

Pigeon, Marc-André; Wray, L. Randall

**Research Report**

## Down and out in the United States: An inside look at the out of the labor force population

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The Jerome Levy Economics Institute of Bard College

# Public Policy Brief

## Down and Out in the United States

An Inside Look at the Out of the  
Labor Force Population

*Marc-André Pigeon and L. Randall Wray*

**No. 54, 1999**

LEVY INSTITUTE

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# Preface

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The constellation of conventional measures of economic performance—GDP growth, unemployment, inflation, stock market indexes—has been remarkable in recent years. Many influential economists and policymakers believe that the twin evils of inflation and unemployment have been conquered. Substantial declines in the unemployment rate and increases in the employment rate, especially for those segments of the population considered to be disadvantaged, have been touted as signal achievements of the current expansion. However, although these changes are definitely welcome, the fundamental question remains, “Is everyone willing and able to work employed?”

In this Public Policy Brief, Research Assistant Marc-André Pigeon and Senior Scholar L. Randall Wray answer no to that simple, yet frequently ignored, question. They have found that in spite of the apparently healthy labor market statistics, there are several million jobless Americans who are employable and may want to work, but are excluded from the official measure of unemployment by being relegated to the rather amorphous category “out of the labor force.” Official labor statistics provide little information about who these people are, why they stay out of the labor force, or who among them is likely to enter the labor force. Pigeon and Wray have put together a detailed picture of the out of the labor force population by scrutinizing the raw data contained in the Current Population Surveys and focusing on people who reported they did not work at all in the preceding year.

In 1997 about 31 percent of the population aged 25 and over (roughly, 51 million people) were in the “did not work” category, which closely approximates the out of the labor force population. They tended to be

less educated, older, less healthy, and poorer than the population as a whole and women were disproportionately represented. The reasons they gave for not working include retirement, illness or disability, home responsibilities, and could not find work. But whatever their age, gender, or reason for not working, a significant number of these people are employable, that is, they would be able to perform some kind of useful social or economic function. About 10 percent do find jobs, but a hard-core majority do not move into the labor force—in bad or good economic times and even in such a robust economy as we are experiencing now.

The persistence of this large number of people who remain jobless suggests that we will not be able to answer our fundamental employment question affirmatively without active public policy directed at achieving more employment. Pigeon and Wray propose a federally funded job opportunity program that would offer a job, at a set wage, to anyone willing and able to work. The program would be administered locally, but the federal government would ensure that program jobs had a training component that would enable participants eventually to move into the private and nonprogram public sectors. Such a program could not replace all social safety net policies but it would substantially reduce the demands on them. The authors believe that the job opportunity program would find widespread acceptance in the long run partly because it emphasizes the mainstream American values of self-reliance and work.

Pigeon and Wray's findings are an important contribution to the ongoing study of the design and implementation of active labor market policies to achieve higher employment. Their detailed analysis of those who are out of the labor force should call attention to this important problem and stimulate further research into it. I hope that you find their work informative and welcome your comments.

Dimitri Papadimitriou, *President*  
July 1999

# Down and Out in the United States

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The Clinton administration has made much of its record on employment and economic growth. The 1999 *Economic Report of the President*, for example, says that “gains from the ongoing economic expansion [have been] distributed throughout the population, reaching groups that had previously been left out” (Council of Economic Advisers 1999, 116). As proof, the report cites rising real wages for low-income workers since 1993 after almost 15 years of decline, the lowest ever recorded unemployment rates for black and Hispanic men, declining unemployment rates for foreign-born workers, and increased labor force participation rates for single women.<sup>1</sup>

Although the gains of the past seven years are certainly not insignificant, the story told by the White House, government agencies, and the media is far from complete. Behind the healthy numbers lurk several inconvenient and disturbing facts. Despite a strong economic expansion, more than 28 million persons aged 25 to 64 (20 percent of that age group) were classified by the Bureau of Labor Statistics (BLS) as out of the labor force (OLF) in 1998. These 28 million people were in addition to those classified as unemployed. If we look at the entire 25 and over population, we see almost 56 million persons out of the labor force in 1998.

A large proportion of these OLF adults have a low income and low educational attainment. In an earlier brief (Pigeon and Wray 1998), we found that over the course of the Clinton expansion, fewer than 500,000 jobs were created for people on the bottom half of the education ladder, that is, people with a high school degree or less. The balance of the jobs created (11.3 million) went to people with at least some college

education.<sup>2</sup> We calculated the number of what we called “potentially employable” workers (from among people classified as unemployed *and* out of the labor force) on the assumption that labor force participation rates could be raised for all educational groups to the rate achieved by college graduates. There may be 14.8 million potentially employable workers aged 25 to 64 and 26 million if we include workers 65 and over. Most of these potentially employable workers are out of the labor force. Typically, they are in the half of the population that has not attended college. Our 1998 findings are consistent with research by Pryor and Schaffer (1999), who suggest that the problem is not insufficient job growth for less-skilled workers but the “crowding out” of these workers by college-educated workers. Low-skilled positions are increasingly filled by workers “whose education credentials exceed job requirements,” forcing many of the least-educated workers to leave the labor force entirely (Pryor and Schaffer 1999, 3–4). The poor employment experience of those at the bottom of the educational ladder even during the 1990s implies that economic expansion alone is not sufficient to “lift the boats” of those at the bottom.

This brief takes a close look at the out of the labor force population, those left behind by the “American jobs machine.” We first look at who is in the OLF category by examining key demographic traits of this population: gender, educational level, age, health, and household income. We also explore the reasons they give for not working. We next consider movement into and out of the labor force and compare these flows in recent times of strong economic growth with those in 1992, when the country was emerging from a recession. We then survey the consequences of joblessness on physical and mental health. We conclude with some of the ways a full employment policy, such as the job opportunity program, can be adapted to meet the needs of the people who are out of the labor force.<sup>3</sup>

## **Defining the Out of the Labor Force Population**

In this section we will describe how a person gets classified as out of the labor force. Why go through this exercise? As Collins and Goldberg (1999) suggest, one of the first steps toward getting a full employment policy on the political agenda is demonstrating the magnitude of the

problem and the way official statistics “contribute to the erroneous impression that there are enough jobs for anyone who wants to work.” There is, of course, always a dynamic element in the job market: workers leave jobs voluntarily or involuntarily but find new ones. However, too many analysts ignore the millions who are stuck outside of the labor force. These people are unlikely to gain stable employment by relying solely on a dynamic labor market.

Economists, journalists, and policymakers give the OLF population short shrift despite its considerable size. The *Economic Report of the President*, for example, devotes more than 50 pages to the country’s employment and earnings situation, but contains only a cursory discussion of the OLF population, and even then only in connection with elderly workers. To be sure, data on the OLF population are relatively difficult to obtain. This follows partly from the fact that OLF is a residual category, a catchall for people who are neither employed nor unemployed as currently defined (see Box 1).

At least in its readily available publications, the BLS does little more than count the total OLF population (by sex, race, and age). Economists generally pay the most attention to a relatively small subset of the OLF population called discouraged workers, at least in part because more detailed data on this group of people are readily available. Discouraged workers are persons who say they would like to work but are not making any current effort to find a job because they believe there are none, they are not qualified, or they are discriminated against. While this population should certainly be of interest to economists and policymakers, it was less than 0.3 percent of the total OLF population in 1998. Probably the main reason the rest of the OLF population is ignored is that it is believed that they must be out of the labor force by choice, in which case there is little need to publish data on them.

Because of this relative unavailability of data, any understanding of the OLF population requires considerable effort. The raw Current Population Survey (CPS) data do contain demographic information about the OLF population not generally reported by the BLS. For our analysis, we will draw heavily on the March Supplement of the CPS because in addition to the regular monthly survey questions, it also contains questions about income and work experience in the previous year.

### **Box 1** Bureau of Labor Statistics Nomenclature

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The Bureau of Labor Statistics estimates the number of employed, unemployed, and out of the labor force on the basis of a monthly survey of about 48,000 households called the Current Population Survey (CPS), which began under the auspices of the Work Projects Administration (WPA) in 1940. The CPS interviews take place during the week containing the 19th day of the month. National and regional estimates are calculated with weights that reflect demographic characteristics of the U.S. population as given by updated estimates from the most recent decennial census and other surveys. Annual figures are calculated as averages of the monthly surveys.

Respondents are considered employed if they held a job during the survey week—regardless of whether the job was part-time, full-time, or temporary. Any amount of work for profit or pay is considered sufficient to place persons in the employment category, as is more than 15 unpaid hours a week of work in a family business. This is especially important for the farming and retail sectors (especially mom-and-pop stores) in which a lot of work tends to be done by family members who are not paid.

Persons are considered unemployed if they do not have a job, are ready to take a job, and have looked for work in the four weeks leading up to the CPS interviews. Persons are considered to have “looked for work” if they have done one or more of the following: contacted an employer, a public or private employment agency, friends or relatives, or a school or university employment center regarding work opportunities; sent out resumes or filled out applications; placed or answered job advertisements; checked with union or professional job registers; performed some other means of job search. Persons on layoff need not actively search for work to be considered unemployed, while passive job seekers—persons who just read the want ads, for example—are not counted as unemployed. The passive job seekers fall into the “out of the labor force” category. (Economists usually distinguish between two types of unemployment. “Frictional unemployment” is generally considered less worrisome because it refers to the normal amount of time needed to find suitable work. “Structural unemployment” is considered more serious because it refers to a mismatch between supply and demand.)

Persons who are neither employed nor unemployed are classified as out of the labor force (OLF). Thus, OLF is best thought of as a residual or catchall category. This means that the OLF population even includes persons who expect to return to the labor force and may even have a job that will start at a later date. A good example is a mother interviewed in March who indicates that she intends to return to the labor force when her child is old enough to go to school. The mother is clearly unavailable for work at the time of the interview and is therefore not considered unemployed, but she does plan to return to the labor force in the near future. Similarly, the OLF population includes persons who are waiting to start a job in the next 30 days and have not actively sought work in the four weeks prior to their interview. While the BLS argues that this group is relatively small (prior to 1994 they were actually counted as unemployed), this demarcation at least hints at the notion that some proportion of the OLF may be ready and willing to work.

