

STRUCTURAL CHALLENGES: THE LABOR MARKET AND BROADER ECONOMY

Victor Chen, PhD

Virginia Commonwealth University

June 2017

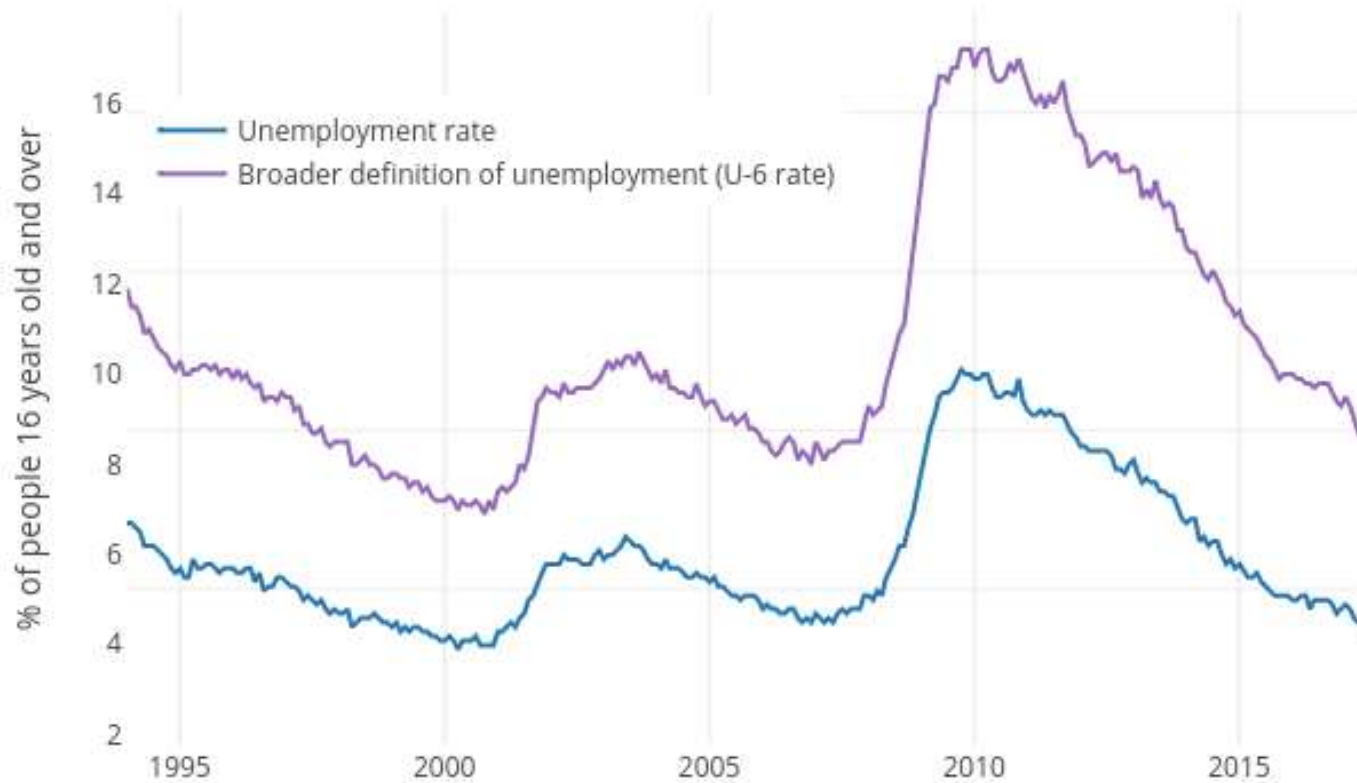
Outline of the Talk

- Recent trends in today's labor market, and the specific situation of the deep poor
- Structural change: the disappearance of good jobs for the less educated, who are disproportionately in poverty
- Trends contributing to the disappearance of good jobs
- Q&A: Other explanations for the economic position of the deep poor (and how the loss of good jobs relates to them)

Unemployment has gone down considerably ...

U-3 (official) and U-6 unemployment rates (1994-2017, seasonally adjusted)

[Note: Charts and data can be found on my site, victortanachen.com.]

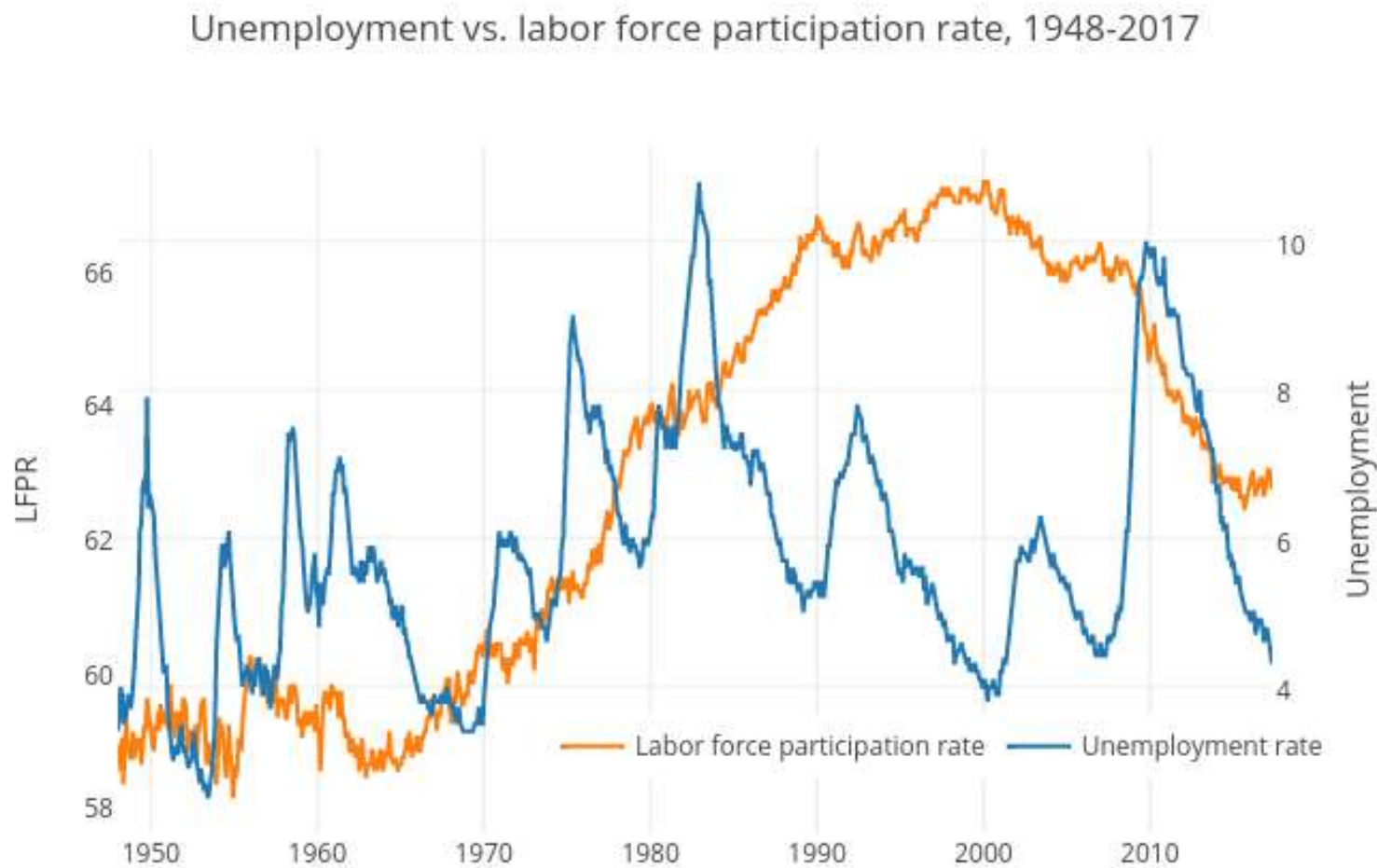


May 2017:
4.3%

Source:
Current
Population
Survey

*U-6 includes
marginally
attached
workers and
employed
persons
working part-
time for
economic
reasons*

... but labor force participation remains low ...

