Labor Force Participation Rate. You would think that if the number of participants in the workforce grew naturally there would be more workers available and the Unemployment Rate would decline... And you would be right if you looked at the correlation of Labor Participation Rate to Unemployment Rate for the past 5 years (top charts below)

But if you go back to around 1950 (lower charts) and look for a simple correlation between the rate of unemployment and labor force participation it doesn’t exist. What does that mean?

First of all there is yet another reminder that you need to be careful when citing statistics, but more importantly, you often have to look elsewhere for the answer. In this case, things that might influence both trends are: the number of retirements, measures of productivity, integration of technology, and a variety of other factors.

So as you see "Help Wanted" signs everywhere, and the Labor Force Participation Rate begins to increase do not be surprised if the Unemployment Rate increases, as well as the number of people looking for work. Stay Tuned.

Please send us your thoughts and comments to rdegroat@pfprogress.org.

The labor force participation rate in the United States was unchanged at 61.7% in August 2021, and has remained within a narrow range of 61.4% to 61.7% since June 2020. Also, the activity rate was 1.6% points lower than in February 2020.

The US unemployment rate dropped to 5.2% in August 2021, the lowest level since March 2020 and in line with market expectations, as the labor market continued its steady recovery following business reopenings in the US and despite reports of labor supply shortages and concerns over the lingering threat of the COVID-19 resurgence. The number of unemployed people fell by 318 thousand to 8.38 million, while employment levels increased by 509 thousand to 153.15 million. Still, the jobless rate remained well above the pre-crisis level of about 3.5%, but should decline further in the coming months helped by strong economic activity and demand for labor.