Economic Policy Institute

The U.S.-Born labor force will shrink over the next decade

Achieving historically ‘normal’ GDP growth rates will be impossible, unless immigration flows are sustained

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Introduction

It is often underrecognized how much population aging is currently reducing the growth rate of the U.S. labor force and will continue to pull it down in coming decades. The share of the population that is over the age of 65 (when labor force participation tends to take a steep fall on average) is rising rapidly. This share was 12.4% in 2007, 17.9% in 2024, and will hit 21.2% by 2035 (CBO 2025b). A recent EPI report (Gould et al. 2025) assessed trends in U.S. labor force participation and reviewed the research literature about their drivers and the potential effects of policy changes on these trends. One upshot of this research literature is that even the most ambitious policies to boost the labor force participation rate of the current U.S. workforce would not materially change these trends.

Any decline in labor force growth necessarily leads to a decline in the rate of growth of gross domestic product (GDP). GDP is the product of the number of hours worked in an economy multiplied by productivity (the average amount of output generated in an hour of work). If the number of work hours falls because the labor force shrinks, this essentially translates one-for-one into slower aggregate growth. Policymakers who do not want to see the pace of GDP growth shrink relative to the past history of U.S. growth really only have one option: allowing larger flows of immigration. Absent this, other policies to boost the U.S. labor force—while they might be wise along many margins—will not restore overall GDP growth to anywhere near its historic pace. In the rest of this policy brief, we lay out some of the larger trends in U.S. labor force growth and the implications of population aging for the future path of the labor force and economic growth.

SECTIONS

Other briefs, reports, and analysis from this series

Good news and bad news about U.S. labor force participation Many headwinds from the 2010s are gone, but we're not investing enough in the future

Better things come to those who wait The importance of patience in diagnosing labor force participation rates and prescribing policy solutions

Job quality is a policy decision Better jobs can spur higher labor force participation for both men and women

Assessing the strength of the labor market Preliminary downward revisions do not necessarily signal a weaker 2024 labor market, but there are warning signs for 2025

U.S. labor force growth has slowed a lot in recent decades, and U.S.-Born labor force growth has slowed even more

Figure A shows the average annual growth rate of the overall labor force for a number of historical periods. We pick endpoints for these periods that correspond with business cycle peaks to make sure that sharp cyclical differences are not driving these trends. For two recent periods (2007–2019 and 2019–2024), we also show the average annual growth of just the *U.S.-born* labor force.

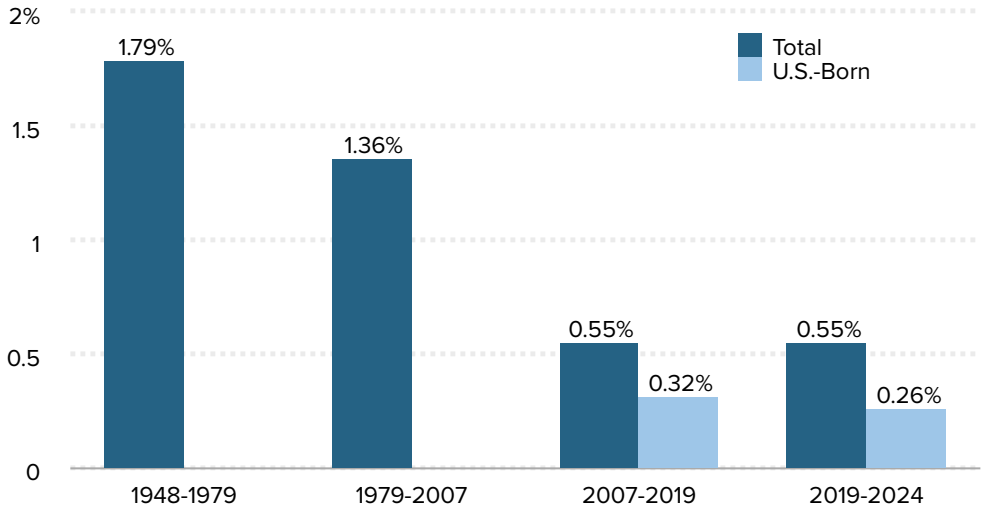
Between 1948 and 1979, labor force growth averaged 1.8% annually. From 1979 to 2007, this pace slowed, but only slightly, averaging 1.4% annually. However, in the two business cycles since 2007, labor force growth averaged just 0.5%–0.6% annual growth. For the two most recent business cycles, we have data on growth in the U.S.-born labor force, and this growth is just 0.3% on average.

