

Labor Force Participation in New Jersey

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The Demographics of Labor Force Participation

Are you in or are you out – of the labor force, that is? The answer to this question has important implications for determining the economic strength of New Jersey and the United States.

It is difficult to know if the state or national labor force is large enough to meet the demands of today's global marketplace by looking at the number of adults in the working age population (age 16 and above). What truly matters is knowing what percentage of individuals within that large group are actually available for work. That vital number is called the **labor force participation rate** (LFPR).

The labor force participation rate is defined as the percentage of working-age persons age 16+ who are either employed or unemployed but looking for a job. Some working-age persons may not participate in the labor force voluntarily (don't want to work) or involuntarily (unable to work). Non-participants typically include full-time students, stay at home parents, retirees, people with poor health or lack of employable qualifications (e.g., necessary knowledge and skills), and discouraged workers (people who have given up looking for a job).

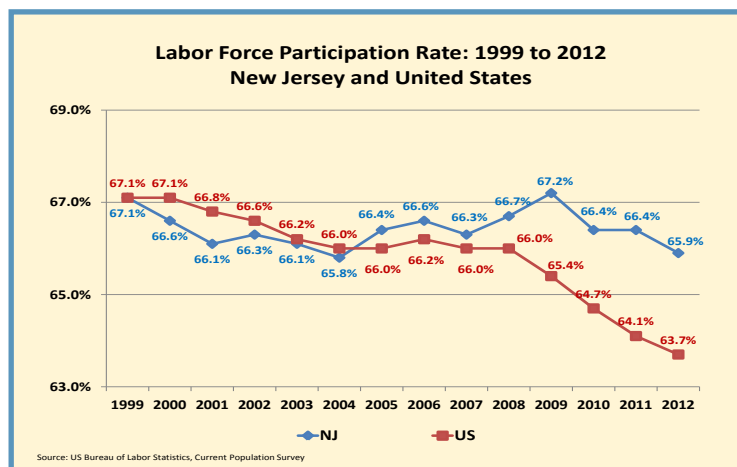
The fact is that the highest percentage of adults actively participating in the New Jersey or national labor force ever achieved was just over 67% back in 1999. Not surprisingly, any increase or

decrease in the number of these active workers or jobseekers has a direct impact on employers, educators, government policymakers – and the general public.

The labor force participation rate (LFPR) varies by age, sex, race, education, and disability status, among other things:

- The rate of the prime-age population (25-54 years old) has historically remained above 80 percent, but has recently declined.
- Rates of “older workers” (55 years and over) have steadily increased in recent years.
- Male workers have historically had a higher labor force participation rate than their female counterparts, although the gap has gradually shrunk since 1970.
- Whites are more active participants in the labor force than African Americans, and
- A higher percentage of Hispanics are in the labor force than non-Hispanics.

In 2012, the average size of the New Jersey labor force reached its highest level in state history: 4,595,000



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Education, training and health enhance employability. In 2011, more than 86 percent of the 25-64 years old population with a college degree were in the labor force, compared with 64.5 percent of those without a high school diploma in New Jersey. Only 44.6 percent of the 18-64 population with a disability were in the labor force while 82.2 percent of those without any disability were participating in New Jersey's labor force in 2011.

The Rise and Fall of the Labor Force Participation Rate

In spite of declining labor force participation among men, the overall labor force participation rate in the US, lifted by increasing women's participation, has climbed gradually since 1970 (60.4%) to reach its peak in 1999 (67.1%). Nonetheless, the rate has been trending downward ever since. It had gradually declined but remained above 66 percent until 2008, then dropped further to 65.4 percent in 2009 and to 64.7 percent and 64.1 percent in 2010 and 2011, respectively. The preliminary 2012 estimate is just 63.7 percent - a full 3.4 percentage points below the 1999 level. If the labor force participation rate remains at the 67.1 percent level, the nation would have 163,244,000 estimated workers in 2012 – about 8.3 million more labor force members than we actually had (154,970,000).

