

# **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

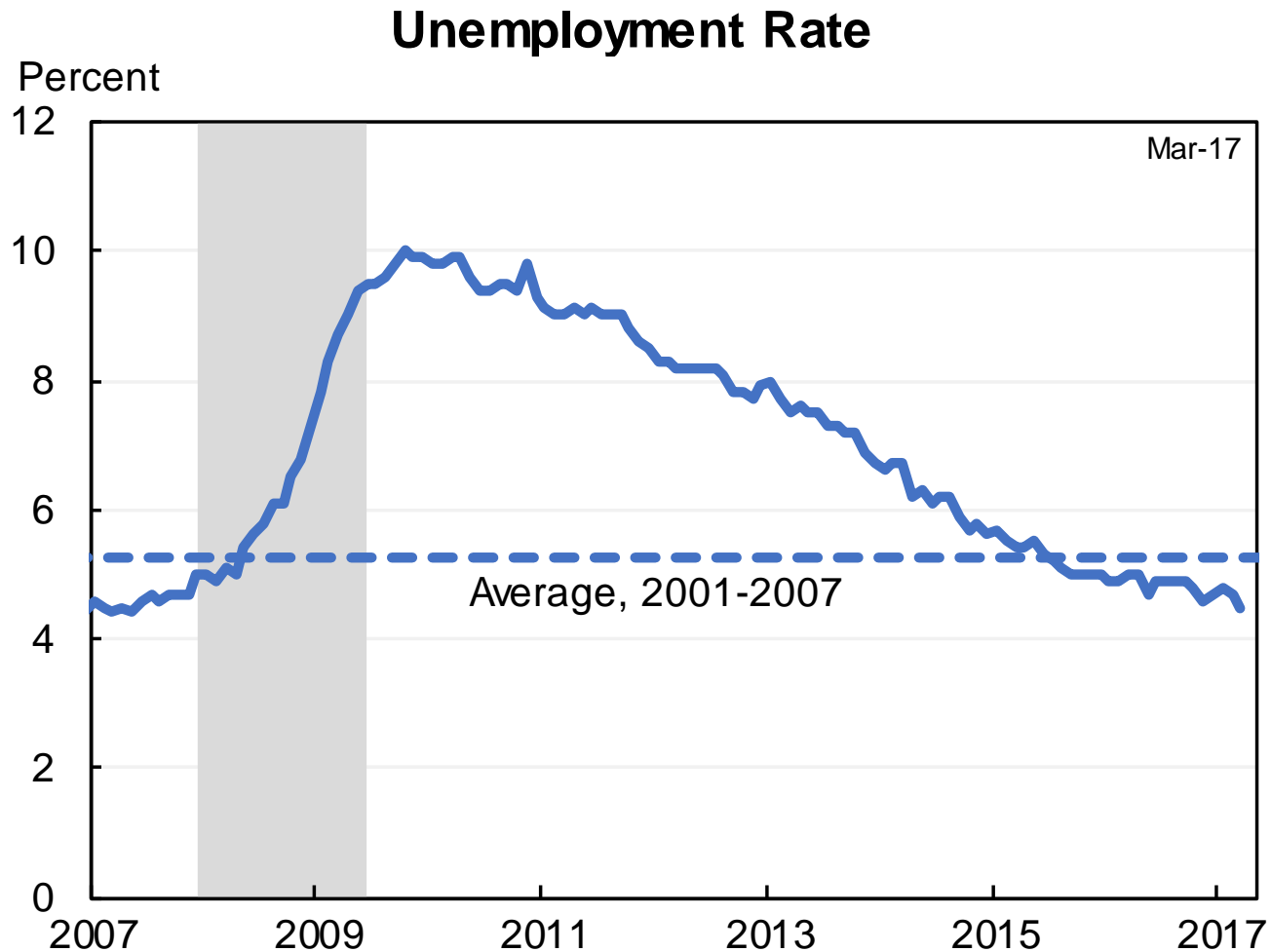
b) Demand

c) Institutions

IV. Policy Response

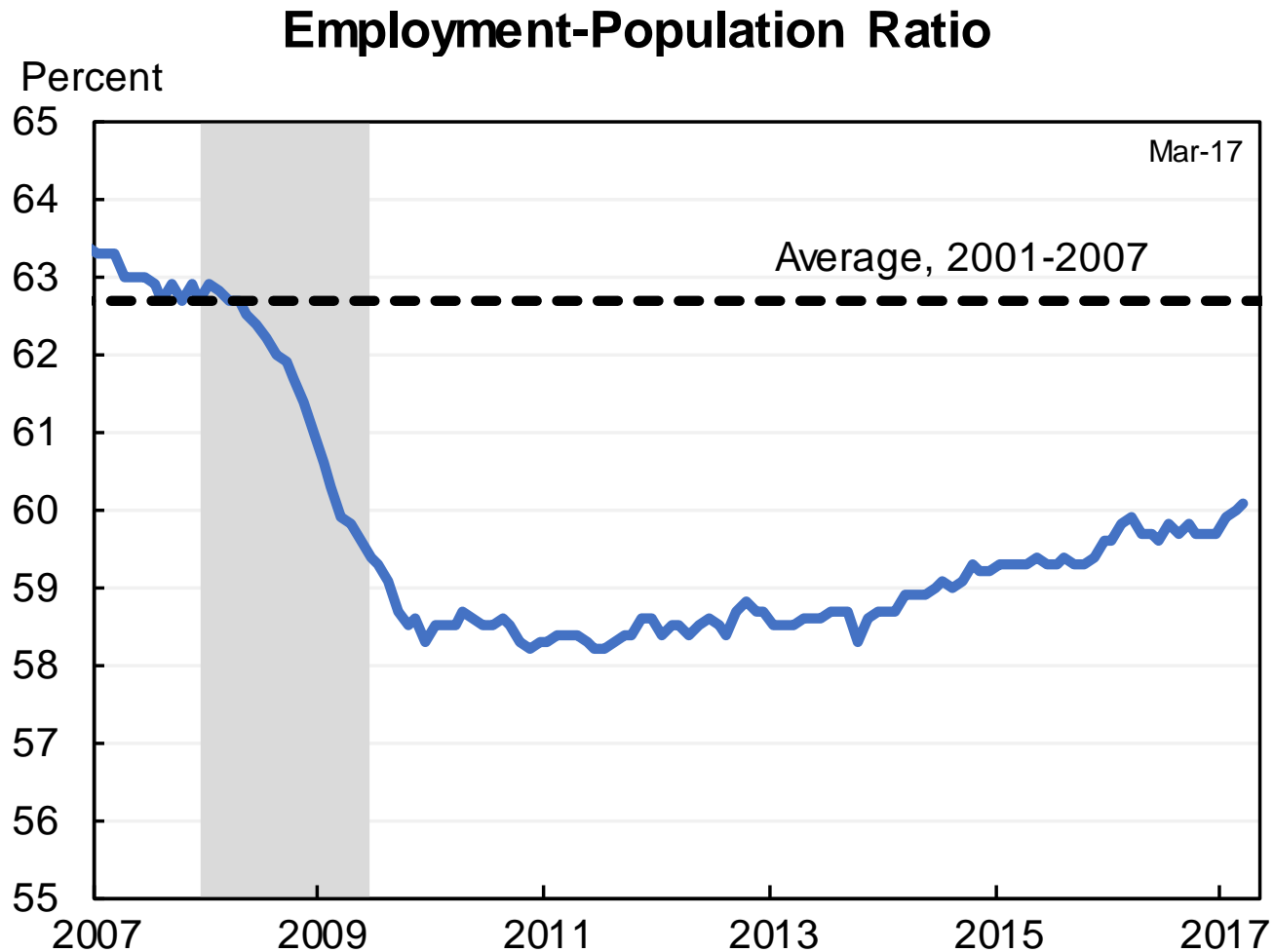


# Sharp Decline in Unemployment Rate...



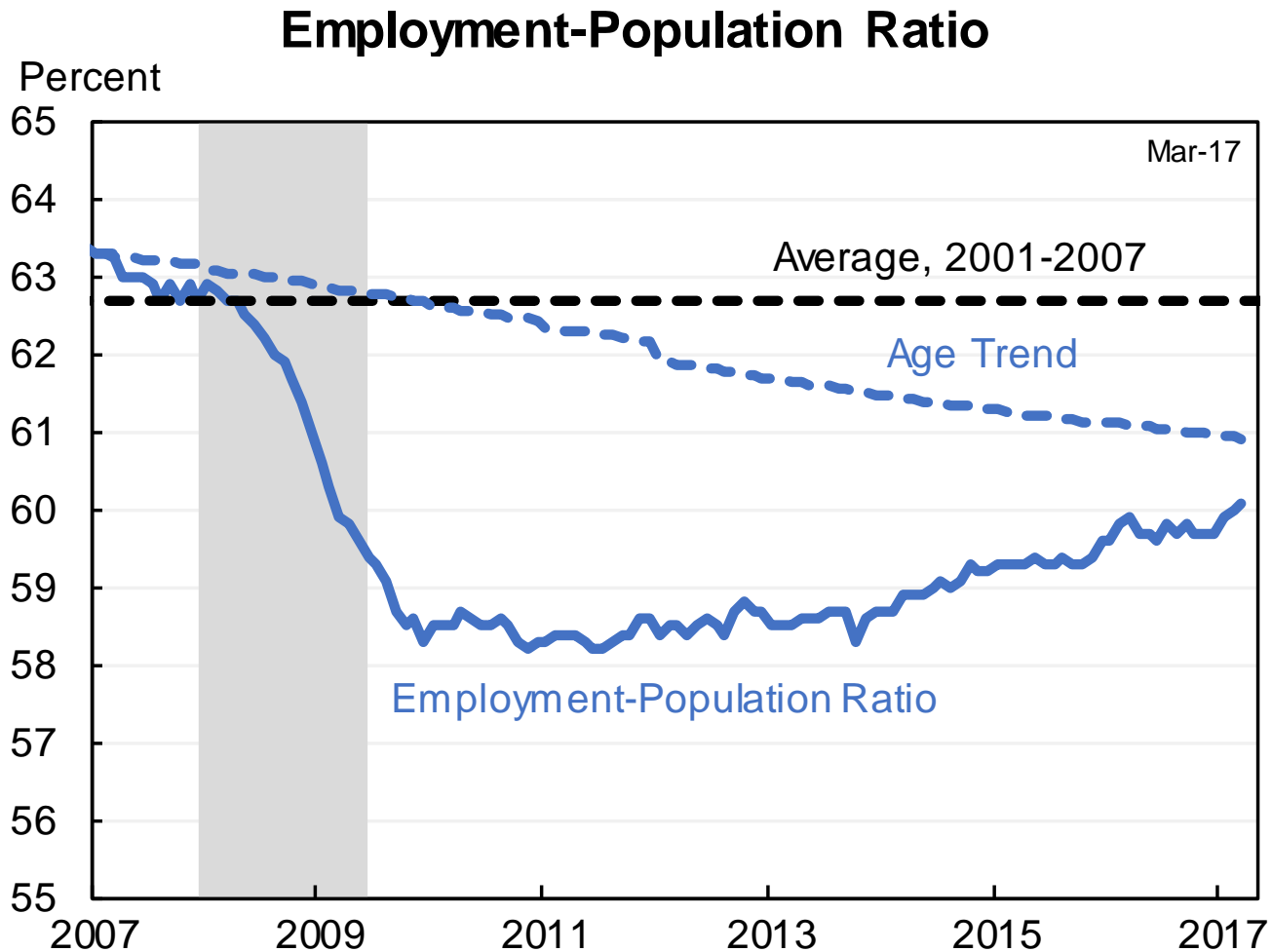


# ...But Employment-Population Rate Has Not Recovered





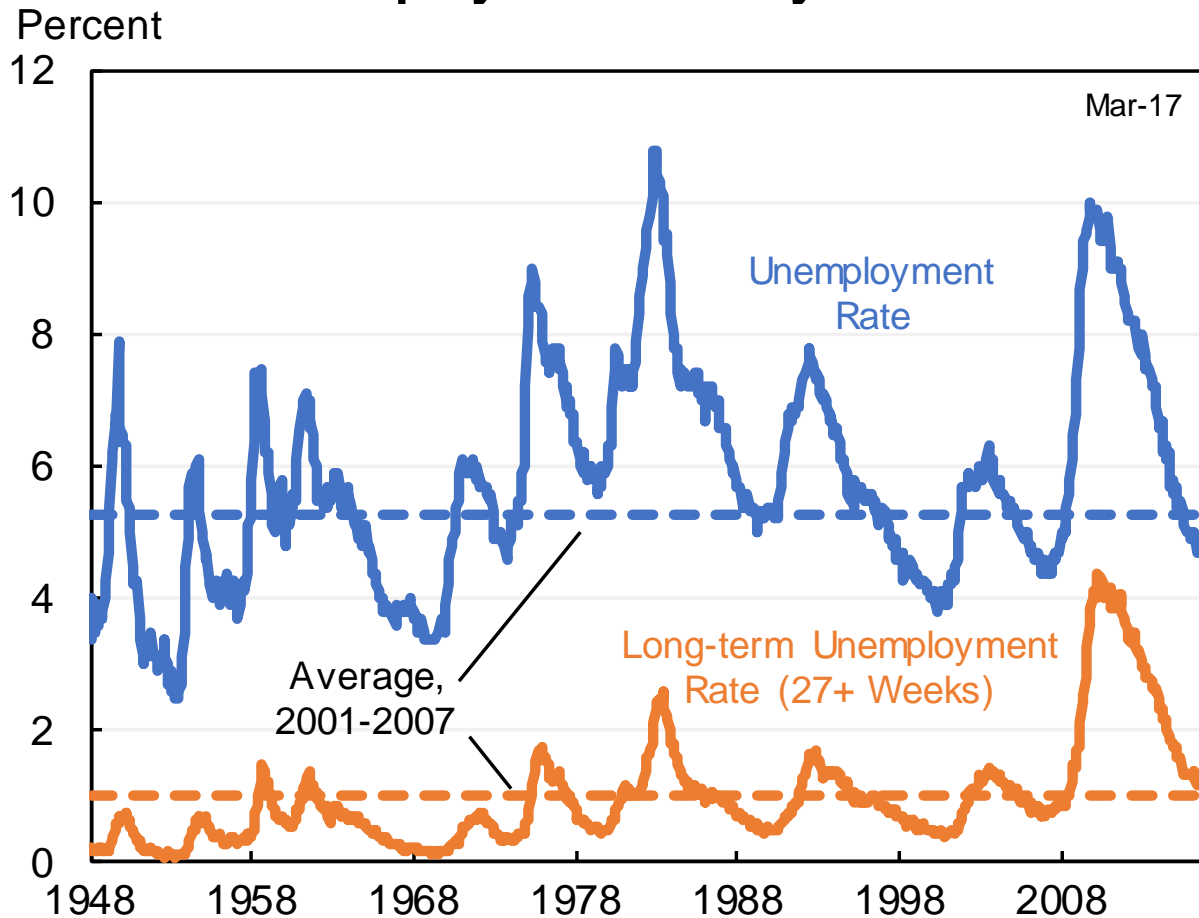
