

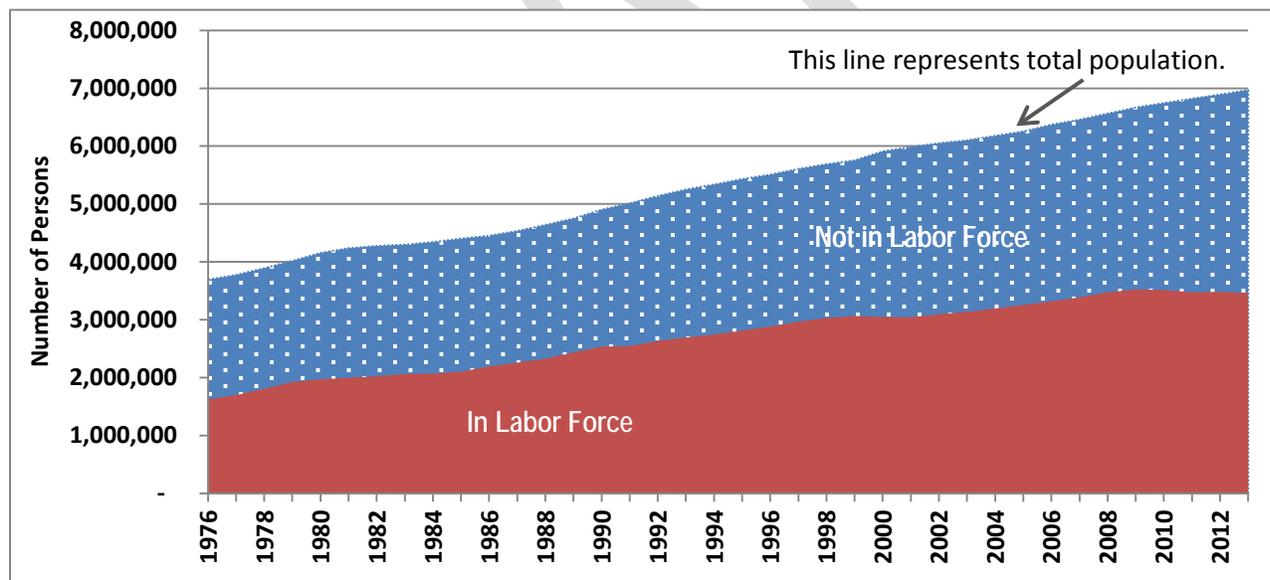
Overall Trend: People go to where the jobs are

For over 30 years, Washington’s labor force grew at an annual rate of 2.4 percent – nearly twice the national rate (1976-2009). However since 2009, the state’s labor force declined while the nation’s labor force grew annually by 0.03 percent. This raises such questions as:

- Are the last six years an aberration? Or is this the “new normal?”
- Will the state’s labor force grow slower or more quickly than the nation in the future?
- What forces are driving these changes?

Population growth is typically the most important factor in determining the overall size and changes in the labor force. The following chart shows the number of people in the state’s labor force and the number of people not in the labor force, (and the correlation between the two). Red and blue areas combined make up the entire population. The big divergence occurred in 2009, when Washington’s labor force contracted while overall population continued to grow. The percent of the overall population that was in the labor force (either employed or looking for work) dropped from 53 percent in 2009 to 50 percent in 2013.¹

Figure 1. Total Population and Labor Force, Washington, 1976-2014



Source: U.S. Census Bureau, Bureau of Labor Statistics

Of course mid-2009 was also the point where the economy reached its Great Recession low point. Generally, in good times population has fed the labor force, but not so much in bad times. As the following table shows, Washington has had periods where its labor force grew faster than its population, for example the 1980s and the 2000s. What really stands out though is how the rate of growth has been steadily slowing for both population and labor force as time goes on.

¹ The labor force is made up of those aged 16 and over, who are either employed or looking for work.

Figure 2. Labor Force/ Population Growth by Decade, Washington, 1980-2030

Average Annual Growth		
Period	Population	Labor Force
1980s	1.7%	2.5%
1990s	1.9%	1.9%
2000s	1.3%	1.4%
2009-2013	1.1%	-0.4%
2010s*	1.0%	NA
2020s*	0.9%	NA
2030s*	0.8%	NA

