

2012 Volume Issue 3

Economic Newsletter for the New Millennium

February 22, 2012

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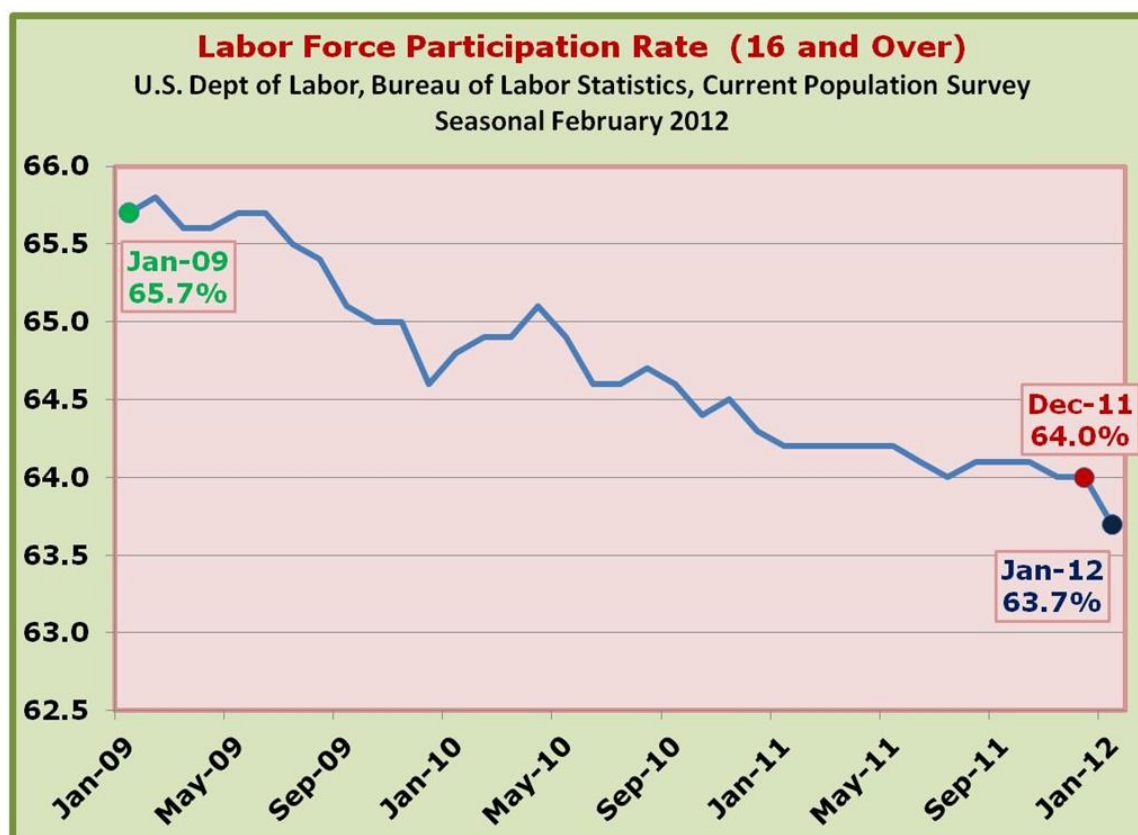
What's going on with the Civilian Noninstitutional Population?

January 2009 to January 2012

Falling Labor Force Participation Rate (LFPR)

As we have noted in previous newsletter articles, a huge economic challenge facing the U.S. economy is the fall-off in the Labor Force Participation Rate. From January 2009 through January 2012, the LFPR has gone from 65.7% down to 63.7%.

What does this really mean?

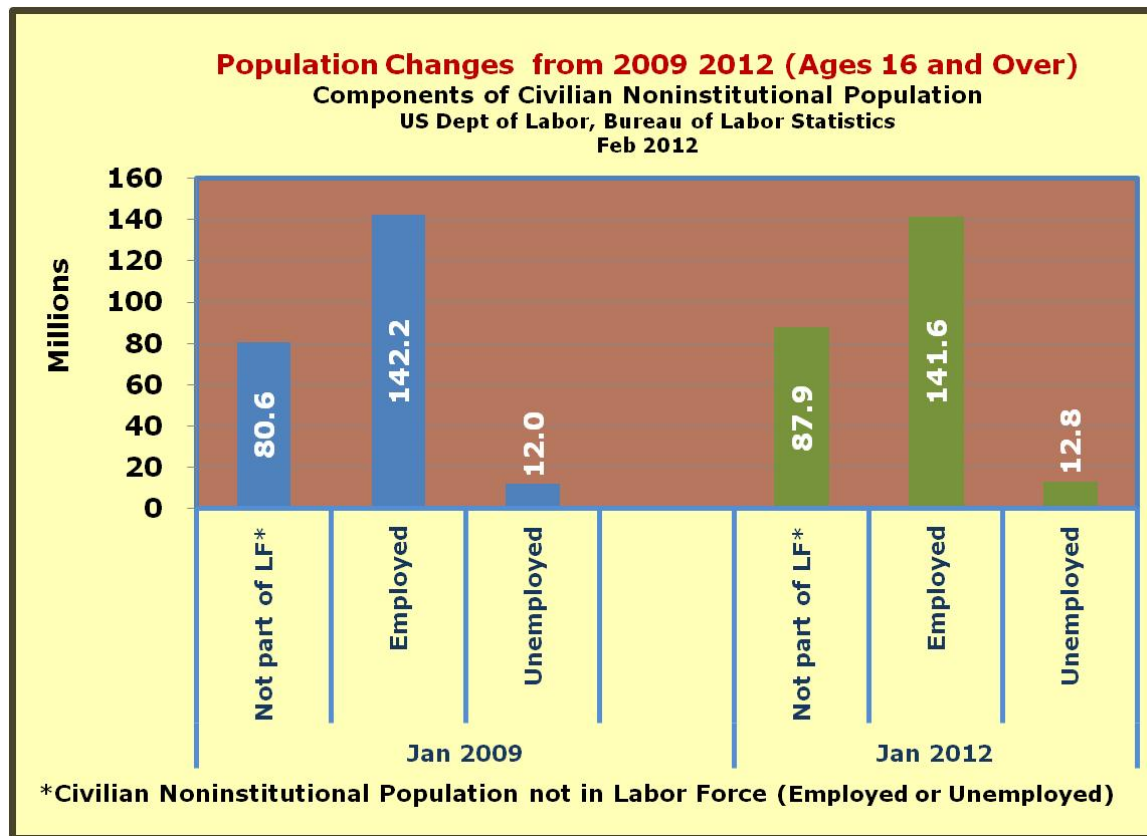


The Civilian Labor Force includes those people who are working (employed) and those who are not working, but are seeking employment (unemployed) as defined by the U.S. Department of Labor [Bureau of Labor Statistics](#). The Civilian Labor Force is a subset of the Civilian Noninstitutional Population, which also includes those individuals (16 years and older) who are NOT either employed or unemployed – in short, these are people who are retired, homemakers, students and others who are not part of the Labor Force for a variety of reasons.

Civilian Noninstitutional Population: Changes from January 2009- January 2012

When we drill down on the difference in the Civilian Noninstitutional Population from January 2009 through January 2012 we can see the reasons for the fall-off in the Labor Force Participation Rate. First, while the Civilian Noninstitutional Population expanded by 7.5 million, 7.3 million opted out of

the Labor Force. Secondly, the Labor Force itself actually shrank the result of lower number of employed individuals, 564,000, and an increase in those unemployed by 774,000.



From January 2009 to January 2012, the overall Civilian Noninstitutional Population grew from

234.739 million to 242.269 million for an increase of 7.530 million.

Thousands	January 2009	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	80,554	87,874	7,320	9.1%
Employed	142,201	141,637	(564)	-0.04%
Unemployed	11,984	12,758	774	6.5%

Moving from December 2011 to January 2012 – just one month

<http://www.bls.gov/news.release/pdf/empst.pdf>

In the January 2012 Employment Situation (released February 3, 2012), published by the U.S. Department of Labor, Bureau of Labor Statistics seemed to present a glowing picture:

"Total nonfarm payroll employment rose by 243,000 in January, and the unemployment rate decreased to 8.3 percent, the U.S. Bureau of Labor Statistics reported today. Job growth was widespread in the private sector, with large employment gains in professional and business services, leisure and hospitality, and manufacturing."

On the surface, it appeared to be filled with promise for the long-awaited economic rebound. The truth is that while those employed actually did expand by 847,000 (the focus here is on the Current Population Survey or Household Survey as opposed to the Establishment or Payroll Survey which revealed 243,000 jobs added) and the Unemployed fell by 339,000 – so where's the bad news, what's the downside?