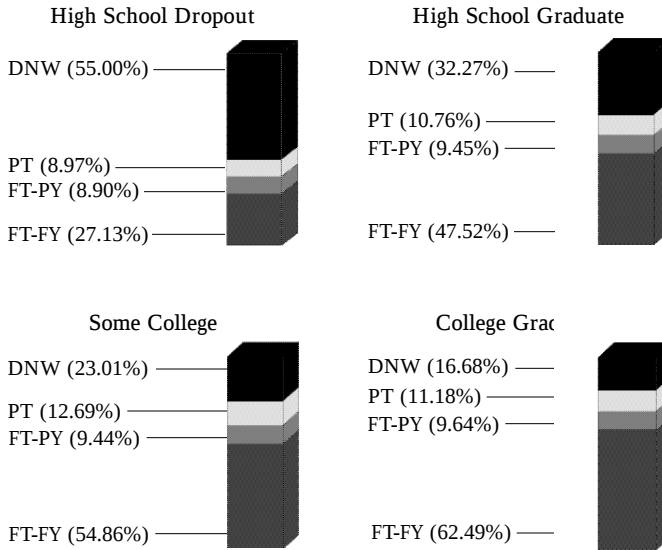
To get some idea of just how many people in the OLF category might constitute a potential source of labor supply, the BLS has created additional nomenclature. Persons are considered marginally attached to the labor force (a subset of the OLF) if they indicate a willingness and availability to work and have searched for work within the past 12 months. Discouraged workers are a subset of the marginally attached who, in addition to the above criteria, must also say they are discouraged because they believe there are no jobs available, they are not qualified for those jobs that are available, or they cannot get a job because of discrimination.

Thus the March 1998 survey provides information on the work experience of respondents in 1997, a period characterized by a relatively robust and expanding labor market. For example, the overall unemployment rate in 1997 was 4.9 percent, down from 7.5 percent in 1992; the employment rate (employment to population ratio) was 63.8 percent, up from 61.5 percent in 1992. The OLF population fell from 33.6 percent of the civilian noninstitutional population in 1992 to 32.9 percent in 1997.

Since we are talking about the OLF population, we are particularly concerned with those respondents in the March Supplement who said they did not work (DNW) during the past year (Figure 1).<sup>4</sup> Note that the DNW category is not exactly the same as the OLF category for two reasons. First, individuals who are officially classified as unemployed during at least part of the year but did not hold a job at any point in that year will be counted as DNW; DNW can therefore overstate the number who are officially out of the labor force. Second, people who are OLF at some point during the year but are employed for some other period in that same year will not be counted as DNW; DNW can therefore understate the OLF population. Because of the relatively large flow between official employment categories and the relative ease with which some of the unemployed find jobs, the second complication will probably dominate, so that on average the number counted as DNW in one year will be smaller than the number counted as OLF. The group that is not employed at all during the year is only a subset of the OLF population, but in some respects it is the most interesting for us precisely because it is less mobile. We can study the demographics of this group secure in the knowledge that there is no flow in and out of our sample during a given year (a problem that would plague demographic analysis of the BLS-defined OLF population).

One final note before we take a detailed look at the data. Our analysis focuses primarily on persons aged 25 and over. We chose 25 as the lower bound of our cohort because most people have completed their education by that age.<sup>5</sup> Pryor and Schaffer (1999) justify their selection of 25 as the lower bound in a similar fashion. However, they set an upper bound of age 50 to eliminate complications resulting from health-related withdrawals from the labor force and “voluntary” withdrawals because of the availability of pension plans, Supplemental Social Insurance, and other sources of income. For the most part, we place no upper bound on

**Figure 1** Population by Education and Employment Category, Persons 25+



*Note:* DNW stands for did not work; PT for part-time; FT-PY for full-time, part-year; FT-FY for full-time, full-year.

*Source:* March 1998 Supplement of the Current Population Survey.

our age cohort because our policy proposal (discussed in the conclusion) hinges on the idea that a job would be offered to anyone willing to work—regardless of age. Furthermore, the recent trend in labor force participation rates for older workers has been constant or upwards. Participation rates for women aged 55 to 64 have increased almost 10 percentage points in the last 15 years and the century-old decline in participation rates for males 55 to 64 has leveled off since 1985 (Council of Economic Advisers 1999, 131). Improvement in the overall health of older workers since 1980 suggests that a growing portion of the elderly population is at least able to work and many who “retire” at age 55 may actually have been involuntarily “downsized.”

## Demographics of Those Who Did Not Work

Table 1 contains summary data from the March 1998 Supplement on those who did not work. About 51.7 million people did not work in

**Table 1** Comparing the Entire Population (Aged 25+) with Those Who Did Not Work in 1997 (expressed as a percentage of total unless otherwise indicated)

| Characteristics       | Entire Population | Did Not Work in 1997 | Breakdown by Gender |            |              |            |
|-----------------------|-------------------|----------------------|---------------------|------------|--------------|------------|
|                       |                   |                      | Entire Population   |            | Did Not Work |            |
|                       |                   |                      | Male                | Female     | Male         | Female     |
| Total                 | 171,549,955       | 51,659,650           | 81,783,469          | 89,766,487 | 18,047,640   | 33,612,010 |
| Gender                |                   |                      |                     |            |              |            |
| Male                  | 47.7              | 34.94                | n/a                 | n/a        | n/a          | n/a        |
| Female                | 52.3              | 65.06                | n/a                 | n/a        | n/a          | n/a        |
| Education level       |                   |                      |                     |            |              |            |
| High school dropout   | 17.23             | 31.47                | 17.33               | 17.13      | 33.69        | 30.28      |
| High school graduate  | 33.82             | 36.24                | 32.32               | 35.18      | 32.98        | 37.99      |
| Some college          | 24.62             | 18.81                | 23.89               | 25.28      | 17.95        | 19.28      |
| College graduate      | 24.34             | 13.48                | 26.45               | 22.41      | 15.38        | 12.46      |
| Age group             |                   |                      |                     |            |              |            |
| 25–54                 | 68.33             | 32.28                | 70.42               | 66.43      | 24.32        | 36.55      |
| 55–64                 | 12.97             | 15.17                | 13.04               | 12.90      | 15.90        | 14.78      |
| 65+                   | 18.70             | 52.55                | 16.54               | 20.67      | 59.78        | 48.67      |
| Health <sup>a</sup>   |                   |                      |                     |            |              |            |
| Excellent             | 27.08             | 12.57                | 28.97               | 25.36      | 9.75         | 14.07      |
| Very good             | 29.92             | 20.20                | 30.38               | 29.50      | 17.21        | 21.79      |
| Good                  | 26.36             | 30.08                | 25.26               | 27.35      | 29.24        | 30.53      |
| Fair                  | 10.96             | 21.83                | 10.03               | 11.81      | 24.49        | 20.41      |
| Poor                  | 5.68              | 15.32                | 5.36                | 5.97       | 19.30        | 13.21      |
| Household income      |                   |                      |                     |            |              |            |
| Under \$10,000        | 7.26              | 17.64                | 4.90                | 9.41       | 14.42        | 19.37      |
| \$10,000–19,999       | 12.79             | 24.03                | 10.97               | 14.45      | 25.03        | 23.49      |
| \$20,000–39,999       | 24.98             | 29.05                | 25.28               | 24.72      | 33.89        | 26.44      |
| \$40,000–59,999       | 20.66             | 13.65                | 21.82               | 19.60      | 13.71        | 13.62      |
| \$60,000+             | 34.30             | 15.63                | 37.03               | 31.82      | 12.94        | 17.08      |
| Mean Income           | \$56,637          | \$36,648             | \$59,908            | \$53,637   | \$33,691     | \$38,237   |
| Median Income         | \$44,050          | \$24,368             | \$47,050            | \$40,996   | \$24,626     | \$24,102   |
| Race                  |                   |                      |                     |            |              |            |
| White                 | 84.25             | 84.46                | 85.06               | 83.5       | 83.33        | 85.11      |
| Black                 | 11.24             | 11.58                | 10.39               | 12.0       | 13.03        | 10.77      |
| Native American       | 0.80              | 0.76                 | 0.86                | 0.7        | 0.79         | 0.75       |
| Asian                 | 3.71              | 3.20                 | 3.68                | 3.7        | 2.86         | 3.38       |
| Location              |                   |                      |                     |            |              |            |
| Northeast             | 19.73             | 20.89                | 19.47               | 19.98      | 20.8         | 20.9       |
| North Central/Midwest | 23.05             | 21.67                | 22.99               | 23.11      | 21.9         | 21.6       |
| South                 | 35.30             | 36.53                | 35.02               | 35.55      | 36.4         | 36.6       |
| West                  | 21.92             | 20.91                | 22.53               | 21.37      | 21.0         | 20.9       |

<sup>a</sup>Data for 1996 from the March 1997 Supplement.

Source: March 1998 Supplement of the Current Population Survey (CPS).

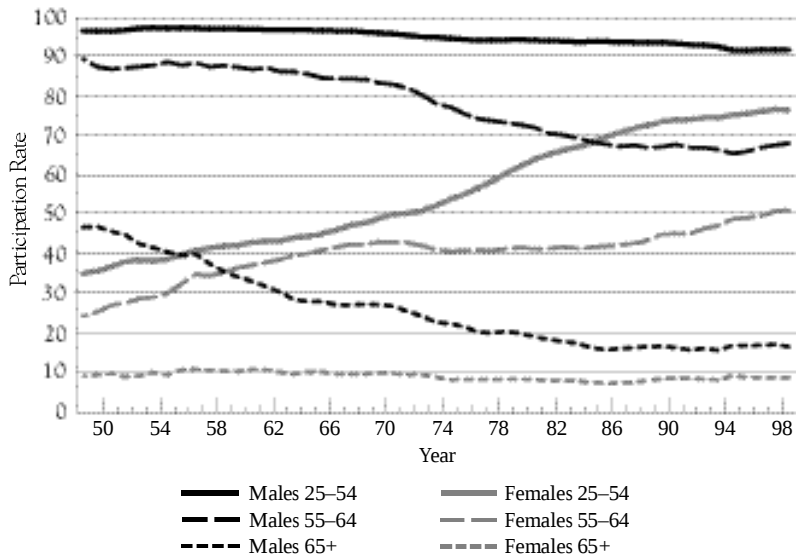
1997; that is about 31 percent of the entire 25 and over population (not shown in table). Columns 2 and 3 show that relative to the overall population, those who did not work tended to be women, to have less education, to be older, to have poorer health, and to have lower income. Much like the broader population, the DNW population was predominantly white. In terms of geography, the DNW population was distributed in roughly the same proportion as the broader population.

