

# New Hampshire Economic Conditions

January 2012

## Labor Force Participation Shifts

New Hampshire's average labor force participation rate (LFPR) in 2010 was 70.3 percent. This rate measures the share of the civilian population age 16 and older that is in the labor force (both employed and unemployed). New Hampshire has gained position in the state ranking, rising from tenth highest in 2007 to eighth highest in 2010, even though the average labor force participation rate has gradually dropped 0.6 percentage point from 70.9 percent in 2007.

New Hampshire's monthly labor force participation rate (LFPR) was significantly higher than the national rate which hovered between 64 and 65 percent each month during 2010.

The labor force participation rate (LFPR) is used as one economic indicator. A high labor force participation rate (LFPR) indicates that a large share of the civilian

noninstitutional population, age 16 and over, are either working or looking for work. A high labor force participation rate (LFPR) combined with low unemployment rates could indicate a tight labor market where employers may have difficulty attracting employees.

The trend in the labor force participation rate is also important, not merely whether it is high or low. The declining labor force participation rate nationally, as well as in New Hampshire, could be linked in part to demographic factors. As the average age of the population increases because of factors such as a large, aging cohort of baby boomers and increased longevity, a larger share of the population could be choosing to not participate in the labor market. Also, the recent recession and slow recovery could

have caused people to leave the labor market due to their inability to find jobs. After remaining relatively stable between 2002 and 2007, the national LFPR declined from about 66 percent in January 2008 to under 64 percent in January 2012. This recent decline is more likely to be related to current economic conditions.

### New Hampshire's Demographics

Women made up a slightly larger portion of New Hampshire's civilian noninstitutional population (16 years and older) from 2007 to 2010, with just over 51 percent each year. Men made up the balance with roughly 49 percent. Youth, all individuals age 16 to 19 years, were 7.5 percent of the civilian population in 2007, but that share had declined to 6.4 percent by 2010.

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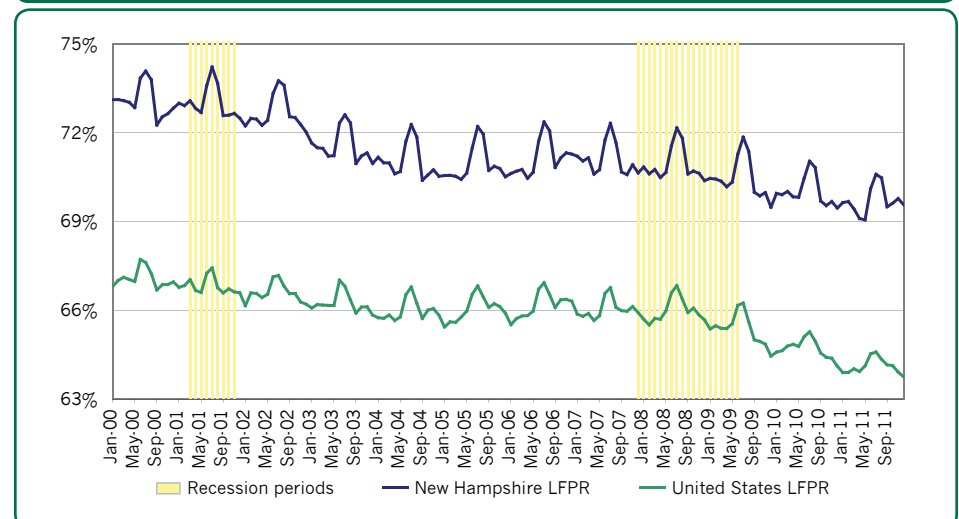
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Labor Force Participation Rates  
(not seasonally adjusted)



**Men – 16 years and older**

In New Hampshire even though men represented the smaller share of the civilian population, they held the larger portion of the labor force. The labor force participation rate among males, age 16 and older, in New Hampshire was close to 80 percent from 2000 through 2005. The rate started to slide in 2006 as the housing crisis began to impact the male-dominated *Construction*

industry. By 2007, the labor force participation rate for males was 76.9 percent. *Manufacturing*, another male-dominated industry, slowed with the recession. The labor force participation of males shrank each year and was 75.1 percent by 2010, almost a two percent drop from 2007.

**Women – 16 years and older**

Women have traditionally held a smaller share of labor force than males. By 2007, the labor force

participation rate for females had only minor shifts since 2000. It remained in the neighborhood of 65.0 percent. As the labor force participation rate for males trended downward in the most recent recession, the participation rate for females trended slightly upward. By 2010, the labor force participation of females in New Hampshire increased to 65.7 percent, the same as it was in 2000.

**Behind the numbers: “It’s all in the definition ...”**

Familiarity with its components helps in understanding the importance of the labor force participation rate.

The *labor force participation rate* (LFPR) is the relationship between the civilian *labor force* and the *civilian noninstitutional population*, each including individuals age 16 and older. The LFPR represents the share of the working age civilian noninstitutional population that is either employed or unemployed and actively seeking work.