# Decline Exceeds Age Effects



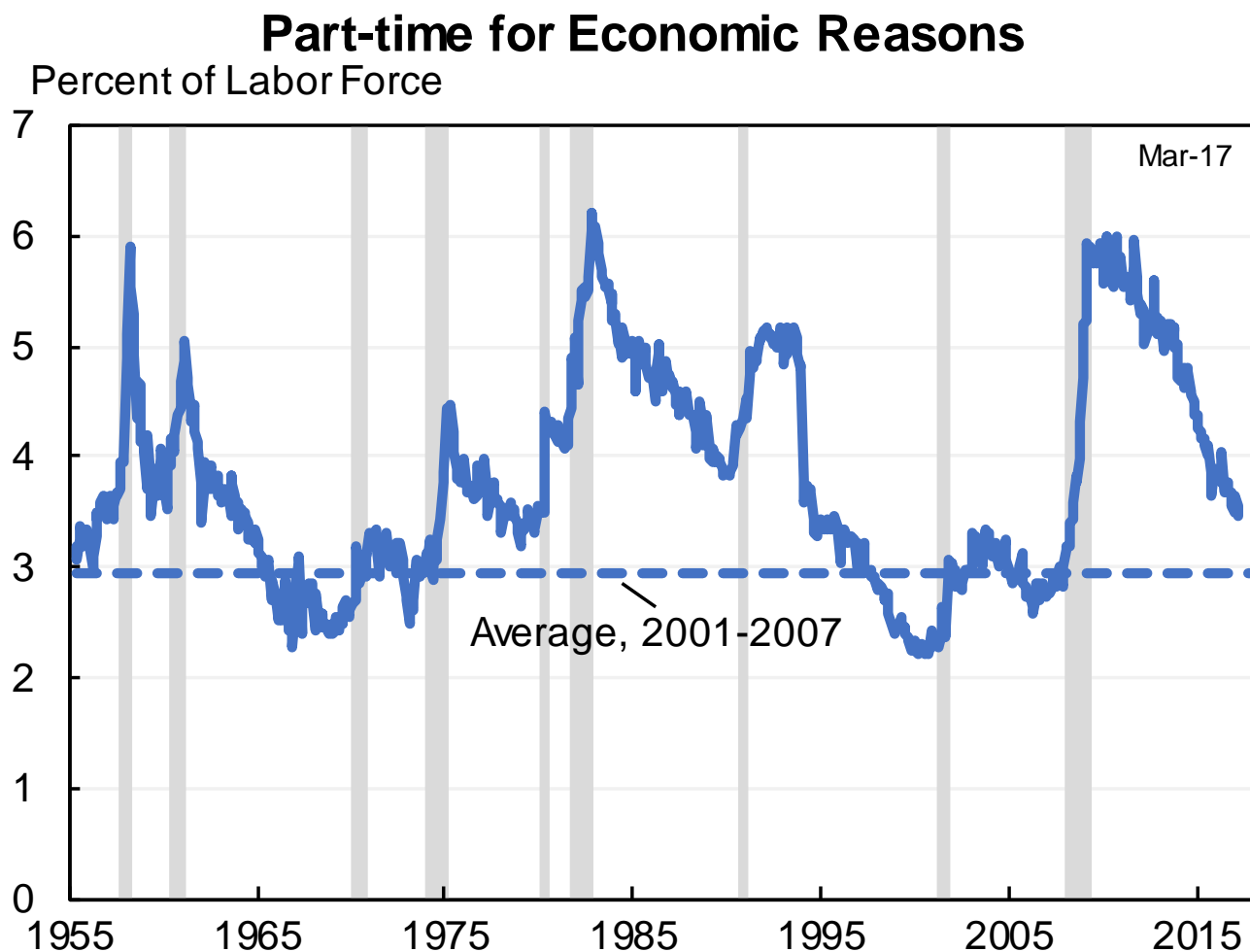


# Other Labor Market Dysfunctions: Big Increase in Long-term Unemployment After the Recession

## Unemployment Rate by Duration

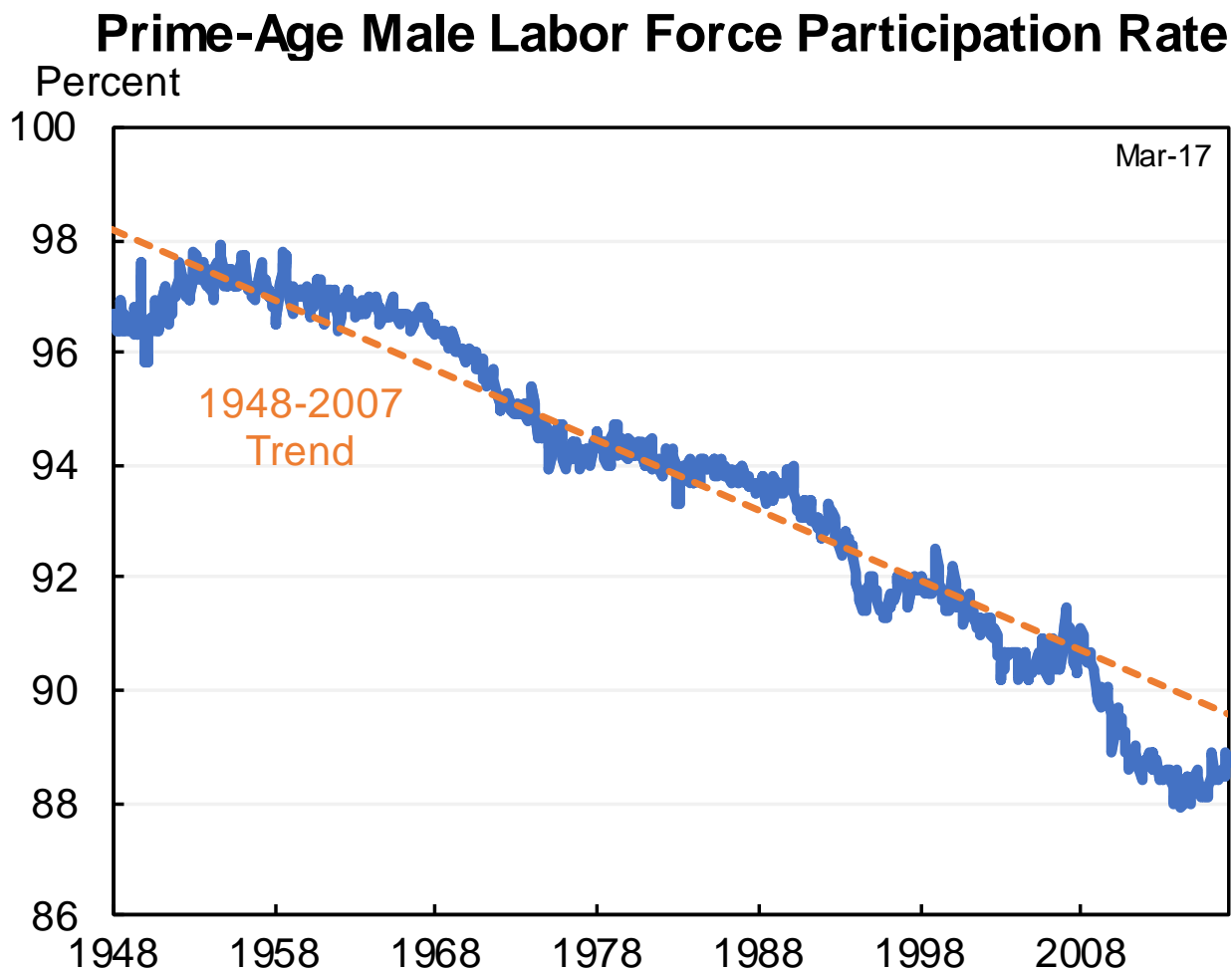


# And Also People Working Part-time for Economic Reasons





# Men's Participation Rate Has Been Declining Since the 1950s

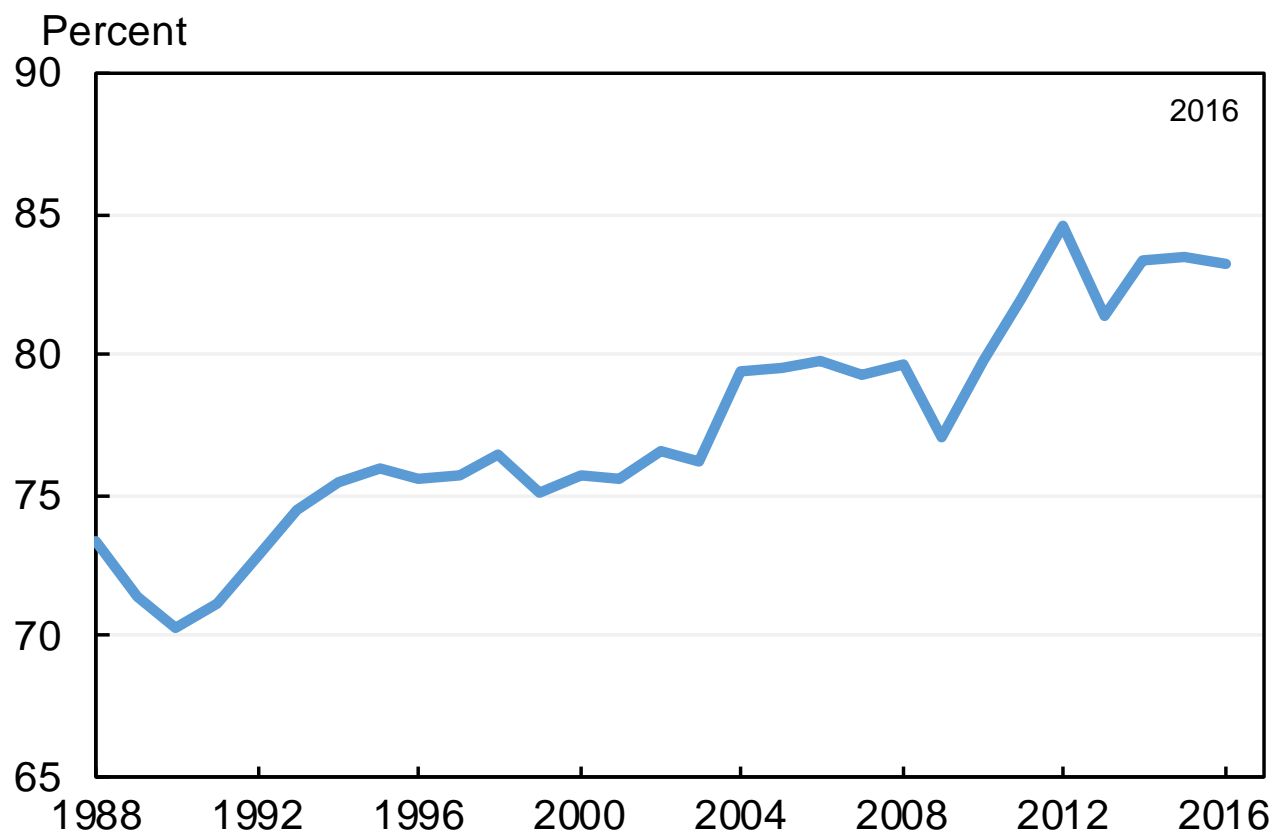