The decline of New Jersey's LFPR was neither as rapid nor continual as the nation as a whole. After a moderate decline from 67.1 percent in 1999 to 65.8 percent in 2004, New Jersey's overall LFPR managed to reach another peak of 67.2 percent in 2009 before dropping to 66.4 percent in 2010 and 2011. The preliminary 2012 estimate is 65.9 percent - 1.3 percentage points below its highest level, which is the smallest shortfall to the peak among 50 states. Michigan had the most severe decline in labor force participation (from 68.9% in 2000

Labor Force Participation Rate by Sex, Race and Hispanic Origin:
New Jersey and United States, 1999 to 2012

Year	Male		Female		White		Black		Hispanic	
	US	NJ	US	NJ	US	NJ	US	NJ	US	NJ
1999	74.7	75.5	60.0	59.5	67.3	66.9	65.8	67.5	67.7	70.7
2000	74.8	75.5	59.9	58.4	67.3	66.2	65.8	67.9	69.7	71.6
2001	74.4	74.3	59.8	58.7	67.0	65.5	65.3	67.4	69.5	68.6
2002	74.1	73.8	59.6	59.5	66.8	65.7	64.8	67.5	69.1	68.4
2003	73.5	73.7	59.5	59.2	66.5	65.7	64.3	66.7	68.3	69.9
2004	73.3	74.0	59.2	58.4	66.3	65.8	63.8	65.2	68.6	72.2
2005	73.3	75.3	59.3	58.2	66.3	65.9	64.2	67.1	68.0	72.6
2006	73.5	75.2	59.4	58.7	66.5	66.2	64.1	66.5	68.7	70.6
2007	73.2	74.5	59.3	58.6	66.4	66.3	63.7	63.0	68.8	70.9
2008	73.0	73.6	59.5	60.2	66.3	66.7	63.7	64.1	68.5	72.3
2009	72.0	74.0	59.2	60.8	65.8	67.8	62.4	64.9	68.0	72.8
2010	71.2	73.6	58.6	59.6	65.1	66.5	62.2	65.3	67.5	73.2
2011	70.5	73.3	58.1	59.8	64.5	66.4	61.4	64.2	66.5	71.3
2012	70.2	72.6	57.7	59.7	64.0	65.7	61.5	64.3	66.4	73.2

Source: US Bureau of Labor Statistics, Current Population Survey

to 60% in 2012). Incidentally, Pennsylvania's 1.5 percentage points decline from its peak level and New York's 1.8 percentage points decline were the second and third smallest shortfalls in the nation, respectively.

The comparative resilience of New Jersey's LFPR was due mainly to the relatively high participation rates of women, Hispanics and older workers. After a moderate decline between 1999 and 2007, NJ's female LFPR has been higher than its 1999 level since 2008. The Hispanic LFPR has remained above 70 percent in New Jersey in almost all years except 2001 to 2003, and was as high as 73.2 percent in 2010 and 2012. The LFPR of the 55 and older population has increased substantially almost every year since 1999. The 2012 participation rate for 55-64 year olds (72.2%) was 10.4 percentage points higher than it was in 1999. Moreover, the participation rate of the 65 and older group has more than doubled from 11.5 percent in 1999 to 23.7 percent in 2012.

A declining labor force participation rate coupled with slow population growth will result in a stagnant labor force. As "baby boomers" start to retire or pass their prime age while the nation's fertility remains low, the growth of labor force in the US and New Jersey will be slower than the previous decade unless labor force participation rates rise. Despite the current downward trend,

the nation's (and the state's) labor force participation rate could increase again if job opportunities become abundant and workers are well prepared for the jobs.

Labor Force Participation and Unemployment

Faster job growth could lead to a higher labor force participation by fostering a perceived optimistic outlook of job opportunities in a given labor market. Yet, a higher labor force participation rate may, in turn, cause higher unemployment when employment growth fails to keep pace with the increasing labor force. Thus, a higher/lower LFPR cannot be straight forwardly explained by the increase/decrease of unemployment rate, and vice versa.

