

U.S. NEWS

Aging Population May Ease Jobless Rate

BY JUSTIN LAHART

The U.S. unemployment rate may fall faster in the future than many economists assume for one simple reason: The rapid aging of the American work force is helping reduce the share of the population hunting for jobs.

For more than a decade, the labor participation rate—the share of the population over 16 that is either working or looking for work—has been falling. It stood at 64.2% in October, down from its peak of 67.3% in 2000, and economists project it to continue heading lower. Part of this decline reflects aging. As workers move into their late 50s and beyond, they are much more likely to drop out of the work force.

In today's job market, that could mean that many people now counted as unemployed may simply drop off the rolls and never return—making it easier to pull down the jobless rate once economic growth accelerates, since fewer new jobs will be needed to get the jobless back to work and keep up with population growth. Fifteen percent of the nearly 14 million jobless are 55 or older.

On Friday, the U.S. reported that the unemployment rate ticked down to 9% from 9.1%. Employers added 80,000 jobs in October, and the government revised up sharply the number of jobs created in the two previous months.

But growth will need to accelerate sharply for the U.S. to undo the damage caused by one of the worst recessions in modern times. Two years into the recovery, the economy has regained just 2.3 million of the nearly 8.8 million jobs shed during the slump, and the unemployment rate has been at 9% or higher for the past seven months.

Gary Merillat is among those who retired sooner than planned. He was a math and computer-skills teacher in Evansville, Ind., until September 2009, when the private school where he worked closed. He retired—which he had planned to put off until at least this year, when he turned 65—and began drawing

Social Security. "I probably would have worked beyond that if the school needed me," he said.

Starting in the 1960s, the participation rate began to climb steadily as two forces—the baby-boom generation reaching working age and more women opting for careers—began taking hold. But after 2000, the rate began to slide. That's because the share of women working leveled off, and members of the baby boom generation started entering their late 50s.

"As more baby boomers move into that 55 and over bucket, that puts more pressure on the participation rate," said UBS economist Drew Matus. "It's just an unfortunate coincidence it's happening at the same time as a big downdraft in the economy."

The decline in participation has helped keep a lid on the nation's unemployment rate. If the participation rate today for all age groups were at its pre-recession level, the unemployment rate—which counts only people seeking work—would have been 11.6% last month, not 9%.

Meanwhile, population projections from the U.S. Census Bureau suggest that even if participation rates for people in different age brackets held steady, the overall participation rate would have edged down from 66% in 2005 to about 65%. The reason: A larger share of the population is now in older age brackets, where participation rates are lower.

As more baby boomers leave the job market, the participation rate should continue to decline—a group of economists at the Federal Reserve projected in 2006 that it would fall to 62.5% by 2015. While that suggests the economy won't need to create as many jobs to bring down the unemployment rate, said Barclays Capital economist Dean Maki, the downside is that it won't have as large a work force to power it along and pay for the needs of an aging population.

La popolazione in via di invecchiamento potrebbe alleggerire il tasso di disoccupazione (ac)

