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## **The Troubling Decline of Work**

The U.S. remains a land of opportunity, where hard work is generally well rewarded. That's the good news. The bad news: mushrooming expansion of the welfare state (especially in areas like disability compensation and food assistance), a devastating recession followed by an anemic recovery, barriers to entry for challenged populations, and broad degradation of the work ethic have combined to depress work levels in the U.S. rather dramatically in recent decades. This chapter will explore reasons for the troubling

decline in work, building understanding of the practical tools, methods, and approaches that donors need to apply to counteract these trends.

### **The labor market tells the story**

One doesn't need to look far to see evidence of our employment problems. Beaten down by the Great Recession, only 52 percent of Americans told the Gallup poll in 2013 that they think our country currently has plenty of opportunity—down from 81 percent in 1998. Unemployment rates and evidence of stagnating wages receive ample media attention. What more often is pushed to the side is the decline of work itself. A core economic problem in the U.S. today is that a significant fraction of Americans who could be working aren't, and that number has steadily grown in recent years.

After reaching a high of 10 percent in October 2009, the U.S. unemployment rate dropped to 5.6 percent by the spring of 2015. This would seem to be cause for celebration. A more thorough examination of the numbers, however, reveals that a major reason for that decline was that many able persons simply dropped out of the workforce. The government's so-called U-6 unemployment rate adds to the official jobless the underemployed and those who have basically stopped looking for employment. In the spring of 2015—a full five years after the end of the last recession—the U-6 unemployment rate stood at 11 percent.

Even more telling is the ratio of persons who are currently employed to those who are of working age. This is called the labor force participation rate. We know there has been a major move into the labor force by women over the last generation. What is not generally understood is that male workers have been falling out of the productive workforce during that same time.

Research from the U.S. Bureau of Labor Statistics (after carefully adjusting for complicating factors like the aging of our population) shows that while 83 percent of all working-age men held down a job in 1960, the same ratio had fallen to 75 percent by the year 2000 when the U.S. economy was at a peak. In the years since, it has edged down even more—with the result that more than a quarter of prime-age males are now not even trying to work. This withdrawal of men from the labor market stands in sharp contrast to the traditional American experience of manhood, which was closely tied to gainful employment. One of the reasons for our lackluster recovery from the Great Recession has been a declining pool of men eager to find a job—any job.

Low-income and blue-collar men have led the retreat. “In the 1960 census, about 9 percent of all [blue-collar] men ages 20-64 were not in the labor force,” writes sociologist Charles Murray in his book *Coming Apart*. “In the 2000 census, about 30 percent of [blue-collar] men in the same age range were not in the labor force.”

Even young people are dropping out. Between 2002 and 2012, labor force participation by individuals between the ages of 16 and 24 fell by more than eight percentage points. The drop was even starker among teenagers—over 13 percentage points. In 2012, the Social Science Research Council reported that 14 percent of all Americans age 16-24, and 26 percent of African-American men in that age block, were neither in school nor in a job.

It is work that has powered the American experience of upward mobility and a better life for each succeeding generation. With our rate and intensity of work in decline, it’s no wonder that Americans feel pessimistic about future economic improvement. A 2014 NBC-Wall Street Journal poll found that 76 percent of respondents didn’t feel confident that life for their children’s generation would be better than it was for their own generation.

### **The role of dependence in our work slump**

Reasons for the decline of work in the U.S. are multifaceted and complex. One of the biggest culprits is government intervention itself. Though well intentioned, welfare payments of various sorts have become a serious barrier to securing self-sufficient employment. The famous Seattle/Denver Income Maintenance Experiment, carefully conducted to discover what would happen if the government guaranteed incomes to Americans, found that for every \$1 of extra state transfers given to low-income persons, they reduced their labor earnings by 80 cents.

Income transfers have become a mainstream phenomenon in the U.S.—as middle class as a suburban house, two-car garage, and pet dog. The latest ratcheting up was the arrival of the Patient Protection and Affordable Care Act, which allows, for example, a family of four earning up to \$95,400 per year to qualify for health-care subsidies. But well before health-care reform, transfer payments had become common in the middle class. American Enterprise Institute economist Nick Eberstadt writes:

Over 49 percent of America’s population lived in households that were using at least one government benefit to help support

themselves in early 2011. This represented a tremendous increase over the early 1980s, at which time just under 30 percent of Americans were estimated to live in homes drawing entitlements from at least one of the government's many benefit programs.... A majority of American voters live in homes now applying for and obtaining one or more benefits from U.S. government programs.

