

This snapshot is part of an ongoing series illustrating data and trends important to North Carolina's economy. Trends in the labor force and the labor force participation rate (LFPR) are important in understanding North Carolina's labor market as a whole. A state's labor force is defined as the number of people available for work — including employed people and unemployed people actively looking for work. The labor force participation rate is defined as the ratio between the labor force and the civilian noninstitutional population aged 16 and over.

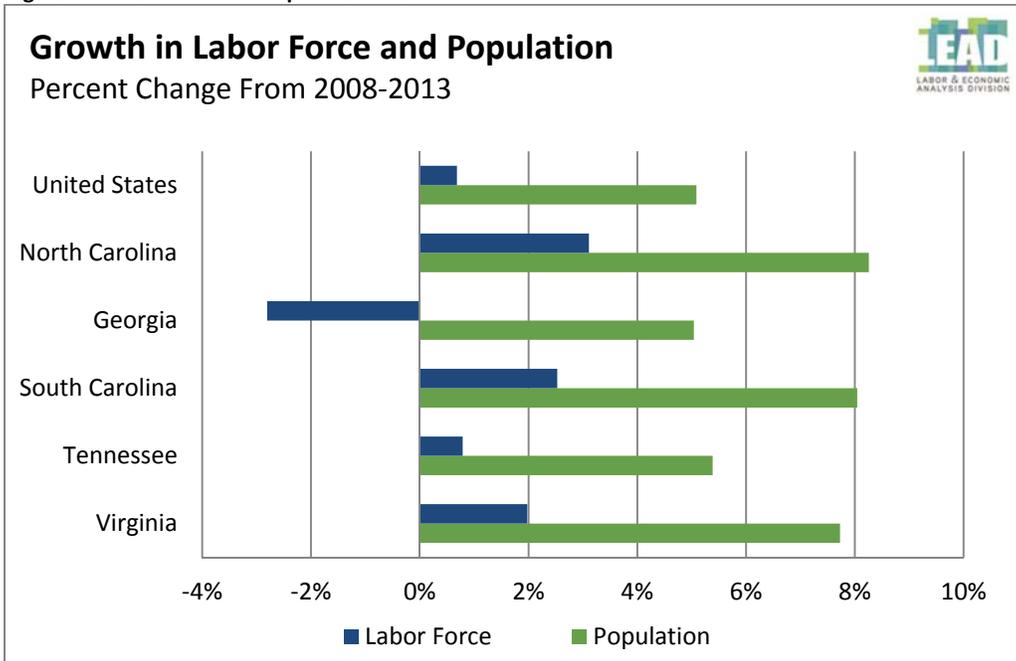
Key Facts for North Carolina

- **3.1% growth** in the size of the labor force between 2008–2013
 - Faster growth than neighboring states and U.S. average
- **61.6% labor force participation rate** in 2013 — lowest in 20 years
 - **Steadily falling**, mimicking national and other state trends
 - Declining among **all age groups**
 - **Largest decline among 16–24 year-olds**, likely due to rising school enrollments

Understanding North Carolina

In North Carolina, the labor force grew by 3.1 percent between 2008 and 2013, while the overall population (civilian, noninstitutional, aged 16 and over) grew by 8.3 percent. In all areas (both the United States and comparison states), the population grew by much more than the labor force. In fact, Georgia actually saw a 2.8 percent decline in the labor force. The general trend of greater population growth compared to labor force growth means there are more adults who are not in the labor force for some reason (e.g., they are retired or are not looking for work).

