Declining Prime-Age Male Labor Force Participation

Why Demand- and Health-Based Explanations Are Inadequate

Scott Winship

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Abstract

Observers of all ideological persuasions are concerned about the long-term decline in male labor force participation. Explanations for this drop fall into one of three categories. Some analysts, including those in the Obama administration's Council of Economic Advisers, argue that declining demand for less-skilled labor among employers—resulting in lower pay for the same work—has caused more men to drop out of the labor force. Others claim that fewer men are able to work owing to deteriorating health conditions. This paper highlights the flaws in these two accounts and, in so doing, makes the case for a third explanation: that declining interest in work has reduced labor supply.

JEL codes: J1, J2, J3, J6, I1, I3

Keywords: labor force participation, employment, disability, unemployment, Council of Economic Advisers, deaths of despair, labor force dropout

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In 1953, over 95 percent of men between the ages of 25 and 54 were employed.[1] At the depth of the Great Recession, just 81 percent worked, and by 2016, the rate was still only 85 percent. While unemployment—the inability of job seekers to find work—jumped during the recession, most of the long-term decline in work among prime-age men has been due to a drop in labor force participation (the share seeking jobs). The 10-point drop in employment among these men between 1953 and 2016 was nearly matched by a 9-point rise in what might be called the inactivity rate—the share of men who are not working and not looking for a job.[2]

Observers of all ideological persuasions are concerned about this increase in inactivity—often technically referred to as a drop in labor force participation. But the explanations for it tend to divide analysts into three camps. First, analysts are split as to whether the rise in inactivity reflects a steadily weakening job market or reduced job-seeking given some set of jobs and worker skills. These explanations correspond, respectively, with demand- and supply-side accounts. Among those who credit supply-side explanations, researchers are split again, disagreeing about whether reduced job-seeking reflects declining interest in employment or less ability to work.

This paper argues that growing disinterest in work has been underappreciated as an explanation for rising inactivity among prime-working-age men. It critiques the widely cited

[1] The estimates in this paragraph are from the Bureau of Labor Statistics, Labor Force Statistics database at http://www.bls.gov/cps/. They are annual averages of non-seasonally-adjusted monthly estimates.
[2] See Winship (2012) for a review of trends for younger and older men and for women.

2016 report by President Obama's Council of Economic Advisers (CEA) that purported to show that demand-side factors were much more likely culprits in reducing work among these men. It also reviews arguments I present in "What's behind Declining Male Labor Force Participation: Fewer Good Jobs or Fewer Men Seeking Them?" (Winship 2017), a longer companion report also prepared for the Mercatus Center at George Mason University. A variety of data points indicate that declining labor supply among prime-working-age men, and not a weakening job market, is largely to blame for rising inactivity and that diminished ability to work—deteriorating physical or mental health—is an unlikely explanation.

Supply or Demand?

A number of prominent economists who served in President Obama's administration have emphasized the demand-side explanation for rising male inactivity. These economists include former CEA chair Jason Furman, CEA members Sandra Black and Betsey Stevenson, National Economic Council director Lawrence Summers, and Vice President Biden's chief economist Jared Bernstein.[3] The demand-side explanation posits that employers are less interested in hiring workers with a given set of skills for jobs with a given level of appeal at the pay levels that they offered in the past. The demand for less-skilled workers being lower, employers would offer lower pay for the same kind of work. That causes some workers and job seekers to abandon employment because the alternatives look more attractive at the lower pay rates.

Alternatively, declining work might reflect changes in labor supply rather than labor demand. One possibility is that instead of employers having less interest in paying workers what they used to offer, the alternatives to employment may have become more appealing to men.

[3] See Black et al. (2016); Stevenson (2016); Summers (2016); Bernstein (2016). See also Pandl (2016).

Perhaps alternative income sources—family and friends, the underground economy, government assistance—have become more generous. Perhaps the reasons for men to work have become less compelling. For instance, less marriage and more work among wives relieves the pressure on men to be breadwinners. Or maybe the expectations of men have changed. The interaction of rising single motherhood, greater employment among women, and a robust-enough safety net may simply make paternal responsibility (and employment) less necessary in the eyes of women.

A second supply-side explanation for rising inactivity might be that prime-age men are simply less able to take the jobs that are on offer (which pay no worse and are no less appealing than in the past). There is some evidence—discussed below—that the health of middle-age non-Hispanic whites has declined in recent years. If chronic pain or mental health conditions have grown more common, then reduced labor supply might be driving increased inactivity but without men being less interested in work per se. This explanation is viewed sympathetically by another Obama CEA chair, Alan Krueger (2016), as well as by the economists Anne Case and Angus Deaton, the latter a Nobel laureate (Case and Deaton 2015).

Things are not always so clear-cut, of course. When Krueger claims, about inactive men, that "they're not working, because it's not paying them enough to work," is that a statement about insufficient demand or insufficient supply (Applebaum 2014)? If fewer men take available jobs that pay as well as in the past because those jobs have traditionally been held by women, would that constitute a change in labor supply or a change in labor demand? Moreover, supply- and demand-side factors can be operating at the same time. However, the issues are sufficiently separable that it is reasonable for the CEA to claim that demand-side factors are more important, and for critics to emphasize the supply side.

