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The Labor Force in an Aging and Growing America

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From 2010 to 2030, patterns of labor force participation will change across regions of the United States. In some regions, the primary demographic effect will be changes in age structure, which will drive declines in labor force participation rates. In other regions, in-migration and changes in the racial and ethnic composition of the adult population will primarily increase the numbers of the "dependent population"—people not in the labor force. Still other regions will have to accommodate both sharply declining participation rates and sharply increasing nonparticipants. These diverse patterns of changes in labor force participation pose different challenges to regions.

This brief is one of a series that demonstrates the potential for policy and social investigation using the "Mapping America's Futures: Population" tool. In this brief, we examine how changes in the age distribution and in population sizes of racial and ethnic groups will affect dimensions of the labor force across geographic regions of the United States. Labor force participants are defined as people ages 15 or older who have or are seeking a job (excluding military or institutionalized people). Other briefs in the series examine projections for overall population growth ("Scenarios for Regional Growth from 2010 to 2030"), for changes in the racial and ethnic composition of the population ("Evolving Patterns in Diversity"), and for changes in the age structure of the population ("Children and Youth in an Aging America"). The online tool allows the viewer to see the implications of different assumptions about future fertility, mortality, and migration, all of which are explained in "Methodology and Assumptions for the Mapping America's Futures Project." Our population projections are divided geographically across 740 commuting zones (CZs) of the United States. We also combined CZs into 24 regions with boundaries built from reviews of literature and observed differences in recent patterns of population change.

In this brief, we focus on projections based on a series in which fertility and mortality continue at recent rates for each age, race, ethnicity, and sex, and migration continues at an average level between higher and lower scenarios. Future participation rates are projected from the Bureau of Labor Statistics Current Population Survey 2003–12 age-specific participation rates.[1] Though we do not explore other scenarios in this brief, changes in the demographic assumptions—particularly about future mortality and migration—will produce different effects from the ones discussed here.

Demographic Processes that Will Change the Labor Force

Projected changes in the age, race, and ethnic distributions of the United States can influence the labor force in two ways. First, the labor force participation rate can decline. As the baby boom generation retires, the number of people not in the labor force will increase relative to the number of people in the labor force. Second, the sheer number of labor force nonparticipants can increase. As domestic migration and immigration flow into certain areas, the working-age population can increase dramatically. At least a sixth of the population at any age will not be in the labor force for various reasons, so any place receiving large numbers of migrants automatically receives large numbers of labor force nonparticipants. These two types of changes in labor force participation can occur together or not depending on the demographics of a particular CZ. These two scenarios relate as indicated in table 1.

TABLE 1

How Aging and Population Growth Influence Future Labor Force Participation

Expected growth in adult population	Population Share Near Retirement Age	
	Low	**High**
Low	Little or no change in labor force participation rate	Labor force participation rate steeply declines
High	Labor force nonparticipants increase	Labor force participation rate declines and nonparticipants increase

The projections enable us to examine how these two different forces may play out in specific regions of the United States in 2030. For some CZs, like Youngstown, Ohio, and Saginaw, Michigan, we project a substantial future decrease in labor force participation rates, with relatively little change in the numbers of nonparticipants. Population growth is often negative because of outmigration, including some outmigration of retirement-age people, so the total number of labor force nonparticipants stays relatively steady even as the participation rate falls. Such CZs are characterized by a large, mostly non-Hispanic white adult population in ages approaching retirement. For these CZs, the greatest challenges related to the labor force will arise from having fewer workers for every retired person or other adult not in the labor force.

For other CZs, we project a rapid increase in population and, thus, in the number of labor force nonparticipants, but we project little change in labor force participation rates because working-age adults are flowing in while a smaller percentage of the population is reaching retirement age. Such CZs have a rapidly growing, often nonwhite, adult population as a result of domestic migration, immigration, and emigration. Washington, DC, and Atlanta, Georgia, are examples of growing CZs with rapidly increasing minority populations. Changes in the labor force will present challenges from rapid growth in the number of

nonparticipants, with simultaneous growth in the working population perhaps making it easier to address such challenges in these CZs.

