

The Dismal Job Prospects in America's Future

Herbert J. Gans

Herbert Gans likes to ask the unthinkable. What if the United States cannot create enough jobs, not merely for this decade but for a generation? Asking the question is perhaps even more important than answering it.

IN JANUARY 2013, a Rutgers University survey found that nearly a third of a national sample believed that the economy “would never recover” from the Great Recession (Szeltner, van Horn, and Zukin 2013, 29). The researchers did not ask their respondents what made them feel as they did, but nearly a quarter were laid off sometime during this period, and nearly 80 percent knew of family members and friends who had lost their jobs.

Let us suppose that these survey respondents might be on to something. “Never” is unthinkable, but is it possible that the economy, or at least its labor market, will not recover for a generation or more? In what follows, I extend current trends that seem likely to continue, but even so, looking ahead for twenty-five to thirty years has to be treated as guesswork.

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Also, the most pessimistic guesses cannot justify a permanently downward trend. Indeed, someday the economy may be so healthy that old-fashioned full employment will return. More likely, however, the economy of the future will have very good jobs for some, very bad jobs for many, and none at all for too many.

Good Jobs and Bad

Most economists look at the economy through the eyes of employers and investors, but the respondents to that Rutgers survey probably saw it mostly as employees and consumers. Consequently, perhaps they focused on the fact that work opportunities were declining while consumer prices were still rising.

Perhaps they also saw a crucial but so far little-noticed trend: that too many of the jobs lost during the Great Recession were good ones and that too many of those created since then (and even before) are bad ones.

Job quality is subjective, and “good” and “bad” are judgmental terms about which opinions will vary (Kalleberg 2011). Even so, employer and employee surveys together with other evidence could be used to develop quality categories that are measurable.

I would argue that jobs are good if they are secure or reasonably secure, paid at or at least near the median wage and salary, and offering the standard employer-paid health and other fringe benefits.

Bad jobs are insecure or inadequately paid and without fringe benefits. Insecure ones include all those subject to frequent or unexpected layoffs. Inadequately paid jobs include those at minimum wage and below the living wage; also many temporary, other-contingent, and involuntary part-time jobs. Some of the latter are nominally full-time jobs reduced to short work weeks in bad economic times.

Unfortunately, neither the federal government nor anyone else seems to regularly report data about job quality (except as job satisfaction), but clues to what is happening can be found here and there. The ever-growing research on income inequality suggests that the highly skilled with scarce talents are secure and very well paid—and

those collecting professional and management fees or capital gains rather than salaries even more so.

The continuing low unemployment figures among college graduates other than the most recent cohorts indicate such jobs are also secure and ensure a comfortable lifestyle. The top of the labor market seems to be in good shape and is likely to remain so. Indeed, the workers constituting it are most likely the major ingredients in, as well as beneficiaries of, the economic growth currently taking place.

In addition, a majority of the country's employees are probably still holding secure or reasonably secure jobs and at salaries and wages above or around the median. Still, the rise in inadequately paid work, the arrival of second-tier-wage jobs, the increase in temp jobs, which frequently pay second-tier wages as well, and the frequency of today's union contracts calling for wage reductions suggest that too many wages and salaries in this part of the labor market are slowly heading in a downward direction.

At the same time, the number of insecure and underpaid jobs has been increasing, particularly in retail positions, food services, home care, and construction. Many of these are minimum-wage jobs, and a rising number are part-time ones or subject workers to frequent short workweeks or furloughs.

Some of the declines in job security and pay began long before the Great Recession but seem to have accelerated since its official ending. John Schmitt of the Center for Economic and Policy Research has been keeping track of changes in good and bad jobs between 1979 and now. Defining good jobs as paying a median income and all standard employer-provided fringe benefits, he reports that since 1979, the economy has lost about a third of its ability to create good jobs (Schmitt and Jones 2012a) and that about a quarter of the country's workers held bad jobs in 2010 (Schmitt and Jones 2012b).

Inadequately paid work may be increasing more sharply than all other types. Worker income as a percentage of the gross domestic product (GDP), which was traditionally above 50 percent, has now declined to 41 percent (Greenhouse 2013). Partly as a result, in 2011

nearly 30 percent of all workers held jobs paying at or below the poverty level for a family of four, then set at \$23,000 per year (Mishel, Bivens, Gould, and Shierholz 2012; Thiess 2012).

Here and there, data can be found on the rise of different kinds of bad jobs. For example, temp jobs have been on the rise since the 1980s, increasing from 0.5 percent of all jobs to 2.3 percent in 2012 (Kurtzleben 2012). After the 1990 recession, 11 percent of the jobs added were temps; in 2010, after the Great Recession, more than 26 percent of added jobs went to temps (Gottesdiener 2012).

Involuntarily taken part-time work has also been increasing. According to the Bureau of Labor Statistics (BLS), nearly 6 million full-time jobs have disappeared since the start of the Great Recession, and 3.4 million more people are currently working part-time involuntarily—or “for economic reasons,” in BLS terminology (Rampell 2013). Similarly, the retail and wholesale sector has cut a million full-time jobs since 2006, which it has replaced with 500,000 part-time ones (Greenhouse 2012). Even some of the temps are sometimes hired as involuntary part-timers, although others, called permatemps, are hired for permanent full-time positions, usually receiving less income than full-timers hired by the firm and no fringe benefits (Hatton 2011).

