

# Labor force participation is static, a conundrum for the Fed.

Federal Reserve officials want to know where things stand in the job market's recovery. It's tricky to guess that, with so many workers on the sidelines.



By Jeanna Smialek

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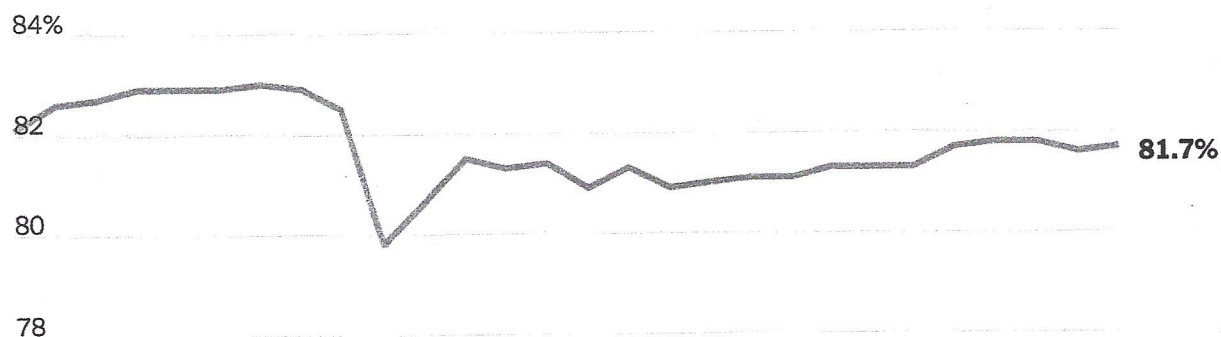
Millions of employees remain on the job market's sidelines and are only slowly trickling back — posing a serious challenge for the Federal Reserve as its policymakers try to assess how far the United States economy remains from their full employment goal.

The labor force participation rate, a measure of how many people work or are actively looking for jobs, has been holding steady for months at 61.6 percent, down 1.7 percentage points from its February 2020 level.

Participation of people in their prime working years is ticking up gradually, rising to 81.7 percent in October from 81.6 percent in September, but that too remains depressed compared with the rate before the pandemic. In February 2020, 82.9 percent of those 25 to 54 years old were in the labor force.

## Prime-age labor force participation improved slightly.

Share of those ages 25 to 54 who are in the labor force (employed, unemployed but looking for work or on temporary layoff)



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Data is seasonally adjusted. • Source: Bureau of Labor Statistics • By Ella Koeze

Fed officials had initially hoped that the labor market could return to the participation and employment levels that prevailed before the health crisis. But more than 20 months into the pandemic, as anecdotes about early retirements abound and many employees seem to be reassessing their work lives, it is less clear what will happen next. The Fed sees room for further improvement, but officials have also expressed humility about their expectations.

“Now the temptation at the beginning of the recovery was to look at the data in February of 2020 and say, well, that’s the goal,” Jerome H. Powell, the Fed chair, noted during a news conference this week, when asked about what constituted full employment.

“I think there’s room for a whole lot of humility here as we try to think about what maximum employment would be,” he later added.

It is not clear what is keeping many workers away at a time when job openings are plentiful. It could be what is popularly called the Great Resignation: People shaken by the pandemic are reassessing their lives and livelihoods. It might be that the recent wave of Delta variant coronavirus infections sent many workers home. Child care shortfalls and fear of infection are almost certainly keeping some workers away temporarily, and early retirement may have taken others out of commission more permanently.

But it is an open question when those headwinds will fade, and which ones will prove temporary versus more permanent.

Mr. Powell noted, for example, that officials had expected the reopening of schools and the lapsing of expanded unemployment insurance would drive a wave of workers back into the labor market. That has not shaped up yet, “interestingly,” he said.

“Ideally we would see further development of the labor market in a context where there isn’t another Covid spike,” Mr. Powell said this week.