The fast growth of the labor force between 1948 and 2007 and the slowdown since then can be explained by three big demographic changes: the Baby Boom that saw high fertility rates from the late 1940s to the mid-1960s and then a sharply lower fertility rate since, the steady influx of women into the labor force from 1948 until roughly 2000, and population aging that has seen the share of the over-65 population rise rapidly since 2007. The importance of population aging in driving the much slower labor force growth since 2007 can be seen in many exhibits presented in our previous report (Gould et al. 2025), which highlighted the labor force participation rate of prime-age workers—those between the ages of 25–54. These prime-age participation rates stood at near all-time highs in 2024, meaning that the decline in the labor force was not driven by falling age-adjusted participation rates, but was instead just driven by aging.

Figure A

Labor force growth has slowed significantly in recent business cycles, especially for the U.S.-Born

Average annual labor force growth between business cycle peaks



Source: Bureau of Labor Statistics (BLS 2025a) data retrieval tools based on data from the Current Population Survey (CPS).

Population aging of U.S.-Born workers will accelerate in the next decade

Figure A highlighted that growth in the U.S.-born labor force was even slower than overall labor force growth after 2007. This makes sense given that immigrants tend to be younger than the U.S.-born population and that steady flows of net immigration buoy the U.S. labor force. The drag on overall labor force growth stemming from sharp declines in the U.S.-born labor force over the next decade will likely be quite steep.

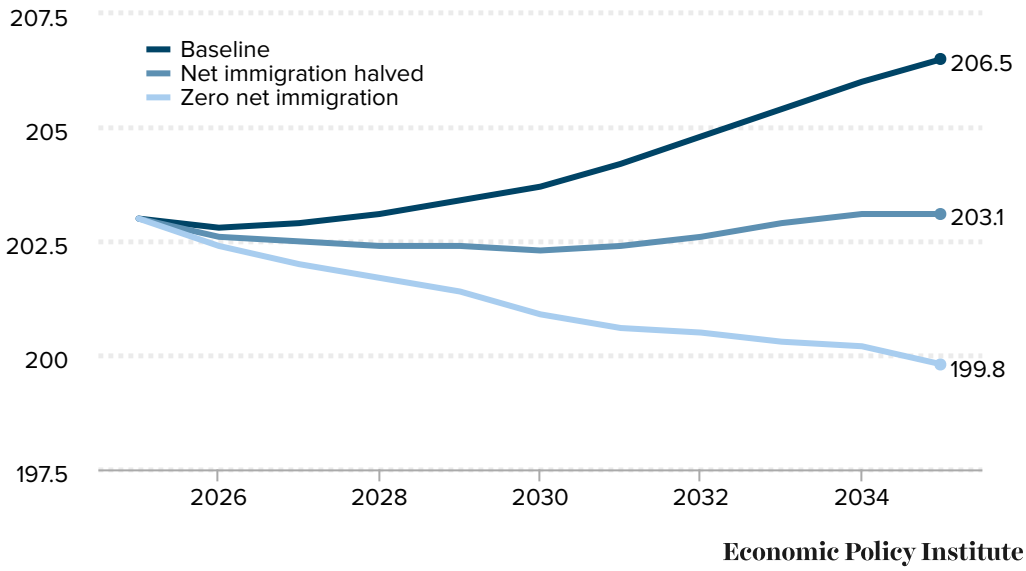
The Congressional Budget Office (CBO 2025a) forecasts growth in the overall labor force and GDP for the U.S. economy over the next decade. They are currently projecting annual labor force growth of 0.5% on average between 2025 and 2035. Yet in demographic projections, the CBO (2025b) forecasts that immigration will account for essentially 100% of total U.S. population growth over this time span, and well over 100% of population growth after 2031. Given that 75%–80% of immigration flows are people between the ages of 20 to 64, this means that the U.S.-born population of those between the ages of 20 and 64—the vast bulk of the potential labor force—is forecast to *shrink in every year for the next decade*.