If one adds to the high number of bad jobs the jobless, the known and unknown discouraged workers, and the older long-term jobless who involuntarily retire and drop out of the labor market, the percentage of Americans getting the short end of the economic stick rises yet further. If all or most of these indicators continue to grow in the years to come, the United States could reach a now unimaginably horrific level of economic and social inequality.

The Future of Jobs

Needless to say, some of these numbers reflect the continuation of the labor market’s Great Recession, and if so the number of good jobs should rise again when the economy’s health improves and unemploy-

ment declines. Even if economic growth is slow and the consumer economy remains depressed, pent-up demand will eventually make itself felt once more, at least for necessities, including some big-ticket consumer goods, education, and health expenditures. Meanwhile, babies continue to be born, and their growing up adds an inevitable boost to the consumer economy and its labor market.

Moreover, unless government R&D funds are cut to the bone, technological and other innovations are sure to appear on the economic scene. For example, one of these years, the electric battery will become standard equipment for cars and other machinery now driven by fossil fuels, and other forms of carbonless energy may be found.

Likewise, another round of cyberspace and other communication hardware and software can be expected; new medicines and medical and other health-care procedures will likely be invented; and still unimagined innovations will surface as well. Even new raw materials will perhaps be discovered somewhere in the country, or in U.S.-controlled and co-controlled sites under the oceans or the remaining ice fields.

The innovations that begin in the United States will bring new jobs and thus new incomes with them. Unfortunately, most are likely to require high technical skills or otherwise scarce talent and may therefore be well paid but comparatively few in number. In addition, new inventions generally make the economy more capital intensive than before, thus further enriching the already rich owners of capital. Nonetheless, innovation also adds good jobs requiring average skills and providing average incomes.

At the same time, the new technology will replace some older ones and will thereby destroy some old jobs. Also, a number of new technologies invented here will be copied overseas, or their manufacture sent to countries where wages are significantly lower. And some innovations will blow up in bubbles.

However, there is no reason to think that the number of various kinds of bad jobs will stop growing or decline. In a sluggish economy, the supply of job seekers will continue to exceed demand for them. In

addition, continued outsourcing and computerization could further shrink the demand for workers, especially if and when robots that can replace humans grow in number.

In fact, incentives that perpetuate the labor market status quo and even increase the number of bad jobs are likely to persist. The oversupply of workers should continue, maintaining downward pressure on salaries and wages for people of average or lower levels of skill. Even if Chinese, Indian, and other East and South Asian pay scales keep rising, many other low-wage countries that can compete with American workers are accessible. And if domestic employers can obtain enough satisfactory workers at second-tier-wage levels, what will stop yet others from hiring at third-tier levels?

Unless government is allowed to significantly raise the minimum wage or, better still, raise it to a living-wage level and thereby drive up other wages, workers will remain vulnerable to being inadequately paid. Without a reenabling of unionization, there is now no reason to think that farm workers, health-care workers, fast food handlers, and the like will be hired for secure jobs offering decent wages and benefits.

The same outlook holds for most kinds of contingent workers. Absent government prohibitions or regulations, employers who do not depend on workers they have trained or who do not need scarce talent can reduce labor costs by hiring more lower-priced temps or independent contractors.

The long-term future of involuntary part-time work appears healthy as well. The greatest increase in this type of bad job may come in retailing of goods and services for which demand is variable, during the day, the week, or the month. Most people shop and eat meals out during predictable hours, and workers can easily be turned into involuntary part-timers by being asked to show up only during such hours.

Poor people do much of their buying early in the month, and establishments serving them can lay off workers toward the end of the month, when poor wallets are emptier than ever. How long before financially hard-pressed local governments will figure out that they

can reduce their mass transit workers before and after rush-hour traffic?

In addition, there will always be industries and firms that are satisfying seasonal demands and can lay off workers sometime during the year and for varying periods. When the economy is weak, firms not affected by seasonal change will put their workers on short work-weeks, as they have already been doing.

Combining these likely trends suggests that wages and salaries at or below the median will not increase and could decrease further. As a result, the consumer economy may shrink more, which will continue the vicious cycle of additional labor market shrinkage.

Then the question is, how long can the cycle continue, and how vicious can it become before the bad jobs begin to outnumber the good ones (Faux 2012)? By then, something has to give, in the economy, in the polity, in the larger society, or in all of them.

Thinking Ahead

The foregoing can be read as one possible scenario for the future and as a heuristic device for beginning to think about what might and should happen in the years and decades to come. However, the future's unpredictability requires that alternative scenarios be created as well and updated as better trend data and more sophisticated analyses become available.

Such scenarios can also suggest searches for needed new data as well as new economic and other indicators and measures to find that data. In addition, the scenarios can initiate thinking about what kinds of policies and politics might be necessary to reverse undesirable trends.

The scenarios and ideas about relevant policies and politics should be shared with the general public so that it can familiarize itself with what the future might bring and begin to discuss the problems likely to be generated and the policies needed to deal with them. Then, when problems must be solved, the public can, as the citizenry of a democratic society, participate in shaping the required policies—and the politics that can bring about the best policies.

Whether the elites then making the country's significant economic and political decisions can be made to listen, however, is another matter.

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