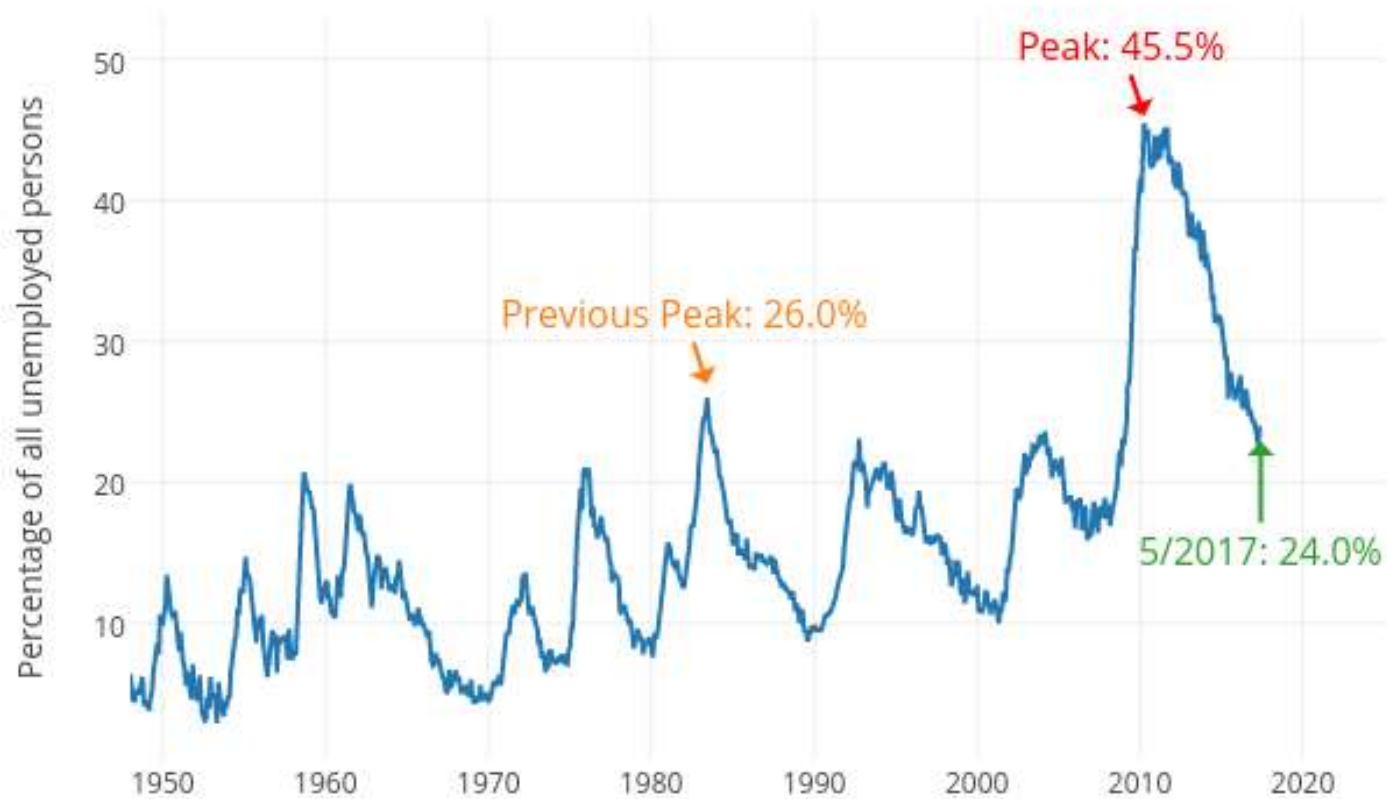


May 2017:
62.7%

Labor force participation rate:
Percentage of population that is working or (recently) looking for work

Source:
Current Population Survey

... more of today's unemployed are long-term unemployed (27+ weeks) than in the past ...

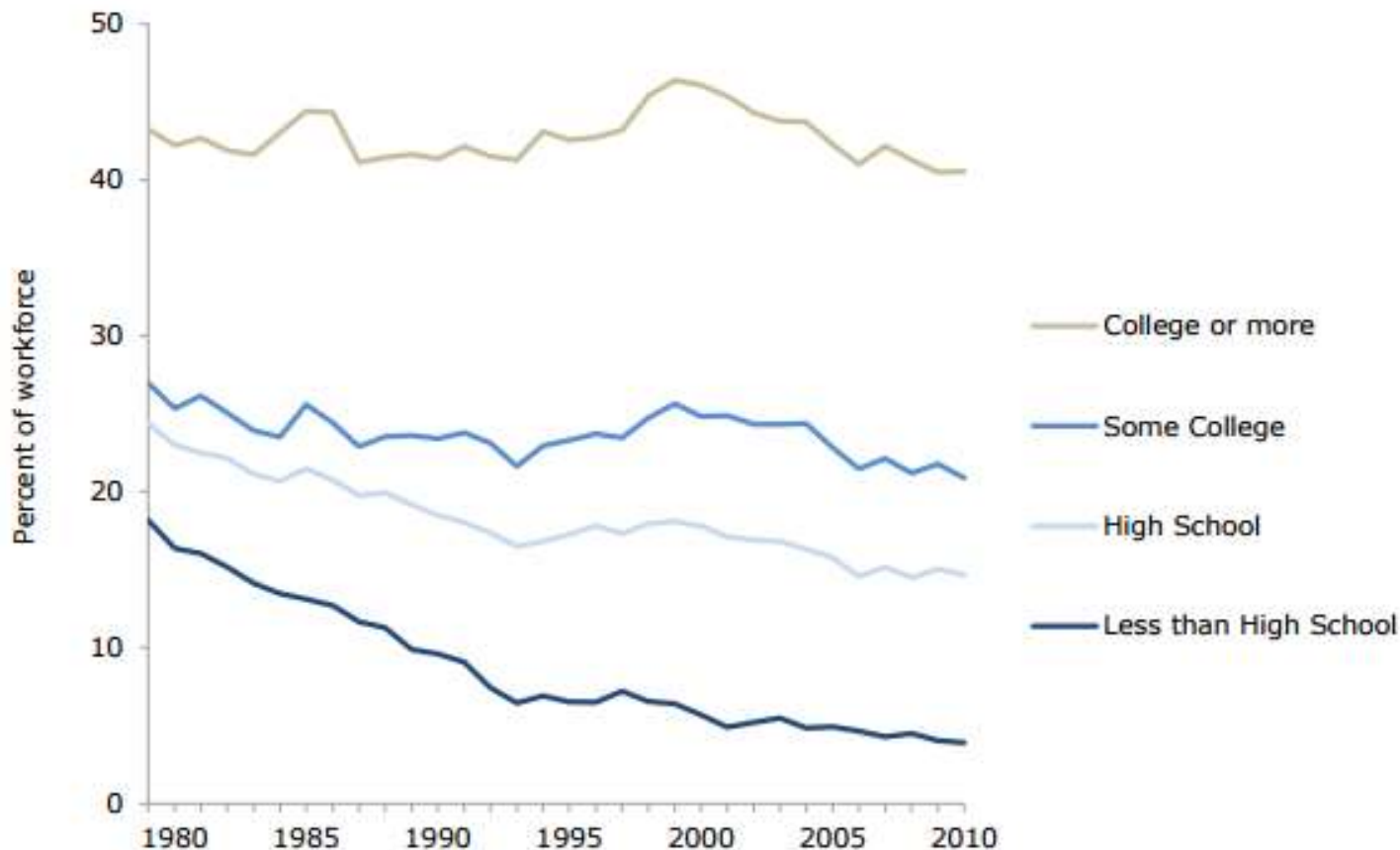


Many of the unemployed have been out of work for a long period of time, which means they are very unlikely to get a new job.

Source:
Current
Population
Survey

... and there are fewer good jobs for the less educated.

