

# ECONOMIC DIGEST

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**In April...**

**Nonfarm Employment**

Connecticut ..... 1,689,800  
 Change over month ..... +0.21%  
 Change over year ..... +1.2%

United States ..... 143,915,000  
 Change over month ..... +0.11%  
 Change over year ..... +1.9%

**Unemployment Rate**

Connecticut ..... 5.7%  
 United States ..... 5.0%

**Consumer Price Index**

United States ..... 239,261  
 Change over year ..... +1.1%

## Labor Force Participation Rate and Employment-Population Ratio, 1976-2016

By Jungmin Charles Joo, DOL

**T**he Connecticut Economic Digest now publishes the monthly labor force participation rate and employment-population ratio, which are found under the “Unemployment” table on page 6. These two data, produced by the Bureau of Labor Statistics (BLS), provide additional perspectives to the unemployment rate data in assessing the current economic condition. This article also looks at their entire historical trends.

**Definitions**

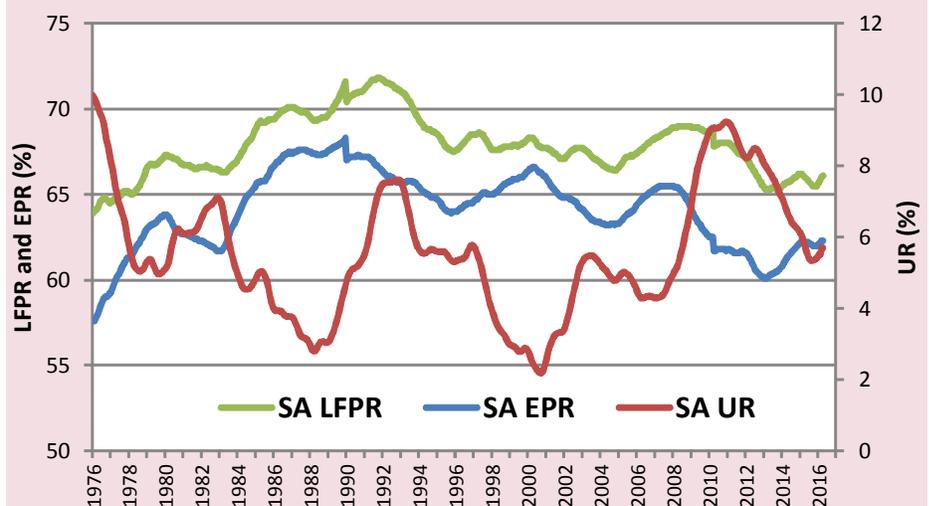
The *labor force participation rate (LFPR)* is the percentage of the civilian noninstitutional population (CNP) who is in the labor force. CNP is everyone ages 16 and older who is not on active duty in the Armed Forces or residing in prisons

or homes for the aged. Labor force is the subset of the CNP who is employed or unemployed. The LFPR is calculated by dividing the labor force by the CNP and multiplying by 100. The *employment-population ratio (EPR)* is the ratio of employed persons to the CNP.

**Current Data**

In April 2016, the seasonally adjusted Connecticut LFPR, at 66.1%, was essentially unchanged from a month ago as well as over the year. The EPR was 62.3%, same as in March, and slightly higher than in April 2015. Meanwhile, the unemployment rate rose to 5.7% in April, same as in March, and down slightly from 5.8% a year ago (Chart 1).

