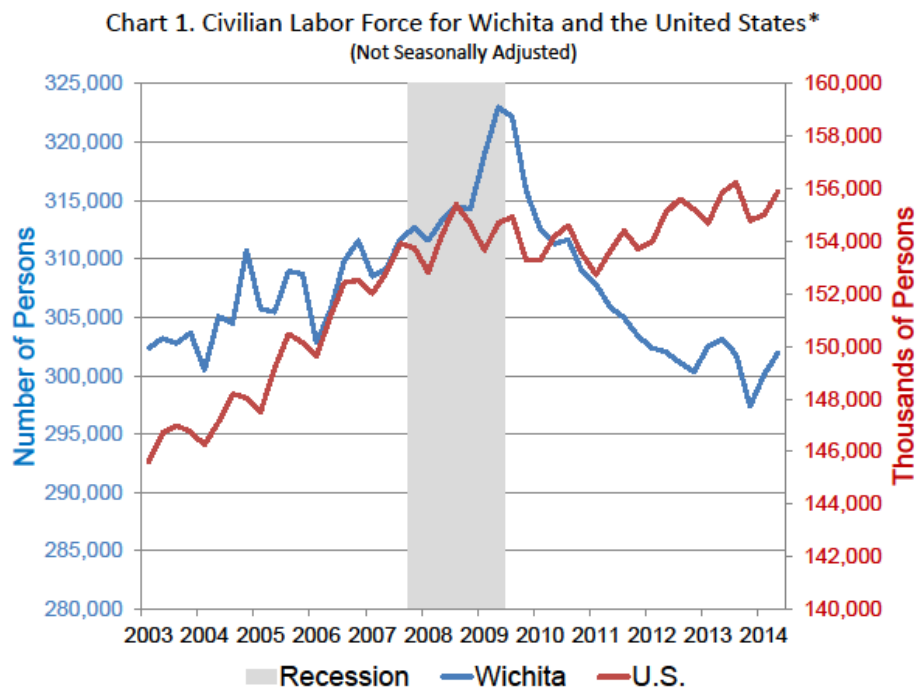


## Why Wichita Has Not Fully Regained Its Labor Force Since the Great Recession

### Total Civilian Labor Force

The civilian labor force is all people, 16 years and over, who are willing and able to work. This includes everyone that is currently employed, either full-time or part-time. It also includes everyone that is currently unemployed. “People classified as unemployed do not have a job, have actively looked for work in the prior four weeks and are currently available for work.”<sup>1</sup>



\*Data points are based on quarterly averages.

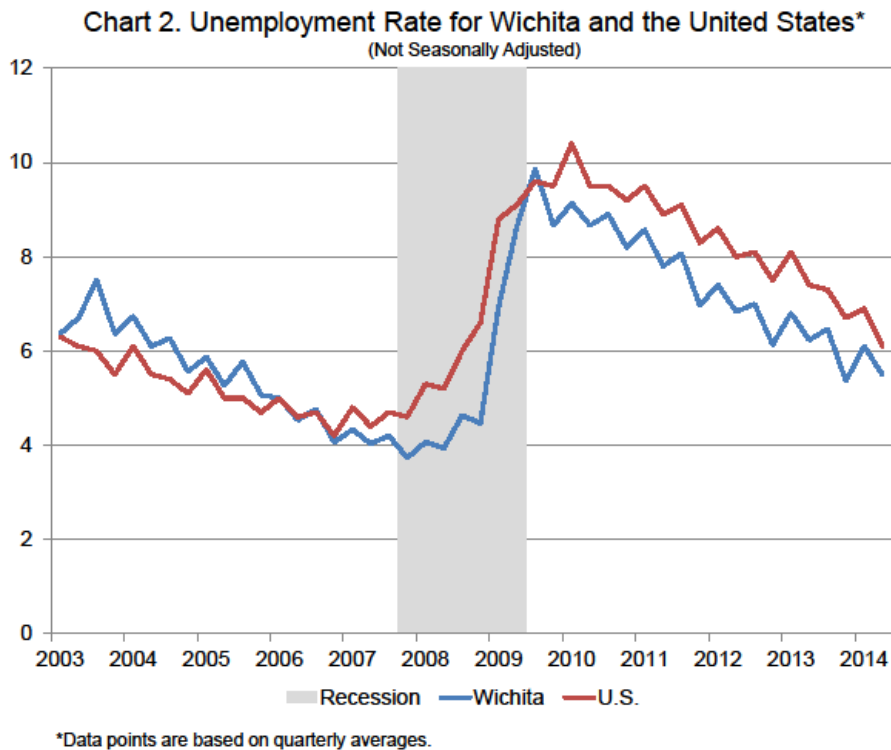
<sup>1</sup>U.S. Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey Frequently Asked Questions,” [data.bls.gov/cgi-bin/print.pl/cps/faq.htm](http://data.bls.gov/cgi-bin/print.pl/cps/faq.htm).