Figure B highlights this, showing estimates of the population between the ages of 20 and 64 for the years between 2025 and 2035.[1] We show the baseline growth of this

Figure B

U.S.-Born population between the ages of 20 and 64 forecast to shrink every year for the next decade

Projections of U.S.-Born and foreign-born populations (millions), 2025–2035



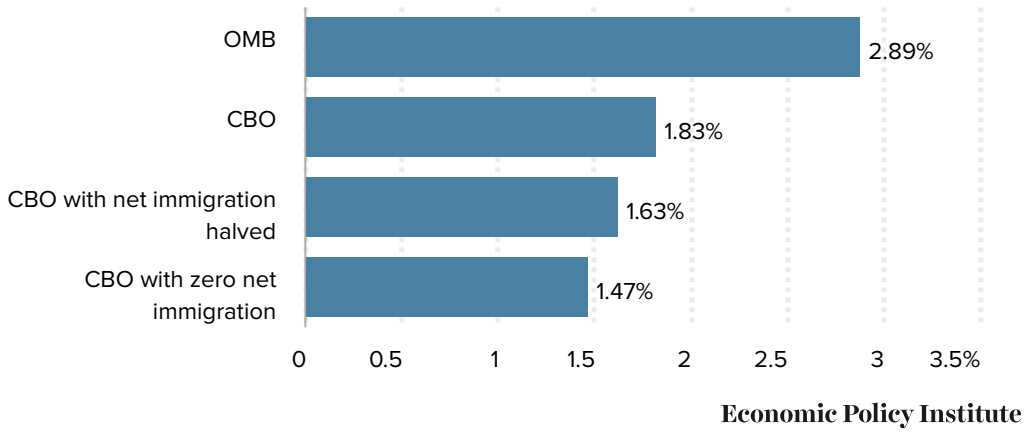
Source: Author's analysis based on data from CBO (2025a, 2025b).

population, but then also estimate what growth would be if net immigration were halved or were driven by zero (see the data appendix for explanations of how these were calculated). The line showing zero net immigration essentially is the path of labor force growth of just the U.S.-born population.

Figure C

OMB forecasts for GDP are far higher than CBO's, even as CBO forecasts significant immigration

Forecasts for real GDP growth from the Trump administration, the CBO, and CBO forecasts if net immigration to the U.S. was halved or reduced to zero, 2026–2035



Source: Author's analysis based on data from CBO (2025a, 2025b).

Reduction of net immigration flows would lead to much slower labor force and GDP growth

If we assume that any changes in population levels do not change labor force participation rates, we can make a rough inference about how much any change in immigration levels would affect trends in labor force and GDP growth in the coming decade. (Some more details on this calculation are in the data appendix.)

Figure C shows current forecasts for growth in real (inflation-adjusted) GDP from the CBO and from the Trump administration's Office of Management and Budget (OMB). The OMB is forecasting far faster growth than the CBO over the next decade. This is true even as the CBO is still projecting immigration flows over the next decade that will be high enough to account for over 100% of U.S. population growth post-2030.

Because GDP is simply the product of hours worked and productivity, the Trump administration would have to be forecasting either significantly faster growth in hours worked (proxied by the size of the labor force) or significantly faster productivity growth. But the potential growth of hours worked by U.S.-born workers is essentially driven entirely by demographic trends. Again, Gould et al. (2025) highlight that there is very little scope for even the most ambitious policy efforts to boost labor force participation rates of the current U.S. workforce to raise these by more than a percentage point or two. And

even these ambitious and most effective policy changes largely involve substantial investments in today's children to make them more likely to search for work as adults. This means that the payoff period is well over a decade.

