

# Spokane's labor force participation lags the US rate

## Declining worker supply, high rate of job openings hinder economic growth

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Sometimes simple concepts explain a lot. So it is with the labor force participation rate. In light of its recent trend in Spokane County, it's smart to pay attention to this measure of economic health.

Workforce availability is often the first concern I hear these days from business leaders. In light of the labor rate's long-term decline here, the concern is understandable. The rate is one of two large forces that determine the size of the workforce. The other is population. Locally, the participation rate is the limiting factor of the two since population has continued to expand. Generally, a community can experience a growing population yet have a declining workforce participation rate that offsets that growth completely or partially.

In its most general expression, the rate is the number of people in the workforce, divided by the population of people of working age—16 years or older. The numerator, or workforce, is the sum of those working and those unemployed but looking for work.

In Spokane County, we calculate that the participation rate was nearly 60% in 2021. Nationally and statewide, it was 62% at year-end 2022. On the eve of the Great Recession in 2008, the local rate stood at 66%. At the beginning of the century, it was 69%. These are all viewable in the Spokane Trends website.

In the language of economics, workforce availability is labor supply. Stagnant or slow-growing supply manifests itself in a variety of common economic measures, all interrelated. One is wages, which will be—and recently have been—bid up. In 2021, average annual wage earnings in the county climbed by 6.7%. In the past two decades, only the year 2000 registered a higher increase. My hunch for 2022, when those numbers are available, is the increase will top the previous year's jump.

Another manifestation is a declining unemployment rate. As of October, it stands at 4.4%. That's a full percentage point lower than a year earlier, and as seen in Spokane Trends, the lowest on modern record.

Yet another sign of slow growth of the local supply of labor is the number of unfilled jobs. Washington's Department of Employment Security publishes a monthly compilation of current job openings for the county's top 25 occupations in demand. The latest report, September, yields a total of slightly over 13,000. In August of last year, the report showed a total of about 6,900.

How did we get here? Many factors have conspired to get us to this point. While this column is a look at labor supply, it should be obvious that we wouldn't be writing it if the demand for labor were weak.

Thankfully, that's not the case; Spokane County is part of a national economy that is currently the "locomotive" for the world economy.

On the supply side, several trends are worth noting. The first concerns raw population numbers. Baby boomers, the largest generation up to their children's generation—Millennials—are retiring by millions per year nationally.

While Millennials are numerous enough, along with early cohorts in Generation Z, to replace boomers, they may well not be in a growing economy. And they don't appear to engage in work as much as their parents.

A second factor impacting labor supply is the growing rate of disability, here and nationwide. These conditions cover challenges of hearing, vision, cognition, and ambulatory movement to those of self-care. For 2021, the U.S. Census Bureau estimated over 87,000 in the county faced one or more of these conditions. That represents one out of every six residents, or nearly 17%, a rate much higher than the U.S. (13%).

The current rate in Spokane also represents a jump of nearly three percentage points from a decade ago.

A third factor is the role of women. Their participation rate has always lagged that of men, but in the 1980s and 1990s, it rose while the men's rate declined. Since 1999, however, when it peaked at 60% nationally, the women's rate has also declined. As of 2021, it stood at about 56%.

We don't have the analogous measure for women in the Spokane workforce. It seems unlikely, however, that it will be much different than the national rate and probably a bit lower.

A fourth reason lies in the absence of a large Latino component to the Spokane workforce. As of 2021, the Bureau of Labor Statistics published national participation rates of Latinos at approximately at 66% vs. a non-Hispanic white rate of about 60%. Census estimates that in 2021 Latinos comprised nearly 7% of the county's population. As Spokane Trends shows, the analogous share was nearly 14% in the state and 19% in the U.S. This demographic dividend is a key reason why labor force participation rates for central Washington metro areas lie considerably above that of Spokane.

Finally, we note the presence of the pandemic.

While the Spokane County labor force has actually grown a bit through the pandemic, it likely would have grown faster in its absence. Further, consider a pandemic legacy: long haul COVID-19. We won't know its effects for a while, but a recent study from the Brookings Institute put the national number of Americans with long-haul COVID-19 at 16 million, or 8% of the working-age population. The study estimated that 2 million to 4 million Americans are not at work due to this condition.

Spokane cannot escape this national trend. If not reversed here and nationally, it will contribute to yet higher disability and lower participation rates.

• **Patrick Jones**

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