JOINT ECONOMIC COMMITTEE
RANKING DEMOCRAT CAROLYN B. MALONEY

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Statement of Carolyn B. Maloney
Joint Economic Committee
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Thank you Chairman Coats for calling today's hearing.

There seems to be a broad consensus these days that the economy is stronger than it has been in years.

The evidence is undeniable that the labor market is on a much stronger footing. As you can see in this chart, we've had a record 64 straight months of private-sector job growth – with businesses creating 12.8 million jobs during this time.

Under the leadership of President Barack Obama, the unemployment rate is 5.3 percent, close to current estimates of what economists call its "natural rate."

There has also been substantial improvement in the broadest measure of unemployment – the U-6 rate – which includes discouraged workers not in the labor force as well as those working part time who would like full-time work.

Let's remember how far we've come. When President Obama took over for George W. Bush, our economy was in a dire situation. By some measures, the Bush-era Great Recession was worse than the Great Depression.

We were losing around 800,000 jobs a month. In the final quarter of 2008, GDP had shrunk by a staggering 8.2 percent. During the toughest days, there were nearly seven job seekers for every one job. U.S. household wealth fell by about $13 trillion from its peak. Housing prices were collapsing.

But bold action by President Obama and Democrats in Congress, as well as by the Federal Reserve, helped put our nation back on track.

My Republican colleagues opposed many of the measures that helped reverse the economic freefall. They predicted dire consequences. But those predictions have been proven wrong. Now they are left with the weak claim that good job numbers aren't really good news.

And that brings us to today's hearing. While it is true that economists are concerned about the declining labor force participation rate, much of this decline is structural and it long pre-dates the Obama administration.

My Republican colleagues act like this is a new phenomenon. They gloss over the fact that the labor force participation rate fell over the course of the George W. Bush administration.

And they ignore that the labor force participation rate for men has been falling since the early 1950s……as you can see in this chart….….

…..including through the Reagan, Bush I, Clinton and Bush II administrations.

Economists have long anticipated the recent decline in the labor force participation rate – and they predict that it will continue over at least the next 10 years.

In 2006, economists at the Federal Reserve predicted that participation rate would fall to 63.3 percent in 2013 – and that's exactly what happened.

The decline in labor force participation is largely driven by demographics – principally, the retirement of the baby boomer generation.

The first baby boomers began to retire in 2008, when they turned 62 and became eligible for Social Security early retirement benefits. And they continue to retire at a rate of about 4 million a year – or more than 10,000 every day.

In fact, the working lives of the baby boomers roughly track the rise and fall of the labor force participation rate.

This chart shows the rise and fall in the percentage of Americans in their prime working years (25-54).

The Council of Economic Advisers estimated that HALF of the 3.1 percentage point decline in labor force participation from fourth quarter of 2007 to second quarter of 2014 was due to the population aging. Other economists have reached similar conclusions.

Let's be clear – the fact that older Americans are able to retire is a good thing. But it also lowers the labor force participation rate. This is not the fault of the Barack Obama or any other president.

There is a second important factor that helps to explain the decline in the overall labor force participation rate – the declining number of young people in the work force.

But young people are working somewhat less for a perfectly good reason – they are going to college!

In 1970, less than a quarter of 20 to 24 year olds went to college. By 2013, that number had climbed to nearly half (46.4 percent) as you can see in this chart.

When young people choose to get an education instead of going directly to work, it reduces the labor force participation rate in the short term. However, in the future they likely will make more money, contribute more to the economy and have higher labor force participation rates.

Let me say something that we should all agree on…

…we need to build an economy that creates enough good-paying jobs to keep more men and women in the labor force.

There are five things we can do right now toward that end.

First, we should invest in infrastructure to rebuild our roads and bridges, create good-paying jobs and improve U.S. competitiveness.

Second, we need family-friendly workplace policies that will boost employee retention, lift worker morale and can increase participation in the workforce. When policymakers make it easier to balance work and family, more people will be able to enter and remain in the labor force, especially women.

Third, we should expand the Earned Income Tax Credit (EITC), an initiative that has proven to boost labor force participation among low-income workers.

Fourth, we should pass a second-earner tax credit, like the one President Obama has proposed. This would help 24 million families where both spouses work to offset the costs of commuting and child care, making it more financially attractive for the second earner to remain in the labor force.

Fifth, we should pass immigration reform. According to CBO, the bipartisan immigration bill passed by the Senate in 2013 would have increased the labor force by about 6 million workers in 2023.

I hope that today we can have an even-handed discussion of labor force participation and related issues. I look forward to our witnesses' testimony.