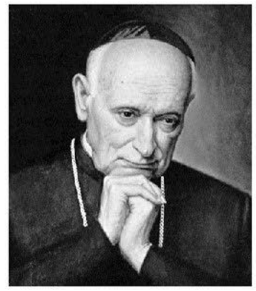
Mindszenty



Report

March 2023 Cardinal Mindszenty Foundation Vol. LXV-No. 3

Why So Many Americans Aren't Working And What We Can Do About It

Some 517,000 jobs were created in the United States in January 2023. This tremendous jump in job openings caught economists, financial advisers, and pundits by surprise. They were projecting half this job growth. The unemployment rate remains at a low 3.4 percent, barely changing in the last year. This is good news, touted by President Joe Biden in his February 7 State of the Union address.

Hidden in the figures, though, are some red flags. This leap in job growth might throw a wrench into the Federal Reserve Bank's efforts to tamp down inflation. That's one issue with long-term consequences for the economy.

More worrisome is that the number of long-term unemployed (jobless for 27 weeks or more) and the labor force participation rate remained essentially unchanged. The labor force participation rate, currently 62.4 percent, is significantly lower than it was before the pandemic (63.4 percent).[1] If we could return to pre-Covid rates of work force participation, almost 3 million more people would be in the work force today.[2]

The pandemic-era decline in labor force participation is most pronounced among young men aged 20 to 24, who saw a drop from 89.3 percent to 88.4 percent.[3] Even more disturbing: In a continuation of a half-century flight from work, around 7 million men aged 25 to 54 are not looking for work.[4]

The Value of Work

The value of work used to be agreed upon in America. We understood that work imparted meaning and dignity. The ability to find work, choose one's occupation, relocate geographically, move ahead in the world, and lead an independent life attracted millions from throughout the world to come to America. It meant independence. If a worker did not like the job, he could quit and find another one. In fact, the greatest expression of freedom is "I quit"—words absent in most of human history.

Today we have a young generation seemingly saying, "I quit" even before going to work. The obvious question is why?

Covid can be blamed for the plight of our youth in terms of learning, retarded social skills, hours on social media, and general apathy. The shutdown of the economy—varying in length and severity across the states—put thousands of small businesses and their employees out of work. Young workers were especially hard hit by these layoffs.

Government spending and fraud with unemployment benefits went hand in hand during this period. From April 2020 to September 2022, the government handed out $878 billion in unemployment compensation. The U.S. Department of Labor estimates that fraud accounted for $8.5 billion—8.6 percent of the outlays for unemployment compensation.[5]

Widespread fraud occurred not only in the unemployment insurance program but in other pandemic relief programs as well. These other programs brought the estimated total of fraud payments up to $60 billion. One example is the Pandemic Unemployment Assistance Program, enacted by Congress to help self-employed people and independent contractors. In its generosity, plus its propensity to spend whenever facing a problem, Congress allowed applicants throughout 2020 until September 2021 to "self-certify" their eligibility. Applicants were not required to submit documentation of self-employment. Talk about inviting fraud.

The program grew by leaps and bounds, eventually accounting for 40 percent of the more than 3.2 million unemployment claims submitted for the week ending May 23, 2020. Cheaters falsified income and employment in their applications. One state employee used pilfered information to submit at least 197 fraudulent claims. Another state employee conspired with prison inmates to secure $180,000, while yet another thief stole identities to submit 300 claims in 17 states.

Aside from the fraud, however, thousands of Gen Z youth decided—with some justification given the financial rewards—that it was better to go on unemployment than to spend time looking for work. And once they left the workforce, they learned that not working was not all that bad.

Covid lockdowns on the national and state levels took many out of the workforce, especially those employed by small businesses. The Covid crisis, as the *Wall Street Journal* put it, "roiled the U.S. job market like nothing before."[6] Millions of people found themselves out of work, causing national unemployment to skyrocket from 3.5 percent in February 2020 to 14.7 percent just two months later.