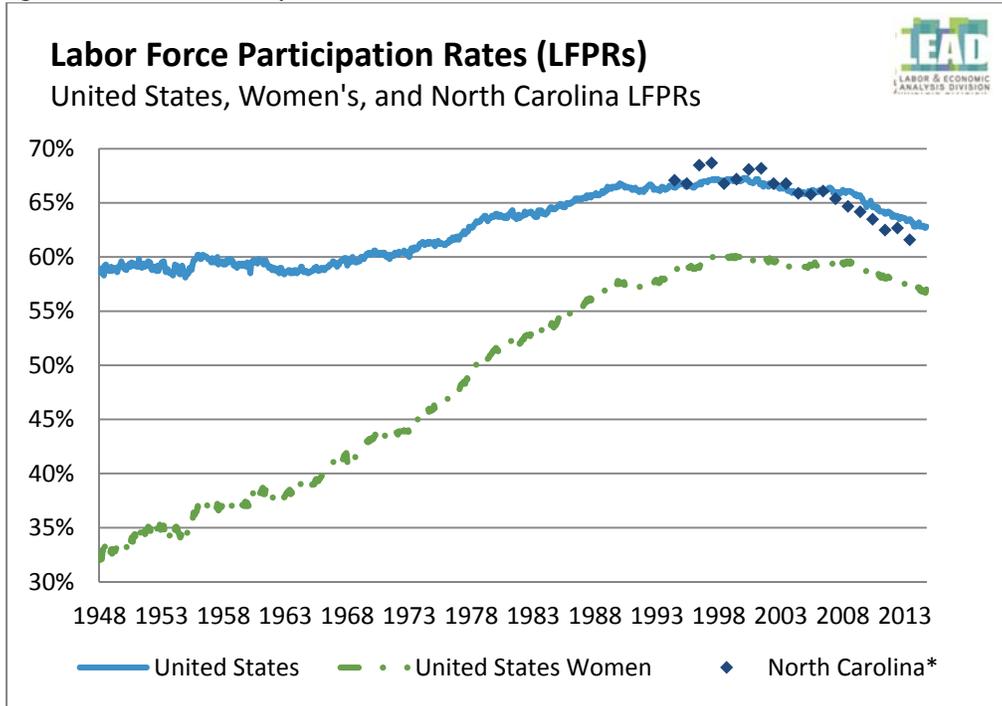
Figure 1: Labor Force and Population Growth



Source: Bureau of Labor Statistics, Current Population Survey

Although the labor force grew in North Carolina between 2008 and 2013, the overall LFPR declined over the same time period. In Figure 2, we present historical trends in the LFPR for the United States and North Carolina. Historically, increases in LFPRs were the result of population changes associated with the baby-boom generation and women entering the workforce. In the 1970s, 1980s, and 1990s, the LFPR rose dramatically as the baby-boom generation came of working adult age. In addition to this population shift, women’s participation in the labor force steadily rose over this same time period, contributing to an overall increase in the labor force participation rate. In 1948, women’s labor force participation rate hovered around 33 percent; a half-century later, the rate peaked at 60.3 percent.

Figure 2: Labor Force Participation Rates



Source: Bureau of Labor Statistics, Current Population Survey

*State-level data for North Carolina is only available annually, beginning in 1994.

The subsequent decline of the LFPR has been partially attributed to the aging of the baby-boom generation and lower labor force participation rates of women.¹ In addition to demographic factors, business cycles can also affect labor force participation. In a recession, potential workers may drop out of the labor force if they become discouraged and cease actively looking for a job. The BLS definition of unemployed includes only those workers who are unemployed but actively looking for a job. Alternatively, these potential workers may stay in school or return to school to increase their skills in hopes of a better job when the economy improves. The latest recession had the effect of encouraging younger workers to stay in school longer, adding to the decline in the labor force participation rate.²

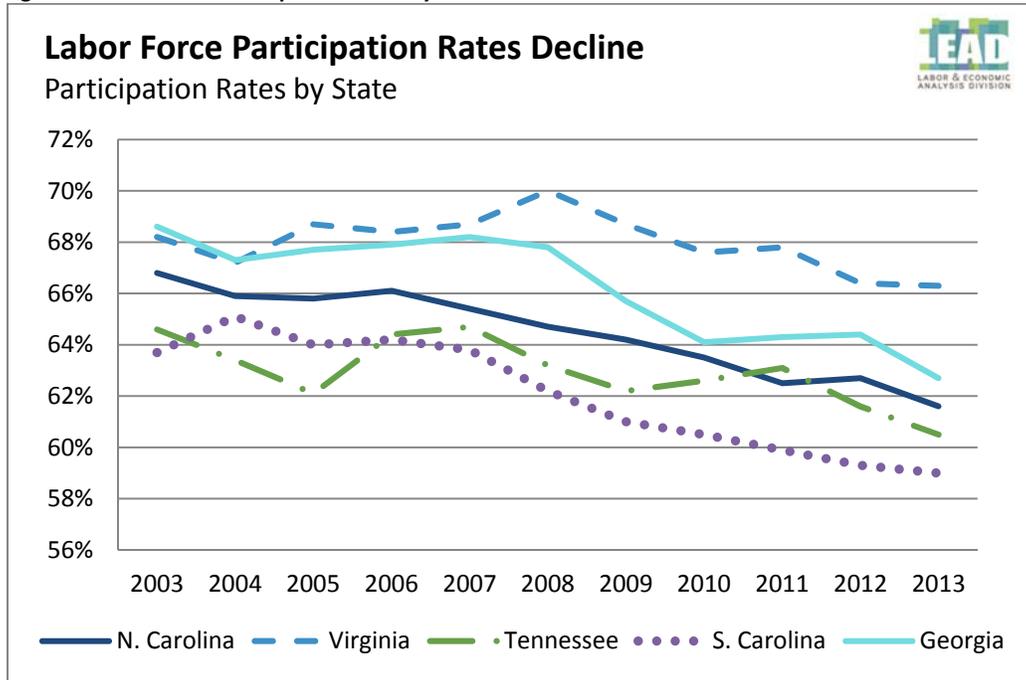
Historical data for North Carolina is only available annually, beginning in 1994. Although this is a shorter series, Figure 2 demonstrates that LFPRs in North Carolina closely tracked those of the nation, with slightly higher rates prior to 2002 and slightly lower rates since 2006.