Remember now that the Civilian Noninstitutional Population includes Employed (up 847,000 – good news), Unemployed (down 339,000 – good news) and those NOT in the Labor Force (up 1,177,000 BAD news). The large numbers reflected in the monthly change from December 2011 to January 2012 (1,685,000 added to the Civilian Noninstitutional Population) were the result of population updates from the Census Bureau, but the net effect was that Labor Force Participation Rate went from 64.0% down to 63.7% and as we indicated in a previous newsletter, if the LFPR had not changed, the unemployment rate would have actually risen from 8.5% to 8.6%

Labor Force Participation Rate by Age Group

<http://econnewsletter.com/112801.html>

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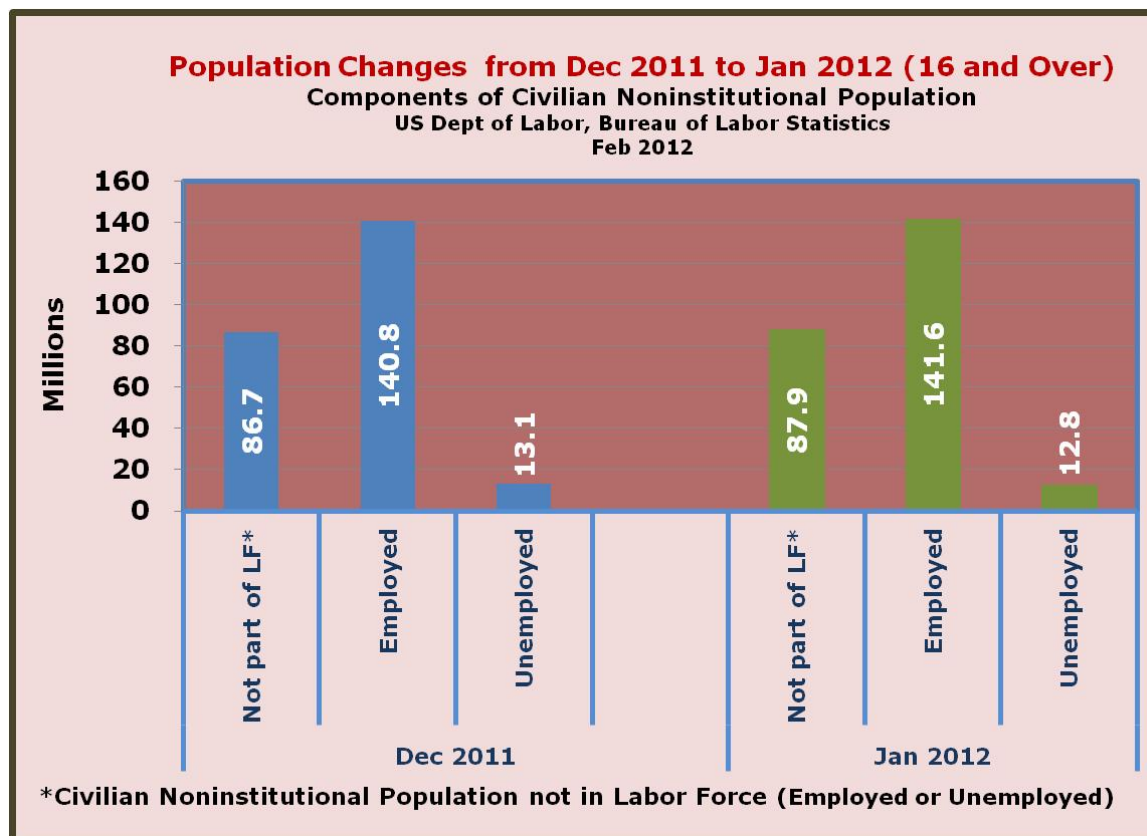
"If January 2012 LABOR FORCE PARTICIPATION RATE (63.73%) had been the same as December (63.96%)

UNEMPLOYMENT RATE = Unemployed divided by the Labor Force

In December 2011 UNEMPLOYMENT RATE was 13,097,000 / 153,887,000, or 8.5%

Adjusting January 2012 total at the 63.96% December Labor Force Participation Rate UNEMPLOYMENT RATE was 13,327,792 / 154,964,792, or 8.6%

The UNEMPLOYMENT RATE would have risen by 0.1%! This is why the focus has to be on metrics other than the just unemployment."



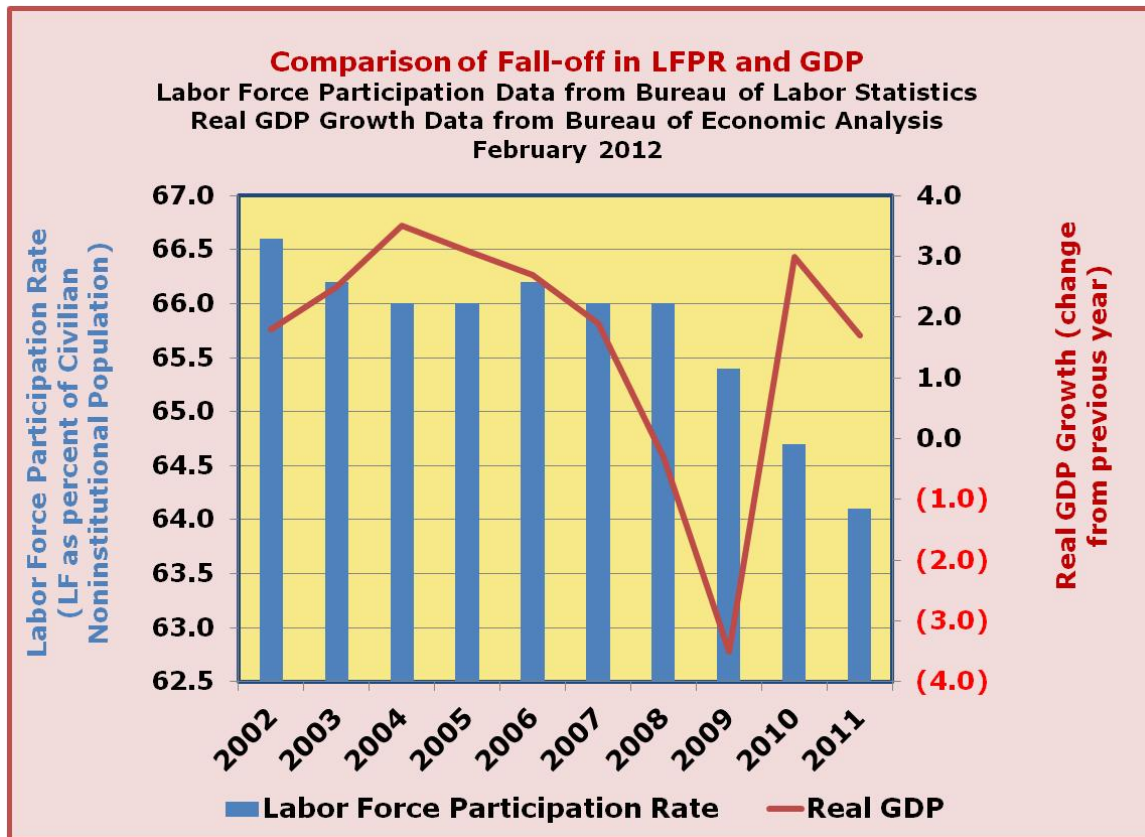
From December 2011 to January 2012, the overall Civilian Noninstitutional Population grew from 240.584 million to 242.269 million for an increase of 1.685 million.

Thousands	December 2011	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	86,697	87,874	1,177	1.4%
Employed	140,790	141,637	847	0.6%
Unemployed	13,097	12,758	(339)	-2.6%

In the balance of this presentation, we have included charts, breaking out the data according to various age groupings (cohorts) in the Current Population Survey. It's interesting to see the changes over time with the Civilian Noninstitutional Population in general, while the various cohorts expand and contract as the Greatest Generation (1901 – 1924), Silent Generation (1925–1945), Baby-Boomers (born 1946–1964), Generation X (1965–1981), and Generation Y (1982–2000) make the way through the system.

There are two major points to keep in mind as you review the charts:

1) The current fall-off in the Labor Force Participation Rate has to be reversed quickly across the board; this is the key to reviving the economy and bringing it back to pre-recessionary levels.



2) The current and ongoing trend will be for older workers to remain attached to the Labor Force; this is necessitated by shortfalls in their own income levels, and the need for their marginal productivity in the economy at large. The good news is that technological advances (i.e., medical improvements, less physically demanding jobs, etc.) have paved the way to enable many more people to participate in the labor markets to a much greater degree and with greater longevity than has ever been the case in the past. The new reality is that experienced and educated workers can, should and will be able to contribute and be productive for as long as they are physically able.

In upcoming articles, we will be exploring pension funds issues and the potential [if not impending] crisis for defined benefit funds on the private side with a nearly bankrupt Pension Benefit Guaranty Insurance Corporation and in the public sector with the increasing demands on limited tax dollars.

<http://www.econnewsletter.com/73901.html>

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The Pension Benefit Guaranty Corporation (PBGC)
<http://www.pbgc.gov/news/other/res/financial-condition.html> is another example. It can only withstand one more large hit or so before it becomes bankrupt.