**Based on the state’s Office of Financial Management forecasts*

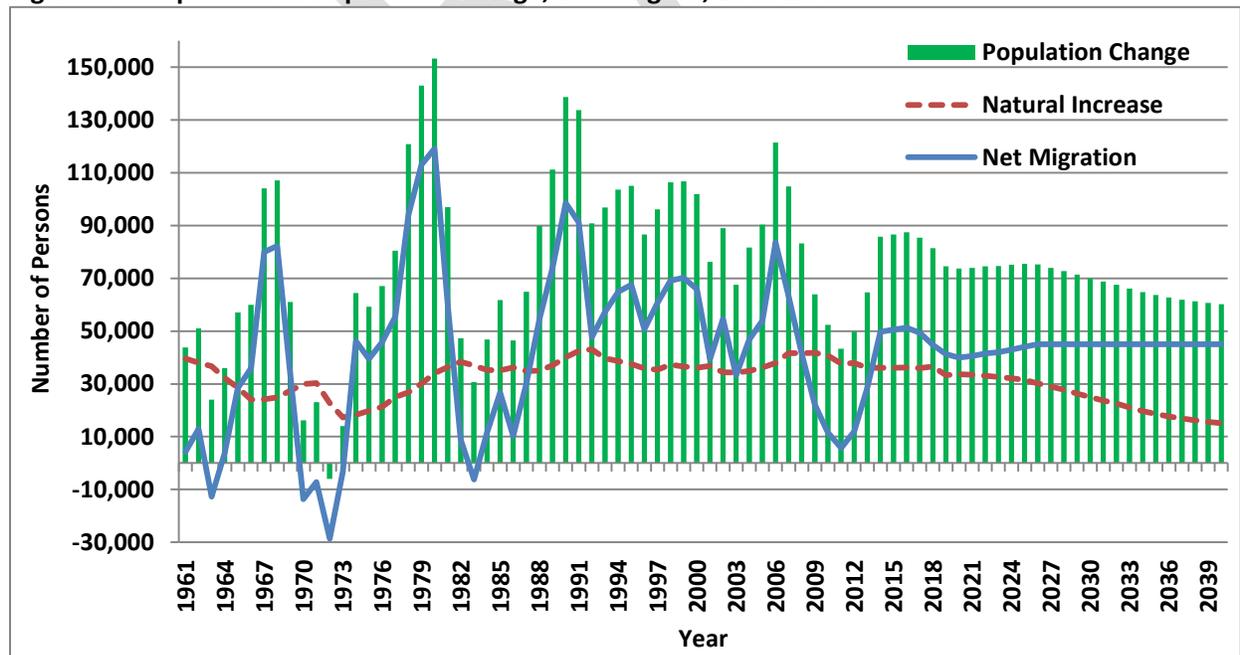
Forces Behind Trend

Migration versus natural increase

As mentioned previously, Washington’s labor force is strongly affected by the state’s overall population growth. Population can grow two ways: migration and natural change. Net migration is the difference between the number of people moving to a geographic area and those leaving it. Natural change is the difference between birth and death rates. The economy can and does influence natural population change. People may choose to delay having children during hard times or have fewer of them.

The figure below shows a relatively small economic effect on natural change—it remains fairly consistent year to year. However, migration is strongly influenced by economic opportunities, with many people opting to move if they believe their job prospects are better somewhere else. In Washington, the state has seen continued population growth from in migration, with many people moving here for jobs or the perception of a strong economy.

Figure 3. Components of Population Change, Washington, 1960-2040



Source: Office of Financial Management

There were substantial drops in net migration associated with the economic downturns of the early 1960s, 1970s and 1980s, as well as the 2007-09 recession. It's worth noting that after the 1980s, the recession-led changes in net migration were significant, but never became negative and that 1972 was the last time the state lost population.

Generally speaking, people that recently moved to Washington were younger and more educated than average, and a significant number came from other countries. According to the American Community Survey, 2.6 percent of the overall population was from out of state, with 3.2 percent of those with bachelor's degrees and 4.3 percent of those with professional or graduate degrees moving from other states. The 18-24 year-old group followed by 25-34 year olds were most likely to have relocated to Washington (from other states and countries). The median age² of out-of-state migrants was 27.6, while the median age of international migrants was 29.2. Between 2010 and 2014 there was a net migration increase of 179,873, of which 46 percent were from other states and 54 percent from other countries.

Population growing, but fewer are in the labor force

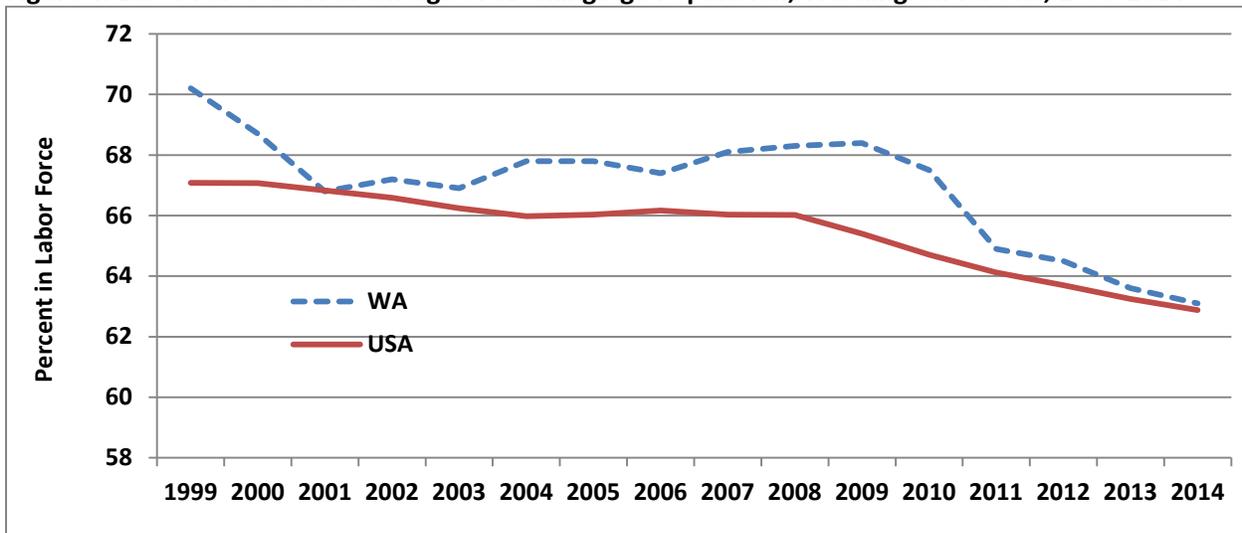
We know the population has continued to grow, albeit at a slower pace. Despite that, proportionately fewer Washingtonians are working or seeking work (counted as in the labor force). In Washington, the labor force participation rate peaked at 70.2 percent in 1998.³ This has been a national trend as well, with the labor force participation peaking in early 2000 at 67.3 percent. Since then it has fallen to 62.7 percent – a level not seen since 1978. This percentage (shown in Figure 4 on the following page), differs from Figure 1 (Page 1), which looked at Washington's entire population and showed just 50 percent of the state's overall population in the labor force. The following chart focuses on Washington's labor force as a share of the working-age population, which provides a more detailed snapshot of how likely working-age Washingtonians are to have a job, or to be looking for work.