For still other CZs, we project both labor force changes; these areas will need to cope with significant decreases in participation rates and big increases in the numbers of nonparticipants. This pattern can occur in CZs where total in-migration is large and the retirement-age population accounts for a major share of in-migration. Examples of CZs projected to both grow and age rapidly are Las Vegas, Nevada, and Orlando, Florida.

The fourth pattern, a slightly declining labor force participation rate and a slightly increasing number of nonparticipants, is less likely with an aging population. The only way for the overall labor force participation rate to remain stable or increase is for there to be a huge influx of working-age adults, and such an influx would necessarily add many adults who are not in the labor force. Our projections indicate that few, if any, CZs will experience this pattern.

Our projections of changes in future labor force participation follow from projections of an aging and racially diversifying population. A factor we do not explore in our projections tool is whether the sex-, race- and age-specific labor force participation rates might change, either for certain CZs or for the whole country. In other words, we make no projections about whether a person of a given age, race, sex, and location might be more or less likely to be in the labor force in the future. Age-specific labor force participation rates have shifted over the past decade, with participation rates of younger adults declining slightly and those of older adults rising slightly (figure 1). Other projection series for labor force participation, including the Bureau of Labor Statistics's, indicate further changes in age-specific labor force participation rates (see Toossi 2012).

Even if such changes occur, they are unlikely to change the story much. The changing age structure, along with changes in race and ethnic distribution, should drive the bulk of projected changes in the labor force, at both the national and the local levels. Immigration, increasing the total population of both workers and nonworkers, and the large baby boom generation moving into retirement age and older (sliding down the trunk of the figure 1 curve) should dominate all other changes in the labor force.

FIGURE 1

Changes in Age-Specific Participation Rates Are Swamped by Differences across Ages