The breakdown by gender columns compare men and women in the broader population with those who did not work. Almost two times more women than men said they did not work in 1997. More than two-thirds of men and women who did not work in 1997 had only a high school degree or less, which differs greatly from the distribution of educational attainment in the broader population, where there was an almost even split between people with no college education at all and those with at least some college.

The relatively low educational level of the DNW population reflects the fact that it is heavily weighted with older persons, who generally have less formal schooling than more recent generations. The bulk of the DNW population, both male and female, is concentrated in the 65 and over age category, which of course corresponds to the much lower participation rates for this age group (see Figures 2 and 3). This reflects the fact that older workers are far more likely to drop out of the labor force whether it be due to retirement, outdated skills, or the belief on the part of employers that older workers are less pliant than younger workers (Burman 1988). The age data by gender show that women in the 25 to 54 age group are more likely than men to report that they did not work. Again, this reflects the fact that despite important gains in the last 50 years, female participation rates are still lower than those of males regardless of age.

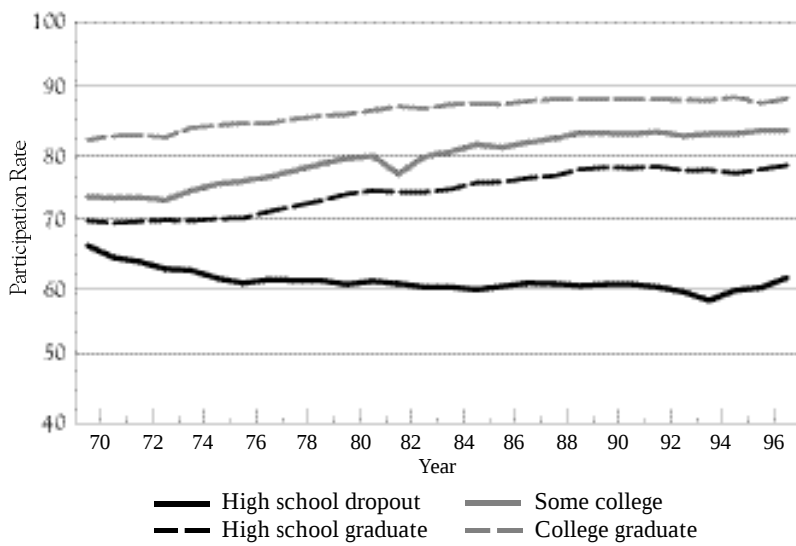
Descriptive data on the health status of DNW individuals show a divergence between men and women.<sup>6</sup> DNW women reported themselves as healthier than men did. Although roughly an equal percentage of DNW men and women reported themselves as being in the “good” category, men were more likely to place themselves in the bad health categories of “fair” and “poor,” while women were more likely to report themselves in the good health categories of “very good” and “excellent.” This stands in

**Figure 2** Labor Force Participation Rates by Age and Gender



Source: Bureau of Labor Statistics.

**Figure 3** Labor Force Participation Rates by Education Category, Persons 25–64



Note: Since 1992 respondents have been asked to give the highest diploma or degree obtained. Prior to 1992 they were asked to give the highest grade completed. The change does not appear to have had a large impact on the data on educational attainment. See Pryor and Schaffer (1999) for details.

Source: Bureau of Labor Statistics.

contrast to the broader population, in which both men and women are more likely to report being in excellent or very good health.

Looking at the household income for the DNW population, we observe that, relative to men, DNW women tended to be somewhat more concentrated at the extremes of the income distribution.<sup>7</sup> About 19.4 percent of DNW women had household income of less than \$10,000, compared with 14.4 percent of DNW men, while 17.1 percent of DNW women had household income in excess of \$60,000, compared with only 13 percent of DNW men. We also observe that the situation of DNW men appears particularly bleak compared with the overall population, in which some 37 percent of men had income equal to or exceeding \$60,000 and only 15.8 percent had income of \$20,000 or less, compared with 12.9 percent and 39.5 percent (respectively) for DNW men. A comparison of mean household income also emphasizes the relative poverty of males. The mean income of males who did not work in 1997 was \$33,691, almost 12 percent less than that of females. This is almost the exact reverse of the situation for the broader population, in which the average male household income was almost 11 percent higher than that of women.

Finally, it appears that there are no major differences between the DNW population and the broader population in terms of race and location. For this reason, we focus on education, age, health, and income throughout the remainder of our analysis.

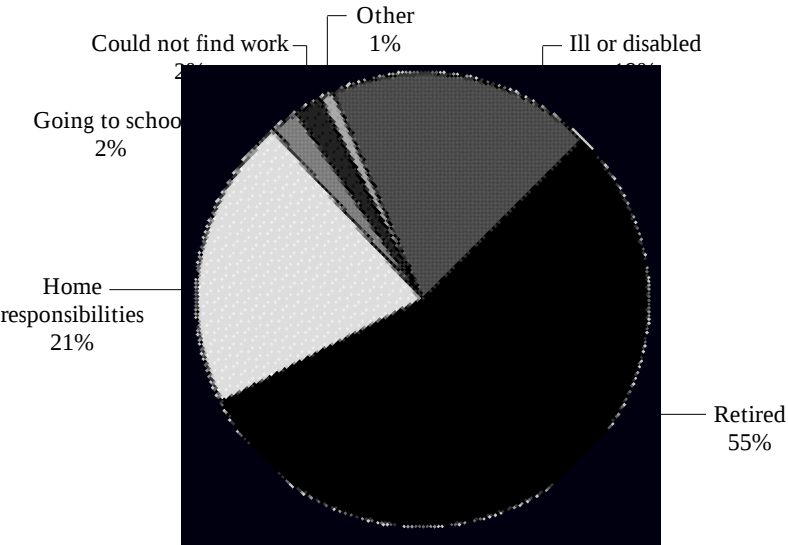
## **Reasons for Not Working**

The data in Table 1 suggest that those who did not work tended to be less educated, to be older, to be in poorer health, and to have lower household income than the broader population. Also, DNW women tended to be healthier and to have a higher income than DNW men. The March Supplement allows us to look at the reasons given for not working.<sup>8</sup> Figure 4 shows the distribution of the DNW population by reason for not working. More than half of the 51.7 million persons who did not work in 1997 were retired. Home responsibilities and illness or disability were the next biggest reasons for not working. The other three—"could not find work," "going to school," and "other"—accounted for a little more than 5 percent of the DNW population.

If we break down the DNW population by age group and reason for not working, we note sharp differences between men and women, as suggested by the data in Table 1. Figures 5a and 5b show that 58 percent of DNW males aged 25 to 54 said they were ill or disabled, compared with only 20.6 percent of women in the same age group. Almost 66 percent of DNW women in this age group said they had home responsibilities, compared with only 8.5 percent of men. In this same age group, we also see that males are more than three times as likely as females to report they could not find work, a tendency that persists, albeit in a diminished fashion, in the next two age groups. In the 55 to 64 age group, there is a growing preponderance of retirement as the reason for not working. There is a sharp decline in the percentage of women who said they did not work because of home responsibilities and a somewhat less dramatic decline in the number of men who said they did not work because of illness or disability. By the time we get to the 65 and over age group, the preponderance of retirement is firmly established; more than 91 percent of males and almost 84 percent of females gave it as their reason for not working.

What about the financial status of the DNW population? As one might expect, household income levels are clearly affected by whether or not

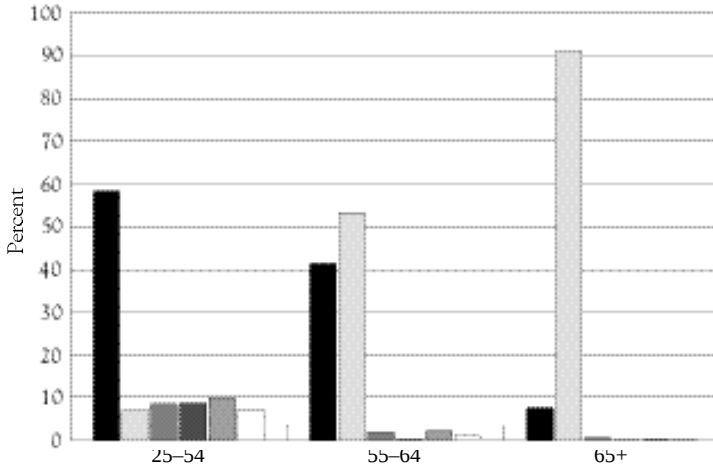
**Figure 4** Distribution of DNW by Reason for Not Working, Persons 25+



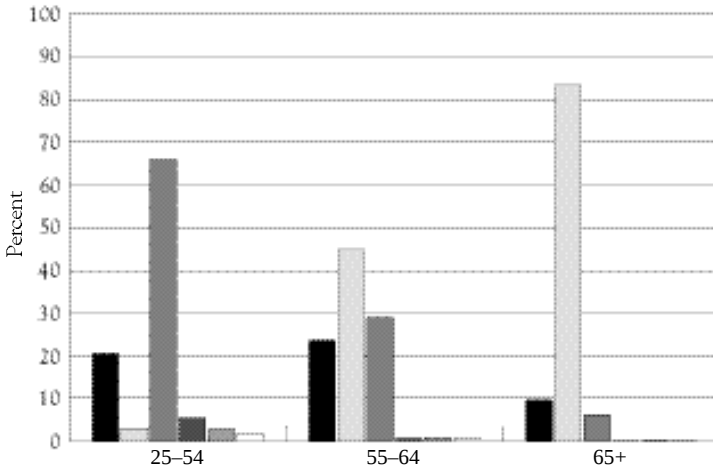
Source: March 1998 Supplement of the Current Population Survey.

**Figure 5** Reasons for Not Working

**5a Males**



**5b Females**



■ Ill or disabled    ■ Home responsibilities    ■ Could not find work  
 ■ Retired    ■ Going to school    □ Other

*Note:* The absence of a bar indicates no responses for a reason for not working within an age group.