## Non-participation Is Not Simply Churn

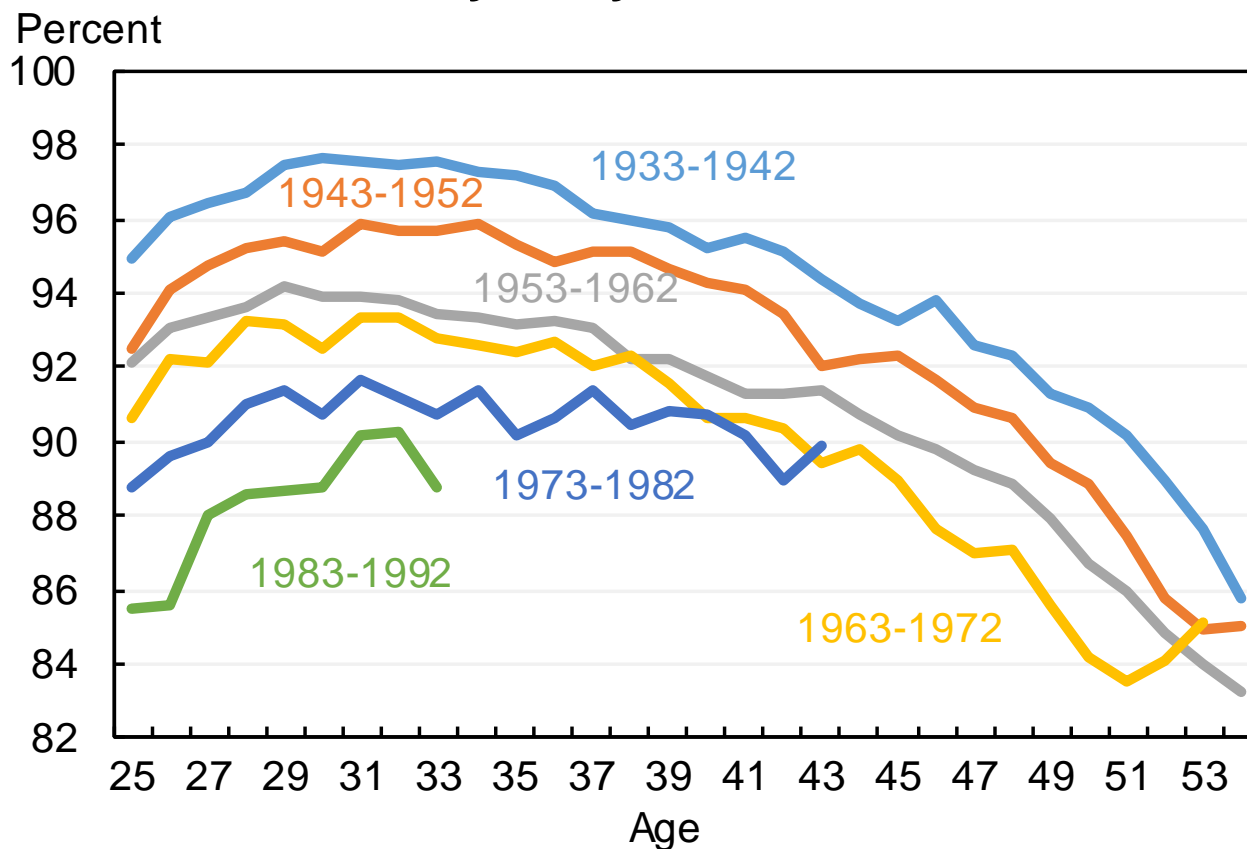
**Share of Prime-Age Men Currently Not in the Labor Force Who Did Not Work Last Year**





# Participation Falling for Every Cohort

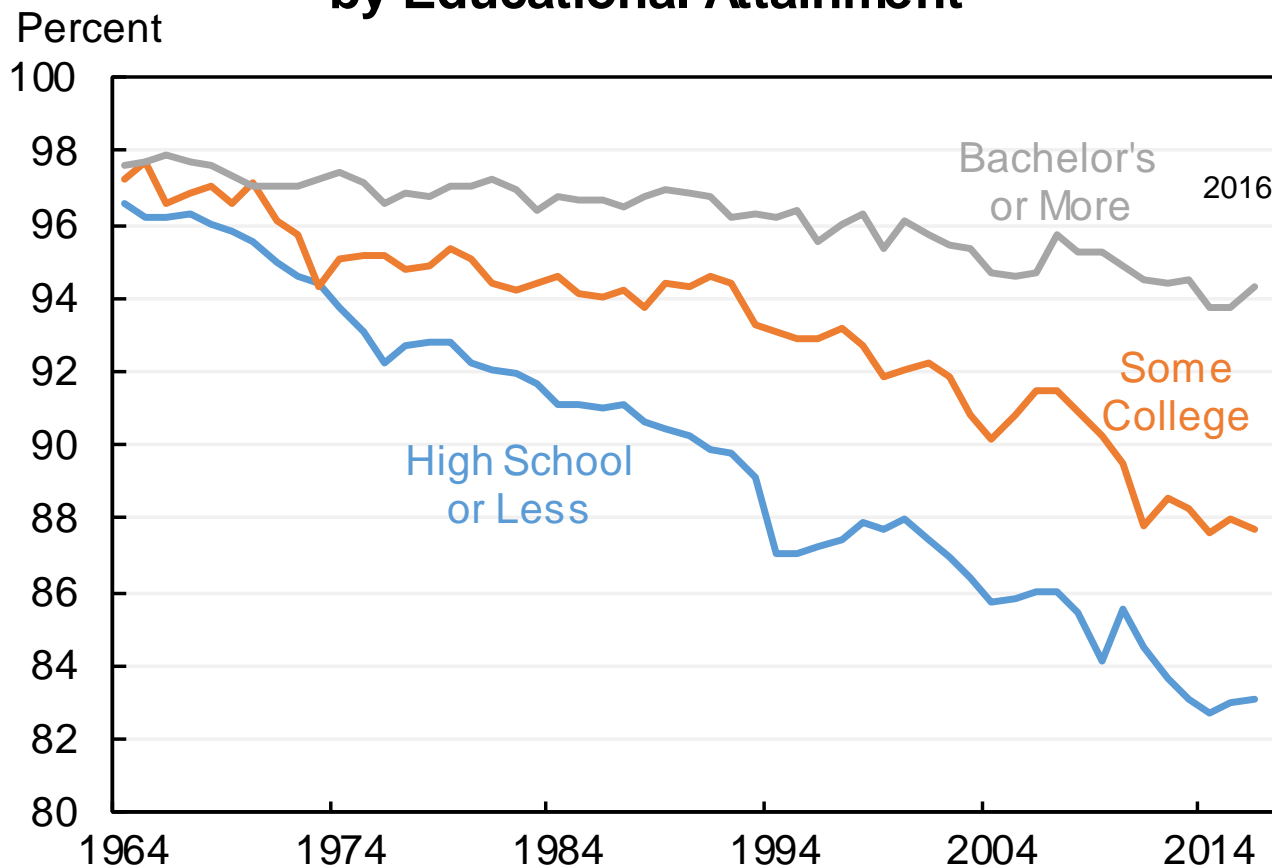
## Prime-Age Male Labor Force Participation Over the Lifecycle by Birth Cohort