Labor force participation rates by age and over time
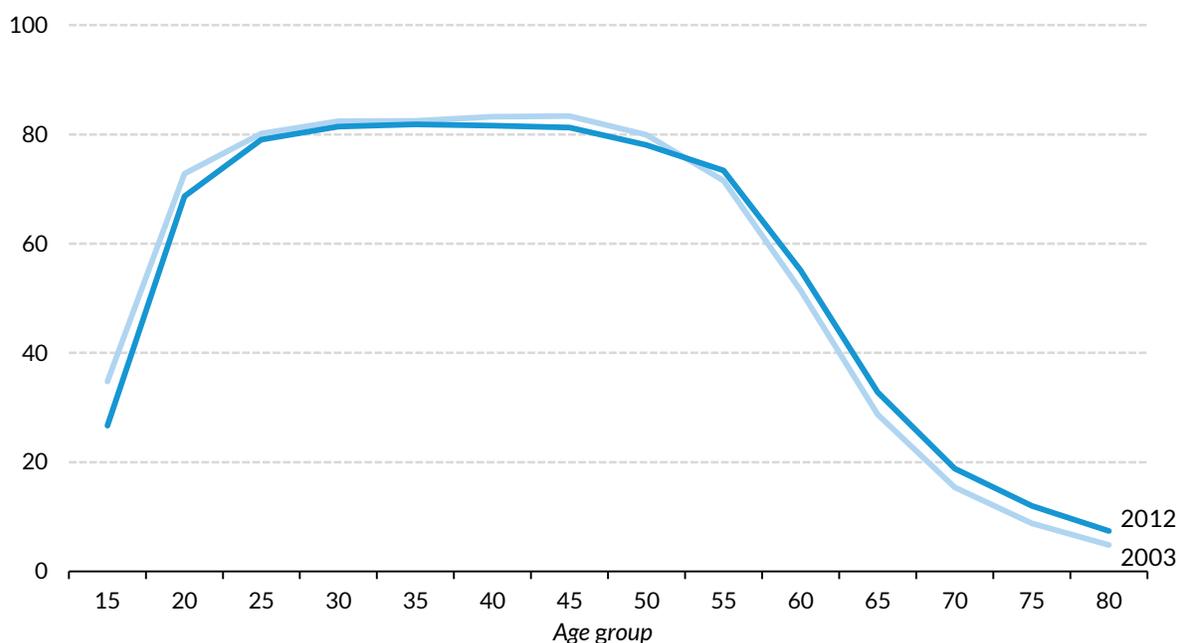
Source: Current Population Surveys, 2003–12.
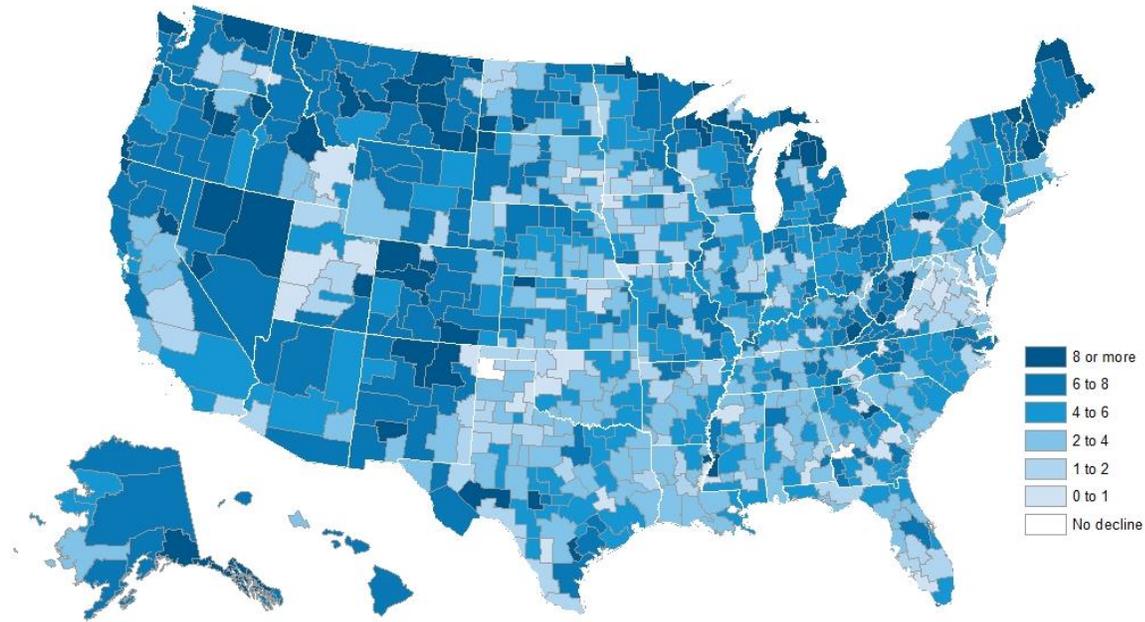
Projections of Future Labor Force Participation

We project that labor force participation among those age 15 and older will decrease across the United States, from 63 percent in 2010 to 58 percent in 2030, based on recent participation rates. With large increases in population over the next decades, these declines in overall participation translate into large increases in the population outside the labor force—who will still consume government and private resources. Couple this increase with the large population of those under age 15, who are also consumers of government services, the demands on government will create budgetary pressures.

The geographic distribution of these changes is uneven. For example, we project that some areas will see no change in participation rates from 2010 to 2030, while others will experience declines in participation in excess of 8 percentage points (as shown in figure 2). Only two CZs have projected increases in participation, and those increases are close to zero (Dumas, Texas, rates rise by 0.7 percent, and Americus, Georgia, rates rise by 0.01 percent). The largest projected declines in participation rates tend to be in less populous areas, but many areas in the western United States have large projected declines as their populations skew older. Similar declines occur in the Great Lakes, Northern New England, and the Northeast Mountains regions, where the population is also aging. Shifts in population composition by ethnicity and race also will depress labor force participation, though to a lesser extent because race is not nearly as strong a predictor of labor force participation as age is.

