



Session 2: Trends in Labor Force Participation

Nicolas Petrosky-Nadeau¹

The Recent Evolution of Labor Markets Conference
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¹These views are those of the author and do not necessarily reflect the views of the Federal Reserve Bank of San Francisco or the Federal Reserve System.

Session 2: Trends in Labor Force Participation

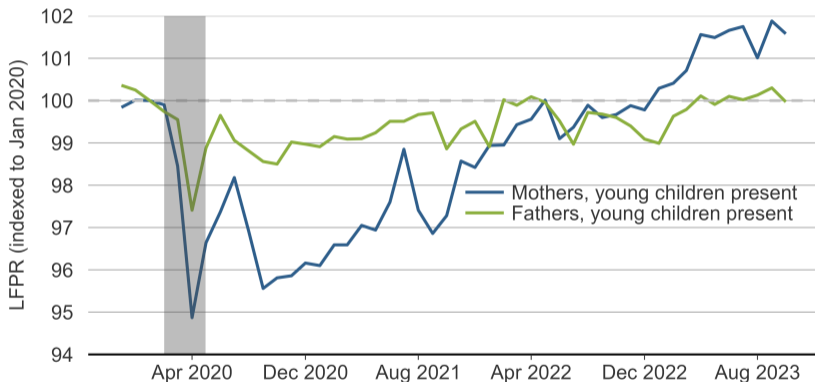
Three Firestarter Topics:

- 1 - Transitory and persistent impacts of the pandemic
- 2 - Closing participation gaps
- 3 - Immigration and labor force growth

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1 - A Transitory and A (Potentially) Lasting Impact of the Pandemic

Initial concerns over pandemic's impact on women's participation erased by 2023

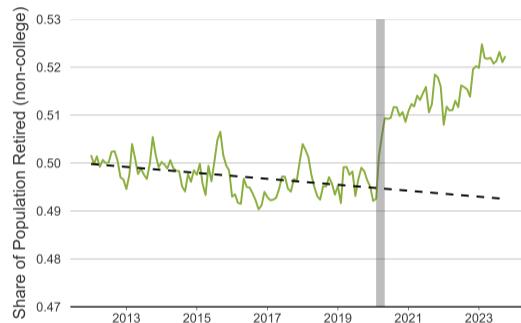
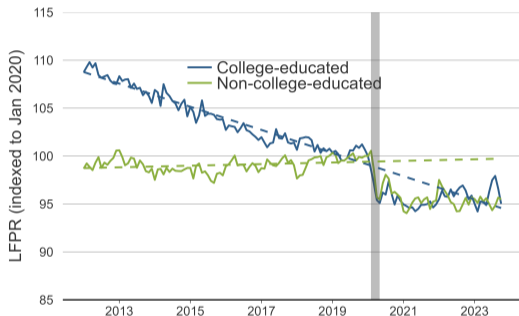


Source: U.S. Census Bureau and FRBSF staff calculations.

Lofton, Olivia, Nicolas Petrosky-Nadeau, Lily Seitelman. "Parents in a Pandemic Labor Market," Federal Reserve Bank of San Francisco Working Paper 2021-04.

1 - A Transitory and A (Potentially) Lasting Impact of the Pandemic

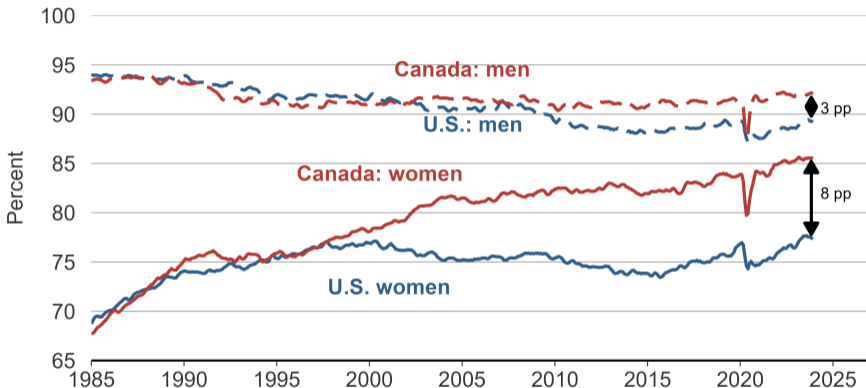
Shortfall in participants aged 55+ persistent and concentrated among the non-college educated



Miskanic, Brandon, Nicolas Petrosky-Nadeau, Cindy Zhoa. "To Retire or Keep Working After a Pandemic?" FRBSF Economic Letter, forthcoming.

