

**AGING AMERICANS AND A WANING WORKFORCE:  
DEMOGRAPHIC DRIVERS OF OUR DEFICIT**

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**HEARING**  
BEFORE THE  
**JOINT ECONOMIC COMMITTEE**  
OF THE  
**CONGRESS OF THE UNITED STATES**  
ONE HUNDRED EIGHTEENTH CONGRESS  
FIRST SESSION

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# AGING AMERICANS AND A WANING WORK- FORCE: DEMOGRAPHIC DRIVERS OF OUR DEFICIT

WEDNESDAY, NOVEMBER 15, 2023

UNITED STATES CONGRESS,  
JOINT ECONOMIC COMMITTEE,  
*Washington, DC.*

The committee met, pursuant to call, at 2:35 p.m., in Room 1334, Longworth House Office Building, Hon. David Schweikert, Vice Chairman, presiding.

**Representatives present:** Schweikert, Arrington, Beyer, Trone, Moore, and Porter.

**Senators present:** Heinrich, Klobuchar, Hassan, and Welch.

**Staff Present:** Matthew Cernicky, Sebi Devlin-Foltz, Ron Donado, Colleen Healy, Jeremy Johnson, Jessica Martinez, Michael Pearson, and Alexander Schunk.

## OPENING STATEMENT

**Vice Chairman Schweikert.** All right. Let's bring our hearing to order.

The good Senator was explaining to me that this is his old haunt, and I was sharing with him this is my first time ever in this room. So it is the difference between people who know natural resources and those of us who do a lot of tax work.

For our witnesses, please, thank you for being here. I am going to do the basic introductions. We may do quick opening statements, and then we are truly interested in hearing and then we would really like some dialogue of some of the nature of the questions.

All right. I would like to introduce our four distinguished witnesses. Dr. Julie—I'm going to get it right—Topoleski—did I get close? All right, I will practice on that—is the Congressional Budget Office director of Labor, Income Security, and Long-Term Analysis, and directs the annual publication of CBO's Demographical Outlook, which is actually—last year's—is on my table in my office.

Before that, she led the long-term analysis on which is responsible for the long-term projections on Social Security, Medicare, Medicaid, and the Federal budget, as well as long-term analysis of policy changes in those areas.

She received her Ph.D. in economics from the University of Maryland. Thank you for joining us.

Dr. John Scott is the director of the Pew Retirement Savings Project. His research focus is on retirement policy and aging issues, including Social Security retirement savings plans.

Before joining Pew, Dr. Scott taught and conducted research in public policy at the University of North Carolina at Chapel Hill with a focus on issues related to aging tax policy and the policy-making process.

Where are you when we need you?

Dr. Scott received his master's in sociology from the University of Maryland and his law degree from Pennsylvania State University.

Dr. Ben Harris is vice president and director of the Economic Studies Program and director of the Retirement Security Project at the Brookings Institution. He most recently received his assistant secretary of Economic Policy and chief economist at the U.S. Treasury Department.

Could you make the title any shorter?

Prior to joining Treasury, Dr. Harris was the executive director of the Kellogg Public-Private Initiative, and a research associate professor at Northwestern University.

Dr. Harris has held several senior positions in government, including chief economist and economic advisor to then-Vice President Joe Biden, senior economist with the White House Council of Economic Advisers, and senior economist at the U.S. Budget Committee. His primary area of research focuses on fiscal policy and retirement policy.

Dr. Kathryn Anne Edwards is a Ph.D. economist, and independent economics policy consultant. She is also adjunct economist at the RAND Corporation and a lecturer at the University of Maryland's School of Public Policy.

Dr. Edwards previously served as an economist and associate economist at the RAND Corporation, and as a research assistant at the Economic Policy Institute. And I think we are repeating ourselves.

Her research focus is on the intersection of labor markets and public policy, including unemployment and underemployment—or unemployment insurance, women's labor issues after children, poverty, and Social Security.

Doctor, can we begin with your 5 minutes.

**STATEMENT OF DR. JULIE TOPOLESKI, DIRECTOR OF LABOR, INCOME SECURITY, AND LONG-TERM ANALYSIS, CONGRESSIONAL BUDGET OFFICE, WASHINGTON, DC**

**Dr. Topoleski.** Chairman Heinrich, Vice Chairman Schweikert. **Vice Chairman Schweikert.** You may have to do two things. Make sure your mike is on, and pull it very close to you. The mikes can sometimes be quite sensitive.

**Dr. Topoleski.** Is that better?

**Vice Chairman Schweikert.** Wonderful.

**Dr. Topoleski.** Okay. I will start over.

Chairman Heinrich, Vice Chairman Schweikert, and members of the committee, I appreciate the opportunity to appear before you today. I will discuss the Congressional Budget Office's preliminary demographic projections to the United States, which we finalized in January.

I would like to make four main points. First, our population projections drive our budget and economic projections. For example,

the number of people who are employed and paying taxes on their wages depends on the size of the working-age population. That population, the number of people ages 20 to 64, grows more slowly in our projections than the number of people age 65 or older. The number of beneficiaries of Social Security and Medicare depends on the size of that older population.

Second, the population of 342 million in 2024 grows by 46 million over the next 30 years in our projections. Population growth is determined by births, deaths, and net immigration. Over the next decade, immigration accounts for about 70 percent of the overall increase in the size of the population. The greater number of births and deaths accounts for the remaining 30 percent.

Digging in on that a little bit, the total fertility rate for women ages 14 to 49 is around 1.7 in our projections. That is below the rate of 2.1 births per women needed for the population to replace itself and lower than it has been historically.

Also in our projections, mortality rates continue to decline, and life expectancy at age 65 increases. And to note, beginning in 2042, net immigration more than accounts for all population growth. Put another way, without immigration after that year, the population would shrink.

And just to note a comparison with projections the Census Bureau released last week, our total population numbers over the next 30 years are similar to those in the Census Bureau's high immigration scenario.

Third, our estimates of net immigration for 2022 through 2026 are greater than we estimated last year. In 2024, for example, net immigration is larger than we projected last year by 2.1 million people, primarily because net immigration of foreign-born people without legal status is larger in our projections.

In our projections after 2024, the amount of net immigration largely returns to its historical average by about 2027.

Just to highlight one factor that has led us to make this change in our projections this year, we know that in 2023, officials of U.S. Customs and Border Protection have encountered more people attempting to enter the country at the southwest border than in previous years. And they are releasing more of those people into the United States with humanitarian parole or with a notice to appear before an immigration judge.

Fourth, our projections are highly uncertain. Rates of fertility, mortality, and net immigration could all be higher or lower than we are projecting. Our estimates of net immigration or foreign-born people without legal status are particularly uncertain.

Thank you for the opportunity to talk about the role of population in our budget and economic projections, the growth in our total population, the key role of immigration in those projections, and the uncertainties involved. I will be happy to answers your questions.

[The prepared statement of Dr. Topoleski appears in the Submissions for the Record on page 34.]

**Vice Chairman Schweikert.** Thank you, Doctor.  
Dr. Scott.

**STATEMENT OF DR. JOHN SCOTT, PROJECT DIRECTOR, RETIREMENT SAVINGS, THE PEW CHARITABLE TRUSTS, WASHINGTON, DC**

**Dr. Scott.** Chairman Heinrich, Vice Chairman Schweikert, and members of the committee, thank you for the privilege of appearing today.

Pew is a nonprofit, nonpartisan research organization that uses evidence-based solutions to address pressing public policy problems.

In summary, the United States is aging both in terms of the absolute number of older persons and in terms of their number relative to the working-age population. And these trends, combined with insufficient retirement savings, will have serious implications for both Federal and State budgets.

The Nation's 65 and older population will increase by an estimated 50 percent from 2020 to 2040, going from 54 million to an estimated 81 million. This rate of growth is nearly 10 times as fast as the growth of the population under age 65.

Population aging will not be uniform across all States. For example, Nevada's older population will increase by 102 percent with over 1 million older residents by 2024. In contrast, West Virginia will see an 18 percent increase.

The relationship between older and younger households will also shift. Working-age households form the core of the Federal and State tax base, but they will not keep pace with the growing older population. In 2020, there were 37 older households for every 100 working-age households, but by 2040, there are projected to be 54 older households for every 100 working-age households, a 46 percent increase.

Different forces affect population aging, and I will focus here on birth rates and life expectancy. After the end of the baby boom in the 1960s, women in the late 1970s, on average, gave birth to 2.2 children over their lifetimes. Women today are forecast to bear 1.4 to 1.9 children. These lower birth rates mean that younger generations will not offset a growing older population.

Increasing life expectancy also adds to the growth of older households. In 1935, the year that Social Security was created, life expectancy at birth was 62 years. By 2021, life expectancy increased by 14 years to an average of 76.

Those who reached the age of 65 have seen a similar trend. In 1960, the average life expectancy at age 65 was 14 years. By 2021, a 65-year-old could expect, on average, to live another 18 years.

These aging trends impact retirement readiness. Research shows that retirees are not saving enough. And according to Pew-sponsored research, in 2040, households will fall short of recommended levels of retirement income by an average of \$7,050 a year.

Insufficient retirement income will reduce the quality of life for many retired households, but it will also affect government budgets. A lack of savings increases the likelihood that a household will need social assistance.

Insufficient savings are expected to cost means-tested Federal programs for older Americans, a cumulative 990 billion over the 20-year period from 2021 through 2040.

Insufficient savings will also cost State budgets. My written testimony provides a State by State breakdown of these costs over this 20-year period, but the aggregate cost of insufficient savings for the States is an estimated 334 billion.

Additional work at older ages could help reduce these fiscal pressures, and labor force participation among older Americans is rising, but health issues associated with aging, such as an increased risk of disability and chronic health conditions could limit work.

Increased retirement savings can also reduce the fiscal cost of inadequate retirement incomes. Our analysis found that households saving an additional \$140 a month could erase that 7,000 income shortfall.

Recent initiatives could boost retirement savings, including pooled employer plans, a revised Federal savings tax credit, and State savings programs for workers without retirement benefits. It is too early, however, to tell the extent to which these initiatives would significantly reduce these fiscal impacts.

In conclusion, the aging population in the United States is growing, as is the ratio of older households to working-age households. These factors put pressure on programs designed to support older Americans, and those pressures will increase in the future.

Policymakers would be wise to consider measures that encourage savings to lessen future demands on State and Federal programs.

I would be pleased to answer your questions. Thank you.

[The prepared statement of Dr. Scott appears in the Submissions for the Record on page 39.]

**Vice Chairman Schweikert.** Dr. Scott, thank you.

Dr. Harris.

**STATEMENT OF DR. BENJAMIN H. HARRIS, VICE PRESIDENT AND DIRECTOR OF ECONOMIC STUDIES PROGRAM AND DIRECTOR OF THE RETIREMENT SECURITY PROJECT, BROOKINGS INSTITUTION, WASHINGTON, DC**

**Dr. Harris.** A heart-felt thank you to Chairman Heinrich, Vice Chairman Schweikert, and members of this committee for inviting me to testify at today's hearing. I am honored to appear before you to discuss topics I have studied throughout my career in public service and academia. In particular, the intersection between an aging population and longstanding fiscal imbalances.

Over the next few decades, the United States will be forced to address the fiscal challenges of an aging population. Our Nation is in the midst of a rapid demographic transmission where the share of Americans age 65 and older increases by roughly 0.4 percentage points per year between 2012 and 2030, over which time their population share will increase from 13 percent to 20 percent with a slower rate of aging both before and after this quarter-century period.

In the absence of corrective action, the spending increases required by an aging population pose a threat to our Nation's long-term fiscal health.

Mandatory spending currently makes up about 70 percent of all noninterest spending. And major entitlement programs, Social Security, Medicare, and Medicaid comprise 72 percent of all mandatory spending. The current demographic shift will put increasing

pressure on these entitlements. All three are projected to reach all-time high levels of spending as a percent of GDP in the next 20 years.

Stagnant rates of revenue growth with tax revenue as a share of GDP that are lower than many competitor nations have played an outsized role in driving persistent imbalances. The Tax Cuts and Jobs Act of 2017 projected increased deficits by roughly 1.8 trillion over 10 years has exacerbated the insufficient nature of the tax code.

This ongoing demographic transition has contributed to a sobering and, perhaps, even dire fiscal outlook. The Congressional Budget Office's long-term budget outlook projects that the national debt will reach 181 percent of GDP by 2053, far above recent historical experience, and multiple independent analyses paint an even more pessimistic picture.

At some undetermined point, persistent and rising fiscal imbalances will demand policy action. I will conclude by list these in turn but will first note potential approaches that should not be adopted because they are insufficient to address the magnitude of the shortfall or because the negative economic consequences would prove too severe to warrant their adoption. These include cuts in nondefense discretionary spending, utilizing the debt limit as a tool for fiscal changes, and abandoning Keynesian stimulus in times of economic downturns.

More promising approaches, in my opinion, for achieving an improved fiscal outlook include raising tax rates on income or wages, reversing the steep reduction in the corporate tax rate enacted in 2017, eliminating major tax expenditures, providing sufficient funding to tax administrators to enforce the tax code, introducing a new tax base on consumption or carbon emissions, increasing rates of legal immigration, slowing or reversing inflation rates in health care, or gradually changing the age at which Social Security benefits can be claimed.

Thank you again for the opportunity to testify. I look forward to your questions.

[The prepared statement of Dr. Harris appears in the Submissions for the Record on page 50.]

**Vice Chairman Schweikert.** Thank you.

Dr. Edwards. Get close to the mike.

**STATEMENT OF DR. KATHRYN ANNE EDWARDS, LABOR  
ECONOMIST**

**Dr. Edwards.** Yes, of course.

Thank you so much for having me.

The U.S. budget is not age neutral. How a person interacts with it, from the taxes they pay to the benefits they receive, changes over the course of their lifetime. This wouldn't matter much if the population were steady and all birth cohorts identically sized, but we know that that is not the case, and we are facing the drastic effects of a large generation getting older and a smaller one coming of age.

Today the youngest boomers are 59 years old, drawing our focus to their aging and retirement. For decades, however, the boomers' vast numbers in our workforce obscured weaknesses in our labor

market. Rather than their size necessitating policy, as it does today, it obviated the need for it when they were young. Now that they are retiring, those weaknesses are laid bear.

There are policies that can counter the demographic pull on the deficit, policies that have long been good ideas but have been seemingly less urgent. Chief among them is labor supply. The U.S. should increase the number of people working and, by extension, paying income taxes.

Understand first that prime age labor force participation is at a historic high right now. Young people today are working just as much as the boomers did when they were younger. There are simply fewer of them.

The first step in expanding labor supply and increasing the number of people working is retention. There are tens of millions of Americans who, because of some incident or shock or hardship in their life, have had to leave their job and never come back, representing years of lost work if not decades of lost income taxes.

Among the more common reasons for leaving, having your job eliminated, you, your partner, parent, or child becoming acutely sick or disabled, being incarcerated, having children. Each circumstance presents distinct needs that are worthy of their own policy agenda. At the same time, however, policies to address any one of them will have broad spillover effects because the problem is essentially the same. Once you leave the labor market, it is very hard to come back.

Retention policy aims to keep people from leaving, making it easier to return when they want to. The cornerstone of retention policy is paid leave. It is a program that acknowledges that workers may need to leave for a period of time, but through a partial wage replacement and job protection keeps them anchored in the labor force. The U.S. needs paid medical leave and paid family leave.

Among the most broadly beneficial bang-for-the-buck retention policy is accommodation. Accommodation policy codifies into law the right to work part-time, the right to request flexible and remote work arrangements, and a minimum number of paid sick days.

Last year the U.S. had the highest labor force participation in history for workers with a disability because, primarily, of new remote work options, a lesson for us that when workplace accommodations expand, it expands who gets to work in our labor market.

Given today's theme, it is also worth noting that neither a social insurance leave program financed via a payroll tax, nor an amendment to the Fair Labor Standards Act to guarantee accommodation would necessarily add to the deficit, but it would add workers to our economy.

But there are also investments that are costly in the short run that you can no longer defer. A job search stipend for long-term out-of-the-labor-force workers who are looking to get back in, a long-term unemployment retraining program for workers whose jobs has been eliminated because of technological change, like the potentially 2.4 million jobs that will be eliminated for our economy by the end of the decade due to regenerative AI.

But, of course, the most urgent policy and probably the smartest investment that the U.S. does not make in demographics is childcare. Accessible, affordable childcare would increase the number of women working in our economy. It would also likely help increase fertility. Since 2007, fertility has fallen nearly every year, and what started as a slide attributed to the Great Recession is now a sustained 15-year decline in U.S. fertility.

Having children is a very personal decision, and yet Congress has a wide avenue for intervention to make it safer, easier, and cheaper to have kids. Childcare is a massive price tag for families, more than college tuition and mortgages in most States. It prevents women from staying in the workforce and families from having additional children.

I will end by noting that I would be remiss if I did not use this platform to ring the alarm bells that I have hoped that you have heard before, that U.S. maternal mortality is unacceptably high. It is 10 times higher in the U.S. than in peer countries, an increased 78 percent over the past 3 years.

Demographics are not fixed. Policy can make a difference.

[The prepared statement of Dr. Edwards appears in the Submissions for the Record on page 58.]

**Vice Chairman Schweikert.** Thank you, panel. I truly appreciate this.

I am going to ask Chairman Heinrich to make the first few minutes of inquiry.

**Chairman Heinrich.** Thank you, Vice Chairman.

I want to start and just go down the line with each of you and ask you whether you think that both reductions in spending and revenue are both going to be necessary for us to reduce the deficit to more manageable levels, or if you think we can get there with one side or the other alone. So just your thoughts on whether or not revenue is going to be necessary.

And we will start with Dr. Topoleski and just go down the line.

**Dr. Topoleski.** Well, let me start by saying that CBO does not make policy recommendations, although we are happy to work with you to estimate the costs of things.

One could certainly fix the problem by cuts in revenue, by—sorry—by increases in revenue, by cuts in spending, or some combination of both. There is a large fiscal gap to fill, but I will defer it to you all to come up with the policies that can do that.

**Chairman Heinrich.** Dr. Scott.

**Dr. Scott.** Yes, I would just say that Pew has not taken a position or even done much in the way of research on that. I mean, I would say, as a recovering academic that have done a lot of work on tax policy and fiscal issues, I mean, there are certainly a wide range of tools that combine both.

So I would echo what Dr. Topoleski just said, is that, you know, I think you have a wide range of tools. It is really what you think is the right mix.

**Dr. Harris.** I will just say my views represent my own self and not the Brookings Institution. And my views are that the long-term fiscal imbalance cannot practicably be fixed without some combination of revenue increases and spending cuts.

**Chairman Heinrich.** Dr. Edwards.

**Dr. Edwards.** I would agree. You are going to need to do a little bit of everything to get there. I would caution you from cutting off your nose to spite your face and that we still have to make investments to grow the economy. Cost cutting isn't going to grow our way out of this.

**Chairman Heinrich.** Dr. Edwards, sort of shifting gears a little bit back to what you were talking about in terms of paid medical leave, paid family leave. Do we have data on places that States, for example, that have implemented those policies and the impact through labor force participation that has had on their State budgets, for example?

**Dr. Edwards.** Yes. It will vary based on the number of years the program has been in place and the generosity of the benefits, but the direction is very certain. When you have paid family leave and paid medical leave, you are able to retain workers and increase labor force participation.

**Chairman Heinrich.** Dr. Harris, I want to go back to you with respect to you made a mention of the role of tax expenditures as a tool. Can you just elaborate a little bit more on that?

**Dr. Harris.** Sure. We have a massive tax expenditure budget. Tax expenditures, as you know, Senator, are effectively tax provisions designed to achieve some economic or social goal. I think some of them are well justified by economic research. Others are less so.

So, for example, one tax expenditure, which I would be in favor of rolling back or repealing as a way of righting our long-term fiscal imbalance would be the step-up in basis at death for capital gains, which is not just about raising revenue but also has some negative economic impacts in that it encourages investors to hold certain investments longer than they would otherwise in order to avoid paying the taxes. So that's one example of a tax expenditure I think should be on the table.

**Chairman Heinrich.** Thank you.

Childcare is incredibly expensive for the average family and far too few workers have access to paid leave today. In my State, the average annual cost of childcare is well over \$8,000, while only one in four workers in the private sector actually has access to paid family leave.

So Dr. Edwards, can you describe how these policies support labor participation of parents, especially mothers, and keep them in the labor force?

**Dr. Edwards.** If the cost of childcare is prohibitive, it is simply not worth it for a woman to work or possibly to have another kid. If it is larger than your mortgage, you wouldn't necessarily buy an extra house every year. That has massive effects on parents' behavior.

The notion of labor force retention policy like paid family leave is just to make sure that, you know, people will make decisions that are best for their family and best for themselves, but you are going to give them a period of time to sit out the labor force so that they don't have to make the decision basically under duress. And that is what you are giving them is time and space to make a decision for their family and not basically forcing them out the door.

So while you are distracted, I will say it is probably not the best that we cut family income by not having paid family leave right when a child is born.

**Chairman Heinrich.** I'm sorry. Say that one more time, Dr. Edwards.

**Dr. Edwards.** I said, while you are distracted, it is also not advisable policy to cut family income right as a child is born.

**Vice Chairman Schweikert.** We are actually doing a weird juggling, because we are also running a Ways and Means hearing right below us. And, Ms. Moore, I was going to let you go next so you have some optionality of where you wanted to be.

**Representative Moore.** Well, that is very kind of you.

Well, thank you so very, very much. This is an extremely important hearing, and I just want to thank the co-chairs for really putting this on the agenda.

Dr. Edwards, I was particularly interested in your testimony. You started out talking about the U.S. budget is not age neutral. So that brings in everything from Social Security and Medicare down to childcare and, as you pointed out, child birth, immigration policy. It just brings in a lot of things.

You noted in your remarks that, you know, women are not having children. The replacement rate, all of you kind of have agreed to that, is not what it ought to be. But I think the data do show us that we are going to depend on a lot of immigrants in order to fill, backfill from the low birth rates.

And so do all of you agree that immigration reform would be very important toward filling the workforce and also increasing the payments into FICA? Right now we have got a half trillion dollars a year that immigrants pay in just local sales tax and so on.

Would all of you, Dr. Edwards first, would sort of agree that immigration policy is important?

**Dr. Edwards.** There is very little economic gain to having so many people not able to participate fully in our economy.

**Representative Moore.** Dr. Harris.

**Dr. Harris.** Yes, I agree that immigration reform can be a big part of the program agenda.

**Representative Moore.** Dr. Scott.

**Dr. Scott.** Well, certainly immigration reform could affect the number of workers in this country, absolutely.

**Representative Moore.** Right. And I think those data we have seen, CBC reports that have really demonstrated to us that just depending on costs versus expenses, we can see, over a course of 10 years, maybe a trillion dollars added to stuff. Like FICA has sort of helped us out of our conundrum with Social Security.

I wanted to get a little bit more into your testimony, Dr. Edwards. You talked about, you know, age, the budget not being neutral on age. You talked about the importance of not only women, for example—and you have answered this with Chairman Heinrich's question—having access to childcare, because those people who are kind of in the middle class either are not poor enough to get subsidies but not wealthy enough to afford the market failure that childcare is and that, of course, that has an impact on women's workforce participation.

But you also talk about the importance of having a healthy workforce. So expenditures on healthcare. I am just wondering how many of you all think that having a healthy workforce and providing that benefit would increase workforce participation?

And then specifically, Dr. Edwards, you talked about infertility treatment as being important. I have never heard that before, and I am going to give you a chance to talk about that as part of the array of things. You know, we have heard paid family leave, childcare, that kind of stuff. But infertility treatment.

**Dr. Edwards.** Thank you. I was joking with a friend before that fertility policy is not as communist as it sounds. There are just things that we can do within our economy to encourage people to have children, not necessarily forcing their hand but maybe removing some barriers that make it harder for them to make the choices they like.

What has never changed in the past five decades is the number of kids people say they want to have. Our fertility is unmet fertility intentions, not a change in fertility intentions. People are not having the kids they want.

**Representative Moore.** That is exactly right.

And the child tax credit. You know, we need to stop looking at it as an expense but an investment like you were talking about. Do you think—we didn't see any change in workforce participation when we provided that child tax credit.