Good Jobs, by Education, 1979-2010

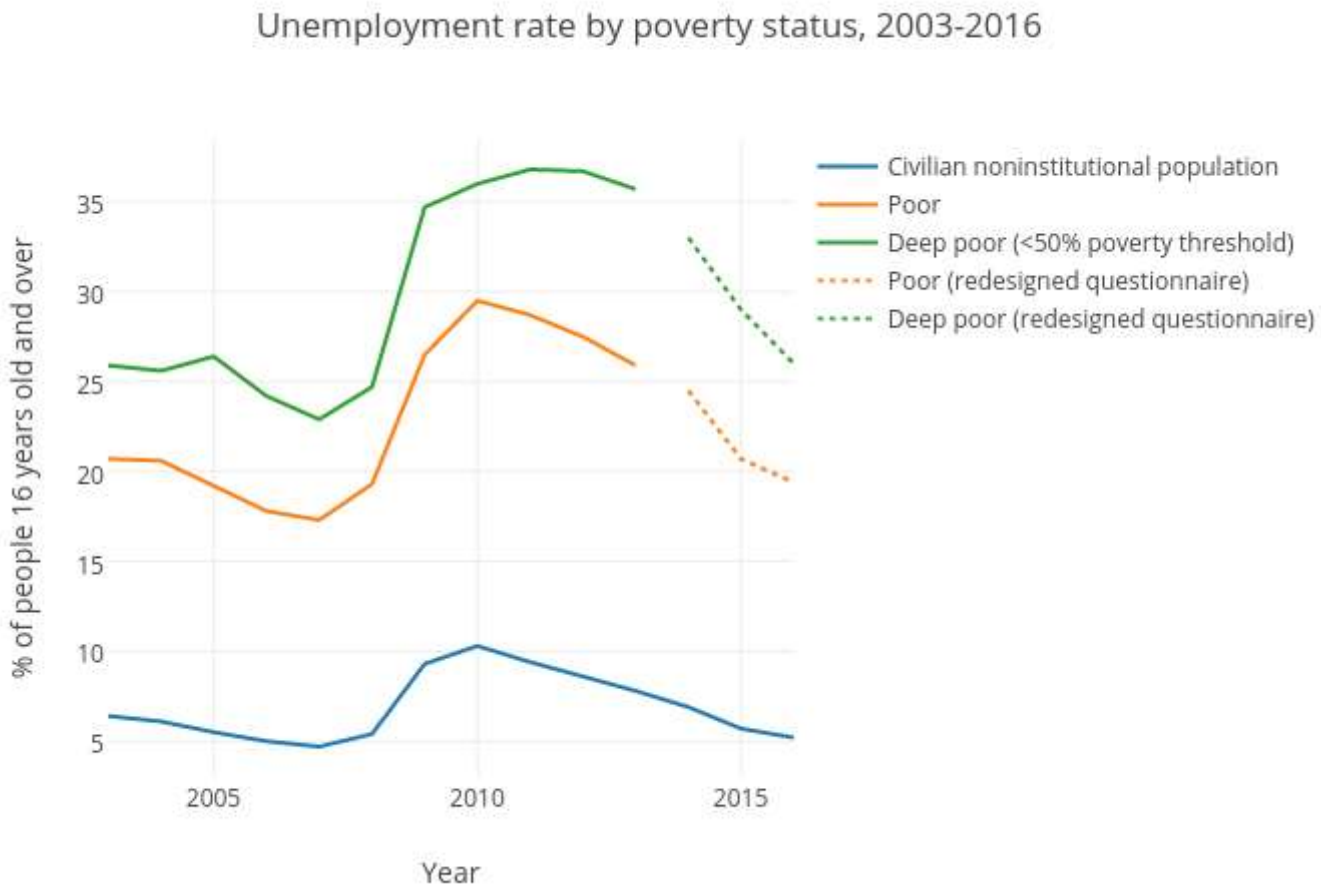


“Good jobs” have

- Annual income of **\$37,000+** (equivalent to the median male wage in 1979)
- **Health insurance and retirement plan of any kind**

Source: John Schmitt and Janelle Jones, “Where Have All the Good Jobs Gone?” Center for Economic and Policy Research (2012)

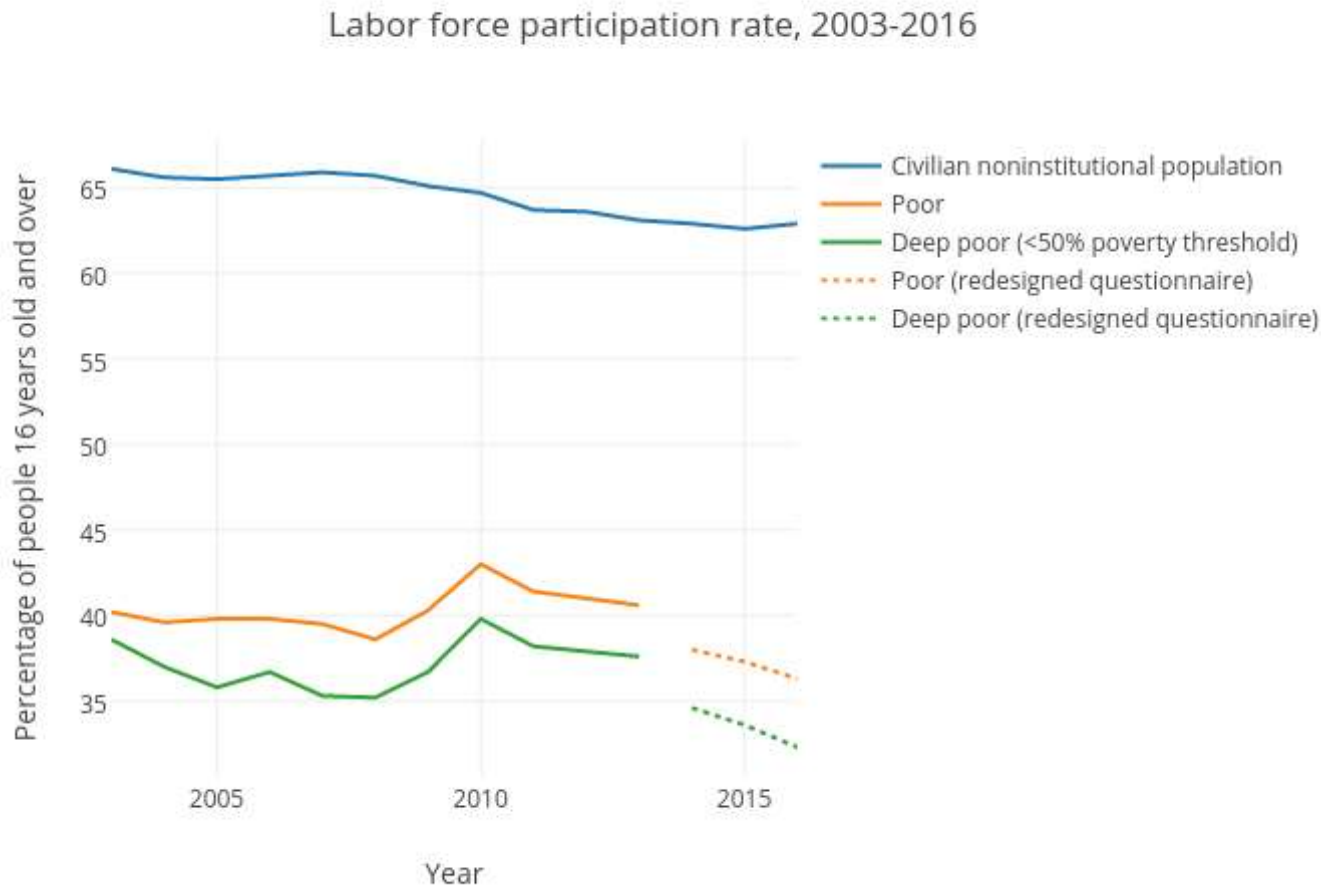
More of the deep poor are unemployed ...



