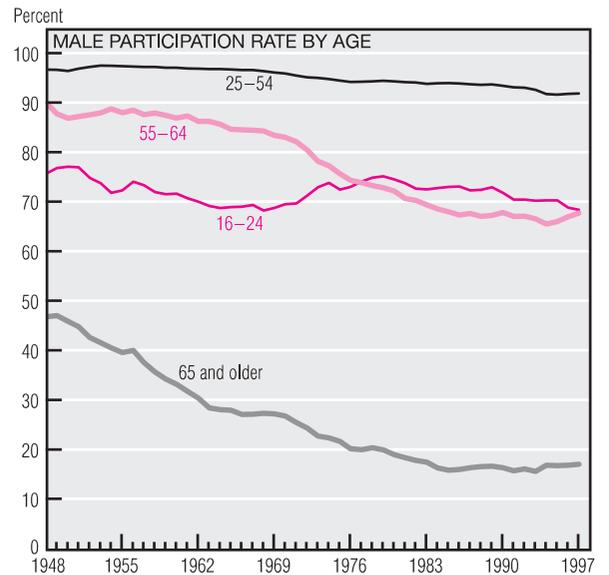
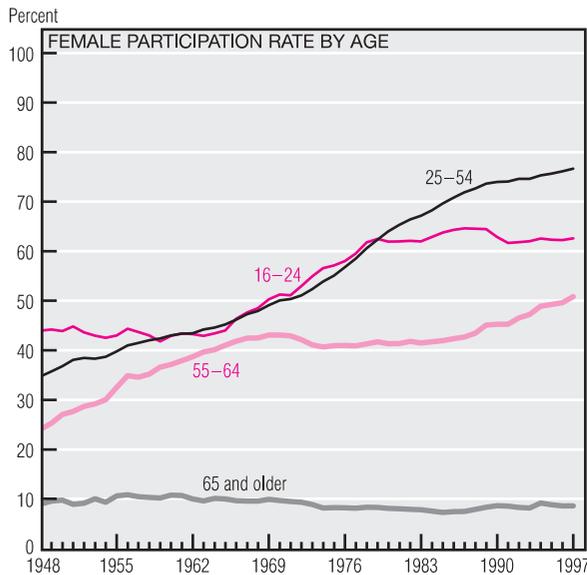
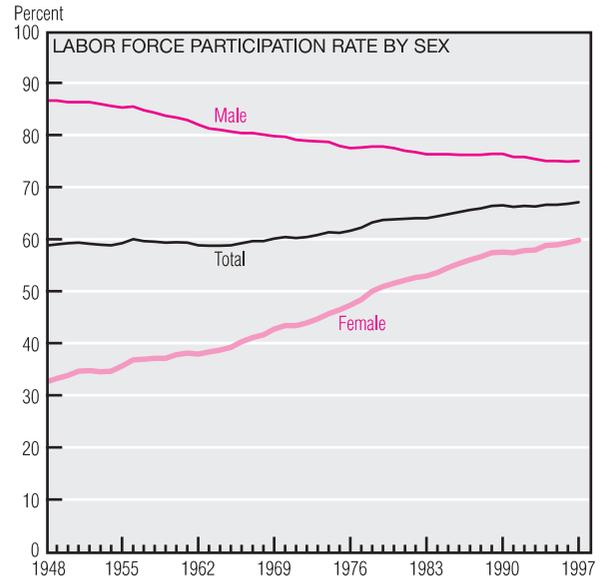
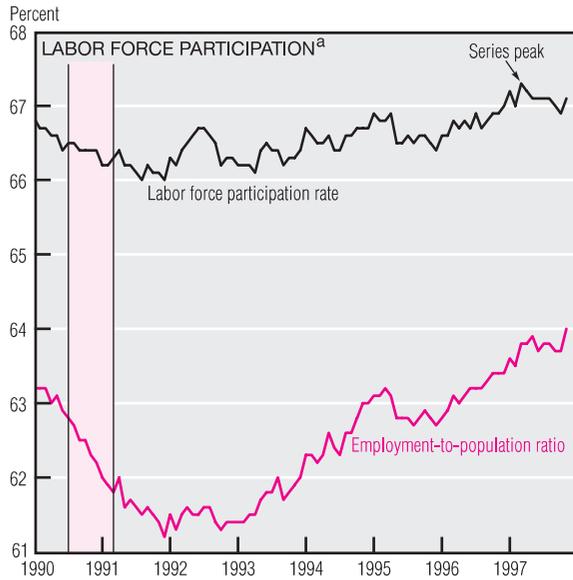


# Labor Force Growth and the Unemployment Rate



a. Shaded area indicates recession.  
 NOTE: All data are seasonally adjusted.  
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

