



Nebraska's Tight Labor Market: An Update to Long-Running Shortage Concerns

by: John McCoy

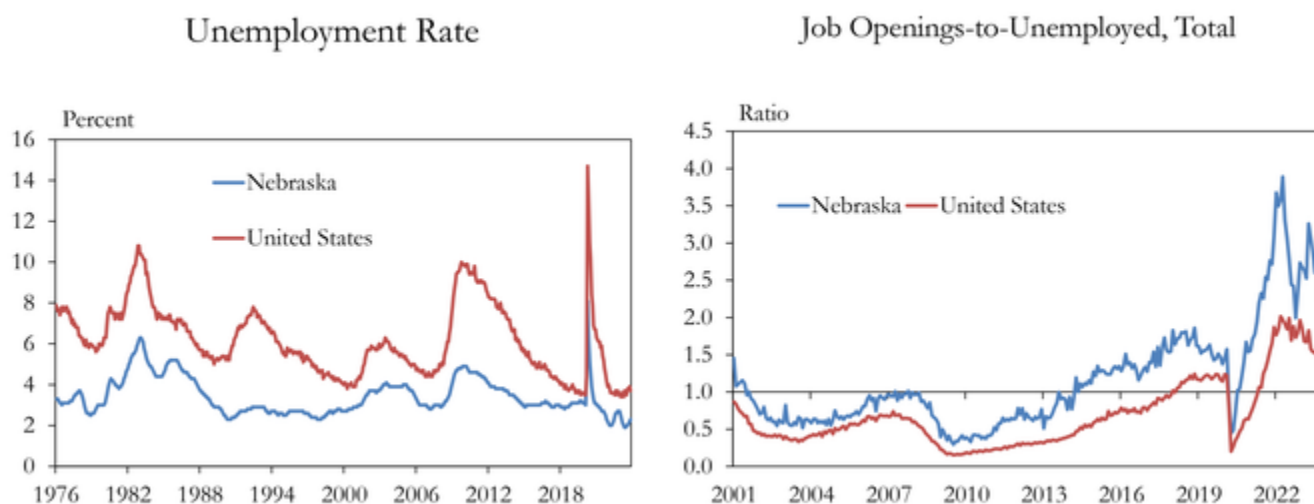
January 19, 2024

Labor markets have been tight in Nebraska for almost a decade. Increasing participation among the youngest members of the labor force could help.

Download charts

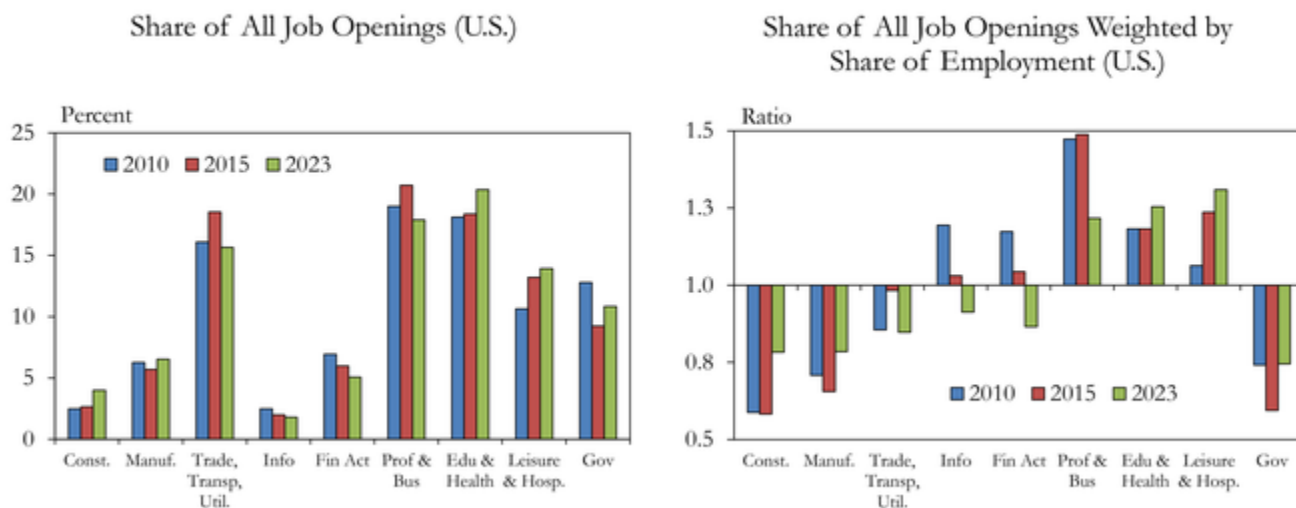
For nearly a decade, businesses in Nebraska have faced challenges finding enough workers to fill available jobs. While the pandemic exacerbated some of these challenges, other trends have constrained the availability of labor in the state for many years beforehand. Previous research has detailed both [pandemic-induced distortions](#) to the labor market and [longer-term headwinds](#) to labor force growth. This update highlights that, among the population currently in Nebraska, younger individuals have been less active in seeking employment, compounding issues associated with labor scarcity in recent years.

