

## THE JOYLESS RECOVERY

### DETERIORATING WAGES AND JOB QUALITY IN THE 1990s

by Lawrence Mishel and Jared Bernstein

That the current economic recovery has produced few jobs is well known. In contrast, little attention has been paid to the adverse trends in job quality, namely, the continued widespread erosion of wages and the creation of historically high numbers of part-time and temporary jobs during the downturn and throughout the recovery.

In order to fully appreciate the economic challenges facing policymakers, or even to appreciate the mood of consumers and the electorate, it is important to understand the full array of labor-market problems affecting workers. The deterioration of wages and job quality for many workers truly makes this a “joyless recovery,” especially given the severe wage and employment problems already experienced during the prior business cycle, from 1979 to 1989, and into the 1989-91 recession. As we have documented elsewhere (Mishel and Bernstein, 1993), wages for the 75% of the workforce without a college degree had already fallen dramatically from **1979** to **1991**, especially among men and younger workers. In contrast, white-collar and college-educated workers achieved modest wage growth until 1987, but saw those wage gains reversed during the last stages of the recovery, 1987-89, and during the recession, **1989-91**.

This paper updates our prior analysis by examining wage and employment trends in 1991-93, the first two years of the recovery. Our major findings are:

- There have been broad-based wage reductions during the recovery, including severe wage declines for both blue- and white-collar men and for both high school and college-educated workers. For instance, blue-collar men suffered a 5.9% wage decline over the 1989-93 business cycle, including a 3.0% decline over the 1991-93 recovery. Male white-collar wages fell 1.2% during the downturn and again in the recovery.
- An unprecedented number of the new jobs created in the recovery have been either temporary or part-time. The temporary-help industry, which comprises less than 2% of total employment, accounted for 27.7% of the new jobs. Less than half the new jobs were private-sector non-temporary jobs.
- Part-time jobs account for 25.9% of the jobs created in the recovery, and three-fourths of them were filled by involuntary part-timers -- people wanting full-time jobs. This is the only post-war recovery in which there was not a significant *reduction* in involuntary part-time work.
- Employment has grown only 36% as fast as in prior recoveries. This is the only post-war recovery in which unemployment was no lower after twenty-eight months of recovery.

Regarding job growth thus far in 1993, we find:

- Well over half (60%) of the new jobs created between January and July 1993 were part-time jobs, with half of these filled by people wanting full-time jobs.
- Some 18% of the jobs created so far in 1993 are jobs with temporary-help agencies.
- Hourly wages and compensation have continued to decline in 1993.
- Job creation has been faster in 1993 than in the earlier part of the recovery -- about 172,000 monthly compared to 40,000 monthly from March 1991 to January 1993.
- At best, the modest success at job creation in 1993 has only restored the conditions of the 1980s recovery -- falling unemployment coincident with falling wages and an increase in poor-quality jobs. The character of recent job growth may even be inferior to that of the 1980s, since the wage deterioration appears to be more widespread and the shift to part-time and temporary work is sharper.

This study uses Bureau of Labor Statistics (BLS) data to analyze employment,

wage, and job quality trends. Our wage analysis is based on tabulations of the Current Population Survey (CPS) outgoing rotation group computer files. We report the hourly wages of all wage and salary workers, with salaried workers assigned their equivalent hourly wage. Using 1992 dollars, we compare the most recent data -- from the first half of 1993 -- to comparable time periods in 1989-92. This method allows us to examine wage changes in the downturn (1989-91) and in the first two years of recovery. Because the underlying data are not seasonally adjusted, we compare the first half of each year rather than the first half of 1993 to the full year in prior years. For further technical details see the Appendix.

### **Continued Wage Erosion**

The rapid growth of wage inequality and the severe reduction of wages among the non-college-educated workforce represents the most dramatic economic change of recent years. These labor-market changes are what fueled the “middle-class squeeze” and the growth in family-income inequality. Given the importance of these earlier income shifts, it is critical to know whether the adverse labor-market trends have continued into the 1990s. This section examines the wage trends that developed as the economy contracted (1989-91) and during the first two years of the current economic recovery (1991-93).

We find that the adverse wage trends of the late 1980s have continued through early **1993**. The wages of the blue-collar and non-college-educated workforce continue to fall, as they have since the late 1970s, and the wages of relatively high-wage male workers -- white-collar and college-educated -- are still slipping, as they have since **1987**. As it did in the 1980s, wage inequality continues to grow along occupational (white-collar versus blue-collar) and educational (college versus high school) lines. Meanwhile, the ratio of high to median wages continues to climb.

#### Wage Growth by Wage Level

Table 1 examines the wage trends for high-, middle-, and low-wage workers by showing wage growth at different parts, or percentiles, of the wage distribution.

TABLE 1  
Hourly Wage Growth by Percentile, 1989-1993  
(1992 Dollars)

Time Period	Wage by Percentile					
	20	40	Median	60	80	90
<b>All Workers</b>						
<u>Real Hourly Wages</u>						
1989 1st Half	\$5.93	\$8.43	<b>\$9.86</b>	\$11.46	\$16.20	\$20.52
1990 1st Half	6.04	8.47	9.89	11.42	16.26	20.76
1991 1st Half	6.00	8.32	9.82	11.37	15.83	20.62
1992 1st Half	5.91	8.22	9.82	11.34	16.03	20.25
1993 1st Half	5.88	8.23	9.67	11.32	16.11	20.47
<u>Percent Change</u>						
1989-1991	1.2%	-1.2%	<b>-0.4%</b>	-0.8%	-2.3%	0.5%
1991-1993	<b>-1.9</b>	-1.1	<b>-1.5</b>	-0.5	1.7	-0.8
1989-1993	<b>-0.7</b>	-2.4	-1.9	-1.3	-0.6	-0.3
<b>Males</b>						
<u>Real Hourly Wages</u>						
1989 1st Half	\$6.85	\$9.94	\$11.49	\$13.46	\$18.30	\$22.95
1990 1st Half	6.88	9.90	11.42	13.38	18.39	23.35
1991 1st Half	6.71	9.66	11.23	13.04	18.07	23.07
1992 1st Half	6.53	9.54	11.11	12.90	17.95	22.93
1993 1st Half	6.48	9.49	10.92	12.72	17.89	23.22
<u>Percent Change</u>						
1989-1991	-2.1%	-2.7%	-2.3%	-3.1%	-1.3%	0.5%
1991-1993	-3.4	-1.8	<b>-2.7</b>	-2.5	-1.0	0.7
1989-1993	-5.5	-4.4	<b>-4.9</b>	-5.5	-2.2	1.2
<b>Females</b>						
<u>Real Hourly Wages</u>						
1989 1st Half	\$5.45	\$7.33	<b>\$8.38</b>	\$9.56	\$13.49	\$16.97
1990 1st Half	5.46	7.37	<b>8.43</b>	9.73	13.46	16.83
1991 1st Half	5.41	7.35	8.38	9.76	13.40	17.17
1992 1st Half	5.40	7.34	8.39	9.85	13.62	17.39
1993 1st Half	5.44	7.34	8.54	9.77	13.86	17.59
<u>Percent Change</u>						
1989-1991	-0.6%	0.3%	0.0%	2.1%	-0.7%	1.2%
1991-1993	0.5	-0.2	2.0	0.1	3.4	2.4
1989-1993	-0.1	0.1	2.0	2.2	2.7	3.6

Source: Economic Policy Institute's analysis of Bureau of Labor Statistics data

It shows how the median wage (the wage level at which just as many workers earn more per hour as earn less) has fallen throughout the recent business cycle, dropping slightly (-0.4%) during the 1989-91 downturn and an additional 1.5% during the 1991-93 recovery. The 1.9% fall in the median hourly wage over the 1989-93 period follows a 4.4% fall over the 1979-89 period.'