Nearly every expert, service provider, and philanthropist interviewed for this guidebook agreed on one point: government assistance is now one of the largest factors blocking hurting populations from escaping a listless existence. Private organizations can encourage healthy work and personal responsibility. But they often must battle incentives not to work rising from readily available transfers.

The problem is not confined to traditional welfare payments, food stamps, and government-provided housing. Consider the dramatic rise in government-provided disability payments. Even as the U.S. population enjoys much safer workplaces, new medical cures, expanded legal protection and services for the disabled across society, plus astonishing



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adaptive technology, dependence on disability subsidies has jumped dramatically. In *Unfit for Work: The Startling Rise of Disability in America*, Chana Joffe-Walt reports that 14 million Americans now receive a disability check from the government each month. "The federal government spends more money each year on cash payments for disabled former workers than it spends on food stamps and welfare combined." The Social Security Administration reports that since the beginning of the Great Recession in 2007, the rate of those receiving disabled-worker benefits has jumped by 26 percent.

The spike in the number of workers who consider themselves disabled is a major factor in falling labor force participation. Lax systems now allow disability payments without much scrutiny, without any

expectation that the recipient will pursue medical treatment, without inventiveness in seeking workforce accommodations, indeed with built-in ratchets that cause many recipients who go on the rolls with modest disabilities to continually expand their claims until they are considered fully and irreclaimable disabled for life. For lower-skilled workers, disability payments can now seem more enticing than a job.

### **Working but struggling to make ends meet**

So far, we have established that work rates and labor force participation have declined in the U.S. over the past several decades. What about the Americans who are working yet still finding it hard to pay their bills each month? What are the reasons for this, and are solutions available? Understanding the needs of the working poor begins with knowing that their main problem today is usually the number of hours worked.

Historically, rich Europeans and Asians often lived parasitically off inherited land and the toil of others, eschewing and even disdaining sustained work of their own. In modern societies, that pattern is inverted. Today most wealthy persons work very long hours, and it is the poor who exhibit intermittent or non-existent work.

For over a century, the 40-hour workweek has characterized American economic life, and for many it's seen as a minimum rather than a goal. The U.S. as a whole prides itself on working far longer hours than our Western European counterparts. Lower-income workers, however, tend to put far less time into work, involuntarily or by choice. Today, those who labor longest at workplaces are rarely the poor; they tend to be in the higher income brackets.

Here again, government has played a role in shifting behavior. Income limitations on many transfer payments have the perverse incentive of reducing hours on the job of persons who might otherwise put in a full 40-hour workweek. Maria Kim—president of Cara, a top-rated work-supporting nonprofit in Chicago—reports that dealing with the loss of government benefits is now a big issue for people transitioning from dependence to work. “Typically in the first six months of someone being in gainful employment, if they’ve had public subsidies, they will lose almost all of them,” Kim says. The so-called “cliff effect” where benefits turn off at a certain income level can lead clients to limit hours or upside career potential in order to maintain government transfers.

The work-hours disparity is seen clearly in time-use surveys. An analysis by economists Mark Aguiar and Erik Hurst found that between

1983 and 2003, average work hours per week for those lacking a high-school degree slipped from 44 to 33 for men, and from 18 to 15 for women. Among the college-educated over that same period, work hours increased from an average of 42 to 45 hours per week for men, and from 26 to 31 hours per week for women.

Some workers put in a full 40-hour workweek and still can't escape poverty—but their numbers are small. Only 2.7 percent of Americans who work full time, year-round, are in poverty. Among households that fall in the lowest 20 percent by income, only 11 percent of the heads work full time, year-round. If you look at poor families with children in the U.S., you find that the family is supported by an average of only 16 working hours per week. If each poor family had just one full-time worker, three quarters of today's poor children would be lifted out of poverty.

“The poor have less income in large measure because they work far fewer hours than their more affluent counterparts,” write Isabel Sawhill and Ron Haskins of the Brookings Institution. With limited work hours being the major problem, raising the minimum wage can have only



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limited effects. Moreover, as New York University economist Lawrence Mead points out, “most minimum wage workers are not heads of household and are not poor. They live in families where other people are working. Nor do most poor adults, when they do work, earn only the minimum wage. They typically earn somewhat above that. They are poor mainly due to low working levels, not low wages.”

