The Decline of Men Working: Why It Is Happening, What It Means, and What to Do About It

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Outline of the Talk

I. Labor Market Context

II. Facts About Prime-age Men

III. Explanations
   a) Supply
   b) Demand
   c) Institutions

IV. Policy Response
Sharp Decline in Unemployment Rate…

Source: Bureau of Labor Statistics; author's calculations.
But Employment-Population Rate Has Not Recovered

Employment-Population Ratio

Source: Bureau of Labor Statistics; author's calculations.
Decline Exceeds Age Effects

I. Labor Market Context

Source: Bureau of Labor Statistics; author's calculations.
Other Labor Market Dysfunctions: Big Increase in Long-term Unemployment After the Recession

I. Labor Market Context

Source: Bureau of Labor Statistics; author's calculations.

Unemployment Rate by Duration

Percent

Unemployment Rate

Average, 2001-2007

Long-term Unemployment Rate (27+ Weeks)

Source: Bureau of Labor Statistics; author's calculations.
And Also People Working Part-time for Economic Reasons

Source: Bureau of Labor Statistics; author's calculations.
Men’s Participation Rate Has Been Declining Since the 1950s

II. Facts about Prime-age Men

Source: Bureau of Labor Statistics; author’s calculations.
Non-participation Is Not Simply Churn

II. Facts about Prime-age Men

Share of Prime-Age Men Currently Not in the Labor Force Who Did Not Work Last Year

II. Facts about Prime-age Men

Participation Falling for Every Cohort

Prime-Age Male Labor Force Participation Over the Lifecycle by Birth Cohort

Education an Increasingly Large Factor

II. Facts about Prime-age Men

Prime-Age Male Labor Force Participation by Educational Attainment

Share With Spouse in the Labor Force is Low and Declining

III. Explanations - Supply

Share of Prime-Age Men with Spouse in Labor Force

### Time Use Breakdown in 2015 for Prime-Age Men Overall and Nonparticipating Prime-Age Men

<table>
<thead>
<tr>
<th>Time Use Category</th>
<th>Prime-Age Men</th>
<th>Prime-Age Men, Not in the Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caring for Household Members</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>Caring for Non-Household Members</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Education</td>
<td>7</td>
<td>27</td>
</tr>
<tr>
<td>Household Activities and Services</td>
<td>80</td>
<td>113</td>
</tr>
<tr>
<td>Socializing, Relaxing, Leisure</td>
<td>245</td>
<td>415</td>
</tr>
<tr>
<td><strong>Watching Television</strong></td>
<td><strong>152</strong></td>
<td><strong>283</strong></td>
</tr>
<tr>
<td>Work</td>
<td>318</td>
<td>9</td>
</tr>
<tr>
<td>Other (Including Sleep)</td>
<td>750</td>
<td>830</td>
</tr>
</tbody>
</table>

Note: Columns do not sum to 1,440 minutes per day because some individuals do not report all minutes of each day.

Source: American Time Use Survey, ATUS-X; author's calculations.
Social Security (Disability) Is the Largest Government Income Source

Breakdown of Average Prime-Age Male Household Income from Government Sources in 2015

2015 Dollars

Note: Includes government income assigned to any household member. Other includes worker's comp, unemployment insurance, welfare, and survivor's benefits.
Disability Cannot Explain the Majority of the Decline in Prime-age Male LFPR

The labor force participation rate for prime age men fell 8.4 percentage points from 1967 to 2015. At the same time, Social Security disability receipt increased by 1.5 percentage points for this group.

This is an upper bound for three reasons:
1. Part of SSDI increase is shift towards older population. This portion does not explain the age-adjusted decline in LFPR.
2. Many men receiving SSDI would not have participated anyway.
3. Reduction in LFPR can cause SSDI receipt.
Plausible Estimates are SSDI Accounts for 0.1 to 0.4 p.p. Reduction in LFPR

Possible Effects of Social Security Disability Insurance (SSDI) on Prime-Age Male Labor Force Participation

Other Government Cash Benefits Have Fallen

Share of Prime-Age Men Receiving Government Cash Transfers Other Than Social Security

As a Result Overall Government Cash Benefit Incidence Has Fallen

### Share of Prime-Age Men Receiving Any Government Cash Transfers

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall</th>
<th>Not in Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Supply vs. Demand

III. Explanations - Demand

Figure 11: Labor Supply and Demand Shifts
Relative Wages Have Fallen—which is consistent with a decline in demand.

III. Explanations - Demand

The earnings ratio compares the median full-time, full-year worker age 25 years or older with just a high school degree to the same type of worker with at least a bachelor's degree. Prior to 1992, high school graduate is defined as completed 12th grade and bachelor's degree is defined as four years of college.


Note: The earnings ratio compares the median full-time, full-year worker age 25 years or older with just a high school degree to the same type of worker with at least a bachelor's degree. Prior to 1992, high school graduate is defined as completed 12th grade and bachelor's degree is defined as four years of college.

Explanation #1: Increase in Incarceration

**Male Incarceration Rate, 1990-2015**

Inmates per 100,000 Residents

Source: Bureau of Justice Statistics.
Effects of Incarceration on LFPR

Currently in prison: 1.1 million in Federal or State prison not in numerator or denominator. To the degree that people in prison would have participated at a lower rate, including them would lower the measured participation rate—but plausibly only by a few tenths of a percentage point.

