

PERSONALLY SPEAKING

Number 136

April 10, 2017

U.S LABOR FORCE PARTICIPATION: THE INS AND OUTS

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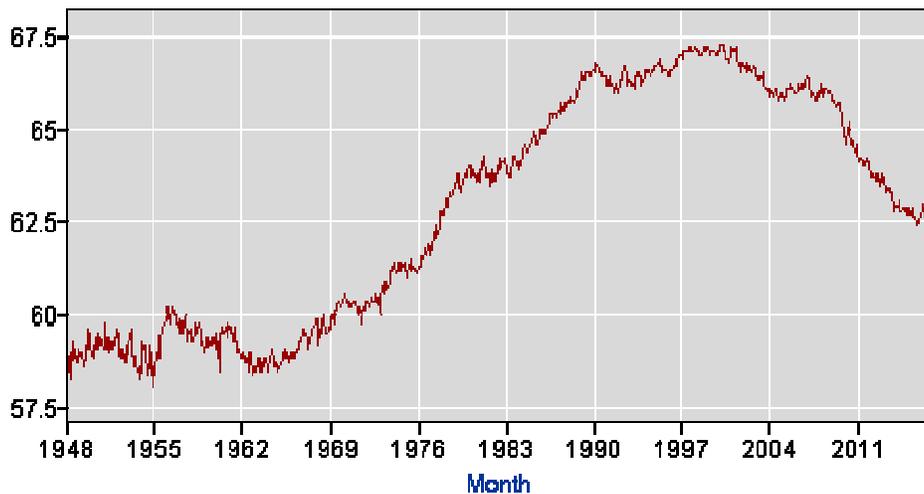
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There is more to labor force participation than the media routinely report using information provided by the BLS monthly household survey. As they correctly assert, current participation is much lower than in the recent past. After peaking at roughly 67 percent in the late 1990s participation today stands at approximately 62 percent.

However, from an historical perspective the story is quite different. In 1948 when these data first became available for persons 16 years of age and older participation was well below 60 percent but thereafter climbed until it peaked at 67 percent.

MONTHLY LABOR FORCE PARTICIPATION RATE

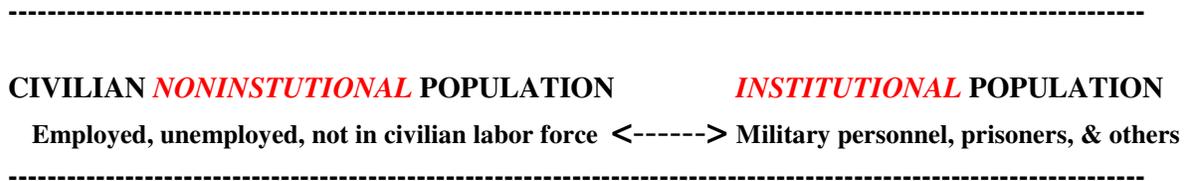


The main reason for the rising participation rate was the greatly increased labor force participation of women. Between 1948 and 1999 their participation climbed from 32 percent to 60 percent.

Since it peaked in the late 1990s participation for men has fallen from 75 percent to 69 percent. Among women it has dropped from 60 percent to 57 percent.

Participation rates are estimates based on a random sample of U.S. households. That sample, however, has not kept pace with the growth of the population and for that reason the standard error for recent estimates is less accurate than in years gone by. In addition the BLS has been struggling to find a method for detecting and measuring data fabrication (curbstoning).

Another factor relates to persons who are *excluded* from the civilian noninstitutional population that divides the population into three classifications: employed, unemployed, and not in the labor force. Overlooked by commentators is that the civilian noninstitutional labor force, which is the basis for participation estimates, does not include men and women on active duty military service, and others who are imprisoned, in nursing homes or extended-stay hospitals such as rehabilitation centers, or group homes such as half-way houses. When persons enter active duty military service, are imprisoned, become hospitalized, seek care at a nursing home or supervision at a half-way house the civilian noninstitutional population decreases. The opposite happens when they leave those institutions.



Also, the BLS household survey asks no questions about the presence of any undocumented persons living in households selected randomly for interviewing. In the past enumerators actually entered the households and could look around as a way of judging the accuracy of the information provided by the respondent. Today households are interviewed by phone that takes away the opportunity for the enumerator to look for physical evidence that the respondent might not be telling the truth.

Beyond that, the household survey has no way of estimating the number of persons who live on the street or have dropped out of sight because they are so addicted to drugs they no longer belong in any specific household. This has become a more serious problem in recent years due to the precipitous rise in opiate use.

One more comment is relevant. The data prominently reported by the BLS provide a series of static snapshots of labor participation. Another series less widely reported has to do with the dynamic flow of persons into and out of the labor force. The BLS data for March 2017 indicate that an estimated total of 6.2 million persons who were employed or unemployed in February were not in the labor force in March. Another 6.3 million were not in the labor force in February were employed or unemployed in March. Thus a grand total of 12.5 million persons changed labor force status over a one-month period, suggesting that many more change status over a twelve-month period.

The widely-cited monthly snapshot data appear to suggest that labor force status is static. The month-to-month gross flow data clearly indicate that it is dynamic.

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