With regard to funding pensions in both the private and public sector, keep your eyes on the Labor Force Participation Rate (LFPR); the baby-boomers will have to maintain much higher rates going forward:

The current LFPR for 55 and over is around 40%; in 1995, the number was 30%

The LFPR for 65+ is 18% and in 1995 it was 12%

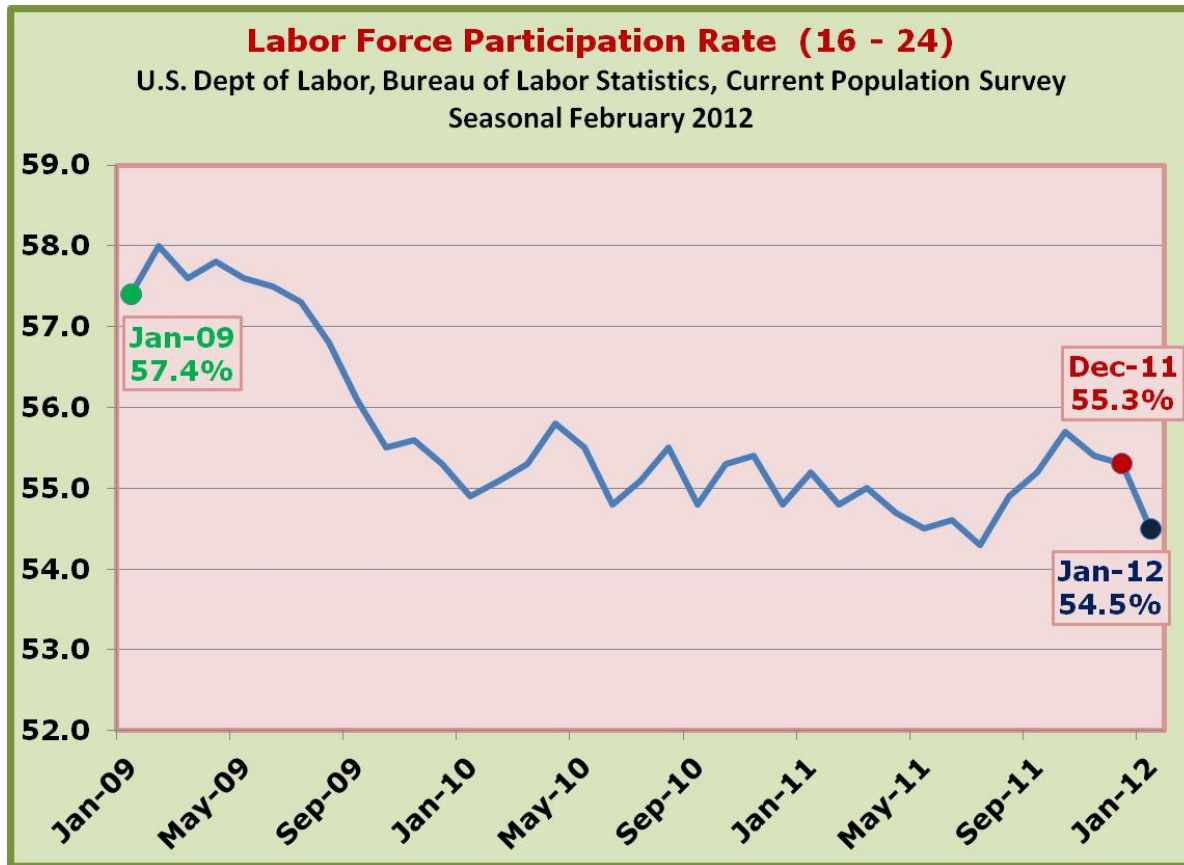
For 75+ it is 7.5%; 1995 it was around 4.5%

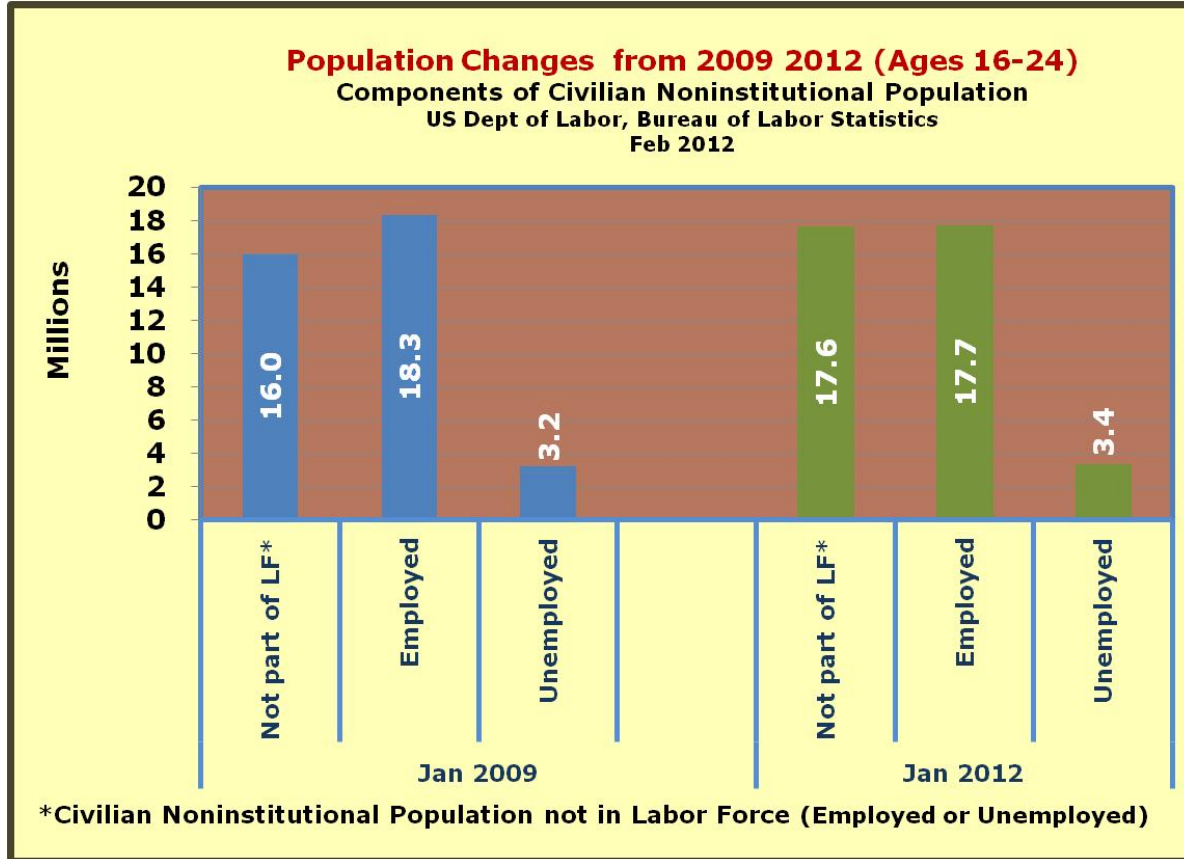
To paraphrase the fellow in the Dos Equis beer commercials:

Stay healthy my friends <http://www.youtube.com/watch?v=U18VklOuDXE>



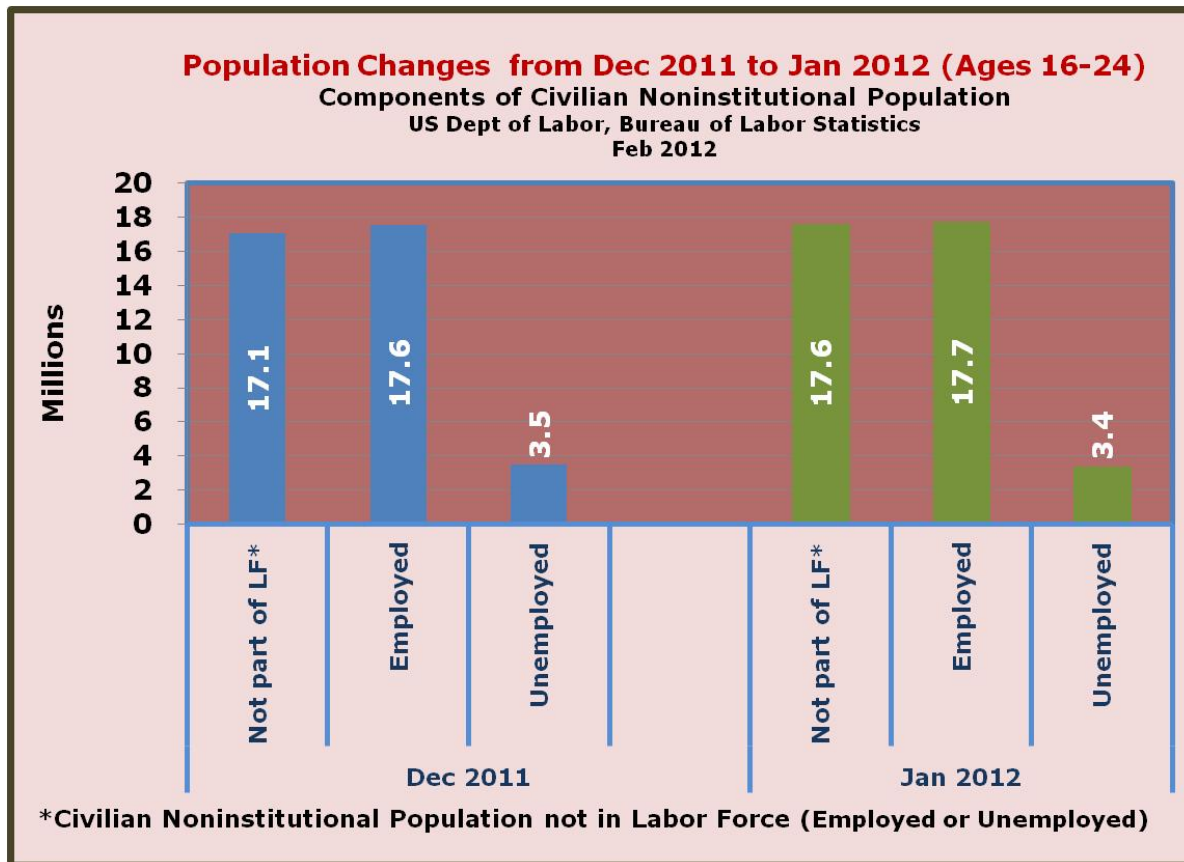
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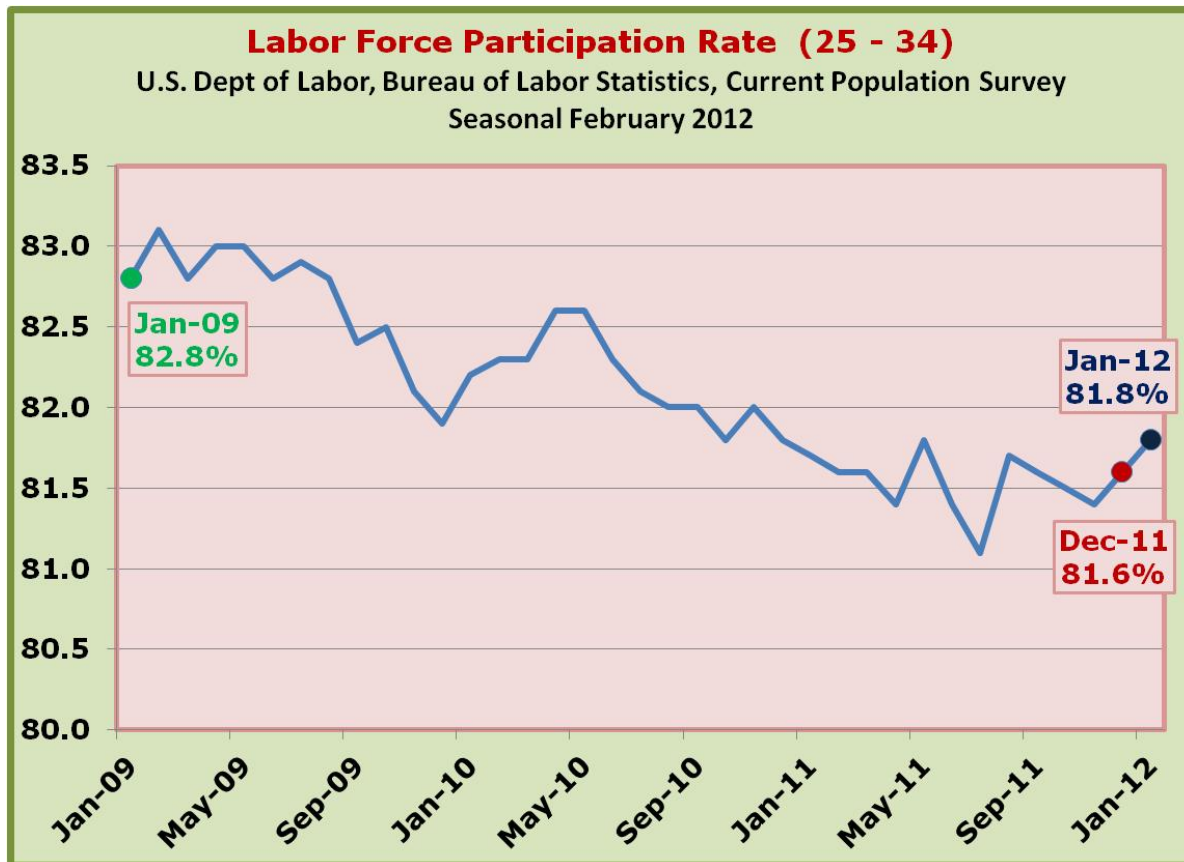
From January 2009 to January 2012, the 16-24 year-old Civilian Noninstitutional Population grew from 37.5 million to 38.7 million for an increase of 1.2 million.

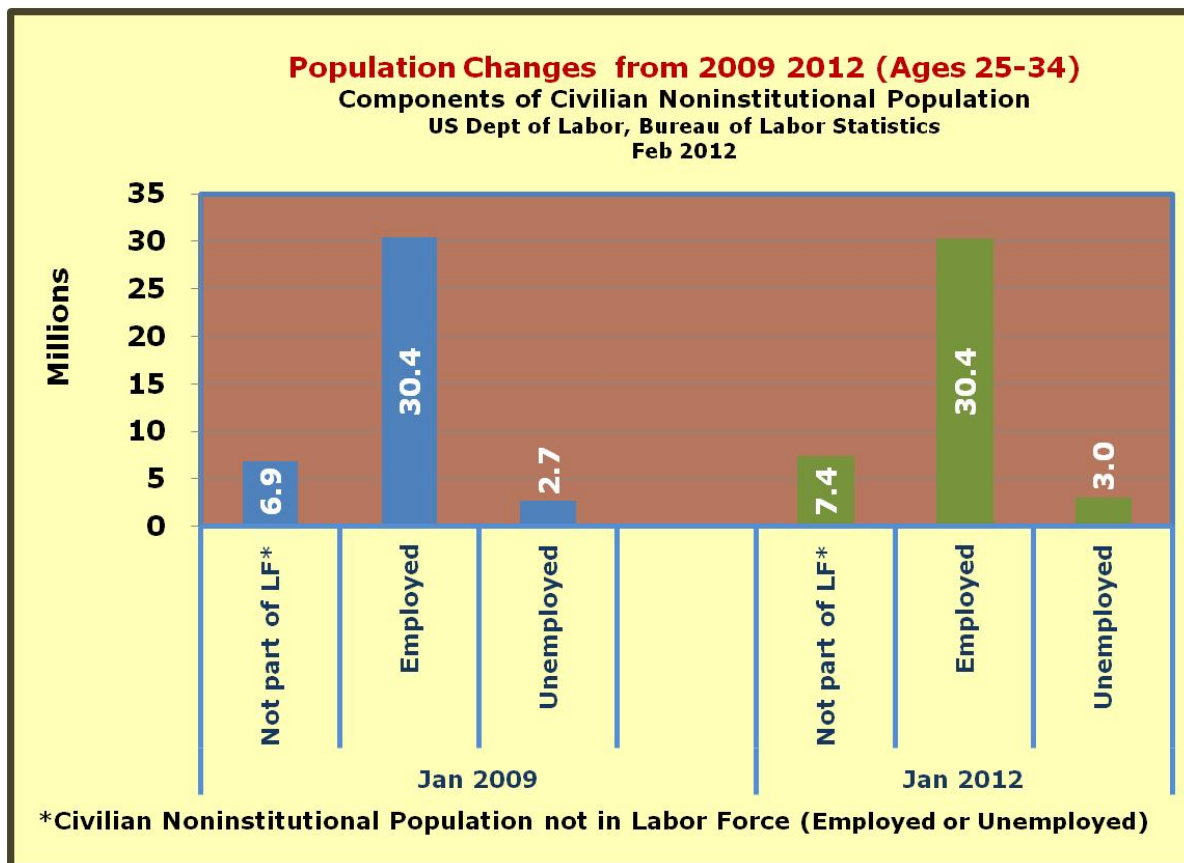
Thousands	January 2009	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	15,971	17,614	1,643	9.1%
Employed	18,303	17,724	(579)	-3.2%
Unemployed	3,216	3,374	158	4.9%



From December 2011 to January 2012, the 16-24 year-old Civilian Noninstitutional Population grew from 38.2 million to 38.7 million for an increase of 0.522 million.

