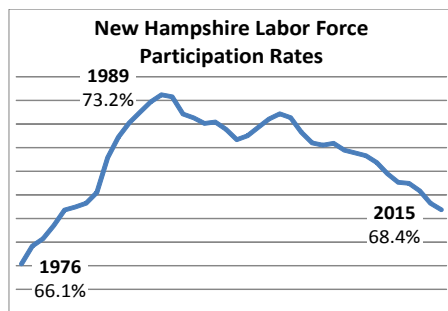


New Hampshire Economic Conditions

May 2016

New Hampshire's Labor Force Participation - 2005 to 2015

In 2015, New Hampshire's *labor force participation rate* was 68.4 percent. The *labor force participation rate* measures the share of residents, age



16 years and over, who are either working or looking for work. Those who are not working or not actively seeking work are counted as 'not in the labor force.' The proportion of working age residents participating in the labor force in New Hampshire has recently been declining, from 71.4 percent in 2005, to 70.3 percent in 2010, to 68.4 percent in 2015. By comparison, New Hampshire's participation rate was 66.1 percent in 1976.

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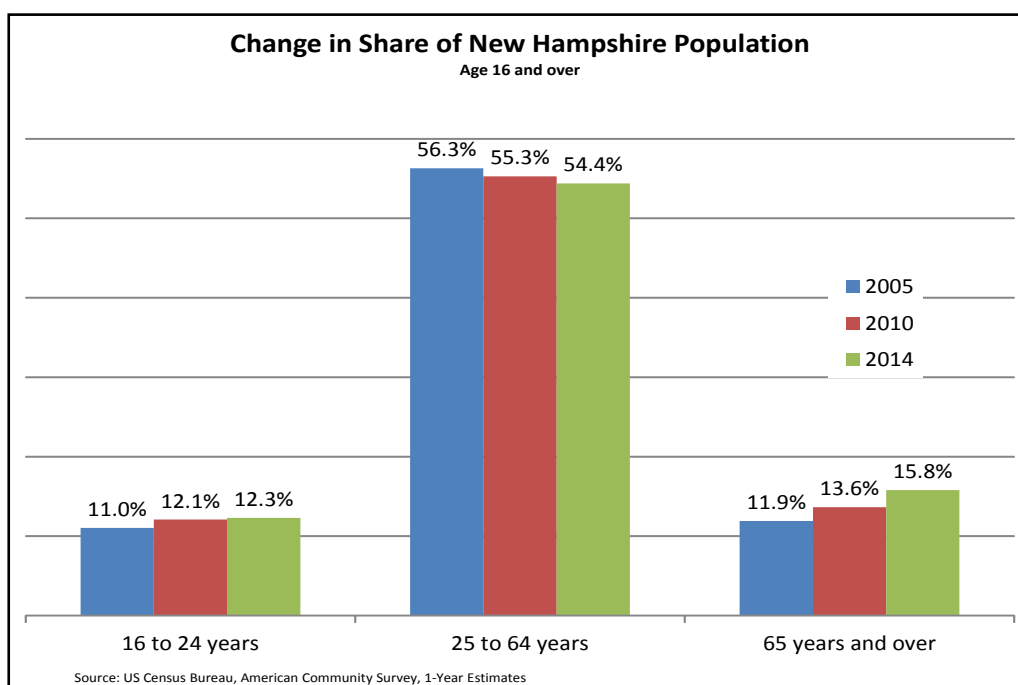
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What Is Driving the Decline in Labor Force Participation?

The demographics of New Hampshire's population play a role in the reason a person does or does not participate in the labor force. While the largest portion of the labor force is in the 'working age' group, age 25 to 64 years, residents age 16 to 24 years as well as those age 65 years and over may also be labor force participants.

The share of the population in the age 25 to 64 years group, those making up a majority of working age residents, dropped by two percent from 2005 to 2015, while the share of the population in the age 16 to 24 years group increased by just over one percent. At the same time, the share of the population age 65 years and over

increased by four percent. The combination of low population increase in the youngest age group, a slight decline in working age population, and growing retirement age population have contributed to lower labor force participation in New Hampshire.



Labor Force Participation by Age

Detailed data about New Hampshire residents from the Current Population Survey (CPS) illustrate the differences in labor force participation rates between age cohorts.

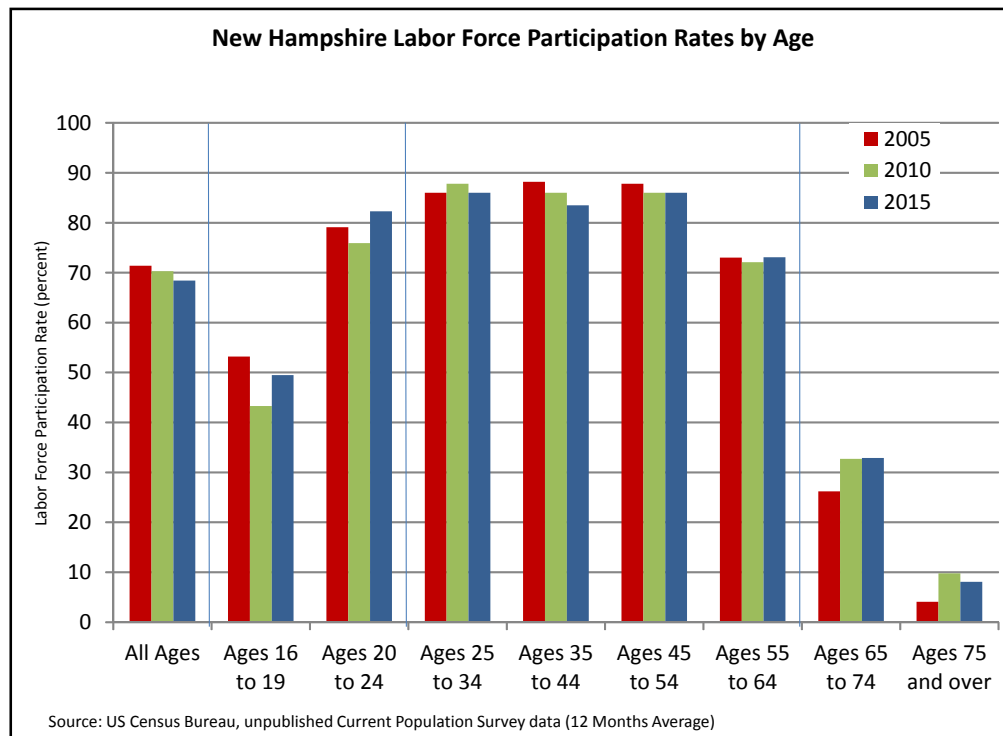
The two youngest age groups, 16 to 19 years and 20 to 24 years, experienced the largest declines in labor force participation from 2005 to 2010. Higher rates of unemployment during and following the latest recession meant a surplus of available experienced workers. Those in the younger age groups showed a tenuous connection to the labor force—more people in these age groups did not continue work or to look for work in 2010 than in 2005. After the drop in the labor force participation rate