2 - Closing gaps: Significant Lags in Closing Gender Gaps

Despite gains during current expansion a large gap remains relative to peer countries



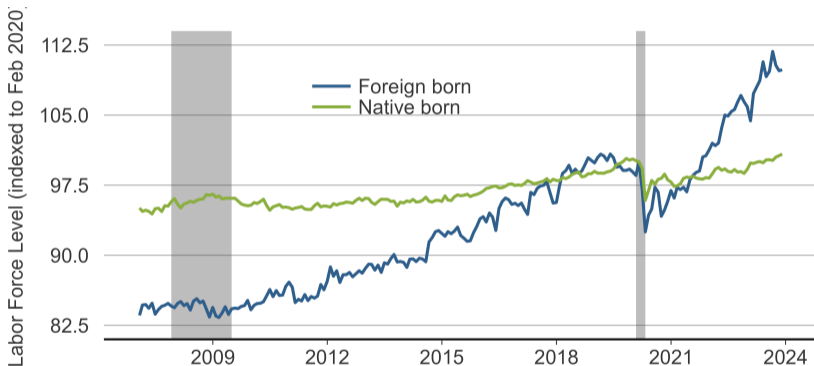
Source: FRED (Irac25mausm156s, Irac25feusm156s, Irac25macam156s, Irac25fecam156s).
Note: 3 month moving average, Seasonally Adjusted.

Daly, Mary C., Joseph H. Pedtke, Nicolas Petrosky-Nadeau, Annemarie Schweinert. "Why Aren't U.S. Workers Working?"

FRBSF Economic Letter 2018-24.

3 - Increasing Role for Immigration in Growing the Labor Force

Foreign born workers account for nearly 2/3 of LF growth since 2021



Note: Values are seasonally adjusted and indexed to a value of 100 in February 2020.

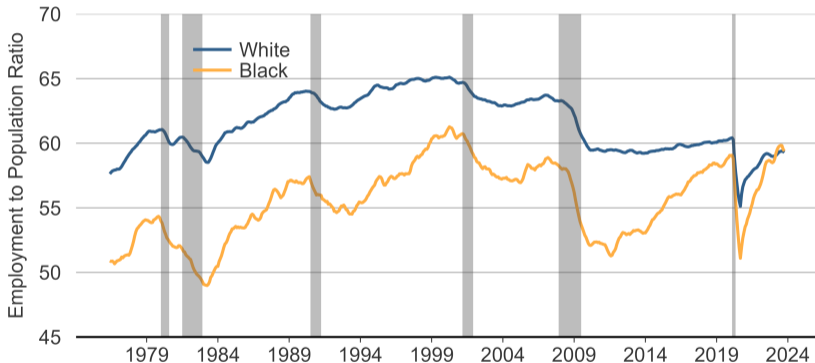
Shaded areas denote NBER recession dates.

Source: Bureau of Labor Statistics via Haver Analytics, and FRBSF calculations.

ADDITIONAL SLIDES

2 - Closing gaps: Caution when comparing populations

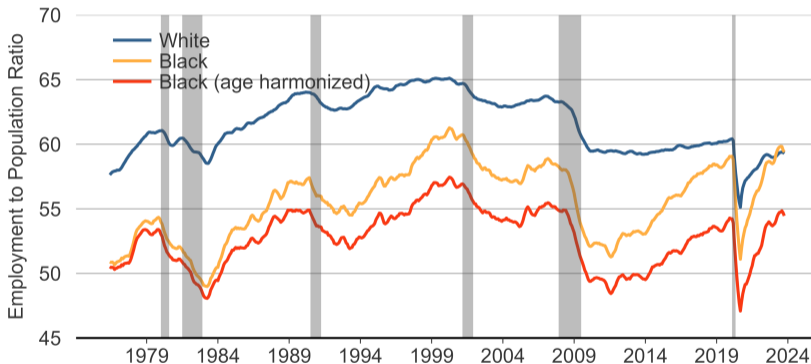
Differential aging across demographic groups can distort trends



Note: Authors' calculations using data from the U.S. Department of Labor.
Employment to population ratios for blacks constructed using the age population distribution of whites.

