

Testimony

Connecting More People to Work

Oren M. Cass
Senior Fellow, Manhattan Institute for Policy Research

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Chairman Lee, Vice Chair Maloney, and Members of the Committee, thank you for inviting me to participate in today's hearing.¹

"Connecting more people to work" is a critically important topic – perhaps even the most important one for American policymakers at this moment. Properly diagnosing the challenge and developing effective responses must begin, however, with a discussion of *why* the topic matters.

If the issue were merely of material living standards or poverty reduction, no crisis would exist. Thanks to government benefit programs, household consumption has been rising at every point on the socioeconomic spectrum² and a vanishingly low share of the population remains unable to meet basic needs.³ Where progress is slow or need unmet, more and larger government transfers might well be an easier remedy than finding ways to connect more people to better work.

Nor is the issue merely one of economic growth, with any aggregate increase in output equally worthwhile. Many of those struggling to find and maintain steady work are among the least productive participants in the labor market; boosting the hours worked or productivity of those already thriving, or accelerating the rate of immigration, might lift GDP further, faster.

Rather, we are concerned about *work* because connection to the labor force, the ability to support a household, and the opportunity to contribute productively to a community are fundamental to the flourishing of American citizens, the strength of their families, and the long-term trajectory of our economy.

I. What Work Is Worth

Without work – the quintessential productive activity – self-esteem declines and a sense of helplessness increases.⁴ People become depressed – unemployed Americans are twice as likely as full-time workers to receive treatment for depression; the long-term

¹ Portions of this testimony are adapted from Oren Cass, *The Once and Future Worker: A Vision for the Renewal of Work in America* (New York: Encounter Books, 2018); Oren Cass, "Interpreting Economic Stagnation," [National Review](#) ("The Corner" blog), December 4, 2018; Oren Cass, "Issues 2020: The Trump Economy—Solid but Not the GOAT," [Manhattan Institute for Policy Research](#), October 30, 2019.

² Bruce Sacerdote, "Fifty Years Of Growth In American Consumption, Income, And Wages" (Working Paper 23292, [National Bureau of Economic Research](#), Cambridge, Mass., May 2017).

³ Scott Winship, "Poverty After Welfare Reform," [Manhattan Institute for Policy Research](#), August 22, 2016; "Poverty has Declined in the United States, and Work Requirements in Welfare Programs are Not a Punishment," [White House Council of Economic Advisers](#) (CEA), August 7, 2018.

⁴ Arthur Goldsmith and Timothy Diette, "Exploring the Link between Unemployment and Mental Health Outcomes," [American Psychological Association](#) ("SES Indicator"), April 2012.

unemployed are three times as likely.⁵ In empirical “happiness” studies, life satisfaction drops ten times more from unemployment than from a substantial loss of income.⁶ And while people return to their previously self-reported levels of happiness several years after marrying, divorcing, becoming widowed, or welcoming a first child into the world, they never get used to joblessness.⁷

Contrary to the typical commencement address, however, what makes work meaningful doesn’t depend on its inspirational nature or on it having a transformative effect on the world. Work is meaningful because of what it means to the person performing it, what it allows him to provide to his family, and what role it establishes for him in his community. In *The Dream and the Nightmare*, Myron Magnet drives home this distinction at the expense of Felix Rohatyn, a prominent New York liberal who lamented the “dead-end lives” of “the man and his wife slogging away in menial jobs that are dead-end jobs, with three kids, trying to deal with an environment that is very depressing.”⁸

If the man is a short-order cook and his wife cleans hotel rooms, observed Magnet in the early 1990s, their income would support a “threadbare but adequate” lifestyle. (Though note that, based on New York City’s median wages for his hypothetical couple’s occupations, their income in 2016 would have been 15 to 20 percent lower than when he wrote.⁹) He continued:

But you do not judge people’s lives only from the material point of view. Suppose that these two have brought up their children to respect the parents’ hard work, to be curious about the world, to study in school, to take pleasure in family and community life, to consider themselves worthwhile people, to work hard and think about the future, to become skilled tradesmen or even professional as adults, and to bring grandchildren to visit. If this is

⁵ Steve Crabtree, “In U.S., Depression Rates Higher for Long-Term Unemployed,” [Gallup](#), June 9, 2014. Gallup is careful to note that its survey identifies only a correlation and does not prove causation, but both intuition and other research suggest that the relationship is at least in part causal, e.g., Margaret W. Linn, R. Sandifer, and S. Stein, “Effects of Unemployment on Mental and Physical Health,” [American Journal of Public Health](#) 75, no. 5 (1985): 502–6.