Do you agree that that child tax credit would enable us to put more workers into people to participate?

**Dr. Edwards.** You know, we only had the child tax credit to low income families for 6 months. It still flows to wealthier and high income households the way that it always did. But we didn't see any market effects on labor force participation for the 6 months we had—

**Representative Moore.** You didn't see people dropping out, in other words.

**Dr. Edwards.** You didn't see people dropping out, but I would say that it is also—it is not on the same order of magnitude of childcare. A child tax credit of 1,000 bucks is not even an eighth of the way to paying for 1 year of childcare for one kid.

So whatever affect it has on family, it is likely going to be eaten up by basic necessities like food. If you have a child tax credit, the biggest effect will probably be on food and security.

**Representative Moore.** Well, let's feed the babies.

I have got a cute video of my 5-month-old great grand baby eating if anybody wants to see it. I mean, it is really—it really does inspire us.

Thank you. And I yield back.

**Vice Chairman Schweikert.** All right. We look forward to the videos. And you remember how terrified some of our Ways and Means—insanely, I have a 15-month-old, and he was sitting on my lap 2 weeks ago as we were holding a committee hearing.

**Representative Moore.** He seemed to be clinging to you pretty good.

**Vice Chairman Schweikert.** No, no. It is a joy.

Okay. I am going to just—in the juggling, I am going to actually ask a few questions. We are going to run back down to Ways and

Means. My Senator friend here promised he won't let the fact that only my friends on this side are here run off the rails.

Well, you are good. You are one of the people I like. Him, he makes me nervous.

We may have a reservation for the canyon almost in December if you want to come.

**Representative Moore.** Uh-oh. Wait a minute, now.

**Vice Chairman Schweikert.** He is my hiking buddy.

Okay. Now back to being serious.

One of the reasons we agreed to do this hearing is we are trying to get our heads around what is the reality of the numbers. I saw a number during the pandemic. I believe it has come back that fertility rates had fallen—touched all the way down to 1.62.

But what I am—and I am going to start from one end and work over. First, help me understand. Let's not do policy right now. What is the scale of the imbalance? If you and I were sitting in this room 10, 20 years from now, what does America look like? You know, what does our over 65 population compared to our prime age working population look like?

I'm trying to get an honest understanding of the resources. And I have been given a couple numbers in all of your opening testimonies, but I want to just start on one end. And basically, what does our world look like 10 and 20 years from now?

Doctor.

**Dr. Topoleski.** So looking today, there are—and I am reading off a chart that has no numbers on it, so forgive me if my numbers aren't precise. There are about three and a half people between the ages of 20 and 64 per person over the age of 65. Within 30 years, that number falls fairly dramatically to less than three.

So that is the sort of your pool of people available to work and available to support the elderly population.

**Vice Chairman Schweikert.** Dr. Scott, how would you reference it? How fast are we aging?

**Dr. Scott.** Well, we are aging quite a bit faster. I mean, I would just second a lot of what you just heard, but one thing I would maybe note is that the growth of the oldest pool of our population, those that are 75 and older and 85 and older is rapidly growing. I think in the testimony we say that both those cohorts will double in size by the year 2040, and the majority of the older population in 2040 is projected to be 75 or older.

So you are going to have not just a lot older people but, you know, people are living longer. So at those very older ages, there is going to be a large growth.

**Vice Chairman Schweikert.** Dr. Harris.

**Dr. Harris.** So I should say I usually turn to CBO for numbers on this, but I think the easiest way for me to conceptualize this is that in 2010, we had about 10 percent of the population was older than 65. By 2030, it will be double that, 20 percent of the population. That is a pretty massive increase over the course of two decades.

**Dr. Edwards.** I would remind you that our fertility is not fixed. I mean, we are coming out of a 15-year declined fertility. But when you ask what it looks like in 20 years, that is up too. I mean, we could have another baby boom with certain policies.

**Vice Chairman Schweikert.** To that question, Dr. Edwards, I'm sorry to interrupt, tell me the country in the industrialized world that has been facing this for 30 years that has had successful policy that has changed long run fertility rates.

**Dr. Edwards.** So France's fertility is above replacement. It is about, historically, at 2.1.

**Vice Chairman Schweikert.** And where did they go to their lowest?

**Dr. Edwards.** I am not sure.

**Vice Chairman Schweikert.** My understanding is France has stayed actually quite stable, and substantially that is from their immigrant population.

**Dr. Edwards.** That is my understanding as well. I don't know their exact numbers. I do know they have childcare.

**Vice Chairman Schweikert.** And Hungary, is it true on the third or fourth child, they literally buy you a home, and it has barely moved their fertility rates?

**Dr. Edwards.** So I am not sure about Hungary. I do know that Germany's fertility rates had fallen for a period of time and it is starting to increase. I am not sure how it fared in the aftermath of the pandemic.

**Vice Chairman Schweikert.** Yes, you have to make an adjustment for those months.

And, look, I have a dataset in my binder that basically talks about a couple things. In the 1970s, for every I think it was \$5 for people under 20, there was \$1 spent on seniors. Today that has functionally reversed and will continue to reverse.

Impact—would any of you be able to speak to the fact that there was a number here I think it was saying—was it 2042, 84 million, 65 and up. Can anyone help me with that?

All right. So if we are here 20 years from now, how much of the U.S. budget basically is for earned benefits, both the health care costs and Social Security? Because we have, what, 9 years, and we have to start to deal with the fact that the Social Security trust fund is gone.

In the very first year, so 2033, we have a \$616 billion shortfall. The math says we double senior poverty. So that 25 percent cut that is coming in Social Security will double senior poverty.

There is an article out there that says we expect functionally in the next decade to see doubling of homeless baby boomers. Am I being a bit apocalyptic? Please, someone correct the numbers that I am being given.

**Dr. Scott.**

**Dr. Scott.** I won't correct your numbers. You know, I would just note that, I mean, there are a lot of pressures that are going on. I mean, I talked about the growth of the oldest old, and that has implications for a lot of the means-tested programs that we studied at Pew. We certainly know that the number of people with Alzheimer's is going to grow by a very large percentage.

So I think, you know, those are the worst case scenarios. It is not necessarily apocalyptic to say that, but it is not necessarily what could happen too. But I think that we see these trends and are very concerned about the impact on both Federal and State budgets going forward.

**Vice Chairman Schweikert.** And I will return, Mr. Chairman. The CBO puts out a number, and it makes it very, very clear from today through the next 30 years, every dime of future borrowing is functionally Medicare, interest, and, if we choose, to backfill Social Security in 9 years when the trust fund is gone. The rest of the budget is substantially flat or imbalanced.

And I think actually some here is first to have a commonality of how tough the demographic numbers are and the fact that the fight we all have back and forth, it is revenues, it is spending, it is actually demographics.

And with that, I shall return.

**Chairman Heinrich** [presiding]. We will see you soon.

Senator Klobuchar.

**Senator Klobuchar.** Thank you very much, Mr. Chair. And thank you to our witnesses for your testimony.

Dr. Harris, your testimony references the comprehensive immigration bill, kind of way back, 2013. Although, we keep discussing it on a bipartisan basis in the Judiciary Committee because it did make it through the U.S. Senate.

And one of the things that I think it overlooked in that bill in future efforts is not only the way it gets at workforce shortage, which is so important because no great nation has expanded with a shrinking workforce. We could try to be the first experiment, but I would rather not, and especially when you look at the need for, as we look at the seniors and the changing demographics, the need for people to take care of seniors. And pretty soon there is going to be no one to take care of grandma in the middle of Nebraska at our assisted livings. And we are going to have issues and already do in rural hospitals and the like.

So that bill—and I remember it because Grover Norquist was one of my witnesses at this very committee because he supported the bill because it reduced the debt. And it showed back then that the bill would have increased GDP by 3.3 percent and cut the deficit by about 900 billion over two decades. I will admit these are 2013 figures, but I think we could imagine the same thing now.

Could you talk about how similar legislation could have the same effect now?

**Dr. Harris.** So economists don't agree on a lot, but we do agree on the benefits of immigration reform and economists support that statement.

And from the perspective of caregiving, I mean, there is almost too many benefits of immigration to list. We see increases in patents. We see decreases in prices. As we start to be selective about what types of workers we let in to address certain workforce gaps, we start to see less specific labor markets.

So, for example, we know that we have gaps in caregiving centers, as you referenced. The caregiving crisis, I do consider it a crisis, has two primary effects as older Americans are subject to a lack of caregivers. The first is higher prices for caregiving. As you have a shortage in those caregivers, they can demand much higher prices.

The second is that unpaid caregivers increasingly bear the burden. And we are basically talking about middle-aged women bearing this burden right at their peak earning years. It has enormous

consequences for the labor market in general and for these families in particular.

**Senator Klobuchar.** Okay.

Can you talk about the positive effect that immigration reform could also have on Medicare and Social Security solvency?

**Dr. Harris.** Yes. So when we are talking about these major programs, as we have younger people coming in, in their working lives, and they are paying into these programs—we are talking about legal immigration they are paying in—they are not receiving benefits for 20, 30, 40 years. In general, the finances of these big programs, Medicare and Social Security, improve with increased immigration.

**Senator Klobuchar.** Very good.

Dr. Topoleski—I like people with a lot of initials in their—a lot of vowels in their last name, so thank you.

In your testimony, you talk about costs for health care programs and rising costs. One of the things that we have been working on, on a bipartisan basis, out of the Judiciary Committee is how to reduce prescription drug costs. We already have the negotiation going on with Medicare. That is a bill that I led for many, many years, and we have the first 10 drugs being negotiated now.

I will note that those 10 drugs, which includes Januvia and Jardiance and Eliquis—and I like to say these names because I memorize them—those 10 drugs, 9 million seniors last year, they shelled out \$3.4 billion in out-of-pocket on those 10 drugs alone. And you can imagine what we could do with more negotiations.

But there is also patent issues with, you know, generics being kept off the market and all kinds of things with the way the pharma companies are playing with patents.

Could you talk about how that could help with reducing costs for health care spending?

**Dr. Topoleski.** So on that answer, I am going to have to say I would be happy to talk to you about that when I have the right people in the room. I am not a health care expert, so I wouldn't want to misspeak on that issue.

**Senator Klobuchar.** Does anyone want to add to that as we look at costs?

Okay. It is just I think as we look at this deficit issue, it is just one of the driving forces. So keep it in mind as you keep working on these issues. I really appreciate your work.

Thank you.

**Chairman Heinrich.** Senator Welch.

**Senator Welch.** Thank you very much.

You know, we are talking about the demographic challenges, and it is interesting. I just want to start with you, Dr. Edwards, about the factors that you attribute the reduction in fertility. It sounds like it is voluntary. People are making decisions they just don't want to have kids.

Can you just go through some of the factors that you have concluded weigh into that?

**Dr. Edwards.** Absolutely. So surveys of young women about their fertility intentions have not changed much over the years, both in terms of the ideal family size and their intention to have

children. A lot of what is driving the lack or the decline in fertility is unmet fertility intentions. People not having the kids they want.

For, you know, millennials, including elder millennials like myself, part of it was a delay. The fertility that we are currently seeing as a decline can still be regained because fertility is falling for women under 30 but rising for women over 30, which is why something like infertility coverage as part of health insurance would be helpful in this notion to drive up fertility.

But the reason why, I mean, in surveys parents say it is expensive. Every part of having a kid is expensive. Childcare is expensive. They don't have paid leave. It costs \$2,600 to deliver a kid out-of-pocket if you have a vaginal delivery. If you have a C-section, it could be 32. That is a lot of money for bringing—that is taxing, a kid being brought into the world. That is the opposite of what you want to do if you want children.

**Senator Welch.** So in France, where they have a stable fertility rate and above replacement rate, they have paid family leave. They have—you don't pay for your health care, so you don't have that expense. You have childcare.

**Dr. Edwards.** It is not that everything is free there, but they do have support around young children. That is certain hallmarks that we lack in the United States. But there is also room for just kind of basic economic malaise to hit people's childbearing intentions. You know, you don't own a home. You are not married yet. You don't earn as much as you wanted to.

You know, the Great Recession hit millennials—

**Senator Welch.** There are public policy issues there. I mean, a lot of folks here have been very strong proponents of having public policies that are pro family. And I think the way a lot of us define pro family is you can afford childcare. You can afford health care. You can have confidence that if somebody is sick, a child, a partner, you will be able to take some time off.

And I guess the obvious question is: In your view, and the basis of your studies, would those types of policies likely influence the fertility rate?

**Dr. Edwards.** Yes, because you can't make people have children, but you can make it easier for them to have children. I mean, you, being Congress, can make it easier for people to have children.

**Senator Welch.** All right.

And then the other question is on immigration. I mean, there are two parts to the immigration debate. One is the so-called open borders and the conflict we have about that. That is separate from legal immigration where we literally are saying, hey, we want more folks to come in.

And I gather, Dr. Harris, you think that is a big deal if we had more legal pathways and could have more immigrants coming in.

**Dr. Harris.** Yes. So one of the benefits of legal immigration is we can tailor the system to exactly the needs of our workforce. We have that benefit in the United States of America. I have heard economists refer to immigration as the economic super food, which I think is an appropriate adjective for what we could do with immigration.

**Senator Welch.** All right.

And then, you know, the other thing that Senator Klobuchar was talking about were some of these costs. It is unbelievable how much health care costs in this country, and it doesn't matter whether you are on Medicaid, Medicare, private employer-sponsored health care, or you are paying yourself. We pay the most and get the least.

And the same is true for cable and internet. I mean, there are a lot of expenses in this country that everyday families have to bear that are brutally expensive.

So I will ask maybe Dr. Scott and then Dr. Topoleski. How much—where we have policies that try to essentially promote—I hate to say it—competition that would result in lowering cost for family, would that have an impact potentially on people's sense of confidence that they can have that other child that they would love to have in their life?

**Dr. Scott.** I mean, I would hesitate to give an answer just because we haven't really studied about the—which I think is a really interested issue, how the cost of some of these services and goods might affect fertility decisions. But certainly, you know, we could certainly see that happening, those scenarios where, you know, lowering certain costs could have an effect on certain decisions.

But that is something that is a little bit beyond my expertise, I think.

**Senator Welch.** Dr. Topoleski.

**Dr. Topoleski.** My answer is going to be quite similar in that we haven't studied particular policies and the effect they would have on fertility, but it is something that we are keeping an eye on because it is very important to our projections of the population.

**Senator Welch.** All right. Thank you very much.

I yield back.

**Chairman Heinrich.** Representative Porter.

**Representative Porter.** The title of today's hearing is "Aging Americans and a Waning Workforce: Demographic Drivers of our Deficit."

Dr. Harris, this title pinpoints one specific group of Americans as drivers of our deficit. Who is that group?

**Dr. Harris.** I'm sorry. You are asking who is the driver of the deficit?

**Representative Porter.** The title of the hearing is "Aging Americans and a Waning Workforce: Demographic Drivers of our Deficit." This title pinpoints one group of Americans as the drivers of our deficit. Which group?

**Dr. Harris.** The title suggests older Americans are the drivers of the deficit.

**Representative Porter.** Would you agree with that?

**Dr. Harris.** No. In my written testimony, I think that the driver of the deficit is an imbalance between revenues and expenditures.

**Representative Porter.** Okay. So I think what concerns me about this hearing title is it seems to suggest that the deficit all comes down to grandma, and that, in fact, as you just said, the national deficit is calculated deficit, is spending minus taxes.

So if Republicans are trying to say today that seniors, that older Americans, aging Americans, grandma is the driver of our deficit, seniors must be—and deficit comes from spending less taxes—then

seniors must have been responsible for making our Nation's spending and tax decisions.

Is that right? Did seniors write our tax code?

**Dr. Harris.** Not to my knowledge.

**Representative Porter.** Did seniors write our government spending bills?

**Dr. Harris.** No.

**Representative Porter.** Who does those things, Dr. Harris?

**Dr. Harris.** Congress.

**Representative Porter.** Congress.

For 88 years, Congress has promised seniors Social Security. For 58 years, Congress has promised seniors Medicare. And during that time, Congress, not our seniors, should have found ways to keep those promises without taking on too much debt.

Dr. Harris, isn't it unfair to blame aging Americans as drivers of our deficit when it is really Congress' job to make these budgeting decisions?

**Dr. Harris.** I would say it is unfair to blame any Americans for this deficit. I would blame effectively those who made the decisions.

**Representative Porter.** Okay. So I am curious, given that Republicans are—you know, they are trying to kind of pin it on seniors with this hearing title. They are not taking responsibility onto Congress for these decisions. So I am wondering here what Republicans are trying to hide.

Dr. Harris, under Republican control, when President Trump was President, Congress overhauled the tax code. Did the provisions of the Republican's tax package increase or, you know, add to or pay down our national debt?

**Dr. Harris.** It undoubtedly added to our national debt.

**Representative Porter.** Republican math here. It added to our national debt. Let me show everybody how much. Wait, hang on. It is a two-whiteboard situation. Can you read that number for everybody?

**Dr. Harris.** That is 1.8 trillion.

**Representative Porter.** 1.8 trillion. Couldn't even fit it all on one whiteboard.

So this is how much they added to the deficit even as—the premise of this hearing is that the deficit is a real problem and that Republicans believe it is a real problem. So if they didn't solve our deficits through the tax code, through that tax piece, they surely took action to fully pay for Social Security and Medicare so that we don't drive up the deficit that way.

Dr. Harris, do you know how many Republicans cosponsor the Social Security 2100 Act, which would make Social Security solvent for years to come?

**Dr. Harris.** I don't know. I am guessing zero.

**Representative Porter.** Zero. It is a really small number. I don't even need a whiteboard. I can do this one with my hand.

So Republican math, in terms of the budget, which is made by Congress, not made by seniors, by older Americans, means increasing our deficit by \$1.8 trillion and doing zero to reduce the effect of the debt by Social Security and Medicare and adjusting those policies to be able to be better funded.

So I don't think we should buy into this hearing's premise. The demographic changes in our country are really interesting.

As a single mom, I absolutely hear Dr. Edwards on the cost of raising a child. I think the points you make about immigration are all lovely, but I don't think we should lose sight of the fact that we, as Congress, have a responsibility to solve this problem by enacting policies that would make Social Security solvent.

And the reality is here. We have zero Republicans cosponsoring that bill. Republican math is why our debt keeps building, and I don't think we should scapegoat our seniors about that fact.

I yield back.

**Vice Chairman Schweikert** [presiding]. Thank you, Ms. Porter.

And not having a whiteboard, that is what Democrat policies added in 30 months. So we can both play the whiteboard, and it turns out the math will always win.

Mr. Trone.

**Representative Trone.** Thank you, Mr. Chairman and staff for gathering us here today to look at these demographic trends.

As our Nation faces an aging population lower labor force participation, rising mortality, and declining fertility, the responsibility to act really falls on us. We have got to figure this out.

So we have to recognize the complexity of these trends and pass legislation. It is going to be things that we do here in this group to help deal with the magnitude of this issue.

And the Census Bureau survey found that 5 million people miss work every week. Five million every week simply because they can't get care for their children. No daycare.

If we invest in adequate health care, mental health services, substance use disorder, recovery programs, subsidized childcare even, heaven forbid, and early childhood education, we can shift those trends in a better direction and get more labor participation.

So my first question for Dr. Edwards: In your testimony, you highlight the reasons why these individuals leave the workforce. One of the reasons was having a child and the rising cost of childcare.

I am strong proponent of the child tax credit, universal pre-K, affordable childcare. Talk about these policies and others you would support that would help us in the labor market for working-age women to fully participate.

**Dr. Edwards.** Thank you so much for the question.

I mean, I think anyone who has ever met a toddler could tell you why it is so hard to work and have children. Part of that is having a safe and affordable place to put your kid.

Right now we know that the highest quality early childhood is really serviced in a U, where the very richest households are able to get high quality care, and then a select share of the poorest households that qualify for our limited childcare assistance. And who falls in the middle is the middle class that basically their primary strategy is just being resourceful and finding something to make do.

We have the opportunity to really put the thumb on the scale in terms of the type of early childhood investments we make, but I think it shouldn't be lost that, you know, part of this is making it

easier for women to work, but the other part is making the workplace easier.

Countries that have had very high success with high women's labor force participation have the right to request part-time work. They have the right to request flexible and remote work arrangements, something that would also benefit people who are experiencing kind of acute or temporary health or even disability in their life.

I mean, we do want to make the workforce healthier, but we also want to make work more amenable for people who can't be healthy, and that is a two-way street that starts not just with what we invest but with kind of the rules of the game we set out for American workers.

**Representative Trone.** Foreign-born people account for more than 18 percent of the labor force, yet they are half of the growth of the labor force. Pretty dramatic difference there.

Before the pandemic, in your testimony, Dr. Harris, you focus on the benefits of immigration. I am a huge immigration proponent. The beautiful diversity gives us diversity of ideas. They give us better solutions time and time again. The creation of jobs.

So talk a minute about, elaborate, how this increase in immigration can really impact our labor force and drive the deficit down.

**Dr. Harris.** So immigration has a wide array of economic benefits. One I think, as you alluded to, was innovation. We see the number of patents per capita rise substantially and significantly when we let more legal immigrants come to the country. In terms of the finance outlook for Social Security and Medicare, that improves. We have younger workers coming into the economy, and actually prices go down. And we have been dealing with inflation as a country for the past 3 or 4 years, and so if we are—you know, if this is an anti-inflation program, immigration can help solve some of these problems as well.

**Representative Trone.** Does anybody on the panel quickly have a sense of how many immigrants we have let in each of the last 5 years, lawful immigration?

**Dr. Harris.** I don't have that number. I will say that we are short about 1.7 million immigrants relative to the pre-pandemic—actually, honestly, it is relative to the pre-2017 trend. So we are down almost 2 million workers we would have expected if we had had this hearing 6 years ago.

**Representative Trone.** That is exactly a big number I had come up with also. It's huge, huge number of folks.

What about the—if we change our immigration policies at all to begin to change and allow more folks in, as our population is going up to 330 million, what changes have we made in our policies to let more immigrants in legally each year?

**Dr. Harris.** We have not had comprehensive immigration reform. In 2013, we had S. 744 pass the Senate I believe with 69 votes, so there was obviously high consensus in the Senate. But we haven't had comprehensive immigration reform in quite some time.

**Representative Trone.** Would you say it is past due time to figure out how to get more folks here, drive the economy, cut down the deficit, and reduce inflation?

**Dr. Harris.** Yes, I would.

**Representative Trone.** Thank you.  
I yield back.

**Vice Chairman Schweikert.** Thank you, Mr. Trone.

Actually, you are hitting actually one of my favorite subject areas. Forgive me, but I am going to actually—because there is a couple of things I would like to chase down.

I actually want to follow up on Mr. Trone's. And I will start with Dr. Harris because this seems to be one of your areas of interest. Let's say you and I were about to do immigration reform, as we are trying to do as much population stability, because I am going to ask the other parts of the panel about the 75 and older. So I am trying to—but doesn't—for productivity, for velocity, for tax receipts, doesn't it have to be mostly a talent-based sort of model? Because there is a brilliant article that was in the Economist magazine a little while back that basically said the seventies, eighties, we all went at each other for hydrocarbons. Last decade was rare earths. With the next couple of decades, it is smart people. How far off am I?

**Dr. Harris.** I think it is an excellent question. I have had my thinking on this change a bit by research. And so, for example, there are economists at the Brookings Institution who have recently come out with research that has said it is not just the high-skilled workers that can drive higher productivity but some lower-skilled workers that have nodes to the rest of the economy.

So, for example, truck drivers. Truck drivers aren't necessarily terribly high-skilled workers, but they are very important to the productivity and the economy.

**Vice Chairman Schweikert.** And, Doctor, actually send me those articles, because we are actually trying to think of a mix of what is technology replacements—and that was actually one of the bases that originally was going to be this economy—is how do we actually embrace the fact we are going to be an older society? Using technology to provide certain services? Are we heading towards a future where longer haul is an autonomous truck, you know, starting to find the mix? And then what do we have to supplement with higher talent populations?

**Dr. Topoleski,** I know CBO had worked up some data and was it just 2 weeks ago we got an update from Census. Do you remember what those numbers were for 75 years and up, particularly over the next 10 years, 20 years? And has there been an estimate of the stressors that will cause on resources for Medicare?