Jobs came back, but many workers did not. Why they did not return can be attributed to a number of reasons—fear of contracting Covid, government relief, lost access to child care, and shifting life priorities.

A Long Trend Worsened by Covid

The decline in labor participation, while worsened by Covid, was a trend that began as early as 1965. Some of this decline, especially since Covid, is due to Baby Boomers deciding to retire. This trend will continue with an accelerated pace, as the median age of Baby Boomers is 66.

Younger workers, 18 to 25 years of age, dropped out at greater rates than did the Boomers during the pandemic. Moreover, many who did return to work sought part-time or remote work. Even before the pandemic many workers insisted on shorter hours and were willing to take only part-time jobs.[7]

Many Covid dropouts found that unemployment paid dividends, so to speak. Enhanced and extended unemployment benefits, stimulus checks, and not being able to go out to spend money contributed to increased wealth. Enhanced employment benefits led to 68 percent of claimants earning more on unemployment than they did while working. The federal enhanced unemployment program ended September 2021, but many did not return to work. These workers often found themselves better off financially than they were before the lockdown.[8]

Meanwhile, other pandemic relief policies, some of them adopted illegally, left potential workers with substantially more money in their pockets, including moratoriums on eviction and on student loan repayments, a federal policy prohibiting removal of ineligible people from Medicaid rolls, enhanced food stamps and ObamaCare health insurance subsidies, and child tax credits. Work requirements for certain benefits were waived for the duration of the national public-health emergency declaration, which is still in effect.[9]

During the pandemic, U.S. household wealth surged by $30 trillion dollars. Nicholas Eberstadt, author of *Men without Work* (2016, revised 2022), estimates that the bottom half of the American households saw their net worth rocket by almost $1.8 trillion during the Covid lockdown, doubling what it had been before the pandemic. *"In effect, those 64 million households reaped an average of about $25,000 from this Covid-policy lottery,"* he writes.[10]

Casey Mulligan, a University of Chicago economist, reported in December 2021 that in the Covid years a family of four could receive an annual equivalent of $100,000 in cash and benefits in Washington, Massachusetts, New Jersey and Minnesota.[11] In 24 states, unemployment and other welfare programs provided benefits equivalent to the national median household income. Even more shocking is that *in 14 states, unemployment and welfare benefits were equal to the income of a household head earning $80,000* in salary, plus health insurance benefits. Put more directly, more income can come from public welfare programs than the national median income of a secondary school teacher, electrician, trucker, machinist and many other occupations.[12]

Severe Disincentives to Work

It is hard to avoid concluding that federal welfare benefits, greatly expanded during the pandemic, have become far too generous. They are creating a class of permanent government dependents who are paid not to work.

In addition to causing a huge fiscal problem for the U.S., this environment has resulted in large gaps in filling the job needs of companies. Close to 800,000 job openings are found in manufacturing alone. Other areas of the economy, especially the service industry, are hurting as well.

As a consequence, employers are offering higher wages, bonuses, and other incentives to lure workers. These inducements benefit workers, but higher wages push up the cost of doing business, which is passed on to the consumer. Higher prices place pressure on the Federal Reserve to continue to raise interest rates, which leads to higher costs for borrowing, and potentially to a recession.

The trend of leaving the workforce began long before the Covid-19 pandemic. From the end of World War II to the mid-1960s, prime working-age men overwhelmingly worked, averaging around 94 percent. Starting around 1965, the share of young men with no paid work rose with every passing decade. Those not in the work force became the fastest-growing component of America's prime-age male population. Prime-age men—25 to 54 years old—historically had the highest employment rates.

Who Are the Dropouts?

Who are the people dropping out of the workforce? We have a portrait of the dropouts as a group:

- Many of these men have arrest records. As Eberstadt points out in *Men Without Work*, mass incarceration is not the problem per se. While the prison population rose, more than 17 million ex-convicts are not behind bars. Felons have lower work rates than high school dropouts.

