



Trends in US labor force participation

**Federal Reserve Bank of New York
Community Advisory Group**

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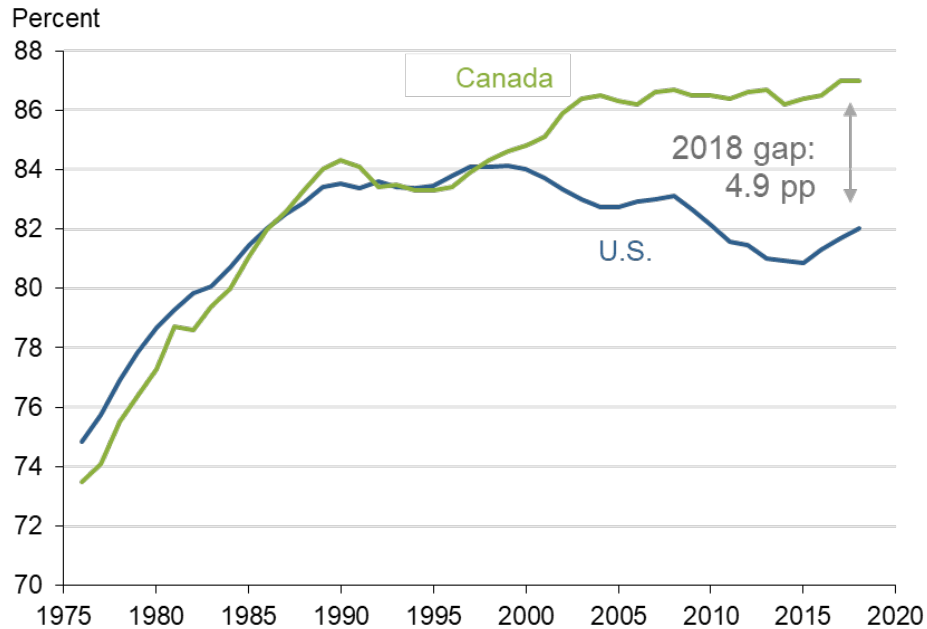
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Trends in labor force participation: U.S. is falling behind

- **Participation in the labor market by the prime age working population is falling behind other industrialized nations**
- **Labor force participation in the US and Canada began diverging in the late 1990s; Canada pulled ahead as women made greater gains**
- **Mix of social policies supporting work-life balance in Canada over the last few decades an important factor**

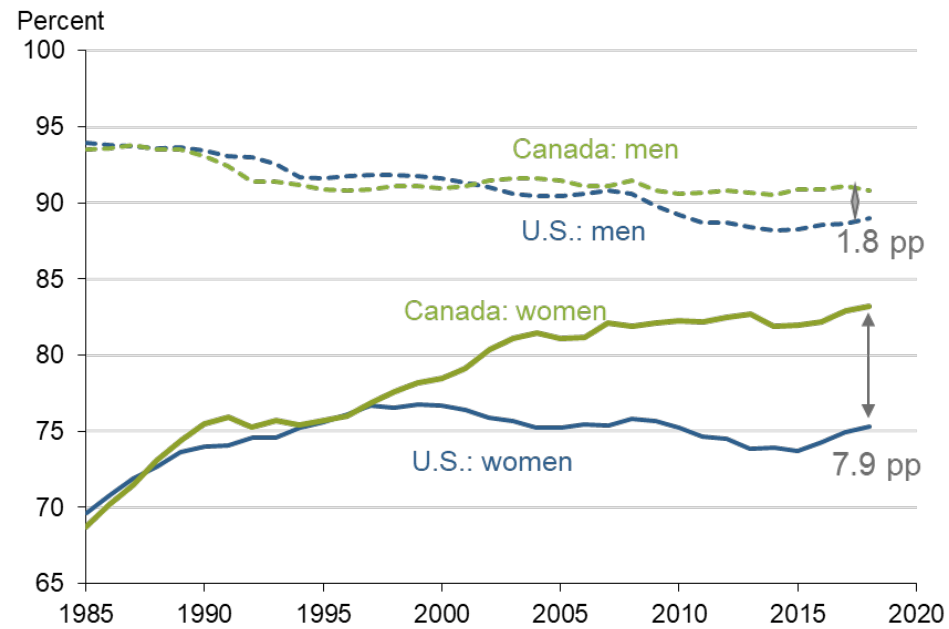
Trends in labor force participation: U.S. falling behind