Source: *Current Population Survey Annual Social and Economic Supplement*

Note: The survey's income questions were redesigned in 2014. A Census Bureau analysis found that the difference between the old and new poverty estimates was not statistically significant.

... fewer of the deep poor are in the labor force ...

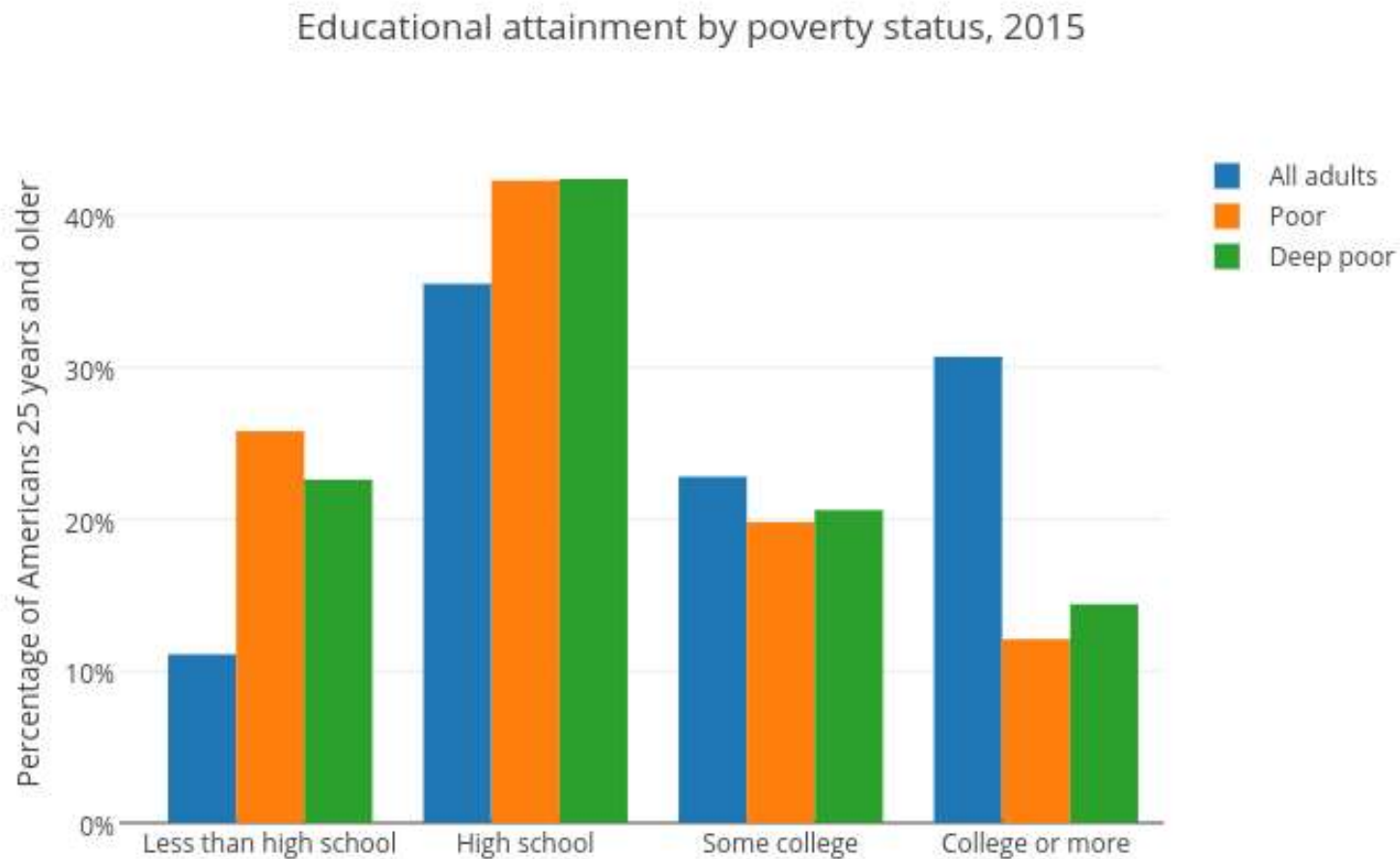


Labor force participation rate: Percentage of population that is working or (recently) looking for work

Source: Current Population Survey Annual Social and Economic Supplement

Note: The survey's income questions were redesigned in 2014

... and fewer of them have college degrees.



Source:
Current
Population
Survey
Annual
Social and
Economic
Supplement

Today's labor market: It's doing better, but not so much for certain groups

- Unemployment is at a 16-year low.
 - *But in recent years labor force participation has been at a depressed level not seen since the 1970s.*
- Some workers have not seen the gains that others have, both in terms of employment and wages.
 - *These workers are more likely to be in poverty and to have less education.*

Some trends driving the disappearance of good jobs for the less educated

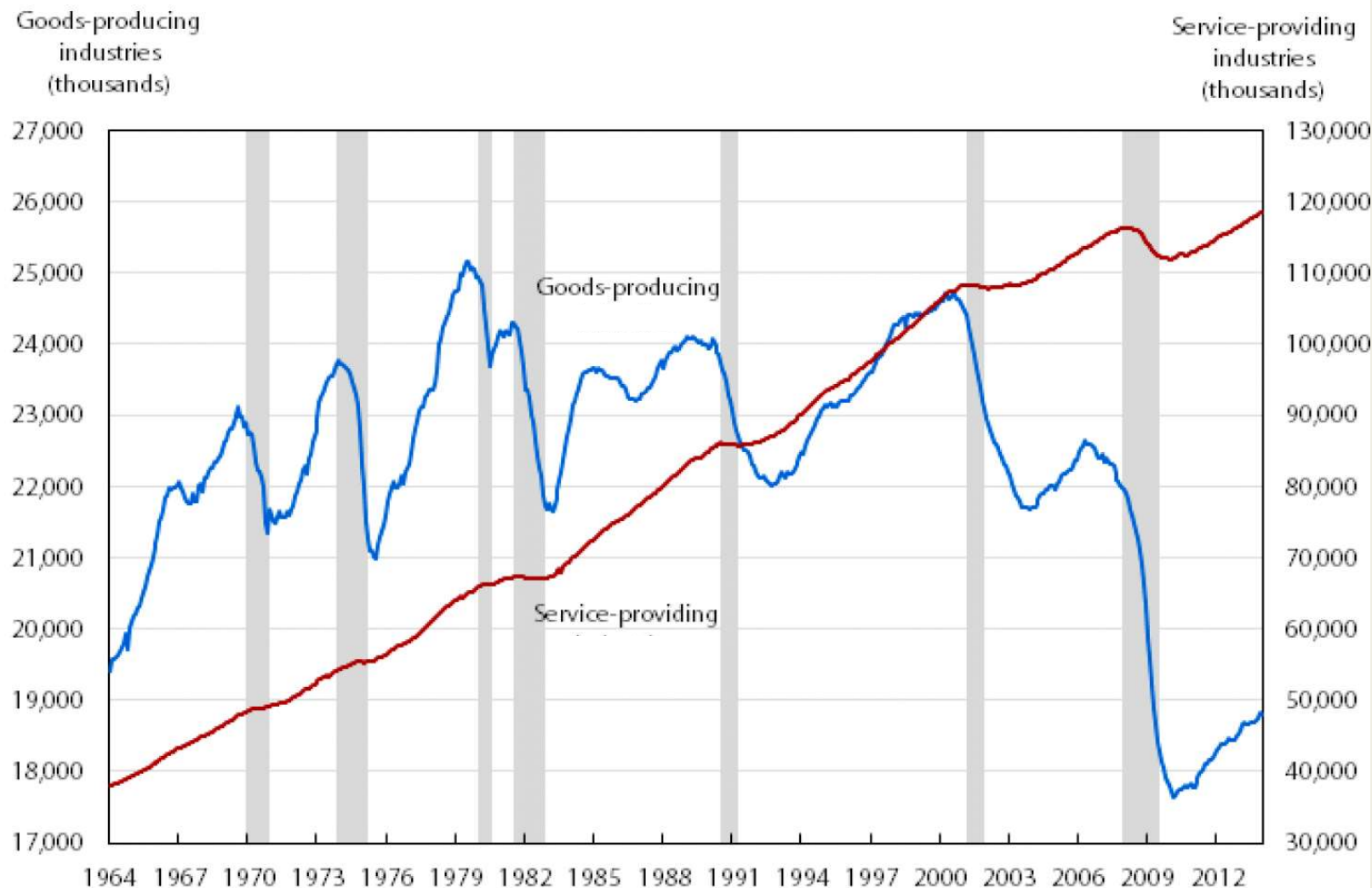
1. Impact of globalization and automation
2. Growing precarity and job insecurity
3. Decline of labor unions

Globalization and automation

We have moved to a service-based economy.