Formerly in prison: ~5 million formerly incarcerated (~7% of prime age men). They appear to participate at a substantially lower rate, plausibly lowers prime-age male LFPR by ~1 p.p.
Explanation #2: Lack of Supportive Labor Markets: Comparatively Low LFPR

Prime-Age Male Labor Force Participation Rates Across the OECD

Source: Organisation for Economic Co-operation and Development.
Large Decline in LFPR for Prime Age Men

Change in Prime-Age Male Labor Force Participation Rates Across the OECD, 1990-2015

Source: Organisation for Economic Co-operation and Development; author's calculations.
III. Explanations – Institutions

U.S. Labor Markets Are Very Flexible...

<table>
<thead>
<tr>
<th>OECD Measure of Labor Market Flexibility</th>
<th>U.S. Percentile Rank (100 = most flexible)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Labor Market Regulation</td>
<td>100</td>
</tr>
<tr>
<td>Employment Protection for Regular Employment</td>
<td>100</td>
</tr>
<tr>
<td>Minimum Cost of Labor</td>
<td>96</td>
</tr>
<tr>
<td>Disability Compensation Index</td>
<td>96</td>
</tr>
<tr>
<td>Unemployment Insurance Benefit Duration</td>
<td>96</td>
</tr>
<tr>
<td>Scope of State Intervention</td>
<td>94</td>
</tr>
<tr>
<td>Coverage of Collective Bargaining Agreements</td>
<td>94</td>
</tr>
</tbody>
</table>

Source: Organisation for Economic Co-operation and Development; Council of Economic Advisers.
III. Explanations – Institutions

...But U.S. Labor Markets Not Very Supportive

<table>
<thead>
<tr>
<th>OECD Measure of Labor Market Support</th>
<th>U.S. Percentile Rank (100 = most supportive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide Paid Leave Policy</td>
<td>0</td>
</tr>
<tr>
<td>Expenditure on Active Labor Market Policies</td>
<td>6</td>
</tr>
<tr>
<td>Net Childcare Costs (lone parent)</td>
<td>6</td>
</tr>
<tr>
<td>Implicit Tax on Returning to Work, Second Earner</td>
<td>10</td>
</tr>
<tr>
<td>Number of Weeks of Sick Leave</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Organisation for Economic Co-operation and Development; Stockholm University, Social Policy Indicators; Council of Economic Advisers; author’s calculations.
E.g., Consistent Declines in Spending on Active Labor Markets Policies...

**U.S. Expenditure of Active Labor Market Programs (% of GDP), 1985-2014**

Source: Organisation for Economic Co-operation and Development.
III. Explanations – Institutions

...Which is Now Well Below Other Advanced Economies

Public Expenditure on Active Labor Market Programs (% of GDP), 2014

Note: Data for Ireland, Poland, and Spain from 2013. Data for United Kingdom from 2011.
Source: Organisation for Economic Co-operation and Development.
Explanation #3: Reduced Labor Market Fluidity and Propagation of Shocks

Labor Market Dynamism, 1977-2014

Note: Job creation and destruction expressed as share of total employment. Dashed lines indicate 1977-2014 linear trend.
Source: Census Bureau, Business Dynamics Statistics.
Increased Cyclical Sensitivity of Involuntary Part-time

III. Explanations – Institutions

Ratio of Increase in Part-Time for Economic Reasons to Increase in Overall Unemployment Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>0.17</td>
</tr>
<tr>
<td>1960</td>
<td>0.28</td>
</tr>
<tr>
<td>1969</td>
<td>0.22</td>
</tr>
<tr>
<td>1973</td>
<td>0.25</td>
</tr>
<tr>
<td>1980</td>
<td>0.44</td>
</tr>
<tr>
<td>1990</td>
<td>0.29</td>
</tr>
<tr>
<td>2001</td>
<td>0.41</td>
</tr>
<tr>
<td>2007</td>
<td>0.57</td>
</tr>
</tbody>
</table>
Summary of the Key Facts & Explanation

Key Facts

• Steady decline of the labor force participation rate for prime age men since the 1950s.

• The decline has been largest for people with a high school degree or less.

• The rate and decline are worse in the United States than in most other advanced economies.

Explanations

• Little evidence of reduced supply.

• Evidence for reduced demand, including lower relative wages for less skilled.

• But the demand shock is mediated by institutions. In particular: (1) mass incarceration; (2) less supportive labor markets; and (3) less fluid labor markets.
Impacts of Nonparticipation & Unemployment

- Increased mortality, largely due to suicide and alcohol (Eliason and Storrie 2009 and Gerdtham and Johannesson 2003)
- Higher rates of smoking initiation (Marcus 2014)
- Increased body weight (Black, Devereux, and Salvanes 2015)
- Lower reported happiness (Winkelmann and Winkelmann 1995; Knabe and Ratzel 2011; Lucas et al. 2001)
- Community effects, including crime (Raphael and Winter-Ebmer 2001; Gould et al. 2002; Lin 2008)
- Pain and pain medication (Krueger 2016)
Some Specific Policies

1. Labor Demand

- Infrastructure
- Public employment
- Work Opportunity Tax Credit for long-term unemployed
Some Specific Policies

1. Labor Demand

2. Labor Supply
   - Minimum wage/unionization
   - EITC for workers without qualifying children
   - Tax treatment of secondary earners
Some Specific Policies

1. Labor Demand

2. Labor Supply

3. Connective Tissue & Flexible Workplaces
   - Unemployment Insurance reform
   - Universal dislocated workers support
   - Disability insurance reform
   - Childcare subsidies, flexible workplaces, paid leave
IV. Policy Response

Some Specific Policies

1. Labor Demand
2. Labor Supply
3. Connective Tissue & Flexible Workplaces
4. Labor Market Fluidity
   - Wage insurance
   - Occupational licensing reform
   - Land use reform
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