⁶ Andrew E. Clark and Andrew J. Oswald, “A Simple Statistical Model for Measuring How Life Events Affect Happiness,” [International Journal of Epidemiology](#) 31, no. 6 (2002): 1139–1144; Edward L. Glaeser, “The War on Work—and How to End It,” [City Journal](#), 2017.

⁷ Andrew E. Clark, Ed Diener, Yannis Georgellis, and Richard E. Lucas, “Lags and Leads in Life Satisfaction: A Test of the Baseline Hypothesis,” [Economic Journal](#) 118, no. 529 (2008): F222–43.

⁸ Myron Magnet, *The Dream and the Nightmare: The Sixties’ Legacy to the Underclass* (New York: William Morrow, 1993).

⁹ Magnet estimates the couple’s income in the early 1990s at \$31,000 to \$40,000 (\$53,000 to \$68,000 in 2016 dollars). In 2016, median wages in the New York metropolitan area for a short-order cook and a housekeeping cleaner were \$9.58 and \$15.30 per hour, respectively, equivalent to \$50,000 in annual income from two full-time jobs. “May 2016 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates: New York–Jersey City–White Plains, NY–NJ Metropolitan Division,” [U.S. Bureau of Labor Statistics](#) (BLS).

a dead end rather than a human accomplishment worthy of honor and admiration, then it is hard to know what human life is about.

A job may appear to be a “dead end” on a company’s organizational chart, but that’s not how it looks to a family. That doesn’t describe its value to the community members who benefit from the product or service. Nor does it even begin to capture the role that the job plays in the worker’s life.

For the individual, work imposes structure on each day and on life in general. It offers the mundane but essential disciplines of timeliness and reliability and hygiene as well as the more complex socialization of collaboration and paying attention to others. It requires people to interact and forges shared experiences and bonds. It promotes goal setting and long-term planning. True, other pursuits can provide these kinds of benefits—for example, raising children, keeping a home, or volunteering in the community. But sleeping, couch surfing, or playing video games does not. And for out-of-work men in particular, such idle activities tend to fill up their time.¹⁰

Work (again, especially for men) helps establish and preserve families. Where fewer men work, fewer marriages form.¹¹ Unemployment doubles the risk of divorce, and male joblessness appears the primary culprit.¹² These outcomes likely result from the damage to both economic prospects and individual well-being associated with being out of work, which strain existing marriages and make men less attractive as marriage partners. The so-called marriageable-men hypothesis associated with sociologist William Julius Wilson, which suggests that a lack of job opportunities contributed to the collapse of two-parent families in the African American community, remains controversial.¹³ But that debate is largely about whether lack of economic opportunity was the underlying cause of male idleness. Few would question that such idleness would tend to reduce the likelihood and the stability of marriage.

¹⁰ Josh Katz, “How Nonemployed Americans Spend Their Weekdays: Men vs. Women,” *New York Times*, January 6, 2015; Mark Aguiar, Mark Bilal, Kerwin Kofi Charles, and Erik Hurst, “Leisure Luxuries and the Labor Supply of Young Men” (Working Paper 23552, [National Bureau of Economic Research](#), Cambridge, Mass., June 2017).

¹¹ Claudia Geist, “Marriage Formation in Context: Four Decades in Comparative Perspective,” *Social Sciences* 6, no. 1 (2017): 9–24; David Autor, David Dorn, and Gordon Hanson, “When Work Disappears: Manufacturing Decline and the Falling Marriage-Market Value of Young Men” (Working Paper 23173, [National Bureau of Economic Research](#), Cambridge, Mass., February 2017).

