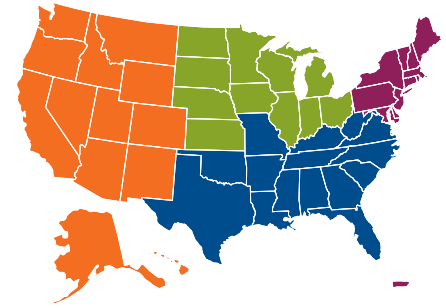


THE BOOK OF THE STATES 2013

Facts & Figures



LABOR FORCE PARTICIPATION RATES

National Analysis¹ »

What is the labor force participation rate?

- ▶ The labor force participation rate is determined by the proportion of those in the labor force to those in the total civilian, noninstitutional population.
- ▶ To be considered part of the labor force, one must either have a job or actively be looking for one.
- ▶ People fall into the category of not in the labor force for a number of reasons, including because they are retired, disabled or in school. People also may fall out of the labor force because they are discouraged and are no longer actively seeking employment.

The labor force participation rate has been on the decline for more than a decade, and the rate of decline has increased since the Great Recession began in December 2007.

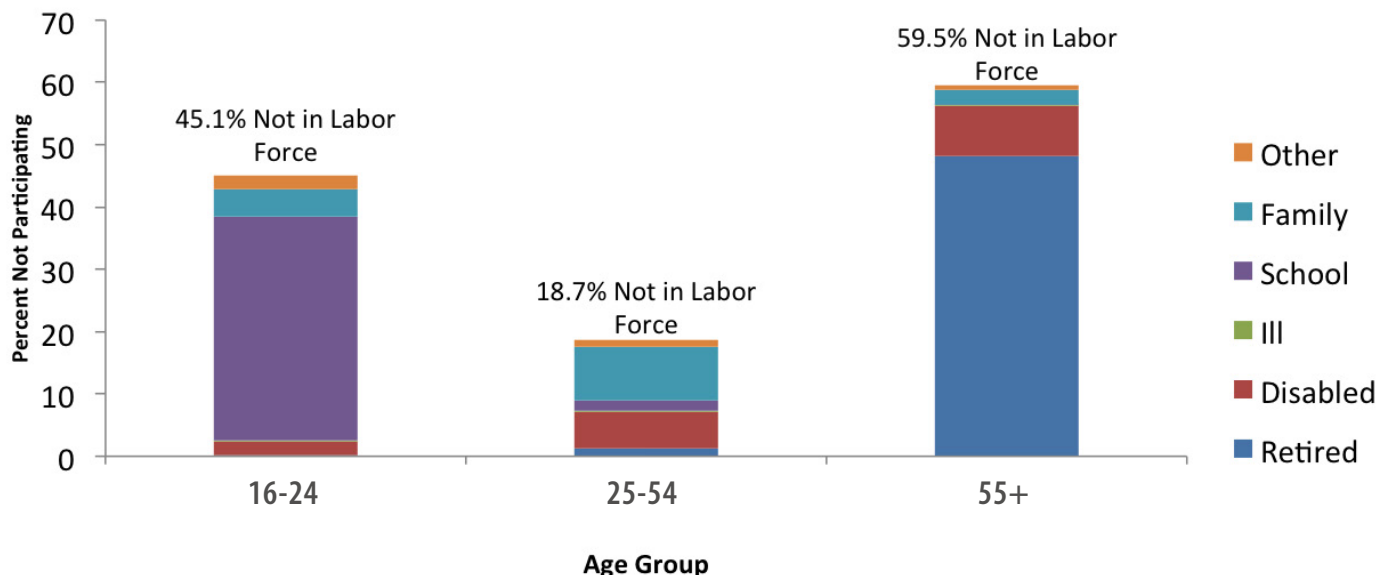
- ▶ The labor force participation rate has dropped 2.8 percentage points since the recession began. In August 2013, the rate hit 63.2 percent—the lowest since 1979.

- ▶ Between July and August 2013, 312,000 people dropped out of the labor force.
- ▶ The recession and feeble recovery have contributed to declining participation rates. Workers have remained unemployed for longer, given up and dropped out of the labor force completely, and young people have chosen school over a weak job market.
- ▶ Another significant contributing factor to the decline is a long-term demographic pattern—baby boomers are retiring and leaving the labor force. Economists at the Federal Reserve Bank of Chicago expect this trend to continue even if the recovery picks up speed, and predict the labor participation rate will be lower in 2020 than it is now.²

The likelihood of someone not participating in the labor force, as well as the reason for not participating, often depends on a person's age.

- ▶ In 2012, 45.1 percent of those ages 16-24 were not in the labor force. Most of those in this group—80 percent—indicated that school was the reason they were not participating in the labor force.