Unemployment has remained low in Nebraska and job openings have remained elevated.



Sources: BLS, staff calculations.

Nationally, job openings in leisure and hospitality, and in education and health care, have become increasingly prominent.



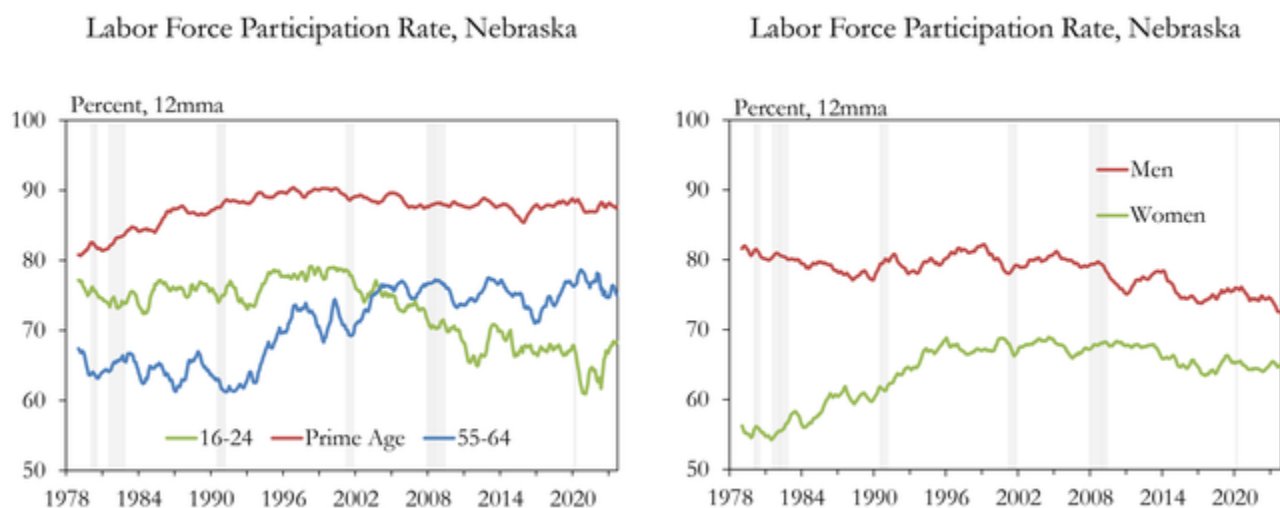
Sources: BLS, Haver Analytics.

Labor force participation has steadied somewhat alongside its longer-term trend.



Sources: BLS, Haver Analytics.