in 2010 for those age 16 to 19 years, participation did rebound by 2015 but not enough to reach pre-recession levels, while the labor force participation rate of those 20 to 24 years surpassed their pre-recession level.

Labor force participation rates among the four age groups from 25 to 64 years showed more consistency in labor force participation over time than in the younger age groups. Residents in these age groups were attached to the labor force even during the depth of the recession. These four age groups make up a majority of the work force.

Since 2005, there has been increasing labor force participation among

individuals age 65 years and over. Traditionally, age 65 has been retirement age, meaning that people voluntarily leave the labor force. The increase in labor force participation among people age 65 years and over has been connected to the decline in the number of people covered by defined benefit pension retirement plans.^{1,2} The change in retirement savings plans and the lack of individual savings has prompted many people to work longer to increase their retirement income.^{3,4} The labor force participation rate of those age 65 years and over has also been affected by the relatively large infusion of baby boomers who are age 65 to 70 years, many of whom are still working.



¹ Social Security Administration. The Increasing Labor Force Participation of Older Workers and Its Effect on the Income of the Aged. Michael V. Leonesio, Benjamin Bridges, Robert Gsumaria, and Linda Del Bene. <https://www.ssa.gov/policy/docs/ssb/v72n1/v72n1p59.pdf>

² Social Security Administration. The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Baby Boomers. Barbara A. Butrica, Howard M. Iams, Karen E. Smith, and Eric J. Toder. <https://www.ssa.gov/policy/docs/ssb/v69n3/v69n3p1.pdf>

³ ISSUE BRIEF, April 2015, No. 13. The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence. Ruth Helman, Greenwald & Associates; and Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D., Employee Benefit Research Institute https://www.ebri.org/pdf/briefspdf/ebri_ib_413_apr15_rcs-2015.pdf

⁴ The Semi-Retirement Myth. Helaine Olen. March 2 2015 http://www.slate.com/articles/business/moneybox/2015/03/baby_boomers_delaying_retirement_it_s_a_myth_because_retirement_is_inevitable.html

Components of Labor Force Participation

Total Civilian Noninstitutional Population and Labor Force Status

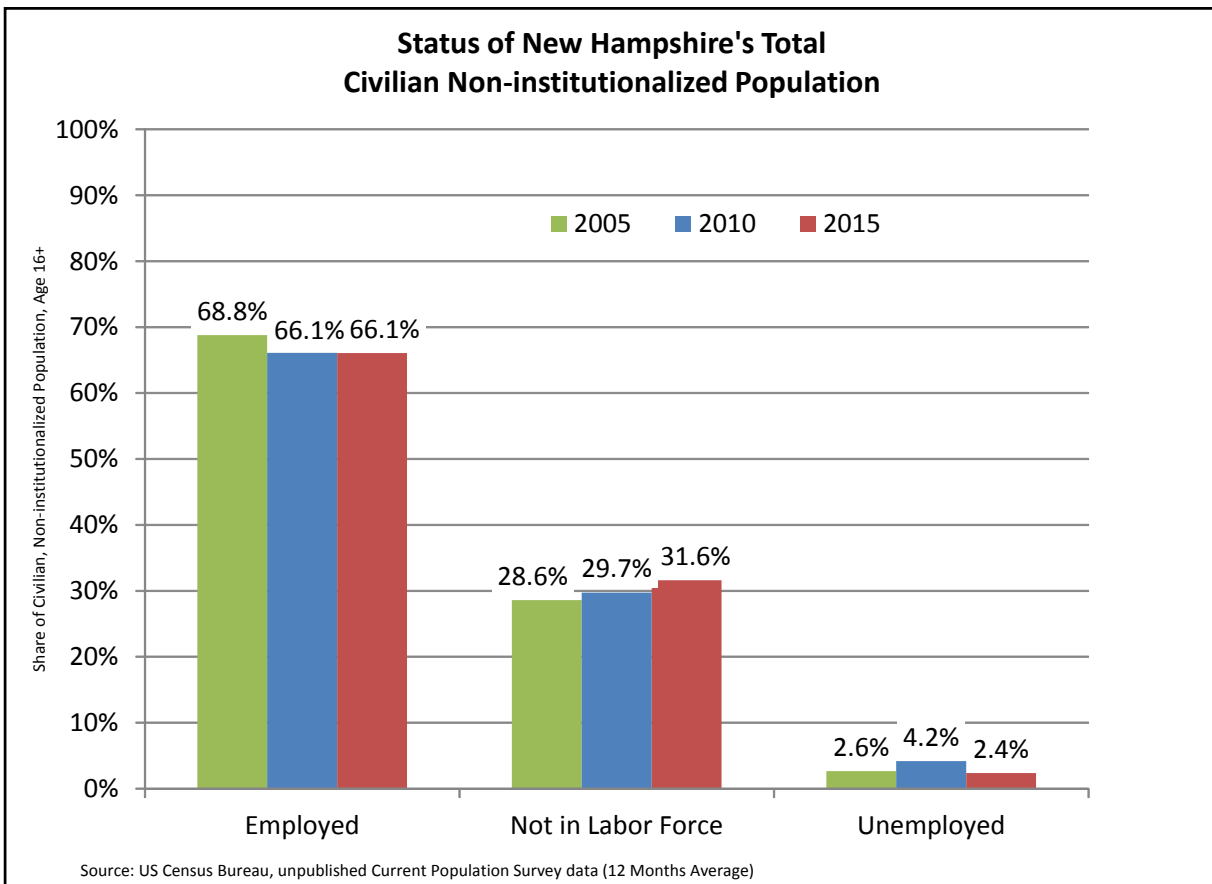
In discussions about the labor force distinctions are made to help identify the focus. It is necessary, for starters, to understand the meaning of the *Civilian noninstitutional population*. The civilian noninstitutional population refers to persons 16 years of age and older residing in the 50 states and the District of Columbia, in this case specifically New Hampshire, who are not inmates of institutions (e.g., penal and mental facilities, homes for the aged), and who are not on active duty in the Armed Forces.⁵

The civilian noninstitutional population includes two components, those in the labor force – either employed or unemployed and looking for work – and those not in the labor force.

