



September 2024

# Iowa Jobs and Labor Force Update

August 2024

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## Introduction

On Wednesday, the Federal Reserve cut the federal funds rate by 50 basis points after U.S. inflation fell to its [lowest level](#) since early 2021.<sup>i</sup> That the Fed chose to lower interest rates by 50 basis points before getting inflation back to its two-percent target [suggests](#) it may fear a weakening labor market.<sup>ii</sup> Indeed, this week’s rate cut comes as the labor market already began to show [signs of weakening](#).<sup>iii</sup> Maintaining high interest rates for longer risks increasing pressure on the labor market and driving up unemployment. Monitoring new employment data each month will help foretell the direction the economy is headed in the United State and in Iowa.

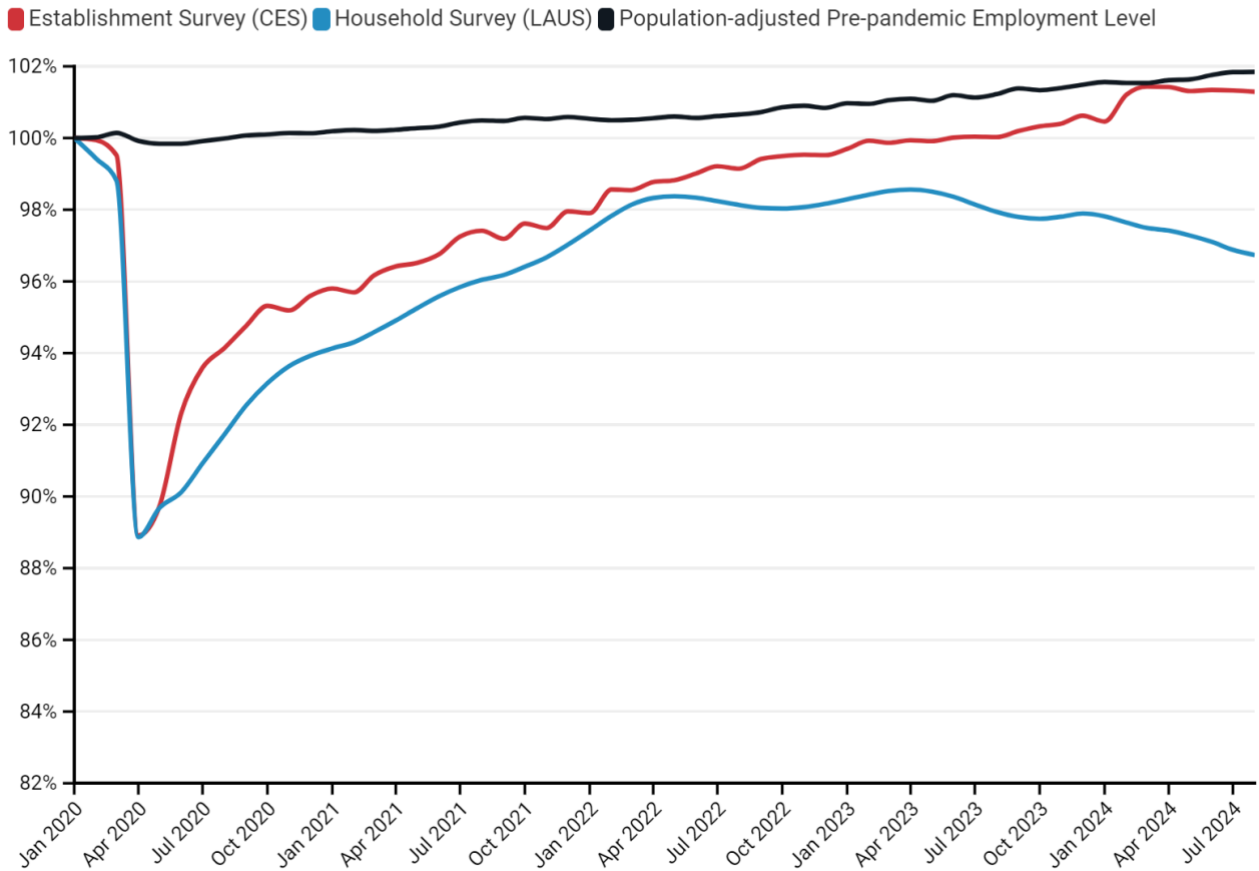
In August, the BLS reported that Iowa lost 1,500 jobs in July. After an upward revision in September, Iowa only lost 200 jobs in July. Despite these revisions, Iowa still lost 600 jobs from July to August, putting the labor market into a three-month decline. Iowa’s labor force participation rate has also continued to decline, falling from 66.4% in July to 66.3% in August. Iowans are both continuing to drop out of the labor force and lose jobs, signaling the state may be experiencing a weakening labor market. Iowa’s unemployment rate also grew 0.1% to 2.9% in August, declining from 7<sup>th</sup> to 10<sup>th</sup> lowest in the nation. Data in the coming months will better determine where Iowa’s labor market stands.