¹² Stephan Lindner and H. Elizabeth Peters, “How Does Unemployment Affect Family Arrangements for Children?” (Low-Income Working Families Paper 29, [Urban Institute](#), Washington, D.C., August 2014), 9, table 3; Liana C. Sayer, Paula England, Paul Allison, and Nicole Kangas, “She Left, He Left: How Employment and Satisfaction Affect Men’s and Women’s Decisions to Leave Marriages,” *American Journal of Sociology* 116, no. 6 (2011): 1982–2018.

¹³ William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987). For a contemporary discussion of Wilson’s hypothesis, see Isabel Sawhill and Joanna Venator, “Is There a Shortage of Marriageable Men?”, Center on Children and Families Brief 56, [Brookings Institution](#), September 2015.

Current economic conditions do appear to play a role in harming marriage formation. MIT professor David Autor and his colleagues found that U.S. regions facing greater competition from China experience lower rates of marriage and higher shares of children born to single mothers and that this effect appeared only when the economic disruption affected male employment.¹⁴ Johns Hopkins professor Andrew Cherlin and his colleagues sought to study the “relationship between economic inequality and sociodemographic outcomes such as family formation,” for which they noted a lack of “satisfactory evidence on the mechanisms by which inequality may have an effect.”¹⁵ When they accounted for a region’s availability of “middle-skilled jobs,” accessible to high school graduates and paying above-poverty wages, they found that the labor market, not the inequality, was influencing family formation. The issue was less who earns how much more than whom and more who has a chance to earn a living at all.

Work is both a nexus of community and a prerequisite for it. Work relationships represent a crucial source of social capital, establishing a base from which people can engage in the broader community – whether it’s playing on a softball team, organizing a fund-raising drive, or hosting a field trip for the local preschool. This dimension of employment is especially relevant outside of urban centers; in such settings, the workplace can become a central meeting point. Communities that lack work, by contrast, suffer maladies that degrade social capital and lead to persistent poverty. Crime and addiction increase, their participants in turn becoming ever less employable;¹⁶ investments in housing and communal assets decline; a downward spiral is set in motion.

The role of family and community in transmitting opportunity to the next generation also depends on work. When parents lose their jobs, their children tend to do worse in school, graduate at lower rates, and have less success as adults.¹⁷ Recall that, while productive activity provides direct benefits to workers, its worth also derives from the dignity and respect that society confers on self-reliance and productive contributions. In a community where dependency is widespread, illegality a viable career path, and idleness an acceptable lifestyle, the full-time worker begins to look less admirable – and more like a chump.

¹⁴ Autor, “When Work Disappears.”

¹⁵ Andrew J. Cherlin, David C. Ribar, and Suzumi Yasutake, “Nonmarital First Births, Marriage, and Income Inequality,” [American Sociological Review](#) 81, no. 4 (2016): 749–70, 763.

¹⁶ Steven Raphael and Rudolf Winter-Ebmer, “Identifying the Effect of Unemployment on Crime,” [Journal of Law and Economics](#) 44, no. 1 (2001): 259–83; Alex Hollingsworth, Christopher J. Ruhm, and Kosali Simon, “Macroeconomic Conditions and Opioid Abuse” (Working Paper 23192, [National Bureau of Economic Research](#), Cambridge, Mass., February 2017).

¹⁷ Austin Nichols, Josh Mitchell, and Stephan Lindner, “Consequences of Long-Term Unemployment,” [Urban Institute](#), 2013; Joanna Venator and Richard V. Reeves, “Parental Unemployment Hurts Kids’ Futures and Social Mobility,” [Brookings Institution](#) (Social Mobility Memos), November 25, 2013.

II. What Happened to Work?

By now, the problem of declining labor-force participation is well known. Here I'll emphasize just one statistic. A critical reference point for understanding the nation's economic condition is the employment-to-population ratio – that is, what share of adults has a job and what share does not. Of particular concern is the share of prime-age men (25–54 years old) not working full-time. In September 2019, at what appears to be the peak of an economic boom, that figure was above 18%.¹⁸ This represents substantial improvement over the Great Recession's aftermath, when the figure reached as high as 27%. But it is higher than the average for the 2001–07 economic expansion¹⁹ and well above that expansion's strongest period, when fewer than 16% of prime-age men lacked full-time work. In the strongest period of the 1991–2001 expansion, the figure was below 14%; during 1982–90, it dipped even lower.