**Dr. Topoleski.** So I don't have the numbers of 75 and up at hand. We could certainly get those to you. We have that level of demographic detail, and that is available in the census projections as well. So we could send you a comparison of the two groups. But certainly an aging population, particularly as others on the panel have said, the oldest old, they are an expensive group.

**Vice Chairman Schweikert.** Okay. Because there is a spot here where—and Dr. Edwards and Dr. Scott came closest, and I want to start getting some of my heads around, because also at the same time I am looking at data that says we may be going into our fifth year where life expectancy, particularly for males, actually is falling. And we have done some work—it is a little harder to vet, so I have to—where we used to believe it was drugs—drugs is way

up there, but it was actually obesity. Maybe one of the greatest difficulties within that population as Ms. Edwards at one point talked about some of our horrible maternal, you know, expectancies. And if you actually dive deep into the numbers, it is obesity in some of the populations that are having some really difficulty. And it took a long time to find some of those datasets.

Dr. Scott, that 75 and older, it is cost. At the same time, I am being told life expectancies, particularly for males, is falling. What am I not understanding?

**Dr. Scott.** Well, I think it depends on—and I will admit you have to really get sort of granular with those life expectancies because life expectancies even for males at older ages is starting to grow, but it does differ by race and ethnicity, by income, so various groups. And, of course, we just got through a pandemic, and that has affected life expectancies.

**Vice Chairman Schweikert.** And if we were trying to do the adjustment for removing the million—let's call it a million of our brothers and sisters who COVID-19 changed mortality statistics recently, but we also have been trying to take a look at, even in some of our quartiles and, to be brutally honest, morbid obesity and those things and what that is doing in bending over life expectancies.

Am I looking at the right places? Am I fixating on the noise?

**Dr. Scott.** I would be happy to follow up because I think I have seen some data that shows we do expect some increases in life expectancies amongst some of the older groups to catch up some of the differentials we see between men and women, between Hispanics and Whites, et cetera, et cetera. I would have to follow up. But, I mean, the fact that—I was just looking at the numbers we projected on the 75 and older, we are going to move from 29 million people 75 and older in 2020 to 45 million by the year 2040. That is a 107 percent increase.

So I think in general we are seeing increases in life expectancy across the board. But I take your point, and I think it is an important one. That is not uniform across different groups in society. And so I would be happy to follow up on some of those differentials and life expectancy.

**Vice Chairman Schweikert.** Okay. And, Ms. Edwards—and I am not being mean here because you have actually given some terrific stuff. But we did just sort of look up, World Bank actually has France's fertility at 1.8. So there is always some noise sometimes when we get data.

But you had something you wanted to share?

**Dr. Edwards.** Yes. In regards to maternal mortality, the spike over the last 3 years, you know, a near doubling of maternal mortality in the U.S. was not matched by a near doubling of obesity.

There are long run drivers that can make a risk factor, but, you know, this spike that we have seen is an opportunity to identify the problems.

**Vice Chairman Schweikert.** Yes.

**Dr. Edwards.** And hospital quality is a key part of that, not how the hospital serves everybody else, but how hospitals serve mothers in particular. There is room for policy here, and it is not just a mom's health when she walks in the door to deliver.

**Vice Chairman Schweikert.** Dr. Edwards, I care a lot about this one having just adopted another child who was born drug addicted, and so maybe it is—it is always a danger when you have Members of Congress that personalize things. Send me stuff because I really would like to crack the rhythm out there and find out if there is a policy set that actually we could make a difference on.

To my fellow members of the committee, does any one else have something burning they wish to ask?

**Senator Welch.** No thank you.

**Vice Chairman Schweikert.** Okay.

**Representative Moore.** I have something burning.

**Vice Chairman Schweikert.** What?

**Representative Moore.** I have something burning I would like to ask.

**Vice Chairman Schweikert.** No. Ms. Moore.

**Representative Moore.** I mean, whoever gets to ask a burning question.

**Vice Chairman Schweikert.** I said burning, not Bernie.

**Representative Moore.** Listen, I have heard a lot as a Member of Congress about, you know, balanced budgets and deficits and where we are at and deficit spending now.

I just want maybe, Dr. Harris, for you to review maybe in the last 5 years—we have had surpluses five times in the last 50 years. And, you know, I keep thinking that whenever we give these huge tax cuts, it seems like that is the time that we accumulate these big deficits. Even though there is a promise that we are going to see, you know, an increased spending—an increased GDP, we find ourselves in a deficit situation.

It seems to me when Bill Clinton was in office—I recall that very vividly—there was a surplus that was left. Then we had Bush tax cuts. Then we had Obama who came in, you know, and there was a double-down on the Bush tax cuts with all the wars in between, and now under our previous President we had some more tax cuts.

Can you give me just a, you know, view of tax cuts and the occurrence of those tax cuts with deficits?

**Dr. Harris.** Sure. So in instances when we have had relatively strong fiscal positions, as you mentioned in the late nineties, it has either been driven by cuts in spending, increases in revenues, or strong economic growth like we saw with the dot-com boost. And so that is kind of the general, and there is really three variables that go into our fiscal outlook, and those are the three.

In terms of the 2017 Tax Act, I consider it to be a thought experiment, and I consider be it to be a failed one. I have been an outspoken opponent of the 2017 Tax Act. It has reasonable intellectual foundations, and the notion was we are going to dramatically cut the tax rate on corporations in hopes you would see this inflow of investment, and that simply didn't happen.

So I consider that to be a failed intellectual experiment, but one that cost \$2 trillion.

**Representative Moore.** And what about the Bush tax cuts, you know, and then doubling down on them during the Obama administration.

**Dr. Harris.** Yes. So we had the 2001 and 2003 tax cuts which had a variety of different elements, but some of those elements I consider to score very poorly in terms of generating economic growth were, for example, the estate tax cut that was put in place in 2001 and then continued through in the 2017 Tax Act. And then also dramatically lower tax rates lower on capital I don't think necessarily had the economic boost that the proponents hoped.

**Representative Moore.** Just wondering, you know, as we talk about deficit. Just wanted some perspective. Thank you for that.

And thank you, Mr. Vice Chairman.

**Vice Chairman Schweikert.** Thank you, Ms. Moore.

Mr. Beyer.

**Representative Moore.** Oh, you are back.

**Vice Chairman Schweikert.** Yeah, we are all excited. We were stalling for him. We knew he would make it.

**Representative Beyer.** Thank you for waiting.

And thank you for the testimony. I didn't get to hear all of it, but I read all of it.

I want to—and, by the way, David and Senator, thank you so much more doing this hearing. It is incredibly relevant, and you see it every day, everywhere in our lives. And thank you for all the statistics.

I saw a fascinating statistic the other day about average family size and how in the last 30 years you had 18 percent of women who would never have a baby, and it is now up to 36, 37 percent. I mean, just the whole notion of zero-children families, whereas the one-child family stayed roughly the same. But when you think about it in terms of the workforce, it gets pretty frightening.

But I also—given this is the Joint Economic Committee, one of the things we worry about, of course, is the gap between the 21 and 22 percent we are spending on the services that every American demands and the 15, 16 percent—we had the little surge after all of the economic impact payments and the like, but 15, 16 percent of the GDP in revenues.

It would be really interesting, Dr. Harris, to talk about how much of this goes back to the tax cuts. If I was being partisan, I would say the Republican-led tax cuts, but the tax cuts that go back to early Bush, before the war, the two wars, the prescription drug plan, and then the TCJA. How much different could our fiscal revenue problem be if we didn't have all of these tax cuts?

**Dr. Harris.** Let me say I appreciate you depoliticizing the Tax Code because I think that you are right to point out the Tax Code is so much more than just the 2017 Tax Act. I mean, most of the Tax Code is not that single Tax Act. These are decisions made by Congress going back decades, if not longer.

Ultimately, it is just a math problem. When we look forward 10 years, we have the structural deficit, which means that—according to the Congressional Budget Office, we have an average deficit of about 3 percent of GDP. If you take out interest payments and if you take out the business cycle—so this is when CBO assumes we are back at full employment—we are just 3 percent off, which is just a math problem. We raise 3 percent of GDP too little to not accumulate deficit. So I think that you are right to depoliticize it, though.

**Representative Beyer.** We also look—I don't know very few Americans who think that they are overtaxed—or undertaxed, I should say; the one exception being the wealthiest among us where, as we know, the people sitting here are all taxed 30, 35 percent. And yet the wealthiest—you know, the 50 million plus, I think the average is 8 percent of their income is taxed.

Do you see ever the political appetite to go after where the money is in order to close that 3 percent gap?

**Dr. Harris.** I don't necessarily see the political appetite. But I will say I am a little confused by why we have seen the political nature of the IRS funding. Because, in my view, it is not about just tax burdens. It is also about competitiveness. And so we look at small businesses or even large partnerships, who sometimes have very large tax gaps, who have just enormous tax liabilities they don't pay, I see this as a competitiveness issue.

And if you came to me with a policy and said, Look, we want to go ahead and distribute trillions of dollars in the tax gap to various businesses based on their willingness to pay taxes, I would say you are crazy. But, in effect, that is what is happening, where we are not enforcing the Tax Code, it is costing taxpayers trillions of dollars every 10 years. And, ultimately, it is the competitiveness issue that puts those that are willing to pay their taxes at a disadvantage relative to those who are not.

**Representative Beyer.** Thank you very much.

Dr. Edwards, I know you do this great demographic work, but according to labor supply policy, you know, we talk about how the workers are getting older. We have been recommending that the Department of Labor look specifically at an older workers bureau just because, as we know, the older workers get older and older, age discrimination which is set to cost the economy \$4 billion, and we don't really have any data on retirement readiness, on retirement income for a lot of those folks or just—my high school classmates tell me that I am the oldest—I am the last person in the class not to retire at the age of 73. And yet we know that we are going to need people as old as David and me that are young—

**Vice Chairman Schweikert.** Hey, hey.

**Representative Beyer** [continuing]. To be in the—well, you had a little kid—to be in the world force. How do we address older workers?

**Dr. Edwards.** The nice thing about labor supply policy is that it is actually really hard to isolate. So if you were to pursue things like an accommodation policy, the right to work part time, you know, the right to request flexible arrangements that you wouldn't be able to prevent older workers from taking advantage of that.

You know, most of us have this notion of retirement, especially young couples, that two people come to a decision today is the day I stop work, and they just stop. But that is not what retirement looks like in America today. Most people phase out of work. They move to part time if they can. They work a little bit when they want to. And a lot of people backtrack, where they stop work and they are, like, I am ungodly bored, I am going back, and they go back to work. And that—you know, recognizing that retirement is not a decision but a process certainly by our labor market and our employers and our Social Security system would help us carve basi-

cally the most efficient policy to let people work how long they wanted to work and not put barriers in place in front of them.

**Representative Beyer.** For example, at the State Department, you are out at age 65, despite the fact that is an age when most people are coming into their full diplomatic skills. My grandmother was thrown out of USAID at age 82 kicking and screaming, but they had already given her a pass again and again.

What can we do to encourage people to stay in the labor market longer to stay actively working, besides making it so they can't afford to retire?

**Dr. Edwards.** You know, I think you have to meet people where they are. There are lots of instances in people's lives where work just doesn't come first because they have a toddler, because their wife is dying. And we can't meet that need for flexibility with rigidity. Most industrialized economies have the right to request part-time work.

Right now in the United States if you want to work part time, you are working a low-wage retail job and a shift that is not regulated that does not pay much more than the minimum wage.

We have to extend the options for people, not just the types of jobs we have, but the types of ways that people consume those jobs.

**Representative Beyer.** Yeah. I was—Mr. Chairman, if I could ask one more question too or just a comment?

**Vice Chairman Schweikert.** I couldn't stop you if I wanted.

**Representative Beyer.** I had the pleasure of living in Switzerland for 4 years where the part-time people—it took us awhile to adjust to it—they were 30 percent or 50 percent or 70 percent. And if somebody like Gwen had a 50 percent job, that meant that she got 50 percent of the normal income, 50 percent of the benefits, 50 percent of the vacation pay. And it wasn't like here where if you are part time, you don't get anything. And it worked. And then people could actually take a 30 percent job or a 60 percent job and really integrate it with the rest of their lives. And the whole economy had adjusted to that, and it was something we could learn from.

With that, Mr. Chairman, I yield back.

**Vice Chairman Schweikert.** Thank you, Don.

Jodey, welcome.

**Representative Arrington.** Mr. Chairman, thank you for holding this hearing.

You know, this topic is near and dear to my heart as budget chairman, but before that I was thinking what could possibly be more important, more destructive to our prosperity, our future, our economic strength, national security than national insolvency, undermining the currency, bankrupting the country? There are a lot of ways to say it. It is just nobody believes that I've talked to who's serious, on either side of the political spectrum and ideological spectrum, that the current deficit spending and debt is sustainable. They don't—they can't tell you exactly when this thing really goes off the rails.

But I think the vicious cycle of deficit spending increases and the interest that is projected to be a trillion dollars next year and exceed our expenditures for national defense should be alarming enough. But the vicious cycle is becoming a fiscal death spiral. And

I am not—let my democratic colleagues put revenue on the table. I am not—that is not offensive to me. They want to solve the problem too. I think it is a spending problem. But if they will work with me by including revenue, I think that is fair. Because if I don't, then we will never have this conversation and we will never address it, and we will bankrupt the country, and then seniors won't have safety nets that they rely on, our soldiers and sailors won't have the tools to be safe and successful, and China more than likely or someone else becomes in this new world order the global super power, and that is all unacceptable to me.

So while I have no interest in raising taxes and while every analysis on my end suggests it is the spending that is absolutely running away from us and it is the expansion of the Federal Government's role beyond what I believe was ever intended, and the fact that when you can deficit spend, that is, if you can borrow or tax the next generation and not actually take any money out of people's wallets today or cut someone's favorite program—I always use the farm bill because I am from ag country—because you don't have to do that and you can keep borrowing and you are the world currency, that is the recipe to end the republic as we know it, not from existential threats, but from our inability to.

Now, let me get to the point. I know that is not—I am sorry.

So I believe everyone is motivated here in their own way to address this.

We need to protect, strengthen, and save certain programs. I would say Social Security and Medicare are critical to tens of millions of Americans and to the country as a public good. We should make them work better, more cost effective. We should make sure we don't have, like, for example, on the Medicaid side \$80 billion in fraud, waste, and abuse. So taxpayers ought to be protected. Program integrity ought to be at the highest standards.

Here's my question. If your unfunded liability is \$120 trillion, according to CBO, 30 years out—and, yeah, it is probably—it is hard to keep up with it. It keeps climbing. If it is \$120 trillion and 99 percent of that in the 30-year outlay on deficit spending, the cumulative debt, \$120 trillion, is two programs, Medicare and Social Security. And those are important, and we need to make them sustainable. What's the solution? Nobody wants to talk about it.

So I am going to just—I will ask you all. You are the experts. We are talking about a debt commission, having a bipartisan venue to dial down and depoliticize those issues so we can help make them work better and sustainable over the—for the next generation of seniors, not just for the ones today. What do we do? What do we do? Do we just bury our head in the sand? I had an event—a Budget Committee hearing on just that, not on Social Security, by the way, and its viability and sustainment, just on the debt commission. And I had some guy who may be in here today that just followed me with his camera all the way to the floor of the House saying, Tell the American people why you want to take away their Social Security.

So do we just—we are just going to wait until the whole thing collapses? By the way then you have got austerity. You have got everything you don't want from the tax side to the cut side. And, by the way, you don't get a choice. It is going to happen.

So what do we do? I will start with Dr. Edwards and maybe go left, and then I'll be done.

**Vice Chairman Schweikert.** We need you to be fairly succinct.

**Representative Arrington.** Yeah, I know. Did I go way over? I am sorry. I came from another hearing and got worked up on that too.

**Dr. Edwards.** So I—when people ask me what is driving Social Security's problems, this is going to sound a bit harsh, but it is in large part congressional neglect. This is a program that requires maintenance as our demographics change. It needs updates. It needs to be addressed. It has not been touched since before I was born. The problems of Social Security's 75-year actuarial shortfall emerged before I entered kindergarten, and they have been around and growing since. And every year that we wait to fix them is a year that they get more and more expensive, and the republic does seem apocalyptically doomed. But they don't have to be.

What I would stress to you is whatever you need to do, you do it now. You need to address this now for the sake of Americans who don't want to wait until the night before the funding expires in 2033 to see what is going to happen because uncertainty on top of everything else is not fair to give Americans Social Security costs out, actuarial policies and exactly how much they can fix the problem. You go shopping. You pick what you can agree on, and, you know, we don't have to have this discussion every year.

**Representative Arrington.** Maybe one more witness. That was great. I agree.

Dr. Harris.

**Dr. Harris.** I will say I can give you my preferred approach to Social Security, but I think, more importantly, I have been doing this for 25 years and working in policy. I have found the tone of this committee to be admirable, if not inspirational. You all are presenting a very collaborative front, which is what is required for any type of Social Security reform. Social Security cannot be fixed through reconciliation. It requires 60 votes in the Senate.

So I can give you my prescription, but I think, most importantly, it requires Members of Congress like this committee who are willing to work with each other.

**Representative Arrington.** I want to compliment the chairman that I know best in Dave Schweikert who has spoken boldly. He has been a truth-teller on this, and I know there are other members that are too. But we have to have political courage at the end of the day, and we have got to care more about the country's future than our own political future. I am not saying I am always William Wallace of Brave Heart, but I certainly think we all have to muster as much of that as we can if we are going to save this country.

God Bless America. Go West Texas. And I yield back.

**Vice Chairman Schweikert.** Thank you, Mr. Arrington.

And to Mr. Heinrich, thank you, once again, for your kindness. And I want to say thank you both to the Republican and Democratic staffs. We are sort of demonstrating—you know, we often see the world a little differently, but we are trying to build a rhythm of—our solutions may come a little different, but the problems are all the same.

To each of our witnesses, thank you. I am sorry for the chaos. It is sort of the nature of the body and the nature of our timing.

Please expect written questions being sent to you. If you would be kind enough within a couple of weeks to respond to those. And to members of the committees, if you have other extraneous materials you would like to make part of the record, please provide that within about the next 14 days.

And with that, this hearing is over.

[Whereupon, at 4:04 p.m., the Committee was adjourned.]

Joint Economic Committee

**Joint Economic Committee  
Opening Remarks of Chairman Martin Heinrich -- Hearing "Aging  
Americans and a Waning Workforce: Demographic Drivers of our Deficit"  
November 15, 2023**

Thank you, Vice Chairman Schweikert, to you and to your staff, for putting together this hearing today.

I see this as a big-picture issue.

The demographics of the United States are changing in many ways – baby boomers are aging, population growth has slowed, immigration rates have declined, and for a variety of reasons, too many working-age people are being kept out of the workforce.

An aging population has fiscal consequences. Deficits and the debt are expected to grow in the coming years as spending on Social Security, Medicare, and other programs outpaces revenues.

The solutions to this problem aren't simple or one-dimensional.

Certainly, making sure that wealthy Americans pay their fair share is an important place to start any conversation about fiscal responsibility. Whether by closing tax loopholes, rolling back the Trump tax cuts, or better enforcing our tax laws, revenues must play a role in this discussion.

But beyond that I want to focus on smart policies that support work and enable more people to join and remain in the labor force.

More people working both increases the productive capacity of our economy and increases contributions to our revenues.

Creating pathways for more people to participate in the labor market requires tackling some of our biggest and longest-running challenges.

This will require addressing health care and child care shortages.

It will mean fixing inadequate infrastructure.

And it will require us to improve our kids' education and our public schools, and start and support workforce training programs that don't require a four-year degree.

We want the next generation to be able to build careers and raise families in the communities they call home.

We can start by investing more of our resources in people.

Our labor unions are already doing that, helping to bring more working people into the middle class and ensuring better, more flexible labor conditions that can allow more people to enter the labor pool – and we can build upon these successes.

We need to give people the tools they need to succeed in emerging and growing career fields.

We can do this by supporting apprenticeships and other proven work-based learning programs that provide on-the-job experiences and skills.

And when these opportunities are available, we need to make sure people know how to access them.

Too often, not being able to apply for a job – physically or online – is what keeps people out of the workforce.

Access to high-speed internet can dramatically improve labor force participation.

And access to public transportation and improved highway systems can help people physically get to all the places where there is work to be done.

Thankfully, laws like the Bipartisan Infrastructure Law are confronting these challenges head-on and helping to close those gaps.

But those aren't the only challenges we face.

There are too many who have left the workforce because they are too sick to work, or because they cannot afford care for their children while they are in the workplace.

As we tackle workforce issues, we must ensure we have a healthy population who can fully contribute to their communities.

In order to do so, Americans need to have access to quality, affordable health care no matter their means or where they live.

When patients lack access to diagnosis and treatment, minor challenges can quickly become major issues.

When you can't get your health or mental health condition addressed, you can't work. And that's exactly what has happened to too many Americans.

Nobody wants to stay sick. And most working-age people want to work.

We need to bring these people back into our economy to provide for their families and participate in our communities.

Lack of access to child care is also forcing too many people out of the workplace, and has a particularly large impact on women.

In October of last year, the Federal Reserve found that women between the ages of 25 and 54 in the United States were seven times more likely than men to indicate child care as a reason they were not working.

The same study found that 33% of women who had children under age 18 in the home were not working, compared to just 12% of men.

That's one-third of women with children who are not in the workforce.

To solve that, we need to expand child care access and affordability and pay our child care workers the wages they deserve for the services they provide.

Policies like the Child Tax Credit and subsidized child care can also make raising a family more affordable and empower parents to continue working.

Bringing more people into the workforce not only involves bringing back those who have left for child care and health reasons, but bringing in new workers to help us meet our labor needs and increase revenue.

Immigrant workers are essential to the continued growth of our labor force and productivity.

And welcoming more immigrants will help us counteract the slowing growth of the U.S. population.

By 2034, immigration is projected to be the primary driver of population growth for the United States – and the Congressional Budget Office projects that it will account for all population growth beginning in 2042.

That's a lot of foreign-born workers that we should be integrating into our workforce.

Immigrants are more likely to start both small and large businesses, and they're more likely to work jobs that have a job-multiplier effect – meaning that their employment facilitates the entry of other workers into the labor force.

Jobs in education and health services, where immigrants make up about 1 in 5 workers, help caretakers of all backgrounds to enter the labor force and grow the economy. This is especially true for women, who perform a disproportionate share of unpaid care work for their families and often leave the workforce to do so.

Immigrants also pay a sizable amount in taxes and can help secure the future of key government programs as our population ages.

I know this is a lot, and I know there is no one-size-fits-all approach that will solve them.

But by doing this work, we can unlock an economic future that will withstand the challenges of an aging workforce and changing demographics that are coming our way.

The next generations are counting on us to get this right.

I'm pleased to join my colleagues on both sides of the aisle to further explore these issues in today's hearing.

Thank you.

**Congressional Budget Office**  
*Nonpartisan Analysis for the U.S. Congress*



**TESTIMONY**

## **CBO's Demographic Projections**

**Julie Topoleski**  
**Director of Labor, Income Security,**  
**and Long-Term Analysis**

Before the United States Joint Economic Committee

NOVEMBER 15 | 2023

Chairman Heinrich, Vice Chairman Schweikert, and Members of the Committee, I appreciate the opportunity to appear before you today to discuss the demographic outlook for the United States.

Projected changes in the size of the U.S. population, as well as its age and sex composition, significantly affect the outlook for the economy and the federal budget. For example, projections of the number of people who are employed and paying taxes on their wages depend on projections of the size of the working-age population, and projections of the number of beneficiaries of some federal programs (including Social Security and Medicare) depend on projections of the size of the population age 65 or older.

