

## **NYT. Out Of A Job And No Longer Looking September 29, 2002 By David Leonhardt**

THE American welfare state was supposed to be dead, victim of the free-market economy and its success in creating a job for anybody who wanted one.

While European countries maintained huge social-service programs and paid for them with high unemployment, the United States sharply curtailed its best-known welfare program in the mid-1990's and the jobless rate just kept dropping. Even today, two years into an economic slump, the labor market appears healthier than it was for most of the last three decades.

But the current downturn is beginning to expose an uncomfortable truth: the American economy looks more like Europe's than most people ever imagined during the triumphal 1990's.

Millions of people, particularly men, have dropped out of the labor force over the last decade, apparently unable to find work that pays near what they once earned in the blue-collar jobs that have since moved to lower-wage countries. Unwilling to take new jobs that pay far less, neither employed nor looking for work, they are not counted in the jobless rate, and a surprising and growing number of them instead depend on a government check to get by.

Once these statistical nonpersons are counted, the labor market of today looks all too similar to those of supposedly bleaker past decades, according to a number of recent studies by economists. Even when the unemployment rate was near a 30-year low in 1999 and 2000, men from the ages of 18 to 54, as a group, spent 11 percent of the year not working, roughly the same as in the late 1970's and late 80's, according to one study.

Things are considerably worse today. In the last two years, the official jobless rate has risen and an additional two million people appear to have dropped out of the labor force. Today, the real level of unemployment for men probably approaches the level of the recession-mired early 80's.

THE unemployment rate doesn't mean what it did 20 years ago," said Robert H. Topel, an economist at the University of Chicago and author of the most detailed recent study of the changes. "Employment opportunities for the less skilled are not what they used to be, so people just leave the labor force."

To pay their monthly bills, many of these missing workers have turned to disability insurance, a government program under Social Security that has become the centerpiece of the new American welfare state. Since 1990, the number of people receiving disability pay has nearly doubled, to 5.4 million, and the government now spends far more on the program than it does for food stamps or unemployment insurance.

People who once may have worked through injuries or chronic pain, particularly those without a college education, are increasingly making a choice economic planners did not foresee. They have decided a government benefit, in the form of the roughly \$800 in average monthly disability pay, is more attractive than any job.

They make up the biggest group that has left the labor force and help depress the unemployment rate. The growth of the prison population - to about 2 million today, up from 1.1 million in 1990 and 500,000 in 1980 - has made another large group of people dependent on the government. And while prisoners themselves do not suffer many of the consequences of joblessness, like eviction or lack of health care, their relatives often do.

OTHER labor-force dropouts are harder to count because the government does not support them. Some have moved in with friends or family, economists say. Still others, caring for children or retired, while their spouse works, are properly not counted as unemployed.

Overall, however, the rise in the number of missing workers calls into question the great achievement of the 1990's economy: the best job market since 1970. According to the official numbers, the jobless rate generally rose from the 1960's through the early 1980's, reaching a peak of 10.8 percent in 1982. Since then, it has generally fallen, dropping to 3.9 percent two years ago. Last month, after a year and a half of widespread layoffs, it remained at just 5.7 percent.

Certainly, the decline was no mirage. With the economy growing quickly, businesses needed to woo people into the labor force or out of another job, and they offered the first significant raises in 30 years. Income inequality, the poverty rate and the gap between the wages of whites and minorities all fell.

"You had employers chasing workers," said Jared Bernstein, a senior economist at the Economic Policy Institute, a liberal research group in Washington. "People who were seeking work found it."

Some of the biggest beneficiaries were women, who poured into the job market and whose wages crept closer to men's. Today, 63 million women hold a job, up almost 9 million from a decade ago, according to the Labor Department.

But even the strong economy of the late 90's failed to reverse the gradual overall increase in the number of men dropping out of the labor force. It also could not halt the long-term rise in the duration of unemployment for those people who kept looking for work and therefore appeared in the official statistics.

Many of these workers have now been out of the job market for long enough that they may never come back. If they do, they are almost certain to make much less than they once did, economists say.

"People used to drift in and out of the labor force," said Mr. Topel, whose co-authors were Chinhui Juhn at the University of Houston and Kevin M. Murphy at Chicago. "Now, leaving the labor force is more like death - you leave and you don't come back."

A clear sign of the labor market's quiet troubles has long been evident, though its significance was obscured by the official jobless rate. While unemployment was supposedly falling over the last 20 years, pay barely increased for the typical worker. Since 1982, the median hourly wage has grown only about 6 percent, after adjusting for inflation, according to the Labor Department.

Reflecting workers' meager bargaining power, the Census Bureau said last week that income for the typical household had fallen in 2001 for the second consecutive year. The poverty rate rose.

With scant reason to think that the economy will grow rapidly in the next couple of years, the labor market's woes present a serious challenge for government.

The country can cut benefits at a time when joblessness is rising and leave relatively unskilled workers to fend for themselves. Or it can maintain and expand a safety net that is already larger than many people had thought, possibly giving more discouraged workers reason to depend on a government check.

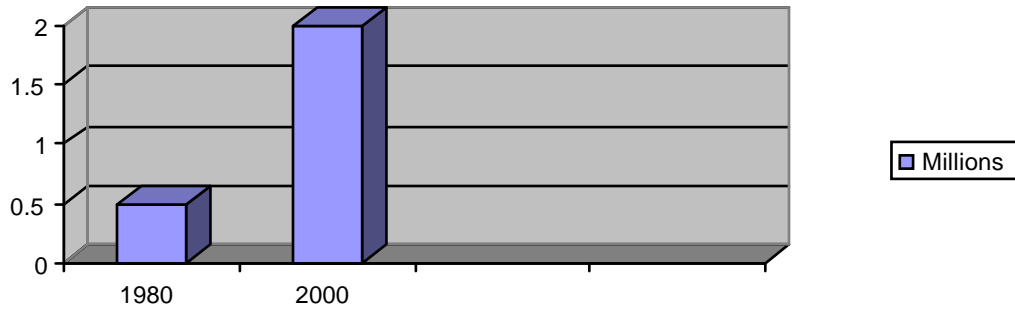
LAST week, a mostly Democratic group of senators introduced a bill that would extend unemployment benefits to the same length as in the recession of the early 90's. As for the disability program, even without any legislative changes its costs will rise 15 percent to \$69 billion this year, according to the Social Security Administration. Containing those costs would require cracking down on people with bad backs or carpal-tunnel syndrome and few good job prospects.

"Everyone would admit that there are lots and lots of people we really want to help," said Kevin A. Hassett, an economist at the American Enterprise Institute, a Washington group that often argues for free-market policies, of disabled workers. "So you're not going to have a five-years-and-out rule."

Instead, the country faces a series of difficult decisions balancing the ideals of a free market with those of a humane economic policy. Only a few years ago, compromises did not seem necessary.

### Hidden Unemployment: Prison and Jail Inmates in the United States

Source: NYT, 9/29/02 4.4



### Hidden Unemployment: Workers Receiving Disability Payments in the United States

Source: NYT, 9/29/02 4.4