Source:
Bureau of
Labor
Statistics

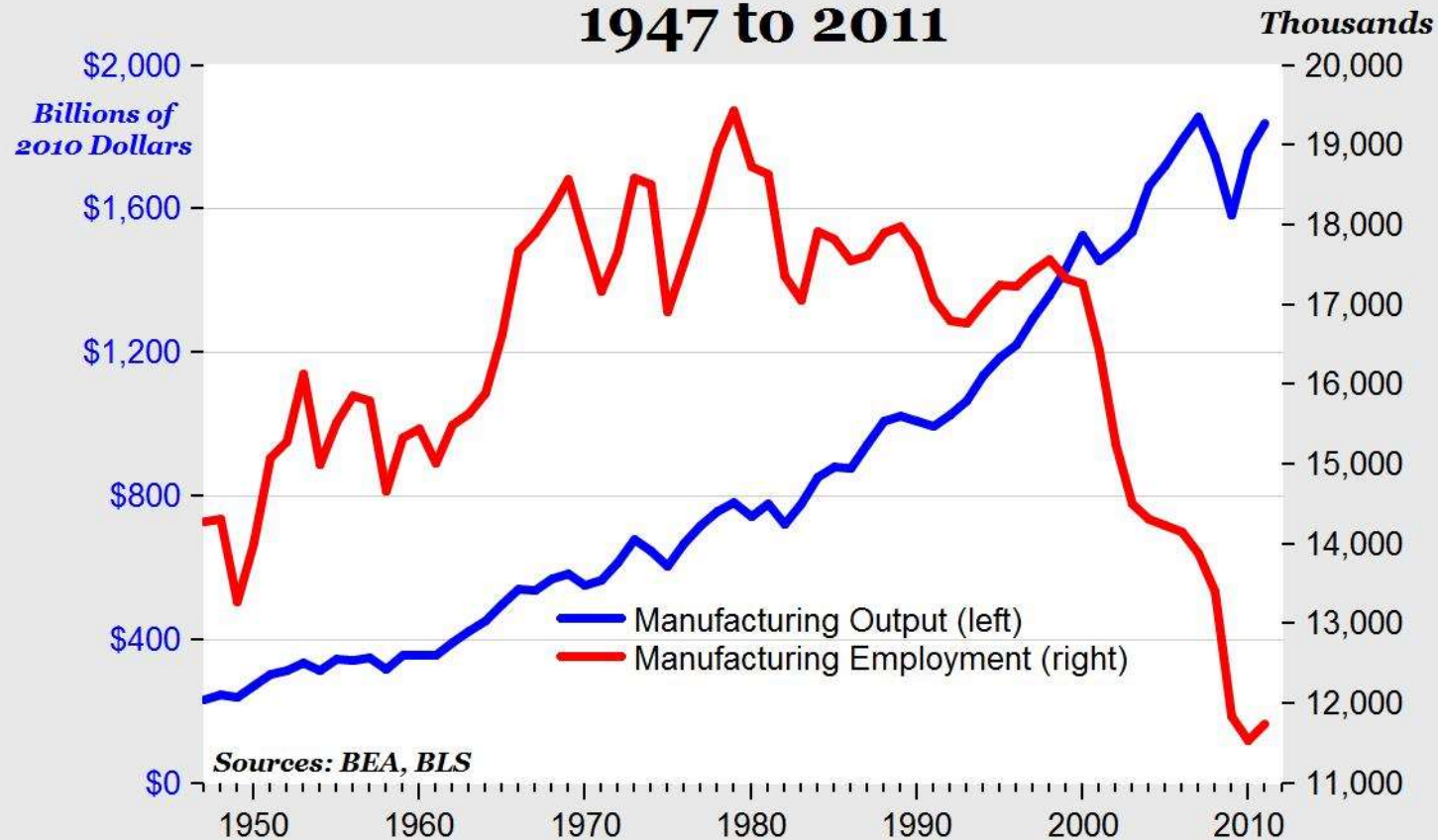
Figure 4. Employment in the goods-producing and service-providing industries, in thousands, seasonally adjusted, 1964–2013



Globalization:
Newly industrialized countries (e.g., China) dominate lower-end manufacturing.

Automation:
We still make stuff, but with fewer—and more highly skilled—workers.

Manufacturing Output vs. Employment 1947 to 2011



Since 2010 US has been the world's second-largest manufacturing nation. Source: MAPI

Automation has contributed to job polarization

Employment Share

Percent



Source: U.S. Census Bureau, Current Population Survey.

Note: The bands indicate recessions as defined by the National Bureau of Economic Research.

Routine jobs are dwindling in number.

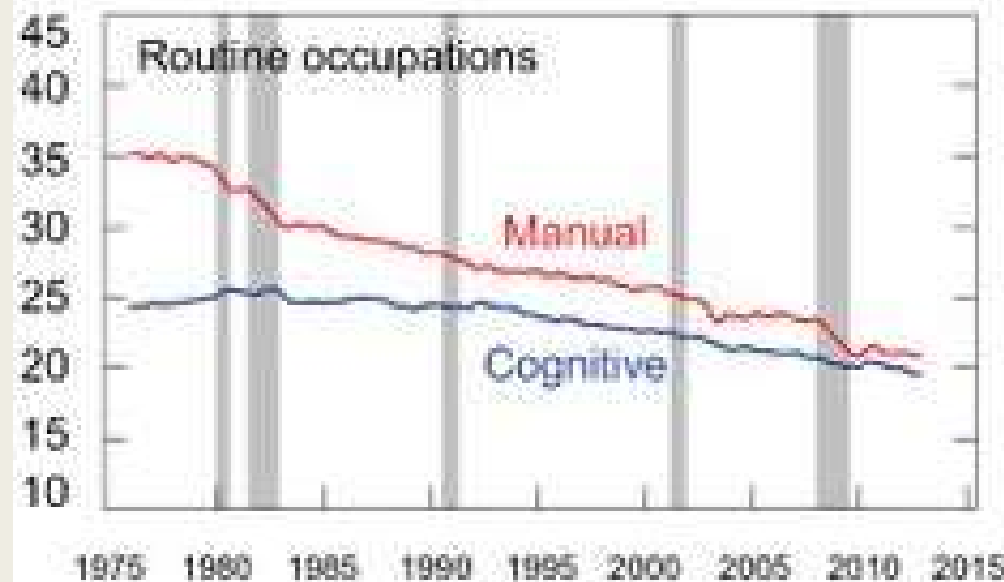
Source: Stefania Albanesi et al., "Is Job Polarization Holding Back the Labor Market?" Federal Reserve Bank of New York (2013)