# Education an Increasingly Large Factor

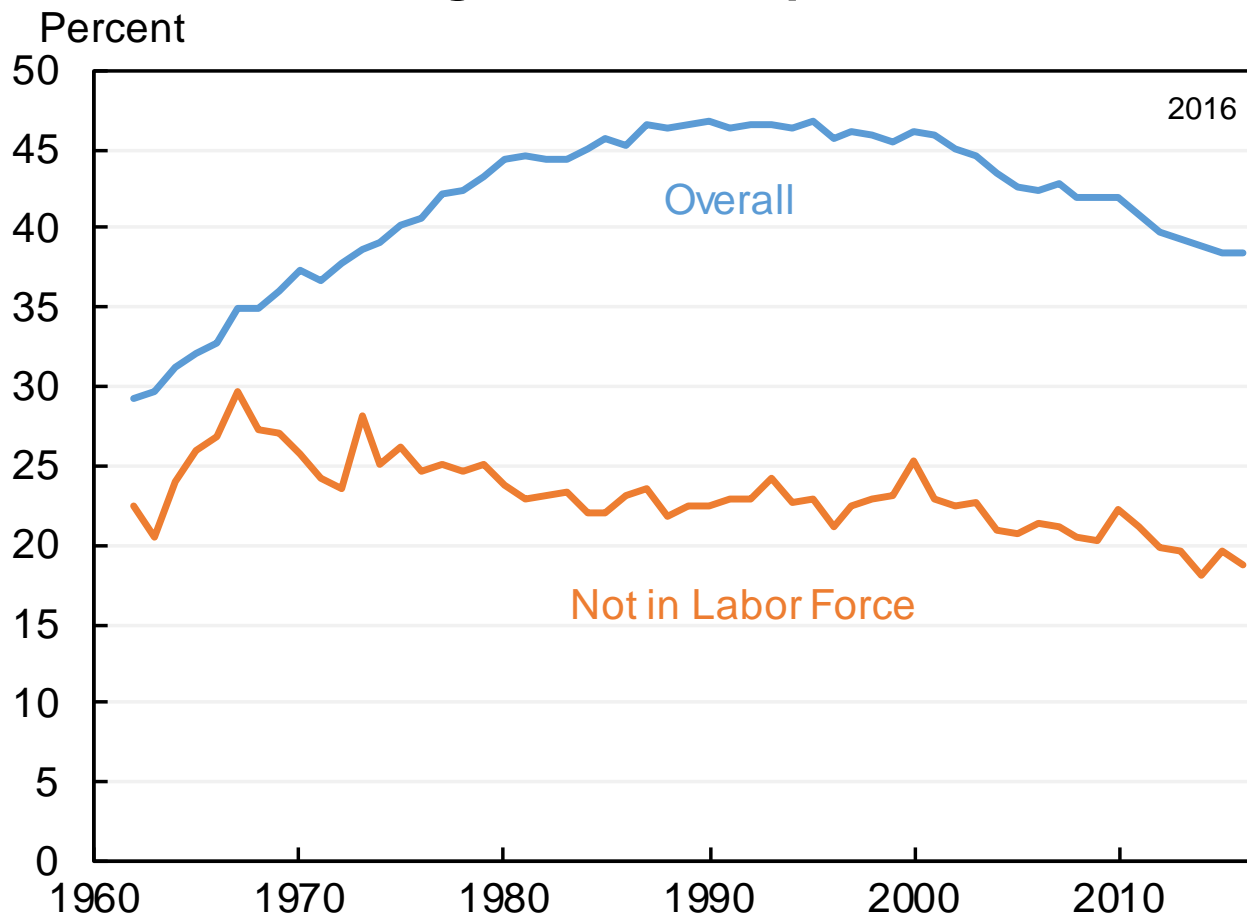
## Prime-Age Male Labor Force Participation by Educational Attainment



# Share With Spouse in the Labor Force is Low and Declining



## Share of Prime-Age Men with Spouse in Labor Force





# Time Spent on Responsibilities Not Up Much/At All; Television Up a Lot

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

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

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

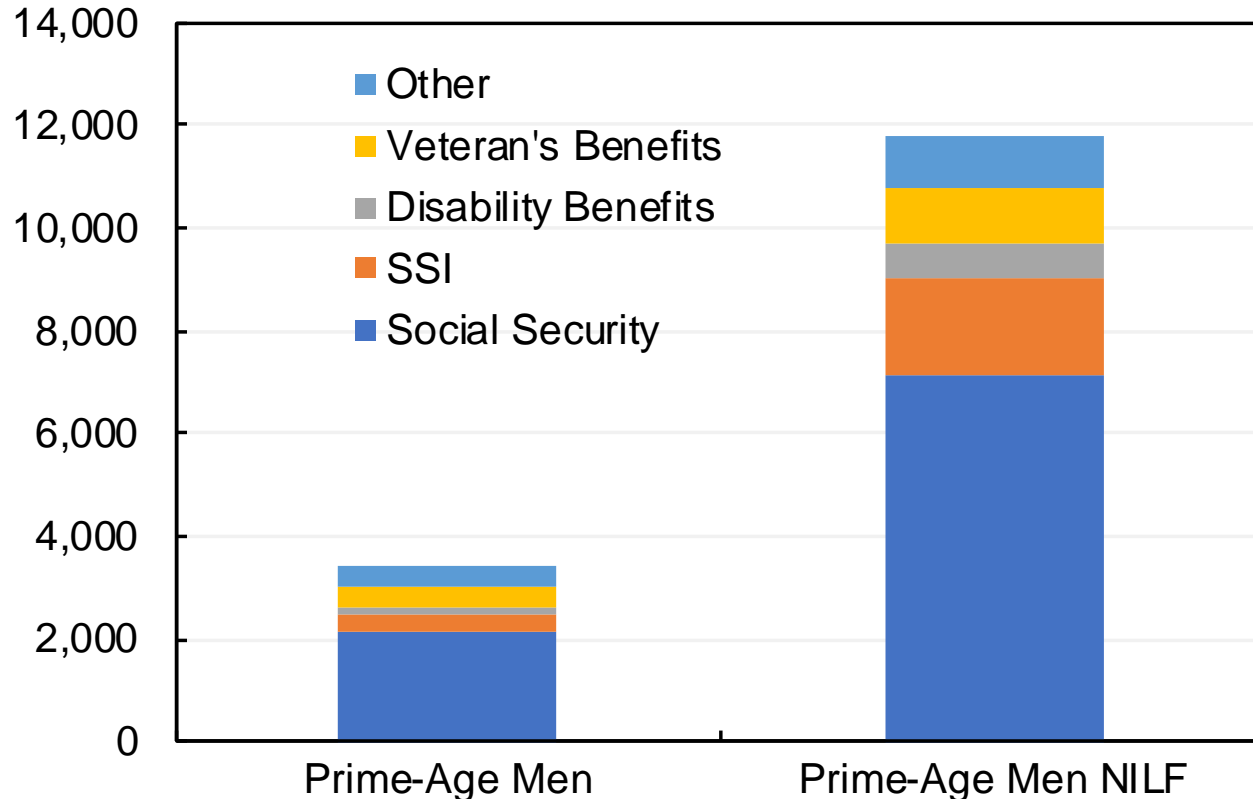
Source: American Time Use Survey, ATUS-X; author's calculations.



# 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.  
Source: Bureau of Labor Statistics, Current Population Survey (Annual Social and Economic Supplement), IPUMS; author's calculations.



## 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.

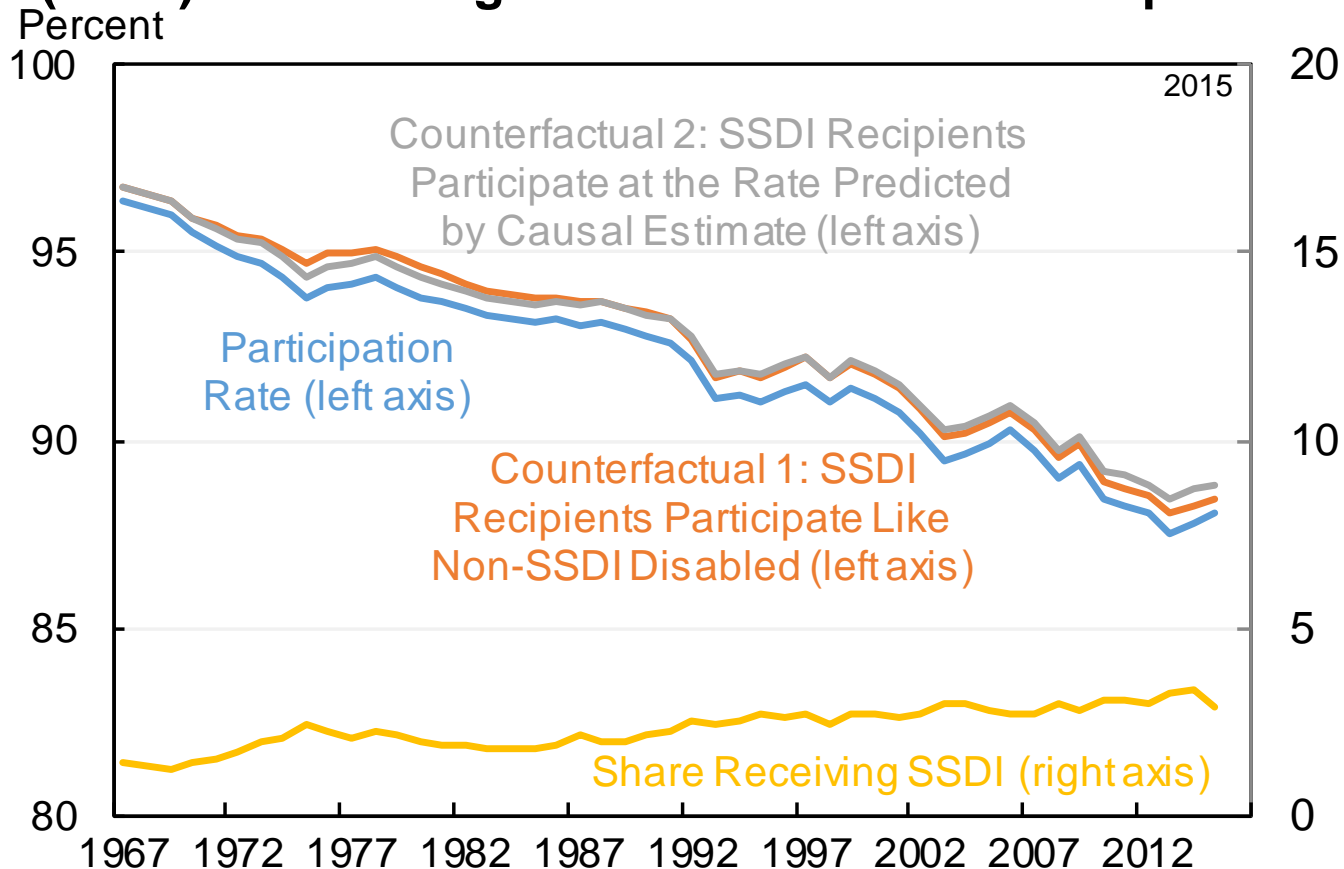
This is an upper bound for three reasons:

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



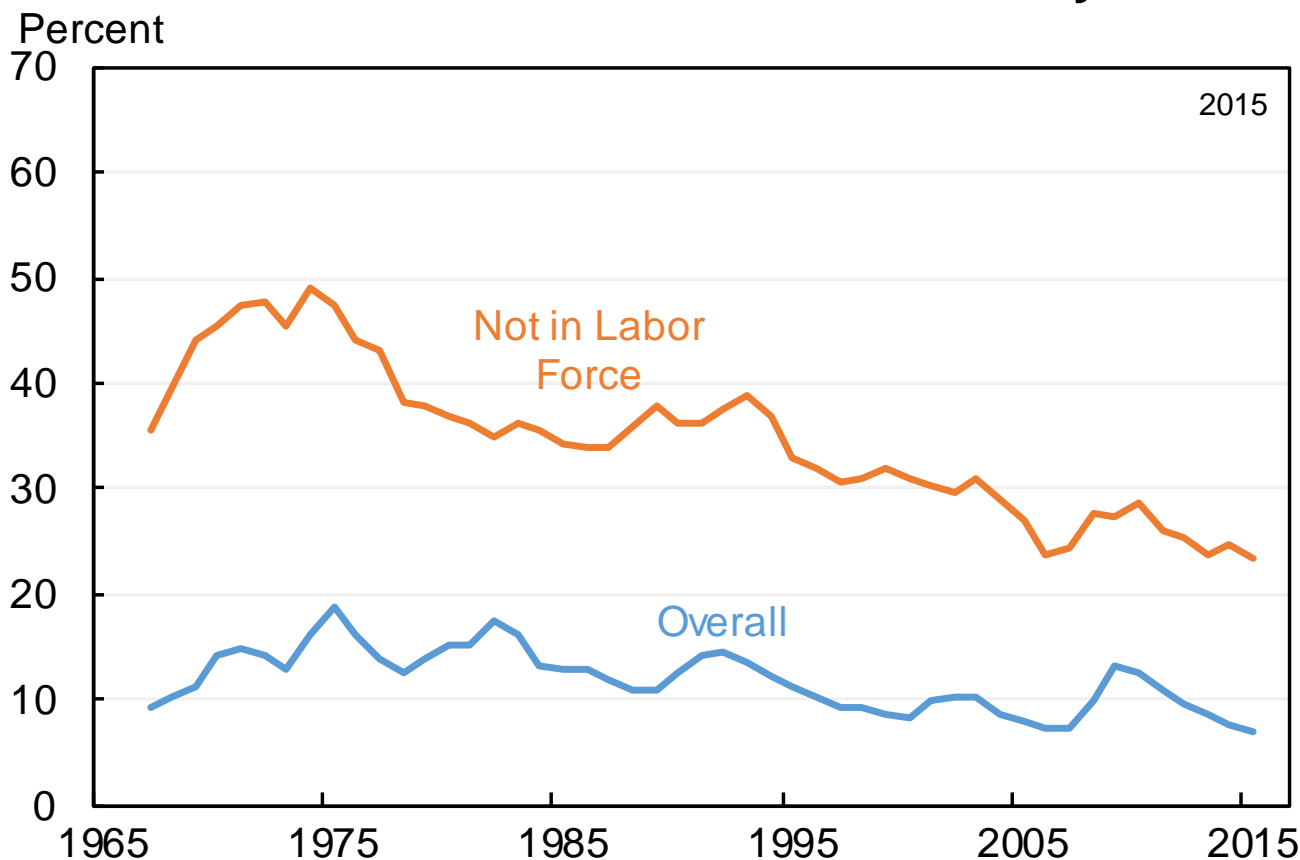
Note: Participation rates for non-SSDI recipient disabled are age-adjusted using a linear probability model. Gray counterfactual based on French and Song (2014). Source: Bureau of Labor Statistics, Current Population Survey (Annual Social and Economic Supplement), IPUMS; author's calculations.





# Other Government Cash Benefits Have Fallen

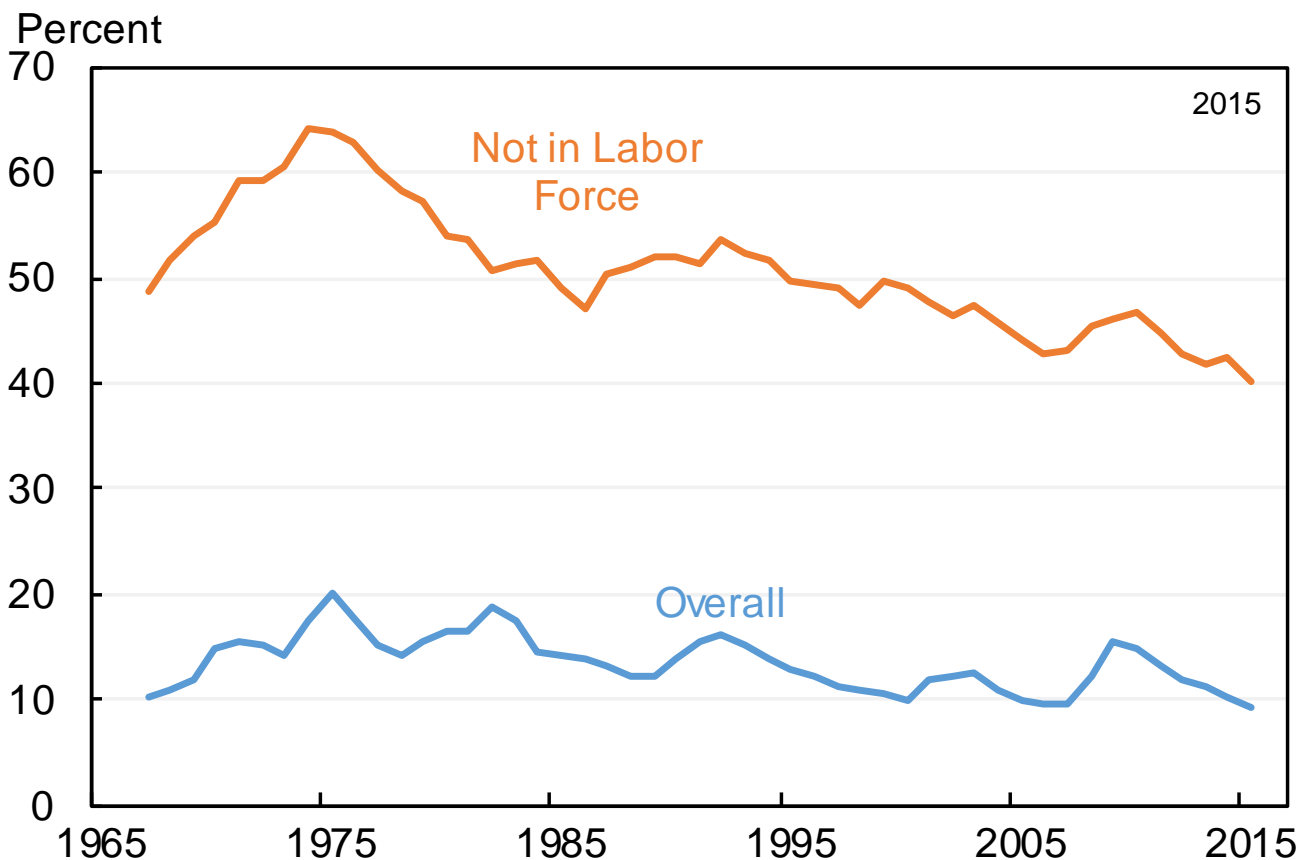
## Share of Prime-Age Men Receiving Government Cash Transfers Other Than Social Security



# As a Result Overall Government Cash Benefit Incidence Has Fallen



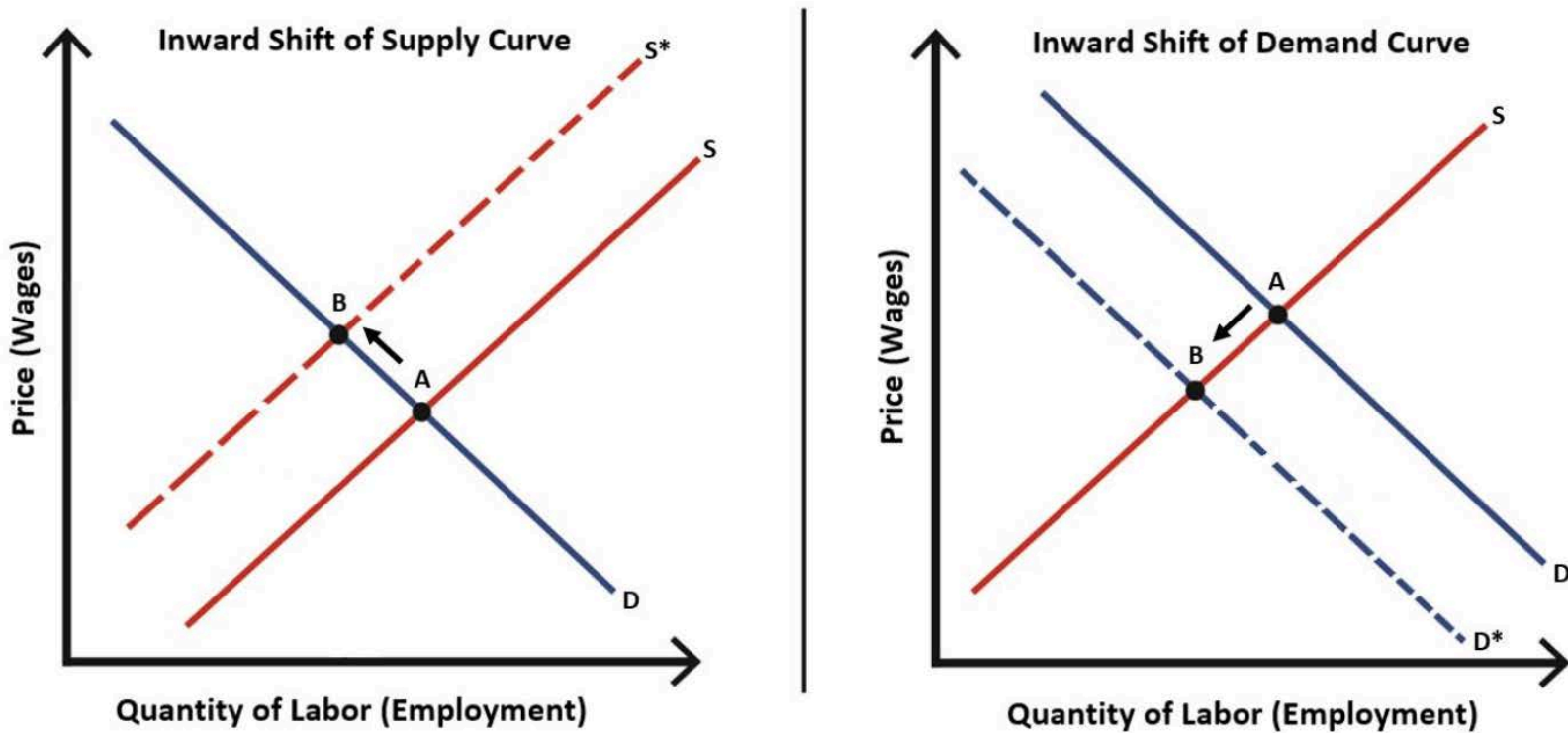
## Share of Prime-Age Men Receiving Any Government Cash Transfers