The *civilian noninstitutional population* includes all persons (residents of the specified geography) age 16 and over who are not in the military and are not institutionalized (i.e. prisons, medical facilities).

The *labor force* includes members of the *civilian noninstitutional population* who are either *employed* or are *unemployed* but are available and looking for work. Very specific conditions apply to these components.

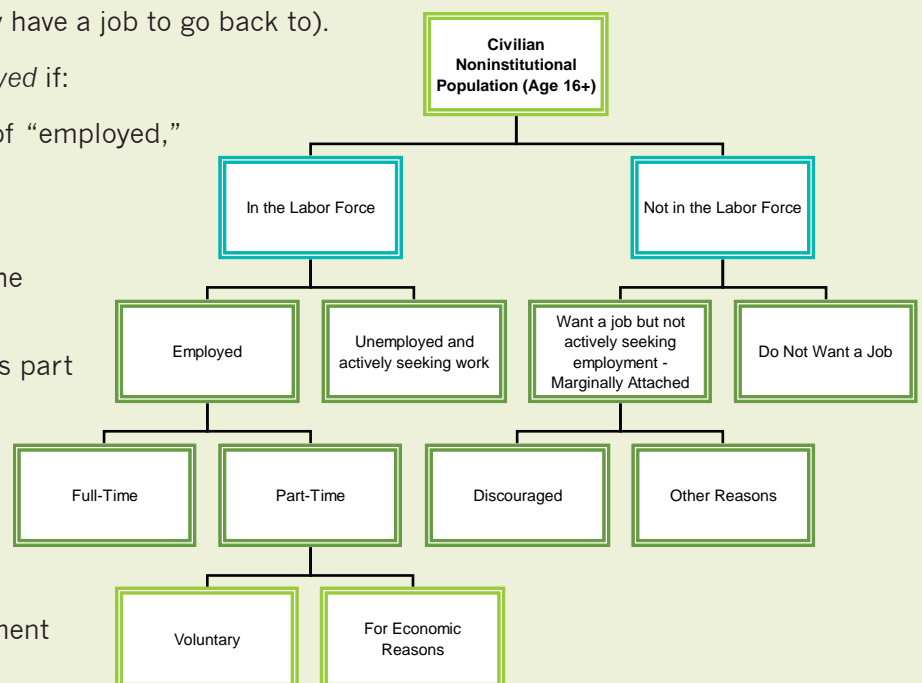
Individuals are counted as *employed* if they are paid for even one hour of work during the week of the data collection. Additionally, people who are waiting for a recall from an employer within four weeks of their release would also be considered employed (because they have a job to go back to).

Individuals are counted as *unemployed* if:

- They do not meet the definition of “employed,”
- They are available for work, and
- They have made efforts to seek employment some time during the prior four weeks.

Individuals would not be included as part of the labor force if:

- They decide to stay in school and are not working,
- They remain at home to care for another person, or
- They decide to not seek employment because they are discouraged.

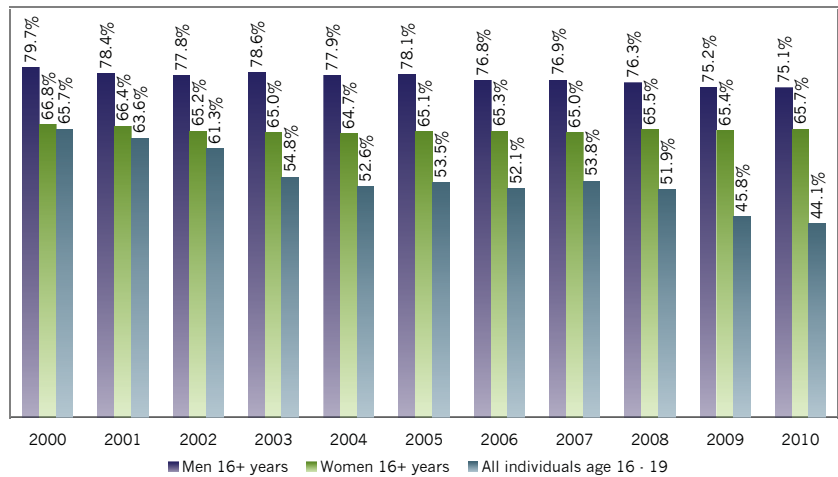


Youth – 16 to 19 years

The labor force participation rate for youth has been adversely affected by two recession periods in one decade. The participation rate for teens age 16 to 19 went from 65.7 percent in 2000 to 44.1 percent in 2010. In many instances it is difficult to schedule work hours around school and extracurricular activities. Greater academic demands on teens and an increasing emphasis on community service for college admission are among contributing factors to the declining labor force participation rate among youth age 16 to 19 years. In 2007, this age group was 5.7 percent of New Hampshire’s labor force, either working or looking for work. Combined with the continued effects of the recession, labor force participation of this group went from 53.8 percent in 2007 to 44.1 percent in 2010, a drop of almost 10 percentage points.

