



## Factors Contributing to Decreasing Labor Force Participation

The labor force participation rate measures the share of the civilian non-institutionalized population age 16 or older that are either employed or unemployed. Those who are retired, family caregivers, pursuing their education, and other people not employed who are not seeking or available for work are not counted as part labor force or considered to be unemployed.

Understanding overall trends in participation requires an examination of two issues:

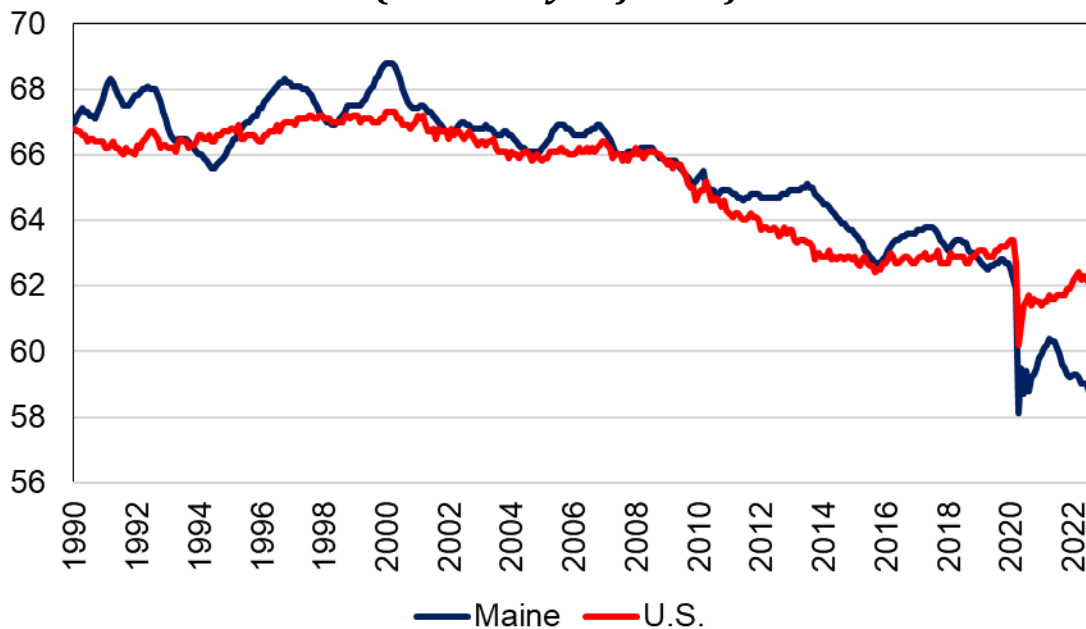
- (1) The composition of the civilian non-institutionalized population age 16 or older and how it has changed overtime, and
- (2) Within demographic groups, examination of changes in the economy and society that may affect participation in the workforce

First, this brief will focus on the composition of the population age 16 or older.

As a large generation of baby boomers reached working ages, Maine’s labor force expanded rapidly throughout the 1970’s and 1980’s. The labor force participation rate gradually tended higher, reaching a peak around 2000. The baby boom generation was between the ages of 36 and 54 in 2000, age ranges where labor force participation tends to be highest. Since 2000 participation has gradually tended lower as baby boomers advanced in age.

Pandemic related factors initially pushed participation below the long-term trend. Over two years after the pandemic first slowed a range of economic activities, the advancing age of a large segment of the population largely explains the persistently lower rate of participation rather than pandemic specific factors. Because a rising share of the population will be retired in the years ahead, participation is not likely to recover to rates observed before the pandemic. Baby boomers have or will reach age 65 between 2011 and 2029. Around this age, retirement becomes much more prevalent and participation in the workforce decreases.