# Supply vs. Demand

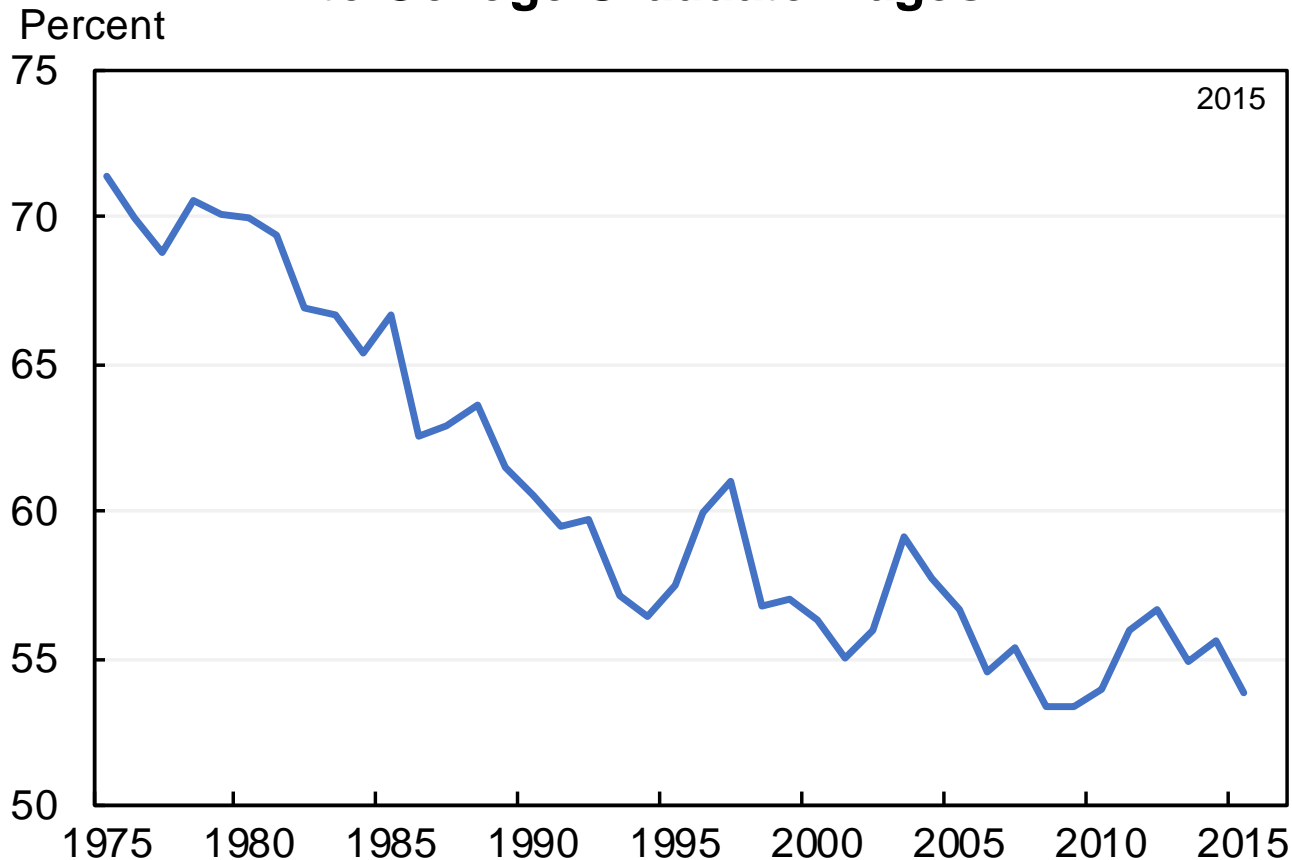
**Figure 11: Labor Supply and Demand Shifts**





# Relative Wages Have Fallen—Which Is Consistent With a Decline in Demand

## Ratio of High School Graduate Wages to College Graduate Wages

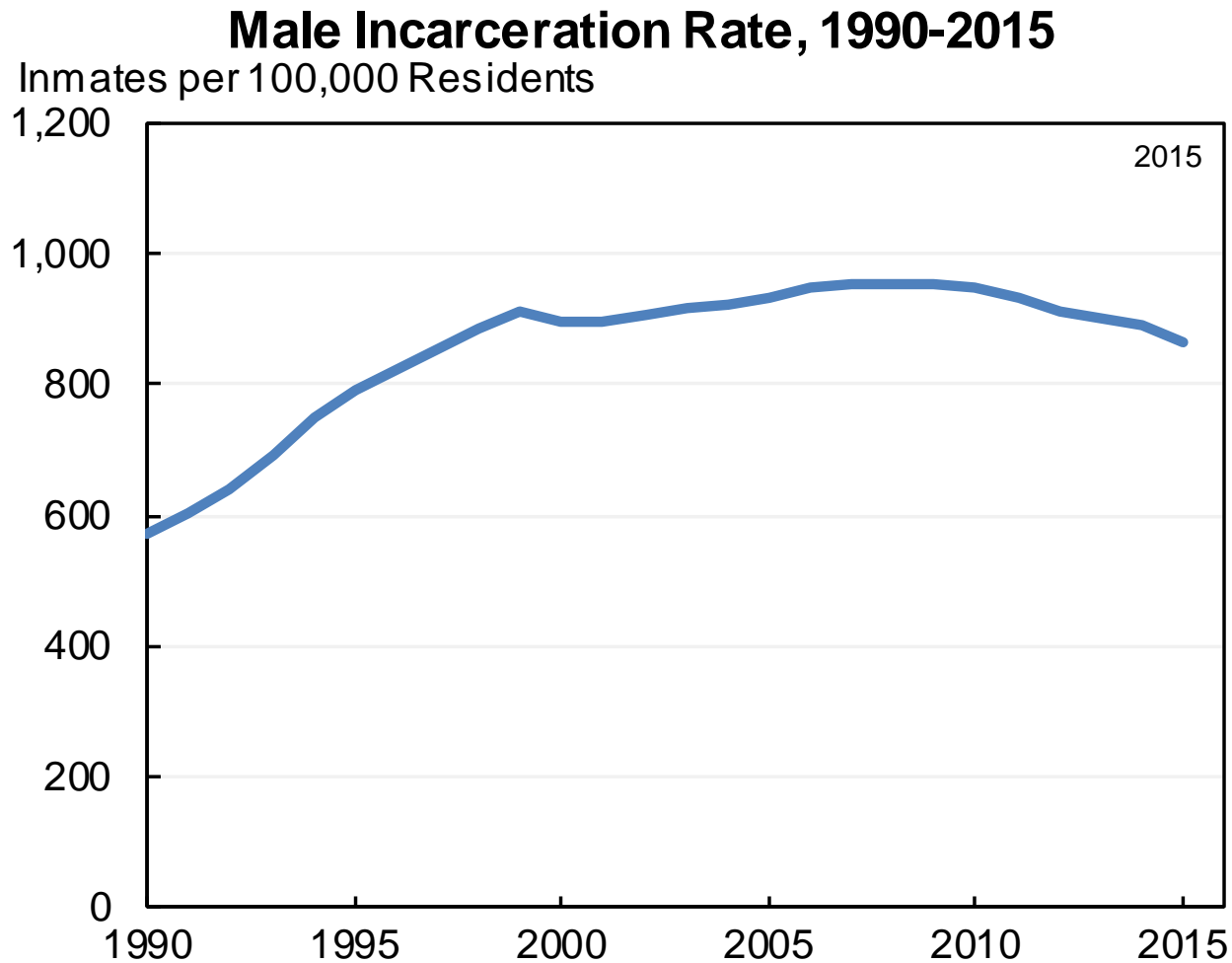


Note: The earnings ratio compares the median full-time, full-year worker age 25 years or older with just a high school degree to the same type of worker with at least a bachelor's degree. Prior to 1992, high school graduate is defined as completed 12th grade and bachelor's degree is defined as four years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

Source: Bureau of Labor Statistics, Current Population Survey (Annual Social and Economic Supplement), IPUMS; author's calculations.