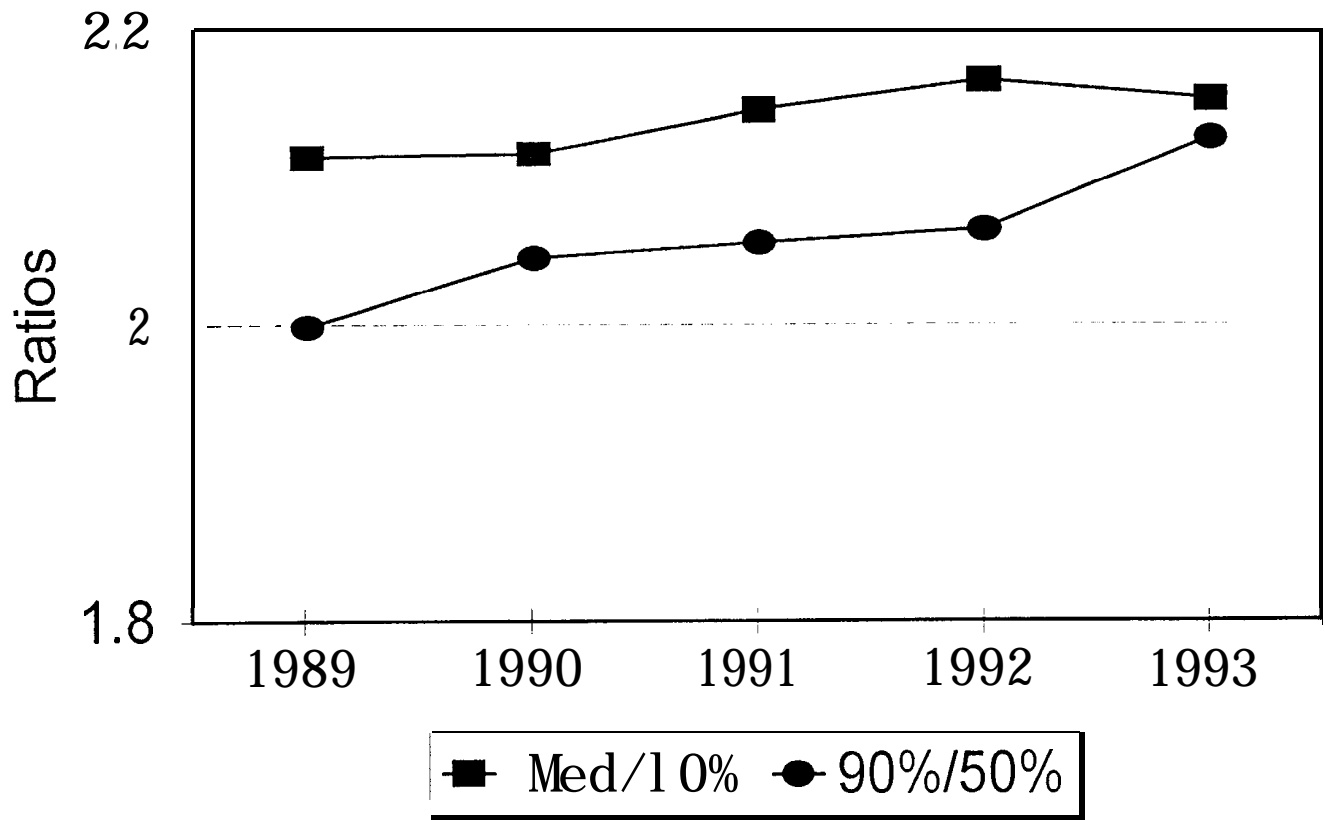
As was the case in the 1980s, men and women have experienced distinctly different wage trajectories. The median hourly wage for males fell 4.9% from 1989 to 1993, including a 2.7% decline during the recovery. In the prior ten years, 1979-89, the median wage among males dropped 11.1%, for a cumulative loss of about 16% since 1979. In contrast, the median wage for women has grown 2% during the current business cycle, continuing the 3.5% wage growth obtained over the 1979-89 period and yielding a cumulative wage growth of nearly 6%.

The deterioration of wages among men continues to be as widespread as in the late 1980s. Consider, for instance, that the wage of a male worker at the 80th percentile (meaning that he earns more than 80% of the total male workforce) has fallen 1% during the recovery and 2.2% since 1989. Men with lower wages experienced even deeper wage deterioration -- about 5% over the 1989-93 period. At the 90th percentile, however, wages are up 1.2% over 1989. Thus, wage inequality among men (as measured by the wage spread between the 90th percentile and either the median or the 10th percentile) has grown during the recent business cycle, continuing the 1980s trend (Figure A). In fact, male wage inequality may even be growing more rapidly in the 1990s.<sup>2</sup>

The wage growth among women has been concentrated among the highest-paid half of the female workforce. The wages of women at the 40th percentile, for instance, did not grow from 1989 to 1993, but wages grew 2% at the median and 3.6% at the 90th percentile. Thus, wage inequality among women (Figure B), as in the 1980s, has continued to grow during the current business cycle, although the growth of women's wage inequality may be slower.<sup>3</sup>

