

Who Is Out of the Labor Force?

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Introduction

Our nation's labor force participation rate, or the fraction of adults who are either employed or are searching for work, has fallen steadily since [1999](#). This is a [trend](#) that many economists find troubling, as the labor force participation rate is an indicator of household living standards and economic vitality. In [2016](#), over one-third (37.2 percent) of adults in the United States—including nearly one-fifth (18.7 percent) of prime working age adults (between 25 and 54 years old)—were not in the workforce. The large number of adults who are not in the labor force is a puzzle that cannot be fully accounted for by factors like baby boomers aging out of the workforce, women engaged in caregiving, or recent college graduates delaying the responsibilities of adulthood.

On August 4th, The Hamilton Project released “The Closing of the Jobs Gap: A Decade of Recession and Recovery.” That economic analysis explored the uneven employment recovery from the Great Recession that began in late 2007. It is complemented by the current report, which provides a detailed snapshot of those who remain out of the labor force today.

In this analysis, we explore the following questions about the approximately 24 million men and women of prime working age who were not in the labor force in 2016:

- What are the reasons nonparticipants give for not working or seeking work?
- With whom are nonparticipants living?
- How are nonparticipants making ends meet?

The key findings are:

- **Women with a high school education or less are overwhelmingly the largest group of Americans out of the labor force.**
- After excluding caregivers (approximately 40 percent of nonparticipants), **men and women report the same reasons—and at similar rates—for not participating in the labor force.** Almost 30 percent of nonparticipants report being ill or disabled, while 8 percent are students, and 5 percent are early retirees.

Acknowledgments

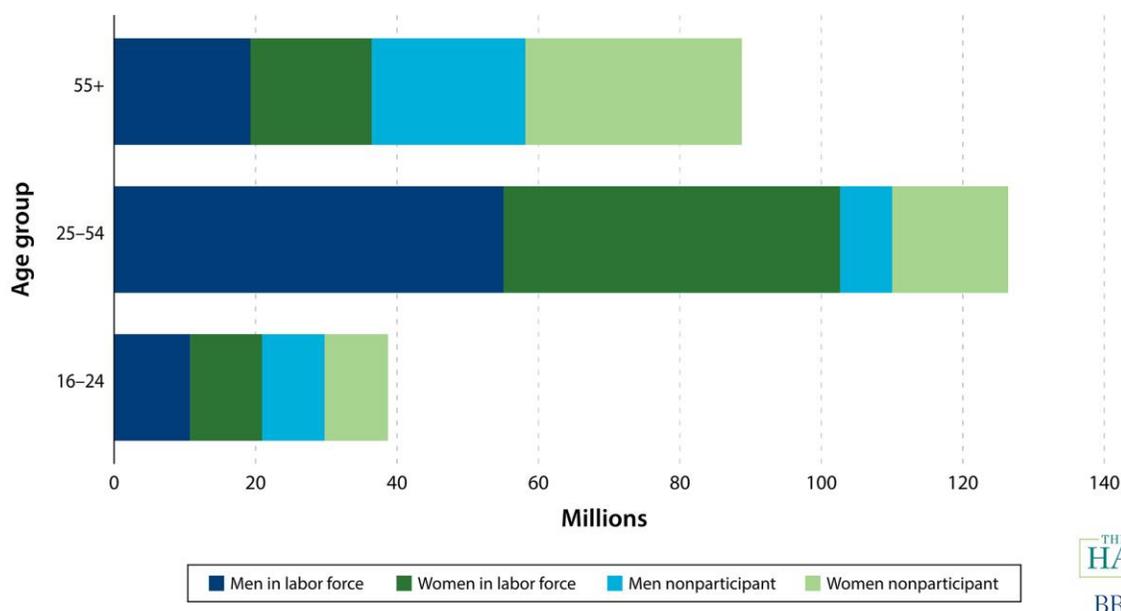
* We are grateful to Barry Bosworth, Kriston McIntosh, and Jay Shambaugh for their insights and to Audrey Breitwieser and Patrick Liu for excellent research assistance.

- **Male and female labor force nonparticipants have very different living arrangements:**
 - The most common living arrangement for female nonparticipants is living with a spouse or partner.
 - The most common living arrangement for male nonparticipants is living with a parent.
- **Almost three-quarters of nonparticipants live in a household with earned income and only 11 percent report income from the safety net while receiving no earnings. More than 1.3 million Americans out of the labor force report having no income at all**—this includes a lack of both earned (through wages) or unearned (such as retirement or safety net program) income.
- **45 percent of households (3.3 million) with a male prime-age nonparticipant and 28 percent of households (4.6 million) with a female prime-age nonparticipant are in the bottom quintile of income.**

Who are labor force nonparticipants?

According to [official U.S. statistics](#), anyone who is employed at least part-time or currently unemployed and searching for work is counted as a labor force participant. Conversely, labor force nonparticipants are those who are neither working nor actively seeking work. Using these definitions, figure 1 shows how labor force participation varies by age and gender as of March 2016. It should be noted that individuals may move in and out of the labor force, and the results reported here constitute a snapshot of the most recent available data.