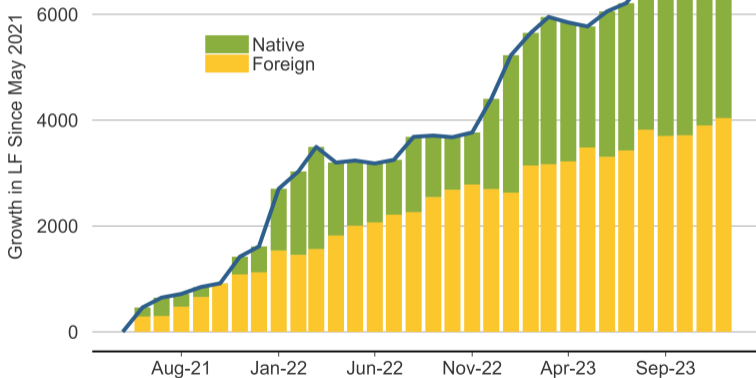
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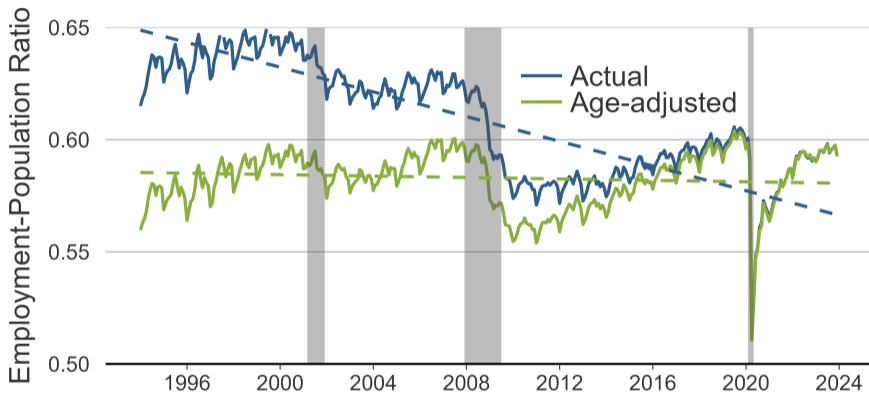
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3 - Domestic and Foreign Born Contributions to Labor Force Growth



Source: FRED (Inu01000000, Inu01073395, Inu01073413).
Note: Thousands of persons, Seasonally Adjusted.

3 - Missing Domestic Born Workers?



Note: Native-born population only. Base date: 2023-12-01.
Dotted trendlines depict 2000-2019 linear trend.

Trends in Labor Force Participation

Ayşegül Şahin
UT Austin

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Based on joint works with Bart Hobijn

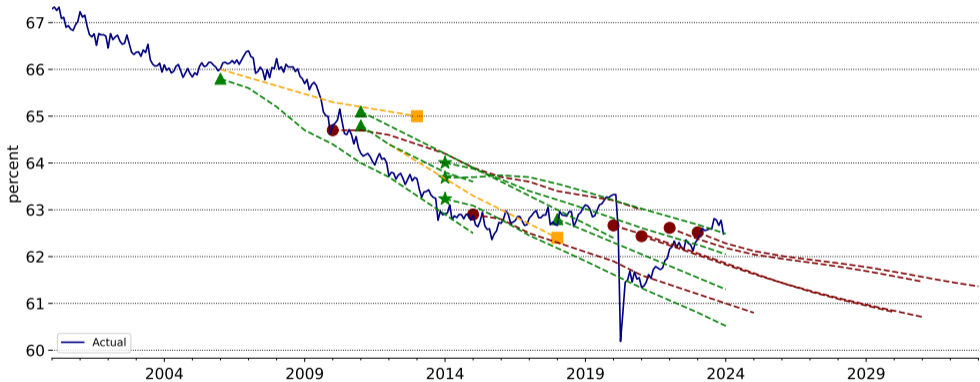
Questions

- What happened pre-, during, and post-pandemic? Have long-term trends changed, or were they just disrupted a bit by COVID?
- How much of the decline in labor force participation was among older (70+) workers and part-time workers?
- Do we expect LFP of older workers to begin rising again as it had been pre-pandemic? Whither prime-age male LFP?
- What role does availability of childcare play in LFP?
- What about hours—what do we make of differences among surveys?