Critiquing the CEA's Minimization of Supply-Side Factors

The CEA (2016, 3) puts the question—and its answer—thus:

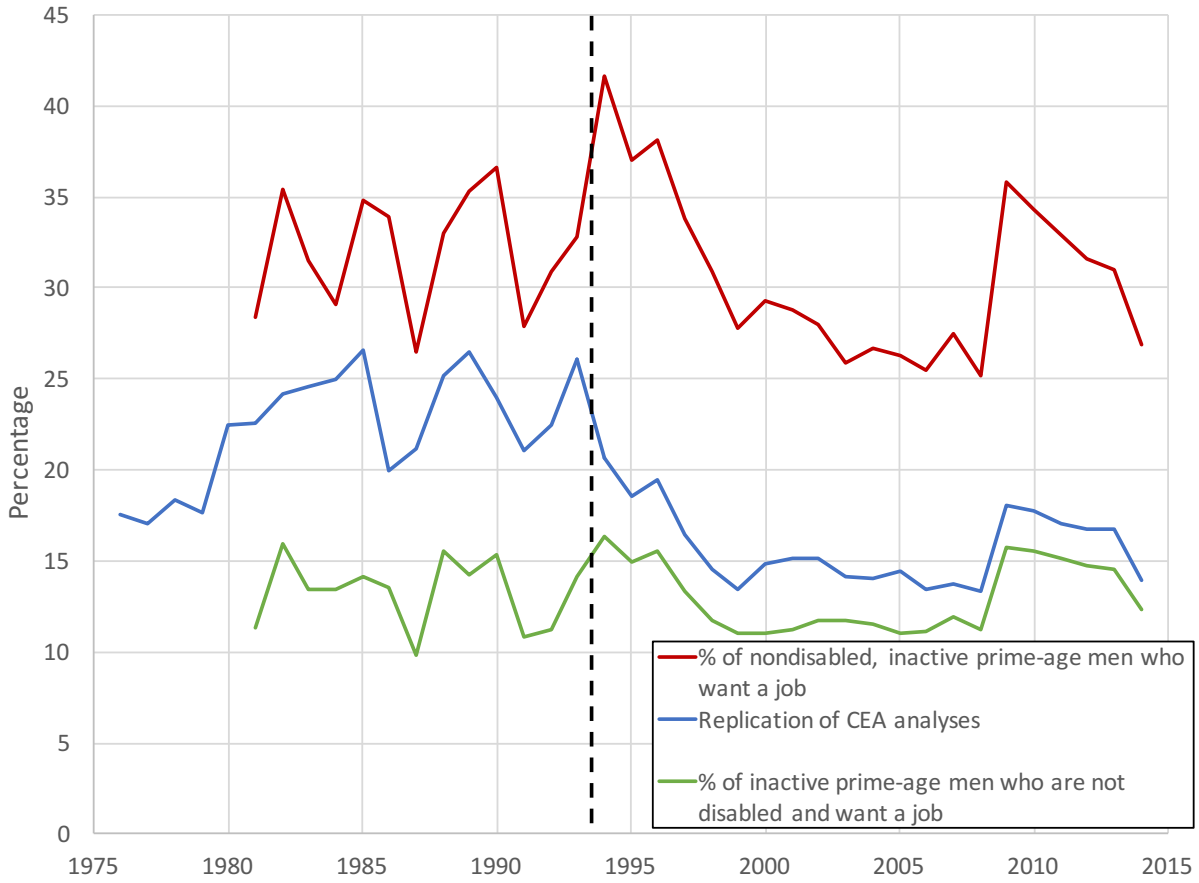
> Reductions in labor supply—in other words, prime-age men choosing not to work for a given set of labor market conditions—explain relatively little of the long-run trend. . . . In contrast, reductions in the demand for labor, especially for lower-skilled men, appear to be an important component of the decline in prime-age male labor force participation.

The CEA asserts that the share of prime-age men inactive in the labor force who wanted a job fell between 1985 and 2015, but notes that that could indicate a shift in supply (fewer men willing to work for a given wage) or movement down the supply curve caused by a shift in demand (fewer men working as wages decline). The CEA report then weighs the evidence to adjudicate between the two competing hypotheses.

In fact, the CEA claim of a large decline in the share of inactive men who want jobs is based on an erroneous analysis of Current Population Survey (CPS) data. The authors apparently were unaware that, beginning in 1994, the CPS question asking about the desire for a job was not asked of adults out of the labor force who were disabled and did not expect to return to work for six months. As I discuss in my companion report, this is a sizable share of prime-age men out of the labor force (nearly half in 2014). The CPS variable analyzed in the CEA report is not comparable across the break between 1993 and 1994.

The blue line in figure 1 displays my best attempt to replicate the CEA's figure 12, which it does fairly well. Like the CEA's figure, it shows the percentage of inactive prime-age men who want a job falling from over 25 percent in 1993 to under 15 percent in 1999. It also replicates the large 1993–1994 drop that the CEA displays.

Figure 1. Share of Inactive Prime-Age Men Who Want a Job, 1976 to 2014



Note: CEA = Council of Economic Advisers, "The Long-Term Decline in Prime-Age Male Labor Force Participation," 2016, figure 12.
Source: Scott Winship, "What's behind Declining Male Labor Force Participation: Fewer Good Jobs or Fewer Men Seeking Them?" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, 2017), particularly figure 14. Data are author's tabulations from the Current Population Survey Annual Social and Economic Supplement.

In contrast, the green line is taken from my report (Winship 2017) and shows my estimates of the percentage of inactive prime-age men *who were not disabled* and wanted a job. This line actually rises between 1993 and 1994, and the sharp decline is confined to the 1996–1999 period. The reason for the difference is that the CEA trend actually shows the percentage of inactive prime-age men *who were not disabled* and wanted a job after 1993, while it shows the percentage of *all* inactive prime-age men who wanted a job before 1994.