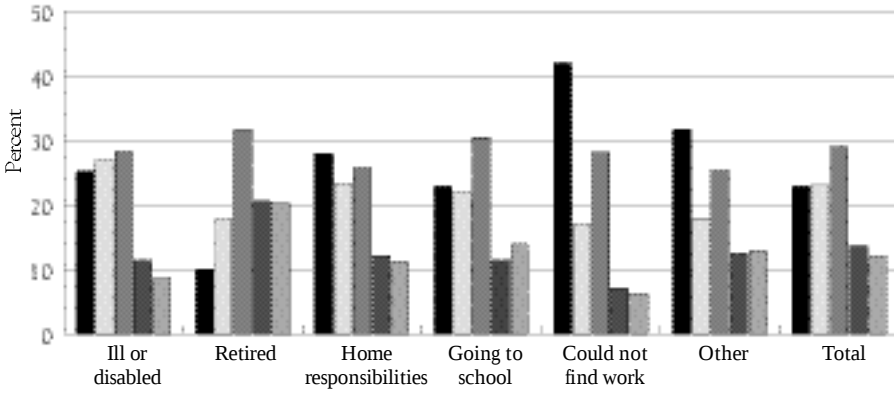
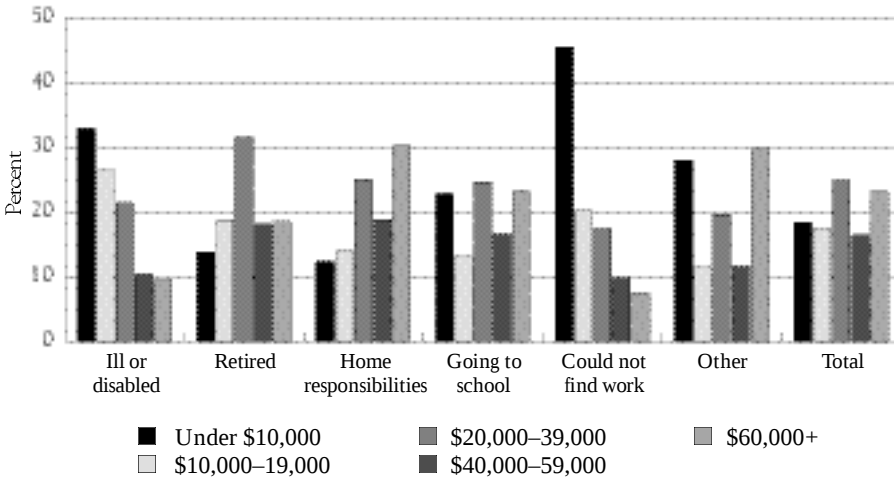
*Source:* March 1998 Supplement of the Current Population Survey.

one works. There is, however, more to this story and most of it relates to gender differences, as suggested by the data in Table 1. Figures 6a through 6d describe the distribution of household income among the DNW population by reason for not working. Focusing first on the 25 to

64 age group, we note that, with the exception of the retired category, the income distribution of men is heavily skewed toward the lowest two income categories (under \$10,000 and \$10,000 to \$19,999). The distribution is especially skewed for men who gave “could not find work,” “other,” and “ill or disabled” as the reason for not working. For women, the situation is generally less bleak. It is true that almost 60 percent of women who said they were ill or disabled and about 65 percent of women who said they could not find work had household income below \$20,000. However, those who gave other reasons for not working were characterized by much more even income distribution, especially in the home responsibilities category, in which about 30 percent of women had household income in excess of \$60,000. In short, DNW women in the 25 to 64 age group tended to be better off financially than DNW men in that age group.

Consider now Figures 6c and 6d. The picture for the 65 and over population is even more stark. The income distribution for the retired 65 and over group for both men and women is more skewed toward the low-income categories than for the retired 25 to 64 age group. The income distribution for retired DNW women is more heavily skewed toward the low-income brackets than for the retired 25 to 64 age group. More than 78 percent of women 65 and over had household income in 1997 of less than \$40,000, compared with 60.6 percent for women 25 to 64. The situation for older men is more uniform across the two age categories: almost 75 percent of men aged 25 to 64 had household income below \$40,000, compared with 72.5 percent of men aged 65 and over.

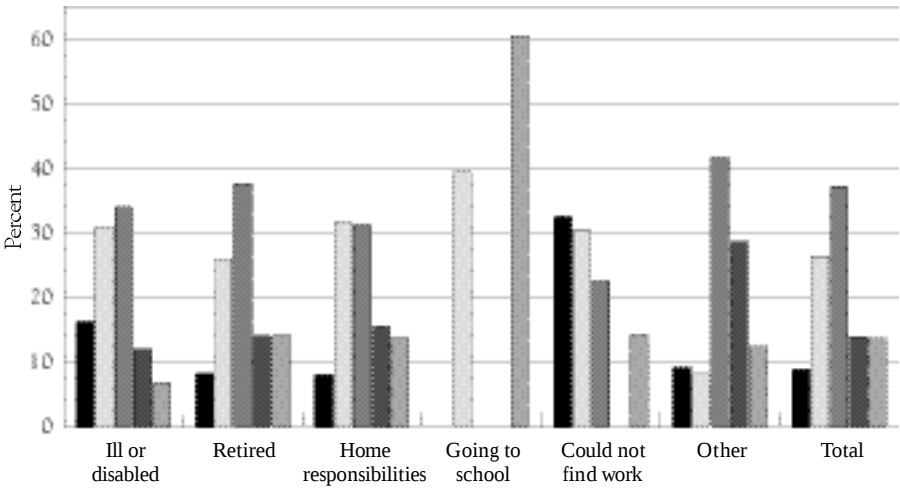
From the data analyzed so far, we can draw the following conclusions. First, although women are still far more likely to stay out of the labor force because of home responsibilities, the fact that labor force participation rates for women have been rising steadily since World War II suggests that many of the DNW women intend to join or return to the workforce. For example, Pryor and Schaffer (1999, 7) include OLF women (plus the unemployed) in their measure of joblessness because “recent data suggest many of these women would join the workforce—and send their children to daycare—if the ‘right’ job became available.” Furthermore, more than 41 percent of the women in our study who cited home responsibilities as their reason for not working had no children under 18 living at home. Almost 80 percent of these were over the age

**Figure 6** Household Income Distribution for DNW Persons**6a** DNW Males 25–64**6b** DNW Females 25–64

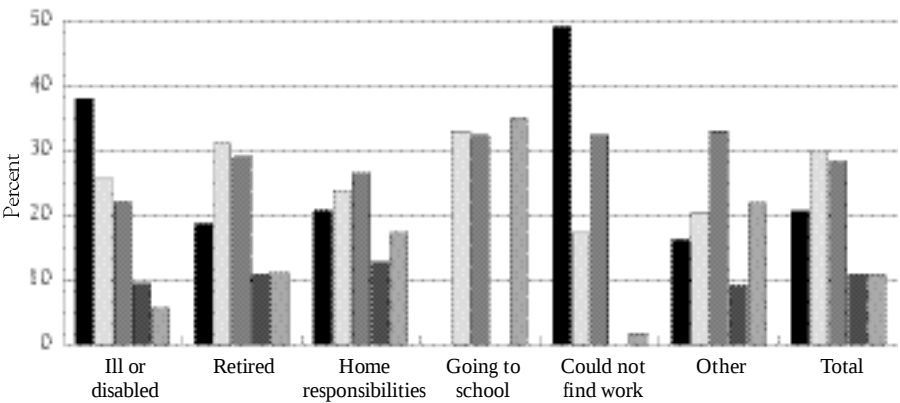
of 45, suggesting that many may be “empty nesters”—women whose children have moved out of the family home and who may consider a return to the workforce.<sup>9</sup>

Second, most persons 65 and over attribute their lack of labor force participation to retirement and a large percentage of these retirees also have low income. About 12 million persons 65 and over had household income below \$20,000. This is particularly true of women: almost half of retired DNW women had household income of less than \$20,000. Some

**6c** DNW Males 65+



**6d** DNW Females 65+



*Note:* The absence of a bar indicates no responses for a household income range within a category of reason for not working.

*Source:* March 1998 Supplement of the Current Population Survey.

portion of the retired population might therefore be willing to work to augment its income, although this is less likely to be true of men, who tend to be financially better off in retirement.

Third, in both age categories illness or disability is the most frequently cited reason for not working after retirement and home responsibilities. Half of DNW men between the ages of 25 and 64 reported they were ill or disabled, but a large proportion of these probably wanted to work. A survey by the National Organization on Disability (1998) found that 72

percent of disabled persons between the ages of 18 and 64 not currently in the labor force said they would prefer to be working.

The preference for working on the part of people reporting themselves as ill or disabled prompted us to extend our analysis of the information on health in Table 1. We broke down the data on health status into reasons for not working for the DNW population and compared this to data on persons who were working or looking for work during that same period of time. Not surprisingly, Figures 7a and 7b show that most ill or disabled men and women considered themselves to be in fair to poor health. However, a relatively large proportion of retired persons (31.3 percent of men and 30.3 percent of women) said they were in excellent or very good health. These data suggest that at least a significant proportion of those listing retirement as their reason for nonparticipation in the labor force probably faced no physical or mental barriers to work, a position buttressed by the overview of older workers in the *1999 Economic Report of the President*.

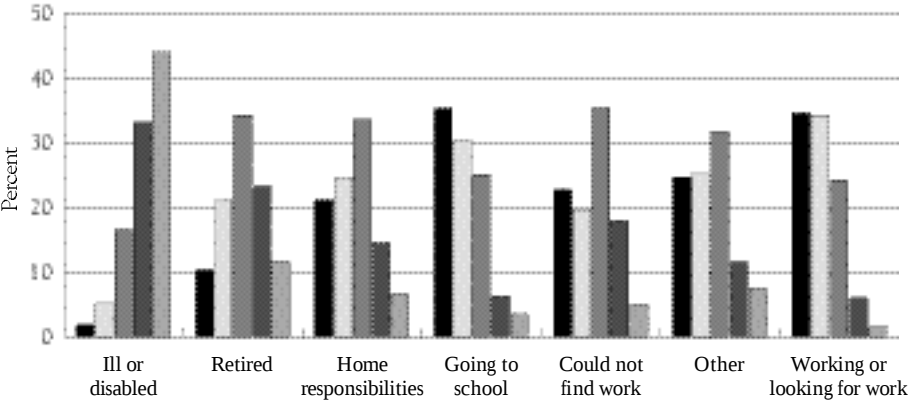
Figures 7a and 7b reveal four other interesting observations. First, the DNW population (male and female) in 1996 was generally less healthy than the working and looking for work populations. However, males who did not work because they were going to school tended to think of themselves as being at least as healthy as those who worked or sought jobs. Women who did not work because of home responsibilities or going to school tended to resemble working persons more than they resembled women who gave as a reason for not working illness or disability, retirement, could not find work, or other.

