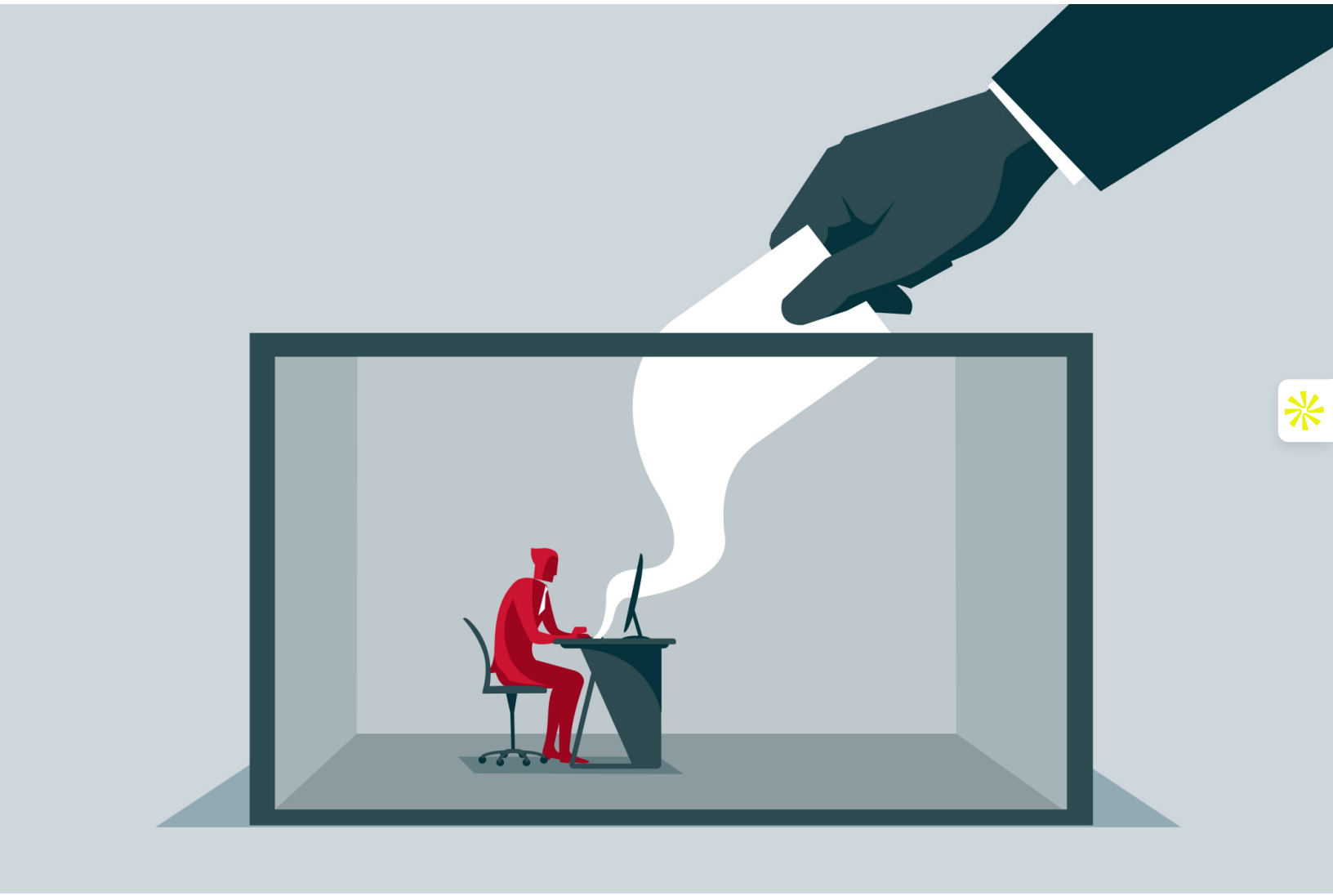
COSTAR ECONOMY

June jobs slowdown reflects a diminishing labor supply

Mid-career employees are the only groups with expanding workforce participation

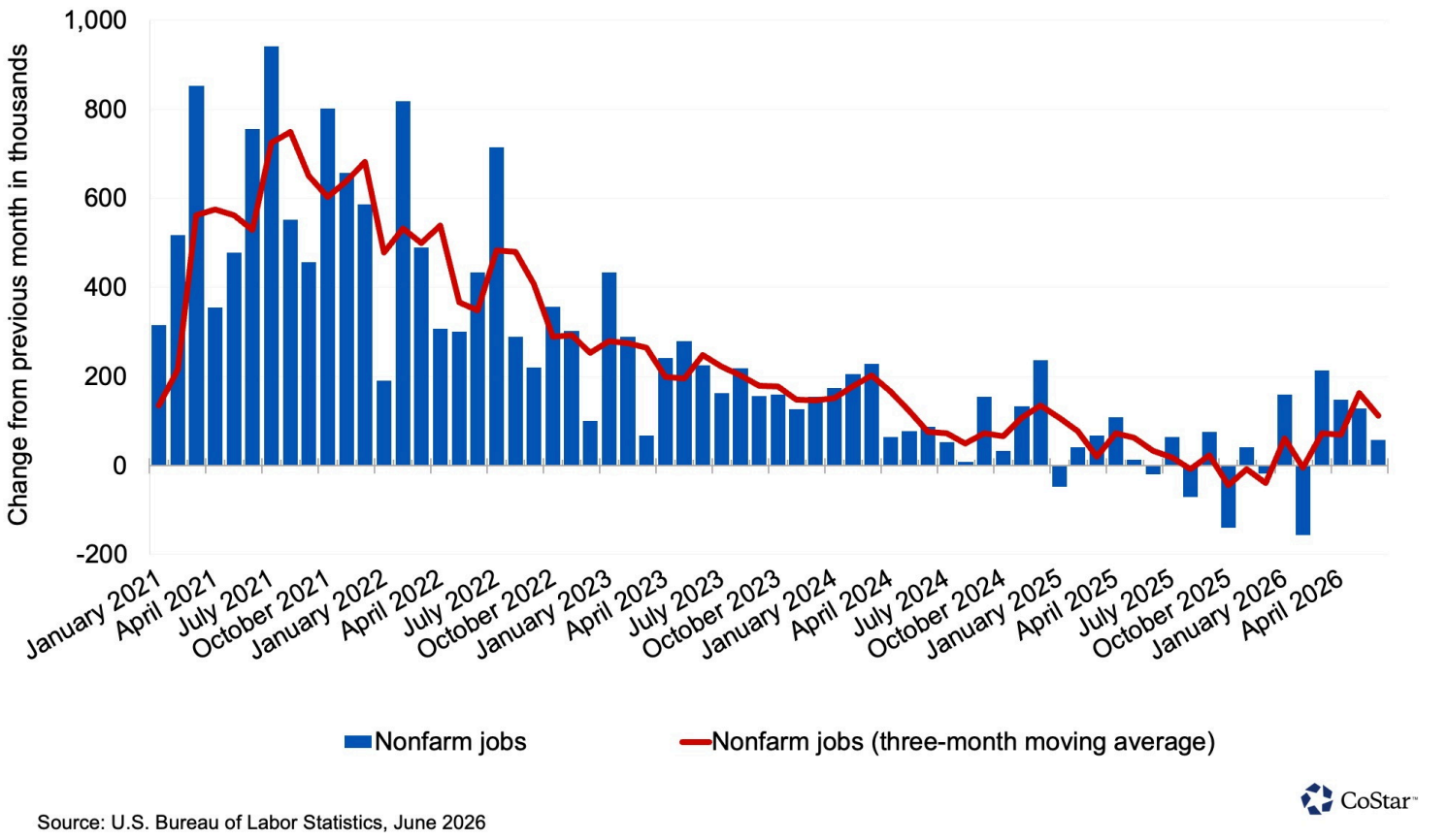


By Christine Cooper, Chuck McShane
CoStar Analytics

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June's lackluster jobs report from the Bureau of Labor Statistics highlighted the acceleration of a relatively recent trend with implications for both potential economic expansion and the pace of inflation: Growth in the United States labor force has stagnated.

