

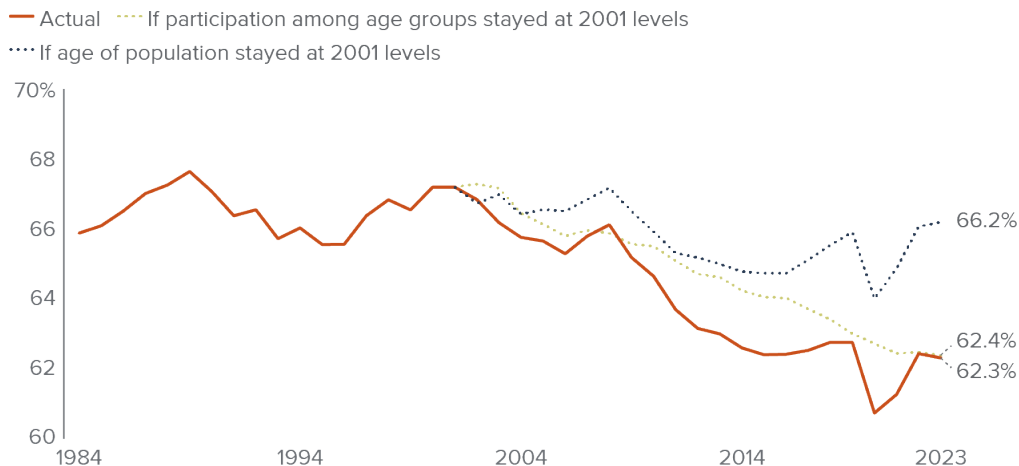
Labor Force Participation in California

California faces significant long-term labor market headwinds, with a shrinking workforce relative to the population. Labor force participation has dropped from 67 percent in 2000 to 62 percent now—mainly due to an aging population. In addition, we find

- ▶ **Significant gaps exist by race, gender, and nativity.** Among prime-age workers (25–54), women are 13 percentage points less likely to work than men. Across race/ethnicity and gender, Black men (83%) and Latina women (74%) have the lowest rates. Foreign-born noncitizen adults have slightly lower participation than native-born and naturalized citizens.
- ▶ **Educational differences largely drive race/ethnic gaps.** For college graduates, participation is near 90 percent, with only small differences across race/ethnic groups. For those lacking a high school diploma, rates are much lower, ranging from 74% (Latino) to 48% (Black).
- ▶ **Gender gaps are largest for women with young children and a partner.** For single adults with no children, participation gaps between men and women are small—especially among those with at least some college education.
- ▶ **People with disabilities have low participation.** Although participation is low among adults with a disability—especially for those with lower levels of education—prime-age participation has increased substantially since the pandemic, even as rates of disability have risen.

California's long-term downward trend is almost entirely due to an aging population

Percent in labor force



Sources: Current Population Survey; Authors' calculations.

Notes: Annual averages computed over all months in year, except for 2023 (through November). Dotted lines show hypothetical labor force participation rate removing the given demographic and participation changes since 2001. See report text for full detail.

What economic challenges does shrinking labor force participation pose?

The challenge California faces is twofold: aggregate needs for a strong and sizable statewide labor force, and longstanding gaps in labor force participation by race, gender, nativity, and disability status. Addressing these longstanding gaps is critical at this juncture.

In the short run—especially in critical sectors projected to grow, like health, elder, and dependent care; climate; and infrastructure—declining labor supply may constrain growing workforce needs.

In the longer run, declining participation may fundamentally shift what the economy can produce and how individuals fare economically. This could require adjustments to health, safety net, and education policies.

High potential for labor force growth exists among large prime-age, low-participation groups

Eliminating gaps and increasing participation among large low-participation demographic groups could help address labor supply declines due to aging and population loss. Among the ten lowest-participating, large prime-age groups, three general themes emerge, as follows.

- ▶ **Low educational attainment is common.** Unemployment rates are high for these workers. Low wages and poor job benefits make workforce participation less attractive.
- ▶ **Most low-participation groups are women.** Those with low levels of education tend to face worse job prospects. Moreover, women are more likely to be the primary caregiver for children. Nearly 200,000 foreign-born, married Latina women without a high school diploma are not working.
- ▶ **Black and white, US-born, never-married men with less than a high school education have very low participation rates.** In addition to less education, the rates for these groups also reflect poor job prospects and/or discrimination, made worse for some by prior criminal records.

What policy approaches could help boost participation?

To counteract current and projected labor force declines, multiple and varying efforts will be required. Policy efforts to remove labor market barriers—such as childcare, education, skills, and language—could reduce gaps, improve economic outcomes, and, in some cases, help counteract downward trends in statewide labor supply. Here we highlight key areas where California could boost labor supply.

For the aging workforce (ages 55–74). Participation among older workers is low but has been growing gradually for decades. Encouraging more older adults to work could go a long way to offset declines in participation—but would require attentiveness to their preferences. Remote work and flexible work schedules (fewer hours per week, for example) may help.

For the lowest-participation groups. Addressing barriers for the lowest-participation groups would increase labor supply and improve outcomes. Closing education gaps could increase participation among Black and Latino adults—and could add hundreds of thousands of new workers. In the short term, retraining programs, improving prospects for skilled workers with less formal education, and easing pathways to entrepreneurship could all have sizable impacts.

For women. Participation is lowest among women with young children, especially Latinas and those with low education levels. Difficulties with childcare may inhibit working; improving upon current supports for working parents, like paid family leave, tax credits for low-income workers with children, and child care subsidies could have a positive impact.

For those with disabilities. Over 1.1 million prime-age Californians report a disability. Increased participation among these workers post-pandemic may suggest that greater workplace flexibility created new opportunities. Efforts to understand these trends and expand upon what works could be fruitful.

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Sources: Adapted by Chansonette Buck from [Labor Force Participation in California](#) by Lafortune et al.