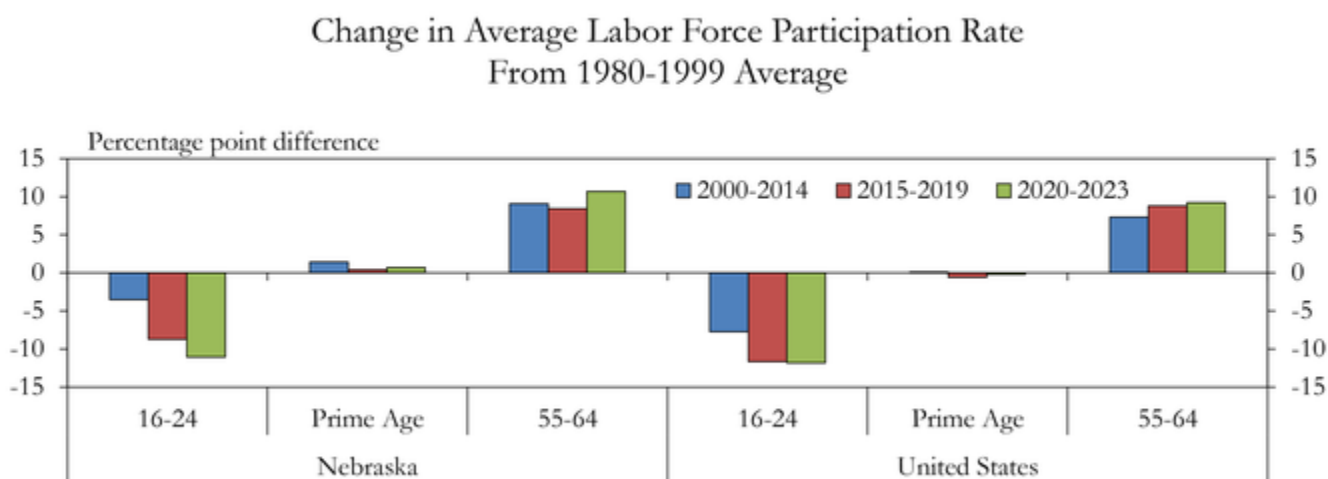
Labor force participation has trended down for men and, despite a recent uptick, younger individuals.



Sources: BLS, Haver Analytics.

Note: Gray bars indicate NBER-defined recessions.

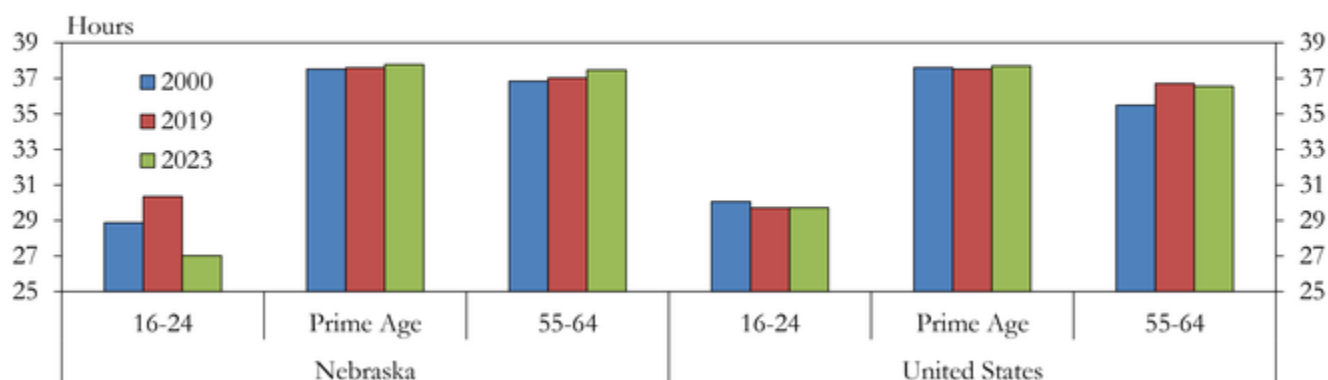
Compared with the historical average, participation among young individuals has fallen consistently.



Sources: BLS, staff calculations.

By 2023, those young workers who did hold jobs were also working fewer hours than previous years.

