

Long-Term Dynamics of the Employment-to-Population Ratio

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Why Does Employment Matter for Social Security Projections?

- First order: a higher employment-to-population ratio leads to more workers who make payroll tax contributions—and therefore an increase in payroll tax revenue
- Second order: over time, more contributing workers means more workers who receive benefits, and/or more total years of work per worker—and therefore an increase in benefit payments
- The net effect of higher E/P on financial status tends to be positive, because the increase in payroll tax revenue is realized before the increase in benefit payments

Factors in the OCACT (Trustees) Model

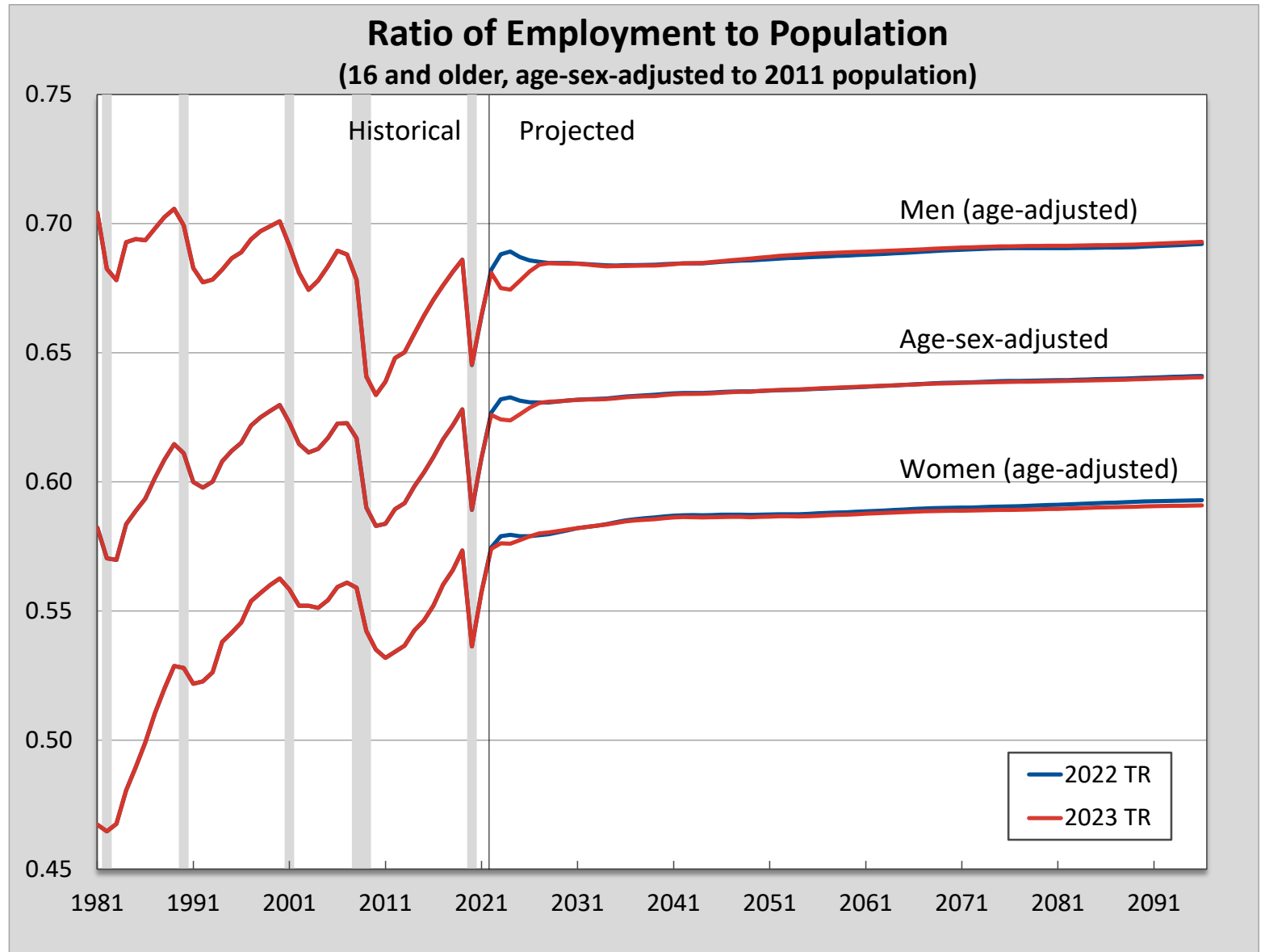
- Age
- Sex
- Marital status
- Presence of children under age 6
- State of the economy
- Disability prevalence
- Educational attainment
- Social Security benefit replacement rate
- Social Security retirement earnings test
- Cohort effects: lagged cohort effects for those age 75 and older
- Time trend: used only for some (younger) groups