Labor Force Participation Trend Predates the COVID-19 Pandemic

Labor Force Participation Rate, Actual and Trend Estimates

Monthly observations; seasonally adjusted



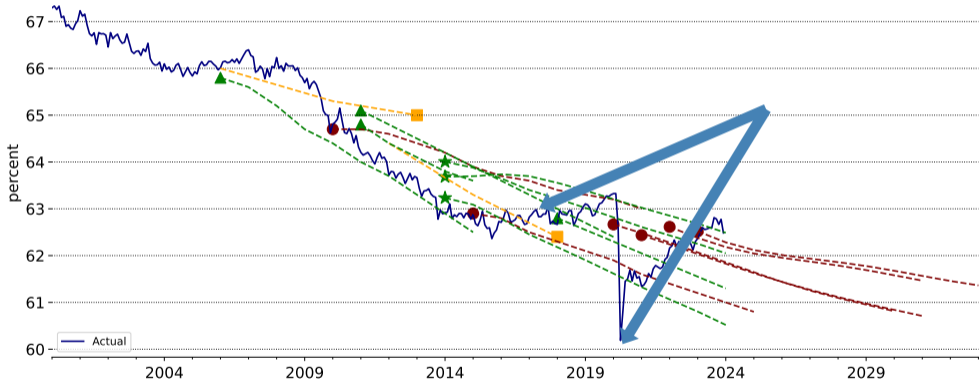
Source: Bureau of Labor Statistic, CBO, FRBoG, several other publications

Note: Vintage of forecast is indicated by dot. Actual is seasonally adjusted monthly observations. Trend estimates in bottom panel by source:
●: CBO trend estimates (2011,2015,2020,2021), ■: Tealbook estimates (backward-looking, Jan 2011 and Jan 2015), *: Aaronson *et al.* (2014),
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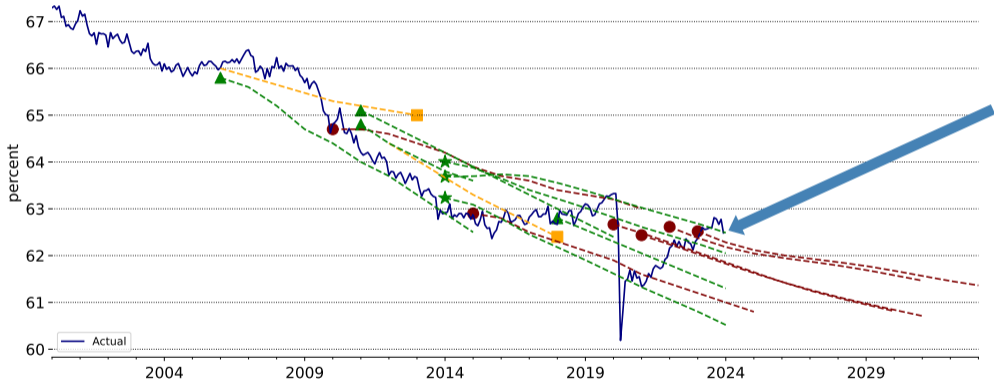
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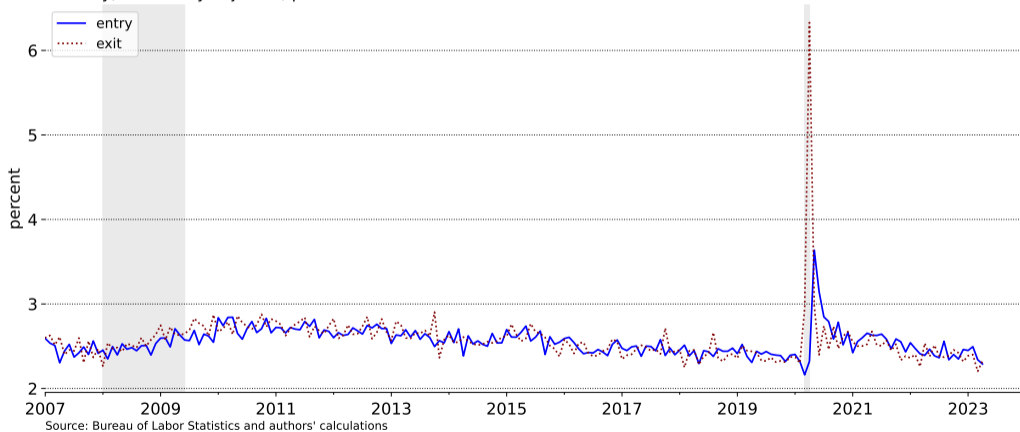
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Emphasis on Labor Force Entry/Exit Dynamics During the Pandemic