Automation has contributed to job polarization

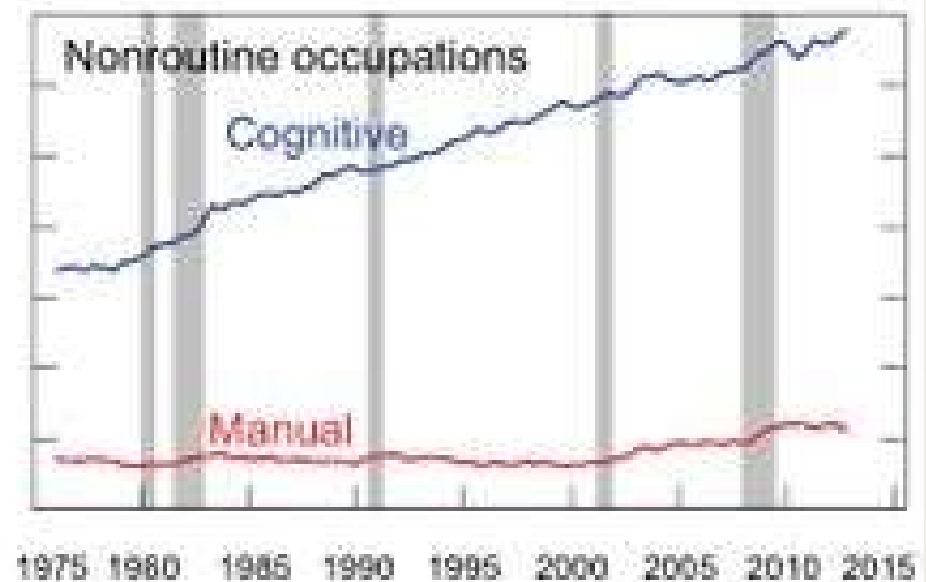
The share of *cognitive* nonroutine jobs has grown greatly.

Breakdown of Employment Shares

Percent



Source: Stefania Albanesi et al., "Is Job Polarization Holding Back the Labor Market?" Federal Reserve Bank of New York (2013)



Sample Monthly Budget

Monthly Net Income

Income (1st job)	\$ 1,105
Income (2nd job)	\$ 955
Other Income	\$ 0
Monthly Net Income Total	\$ 2,060

Monthly Expenses

Savings	\$ 100
Mortgage/Rent	\$ 600
Car Payment	\$ 150
Car/Home Insurance	\$ 100
Health Insurance	\$ 20
Heating	\$ 0
Cable/Phone	\$ 100
Electric	\$ 90
Other	\$ 100
Monthly Expenses Total	\$ 1,260

Monthly Spending Money

(Monthly Net Income Total minus Monthly Expenses Total)

\$ 800

Daily Spending Money Goal

*(Monthly Spending Money divided by 30)**

\$ 27



Practical Money Skills

BUDGET JOURNAL

Use this journal to:

- ▶ Learn to spend and save wisely
- ▶ Discover where your money goes

English and Spanish

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There are still lots of manual nonroutine jobs. But these jobs tend to be stigmatized and pay very little.

Increasingly,
nonroutine
jobs are being
automated,
too.



Most common jobs by state: 1978



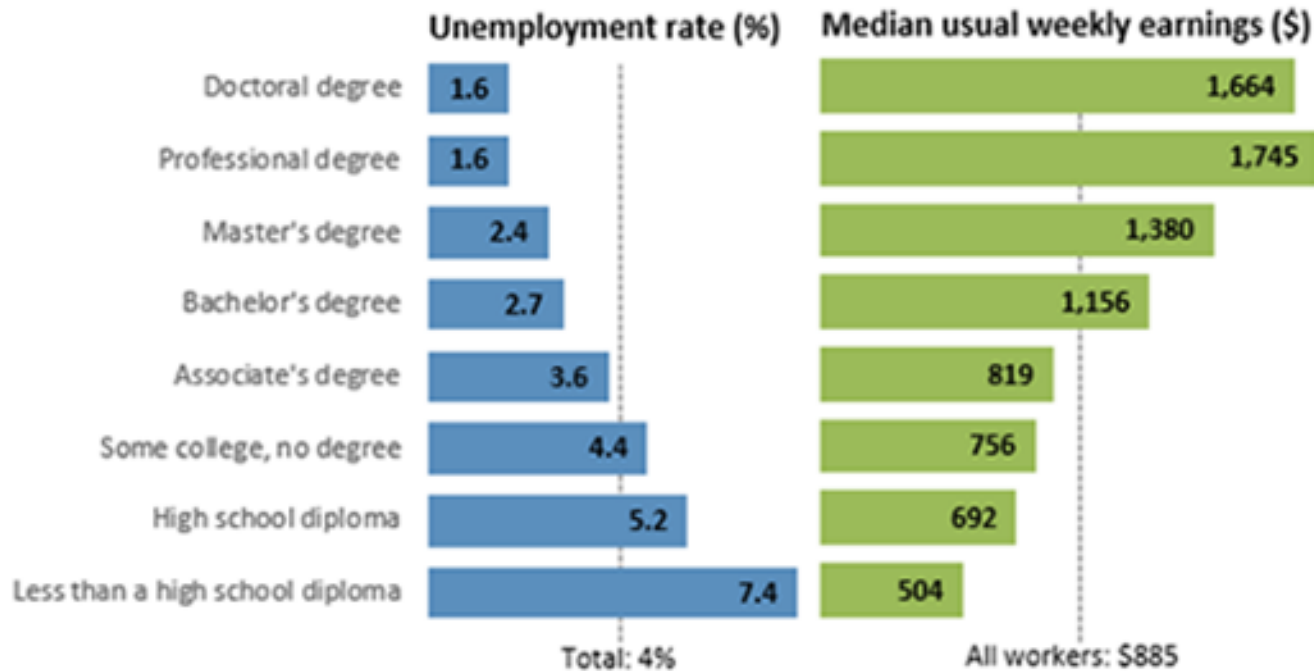
Map generated by NPR using Census Bureau data

Driverless trucks



Skill-biased technological change: Education pays off

Unemployment rates and earnings by educational attainment, 2016



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

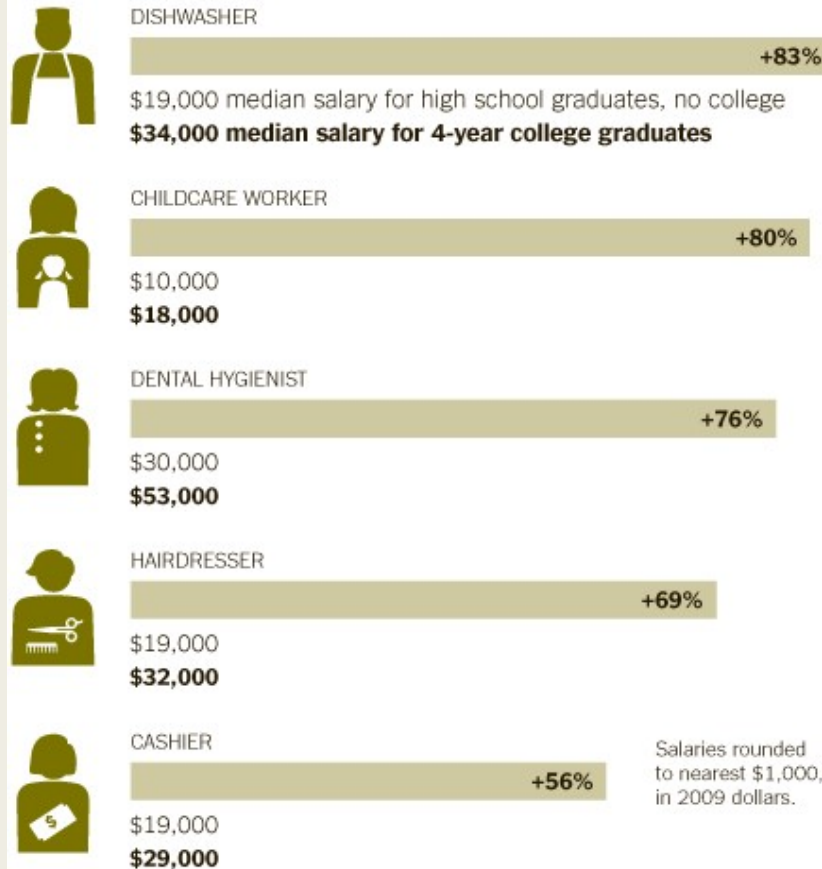
95% of the good jobs created since 2010 have gone to those with bachelor's degrees.