U.S., Canada prime age labor force participation



Source: Current Population Survey (CPS) and Labour Force Survey (LFS)

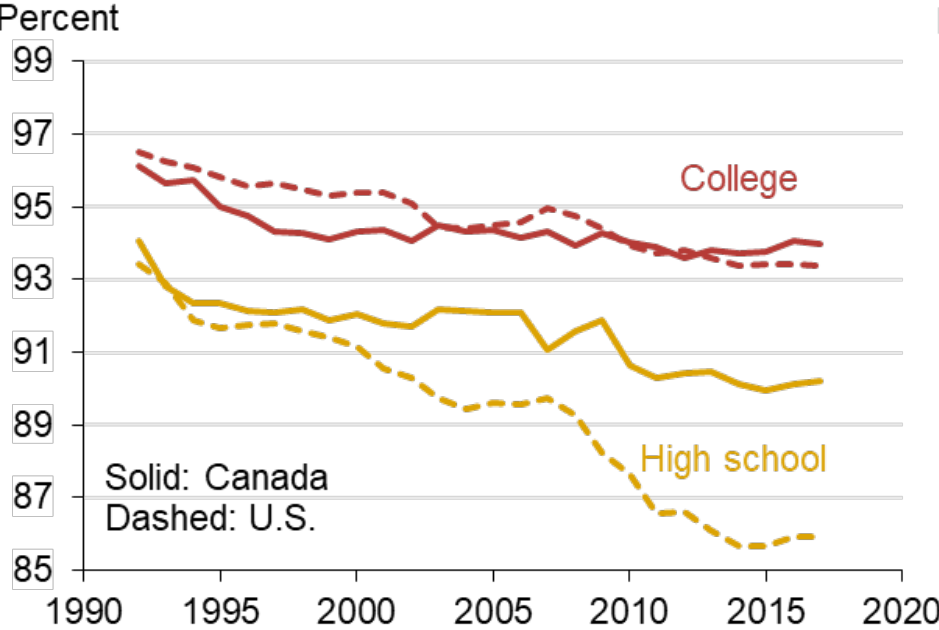
U.S., Canada prime age labor force participation by gender



Source: Current Population Survey (CPS) and Labour Force Survey (LFS)

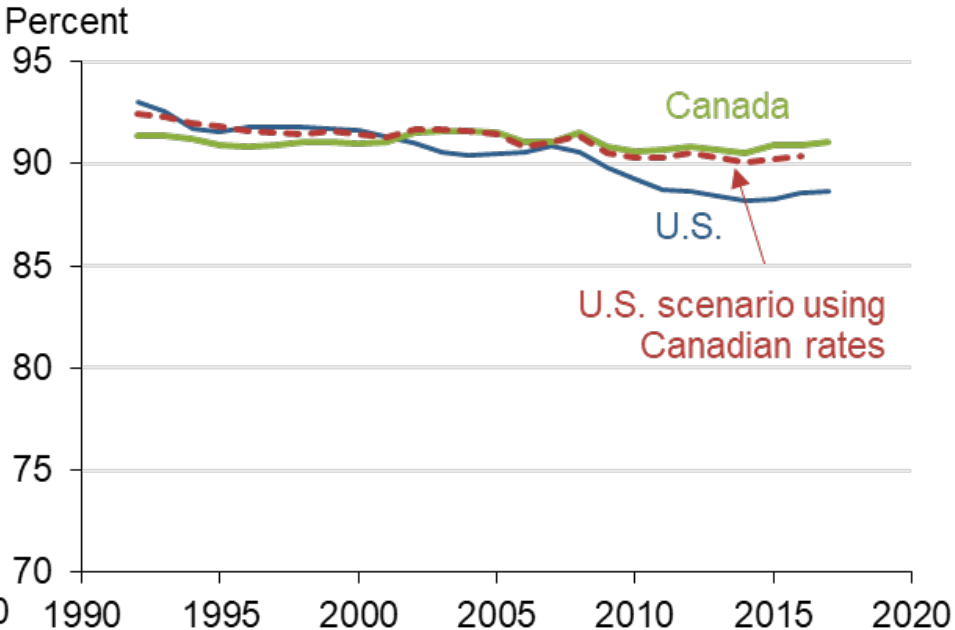
Canadian men with a high school education more likely to work

