

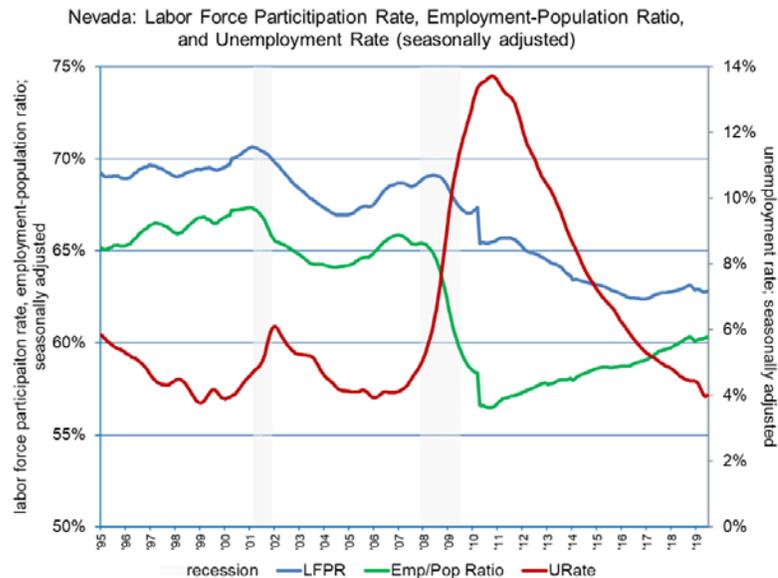
Research Notes



Labor Market Performance Measures
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Labor Force Participation Rate Trending Down; Employment-Population Ratio Increasing and Unemployment Rate Declining



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- The monthly Current Population Survey (CPS), sponsored by the Census Bureau and the Bureau of Labor Statistics, provides labor force participation rate, employment-population ratio, and unemployment rate estimates since 1994. This research note addresses how these three measures interact and shed some light on the labor market performance in the Silver State. The figures are seasonally adjusted².
- The Labor Force Participation Rate (LFPR) is a simple measure: the ratio of the labor force relative to the non-institutional population ³ 16 years and older. It measures the extent to which Nevadans are participating in the labor force, either working or looking for work. Movements in the LFPR can be described as either “structural” or “cyclical”. Structural movements result from underlying changes in the labor market fundamentals, such as: industry mix, education, and the aging of Baby Boomers into retirement, these changes can explain the declining trend in the labor force. Cyclical movements occur when there are changes in the labor market due to shifts in the health of the economy, from expansion period to declining periods (recession), and vice versa, causing individuals to enter/exit the labor force in response.

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¹ There was a CPS sample redesign in 2010 that incorporated the latest decennial census population estimates. With the incorporation of the 2010 decennial census population values into the CPS, there is a break in the CPS series between March and April 2010.

² Seasonal adjustment is a statistical technique that attempts to measure and remove the influences of predictable seasonal patterns to reveal how employment and unemployment change from month to month.

³ Civilian non-institutional population are people 16 years and older who are not confined to institutions, such as nursing homes and prisons, and who are not on active duty in the Armed Forces.