Labor Force Entry and Exit Rates

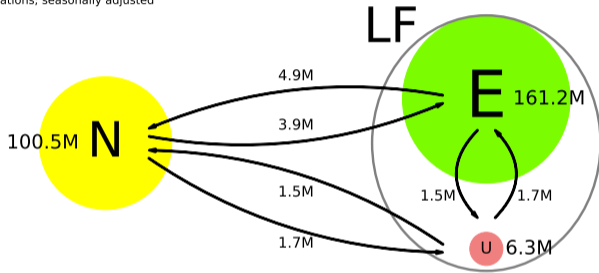
monthly; seasonally adjusted; percent of labor force



Participation Dynamics More Subtle

Flow Origins of Participation: Dec 2023

Monthly observations; seasonally adjusted



Source: Bureau of Labor Statistics

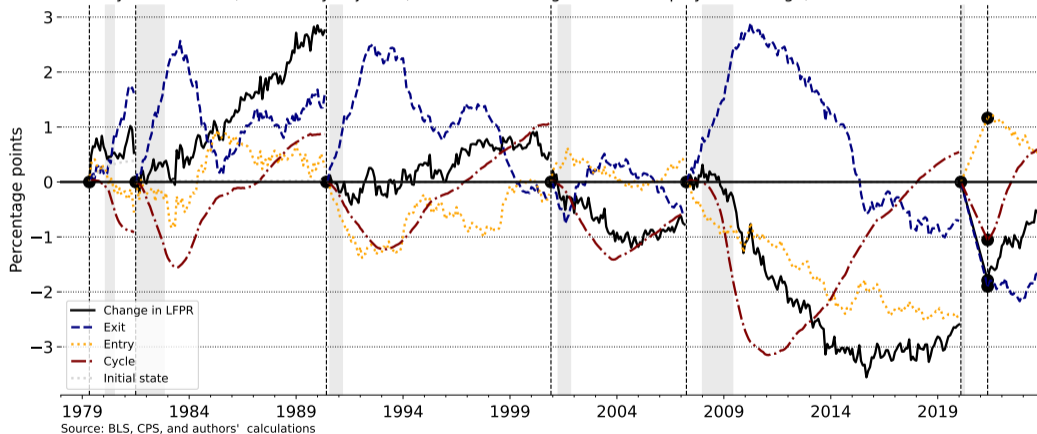
- Flows \gg Net changes in stocks
 - Large flows in and out of labor force
- Unemployed are less attached than the employed
 - *Attachment wedge*

Key Intuition: When someone moves from U to E, they are more likely to remain in the labor force going forward. This simple mechanism (*the participation cycle*) is the source of procyclicality of participation, *not* labor force entry and exit.

