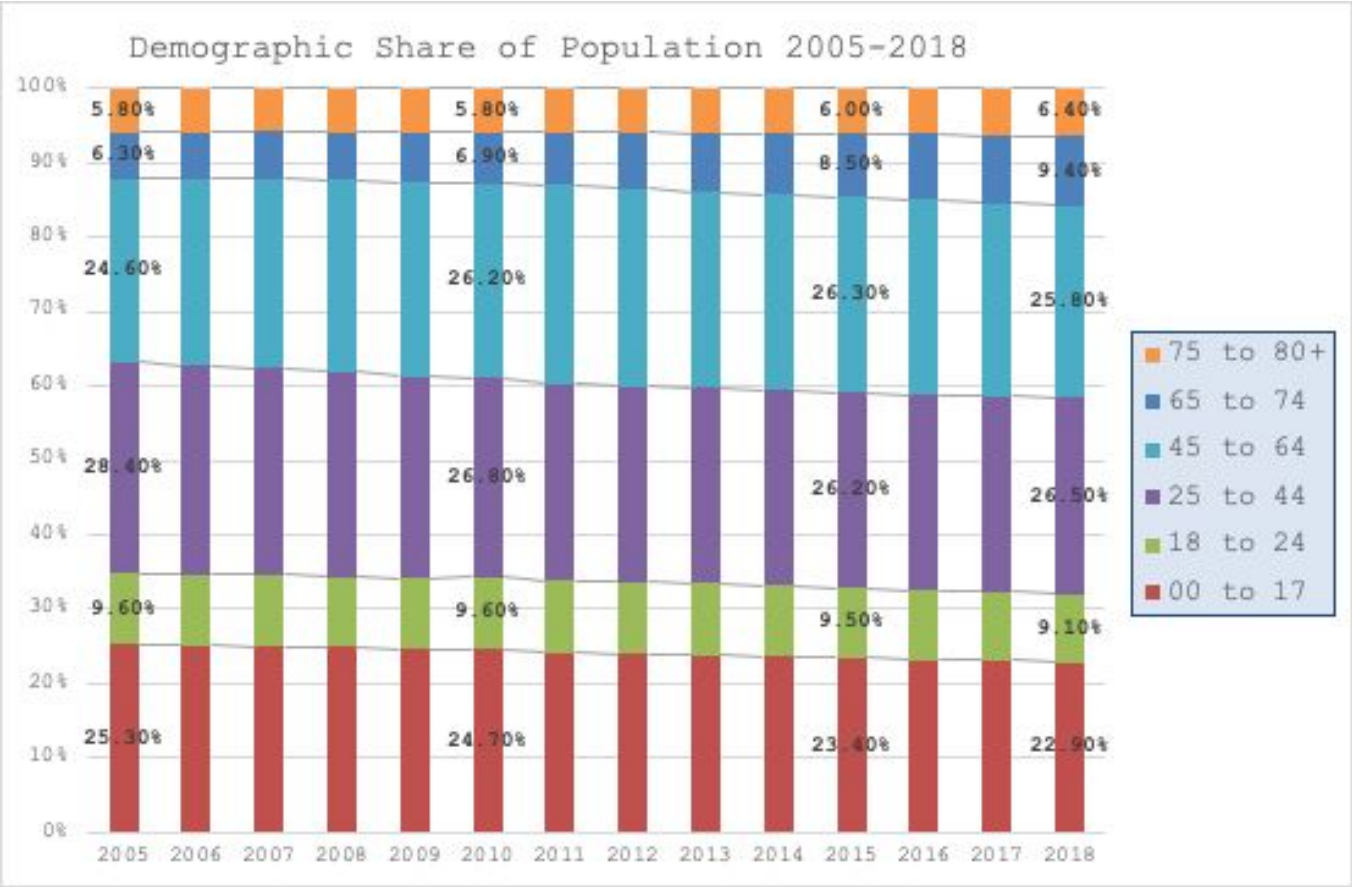


# Demography and Labor Supply in the United States

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# Demographics



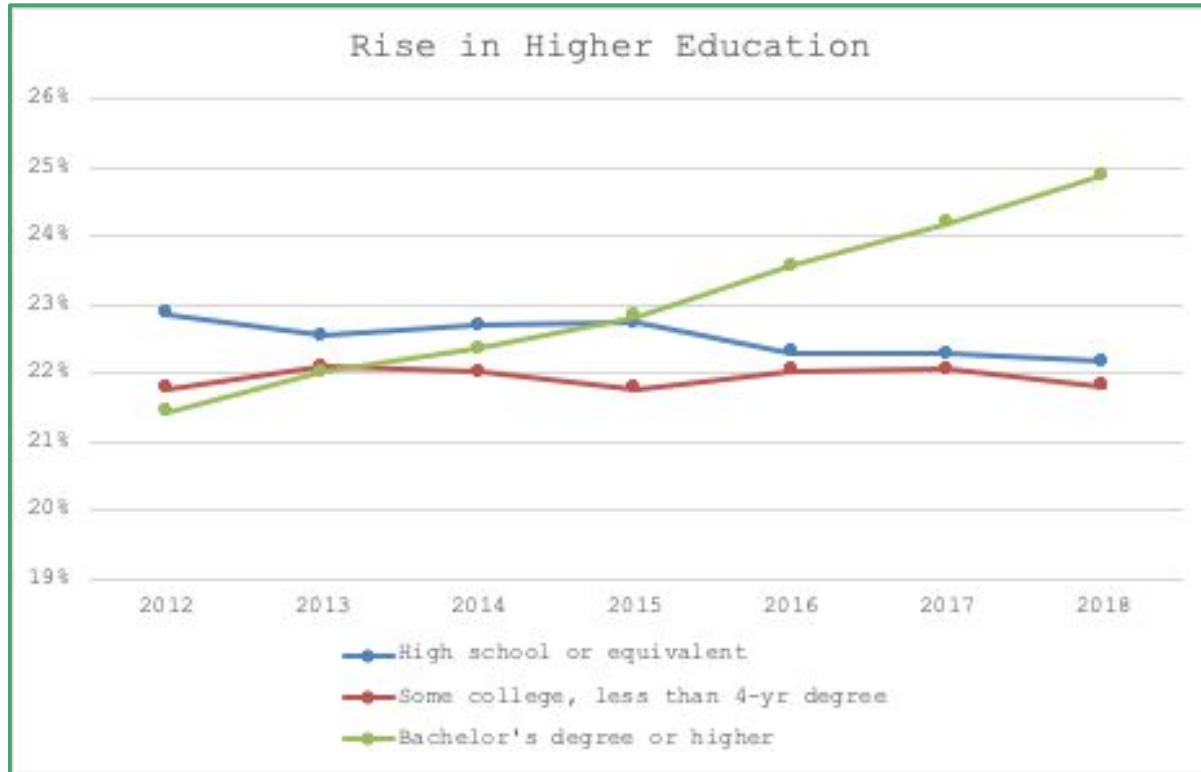
<b>Labor Force Participation Rate (Percentage-Point Change)</b>	<b>1996-2006</b>	<b>2006-2016</b>	<b>2016-2026</b>
Age of Baby Boomers	32-50	42-60	62-80
<b>Total, 16+</b>	<b>-0.6</b>	<b>-3.4</b>	<b>-1.8</b>
16-24	-4.9	-5.4	-2.7
16-19	-8.6	-8.5	-3.5
20-24	-2.2	-4.1	-1.7
25 to 54	-0.9	-1.6	0.3
55-64	5.8	0.4	2.5
65-74	6.1	3.2	3.4
75+	1.7	2	2.4
<b>16 + Men   Women</b>	<b>-1.4   0.1</b>	<b>-4.3   -2.6</b>	<b>-3.0   -0.7</b>
16-24	-5.5   -4.3	-6.8   -4.1	-3.9   -1.5
16-19	-9.5   -7.6	-8.4   -8.6	-4.5   -2.4
20-24	-2.9   -1.8	-6.6   -1.5	-3.0   -0.4
25-54	-1.2   -0.6	-2.1   -1.2	-0.9   1.4
55-64	2.6   8.6	0.6   0.2	-0.1   5.0
65-74	5.9   6.1	2.7   3.5	3.2   3.5
75+	2.2   0.8	2.2   1.2	1.9   4.9