Second, more than half of the women (and almost half the men) who stayed at home to look after children or other family members reported they were in very good or excellent health. We also know from our earlier analysis that many of these women are young and relatively well off so the health statistics suggest that a significant proportion of them might, under the right circumstances, enter or re-enter the labor force.

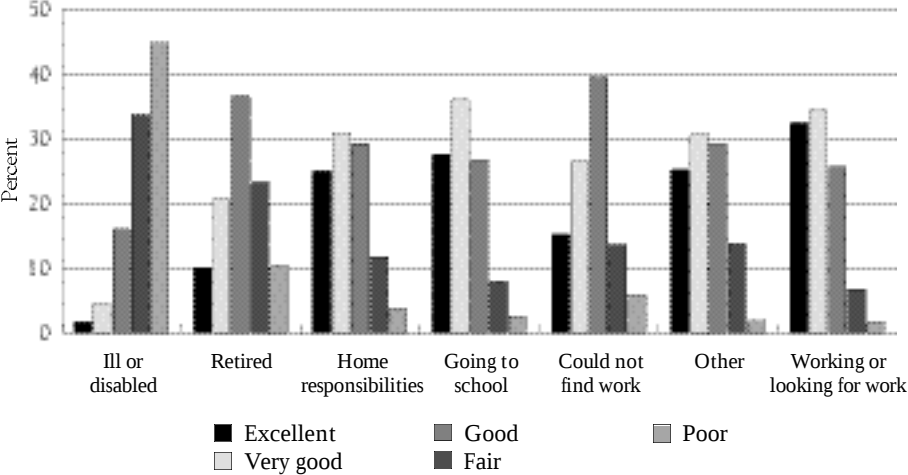
Third, more than half of the men and women going to school said they were in excellent or very good health. Most of these persons are young, again suggesting that they are prime candidates for entry or re-entry into the labor force. Fourth, after the ill or disabled and retirees, those who

**Figure 7** Health Status for DNW Persons 25+ by Reason for Not Working

**7a** DNW Males



**7b** DNW Females



Source: March 1997 Supplement of the Current Population Survey.

could not find work were the least healthy of the populations. Although people in this category ostensibly have a greater commitment to finding a job than people in the other categories, persons who could not find work also appear to be on a “health threshold,” that is, continuing failure to find work could send some into the ill or disabled category. The literature on the relationship between unemployment and health seems to support this intuition. Warr and Jackson (1988), for example, found that people with a strong desire to work suffered more psychologically from

unemployment than those with a lesser desire to work. (We explore these issues in greater detail later in the paper.)

## **Changing Places: Flows into and out of the Labor Force**

We noted earlier that persons who did not work are only a subset of the OLF population as defined by the BLS because some individuals are out of the labor force for only part of a year and some work at some time over the course of a year. In this section we take a more detailed look at exactly what happens to these people over a two-year period. We followed a portion of the DNW population from the March 1997 survey to the March 1998 survey. In order to compare a robust labor market with a depressed labor market, we also followed a portion of the DNW population from the March 1992 survey to the March 1993 survey.<sup>10</sup>

We found that the flows among DNW categories are rather large even over a period as short as a year. Starting with the top half of Table 2, we see that overall 9.22 percent of the total sample that did not work in 1996 moved into the labor force (had found a job or were looking for work and were therefore counted as unemployed) in 1997. Of those who said they were ill or disabled in 1996, only 6.7 percent moved into the labor force in 1997, about 65 percent remained ill or disabled, and about 22 percent moved into retirement. This suggests that self-reported reasons for not working may be influenced by social norms. For example, it may be more socially acceptable for a younger worker to give disability as a reason for not working and for an older worker to give retirement. Thus, as a “disabled” individual ages, it becomes more likely that he or she will become “retired.” Similarly, younger women report home responsibilities and then switch to retirement after reaching age 65, sometimes even if they were never counted as employed. Burman (1988) seems to have something similar in mind when he talks about how people judge whether their lives are “on time” or “off time” relative to socially accepted timetables. Being out of synch with a peer group “usually creates problems of adjustment for the individual, either because it affects his [or her] sense of self-worth, or because it causes disruptions of social relationships” (Neugarten and Hagestad 1976, quoted in Burman 1988, 51).

**Table 2** Flow of Persons Who Said They Did Not Work in Previous Year

| Reason Given for Not Working<br>in Current Year | Total      |         | Reason Given for Not Working in Previous Year (percent) |         |                          |                    |                        |        |  |
|-------------------------------------------------|------------|---------|---------------------------------------------------------|---------|--------------------------|--------------------|------------------------|--------|--|
|                                                 | Level      | Percent | Ill or<br>Disabled                                      | Retired | Home<br>Responsibilities | Going to<br>School | Could Not<br>Find Work | Other  |  |
| 1996–1997                                       |            |         |                                                         |         |                          |                    |                        |        |  |
| In labor force                                  | 1,810,680  | 9.22    | 6.73                                                    | 3.10    | 19.98                    | 44.48              | 47.61                  | 50.90  |  |
| Ill or disabled                                 | 3,218,778  | 16.39   | 65.10                                                   | 5.60    | 4.47                     | 7.40               | 10.76                  | 6.53   |  |
| Retired                                         | 11,111,264 | 56.59   | 21.80                                                   | 87.52   | 12.44                    | 5.47               | 7.25                   | 13.91  |  |
| Home responsibilities                           | 3,059,545  | 15.58   | 4.91                                                    | 3.41    | 59.56                    | 16.92              | 10.15                  | 12.43  |  |
| Going to school                                 | 170,545    | 0.87    | 0.17                                                    | 0.05    | 1.85                     | 21.92              | 3.92                   | 1.69   |  |
| Could not find work                             | 141,715    | 0.72    | 0.66                                                    | 0.09    | 0.76                     | 1.39               | 18.73                  | 4.89   |  |
| Other                                           | 123,842    | 0.63    | 0.63                                                    | 0.24    | 0.94                     | 2.44               | 1.58                   | 9.64   |  |
| Total excluding “in labor force”                | 17,825,689 | 90.78   | 93.27                                                   | 96.90   | 80.02                    | 55.52              | 52.39                  | 49.10  |  |
| Total                                           | 19,636,369 | 100.00  | 100.00                                                  | 100.00  | 100.00                   | 100.00             | 100.00                 | 100.00 |  |
| 1991–1992                                       |            |         |                                                         |         |                          |                    |                        |        |  |
| In labor force                                  | 1,678,608  | 8.84    | 6.72                                                    | 3.23    | 12.34                    | 41.57              | 45.04                  | 23.87  |  |
| Ill or disabled                                 | 2,675,287  | 14.09   | 59.67                                                   | 6.18    | 4.97                     | 9.14               | 6.67                   | 11.89  |  |
| Retired                                         | 8,923,424  | 46.99   | 19.27                                                   | 81.99   | 16.19                    | 1.48               | 6.51                   | 19.27  |  |
| Home responsibilities                           | 5,107,318  | 26.89   | 11.39                                                   | 8.02    | 63.59                    | 11.27              | 17.27                  | 30.30  |  |
| Going to school                                 | 156,145    | 0.82    | 0.23                                                    | 0.05    | 0.62                     | 29.75              | 2.62                   | 0.67   |  |
| Could not find work                             | 291,739    | 1.54    | 1.56                                                    | 0.15    | 1.46                     | 4.32               | 19.72                  | 7.58   |  |
| Other                                           | 158,203    | 0.83    | 1.16                                                    | 0.38    | 0.83                     | 2.45               | 2.17                   | 6.43   |  |
| Total excluding “in labor force”                | 17,312,116 | 91.16   | 93.28                                                   | 96.77   | 87.66                    | 58.43              | 54.96                  | 76.13  |  |
| Total                                           | 18,990,724 | 100.00  | 100.00                                                  | 100.00  | 100.00                   | 100.00             | 100.00                 | 100.00 |  |

Source: March Supplement of the Current Population Survey for 1992, 1993, 1997 and 1998.

Retirees were particularly apt to stay put. More than 87 percent continued to give retirement as their reason for not working a year after they were first interviewed and only 3.1 percent moved into the labor force. The biggest proportional shifts into the labor force came from those who cited could not find work, going to school, or other as reasons for not working in 1996. For each of these three categories, about half had moved into the labor force by 1997. Finally, almost 20 percent of persons who said home responsibilities prevented them from working in 1996 moved into the labor force in 1997. This represented the biggest move in absolute terms, again suggesting that women are an important part of the flow into and out of the labor force.

The second half of Table 2 reports similar data for the years 1991 and 1992. Broadly speaking, there was little difference in terms of the flow into the labor force between this earlier period and the 1996 to 1997 period. About 8.84 percent of the DNW population moved into the labor force at some point during 1992, only 0.38 percentage points less than the 9.22 percent who did so during 1997, despite the fact that real economic growth was about 2.7 percent in 1992 compared with 3.9 percent in 1997. The similarity in flows in the two periods indicates that the current expansion has done almost nothing to help the bulk of the DNW population and is consistent with the findings in Pigeon and Wray (1998) that virtually all of the new jobs created during the expansion have been filled by new entrants into the labor force and not by people moving back into the labor force because of a robust expansion.

The flows into the labor force by reason for not working in the earlier period are also generally consistent with the flows in the later period. There are two exceptions, one more important than the other. First, the flow from the “other” category during the stronger growth period was almost double that during the earlier period. We see no obvious reason for this but feel the inconsistency is not especially important for our study because that category represents less than 1 percent of our sample.

Second, of persons who gave home responsibilities as their reason for not working, only 12.3 percent moved into the labor force in 1992, whereas almost 20 percent did so in 1993. There are three possible explanations for the difference. First, the U.S. economy was just coming out of a recession in 1992 and the unemployment rate over the period

from 1991 to 1992 averaged more than 7.1 percent; the unemployment rate over the period from 1996 to 1997 averaged only 5.2 percent. If the difference in economic growth is the major reason for the difference in flows between the two periods, this suggests that the home responsibilities category is much more sensitive to prevailing economic conditions than the other categories (with the exception of the “other” category). Second, the difference may have something to do with the baby boom bulge and the continuing increase in female participation rates. Many of the baby boom generation women who had child-rearing responsibilities in 1992 may have been free to return to work in 1997. Third, from a purely technical perspective, the CPS was overhauled in 1994 and data before this year tend to underestimate the number of women in the labor force relative to data after 1994.