FIGURE 1
Labor Force Status, by Age and Gender



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors' calculations.

As one would expect, most Americans who are not in the labor force are older individuals: of the nearly 38 million men and 56 million women who are not in the labor force, 57 percent of men and 55 percent of women are at least 55 years old. At the other end of the spectrum, about 23 percent of men and 16 percent of women who are not in the labor force are ages 16 to 24, [81 percent](#) of whom reported being in school.

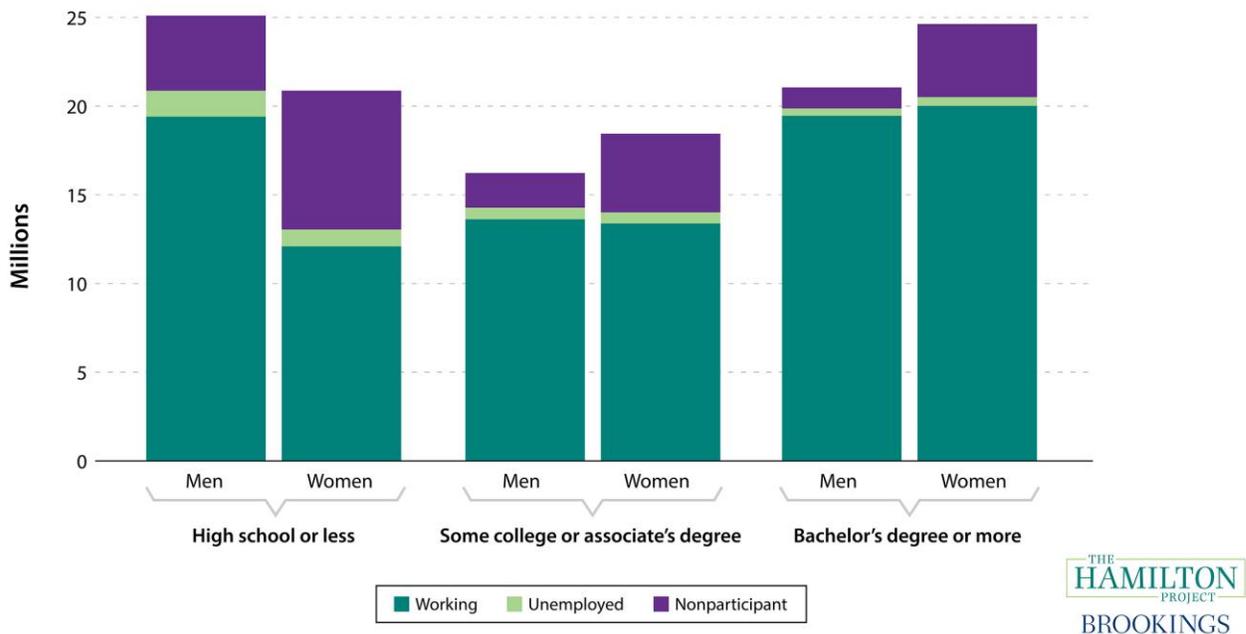
[In 2016](#)—the most recent year for which we have detailed individual-level data—19 percent of 25- to 54-year-old men and women were not working or seeking work, though the percentage has fallen to 18 percent as of July 2017. This is up from 16 percent in 2000 and 17 percent in November 2007, prior to the Great Recession.¹ Women account

for twice as many nonparticipants as men—with 16 million prime-age women and 7 million prime-age men nonparticipants—and about half of these women cite caregiving as the reason for nonparticipation, as detailed below.

Nonparticipation of both men and women is higher among people with less education, as shown in figure 2. There are 4.2 million male nonparticipants with a high school degree or less, representing 17 percent of men with this education level, and comprising 57 percent of all male nonparticipants. Women with a high school education or less are by far the largest group of labor force nonparticipants, at nearly 8 million. Within each educational group, there are more women than men not in the labor force.

Interestingly, the gender ratios among nonparticipants become more imbalanced as education increases. Among nonparticipants with a high school degree or less, there are nearly 2 women for every man; at the bachelor’s degree level, three-and-a-half times as many women as men are nonparticipants.

FIGURE 2
Prime-Age Labor Force Status, by Gender and Education



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors’ calculations.