Over time, changes in the labor force status of the civilian noninstitutional population can give insight to overall changes in behavior of the working age population.

In 2005, 68.8 percent of New Hampshire's civilian population was employed. That share dropped to 66.1 percent in 2010 and remained

there in 2015. The decline in the share of the population that was employed in 2010 was accompanied by both an increase in the unemployed share, as well as an increase in the share that was not in the labor force at all (not working and not searching for work). By 2015, although the share of the population that was employed remained at 66.1 percent, the share of the population that was unemployed dropped as the economic recovery took hold, and the share out of the labor force increased, partly influenced by an aging population entering retirement age.



⁵ US Department of Labor, Bureau of Labor Statistics, Frequently asked questions. http://www.bls.gov/dolfaq/bls_ques23.htm

Labor Force Status by Age Group

To further understand and illustrate the impact of changes in labor force status on the total civilian noninstitutional population, the population was broken into three age groups:

- the youngest - age 16 to 24 years;
- prime working age group – age 25 to 64 years;

- and the oldest residents – age 65 years and over.

Examining the status of each age group as a share of the total civilian population helps show the impact each age group has on the labor force as a whole, and how that has shifted over time.

As the proportion of the civilian noninstitutionalized population in each age group changed, the labor force status - employed, unemployed, or not in the labor force – of each age group shifted over three time periods – 2005, 2010, and 2015. These changes highlight several reasons behind declining labor force participation in New Hampshire, as well as the nation.

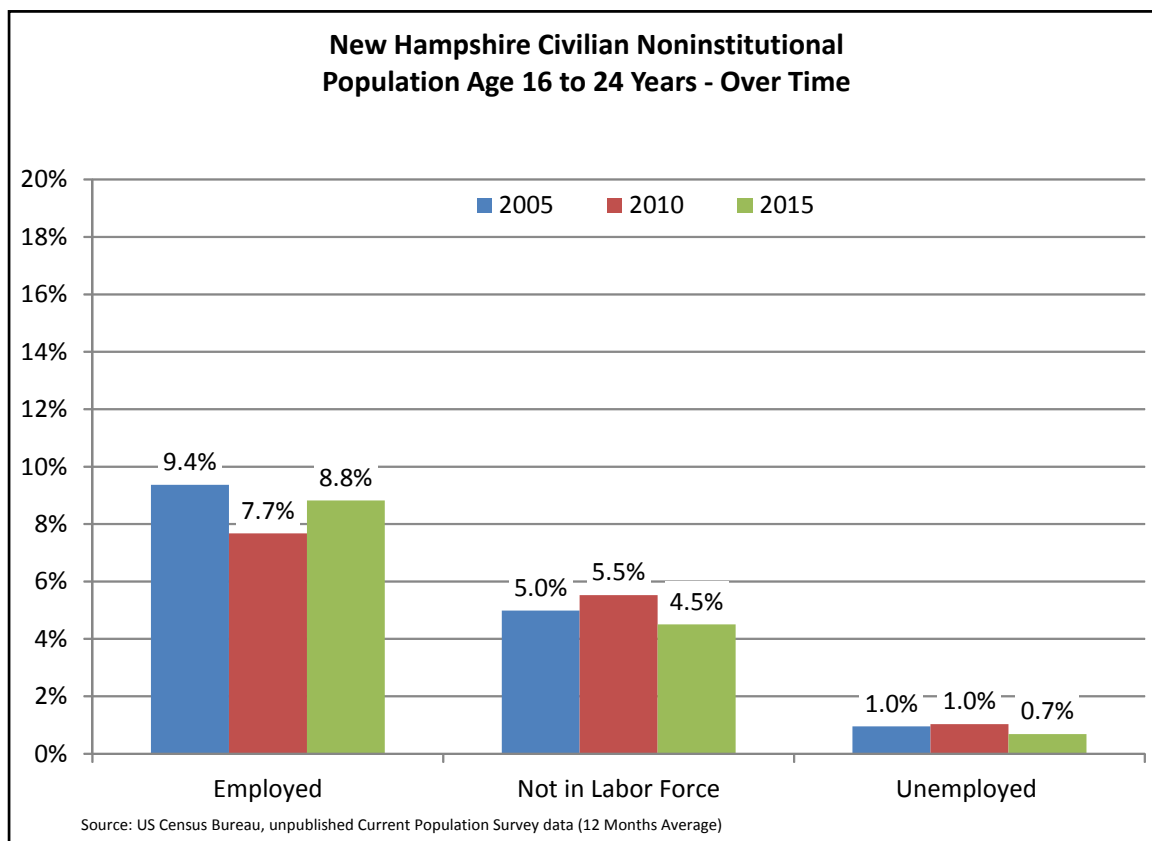
Labor Force Status: Age 16 to 24 years

In 2005, employed persons age 16 to 24 years accounted for 9.4 percent of the civilian noninstitutionalized population in New Hampshire. In the wake of the recessionary effects in 2010, the share of employed persons accounted for by this age group declined to 7.7 percent, then rebounded to 8.8 percent of the civilian noninstitutionalized population in 2015.

Those age 16 to 24 years who were not in the labor force accounted for 5.0 percent of the civilian noninstitutionalized population in 2005. That share increased to 5.5 percent as the youngest residents withdrew from the labor force in the aftermath of the recession in 2010. In 2015, those age 16 to 24 years who were not in the labor force

declined to 4.5 percent of the civilian noninstitutionalized population.