Far from booming, in a pre-2007 frame of reference the 2019 economy looks like one in the throes of a recession. The current 18% of prime-age men lacking full-time work is larger than the share at any time during the recessions of 1990–91 and 2001. Over the full period from when the Bureau of Labor Statistics data begin in 1986 to the start of the Great Recession in 2007, fewer than one in every 10 months experienced as bleak a picture. If the share of prime-age men working full-time in 2000 had persisted to the present, 2.3 million additional men would be working.

This long-term decline in work for men appears unique to the American economy, rather than reflective of shifting demographics or a global megatrend. The analysis considers only prime-age workers, so the general aging of the population plays no role. Nor has a skew toward older men within the prime-age demographic led to lower labor-force participation.²⁰ Perhaps most strikingly, the American experience is not materializing in other developed economies. During 1990–2018, the U.S. experienced the third-largest decline among OECD countries in its prime-age male labor-force participation rate (behind only Italy and Denmark) and now ranks 33rd out of 36 countries.²¹ The U.S. decline of 4.4 percentage points over the period was roughly

¹⁸ [BLS](#), “(Unadj) Population Level—25–54 Yrs., Men”; [BLS](#), “(Unadj) Employed, Usually Work Full Time, 25–54 Yrs., Men.” These figures are not seasonally adjusted because BLS does not provide adjusted data on full-time employment for specific demographic groups.

¹⁹ Business-cycle definitions are taken from “U.S. Business Cycle Expansions and Contractions,” [Business Cycle Dating Committee](#), National Bureau of Economic Research. It defines the most recent recessions as extending from July 1990 to March 1991, March 2001 to November 2001, and December 2007 to June 2009.

²⁰ “The Long-Term Decline in Prime-Age Male Labor Force Participation,” [CEA](#), June 2016, fig. 7.

²¹ [OECD Employment and Labour Market Statistics](#), “Labour Force Statistics by Sex and Age: Indicators.” Calculations for Germany are from 1991, to exclude adjustments for reunification. See also CEA, “Long-Term Decline”; Maximiliano Dvorkin and Hannah Shell, “Labor Force Participation: The U.S. and Its Peers,” [Federal Reserve Bank of St. Louis](#), (“On the Economy” blog), June 22, 2015.

double that of its peers: the United Kingdom (2.8 percentage points), France (2.7), Canada (2.3), Japan (1.9), Germany (1.9), and Sweden (0.9).

Certainly, a wide variety of factors influence the long-term slide in labor-force participation for American men. For instance, changes in cultural norms and home environments may both be discouraging men from working and reducing their capacity. The labor market, meanwhile, has failed to generate attractive opportunities that prospective workers are capable of seizing.

Attempts to allocate responsibility among these factors have set off two robust, but ultimately irrelevant debates. First, have wages technically risen or fallen? Men's median weekly earnings have fallen by 7% since 1979, if adjusted for inflation using the Consumer Price Index relied upon by the U.S. Bureau of Labor Statistics,²² but an alternative measure of inflation produced by the U.S. Bureau of Economic Analysis suggests instead that earnings have increased over the period by 12%.²³ Still, even using the more optimistic estimate, the gains hold only for men with college degrees; all other groups saw declines.

Whether wages are slightly lower or higher in real terms is beside the point. No one believes that a 5% wage decline over 40 years would produce a labor market exodus while a 5% wage increase would flood the market with new workers. Regardless, the important fact would remain that men's median earnings have fallen woefully behind the trajectory of growth in the wider economy and the rising costs associated with achieving a middle-class lifestyle. Technically, then, concern over the trend in wages is focused on their *relative* value.

But, of course, the relative value of a wage is always what matters. This becomes obvious upon recognizing that the point at which wages began stagnating in the 1970s is actually an arbitrary one to use in the analysis. It may seem coherent to ask why, if people were happy with a 1970 wage in 1970, they cannot be happy with that wage in 2019. But it seems coherent only because we take for granted that people can and do live on 1970s wages today. If *absolute* wages are what matter, why look to 1970? We could just as well look back to 1910 and ask whether we think it would work to have men today earning 1910 wages, which were fine in 1910.