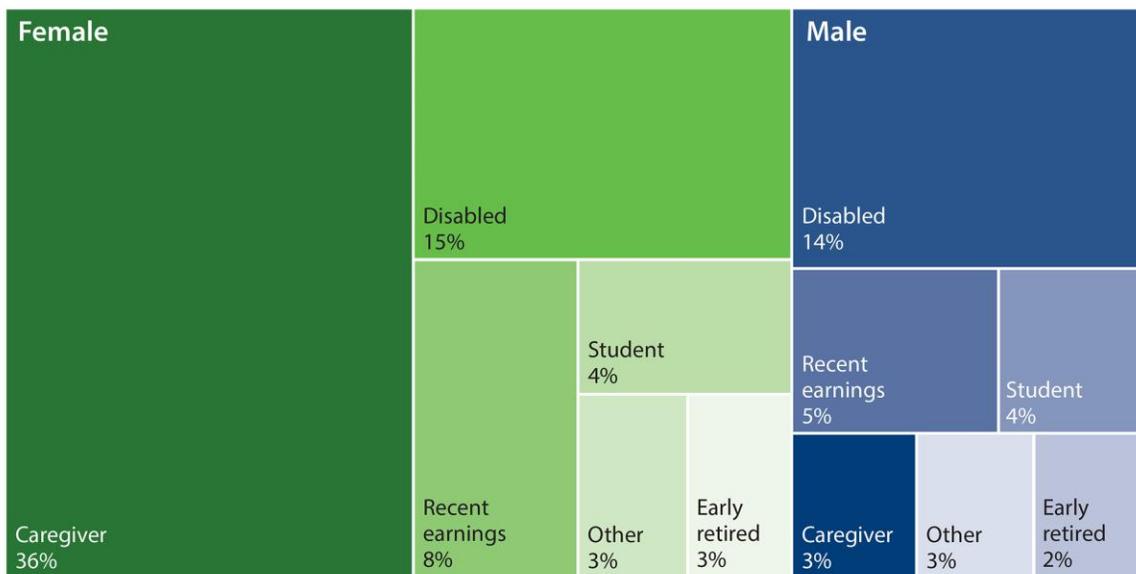
What reasons are given for nonparticipation in the labor force?

While a comprehensive explanation of labor force nonparticipation is outside the scope of this paper, we can gain some insight from self-reported reasons for being out of the labor force.² In figure 3, we describe the reasons that prime-age men and women give for their nonparticipation. (The percentage in each category is out of the total prime-age nonparticipant population: for example, 36 percent of all prime-age nonparticipants are female caregivers.) More than 70 percent of labor force nonparticipants report that caregiving, disability, or early retirement kept them out of the labor force; 13 percent were not in those categories but had recent earnings, indicating that they had been employed at some point during the previous year. Not surprisingly, caregiving is the primary reported reason for nonparticipation – characterizing about 4 in 10 individuals overall and more than half of female nonparticipants.³

Excluding caregivers, male and female nonparticipants give similar answers as to why they are not in the labor force. Almost 30 percent of prime-age nonparticipants – roughly equally split between men and women – report being ill or disabled. With roughly 45 percent of prime-age male nonparticipants classified as disabled, health-related barriers to being in the labor force may represent a significant challenge. As noted in [Krueger \(2016\)](#), pain and pain medication may prevent a significant number of men from working.

The reasons for nonparticipation appear broadly stable when comparing 2016 with 2006 (see appendix figure 2). A slightly smaller percentage of nonparticipants are caregivers today (38% vs. 41% in 2006), and slightly more today are retired (5% vs. 4% in 2006) or students (8% vs. 5%), but notably, there was virtually no shift in the share of nonparticipants who are disabled (29% today vs. 28% in 2006).

FIGURE 3
Classification of Reasons for Prime-Age Nonparticipation, by Gender



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors' calculations.

How do nonparticipants make ends meet?

Without the economic security that comes with work, how do labor force nonparticipants get by? In this section, we describe the living arrangements of labor force nonparticipants, income sources in households with a nonparticipant, and how the two overlap.

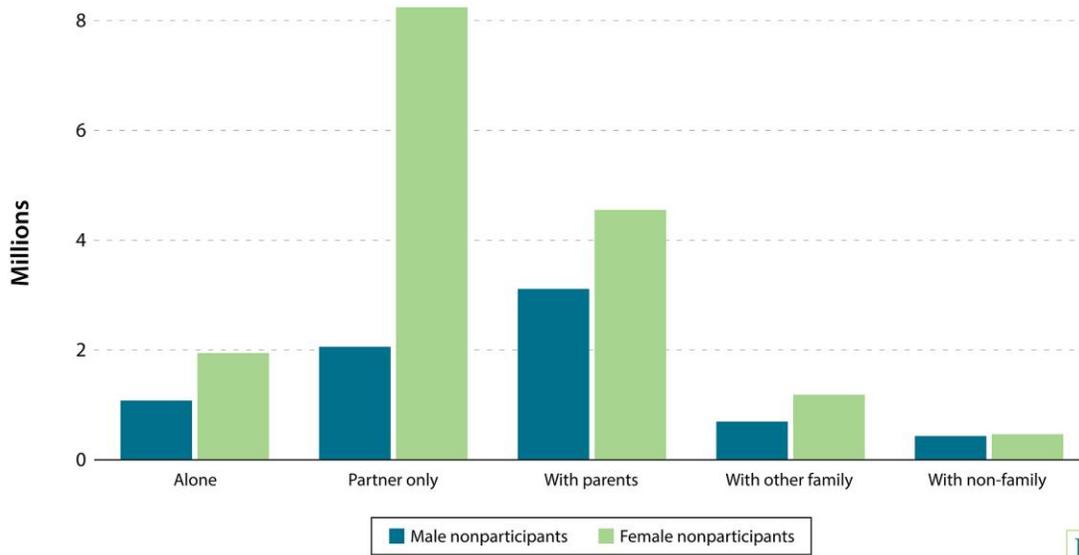
For labor force nonparticipants who live with other adults, financial support might come from other members of their household who work. Absent earned income, nonparticipants may make ends meet with unearned income such as Social Security, other safety net programs, or other transfers. For example, a 27-year-old labor force nonparticipant living with a 61-year-old income-earning parent may be relying on that income for some or all of their support. If neither are working, they may benefit from safety net programs.