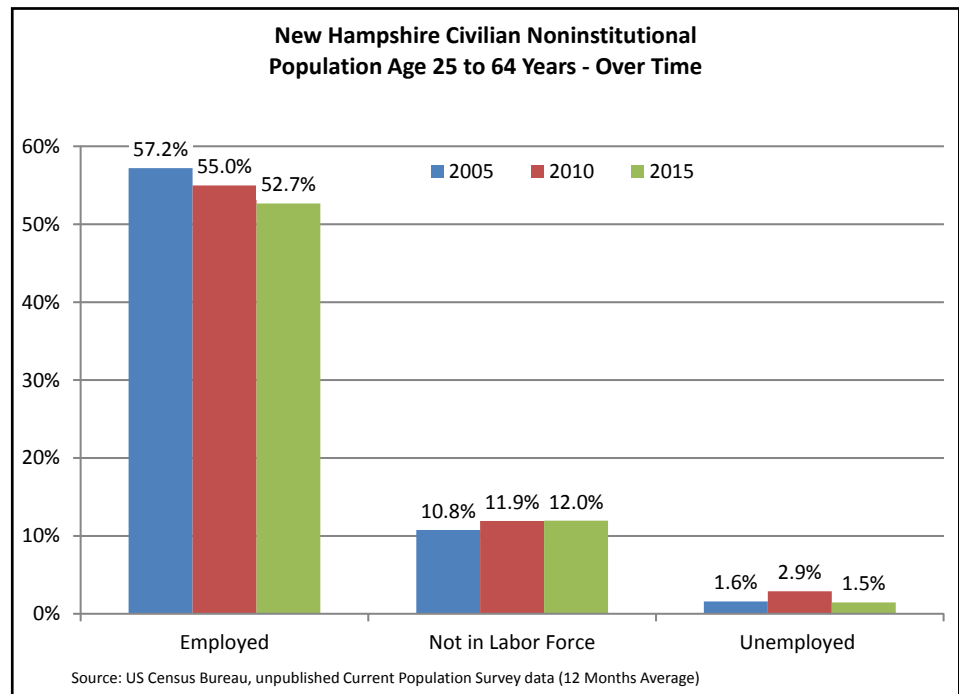
As a share of the civilian noninstitutional population, those in this age group who were unemployed but looking for work was fairly consistent from one time period to another.



Labor Force Status: Age 25 to 64 Years

Employed persons age 25 to 64 years accounted for 57.2 percent of New Hampshire's civilian noninstitutionalized population in 2005. Their share of employed persons dropped to 55.0 percent in 2010. In 2015, their share of employed persons declined further to 52.7 percent of the civilian population. That share of employed in 2010 was influenced by their increased unemployment during the recession.

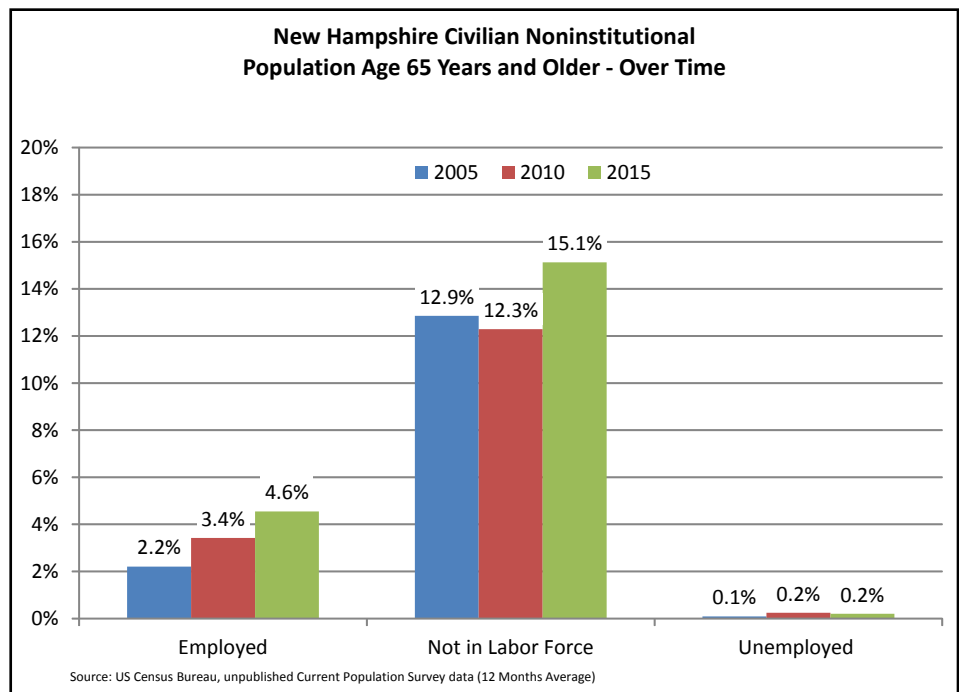
In 2005, those in the prime working ages, 25 to 64 years, who were not in the labor force accounted for 10.8 percent of the civilian noninstitutionalized population. Their share of those not in the labor force inched up to 11.9 percent of the civilian population in 2010, and remained there (a statistically insignificant change to 12.0 percent) in 2015.



Labor Force Status: Age 65 Years and over

Employed persons age 65 years and over accounted for 2.2 percent of the civilian noninstitutionalized population in 2005. Their share of employed people in the civilian noninstitutional population increased to 3.4 percent in 2010, and 4.6 percent in 2015. While some theories claim the increasing shares of employed persons in the oldest age group is due to a lack of personal finances, the trend does follow the increasing share of population age 65 years and over.⁶

Those age 65 years and over who were not in the labor force accounted for 12.9 percent of the civilian noninstitutionalized population in 2005. Unlike the other two age cohorts, their share of those who were not in the labor force declined in 2010 to 12.3 percent of the civilian noninstitutionalized population. In 2015, those age 65 and over who were not in the labor force accounted for 15.1 percent of the civilian population.