Employers added 57,000 jobs last month, the lowest number since March. Revisions to data for April and May lowered job gains in those months by 74,000, suggesting that the stabilization of the labor market, while welcome, remains tenuous.



At the same time, the unemployment rate ticked down to 4.2%. A declining unemployment rate despite slowing job growth in June reflects a fall in the labor supply rather than a resurgence of hiring. Many economists estimate that the number of new jobs needed each month to maintain a stable unemployment rate has fallen to near zero.

They attribute the lower “break-even” rate to slower labor force growth resulting from the combination of restrictive immigration policy and an aging population entering retirement.

More than 700,000 people left the labor force last month, leading to the steepest year-over-year drop since 2021 in the labor force participation rate, which measures the share of the population 16 years and older that is working or looking for work.

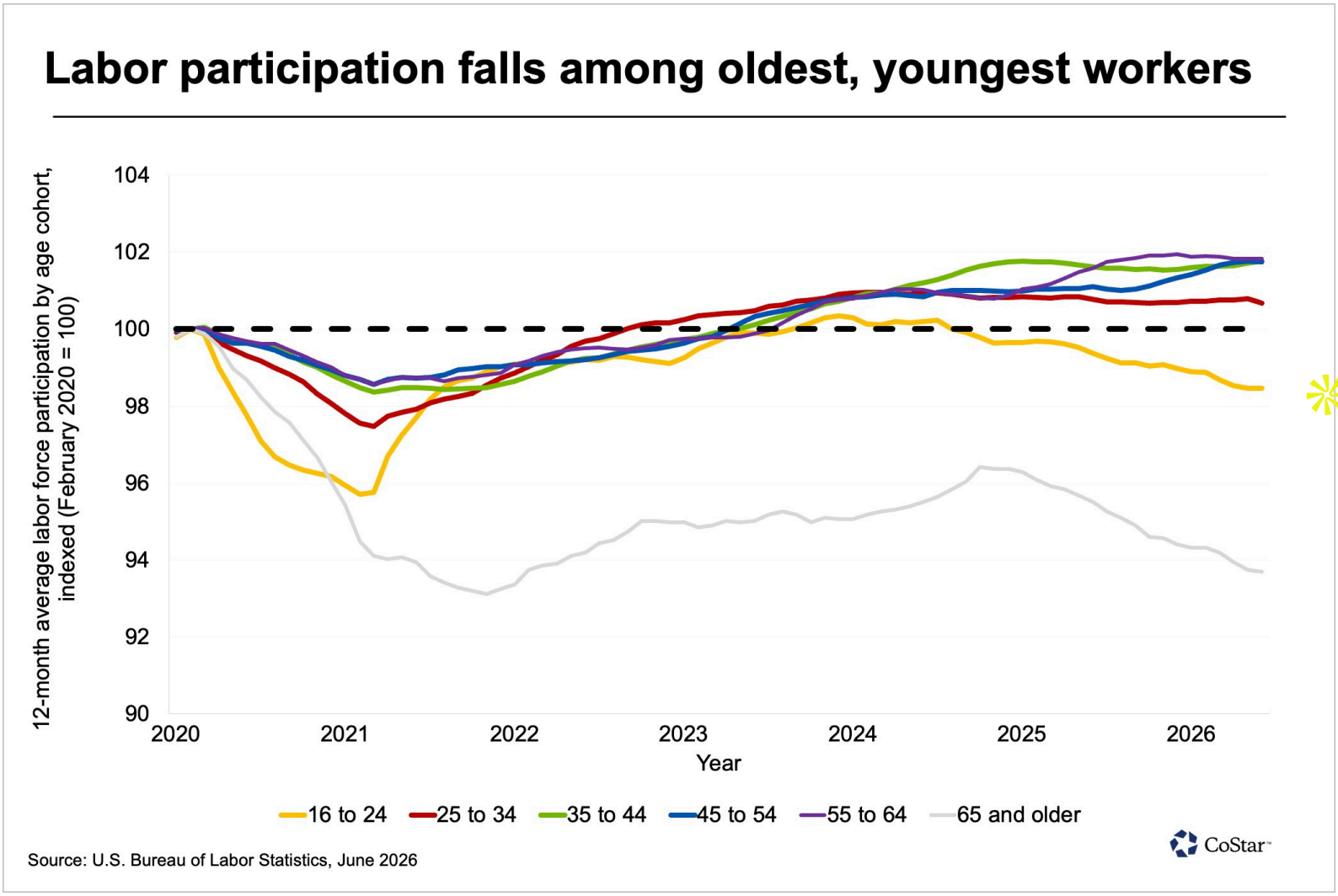
At 61.5%, overall labor force participation fell about 30 basis points in June and is 80 basis points lower than a year ago. Aside from the post-COVID recovery, the labor force participation rate hasn’t been this low since 1976.