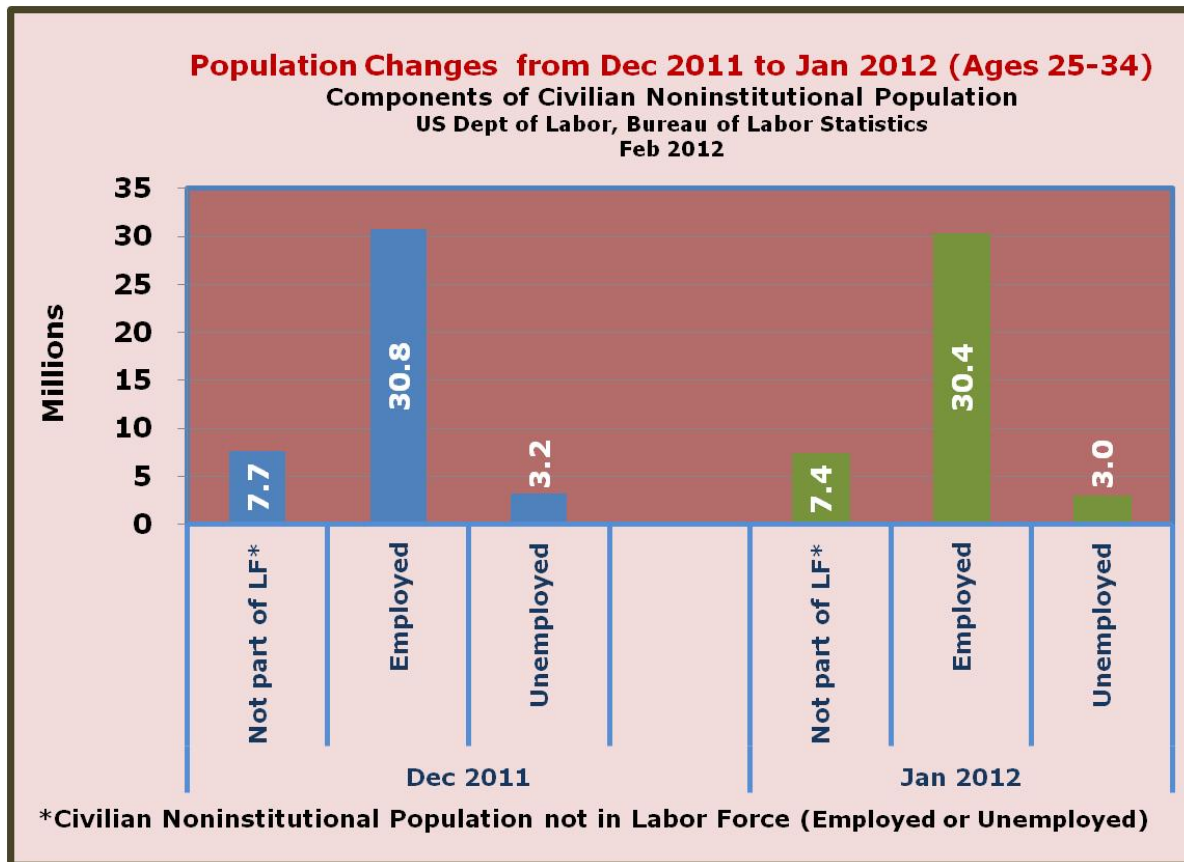
Thousands	December 2011	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	17,071	17,614	543	1.4%
Employed	17,582	17,724	142	0.8%
Unemployed	3,537	3,374	(163)	-4.6%





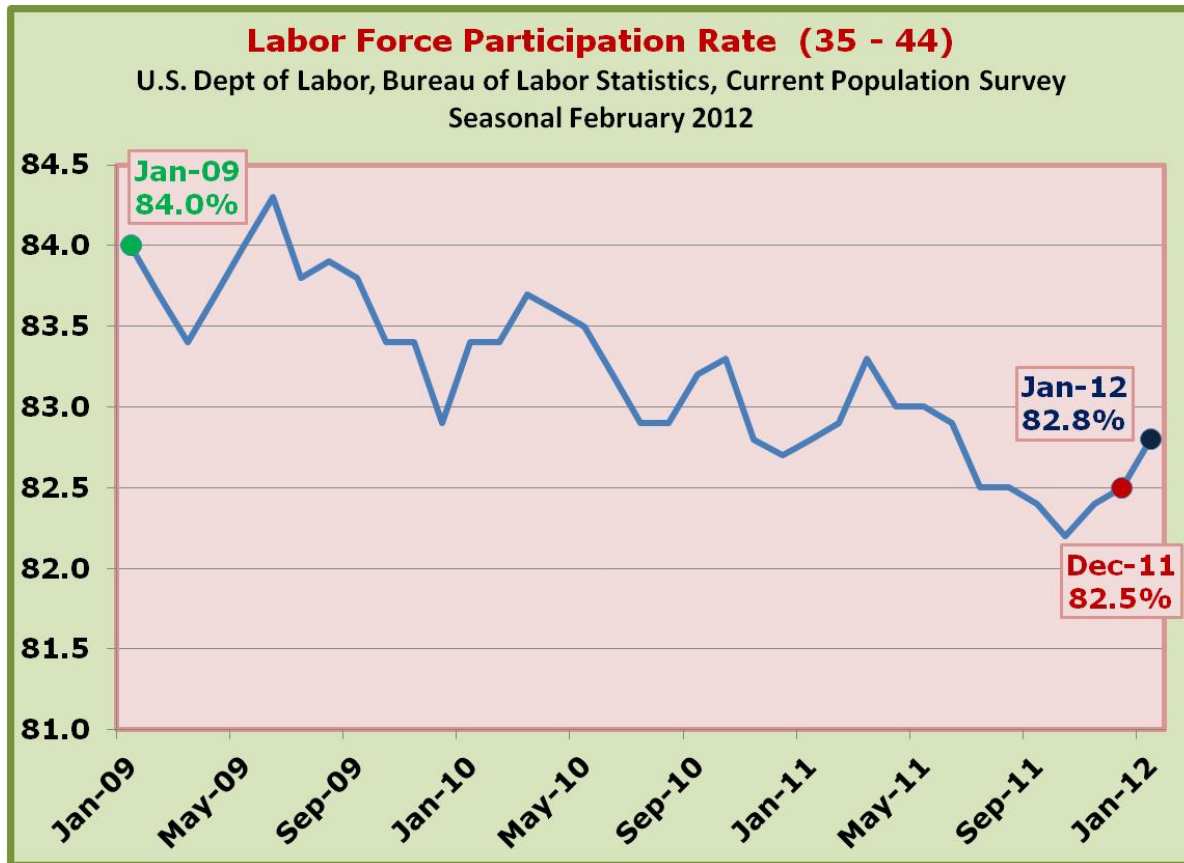
From January 2009 to January 2012, the 25-34 year-old Civilian Noninstitutional Population grew from 40.1 million to 40.8 million for an increase of 0.7 million.

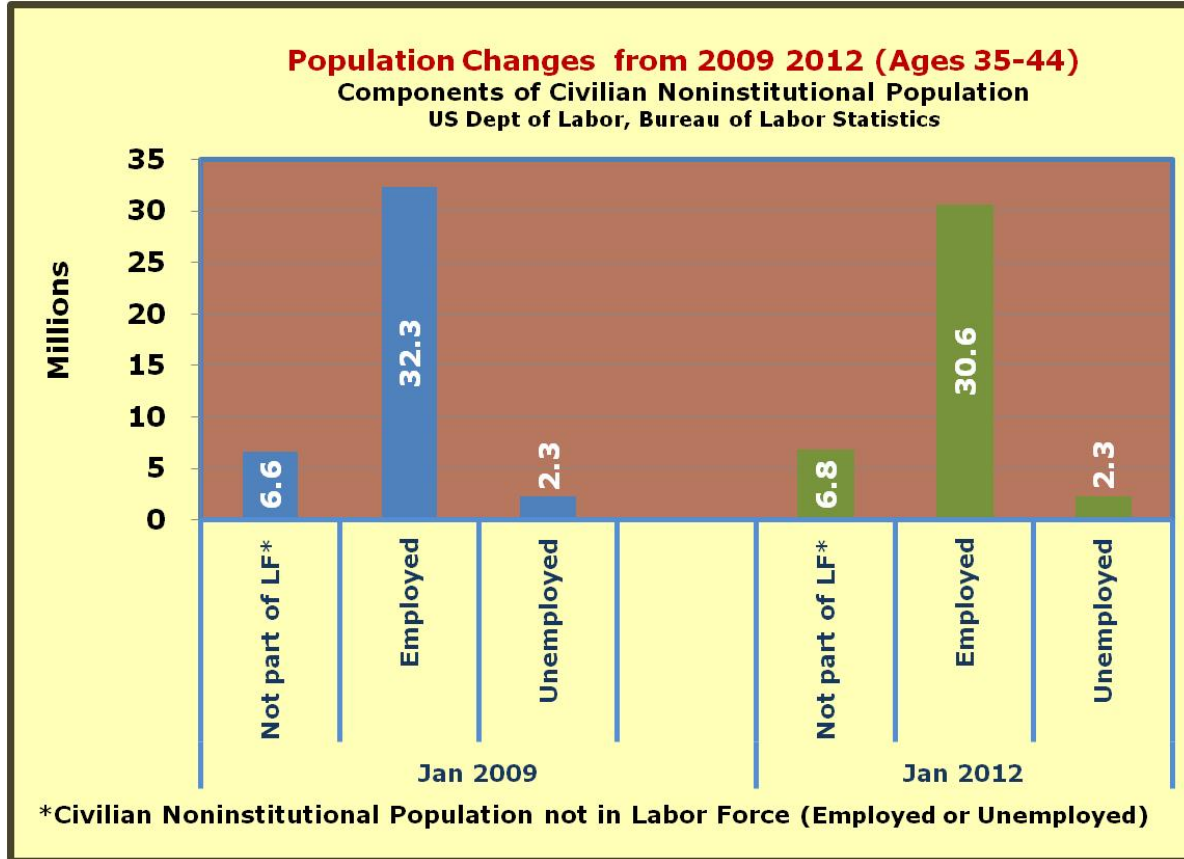
Thousands	January 2009	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	6,891	7,424	533	7.7%
Employed	30,432	30,367	(65)	-0.2%
Unemployed	2,740	3,001	261	9.5%