I made the two periods comparable by creating a consistent measure of disability and then separating disabled men from men who want jobs across the entire period.[4] Alternatively, the red line is also based on my analyses and shows the percentage of nondisabled, inactive prime-age men who want a job. That is, it excludes disabled, inactive men entirely when assessing the share who want a job (whereas the green line shows the share of inactive men—including disabled men—who are both nondisabled and want work). The red line, too, rises from 1993 to 1994, then falls. Over the entire period, the green line was more or less flat, while the red line was unusally low only between 1999 and 2008. The sizable, persistent drop after the early 1990s shown by the CEA simply did not happen.

That error actually helps the CEA's case—the number of inactive men wanting work has not fallen much or at all over time. However, other aspects of the CEA analysis are flawed in ways that weaken its argument.

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[4] I began by coding as disabled everyone in the CPS who, before 1994, indicated that they were "unable to work" when asked which of several options described what they were doing "most of last week." Similarly, I coded as disabled from 1994 forward those whom the Bureau of Labor Statistics indicated in its PEMLR variable were out of the labor force and disabled. This variable summarizes responses to a number of questions, primarily one asking whether any work was done in the previous week. It categorizes people as disabled only if their disability prevented them from working in the next six months.

I then used responses to a question from the CPS Annual Social and Economic (ASEC) Supplement asked since 1981 about whether someone has a "health problem or a disability which prevents work or which limits the kind or amount of work." Affirmative answers to this question also made someone disabled by my measure. This question was asked beginning in 1981, but it is publicly available in the ASEC data only beginning in 1988. I obtained the variable for the 1981–1987 ASEC Supplements from Sean Lyons of the Congressional Budget Office, who in turn had obtained it from a research team headed by Richard Burkhauser of Cornell University. Originally, Andrew Houtenville—now at the University of New Hampshire—procured the data from the Census Bureau. I thank Lyons, Houtenville, and Burkhauser for assisting me and providing the data.

I tested several alternatives to this measure, determining how the levels and trends were affected. In general, levels shifted modestly depending on the measure, and trends were similar except where the introduction of a new variable created a discontinuity (such as in 1981). My primary goals were to create a measure entirely from the ASEC that (1) displayed a reasonably smooth trend through the 1993–1994 seam in the CPS data and that (2) avoided the risk of creating discontinuities in the trend arising simply from the introduction of new variables in the CPS.

I confirmed that my created series followed a trend very similar to that for the share of men out of the labor force the entire previous year who reported disability as the reason for not working. It also followed the trend in the share of men out of the labor force who answered affirmatively to the work-limiting-disability question. Importantly, the percentage increased from 1993 to 1994 for all three series. Results are available upon request.

With the consistent disability measure, I then counted inactive men as wanting a job only if they were not disabled.

Availability of Earnings from Other Workers

For instance, the CEA argues that relatively few inactive prime-age men live with a working spouse and that fewer do than in the past. The share of inactive men with *any* household member in the labor force has fallen too. Therefore, the CEA claims, it is not the case that inactive men are better able to rely on others' earnings than in the past.

However, this evidence does *not* show that the availability of other household earners is unrelated to rising inactivity. Though not necessarily obvious, a group can become a smaller share of the inactive yet account for most of the increase in the inactive if it started out as a sufficiently large group. For example, in my companion report, I show that among prime-age inactive men, the share who are disabled has fallen over time, while the share who are students has risen. But because so many inactive men were disabled years ago, most of the growth in inactivity is comprised of those with a disability. That is to say, most inactive men in the past were disabled, and among the additional men who joined the ranks of the inactive, most were also disabled.

If this still seems confusing, imagine that 40 years ago, all inactive prime-age men were disabled but one, with the lone exception a student. If the number of students subsequently quadrupled while the number of disabled men increased by 10 percent, the disabled account for a declining share of inactive men. But there are still just four inactive students. Students account for just three additional inactive men over time, while the disabled account for the rest.

By the same token, it may be that today fewer inactive men have earners in the household than in the past. But income from other household members remained, in 2014, the largest source of inactive men's income, according to the CEA. My own analyses in the companion report to this paper indicate that four in five inactive men live in a household with market income of some

sort (Winship 2017). The CEA has shown that an increase in the likelihood that inactive men will have other earners around cannot be a cause of rising male inactivity, because there has actually been a decline in that likelihood. But the number of inactive prime-age men with other earners might have grown at a faster rate than the number of prime-age men generally. If so, then even if the number of inactive prime-age men *without* other earners grew at a faster rate still (from a smaller base), the continued availability of other earners may be an important cause of rising inactivity.

Availability of Disability Benefits

The CEA also argues that the rise in receipt of government benefits cannot explain very much of the increase in prime-age male inactivity. Growth in Social Security Disability Insurance (SSDI) benefits has not been large enough, it claims, and other safety-net programs have become less generous and harder to access over time.

Take, first, SSDI. The CEA shows that the share of prime-age men inactive in the labor force rose by 7.5 points between 1967 and 2014, but the share of prime-age men receiving SSDI rose by only 2 points. While the CEA ought to be taking into account not just SSDI but benefits from the Supplemental Security Income (SSI) program as well as workers' compensation, my calculations suggest this does not really change the percentage-point increase in receipt of federal disability payments. I find an increase of 2.4 points between 1970 and 2013, as compared with an 8.1-point rise in inactivity.