In this testimony, I will discuss the Congressional Budget Office's demographic projections currently under development. These projections are preliminary. The finalized projections will underlie the agency's economic and budget projections next year.<sup>1</sup>

### The Size of the Population

In CBO's preliminary projections, the population increases from 342 million people in 2024 to 386 million people in 2054, growing by 0.4 percent per year, on average, which is about one-half the pace experienced from 1984 to 2024 (0.9 percent). Over the next decade, immigration accounts for about 70 percent of the overall increase in the size of the population, and the greater number of births than deaths accounts for the remaining 30 percent. After 2034, population growth is increasingly driven by net immigration (the number of people who migrate to the United States in a given year minus the number who leave in that year), which accounts for all population growth beginning in 2042.<sup>2</sup>

1. For CBO's most recent published projections, see Congressional Budget Office, *The Demographic Outlook: 2023 to 2053* (January 2023), [www.cbo.gov/publication/58612](http://www.cbo.gov/publication/58612). CBO expects to publish its next comprehensive demographic projections in January 2024.

2. In this testimony, population refers to the Social Security area population, which includes all residents of the 50 states and of the District of Columbia, as well as civilian residents of U.S. territories. It also includes federal civilian employees and members of the U.S. armed forces living abroad and their dependents, U.S. citizens living abroad, and noncitizens living abroad who are eligible for Social Security benefits on the basis of their earnings while in the United States. CBO's estimate of the Social Security area population on January 1 of a given year is based on the population on January 1 of the previous year and the projected numbers of people who are born in or immigrate to the United States and who die in or emigrate from the United States during that year.

The population is about 3 percent larger in 2053 in the agency's preliminary projections than the agency projected in January of this year. (Comparisons are made for 2053 because that was the final year of the projections that CBO released in January of this year.) That increase is largely driven by upward revisions to the agency's estimates of net immigration among foreign-born people without legal status.<sup>3</sup>

### Components of Total Population Growth

Population growth is determined by births, deaths, and net immigration (see Figure 1). In CBO's preliminary projections, fertility rates remain lower than the replacement rate (the fertility rate required for a generation to exactly replace itself in the absence of immigration), mortality rates generally continue to decline, and immigration becomes an increasingly important part of overall population growth.

CBO's projections of the population over the 2024–2054 period are highly uncertain. If rates of fertility, mortality, or net immigration were higher or lower than in the agency's projections, then the resulting population would differ from the amounts discussed here. The effects would be larger in later years of the projection period than in the earlier years because differences in those rates compound over time.

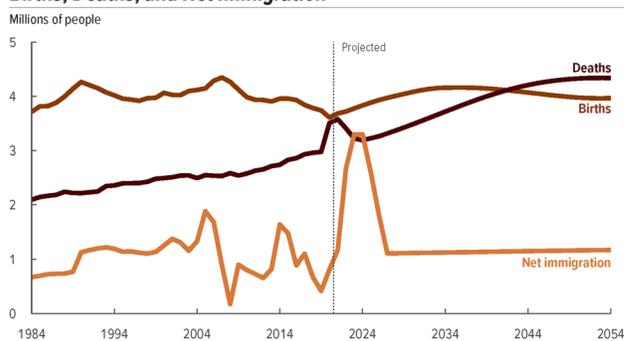
### Fertility

CBO's projections of fertility are based on historical trends and other factors. For the 20 years before the 2007–2009 recession, the total fertility rate for women of childbearing age—ages 14 to 49—averaged 2.02 children per woman.<sup>4</sup> After peaking at 2.12 in 2007, the total fertility rate generally fell (largely because of lower fertility rates among women age 24 or younger),

3. CBO uses the term foreign-born people without legal status to refer to foreign-born people who entered the United States illegally or who entered legally with a temporary status and then remained after that legal status expired; generally, such people are not authorized to work in the United States. Foreign-born people without legal status also include beneficiaries under Temporary Protected Status, beneficiaries under policies whereby the executive branch does not seek their immediate deportation (such as Deferred Action for Childhood Arrivals), and people who are paroled and allowed into the country while awaiting deportation proceedings in immigration courts. Many of those people are authorized to work in the United States.

4. The total fertility rate represents the average number of children that a woman would have if, in each year of her life, she experienced the birth rates observed or assumed for that year and if she survived her entire childbearing period.

Figure 1.

**Births, Deaths, and Net Immigration**

Data source: Congressional Budget Office. See [www.cbo.gov/publication/59683#data](http://www.cbo.gov/publication/59683#data).

reaching a low of 1.64 births per woman in 2020 and then increasing to 1.67 births per woman in 2023.<sup>5</sup>

In CBO's projections, the total fertility rate equals 1.67 births per woman in 2024 and then rises as fertility rates among women ages 30 to 49 increase. By 2034, the total fertility rate is 1.75 births per woman and remains so through 2054. That rate is below the replacement rate of 2.1 births per woman. In CBO's projections, fertility rates rise for women of relatively older childbearing ages and fall for women of relatively younger childbearing ages. That pattern is consistent with the trends of delayed childbearing and the rising average age of mothers at first birth.

CBO's projections of trends in fertility are a source of uncertainty. If trends in fertility, such as the rising average age of mothers at first birth, differed from CBO's expectations, then the agency's projections of fertility rates and the age distribution of mothers would change.

**Mortality**

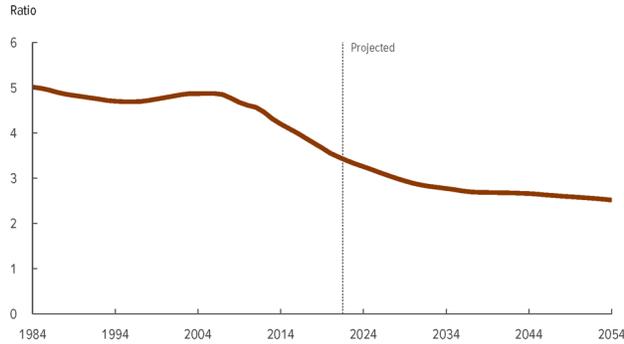
CBO projects mortality rates on the basis of historical trends. The agency then takes into account the effects of COVID-19.

Since at least the early 20th century, mortality rates in the United States have generally decreased (meaning that life expectancy has generally risen) and have decreased more quickly for younger people than for older people. Since about 2010, though, the overall rate of decline has slowed, and mortality rates have increased for some groups, particularly younger people. To account for those changes, CBO estimates that mortality rates from 2021 to 2025 will decrease at roughly the same average rate as they did from 2010 to 2019. After 2025, mortality rates are projected to return to longer-term trends and decline at a faster average rate than they did between 2010 and 2019. In CBO's projections, after 2025, mortality rates decline at the average rate that they declined between 1950 and 2019.

After projecting mortality rates on the basis of historical trends, CBO incorporated the effects of COVID-19 on mortality rates through 2025 by increasing those rates, especially for older people (who are more likely to die from that illness). Although COVID-19 was a leading cause of death in recent years, in CBO's projections, the long-term trend of declining mortality rates

5. Brady E. Hamilton, Joyce A. Martin, and Michelle J. K. Osterman, *Births: Provisional Data for 2022*, Vital Statistics Rapid Release 28 (National Center for Health Statistics, June 2023), [www.cdc.gov/nchs/data/vsrr/vsrr028.pdf](http://www.cdc.gov/nchs/data/vsrr/vsrr028.pdf); and Congressional Budget Office, *The Demographic Outlook: 2023 to 2053* (January 2023), [www.cbo.gov/publication/58612](http://www.cbo.gov/publication/58612).

Figure 2.

**Size of the Population Ages 20 to 64 in Relation to the Population Age 65 or Older**

Data source: Congressional Budget Office. See [www.cbo.gov/publication/59683#data](http://www.cbo.gov/publication/59683#data).

continues and more than offsets the projected effects of COVID-19 in the surviving and future population. As a net result, mortality rates continue to decline in CBO's projections, and life expectancy at age 65 increases.

Mortality rates in the long term are uncertain because factors such as the evolution of medical technology and environmental conditions may have different effects in the future than they have had in the past. In addition, how long the recent slowdown in the decline of the mortality rate will continue is a source of uncertainty.

**Net Immigration**

For the first two decades of the projection period (from 2024 to 2044), CBO's estimates of net immigration are based on the agency's assessment of recent trends in immigration. From 2045 to 2054, net immigration in a given year is projected to grow at roughly the same rate as projected overall population growth in the previous year—0.2 percent per year, on average.

CBO estimates that net immigration to the United States was 2.7 million in 2022 and will amount to 3.3 million in 2023. The agency projects net immigration to the United States of 3.3 million in 2024, 2.6 million in 2025, 1.8 million in 2026, and an average of 1.1 million

people per year over the 2027–2054 period. The larger numbers in the next three years primarily stem from CBO's projection that the net number of foreign-born people without legal status entering the United States in 2024 will be similar to CBO's estimate for 2023 and then will become smaller in 2025 and 2026—as the immigration system adjusts (without new legislation) to the influx of new immigrants. In 2027 and later years, the number of foreign-born people without legal status returns to a number that is more typical of historical experience.

Several key factors contribute to the uncertainty of CBO's projections of net immigration. Changing conditions in immigrants' countries of origin, for example, could affect outcomes significantly. In addition, estimates and projections of the net immigration of foreign-born people without legal status are particularly uncertain, as information for that group can be difficult to come by and difficult to assess when available.

**The Age Composition of the Population**

The population is projected to become older, on average, over the 2024–2054 period. In CBO's preliminary projections, the number of people ages 20 to 64 measured in

relation to the number of people age 65 or older declines (see Figure 2). In particular, the number of people in the younger age group—who are more likely to work and who generally pay more in taxes—grows more slowly than the number of people in the older age group—who are less likely to work, generally pay less in taxes, and are generally eligible for Social Security and Medicare.

In CBO's most recent long-term projections, the aging of the population pushes up projected outlays for Social Security and the major health care programs, both of which grow faster than the economy. Combined, they grow faster than other federal noninterest spending. In the agency's projections, outlays for Social Security increase from 5.1 percent of gross domestic product (GDP) in 2023 to 6.2 percent in 2053. Outlays for the major health care programs rise from 5.8 percent of GDP to 8.6 percent over that period as the average age of the population increases and health care costs grow. In 2023, outlays for Social Security, Medicare, and Medicaid, for people age 65 or older, amount to less than 30 percent of all federal noninterest spending; but in 2053, such outlays amount to more than 40 percent of all noninterest spending.<sup>6</sup>

### Changes in CBO's Population Projections Since January 2023

Changes to projected rates of fertility, mortality, and, in particular, net immigration mean that CBO now anticipates that the population will be larger and grow faster, on average, than the agency projected in January of this year. In 2053 (the final year covered in January's demographic report), the population is projected to be 3.1 percent larger (comprising 11.6 million more people) in the preliminary projections than in its projections published in January 2023.

The changes to projected rates of fertility and mortality are small compared with those to net immigration, so this testimony focuses on the changes to net immigration. In January 2024, CBO will release a new demographic report with more detailed information on the

changes, including those to projections of fertility, mortality, and immigration by people with and without legal status.

In the projections discussed here, net immigration is larger than January's projected amounts by 2.1 million people in 2024, primarily because net immigration of foreign-born people without legal status is greater. In CBO's assessment, that increase is mostly driven by two factors:

- Officials of the U.S. Customs and Border Protection (CBP) are encountering more people attempting to enter the country at the southwest border and are releasing more of them into the United States with humanitarian parole or with a notice to appear before an immigration judge; and
- More people are illegally entering the country without encountering CBP officials.

Data from the Department of Homeland Security indicate that increases in net immigration of foreign-born people without legal status stemming from those factors occurred in recent years. Also, data from the Current Population Survey show increases in the foreign-born share of the population in 2022 and 2023 that are broadly consistent with the increases in net immigration of foreign-born people without legal status, although those data do not provide information about the legal status of people or about the underlying factors. In CBO's projections, net immigration of foreign-born people without legal status remains elevated from 2024 through 2026; by 2027, that net flow returns to a number that is more typical of historical experience.

Daniel Crown, Xinzhe Cheng, Molly Dahl, Mark Doms, Madeleine Fischer, Jeffrey Kling, David Newman, David Rafferty, and Sam Papenfuss prepared this testimony. Caitlin Verboon edited it, and R. L. Rebach created the figures and prepared the text for publication. The testimony is available at [www.cbo.gov/publication/59683](http://www.cbo.gov/publication/59683).

6. Congressional Budget Office, *The 2023 Long-Term Budget Outlook* (June 2023), [www.cbo.gov/publication/59014](http://www.cbo.gov/publication/59014).

TESTIMONY

Before the Joint Economic Committee of the U.S. Congress

For the Committee's Hearing on  
"Aging Americans and a Waning Workforce: Demographic Drivers of our Deficit"

November 15, 2023

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Retirement Savings Project Director  
The Pew Charitable Trusts

Chairman Heinrich, Vice Chairman Schweikert, and members of the committee, thank you for the privilege of appearing today to discuss issues regarding population aging and retirement security.

As we all know, the United States is aging. According to the Census Bureau, by 2034, adults aged 65 and older are projected to outnumber individuals under the age of 18 for the first time in U.S. history.<sup>1</sup> The combination of large numbers of older Americans combined with the changed age composition of the U.S. population will have many repercussions. A recent Census Bureau report noted:

As life expectancy continues increasing, consideration must be given to the quality of life at older ages. Population aging will have substantial implications for public health, social services, and health care systems within the United States. Since older adults are more likely to suffer from chronic conditions, health care costs will likely increase as aging continues. These mortality projections provide insight into future population aging patterns and serve as a tool for gauging future demand on the nation's social services and health care systems.<sup>2</sup>

I will discuss some of the driving forces behind the changes, such as increasing life expectancy and decreasing fertility, as well as associated trends in work and implications for retirement security. I will make three main points:

1. The population of the United States is aging both in terms of absolute number of older persons and in terms of their number relative to the working age population;
2. An aging workforce presents both challenges and opportunities for the country;
3. Aging of the population and insufficient retirement savings will have serious implications for both federal and state budgets.

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<sup>1</sup> Medina, L., S. Sabo, J. Vespa, 2020, "Living Longer: Historical and Project Life Expectancy in the United States, 1960 to 2060," U.S. Census Bureau, <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1145.pdf>

<sup>2</sup> Ibid., p. 12.

### **Aging in the United States**

Research commissioned by Pew using Census Bureau data projects the U.S. population will increase from 330 million in 2020 to 372 million in 2040.<sup>3</sup> The nation's older population (ages 65 and up) should increase by 50% over the same period. In 2020, there were 54.1 million Americans aged 65 and older, but by 2040, that number will rise to an estimated 81.5 million. This rate of growth is nearly ten times as fast as the growth of the population under age 65, which will likely increase by only 5% over the same period (Table 1).

**Table 1: Projected Population Growth – Older and non-Older**

<b>Metric</b>	<b>&lt;65 Population</b>	<b>65+ Population</b>	<b>Total Population</b>
2020 Population (millions)	276.2	54.1	330.4
2040 Projected Population (millions)	290.9	81.5	372.4
Projected Population Growth (millions)	14.7	27.3	42.0
Projected Population Growth (%)	5%	50%	13%
2020 Share of Population (%)	84%	16%	
2040 Share of Population (%)	78%	22%	

Source: Pew/Econsult Solutions (ESI) Analysis of 2020 Decennial Census & U.S. Census Bureau Long-Term Projections

The age composition of the older population will also change. In 2020, just 40% of the older population was 75 years of age or older; just 11% was 85 years or older. Between 2020 and 2040, both the 75+ and 85+ cohorts will likely double in size, and by 2040 the majority (55%) of the older population is projected to be 75 or older (Table 2).

**Table 2. Projected Age Distribution Among the Older Population, 2020-2040**

<b>Metric</b>	<b>2020</b>	<b>2040</b>	<b>Growth 2020- 2040</b>
Total Older Adult Population (millions)	54.1	81.5	50%
Population 75+ (millions)	21.8	45.1	107%
Population Share 75+ (%)	40%	55%	
Population 85+ (millions)	6.0	14.3	137%
Population Share 85+ (%)	11%	18%	

Source: Pew/ESI Analysis of 2020 Decennial Census & U.S. Census Bureau Long-Term Projections

Given the differing rates of changes in the older and younger populations, the relative composition between older and younger households will also shift. Older Americans made up 16% of the total U.S. population in 2020 but will claim a 22% share by 2040.

<sup>3</sup> Econsult Solutions, Inc., 2023, "The Cost of Doing Nothing. Federal and State Impacts of Insufficient Retirement Savings," [https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts\\_of\\_Insufficient\\_Retirement\\_Savings\\_May2023.pdf](https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf). Population projections are drawn from the [2017 National Population Projections](#) data series, which provides national projections by age cohort through 2060. These projections are updated by utilizing 2020 decennial Census population figures to replace 2020 projections, and then applying the projected "progression rate" of each cohort as it ages in 5-year increments to this updated base.

- **State variation:** While the whole country will experience population aging, population aging will not be uniform across all states. Table S1 at the end of this testimony provides aging trends for all 50 states and the District of Columbia. For example, in Nevada the population of those aged 65 and older will increase from 497,300 people in 2020 to just over 1 million in 2040, a 102% increase. In contrast, West Virginia will see an 18% increase in its older population.

Overall, however, the trend nationally is for a growing number of older households to rely on a smaller number of working-age households. A **dependency ratio** of older households (headed by those aged 65 and older) to working age households (18 to 64 years of age) illustrates this. In 2020, there were 37 older households for every 100 working-age households, but by 2040 there are projected to be 54 older households for every 100 working age households. This will increase the dependency ratio nationwide by 46%. This compositional shift will create significant fiscal pressure on government because working-age households form the core of the federal and state tax base. Moreover, long-term trends like increased longevity and reduced birth rates, discussed below, will likely cement this new balance for future generations.

- At the **state level**, Table S2 at the end of the testimony gives a 50-state breakdown of dependency ratios and how they will change by 2040. For example, Nevada's dependency ratio will increase by 75% while North Dakota's will see a very modest 7% increase over that 20-year period.

**The U.S. is not an outlier.** Much of the world is undergoing a similar aging process. According to the International Monetary Fund, worldwide life expectancy at birth changed from just 67 years old in 2000 to 72 in 2022 and should surpass 77 by 2050.<sup>4</sup> With fertility rates dropping over the same period, we will see a growth in the share of older persons worldwide and across rich and poor countries. "When the United Nations and World Health Organization (WHO) were established, there were seven times more children under age 15 than people 65 and older; by 2050, these groups will be about the same size."<sup>5</sup>

#### **Factors Driving Population Aging**

Two types of forces drive the growth and composition of the population: those that reduce the population-- deaths and out-migration-- and those that increase the population, births and in-migration.

**Births/fertility rate:** In 2021, there were 3.6 million registered births in the United States, a modest 1% increase from 2020, but lower in absolute terms than 2019 births. Birth rates began dropping when the baby boom ended in the mid-1960s.<sup>6</sup> Women in the late 1970s on average gave birth to 2.2 children over their lifetimes; women today are forecast to bear 1.4 to 1.9 children during their lives. These long-term trends suggest that U.S. birth rates will not rebound in the near term.<sup>7</sup>

**Life expectancy:** Increasing life expectancy also adds to the increasing ratio of older households to working-age households. In the United States, aging is the result of more people surviving to age 65 as well as those who reach age 65 living longer than ever before.

<sup>4</sup> Bloom, D.E., and L.M. Zucker, 2023, "Aging is the Real Population Bomb," International Monetary Fund, <https://www.imf.org/en/Publications/fandd/issues/Series/Analytical-Series/aging-is-the-real-population-bomb-bloom-zucker>

<sup>5</sup> Ibid.

<sup>6</sup> Centers for Disease Control, 2023, "Births: Final Data for 2021," National Vital Statistics Reports, Vol. 72, No. 1, <https://www.cdc.gov/nchs/data/nvsr/nvsr72/nvsr72-01.pdf>

<sup>7</sup> Kearney, M.S., and P. Levine, 2021, "Will births in the US rebound? Probably not," Brookings Institute, <https://www.brookings.edu/articles/will-births-in-the-us-rebound-probably-not/>.

Longevity has increased:

- In 1935, the year that Social Security was created, life expectancy at birth was 61.7 years.
- By 1974, when Congress enacted the comprehensive federal pension law ERISA, life expectancy at birth was 72.0 years.<sup>8</sup>
- In 2021, the latest estimate available, life expectancy at birth was 76.4 years.<sup>9</sup>

Those who reach the age of 65 have seen a similar trend. In 1960, average life expectancy after age 65 was 14.3 years; by 2021, a 65-year-old person could expect on average to live another 18.3 years longer. These numbers vary by gender, race, and ethnicity. According to the CDC, the average life expectancies at age 65 by gender, race and ethnic group in 2021 were:<sup>10</sup>

- Men: 16.9 years
- Women 19.6 years
- Hispanic: 19.3 years
- Black: 16.5 years
- White: 18.3 years
- Asian: 21.9 years
- American Indian/Alaskan Native: 16.3 years

**Migration** will be modestly net positive into the future as more individuals migrate in than migrate out.<sup>11</sup> According to the CBO, “Population growth is generally projected to slow between 2023 and 2053, averaging 0.3 percent per year over that period. That growth will be increasingly driven by immigration as fertility rates remain below the rate that would be required for a generation to exactly replace itself in the absence of immigration.”<sup>12</sup>

#### **Aging and Retirement Security**

**Retirement Readiness and Savings Gaps:** Retirement readiness is important to older Americans’ quality of life but also to the government’s fiscal situation. Research commissioned by Pew and others show that current retirees are falling well short of recommended income replacement standards.<sup>13</sup> The Pew-sponsored analysis developed two scenarios for older households from 2020 to 2040: A “baseline” scenario based on current trends in retirement savings and a “sufficient savings” scenario in which households achieve recommended savings levels to maintain their standard of living in retirement.

The differential between these scenarios represents the gap between the income that retirees will likely receive and what they could receive if they saved enough to reach a recommended income in retirement, which is defined as 75% of preretirement income. The analysis did not look at all households

<sup>8</sup> Bastian, B., B. Tejada Vera, E. Arias, et al., 2020, “Mortality trends in the United States, 1900–2018.” National Center for Health Statistics. <https://www.cdc.gov/nchs/data-visualization/mortality-trends/index.htm>.

<sup>9</sup> Xu, J., S.L. Murphy, K.D. Kochanek, and E. Arias, 2022, “Mortality in the United States, 2021,” National Center for Health Statistics Data Brief No. 456 (December), <https://www.cdc.gov/nchs/data/databriefs/db456.pdf>.

<sup>10</sup> Arias, E., B. Tejada-Vera, K.D. Kochanek, and F.B. Ahmad, 2022, “Provisional Life Expectancy Estimates for 2021,” NVSS Vital Statistics Rapid Release Report No. 23 (August), <https://www.cdc.gov/nchs/data/vsrr/vsrr023.pdf>

<sup>11</sup> Knapp, A., and T. Lu, 2022, “Net Migration Between the United States and Abroad in 2022 Reaches Highest Level Since 2017,” U.S. Census Bureau, <https://www.census.gov/library/stories/2022/12/net-international-migration-returns-to-pre-pandemic-levels.html#:~:text=Net%20Migration%20Between%20the%20United,Reaches%20Highest%20Level%20Since%202017&text=The%20U.S.%20Census%20Bureau%20projects,its%20lowest%20levels%20in%20decades>; Directorate of National Intelligence, 2021, “The Future of Migration,” <https://www.dni.gov/index.php/rt2040-home/rt2040-deeper-looks/future-of-migration>.

<sup>12</sup> Congressional Budget Office, 2023, “The Demographic Outlook: 2023 to 2053,” <https://www.cbo.gov/publication/58612>.

<sup>13</sup> EconSolutions, 2023, “The Cost of Doing Nothing: Federal and State Impacts of Insufficient Retirement Savings.” Much of the following discussion is based on this research and will not be referenced.

but only at those households with income above the federal poverty level but below \$75,000 a year, a group of households that we considered to be economically vulnerable.

Under these scenarios, the average annual income shortfall in retirement is projected to be \$7,050 in 2040.<sup>14</sup>

The shortfalls in retirement savings have significant implications for the quality of life of millions of these economically vulnerable households. But the analysis also estimated how much households must save to reduce the estimated income gaps in retirement. Based on standardized financial assumptions, addressing the estimated retiree income gap of \$7,050 requires a lump sum of around \$117,500 at retirement. Over a 30-year time horizon at standard market assumptions, achieving this level of assets requires an annual savings level of \$1,685, or about \$140 per month (Table 3).