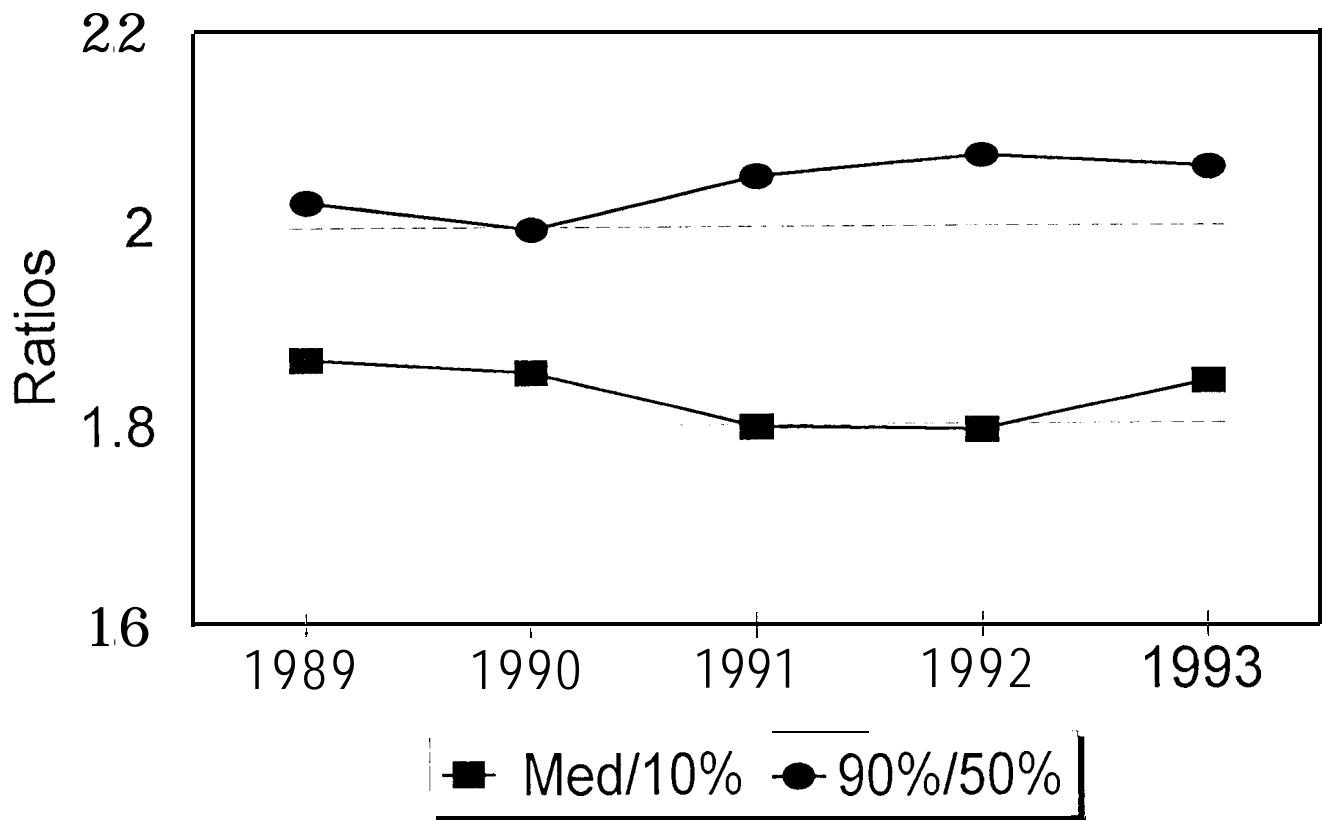
Some observers have suggested that rising fringe benefits have been offsetting declining wages. In fact, the growth in fringe benefits in recent years has been much less than the fall in wages. BLS data show that the employer cost for

Figure A  
**Wage Inequality, Men**  
1989-1 993



Source: Economic Policy Institute's analysis of BLS data.

Figure B  
Wage Inequality, Women  
1989-I 993



**Source:** Economic Policy Institute's analysis of BLS data.

pensions and health insurance rose just \$. 15 per hour from early 1989 to early 1993, hardly enough to counterbalance the \$.57 decline in the male median wage or the smaller (\$. 19) drop in the overall median wage.<sup>4</sup>

### Wage Growth by Occupation

The early 1990s saw blue-collar wages fall and white-collar wages remain stagnant, continuing the trends of the 1980s (Table 2). Among men, however, the real hourly wages of both white-collar and blue-collar workers fell during the downturn (1989-91) and continued to fall during the first two years of the recovery. Since wages fell more for blue- than white-collar men -- 5.9% versus 2.4% -- during the 1989-93 period, there was continued growth in the blue-collar/white-collar wage differential. The wage decline among men over the 1989-93 period occurred in nearly every occupational group. The only exceptions were “professionals” (11.7% of employed men) and “protective service” workers, primarily police and firefighters. During the 1991-93 recovery, the overall fall in male white-collar wages was driven by large declines among managerial and sales workers. Among women, in contrast, wages grew in both the downturn and the recovery in nearly every occupational group.

### Wage Growth by Education Level

There has been much discussion of the dramatic growth in the 1980s of the wage differential between college graduates and high school graduates. For instance, the ratio of the average wage of a college graduate to that of a high school graduate grew from 137.7% in 1979 to 155.7% in 1989. As we have shown elsewhere, between 1979 and 1989 this education-related wage differential grew despite only a modest increase in the wages of college graduates because the wages of non-college-educated workers *fell* a great deal (Mishel and Bernstein, 1993). Between 1987 and 1991, however, the wages of college graduates fell as well, but because the wages of high school graduates fell even faster, the college/high school wage differential continued to grow.<sup>5</sup>

What has happened to education differentials in the recovery? Unfortunately,



**TABLE 2**  
**Hourly Wage Growth by Major Occupation, 1989-93**  
**(1992 Dollars)**

Occupation	Percent of	First Half					Percent Change		
	Workforce	1989	1990	1991	1992	1993	89-91	91-93	89-93
<b>All Workers</b>									
<u>White Collar</u>	<b>56.7%</b>	\$13.17	\$13.20	\$13.13	\$13.14	\$13.18	-0.3%	0.4%	0.0%
Exec, Manager	11.8	16.60	16.65	16.54	16.71	16.29	-0.4	-1.5	-1.8
Professional	<b>13.4</b>	16.28	16.53	16.27	16.18	16.36	-0.1	0.6	0.5
Technical	3.5	14.05	14.12	13.63	13.35	13.64	-3.0	0.1	-2.9
Sales	10.5	10.74	10.64	10.55	10.50	10.43	-1.7	-1.2	-2.8
Admfn, Clerical	17.4	9.75	9.73	9.74	9.87	9.90	-0.2	1.7	1.5
<u>Services</u>	12.4	7.34	7.50	7.51	7.37	7.48	2.2	-0.3	1.9
Protective	1.9	11.71	12.11	12.02	11.73	11.91	2.6	-0.9	1.7
Other	10.5	6.57	6.67	6.66	6.56	6.64	1.4	-0.2	1.1
<u>Blue Collar</u>	28.7	10.78	10.75	10.53	10.43	10.22	-2.3	-3.0	-5.3
Craft	11.9	12.74	12.65	12.30	12.35	12.19	-3.4	-0.9	-4.3
Operatives	8.0	9.29	9.33	9.22	9.03	8.82	-0.7	-4.3	-5.0
Transp Oper	4.4	10.51	10.68	10.34	10.10	10.09	-1.6	-2.4	-4.0
Laborers	4.4	8.49	8.32	8.21	8.06	7.80	-3.2	-5.0	-8.0
<b>All*</b>	100.0	11.62	11.68	11.56	11.52	11.49	-0.5	-0.6	-1.1
Males									
<u>White Collar</u>	43.8%	\$16.40	\$16.46	\$16.21	\$16.10	\$16.01	-1.2%	- 1.2%	-2.4%
Exec, Manager	12.5	19.12	19.28	19.09	19.21	18.50	-0.2	-3.1	-3.3
Professional	11.7	18.53	18.84	18.57	18.43	18.65	0.2	0.5	0.7
Technical	3.4	16.00	16.01	15.20	14.93	15.37	-5.0	1.1	-3.9
Sales	9.6	13.54	13.56	13.17	12.96	12.89	-2.7	-2.1	-4.7
Admin, Clerical	6.6	11.86	11.61	11.61	11.84	11.70	-2.1	0.8	-1.3
<u>Services</u>	9.9	8.69	8.78	8.79	8.48	8.60	1.2	-2.1	-1.0
Protective	3.0	12.16	12.41	12.40	12.05	12.24	1.9	-1.3	0.6
Other	6.9	7.18	7.18	7.17	6.97	7.01	-0.1	-2.3	-2.4
<u>Blue Collar</u>	<b>43.8</b>	11.49	11.43	11.15	11.05	10.81	-3.0	-3.0	-5.9
Craft	<b>20.5</b>	13.07	12.99	12.57	12.62	12.46	-3.8	-0.8	-4.6
Operatives	<b>8.8</b>	10.66	10.59	10.47	10.25	9.88	-1.7	-5.6	-7.3
Transp Oper	<b>7.5</b>	10.67	10.88	10.48	10.29	10.26	-1.7	-2.1	-3.8
Laborers	<b>7.0</b>	8.76	8.60	8.45	8.25	7.97	-3.5	-5.7	-9.0
<b>All*</b>	100.0	13.25	13.31	13.05	12.94	12.81	-1.5	-1.8	-3.3