LABOR FORCE NONPARTICIPATION BY REASON AND AGE GROUP



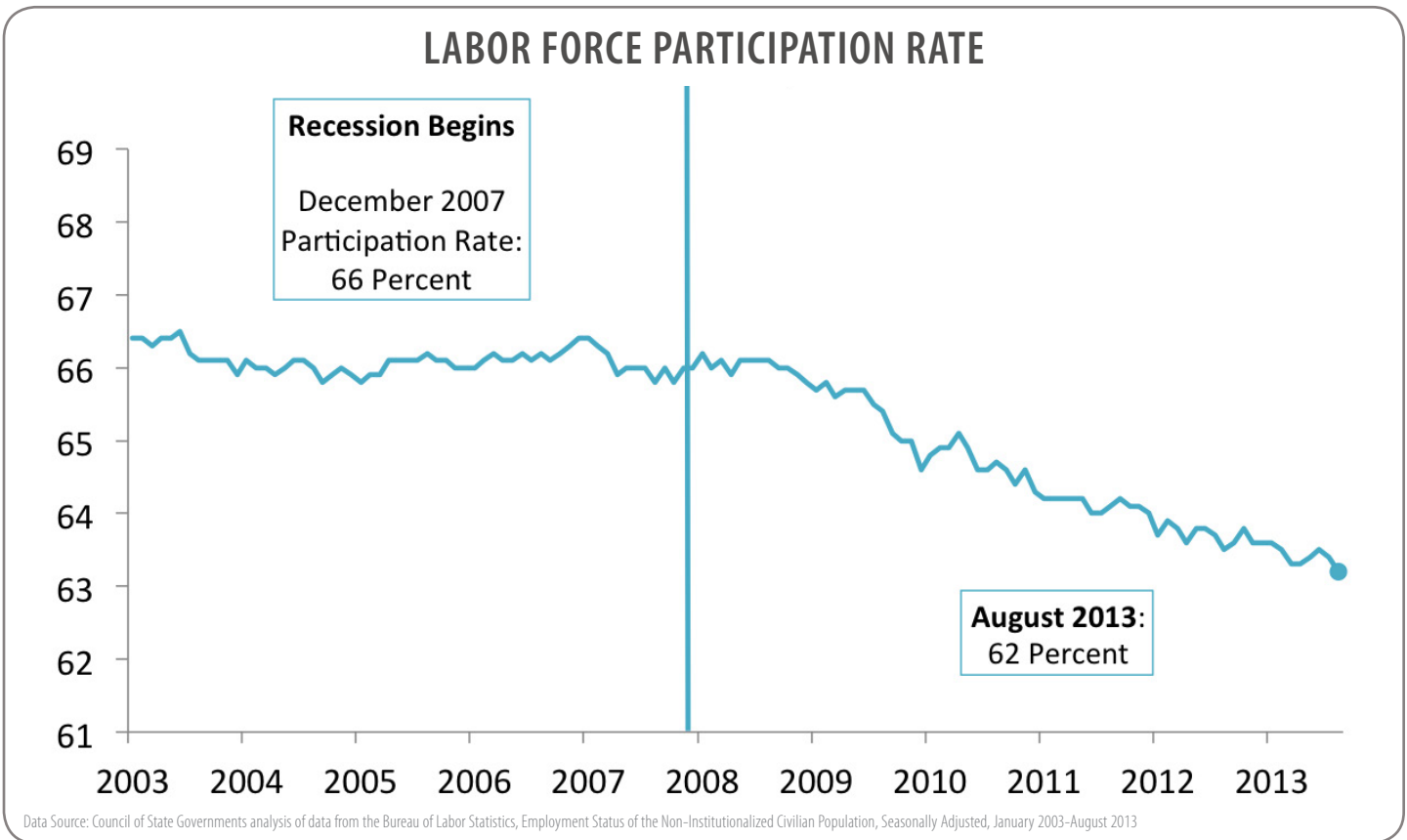
Data Source: U.S. Census Bureau, Current Population Survey, 2012

- ▶ On the other end of the age spectrum, 59.5 percent of those older than 55 were not in the labor force in 2012; 80 percent cited retirement as their reason for nonparticipation.
- ▶ For those in the middle—ages 25-54—18.6 percent did not participate in the labor market in 2012, but their reasons varied: 31 percent cited disability, 46 percent said family, 9 percent said school and 7 percent cited retirement.
- ▶ Since the recession began, participation rates have shifted somewhat across age groups. Nonparticipation rates in both the lower and middle age categories increased from 2007 to 2012—although more dramatically for the lower age group—but decreased slightly for those older than 55.

Participation rates vary significantly across states and regions, with a range of nearly 20 percentage points between the lowest and highest states.