**Chart 1. CT LFPR, EPR, and UR, 1976-Apr. 2016**



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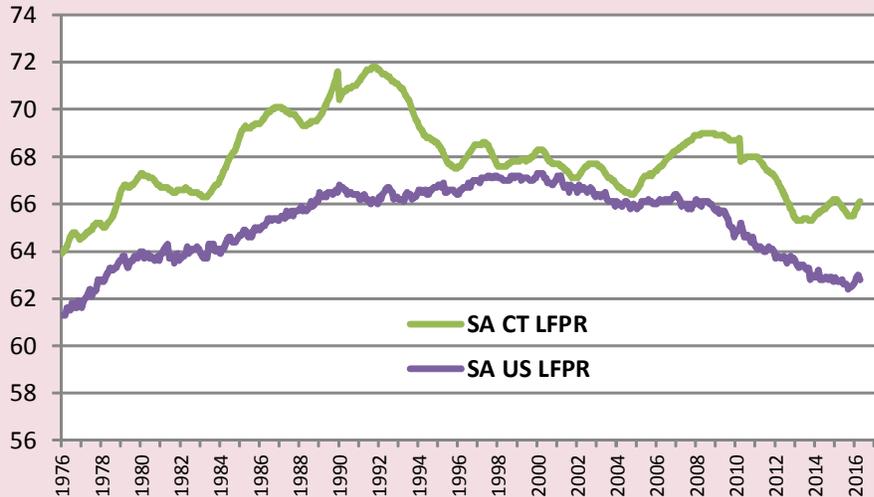
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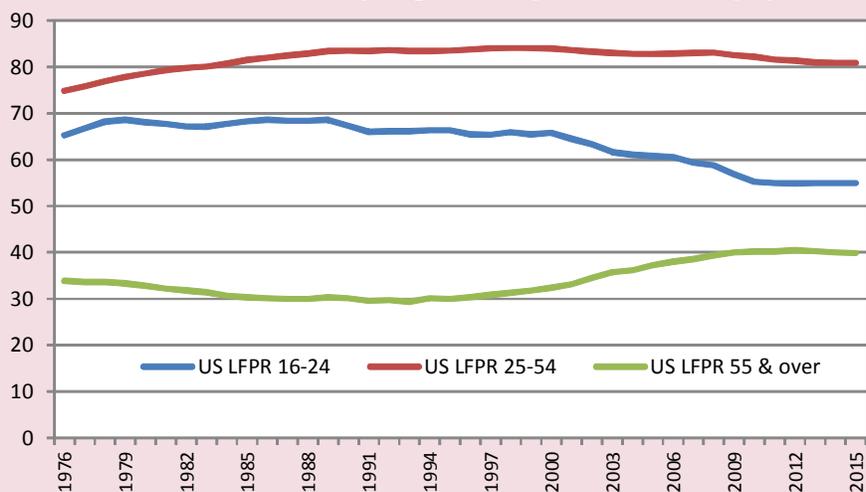
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**Chart 2. LFPR, CT vs. US, 1976-Apr. 2016 (%)**



**Chart 3. LFPR by Age Group, 1976-2015 (%)**



**Labor Force Participation Rate**

Since the rate of 63.9% in January 1976, the Connecticut LFPR rose unevenly and reached an all-time high of 71.8% during 1991, as the Baby Boom generation and women increasingly participated in the labor force. Then it fell in the late nineties through early 2000s, before rising again and hitting another secondary peak of 69.0% in 2008. After falling since then the LFPR appeared to trough again in 2013. Overall, over the four decades of ups and downs, Connecticut’s LFPR now stands at a slightly higher rate than it was in 1976.

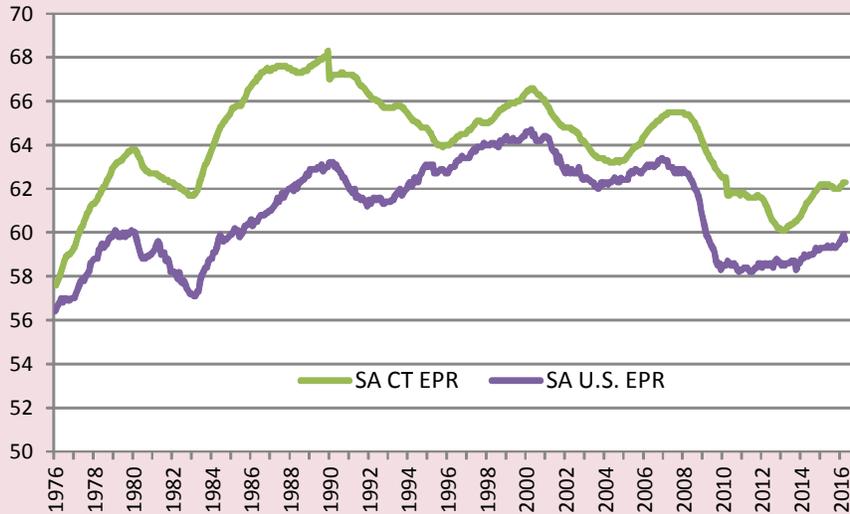
By comparison, the U.S. LFPR soared gradually from 61.3% during 1976 to a high of 67.3% during 2000. Then the rate began trending down and falling faster in 2009,

coinciding with the beginning of the Great Recession, until reaching a bottom in September 2015 (62.4%). In the last forty years, Connecticut LFPR has not quite followed the national patterns, and it was also consistently higher every month (Chart 2).