The divergence between the establishment survey and the household survey also continues to grow. Although both reported job losses, the household survey reported a decline of 2,427 jobs. For more on possible reasons for this divergence, see the introduction to Common Sense Institute’s report “[Iowa Inflation, Employment, and Economic Update - July 2024](#).”

## Key Findings—Iowa August 2024 Employment Data

- **Despite upward jobs revisions for July, employment continues to weaken in Iowa by all measures in August.**
  - **JOBS**: The state has seen net job losses for two consecutive months from June through August with a net loss of 800 jobs over the period.
  - **Unemployment**: Iowa’s unemployment rate grew to 2.9% in August, up 0.1% from July’s 2.8%.
  - **LFPR**: Now at 66.3%, Iowa’s labor force participation rate fell in August for the 9<sup>th</sup> consecutive month. That’s down from its pre-pandemic level of 69.6% and its post-pandemic peak of 68.1% that held from June through October 2022.
- **Though weakening, Iowa’s employment situation remains one of the strongest in the nation, boasting the 10<sup>th</sup> lowest unemployment rate and 8<sup>th</sup> highest LFPR.**
- **Though Iowa had 20,500 more jobs on net than in January 2020, employment still has not recovered to population-adjusted pre-pandemic levels.**
- **Despite recent declines, the private sector gained 9,500 on net jobs since the start of the year, and overall employment is up 10,600 jobs. 7,800 jobs came from the education and health services sector.**

## Employment Levels in Iowa since January 2020



- According to both the employment figures from the BLS survey of establishments (CES) and the number of people employed from the BLS survey of households (LAUS), **Iowa has yet to recover to a pre-pandemic employment-to-population ratio.**
- Based on the **establishment survey** and revised July numbers, employment has slightly fallen in August, declining by 600 or 0.4%.
- Based on the **household survey**, employment continues to decline, falling in August by 0.15% or 2,427 jobs. This decline has widened the divergence between the establishment and household survey.