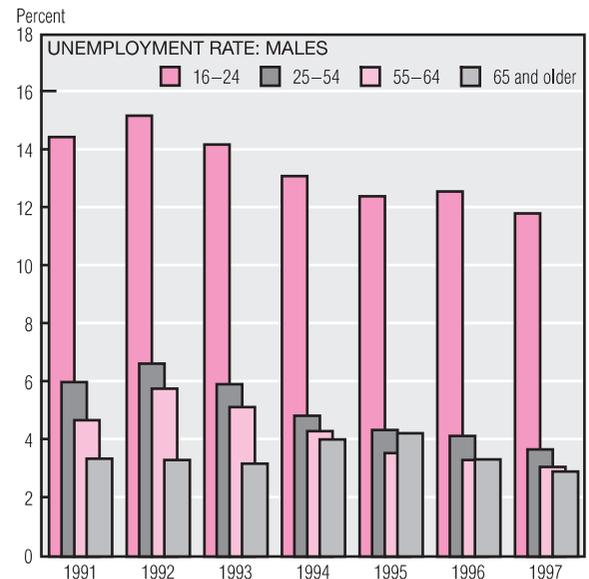
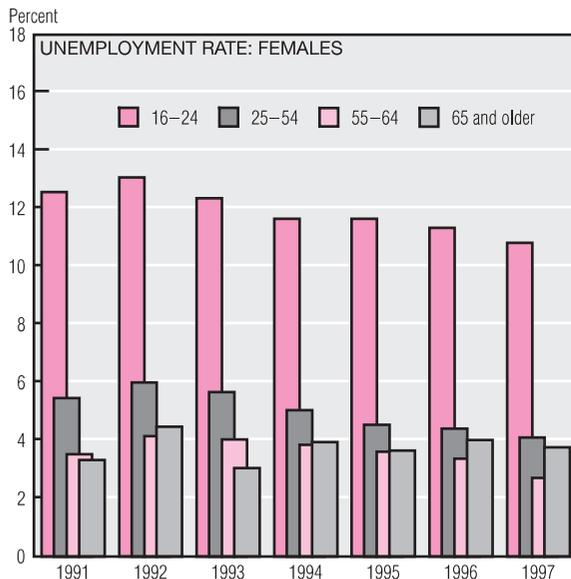
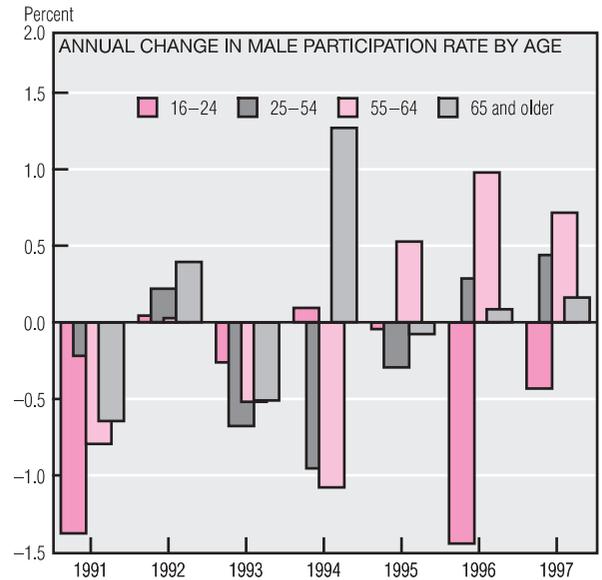
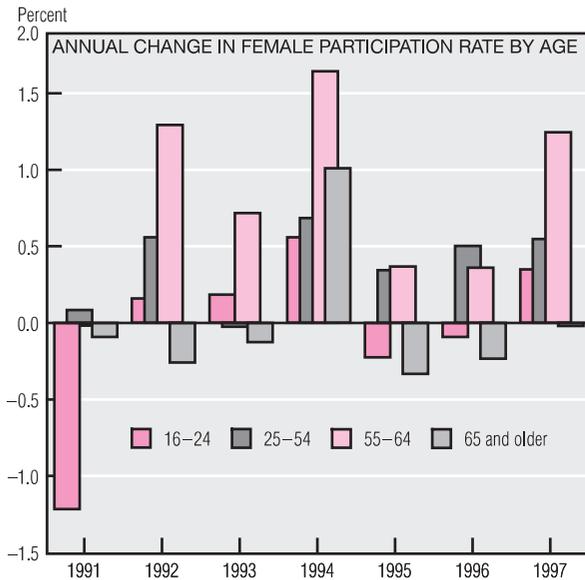
Will strong employment growth alone push the unemployment rate to zero? The unemployment rate measures the number of jobless persons actively seeking work, divided by the total number of working-age persons participating in the labor force. (The labor force consists of individuals who are either employed or seeking work). Hence, the unemployment rate can change in response to employment trends or to

changes in the labor force. Because population growth is fairly stable, the participation rate largely determines the number of individuals in the labor force.

Although participation rates rise and fall with the business cycle, demographic changes are the key determinant. The participation rate reached a record high of 67.3% in March 1997, primarily because of the growing share of women in the U.S. workforce. The participation of

women from nearly all age categories has been rising since at least 1948, when the Bureau of Labor Statistics began reporting the data. The increase is most striking for women between the ages of 25 and 54, traditionally the active work years for both men and women. These are also the primary years of child rearing, suggesting that children are now less of an impediment to workforce participation. Participation rates  
*(continued on next page)*

# Labor Force Growth and the Unemployment Rate (cont.)



NOTE: All data are seasonally adjusted. Data for 1997 do not include December.  
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

for women are apparently continuing to advance. Moreover, long histories of employment among today's younger women will probably boost the participation rates of older women in the years to come.

The other important demographic trend affecting U.S. labor force participation rates is the long-term decline in men's involvement, especially older men. In 1948, nearly half of all men over age 64 continued to

participate in the labor force. By 1997, this rate had dropped to 15%. Despite news reports to the contrary, the evidence supporting a reversal of this trend is meager at best. Somewhat more apparent is the change in the labor force participation rate of men between the ages of 55 and 64. The recent strength of the labor market appears to be offsetting a decades-long tendency toward early retirement. The unemployment

rate for males between 55 and 64 fell from 5.8% in 1992 to 3.1% in 1997.

The strong U.S. employment growth experienced since 1992 has produced a dramatic decline in the jobless rate. This growth in employment, however, would have resulted in a 3% unemployment rate had the labor force participation rate remained at its 1992 level (66%) instead of rising to 67%.