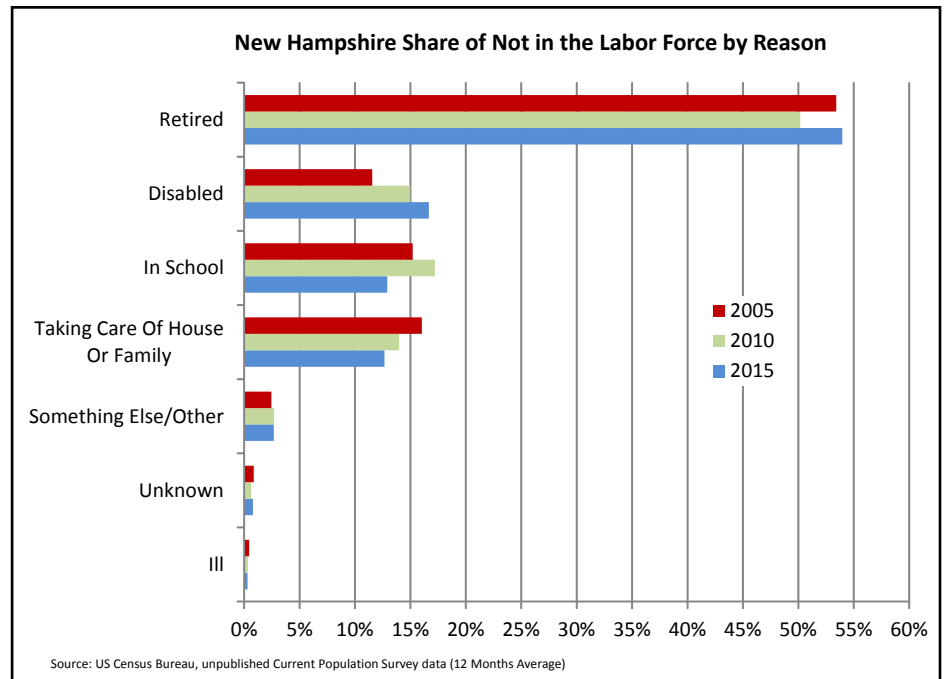


⁶ Retiring well? Not most baby boomers. Kelley Holland. Monday, 13 Apr 2015. <http://www.cnbc.com/2015/04/13/retiring-well-not-most-baby-boomers.html>

Reasons why New Hampshire residents did not work

There are common reasons why people do not participate in the labor force. To be considered not in the labor force, a person must be neither working nor looking for work. In New Hampshire, roughly half of those who were not in the labor force was because they were retired. Other than retirement, disability, attending school, and caring for others were the most common reasons for not participating in the labor force, followed by illness or some other reason.

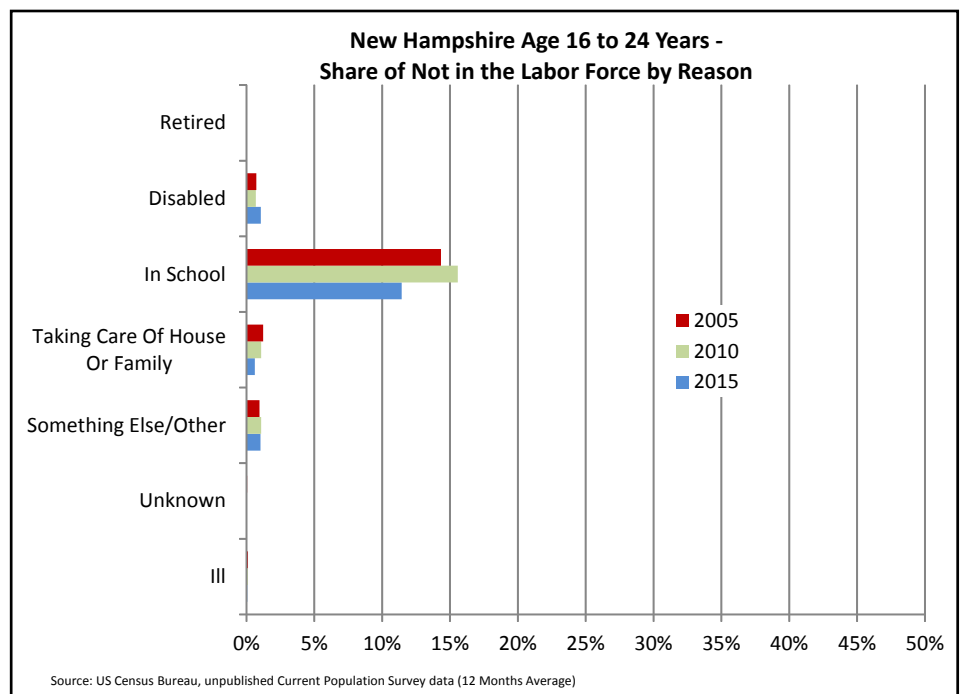
Although there were common reasons for not participating in the labor force, different age groups each portrayed distinctly different primary reasons for non-participation.



Age 16 to 24 Years – Not in the Labor Force

Residents age 16 to 24 years who were not in the labor force most frequently did not work because of school. In fact, those age 16 to 24 years accounted for almost all of those of any age not in the labor force for this reason. In 2010, the age 16 to 24 years share of people who were not in the labor force because they were in school increased to 15.6 percent as young people chose to attend school over trying to find work in the wake of the recession. By 2015, the age 16 to 24 years group share of people who were in school and not working declined, but school was still the most prominent reason for not working among those in this age group.

People age 16 to 24 years represented barely one percent of those who had to care for others, had a disability, or had some other reason for not participating in the labor force.



Age 25 to 64 Years – Not in the Labor Force

Residents age 25 to 64 years who were not participating in the labor force accounted for at least 11 percent of New Hampshire's civilian noninstitutionalized population. The reasons people in this age group did not work shifted between 2005, 2010, and 2015.