**Table 3. Savings Needed to Close the Retirement Income Gap for HH <\$75,000.**

Savings Period	30 years
Annual Return	5%
Annuity Rate	6%
Avg. Income Shortfall in Retirement	\$7,050
Avg. Asset Amount to Close Income Shortfall	\$117,500
Annual Savings to Close Income Shortfall	<b>\$1,685</b>
Monthly Savings to Close Income Shortfall	<b>\$140</b>

*Source: ESI Financial Modeling*

Saving an additional \$140 a month is manageable for many households but not for all. However, even modest levels of accumulated savings – short of totally reducing the retiree income gap – can provide a buffer to help vulnerable households manage their finances more effectively, improving financial outcomes and quality of life, as well as reducing the fiscal impact of insufficient savings as discussed below.

**Fiscal Impacts.** The retirement readiness of American households also affects the cost of social assistance programs. Not having enough retirement savings increases the likelihood that a household will need social assistance.

Many senior-serving programs are means-tested for eligibility or benefit levels. Annual federal spending on seniors within selected programs (excluding Social Security and Medicare, which are not dependent on senior income levels) will total an estimated \$109.6 billion as of 2020. Several of these programs also

<sup>14</sup> Recent research by Vanguard also shows that individuals will fall short of an income target in retirement. Vanguard, 2023, “The Vanguard Retirement Outlook: A national perspective on retirement readiness,” [https://corporate.vanguard.com/content/dam/corp/research/pdf/the\\_vanguard\\_retirement\\_outlook.pdf](https://corporate.vanguard.com/content/dam/corp/research/pdf/the_vanguard_retirement_outlook.pdf). What is innovative of the Vanguard research is that it looks at individuals by income quartile and assigns a different retiree income target for each based on the assumption that low-income individuals need to replace a higher portion of their working income in retirement than higher income individuals. Yet, despite a more customized income replacement target, Vanguard’s findings still show that all income groups will fall short in retirement even after factoring in Social Security.

have state-funded components, which are estimated to contribute an additional \$36.7 billion in costs as of 2020 (Table 4).<sup>15</sup>

**Table 4. Selected Benefit Program Expenditures for Older Residents, 2020**

<b>Program</b>	<b>Est. 2020 Federal Expenditures on Older (\$M)</b>	<b>Est. 2020 State Expenditures on Older (\$M)</b>
Medicaid	\$74,466	\$28,443
Medicare Part D Low Income Subsidy	\$19,500	\$7,169
Supplemental Security Income	\$6,864	-
SNAP	\$5,746	\$841
Low Income Home Energy Assistance	\$1,071	-
Supportive Housing for the Elderly (Sect 202)	\$594	-
Older Americans Act Programs:		
Nutrition Program for the Elderly	\$859	\$149
Supportive Services & Senior Centers	\$366	\$63
Caregiver Support	\$183	\$60
<b>Total</b>	<b>\$109,649</b>	<b>\$36,725</b>

*Source: Congressional Research Service, Pew/ESI Analysis of Program and Demographic Data*

Under the baseline scenario, described above, of current retirement savings trends, federal expenditures on the older adult population within the selected programs are projected to grow to \$201 billion by 2040 (Figure 1). Increasing savings to a level that erases the expected retiree income shortfall of \$7,040 per household would significantly reduce these federal expenditures by an estimated \$61 billion in 2040 and **by \$990 billion over the 20-year period** from 2021-2040 (Figure 2). In other words, insufficient saving is expected to cost these federal programs nearly a trillion dollars through 2040.

Current insufficient savings will also cost state budgets for their share of social assistance programs that benefit older residents. Table S3 at the end of this statement provides a state-by-state breakdown of these costs cumulatively over the 2021-2040 period (in 2020 dollars). The aggregate cost for the states is an estimated **\$334 billion**.

<sup>15</sup> Notably, actual expenditures for Federal Fiscal Year 2020 included the initial six months of the COVID-19 pandemic, which resulted in significantly increased expenditures for many of these programs on an emergency basis. To avoid biasing long-term analysis, an “estimated FY 2020” expenditure was developed for this study by the recent annualized rate of growth for each program to actual expenditures for FY 2019.

Figure 1. Annual Federal Program Expenditures by Scenario, 2021-2040 (\$2020B)

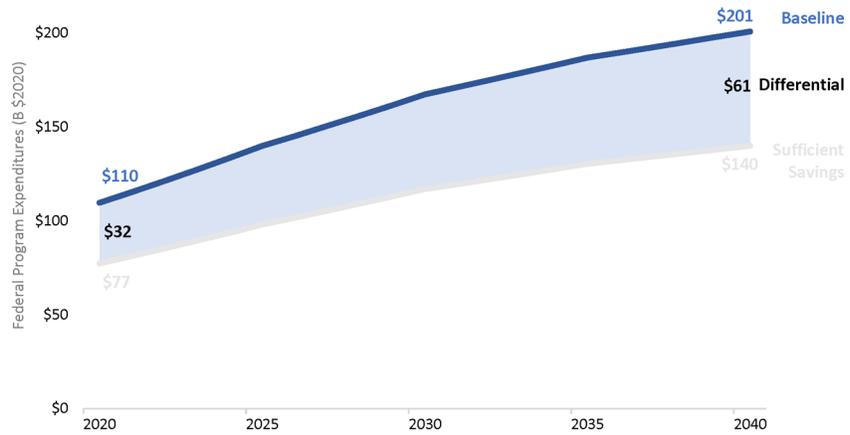
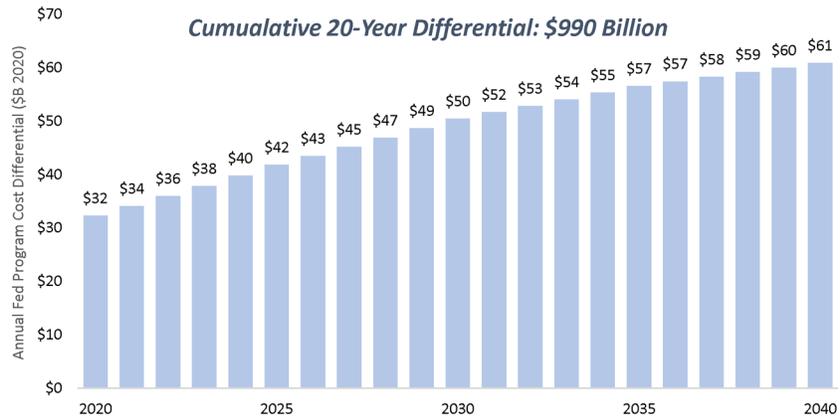


Figure 2. Net Federal Expenditure: Baseline Minus Sufficient Savings Scenarios, 2021-2040 (\$2020B)



**Work or Save More?**

These fiscal pressures from population aging can be overcome, at least in part, from additional work or increased savings. In terms of work, labor force participation among older Americans is rising. In 2002, 20% of adults 65 to 74 years old were employed, but that rate rose to 27% by 2022 and is expected to continue climbing.<sup>16</sup>

This increase in employment at older ages may reflect changes in the skills needed in jobs as well as changes in the skills of workers. For example, according to the Population Reference Bureau, older workers today have higher levels of educational attainment. In 1965, only 5% of people ages 65 and older had attained a bachelor's degree, but the share with a bachelor's increased to 29% by 2018.<sup>17</sup>

Health care issues, however, may keep many older Americans from working longer. Research suggests older age is associated with an increased risk of disability, disease, and chronic health conditions.<sup>18</sup> According to the Department of Labor, 4% of 24-year-olds report health conditions that limit the kind of work they can do but 21% of 56-year-olds report work-limiting health conditions.<sup>19</sup>

Regarding more savings, we described above how additional savings can reduce or eliminate the fiscal impacts of population aging. There are several initiatives to boost retirement savings, including pooled employer plans and a revised federal savers tax credit from recent federal legislation, and more than 15 states are implementing savings programs for workers without retirement benefits. It's too early, however, to tell whether these initiatives will significantly reduce the fiscal impacts of insufficient retirement savings.

**Conclusion**

The aging population in the United States is growing, older people are living longer, and the ratio of older households to working-age households is growing. These factors are already combining to put enormous pressure on state budgets and federal programs designed to support older Americans, and those pressures will increase in the coming years. While many older Americans are working longer, that trend will likely not sufficiently ease the overall strains of an aging population, and too few households are saving enough money to support retirement. Policymakers would be wise to implement measures that encourage greater savings during an individual's working years to provide adequate retirement savings and lessen future demands on state and federal programs.

<sup>16</sup>U.S. Bureau of Labor Statistics, 2023, "Employment Trends. Civilian Labor Force Participation Rates by Age, Sex, Race and Ethnicity," <https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm>.

<sup>17</sup> Population Reference Bureau, 2019, "Fact Sheet: Aging in the United States," <https://www.prb.org/resources/fact-sheet-aging-in-the-united-states/>.

<sup>18</sup> Wah He and Luke Larsen, 2014. "Older Americans with a Disability," [https://www.aisrael.org/\\_Uploads/dbsAttachedFiles/acs-29.pdf](https://www.aisrael.org/_Uploads/dbsAttachedFiles/acs-29.pdf); <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1145.pdf>.

<sup>19</sup> U.S. Bureau of Labor Statistics, 2023, "Number of Jobs, Labor Market Experience, Marital Status, and Health for those Born 1957-1964," Economic News Release (August 22), <https://www.bls.gov/news.release/nlsov.nr0.htm>.

Table S1. Projected Population Growth by State, 2020 and 2040

State	Population <65			Population 65+		
	<65 Pop 2020	<65 Pop 2040	% Chg	Older Pop 2020	Older Pop 2040	% Chg
<b>National</b>	<b>276,214,400</b>	<b>290,919,200</b>	<b>5%</b>	<b>54,136,600</b>	<b>81,457,800</b>	<b>50%</b>
Alabama	4,147,800	3,942,100	-5%	864,700	1,187,100	37%
Alaska	619,600	620,300	0%	93,000	141,200	52%
Arizona	5,853,300	6,672,300	14%	1,279,800	2,362,100	85%
Arkansas	2,491,000	2,464,600	-1%	516,300	721,300	40%
California	33,606,600	35,252,500	5%	5,787,400	8,995,800	55%
Colorado	4,894,100	5,978,900	22%	843,200	1,446,900	72%
Connecticut	2,968,900	2,671,200	-10%	632,000	868,700	37%
Delaware	794,800	848,800	7%	191,800	292,500	52%
Florida	17,032,400	20,611,400	21%	4,446,600	7,588,400	71%
Georgia	9,126,600	9,873,500	8%	1,523,600	2,537,700	67%
Hawaii	1,139,100	1,163,800	2%	274,200	400,800	46%
Idaho	1,537,600	1,782,300	16%	298,200	504,100	69%
Illinois	10,740,100	9,484,100	-12%	2,052,400	2,689,400	31%
Indiana	5,700,400	5,581,200	-2%	1,084,100	1,503,500	39%
Iowa	2,638,100	2,648,700	0%	552,000	758,500	37%
Kansas	2,440,100	2,335,900	-4%	475,700	650,000	37%
Kentucky	3,739,800	3,649,100	-2%	751,400	1,041,100	39%
Louisiana	3,901,900	3,866,500	-1%	740,300	972,300	31%
Maine	1,074,200	981,200	-9%	287,300	401,100	40%
Maryland	5,173,300	5,268,700	2%	972,800	1,415,800	46%
Massachusetts	5,845,200	6,013,400	3%	1,181,000	1,712,800	45%
Michigan	8,302,600	7,652,100	-8%	1,772,600	2,366,300	33%
Minnesota	4,781,400	4,956,500	4%	924,400	1,413,100	53%
Mississippi	2,466,300	2,247,700	-9%	482,500	654,700	36%
Missouri	5,083,900	4,864,400	-4%	1,054,800	1,443,500	37%
Montana	873,300	969,700	11%	207,600	295,800	42%
Nebraska	1,642,900	1,731,200	5%	312,500	446,000	43%
Nevada	2,596,900	3,032,400	17%	497,300	1,003,400	102%
New Hampshire	1,120,300	1,045,500	-7%	256,600	397,500	55%
New Jersey	7,757,200	7,384,000	-5%	1,524,500	2,113,000	39%
New Mexico	1,726,200	1,615,800	-6%	379,100	556,600	47%
New York	16,783,200	16,152,100	-4%	3,397,900	4,358,400	28%
North Carolina	8,604,100	9,363,600	9%	1,729,600	2,786,400	61%
North Dakota	650,900	863,400	33%	121,100	184,100	52%
Ohio	9,744,800	9,128,200	-6%	2,047,700	2,682,100	31%
Oklahoma	3,311,700	3,466,500	5%	628,800	872,000	39%
Oregon	3,471,500	3,959,900	14%	764,300	1,161,700	52%
Pennsylvania	10,591,600	9,811,200	-7%	2,408,200	3,155,900	31%
Rhode Island	900,900	1,385,200	54%	192,900	262,800	36%
South Carolina	4,154,200	4,684,700	13%	927,800	1,435,200	55%
South Dakota	732,600	808,300	10%	150,900	226,800	50%
Tennessee	5,742,700	6,087,600	6%	1,148,100	1,714,400	49%
Texas	25,310,200	31,581,000	25%	3,715,800	6,668,400	79%
Utah	2,896,400	3,583,100	24%	371,100	703,300	90%
Vermont	514,500	460,500	-10%	128,400	178,900	39%
Virginia	7,168,700	7,529,200	5%	1,362,100	2,058,100	51%
Washington	6,445,800	7,712,300	20%	1,210,800	1,970,100	63%
West Virginia	1,429,300	1,244,000	-13%	364,200	431,300	18%
Wisconsin	4,868,800	4,587,300	-6%	1,023,400	1,483,300	45%
Wyoming	474,600	437,200	-8%	99,500	137,800	39%
Washington D.C.	602,100	864,000	43%	84,300	105,900	26%

Table S2. Dependency Ratio (Households 65+: Households &lt;65) by State, 2020 and 2040

State	Dependency Ratio 2020	Dependency Ratio 2040	% Chg
<b>National</b>	<b>0.37</b>	<b>0.54</b>	<b>46%</b>
Alabama	0.40	0.57	44%
Alaska	0.29	0.44	54%
Arizona	0.43	0.69	62%
Arkansas	0.40	0.56	39%
California	0.33	0.50	51%
Colorado	0.32	0.46	42%
Connecticut	0.40	0.61	54%
Delaware	0.45	0.65	45%
Florida	0.48	0.68	40%
Georgia	0.32	0.50	55%
Hawaii	0.45	0.65	43%
Idaho	0.39	0.56	46%
Illinois	0.36	0.54	49%
Indiana	0.37	0.52	41%
Iowa	0.41	0.55	35%
Kansas	0.39	0.55	42%
Kentucky	0.38	0.54	40%
Louisiana	0.37	0.48	30%
Maine	0.48	0.73	52%
Maryland	0.35	0.51	44%
Massachusetts	0.37	0.53	41%
Michigan	0.40	0.59	45%
Minnesota	0.37	0.54	47%
Mississippi	0.38	0.56	48%
Missouri	0.40	0.57	42%
Montana	0.45	0.57	26%
Nebraska	0.38	0.51	33%
Nevada	0.36	0.63	75%
New Hampshire	0.41	0.69	67%
New Jersey	0.37	0.54	47%
New Mexico	0.43	0.66	55%
New York	0.38	0.51	34%
North Carolina	0.38	0.57	50%
North Dakota	0.38	0.41	7%
Ohio	0.40	0.56	40%
Oklahoma	0.38	0.49	30%
Oregon	0.41	0.54	33%
Pennsylvania	0.42	0.60	42%
Rhode Island	0.40	0.55	37%
South Carolina	0.42	0.58	37%
South Dakota	0.41	0.55	33%
Tennessee	0.38	0.53	41%
Texas	0.29	0.42	43%
Utah	0.28	0.41	50%
Vermont	0.46	0.70	53%
Virginia	0.36	0.52	44%
Washington	0.35	0.48	36%
West Virginia	0.47	0.63	33%
Wisconsin	0.40	0.61	53%
Wyoming	0.40	0.56	39%
Washington D.C.	0.26	0.22	-13%

Table S3. State Cumulative Program Costs from Insufficient Savings: 2021-2040 (in 2020 \$M)

	Medicaid	Medicare Part D	SNAP	OAA - Nutrition Services	OAA - Supportive Services	OAA - Caregiver Support	Net State Total 2021- 2040 (\$M)
<b>Total</b>	<b>\$237,894</b>	<b>\$88,598</b>	<b>\$6,661</b>	<b>\$421</b>	<b>\$372</b>	<b>\$382</b>	<b>\$334,328</b>
Alabama	\$1,989	\$1,713	\$59	\$6	\$5	\$6	\$3,779
Alaska	\$492	\$189	\$20	\$2	\$2	\$2	\$708
Arizona	\$2,167	\$1,784	\$100	\$11	\$9	\$10	\$4,082
Arkansas	\$1,795	\$907	\$32	\$4	\$3	\$3	\$2,744
California	\$50,339	\$11,313	\$1,221	\$46	\$40	\$41	\$63,000
Colorado	\$4,341	\$904	\$106	\$7	\$6	\$6	\$5,371
Connecticut	\$4,716	\$1,678	\$101	\$5	\$4	\$4	\$6,508
Delaware	\$788	\$283	\$21	\$2	\$2	\$2	\$1,097
Florida	\$9,948	\$6,718	\$220	\$34	\$30	\$34	\$16,983
Georgia	\$4,672	\$3,224	\$121	\$12	\$11	\$11	\$8,052
Hawaii	\$813	\$285	\$48	\$2	\$2	\$2	\$1,152
Idaho	\$765	\$360	\$16	\$2	\$2	\$2	\$1,147
Illinois	\$5,894	\$2,759	\$165	\$15	\$13	\$13	\$8,859
Indiana	\$4,980	\$1,758	\$95	\$8	\$7	\$7	\$6,856
Iowa	\$1,388	\$562	\$22	\$4	\$4	\$4	\$1,984
Kansas	\$1,508	\$465	\$38	\$4	\$3	\$3	\$2,020
Kentucky	\$1,990	\$1,486	\$91	\$6	\$5	\$5	\$3,582
Louisiana	\$1,616	\$1,853	\$71	\$5	\$5	\$5	\$3,555
Maine	\$939	\$662	\$26	\$2	\$2	\$2	\$1,633
Maryland	\$3,286	\$1,293	\$172	\$7	\$6	\$7	\$4,771
Massachusetts	\$11,185	\$2,594	\$137	\$9	\$8	\$8	\$13,941
Michigan	\$8,490	\$2,436	\$190	\$13	\$11	\$12	\$11,151
Minnesota	\$4,470	\$912	\$102	\$7	\$6	\$6	\$5,504
Mississippi	\$2,783	\$1,299	\$31	\$4	\$3	\$3	\$4,122
Missouri	\$1,940	\$1,401	\$50	\$8	\$7	\$7	\$3,412
Montana	\$521	\$198	\$15	\$2	\$2	\$2	\$740
Nebraska	\$694	\$298	\$23	\$2	\$2	\$2	\$1,022
Nevada	\$1,151	\$592	\$48	\$4	\$4	\$4	\$1,803
New Hampshire	\$669	\$257	\$13	\$2	\$2	\$2	\$946
New Jersey	\$8,819	\$1,763	\$391	\$11	\$10	\$10	\$11,005
New Mexico	\$1,574	\$695	\$26	\$3	\$2	\$3	\$2,303
New York	\$17,178	\$8,674	\$956	\$23	\$21	\$21	\$26,873
North Carolina	\$6,712	\$2,977	\$186	\$14	\$12	\$12	\$9,913
North Dakota	\$562	\$103	\$16	\$2	\$2	\$2	\$687
Ohio	\$8,715	\$2,863	\$179	\$15	\$13	\$13	\$11,797
Oklahoma	\$1,696	\$938	\$34	\$5	\$4	\$4	\$2,681
Oregon	\$2,465	\$688	\$188	\$6	\$5	\$5	\$3,356
Pennsylvania	\$15,127	\$3,633	\$295	\$17	\$16	\$16	\$19,104
Rhode Island	\$105	\$309	\$36	\$2	\$2	\$2	\$456
South Carolina	\$5,818	\$1,390	\$35	\$7	\$6	\$6	\$7,263
South Dakota	\$224	\$139	\$10	\$2	\$2	\$2	\$379
Tennessee	\$4,958	\$2,176	\$110	\$9	\$8	\$8	\$7,268
Texas	\$14,067	\$6,363	\$283	\$32	\$28	\$27	\$20,800
Utah	\$756	\$257	\$20	\$3	\$3	\$3	\$1,042
Vermont	\$545	\$213	\$19	\$2	\$2	\$2	\$782
Virginia	\$4,245	\$1,504	\$169	\$10	\$9	\$9	\$5,947
Washington	\$2,260	\$1,437	\$170	\$10	\$9	\$8	\$3,894
West Virginia	\$1,629	\$612	\$24	\$2	\$2	\$2	\$2,272
Wisconsin	\$3,125	\$1,270	\$117	\$8	\$7	\$7	\$4,535
Wyoming	\$391	\$72	\$6	\$2	\$2	\$2	\$475
District of Columbia	\$592	\$342	\$36	\$2	\$2	\$2	\$975

**Written Testimony for the Joint Economic Committee  
Aging Americans and a Waning Workforce: Demographic Drivers of our Deficit**

**The Honorable Benjamin H. Harris  
Vice President and Director of Economic Studies, The Brookings Institution  
Former Assistant Secretary for Economic Policy and Chief Economist, U.S. Department of  
the Treasury  
November 15, 2023**

Thank you to Chairman Heinrich, Vice Chairman Schweikert, and members of this committee for inviting me to testify at today's hearing. I am honored to appear before you to examine topics that I've studied throughout my career in public service and academia, in particular the intersection between an aging population and long-standing fiscal imbalances. Since the US's demographic shifts play an important role in this discussion, my testimony today will explore the ways an aging population can contribute to a deteriorating fiscal outlook, before presenting a menu of policy approaches that can mitigate these trends.

**The Consequences of an Aging Population on the Fiscal Outlook**

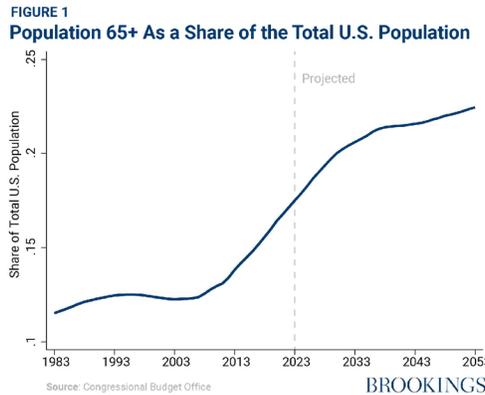
Over the next few decades, the United States will be forced to address the fiscal challenges of an aging population. Our nation is in the midst of a rapid demographic transition where the share of Americans aged 65 and older increases by roughly 0.4 percentage points per year between 2012 and 2030, over which time their population share will increase from 13 percent to 20 percent—with a slower rate of aging both before and after this quarter-century period (see Figure 1).<sup>1,2</sup> While the labor market impacts of this shift will be somewhat mitigated by increased labor force participation of older workers—the Bureau of Labor Statistics projects that between 2016 and 2026 the labor force participation rate of workers 65 and older will increase by 2.5 percentage points<sup>3</sup>—the ongoing aging of the population will define our fiscal challenges for the foreseeable future, making demographic shifts one of the most important economic trends today and moving forward.

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<sup>1</sup> Congressional Budget Office, "The 2023 Long-Term Budget Outlook," June 28, 2023, <https://www.cbo.gov/publication/59014>.

<sup>2</sup> The Census Bureau similarly predicts that one-in-five Americans will be 65 and older by 2030. Jonathan Vespa, Lauren Medina, and David M. Armstrong, "Demographic Turning Points for the United States: Population Projections for 2020 to 2060," *U.S. Census Bureau*, March 2018 (revised February 2020), <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf>.

<sup>3</sup> Bureau of Labor Statistics, "How Are Our Older Workers Doing?" *Commissioner's Corner*, May 20, 2019, <https://www.bls.gov/blog/2019/how-are-our-older-workers-doing.htm>.