**TABLE 2 (cont.)**  
**Hourly Wage Growth by Major Occupation, 1989-93**  
**(1992 Dollars)**

Occupation	Percent of Workforce	First Half					Percent Change		
	1989	1989	1990	1991	1992	1993	89-91	91-93	89-93
<b>Females</b>									
<u>White Collar</u>	71.2%	\$10.93	\$10.96	\$11.02	\$11.12	<b>\$11.24</b>	<b>0.8%</b>	<b>2.0%</b>	<b>2.8%</b>
Exec, Manager	<b>10.9</b>	<b>13.34</b>	<b>13.31</b>	<b>13.45</b>	<b>13.63</b>	<b>13.61</b>	<b>0.8</b>	<b>1.2</b>	<b>2.0</b>
Professional	15.4	<b>14.36</b>	<b>14.55</b>	<b>14.39</b>	<b>14.45</b>	<b>14.60</b>	<b>0.2</b>	<b>1.5</b>	<b>1.7</b>
Technical	3.7	<b>12.05</b>	<b>12.17</b>	<b>12.01</b>	<b>11.72</b>	<b>11.99</b>	<b>-0.4</b>	<b>-0.1</b>	<b>-0.5</b>
Sales	11.5	<b>8.10</b>	<b>7.96</b>	<b>8.13</b>	<b>8.08</b>	<b>8.15</b>	<b>0.4</b>	<b>0.2</b>	<b>0.6</b>
Admin, Clerical	29.6	<b>9.23</b>	<b>9.24</b>	<b>9.26</b>	<b>9.36</b>	<b>9.42</b>	0.3	1.7	<b>2.0</b>
<b>Services</b>									
Protective	0.6	NA	NA	NA	NA	NA	NA	NA	NA
Other	14.5	<b>6.24</b>	<b>6.38</b>	<b>6.38</b>	<b>6.32</b>	<b>6.43</b>	2.2	0.8	<b>3.0</b>
<b>Blue Collar</b>									
<u>Craft</u>	11.8	7.85	7.79	7.85	7.68	<b>7.62</b>	0.0	-2.9	<b>-2.9</b>
Craft	2.2	NA	NA	NA	NA	NA	NA	NA	NA
Operatives	7.1	<b>7.38</b>	<b>7.39</b>	<b>7.31</b>	<b>7.15</b>	<b>7.17</b>	-0.9	<b>-1.9</b>	<b>-2.8</b>
Transp Oper	1.0	NA	NA	NA	NA	NA	NA	NA	NA
Laborers	1.5	NA	NA	NA	NA	NA	NA	NA	NA
All'	<b>100.0</b>	9.77	9.85	9.91	9.96	<b>10.04</b>	<b>1.5</b>	<b>1.3</b>	<b>2.8</b>

NA: not available; less than 2% of female workforce in any quarter.

\*Categories do not sum to 100.0 as certain occupations are not presented due to small sample size.

Source: Economic Policy Institute's analysis of Bureau of Labor Statistics data.

BLS changed the relevant survey question in the CPS starting in January **1992**, so it is not possible to compare the wages of education categories as defined in 1992 to any prior year. However, it is possible to use the new definitions to track wages for each education group from early 1992 to any subsequent time period, as Table 3 does for wages in the first half of 1992 and 1993. These data show that the decline in the wages of college graduates observed in the 1987-91 period continued over the most recent year. The wage of the average college graduate fell 0.8% between early **1992** and 1993. The wage of non-college-educated workers fell even faster. Among men, wages fell for every educational group except graduate degree holders, a group comprising just 8.7% of the male workforce. Among women, those who are highly educated -- with college or graduate degrees -- continued to achieve real wage growth.<sup>6</sup>

The growth in the college/high school wage differential is a factor of gender: among men there was no growth, but among women the differential grew by more than one percentage point over the last year.<sup>7</sup>

### Wages by State

Our data analysis also shows that wage reductions have been widespread geographically. For instance, from 1989 to 1992 the median hourly wage fell in all but eleven states. Moreover, wage reductions have been occurring in every region.

## **Jobs, Unemployment, and Underemployment**

Most of the discussion about recent economic trends has been about the lack of job growth in this “jobless recovery.” In this section we document this slow growth in jobs but also point to the growth of unemployment and various forms of underemployment -- involuntary part-time work, temporary work, and labor-force dropouts.

### Slow Job Growth

Recent data revisions and the modest job growth over the past six months show that it is an exaggeration to say there has been no job growth during the

**TABLE 3**  
**Hourly Wage Growth by Educational Level, 1992-93**  
**(1992 Dollars)**

	Percent of Workforce 1993	Hourly Wages First Half		Percent Change
		1992	1993	
<b>All Workers</b>				
Less than HS	11.5%	<b>\$7.73</b>	\$7.56	-2.2%
High School Graduate	35.1	<b>9.71</b>	9.59	-1.2
Some College	<b>21.0</b>	<b>10.48</b>	10.35	-1.2
Associate Degree	<b>7.7</b>	<b>12.37</b>	12.19	-1.5
College	<b>16.8</b>	<b>15.51</b>	15.39	-0.8
MS or Above	<b>7.9</b>	19.41	19.49	0.4
Total	<b>100.0</b>	11.52	<b>11.49</b>	-0.3
<b>Males</b>				
Less than HS	13.6%	<b>\$8.58</b>	<b>\$8.34</b>	-2.7%
High School Graduate	34.3	11.05	<b>10.86</b>	-1.7
Some College	20.0	11.83	<b>11.68</b>	-1.2
Associate Degree	6.8	13.55	<b>13.32</b>	-1.7
College	16.7	17.49	<b>17.22</b>	-1.6
MS or Above	<b>8.7</b>	21.29	<b>21.33</b>	0.2
Total	<b>100.0</b>	12.94	12.81	-1.0
<b>Females</b>				
Less than HS	9.1%	<b>\$6.43</b>	<b>\$6.30</b>	-2.0%
<b>High</b> School Graduate	35.9	8.33	8.29	-0.5
Some College	22.2	9.11	9.06	-0.5
Associate Degree	8.7	11.37	11.23	-1.2
College	16.9	13.35	13.43	0.6
MS or Above	7.2	16.87	17.10	1.4
Total	100.0	9.96	10.04	0.8

Source: Economic Policy Institute's analysis of Bureau of Labor Statistics data.

current recovery. Nevertheless, recent job growth is clearly disappointing when measured against the first twenty-eight months of the six earlier post-war recoveries, as shown in Table 4.

Slow job growth is evident in both the payroll and the civilian employment (household survey) data, although the actual amount of job growth differs. While payroll employment grew by 1.9 million jobs in the first twenty-eight months of this recovery, this is little more than one-third (36%) as fast as in prior recoveries.<sup>8</sup> In fact, every other recovery produced more than twice as many jobs as this one by the twenty-eighth month. While it is true that the job loss was less in this recession than in prior downturns (a loss of 1.4 million versus 1.9 million jobs), this does not explain the slow pace of job gains during this recovery. If we calculate the net job gain since the prior business cycle peak, we find there have been just 563,000 jobs gained over the current business cycle. This is about 2.8 million short of the average 3.4 million net job gain that occurred in earlier business cycles.