- Many have lower educational attainment, but a surprising number of today's non-working prime-age men have above-average educational attainment. In fact, Eberstadt finds that more than two-fifths have some college and nearly a fifth are college graduates. It's not just the poorly educated who are not working. Nevertheless, men without a high school diploma are more than twice as likely to be among those not participating in the labor force.

- Men and women over age 55 are leaving the work force, but a large majority of those leaving the work force are young workers, mostly male, with increasing numbers of single women dropping out as well.

- Increasingly, prime-age women are dropping out of the work force. Many are single women without children. They are neither employed nor in college. Men tend to spend free time on their computers—about 2,400 hours alone in 2020—but young female dropouts spend more time socializing.

- Only a small minority of those who stopped looking for work say that they left the work force because they could not find a job. The dropout trend is not related to swings in the business cycle.

- Foreign-born men are more likely to be working and not leaving the work force, no matter their educational attainments.

- A disproportionate number who have dropped out of the workforce are black and Latino males.

- Yet no matter their race or educational attainment, married men raising a family work more. Men who have never married, without children or without children in their homes, work less.

Prior to the Second World War and continuing to the mid-1960s, young men refusing to look for work and living off the bounty of others would have been excoriated by society. The toleration of a workless lifestyle for men marks what Eberstadt accurately describes as "a normative sea change" for American culture.[13]

The dramatic decline in work participation is unique to the United States. Workers in all the affluent democracies, including Japan, Canada, New Zealand and 18 Western European nations, are not experiencing similar declines. The U.S. flight from work is not deemed normal in other countries, even though Europe has a sclerotic labor market.

Meanwhile, those who are working in America are putting in more hours at their jobs than workers in these other countries. This presents a paradox: Americans who work for a living work harder than other nations, while our country has a higher dropout rate.

So what are the men who have dropped out doing with their enormous free time? Not helping their families or the community. In fact, these men spend less time caring for other household members than employed women or temporarily unemployed men—or even those men who are working.

How are they getting by financially? More than half of those dropping out reported no income at all. The average earned income for this group was about $4,500 annually. They are being supported by their spouses, other household members, and importantly by Uncle Sam. Even before the pandemic they were receiving government benefits. In fact, they receive two and a half times more government benefits than do unemployed workers looking for work. Many of these prime-age men who have left the work force live in households receiving poverty-related benefits. Sixty-three percent of homes with non-working men receive such benefits.

How to Break the Trend

The U.S. flight from the workforce began in early 1965 and continues unabated today. 1965 marked the rollout of President Johnson's Great Society program. The Immigration and Nationality Act of 1965 initiated a huge wave of immigration, legal and illegal, to this country. It is the year that there was an explosion in crime, creating an army of non-institutionalized felons and ex-prisoners who stopped looking for work. Worth noting is that only a small fraction of all Americans ever convicted of a felony are actually incarcerated. An estimated 90 percent of all convicted felons are out of confinement and living free.

The death of work, as Eberstadt explains, means "the death of civic engagement, community participation, and voluntary association" for these dropouts, which affects the entire culture. The first steps in addressing this problem include ending overly generous pandemic largesse and cutting fraud in welfare programs, especially disability insurance. Next is the revival of the small business sector, which can draw dropouts back into the workforce. Third is the imperative of restoring mandatory work requirements as a condition for receiving means-tested welfare benefits, as Phil Gramm and John Early have advocated.

Gramm and Early's important book *The Myth of American Inequality* (2022) demonstrates that *"the bottom 60 percent of American households received essentially the same income after accounting for taxes, transfer payments and household size"—despite large differences in employment rates* (36 percent in the bottom quintile, 85 percent in the second quintile and 92 percent in the middle quintile). This is an astounding finding that indicts the U.S. government for harming work incentives. *Even well before the Covid-19 pandemic, transfer payments gave recipients "about as much for not working as they could earn working."*[14]

Better government policies will help, but we also need to restore a culture that upholds and imparts pride to working males, breadwinners and responsible fathers.

Finally, we come to another conclusion found in many *Mindszenty Reports:* Religion matters. A Judeo-Christian culture instills a sense of responsibility toward family and community—and most of all toward oneself.