A tempting response might be that the problem is not the 1910 wage per se but rather the decline from the 1970 to 1910 level. But that is precisely the point. Taking the "absolute" view seriously, declines cannot be important either. What is a decline, after all, but a shift from one absolute level to a different absolute level, both of which proved

²² [BLS](#), "Quartiles and selected deciles of usual weekly earnings of full-time wage and salary workers by selected characteristics, not seasonally adjusted"; [BLS](#), "CPI for All Urban Consumers (CPI-U)."

²³ [Bureau of Economic Analysis](#), "Personal Consumption Expenditures Price Index."

perfectly adequate at various times in the past. A concern for “decline” is already a concession that the relative trajectory, not any absolute level, is what matters. If that’s the case, then stagnation – while better than decline – can still trigger all manner of ills.

The second robust but irrelevant debate centers on attempts to allocate responsibility across the myriad factors that may be influencing men’s behavior. Maybe stagnant wages are a problem, but isn’t the “cultural problem” even larger? And if that’s the case, aren’t policymakers helpless? No.

Regardless of how weight is assigned amongst the various factors, the question for policymakers is how to *improve* the situation. Huge, immovable cultural and economic burdens may push toward harmful decisions. But so too, a number of such factors push more constructively: behaving responsibly, planning for the future, holding a job, sacrificing for a family – people are aware that these things really do have benefits. In the past, in a world not unrecognizably different from the present, with many critical conditions resting in similar repose, men were more likely to work. Whatever marginal shifts changed outcomes for the worse, some – even different ones – can cause just as much change for the better.

Thus, the observation that many major factors are cultural, and policymakers cannot affect them, has no bearing on the importance of identifying those factors, economic or cultural, that might help tip the scales and where public policy exerts a powerful influence. This is most obviously the case when it comes to the labor market – if more and better jobs were more accessible to more people, they would be more likely to work. Better public policy can help.

III. Strengthening the Labor Market

The path to strengthening the labor market can start with the observation of Harvard professor Edward Glaeser: “Every underemployed American represents a failure of entrepreneurial imagination. . . . Joblessness is not foreordained, because entrepreneurs can always dream up new ways of making labor productive.”²⁴ Yet saying that entrepreneurs can always dream up new ways of making labor productive does not mean that they will. Only so many entrepreneurs put their time – and investors their capital – into so many businesses each year. If their most attractive opportunities involve the deployment of American workers, they will pursue that course. If investing in continual improvement of each American worker’s productivity is critical to their success, they will do that too. But if other workers are more profitable to employ than Americans are, or if business models that rely less on labor present them with lower risks and higher rewards, then those entrepreneurs – and the economy – will respond accordingly.

²⁴ Glaeser, “The War on Work.”

The answer is not to blame the labor market for acting like a market. A market is a tool that translates underlying conditions into the most efficient outcome. Even when conditions bring a bad outcome, the market mechanism itself remains hugely valuable. It preserves liberty and fosters choice for individuals, creates incentives via competition for innovation and investment, and helps resources flow toward the most productive uses. To observe an inadequate result at the macro level, that is, is not to imply that we know the correct result at the micro level – who should work for whom or at what wage – and trying to outperform a free market in answering such questions would be foolhardy. Instead, public policy should focus on those underlying conditions: why is the market settling where it does, and under what circumstances would it settle somewhere better?

The labor market's conditions dictate its behavior along five dimensions – and it can be improved along all five, depending on the trade-offs that society chooses to make. Here, I provide a brief overview of each.

Demand

What work does the economy need done? Consumer preferences and industry economics dictate much of the answer, but, at the margin, the rules that government puts in place can alter the balance. For instance, heavily regulating industrial activity and imposing stringent environmental regulation on physical infrastructure, while leaving the digital economy mostly free from regulation, will tend to constrict the demand for manufacturing workers, while expanding it for software engineers. Targeting taxes at energy-intensive activities, while aggressively subsidizing health care and higher education, will have profound effects on which industries stall and which thrive.

