

RESEARCH NOTES



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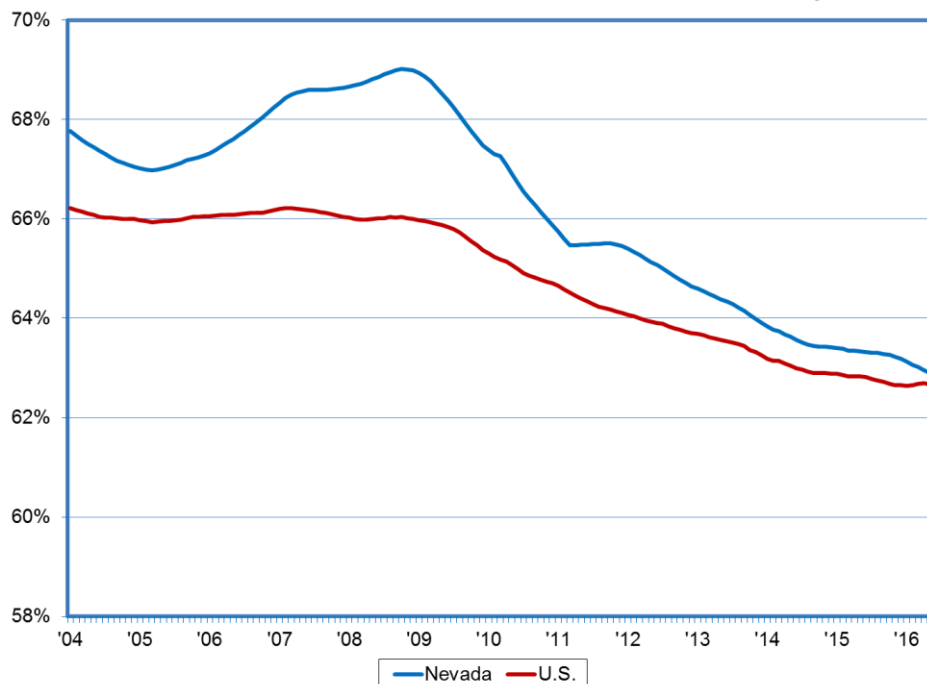


Labor Force Participation Rate
Dionny McDonnell, Economist

Note: 2016:29
July 18, 2016

LFPR Trending Higher Than U.S.; Declining Over Time Due to Structural/Cyclical Forces

labor force participation rate; 12-month moving average



- The Labor Force Participation Rate (LFPR) is a simple measure: the ratio of the labor force relative to the working-age population. Specifically, between 2010 and 2015, the labor force grew by 4.5 percent, but was outpaced by population growth, at nine percent; resulting in downward pressure on the LFPR over the period.
- 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. 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; whereas 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.
- Prior to the recession, Nevada’s LFPR was hovering between 67-68 percent. In 2008, it actually broke through the 68 percent barrier for a brief period before trending down.
- In June 2016, Nevada’s LFPR has averaged 62.8 percent (vs. 62.7 percent in the nation) over the past 12 months.