Retirements and immigration restrictions continue to limit the available pool of workers. But a closer look at the June data shows the slowdown in labor supply is broadening, particularly among early-career workers.

Among age cohorts, the steepest drop in labor force participation in June was among people ages 25 to 34. At 82.4%, that share in the labor force fell by 1.6 percentage points in June and is down a full

percentage point since a year ago. While such a steep one-month drop may be statistical noise, a longer-term view shows recent stagnation in labor-force growth among this younger adult cohort. The 12-month average labor force participation rate of 83.6% is down slightly from 83.7% in June 2025.

In contrast, labor force participation among those ages 35 to 44 has averaged 84.7%, up from 84.6% in 2025 and the highest among any cohort. And labor force participation among people ages 45 to 54, at 82.9%, rose 0.5 percentage points, the fastest annual growth of any cohort. Though labor force participation for those ages 55 to 64 was comparatively lower at 66.5%, the share of this cohort still in the labor force rose by about 0.2 percentage points since June 2025.

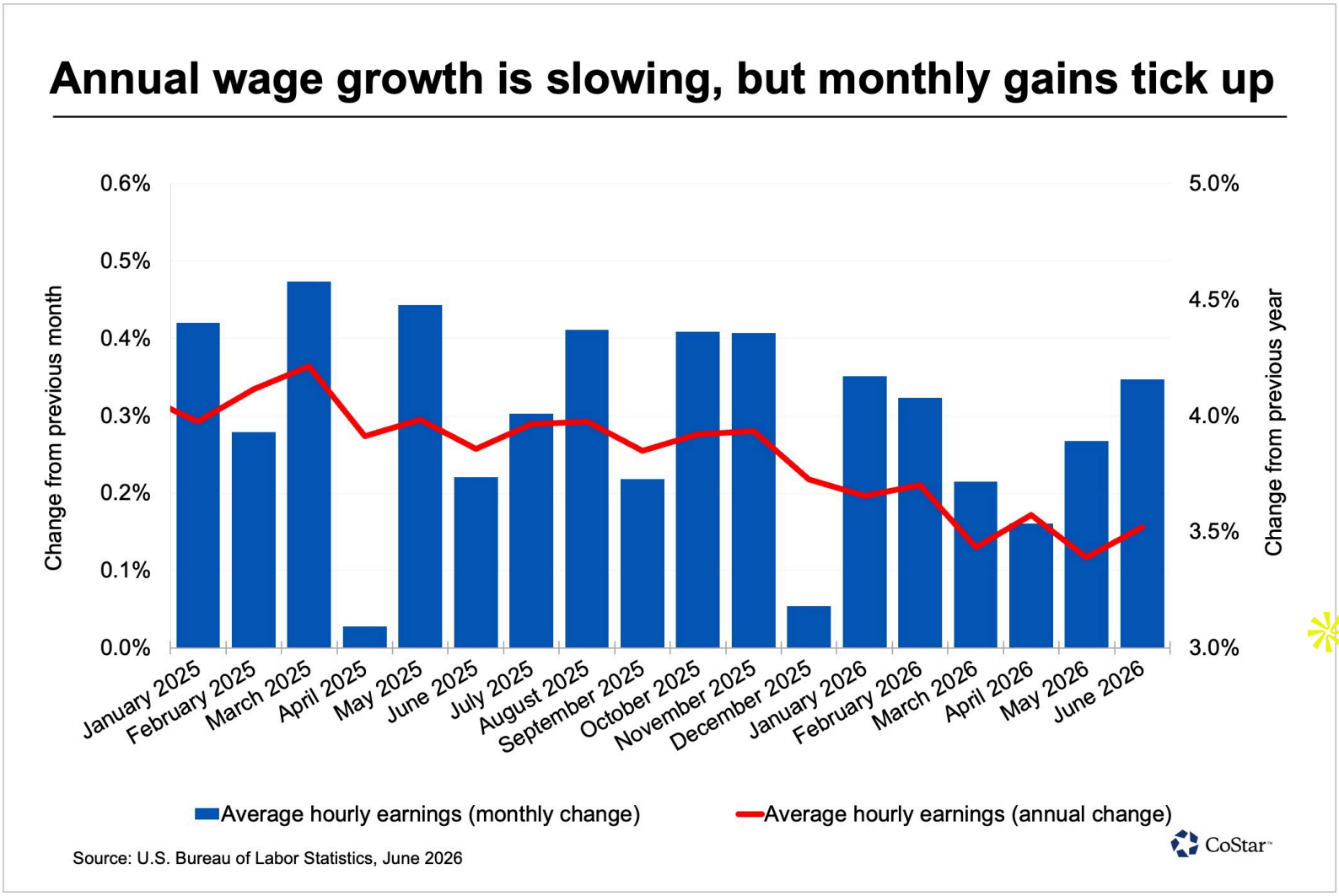


In fact, growth in labor force participation among 55- to 64-year-olds since the coronavirus pandemic has been the most substantial of any age cohort. Among this pre-retirement group, the participation rate was 1.8% higher than the annual average as of February 2020, while participation among 35- to 54-year-olds was up roughly 1.7%.

Longer-term participation growth among those ages 25 to 34 has been positive, but substantially slower, with a 0.6% increase indexed to February 2020.

Employers remain hesitant to hire entry-level workers, focusing instead on productivity-boosting investments in technology. That is particularly true in the tech industry, which continued to shed jobs in June. Payrolls in the information sector fell by 9,000 jobs in June and are now down 89,000 over the

year. Other office-using sectors, such as administrative and professional and technical services, which together added 37,000 jobs in June, are cautiously expanding payrolls but focusing on more experienced workers.