Despite some flows into the labor market, most of those who did not work in 1996 failed to enter the labor force in 1997—especially those who gave illness or disability or retirement as their reason for not working. However, the table also shows that reasons given for not working changed considerably. For example, more than 28 percent of those who said they were ill or disabled in 1996 and 20 percent of those who cited home responsibilities in 1996 changed their explanation for 1997.<sup>11</sup> More than 10 percent of those who said they could not find work changed their reason for not working to illness or disability, providing further evidence for our suggestion that those who said they could not find work may be walking a fine line between good and bad health.

Table 3 presents the data on flows broken down by gender. Again, for both men and women in the more recent period those who described themselves as ill or disabled or retired were among the least likely to move into the labor force or change their reason for not working. People who reported they were in school, could not find work, or other were more likely to move into the labor force. Although men who cited home responsibilities were also likely to move into the labor force, it is worth bearing in mind that their numbers are relatively small; fewer than 500,000 out of 18 million DNW men cited home responsibilities as their reason for not working. The number of women, especially younger women, who cited home responsibilities is quite large, and Table 3 clearly supports our earlier intuition that women make up the bulk of the transfer into the labor force. Only about 61 percent of women who did

not work in 1996 due to home responsibilities still said they had home responsibilities in 1997—a remarkable change over such a short period. Finally, as suggested earlier, women who cited home responsibilities appear to be particularly susceptible to the economic cycle. About 19 percent of women who said they did not work because of home responsibilities in 1996 were in the labor force by 1997, compared with only 12 percent entering the labor force in 1992, the year in which the U.S. economy was just starting to pull out of a recession.

What type of person found work in 1992 and 1997? Table 4 shows that about two times more women than men found work in both periods, which is not surprising given that there were almost twice as many DNW women. On the other hand, women were far more likely to work part-time than men, especially in 1992. Further, both men and women who moved into jobs in 1997 were overwhelmingly young.<sup>12</sup> A majority of those who found work in 1997 were on the bottom half of the education ladder, but this is considerably less than the two-thirds of our overall matched sample (the sample used in Table 2) who held a high school degree or less. Further, Table 4 shows that the proportion of jobs going to the bottom half of the education ladder fell from more than 62 percent in the 1991 to 1992 period to 55 percent in the 1996 to 1997 period.

The results from our flow analysis seem to fit with earlier studies that suggest that some portion of the OLF population, especially younger workers, may not be that different from those classified as unemployed in terms of their ability to move into the labor force (Clark and Summers 1979; Jones and Riddell 1999; Gonul 1992; Tano 1991). For example, in a study of persons who were classified as unemployed in May 1976 and withdrew from the labor force in June, Clark and Summers found that within a year 80 percent had moved back into the labor force. Our analysis indicates that the flows into and out of the labor force are composed largely of those who cite home responsibilities as their reason for not working, although the biggest proportionate moves come from those who cite could not find work, going to school, and other. It also suggests that the intensity of these flows, at least for women, may be tied to overall economic conditions.

**Table 3** Flow of Persons 25 and Over Who Said They Did Not Work in Previous Year, by Gender

| Reason Given for<br>Not Working in<br>Current Year | Reason Given for Not Working in Previous Year (percent) |         |                               |                       |                           |        |        |
|----------------------------------------------------|---------------------------------------------------------|---------|-------------------------------|-----------------------|---------------------------|--------|--------|
|                                                    | Ill or<br>Disabled                                      | Retired | Home<br>Respon-<br>sibilities | Going<br>to<br>School | Could<br>Not Find<br>Work | Other  | Total  |
| 1996–1997                                          |                                                         |         |                               |                       |                           |        |        |
| Males                                              |                                                         |         |                               |                       |                           |        |        |
| In labor force                                     | 9.06                                                    | 4.22    | 45.13                         | 54.43                 | 55.81                     | 55.76  | 9.2    |
| Ill or disabled                                    | 69.48                                                   | 5.55    | 12.23                         | 10.40                 | 8.02                      | 2.27   | 21.74  |
| Retired                                            | 17.74                                                   | 89.22   | 13.61                         | —                     | 7.70                      | 15.49  | 65.10  |
| Home responsibilities                              | 1.26                                                    | 0.62    | 20.49                         | 0.78                  | 6.84                      | 4.32   | 1.46   |
| Going to school                                    | 0.24                                                    | 0.04    | 0.73                          | 30.32                 | —                         | 1.92   | 0.52   |
| Could not find work                                | 1.08                                                    | 0.18    | 2.32                          | —                     | 20.34                     | 7.42   | 1.10   |
| Other                                              | 1.14                                                    | 0.17    | 5.51                          | 4.06                  | 1.29                      | 12.82  | 0.84   |
| Total                                              | 100.00                                                  | 100.00  | 100.00                        | 100.00                | 100.00                    | 100.00 | 100.00 |
| Females                                            |                                                         |         |                               |                       |                           |        |        |
| In labor force                                     | 4.61                                                    | 2.31    | 18.97                         | 40.64                 | 37.87                     | 46.44  | 9.21   |
| Ill or disabled                                    | 61.12                                                   | 5.64    | 4.16                          | 6.24                  | 14.01                     | 10.45  | 13.52  |
| Retired                                            | 25.49                                                   | 86.32   | 12.39                         | 7.57                  | 6.72                      | 12.46  | 52.02  |
| Home responsibilities                              | 8.23                                                    | 5.37    | 61.14                         | 23.14                 | 14.10                     | 19.87  | 23.15  |
| Going to school                                    | 0.10                                                    | 0.06    | 1.89                          | 18.68                 | 8.58                      | 1.49   | 1.06   |
| Could not find work                                | 0.27                                                    | 0.02    | 0.70                          | 1.92                  | 16.80                     | 2.57   | 0.52   |
| Other                                              | 0.17                                                    | 0.28    | 0.75                          | 1.81                  | 1.92                      | 6.73   | 0.52   |
| Total                                              | 100.00                                                  | 100.00  | 100.00                        | 100.00                | 100.00                    | 100.00 | 100.00 |
| 1991–1992                                          |                                                         |         |                               |                       |                           |        |        |
| Males                                              |                                                         |         |                               |                       |                           |        |        |
| In labor force                                     | 9.26                                                    | 3.97    | 39.77                         | 33.94                 | 51.41                     | 44.28  | 8.93   |
| Ill or disabled                                    | 65.62                                                   | 5.79    | 15.18                         | 15.84                 | 8.31                      | 16.81  | 19.74  |
| Retired                                            | 18.89                                                   | 89.42   | 7.55                          | 2.66                  | 9.28                      | 11.78  | 66.29  |
| Home responsibilities                              | 2.80                                                    | 0.43    | 24.10                         | 2.40                  | 1.99                      | 5.47   | 1.37   |
| Going to school                                    | 0.02                                                    | —       | 1.99                          | 34.64                 | 1.92                      | 1.97   | 0.75   |
| Could not find work                                | 2.14                                                    | 0.25    | 6.67                          | 4.34                  | 23.97                     | 13.18  | 2.13   |
| Other                                              | 1.27                                                    | 0.14    | 4.73                          | 6.18                  | 3.13                      | 6.52   | 0.80   |
| Total                                              | 100.00                                                  | 100.00  | 100.00                        | 100.00                | 100.00                    | 100.00 | 100.00 |
| Females                                            |                                                         |         |                               |                       |                           |        |        |
| In labor force                                     | 4.37                                                    | 2.55    | 12.09                         | 45.74                 | 37.86                     | 13.43  | 8.80   |
| Ill or disabled                                    | 54.12                                                   | 6.54    | 4.88                          | 5.49                  | 4.82                      | 9.37   | 11.33  |
| Retired                                            | 19.62                                                   | 75.12   | 16.27                         | 0.84                  | 3.40                      | 23.10  | 37.58  |
| Home responsibilities                              | 19.38                                                   | 15.04   | 63.96                         | 16.11                 | 34.49                     | 43.01  | 39.34  |
| Going to school                                    | 0.43                                                    | 0.09    | 0.60                          | 27.09                 | 3.41                      | —      | 0.86   |
| Could not find work                                | 1.02                                                    | 0.05    | 1.41                          | 4.31                  | 14.93                     | 4.71   | 1.25   |
| Other                                              | 1.05                                                    | 0.60    | 0.79                          | 0.42                  | 1.10                      | 6.39   | 0.85   |
| Total                                              | 100.00                                                  | 100.00  | 100.00                        | 100.00                | 100.00                    | 100.00 | 100.00 |

Source: March Supplement of the Current Population Survey for 1992, 1993, 1997, and 1998.

**Table 4** Characteristics of Those Who Found Work

|                        | Males   | Females   | Total     |
|------------------------|---------|-----------|-----------|
| 1996–1997              |         |           |           |
| Level                  | 633,193 | 1,177,486 | 1,810,679 |
| Work Status            |         |           |           |
| Full-time, full-year   | 30.21   | 21.63     | 24.63     |
| Full-time, part-year   | 29.47   | 22.89     | 25.19     |
| Part-time              | 40.32   | 55.48     | 50.18     |
| Educational attainment |         |           |           |
| High school dropout    | 25.39   | 18.22     | 20.73     |
| High school graduate   | 31.34   | 35.80     | 34.24     |
| Some college           | 23.69   | 28.20     | 26.62     |
| College graduate       | 19.58   | 17.78     | 18.41     |
| Race                   |         |           |           |
| White                  | 73.30   | 80.57     | 78.03     |
| Black                  | 19.56   | 15.05     | 16.63     |
| Native American        | 0.54    | 1.13      | 0.92      |
| Asian                  | 6.60    | 3.25      | 4.42      |
| Age                    |         |           |           |
| 25–54                  | 63.99   | 80.48     | 74.72     |
| 55–64                  | 10.88   | 8.58      | 9.38      |
| 65+                    | 25.14   | 10.94     | 15.90     |
| Income category        |         |           |           |
| Under \$10,000         | 7.85    | 9.96      | 9.22      |
| \$10,000–19,999        | 14.01   | 15.42     | 14.93     |
| \$20,000–39,999        | 31.70   | 27.83     | 29.18     |
| \$40,000–59,999        | 19.35   | 18.93     | 19.08     |
| \$60,000+              | 27.09   | 27.86     | 27.59     |

The main lesson to be drawn from our analysis of the flows into and out of the labor force is that there is a hard-core majority of the DNW population (and therefore the OLF population) who do not change their labor force status even in a robust economy (at least over the course of a year) and in that sense are very different from the unemployed. This is especially true of retired and ill or disabled persons, who make up a large portion of the OLF population.