We begin by describing the living arrangements of nonparticipants, categorized by the relationship that the nonparticipant has to the other adults in the household (see figure 4).⁴ Specifically, we classify a labor force nonparticipant as living in one of the following types of households: alone, partner only, with parents, other family, and non-family.

83 percent of labor force nonparticipants live with other adult family members — often a partner, parent, or adult sibling. Among this group, 2.1 million male nonparticipants and 8.2 million female nonparticipants live in a household with only one other adult who is a partner or spouse (“partner only”); this group accounts for 28 percent of men and 50 percent of women out of the labor force. While male nonparticipants are particularly likely to live with at least one of their own parents, in total there are more female than male nonparticipants living with their own parent. 3.1 million male nonparticipants (42 percent of total) and 4.6 million female nonparticipants (28 percent of total) live with at least one parent in the household (“with parents”), though other adults may also be present. 700,000 male nonparticipants and 1.2 million female nonparticipants live without a partner or parent, but with other adults who are family (“other family”).

One million male and almost two million female nonparticipants are the only adult in their household (“alone”). Fewer than half a million male and female nonparticipants live with no family but at least one other adult (“non-family”); this group represents 6 percent of men and 3 percent of women out of the labor force.

FIGURE 4
Living Arrangements of Prime-Age Nonparticipants, by Gender



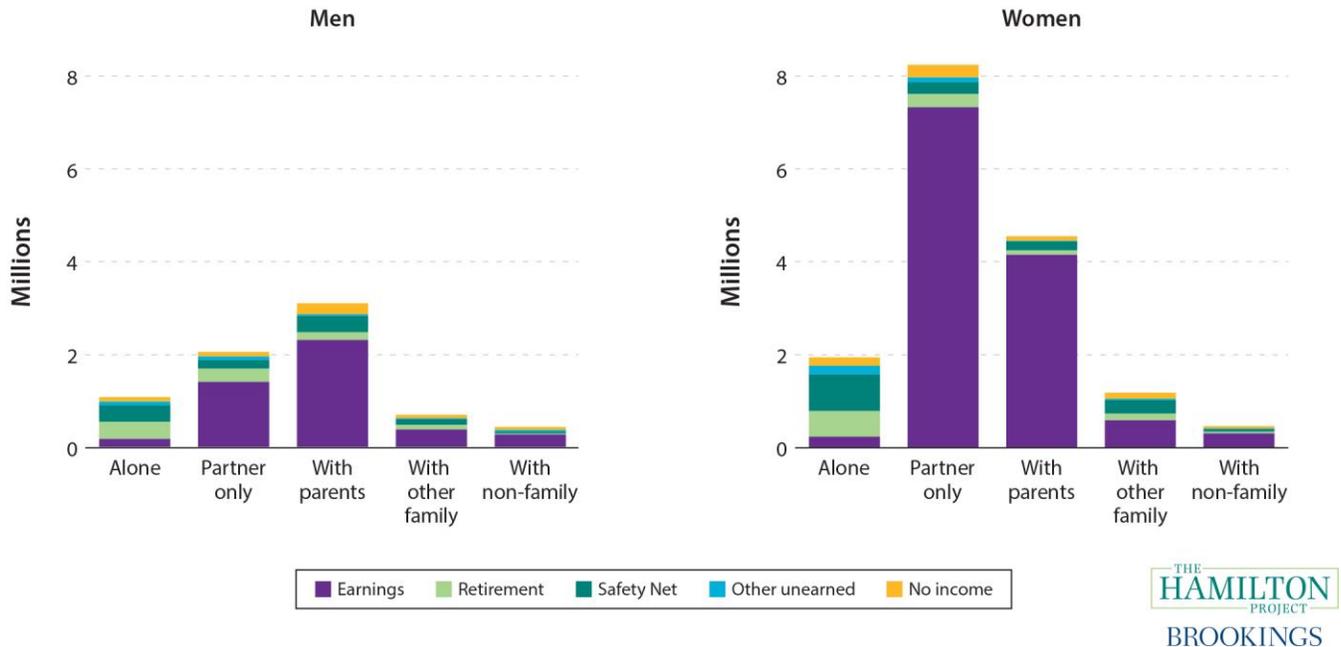
Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors’ calculations.

Next we describe income sources in the households, separately accounting for earned income as well as unearned income in the form of retirement income (including Social Security benefits), income from safety net programs, or other unearned income.⁵ Almost three quarters of labor force nonparticipants reside in a household with earned income; 77 percent of female nonparticipants and 62 percent of male nonparticipants live in households with earnings in the past year (not shown). There are also households in which no earned or unearned income is reported (“no income”). This could in part reflect the well-documented underreporting of social program receipt in the

Current Population Survey, households drawing down their wealth to finance consumption, or earned income in households that does not meet the \$1,000 threshold we impose.⁶

FIGURE 5

Living Arrangements of Prime-Age Nonparticipants, by Gender and Income



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors' calculations.

