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## Labor Force Participation During Recent Labor Market Downturns

### Abstract

[Excerpt] The longest postwar expansion in the Nation's history ended when the economy entered a recession in March 2001. Subsequently, the labor force participation rate—the proportion of the civilian noninstitutional population in the labor force—fell, with declines occurring among youths aged 16 to 24 and workers in the 25 to 54 years age group. These declines are in contrast to the labor market downturn of the early 1990s, during which the dropoff in labor force participation was much smaller.

### Keywords

recession, labor force, participation, The National Bureau of Economic Research, trends

### Comments

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# Issues in Labor Statistics



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## Labor force participation during recent labor market downturns

The longest postwar expansion in the Nation's history ended when the economy entered a recession in March 2001. Subsequently, the labor force participation rate—the proportion of the civilian noninstitutional population in the labor force—fell, with declines occurring among youths aged 16 to 24 and workers in the 25 to 54 years age group. These declines are in contrast to the labor market downturn of the early 1990s, during which the dropoff in labor force participation was much smaller.<sup>1</sup>

The sharpest decline in labor force participation between the first quarter of 2001 and the second quarter of 2003 occurred among persons aged 16 to 24. During this period, which ran from the quarter containing the prerecession peak to six quarters past the official recession trough (November 2001), the participation rate for this group fell by 3.6 percentage points, compared with a decline of 0.6 percentage point between the third quarter of 1990 and the third quarter of 1992. Participation rates during the most recent labor market downturn also declined among both women (from 76.8 to 75.9 percent) and men (from 91.6 to 90.7 percent) aged 25 to 54. By comparison, during the early 1990s, the rate for women in that age group actually continued to rise, increasing from 74.0 to 74.7 percent, while the rate for men was little changed. (See chart.)

Partially offsetting the declines in participation among the other age groups, the labor force participation rate for individuals aged 55 and older rose by 2.8 percentage points over the most recent recession and the year and a half following. During the early 1990s, the participation rate for this group edged down a little. The rise in labor force participation rates among older workers may reflect several factors that affect work and retirement decisions such as changes to Social Security regulations, falling stock market prices, and declining interest rates.

### Other data support findings

According to annual work experience data collected in the March rounds of the Current Population Survey, the proportion of individuals aged 16 to 24 who neither worked nor looked for work was higher in 2001 (30.3 percent) than it was in 1991 (25.4 percent). Youths who did not work or look for work in 2001 were more likely than their counterparts in 1991 to have reported going to school as the reason they were not in the labor force. (See

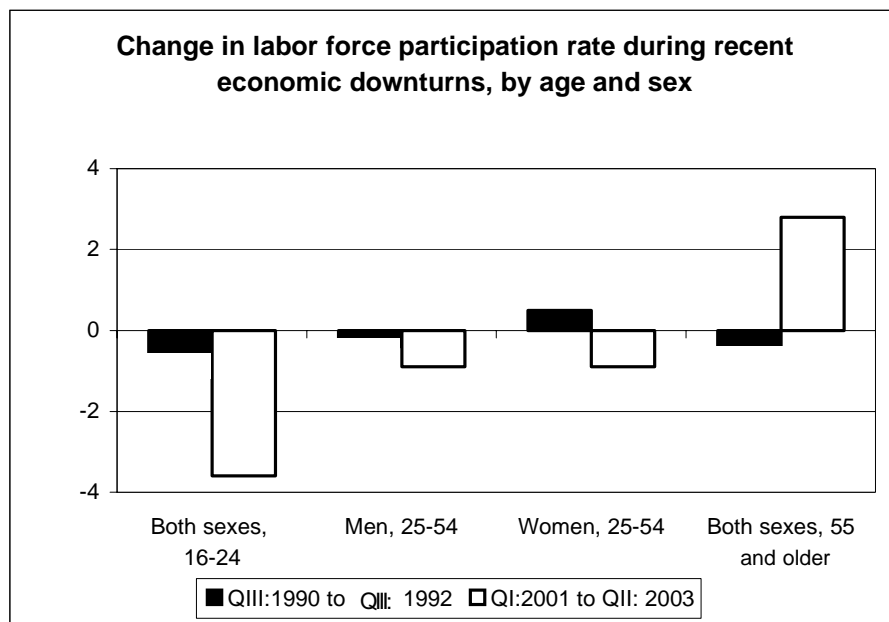
table.) Consistent with the recent rise in their labor force participation rates, the proportion of nonparticipants aged 55 and older declined from 65.1 percent in 1991 to 61.7 percent in 2001.

