Nebraska’s Labor Markets Tighten Further

by:

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Labor markets have continued to tighten across Nebraska while reasons have differed by region. Unemployment in Nebraska has fallen to its lowest level since the early 2000s. However, most of the state’s job growth in recent years has occurred in metropolitan areas. In nonmetropolitan areas, labor markets appear to be tightening due more to out-migration and aging of the workforce rather than strong job growth.

Nebraska Labor Markets

Unemployment in Nebraska has edged to its lowest rate since the turn of the century and is broadly suggestive of a tight labor market. As of August, Nebraska’s unemployment rate was 2.8 percent. Historically, Nebraska’s unemployment rate typically has been less than the nation as a whole and was less than 3 percent for most of the 1990s (Chart 1). Through August, however, the state’s unemployment rate has remained less than 3 percent for four consecutive months. Unemployment remained less than 3 percent for three consecutive months during a period in 2007 and 2015, but otherwise has not been consistently this low since 2000-01.

Similarly, employment growth in Nebraska also has mirrored nationwide trends. After dipping slightly in 2016, year-over-year job growth accelerated to 1.3 percent in August, only slightly less than the national rate (Chart 2). In fact, employment growth has averaged 1.2 percent in Nebraska over the past five years, suggesting that despite some fluctuations the recent strength has been a sustained pace. Moreover, similar to the nation, the rate of employment growth in Nebraska has been positive in every month since August 2010.

Employment gains in Nebraska generally have remained broad based. In the second quarter, employment expanded from the same period of 2016 in all industries except government, and transportation and utilities (Chart 3). In fact, job growth picked up in several industries that account for a large share of the state’s employment, including trade, goods-producing industries (manufacturing and construction), and “other services” (which includes professional, business and technical services).
As an additional indication of tightening labor markets, wages in Nebraska have trended higher over the past two years and have continued to strengthen in 2017. Through the first half of 2017, average hourly earnings in Nebraska increased about 4 percent from a year earlier (Chart 4). After trailing the nation from 2011-14, average wage growth in Nebraska has exceeded growth nationally for the past three years.

**Metro and Nonmetro Divergence**

Consistent with business anecdotes, labor markets appear to have tightened across the state in recent months. In both the Omaha and Lincoln metropolitan areas, unemployment rates have reached their lowest levels since early 2001 (Chart 5). Unemployment rates also have edged lower in the Grand Island area alongside gradual state-level declines.

Low unemployment rates in Nebraska’s nonmetropolitan areas also point to tight labor markets. As of July, only four counties had unemployment rates greater than 4 percent: Thurston, Blaine, Arthur and Nemaha (Map). Moreover, unemployment rates have fallen below 2.5 percent in 20 counties in Nebraska, suggesting that labor markets in those areas may be extremely tight.

Despite ongoing signs of tightening in labor markets, job growth across the state has continued to diverge, with metro areas accounting for most of the growth. Prior to 2013, job growth was fairly consistent across the state’s metro and nonmetro regions (Chart 6). Since then, however, job growth has diverged notably and the gap remained through all of 2016. By the end of 2016, employment growth in the state’s nonmetro areas had fallen to its lowest point since early 2010 alongside a general statewide slowdown in job growth.

Low unemployment rates and business anecdotes point to tight labor markets across Nebraska, but the underlying reasons appear to differ between metro and nonmetro regions. In metro areas, relatively steady job growth has helped push unemployment rates lower and businesses have acknowledged increasing difficulties in attracting workers. In nonmetro areas, however, unemployment rates appear to be low due more to a declining labor force than robust job growth. Whereas the working-age population (individuals between ages 25 and 65) in Nebraska’s metro areas has increased steadily since 1980, the population of working-age individuals residing in nonmetro counties largely has remained unchanged and has declined in recent years (Chart 7).

**Differences in Demographic Trends**

Demographic trends in Nebraska have differed significantly over the years and highlight areas in the years ahead of both opportunity and concern. Population growth in the state’s metro and nonmetro areas has continued to diverge, and the divergence has been most pronounced in younger age brackets. Despite steady population and job growth in metro areas, a lack of population growth in rural areas suggests employers there may continue to face challenges hiring workers.
Similar to the nation as a whole, population growth has diverged between Nebraska’s metro and nonmetro areas in recent decades. From 1980 to 2016, the population located in the state’s metro areas increased 47 percent, a rate similar to the U.S. overall (Chart 8). In contrast, the population of nonmetro Nebraska fell 9 percent in that time. Nationally, population growth in nonmetro areas increased 12 percent and has remained steady in recent years, in contrast to recent declines in Nebraska.

The divergence between nonmetro and metro populations, particularly in Nebraska, has been driven by a sharp difference in the population of younger individuals. Since 1980, the number of individuals younger than 25 living in nonmetro Nebraska has fallen 24 percent (Chart 9). In addition, the number of individuals between ages 25 and 44 was 16 percent less in 2016 than in 1980 (Chart 10). These trends have been similar nationally, but slightly less pronounced. In stark contrast, the rate of population growth for both of these age categories has increased notably—and even accelerated in recent years—in metro Nebraska.

Despite a declining population of younger individuals, the population of older individuals in nonmetro Nebraska has followed a trend similar to other areas of the state. From 1980 to 2016, the number of individuals between ages 45 and 65 has nearly doubled as a result of aging baby boomers (Chart 11). This age category also increased about 40 percent in the state’s nonmetro areas over the same time, although the increase was slightly less pronounced and slightly less than the nation. The number of individuals 65 and older living in nonmetro Nebraska also has increased slightly, in contrast to the trends of younger generations (Chart 12).

**Conclusion**

Statewide data indicate that labor markets throughout Nebraska have tightened. Tight labor markets in the state’s metro areas primarily have been driven by the creation of new jobs in those areas. In nonmetro areas, however, tight labor markets are more a function of a declining workforce than robust job creation. Over the longer term, labor availability may remain limited in the state’s rural areas if the population of younger residents continues to decline and older generations still of working age approach and enter retirement. In contrast, the recent gap between metro and nonmetro labor market strength could still narrow if nonmetro areas successfully attract younger families and individuals.
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Map: Nebraska July Unemployment Rates

Chart 6: Nebraska Employment

Source: Bureau of Labor Statistics (BLS). Note: The gray bar indicates BLS-defined recession.
Chart 7: Nebraska Working-Age Population Trends

Chart 8: Nebraska Total Population Trends

Chart 9: Nebraska Under 25 Population Trends

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Chart 12: Nebraska 65+
Population Trends

Source: Census Bureau, Population Analysis.