

Labor Force Participation Rate

What Is the Labor Force Participation Rate?

The labor force participation rate is an estimate of an economy's active workforce. The formula is the number of people ages 16 and older who are employed or actively seeking employment, divided by the total non-institutionalized, civilian working-age population.

In the 12 months ending Dec. 2021, the U.S. labor force participation rate ranged between a low of 61.4% and a high of 61.9% (which was the figure for both Nov. and Dec. 2021), according to the U.S. Bureau of Labor Statistics, which publishes the figures monthly.

From 2013 on, the monthly figures held steady in the vicinity of 63%, after a sharp decline in the wake of the Great Recession. However, in early 2020, the labor force participation rate fell markedly, dropping from 63.4% to 61.4% in the first half of the year, as a result of the COVID-19 pandemic. Its low point was reached in April 2020, when the rate sank to 60.2%.

KEY TAKEAWAYS

- The labor force participation rate indicates the percentage of all people of working age who are employed or are actively seeking work.
- In conjunction with the unemployment numbers, it can offer some perspective into the state of the economy.
- Starting in 2013, the U.S. labor force participation rate held steady around 63% until the COVID-19 pandemic struck. It was 61.9% as of Dec. 2021.
- The rate varies over time based on social, demographic, and economic trends.
- Global labor force participation has shown a steady decline since 1990.

Understanding the Labor Force Participation Rate

The labor force participation rate is an important metric to use when analyzing employment and unemployment data because it measures the number of people who are actively job-hunting as well as those who are currently employed. It omits institutionalized people (in prisons, nursing homes, or mental hospitals) and members of the military. It includes all other people age 16 or older and compares the proportion of those who are working or seeking work outside the home to those who are neither working nor seeking work outside the home.

Because it accounts for people who have given up looking for work, this may make the labor force participation rate a somewhat more reliable figure than the unemployment rate. The unemployment numbers do not take into account those who have given up looking for work.