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UNITED STATES

The labour force returns to more lively growth

There were a number of encouraging items in the February job figures released Friday, March 4, including a rebound in hiring, especially in services, and an ongoing low jobless rate, at 4.9%. The participation rate also improved, going from 62.7% to 62.9%, its highest point since July 2014.

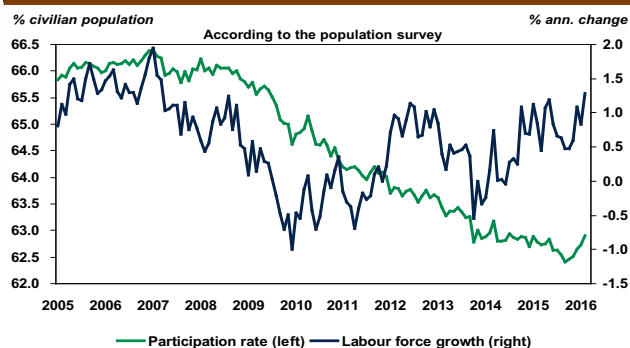
It is increasingly clear that the participation rate (the percentage ratio between the labour force and the civilian, non-institutional population aged 16 and up) is finally on an uptrend. Along with population ageing, the Great Recession and the tough times that followed had prompted a big contraction in the proportion of those participating actively in the job market (as workers or job seekers). From a cyclical peak of 66.4% in December 2006, the participation rate had dropped to a low of 62.4% in September 2015. The half a percentage point gained since then is slight given the magnitude of the contraction, but it is still a meaningful change of trend.

It is also clear that labour force growth is intensifying. February's annual change of 1.3% is the strongest since March 2007. From the end of the recession to the end of 2015, the average annual change was 0.3%.

Where is the improvement coming from? An analysis by age category shows that it is primarily youth (16 to 24 years old) whose job market participation has increased; in prior years, this was the category with the weakest participation. The youth participation rate is up 1 percentage point. Among those aged 45 to 54, the increase is also noteworthy, at 0.8 points. The number of Americans who are not in the labour force but who want a job is also down substantially; their numbers have dropped 626,000 in the last year, for a decrease of 9.5%.

The emergence of some optimism about returning to the job market has been a long time coming. More than 13 million jobs have been created in the United States

The participation rate is slowly improving



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

since the post-recession trough, and the participation rate has just started to rise. This anomaly naturally magnified the downward movement in the jobless rate; in January and February, it hit its lowest point since February 2008. However, if the participation rate keeps rising, it will curb the drop in the jobless rate.

Implications: With strong job creation, the rise in the participation rate is good news for the U.S. economy. In the near term, the Federal Reserve will read this as more evidence that the job market is doing much better. Over the longer term, however, demographic factors mean that we cannot expect the participation rate to go much higher.

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