For more detail, see Actuarial Study 127, Employment Projections in the 2022 Social Security Trustees Report, by Polina Vlasenko and Judith Aboagye (https://www.ssa.gov/OACT/NOTES/pdf_studies/study127.pdf)

Ratio of Employment to Population

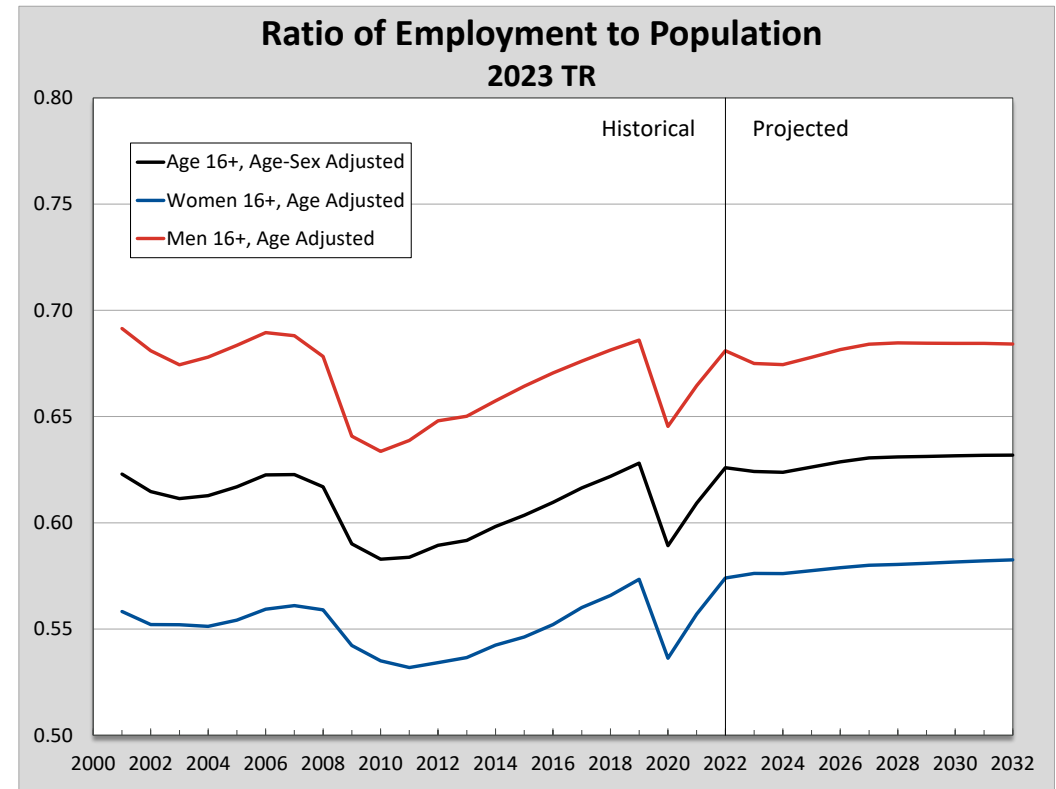
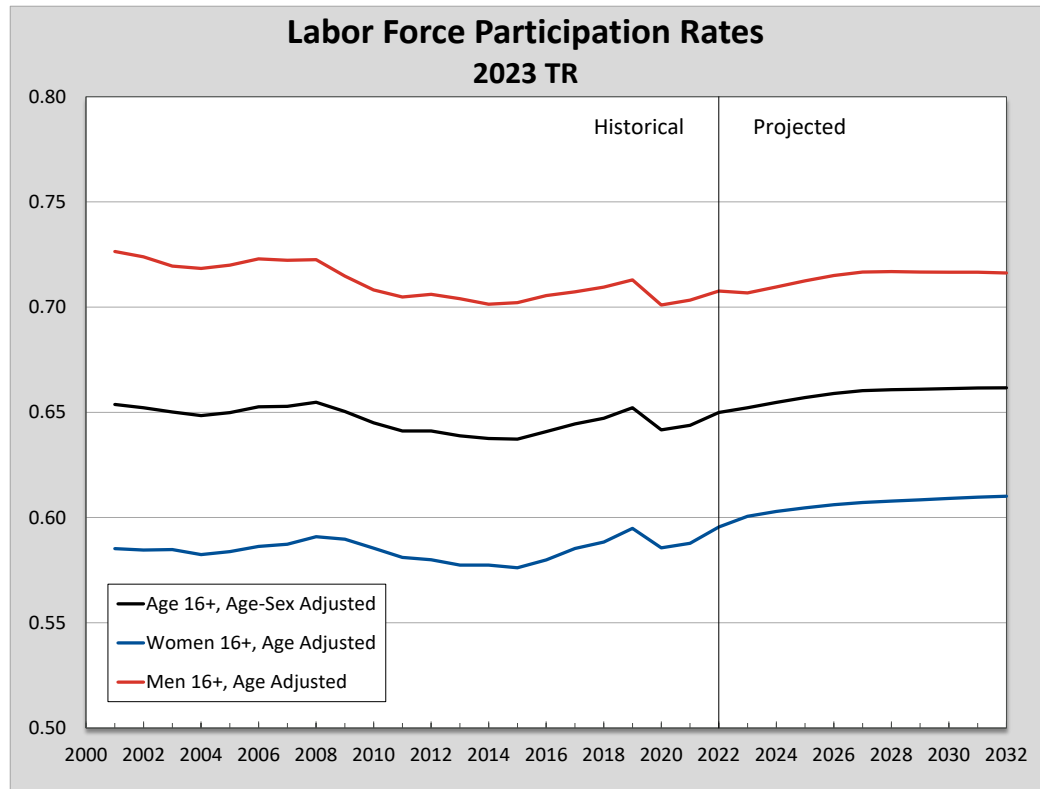
Recovered strongly from the brief but steep 2020 recession.