Over time, these kinds of choices can begin to affect consumer preferences and industry economics. Innovation will start to shift to those areas where entrepreneurs anticipate building the most successful businesses – whether that's in manufactured goods or high-end services, housing renovations or artistic performances. And where greater investment accumulates, the efficiencies of scale and expertise and supply chains develop too. A country consistently seen as the second-best location for a new factory will watch as factories get built in other places, and the researchers and suppliers and distributors follow – and soon it won't even be the fifth best location.

Supply

What work are people prepared to do? The employer bears significant responsibility for training workers to meet its needs and improving their productivity over time. But for this investment to make sense, the worker must demonstrate basic capabilities at the

outset. The better prepared the prospective workforce, the faster an employer can bring workers on board and the higher their wages will be.

The students to whom the education system tailors its efforts will experience the greatest boost in their work prospects. This emphasis will also influence demand, as entrepreneurs build businesses where they expect to find well-prepared workers. If public schools offer a wide range of programs and lavish attention on those connected to the weakest segments of the labor market, they can push outcomes in a positive direction. If they adopt an attitude of “college or bust,” we shouldn’t be surprised to find a workforce consisting primarily of college graduates and busts.

Boundaries

Who gets to perform work and who gets to purchase it? When trade and immigration policies expand the pool of employers and consumers demanding various types of work, the workers able to provide it will likely see more opportunities – and higher wages. But when policies dramatically expand the supply of workers able to meet existing demand, domestic workers will suffer. In establishing a labor market’s boundaries, balance is therefore crucial.

Unfortunately, in a wealthy country like the United States, balance will rarely be achieved for less-skilled workers if residents of poorer countries can participate without limit in the same labor market. Entrepreneurs gain access to a vastly larger and cheaper supply of labor, while imperatives vanish to build businesses that use the existing domestic labor supply or make investments in improving domestic workers’ capabilities. This effect swamps the smaller uptick in demand for less-skilled American labor that those workers might expect to see from the poorer countries’ consumers.

Transactions

How do workers and employers establish and manage their relationships? The set of negotiable terms and conditions and the rules of negotiation have a significant influence on the nature of transactions in any market. This is triply true in the labor market, where overlapping regimes of contract law, employment law, and labor law govern the efforts of workers and employers to reach mutually beneficial agreements. Any contract they wish to sign must grapple with the myriad rules that government imposes about hours, wages, conditions, benefits, and much more. On top of those rules, the presence of a union may introduce an additional layer of collective bargaining, itself controlled by government rules.

In principle, allowing workers to bargain collectively should give them an opportunity to secure better terms than they might each achieve individually. Furthermore, by placing workers and employers on equal footing, concerns of unequal power and unfair

agreements fall by the wayside, reducing the need for government dictates. Why does the Department of Labor need to set the standard for overtime pay when the parties can be reasonably expected to work out this issue for themselves? But done poorly, a system of organized labor can have the opposite effect, creating industry-wide cartels that negotiate agreements in the long-term interest of no one.

Taxes

How do the employer's total cost and the worker's take-home pay differ from the agreed-upon wage? The term tax is meant here in the broadest sense. Obviously, the direct taxes imposed on both employers and workers represent a large wedge inserted between the bargain that the parties might like to strike and the costs and benefits that they ultimately experience. But many other factors play a similar role, adding to the cost of becoming a worker or hiring one.

Conversely, government can offer subsidies that offset tax burdens or even raise the transaction's value to one or both parties beyond what the market offers. If society wants more from the labor market, it must consider paying for it. This can take forms ranging from tax credits for the employer or worker to direct subsidies that boost wages to better infrastructure that lowers transportation costs.

* * *

On each of these dimensions, America's choices have been misguided. We overtax and underinvest in less-skilled workers, make them costly and risky to employers, and discourage investment in the industries where they could work most productively. At the same time, we free employers from the constraints of using the existing domestic workforce, offering them instead an option of using much cheaper foreign workers overseas or bringing the cheaper workers here. The immediate effects of these policy choices have often appeared beneficial, even to the workers who now find themselves disadvantaged. But those policies have, over time, reshaped the economy's contours in ways that have left too many people out.

Thank you again for the opportunity to testify on this important topic.