FIGURE 2

**Percentage-Point Declines in Participation**

2010 to 2030

Projected growth in the total population along with declines in labor force participation associated with population aging and other demographic shifts will lead to a substantial increase in the number of people outside the labor force (figure 3). The largest increases in the number of nonparticipants are concentrated in a handful of CZs in western areas near the intersection of Arizona, California, and Nevada, in the Texas Triangle and Central Florida regions, and in fast-growing areas of the Piedmont region, such as Atlanta and Charlotte. These CZs are likely to continue to have high in-migration of people of all ages.

FIGURE 3

Changes in the Number of Nonparticipants

In thousands, 2010 to 2030

	Any decrease
	0 to 25
	25 to 50
	50 to 200
	200 to 400
	400 or greater
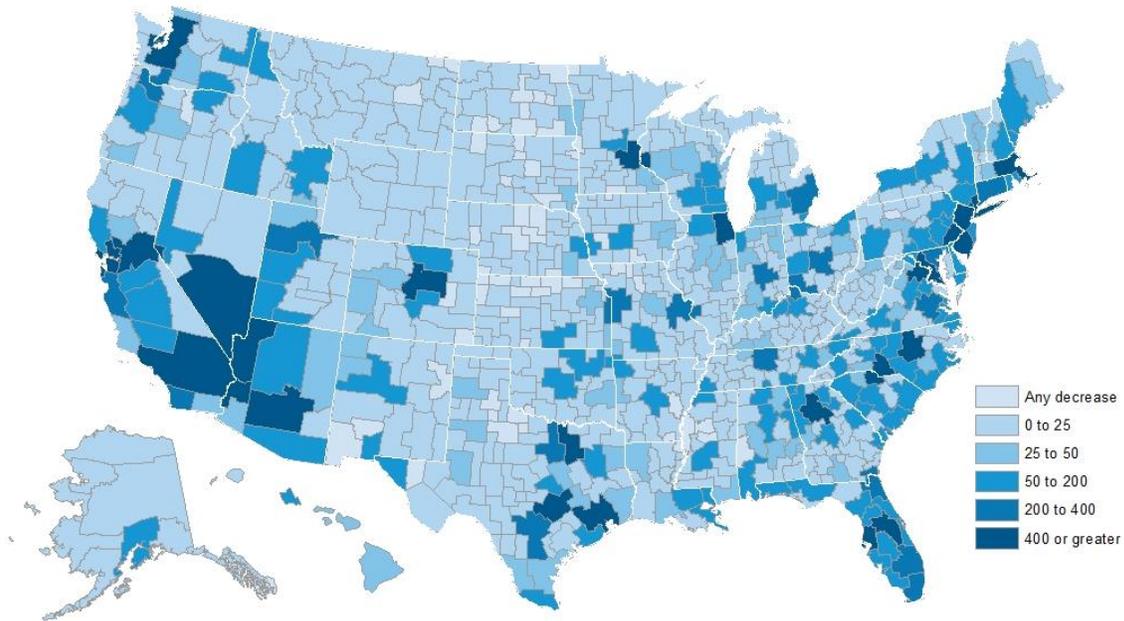
The relationship between changes in labor force participation rates and changes in the size of the dependent population is complex. Some CZs that have large projected increases in the number of nonparticipants also have large projected declines in participation rates between now and 2030. Las Vegas, for example, has a projected decline in participation from 63 to 57 percent and a projected increase in the number of nonparticipants of more than 600,000 people, partly because of a projected increase in population from 2.2 million in 2010 to 3.5 million in 2030.