Much of the decrease in labor force participation can be explained by the changing role that women have played in the labor market. Female labor force participation increased consistently through early 2000, and declined slowly thereafter. This coincides with the overall labor force participation peak.

² From the 2011-2013 American Community Survey

³ The labor force participation rate is comprised of those in the labor force as a percentage of the civilian, non-institutional population, which also excludes those below the age of 16.

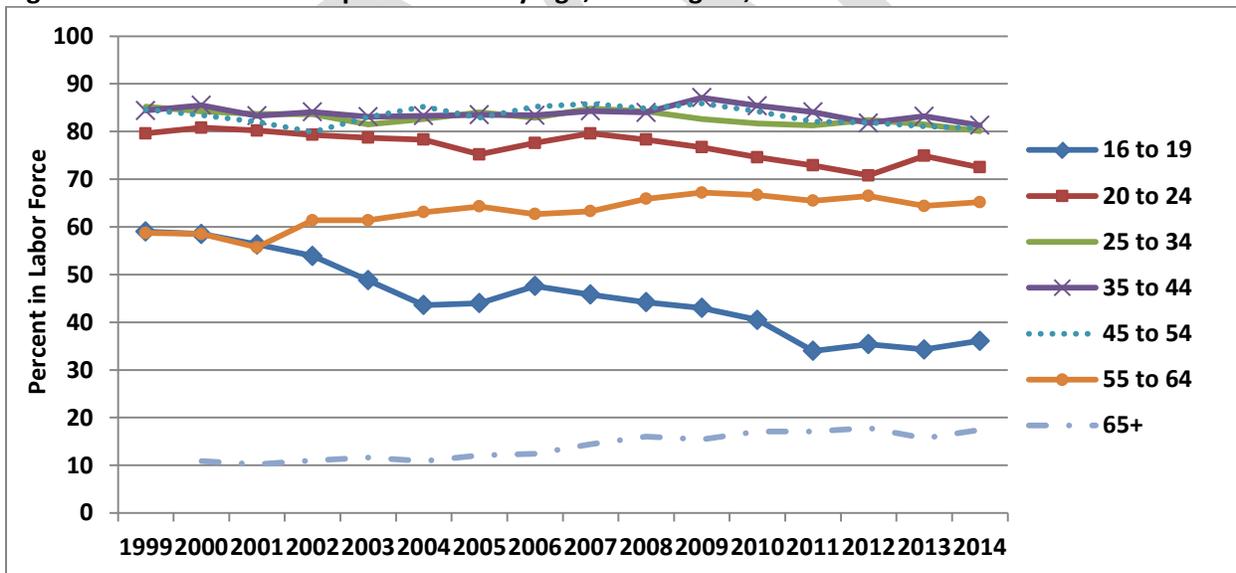
Figure 4. Labor Force as a Percentage of Working Age Population, Washington vs. U.S., 1999-2014



Source: Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*.

For the most part, Washington has followed this national trend. The state’s strongest divergence from this trend has been during boom times (see above chart). Before the “Dot.com” and housing bubbles burst, Washingtonians were more likely to be in the labor force than Americans as a whole. Following the bubbles bursting, Washington has aligned more closely with the rest of the U.S.

Figure 5. Labor Force Participation Rates by Age, Washington, 1999-2014



Source: Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*.

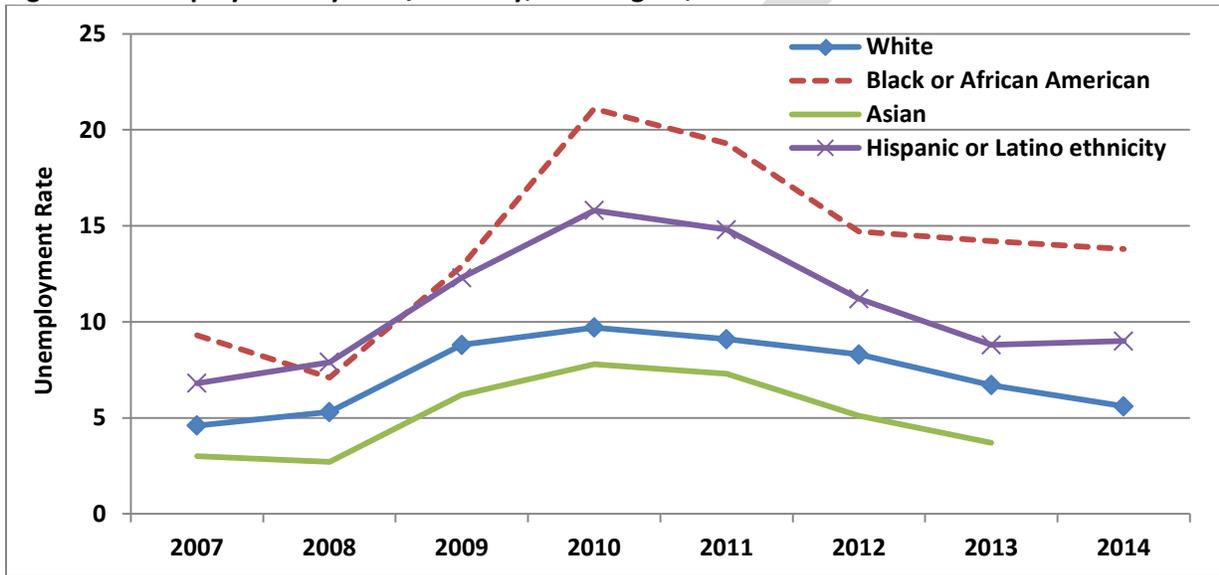
Another group behind these changing participation rates is youth. The above figure shows a participation rate drop of 22.4 percentage points for 16-19 year olds between 2000 and 2014. In contrast the oldest group (65 and older) saw an increase of 6.5 percentage points. The second youngest group (20-24 year olds) saw a decrease of 8.3 percentage points, while the second oldest group increased by 6.7 percent points. As younger workers stay out, or are shut out, of the labor force (either

by attending school or dropping out altogether), older workers are remaining in the labor force (either out of choice or necessity).