Prime age educational attainment and participation, men



Source: Organization for Economic Co-operation and Development (OECD)

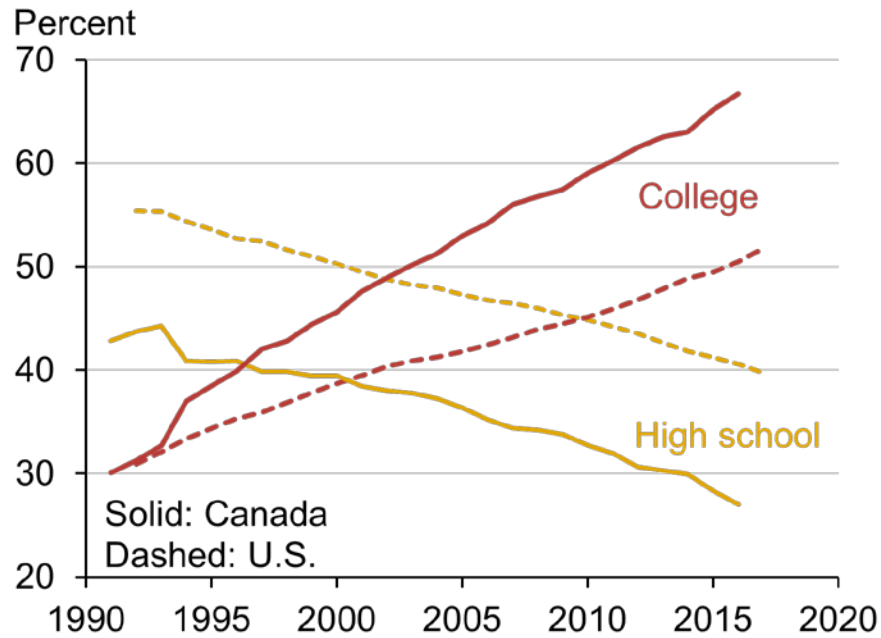
Scenario applying Canada labor force participation rates by education to the United States



Source: Organization for Economic Co-operation and Development (OECD)

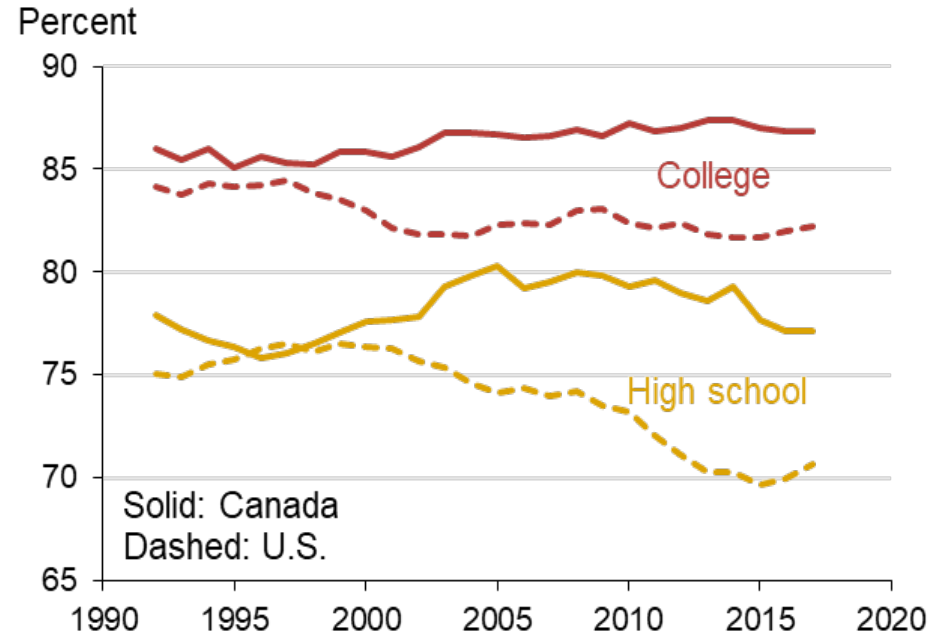
Canadian women more educated and more likely to work