Donors who want to serve the poor effectively must focus on helping them devote themselves to jobs—encouraging the life stability, attitudes, and home conditions that will allow full-time work, and the skills and consistency to earn a living wage on their own. These are things that the best private workforce-development organizations profiled in this book focus on intently. Many are able to produce clear successes. Donors make it all possible, and with more donations these effective programs can be expanded and copied in needy cities across the nation.

## Overcoming the biggest barriers to work

Self-discipline. Cooperation. Responsibility. Constructive attitudes. These factors are the foundation of a healthy work ethic, and have always been the crucial underpinnings of economic success. Philanthropists today need to help rebuild these prerequisites of occupational achievement.

Cincinnati Works is a nonprofit (profiled in the next chapter) that has been very successful at providing job-readiness training and ongoing career guidance to people who have failed at self-support in the past. When they were founding the organization in the mid-1990s, donors David and Liane Phillips discovered that among the chronically jobless population they wanted to boost up, the main problems were not economics.

Every one of the people we sought to help had some barrier keeping them from finding a decent job. What we failed to anticipate was that almost every one of them ran up against multiple barriers. Nobody had just one.

Here are nine common barriers to work identified by the scores of donors and experts interviewed for this guidebook:

### 1. Skills gaps

In many entry-level jobs, a chasm now exists between what employers want and what prospective employees bring to the table. This applies not only to technical knowledge but “soft skills,” such as time management and respect for supervisors. According to 42 percent of employers queried in a recent national survey, many high-school graduates now entering our job force lack the capacities needed to succeed in a modern workplace.

### 2. Long-term unemployment

The longer one goes without a job, the more difficult it is to find and succeed at one. In 2014, 3.2 million Americans were considered “long-term unemployed” (meaning they had been jobless for 27 weeks or more). That is one third of all unemployed persons. These individuals will find it difficult to acquire and hold employment.

### 3. Increased competition

The Great Recession and the anemic recovery since have increased competition for job opportunities. This problem is likely to solve itself if more growth-oriented economic policies are instituted, but at the moment

many baby boomers who would otherwise have retired are continuing work to rebuild their retirement savings, reducing new openings for young people. Contra the broad declines in labor-force participation sketched earlier, older Americans are the one group now swimming in the other direction. From 2002 to 2012, persons 55 and over increased their participation rate from 35 percent to 41 percent, the only age group to do so.

#### **4. Changing economy**

Globalization and shifts from manufacturing to a service- and knowledge-based economy mean that many men who once labored successfully in blue-collar positions do not have employable talents.

#### **5. A culture of dependence**

“I can’t tell you how many times I’ve had conversations with women who, while they were growing up, didn’t know anybody who worked,” says Tamra Ryan, CEO of the Women’s Bean Project, a social enterprise based in Denver that creates starting jobs for marginalized women. The project has found that establishing a different social circle where positive rather than negative values are reinforced is crucial. “Work ethic and soft skills...the overall culture of poverty—they are all a big part of the challenge,” agrees Peggy Zink, president of Cincinnati Works. “How can we help people move to the culture of the middle class? Sometimes it takes successive failures in jobs to learn.”

#### **6. Soaring single-parenthood**

Stable marriages and dual-parent childraising lead to much better economic outcomes all around. Children in married families are vastly less likely to face economic and emotional struggles. Single mothers of young children have great difficulty working, paying for childcare, and balancing time demands. Unmarried fathers are vastly less successful at work compared to otherwise identical married counterparts. Statistically, married couples with at least one spouse working full time are almost never in poverty. With marriage rates now reaching all-time lows, and half of all children spending time in a single-parent family, there are inevitable economic penalties.

#### **7. Criminal backgrounds**

About 650,000 inmates are released from U.S. prisons each year. Rebuilding a rewarding, virtuous life that includes work is not easy after time behind bars. Many ex-offenders return to criminality and incarceration.

## 8. Drug and alcohol abuse

Close to ten percent of Americans took illicit drugs in the latest year. Many others abuse alcohol. These behaviors interfere with work habits, productivity, public safety, and family life. Many thousands of employees are terminated each year for drug- and alcohol-related infractions.