A bigger issue is that the CEA comparison understates the extent to which SSDI receipt might explain rising inactivity. The 7.5-point increase in inactivity it finds should be compared not to the growth of the share of *all* prime-age men receiving SSDI but to the growth of the share

of prime-age men who are both inactive and receiving SSDI. In my analyses, while the share of all prime-age men receiving disability benefits rose by 2.4 points from 1970 to 2013, the share of prime-age men both inactive and receiving disability benefits rose by 3.3 points.

Comparing the 3.3-point rise to the 8.1-point rise in inactivity suggests that 40 percent of the rise in prime-age male inactivity may be explained by receipt of federal and state disability benefits. The increase in the share of men reporting inactivity the entire previous year owing to disability or sickness is consistent with this result—the increase accounts for 46 percent of the rise in inactivity throughout the previous year.

The CEA rejects this kind of accounting, noting that in some ways it overstates the importance of disability benefits. After all, even in the absence of these benefits, some men otherwise on disability would have been inactive in the labor force (because they would not have found jobs or would have been physically unable to work, for instance). However, there is one way in which it may be an *underestimate* to say that disability programs account for 40 percent of the rise in prime-age male inactivity: the calculation assumes that the appropriate counterfactual against which to compare history is one where disability receipt stayed at its 1970 level.

This is not an appropriate counterfactual because absent policy changes, disability receipt almost surely should have declined. It is true that demographic changes have pushed in the direction of higher disability receipt. More women are eligible for benefits because of the rise in female labor force participation, though that is not relevant for assessing inactivity among men. The aging of the baby boomers also increased disability receipt, but it did so primarily by pushing more men above age 54 (Winship 2015; Duggan 2013a, slide 14). That makes demographic change less relevant for assessing *prime-age* male disability receipt. More importantly, as we will see below, the health status of prime-age men has not deteriorated over time.

The CEA suggests that rising SSDI receipt can explain only 0.3 to 0.5 points of the 7.5-point rise in prime-age male inactivity. This conclusion derives from two different counterfactual analyses about what would have happened to the inactivity rate if not for rising SSDI receipt. But these analyses suffer from badly unrealistic counterfactuals.

In one, the employment rate of SSDI recipients in the absence of SSDI benefits is assumed to be 33 percent (which is the rate for disabled men not receiving SSDI). But observers who blame disability benefits for inducing labor force inactivity argue that the vast majority of the additional SSDI recipients who have been so induced would be employed in the absence of a more generous SSDI policy. That suggests a counterfactual employment rate for those who have made the SSDI rolls grow of closer to 80 or 90 percent. The assumption of the critics is that these marginal SSDI recipients are not as seriously disabled (if they are disabled at all) as employed disabled men.

In the CEA's other counterfactual, the labor force participation rate of SSDI recipients in the absence of benefits is assumed to be just 35 percent higher than the actual participation of SSDI recipients. If labor force participation among SSDI recipients would have been low even without SSDI, then rising SSDI receipt cannot explain rising inactivity.

The CEA assumption is based on a 2014 paper by the economists Eric French and Jae Song. French and Song estimate the short-run effect on inactivity of winning SSDI benefits by virtue of drawing a relatively more generous judge in an SSDI hearing rather than a less generous judge. However, French and Song report that among the men not receiving benefits three years after having been assigned to a judge, 40 percent received SSDI payments within the next decade. Many rejected men simply start the application process anew, and such persistence pays off. One reason their labor force participation in the short run is low, then, is that many plan

to apply for disability again and cannot demonstrate an ability to work because they would risk being denied again.

Availability of Other Safety-Net Benefits

The CEA argues that safety-net benefits outside disability programs have become less generous to prime-age men and less easy for them to access. As Nicholas Eberstadt (2016) notes, however, government benefits are fungible.[5] The fact that many types of benefits are difficult for men to access does not mean that the availability of government transfers does not contribute to inactivity; many inactive men live with other household members who receive benefits. In my companion report, I find that 75 percent of inactive prime-age men are in a household that received some form of government transfer payment, including 90 percent of inactive disabled men.

High and Rising Poverty

Finally, the CEA argues that poverty rates among inactive men are high and rising, which supposedly renders perverse the idea that being inactive is a choice for many of these men. The CEA shows that the official poverty rate among prime-age inactive men rose from 28 percent in 1968 to 36 percent in 2014, well above the rate for prime-age men generally (11 percent).

However, measured accurately, poverty among inactive men actually fell over time. The official poverty rate is flawed for a variety of reasons. Using a measure of income that includes nonhealth, noncash benefits, takes taxes into account, and pools the incomes of cohabiting partners, and using the best measure of inflation to update the poverty line over

[5] On the work-disincentivizing effects of safety-net benefits, see Mulligan (2012, 2016).

time, I find that the poverty rate for inactive men was 24 percent in 2013, down from 32 percent in 1969.[6]

It is true that a 24 percent poverty rate is still extremely high, but it is also true that 76 percent of prime-age inactive men are apparently able to avoid poverty—many more than in the 1960s. The median inactive man in 2013 was in a family with $28,000 in income after taxes and transfers. That is not a lot to live on, even though adding the value of health insurance benefits would reduce poverty and increase income further, as would correcting for underreported government benefits and earnings. Nonetheless, the nation is rich enough for more and more men (still a small minority of the general population, and not necessarily a majority of inactive men) to opt out of the workforce and to make do with a standard of living that most of us would find difficult. My companion report explores the ways in which inactive men can draw on support from others to get by.

Critiquing the CEA's Demand-Side Case

What of the CEA's demand-side argument? Its report leans heavily on a basic static model of supply and demand. If, the report argues, supply-side factors were driving the rise in male inactivity, then—all else equal—wages for the kinds of men with the largest rise in inactivity should rise. The report then cites various studies finding that relative demand for less-skilled workers has fallen, and this is precisely the group that has seen the largest increase in inactivity.