After the assumed slowdown in growth in 2023, the ratio is projected to return to about the peak level of 2019.



Has the Labor Market Fully Recovered?

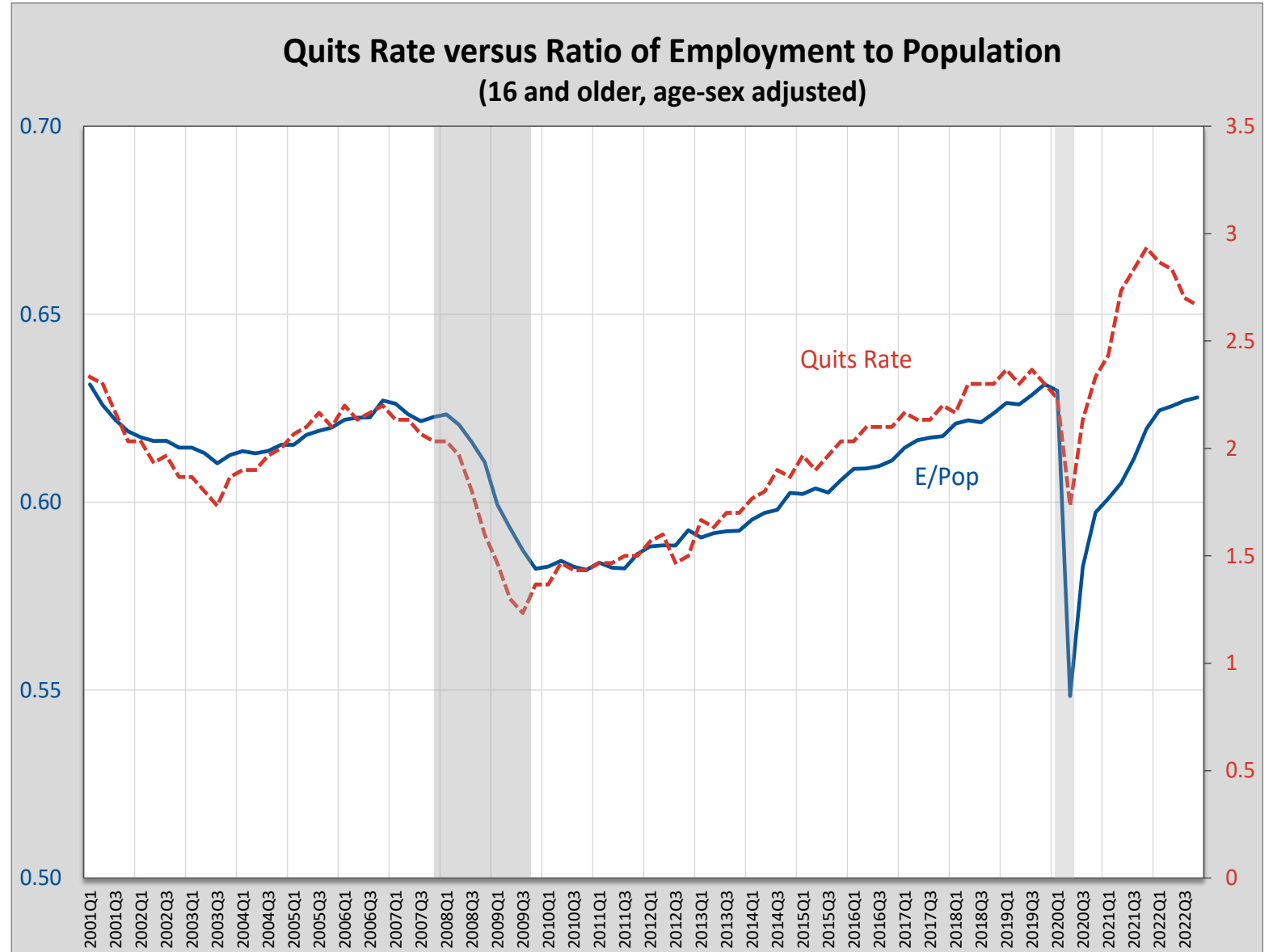
Employment and labor force participation have recovered to pre-recession peak for women, but not for men