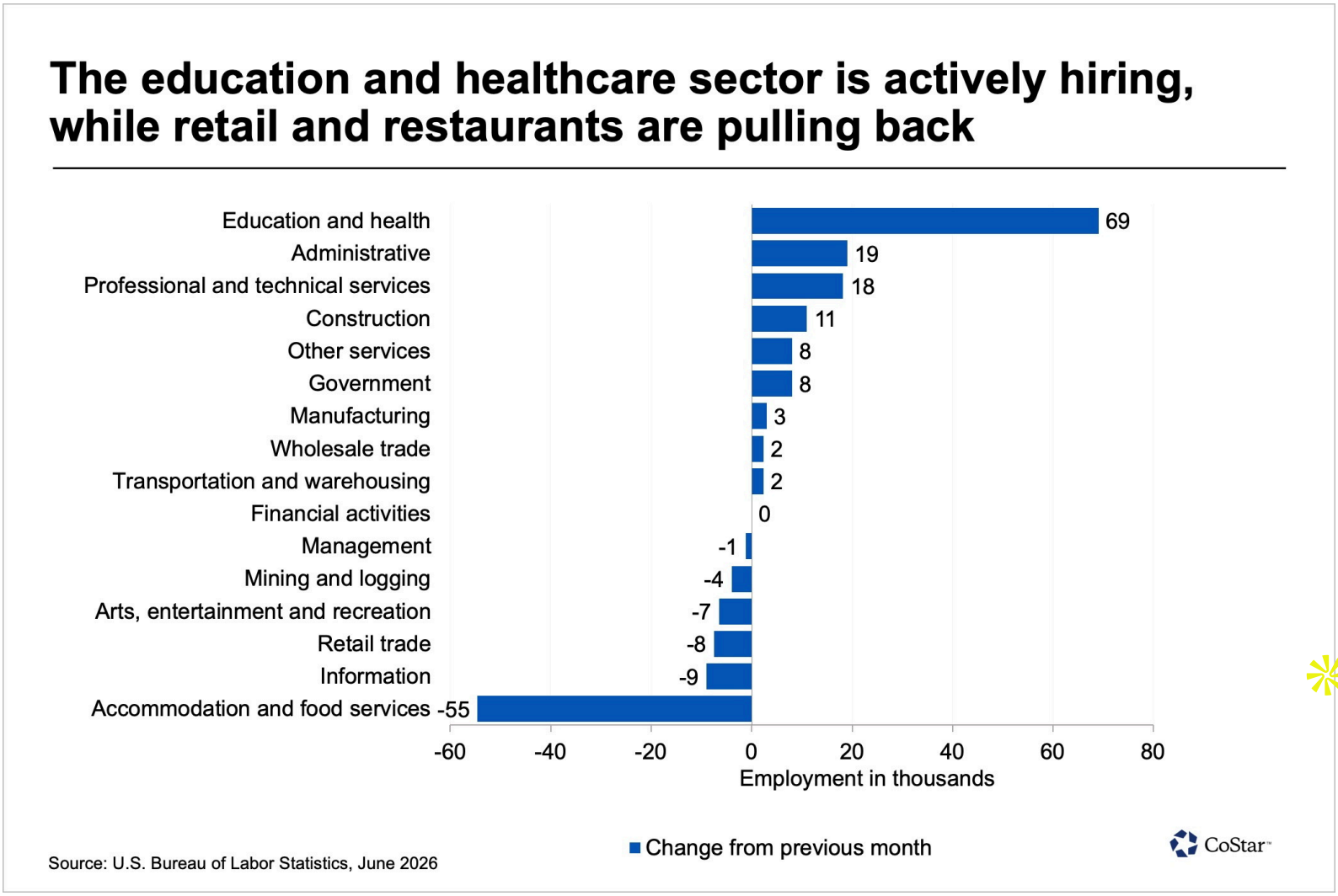
Reliance on mid-career workers, who are likely higher paid, may have boosted wage growth statistics for the month. On an annual basis, wage growth remains moderate at 3.5%, up slightly from 3.4% in May but down from 4% a year ago. However, monthly wage growth accelerated for a third consecutive month, reaching its highest level since January.

The larger inflationary concern remains the pass-through of higher energy costs into goods and services. However, if limited labor force growth persists as a structural change, longer-term wage growth could follow any future increase in demand as employers face fewer available workers.

Labor force participation among the youngest and oldest cohorts has slowed significantly. About 19% of Americans 65 and older were in the labor force on average over the year ending June 2026, down from 20.2% in February 2020, the steepest relative decline of any cohort. Retirements have accelerated as the population ages.

Among the youngest group, the post-COVID bounce-back in labor force participation has lost steam. About 55.2% of 16- to 24-year-olds were in the labor force on average over the year ending in June 2026, down from 55.7% a year prior. Though post-COVID labor shortages led to a rebound to a decade-

long peak of 56.3% in 2023, labor force participation among this younger group has never fully recovered from its pre-Great Recession average of higher than 60%.



A recent slowdown in consumer spending is also limiting job growth in the leisure and hospitality positions these younger workers are likely to fill. The accommodation and food services sector, for example, shed 55,000 jobs in June, the steepest drop of any sector, trimming opportunities for the youngest cohort of workers.

What we're watching ...

The weakening labor supply reflects the nation's recent and future decline in population growth. The Congressional Budget Office estimated in January that population growth will slow from an average of 0.3% per year through 2036 to 0.1% per year over the subsequent 20 years, before growth stalls and turns negative.

Those projections were based on laws and policies in place in September 2025, with immigration still playing a meaningful role in population growth. However, the CBO expects deaths to outpace births starting in 2030, meaning any acceleration of immigration restrictions and deportations would lead to population declines beginning then.

CoStar Economy is produced this week by Christine Cooper, CoStar's managing director and chief U.S. economist, and Chuck McShane, senior director of market analytics.

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