The household data tell the same general story as the payroll employment data. Civilian employment, as measured by the household survey, fell somewhat more in the recent downturn (approximately 1.1 million versus 1.0 million), but grew just half as much in the recovery (2.5 million versus 5 million). The net job gain since the last business cycle peak was just 1.4 million, 2.7 million short of the 4.0 million net job gain in earlier cycles.

### Unemployment

The most visible indicator of poor economic performance is the failure of the unemployment rate (which directly measures the gap between those seeking work and those obtaining employment) to fall in this recovery (Table 4). The unemployment rate rose from 5.4% to 6.8% during the downturn and then rose to as high as 7.6% during the recovery before falling to the current 6.8% level. *This is the only post-war recovery in which unemployment was no lower after twenty-eight months of recovery.* Moreover, despite the lower growth of unemployment in the recent downturn (a rise of 1.4 percentage points versus 3.2 for other downturns), the unemployment rate was still 1.4 percentage points higher than before the

**TABLE 4**  
**Labor Market Trends in Post-War Recoveries**

			Post-War Recessions/Recoveries*					
			Jul8 1	Nov73	Dec69	Apr60	July53	Nov48
Peak Month	July90	Prior	Jul8 1	Nov73	Dec69	Apr60	July53	Nov48
Trough Month	Mar9 1	Recovery	Nov82	Mar75	Nov70	Feb6 1	May54	Oct49
28th Month of Recovery	July93	Average	Mar85	July77	Mar73	June63	Sept56	Feb52
<i>(Employment Data in Thousands)</i>								
<b>Payroll Employment</b>								
Peak to Trough	-1,337	-1,920	-1,856	-2,901	-1,054	-1,864	-1,706	-2,137
Trough to 28th Month	1,900	5,275	6,661	6,865	4,563	4,785	4,483	4,292
Net Gain	563	3,355	4,805	3,964	3,509	2,921	2,777	2,155
<b>Civilian Employment</b> <i>(Household Survey)</i>								
Peak to Trough	-1,139	-969	-1,581	-1,133	-90	-371	-1,489	-1,148
Trough to 28th Month	2,505	5,000	7,877	6,897	5,802	2,061	4,171	3,193
Net Job Gain	1,366	4,032	6,296	5,764	5,712	1,690	2,682	2,045
<b>Involuntary Part-Time Workers</b>								
Peak to Trough	929	1,158	1,979	1,400	459	792	NA	NA
Trough to 28th Month	482	-623	-986	-361	-212	-934	NA	NA
Net Gain	1,411	534	993	1,039	247	-142	NA	NA
<b>Unemployment Rates</b> <i>(Percentage Point Change)</i>								
Peak to Trough	1.4	3.2	3.6	3.8	2.4	1.7	3.3	4.1
Trough to 28th Month	0.0	-2.4	-3.6	-1.7	-1.0	-1.3	-2.0	-4.8
Net Change	1.4	0.8	0.0	2.1	1.4	0.4	1.3	-0.7
<b>Civilian Labor Force</b>								
Peak to Trough	611	1,635	2,494	2,449	1,924	841	618	1,483
Trough to 28th Month	2,812	3,301	4,278	5,748	5,298	1,206	3,039	234
Total Growth	3,423	4,935	6,772	8,197	7,222	2,047	3,657	1,717
<b>Labor Force Participation Rates</b> <i>(Percentage Point Change)</i>								
Peak to Trough	-0.1	0.3	0.4	0.0	0.2	0.1	0.0	0.9
Trough to 28th Month	-0.1	0.3	0.7	0.9	0.4	-1.1	1.1	-0.1
Net Rate Change	-0.2	0.6	1.1	0.9	0.6	-1.0	1.1	0.8

\*Only those with recoveries exceeding 28 months.

**Source:** Economic Policy Institute's analysis of Bureau of Labor Statistics data.

downturn even after twenty-eight months of recovery. The comparable figure for earlier cycles is 0.8%.

### The “Absent” Labor Force

In addition to the resource underutilization reflected in high unemployment, it appears that slow growth has forced a significant segment of the population out of the labor market. This group of labor-force “absentees,” not counted among the unemployed, consists of people who have stopped looking for work or never looked for work because they were pessimistic about their prospects. Thus, if more and better job opportunities had been created in recent years, then employment would have been enlarged by many people “not in the labor force” as well as those currently unemployed. The slow growth in the labor force -- people employed or seeking work -- in the 1990s is partial evidence of this phenomenon. As shown in Table 4, the labor force grew by only 3.4 million since July 1990, or just 69% as much as in earlier cycles. Although this slow labor-force growth can be partly attributed to slow population growth, it is equally due to a decline in the labor-force participation rate (LFPR) -- the percentage of the adult population employed or seeking work.<sup>9</sup>

This failure of labor-force participation to grow as it did in the prior three recoveries represents a failure to incorporate people into the economy. Part of the explanation may be that, because the recession was uncharacteristically hard on women, there were probably many women who dropped out of, or failed to enter, the labor force.<sup>10</sup> It is also likely that corporate restructurings hastened early retirements among men. These trends show up partially in the BLS data in the growth during the cycle of 1 million more people “wanting jobs” but not seeking work.<sup>11</sup> All in all, if labor force participation had grown in the 1990s as it had in earlier cycles, then an additional 1.3 million people would be available for work, but probably unemployed.<sup>12</sup>

### The Shift Toward Part-Time and Temporary Work

This recovery can be criticized not only for failing to produce the jobs

necessary to lower unemployment and absorb workers into the labor force, but also for creating far too many part-time and temporary jobs.<sup>13</sup> For example, according to the BLS payroll survey, some 526,000 (27.7%) of the 1.9 million jobs created in the recovery (Figure C) were provided by temporary-help agencies -- a remarkable contribution for an industry comprising less than 2% of total employment. This means that the temporary-help industry expanded an amazing 36% in just twenty-eight months, a growth of more than 1% each month. Another 26% of the new jobs were additional government employment, primarily at the state and local level. *Only 880,000 (46.3%) of the total jobs gained in the recovery were non-temporary, private-sector jobs.*