Among persons aged 25 to 54, some 17.1 million individuals, 14.0 percent of the population, neither worked nor looked for work at any time during 2001, up from 13.4 percent in 1991. The proportion of out-of-labor-force women aged 25 to 54 who reported that they did not work because they were ill or disabled rose from 12.6 percent in 1991 to 21.9 percent in 2001. Over that period, the number of women receiving Social Security disability benefits more than doubled, and the share of female beneficiaries who were less than 55 years of age increased.<sup>2</sup>

The proportion of males aged 25 to 54 who did not look for work and reported that they were retired rose from 5.8 percent in 1991 to 10.1 percent in 2001. The proportion who said that they did not work or look for work because of home responsibilities also increased

<sup>1</sup> The National Bureau of Economic Research (NBER), the generally recognized arbiter of business cycle turning points, designated March 1991 as the trough of the recession that began in July 1990. Although this recession thus officially ended in March 1991, labor market conditions continued to be sluggish until late 1992. NBER designated March 2001 as the starting date of the most recent recession and November 2001 as the endpoint. Labor market conditions again remained sluggish well after the official trough of the recession. This paper compares data for the quarter containing the NBER-designated peaks to the sixth quarter after the official NBER troughs.

<sup>2</sup> *Social Security Bulletin: Annual Statistical Supplement, 2002*, U.S. Social Security Administration, December 2002.



slightly, from 4.6 percent to 8.8 percent.

In summary, during the most recent economic downturn, the labor force participation rate among younger workers fell quite a bit more than it did during the recessionary period of the early 1990s; workers in that age group were more likely to have reported "going to school" as a reason for nonparticipation in 2001 than their counterparts had been a decade earlier. The labor force participation rate among males aged 25 to 54 fell slightly more than it had before, and there was a slight decline rather than a slight increase in labor force participation among women in the central age range. In contrast, workers 55 and older increased their participation in the labor force significantly during the most recent period of weak labor market conditions.

For more information on recent trends in labor force participation, contact Steven Hipple, Office of Employment and Unemployment Statistics, Bureau of Labor Statistics, Washington, DC 20212. Telephone: (202) 691-6378. E-mail: [Hipple\\_S@bls.gov](mailto:Hipple_S@bls.gov). Information in this report will be made available to sensory impaired individuals upon request. Voice phone: (202)-691-5200. Federal Relay Service: 1-800-877-8339. This report is in the public domain and may be reproduced without permission.

**Table 1. Persons who did not work or look for work by age, sex, and reason for not working in 1991 and 2001**  
(Number in thousands)

Age and sex	Number		Percent distribution	
	1991	2001	1991	2001
Total, aged 16 and older .....	56,038	64,520	100.0	100.0
16 to 24 years .....	7,838	10,670	14.0	16.5
25 to 54 years .....	14,510	17,070	25.9	26.5
55 years and older .....	33,690	36,780	60.1	57.0
Total, aged 16 to 24 years .....	7,838	10,670	100.0	100.0
Ill or disabled .....	231	408	2.9	3.8
Retired .....	10	59	.1	.6
Home responsibilities .....	1,231	1,406	15.7	13.2
Going to school .....	5,838	8,267	74.5	77.5
Could not find work .....	197	165	2.5	1.5
Other .....	332	369	4.2	3.5
Men, aged 25 to 54 .....	3,149	4,634	100.0	100.0
Ill or disabled .....	1,874	2,776	59.5	59.9
Retired .....	184	468	5.8	10.1
Home responsibilities .....	146	409	4.6	8.8
Going to school .....	348	483	11.1	10.4
Could not find work .....	331	133	10.5	2.9
Other .....	266	365	8.4	7.9
Women, aged 25 to 54 .....	11,360	12,430	100.0	100.0
Ill or disabled .....	1,434	2,727	12.6	21.9
Retired .....	148	563	1.3	4.5
Home responsibilities .....	8,775	8,241	77.2	66.3
Going to school .....	523	603	4.6	4.9
Could not find work .....	213	74	1.9	.6
Other .....	270	222	2.4	1.8
Total, aged 55 and older .....	33,690	36,780	100.0	100.0
Ill or disabled .....	4,682	4,984	13.9	13.6
Retired .....	21,640	29,180	64.2	79.3
Home responsibilities .....	6,837	2,391	20.3	6.5
Going to school .....	54	57	.2	.2
Could not find work .....	95	19	.3	.1
Other .....	373	145	1.1	.4

SOURCE: Current Population Survey, March Annual Demographic Survey.

NOTE: Estimates for 2001 are not directly comparable with those for

1991 because data for 2001 are based on Census 2000 population controls, whereas the 1991 data are based on 1990 census population controls.

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