It is unclear if the overall decline in New Hampshire’s labor force participation rate is the sole result of the economic recession. It could be that the recessionary effects are working in tandem with changing demographics. The first of the baby boomer generation became eligible for Social Security retirement benefits in late 2007, timing that coincided with the most recent recession period. Baby boomers are one of the largest generational cohorts and as these individuals age and retire, they would still be counted as part of the civilian noninstitutional population but would not be included in the labor force if they are not either working (even part time) or actively seeking employment. New Hampshire’s population has one of the higher median ages in the nation. The number of individuals in the age cohort moving into the 16 to 19 year group is not as large as the

Labor Force Participation Rate in New Hampshire by Gender



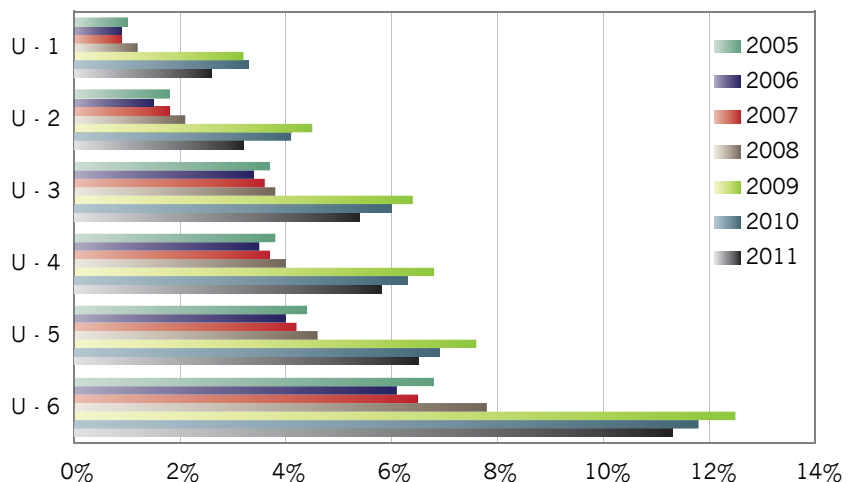
number of baby boomers exiting the labor force. Since the baby boomers are still counted in the civilian noninstitutional population, as they retire and leave the labor force in large numbers, the labor force participation rate will decline.

monthly estimate of the number of unemployed residents as a percent of the labor force (persons employed plus persons unemployed but willing and able to work, available for work, and actively searching for work). The value of this measure, and its components, is that people being included have a strong attachment to work either by being employed, or actively seeking a job. For all states and the District of Columbia, the official monthly labor force

Alternative Measures of Labor Underutilization – New Hampshire

The official unemployment rate released for New Hampshire is a

Alternative Measures



and unemployment estimates are developed using a statistical modeling approach, based on historical and current relationships found within each state's economy. Modeling results in estimates that are more reliable than direct survey estimates through the Current Population Survey. The common methodology also allows comparisons among states.

Some observers, however, think that this method does not accurately measure labor underutilization. Recognizing this, the U.S. Bureau of Labor Statistics has prepared alternative measures of how labor resources – people – are being utilized in the United States. BLS includes in its alternative measures discouraged workers; persons not currently searching for work due to other reasons (such as transportation issues or child care issues, for example); and persons working part-time who would prefer to work full-time. These measures are prepared for all states, including New Hampshire. A total of six measures are prepared (labeled from U-1 to U-6; U-3 uses the same definition as the official unemployment rate). These measures are based on responses to questions included for the Bureau of Labor Statistics in the monthly Current Population Survey, conducted by the Census Bureau.

The most inclusive measure is U-6, which includes the number of persons meeting the official definition of unemployed; persons employed part-time for economic reasons (not by personal choice); and marginally attached persons. Marginally attached persons include those discouraged persons who are not currently searching for work because they feel no jobs are available for them; and persons who have temporarily given

### Alternative Measures of Labor Underutilization

- U-1: Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.
- U-2: Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.
- U-3: Total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate).
- U-4: Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.
- U-5: Total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers.
- U-6: Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics. Alternative Measures of Labor Underutilization for States. <http://www.bls.gov/lau/stalt.htm>. Accessed January 23, 2012

up a job search for reasons such as transportation, child care, or similar issues, but are interested in working and would be available.

These alternative measures of labor utilization are only prepared as four-quarter averages, so they cover an entire year's experience. Because of that, they are not precisely comparable to regularly released monthly unemployment rates. The six alternative measures of labor underutilization do tend to move together.

New Hampshire has seen declines in all measures of labor underutilization since 2009, although they are still above pre-recession levels.

Each of the alternative measures, except U-1, peaked with the 2009 average; U-1 peaked in 2010. The increased average of U-1 in 2010 indicated continuing long term unemployment of more than 15 weeks.

The U-3 measure is closely related to the official unemployment rate released by the state. Comparing that measure to the U-4 and U-5 measures provides a gauge of the discouraged and workers who are marginally attached to the labor force.

The U-6 measure has become increasingly well known because, in addition to marginally attached and discouraged workers, it includes those workers who are underemployed – those workers who are working part time but would prefer to work full-time.