Prime age educational attainment, women



Source: Organization for Economic Co-operation and Development (OECD)

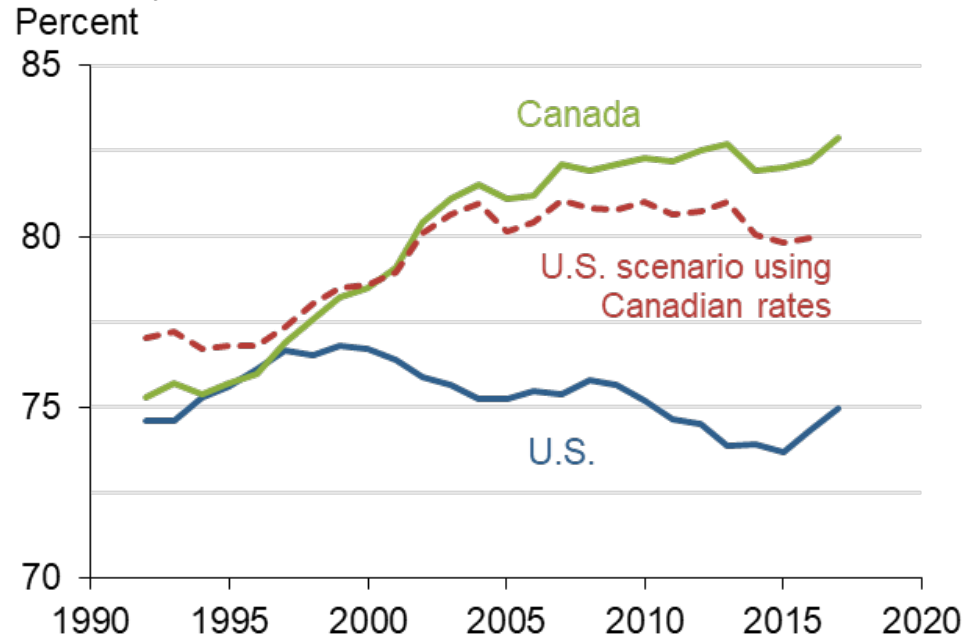
Prime age educational attainment and participation, women



Source: Organization for Economic Co-operation and Development (OECD)

What's driving the divergence?

Scenario applying Canada labor force participation rates by education to the United States



Source: Organization for Economic Co-operation and Development (OECD) and author's calculations