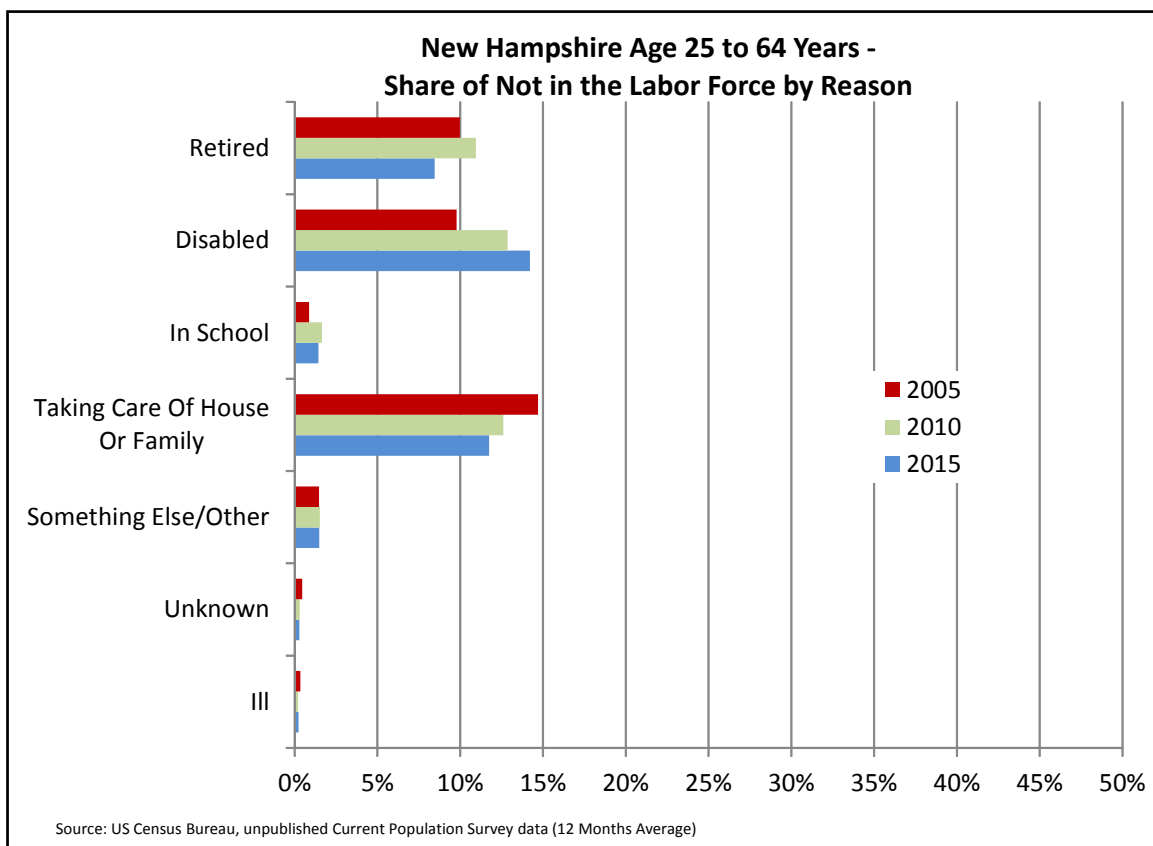
In 2005, of those who were not in the labor force, 14.7 percent were persons age 25 to 64 years who were caring for the house or family. This age group accounted for almost 92 percent among all persons not working for this reason. In 2010, persons age 25 to 64 years staying home to care for others declined to 12.6 percent of those not in the labor force, accounting for 90 percent of

all those not in the labor force with this reason. By 2015, this age group accounted for about 93 percent of those not in the labor force to stay home to care for others.

Disability was another leading reason for not participating in the labor force among people age 25 to 64 years. In 2005, those age 25 to 64 years not working due to a disability made up just shy of 10 percent of those not in the labor force. When jobs were harder to find in 2010, individuals with disabilities, who may have been struggling to work or look for work, may have given up, as people age 25 to 64 years not working because of a disability increased to 12.9 percent of those not in the labor force.⁷ Those

age 25 to 64 years with a disability increased to 14.2 percent of all persons not in the labor force by 2015. This age group represented roughly 85 percent of all those not working for this reason.

Retirement was the next most common reason among those age 25 to 64 years who were not in the labor force. Retired people in this age group accounted for 10.0 percent of those not in the labor force in 2005. That share edged up in 2010 to 10.9 percent, which may have been influenced by some individuals taking early retirement when jobs were scarce.⁸ By 2015, retired people age 25 to 64 years accounted for 8.5 percent of those not in the labor force.



⁷ Social Security. Selected Data from Social Security's Disability Program. <https://www.ssa.gov/oact/STATS/dibStat.html>

⁸ Social Security Claims Edged Down in 2011. Retirement Security Data Brief. Number 5, April 2012. URBAN INSTITUTE Program on Retirement Policy <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412536-Social-Security-Claims-Edged-Down-in--.PDF>

