

May 9, 2014

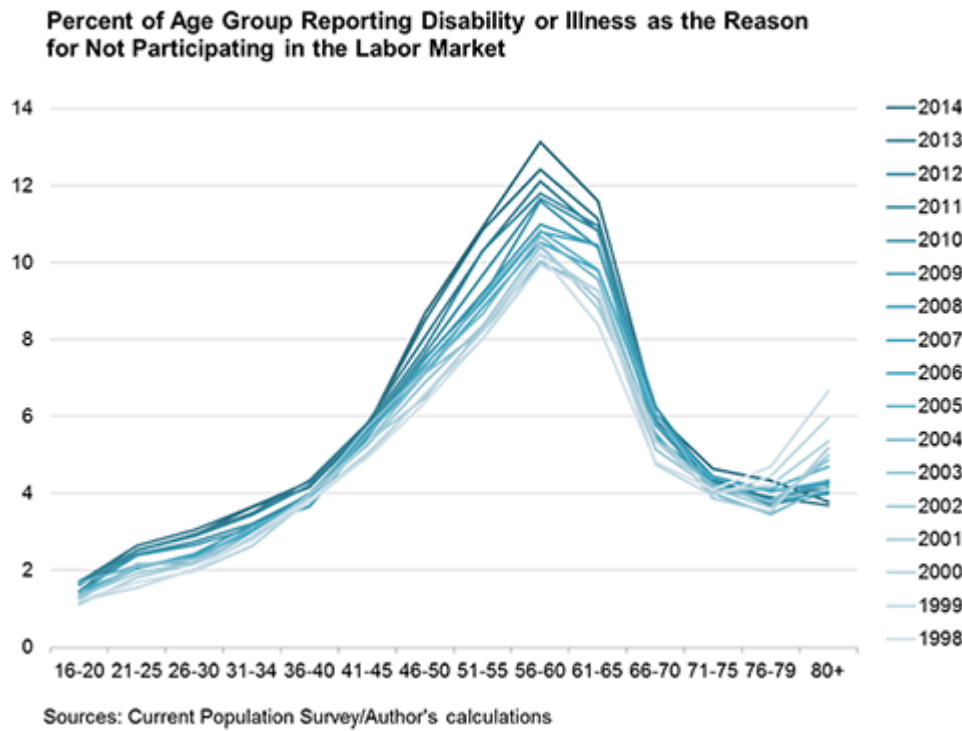
How Has Disability Affected Labor Force Participation?

Editor's note: Since this post was written, we have developed new tools for examining labor market trends. For a more detailed examination of factors affecting labor force participation rates, please visit our [Labor Force Participation Dynamics](#) web page, where you can create your own charts and download data.

You might be unaware that May is [Disability Insurance Awareness Month](#). We weren't aware of it until recently, but the issue of disability—as a reason for nonparticipation in the labor market—has been very much on our minds as of late. As we noted in a previous *macroblog* [post](#), from the fourth quarter of 2007 through the end of 2013, the number of people claiming to be out of the labor force for reasons of illness or disability increased almost 3 million (or 23 percent). The previous post also noted that the incidence of reported nonparticipation as a result of disability/illness is concentrated (unsurprisingly) in the age group from about 51 to 60.

In the past, we have [examined](#) the effects of the aging U.S. population on the labor force participation rate (LFPR). However, we have not yet specifically considered how much the aging of the population alone is responsible for the aforementioned increase in disability as a reason for dropping out of the labor force.

The following chart depicts over time the percent (by age group) reporting disability or illness as a reason for not participating in the labor force. Each line represents a different year, with the darkest line being 2013. The chart reveals a long-term trend of rising disability or illness as a reason for labor force nonparticipation for almost every age group.

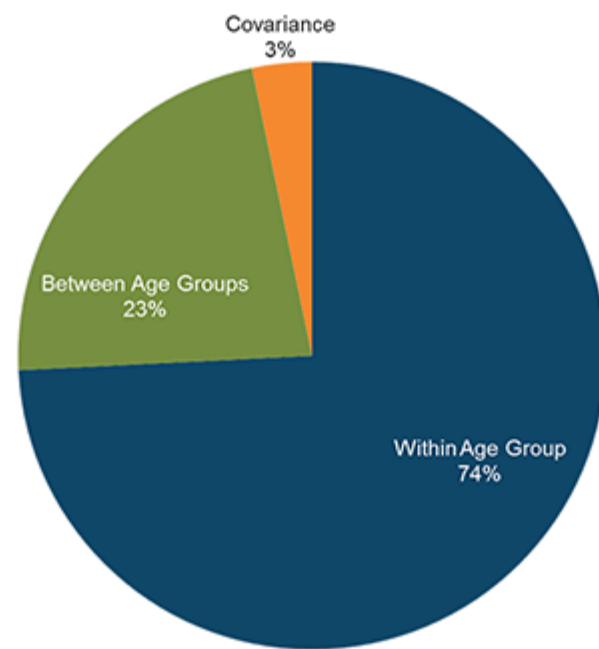


The chart also shows that disability or illness is cited most often among people 51 to 65 years old—the current age of a large segment of the baby boomer cohort. In fact, the proportion of people in this age group increased from 20 percent in 2003 to 25 percent in 2013.

How much can the change in demographics during the past decade explain the rise in disability or illness as a reason for not participating in the labor market? The answer seems to be: Not a lot.

Following an approach you may have seen in [this post](#), we break down into three components the change in the portion of people not participating in the labor force due to disability or illness. One component measures the change resulting from shifts within age groups (the within effect). Another component measures changes due to population shifts across age groups (the between effect). A third component allows for correlation across the two effects (a covariance term). Here's what you get:

**Contribution to Change in the Portion of the Population Who Don't Want
a Job Because They Are Disabled or Ill**
(Total increase from 2003-2007 average to 2008-2013 average=0.6 points)



Sources: Current Population Survey/Author's calculations

To recap, only about one fifth of the decline in labor force participation as a result of reported illness or disability can be attributed to the population aging per se. A full three quarters appears to be associated with some sort of behavioral change.

What is the source of this behavioral change? Our experiment can't say. But given that those who drop out of the labor force for reasons of disability/illness tend not to return, it would be worth finding out. Here is [one perspective](#) on the issue.

You can find even more on this topic via the [Human Capital Compendium](#).

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