



## Labor Force Participation

### Problem Statement

The labor force participation rate in the United States fell sharply during the COVID-19 pandemic and has only partially recovered after falling to 50-year lows at the onset of the pandemic. This decline in participation has significant economic ramifications for the productive potential of the United States. Consequently, an understanding of the likely causes of lower participation is necessary for policymakers, employers, and individuals from the national level to local labor market areas. Currently available workforce information about reasons for nonparticipation is inadequate and limits the effectiveness of programs and strategies designed to attract potential workers into the labor market.

The Current Population Survey (CPS) provides some insight into the underlying reasons for falling labor force participation rates, including the role played by an aging population. While the age and gender mix of the population accounts for a large portion of the decline in the past 20 years, there are still tens of millions of additional people sitting on the sidelines, many of whom are in their prime working years.

Currently available data are not sufficiently detailed or granular, nor can they uncover how individuals move in and out of the labor force over time. Among those who say that they are available for work but are not currently searching, the reasons can include discouragement, family care responsibility, school, ill health or disability, and “other.” Among those who say that they are not available, the reasons can include that they are retired, have family responsibilities, are in school, because of ill health or disability, and other. When these two groups are combined, more than 25 percent of people cite “other” as the reason for nonparticipation. Without this information, the workforce system cannot accurately or effectively conduct outreach to these individuals, nor can policy interventions or employer-driven strategies be devised that address the underlying reasons for nonparticipation.

Our lack of reliable information concerning labor force participation impacts a broad range of parties:

- **Individuals:** Because one of the most powerful predictors of future labor force attachment is current or historical labor force attachment, it is critical that the nation find ways to prevent nonparticipation and bring people back before it becomes an even greater challenge to do so. Only those actively engaged in the workforce can enjoy the benefits and protections that accompany employment.
- **Demographic subgroups:** Labor force participation brings greater independence and empowerment such as was experienced by women when they entered the labor force in greater numbers in the 1960s and 1970s.
- **Society as a whole:** While productivity gains can be achieved through technological advancement (i.e., without growth in the labor force participation rate), the direct and induced economic impacts of growth require a sufficient workforce to sustain economic activity. Women's labor force participation was an important factor in the post-war period of economic growth. Maintaining a high labor force participation rate is especially important to the future economic health of the United States as birth rates decline, further limiting the future supply of potential workers.
- **International competitiveness:** Over the past 20 years, the United States decreased from 16th to 25th in overall labor force participation among the Organization for Economic Cooperation and Development (OECD) nations, from 16th to 26th in female participation, and from 18th to 27th in male participation. Indeed, the United States is the third lowest among OECD-member nations for prime-age male labor force participation.

Addressing labor force participation and overcoming barriers that prevent willing individuals from seeking work is a critical element of the workforce system for federal, state, and private workforce system partners. It is an area where improved workforce information is urgently needed to better inform the workforce system, including education partners, and the recruitment, job structuring, hiring and retention strategies of employers. The recommendations below include both short-term and long-term opportunities to improve workforce information about labor force participation.

## Data Collection

### Framework for Addressing

Data on labor force participation are challenging because by definition we are trying to measure people that are not engaging with the workforce system, and therefore have to use either surveys or other longitudinal data to solicit information from the broader population. The most common measures of participation both come from the Census Bureau—the CPS and the American Community Survey (ACS). The CPS is a monthly survey used by the Bureau of Labor Statistics (BLS) in the calculation of household employment and unemployment data in

the nation and is combined with other sources to produce unemployment estimates for the states through the Local Area Unemployment Statistics (LAUS) program. The ACS is an annual survey using a larger population that allows more detailed demographic data with a much lower frequency.

The CPS provides a critical tool as a method for gathering information from the perspective of worker, not businesses. Several of the most critical and high-profile measures of labor market activity are sourced from information collected from employers. The Quarterly Census of Employment and Wages (QCEW), Occupational Employment and Wage Statistics (OEWS), Current Employment Statistics (CES), Job Openings and Labor Turnover (JOLTS), and the programs that depend on these data, such as Business Employment Dynamics (BED) and Local Employer Household Dynamics (LED), are sourced from employers and are geared toward an employer perspective. Employers are the key providers of data and are easier to contact due to their required participation in a number of programs such as unemployment insurance. However, this limits the opportunity to explore aspects of workers' experience that affect both the willingness and ability of potential workers to become connected to employment.

Labor force participation has recently been in focus but other areas that affect the ability of workers to find jobs include barriers to accepting employment such as transportation, healthcare, and family care needs; the desire for flexible schedules or remote work; and a lack of information about why candidates for jobs may be excluded from consideration.

The CPS includes questions about participation in the labor market and reasons for nonparticipation, which help to accurately define individuals in the labor market, but which are also used to describe some aspects of nonparticipation. These data are used, in part, to create other measures of labor underutilization which describe discouraged workers (individuals who say they did not look for work because they do not believe there are any jobs available for them) and marginally attached workers (individuals who say they want a job, did not look for work, but did not look for work for a reason other than being discouraged).

From a workforce perspective, an individual's motivation to secure employment is a critical piece of information for the workforce system. One of the largest reasons for nonparticipation is that individuals are retired, or otherwise report that they do not want a job. While life experience is not binary, the most practical target for increasing labor market participation is those individuals who report that they do want a job. Focusing on this group affords an early target of opportunity—publishing similar demographic information for this group of nonparticipants who want a job similar to what BLS already publishes for the unemployed population.