## 9. Homelessness

Homeless persons generally have spotty or non-existent work histories which turn their résumés into flashing warning signs for employers. They lack settled addresses where they can be contacted. Their hygiene, clothing, and food consumption are often uncondusive to being hired and participating in a workplace. Lack of means of transportation is frequently an issue. These things make the homeless hard to employ.

Despite deeply rooted obstacles like those spelled out here, many workforce charities have found that economic strugglers can be converted to successful jobholders—if they are willing to take on the mantle of responsible employee, and handed the right tools. “People are moved from desperation and belief in the welfare system as their only option to understanding that they can succeed,” says Harriet Karr-McDonald, co-founder of the Doe Fund, a homeless-to-work program in New York City. Eldridge Gray, long-time funder of the youth entrepreneurship organization BUILD, suggests that “earning a paycheck and achieving financial well-being are universally appealing.”

### Why donors should help strugglers surmount barriers

Many of the philanthropists who help chip away at the barriers described in this chapter are successful businesspeople who want to devote part of their fortune to ensuring that paths to self-sufficiency remain open for any economic struggler willing to commit himself to transformation and self-improvement. There are also foundations that loyally fund in this area. The Harry and Jeanette Weinberg, Annie E. Casey, Adolph Coors, Farmer Family, Frey, Anschutz, and Abell foundations are just a few leading examples. Despite the lack of glamour, and the significant dropout rates attendant to this kind of work, these donors offer support again and again because they know that the individuals who do succeed (and for the successful groups it is often more than half of the troubled folks who start), the transformation can be dramatic, lasting, and transmitted to the next generation. That’s why helping at-risk populations become persistent workers is an expanding area of philanthropy.

Asked why donors should invest in workforce growth, George Roberts, founder of the finance giant Kohlberg Kravis Roberts & Co. and creator of the very successful venture-philanthropy fund REDF, encourages philanthropists to personalize the issue. “Just think for a minute if you didn’t have a job,” he urges. “No one wanted to hire you. You had no hope for a job. You were taken care of because of the public system, but people didn’t want you. Just think what that must be like to somebody. They don’t have hope, really. Put yourself in that person’s shoes for a second and ask yourself what it would be like. Then I think it’s possible to see how worthwhile it is to help these people.”

Good programs offer more than a job; they offer a new and better life. And they are able to convince participants that achieving such a life is within a person’s grasp. “If you’re going to attract marginal populations to work, one of the keys is to demonstrate that success is possible,” says Tom Owens, an entrepreneur, philanthropist, and head of the Owens Foundation in Chicago.



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Don MacKenzie is a real-estate developer, donor, and chairman of the Denver-based Center for Work Education and Employment, a nonprofit that helps welfare-dependent women transition to work. He acknowledges that many other worthy philanthropic goals exist for donors. “But in terms of trying to get more of our society producing than receiving, what is more important than job training?” he asks.

Donn Weinberg, executive vice president of Baltimore’s Harry and Jeanette Weinberg Foundation, is a strong advocate for donor involvement in workforce training. He sees it as the best solution to lifting the poor into lasting success. “Employment is at the center of our philosophy,” he says. The foundation’s original wealth creator, Harry Weinberg, grew up poor in Baltimore, then built a transportation and real-estate empire. He believed a strong work ethic was the key to a better life, and left most of his money to support earned upward mobility. With \$2 billion in assets, the Weinberg Foundation invests about \$100 million each year in helping the poor and vulnerable.

Some of the foundation's cornerstone investments include \$15 million to build up the tough-love job program STRIVE between 2002 and 2014; \$2 million for the Cara Program in Chicago; \$2 million of steady support for Year Up; and recent aid for Seattle's FareStart effort. Weinberg suggests that fellow donors interested in workforce development should find a nonprofit in their area that offers good job training and attend the first day of a new class. Then come back on the final days when participants are graduating. The difference you will see in many of the men and women will be palpable, he says.

"If a donor is looking for something inspiring, something he can feel," says Weinberg, "this will be truly heartwarming. These people are not only getting jobs and potentially moving up the economic ladder—they're learning what to do with their lives."

"There is a spiritual or psychological aspect that keeps people poor," Weinberg argues. "In order to have a shot, you must have hope for the future. You must believe that if you engage in the effort to improve, it will be fruitful. If you believe that no matter what you do it won't make a difference, then why get started? What a lot of these great programs do is help people see what they can achieve."