Trends in US labor force participation

Federal Reserve Bank of New York
Community Advisory Group

April 3, 2019

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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

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

Prime age educational attainment and participation, women

Source: Organization for Economic Co-operation and Development (OECD)
What’s driving the divergence?

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

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

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

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

• 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