[6] These calculations use the ASEC Supplement to the CPS. I use the Personal Consumption Expenditures (PCE) deflator, from National Income and Product Accounts (NIPA) table 1.1.9 at http://www.bea.gov/iTable/index_nipa.cfm, to adjust the poverty line for inflation, with the 1969 poverty line as the baseline. Noncash benefits include food stamps (the Supplemental Nutrition Assistance Program, or SNAP), housing subsidies, subsidized school lunches and breakfasts, and energy assistance. Taxes include federal and state income taxes (including refundable federal tax credits), payroll taxes (and government employee retirement deductions), and property taxes. The incomes of cohabiters and their families are combined so long as one of the cohabiters is the household head. For justification of all these decisions, see Winship (2016).

This argument falls apart quickly, however. First, consistent with the research it cites, the CEA displays the trend in the hourly wages of high school graduates *relative to* the wages of college graduates. On a relative basis, less-skilled wages have declined steadily and sizably since the 1960s.

However, the ratio of less-skilled to high-skilled wages can fall because high-skilled wages rise faster than less-skilled wages rather than less-skilled wages falling. The theoretical model that says that, all else equal, wages should rise when supply falls is a conjecture about absolute wages, not wages relative to some other group. That is, the CEA must show not that the wages of the less skilled have fallen *relative to* the pay of high-skilled workers, but that less-skilled wages have fallen, period. And actually, it must show that hourly compensation has fallen, because nonwage compensation has grown as a share of worker pay.

In fact, median hourly compensation (including the employer's share of payroll taxes but no fringe benefits) is 23 percent higher among men (of all ages) today than it was in 1967 (figure 2).[7] Even at the 20th percentile—corresponding to the male worker who has lower pay than 80 percent of the male workforce—hourly compensation is 10 percent higher than in

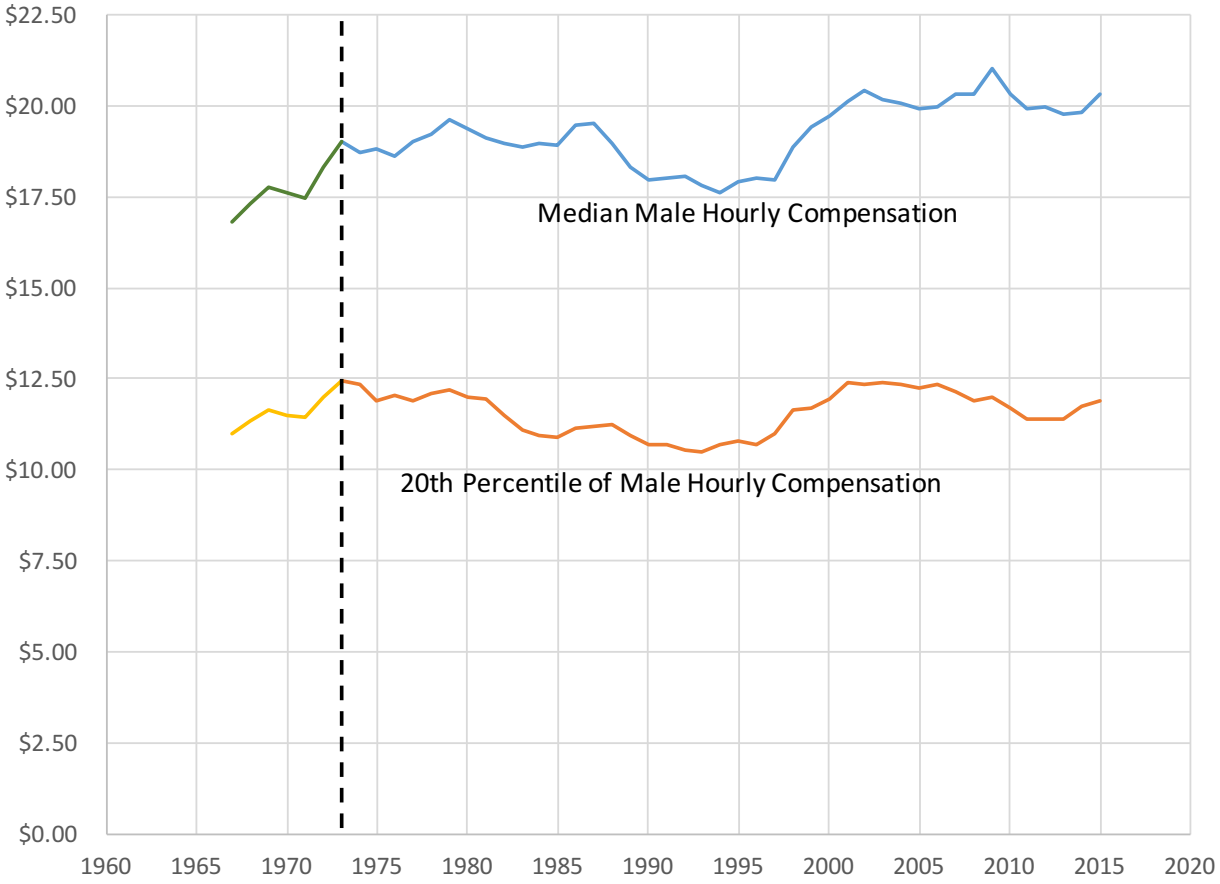
[7] Author's calculations using published tables from the Economic Policy Institute (EPI), the Census Bureau, and the Bureau of Economic Analysis. The estimates began with the EPI table at http://www.epi.org/data/#?preset=wage-percentiles. I converted these hourly wage estimates to nominal dollars, using the table on page 22 of the Census Bureau report at http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf. I then converted them to real dollars using the PCE deflator. On the superiority of the PCE deflator as a price index, see Winship (2016), appendix 1.