How labor force participation is changing by demographic group:

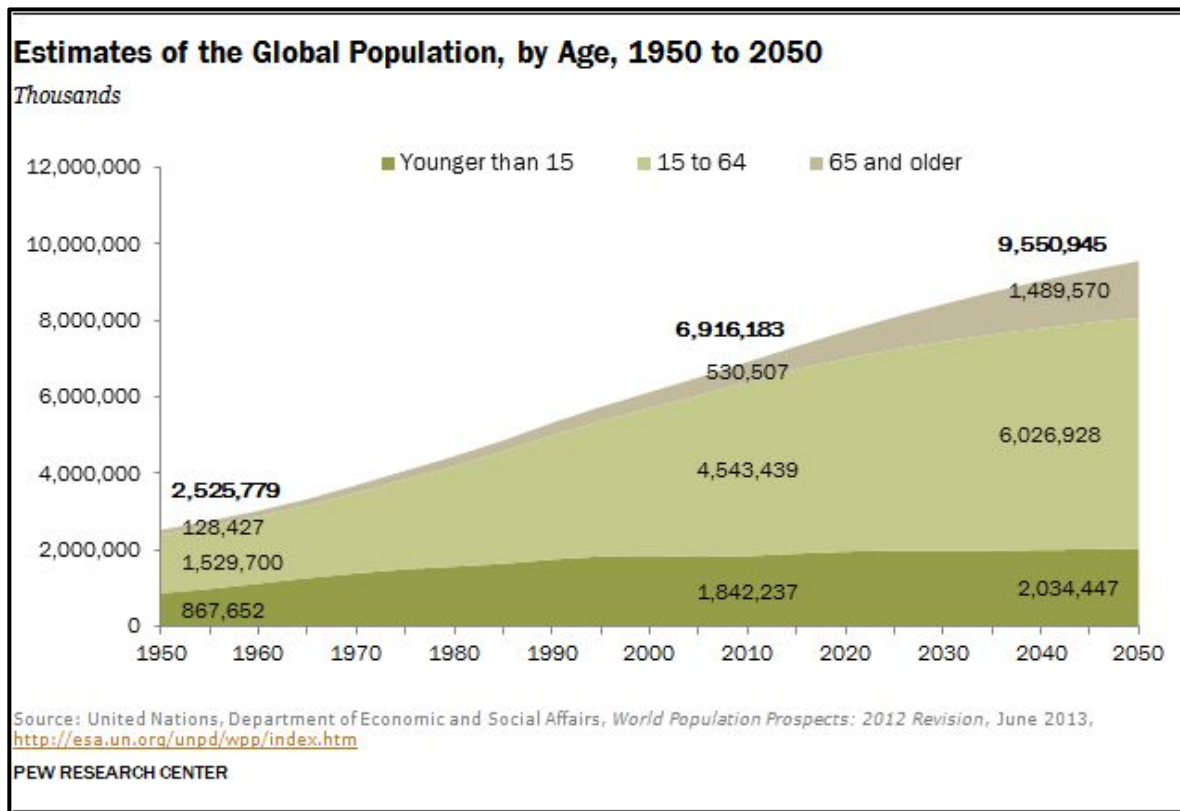
- effect of education
- increase in older workers working
- expected effect of “baby boomer” generation retiring
- difference between men and women

Data: BLS 2017

# Corresponding decrease in young labor force due, at least in part, to education



# Global Phenomenon



# The Effects of Aging Populations

# Taxes

Lingering effects of 2007-2009 recession but also affected by taxes

For example, earned income tax credit increases labor force participation while Social Security Disability Insurance (DI) program might decrease labor force participation.