The association between the LFPR and the unemployment rate was unclear in New Jersey before the 2007 recession, as the two rates increased/decreased together in some years but went in opposite directions in other years. During the recession years (2008 and 2009), the rising LFPR may have contributed, at least partly, to the state's higher unemployment rates. After the recession officially ended in 2009, the state's unemployment rate remained stubbornly high, which may have deterred some workers from entering or reentering the labor force,

and hence the declining participation rate so far in this decade (2010-2012)¹.

Based on 1999-2012 data, the correlation between New Jersey's LFPR and unemployment rate was low ($r=0.031$). However, the correlation was strong in certain age groups. Higher unemployment rates were highly correlated with higher LFPRs among the state's 65 and over ($r=0.685$) and 55-64 ($r=0.655$) labor force. That is, the elevated participation rates of New Jersey's older workers may have contributed to their increasing unemployment rates. For instance, between 2000 and 2012, the participation rate jumped from 12.0 percent to 23.7 percent among workers 65 and over while their unemployment rate also more than tripled from 2.6 percent to 9.0 percent. In contrast, significant negative correlations between unemployment rates and LFPRs were found among New Jersey's younger workers. The correlation coefficients were -0.524 for the 25-34 year olds and -0.456 for the 16-24 age group. It is implied that the rising unemployment rate might have discouraged labor force participation among the state's younger workers. For instance, when the unemployment rate rose to 9.8 percent in 2010 from 3.6 percent in 2000 among the state's 25-34 year olds, their labor force participation rate dropped to 82.2 percent from 84.5 percent.

New Jersey vs. United States

Labor force participation in both the US and New Jersey peaked at 67.1 percent in 1999. Between 2000 and 2004, New Jersey's rate was slightly lower than the national rate. However,

Labor Force Participation Rate (LFPR) and Unemployment Rate (UR)
by Age Group: New Jersey, 1999 to 2012

Year	16 to 19		20 to 24		25 to 34		35 to 44		45 to 54		55 to 64		65 & over	
	UR	LFPR	UR	LFPR	UR	LFPR	UR	LFPR	UR	LFPR	UR	LFPR	UR	LFPR
1999	13.4	46.9	8.3	75.0	4.3	85.2	3.2	84.7	3.6	84.5	3.5	61.8	4.8	11.5
2000	12.7	47.8	7.8	76.8	3.6	84.5	2.9	84.5	2.4	83.2	2.0	62.6	2.6	12.0
2001	13.1	44.6	7.1	73.3	4.3	83.4	3.0	83.1	2.8	84.8	4.3	66.0	2.7	11.5
2002	14.5	43.2	9.1	72.9	6.4	84.0	4.6	83.0	4.4	84.5	5.1	68.7	5.4	12.0
2003	16.2	39.0	10.2	72.0	5.7	84.5	5.0	83.6	4.4	83.6	4.6	68.9	5.0	13.2
2004	13.8	36.3	7.6	73.0	4.5	83.8	3.7	82.9	4.3	83.5	4.0	68.9	3.5	13.5
2005	15.3	37.6	7.7	70.9	4.6	85.4	3.2	83.2	3.4	84.3	3.4	67.5	2.4	15.2
2006	13.3	38.1	9.5	69.6	4.7	84.3	4.1	82.9	4.1	84.7	2.9	69.7	3.4	16.7
2007	13.5	32.3	8.4	67.9	4.1	83.5	3.4	82.8	3.4	83.6	3.1	71.4	2.4	18.3
2008	16.0	34.1	8.8	72.4	5.5	84.4	3.7	85.2	4.8	83.5	4.4	69.1	3.9	18.9
2009	21.6	29.7	12.7	72.7	11.6	84.1	7.2	86.2	8.1	84.2	6.2	71.1	8.1	20.1
2010	20.9	29.7	14.0	66.7	9.8	82.2	7.7	85.8	8.6	84.5	7.7	71.3	8.0	21.4
2011	23.5	27.8	14.8	70.1	9.5	83.1	8.6	83.8	7.6	84.0	8.1	71.9	7.4	21.8
2012	24.7	32.4	15.7	71.1	9.6	83.4	7.4	82.4	8.1	82.7	7.2	72.2	9.0	23.7

Source: US Bureau of Labor Statistics, Current Population Survey

New Jersey's LFPR surpassed the US in 2005 for the first time in this century, and has remained higher than the national level since then. Furthermore, the gap between the state's and the nation's LFPR has broadened from 0.4 percentage points in 2005 to 2.2 percentage points in 2012.