### Labor Force Participation (Seasonally Adjusted)

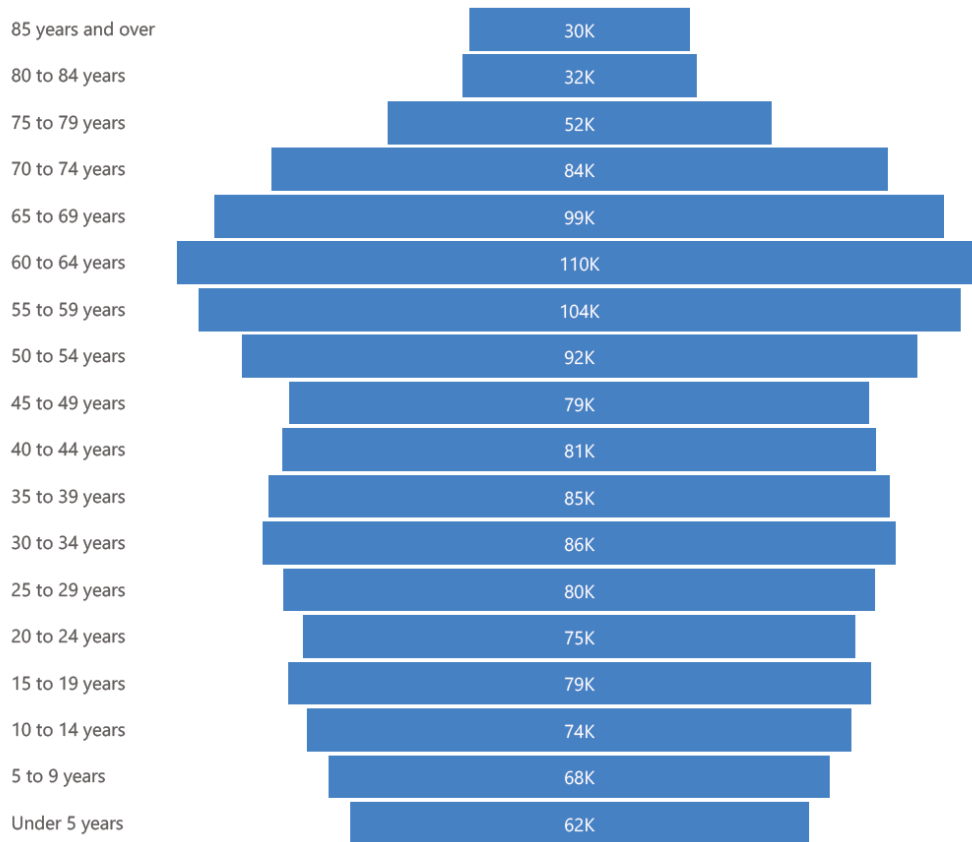


*Maine Center for Workforce Research and Information, Local Area Unemployment Statistics and U.S. Bureau of Labor Statistics, Current Population Survey*

While factors related to the pandemic did initially push labor force participation dramatically lower, the persistently lower rates through the summer of 2022 are mostly caused by aging and retirement decisions that may have been accelerated during the pandemic and not by lower participation among people between the ages of 20-54 (for more see [Population Aging and the U.S. Labor Force Participation Rate](#)).

According to 2021 Census estimates, the population age 16 and over was just over 1.15 million, with 44.3 percent age 55 or over. Similar demographic trends are occurring nationally, but these trends are more pronounced in Maine relative to the nation. Nationally, among the population age 16 and over, 37 percent are age 55 or over. Maine's population structure is thus imbalanced with a larger population in their 50's, 60's and 70's relative to those in the 20's, 30's and 40's.

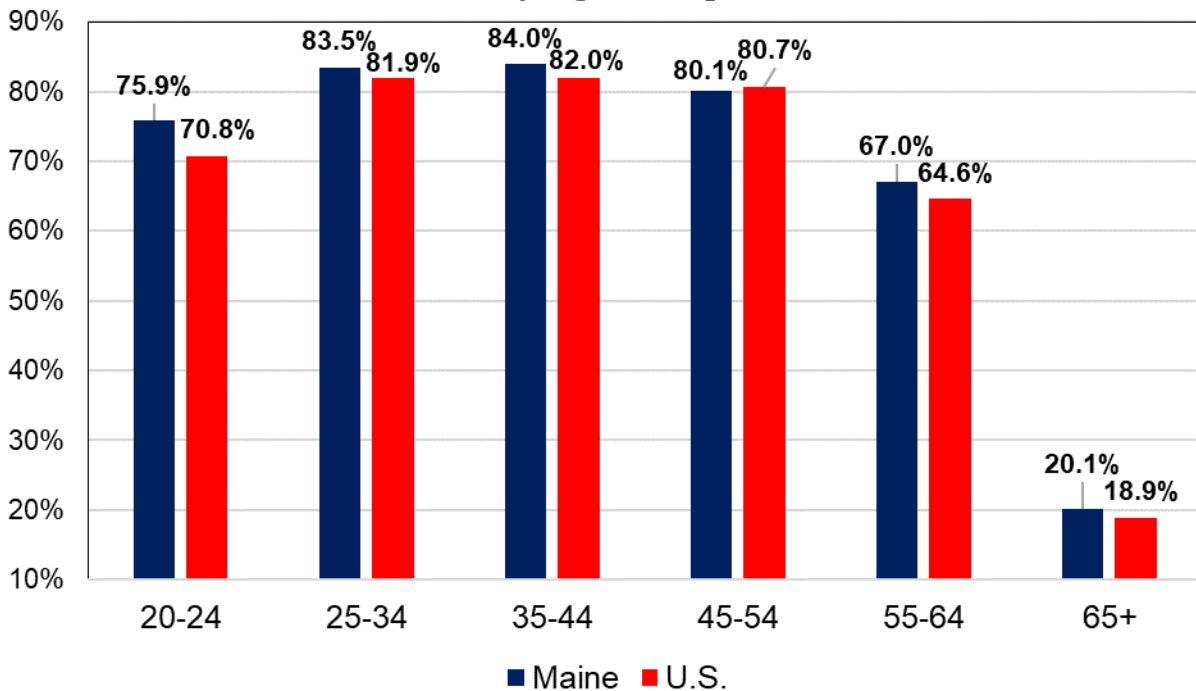
### 2021 Maine Participation Estimates by Age Group



*U.S. Census Bureau, 2021 Vintage Population Estimates, State Population Characteristics*

Population aging affects labor force participation, which varies with age. Participation increases as people complete their education and reach prime working ages (up to 84 percent among those 35-44) before beginning to tend lower among those age 55-64 and decreasing further to about 20 percent among those age 65 and over, mostly due to retirement.