## The Costs of Not Working

The data presented in this paper have painted a picture of a segment of the population that, with a few notable exceptions, suffers from poor

**Table 4** (Continued)

|                        | Males   | Females   | Total     |
|------------------------|---------|-----------|-----------|
| 1991–1992              |         |           |           |
| Level                  | 555,748 | 1,122,859 | 1,678,607 |
| Work status            |         |           |           |
| Full-time, full-year   | 18.72   | 13.21     | 15.03     |
| Full-time, part-year   | 38.02   | 26.61     | 30.39     |
| Part-time              | 43.26   | 60.18     | 54.58     |
| Educational attainment |         |           |           |
| High school dropout    | 29.36   | 14.48     | 19.40     |
| High school graduate   | 37.45   | 44.59     | 42.23     |
| Some college           | 18.43   | 25.39     | 23.09     |
| College graduate       | 14.76   | 15.54     | 15.28     |
| Race                   |         |           |           |
| White                  | 78.22   | 83.42     | 81.70     |
| Black                  | 17.80   | 11.52     | 13.60     |
| Native American        | 0.25    | 0.68      | 0.54      |
| Asian                  | 3.74    | 4.37      | 4.16      |
| Age                    |         |           |           |
| 25–54                  | 57.24   | 74.22     | 68.60     |
| 55–64                  | 18.95   | 14.95     | 16.28     |
| 65+                    | 23.81   | 10.83     | 15.13     |
| Income category        |         |           |           |
| Under \$10,000         | 6.50    | 10.57     | 9.22      |
| \$10,000–19,999        | 27.54   | 16.80     | 20.35     |
| \$20,000–39,999        | 31.88   | 34.81     | 33.84     |
| \$40,000–59,999        | 19.35   | 17.26     | 17.95     |
| \$60,000+              | 14.74   | 20.57     | 18.64     |

Source: March Supplement of the Current Population Survey for 1992, 1993, 1997, and 1998.

health, low household income, and little labor market mobility. It also tends to be older, a factor that surely has a feedback effect into each of these observed tendencies. A large body of psychological and economic research shows that, even with age controlled for, prolonged bouts of unemployment (as officially defined) have deleterious effects on mental and physical health.<sup>13</sup>

In a pioneering study of the link between unemployment and health, Eisenberg and Lazarsfeld (1938) suggested that the effects of unemployment on self-esteem are a function of the amount of time spent not working. Goldsmith, Veum, and Darity (1995) find that the more time spent out of the labor force, the more apt young men are to perceive themselves as inefficacious, a well-accepted sign of deteriorating

psychological well-being. Burman (1988) describes three stages of long-term unemployment. The first stage is a sense of shock and immobilization after losing a job, although there may be some initial optimism if the person has been “liberated” from an unpleasant or unsuitable job. The second stage, usually occurring a few months after the job loss, is depression and withdrawal. The third stage is a “scaling down” of expectations and a stabilization of emotions. Kelvin and Jarrett (1985) also find evidence for a stages hypothesis.

Linn, Sandifer, and Stein (1985), comparing a group of workers who lost their jobs with a demographically similar group of employed workers, found increased incidences of psychosomatic illnesses, depression, and anxiety among the jobless. Similarly, Claussen, Bjorndal, and Hjort (1993) found these conditions 4 to 10 times more prevalent among those who were not working than among the employed.

Being out of work can also have repercussions on physical health. An article in *The New York Times* (Goode 1999) cited research showing that people who had been without work for one month or more under highly stressful conditions were 3.8 times more susceptible to viruses than people who had not experienced a significant stressful event. Indeed, the article also notes that a lot of recent research demonstrates that social status, as measured by income, education, and other indicators of relative status, is a more powerful predictor of health than genetics, exposure to carcinogens, and even smoking.

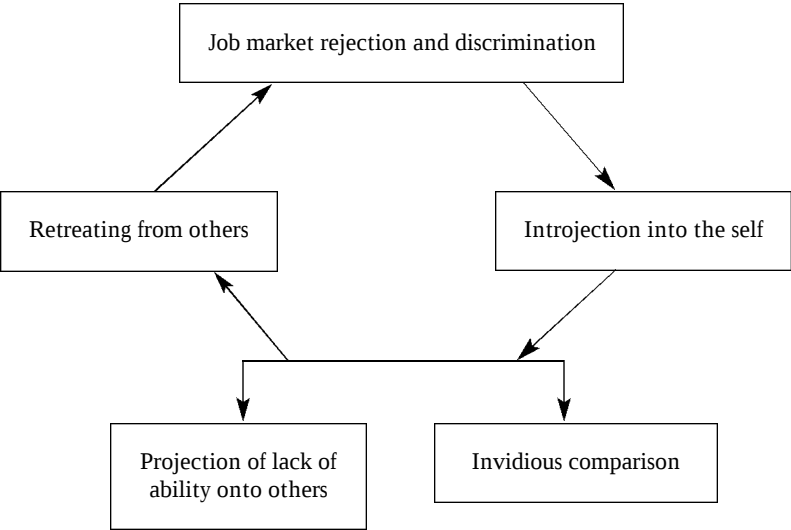
Of course, the causality can also run the other way. Physical and mental disabilities can make it difficult to get work in the first place. Claussen, Bjorndal, and Hjort (1993) found that a “psychiatric diagnosis” is associated with a 70 percent reduction in the probability of obtaining work.<sup>14</sup> However, Jin, Shah, and Svoboda (1995) find that unemployment is more likely to cause health problems than the converse.

Vinokur, Price, and Caplan (1996) show that unemployment exacts a toll on personal relationships and an individual's sense of belonging to the broader community. Burman (1988) describes the process as a vicious cycle, with feelings of inadequacy feeding back into inability to find work (see Figure 8). As Burman's detailed interviews suggests, the unemployed want desperately to feel needed, useful, and part of some

kind of social setting. Human beings are fundamentally social animals and the sense of isolation and rejection that often accompanies joblessness can be devastating and destructive, particularly for the elderly and the ill or disabled, who have less mobility and less contact with the outside world than the young and healthy. Similarly, many stay-at-home parents feel this same sense of isolation and therefore want the social setting and social standing that work can provide.

The psychological effects of unemployment also show up in national statistics. Brenner (1995) has found a strong positive relationship between the official unemployment rate and mental health in the United States; increases in the unemployment rate are strongly associated with increases in admissions and re-admissions to psychiatric hospitals, a tendency that holds regardless of age, gender, and marital status. Brenner and others (Wilson and Walker 1993) have demonstrated a positive link between the unemployment rate and suicide; an increase in the unemployment rate is closely followed by a jump in the suicide rate. These authors also argue that increases in the unemployment rate are closely associated with increases in the mortality rate, albeit with a lag. Other

**Figure 8** Feelings of Inadequacy and Inability to Find Work



Source: Patrick Burman, *Killing Time, Losing Ground: Experiences of Unemployment* (Toronto: Wall & Thompson, 1988).

studies (Broman, Hamilton, Hoffman, and Mavaddat 1995) have shown that prolonged periods of unemployment are more strongly associated with depression for men than for women and that unemployment is particularly hard on the less educated, particularly less-educated blacks.

Prolonged periods of not working clearly have a heavy personal cost. A person who loses a job suffers not only a monetary loss but a loss of social status. This is especially true in a capitalist society, where “money provides the only legitimate entree to reciprocated exchanges that are the substance of social life. Symbols of worth—the car, furniture, particular foods, the pint of beer—are intrinsic to rituals of display, courtship, manliness, housewifery [sic]. But they are also symbols of employment. They reflect the proper order of things and are clung to, even in the absence of work” (Fineman 1987, quoted in Burman 1988, 137).

## **Policy Implications**

There are many economists who suggest that the job market is dynamic enough to accommodate persons of varying skills and demographic traits provided they truly want to work. Such statements imply that the burden of unemployment is widely shared, that few individuals suffer greatly, and that those who do have only themselves to blame. Harvey (1998) counters that this view, which he calls the behaviorist view of labor economics, represents only one small part of the picture; people are unemployed also because there are not enough jobs (the “job shortage” view) and because no one will hire them (the “structuralist” view). An emphasis on the dynamic nature of the job market also fits nicely into a nonaccelerating inflation rate of unemployment (NAIRU) analysis because it suggests that high job turnover is a testimony to the ability of the labor market to match employers with employees and that attempts to push unemployment below a certain threshold will accelerate inflation and diminish efficiency.

We have seen that the DNW (the OLF) population is varied in terms of reason for not working, gender, education, age, health, and income. We do know that some fraction of this population will move into the labor force. While it is exceedingly difficult to make accurate generalizations, those who find jobs will tend to be younger, healthier, and better educated and

are more likely to be female than their DNW peers. This small percentage of the DNW population—apparently about 10 percent and relatively immune to the economic cycle—probably can and do find work when they want it. However, the majority of the DNW population are static and bereft of this opportunity. These are primarily ill or disabled, older, and retired persons. They may move between categories of reported reasons for not working, but not into the labor force.

It is precisely the static condition of those who are out of the labor force that makes most current labor market policies, and especially the welfare reform measures of 1996, ineffective. For the most part, these policies are predicated on the notion that the labor market is dynamic and flexible enough to accommodate anyone who wants to work. But this simply is not true. For example, a recent study of New York City's labor market by the Community Service Society of New York (Levitan 1998) showed that most of those who had been taken off welfare because of more stringent eligibility requirements did not find jobs and, indeed, had given up looking for work altogether (thus, they would remain in our DNW category). Between 1995 and 1997, with the new welfare laws taking effect in 1996, unemployment rates in New York City rose by 7 percentage points for black women, 2.8 percentage points for Hispanics, and 5.2 percentage points for women with less than a high school degree—this during a robust national labor market (although job growth in New York City has lagged behind that of the rest of the country). In the first half of 1998 the city's overall unemployment rate fell to 7.5 percent from 9.7 percent a year earlier, but the Community Service Society showed that almost 60 percent of the decline could be attributed to a shrinking labor force and not to a jump in employment. In other words, a significant portion of the people who had moved into the labor force (for many, to be unemployed) from 1995 to 1997 moved back out of the labor force because of an unreceptive job market. Simply creating incentives to move people into the labor force will not necessarily keep them there.