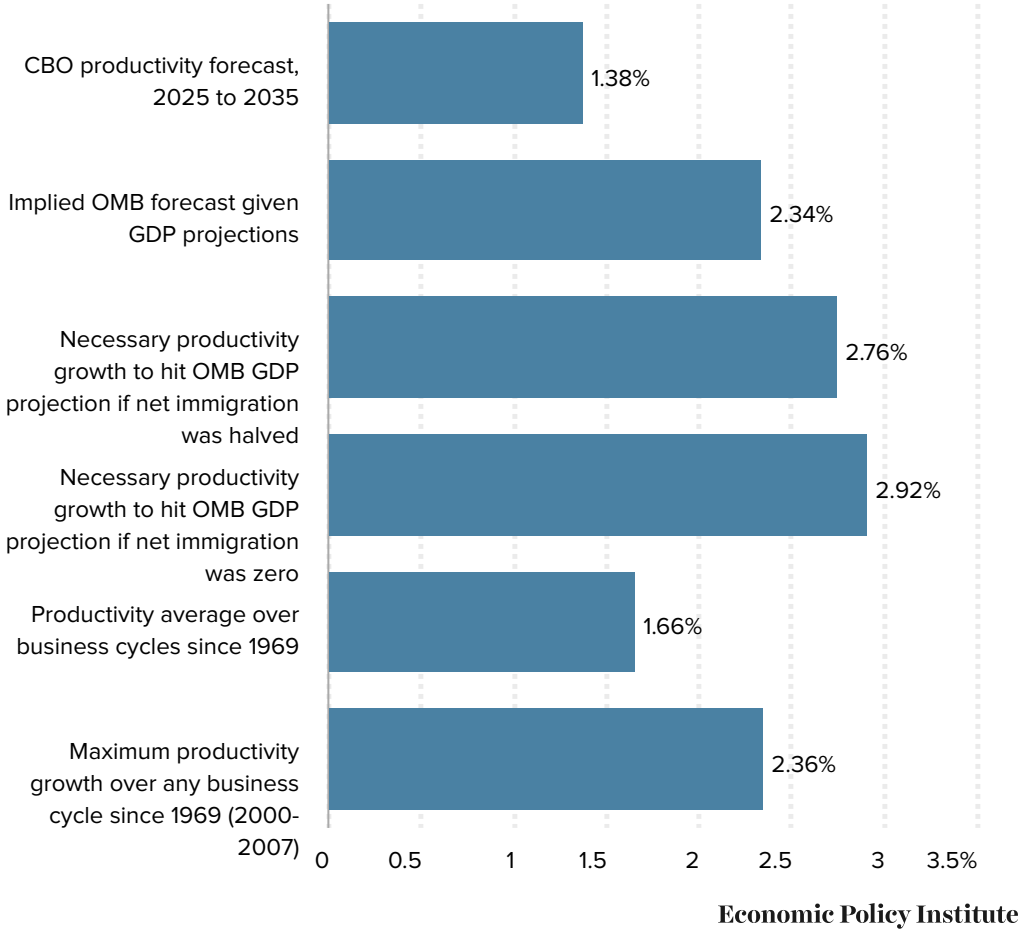
Given this limited scope for policy to boost labor force participation rates, the only other margin along which the labor force could grow is immigration. But the Trump administration is clearly looking to shrink, not expand, net immigration flows. Given this stated policy preference, we also calculate what halving net immigration flows or reducing them to zero would do to CBO's growth forecasts (for details on how we estimated these, see the data appendix). Very roughly, a halving of net immigration would reduce average annual GDP growth by 0.2 percentage points annually in the coming decade, while reducing net immigration to zero would reduce annual growth by 0.4 percentage points annually.

All of the discussion above implies that the Trump administration forecasts could only be met by faster productivity growth. **Figure D** shows the implied productivity growth assumptions adopted by the Trump administration versus the CBO. It then shows the implied productivity growth rates for the Trump administration forecast to hold in scenarios in which net immigration flows were halved or driven to zero. It is worth noting that the stated position of the Trump administration to increase deportations to 1 million per year would be (all else equal) roughly consistent with a halving of net immigration flows if these flows returned to pre-2022 levels.[2] Finally, Figure D shows the historic average and maximum 10-year productivity growth rates from each full business cycle since 1969.

Even the unadjusted forecasts of CBO and the Trump administration imply large differences in productivity assumptions—with the administration assuming productivity growth that is a full percentage point faster (or roughly double the pace) of CBO's forecasts. For the Trump administration GDP forecasts to hold even in the face of reductions in net immigration flows, the assumptions regarding the pace of productivity growth would have to further increase. In a scenario of zero net immigration, for example, productivity growth would have to reach 2.9% annually to meet the administration's GDP forecasts. For context, no full business cycle since 1969 has seen productivity growth even close to this fast. The previous maximum was the 2.4% productivity growth that characterized the 2000–2007 business cycle. On average since 1969, productivity growth over full business cycles has averaged just 1.7%. In short, meeting the OMB growth forecasts will be hard enough given current trends in net immigration. If there is any reduction in these trends, productivity growth would have to accelerate to levels not seen in decades.