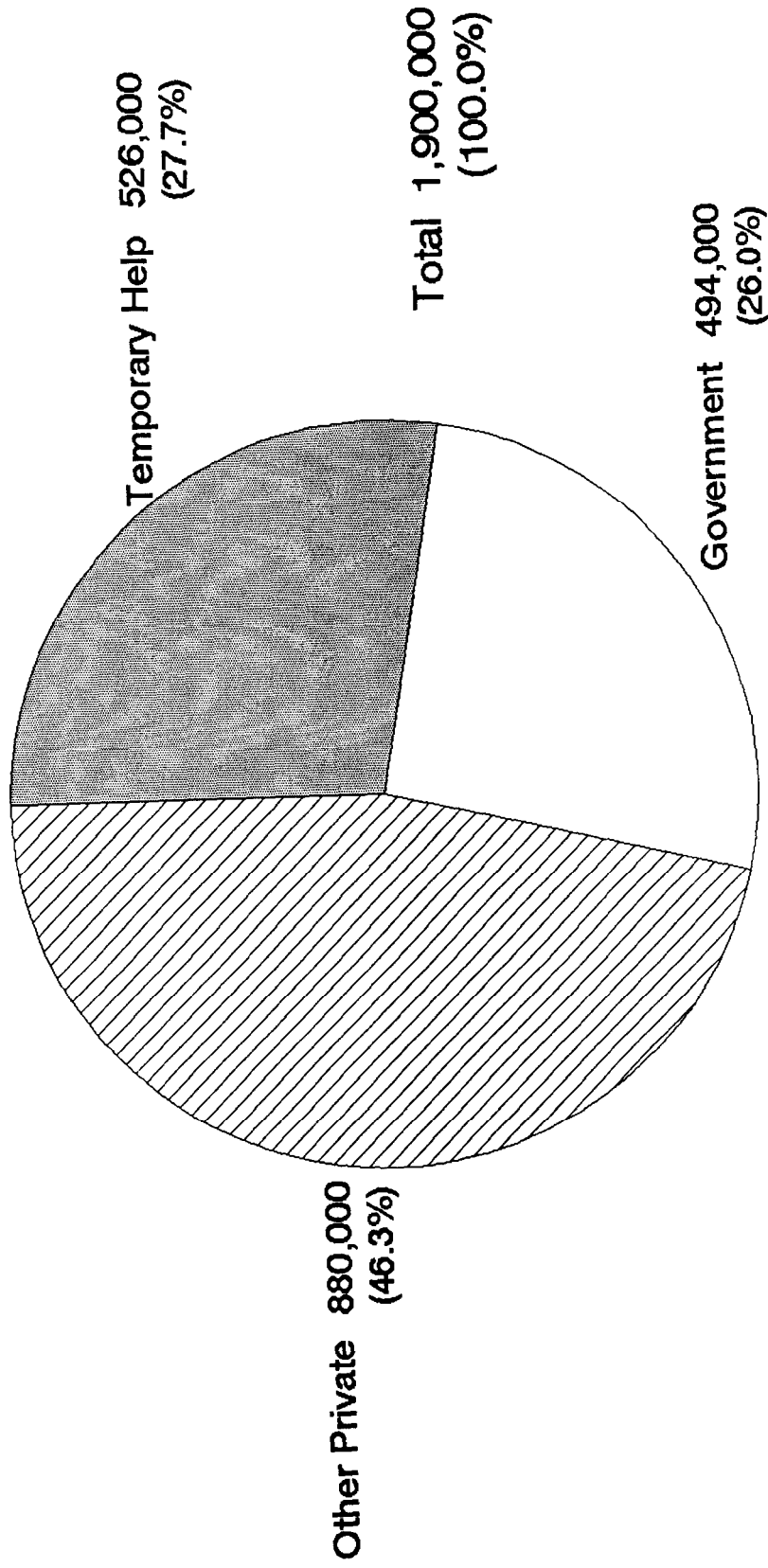
Using the household survey, we can track the number of part-time jobs that were created (Figure D). Between March 1991 and July 1993 the number of people working in part-time jobs (both voluntary and involuntary) grew by 650,000, accounting for 25.9% of total employment growth in the period.

What is especially noteworthy is that three-fourths of the part-time jobs created in the recovery (482,000) were filled by involuntary part-timers -- workers wanting full-time jobs. In contrast, in every other recovery there was a significant *reduction* (14.5% on average) in the number of people working part-time involuntarily, a trend reflecting the fact that growth in involuntary part-time work in the downturn is normally reversed as the economy begins to expand (Figure E). In July 1993 there were 6.5 million involuntary part-time workers, a number that represents a dimension of underemployment rivaling that of the 8.8 million still unemployed.

Equally noteworthy is that voluntary part-time work has grown by just 168,000, and accounts for just 6.7% of total job growth during the recovery. Since about 14% of the workforce typically works in part-time jobs voluntarily, the 6.7% expansion during the recovery indicates a decreased worker desire for part-time work. *These trends suggest that the rapid expansion of part-time work in the recovery reflects the success of employers in expanding part-time jobs even though employees are shifting their preferences toward full-time jobs.*