Labor Market outcomes differ by race

All racial and ethnic groups suffered during the Great Recession, and recovered slowly in the aftermath. However, the pace at which recovery happened differed by population group. Asians, Blacks, Hispanics, and whites all saw decreasing labor force participation between 2007 and 2013, as well as higher unemployment rates. Hispanics had the strongest engagement with the workforce – over 70 percent participation. This compares with lower 60s for African Americans, Asians, and whites.

Figure 6. Unemployment by Race/Ethnicity, Washington, 2007-2014*



Source: Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*.

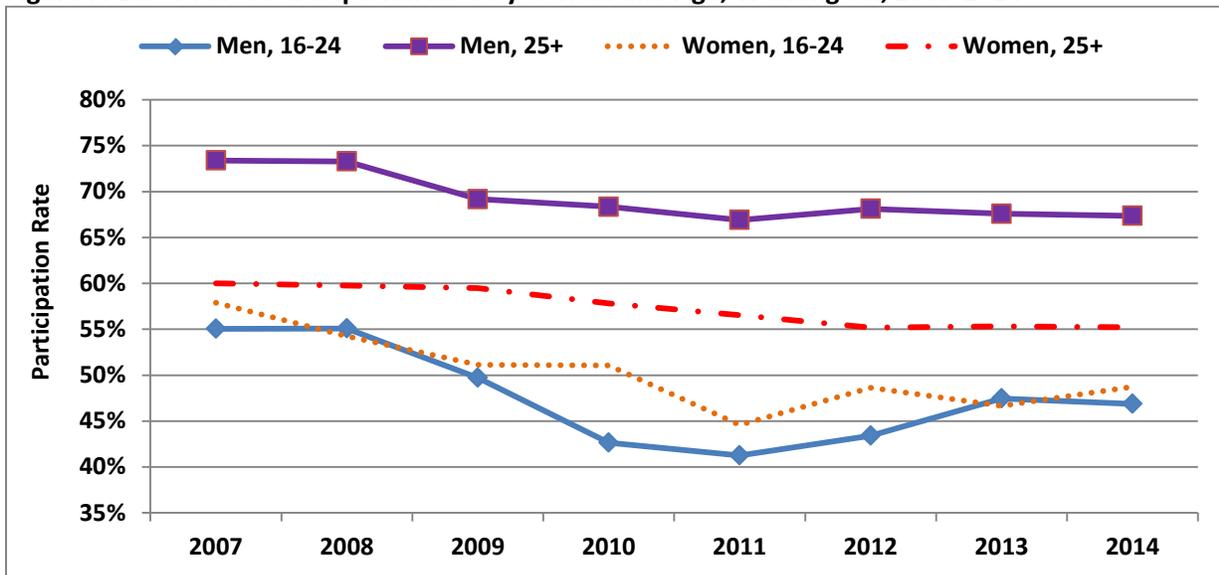
*Insufficient data was available to chart unemployment among Native Americans and those with a multiple-race background. Also, this chart does not separate Asians from Pacific Islanders because of an insufficient sample size.

African Americans have had higher unemployment rates than other groups, with the exception of 2008 when Hispanics briefly had a higher rate. Asians have consistently had the lowest unemployment rate, followed by whites.

Gender in the Workforce

Generally speaking men have been more likely to be labor force participants, while women have tended to have lower unemployment levels. The implication of this is that women without employment are more likely to exit or not be in the workforce altogether. As of 2014, 54.3 percent women in Washington were considered to be in the labor force, while their unemployment rate was 5.2 percent. Men in 2014 had a labor force participation rate of 64.2 and an unemployment rate of 7.2 percent.

Figure 7. Labor Force Participation Rate by Gender and Age, Washington, 2007-2014

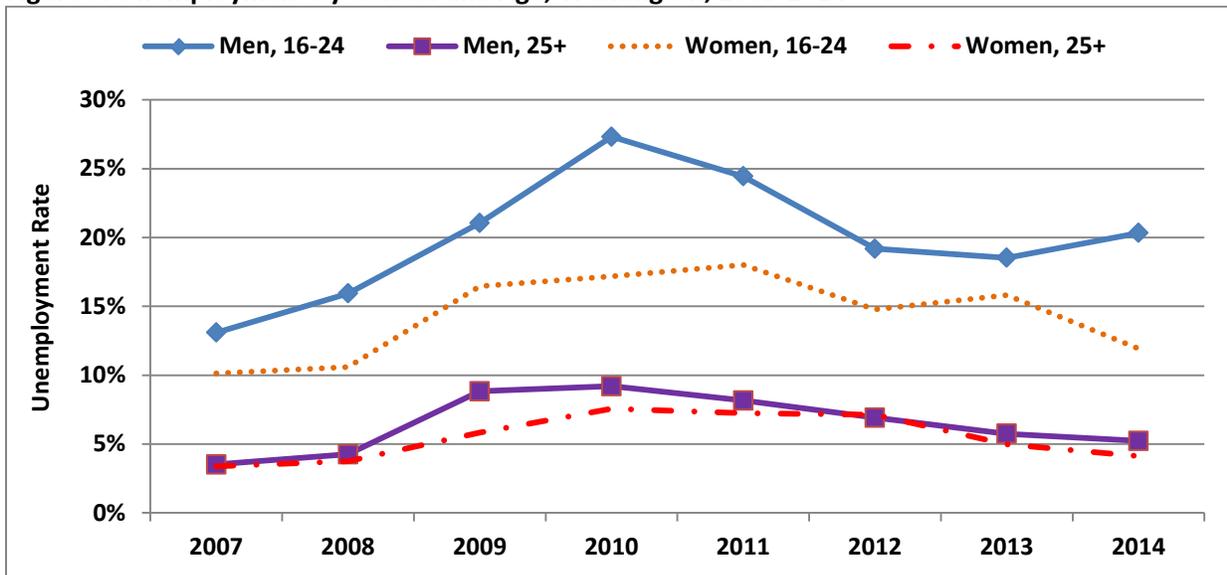


Source: Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*.