The growing inequality in incomes might be emphasizing taxes' impact on labor force participation rate

Kone 2018; Chone 2016

# Education and Job Skills

High skilled workers growing faster among the old than the young...but this is due to the less educated retiring class.  
Further showing the higher educated workforce of the future

Low skilled workers are increasing among older workers and decreasing among young workers...

What does this mean for future labor force?

Does this explain labor force participation gaps?

Wage is distributed unequally across generations



# Immigration

-the share of the old is generally lower among immigrants compared to native born workers and the age difference grew for both groups over 2000-2010

-Emigrants are more likely to be skilled than native born residents especially if from Eastern Europe but generally immigrants have a skill composition similar to native born population

-Kone 2018 study found that age and skill factors were the largest impactor of wage with the changes in the age and skill structure favoring unskilled workers and hurting skilled workers

-migration plays a marginal role in the United States and most of Western Europe with the age effect and skill set accounting for most of the changes

Kone 2018

Why do we care?

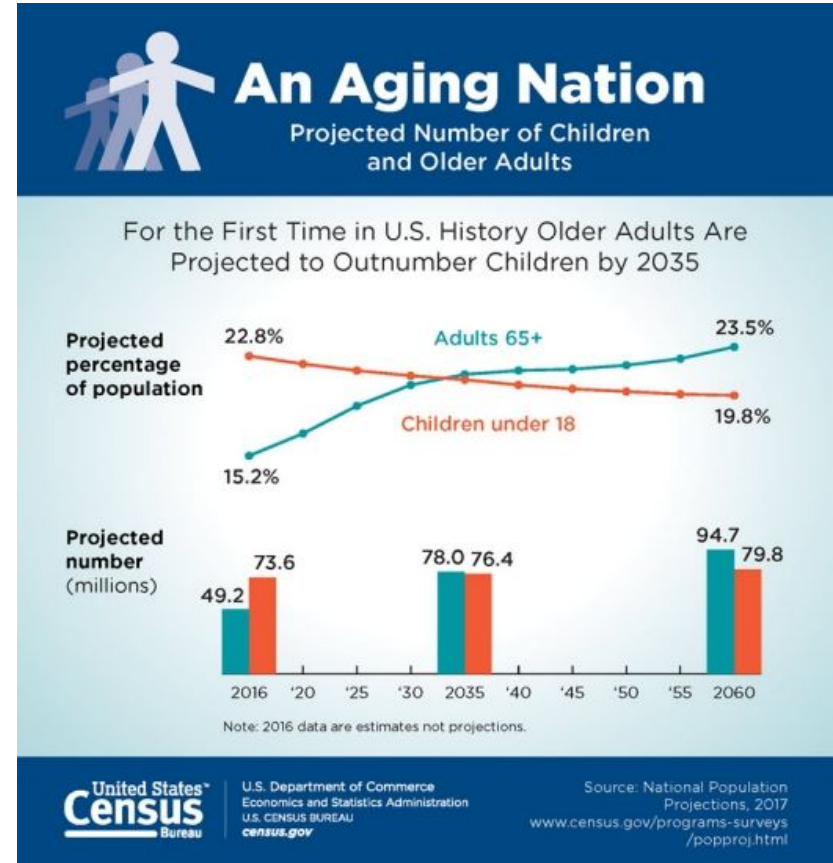
Basics: Less bodies providing physical and mental power to fund aging retirees and grow economy

Lower labor force, especially participation often means lower GDP and tax revenues. With a decreasing labor force participation rate and an increasing retired population, more people become dependents and are more likely to enroll in federal benefit programs (CBO 2018)

By 2050, expenditures on social security and medicare expected to increase from 8% of 2016 GDP to 12% of GDP (Mathers 2016)

Old-age dependency ratio is projected to rise. By 2020, ratio will about 1/3.5. By 2060, the ratio will be about 1/2.5 (US Census Bureau 2018)

Median age of US population is 38 today. By 2060, it is expected to be 43 (US Census Bureau 2018).



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