

# Labor Force Participation:

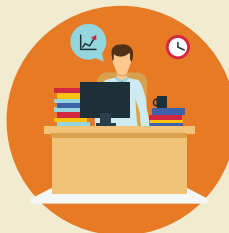
## Recent Developments and Future Prospects

A September 2014 working paper published by the Federal Reserve Bank of Cleveland found that roughly half the decline in the labor force participation rate from late 2007 through 2014 was attributable to the aging of the population. Most of the remainder, the authors concluded, was the continuation of long-standing trends, the causes of which are not well understood. It seems likely, though, that it has to do with worsening job opportunities for less-educated people. Here are more of their findings.

### THE DROP IN THE LABOR FORCE PARTICIPATION RATE

The labor force participation rate (LFPR) is the percentage of the working-age population that is either employed or unemployed—that is, either working or actively seeking work.

People with jobs



EMPLOYED

People who are jobless, looking for a job, and available for work



UNEMPLOYED

People who are neither employed nor unemployed



NOT IN THE LABOR FORCE

**FROM LATE 2007 THROUGH 2014, THE LFPR FELL FROM ABOUT 66 PERCENT TO ABOUT 63 PERCENT.**

The sources of this decline have been widely debated. Among the reasons presented are

Structural forces such as the aging of the population

Weak labor demand



### THE BABY BOOMERS

The authors' overall assessment was that much—but not all—of the decline in the labor force participation rate during this period is due to ongoing structural influences.

Most prominently, the ongoing aging of the baby boom generation can account for nearly half the decline.

The authors did note that the labor force participation rate of older individuals remaining in the labor force has risen. They cited 4 reasons:

**INCREASED LONGEVITY**

**BETTER HEALTH STATUS**

**CHANGES IN SOCIAL SECURITY BENEFITS**

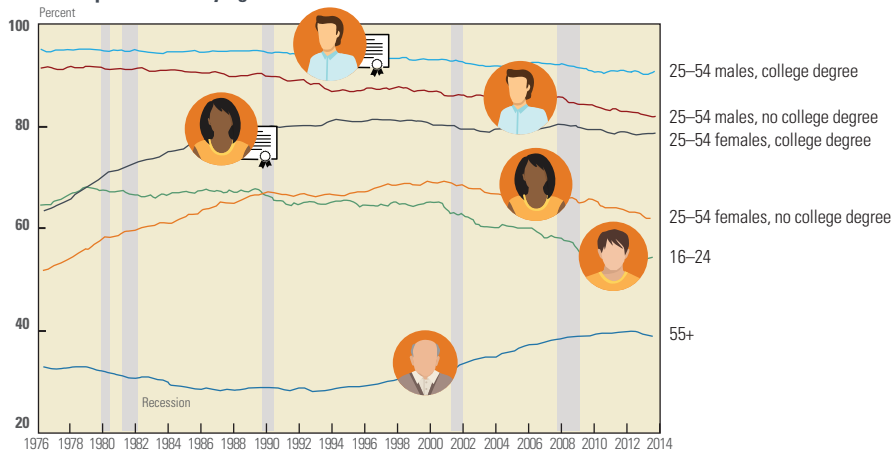
**INCREASED EDUCATIONAL ATTAINMENT**



**THE YOUNG** Participation rates among youths have been declining since the mid-1990s, accounting for an important share of the overall decline in the LFPR, too.

**While the labor force participation rate of people age 55 and older has risen in the recent past, that rate has declined for teenagers and young adults.**

Participation rates by age and education status



**Why are teenagers and young adults participating less?** It may be because of

1. A more intensive focus on education wherein those enrolled in school are less likely to work while attending *and* less likely to work summers
2. Being crowded out of the labor force by the decline in middle-skill jobs and resultant greater competition for low-skilled jobs

The Federal Reserve Bank of Cleveland's community development team conducts applied research, analyzes data and trends, provides technical assistance to organizations, and convenes meetings to bring together key players in community and economic development. The aim is to promote economic growth and financial stability, especially in low- and moderate-income areas, and to deepen the understanding of issues affecting communities.

Search a comprehensive collection of Federal Reserve community development resources related to affordable housing, neighborhood revitalization, workforce development, and more at [fedcommunities.org](http://fedcommunities.org).

The views expressed here are those of the authors and do not necessarily represent the views of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

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Read it all: <http://tinyurl.com/zmxqswt>