Delving deeper, other patterns emerge: Young men (16-24) had a workforce experience very distinct from that of men aged 25 and older. For most of the 2007-2014 period young men were less likely than young women to be in the labor force, whereas men aged 25 and older were much more likely to be labor force participants than women of any age. Among women, this age gap doesn't exist to nearly the same degree.

A similar but inverted pattern can also be seen with unemployment rates. Young men tended to have the highest rates, peaking at over 27 percent in 2010. Older men and women had unemployment rate levels and trends that were very close, with the strong divergence in the midst of the recession (2009 and 2010). This was largely due to the male dominated and hard-hit construction and manufacturing industries.

Figure 8. Unemployment by Gender and Age, Washington, 2007-2014



Source: Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*.

One potential worry is that young men were the only group to see rising unemployment in 2014. Young men’s rising unemployment in 2014 was matched by a falling participation rate, indicating that the increase in unemployment couldn’t be attributed to more entrants into the labor force.

Disabled persons in the workforce

People with disabilities faced significant labor market barriers. They were much less likely to be in the workforce (about 44 percent) than those without disabilities (about 77 percent) in 2013. This participation rate for disabled is down from nearly 46 percent in 2010, mirroring other subpopulations as well as the population in general.

Figure 9. Labor Force Participation/Unemployment Rates for Disabled and Non-disabled Washington, 2010-2013

Year	Labor Force Participation Rate		Unemployment Rate	
	Not Disabled	Disabled	Not Disabled	Disabled
2010	78.0%	45.9%	8.3%	15.4%
2011	77.5%	45.0%	9.9%	18.5%
2012	77.2%	44.2%	9.8%	19.4%
2013	76.9%	43.9%	8.9%	18.7%

Source: American Community Survey. Calculations by Workforce Board

In addition to low participation rates, the unemployment rates for people with disabilities have been nearly twice the rate for non-disabled workers. The rate for disabled people peaked at 19.4 percent in 2012 and has fallen moderately to 18.7 percent in 2013. The unemployment rate for non-disabled people followed a similar trend but peaked a year earlier in 2011 before dropping to 8.9 percent in 2013.

Education is key

Higher education levels strongly improve labor market outcomes—increasing both the participation rate in the labor force and reducing the unemployment rate (see below table). Among prime working-age Washingtonians, one in three who lacked a diploma were also absent from the labor force. Of those that did participate, 13.5 percent were unemployed. Meanwhile, those with some college or an associate’s degree had a 77.3 percent labor force participation rate and an 8 percent unemployment rate. Those with a bachelor’s degree or higher had a labor force participation rate of nearly 85 percent and an unemployment rate of 4.2 percent (see below table).

Figure 10. Labor Force Status by Educational Attainment, Washington, Ages 25-64

Highest level of Educational Attainment	Labor Force Participation Rate	Unemployment Rate
Less than high school graduate	64.1%	13.5%
High school graduate	73.1%	10.0%
Some college or associate's degree	77.3%	8.0%
Bachelor's degree or higher	84.8%	4.2%

Source: American Community Survey, 2011-2013

Certainly some of the 18-24 year olds that don’t yet have diplomas will graduate on time and many will also successfully pursue a high school diploma equivalent, but the low high school diploma attainment rate remains a concern. Young people who are neither employed, nor in school, pose an even bigger concern. These so-called “disconnected youth” can delay critical milestones, such as marriage and home ownership, miss chances to hone their work skills and advance careers, and may end up relying on public assistance, or in worse cases, enter the criminal justice system. Being disconnected at a young age can have a lasting impact as these years are a critical period of growth and independence. In 2013, nearly 15 percent, or approximately one in six youth in Washington, aged 16-24, were neither in school nor employed.⁴ This totaled nearly 119,000 young people.

High school graduation rates vary

According to data published in 2014 by the Office of the Superintendent of Public Education (OSPI), 77.2 percent of the students who entered ninth grade four years earlier graduated on time.⁵ Females had a higher graduation rate (83.1 percent) than males (76.7 percent). Asians (87.6 percent) had the highest graduation rate among different racial and ethnic groups, while Native Americans had the lowest graduation rate (58 percent). Low income students had a 69.7 percent graduation rate, homeless students 51.9 percent, and foster care students 42.5 percent.

⁴ Multiple Pathways for Young Adults, A Report to the Washington Legislature on Young Adult Unemployment, 2014, Workforce Board, <http://wtb.wa.gov/Documents/YouthEmploymentReport2014.pdf>

⁵ <http://www.k12.wa.us/DataAdmin/default.aspx>

Figure 11. Educational Attainment by Race/Ethnicity, Washington, 2011-2013

Education Level Attained	African American	Native American	Asian	Pacific Islander	Other	Multiple	White	Hispanic
Total Population	155,404	57,094	356,271	23,967	133,112	133,909	3,553,558	389,403
Less than 9th grade	4%	5%	9%	4%	32%	3%	1%	25%
9th to 12th grade, no diploma	8%	13%	6%	8%	16%	6%	5%	14%
Regular high school diploma	21%	21%	15%	40%	20%	16%	20%	20%
GED or alternative credential	5%	8%	2%	3%	5%	6%	4%	5%
Some college, no degree	31%	31%	14%	25%	15%	30%	26%	18%
Associate's degree	11%	9%	8%	8%	5%	10%	10%	6%
Bachelor's degree	14%	9%	27%	9%	5%	18%	22%	9%
Graduate or professional degree	7%	5%	18%	2%	3%	10%	12%	4%

Source: American Community Survey

Educational attainment in Washington also varies widely by race and ethnicity (see above figure). One-quarter of Hispanics had less than a 9th grade education, a far higher percentage than any other group. For most other ethnic groups the most common education attainment level was either “a high school diploma” or “some college, no degree.” Asians were an exception to this with their highest share attaining a bachelor’s degree and the second highest share with a graduate or professional degree.