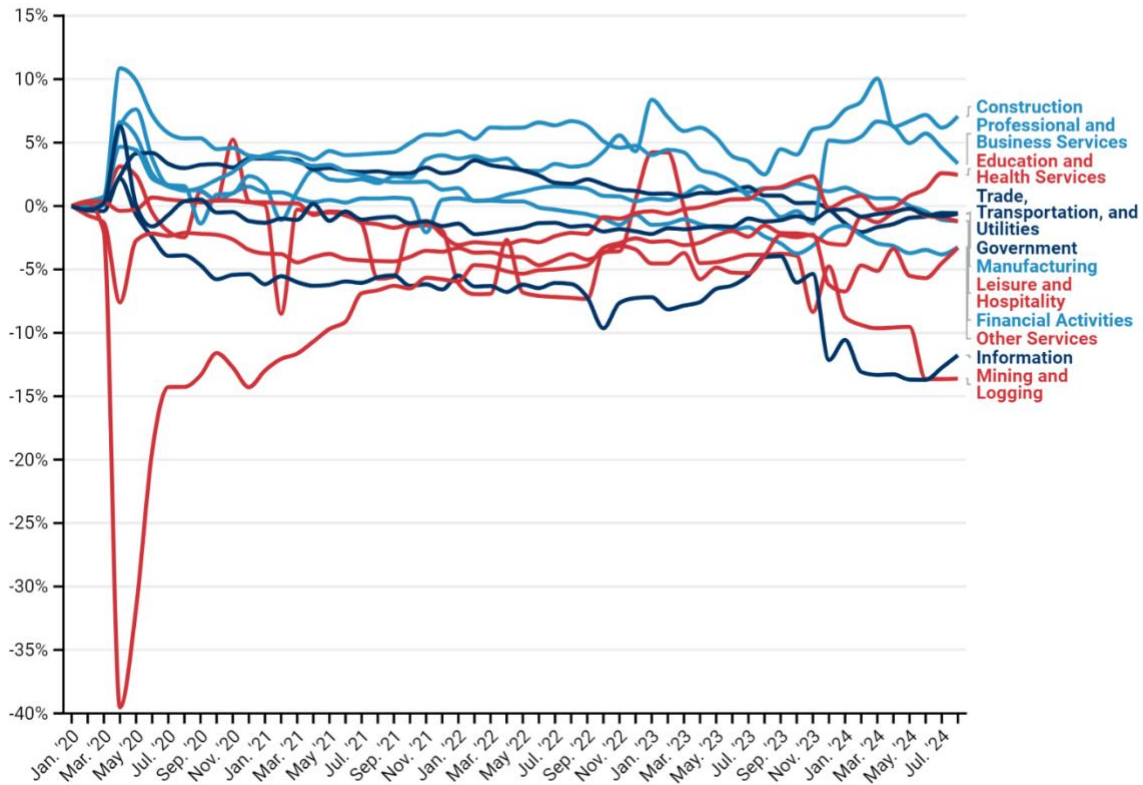
### Revisions

- In September, the BLS revised July 2024 seasonally-adjusted total nonfarm employment downward by 75,600 jobs nationally—a 0.05% decrease.
- In September, the BLS revised July 2024 seasonally-adjusted total nonfarm employment in Iowa upward by 1,300 jobs. Regardless, Iowa still lost 200 jobs in July.

## A Deeper Dive into Iowa Industries (BLS CES Survey)

- **Based on the establishment survey, the net loss of 600 jobs in August was driven by net job gains in just five of 11 major sectors.**
  - Professional and business services lost 1,800 jobs for a 1.22% decline.
  - Leisure and hospitality lost 500 jobs for a 0.34% decline.
  - Education and health services lost 400 jobs for a 0.16% decline.
  - Manufacturing lost 300 jobs for a 0.13% decline.
  - Trade and manufacturing lost 200 jobs for a 0.06% decline.
- **Only six major sectors have recovered employment levels to their pre-pandemic baselines.** The most major sectors include construction, professional and business services, and education and health services, which have grown 8.47%, 4.67%, and 3.87% higher than before the pandemic.
- Five major sectors saw a net decline in jobs from July to August.
  - Other services and construction both gained 700 jobs for a 1.23% and 0.82% increase, respectively.
  - Financial services gained 600 jobs for a 0.56% increase.
  - Government gained 400 jobs for a 0.15% increase.
  - Information gained 200 jobs for a 1.09% increase.
  - Mining and logging remained unchanged.
- **Since the start of the year, from December '23 to August '24, the private sector gained 10,600 jobs.**
  - Education and health services contributed the most to this gain, adding 7,800 jobs; educational services specifically added 3,000 jobs, while health care and social assistance added 4,800.
  - Leisure and hospitality was the next largest contributor, adding 3,500 jobs.
- **Since January 2020, the private sector has gained 20,500 jobs.**
  - The top three contributing sectors were education and health Services, construction, and professional and business services, which added 8,900, 6,700, and 6,500 jobs respectively.