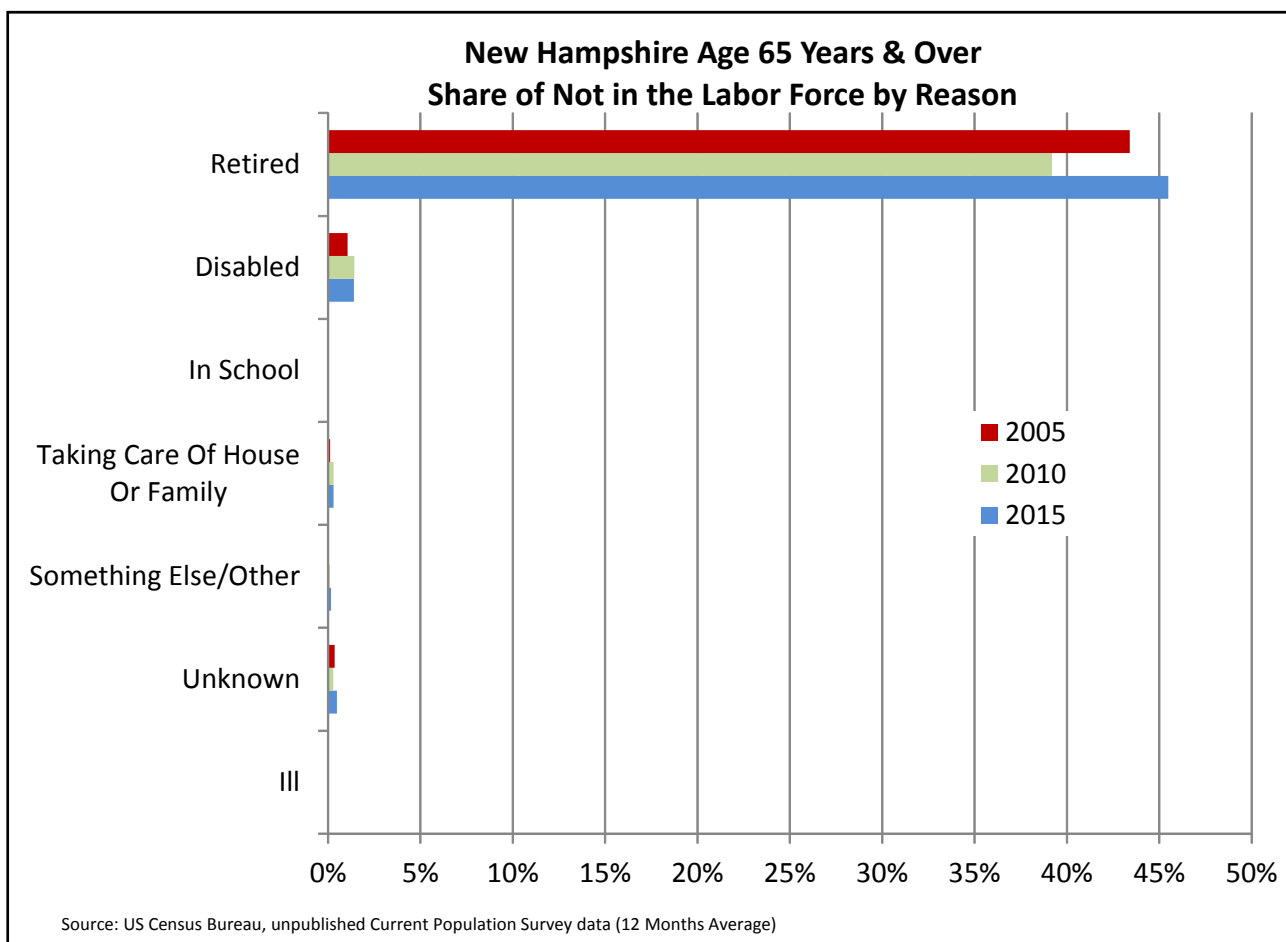
Age 65 Years and over – Not in the Labor Force

The share of New Hampshire's noninstitutionalized population age 65 years and over increased from 14.3 percent in 2005 to 19.9 percent in 2015 as the baby boom generation started to reach retirement age.

The primary reason people age 65 and over did not participate in the labor force was retirement. While retired people age 65 years and over who were not in the labor force declined as a share of population in

2010, it increased in 2015 almost proportionately to the increase of the population in this age group.

Disabled people age 65 and over accounted for slightly over one percent of those not in the labor force.



The reasons people have for not participating in the labor force are largely age dependent. The youngest workers who are not in the labor force, age 16 to 24 years, generally opt to attend and focus on school rather than work.

The bulk of people in New Hampshire's noninstitutional population, those age 25 to 64 years, most frequently gave

one of three most common reasons for not participating in the labor force: caring for others, disability, and retirement. The reasons for not working shifted in response to the overall economy, as was illustrated with the 2010 increase in retirement and disability and decrease in caring for home or family among those age 25 to 64 years.

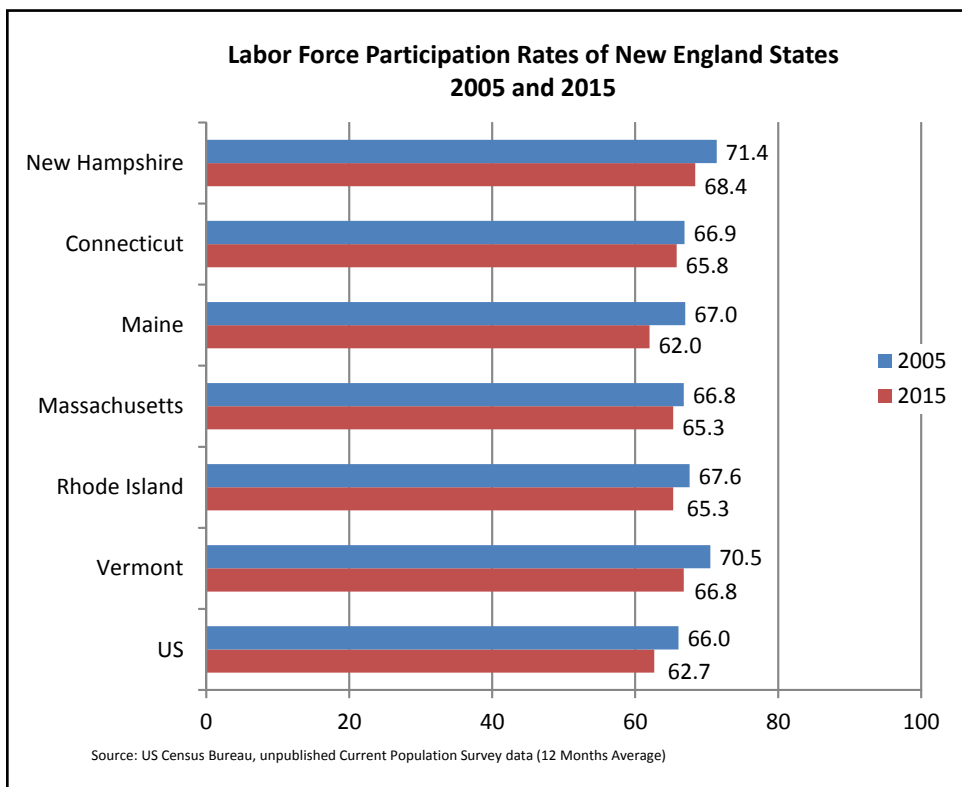
New Hampshire residents age 65 and over do not work primarily because they are retired. As of 2015, five years of the baby boom generation had reached age 65 and over. As this cohort continues to age, it is inevitable that the volume of people entering retirement will have a downward pull on the overall labor force participation rate.

Labor Force Participation Rates of New England States

2005 and 2015

The labor force participation rate among New Hampshire residents declined from 71.4 percent in 2005 to 68.4 percent in 2015, based on Current Population Survey data. How did this compare to other states in New England?

