

## A Technical Panel on Labor Supply

Future labor supply is an important determinant of future GDP, tax revenues, and other variables central to the projections of the Social Security Trustees. Many of the forces affecting labor supply trends have been in effect for many decades and are well-understood, while others are themselves being reshaped by emerging trends in the globalization of markets, technology, demographics and by the economic disruption caused by the world-wide financial crisis and subsequent Great Recession.

Previous Technical Panels tasked to look at the full range of assumptions and methods used in the long-range projections of Social Security finances have noted the complexity of the labor force projection methodology and the need to adequately account for the turbulent forces shaping our current and future U.S. labor market. Many questions require further investigation:

- Will the upward trend in female labor force participation, which has virtually stopped growing in recent years, resume?
- Will the decades-old decline in labor force participation of prime age males continue?
- Will the growth of labor force participation of older age groups (55+) from the late 1980s until the early 2000s resume?
- Will the decline in labor force participation associated with the Great Recession prove to be temporary or permanent?
- Will the decline in cohort size associated with comparatively modest birth rates of recent years cause employers to undertake measures to induce more older workers to remain in the labor force?
- How will the currently assumed composition of future immigrants affect labor force participation rates?
- Do the current methods of projecting labor force participation adequately account for the factors most likely to affect trends in the future?

To deal adequately with the underlying complexity and the shifting economic and demographic landscape, the Board believes that a closer and more sustained look specifically at this element of the overall financial projections by an independent panel of experts is warranted. Such a Panel would consult closely with representatives of the Chief Actuary's office to fully understand the current methodology. They would confer with representatives of other government agencies who are required to make similar projections, such as the Bureau of Labor Statistics, the Council of Economic Advisors, the Congressional Budget Office. They would review the relevant recommendations of past Technical Panels and confer with other independent experts as the Panel deems necessary in person or in writing. The panel would be asked to prepare a report that would reflect any consensus views of the members. On methods or findings where consensus does not emerge, the report should present competing views with complete and detailed explanations of the sources of disagreement.

To this effect: **An independent Panel of experts is hereby charged with (1) evaluating the assumptions of the Trustees and the methods employed by the Office of the Chief Actuary as they pertain to the projections of the size of the labor force and rates of labor force participation; and with (2) making recommendations as to how those assumptions and methods could best be improved. The Panel will meet in public at least three times and deliver a written report to the Board with their recommendations within 7 months of their first meeting.**