The Power of Inclusive Labor Force Participation for Mitigating Population Aging: Closing Gaps at the Intersection between Race/Ethnicity and Gender in the United States

RENÉ BÖHEIM, UNIVERSITY LINZ AND AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH
THOMAS HORVATH, AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH
THOMAS LEONI, UNIVERSITY OF APPLIED SCIENCES WIENER NEUSTADT AND AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH
MARTIN SPIELAUER, AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH

Key Findings and Policy Implications

This paper develops a dynamic microsimulation model to project the labor force and economic dependency ratios in the United States from 2022 to 2060, incorporating in the model the large inequalities across race, ethnicity, and gender. It then uses the model to estimate the effects of policies that reduce or eliminate inequalities. The model uses data from the Annual Social and Economic Supplement (ASEC) of the Current Population Survey (CPS), enhanced with education data from the OECD Survey of Adult Skills (PIAAC). The results are as follows:

- The baseline projections indicate an increase of the U.S. labor force of about 27 million people by 2060 which is mainly caused by population growth.
- The downstream effects of policies removing disparities in population health and educational attainment on labor force participation can add about 10 percent (2.6 million people) to the baseline projections.
- However, the potential effects of closing gaps between genders and between minority groups and the non-Hispanic White population are much larger if one assumes the equalization of participation rates for individuals with similar characteristics. Closing gender gaps within ethno-racial groups, for example, can add 9.9 to 14.3 million additional people to the labor force, depending on the assumptions.

The aging of the population in the U.S. and other countries exerts considerable pressure on our economic and social systems, reducing the worker-population ratio, and straining the finances of retirement and health care systems. The results of this study illustrate the potential offsetting labor force implications of policies that reduce or eliminate inequalities by race, ethnicity, and gender. Indeed, reducing disparities in labor force participation rates has the potential to more than offset the effects of population aging on the U.S. economic dependency ratio. The findings demonstrate the substantial impact of these policy

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reforms, including the opening of the new ALJ register, the corresponding turnover in ALJs, and other training and policy initiatives. They are possibly the most important SSDI policy reforms of recent times..

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