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- The unemployment rate⁴ (UR) is the number of unemployed (people who are jobless, actively seeking work and available to take a job) as a percentage of the civilian non-institutional labor force 16 years and older. As indicated before, the labor force includes both unemployed and employed people. The unemployment rate is affected by seasonal factors in labor market behavior. For example, when high school and college students look for work during the summer months, this behavior increases the number of unemployed.
- The employment-population ratio (E/P) is the proportion of the civilian non-institutional population 16 years and older that is employed. This measure is less affected by seasonal factors in the labor market behavior than the unemployment rate. Like the LFPR, the employment-population ratio can be affected by the behavior of certain population age groups. For example, when people 55 years and older decide to retire, or when individuals 16-to 24 years are going to school full-time.
- Historical figures show that from 1995 through 2008, around 68.9% of Nevada's population was participating in the labor force. During this time, about 65.6% of Nevada's population was employed. The unemployment rate averaged 4.8% during this period. The chart above shows that the LFPR and the E/P move parallel over time. As the unemployment levels increase, the gap between the LFPR and the E/P increases, this is very evident in post-recession periods.
- When the 2007 recession took hold of the Silver State, the LFPR declined to 65.3% in December 2011 and continues to trend down over time. Part of that decline has been structural in nature, attributable to industry mix, retirements, and education. Also, there is a cyclical component to the decline, as a result of the negative effects of the recession. During this period, 57.3% of Nevada's population was employed, this is down over eight percentage points from historical averages. The unemployment rate reached 12.3%, an increase of over seven percentage points from historical averages.
- As of June 2019, the LFPR stands at 62.8%. As mentioned before, the LFPR is trending down approaching national averages. The employment-population is being trending up since late-2010 and stands at 60.3% in June. Employment and population levels in the Silver State have been increasing. The unemployment level has decreased over time, and with the increase in employment, the unemployment rate declined to four percent in June 2019. The chart on next page shows the over-the-year growth in population, employment and unemployment.

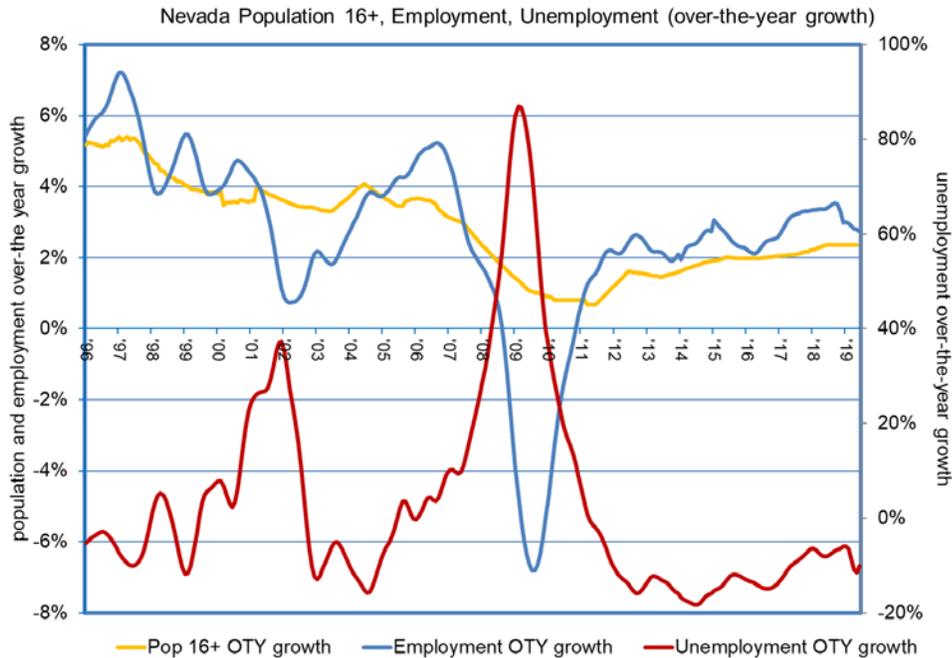
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⁴ It should be noted that utilizing information solely from the CPS results in a slightly different total unemployment rate than what is officially reported. The State's official rate incorporates information regarding job trends and unemployment insurance claims activity into the calculation, in addition to CPS results.

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- The labor market performance in Nevada has improved over time. This is reflected in a declining unemployment rate that is lower than historical levels and an employment- population ratio that is trending up but that is still below averaged levels. The labor force participation rate is trending down, but it's similar the nation's LFPR at 62.9% in June 2019.



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⁵ Due to the incorporation of the 2010 decennial census population values into the CPS, there is a break in the CPS series between March and April 2010. In this chart, population growth from April 2010 to March 2011 was replaced with average of previous and post period.