

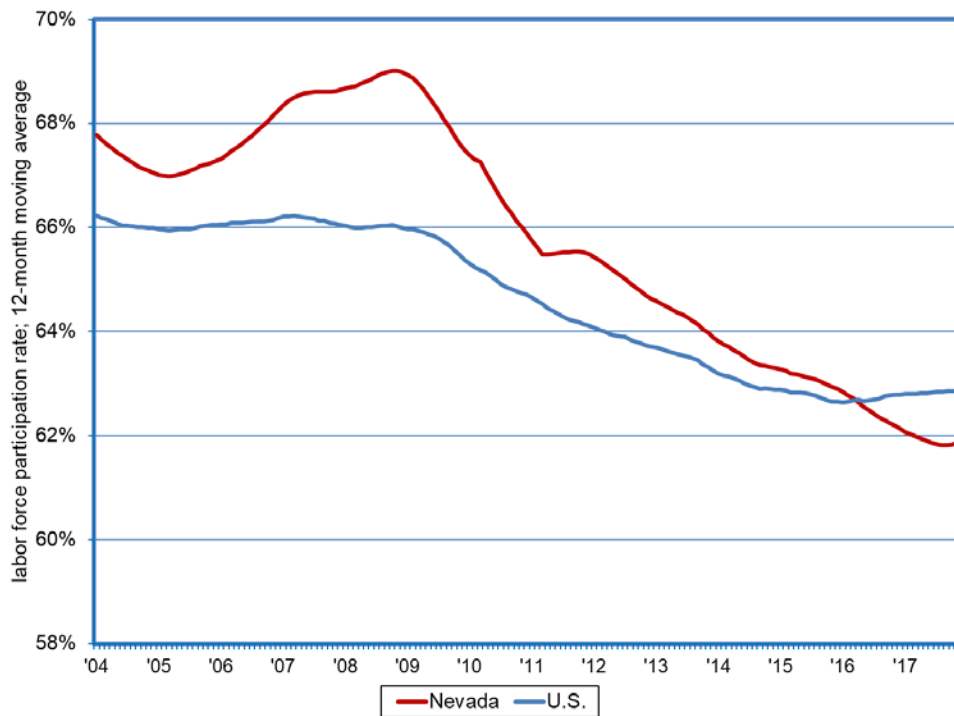
Research Notes



Labor Force Participation Rate
Dionny McDonnell, Economist

Note: 2018:12
January 17, 2017

Labor Force Participation Rate Continues Trending Below that for the U.S.; Declining Over Time Due to Structural/Cyclical Forces



- The Labor Force Participation Rate (LFPR) is a simple measure: the ratio of the labor force relative to the population (16 years and older). It measures the extent to which Nevadans are participating in the workforce, either as workers or job seekers. Movements in the LFPR can best be described as being either “structural” or “cyclical.”
- Structural movements result from underlying changes in labor market fundamentals, such as the aging of baby boomers into retirement. Cyclical movements occur when there are changes in the labor market due to shifts in the health of the economy, from expansion to decline, and vice versa, causing Nevadans to enter/exit the labor force in response.
- Nevada’s LFPR peaked at 69 percent in late-2008, and has been trending down since. Part of that decline has certainly been structural in nature, attributable to retirements. There was almost certainly a cyclical component to the decline, as well, most likely as a result of the recession. The same general pattern is evident in national trends. However, the decline has been more pronounced in the Silver State, as Nevada started with a slightly higher LFPR.
- In December 2017, Nevada’s LFPR has averaged 61.9 percent over the past 12 months, compared to 62.9 percent nationwide; increasing the gap between the State and the U.S. to one percentage point.
- The continued decline in the LFPR in the face of near-record employment, the highest job growth in the nation, and low levels of unemployment is concerning and merits monitoring in the months ahead. On the plus side, in looking in detail at information over just the past few months, we are starting to see some signs of leveling off, and even some slight upward pressure on the participation rate.