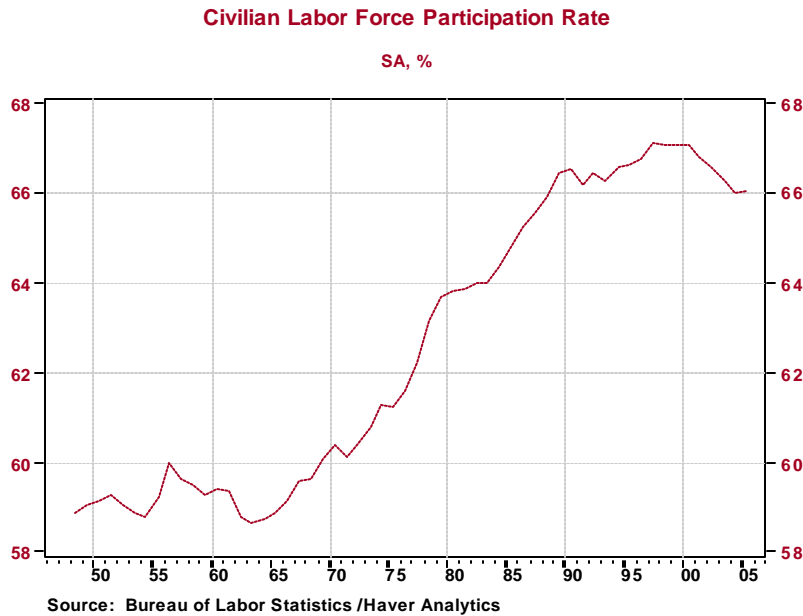




Noteworthy Aspects About the Participation Rate (2000-2005)

The labor force participation rate has dropped each year in the 2000-2004 period (see chart 1) and held virtually steady in 2005. This is an atypical event because during economic recoveries the participation rate rises as more people enter the labor force. There is no conclusive research explaining the reasons for the downward trend. Studies have shown that the civilian unemployment rate would be significantly higher than the current estimate of 4.9% if the participation rate were to mimic the trend of previous economic recoveries. In other words, the current reading of the unemployment rate partly exaggerates that implied strength in the labor market.

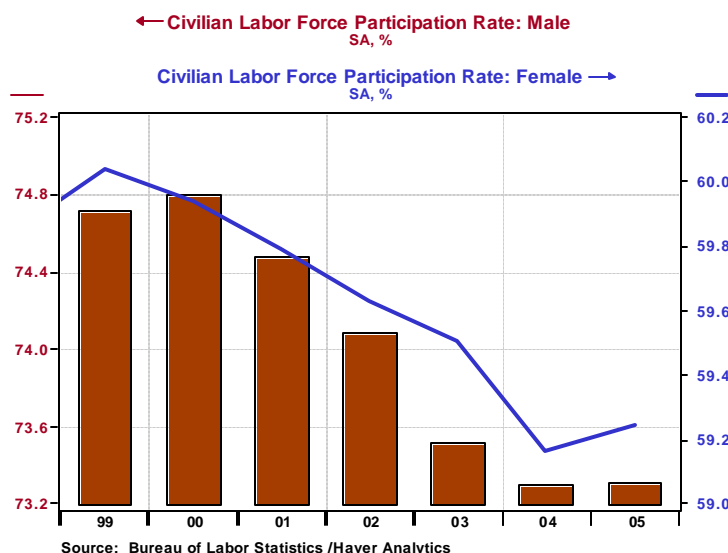
Chart 1



Although a complete analysis of the reasons for the decline in the participation rate is not available, published data give us clues about the different age groups that have contributed to this decline.