Instead of the usual narrow labor market policies, we suggest a more comprehensive policy based on a job opportunity approach. For our purposes here, we need not describe the job opportunity program fully (see Forstater 1999; Mitchell 1998; Papadimitriou 1998; Wray 1998; and Gordon 1997 for a more complete discussion). The essential point for our discussion is that most such proposals start with the premise that the

government announces that it will offer a job at a living wage plus health care and child care benefits to anyone willing and able to work. Thus, the program is, by definition, universal—open to anyone regardless of age, gender, race, education, and experience. Of course, saying that the program is universal does not mean it will necessarily employ a representative sample of the broader population. Under normal conditions, a majority of those employed in the job opportunity program would be “hard-core” jobless—people who have always had difficulty finding work in the private sector—such as the ill or disabled, the unskilled and semiskilled, and the elderly.<sup>15</sup> They would be supplemented by people who find work more easily and move into and out of the program according to the business cycle. Our flow analysis suggests that women might make up the bulk of this cyclical flow.

The likelihood that the program will be heavily weighted with those who we currently consider out of the labor force raises the possibility that participation in the program will come to carry some stigma and that more highly skilled workers will be reluctant to join. Even in a serious downturn, some workers might prefer to whittle away savings or rely on their family or public assistance rather than take a program job. However, as Wray (1998) notes, a little creativity can go a long way toward countering the perception of stigma by making program work a desirable addition to any resume, much as the Work Projects Administration (WPA) was for people such as Hyman Minsky and Studs Terkel. For example, the program could encourage retired professionals to act as mentors and tutors; colleges could encourage student participation in community service through the job opportunity program by giving college credits for time spent working in program jobs. In any case, one of the long-term goals of the job opportunity proposal is to make OLF workers better suited to the private sector labor market. If the program proves successful in this regard, private employers would recruit from the program.

The job opportunity program would be funded at the federal level but administered mostly at the local level. This would give local administrators and supervisors the flexibility needed to best meet the needs of their particular mix of workers. However, the federal government would still require that all program jobs contain a significant training component in order to prepare participants for eventual private sector (or nonprogram

public sector) employment. Detailed work records would be kept so that prospective nonprogram employers would find it easy to recruit from among program participants. Possible program positions that would not impinge on private sector activities or existing government jobs include being a companion to the elderly or the ill or disabled, working in a classroom as a teaching assistant, making art, and working as a library assistant. This might be expanded to include the types of jobs envisaged by one of the chief architects of the New Deal's public works programs, Harry Hopkins. He believed that the "unemployed should be offered real jobs paying good daily wages, doing truly useful work that suits their individual skills. Unemployed workers should not be forced to submit to a means test to obtain employment. . . . In other words, the goal should be to provide quality employment of the sort normally associated with contracted public works, but at lower cost and with less bureaucratic delay" (Harvey 1998, 24). Hopkins's preference for "work relief" over "relief" reflects an enduring value in American culture, one that a job opportunity program addresses.

A broad-based employment program is much more likely to survive politically in the long-run than the current patchwork of social policies because, among other things, it "is consonant with mainstream American values" (Collins and Goldberg 1999). These values emphasize work and self-reliance. By contrast, the American social safety net has seen both its political support and its effectiveness eroded over the last 20 years as it shifted from a broad-based employment strategy to income support and measures to reduce the size of the labor force. For example, it is important to remember that Aid to Families with Dependent Children (AFDC) payments were initially seen as a means of keeping women out of the labor force so that the male population could enjoy full employment. Collins and Goldberg argue that one of the reasons so many components of the social safety net have been repealed or diminished in scope is that they became increasingly targeted toward a narrow segment of the population—the neediest—but that segment is also the politically least powerful.<sup>16</sup> A job opportunity program, by virtue of its universality, is much more likely to endure politically. This is not to say that it will replace all existing social programs. However, a well-designed program would reduce the need for assistance programs by first providing paid work and second incorporating some of their key features, such as health care, into its framework.

The job opportunity approach does not shy away from the reality of our system. Faith in the market is not enough because the market does not adapt to meet the needs of workers—nor should it. Structural unemployment may very well be a big part of our problem. However, the assumption underlying most free market employment “policies” is that workers must adapt to meet the needs of the market. This is fine for some, especially those able to attend college or young enough to acquire new skills easily, but it is impossible or exceedingly difficult for others, especially the elderly, the poor, the ill or disabled, and the least educated, precisely those who make up the bulk of the out of the labor force population. We cannot assume that people have the capacity to adapt to the current market despite the formidable obstacles life has placed before them. Everyone deserves an opportunity to work. If the market cannot provide that opportunity, government—as the political embodiment of our collective will—must. This is not an anti free market idea. Rather, it serves as the basis for a necessary complement to the private market’s operation. A job opportunity program provides workers with income, a sense of worth, and useful skills and at the same time prepares them for participation in the labor market. This is something the private market cannot and will not do on its own.

Many, perhaps most, program participants would eventually find private sector employment. From the perspective of private employers, the pool of workers in the job opportunity program would be preferable to the long-time unemployed or out of the labor force individuals who are presently the only alternative to new entrants during an economic boom such as that enjoyed in the United States during the 1990s. The program helps workers in times of a downturn and assists those left behind in a boom time. Even the 1990s boom has not generated a significant number of jobs for the half of the population that did not attend college, and very few seem to have made the transition from out of the labor force into employment. For these reasons, we believe it is time to consider a job opportunity program. Those who are unable to find jobs in the market economy suffer economically, socially, psychologically, and physically—even after relatively short periods spent without a job. A job opportunity program “safety net” allows them to maintain income and a sense of dignity as they are able to work and contribute to society.

## Notes

1. The real hourly wages of male and female workers in the 10th percentile of the wage distribution fell 14.8 percent and 15.8 percent, respectively, between 1979 and 1993.
2. These figures update those cited in the earlier brief. It was written in the summer of 1998 and used data for the first six months of the year.
3. The job opportunity program is also known as the employer of last resort (ELR) policy, buffer stock employment policy, job guarantee program, and public service employment program. See Forstater (1999), Mitchell (1998), Papadimitriou (1998), Wray (1998), and Gordon (1997) for more details.
4. We use the acronym DNW throughout the text to denote that segment of the population who in the March survey said they did not work for pay in the previous year. We do not mean to indicate that all respondents in the DNW population were idle, only that they did not work for pay. Many of the respondents who fall into the DNW category looked after family members, went to school, and engaged in volunteer activities.
5. Goldsmith, Veum, and Darity (1996) give as another reason for choosing 25 that older workers have more labor market attachment. Note that there were about 9.7 million people between the ages of 16 and 24 who did not work in 1997. Almost 75 percent of these did not work because of school and another 12 percent (mostly women) because of home responsibilities.
6. The health statistics are drawn from the March 1997 survey because the March 1998 variable for health statistics contains an error. There is little reason to believe that the data would have changed dramatically since the 1997 survey.
7. Household income is not the same as family income because it aggregates income from all members of a household including those not related by birth, marriage, or adoption.
8. These are self-reported reasons for not working. The interviewer does not (and probably cannot, due to cost and time limitations) verify whether these responses are entirely consistent with the person's actual labor market history.
9. Burman's (1988) study suggests that many of these women will eventually want to move into the labor force. Pryor and Schaffer (1999, 39) also find empirical evidence to support this claim. Their regression analysis shows that women between the ages of 45 and 49 are 5.6 percent more likely to be employed than women between the ages of 25 and 29. For men, the situation is reversed: older men (45 to 49) are 2.6 percent more likely to be not working than younger men (25 to 29).
10. Note that the sample resulting from this procedure is more limited than the one in the preceding table and figures. It is impossible to follow more than half of the March respondents in one year through to the next because survey participants are queried for four consecutive months, dropped for the next eight, and picked up again for the next four. Moreover, some survey participants in one year change addresses and are not interviewed in the subsequent year, further reducing the sample size. The ultimate size of the sample also depends on the matching procedure employed. Rigorous matching will necessarily yield a smaller sample as dubious matches are systematically rejected. In our case, we were able to follow roughly 8,500 individuals out of a possible 12,565.

11. These figures were obtained by subtracting the number of persons who did not change their reason for not working plus those who moved into the labor force from 100. For example, to arrive at the 28 percent figure cited in the text for the ill or disabled, the calculation is as follows:  $100 - (65.10 + 6.73) = 28$ . The percentage changes for the other categories are as follows: retired, 5.75 percent; going to school, 33.6 percent; could not find work, 33.66 percent; and other, 39.46 percent.
12. These findings are consistent with Baumol and Wolff's (1998) contention that the average duration of unemployment increases with an accelerating pace of technological change and that those most affected by technological changes are older workers and the unskilled, precisely the people we find to be least likely to move into the labor force.
13. We use the word "unemployment" in the official sense. That is to say, someone is considered unemployed if they are not currently working but are actively seeking employment (see Box 1 for more details.) The psychological literature is not always clear about whether it is using the term unemployment in its official sense or in the vernacular sense of "not working." Indeed, studies done on the micro level may often have population samples with some persons who officially might be considered unemployed and others who are considered out of the labor force. Where there is some doubt, we have chosen to substitute unemployment for "not working."
14. A person is considered to have had a "psychiatric diagnosis" if at any point in that person's life, he or she has been found to meet the criteria for a psychiatric illness as given in the Diagnostic and Statistical Manual of Mental Disorders (DSM) in the United States and the International Classification of Diseases and Health Related Problems (ICD) in Europe.
15. As noted earlier, participation rates for older persons have fallen steadily since World War II.
16. For example, the Comprehensive Employment and Training Act passed in 1973 was gradually reoriented from a broad-based employment and training policy to one that was targeted to the more disadvantaged. When Reagan took office in 1980, CETA was already breathing its last gasps. In 1982 it was replaced with the much less comprehensive Job Training Partnership Act (JTPA).

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