The male LFPR in New Jersey has been higher than that in the US except in 2001 and 2002. The LFPR for females in the state did not surpass US rate until 2008. The nation's female LFPR peaked in 1999 (60%) and has declined ever since. In comparison, the female LFPR did not reach its peak until 2009 (60.8%) in New Jersey.

The relatively lower participation among New Jersey's whites, especially white females, is responsible for the state's overall lower LFPR in earlier years. On the other hand, nonwhite worker's labor force participation has been higher in New Jersey than in the US. New Jersey's Hispanic LFPR, in particular, has been substantially higher than their counterparts in the nation as a whole between 1999 and 2011. African Americans and Asians also have higher participation rates in New Jersey than in the US in most years except one (Blacks in 2007 and Asians in 2009).

The participation rate of new entrants to the labor force – 16 to 19 and 20 to 24 years old – were lower in New Jersey than in the US, due partly to the state's higher school enrollment rate of this age group. With higher educational attainment, New Jersey's 25-34 year olds have a higher LFPR than the US except in 2000 and 2001. However, the LFPR of the 35-44 year olds in New Jersey did not surpass their US counterparts until after the 2007 recession. The participation rates of the state's older (over 45) workers have been consistently higher than national average except in years prior to 2005 when the participation rate of the 65 and over group was lower in New Jersey than in the nation.

New Jersey's overall LFPR in 2011 (66.4%) was higher than 33 states in the nation. The LFPR among the nation's 50 states

ranged from 73.4 percent in North Dakota to 54.3 percent in West Virginia, in 2011.

Labor force participation in New Jersey has been higher than in its mid-Atlantic neighbors – New York and Pennsylvania, between 1999 and 2012. The 2011 participation rate was 66.4 percent in New Jersey, 61.3 percent in New York and 63.2 percent in Pennsylvania. New Jersey's particularly high participation rate among its Hispanic and older workers distinguished the state from its neighbors. Hispanic's LFPR in 2012 was 73.2 percent in New Jersey versus 64.6 percent in Pennsylvania and 60.3 percent in New York. More than 72 percent of New Jersey's 55-64 population was in the labor force in 2012, while this age group's participation rates were just 65.5 percent in Pennsylvania and 64.3 percent in New York. Only 17.2 percent of Pennsylvania's elderly population (65 years and over) and 17.7 percent of New York's seniors were in the labor force, while 23.7 percent of New Jersey's elderly persons remained in the labor force as of 2012.

Footnotes:

¹ Annual data were analyzed in this report. However, it is noteworthy that monthly data might have shown somewhat different trends. For instance, New Jersey's labor force participation rates were increased in the fourth quarter of 2012 although the annual rate indicated a decline from previous year. The December 2012 rate (66.3%) was actually higher than the state's December 2011 rate (65.5%).

Data Sources

The labor force data presented in this report are derived from **Current Population Survey (CPS)**, which has been the major source of the nation's official employment and unemployment statistics. Most labor force participation and unemployment rate data are available on the US Bureau of Labor Statistics web page: <http://www.bls.gov/lau/tables.htm>.

The data cited in this report regarding labor force status by educational attainment and disability status are based on the 2011 **American Community Survey (ACS)**.

Readers should direct their questions or comments, if any, to New Jersey Department of Labor and Workforce Development, Division of Labor Market and Demographic Research, P. O. Box 388, Trenton, NJ 08625-0388.

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