This ongoing demographic transition has contributed to a sobering, and perhaps even dire, fiscal outlook. The Congressional Budget Office’s (CBO) long-term budget outlook projects that the national debt will reach 181 percent of Gross Domestic Product (GDP) by 2053—far above recent historical experience—and multiple independent analyses paint an even more pessimistic picture.<sup>4</sup> Ongoing concerns such as stagnating labor force participation, slow rates of productivity growth, and weak population growth—owing to low fertility rates and modest rates of immigration—contribute to this increase, but a consequential factor is increased entitlement spending due to an aging population and rising economywide health costs.

Stagnant rates of revenue growth, with tax revenues as a share of GDP that are lower than many competitor nations, have played an outsized role in driving persistent imbalances. The Tax Cuts and Jobs Act of 2017, projected by CBO to increase deficits by \$1.8 trillion over ten years,<sup>5</sup> has exacerbated the insufficient nature of the tax code. Over the next decade, even with a steadily growing economy and a healthy labor market, CBO projects that the primary budget deficit from 2024 to 2033 will amount to 2.9 percent of GDP, representing a structural imbalance divorced from macroeconomic fluctuations. As I will detail below, the path to addressing the long-term fiscal imbalance necessitates changes to our tax code to raise more revenue.

Rising interest payments on the US debt also bear special mention. While there is uncertainty about the path of future interest rates, the recent rise in ten-year Treasury bond yields—which some have attributed to increased concern about fiscal imbalances—suggests that debt service will rise sharply in the coming years.<sup>6</sup> In fact, CBO’s outlook estimates that interest payments on the

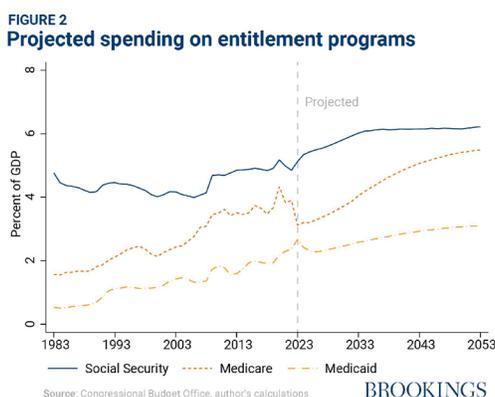
<sup>4</sup> For example, Committee for a Responsible Federal Budget, “Analysis of CBO’s June 2023 Long-Term Budget Outlook,” June 28, 2023, <https://www.crfb.org/papers/analysis-cbos-june-2023-long-term-budget-outlook>, and Alan J. Auerbach and William G. Gale, “The Federal Budget Outlook: An Update,” *Tax Notes*, August 21, 2023, <https://www.taxnotes.com/special-reports/budgets/federal-budget-outlook-update/2023/08/18/7h286>.

<sup>5</sup> Congressional Budget Office, “The Budget and Economic Outlook: 2018 to 2028,” April 9, 2018, <https://www.cbo.gov/publication/53651>.

<sup>6</sup> US Department of the Treasury, “Report to the Secretary of the Treasury from the Treasury Borrowing Advisory Committee,” *Press Releases*, November 1, 2023, <https://home.treasury.gov/news/press-releases/jy1865>.

national debt will eventually become the single biggest expenditure item at 6.7 percent of GDP in 2051—exceeding even Social Security outlays. Assuming annual inflation rates around the Federal Reserve’s 2 percent target, this interest burden would far surpass the level (2 percent of GDP in real terms) that some macroeconomists consider sustainable,<sup>7</sup> leading to far-reaching consequences for fiscal sustainability and the growth rate of the US economy.<sup>8</sup>

In the absence of corrective action, the spending increases required by an aging population pose a threat to our nation’s long-term fiscal health. Mandatory spending currently makes up 70 percent of all non-interest spending, and major entitlement programs—Social Security, Medicare, and Medicaid—comprise 72 percent of all mandatory spending.<sup>9</sup> The current demographic shift will put increasing pressure on these entitlements—all three are projected to reach all-time high levels of spending as a percent of GDP in the next 20 years (see Figure 2). While substantial shares of Social Security and Medicaid outlays service the under-65 population, the central point is that entitlement spending will soon reach levels that are far outside the historical experience.



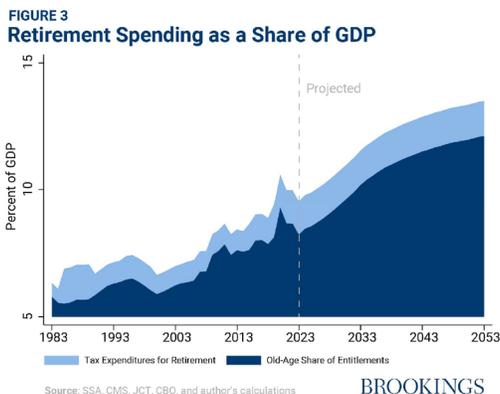
The aging of the population, combined with a national commitment to providing retirement-age Americans with income and health care support and a tax code with generous tax incentives for retirement saving, has led to a massive share of national income devoted to retirement. To better quantify the relationship between an aging population and the current fiscal crisis, Figure 3 below provides a crude illustration of the growth in the share of GDP devoted to public support for retirement. As shown graphically, the share of retirement spending—defined as major elements of mandatory spending directly associated with retirement-age Americans plus tax expenditures

<sup>7</sup> Jason Furman and Lawrence Summers, “A Reconsideration of Fiscal Policy in the Era of Low Interest Rates,” *Brookings Institution*, November 30, 2020, <https://www.brookings.edu/wp-content/uploads/2020/11/furman-summers-fiscal-reconsideration-discussion-draft.pdf>.

<sup>8</sup> Benjamin H. Harris and Adam Looney, “The Tax Cuts and Jobs Act was a missed opportunity to establish a sustainable tax code,” *Tax Policy Center*, May 24, 2018, [https://www.brookings.edu/wp-content/uploads/2018/05/es\\_20180524\\_harris-looney\\_taxreform.pdf](https://www.brookings.edu/wp-content/uploads/2018/05/es_20180524_harris-looney_taxreform.pdf).

<sup>9</sup> Congressional Budget Office, “The 2023 Long-Term Budget Outlook,” June 28, 2023, <https://www.cbo.gov/publication/59014>.

designed to support retirement—continues a trend since the turn of the century and rises steadily over the next three decades.<sup>10</sup> Specifically, federal retirement spending as a share of GDP rises from 9.5 percent in 2023 to 13.5 percent in 2053. Importantly, this calculation is not intended to suggest that the federal government *should* spend less on retirement policy, but rather illustrates that a massive share of our national income supports various aspects of retirement.



### Policy Strategies to Address Longstanding Fiscal Imbalances

At some undetermined point, persistent and rising fiscal imbalances will demand policy action. While the precise trajectory of the economic costs of rising debt is unclear, the sharp recent rise in real interest costs—the 10-year real interest rate has risen from about -0.3 percent to +2.1 percent between August 2021 and October 2023—suggests that increased near-term attention by policymakers is warranted. The remainder of this testimony will advance a broad menu of policy strategies that could plausibly be adopted to correct longstanding fiscal imbalances associated with an aging population, while also highlighting several strategies that will prove insufficient.

<sup>10</sup> The data for Figure 3 were drawn from a collection of government sources, including: Centers for Medicare and Medicaid Services, “Health Expenditures by Age and Sex,” 2020, <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/age-and-sex>; Congressional Budget Office, “The Distribution of Major Tax Expenditures in 2019,” October 2021, <https://www.cbo.gov/publication/57585>; Joint Committee on Taxation, “Background Information on Tax Expenditure Analysis and Historical Survey of Tax Expenditure Estimates,” February 6, 2015, <https://www.jct.gov/getattachment/bf98a247-1c24-472a-8b3a-6a71470712e9/x-18-15-4705.pdf>; Social Security Administration, “Annual Statistical Supplement to the Social Security Bulletin, 2022,” December 2022, <https://www.ssa.gov/policy/docs/statcomps/supplement/index.html>.

All Medicare data and the proportion of the population 65 and older is sourced from CBO (2023). Historical data on Social Security and Supplemental Security Income (SSI) expenditures for retirement-age Americans is sourced from SSA (2022) and projected spending is extrapolated using the 2020 ratio of retirement-age Social Security and SSI spending to their respective totals in the CBO (2023) projections, scaled to account for the growing retirement-age population. Historical data on the 5-year average for tax expenditures is sourced from JCT (2015), and current and future tax expenditures for retirement are calculated using data from CBO (2021) scaled by the demographic projections of CBO (2023).

Unfortunately, as outlined in the first section of the testimony, the large-scale magnitude of the imbalance demands more than incremental policy changes. Importantly, too, this menu of options represents the full spectrum of available approaches: in the opinion of this witness, there are limited, if any, other plausible alternatives.

Before turning to conceivable strategies, it is useful to first acknowledge potential approaches that should not be adopted, either because they are insufficient to address the magnitude of the shortfall or because the negative economic consequences would prove too severe to warrant their adoption. One, cuts in non-defense discretionary spending—a central approach embodied in the Fiscal Responsibility Act of 2023—would drive federal spending on this category well below historical trends<sup>11</sup> and ultimately harm economic growth. Given that this umbrella category of spending comprises the bulk of federal outlays on non-defense “public goods,” further sharp cuts in areas like research and development, job training, and childcare would lead to a less productive economy with a smaller labor force—ultimately harming economic growth.

A second ill-advised approach is to utilize the debt limit as a tool for forcing fiscal changes. While the threat of breaching the debt limit, and perhaps igniting an economic recession, eventually led to the adoption of discretionary budget cuts in 2011 and 2023, such a strategy undermines the credibility of the United States as a borrower in global financial markets, leading to higher interest rates and—at least in 2011—steep declines in financial asset prices.

A third insufficient approach is to abandon Keynesian stimulus in times of economic downturns. The US government and Federal Reserve are the primary entities that intervene in economic policy to prevent recessions from expanding into depressions. The US government’s fiscal intervention, which often enjoys some measure of bipartisan support, has successfully limited the length and depth of recent recessionary periods; abandoning this role for the federal government would exacerbate the economic pain of business cycle downturns and ultimately worsen long-term fiscal pressures.

With these caveats noted, this testimony will catalog more promising approaches for achieving an improved fiscal outlook.

**Raising tax rates on income or wages:** The most straightforward approach to raising more revenue is to increase statutory tax rates on income or wages. Such a policy reform carries an economic cost in terms of discouraging additional work or investment, although the extent to which higher tax rates impose an economic cost depends critically on the nature of the income taxed and the taxpayers who are subject to higher tax rates. In particular, economists tend to focus on marginal tax rates—the tax imposed on an incremental change in income or wages—to assess the economic impact.

In aggregate terms, marginal tax rates are slightly below the level experienced in the 1980s and are currently in line with historical averages. According to CBO, the marginal tax rate on labor income under both the individual income and payroll tax systems in 2023 is 27.9 percent—with a

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<sup>11</sup> See, for example David Reich and Richard Kogan, “Congress Should Reject Proposals to Cut Non-Defense Program Funding,” *Center on Budget and Policy Priorities*, March 8, 2023, <https://www.cbpp.org/sites/default/files/3.7.23fedbud.pdf>.

marginal tax rate of 19.3 percent under the individual income tax system and a marginal tax rate of 8.6 percent under the payroll tax.<sup>12</sup> To take one example, raising the payroll tax rate by 1 percentage point would close over 20 percent of the 75-year fiscal imbalance in Social Security.<sup>13</sup> Notably, too, marginal tax rates on capital income remain below historical norms, and represent an opportunity to raise additional revenue.

**Reversing the steep reduction in the corporate tax rate enacted in 2017:** Legislation passed in 2017 permanently and sharply cut the corporate tax rate from 35 percent to 21 percent, which propelled a steep reduction in corporate tax revenues. Today, corporate tax revenue amounts to roughly 1-2 percent of GDP, down from an average level of under 4 percent in the 1960s.<sup>14</sup> While a return to the pre-2017 tax rate would be ill-advised given other reforms in that bill, instituting a tax rate of 28 percent would raise over \$1.3 trillion over the ten-year budget window,<sup>15</sup> with limited economic costs in terms of reduced investment.

**Eliminating major tax expenditures:** Tax expenditures are losses in revenue owing to a “special” provision designed to achieve a social or economic objective.<sup>16</sup> Some of the larger and more well-known tax expenditures include the exclusion of employer-provided health insurance, preferential rates on capital gains, and the deduction for home mortgage interest. The aggregate size of the tax expenditure budget has varied over time with changes to tax policy and the economy, but in recent years the tax expenditure budget has begun to approach \$2 trillion. Individual reforms to specific expenditures, or more overarching limits on taxpayers’ ability to claim them—such as capping the marginal tax rate for deductions—can be an important part of the solution.

**Introducing a new tax base on consumption or carbon emissions:** Economists tend to favor taxes on consumption, such as value-added tax (VAT), because it can incentivize additional saving, which is associated with higher rates of growth. Taxes on carbon emissions, such as a carbon tax or carbon border adjustments, are similarly favored because they discourage carbon emissions and can address the harmful economic consequences of climate change. Proposals to implement taxes on consumption or carbon emissions are often accompanied by refunding mechanisms, whereby some or all revenue raised is returned to taxpayers to offset the regressive nature of the taxes. However, to the extent that some or all the revenue raised is not refunded, introducing these taxes can have a meaningful impact on the budget outlook. For example, CBO estimated that a VAT on a narrow base of consumption (excluding items like health care, groceries, and new homes), would raise roughly \$2 trillion over 2024 to 2032. Similarly, CBO estimated the fiscal impact of an excise

<sup>12</sup> Congressional Budget Office, “Marginal Federal Tax Rates on Labor Income: 1962 to 2028,” January 24, 2019, <https://www.cbo.gov/publication/54911>.

<sup>13</sup> A menu of Social Security reform options published by CBO in 2015 found that raising the payroll tax rate by 1 percentage point would reduce the 75-year actuarial deficit by 0.3 percentage points, which equates to just over 20 percent of 1.4 percent of GDP long-term gap estimated by the agency.

<sup>14</sup> Office of Management and Budget, “Table 2.3—Receipts by Source as Percentages of GDP: 1934–2028,” *OMB Historical Tables*, n.d., [https://www.whitehouse.gov/wp-content/uploads/2023/03/hist02z3\\_fy2024.xlsx](https://www.whitehouse.gov/wp-content/uploads/2023/03/hist02z3_fy2024.xlsx).

<sup>15</sup> US Department of the Treasury, “General Explanations of the Administration’s Fiscal Year 2024 Revenue Proposals,” March 9, 2023, <https://home.treasury.gov/system/files/131/General-Explanations-FY2024.pdf>.

<sup>16</sup> Tax expenditures are legally defined as “revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.” Office of Management and Budget, “Analytical Perspectives: Budget of the U.S. Government Fiscal Year 2024,” March 2023, [https://www.whitehouse.gov/wp-content/uploads/2023/03/spec\\_fy2024.pdf](https://www.whitehouse.gov/wp-content/uploads/2023/03/spec_fy2024.pdf).

tax on greenhouse gas emissions, finding that such a tax could raise roughly between \$570 billion and \$870 billion over the next decade.<sup>17</sup>

**Increasing rates of legal immigration:** Immigration reform can be a powerful force for both economic growth and an improved fiscal position. A wide body of economic literature has found that increased immigration can bolster innovation, lower the price of goods and services, increase the number of jobs, improve government finances, and, in some circumstances, raise wages. While the macroeconomic impact of immigration reform depends critically on the nature of the reform, an oft-cited analysis by CBO found that the Border Security, Economic Opportunity, and Immigration Modernization Act would raise GDP by 3.3 percent over the first ten years and by 5.4 percent over the second decade.<sup>18</sup>

In addition to raising the rates of economic growth, immigration can also lower federal budget deficits and improve the outlook for Social Security. The above-referenced CBO analysis also found that comprehensive immigration reform would lower federal budget deficits by roughly \$200 billion over the first decade and \$700 billion over the second decade—with the latter estimate equating to about 0.2 percent of GDP. On Social Security, increased immigration can have a dramatic impact on the program’s long-run solvency. For example, the most recent Social Security Trustees report shows that roughly doubling the rate of legal immigration—from 829,000 to 1,683,000 annually—would reduce Social Security’s 75-year actuarial balance by just over 20 percent.<sup>19</sup>

**Slowing or reversing inflation in health care:** The outsized role of health care in the federal budget means that growth in health costs has an outsized impact on future budget deficits. Limiting the rate of “excess cost growth”—essentially the difference between growth in health costs and GDP—can have profound impacts on the budget outlook. In 2014, along with economists Alan Auerbach and William Gale, I published a report showing that the public debt would balloon to over 180 percent of GDP by 2040 with 2.5 percent excess cost growth, but would fall short of 120 percent of GDP under a scenario where there was no excess cost growth.<sup>20</sup> As a result, large-scale health reforms which slow excess cost growth, such as the Affordable Care Act, should be seen as an important tool in addressing budget deficits. More-targeted reforms, such as an acceleration in the Medicare Prescription Drug Inflation Rebate Program, can similarly improve the fiscal position of major health programs.

**Gradually changing the age at which Social Security benefits can be claimed:** The ongoing extension in life expectancy—up by roughly eight years over the past half century—introduces

<sup>17</sup> Congressional Budget Office, “Options for Reducing the Deficit, 2023 to 2032 Volume I: Larger Reductions,” December 2022, <https://www.cbo.gov/system/files/2022-12/58164-budget-options-large-effects.pdf>.

<sup>18</sup> Congressional Budget Office, “Cost Estimate: S. 744 Border Security, Economic Opportunity, and Immigration Modernization Act,” June 18, 2013, [https://www.cbo.gov/system/files/113th-congress-2013-2014/costestimate/s744\\_0.pdf](https://www.cbo.gov/system/files/113th-congress-2013-2014/costestimate/s744_0.pdf).

<sup>19</sup> Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, “The 2023 Annual Report of The Board of Trustees of The Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds,” March 31, 2023, <https://www.ssa.gov/OACT/TR/2023/tr2023.pdf>.

<sup>20</sup> Alan J. Auerbach, William G. Gale, and Benjamin H. Harris, “Federal Health Spending and the Budget Outlook: Some Alternative Scenarios,” *Brookings Institution*, April 11, 2014, [https://www.brookings.edu/wp-content/uploads/2016/06/federal\\_health\\_spending\\_budget\\_outlook\\_auerbach\\_gale\\_harris.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/federal_health_spending_budget_outlook_auerbach_gale_harris.pdf).

questions about whether delaying Social Security benefits should be regarded as a tool to improve the program's solvency. CBO's analyzed four potential options for raising the age at which Social Security benefits can be claimed: raising the Full Retirement Age (FRA) to 68, raising the FRA to 70, increasing the FRA by one month per birth year, and simultaneously increasing the FRA by Early Eligibility Age by one month per birth year.<sup>21</sup> These reforms, according to CBO, would decrease the 75-year shortfall by approximately 15 percent to 30 percent.<sup>22</sup> Naturally, given concerns around differential experiences with life expectancy trends, such reforms would ideally be accompanied by offsetting provisions for populations with stagnant or declining life expectancies.

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<sup>21</sup> Congressional Budget Office, "Social Security Policy Options, 2015," December 2015, [https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51011-SSOptions\\_OneCol-2.pdf](https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51011-SSOptions_OneCol-2.pdf).

<sup>22</sup> In its 2015 report, CBO estimated the present value of the 75-year gap as a percentage of GDP to be 1.4 percent. It estimated that raising the FRA to 68 would reduce the gap by 0.2 percent of GDP, and the other three reforms listed would reduce the gap by 0.4 percent of GDP.

“Aging Americans and a Waning Workforce: Demographic Drivers of our Deficit”  
Joint Economic Committee, Wednesday, November 15<sup>th</sup> 2023

Testimony of Kathryn Anne Edwards, Ph.D. Labor Economist

### **Summary**

The US budget is not age neutral. A person's net contribution to the budget, either through the revenue they contribute via taxes or the outlays they receive via benefits, changes over their lifetime. Were the population steady—all birth cohorts identically sized with the same life expectancy—demographics would have a limited effect on the budget. However, we know that is not the case. Nearly 80 years ago, the US experienced a period of elevated fertility. Today, the US is in a period of depressed fertility.

This testimony approaches demographics and the deficit in the simplest terms: individuals are on average net positive contributors to the government while they are working and on average net negative contributors when they are not.

If one generation is smaller than a preceding one, then the smaller generation must work more to contribute the same amount in taxes. Thus, policy's aim is either to i) create more workers or ii) create same-sized generations. I refer to these in turn as labor supply policy and fertility policy, and urge consideration of both.

In this written testimony, I elaborate on three key points. To start, I discuss the context for labor supply policy and fertility policy, respectively, and end with an overview of what that policy could look like.

1. Labor supply is historically high for prime-age workers, but prime-age workers are a smaller share of the working age population, necessitating the need for labor supply policy.
2. Post-Baby Boom fertility was stable but has been experiencing a 15-year decline, necessitating the need for fertility policy.
3. The relationship between demographics and the deficit is moderated by policy, which like labor supply and fertility, must transition.

I discuss numerous policies. These policies vary in the depth of their evidence base as well as their accompanying concerns. Childcare, a policy that sits at the nexus of labor supply and fertility, has a preponderance of both evidence and concerns. I address several of these separately in a FAQ. I have previously discussed several of these policies in testimony before a separate Congressional committee, and this testimony has a high and intentional overlap. For all figures, the source of the figure and the series are listed in the figure notes for ease of replication.

As a labor economist, the policies with which I am most familiar is labor policy. I discuss some fertility policy but stress my accounting is far from exhaustive. A separate policy avenue related to demographics is to minimize the fiscal cost of aging, which I do not address at all.

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### Key Point 1: Labor Supply in Transition

The **labor force** is a technical term, not subject to alteration or alternatives, based on the work activity of an individual as reported in surveys. An individual is in the labor force if they are working (employed) or actively looking for work in the most recent four weeks (unemployed).

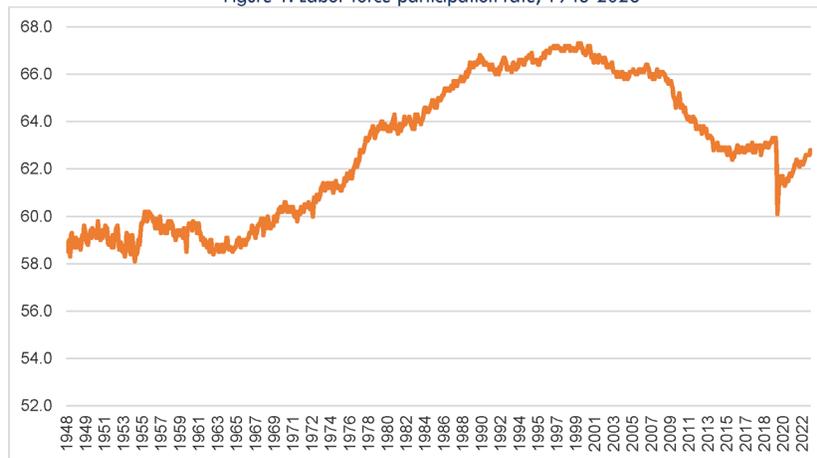
The **labor supply** is a looser term. It refers to the set of people who are willing to supply their labor—who can and want to work.

The labor supply is the pool of potential workers while the labor force is a count of current workers. For policy, labor supply is the target and labor force participation is the measurable outcome.

#### The Historic Decline In Labor Force Participation

The United States is entering its third decade of declining labor force participation. Since 2000, the overall civilian labor force participation rate—measuring the share of adults 16 and older who are working—fell from a peak of 67.3 to its current level of 62.8. Even though participation has nearly recovered the pandemic-related decline, it is still well below prior levels.

Figure 1. Labor force participation rate, 1948-2023



Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11300000

The civilian labor force *level* is growing, from 142 million in 2000 to 167 million as of last month. The problem isn't fewer workers, but fewer people working as a share of the (growing) population.