Moving beyond these existing data, additional information is needed to help identify more reasons for nonparticipation than are currently available. The most direct path to collect this information is to use the CPS and its supplements to collect information, as nonparticipants are

a population not engaging in employment or work search, where we may measure their activity—to some extent—through administrative records. However, making changes to the structure of the CPS survey is a complicated and potentially expensive option. Further, survey responses have been growing more challenging to collect. Expanding or modifying the CPS is not a quick fix, but nonparticipation is a challenging question because of its challenging-to-observe elements, and only a national survey is comprehensive enough to potentially provide answers at the national, state, and local levels of the workforce system.

Additional options to further explore nonparticipation could include targeted research grants, which may help to provide snapshots of labor markets to help understand reasons for nonparticipation. Such research would likely not have the scope or permanence of changes to the CPS, but may provide additional perspective on the challenges and barriers faced by nonparticipants. Further, longitudinal data analysis could help to provide information about workers who are transitioning into and out of the workforce, but data collection from nonparticipants would be a necessary component to address *why* individuals who want a job may not be searching for work and what supports might help maintain their connection to the labor force.

#### **Specific, Individual Itemized Recommendations**

1. The WIAC recommends that the Secretary invest in in-depth qualitative research to identify, update, and refine understanding of the reasons why individuals leave the labor force and why they remain out of the labor force. This could take the form of a competitive bidding process for focus groups organized by need, region, and/or population group. Such research should embrace principles of qualitative research that facilitate self-identification of issues and problems from among the respondents.
2. The WIAC recommends that the Secretary engage in stakeholder discussions to identify gaps in existing labor market information that impede our understanding of labor force participation. This may include state and federal health and human services agencies, the Federal Reserve system, think tanks and advocacy organizations focused on the dynamics of labor force participation, and a cross-section of state, tribal, and local governments.
3. The WIAC recommends that the Secretary direct the Bureau of Labor Statistics to publish additional demographic data from the existing Current Population Survey about individuals who are nonparticipants but indicate that they want to work.
4. The WIAC recommends that the Secretary direct the Bureau of Labor Statistics to investigate opportunities to expand the data that can be published about reasons for nonparticipation that are collected and categorized under “Other.” One opportunity may be improving the clarity of the question or explaining the answer options.

5. The WIAC recommends that the Secretary explore opportunities to expand the questions in the Current Population Survey or supplemental surveys to capture additional details about labor force nonparticipation, particularly for individuals who report that they want a job.
6. The WIAC recommends that the Secretary fund efforts to assemble a data system focused on answering questions about labor force nonparticipation. Such a system should consider the feasibility of combining existing and alternate data sources to assemble longitudinal data systems that reflect the workforce system's need to understand people's journeys into and out of the labor market and the underlying reasons, barriers, and opportunities for workforce system intervention to promote success for all workers.
7. The WIAC recommends that the Secretary direct the Bureau of Labor Statistics to consider increasing the Current Population Survey sample to provide greater coverage at the state level so that states may leverage the benefits of the survey as it currently stands as well as the new questions to address labor force nonparticipation. The Secretary should also direct the Bureau of Labor Statistics to estimate the cost of expanding the sample on a state-by-state basis so that states may provide funds to increase the sample size for their state.

## Outreach

### Framework for Addressing

At the national, state, and local levels, existing labor market information provides resources for job seekers, career counselors, students, and those seeking training. The WIAC recommends the Secretary of Labor supports the efforts of states and local American Jobs Centers (AJCs) to utilize available data on labor force participation to encourage those who are eligible to work but not actively participating in the labor force or workforce development activities to become active participants in the workforce. Without understanding why people leave the labor force and why they remain out of the labor force, we cannot devise interventions that address the underlying reasons let alone accurately target our programs and services to those who need them.

### Specific, Individual Itemized Recommendations

The WIAC recommends that the Secretary of Labor encourage states to actively pursue workforce and labor market information (WLMI)-driven marketing and outreach strategies to enhance and focus job, career, and training searches.

Specifically, the Department should compile and promote effective WLMI-based marketing and outreach strategies throughout the public workforce system, including:

1. Providing Unemployment Insurance (UI) filers (not just recipients) with information on job postings, training, and the location of AJCs (with perhaps even a contact name at the AJC). This information should be provided multiple times either through email or text messages to act as a catalyst to promote employment.
2. Utilize existing WLMI to implement focused marketing strategies to reach those individuals who may be unemployed but have not filed for UI and provide them with information on jobs, training, and the availability of the AJC's and the services they offer. Similar marketing efforts should also be developed to target individuals with disabilities, with a special emphasis to connect them with AJCs so they can have access to the wide range of services an AJC can provide.
3. Encourage apprenticeship and training agencies within the states to work with unions and trade schools to promote apprenticeship opportunities and trade school curriculum that can lead to lucrative careers. Contacting high schools and conducting outreach activities to students in their early high school years is important so students are aware of career options other than those that require a college education.
4. Encourage AJCs to utilize social media or other non-traditional means to conduct marketing and outreach of WLMI to reach populations that may not be responsive to traditional outreach efforts. This would include the Department of Labor providing the AJCs with tools and technical assistance toward that end. As an example, during the COVID-19 pandemic, CareerOneStop conducted a successful social media marketing campaign through YouTube, Spotify, and Pandora to reach populations that were unaware of the resources that CareerOneStop provides.
5. Both the U.S. Department of Labor and the state workforce agencies should conduct marketing and outreach activities specifically targeted to promote how workforce agencies can use WLMI with employers to enhance their recruitment, hiring, and retention. By making employers more aware of the types of business concerns that can be addressed by workforce agencies and the AJCs, workforce agencies can provide a value-added service to enhance the human resource component of business—emphasizing enhancement rather than enforcement.