

# **Process 2:**

# **Economics**

## ***2. Economic***

The Office of the Chief Actuary uses the Economic process to project OASDI employment and earnings-related variables, such as the average wage index and the effective taxable payroll. The Economic process receives input data from the Demography process and provides output data to the Beneficiaries and the Trust Fund Operations & Actuarial Status processes.

The Economic Process is composed of five subprocesses, U.S. EMPLOYMENT, U.S. EARNINGS, COVERED EMPLOYMENT AND EARNINGS, TAXABLE PAYROLL, and REVENUES. The first four subprocesses produce estimates for the full projection period (75 years), whereas REVENUES does so only for the short-range period (defined as the first 10 projected years, for example, years 2025-2034 in the 2025 report). As a rough overview, U.S. EMPLOYMENT and U.S. EARNINGS project U.S. employment and earnings data, respectively, while COVERED EMPLOYMENT AND EARNINGS converts these employment and earnings variables to OASDI covered concepts. TAXABLE PAYROLL, in turn, converts OASDI covered earnings to taxable concepts, which are eventually used to estimate future payroll tax income. REVENUES converts taxable concepts into projected OASDI wage tax liabilities (WTL) and self-employment tax liabilities (SEL).

U.S. EMPLOYMENT and U.S. EARNINGS produce output by quarter, while the output from COVERED EMPLOYMENT AND EARNINGS and TAXABLE PAYROLL are calendar year amounts. REVENUES produces amounts of wages paid to employees during a quarter and tax liabilities owed on those wages, as well as taxes collected on those amounts by quarter and by fiscal and calendar year.

Two appendices are at the end of this documentation. The first appendix, 2-1, provides details for most of the equations given in the following descriptions of the Economic process. The second appendix, 2-2, provides a listing with explanations of abbreviations and labels used in this documentation.