All Ages Contribute to Strength of Nebraska’s Labor Markets

by:

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The recent strength of Nebraska’s labor market has been underscored by high levels of engagement in the workforce across all age groups.

Nebraska long has been known as a state with low unemployment. However, it also is a state where a large share of the population either is employed or seeking employment. Both older and younger generations are more active in Nebraska’s labor force than in most states, despite a slight decline in overall participation that has been consistent with national trends. In addition to an aging population, reduced labor force participation among younger individuals has contributed to the recent decline.

Nebraska Labor Market Strength

Unemployment remained at near-historic lows in Nebraska through the first several months of 2019. Although the rate of joblessness in Nebraska edged up to 3 percent in May, high levels of employment throughout the state have continued to highlight the strength of regional labor markets (Chart 1). In fact, according to the U.S. Bureau of Labor Statistics, the number of individuals employed in Nebraska exceeded 1 million for the first time in March.
The state has continued to add jobs at a modest pace as businesses face ongoing challenges in filling various types of open positions alongside low unemployment. From January through May, employment growth in Nebraska has averaged about 0.4 percent, a rate slower than the nation, but still positive (Chart 2). While this slower rate of job growth may indicate less robust economic gains among businesses in the state, it likely is also indicative of an extremely tight labor market with relatively few individuals seeking jobs.
Another sign of a strong labor market is a continued increase in wages in Nebraska. Wages in the state have continued to increase at a pace similar to that of the nation. After slowing modestly late in 2018, wage growth appeared to rebound in the early months of 2019 (Chart 3). Through May, average hourly earnings in Nebraska increased 2.9 percent from the previous year, similar to the national rate of 3.3 percent.
Generational Trends in Labor Force Participation

In addition to employment and the pace of job gains, the composition of the labor force is a significant component to the structure of labor markets and economic activity. A large share of the population that either is employed or actively seeking work, known as the Labor Force Participation Rate (LFPR), generally is indicative of a strong labor market.

The strength of Nebraska’s labor market is characterized not just by low unemployment, but also very high labor force participation. As of May, Nebraska’s LFPR was 69.7 percent, nearly 7 percentage points higher than that of the nation (Chart 4). Although labor force participation has declined steadily since the early 2000s, a trend similar to the nation in general, the LFPR in Nebraska has averaged about 7 percentage points higher than the nation for most of the current century.
Labor force participation in Nebraska has remained relatively high due to high levels of participation across all age groups. Following generational categories defined by the Pew Research Center, Baby Boomers (born between 1946 and 1964), Generation X (born between 1965 and 1980), Millennials (born between 1981 and 1997) and the iGeneration (born 1998 or later) in the state all have maintained a LFPR sharply higher than that of the nation (Charts 5a and 5b). In fact, Nebraska’s Baby Boomer generation has had the highest average rate of participation among all states in 2019 except neighboring South Dakota, indicating solid job prospects for those in or near retirement age. However, participation rates for all generations are much higher than that of the nation, as well as a vast majority of states.
Chart 5a: Labor Force Participation Rate by Generation

Sources: BLS. Staff Calculations.
Notes: Generations are defined using Pew Research Center definitions. Gray lines show LFPR for the other 49 states.
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Since 2014, however, Millennials have accounted for the largest share of Nebraska’s labor force. In the early 1990s, the Baby Boomer generation comprised almost 60 percent of Nebraska’s labor force, but now accounts for only 25 percent. Today, Millennials account for almost 40 percent of the state’s labor force as Baby Boomers continue to retire (Chart 6). Generation X has accounted for between 30 and 36 percent of the labor force since its youngest members reached working age in 1996.
Although labor force participation in Nebraska has remained high, the rate has declined in recent years due, in part, to an aging population. Nebraska’s LFPR peaked in 2003 at 73.9 percent, but since has declined to 70 percent. As the large Baby Boomer generation has entered retirement, many of whom no longer are seeking employment, labor force participation has declined somewhat expectedly. If the rate of labor force participation among all age groups in 2003 had persisted through time, Nebraska’s LFPR would have been expected to decline 2.7 percentage points from 2003 to 2019 (Chart 7). In fact, the rate of participation dropped 3.9 percentage points, suggesting that aging has accounted for some, but not all, of the decline in recent years.
In addition to the aging of the Baby Boomers, younger generations also have contributed to lower labor force participation. Following the 2007-09 recession, only 73 percent of Millennials, all younger than 28 at the time, were in the labor force (Chart 8). In contrast, 78 percent of Generation X was active in the labor force when they were the same ages (from late 1991 through mid-1993). Although Millennials’ participation in the labor market has increased in recent years to a rate similar to other generations, the recession appears to have delayed their entry.

More recently, the participation of today’s youngest members of the workforce has lagged that of previous generations, putting additional downward pressure on labor force numbers. Currently, only 55 percent of the iGeneration (those younger than 21 in 2019) are actively participating in the labor force (Chart 8). Each of the previous two generations, Generation X and Millennials, participated at a rate of nearly 70 percent at similar ages.
Industry Composition of Nebraska’s Labor Force

Alongside generational changes in labor force participation, the occupational composition of Nebraska’s workforce has shifted in recent decades. In 1984, only 14 percent of Nebraska’s workforce was in occupations categorized as “professional” (Chart 9). In 2018, 21 percent of the labor force consisted of individuals in these occupations. Conversely, fewer individuals currently are employed in jobs classified as “office and administration” occupations than in the 1980s as the needs of businesses have evolved and technology has become more highly integrated into the workplace.
Changes in the types of careers pursued by younger members of Nebraska's workforce have exemplified the transition toward different types of occupations. In 2018, almost 60 percent of Millennials were in occupations categorized as professional, support services, management or business and financial (Chart 10). In 1984, only about half of the Baby Boomer generation was in these occupations, whereas a much larger share was in administration or sales.
More generally, the share of younger individuals employed by firms within the services sector of Nebraska's economy also has increased notably since the 1980s. In 1984, 56 percent of individuals between the ages of 20 and 38 were part of the services sector labor force (Chart 11). In 2018, the share of Millennials in the services sector at similar ages was 10 percentage points higher (66 percent), with fewer currently employed in manufacturing and agriculture.

Sources: BLS, Staff Calculations.
Notes: Generations are defined using Pew Research Center definitions.
The share of older generations in the services sector also has increased over time alongside broad changes to a more service-based economy. Although the share of Millennials in Nebraska’s services sector is still higher than that of the Baby Boomer generation, the share of older individuals in the services sector has risen since the 1980s. From 1984 to 2018, the share of Baby Boomers in the services sector labor force increased from 55 percent to 63 percent (Chart 12).
Despite the ongoing transition to a more service-based economy, other industries in Nebraska also have continued to add jobs in recent years. Through May, transportation and utilities firms added jobs at the fastest pace in the state at 2.4 percent, following job cuts in 2017 (Chart 13). Employment in the construction industry also increased at a solid pace. Firms involved in wholesale and retail trade continued to shed jobs in the first few months of 2019.
Conclusion

Low unemployment has remained a steady feature of Nebraska’s economy in addition to high levels of workforce engagement. Although labor force participation has remained high in Nebraska relative to other states, and the nation as a whole, the rate has declined over the past 15 years. As businesses in Nebraska continue to highlight labor shortages as a key challenge in sustaining growth, maintaining a high level of engagement in the labor force across all age groups will be crucial in addressing these shortages in the coming years.

Endnotes

[1] Professional occupations include jobs in the following categories: architecture and engineering; life, physical and social science; community and social service; legal; education, training, and library; arts, design, entertainment, sports, and media; and healthcare practitioners.