# Explanation #1: Increase in Incarceration





## Effects of Incarceration on LFPR

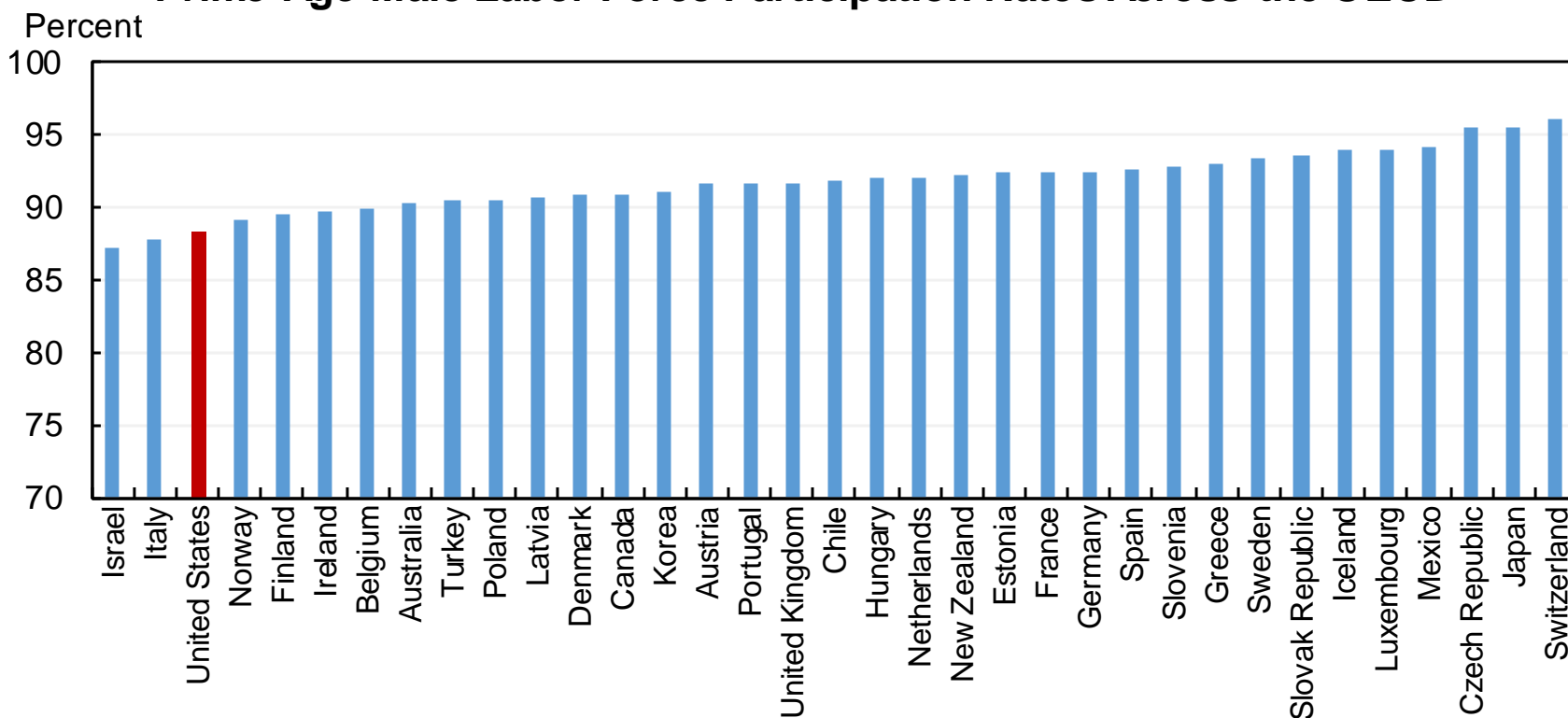
Currently in prison: 1.1 million in Federal or State prison not in numerator or denominator. To the degree that people in prison would have participated at a lower rate, including them would lower the measured participation rate—but plausibly only by a few tenths of a percentage point.

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

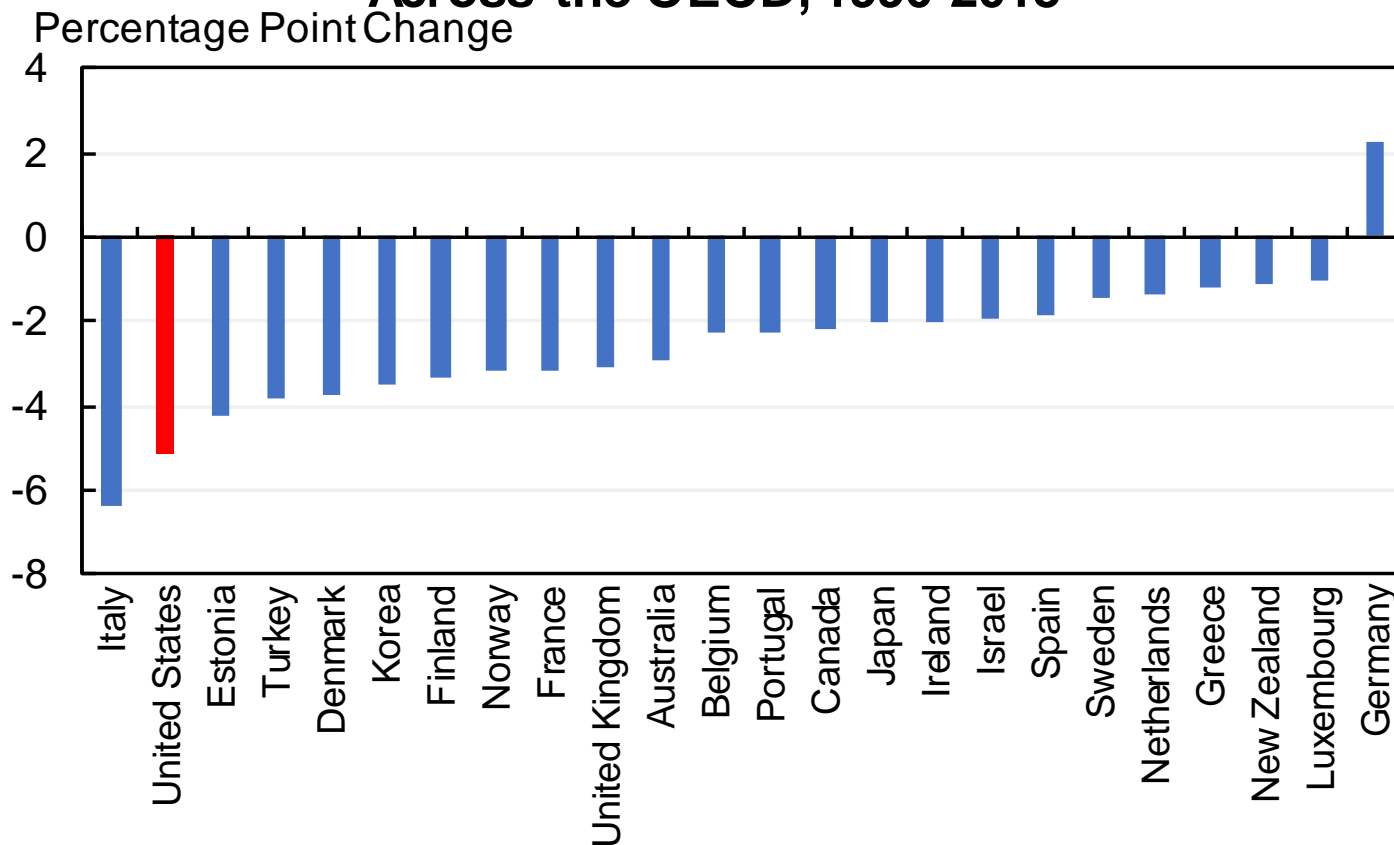
Prime-Age Male Labor Force Participation Rates Across the OECD





# Large Decline in LFPR for Prime Age Men

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







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

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



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

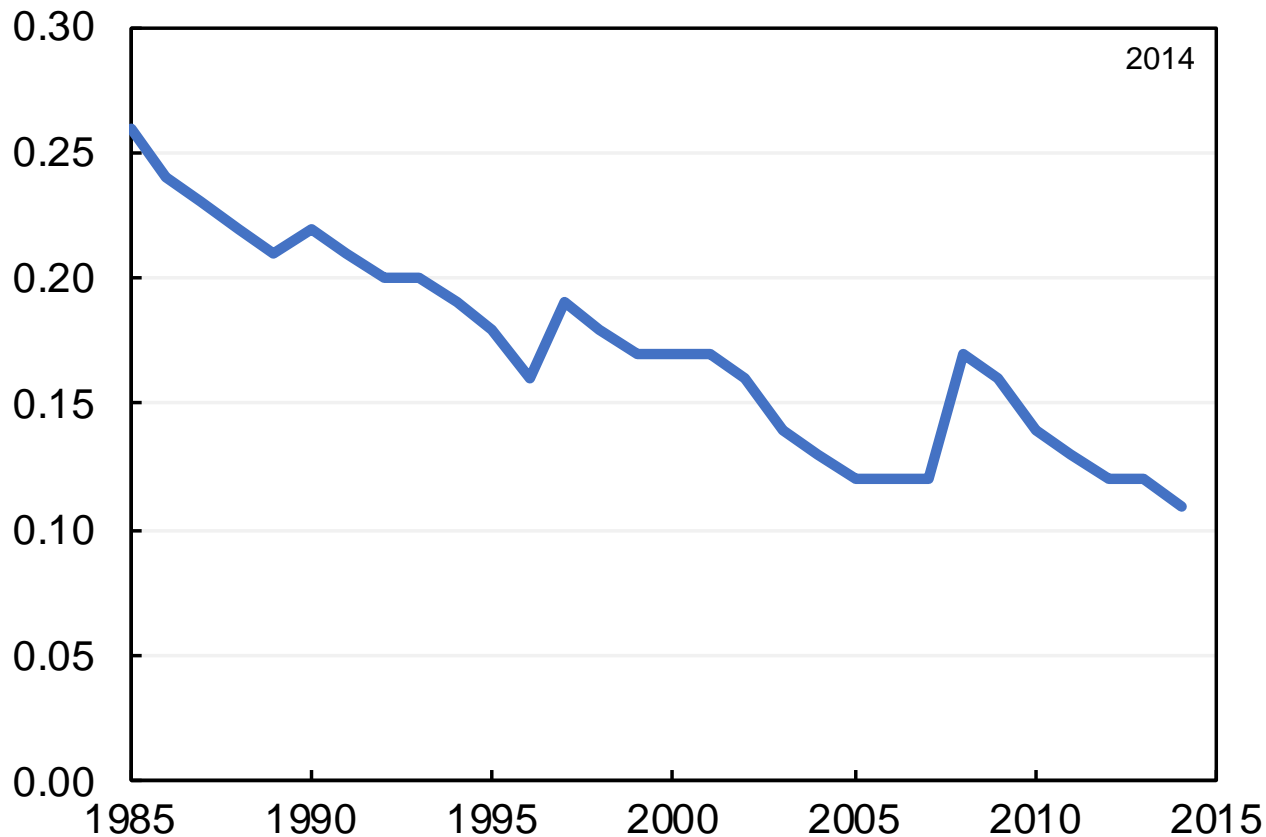
OECD Measure of Labor Market Support	U.S. Percentile Rank (100 = most supportive)
Nationwide Paid Leave Policy	0
Expenditure on Active Labor Market Policies	6
Net Childcare Costs (lone parent)	6
Implicit Tax on Returning to Work, Second Earner	10
Number of Weeks of Sick Leave	11