In other areas, such as the CZs that include Washington, DC, and parts of California, participation rates are projected to remain relatively stable with little decline through 2030. But, in these areas, projected population increases are so large that the number of nonparticipants in the CZ grows by more than 400,000. The DC CZ is projected to add around 2 million residents and experience a 1 to 2 percentage-point drop in labor force participation, resulting in more than 900,000 additional people in the CZ who are 15 or older but not in the labor force.

Some places that have large projected declines in participation rates also have small projected changes in total number in the labor force, because of changing total population. For example, because of an aging population, Youngstown is projected to drop from 61 to 54 percent participation, but also to drop in population from 760,000 to 690,000 people, resulting in a negligible change in the number of people age 15 or older but a large change in the number in the labor force.

The labor force projections described above derive from the projection series based on average levels of three demographic factors: future birth rates, death rates, and migration patterns. Though we do not explore other scenarios in this brief, changes in the demographic assumptions—particularly about future

mortality and migration—will produce different effects from the ones discussed here. In general, the lower-mortality and higher-migration scenarios project more dramatic labor force shifts than those described here.

Implications of Changes in the Labor Force

The demographic predictors of labor force participation will produce changes in the labor force profiles of commuting zones in the United States from 2010 to 2030. The possible impact of those changes is more uncertain, and the ways in which individuals, employers, and state, local, and national governments choose to respond to changes in local labor force profiles will have a strong influence on such changes. Despite this uncertainty, we can anticipate two classes of effects and consider how they might play out.

Effects of falling labor force participation rates. The declining ratio of workers to people supported by workers will pose a challenge for the United States as a whole, as the productive output of the nation's labor force participants is shared with a larger fraction of labor force nonparticipants. At the local level, some of these economic effects could be muted. Most government support for the retired population operates at the national level through Social Security and Medicare, so the fewer workers in Youngstown will not have to pay all the Social Security for Youngstown's retirees. Also, the economies of some commuting zones with aging populations, such as the area near Orlando, Florida, have done particularly well in recent years because the investment incomes supporting the retired population have been growing faster than the wage incomes of the employed. Yet, commuting zones with rapidly declining labor force participation rates will face challenges related to issues such as declining home values from lack of demand. Lack of access to family support can also pose a challenge for nonparticipants who have no economically active family members nearby.

Effects of a rising number of nonparticipants. Growth in the number of nonparticipants will require an increase in services and infrastructure to support those nonparticipants in various ways. As we have shown, such growth will often occur in commuting zones that also have rapid growth in the labor force, so that the productive resources to provide those services and infrastructure should also be increasing, even as the demand for those resources increases. This required investment will pose a challenge to growing commuting zones or but also an opportunity for new economic growth (especially if supported by policy and planning).

Using the "Mapping America's Futures: Population" tool, users can consider possible futures regions may face. With these futures in mind, people may consider how to address the accompanying challenges.

Note

1. Age-specific labor force participation rates for the projections are estimated as the national average for each 5-year age group, race, ethnicity, and sex based on 2003–12 averages from the Current Population Survey.

Reference

Toossi, Mitra. 2012. "Labor force Projects to 2020: A More Slowly Growing Workforce." *Monthly Labor Review* January, 4364.

About the Authors

Austin Nichols is an Urban Institute affiliated scholar who specializes in applied econometrics, labor economics, and public finance. His research focuses on the well-being of families and social insurance programs, including work on child poverty, disability insurance, income volatility, and economic mobility (within and across generations). He also studies education, health, and labor market interventions, and determinants of poverty and economic inequality.

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Nan Marie Astone is a senior fellow in the Center on Labor, Human Services, and Population at the Urban Institute, which she joined in 2013 after serving 24 years on the faculty of the Johns Hopkins Bloomberg School of Public Health. She is a demographer with expertise on reproductive health, the family, adolescence, and the transition to adulthood.

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