

RESEARCH SUMMARY

Declining Prime-Age Male Labor Force Participation: Why Demand- and Health-Based Explanations Are Inadequate

The decline in the percentage of men ages 25 to 54 who work is an important political issue, and answering the question of what has caused this decline in “prime age” labor force participation is important for determining what policies are needed to address the problem.

In “Declining Prime-Age Male Labor Force Participation: Why Demand- and Health-Based Explanations Are Inadequate,” Scott Winship discusses the inadequacy of explanations for declining labor force participation that posit a decline in the number of employers willing to hire less-skilled, prime-age men at sufficient wages. The drop in participation is better explained by policy changes that discourage work.

The percentage of prime-age men who are “inactive”—jobless and not looking for work—has been rising for 85 years, but it has risen more significantly in the past few decades. There are three possible explanations for this:

- *A reduction in the demand for labor* driven by employers who are currently less interested in hiring less-skilled workers at the pay levels offered in the past.
- *A reduction in the supply of labor driven by a reduction in the number of prime-age workers who are able to work* driven by a rise in rates of mental and physical disability.
- *A reduction in the supply of labor driven by a reduction in the number of prime-age workers who choose to work* driven by changes in policy that reduce the relative appeal of work.

Obama’s Council of Economic Advisers (CEA) makes the argument that the decline in prime-age male labor is a demand-side issue that ought to be addressed through stimulative infrastructure spending, subsidized jobs, wage insurance, and generous safety-net programs. If the CEA is mistaken, however, then these expensive policies may be ineffective or even counterproductive.

The CEA *is* mistaken—the evidence suggests there has been no significant drop in demand, but rather a change in the labor supply driven by declining interest in work relative to other options.

- There are several problems with the assumptions and measurements that the CEA uses to build its case for a demand-side explanation for the rise in inactive prime-age men.
- In spite of conventional wisdom, the prospect for high-wage work for prime-age men has not declined much over time, and may even have improved.
- Measures of discouraged workers, nonworkers marginally attached to the workforce, part-time workers who wish to work full-time, and prime-age men who have lost their job involuntarily have not risen over time.

- The health status of prime-age men has not declined over time.
- More Social Security Disability Insurance claims are being filed for difficult-to-assess conditions than previously.
- Most inactive men live in households where someone receives government benefits that help to lessen the cost of inactivity.

For further analysis of why the share of men who work is shrinking, see the author's companion report: "What's behind Declining Male Labor Force Participation: Fewer Good Jobs or Fewer Men Seeking Them?" (Mercatus Center at George Mason University, 2017).