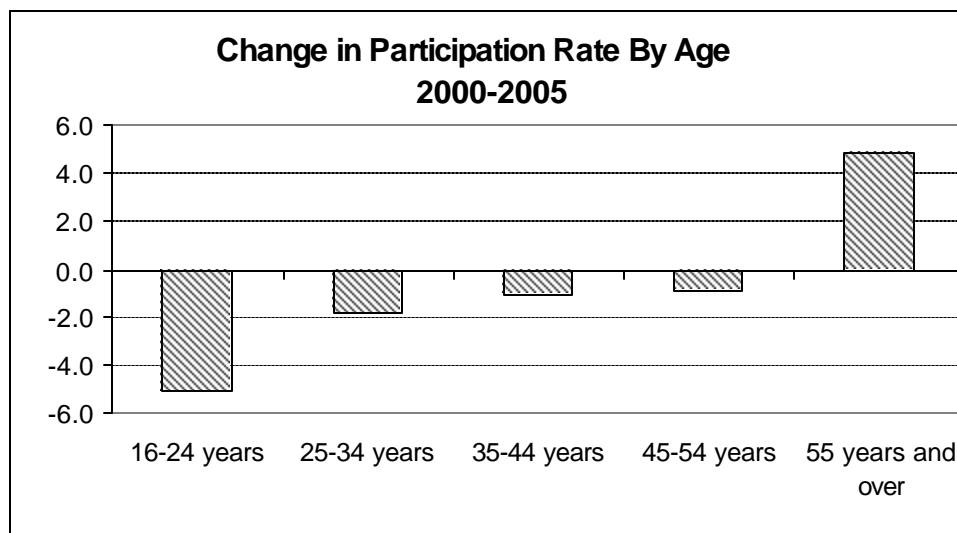
The **participation rate** is the proportion of the civilian non-institutional population 16 years of age and older either at work or actively seeking work. The participation rate was 66.0% in 2005, down from 67.1% in 2000. The participation rate of men was 73.3% in 2005 vs. 74.8% in 2000. The participation rate of women dropped by a smaller magnitude (59.2 in 2005 from 59.9 in 2000) compared with the decline reported for men. The participation rate of men has shown a downward trend in the past fifty years and there are various factors to explain this trend. By contrast, the drop in the participation of women is a new event.

Chart 2



Looking at the change in the participation rate by age, chart 3 shows that two age groups (16-24 years of age and 25-34 years of age) posted the largest declines during 2000-2005. The participation rate of the cohort aged 55 and over rose by 4.9 percentage points, which invalidates assumptions about baby boomers retiring in large numbers.

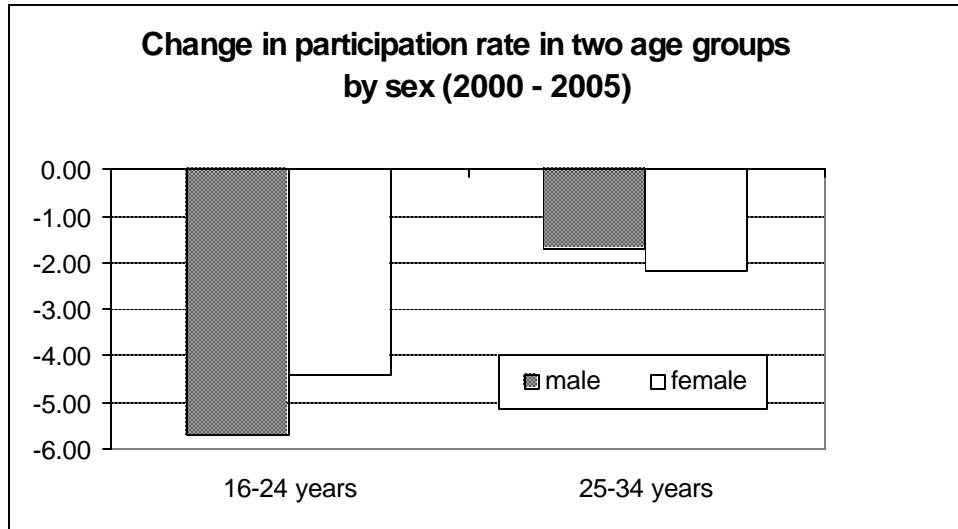
Chart 3



Further investigation about the two age groups showing the largest decline in the participation rate led to chart 4. Chart 4 shows that the participation of both the male and female population fell in the 16-24 age group. The tentative explanation for this is that school enrollment rose in the lean years of the recent recession and weak job growth has encouraged it. Census data for college enrollment during 2000-2004 shows a 12.5% increase. The decline in the participation rate of women aged 25-34 is the second largest amongst the various age groups, following the 16-24 age group. The decline in the participation rate of women in the 25-34 years cohort is attributed to women dropping out of the labor force for child rearing. This is a tentative conclusion because data from the future will be necessary to validate if women dropped out temporarily or if it is a permanent event.

The information herein is based on sources which The Northern Trust Company believes to be reliable, but we cannot warrant its accuracy or completeness. Such information is subject to change and is not intended to influence your investment decisions.

Chart 4



In sum, tentative conclusions are that increased enrollment in school in the group aged 16-24 and women aged 25-34 dropping out of the labor force for child rearing are the new events explaining the drop in the participation rate. Additional research and time will help to sort out this issue.

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