From December 2011 to January 2012, the 25-34 year-old Civilian Noninstitutional Population fell from 41.6 million to 40.8 million for a decrease of 0.828 million.

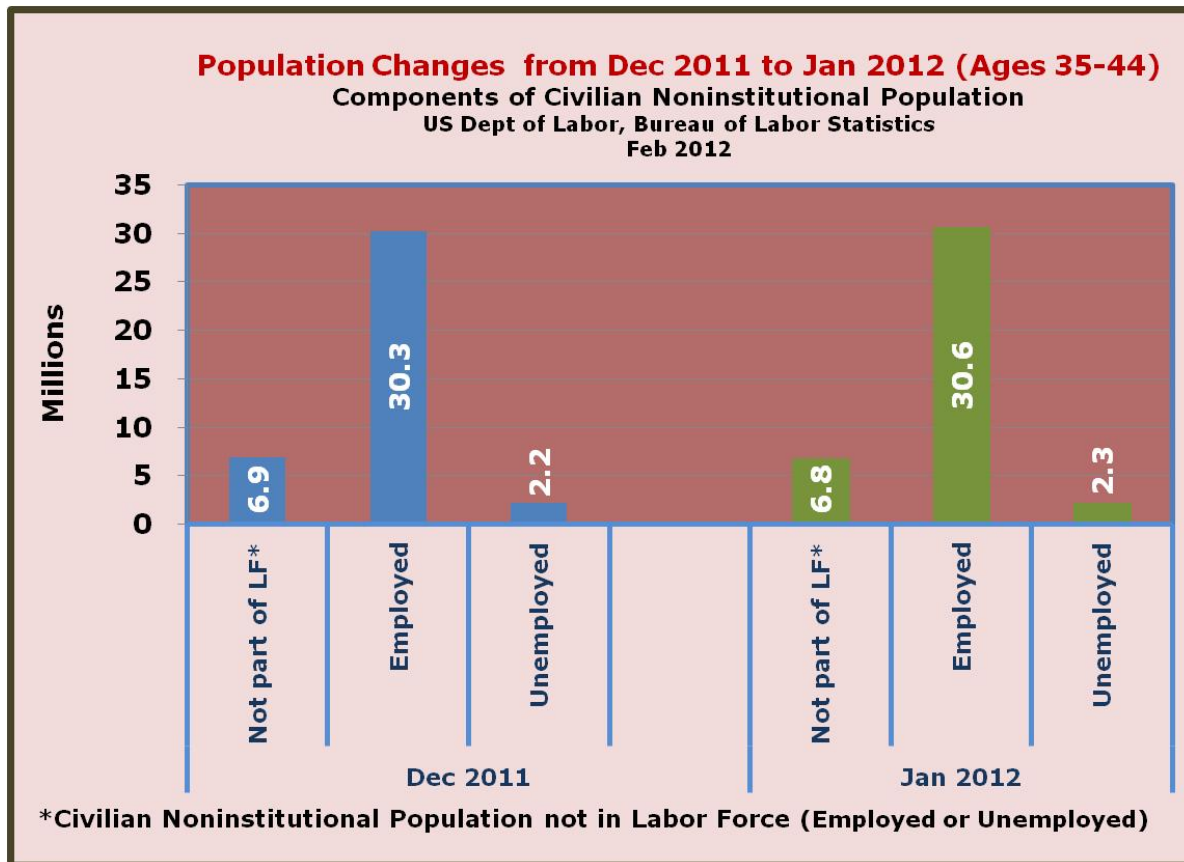
Thousands	December 2011	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	7,658	7,424	(234)	-0.6%
Employed	30,771	30,367	(404)	-1.3%
Unemployed	3,191	3,001	(190)	-6.0%





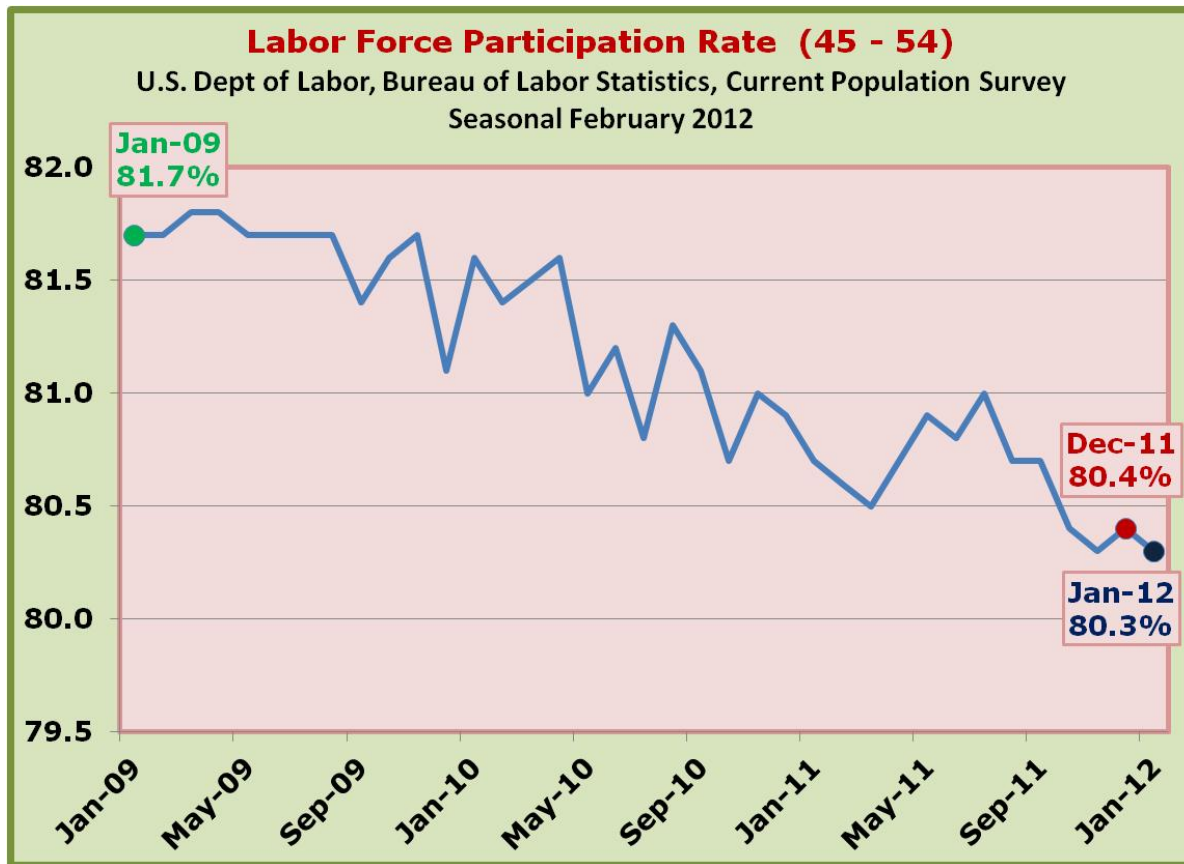
From January 2009 to January 2012, the 35-44 year-old Civilian Noninstitutional Population fell from 41.2 million to 39.7 million for a decrease of 1.5 million.