Note: Income categories pertain to households.

Figure 5 shows how the living arrangements and the household income sources of male and female nonparticipants interact. For example, 1.4 million male nonparticipants live in a partner-only household with earnings. Interestingly, male nonparticipants living with a partner or parent are less likely to live in a household with earnings than are female nonparticipants with the same living arrangements. Around one million nonparticipant men and one million nonparticipant women live in a household where there is no earned income but there is retirement income; for both men and women, those prime-age nonparticipants relying on retirement income are likely to live alone.

If a household does not report earned or retirement income, we then look to safety net program receipt; about one million nonparticipant men and 1.5 million nonparticipant women fall into this category. Roughly equal numbers of male nonparticipants living alone or with parents – 350,000 – report safety net program receipt. Almost 800,000 female nonparticipants living alone report safety net program receipt (recall that “living alone” refers only to adults, and children may be present in the household). A quarter of a million nonparticipant men and three-and-a-half million nonparticipant women reported some other unearned income, such as child support or a cash gift.

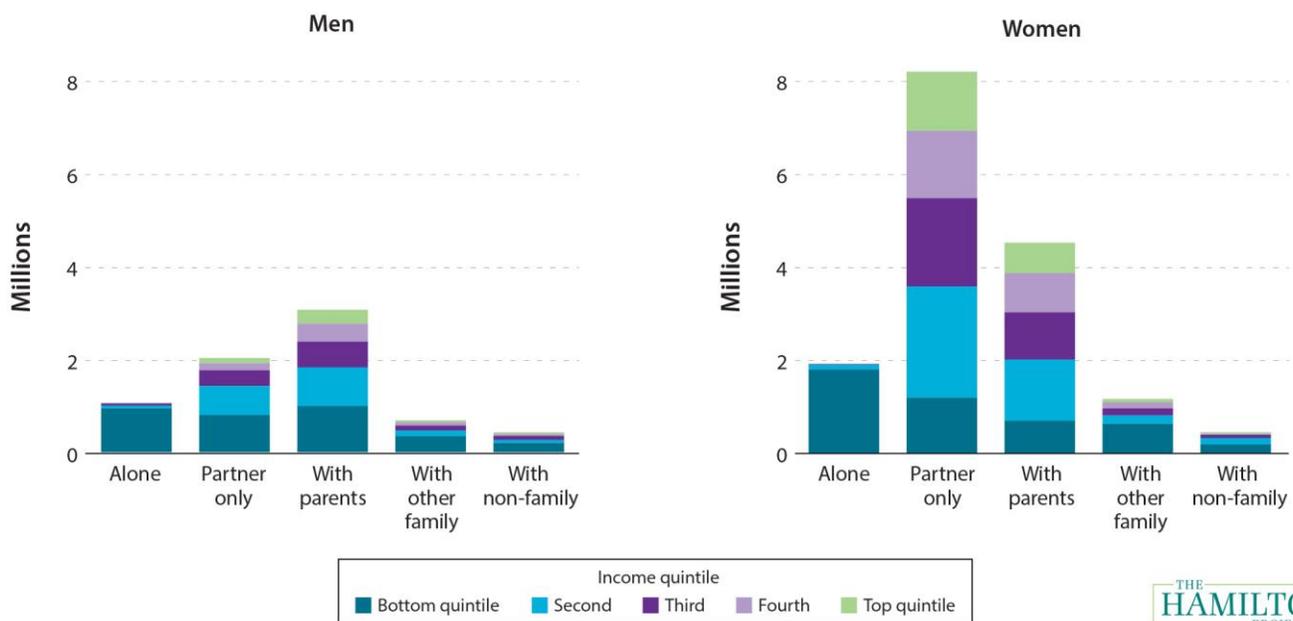
How much income is reported in nonparticipants' households?

We now examine the distribution of total income available in nonparticipants' households, putting aside distinctions of income type. Figure 6 shows the number of male and female prime-age nonparticipants' households by household income quintile. Among nonparticipants living alone, the overwhelming majority are in the bottom quintile of the income distribution: 89 percent of males and 94 percent of females fall into this income range. Almost

40 percent of partner-only households in which there is a male nonparticipant are in the bottom quintile of income, compared with only 15 percent of partner-only households in which there is a female nonparticipant. One third of households in which a male nonparticipant is living with his parent are in the bottom quintile of income, compared with about one-sixth of female nonparticipants living with a parent.

On the other end of the income distribution, 2 million female nonparticipants and a half a million male nonparticipants live in households in the top quintile of income. Among female labor force nonparticipants, roughly 15 percent of partner-only households, and 15 percent of those living with parents, have incomes in the top 20 percent. For male nonparticipants, 6 percent of partner-only households and 10 percent of with parents households are in the top quintile of income.

FIGURE 6
Living Arrangements of Prime-Age Nonparticipants, by Income Quintile



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors’ calculations.