In the U.S. and all New England states the labor force participation rates were lower in 2015 than in 2005. Two New England states, Maine and Vermont had larger declines in labor force participation than New Hampshire. Maine experienced a 5.0 percent decline in participation, from 67.0 percent in 2005 to 62.0 percent in 2015. Vermont's participation rate declined by 3.7 percent, from 70.5 percent in 2005 to 66.8 percent in 2015. Similar to New Hampshire, Maine and Vermont each have a large share of population age 65 and over, contributing to the downward pressure on labor force participation rates.¹

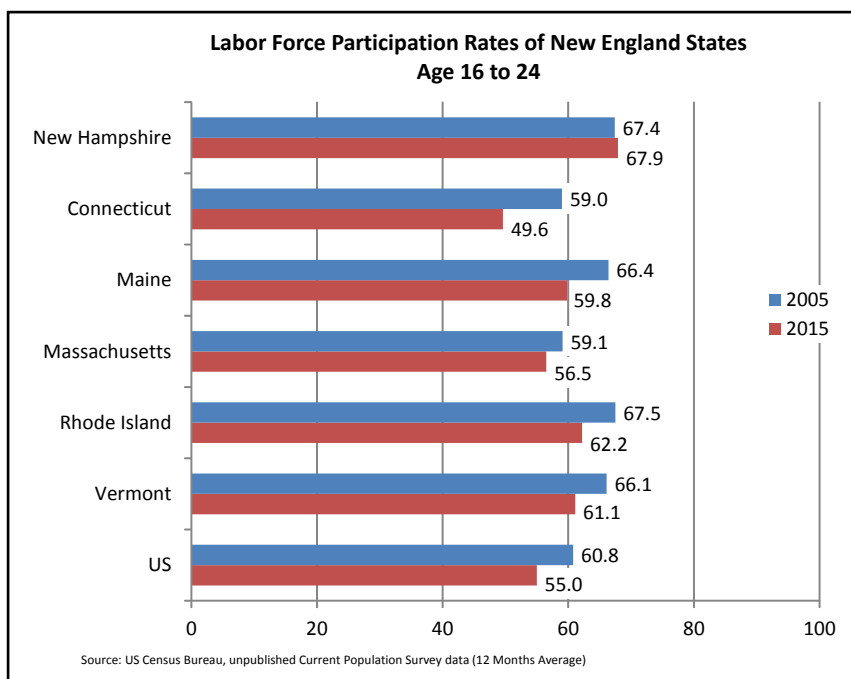


Labor Force Participation Rates by Age

Age 16 to 24 Years

From 2005 to 2015, New Hampshire was the only New England state with an increase in labor force participation among those age 16 to 24 years. The 0.5 percent increase was mainly attributable to the increased participation of those age 20 to 24 years.

Labor force participation rates of residents age 16 to 24 years in all other New England states declined over that time period, with the largest drop in Connecticut, which had a decline of 9.4 percent, from 59.0 percent to 49.6 percent.



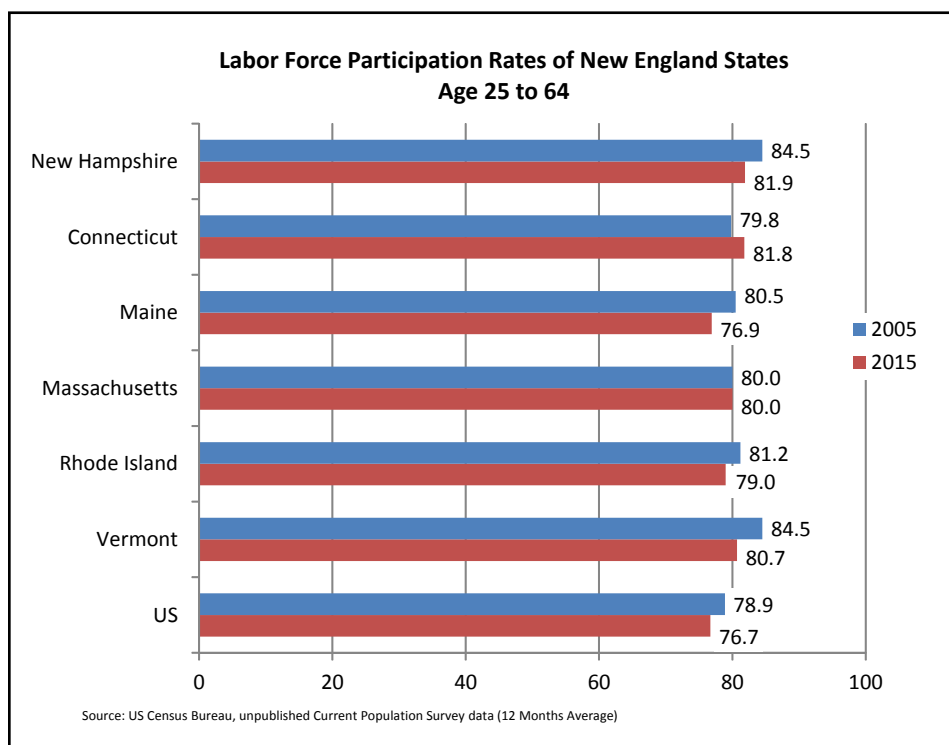
¹ 2014 American Community Survey 1-Year Estimates, Table B01001: SEX BY AGE - Universe: Total population

Age 25 to 64 Years

From 2005 to 2015, Connecticut was the sole New England state to experience an increase in labor force participation rate among residents age 25 to 64 years.

Massachusetts showed no statistical change in labor force participation rates of this age group from 2005 to 2015, with a labor force participation rate of 80.0 percent for each year.

The remaining New England states each experienced declines in labor force participation rates among resident age 25 to 64 years.



Age 65 Years and over

Every state in New England experienced an increase in labor force participation among residents age 65 years and over. New Hampshire had the largest increase in labor force participation rates in this age group, up 8.7 percent, from 15.2 percent to 23.9 percent.

Vermont had the highest labor force participation rate among people in this age group in 2015, with 24.6 percent.

While increased participation rates among people 65 years and over is a relatively new phenomenon, it will likely continue as baby boomers continue to age. However, the vast majority of people age 65 and over are leaving the workforce to enter retirement, which will eventually drive overall labor force participation rates down.