- ▶ In August 2013, West Virginia had the lowest labor force participation rate at 53.3 percent, followed by Alabama and Mississippi, both at 57.0 percent.

- ▶ Nebraska had the highest participation at 72.5 percent in August, followed by North Dakota at 71.4 percent and Minnesota at 70.3 percent.
- ▶ CSG’s Midwestern region had the highest state average participation rate in August at 67.2 percent, while CSG’s Southern region had the lowest average at 60.5 percent.
- ▶ Compared to a year ago, seven states—Iowa, Maine, Michigan, Missouri, Nebraska, Utah and Wisconsin—saw an increase in labor force participation rates, while the remaining states all saw declines. Utah’s rate increased by 1.4 percentage points over this period, the largest of any state.
- ▶ When compared to prerecession rates, labor force participation rates decreased in every state. Hawaii (-6.3 percentage points), Delaware (-5.7 percentage points) and New Mexico (-4.8 percentage points) experienced the largest rate decreases over this period. Texas and Kentucky, each with a decrease of 0.7 percentage points, had the smallest changes across all states.

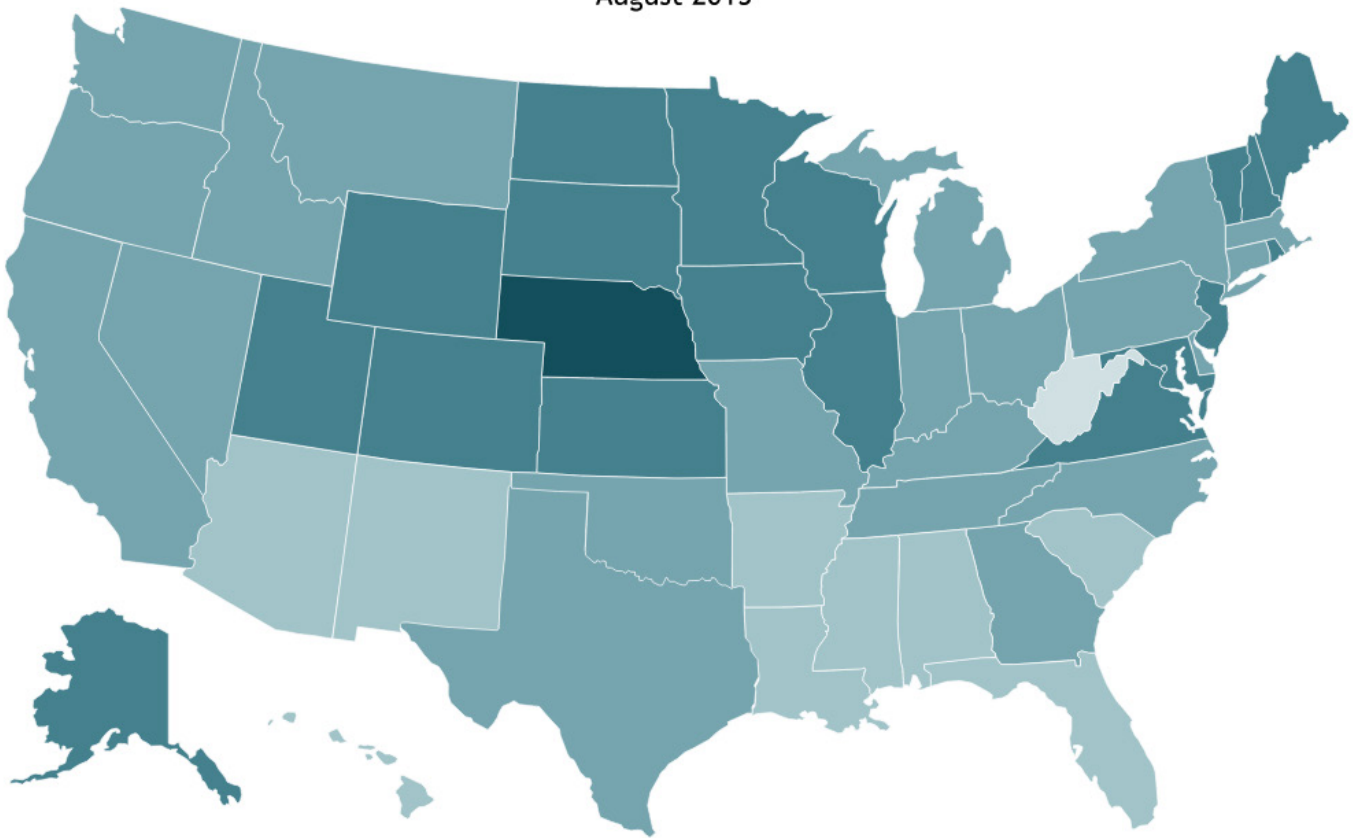


REFERENCES

¹Unless otherwise noted, figures throughout this brief represent author’s calculation of data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics, Current Population Survey, <http://data.bls.gov/timeseries/LNS11300000>
²Daniel Aaronson, Jonathan Davis and Luojia Hu. “Explaining the decline in the U.S. labor force participation rate,” The Federal Reserve Bank of Chicago, March 2012 http://chicagofed.org/digital_assets/publications/chicago_fed_letter/2012/cflmarch2012_296.pdf