# E.g., Consistent Declines in Spending on Active Labor Markets Policies...

## U.S. Expenditure of Active Labor Market Programs

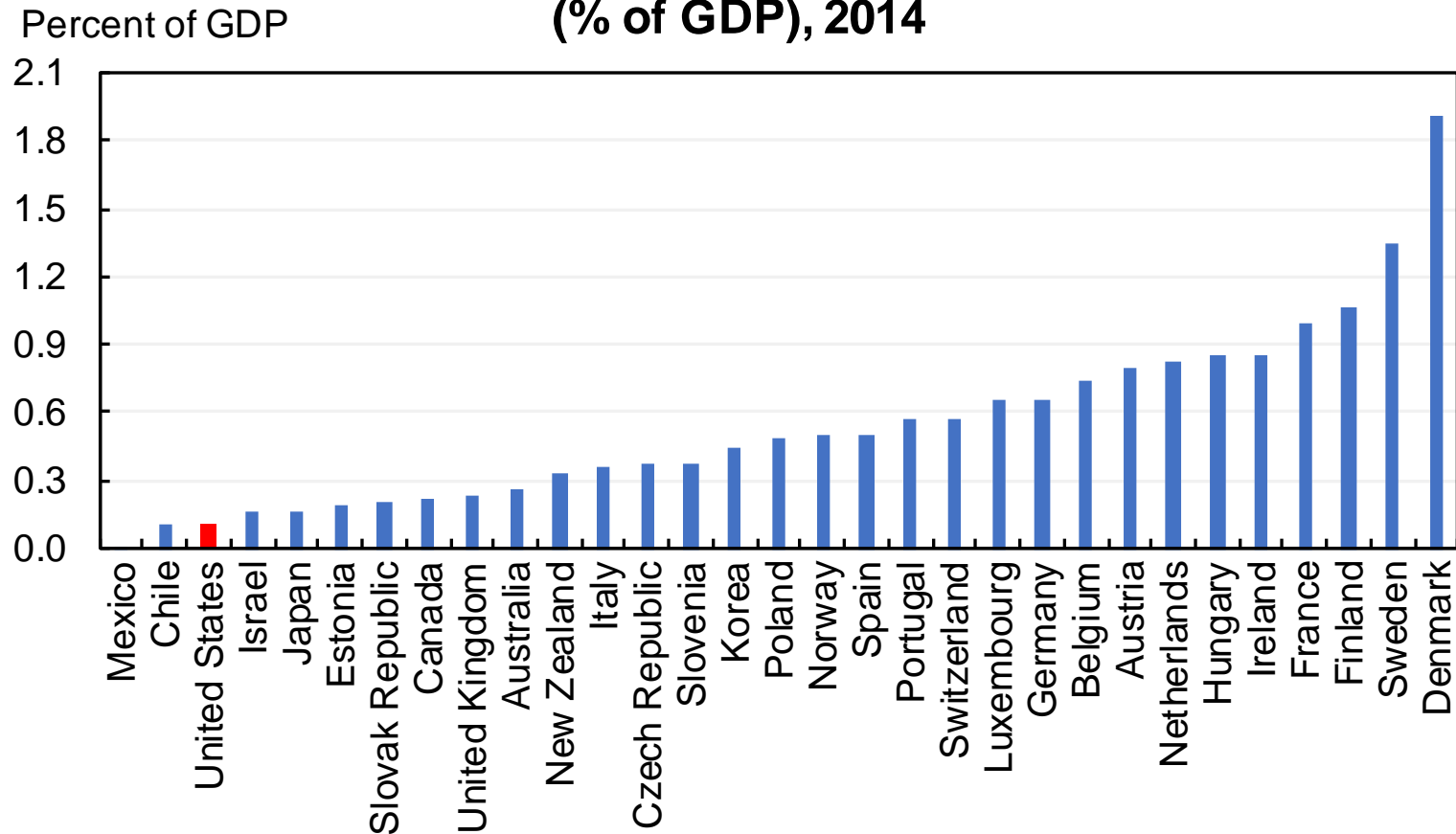
Percent of GDP (% of GDP), 1985-2014





# ...Which is Now Well Below Other Advanced Economies

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



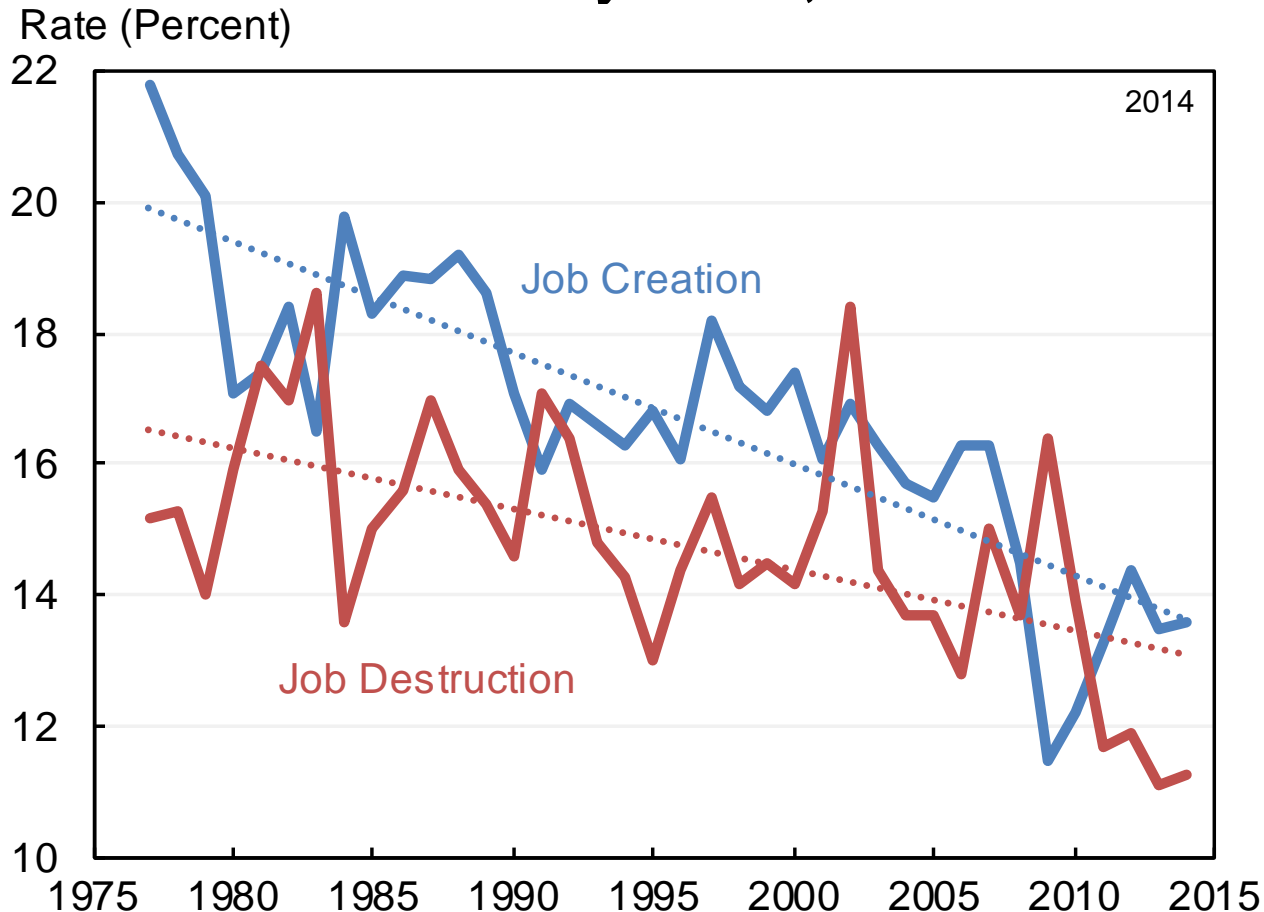
Note: Data for Ireland, Poland, and Spain from 2013. Data for United Kingdom from 2011.

Source: Organisation for Economic Co-operation and Development.

# Explanation #3: Reduced Labor Market Fluidity and Propagation of Shocks



## Labor Market Dynamism, 1977-2014



2014

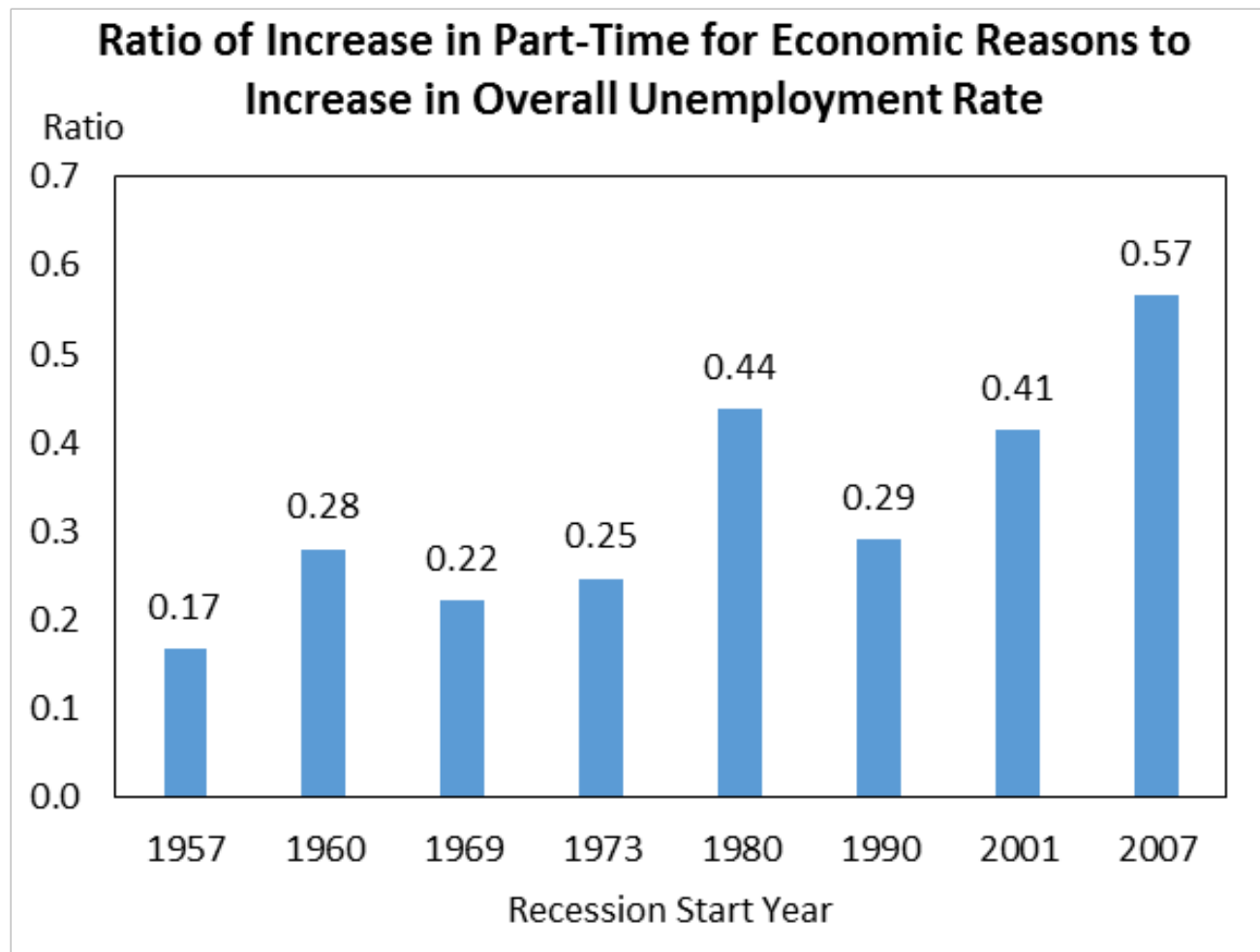
Job Creation

Job Destruction

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





# 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)
- Effects on children: school performance, future earnings and future benefits receipt (Rege, Telle and Votruba 2011; Oreopoulos, Page and Stevens 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



## 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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