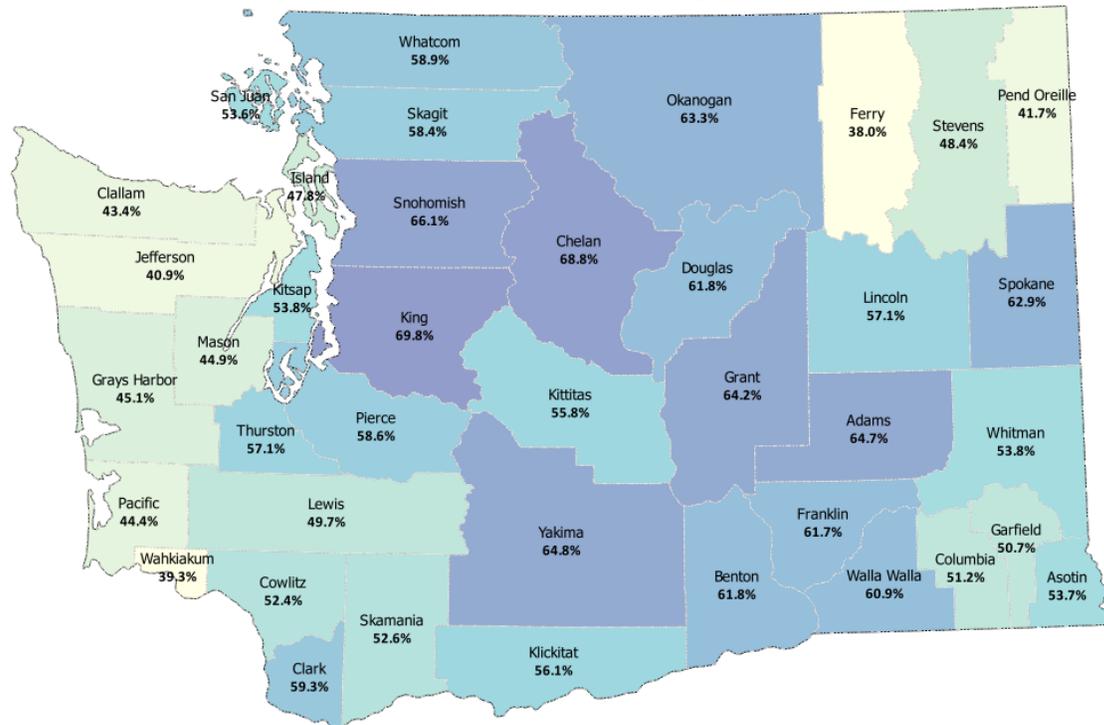
Regional workforce differences

There are also significant differences in workforce demographics between regions in Washington. King County, which has the largest number of employed people in the state, not coincidentally has the highest share of its working age population in the labor force.⁶ This high labor force participation rate is probably due less to the age of the population (the median age in King County is 37.2 and close to the state median) and probably due more to the wide range of job opportunities in the greater Seattle area.

At the other end of the spectrum, Ferry and Wahkiakum counties notched the lowest labor force participation rates (at around 40 percent), or nearly half the rate of King County. From the map below several patterns emerge: 1) the state’s northeast corner and the western counties bordering the Pacific Ocean have the lowest labor force participation; and 2) Beyond King and Snohomish Counties, the other high participation rate counties were central agricultural counties like Adams, Chelan, Grant, and Yakima.

⁶ This is the labor force (both employed and those seeking work) as a percentage of the population that is 15 years or older. The labor force data is from Washington’s Employment Security Department and the population data is from the American Community Survey. Calculations were done by Workforce Board staff. Comparisons were made of this data to 2007 data. Every county for which data was available experienced declining participation rates.

Figure 12. Labor Force Participation Rates by County, Washington, 2014



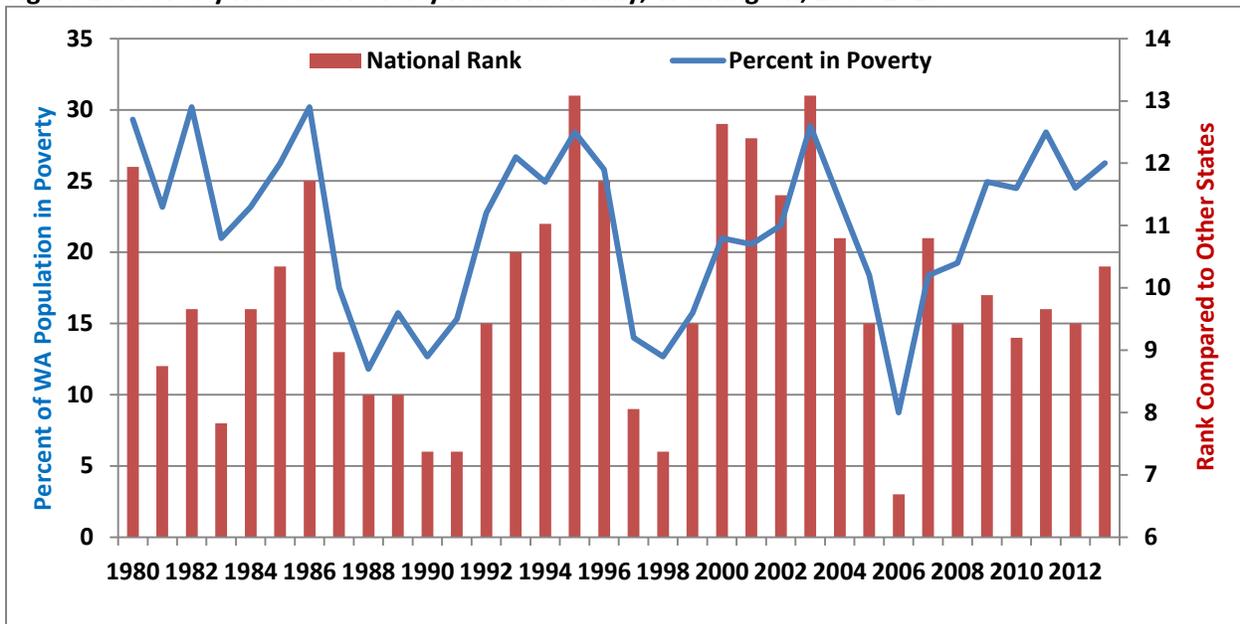
Source: American Community Survey and Washington’s Employment Security Department