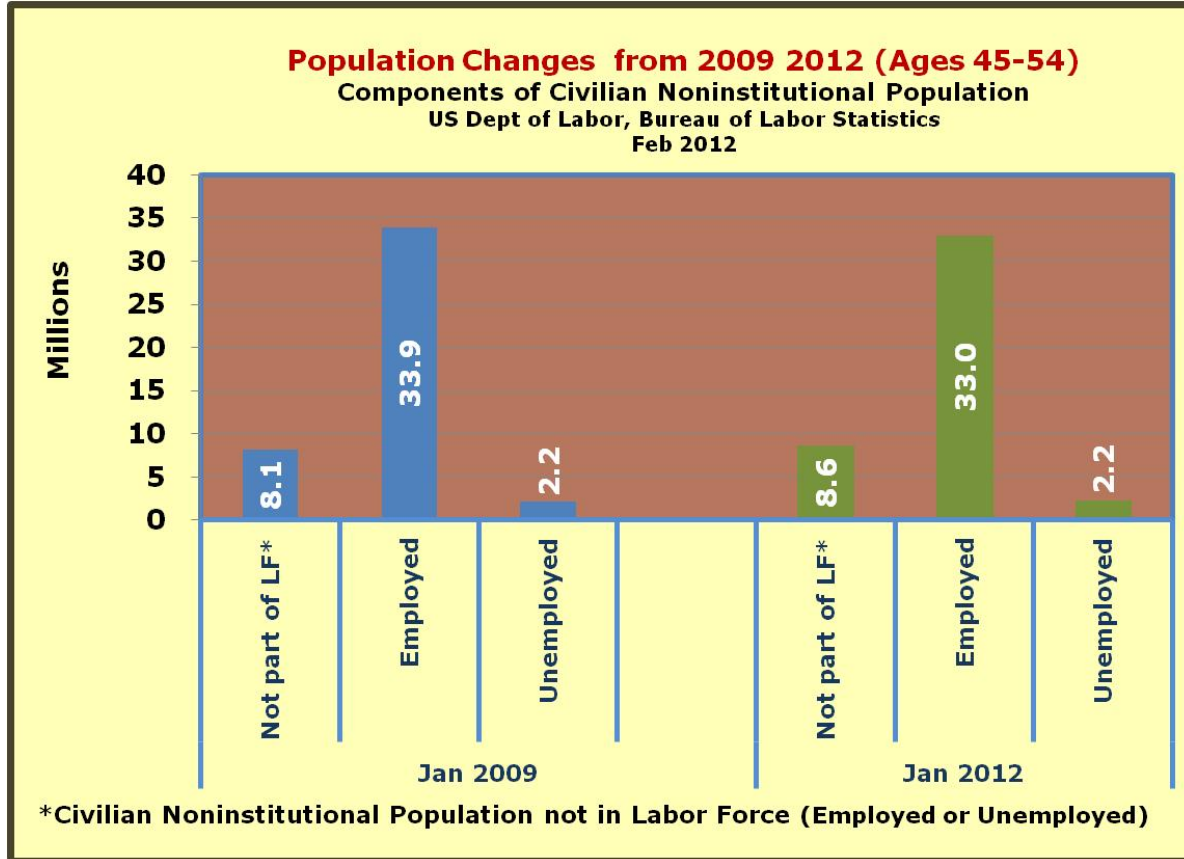
Thousands	January 2009	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	6,594	6,827	233	3.5%
Employed	32,290	30,614	(1,676)	-5.2%
Unemployed	2,326	2,250	(76)	-3.3%



From December 2011 to January 2012, the 35-44 year-old Civilian Noninstitutional Population grew from 39.4 million to 39.7 million for an increase of 0.308 million.

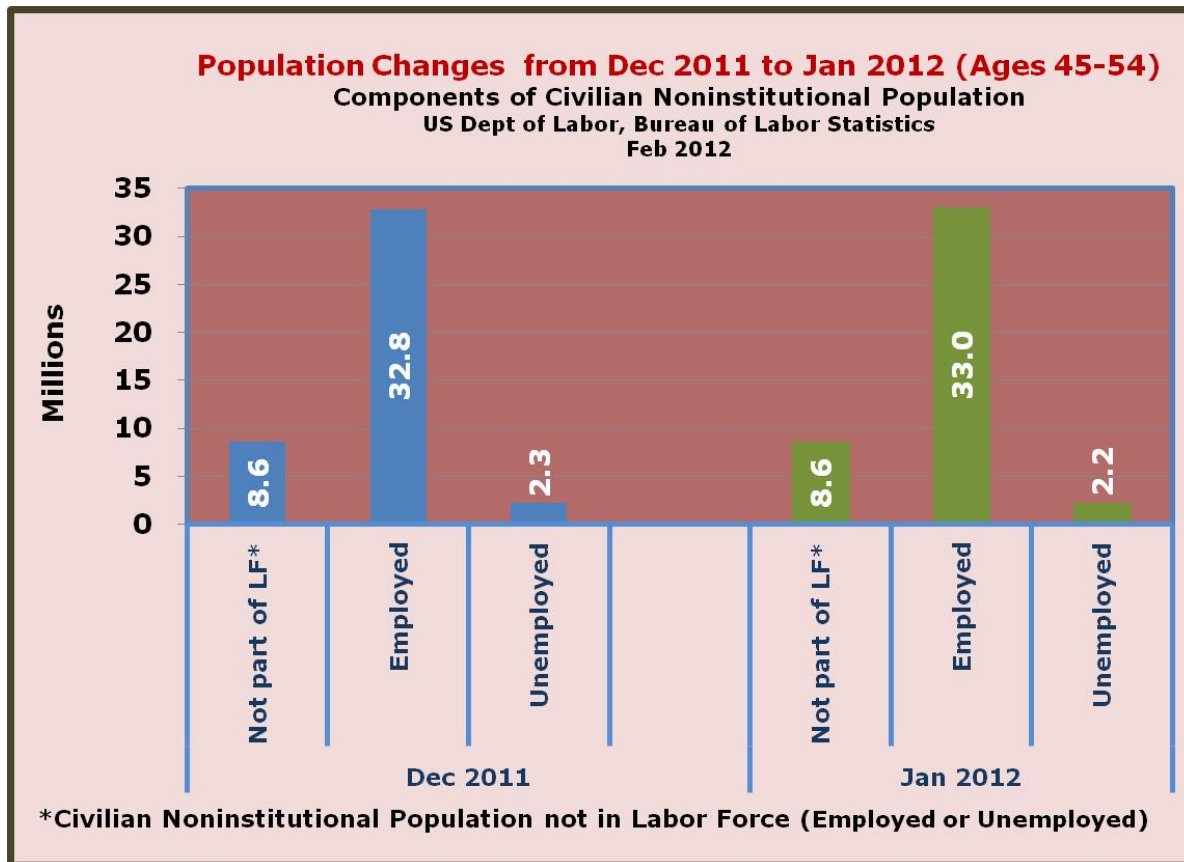
Thousands	December 2011	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	6,892	6,827	(65)	-0.2%
Employed	30,271	30,614	343	1.1%
Unemployed	2,220	2,250	(190)	1.4%





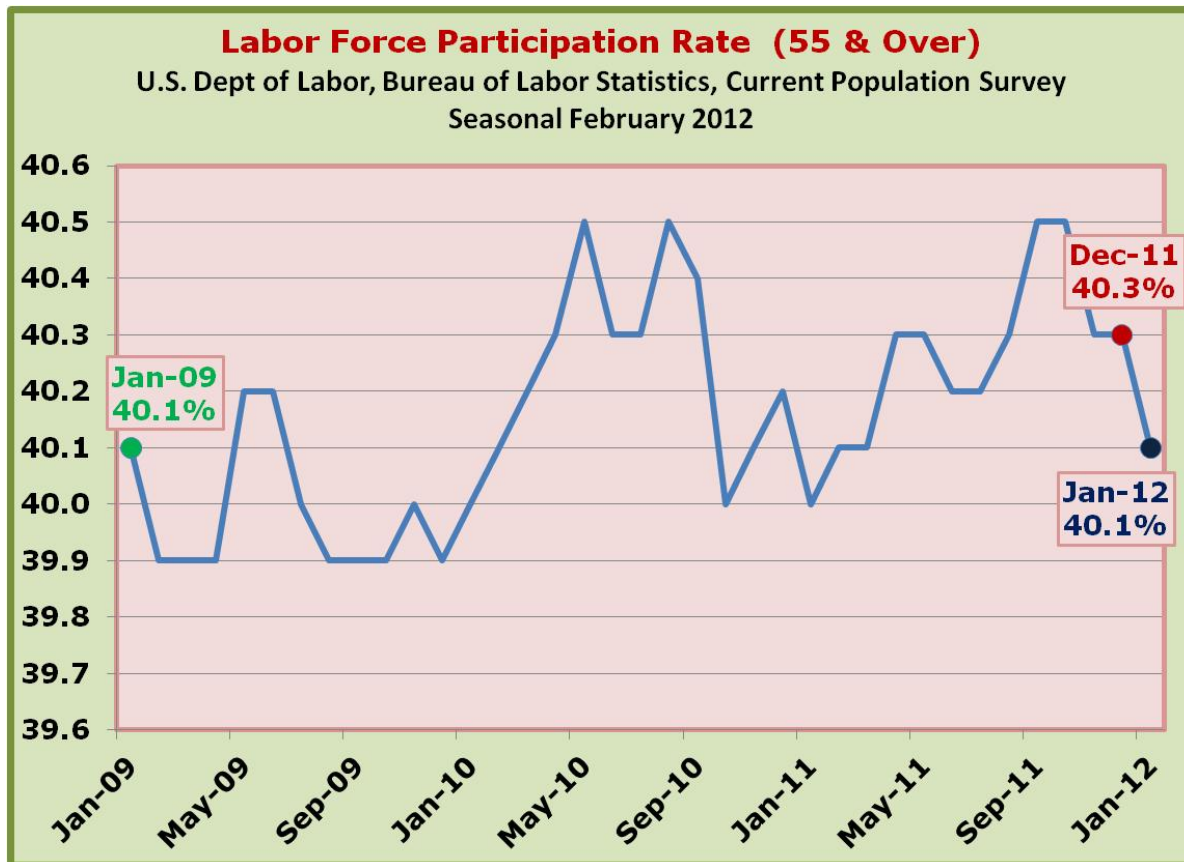
From January 2009 to January 2012, the 45-54 year-old Civilian Noninstitutional Population fell from 44.2 million to 43.9 million for a decrease of 0.308 million.