¹ Howard N. Fullerton, Jr., “Labor force participation: 75 years of change, 1950–98 and 1998–2025,” *Monthly Labor Review*, December 1999. Available: <http://www.bls.gov/mlr/1999/12/art1full.pdf>

² Willem Van Zandweghe, 2012. “Interpreting the Recent Decline in Labor Force Participation,” Federal Reserve Bank of Kansas City, *Economic Review*, First Quarter, pp. 7-9. Available: <http://www.kc.frb.org/publicat/econrev/pdf/12q1VanZandweghe.pdf>

In Figure 3, we compare North Carolina to three surrounding states and see that all states have experienced declines in the LFPR. Three of the five states now have LFPRs below 62 percent - the lowest level seen since state data has become available. The last time the United States as a whole saw a LFPR of 62 percent was 1977.

Figure 3: Labor Force Participation Rates by State



Source: Bureau of Labor Statistics, Current Population Survey

The reasons for this overall LFPR decline in North Carolina can be seen by examining population trends and LFPRs by age group in Figures 4 and 5. North Carolina’s population has been steadily aging since 2003. While the share of those aged 16-24 has remained constant and the share of those aged 25-34 and 35-54 has fallen slightly, the population aged 55 and over has increased from 28 to 34 percent of the total population.

The LFPRs of those aged 55 and over have remained relatively constant – but they are low compared to the main working age population (25-54). In 2013, the LFPR of those aged 55-64 was 61 percent, while the LFPR of those aged 65 and over was 15.2 percent. The increase in the population over 55 coupled with their low LFPRs has the effect of dampening the overall LFPR. But that’s not the end of the story.

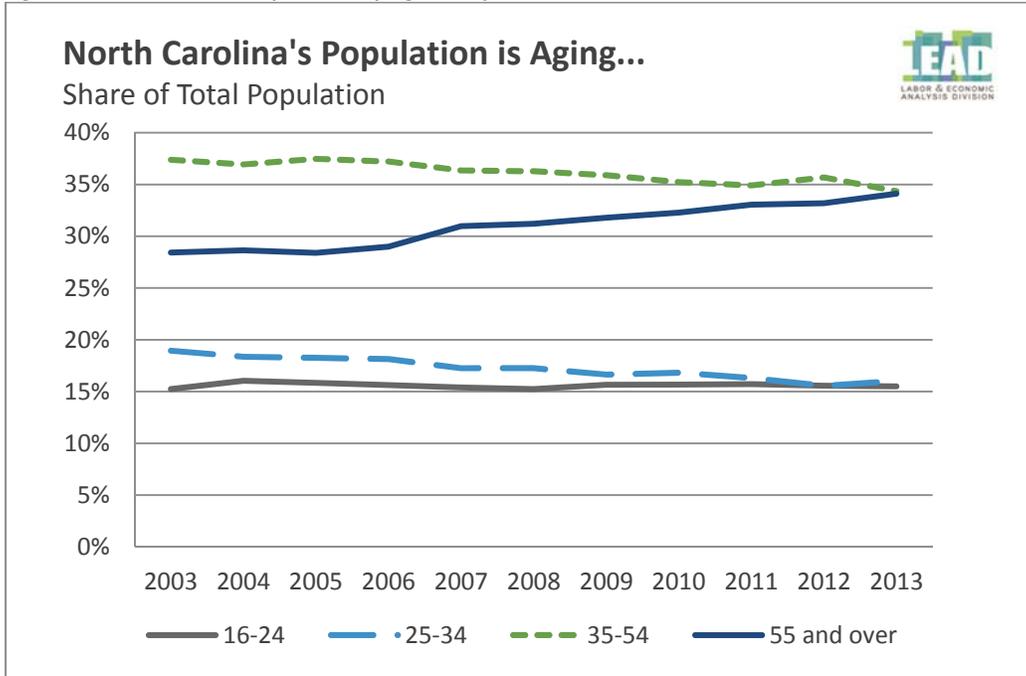
At the same time that younger workers remained a fairly constant share of the population, their LFPRs have been falling. The LFPR for those aged 16-19 fell from 42.8 percent in 2003 to 31.9 percent in 2013. The LFPR of those aged 20-24 fell from 76.5 percent in 2003 to 68.9 percent in 2013. Although we do not go into this point in great detail here, this decline in LFPR among younger ages can be explained by rising school enrollment rates.³

