

## Labor Force Participation in the Fifth District

This issue of *5<sup>th</sup> District Footprint* examines labor force participation (LFP) rates in the Fifth District before and after the Great Recession. The LFP rate is the share of the civilian population 16 years old and over in the labor force. Individuals are considered to be in the labor force if they are currently employed, or are unemployed but actively searching for a job. In the United States, the LFP rate has been declining for more than a decade due to long-term demographic trends, structural changes in LFP preferences and short-term economic conditions.<sup>1</sup>

Over the past decade, members of the Baby Boom generation have been retiring, resulting in an increasing percentage of people leaving the workforce.<sup>2</sup> Simultaneously, an increasing number of young adults are pursuing degrees in higher education, thus delaying their workforce entry. Meanwhile, a larger percentage of teenagers aged 16 and above are choosing not to participate in the workforce, and a larger percentage of workers are leaving the workforce due to disability.<sup>3</sup> The collective effect of these demographic and structural trends is a long-run decline in the LFP rate.

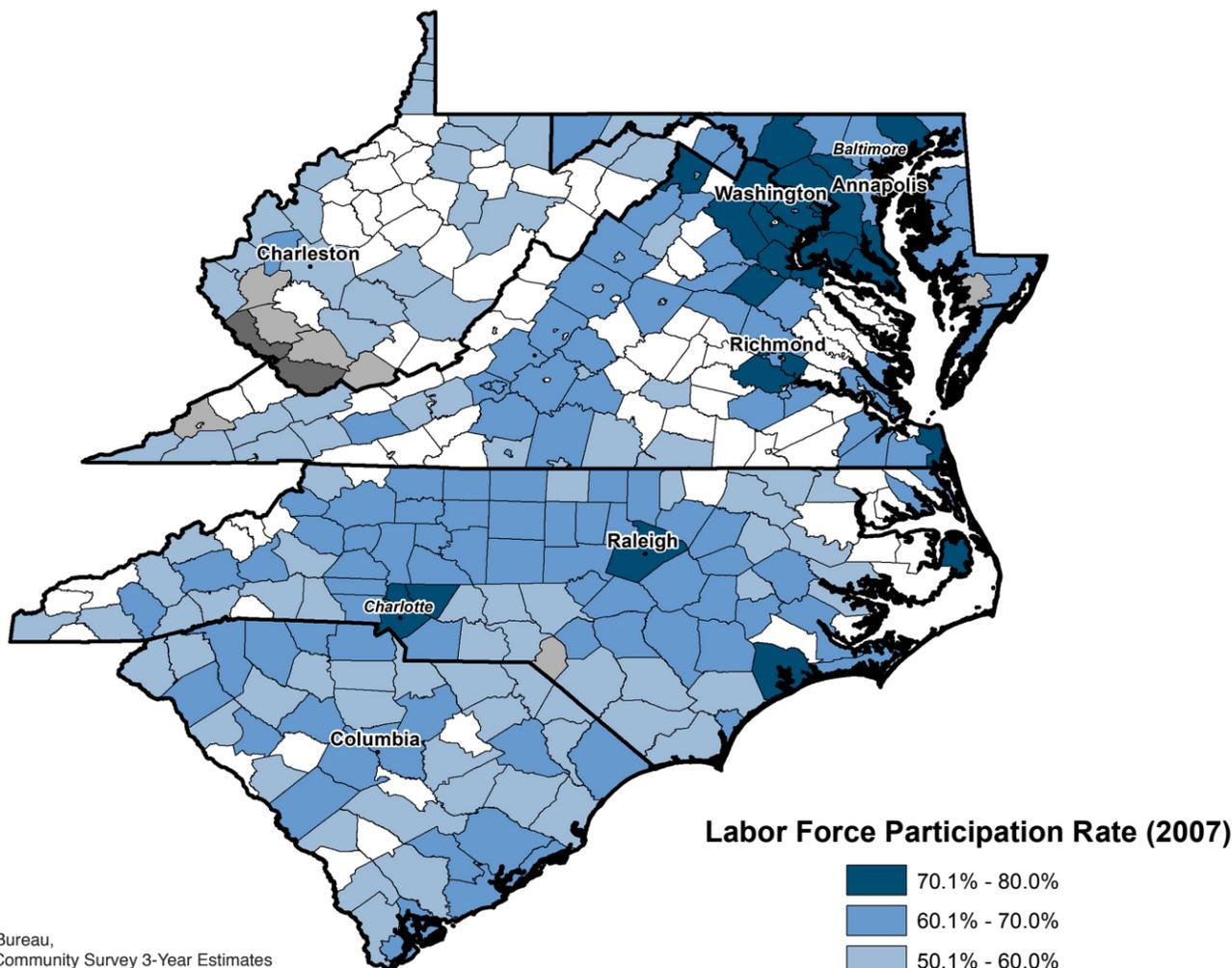
In the short-run, economic conditions such as the Great Recession also may affect the LFP rate.<sup>4</sup> For instance, a high rate of unemployment and slow job market recovery may result in “discouraged workers” who decide to cease actively searching for jobs, thus exiting the labor force.<sup>5</sup>