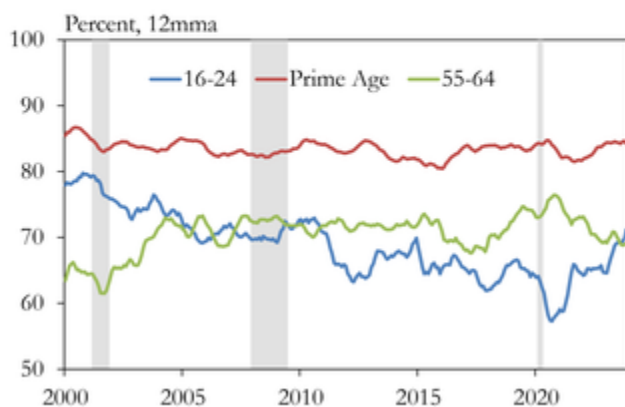
Average Hours Worked per Week



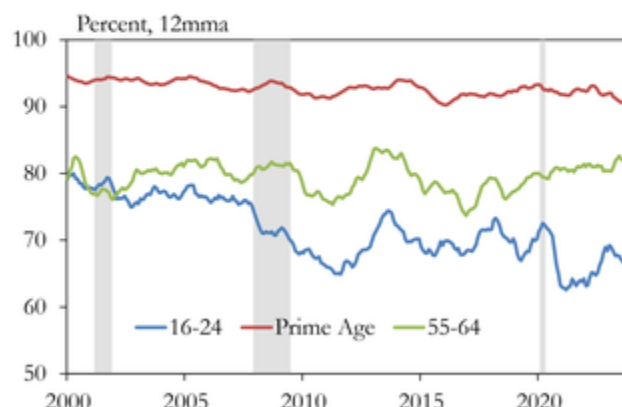
Sources: BLS, staff calculations.

Participation for younger men has fallen steadily since the turn of the century.

Labor Force Participation Rate, Nebraska Women



Labor Force Participation Rate, Nebraska Men

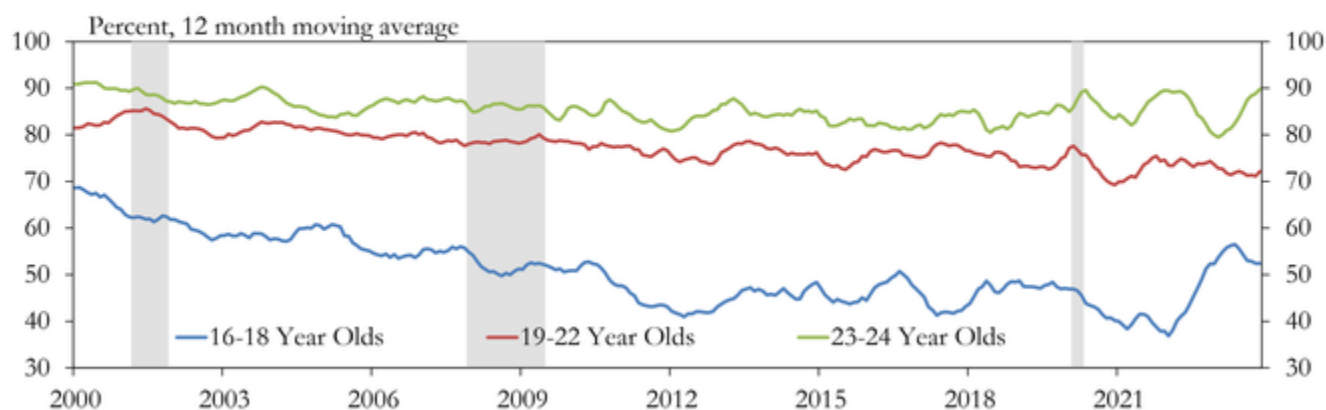


Sources: BLS, staff calculations.

Note: Gray bars indicate NBER-defined recessions.

For both men and women, declines in participation among workers younger than 22 had been most notable.

Labor Force Participation, Young Nebraskans

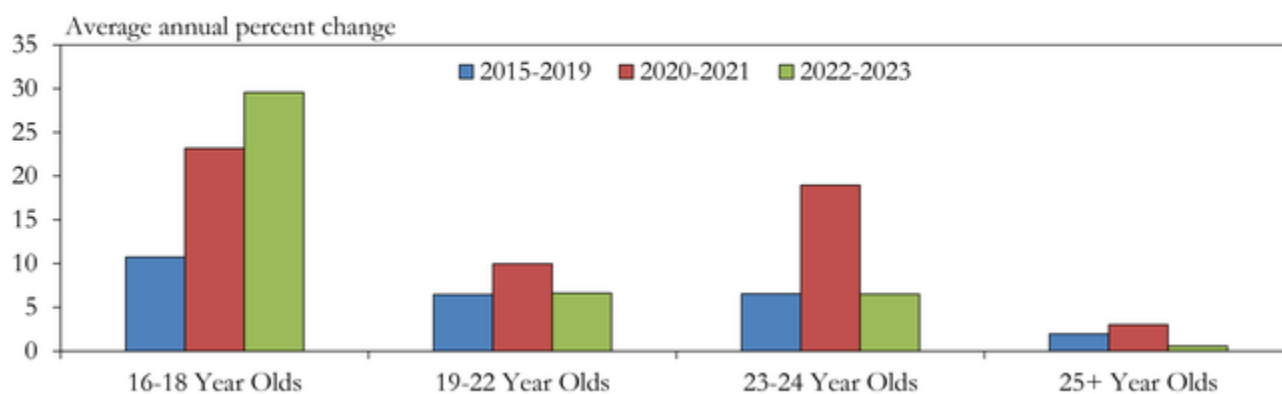


Sources: BLS, staff calculations.