Source: Carnevale et al., "The Good Jobs Are Back," Georgetown Center on Education and the Workforce (2015)

Same Job, Higher Salary

The value of college is not only that it gives graduates entry to high-paying occupations. A four-year college degree also brings higher pay in many fields that do not require a degree, a new study has found.

GREATEST SALARY BUMP FOR THOSE WITH DEGREE



MEDIUM SALARY BUMP

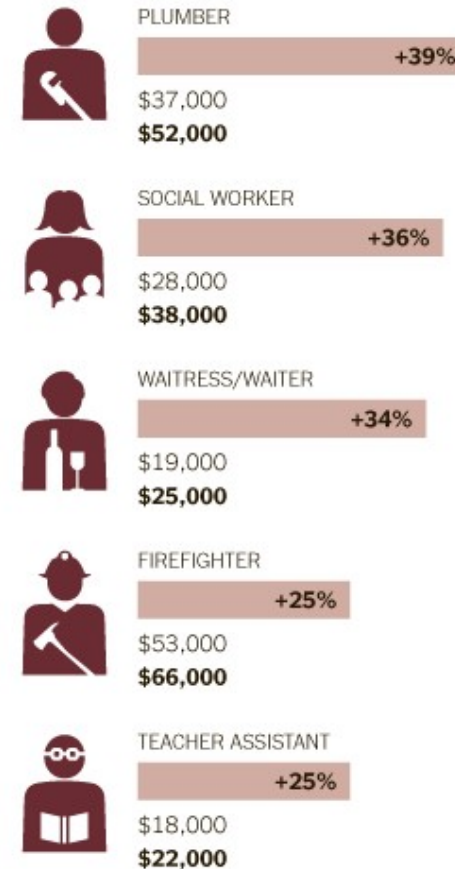


Chart by the NY Times based on data from the Georgetown Center on Education and the Workforce (2011)

Credential inflation: the bar keeps rising for the amount of education needed to get a good job.

This is true even for types of work that **don't require college-taught skills.**

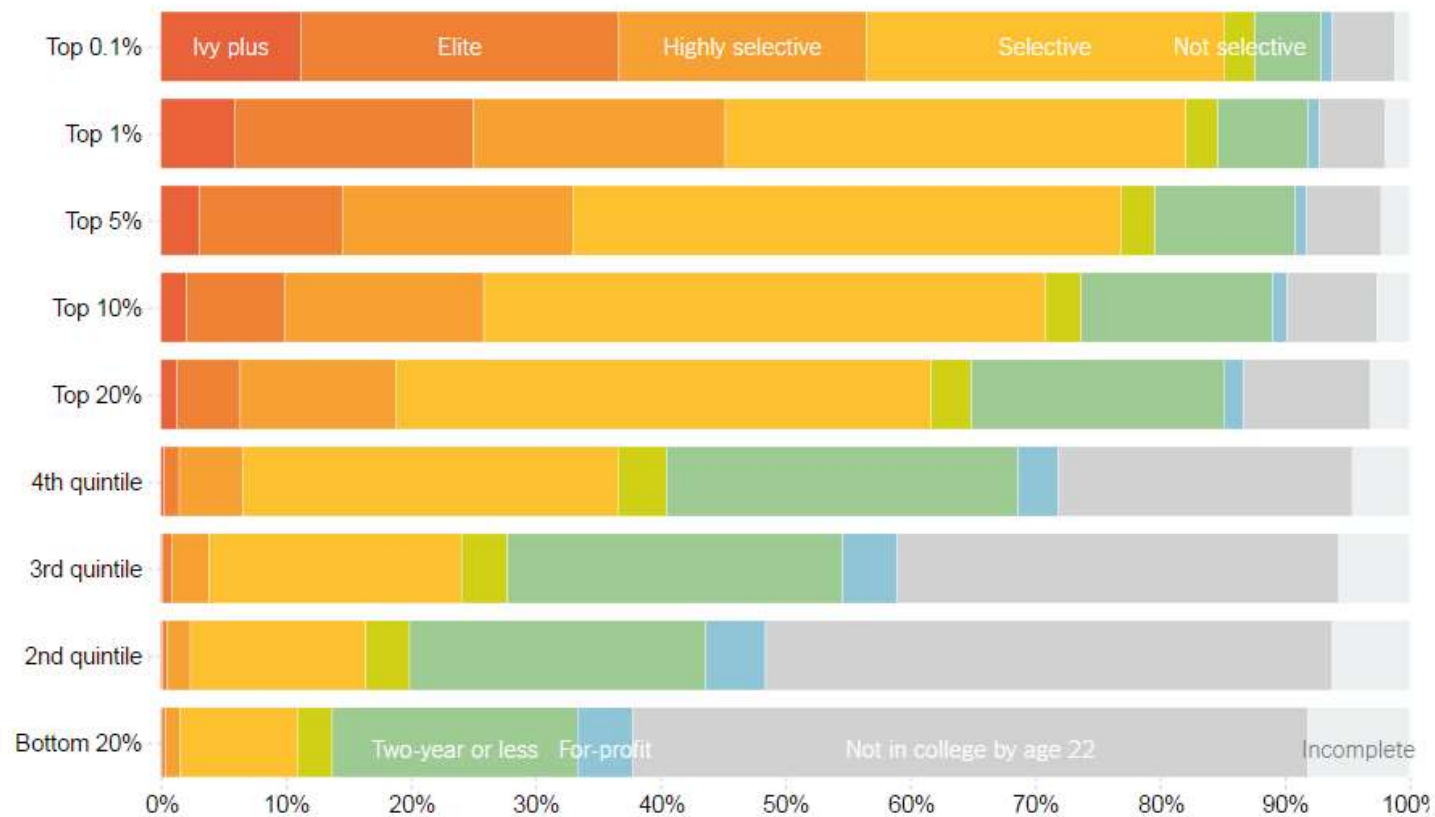
A college degree indicates you have the cultural capital (polish, etiquette, cultural fit, etc.) to succeed in the service economy, which demands emotional labor (customer service, etc.). The isolated deep poor may lack these skills.



Discrimination like this
is why I'm unemployed

Where today's 25-year-olds went to college, grouped by their parents' income

About four in 10 students from the top 0.1 percent attend an Ivy League or elite university, roughly equivalent to the share of students from poor families who attend any two- or four-year college.



Many of the deep poor will not go on to college.

Note: In this analysis, the household income range of the "Bottom 20%" is \$25,000 or less. (For the "Top 0.1%," it is \$2.2 million or more.)

Source: Raj Chetty et al., "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility," *The Equality of Opportunity Project* (2017) [NYT chart]