The U.S. Census Bureau’s American Community Survey 3-year estimates for 2005–2007 and 2011–2013 illustrate the net effects of long-run and short-run factors on the LFP rate pre- and post-recession. In 2007, the national LFP rate was 64.7 percent, which fell to 63.8 percent in 2013.<sup>6</sup>

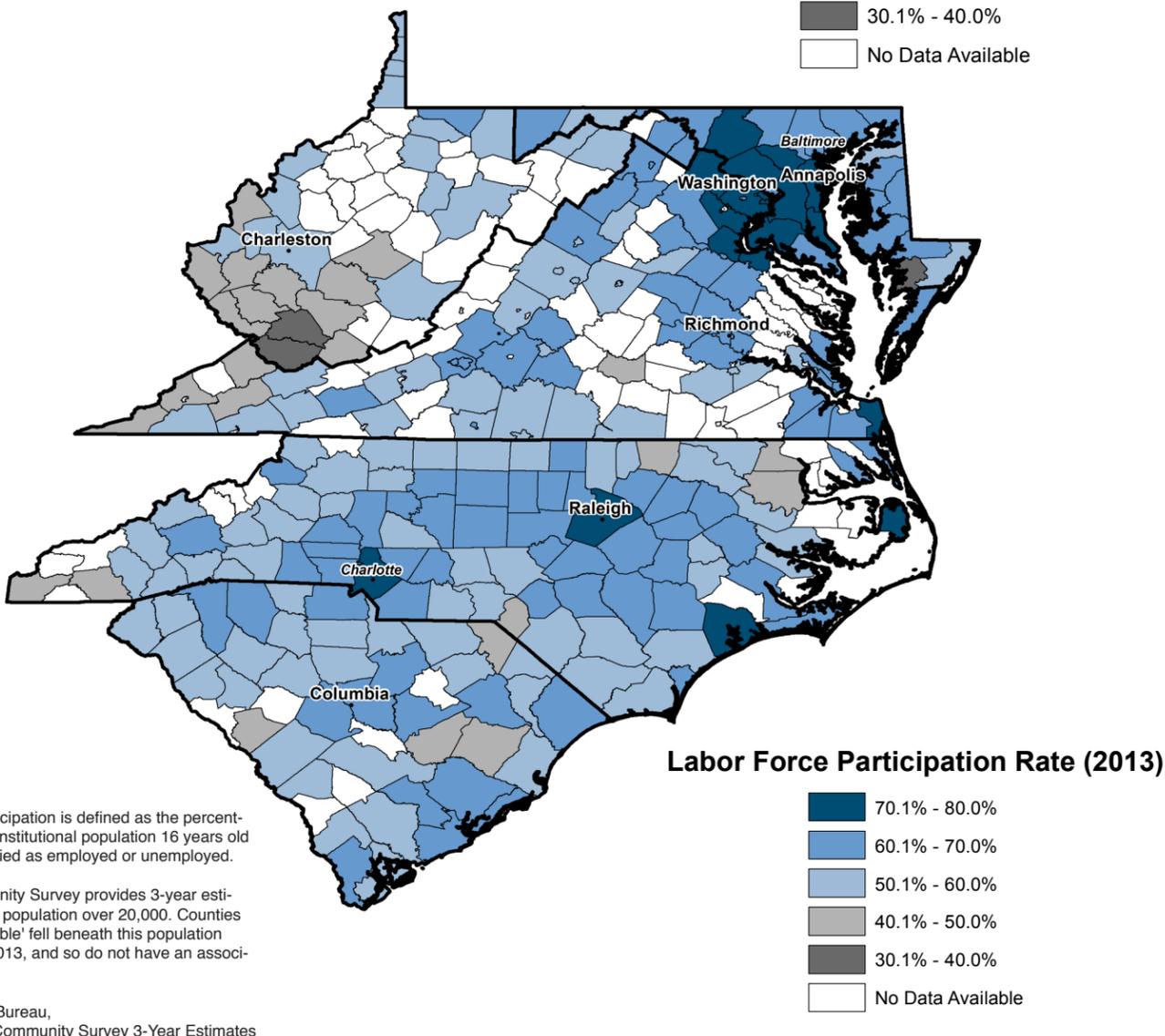
Within the Fifth District, LFP rates declined in West Virginia, Virginia, North Carolina and South Carolina from 2007 to 2013, but stayed flat in Maryland and increased in the District of Columbia.<sup>7</sup> Relative to the other Fifth District states in 2007 and 2013, Maryland had the highest LFP rates (68.7 percent and 68.8 percent, respectively), while West Virginia had the lowest LFP rates (55.3 percent and 54.4 percent, respectively).<sup>8</sup>