Participation Cycle Lagged the Unemployment Cycle As Always

Trough to trough LFPR changes decomposed

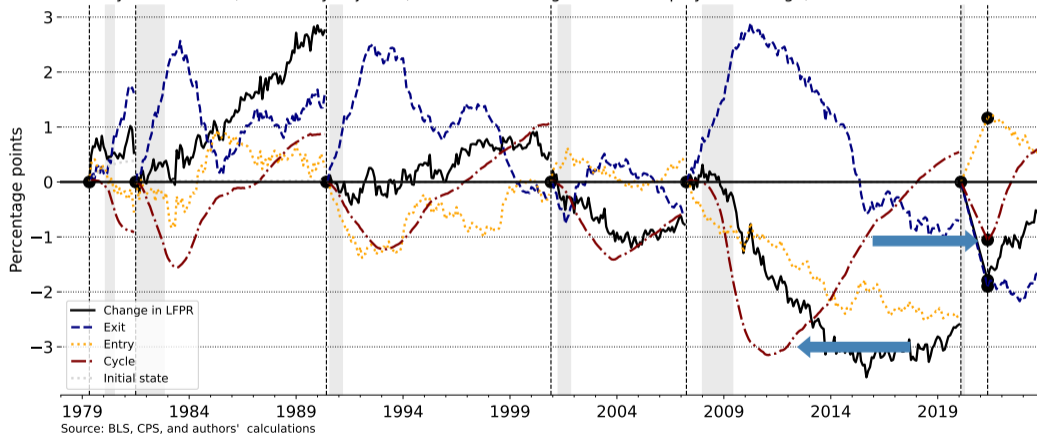
Monthly observations; seasonally adjusted; cumulative change since unemployment trough; Total



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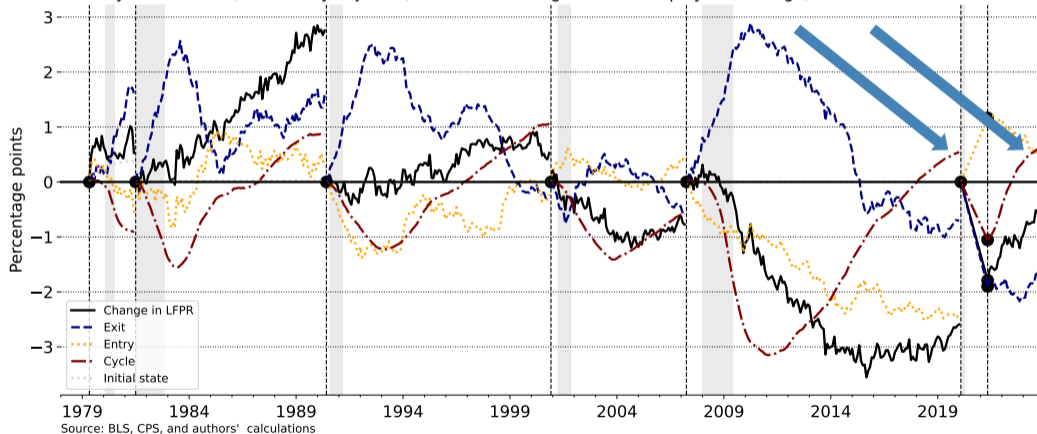
Monthly observations; seasonally adjusted; cumulative change since unemployment trough; Total



Cyclical Pressures on Participation Similar to 2019

Trough to trough LFPR changes decomposed

Monthly observations; seasonally adjusted; cumulative change since unemployment trough; Total



Key Takeaway

Recovery of participation rates for all groups is not because marginalized workers are drawn back into the labor force, but instead because those in labor force become more attached due to better labor market opportunities and more employment stability.

Contrasts with common narrative as in Perry (1971), Okun (1973)