The EPI hourly pay estimates go back only to 1973. To estimate wage growth from 1967 to 1973, I began with median male annual earnings from Census Bureau Historical Table P-41 (http://www2.census.gov/programs-surveys/cps/tables/time-series/historical-income-people/p41ar.xls). I applied the PCE estimates to the nominal earnings from this table. Using NIPA table 2.1, I computed the ratio of (wages plus employer contributions for social insurance) to wages for each year. I multiplied the hourly wage (and, for 1967–1973, annual earnings) estimates by this ratio. (The 1973–2015 change in median compensation was a 7 percent increase, while the change at the 20th percentile was a decline of 5 percent.)

Finally, I increased the 1967–2015 estimates by 1.7 percent to reflect the real wage growth that has occurred since 2015. (This 1.7 percent estimate divides the September-to-September growth in average hourly earnings among private workers from 2015 to 2016 by the Q3-to-Q3 increase in the PCE deflator.)

1967.[8] Adding the value of fringe benefits to compensation improves the increase in the median to 31 percent.[9]

Figure 2. Hourly Pay of Less- and Middle-Skilled Men, 1967–2015



Source: Author's calculations using published tables from the Economic Policy Institute (EPI), the Census Bureau, and the Bureau of Economic Analysis. For details, see note 7. Compensation in this chart includes wages and salaries plus the employer's share of payroll taxes. It does not include fringe benefits.

[8] This calculation assumes that the increase at the 20th percentile of male compensation between 1967 and 1973 was the same as the increase in median annual male compensation, and it assumes 1.7 percent real growth at the 20th percentile since 2015. The source for the 1973–2015 estimates is described in the previous note. Because inequality was not rising during the late 1960s, it is likely safe to assume that the 20th percentile and the median grew at the same rate. The 2015–2016 assumption is less consequential.

[9] Computing the corresponding estimate for the 20th percentile would require the assumption that the 20th percentile's wages are the same share of compensation as for other workers, which is probably not tenable, though the increase under this assumption is 18 percent.

Estimates such as those in figure 2 reflect only the compensation of workers *observed in the data*. We do not know what pay would have been offered to men who were not working, or what pay they received when (if) they previously worked. Assuming that men out of the labor force have lower productivity than those who are employed, then their hourly compensation would be relatively low if they were in the labor force, reducing pay at the median and the 20th percentile. More importantly, their greater numbers today than in the past would cause hourly pay to rise less over time than the estimates in figure 2—or to fall.

It is very unlikely that the inclusion in the data of inactive men who could be reasonably expected to work would prevent median pay among men from rising, but it is possible that the 20th percentile of pay would fall. (The reader should also keep in mind the caveat that figure 2 is for all male workers, not just prime-age men.) At the same time, it is possible that men's wage trends look worse than they might have otherwise because men became less interested in work over time and reduced investment in their human capital.[10] This could have happened, for instance, if the increase in single-parent families and the availability of safety-net benefits for such families reduced the responsibilities and expectations of fathers. Or perhaps rising work and pay among wives reduced the incentives for men to invest in themselves.

Furthermore, the CEA's theoretical model has in mind that male pay in the 1960s was at the equilibrium that a perfectly competitive labor market would produce. But male pay was probably inflated in the 1960s because most people still believed that a male breadwinner should be able to support a family by himself and that wives should not work. This ideal was institutionalized in the "family wage" for which unions successfully fought beginning in the 19th century.

[10] I thank an anonymous reviewer for raising this point and for appropriately complicating the question of what constitutes a demand-side or a supply-side explanation.

If male pay in the 1960s was inflated, then if labor markets became more competitive, men's pay would be expected to decline regardless of the demand for skill. The breadwinner premium became obsolete over time, as more and more wives and mothers worked longer and longer. Discrimination against African Americans and other minorities lessened, and the United States opened its doors much wider to immigrants. These are all forces working against the "all else equal" in the CEA's theoretical model of wage-setting.

The CEA makes no mention of the fact that rising immigration would be expected to pressure wages down (Richwine 2016). That would counteract any increase in wages owing to the declining labor supply of native-born men. That is another violation of the "all else equal" assumption in the CEAs simple static model of supply and demand. The same is true of rising work among women—even if there were no breadwinner premium in the 1960s for men, greater work among women would pressure wages down.

Reduced Interest in Work or Lower Ability to Work?

If labor supply has fallen, thus increasing inactivity among prime-age men, has that decline reflected diminished interest in working or simply less ability to work? Perhaps rising receipt of disability payments and the continued importance of self-reported disabilities as a cause of inactivity reflect a deterioriation in health among prime-age men.

