Labor force projections to 2022: the labor force participation rate continues to fall

Because of the decreasing labor force participation rate of youths and the prime age group, the overall labor force participation rate is expected to decline. The participation rates of older workers are projected to increase, but remain significantly lower than those of the prime age group. A combination of a slower growth of the civilian noninstitutional population and falling participation rates will lower labor force growth to a projected 0.5 percent annually.

The U.S. civilian labor force—the number of people working or looking for work—has gone through substantial changes in its size and demographic composition over the last half of the 20th century. During the 1970s and 1980s, the labor force grew vigorously as women’s labor force participation rates surged and the baby-boom generation entered the labor market. However, the dynamic demographic, economic, and social forces that once spurred the level, growth, and composition of the labor force have changed and are now damping labor force growth. The labor force participation rate of women, which peaked in 1999, has been on a declining trend. In addition, instead of entering the labor force, baby boomers are retiring in large numbers and exiting the workforce. Once again, the baby-boom generation has become a generator of change, this time in its retirement. Moreover, the jobless recovery of the 2001 recession, coupled with the severe economic impact of the 2007–2009 recession, caused disruptions in the labor market. In the first 12 years of the 21st century, the growth of the population has slowed and labor force participation rates generally have declined. As a result, labor force growth also has slowed. The Bureau of Labor Statistics (BLS) projects that the next 10 years will bring about an aging labor force that is growing slowly, a declining overall labor force participation rate, and more diversity in the racial and ethnic composition of the labor force.

The U.S. labor force is projected to reach 163.5 million in 2022.¹ (See table 1.) The labor force is anticipated to grow by 8.5 million, an annual growth rate of 0.5 percent, over the 2012–2022 period. The growth in the labor
force during 2012–2022 is projected to be smaller than in the previous 10-year period, 2002–2012, when the labor force grew by 10.1 million, a 0.7-percent annual growth rate.

Every 2 years, BLS projects labor force levels for the next 10 years. The present set of projections covers the 2012–2022 period and estimates the future size and composition of the labor force. The projection of the labor force is the first step in the BLS projection process in which the aggregate economy, industry output and employment, and occupational employment in the next 10 years are projected. Labor force growth is an important supply constraint on overall economic growth.

The labor force projections are estimated by combining population projections calculated by the U.S. Census Bureau with the labor force participation rate projections developed by BLS. Consequently, the growth of the labor force is the result of simultaneous changes in the civilian noninstitutional population and the labor force participation rates of the various gender, age, race, and Hispanic origin groups.

According to the Census Bureau’s 2012 population projections, the U.S. population is expected to continue to grow slowly, to grow older, and to become more racially and ethnically diverse. During the 2012–2022 period, the growth of the labor force is anticipated to be due entirely to population growth, as the overall labor force participation rate is expected to decrease from 63.7 percent in 2012 to 61.6 percent in 2022. In order to carry out its projections, BLS analyzes and projects the labor force participation rates of 136 different groups, including the two genders, 17 age groups, and four race and ethnicity categories. The basis of these projections is historical labor force participation trends in each of the various detailed categories, according to data provided by the BLS Current Population Survey (CPS) program.