STATE LABOR FORCE PARTICIPATION RATES

August 2013



Participation Rates 50-54.9 55-59.9 60-64.9 65-69.9 70+

Data Source: U.S. Bureau of Labor Statistics

The Council of State Governments

STATE LABOR FORCE PARTICIPATION RATES »

	Labor Force Participation Rate (percent)			Change in Rate (percentage points)	
	August 2013	August 2012	December 2007	August 2012 -August 2013	December 2007 (pre-recession) -August 2013
United States	63.2	63.5	66.0	-0.3	-2.8
EAST REGION					
Connecticut	64.6	66.0	68.4	-1.4	-3.8
Delaware	60.5	61.6	66.2	-1.1	-5.7
Maine	65.3	65.1	66.2	0.2	-0.9
Maryland	67.0	67.8	69.2	-0.8	-2.2
Massachusetts	64.8	65.0	66.7	-0.2	-1.9
New Hampshire	69.1	69.5	70.8	-0.4	-1.7
New Jersey	65.4	65.9	66.9	-0.5	-1.5
New York	61.3	61.5	63.0	-0.2	-1.7
Pennsylvania	63.7	63.9	64.7	-0.2	-1.0
Rhode Island	65.1	66.4	68.5	-1.3	-3.4
Vermont	68.6	69.5	70.6	-0.9	-2.0
MIDWEST REGION					
Illinois	65.0	66.0	68.7	-1.0	-3.7
Indiana	62.3	62.4	66.7	-0.1	-4.4
Iowa	68.7	68.4	72.5	0.3	-3.8
Kansas	67.7	68.2	70.2	-0.5	-2.5
Michigan	60.4	59.7	64.4	0.7	-4.0
Minnesota	70.3	70.7	72.1	-0.4	-1.8
Nebraska	72.5	72.2	73.4	0.3	-0.9
North Dakota	71.4	71.9	74.1	-0.5	-2.7
Ohio	63.3	63.5	66.8	-0.2	-3.5
South Dakota	69.7	70.2	72.6	-0.5	-2.9
Wisconsin	68.0	67.9	70.8	0.1	-2.8
SOUTH REGION					
Alabama	57.0	57.5	61.0	-0.5	-4.0
Arkansas	58.0	59.6	62.8	-1.6	-4.8
Florida	59.8	60.6	64.2	-0.8	-4.4
Georgia	63.4	64.1	68.1	-0.7	-4.7
Kentucky	61.2	61.5	61.9	-0.3	-0.7
Louisiana	59.2	59.5	61.2	-0.3	-2.0
Mississippi	57.0	59.1	60.0	-2.1	-3.0
Missouri	64.1	64.0	67.1	0.1	-3.0
North Carolina	61.8	62.9	65.3	-1.1	-3.5
Oklahoma	61.8	62.3	63.6	-0.5	-1.8
South Carolina	58.5	59.1	62.6	-0.6	-4.1
Tennessee	61.2	61.8	63.9	-0.6	-2.7
Texas	64.9	65.1	65.6	-0.2	-0.7
Virginia	66.0	66.4	69.0	-0.4	-3.0
West Virginia	53.3	54.2	55.9	-0.9	-2.6
WEST REGION					
Alaska	67.0	68.1	71.1	-1.1	-4.1
Arizona	59.2	60.4	63.1	-1.2	-3.9
California	62.5	62.9	65.9	-0.4	-3.4
Colorado	68.2	68.5	72.9	-0.3	-4.7
Hawaii	59.6	60.8	65.9	-1.2	-6.3
Idaho	64.1	64.6	67.1	-0.5	-3.0
Montana	63.5	64.0	67.2	-0.5	-3.7
Nevada	63.1	64.4	67.6	-1.3	-4.5
New Mexico	58.3	58.8	63.1	-0.5	-4.8
Oregon	61.4	63.1	65.8	-1.7	-4.4
Utah	68.0	66.6	72.1	1.4	-4.1
Washington	63.9	64.5	68.1	-0.6	-4.2
Wyoming	67.7	68.6	72.1	-0.9	-4.4

Source: CSG calculation of data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics, Current Population Survey, <http://data.bls.gov/timeseries/LNS11300000>