Of the 250 Fifth District counties for which 2007 and 2013 estimates are available, 73.2 percent had an LFP rate decline, 9.2 percent had no change and 17.6 percent had an increase.<sup>9</sup> Pre-recession LFP rates range from 33.2 percent (McDowell County, West Virginia) to 77.1 percent (Loudoun County, Virginia).<sup>10</sup> McDowell County, West Virginia, continued to have the lowest LFP rate in the District in 2013 (32.2 percent), while Alexandria, Virginia, claimed the highest LFP rate (78.7 percent).<sup>11</sup> Alexandria is part of a cluster of localities in the Washington, D.C., metropolitan statistical area that maintained LFP rates above 70.1 percent from 2007 to 2013.<sup>12</sup>

The two Fifth District counties with the largest declines in LFP rate were the western-most counties in



Source: U.S. Census Bureau, 2005-2007 American Community Survey 3-Year Estimates



Note: Labor force participation is defined as the percentage of the civilian noninstitutional population 16 years old and over that is classified as employed or unemployed.

The American Community Survey provides 3-year estimates for areas with a population over 20,000. Counties labeled 'no data available' fell beneath this population threshold in 2007 or 2013, and so do not have an associated estimate.

Source: U.S. Census Bureau, 2011-2013 American Community Survey 3-Year Estimates

Virginia and North Carolina. Lee County, Virginia, experienced an 11.9 percentage point decline to 42.3 percent, while Cherokee County, North Carolina, experienced a 14.0 percentage point decline to 43.7 percent.<sup>13</sup>

Increases in the LFP rate did occur in select Fifth District counties, although these increases were generally of a smaller magnitude than LFP rate declines faced in other counties. The largest LFP rate increases were a 9.3 percentage point increase to 66.9 percent in Fredericksburg, Virginia, and a 6.2 percentage point increase to 45.1 percent in Mingo County, West Virginia.<sup>14</sup>

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<sup>1</sup> Federal Reserve Bank of Chicago (2012), “Explaining the decline in the U.S. labor force participation rate.”

<sup>2</sup> The Baby Boom generation consists of individuals born from 1946 to 1964.

<sup>3</sup> Federal Reserve Bank of Philadelphia (2014), “On the Causes of Declines in the Labor Force Participation Rate.”

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Estimates of LFP rates may vary by data source; U.S. Census Bureau, 2005–2007 American Community Survey 3-Year Estimates; U.S. Census Bureau, 2011–2013 American Community Survey 3-Year Estimates.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> U.S. Census Bureau, 2005–2007 American Community Survey 3-Year Estimates.

<sup>11</sup> U.S. Census Bureau, 2011–2013 American Community Survey 3-Year Estimates.

<sup>12</sup> Ibid; U.S. Census Bureau, 2005–2007 American Community Survey 3-Year Estimates.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.