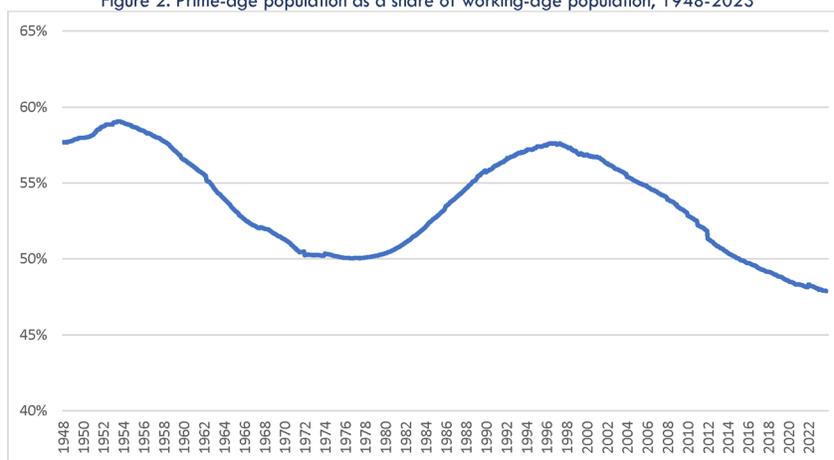
The reason for this is demographic.

Economists refer to ages 25-54 as the "prime-age," the period in which an individual is most likely to be working—schooling is complete and retirements have not begun. The total share of the working-age population (16+) that is prime-age (25-54) has fluctuated with changing patterns in the birth rate.

The Baby Boom was an 18-year period, 1946-1964, in which the US experienced elevated birth rates. Individuals born during this time are known as Baby Boomers. They are disproportionately large relative to younger and older birth cohorts and as they aged into adulthood, they increased the number of prime-age individuals in the economy.

For most of the 1970s, about half of the working-age population was in their prime-age. That share grew steadily until 1996, when it peaked at 58%. It has fallen steadily since, falling below 50% in 2015 and continuing to decline to 48%, where it is today.

Figure 2. Prime-age population as a share of working-age population, 1948-2023



Source: Bureau of Labor Statistics Series LNU00000000 LNU00000060

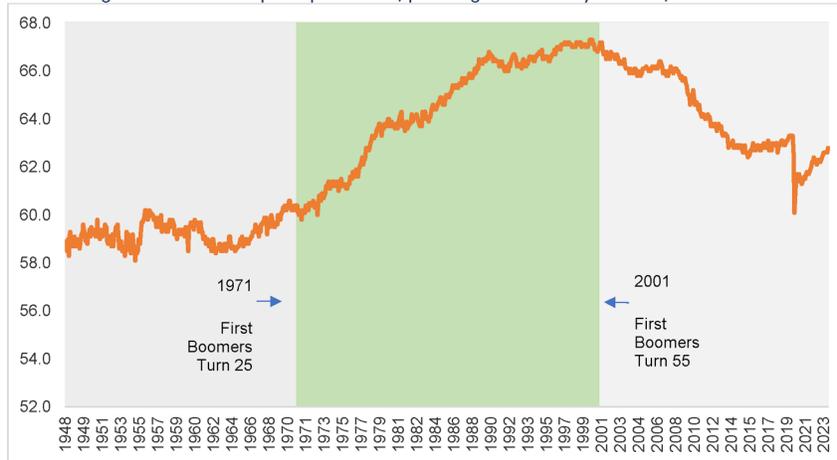
The patterns of labor force participation reflect the trends of prime-age individuals in the population. Consider, the trend in labor force participation has three periods.

- 1948 - 1970 (flat)
- 1971 - 2000 (rising)
- 2001 - 2022 (falling)

These periods correspond to specific ages of the Baby Boom population.

When labor force participation was flat, the Baby Boomers were young. In 1971, the oldest Baby Boomer turned 25 and was followed by nearly 30 years of rising participation as successive years of Baby Boomers entered and stayed in prime age. But in 2001, the oldest Baby Boomer turned 55, leaving the prime age, and successive years of Baby Boomers did as well, pulling down overall labor force participation as they slowly aged out of working.

Figure 3. Labor force participation rate, prime-age era of Baby Boomers, 1948-2023

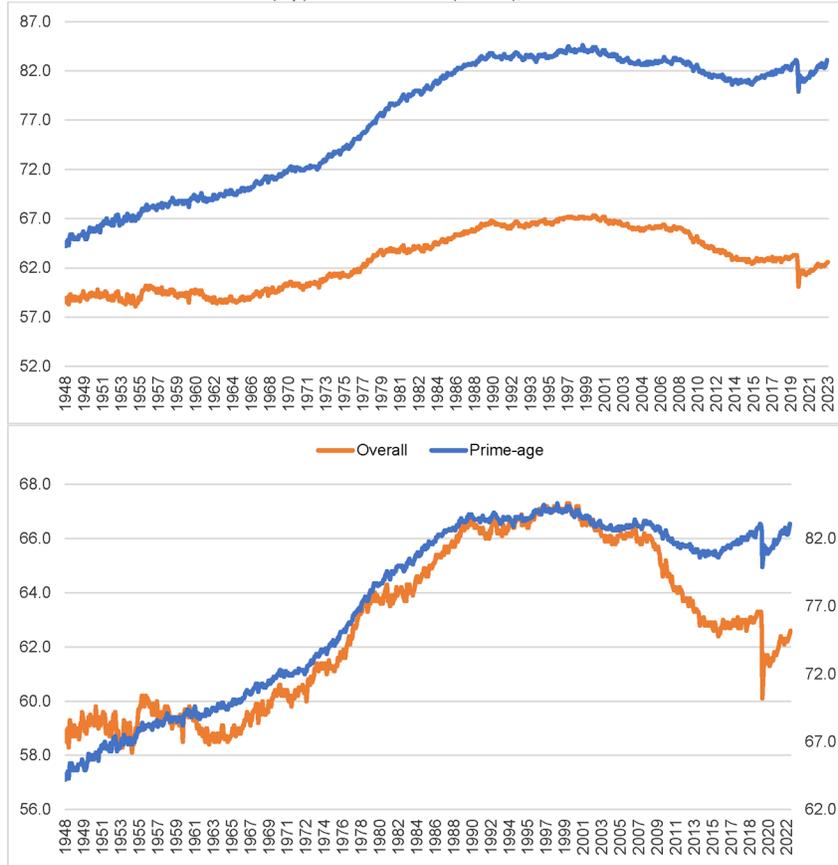


Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11300000

The decline in overall labor force participation is predicted by a disproportionately large group within the population leaving the prime age.

However, it should be noted that trends *within* prime-age workers are different. Prime-age participation has grown steadily, largely due to women, since 1948. It fell after the Great Recession but since recovered. Prime-age workers are working as much as they ever did, there just aren't as large of a share of the population as they used to be.

Figure 4. Overall (16+) and prime-age (25-54) labor force participation, 1948-2023, shown on single axis (top) and double axes (bottom), 1948-2023



Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11300000 LNS11300060

Put differently: Among prime-age workers—the age group with high labor force participation—the US is at the highest level of labor force participation its even been. But prime-age workers are a smaller share of the population, so overall participation is still declining.

**Implications for Policy**

These labor force trends have numerous implications for labor supply policy, the name for policy that targets individuals who typically do not work and brings them into the labor force.

First, it explains why the necessity of labor supply policy is a recent phenomenon. Between 1971-2001, the Baby Boomers size and age and the increase in women working led a strong trend in participation that obviated (at least on a macro level) the need for a supply policy.

Second, it explains why the necessity of labor supply policy has been delayed. The need began in 2001, but with a weak business cycle followed by a terrible recession, the structural headwinds to labor supply were dominated by the cyclical ones. However, as the labor market has now made two recoveries that have tended to full employment—the period just before the pandemic and the recovery from the pandemic recession—the structural trend is more apparent.

Third, it makes clear that increases in participation need to come from prime-age workers. Age discrimination against older workers is a problem, and workers who want to work for additional years should be able to do so. But adding a few years of participation to an aging population is not sufficient to buck the trend they leave in their wake.

Labor supply policy cannot fully counter demographics, but it should at the very least take demographics into account.

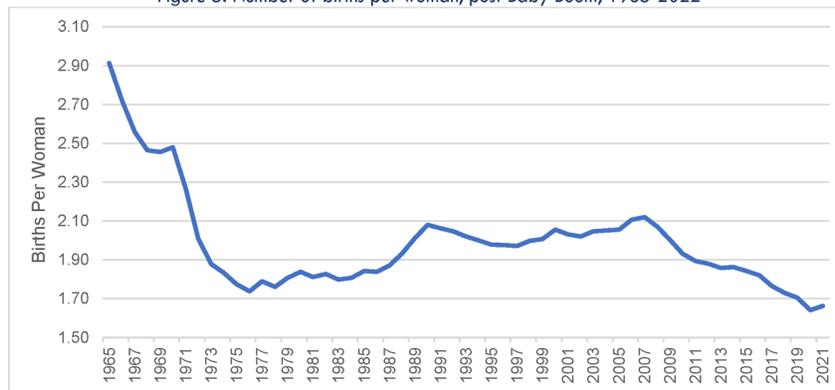
## Key Point 2: Fertility in Transition

### The Historic Decline In Fertility

Following the Baby Boom of 1946-1964, fertility in the US fluctuated from 1.7 to 2.1 children per woman. However, since 2007, the fertility rate has been on a 15-year sustained decline. Part of this is due to the Great Recession, as fertility often falls when the economy is weak, but even as the labor market recovered, fertility did not. 2021 recorded the lowest fertility rate in over 80 years, at 1.64 births per woman.

(This decline is similar when measured in terms of total births per 1000 women in a given year, which fell from a post-Baby Boom average of 68 births per 1000 women per year to 56 in 2022.)

Figure 5. Number of births per woman, post-Baby Boom, 1965-2022



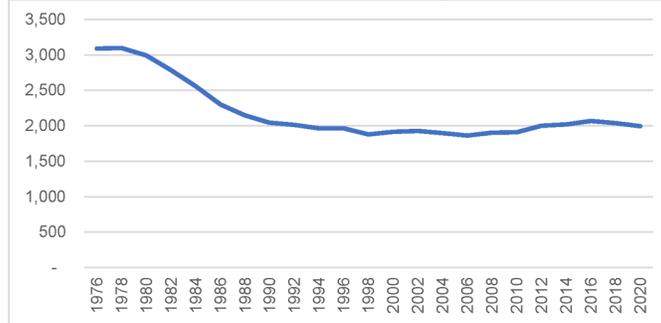
Source: World Bank

The decline in fertility since 1965 is attributed to numerous causes, and the decline since 2007 to those causes and others. No one factor explains changes in fertility on its own, and many factors can explain part of the story, at least part of the time. For example, a reason for the drop in fertility through the 1970s and 1980s was a falling teen birth rate. But by 2007, the teen birth rate was already low and does not explain the subsequent decline as much.

Nor is the post-2007 decline irreversible. Fertility intentions—the number of children that women say they want to have—have changed much less than fertility itself. Some of the current decline may in fact be a delay. This notion is supported intuitively by a few data points.

First, measures of cumulative fertility are more stable than measures of current fertility. Since 1990, the number of children ever born per 1,000 women age 40-44 has averaged around 2,000. This statistic looks at successive cohorts of women who are in their early 40s and counts the total number of children they. That measure has not seen the same decline found in counts of births in a given year.

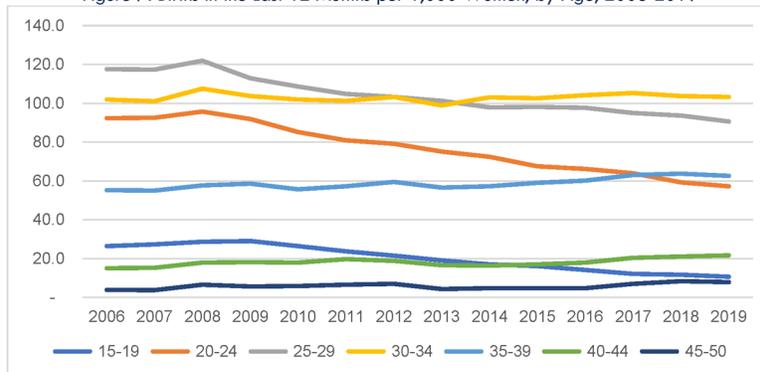
Figure 6. Number of Children Ever Born per 1,000 Women Age 40-44, Select Years 1976-2020



Source: U.S. Census Bureau Fertility Historical Time Series, Table H2.

Second, current fertility trends vary by age group. Fertility is declining for women in their 20s, flat for women in their early 30s, and increasing for women in their late 30s and early 40s. Women of older ages are having more children, supporting the narrative of delayed fertility.

Figure 7. Births in the Last 12 Months per 1,000 Women, by Age, 2006-2019



Source: U.S. Census Bureau Fertility Historical Time Series, Table H3.

Finally, a delay in childbearing is in line with other milestones, including marriage and homeownership, that are also happening later than is historically typical for young people today.

Whether it is an intended delay or a permanent deferral, evidence is emerging that over the past 15 years the decline in fertility is partly driven by economic constraints—families want children, but are not necessarily financially stable enough to have them, or would like more children, but do not think they can afford to have them.

Some of the economic constraints are easily identified. Parents report consistently in surveys that they cannot afford to have more children, even though they would like to. For its 2021 annual report, for

example, American Compass found that roughly half of American families did not meet their desired fertility and, for lower-, working-, and middle-class respondents, a third stated the reason was cost. A separate poll in *The New York Times* broke out the reasons for not having additional children into more detail, allowing parents to select multiple options. By far, the reason most cited for not having more children was: “child care is too expensive,” selected by 64% of parents.

Some of the economic constraints are harder to define. Confidence in economic status is important to fertility behavior—encapsulating not just the economic security of parents but the economic security they feel they can provide to children—but there is no single indicator of it.

The 21<sup>st</sup> century is an economic era marked with uncertainty and lack of success for many. Researchers attempting to estimate the economic status of children relative to their parents have found that just half of individuals born in the 1980s were doing better than their parents by age 30, compared to 80 or 90 percent doing better in generations prior.

Since January 2000, the US labor market has been in a “recession jobs deficit”—when the labor market is recovering from a recession and has fewer jobs than when the recession started—in 57% of all months. The majority of the time, the US labor market has been playing catch up. Many younger workers felt that catch up through reduced job opportunities and slow wage growth during their formative early work years.

Table 1. Ages of Young Workers during the Three Most Recent Recessions and their Labor Market Recoveries

Birth Year	Current Age	2001 Recession Ages <i>Dot Com bubble – 46 months for labor market to recover</i>	2007 Recession Ages <i>Housing bubble, housing crisis, financial crisis – 77 months for labor market to recover</i>	2020 Recession Ages <i>Pandemic – 30 months for labor market to recover</i>
1978	45	23-27	29-35	42-44
1983	40	18-22	24-30	37-39
1988	35	13-17	19-25	32-34
1993	30	8-12	14-20	27-29

Source: Author's calculations.

The current decline in fertility is not a function of a radically changed attitude towards having children; the vast majority of Americans either have, or want, children. Some type of hesitation, concern, or constraint is at work that delays or defers fertility. There is no single cause or narrative as to what that is, but evidence points to economic factors as being a significant contributor.

#### **Implications for Policy**

Fertility policy does not need to change preferences, but circumstances. Although there are numerous other factors that determine fertility, such as finding a partner, the economics of having a child are an appropriate policy target. Not only are they supported by evidence to be a cause for fertility's decline, much of fertility's economics—from the direct cost of children to the economic security of parents—have clear targets for policy intervention and reasonably malleable outcomes.

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**Key Point 3: Policy in Transition****Demographics and the Deficit**

The question at issue in this hearing is the relationship between demographics and the deficit. In some ways, this framing is mismatched. Demographics concern the very long-term changes in our population, spanning births to deaths, that manifest over decades. The deficit, on the other hand, is an annual calculation.

Yet, the US budget is not age neutral. A person's net contribution to the budget, either through the revenue they contribute via taxes or the outlays they receive via benefits, changes over their lifetime. Were the population steady—all birth cohorts identically sized with the same life expectancy—demographics would have a limited effect on the budget. However, we know that is not the case. Demographics have shifted over the past 80 years, meaning that demographics move the budget and, by extension, the deficit.

This testimony approaches demographics and the deficit in the simplest terms: individuals are on average net positive contributors to the government while they are working and on average net negative contributors when they are not. Rather than identifying specific deficit effects, this simple approach is also more wholistic, thinking about the direction of demographics and the budget rather than the degree.

If one generation is smaller than a preceding one, then the smaller generation must work more to contribute the same amount in taxes. Thus, policy's aim in this case is either to i) create more workers or ii) create same-sized generations. I refer to these, respectively, as labor supply policy and fertility policy.

In the subsequent sections I make recommendations in these areas, with this caveat:

As a labor economist, I can speak with expertise on labor supply policy. And because one key economic cost to having children—and therefore a contributor to fertility declines—is the fall in wages and difficulty in maintaining employment experienced by mothers, I can also speak to some aspects of fertility policy. However, the policies I discuss should not be considered exhaustive of a comprehensive fertility policy. Similarly, I do not discuss the spending side of demographics. Aging, and the management of health spending on the elderly population, is the other half to my simple assessment of the relationship between demographics and deficits. But, there is an overlap between aging policy and labor supply policy: one cost of aging is the loss to the labor market of adult children who stop work to take care of sick or dying parents. I discuss these workers as part of labor supply policy.

**Labor Supply Policy**

Prime-age labor force participation is at a historic high; for the most part, people who can work are working. To increase the number of workers, policy must target people who can't work, who do not typically or frequently supply their labor, who are often not considered workers.

There are myriad ways to increase the number of workers and endless potential policies. From an effectiveness perspective, a labor supply's policy salience is the degree to which those non-workers can be successfully drawn into work. From the budget's (or deficit's) perspective, the key aspect of a worker is how long they work, to maximize their time as a net contributor and minimize their time as a net receiver. This is the best "bang for the buck" labor policy. Policy should thus prioritize individuals who 1) are most likely to come back to work and 2) will work for a long time.

In a word: dropouts. Individuals who used to work, but because of some experience (either acute or chronic), no longer do so. This type of labor supply policy is also called retention policy or attachment policy: keeping workers in the labor force through periods in which they are most likely to leave.

Those experiences are:

- Job elimination – different from losing a job due to cyclical economic conditions, an individual's occupation is greatly reduced or eliminated from the economy, often due to technological progress.
- Health shock to self – a severe health issue, either acute or chronic, causes a worker to leave or lose their job, either because they need to address their health needs or, because of the change to their health condition, they can no longer work in their prior job or any job.
- Health shock to family member – a severe health issue, either acute or chronic, of a partner, parent, or child, causes a worker to leave or lose their job in order to caregive for their family member.
- Incarceration and/or criminal record – an individual with a criminal record who has served time (if application) is unable to find work.
- Having a child – a parent, often the mother, stops working after she has a child.

These experiences are not identical in how they result in a permanent exit from working. It could be that the exit happens immediately, it could be that the exit is after a prolonged period of unemployment following the experience, it could be that the experience causes a preference to leave, it could be that the experience creates a constraint that prevents staying.

The table presents policy that could address retention in each instance.

Table 2. Summary of Retention Policy by Instigation of Dropping Out

Instigation of dropping out	Retention policy
Job elimination	<p>A <b>long-term unemployment and retraining program</b> for job losers that helps them transition occupations after a long period of unsuccessful search. This may include:</p> <ul style="list-style-type: none"> <li>- Job search counseling</li> <li>- Relocation assistance</li> <li>- Long-term raining support</li> <li>- Cash benefits and access to services</li> </ul>
Health shock to self	<p>A <b>paid medical leave</b> program that provides the worker with a share of their typical pay for absences up to a certain length (sometimes called short-term disability).</p> <p>A <b>job protection</b> program that prevents them from losing their job (with more coverage than the current protections of FMLA).</p> <p>A <b>job search credit</b> if they do lose or leave their job and want to rejoin the workforce.</p> <p><b>Accommodation</b> on the job for a medical condition or disability:</p> <ul style="list-style-type: none"> <li>- Paid sick days</li> <li>- The right to work part-time</li> <li>- The right to flexible work arrangements (concerning scheduling and remote policy)</li> </ul>
Health shock to family member	<p>A <b>paid family leave</b> program that provides the worker with a share of their typical pay for absences up to a certain length.</p>

	<p>A <b>job protection</b> program that prevents them from losing their job (with more coverage than the current protections of FMLA).</p> <p>A <b>job search credit</b> if they do lose or leave their job and want to rejoin the workforce.</p> <p><b>Accommodation</b> on the job for continued caregiving needs:</p> <ul style="list-style-type: none"> <li>- Paid sick days</li> <li>- The right to work part-time</li> <li>- The right to flexible work arrangements (concerning scheduling and remote policy)</li> </ul>
Incarceration and/or felony conviction	<p>A <b>long-term unemployment and retraining program</b> for job losers that helps them transition occupations after a long period of unsuccessful search. This may include:</p> <ul style="list-style-type: none"> <li>- Job search counseling</li> <li>- Relocation assistance</li> <li>- Long-term training support</li> <li>- Cash benefits and access to services</li> </ul> <p><b>Records</b> clearing process.</p>
Having a child	<p>A <b>paid family leave</b> program that provides the worker with a share of their typical pay for absences up to a certain length.</p> <p>A <b>job protection</b> program that prevents them from losing their job (with more coverage than the current protections of FMLA).</p> <p>A <b>job search credit</b> if they do lose or leave their job and want to rejoin the workforce.</p> <p><b>Accommodation</b> on the job for continued caregiving needs:</p> <ul style="list-style-type: none"> <li>- Paid sick days</li> <li>- The right to work part-time</li> <li>- The right to flexible work arrangements (concerning scheduling and remote policy)</li> </ul> <p>Affordable, accessible, high-quality <b>childcare</b> through age 5.</p>

Several of these policies are duplicative; what would help one group retain labor force attachment would likely help other workers outside of it experiencing a completely different reason for separation. There is room for very tailored policy. To start, however, the labor market needs the basic infrastructure of retention, comprising:

- Job protection
- Accommodation policy
- Paid medical leave
- Paid family leave
- A long-term unemployment and retraining program
- Job search credit
- Childcare
- Records clearing

The evidence in support of these policies being successful is varied, primarily because the US lacks them on a national level. Affordable and accessible childcare (discussed at length in the FAQ) has a large evidence base that supports the conclusion that it increases the labor force participation. Paid sick days' support is smaller though consistent. A long-term unemployment and retraining program has little precedent (aside from Trade Adjustment Assistance) in the US, neither does a job search credit.

But this is a new era in policy for a truly challenging demographic transition and the policy response cannot be limited to *only* those tried and tested before.

That is especially true in the case of fertility policy.

### **Fertility Policy**

It would be remiss in any discussion of fertility, even if I cannot speak with expertise on health or medical policy, to fail to bring up maternal mortality. The risk of childbirth is growing sharply and last year reached the highest levels since 1965. Maternal mortality was 32.9 deaths per 100,000 live births in 2021, up from 17.4 in 2018. Since 2000, maternal mortality in the US has risen 78%, while it has been falling in most other countries. It is 3-10 times higher here than in peer countries in Europe. This is an emergency.

On to fertility policy.

Policy aimed at reducing the economic constraints that may curtail fertility has two targets. The first is reducing the financial cost of childbirth—having a kid is expensive. The second is reducing the labor market cost of children—having a kid can make it difficult to maintain employment and even if maintained can greatly reduce earnings.

#### *Out-of-Pocket Cost of Childbirth*

The cost of childbirth is high. The average out-of-pocket costs for pregnancy and delivery for a woman with private health insurance is \$2,854; is slightly less if the pregnancy resulted in a vaginal delivery and slightly more if it was c-section. This does not include out-of-pocket spending on fertility care or assisted reproduction, which affects 1 in 5 women trying to get pregnant, but which is not required to be covered by health insurance in all states, and even ten years ago was estimated to be upwards of \$16,000 per transfer. If she does not have paid family leave through her state or her employer, a delivering mother will also lose income until she returns to work, if she chooses to do so. If she is not covered by the Family Medical Leave Act, she could lose her job altogether.