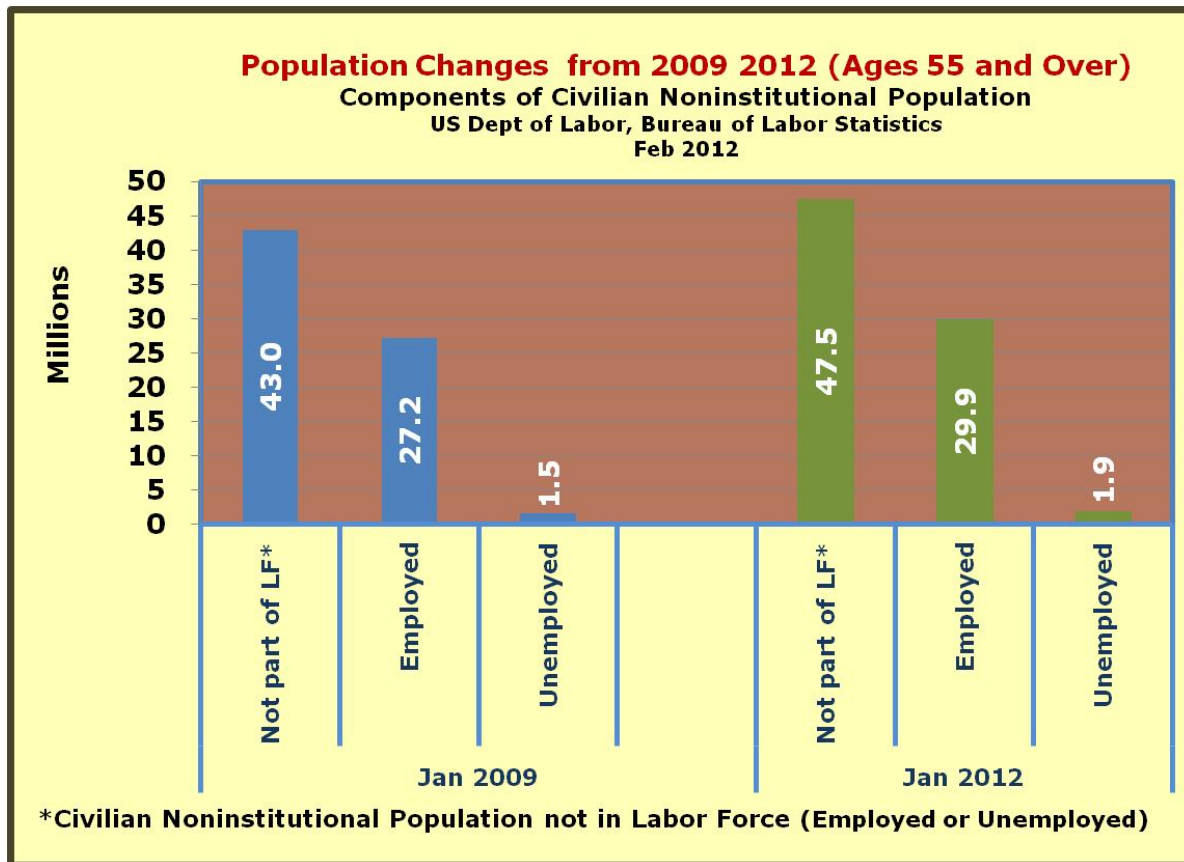
Thousands	January 2009	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	8,090	8,648	558	6.9%
Employed	33,946	33,009	(937)	-2.8%
Unemployed	2,170	2,241	71	3.3%



From December 2011 to January 2012 the 45-54 year-old Civilian Noninstitutional Population rose from 43.7 million to 43.9 million for an increase of 0.226 million.

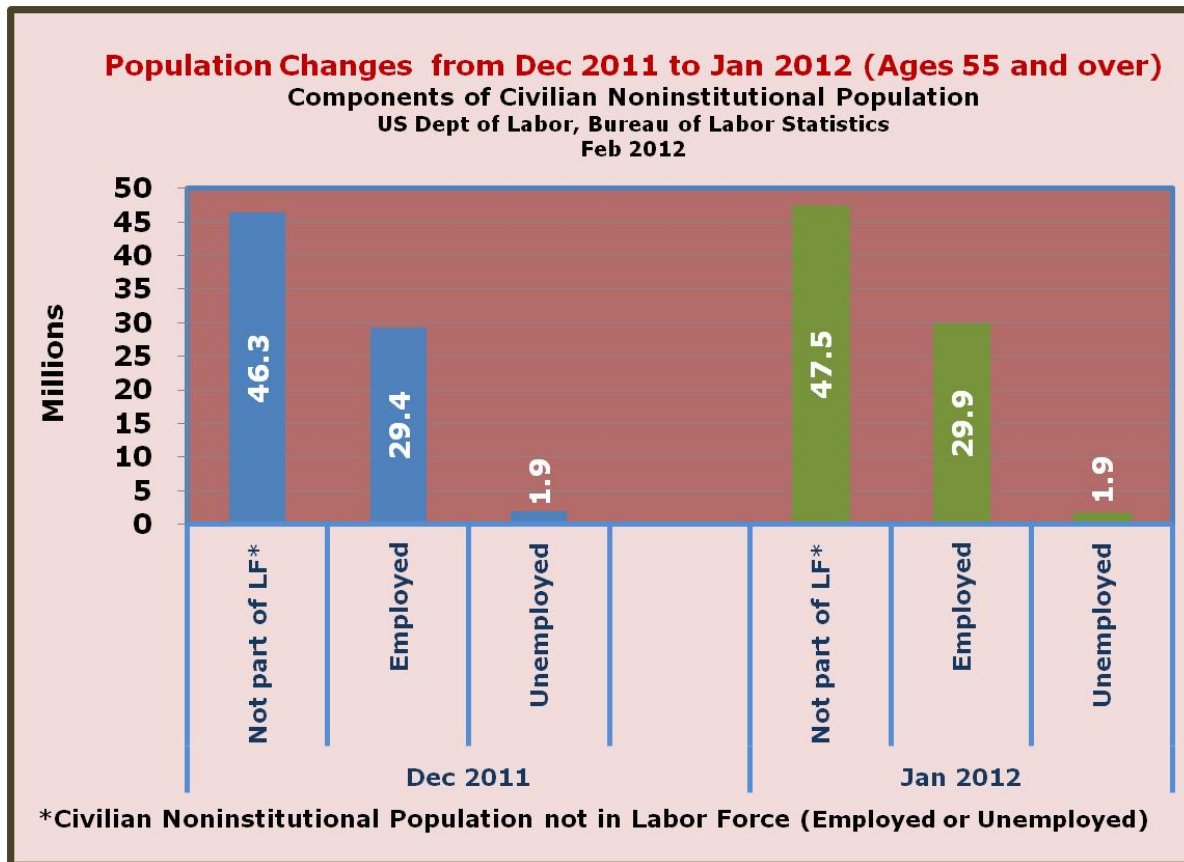
Thousands	December 2011	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	8,560	8,648	88	0.2%
Employed	32,841	33,009	168	0.5%
Unemployed	2,271	2,241	(30)	-1.3%





From January 2009 to January 2012, the 55 and over year-old Civilian Noninstitutional Population grew from 71.7 million to 79.2 million for an increase of 7.5 million.

Thousands	January 2009	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	42,977	47,467	4,490	10.4%
Employed	27,222	29,910	2,688	9.9%
Unemployed	1,549	1,867	318	20.5%



From December 2011 to January 2012, the 55 and over year-old Civilian Noninstitutional Population grew from 77.6 million to 79.2 million for an increase of 1.624 million.

Thousands	December 2011	January 2012	Difference [Increase (decrease)]	Percent Change
Not Part of Labor Force	46,339	47,467	1,128	1.5%
Employed	29,352	29,910	558	1.9%
Unemployed	1,929	1,867	(62)	-3.2%