The decline in LFPRs has the potential to dampen economic growth. Economists often use growth accounting to determine the role each component plays in overall real GDP growth. In this framework, real GDP growth is equal to the sum of the growth in population, LFPR, and productivity. When the growth in one factor slows, other factors have to make up for it to keep real GDP growth constant.⁴ While the dampening of economic growth is by no means certain, it illustrates why policy makers should care about what’s happening in the state’s labor force.

³ For more information, please see [this article](#) on the LEAD feed.

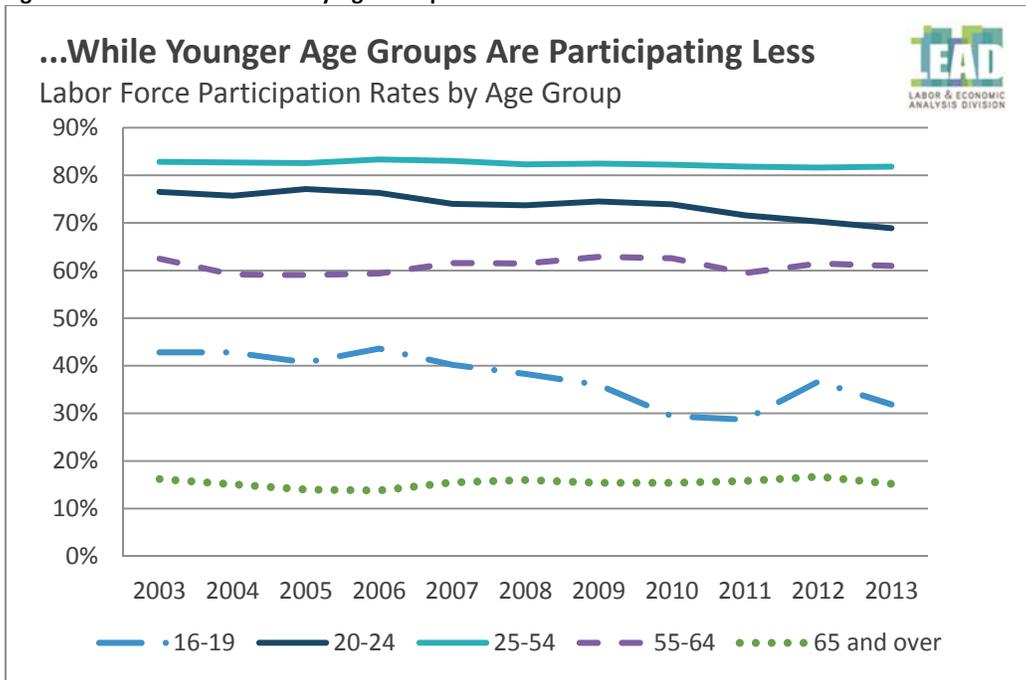
⁴ Kliesen, Kevin L. “As Boomers Slow Down, So Might the Economy,” Federal Reserve Bank of St. Louis, *The Regional Economist*, July 2007, pp. 12-13. Available: <https://www.stlouisfed.org/publications/re/articles/?id=29>

Figure 4: North Carolina Population by Age Group⁵



Source: Bureau of Labor Statistics, Current Population Survey

Figure 5: North Carolina LFPRs by Age Group⁶



Source: Bureau of Labor Statistics, Current Population Survey

⁵ Age groups were combined in Figure 4 if they exhibited levels and trends; the same age groups do not appear in Figures 4 and 5 because trends varied between the series.

⁶ Age groups were combined in Figure 5 if they exhibited similar levels and trends; the same age groups do not appear in Figures 4 and 5 because trends varied between the series.