When analyzing quarterly civilian labor force data for Wichita from 2003 through the first half of 2014, we find that the total civilian labor force fell from a high of 322,982 people in the second quarter of 2009 to a low of 297,370 people in the fourth quarter of 2013, for a 7.9 percent decline.

However, we see a somewhat different pattern for the U. S. civilian labor force, as a whole, during that time period. It, too, reached a peak during the Great Recession, but three quarters earlier than Wichita, when 155.4 million people constituted the U.S. civilian labor force. From that peak, the number of people fell to 152.7 million in the first quarter of 2011, for a 1.7 percent decline. From that point to the present, total U.S. civilian labor force numbers have fluctuated, but on a predominantly upward trend, reaching an all-time high of 156.2 million people in the third quarter of 2013.

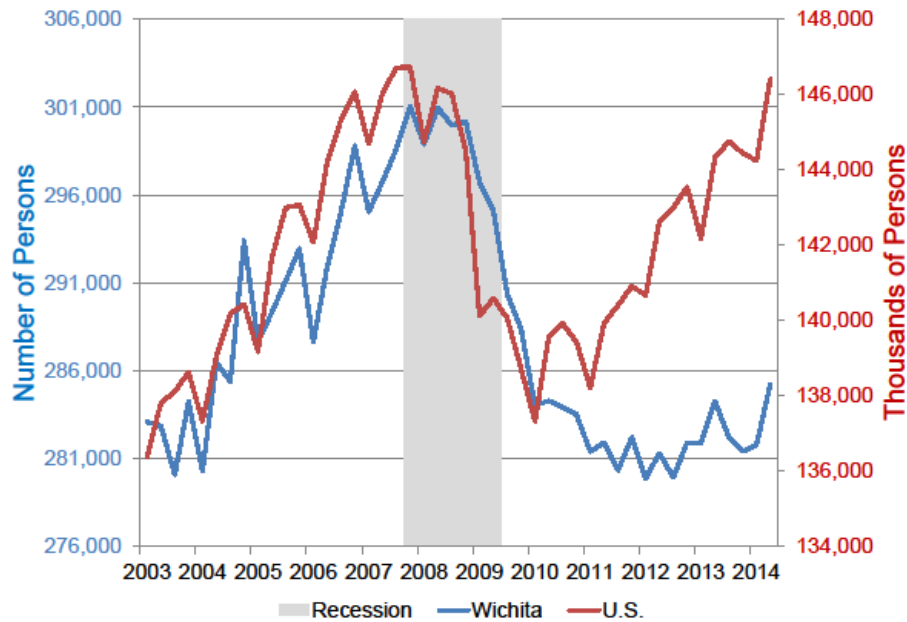
## Unemployment Rate

The unemployment rate is calculated by dividing the number of unemployed by the total civilian labor force.



The unemployment rates for Wichita and the United States from 2003 through the first half of 2014 show a similar pattern as the economy moves toward the Great Recession, responds to the economic downturn and then begins its recovery. For most of that time the U. S. unemployment rate was higher than Wichita's rate. Although the unemployment rates in Wichita and the nation have followed similar trajectories, the underlying dynamics are different.