Some trends driving the disappearance of good jobs for the less educated

1. Impact of globalization and automation
2. Growing precarity and job insecurity
3. Decline of labor unions

Job growth has been in nonstandard work

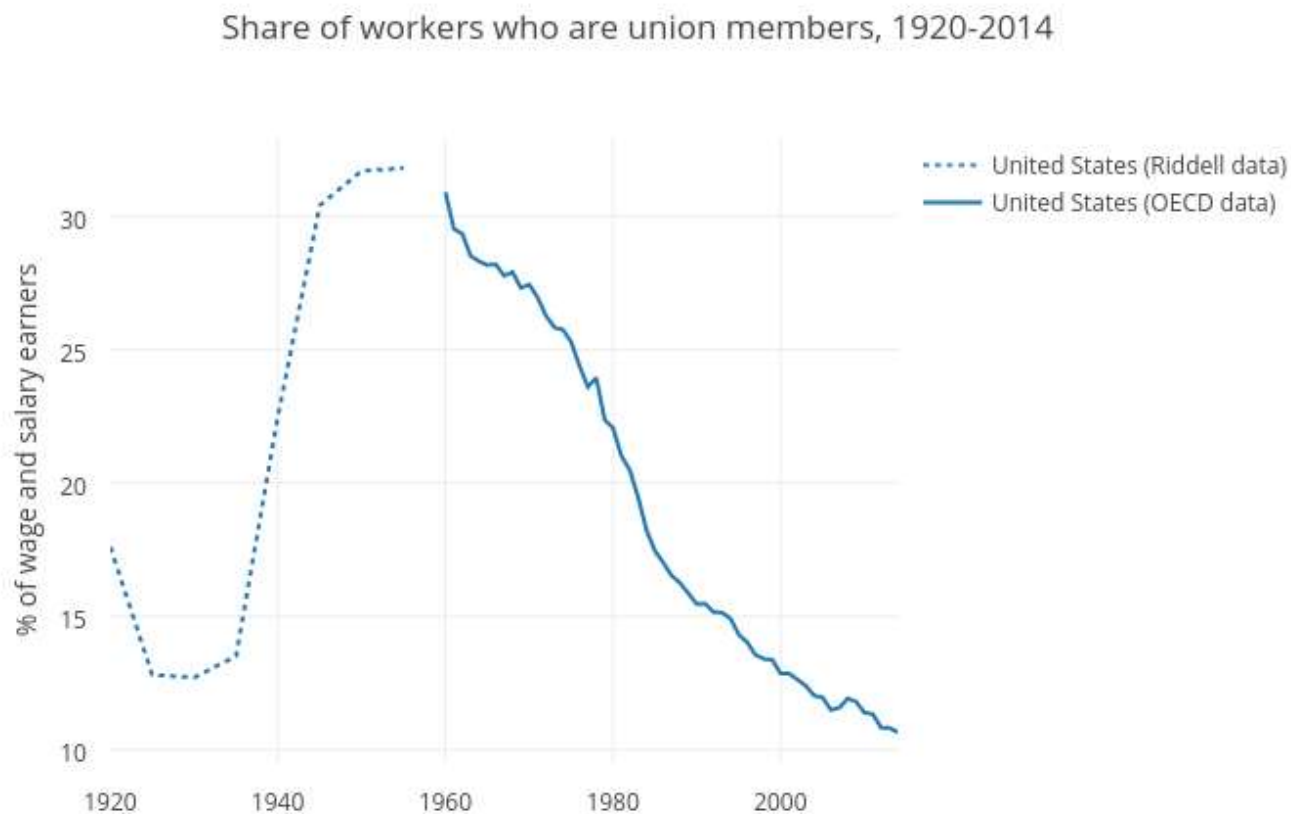
- The number of workers in alternative work arrangements has been growing.
 - *This includes temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers.*
 - *“All of the net employment growth ... from 2005 to 2015 appears to have occurred in alternative work arrangements.”*
- The lowest-paid workers are disproportionately temp and on-call workers—work arrangements that are often involuntary and/or unreliable in their income.

Source: Katz and Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015,” National Bureau of Economic Research (2016)

Some trends driving the disappearance of good jobs for the less educated

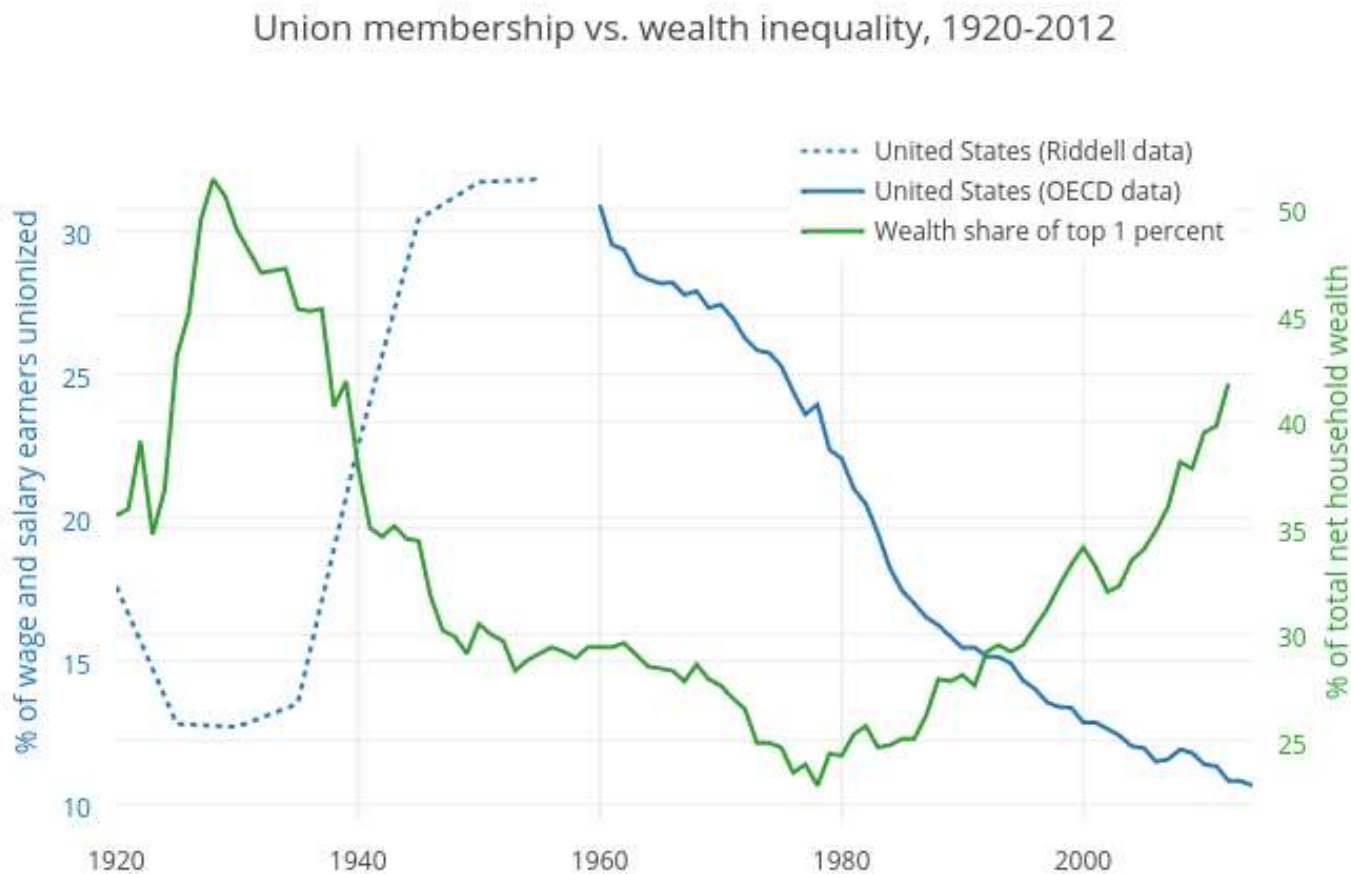
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Union membership has declined dramatically ...



Source: OECD (1960-2014); *Union Source Book and Labour Canada* (1920-1955), as cited in W. Craig Riddell, "Unionization in Canada and the United States" (1993)

... and economic inequality tracks this trend.



Unions: a
countervailing
power

Source: Saez and
Zucman, "Wealth
Inequality in the
United States since
1913" (2016).

Other trends affecting the deep poor's economic position

1. Racial inequalities within the job market
 2. Rise in incarceration
 3. Corrosion of work ethic
 4. Decline in marriage and childbirth within marriage
- ... *etc. etc.*

Summary

- The economic prospects of the deep poor (in part because of its relative lack of education) are grim.
- There are fewer good jobs for the less educated due to globalization, automation, the rise of precarious work, and the decline of labor unions.
- Other factors play a role, but the decline in their relative economic fortunes (in a context of rising inequality) is crucial to understanding the broader social challenges facing the deep poor.

Thank you

Please keep in touch:

Victor Chen

Virginia Commonwealth University

Site: <http://victortan.chen.com>
(Links to articles in the *Atlantic*)

Email: vchen@vcu.edu

Twitter: [@victortan.chen](https://twitter.com/victortan.chen)

Facebook:
facebook.com/VictorTanChen

