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

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Goods and Services Produced by Those Employed Support the Entire Population—So Age Distribution is Key

With the drop in birth rates after 1964, we have long known that the share of the adult population (and of the total population) at traditional working ages 20-64 would be shrinking in the future.
After 1970, the share of the adult population under age 45 rose quickly through 1990, lessening relative demand for workers at higher ages.

But this reversed dramatically after 1990, with the share of the population under age 45 shrinking.

There was a similar shrinking share under age 65 after 2010.
Since 1970, Employment Rates by Age Have Changed Substantially, and Very Differently for Men and Women

- Women have responded, increasing employment at all ages.
- But men have fallen from their employment rates in 1970.
Between 1970 and 1990, increased employment by women under age 55 and drop in population under age 20 caused employment as a percent of total population to increase.

However, due to DI maturing through 1990, and the changing adult age distribution after 1990, employment is steadily falling behind growth in OASDI beneficiaries. In order to maintain the ratio of workers to OASDI beneficiaries, we would need a much larger increase in employment.
What If the Employment Rate for Men Had Not Changed Since 1970?

- This would not have been nearly enough.
- To avoid the need for increasing taxes or reducing benefits, employment would need to increase above current expectations by over one-third.
A One-Third Increase in Average Weekly Employment for All Ages Above Current Expectation (63% for Men and 54% for Women) Seems Implausible
So, What Are Our Options, Given the Dramatic Change in Population Age Distribution We Are Experiencing? Not Just Social Security, But Overall Standard of Living Is at Risk

1. Increasing population will increase demand for goods and services, and thus demand for workers, as we are now seeing in current tight labor markets. Will increased E/P above current expectations materialize as a result? Will the nature of work evolve to facilitate and encourage people to continue working to ever older ages?

2. Will there be increases in births and immigration due to future national policy, resulting from public understanding of the implications of the changing age distribution?

3. Will there be an increased demand for workers in the face of aging infrastructure and the need to address the challenges of climate change?

4. Will there be innovations to greatly increase labor productivity far beyond growth in recent years? Will this help or hurt employment demand?

5. Or will we need to increase scheduled taxes, lower scheduled benefits, or some combination of these approaches—as in most past major legislation?
Questions? Comments? Discussion?