---

[1] U.S. Bureau of Labor Statistics News Release, February 3, 2023.
[2] Nicholas Eberstadt, "The Americans Who Never Went Back to Work After the Pandemic," *Wall Street Journal*, September 3-4, 2022.
[3] Editorial, "Where Did Young Male Workers Go?" *Wall Street Journal*, December 3-4, 2022.
[4] https://www.yahoo.com/now/most-chilling-metric-mike-rowe-150000193.html.
[5] Figures for employment fraud during Covid-19 are drawn from the editorial "Pandemic Benefit Fraud Gone Wild," *Wall Street Journal,* January 26, 2023.
[6] Justin Lahart, "Covid's Not to Blame for the Labor Shortage," *Wall Street Journal,* January 28, 2023.
[7] Annie Lowrey, "The Underemployment Crisis," *The Atlantic,* August 6, 2020.
[8] Stephanie Ferguson, "Understanding America's Labor Shortage," U.S. Chamber of Commerce Report, January 19, 2023.; also, https://wdr.doleta.gov/directives/attach/UIPL/UIPL_16-20_Change_5_acc.pdf.
[9] See, e.g., editorial, "The Battle Over Work and Welfare," *Wall Street Journal*, December 12, 2022.
[10] Nicholas Eberstadt, "The Americans Who Never Went Back to Work After the Pandemic," op. cit.
[11] Casey Mulligan, "Paying Americans Not to Work," https://committeetounleashprosperity.com/wp-content/uploads/2022/12/Paying-Americans-Not-to-Work.pdf.
[12] Casey Mulligan, "Paying Americans Not to Work," https://wdr.doleta.gov/directives/attach/UIPL/UIPL_16-20_Change_5_acc.pdf.
[13] Eberstadt, *Men Without Work*, p. 67. What follows is drawn heavily from Eberstadt.
[14] Phil Gramm and John Early, "Income Equality, Not Inequality, Is the Problem," *Wall Street Journal*, August 30, 2022.

The Most Important Person on Earth is a Mother

The Most Important Person on earth is a mother. She cannot claim the honor of having built Notre Dame Cathedral. She need not. She has built something more magnificent than any cathedral—a dwelling for an immortal soul, the tiny perfection of her baby's body. … The angels have not been blessed with such a grace. They cannot share in God's creative miracle to bring new saints to Heaven. Only a human mother can. Mothers are closer to God the Creator than any other creature; God joins forces with mothers in performing this act of creation… What on God's good earth is more glorious than this: To be a mother?

– Venerable Joseph Cardinal Mindszenty

Order a supply of colorful cards with the beautiful pro-life message. Insert with your letters, bills; give out at church and meetings. Cost includes postage:

20 cards	$10.00	100 cards	$20.00
50 cards	$15.00	500 cards	$60.00
1,000 cards	$110.00		

The Mother card is also available in Spanish.

Mindszenty Report Reprints

1 copy	$1.50	20 copies	$15.00
10 copies	$8.00	50 copies	$25.00
100 copies	$35.00		

MIDTERMS 2022: WHAT ELSE DO THEY TELL US? No single issue explains the surprisingly meager GOP gains in the U.S. Congress, but high youth turnout tilted overwhelmingly Democratic, and many of Trump's endorsements for Senate failed to carry the day.
Ask for 2/23

2022 MIDTERMS: DID DEMOCRATS WIN ON ABORTION? The November U.S. election results suggest a more complicated picture, with lessons for the future. Ask for 1/23

The Mindszenty Report is published monthly by
Cardinal Mindszenty Foundation
7800 Bonhomme Ave.
St. Louis, MO 63105
Phone 314-727-6279 Fax 314-727-5897
Subscription rate: $25 per year
Outside the U.S.A. $35
We accept credit card payments.

Contributions to the Cardinal Mindszenty Foundation are tax-deductible to the extent allowed by law.
Web site: www.mindszenty.org
Email to orders.inquiries@mindszenty.org