

Macro Roundup Article

Headline: [What Has Driven the Labor Force Participation Gap since February 2020?](#)

Article Link: <https://libertystreeteconomics.newyorkfed.org/2023/03/what-has-driven-the-labor-force-participation-gap-since-february-2020/>

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Tweet: An analysis from the @NewYorkFed shows that adjusting the labor force participation rate for population aging and excess retirements raises “the LFPR by 1.1 percentage point from 62.5% to 63.6%, more than making up for the participation gap.”

Summary: The gold line in the chart below shows this age-adjusted participation rate. Removing the effect of aging can explain the entire participation gap, lifting LFPR by 0.9 percentage point in February 2023. This big effect arises because the large baby boomer cohort is right at the retirement cutoff. As the chart above shows, the retirement share rises dramatically with age around the age of 65. Consequently, the aging of the baby boomers between 2020 and 2022 led to a significant rise in retirements, reducing participation. We analyze the effect of excess retirements on participation, in addition to the effect of aging. To do so, we analyze how the overall age-adjusted retirement share would change if we went back to the retirement shares in each age group of 2018-19. Overall, our results imply that undoing the effects of population aging and excess retirements would raise the LFPR by 1.1 percentage point from 62.5 percent to 63.6 percent, more than making up for the participation gap.

Primary Topic: Unemployment/Participation

Topics: Data, Demographics, Government/NGO, Unemployment/Participation

Permalink: <https://www.edwardconard.com/macro-roundup/an-analysis-from-the-newyorkfed-shows-that-adjusting-the-labor-force-participation-rate-for-population-aging-and-excess-retirements-raises-the-lfpr-by-1-1-percentage-point-from-62-5-to-63-6?view=detail>

Featured Image

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