**Chart 3. Employed Labor Force for Wichita and the United States\***  
(Not Seasonally Adjusted)



\*Data points are based on quarterly averages.

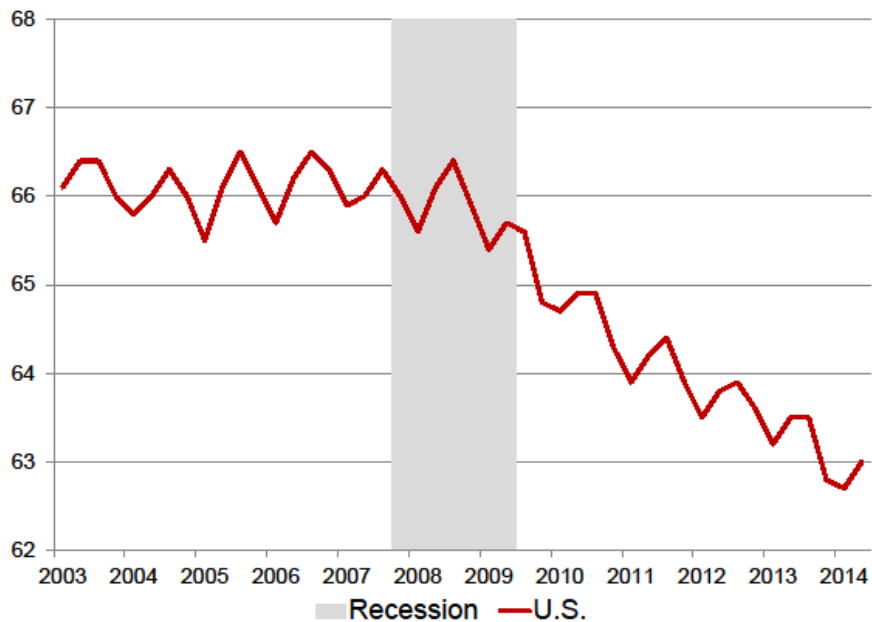
After the recession, the unemployment rate in the United States, as a whole, began dropping due to a decrease in the number of unemployed, which occurred during the same time as an increase in the number of employed. However, in Wichita, the unemployment rate dropped due to a decrease in the number of unemployed; yet, the number of employed during that same time remained stagnant. These underlying dynamics led to an increase in the national civilian labor force, while the civilian labor force in Wichita contracted.

### Labor Force Participation Rate

The labor force participation rate is defined as “the percentage of people who are either employed or are actively looking for work. The number of people who are no longer actively searching for work would not be included in the participation rate.”<sup>2</sup>

<sup>2</sup>Investopedia, “Definition of ‘Participation Rate’” and “Investopedia explains ‘Participation Rate,’” [www.investopedia.com/terms/p/participationrate.asp](http://www.investopedia.com/terms/p/participationrate.asp), July 5, 2014.

Chart 4. Labor Force Participation Rate for the United States  
(Not Seasonally Adjusted)



\*Data points are based on quarterly averages.

This particular metric is useful when analyzing the movements of the civilian labor force and the unemployment rate over time. Like the Wichita and U.S. unemployment rates after the Great Recession, the U.S. labor force participation rate developed a similar downward trend. This indicates that although employment in the nation has regained pre-recession levels, it has not grown enough relative to population. U.S. employment will need to continue to grow to reach pre-recession employment population ratios.

