

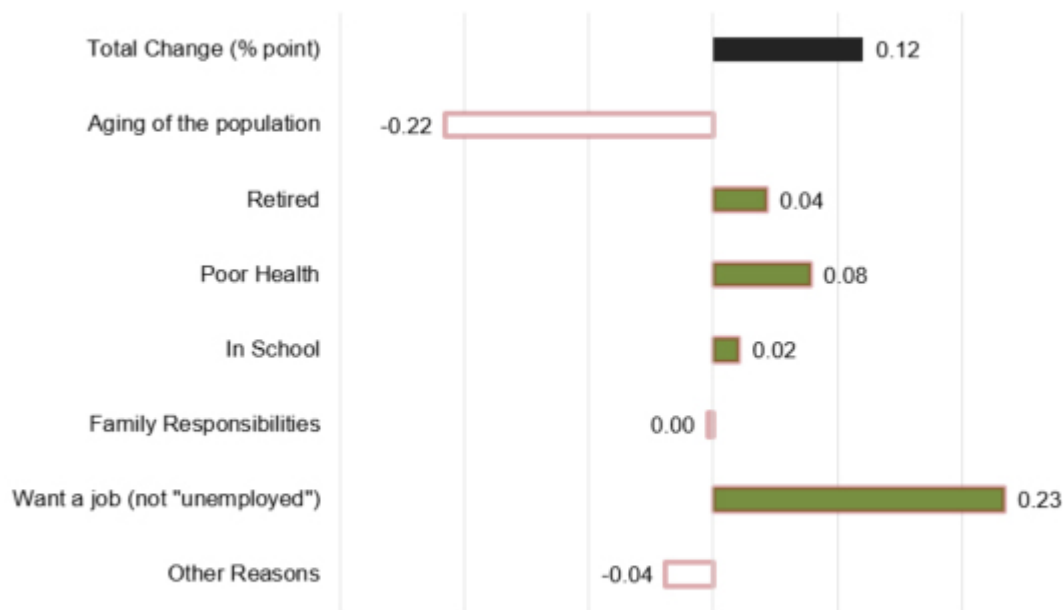
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What's behind the Recent Uptick in Labor Force Participation?

The labor force participation rate had been generally declining since around 2007. However, that trend has partially reversed in recent months. As noted in the [minutes of the March meeting of the Federal Open Market Committee](#), this rise was interpreted as further strengthening of the labor market. But will the increase persist?

As shown in a previous [macroblog post](#), the dominant contributor to the decline in participation during the last several years has been the aging of the population. To see what's behind the increase in participation during the last few months, the following chart breaks the participation rate change between the first quarters of 2015 and 2016 into a part that is the result of shifts in the age distribution (holding behavior within age groups fixed), and the parts that are the result of changes in behavior (holding the age distribution fixed).

Contribution to Change in Q1 Labor Force Participation Rate: 2015 to 2016



Note: Aging of the population is between age-groups; nonparticipation categories are within age-groups; excludes covariance term
Source: Current Population Survey, U.S. Census Bureau; FRB Atlanta calculations

[\(enlarge\)](#)

During the last year, the negative effect on participation attributable to an aging population (0.22 percentage points) has been offset by a 0.23 percentage point decline in the share of people who want a job but are not counted as unemployed (including people who are [marginally attached](#)). This decline is an encouraging sign, and consistent with a tightening labor market.

How much more can the want-a-job category improve? We don't really know. But that category's share of the population is currently about 0.3 percentage points above the prerecession trough of 2.0 percent. So at the current pace we would be at prerecession levels in about a year.

Despite the recent uptick, projections over the next decade or so have the labor force participation rate moving lower, chiefly because of an aging population. But how much farther participation actually declines will also depend on the evolution of various behavioral factors. The [employment report](#) for April will be released this Friday by the U.S. Bureau of Labor Statistics, and it will be interesting to see whether the number of people on the margin of the labor force continues to shrink.

By [John Robertson](#), a senior policy adviser in the Atlanta Fed's research department