Note: Gray bars denote NBER-defined recessions.

However, recent robust wage gains for young workers may have contributed to an uptick in participation.

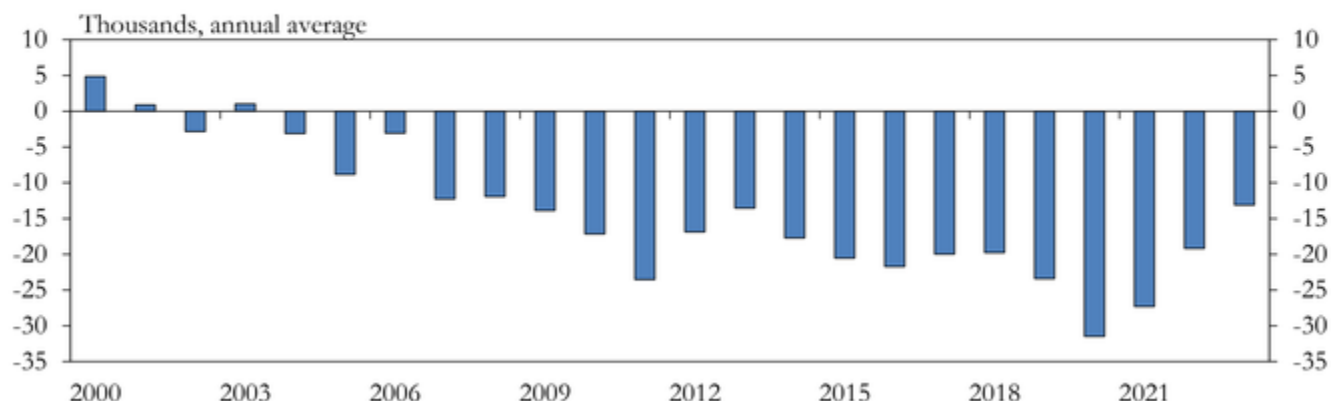
Real Wages for Workers in Nebraska by Age



Sources: BLS, staff calculations.

Nebraska's labor force in 2023 would have been larger if younger individuals participated at the same rate as in the past.

16-24 Year Olds Missing from Nebraska's Labor Force

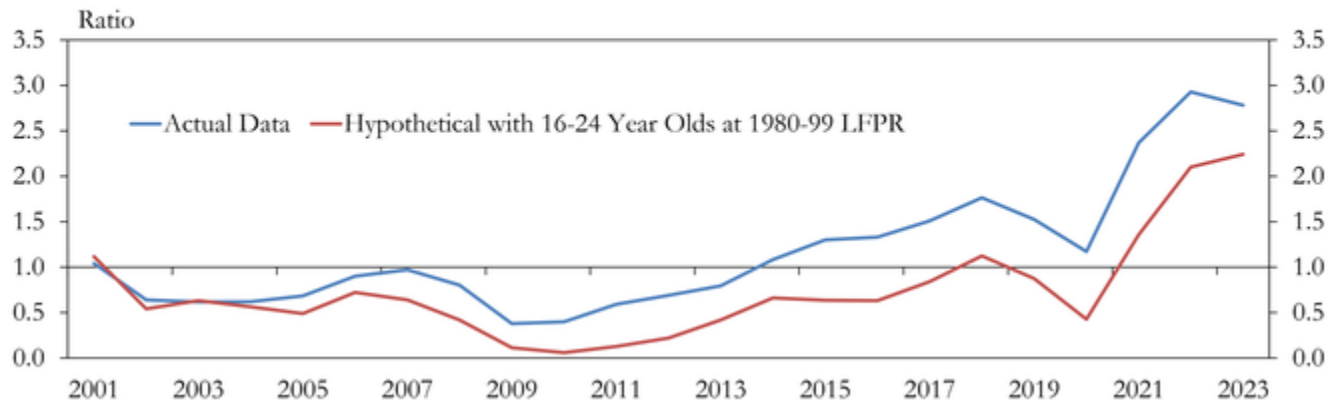


Sources: BLS, staff calculations.

