THE BENEFITS of WORK

How Increasing Labor Force Participation Improves the Commonwealth of Kentucky

A Pegasus Institute Report
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Introduction

How Increasing Labor Force Participation Improves the Commonwealth of Kentucky

Kentucky is in the midst of a chronic labor force participation problem. At the time of the Great Recession, the Commonwealth’s labor force participation rate was 61.4 percent and had hovered above 60 percent for more than three decades. Today, the rate is one of the lowest in the country at 59 percent, where it has been stuck for more than 30 months.

Nationally, labor force participation peaked between 1995 and 2000, growing gradually during the 1970s and 1980s to a high of 67.3 percent in the year 2000. Kentucky experienced its all time high in July 1999 when the rate was 64.1 percent. Gradual declines on the national level were accelerated during the Great Recession.

As evidenced by the gap between the national all time high and the Commonwealth’s all time high, Kentucky has almost always maintained a labor force participation rate that was below the national average. This was true before and after the Great Recession. Gradual declines on the national level were accelerated during the period.

The failure to eclipse even 60 percent, a consistent historic marker for the state, even as neighboring states are well above that mark, should be a lingering motivation for policymakers. In total, 42 states had a rate above 60 percent as of July 2019, and only one neighboring state, West Virginia, has a rate lower than Kentucky’s. At just 59 percent, Kentucky’s participation rate is 43rd in the nation.
Kentucky’s stagnant labor force participation rate has persisted despite increases in other pertinent economic factors. Kentucky has a surplus of 15,000 jobs, indicating that there are more jobs available than eligible people to fill them, mirroring a national problem. The state has experienced record outside business investment, has matched its lowest unemployment rate ever recorded, and has more people employed today than any point in its history. Despite that, Kentucky continues to fall short on labor force participation, the metric many economists consider most important.

This report analyzes peer-reviewed research from dozens of sources in three key areas related to work: health outcomes, family life, and public safety. Its conclusions demonstrate why improving the labor force participation rate should be the highest priority for legislators and the ripple effect it has on other areas of society.

The findings are straightforward — getting people into the workforce improves their physical health, mental health and marriages, improves academic and performance outcomes for their children, and leads to lower crime rates for society as a whole.
Does being employed help your health? Research shows that people generally report better mental and physical health when they are employed than when they are unemployed.

Mental Health

Researchers Frances M. McKee-Ryan from Oregon State University, Angelo J Kinicki from Arizona State University, and Zhaoli Song and Connie R. Wanberg from the University of Minnesota conducted a meta-analysis of 104 studies with 146 independent samples relating to the effects of unemployment, job loss, and reemployment on well-being. The analysis of the fifty-two studies that used cross-sectional comparisons indicated that unemployed workers had significantly worse mental health and lower life satisfaction than employed workers.

When coupled with the analysis of the studies on the longitudinal effects of job loss that identified significant reductions in mental health following the loss of a job, it seems that it is frequently the loss of a job that leads to worsened mental health and not the other way around. The analysis of the fifteen studies on the longitudinal effects of reemployment showed that reemployment was associated with marked improvements in both mental health and life satisfaction.

Employed = Better Mental Health
“This study supports past work suggesting it is vital for the health and well-being of all people to increase not simply employment, but specifically full-time employment.”

Physical Health

The meta-analytic study (McKee-Ryan, et al. 2005) also looked at the effects of unemployment and reemployment on reported physical health. While analysis of the cross-sectional studies found that those who were unemployed reported worse physical health, the analysis of the studies on the longitudinal effects of reemployment found that reemployed workers reported significant improvements in their physical health.

Researchers from Boston College examined the relationship between employment status and physical health among veterans and civilians in the US in a 2016 study. Unemployment or short-term employment led both veterans and civilians to report poorer physical health than those currently employed, but veterans’ self-reported physical health was more severely impacted by each of these states of employment. The results also emphasized the greater relative impact that long term unemployment has on veterans than civilians.
While those who work report greater strains on their time as a result of working, they also report higher marital and family satisfaction than those who are unemployed; in single mother households where mothers are employed, adolescents tend to experience greater academic success and emotional well-being than in single-mother-households where mothers are unemployed or experience job loss.

**Family Life**

**Effects on Marriage:**

In their meta-analysis of fifty-two cross-sectional studies of unemployed workers compared to employed workers, McKee-Ryan, et-al. found that **unemployed workers reported significantly lower marital and family satisfaction than employed workers**.