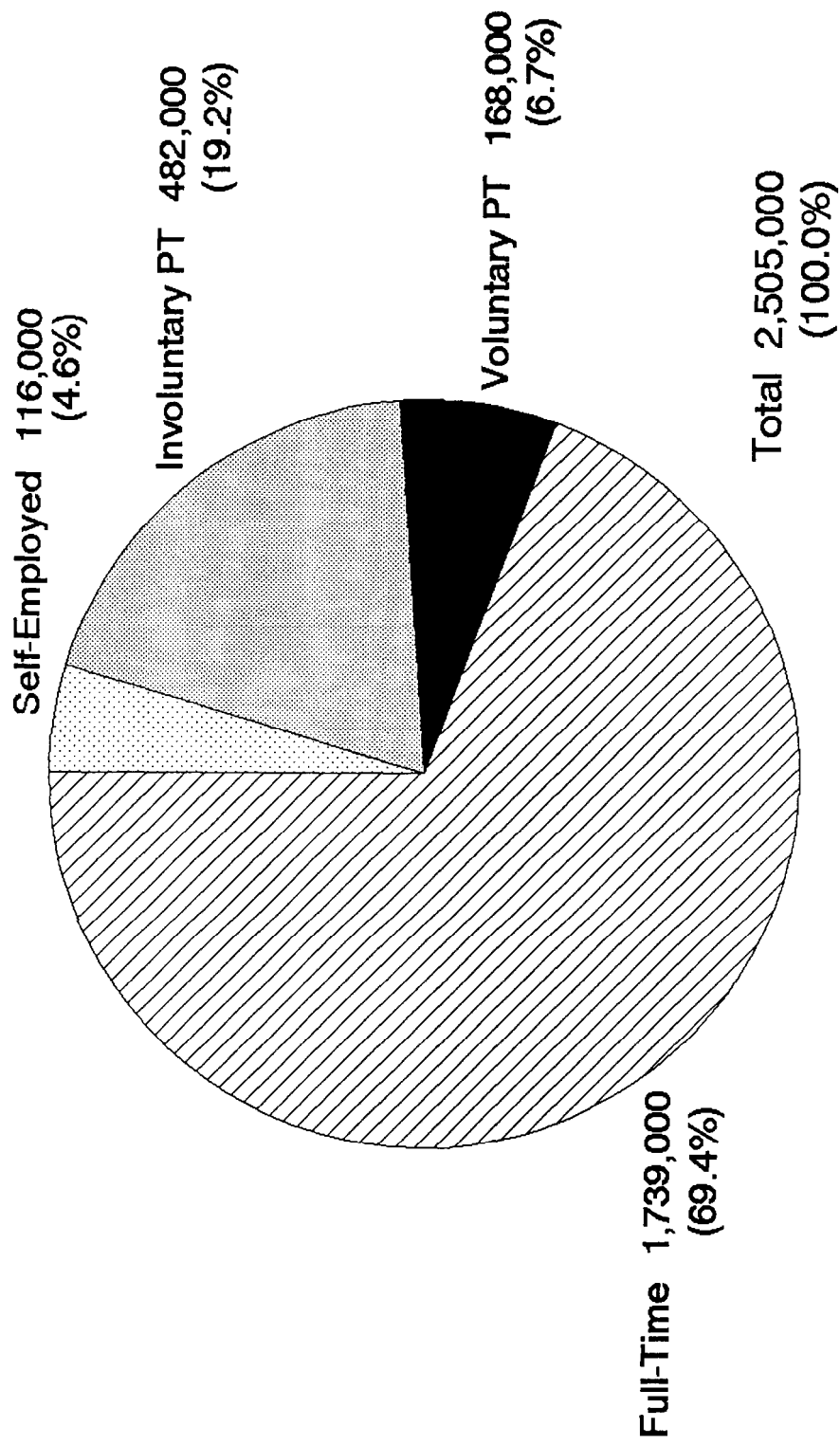


# Figure C Job Growth in Recovery by Sector



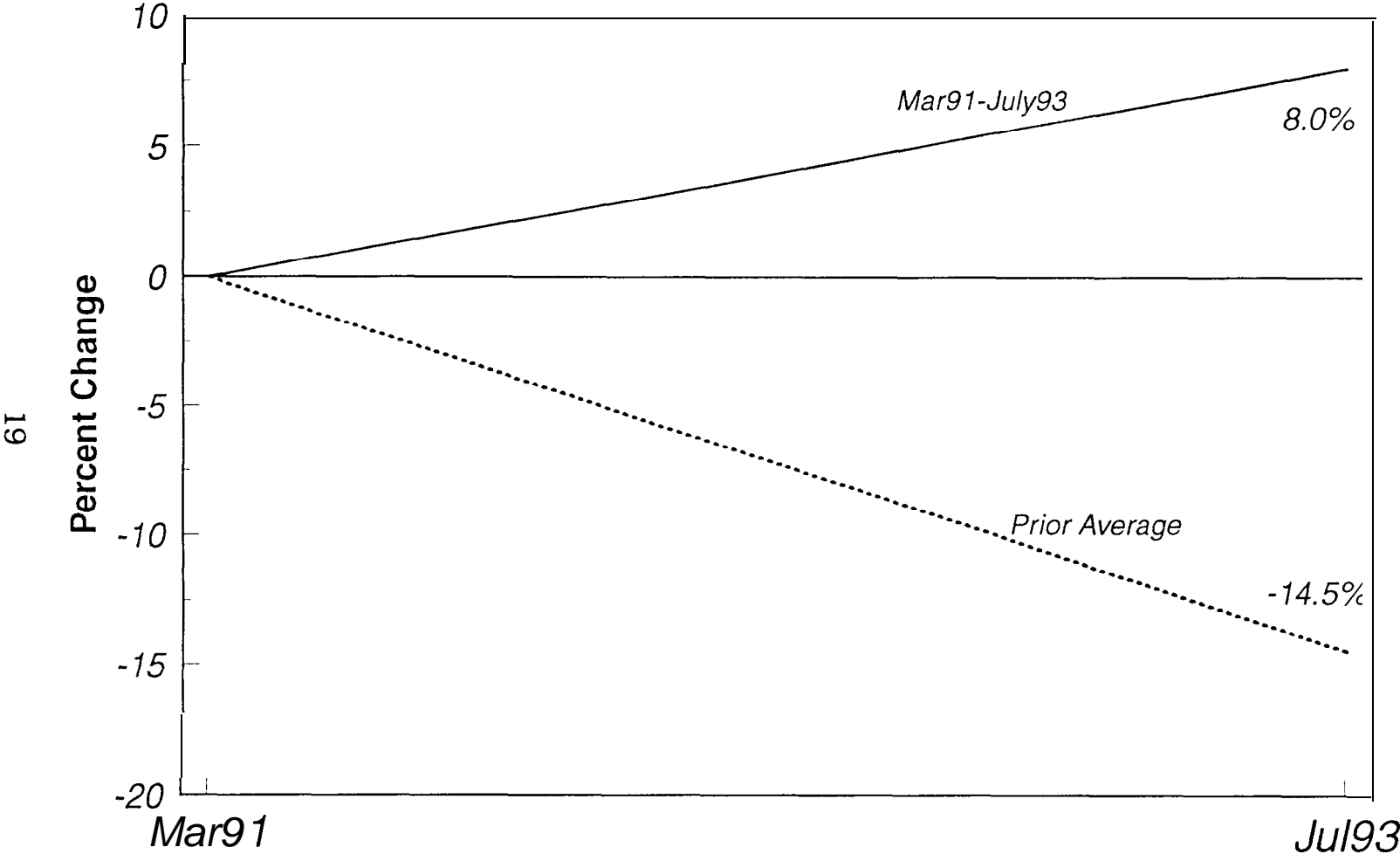
Note: Recovery spans March '91 through July '93.  
Source: Economic Policy Institute analysis of BLS Payroll Employment Data.

# Figure D Job Growth in Recovery by Type



Note: Recovery spans March '91 through July '93.  
Source: Economic Policy Institute analysis of BLS Household Survey Data.

**Figure E**  
**Involuntary Part-Time Workers**  
**Mar91 -July93 and Prior Average**



Source: Economic Policy Institute analysis of BLS Household Survey Data.

## **Job Growth and Wage Behavior in 1993**

Job creation has been faster in 1993 than in the earlier part of the recovery -- about 172,000 monthly compared to 40,000 monthly from March 1991 to January 1993. And unemployment has fallen 0.3 percentage points so far this year. However, these better job trends are still below average. Even more important, these are not good jobs at good wages. For one, the excessive expansion in part-time and temporary jobs during this recovery continued into 1993. Second, aggregate wage data suggest that a majority of workers are probably not enjoying real wage growth. Real hourly compensation in the business sector has actually fallen at a 0.4% annual rate over the last two quarters, and the wages of production and nonsupervisory workers have been falling at a 0.8% annual rate.<sup>14</sup>

The household survey employment data show that *an incredible 60% of the 1,230,000 jobs created between January and July 1993 were part-time jobs, with half of these part-time jobs filled by people wanting full-time jobs.* Another 24 **1,000** (20%) of the new jobs were people becoming self-employed -- a category that includes underemployed people making do with makeshift work as well as budding entrepreneurs.

The payroll survey shows that **18%** of the 1,029,000 payroll jobs added since January were created by temporary-help agencies. While this is a smaller percent of payroll employment growth than earlier in the recovery, it is still quite extraordinary and disturbing given that temporary-help-agency jobs amount to less than 2% of overall employment. Viewed another way, temporary jobs have expanded by 30,000 a month since January 1993, roughly twice the 15,600 monthly expansion in the first twenty-two months of the recovery. Furthermore, these data, if anything, severely understate the growth of temporary jobs, since the data capture only temporary employment through agencies and do not measure the growth in workers directly hired by businesses as temporary workers or those assigned to internal temporary worker pools.

Thus, when the character of job growth in **1993** is taken into account, current trends appear similar to those of the recovery of the 1980s -- falling unemployment coinciding with falling wages and an increase in poor-quality jobs.

In fact, the character of recent job growth may be worse than that of the 1980s, since the wage deterioration may be more widespread and the shift to part-time and temporary work sharper. If current trends toward widespread wage erosion and part-time and temporary job creation persist, then living standards for working Americans will continue to falter, and job opportunities for young workers will not meet their expectations or our expectations for them.