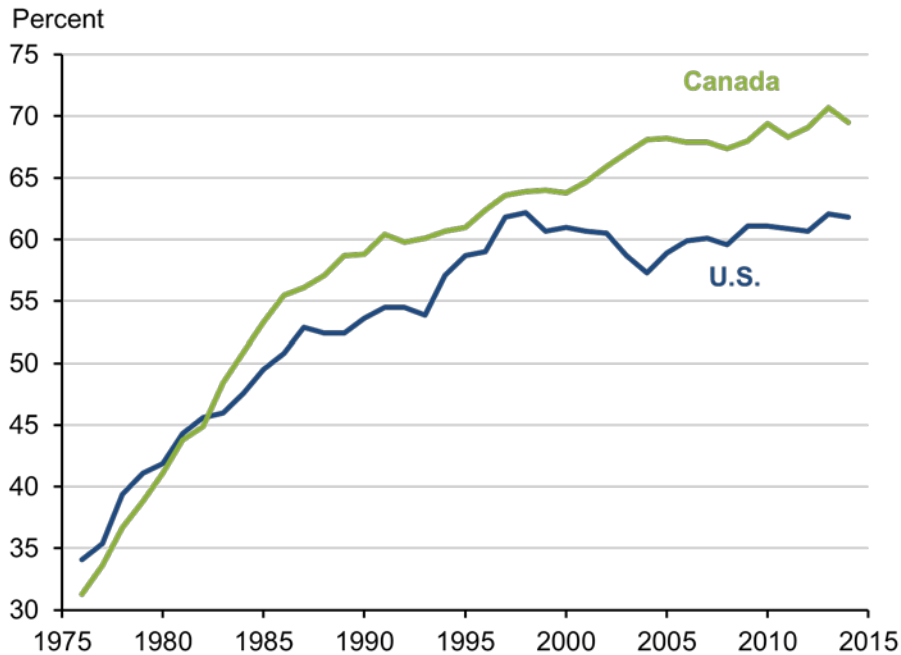
- Differing rates of participation by education group explain most of the gap
- More Canadian women are completing college, further widening the gap

Parental leave policies support attachment to the labor force following the birth of a child:

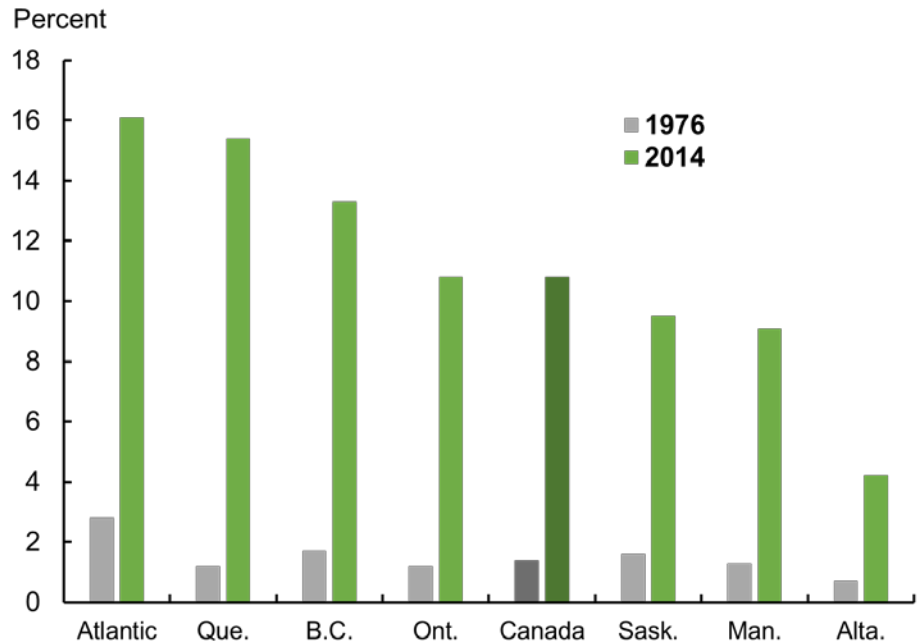
- Job protection affords continuity of employment relationships
- Income replacement funded out of employment insurance

Work-life balance likely explanation

Labor force participation, mother with at least one child under the age of 3



Stay-at-home fathers as a proportion of families with a stay-at-home parent, by region or province



Takeaways

- **$\frac{3}{4}$ of the US-Canada gap in LFP explained by the participation of women**
- **Reversing the trend would add over 5 million prime age workers and 0.3pp to annual economic growth over a decade**
- **Long term forces will continue to drive labor force participation in the near and medium term**