## Changing Industry Shares of Total Iowa Employment since January 2020

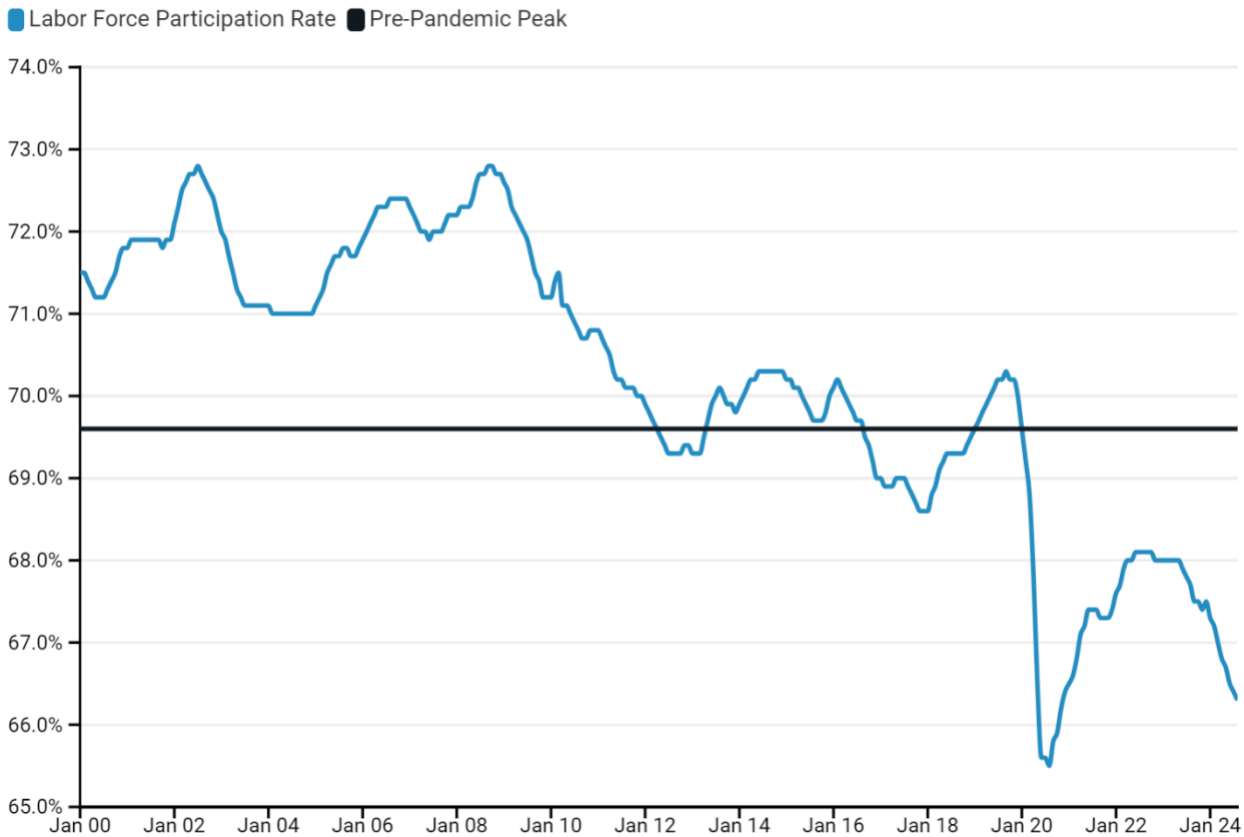


## Iowa Labor Force Update

**Iowa’s LFPR declined by 0.1 percentage points from July to August.**

- In August, Iowa’s LFPR fell to 66.3%, which is 3.3% below the pre-pandemic LFPR of 69.6% in January 2020.
- The unemployment rate grew 0.1% from 2.8% to 2.9%. Iowa is now tied for the 10th lowest unemployment rate, falling three spots since last month.
- A rise in the unemployment rate means the labor market is weakening. Conversely, a drop in the LFPR tightens the labor market and puts downward pressure on the unemployment rate. Iowa is seeing a rise in the unemployment rate together with a decline in the LFPR. Fewer Iowans are looking for work and fewer of those still seeking work are becoming employed. Ultimately, this will result in reduced labor productivity.

## Labor Force Participation Rate in Iowa Since 2000



### Data Sources

The data in this report are compiled from monthly and annual data released by the U.S. Bureau of Labor Statistics (BLS), including data from the Current Employment Statistics (CES) survey and the Local Area Unemployment Statistics (LAUS) Survey. Some data are sourced directly from BLS and others are retrieved from FRED.

<sup>i</sup> Andrzej Wieciorkowski, "Inflation in the Midwest," Common Sense Institute, Sept. 11, 2024, <https://www.commonsenseinstituteus.org/iowa/research/jobs-and-our-economy/inflation-in-the-midwest>.

<sup>ii</sup> Andrzej Wieciorkowski, "Iowa Inflation, Employment, and Economic Update: July 2024," Common Sense Institute, August 16, 2024, <https://www.commonsenseinstituteus.org/iowa/research/jobs-and-our-economy/iowa-inflation-employment-and-economic-update---july-2024>.

<sup>iii</sup> Zachary Milne, "Employment Update Preliminary QCEW Benchmark," Common Sense Institute, August 21, 2024, <https://www.commonsenseinstituteus.org/iowa/research/jobs-and-our-economy/employment-update-preliminary-qcew-benchmark>.