#### *Labor Market Cost of Children*

Work, and a mother's interaction with the labor market, is permanently altered after having a child. The "child penalty," or the amount wages are reduced after having a child, is estimated to be a 20-30% reduction in *lifetime* earnings. Part of this reflects constraints and barriers. Employers are not required to make accommodations to the schedules or work situations of new mothers. There is little public investment in childcare, which rivals college tuition and mortgages in costs and has limited availability. In order to work around these difficulties, mothers may change their job, their career trajectory, or opt to leave the labor force altogether.

Part of the change to labor market outcomes of mothers also reflect changing preferences after having a child, like wanting to work less, wanting a less competitive or demanding job, wanting more flexibility. But it should be stressed, those preferences are at least in part a function of the constraints and barriers currently in place. A woman may not want to work after having a child. Or, a woman may be open to working after having a child, but find it so difficult, they prefer to opt out.

The table presents policy that could address fertility-related costs by type of cost.

Table 2. Summary of Cost-Related Fertility Policy by Type of Cost

Area	Policy
Health costs	<p><b>Eliminate all out-of-pocket costs</b> for pregnancy, delivery, and postpartum care.</p> <p>Require complete <b>coverage of infertility</b>.</p> <p>Expand coverage to <b>visiting nurse</b> programs.</p>
Lost earnings	<p>A <b>paid medical leave</b> program that provides the worker with a share of their typical pay for absences up to a certain length (sometimes called short-term disability).</p> <p>A <b>paid family leave</b> program that provides the worker with a share of their typical pay for absences up to a certain length.</p> <p>A <b>job protection</b> program that prevents them from losing their job (with more coverage than the current protections of FMLA).</p>
Lost labor force participation	<p>A <b>job search credit</b> if they do lose or leave their job and want to rejoin the workforce.</p> <p><b>Accommodation</b> on the job for continued caregiving needs:</p> <ul style="list-style-type: none"> <li>- Paid sick days</li> <li>- The right to work part-time</li> <li>- The right to flexible work arrangements (concerning scheduling and remote policy)</li> </ul> <p>Affordable, accessible, high-quality <b>childcare</b> through age 5.</p>

Because one key cost of children is the affect being a mother has on women's career and earnings, labor supply directed towards mothers is very similar to the fertility policy directed to labor market costs.

Again, there is room for much more tailored fertility policy (and medical and health policy, which I do not discuss at all). But like labor supply policy, policy changing some of the infrastructure around fertility can have broad benefits. That infrastructure includes:

- Elimination of out-of-pocket costs
- Infertility coverage
- Visiting nurse
- Paid medical leave
- Paid family leave
- Job protection
- Job search credit
- Accommodation policy
- Childcare

The other economic factor in fertility is economic security and confidence, a much more inchoate concept and therefore more difficult policy target. I do not suggest policy here mainly for brevity; building the economic security of a generation is a topic beyond the scope of the issue of demographics and deficit.

### The Base

The policies I have presented here I do not claim to be exhaustive or comprehensive of mitigating large demographic influences on the budget or, within that, generating sufficient labor supply or increasing fertility to replacement levels. I would describe what I discuss here as the base—the policy necessary to support demographic transitions but not completely answer them. Not for nothing did labor supply policy and fertility policy have overlaps: paid medical leave, paid family leave, job protection, job search credit, accommodation policy, and childcare.

As mentioned previously, childcare is among the more effective but controversial policies listed, and the remainder of the testimony is organized as an FAQ to discuss it.

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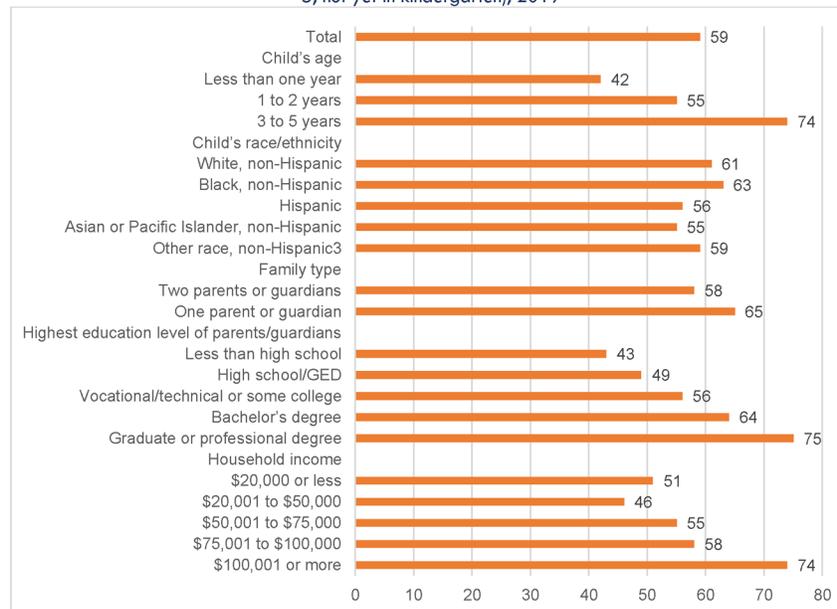
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### FAQ 1 Why does childcare require policy intervention?

The paid, private provision of childcare in the United States comprises center-based and home-based providers who follow local regulation as to staffing and safety (e.g. the ratio of staff to children under care by age). In addition, many children are also cared for in informal arrangements, such as with a nonparental family member or friend.

The National Center for Education Statistics estimates that in 2019, the most recent year of data, 12.5 million children who were i) age five and under and ii) not yet in kindergarten were regularly cared for by a nonparent, representing 59% of children. This share ranged from 42% of children under 1 to 74% of children 3-5. The use of nonparental care increases with parents' education and income.

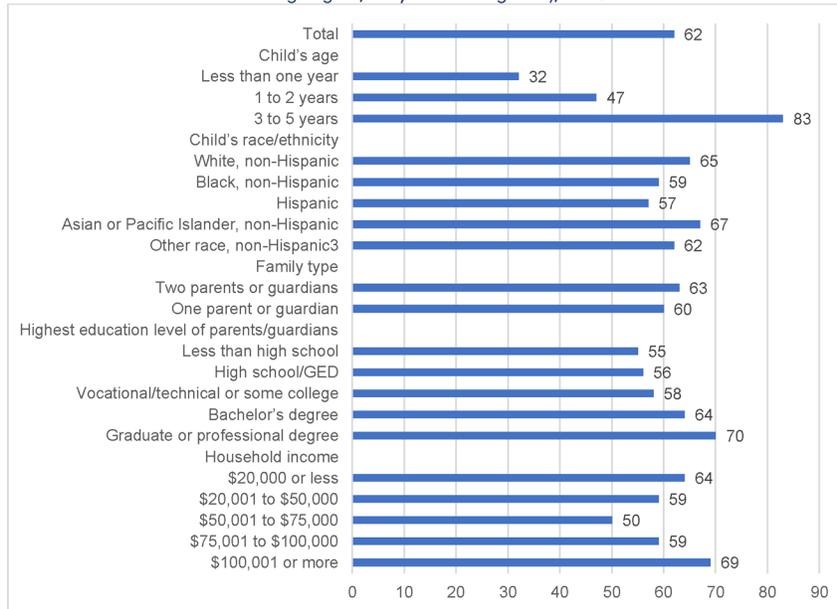
Figure 8. Share of children participating in weekly nonparental care arrangements (from birth through age 5, not yet in kindergarten), 2019



Source: U.S. Department of Education, National Center for Education Statistics. (2021). Early Childhood Program Participation: 2019 (NCES 2020-075REV), Table 1.

Of those in nonparental care arrangements, the majority—62%—are in center-based care. Again, this increases with the age of the child, from 32% of children under 1 to 83% of children 3-5, and increases slightly, though less dramatically, by parents' education. By parents' income, on the other hand, the share of children in center-based care is highest amongst the poorest (64% for parents with \$20,000 or less in income) and richest (69% for parents with more than \$100,000 in income). This dip for middle-income households likely reflects that they are earning too much money for a subsidy, but not enough to afford care.

Figure 9. Share of children in weekly nonparental care arrangements in center-based care (from birth through age 5, not yet in kindergarten), 2019



Source: U.S. Department of Education, National Center for Education Statistics. (2021). Early Childhood Program Participation: 2019 (NCES 2020-075REV), Table 1

The childcare sector employed about a million workers as of August 2023, nearly recovering its prior, pre-pandemic employment peak. The pandemic hit childcare hard. The sector shed 34% of total employment—one in three jobs—in the first month of the pandemic.

Figure 10. Total employment in the childcare sector, 1985-2023



Source: Bureau of Labor Statistics, Current Establishment Survey, series CES6562440001.

Those workers are not well compensated. According to the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, the median childcare worker earned \$14.49 an hour in 2022, for an annual income of \$30,140. For reference, that is about the median hourly wage and income for:

- waiters and waitresses (\$14.00 and \$29,120),
- maids and housecleaners (\$14.40 and \$29,960),
- dishwashers (\$13.98 and \$29,080), and
- fast food and counter workers (\$13.43 and \$27,930).

It is about half what a kindergarten teacher makes (\$60,490).

### **What Makes a Market Failure**

A market failure has no single definition, marker, or indicator. It describes a situation in which the market fails to efficiently deliver a good or service. Childcare exhibits four features of market failure.

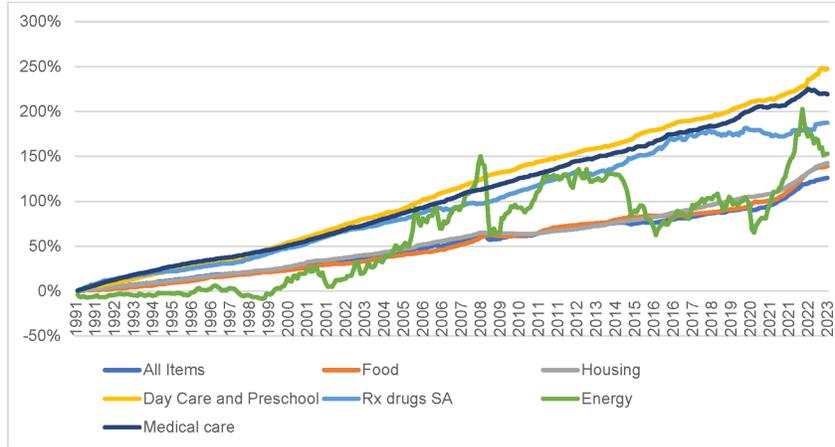
First, it is expensive and has seen unsustainable price increases. According to Child Care Aware of America, the average price of care was \$10,853 in 2022. Relative to other household expenses, childcare for two children is higher than:

- Average mortgage payments in 41 states and DC (1-53% higher),
- Average rent payments in all 50 states and DC (24-100% higher),
- In-state university tuition in 32 states and DC (0-100% higher).

Care.com, in their annual Cost of Care report in which they survey parents about care spending and pricing, report that families spend on average 27% of their income on childcare expenses. 59% of families report that they spend at least \$18,000 a year on care per child. Further, they report childcare costs have increased 80% in the ten years they've been tracking the data.

Indeed, childcare is notable not only for its high cost but also its variable cost based on the age of the children and the city in which care is sought. The Department of Labor's National Database for Childcare Prices notes that the median cost for infant care is \$5,800 for a home-based provider in a small city of fewer than 100,000 people, but \$15,500 for center-based provider in a city of more than 1,000,000.

Figure 11. Percent change in price index of Day Care and Preschool and select goods and service since 1991



Source: Bureau of Labor Statistics, Consumer Price Index, series CUSR0000SA0 CUSR0000SAF1 CUSR0000SAH CUSR0000SEEB03 CUSR0000SEMF01 CUSR0000SAOE CUSR0000SAM.

The Bureau of Labor Statistics, which tracks prices in the economy through its Consumer Price Index, has produced an index for "day care and preschool" since 1991. By their measure, the price of day care and preschool has increased faster than food, housing, energy, medical care, and prescription drugs in that time. On average, the price of day care and preschool increased 3.9% a year and in total increased 248%, compared to 2.5% a year for prices overall and a 126% total increase.

The second feature of market failure exhibited by childcare is that it is inadequately supplied.

The supply of care relative to demand is very difficult to estimate. Care comes in many forms, from center-based care and licensed home-based care (often grouped together as paid care), to informal friend and family care that is unpaid. Families that cannot afford or find one can switch to another. Families that cannot find either paid or unpaid may have a worker leave the labor force. Hence, there is no constant or measurable pool of unmet demand.

Before the pandemic, the Center for American Progress estimated that half the country lives in a 'childcare desert' where there are too few licensed providers relative to the number of children in a geographic area: more than three children for every available licensed spot. A separate research group at the University of Minnesota employed a different methodology, where they used driving distance to a childcare provider rather than geographic distance, and found families have even fewer care options than the 'desert' estimate suggests, though their work was limited to Minnesota.

The pandemic saw the closure of many paid providers. The number of center-based providers has recovered, but the number of home-based providers has not, declining 11% since 2019. However, for neither type of paid provider are there consistent estimates of the totally number of spots they offer.

An effective measure for estimating unmet demand would be an analysis of waiting lists—providers who are full and no longer accepting new enrollment add waiting children to a ranked list that are offered spots as they open. However, there is no centralized record keeping of the size of lists. A survey from the National Association of Educators of Young Children (NAEYC) reported that 38% of waiting lists have gotten longer in the pandemic. A company that makes waiting list software told a news outlet that the lists they manage have grown from 185 kids on average before the pandemic to 236 in early 2023.

Yet, there is little prospect for the industry to generate sufficient supply. Over the long term, the childcare services industry (NAICS code 6244) has evinced troubling signs. Its establishment entry rate, which measures the number of new firms as a share of existing firms, used to be higher than its parent industry, health care and social assistance (NAICS code 62). They are now on par. At the same time, the exit rate, which is exiting establishments as a share of existing firms, in child care services is and has consistently been higher than its parent industry. This suggests that was once an industry of churn is now tending towards decline. These trends are based on the latest data available, which has not been updated in the pandemic.

Figure 12a. Entry rate of establishments into Health Care and Social Assistance industry (NAICS 62) and Child Care services subindustry (NAICS 6244), 1978-2020

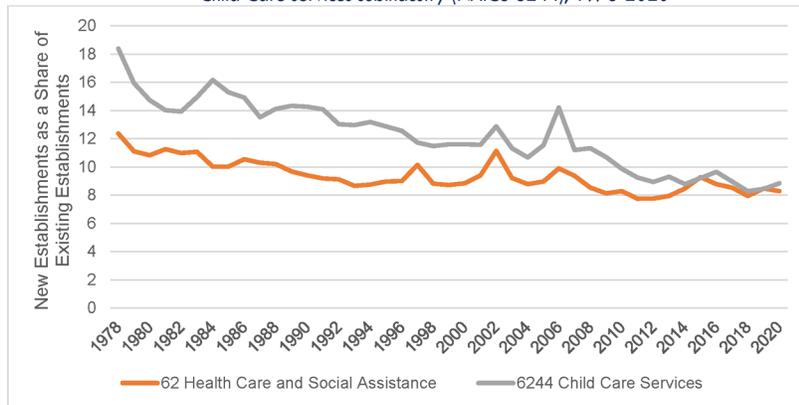
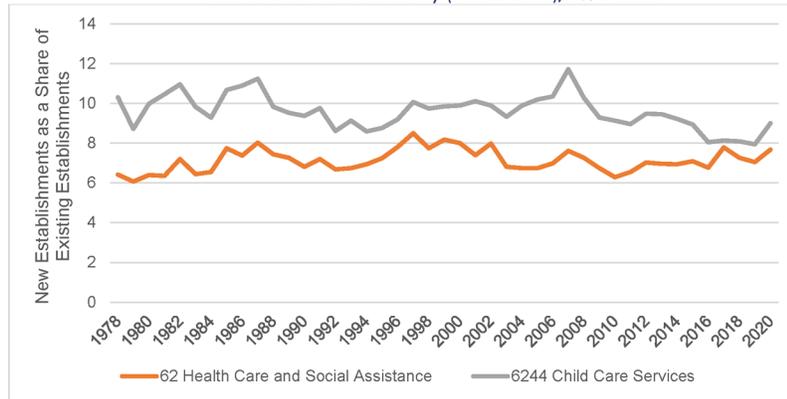


Figure 12b. Exit rate of establishments into Health Care and Social Assistance industry (NAICS 62) and Child Care services subindustry (NAICS 6244), 1978-2020



Source: U.S. Census Bureau, Business Dynamics Statistics.

Childcare is not a lucrative business; profit margins are small and the largest and majority expense is staff salary. Most establishments in the industry are small. Of the for-profit chains, the largest ten serve just 6% of the total childcare market.

The third feature of market failure exhibited by childcare is that it has almost no capacity for market-based improvement.

The delivery of goods and services mostly evolves over time through market innovations. These can come in the form of technology, in production efficiency, in a return to scaling, or a combination of the three. Classic examples are the invention of the steam engine, the assembly line, or the rapid expansion of fast-food chains.

Those solutions are not applicable to childcare, which has seen little market evolution. Very young children require the eyes, hands, and attention of a capable adult. They can share that adult attention, but only up to a point. There is no technological substitute, no process malleable to efficiency gains, and no room to scale without dramatic reductions in quality or safety.

There is no innovation coming that will suddenly increase supply or decrease cost. The implication of which is that the childcare market can only deteriorate further.

The fourth feature of market failure exhibited by childcare is that its provision does not reflect its immediate economic value: it enables the labor supply of parents. Nor does it reflect its long-term value: high-quality early childhood education is enormously beneficial to children in both childhood and well into adulthood.

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## **FAQ 2 Does childcare actually increase labor supply?**

Throughout the narrative, I state as fact that childcare reductions would reduce labor supply. This is a logical conclusion—a person cannot work and care at the same time. Therefore, care enables work.

However, it is also a consistent finding from studies of childcare policy and markets. In general, the introduction of any program or school that provides children a safe and affordable environment between 8:30am-5:30pm has been shown to increase maternal labor force participation and long-run earnings. Logically, care enables a parent to work. In practice, care enables mothers to work.

Since the US does not have substantive childcare investments, evidence on maternal labor supply often comes from other countries, where the provision of care has expanded while the cost to families has fallen. However, within the US there are instances of expanded care, such as the introduction of kindergarten and current childcare subsidies for very low-income families.

Results are consistent, care increases maternal labor supply while the lack of care reduces it. Additionally, research confirms that mothers leaving the labor force experience long-term consequences. Any absence from the labor force reduces the probability of participation in the future. Even if mothers return to work, they likely have lower earnings than they would have if they never left and are unlikely to recover them. The longer the gap, the less likely future participation and the bigger the earnings effect.

The topic of debate is less *if* maternal labor supply would increase if childcare was affordable and accessible in the US, but more *how much* it would increase by. Looking at the suite of childcare and labor policies in other countries and mapping them on to the US context, one prediction is for women's overall labor force participation to be 6-7 percentage points higher. Predictively modeling of a fully subsidized childcare system found maternal labor supply to increase by a similar degree.

Studies that rely less on theory or prediction are those that relate the observed decline of maternal labor supply to the observed increase in childcare prices in an elasticity. They suggest a 10% decrease in childcare prices would result in a 2.5% increase in maternal employment.

Together, this puts the range of mothers who would be working if care were affordable or accessible at several million.

There are select cases in which care or schooling has expanded and maternal labor supply did not expand, and cases where care or schooling expanded and maternal labor supply did not expand by the degree predicted. However, there has never been a decline in care coupled with an increase in supply. Circumstances—such as the timing, quality, reach, or generosity of the childcare expansion—may make the labor supply increase smaller or negligible. But a reduction in care would reduce labor supply.

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### **FAQ 3 Is childcare good for children?**

High quality early childhood education (ECE) is enormously beneficial for children and has shown to improve a variety of short- and long-term outcomes, including:

- Cognitive development,
- Test scores through high school,
- Need for remedial education,
- Need for grade retention,
- High school graduation rates,
- Earnings and employment in adulthood.

The results tend to be largest for those from middle- and low-income families. Investments in ECE that are universal or near universal have been shown to increase earnings at the bottom and middle of the income distribution when those children become wage earning adults, so critical is the early childhood period and so large the gaps between high- and low- income families.

Hence, the key questions are:

#### *1 Is childcare high quality ECE?*

It can be, but is not necessarily. With few subsidies and institutional investments in the US currently, the range of childcare type and quality is large.

Researchers assessing the current distribution in the US have found that the five types of care have varying average quality:

- Highest – in home care provided by a nanny,
- Next – public center care operated by Head Start,
- Next – private center care
- Next – in provider's home care (home-based care),
- Lowest – relative care.

Center-based care, whether Head Start or private, are both assessed as average quality, and home-based care as just below average. The outliers are in-home nanny care, which is much higher quality on average, and relative care, which is much lower quality on average (this low-quality is sometime attributed to extensive television watching).

In practice, however, quality is dictated more by the mothers' education (a proxy for income and socioeconomic status) rather than the type of care itself. Children of highly educated mothers have better quality care whatever the type, whether they are in a center or home with a relative. No "type" of care consistently predicts quality as strongly as the "buyer" does. High income children will receive high quality care.

Related back to the question, much of the care currently provided in the US would probably not be regarded as ECE.

#### *2 Do public interventions work to improve childcare and make it ECE?*

To the extent that they can create affordable and high-quality care, yes. Mothers offered subsidies mostly take them and use them to find higher quality care than they would have otherwise.

Mixed evidence is mostly the result of mixed success in creating the quality.

### 3 *But I've heard that childcare causes behavioral issues in children?*

Childcare itself—that children below the age of kindergarten spend most of their day outside the care of their parents—does not harm children. There is no default state in which some “bad” emerges from nonparental care.

Indeed, there is no evidence of high-quality ECE childcare harming or stunting children. Sadly, the US has many other examples of low-quality situations in which evidence of poor outcomes can be found.

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#### **FAQ 4 Is childcare good for families?**

In 1971, President Richard Nixon vetoed Comprehensive Child Development which would have created a system of federally provided and supported childcare. In his veto message, he wrote:

"Though Title V's stated purpose, "to provide every child with a full and fair opportunity to reach his full potential" is certainly laudable, the intent of Title V is overshadowed by the fiscal irresponsibility, administrative unworkability, and family-weakening implications of the system it envisions. We owe our children something more than good intentions.

We cannot and will not ignore the challenge to do more for America's children in their all-important early years. But our response to this challenge must be a measured, evolutionary, painstakingly considered one, consciously designed to cement the family in its rightful position as the keystone of our civilization."

Nixon's assertion is that care of young children by a nonparent weakens the family as an institution. It presupposes that there are two states possible: children at home with a parent or children in care supported and funded by the government. It does not consider what became the most common case in the years following his veto: children in care paid for by the family at significant expense.

Were the federal government to start supporting and broadly subsidizing childcare, the effect on families would not be what comes from switching kids from parental care to childcare, but rather, what comes from switching the payer from parents to the government.

Reducing the childcare costs to families decreases the amount of income they must direct to care. This would likely have enormously beneficial effects on families; the "freed up" income would be like getting an extra amount of cash each month.

Prior research on introduced childcare subsidies have found this to be the case, noting that children are helped both from the early childhood education but also the increases spending power and economic security of their parents.

In the US, we've have no such broad subsidy to care. But, in 2021, families did get an extra amount of cash each month through the temporary expansion to the Child Tax Credit. Researchers assiduously studied households receiving the CTC monthly payments to understand how they used the money.

Families mostly spent the money on food, though spending was also directed to housing, necessities, and child-related goods and services. Food insecurity decreased. Financial stress and hardship decreased. Research continues to emerge about the beneficial effect the 2021 CTC in particular, however there is a large body of evidence of the deleterious effects of financial hardship and uncertainty in childhood that the CTC-specific findings join.

The benefit of reduced hardship for families, it important to note who has agency in this decision. The question of whether childcare is good for families forgets that most families have decided that childcare is good for them. In 2022,

- 77% of women with children 6-17 worked,
- 68% of women with children under 6 worked, and
- 66% of women with children under 3 worked.

Further, according to the Brookings Institute, between 1979 and 2018, 91% of the increase to "middle-class income" over that time period came from women's earnings.

If you simply take families as acting in their own best interest and trusting their decision making, childcare is good for families.

*Section References – Summary Articles*

*Rather than reprint all of the references, the three article below each contain extensive citations about both the Child Tax Credit and the beneficial effects on children of parents having more money.*

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