Figure D

Hitting Trump administration GDP forecasts would require historically fast productivity growth, especially if net immigration slows



Note: The historical averages and maximum refer to average productivity growth over all business cycles that occurred between 1969 and 2024.

Source: Author's analysis based on CBO (2025a, 2025b, OMB 2025, and data on real GDP from the National Income and Product Accounts of the Bureau of Economic Analysis and aggregate hours data from the Bureau of Labor Statistics (BLS 2025b).

Conclusion

The pace of overall GDP growth rises and falls essentially one-for-one with the pace of labor force growth. For the next decade, the labor force of the U.S.-born population will likely *fall* each year. To be clear, this does not necessarily imply great economic hardship. It is the level of GDP *per capita* that determines a country's living standards, not its level of overall GDP. (This fact is why, for example, Denmark is considered a very rich country, while Bangladesh is not, despite the latter having an overall GDP that is more than three times as large).

But there are reasons besides its mechanical connection with overall GDP growth for a country to want the labor force to grow steadily. One reason is that a rising ratio of nonworkers to workers can make some social insurance systems (like those that provide retirement income or health care to older workers) more challenging to maintain. Given the value of these systems to the nation's welfare, anything that makes them easier to sustain would be welcome.

Finally, any policymaker wanting to make large claims about the pace of overall GDP growth that will occur under their watch is obligated to make them consistent with basic facts about labor force growth, potential productivity growth, and the potential effect of policy on each of these. The degree to which labor force growth over the next decade in the U.S. will be quite slow relative to the historic past, and the pretty low possibility that even ambitious policy changes outside of immigration policy can change this is important information in this context.

Data appendix

Figure B

CBO (2025b) provides estimates for growth in the 20–64 population and net immigration overall. The background data included in that report also provide net immigration forecasts each year by age (along with sex and immigration status). Given this, we construct estimates of how much growth in the overall 20–64 population will be driven by net immigration. We then take forecasts of net immigration flows and cut them in half or force them to zero to assess the effect of this in growth of the 20–64-year-old population.

Figure C

GDP growth forecasts in the top two bars are obtained directly from CBO (2025a) and OMB (2025). To obtain the estimate in the bar titled "CBO with net immigration halved," we make a calculation of how much halving projected net immigration flows would affect labor force growth in coming years. The calculated percentage change in the labor force

would, in turn, then change GDP growth one-for-one. We build off the decline in the 20-64 population we estimated above. Because more than 90% of the labor force in any year is accounted for by people between the ages of 20 and 64, we multiply the change in the 20–64-year-old population by 90% to get a sense of how much changes in this population translate into changes in the overall labor force. This calculation implicitly assumes that changes in *population* do not have any effect on labor force participation *rates*. For example, if a population changes by 100, and the labor force participation rate of that population is (say) 80%, then the labor force will change by 80.

For the last bar in the figure, we do the same exercise, but this time assuming that net immigration is zero, not just halved.

Figure D

The bar titled "implied OMB forecast given GDP projections" assumes that CBO and OMB use the same forecasts for labor force growth. Given this, the difference in their GDP forecasts must equal the difference in their productivity forecasts. If the OMB ever clarifies just how they obtained their GDP forecasts, we can modify these calculations accordingly. Given the stated intent of the Trump administration to reduce net immigration flows and given the findings in Gould et al. (2025), it seems hard to see how the OMB could justify faster labor force growth forecasts.

For the bar in Figure D titled "necessary productivity growth to hit OMB GDP projection if net immigration was halved," we use our previous estimate of how much a halving of projected net immigration flows would affect labor force growth and measure the difference between the OMB GDP projection and the CBO GDP forecast that would hold if labor force growth were reduced by a halving of net immigration inflows. For the next bar, we do the same exercise but use the estimate above for how much labor force and GDP growth would be held back by net immigration falling to zero.

Acknowledgments

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Notes

1. We use this age range because it is the one provided by the CBO 2025b that is most relevant to potential growth in the labor force in the coming decade.
2. Zipperer (2025) notes that 1 million deportations would be an increase of roughly 670,000 over previous baseline levels. CBO 2025b forecasts that net immigration flows will average 1.2 million between 2025 and 2035. Importantly, this estimate was made before the large increase in resources for immigration enforcement made possible by the passage of the Republican-led budget bill that Trump signed into law in July 2025.

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