Note: Income quintiles pertain to households.

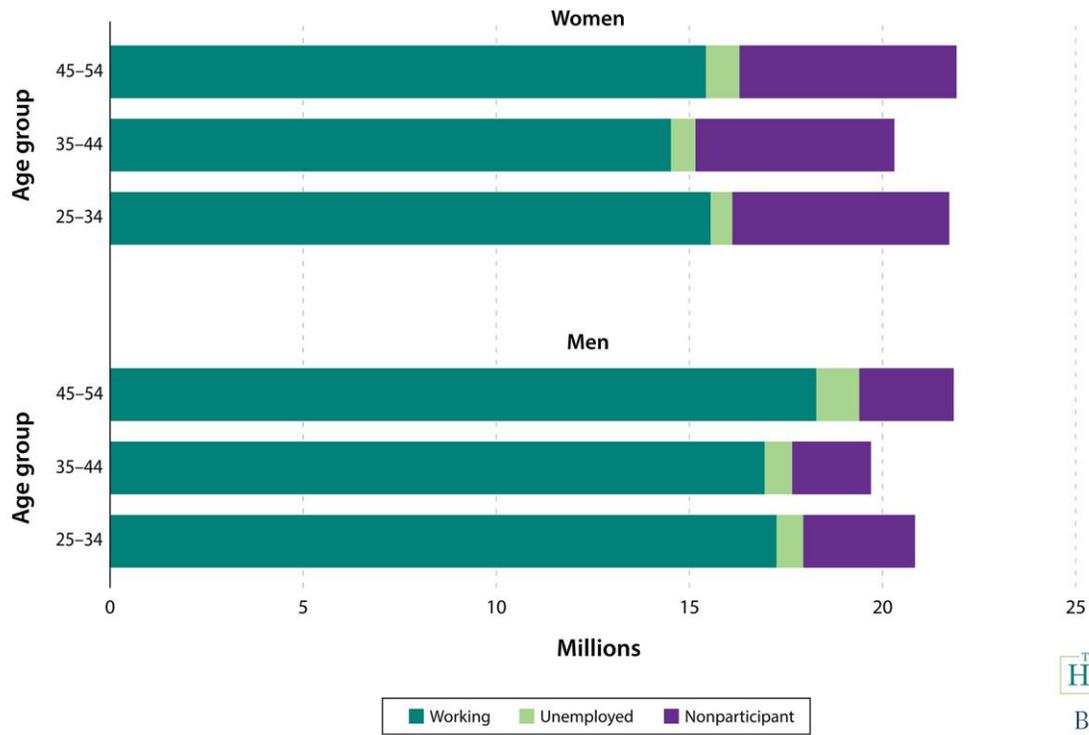
Conclusion

Labor force participation is the key channel through which Americans contribute to and benefit from their economy, making it vital that we understand who is left out of the labor force. This economic analysis describes the characteristics of a group – male and female labor force nonparticipants – that is the focus of considerable policy concern. As policy makers seek to strengthen the U.S. labor market and address worrisome rates of nonparticipation, it is important that reforms be well-targeted to the problems revealed in the data.

Understanding problems related to nonparticipation is also central to The Hamilton Project’s mission. Economic growth and broad sharing in that growth are both enhanced when the labor market makes the best possible use of workers’ talents. It is therefore important to remove impediments to the full labor force participation desired by workers, contributing both to household and national economic security.

APPENDIX FIGURE 1

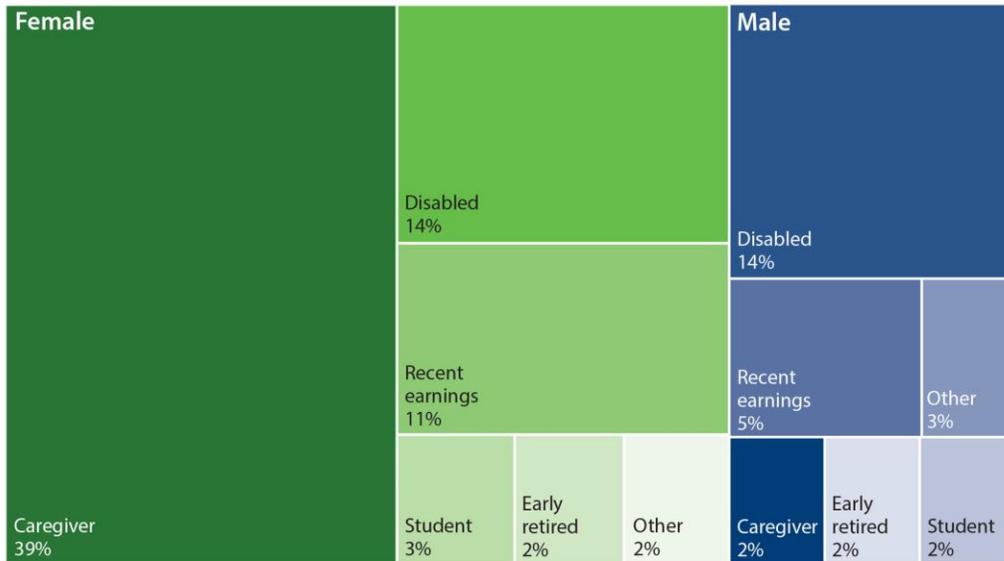
Labor Force Status, by Gender and Age



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors' calculations.