In addition, the Great Recession was characterized by an unusually large share of long-term unemployed relative to total unemployment. “A declining participation rate has been historically correlated with an elevation of long-term unemployment, suggesting that both issues have a common cause or cause each other.”<sup>3</sup>

Other factors can impact the labor force participation rate, also. The Executive Office of the President of the United States released a report in July in which the authors analyze the U.S. civilian labor force participation rate from fourth quarter 2007 through the second quarter of 2014. During that time period, the participation rate fell from 65.9 percent to 62.8 percent, a decline of 3.1 percentage points. The report goes on to say that “about half of that decline (1.6 percentage points) is due to the aging of the population. About a sixth of the decline in the overall rate (0.5 percentage point) is a cyclical decline in line with historical patterns in previous recessions, and about a third of the decline (1 percentage

<sup>3</sup>Executive Office of the President of the United States, “The Labor Force Participation Rate Since 2007: Causes and Policy Implications,” July 2014, p. 3.

point) arises from other factors, which may include trends that pre-date the Great Recession and consequences of the unique severity of the Great Recession.”<sup>4</sup> So, more specifically, this 1 percentage point decline could be attributed to a large share of long-term unemployed relative to total unemployment, as mentioned above; or, it could be “the fact that participation rates conditional on age were declining for many groups prior to 2008, including prime-age men from the 1950s and prime-age women from the late 1990s. These effects were partly offset by other pre-existing trends, like a rise in the participation rate for older workers.”<sup>5</sup>

These circumstances that help explain the decline in the U.S. labor force participation rate can also provide some insight into why the total civilian labor force in the Wichita MSA has fallen since the Great Recession, while the total U.S. labor force has grown. From 2007 through 2013, the number of people 65 years or older in the Wichita MSA increased 14.7 percent. “While older workers today are participating in the labor force at higher rates than older workers of previous generations, there is still a very large drop-off in participation when workers enter their early 60s.”<sup>6</sup> Also, like the nation as a whole, the Wichita MSA would have experienced a cyclical decline in the labor force participation rate, due to the extended period of time in which the unemployment rate remained high. Yet, it seems unlikely that this set of circumstances would totally address the obvious difference in the movement of Wichita’s civilian labor force as compared to that of the nation.

It seems more likely that the difference is due to a situation unique to Wichita, at least when compared to the nation as a whole. With 17.5 percent of local employment in the manufacturing industry and with a 19.8 percent decline in manufacturing employment from 2007 through 2013, we can understand why Wichita’s civilian labor force has not bounced back, while the U.S. labor force has increased 2.3 percent since first quarter 2011. The diversity of industries at the national level has helped protect it, at least somewhat, from the labor force loss we’ve seen locally.

## **In Conclusion**

Unlike the nation as a whole, the Wichita MSA has not regained its total pre-recession civilian labor force level, despite the downward trend of its unemployment rate. This article suggests the following reasons:

- After the recession, the unemployment rate in the United States, as a whole, began dropping due to a decrease in the number of unemployed, which occurred during the same time as an increase in the number of employed. However, in Wichita, the unemployment rate dropped due to a decrease in the number of unemployed; yet, the number of employed during that same time remained stagnant.
- Employment in the Wichita area is not growing enough relative to the population to regain pre-recession employment population ratios.
- From the last peak to the last trough, the Wichita MSA civilian labor force declined 7.9 percent, while the last U.S. peak to trough declined only 1.7 percent.

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<sup>4</sup>Executive Office of the President of the United States, “The Labor Force Participation Rate Since 2007: Causes and Policy Implications,” July 2014, p. 3.

<sup>5</sup>Executive Office of the President of the United States, “The Labor Force Participation Rate Since 2007: Causes and Policy Implications,” July 2014, p. 3.

<sup>6</sup>Executive Office of the President of the United States, “The Labor Force Participation Rate Since 2007: Causes and Policy Implications,” July 2014, p. 3.

- From 2007 through 2013, the number of people 65 years or older in the Wichita MSA increased 14.7 percent.
- The U.S. participation rate, which does not include unemployed people who are no longer looking for work, declined 3.1 percentage points since the beginning of the Great Recession. Because the Wichita manufacturing industry employment was hard hit during the recession, declining 19.8 percent; because manufacturing is the industry with the largest number of employees in the Wichita area; and because long-term unemployment remained high during and after the recession, it is very likely that the Wichita participation rate matched or exceeded that of the nation, thereby implying that a significant number of people dropped out of the civilian labor force from discouragement and the inability to find adequate work.