The declining national LFPR trend since 2000 can be explained by three major factors: an aging workforce, younger workers’ declining participation, and the results of the Great Recession. As the Baby Boom Generation ages, they are moving out of the “prime” working years, ages 25 to 54, and entering an age group (55 and over) where labor force participation rates decline

-continued on page 5-

**Chart 4. EPR, CT vs. US, 1976-Apr. 2016 (%)**



started at 56.4% in 1976 and peaked at 64.7% in 2000. Both the state and the U.S. exhibited similar long-term trends. However, it is encouraging to note that Connecticut EPR was consistently higher than the nation's rate during the entire series. Also, Connecticut's rate now stands at 62.3%, markedly higher than 57.6% in 1976, whereas U.S.'s 59.7% is not as much higher than 1976's 56.4% (Chart 4).

**Going Forward**

According to the BLS projections, the U.S. labor force participation rate will likely be declining over the next 10 years. The declining participation rate, combined with the aging of the population, and younger people staying in school longer in order to be able to obtain better paying jobs in the future, will cause the labor force to grow at a slower pace (average annual rate of 0.5%) during the 2014-24 projection period, slightly less than the 0.6% registered in 2004-14. Assuming we share the same above factors, Connecticut would also likely follow the similar declining trend, though at a slightly higher rate than the nation, over the next decade. ■

Reference:  
<http://www.bls.gov/opub/mlr/2015/article/labor-force-projections-to-2024.htm>

-continued from page 2-

significantly. Although the LFPR in "55 and over" group is increasing, its rate is lower than the "25-54" group. As the older group makes up a larger share of the population, overall participation rates fall. At the same time, the LFPR among the nation's youth and young adults (ages 16 to 24) has been falling sharply since 2001 (Chart 3). This is because a lot of jobs that were once held by teens went to adults, and more teens opted for school and college rather than working right out of high school. The third reason for the decreasing LFPR since the 2000s is that the U.S. has undergone two recessions (2001 and 2007-2009 "Great Recession").

LFPRs tend to fall during or linger after recessions as people leave the labor force because they get discouraged over job prospects and some decide to go back to school until the job market picks up again. There are no comparable data for these age groups for Connecticut, however, those above factors also most likely contributed to our State's decreasing LFPR.

**Employment-Population Ratio**

Connecticut employment-population ratio (EPR) fluctuated throughout the series, ranging from a low of 57.6% in 1976 to a high of 68.3% in 1989. The nation's EPR

**GENERAL ECONOMIC INDICATORS**

	1Q 2016	1Q 2015	CHANGE		4Q 2015
			NO.	%	
<i>(Seasonally adjusted)</i>					
<b>General Drift Indicator (1996=100)*</b>					
<b>Leading</b>	117.7	110.1	7.5	6.9	116.8
<b>Coincident</b>	116.9	115.6	1.3	1.1	116.4
<b>Farmington Bank Business Barometer (1992=100)**</b>	134.5	132.0	2.5	1.9	134.1
<b>Philadelphia Fed's Coincident Index (July 1992=100)***</b>					
<i>(Seasonally adjusted)</i>					
<b>Connecticut</b>	171.17	165.56	5.61	3.4	170.69
<b>United States</b>	178.68	173.31	5.37	3.1	178.23

Sources: \*Dr. Steven P. Lanza, University of Connecticut \*\*Farmington Bank \*\*\*Federal Reserve Bank of Philadelphia

**General Drift Indicators** are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and three leading (housing permits, manufacturing average weekly hours, and initial unemployment claims) economic variables, and are indexed so 1996 = 100.

The **Farmington Bank Business Barometer** is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).