That does not appear to be the case. Mortality, for instance, was, with one exception, lower for men ages 25–34, 35–44, and 45–54 in 2014 than it was in 1970, 1980, 1990, or 2000. The one exception is that the mortality rate among men ages 25–34 was higher in 2014 than in 2000. This age group has contributed little to rising disability receipt (National Center for Health

Statistics 2016, table 21).[11] The shares of men reporting head, neck, and back pain were all similar in 2014 as in 1997. Nutritional intake and exercising are also comparable to levels in the late 1980s and early 1990s (National Center for Health Statistics 2016, tables 41, 42, 56, 57).[12]

While obesity and the chronic conditions that accompany it have increased, these conditions have not contributed meaningfully to the rise in receipt of disability benefits (National Center for Health Statistics 2016, table 53; Autor and Duggan 2006). Deaths from drug overdoses and suicides have become more common, and men reporting mental health conditions *have* been big contributors to rising disability rolls, but it is unlikely that any true deterioration in mental health can account for much of this rise because disability receipt for other conditions also rose dramatically (National Center for Health Statistics 2016, table 18; Winship 2015).[13]

In the aggregate, health has simply not deteriorated, despite the well-publicized claims of the Princeton economists Anne Case and Angus Deaton (2015; Case 2017) that some measures of mortality and morbidity among non-Hispanic whites have worsened.[14] Because

[11] Despite much recent attention to rising death rates among middle-age non-Hispanic whites, mortality among 25–34-year-old, 35–44-year-old, and 45–54-year-old men in this group remained below their 1990 levels in 2014, which were lower than in earlier decades. Mortality rates in the older of these three groups rose after 2000, but not to the levels of 1990 or earlier.

[12] The pain estimates go back only to 1997. Nutritional intake is measured as the percentage of calories that come from carbohydrates, protein, total fat, and saturated fat. The trend runs from 1988–1994 (pooled) to 2009–2012. Exercise is measured as the percentage meeting aerobic exercise and muscle-strengthening guidelines, starting in 1998 and ending in 2014.

[13] Even if SSDI beneficiaries qualifying on the basis of mental health had grown at the same rate as other beneficiaries, most of the rise in the SSDI rolls would still have occurred.
Serious psychological distress was no higher in 2004–2005 than in 1997–1998 (the first years available) among men, women, non-Hispanic whites, non-Hispanic blacks, Hispanics, persons 25–44 years old, and persons 45–54 years old (National Center for Health Statistics 2016, table 46). By 2010–2011, the prevalence of serious psychological distress exceeded the 1997–1998 levels for non-Hispanic whites, men, persons 25–44 years old, and persons 45–54 years old, probably reflecting the Great Recession. In 2013–2014 it was higher still among men, persons 25–44 years old, and persons 45–54 years old. This evidence, however, is hardly evidence of a secular decline in mental health.

[14] The National Center for Health Statistics (2016) shows mortality among non-Hispanic white men ages 45–54 falling from 1990 to 2000 then rising between 2000 and 2013, remaining below the 1990 level in 2013 and 2014. The same pattern holds for non-Hispanic white women ages 45–54, but the 2013 and 2014 levels are above the 1990 level. Averaging the rates for non-Hispanic white men and women ages 45–54 indicates lower mortality in 2014 than in 1990. It is unclear why Case and Deaton (2015) find an increase.

those declines appear too small to reverse earlier improvements in health, because some of the most striking declines are among women rather than men, and because improvements in health among Hispanics and nonwhites have counterbalanced the trends among non-Hispanic whites, the Case-Deaton findings convey the wrong picture about changes in the health of prime-age men as a whole.

Another Princeton economist, Alan Krueger (2016), also paints a dark picture of prime-age inactive men. He cites CPS evidence that many of these men say they are in poor health. Time-use data indicate that 44 percent of inactive prime-age men took pain medication the previous day, as did 58 percent of disabled, inactive men. Krueger also cites an internet survey he commissioned that found that in two-thirds of the cases, they are taking prescription painkillers.

However, Krueger presents no trend data for the prevalence of pain, so we do not know whether the levels reported are higher or lower than in the past. National figures, cited above, are inconsistent with an increase in physical pain, at least since the late 1990s. Krueger finds that the likelihood that someone with one of six physical or cognitive impairments is in the labor force has fallen, suggesting that the issue is not greater pain but less attachment to work among those reporting pain.[15] It is possible that a lot of men in the past worked under considerable pain but do not have to do so today, but Krueger's trend analyses on this point run from 2008 to 2016, making it unlikely that changes in society or health care have been large enough to be an explanation.

Not only has health probably not deteriorated over the long run, but other economic and societal changes support the presumption that receipt of disability benefits should have fallen.

[15] Burkhauser and Daly (2011) also report that employment among the disabled has fallen.

Jobs have become less physically demanding and less dangerous over time (Steuerle, Spiro, and Johnson 1999; Johnson, Mermin, and Resseger 2007). Employers are more likely to accommodate disabled workers than in the past. Medical advances have lessened the severity of impairments, and assistive technology increasingly facilitates work among the disabled (Wiatrowski 2004; Gokhale 2014).

A more likely explanation is that self-reported disability has risen because government disability programs have become more accessible and generous, owing to legal and policy changes and the way they have interacted with economic trends.[16] Legislation in 1984 created major reforms to the SSDI program. One of the most consequential changes was that it liberalized screening and eligibility for mental health conditions. Other legislative changes and legal decisions during the 1980s increased the authority of the assessment of an SSDI claimant's physician. Burkhauser and Daly (2011) review the impact of legislation and legal challenges on eligibility for the Supplemental Security Insurance (SSI) program.

Over the past 30 years, more and more SSDI beneficiaries have qualified for the program not on the basis of having a specific identifiable qualifying condition, but on the basis of their employability given their physical or mental complaint, age, education, and work experience (US Senate Special Committee on Aging 1982, chart 5; Burkhauser and Daly 2011, figure 3-7; Social Security Advisory Board 2017). Relatedly, more and more SSDI beneficiaries have qualified on the basis of one of two categories of difficult-to-assess conditions—muscle or joint pain or mental health issues.