## **Conclusion**

Our analysis of labor-market trends in the early 1990s reveals the extent of the problems that the Clinton administration's initiatives must overcome. The adverse trends of the 1980s are still with us. Slow job growth and modest decreases in unemployment now coincide with: a broad-based decline in overall wages, including severe reductions in the wages of both blue- and white-collar men; rising underemployment growing out of a sharp shift toward involuntary part-time work and temporary jobs; and an increasing reluctance of potential workers, because of poor job prospects and continued job dislocations, to join the workforce. *In fact, the current deterioration in the quality of jobs, reflected in falling wages, growing underemployment, and increasing wage inequality, may be greater than that experienced in the 1980s recovery.*

Even the recent favorable job growth may slow. After two quarters of falling productivity, employers are likely to either reduce employment or hire very slowly. Moreover, the deficit reduction package's spending cuts and tax increases will begin to slow growth in the fall, putting upward pressure on unemployment for the next several years despite any drop in interest rates.

Falling wages will necessarily translate into falling or, at best, stagnant incomes for the broad middle class since there have been no offsetting increases in weekly hours worked or labor-force participation in recent years. Thus, the consequence of recent adverse labor market trends will be a continued "middle-class squeeze" -- including declines among prototypical suburban white-collar families -- and high levels of poverty fueled by growing low-wage employment and

underemployment. The only way to combat these trends is to address the fundamental forces driving wages downward: slow growth: the employer's pursuit of a low-wage path to competitiveness; the dramatic shift of power in the workplace toward management and against workers, both union and nonunion; a diminished minimum wage: slow productivity growth: the adherence to hierarchical methods of work organization; the failure to eliminate the financial incentives of employers to employ part-time and temporary workers without paying benefits: trade pressures, especially from low-wage countries; and the loss of our technological edge. These are matters that still await the focused attention of Congress and the administration.

September 1993

## Appendix

### Wage Data and Computations

The sample used for the wage analysis in this study was drawn from the outgoing rotation groups of the Current Population Survey (CPS). The construction of the outgoing rotation group (ORG) files is discussed in detail in *The State of Working America, 1992-93 Edition* (pp. 479-81). The ORG files have the advantage of large sample sizes and detailed wage information. The respondents in the ORG files are asked about earnings in the week prior to the survey. This short recall period heightens, in our opinion, the reliability of the data relative to the March CPS, where the recall period is the previous year.

We have added two innovations to our previous wage analysis: decile smoothing and outlier removal.

Analysts of wage trends, particularly those at the Bureau of Labor Statistics (BLS), have found the wage distributions as reported by survey respondents tend to be “lumpy.” That is, reported amounts tend to cluster around certain values. A result of this phenomenon is that it takes the earnings distribution a long time to move through certain values, typically values on or next to those most commonly reported (often fifty cent or dollar intervals). As an example, note that the median hourly wage for males was reported to be \$9.99 in 1987 and 1988 and \$10.00 in 1989.

In order to account for this artifact of reporting, we have adopted the BLS’s smoothing technique for our decile tables in this report (however, BLS smoothes weekly, not hourly, earnings). The technique involves creating a categorical hourly wage distribution, where the categories are fifty-cent intervals, starting at twenty-five cents. We then find the category closest to each decile and linearly interpolate to locate the wage precisely on the particular decile. Using the example of median male wages from above, the smoothed medians are \$9.81 in 1987, \$9.97 in 1988, and \$10.11 in **1989**. Thus, the distribution is seen to move more reasonably through the \$10.00 value where it was previously “stuck.”

The ORG, like most surveys with income data, includes some outliers. In our analysis, these are cases with extremely high or extremely low hourly wages. Such cases tend to have an excessive influence on the mean, particularly in cells defined by two or more variables (since these cells have fewer cases relative to the whole sample). Furthermore, the outlier problem is exacerbated when samples are limited to part of a year, as in this study. Therefore we removed cases with hourly wages less than \$0.50 or greater than \$100.00 from tables that report mean values. For example, the removal of one female in the education category “MS or Above” with an hourly wage of \$1250.00 in 1992 (first half) led to a decrease of 43 cents from the weighted mean for that cell. In other cases, the removal of low outliers caused the cell mean to rise slightly. In the two half-years shown in Table 3, outliers accounted for less than half a percent of the unweighted sample.

## Endnotes

1. The trends for the 1979-89 period reported here differ slightly from those reported in Mishel and Bernstein (1993) because of our “smoothing” of the data. See the Appendix.
2. Consider the trend in the ratio of wages at the 90th and 50th percentiles. The “top” is pulling away from the “middle” at a somewhat faster pace (comparing the 1979-89 trend to the full-year 1989-92 trend) or a much faster pace (using the trend between the first halves of 1989 and 1993). The ratio of the median to the 10th percentile has not grown appreciably in recent years. The 10th percentile wage is not presented in Table 1, but is available on request.
3. Again, we examined the ratio of wages between the 90th percentile and the 50th percentile. The growth was slightly lower in the full-year 1989-92 period than in the 1979-89 period (0.021 versus 0.023 percentage points annually). The trend between the first halves of 1989 and 1993 was much slower than the 1980s trend (0.009 versus 0.023 percentage points annually).
4. These fringe benefit data are drawn from the BLS Employment Cost Index series on levels of compensation available for each March period.
5. See Teixeira and Mishel (1993) for an examination of what these trends mean for training and education policy.
6. The alert reader might note that the average wage grows faster or falls more slowly than what might seem reasonable given the wage loss for most education categories. This is because educational upgrading, such as an increase in the proportion of college graduates, is lifting wages.
7. These data are based on the ratios of college to high school wages in Table 3.
8. The comparisons between the recent recovery and other recoveries is necessarily limited to earlier recoveries that lasted at least twenty-eight months. This method omits two brief recoveries, one in the early 1980s and one in the late 1950s.
9. This can be seen in a log decomposition of the percentage growth in each recovery into its components: growth in the adult population and the labor-force participation rate. In the recent cycle the labor force grew 0.8% slower than in prior recoveries, population growth was 0.4% slower, and participation growth was 0.4% slower (all rates are annual).
10. See Goodman et al., 1993, for evidence of the effect of this recession on women’s employment.



11. See **BLS** *Employment and Earnings* (July 1993), Table A-53, p. 58. The data on “discouraged workers” reinforce this point, as this is the first recorded recovery with an increase in this category.

12. The estimate is arrived at by allowing the July 1990 labor-force participation rate to grow at a log annual rate 0.003 faster to obtain a hypothetical July 1993 rate. The “absent” labor force is simply the difference between the hypothetical and the actual labor force.

13. Because the monthly Temporary Help Industry (SIC 7363) employment data are not seasonally adjusted, we are forced to examine the growth in the more aggregate Personnel Services Industry (SIC 736). Seventy-five percent of the employment in SIC 736 is in SIC 7363, so the two track closely. In fact, our examination of the non-seasonally adjusted employment data in each June from 1990 on reveals that ninety-eight percent of the employment growth in SIC 736 from June 1990 to June 1993 occurred in SIC 7363.

14. These data are drawn from the recent BLS reports “Productivity and Costs: Second Quarter 1993” (USDL 93-320) and “Real Earnings in July 1993” (USDL 93-335).

## **Bibliography**

Goodman, William, Stephen Antczak, and Laura Freeman. "Women and Jobs in Recessions: 1969-92." *Monthly Labor Review*, July 1993, Vol. 116, No. 7. pp. 26-35.

Mishel, Lawrence and Jared Bernstein. *The State of Working America, 1992-93 Edition*. New York: M.E. Sharp, Inc., 1993.

Teixeira, Ruy A. and Lawrence Mishel. "Whose Skills Shortage--Workers or Management?" *Issues in Science and Technology*, Summer 1993, Vol. 9, No. 4, pp. 69-74.