APPENDIX FIGURE 2

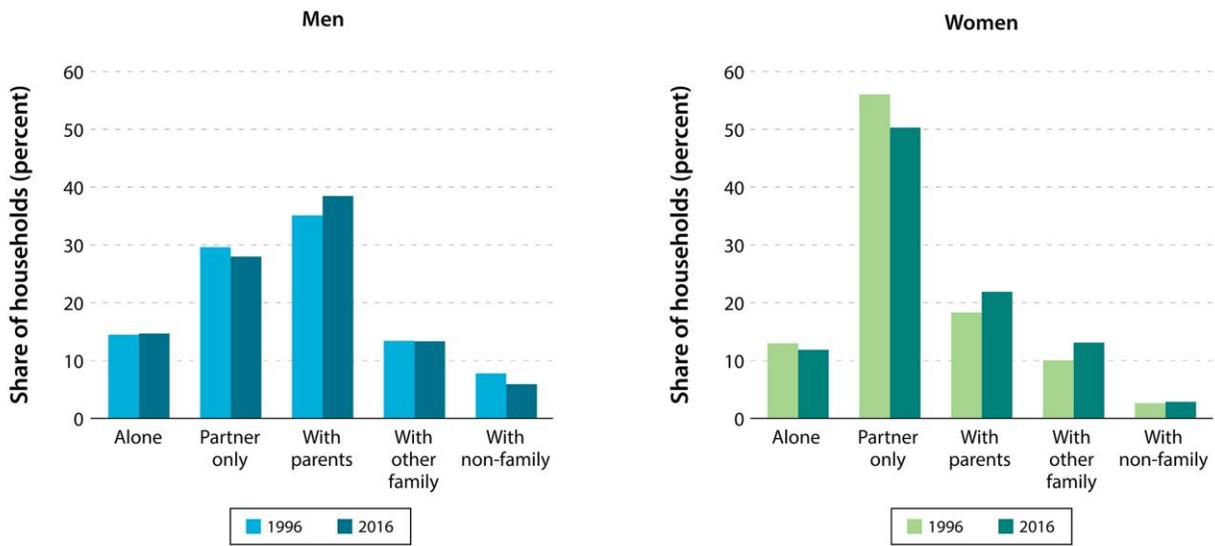
Classification of Reasons for Prime-Age Nonparticipation in 2006, by Gender



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2006 and authors' calculations.

APPENDIX FIGURE 3

Distribution of Living Arrangements of Prime-Age Nonparticipants in 1996 and 2016, by Gender

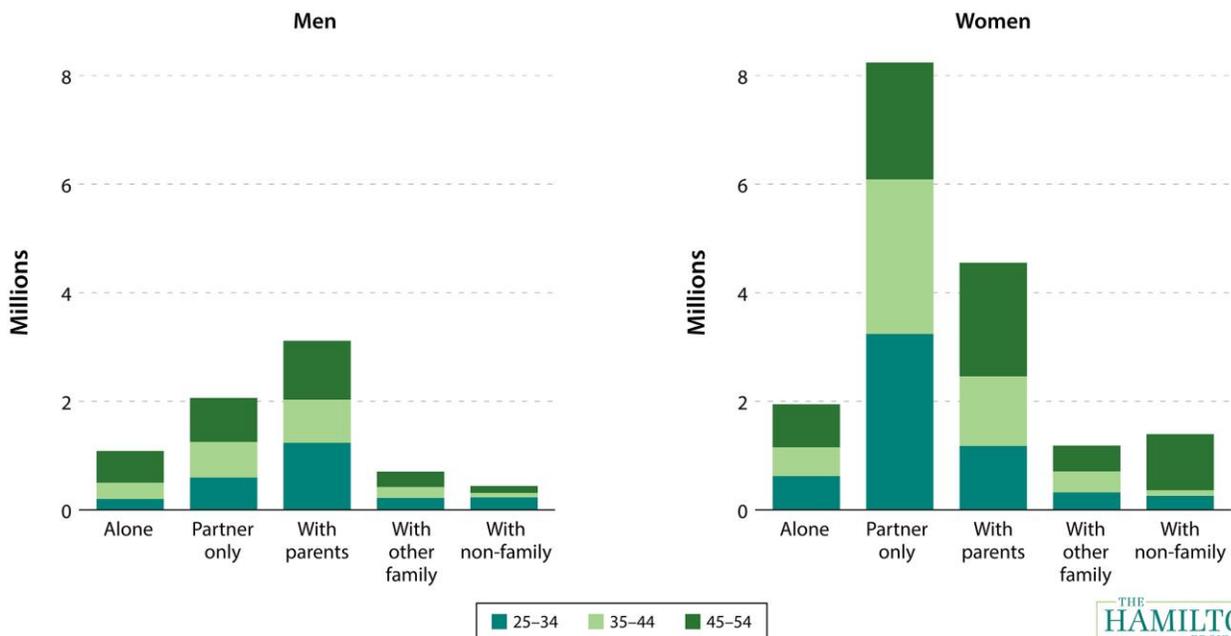


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Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 1996 and 2016 and authors' calculations.