**Effects on Adolescents:**

In a 2005 study using data from the National Longitudinal Survey of Youth, Ariel Kalil and Kathleen M. Ziol-Guest from the University of Chicago looked at the effect of single mothers’ employment patterns on their children’s mastery and self-esteem as well as the likelihood of their children repeating a grade or dropping out of school altogether. **Adolescents with mothers continually employed in a good job outperformed all other adolescents**. The researchers found that adolescents are highly influenced by periods of uncertainty but also by their mother’s self-concept. **Mothers who are consistently employed may be able to better instill the importance of persisting in school than mothers who are consistently unemployed and likely present a more negative self-concept to their children.**
Effects on Adolescents:

**Mastery:** Adolescents whose mothers were continually unemployed or did not regain employment experienced **declining mastery scores.**

**Self-esteem:** Adolescents whose mothers were continually unemployed or had experienced a job loss all saw **declining self-esteem scores.**

**Grade repetition:** Adolescents whose mothers were continually employed in bad jobs faced **greater odds of grade repetition.**

**Dropout:** Adolescents whose mothers were consistently unemployed were **4.63 times more likely to drop out,** those whose mothers lost a job more than once were **3.03 times more likely to drop out.**

Grade Repetition and Dropping Out:

<table>
<thead>
<tr>
<th>Grade repetition</th>
<th>Dropping out</th>
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<tbody>
<tr>
<td>Good job</td>
<td>.03</td>
</tr>
<tr>
<td>Bad job</td>
<td>.11</td>
</tr>
<tr>
<td>Not working</td>
<td>.05</td>
</tr>
<tr>
<td>Lose and do not regain</td>
<td>.06</td>
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<tr>
<td>Lose and regain</td>
<td>.08</td>
</tr>
<tr>
<td>Lose more than one</td>
<td>.06</td>
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*Note.* The hypothetical base category is a teenager assigned the mean value of all continuous predictors and the characteristics of Black, male, mother is never married, no cohabitor present, and no previous grade repetition or drop out.
Higher rates of unemployment are generally associated with increases in property crimes; theoretical pathways include greater free time and idleness among the unemployed as well as greater financial need.

**Crime**

In their 2001 study published in The Journal of Law & Economics, Steven Raphael of the University of California Berkeley and Rudolf Winter-Ebmer of the University of Linz estimated the effect of unemployment on seven different felony offenses. The researchers looked at three property crimes – burglary, larceny, auto theft – and four violent crimes – murder, rape, robbery, assault. Their study indicated that unemployment is a strong determinant of property crimes – although unemployment proved to be a less consistent determinant of violent crimes. There was some indication that the more financially-motivated violent felony of robbery is positively associated with unemployment.

Steven Levitt, an economist at the University of Chicago, analyzed national panel data from 1950 to 1990 to estimate the effect of aggregate unemployment on rates of violent and property crimes per 100,000 residents. A one percent increase in the unemployment rate in an area was associated with an increase in the rate of property crimes between 1.4 and 2.7%; unemployment had no significant effect on violent crimes rates.
In a 2016 paper, researchers from Florida State University, set out to clarify the effect of specific types of joblessness on serious property crimes. Gary Kleck and Dylan Jackson used nationally representative individual-level data to compare known property offenders’ and nonoffenders’ responses to different labor force statuses. While people who were completely unemployed or underemployed were not more likely to commit property crimes, those who were out of the labor force for reasons not widely accepted as legitimate were significantly more likely to offend.

The results suggested those who committed property offenses while jobless had a higher propensity to do so before the change in employment status, but the loss of a job did increase the likelihood that these individuals would commit these offenses. Those who work part-time are significantly less likely to commit property crimes; however, this finding likely points to a preference to accept any work rather than commit a crime.
Those who volunteer tend to report greater life satisfaction and perceived themselves to be healthier than those who do not volunteer; the effects were even greater for volunteers above the age of sixty.

Volunteer Work

Using nationally representative panel data, Marieke Van Willigen from East Carolina University studied the effects of voluntary work on adults. **Adults of all ages who volunteered reported greater life satisfaction and better health than those who did not.** Adults over 60 who did not volunteer reported significantly worse health and life satisfaction than those who volunteered.

Additional analyses showed that physical and psychological wellbeing do not predict volunteering, so improvements in health and life satisfaction are more likely attributable to positive gains from volunteering. The physical health benefits for adults over 60 from volunteering begin to decrease after 100 hours per year and diminish completely after 140 hours per year—or roughly 2.7 hours per week.


About Pegasus Institute

Pegasus Institute is a first of its kind, millennial-led, state-based think-tank. Our mission is to provide public policy research and solutions that help improve the lives of all Kentuckians. Pegasus Institute operates as an independent, non-partisan, privately funded research organization focused on state and local policies.