## 2021 Labor Force Participation Rate by Age Group



*Maine Center for Workforce Research and Information and U.S. Bureau of Labor Statistics, Current Population Survey*

Because about 29 percent of the population is between the ages of 55-74, many of whom are still in the labor force today, the declining rate of labor force participation that has been observed in recent years is expected to continue as this group retires. On the other end of the spectrum, 23.5 percent of the population is between the ages of 15-34, aging toward high participation age ranges.

Disability incidence tends to increase with age and can create additional barriers that limit economic opportunity and attachment to the workforce. In addition to having the highest median age of any state, Maine's share of population with a disability is among the highest in the nation ([15.9 percent of the total civilian non-institutionalized population](#)). According to the [Census Bureau American Community Survey \(2020, 5-year estimates\)](#) among the population in Maine between the ages of 18 and 64, about 37 percent of those not in the labor force have a disability. Of this group, the highest share were in their 50's and early 60's, where disability incidence is much higher relative to those in their 20's, 30's and 40's.

Second, this brief will focus on some of the economic and societal changes that have affected labor force participation within demographic groups over time.

Within age groups, smaller changes in labor force participation have been observed in recent decades. Among the population between age 20 and 54, labor force participation averaged 82.5 percent from 2017-2021, down about two percentage points from the period from 2000-2004 when participation averaged 84.5 percent.

Labor force participation is strongly related to economic opportunity, that is, it has been found to be higher among those with better available job opportunities:

- (1) This is true in the context of education. Higher levels of educational attainment are associated with higher rates of labor force participation and higher paying job opportunities.
- (2) This is true in the context of the business cycle. During recessions or generally when labor demand is lower and job opportunities are scarcer, labor force participation tends to be lower. Among the population age 20-54, the labor force participation rate decreased modestly from 2009-2014 following the Great Recession, before rebounding as the economy improved from 2015-2019. Participation also decreased during the recession induced by the pandemic, though other factors attributable to the public health emergency, like safety concerns and disruptions affecting schools and childcare, likely played a larger role.
- (3) This is true in the context of geographic regions that have experienced an erosion of economic opportunities. An increasingly large number of economic studies have found the decline in labor force participation among prime age working people has been concentrated in certain geographic areas where sudden reductions in labor demand (for example, the closure of a large regional employer like a factory or a mill) have had long lasting effects years after these events leading to lower attachment to the workforce of prime age working people (see [Abraham and Kearney, \(2020\)](#)).

Over time, there has been an erosion of economic opportunities in sectors of Maine's economy focused on the production of goods such as sawmills, paper mills, logging, textile mills, shoe shops and other types of manufacturing. In 1975, about 32 percent of nonfarm wage and salary jobs were in goods producing sectors. The mixture of jobs has continually shifted toward sectors that provide services and by 2021, only 14 percent of jobs were in goods producing sectors. Many goods producing jobs are located near natural resources and waterways. The decline of opportunities in these sectors over time has created some geographic mismatches between where thousands of people live and where economic opportunities are located. Today, labor force participation is highest in the southernmost counties, where population and job growth has been strongest, and the economic structure is more diverse; it is lowest in the northern rim of the state, where the population is older, has been declining, and labor market opportunities are fewer.

New evidence from [Sprung-Keyser, Hendren and Porter \(2022\)](#), who analyze data on children born between 1984 and 1992, measuring their locations at childhood and as

young adults, shows that younger people have been moving away from rural areas of Maine at particularly high rates. This has been pronounced in the Downeast and Northeast regions. This has led to a decreasing population with an older structure in rural areas relative to the state as a whole.

Long term economic and societal changes have led to changes in labor supply decisions over time. The family structure is closely related to labor force participation. Over time, birth rates have fallen, and it has become more common to start a family later in life as well. This shift has led to modest reductions in labor force participation to focus on providing care, particularly for women, later in their lives relative to their predecessors.

Relative to the second half of the 20<sup>th</sup> century, a larger share of young people now pursues post-secondary education including college degree programs and graduate level education. This shift has led some to stay in school longer and enter the workforce later in their lives relative to their predecessors. The opioid epidemic has been found to have contributed to a reduction in labor supply among people in prime working ages ([Powell \(2021\)](#), [Maclean, Mallatt, Ruhm and Simon \(2020\)](#)).

One additional factor about which we have little evidence to this point, is how long term Covid symptoms have led to a deterioration of the health of people in prime working ages. [Goda and Soltas \(2022\)](#) studied workers who reported missing work, likely due to Covid-19 illnesses, and found their labor force participation rates were noticeably lower one year after the initial absence from work. Their findings suggest that long Covid symptoms have led to a reduction in the U.S. labor force participation rate by approximately 0.2 percentage points, representing about 500,000 fewer people in the workforce.