Some of these patterns are mirrored in unemployment rates. King and Snohomish Counties had the lowest unemployment rates (3.3 and 3.6 percent respectively) in April 2015. Also the highest unemployment rates were in the Northeast corner (Ferry, Stevens, and Pend Oreille) and West-side counties like Grays Harbor, Pacific, and Lewis.

Poverty ebbs and flows with the overall economy

Over the last 30 years or so, the percent of Washington residents living below the poverty line has ranged between 7 and 13 percent. Poverty highs have come during recessionary periods like the early 1980s, early 1990s, early 2000s and again during the recent Great Recession. Poverty lows have come during boom times like the late 1980s, mid-to-late 1990s, and mid 2000s. The blue line in the below chart tracks our state’s poverty level.

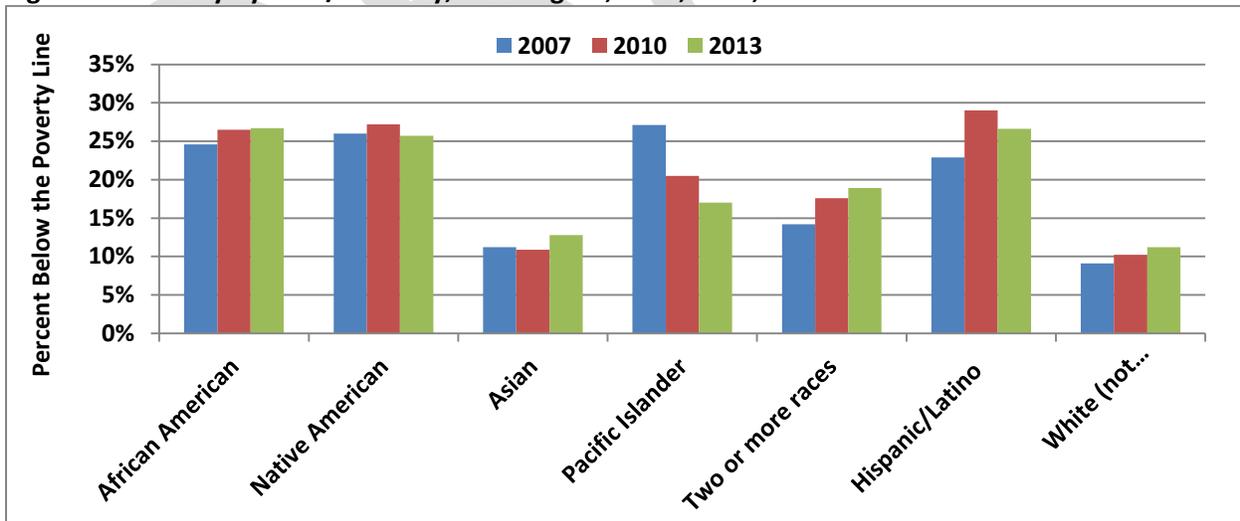
Figure 13. Poverty Rate and Poverty Rank Nationally, Washington, 1980-2013



Source: U.S. Bureau of Labor Statistics

In comparison to other states, Washington has ranged from having the third lowest poverty rate (in 2006) to having the 19th highest poverty rate (in 1995 and 2003). The reason the state did so poorly relative to other states in 1995 was that Washington recovered very slowly from the 1990-1991 recession. The recession of the early 2000s was centered on information technology and impacted the tech-heavy Seattle metro area disproportionately (and subsequently the state as a whole given King County’s outsized influence). The state’s poverty rank is depicted in the above chart by red bars.