APPENDIX FIGURE 4

Nonparticipant Living Arrangements, by Gender and Age

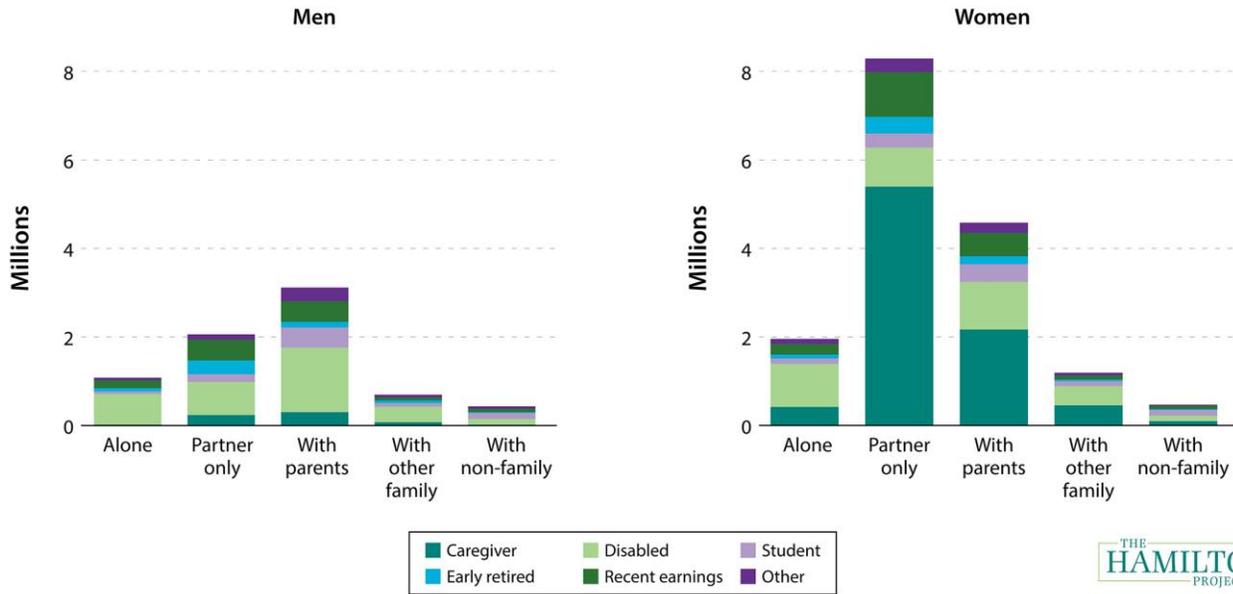


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Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors' calculations.

APPENDIX FIGURE 5

Nonparticipant Living Arrangements, by Gender and Reason



Source: Current Population Survey Annual Social and Economic Supplement, Bureau of Labor Statistics 2016 and authors' calculations.

Endnotes

1. See appendix figure 1 for more detailed labor force status information in 2016.
2. For research on possible reasons for labor force nonparticipation, see [Song and Wei \(2017\)](#) and [Krueger \(2016\)](#).
3. A caregiver is one who responded that the main reason that they were not in the workforce was that they were “taking care of home or family.”
4. Please see appendix figure 3 for a comparison of the 2016 living arrangements of labor force nonparticipants with 1996. One of the more striking aspects of this comparison is the sharp increase in the fraction of prime-age nonparticipants living with parents: this percentage increased from 35 percent to 38 percent for men, and 18 percent to 22 percent for women.
5. Please see the technical appendix for a full accounting of the programs represented in each unearned income category. Each category of earned and unearned income is exclusive and assigned in the following order: earned, retirement, safety net, other, no income. For example, if a household has both earned income and retirement income, it is assigned to the earned income category.
6. See [Meyer, Mok, and Sullivan \(2009\)](#), and [Moffitt and Scholz \(2009\)](#).

The Hamilton Project seeks to advance America's promise of opportunity, prosperity, and growth.

We believe that today's increasingly competitive global economy demands public policy ideas commensurate with the challenges of the 21st Century. The Project's economic strategy reflects a judgment that long-term prosperity is best achieved by fostering economic growth and broad participation in that growth, by enhancing individual economic security, and by embracing a role for effective government in making needed public investments.

Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline. In that framework, the Project puts forward innovative proposals from leading economic thinkers – based on credible evidence and experience, not ideology or doctrine – to introduce new and effective policy options into the national debate.

The Project is named after Alexander Hamilton, the nation's first Treasury Secretary, who laid the foundation for the modern American economy. Hamilton stood for sound fiscal policy, believed that broad-based opportunity for advancement would drive American economic growth, and recognized that "prudent aids and encouragements on the part of government" are necessary to enhance and guide market forces. The guiding principles of the Project remain consistent with these views.



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