Note: Missing labor force participants are calculated by subtracting the observed labor force from a hypothetical labor force based on the average labor force participation rate from 1980 to 1999.

Labor scarcity may have become slightly less pronounced if younger workers had continued to be as actively employed as in the past.

Ratio of Job Openings to Unemployed Workers

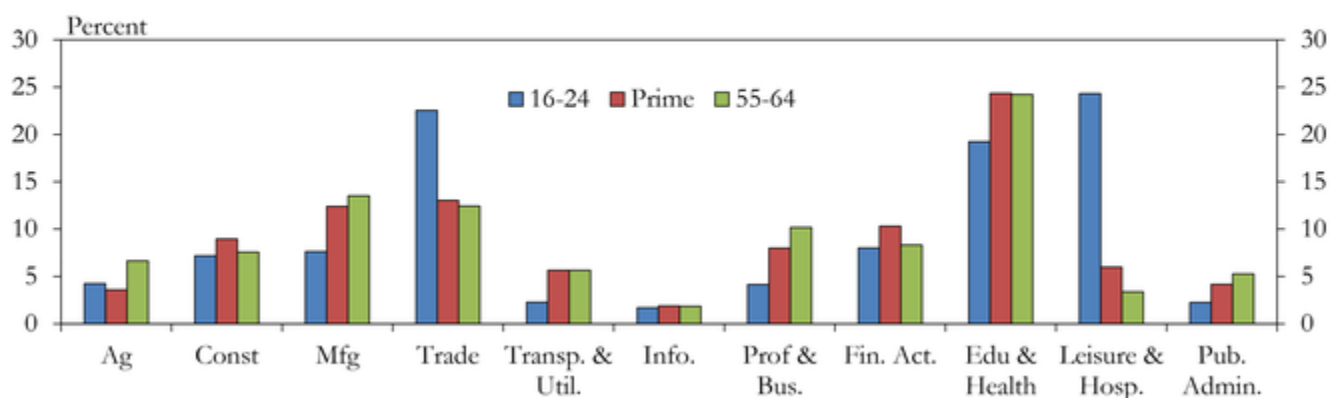


Sources: BLS, Census Bureau – ACS 1-year PUMS estimates, IPUMS.org, staff calculations.

Note: The hypothetical job openings-to unemployed ratio is calculated by applying the average LFPR of 16-24 year olds between 1980 and 1999 to the data from 2000 to 2023. Individuals added to the labor force from 2000 to 2023 based on historical rates of participation are assumed to be unemployed at their average rate of each year, and the remainder are assumed to fill job openings.

Growing the labor force among younger individuals could reduce job openings in leisure and hospitality.

Share of Employment in Nebraska,
2015-2019 Average



Sources: BLS, staff calculations.

Key Takeaways

The youth labor force has been declining for decades, with fewer individuals actively seeking employment. In the current environment, many of the businesses struggling to hire are those that disproportionately employ younger workers. While not a solution for all labor scarcity issues, increasing participation among the youngest members of the labor force could help fill some job openings in industries struggling most with shortages. It appears that young workers are responsive to wage signals, having returned to the labor force alongside recent robust wage growth, offering one potential path forward for businesses struggling to find labor.

Related Research

- [Pandemic Widens Gap in Nebraska Labor Markets](#), Nebraska Economist, October 2022
- [Population Growth Needed to Address Labor Scarcity](#), Nebraska Economist, April 2023

Author



John McCoy

Associate Economist

John McCoy is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he supports research and outreach efforts surrounding economic developments in the state of Nebraska. His responsibilities include serving as Board Secretary to the Omaha Branch Board of Directors and co-authoring *The Nebraska Economist*. John joined the Bank in 2017 as a research associate in the Regional Affairs Department at the Omaha Branch. Prior to 2017, he spent two years as an intern with the department. John holds a BA and MA from Creighton University.