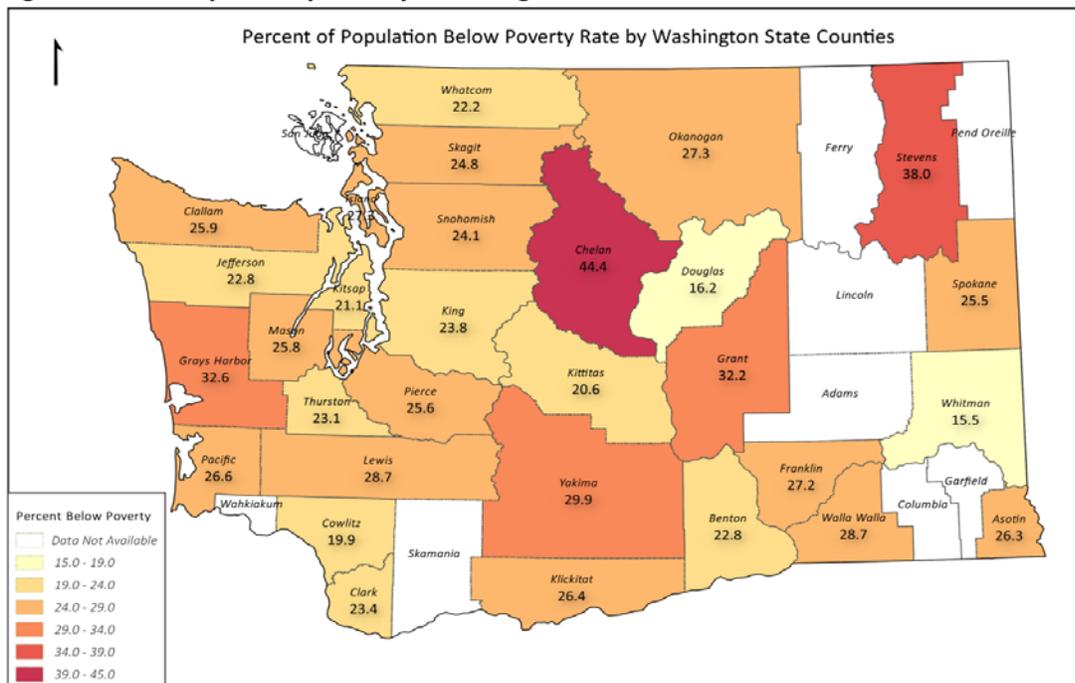
Figure 14. Poverty by Race/Ethnicity, Washington, 2007, 2010, and 2013



Source: Bureau of Labor Statistics

Poverty rates have generally been highest for African Americans, Native Americans, and Hispanics; averaging 26 percent for the years 2007, 2010, and 2013. Asians and whites had the lowest poverty rates, but both saw an increase between 2010 and 2013. Interestingly, Pacific Islanders have experienced significant declines in poverty between 2007 and 2013—going from 27 percent to 17 percent.

Figure 15, Poverty Rate by County, Washington, 2010-2013



Source: American Community Survey, 2013, three-year average

In terms of the geographic distribution, the highest poverty rates were found in Chelan County (44.4 percent) and Stevens County (38.0 percent). Whitman County, home of Washington State University, had the lowest poverty rate at 15.5 percent. There were a handful of counties with no poverty data available (in white in the above map) so it’s hard to quantify the poverty challenges faced by residents in these highly rural areas, where jobs are few and far between.

Summary

Generally speaking, population growth has fueled the state’s labor force, which in turn has helped drive our economy. Most of this growth has come from newcomers to the Evergreen State, in search of better economic opportunity. These new residents were also more likely to have higher education levels than those who already call Washington home. In particular, economic boom times have been accompanied by bursts in population expansion.

But population growth is just one driver. In fact, Washington’s labor force grew more quickly than the overall population between 1976 and 2009. This was due, in large measure, to more women entering the workforce during these years. However, the state’s labor force contracted slightly between 2009 and 2013 and it’s unclear whether this is a “new normal,” or an aberration. The labor force has also contracted on the national level, concerning many workforce professionals about the number of discouraged workers who are staying out of the labor force during prime working years. In Washington, the percentage of the state’s population that is working or seeking work (labor force participation rate)

peaked in 1998 (70.2 percent), and has declined since. The current rate of 62.7 is the lowest since 1977, and is largely driven by low participation rates among younger age groups, with the issue more acute among men.

Labor force participation has generally fallen among all racial and ethnic groups, with the exception of Hispanics, who have maintained higher participation rates. Regarding unemployment, African Americans have suffered disproportionately high rates, especially compared to Asians and whites. People with disabilities were 33 percentage points less likely to be in the labor force in 2013 than non-disabled people and had an unemployment rate nearly 10 percentage points higher than the non-disabled.

There continues to be a strong relationship between education and unemployment: Those with higher education levels are less likely to be jobless and those with lower education levels are more likely to be unemployed. More than one third of Washington residents who didn't graduate from high school did not participate in the labor force between 2011 and 2013. This group also had the highest unemployment rate—at 13.5 percent. Conversely, among those with a bachelor's degree or higher, 84.5 percent were in the labor force and had a low unemployment rate of 4.2 percent.

In 2014, the state's four-year high school graduation rate hit 77.2 percent (an improvement of 1.2 percentage points from the 2013 class).⁷ But students facing barriers such as low family income, homelessness, and being in foster care had much lower high school graduation rates. Foster children, in particular, lagged behind, with a 41.5 percent graduation rate in 2014.⁸

The Seattle metro area rebounded from the recession more strongly than other areas in the state. This notion is supported by key data points: King County had the highest labor force participation rate, the lowest unemployment rate (as of April 2015) in the state and a relatively low poverty rate. Other areas, particularly in the state's Northeast corner and along the Western edge had lower labor force participation rates, higher unemployment rates, and generally higher poverty rates.

In general, the state's poverty rates rose quickly during the recession and as of 2013 remained stubbornly high (12.0 percent). Poverty rates were highest for African Americans, Native Americans, and Hispanics, generally above 25 percent.

More broadly, Washington has shown solid recovery from the Great Recession. However, recovery has been uneven. Some regions have fared better (such as King County) and others (such as Chelan and Stevens counties) fared worse. Also, recovery has favored higher-educated, higher-income Washington residents. Notably, some racial and ethnic groups, as well as people with disabilities, have struggled to recover from the recession and continue to face barriers in obtaining higher-wage, more secure employment. Helping all Washington residents achieve living-wage jobs that lead to economic self-sufficiency is a primary goal of our state's workforce development system as Washington puts the recession in the rear view mirror.

⁷ The four-year graduation rate is calculated as the percent of those who received a diploma from among those who entered ninth grade four years earlier. The state also measures extended graduation rates for students who take longer than four years to complete high school.

⁸ However, foster children did make substantial gains in 2014, with their graduation rate zooming up by nearly 5 percentage points over the previous year.