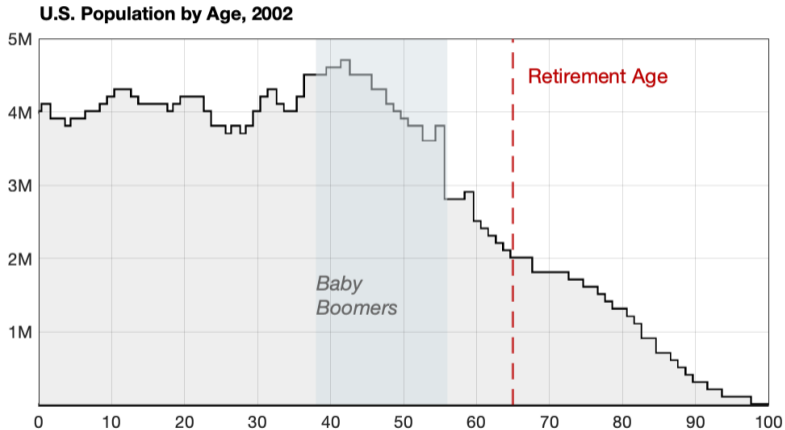
Demographic Trends

Baby Boom Generation: Born Between 1946 and 1964



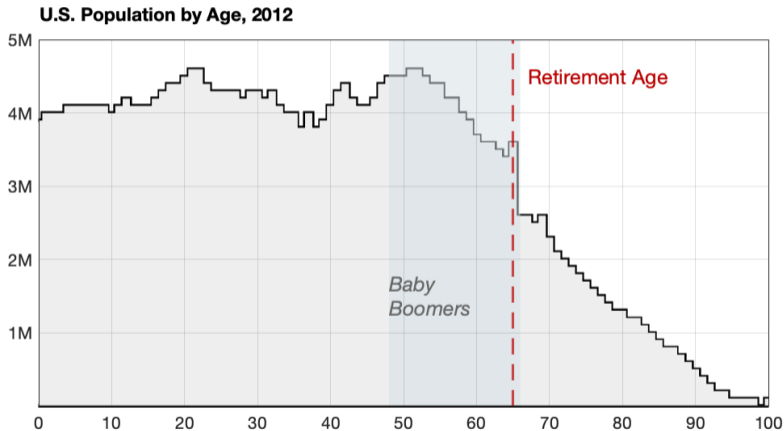
Source: Rarehistoricalphotos.com

Tracking the Baby Boom Cohort: 2002



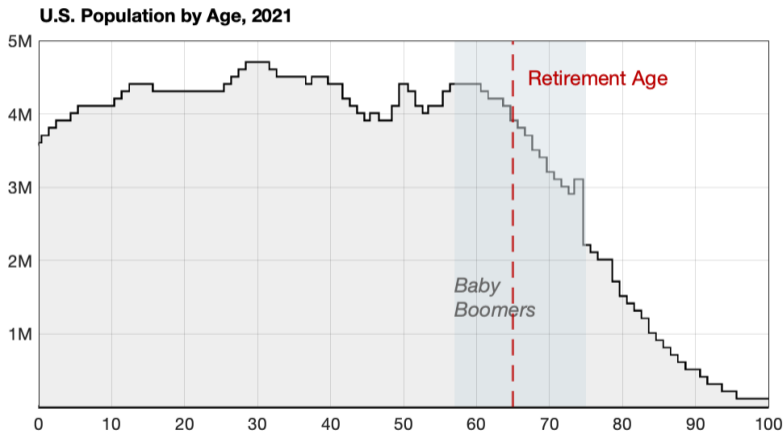
Replicated from the NY Times article: <https://www.nytimes.com/2022/12/27/business/economy/labor-shortage-retirees-boomers.html>

Tracking the Baby Boom Cohort: 2012



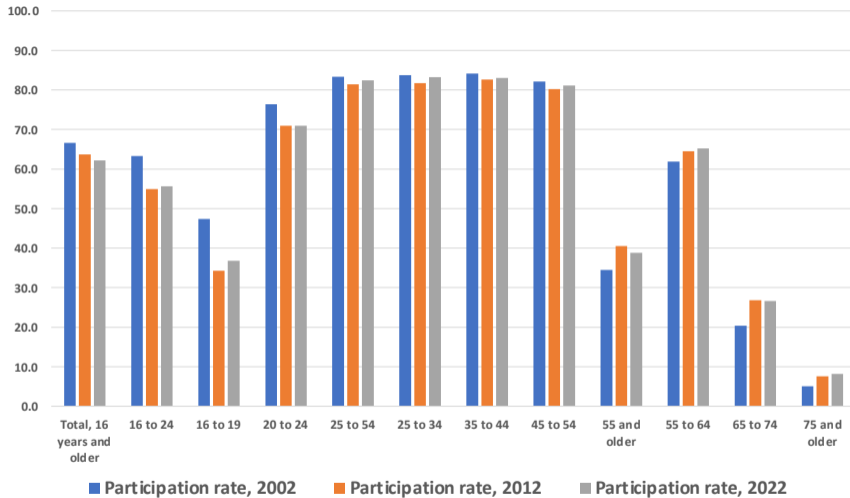
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Tracking the Baby Boom Cohort: 2021



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Participation Trends by Age: 2002-2022



Men

Women

Participation Trends by Age: 2002-2022



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Pushing Against the Trend

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Strong labor market conditions:

- Stable employment and abundant job opportunities make it easier to keep workers attached
 - Labor market remains strong
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→ not much room left

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 $E - to - N$ for prime-age women was 10x that of men in 1967-73
- Referred to as *Participation Instability* by Marston (1976)
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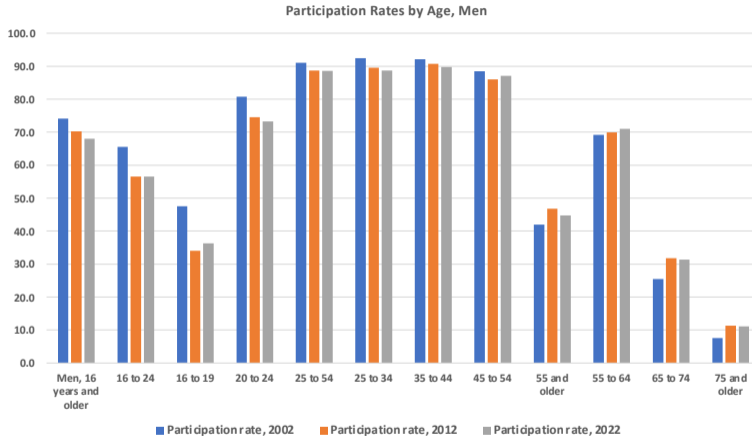
→ how much room do we really have?

References

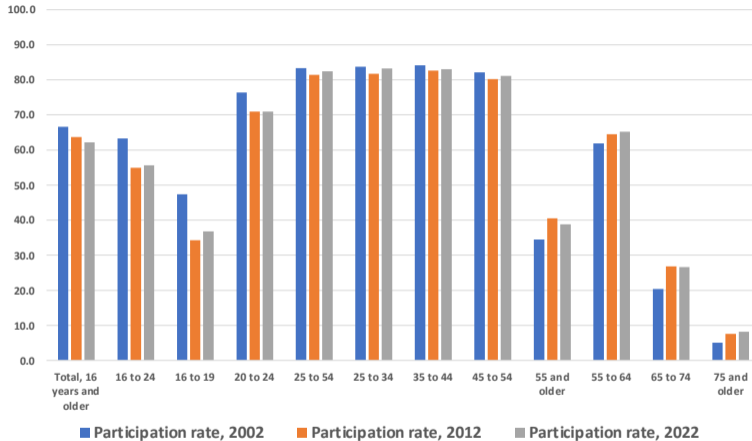
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Additional Plots

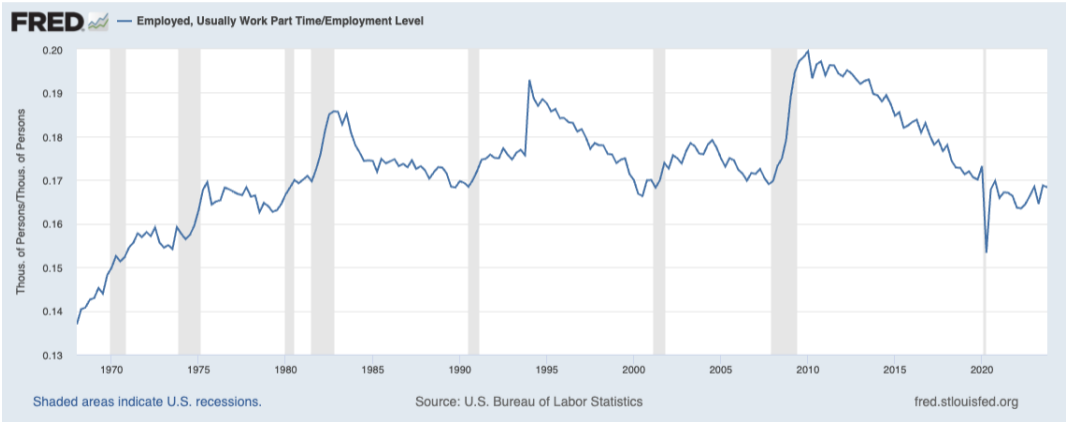
Participation Trends by Age for Men: 2002-2022



Participation Trends by Age for Women: 2002-2022



Part-time Share



Labor Force Participation Rate vs. Desired Hours