Ratio of Employment to Population vs. Quits Rate

The quits rate represents the number of voluntary separations (when an employee voluntarily leaves a job, regardless of whether it is followed by taking a job with a different employer) as a percentage of total employment.

Elevated quits rates suggest a tight labor market, in which workers are able to switch jobs easily, and usually correspond to periods of a high (or rising) ratio of employment to population.

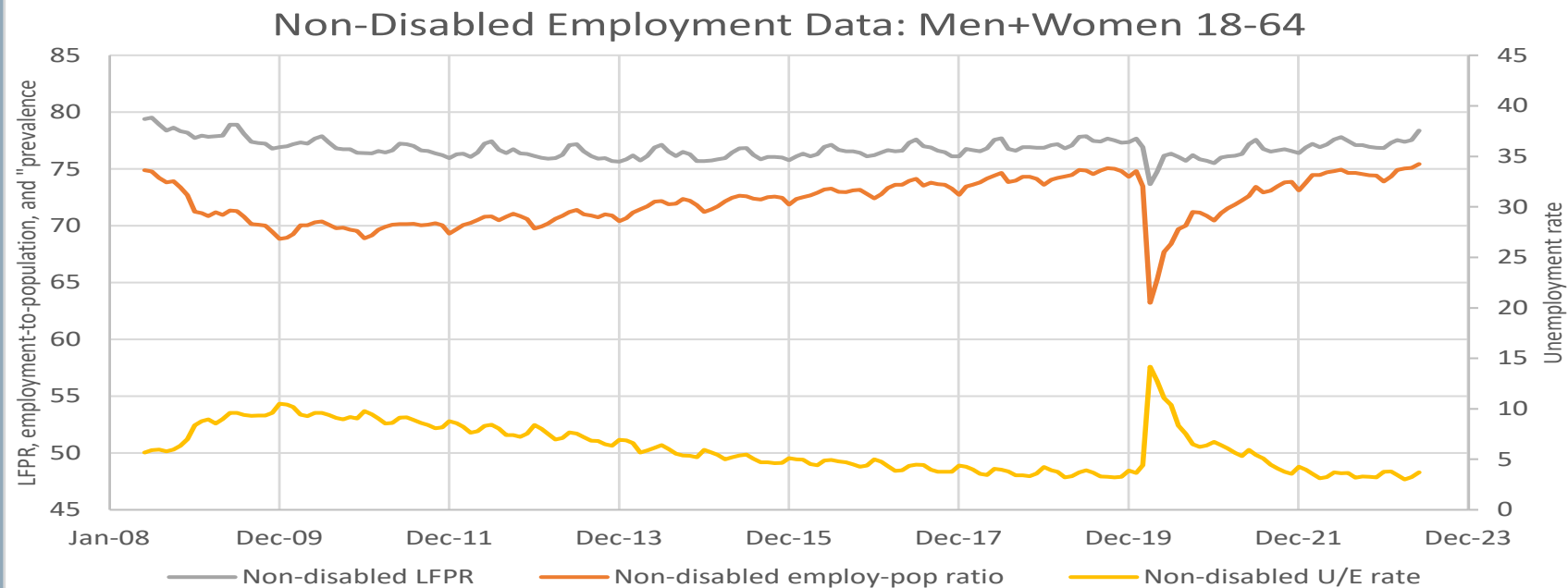
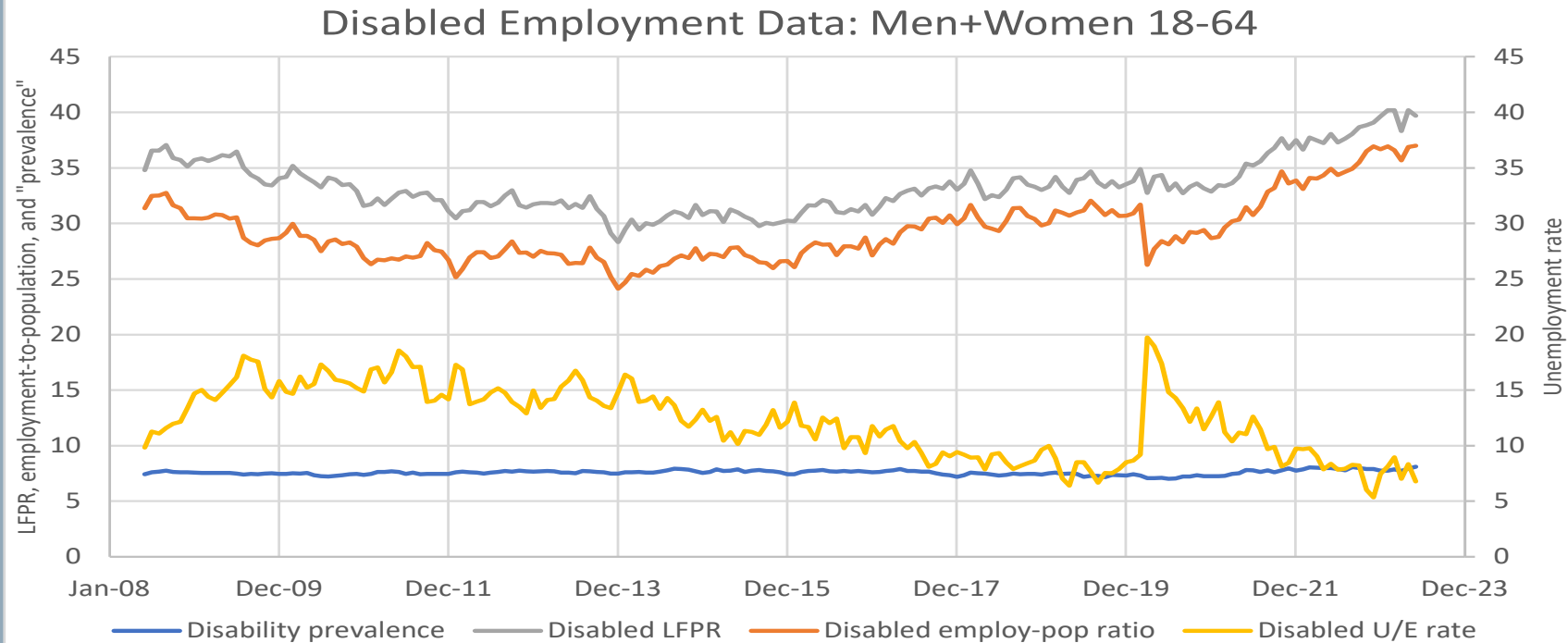


Employment of the Disabled

Employment of individuals self-identifying as disabled appears to be gradually rising from low rates experienced in 2013-15.

Current rates of employment are at the highest levels since the beginning of 2008. Will this continue to increase or level out?

Note that this is self-identification of disability by CPS survey respondents, so the definition of disability may greatly differ from what is used for the OASDI program.



Employment Over Age 65...

declined briefly with the 2020 recession, but is projected to continue rising. How much of this is from changing the NRA and earnings test? *Is the best retirement approach a job (Paul Samuelson)?*