As less-skilled workers have seen *relative* stagnation in their pay, disability programs have become more and more attractive relative to work. The average person on SSDI makes about

[16] Winship 2015; Warshawsky and Marchand 2015a, 2015b; Fichtner and Seligman 2016; Burkhauser and Daly 2011; Duggan 2013b; Gokhale 2014; Autor and Duggan 2003, 2006.

what a full-time minimum wage worker makes after taxes—plus they get Medicare benefits. And because claimants' attorneys—if successful—can be paid from the retroactive benefits they win for their clients, more and more claimants initially denied benefits resort to administrative hearings to try to have their earlier denials overturned. The judges at these hearings generally defer to claimants' physicians and reverse most of the denials on which they rule.

Conclusion

The bulk of the evidence, much of which I present in my companion report, points toward declining interest in work as the primary explanation for the rise in prime-age male inactivity. Beyond the evidence presented in this brief, a range of other data points reinforce this explanation.

The rise in inactivity began 85 years ago, rendering inadequate explanations that focus on the supposed collapse of demand for less-skilled labor since the 1960s (Winship 2017). "Discouraged workers," who are out of the labor force specifically because of problems finding work, have been and remain a very small share of prime-age inactive men (3 percent of them in 2014).[17]

Alternative measures of labor utilization that incorporate men who are out of the labor force—such as the "U4" rate that includes discouraged workers and the "U5" rate that includes other inactive men who are "marginally attached" to the labor force—show higher *levels* of joblessness than the official ("U3") unemployment rate. But the *trends* have been very similar since 1994 (the first year in which they are available) regardless of the measure used. If the official rate were misleading owing to weakening labor demand, we would expect the alternative rates to worsen more than the U3. My companion report proposes a "U5b" jobless measure that

[17] Author's calculations using the CPS Outgoing Rotation Group microdata.

adds men who are inactive but want a job to the numerator and denominator of the U3 rate; it, too, shows the same trend over time.

The long-term rise in the official unemployment rate has been small relative to cyclical swings, while the cyclical component of rising inactivity has been small relative to the secular rise. Among part-time prime-age male workers, the share indicating they want to work full-time has not risen.[18] Nor have unemployed prime-age men who involuntarily lost their previous job become more prevalent relative to unemployed prime-age men who voluntarily left their previous job, apart from cyclical swings.[19]

Men who indicate in the CPS that they want a job account for just one-fourth of prime-age inactive men and less than one-third of nondisabled prime-age inactive men.[20] The increase in their ranks explains just one-fourth of the rise in inactivity over time. In contrast, the increase in self-reported disability explains 40 to 50 percent of the rise. But there is little reason to believe that this increase reflects deteriorating health; rather, policy changes over time have made disability benefits look more appealing relative to work for many men with limited prospects for high-wage work. Importantly, though, the prospects for high-wage work for these men have probably not declined as much over time as conventional wisdom suggests, and they may have even improved.

Getting right the question of the balance between suppy- and demand-side forces in affecting male inactivity is of vital importance for policy. If explanations emphasizing the demand side are correct, then the CEA's calls for stimulative infrastructure spending, subsidized jobs, wage insurance, and more generous safety-net programs may be just what the economy

[18] Author's calculations using the 1962–2014 ASEC Supplements to the CPS. Men working part-time for economic reasons include those who (1) worked less than 35 hours during the survey week, (2) either usually work full-time or both want a job and are available to work full-time, and (3) are working part-time because of slack work or business conditions, seasonal work, only being able to find a part-time job, or starting or ending a job.
[19] Author's calculations using the 1968–2014 ASEC Supplements to the CPS. This ratio excludes men who are on temporary layoff.
[20] All the estimates cited in this paragraph were calculated by the author using the CPS. See Winship (2017).

needs to boost employment and growth. Maybe the CEA is even being too conservative, and what we really need is a universal basic income. (Or perhaps conservative policies—such as reducing the minimum wage—will increase labor demand [Strain 2014].)

However, if supply-side factors are more important—and, specifically, a declining interest in employment—then these measures may be ineffective or counterproductive. Instead, the appropriate policy response to rising inactivity might include safety-net reforms to promote independence (particularly reforms of disability programs) and an increase in the amount of and eligibility for wage subsidies like the Earned Income Tax Credit.[21] These "push" and "pull" policies would make safety-net benefits less atrractive and work more attractive.

Other efforts—such as policies to promote greater investment in skills—might be effective regardless of the extent to which supply or demand is to blame for rising inactivity (or might not). Perhaps all of these policies are inadequate for dealing with other aspects of the male inactivity problem, such as the large share of prime-age inactive men who have criminal records—roughly one in three of them, as I note in my companion report.[22] And many men voluntarily out of the labor force do not want or need our concern at all, whether they are graduate students, homemakers, early retirees, or living off of the generosity of parents.

More generally, the debate over falling labor force participation heavily influences other debates about the strength of the economy, the importance of rising inequality, the ability of modern capitalism to improve the lives of ordinary Americans, and the sources of the extraordinary political instability we have seen in recent years. Getting the answers to these questions right has never been more important.

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[21] The CEA report actually proposes expanding the Earned Income Tax Credit, with a supply-side rationale.

[22] Author's estimate using microdata from a December 2014 poll by the Kaiser Family Foundation, the *New York Times*, and CBS News. The poll was conducted by SSRS from November 11, 2014, to November 25, 2014. It included 1,002 respondents. I thank Jamie Firth of the Kaiser Family Foundation for providing the microdata to me.

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