S. were lower in October 2023 than in February 2020 because the change in the labor force was less than the increase in population. But the rate in Mississippi recovered less than the rate for the U.S. because the labor force decreased in Mississippi while the U.S. labor force increased.

What has happened to the 42,000 workers who have left the Mississippi labor force since February 2020? That is a question I have asked myself repeatedly in recent months and I turned to 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 16 and older that was at least 65 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, an increase of about 21,000 residents. I then looked at the prime working age populations—individuals ages 25 to 54. As a share of the population age 16 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 16 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. aged 25 to 54 increased 1.0 percent between 2019 and 2022. However, the absolute number of individuals in Mississippi aged 25 to 54 fell 2.7 percent, a decrease of just over 30,000 residents. I can only speculate but given that Mississippi's civilian population was essentially flat between 2019 and 2022, the 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 three 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 nearly the same as Mississippi between 2019 and 2022, but not the subsequent decrease in labor force participation. More investigation is needed to understand why the two states differ in this measure.

How can Mississippi increase labor force participation? Going into much detail is beyond the scope of my discussion today, but 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, 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. Obviously, additional potential solutions exist, more than I can discuss today.

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. Frankly, in my opinion the rate of 53.9 percent is startlingly low given current economic conditions. While I am admittedly hypothesizing, recent data seem to indicate the lack of population growth in Mississippi is exerting downward pressure on the rate. If so, focusing on the lack of population growth in the state is even more paramount, as it is beginning to result in immediate negative economic impacts. Population growth is another challenge for the state to overcome that involves public policy addressing quality of life issues to ultimately generate a more robust and dynamic economy.