



## Weak Participation Rate in Strong Jobs Report Leaves Economists Mixed

**The amount of Americans in the labor force fell to the lowest since 1978. Does this signal a setback or a natural symptom of retiring workers?**

**By Katherine Peralta May 2, 2014**

The April jobs report was much stronger than anticipated and some aspects of the labor market look to be the healthiest in years. U.S. businesses added jobs at the fastest pace since January of 2012. The unemployment rate fell to the lowest reading since 2008. But the Labor Department's household survey, which shows, for example, the amount of Americans currently in the work force, was weak and has left economists with mixed reactions.

The participation rate, which measures the share of Americans over 16 who are actively looking for work or who have a job, declined to 62.8 percent, matching its January level and marking its lowest level since 1978. This follows another disappointing report Wednesday from the Commerce Department, which showed the U.S. economy expanded at a measly 0.1 percent in the first quarter

"The drop in the labor force and precipitous drop in labor force participation underscores how far we still have to go," Diane Swonk, chief economist at Mesirow Financial Inc. in Chicago, wrote in a blog post after the report. "The increase in hiring we are seeing is not enough to keep engaged those who are marginally attached to the labor force."

In fact, notes Stephen Stanley, chief economist of Stamford, Connecticut-based Pierpont Securities, "April's softness in labor force participation pretty much unwound all of the progress seen from January through March." The rate was 63 percent in January and February, then rose to 63.2 in March.

The figure should start to climb again as people start feeling more confident about the economy's direction and about their chances of landing a job, according to **Bernard Baumohl, the chief global economist at the Economic Outlook Group, LLC.**, which is based in Princeton, New Jersey.

“As the economy improves, more people will be encouraged to start looking again and once they do, they will then be added to the active labor force. I think this is going to turn around, we just need a little bit faster growth,” **Baumohl** says.

Some economists also say the decline is to be expected and does not underscore a worrisome trend.

“We don't view the drop in the participation rate as anything significant. It's really driven by demographics more than anything else,” John Canally, economist and investment strategist at LPL Financial Corp., said before the report. “If you look back and think about it, the participation rate has been falling for 15 years and will continue to fall for the next 15 years as the baby boomers age.”

**Baumohl** also notes the retiring of so many Americans means the U.S. will not have the labor force size it once did, but that figures will slowly improve.

“Part of this is demographics, which means we'll never get back to the level that we had in the previous decade,” he says.

One other bright spot in Friday's numbers can be drawn from monthly averages of jobs added. Monthly payroll numbers rise and fall, but during the past six months, private employment has expanded at an average of 200,000 jobs per month, notes Neil Dutta, head of economics at New York-based Renaissance Macro Research, in a research note.

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